

Pierre Gramegna at Eurogroup press conference, September 2023

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Press conferences

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Remarks by ESM Managing Director Pierre Gramegna Press conference after Eurogroup meeting Santiago de Compostela, 15 September 2023

I would like to start in Spanish: *Buenos días a todos*. I would like to thank Nadia Calviño and her whole team for the warm reception. Yesterday, we had the privilege to visit the Cathedral of Santiago de Compostela, with great lighting and I must say, it was very inspiring, very humbling. I also realised that ministers and high civil servants had the privilege to discover this cathedral immediately upon arrival in Santiago without having to do a long march or a long walk, as pilgrims normally do. But that has inspired us and makes us realise that if this walk was easy for us, the

walk towards keeping control of inflation and the walk to ensure sustainable growth is a long and difficult one. I think all the countries of the euro area are aware of that.

We at the ESM also consider that the euro area economy has shown resilience in the first half of the year, as also many households and businesses still have financial buffers to face the increase in costs. But we are now seeing weaker activity, not only in manufacturing, but also in services.

Now, as the ESM is active on capital markets, we always listen very carefully what we hear there and what we see. Markets expect very weak growth next year. Some are even seeing that the risk of recession is increasing. The consensus of markets in terms of growth for next year is lower than the numbers of the EU Commission and are quite in line with the numbers that the ECB revealed yesterday. Some actors in the market are even more pessimistic. Coupled with tighter financing conditions, citizens and businesses will start feeling the pressure on incomes and profitability. Despite the resilience shown so far, risks to financial stability remain.

At the ESM, we look closely at these risks and monitor market concerns in our daily contacts with investors. The full impact of this increase in interest rates and the weakening of the economy is still to be seen. Of course, we also have to be mindful of the impact for the most vulnerable in the face of this high inflation.

Let me also underline something that has become obvious for many more during the summer, and that is that the climate risks are there to stay. It's not momentary, it's not happening once in a while. It is there to stay and it has had huge impact on many countries in Europe.

Let me specifically highlight the sufferings because of the fires and the floodings in Greece. This has in fact taken away the limelight that could have been set on the fact that one rating agency has now given investment grade to Greece. And as Greece is the country where the ESM has been most active, I would like to take this opportunity to congratulate Greece for this achievement.

Now there's a lot of homework to do, and that was highlighted this morning in the meeting. Let me first underline how important it is in this uncertain environment to stick to the consensus on fiscal policy, formulated in the Eurogroup statement in July. That statement is also extremely important because it ensures coherence with the monetary policy of the ECB. Today was again an occasion to insist on the fact that it is key for member states to agree on the economic governance review before

the end of the year because that will increase confidence. Many saluted, as we do at the ESM, the French-German initiative to relaunch urgently the capital markets union that will reduce volatility in the markets.

Let me finish with a word on the process of ratification of the ESM. This remains obviously a priority, even more so because at the end of this year, national credit lines [to the Single Resolution Fund] will expire. We have received comments from the Italian minister about the process underway in the Italian parliament. We are in constant contact and we hope that the procedure in Parliament will help push the ratification that the other 19 countries are expecting. The most important is that the ESM can support and fulfil the important mandate for which it was created, ensure financial stability in the euro area. If this amended treaty does not enter into force, unfortunately, the backstop or the safety net that is the main feature of this new treaty will not be entering into force.

Let me conclude by also saying that I continue my visits to all the members of the euro area, which are the members of the ESM. I have visited 15 countries and in the next months, I'm going to finish the tour of all the countries. I'd like to thank all the countries for their warm welcome and for the good exchanges of views that I had in order to make sure that we will be able to use the full potential of the amended treaty.

Response to question on how quickly the ESM backstop to the Single Resolution Fund could start operating once the amended treaty is ratified.

Thank you for your question. Obviously, we have not waited for the countries to ratify or to start to ratify the amended treaty to do the preparation work. We have already done dry runs with the Single Resolution Fund, and we are now fine-tuning that, so that you could say that operationally, we are there, it's ready. We just have a few legal points which are, I would say, really formal, to do once everyone has ratified. That we cannot do before full ratification. It's a matter of maybe days or weeks. So that's why I've said already in the past, we are ready for operation.

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