

THE CURRENT CHALLENGES OF CENTRAL BANKS

5 MAY 2023 | LISBOA

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BANCO DE
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AGENDA

01

INFLATION

What works?

02

CENTRAL BANKS' BALANCE SHEETS AND P&L

What comes after profits?

03

GREENING THE ECONOMY

Climate Change, Energy
Transition, ESG

04

DIGITAL EURO & TECHNOLOGY

Why CBDC? Cyber resilience

05

EQUITY VS. DEBT

For innovation and risk-
sharing and for deleveraging



INITIAL DISCLAIMER

A lawyer is someone who writes a 10,000 word document and calls it a "brief".

Franz Kafka

So, almost no written words from me today.



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FIGHTING INFLATION

01



FIGHTING INFLATION 1

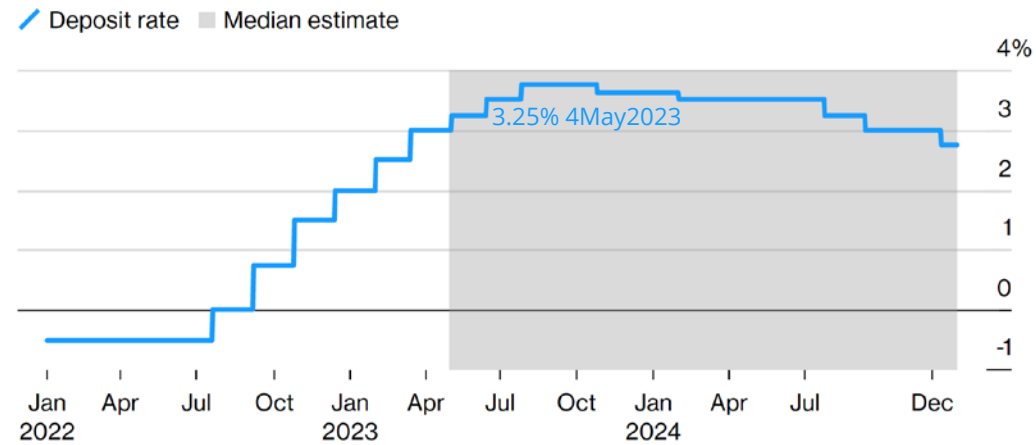
Core Inflation Slows for First Time Since June





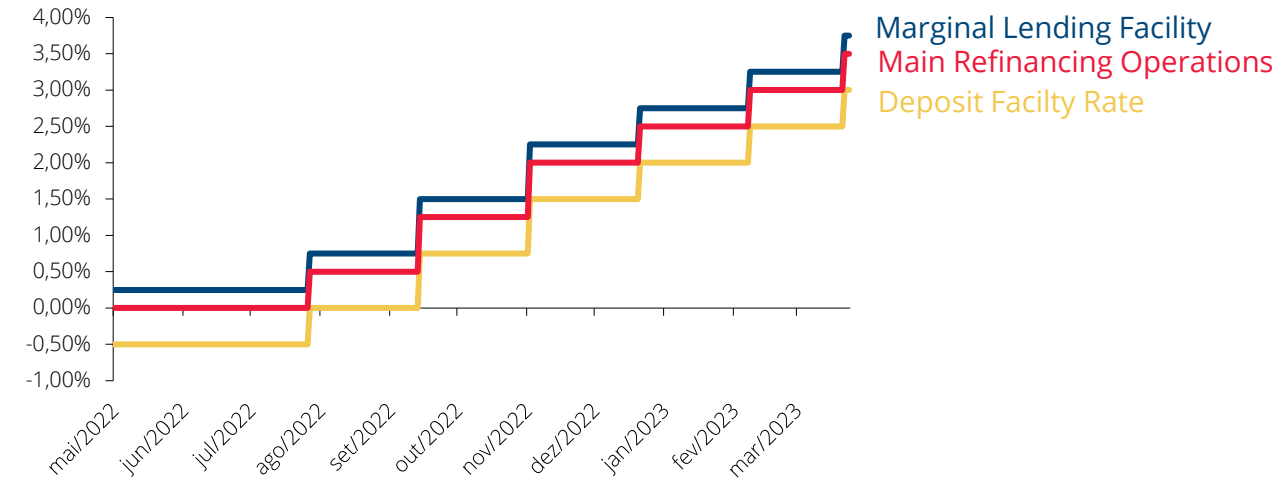
FIGHTING INFLATION 2

ECB Deposit Rate to Peak at 3.75% in July

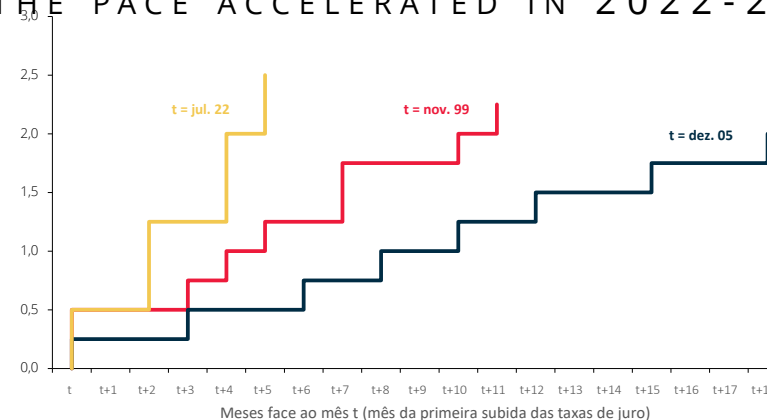


Source: Bloomberg survey of economists conducted April 21-26

EVOLUTION OF THE OFFICIAL INTEREST RATES - EURO ÁREA MAY 2022-MARCH 2023



THE PACE ACCELERATED IN 2022-2023

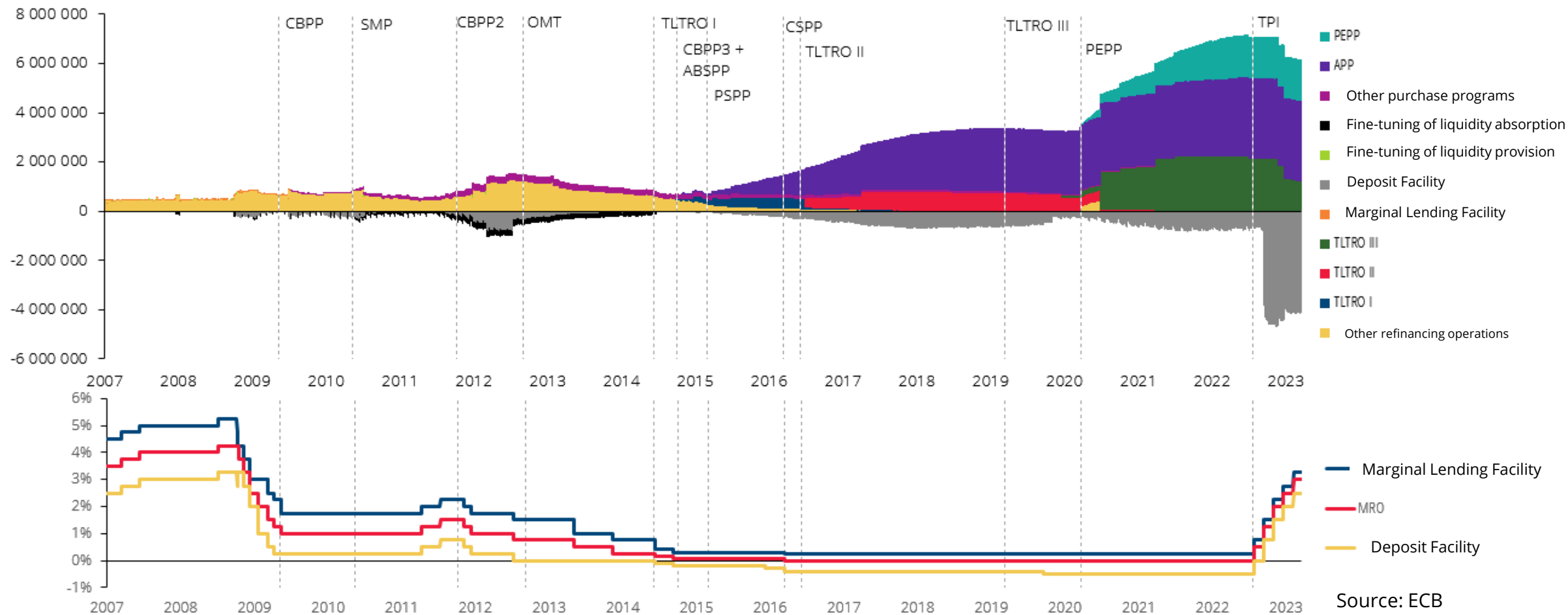




FIGHTING INFLATION 3

MONETARY POLICY OPERATIONS AND OFFICIAL RATES | EUROSISTEM

Millions of Euros



Source: ECB



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CENTRAL BANKS' BALANCE SHEETS AND P&L

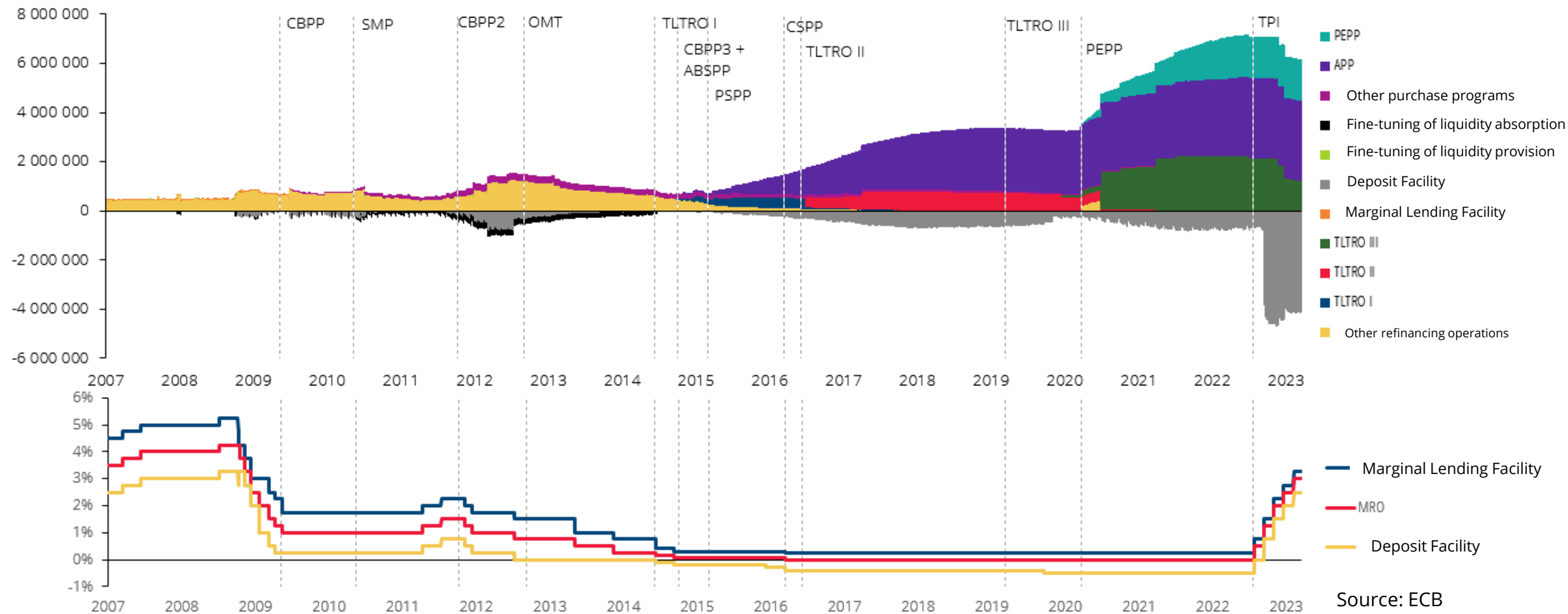
02



CENTRAL BANKS' BALANCE SHEETS AND P&L 1

REMEMBER THE NON-CONVENTIONAL MONETARY POLICY TOOLS OF RECENTE YEARS (IT'S BEEN MORE THAN A DECADE)

Millions of Euros

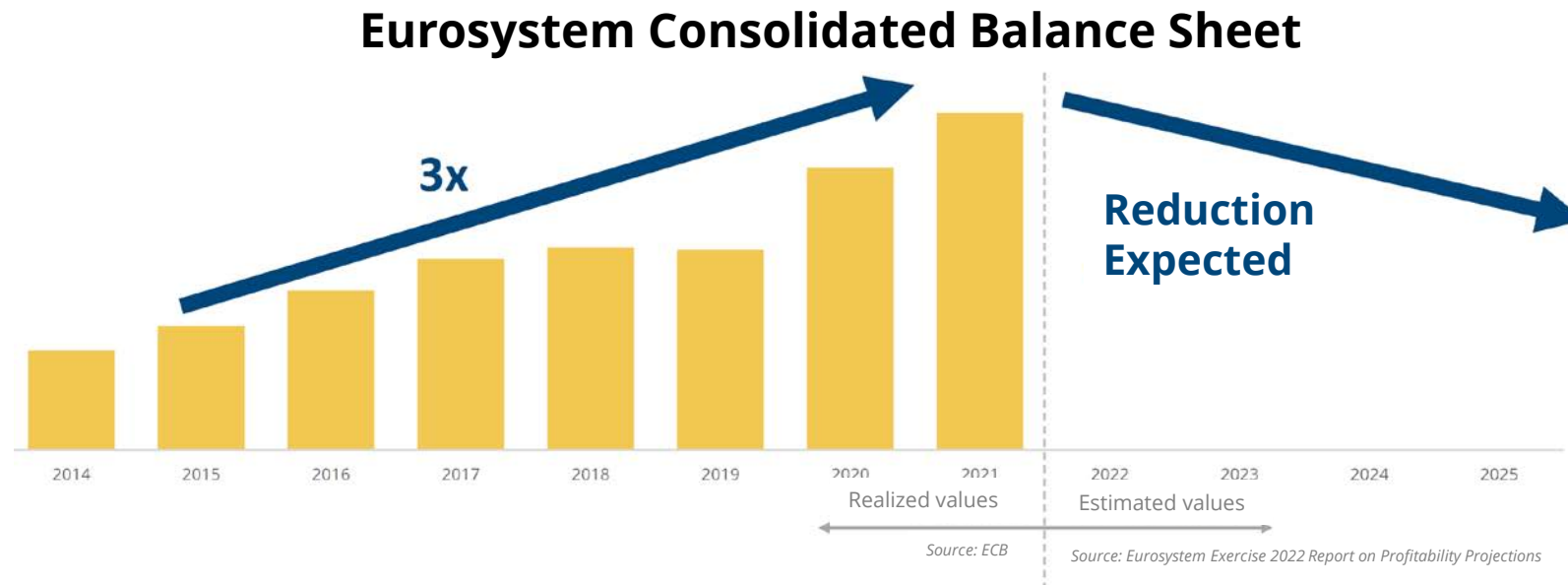


Source: ECB



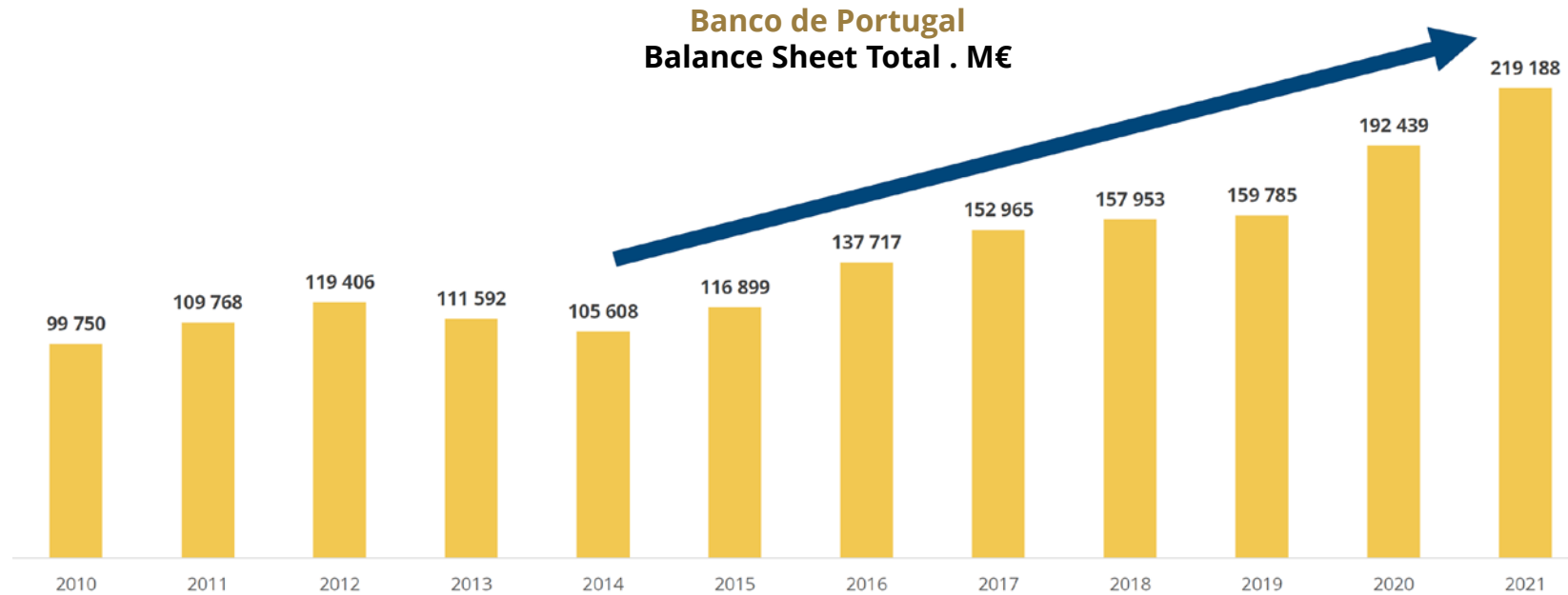
CENTRAL BANKS' BALANCE SHEETS AND P&L 2

The Balance Sheet of the Eurosystem (and National Central Banks', and in other geographies) has increased





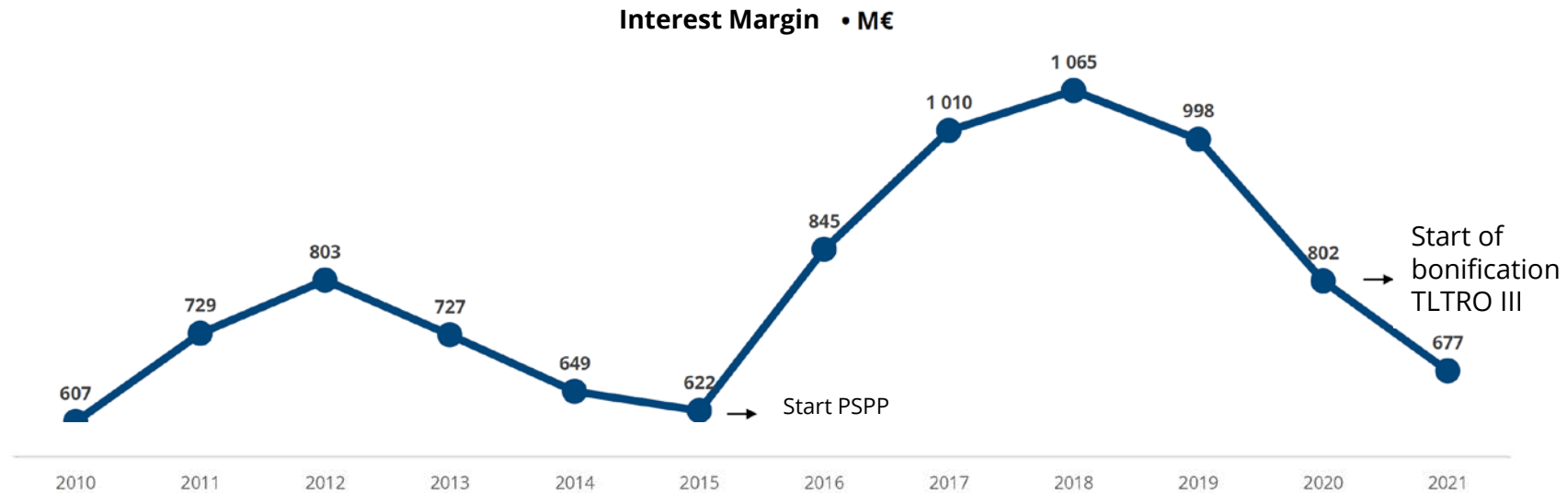
CENTRAL BANKS' BALANCE SHEETS AND P&L 3



Source: Annual Reports, Banco de Portugal



CENTRAL BANKS' BALANCE SHEETS AND P&L 4



Source: Annual Reports, Banco de Portugal



CENTRAL BANKS' BALANCE SHEETS AND P&L 5

MISSION: PRICE STABILITY

Context of negative interest rates



Assets and Liabilities remunerated
generating income for the Bank

Balance Sheet

ASSETS

APP and PEPP Securities

Positive
earnings

LIABILITIES

Deposits of Credit Institutions

Negative interest rates
generating income



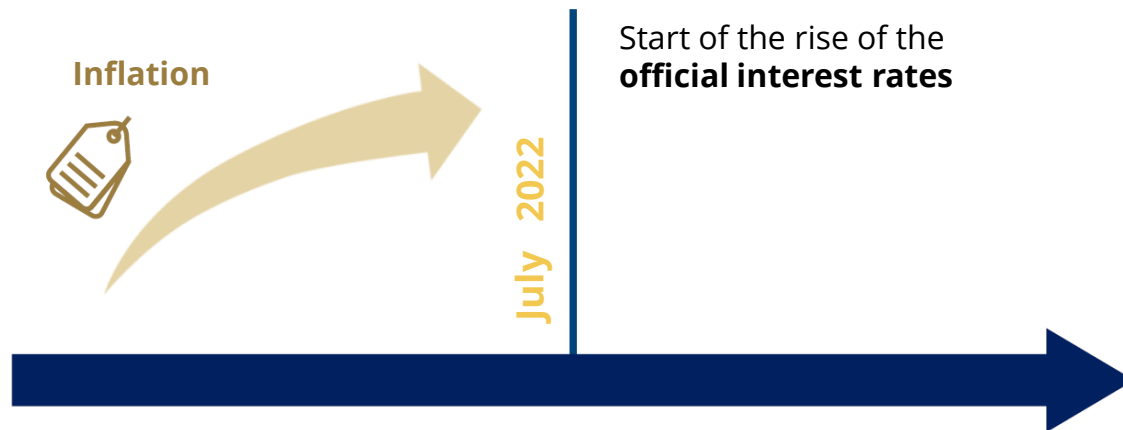
Source: Annual Reports, Banco de Portugal

Between 2016 and 2021,
Banco de Portugal paid
3 Billion euros in dividends
to the State



CENTRAL BANKS' BALANCE SHEETS AND P&L 6

AND NOW?



Central Banks expect to have to deal with losses for a period of time.

Cost of liabilities potentially higher than **return of the assets** from 2023 on.



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GREENING THE ECONOMY

03



GREENING THE ECONOMY – JUST A FEW THOUGHTS

1. Mandates of Central Banks

2. How to Contribute to the Greening of the Economy?

- Climate Risk Exposure
- Climate Stress Testing
- Carbon Footprints
- Energy Transition

- and the ESG approach



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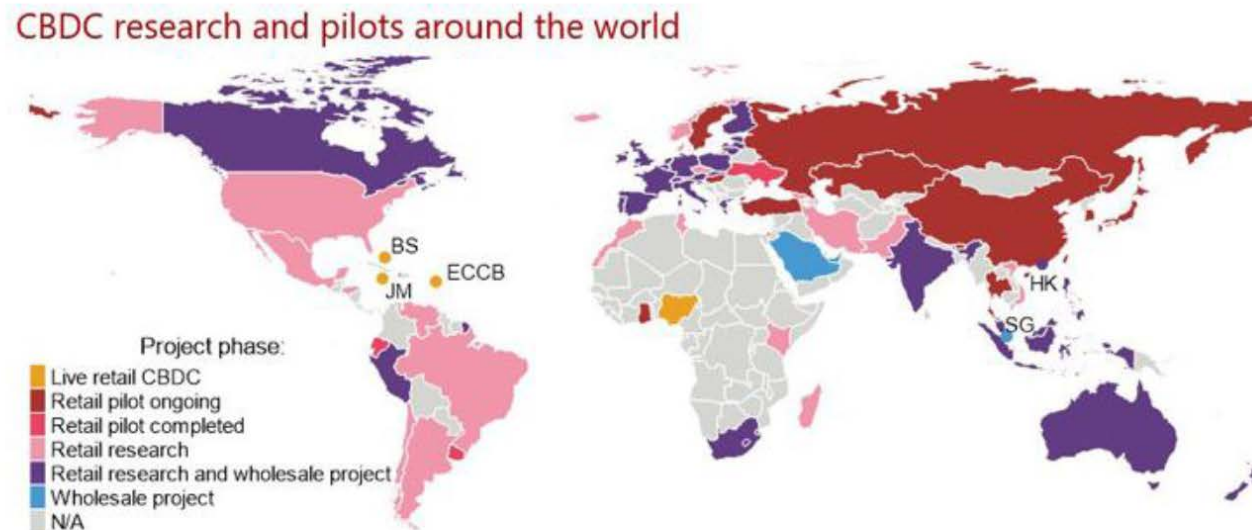
DIGITAL EURO AND
TECHNOLOGY

04



DIGITAL EURO AND TECHNOLOGY – JUST A FEW THOUGHTS

1. THE DIGITAL EURO PROJECT – OBJECTIVES AND PLANS
2. TECH IN CENTRAL BANKS AND IN THE FINANCIAL SECTOR



Source: *Rise of central bank digital currencies: drivers, approaches and technologies (bis.org)*, updated July 2022



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EQUITY VS. DEBT

05



EQUITY VS. DEBT – JUST A FEW THOUGHTS

Transforming Economies and Societies in the context of the Climate and Energy Transition.

The role of Sustainable Finance, Debt and Equity: risk sharing for innovation is a Challenge.



THANK YOU
OBRIGADA