



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

Opening Address

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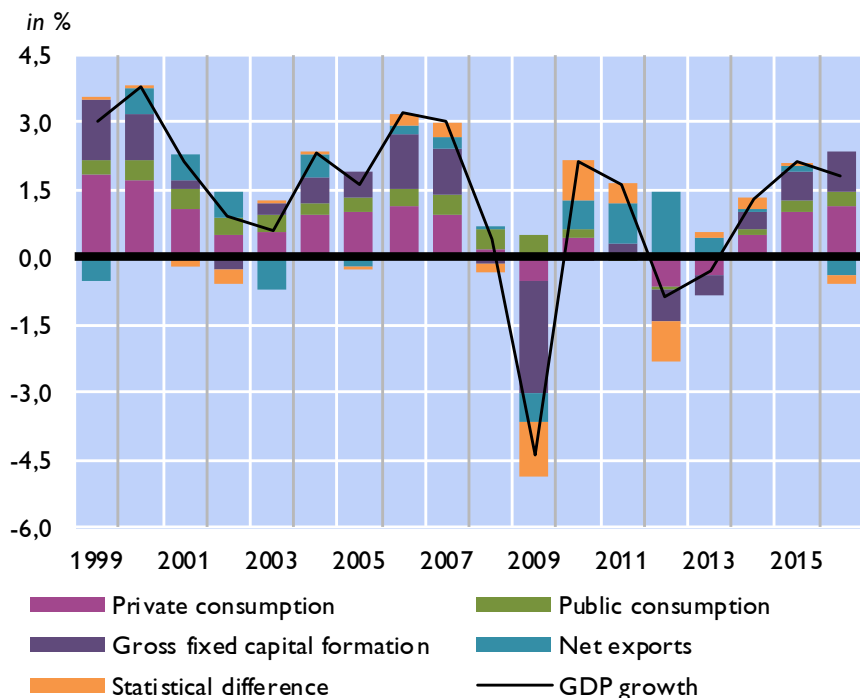
*Euromoney Conference
Vienna, January 17, 2018*

www.oenb.at



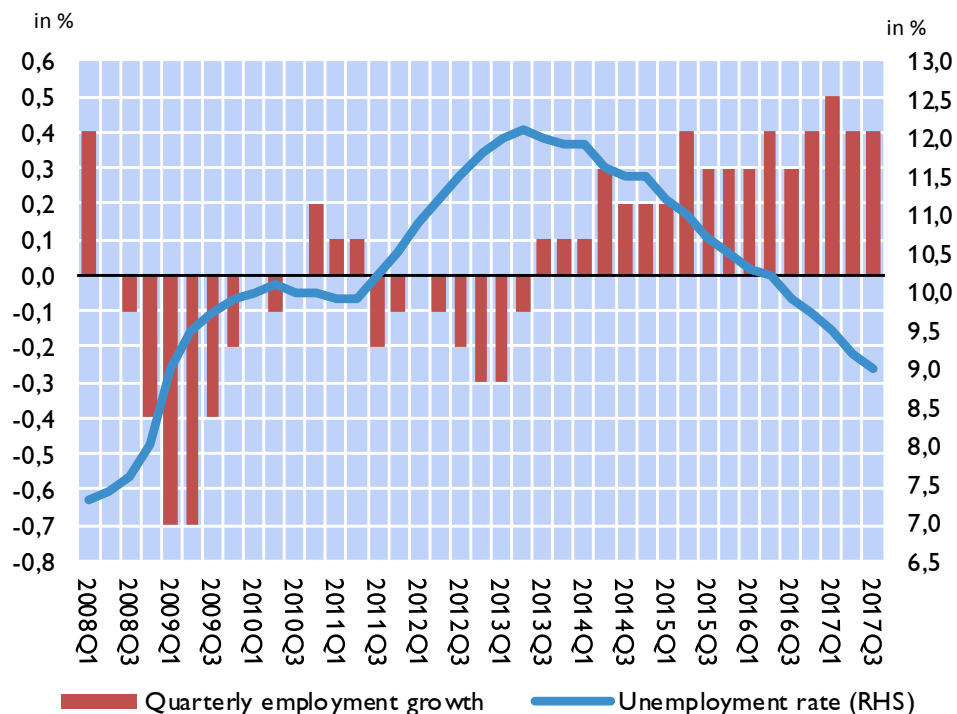
Euro area: Recovery continues, labour market strengthens

Euro Area: Growth contributions to real GDP



Quelle: Eurostat. * Lagerveränderungen, Nettozugang an Wertsachen, Statistische Differenz.

Euro Area: Employment growth and unemployment



Source: Eurostat.

Prognosen zum Wirtschaftswachstum

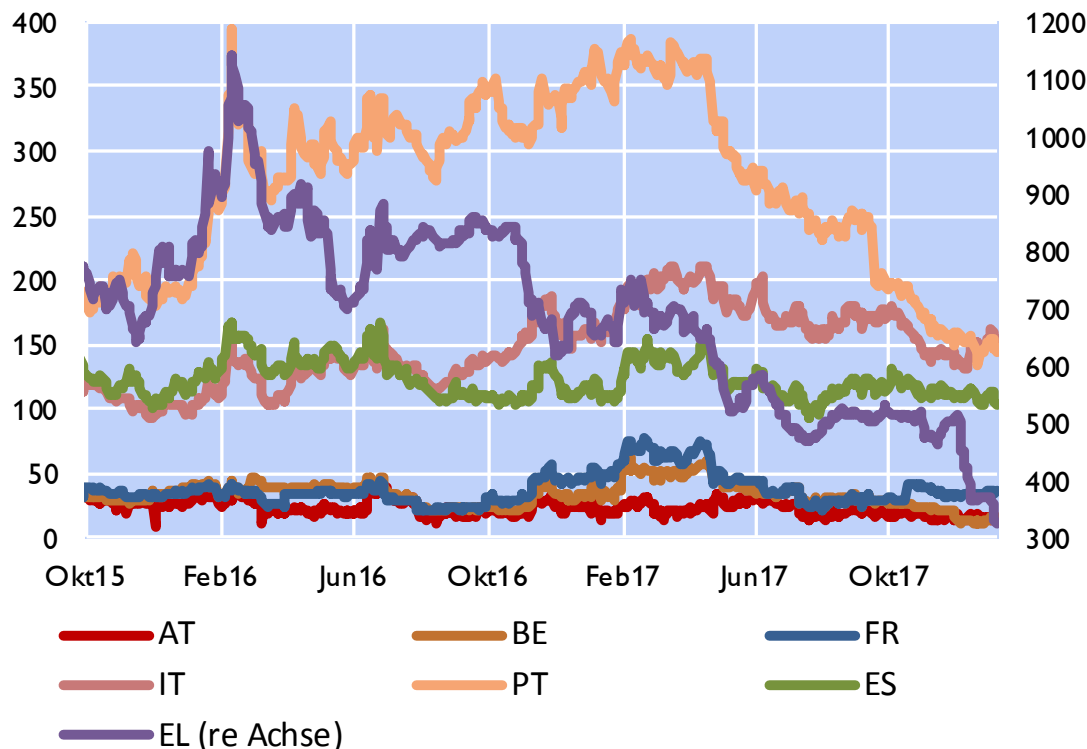
	European Commission November 2017		IMF October 2017		OECD November 2017		ECB December 2017	
	2017	2018	2017	2018	2017	2018	2017	2018
Euro area	2,2	2,1	2,1	1,9	2,4	2,1	2,4	2,3
Revisions	0,5	0,3	0,4	0,3	0,5	0,4	0,2	0,5

Spreads in euro area declined amid economic recovery

10-year benchmark bond spreads for selected countries

in basispoints, rel to DE

in basispoints

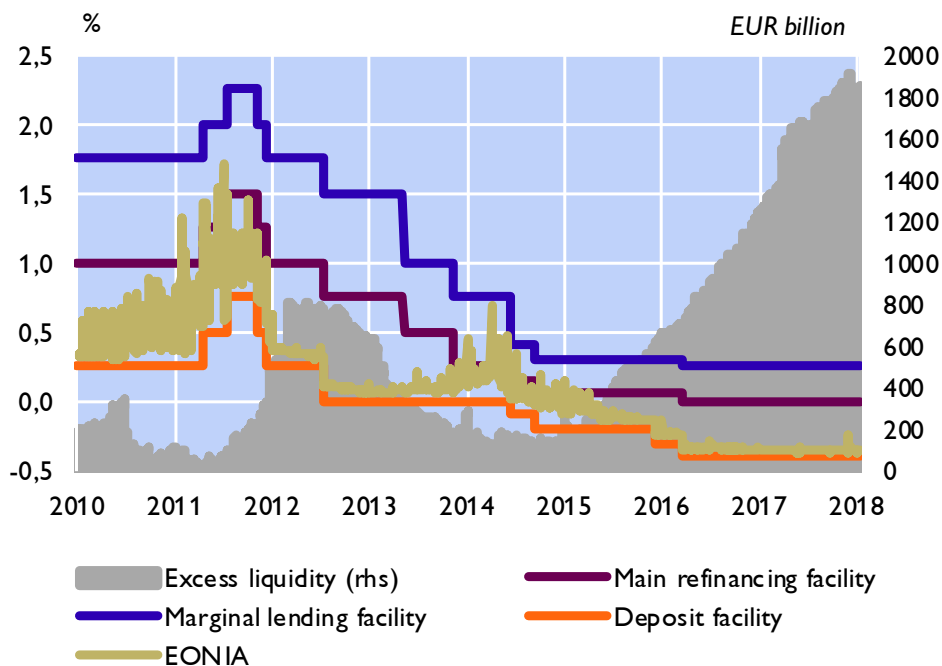


Source: Macrobond.

- Spreads in euro area core and periphery countries declined recently:
 - Ongoing economic recovery
 - Increase of Bund-yields
 - Decrease of yields on bonds of countries hit hardest by crisis (e.g. PT now investment grade by S&P)

The Eurosystem's role in euro area recovery: overview on monetary policy measures

Excess liquidity, EONIA and the interest corridor



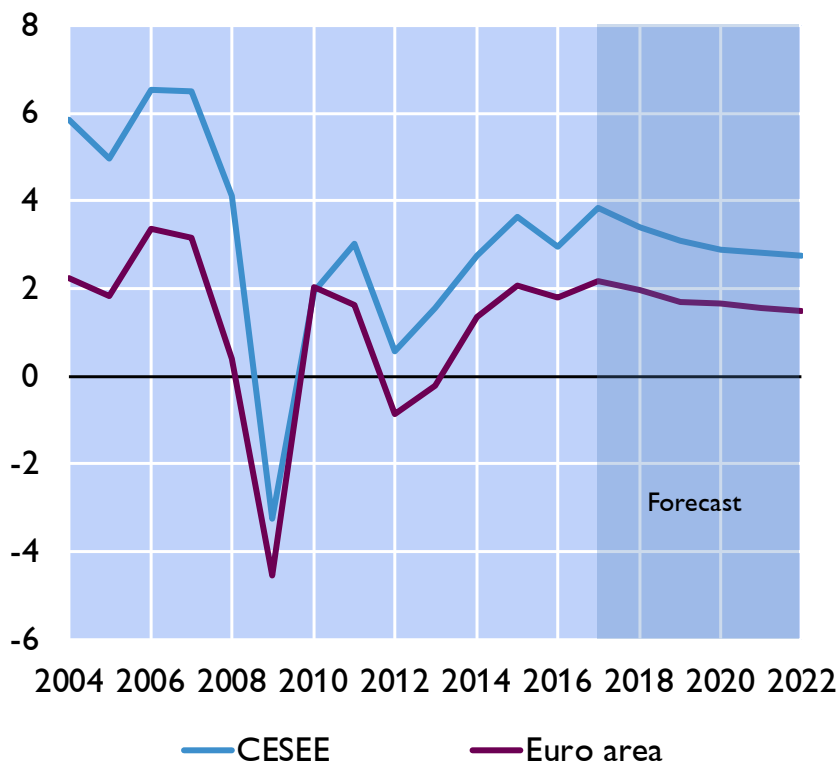
Source: ECB, Macrobond.

- **Reduction of monetary policy rates** to 0.25%, 0.00%, –0.40%.
- **Forward guidance:** (...) policy rates are expected “to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases.”
- **Continuation of fixed rate full allotment** in all tender operations at least until the end of 2019.
- Provision of **targeted longer-term refinancing operations (TLTROs II)** with a maturity of four years (until 2020/2021).
- The **Expanded Asset Purchase Programme (APP)**, with monthly purchases worth EUR 30 billion will continue until the end of September 2018 or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.
- **Reinvestment of the principal payments (APP)** for an extended period of time after the end of the net asset purchases, and in any case for as long as necessary.

CESEE: 2017 saw highest growth rate since 2008

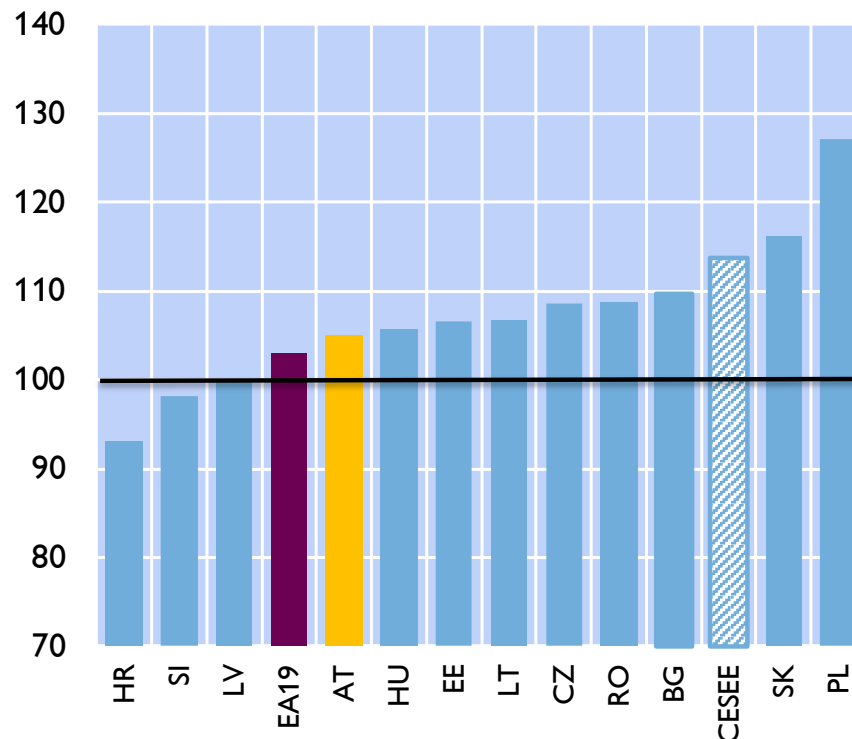
GDP growth rates

yoy in %



Economic Output: 2016 vs. 2008

2008 = 100

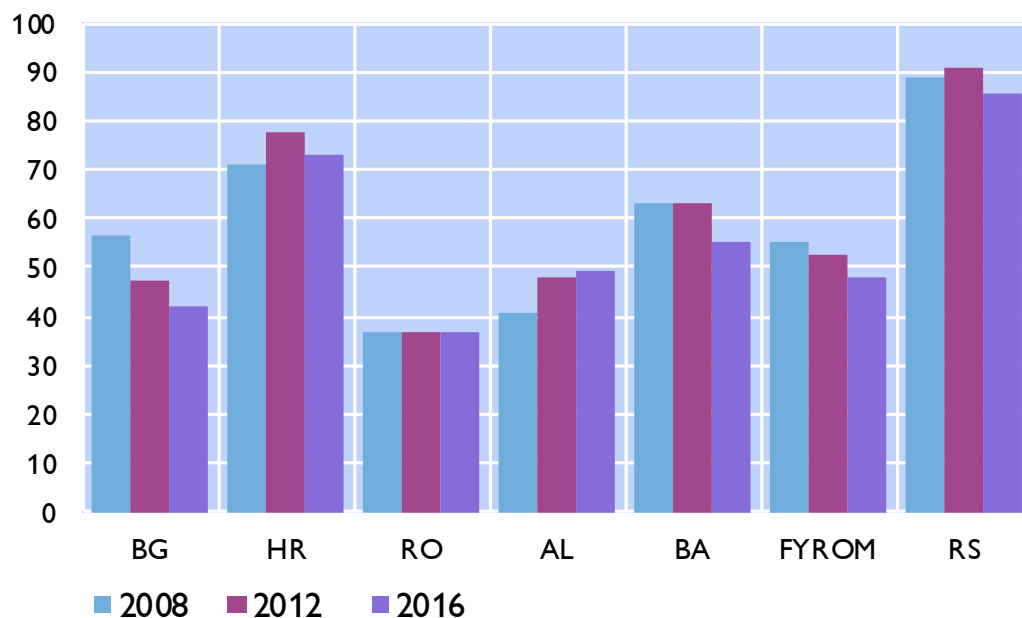


Source: IMF, Eurostat.

OeNB Euro Survey – Households in Southeastern Europe (SEE) still prefer to save in euro

Deposit substitution index

%, share of household deposit denominated in foreign currency



Source: National central banks.

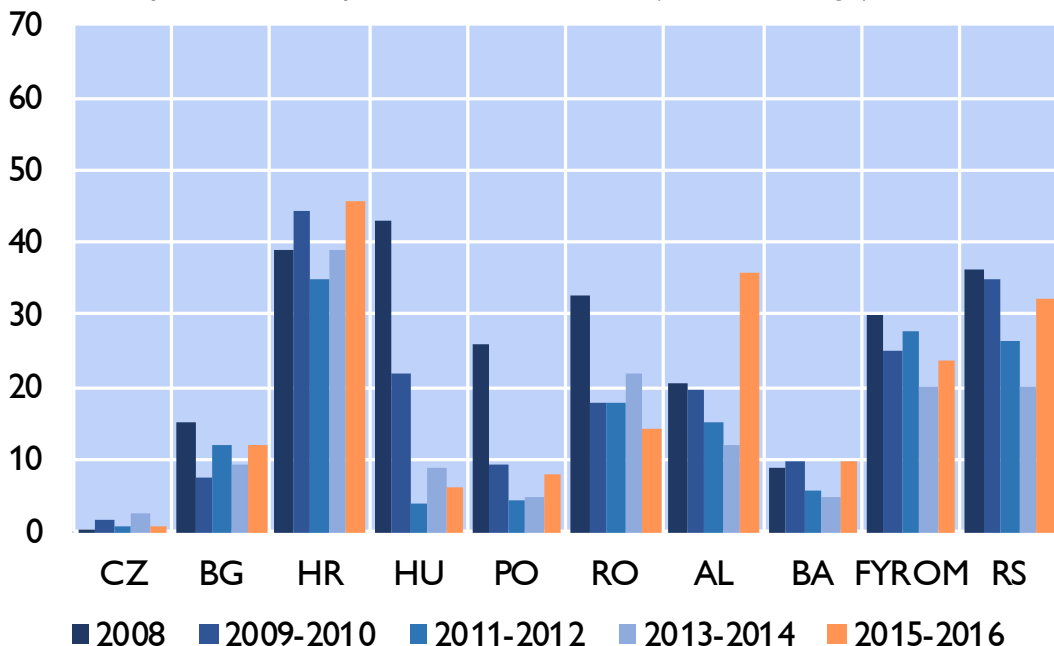
Note: Deposits substitution index = ratio of foreign currency deposits to total deposits of the household sector including NPISH (annual averages).

- **Considerable share of SEE households save in euro**
- **Largely demand-driven**
 - Insure their savings against exchange rate depreciation and high inflation
 - Persistent fear of purchasing power loss is influenced by memories of past financial crisis as well as current economic policies
- **Since 2012: Do shrinking interest rate differentials (IRD) between local and foreign currency deposits promote saving in euro?**
 - Changes in the IRD influence households' saving decisions only weakly and temporary
 - De-euroization requires → Rebuilding trust in the local currency and a track record of macroeconomic stability

OeNB Euro Survey – Recent rebound in household borrowing tilted towards FX in some CESEE countries

Do you plan to take out a foreign currency loan within the next year?

in % of respondents who plan to take out a loan (annual average)



Source: OeNB Euro Survey.

Note: Respondents answering "Don't know" or "No answer" are excluded.

- After the global financial crisis, loan demand was depressed for several years. Recently, loan demand re-emerged in CESEE
- Given the reduction in the IRD → would expect loan demand to be tilted towards local currency
- Surprisingly, the demand for FX loans is rising again in HR, PO, AL, BA, FYROM and RS
- OeNB study by Elisabeth Beckmann (2017) presents evidence that recent debt relief measures for borrowers in some CESEE countries have increased expectations of future government interventions
- Although expectations of government bailout do not influence loan demand as such, they increase the demand for FX loans significantly