

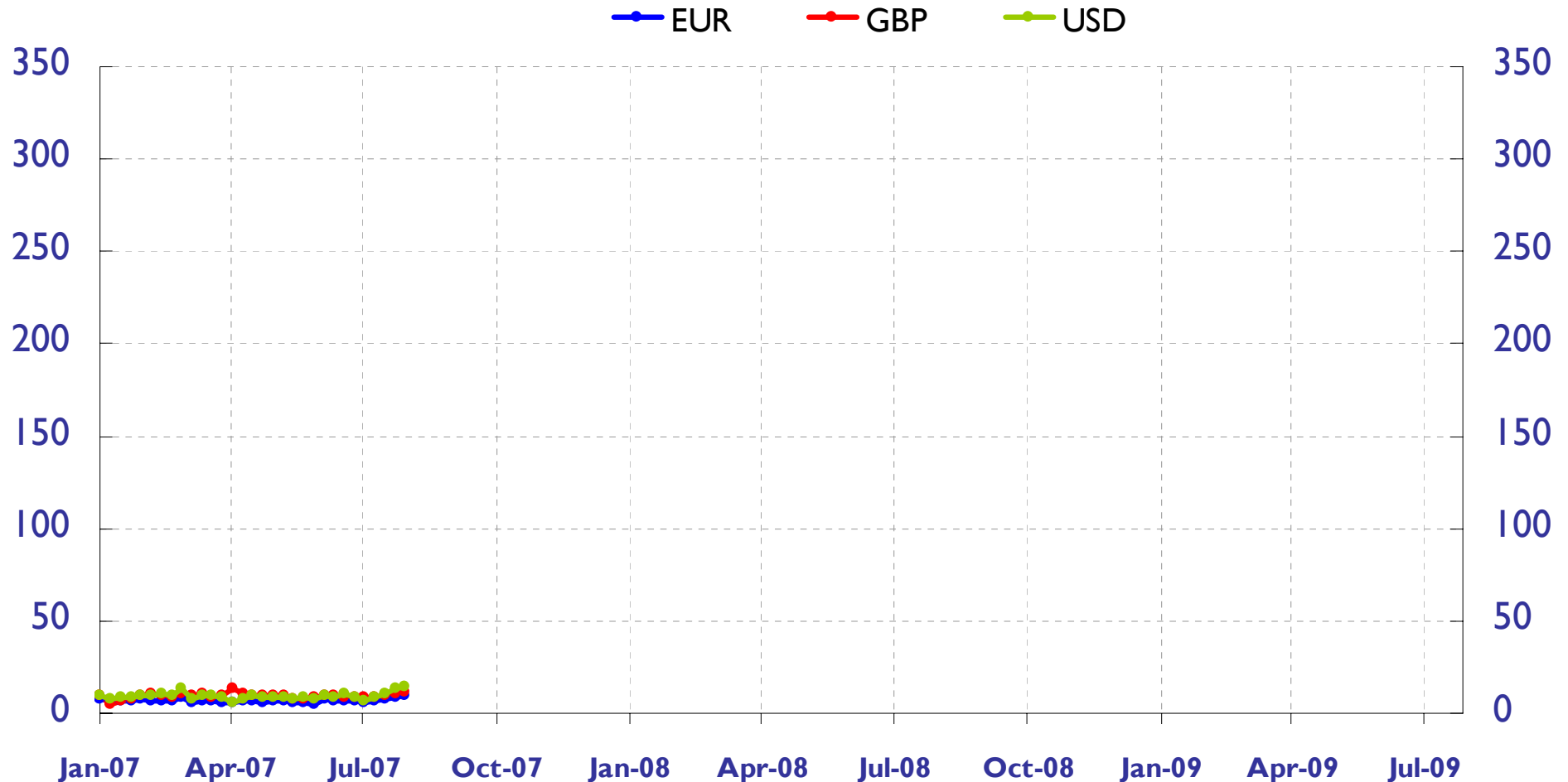
# **The ECB's Enhanced Credit Support**

**Jean-Claude Trichet**

**President of the European Central Bank**

**University of Munich, 13 July 2009**

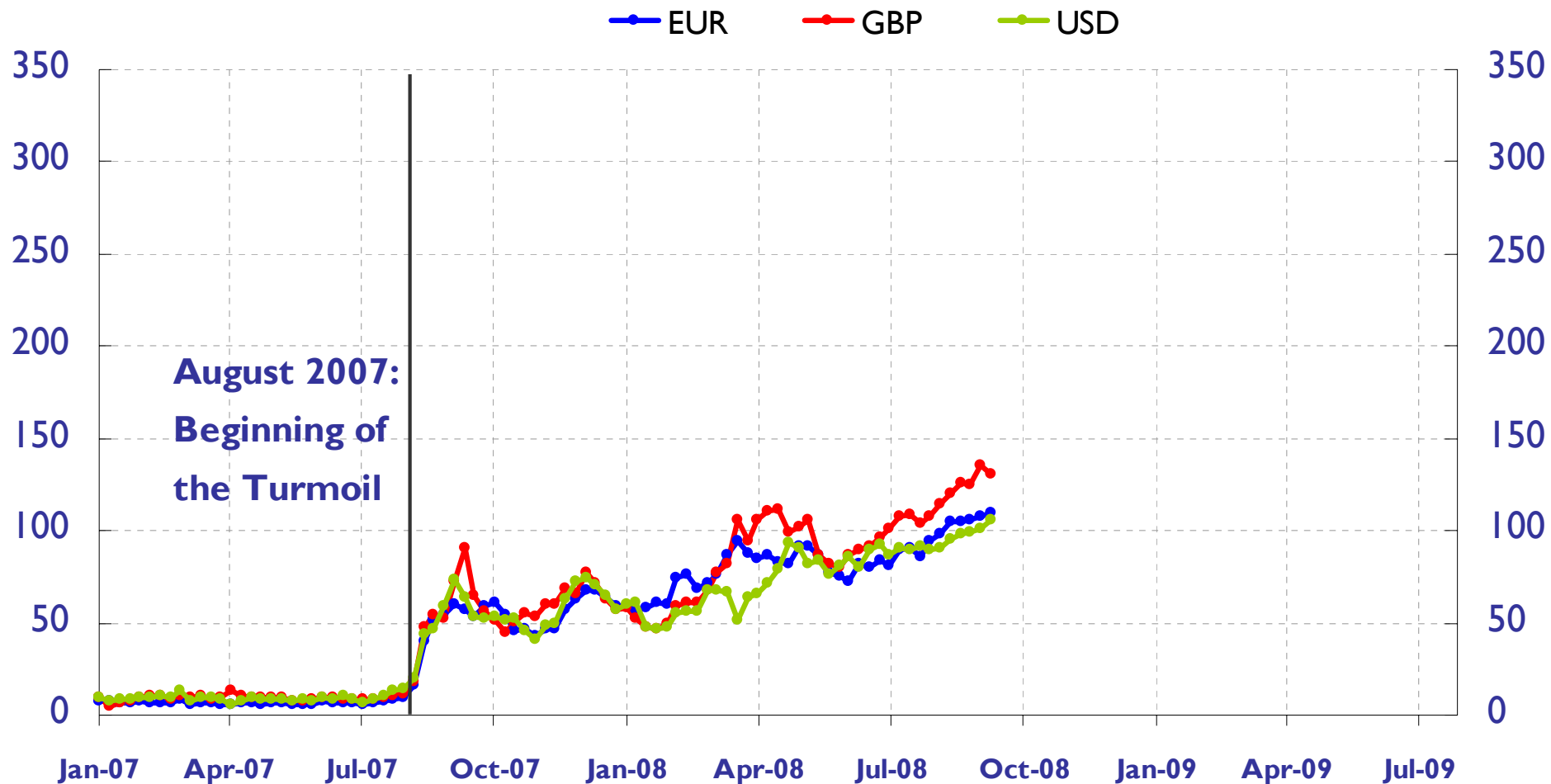
# Interbank market spreads



Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

Source: Bloomberg and ECB's calculations.

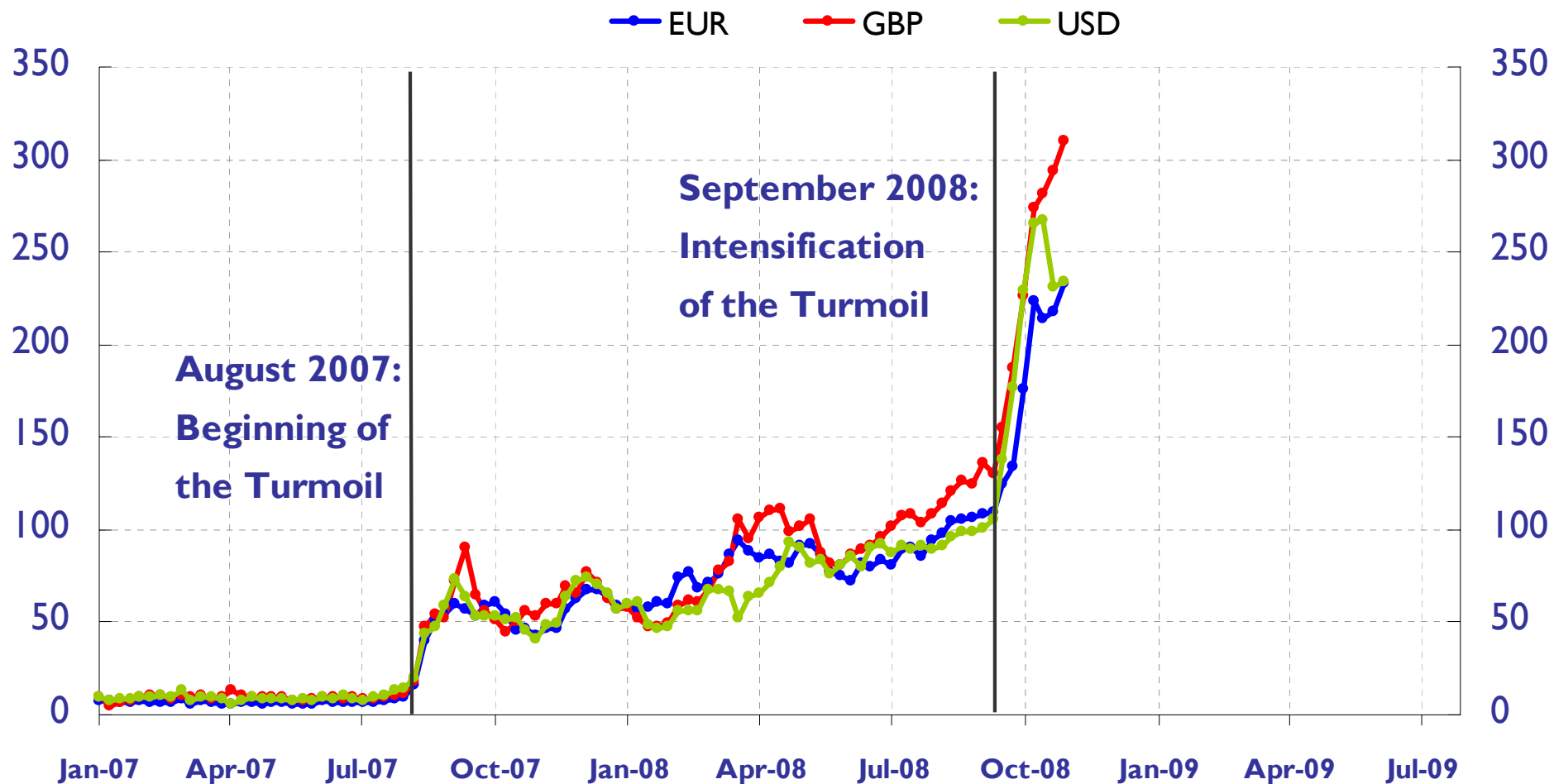
# Interbank market spreads



Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

Source: Bloomberg and ECB's calculations.

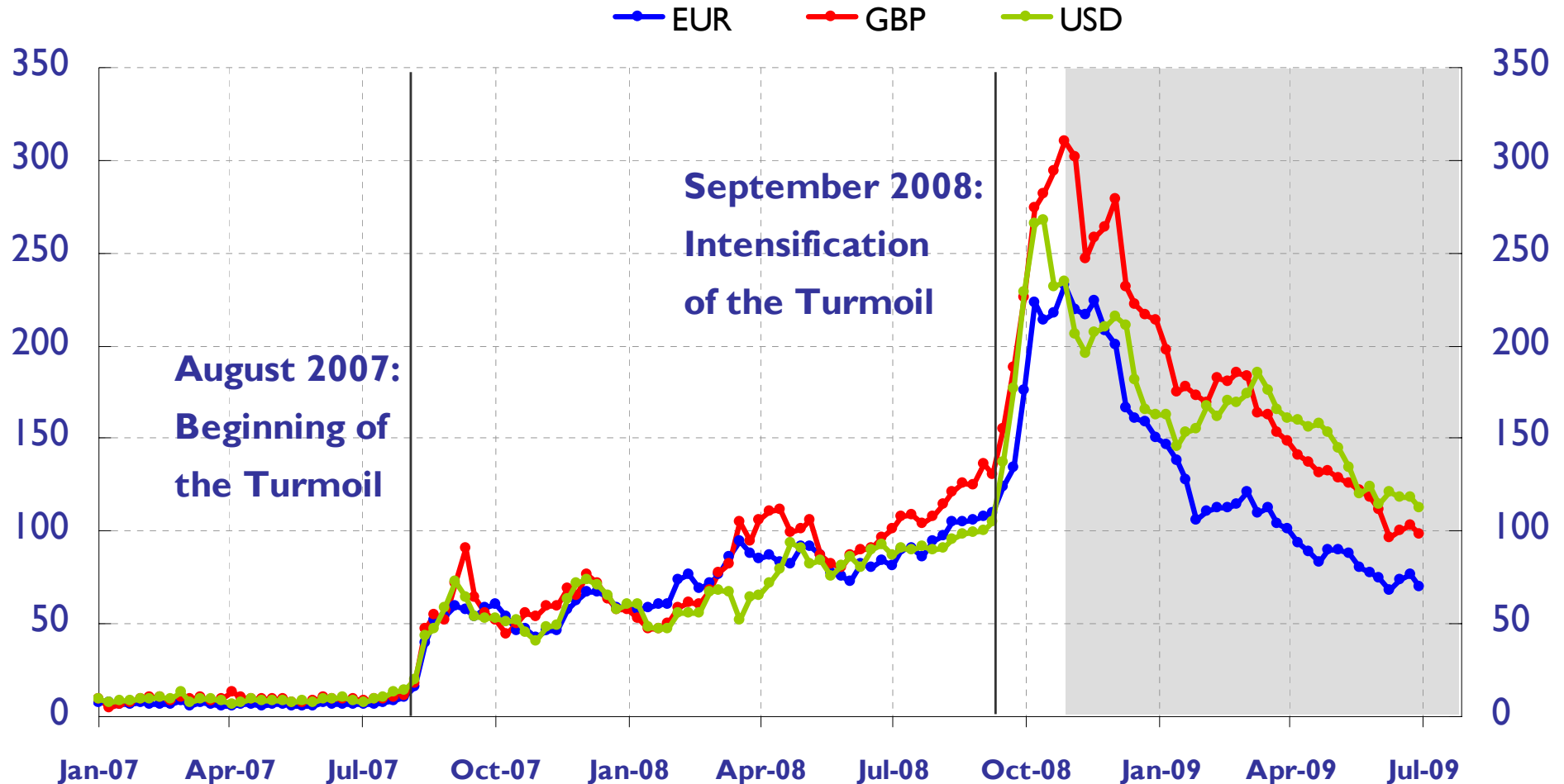
# Interbank market spreads



Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

Source: Bloomberg and ECB's calculations.

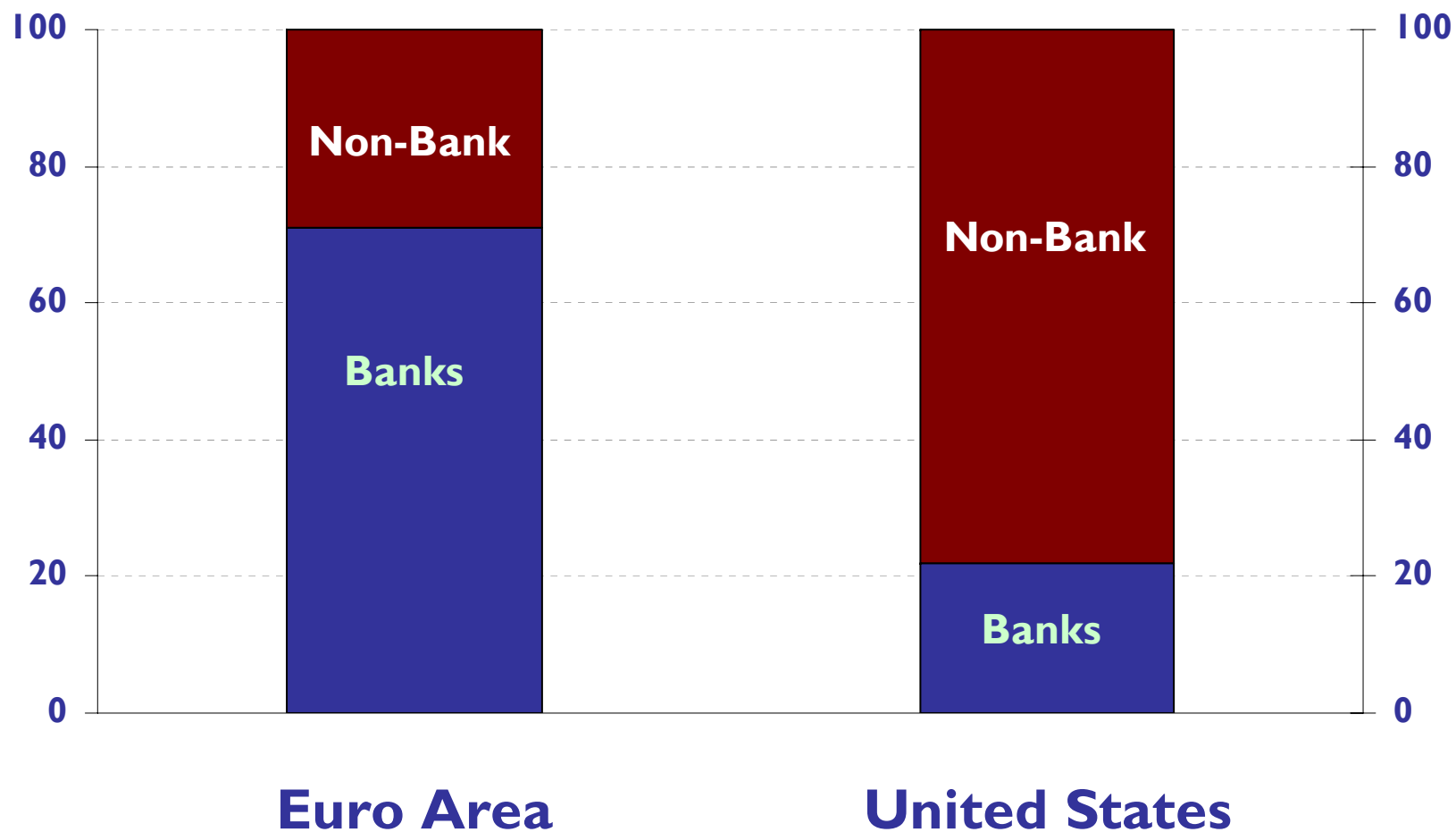
# Interbank market spreads



Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

Source: Bloomberg and ECB's calculations.

# Sources of finance for corporations



Note: Breakdown of the sources of external financing of non-financial corporations, in percent, average 2004 – 2008

Source: ECB Monthly Bulletin, April 2009

# Selected monetary policy indicators

	<b>Euro Area</b>	<b>United States</b>
<b>Policy rate</b>	<b>1.00</b>	<b>0.00 – 0.25</b>
<b>Interbank rates</b>		
- <b>Unsecured rate (12-month)</b>	<b>1.64</b>	<b>1.73</b>
- <b>Unsecured-secured spread</b>	<b>0.70</b>	<b>1.24</b>
<b>Bank rates (long-term)</b>	<b>3.99</b>	<b>3.52</b>
<b>Credit premium (BBB spread)</b>	<b>2.22</b>	<b>2.59</b>

**Note:** Data in percent; average May-June 2009. Unsecured rate: 12-month Euribor/Libor; secured rate: 12-month swap. The BBB spread is the difference between the BBB- and AA-rated 10-year corporate bond yields (composite index). Bank rates refer to May 2009. Source: Bloomberg and ECB's calculations.

# The ECB's enhanced credit support

**Set of primarily bank-based measures to enhance the flow of credit beyond the standard interest rate channel**

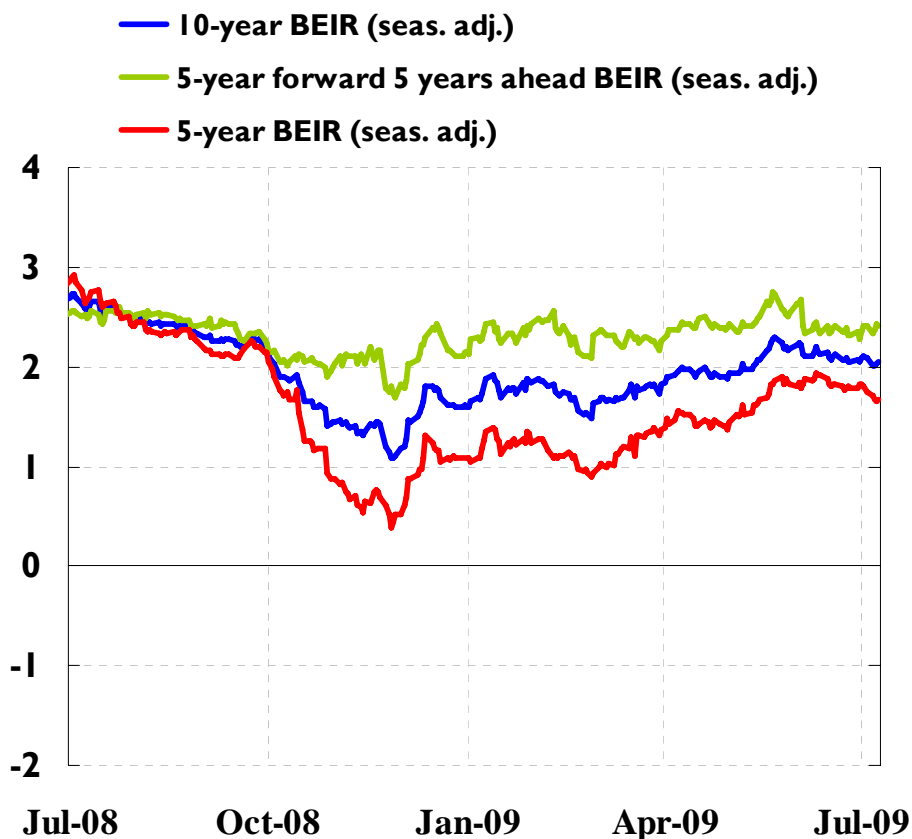
- Fixed-rate full-allotment
- Expansion of collateral
- Longer-term liquidity provision
- Liquidity provision in foreign currencies
- Financial market support through purchases of covered bonds

# Conclusions

- **Enhanced credit support is in full continuity of the mission of the ECB that started 10 years ago**
- **Responses can be bold, but need to keep medium-term orientation to maintain confidence at all levels**
- **ECB: anchor of stability and confidence in challenging times**

# Solid anchoring of expectations

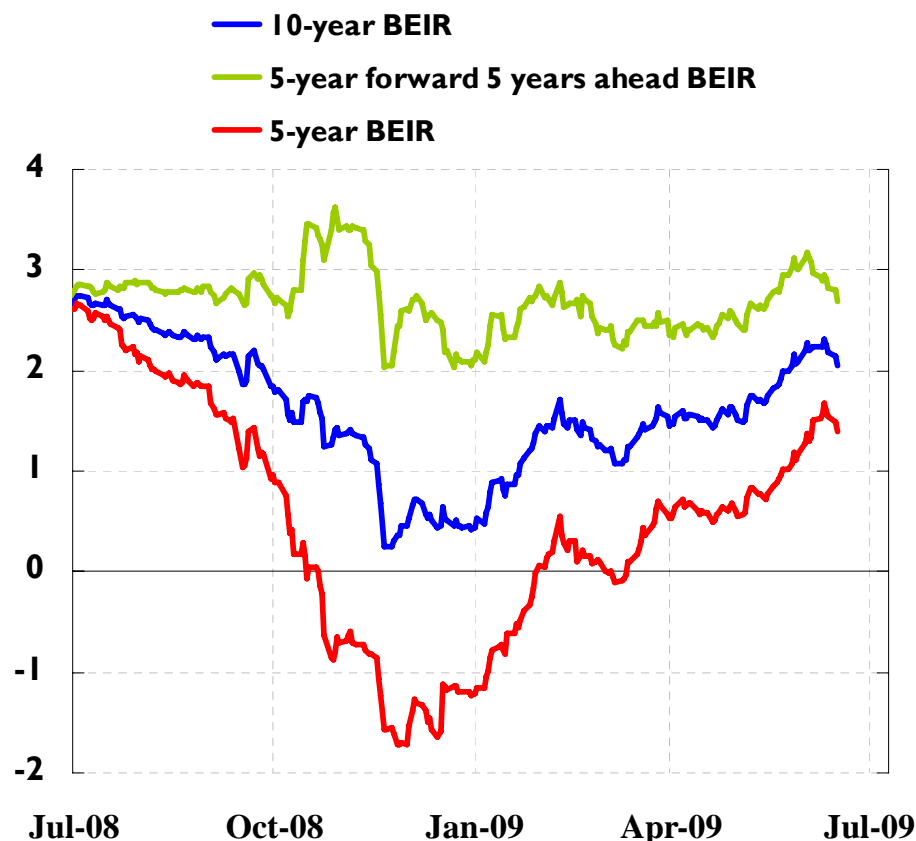
## Euro area



Note: Data in percent; Last observation 9 July 2009

Source: Reuters, ECB Calculations.

## United States



Note: Data in percent; Last observation 16 June 2009

Source: US Federal Reserve.

# **The ECB's Enhanced Credit Support**

**Jean-Claude Trichet**

**President of the European Central Bank**

**University of Munich, 13 July 2009**