

Klaus Regling at Eurogroup press conference, December 2021

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Brussels, 6 December 2021

I think it's a very important point how far we have come over these last 20 years since the introduction of euro banknotes and coins. And thinking back to March last year, when the pandemic hit all of us, there were again reports in some newspapers that it would be the end of the euro, tremendous difficulties for the European Union. And that's completely gone - those kinds of comments. And I think that's the result of the good policy measures taken and implemented last year or designed last year, and they are now being implemented.

I wanted to talk about the five countries that were all on the agenda of the Eurogroup this afternoon, the five countries that all borrowed from the EFSF and ESM between 2011 and 2018. Starting with Greece, we looked at the twelfth enhance surveillance report, as you heard. From the ESM side, we share the Commission's assessment and the main findings in the report. There is clear progress in many areas like privatisation, the continued reduction in non-performing loans. Of course, Greece, like all other European countries or countries around the world, actually faces risks, uncertainties related to the pandemic, related to the increase in energy prices.

But I think Greece has demonstrated that they are able to handle this. They have done very well, and there is a clear commitment to continue with reforms. And the timely and effective implementation of the Recovery and Resilience Plan (RRP) is for Greece also a great opportunity for stronger and more resilient growth. As you heard, this enhanced surveillance report is associated with the disbursement of the sixth tranche of policy contingent medium-term debt relief measures, and the ministers agreed that the conditions are in place to proceed with the disbursement. The amount of €767 million can now be transferred. The money is in our intermediate account at the ESM, but we do have to wait as always for the completion of national procedures, which is expected to happen without any problem.

The other four countries - Cyprus, Ireland, Spain and Portugal, they are managed in our early warning system. The four countries together owe the EFSF and ESM €72 billion. So it is a substantial amount of money. That's why we follow economic developments very closely to assess the repayment capacity of these countries. We see at the moment no immediate risk for any of those four countries to do their payment obligations over the next year. They have large cash buffers, they have market access. Some countries have seen rating upgrades over the last few months and there is the RRP for all these countries, which should help their growth momentum.

I think that's all I wanted to say on the five countries. Maybe a final word on the discussion we had with Kristalina Georgieva. It became clear, as Commissioner Gentiloni said, there is a very great convergence between the views of international and European institutions. And I can say that I also see this convergence in financial markets; analysts also share the assessment of the current situation and the outlook. Of course, everybody is aware that there is uncertainty coming from the pandemic, but there's also convergence that Europe has done very well over the last 18 months.

Also in the markets, the view on Europe is very positive today. There is also a shared assessment that the risks are quite different in Europe from the United States. I think our fiscal action was the right one. Also, the risk of second round effects in the labour markets that could lead to longer term inflation problems are very low in Europe; in the US they are much higher. So there is this convergence to a degree that is rather unusual, looking back over the last few years. Thank you.

Response to question on the possible early repayment of loans by Greece

Regarding the early repayment of the remaining IMF loans and possibly the Greek Loan Facility, [Greek Finance] Minister Staikouras informed his colleagues about the intention, so we wait for additional information and then, like in the past when this has happened at the ESM, we would make an assessment how this affects the creditworthiness, the repayment capacity of Greece vis-a-vis other creditors. It will also require a waiver of the proportional prepayment rights. And you may remember that we had to do the same analysis and would need the waivers from our governing bodies of the EFSF and ESM. So I think that work will be done early next year and then we will come to a conclusion and a recommendation from the ESM to our governing bodies.

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