

Klaus Regling at Eurogroup press conference in Lisbon (May 2021)

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting

Lisbon, 21 May 2021

A few remarks from the ESM perspective. Looking at the Commission forecast, I see that there's an unusually broad consensus among all the forecasters, also in the private markets and among analysts, about the recovery that is starting in this quarter. In markets, there are even more optimistic forecasts. But the Commission forecast, I think, very nicely explains that there are upside risks and downside risks. And in that sense, it's a very balanced forecast, which is good. And I think many in the markets are more on the optimistic side. That's good - stronger recovery into next year.

But as all the previous speakers said, there are divergences among all member states. There were divergences last year because several countries were hit much more by the economic consequences of the pandemic than others. And in the upswing, there are also growing divergences. And that is disturbing when I look at the good functioning of the monetary union. Of course, it was also in that context, the right response last year to agree on the different packages - SURE, NextGenerationEU, because all of these packages were designed deliberately to help more those countries more hit by the pandemic.

In that sense, we are providing more public risk-sharing inside the monetary union. And risk-sharing is something that is underdeveloped in the monetary union compared to other big economic regions like the US. We know that. So with those measures of last year, there is more public sector risk-sharing, and I think we should also make sure that there is more private sector risk-sharing, which we would achieve if we had a single market in financial services and an integrated capital market.

So I think in that context, it's very appropriate, as the Eurogroup President said, that these topics are in the agenda for the Eurogroup for the second half of this year. I think that is the appropriate response and one should understand that there's a trade-off. The more risk-sharing we can achieve via our markets, the less need there is for public sector risk-sharing. So the two work hand-in-hand and are complementary. And ideally, both should work. But if it's only one, then we may need more there.

Luckily, we are making progress towards banking union. The ESM backstop to the Single Resolution Fund is the next important step. And Elke König [Chairperson of the Single Resolution Board (SRB)], reported today to ministers on the work in that context - we work very closely with SRB and SRF (Single Resolution Fund) to make the backstop a reality. We are working hard. It's on time, so it will be available by the end of the year. But it also requires that the ESM Treaty is ratified before the end of the year, which seems very likely. Thank you.

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