

Pierre Gramegna at Eurogroup press conference, January 2025

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna

Press conference following Eurogroup meeting

Brussels, 20 January 2025



Good evening, everyone. We had today a very interesting discussion on the key priorities for the euro area and the role that the Eurogroup has to play in that context. This happens at the time of the new political cycle of the EU. The geo-economic environment is deteriorating further and the risks stemming from political and economic disruption have increased. These developments come on top of the long-standing issues related to weaker European competitiveness.

One important answer to this issue would be to modernise the EU single market, as described in full detail in the Letta report. In this context, it is important, as was just said by Commissioner Dombrovskis, to deepen the capital markets union and the banking union. In this context, financial stability remains a prerequisite, and the ratification of the amended treaty of the ESM, which includes a common backstop, would be extremely useful.

Europe's growth will likely also suffer from the expected new course of the US administration. The markets are already pricing this in. Due to the new expected policy mix in the United States, borrowing costs are rising globally, which can weigh on growth going forward. Renewed inflationary risks and a large US fiscal deficit

push bond yields to a higher level. At the same time, there are other geopolitical risks, including the ongoing war in Ukraine.

The Eurogroup has an important role to play in forging critical agreements due to its unique existence and three factors. First, it has an informal nature. Second, it has a shared commitment to defend the common currency, the euro. And third, it is under the wise guidance and leadership of our President Paschal Donohoe.

For its part and within its mandate, the ESM remains committed to supporting the work of the Eurogroup in cooperation with other institutions, primarily also with the Commission. The ESM's financial instruments and their effectiveness were reviewed last year. A report on this was presented to finance ministers as Governors of the ESM in June of last year. The review suggested how the ESM could address the risks to the euro area's financial stability, including those stemming from geopolitical threats or climate change. We are currently continuing this work.

Let me briefly also say a few words on the wholesale aspects of the digital euro. The ESM is a market participant operating on the sell and buy side of global markets. Using a distributed ledger technology-based wholesale payment system, backed by digital central bank money, can offer efficiency gains, and therefore the ESM supports the ECB's work in this regard.

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