Remarks by Mário Centeno following the Eurogroup meeting of 20 January 2020

Good afternoon and happy new year. A relatively calm agenda today. No alarms and no surprises. First of all, we welcomed some new members to the group: Gernot Blümel from Austria, Katri Kulmuni from Finland, and Constantinos Petrides from Cyprus. Also, minister Nadia Calviño from Spain has been reappointed.

Since there has been a change of government in Austria, Finland and Spain, these Ministers presented the priorities of their new administrations. In the case of Cyprus, minister Petrides confirmed that the policy priorities will remain unchanged.

We invited the IMF to report on its interim mission to the euro area in the context of its Article IV consultation. We broadly agree on the economic outlook and the risks going forward.

The economy is in the midst of a slowdown, but continues to grow. In fact, the length of the growth period and the number of jobs we have added are breaking all records. While risks remain tilted to the downside, some of the most urgent risks have abated slightly since the Fund last reported to us in June. In particular, some of the uncertainty surrounding Brexit and the risk of an outright global trade war has diminished.

The Fund also commented on policy priorities for the euro area – this links to another item of our agenda because today the Commission presented to us its proposals for recommendations on the economic policy of the euro area for 2020. We had an initial discussion on these priorities today.

Ministers highlighted a few issues such as green budgeting as a tool to support the climate transition; the need for growth-friendly policies, namely through a focus on digitalisation; financial integration; and the need to continue with euro area reform. We will debate these priorities in more detail in our February meeting.

Today the Commission also presented its assessment on the updated draft budgetary plan of Portugal. We have issued a statement recognising that Portugal has come a long way in recent years. It will record a fiscal surplus this year – that is an unprecedented development and remarkable vis-à-vis the crisis times. Also, the medium-term budgetary objective is well within reach and the debt rule continues to be respected. At the same time, the Commission opinion still identifies some risks in the horizon. Portugal confirmed its commitment to address them appropriately in the course of 2020.

We then exchanged views on the euro area ongoing reform, following-up on the Eurosummit.
Our main discussion concerned the work programme for the next 6 months.

As I reported to Leaders in December, the Eurogroup has already reached an agreement in principle on a revised ESM Treaty text and all the related elements of the ESM package of reforms, subject to national procedures. It is no longer a question of substance, but we need to tie up a few loose ends of legal nature before launching the process for signature. Legal checks and translations are still ongoing. This work should pave the way for the signature of the Amending Agreement of the ESM Treaty in the coming months.

We also discussed a possible timeline for a potential early introduction of the common backstop, ahead of the end of the transition period in 2024. This decision will depend on whether sufficient progress has been made in risk reduction, based on the assessment that will take place later this year. We will discuss this in our March meeting.

During the coming months, we will also continue to work on the issue of liquidity in resolution. We have asked our deputies to report to us by June 2020.

On strengthening the Banking Union, including EDIS, the Leaders invited us to continue the constructive work of the past months. Today we also confirmed the importance of the package approach to enable progress in all areas in parallel towards June.

On the budgetary instrument for convergence and competitiveness, Leaders gave us a mandate to provide a swift contribution on the appropriate solutions for its financing, in time for decisions in the context of the MFF. This is a priority for our work over the coming weeks. We are working on the basis of the term sheet we agreed last October. Our intention is to provide a report on the need, the content, the modalities and the size of a possible IGA.

That rounds-up our discussions from today. The mood around the table was constructive and business-like. So I am optimistic that in this semester we will change gears in the euro area reform.

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