



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Global Shocks and Macroeconomic Perspectives: A View from Europe

Philip R. Lane, Central Bank of Ireland  
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- Monetary policy in the Euro Area
    - Interest rate policy
    - Non-standard measures
    - Monetary policy transmission
    - Macroeconomic context
  - Interdependence: Euro Area and Emerging Markets
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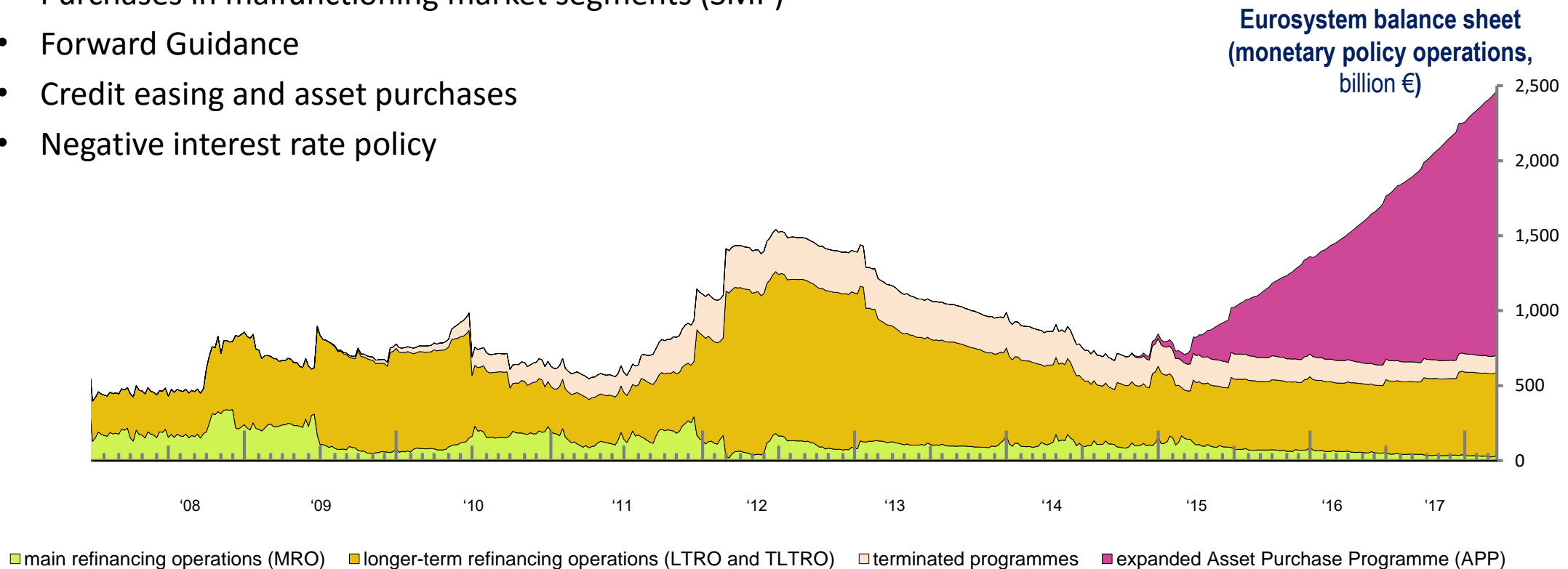


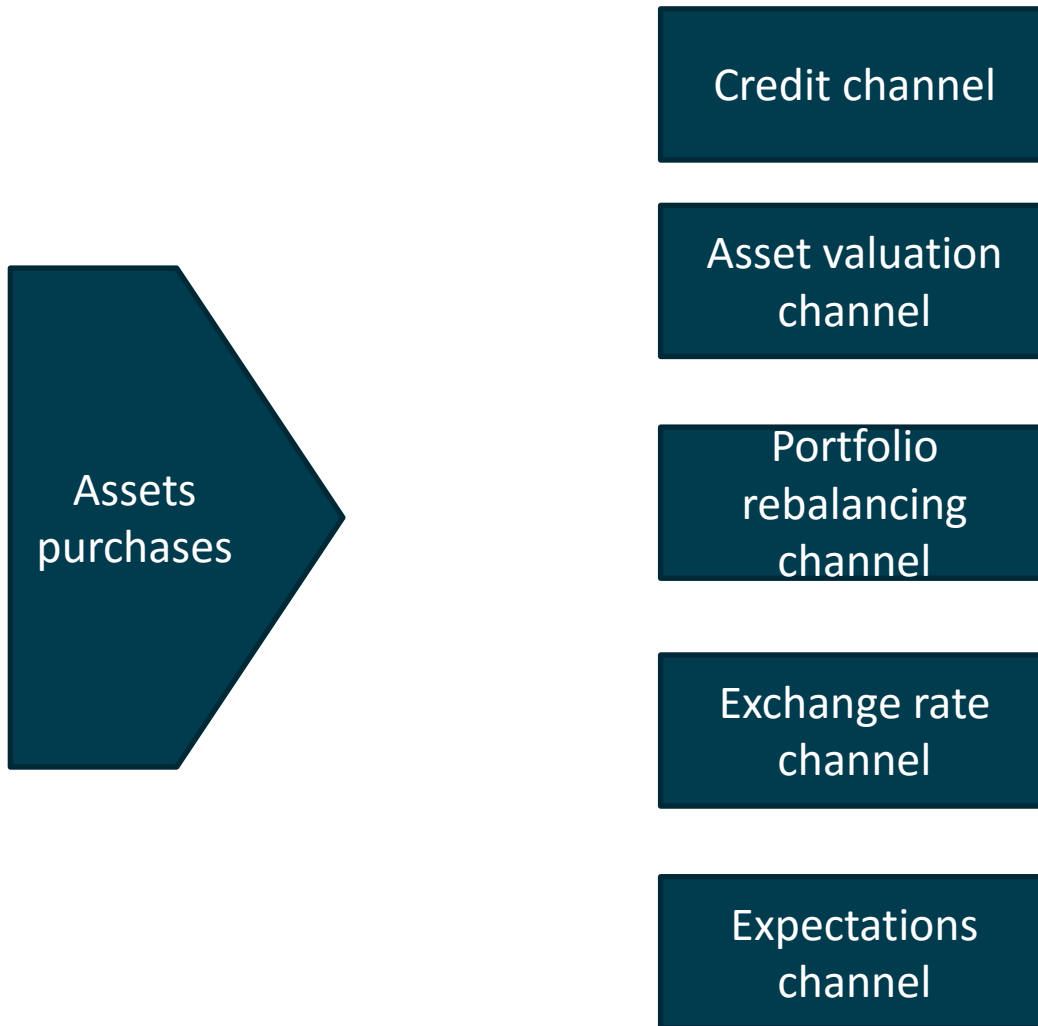
- Main Refinancing Operations (MRO) Rate:
  - Lowered from 3.75% (Oct. 2008) to 1% (May 2009) in response to start of financial crisis
  - Reached Zero Lower Bound in March 2016
- Deposit Facility Rate:
  - July 2011: 0%
  - Lowered by 10 basis points in June 2014, Sept. 2014, Dec. 2015 and Mar. 2016



## Non-Standard Measures:

- Liquidity and funding measures
- Purchases in malfunctioning market segments (SMP)
- Forward Guidance
- Credit easing and asset purchases
- Negative interest rate policy

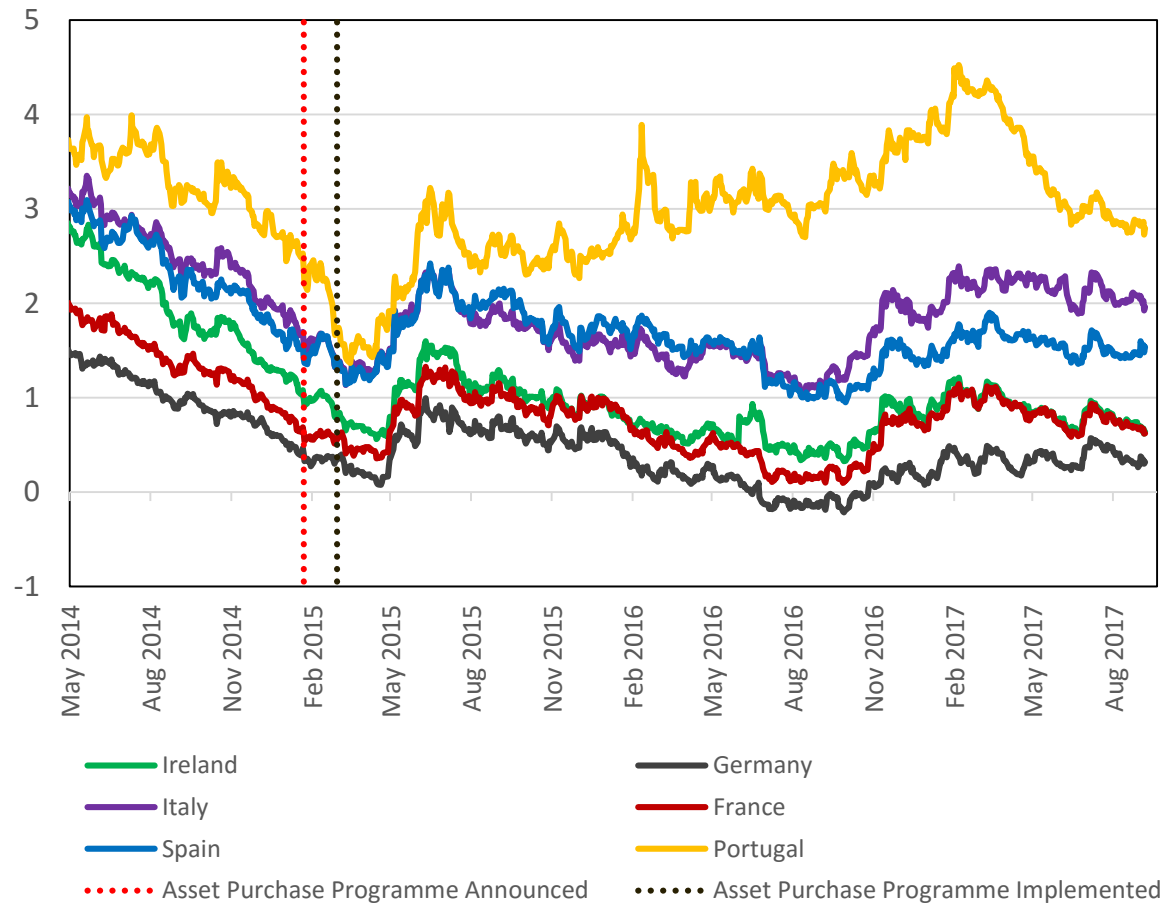






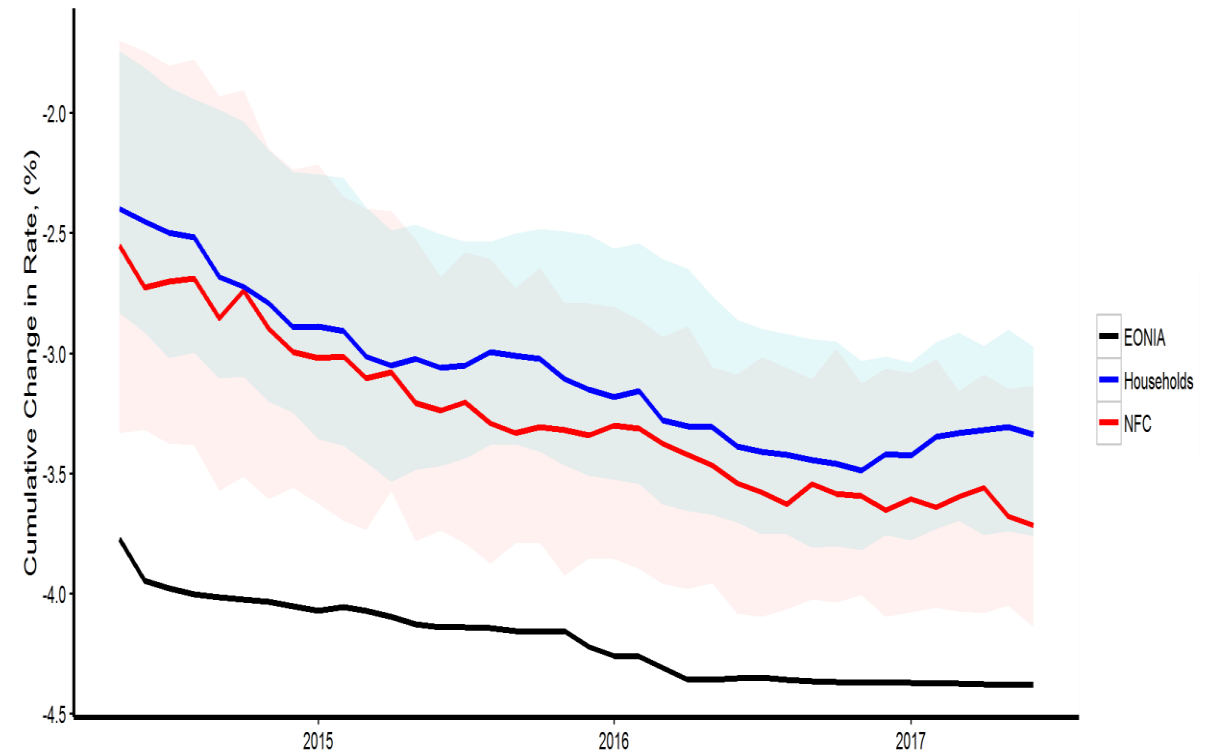
## Government Bond Yields...

### 10 Year Bond Yields (%)



Source: Bloomberg

## Lending Rates to the Real Economy...



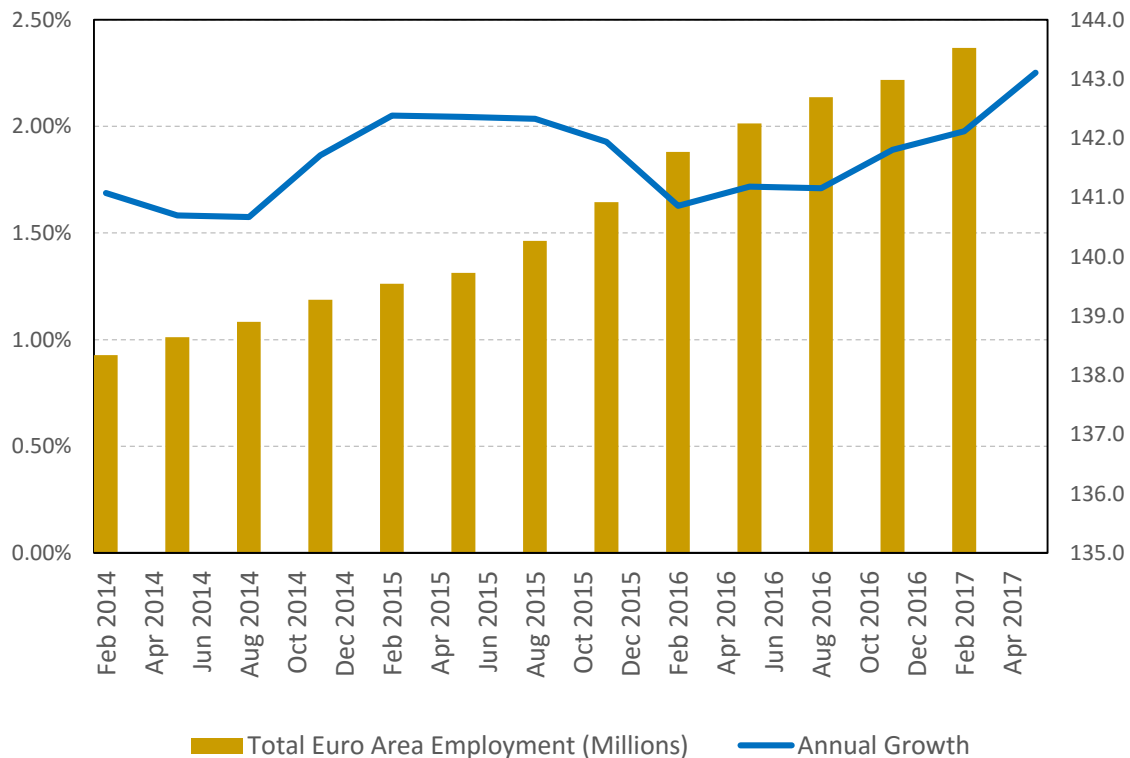
Notes: NFC rate: loans of up to one year of fixation. Households rate: weighted average interest rate on mortgages across fixation maturities. Cumulative changes re-based to January 2008.

Source: ECB IMIR, CBI calculations

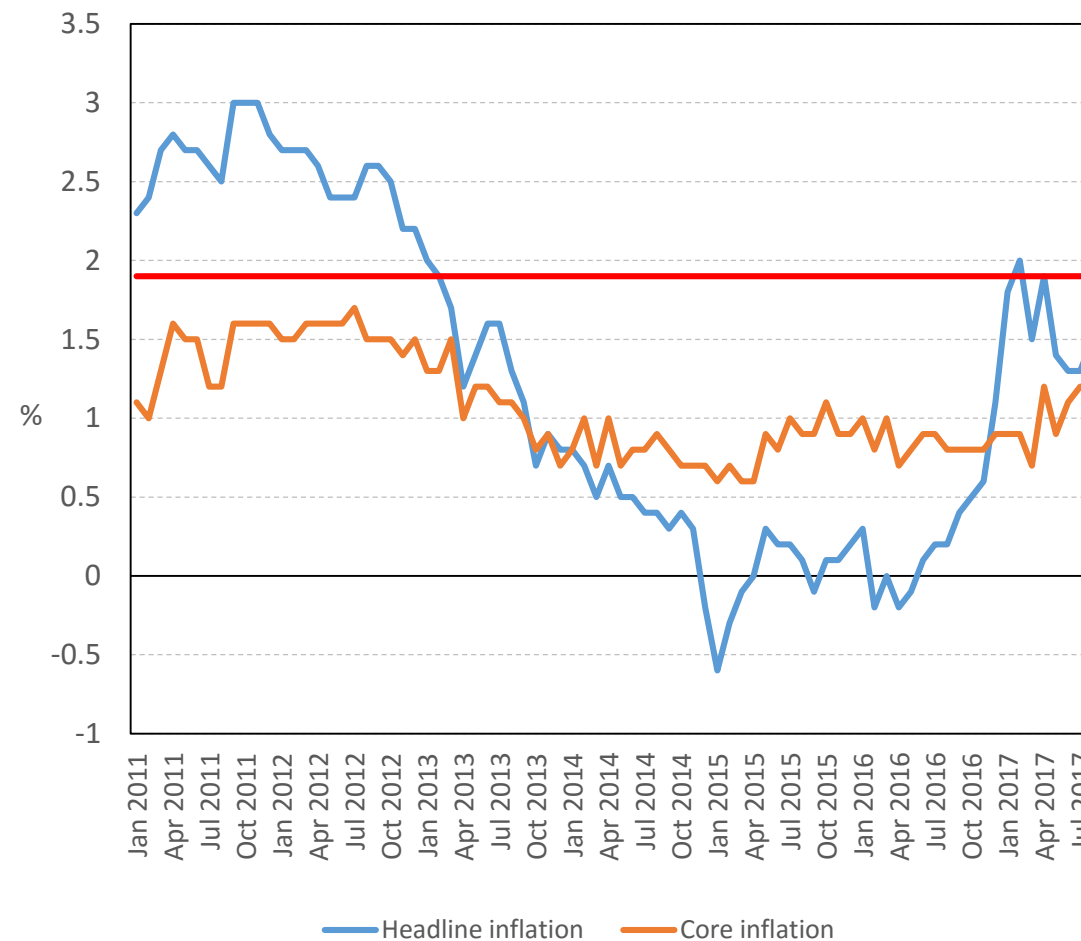


## Contribution to Growth...

Annual Euro Area GDP Growth Rate (%)



## ...and Inflation





*"We decided to keep the key ECB **interest rates** unchanged. We expect them to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases.*

*Regarding non-standard monetary policy measures, we confirm that our net **asset purchases**, at the current monthly pace of €60 billion, are intended to run until the end of December 2017, 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."*

*(Mario Draghi, September 2017)*



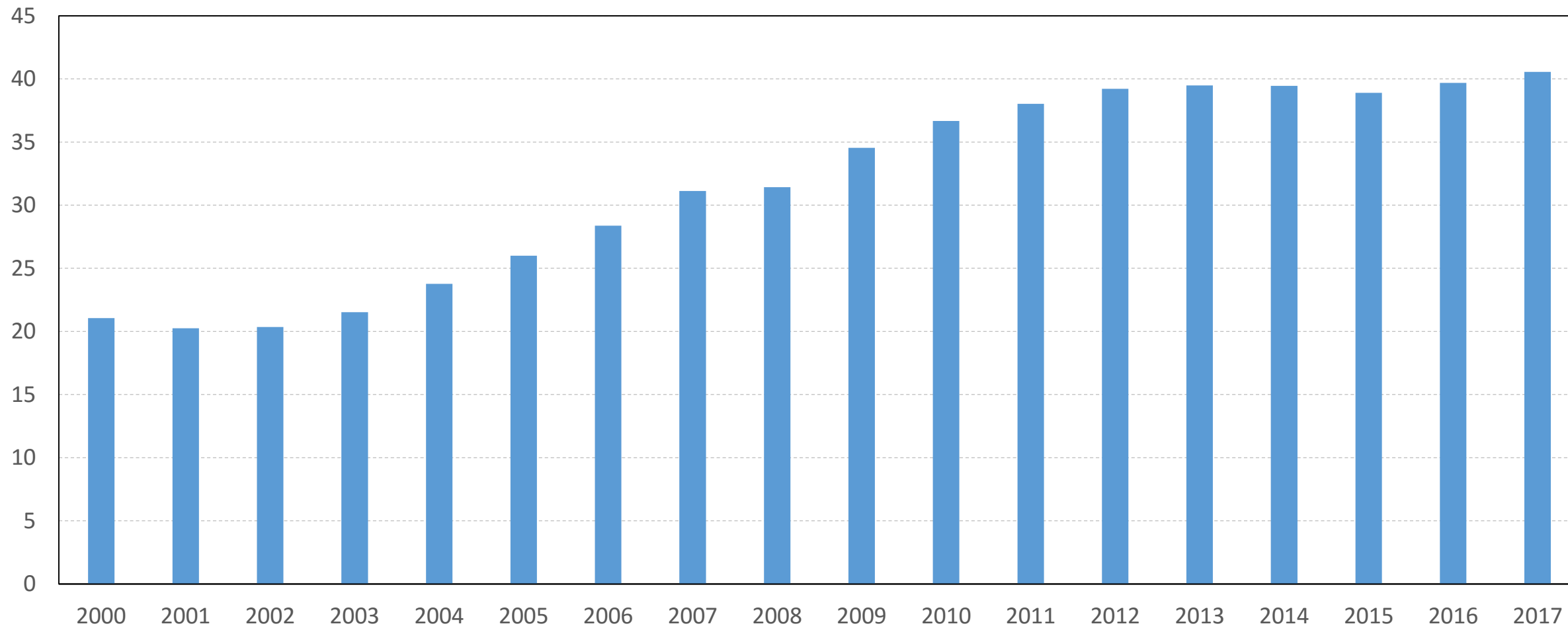




- Rising share of emerging markets and developing economies in global output
- Expanded role in global financial markets
- Evolution of exchange rate regimes, monetary policies, role of national currencies

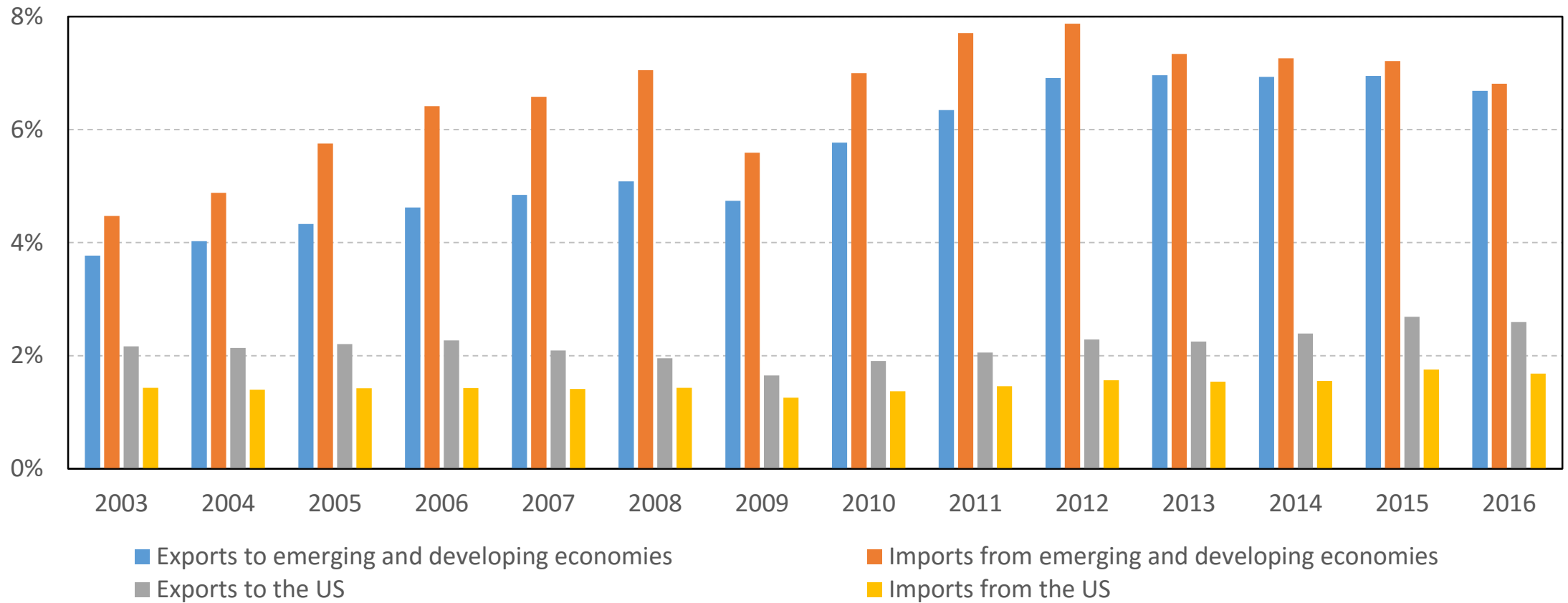


### EM and developing economies as % world GDP (USD)



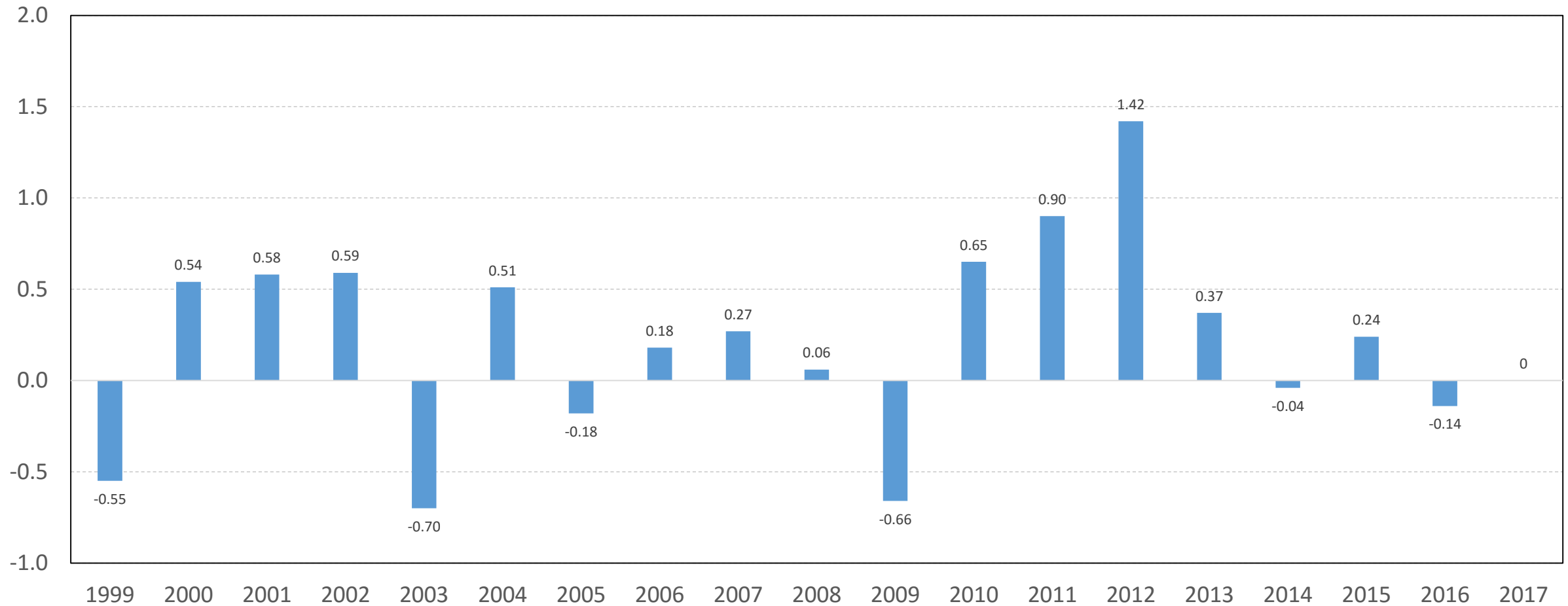


### EA Imports and Exports as % of EA GDP



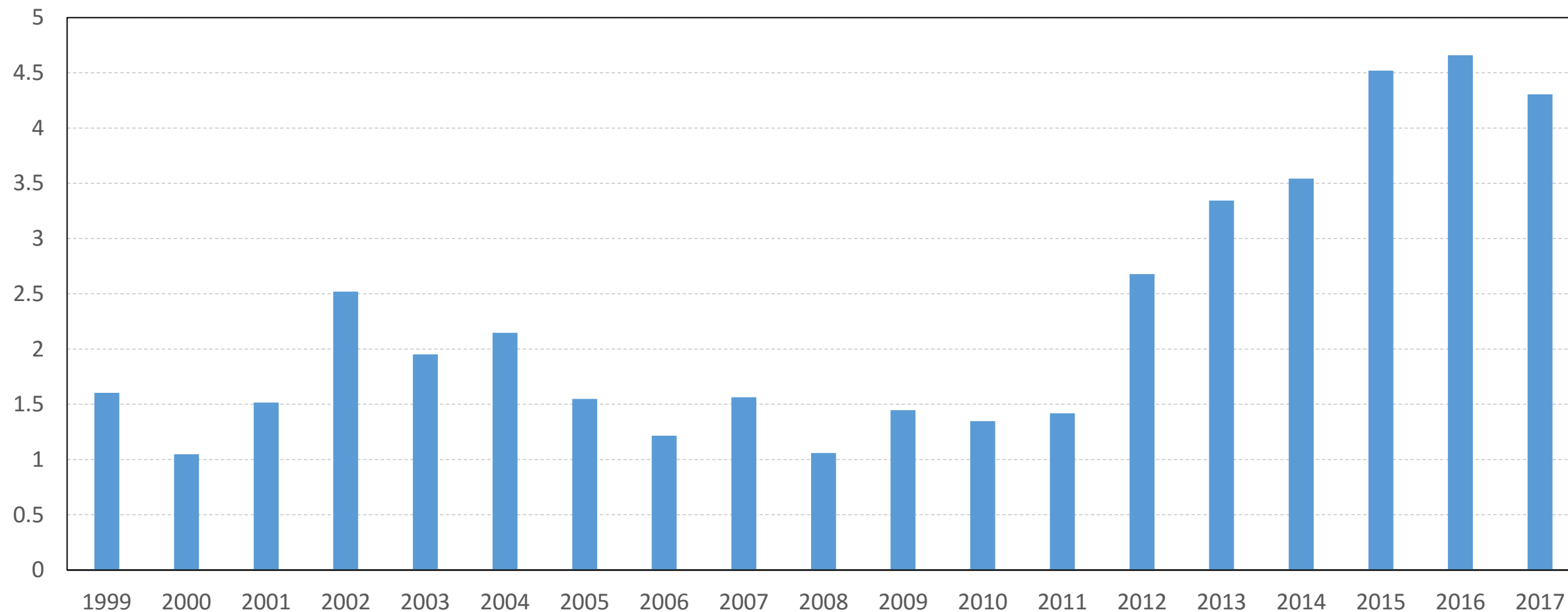


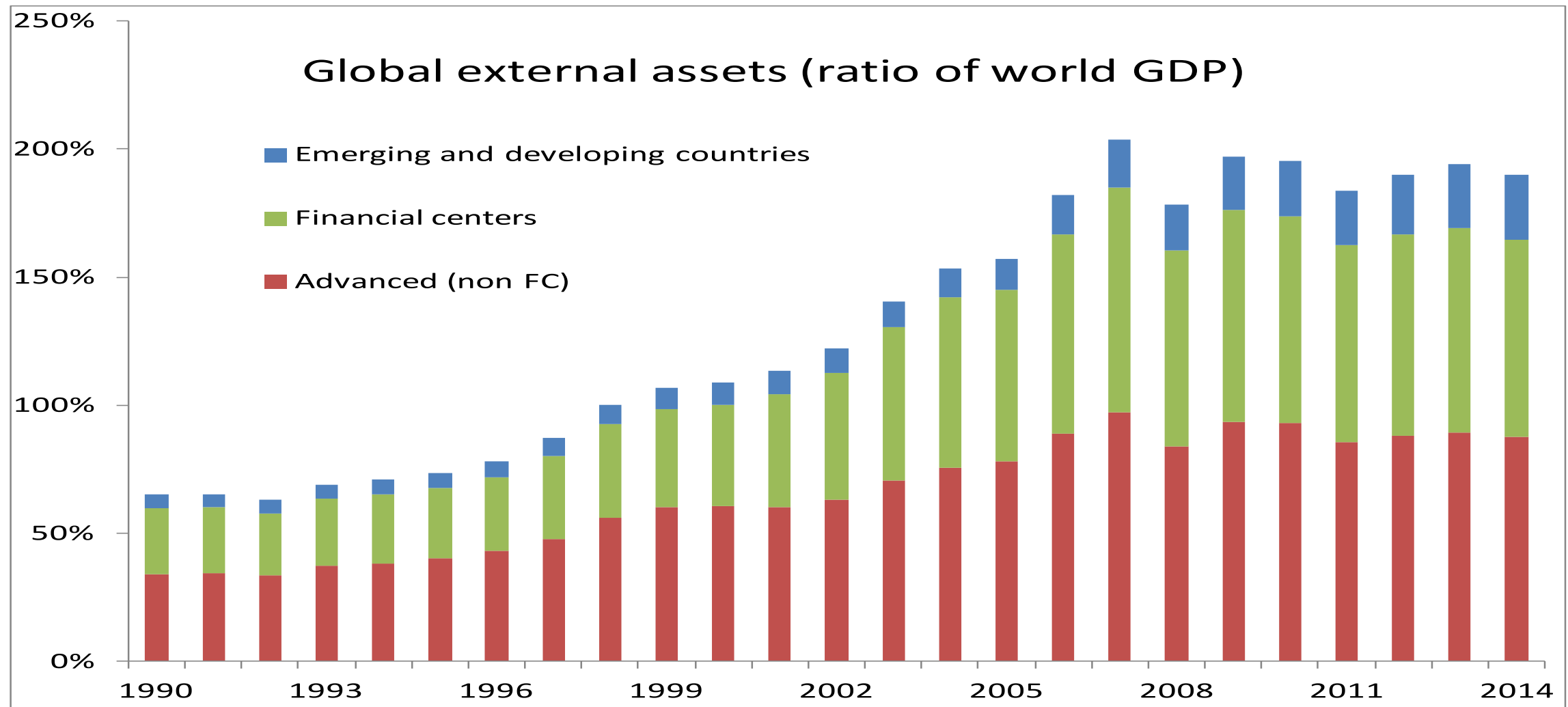
### NX Contribution to EA GDP Growth





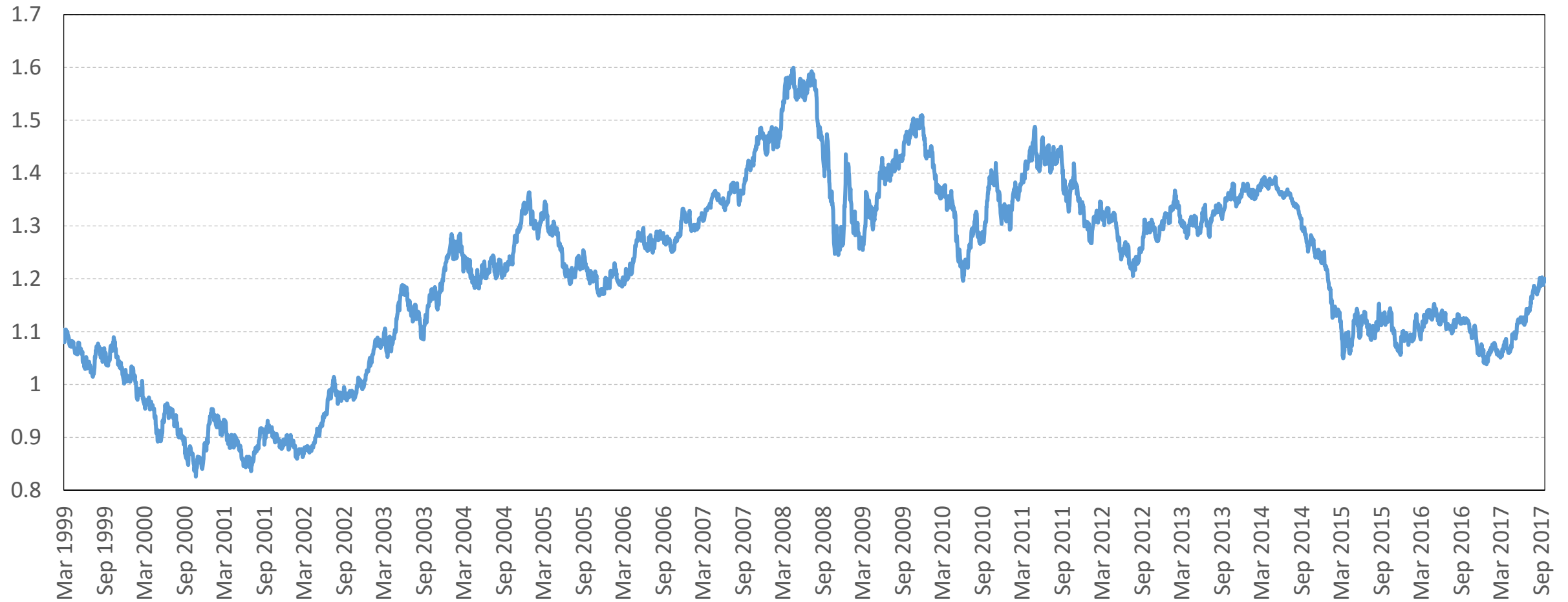
### Net Exports % of EA GDP







### EUR/USD





- Euro area in recovery model, supported by accommodative monetary policy
- Current momentum: domestic demand
- Role of exchange rate and external trade: variation over time and states of the world
- Interdependence with emerging markets: fundamental element in analysis of macroeconomic and financial conditions
- Important role for G20 and IFIs in developing shared understanding of global conditions and global policy challenges