



Session 3. From debt to equity - The changing patterns of international financing

Andres Sutt
European Stability Mechanism

G20 Conference, October 18-19, Moscow

European Stability Mechanism

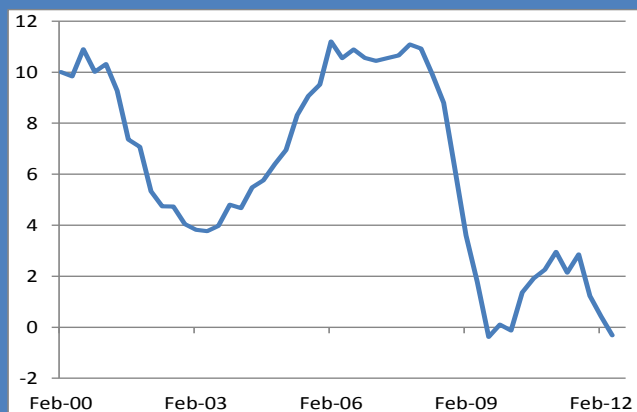


Deleveraging – how and how fast?

- Deleveraging is a must
- Capital measures vs. asset disposals
- Smarter and better regulation
- Wider investor base

Deleveraging in Europe

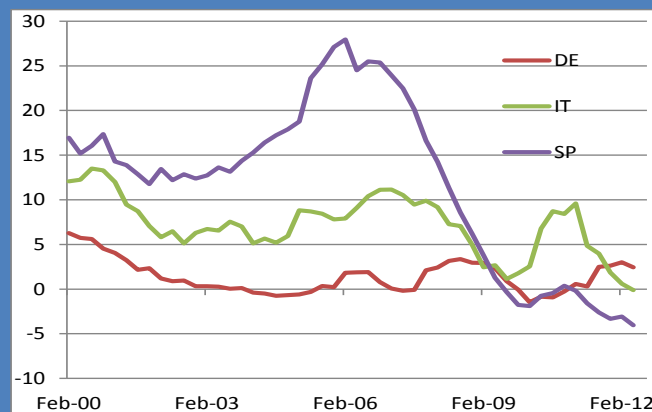
Chart 1. Annual growth rate of bank lending to the private sector in the euro area (in %)



Source: ECB, Haver

Note: latest observation, Q2 2012

Chart 2. Annual growth rate of bank lending to the private sector in Germany, Italy and Spain (in %)

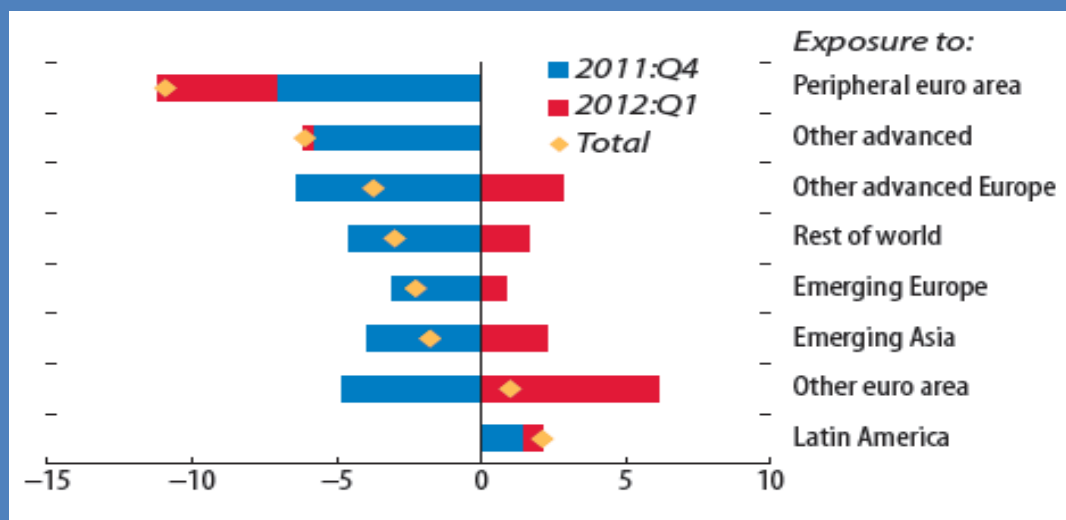


Source: ECB, Haver

Note: latest observation, Q2 2012

Deleveraging in Europe – global impact

Chart 3. Change in Foreign Claims of European Banks (in %)

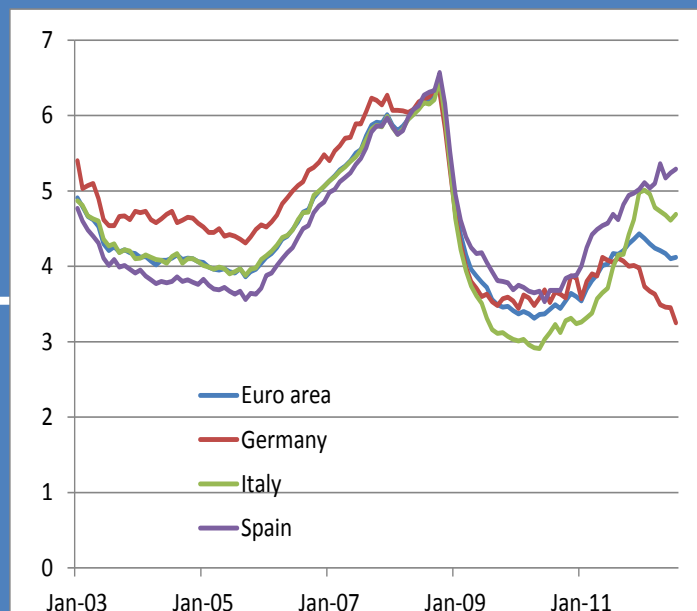


Source: IMF, GFSR October 2012

Note: Figure shows consolidated exposures of BIS reporting banks in the EU. The data have been adjusted for exchange rate changes and for selected breaks in series.

Deleveraging in Europe: impact on corporate lending

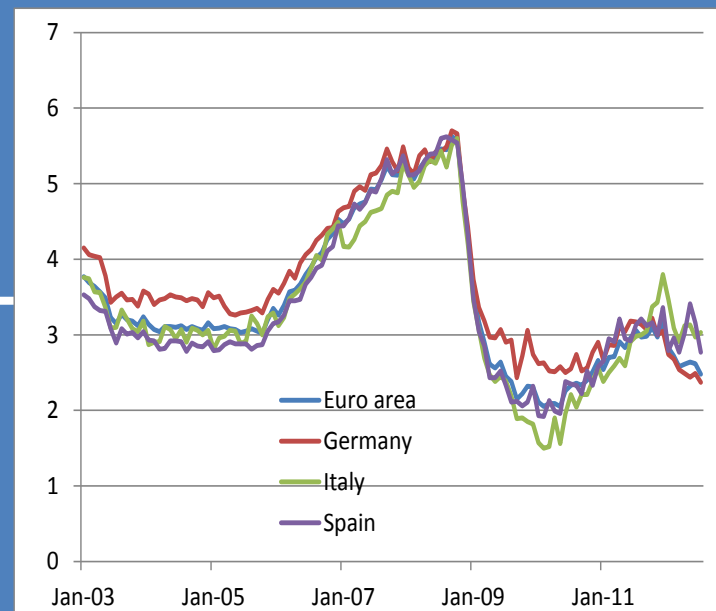
Chart 4. Interest rates on small loans (<1 million) to non-financial corporations, all maturities, new loans



Source: ECB, Haver

Note: latest observation, Aug 2012

Chart 5. Interest rates on large loans (>1 million) to non-financial corporations, all maturities, new loans



Source: ECB, Haver

Note: latest observation, Aug 2012

Deleveraging in Europe – policy response and outcome

- ECB's three year LTROs in December 2011
- Vienna II initiative March 2012
- EBA's 2011 EU capital exercise
- Credible crisis resolution mechanisms EFSF/ESM
- ECB's OMT in September 2012
- Change in the stock of credit Q3/11-Q2/12 € -0.5 billion