

Pierre Gramegna at Eurogroup, March 2024

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna Press conference following the Eurogroup meeting Brussels, 11 March 2024

Dear Paschal, dear Paolo, let me start with the capital markets union by congratulating Paschal and his team and also the president of the EFC [Economic and Financial Committee] for achieving this result. It is all the more remarkable, and we have a proof of it because we have started the press conference before the announced schedule, which shows that the preparation, which lasted many months, was remarkable. And it's all the more remarkable because the statement is very thorough. Let me describe it as seen from the ESM as a holistic statement, an important one, and an urgent one.

When I say it is an important one, the ESM is active on the markets and I can assure you that we witness on a regular basis how important it is and it would be to have a deeper capital market in Europe. If this were not to be done, Europe is going to fall behind even more in terms of competitiveness. Now, the architecture, and that's the "A" of the tryptic of the statement, the architecture is right in focusing on deepening the capital market. Second, it is important that something is done for businesses, in particular for startups and small and medium sized businesses, and last but not least, to encourage citizens to invest in capital markets products.

On the basis of this statement, it is the ESM's assumption that the future Commission will be in a position to flesh out the right proposals and will find the avenues to ensure results, together with the European Parliament and the Council.

On the other topic on the agenda, the macroeconomic outlook, I would like to underline that we have avoided a recession last year and also this year. There has been a lower [growth] forecast both from the Commission and from the European Central Bank. For this year, the reading is around 0.6 to 0.8%. The markets were expecting a number even slightly lower. So I think we're getting closer to what's going to happen this year. This being said, it is obvious that the growth of Europe is far lower than that of other parts of the world, and in particular the United States. And one question that was highlighted is that we need to see if our lower growth is a cyclical issue or a structural one.

On the fiscal stance, the ESM fully supports the statement that was presented today. It is a slightly contracting fiscal stance. It will require for many states, many countries that have high debt levels, to make extra efforts to reduce deficits and build up buffers in order to be able to resist unexpected shocks. The focus should be, as Paolo just highlighted, in cutting less productive expenditures. In particular, I think, energy support measures and on the other side, to avoid to reduce public investment. Only if we manage not to reduce public investment will it be possible to boost the competitiveness of our European economies. That would be it for my side.

Response to a question on whether the Managing Director has any particular ideas on how Italy's parliament might be able to swallow ESM reforms. Maybe break up the reforms into two, where it's the backstop on one end and the reforms are kept for another day.

Yes, I have been reaching out to countries, as you're probably aware, by visiting the 20 member countries of the euro area, which are the 20 members of the ESM, to get views on how we could make the ESM in the future even more meaningful, especially in the times of external crisis. We have also worked on a review of the toolkit that the ESM has. Also, keeping in mind that all other international organisations including the IMF, have also proceeded to such a review of the toolkit. That means a review of the existing instruments. And for the rest I am liaising and staying in touch with all the countries to understand and to see how the situation in

Italy on the potential ratification can evolve. For the moment, the only thing I can tell you is that for constitutional reasons, the Italian parliament cannot discuss this matter again in the deadline of six months compared to the decision in December. And that's where we stand right now. But as I have mentioned before, we're still talking with Italy to see how we can find a solution.

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