

# Pierre Gramegna at Eurogroup press conference, March 2023

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## **Remarks by ESM Managing Director Pierre Gramegna Press conference after Eurogroup meeting Brussels, 13 March 2023**

Good evening. I will concentrate my intervention on two topics: the outlook and fiscal governance on the one side, and, on the other side, some brief words on the digital euro.

As we heard from Commissioner Gentiloni, the economic outlook has improved and recession is now less likely. And for that reason, the case for additional and general fiscal stimulus has diminished. I think this is a very important point.

The other important topic we underline as ESM is that headline inflation has decreased quite a lot and more than expected, but core inflation remains very high. In fact, it is at its highest level and that is obviously what we need to focus on in the future. I had highlighted this already in the past month. The difficulty is to know how quickly core inflation is going to recede and how sticky it will be. Markets anticipate that core inflation is going to go down, which is reassuring, and we will continue to observe very closely how markets are anticipating the evolution of core inflation.

For this reason, fiscal support needs to be gradually phased out to avoid inflationary acceleration and to limit debt servicing costs under higher interest rates. Let's not

forget in that context that countries have locked in low interest rates on their long debt. So, in the short term, there is no emergency. But obviously caution is necessary. Now is time to focus on debt sustainability in the medium and long term.

The discussion around fiscal policy guidance of the Commission was quite interesting and thorough. We have adopted the euro area paragraph dedicated to this topic. In that paragraph, we welcome the enhancing of the macroeconomic imbalances procedure and we will continue to advocate for as strong as possible coordination amongst euro area countries. When you have a common currency, coordination is key.

I have also highlighted that the document on which we have agreed - the proposal of the Commission - is very balanced. It takes into account the recommendations that we have agreed on, which is that we need to have credible, transparent and verifiable rules and that we need to ensure equal treatment between countries.

Now, on the digital euro. As the ESM is active on capital markets, I highlighted two elements. First and foremost, that a digital euro is key if we want to increase the international role of the euro and make the euro competitive. Second is the argument of safety. We know that the initiatives of stablecoins and the use of cryptocurrencies do not ensure the necessary safety.

And the initiative that has been launched by the European Central Bank and together with all of us is a very important and useful one. The legal tender in this context is key for the international attractiveness of the euro on the one hand, and it is also important to gain the trust of the consumers. Last but not least, on this topic, for the time being, the study is limited to retail operations. But at the ESM we recommend that, in a second stage, one should also look at the use of the digital euro for wholesale aspects. Thank you.

## **Contacts**



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

[c.crelo@esm.europa.eu](mailto:c.crelo@esm.europa.eu)



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

[a.reis@esm.europa.eu](mailto:a.reis@esm.europa.eu)



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

[j.dahl@esm.europa.eu](mailto:j.dahl@esm.europa.eu)