



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

**ECB-PUBLIC**  
*COURTESY TRANSLATION*

Christine LAGARDE  
President

Mr Engin Eroglu  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
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Frankfurt am Main, 17 November 2023

L/CL/23/191

**Re: Your letter (QZ-025)**

Honourable Member of the European Parliament, dear Mr Eroglu,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 11 September 2023.

As I mentioned in the 5 June hearing of the Committee on Economic and Monetary Affairs, very few economists prepared forecasts before the start of Russia's war in Ukraine that were significantly closer to the actual growth and inflation outcomes in the euro area than the projections made by the European Central Bank (ECB) and Eurosystem staff, and by the large majority of European and international organisations and professional private forecasters. Rather than emphasising the few exceptions, the point I wanted to make is that there was a broad consensus on the outlook for growth and inflation in the euro area at the time. ECB staff analysis indicated that the large projection errors made last year were related mainly to exceptional developments, in particular unprecedented energy price dynamics and supply bottlenecks.<sup>1</sup>

Eurosystem and ECB staff regularly review the performance of their projections and continuously seek to improve the projection results and modelling frameworks. Their work is supported by frequent exchanges with other policy institutions and academia, for example through ECB-organised conferences. At the same time, it

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<sup>1</sup> For a more detailed analysis of past projections, see "What explains recent errors in the inflation projections of Eurosystem and ECB staff?", *Economic Bulletin*, Issue 3, ECB, 2022, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2022/html/ecb.ebbox202203\\_05~6d1fb8f5b0.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2022/html/ecb.ebbox202203_05~6d1fb8f5b0.en.html), and "An updated assessment of short-term inflation projections by Eurosystem and ECB staff", *Economic Bulletin*, Issue 1, ECB, 2023, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2023/html/ecb.ebbox202301\\_06~df570a38fd.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2023/html/ecb.ebbox202301_06~df570a38fd.en.html).

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should be noted that there is always a risk of elevated uncertainty, and shocks may materialise unexpectedly. Such events cannot be forecast and would therefore inevitably impair the reliability of projections. This is one of the reasons why ECB staff regularly produce analyses of risks and uncertainties around the baseline projections, including scenario and sensitivity analyses.<sup>2</sup> This information complements the point forecasts made by staff and is also an important input into the ECB Governing Council's monetary policy deliberations.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>2</sup> See, for example, Box 3 in the report of the March 2022 ECB staff macroeconomic projections for the euro area, available at: [https://www.ecb.europa.eu/pub/projections/html/ecb.projections202203\\_ecbstaff~44f998dfd7.en.html#toc5](https://www.ecb.europa.eu/pub/projections/html/ecb.projections202203_ecbstaff~44f998dfd7.en.html#toc5), which presented a severe scenario on the impact of Russia's war on Ukraine suggesting that inflation could average 7.1% in 2022, compared to the baseline projection of 5.1% (and a final outcome of 8.4%), and hence pointing already to the possibility of a higher inflation outcome. For further scenario and sensitivity analyses see also Boxes 3 and 4 in the report of the September 2023 ECB staff macroeconomic projections available at: [https://www.ecb.europa.eu/pub/projections/html/ecb.projections202309\\_ecbstaff~4eb3c5960e.en.html#toc5](https://www.ecb.europa.eu/pub/projections/html/ecb.projections202309_ecbstaff~4eb3c5960e.en.html#toc5).

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