

COVID-19 EU Briefing 08 July 2020

Synopsis

Pressure to find an agreement on the recovery package as well as the MFF rise. Perfect timing for German Chancellor Angela Merkel to give a speech at the European Parliament covering the goals of the German Council Presidency and the EU COVID-19 response. After the presentation of the Summer Forecast by the Commission yesterday, everyone is looking to Germany for a way out of the crisis.

General

Recovery

MFF

- Speaking to an event organised by the economic think tank Bruegel, EU Commissioner for Budget, Johannes Hahn warned that if EU leaders fail to reach an agreement on a pandemic recovery package next week, “we will enter into difficulties”.
 - A senior EU diplomatic source said an agreement on the pandemic recovery package next week is “possible” but admitted that the positions of the EU member states remain “quite far from each other.”
 - Meanwhile, Italian Prime Minister Giuseppe Conte [said](#) on Tuesday that the European Union must act decisively to build a common response to the economic crisis caused by the COVID-19 pandemic, stressing that “Italy won’t accept a weak compromise”.
- The EPP Group in the European Parliament has said MEPs “intend to ensure a stronger role for the budgetary authority in the annual budgetary procedure to authorise the use of the external assigned revenue”.
- The EPP Group statement follows Manfred Weber’s argument that Parliament “must be involved in all spending decisions, as well as in the ex-post verification that money is well-spent in the interest of European citizens.”

Employment

- The **OECD** has [warned](#) that without necessary support the job crisis could turn in to a social crisis. The OECD Employment Outlook 2020 has predicted that in the most optimistic scenario the OECD-wide unemployment rate could reach 9.4% in the 4th quarter.
- *Short-term requirements:* Continue support for sectors still affected by containment measures, reassess emergency support for self-employed, extend unemployment benefit durations
- *Medium term requirements:* Address the structural gaps in social protection provisions, extend support for vocational education and training

Environment & Agrifood

- In his [speech](#) at virtual Ministerial meeting on Climate Action **Vice-President Frans Timmermans** noted the COVID-19 recovery should be based on the European Green Deal, on the need to digitalise the society and on the need to increase resilience.
 - Moreover, he expressed the belief that the EU can reach climate neutrality by 2050, reach a reduction of greenhouse gas emissions up to -55% by 2030 and also introduce a climate law later this year.
- The **Commission** [adopted](#) an additional package of exceptional measures to support the wine sector, following the coronavirus crisis and its consequences on the sector. These new measures include the temporary authorisation for operators to self-organise market measures, the increase of the European Union's contribution for wine national support programmes, and the introduction of advance payments for crisis distillation and storage.

Media

- On 07 July, the **German Council Presidency** [launched](#) a digital conference series on EU media policy. Yesterdays' event focused on the importance of quality journalism and an independent and diverse media landscape for the democratic process of opinion-formation, especially in the context of the COVID-19 pandemic. It will be followed in September and October 2020 by five focus sessions devoted to the individual aspects of EU media policy.

Vulnerability Index

- The EIB will announce a new index to measure countries' economic vulnerabilities to COVID-19. It has developed an index to help understand the crisis better and to get a sense of the countries that will find it easier to recover and those that may need more support. The EIB COVID-19 Economic Vulnerability Index complements the EIB Economics Department's analysis of country risks. It will be published on Thursday [here](#).

Summer Forecast

- The Summer 2020 Economic Forecast [projects](#) that the euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021. The EU economy is forecast to contract by 8.3% in 2020 and grow by 5.8% in 2021. The contraction in 2020 is, therefore, projected to be significantly greater than the 7.7% projected for the euro area and 7.4% for the EU as a whole in the Spring Forecast. Growth in 2021 will also be slightly less robust than projected in the spring.
- [Divergence in Recovery:](#)
- **Least Impacted (GDP % Change - 2020)**
 - -6.3% - Germany
 - -6.8% - Netherlands
 - -4.6% - Poland
- **Most Impacted (GDP % Change – 2020)**
 - -10.6% - France
 - -11.2% - Italy

- **-9.0%** - Greece
- **-10.9%** - Spain
- Politico led with the European Commission's Summer 2020 forecast, and how revised impact assessments have "turned upside down" the initially "carefully drafted" allocation mechanism.
- Poland's economy is to shrink by just 4.6% under the European Commission Summer forecast, but Politico speculate the potential impact of this on future Commission recovery funding.

German Presidency

- German Chancellor Angela Merkel will make a speech and participate in a debate in the European Parliament at 2:15 CET.
 - Dr Merkel's speech will be followed by a four-party EU presidential conference aimed at finding a solution to Parliament's request for a bigger role in the budget talks.
- German Ministers [presented](#) the priorities of the German Presidency in a first series of hearings in the European Parliament. The first series of hearings is taking place from 3 to 16 July, while a second set of hearings will take place in September.

Priorities on Health:

- Coordinate EU health policies and strengthening crisis management
- Increase EU production of essential medicinal products and devices (such as face masks)
- Create a European health data space

Priorities on Environment:

- Agreement on the climate law with a 2030 target
- EU biodiversity strategy
- The circular economy
- Digitalisation

Member States

Germany

- Hildegard Müller, chief of the German car industry's association VDA, has said that a major concern for VDA members is that "the recovery plan may be too late for many companies", outlining that "It currently looks like the funds will be available in 2021 at the earliest ... Many companies cannot keep up for so long."

Austria

- The local government of Upper Austria decided to make wearing masks in public spaces like shops and restaurants mandatory after the measure was abolished throughout the country in mid-June

Belgium

- Belgian health ministers are meeting this morning to decide on self-quarantine and testing for travellers from abroad.

Spain

- Unemployment in Spain will rise to 20% in the case of another COVID-19 outbreak, according to the OECD.

Source: DeHavilland EU