



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Mario DRAGHI
President

Mr Nikolaos Chountis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 April 2018

L/MD/18/144

Re: Your letter (QZ-018)

Honourable Member of the European Parliament, dear Mr Chountis,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 6 March 2018.

The pass-through of the monetary policy measures put in place by the ECB since June 2014 has contributed to a significant easing of borrowing conditions for firms and households. As a result, the gross interest payment burden of euro area households fell from 3.5% to 2.7% of their gross disposable income between the second quarter of 2014 and the third quarter of 2017. In Greece, the country mentioned in your letter, households' interest payment burden declined from 4.2% to 3.3% of their gross disposable income over the same period. More generally, lower-income households have particularly benefited from lower interest rates on debt: the results from the second wave of the Household Finance and Consumption Survey, which were published in December 2016, illustrate that a decrease in interest rates translates into a lower debt service-income ratio, especially for the lowest income quintile.¹

Moreover, the ECB's accommodative monetary policy supports economic growth and employment. Since the post-crisis low in mid-2013, the number of people employed in the euro area has increased by approximately

¹ See Box 3.1 of the report on the results of the survey, which is available on the ECB's website at <https://www.ecb.europa.eu/pub/pdf/scpsps/ecbsp18.en.pdf>. Developments in the yield on assets as a result of lower interest rates may, of course, work in the opposite direction.

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7.8 million. The (seasonally adjusted) unemployment rate has declined from its peak level of 12.1% in mid-2013 to 8.5% in February 2018. While evidence suggests that unemployment during the crisis disproportionately affected lower-income households, these households have particularly benefited from the favourable developments in the labour market over the past five years.

Taken together, reduced debt servicing costs, higher employment and higher income have reduced households' indebtedness and improved debt sustainability. At the aggregate euro area level, household gross indebtedness fell from 96.2% to 94.1% of household gross disposable income between the second quarter of 2014 and the third quarter of 2017. In Greece, household indebtedness declined from 96.9% to 89.4% of gross disposable income over the same period.

Finally, let me highlight that all euro area households benefit from a safer and sounder financial sector. As I said in my statement to the European Parliament earlier this year², strengthening the resilience of the euro area financial sector also requires policies to address the high stock of non-performing loans (NPLs), which you mentioned in your letter. NPL levels in the euro area have been declining for more than three years and good progress has been made on the EU Council's action plan to tackle NPLs. Nevertheless, considerable progress is still needed to ensure that NPLs are further reduced and that any future build-up is avoided. Additional efforts by banks, supervisors, regulators and legislators are needed to create an environment in which NPLs can be effectively managed and efficiently disposed of. This is also of primary importance for Greece, as I had the opportunity to explain in a recent letter of reply to you dated 23 January 2018³ and as the Chair of the Supervisory Board, Ms Danièle Nouy, also explained in a recent letter of reply to your colleague, Ms Eva Kaili, MEP, dated 23 March 2018.⁴

Yours sincerely,

[signed]

Mario Draghi

² See the introductory statement at the European Parliament plenary debate on the ECB Annual Report for 2016 at <https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp180205.en.html>.

³ The letter is available on the ECB's website at https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180123_Chountis.en.pdf.

⁴ The letter is available on the ECB's banking supervision website at https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180323_Kaili.en.pdf.

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