

# Pierre Gramegna at Eurogroup press conference, September 2024

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Press conferences



## **Remarks by ESM Managing Director Pierre Gramegna Press conference following Eurogroup meeting Budapest, 13 September 2024**

Today in my intervention on the macroeconomic situation, I focused on the market volatility during the summer months, which showcased the uncertainty surrounding the economic outlook and showed that we need to be vigilant in these times of a timid recovery in Europe. Let me focus on two volatility events that occurred over the last three months, where we had two spikes on financial markets.

First, there was a sell-off of European government bonds in the markets following the European elections in June. At that time, markets were questioning the political

support for some European policy initiatives on the one hand, and also had doubts on the fiscal policy outlook.

There was a second event in August, and that happened around the weak data at the beginning of that month on financial markets, broadly pricing in eventual risks of recession in the United States. Also that had an effect on European equity and corporate bond markets, which dropped sharply and still haven't quite recovered from that.

Why are these episodes important to mention? The first episode showed that European government bond markets remain sensitive to domestic developments, particularly the fiscal outlook. European bond spreads widened more in June for domestic reasons than in August for external reasons.

The market volatility in August is a reminder of how quickly global risk appetite can change and how the European Union is a victim of spillovers in other regions.

This is a good reminder that countries should do their utmost to have a cautious autumn budget cycle, which is the first test of the new EU fiscal framework. It is important that the new draft budgetary plans of the countries make sure that we have a credible implementation of the new economic governance that we have agreed in Europe.

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