

# Rolf Strauch interviewed by Euronews



**Transcript of interview with Rolf Strauch, ESM Chief Economist**

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**Interviewer: Méabh Mc Mahon**

**Euronews: This is quite a gloomy outlook you're presenting here. Tell us more about your findings.**

From the perspective of the European Stability Mechanism, euro area resilience is coming under strain. We see, on the one hand, that geo-economic and geopolitical risks are rising. You have security threats, you have energy price disruption, you have financial market volatility and fragmentation in the trading system. On the other hand, you see that this leads to higher demands on governments while the fiscal space is shrinking. And that is what we mean by resilience is coming under strain. Governments need to create fiscal buffers, and they need to create growth.

**Many of our viewers will be worried this morning about this risk of a potential recession. How high is it?**

The point is, as a crisis resolution mechanism, you ask what happens if things go wrong, not what will actually happen. When you ask the second question, what will happen, you do a forecast. We do a scenario analysis. And, as you said before, if we have two shocks, a meltdown of US assets and the re-escalation of a conflict - yes, then the risk is high that we will have a recession. And that is what we point out in order to be prepared for a crisis, not because we are predicting the crisis.

**And is the euro area stronger now than it was for these potential kinds of shocks?**

The shocks that we will maybe see are indeed the Middle East conflict, and that leads to higher energy prices and uncertainty. And on the other hand, a meltdown in US assets that would imply that we face tighter financial conditions.

**So, what should consumers be doing and thinking?**

We think that governments mainly should be prepared, and that means that they have to get growth going, and that will help also the consumers.

**And just finally, today in Ankara, billions are being pledged for defence. Can European countries afford this?**

European countries could create a win-win situation here, and we have looked in-depth into defence spending. And when you actually create a situation where defence spending spills over into the civilian economy, then you can recover 53 cents for each additional euro spent through taxes and higher growth.

## Author



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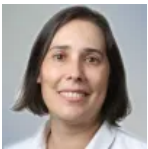


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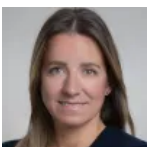


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