

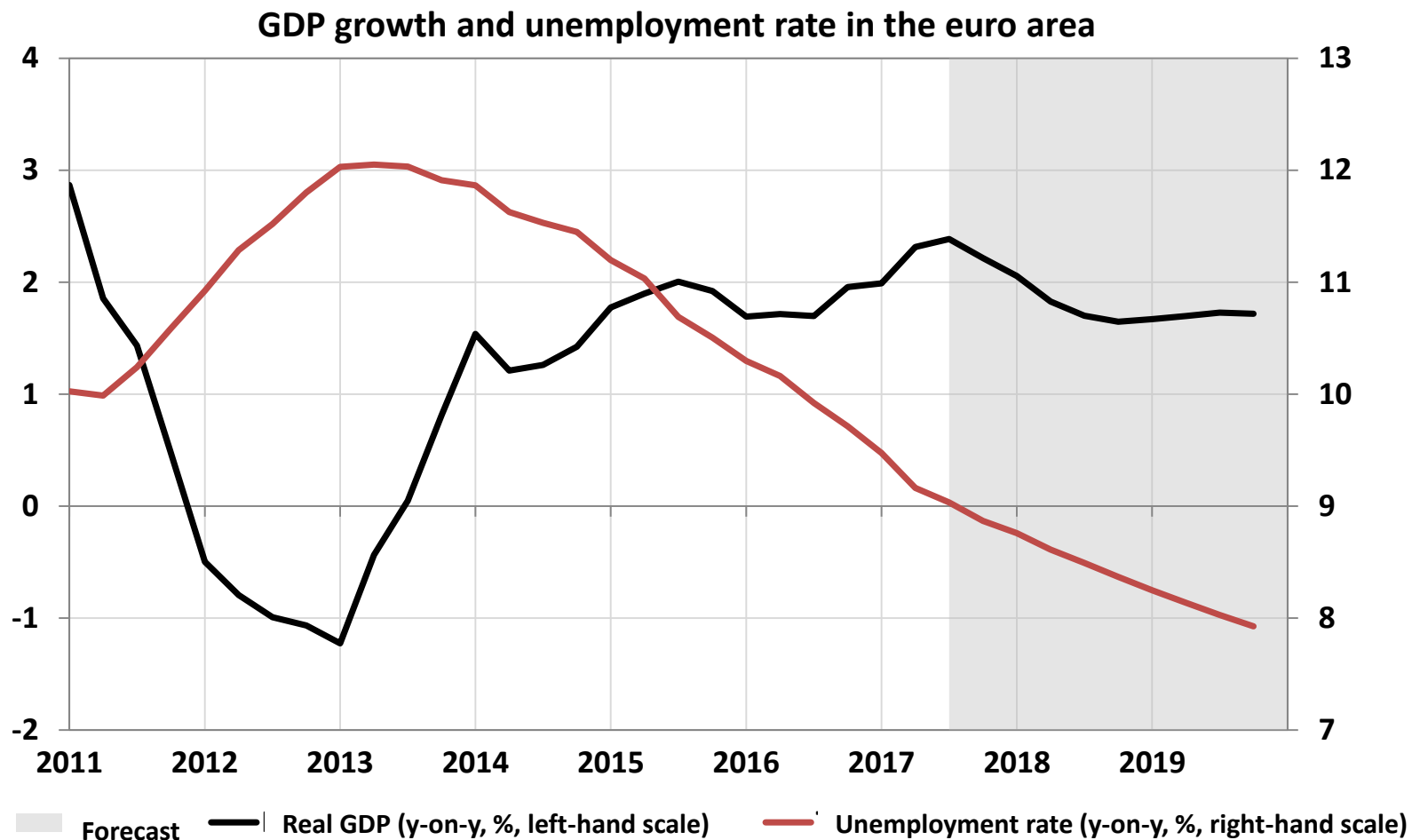
THE EURO AREA'S MONETARY POLICY IN THE CONTEXT OF ECONOMIC RECOVERY

LECTURE AT THE OESTERREICHISCHE NATIONALBANK – 6 OCTOBER 2017

FRANÇOIS VILLEROY DE GALHAU, GOVERNOR OF THE BANQUE DE FRANCE

Economic recovery is here

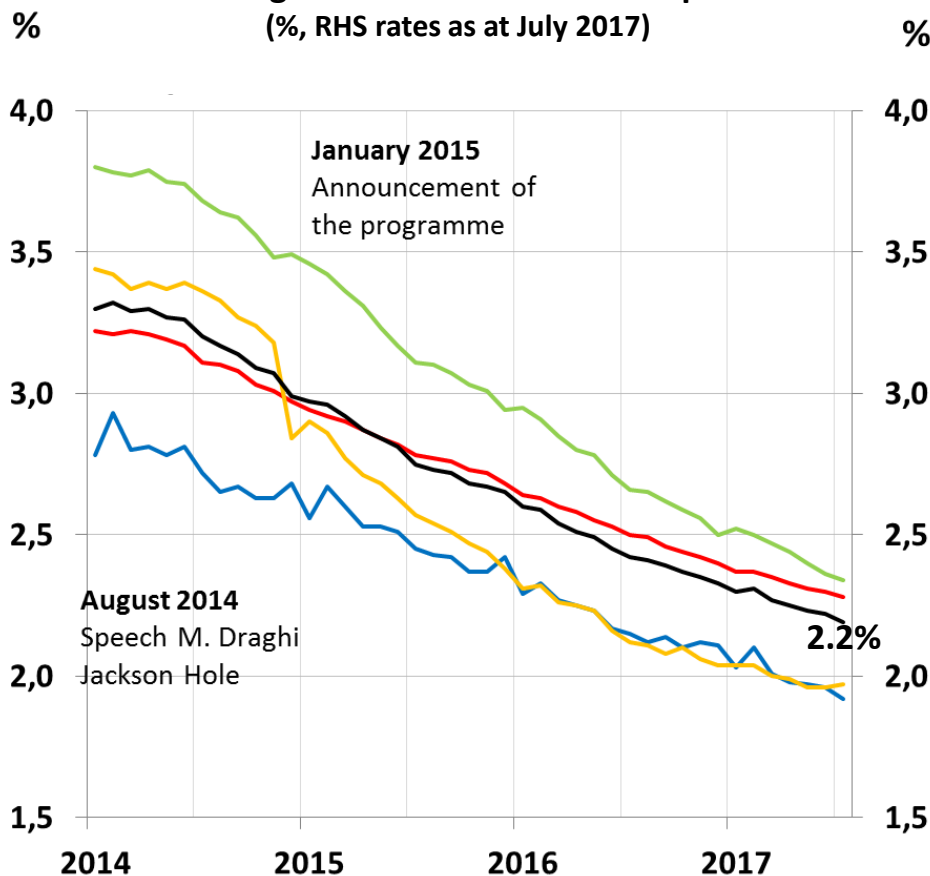
➤ 6 million jobs created since 2013



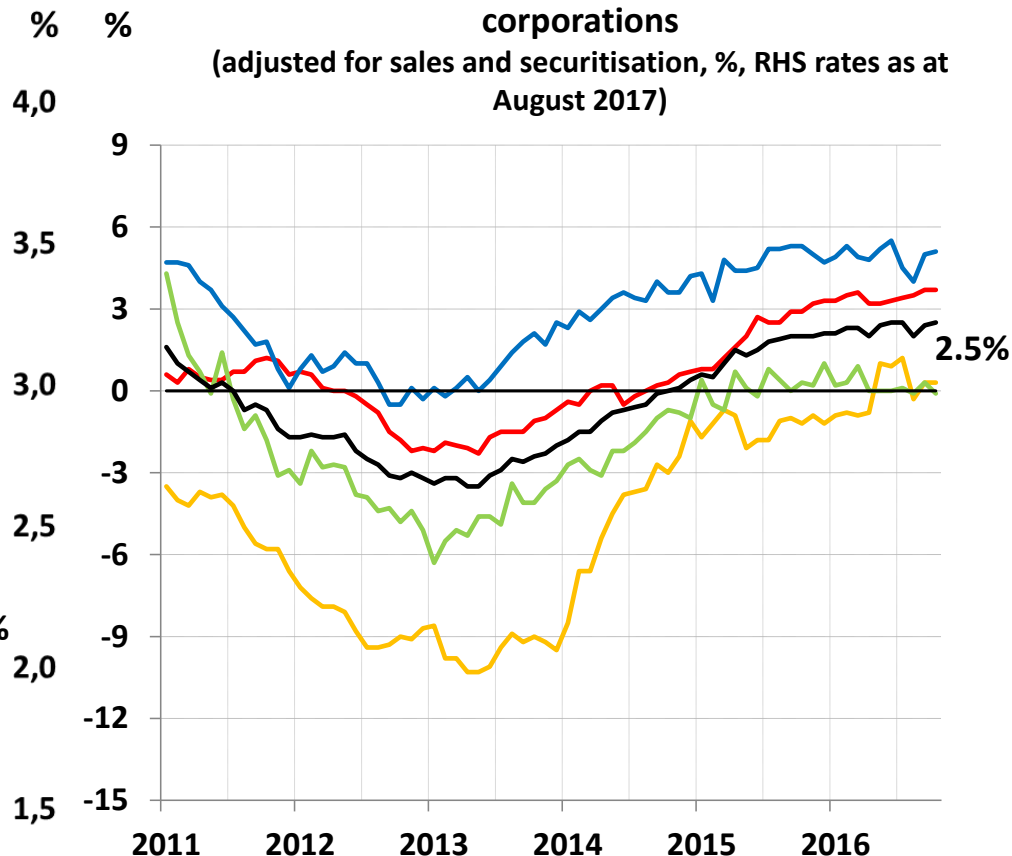
Source: MPE, September 2017

Favourable financing conditions

Bank lending rates to non-financial corporations
(%, RHS rates as at July 2017)

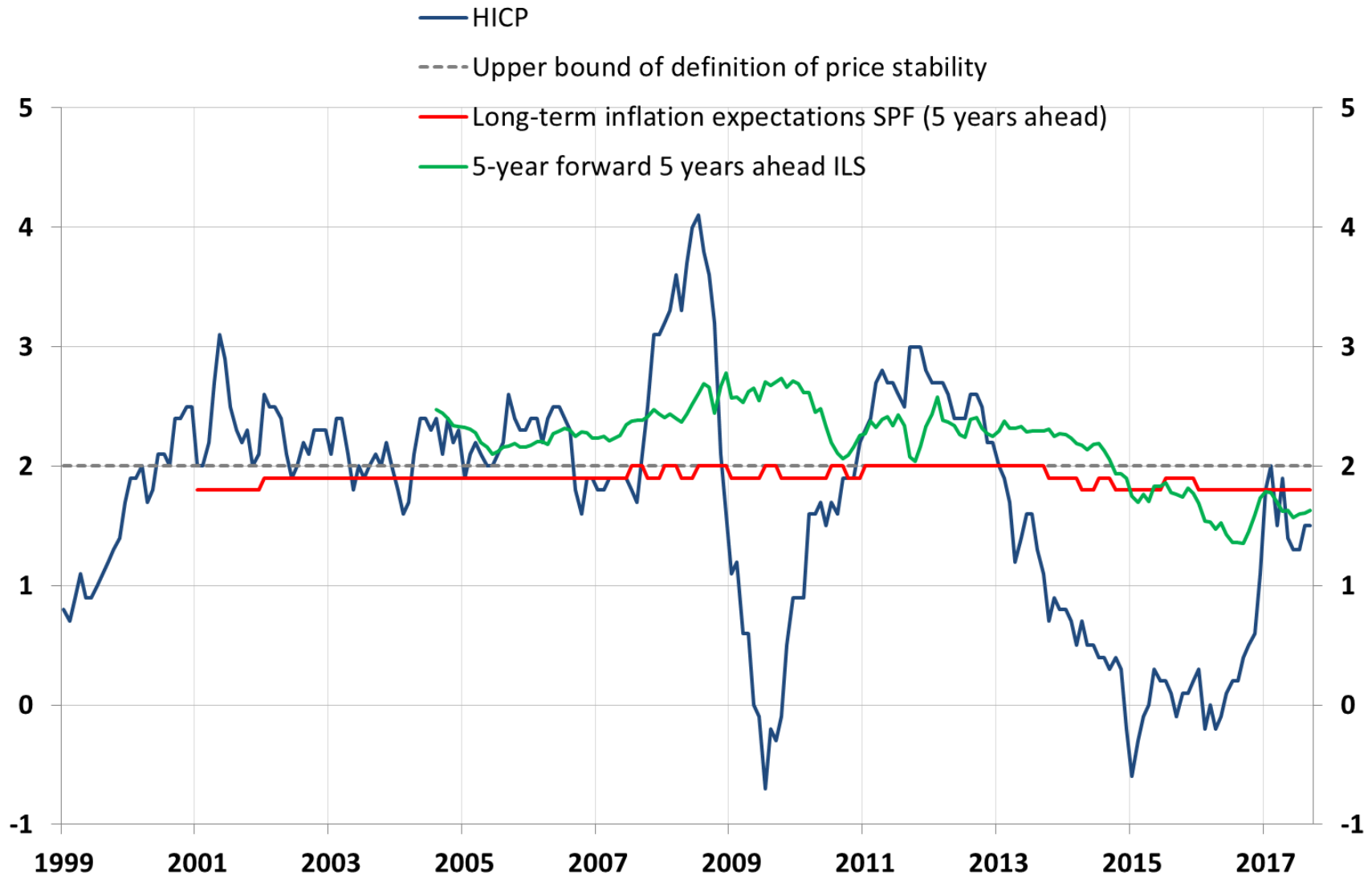


Annual growth rate of loans to non-financial corporations
(adjusted for sales and securitisation, %, RHS rates as at August 2017)

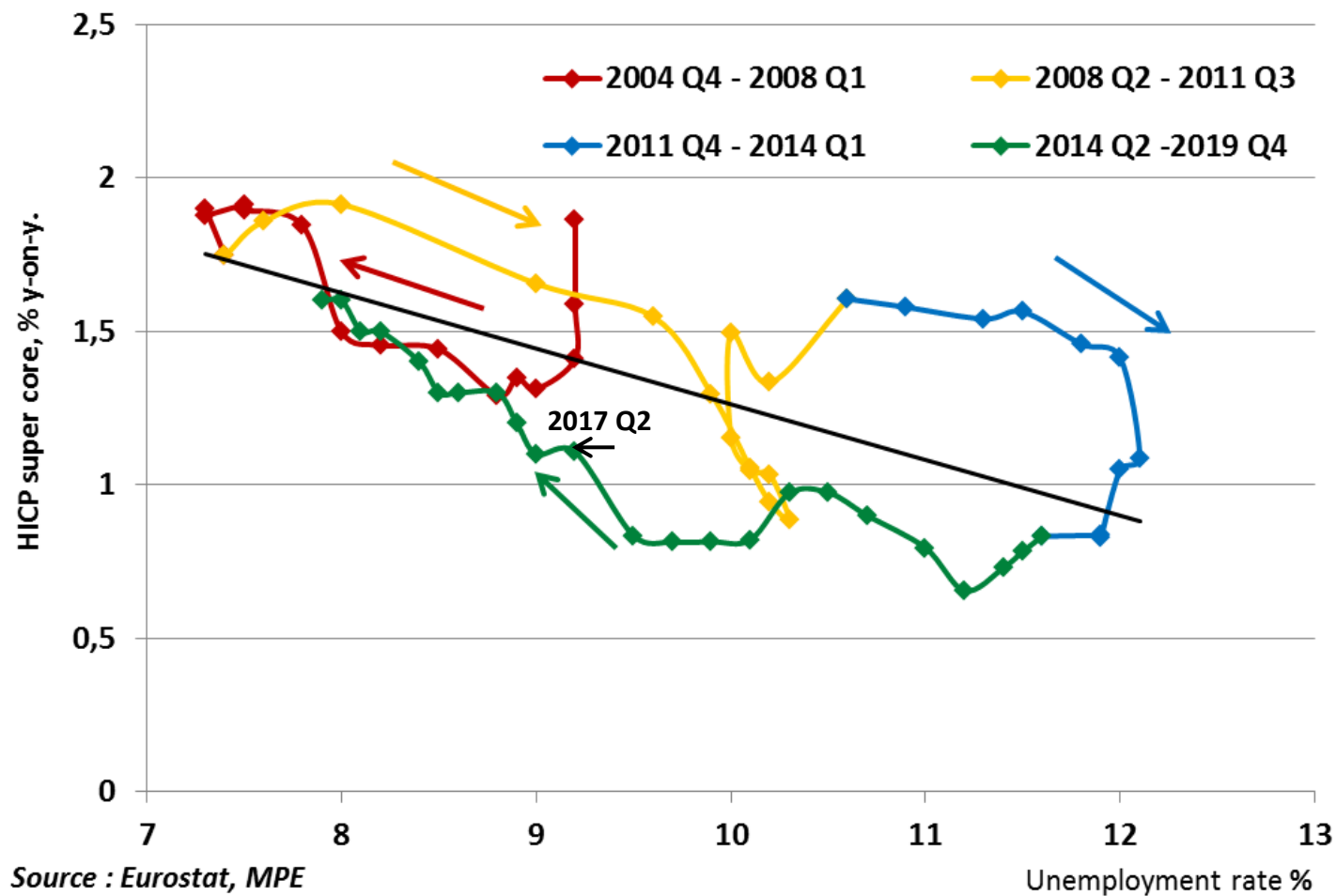


Source: ECB and Banque de France

Inflation is gradually returning towards our target



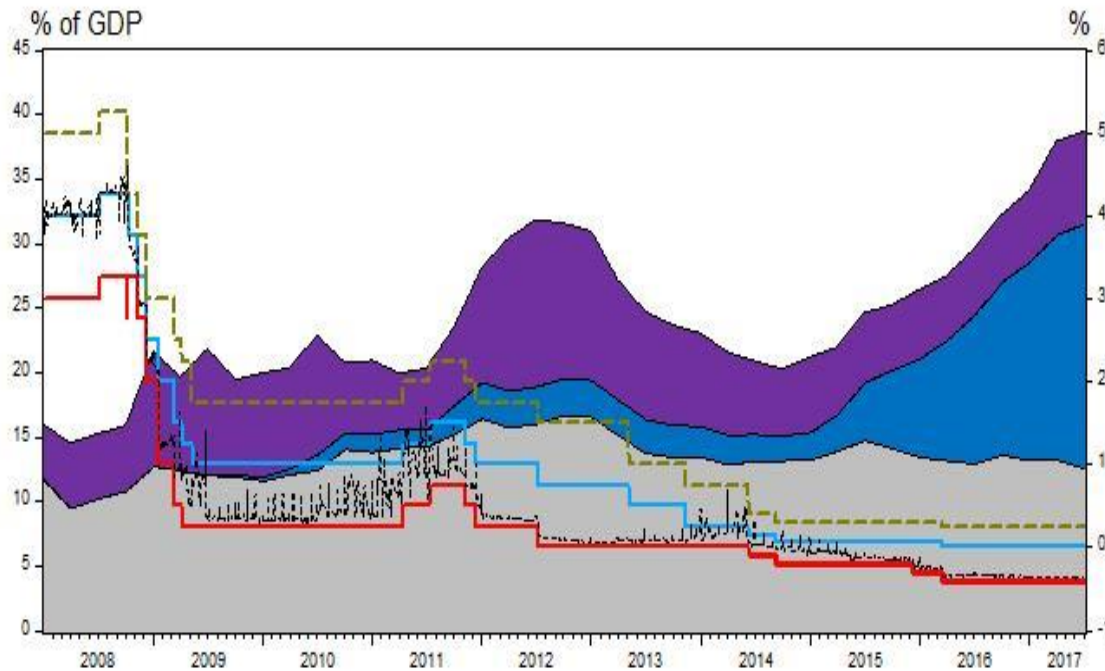
Simple Phillips curve



Source : Eurostat, MPE

The Eurosystem's accommodative monetary policy stance: the "quartet"

Monetary policy of the Eurosystem

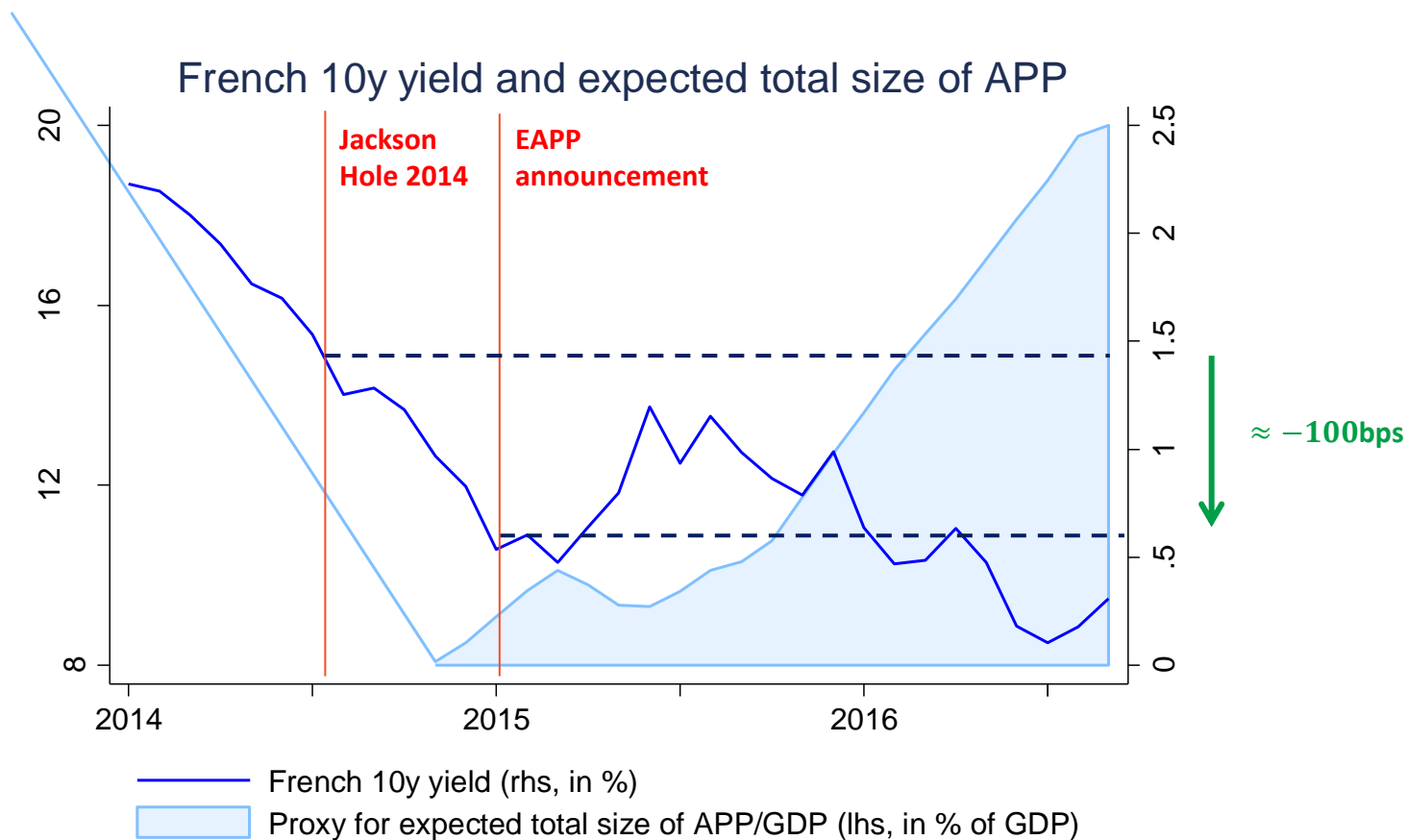


- Lending to euro area credit institutions related to MPOs (left-hand scale)
- Securities held for monetary policy purposes (left-hand scale)
- Other assets (left-hand scale)
- Rate on the main refinancing operations
- Rate on the deposit facility
- - - Rate on the marginal lending facility
- Overnight interbank rate (EONIA)

The quartet of measures:

- ✓ **QE:** private and public asset purchase programmes of €60bn/month at least until Sept. 2016 (Jan 2015); extended to €80bn/month and to bonds issued by well-rated private corporations (Mar 2016); purchases prolonged until Dec. 2017, at a pace of €60bn/month (Dec 2016)
- ✓ **Policy rates:** negative rate on the deposit facility (DFR) (Jun 2014) ; DFR lowered (Sep 2014, Dec 2015, Mar 2016)
- ✓ **Forward guidance** (starting Jul 2013)
- ✓ **Provision of liquidity to banks:** TLTRO-I (Jun 2014); TLTRO-II (Mar 2016)

Total stock of APP matters



Source: Based on Arrata and Nguyen (2017). The blue area pictures the expectation of the cumulated purchases that will be conducted under the APP (in percentage of GDP). It is extracted on surveys of market participants, starting in November 2014.