

THE ROLE OF MONETARY POLICY

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1. What challenges do we face as central banks?

- a) Deflationary pressures**
- b) which raise the risk of an unanchoring of expectations**
- c) Is our mandate still appropriate?**

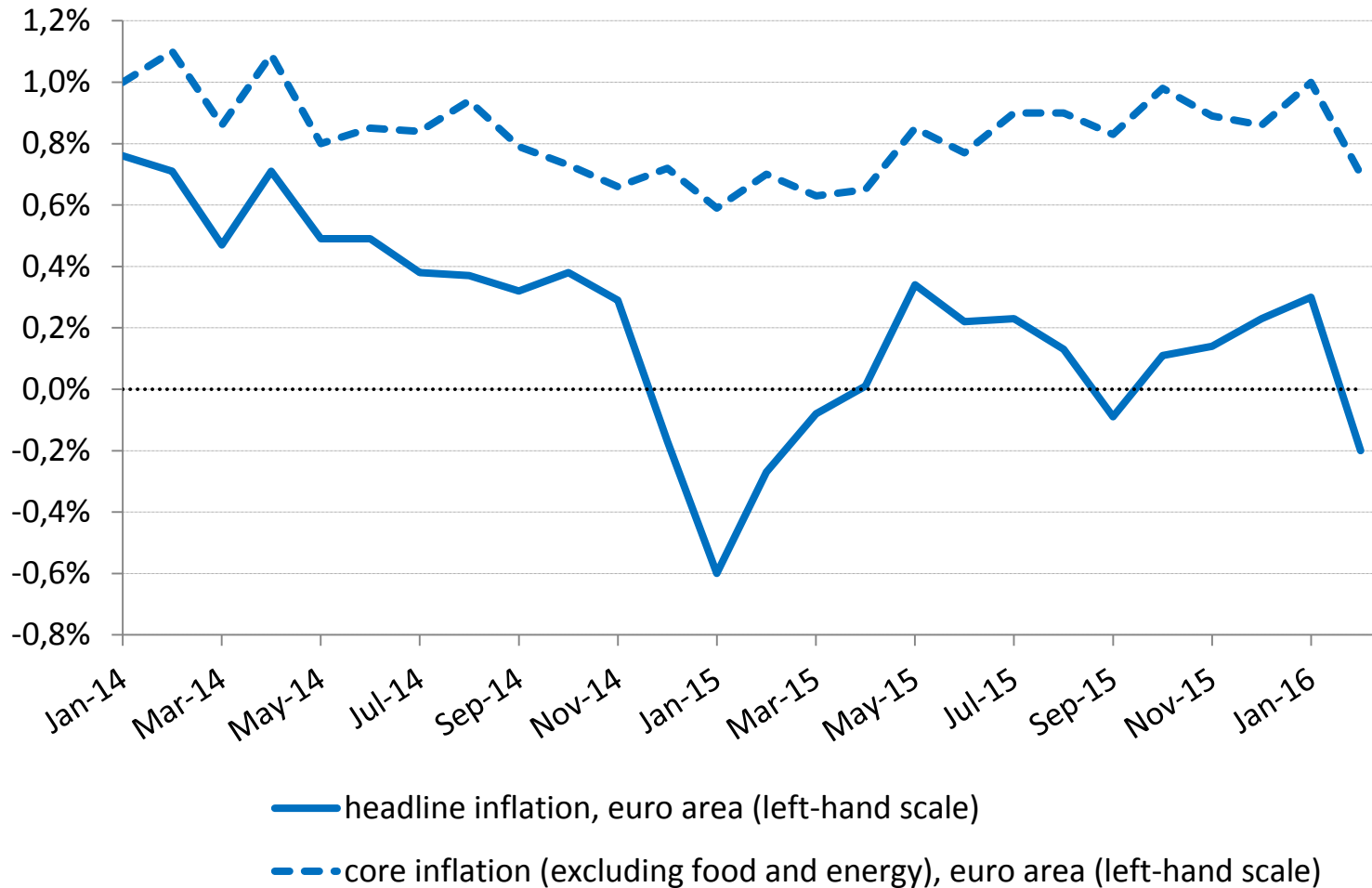
2. How effective is our monetary policy?

- a) We have achieved tangible results since mid-2014**
- b) Why have we decided to do more on 10 March?**
- c) What about the risks for financial stability?**

➤ Monetary policy cannot be the only game in town

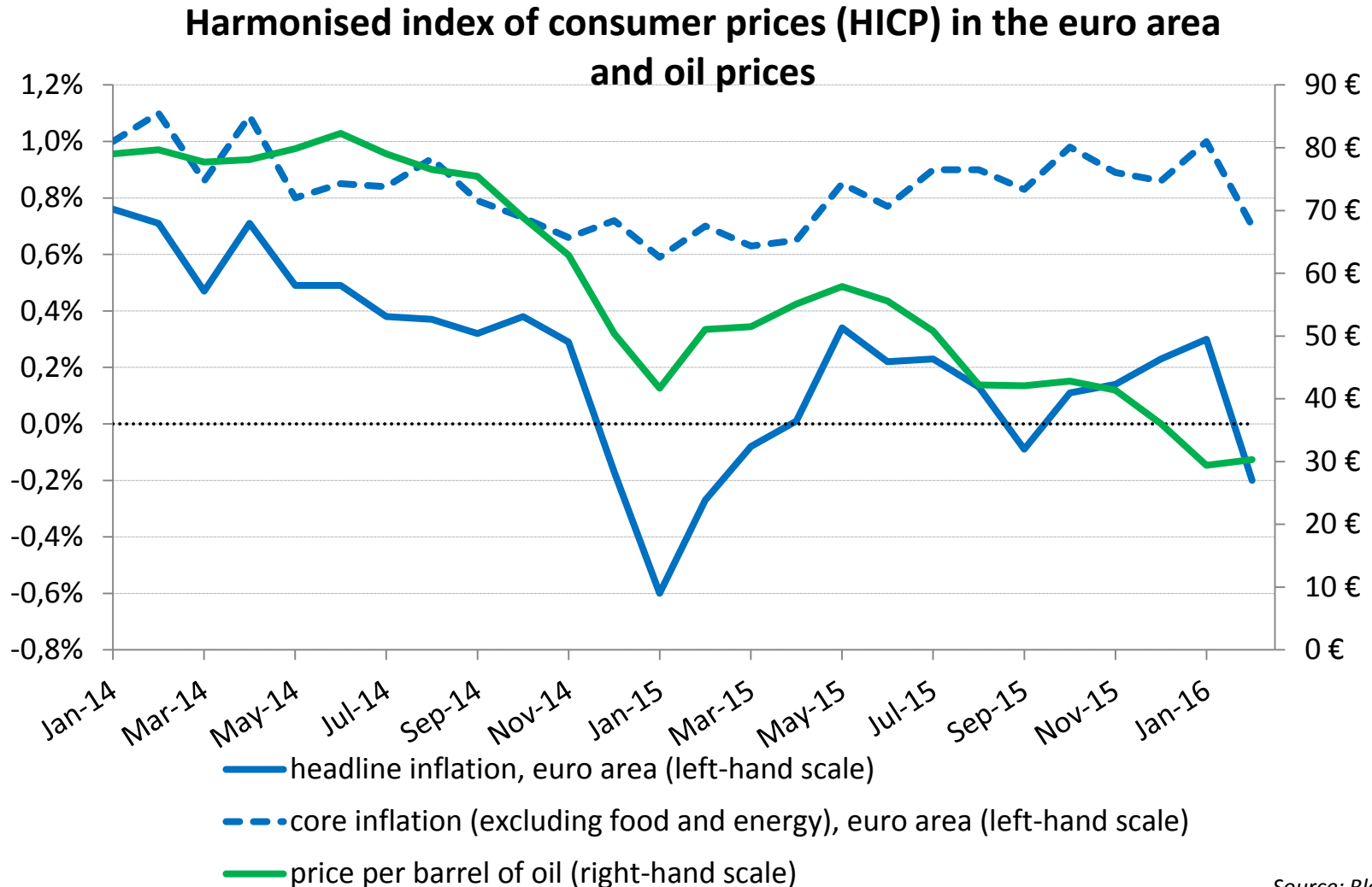
1. Challenges: inflation remains too low in the euro area

Harmonised index of consumer prices (HICP) in the euro area



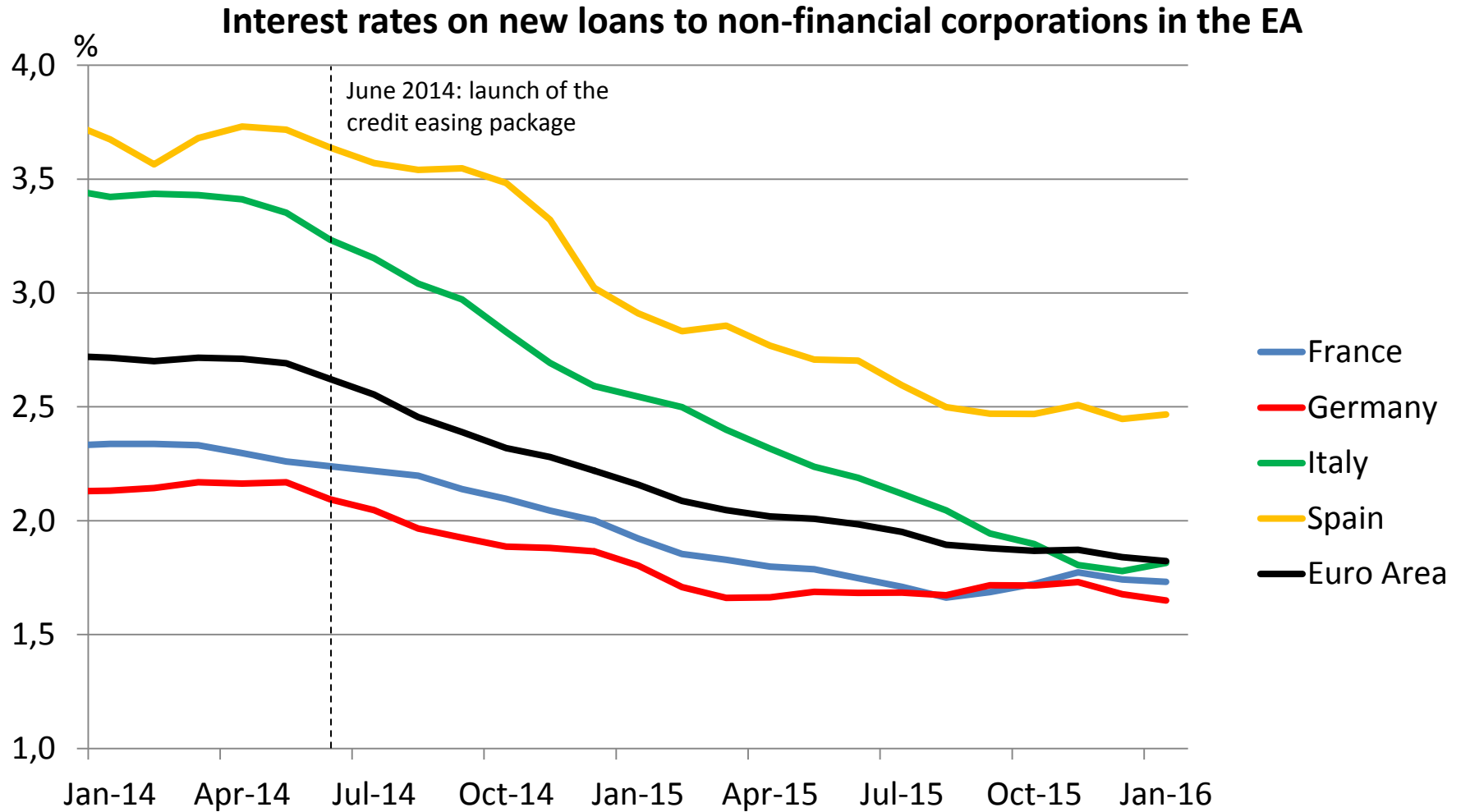
Source: Bloomberg

1. Challenges: oil prices exert deflationary pressures



Source: Bloomberg

2. Results: easing in borrowing conditions

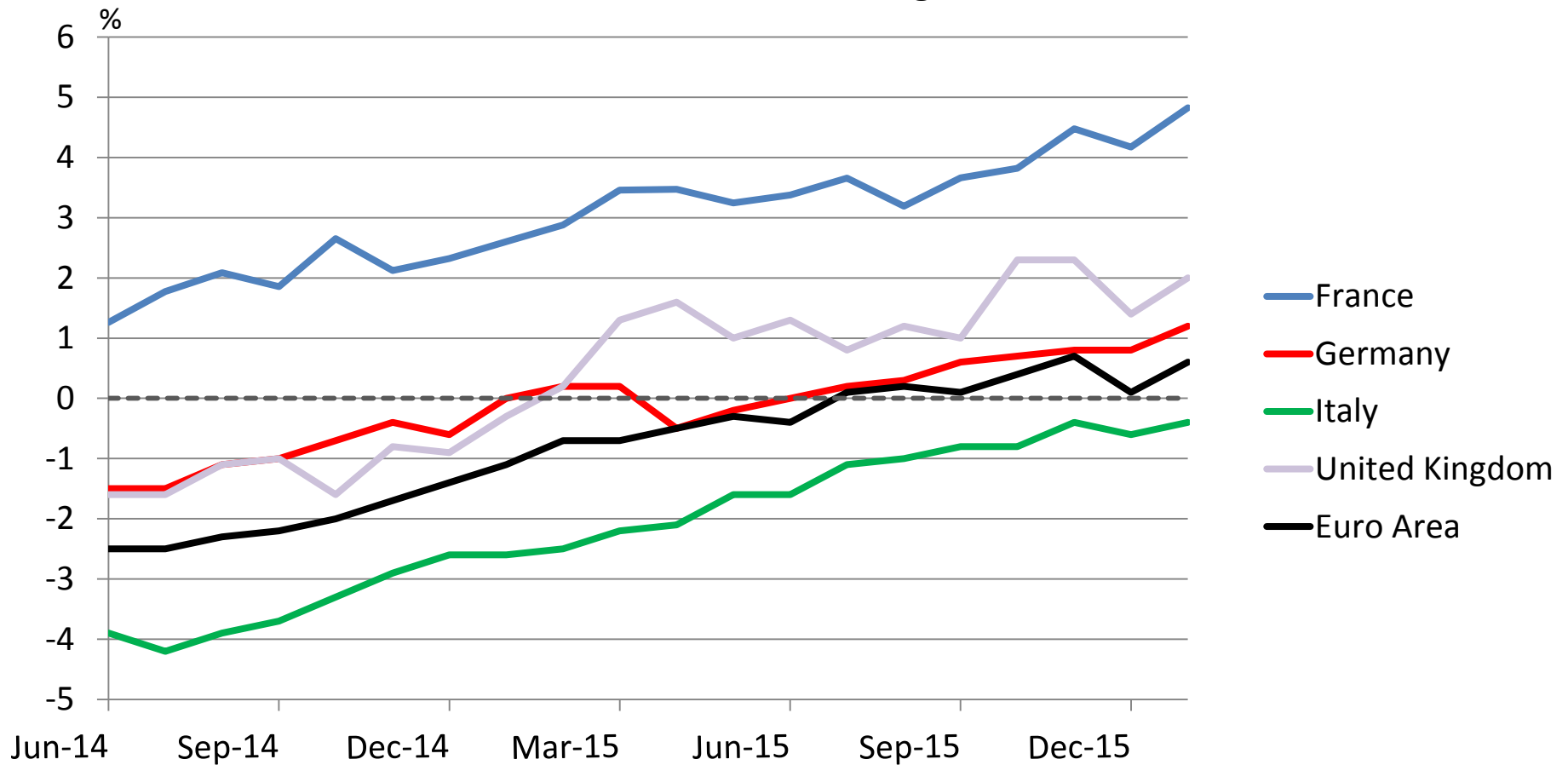


Note: 3m moving average, excluding revolving loans and overdrafts.

Source : ECB and Banque de France

2. Results: stimulation of lending to the real economy

Annual growth rate of loans to non-financial corporations in the euro area and in the United Kingdom



Source : ECB and Banque de France

2. Accommodative monetary policy stance in the euro area

10 March monetary policy decisions:

- ✓ Cut in **interest rates**;
- ✓ **TLTRO 2**: banks can borrow at favourable rates conditional on their lending to the economy;
- ✓ **Asset purchase programme**: +20 bn EUR per month (total 80 bn) and corporate bonds now eligible;
- ✓ **Forward guidance**: interest rates to remain at present or lower levels well beyond March 2017.

