

Klaus Regling in interview with CNBC

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Interviews

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Transcript of interview with ESM Managing Director Klaus Regling CNBC Squawk Box

Broadcast on 11 October 2018

Interviewer: Nancy Hungerford

CNBC: Are you concerned about Italy going the way of Greece?

Klaus Regling: Sure, there is concern about the budget numbers, we don't know the details, they will only be given to the European Commission next week, they have the job of checking the underlying data which we don't know yet. On the face of it, there is concern about the announced deficit targets, but the comparison with Greece is, I think, not quite fair.

At least not when we compare Greece when it was in a difficult phase, Greece now is in a much better situation - they left their programme. But Italy the last eight years during the euro crisis never lost market access, so Italy was always in a much better situation and there were reasons for that, because deficits were relatively small, there's a current account surplus for Italy, we know that a lot of the Italian sovereign debt is financed by residents, because savings of the Italian private sector are very high, so Italy has its strengths, but there is concern about the announced targets.

And what if that picture worsens, because we have seen such a steady increase in yields for Italian government bonds, many are now worried about perhaps a credit downgrade. At what point do you say, could they lose market access, and if they come knocking on the ESM's door, are you prepared to bail them out - is that even possible given the sheer size of their financing needs?

Well, that's jumping a little bit ahead. I prefer to look at the detailed numbers when we get them next week. So far, we only have a preliminary indication of what might be happening, there is also the possibility still to revise some of this data. As I said, Italy has its strength, and I would not now jump three steps ahead.

But are they too big to save, so to speak?

The ESM is available for all its member states. But as I said, Italy has never lost market access. I am concerned about the fiscal targets, but that's it – we need to wait and see what else happens.

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