

Klaus Regling at Eurogroup video press conference (March 2021)

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Transcript of remarks by ESM Managing Director Klaus Regling

Video press conference after Eurogroup meeting

15 March 2021

Good evening to all of you from Luxembourg. As you heard, we had a full agenda in the Eurogroup this afternoon. I will comment only on three points.

First, on the fiscal support measures, you have probably seen the statement already. And I think it's very clearly the consensus in the Eurogroup that a lot has happened at the national level, complemented by action from the European institutions during the last 12 months. The crisis response was well coordinated and it's very clear that without these measures, the economic damage of Covid-19 would have been much more serious. Sometimes I hear that Europe is not doing enough compared to some other regions of the world, particularly compared to the United States. But in my view, this is not the case. When I add up all the discretionary fiscal action, the automatic stabilisers, liquidity support and guarantees from national governments, plus the action of the European institutions, I think the picture is quite balanced. It is clear that we need to provide now all the necessary support to get out of the crisis, and premature withdrawal of fiscal support would be economically damaging. And today's communication from the Eurogroup is very clear on this. Also, the recent communication from the Commission has said that very clearly. In the medium term, we need to strike a balance, of course, once the recovery is well underway, to strike a balance between protecting the economy and ensuring debt sustainability, taking into account the macroeconomic environment. This is also well reflected in the statement of the Eurogroup.

On Greece, I can be brief because I share the assessment given by Commissioner Gentiloni. I also want to acknowledge the good cooperation with the Greek authorities. They are going like other member states in Europe through a difficult phase in response to Covid-19, and this absorbs a lot of time, energy and money. It also means that on the one hand, we see good progress in a number of areas, like NPL (non-performing loans) reduction, and the reform of tax administration. But at the same time, we also see a slowdown in the reform momentum in some other areas, and we will continue to work on that with the Greek authorities in preparation of the next report.

Let me say a final word on the international role of the euro. I think it's very important that this will be on the agenda of the next Euro Summit. I think this is also a signal to markets and the broader public that the summit will take this up. I believe that the international monetary system and the international financial system, are slowly but gradually moving towards a multi-polar system. And this is, in my view, in the interest of Europe, but also in the interest of the world economy.

Currently, the euro is clearly the number two [currency] in the international monetary system. And if we want to expand the role, it's very clear what needs to be done. The Commissioner talked about that: deepening monetary union - with all the agenda items that have been discussed in the Eurogroup and that will be taken up also over the next few months - completing banking union, more progress towards capital markets union, developing financial infrastructure, a larger volume of safe assets, and leveraging the euro's strong role as the leading currency for sustainable finance. Thank you very much.

Response to question on whether rising inflation could push up interest rates and borrowing costs for governments

I agree with what was said on the inflation point. We know that inflation is going up a little bit at the moment, but also in the market expectations one can see that. But this is related mainly to one-off effects, like the German reintroduction of the previous VAT rate increase and an increase in commodity prices. But given the huge output gap - not only in Europe but also in the rest of the world - and the higher unemployment compared to two years ago, I would not expect that this would become a permanent or even accelerating move towards high inflation.

Response to question on the primary residence protection scheme in Greece

I can confirm that the work is ongoing. Indeed there are several issues, not only the one that was asked about, where we don't have a final agreement. That's why talks continue. And as you know, the tenth enhanced surveillance report will be again linked to the next debt-related measures, while the ninth report was an interim report. That's why all sides are very interested in coming to an agreement, and given the good cooperation that was mentioned before, I also very much hope that it will be possible to reach an agreement.

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