

Pierre Gramegna at Eurogroup, October 2023

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Remarks by ESM Managing Director Pierre Gramegna following the Eurogroup meeting 16 October 2023

Good evening. Today, we had a good meeting with the Secretary of the US Treasury, Janet Yellen, and an interesting Eurogroup meeting. It was a good opportunity to exchange views on global economic developments and challenges in the aftermath of the IMF/World Bank Annual meetings in Marrakech last week.

Debrief on international meetings

For us, the IMF/World Bank meetings are always an opportunity to feel the pulse of the global economy and the markets and discuss the risks we are facing. This year, the geopolitical conflicts took centre stage on top of the high inflation and lower growth all over the globe.

From an economic perspective, all these conflicts add another layer of uncertainty to the general outlook. The global economy has shown resilience and inflation has come down. This is also true for Europe.

In the margins of the Annual meetings, the ESM co-organised the 8th High-Level Dialogue between the Regional Financing Arrangements (RFAs) and the IMF. It was an opportunity to discuss current policy challenges. The objective is to contribute to a stronger Global Financial Safety Net.

Here are my three main takeaways from the discussions.

First, more frequent shocks are encouraging rescue funds to have a closer look at their toolkits, in particular precautionary instruments. The IMF did it recently and the ESM will do so next year.

Second, a strong Global Financial Safety Net is more crucial than ever and RFAs and the IMF are committed to working together to share analyses and insights.

Third, it is important to have a close dialogue between institutions and member countries. This is why I did a “tour des capitals” of the ESM shareholders. They have been very constructive and help exchanging views on the challenges we are facing. I probably will have been able to visit all countries and engage with them before the end of the year.

Future of European capital and financial markets

We also discussed the future of European capital and financial markets in the presence of financial markets participants, which was quite interesting and stimulating. It will help boost our future discussions.

Over the past years, I have participated to numerous debates about the Capital Markets Union. I think we can get new momentum on this essential project if we focus on requirements to build a common market from two angles.

First, from the perspective of strategic autonomy, and the attractiveness of a single market from the perspective of international investors. Europe should strengthen its own financial infrastructure and broaden its market access at a time when the geopolitical environment may be more conflict-prone in the future.

Second, from the perspective of the creation of demand. This means strengthening the capital-based pension systems and supporting other initiatives to increase the size of a unified European capital market. I welcome and subscribe to the Franco-German proposal. If implemented, it would represent a major step in bringing forward the CMU project.

Moreover, at the ESM, we believe in a common European approach to capital market supervision if this leads to simplification, not additional layers of rules.

Euro area priorities in the Recovery and Resilience Plans and the implementation of the euro area recommendations

On the euro area priorities in the Recovery and Resilience Plans and the implementation of the euro area recommendations, I would like to make three points.

First, my contact with financial market participants confirms that markets put attention to the speed at which the Recovery and Resilience Plans are being implemented and support growth. They also look at absorption, against the backdrop of the 2024 fiscal stance and medium-term policies.

Second, I see the alignment of monetary and fiscal policies as a top priority of the euro area recommendation. The commitment made in the Eurogroup last July still paves a good way forward.

Third, the economic and governance review needs to be completed. The uncertainty about the direction of fiscal policies can negatively impact the sentiment of financial markets, which already is burdened by growing geopolitical fragmentation.

Thank you.

Author



[Pierre Gramegna](#)

Managing Director

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu