



**Eurogroup**  
The President

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To the members of the Eurogroup

**Subject:** Eurogroup of 22 May 2017

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 22 May in Brussels, to which we welcomed the new French Economy Minister, Mr. Bruno Le Maire. Our meeting was attended by Commissioner Pierre Moscovici, ECB President Mario Draghi and Executive Board Member Benoît Coeuré, and ESM Managing Director Klaus Regling. We were also joined by Poul Thomsen, Director of the IMF's European Department, for the discussions on Greece.

## **1. Economic situation in the euro area – Commission spring forecast and inflation developments**

The Commission presented its spring economic forecast showing a resilient economic recovery that is becoming broad-based. Growth momentum is expected to remain steady going forward and private consumption is set to remain the driving force. Investment could be stronger, pointing to the need to improve conditions for private investment. Unemployment continues its downward trend while remaining high in many countries. Overall, risks have become more balanced than in the winter forecasts but they remain tilted to the downside. On inflation, we were informed by the institutions that the headline rate of inflation increased significantly in recent months, largely due to energy price developments. Measures of underlying inflation have remained low so far and are expected to increase only gradually over time.

We broadly concurred with the Commission and ECB's assessment of recent economic and inflation developments.

## **2. Spain – Post-programme surveillance – 7th review – oral debrief**

We were debriefed by the institutions on the main findings of the 7th Post-Programme Surveillance (PPS) mission in Spain, which took place at the end of April. We concurred with the conclusions of the institutions, highlighting that robust growth had exceeded expectations, with a subsequent positive impact on the rebalancing of the economy, and that Spain had met the 2016 fiscal target. The financial sector has been further stabilising and has become much more resilient, though specific challenges remain. We also welcomed the assessment of the ESM that repayment risks to the ESM remain very low, also in light of additional early repayments by Spain of EUR 3 bn in the course of 2017.

We agreed that from now onwards on a new timing of our PPS discussions: the reporting from the institutions to the Eurogroup will take place once the written post-programme surveillance report becomes available, unless there are specific issues of concern that would need to be addressed shortly after the end of the mission.

## **3. Greece – State of play**

The institutions debriefed the Eurogroup on the state of play of the second review of the stability support programme. We welcomed that a preliminary agreement has been reached between Greece and the institutions on a policy package, which should pave the way for a successful completion of the second review of the ESM programme upon the adoption of all the prior actions. We also welcomed the adoption by the Greek parliament of a substantial part of the agreed prior actions for the second review. The Greek Minister confirmed his government's commitment to continue efforts to implement the remaining outstanding prior actions in the coming days, as well as to address some concerns expressed, in cooperation with the institutions.

The Eurogroup held an in-depth discussion on the sustainability of Greece's public debt on the basis of the agreement reached in May 2016. Progress was made on giving more clarity on possible debt relief, and providing assurances to the IMF that would enable the IMF management to recommend a programme to their Executive Board. An overall agreement could not be reached at this stage. Such an agreement needs to be in line with the statement that was agreed on 25 May 2016, which also provides that the final decision on debt relief, if needed, will be taken at the end of the programme. We agreed to continue work in the coming weeks with a view to reaching a definitive conclusion at the next Eurogroup meeting.

Yours sincerely,

Jeroen DIJSSELBLOEM