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To the members of the Eurogroup

Subject: Eurogroup meeting of 13 June 2019

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 13 June 2019 in Luxembourg. The Commission was represented by Vice-President Dombrovskis and Commissioner Moscovici. Our meeting was attended by ECB President Mario Draghi, by ECB Executive Board Member Benoît Coeuré and by ESM Managing Director Klaus Regling. We also welcomed Christine Lagarde, Managing Director of the IMF, for the IMF Article IV review of the euro area as well as the item on Cyprus.

1. IMF Art IV review of the euro area

The International Monetary Fund presented the outcome of the Article IV mission to the euro area. The Fund indicated that, after a sharp deceleration in the end of 2018, growth is expected to firm up in the course of the year. This outlook is however subject to serious risks in case of escalating trade tensions, a no-deal Brexit and shifts in market sentiment towards high-debt countries with limited fiscal buffers. Against this background, the Fund supported the ECB's stance to extend its accommodative monetary policy and encouraged differentiated fiscal policies, with a focus on rebuilding policy buffers in some member states, together with a better compliance with and enforcement of the fiscal rules. Further structural reforms would also be needed to address low productivity. The IMF called on members and European institutions to pursue their efforts to strengthen the banking sector and to further develop the Banking Union and the Capital Market Union. Finally, the Fund welcomed efforts to deepen the EMU, notably through an euro area Budgetary Instrument for Convergence and Competitiveness, which they saw as a step in the

direction of the introduction of a stabilization capacity at a later stage, and the backstop to the Single Resolution Fund. The European institutions largely shared the Fund's analysis and policy recommendations.

We agreed on the challenges facing the euro area and that we should use the opportunity of this period of growth and job creation to strengthen and complete our monetary union.

2. Cyprus – post programme surveillance

We were informed by the Commission and the ECB about the main findings of the sixth post-programme surveillance mission in Cyprus, and by the ESM on its early-warning system. The institutions welcomed the impressive economic and fiscal performances, while stressing the need to tackle the remaining vulnerabilities of the financial sector, as the level of NPLs remains high. They invited the authorities to step up the implementation of structural reforms, in particular in the judiciary and in the public administration. The Cypriot Minister confirmed the commitment of the authorities to maintain a strong fiscal performance and implement structural reforms in the financial sector.

We encouraged the Cypriot authorities to continue their efforts and address the remaining vulnerabilities in the financial sector.

3. Thematic discussion on growth and jobs – Inequality

The Eurogroup held a thematic discussion on inequality in the euro area on the basis of an intervention by Professor Philippe Aghion and a Commission note. Professor Aghion enlightened us on the interactions between innovation and inequality and shared his analysis on how to make an innovation-led growth more inclusive. Ministers exchanged views on the drivers of inequality at national level and discussed the relevant policy responses to deliver inclusive growth. Some Members also expressed interest in the development of indicators on inequality for the euro area as a single economic unit. The Eurogroup President concluded that ensuring inclusive growth is of great importance for the euro area, as it is key for enhancing resilience, fostering convergence and favouring the political consensus on structural policy reforms. He announced that the next thematic discussion in September would deal with the quality of public finances, focusing on how spending reviews can contribute to promoting public investment.

4. Eurogroup work programme for the second semester of 2019

We endorsed the Eurogroup work programme for the second semester of 2019.

5. Miscellaneous

Under Miscellaneous, we welcomed Minister Mika Lintilä, who as customary presented the policy priorities of the new Finnish government.

The Commission briefly presented the main elements of the European Semester 2019 Spring Package that was published on 5 June.

Further to the adoption of an opinion by the EFC, we expressed support for the Commission assessment that a debt-based EDP for Italy is warranted. Italy was invited to take the necessary measures to ensure compliance with the provisions of the SGP, in accordance with the EDP process.

Yours sincerely,

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