

Snap | 23 April 2020

## Eurozone: Ball game despite lockdown

European leaders signed off on the Eurogroup's proposals for emergency help but discussions on a Recovery Fund will continue



Source: Shutterstock

While many soccer supporters in Europe miss their favourite game, European leaders played some ball today. The European ball game had first kicked the ball of a pan-European fiscal policy reaction to the Eurogroup, which last week decided on a 540bn euro package but kicked the ball to European leaders to decide on a possible Recovery Fund. Today, European leaders kicked this ball back to the European Commission.

In short, European leaders signed off on the Eurogroup proposals of a three-pillar strategy to tackle the imminent economic impact from the crisis. EIB guarantees, an ESM emergency credit line of up to 2% GDP and loans to support labour market schemes along the lines of short-time work, all adding up to 540bn euro and following the principle of solidarity in the form of cheap loans. This pan-European fiscal policy response comes on top of national rescue packages. According to European Commission President Ursula von der Leyen, all measures taken so far add up to more than 3 trillion euro. These measures will become effective as of 1 June 2020.

The real open issue for today's meeting was the question a possible EU Recovery Fund. The past weeks saw a lot of debate about solidarity, Coronabonds, grants and transfers. This EU Recovery Fund could be a tool to support countries hit the hardest by the crisis. However, today's meeting

did not give any concrete guidance on whether or not this fund will see the light of day, what the size could be and what the funding could look like. Instead, European leaders asked the European Commission to deepen its proposal for this Recovery Fund, which would be linked to the EU's multi-annual budget and would be a mix of loans and grants. According to von der Leyen, any such Recovery Fund would only start in 2021. The European Commission will now come up with an official proposal, which will then be discussed by the Eurogroup.

All of this means that the discussion on an EU-wide Recovery Fund will continue. From an economic perspective, the measures put in place so far could definitely tackle a liquidity crisis. Whether the measures combined with the prospects of a Recovery Fund will be sufficient from a political perspective remains to be seen. In other words: the political ball will keep rolling this season, but the question is whether it will result in tiki taka from the Spanish national team's best period or with disappointment like the German national team's tiki taka in 2018.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).