

# Concluding remarks by OeNB Governor Martin Kocher

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“Monetary policy trade-offs in a heterogeneous currency area”

Check against delivery!

As we bring this conference to a close, let me share a **few reflections**.

**First**, every currency area contains economies with different structures, business cycles and challenges. These differences are not only a source of vulnerability – they can also be a source of strength. A diverse economic base can make the euro area more resilient to external shocks, especially when effective risk-sharing mechanisms are in place.

**Second**, these differences matter for the transmission of monetary policy. Yet the ECB has developed a broad set of instruments to address varying conditions across countries while maintaining a single monetary policy. The mere existence of instruments such as the OMT and TPI help ensure smooth transmission and prevent unwarranted market fragmentation. They strengthen, rather than weaken, the ECB’s ability to deliver on its price stability mandate.

**Third**, the experience of the post-pandemic inflation surge has reinforced an important lesson: supply shocks are likely to remain a recurring feature. Policymakers must assess the source and persistence of such shocks, as well as their effects on inflation expectations and wage-setting, when deciding whether to respond forcefully or look through temporary developments.

**Fourth**, efficient and robust financial regulation and supervision are essential. Financial crises leave long-lasting scars, often affecting vulnerable economies the most. Europe’s macroprudential framework plays a key role in safeguarding financial stability and reducing risks of divergence.

**Fifth**, differences also exist within countries. Households and firms do not all react in the same way to changes in interest rates or financing conditions. Understanding these differences helps central banks improve their forecasts and make better-informed policy decisions.

**Sixth**, monetary policy does not operate in isolation. Its effectiveness depends on the broader institutional framework. Sound fiscal policies, effective macroprudential measures, and further progress on the banking union and the savings and investments union are all important for strengthening resilience and supporting the smooth functioning of our monetary union.

**Seventh**, Europe’s labour markets have performed remarkably well, with unemployment rates near historic lows. Yet important challenges remain: weak productivity growth, skills shortages and limited labour mobility. To meet the challenges of population ageing and AI, Europe must invest more in both physical and human capital.

**Eighth**, housing markets remain an important source of economic differences across countries. National factors such as land-use regulation, taxation, mortgage market structures and lending standards play a major role. Because these factors are largely local in nature, national housing and macroprudential policies have a central role in promoting housing market stability and affordability.

**Finally**, Europe should approach the future with greater confidence and determination. Strengthening resilience to geopolitical, energy and supply-chain shocks requires deeper integration, a stronger single market, progress on the savings and investments union and banking union, and a serious commitment to structural reforms. Recent efforts to expand trade partnerships are an encouraging sign.

Let me **conclude** on a note of confidence.

Diversity is not a weakness of the European project – it is one of its defining characteristics. The challenge is not to eliminate differences, but to understand them, accommodate them and manage them effectively.

A successful monetary union is not one in which all economies are the same. It is one in which different economies can prosper together within a common framework of stability, trust and cooperation.

The discussions over the past two days have brought us one step closer to that objective. My sincere thanks to all speakers and participants for their valuable contributions, and to the teams at the OeNB and SUERF for organising this excellent conference.