

Klaus Regling at Eurogroup video press conference

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Transcript of remarks by ESM Managing Director Klaus Regling Video press conference after Eurogroup meeting 24 March 2020

Good evening. It was very good to continue tonight the discussion that the Eurogroup had a week ago. We are facing a global emergency, an unprecedented multi-dimensional crisis as we have not seen since the Spanish flu more than 100 years ago. Our economies and the livelihood of citizens will be seriously affected. And I want to assure you that all this is on our minds as we meet to discuss the best coordinated efforts to face this uncertain future together.

We are seeing extraordinary signs of solidarity from people, entrepreneurs, companies and countries in Europe and around the world that are adapting their work to respond to the crisis. Even though the ESM has no mandate in public health issues, I want to stress that the human dimension of the corona crisis, the stress, the loss of life and the drama this crisis causes for many of our citizens is fully on our minds as we prepare the contribution the ESM can make.

The ESM has experience and expertise in dealing with crises. This, in a way, is our comparative advantage. We have an available lending capacity of €410 billion, the equivalent of 3.4 percent of euro area GDP that we could lend to countries that might need it. The last Eurogroup and the Summit asked the ESM to examine how we could contribute to Europe's collective response to the corona crisis within our mandate. Among our existing tools, the precautionary credit line is the most suitable instrument to respond to the corona challenge, particularly the precautionary credit line called ECCL (Enhanced Conditions Credit Line) as President Centeno already mentioned.

Credit lines are insurance against shocks affecting countries with an otherwise sound general economic and financial situation. Such a precautionary credit line - the ECCL in particular - would be available for all member states of the euro area, but it is up to every member state to decide whether they want to apply for it or not. Also, the baseline assumption of any precautionary line is that while the money could be made available to a country or a group of countries, they do not have to draw from it.

The funds made available could amount to up to 2 percent of the country's GDP. This could be adjusted possibly in view of the severity of the spreading of the coronavirus and its economic impact. If a credit line is drawn, the funds would be used to finance the country's immediate health care and economic responses to the crisis. That will also be the focus of our conditions. Of course, it will also be important that countries return to economic and financial stability after the end of the crisis, as also Commissioner Gentiloni just mentioned. Thank you.

Response to question on the possibility of corona bonds

I could add that in this debate on the coronavirus and bonds, one should not forget that to the extent that the EIB and ESM increase their lending activities - and the most recent proposals from the EIB, and what was already proposed last week, that they will issue many more bonds than previously foreseen - the same might happen at the ESM. These bonds issued by the EIB and ESM are guaranteed by all our Member States. In the case of the EIB, it's all EU members, and for the ESM, it is all the euro area members. So this is the concept of commonly issued bonds by all members.

Response to question on the maximum size of the ECCL

So the question was whether the 2 percent of GDP applies to the countries that request the ECCL or was it was an overall envelope for the euro area. It's the former. The benchmark will be the country's GDP, the country that requests the facility. It could go up if there is a particularly serious case, but that's not decided yet. There was today a broad consensus around this 2 percent number. And I think it's clear this is a substantial amount of money because as President Centeno said earlier, and also the Commissioner, euro area countries in the last few weeks have adopted, on average, fiscal measures amounting to 2 percent of GDP.

So if they draw 2 percent of GDP from the ESM, they could finance their national measures, or they can decide to double the fiscal measures - that would be up to every country. But it shows it is a substantial amount of money that could be made available if we go that way. But I think today the consensus was growing that this would be the right contribution coming from the ESM.

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