



EUROPEAN CENTRAL BANK

EUROSYSTEM

The resilience of the euro

Athens University of
Economics and
Business

22 June 2021

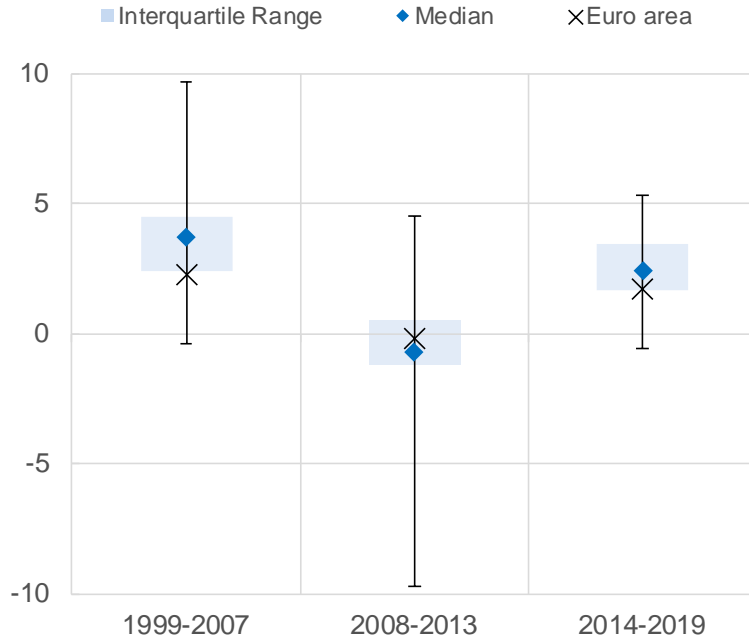
Philip R. Lane
Member of the Executive Board of the ECB



- [Journal of Economic Perspectives 35(2), Spring 2021, 3-22. Available at <https://www.aeaweb.org/articles?id=10.1257/jep.35.2.3>]
- 1999-2007; 2008-2013; 2014-2019; 2020-
- Global fundamentals (r^* , ..); common shocks versus asymmetric shocks
- Euro Area Architecture: Crisis-Driven Reforms; [NGEU]
- Post-crisis macroeconomic dynamics; pandemic test
- Overall: improved resilience of the euro
- Political economy of the euro and the EU
- More to do

Real GDP growth distribution

(annual percentage growth)

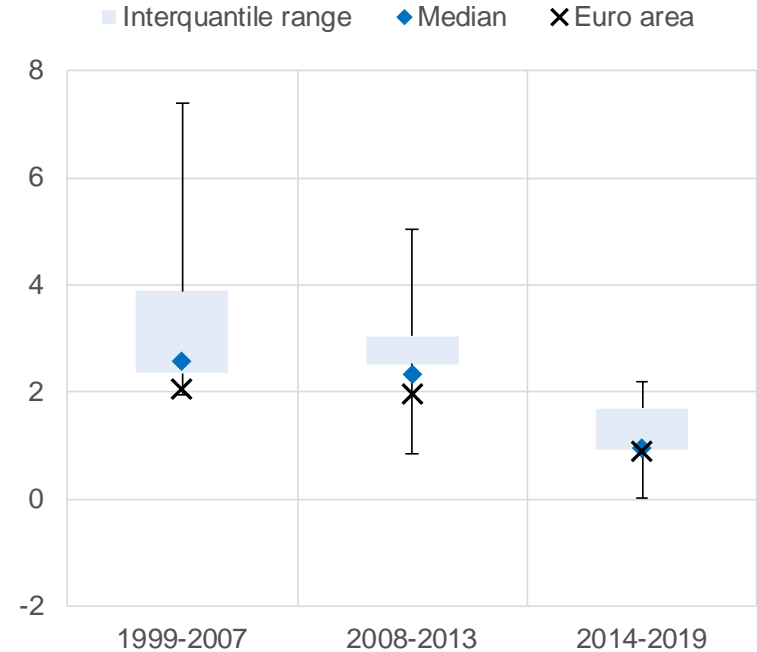


Sources: Eurostat and ECB calculations.

Note: Data for Ireland not included due to data inconsistencies.

Inflation distribution

(annual percentage growth)

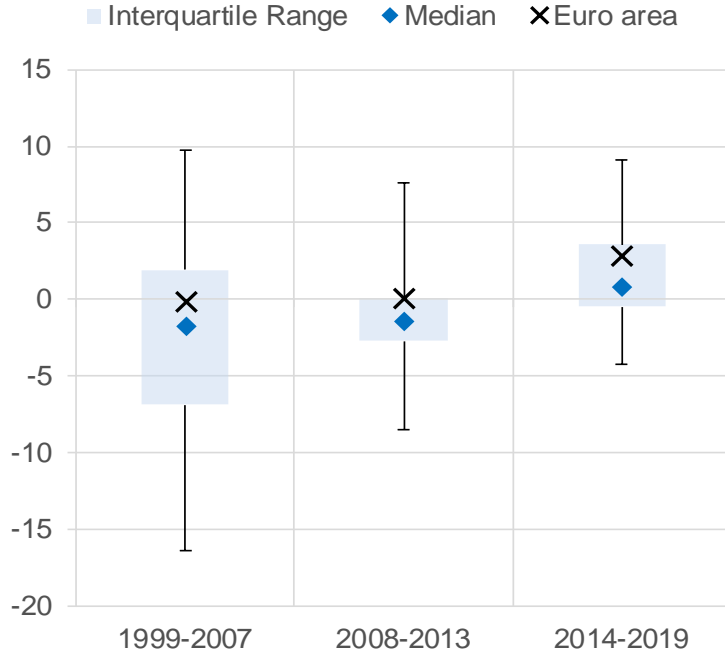


Sources: Eurostat and ECB calculations

Macroeconomic indicators for the euro area

Current account balance distribution

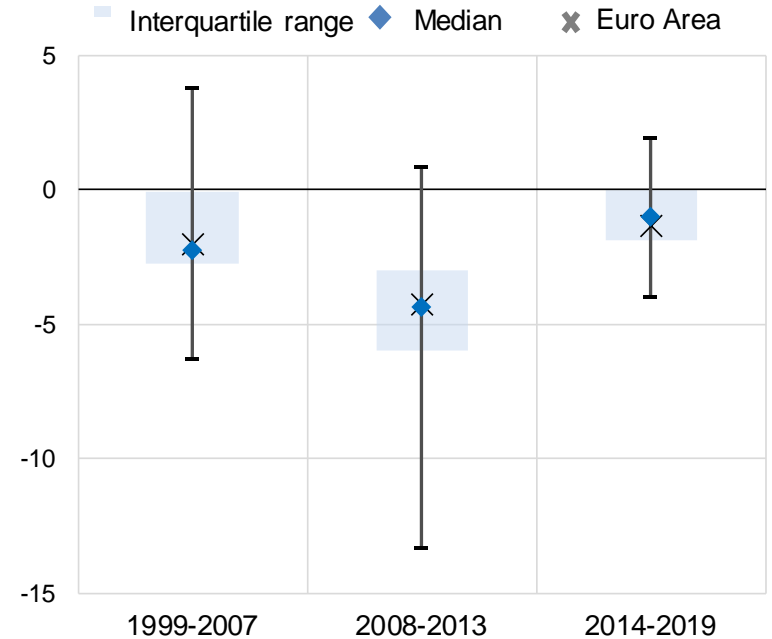
(percent of nominal GDP)



Sources: Eurostat and ECB calculations.

Budget balance distribution

(percent of nominal GDP)

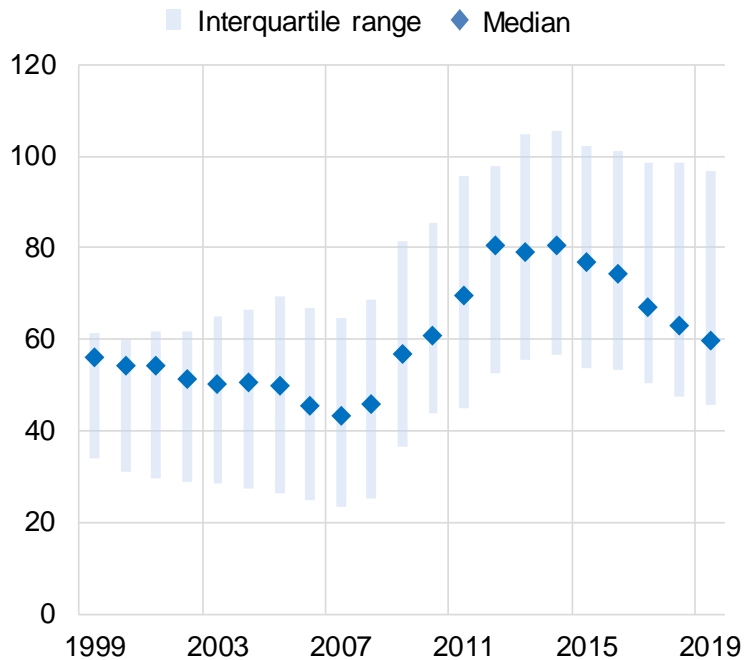


Sources: Eurostat and ECB calculations

Balance sheet indicators for the euro area

Government debt

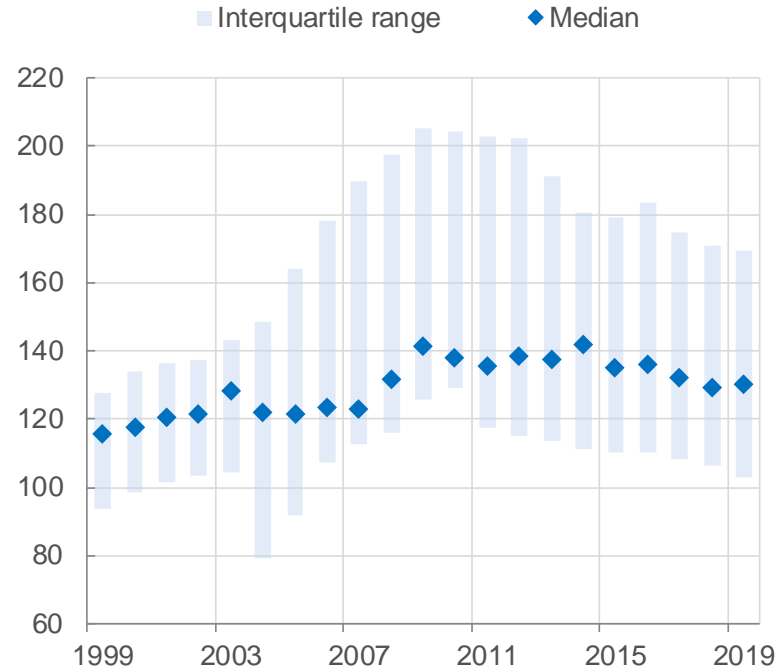
(percent of nominal GDP)



Sources: European Commission and ECB calculations.

Private sector gross debt

(percent of nominal GDP)

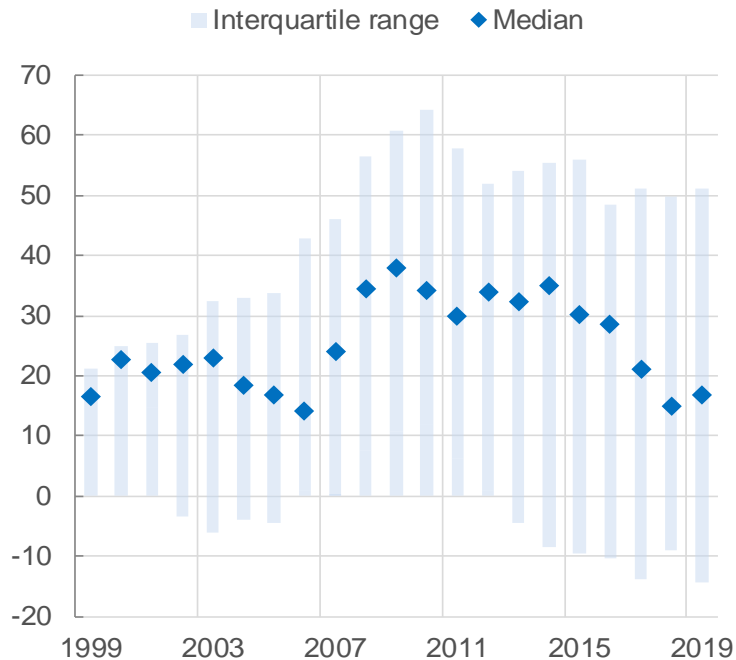


Sources: European Commission and ECB calculations

Notes: Private sector gross debt refers to the consolidated definition and is the sum of NFC and household consolidated gross debt. NFC consolidated gross debt is defined as the sum of total loans granted to NFCs net of intra-sectoral lending, debt securities issued and pension liabilities. Household consolidated gross debt includes total loans granted to households net of intra-sectoral lending.

Balance sheet indicators for the euro area

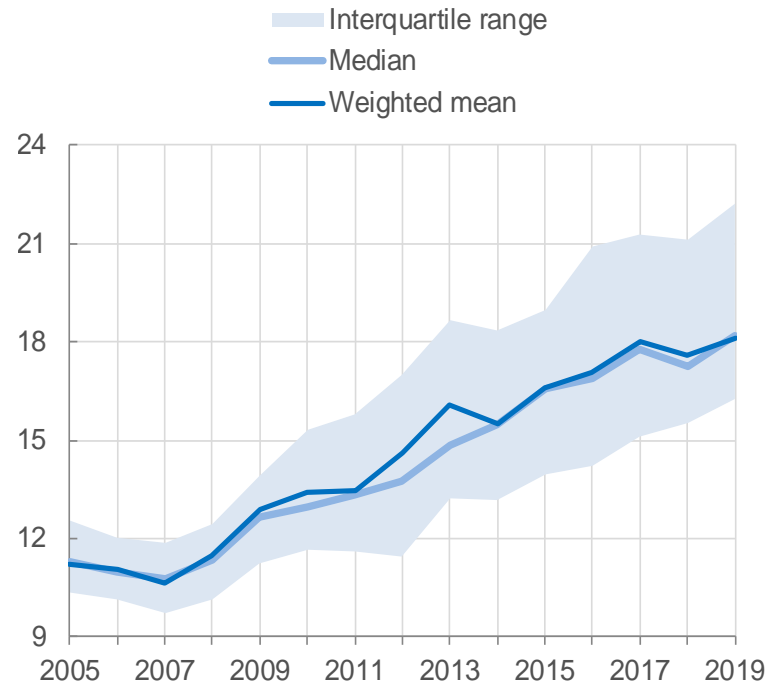
Net external debt (percent of nominal GDP)



Sources: ECB (BoP) and Eurostat.

Note: Data prior to 2008 is partially based on estimates and not available for all countries.

Capital adequacy ratio (percentages)

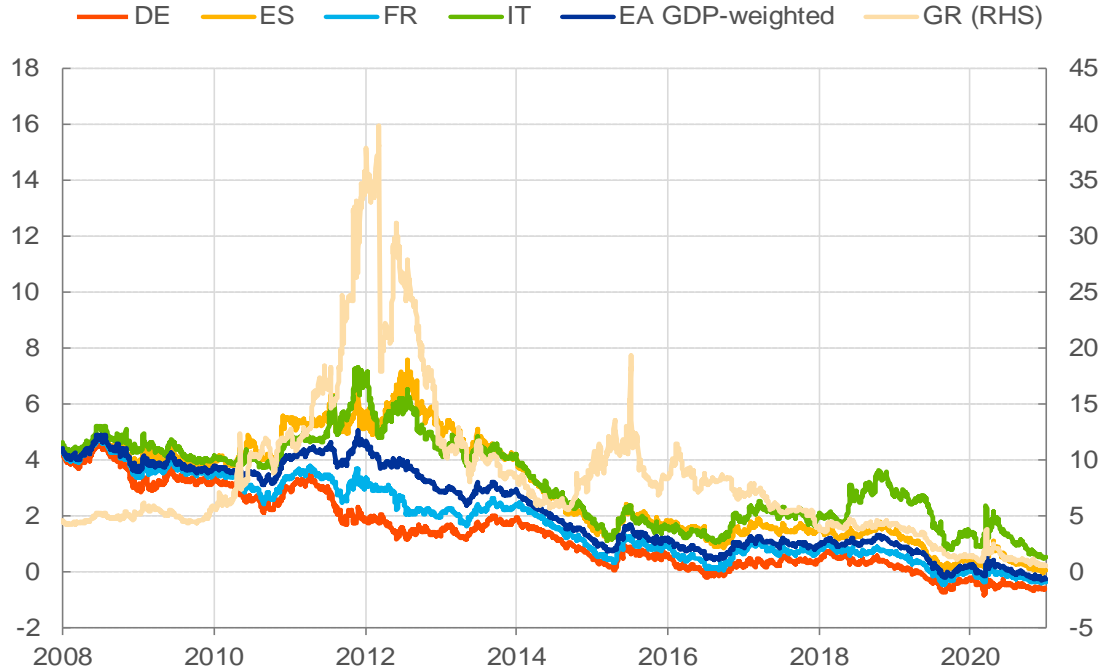


Sources: European Commission and ECB calculations

Notes: The capital adequacy ratio is computed as total capital over risk-weighted assets. It is based on an unbalanced sample of banks located in one of the 19 EA countries, irrespective of the time of adoption of the euro. The sample encompasses 50 entities in 2005 and 113 in 2019. Data from 2005 only.

Ten-year euro area bond yields: GDP-weighted and selected countries

Bond yields (percent)



Sources: Refinitiv, Bloomberg, and European Central Bank calculations.
Latest observations: 31 December 2020.

- Crisis prevention and crisis management: European Stability Mechanism (ESM)
- Solvency and official funding: ESM; Liquidity role: OMT
- Macroprudential policy: limits to leverage of households, firms and banks
- Banking regulation and supervision: higher capital-asset ratios; pan-European supervision (SSM; ESAs); BRRD; SRM/SRB/SRF
- Conduct of national fiscal policies: IFCs; also EFB; European semester

- Banking Union: EDIS; pan-European banking
- Capital Markets Union:
- Central Fiscal Capacity: Macroeconomic stabilisation (asymmetric shocks; common shocks); international public goods

- EU SURE bonds (on-lent to national governments)
- ESM contingent credit lines
- EIB: credit guarantees for firms
- NGEU: EU bonds to fund grants and loans to national governments, within RRP framework
- 2021-2026 disbursement; multi-horizon funding (up to 2058)
- State-contingent central fiscal capacity (CFC)?
- Impact on risk premia

- Resilience of the euro intertwined with resilience of the EU
- Rising share of EU countries in the euro area
- International monetary policy trilemma; international financial trilemma; international political economy trilemma
- EU/euro: hybrid, fuzzy solutions, rather than “corner” solutions

- Improvement in resilience
- Long-term impact of pandemic on euro resilience
- Implementation of NGEU; national fiscal policies
- Further reforms of euro area institutional architecture
- Future shocks?