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PRESS RELEASE

EUROSYSTEM AND MEDITERRANEAN CENTRAL BANKS MEET FOR THE FIFTH EURO-MEDITERRANEAN SEMINAR

The fifth high level Euro-Mediterranean seminar, which brings together Eurosystem and Mediterranean central banks, was jointly organised by the Central Bank of Egypt and the European Central Bank (ECB) and held in Alexandria, Egypt, on 27 November 2008.

Seminar participants were welcomed by Jean-Claude Trichet, President of the ECB, and Farouk El Okdah, Governor of the Central Bank of Egypt. The seminar was attended by governors and high level representatives of the Eurosystem central banks namely Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, Netherlands, Portugal, Slovenia and Spain, as well as by governors and high level representatives of the central banks of Albania, Algeria, Egypt, Israel, Lebanon, Libya, Mauritania, Morocco, the Palestinian National Authority, Syria and Turkey. Representatives of the European Commission and the European Investment Bank also attended the seminar.

The meeting in Alexandria proved to be a useful platform for multilateral discussions and exchanges of views on issues of common interest from a central banking perspective. This year's seminar focused on recent economic and financial developments in Mediterranean countries, on monetary policy strategies and exchange rate regimes in the region, and on trends in Mediterranean countries' banking sectors, with a particular focus on the unfolding implications of the global financial turmoil.

Recent economic and financial developments in Mediterranean countries

Seminar participants underlined the fact that macroeconomic developments in the region have been favourable overall. Economic growth has been robust and has so far proved rather resilient to the global economic slowdown. A common trend in the region has been rising inflationary pressure as a result of domestic and global factors, notably rising oil and food prices. Participants agreed that while containing inflation risks, avoiding second-round effects and anchoring inflation expectations at levels consistent with price stability remain a challenge

in the short run, the key upside risks to inflation, particularly those related to international commodity prices, are largely moderating. They also noted that the risks to economic growth have recently increased in view of the global economic slowdown. In this context, possible spillovers to the region from developments in advanced economies were discussed. Participants agreed that in the medium and long run job creation remains the key economic and social challenge. They also discussed the extent to which regional recycling of oil revenues is indirectly benefiting the economic performance of non-oil-exporting countries, mainly via capital inflows from oil-exporting countries in the Gulf region.

Monetary policy strategies and exchange rate regimes in Mediterranean countries: developments and prospects

Seminar participants reviewed monetary policy strategies and exchange rate regimes in the region. Monetary policy frameworks have been upgraded in many Mediterranean countries with many countries in the region moving towards greater exchange rate flexibility and more domestically oriented targets. Participants mentioned the progress being achieved in capital account liberalisation as one driver of this evolution. Within that context, some Mediterranean countries have recently announced their intention to move towards inflation targeting strategies. Participants exchanged views on the economic, institutional and technical conditions for inflation targeting, on progress made in these areas in countries that want to introduce such frameworks and on the experiences of countries that have already adopted them.

Developments in Mediterranean countries' banking sectors and implications for financial stability

Seminar participants discussed developments in the financial sectors of Mediterranean countries. They took note of a host of reforms in legislative and regulatory frameworks over recent years and of the intention to continue to foster privatisation and foreign bank entry. Facilitating private sector access to credit and dealing with non-performing loans remain key issues in a number of countries. Seminar participants agreed that the continued development of banking and financial systems is critical to improve financial intermediation, support economic growth and enhance further integration of the Mediterranean region into the global economy.

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