

Olli Rehn
Bank of Finland

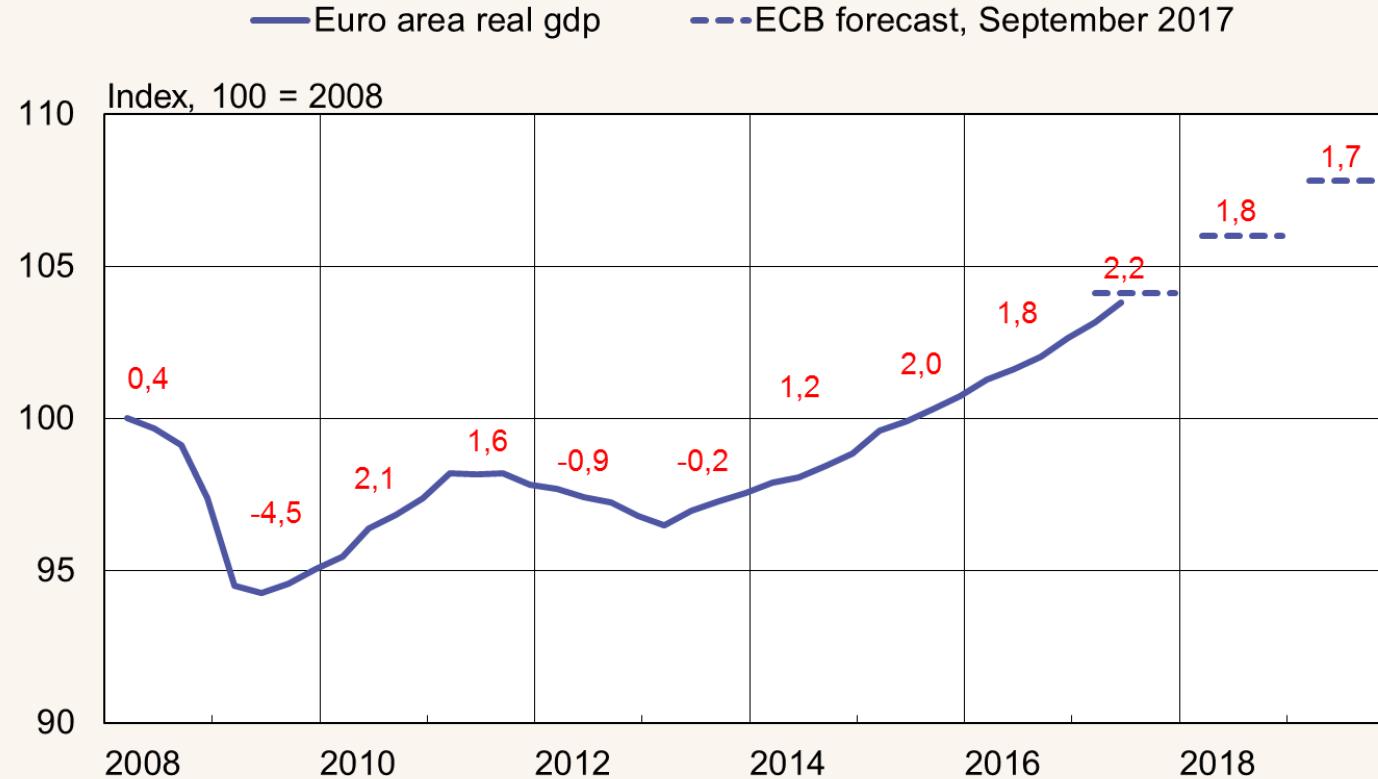
Appearance of Olli Rehn before the Parliamentary Committee of Inquiry into the Spanish crisis and the Spanish financial sector assistance programme

Madrid, 2 November 2017





Level and growth of GDP in the euro area, 2008-2017



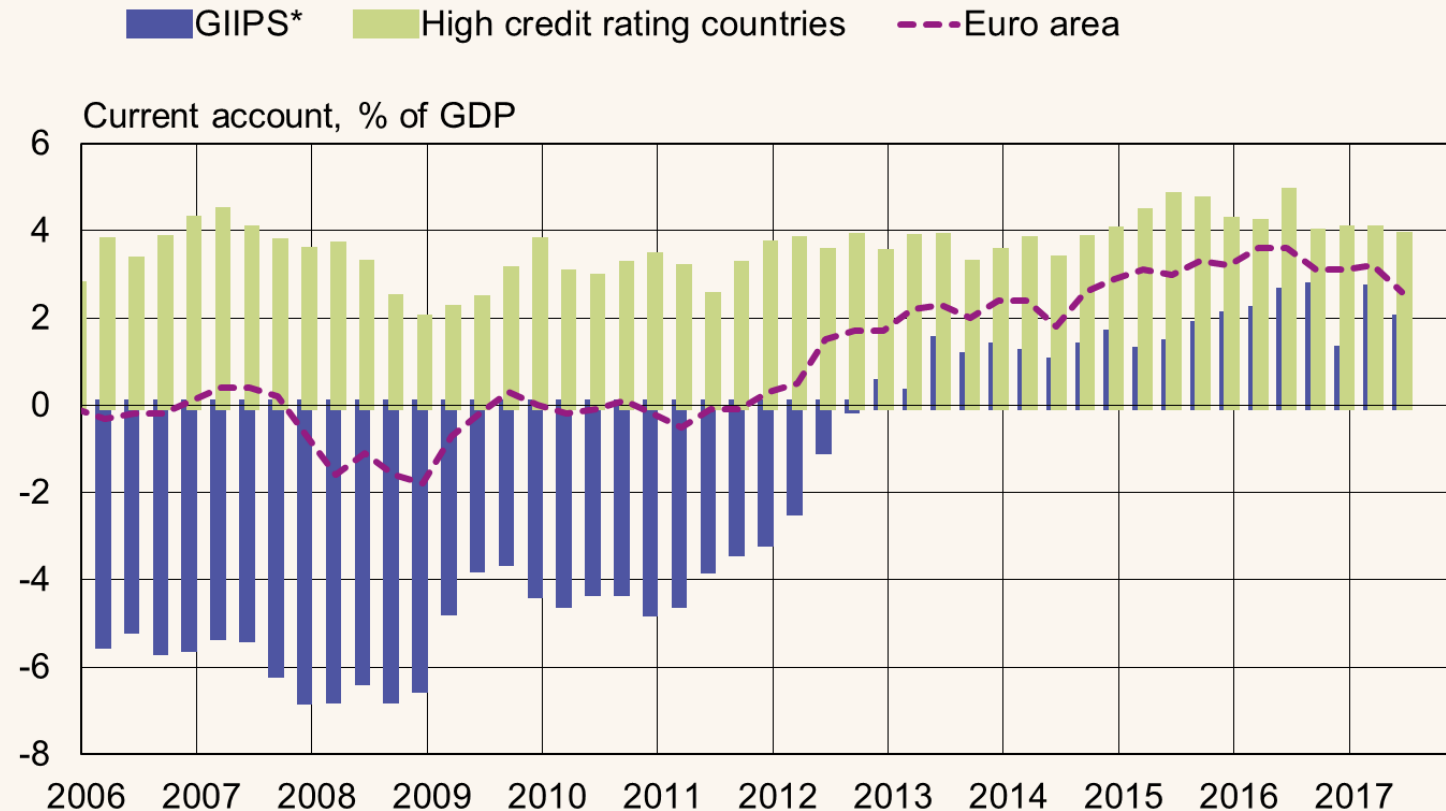
Figures next to the line are annual growth rates.

Sources: ECB, Eurostat and Macrobond.

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Rebalancing: External deficits in the euro area have turned into surpluses



* GIIPS: GR, IE, IT, PT, ES. Countries with high credit rating: BE, AT, DE, FR, FI, NL.
Sources: Eurostat and Macrobond.

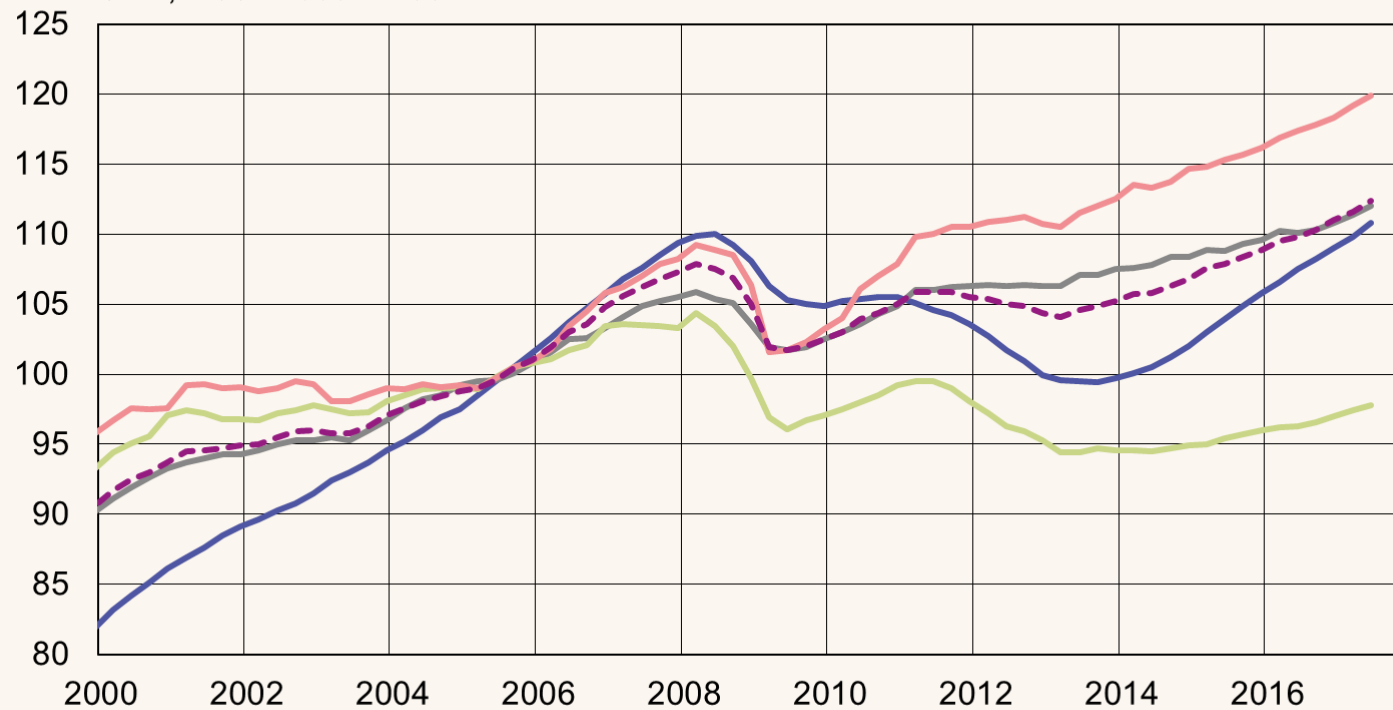
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Strong recovery in Spain since 2014

— Spain — France — Italy — Germany - - Euro area

GDP, Index 2005 = 100

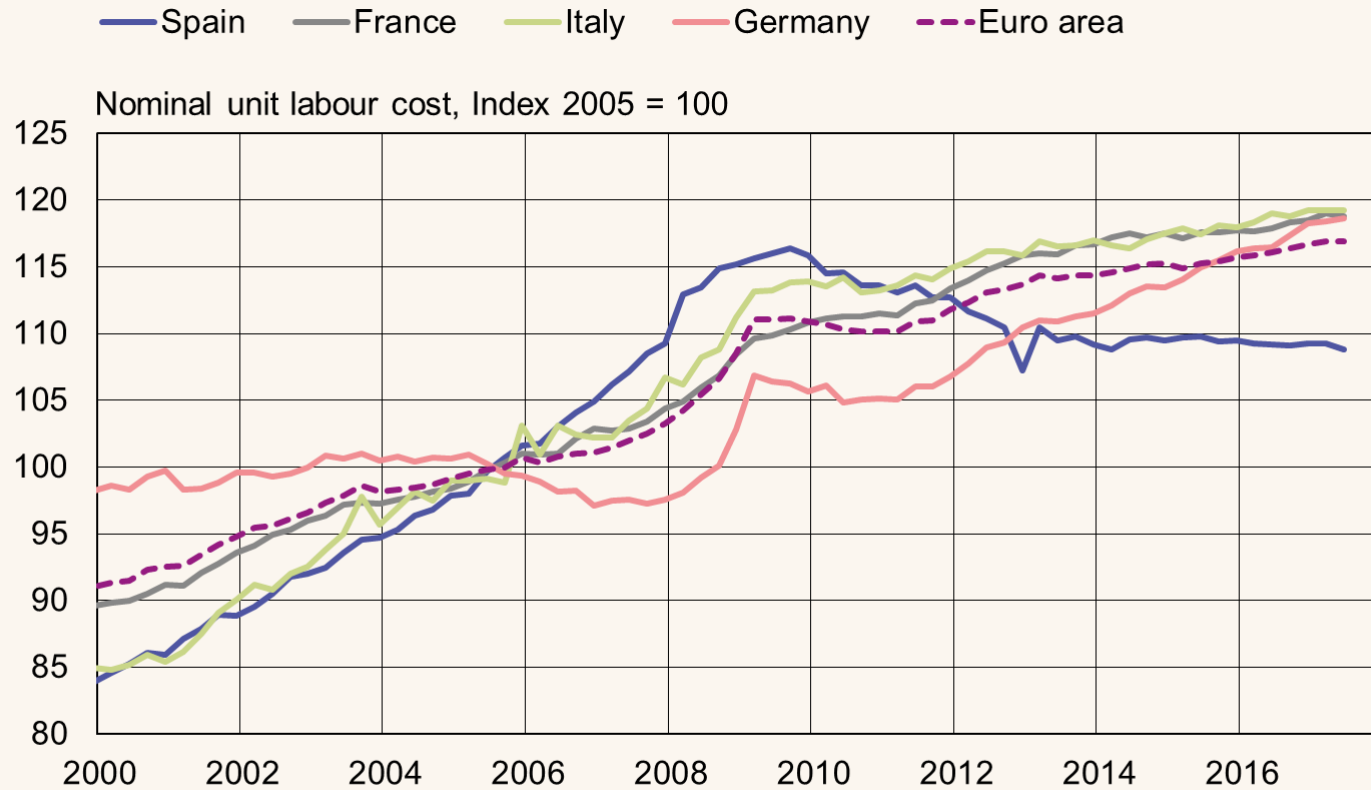


Sources: Eurostat and Macrobond.

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Competitiveness has improved in terms of nominal unit labour costs...

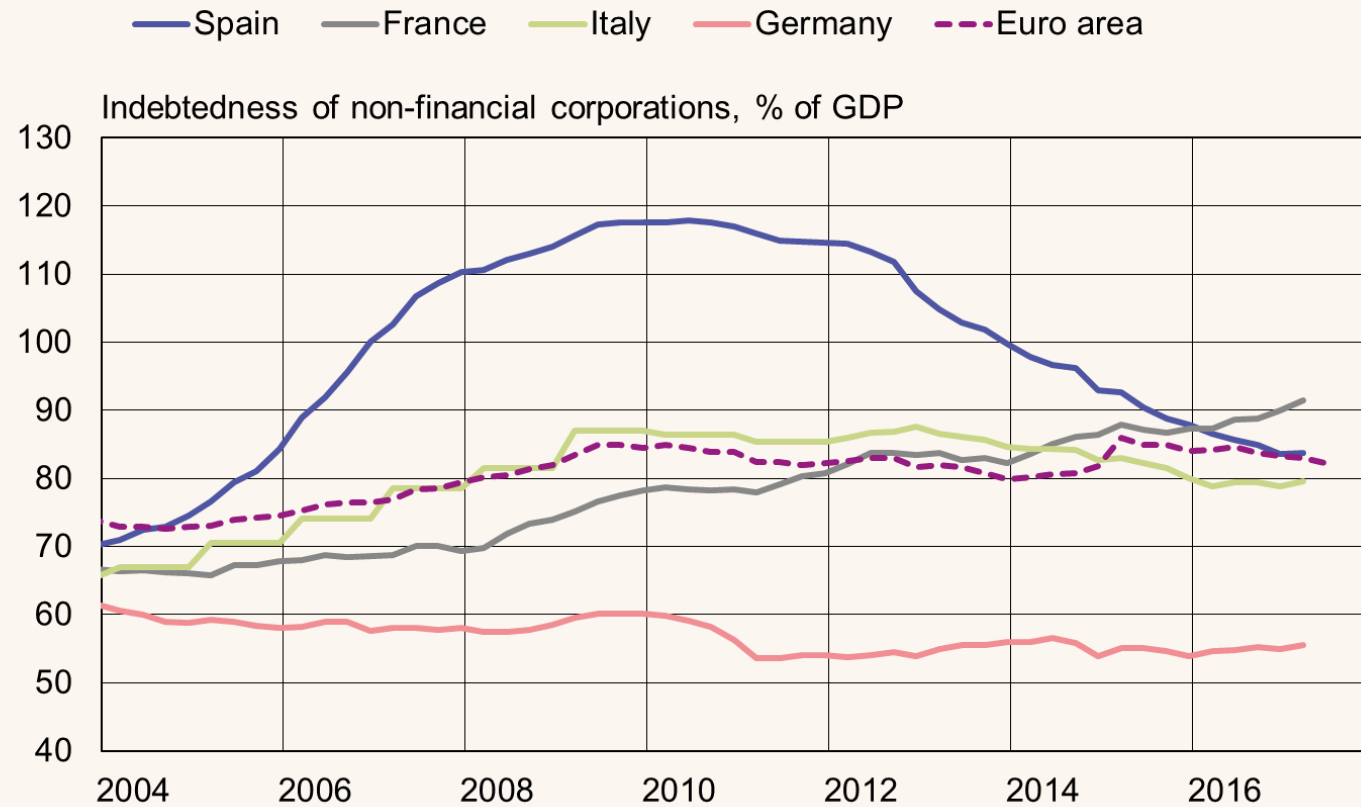


Source: ECB.

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Spanish corporate sector has undergone a deep deleveraging...

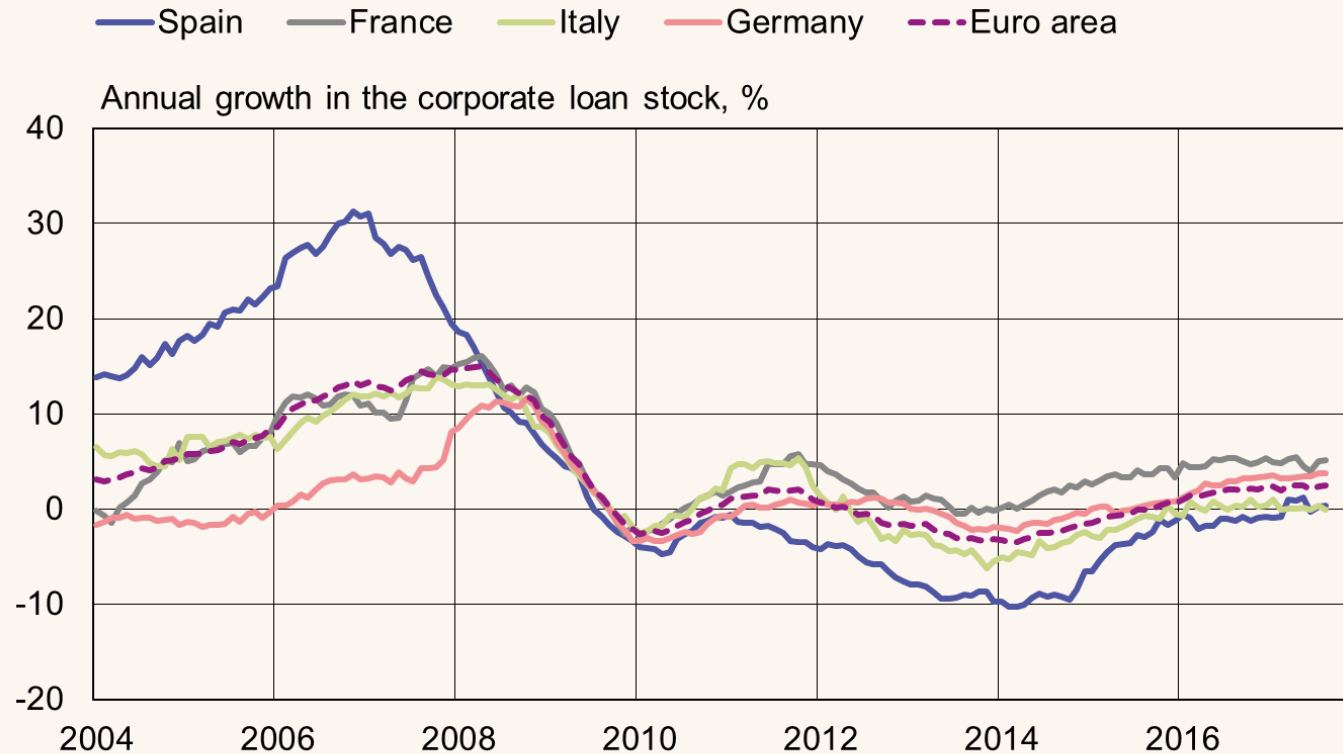


Sources: ECB and Macrobond.

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Corporate borrowing no longer declines



Sources: ECB and Macrobond.

Loan stocks adjusted for balance sheet transfers and securitisation.

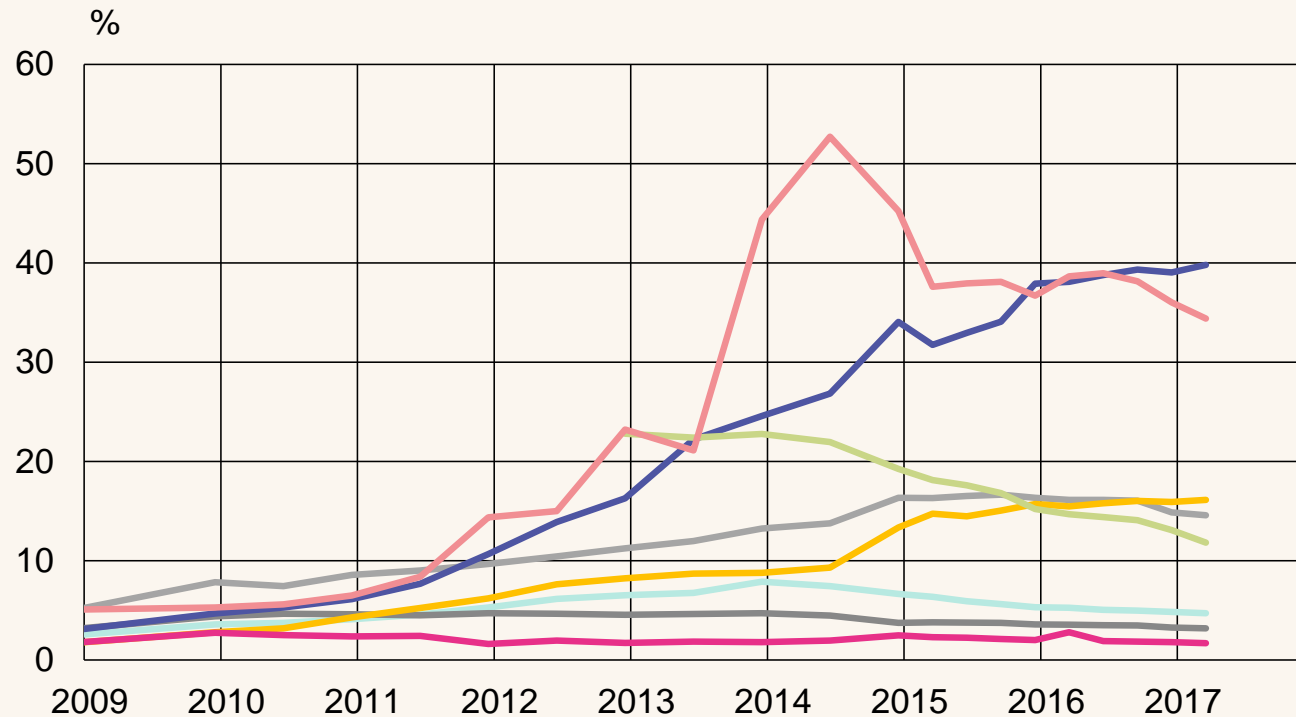
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Non-performing exposures not an overwhelming concern anymore

Gross non-performing exposures (NPE), % total bank exposures

ES FR IT PT GR IE DE CY



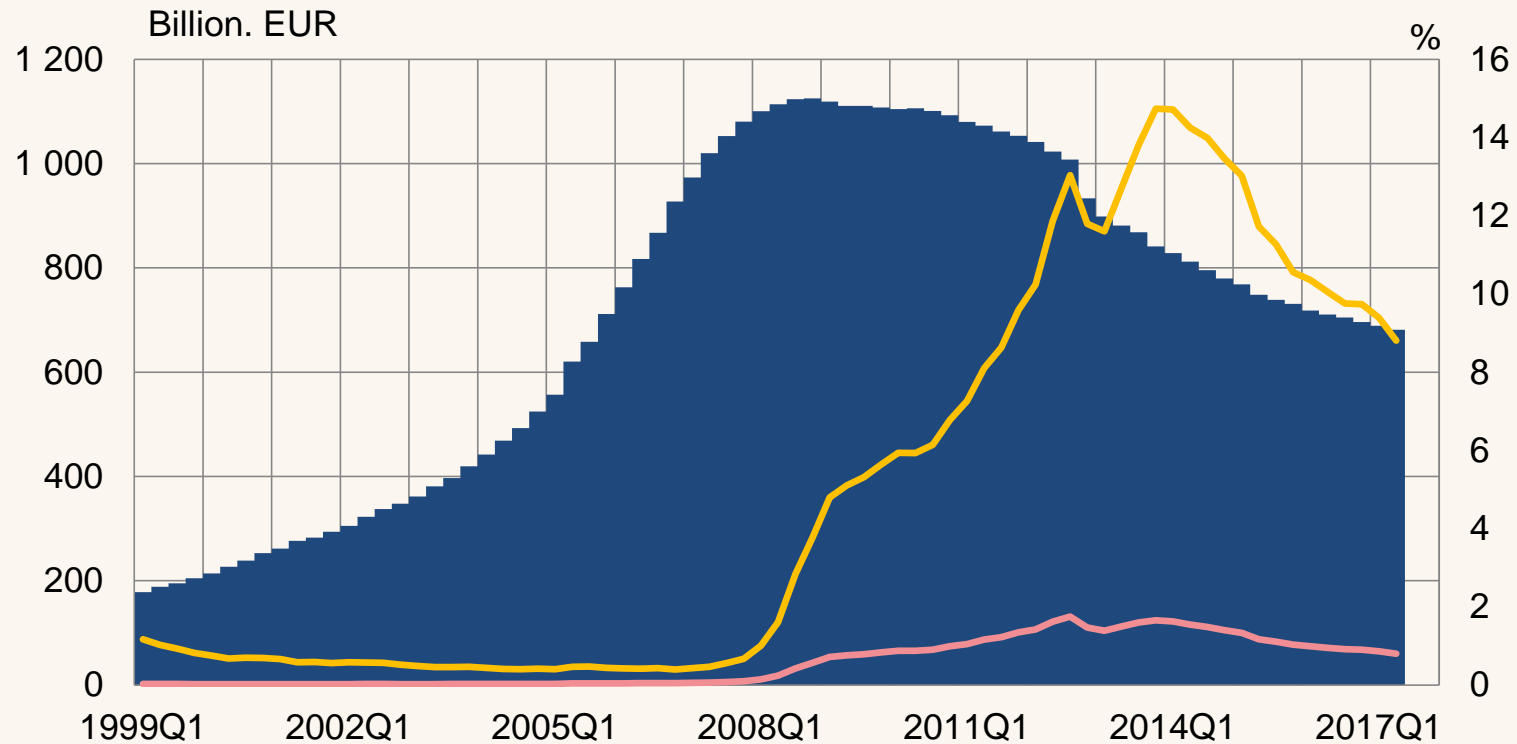
Source: ECB.

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Steep increase and fall in housing-related doubtful loans

- Construction, real estate activities and housing loans, stock
- Doubtful loans, stock
- Doubtful %-share of total loans



Source: Bank of Spain.



Lessons of the crisis for the Eurozone reform

1) Financial stability was underestimated: the "neglected stepchild of Maastricht". Breaking the bank-sovereign link is crucial.

=> First priority: complete the Banking Union

- A European Deposit Insurance Scheme – co-/re-insurance
- Backstop for Single Resolution Fund (SRF)

2) EMU needs a sufficiently large and agile common stabilisation function (ESM+) that helps to prevent and mitigate panics in financial markets.



Lessons of the crisis for the Eurozone reform

3) Going further:

- incentives and rules
- insurance and stabilisation
- => a European synthesis

4) The real economy matters. Member States' own economic policies remain vital. Coordination necessary to support own policies and reform.

5) Further steps: functioning of the Stability Fund; improving policy coordination; fiscal stance for the whole euro area.