



# Europe beyond Brexit: what next?

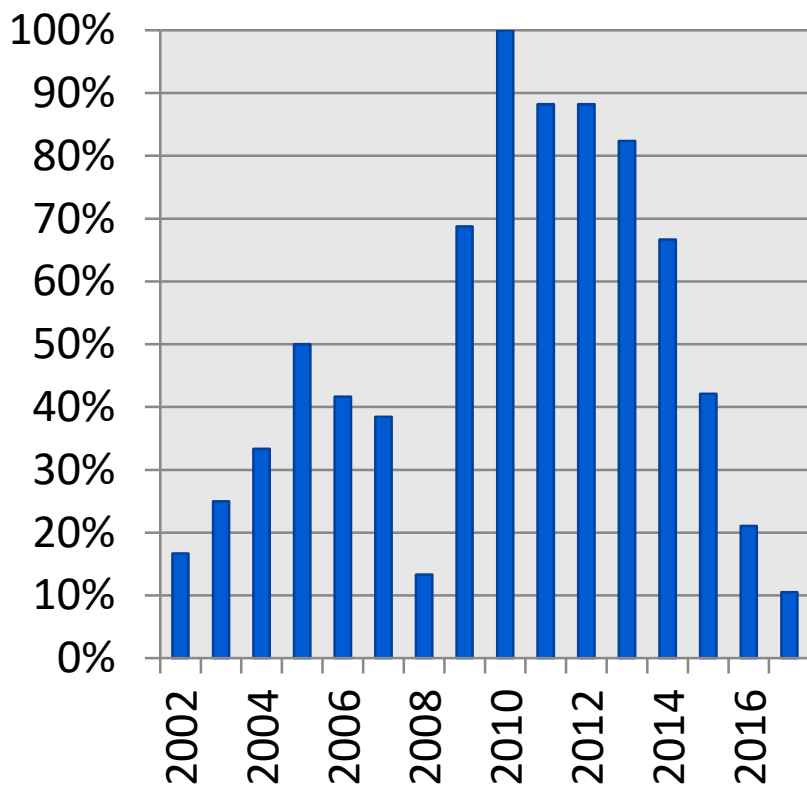
OMFIF conference - London, 24 April 2018

François VILLEROY de GALHAU, Governor of the Banque de France



# BUDGETARY SURVEILLANCE IS INSUFFICIENT WHEN THE EA IS IMPACTED BY A SYMMETRIC SHOCK

Share of EA member states with a excessive deficit

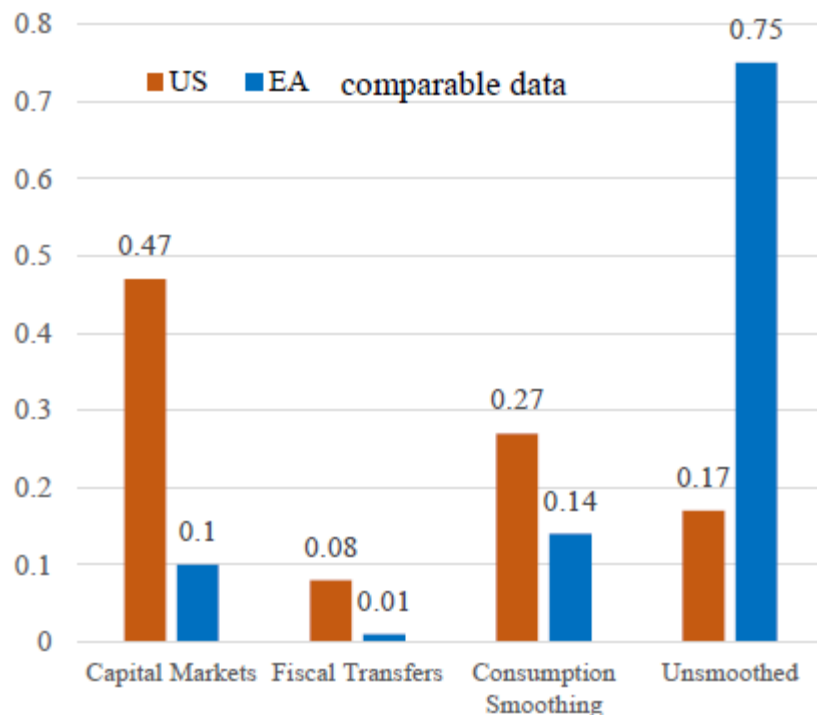


- Between 2011 and 2013 where budgetary surveillance led to procyclical adjustment, Banque de France has estimated that:
  - the cost of lack of coordination of fiscal policy in terms of growth was between **0.8 and 1.9 GDP point**
  - the combined cost of the lack of coordination of fiscal and structural policies ranges between **2 and 3 GDP points**

Source : BdF's Bulletin, May/June 2017

# INSUFFICIENT RISK SHARING IN THE EURO AREA

## Shock absorption in the US vs. Euro area : income and consumption-smoothing (comparable data; average breakdown in 1998-2013)



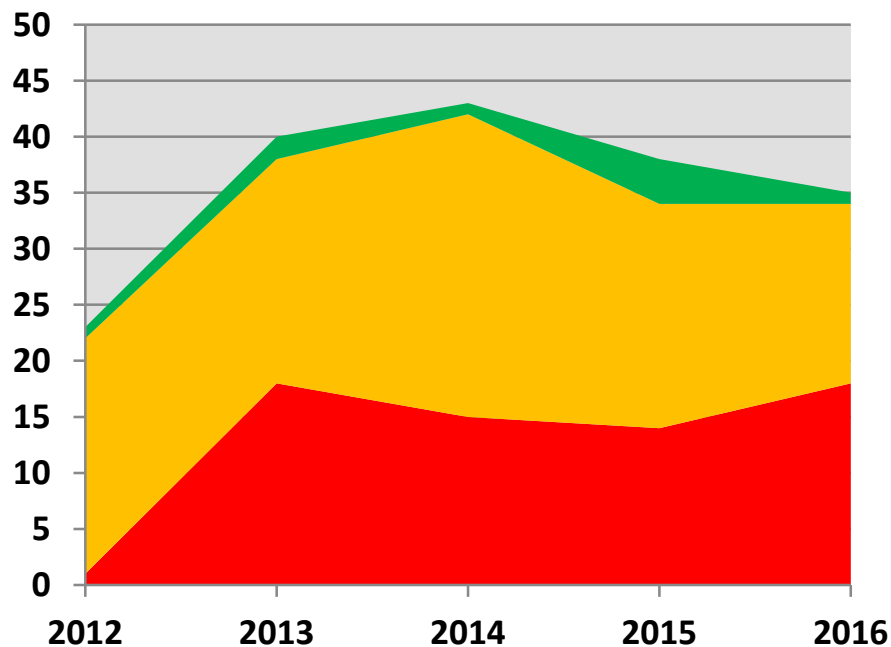
- The capital market channel plays a much larger role in the US than in the EA
- A large part of the shock remains unsmoothed in the euro area
- Consumption smoothing (essentially personal savings) accounts for 30% of shock absorption in the US

Source: Authors' calculations in Alcidi C. D'imperio P. and Thirion G. (2017), « Risk-sharing and consumption-smoothing patterns in the US and the euro area: a comprehensive comparison », CEPS Working document n° 2017/04, May

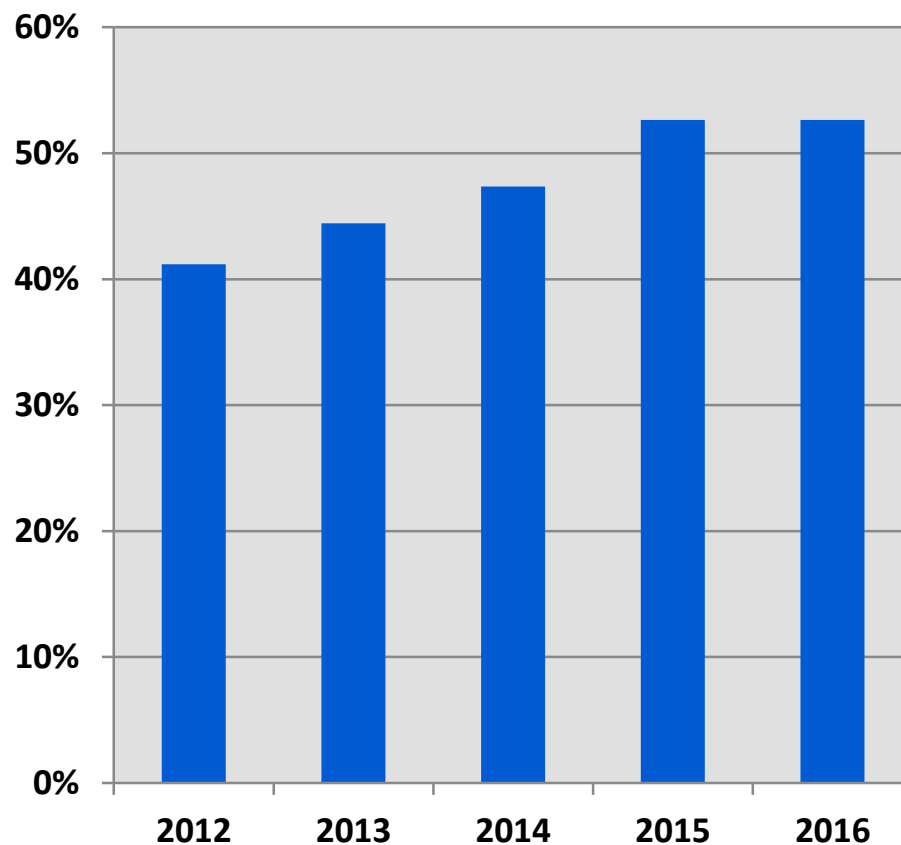
# IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS WITHIN THE EURO AREA

## Implementation of CSR (MIP) (euro area, number of CSR)

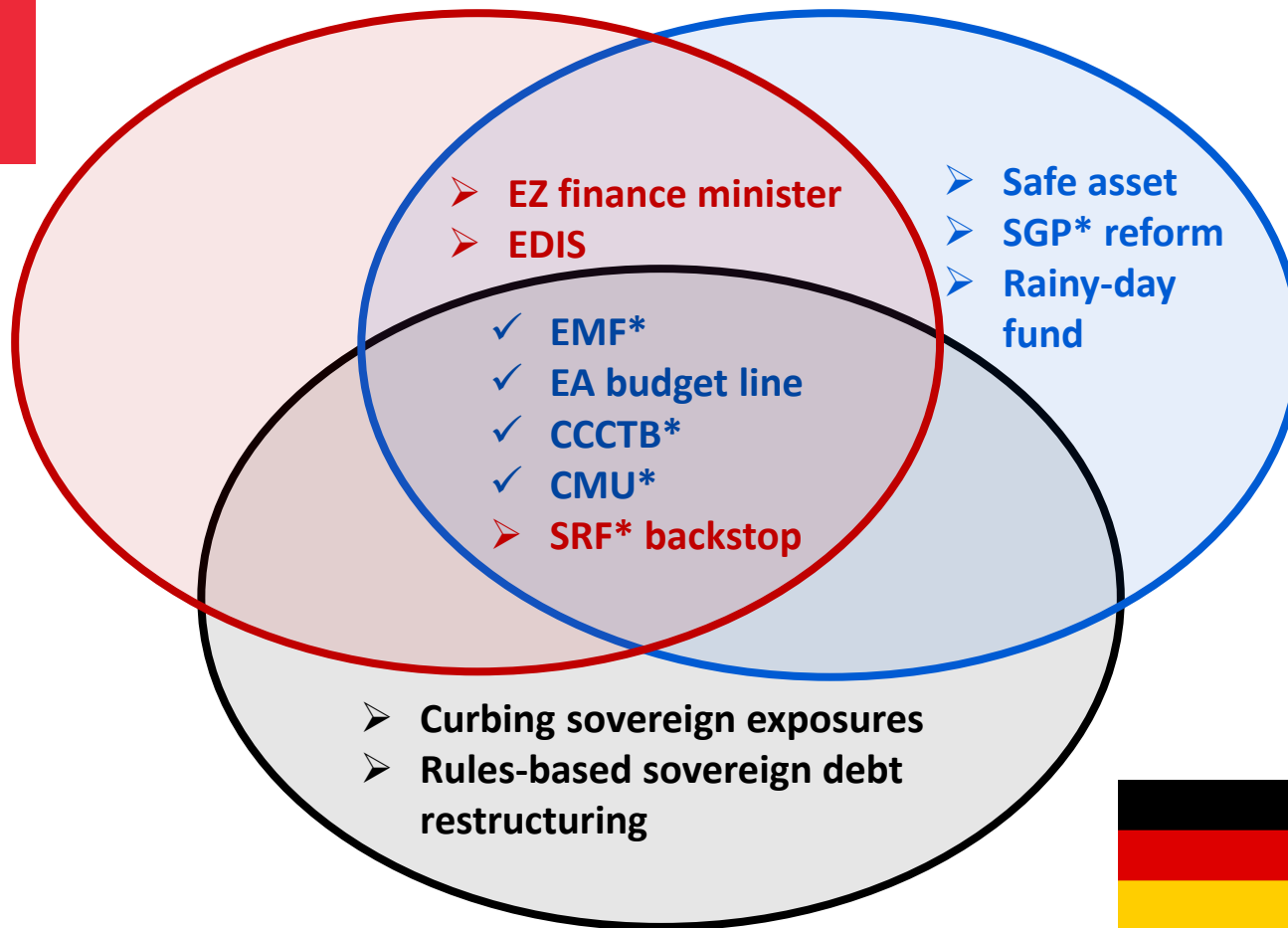
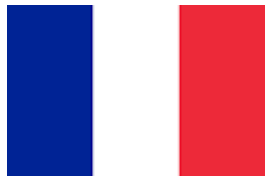
- Substantial progress
- Some progress
- Limited progress/no progress



## Share of euro area member states concerned by MIP CSR



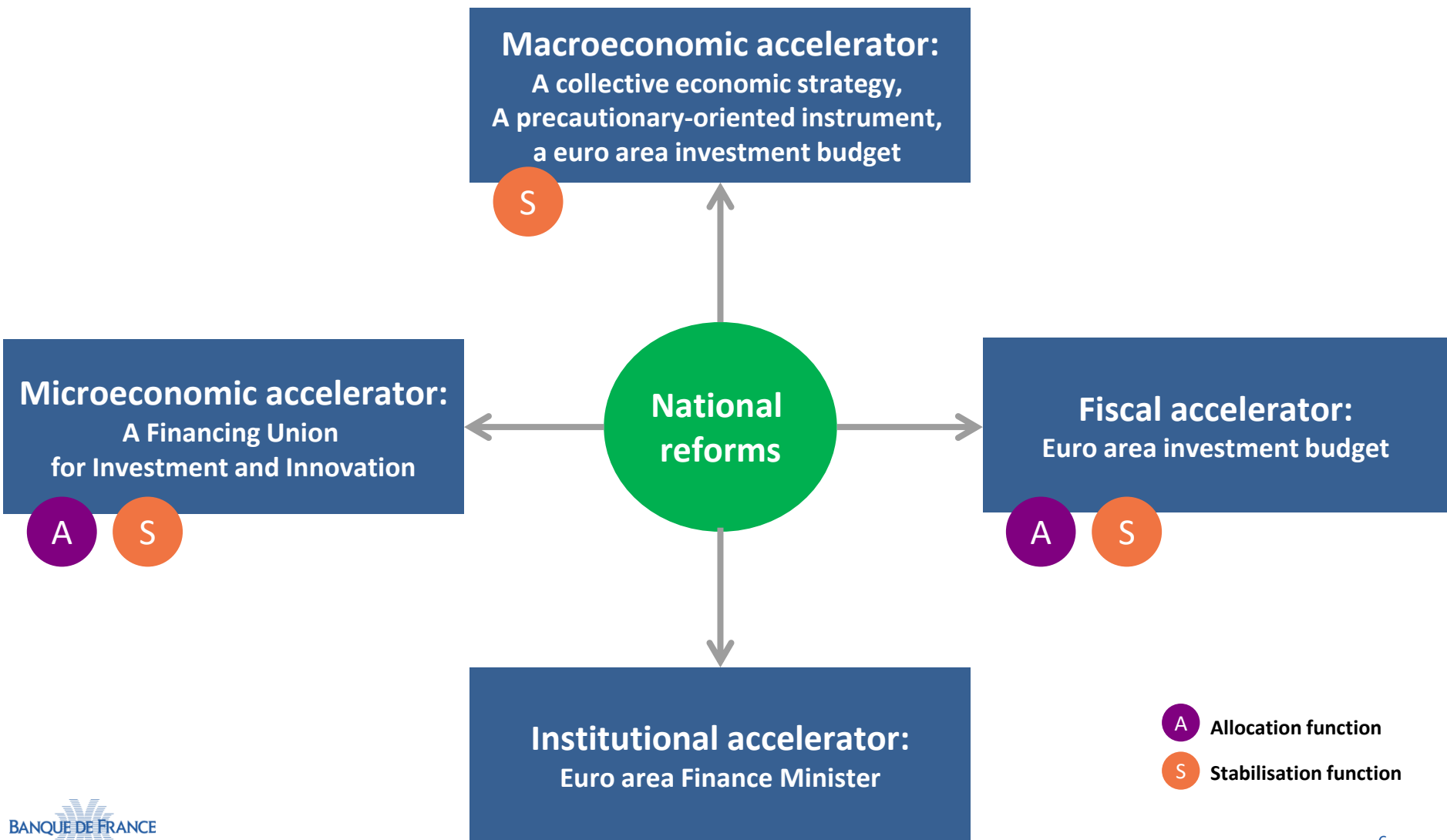
# IMF VIEW WITH A POLITICAL ECONOMY PERSPECTIVE



\*EMF: European Monetary Fund  
CCCTB: Common Consolidated Corporate Tax Base  
CMU : Capital Markets Union

SRF: Single Resolution Fund  
SGP: Stability and Growth Pact

# FOUR ACCELERATORS OF THE ECONOMIC UNION





# A FINANCING UNION FOR INVESTMENT AND INNOVATION

