

Brussels, 11 March 2026

Dear President,

It is my pleasure to inform you about the work that has taken place in the Eurogroup over the last few months and to outline our upcoming work priorities.

Solid economic fundamentals amid a volatile global environment

The fundamentals of the euro area economy remain solid. The unemployment rate remains at historical lows, underpinning households' purchasing power and inflation is broadly around the ECB's medium-term target. The short-term outlook has improved marginally in recent months, supported by improving real incomes, easing financing conditions and a robust labour market, reflecting the resilience of the economy in face of multiple challenges.

At the same time, the euro area continues to operate in a highly uncertain and volatile global environment. Recent developments in the Middle East have already led to unprecedented volatility in energy markets, creating material risks for the outlook. The magnitude of the impact will depend on the intensity, scope and duration of the conflict, which remain difficult to assess at this stage. The Eurogroup will continue to monitor the situation closely and stands ready to coordinate appropriate responses among Member States if needed.

Beyond these short-term risks, well-known structural challenges - including weak productivity growth, ageing populations and mounting fiscal pressures - continue to weigh on Europe's growth potential. Addressing these challenges remains a priority for the Eurogroup as we work to strengthen the foundations for sustainable growth and prosperity in the euro area.

Addressing global imbalances through international cooperation

Rising global macroeconomic imbalances have become an increasingly prominent topic in international policy discussions, prompting renewed debate on their underlying drivers and possible policy responses. In the current geopolitical environment, marked by increasing fragmentation and strategic competition, closer international coordination has become more important than ever. Europe must continue to engage with a single voice in international fora, including the G7, the G20 and the IMF, to promote stability, balanced growth and a rules-based international economic order.

The euro area has valuable experience in addressing internal macroeconomic imbalances, which can usefully inform the discussion on global imbalances and contribute to its orderly unwinding.

Against this background we held an in-depth discussion on global macroeconomic imbalances, with the participation of Canadian Finance Minister François-Philippe Champagne. The discussion highlighted the importance of developing a shared diagnosis of current global trends and of fostering constructive international dialogue. There was strong convergence around the table regarding both the emerging diagnosis and the broad contours of the appropriate policy response.

We emphasised that Europe's own reform agenda directly contributes to global rebalancing by making our economy more dynamic, investible and resilient. At the same time, it was clear that Europe is not the main contributor to global imbalances and we saw the need for a firm, directed and coordinated policy action in the major world economies. Engaging with partners in the G7, the G20 and the IMF with one coherent European voice will remain critical and the Eurogroup is ready to contribute its part. From this perspective, our regular discussions with the IMF on the euro area economy are particularly valuable to foster mutual understanding of challenges and remedies. Also, our engagement with the G7 has taken on an increasingly strategic dimension under the French Presidency, as we have found a strong alignment between the French Presidency's objectives and the Eurogroup's own policy priorities. The Eurogroup will continue to engage with our partners to exchange experiences and contribute to a shared understanding of global economic challenges.

Strengthening the international role of the euro

The euro remains firmly established as the world's second most important currency and, following Bulgaria's accession to the euro area on 1 January this year, it is the currency of 21 Member States. Bulgaria's entry is the culmination of a long process, during which the Bulgarian authorities demonstrated sustained commitment to sound and sustainable policies. The Eurogroup closely accompanied this process and welcomed the smooth and successful introduction of the euro.

The expansion of the euro area is proof of its attractiveness as an open and rules-based community. It also confirms the continued attractiveness of the common currency and the stability it provides to its members, particularly in times of economic and geopolitical turbulence. The Eurogroup stands ready to continue supporting Member States with a derogation in their preparations to join the euro area, in line with the Treaty framework.

At the same time, the ongoing changes in the international monetary and financial landscape, increasing geopolitical competition and trade tensions underline the fact that euro's international role cannot be taken for granted. This is why, following up on the mandate received from the European Council, we held a dedicated discussion on the international role of the euro, informed by a substantive analysis from the Commission.

There was broad consensus among Ministers that the international role of the euro is fundamentally anchored in strong economic fundamentals: a stable macroeconomic environment, sustainable public finances, credible institutions, and deep integrated and stable financial markets. Confidence

in the euro ultimately rests on confidence in the euro area economy and in the solidity of its policy framework. Moreover, Ministers have been informed by the ECB about the recent Governing Council decision to enhance the Eurosystem repo facility for central banks outside the euro area, making it more flexible, global and permanent.

Ministers broadly supported forging ahead with work on our key priorities to further strengthen the international role of the euro - notably deepening the Savings and Investment Union and advancing the competitiveness agenda. In this context, advancing the digital euro, enhancing the efficiency and autonomy of European payment systems and of the digital finance infrastructure was also seen as contributing to monetary sovereignty and financial resilience.

We therefore agreed to integrate the objective of strengthening the international role of the euro as a cross-cutting dimension of our ongoing workstreams, on which I develop below. We will return to this topic regularly, mindful that reinforcing the euro's global standing is not an end in itself, but a natural outcome of sustained efforts to enhance Europe's growth potential, strategic autonomy and financial stability.

Accelerating progress on the Savings and Investments Union

The momentum of financial market reform has kept up since last autumn, at both the EU and the national level, yet Leaders have called for further acceleration at their informal retreat in February. This is a testament to the critical role that well-functioning, competitive financial markets can play in unlocking sufficient investment for a competitive European economy. Given the uncertain and challenging global context, we cannot afford to let the Savings and Investment Union (SIU) stall, and the Eurogroup will do its part to keep it moving forward. We stand ready to contribute whenever discussions prove challenging or to facilitate alternative joint solutions where needed.

Earlier this year, we launched our second annual stocktake following the 2024 Eurogroup statement on the Capital Markets Union, calling for Members States to report their initiatives in the areas where the Commission issued recommendations last year, namely supplementary pensions and savings and investments accounts. In the autumn, we will exchange best practices on these key pieces of the investment equation. Beyond this national focus, we are keeping a close eye on developments at the EU level with a view to assessing progress later this year ahead of the Commission's 2027 mid-term SIU review. We will also look at the competitiveness of the banking sector in the context of our policy related to banking sector integration ahead of the Commission's report expected later in the year, exploring the issue from different angles and seeking views on the way forward.

Preparing Europe's financial system for the digital age

Our financial landscape is undergoing a profound and rapid transformation. Market interest in emerging technologies and instruments such as distributed ledger technologies (DLT), tokenisation, or stablecoins, continues to accelerate. Digital finance can be a catalyst for structural transformation, in how capital is raised, allocated, settled and supervised. It can compress the distance between savers and innovators, between small firms and deep pools of capital, and between national markets

and a genuinely European market. This could lead to greater efficiency in capital allocation and lower financial system costs, all serving to better finance the real economy. Hence, Ministers are closely monitoring these developments to carefully assess the potential implications, both in terms of opportunities they present and risks they may entail. Digital finance has the potential to deliver substantial benefits to our economy and to contribute to our objectives on competitiveness, strategic autonomy, capital markets integration, and the international role of the euro.

At the same time, preserving trust and stability in an increasingly digital financial ecosystem remains essential. Ensuring that central bank money remains the anchor in the digital age, both in the retail and wholesale spaces, would support innovation in payments, strengthen Europe's monetary sovereignty and enhance the resilience and autonomy of European payment systems. In this context, the digital euro and the Eurosystem's ongoing work on the DLT technology are of strategic importance.

Harnessing the benefits of digital finance requires a policy stance that adequately enables and supports innovation. With this in mind, the Eurogroup has launched a fast-track workstream on digital finance. Drawing on the expertise of the Commission, the ECB, national central banks, and private-sector stakeholders, we aim to develop a common stance on these issues and, moving forward, ensure our financial system is fully prepared for the digital age.

Ensuring fiscal sustainability while supporting strategic priorities

Fiscal coordination aimed at ensuring sustainability of public finances and mobilising public resources for long-term sustainable economic growth, remains at the heart of the Eurogroup's mandate. The annual assessment of the Draft Budgetary Plans and of the budgetary situation of the euro area as a whole is the main element for this coordination. In our last December's discussion, we concluded that a broadly neutral fiscal stance for 2026 is appropriate, taking into account the need to increase defence expenditure while preserving fiscal sustainability. In view of the pressing fiscal challenges, we also concurred on the need to further strengthen our role in euro area fiscal policy coordination, particularly through enhanced discussions on medium- and long-term challenges, including ageing, defence spending needs and debt sustainability.

Strengthening competitiveness and resilience

Competitiveness remains at the core of our work. Since our 2024 Eurogroup statement on competitiveness, the global context has evolved rapidly. Trade frictions, industrial policies in other major economies and geopolitical tensions increasingly interact with economic policy, reinforcing the link between competitiveness and strategic autonomy.

Ministers agreed that while the challenges are significant, we have already identified key policy levers: deepening the Single Market, strengthening capital markets, simplifying the regulatory environment, facilitating innovation and ensuring a global level playing field.

Energy policy featured prominently in our discussion as a key component of European competitiveness and resilience. Against the backdrop of the unfolding crisis in the Middle East, Ministers confirmed the strategic objective of reducing dependencies on fossil fuels and the energy transition. The recent energy price developments only strengthen our resolve and stress the urgency of action. We recognised the necessary substantial and sustained investment efforts and role of both private and public funding. Stable regulatory environment and long-term planning and market-based incentives were stressed as necessary factors to encourage private investment. In this context, improving the integration and interconnection of European energy grids and strengthening cross-border market integration are essential not only to enhance security of supply and lower structural energy costs, but also to ensure that public and private investment is deployed efficiently.

Our work on these priorities is supported by the 2026 Euro Area Recommendation, which we agreed on the basis of a very good Commission proposal and which the European Council will be asked to endorse. The Recommendation will provide an important anchor for coordinated policy action in the period ahead and will guide reform and investment efforts in support of stronger long-term growth.

The Eurogroup will continue its efforts to strengthen the resilience and prosperity of the euro area. In an increasingly uncertain global environment, our commitment to sound policies and deeper economic integration remains essential.

Kyriakos Pierrakakis

