

Remarks by Paschal Donohoe following the Eurogroup video conference of 15 February 2021



Good evening to all of you. Before I debrief you on today's Eurogroup, let me mention that we had the chance to welcome two new colleagues to our meeting today – the new Italian minister, Daniele Franco, whose government was just sworn in this weekend, and indeed, it was his first day in his new role. And the new Estonian minister, Mrs. Keit Pentus-Rosimannus, who presented the policy priorities of the new Estonian government. The Commission also presented its assessment on the updated draft budgetary plan that Lithuania presented after the formation of their new government in December.

So moving to the substance of the meeting, the Eurogroup continues to engage very closely in the health and economic situation of the euro area. We started today with an update on the health situation from Dr. Mike Ryan and Dr. Bruce Aylward of the World Health Organisation, which informed our discussions on the economic situation. The faster we can overcome this pandemic, the quicker we can deal with its economic consequences.

Dr. Ryan and Dr. Aylward both emphasised that a high level of uncertainty remains, especially with regard to the circulation of the virus and the emergence of new variants. But they also highlighted the huge progress that has been made in terms of testing, treatment and vaccination since coronavirus emerged one year ago. The steady progress of the vaccination campaigns in particular raises the prospect of gradual change. The commission's economic forecast confirms that economic growth is expected to resume in the spring after a very challenging winter. The forecast is premised on a gradual opening up of the economy in the first half of the year, and an acceleration of growth in the second half of the year.

This gradual recovery will of course be supported and reinforced by the joint Recovery Fund. The RRF, which will enter into force on the 18th of February, will play an important role in ensuring a sustained and robust economic recovery as opposed to just a temporary rebound.

But the situation remains serious. The level of employment is clearly well below where we want it to be. And while COVID-19 has affected every part of the economy of the eurozone, it has been a particular challenge for young women and men, but also those who are employed in contact-intensive parts of our economies. This reaffirms the need to continue protecting our citizens from this pandemic and for supportive economic policies to remain in place for as long as they are needed. There is an inherent risk of withdrawing support too early, as opposed to withdrawing it too late.

In light of the uncertainty and challenge, there continues to be a great need to coordinate our monetary and our budgetary efforts. From a Eurogroup

perspective, it is important that we approach national budgetary preparations in a coordinated manner to help shape our policy decisions, particularly as the process of vaccination gathers steam and our recovery slowly begins.

And we have learnt so much in dealing with this disease. It is good to note that lockdowns were more targeted the second time round and that many businesses and households have been able to adapt to changing and very challenging circumstances.

And when we start to emerge from the health crisis, our policy response will need to adapt gradually. It's something we will be talking about regularly in the coming months because we all have an interest in a successful and a united return to growth. We will soon be issuing the schedule that we have agreed for the discussions that we will be having on budgetary policy. And my aim is to reach a common understanding on the appropriate budgetary stance by the summer so that we can guide our budgetary discussions for next year.

The second main topic on our agenda concerned the international role of the euro. This discussion took place on the basis of the Commission communication of 19 January on the European economic and financial system. The aim is to reduce our dependence on other currencies and to strengthen our autonomy in various situations. At the same time, an increased international use of our currency also implies potential trade-offs which we will continue to monitor.

Ministers also agreed that our actions to support the international role of the euro should be broad-based, encompassing progress on amongst other things, Economic and Monetary Union, Banking Union, Capital Markets Union and the implementation of Next Generation EU. During the discussion, ministers also emphasised the potential of green bond issuance to enhance the use of the euro by the markets while also contributing to achieving our climate transition objectives.

Let me emphasise in conclusion that this discussion is not about rivalling other currencies, but it is instead about increasing the resilience of our own currency and giving our firms and our citizens greater choice and security. We'll be coming back to some of these issues soon to prepare a Leaders' discussion on this topic in March.

Finally, we took stock of the state of play with the solvency of the corporate sector. The support that we have put in place at the national level and the framework we have agreed at the European level have all helped to keep many businesses afloat during lockdowns. This has been a success story, but we are aware that difficult times could lie ahead. Most businesses certainly have a bright future, but of course, many businesses are going to need time to repair their balance sheets and unfortunately, there could be some that will not be viable in the longer term due to changing health circumstances, and what that will mean for how economies are structured.

As the recovery phase is kicking in, we will move to a phase of more targeted measures with the difficult question of how to identify viable firms that will still need our support. Our insolvency frameworks will need to be adaptable in order to minimise economic damage. And this is a discussion that

we will return to in April.

To conclude today's discussions did acknowledge the many challenges that we are still responding to, that we are still working hard to overcome. It does come down to 3 Cs – certainty, coordination and consensus. In the face of health and economic uncertainty, we are working hard to redouble our coordination efforts to further create a consensus to help the euro area navigate through the uncertainty created by this pandemic. We will be intensifying our efforts to do this in 2021, given the value of this consensus in 2020, and I look forward to working closely, in particular with Commissioner Gentiloni and his colleagues in the Commission and all members of the Eurogroup to help us put in place the strongest policy framework to respond back to challenges which we will overcome.

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