

Pierre Gramegna at Eurogroup press conference, June 2024

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna Press conference following the Eurogroup meeting Luxembourg, 20 June 2024

Good evening, everyone. I will be brief today on my report on the Eurogroup, just alluding to it very quickly at the end of my presentation, which will focus on the Annual Meeting of the Board of Governors of the European Stability Mechanism. This meeting took place this morning, and we had two major items on the agenda.

The first one was the Annual Report of the ESM, which also contains the financial statements of our institution. All this is available on our website, and you will be able to find the details in it. I hope you will find it interesting.

Let me focus on the key figures of the year 2023: the ESM registered a net profit of €320.5 million, which is an excellent result, due to higher interest rates, and also due to a sound investment policy that we have for our paid-in capital. Let me also underline that we are the international financial institution with the highest paid-in capital, close to €81 billion.

Another aspect I would like to underline is that we remain committed to being an active investor in ESG bonds. In the year 2023, we invested €5.2 billion in such bonds, which is an increase from the number we had in 2022, which was €4.5 billion. We will also issue a special ESG summary report that will be available next week,

and which you will also then find on our website.

The second part of our meeting was dedicated to a document that was asked by the Board of Governors two years ago. The task was to review the toolkit available for the ESM, as well as giving an opinion on the lending volume and the capital adequacy of the ESM.

This exercise is a very common one in all international financial institutions, and, by the way, the IMF has recently done it also. It comes at a very timely moment when there are a lot of international uncertainties of many kinds. The discussion was very constructive this morning, and I'm very satisfied about that. The document was very well-received and the countries engaged in a very lively way, which was good news. You will also find this toolkit review document on our website.

If you want to go into a little bit more detail, let me first speak about the question: do we have enough money available at the ESM? That is what capital adequacy means. The answer is yes. We have a firepower of €500 billion, and that is guaranteed by the fact that we have an authorised capital of over €700 billion. These numbers are sufficient and adequate, and that is one of the main findings in the report.

Of the €500 billion, we have €422 billion that is available right now. On the financial instruments that we have in our portfolio, there are quite a lot. In summary, I can say that we have highlighted that we could refine and make some instruments more targeted. We have focused more precisely and more thoroughly on the precautionary instruments. In fact, it's also something that the IMF has recently done in its review. Precautionary instruments are the ones that can be used to prevent a crisis, and in fact are less costly for the countries. It was one focus that we highlighted quite a lot.

Many countries insisted, and the report also underlined it, that the backstop to the Single Resolution Fund remains essential and is one of the most important instruments we could use. But, for the moment, we cannot use it because the revised treaty of the ESM has not been ratified by all countries.

All in all, we had very positive feedback from the countries, and we've been encouraged to continue our work and to deepen the analysis of our instruments to make them fit for purpose in these uncertain times. The ESM will publish in the coming days also a blog that summarises the main findings of this report.

At the end, I would like to say that we participated in the discussion on the Article IV review of euro area policies of the IMF and that we broadly concur with the analysis and conclusions of the IMF. We are also obviously in contact with the IMF on a regular basis, not only for this Article IV report, but in general, as we have common tasks, the IMF and the ESM, the common task being, obviously, to be lenders of last resort or safety nets. That is, making sure that we have financial stability on the planet.

Last but not least, I had the pleasure to receive Kristalina Georgieva, the Managing Director of the IMF, in the headquarters of the ESM this morning, and we had a very good exchange of views. It was also the first time that she visited us. Thank you.

Response to question on whether the discussion on the ESM's toolkit review included the topic of defence, and whether any ministers had made requests in this regard.

Thank you for the question. It relates to the financial instruments that the ESM has and that we have reviewed in this document. I need to add something here to be precise. We have analysed the different instruments available in the context of the existing treaty, and also in the framework of the revised treaty, the one where we're still waiting for the ratification of Italy. This is the baseline scenario that we have. We are here analysing the financial instruments in the context of the existing treaty.

So, your question about defence is in fact a very specific one. We are, in fact, analysing the different instruments which are there to support countries if there is financial instability. That is how the ESM works. And so, for the time being, there has not been a request from any country because of defence issues that would trigger financial instability that has been put on the table.

Response to question on the details of Mr Gremegna's discussions with minister Giancarlo Giorgetti

The question is about what the different ministers have said. And as you rightly say, I will not quote one minister or another, but I think it is fair to say that all ministers, including the Italian minister, found that the document that we have drafted and that was up for discussion was a very useful document in order to double-check two things. Double-check if the instruments available are fit for purpose. The discussion was around that theme, but this was only an initial discussion. This is true for all ministers.

The second point was that we need to continue to work on this document and on the different instruments because times are changing and uncertainties, political ones, geopolitical ones, and economic ones are the ones we know. Obviously, the ESM is there to support the member countries. This meeting for me was very positive feedback on what is on the table and what needs to be pursued in cooperation with the Eurogroup and the President of the Eurogroup.

Response to question on whether Mr Gramegna could confirm that during the ESM Board of Governors meeting, there was a strong protest by the Italian minister concerning the sidelining of Italy from the discussion on top EU jobs

Without quoting precisely what the Italian minister Giancarlo Giorgetti has said or has not said, all the things that you mentioned have not been mentioned.

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