

PROGRESS OF EUROPEAN INTEGRATION

EUROPEAN INTEGRATION



ENLARGEMENT OF THE EUROPEAN UNION

EUROPEAN INTEGRATION



PREPARATION OF ECONOMIC AND MONETARY UNION (EMU)

EUROPEAN INTEGRATION



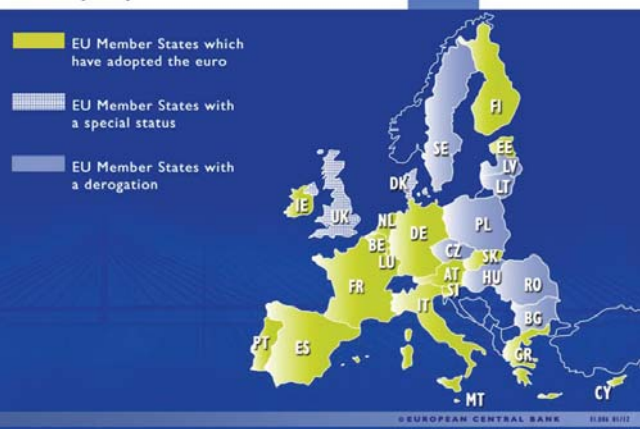
CONVERGENCE CRITERIA

EUROPEAN INTEGRATION



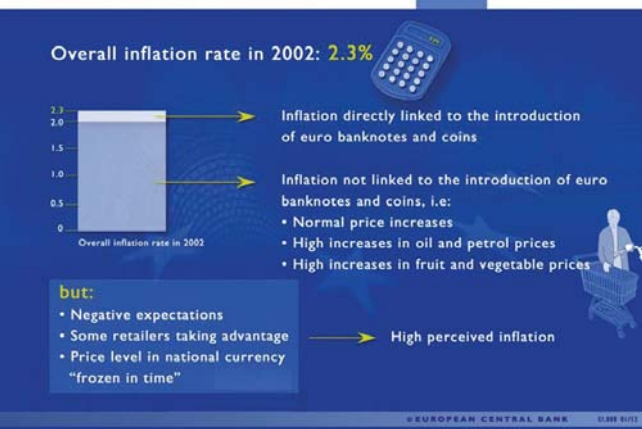
ECONOMIC AND MONETARY UNION (EMU)

EUROPEAN INTEGRATION



INTRODUCTION OF EURO BANKNOTES AND COINS: EFFECTS ON PRICES

EUROPEAN INTEGRATION



FINANCIAL INTEGRATION OF THE EURO AREA

EUROPEAN INTEGRATION



KEY CHARACTERISTICS OF THE EURO AREA

EUROPEAN INTEGRATION

	€-17	EU-27	USA	Japan
Population (millions)	332	503	312	129
GDP (PPP, € trillions)	9.4	13.2	12.1	3.5
GDP per capita (PPP, € thousands)	28.3	26.2	38.7	27.3
Share of world GDP (PPP, %)	14.2	20.1	19.1	5.6
Exports (goods and services, % of GDP)	24.7	16.9	13.9	15.9
Gross fixed capital formation (% of GDP)	19.3	18.6	15.6	20.7
Gross saving (% of GDP)	19.8	19.0	12.9	22.9*

* refers to 2010
Sources: for euro area and EU: ECA, Eurostat, national data, IMF and ECB calculations; for the United States and Japan: national sources, IMF.

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THE EUROPEAN SYSTEM OF CENTRAL BANKS (ESCB)

ORGANISATION



THE EUROSISTEM



- 1 Nationale Bank van België/ Banque Nationale de Belgique
- 2 Deutsche Bundesbank
- 3 Eesti Pank
- 4 Central Bank of Ireland
- 5 Bank of Greece
- 6 Banco de España
- 7 Banque de France
- 8 Banca d'Italia
- 9 Central Bank of Cyprus
- 10 Banque centrale du Luxembourg
- 11 Bank Ċentrali ta' Malta/ Central Bank of Malta
- 12 De Nederlandsche Bank
- 13 Oesterreichische Nationalbank
- 14 Banco de Portugal
- 15 Banka Slovenije
- 16 Národná banka Slovenska
- 17 Suomen Pankki – Finlands Bank



THE NCBs AS AN INTEGRAL PART OF THE EUROSISTEM



Article 282 of the Treaty on the Functioning of the European Union: "The European Central Bank, together with the national central banks of the Member States whose currency is the euro, which constitute the Eurosystem, shall conduct the monetary policy of the Union."



KEY FOR SUBSCRIPTION OF THE ECB'S CAPITAL



Euro area national central banks (NCBs)		Non-euro area NCBs	
Nationale Bank van België/ Banque Nationale de Belgique	2.4256 %	1.7504 %	Banco de Portugal
Deutsche Bundesbank	18.9373 %	0.3288 %	Banka Slovenije
Eesti Pank	0.1790 %	0.6934 %	Národná banka Slovenska
Bank of Greece	1.9649 %	1.2539 %	Suomen Pankki – Finlands Bank
Central Bank of Ireland	1.1107 %		
Banco de España	8.3040 %		
Banque de France	14.2212 %		
Banca d'Italia	12.4966 %		
Central Bank of Cyprus	0.1369 %		
Banque centrale du Luxembourg	0.1747 %		
Bank Ċentrali ta' Malta/ Central Bank of Malta	0.0632 %		
De Nederlandsche Bank	3.9882 %		
Oesterreichische Nationalbank	1.9417 %		

INDEPENDENCE



Article 130 of the Treaty on the Functioning of the European Union: "When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB,..."



shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body."

DIVISION OF LABOUR IN THE EUROSISTEM



Eurosystem Mission Statement: "We jointly contribute, strategically and operationally, to attaining our common goals, with due respect to the principle of decentralisation."



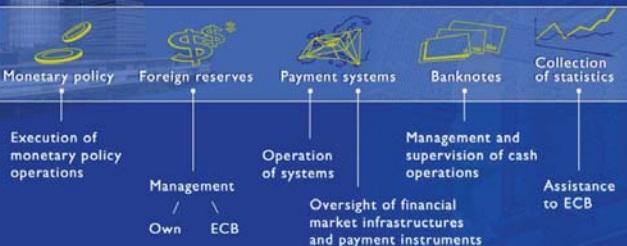
TASKS OF THE ECB (1/2)



TASKS OF THE NCBs



Article 12.1 ESCB Statute: "To the extent deemed possible and appropriate...the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the ESCB [Eurosystem]."



PRICE STABILITY – OBJECTIVE OF THE EUROSISTEM



Article 127 of the Treaty on the Functioning of the European Union:

"1. The primary objective of the ESCB [Eurosystem] shall be to maintain price stability."

Without prejudice to the objective of price stability, the ESCB [Eurosystem] shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union."



PRICE STABILITY – DEFINITION



Governing Council in October 1998:

"Price stability shall be defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term."

The Governing Council aims to maintain inflation rates at levels below, but close to, 2% over the medium term."



BENEFITS OF PRICE STABILITY



THE ECB'S MONETARY POLICY STRATEGY



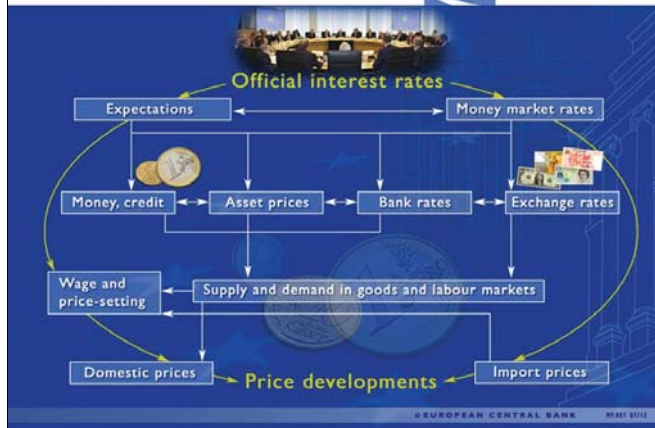
MONETARY POLICY STRATEGY – ECONOMIC ANALYSIS



MONETARY POLICY STRATEGY – MONETARY ANALYSIS

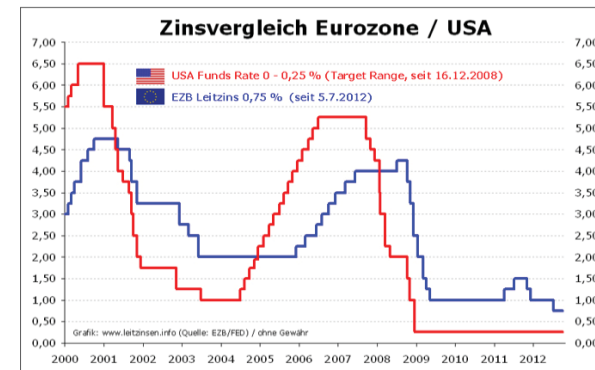


TRANSMISSION MECHANISM – HOW INTEREST RATES AFFECT PRICES



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THE MONETARY POLICY INSTRUMENTS



NON-STANDARD MONETARY POLICY MEASURES



SECURITIES MARKETS PROGRAMME (SMP)





Aug. 2007 The ECB starts providing extra liquidity as well as liquidity in dollars

In response to liquidity shortages worldwide, the ECB decides to provide extra liquidity on an ad hoc basis. To address the shortage of dollar liquidity for euro area banks, the ECB also starts to provide liquidity in dollars on the basis of a swap agreement with the Federal Reserve System (as of Dec 2007).

Oct. 2008 ECB decides on extraordinary liquidity measures

The ECB decides to carry out weekly refinancing operations with a fixed-rate tender procedure with full allotment, i.e. the interest rate is set in advance and the ECB provides as much liquidity as the banks request, provided they offer collateral of sufficient quality.



June 2009 ECB announces purchase programme for covered bonds

To help revive a market segment that is very important for the refinancing of banks, the ECB's Governing Council decides to start a programme of covered bonds purchases.

May 2010 ECB introduces Securities Markets Programme

The ECB's Governing Council decides on several measures to address the malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism.



Dec. 2011 ECB announces measures to support bank lending and money market activity

The ECB's Governing Council decides to conduct two longer-term refinancing operations with a maturity of 36 months. It also decides to reduce the reserve ratio to 1% starting on 18 January 2012.

Aug./Sep. 2012 ECB announces Outright Monetary Transactions

The ECB's Governing Council decides to terminate the SMP and announces the possibility of Outright Monetary Transactions in secondary sovereign bond markets, aimed at safeguarding an appropriate monetary policy transmission and the singleness of the monetary policy.