



Monetary and economic policies on both sides of the Atlantic

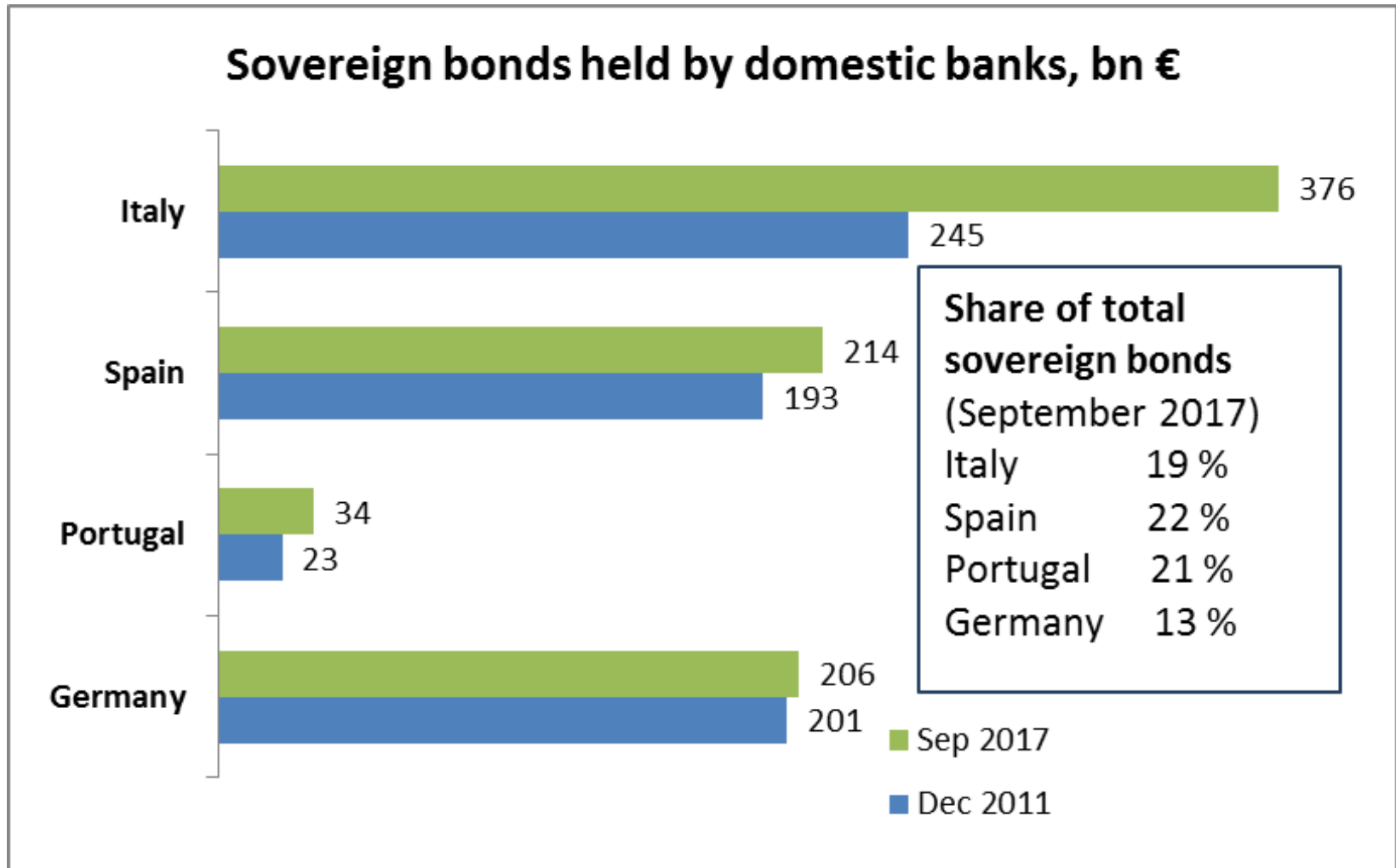
**Financial stability and regulation on both sides of
the Atlantic**

Ludger Schuknecht

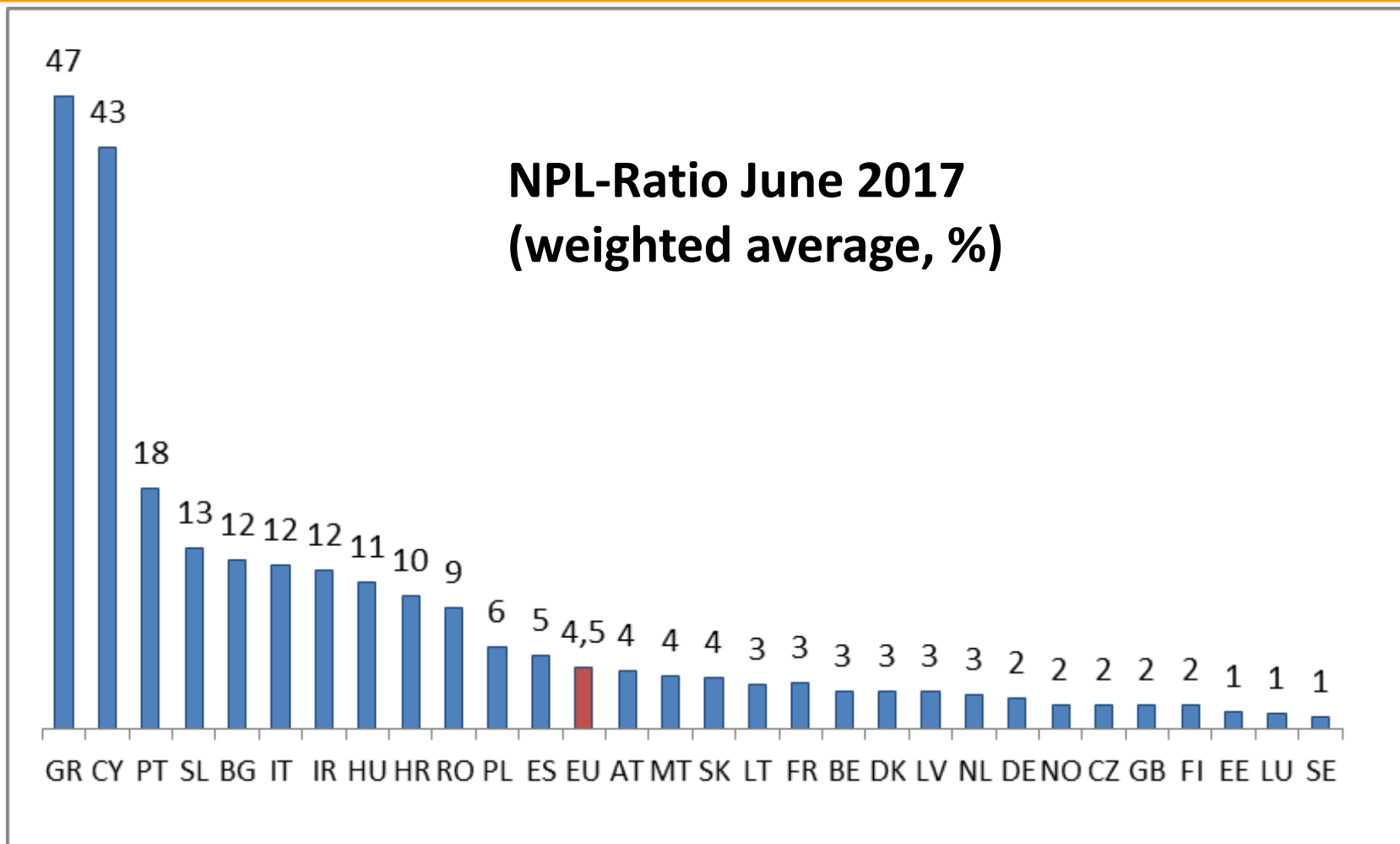
Challenges to preserve financial stability

- **Financial dominance**
- **Fiscal dominance**

Contingent liabilities in financial sector: too much sovereign risk



Contingent liabilities in financial sector: non performing loans



Risks in banking and market-based finance

- **European risk reduction agenda**
- **Further forbearance incentives**
- **Market-based finance: snap-back risks**
- **G20 recommendations for asset managers and CCPs**

Fiscal balances often not in “safe” territory

General government net lending/borrowing as a percentage of GDP					
	1999	2007	2009	2017	2019
Euro area	-1,5	-0,6	-6,3	-1,1	-0,8
Germany	-1,7	0,2	-3,2	0,9	1,1
Spain	-1,3	1,9	-11,0	-3,1	-1,7
France	-1,6	-2,5	-7,2	-2,9	-3
Italy	-1,8	-1,5	-5,3	-2,1	-2
United Kingdom	0,7	-2,6	-10,1	-2,1	-1,5
United States	0	-3,5	-12,7	-5,0	-5,1
Japan	-6,9	-2,8	-9,8	-4,3	-3,1
G7 (USA, J, D, F, I, UK, CAN)	/	-2,2	-9,8	-3,4	-2,8

Debt ratios much higher than before crisis, risk of being unsustainable

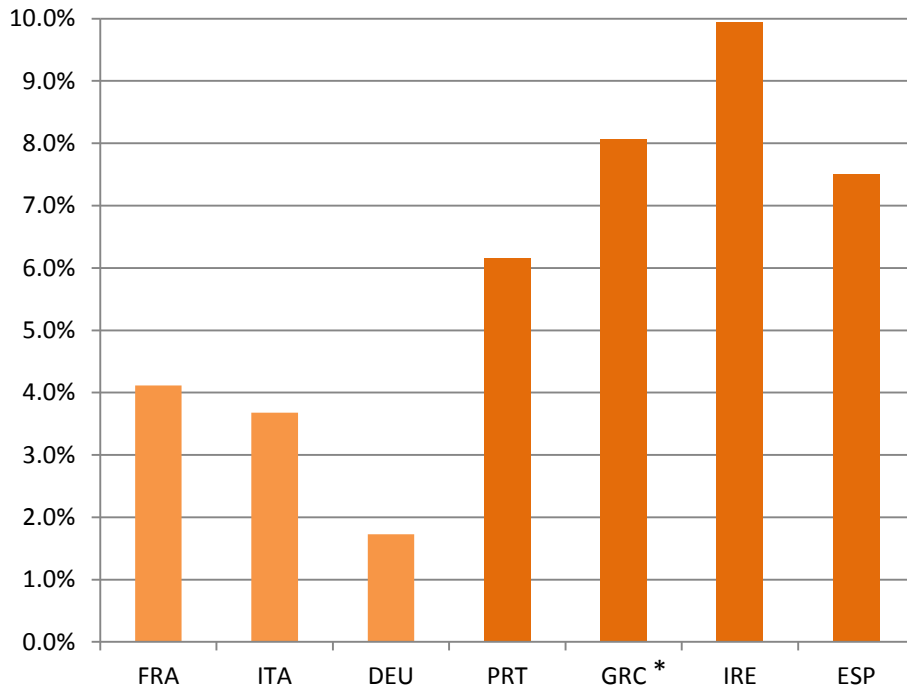
General government gross debt (percentage of GDP)					
	1999	2007	2009	2017	2019
Euro area	70,6	65,0	78,4	87,4	83,5
Germany	59,9	63,7	72,6	65,0	58,7
Spain	62,5	35,5	52,7	98,7	95,8
France	60,2	64,3	78,9	96,8	97,0
Italy	109,7	99,8	112,5	133,0	128,8
United Kingdom	40,2	42,0	64,5	89,5	88,9
United States	/	64,7	87,0	108,1	107,9
Japan	131,5	183,3	208,6	240,3	238,5
G7 (USA, J, D, F, I, UK, CAN)	/	81,7	104,5	119,8	118,0

7 **Source:** European Commission Autumn Forecast (9th November 2017); For G7: IMF World Economic Outlook (October 2017); For 2007-2009: AMECO; 1999-2009: Euro area excluding EST and GRC (16 countries); Germany: 2007 – 2016: Federal Statistical Office; 2018: Draft Budgetary Plan 2018, rounded to ¼ percentage points.

Government expenditure control: main challenge

Before crisis: ...skyrocketed in some Euro area countries

average annual growth rate of nominal government expenditure 1999-2009



After crisis: ...reduced sharply – except for Germany

average annual growth rate of nominal government expenditure 2010-2019

