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Keynote speech

Ladies and gentlemen,

It is a pleasure to be with you again, this time in person, and in Slovenia too. Such a change, and a very welcome one. Thank you for inviting me today.

These have been a difficult two years for everyone in Europe. We have faced unprecedented challenges for the economy, all aspects of society and for everyone's daily lives. Still, we managed to act quickly and decisively. We helped people to cope.

This showed the strength of European unity and solidarity. Let me offer you two examples.

Our vaccination strategy has proved successful, despite some initial criticism. By the end of August, 70% of EU adults were fully vaccinated - more than 256 million people, even though with big differences across countries and regions.

The EU's digital vaccination certificate allowed people to travel this summer, making it a much holiday season than a year ago, making it a much better holiday season than a year ago. And we set up short-time work schemes to keep millions of Europeans in a job during the crisis. The SURE scheme has supported around 31 million people and 2.5 million companies. This accounts for more than a quarter of total employment in those Member States taking part.

So I think we can say that the European response has been a success.

Our unity has inspired confidence from people and companies alike, and – I hope you can confirm - also in financial markets. And it has contributed to the recovery that we are seeing now. There are grounds for optimism.

All EU countries are expected to return to their 2019 GDP growth levels this year or next, and the economic differences between them as not as great as first expected.

Unemployment has not dramatically increased and job numbers are improving steadily. The much-feared wave of company insolvencies did not really happen. Non-performing loans have not risen. But this does not mean that the risks have gone away.

So we need to stay vigilant and continue to pursue the right policies, including the Action Plan on non-performing loans, especially as support measures – including moratoria – are now being phased out. Europe's banks remain solid. In this crisis, they have been a part of the solution.

Now we have the Recovery and Resilience Facility – the RRF - to fund a sustainable and lasting recovery, with a solid focus on the green and digital transitions as sources of potential growth.

The first RRF funding has started to flow. I cannot overstate the importance of this instrument. Putting it into full effect across all Member States is vital for our long-term future, for our economic potential and cohesion.

But let me now sound some notes of caution.

This is not a time for complacency.

New risks are appearing and there are still many unknowns. The uncertainty continues, starting with the coronavirus itself. We also know that the virus will stay with us for some time. The reality is that we will only be safe, and our economies regain their full potential, when the whole world is vaccinated.

The EU has been playing its part here, exporting vaccines across the world, including through the COVAX facility. Since December 2020, we have sent 700 million vaccine doses to 130 countries worldwide. Many vulnerable countries are at high risk or in debt distress.

One way to support them is by reallocating the newly issued IMF Special Drawing Rights to help provide liquidity for vulnerable countries.

I would ask EU countries to support and take part in this exercise.

Ladies and gentlemen,

As circumstances change, Europe should be changing as well. We should adjust and reposition ourselves to cope with new realities, moving forward from the 'pandemic policy' approach. It has served us well, but it is time to move on.

There are three areas of challenge that I would like to highlight, starting with fiscal matters.

We know that the level of fiscal support applied during the pandemic cannot stay in place forever. While we should not withdraw it too early, neither should we remove it too late.

Too early – and we risk harming the recovery and damaging our economies.

Too late – and we risk overburdening public finances and fuelling inflation.

So this will be a balancing act. We should start gradually reducing fiscal deficits and debt when the time is right, while improving the composition and quality of public finances. That will create room to invest in areas of growth potential, like the green and digital transitions.

This is about 'and', not 'or'. We will need to bring down deficits and invest - which will require finding revenue sources, solid planning and making good use of the RRF.

This brings me onto a second balancing act: between fiscal and monetary policy. As we know, monetary policy is independently steered by the European Central Bank.

Up to now, the interaction between the two has worked well – and it is important for this to continue during the recovery. Now we have rising inflation, above the ECB's 2% target. Euro zone inflation hit a 10-year high of 3.0% in August, up substantially from 2.2% in July.

However, the inflation rise looks to be driven mostly by temporary factors at this stage. So let us not jump to conclusions quite now. But we need to watch inflation and adapt our policies accordingly - if required.

For monetary and fiscal policies to keep working well together, we need credible fiscal strategies for the medium term. We should come to a clear way forward by spring next year, as part of the European Semester.

Europe's economies should also be able to adjust without bottlenecks. For this, the labour markets must work well.

To avoid labour shortages, already emerging in some sectors and countries, we need active labour market policies that facilitate job transitions – like improving skills.

Viable companies may need additional well-targeted solvency support.

However, Member States should be careful to make sure that this support does not end up with unviable companies, thereby locking in resources needed for more productive purposes.

The green and digital projects financed through the RRF will also bring vitality to Europe's businesses and entrepreneurs.

The third area to attract our attention over the next months is the EU economic governance review.

The existing framework has worked well overall, including under the recent exceptional circumstances. It has the flexibility necessary to deal with large shocks. However, our review also highlighted several challenges that the crisis has reinforced.

Since debt levels have increased and divergences widened further, we must have a credible debt reduction rule that works for all Member States.

In addition, we should make better use of good times, to allow more spending in bad times. Nobody knows when the next crisis will happen. So public finances should be in the best possible position when that day comes.

As I said earlier, we need to improve the composition of public finances, prioritising productive investment.

Lastly, the economic governance framework has become too complex. We should simplify it.

The debate comes first, however. Consensus is crucial, because a fiscal framework can only then be effective if there is a strong political commitment to adhere to it.

Ladies and gentlemen,

I believe that we are now well on the way to healing the scars of the crisis, in terms of getting through its initial severe economic impact and building for the future.

Europe's economy is turning a corner: the signs are better for 2022 and beyond.

As we move into the post-crisis phase, I know that we can continue to rely on the support of Eurofi and its members. As always, the financial sector has a vital role to play in developing our economy, both now and in the years ahead.

Thank you.