



OESTERREICHISCHE NATIONALBANK  
EUROSYSTEM

# Perspectives of European monetary policy

February 12, 2019

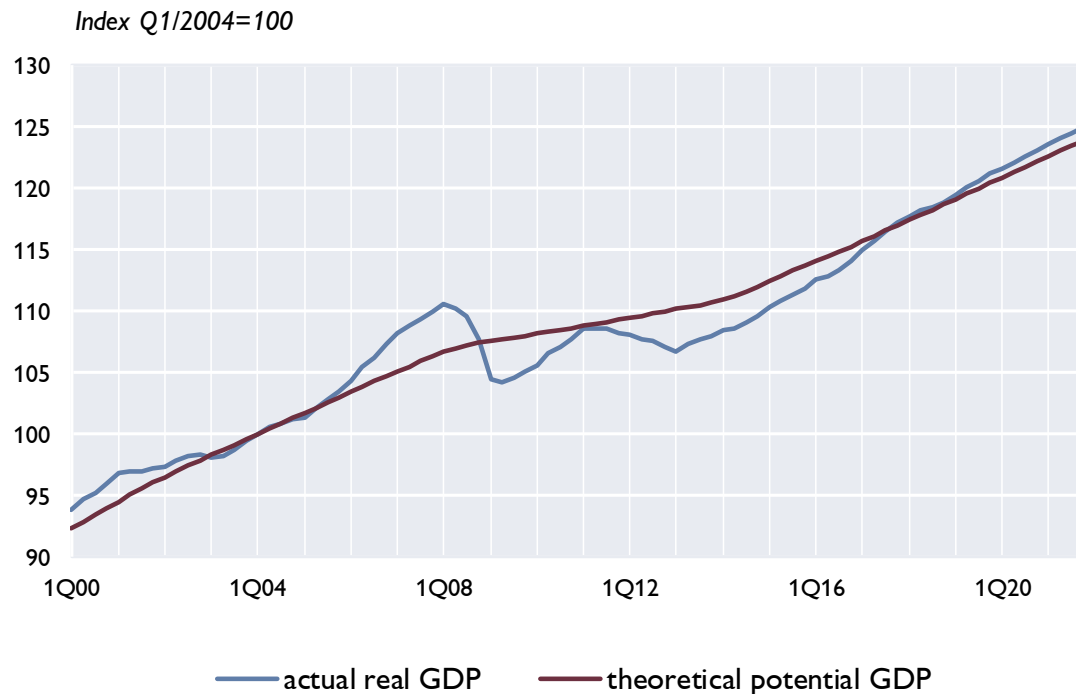
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# Disruption of growth of the euro area economy caused by two crises

Real GDP in the euro area



Source: Eurostat, OeNB, own calculations.

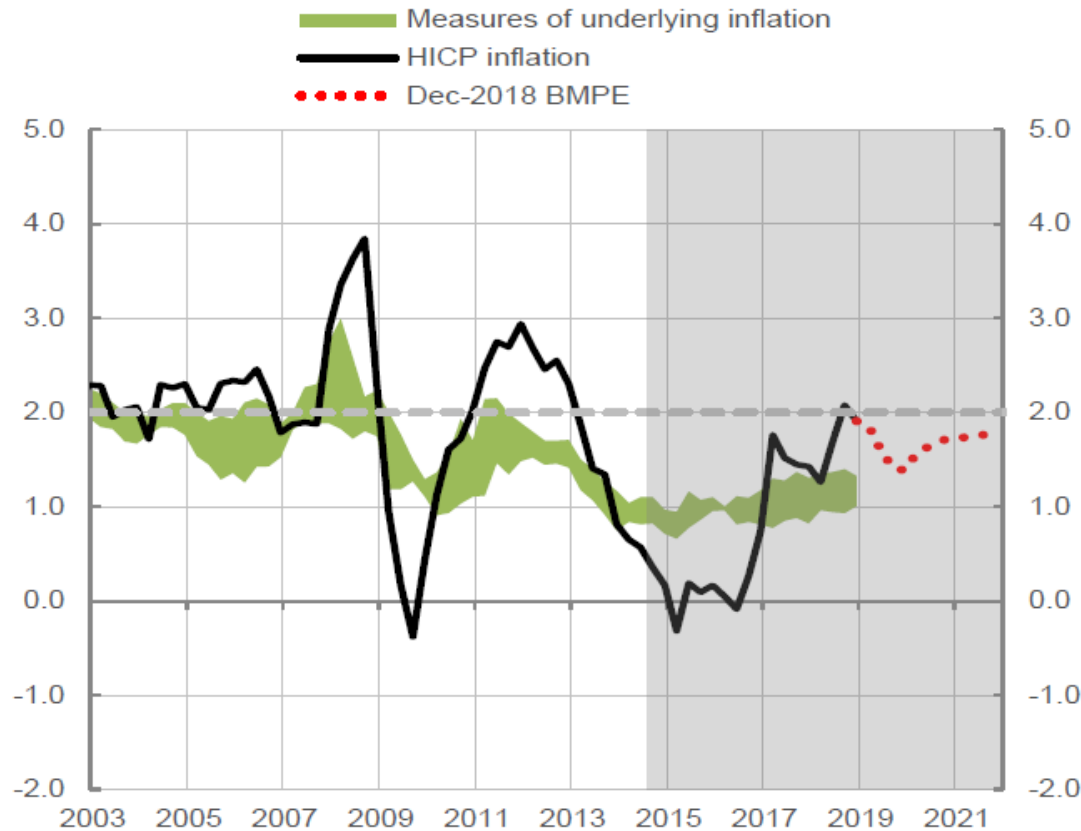
- The euro area economy followed a stable growth path that was disrupted by the crises of 2008/2009 and 2012/2013.
- Apart from the malaise caused by the crises themselves, they left the euro area with a more muted trend growth rate.
- Trend growth is lower because of lower factor productivity and capital accumulation, both of which deteriorated considerably during the crises and have not yet recovered completely.
- Real GDP growth projections for the euro area:

2018	2019	2020	2021
1.9%	1.7%	1.7%	1.5%

Source: Eurosystem staff macroeconomic projections for the euro area, December 2018.

# Sustained disinflation as a result of the crises

Actual and projected HICP inflation



Source: ECB staff projections, ECB calculations.

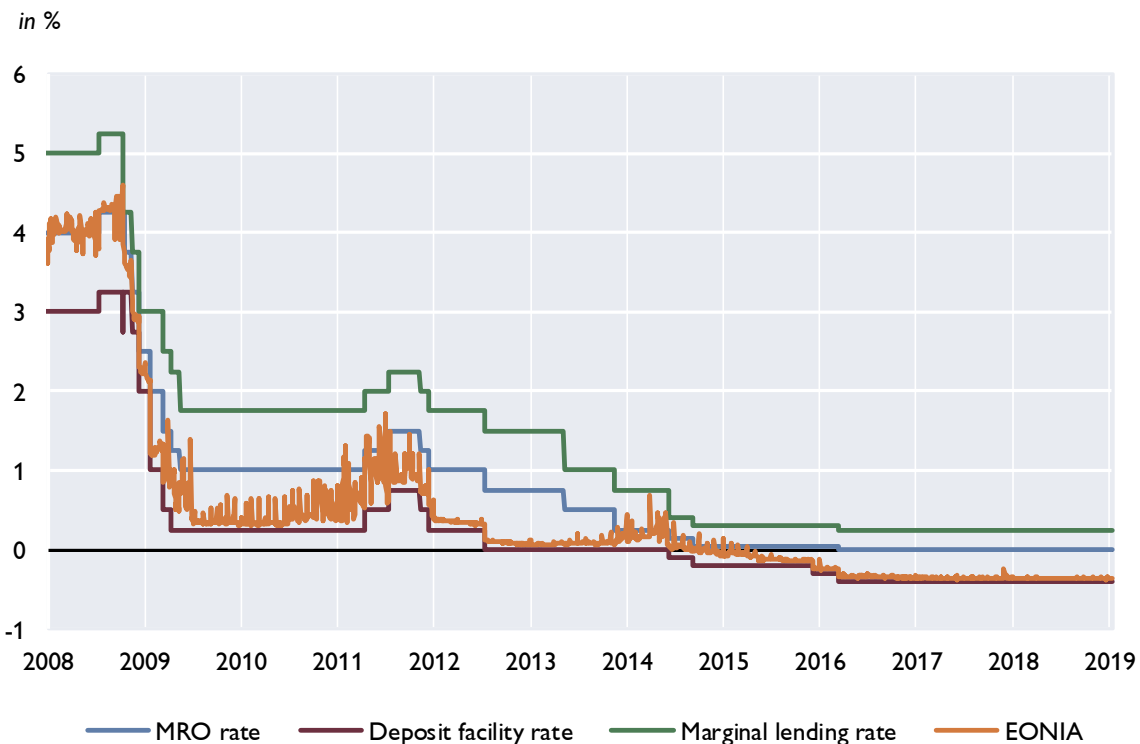
- When the ECB Governing Council decided to start its securities' purchase programmes at the end of 2014, the inflation outlook was muted.
- By end-2014, HICP inflation rates had been decreasing for 3 years, fluctuating around zero thereafter.
- Since 2016, HICP inflation rates in the euro area have been recovering. However, significant monetary policy stimulus remains essential to support the further build-up of domestic price pressures.
- Inflation projections for the euro area:

2018	2019	2020	2021
1.8%	1.6%	1.7%	1.8%

Source: Eurosystem staff macroeconomic projections for the euro area, December 2018.

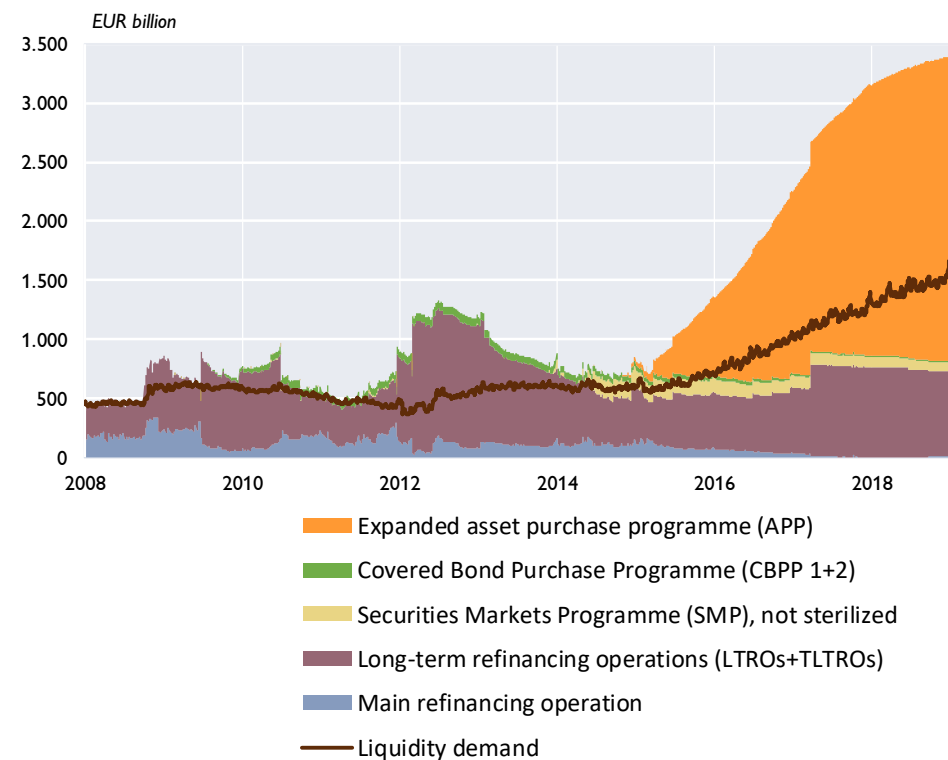
# Monetary policy reacted with lower interest rates and large asset purchase programmes

## ECB key interest rates and money market rates



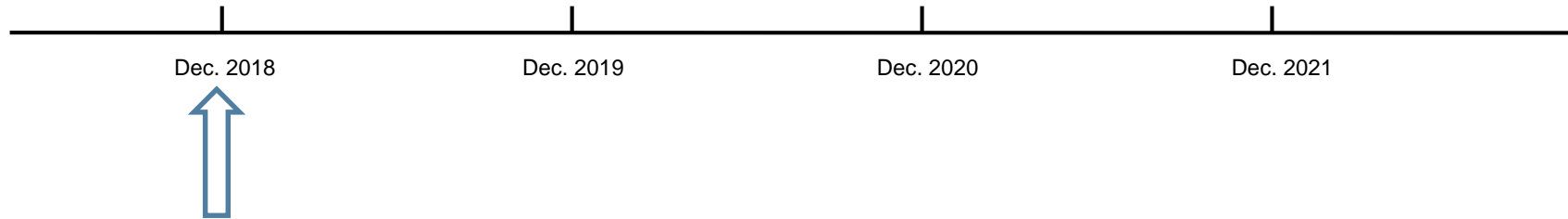
Source: ECB, Macrobond.

## Monetary policy operations of the Eurosystem



Source: ECB, own calculations.

## How will the Eurosystem proceed?



Net purchases under the asset purchase programme (APP) ended on December 31, 2018.

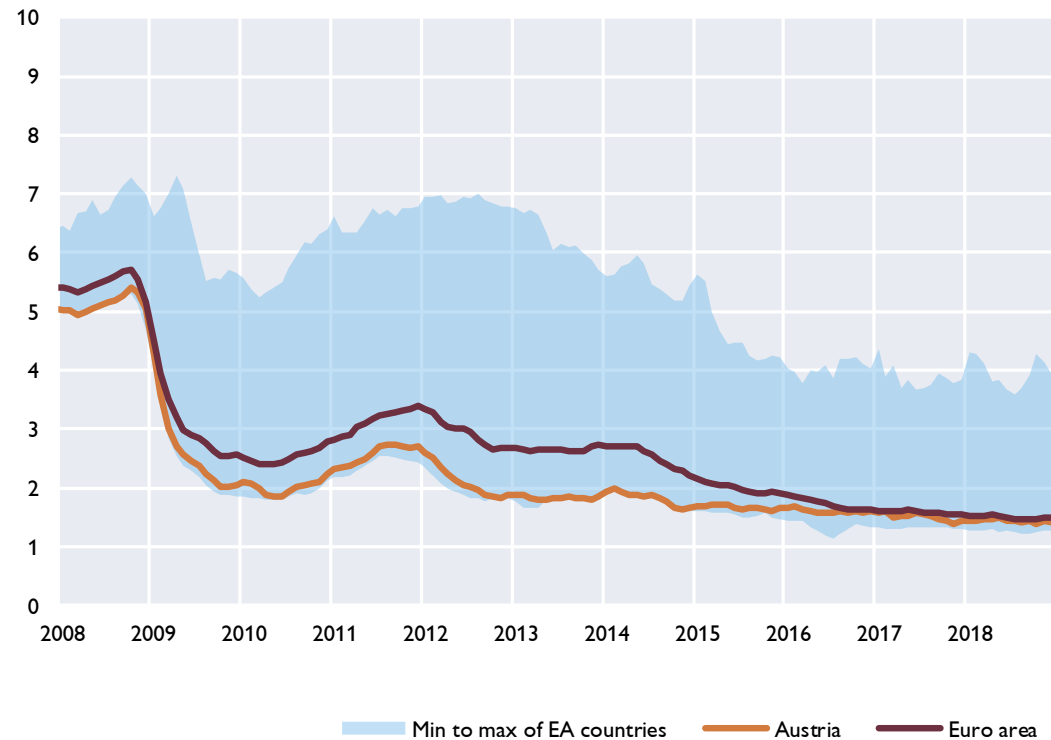
The ECB Governing Council expects policy rates to remain at their present levels at least through the summer of 2019, and in any case for as long as necessary.

Additionally, the principal payments from maturing APP securities will be reinvested, in full, for an extended period of time past the date when the key ECB interest rates will start to rise.

# Monetary policy has been successful in easing financing conditions

## Retail lending rates for bank loans to NFCs

in %, moving average for the last three months

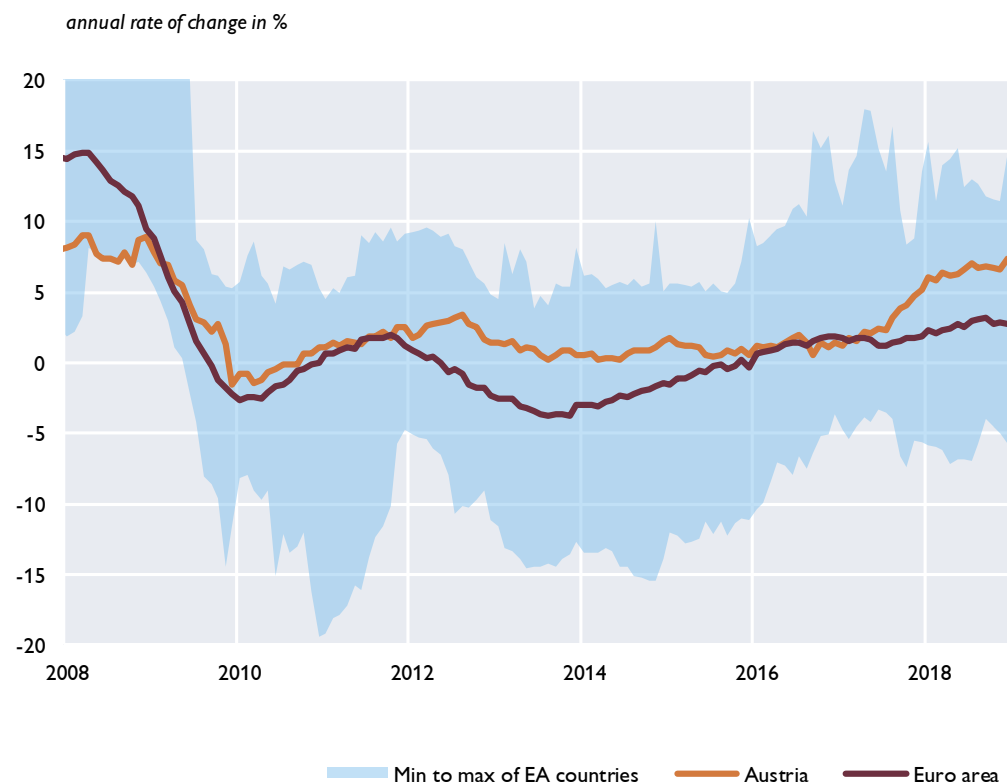


Source: ECB.

- Easier financing conditions for banks were passed on to their customers.
- Bank lending rates for nonfinancial corporations (NFCs) and households have dropped considerably.
- Since their historical low reached in 2017, average bank lending rates for euro area NFCs have remained broadly stable at 1.5%.
- In Austria, average bank lending rates have been marginally lower.

# Monetary policy has been successful in expanding bank credit in most euro area countries

## Volume of bank credit to NFCs



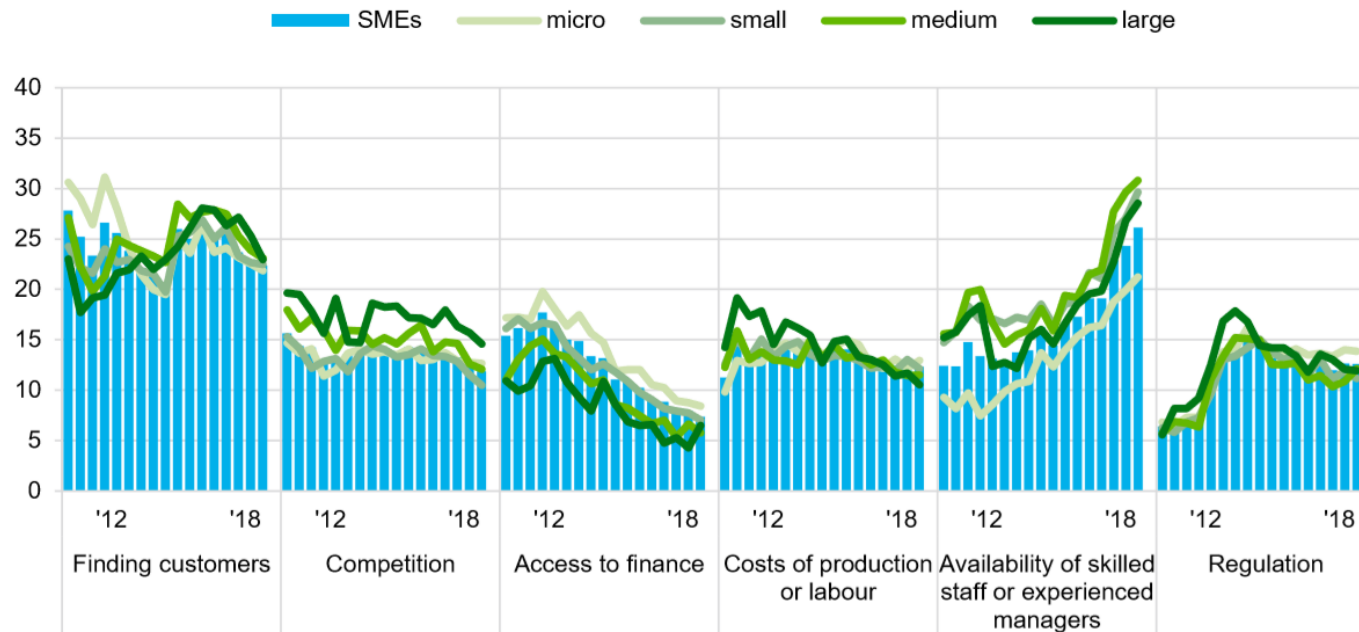
Source: ECB.

- More favourable bank lending conditions for NFCs and higher demand for financing new investment have led to increasing loan growth.
- Since the beginning of 2014, the euro area has reported an increase in the growth rate of loans to the private sector.
- Currently, the annual growth rate of bank loans to euro area NFCs is hovering around 3%.
- In Austria, the growth rate of bank loans to NFCs has even accelerated to slightly above 7%.

# Enterprises are still facing financing constraints

## The most important problems faced by euro area enterprises

(percentages of respondents)



Source: ECB, Survey on the Access to Finance of Enterprises in the euro area – April to September 2018.

- The „Survey on the Access to Finance“ asks euro area firms about their most important problems.
- Since 2012, financing constraints have become less severe. At the height of the crisis, concerns about access to finance tended to decrease with firm size.
- Currently, however, concerns about access to finance are roughly similar across all firms, with 7-8% of firms reporting that access to finance is an obstacle.



**Danke für Ihre Aufmerksamkeit**

**Thank you for your attention**

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