



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

Commenting ECB's Financial Stability Review

Stefan Kerbl

SUERF BAFFI Bocconi e-lecture, 26th May 2025

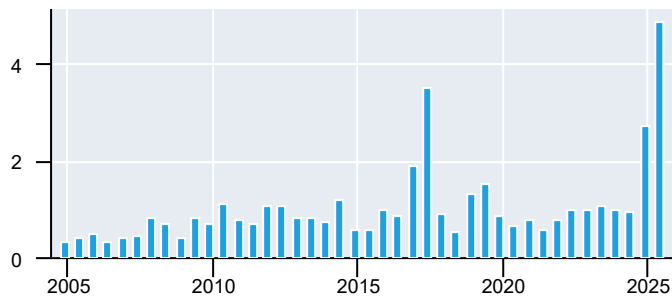
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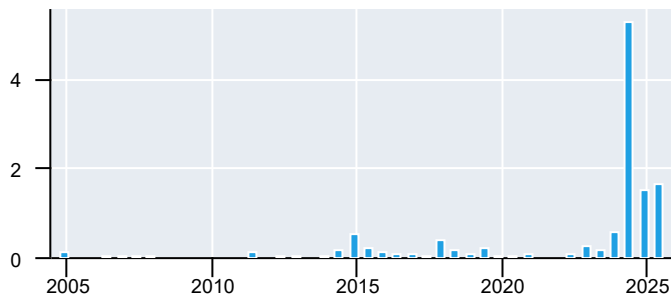
uncertainty

word count per 1000



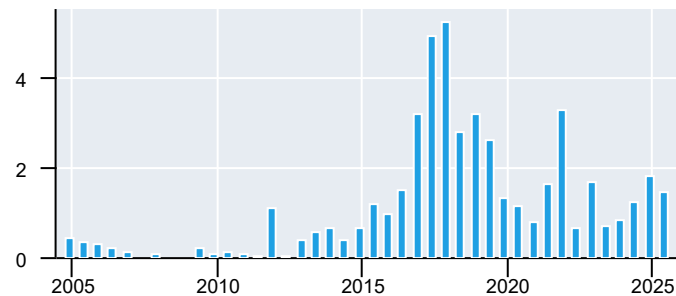
geopolitical

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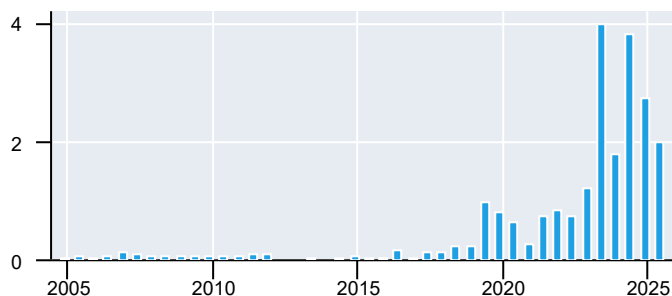
NPL|nonperforming

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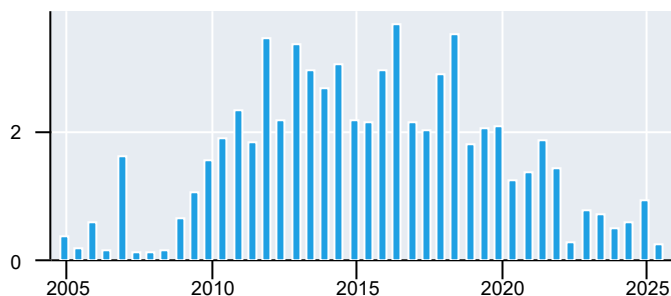
nonbanks|NBFI

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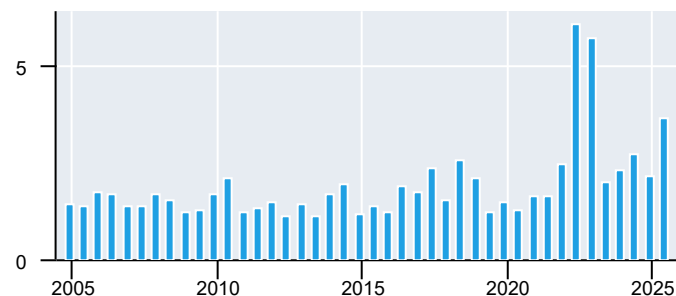
crisis

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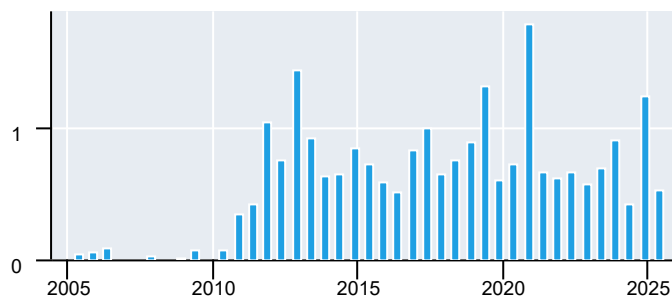
attack|invasion|conflict|war

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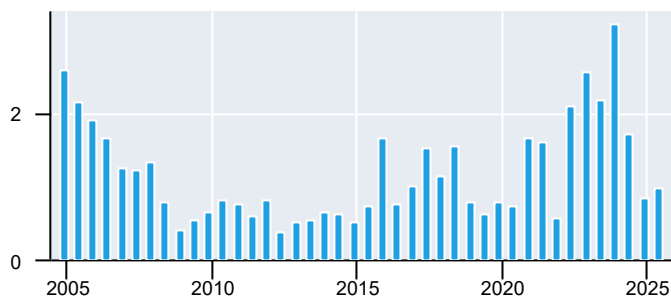
sovereign debt|debt sustainability

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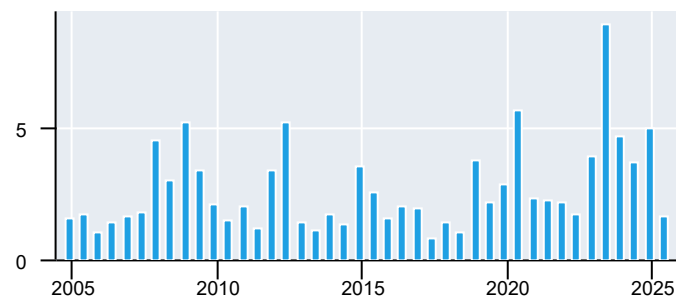
interest rates|rising rates

word count per 1000



liquidity

word count per 1000



NBFIs, esp. investment funds

- exposure to USD, partly hedged
- decreased levels of (HQLA level 1) liquidity
- exposure to EA corporate debt strongly affected by trade tensions

NFCs, esp. manufacturing

- several sectors already under pressure, mainly due to elevated interest rates, stagnant growth and regulation.
- manufacturing hit also by higher energy prices and tariffs, high import and export reliance
- signs of worsening credit quality: debt service costs and bankruptcies.

Geopolitical risk

Sovereign risk

Sovereign debt

- sovereign debt reaches levels of post ww2.
- "governments addicted to debt" **Financial Times**, 2025-03-27

Euro Area:

- low growth
- high tax burden
- deficit 3%

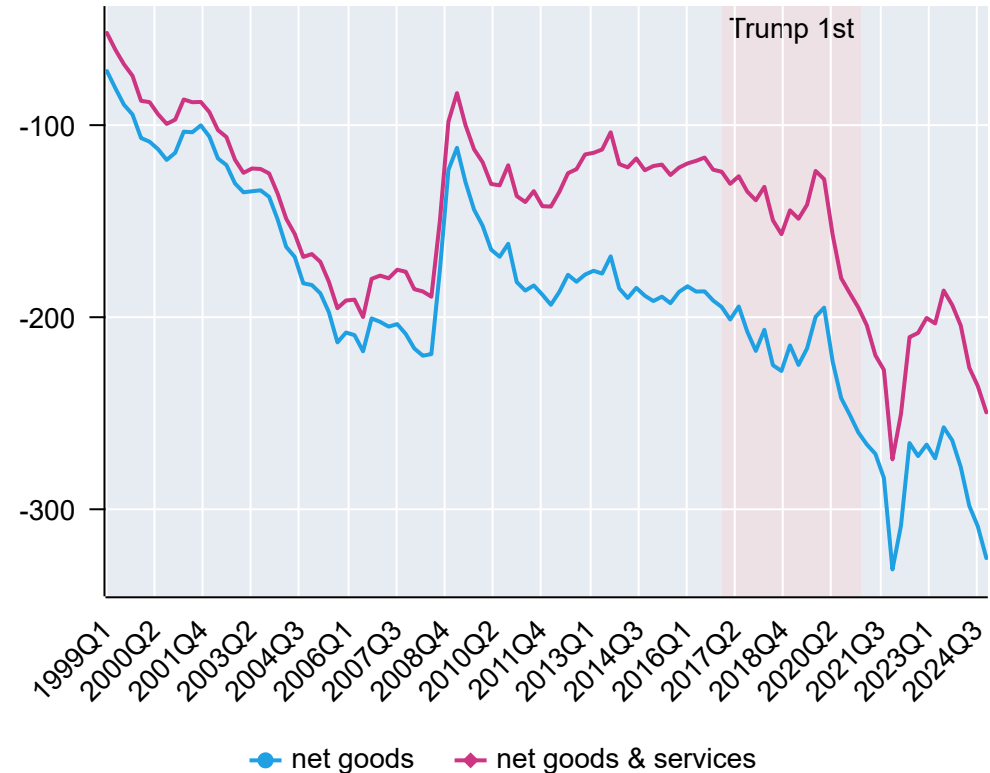
US:

- even lower fiscal discipline
- strongly externally funded, chronic twin deficit
- growth at risk

deficits despite peacetime, absence of pandemic and record low unemployment (6.2% Euro Area and 4.2% US)

US trade deficit

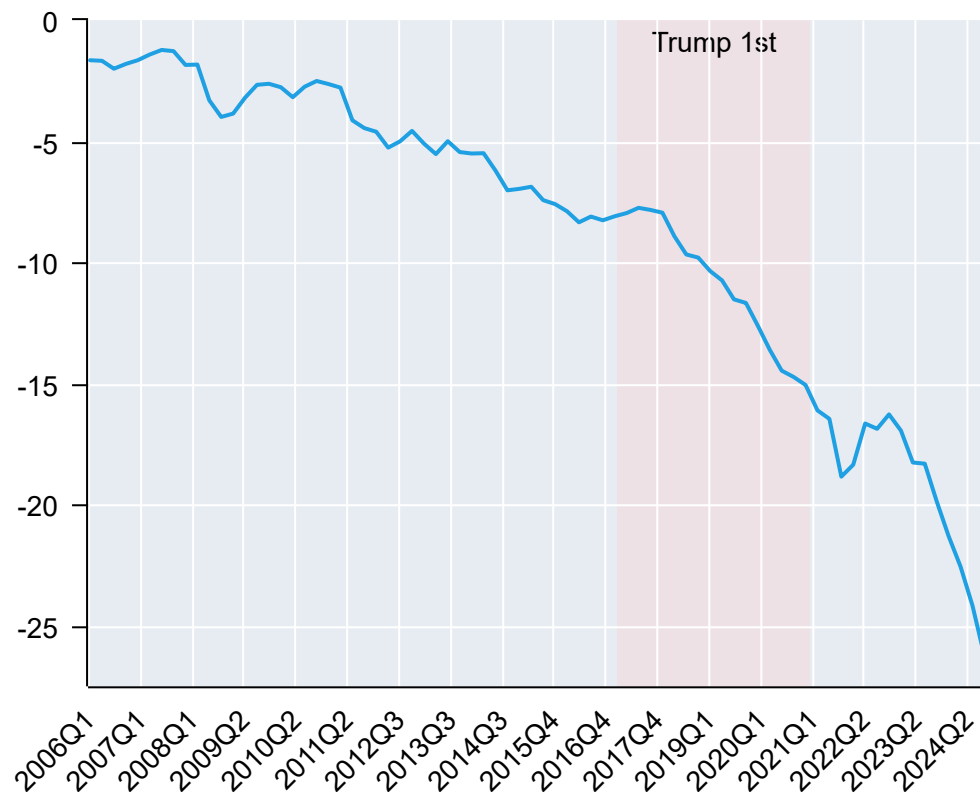
in bn USD



Source: US Bureau of Economic Affairs.

US foreign wealth position

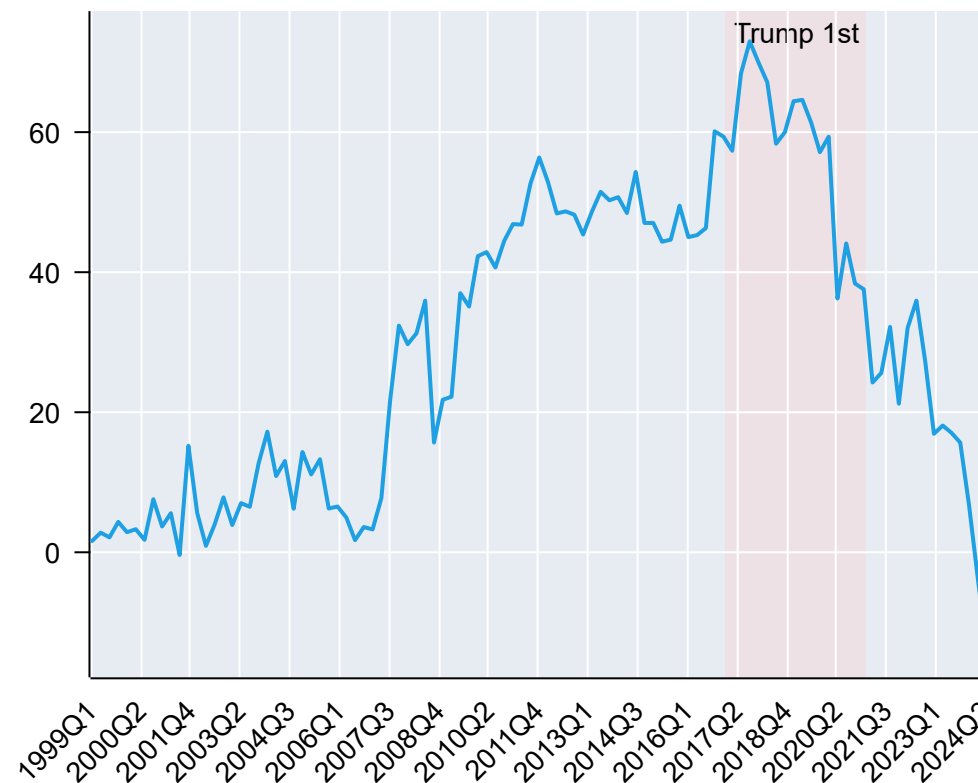
in tn USD



Source: US Bureau of Economic Affairs.

US net primary income

in bn USD



Source: US Bureau of Economic Affairs.

US "debt renegotiation"

Why could it happen?

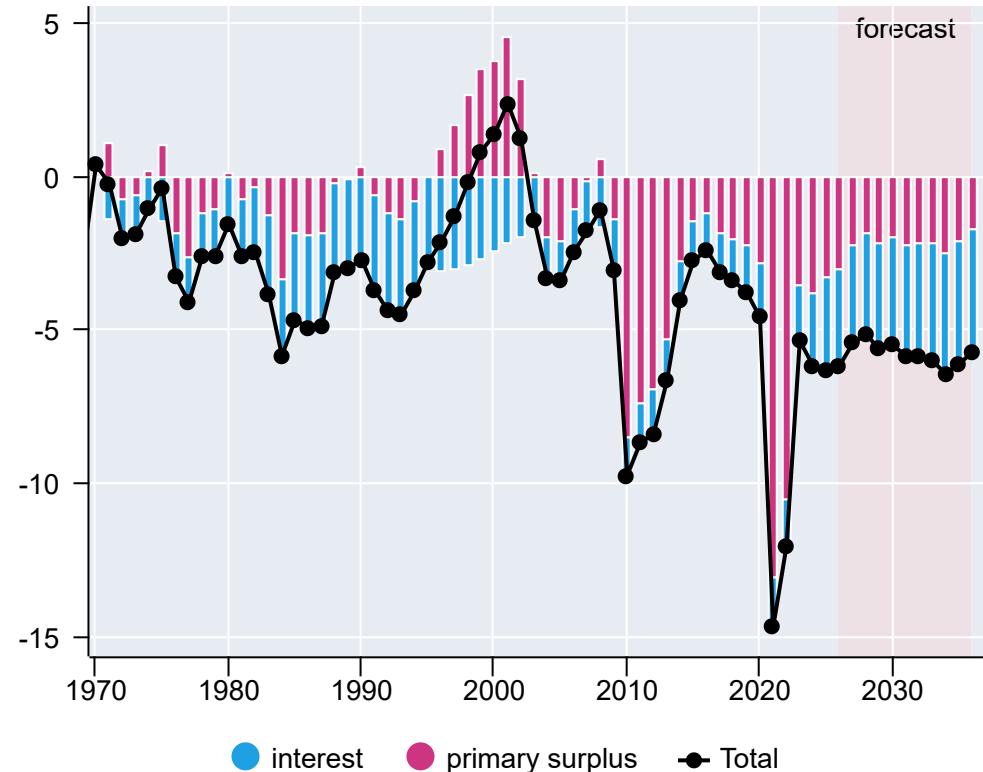
- **Mar-a-Lago Accord** : "term-out of reserve debt", "impose a user fee on foreign official holders of Treasury securities, for instance withholding a portion of interest payments on those holdings".
- make away past trade deficits.
- pressure from budget deficit, interest payments, deficit in primary income.
- yields incentivize fiscal discipline but also debt "renegotiation" if foreigners bear brunt.
- word magic.

Why it is unlikely?

- impossibility of clean separation.
- trust cannot be switched on/off as tariffs can.
- rationality gained influence, markets have influence.

US deficit

in % GDP



Source: US Congressional Budget Office.



Danke für Ihre Aufmerksamkeit

Thank you for your attention

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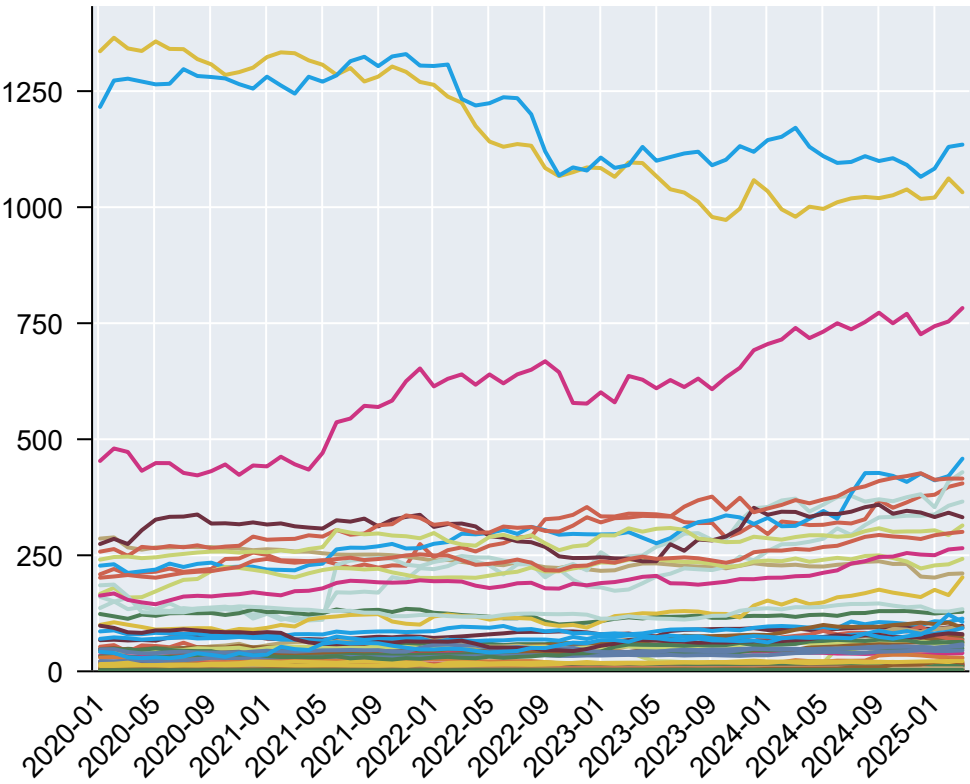
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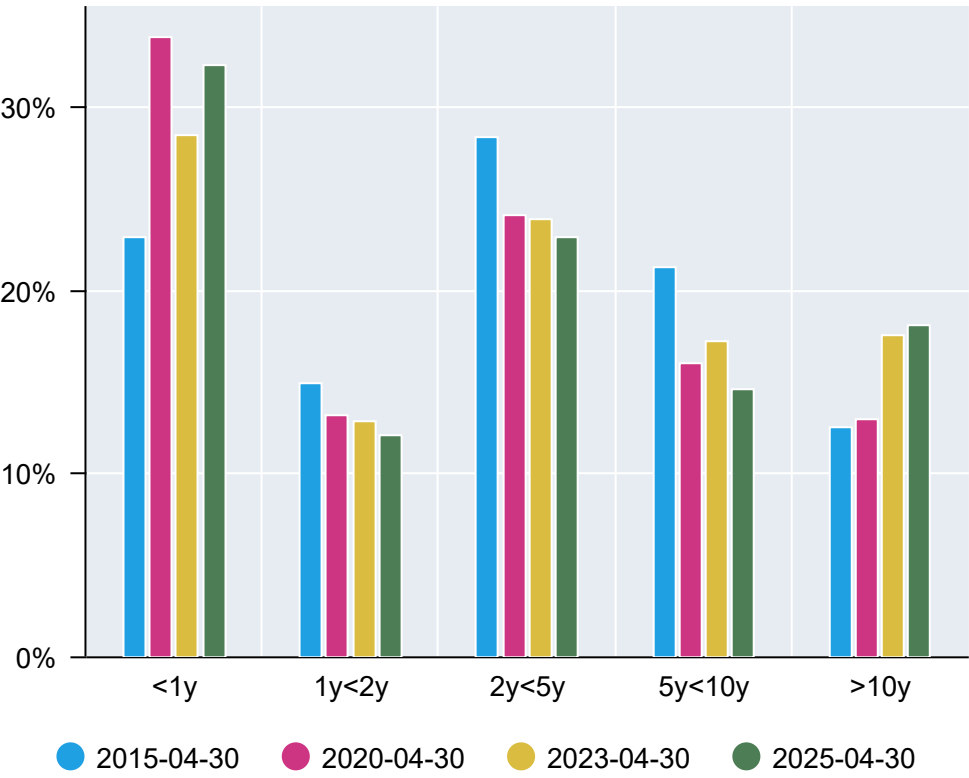


Foreign holdings of US treasuries
in bn USD



Source: US Treasury Dep.

US debt maturity
in % of total marketable debt



Source: US Treasury Dep.