

Pierre Gramegna at Eurogroup press conference, May 2023

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Remarks by ESM Managing Director Pierre Gramegna Press conference after Eurogroup meeting Brussels, 15 May 2023



Good evening. I'm going to speak about three topics. First, the economic developments and the forecasts of the Commission very briefly. The second topic will be the challenges for corporates and the third topic, the banking union.

On developments in the euro area, we see that the European economy has been more resilient than expected, which is good news, and this is reflected obviously in the numbers that are slightly higher than anticipated. The other good news is that financial markets have been stable in April; as ESM we follow that obviously very closely and this is conducive to financial stability. But markets are looking at it in a very cautious way. They expect growth to be slightly lower than what the Commission has indicated in the forecast, but just slightly, due to the fact also of the uncertainties in China and lower exports and imports from China, and also due to the expectations of the economy in the United States.

This being said, the markets also look at the proposal that the Commission made on the governance framework of the European Union and it's valued very positively; the proposal being considered as credible and balanced. This is good news. On the other

hand, obviously what markets like is to have certainty as quickly as possible. And so the earlier we will have clarity on the discussions and where they go and about the timeline, the better.

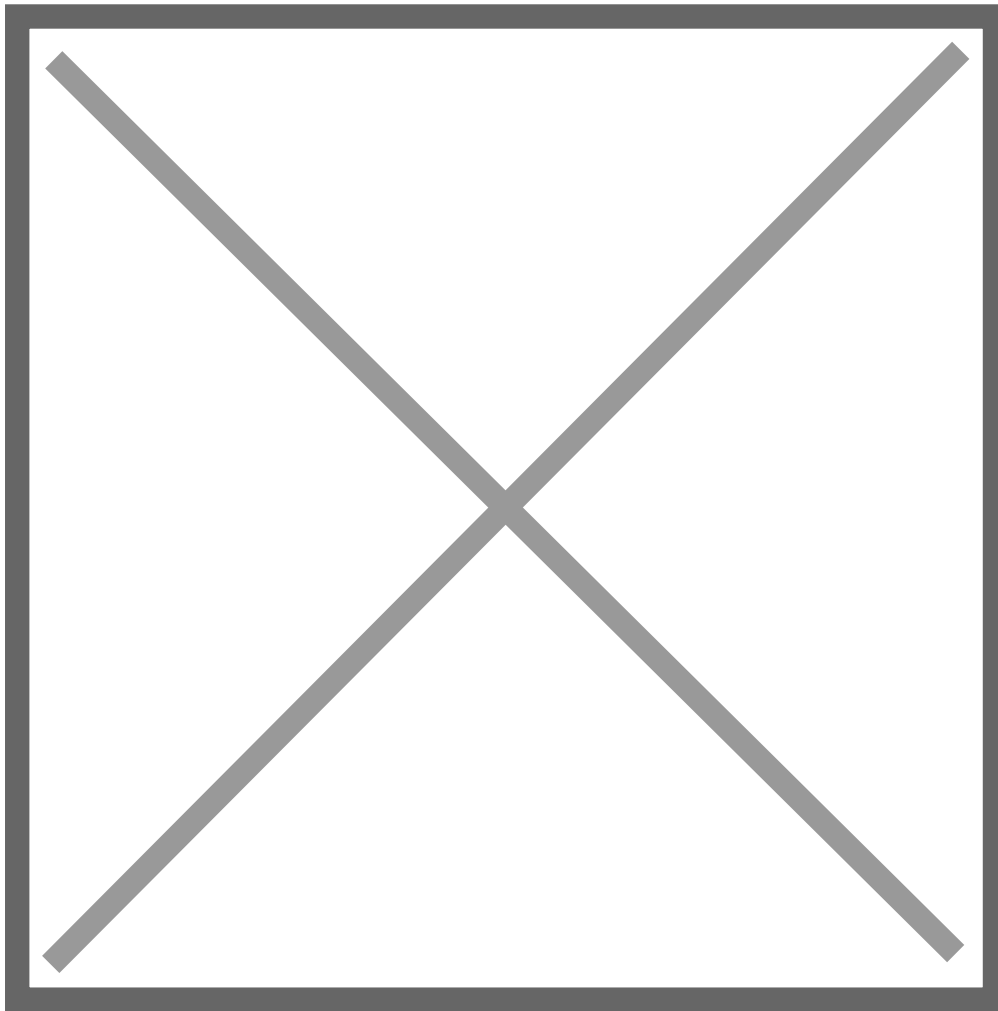
On the corporate sector and the structural challenges ahead for companies. In the context of the geopolitical tensions, it is clear that companies have received a lot of support during these last periods, through Covid or because of geopolitical challenges. And this in return has helped companies to weather the crisis. And today we see that profitability of companies is much higher than expected and certainly unusual in times of very low growth. We as ESM are obviously studying this also from the viewpoint of financial stability. We've issued a blog on this called "[Firms' profits: cure or curse?](#)"

It is a topic that has a lot of traction and it led to a very interesting discussion today and we will come back to it. What I also noted in the discussions is that one cannot generalise. There are not high profits in every sector. So one needs to distinguish from one sector to another. And we also heard from countries that in certain situations, profitability is not so high. So, I think this discussion really needs to be continued further in the months to come, as President Donohoe has said.

Third, on banking union. In the aftermath of the financial turbulences, we at the ESM have welcomed the Crisis Management and Deposit Insurance (CMDI) Directive that the Commission has tabled recently. The discussion on that will be quite important. The second thing that we highlighted is that what we have recognised in the financial turbulence in the United States and Switzerland was that the key issue was the one of liquidity, and if there are liquidity issues, obviously you look at where are the guarantors that could help in that context. And obviously the report by the Single Resolution Board told us that the amount of reserves in the Single Resolution Fund being equal to €77 billion is probably not sufficient and that it is useful to have a backup. And as you know in the amended Treaty of the ESM, the ESM could offer the backstop and nearly double this firepower that we need in terms of problems of liquidity.

Last but not least, I will not repeat anything about the discussion on the capital markets union, just to thank President Donohoe for explaining the necessity to prepare for the work that needs to be done on that issue in the medium term. Thank you.

Further reading



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