

Second meeting of the Monetary Analysis Contact Group (MACG)

Frankfurt am Main, Thursday, 26 March 2026

Meeting summary

Representatives from 21 euro area financial institutions (see Annex) and ECB senior staff, mostly from the Directorate General Monetary Policy, attended the second meeting of the ECB's Monetary Analysis Contact Group (MACG). The MACG is a forum for interaction between the ECB and financial institutions active in the euro area. Its key objective is to further enhance the understanding of the transmission of monetary policy to the broader financing conditions in the euro area, complementing the ECB's monitoring and analysis based on both hard data and qualitative survey data.

Three main topics were discussed at the meeting: Financial market transmission, credit market transmission, and structural issues related to monetary policy transmission.

1. Financial market transmission

The first session focused on AI valuations and macro-financial vulnerabilities. MACG members discussed the resilience of financial markets so far despite geopolitical tensions, particularly the Iran war, and the evolving role of AI in affecting economic and market dynamics. Equity markets had reached record highs prior to the outbreak of the Iran war. MACG members noted that tech valuations have adjusted from high levels, though not as stretched as during the 2000 tech bubble, towards fair value. Earnings growth outside the tech sector has accelerated, prompting investors to shift focus, with software emerging as a vulnerable segment due to AI-related concerns. Private credit markets face liquidity challenges according to MACG members, especially in mid-market funds with weaker loan structures. Broader economic concerns included, according to members, inflation, energy prices, household vulnerabilities, sovereign debt sustainability, and the accumulation of multiple shocks, such as geopolitical conflicts and AI-driven disruptions. While pre-conflict issues were relatively narrow, post-conflict risks would appear more widespread, raising questions about possible market corrections, interest rate volatility, and the resilience of private credit. The discussion underscored the need for vigilance in monitoring economic and financial conditions.

From a macroeconomic perspective, MACG members highlighted that global growth has been resilient so far. Long-term productivity gains and capital expenditure needs from AI would remain uncertain, based on estimates ranging from negligible to significant impacts. Regarding the US economy, members found it difficult to determine whether AI has been a meaningful driver of recent growth, as not only capital expenditure but also imports of AI-related inputs have increased. Europe, by contrast, was generally perceived as lagging behind. Risks to financial markets were seen in the event of an economic deterioration, as ongoing market rotation could, in such a scenario, evolve into a broader market correction. Overall, there was a shared view that understanding AI's ultimate economic value over the coming decade will be crucial for assessing long-term equity and credit exposures.

2. Credit market transmission

The second session explored the evolution of non-bank financing in the euro area and its implications for monetary policy transmission via credit markets. MACG members highlighted that private credit markets in Europe have been expanding rapidly, while remaining much smaller than those in the US.

Private credit was characterised as a relatively new, semi-liquid and complex asset class that has provided high returns to investors so far, but whose resilience has not yet been tested through a major economic crisis. It has become an attractive financing option for firms that banks deem riskier, including mid-sized businesses and innovative sectors such as AI and healthcare. However, MACG members warned that elevated return expectations and the concentration of private credit among a few major players could exacerbate systemic risks in the event of a downturn. Some members added that, while private credit markets offer flexibility and tailored financial structures, their weaker loan documentation compared to traditional bank loans poses challenges for risk management.

The discussion also emphasised default risks and contagion. Members noted that default rates in private credit markets were currently low - around 2% - but may rise as economic growth slows. They highlighted the potential for contagion from private credit markets to public credit markets, banks, and insurers, with insurers particularly exposed due to their significant investments in private credit funds. Members also highlighted the interconnection of private credit with the tech sector, which would warrant attention.

Furthermore, the session explored structural shifts in corporate finance. In addition to corporates having become persistent net savers, MACG members highlighted the important role of internal financing and the decrease in the share of bank loans in corporate liabilities after the global financial crisis. By contrast, non-bank financing has grown significantly, though still accounting for a small share of corporate liabilities in Europe. According to MACG members, this growth was facilitated by banks' shift toward capital-light business models, partly related to regulatory changes following the global financial crisis, discouraging clients from seeking traditional loans rather than private credit. In this context, MACG members also noted that banks have shifted their emphasis towards the generation of fees and commission income as opposed to the generation of net interest income. Members argued that this supply-driven process has indirectly supported the growth of private credit markets. In addition, the structure of the instrument, e.g. compared with other alternatives to bank loans such as corporate bonds, would often be more attractive to firms with specific financing needs (e.g. flexibility, longer duration, floating rates).

In summary, the session highlighted the growing importance of private credit markets in the euro area's financial ecosystem. While private credit offers opportunities for firms and investors, its rapid growth warrants close monitoring according to the meeting discussion.

3. Structural issues related to monetary policy transmission

MACG members discussed structural challenges facing euro area capital markets and their implications for fostering investment and strengthening the international role of the euro. The discussion focused on the conditions for enhancing investment, on inefficiencies in the allocation of savings, barriers to competitiveness, and the need for bold reforms to address Europe's structural weaknesses.

MACG members noted that, despite high levels of saving across the euro area, much of this capital is not being channelled into euro area equity markets and venture capital, which are critical for supporting innovation and entrepreneurship. The inefficiency of Europe's savings allocation into productive purposes was highlighted as a key obstacle for deeper EU capital markets and for fostering innovation and growth. The transformative potential of pension reforms in addressing this issue (which are in the remit of member states) was emphasised, but also regulation and the tax treatment of equity versus debt would play a key role. By incentivising households to invest in equity through private and occupational pension schemes,

Europe could unlock significant investment potential. However, cultural attitudes and regulatory barriers were identified as major challenges to implementing such reforms.

MACG members also discussed Europe's lack of competitiveness compared to the US and the need to have attractive assets to invest in when creating a capital markets union, as outlined in the Draghi Report. Structural issues such as energy dependence and higher energy prices than in the US were identified as key obstacles. Targeted investments in energy infrastructure, such as a European energy grid, were suggested as a strategic priority for boosting investment and growth and accelerating the deepening of EU capital markets. Defence spending was highlighted as another focus area, with a potential joint EU issuance of defence bonds and investment in these bonds as a potential driver of growth and market integration. Members stressed the importance of consolidating fragmented markets, for instance in sectors such as telecommunication and banking, to create economies of scale and attract investment.

MACG members also discussed the international role of the euro and its share in global currency reserves. While the euro's share has remained fairly stable at around 20% in global foreign exchange reserves, MACG members noted that it did not capitalise on the gradual decline of the US dollar's dominance. Members argued that an EU safe asset, such as Eurobonds, could strengthen the euro's international role. The need for a scalable and liquid safe asset was underscored, with members suggesting that greater joint issuance of EU bonds, also outside crisis periods, could provide a solution. Members also referred to strategic and geopolitical factors, for instance a stronger role for the euro as invoice currency given the euro area's substantial share in world trade, while the rise of the role of the Renminbi would further complicate the euro's position in global markets.

The transformative potential of the digital euro and euro-denominated stablecoins was also explored as tools for fostering financial inclusion and increasing the euro's usage in global payments. MACG members expressed support for these initiatives but emphasised the need for faster implementation to avoid falling further behind US stablecoins, which are already gaining traction in emerging markets.

In conclusion, MACG members stressed the importance of bold structural reforms to deepen euro area capital markets and enhance the euro's global role. Pension reforms, tax incentives, and targeted public investments, such as into energy and defence, were identified as critical measures for fostering innovation and growth. At the same time, the creation of an EU safe asset, such as Eurobonds, and an accelerated development of the digital euro were seen as essential steps to strengthen the euro's position in global markets. Members emphasised that these initiatives, while challenging, offer substantial opportunities for Europe to enhance its competitiveness and resilience in an uncertain global environment.

Annex: List of participating financial institutions

ABN AMRO

Amundi Asset Management

AXA

Banco Santander

BBVA

Groupe BPCE

Citibank

Commerzbank

Deutsche Bank

DWS Group

Erste Group

Generali Asset Management

Goldman Sachs

HSBC Continental Europe

Intesa Sanpaolo

J.P. Morgan

KBC Group

Nordea

Revolut

Société Générale

Unicredit