



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Member of the Executive Board

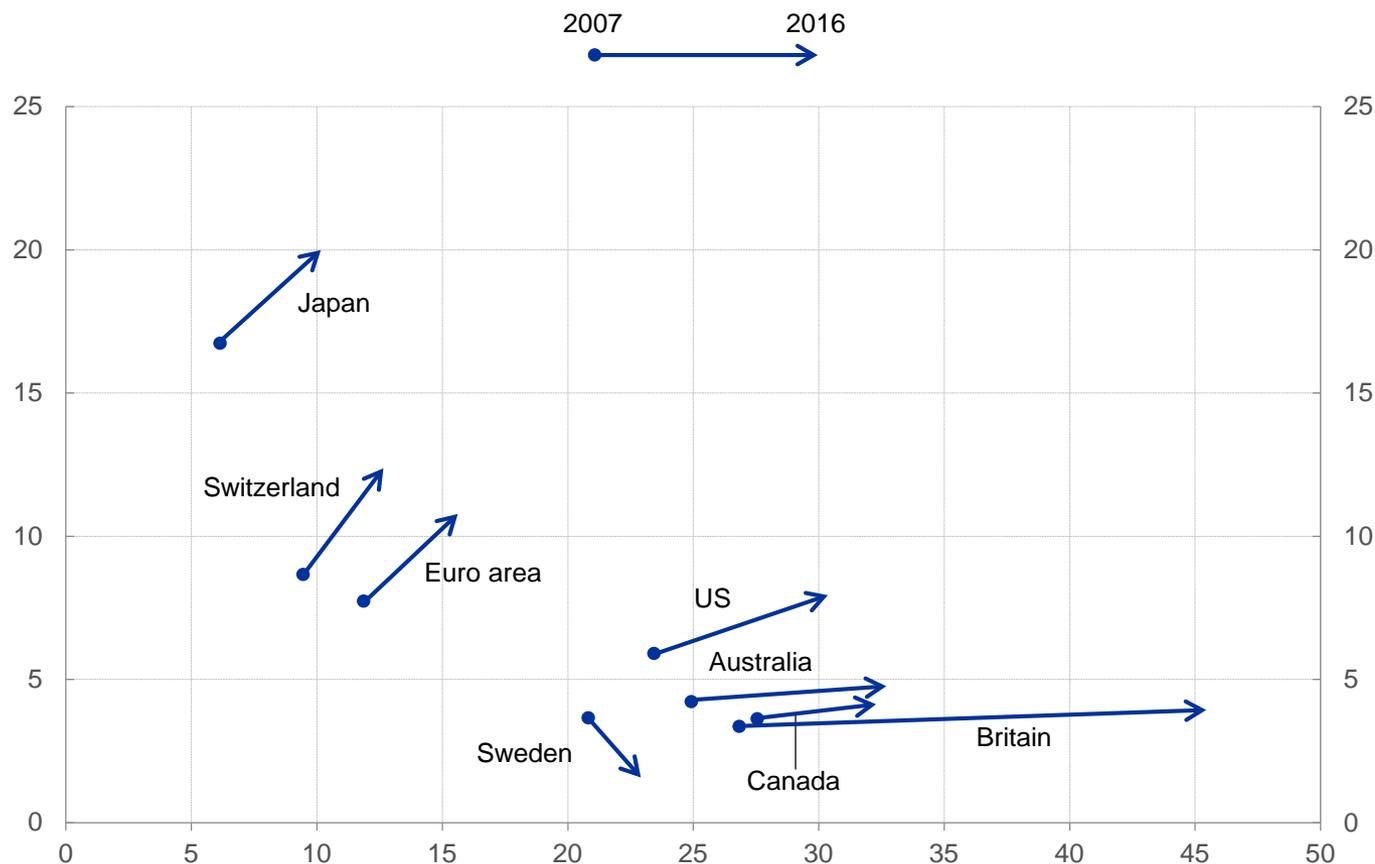
# The future of central bank money

Geneva, 14 May 2018

# Card payments and cash demand have generally increased since 2007

## Card payments and cash demand

(x-axis: value of card payments; y-axis: cash in circulation; percentages of GDP)

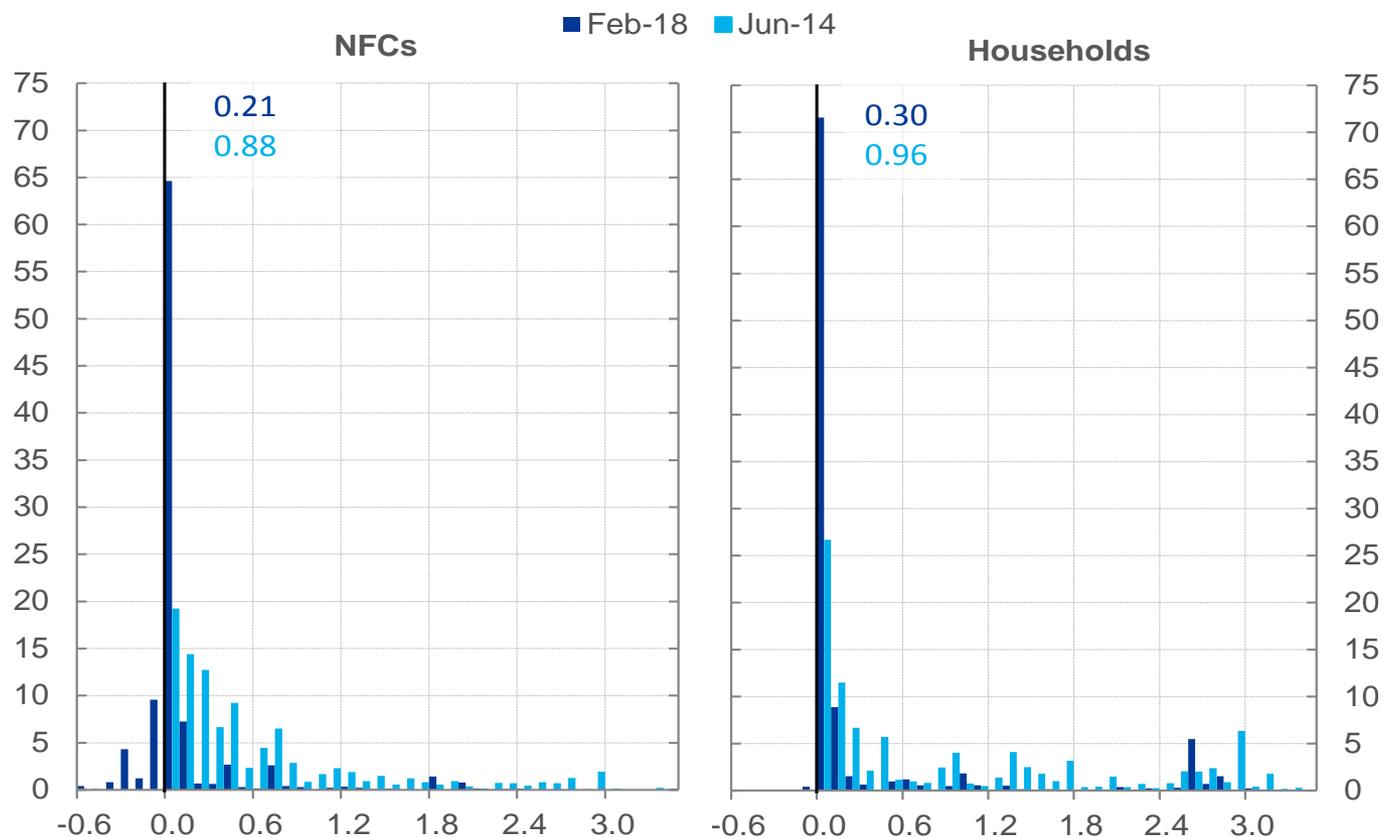


Source: CPMI (2017).

# Negative household deposit rates are rare

## Distribution of deposit rates on outstanding amounts across individual MFIs

(x-axis: deposit rates in percentages per annum, y-axis: frequencies in percentages, weighted by volumes)

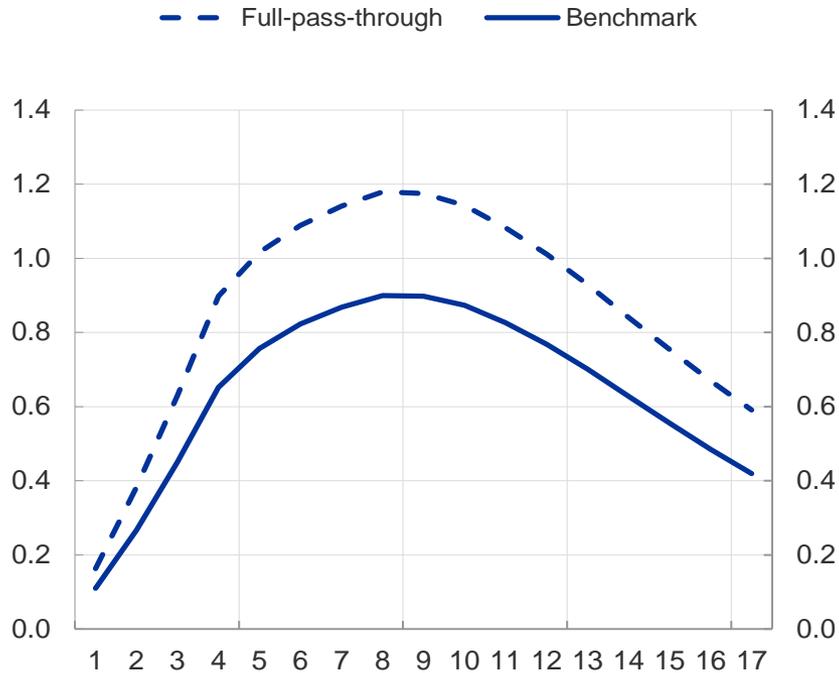


Source: ECB.

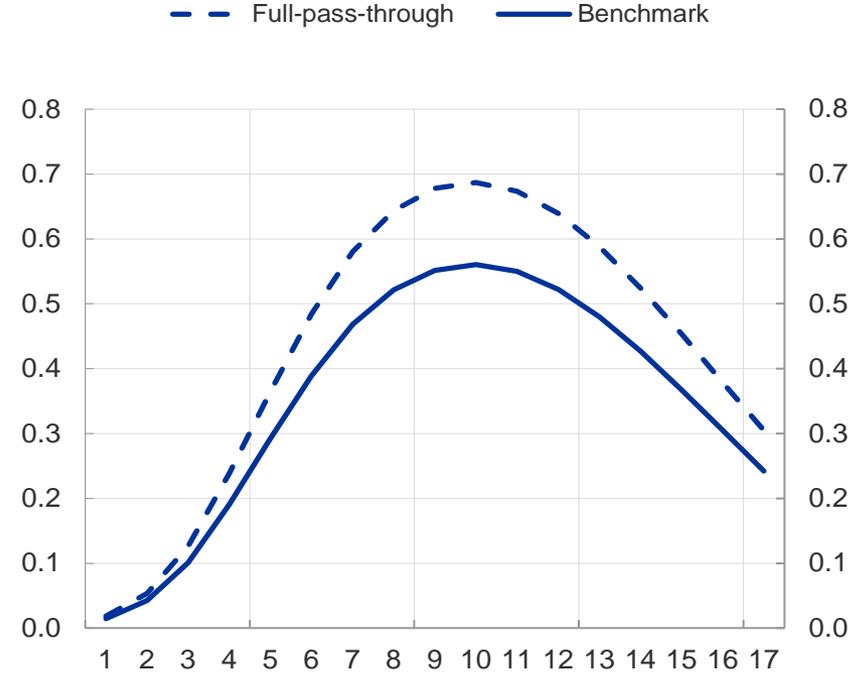
Notes: Deposit rates on outstanding amounts as reported by individual banks, weighted by outstanding amounts. The numbers displayed show the weighted average deposit rates in June 2014 and February 2018.

# Stronger pass-through of monetary policy beneficial for economy

**Euro area real GDP**  
(% deviation from baseline)



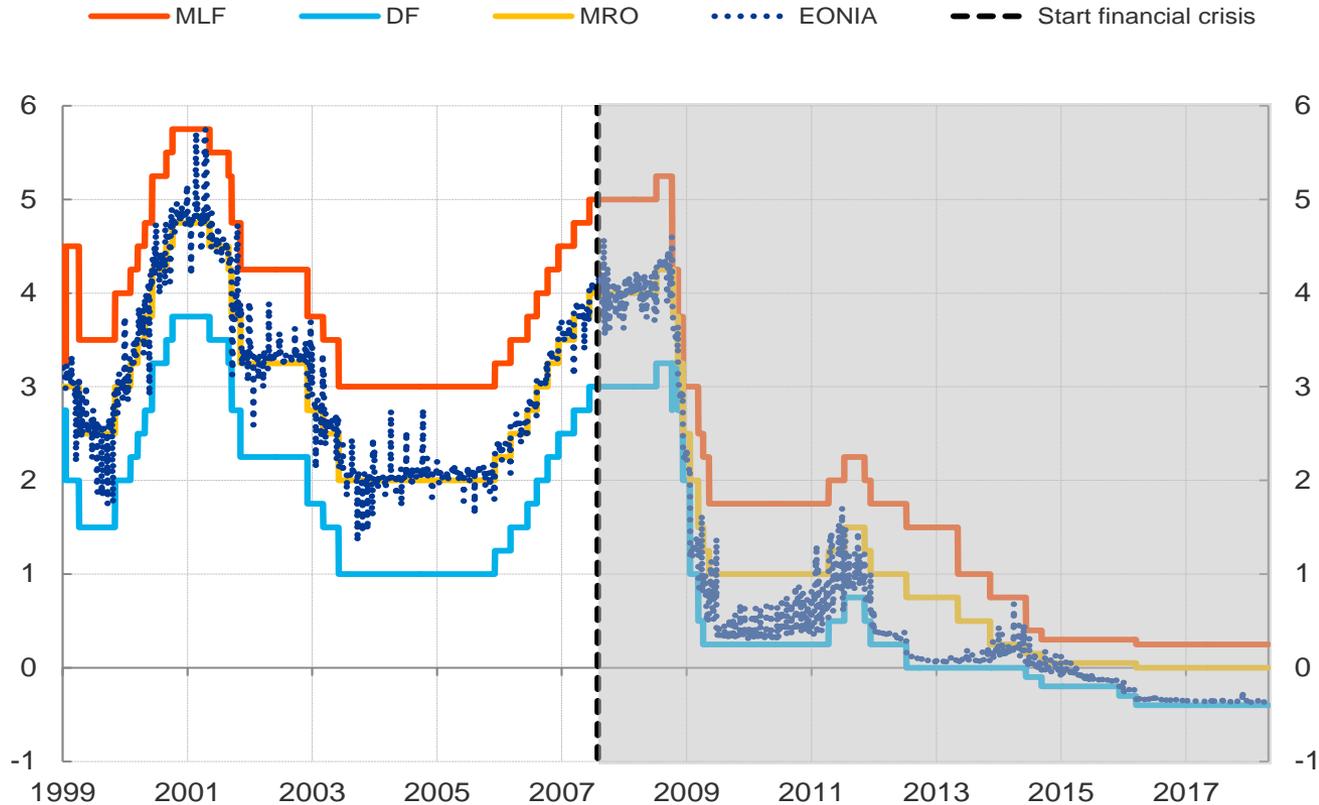
**Euro area HICP**  
(y-o-y rates, p.p. deviation from baseline)



Source: Darracq Pariès, M., P. Jacquinot and N. Papadopoulou (2016), "Parsing financial fragmentation in the euro area: A multi-country DSGE perspective", ECB Working Paper No 1891. See also ECB (2017), "MFI lending rates: pass-through in the time of non-standard measures", Economic Bulletin Article, January.  
Notes: Conditional simulations of a 100 basis point cut in the main policy rate for different degrees of retail deposit rate stickiness.

# Pre-crisis: (all) short rates well anchored by policy rates

## ECB key interest rates and EONIA (percentages per annum)

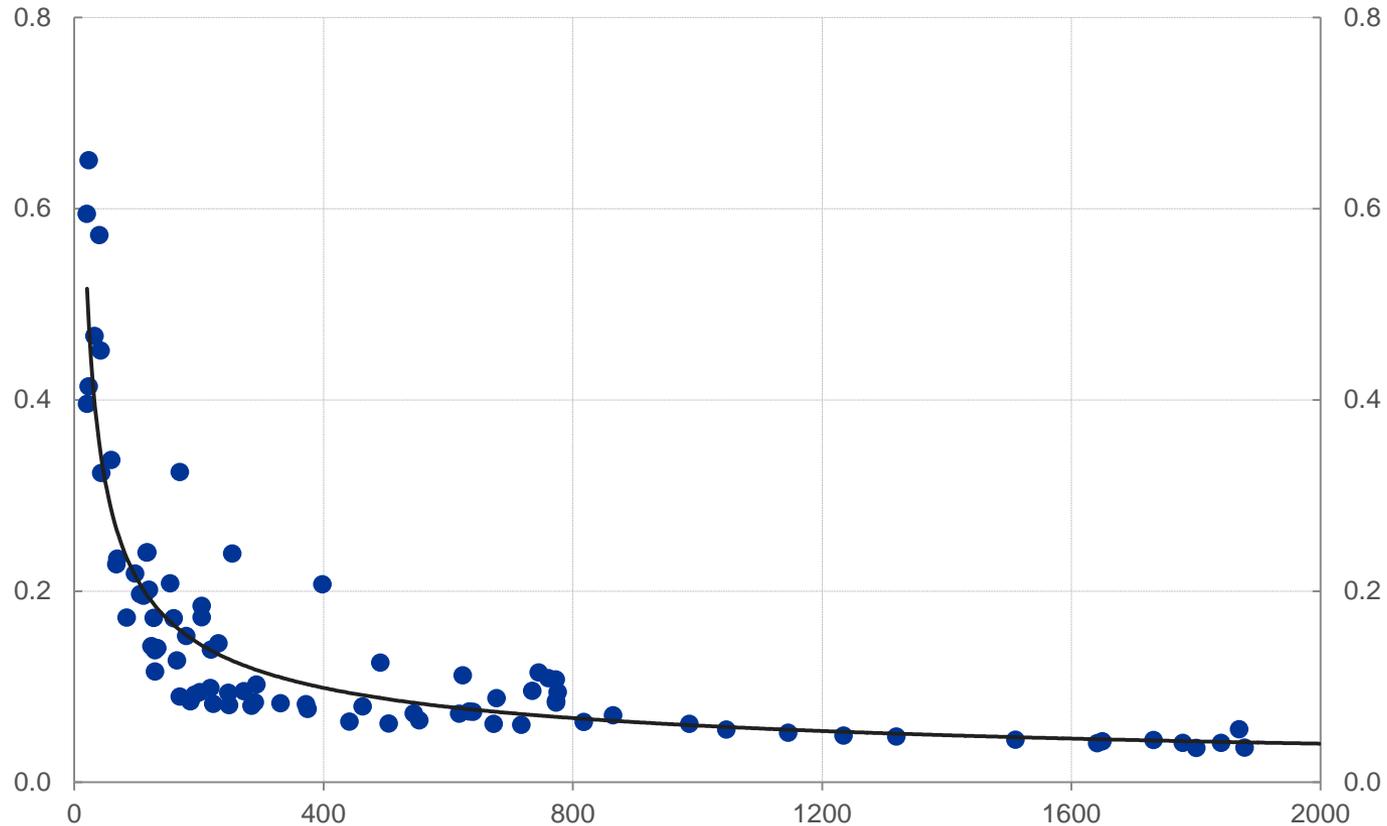


Source: ECB.  
Latest observation: 29 April 2018.

# Post-crisis: excess liquidity pushes EONIA towards deposit rate

## Spread between EONIA and deposit facility rate and excess liquidity

(x-axis: excess liquidity in €bn; y-axis: EONIA-DFR spread in percentage points)



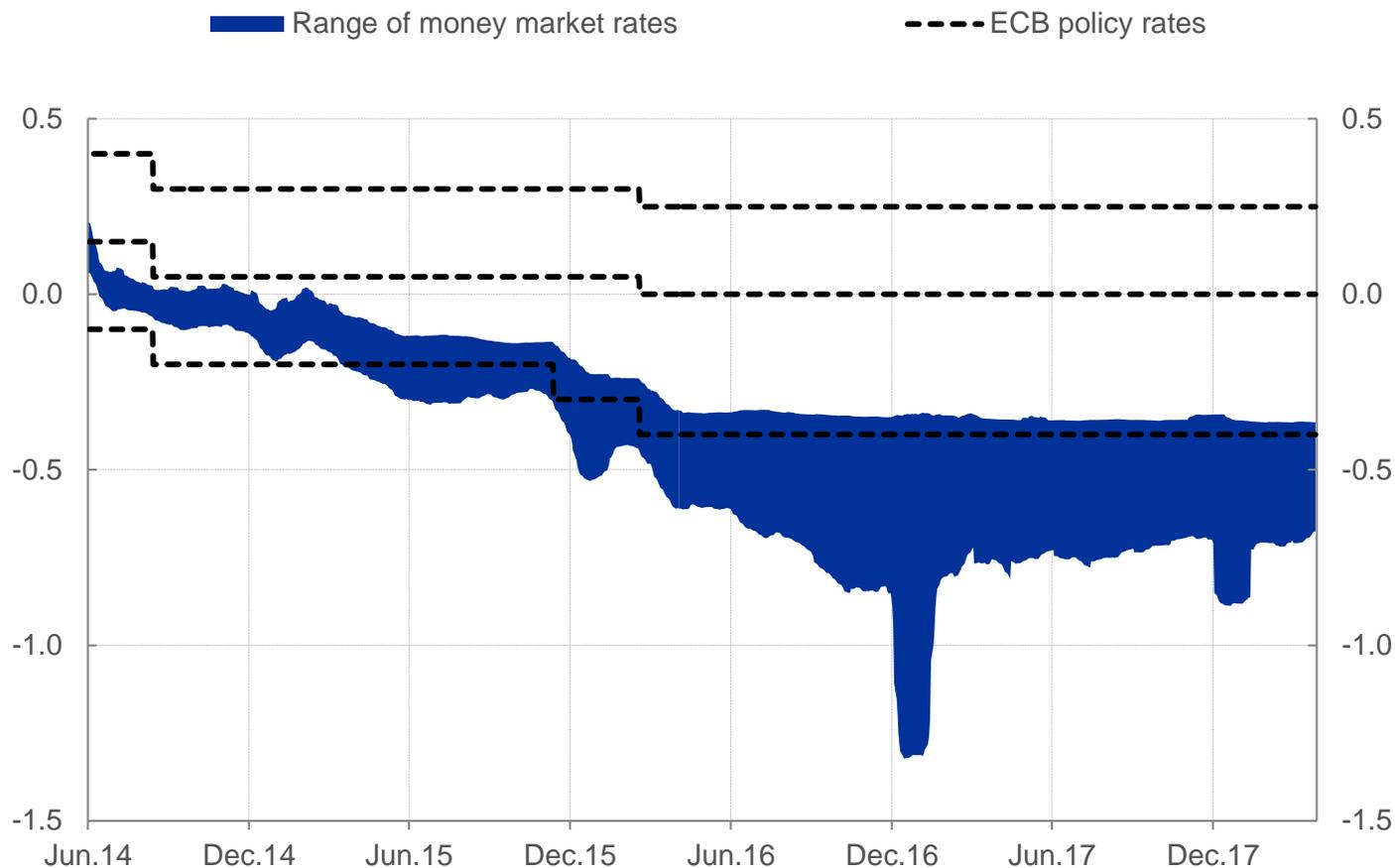
Source: ECB.

Note: Dots represent pairs of average EONIA-DFR spread and excess liquidity by maintenance period, starting in 2010.

Latest observation: 2<sup>nd</sup> maintenance period 2018.

# Now: dispersion across short-term money market rates

## Developments in money market rates since June 2014 (percentages per annum)



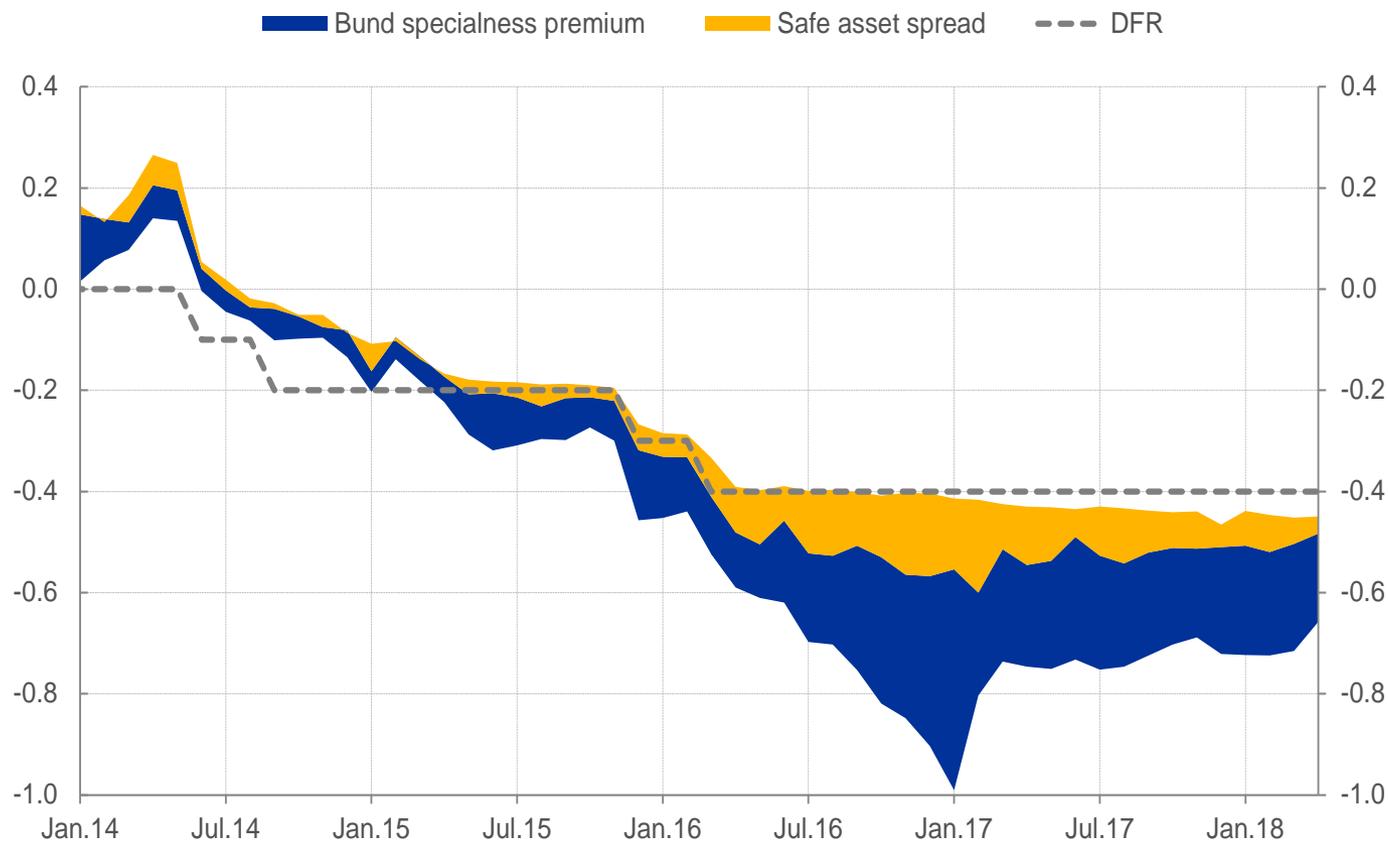
Sources: ECB, BrokerTec and MTS.

Notes: Range refers to the minimum and maximum of the 30-days moving averages of the following rates: EONIA, TARGET2 rate, GC pooling, GC Italy, GC Germany and the special German repo rate. TARGET2 rate refers to an unsecured overnight rate derived from TARGET 2 payments system data.

Latest observation: 23 April 2018.

# Increased scarcity of safe assets

## Safe asset spread and Bund specialness premium (percentages per annum, monthly weighted average)



Sources: BrokerTec, MTS and ECB calculations.

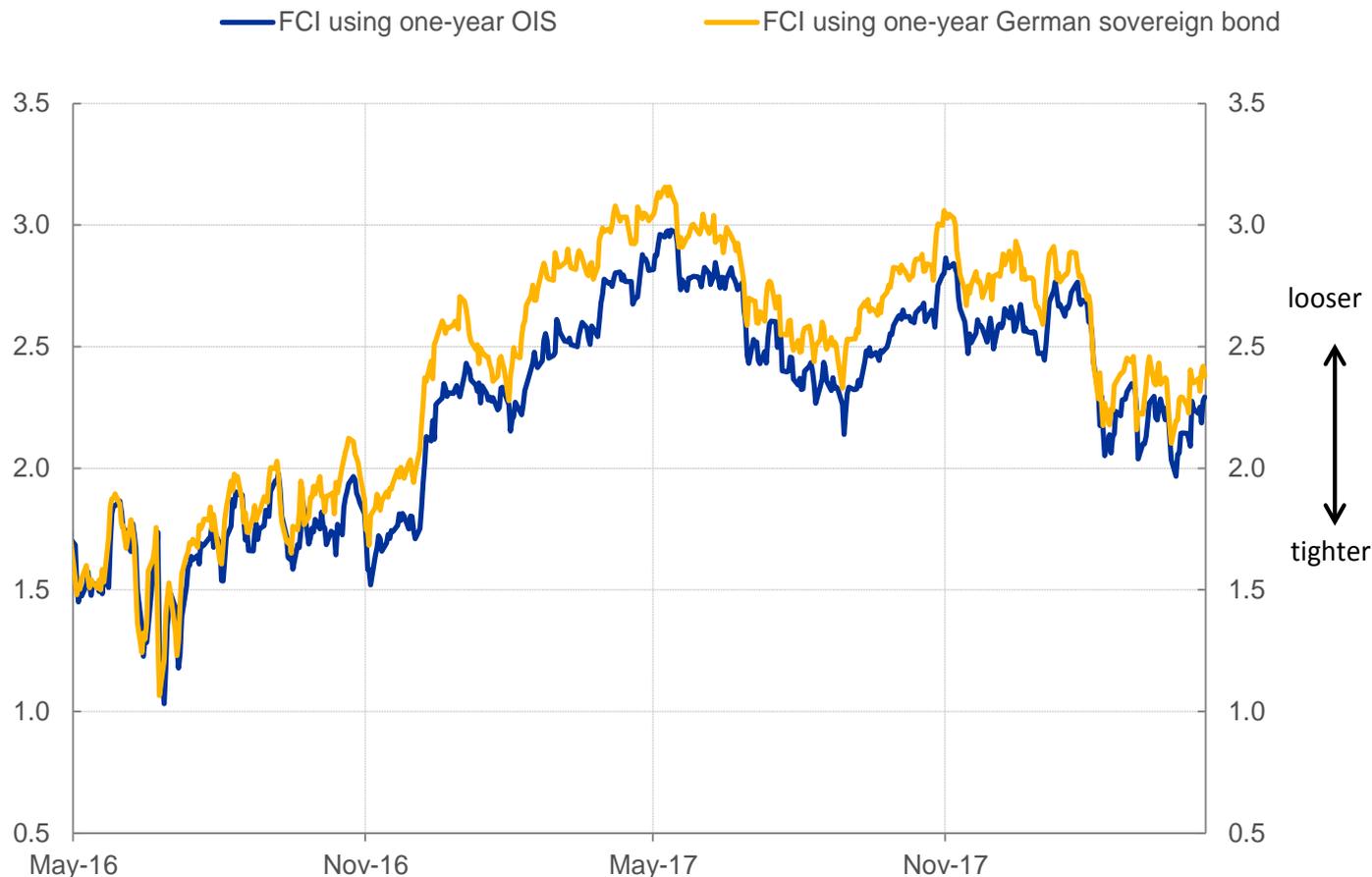
Notes: The series are monthly volume-weighted averages.

The Bund specialness premium is defined as the spread between the GC German and the special German repo rate, while the safe asset spread is the spread between the GC pooling and the GC German repo rate.

Latest observation: April 2018.

# Financial conditions could be looser than intended

## Financial Conditions Index (index)



Sources: ECB and ECB calculations.

Notes: The FCIs are constructed as weighted averages of the 10-year OIS, the nominal effective exchange rate of the euro vis-à-vis its main 38 trading partners, the Euro Stoxx Index and the one-year OIS or the one-year German sovereign bond, respectively. The interest rates enter in percentage point deviations from their long-run mean, and the exchange rate and stock prices enter in percentage deviations from their long-run mean. The weights are derived from the cumulative impulse response of HICP inflation to a shock to each of the four financial variables at a 12-months horizon as gleaned from VARs, which include one indicator at a time and a number of macroeconomic control variables.

**Thank you**