
ECB CHIEF OUTLINES THREE RISKS STILL FACING EUROZONE RECOVERY

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The profitability of European banks, weak inflation and the recovery's dependence on accommodating monetary policy are the three immediate risks facing the Eurozone, Mario Draghi has said. EurActiv's partner Milano Finanza reports.

European Central Bank President Mario Draghi gave a speech on Friday (18 November), less than a month before an ECB board meeting on 8 December that will decide whether to continue the bank's quantitative easing programme, which allows bond purchasing worth some billion a month up to March 2017.

The scheme is intended to bring inflation closer to its target of 2% of the Eurozone's GDP, compared with just 0.5% recorded last month.

European bank activity has improved, while non-performing loans and deteriorated credit have fallen, albeit modestly, even if they remain high in certain other countries, Draghi explained at the ECB's headquarters in Frankfurt.

BUSINESS AS USUAL FOR DRAGHI AND THE ECB

The European Central Bank (ECB) is to stick with its policy of record-low interest rates and bond purchasing scheme, as head of the bank Mario Draghi continues to try and reach the bank's inflation targets. EurActiv Germany reports.

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The bank president said that the problem today is more linked to the profitability of accounts rather than their robustness, since capital is heading towards 50% and the rest is in collateral.

On the general health of the Eurozone, Draghi said that we have every reason to be more confident in the strength of the recovery than we were a year ago, but we cannot be optimistic about the economic outlook.

He then pointed out that in addition to geopolitical risks that still prevail, there are three factors that require us to be cautious: the profitability of the Eurozone's banks, the relative weakness of inflationary dynamics and the dependence of the recovery on accommodating monetary policy.

Draghi insisted that we need a strong banking sector to support the economic recovery. However, if there is one lesson to learn from the past decade, it is that the sector needs to be well regulated

in order for it to be properly robust.

EUROPEAN PARLIAMENT TO SIDE WITH BANKS AND REJECT NEW BASEL BANKING RULES

The European Parliament is expected on Thursday (10 November) to announce that it does not intend to accept new international standards that would require banks to have greater capital reserves. EurActiv's partner Milano Finanza reports.

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The Italian banker explained that there is a consensus that one of the main causes of the global financial crisis was excessive deregulation of the financial sector over the last two decades. That is why the re-regulation of the sector is part of the recovery agenda and more progress must be made to readdress the mistakes made before the crisis happened.

Although the current trend is encouraging for the Eurozone's economy, continued the ECB chief, the recovery relies strongly dependent on a set of financial conditions that, in turn, depend on the continuation of monetary support.

In that sense, the Frankfurt bank will continue to act using all available instruments within its mandate, in order to meet or get as close as possible to its 2% inflation target.

Kaynak/Source: