

POLICY RESPONSE TO COVID 19



Diverse national responses in the first phase of the crisis

Banks as public policy implementers & risk managers

Coordinated EU economic response: Twin recovery with key Bank responsibility

1.8€ Trillion budget for recovery

More than 50% of the amount will support modernisation through:

- research and innovation,
- fair climate and digital transitions,
- preparedness, recovery and resilience,

30% of the EU funds budget and recovery plan for 2021-2027 will be made available for the green transition

Sources:

[Lack of solidarity hampered Europe's coronavirus response, research finds, Richard Gray](#)

[HERoS project research & results: https://www.heros-project.eu/webinar-recording-and-presentations/](https://www.heros-project.eu/webinar-recording-and-presentations/)

[Where are the ECDC and the EU-wide responses in the COVID-19 pandemic?, Jacint Jordana, Juan Carlos Triviño-Salazar](#)

SMEs, BANKS PRE-COVID

figure 112 Types of external financing preferred to realise growth ambitions for SMEs in the EU28, by enterprise characteristic.



And they would like to continue relying on bank loans to realise growth ambitions

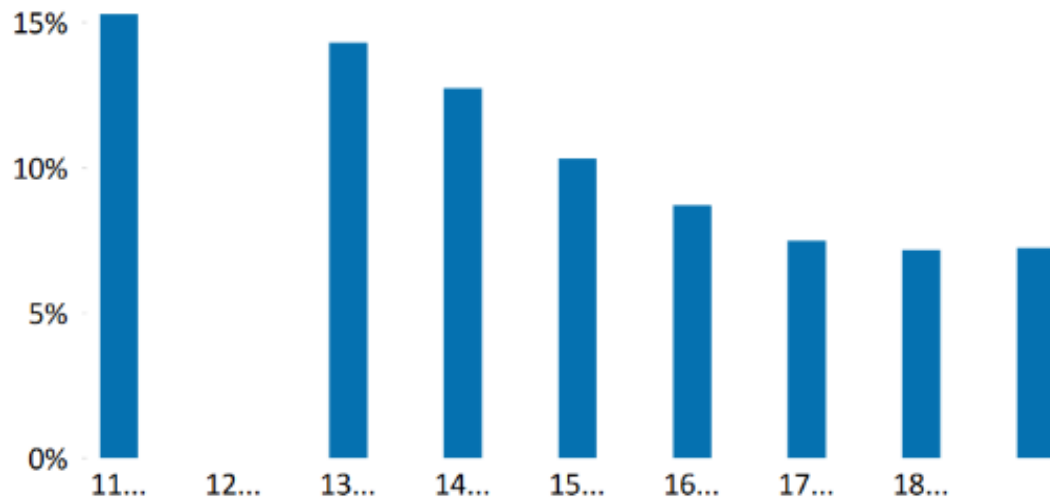
Bank lending remains the most relevant and sought-after financing by EU SMEs

SMEs, LOANS – PRE & DURING COVID

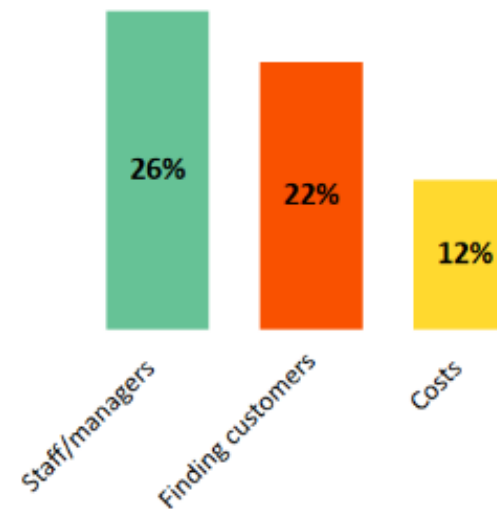
Access to finance is the most important concern for 7% of SMEs in the European Union.
A comparison with other countries is presented below:



Evolution of access to finance as the most important concern over the years for SMEs in the European Union:



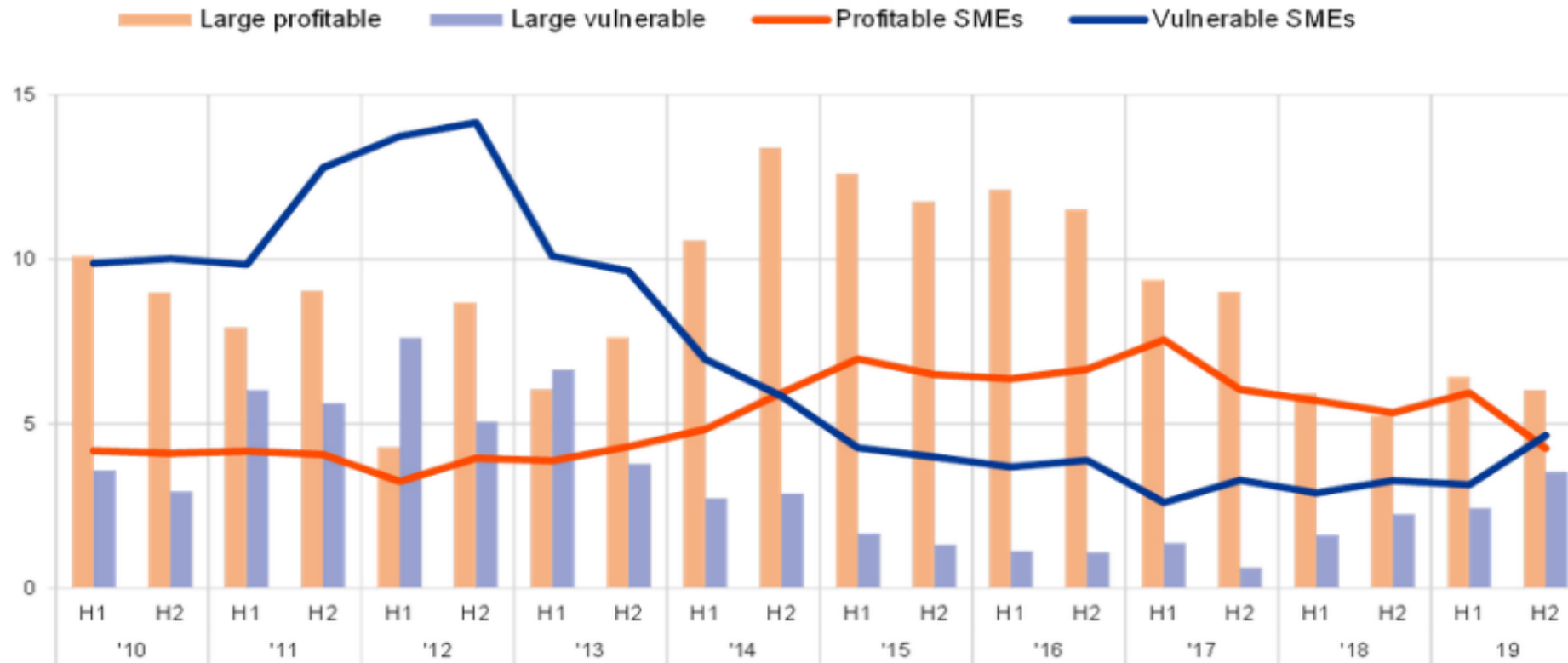
Top 3 current issues for SMEs in the European Union:



SMEs, LOANS - PRE & DURING COVID

Vulnerable and profitable enterprises in the euro area

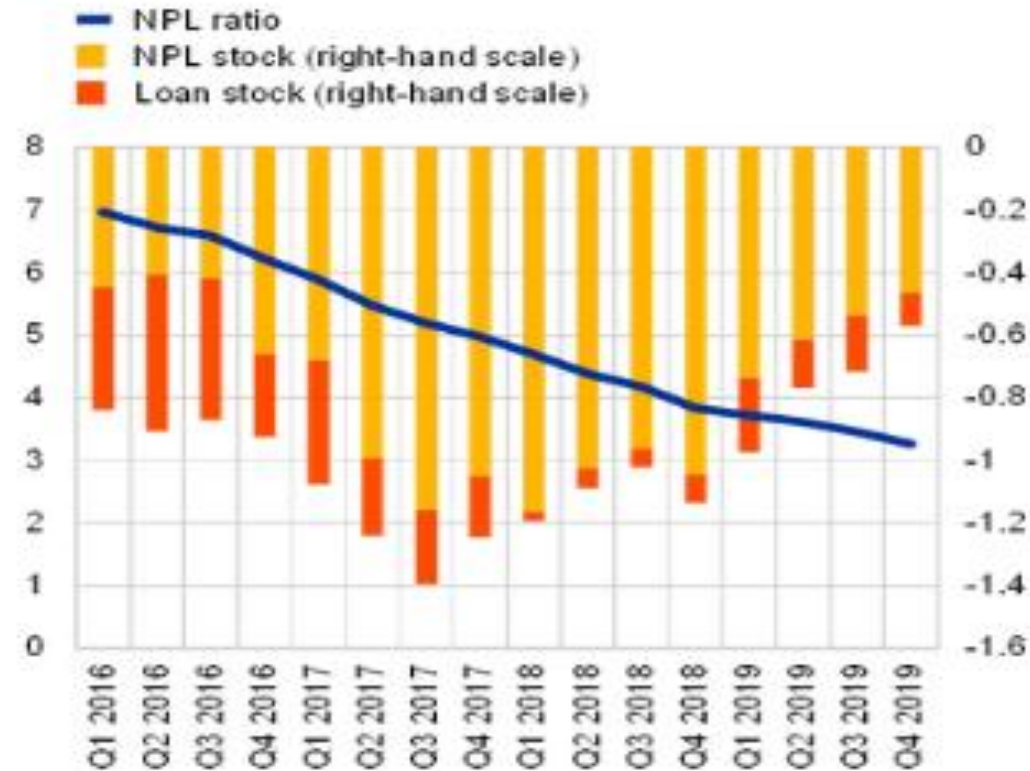
(percentages of respondents)



SMEs, LOANS - PRE & DURING COVID

Developments in NPL ratios and factors contributing to annual changes

(Q1 2016-Q4 2019, ratio, percentage point contributions to annual changes)

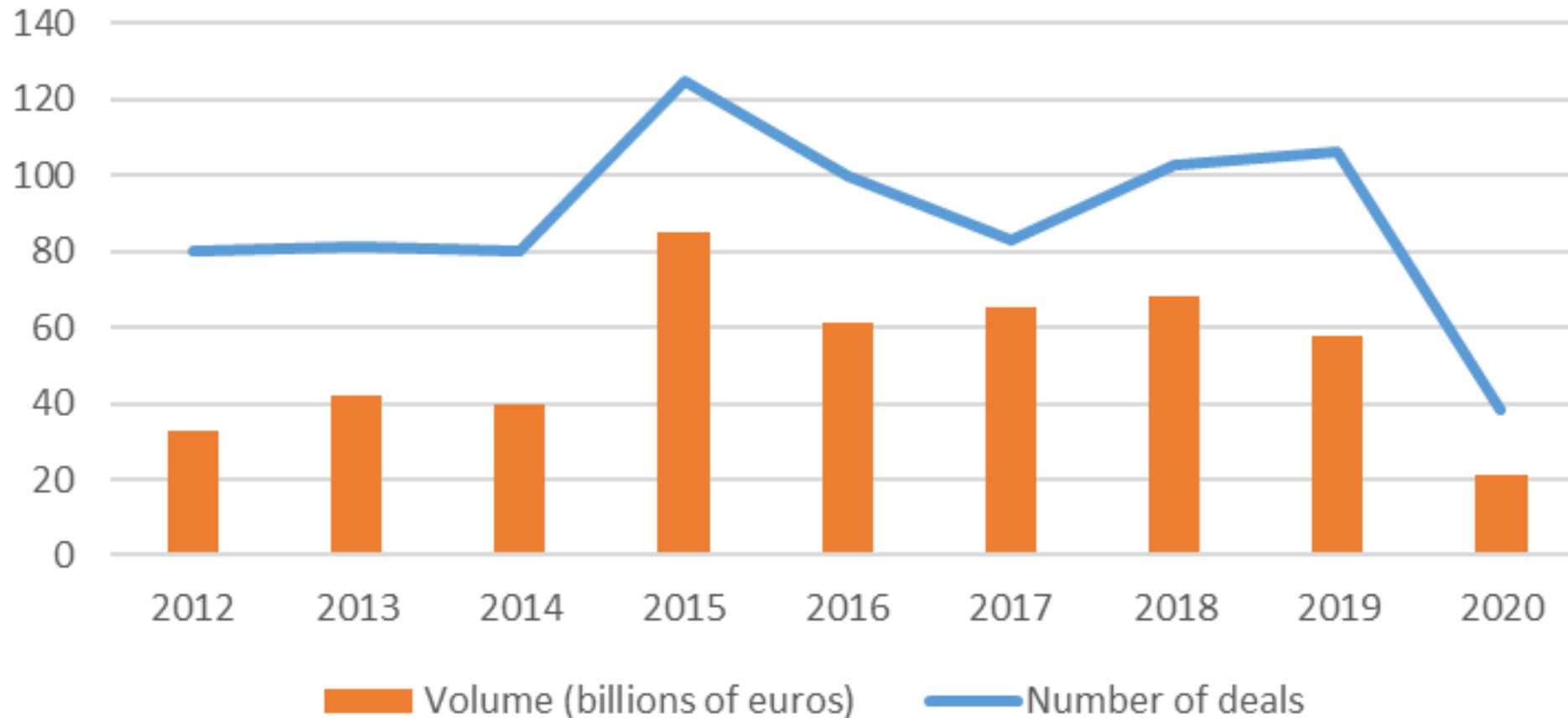


Sources: ECB supervisory statistics and ECB calculations.
Note: Based on a sample of 116 SIs.

Sources:
ECB Financial Stability Review May 2020

SMEs, LOANS - PRE & DURING COVID

European Loan Slump
Worsening of high-grade deals



Sources:
Bloomberg
EBF own calculations

BANKS' ACTIONS DURING COVID

Banks have been critical partners to companies with their immediate crisis response actions:

Liquidity support

Waivers and deferrals

Fighting financial crime and money laundering

Increased funding capacity & accelerated approval processes

Helping vulnerable customers & resolution of conflicts

Always in full compliance with all regulatory requirements and maintaining high financial intermediation standards

BANKS' ACTIONS DURING COVID

Changes in demand for loans or credit lines to enterprises and contributing factors

(net percentages of banks reporting an increase in demand and contributing factors)

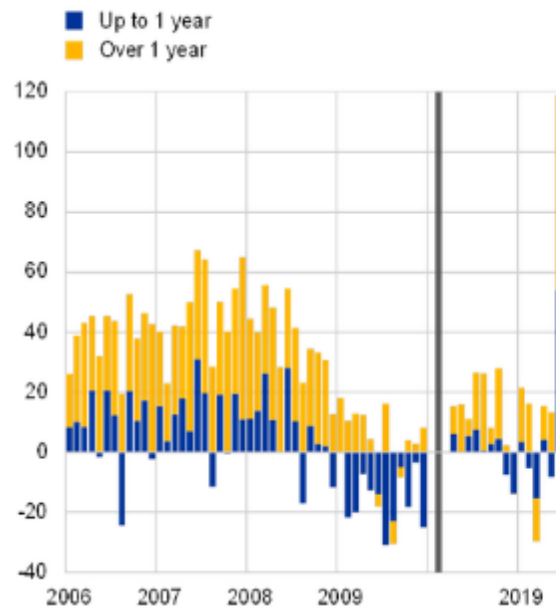


BANKS' ACTIONS DURING COVID

Credit lines and government support schemes are the first source of external finance to address liquidity needs

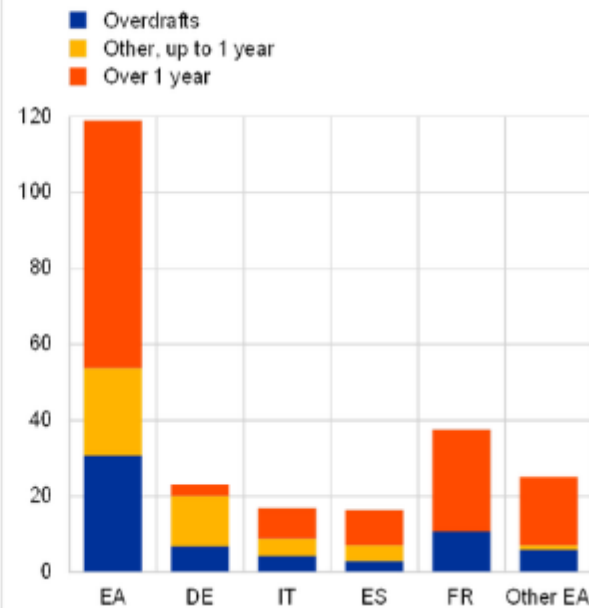
Largest monthly credit provision in March since the beginning of Economic and Monetary Union

(monthly flows, € billions)



Short-term loans and overdrafts accounted for almost half of the credit provision at the euro area level

(monthly flows, € billions)



Sources: ECB and ECB calculations.

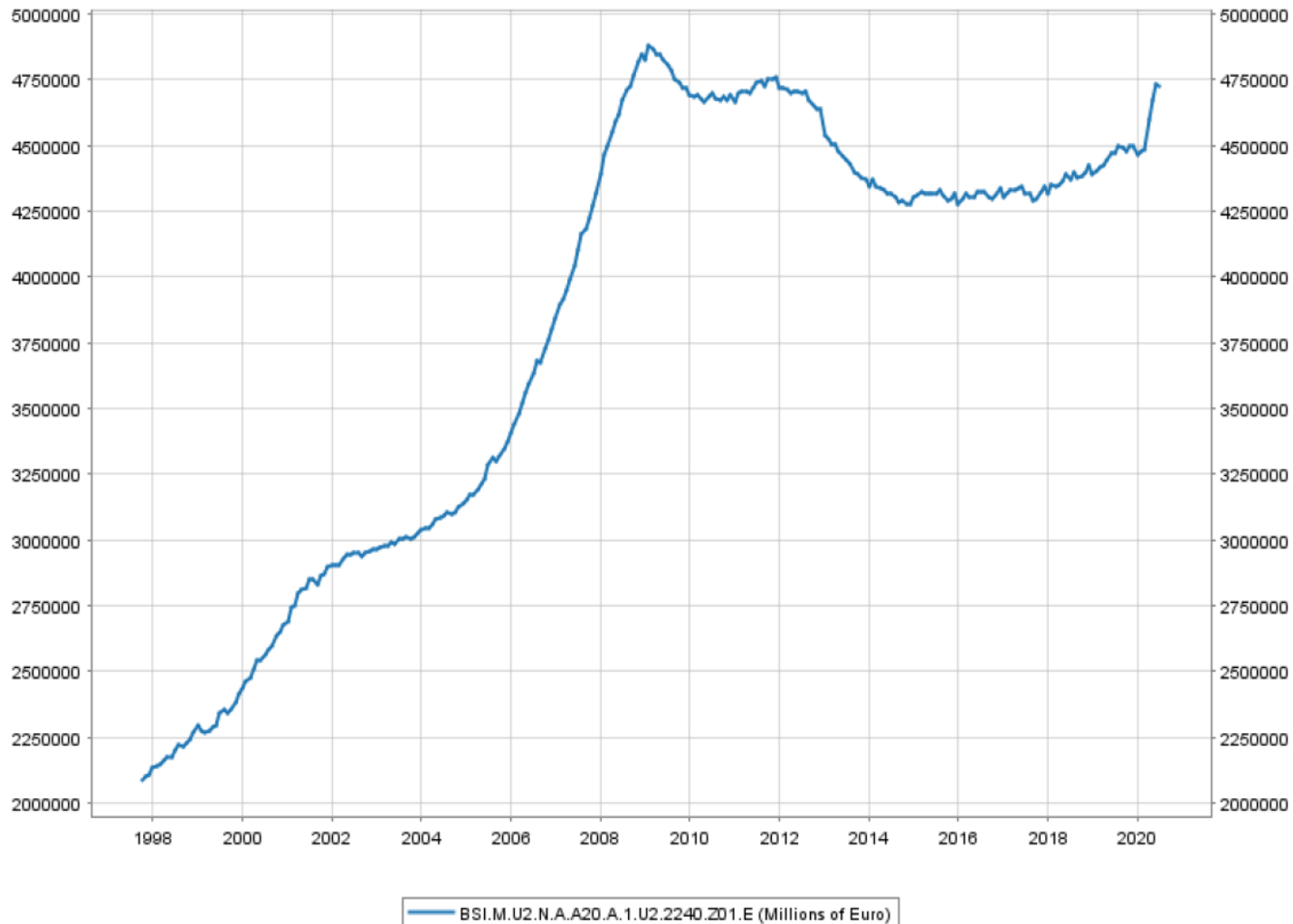
Notes: Left panel: monthly transactions January 2006-December 2009 and January 2019-March 2020. Right panel: monthly transactions in March 2020.

Sources:
ECB Financial Stability Review May 2020

BANKS' ACTIONS DURING COVID

Title: Loans vis-a-vis euro area NFC reported by MFI excluding ESCB in the euro area (stock)

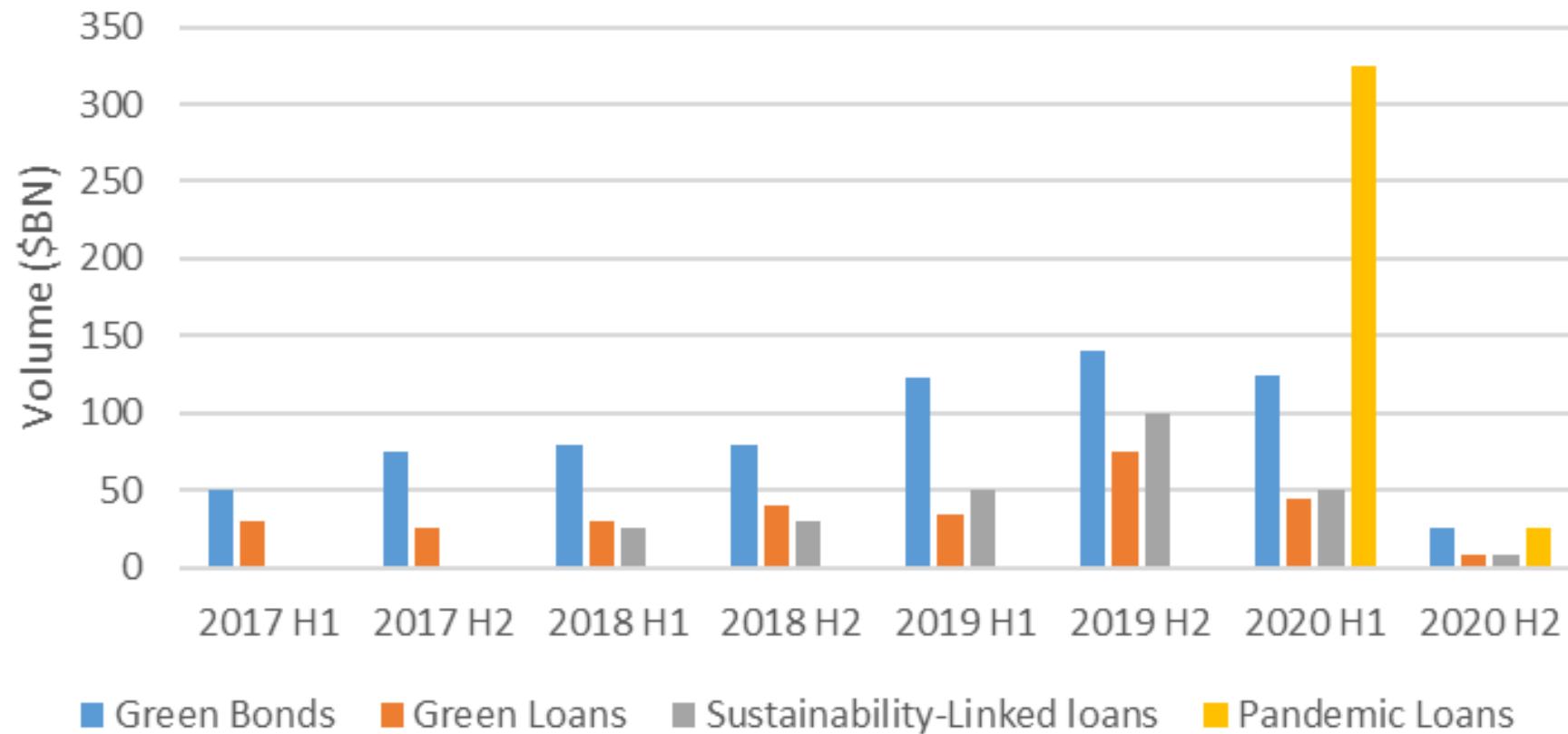
Frequency: Monthly



Sources:
ECB Data & own calculations

BANKS' ACTIONS DURING COVID

Green Bonds, Green Loans & Sustainability-Linked Loans Issuance + Pandemic Issuance

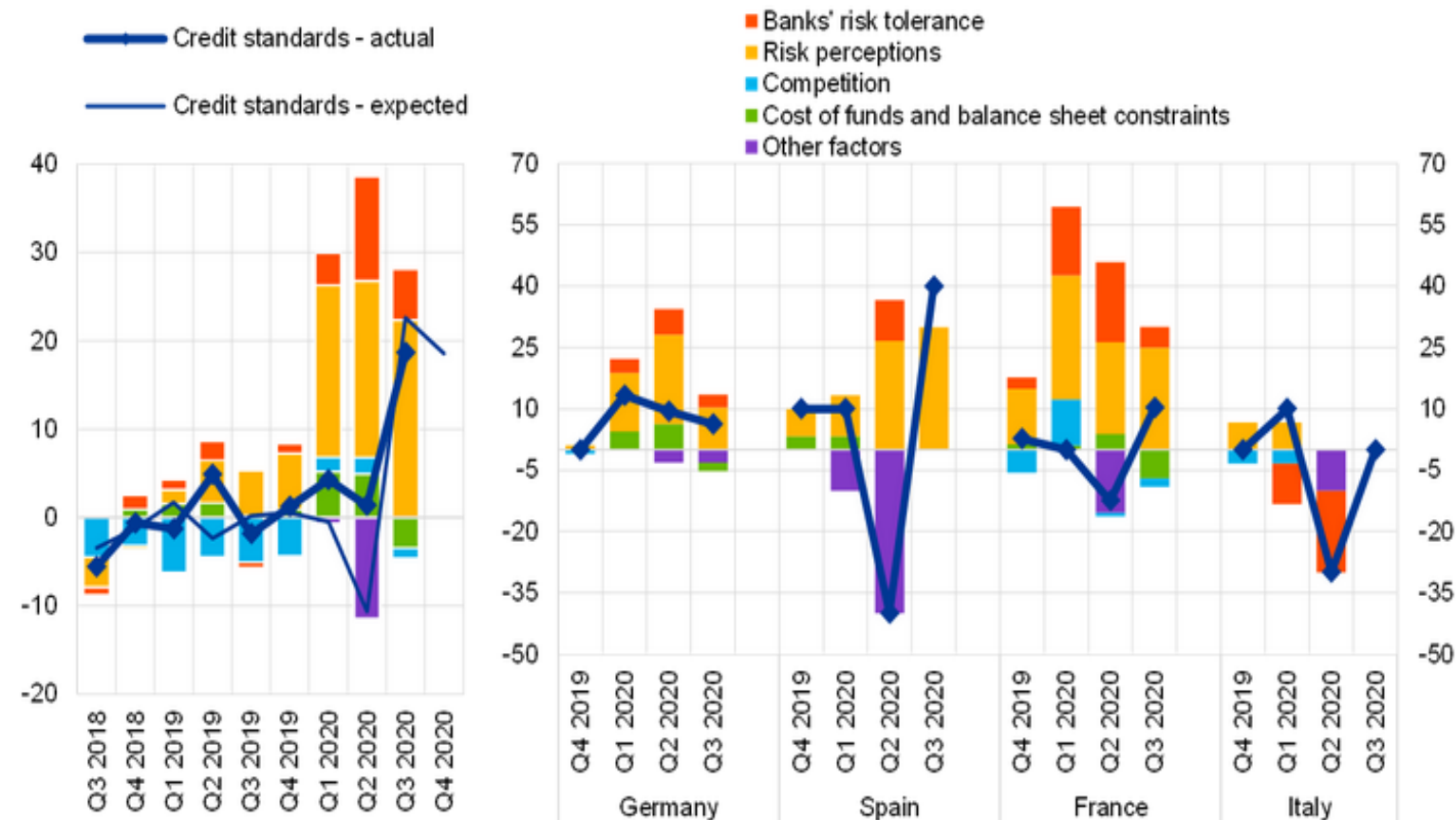


Sources:
Bloomberg
EBF own calculations

UNCERTAINTY IN THE AIR

Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

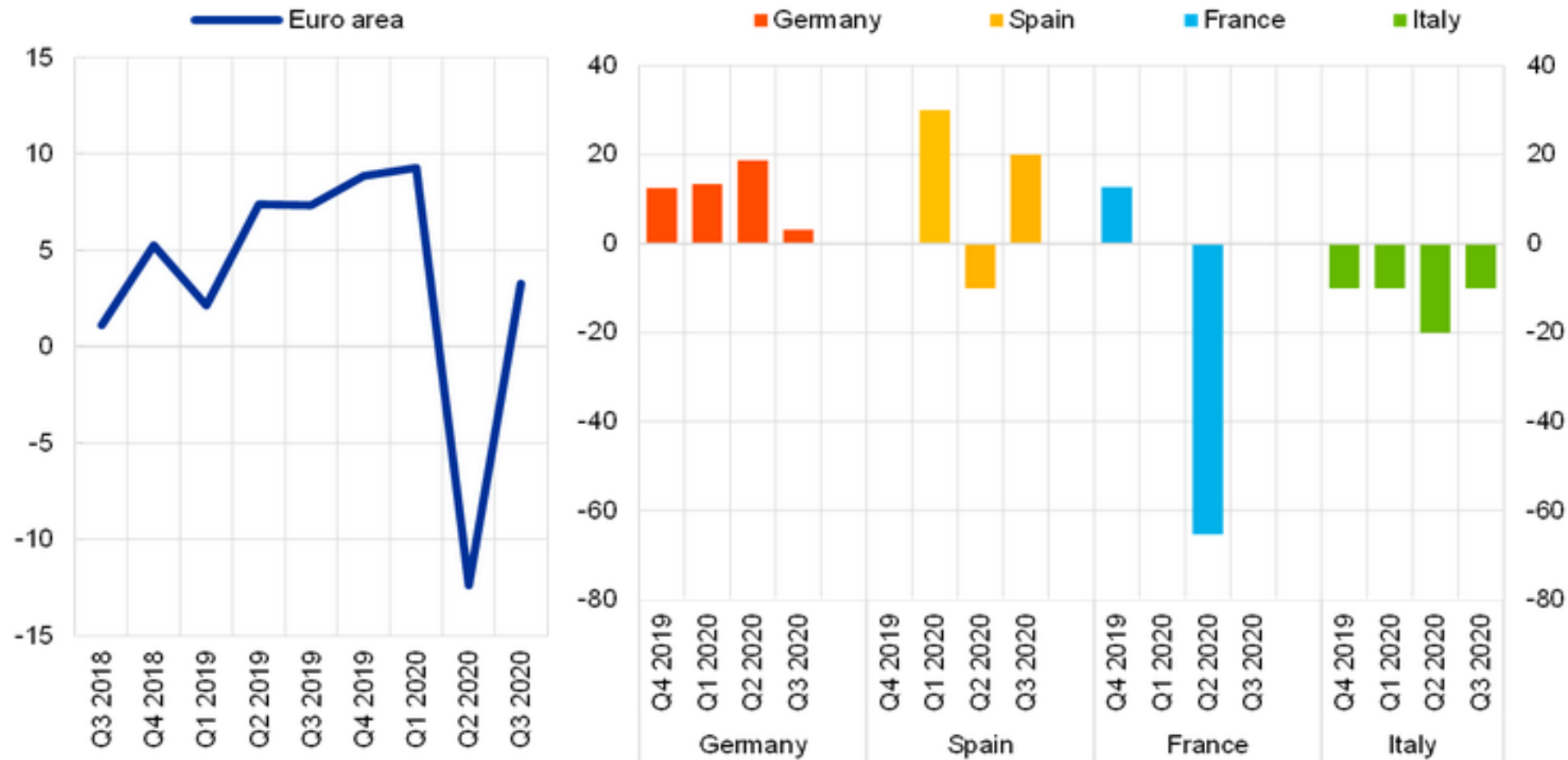
(net percentages of banks reporting a tightening of credit standards and contributing factors)



UNCERTAINTY IN THE AIR

Changes in the rejection rate for loans to enterprises

(net percentages of banks reporting an increase in the share of rejections)



BANKS' ACTIONS POST COVID

Actions thoughtfully geared towards:

Reducing the build-up of excessive debt

Adapting business models towards increased innovation

Fighting climate change and accelerate progress towards the SDGs and net zero by 2050

Enabling corporate restructurings that preserve value

FOCUS AREAS – LOOKING AT 2030

Data: Access & provision

Financing innovation and digitalisation

Sustainability - taxonomy operationalization

Risk Management

Thank YOU!



Daniel Bouzas
Policy Adviser,
European Banking Federation

d.bouzas@ebf.eu



European Banking Federation

Avenue des Arts 56, B-1000 Brussels

European Transparency Register ID number:
4722660838-23.

+32 (0)2 508 37 11 |
info@ebf-fbe.eu | @EBF_FBE

www.ebf-fbe.eu

