

Klaus Regling at Eurogroup press conference, September 2022

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Press conferences

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Prague, 9 September 2022

Just a few remarks from an ESM perspective. Obviously, you heard it, you know that the economic situation is very challenging. Not only in Europe. We see a global slowdown in the world economy. The United States already had negative quarters of growth. China will have the lowest growth rate in 40 years this year. Europe actually had a better-than-expected first half of the year, and there's a very strong third quarter in most southern European countries.

Looking ahead, we are moving into a risk scenario as Russian gas supplies have been stopped. This implies a loss of purchasing power for consumers and problems for energy-intensive companies. We are facing a loss of income through a terms of trade loss - import prices rising much stronger than export prices. Such terms of trade losses mean a transfer of wealth to energy exporters and that cannot be compensated.

However, it is not all gloom and doom. One can easily get that impression looking at some of the indicators. Governments have taken measures to support vulnerable households and corporates. You heard about that. The Commission is working on more. Also not to forget that the Next Generation EU package that was adopted

under very different circumstances two years ago to fight the consequences of COVID; most of the money is still being disbursed and it also fits very well with the current situation. So that is also positive.

Also we should not forget that compared to the euro crisis 10-12 years ago, we have a completely different environment in Europe. 10-12 years ago, we had to fight massive macroeconomic disequilibria in a number of countries that required tough adjustments. We don't see that now; we don't have this loss of competitiveness or structural weaknesses of a different degree in the euro area countries. So it is very different from those days.

In addition, we created new institutions in the last decade. Not only the ESM, also in the supervisory area. And that also means the banking sector is stronger today than it was ten years ago. And as the Commissioner said, the labour market continues to be strong. We have the lowest unemployment rate [in euro area history]. So it's not all doom and gloom, although we are in a risk scenario. And my final point would be, I think the last few crises that we had to fight - we don't want crises, but they have one good thing - I think we learned how to cooperate better in Europe.

Response to question whether the ESM could provide a liquidity backstop for the utilities sector

As to whether the ESM could do something directly, the answer is very easy, it's "no". We can only provide loans to our governments. Of course, if they need financial support to be able to help the industries, that's possible, but we are not at that stage. I think the ball is with the Commission on state aid questions, as the Commissioner just explained.

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