

Pierre Gramegna at Eurogroup press conference, January 2023

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Press conferences

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Remarks by ESM Managing Director Pierre Gramegna Press conference after Eurogroup meeting Brussels, 16 January 2023



Let me start by wishing all of you a happy New Year. In my country, Luxembourg, and few other countries, you can wish a happy New Year until 31 January, so I'm still very much on time. Let me join Paschal and Paolo also in congratulating Croatia for joining the eurozone and joining the Schengen agreement. They were kind enough to let me say that they are soon going also to join the ESM. And the Finance Minister of Croatia today told us that the ratification by Croatia of the ESM Treaty will happen in the following weeks. So it's soon going to be done, and I'm looking forward to being in Croatia in a few days, together also with Paschal Donohoe and a few others, to celebrate the accession of Croatia, which did this in a record time and that also needs to be underlined.

I will just say a few words on three items. One is on the economic situation and the Article IV report of the IMF. I'm also going to say a few words on the euro area aspects of the economic governance review, and then, last but not least, also speak a little bit on the ratification of the ESM Treaty reform.

On the economic situation, obviously a lot has been said and I completely concur with what the President of the Eurogroup and the Commissioner have said. The common point and the common analysis is that the support measures need to be timely and targeted. And that is really necessary if we want to reduce the impact of the measures on public finances on the one hand, and, on the other hand, take advantage of the fact that the prices of energy are rather low compared to where they were a couple of months ago. And that is why we need to have a good timing there and we will come back to that topic in the future.

It is our role as ESM to assess risks to financial stability, for example the potential implications of the ongoing tightening of monetary policy on real estate prices. As ESM, we will continue to monitor all of this and also learn from the experiences of the past. We have a good record now on crisis management and we will obviously keep this under close observation. But let's face it, the euro area has weathered the recent crisis well.

On the euro aspects of the economic governance, just two points. One is a point of timing, both for political reasons, but also because of the markets. We have limited time to reform this governance and I insisted on that point. And also the markets, they want clarity in times of market volatility and at a time of a tightening of monetary policy.

The second item I would like to underline is that in the proposal that the Commission has made, more importance will be given to debt sustainability. And this is key in order to be sure that loans can be repaid, which is obviously something that the ESM monitors very carefully. And some of the instruments that we have in the ESM, like precautionary assistance, include eligibility criteria that are linked to the EU fiscal rules. So we are following this very closely and are interacting with the Commission and all the Member States on this theme.

Third, ratification of the ESM Treaty. I have mentioned that Croatia will ratify very quickly the reformed treaty and Germany did so on 19 December of last year. This is good news because it allows progress in the banking union. You know that the reformed treaty allows the ESM to serve as a backstop for the Single Resolution Fund, on top of reforming the precautionary instruments that are in the ESM Treaty.

I visited Italy last week where I had constructive meetings with both the Minister of Finance and the President of the Government. We had a very good exchange of

views and now it is all in the hands of the Italian parliament. Italy, like all our countries, is a democracy and we need to respect the procedures in every country and, in particular, respect the Italian parliament. This being said, I've had this bilateral meeting with Italy but I also had today a bilateral meeting with the Belgian Finance Minister Van Peteghem. Also there we had an excellent exchange of views and I'm looking forward to continuing my tour to the capitals. I'm going to visit next week or the week after also Greece and I will in the next couple of weeks continue the tour so that in the end, I will have seen all the member countries.

Response to question on whether Mr Gramegna received any reassurance from the Italian government concerning the ratification of the revised ESM Treaty.

I think President Donohoe has correctly highlighted what is our position - the deep respect for the procedures in Italy. I might add another point, which I tried to make clear, which is that the reformed treaty, once it will have been ratified by all countries, will set the stage for a discussion on how to better use the ESM in the future, which is the wish not only of Italy but of many countries. We are faced with new types of crisis, starting from the pandemic to the Ukrainian war, and many countries are asking how the ESM can play a role in that context. So I tried to explain that what was negotiated a couple of years ago and was supported by all countries is certainly going to be helpful for better defining what the role of the ESM can be in the future, on top of what it has done in the past.

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