

EBF statement on ECB decision - 5 June 2014

Robert Priester, Deputy Chief Executive of the European Banking Federation, says:

"Although historic, the negative deposit rate looks mostly symbolic. It is unclear what the actual impact will be. Generally speaking, we as banks do not share enthusiasm for negative interest rates. One could say this punishes banks for parking money with the ECB – there indeed is evidence that negative rates hurt profitability in the banking sector. The effects may be short-lived. As European banks we do not see negative rates as an effective tool to boost lending. There still is a lack of demand for loans while financial markets in the Eurozone continue to show a high level of fragmentation, which could result in costs being passed on to borrowers. But we take some comfort in hearing that the ECB sees its interest rates at the bottom of their range."

For background, see 'Focus Box 2: Negative interest rates' in the EBF Economic Outlook, published on 4 June 2014: <http://www.ebf-fbe.eu/wp-content/uploads/2014/06/Economic-Outlook.pdf>

For more information: Raymond Frenken Head of Communications +32 496 52 59 47

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