

Klaus Regling at his last Eurogroup press conference, October 2022

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Luxembourg, 3 October 2022

This was my last Eurogroup meeting. It has been a privilege to be in many, many Eurogroup meetings because I was there in the very beginning, the second half of 1998 as a deputy for the German Finance Minister, then the European Commission, and the last twelve years as head of the EFSF and ESM. There have been many meetings that were tough. We have had challenging times. That's why the EFSF and then the ESM were created. But I think, looking back, it's clear that it has been a success.

The euro area is stronger today than it was at the time when the EFSF was created. The Eurogroup has always been at the centre of these developments during tough times. And the biggest success that I see is that the euro area was kept together. There were occasions when that was not guaranteed. And keeping the euro area together, I think was not only important for the countries concerned, but also for the euro area as a whole. Because if a country or two or three had been forced to leave the euro area, that would have weakened all of us. The euro area today would be much more vulnerable and Europe would be much weaker politically.

So now I'm leaving and unfortunately, Europe is again facing a difficult economic situation. The President and the Commissioner talked about that and the statement by the Eurogroup today I think is highly relevant in this respect. Markets expect a contraction of the economy during the next several quarters and depending on the energy supply, there could be a recession next year.

It's important to emphasise that the energy price increase represents a very large terms of trade shock, the biggest terms of trade shock Europe has seen since World War II. And that implies an income loss that cannot be fully compensated by fiscal measures. And the statement today also makes that important point. That means it is important to limit policy interventions to targeted actions to help contain first and second round effects. Luckily, we do have a powerful instrument to boost gross investment.

The Commissioner talked about that - Next Generation EU - the recovery and resilience programmes were designed under very different circumstances two and a half years ago, but they are absolutely relevant now to help all member states. Implementation is of course important.

Finally, the meeting today prepared the international meetings, the IMF Annual Meeting next week, and the President and the Commissioner talked about that. I will not say anything about exchange rate issues, but I want to emphasise in this context again the importance of strengthening the international role of the euro. I've done that many times, but I want to do it again. Continuing the reform of deepening economic and monetary union is fundamental to support our common currency on the international scene. The digital euro that was discussed again today is also very relevant in that respect.

And this is work that needs to continue beyond the current energy crisis to increase the euro area's resilience. And that would be my wish as my mandate at the ESM comes to an end on Friday this week. Some of you have accompanied me and my work for more than 20 years. Thank you very much for that. I'm sure the ESM will continue to play a very important role in our monetary union and I'm sure you will cover that also in the future. Thank you very much.

Response to question on what would happen if at the next ESM Board of Governors meeting there was no consensus on a new Managing Director.

I'm confident there will be a new Managing Director soon. I cannot say exactly when. But I know that the President is working very hard on that. The threshold unfortunately is very high. There will be a Board of Governors meeting on Thursday. If it is necessary, there is the option of appointing an interim Managing Director because for legal reasons, it's very important to have somebody at the head of ESM who has the authority to deal with all the financial transactions that the ESM is doing. That can only be done by somebody who is appointed by the Board of Governors, even if it's for a short period of time. We are dealing with a lot of money on behalf of our member states: €300 billion in outstanding loans, €300 billion in bonds held by international investors, €80 billion in paid-in capital that is managed by the staff of ESM. All that must be managed in a legally sound way and that requires a Managing Director who has his or her authority from the Board of Governors. So I'm sure we will find a solution for that.

Beyond that, I can assure everybody and I mentioned that to the ministers, the ESM is fully functioning today. We have very competent staff; there's a Management Board with members who have been working for the ESM for many years, several of them from day one, and they will make sure that the operations continue in a very competent way.

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