

# **The Way Forward with Monetary, Fiscal and Macroprudential Policies**

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**Conference “Europe after the crisis:  
Resuming the Long-term Perspective”**  
**Stockholm, 11 December 2009**

# Outline

- **European monetary policy**
- **Fiscal policies**
- **Macroprudential policies**

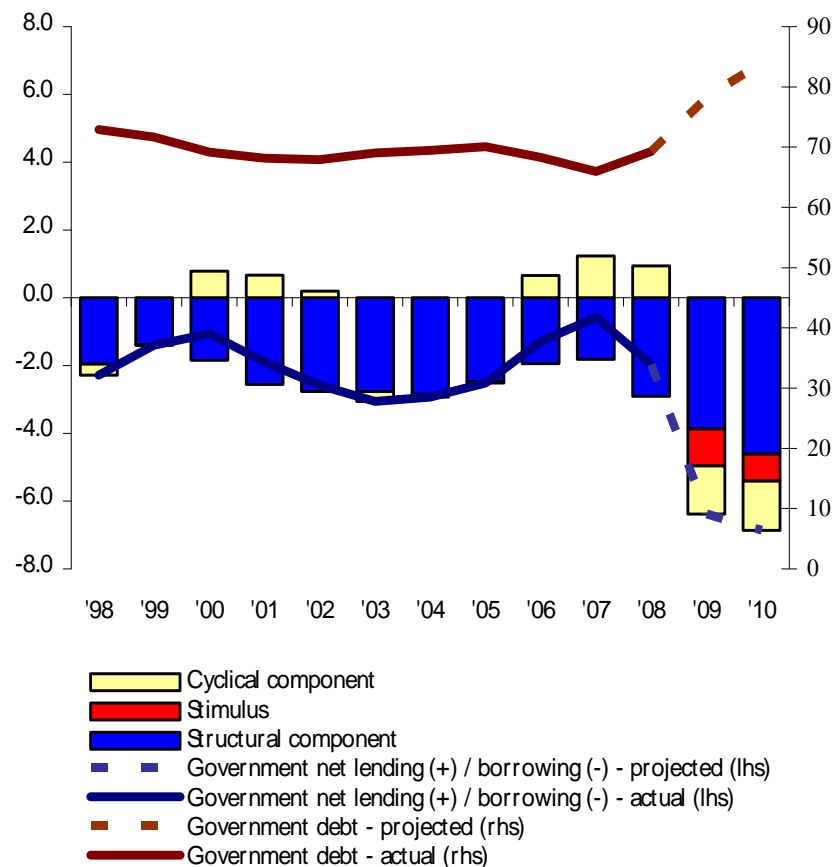
# ECB monetary policy

- **Extensive support via low interest rates and non-standard measures**
- **Time for gradual phasing-out has come**
- **Monetary policy assessment will benefit from enhancing the analysis of asset prices and credit aggregates**

# Fiscal costs of the crisis

## Government net lending / borrowing

Euro area, percent of GDP



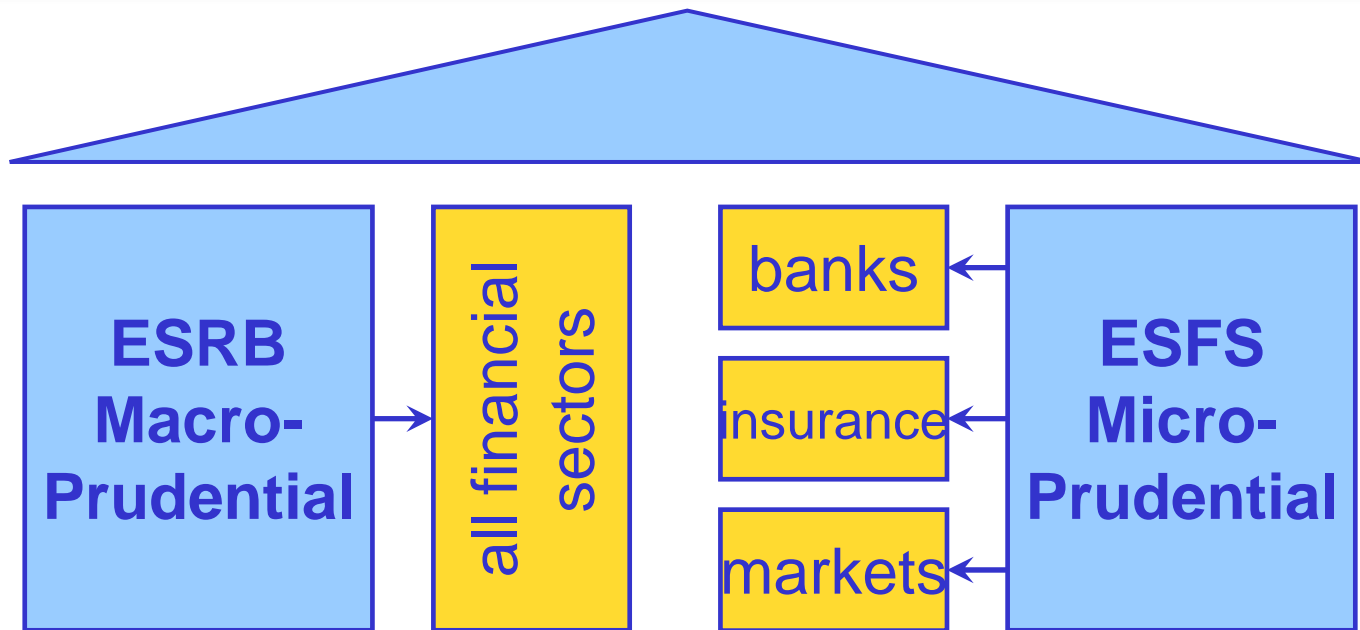
Source: European Commission

- European Commission Autumn 2009 forecast: euro area deficit ratio increases to 6.9% of GDP in 2010; debt ratio to 84%
- Less than one third of the total fiscal impulse in 2009 and 2010 due to the economic cycle; less than one fifth due to discretionary stimulus packages
- Structural deficit increasing due to i) structural spending growth in excess of GDP growth and ii) revenue shortfalls

➤ Need for credible and well-specified fiscal exit strategy

# Regulatory reform:

## *The new EU supervisory architecture*



Macro-prudential oversight at EU-wide level, across financial sectors:

- Enhanced systemic risk surveillance and assessment

Macro-prudential policy:

- Issuance of risk warnings and recommendations on measures in reaction to the identified risks