

Benoît Cœuré: Interview with Europe 1

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, and Europe 1, conducted by Mr Patrick Cohen on 15 June 2018 and broadcast on 15 June 2018.

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For three years the ECB has been purchasing huge amounts of public and private debt. Almost €2.5 trillion has been injected into the euro area economy. Yesterday, the ECB announced that all this would come to a stop at the end of the year. Does that mean the crisis is over?

Indeed, we plan to stop these purchases after December. Why? For two reasons. First, Europe is seeing strong growth. At the beginning of the year this growth slowed a little, but we feel that it remains robust and will bounce back and continue. And second, inflation is returning towards 2%, which is the ultimate goal of everything we do.

But the policy was working, and now you're stopping it?

We're stopping it precisely because it has worked.

But it's the asset purchases that we're stopping. €2.5 trillion is not an insignificant amount, and our asset purchases have been very effective. However, we're going to keep interest rates very low, at their current levels, in other words close to zero, at least through the summer of 2019. So we'll be sticking with a monetary policy that will support the economy for a very long time.

You haven't raised interest rates since 2011, and they remain very low. So they won't rise before the summer of 2019 at the earliest?

Something else could happen, but we don't anticipate raising rates before the summer of 2019, as you say, because the economy still needs some support.

But if growth picks up, could interest rates for individuals and businesses increase?

Long-term interest rates for individuals and businesses are naturally increasing because global growth is picking up and because US interest rates are rising. So yes, people have to be prepared. And, inevitably, government borrowing rates will also increase, and so governments will also have to be prepared.

You say that people will inevitably have to be prepared. Does that include our personal loans, our mortgages, for example?

Yes, but as I said, not right away – short-term rates will remain very low, close to zero, for a very long time, and at least until the middle of 2019.

Yesterday the Banque de France revised its 2018 growth forecast downwards, from 1.9% to 1.8%. But it still says growth is robust. Is that your assessment too, Mr Cœuré?

Yes, that's our assessment. We talked about it yesterday in our meeting in Riga, which the Governor of the Banque de France was attending. We have all made the same assessment – the economy went through a short soft patch in the first quarter of 2018, because growth had been very strong at the end of 2017. Exports and global trade, in particular, were extremely buoyant in 2017. But now that is settling down and stabilising. Clearly, global factors are causing some uncertainty – there is the risk of a trade war, for example. But the US economy is still very strong and is being supported by a budgetary stimulus, and the euro area's internal dynamics are also very robust. So we are not unduly worried.

On the risk of a trade war, and the US President's decision to impose tariffs – what impact could they have?

This isn't part of our economic projections, because we still don't know exactly how all this will develop. For now, the impact is fairly limited because the tariffs mainly affect steel and aluminium. Clearly, if this were to degenerate into a full-blown trade war it could have a far more concerning impact. And then there is the long-term impact – the way the global economy works needs to be reviewed, and Europe may find itself a little alone on the world stage. We are more concerned about the historical consequences over the long term than we are about the short-term impacts.

But we've heard two different interpretations. The first is that this ultimately affects quite small amounts of the transatlantic trade between Europe and the United States. The second is that there's been a loss of trust, in a way, and that this free trade area, which has allowed us to grow trade for years, is going to be disrupted or shut down, or at any rate may be damaged by the decisions of the United States. What do you think?

When it comes to trade, this loss of trust is a fact, unfortunately. It's not about the United States itself, but the current US administration. What I can conclude from this as a European official is that Europe will have to rely on its own strengths: Europe must get organised, build up and leverage its economic and strategic power. Besides, there is an expectation here: the world is watching Europe. On climate change, for example, only Europe can achieve what was decided in the Paris Agreement.

And Donald Trump himself: is he a factor in economic development? And growth? He's constantly taking credit for the strength of the US economy.

In the short term, yes, because he is going to reduce taxes on US firms – that will create growth in the United States. In the long term, it's a different story.

Speaking of risks, Mr Cœuré, I imagine you have looked closely at the economic programme of the new Italian Government, which would necessarily lead to an increase in its deficit and debt. What do you have to say about that in Frankfurt?

First of all, we respect democracy. So we don't lecture newly elected governments.

You're not saying "the markets will teach the Italians to vote for the right thing", as one European Commissioner put it?

For example. We will see what the Italian Government proposes. Basically, in the end, when you look at the situation the Italian economy is in, the challenges facing Italy are pretty straightforward. Its public debt is at a very high level.

€2.4 trillion.

Exactly. And its productivity, its productivity growth – so its potential, structural growth – is very weak compared with that of other large European countries. Those two challenges have nothing to do with the euro, or even Europe. We will see what the Italian Government puts forward as a solution. But they are aware of these challenges: the new Minister of Finance, Mr Tria, spoke about this the day before yesterday.

But how will you respond if their deficit exceeds 5% of GDP, or even reaches 7%, as some forecasts suggest? Will you intervene? It's not necessarily up to you, but it's instability that...

It's up to the Commission and the governments to ensure compliance with the budgetary rules.

It's true that in Frankfurt we consider these rules important, because the euro is a community, we are in this together. It's like shared ownership, so we start by respecting the rules.

Yesterday Mario Draghi, the President of the ECB, felt the need to mention that the euro is “irreversible” when talking about Italy. Why did he say that? Why did he emphasise that?

Because he was asked about it. It was a press conference, so he was answering questions. But it's true, we don't think there's any point in discussing the future of the euro or the future of any particular country in the euro area. The euro is a political project and every time the European Heads of State have faced the question of whether a country should stay in the euro, they have always answered that the euro should remain as it is. And the people of Europe support the euro. More than 70% of Europeans are in favour of the euro.

Benoît Cœuré, you are French. Mario Draghi has to leave his position next autumn. Are you a candidate to replace him?

That question isn't at all relevant at the moment.

Are you interested in the job?

It's for October 2019 and it will be decided a priori at the European Council meeting in June 2019.

Are you interested in the job?

It's not something I'm concerning myself with at all at the moment.

So, you're not interested?

I have a full-time job. That's not the kind of question I ask myself, given that it's scheduled for October 2019.

If you were to be offered the position, would you accept?

Let's come back to that again in six months, or a year.