

# Towards a European Banking Union

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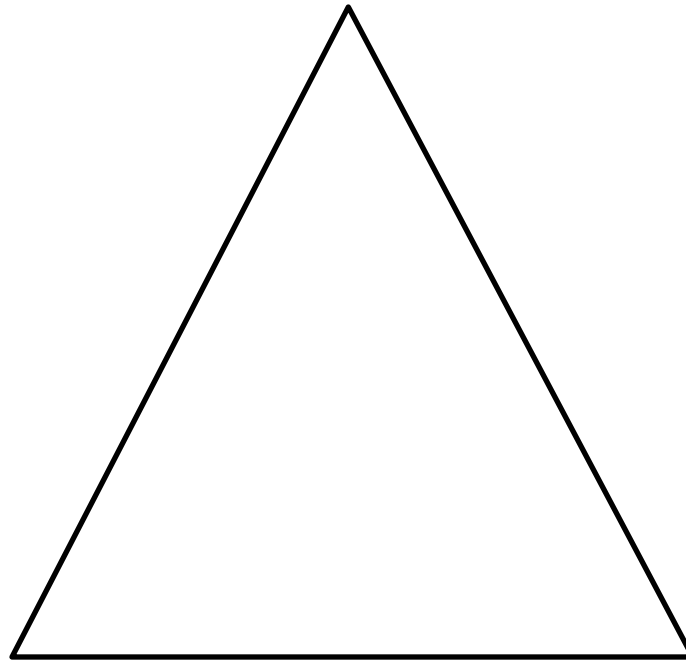
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# I. Financial trilemma

**1. Financial Stability**



**2. Financial Integration**

**3. National Financial Policies**

Source: Schoenmaker, Dirk (2011): “The Financial Trilemma”, in *Economics Letters*, 111

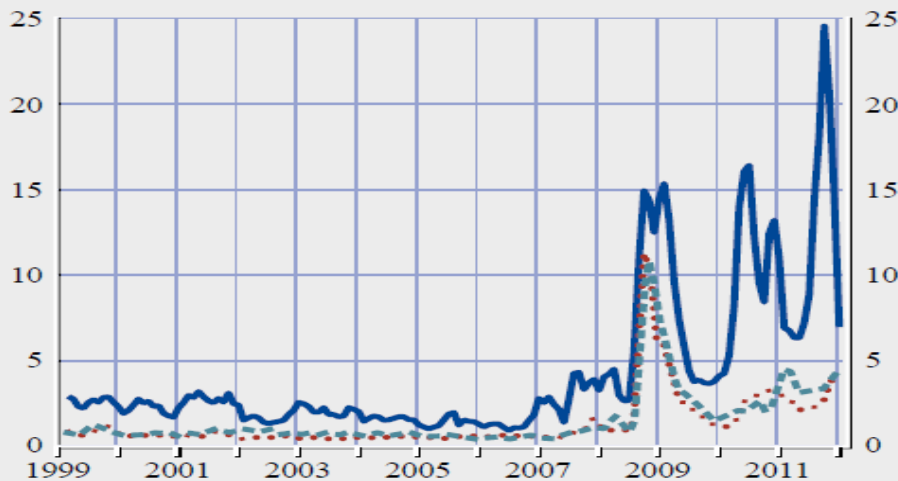
## 2. Money market integration – setback mirrors stress in sovereign debt markets

- In 2011, the cross-sectional standard deviation of unsecured EONIA lending rates across euro area countries has risen sharply. This pattern is linked to the sovereign debt risk.
- Even in aggregate terms the amounts of interbank lending to other non-domestic euro area countries decreased

**Chart 3 Cross-country standard deviation of average unsecured interbank lending rates across euro area countries**

(61-day moving average; basis points)

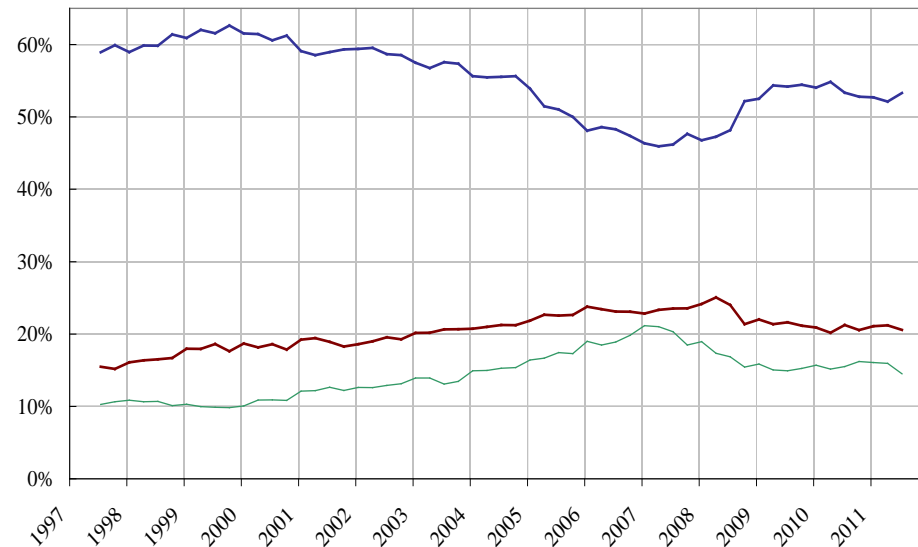
— overnight  
- - - 1-month maturity  
- - - 12-month maturity



Sources: EBF and ECB calculations.

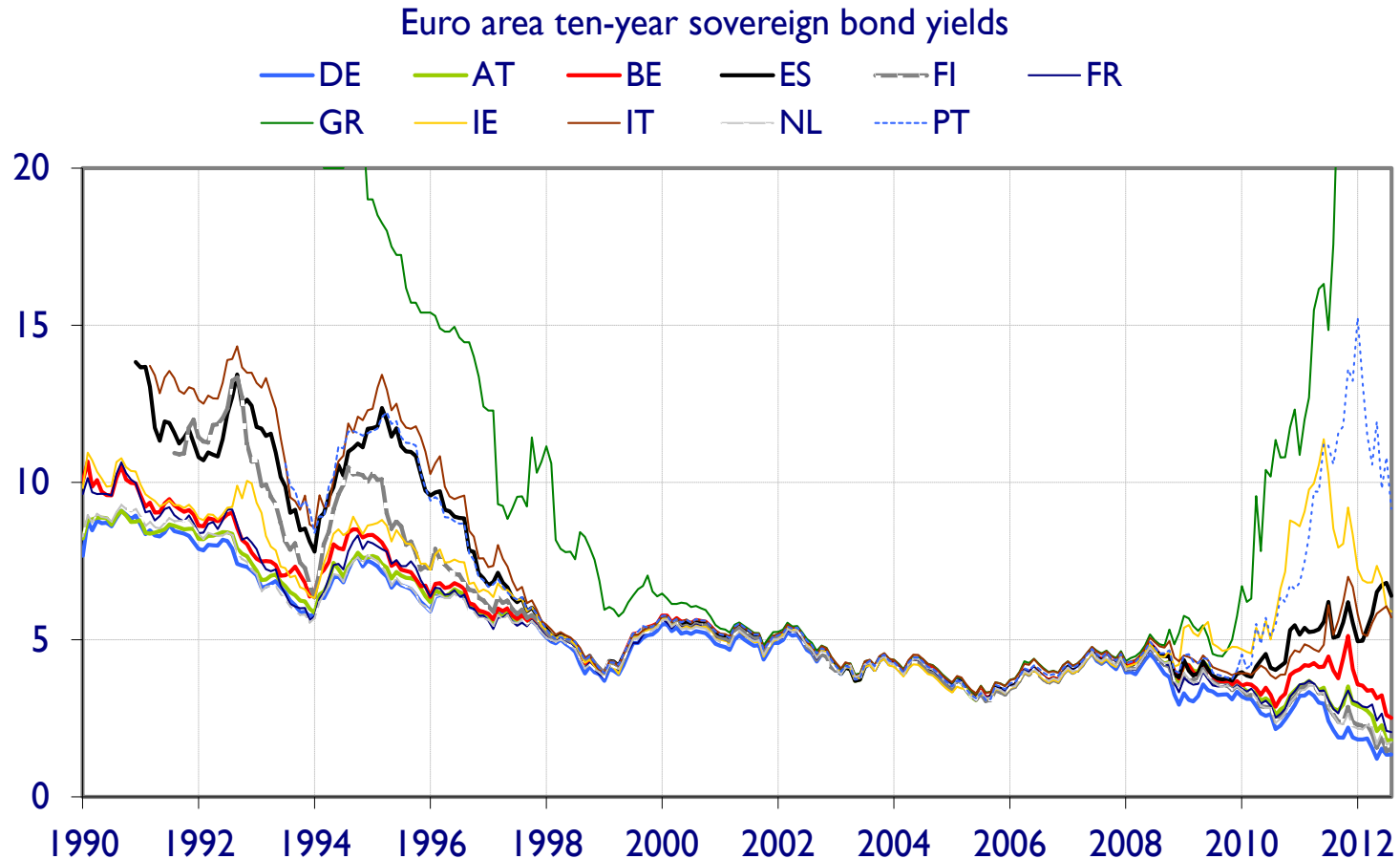
**Interbank loans: share of outstanding amounts by residency (%)**

--- Domestic --- Other euro area --- Other EU



# 3. Convergence of sovereign debt rates

(monthly; percentage points)



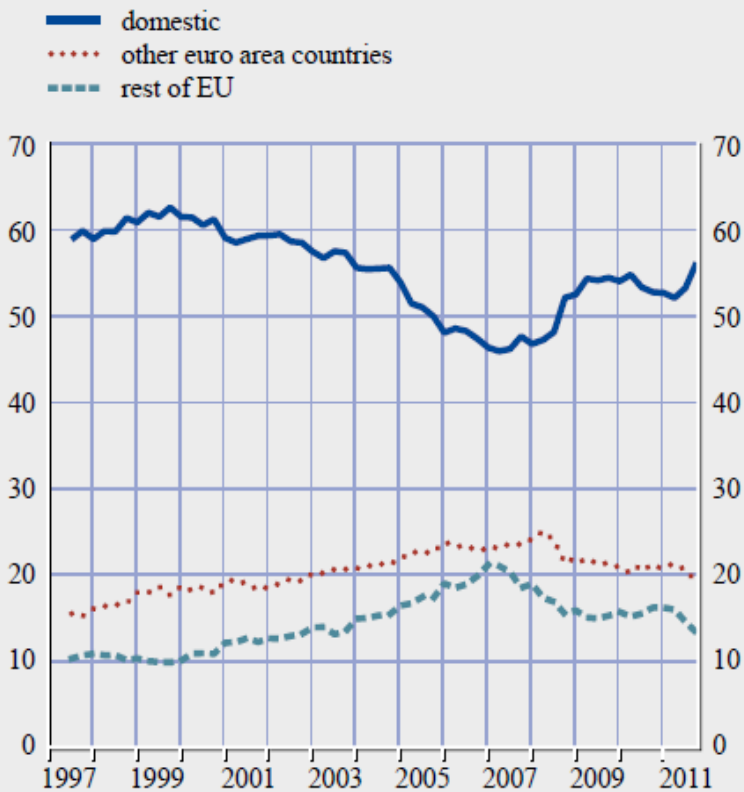
Sources: Thomson Reuters and ECB

Notes: Sovereign yields for Cyprus, Estonia, Luxemburg, Malta, Slovenia and Slovakia are excluded owing to infrequent or lack of observations. Largest value for Greece: 46% (not shown).

# 4. Credit market: cross-border activity

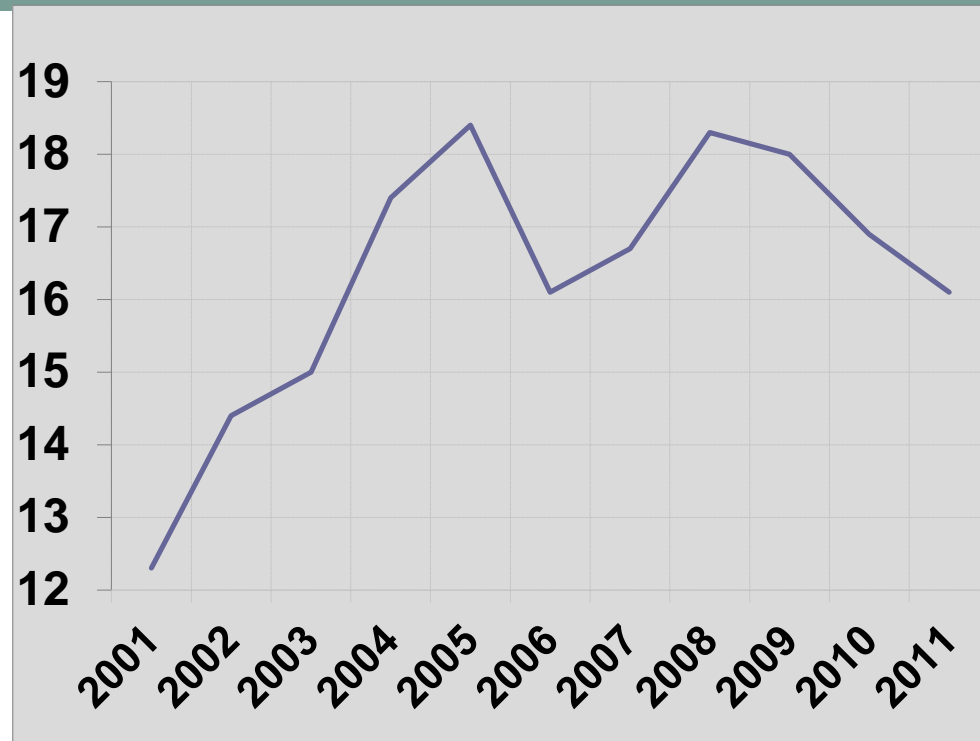
Chart 25 MFI loans to MFIs: outstanding amounts by residency of the counterparty

(share of total lending excluding the Eurosystem; percentages)



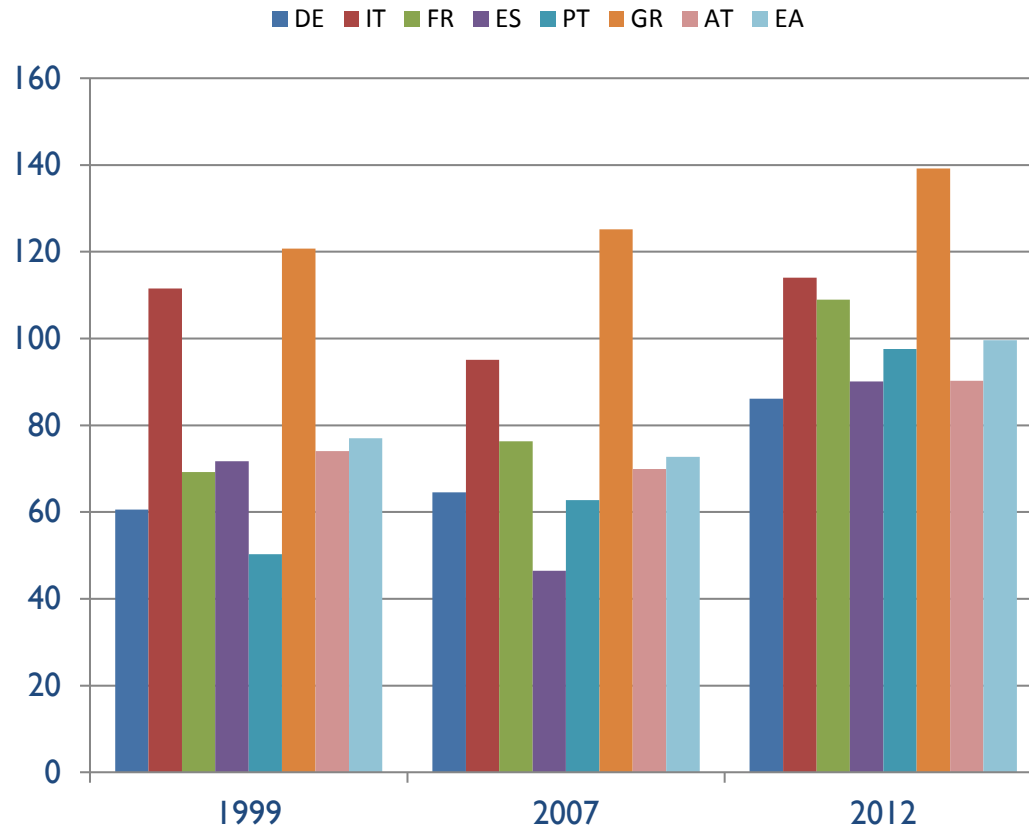
Source: ECB.

Median share of assets of foreign branches in all euro area countries (percentages)



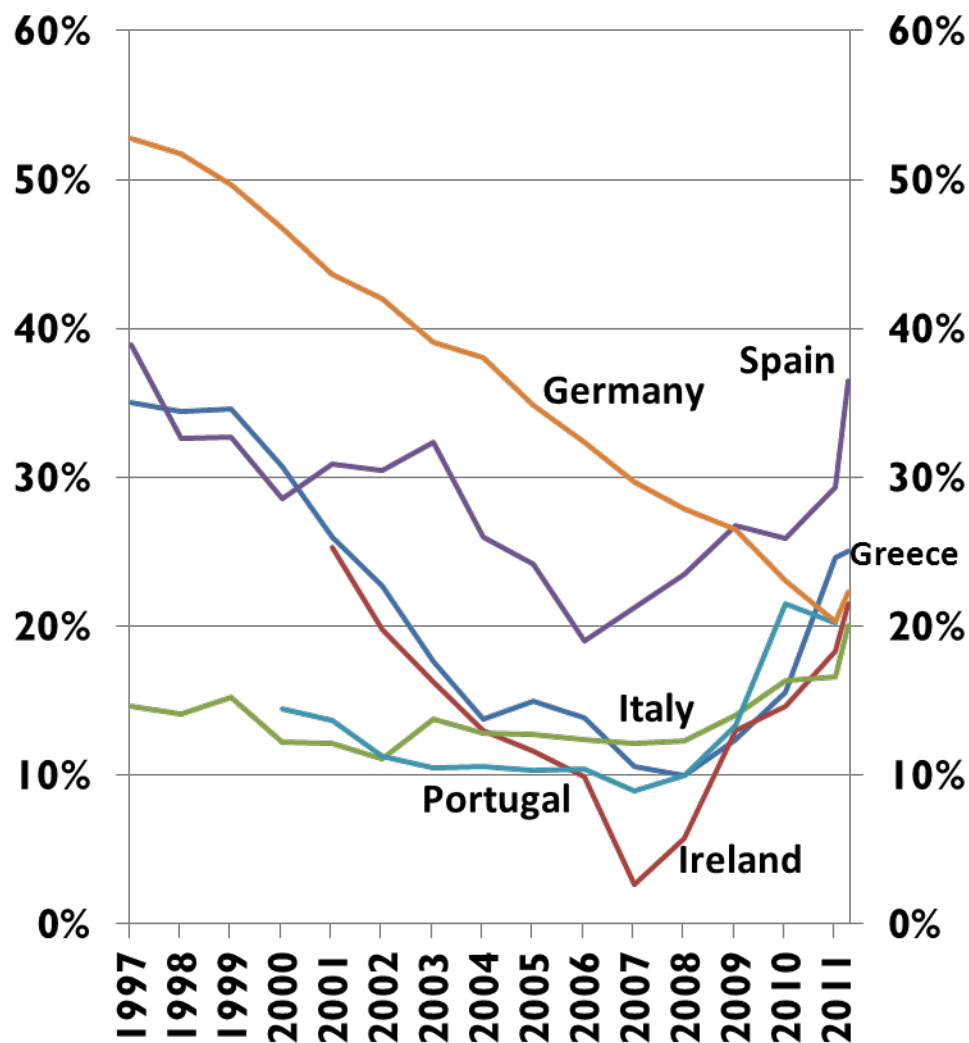
# 5. Public debt levels in the euro area

General Government Debt Outstanding as % of GDP



Source: Haver, Eurostat and NCBs

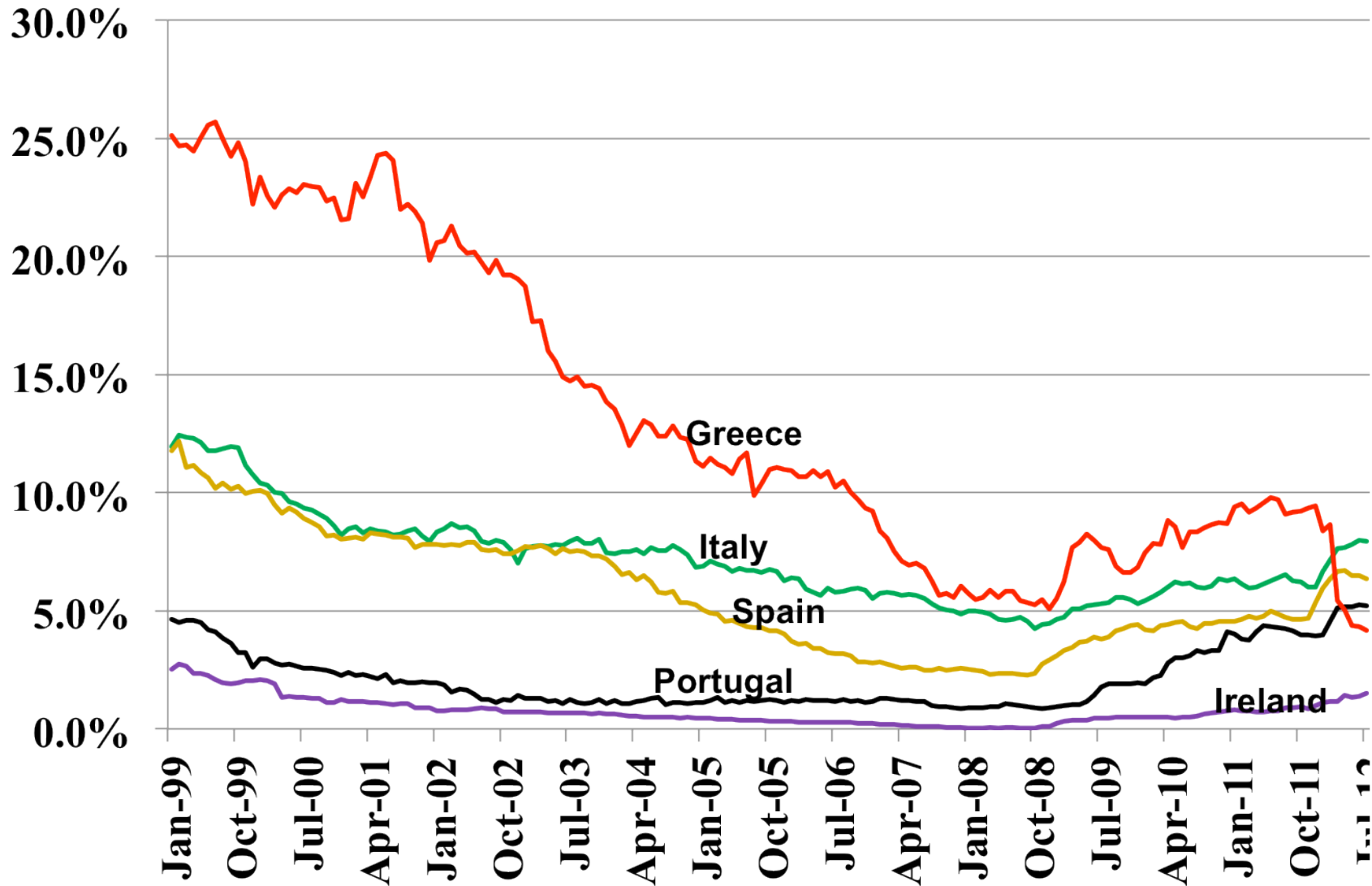
## 6. Domestic sovereign debt held by resident banking sector (% of total)



Date	1999	2007	Q1 2012
Germany	43.7	29.7	22.3
Spain	30.9	21.2	36.5
Greece	26	10.6	25
Ireland	25.3	2.7	21.5
Portugal	13.7	8.9	20.2
Italy	12.1	12.2	20.1

Source: "Bruegel database of sovereign bond holdings developed in Merler and Pisani-Ferry (2012)"

# 7. Public Debt held by domestic banks in % of their Total Assets





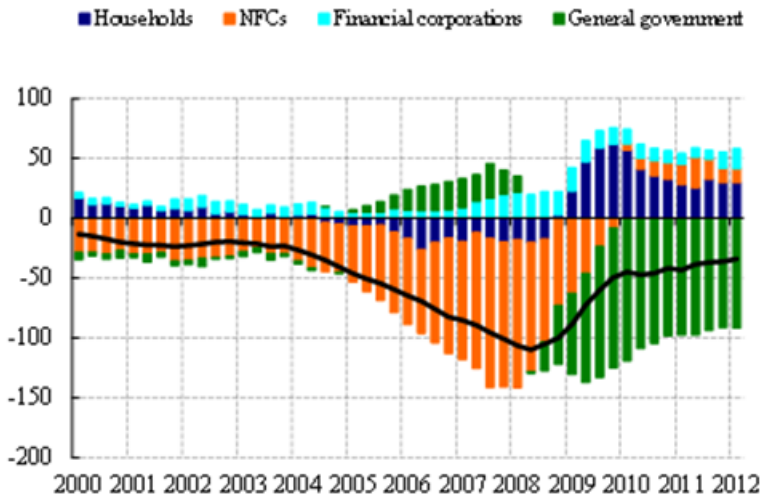
# 8. Public and Private Debt in the Euro Area (% of GDP)

	Public Debt				Private Debt			
	1999	2007		$\Delta$ In %	1999	2007		$\Delta$ In %
Euro Area	77.0	72.7		-5.6%	52.2	66.2		26.8%
Germany	60.6	64.6		6.6%	72.6	62.9		-13.4%
Greece	120.8	125.2		3.6%	16.0	50.8		217.5%
Italy	111.6	95.1		-14.8%	26.0	44.5		71.2%
Spain	71.7	46.4		-35.3%	49.6	86.9		75.2%
Portugal	50.3	62.7		24.7%	65.8	98.0		48.9%
Ireland	29.6	26.6		-10.1%	52.1	104.7		101.0%

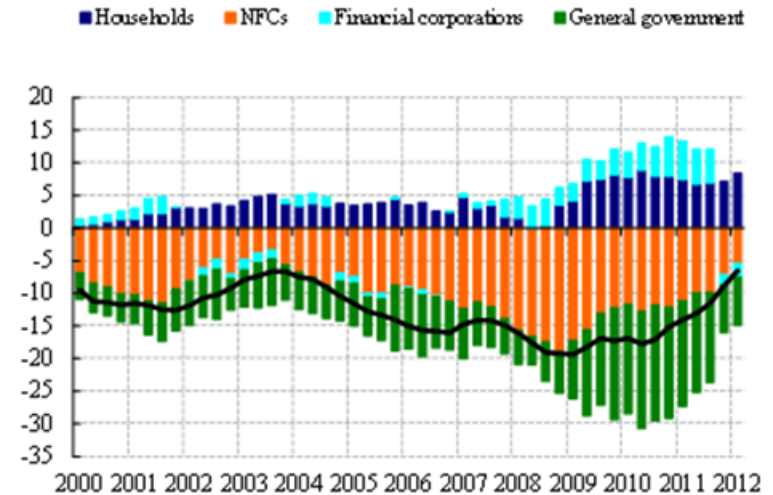
# FINANCIAL BALANCES BY SECTOR:

## external, government, households, non-financial firms and the financial sector

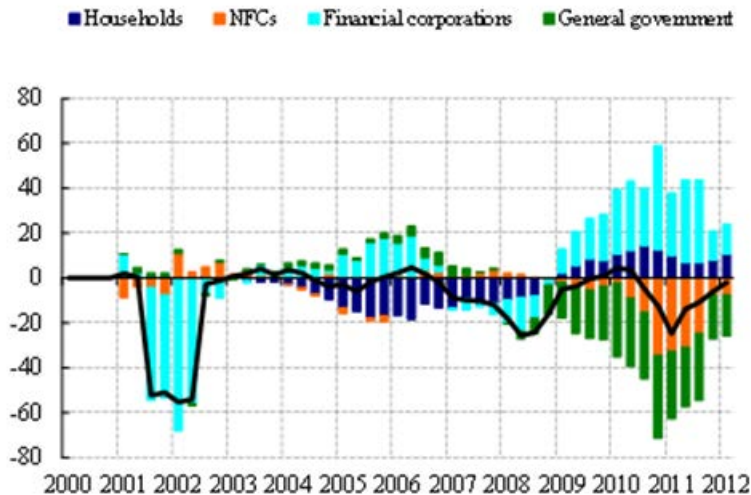
### SPAIN



### PORTUGAL



### IRELAND



### GREECE

