

Klaus Regling at Eurogroup Press Conference

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting

Luxembourg, 10 October 2019

Good morning. Just a few points to add from the ESM perspective. I think yesterday was a productive meeting of the Eurogroup. And as Commissioner Moscovici just said, it's good that the Eurogroup can focus on longer-term issues because we are out of the crisis mode. In that context, the agreement on the budgetary instrument for competitiveness and convergence (BICC) was important. Also from the ESM perspective, it is important that an agreement was reached because a budgetary instrument for the euro area is an important element of deepening monetary union, making monetary union more resilient. That's all I want to say on the BICC because you heard all the details and you will find it in the term sheet.

Another topic that was discussed and which shows that the Eurogroup focuses on longer-term developments was competitiveness. And I think again that this is very important for several reasons. One is that we all know that competitiveness developments are crucial for productivity and the growth potential of every economy. But in addition, in a monetary union, competitiveness developments are also a key factor in the adjustment process. And in this context I think it is important to remember that the loss in competitiveness was a key reason for the euro crisis.

All countries that borrowed from EFSF and ESM had a competitiveness problem. Some of these countries also had fiscal issues - but not all of them. But all had a

competitiveness problem. And that's why it is important to monitor competitiveness developments more closely, to be vigilant for instance in the framework of the Macroeconomic Imbalances Procedure that's done by the Commission. And it's good that the Eurogroup decided that they will do this on a regular basis.

Finally, a few words on Portugal. There was the post-programme surveillance mission; the ESM participates in this as you know. From a market perspective, it's clear that the sentiment is positive and this reflects Portugal's good growth and fiscal performance. And for example, it's remarkable that all four credit rating agencies assigned a positive outlook to the country and spreads have been narrowing quite a bit since the start of the year.

One element that contributed to this positive sentiment is that Portugal repaid its IMF debt in full at the end of last year. Next week Portugal will repay early €2 billion to the EFSF. And again, this will strengthen the debt sustainability of Portugal because it will smoothen Portugal's repayment profile and generate some cash savings. And this will be another good signal for the markets. Obviously, markets' goodwill is also contingent on maintaining good economic health in the country. In that context I can only congratulate Mario Centeno on the election results last weekend. But it is important that Portugal safeguards its competitiveness and continues on its structural reform path. Thank you very much.

Response to question on non-performing loans (NPLs) in Greece

Regarding the NPLs of Greek banks, this is the biggest economic problem that Greek banks face at the moment. Many other things have been brought under control, but the levels of NPLs is by far the highest in Europe. There has been a decline, along the lines of what was agreed with the Single Supervisory Mechanism (SSM), so there is progress. But the starting point was so bad that it's still at a very high level. So that's why the Greek government is still working on this, which is good. They are in discussion with [the European Commission's] DG Competition on how to accelerate the process. This is up to DG Competition to decide. I think this decision is imminent; I will discuss it this afternoon with the Greek finance minister Staikouras, together with some other topics. But I can only say from the ESM perspective that it's very important that this process of NPL reduction continues as rapidly as possible, so that Greek banks can again play the role that the banking system must play in any

healthy economy, providing credit.

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