

# THE ESM – EURO AREA FINANCIAL STABILITY IN SAFE HANDS

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Erasmus University, 31 January 2020



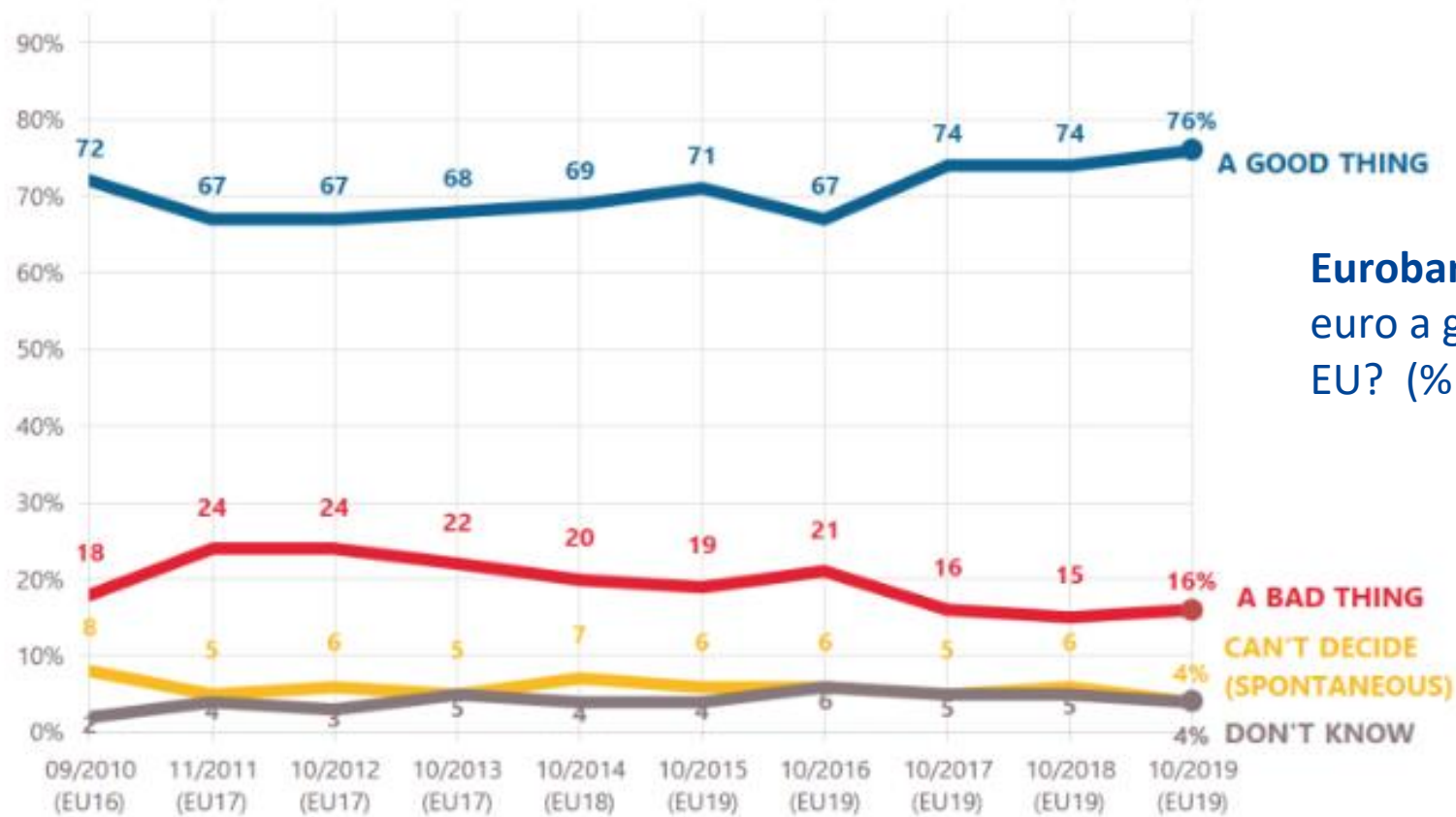
# THE EURO – SYMBOL OF EUROPEAN INTEGRATION

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# SUPPORT FOR THE EURO IS AT RECORD HIGH

More than 3/4 of respondents in the euro area support the common currency



**Eurobarometer:** Is having the euro a good or bad thing for the EU? (% responses)

Source: Standard Eurobarometer, November 2019

SOME MARKET ANALYSTS EXPECTED THE EURO TO FAIL IN 2010/11

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Currency's Days Feared Numbered

## **Investors Prepare for Euro Collapse**

### **The Coming Crash of the Euro**

Why huge profits await investors who position themselves  
for the euro's inevitable bust!

Doomsday for the euro area:  
Causes, variants and  
consequences of breakup

**When will the euro collapse? It's already  
dead**

# DUE TO HIGH BORROWING COSTS, GREECE LOST MARKET ACCESS



Source: Bloomberg

# OVERVIEW OF EFSF AND ESM PROGRAMMES

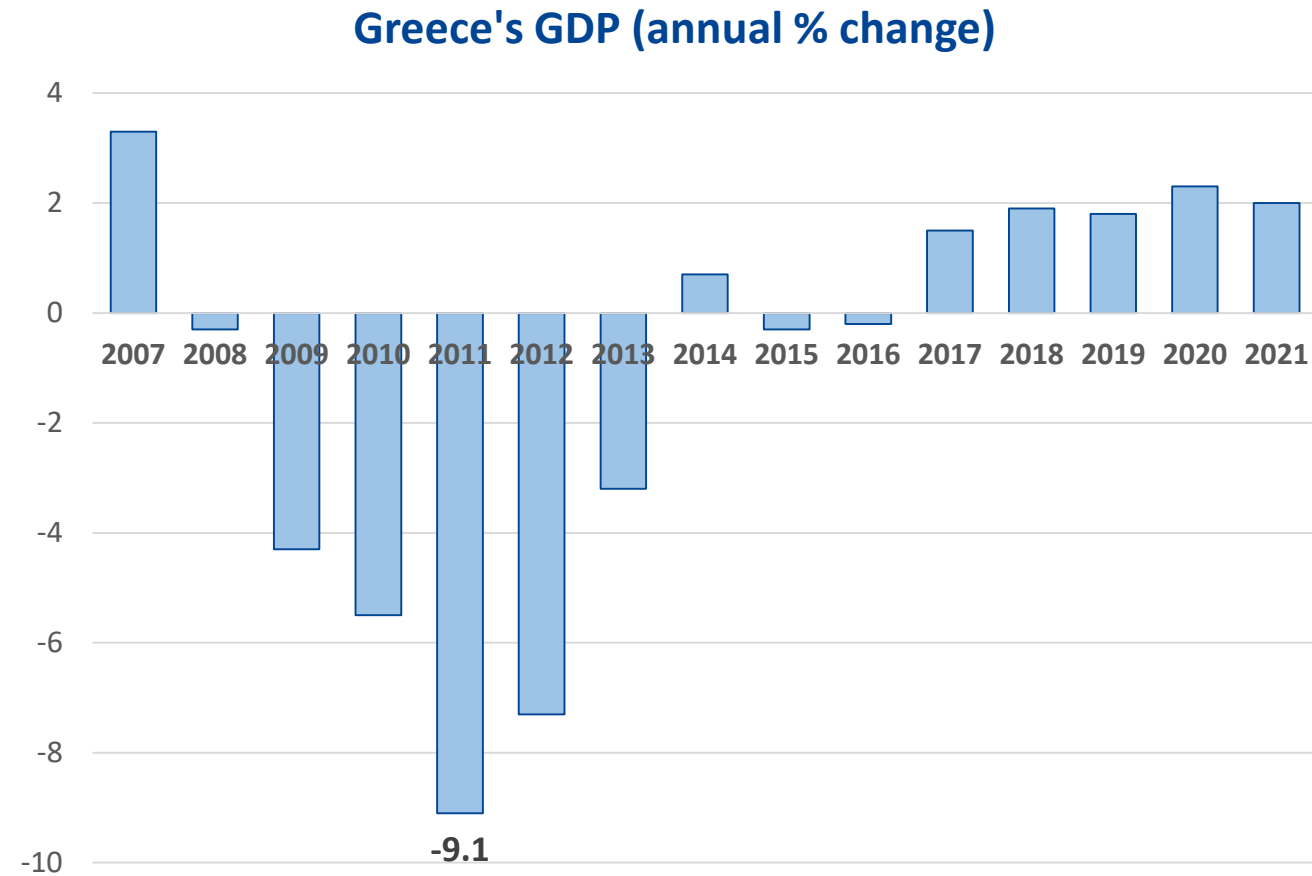
EFSF	ESM
 Ireland (2010-2013) €17.7 bn	 Spain (2012-2013) €41.3 bn
 Portugal (2011-2014) €26 bn	 Cyprus (2013-2016) €6.3 bn
 Greece (2012-2015) €141.8 bn	 Greece (2015-2018) €61.9 bn

Total amount  
disbursed by  
EFSF and ESM:  
**€295 bn**

### **Common types of reforms implemented by beneficiary countries:**

- **Fiscal consolidation** – measures to cut government expenditure, by reducing public administration costs and improving its efficiency, and to increase revenue through privatisations or tax reform;
- **Structural reforms** – measures to boost potential growth, create jobs, and improve competitiveness;
- **Financial sector reforms** – measures to strengthen banking supervision and governance; bank recapitalisation

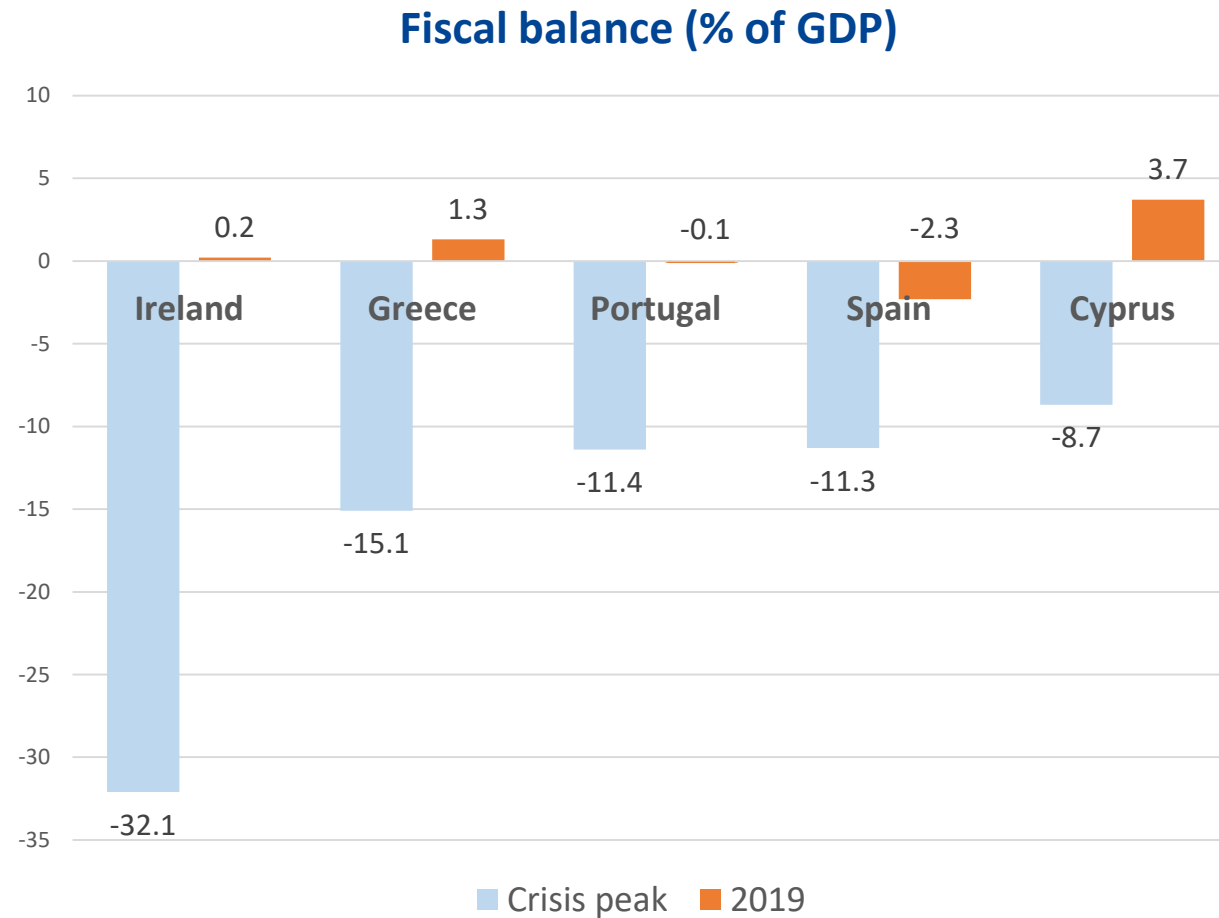
# GREECE'S ECONOMY HAS BEEN GROWING AGAIN SINCE 2017



Values for 2019-2021 are forecasts. Source: European Commission Economic Forecast Autumn 2019



# LARGE FISCAL DEFICITS WERE REDUCED



Source: AMECO (forecast figures for 2019)

# BUDGETARY SAVINGS THANKS TO EURO AREA SOLIDARITY

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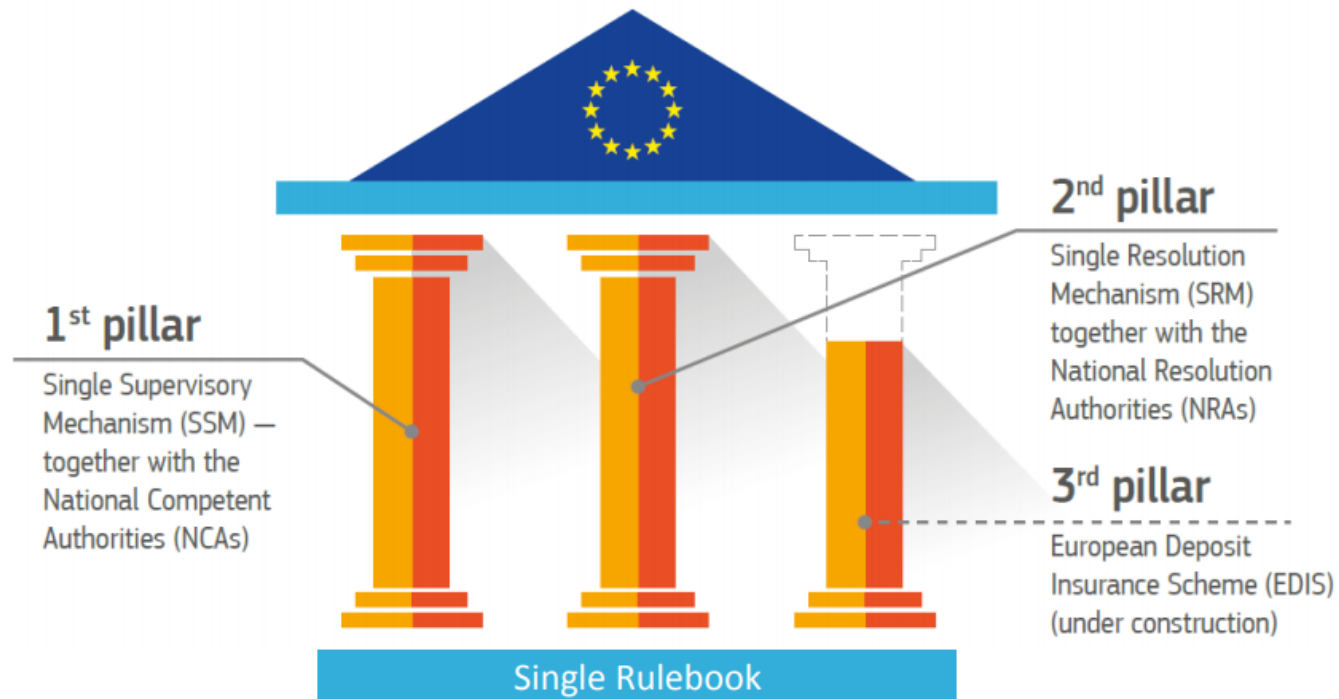
- EFSF/ESM programmes lead to substantial budgetary savings for programme countries

	In € billion	As % of GDP
Cyprus	0.4	1.9
Greece	13	7
Ireland	0.8	0.2
Spain	1.6	0.1
Portugal	1.5	0.7

*Figures for 2018. Calculated by comparing the effective interest rate payments on EFSF/ESM loans with the interest payments that these countries would have paid had they covered their financing needs in the market. The yields on 10-year bonds are taken as a proxy long-term market rate.*

## BANKING UNION, THOUGH INCOMPLETE, HAS STRENGTHENED FINANCIAL STABILITY

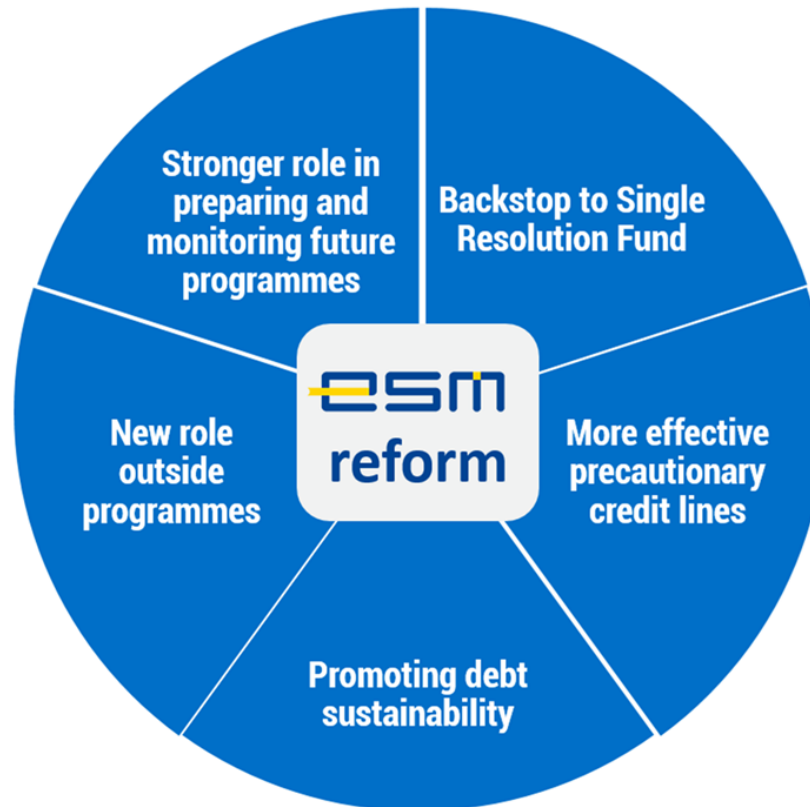
- Single Supervisory Mechanism (1st pillar)
- Single Resolution Mechanism and Single Resolution Fund (2nd pillar)
- Single rulebook: harmonised rules on capital requirements, recovery and resolution
- 3rd pillar is missing: European deposit insurance scheme



## STRONGER ROLE FOR ESM

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The ESM will be given new tasks when the revised ESM Treaty is agreed and ratified by all 19 Member States



## LEARN MORE ABOUT THE ESM

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[www.esm.europa.eu](http://www.esm.europa.eu)

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