

# Euro area financial integration stalls during 2016

PRESS RELEASE

19 May 2017

- Mixed developments underline importance of ambitious capital markets union and completion of the banking union
- New quality indicator shows limited private cross-country risk-sharing
- Development of more pan-European banks could help financial integration and foster risk-sharing via retail credit markets

Overall financial integration in the euro area stalled last year, the European Central Bank's (ECB) annual report on Financial Integration in Europe shows. The report was published today at a joint conference with the European Commission in Brussels. After some years of reintegration of financial markets in the aftermath of the financial crisis an aggregate price-based measure of integration was volatile in 2016 and an aggregate quantity-based measure flattened out. These developments were the result of counterbalancing effects within and across different markets, partly influenced by different economic outlooks across countries, fluctuating global risk aversion and political uncertainty. On the other hand, the ECB's monetary policy continued to support financial integration.

The report for the first time introduces a regular analysis of the quality of financial integration, measuring its economic benefits. Two new indicators show that cross-country risk-sharing is still low and private financial risk-sharing is not contributing much to it. Therefore, a large share of income shocks in member states directly passes through to consumption.

These findings underline the importance of completing the banking union and of taking further steps towards an ambitious capital markets union. For example, the current review of important legislation such as the Capital Requirement Directive (CRD) or the Bank Recovery and Resolution Directive (BRRD) should lead to tangible and timely progress, including in harmonising options and national discretions. Moreover, improving and harmonising insolvency rules can support the integration and development of capital markets.

"Banking union and capital markets union are undoubtedly the two central policy initiatives to catalyse financial integration in the EU for the years to come. The two projects should be seen as mutually reinforcing initiatives that can bring the Single Market for financial services to the next level", said ECB Vice-President Vítor Constâncio.

In a special feature the report reviews the process of cross-border bank consolidation in the euro area. Given the significant progress with implementing the banking union, the development of pan-European banks is

still fairly limited. Further cross-border mergers and acquisitions could contribute to much needed bank consolidation in some member countries without creating local competition problems. In addition, they could foster retail credit market integration that bolsters risk-sharing and could make a valuable contribution to resolving non-performing loans. Besides the completion of the European banking union, diminishing options and national discretions in the regulatory framework and harmonising insolvency rules, as mentioned above, other targeted financial sector policies removing obstacles to cross-border consolidation should also be considered. This could include, for example, harmonising consumer protection, addressing legacy non-performing loan problems and considering the euro area as a single jurisdiction for calculating Basel systemic surcharges.

**For media queries, please contact Peter Ehrlich, tel.: +49 69 1344 8320.**

[Media contacts](#)

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## **The Tory threat to living standards – Labour demands Tories drop plans to remove Winter Fuel Allowances from pensioners**

Labour

has today demanded that the Tories immediately abandon plans to remove the Winter Fuel Allowances from pensioners.

Speaking

at a press conference this morning, John McDonnell, Labour's Shadow Chancellor,

said: "This is a savage attack on vulnerable pensioners, particularly those who

are just about managing. We will not stand by and allow so many of them to be back in a situation where they have to choose whether they heat or eat."

This

comes as Labour today warns that the Tory manifesto represents a threat to living standards and increased insecurity for pensioners and working people.

Commenting

on the "extraordinary" lack of any mention of living standards in the Tories' manifesto, McDonnell said: "Living standards are falling under the Tories, yet

Theresa May couldn't promise that she would seek to address this. There is a

clear and unambiguous threat to living standards; an attack on pensioners and on working people.”

Rebecca

Long-Bailey, Labour’s Shadow Business Secretary, outlined the threat the Tories pose to pensioners, including:

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The

Tories’ new ‘Double Lock’, which would have left pensioners at least £330 worse off had it been in place in recent years.

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How

five in every six pensioners are set to lose Winter Fuel payments, worth up to £300.

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That

34 million people face the prospect of working longer if Theresa May raises the State Pension age.

And

it is a similar tale for working people:

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Since

2010, the average household is paying more in both direct and indirect taxation: nearly £2,000, with the threat of further tax rises

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Under

the Tories the UK is set to experience the worst decade for real household disposable incomes since 1949.

Alongside

the press conference, Labour has published a new document titled: ‘The Tory Threat To Living Standards’. This analysis reveals the scope of the Tory attack on living standards, setting out how working people and pensioners will pay the price of the Tories’ betrayal.

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**AGAINST DELIVERY\*\*\***

**John**

**McDonnell, Labour’s Shadow Chancellor**, speaking at a press conference outlining the Tory threat to working people, said:

**On  
the Tory manifesto:**

“This was a manifesto that offers working people and pensioners’ insecurity with a huge question mark over their living standards.

“Gone was the commitment to raise working people’s living standards. Gone was the commitment not to raise taxes on working people. And gone was the commitment to protect pensioners’ incomes through the triple lock.

“This signals a clear threat to working people and to pensioners. So that’s the choice at this election; a threat to working people’s and pensioners’ living standards if the Tories are re-elected on the 8th of June, or a Labour plan to support working people. A Labour plan that will introduce a Real Living Wage of £10 an hour by 2020. A Labour plan that will commit to no income tax, VAT or NICs rises for 95 per cent of tax payers. And a Labour plan that will invest in our vital public services.

“That’s the choice at this election. A clear threat to working people’s living standards or a Labour Party that will stand up for the many, and not the few.

**On  
wages:**

“We are currently witnessing the worst decade for pay in 200 years.

“Real wages are still lower today than they were when the Tories came to power in 2010.

“According to the OECD, the UK is the only advanced major economy where growth has returned since the crash but wages have fallen.

“And it is unlikely to stop there. Experts have warned that with the cost of living increasing, household incomes are set to be squeezed even further.”

**On  
taxation:**

“Under the Tories working families are paying more in tax and there are further tax rises in the pipeline.

“Since 2010, the average household is paying more in both direct and indirect taxation- a total of nearly £2,000.

“Labour is promising no increase in taxation on low and middle income earners. The Tories in contrast have form on tax rises.

“They have increased taxes on working people before and they will do it again.”

**Rebecca Long-Bailey, Labour’s Shadow Business Secretary, said:**

**On pensioners:**

“The Tories have launched an all-out attack on pensioner incomes, by abandoning the Triple Lock, cutting Winter Fuel Payments, raising the State Pension age, and breaking promises on social care and GP access.

“They’ve laid bare the threat they pose to pensioners’ security and living standards. They have shown beyond doubt they’re turning their backs on older people and to future generations of pensioners.

“Theresa May’s message to millions of workers is now this: work for years longer only to receive far less generous support in old age.

**Notes to editors:**

- Link to ‘The Tory threat to living standards’ document: [http://www.labour.org.uk/page/-/party-documents/9684\\_17%20Tory%20threat%20to%20Living%20Standards.pdf](http://www.labour.org.uk/page/-/party-documents/9684_17%20Tory%20threat%20to%20Living%20Standards.pdf)

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## **[Dr Clare Gerada’s letter regarding her concerns about the NHS’s future:](#)**

The Liberal Democrats recently distributed a letter signed by Dr Clare Gerada setting out her view on the challenges facing the NHS.

Clare absolutely stands by those comments however the letter did contain incorrect details regarding Clare’s time at the Royal College of General Practitioners. We thank Clare for publicising her concerns about our NHS and apologise for the drafting error. Here is the correct version of Clare’s letter:

Dear,

The NHS has been my life.

I started work as a doctor in 1982. For thirty-five years, I've proudly served our NHS, including senior leadership positions.

One of our proudest institutions is being damaged by a desperate quest for privatisation by Theresa May's Conservatives.

Our beloved NHS is at breaking point.

This winter saw the worst ever crisis for A&E departments. 1.2 million of our elderly people are not getting the care they need. 15% of operations are cancelled.

We cannot let this vandalism go on any longer. That's why I am campaigning for the Liberal Democrats in this election.

The Liberal Democrats are the only party to set out a clear plan to fund the NHS. A penny on income tax for the NHS will ease the pressure on NHS staff and patients until long-term solutions can be found.

The future of the NHS is in your hands.

Five more years of Theresa May's Conservatives will give them free reign for more and more NHS cuts. Only a vote for the Lib Dems is a vote of confidence in our NHS.

Best wishes,

Dr Clare Gerada

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## [The Conservatives three-pronged attack on pensioners](#)

The Conservative Party manifesto launched an all-out attack on pensioner incomes, with three major new burdens placed on older people:

1. Scrapping the 'triple lock' on state pensions so that pensioner incomes are no longer protected from a Tory hard Brexit.
2. Means testing Winter Fuel Payments to remove support to heat the homes of 10 million pensioners
3. Forcing those who need social care to pay for it using their homes

Labour will stand up for older people by maintaining the triple-lock on state pensions, protect winter fuel payments and free bus passes and spend an additional £8 billion over the Parliament on addressing the Tories' social care crisis, while also laying the foundations for a new National Care Service.

Commenting on the pensioner penalties being promised by the Conservatives, **Jeremy Corbyn, Leader of the Labour Party**, said:

"Theresa May's nasty party has launched a shameful attack on older people – introducing a compassion tax to force those in need of social care to pay for it with their family home. Labour is standing up for pensioners and guaranteeing the triple-lock on state pensions, as well as giving social care the funding it needs.

"It is clear the Conservatives are offering more of the same, tax giveaways for their billionaire friends and nothing for ordinary people. Labour is standing up for the many, not the few."

**Debbie Abrahams, Shadow Work and Pensions Secretary** said:

"The Conservative Party is completely abandoning older people by scrapping the pensions 'triple lock', removing the Winter Fuel Allowance from 10 million pensioners, making 34 million people work longer and forcing those who need care to pay for it with their family home.

"This is the direct result of seven years of Tory economic failure. Labour completely oppose this shocking attack on a whole generation.

"We will deliver a secure and dignified retirement for the many, not just the few wealthy enough to manage under these Tory attacks."

Ends

#### **Notes to editors**

According to the Resolution Foundation, the Conservative manifesto commitment to means test the Winter Fuel Payment will remove entitlement from 10 million pensioners:

<http://www.resolutionfoundation.org/media/blog/death-taxes-the-conservative-manifesto-and-the-changing-politics-of-intergenerational-fairness/>

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## **More money for schools and social care**

As one who has lobbied for more cash for local schools and social care, I was pleased to see both in the Conservative Manifesto.

The document confirms the government will press ahead with fairer funding,

giving larger increases for schools with the smallest per pupil sums today. It also offers an additional 4000 million pounds over the next Parliament to the schools budget, so the gap can be narrowed without cutting the budgets of the better funded.

It also proposes more money for social care, paid for in part from removing the winter fuel allowance from better off pensioners.

Both increases will be welcome in West Berkshire and Wokingham Council areas, as the budgets are currently tight.

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