

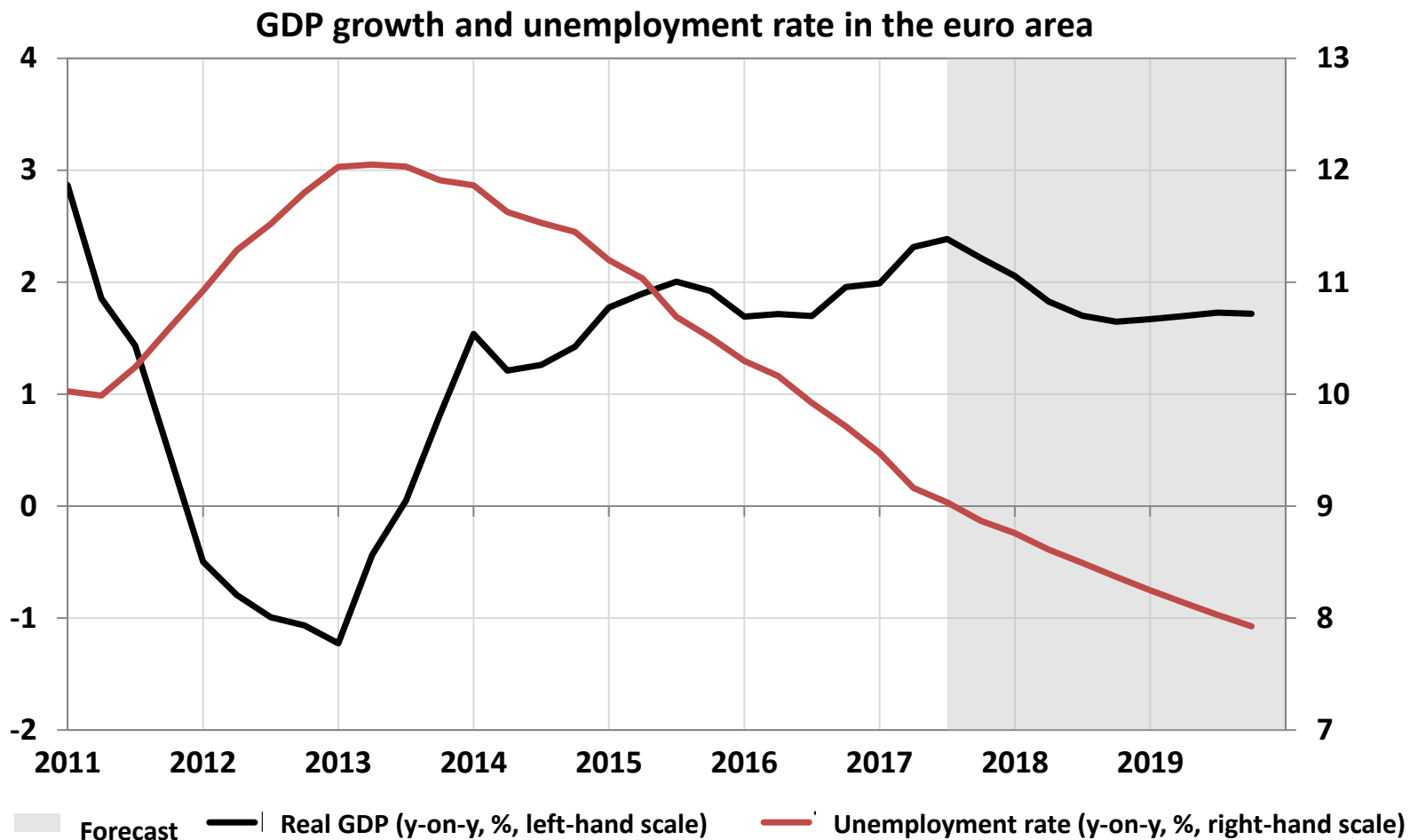
# WITH ECONOMIC RECOVERY UNDERWAY IN EUROPE, WHAT MONETARY POLICY?

CENTRE DES PROFESSIONS FINANCIÈRES – THURSDAY 28 SEPTEMBER 2017

**FRANÇOIS VILLEROY DE GALHAU, GOVERNOR OF THE BANQUE DE FRANCE**

# Economic recovery is here

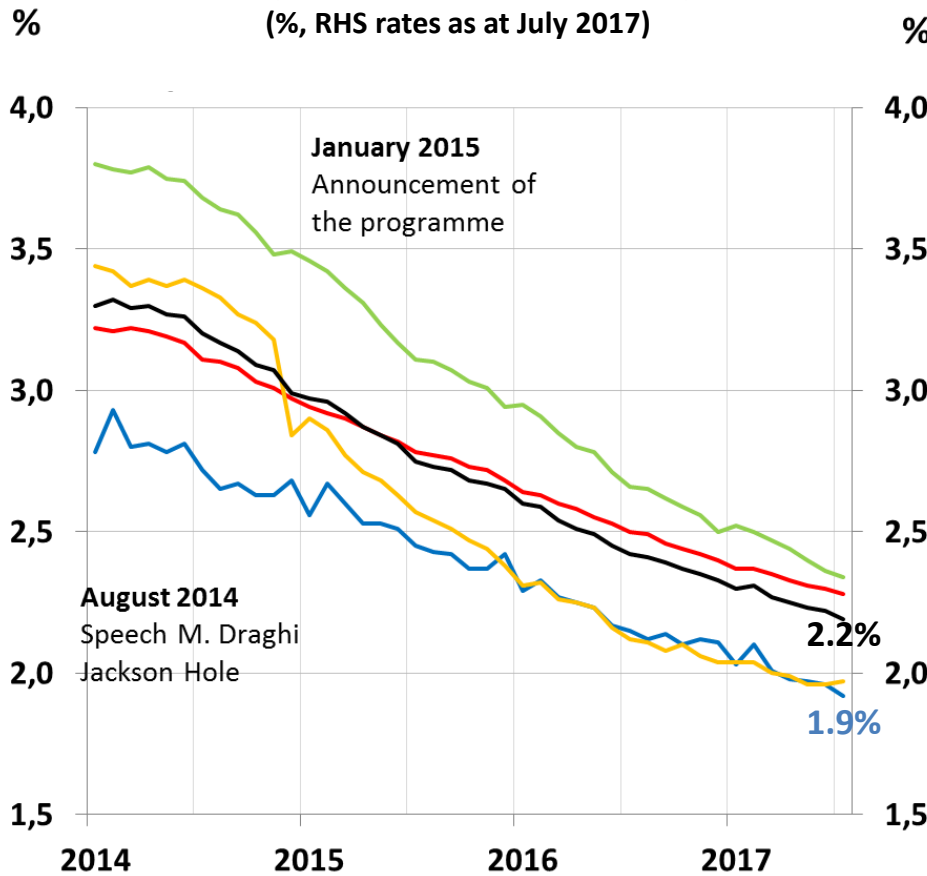
➤ 6 million jobs created since 2013



Source: MPE, September 2017

# Favourable financing conditions

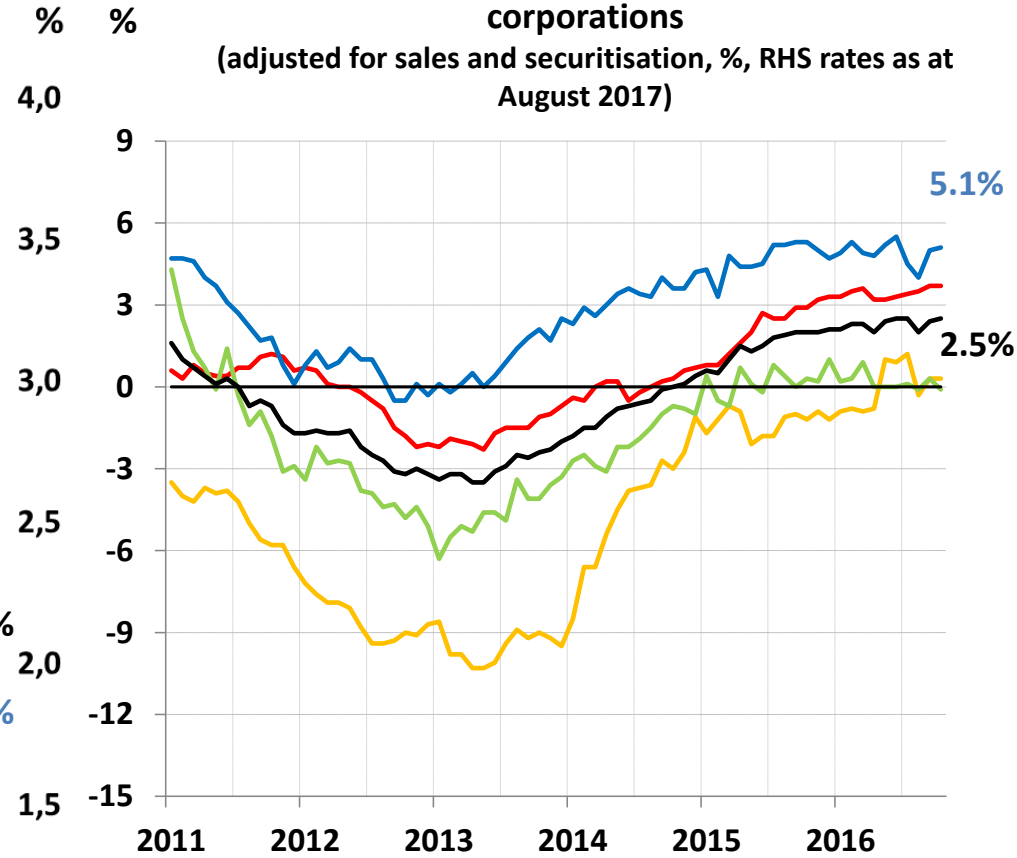
**Bank lending rates to non-financial corporations**  
(%, RHS rates as at July 2017)



— Germany — France — Italy — Spain — Euro zone

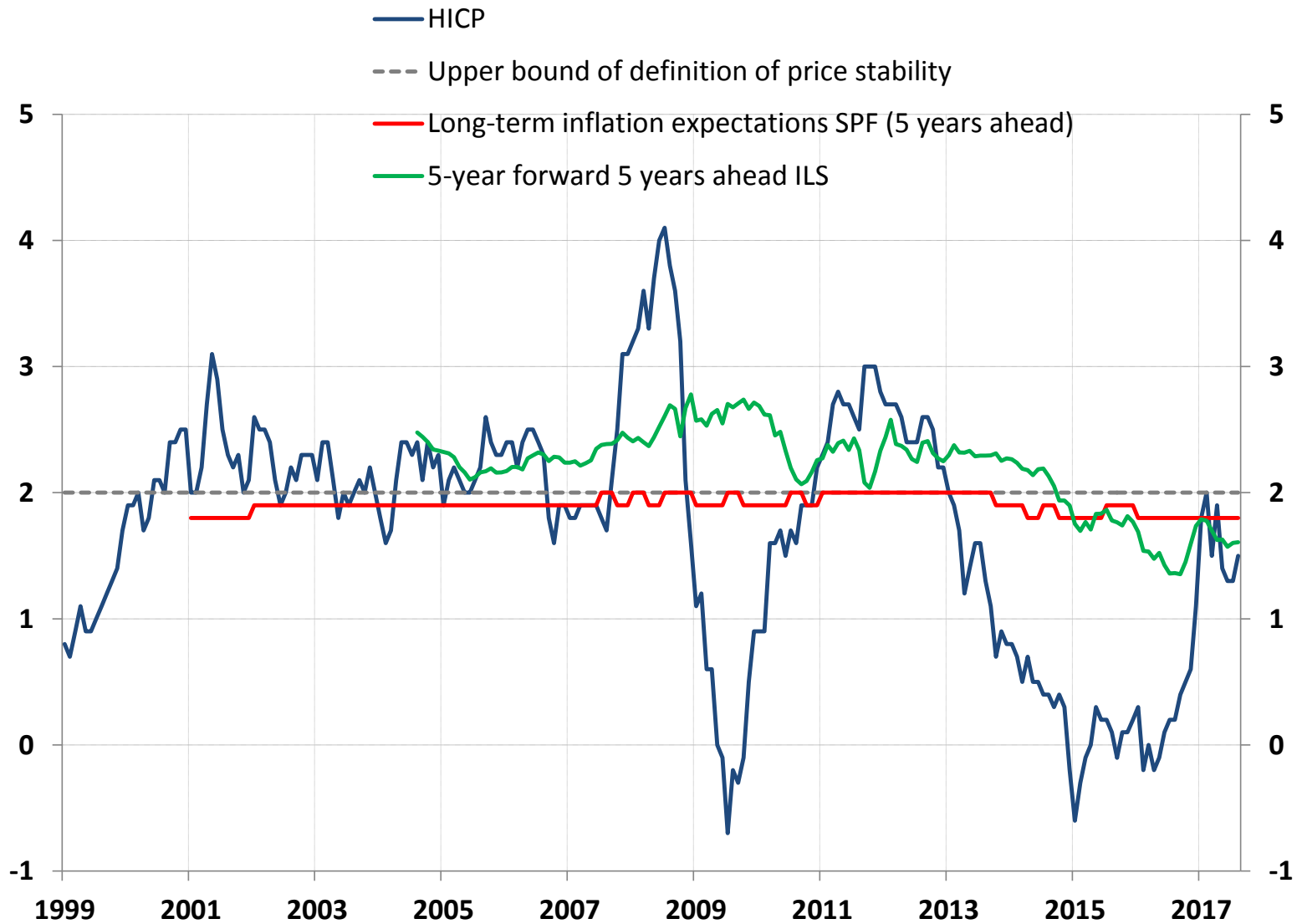
Source: ECB and Banque de France

**Annual growth rate of loans to non-financial corporations**  
(adjusted for sales and securitisation, %, RHS rates as at August 2017)



— Germany — Spain — France — Italy — Euro zone

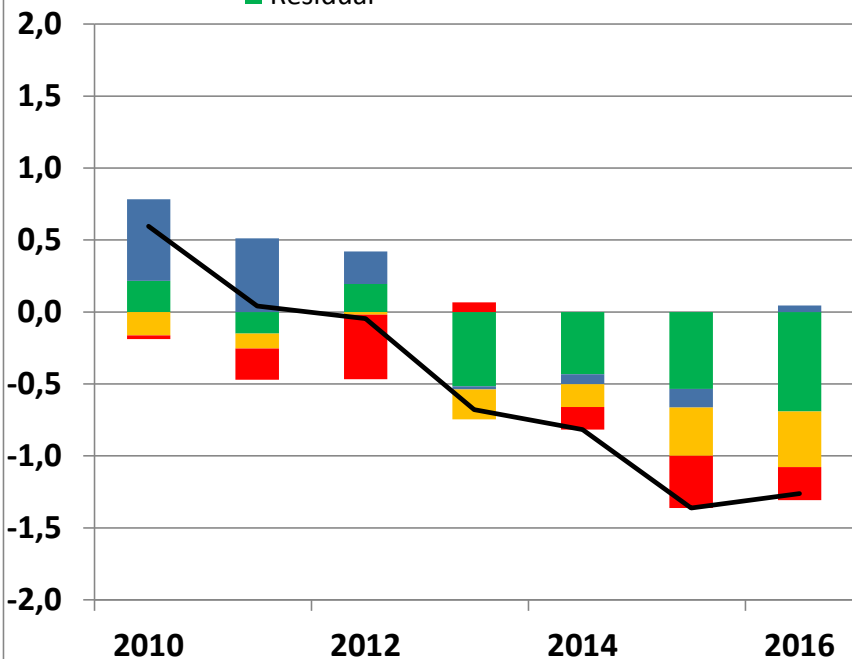
# Inflation is gradually returning towards our target



# Past inflation is still dampening wages

## France

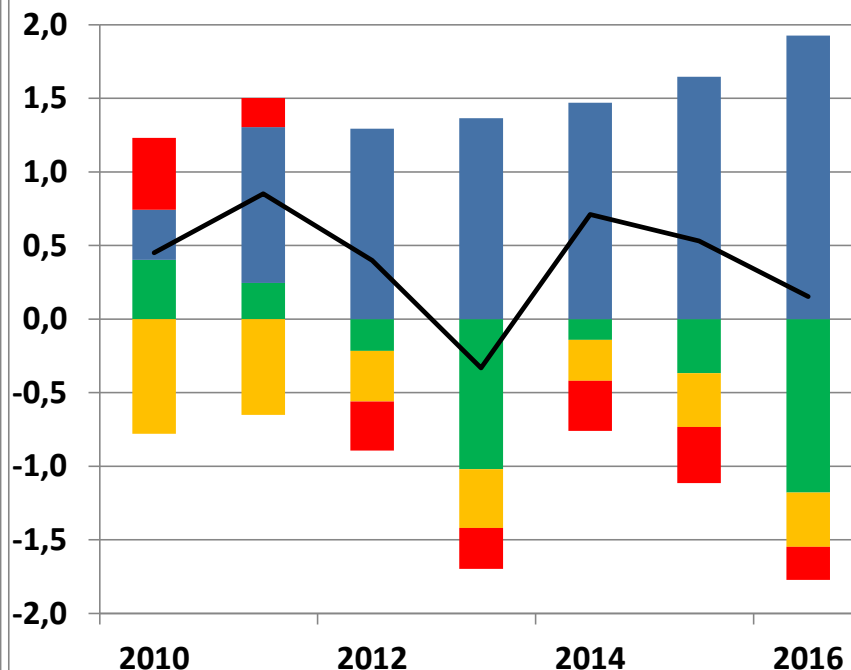
- Remuneration per employee
- Productivity
- Past core inflation
- Unemployment rate 25-54
- Residual



Source : OECD and BdF

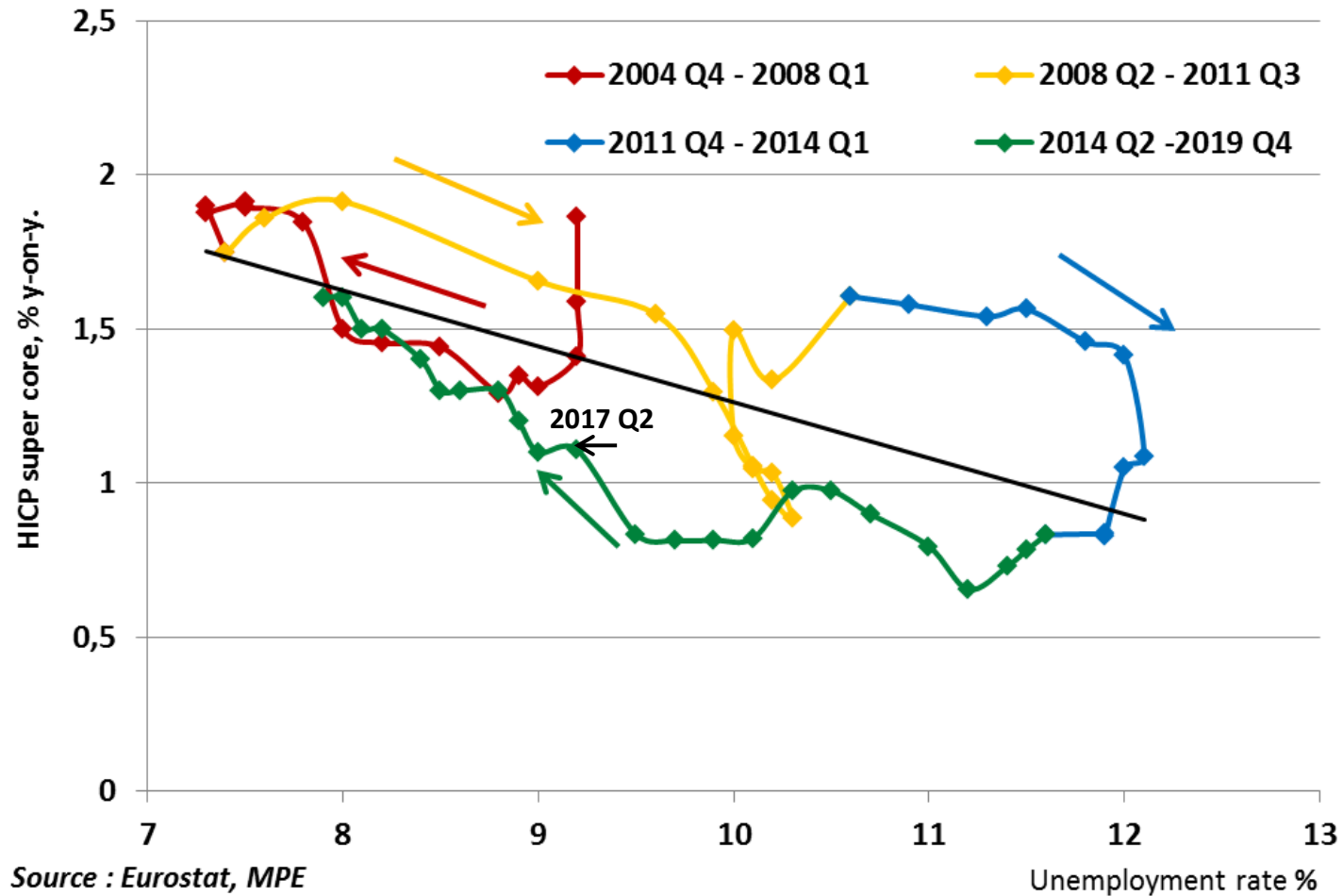
## Germany

- Remuneration per employee
- Productivity
- Past core inflation
- Unemployment rate 25-54
- Residual



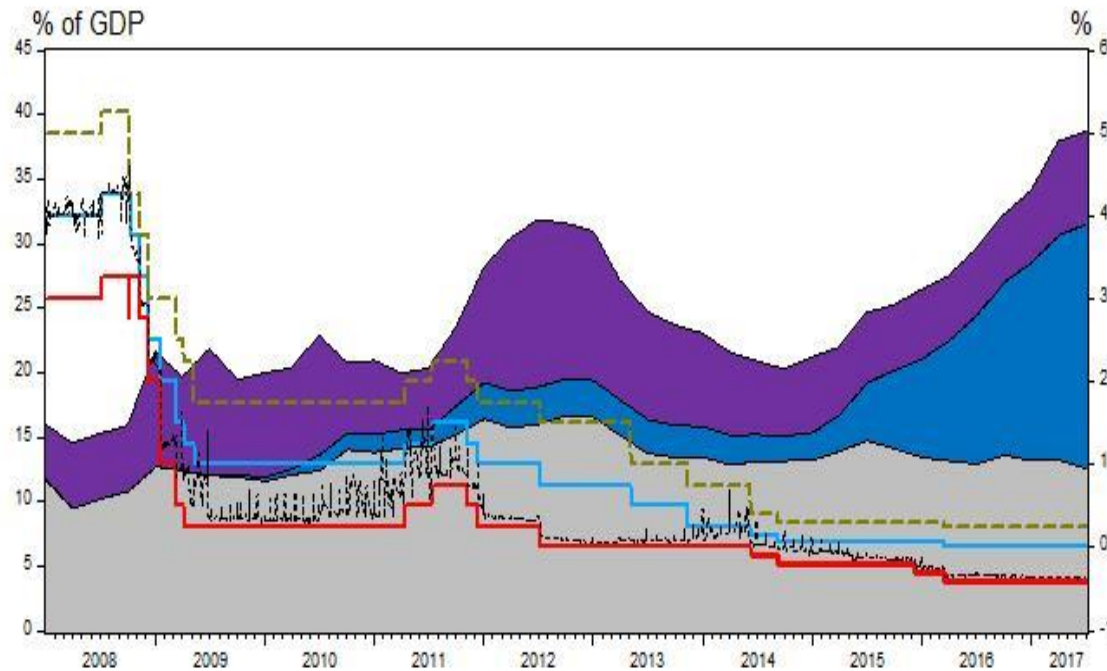
Source : OECD and BdF

## Simple Phillips curve



# The Eurosystem's accommodative monetary policy stance: the "quartet"

## Monetary policy of the Eurosystem



- Lending to euro area credit institutions related to MPOs (left-hand scale)
- Securities held for monetary policy purposes (left-hand scale)
- Other assets (left-hand scale)
- Rate on the main refinancing operations
- Rate on the deposit facility
- - - Rate on the marginal lending facility
- · · · · Overnight interbank rate (EONIA)

## 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)