



**Eurogroup**  
The President

024959/EU XXVI.GP  
Eingelangt am 06/06/18

Brussels, 7 May 2018

ecfin.cef.cpe(2018)2519381

To the members of the Eurogroup

**Subject:** Eurogroup meeting of 27 April 2018

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 27 April 2018 in Sofia, to which we welcomed Olaf Scholz, the newly appointed German Finance Minister. The Commission was represented by Vice-President Valdis Dombrovskis and Commissioner Pierre Moscovici. Our meeting was attended by ECB President Mario Draghi and ECB Executive Board Member Benoît Coeuré and by ESM Managing Director Klaus Regling. We were also joined by the Chair of the ECB Supervisory Board, Danièle Nouy, and the Chair of the Single Resolution Board (SRB), Elke König, for the Banking Union – euro area aspects discussion. We also welcomed Jeffrey Franks, Director of the IMF's Europe Office, who joined us for the discussions on Greece. I would like to take this opportunity to thank again the Bulgarian presidency of the Council of the EU for their warm hospitality and excellent organisation.

### **1. Banking Union – euro area aspects: seventh hearing of the Chair of the ECB Supervisory Board and presentation by the SRB on its activities**

Danièle Nouy reported on the execution of the supervisory tasks by the ECB Supervisory Board, as well as key policy challenges and priorities. Even though bank profitability improved in 2017, there were considerable differences across banks. As regards work on NPLs, the ECB's approach comprised the qualitative Guidance of March 2017, supervisory dialogues and the Addendum to ECB guidance on NPLs, specifying supervisory expectations for the prudential provisioning of new NPLs. The SSM will continue to closely monitor the banks' relocation plans and ensure that banks are adequately prepared for Brexit.

Elke König provided a general update on SRB activities focusing on i) resolution planning, where the number and depth of resolution plans increased, ii) MREL, where the SRB has taken its first decisions on binding targets at consolidated level for the majority of the largest and most complex banks under its remit, iii) the SRF, where the expectation is to collect additional EUR 7,5bn in contributions in 2018 and iv) the ongoing inter-institutional workstream on lessons learned from recent resolution cases, especially as regards liquidity in resolution.

Our discussion focused in particular on the lessons learned from the recent resolution cases, which point to the need for harmonisation of banks' insolvency laws, ensuring consistency with decisions taken under the BRRD/SRMR and for a better information sharing, coordination and enforcement of Anti-Money Laundering (AML) provisions. Discussions will continue at technical level on how to strengthen the AML framework. We thanked Danièle Nouy and Elke König for their good work to date and we look forward to our next exchange of views in autumn.

## **2. Thematic discussions on growth and jobs - Wage dynamics in EMU**

As part of our thematic discussions with a focus on increasing resilience in the EMU, we discussed wage dynamics in the euro area. Despite the economic expansion under way, wage growth remains sluggish in most euro area Member States.

The Commission stressed the importance of wage dynamics in the economic rebalancing in the monetary union and argued that, while collective bargaining plays a central role, public policies can indirectly influence wages by creating the appropriate incentives, in the short term as well as in the longer term.

We also benefited from a presentation by Professor Tito Boeri, president of the Italian Social Security Institute and professor at Bocconi University. Pr. Boeri pointed to the extent of under-employment and labour market segmentation in the euro area in the aftermath of the crisis as well as to the importance of risk aversion of workers and the monopolistic power of employers. In order to make sure productivity gains pass through wages, he argued for reducing labour market segmentation, increasing the bargaining power of workers and making the employer side of the labour market more competitive.

We had a rich discussion on the determinants of wage growth and room for policy action in the context of the globalisation and digitalisation of economies, which impact the structure of the labour markets. We intend to continue our exchanges on labour market issues by holding a thematic discussion on allocative efficiency in labour markets in June.

### **3. Greece – state of play**

The institutions debriefed the Eurogroup on the state of play of the fourth review of the ESM stability support programme and announced the return of the mission teams to Athens on 14 May. The aim is to reach a staff level agreement ahead of the May Eurogroup. We also held an exchange of views on some key elements to support the successful exit of Greece from the programme. The Greek Minister presented the growth strategy of Greece for the coming years, which aims to boost Greece's long-term growth potential and enhance the investment climate. We also discussed how we can further support the Greek authorities in their continued reform efforts in the years after the programme. We took note of the intention of the Greek government not to request a successor arrangement. On the future monitoring of the economic, fiscal and financial developments, the Eurogroup took note of the so-called 'enhanced surveillance' tool, as proposed by the Commission. Discussion on the debt strategy will continue in the weeks ahead. On the basis of a successful review, the Eurogroup will decide in June on all the elements to ensure a successful exit of Greece from the program by August.

### **4. Miscellaneous**

The German finance minister Olaf Scholz presented the economic and fiscal policy priorities of the new German government.

We welcomed the Austrian updated Draft Budgetary Plan, on which the Eurogroup already published a statement. We stressed its exceptional character, while recalling the Two Pack provisions on the role of the Eurogroup on DBPs.

Yours sincerely,

Mario CENTENO