Recent ECB experience of unconventional monetary policy and its statistical implications

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The views expressed in this presentation are those of the authors and do not necessarily reflect those of the European Central Bank.
Recent ECB experience

- Financial crisis
- Broken monetary policy transmission
- New monetary policy instruments design and implementation
- Monitoring the functioning of financial intermediation
- Restoration of monetary policy transmission
- TLTROs
- New statistics
  - Bank loans
  - Individual bank data
  - Money market data
  - Analytical Credit datasets

Recent ECB experience of rapidly evolving monetary policy and its statistical implications
## Overview

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The statistical basis of the TLTROs

• Targeted Long Term Refinancing Operations
  • *Incentivise bank lending* to non-financial private sector

• Interest rate depends on lending pattern

• Statistical reporting
  • Based on the methodological framework of banking statistics
  • Used to *calculate allowances*
  • Used to *evaluate performance* by banks
New data on bank loans to the private sector

• Balance sheet statistics
  – New indicators for \textit{total lending originated by banks}

• Interest rate statistics
  – Earlier indicator reflected total \textit{new business}
  – New business now split into: \textit{true new loans} + \textit{renegotiated loans}
  – Recently, rates for true new loans lower than rates for renegotiated loans

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Individual banks’ balance sheets and interest rates

- Euro area individual bank data
  - Shared within the Eurosystem since 2012 (expanded in 2015)
- Confidentiality protection – limited number of users
- **Granular data for 300 banks** ca. 80% of total assets
- By bank
  - 160 indicators on balance sheet items
  - 43 indicators on interest rates
- New data allow analysing *distributions* across
  - Countries
  - Business models
  - Bank types
- Since TLTROs, *reduction in borrowing costs* in vulnerable countries
Composite lending rates for NFCs: distribution of individual MFIs
(percentages per annum)

Vulnerable countries: IE, ES, IT and PT
- September 2011 (median = 3.87)
- June 2014 (median = 3.64)
- July 2015 (median = 2.51)
- May 2016 (median = 2.22)

Less vulnerable countries: BE, DE, NL and AT
- September 2011 (median = 3.20)
- June 2014 (median = 2.24)
- July 2015 (median = 1.80)
- May 2016 (median = 1.62)
Daily granular data on money market transactions

- **Timely** monitoring of monetary policy transmission (7:00 am next day)
- **Trade-by-trade data** – ISO 20022 standard allowing full automation
  - Volumes, rates, time, counterparties, collateral types
- **Market segments**
  - Unsecured, secured, foreign exchange swaps, overnight index swaps
- **40,000 daily transactional records** from 52 large banks
The Analytical Credit datasets

- Multi-purposes, multi (central banking, supervision) users
- Banks’ *credit* and *credit risk*
- Lending to legal persons
  - in particular to *Non-Financial Corporations* (ESA sector S.11)
- Granular information: *loan-by-loan*
  - identification of *debtors* and *guarantors*
  - details on *loan contracts*, including rates, duration
  - (limited set of data on) *risk mitigation measures*
- Supported by the ESCB business register (RIAD)
  - credit institutions, and potentially other financial lenders (ca. 200,000)
  - to be expanded to cover non-financial corporations (ca. 20,000,000)

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