**EUROPE’S RAPID MONETARY AND FISCAL COVID-19 RESPONSE**

### Monetary response

- European Central Bank’s Pandemic Emergency Purchase Programme (PEPP)
- €750 billion was announced 18 March and increased to €1.3 trillion in June 2020
- This comes on top of the existing monetary policy

### Fiscal response

- A rapid COVID-19 response was put in place in 2 months’ time: ESM €240 billion for medical costs, EIB €200 billion guarantees for companies (SMEs) and European Commission €100 billion for unemployment support
- In July, an additional €750 billion was approved of which €390 billion are grants and €360 billion loans
- This comes on top of all national fiscal responses

**Source:** ECB, EIB, EC and ESM
MARKET REACTS POSITIVELY TO EUROPE’S RESPONSE

10yr EGB spread against DE between 2018 and 2020 (basis points)

Monetary: ECB PEPP €750 billion and later increased to €1.350 billion (agreed)

Fiscal: ESM/EIB/EC €540 billion (agreed)

Fiscal: Recovery fund €750 billion (proposed)

Fiscal: Recovery fund €750 billion (approved)

Source: ESM, Bloomberg
EUROPE AT THE FOREFRONT OF ESG FINANCE

- ESM ready to issue social bonds (ICMA Social Bond Framework published June 2020)
- ESM is also a large ESG investor: 69% of ESM invested capital is allocated to entities with positive social and environmental contributions. 2019: €1 billion Green and Social bonds