

Opening Remarks at the 1st Policy Research Conference of the European Central Banking Network

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It is a great pleasure to welcome you all to the inaugural policy research conference of the European Central Banking Network which has been jointly established by the Bank of Slovenia and the Center for Economic Policy Research.

The European Central Banking Network has been established to fill an obvious knowledge dissemination gap. Following the outbreak of the financial crisis, central banks have moved into uncharted territory in areas of monetary policy and financial stability. In addition, the crisis has demonstrated the need to overhaul our approach to financial sector regulation and complement it with a macroprudential perspective. It is therefore not surprising that all central banks are devoting increasing resources to carry out research in the key policy areas. The dissemination of the findings of such research through traditional channels of house publications and peer reviewed academic journals involves substantial time lag. There is a need for exchange of knowledge generated from research projects of common concern quickly and effectively on a real time basis.

The aim of the ECBN is to provide a forum, like this conference, for learning about the diverse experiences of countries, identifying the similarities and differences, and drawing lessons for policy formulation. Our ultimate goal is for the ECBN to develop into a coordinated research platform for high quality, policy-relevant research on issues that are of interest to central bankers.

This inaugural conference of the ECBN brings together a distinguished group of researchers from 19 European central banks, senior officials of other international financial institutions and leading academics to present and discuss policy-oriented research mostly from the perspective of their own economies centered around the theme “The Allocation of Credit Before and After the Great Recession: Implications for the Real Economy”.

This year's conference topic was motivated by the fact that the role and behaviour of financial institutions, and banks in particular, are not fully understood and are not sufficiently explored. Although the structures of the financial systems in European countries are heterogeneous and the approaches of country authorities to addressing the problems in the financial sector are different, all central banks seem to have a common goal. Namely, to improve our understanding of credit allocation before and after the crisis and of the effects of credit allocation on

economic activity, employment, productivity and financial stability. Before making any determination on whether and how lending behaviour of banks should be modified, it is important to understand why banks lend as they do.

Judging by the response of participating central banks we can say that the conference addresses an important policy-relevant theme. The 19 papers being presented in this conference draw on diverse data sources and use different methodologies to shed light from different perspectives on credit allocation and the real effects of the financial crisis. A striking common finding of several papers is that in several peripheral countries of the euro area the allocation of resources worsened during the pre-crisis period and -- contrary to expectations -- continued to deteriorate even after the onset of the crisis. Policy makers should take particular note of this common finding. One session of the conference is also dedicated to the analysis of country experiences on macroprudential regulation and the housing market. The importance of this topic hardly needs to be emphasized. As we all know, the bursting of the real estate bubble triggered the financial crisis and had a severe knock on effect on other sectors of the economy in most countries.

The conference has been split into seven sessions so as to be both interactive and inclusive for all participants. I wish you all a productive discussion.