

Brussels, 18 March 2022

Dear President,

I am writing to inform you about the work taking place in the Eurogroup.

The Eurogroup absolutely deplores the Russian invasion of Ukraine, expresses its solidarity with the people of Ukraine and commends the swift action being taken by the EU, by Member States and by our international partners to support Ukraine and counter Russian aggression. Democracy and the rules-based international order are the foundations upon which we have built European prosperity and security. Our Economic and Monetary Union (EMU) is, moreover, a potent symbol of what can be achieved through peaceful cooperation. Beyond the human tragedy unfolding in Ukraine, Russian aggression is also clearly a challenge to our common prosperity, values and security, but it is one that we can overcome. The key contribution of the Eurogroup to this wider struggle is to work together to safeguard the recovery. A strong euro area economy is also an anchor for stability and security on our continent.

### **Economic situation and fiscal policy**

Prior to the war in Ukraine, the euro area economy had staged a strong recovery. Output and income are estimated to have returned to pre-crisis levels at the end of 2021, and the labour market saw a record low of 6.8% unemployment in January. These metrics show how our economic policies are working – both fiscal and monetary policy provided exceptional levels of swift and sizable support – underpinned by coordination and consensus.

However, in both the assessments of the institutions and our discussions in the Eurogroup, it is clear that this crisis is denting growth momentum and exacerbating inflationary pressures. These negative impacts come through several channels – energy supply and energy prices are a key factor, but confidence effects, financial flows, and supply disruptions, are among the many other factors also at play. There will also be impacts related to the displacement of Ukrainian people seeking safety in the EU. The cost of these impacts are set to be high, and finance ministers are looking at ways to shield vulnerable groups. On a more positive note, it is also clear that the euro area economy is resilient – we showed that during the COVID-19 crisis. We must reassure our citizens that our policy response will continue to be strong and united and that the economic recovery is underpinned by strong fundamentals and a clear improvement in the epidemiological situation going forward.

In light of this, we will continue our strong coordination of fiscal policy in the euro area to weather the heightened risks and uncertainties, as set out in a statement we adopted in our last meeting (see annex). Supported by the Commission's advice and its recent forecast, we agreed that transitioning from an aggregate supportive fiscal stance to a broadly neutral stance next year appears to be appropriate. At the same time, we recognized that a differentiation of fiscal strategies across Member States is needed. In view of the unprecedented uncertainty, our policies will remain agile and flexible, and we stand ready to react to the evolving economic situation.

## **Economic governance framework**

Coordination of fiscal and economic policies in EMU is key for its success. That's why an effective economic governance framework to guide the coordination of our policies is a cornerstone of a successful EMU. The Eurogroup has continued its discussions on the economic governance framework in the context of the review being conducted by the Commission. So far, we have discussed our positive experience with the Draft Budgetary Plans' process and emphasised the importance of commitment and transparency in fiscal surveillance. We stressed the importance of preventing and correcting of macroeconomic imbalances in the euro area and acknowledged the role of the Macroeconomic Imbalances Procedure in this respect. We also found the provisions for Member States experiencing financial difficulties still appropriate, although with some scope for streamlining.

In view of the current very high uncertainty, it is of even greater importance to create stable conditions for effective policy coordination aiming at strengthening growth, investment, and ensuring debt sustainability. We will thus continue our fruitful discussions in line with the work programme agreed last November, and contribute to the Commission's reflections on the way forward.

## **Banking Union**

The current developments strengthen even further the case for a rapid completion of the Banking Union and of a deep, integrated and well-functioning Capital Markets Union. They are indispensable to support economic growth, improve resilience and safeguard financial stability.

The Eurogroup has continued its discussions on the work plan to complete the Banking Union and discussed a strategic approach for the way forward across four modules: a stronger framework for the management of failing banks, a common protection for depositors, a single integrated market for banking services and more diversified bank sovereign exposures. The approach proposed seeks balance in the ambition across modules. It consists of two phases underpinned by extensive monitoring and a political checkpoint to decide on the activation of the second phase. Based on our discussions at the last Eurogroup, I sense strong support for working on that basis, with the aim of agreeing on a work plan by mid-2022. I believe that reaching a consensus is within reach on the basis of the engagement and constructive spirit from all sides.

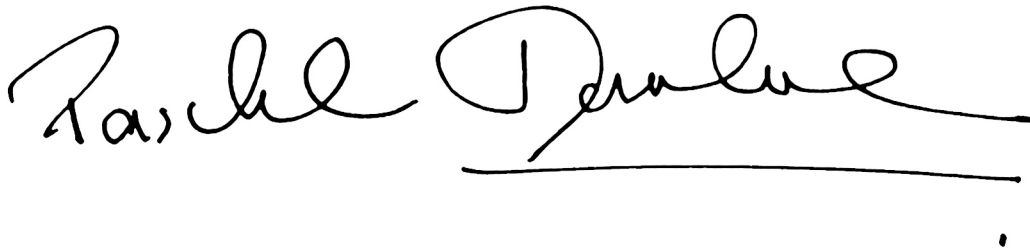
## Digital euro

Ensuring efficient and robust financial and payment systems is of strategic importance, in particular in view of the current geopolitical situation, but also considering the longer trends in the international payments landscape. The Eurogroup therefore supports the work carried out by the Eurosystem and the Commission on a digital euro. A properly-designed digital euro that is safe, easy to use and widely accessible to the public has the potential to preserve the role of central bank money as a stabilising force at the heart of the payments system. It could also foster innovation in the financial system, strengthen our financial and monetary sovereignty, and in this way contribute to the smooth functioning of our Economic and Monetary Union.

We will continue to play an active role and to contribute with regular discussions on the digital euro in the coming months, in line with the work being carried out by the ECB and the Commission. To emphasise the importance we attached to this issue, we have adopted a statement (see annex) that lays out our work plan for discussions on the digital euro.

## Conclusion

We will continue our work on the priorities and areas highlighted above. Let me assure you of our unwavering commitment to deliver prosperity to our citizens through strengthening our EMU and creating the conditions for long-term sustainable growth.



A handwritten signature in black ink, reading "Rachel Deroubaert". The signature is written in a cursive style and is underlined with a single horizontal line.

## Annex



Brussels, 14 March 2022

### **Eurogroup statement on the fiscal guidance for 2023**

After two years of being in the grip of the Covid-19 pandemic, the EU is faced with a watershed moment caused by the unprovoked and unjustified Russian military aggression against Ukraine. The Eurogroup fully supports all the actions and sanctions being taken by the EU and its allies against the aggressor. We also recognise that additional economic measures to support Ukraine and to protect our core EU values may be required.

The fundamentals of the euro area economy are strong. The Commission 2022 winter forecast that was published on 10 February 2022 confirmed that the economy recovered strongly from the Covid-19 pandemic with output estimated to be above pre-crisis levels by the end of 2022 in all Member States and with unemployment reaching a record low by end-2021, despite the continued high uncertainty surrounding the evolution of the pandemic. This highlights the success of our swift, sizeable, and well-coordinated policy actions at the EU, euro-area and national levels. Policy measures have been well calibrated and fiscal and monetary policies have worked hand-in-hand to facilitate this rapid recovery.

However, the uncertainty has increased significantly. The economic impact of Russia's war against Ukraine is yet to be determined and adds to risks stemming from ongoing supply chain problems, higher energy prices and inflation remaining elevated for longer than previously expected. We are continuing our strong coordination of fiscal policy in the euro area to weather the heightened risks and uncertainties, and the impact on our economy. Our fiscal policies have to remain agile and flexible, and we stand ready to adjust our policy stance to the changing circumstances as needed. In parallel we will urgently address and consider concrete options, building on the Commission Communication of 8 March 2022 for dealing with the impact of increased energy prices on our citizens and businesses, especially our vulnerable citizens and SMEs. The fiscal guidance agreed by the Eurogroup today will be contingent on the development of the economic situation.

In providing policy orientations for the coordination of our fiscal policies, we welcome the Commission Communication of 2 March 2022 "Fiscal policy coordination for 2023". In light of the Commission assessment, we reaffirm the fiscal policy strategy for this year, as set out in our December 2021 statement on the 2022 Draft Budgetary Plans. We support the Commission's view that, on the basis of its Winter Forecast 2022, transitioning from an aggregate supportive fiscal stance in the euro area to a broadly neutral aggregate fiscal stance next year appears to be appropriate while standing ready to react to the evolving economic situation, also in view of the high level of uncertainty. We also take note of the Commission's readiness to adjust its guidance as needed and at the latest as part of the Commission's European Semester spring package in late May 2022.

At the same time, in light of the current assessment of the economic situation, a differentiation of fiscal strategies across Member States is needed. This would also contribute to achieving a balanced aggregate fiscal stance in the euro area. More specifically, with a view to preserving debt sustainability, in Member States with high public debt, we concur that starting a gradual fiscal adjustment to reduce their public debt is appropriate, if conditions allow. This adjustment should be embedded in a credible medium-term strategy that continues to promote investment and reforms needed for the twin transition, and improving the composition of public finances. On the other hand, Member States with low- and medium-debt levels should

prioritize the expansion of public investment where necessary. All of this would contribute to achieving an appropriate overall policy stance. Therefore, all Member States should increase the resilience of their economies and promote and protect high-quality nationally-financed investment to lay foundations for high sustainable growth and to achieve our twin transition goals. We must also resolutely invest more and better in defence capabilities and innovative technologies .

Finally, in relation to the economic governance review, the Eurogroup will continue to engage actively in this process as per our Work Programme and in cooperation with the Council Presidency and in the appropriate format. We look forward to further discussions in the months ahead building on the substantive progress to date.



Brussels, 25 February 2022

### **Draft Eurogroup statement on the digital euro project**

New technologies in banking and payments are giving rise to new services and business models by established financial institutions and new market entrants. A properly-designed digital euro that is safe, easy to use and widely accessible to the public has the potential to foster innovation in the financial system and deliver major benefits for citizens, businesses, Member States. It can strengthen our financial and monetary sovereignty and contribute to the overall functioning of our economic and monetary union, building on mutual trust and engagement among all stakeholders involved, and it is relevant for the international role of the euro.

Informed by preliminary work of the ECB and the European Commission, the Eurosummit in March 2021 invited the exploratory work on the possible introduction of a digital euro to be taken forward. On 14 July 2021, the ECB Governing Council decided to launch an investigation into the possible issuance of a digital euro to complement cash. The investigation phase will last 24 months and aims to address key issues regarding design and distribution. This will not prejudice any future decision on the possible issuance of a digital euro, which will come only later.

In order to be successful, the possible issuance of a digital euro needs to be a common European project, supported by the European public and with a solid democratic basis. The creation of a digital euro would require an intervention of the Union legislature; and the Commission intends to make a proposal on the basis of Article 133 TFEU. In this context, we welcome the intention of the Commission to launch a targeted public consultation on a digital euro as part of the pre-legislative process.

The Eurogroup supports the work carried out by the Eurosystem and the Commission on a digital euro. This investigative work needs to build on careful and thorough analysis and will benefit from Eurogroup members' views during the process. The digital euro is a complex and important project with potentially far-reaching impacts for citizens, businesses, and the EMU as a whole.

The Eurogroup therefore agreed to regularly revisit this topic and discuss its various dimensions, notably with a focus on their political relevance. This will allow us to provide clear views on the general objectives and political dimensions of a digital euro and the trade-offs in full respect of the institutional roles and mandates of all actors involved.

The Eurogroup identified a number of topics on which it will make contributions, working closely with the ECB and the Commission. A plan for regular Eurogroup discussions on the implications of a digital euro, based on input from the ECB and the Commission, was agreed in July 2021<sup>1</sup> based on four thematic areas with a view to a thorough technical preparation of our discussions on this topic.

We began in November 2021 by discussing the policy objectives and uses of a digital euro in the global competitive context, taking into account broader initiatives at the international level. Ministers saw an important role for a digital euro in strengthening our open strategic autonomy, promoting the digital transition and the development of pan-European payment solutions, the continued availability and usability of central bank money and financial inclusion.

Today, the Eurogroup took stock of developments so far, based on an update from the ECB and the Commission on their respective work. Ministers support a high level of innovation and ambition during the investigation phase, close monitoring of emerging trends, and the ability to react and adapt to changing demands, whilst recognizing the trade-off between designing an ambitious product and making fast progress.

Our next thematic discussion, in April 2022, will be on privacy considerations and how they square with other policy objectives, such as countering money laundering, illicit financing and tax evasion.

We will then turn to potential impacts of the digital euro on the financial system and the use of cash, in June 2022.

Then, in the latter half of the year, we will discuss the broader ecosystem around the digital euro and the role and business models of the various public and private actors in this ecosystem, which in turn could have implications for efficiency, competition, innovation and the inclusiveness of the digital euro.

We welcome the continued efforts of the ECB and the Commission in this process. The Eurogroup will continue to play an active role and to contribute with regular discussions on the digital euro<sup>2</sup> in line with the advancement of the Eurosystem investigation phase and the work by the ECB and the Commission.

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<sup>1</sup> <https://www.consilium.europa.eu/media/51454/summing-up-letter-eg-12-july-2021.pdf>

<sup>2</sup> See planning in the Eurogroup work programme : <https://www.consilium.europa.eu/media/53287/eg-20211206-draft-eg-work-prog-h1-2022.pdf>