Beat: Business

Financial Integration in Europe 2015

€ area improved

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USPA NEWS - Financial integration in the euro area has improved steadily and has reached a level close to that before the sovereign debt crisis. Establishment of Banking Union and unconventional monetary policy actions taken by the ECB are major drivers of the improvement. (Press release ECB)

Financial integration is crucial for restoring efficient credit flows to the real economy. Overall, financial integration in Europe has returned to a level close to that recorded before the sovereign debt crisis, the European Central Bank (ECB) said today in a new report published at a Conference on Financial Integration and Stability held together with the EU Commission in Brussels. The report, produced annually, finds that financial integration in the euro area has made good progress in most market segments and increased in 2014, in comparison with the level recorded in 2013, as measured by the composite indicator on financial integration, FINTEC.

(The acronym FINTEC stands for FINancial INTEgration Composite. The FINTEC consists of standard indicators of all four (money, bond, equity and banking) market segments, and thus reflects the overall development of financial integration. Further explanations provided in the Financial Integration Report.) This progress you can see across the money, bond, and banking market segments, while the picture for the equity market segment is more mixed.

Financial integration improved because of, inter alia, the establishment of the Banking Union, in particular the Single Supervisory Mechanism and the comprehensive assessment of banks that preceded its taking up operations, as well as the Single Resolution Mechanism. Moreover, the series of unconventional monetary policy actions taken by the ECB have helped counter financial fragmentation. The report says it remains crucial to fully implement Banking Union in order to sustain the progress made in financial integration, promote its further development and limit the potential negative side effects of financial fragmentation in a crisis situation.

“European financial integration has improved over the past two years, and that has also been to the benefit of the access to finance by firms. Our measures have reduced financial fragmentation and, since last year, both the level and the dispersion of credit interest rates have been reduced, especially for small and medium-sized enterprises. Much remains to be done to deepen financial integration further. The Capital Markets Union project, launched by the Commission, can make a positive contribution to that goal,“� said Vítor ConstÃ¢ncio, Vice-President of the ECB.

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