

Klaus Regling at Eurogroup press conference, April 2022

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Luxembourg, 4 April 2022

Good evening. Just two points to complement what you heard from the President and the Commissioner. On the economic situation and the outlook: the war in Ukraine and the humanitarian catastrophe there affects the European economy and the world economy; but the European economy more than the world economy. It brings a lot of uncertainty also to financial markets. They are faced by the same uncertainty about future developments.

We know from financial markets and analysts that they have revised down growth expectations and revised up inflation expectations. Not surprising, given what's happening to energy prices and food prices. Also markets of course take note that the terms of trade loss that we see in the context of the rising energy prices is now as big as the terms of trade loss that we faced in the early 1970s, 50 years ago, during the first oil crisis. Confidence indicators are all declining and as a consequence now, most financial market observers and analysts expect that the second quarter of this year will have a negative growth rate. That is what the markets believe based on the factors I mentioned. A negative second quarter growth rate of course does not mean that the year 2022 as a whole will be negative. And there are a number of reasons for that. One is the strong growth carryover from last year, as also the Commissioner said. The growth momentum was strong until 24 February. The normalisation process coming out of the Covid lockdowns had not been completed. It was supposed to run further and that momentum is counteracting the negative effects coming from the war.

And it's also good to remember that consumers will also face uncertainty. They have accumulated a sizable stock of savings during the two years of the pandemic, savings that go beyond what they would have accumulated without the pandemic. And this additional stock of savings amounts to 13% of household income in the euro area. So it's sizable and can cushion the decline in purchasing power that is caused by energy prices. So it's not all bad. There are positive elements that counter these negative trends.

On banking union, the President gave all the good reasons why it is important to complete banking union. It would really strengthen the resilience of the monetary union. It would also strengthen the international role of the euro. From the ESM side, as you know, the next important step towards completing banking union is the backstop from the ESM to the Single Resolution Board (SRB). Technically it's ready. We have worked very closely with SRB, but also with the Single Supervisory Mechanism and the Commission to test its availability. We have had a number of dry runs with the other institutions. So all that is fine and in good shape. We need the ratification of the ESM Treaty, which is almost completed. We are not completely there, but hopefully the next month will bring some progress in that respect. In the meantime, we fully support the efforts of the President to come up with a plan how to complete banking union. Thank you.

Response to question on the non-paper prepared by Spain and the Netherlands on the reform of fiscal rules

I think it's an important contribution to the debate which is now starting, and some very important points are picked up here. You've heard me say on other occasions that we need to reform the Stability and Growth Pact. But also as the President said, I find it very encouraging that this non-paper, or joint paper by Spain and the Netherlands – it's all put together; reforming the fiscal governance framework, and then they talk about completing banking union and capital markets union. And all that together would really strengthen the resilience of monetary union and the international role of the euro. Therefore I can only welcome this beginning of the discussion; of course we need many more details, but it's a valuable contribution.

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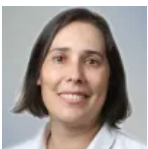


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