



The EU economic response to the COVID-19 crisis: an overview

Karl Pichelmann

Senior Adviser
DG ECFIN
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Overview of the EU economic response

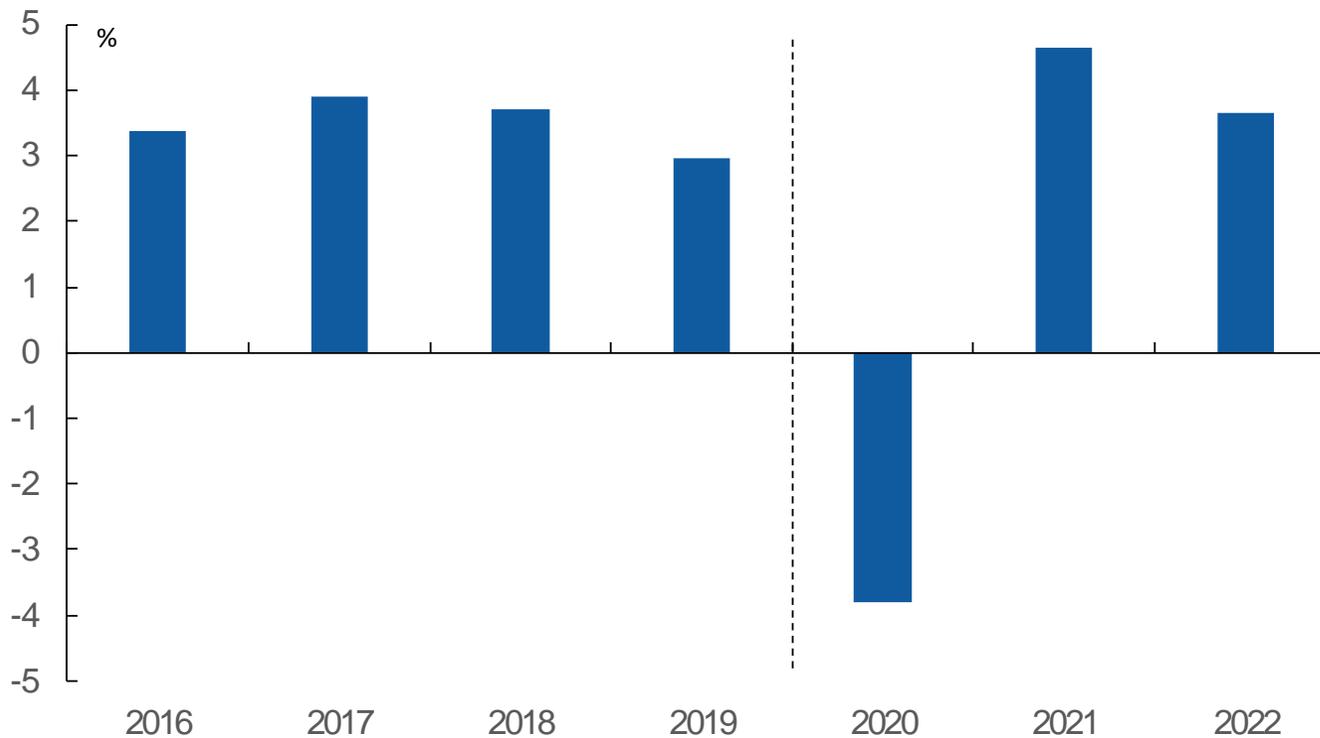
1. A health crisis dealing a huge blow to the economy
2. Three main response steps
3. Next Generation EU: repara and prepare



A health crisis dealing a huge
blow to the economy

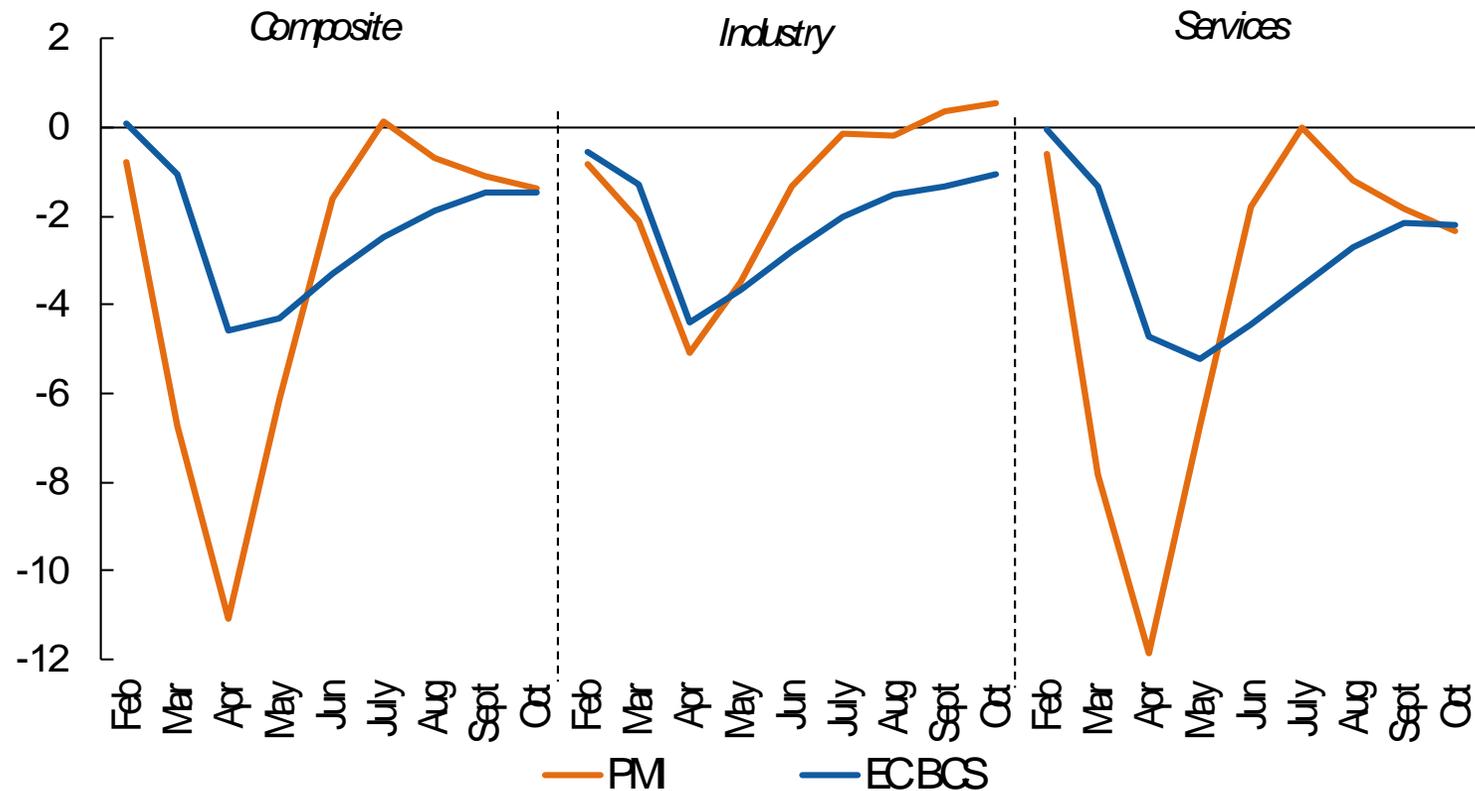
The global economy is expected to bounce back

Global (excl. EU) GDP growth, annual



Where we stood before the new surge of infections

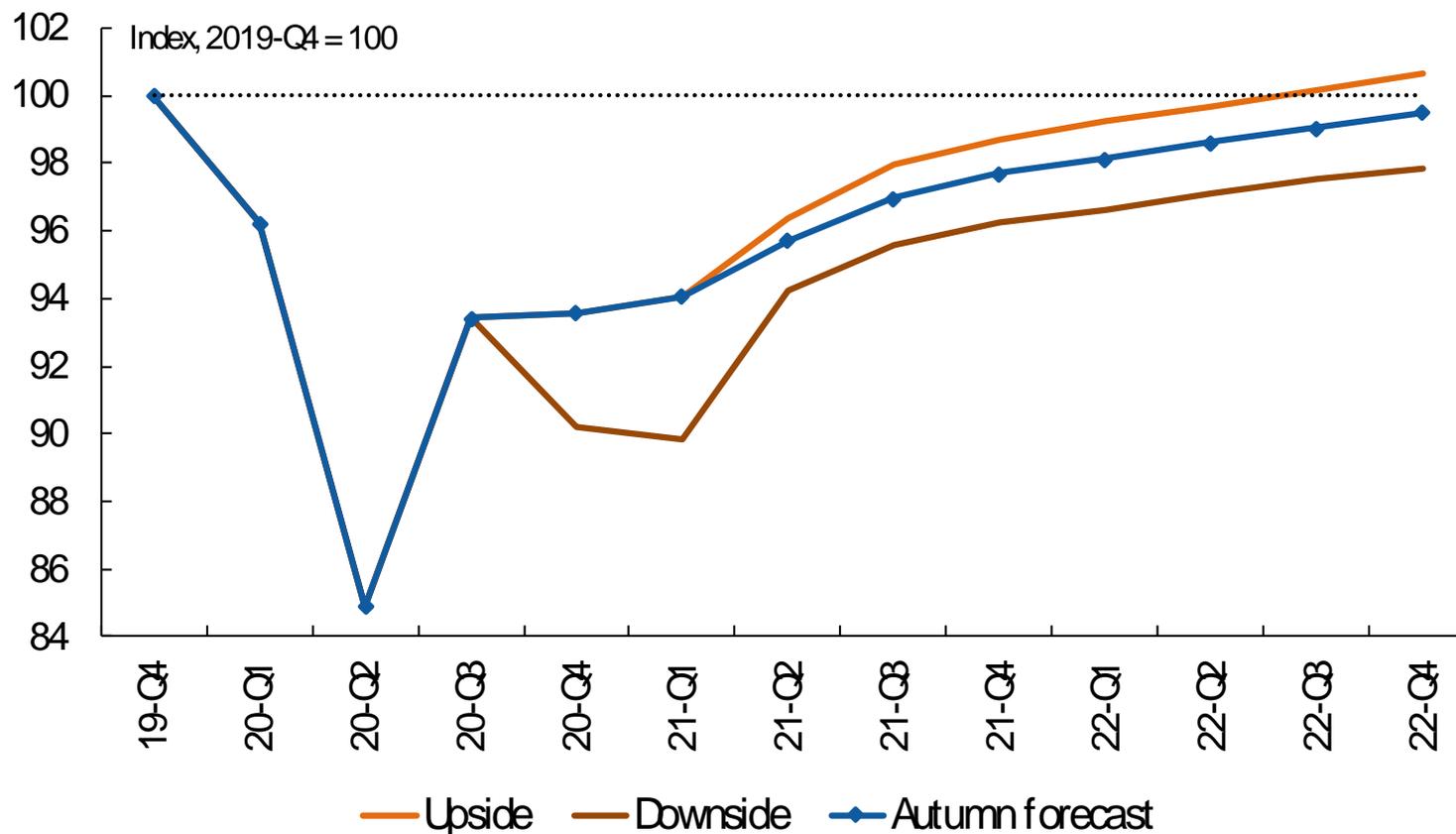
Sectoral survey data, euro area



Note Standardized data based on 2000-'07 sample.

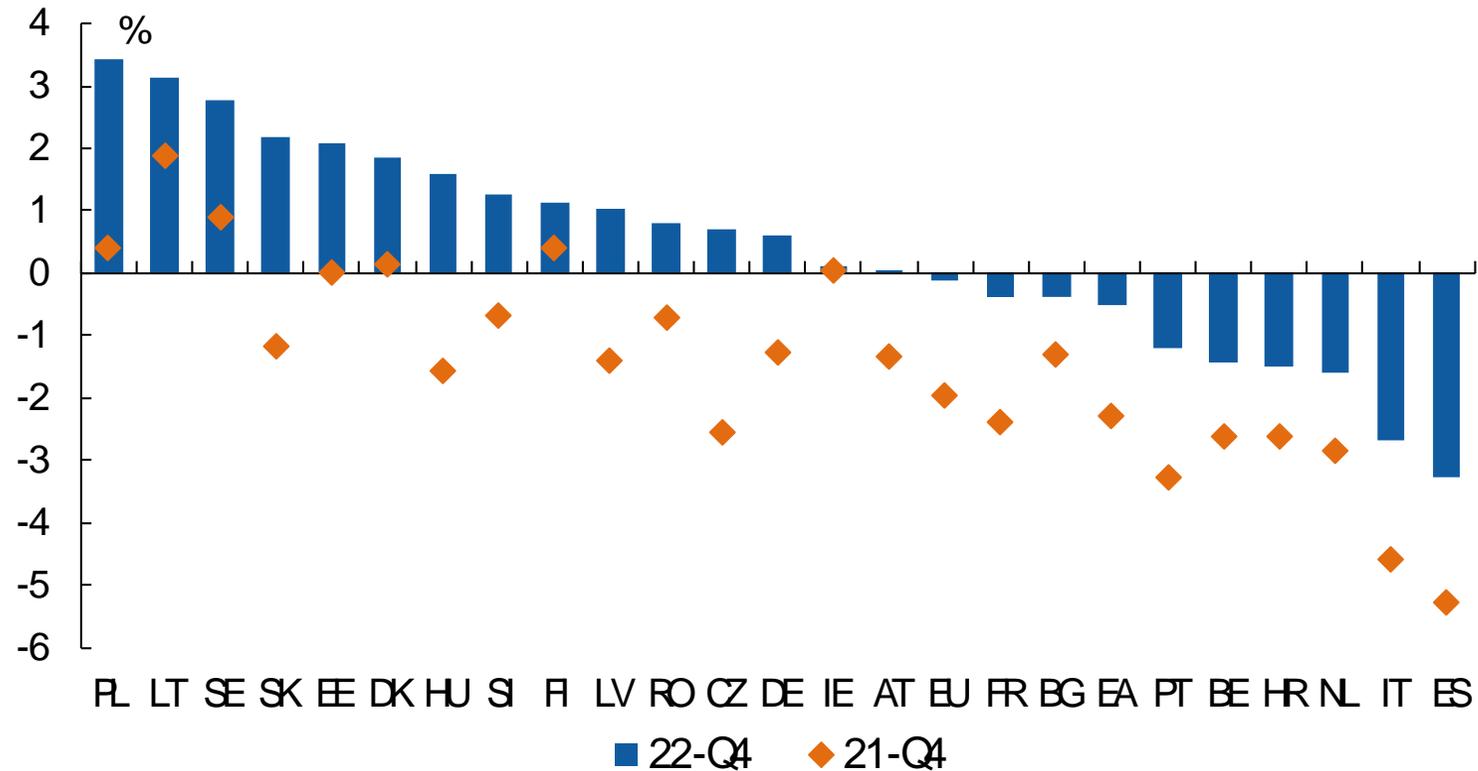
An interrupted recovery set to gradually resume

Real GDP growth, euro area



Uneven contraction and speed of recovery across countries

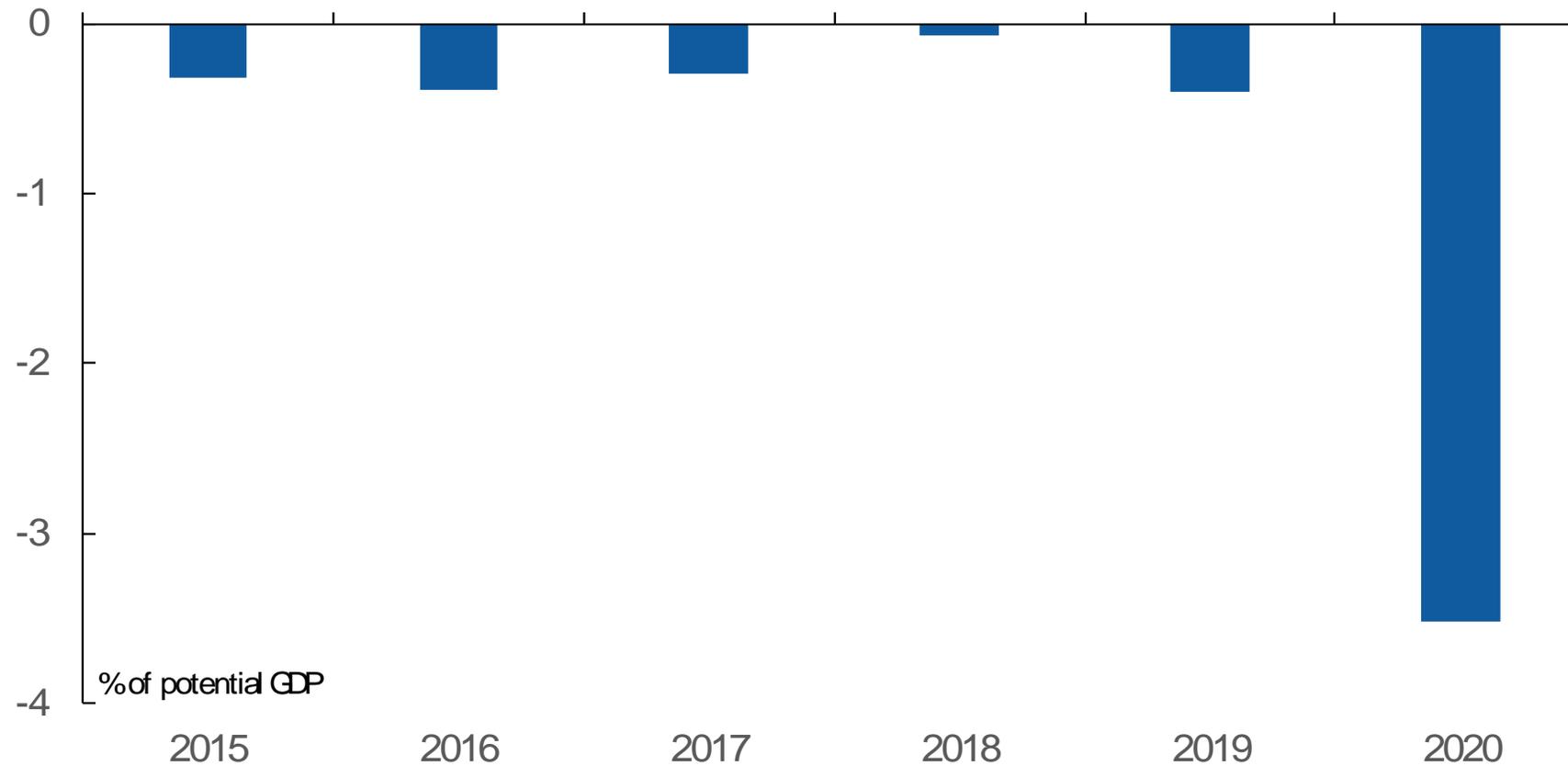
GDP levels compared to 2019-Q4, Member States



Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.

Policy measures sheltered jobs and incomes

Fiscal stance, euro area



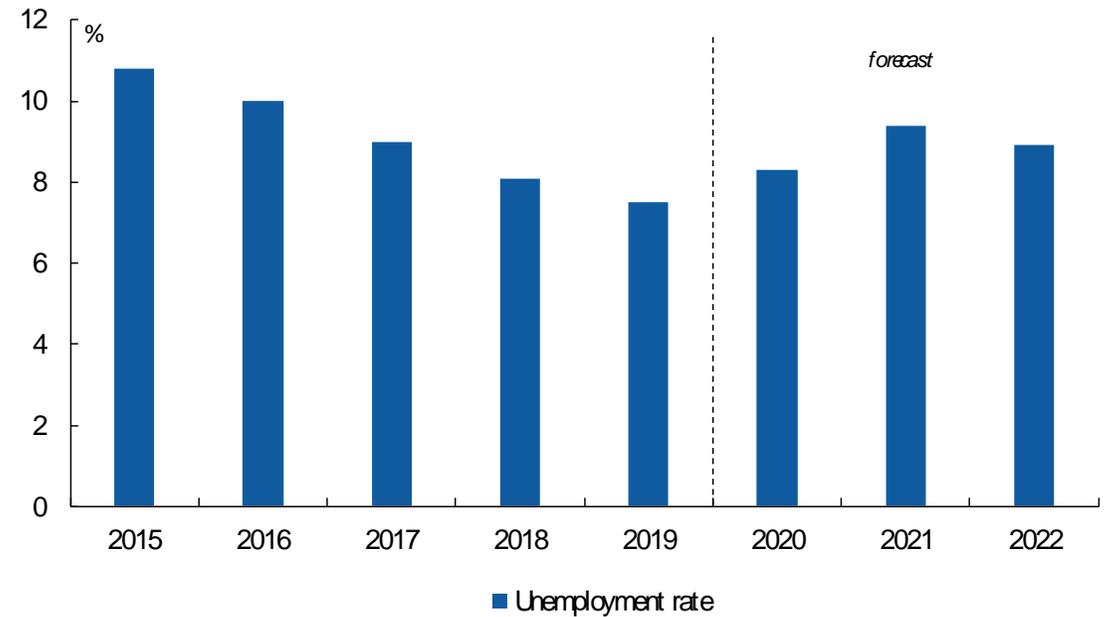
Note: Fiscal stance measured as a change in the structural primary balance

Further labour market adjustments may still take place

Employment, hours worked and GDP growth, euro area

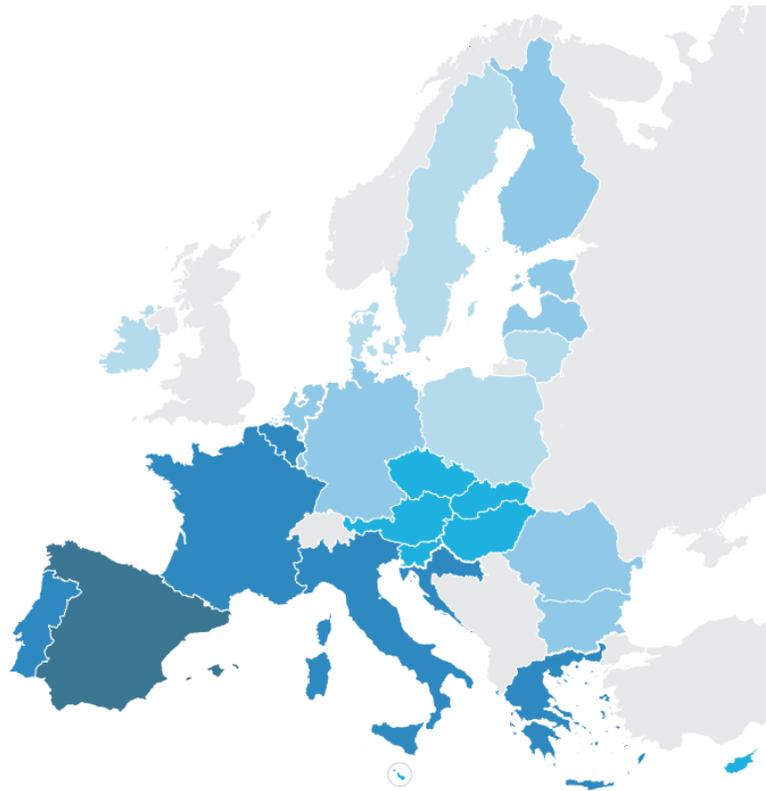


Unemployment, euro area



European growth map

2020



⊖

≥ -4 %

≥ -6 %

≥ -8 %

≥ -10 %

< -10 %

⊕

≥ +6 %

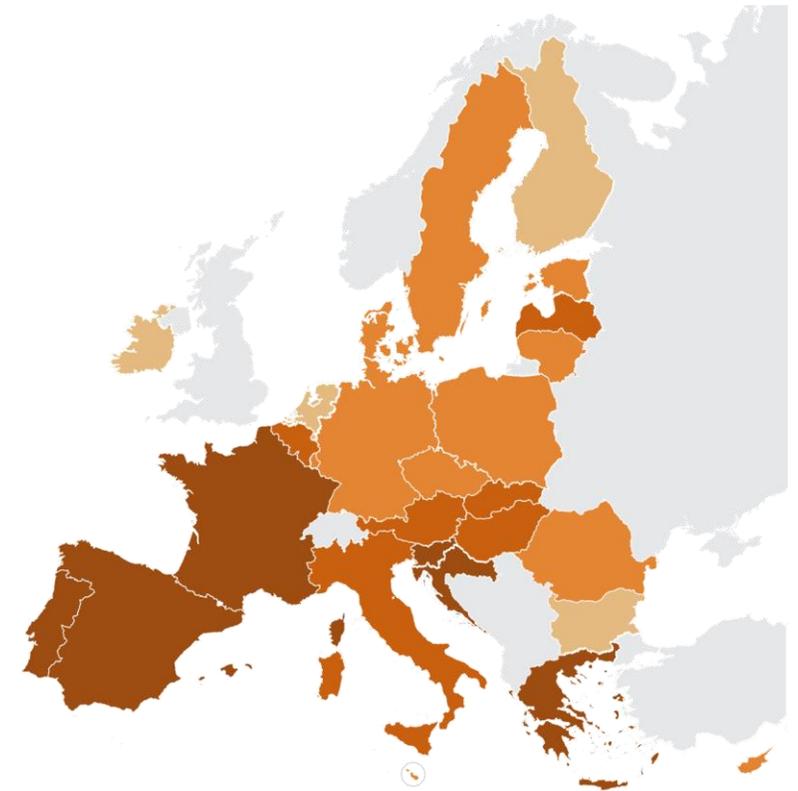
≥ +5 %

≥ +4 %

≥ +3 %

≥ +2 %

2021



Three main response steps

Timeline of EU economic response



Overview of the EU response

State aid rules

- liquidity to economy
- support SMEs, jobs, etc.



Additional safety nets

- SURE: €100 billion for workers
- EIB: €200 bn for companies
- ESM: €240 bn for sovereigns



ECB measures

- €1350 bn new measures



Recovery Plan for Europe

- €750 bn Next Generation EU
- €1074 bn long-term EU budget



Budgetary flexibility

- escape clause of the Pact
- maximum flexibility



Coronavirus Response Investment Initiative

- unspent cohesion policy funds
- transfers between funds, regions and priorities

Overview of national responses

circa 4% GDP discretionary
budgetary support



circa 40 million workers filing
for short-time work schemes



circa 25% GDP in guarantees
and liquidity measures



Next Generation EU: repare and prepare

MFF 2021-2027 total allocations per heading – after 21 July 2020

2018 prices, EUR billion

	MFF	Next Generation EU	TOTAL
1. Single Market, Innovation and Digital	132.8	10.6	143.4
Horizon Europe	75.9	5.0	80.9
InvestEU fund	2.8	5.6	8.4
2. Cohesion and Values	377.8	721.9	1099.7
Cohesion Policy	330.2	47.5	377.7
Recovery and Resilience Facility (incl. Technical Support)	0.8	672.5	673.3
- Of which LOANS	-	360.0	360.0
- Of which GRANTS	-	312.5	312.5
Union Civil Protection Mechanism (rescEU)	1.1	1.9	3.0
Health programme, EU4Health	1.7	-	1.7
3. Natural Resources and Environment	356.4	17.5	373.9
Common Agricultural Policy	336.4	7.5	343.9
Of which Pillar II (Rural Development)	77.9	7.5	85.4
Just Transition Fund	7.5	10.0	17.5
4. Migration and Border Management	22.7	-	22.7
5. Security and Defence	13.2	-	13.2
6. Neighbourhood and the World	98.4	-	98.4
Neighbourhood, Development and International Cooperation	70.8	-	70.8
Humanitarian Aid	9.8	-	9.8
7. European Public Administration	73.1	-	73.1
TOTAL MFF	1 074.3	750.0	1 824.3

Financing the needs

Exceptional and temporary increase of own resources ceiling of the EU budget

Larger "headroom"

Commission
borrowing on
capital market

EU budget and
programmes

Next
Generation EU



Estimated impact

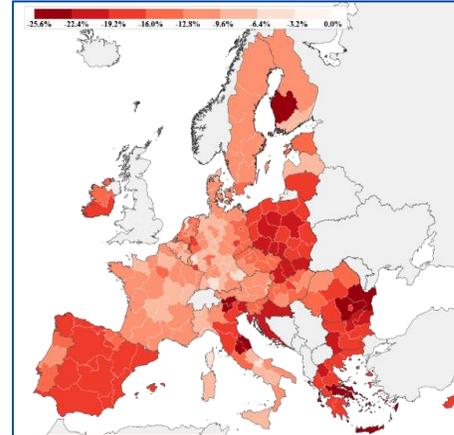
Results of a macroeconomic simulation for Next Generation EU (see [estimates](#) May 2020)



**GDP growth:
positive for all
Member States and
the EU as a whole**



**2 million
additional jobs
compared
to baseline**



**Strong positive
effects on
convergence**



**Debt-to-GDP ratio
reduced on average,
notably for higher-
debt countries**

Implementation

(caveat – negotiating mandate for DE presidency agreed on Oct 6)

General Features

- The Facility can provide both **grants and loans**
- Payment in **instalments, upon fulfilment of milestones and targets**
- National Recovery and Resilience Plans to include reforms and investments for the subsequent years (up to mid-2026)
- Member States' reporting **on a bi-annual basis** in the context of the European Semester

Grants

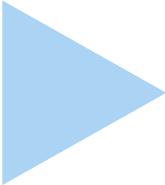
- *2018 prices*: €312.5 bn
- *Cur. prices*: €337.968 bn
- Member States to submit recovery and resilience plans **at the latest by April 2021**
- **Maximum allocation formula** based on pre-defined allocation key
- Commitment of **up to 70% of max allocation in 2021-2022**; remaining commitment in 2023.
- **Pre-financing of up to 10%** to be available already in 2021

Loans

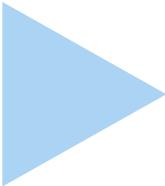
- *2018 prices*: €360 bn
- *Cur. prices*: €385.855 bn
- Member States can request a loan **until December 2023**, in addition to their grant
- Request must be justified by higher financial needs linked to **additional reforms and investments**
- Loans are **capped** – not to exceed 6.8% of MS GNI
- The cap can be increased in exceptional circumstances



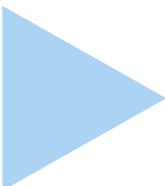
Next steps



Several instruments already in place and preparation under way for the new ones, e.g. ~ 90 bn SURE



EU legislator to finalise and agree all new MFF programmes this autumn, under negotiations with EP



Member States to ratify new Own Resources Decision to enable the European Commission to borrow



Next Generation EU and new MFF to start on 1 January 2021; national recovery plans to follow

SURE

€87.9 billion



#Coronavirus #StrongerTogether

The amounts are rounded.



Recovery and Resilience Plans

Grouped in coherent components, reflecting reform and investment priorities in a policy area or related policy areas.

Each component should support one or more of the overarching principles:

- tackle challenges outlined in the country-specific recommendations;
- contribute to the digital or green transitions;
- strengthen growth potential, job creation, economic and social resilience, the mitigate the economic and social impact of the COVID-19 crisis while fostering cohesion and convergence.

Each RRP will have to include a minimum of 37% of expenditure related to climate, proposed minimum of 20% related to digital.

Green and digital dimension of the component

Examples of typical investments and reforms linked to the green and digital transitions (more to be found in Guidance):

- **Green transition:** Renovation wave of buildings, decarbonisation of industry, development of renewable energy capacities, investments to support the climate-proofing of European forest, infrastructure and land, participation in financing initiatives to develop alternative energy sources etc.
- **Digital transition:** Investments in secure networks and other infrastructures to address market failures, financing of digital skills and education programmes, funding of Digital Innovation Hubs, Funding of material tracking systems and databases etc.

Further RRP aspects

Assessment whether the cost estimate of the plan is reasonable, plausible, and commensurate; complementary with other funding.

The RRPs should be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester; the National Reform Programmes; the National Energy and Climate Plans; the Partnership Agreements and programmes under Union funds.

Administrative capacity needed for the effective implementation of the plans needs to be ensured, including coordination and communication.

Milestones and targets should reflect the progress on implementation, specifying a stage to be reached by a certain date.

Governance

Commission

- **Assesses** Recovery and Resilience Plans based on the criteria in the Regulation
- **Makes a proposal for a Council Implementing Decision** within 2 months of submission of the plans, including the amount of grant and loan and the milestones and targets
- **Assesses** payment requests within 8 weeks, based on achievement of milestones & targets

Council/Member States

- **Adopts Implementing Decision on the Recovery and Resilience Plan** with qualified majority within 4 weeks of receiving the Commission proposal
- **Gives opinion** through the Economic and Financial Committee on satisfactory fulfilment of milestones & targets, to be taken into account by the Commission
- Adoption of payment decision through **examination procedure of comitology**
- **Receives** annual report by the Commission

European Parliament

- **Receives** the annual report by the Commission on:
 - **progress** made with the recovery and resilience plans by Member States and
 - **spending** under the Facility
- **Receives** the Commission's assessment of the Recovery and Resilience Plans as approved in Implementing Decisions



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These investments will not only preserve the outstanding achievements of the last 70 years, but will also ensure that our Union is climate-neutral, digital, social and a strong global player. This is Europe's moment.

Ursula von der Leyen
President of the European Commission

Thank you