

Excerpts from Klaus Regling's interview with the Irish Times

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Interviews

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Interviewer: Cliff Taylor

On reform

“We have the experience in Europe and probably around the world that when times are good - and times are good in an economic sense in Europe - then the risk of complacency is always there. In a crisis, things have to be done and difficult decisions are easier to take.

Without a crisis the sense of urgency becomes less and complacency can set in.”

On completing the monetary union

“We know what needs to be done ... I hope that we can get to decision points even without being in a crisis ... I hope the momentum is there, but in good times it is sometimes not easy.”

What needs to be done?

On the proposals of a common deposit insurance scheme and the backstop for the Single Resolution Fund: “These are controversial, these issues. But it is not so much the topics as such, it is the timing. Some member states emphasise that certain conditions must be in place ... ultimately after a certain period of time there should be no doubt that these are two things which need to be done to complete the banking union”

What can be expected at the June summit?

“I hope there can be a clear commitment to a full banking union and then we can develop a timeline - the controversy is on the point of how quickly.”

On Brexit

“It is fair to say there are uncertainties ... we all hope there will be a good arrangement in the end. I realise that it is particularly important for Ireland for a number of reasons, because of close linkages on the trade side and also the common border with Northern Ireland. I can only say I hope there is a good result ... there is certainly a tail risk.”

On the post programme monitoring programme with commission and ECB

“Overall we are all very much impressed on how Ireland got out of the crisis. Ireland has the highest growth rate in Europe. Employment creation is just amazing - the highest employment rate ever and unemployment is below the pre-crisis level. This is very positive.”

“Like in any economy there are always challenges ... On the banking side the work has to continue. On the fiscal side, it is good of course that the fiscal deficit has been reduced to a very small size. I know the Finance Minister is preparing a rainy day fund to be implemented over a number of years. I think this is wise. It is good to create buffers, including fiscal buffers, during good times, to be prepared when times when times are less good. We know that there will be a downturn some time - economies move in cycles. We have seen the upswing in this cycle, in Ireland as well as Europe. The peak of the cycle was last year. The general expectation is that growth this year will be less than last year. All forecasts for 2019 are for growth less than 2018. This is a normal deceleration.”

“There are other risks on the horizon. Oil prices are going up. Brexit is a particular problem for this country. Trade disagreement, hopefully not trade wars, might happen. So it is good to be prepared.”

Is Ireland doing enough to be prepared?

“I think on the fiscal side, it is kind of a minimum. It might be good to even think of a somewhat larger rainy day fund. I know it is politically not easy. Also the budget has to strike a good balance. We know there are bottlenecks on the infrastructure side and supply constraints which might limit growth. To ease these bottlenecks money is

needed for investment - but one has to be careful that this does not lead to an overheating in the economy. It is a fine balance. I know the Government is very aware of this. To get that balance right is not easy. It is good to ease supply constraints but one has to be careful not to spend too quickly.”

On the issue of non-performing loans (NPLs):

“This is an issue in a number of countries, not only in Ireland. It is a question of how quickly NPLs are reduced. It is important to make progress in this area because otherwise banks cannot play their full role in the economy. One way is to sell them (the NPLs) - this is also happening in Greece and Italy.

On customer protection when loans are sold

“I was told very clearly that in Ireland it would not be an issue - the rights of the debtor will travel with the loan.”

Author



[Klaus Regling](#)

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



[George Matlock](#)

Senior Financial Spokesperson

+352 260 962 232

g.matlock@esm.europa.eu