SPEECH

# Opening remarks

## Welcome address by Philip R. Lane, Member of the Executive Board of the ECB, at the Joint ECB-IMF-IMFER Conference 2024

*Frankfurt am Main, 23 July 2024*

I am pleased to welcome you to this research conference, jointly organised by the European Central Bank, the International Monetary Fund (IMF) and the IMF Economic Review. The focus of this conference on new global challenges for international fiscal and monetary policy is directly relevant to the work of the ECB. Policy institutions rely on academic research for the analytical foundations that guide our economic and financial assessments and our policy decisions[1].

In looking at the programme for this conference, I was impressed by the progress that is evident across several research dimensions. The combination of methodological developments and the increased availability of granular data is facilitating much richer analysis and more informative quantitative estimation of the impact of various types of shocks and, crucially, the impact of various types of policy measures.[2] In particular, it is increasingly feasible to move beyond representative-agent, representative-product macroeconomic models by incorporating various types of heterogeneity.

Heterogeneity matters across many dimensions – I will list just a few examples. The consumption and labour supply decisions of households differ across income brackets and lifecycle stages.[3] The pricing, investment, production and financing decisions of corporations depends on the size distribution and balance sheets of individual firms. The exposure of a firm to a sectoral shock depends on the patterns of complementarities and substitution possibilities across sectors, in addition to where the firm is located in the production network – whether it is upstream or downstream of the affected sector.[4] The vulnerability of a region to an external shock depends not only on direct trade linkages but also on exposures via integrated supply chains. Similarly, the impact of a financial shock depends on the nature of the frictions that determine access to finance, together with the network of bilateral financial linkages that lie beneath the international financial system. Of course, any individual research contribution will have to focus on the types of heterogeneity that are most relevant for the question being studied – not all types of heterogeneity are equally important for all shocks.

From my perspective, it is essential that the ECB both supports these research developments and incorporates the emerging insights into the policy process. In terms of macroeconomic analysis, a range of multi-sectoral, multi-country and heterogeneous-agent models are in development at the ECB.[5]

In terms of the information set that forms the basis for our monetary policy meetings, surveys are playing an increasingly prominent role. Typically, these are analysed in combination with bank-level, firm-level and household-level datasets. The surveys conducted by the ECB are central to the policy process: the bank lending survey (BLS); the survey on the access to finance of enterprises (SAFE);

the Household Finance and Consumption Survey (HFCS); the Corporate Telephone Survey (CTS); the Consumer Expectations Survey (CES); the Survey of Monetary Analysts (SMA); and the Survey of Professional Forecasters (SPF).[6] More recently, the European System of Central Banks has developed the Distributional Wealth Accounts, a dataset that provides new experimental quarterly statistics on household wealth.[7]

With respect to wages, the newly-developed ECB wage tracker is based on granular data on collective bargaining agreements, allowing the ECB to interpret the latest signals on developments in wages in the euro area and conduct sectoral analysis that can shed light on the connection between wages and prices.[8] In addition, micro price data can enhance our understanding of how firms set prices.[9] The analytical and policy value of these surveys and granular datasets is increasing in the breadth and credibility of research that provides a guide to understanding the macroeconomic impact of heterogeneity.[10] I am confident that the papers presented at this conference will make a valuable contribution to advancing this exciting research programme.

The wider availability of timely granular information on balance sheets, millions of individual loans and their lending rates (for example in the European AnaCredit credit register) and deposit rates for euro area monetary financial institutions has offered increasingly detailed insights into bank-based transmission. We now have evidence that firm and bank balance sheet constraints can amplify the contraction in credit availability brought about by policy tightening.[11] Access to granular survey data, for example the individual replies to the bank lending survey, also helps disentangle credit supply from demand to understand the transmission of shocks to the real economy via banks.[12] More recently, the availability of security-level data as well as loan- and transaction-level information on banks and firms has further enhanced the analysis of the monetary policy transmission mechanism along several dimensions, including: heterogeneity in the transmission of monetary policy across regions and sectors; the impact of monetary policy on bank risk-taking; and the sources of changes in credit developments.[13][14]

## Annexes

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[Slides](#)

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1.

It is beyond the scope of these opening remarks to review last week's monetary policy meetings. However, a set of background slides are available on the [ECB's website](#).

2.

For instance, see Ferrando, A. and Forti Grazzini, C. (2023), "[Monetary policy shocks and firms' bank loan expectations](#)", *Working Paper Series*, No 2838, ECB; Banbura, M., Bobeica, E. and Martínez

Hernández, C. (2023), "What drives core inflation? The role of supply shocks", *Working Paper Series,* No 2875.

3.

In the euro area, households in the bottom income quintile spend about 50% of their total expenditure on rent, food and utilities, double the expenditure share for households in the top income quintile. See Bobasu, A., di Nino, V. and Osbat, C. (2023), "The impact of the recent inflation surge across households", *Economic Bulletin*, Issue 3, ECB.

4.

Battistini, N. and Gareis, J. (2024), "Sectoral dynamics and the business cycle in the euro area", *Economic Bulletin*, Issue 4, ECB. The role of production networks in monetary policy transmission is also a topic in the European System of Central Banks ChaMP research network ("Challenges for Monetary Policy Transmission in a Changing World"). The network is also working on extending detailed business-to-business production network data to several more euro area countries.

5.

For instance, see Bobasu, A., Dobrew, M. and Repele, A. (2024), "Energy price shocks, monetary policy and inequality" (forthcoming in the ECB's Working Paper Series); Ciccarelli, M., Darracq Pariès, M., Priftis, R. (eds) (2024): ECB macroeconometric models for forecasting and policy analysis, *Occasional Paper Series*, No 344.

6.

Regarding the Corporate Telephone Survey, see Healy, P., Kuik, F., Morris, R. and Slavík, M. (2024), "Main findings from the ECB's recent contacts with non-financial companies", *Economic Bulletin*, Issue 3, ECB. Regarding the Consumer Expectations Surveys, see Bobasu, A., Charalampakis, E. and Kouvavas, O. (2024), "How have households adjusted their spending and saving behaviour to cope with high inflation?", *Economic Bulletin*, Issue 2, ECB; Kouvavas, O. and Rusinova, D. (2024), "How big is the household housing burden? Evidence from the ECB Consumer Expectations Survey", *Economic Bulletin*, Issue 3, ECB; Georgarakos, D., Kouvavas, O., Meyler, A. and Neves, P. (2023), "What do consumers think is the main driver of recent inflation?", *Economic Bulletin*, Issue 6, ECB; Kouvavas, O. and Tsiortas, A. (2024), "Consumer credit: Who's applying for loans now?", *The ECB Blog*, 15 May.

7.

This dataset will be introduced to the public, along with its main features and use cases, in a contribution entitled "Introducing the Distributional Wealth Accounts for euro area households" in the forthcoming issue of the ECB's Economic Bulletin in August 2024.

8.

See Gornicka, L. and G. Koester (eds.) (2024): A forward-looking tracker of negotiated wages in the euro area", *Occasional Paper Series*, No 338; ECB; Bing, M., Holton, S., Koester, G. and Llevadot, M.R.I. (2024), "Tracking euro area wages in exceptional times", *The ECB Blog*, 23 May, and Ampudia, M. Lombardi, M. J. and Renault, T. (2024), "The wage-price pass-through across sectors: evidence from the euro area," *Working Paper Series,* No 2948, ECB.

9.

Dedola, L., Henkel, L., Höynck, C., Osbat, C., Santoro, S. (2024), "What does new micro price evidence tell us about inflation dynamics and monetary policy transmission?," *Economic Bulletin*, Issue 3, ECB.

10.

Baumann, U., Ferrando, A., Georgarakos, D., Gorodnichenko, Y. and Reinelt, T. (2024), "SAFE to update inflation expectations? New survey evidence on euro area firms", *Working Paper Series*, No 2949, ECB, June; Durante, E., Ferrando, A. and Vermeulen, P. (2022), "Monetary policy, investment and firm heterogeneity", *European Economic Review*, Vol. 148, September.

11.

Altavilla, C., Burlon, L., Holton, S., and Giannetti M., (2022) Is there a zero lower bound? The effects of negative policy rates on banks and firms, *Journal of Financial Economics*, Vol. 144, No 3, June, pp. 885-907; Holton, S. and Rodriguez d'Acri, C. (2018), "Interest rate pass-through since the euro area crisis", *Journal of Banking & Finance*, Vol. 96, November, pp. 277-291; Altavilla, C., Canova, F. and Ciccarelli, M. (2020), "Mending the broken link: Heterogeneous bank lending rates and monetary policy pass-through", *Journal of Monetary Economics*, Vol. 110, April, pp. 81-98; Albertazzi, U., Burlon, L., Jankauskas, T. and Pavanini, N. (2022), "The Shadow Value of Unconventional Monetary Policy", *CEPR Discussion Paper*, No 17053, 20 February; Altavilla, C., Boucinha, M. and Peydró, J.-L. (2018), "Monetary policy and bank profitability in a low interest rate environment", *Economic Policy*, Vol. 33, No 96, pp. 531-586. And the ESCB ChaMP network is further deepening this type of analysis, exploiting for example the European AnaCredit database and national credit registers.

12.

Altavilla, C., Boucinha, M., Holton, S. and Ongena, S. (2021), "Credit Supply and Demand in Unconventional Times", *Journal of Money, Credit and Banking*, Vol. 53, No 8, December, pp. 2071-2098; Faccia, D., Hünnekes, F. and Köhler-Ulbrich, P. (2024), "What drives banks' credit standards? An analysis based on a large bank-firm panel", *Working Paper Series*, No 2902, ECB, February.

13.

Amador, S. and Elfsbacka-Schmöller, M. (2024): "Monetary Policy, Growth, and Sectoral Reallocation", mimeo.

14.

Albertazzi, U., Becker, B. and Boucinha, M. (2021), "Portfolio rebalancing and the transmission of large-scale asset purchase programs: Evidence from the Euro area", *Journal of Financial Intermediation*, Vol. 48, October; Koijen, R.S.J., Koulischer, F., Nguyen, B. and Yogo, M. (2017), "Euro-Area Quantitative Easing and Portfolio Rebalancing", *American Economic Review*, Vol. 107, No 5, pp. 621-627; Altavilla, C., Gürkaynak, R. and Quaedvlieg, R. (2024), "Macro and Micro of External Finance Premium and Monetary Policy Transmission", *Journal of Monetary Economics*, forthcoming; Barbiero, F., Burlon, L., Dimou, M. and Toczynski, J. (2024), "Targeted monetary policy, dual rates and bank risk taking", *European Economic Review*, forthcoming; Altavilla, C., Laeven, L. and Peydró, J.-L. (2020), "Monetary and Macroprudential Policy Complementarities: evidence from European credit registers", *CEPR Discussion Paper*, No 15539, 11 December; Battistini, N., Falagiarda, M., Hackmann, A. and Roma, M. (2022), "[Navigating the housing channel of monetary policy across euro area regions](#)", *Working Paper Series*, No 2752, ECB, November.