



Putting macroprudential policy to work

- NBR / IMF Seminar on Financial Stability Issues -

Prof. dr. Paul Hilbers

Financial Stability, De Nederlandsche Bank, and Nyenrode Business University

15 november 2018

DeNederlandscheBank

EUROSYSTEEM

Agenda

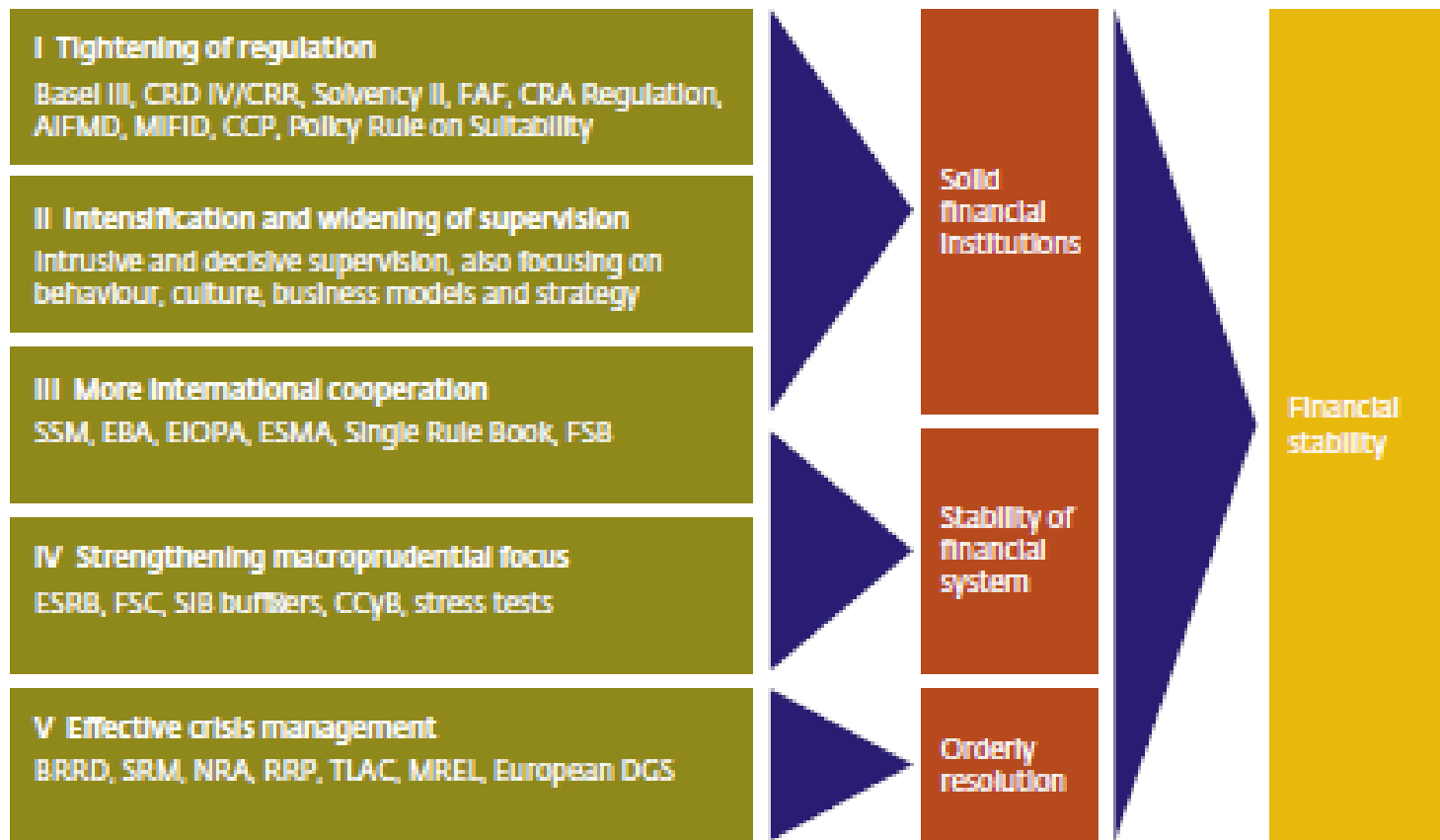
1. Organisation of macroprudential policy
2. Identification of systemic risks
3. Operationalisation of instruments
4. Evaluation of effects and unintended consequences

1. Organisation

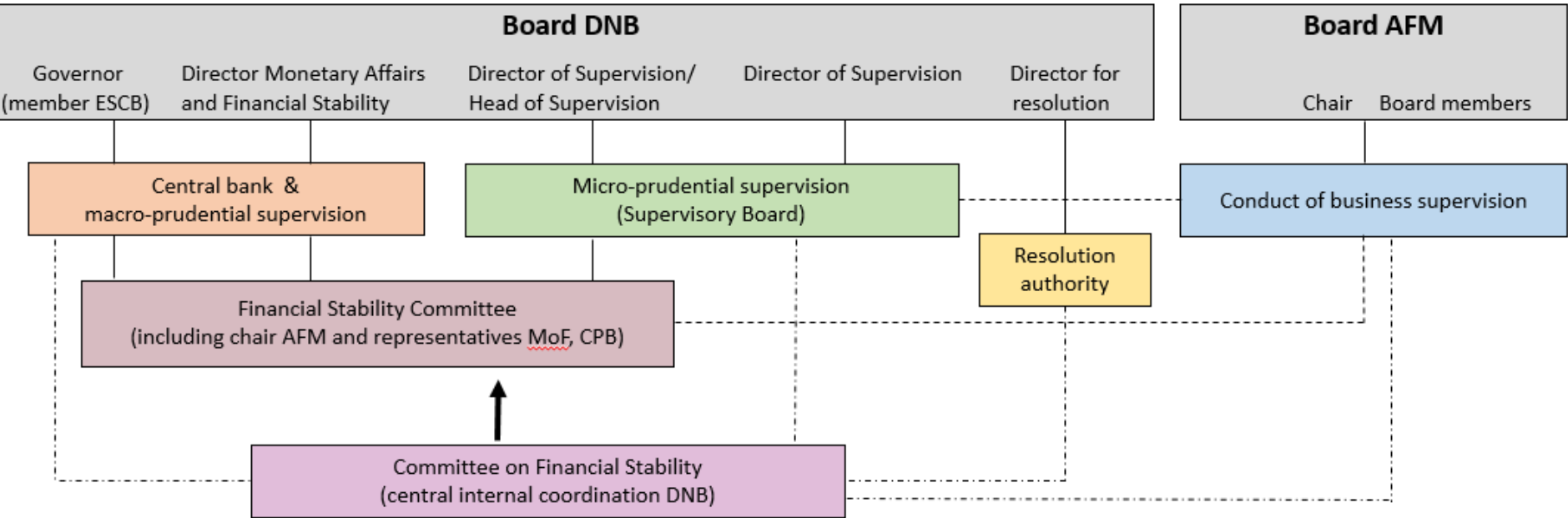
- The Asian crisis (1997/1998) → IMF FSAP-programme.
- Only after the global financial crisis, macroprudential policy has been fully recognized as a separate pillar for financial stability
 - Setting-up specialized divisions / departments
 - Semi-annual financial stability reviews
 - Explicit legal basis
 - Creation of macroprudential committees
 - Macroprudential instruments

Dimensions of financial stability

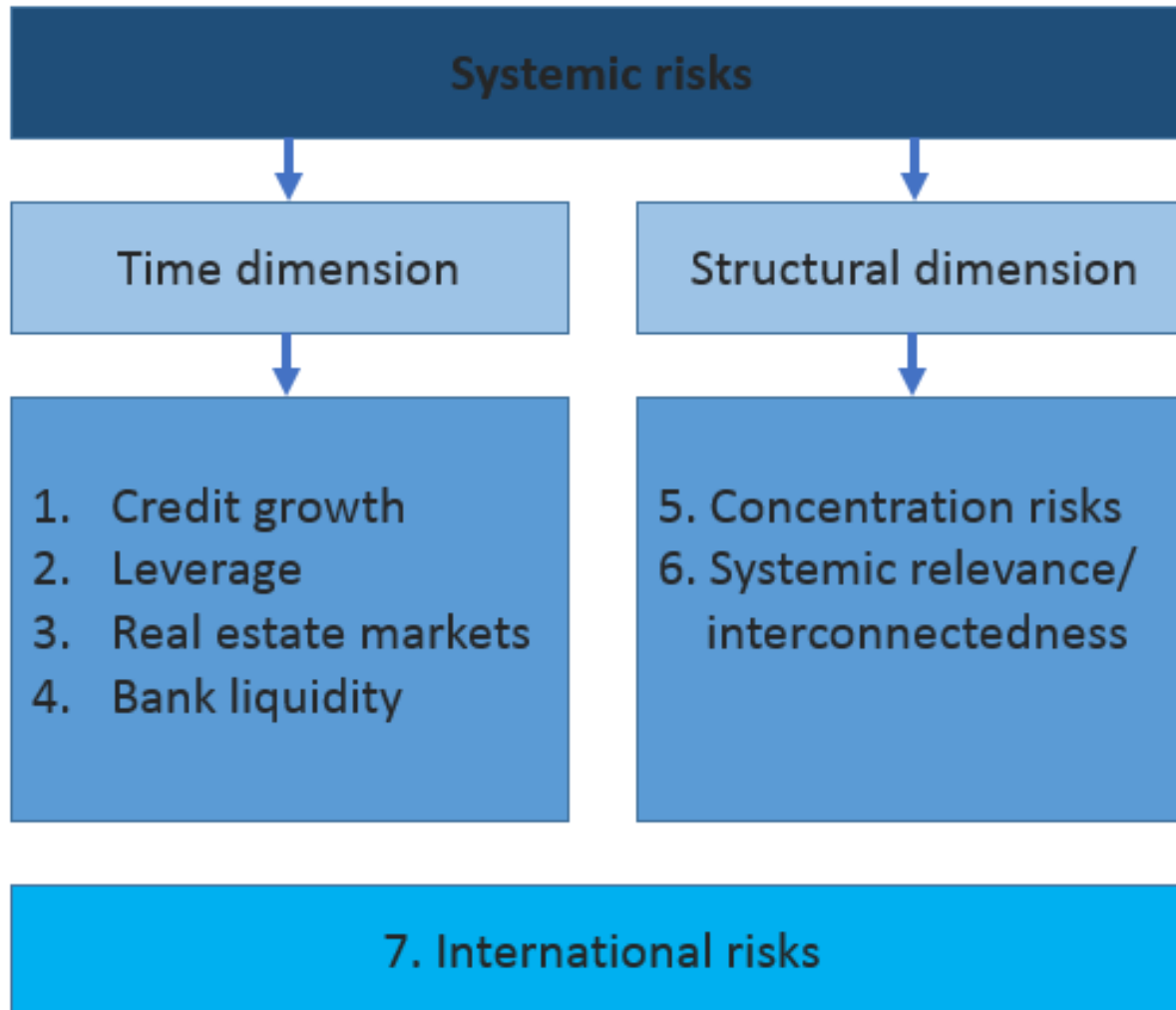
Figure Reforms support financial stability



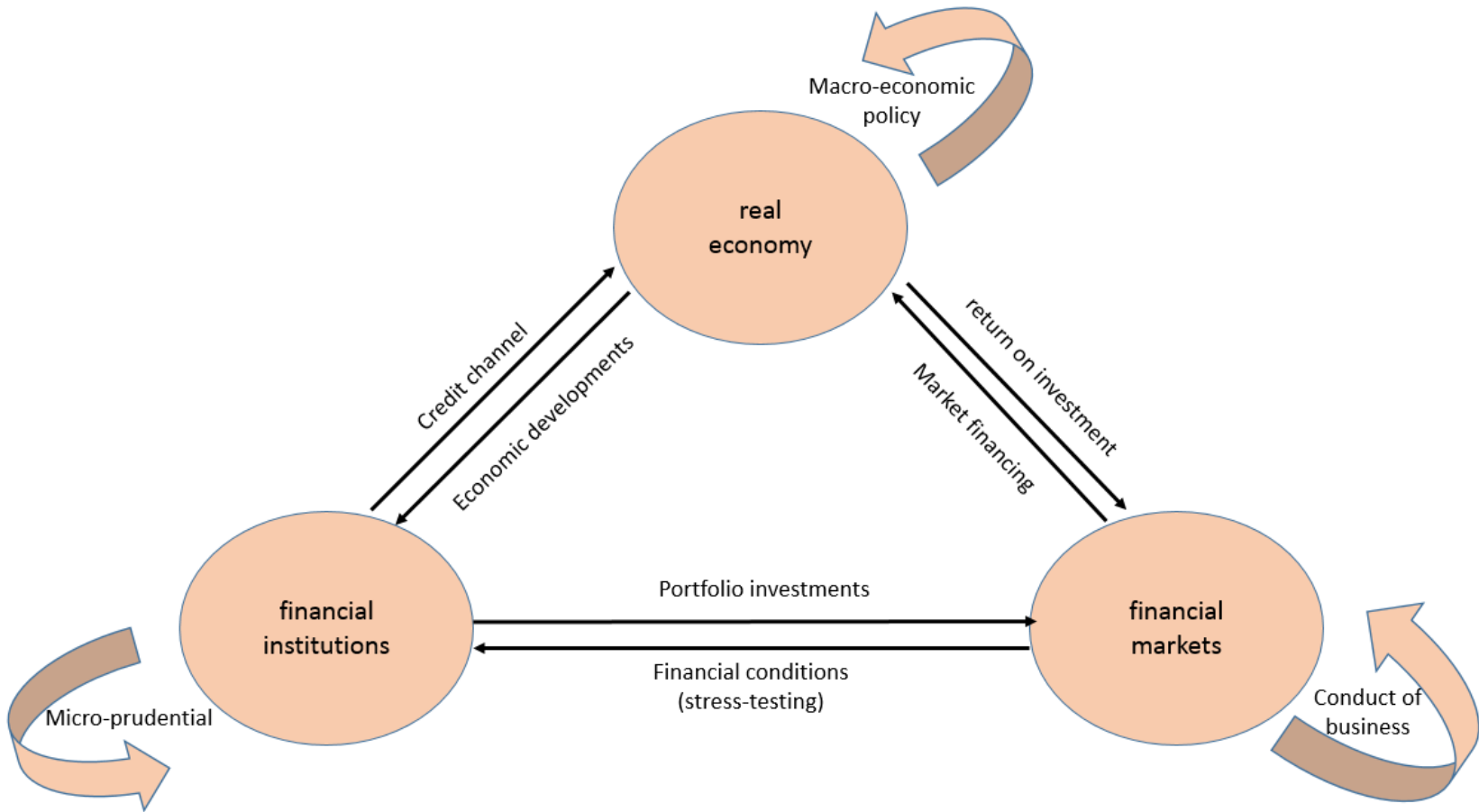
Governance within DNB



2. Identification of systemic risks

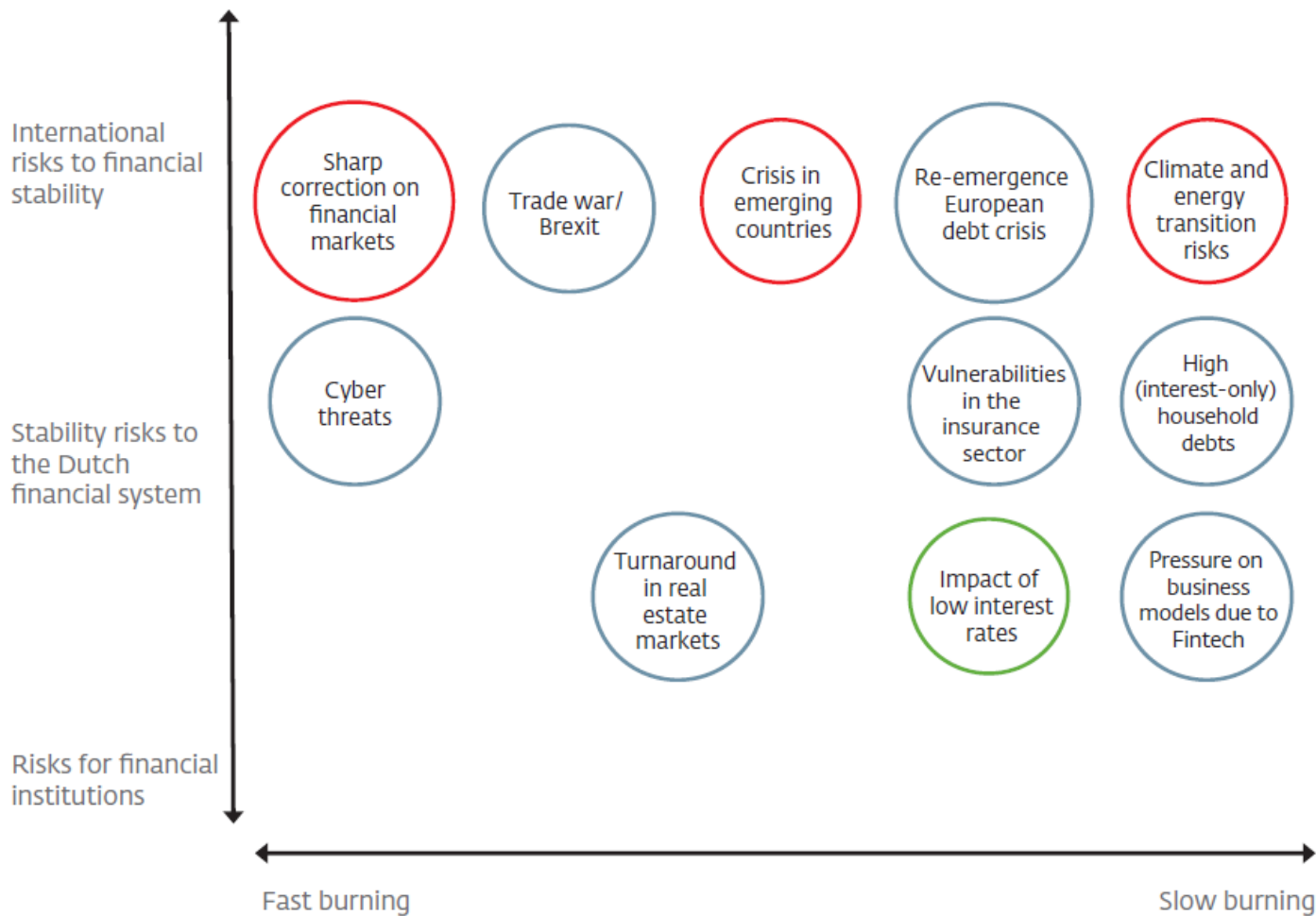


Macroprudential policy: key linkages



Financial stability risks

Risk map



3. Operationalisation

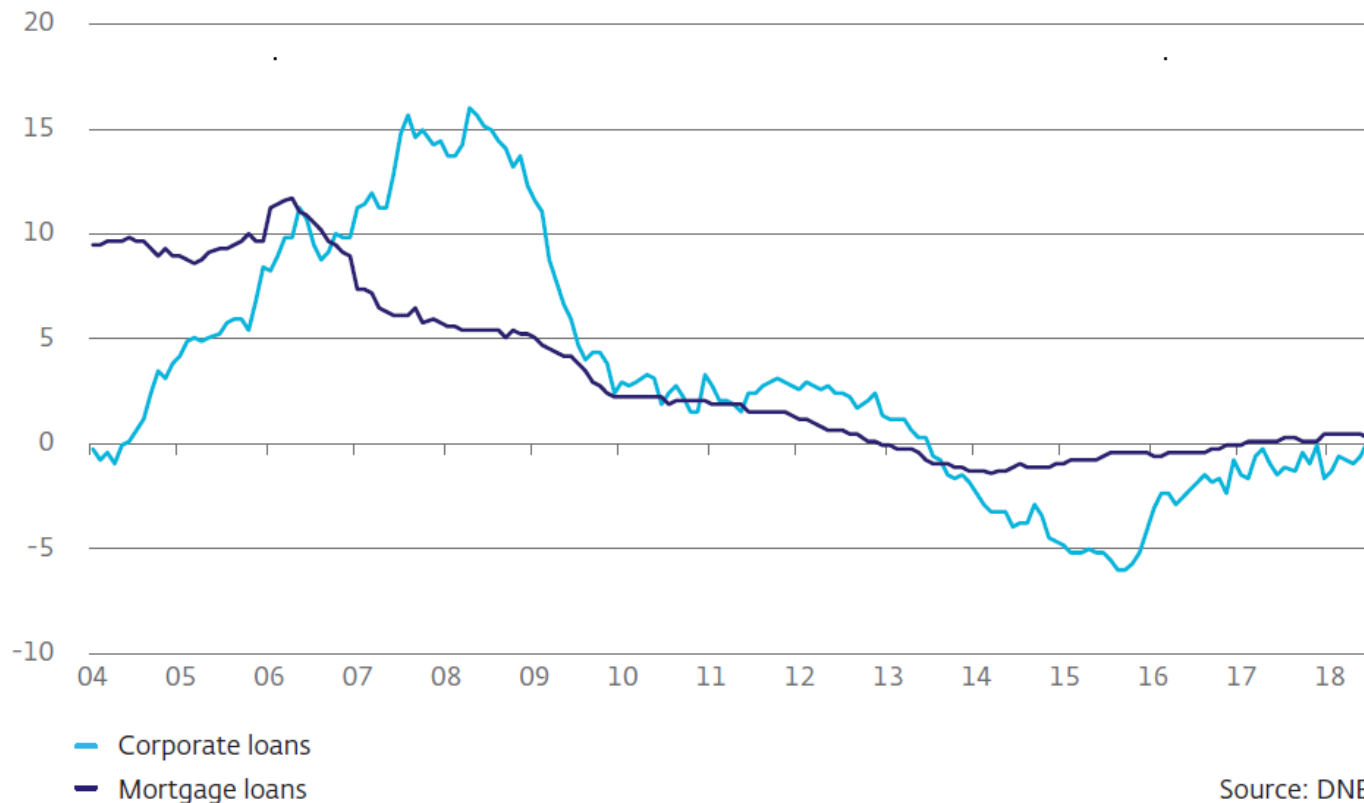
Macroprudential toolkit:



Credit growth

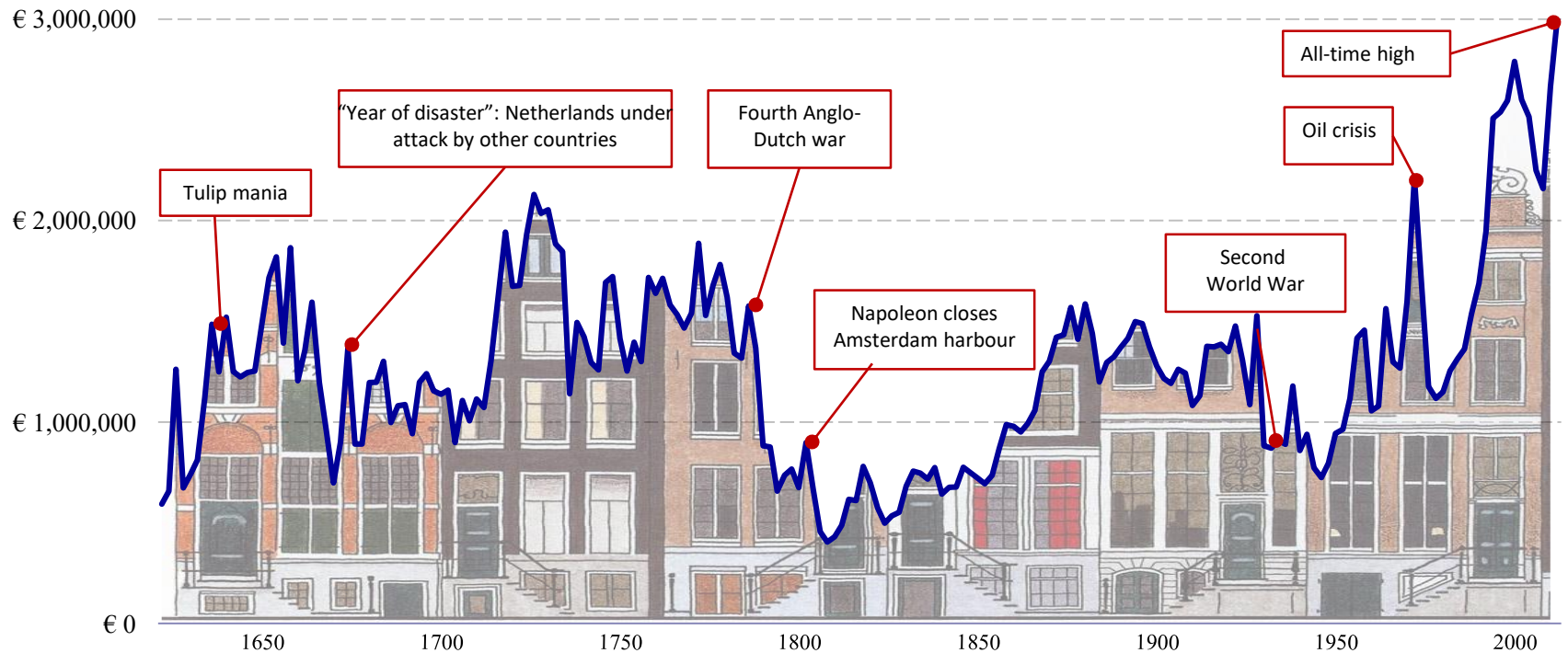
Bank lending to corporations and households

Year-on-year percentage change



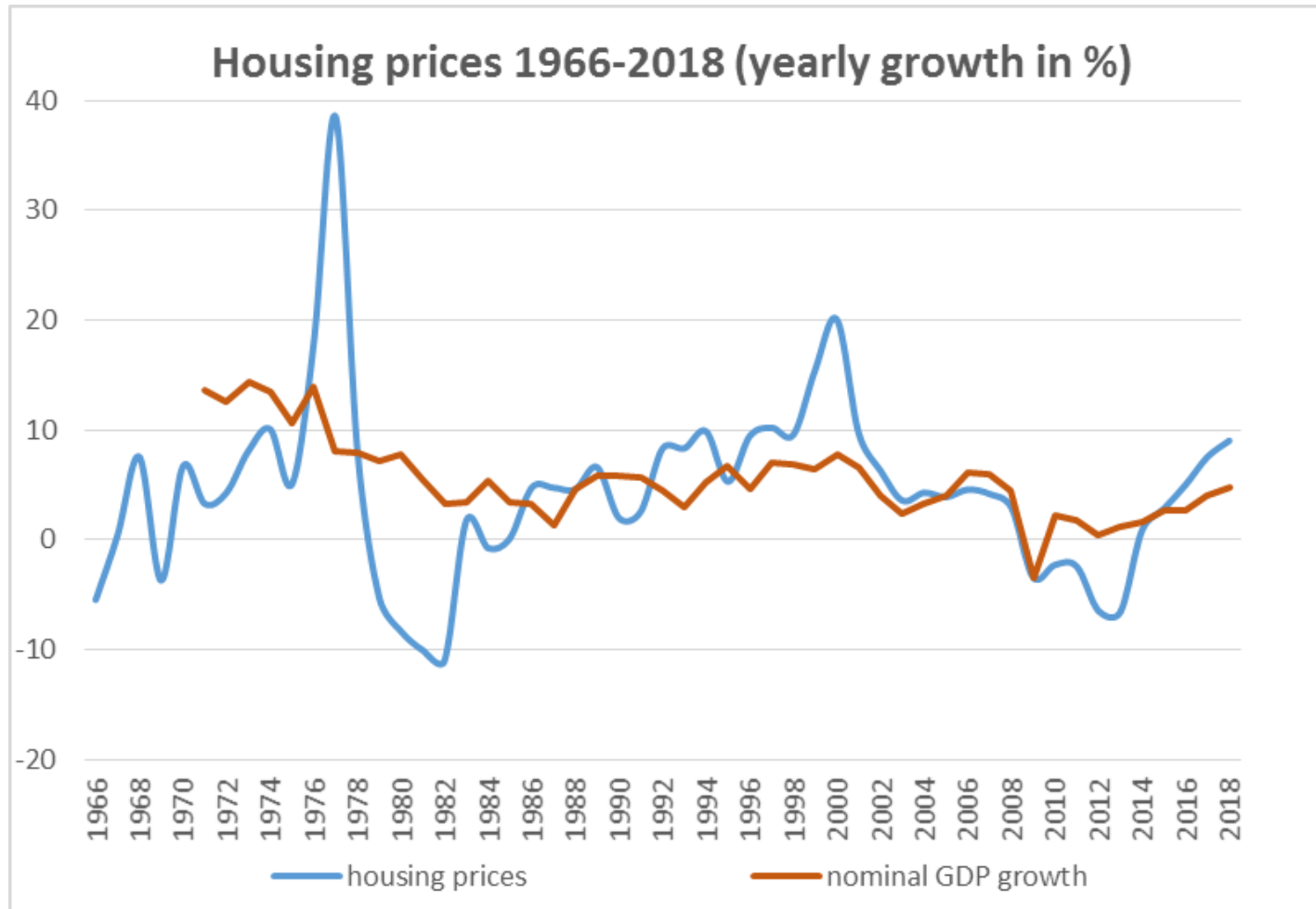
Source: DNB.

Housing market (1)



Price of a canal house at Herengracht in Amsterdam, corrected for inflation. Source: Eichholtz (1997) and DNB

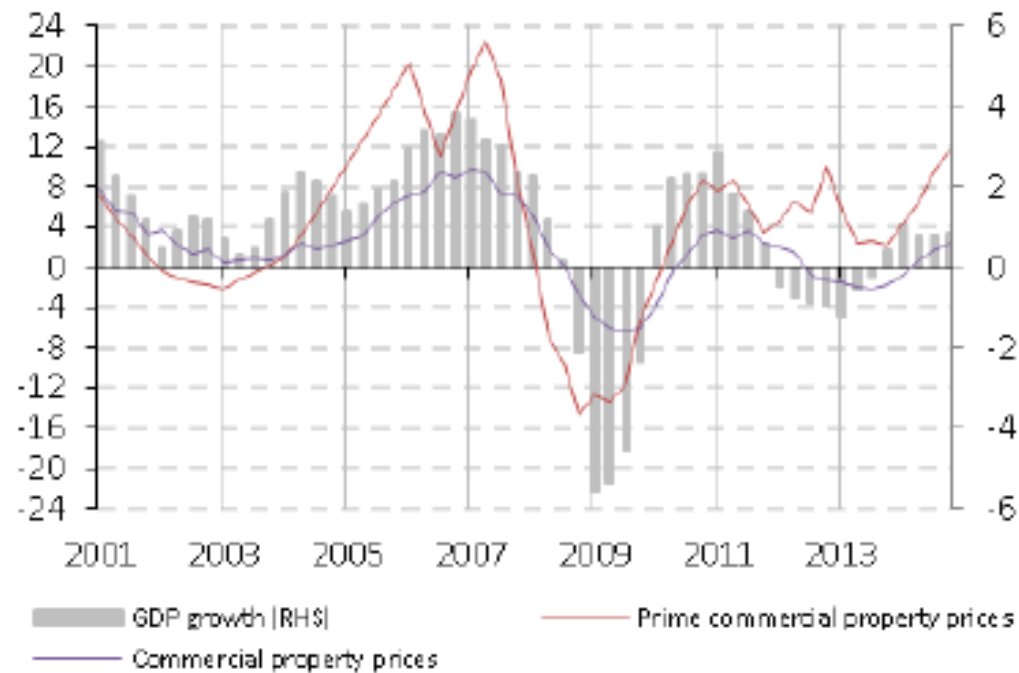
Housing market (2)



Commercial real estate

Euro area commercial values and the economic cycle

(percentage points)



Sources: JLL; ECB.

Note: Percentage change per annum.

4. Evaluation

- Effectiveness: mitigation versus absorption
- Unintended effects
- Challenges:
 - Interaction between monetary policy and financial stability
 - Macroprudential policies beyond banking (non-bank financial intermediation)

DISCUSSION