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

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Economic recovery is here

- 6 million jobs created since 2013

**GDP growth and unemployment rate in the euro area**

- Forecast
- Real GDP (y-on-y, %, left-hand scale)
- Unemployment rate (y-on-y, %, right-hand scale)

Source: MPE, September 2017
Favourable financing conditions

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

- 2014: January 2015 Announcement of the programme
- 2014: August 2014 Speech M. Draghi Jackson Hole

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.
Phillips curve in the euro area

Simple Phillips curve

- 2004 Q4 - 2008 Q1
- 2008 Q2 - 2011 Q3
- 2011 Q4 - 2014 Q1
- 2014 Q2 - 2019 Q4

Source: Eurostat, MPE

Unemployment rate %

HICP super core, % y-o-y.
The Eurosystem’s accommodative monetary policy stance: the “quartet”

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)
French 10y yield and expected total size of APP

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.