

EU retail banking: Measuring integration

“Retail payments: Integration and innovation”, May 25/26, 2009



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Agenda

1

Retail banking integration as a political goal

2

When is integration achieved?

3

Classifying integration indicators

4

Assessing integration indicators

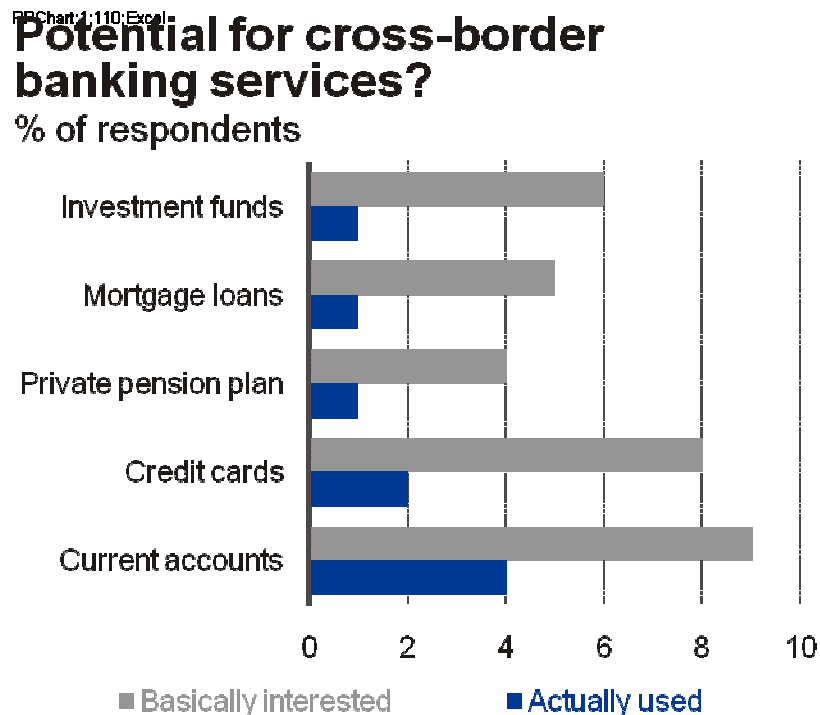
5

Conclusions



While retail banking integration may be a generally accepted political goal, defining it is very controversial

- Economic benefits of integration are uncontroversial
- Yet the need for regulatory action in a concrete field is often claimed on an insufficient empirical basis
- This is due to a diverging understanding of what integration actually is
- This leads to uncertainty concerning the suitable indicators for measuring it



Source: Eurobarometer





Key questions

- How can integration be defined?
- Which indicators can measure integration according to each definition?
- How can we assess the suitability of the indicators?





Instead of one single definition, there are at least three...

- Definition 1: Integration is achieved once the hoped-for economic effects materialise
- Definition 2: Integration is achieved once banks and customers see the whole of the EU as their domestic market
- Definition 3: Integration is achieved once all regulatory impediments to integration have been removed





...and each definition requires a specific set of indicators

- Indicators depicting the progress that has actually been made on achieving integration
 - Price convergence at low level
 - Convergence of supply at high level
 - Convergence of service quality at high level

- Indicators depicting whether banks and consumers perceive the single market as a whole as their domestic market
 - Indicators measuring cross-border business
 - Indicators measuring Europeanisation of bank and customer behaviour

- Indicators depicting the extent to which the barriers to integration have been removed

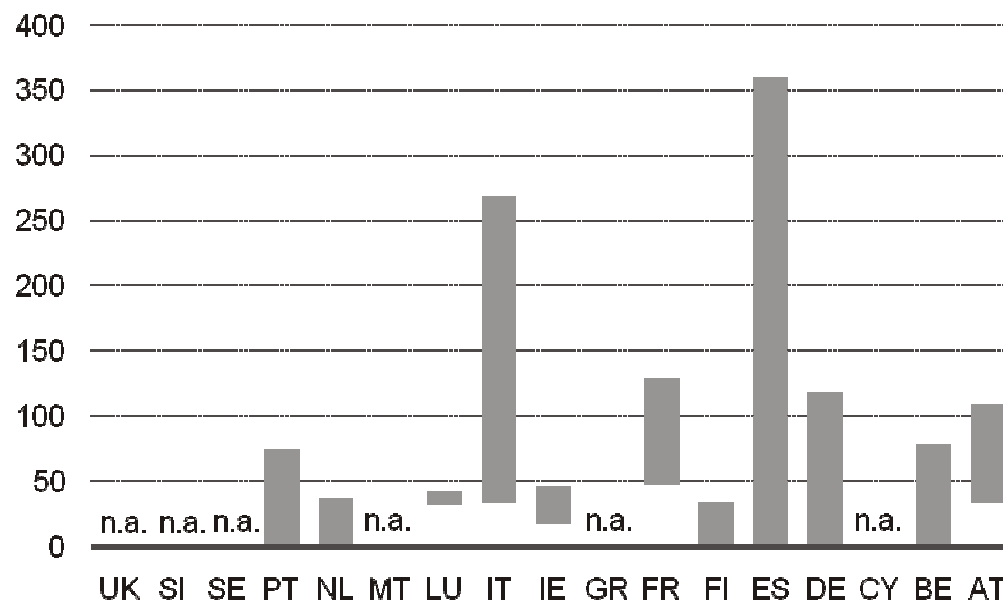


Is the integration process having the welfare effects forecast? – Price convergence (1)

PPChart1:110:Excel

Prices of account packages vary considerably

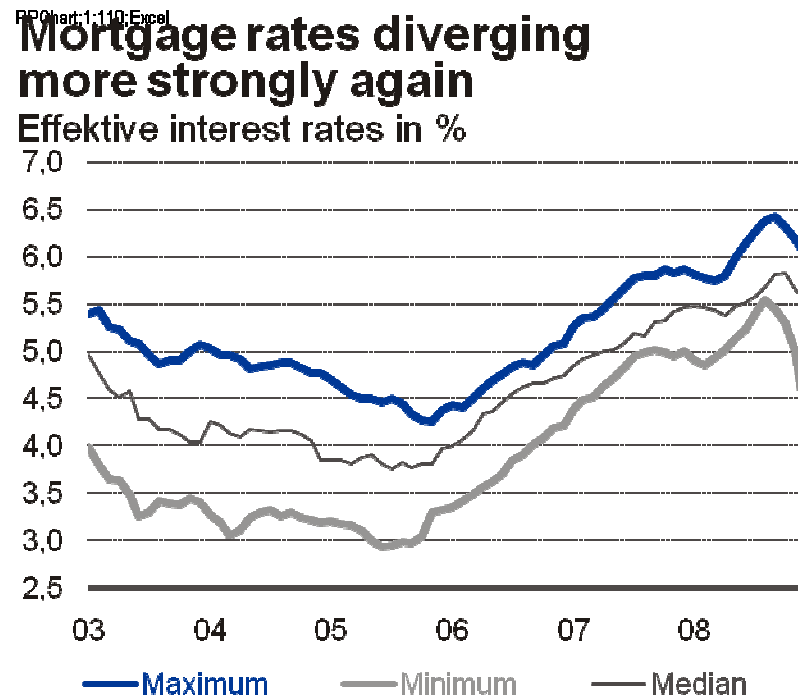
Spread between highest and lowest price p.a. in EUR



Source: European Commission



Is the integration process having the welfare effects forecast? – Price convergence (2)



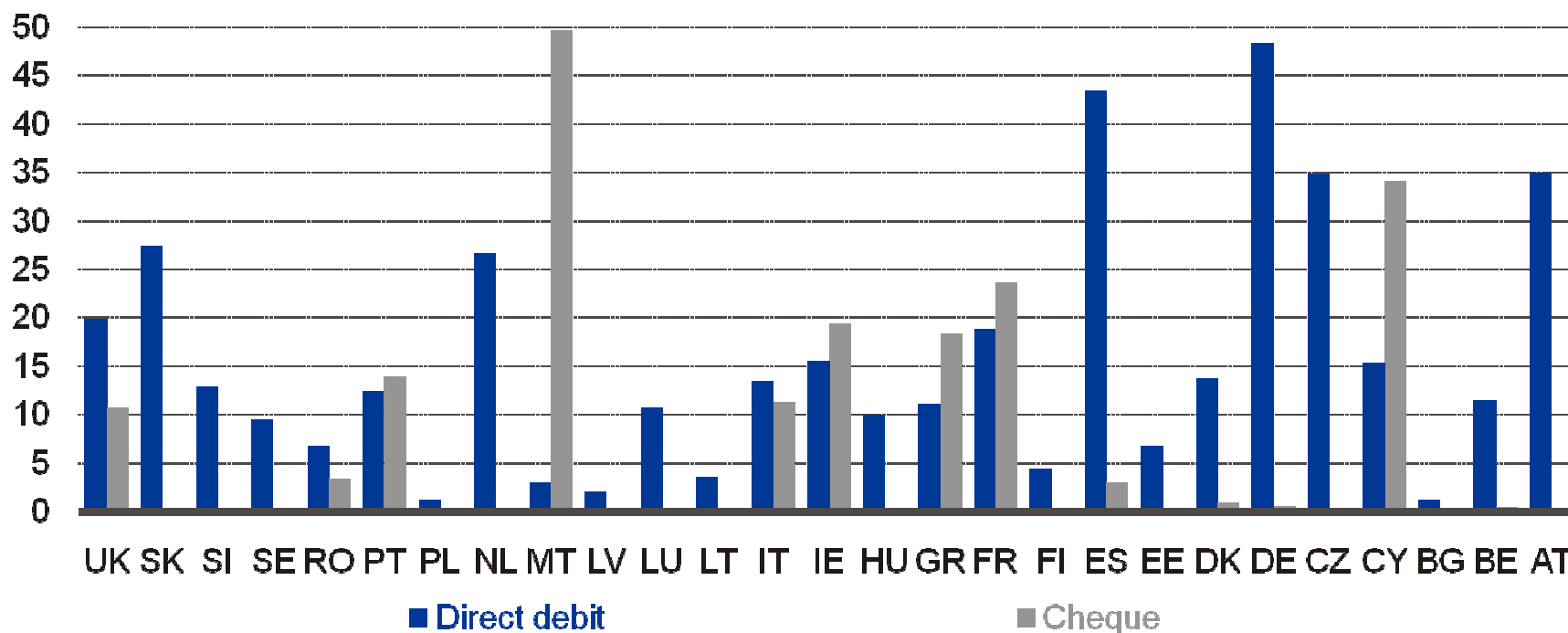
Source: ECB



Is the integration process having the welfare effects forecast? – Convergence of supply

Cheque and direct debit vary in popularity

Percentage of cheques and direct debits in total volume of payments



Source: European Central Bank

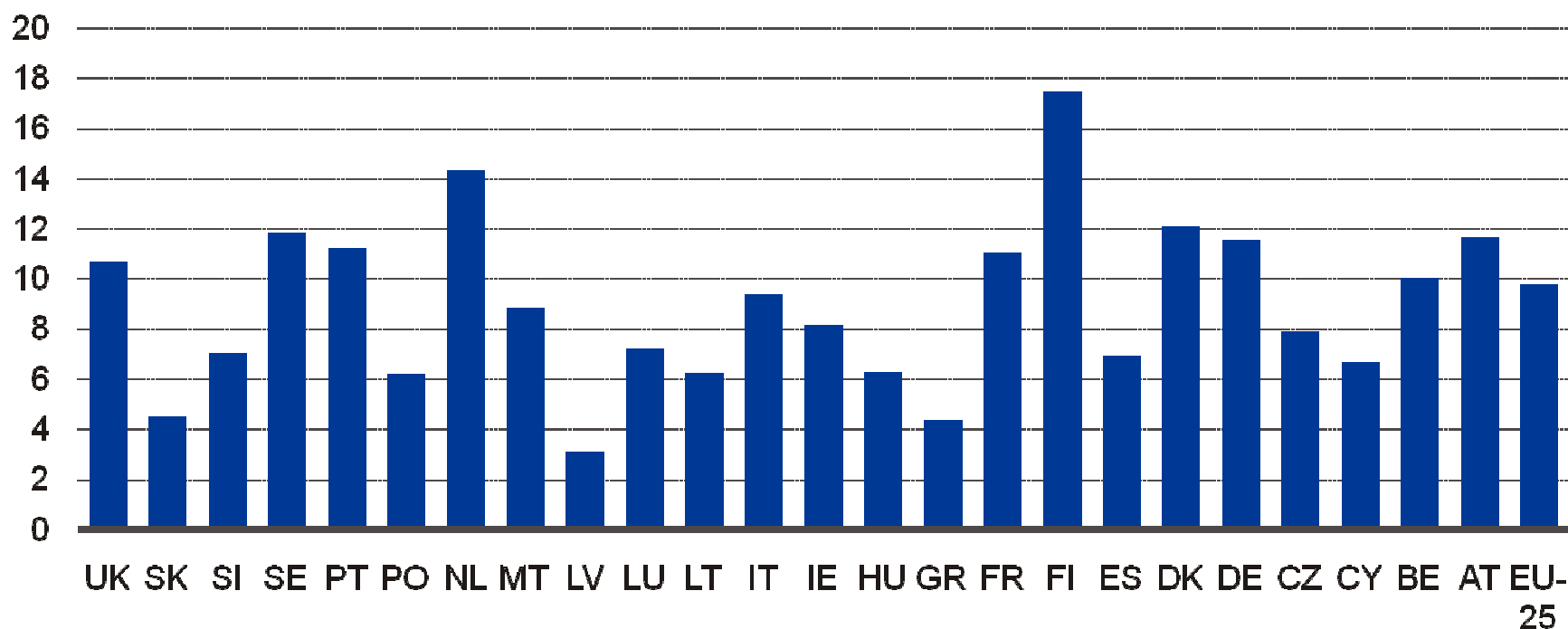


Is the integration process having the welfare effects forecast? – Convergence of service quality

POChart:1-210.Excel

Current account agreements are very long

Average term of contract in years

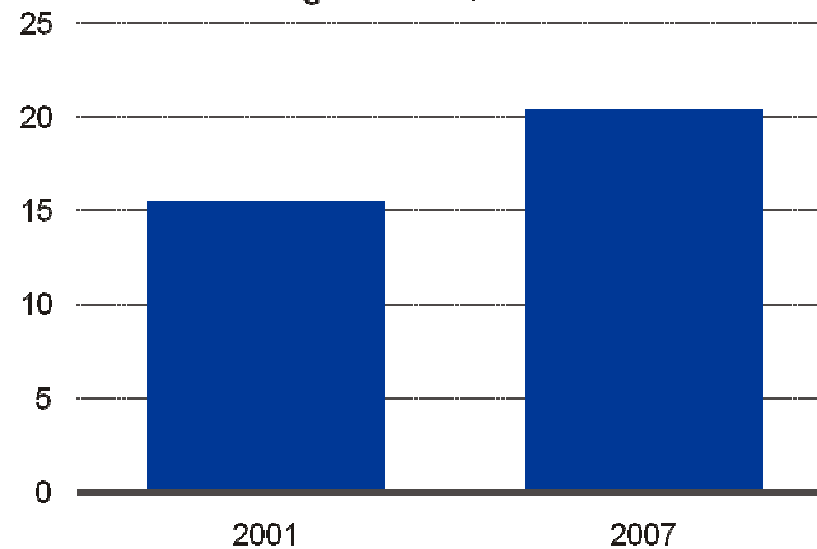


Source: European Commission



Do banks and retail customers see the entire EU as their home market?

PPChart 1.10: Excel
EU banking markets increasingly intermeshed
Market share of banks from other EU countries in national banking markets, in %



Sources: ECB, DB Research





Have the integration barriers been removed?

- Differentiation between “natural“ and “artificial“ barriers
- Differentiation between barriers that prevent banks on the one hand or customers on the other from taking an EU-wide perspective in their transactions
- Avoiding regulatory steps that support banks and hinder consumers (or vice versa)





Wide-ranging view and better data necessary

- Measuring the degree of and progress with retail banking integration requires
 - determining the understanding of integration that is at issue
 - deriving indicators corresponding to the respective understanding
 - checking the calculability of the selected indicator(s)
 - in-depth interpretation of what a given value of the indicator means with respect to the degree of integration

- As this process is surely prone to error, a wide-ranging view is necessary as regards
 - the underlying definition of integration
 - the indicators chosen to measure its degree





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