The challenges of the euro area at the dawn of 2019

Banco de Portugal, Lisbon – 22 February 2019

François VILLEROY de GALHAU, Governor of the Banque de France
Annual inflation rates (consumer prices)

1999: Introduction of the euro

- Euro area
- Euro area average 1999-2018
- Euro area average 1979-1998
- France average 1999-2018
- France average 1979-1998
- Portugal average 1999-2018
- Portugal average 1979-1998

Sources: Eurostat, AWM dataset and BDF calculations
BENEFITS OF THE EURO: LOWER INTEREST RATES

10-year spreads versus Germany (%)

- Spread France-Germany
- Average France 1986-1992
- Spread Portugal-Germany
- Average Portugal 1986-1992
- Average France 2017-2019
- Average Portugal 2017-2019

1986: Single European Act
1992: Maastricht Treaty

Spread France-Germany:
- 7.6% in 1992
- 1.9% in 1986

Spread Portugal-Germany:
- 7.6% in 1992
- 2.1% in 2019

Source: Eurostat
Last data: January 2019
GDP per capita in the euro area and the United States (constant prices, year-on-year)

<table>
<thead>
<tr>
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<th>Annual average 1999 - 2017</th>
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<tbody>
<tr>
<td>United States</td>
<td>1.2%</td>
</tr>
<tr>
<td>Euro area</td>
<td>1.1%</td>
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</tbody>
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Source: World Bank
A STRONG AND INCREASING SUPPORT FROM CITIZENS

Support for the euro

**THE IMPACT OF UNCERTAINTY ON BUSINESS CONFIDENCE**

**France:** Larger decline in *general* production expectations than in *personal* production expectations

**US:** Divergence between the ISM manufacturing index (soft data) and industrial production (hard data)

**Source:** Federal Reserve / Institute for Supply Management

**Source:** Insee