



EUROPEAN CENTRAL BANK

EUROSYSTEM

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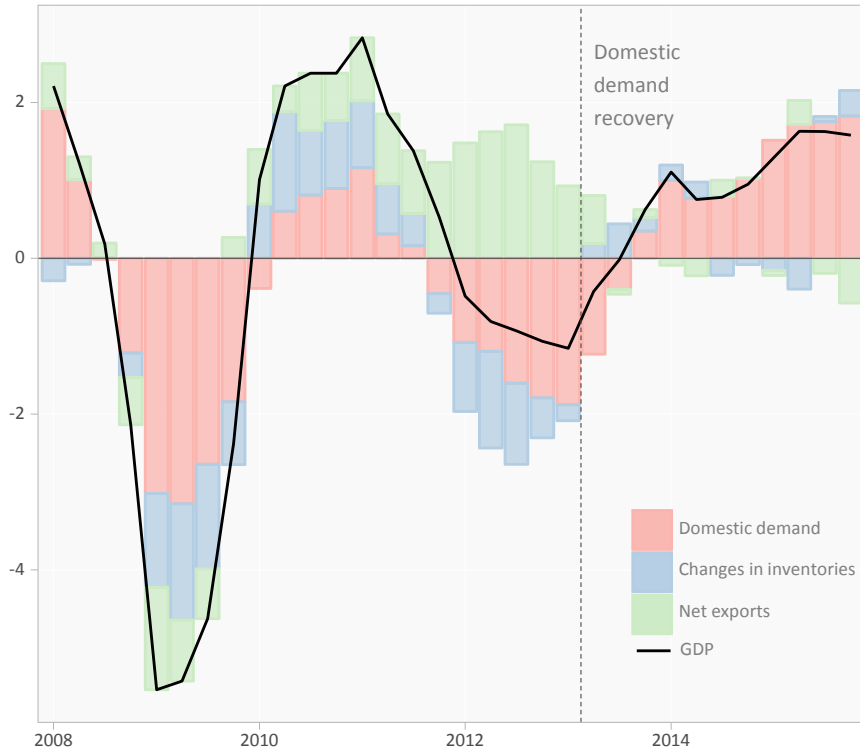
Remarks at the Banco de España conference in tribute to Jose Luis Malo de Molina

Madrid, 25 April 2016

Domestic demand-led recovery

Euro area real GDP growth

y-o-y % growth; pp contributions



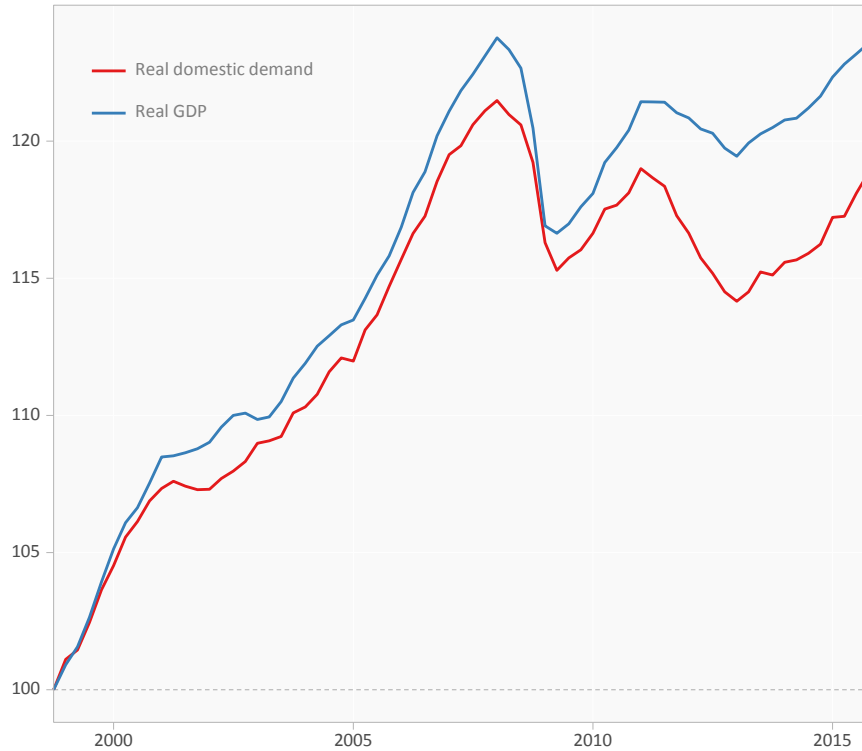
Source: EAA, ECB calculations
Latest observation: 2015Q4

- Ongoing euro area recovery driven predominantly by domestic demand

Domestic demand levels subdued

Euro area GDP and domestic demand

Index: 1998Q4 = 100



Source: EAA
Latest observation: 2015Q4

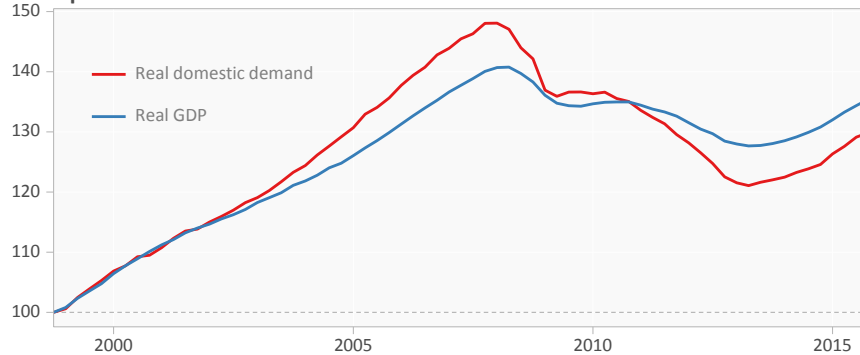
- Real domestic demand has lagged real GDP significantly during the crisis
- Large intra-euro area imbalances

Asymmetries in adjustment dynamics

GDP and domestic demand

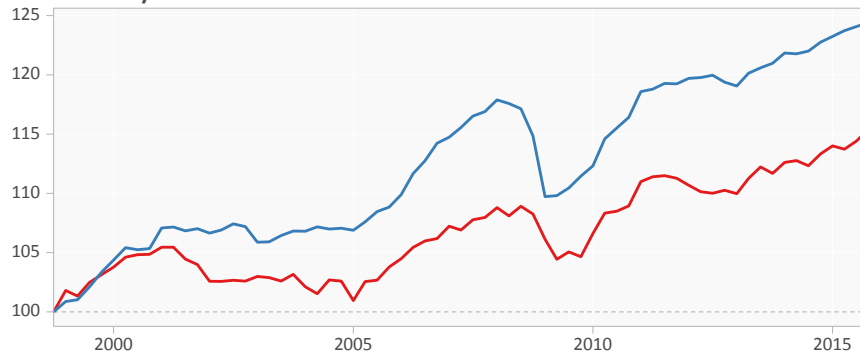
Index: 1998Q4 = 100

Spain



- Large downward adjustment in domestic demand in crisis-hit countries e.g. Spain
- Subdued domestic demand in other countries e.g. Germany

Germany

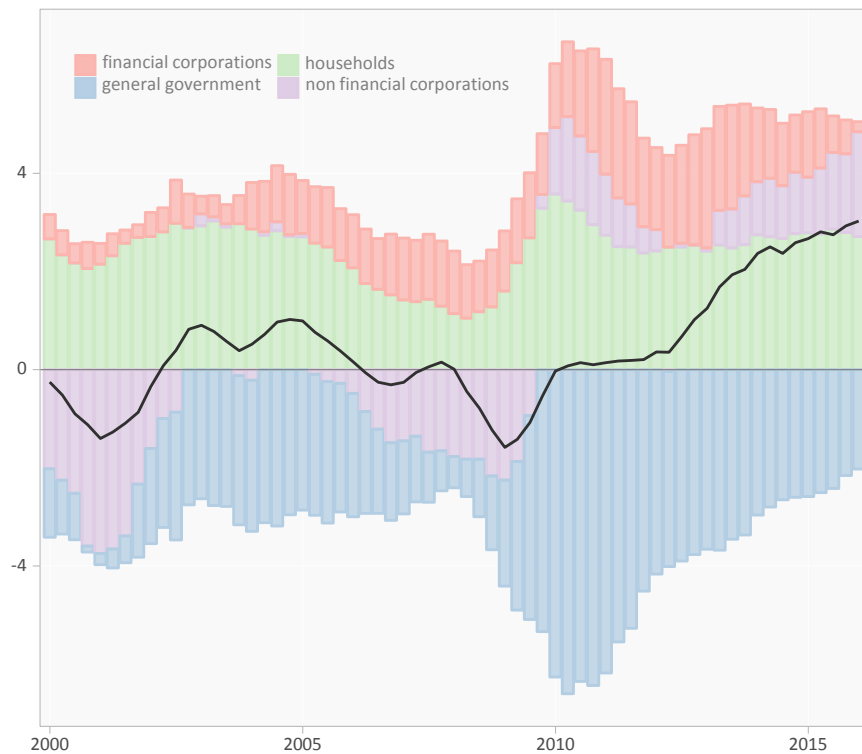


Source: EAA

Latest observation: 2015Q4

Euro area net lending/borrowing

% of GDP over last four quarters



Source: EAA

Latest observation: 2015Q4

Note: Black line shows the balance of lending.

- **Structural weakness in domestic demand reflected in euro area current account surplus**
- **Net lending position on rising path since early 2012**
- **Since mid-2014 surplus also explained by the drop in oil prices, lowering import prices**
- **NFC net lending position over 2%**

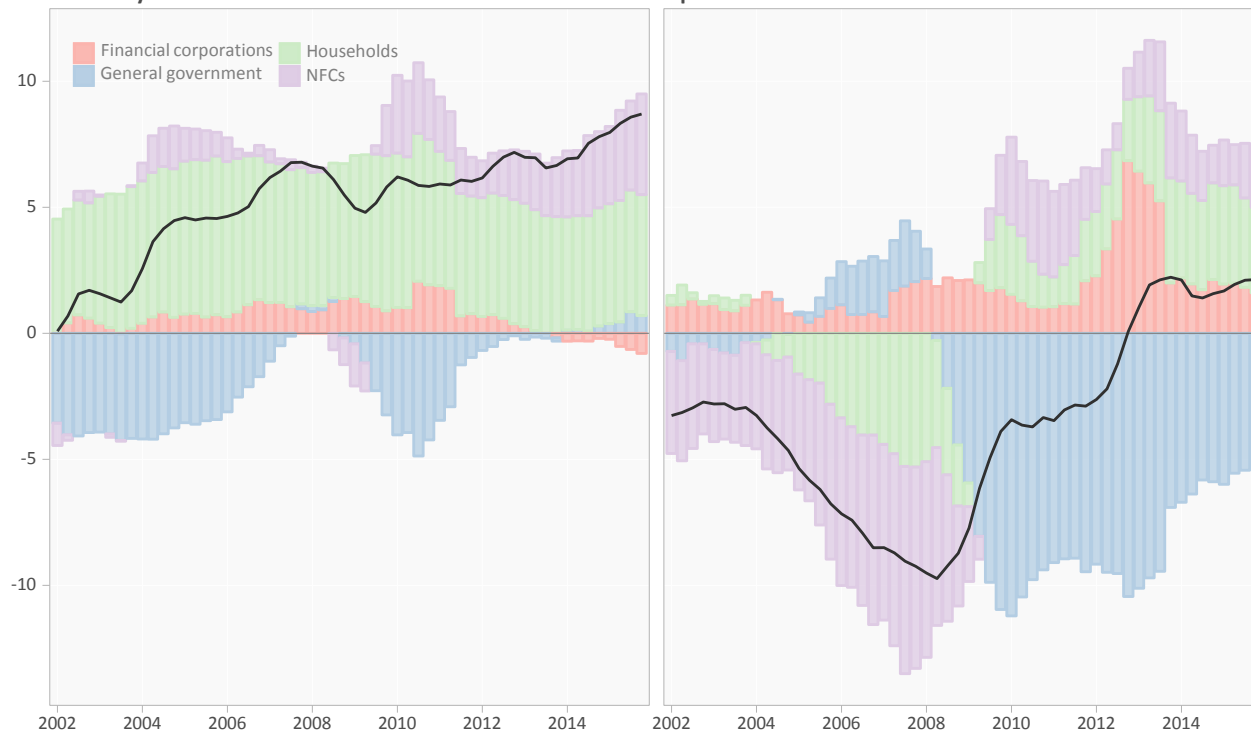
Cross-country differences in net lending position

Net lending/borrowing

% of GDP over last four quarters

Germany

Spain



Source: EAA

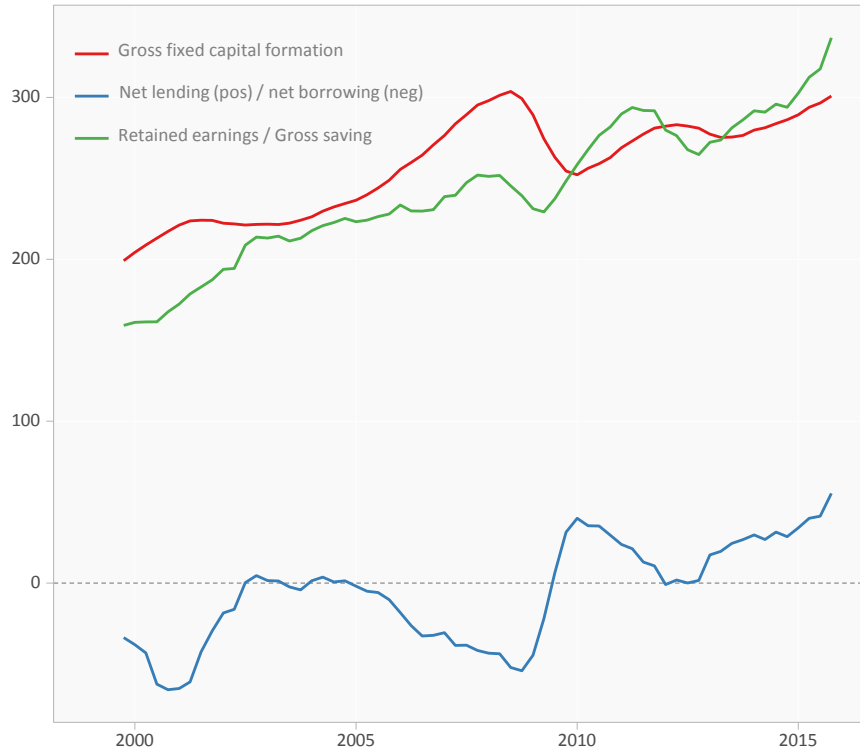
Latest observation: 2015Q4

Note: Black line shows the balance of lending.

- **Current account surplus close to 9% in Germany**
- **Current account surplus close to 2% in Spain**

NFC investment, savings, and net lending/borrowing

Quarterly flow in EUR bn, 4q moving average

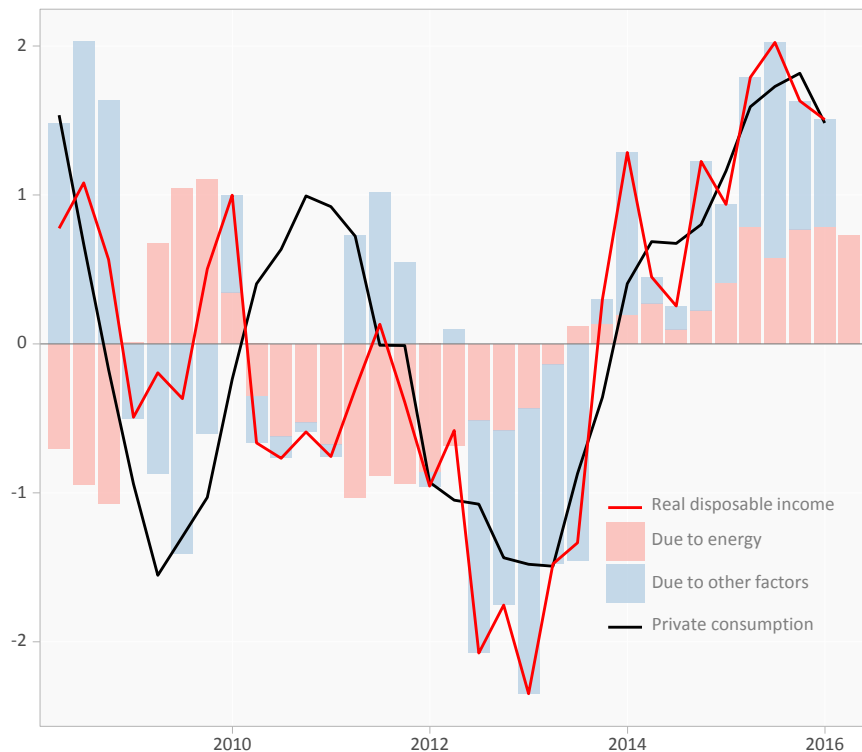


Source: EAA
Latest observation: 2015Q4

- Cyclical improvement in NFC gross operating surplus and retained earnings/gross saving
- Lagging recovery in NFC investment supported by rising capacity utilisation

Real income and private consumption

y-o-y % change, pp. contributions



Source: EAA, Eurostat, ECB calculations
Latest observation: 2015Q4 (2016Q1 for energy)

- Recovery in labour market and lower oil prices support disposable income
- Real disposable income and private consumption have moved in tandem
- Stable saving rate suggests consumers spending oil price windfall without delay
- Gradual pick-up in residential investment