News Release

WORLD ECONOMIC FORUM

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ECB President Draghi Celebrates Progress But Says Growth is Fragile

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- Recovery is taking place but risks are to the downside
- Many European countries are succeeding in structural reform
- Fiscal consolidation must be made more pro-growth
- The theme of the 44th World Economic Forum Annual Meeting is The Reshaping of the World: Consequences for Society, Politics and Business
- For more information, visit http://wef.ch/Davos

Davos-Klosters, Switzerland, 24 January 2014 – Mario Draghi, President, European Central Bank, told participants of the 44th World Economic Forum Annual Meeting that Europe is on the road to recovery but governments must remain committed to structural reforms. " The recovery is gradually taking place but the risks are to the downside, " Draghi said.

Draghi cited booming stock markets and said the recovery that began with exports is now moving to consumption, though growth remains fragile and uneven. Some economic data, such as confidence and industrial production, have been occasionally good and occasionally not so good, creating a situation similar to that in the United States a year-and-a-half ago, he said. Unemployment " has stabilized but remains very high " .

He praised Greece, Portugal, Spain and Italy for successfully implementing some structural reforms, but said they cannot relax their efforts, and that other countries, including those in Europe ' s core, must make progress too. He called the outlook for such progress positive " since all over now there is widely diffused awareness of the need for reforms " .

Fiscal consolidation must not be unravelled, Draghi said; it must be made more pro-growth by cutting taxes, cutting most government spending, and increasing spending on infrastructure. In many countries legislation must be altered to bring down youth unemployment.

Draghi said inflation was likely to remain below the 2% target for the next two years, and in response to this scenario the European Central Bank (ECB) has already indicated that it will keep interest rates low for an extended period. Since medium-term expectations for inflation are anchored at 2%, inflation should gradually move to the

target, especially after peripheral countries complete their adjustments in relative prices.

He reaffirmed that if deflation threatened, “ We would use all the instruments that our mandate permits ” to fight it.

He said he did not expect deflation, but he was aware that risks could rise if very low inflation persists.

Draghi said the situation of the European banking system is “ dramatically better ” than a year ago. The upcoming stress tests will further improve confidence in the banking system by increasing transparency.

For the future, Draghi said the goal is to have “ one supervisor and one regulator for all banks in Europe ” . He said “ the ECB ’ s view is that there should be an accelerated timeline for breaking the link between banks and sovereigns ” through the creation of a European fund, independent of national governments, to backstop banks in difficulty.

The Annual Meeting 2014 is taking place from 22 to 25 January under the theme, The Reshaping of the World: Consequences for Society, Politics and Business. Participating this year are over 2,500 leaders from

nearly 100 countries, including 300 public figures, 1,500 business leaders and representatives from civil society, academia, the media and arts.

The **Co-Chairs of the Annual Meeting 2014** are **Aliko Dangote**, President and Chief Executive Officer, Dangote Group, Nigeria; **Kris Gopalakrishnan**, President, Confederation of Indian Industry (CII); Vice-Chairman, Infosys, India; **Jiang Jianqing**, Chairman of the Board, Industrial and Commercial Bank of China, People ' s Republic of China; **Joseph Jimenez,** Chief Executive Officer, Novartis, Switzerland; **Christophe de Margerie**, Chairman and Chief Executive Officer, Total, France; **Marissa Mayer**, Chief Executive Officer, Yahoo, USA and **Judith Rodin**, President, Rockefeller Foundation, USA.

Notes to Editors

More information about the Annual Meeting 2014 is available at http://wef.ch/davos2014

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