

ECB: Lagarde's first policy remarks

New ECB president Christine Lagarde gives her first policy speech but remains tight-lipped on monetary aspects



New ECB president Christine Lagarde just gave her first official speech on policy at an event in Frankfurt. The key messages from the speech are:

- The ECB will start a strategic review of its monetary policy in “the near future”.
- The ECB will “continuously monitor the side effects” of its policies.
- Lagarde also reiterated the well-known call for fiscal policies to support investment, not necessarily only by more spending but also by shifts within public spending towards more investment.
- Lagarde put more emphasis on other policy areas, such as completing the digital single market, capital markets union and the single market in services.

Interestingly, Lagarde warned that “a monetary union focused too much on risk sharing is likely to produce moral hazard and too little saving”. This is maybe a tribute to a mainly German-speaking audience.

Interestingly for ECB watchers, Lagarde seemed to have changed the script briefly before the speech started as the ECB first released a different speech on its website. It looks as if Lagarde added the introduction paragraph in the very last minute. Also, contrary to Mario Draghi, Lagarde went slightly off script once in a while.

Today, Lagarde's speech was much more on the general state of Europe and the Eurozone rather than on monetary policy, following the recent tradition that central banks prefer talking about structural and fiscal policies rather than monetary policy, while politicians prefer talking about monetary policy rather than fiscal policy. For the time being, Lagarde meets the expectations that she could become the leading economic and political voice for Europe rather than quickly shaking up the ECB. Market participants will have to wait until the next ECB meeting in December to hear Christina Lagarde extensively talking about monetary policy.

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