



OESTERREICHISCHE NATIONALBANK  
EUROSYSTEM

# *The Financial Reconstruction of Europe* **The Role of the Eurosystem**

*SUERF/Banque de France Conference - The Financial Reconstruction of Europe*  
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[www.oenb.at](http://www.oenb.at)

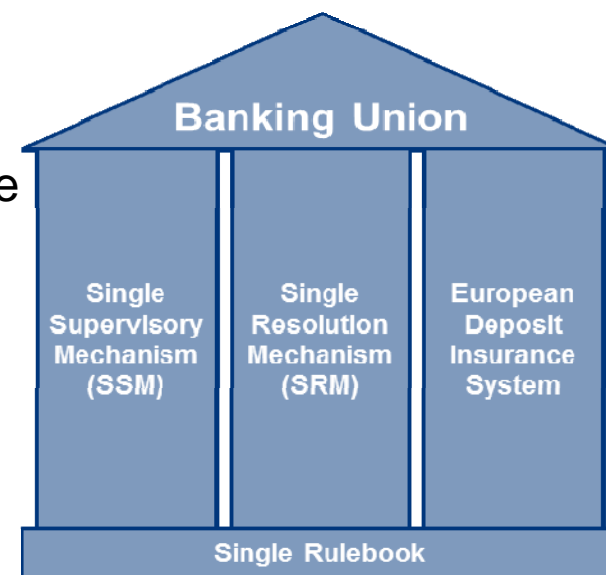
## Financial Reconstruction

- Ensure solvency of public households and the private sector
- Reduce financial fragmentation and frictions
- Guarantee enduring financial stability
- Foster economic growth

## The Role of the Eurosystem in Financial Reconstruction I

- **Banking Union**

- Sever link between banks and public finances
- Foster single market for financial services, convergence of borrowing conditions for HH and NFCs
- Given the importance of financial cycles, information from banks necessary for a meaningful and robust analysis of the macroeconomy and of the monetary policy transmission
- Facilitate taking into account of externalities and spill-overs



## The Role of the Eurosystem in Financial Reconstruction II

- **Monetary policy**
  - No substitute for fiscal consolidation
  - Ensures price stability
  - Supports economic growth in line with potential
  - Ensures liquidity in banking sector
  - Anchors expectations (forward guidance)
- **Stable macroeconomic, monetary and financial environment supports public & private balance sheet repair**

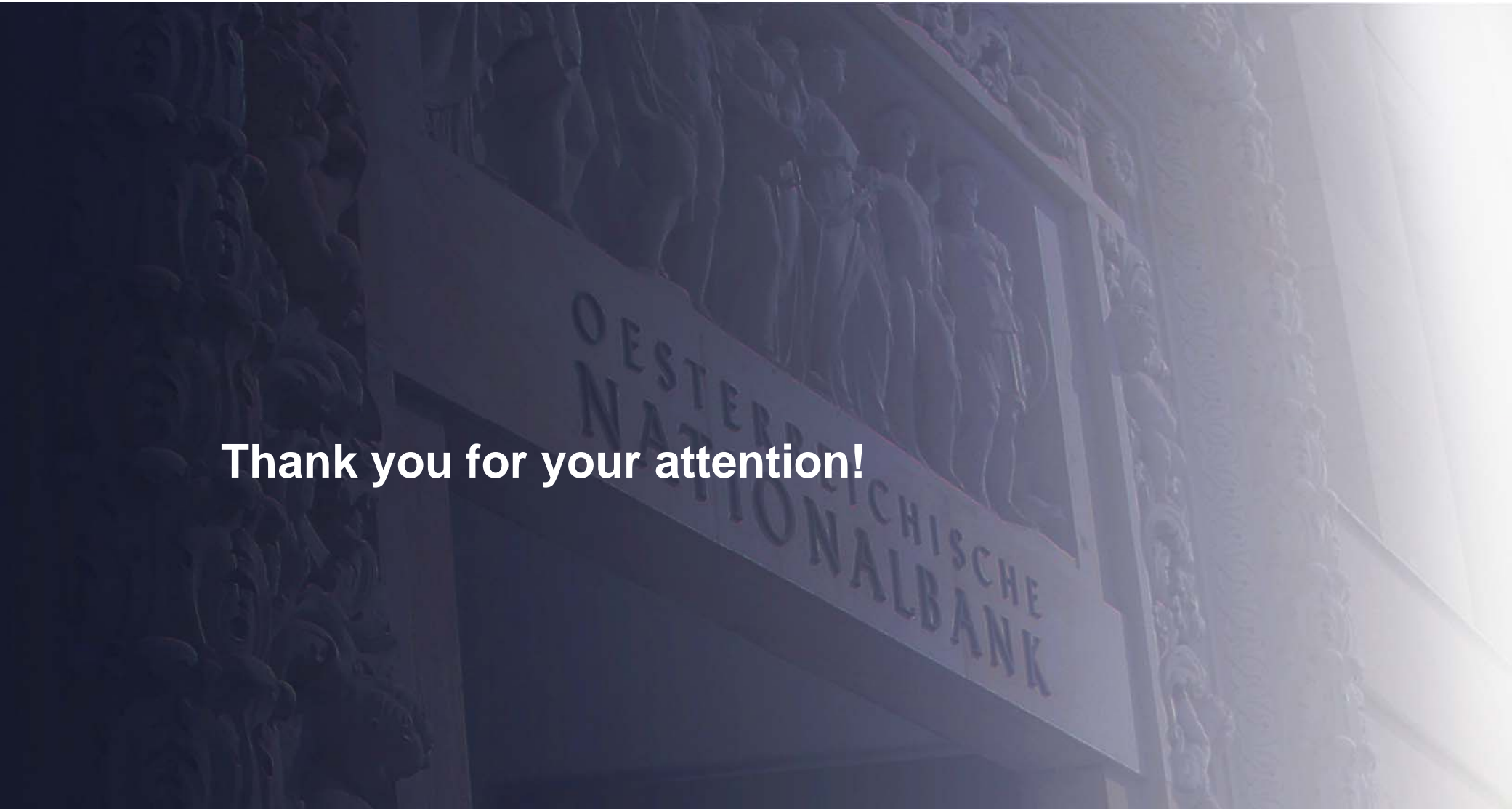
## Challenges ahead

- **Consolidation of public finances**
  - Curtail risks to economic recovery
- **Exit from ultra-accommodative monetary policy**
  - Prepare well
- **Microprudential supervision and regulation**
  - Complete banking union (SSM, SRM, ...)
- **Structural reforms**



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**Thank you for your attention!**



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**Additional material**

A photograph of the Oesterreichische Nationalbank building facade, showing a large sign with the bank's name and classical sculptures above it. The image is dark and semi-transparent, serving as a background for the text.

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## ECB Forward Guidance

7 November 2013

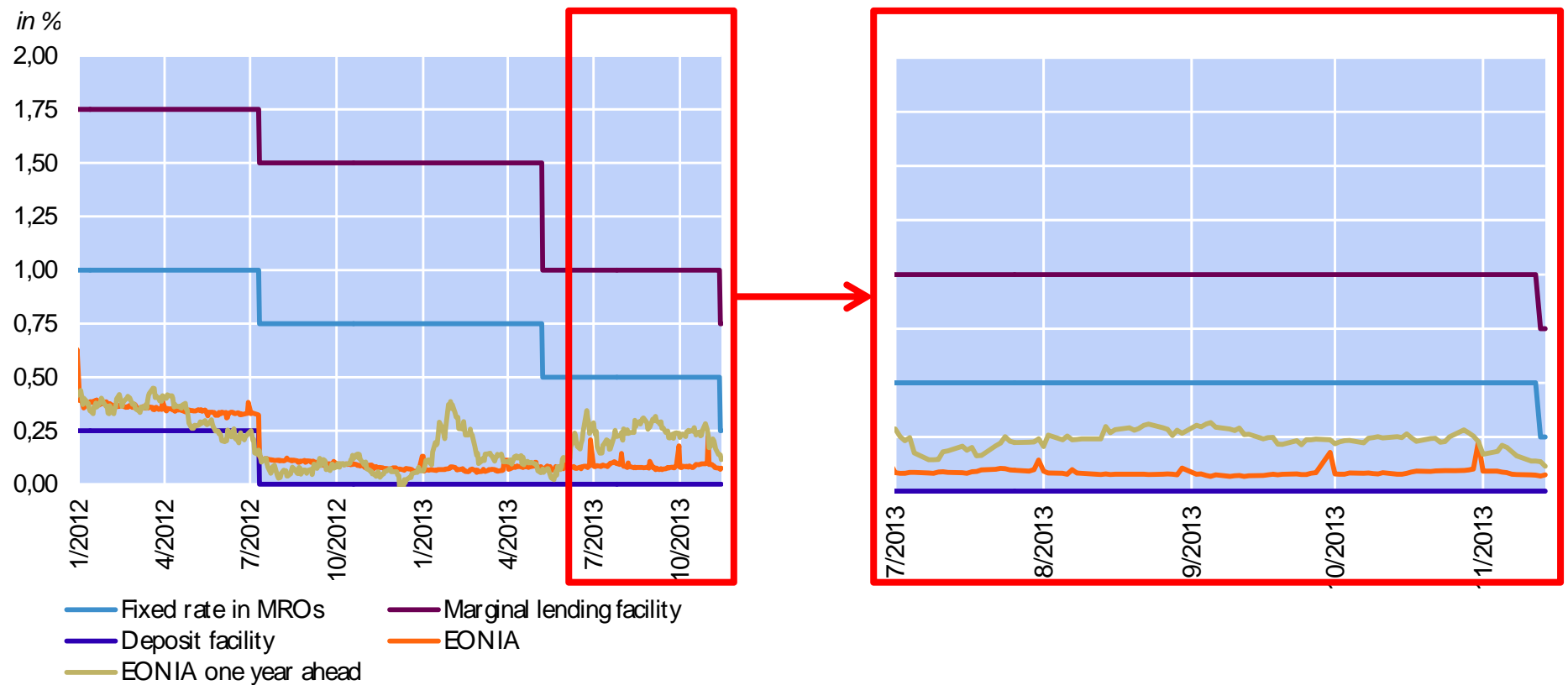
*(...) First, based on our regular economic and monetary analyses, we decided to lower the **interest rate** on the main refinancing operations (...) These decisions are in line with our forward guidance of July 2013, given the latest indications of further diminishing underlying price pressures (...)*

*(...) Second, following today's rate cut, the Governing Council reviewed the forward guidance provided in July and confirmed that it continues to expect the key ECB interest rates to remain at present or lower levels for an extended period of time. This expectation continues to be based on an overall subdued outlook for inflation extending into the medium term, given the broad-based weakness of the economy and subdued monetary dynamics.*



# Interest rate policy

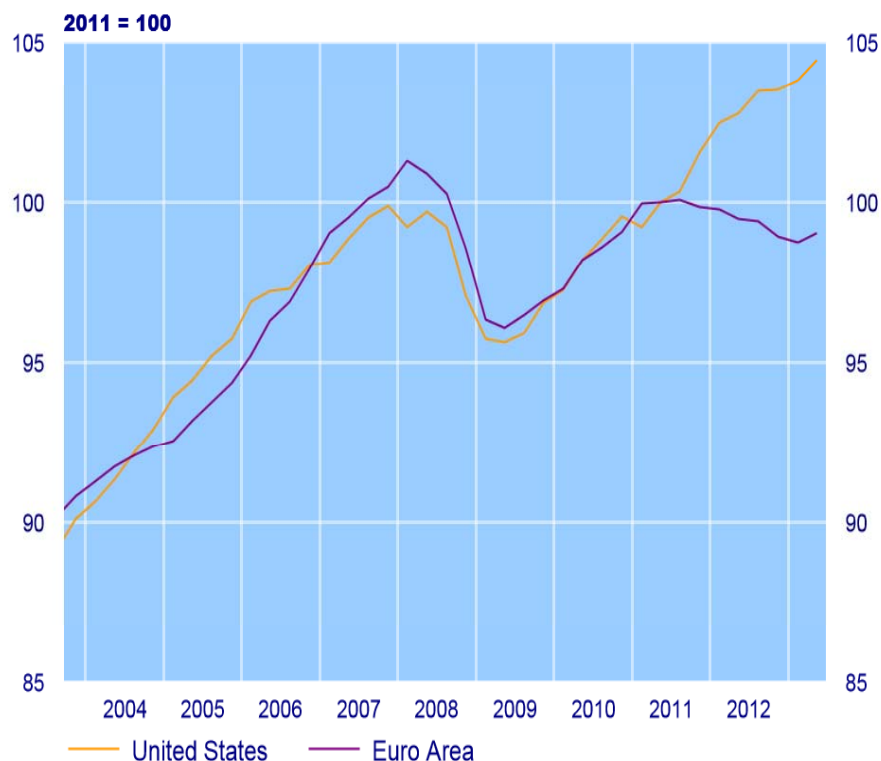
## Expected EONIA one year ahead



Source: Thomson Reuters

# Macro Environment: Moderate Growth and Low Inflation

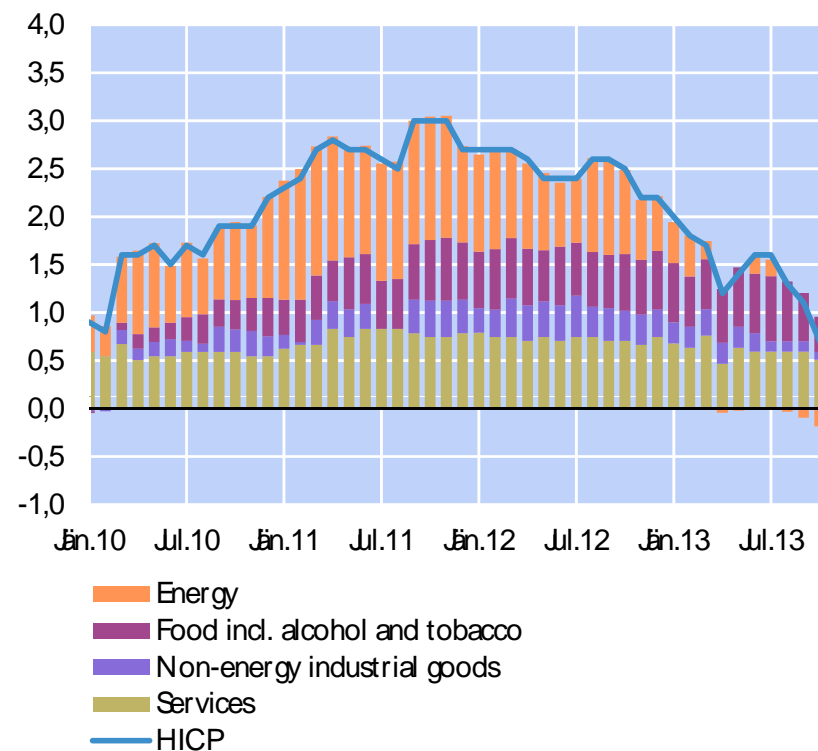
## Real GDP



Source: Thomson Reuters Datastream, Eurostat, BEA

## Components of the HICP

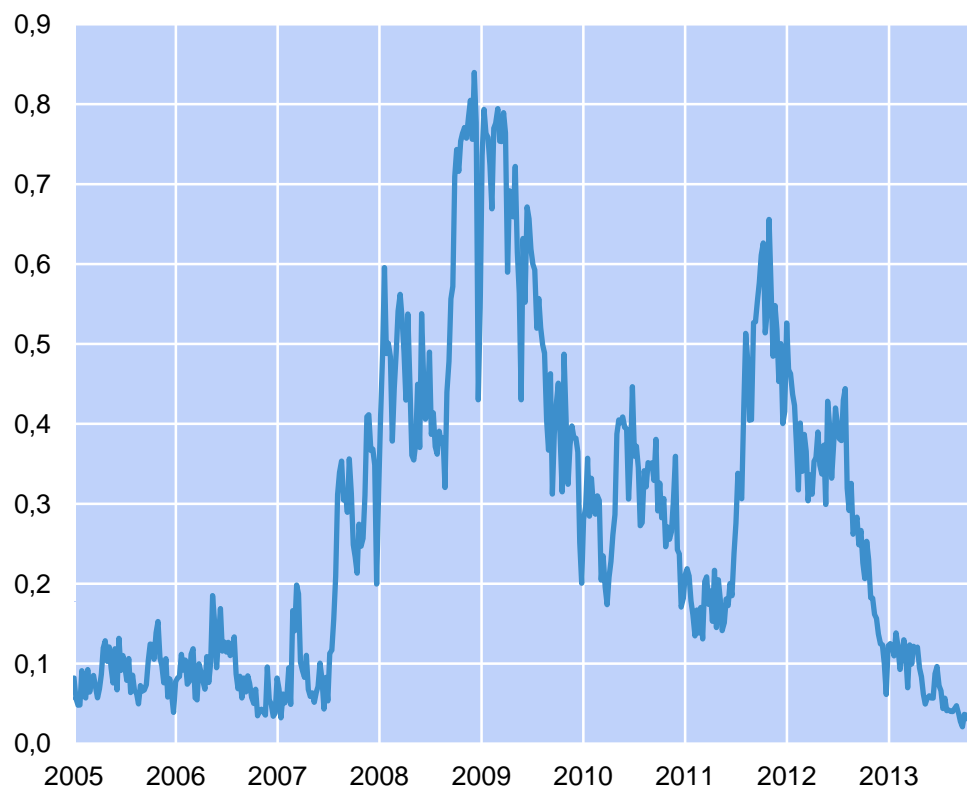
in percentage points



Source: Eurostat.

# (Some) Return to Financial Stability

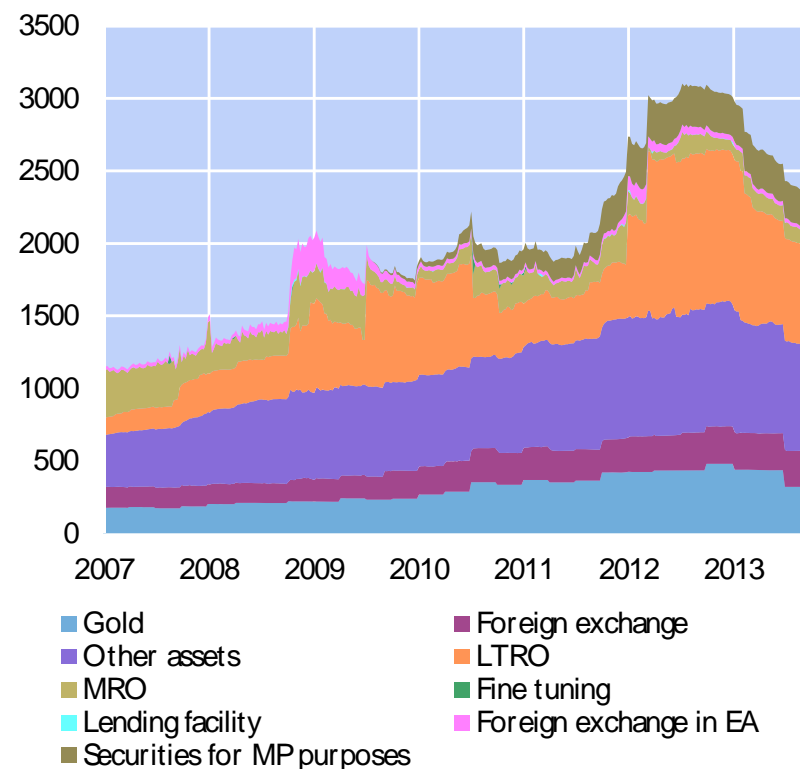
## Composite Indicator of Systemic Stress



Source: ECB

## Eurosystem assets

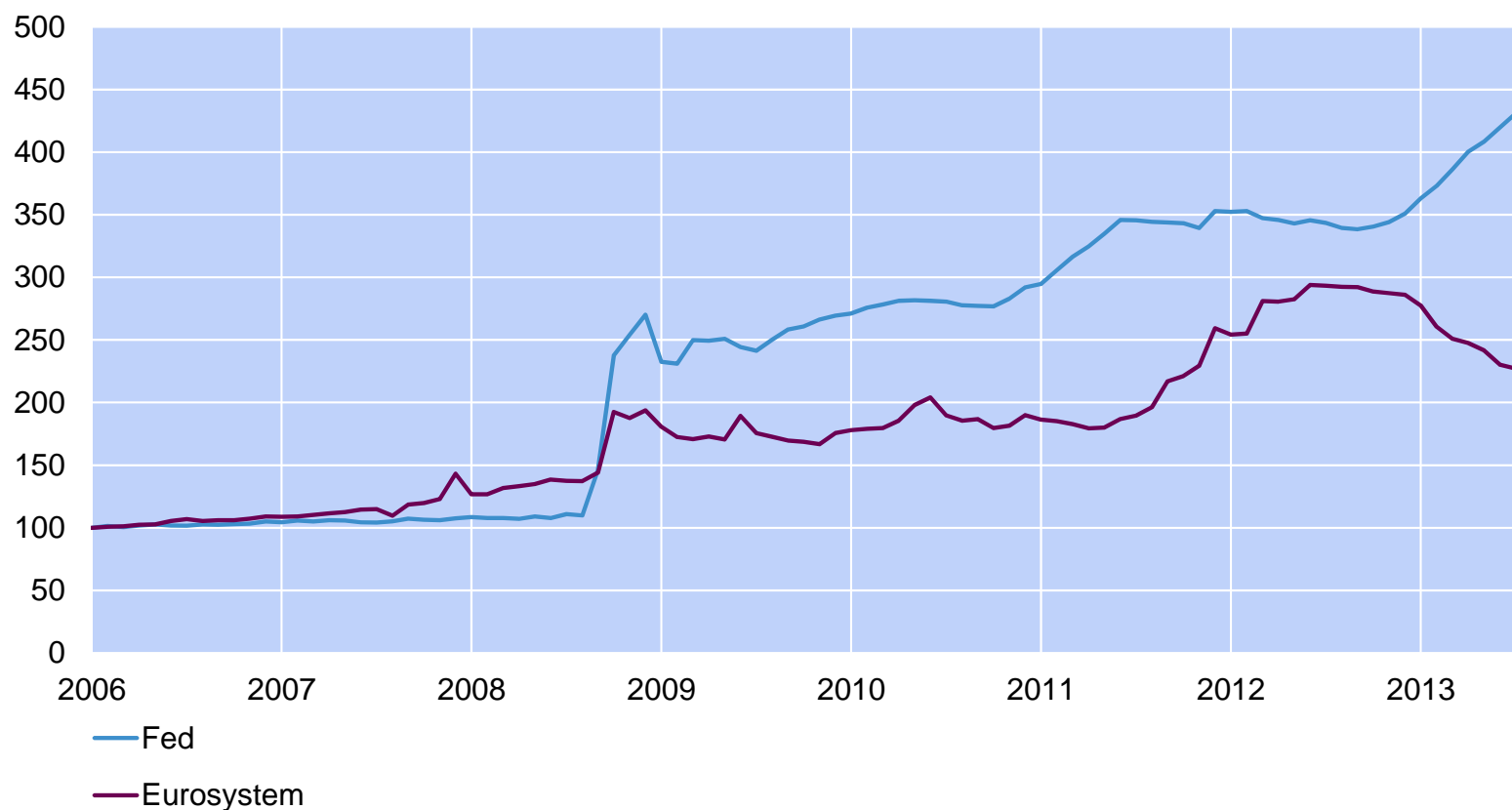
Consolidated balance sheet, in billion EUR



Source: ECB

## Balance sheets of the Federal Reserve and the Eurosystem

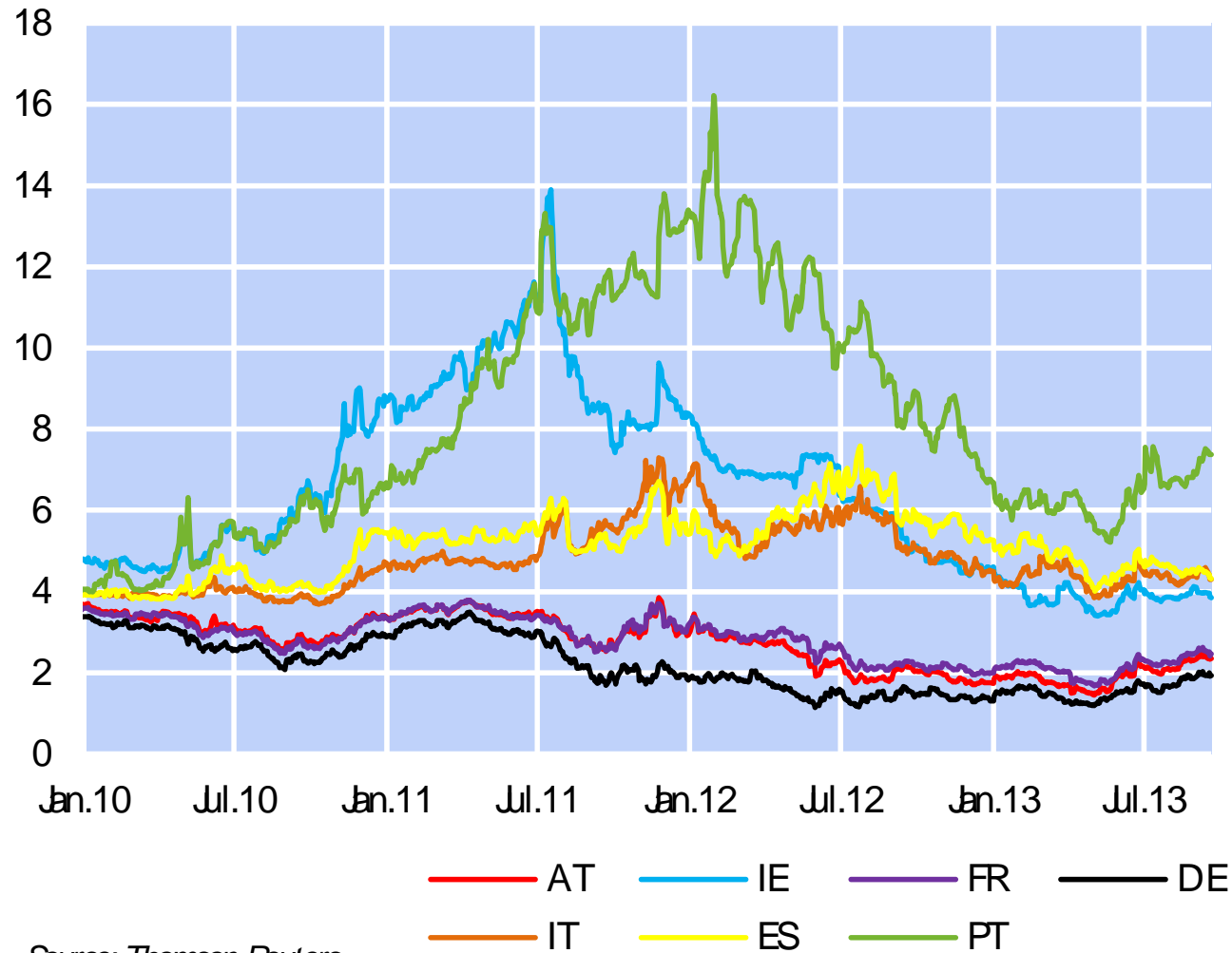
Index, January 2006 = 100



Source: Thomson Reuters.

## 10-year government bonds of selected countries

Yield in %



Source: Thomson Reuters.