

# Monetary policy in the euro area: a tale of multiple jurisdictions, one currency, and a zero lower bound

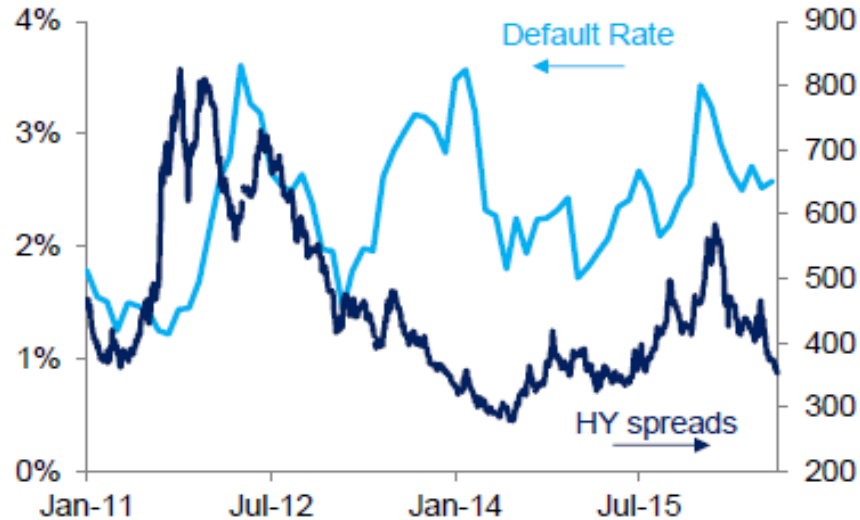
Presentation by Governor Klaas Knot at the Bank of Israel, 18 July 2017

DeNederlandscheBank

EUROSYSTEEM

# Policy not without side effects

European high yield spreads (rh axis in basis points), versus corporate defaults rates (lh axis)

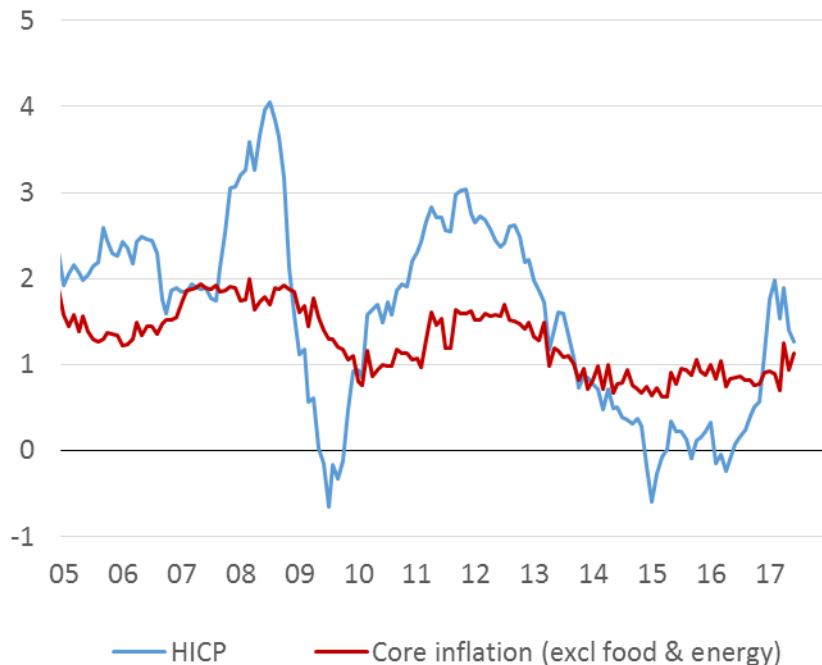


Source: Citigroup

# Recovery is firming

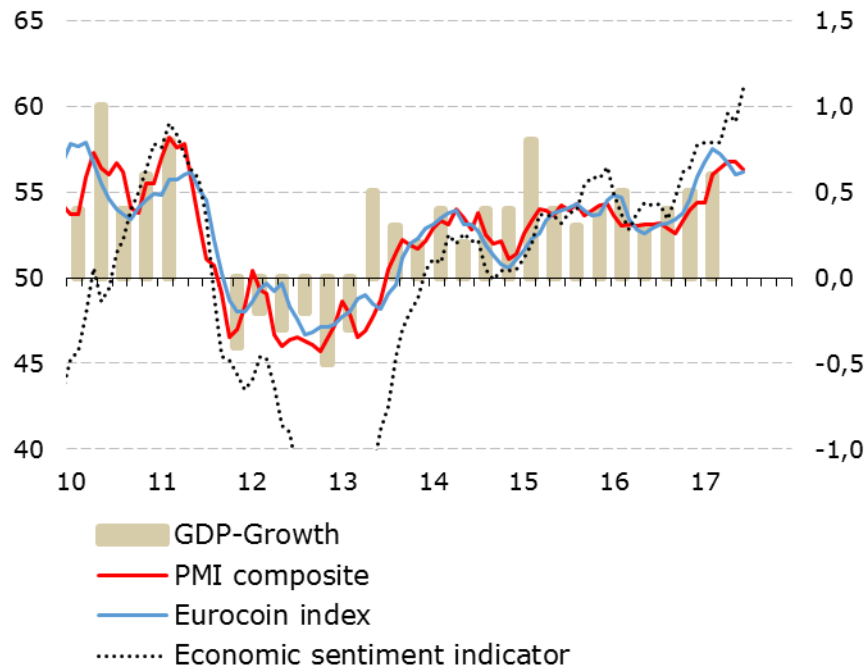
## Inflation euro area

Annual percent change



## GDP euro area and indicators

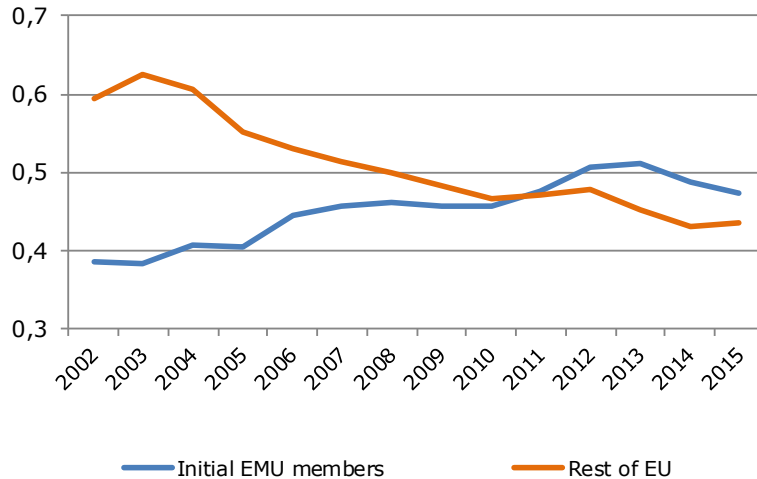
Quarterly percent growth resp. diffusion index



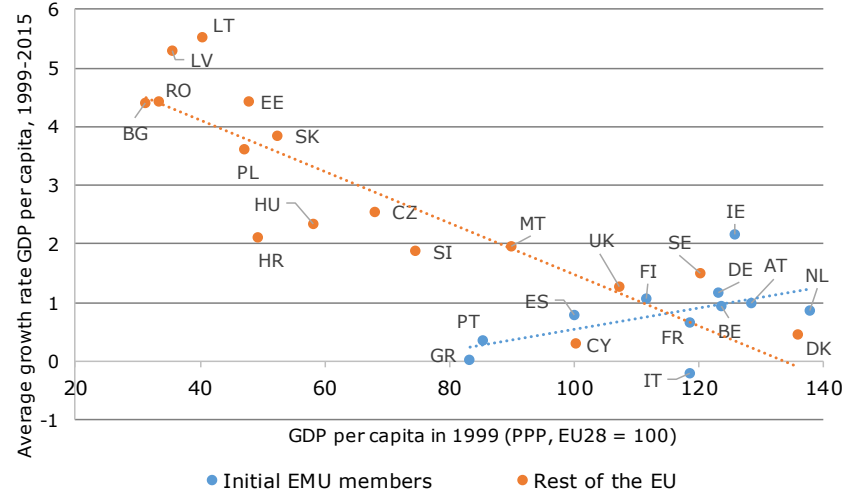
# Lack of convergence in the euro area (EMU)

## a. Structural differences between EMU members

Standard deviation global competitiveness index WEF

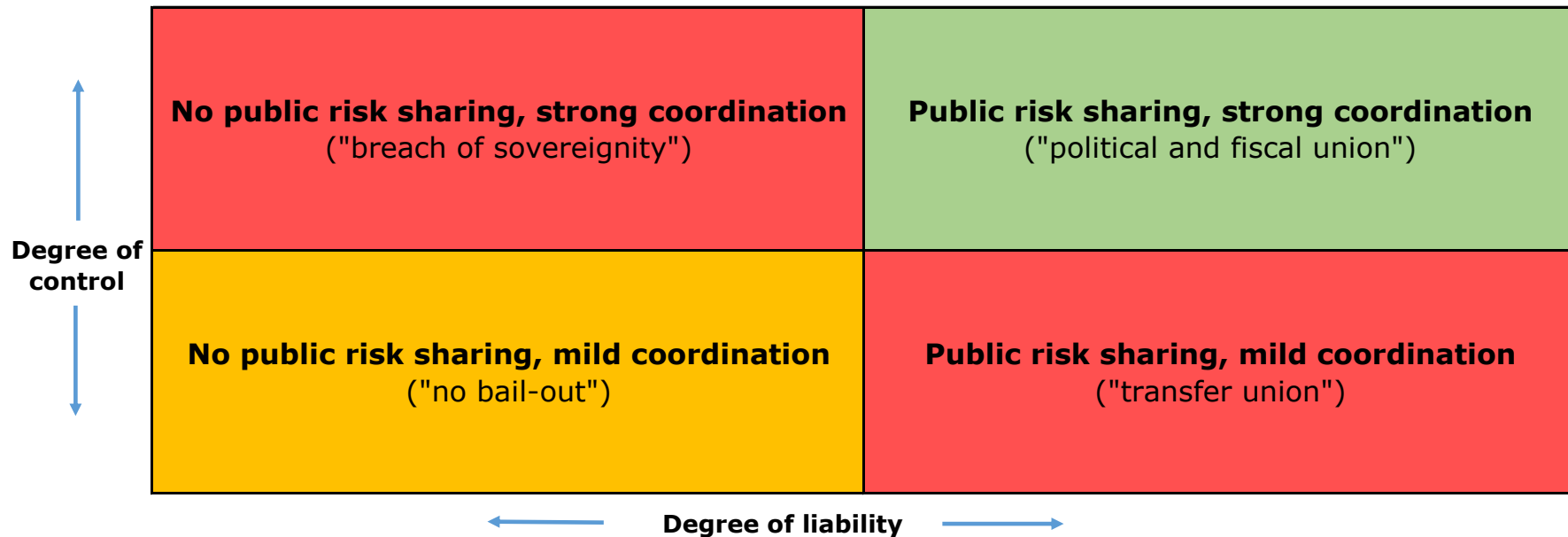


## b. Income convergence, EMU vs EU



Note: the WEF index has been refined over time. Values in earlier years are therefore not 100% comparable to those in later years.

# Balance between liability and control in EMU



Note: red = combination is politically and economically unstable; green = combination is politically stable and economically efficient ; orange = politically stable, economically less efficient.