

Brussels, 25 January 2023  
ecfin.cef.cpe(2023)537244

To the members of the Eurogroup

**Subject:** Eurogroup meeting of 16 January 2023

Dear colleagues,

I would like to share with you the main content of our discussions at the Eurogroup meeting held on 16 January in Brussels. The Commission was represented by Vice President Valdis Dombrovskis and Commissioner Paolo Gentiloni. The ECB President Christine Lagarde, ECB Board Member Fabio Panetta and ESM Managing Director Pierre Gramegna also attended our meeting.

## **1. Euro area enlargement: update on euro cash changeover in Croatia**

The Eurogroup marked the occasion of Croatia's euro accession on 1 January 2023 and welcomed the Croatian minister Marko Primorac as a full member of our group. The minister updated us on the process of changeover to the euro, which – as confirmed by the Commission and the ECB - was conducted smoothly. We welcomed the latest euro enlargement as a sign of the continued confidence in the euro as a pillar of euro area's economic strength and resilience.

## **2. Digital euro - stocktake on the advancement of the project**

We continued our regular engagement on the digital euro by taking stock on the advancement of the project. The ECB President presented the design and distribution options that were recently endorsed by the ECB Governing Council.<sup>1</sup> The Commission's

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<sup>1</sup>[https://www.ecb.europa.eu/paym/digital\\_euro/investigation/governance/shared/files/ecb.degov221221\\_Progress.en.pdf?f91e0b8ff8cbd6654d7e6b071a8f7071](https://www.ecb.europa.eu/paym/digital_euro/investigation/governance/shared/files/ecb.degov221221_Progress.en.pdf?f91e0b8ff8cbd6654d7e6b071a8f7071)

Executive Vice-President updated us on their preparatory work towards a legislative proposal. We adopted a statement<sup>2</sup> which summarises the views we have expressed in our discussions so far and outlines our continued commitment to continue to discuss the politically relevant aspects of this project.

### **3. Economic situation and IMF Article IV review of euro area policies**

We were informed by the IMF about the main findings of their Article IV interim mission to the euro area. The Commission and the ECB also shared their assessment of the latest macroeconomic developments and outlook. The IMF reported on the more positive than expected economic developments in 2022. Whilst risks to the outlook remain tilted to the downside for output and to the upside for inflation, they now appear to be more balanced than a few months ago.

We jointly recognised the resilience of the euro area economy, while being acutely aware of the challenges of continued high energy prices, inflation and slowing growth and the importance of policies to bring down inflation and make the slowdown as mild and short as possible, while protecting the most vulnerable.

### **4. Fiscal policy coordination in the euro area - energy support to households and firms - case studies**

We continued our coordination exercise on fiscal policy focusing on the energy support measures, with a presentation of case studies from the French and Dutch Minister who shared their national experience. On that basis, the Eurogroup discussed the challenges faced in designing and implementing measures to alleviate the impact of the surge in the price of energy on households and firms.

We recalled our commitment, as expressed in October and December last year, to closely coordinate our policy response to the challenging economic circumstances, and in particular to ensure that support measures for firms and households are temporary, well-targeted and cost-efficient. We also concurred that we need to improve the quality of the design of such measures and that therefore the Eurogroup will continue to discuss fiscal policy in future meetings, including in March when we are expected to discuss the fiscal guidance for 2024.

### **5. Euro area aspects of the economic governance review**

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<sup>2</sup> <https://www.consilium.europa.eu/en/press/press-releases/2023/01/16/eurogroup-statement-on-the-digital-euro-project-16-january-2023/>

We had an exchange of views on the euro area aspects of the economic governance review, as agreed in our December meeting last year. On the basis of a Secretariat issues note, we discussed the draft budgetary plans exercise, the euro area fiscal stance and macroeconomic stabilisation, as well as the post-programme surveillance process and the application of the Macroeconomic Imbalances Procedure to euro area Member States. We underlined that the economic governance framework is a key pillar of the architecture of the Economic and Monetary Union as it supports the stability of the common currency and the resilience of the euro area economy.

## **6. The euro area recommendations for 2023**

We agreed to the recommendations on the economic policy of euro area for 2023, which detail five sets of priorities where euro area Member States will be taking action, reflecting the proposal of the Commission. As customary, the recommendations are first discussed in the Eurogroup and formally adopted by the Council after endorsement in the March European Council.

## **7. Miscellaneous**

The Eurogroup took stock on progress made with the ratification of the revised ESM treaty, welcoming the recent conclusion of the ratification process in Germany and the progress made in Croatia in view of their euro entry and the related accession to the ESM. The completion of the process of ratification of the ESM Treaty will also allow the operationalisation of the ESM credit line as a common backstop to the Single Resolution Fund (SRF).

The new ESM Managing Director informed us of his intention to visit all capitals and hear Ministers' views on the future role of the ESM.

Yours sincerely,

Paschal DONOHOE