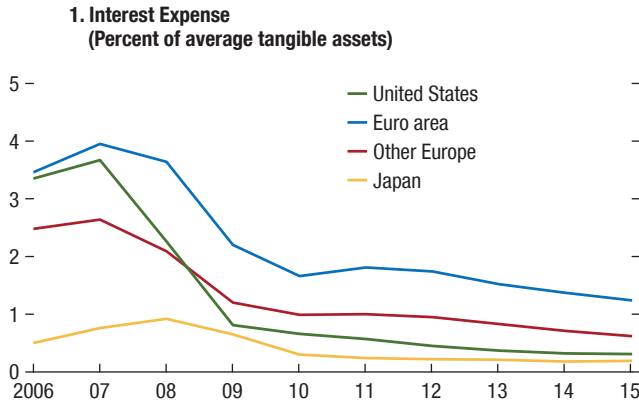
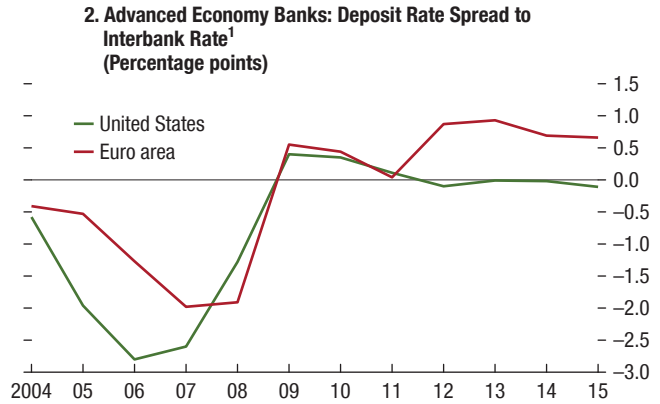


Figure 1.16. European Banks' Elevated Cost of Funding

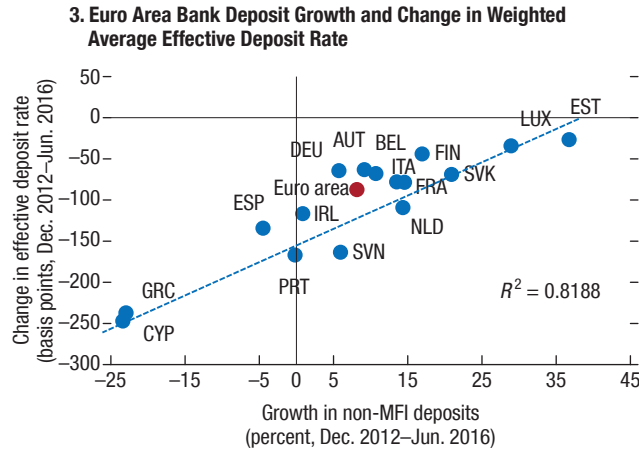
European banks face structurally higher funding costs ...



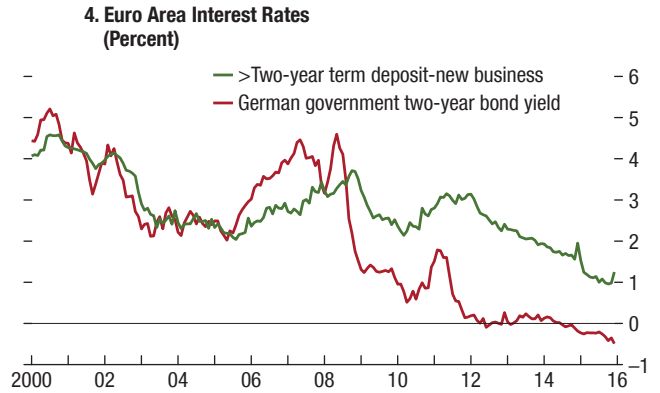
... reflecting higher deposit rates.



Bank deposit rates have fallen slowly in countries with higher deposit growth.



Yields on long-term deposits have been slow to adjust.



Sources: European Central Bank; Federal Deposit Insurance Corporation; Fitch Ratings; SNL Financial; and IMF staff estimates and analysis.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. MFI = monetary financial institution.

¹Spread shown is the banking system weighted average deposit rate minus the average annual three-month interbank rate.