

Klaus Regling at Eurogroup press conference in Helsinki

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13/09/2019

Press conferences

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting in Helsinki, 13 September 2019

Good afternoon. As you heard we had a full agenda in the Eurogroup this morning. In the interest of time, I will only say a few words on the two countries that are of particular importance for the ESM - Ireland and Greece - two countries that borrowed heavily from us. Ireland, as you know, concluded its programme already in 2013. They've had fantastic economic development since then. But there are now new challenges and vulnerabilities linked to Brexit but also there may be some overheating. So it's a very challenging situation.

We participated with our early warning system and the post-programme surveillance that the Vice-President of the Commission [Dombrovskis] talked about. We share the views, so I will not repeat that. We go there to make sure that we are repaid by the country. We don't see any problem for the next twelve months even with the risks that are there. But it is good to be in close contact, given this uncertainty.

On Greece, the new finance minister talked about policy priorities of the new government. I welcome the growth-friendly reforms that are very much at the top of the agenda of the new government, fostering strong sustainable growth. It's important for Greece and it's also our top priority, looking from the ESM because we are by far the largest creditor of Greece and therefore everything that helps growth will also help the repayment capacity over the long run. You know our loans are running for four decades, but still it's important to get on a good growth

trajectory. And this is important because growth at the moment or the first half of this year, was less than what we had assumed when Greece left the programme. So it's important to get back to the anticipated level.

I also welcome the good collaboration with the new government, the new finance minister and the prime minister. I also welcome the intention to proceed with an early repayment of the expensive part of the IMF loan. We will do the necessary preparation because this requires waivers from our boards (EFSF and ESM). So we will start the process and work on that and all that can happen together with the assessment of the 2019 and 2020 budget when the mission starts next week.

Question on the early repayment of IMF loans by Greece and whether a new discussion is possible on the level of Greece's primary surplus.

On the IMF early repayment, we had no discussion today. The Greek finance minister talked about the priorities and this is one of them. But there was no debate after that. But my feeling is that there is a lot of sympathy for that - certainly from my side. As I said earlier, I welcome such an early prepayment for a very simple reason. It improves debt sustainability of Greece because the expensive part will be prepaid. So Greece would save interest payments and the IMF has no problem with that - for the IMF, this is a normal procedure. So we have to go through our internal process to provide the waiver. That may take two months or so, but my expectation would be that this works.

I know the IMF has repeated its known view that they believe the primary surplus is too high. This is not new for us, it was discussed many times in the past years. The new government has confirmed that for 2019 and also when they put together a budget for 2020, the primary surplus target of 3.5% will be observed. And then the Greek government wants to have a discussion; we will see. The only way I can see how one could really have a substantive discussion is if growth were to be higher than we assumed in our last debt sustainability analysis and interest rates are in the long run lower. But this is a debate that will only come later next year when we are well into the 2020 budget and there we have a clear understanding of what will happen.

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