



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

# Twenty years of monetary union – reflections on the future

OMFIF Round Table, January 2019

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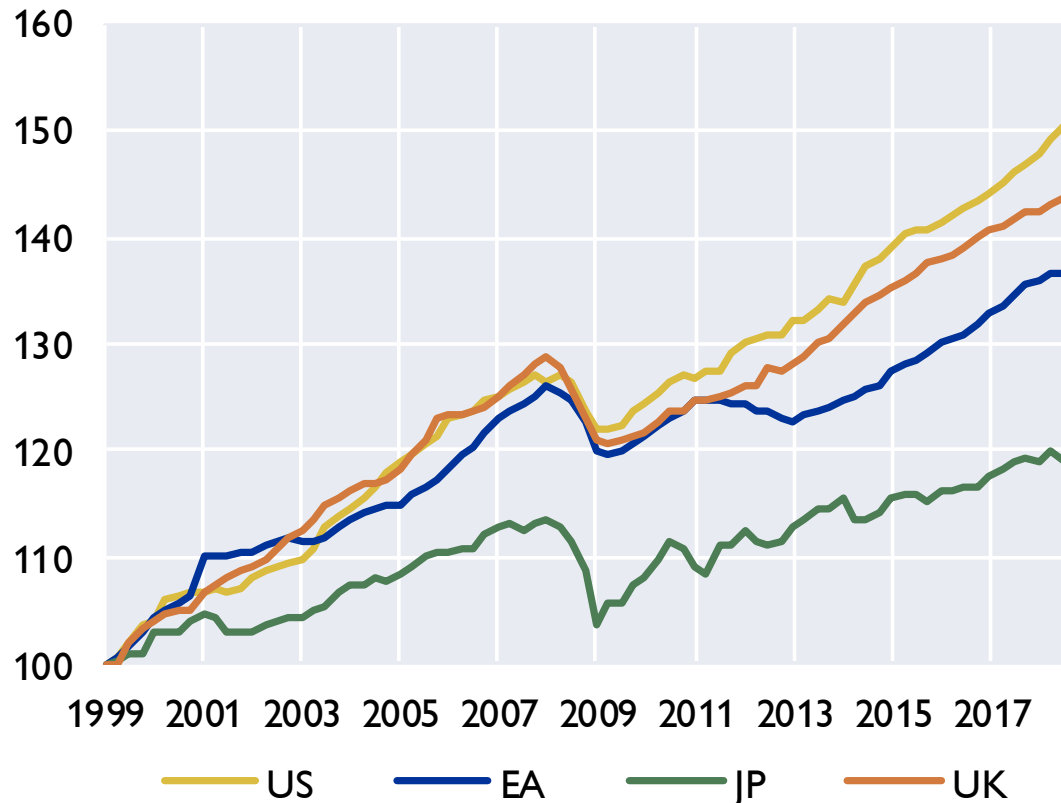
[www.oenb.at](http://www.oenb.at)



# After a tranquil first decade the euro successfully weathered the global financial crisis

## Real GDP

Index, Q1 1999=100



Source: Macrobond.

## General government gross debt

as a % of GDP

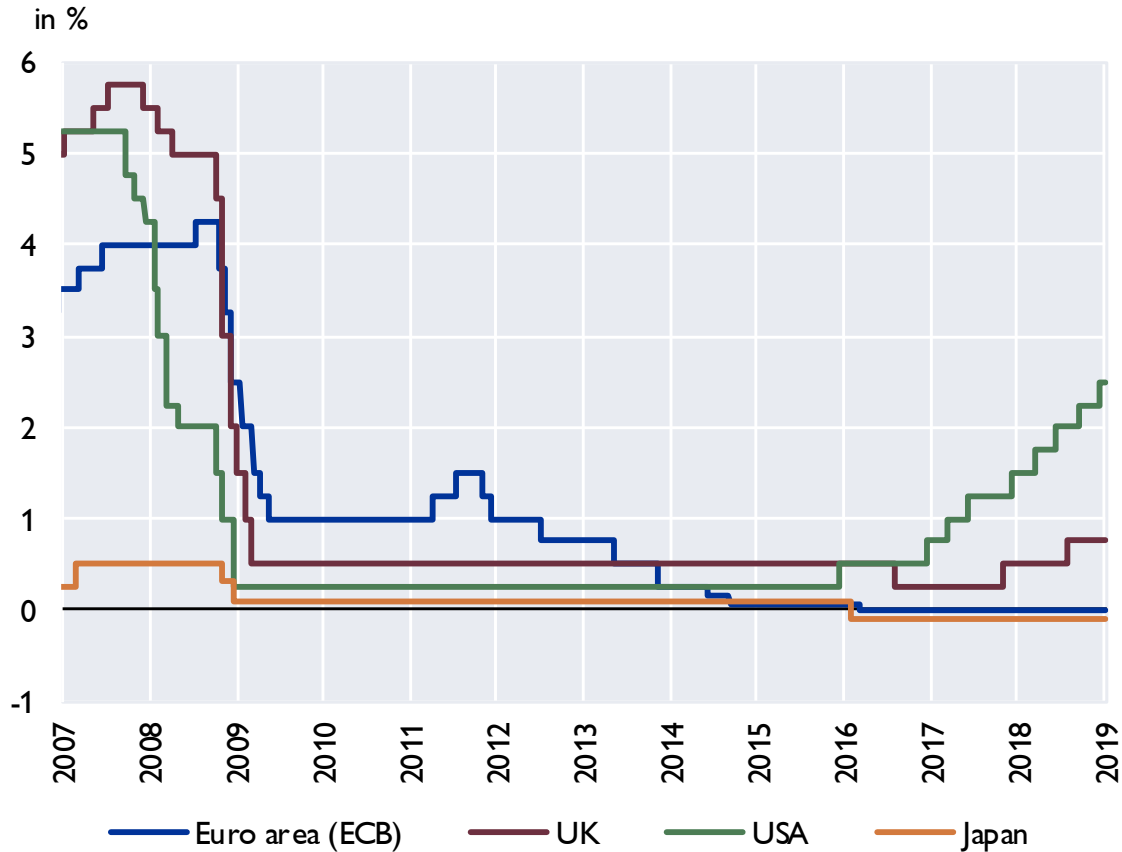
	EA	UK	US	JP
1999	70,6	39,9	58,9	131,5
2007	65,0	41,9	64,7	183,4
2012	91,7	84,6	103,4	236,6
2017	88,8	87,7	107,8	235,9

Source: OeNB.

- **Global growth forecast 3.5% for 2019 (IMF), USA ahead of the curve.**
- **High debt levels as legacy of the crisis limit the future fiscal margin.**

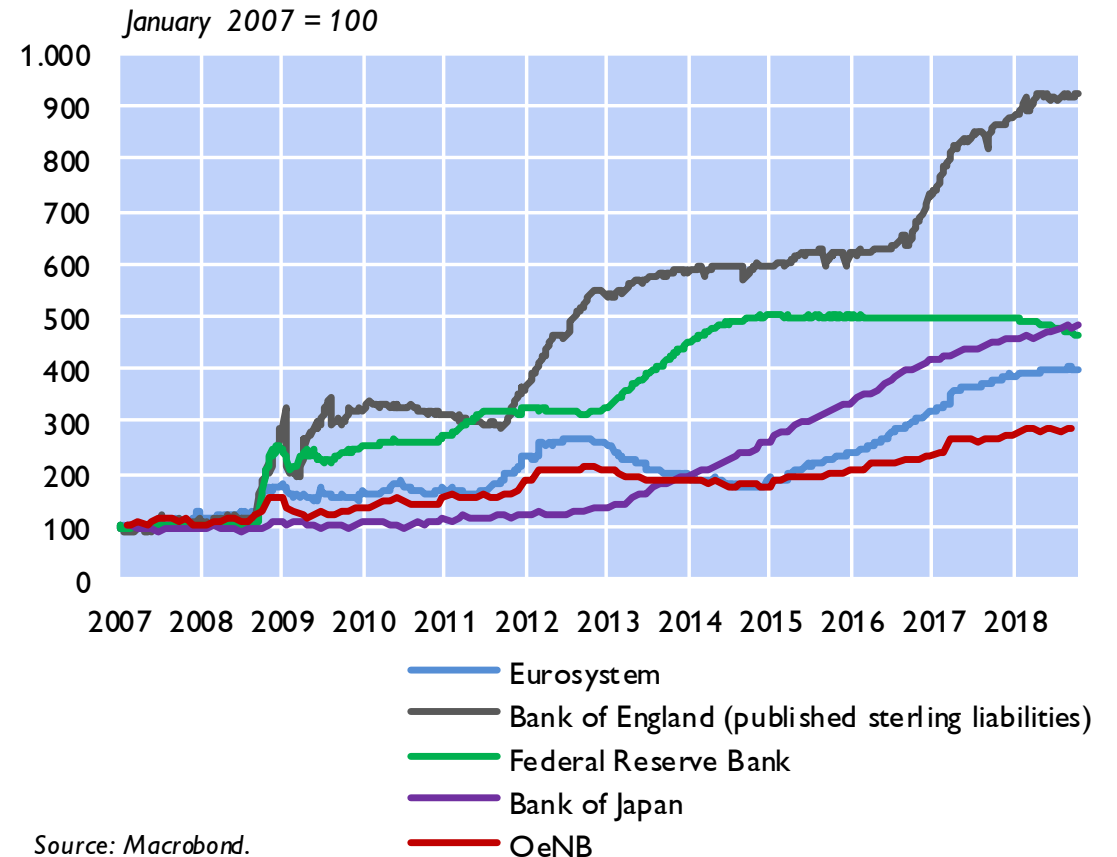
# Monetary policy worldwide has contributed substantially to crisis resolution

## Central bank interest rates



Source: Macrobond.

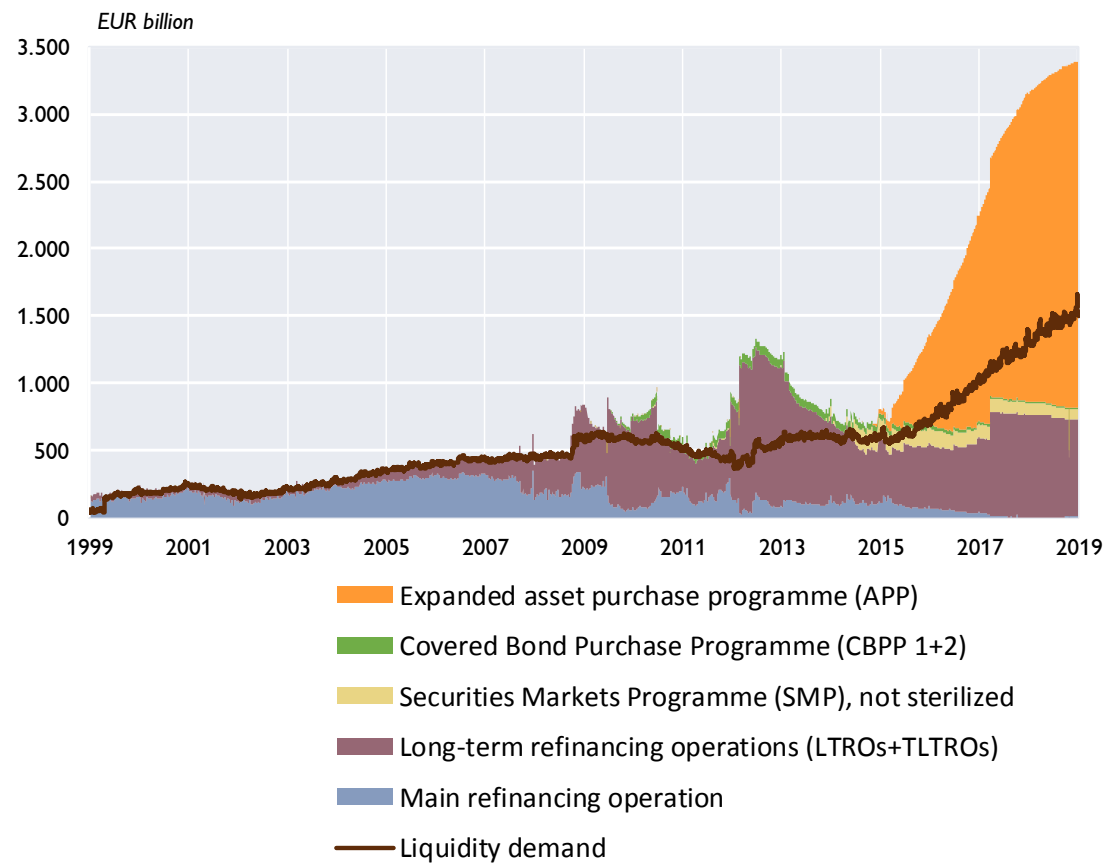
## Central bank balance sheets



Source: Macrobond.

# Most recent monetary policy decisions by the ECB Governing Council

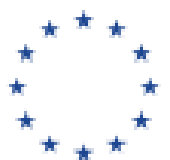
Monetary policy operations of the Eurosystem



Source: ECB, own calculations.

- In the last few years, monetary policy has created EUR 3,400 billion in central bank liquidity:
  - With nearly EUR 2,600 billion, the expanded asset purchase programme (APP) accounts for the lion's share of this volume.
  - The targeted longer-term refinancing operations (TLTROs) are contributing EUR 700 billion.
- Net asset purchases ceased at the end of December 2018.
- The key ECB interest rates will remain at their present levels at least through the summer of 2019.
- Reinvestments will continue for an extended period of time past the date when the ECB starts raising its key interest rates.

10 years after Lehman Brothers the European safety net is much firmer, but there are still several tasks on the agenda ...



**ESRB**  
European Systemic Risk Board  
European System of Financial Supervision



### Banking Union

#### 1st PILLAR

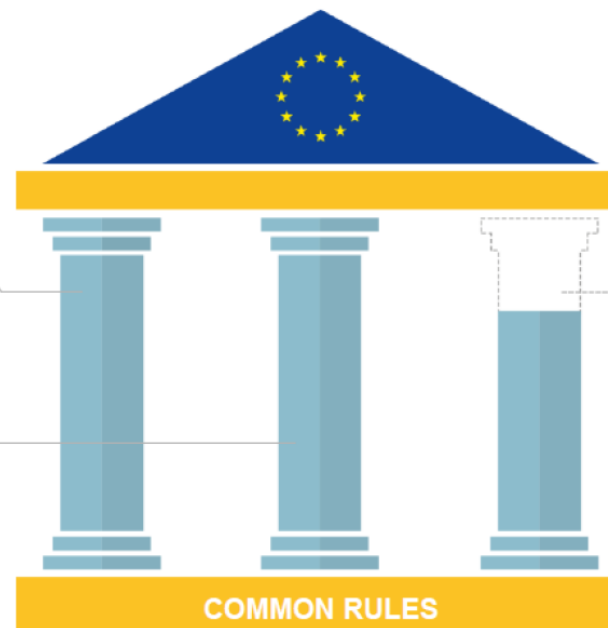
Single Supervisory Mechanism (SSM) — together with the National Competent Authorities (NCAs)

#### 2nd PILLAR

Single Resolution Mechanism (SRM) together with the National Resolution Authorities (NRAs)

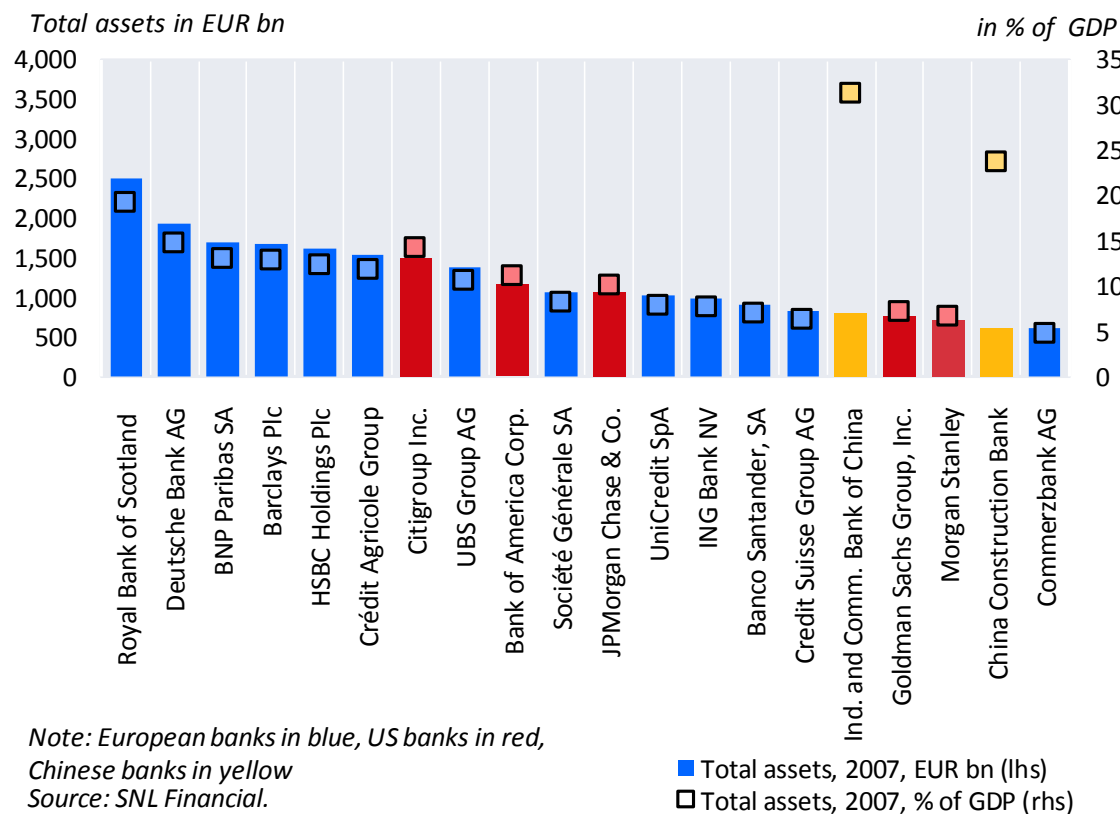
#### 3rd PILLAR

European Deposit Insurance Scheme (EDIS) (under construction)

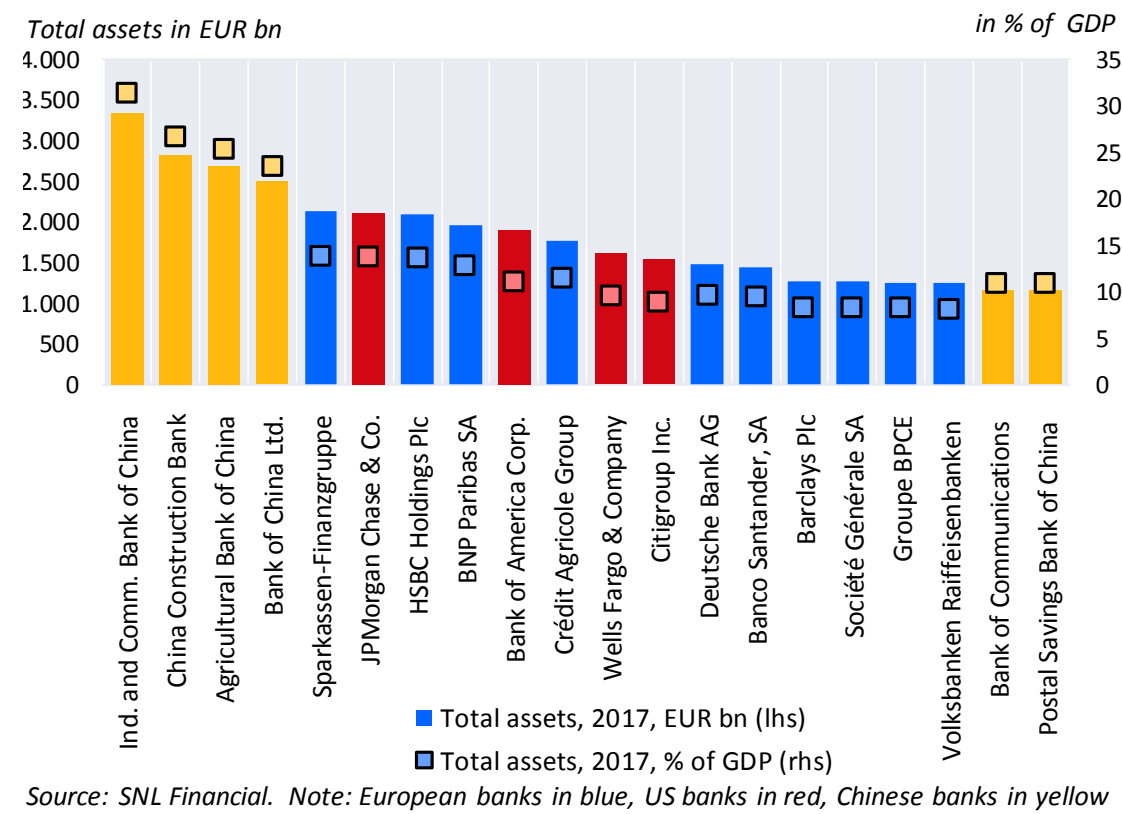


# Number of European banks among top 20 largest banks in US, Europe and China drastically reduced

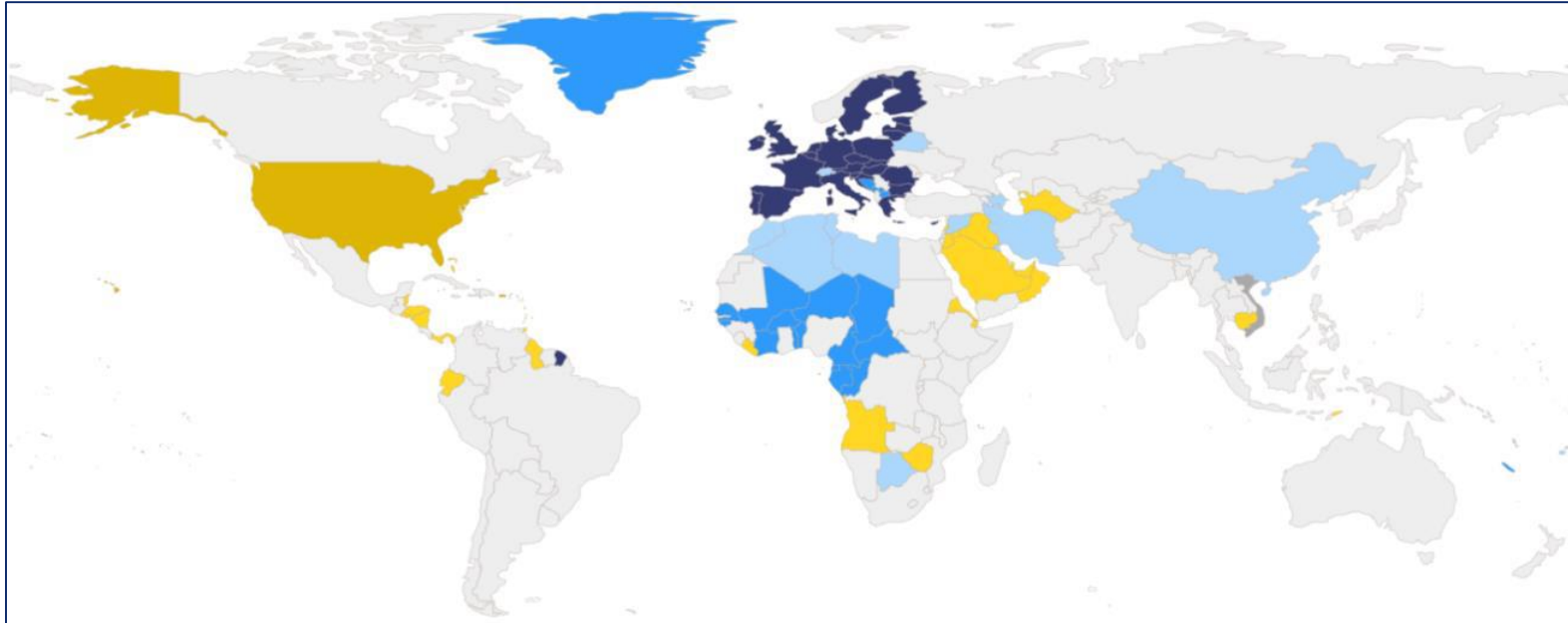
## Top 20 largest banks in Europe, USA and China, 2007



## Top 20 largest banks in Europe, USA and China, 2017



## Around 60 countries in the world are either using, will use or link their currency to the euro



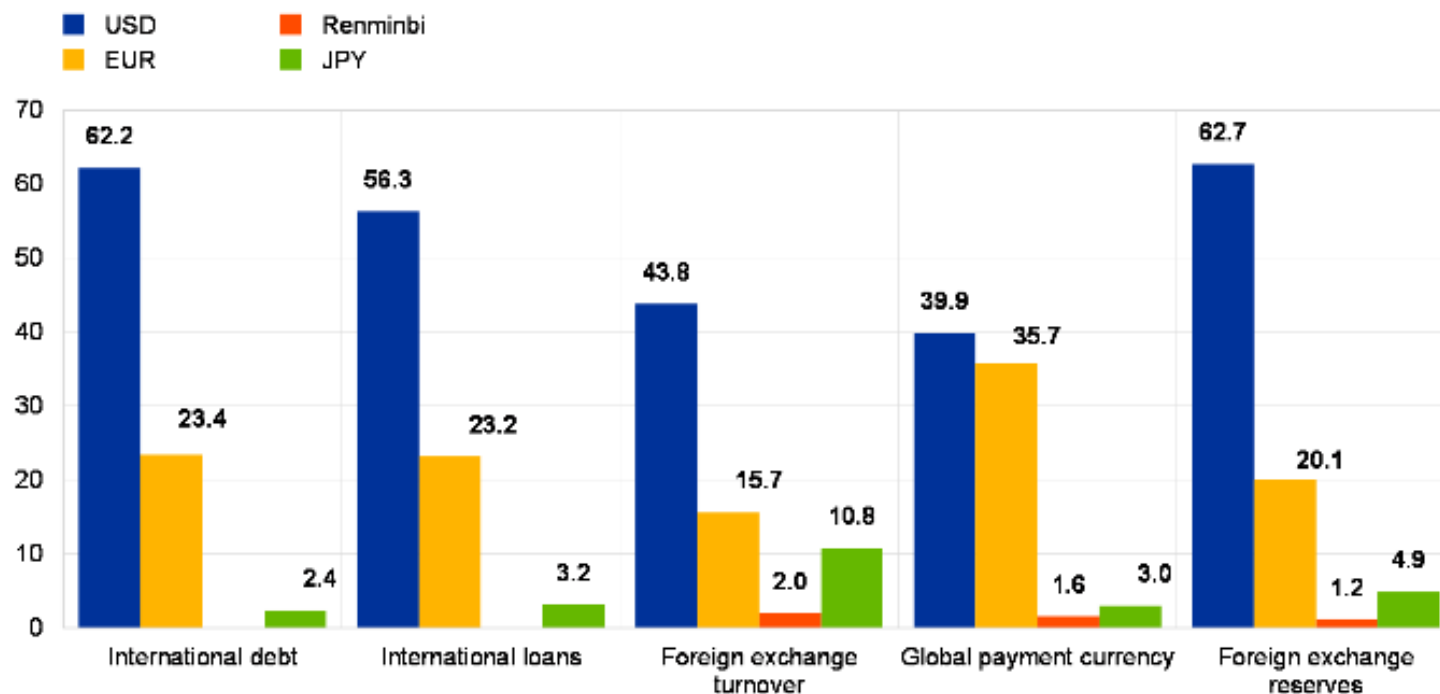
Source: European Commission, December 2018

- The euro is the main reference currency for many European countries, as well as smaller neighbourhood countries and the African CFA zone (14 countries).
- The adoption of the euro by further EU countries is a Treaty obligation (except DK and UK).

## ... with the potential of increasing the international role of the euro

### Snapshot of the international monetary system

(percentages)



Sources: BIS, IMF, SWIFT and ECB calculations.  
 Note: Data as at the fourth quarter of 2017 or latest available.

Source: ECB (2018).

**Targeted measures to make the euro more attractive and make the euro area more resilient:**

- **Strengthen liquidity and resilience of European financial market infrastructures**
- Increase the share of **euro denominated debt** issued by European entities
- Provide a fully **integrated instant payment system**
- Ensure solid **interest rate benchmarks**

Source: European Commission, Dec 2018