

Heterogeneity in the euro area

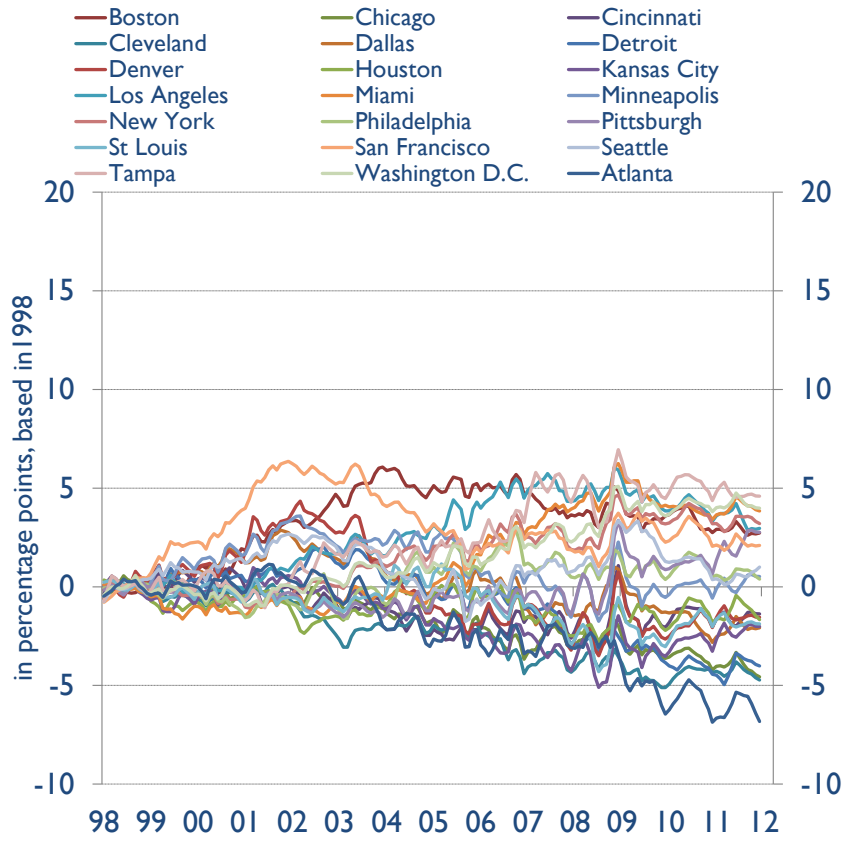
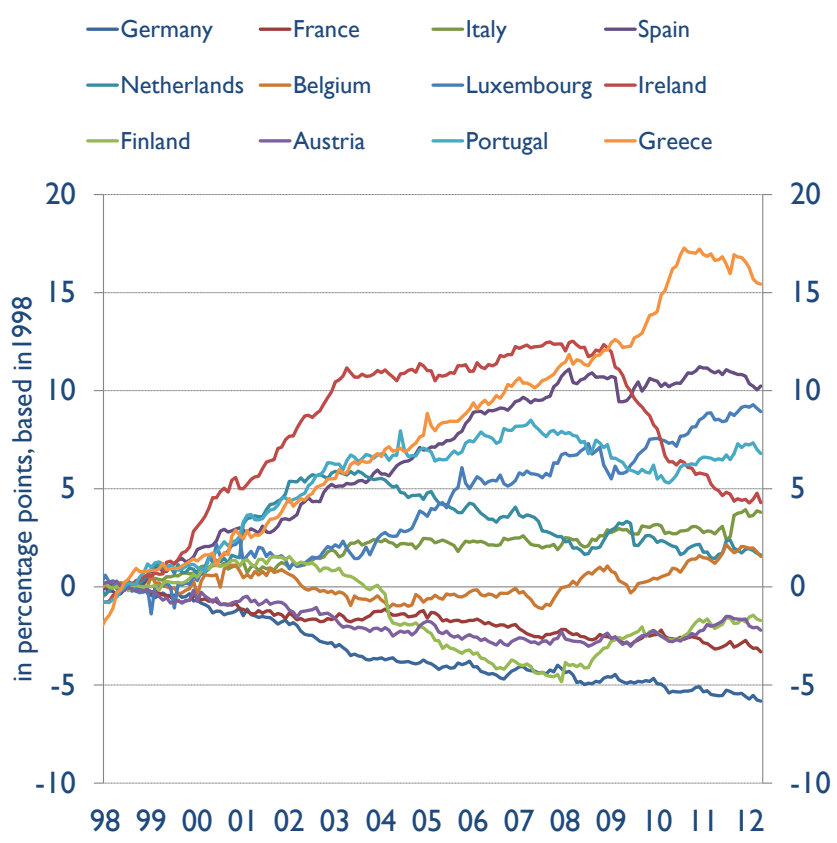
Peter Praet

Member of the Executive Board of the ECB

“The ECB and Its Watchers”

Frankfurt am Main, 15 June 2012

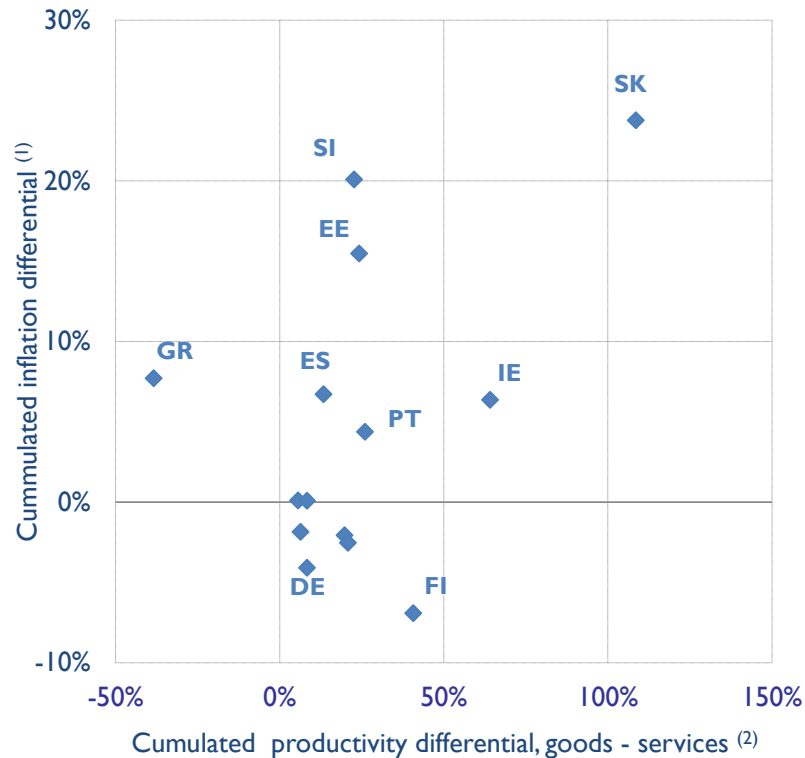
Persistent inflation differentials in the euro area



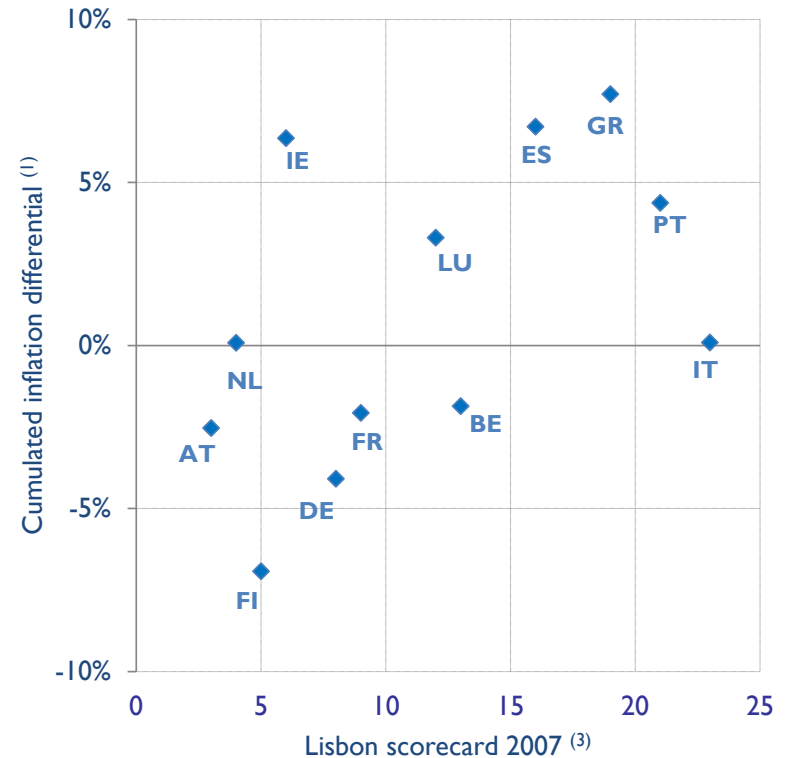
Note: Regional inflation differentials with respect to the aggregate of the euro area or the US are cumulated starting in 1998.
 Sources: Eurostat, Bureau of Labor Statistics and ECB calculations.

Sources of inflation differentials

Catching-up ?



Structural reforms ?



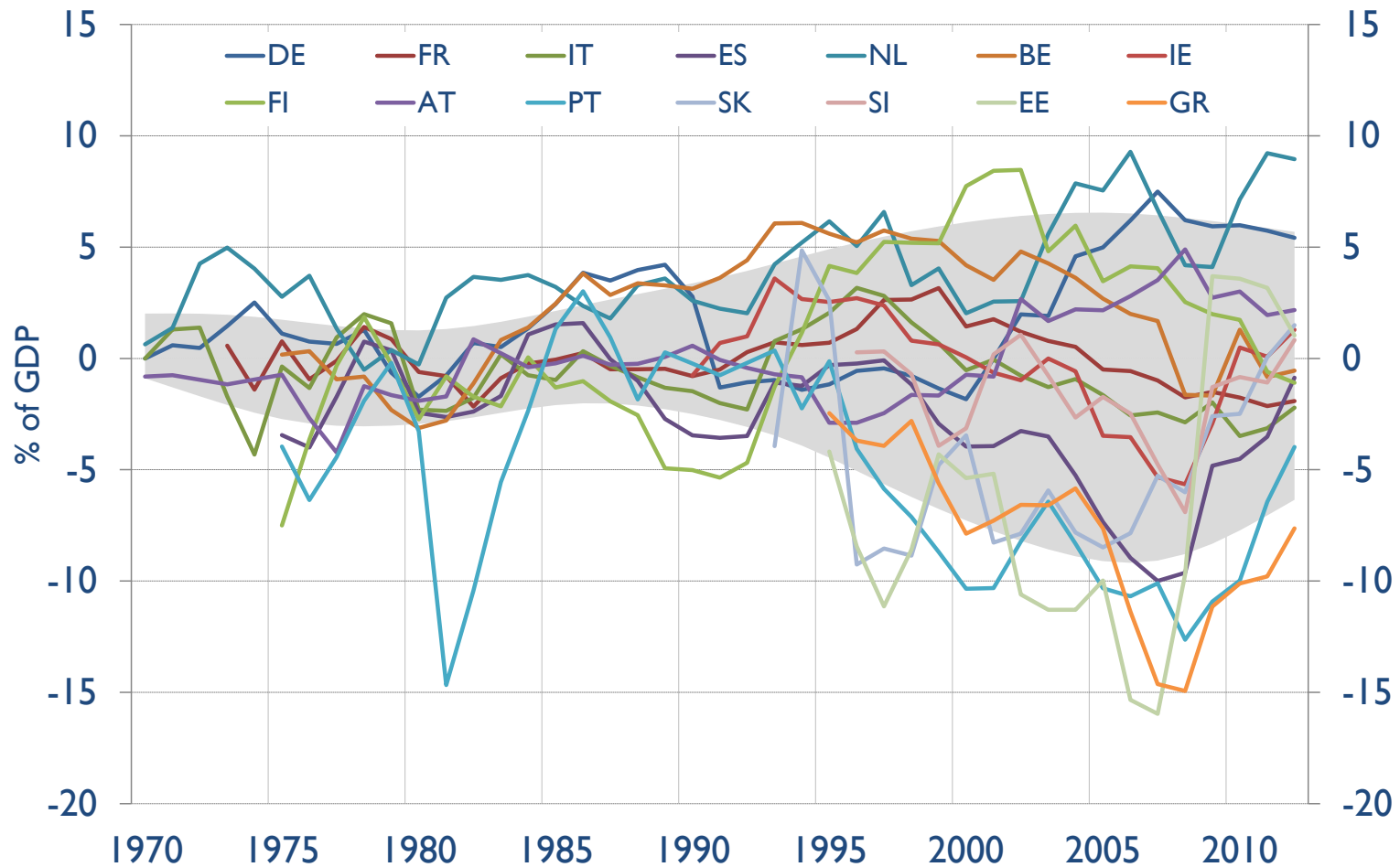
(1) HICP, 2000 to 2007.

(2) Productivity based on total employment, 2000 to 2007, total industry (excl. construction) vs a selection of services.

(3) This measures the implementation of the Lisbon strategy. The higher the score, the less the strategy has been implemented.

Sources: Eurostat, Centre for European Reform.

Current account divergences in EMU



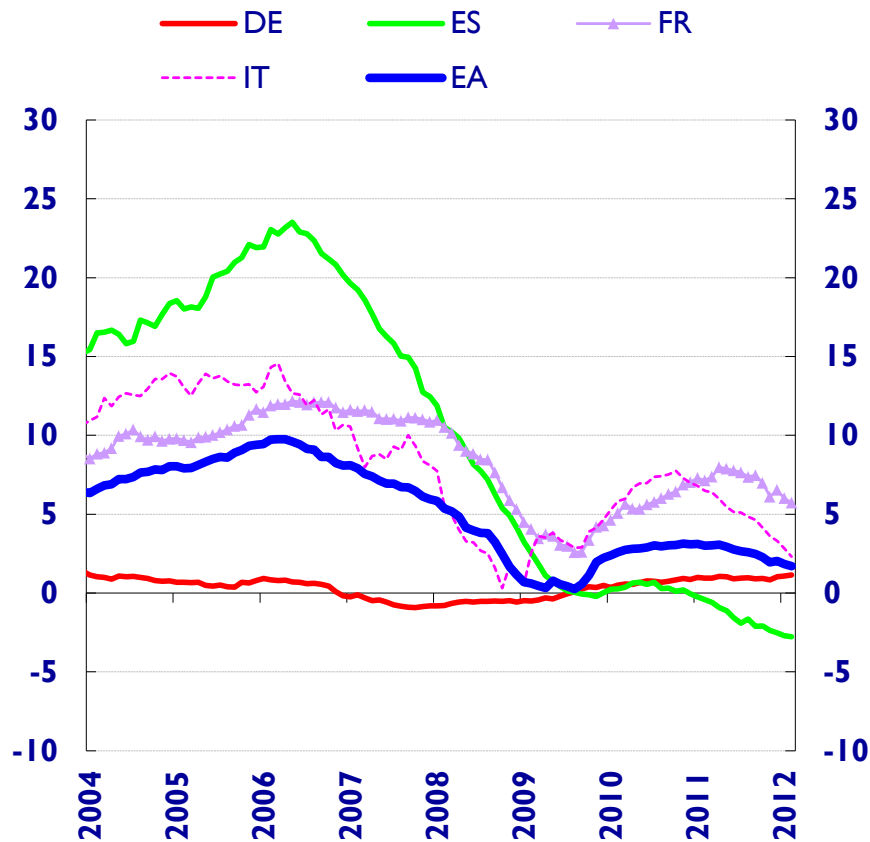
Note: The grey area represents the difference between the HP filtered trend of the 90th and 10th percentile of the current account balances across countries.

Sources: OECD and ECB calculations.

Lending to the non-financial private sector in the largest euro area countries

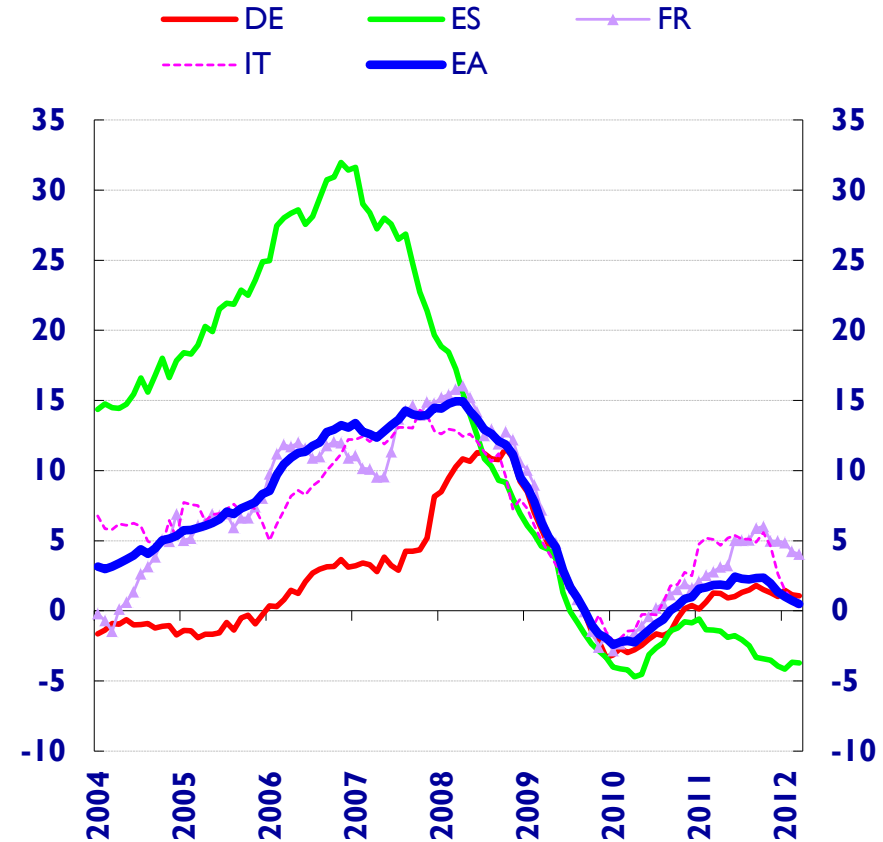
Household loan flows in “large countries”

(annual growth rates; not seasonally adjusted; adjusted for securitisation)



NFC loan flows in “large countries”

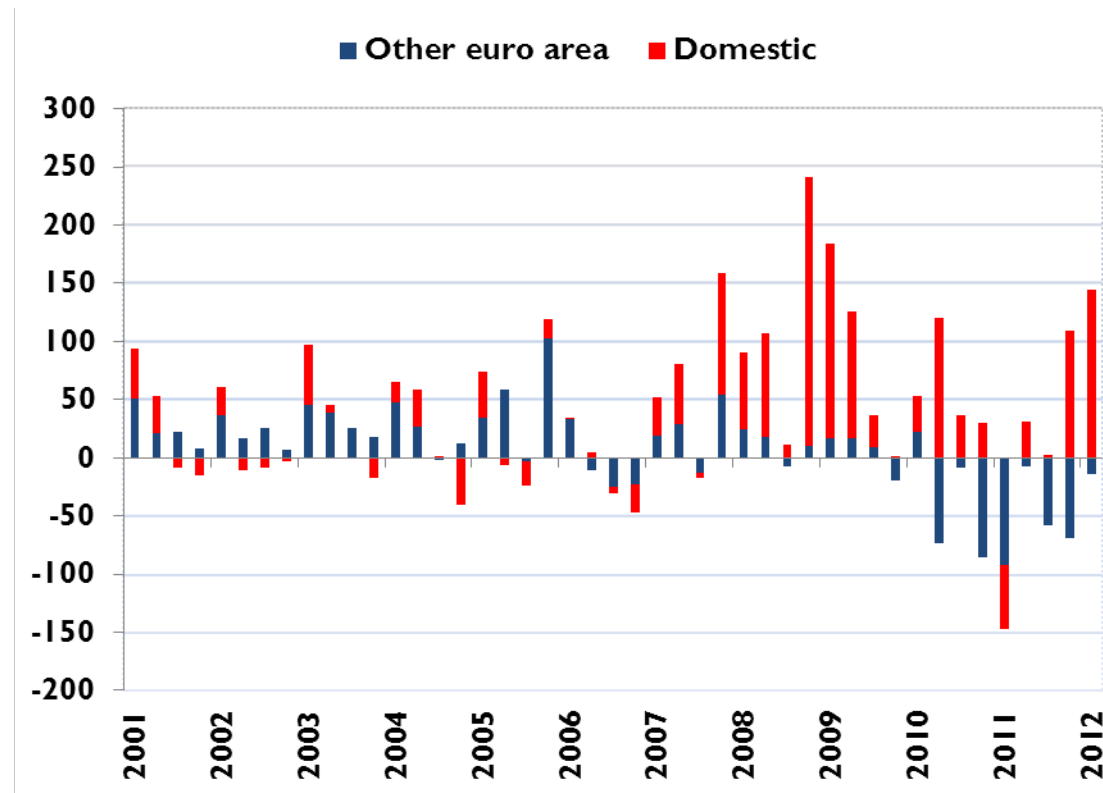
(annual growth rates; not seasonally adjusted; adjusted for securitisation)



Source: ECB and ECB calculations.

Heterogeneity during the crisis: financial flows

MFI holdings of Non-MFI debt securities, domestic vs other euro area countries (quarterly flows, EUR billions)



Notes: "Domestic" shows purchases by MFIs in a euro area country of government and (non-bank) private sector debt issued by that country. "Other euro area" shows purchases of such debt by MFIs in other euro area countries.

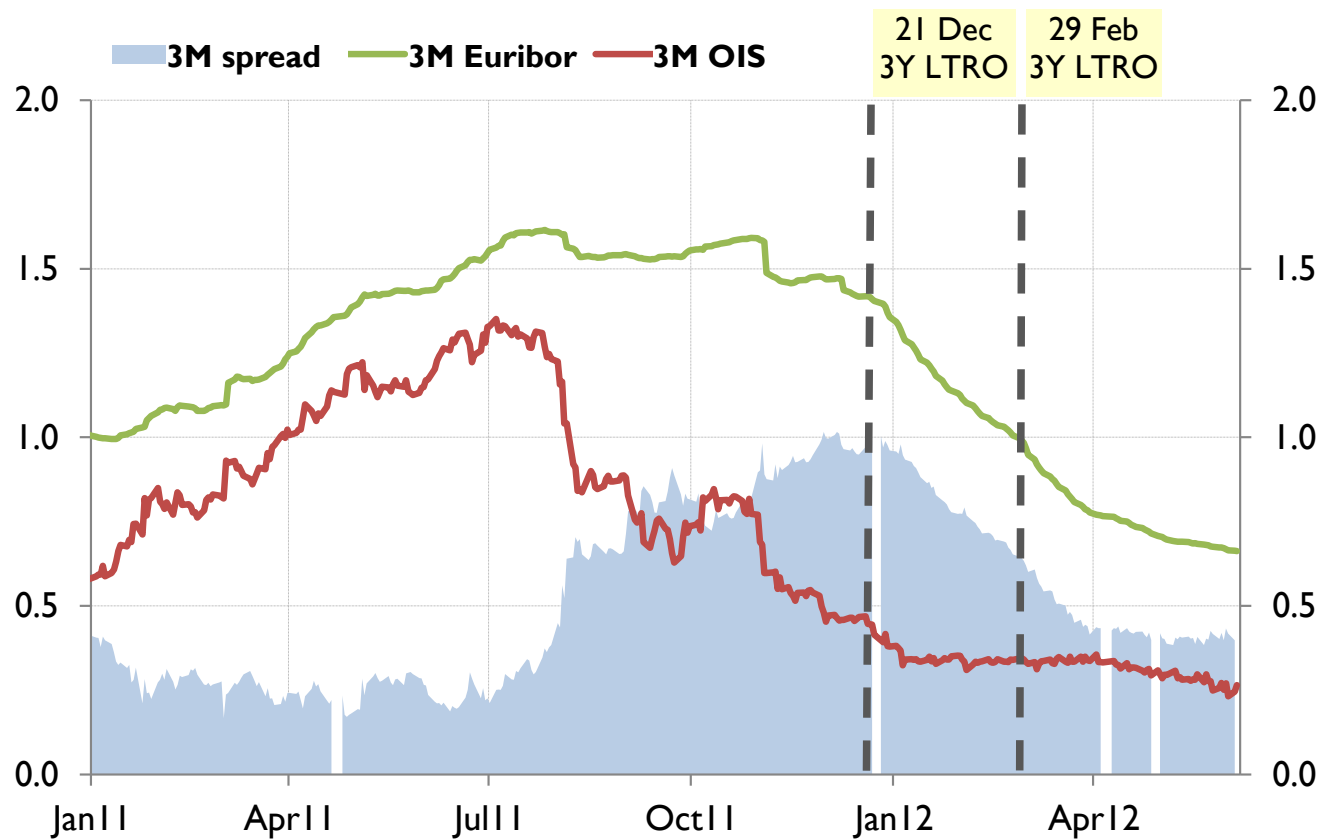
Source: ECB and ECB calculations.

Repo (secure) market interest rate for banks In the largest euro area countries



Source: Commerzbank

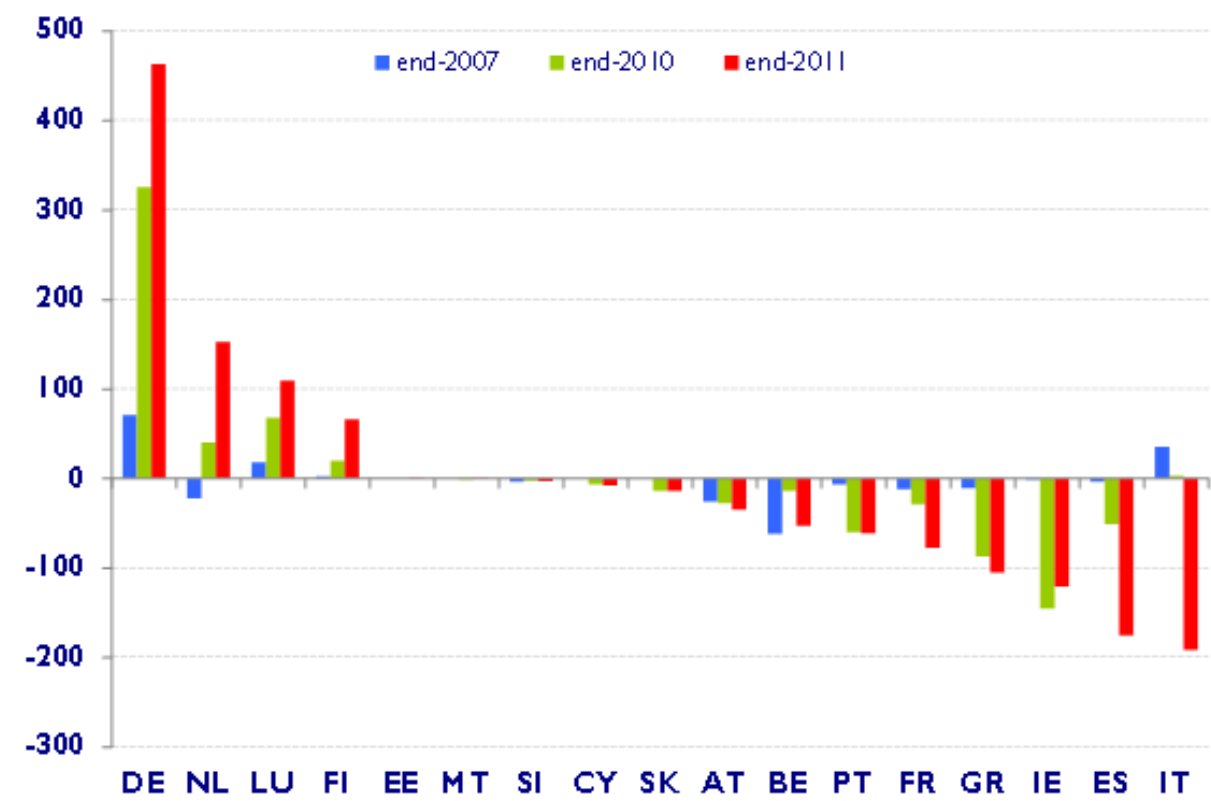
Money market spread compressed following three-year LTRO



Source: Thomson Reuters.

Heterogeneity during the crisis: TARGET2

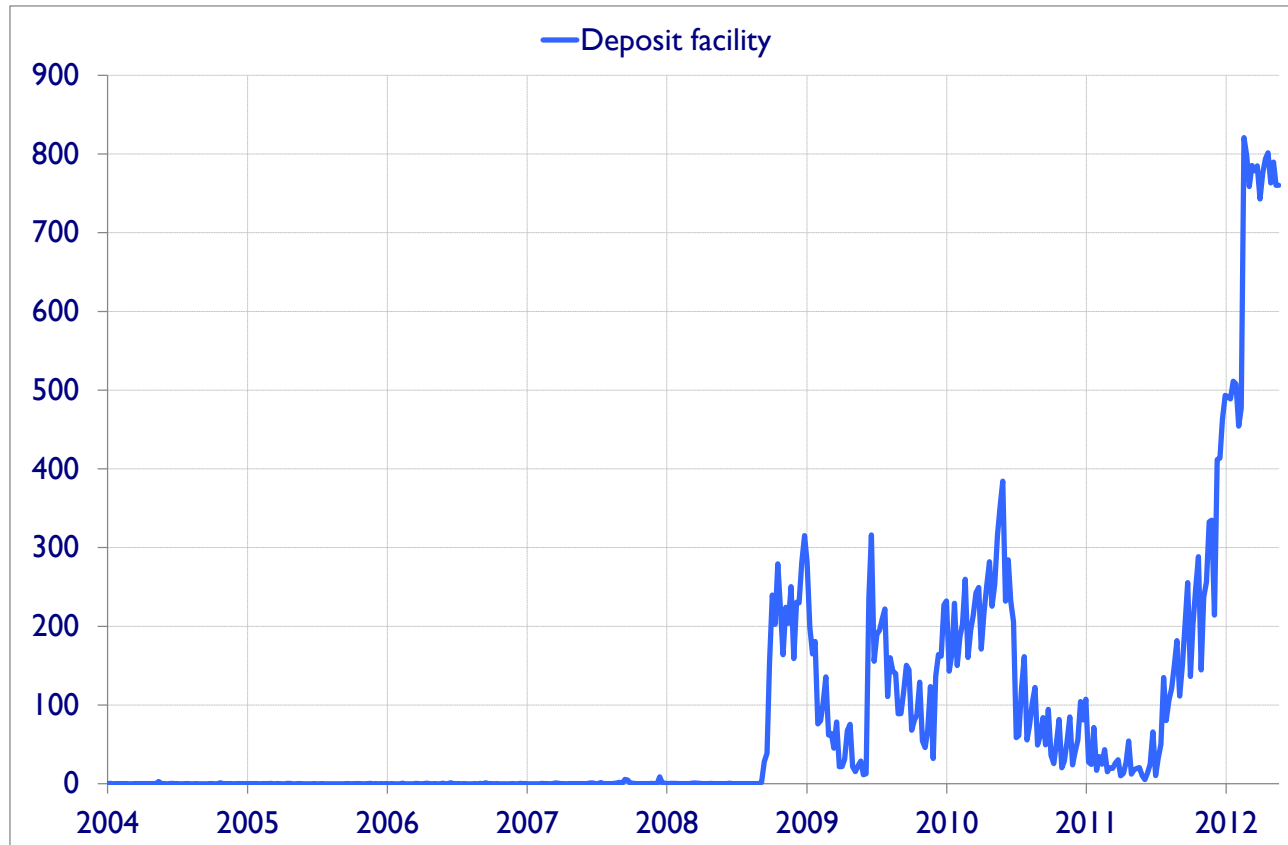
TARGET2 balances (EUR billions)



Sources: NCBs.

Heterogeneity during the crisis: excess reserves

Recourse to Eurosystem's deposit facility (EUR billions)



Note: Latest observation is for 1 June 2012.

Sources: ECB and ECB calculations.