

Klaus Regling at Eurogroup press conference, October 2021

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04/10/2021

Press conferences

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Luxembourg, 4 October 2021

Good evening. Just a few points from the ESM perspective. On the first agenda item - economic situation, energy prices - you already heard a lot. I think it was an important discussion. I informed ministers about the thinking in financial markets. Markets continue to have very positive growth expectations for this year and next. However, markets always focus a lot on energy price developments because they remember from the past that energy price swings often have a very significant impact on the world economy.

But at the moment, like what you also heard, markets are looking at the increase in energy prices as a temporary phenomenon and therefore also the impact on inflation they consider to be temporary. And that is particularly the case because second round effects in the labour market are just not visible at all, certainly not in Europe, maybe a bit more in the US and in the UK.

However, there is a concern that the supply shock is not limited to gas and electricity but can be broader: oil, but also other commodities and certain commodities like metals need a lot of energy to be produced. So there's a direct link and that over time could then have a negative impact on growth. So that is

discussed in the markets. Some even make estimates that this could lead to lower growth in Europe of between 0.2 and 0.3 percentage points over the next 12 months. This is a view that I hear from time to time, but at the same time, this is against the background of strong growth that will automatically from now on decelerate as we see in all official forecasts after the strong rebound recently.

On the 11th Enhanced Surveillance Report for Greece, this is of course always particularly important for the ESM, given our role as the biggest creditor of the country. You heard about the main findings of the report. I agree with that - Greece has indeed made good progress on reforms. There are always things that we look at particularly carefully because there are weaknesses. Developments regarding arrears were mentioned, debt levels are higher today than they were before the pandemic, not surprisingly. It was absolutely necessary, but that means we have to monitor that very carefully.

But at the same time at the moment, Greece is really doing well. Growth seems to be much higher than we thought until recently. Non-performing loan (NPL) reduction continues, privatisation continues, so all that is very positive and we will return to this towards the end of the year.

A last word on banking union and the update we received from the institutions. As you know, we are preparing everything to have the backstop for the Single Resolution Fund (SRF) ready by the end of the year. We have worked very closely with the Single Resolution Board (SRB) to make that possible. I could inform ministers that everything is on track. All the legal documents are agreed and we have a great cooperation with the SRB. Of course, to make it happen, the ratification of the amended ESM Treaty needs to be in place by the end of the year. So far, about half of our member States have either fully ratified the amended Treaty or are very close to that. The other half still has something to do over the next two months, but I'm confident that we will get there, so that the backstop can become effective in January 2022. Thank you.

Response to question on Greece's economic growth forecast for 2021, and possible disbursement of SNP and ANFA profits.

On Greece, the most recent indicators are positive. Therefore, I'm not surprised that the Greek government has revised up its old forecast quite significantly. The tourism season since July has been very good. The first few months of the year not, but since, it's been very good in August, also September. But also on industry we have

good numbers. So I wouldn't be surprised if growth will be in the end somewhere around 6%.

Then your question on the next report. Of course, it will be linked to SMP and ANFA profits, but on substance, the work will be done like for other reports, assessing progress on reforms. But I think we will also have to look into the debt sustainability analysis again, the fiscal strategy, obviously for next year and beyond - that will be important, also particularly from the ESM perspective. And this is not because I see any differences in view between the Greek government and the Commission and ESM and the institutions, but because it's very difficult to come to good assessments, given this very unusual nature of first a strong downturn last year, and now a strong recovery. We don't have really experience with such a business cycle, so it's just very important that we sit together and come to a very good assessment on these very important issues for the future of the Greek economy.

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