The ECB’s Enhanced Credit Support

Jean-Claude Trichet

President of the European Central Bank

University of Munich, 13 July 2009
Interbank market spreads

Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points. Source: Bloomberg and ECB’s calculations.
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August 2007: Beginning of the Turmoil

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August 2007: Beginning of the Turmoil
September 2008: Intensification of the Turmoil

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Sources of finance for corporations

Note: Breakdown of the sources of external financing of non-financial corporations, in percent, average 2004 – 2008
Source: ECB Monthly Bulletin, April 2009
Selected monetary policy indicators

<table>
<thead>
<tr>
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<th>Euro Area</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td>Policy rate</td>
<td>1.00</td>
<td>0.00 – 0.25</td>
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<tr>
<td>Interbank rates</td>
<td></td>
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<tr>
<td>- Unsecured rate (12-month)</td>
<td>1.64</td>
<td>1.73</td>
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<tr>
<td>- Unsecured-secured spread</td>
<td>0.70</td>
<td>1.24</td>
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<tr>
<td>Bank rates (long-term)</td>
<td>3.99</td>
<td>3.52</td>
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<td>Credit premium (BBB spread)</td>
<td>2.22</td>
<td>2.59</td>
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Set of primarily bank-based measures to enhance the flow of credit beyond the standard interest rate channel

- Fixed-rate full-allotment
- Expansion of collateral
- Longer-term liquidity provision
- Liquidity provision in foreign currencies
- Financial market support through purchases of covered bonds
Conclusions

– Enhanced credit support is in full continuity of the mission of the ECB that started 10 years ago

– Responses can be bold, but need to keep medium-term orientation to maintain confidence at all levels

– ECB: anchor of stability and confidence in challenging times
Solid anchoring of expectations

Euro area

United States

Note: Data in percent; Last observation 9 July 2009
Source: Reuters, ECB Calculations.

Note: Data in percent; Last observation 16 June 2009
Source: US Federal Reserve.
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