

Eurogroup statement on the euro area fiscal policy response to the COVID-19 crisis and the path forward

1. One year on, the world remains in the grip of the COVID-19 pandemic and we continue to focus on tackling its economic and social consequences. Our vigorous policy response at the national, euro area and EU level is paying off. The EU has put in place new common instruments of unprecedented size, notably the Recovery and Resilience Facility (RRF). We continue to support our economy, citizens and businesses through these times of extraordinary health and economic distress, mitigating the impact of the crisis.
2. The activation of the general escape clause and the temporary framework for state aid, allowed national governments to put in place a far-reaching level of fiscal support in 2020, estimated at about 8% of GDP, in addition to liquidity schemes of about 19% of GDP in the euro area. This far exceeds the response to the Great Financial Crisis. The three European safety nets - SURE to mitigate unemployment risks, the EIB Pan European Guarantee Fund, and the ESM Pandemic Crisis Support, agreed in April 2020 - complement national responses. The monetary policy decisions and forward guidance from the European Central Bank, which have preserved favourable conditions for all sectors of the economy, and actions by supervisory authorities, have also been indispensable. Together, European measures have supported confidence, protected millions of jobs and livelihoods, and cushioned the impact of the pandemic crisis on companies, thereby shielding incomes and productive capacity from the worst effects of the pandemic.
3. The Commission 2021 winter forecast confirmed that the recession in 2020 was severe, albeit somewhat less than expected last autumn. The progress in the development of efficient vaccines and a high vaccination rate are crucial for overcoming the pandemic. This will allow a greater opening up of our economies and a resumption of growth. Nevertheless, the outlook remains clouded by uncertainty and the recovery is expected to be uneven across countries, regions and sectors.
4. Close coordination of fiscal support within the Eurogroup has been a key part of our joint economic policy response to date. Continued strong coordination of supportive fiscal policy in the euro area remains critical to ensure our economies move into a sustained recovery phase. We welcome the Commission Communication of 3 March 2021 "One year since the outbreak of COVID-19: fiscal policy response", providing policy orientations for the coordination of our

supportive fiscal stance. In light of the Commission assessment, we reaffirm the fiscal policy strategy set out in our December 2020 statement on the 2021 Draft Budgetary Plans.

5. We are united in our approach that until the health crisis is over and recovery is firmly underway, we will continue to protect our economy through the deployment of the necessary level of fiscal support. Supporting economic activity and mitigating scarring effects through timely, temporary and targeted measures is key to longer-term fiscal sustainability. Premature withdrawal of fiscal support should be avoided. The Eurogroup is committed to a supportive stance in the euro area in 2021 and in 2022, also taking into account the fiscal stimulus stemming from the RRF. Ambitious reforms and productive investment, supported by the RRF, are key to increase growth potential in the medium-term. The Eurogroup notes the Commission's preliminary indication that the general escape clause will continue to apply next year.
6. For the time being, and as long as the acute health emergency prevails, broad fiscal measures remain necessary to protect citizens and companies. Fiscal policy should remain agile and effectively adjust as the health and economic situation evolves. In a second stage, once the health situation improves and restrictions ease, fiscal measures should gradually shift towards more targeted actions to promote a resilient and sustainable recovery. Viable but still vulnerable firms should be helped to avoid solvency problems, reopen and adjust their business models. Policies should continue to protect employee-firm relationships, while increasingly facilitating job transitions and the creation of job opportunities for unemployed and inactive persons. The measures should be adapted to the pace and strength of the recovery in each Member State and underpinned by a continuing commitment to fiscal sustainability.
7. Once the recovery is firmly under way, euro area Member States should address the increased public debt levels by implementing sustainable medium-term fiscal strategies, with an emphasis on improving the quality of public finances, raising investment levels and supporting the green and digital transitions. Member States should focus on reforms that will promote private investment and will increase the productive capacity of the euro area.
8. The Eurogroup recognises that the Recovery and Resilience Facility (RRF) and the other components of Next Generation EU are sizable European tools at our disposal, which will facilitate a supportive fiscal stance throughout the Euro Area. They also offer a unique opportunity to channel investment into areas where it is needed the most, and to support growth-enhancing reforms, thereby contributing to fiscal sustainability. It is therefore important to embed the RRF in medium-term budgetary strategies. The additional fiscal stimulus from the RRF will be particularly important for those euro area Member States where the RRF funding is sizeable relative to their GDP or total public investment. In that respect the

timely implementation of the RRF remains of utmost priority.

9. In light of the persistent uncertainty, the Eurogroup will continue to monitor the economic situation and reflect on the fiscal stance of the euro area for the medium-term over the coming months. We will coordinate our actions to ensure a supportive and agile policy response. We look forward to the Commission's further fiscal policy guidance expected at the end of May, as part of the spring 2021 European Semester package and in light of the Commission spring economic forecast.