

Klaus Regling at Eurogroup press conference, March 2022

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting

Brussels, 14 March 2022



I want to start by saying that we at the ESM are also horrified by the war in Ukraine and the unimaginable human suffering. The situation is extraordinarily uncertain. This is also true regarding the impact of the war on the European economy. As the President of the Eurogroup and the Commissioner already said, markets also face uncertainty and have downgraded their growth prospects to varying degrees and increased inflation expectations. Investors' risk appetite remains understandably low, liquidity is scarce and volatility high. Nevertheless, the impact of the war in Ukraine on European markets so far has been fairly orderly and euro area bond markets have continued to trade fairly smoothly. Given the uncertainty, the Commission's proposal to reassess the fiscal guidance that we discussed today again in May, I think is really very reasonable.

On the Greek enhanced surveillance report, I agree with what you already heard, the positive assessment in the report of developments in the Greek economy, on continued reform implementation even under these challenging circumstances. But of course reforms must continue. Not everything has been implemented that was agreed some time ago, and therefore it is good to look at this again in May when we

have the 14th enhanced surveillance report. As Greece's biggest creditor, the ESM naturally has a special relationship with the country, as a long-term partner with a joint interest in its economic success.

Finally, a word on banking union. I think it's clear from the perspective of all European and even international institutions that the economic case for banking union and capital markets union has always been strong because with complete banking and capital markets union, one can promote potential growth. It would reduce fragmentation in the euro area through more risk-sharing. It would generate private financing for the twin transformation of our economies and it would also strengthen the international role of the euro.

All that has already been clear for some time, but with the events that we are going through now, after the first two years of the pandemic, and now with the war in Ukraine, I think the case for banking union and capital markets union is reinforced because it would really strengthen the resilience of the banking sector in Europe and reduce the vulnerability of the euro area. Therefore, also from the ESM's side, we can only support what the Eurogroup President presented today to reach an agreement on the work plan, and we fully agree with the guidance presented today.

Just a final word, and I repeat myself, but I think it's worth saying that the next step towards completing banking union is really the finalisation of the ESM Treaty ratification because that would provide the backstop to the Single Resolution Fund and that is the next important element towards banking union. Thank you.

Response to question on whether the ESM could develop a new tool to support countries facing an energy crisis, similar to the pandemic support tool, not requested by any euro area country

In my view, the experience the ESM had during the pandemic is a positive one because we developed very quickly a new instrument based on our existing precautionary instrument. So the fact that it has not been drawn, this Pandemic Crisis Support, is not negative. It's a precautionary arrangement. And we have heard again and again from financial markets and in writing also from rating agencies that it is very positive to have this facility in place, so countries that want to use it have the possibility to do so, and the ESM has the lending capacity to actually do it. So it was a positive experience and contributed to the overall package of measures that

was adopted almost two years ago. And of course, we can learn from that. And depending on how developments go - which we cannot say today, there is uncertainty - the ESM might be used for similar situations, but it's too early to say that now. We have not discussed it with our Member States, but I would again draw on the experience two years ago in a positive sense.

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