Pierre Gramegna in interview with Ta Nea (Greece)

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Interview with Pierre Gramegna, ESM Managing Director
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Ta Nea: How effective has Greece been so far in navigating through an environment of multi crises and how do you see the Greek economy this year as Europe and the Eurozone are facing recession risks? What was your main recommendation during your visit?

Pierre Gramegna: Greece was one of the best performing economies in Europe last year. The Greek economy is much more resilient and dynamic today than in the past. Growth, investment, jobs have been really encouraging. Unlike a decade ago, thanks to strong growth, Greece was able to create space in the budget to support families and businesses amid the energy crisis.

The reforms undertaken during the euro area crisis helped put the economy on a modern footing. Luckily, crisis memories seem quite distant now, considering the impressive progress.

Greece, like all other EU members, is facing headwinds coming from high and broad-based inflation, tighter financing conditions, and a weakening in external demand. And even in these difficult circumstances, the country plans to achieve a primary surplus in 2023. This target is both feasible and appropriate. Equally important, is the need to continue to reform and invest to make the country fit for the challenges of the 21st century.

This is a year of higher fiscal pressures due to high debt, broad and not targeted support measures etc. What risks do you see for Greece and what would you suggest as the country is also heading to national elections and to a number of local, regional elections later?

Greece made impressive strides in overcoming the economic fallout of the pandemic and the war in Ukraine and shielding citizens from its repercussions. In the current environment, responsible and sustainable fiscal policy must remain a priority to shore up confidence and protect Greece's good market access. We support the authorities' plans to streamline and make energy support more targeted to those truly in need. This decision should help contain budgetary costs. Now is a time to stay the course and be prepared.

Major rating agencies say that the country is one step away from investment grade. In your opinion, what is depriving Greece of its investment grade?

Rating agencies have singled out the path back to a position of fiscal strength (which Greece enjoyed before the pandemic) as a major milestone on the quest to regain investment grade. Likewise, keeping up the reform momentum is critical to make growth stronger in the long run. This, in turn, is crucial for the sustainability of debt. Another important area is the work in the financial sector, where progress continues in making banks stronger. Dynamic banks will also help making the private sector more vibrant. Improving the governance and efficiency of state-owned companies will help modernise the economy and increase the attractiveness of the economy to investors. In this respect, the Resilience and Recovery Plan provides an historical opportunity to continue reforming the economy and implementing the green digital transition.

It has been two months since you were appointed ESM Managing Director. What role do you see for the ESM in the future? This is an issue you aim to discuss with the ESM shareholders. What has been your take on Greece these days?

The ESM was created to help euro area countries cope with the sovereign debt crisis. It supported countries, like Greece, to have the time to undergo the reforms they needed to regain market access and make the economies stronger. I am consulting with all euro area countries to discuss how the ESM could best support its members and continue to play a key role in the Economic and Monetary Union in the future. The current ESM Treaty reform should enable the ESM to play a larger role in helping to prevent crises, not only responding to them. Preventing crises is less costly than resolving them, as recent history teaches us. It is a pleasure to be in Greece, sharing views with the authorities about the future, not only of this country, but also of the institution I now lead and - more broadly - of the European Monetary Union.

A reform of the Stability and Growth Pact (SGP) is currently being discussed. There are different views among Member States, especially concerning less stringent requirements for highly indebted countries. Are you concerned the proposal might not maintain debt sustainability in all countries?

In its proposal, the Commission pays special attention to countries where debt sustainability could be a challenge. In these cases, fiscal policies should aim to gradually reduce debt and make it sustainable, after an adjustment phase. This adjustment path can be extended if countries invest and conduct growth enhancing reforms, which also supports sustainability. The Commission’s proposal on the SGP seeks to strike the right balance between public debt sustainability and sustainable economic growth. We still need to learn more about the specific rules and enforcement. The outcome should be a credible and effective fiscal framework with more emphasis than in the past on investment.

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