

Pierre Gramegna at Eurogroup press conference, July 2023

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna

Press conference after Eurogroup meeting

Brussels, 13 July 2023

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Good evening.

I'm going to speak on two topics, on the euro area fiscal stance and on the capital markets union (CMU). I will say some words on the euro area fiscal stance as this is very relevant also to the mandate of the ESM. We really welcome the statement that was adopted today in the Eurogroup, which we completely support. We also appreciated the presentation by the European Fiscal Board.

The ESM supports the recommendation for a prudent fiscal policy mix and is completely aligned with the recommendation that countries should now move in the direction of phasing out support measures that were established because of high energy prices which are not there anymore.

A second topic which in the eye of the ESM is very important is the topic of inflation. We were confronted initially, a couple of months ago and last year, especially, with an inflation that was stemming from a supply side shock. Now this inflation is being driven more from the demand side. This explains probably why the core inflation remains stubbornly high. The headline item inflation is going down, but core inflation

is high.

The prudent fiscal policy is really warranted and will achieve three important objectives. First of all, to support long term debt sustainability, which the ESM closely looks at. Second, this more prudent approach for budgets will create fiscal buffers for future shocks and address longer term challenges such as ageing population, costs, and offer the necessary room for investments for the green and digital transitions. And last but not least, this prudent fiscal stance will help contain inflation pressures. And this is key in order to ensure coherence between the fiscal policies on one side and the monetary policy of the ECB on the other side.

Let's, on this whole issue, be humble. There's a lot of uncertainty out there. And what we definitely need to have at our level is that we need to agree on a new economic governance before the end of the year, especially because we have these uncertainties. On capital markets union, I would like to congratulate Paschal Donohoe for putting this topic to the forefront, which is in the beginning of a series of discussions we're going to have. The fragmentation in Europe's financial and capital markets is well known, and we, as ESM, experience that in our activities on the markets.

The European (capital market) size and depth and liquidity are far smaller than the ones of the United States. Let me give you a few figures here. The safe assets segment in the EU represents 4.2 trillion euro, whilst the one of the United States is 22.6 trillion. And if you look at the securitisations market in the EU, it represents 80 billion and in the United States, 336 billion. Those numbers speak for themselves. Also at the level of market makers, European players are not the biggest ones, not even in Europe.

Today we had a bottom up approach which was quite useful. We heard lots of proposals of what is being done in different countries. I have noticed a few points that I would like to highlight that seem important for us at the ESM, and that is that we should continue and accelerate sustainable finance in Europe as we are leaders in this field. The euro represents 50% of all ESG bonds worldwide. In terms of capital markets union, if we have more depth and more size, this will boost our market. Second, we are lagging far behind in terms of securitisation and quite a lot needs to be done in that area.

Last but not least, more supply of safe assets would help underpin the euro as a reserve currency, a topic that we have addressed today. It's good news that the use

of the euro, despite the crisis that we have known recently, is picking up again. We need to have a strong Europe that can compete with other currencies. Thank you.

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