



Eurogroup
The President

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To the members of the Eurogroup

Subject: Eurogroup meeting of 8 July 2019

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 8 July in Brussels. 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 Professor Niels Thygesen, Chair of the EFB, for the discussion of the euro area fiscal stance. Before the first item of the agenda, we listened to Eduard Müller, the appointed Finance Minister for Austria, who explained the planned actions of the caretaker government.

1. Euro area fiscal stance

We discussed the prospective fiscal stance for the euro area as a whole in 2020, based on the inputs of the EFB and the Commission. We have been monitoring economic developments carefully across the euro area due to the slowdown that started last year. We have a common interest in having the right policies in place – in each part and in the whole. Our discussion showed there is broad consensus that Member States with high debt levels need to rebuild fiscal buffers. At the same time, Member States that have already built such buffers can prioritise investments, boost potential growth and tackle long term challenges. Appropriate and differentiated fiscal policies at the Member State 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 economic developments given the significant number of risks to growth that are looming. Several Ministers stressed the importance of preparedness, given

that risks to the economic growth forecast are tilted to the downside. The Eurogroup will return to these issues in the context of the discussions on Draft Budgetary Plans in the autumn.

2. Greece – Third enhanced surveillance mission

The Commission presented the main findings of the third enhanced surveillance report for Greece, and debriefed us on the developments since the publication of the report. We welcomed the significant efforts of the Greek people and the authorities to put the Greek economy again on a sustainable footing and thanked the outgoing Minister, Euclid Tsakalotos, and Alternate Minister, George Chouliarakis, for the good cooperation over the last 4 years. We also took note of the concerns raised by the institutions regarding recent reform reversals, changes in budgetary trajectory and measures that potentially undermine payment culture. We are looking forward to a fruitful cooperation with the incoming government, building on the successes already achieved.

3. Spain – post programme surveillance

We were informed by the Commission and the ECB about the main findings of the eleventh post-programme surveillance mission to Spain, and by the ESM on its early warning system. The institutions welcomed the positive macroeconomic developments, the performance of the labour market and the strengthening of the financial sector, while underlining that some elements of the financial reform agenda should be closely monitored.

4. International Role of the Euro - Stock-taking following Commission consultation

The Commission informed us about the outcome of its sectoral consultations on the international role of the euro. The ECB presented its latest economic analysis on the issue, which provides perspective on the recent increase in the international use of the euro in foreign exchange markets and debt issuance. The report assesses the changing balance of pros and cons to having an internationalised currency and recalls the importance of strengthening our Capital Markets, Banking and Economic and Monetary Unions. The Eurogroup is actively supporting work on this important topic, as indicated by the Euro Summit in December 2018, and we will examine any further initiatives from the next Commission in due course.

5. Miscellaneous

Under Miscellaneous, we listened to explanations from Minister Tria and from the Commission as regards the latest budgetary developments in Italy, underpinning the Commission's decision that the opening of a debt-based EDP is no longer warranted for Italy at this stage. Ministers welcomed the efforts made, the measures adopted and the transparency of the Commission's reporting. The importance of structural measures was emphasised. The Commission and the Eurogroup will return to this when they will discuss the Draft Budgetary Plans of all Euro Area member states in the autumn.

I closed the meeting with some points of information. I briefly outlined the process ahead for the appointment of the next President of the ECB and highlighted the need for us to coordinate and coalesce around a strong European candidate to replace Christine Lagarde at the IMF. Finally, I presented the proposal to issue a common commemorative two euro coin in 2022, marking 35 years of the Erasmus programme. Erasmus and the euro have both brought Europeans closer together and it is only fitting that we should lend our support.

Yours sincerely,

Mário CENTENO