

Pierre Gramegna at Eurogroup, January 2024

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna following the Eurogroup meeting 15 January 2024

Let me start by wishing you all a healthy New Year and a peaceful one for all of you. I will start with the ratification process of the ESM, which is definitely on the ESM's mind. Let me start by saying that the ESM fully respects the decisions taken by democratically elected parliaments in our Member States, including the recent decision of Italy. But I have to say that as happy and pleased I was with the decision of the 19 parliaments that up to now had given a green light to it, at the same time, I regret the decision of the Italian parliament not to ratify the amended treaty of the ESM.

It is a missed opportunity to make the euro area more resilient and is also a missed opportunity to strengthen the banking union. The consequence of this negative vote is that obviously the amended treaty cannot enter into force. So what is the consequence of that? There are three I would like to highlight.

The first one is that the common backstop for the Single Resolution Fund will not be put into place or cannot function. It is important to underline that the backstop was designed to shield taxpayers' money from being used for the bailout of banks, and the ESM was supposed to nearly double the firepower of the Single Resolution Fund.

That will not be possible.

The second item that I would like to underline in this context is that the ESM precautionary instruments will remain as they are in the existing treaty of 2012. The objective was to modernise these instruments and make the ESM fit for purpose in a world with new types of crises. Also that will not be possible.

And third, we will also not be able to implement the agreement that the ESM has negotiated with the Commission when there will be new programmes to negotiate. And unfortunately, the synergies that are planned in this agreement will not be possible.

So with this absence of ratification by one country, we have lots of issues that remain pending. And as I have said today in the meeting, obviously we stand ready as ESM, together with all Member States, to see how to address the pending issues.

Fortunately, what happened in the Italian parliament and the absence of unanimity in ratification happens at a time when we do not have a financial crisis, at a time when banks have higher capitalisation, at a time when we have relative financial stability.

Today, as was also said by the President of the Eurogroup and by Commissioner Gentiloni, we also had a very fruitful discussion with the IMF representative, and the IMF also underlined how important it would be to have the backstop in place as it would strengthen the banking union.

Let me then say a few words on the exchange of views that we had with the IMF today in the meeting here. We, as ESM, also nurture the dialogue with the IMF on a regular basis. And we concur with the analysis that was made by the IMF.

And we also concur with all the comments that were made by the Commission and just now by the President of the Eurogroup. The outlook for the European economy is weaker than expected. This being said, there are some good points, like the inflation reduction, which is faster than expected, but inflation is still too high. And with inflation, you have only won that fight when you've really reached the target that is set by the European Central Bank. In terms of risks, we as ESM, like others, have underlined the geopolitical and geostrategic risks.

And if the existing conflicts spread even more, obviously, that increases uncertainty, could raise prices, raise inflation, create bottlenecks in the supply and also increase the price of fossil fuels.

The other point I underlined was the realisation that the contribution of international trade to world growth is lower than it has been traditionally. This is impacting Europe as a world champion of exports and imports. It is impacting the European Union more than other places in the world.

Last but not least, I'd like to conclude with a positive note that we have been able in 2023 to agree on a new governance economic framework in the EU. And as Paolo [Gentiloni] just told us, the dialogue with the European Parliament is progressing fast. And this is quite important also in the perspective of the sentiment of the markets. And it is good that we have been able to agree on these new fiscal rules.

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