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EUROGROUP'S HALF-A-TRILLION EURO DEAL?

Berenberg Macro Flash

Waiting for the press conference after the Eurogroup meeting: Currently Eurozone finance ministers are holding their Eurogroup meeting per videoconference. A press conference is scheduled for 8pm Brussels.

Go big or go home: We expect the Eurogroup to endorse a package of €540bn consisting of three components:

- new ESM credit line for sovereigns with close-to-no conditionality of €240bn, of which €70bn could be drawn by Italy, Spain, Portugal and Greece
- additional credit guarantees to the EIB to mobilise €200bn in loans for businesses
- European scheme to subsidize under-/unemployment on the job of €100bn

Crisis management now, recovery support possibly later: See the table below for an overview of the proposals on the table and our assessment as to how likely they will be agreed, discussed today or any time soon. For example, the decision about instruments to support the recovery such as a bigger EU budget, a “recovery fund”, a Marshall Plan like stimulus etc. and how to fund them will be left for another time.

A package of the three components would be the Europe’s version of going big at the EU/Eurozone level. Ideally, the Netherlands and/or Austria, which have pushed hard to keep conditionality for ESM loans, or, of course, Germany would announce that they would be ready to subject their countries to the common conditionality even if their countries do not need and would not apply for such a credit line themselves. Doing so would reduce the remaining stigma of tapping an ESM credit line.

Whether this package will ultimately fly economically and politically largely depends on how finance ministers and/or their bosses sell it to their home audience – especially the Italians and the Spanish who have asked for more than more favourable loans. They will probably only agree to such a package if Eurogroup president Mario Centeno makes clear that the three measures constitute the EU’s immediate crisis management only and that the Eurogroup will re-convene in a few weeks to discuss proposals to speed-up the recovery. The size and scope of such recovery support measures will probably depend a great deal on the course of the Covid-19 pandemic and the economic fallout.

See also our recent notes on [today’s meeting](#) and a [general discussion](#) of the EU/Eurozone policy response.



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MACRO NEWS

Overview of proposals of EU/Eurozone policy response

Instrument	Current status	Likelihood	Managing institution	Type of transfers	Directed towards	Details	Size (€)	Eurozone/ EU?
Crisis management								
New (universal/ unconditional) credit line	Agreed on 7 April?	Very likely	ESM	Loans	Government	Eurozone MS pay in (more) capital to ESM, ESM issues (more) bonds, MS that request credit line pay ESM interest rate + small premium	240bn	Eurozone
"Pan-European Guarantee Fund"	Agreed on 7 April?	Very likely	EIB	Loans	Businesses	EU MS provide 25bn in additional guarantees to EIB which mobilises 200bn in EIB loans	200bn	EU
SURE un-/underemployment on-the-job scheme	Agreed on 7 April?	Very likely	EC	Loans	Workers	Loans granted from EC to MS to cover costs directly related to the creation or extension of national short-time work schemes	100bn	EU
"Corona Response Investment Initiative"	Already agreed on 30 March		EC	Grants	Healthcare system, SMEs, workers	Available unused EU budget cohesion funds re-channelled	37bn	EU
"Emergency Fund"	Probably not discussed	Unlikely	EC	Grants	Healthcare system	Bilateral contributions by MS to finance health care system temporary emergency aid in other MS	10-20bn	EU
Recovery support								
Marshall Plan-style fund	To be discussed	Likely	EC	Grants	Whole economy	Fund outside EU budget, bigger EU budget (via MFF) or extra EU budget for 2020-2021 (national funds and private sector also involved)	?	EU
Corona (recovery) bonds	To be discussed	Less likely	EC	Grants	Whole economy	Temporary joint debt issuance to finance investments to speed-up recovery. Eligibility according to Covid-19 economic damage.	?	EU
Eurobonds	Unlikely to be discussed	Very unlikely	EC	Grants	Whole economy (government?)	Mutualisation of new and existing debt	?	EU/Eurozone

Abbreviations: ESM = European Stability Mechanism, MS = member state, EIB = European Investment Bank, SURE = Support to mitigate unemployment risks in an emergency, EC = European Commission, SME = small- and medium-sized enterprises, MFF = multiannual financial framework. Source: Berenberg

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