



EUROPEAN CENTRAL BANK

EUROSYSTEM

**2015-10-8 Mannheim**

**Remarks at 5th SEEK  
Conference on  
“Overcoming the Crisis:  
How to Foster Innovation  
and Entrepreneurship in a  
Diverging European  
Economy?”**

Peter Praet  
Member of the Executive Board

# 5 years ahead growth expectations for the euro area

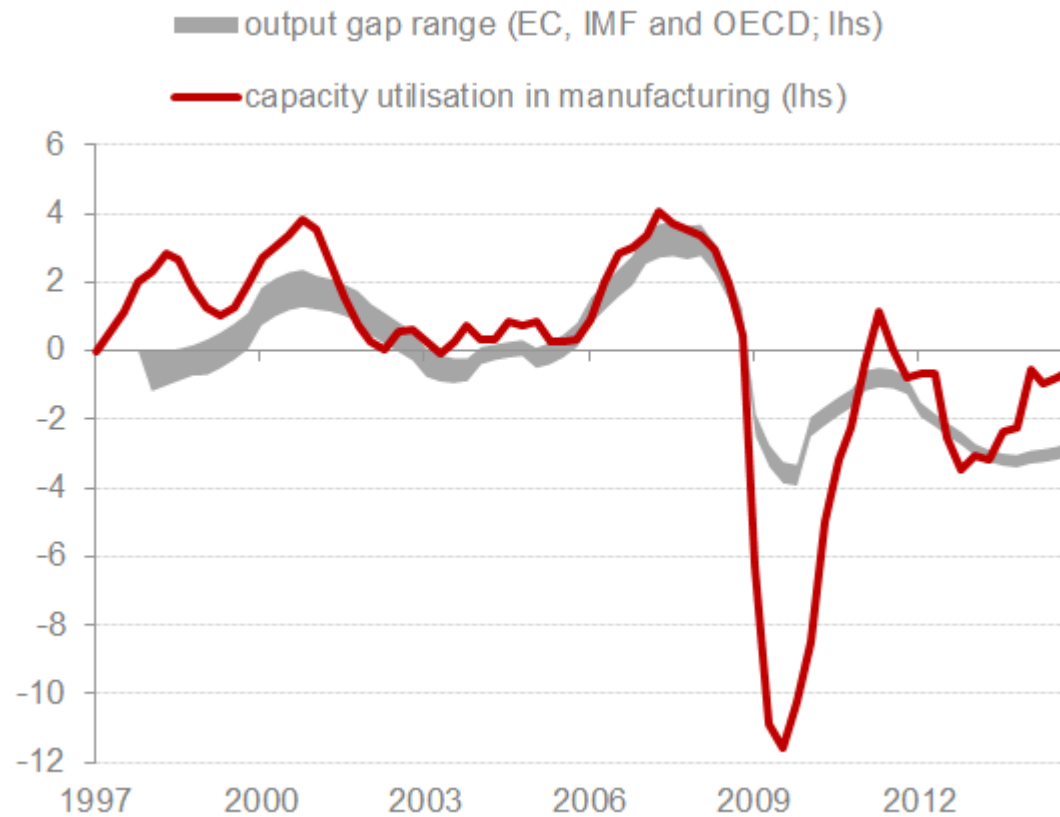
% p.a.



Source: Consensus.

# Output gap and capacity utilization

Output gap: in percent of potential output; survey indicators: deviation of balances from their historical mean



Sources: European Commission, IMF and OECD.

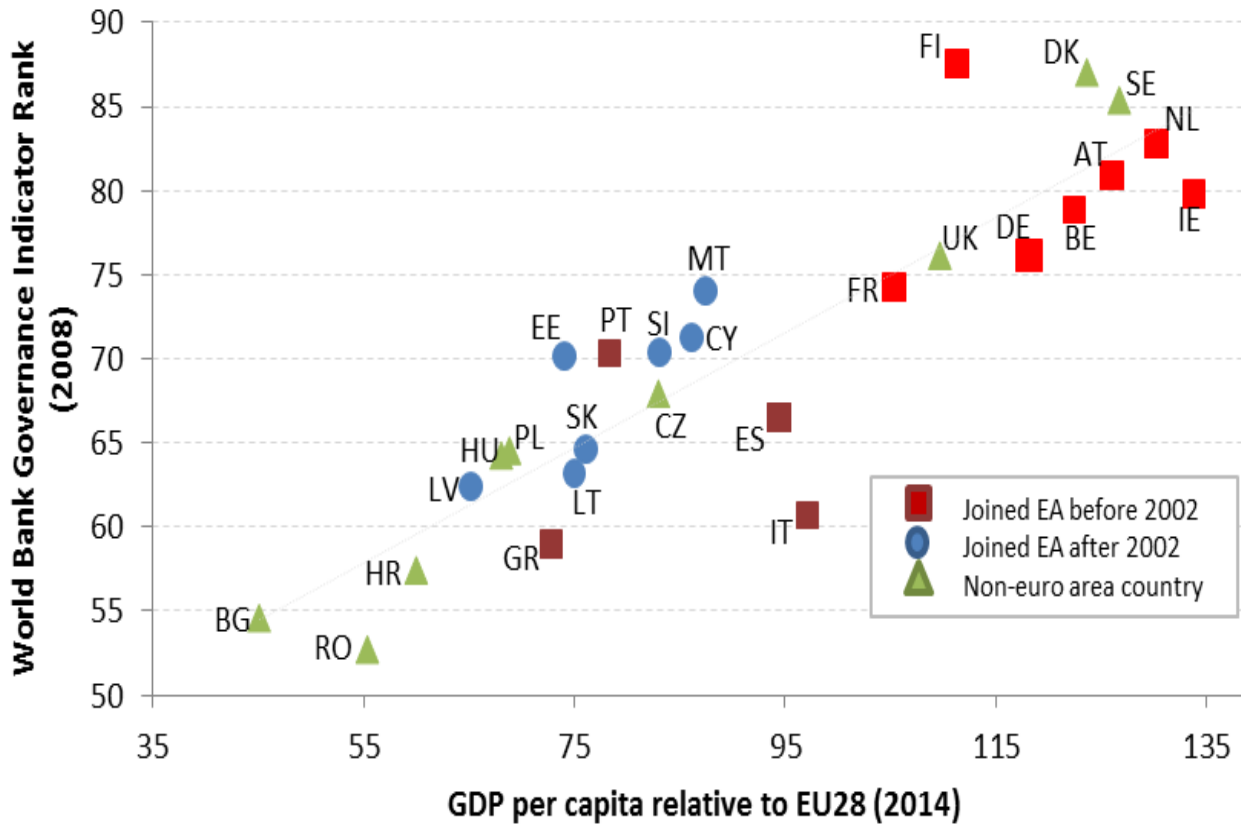
## Expectations for EMU

- “Microeconomic efficiency gains, which arise from the elimination of exchange rate uncertainty and transaction costs, and lead to a permanent increase in output”
- “Macroeconomic stability effects, which arise both from the elimination of intra-Community exchange rates and from policy discipline in the monetary and fiscal fields”
- “Private markets will finance all viable borrowers, and savings and investment balances will no longer be constraints at the national level.”

Source: European Commission, 1990, “One Market, One Money”

# Worldwide Governance Indicator rank and GDP per capita levels

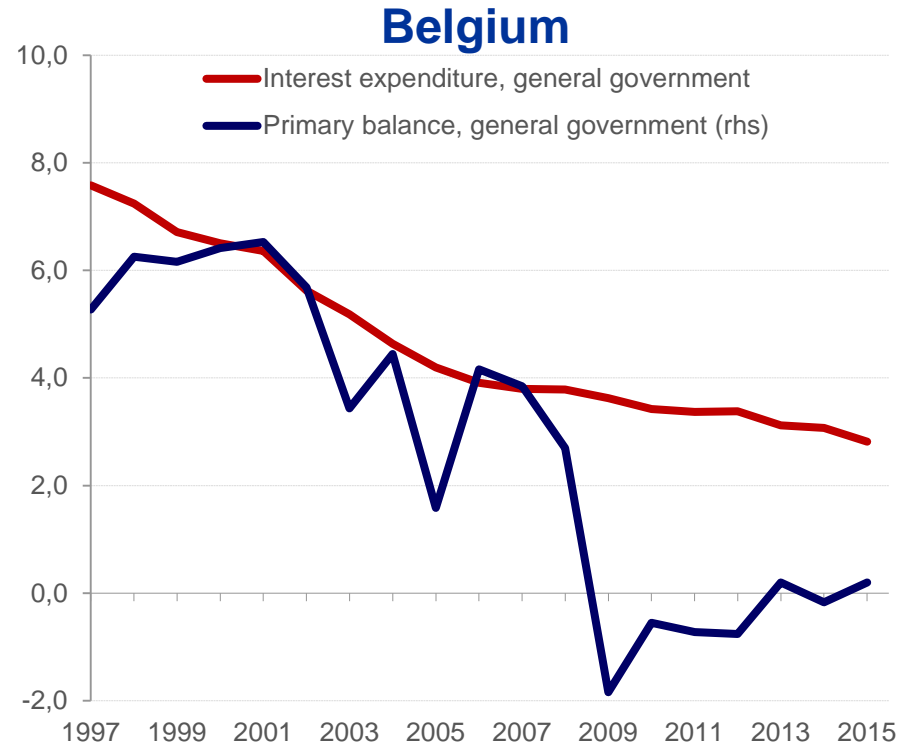
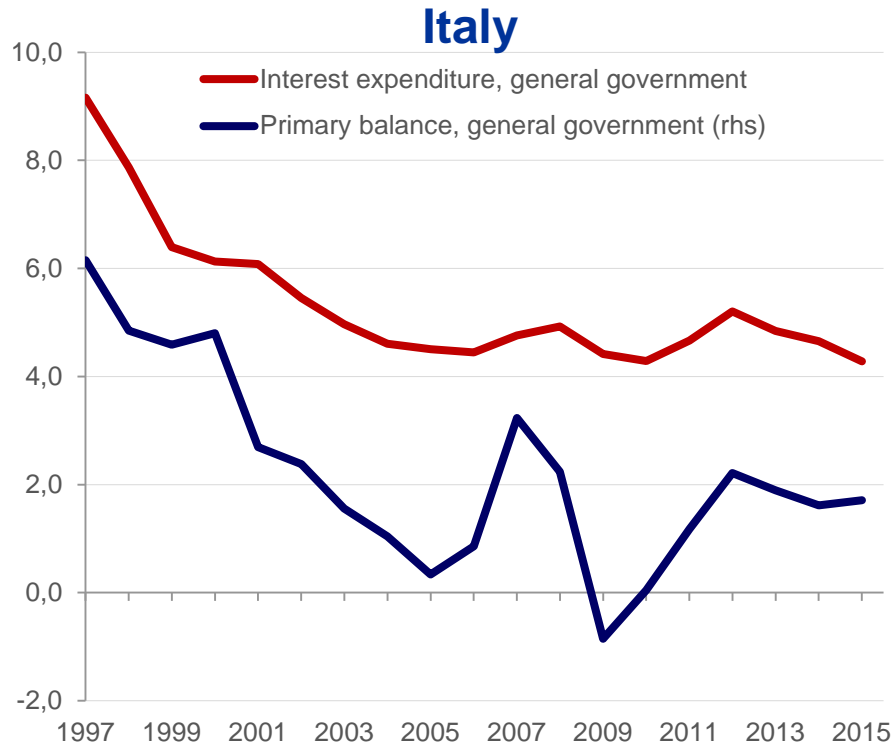
GDP per capita in PPS; EU28=100



Source: World Bank. Notes: Worldwide Governance Indicator represents an average position in six broad dimensions of governance: (1) Voice and Accountability, (2) Political Stability and Absence of Violence/Terrorism, (3) Government Effectiveness, (4) Regulatory Quality, (5) Rule of Law, and (6) Control of Corruption. 100 is the maximum relative level in the rank.

# Primary balance and interest expenditure

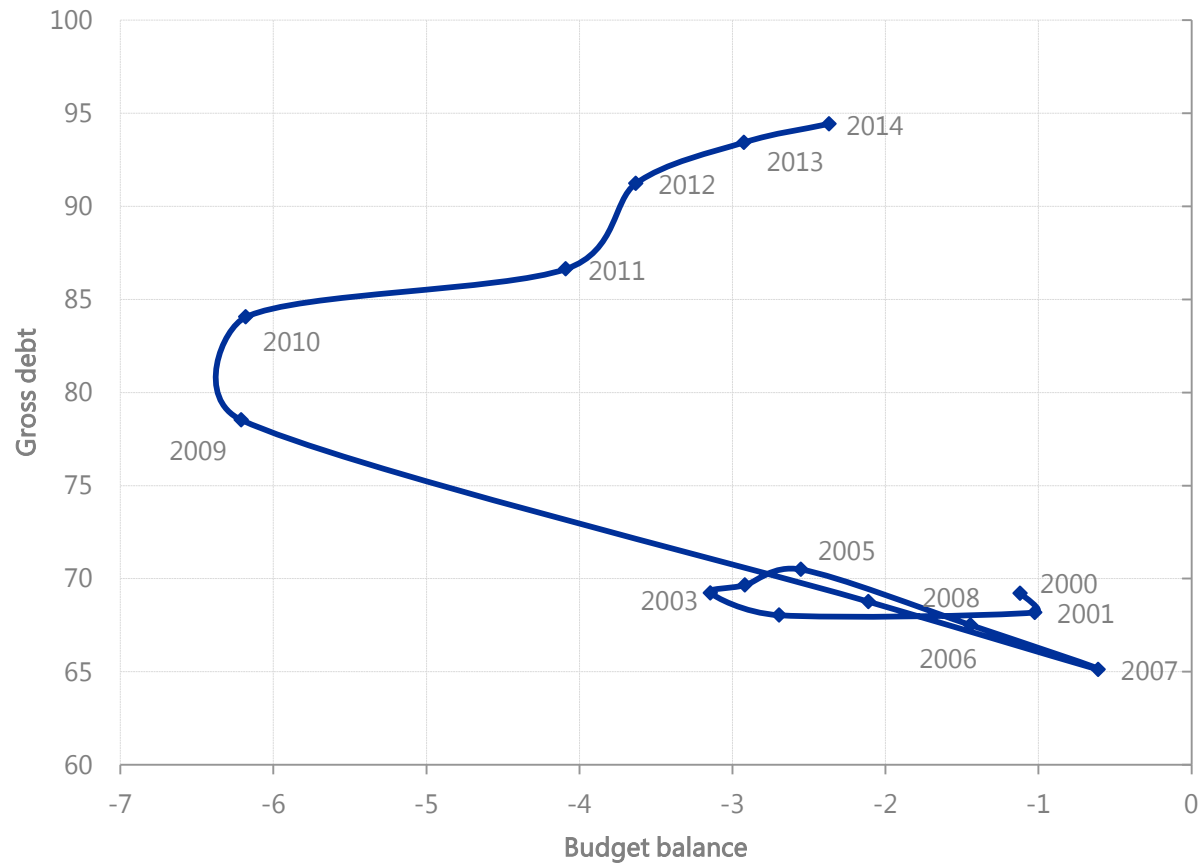
% of GDP



Source: European Commission, European Economist Forecast, Spring 2015

# Euro area government debt and deficit

% of GDP

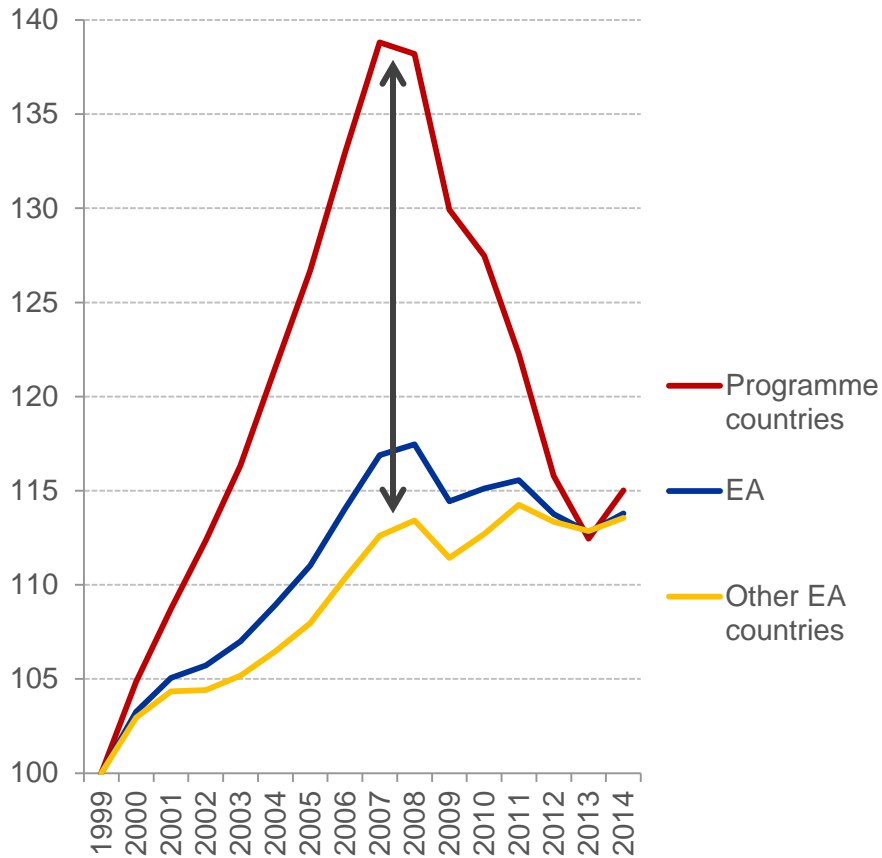


Sources: European Commission's spring 2015 economic forecast, ESA95 data before 2006.

Note: Budget balance excludes UMTS proceeds.

# Domestic demand

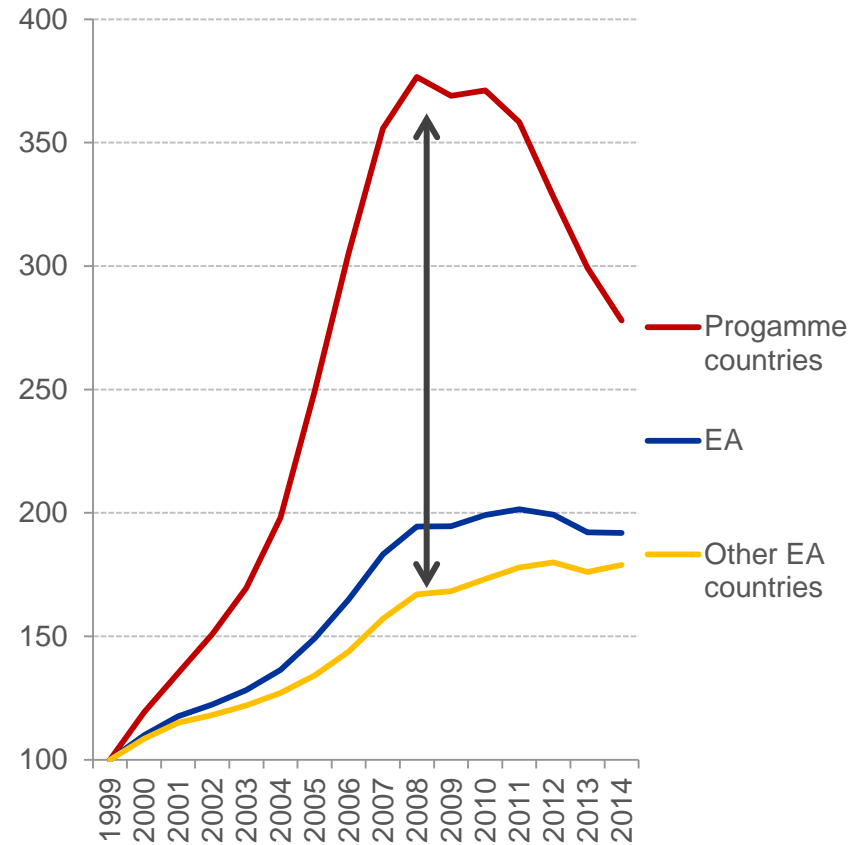
1999 = 100



Source: EC and ECB.

# Credit to the private sector

1999 = 100

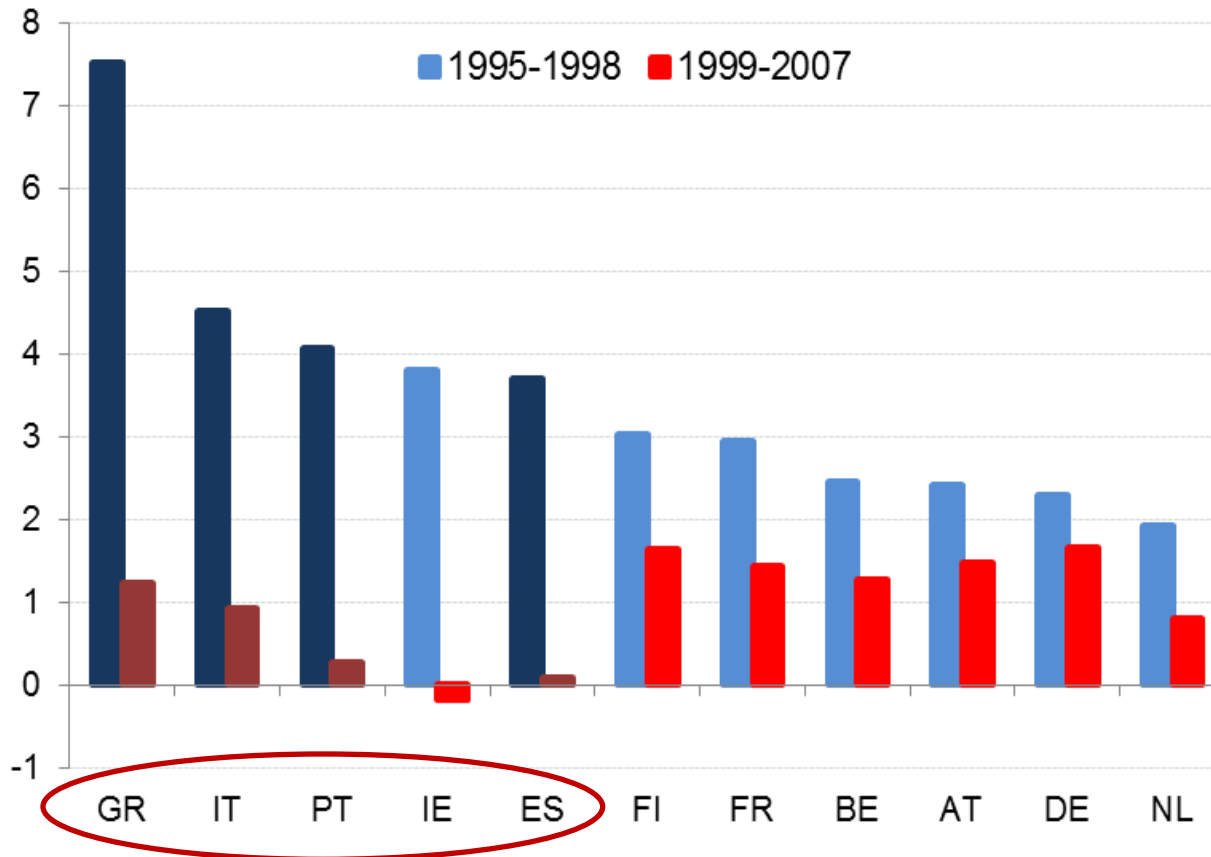


Source: EC and ECB.



# Real three-month money market rates in the EA

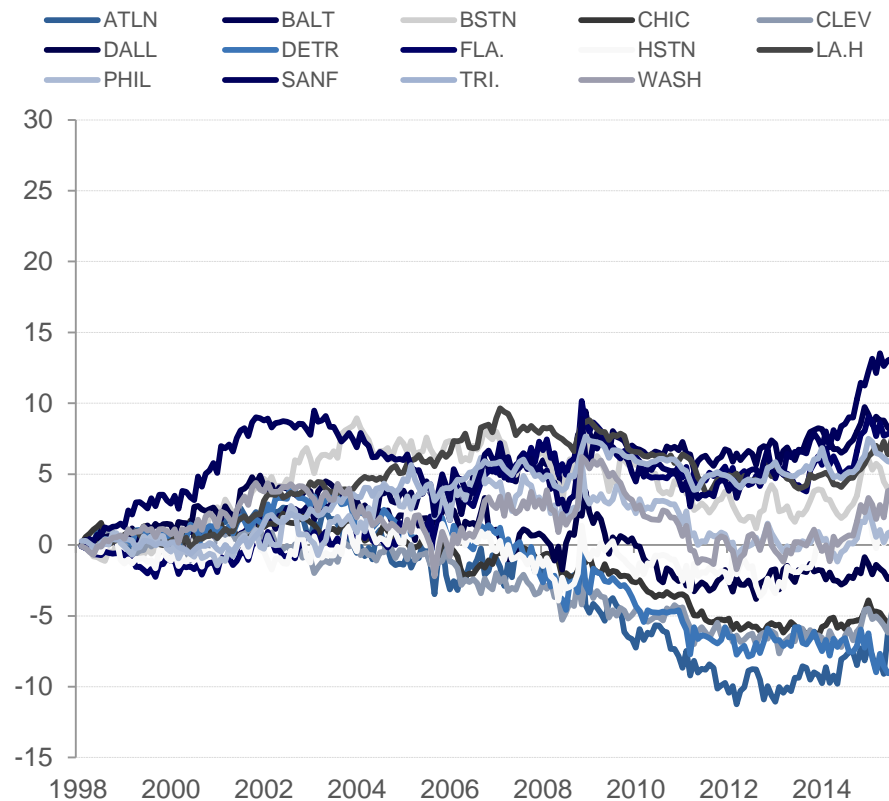
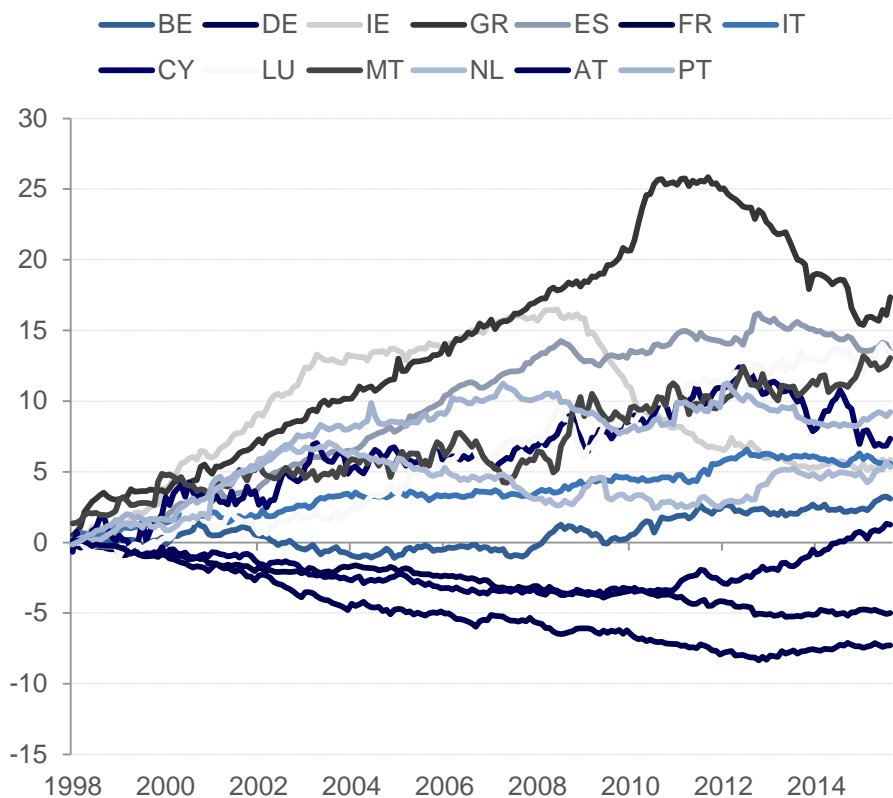
percentage points



Source: EC, ECB

# Regional inflation differentials with respect to aggregate

Cumulative price changes since 1998



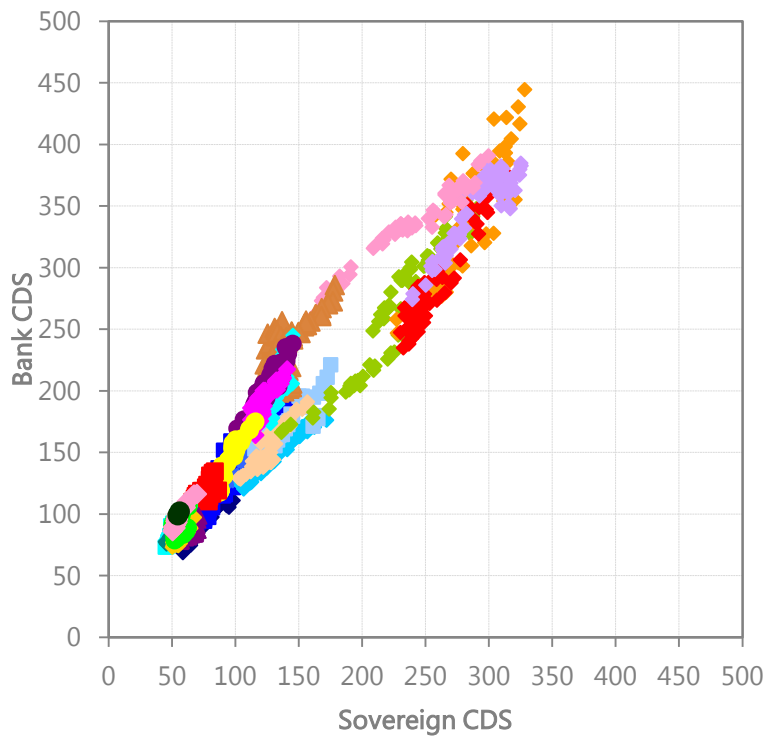
Sources: Eurostat, Bureau of Labor Statistics and ECB calculations.

Note: Regional inflation differentials with respect to the aggregate of the euro area or the US are cumulated starting in 1998.

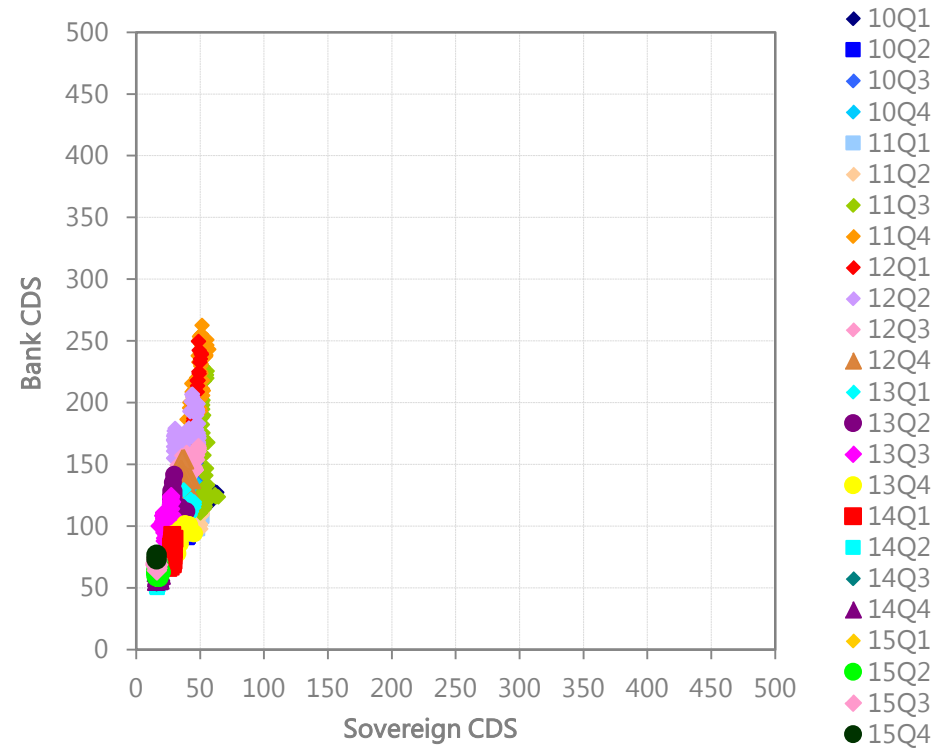
# Euro area banks and sovereigns credit default swaps

basis points; Q1 2010 – Q3 2015

## Euro area



## United States

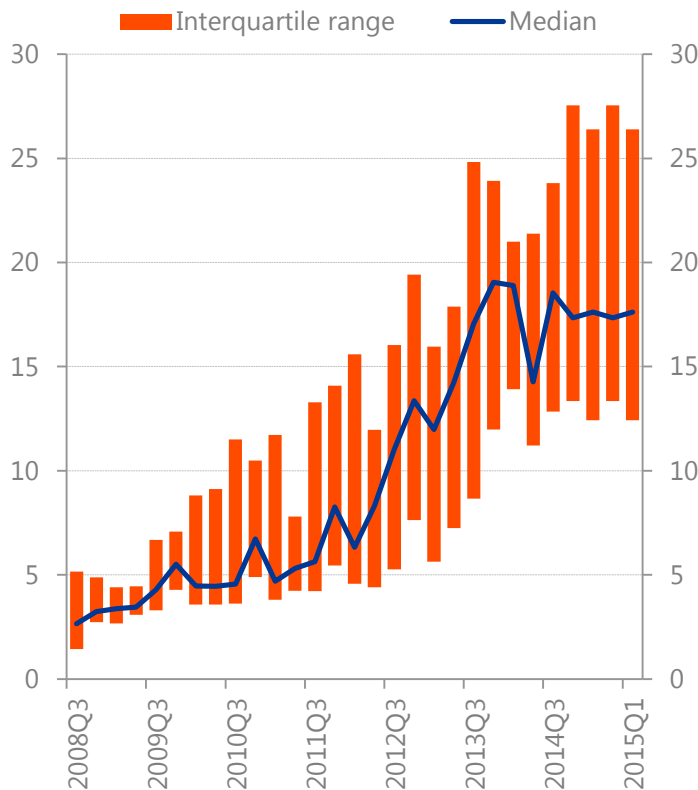


Sources: Thomson Reuters and ECB calculations.  
 Latest observation: 1 September 2015.

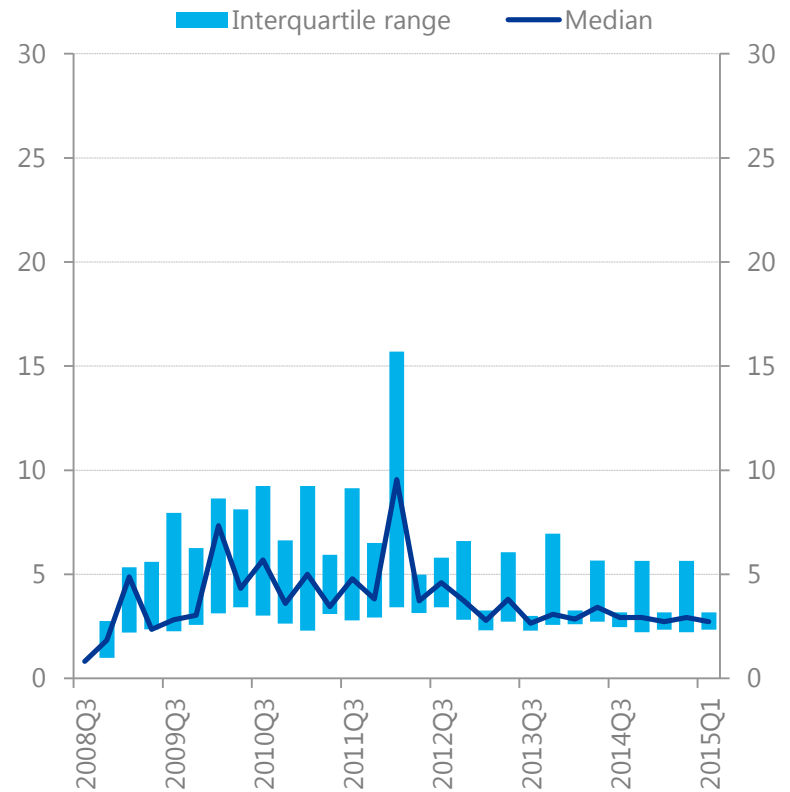
# Impaired loans of euro area banks

percentages of gross loans

## Vulnerable countries



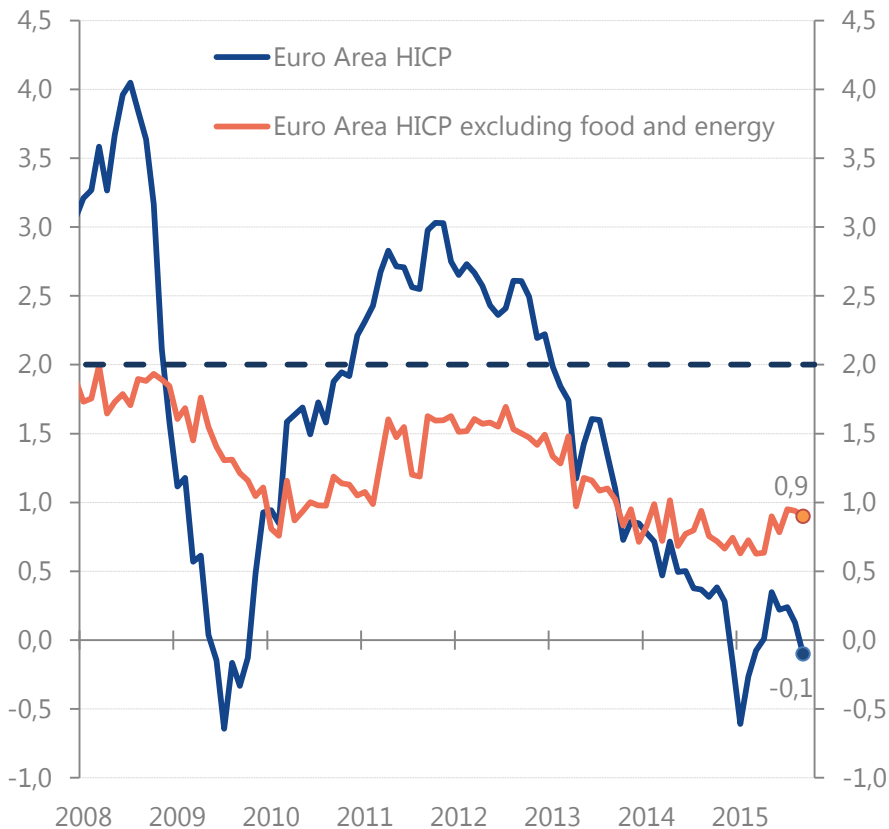
## Other countries



Sources: SNL and ECB calculations. Notes: Based on an unbalanced sample of 32 euro area banks for vulnerable countries and 25 euro area banks for less vulnerable countries. The charts represents ratios of gross impaired customer and bank loans over gross loans.

## Euro area inflation

% p.a.

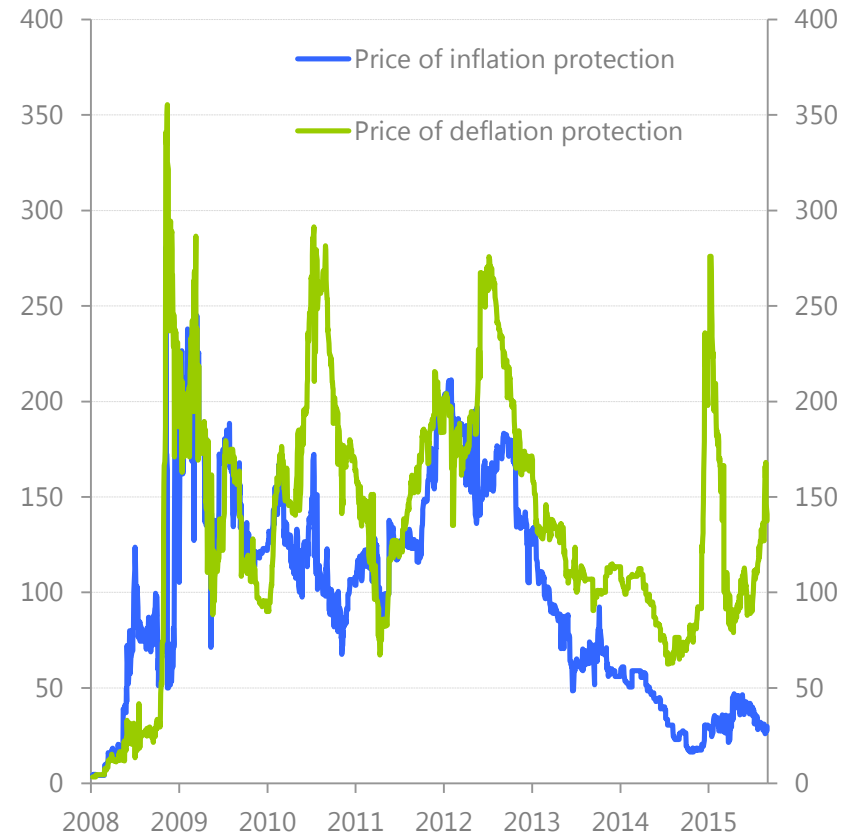


Source: Eurostat.

Latest observation: September 2015 (flash)

## Price of inflation and deflation protection

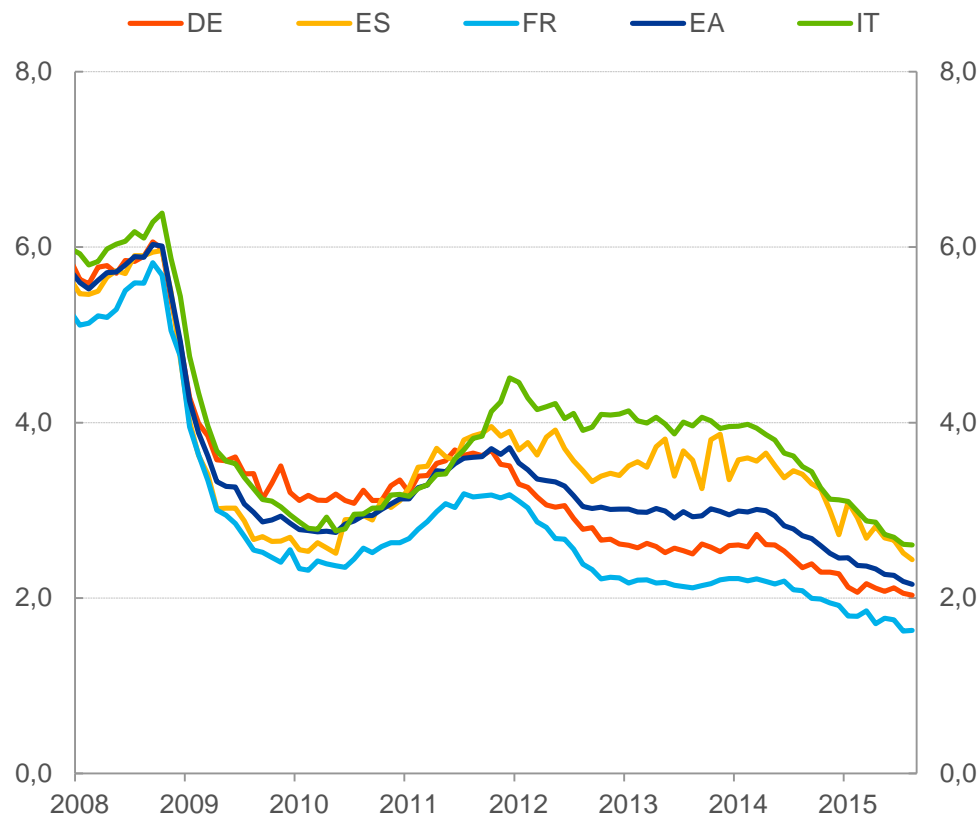
basis points per annum



Source: Bloomberg. Note: Price of 0% floor and 4% cap options (year-on-year) on euro area HICP inflation – 5Y maturity. Developments should be interpreted with caution due to limited market liquidity. Latest observation: 2 September 2015.

# Composite indicator of the nominal cost of bank borrowing for non-financial corporations

% p.a.



Source: ECB. Note: The indicator for the total cost of bank borrowing is calculated by aggregating short- and long-term rates using a 24-month moving average of new business volumes. Latest observation: August 2015.

# Banking Union

Single Supervisory  
Mechanism  
(SSM)

Single Resolution  
Mechanism  
(SRM)  
Single Resolution  
Fund  
(SRF)

Deposit Insurance  
(proposal for European  
Deposit Insurance  
Scheme)

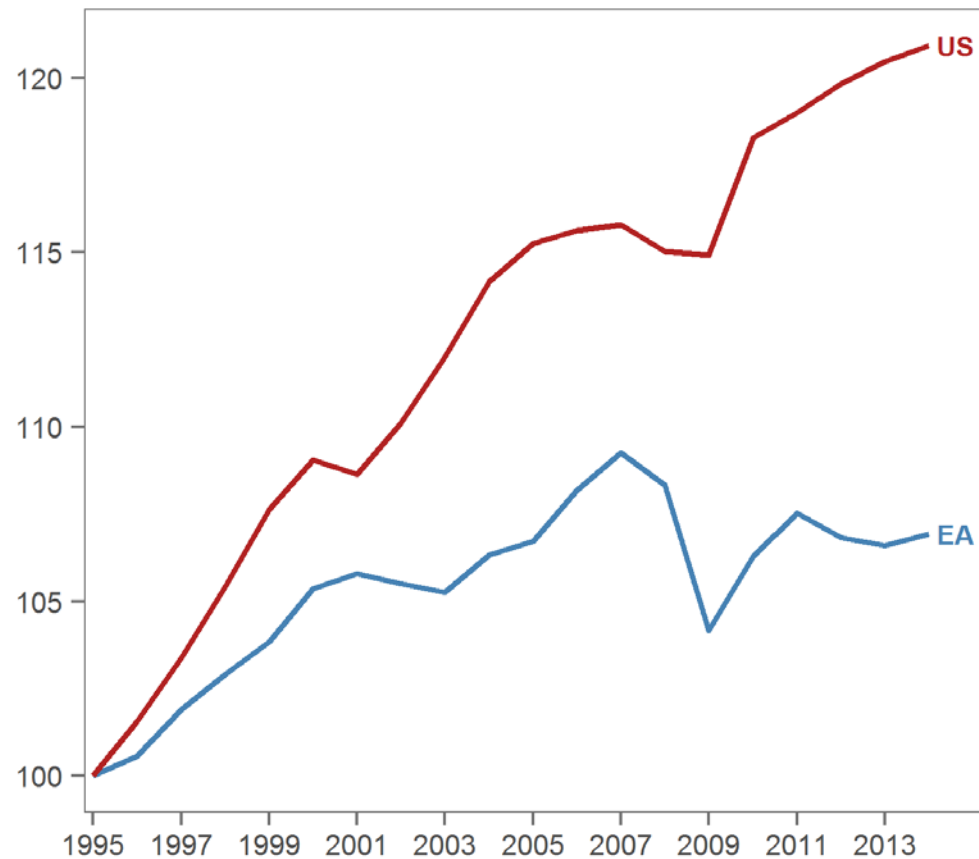
## SINGLE MARKET

Common rules (“Single Rulebook”)

Common supervisory practices (“Single Handbook”) [EBA]

# Total factor productivity

Index: 1995 = 100

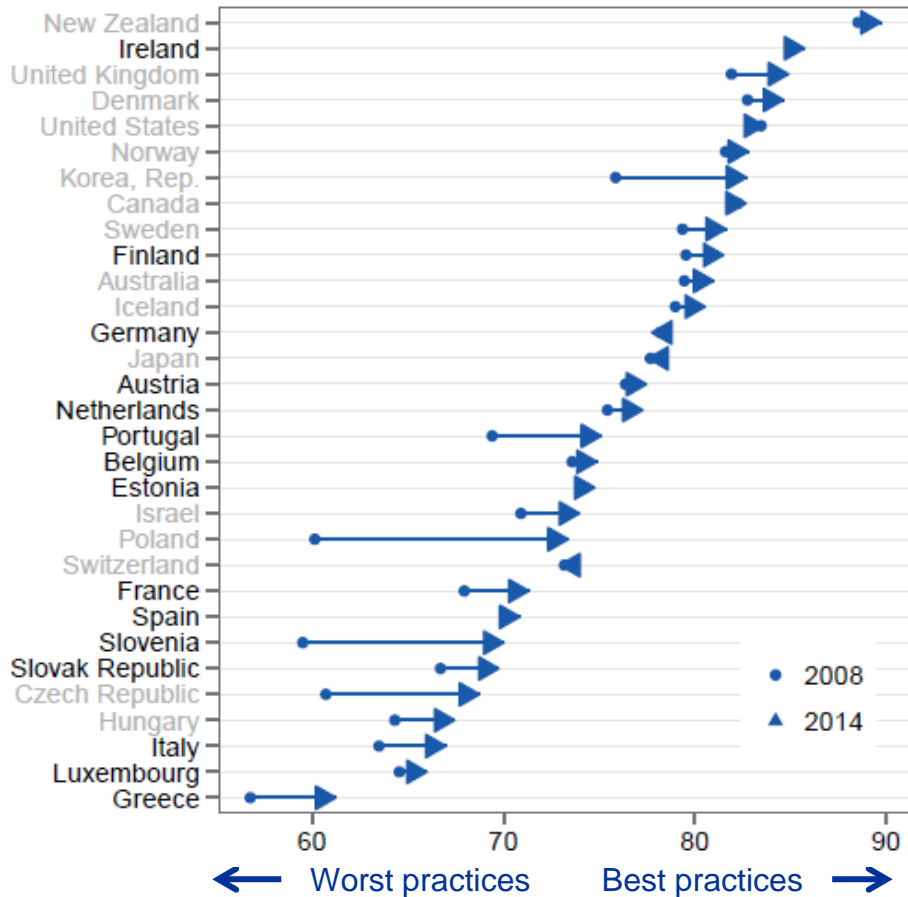


Source: European Commission.



# Ease of Doing Business

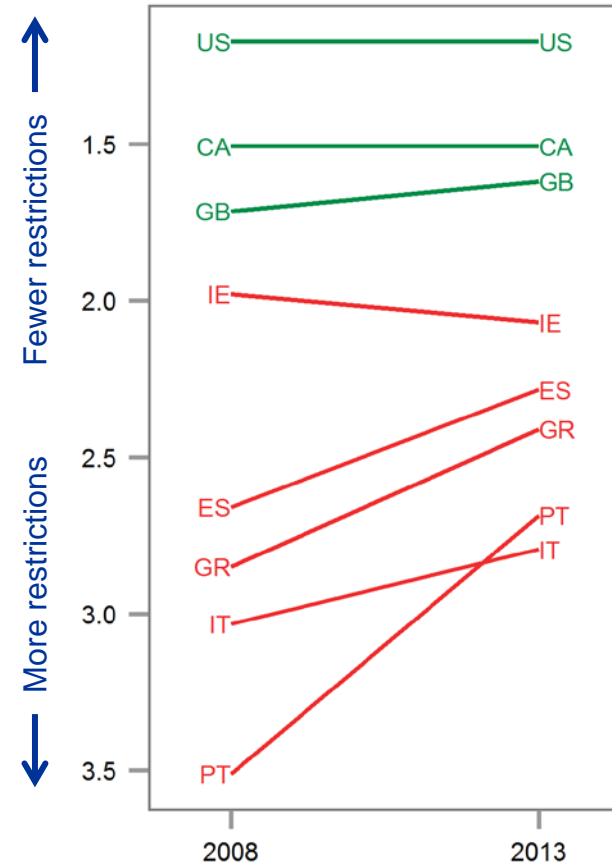
Distance to frontier; 100 = global best practices



Source: World Bank

# Employment protection legislation

Index: 6-0 (least restrictions)



Source: OECD

# Legal framework

Ease of Doing Business, distance to frontier; OECD countries

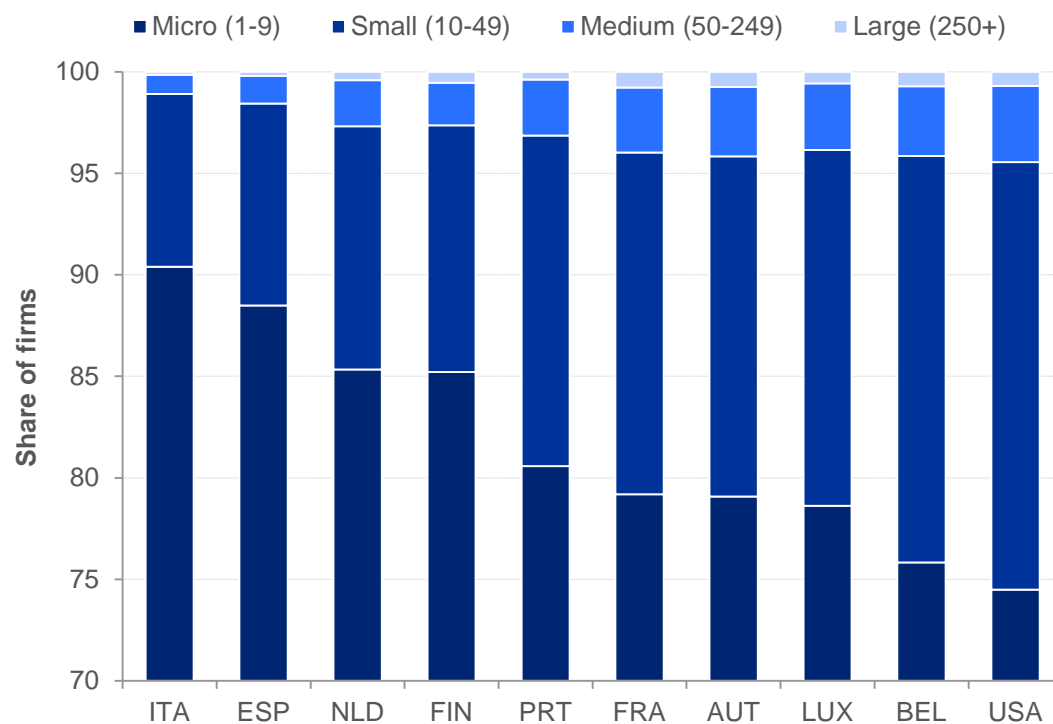


Source: World Bank (2015).

Note: 100 = global best practices.

# Share of firms of different size by country

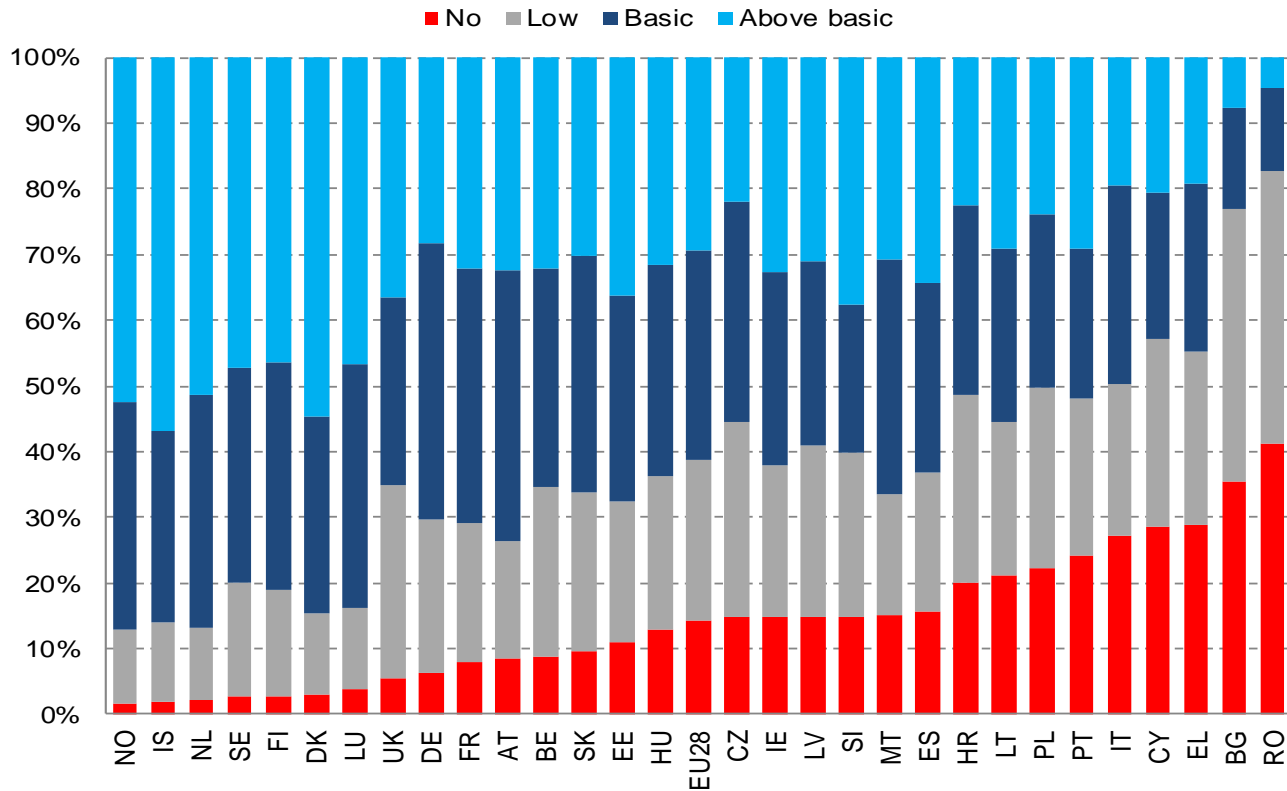
percentages



Source: Criscuolo, Gal, Menon (2014)

# Digital skills of the workforce

% of individuals (2012)

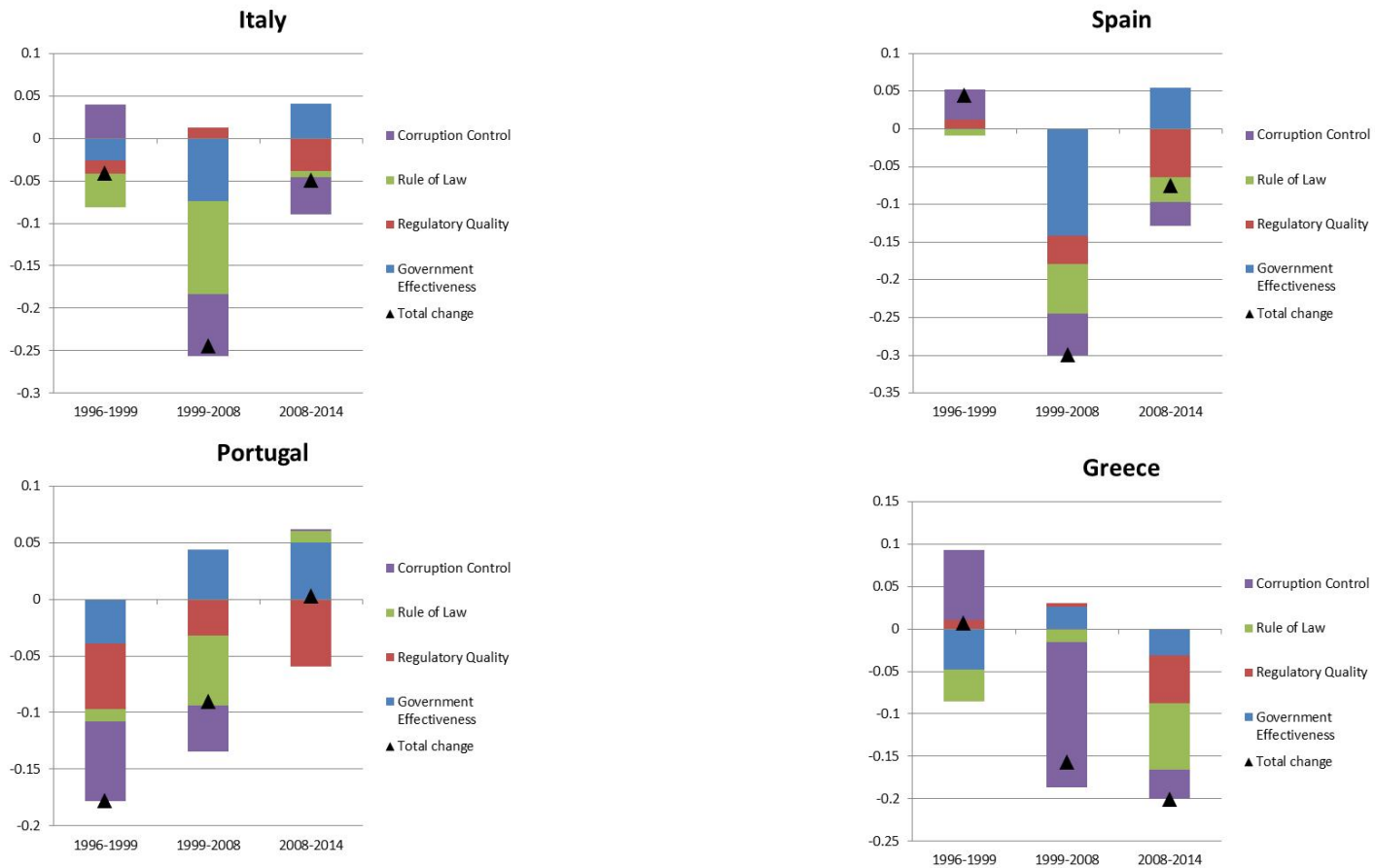


Source: Commission services based on Eurostat data



# World Governance Index delivery indicator

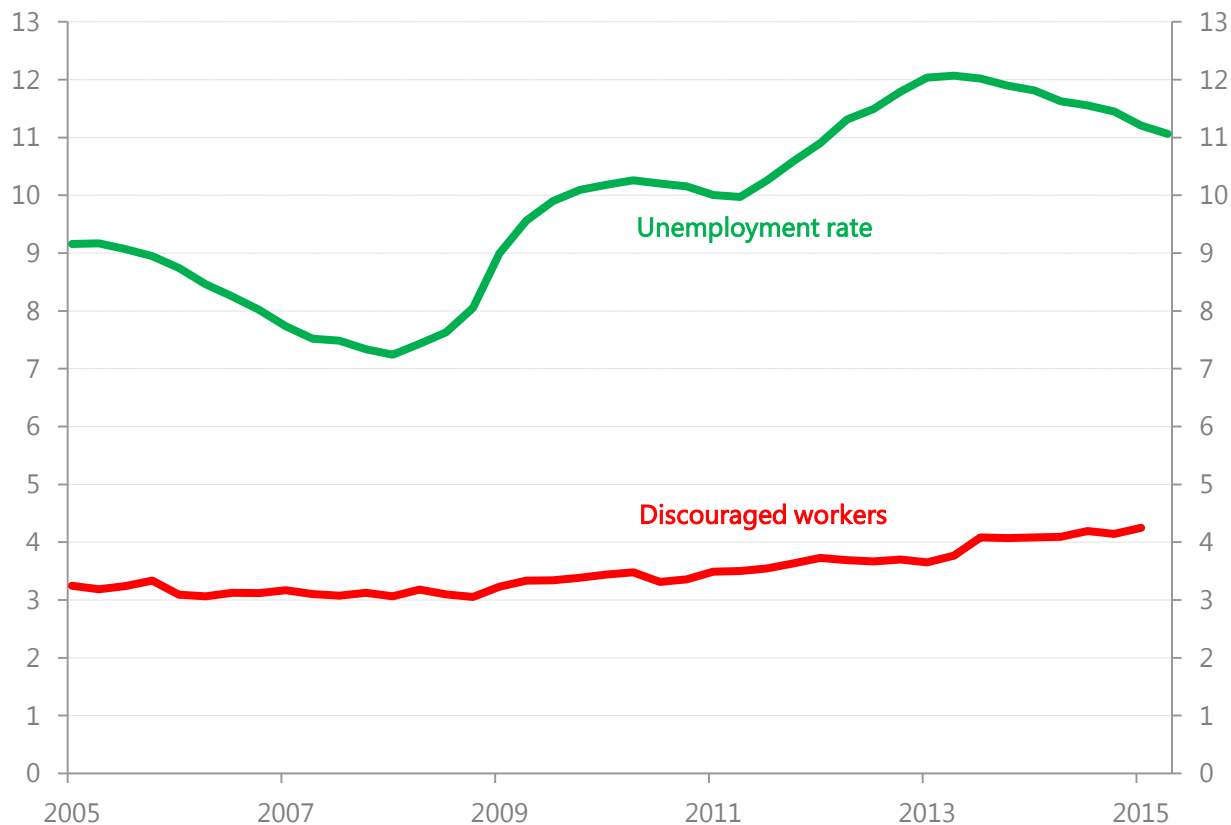
Changes in the average value compared to EA-North



Source: World Bank. Notes: Indicator represents average of four components: Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

# Unemployment rate

% of (extended) labor force



Sources: Labour Force Survey and ECB staff calculation. Note: Discouraged workers are inactive people who are available but not searching a job. The extended labor force is the number of active persons extended with the number of discouraged workers.