

Remarks by M. Centeno following the Eurogroup meeting of 1 October 2018

Good afternoon. We had some good discussions today. It was a special meeting for Slovenia as we welcomed Andrej Bertoncelj, the new Slovenian minister, who informed us of his government's policy priorities and re-iterated Slovenia's commitments to our common policies and objectives as a euro area country.

We took stock of recent exchange rate developments, which is one of the recurring tasks of the Eurogroup. The assessments by the Commission and the ECB are broadly aligned and they are shared by ministers. It is good that we go into the upcoming G7, G20 and IMF meetings with a common assessment.

We also discussed the role of the euro in the world economy. 20 years after its creation the euro is the second most used currency in the world. Reinforcing its international role is not a new topic for the Eurogroup but there are good reasons to look at this today with renewed ambition. The President of the Commission recently relaunched this debate and is preparing an initiative until the end of the year. We will study the matter in due course.

We then discussed national automatic stabilisers. These are policies that respond automatically to the economic cycle without active intervention from policy makers, for instance tax revenues and unemployment expenditures. These elements tend to cushion the economic cycle and play a stabilising role in our economies, although to a different extent, depending on the Member State. Today ministers discussed the examples from several member states: Ireland, France, Spain, Germany, Luxembourg and Lithuania. These discussions are important because we learn from our experiences.

Automatic stabilisers are often our first line of defence. We agreed that they work best if we use good economic times to build up fiscal buffers, in line with the Stability and Growth Pact. We also talked about how national policies can enhance stabilisers, how to design reforms and what to do when national stabilisers are not enough to counter a major shock.

The situation in Italy was not on the agenda today but recent announcements by the Italian government have raised concerns over its budgetary course. Concerns that need to be addressed soon.

Today minister Tria explained these recent decisions and its budgetary strategy. We had a good exchange of views.

We are all aware of what is at stake. We are all bound by the euro and we need sound policies to protect it. It is up to the Italian government to show it has a sustainable and credible budgetary plan.

Today was not the moment for an in-depth discussions.

Italy has yet to present its full draft budgetary plan by 15 October, like the rest of the member states and we will certainly come back to this.

Finally, we welcomed non euro area ministers to resume our discussions on EMU deepening. In June, Leaders agreed to further developed the ESM, reinforcing its role. They mandated us to prepare, by December, a detailed plan, a so-called term sheet, to make this happen. Discussions are ongoing at technical level.

So, today, we focused on two issues:

- how to make the ESM's existing precautionary tools more effective;
- and how to develop the role of the ESM in crisis management and crisis prevention.

Making precautionary tools more effective means ensuring that the countries with sound economic fundamentals that need assistance will actually request it, without fear of stigma. This stigma played a negative role in the recent crisis so we need to address this for the future. At the same time, an appropriate level of conditionality needs to be ensured. This is the balancing act we have to accomplish. Today we had a good discussion and work will continue, in particular on the ex-ante eligibility criteria to access the so-called PCCL, the Precautionary Conditioned Credit Line.

On developing the role of the ESM in crisis management and crisis prevention, we had a constructive exchange with the institutions to assess what can be done, fully respecting the EU legal framework. There is broad support to strengthen the ESM in its function as a lender. At the same time, overlaps with EU processes and Commission competencies should be avoided. In other words, cooperation between the ESM and the other institutions, especially the Commission, will be crucial, as it was the case during the recent crisis.

On both issues, an agreement is clearly within reach, though discussions need to continue.

We will continue to make progress on all the EMU deepening topics in the next two months. The December Eurogroup would then wrap up all the discussions and prepare the Leaders' decision later that month.

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