

Brussels, 4 June 2018

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To the members of the Eurogroup

**Subject:** Eurogroup meeting of 24 May 2018

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 24 May 2018 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 Poul Thomsen, Director of the IMF's European Department, who joined us for the discussions on Greece.

## **1. Greece – state of play**

We welcomed the staff-level agreement that the institutions and the Greek authorities reached on a package of reforms required for the successful completion of the 4th review of the ESM programme. This is a major milestone which brings us one step closer to the successful completion of the ESM programme. As a next step, we called upon the Greek authorities to complete all prior actions in time for our next meeting in June. This will allow us to take a political decision in June on the closure of the review and of the programme, including on possible debt measures, the post-programme framework and the disbursement of the last tranche.

We also held an initial exchange of views on the package of debt relief measures to be implemented at the end of the programme to the extent necessary, conditional on its successful completion. We have mandated the institutions to produce a final debt sustainability analysis which we can use to calibrate the package of possible debt measures. Finally, the Eurogroup Working

Group was asked to work further, in the coming weeks, on all the elements that need to be in place to ensure a successful exit of Greece from the programme.

## **2. Economic situation in the euro area – Commission spring forecast**

The Commission presented its spring forecast confirming that growth and employment picked up strongly in 2017 across the euro area. Growth is expected to moderate slightly while remaining strong and broad-based in 2018 and 2019. The balance of risks has however shifted to the downside compared to the Commission winter forecast, mostly as a result of external factors such as the ongoing tensions on trade policy. The labour market conditions are improving. Wage growth is expected to pick up markedly as factors that have dampened wage growth in some countries over the past few years gradually fade away. Inflation is expected to pick-up gradually over the medium-term.

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

## **3. Thematic discussion on growth and jobs – spending reviews**

The Commission presented its analysis focusing on the challenge of ensuring ownership in the administration that is undergoing the spending review. The Irish and Spanish Ministers presented their national experiences with spending reviews, focusing on challenges and key factors for success. Strong political commitment at a high political level throughout the process emerged as a key condition for the success of the exercise. As the focus shifts from spending reviews focused on finding savings to reviews focused on allocative efficiency or prioritisation of expenditure, interest in the continued exchange of best practices remains strong. I concluded that the Eurogroup will come back to the discussion on spending reviews next year, on the basis of new data to be collected by the Commission in an updated survey.

Yours sincerely,

Mario CENTENO