Introductory remarks

President of the Eurogroup, Mário Centeno

Economic Dialogue - European Parliament - ECON Committee

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Mr Chairman, Honourable Members,

It is a pleasure to be here in the European Parliament's ECON Committee for my first economic dialogue. I take democratic accountability of my role very seriously and I see it as my duty to come to the European Parliament, as often as possible, to openly discuss with you the current economic developments.

I will start with a few words on the economic outlook and then review the Eurogroup's work on the national policy challenges as well on the deepening of the Economic and Monetary Union (EMU). I will conclude with an update on Greece's ESM programme, which is approaching its end in a promising way.

On the Economic outlook:

We are experiencing the good side of the economic cycle. This happens not out of chance but out of work. As we meet today, the euro area economy is seen as one of the main drivers of growth in the global economy. We can look back on nineteen successive quarters of increasingly broad-based GDP growth. We are able to reap today the benefits of economic growth because of the reforms we have made, both at national and at European level. The reaction to the crisis might have been slow, it’s true, especially on employment and investment. But, with time, we were able to correct imbalances and strengthen the institutional architecture of the common currency.

Recent economic data and forecasts confirm growth should be sustained in the coming years, and that the previously accumulated macroeconomic imbalances should continue to recede.

In other words: today we have positive fluxes in our economy, which are very much the result of reforms we have adopted and are adopting today.

We can see this in the positive trends of steady job creation, improving public accounts, and a more balanced external position. Overall, this reduction in imbalances is producing more sustainable and inclusive growth.

Over time, these positive flows will automatically bring down crisis legacies, as countries continue to grow out of their public and private debt. Further improving the 'fundamentals' will in turn reinforce growth. It is important that this virtuous cycle is kept.

This brings me to the issue of the policy mix.

Policy mix must be designed to make the euro area economy structurally stronger and supporting balanced growth. To this end, we need a carefully calibrated set of national fiscal policies that caters for two objectives.

We need to ensure that we are well equipped to cushion the impact of the cyclical downswing that we will inevitably have to face. Now is time to create the fiscal space to weather the storms.

The Stability and Growth Pact is our fiscal policy compass. I am confident that the Commission will continue to implement its rules wisely.

Sound and responsible fiscal policies are necessary, but are not sufficient for the lasting success of our economic model.

We need to be able to sustain the current growth trend, in less favourable contexts. Economic resilience in all countries is required to withstand periods of less accommodative monetary policy than what we have lived with in the past few years.

We should therefore continue focusing on competitiveness and make high-quality and productivity-raising investment and expenditure a priority.

We have an investment problem in the euro area. It is true that it has picked-up recently, but it has been subdued for many years, in particular during the crisis and in its immediate aftermath. This is a wasted opportunity, given the current interest rate environment.

We need to implement policies that provide our economies with the flexibility to adapt to the challenges of a constantly and rapidly evolving global landscape.

We need to make it easier for businesses across the euro area to invest, innovate and mobilise labour. In addition, labour must be both attractive and a rewarding production factor.

Here I am talking about fair taxation, education and training. In a nutshell, a growth that is inclusive and an economic model that all countries can benefit from. We have to be able to unleash the great growth potential that still exists in our Single Market.

The Eurogroup should - in my view - play a more prominent coordinating and catalyst role in these areas. It makes sense, since the euro area economies are so closely interlinked, and national policy initiatives - whether in the fiscal or structural domain - have effects that go beyond the national borders.

This policy mix can look good on paper, but for it to work we need to manage expectations and provide economic agents with a good doses of patience, which sometime is lacking in the political debate. We know from experience that sound policies will bring sound growth.

Allow me to turn to the deepening of the Economic and Monetary Union

Preparing for the future is a national responsibility, but in Europe it is also a collective one. And this leads me to the current discussion on the deepening of the EMU.

I can be brief on this, as I have outlined my views on the topic yesterday in my keynote address at the European Semester Conference of the European Parliamentary Week.

Finance Ministers will be working hard to enable our Leaders to take a first set of concrete decisions in June. Our priorities are the completion of the banking union and the further development of the ESM.

If we want this to work, we need to focus on substance first.

The 2016 Roadmap is our basis. We are not starting from scratch. In June we need clear and detailed objectives for delivery. It will not be the end of this debate, rather the beginning of a new stage of a step-by-step implementation. We will also explore other ideas, such as a common fiscal capacity and better fiscal rules in the euro area.

I can of course not prejudge the outcome of Ministers' let alone Leaders' discussions in the upcoming March Euro Summit. But I am optimistic that it will be possible to agree on meaningful decisions.

The political will is certainly there to use the current unique window of opportunity and there is already a lot of common ground, which we build upon.

Let me stress that the efforts we are making serve only one purpose: to reinforce the resilience of the Euro Area. In doing so, we are making sure we will not take on the same risks of the past, when the Euro was not fully prepared to withstand a crisis.

If we make the Euro stronger, we will be rendering a service to all our citizens, by generating an environment that spurs growth and confidence. As I have said yesterday, also in this Parliament, the Euro is a means to an end, not an end in itself.

Let me conclude with Greece.

Since the beginning of the decade, Greece's adjustment programmes have been a recurring theme in the Eurogroup and in these economic dialogue sessions with my predecessors.

It has been a difficult process, not least for the Greek citizens, but I sense that we have crossed the most critical stages. News from Athens and the feedback from the institutions are encouraging. Data shows the Greek economy has returned to growth last year. The country is in the process of regaining market access and the outlook is positive.

At its January meeting, the Eurogroup reached a political agreement on the programme's third review, which was remarkably smooth.

The Greek authorities have virtually implemented all prior actions – only a couple remain outstanding and the outlook is positive. Once this is done, the ESM can proceed with another disbursement, including a first contribution to the cash buffer that Greece is building up for post-programme safety.

If the current policies continue, Greece is well on its way to a successful exit from its ESM programme, as foreseen, in August this year.

In the comings months, the Eurogroup will be looking into how to ease Greece's return to sustainable market financing. We have started the technical work toward possible new debt measures. This follows a unanimous commitment by the Eurogroup, made in June last year.

We will only take that decision closer to the end of the programme, once we have a full and updated information set, including a new debt sustainability analysis.

Looking ahead, ownership is the key for a lasting success. I know that from my own experience as Portuguese finance minister. Owning a strategy of responsible fiscal policies and growth-enhancing structural reforms, is key to for the good results not to fade away.

Greece is taking this seriously. The government is preparing a comprehensive long-term growth strategy to present to the Eurogroup. This strategy will be crucial to define the features of the post-programme framework. It will be key for the Greek economy to return to an equal footing with its European partners and leave the crisis years behind. We look forward to that.

Thank you for your attention.