



EUROPEAN CENTRAL BANK

EUROSYSTEM

The future of the euro

Representation of the State
of Hessen

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Outline

- Lessons from the first two decades of the euro
- EMU architecture: further steps
- Challenges facing the ECB
- (Challenges facing other policymakers)
- The future of money (globally)

The first 20 years of the euro: structural and external factors

- Rise of emerging economies
- Transition in central and eastern Europe
- Technological innovation
- Globalisation
- Launch of the euro
- US dollar; oil

Phase I: 1999-2007

- Divergence within euro area
- 2003-2007: global “risk-on” environment
- Excesses: credit; external imbalances; real estate
- Policies: supervision; regulation; fiscal
- Hope: soft landing

Phase II: 2007-2013

- Global financial crisis (2007-2010)
- European sovereign debt crisis (2010-2013)
- Severe macro-financial shock
- Official funding programmes
- Institutional reforms: European Stability Mechanism; ECB Outright Monetary Transactions; Single Supervisory Mechanism; Single Resolution Board; ...
- Macroprudential framework
- Fiscal framework

Phase III: 2014 onwards

- Ongoing legacy challenges: recapitalisation; non-performing loans; restructuring; fiscal adjustment
- ECB: unconventional measures
- Sustained economic recovery
- Net employment expansion: more 11 million
- Unemployment: 12 to 7.4 percent
- Inflation: persistently too low

EMU architecture

- Banking union
- Capital markets union
- Fiscal framework
- International role of the euro

Challenges facing the ECB

- Structural influences on savings and investment dynamics: demographics; productivity; safety premium
- Globalisation; services/manufacturing; technology; climate change
- Inflation: persistence; expectations
- Price stability: over the medium term
- Financial stability; employment; environmental sustainability
- Instruments: conventional; unconventional
- Communication challenges
- ECB: strategy review