

# Transcript of statement at Eurogroup press conference

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Press conferences

ESM

Brussels, Belgium

## Transcript of statement by ESM Managing Director Klaus Regling

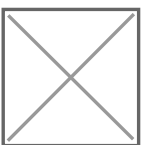
Press conference following Eurogroup meeting, 11 July 2016

Just a few words from the ESM perspective. On the Brexit referendum – just to make clear that this has no direct influence on the ESM; not on our governance structure, not on our capital, because obviously the UK is not part of the euro area and so it's not a member of the ESM. At the same time, as an important market participant on the issuing side and the investment side, the ESM could be affected in its operations. There was volatility as you know; what we have seen is that our yield curve moved down together with the yield curves of the best-rated member states in Europe. But otherwise we have not experienced any operational problems.

On the post-programme monitoring, the ESM participates in it in the context of our Early Warning System. We are the largest long-term investor in both Ireland and Portugal. Ireland owes us €17.7 billion and Portugal €26 billion. The focus in our Early Warning System is the payment capacity in the next 12 months, and here we have no concerns. We are confident that both countries will pay us as scheduled. But because we are such a long-term investor – our average maturity is 20 years – we also closely follow what are the possible risks in the future; they hopefully will not materialise, but one can always identify risks. And in the case of Ireland, we talked about the possibility of procyclical fiscal policy. It was encouraging that the Irish finance minister gave a commitment to avoid that and to aim for a balanced budget by 2018; I think that's a good lesson from the Irish crisis that was made worse by pro-cyclicality in the decade before the crisis.

In the case of Portugal, again, no short-term issues, but in the longer term, there are issues related obviously to the banking situation, but also to competitiveness, because Portugal has taken some measures recently to reverse some of the cost-cutting measures implemented during the programme period. This will have a negative impact on competitiveness, and therefore needs to be watched.

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