



**Political, economic and health reflections of a pandemic.  
21.05.20**

**Valdis Dombrovskis**, Executive Vice President of the European Commission

**“European extraordinary measures to mitigate the impact of the recession”**

Ladies and gentlemen

Spain and its people have endured some of the worst impacts of this pandemic.

While no country is spared from the pain, Spain is still one of the EU's hardest-hit countries – for virus infections and for economic shock.

In the first quarter, Spain's GDP fell by 5.2%, far more than in the financial crisis.

For 2020 overall, we forecast a fall of 9.4%, with a particularly severe impact on services like retail trade and tourism.

And in 2019, when Spain was the second-most visited country in the world, tourism accounted for about 12% of GDP, and 13% of employment.

Unemployment remains a major concern, given that this was one of the main legacies for Spain from the sovereign debt crisis of 2011. It also reflects structural problems.

The EU is doing **all it can** to help offset the socio-economic impact across the board, and lay the groundwork for all countries to recover – north and south, east and west.

We are responding in a spirit of European solidarity.

Throughout, our priority has been to tackle public health issues, protect people's jobs and incomes, and keep businesses afloat.



We have put a series of unprecedented measures in place to help Member States get through this crisis.

Firstly, we are generating significant fiscal and financial firepower to invest in the wider European economy.

Under the current long-term EU budget, Spain will be able to reallocate about €4 billion in European funds. There is no requirement for national co-financing: it is 100% EU financing.

Then, Eurozone finance ministers agreed extra support measures in a package worth €540 billion.

This includes a €25 billion guarantee fund from the European Investment Bank to scale up its support for EU companies up to an extra €200 billion.

The focus is on small and medium-sized enterprises.

Spain should gain significantly from these EIB initiatives.

In 2019, it was the largest beneficiary of EIB Group financing to support SMEs, to the tune of €4.8 billion.

Euro area countries will also be able to access an extraordinary credit line under the European Stability Mechanism to fund state healthcare systems: up to 2% of GDP to spend on direct and indirect health-related costs, with no conditionality.

Our SURE initiative to protect Europeans against the risk of unemployment will provide up to €100 billion in soft loans to EU countries to finance short-time work schemes – ‘ERTEs’ - and similar measures.

These are used a lot in Spain to help preserve jobs and household incomes. I understand 3.4 million people are now on such ‘ERTE’ schemes – 17% of the national workforce.

Regarding regulation: we are using the full flexibility of EU fiscal, banking and state aid rules to tackle the socio-economic fallout. This frees up national governments to do what they need to support health care systems, businesses and workers.

All EU countries have taken their own extraordinary measures to weather this storm, and alleviate the worst of the impact on the economy and financial sector.

Spain's government has adopted a wide mix: spending on health and support for companies, liquidity support via tax deferrals and guarantees to banks for loans, short-term employment schemes and measures for SMEs and tourism.

The state loan guarantees of €100 billion for the self-employed, SMEs and large companies have attracted a good deal of domestic demand. They are among the EU's highest – around 8% of GDP.

EU cohesion funding supported the important work done by the Foundation for the Promotion of Health and Biomedical Research in Valencia.

The Foundation was the first to complete sequencing of the Covid-19 genomes in Spain.

Besides the ECB's Pandemic Emergency Purchase Programme, the EU and its countries have collectively mobilised **around €3.4 trillion** to battle the socio-economic impact of this crisis - **almost 25% of our GDP**.

This response is unprecedented in scale and the EU's largest ever to a crisis. However, we will need a lot more than this as we restore growth.

Ladies and gentlemen

What about the future and longer term?

Next week, as EU leaders requested, we will present a recovery package. This will be composed of an ambitious long-term budget and topped up with what we call a recovery instrument.

It is clear that we will need greater financing capacity than ever before and the ability to frontload large-scale investment.

At the same time, we have to bear in mind that the severity of economic impact varies widely across EU countries.

It is not only linked with numbers of infections.  
It also relates to the resilience and structure of each country's economy, debt and income levels, and its capacity to respond.

Put simply, nobody should be left behind.  
[We should pay particular attention to where there are high debts, and low incomes.]

For that reason, we need an approach which is tailored to different countries' needs but one which is also coordinated.

What we need to avoid is any widening of economic, social and political divergences across countries or regions.  
Neither can we endanger the process of convergence.

The Spring European Semester package that we presented yesterday will play a central role in achieving this.

It will also be vital to maintain and preserve the single market: a major source of our growth, competitiveness and employment. It has to work smoothly and fairly for everyone.

We are taking all these elements into account as we design our recovery instrument.

Our recovery package will also be about investing in the future and keeping Europe competitive.  
Both the green and digital transitions will be at its core.

Ladies and gentlemen

I hope I have given you a flavour of how things stand on the economic aspects of this very difficult time for us all.

But also, on how I see a way through the worst and how all EU countries – Spain included – can find a path through to the other side.

There are no easy answers. This crisis is still hitting hard.



Working together in a spirit of unity and solidarity, I am confident that we will be able to restart Europe's economic engine. We are all in this together. Thank you.