



# EF SIR 2018

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European Financial Integration

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Banking  
and finance



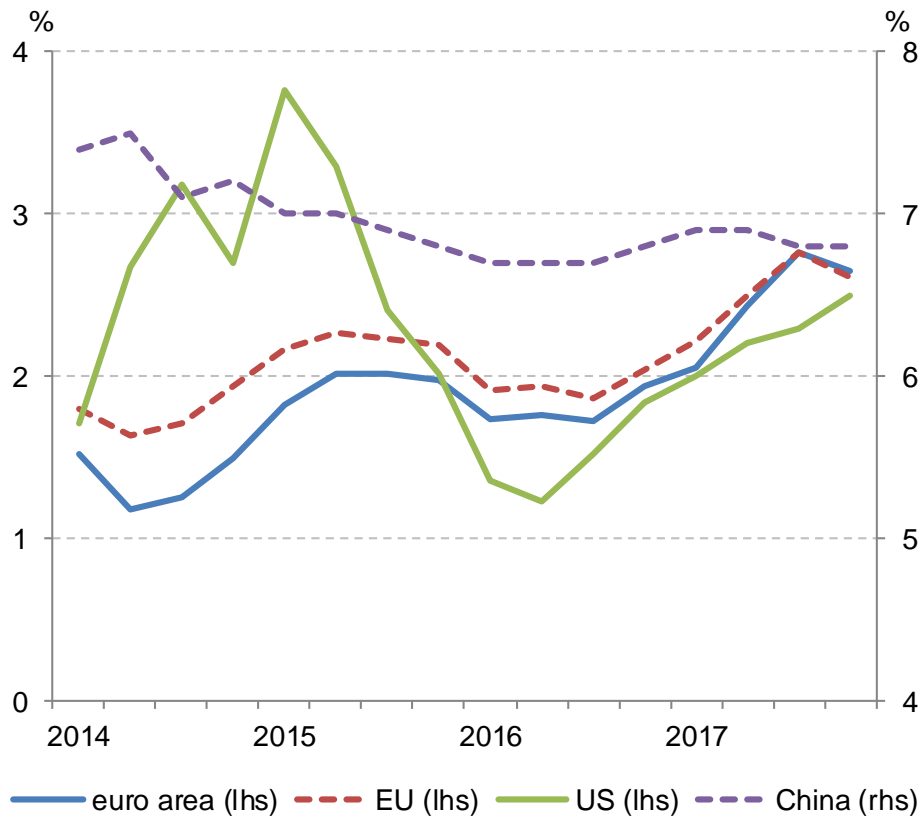
# Overall Assessment of Economic and Financial Developments

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# EU activity gained momentum

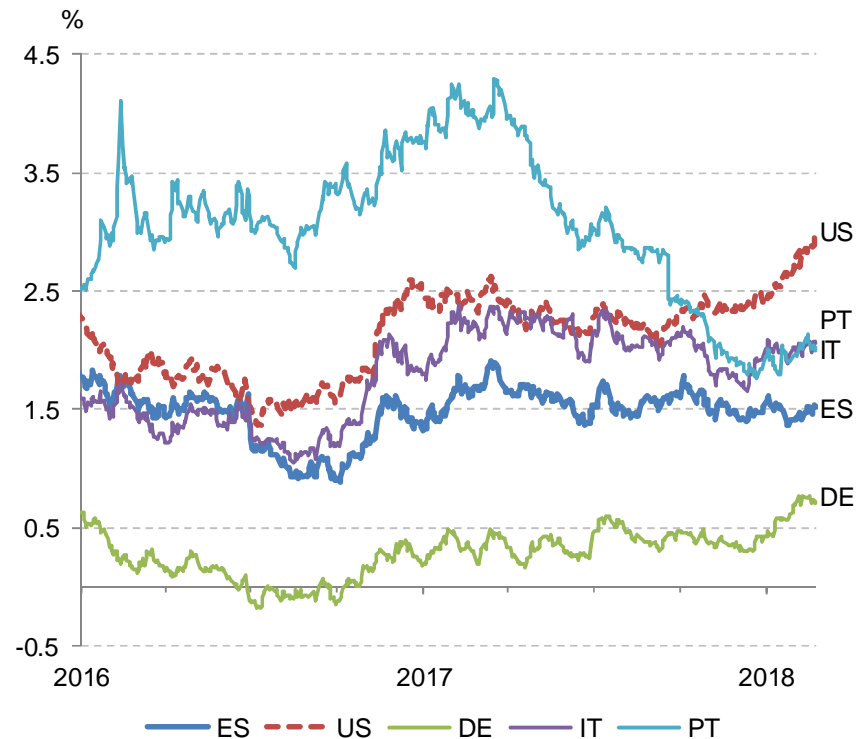
## Real GDP growth, quarter-on-quarter



- Economy activity strengthened with all Member States growing.
- Accommodative monetary policy, low inflation and low interest rates supported this economic growth.
- Risks:
  - demand for real estate
  - market participants confidence in central banks phasing out of bond purchasing programmes
  - ...

# Search for yield in low-interest environment

## 10-year sovereign bond yields

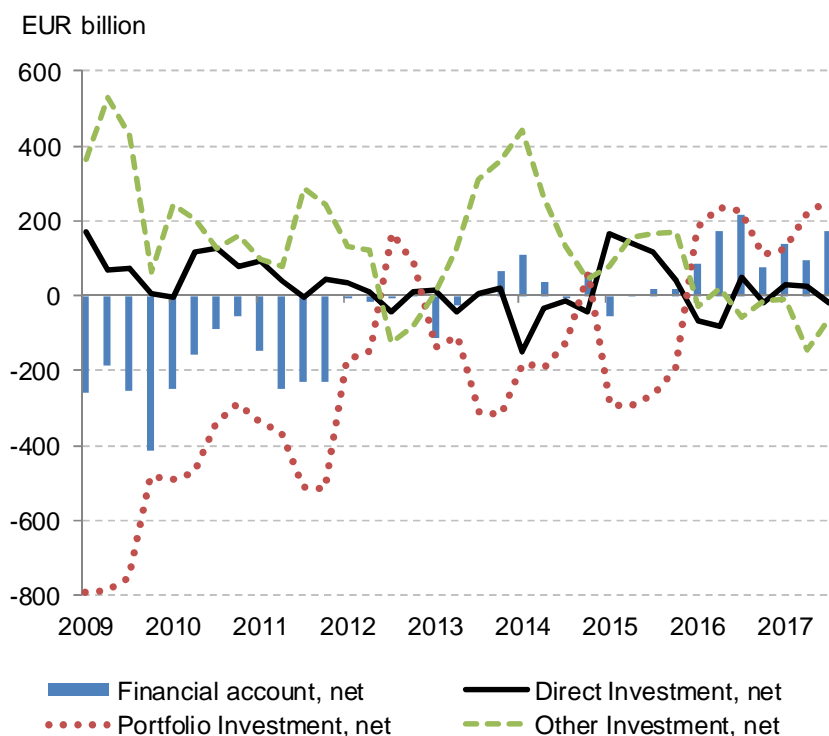


Source: Bloomberg

- Investors in search for yield ventured into new bond segments and bought bonds of lower credit quality.
- Euro-area corporate bond and sovereign bond spreads narrowed.
- Risks:
  - Bond and equity valuations
  - Demand for real estate
  - Increase in risk premia
  - ...

# International capital flows stabilized with FDI becoming relatively more important

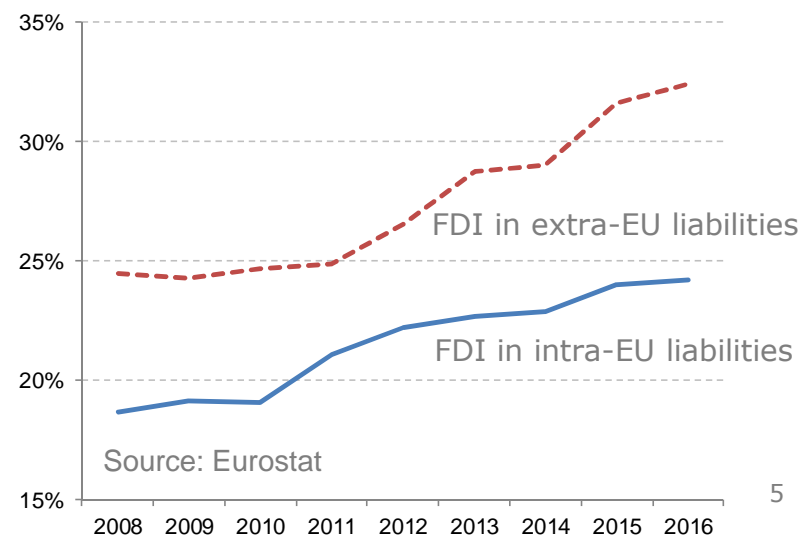
## Extra-EU net financial account



Source: Eurostat and own calculations

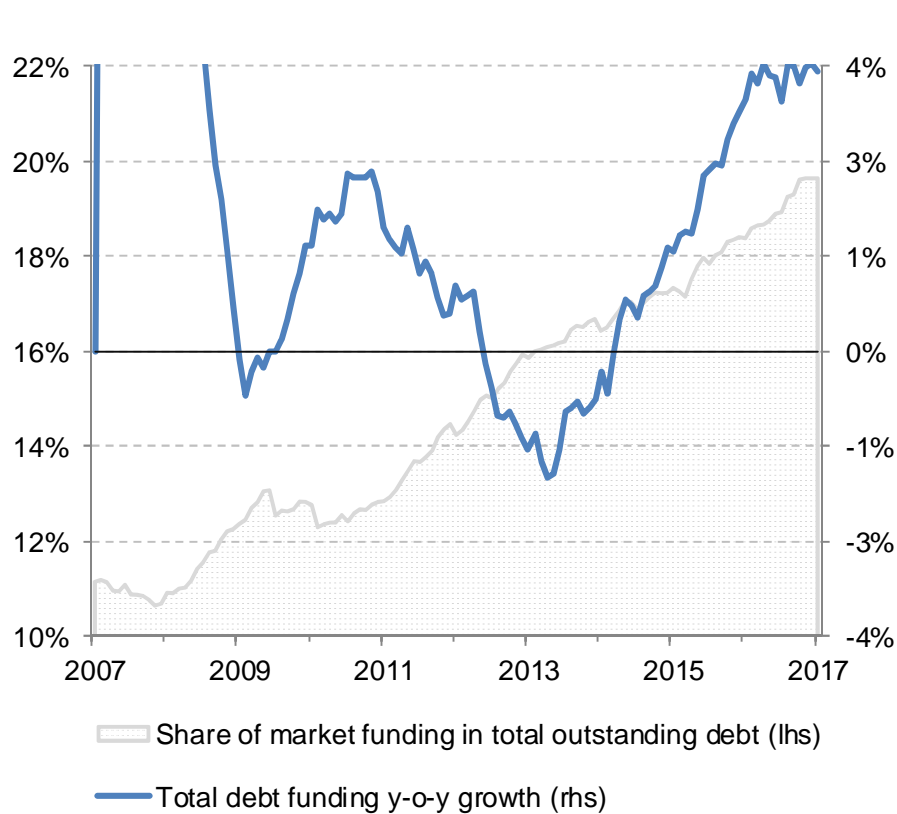
- International capital flows stabilised at lower levels than before the crisis
- Relative proportion of FDI increased, which is conducive for ensuring financial stability

## Proportion of FDI in EU liabilities



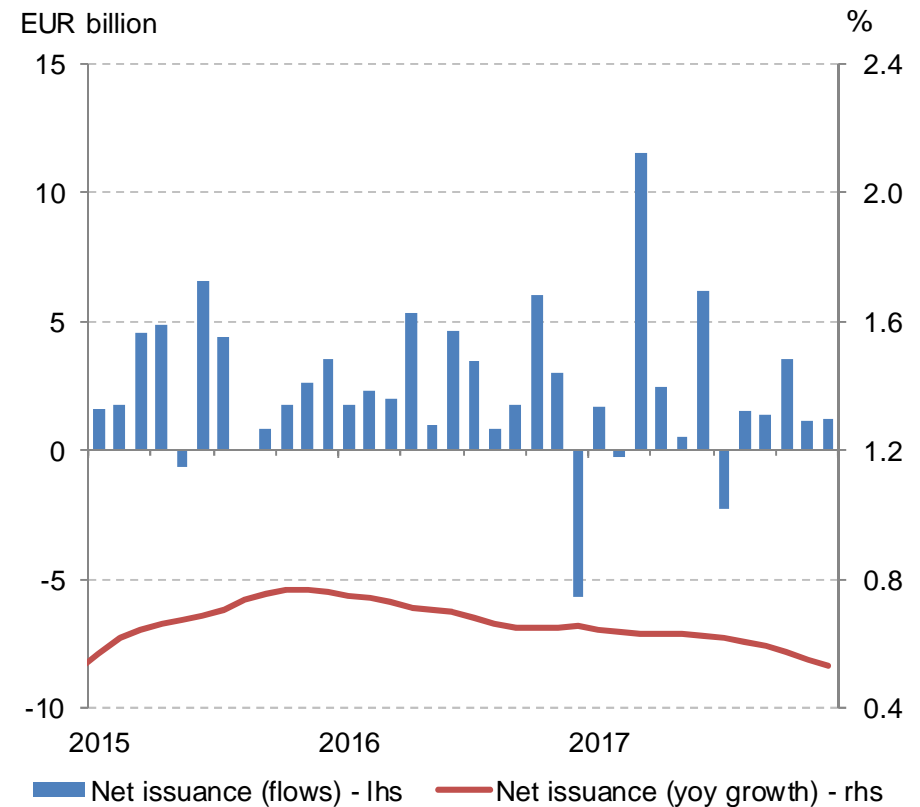
# Increased reliance of firms on market funding

## NFC debt-funding structure, euro area



Source: ECB

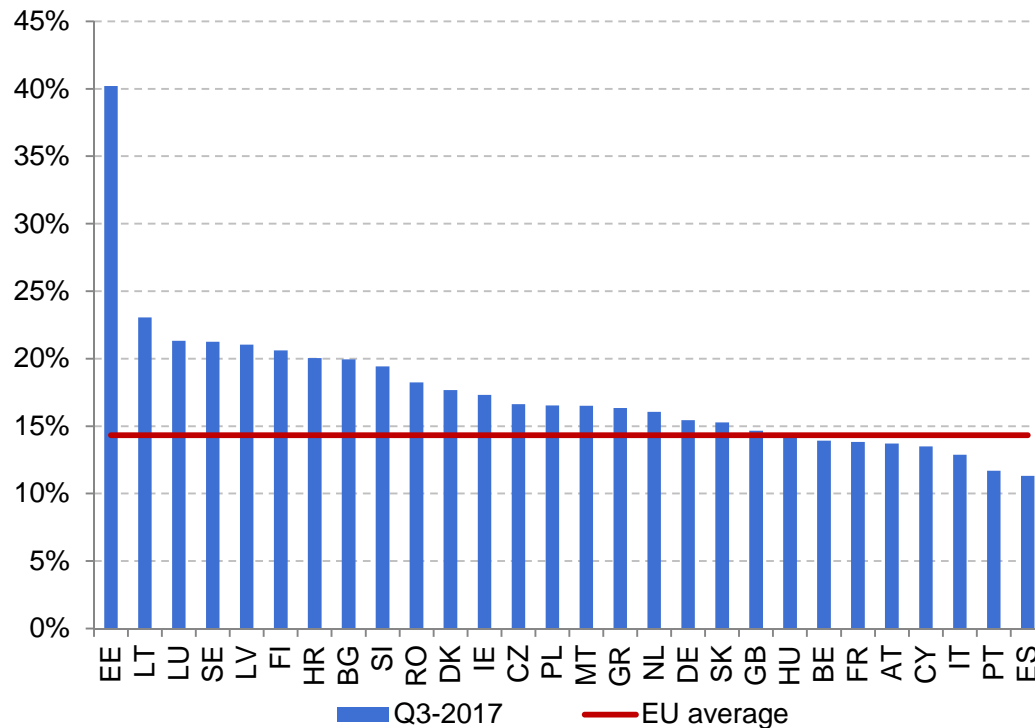
## Equity issue by NFCs, euro area



Source: ECB

# More resilient banks in search of higher profitability

## Banks' return on equity



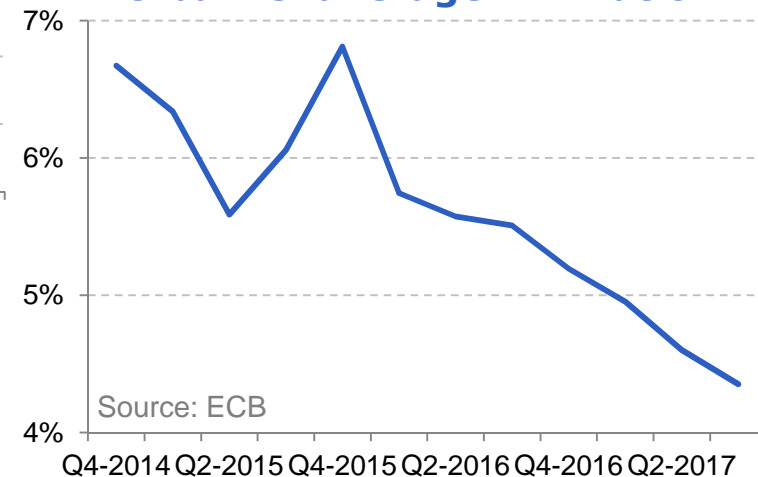
Source: EBA

- Banks were more resilient:

- Restructuring of balance sheets
- Decrease in market and credit risk
- Increase in stable funding
- Decline in NPL stock

- Slightly higher profitability despite low-interest rates and tight interest rate margins

## EU banks' average NPL ratio



Source: ECB



# Development of local capital markets

## Crypto-token market developments: what are initial coin offerings all about?

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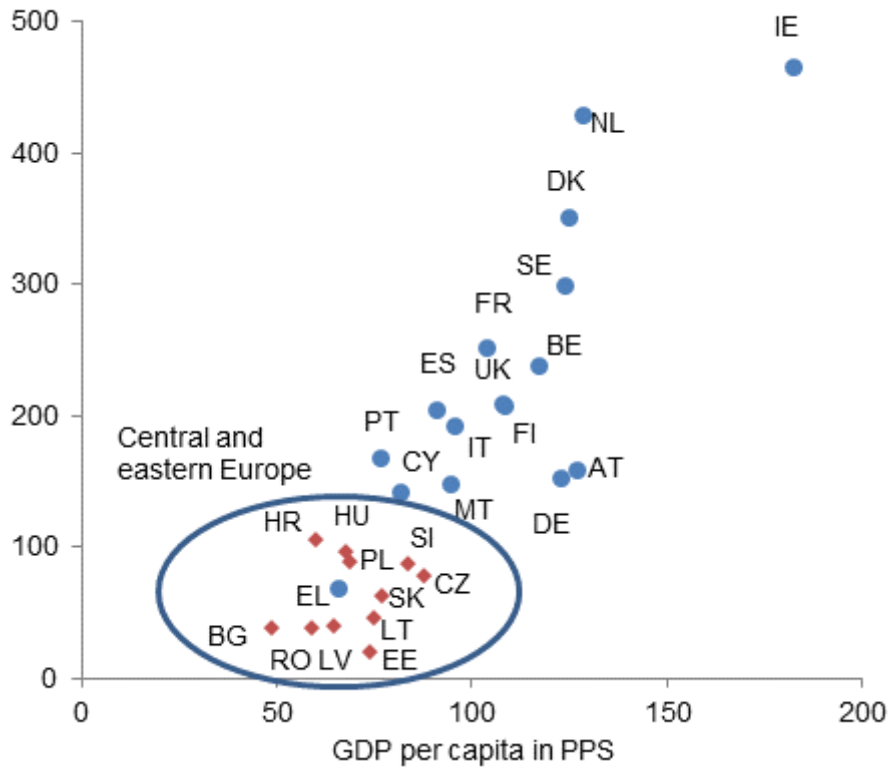
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# Potential for local capital market development within the CMU

## Size of capital markets and economic development

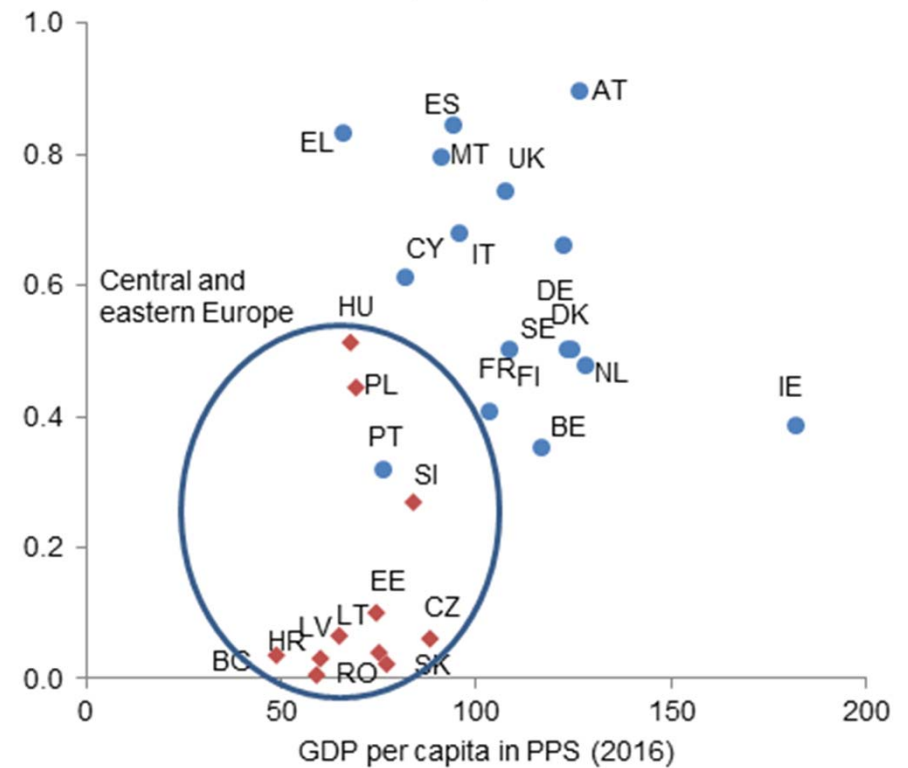
Listed shares and debt, % of GDP



Source: ECB

## Financial market access and economic development

Financial Market Access Index (2014)



Source: ECB and IMF

# Crypto-tokens on the rise, but also a viable alternative source of finance?

## Crypto-tokens: Total market capitalization



Source: coinmarketcap.com

- Strong increase in market capitalisation,
- Initial coin offerings:
  - Start-up finance that comes at a much earlier stage than IPOs
  - Benchmarks are equity crowdfunding and venture capital
  - Regulatory objectives of financial services legislation must be fully respected
  - Could serve as the basis for the development of a new funding vehicle for innovative start-ups and scale-ups



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**Q&A**

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