

Excerpts of Klaus Regling's interview with *Nikkei* (Japan)

6 March 2017

Interviewers: Jun Ishikawa and Mikio Sugeno

1. Economic outlook in the euro area

"Looking at GDP per capita, one can see that the euro area is growing at the same speed as the United States."

"Overall the situation in Europe is quite good."

"Certainly over time, the interest rates will go up and unconventional monetary policy will end. But I cannot say when."

"I personally never thought of a big risk of deflation in the euro area, because we always had fairly strong wage growth in the largest economies like Germany and France."

2. Situation of banking sector

"The European banking sector is overall a lot stronger today than it was 7 years ago, before the crisis."

"I think it's very important to realise that a few banks do have problems, some of them in Italy, some of them in Portugal. But that does not mean that the banking system overall has a problem. There are a few isolated cases."

"Out of the about €1 trillion of NPLs for European banks, almost 50% of that is provisioned."

3. Greece

"I'm not excluding the possibility that everything is ready by the next Eurogroup on 20 March, but we are not at all certain. We still have a lot of work to do. We need to see how much progress will be made in the next two weeks."

"We always find solutions in the end."

"Remaining steps on the fiscal consolidation side are very small."

4. Elections

"It's very unlikely that she (Marine Le Pen) will become president."

"According to all polls, Marine Le Pen will not win in the second round."

“It’s true that elections create uncertainties and markets also have to price tail risks, and therefore we see that the spreads for French government bonds have been going up. That’s not surprising because markets have to price tail risks, even if they are small.”

“We see in advanced economies the backlash against globalisation, against cross-border corporations, against trade, which for economists is very hard to understand.”

5. Brexit

“Economically, the costs are mainly on the UK itself.”

“Over time, I think Brexit will reduce the potential growth rate of the UK.”

6. Donald Trump

“In the short term, the programme of President Trump will be expansionary with a big infrastructure programme and with deregulation, possibly tax cuts. All that will in the short term stimulate growth. The concern comes about what will happen in the longer term. But financial markets don’t look at that in the first instance.”