

Rolf Strauch at informal Eurogroup press conference, Washington DC

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Transcript of remarks by ESM Chief Economist Rolf Strauch

Press conference after informal Eurogroup meeting

Washington DC, 14 October 2022



Let me thank Eurogroup President Paschal Donohoe and commend him for organising this meeting jointly with the IMF and Treasury Secretary Yellen.

I want to add some comments from the perspective of the European Stability Mechanism, focusing on financial stability. The global economic slowdown, high inflation and the new monetary policy cycle in many countries force financial markets to adjust. This puts financial markets under stress and we will be facing challenges of financial stability over the coming years. We know from past crises that European solidarity, joint European initiatives and transatlantic alignment foster market trust.

The current crisis underlines this. This is also why today's meeting with US Treasury Secretary Yellen was so important as a sign of alignment, fostering market trust. Market participants with whom we regularly contact are worried about how Europe will weather the terms of trade shock that we are currently experiencing and that is

affecting Europe more than other regions. At the same time, they see favourably Europe's common policy action in response to the war in Ukraine and the current energy crisis.

The euro area has entered this crisis in a healthier and stronger position than past crises. There are several reasons for that. Euro area countries have undertaken structural reforms during the last decade, making their economies more robust. Employment levels are still at record highs and wage growth has been contained. The financial system, and that is also what we discussed this morning, especially the banking system is overall much more resilient and we are still benefiting from the protective umbrellas that the ESM and other European institutions provided during the pandemic and Commissioner Gentiloni alluded to that.

But going forward, investors will pay particular attention to governments' fiscal path and fiscal buffers. In the shorter term, as Commissioner Gentiloni has pointed out, there needs to be a good monetary-fiscal policy mix where measures are used to protect the most vulnerable in our society and be targeted. In the longer term, means should be developed and means should be used to lower energy dependency and have a more efficient use of energy. Today's meeting has shown our common concern in addressing current economic challenges and this is an important signal which helps to foster market trust and therefore supports international financial stability. Thank you.

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu