# Remarks by Mário Centeno following the Eurogroup meeting of 8 July 2019

Good evening. We had a packed agenda today. But the atmosphere was quite positive. It could be because this is the last Eurogroup before the summer break. But actually ministers were presented with several good news. For instance Croatia’s plans to join the euro but let me come to that in the end.

As it so often happens, we welcomed a newcomer in our group today: Eduard Müller who is the finance minister of **Austria**’s new caretaker government.

Our first discussion was on the **fiscal stance** of the euro area. We have been monitoring economic developments very carefully across the euro area and that has been a topic of discussion in the Eurogroup, also in light of the slowdown last year. This is important to reassure us that we have the right policy mix in place – in each part and in the whole. Today we listened to the advice of the European Fiscal Board and took stock of the Commission’s analysis.

There is broad consensus that for member states with high debt levels, there is a need to rebuild fiscal buffers. At the same time, countries who have already built such buffers, can prioritise investments, boost potential growth and tackle long term challenges.

For 2020, based on current forecasts, appropriate and differentiated fiscal policies at the national level will lead to a broadly neutral fiscal stance for the euro area as a whole. Going forward, we will keep a close eye on the economy given the significant number of risks to growth that are looming.

**Greece** was back on our agenda today. The Commission presented the 3rd enhanced surveillance report, which assesses the ongoing implementation of reforms. Contrary to the last report, this one is not linked to a decision on further debt relief measures. As there were general elections in Greece yesterday, our discussion today was relatively short. We look forward to working constructively with the new government that will result from this election. We will look into the issues raised in the Commission’s report, and more broadly discuss the new government’s policy intentions going forward.

We also discussed **Spain**’s post-programme surveillance. The report is positive and Spain’s economic outlook continues to be strong. We welcomed the good progress made to strengthen the Spanish financial sector and encouraged the authorities to continue rebuilding fiscal buffers and reducing the public debt ratio.

Next, we looked into ongoing work to strengthen the **international role of the euro**. The Commission has been building the evidence base for possible initiatives at the sectoral level. This was not our first discussion on the topic and it will not be the last – it is a priority and we will take it forward as was requested by Leaders in December.

On **Italy**, ministers heard some good news. The discussions between the Commission and the Italian authorities have led to significant improvements in the 2019 budget. The Commission explained its recent decision that an Excessive Deficit Procedure is no longer warranted and Minister Tria provided some additional explanations on the measures taken by its government. Ministers commended efforts on both sides, which resulted in this positive outcome.

Ministers also welcomed the decision by Leaders to choose the **next President of the ECB**. I explained to the group what the appointment process will be. Euro area ministers in the Ecofin tomorrow are expected to formally nominate Christine Lagarde, which will lead to a consultation by the European Parliament and the ECB itself. The European Council will then confirm its choice in October.

On a lighter note we briefly discussed a Commission proposal to issue a common commemorative **2 euro coin** in 2022. It will be dedicated to 35 years of the Erasmus programme, an EU success story and a positive symbol of integration.

On our ongoing **euro area reform** process, ministers reviewed the conclusions of the June Euro Summit. Leaders welcomed the progress made thus far and asked us to continue working on it and finalise some files by December.

Today, we discussed how to go about this further work that is needed:

- On **ESM reform**, we will follow up from our June agreement on the ESM Treaty and finalise the full package by December. We can then start the ratification procedures in early 2020.
- In recent months we have worked on mapping out what a steady state **Banking Union** should look like. That includes EDIS. More technical work will take place until December to set out a transitional path, including the so-called roadmap to start political negotiations.
- On the **budgetary instrument** for convergence and competitiveness, Leaders asked us to work further on all open issues and to report swiftly on the appropriate solutions for financing. This is our priority right now and we aim to deliver in October, to pave the way for a broader debate on the MFF that will follow.
- Within the same timeframe, we will also look at the details of the allocation methodology, of the modulation procedure and of the governance aspects.

We will strive to deliver coherent and meaningful solutions in the coming months. For that we need a spirit of compromise of all sides. The all-nighter of the June's Eurogroup is still in our memory and there's a lot of work ahead of us. I will continue to approach this in a constructive spirit.

Finally, let me report to you on our novelty today. A meeting of ERM II members to discuss a letter sent by **Croatia** on its intention to join ERM II and Banking Union. This is a first step needed on a path to join the euro.

The Croatian authorities have set out actions they will take to ease the transition. We welcomed the commitments in the areas of banking supervision, institutional quality, governance and the business environment. These are highly relevant for a smooth entry and participation in ERM II. They show Croatia's determination to be part of the euro family.

Our expectation is that Croatia will simultaneously join ERM II and the Banking Union and will take further commitments at that point in time.

Croatia's intention to join ERM II shows that the euro area is a solid anchor of stability and growth in Europe that continues to attract new members.

This is fully in line with the process followed for Bulgaria last year. Going forward, and in line with the principle of equal treatment, we expect to follow a similar approach for any other member states wishing to join ERM II and the Banking Union. I am sure others will follow. I am convinced the euro area will continue to grow in coming years.

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