



Autoridad Independiente
de Responsabilidad Fiscal

Report on the 2020-2021 Stability Programme Update

06 May 2020

Report on the 2020-2021 Stability Programme Update

- 1. Introduction**
- 2. Macroeconomic Scenario:**
- 3. Fiscal scenario**
- 4. Recommendations**

1. Introduction

a. New analysis framework

b. Scenario-based analysis

c. Recommendations to the Government

- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
- 4. Recommendations

a. New analysis framework

- Adaptation of AIReF's activity to the **extraordinary situation** arising from the current health, social and economic crisis
- Analysis in a context of high **uncertainty**
- Government Stability Programme adapted to the **flexible framework allowed by the European Commission** regarding information requirements:
 - Two-year macroeconomic outlook 2020-2021 time frame
 - Budgetary outlook for 2020 only
 - Reduction of variables offered
- Despite this flexibility, it must cover economic and budgetary forecasts and the measures that will be adopted in the envisaged time frame
- **Information challenges:** Information is more important than ever. However, we are facing two major challenges: limited available information and statistics due to high uncertainty and insufficient data provided (detail of the integration of measures in a no-change-policy scenario, *expedientes de regulación temporal de empleo* - temporary redundancy plans/ERTEs, etc.)

**AIReF's report goes one step further than the SPU itself:
it also includes fiscal scenarios for 2021**

1. Introduction

2. Macro scenario

3. Fiscal scenario

4. Recommendations



b . Scenario-based analysis

Development of **two scenarios**:

- Based on different assumptions on: the **duration** of the pandemic and the **speed** of recovery
- Taking into account different **sectors' situations**

	AIREF SCENARIO 1		AIREF SCENARIO 2		SPU	
	2020	2021	2020	2021	2020	2021
GDP	-8.9%	4.6%	-11.7%	5.8%	-9.2%	6.8%
EMPLOYMENT (FTE)*	-9.7%	2.6%	-12.9%	3.1%	-9.7%	5.7%
DEFICIT	-10.9%	-7.5%	-13.8%	-9.4%	-10.3%	-
DEBT-TO-GDP RATIO	115%	117%	122%	124%	115.5%	-

FTE: Full-Time Equivalent Employment

c. Recommendations to the Government

- AIReF believes that the current priority should be **to respond to the short-term effects of the crisis**: there is a need to apply measures using the fiscal margin permitted by regulations
- But its **medium-term effects** should not be forgotten: there is a need for a fiscal exit strategy that guarantees the sustainability of public finances in the medium and long term

AIReF therefore makes new recommendations on the fiscal framework and the sustainability of public finances

- Activation of the **exceptionality clause**
- Start working on a **Rebalancing Plan**
- Adequate planning of **permanent measures** and inclusion in the Rebalancing Plan
- Monitoring of measures that generate **contingent liabilities**, inclusion in the Rebalancing Plan and quarterly submission of information to AIReF

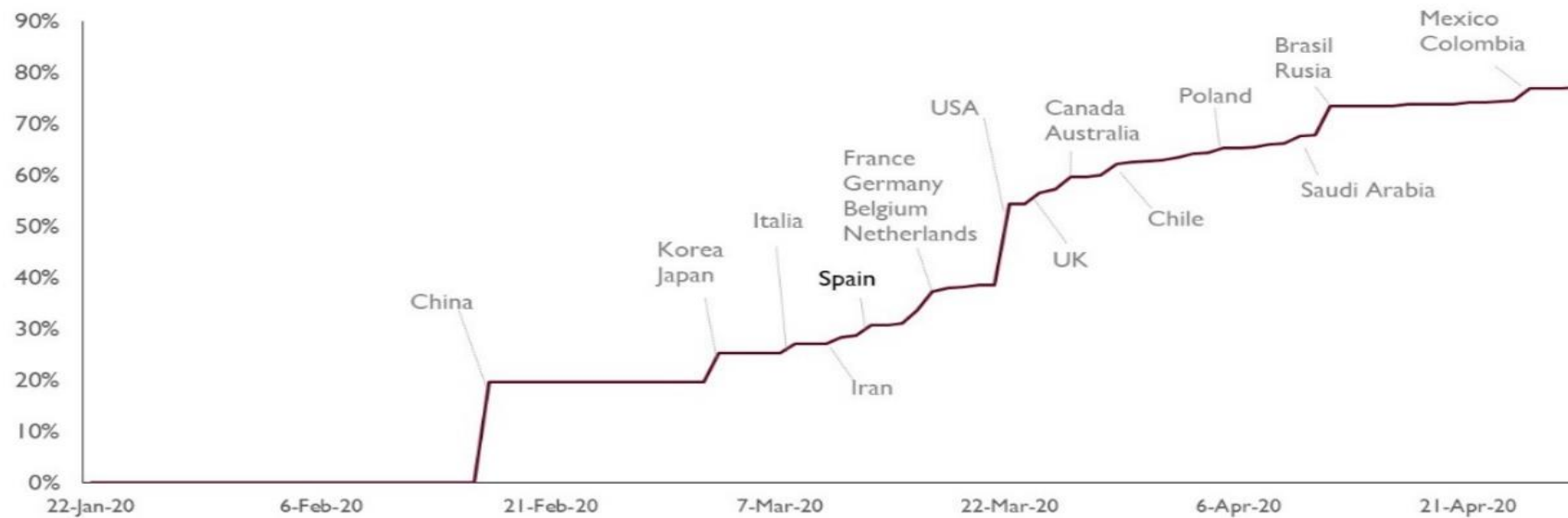
AIReF reiterates the recommendations included in its endorsement of the macroeconomic scenario:

- The **fiscal scenario** should be sent, along with the macroeconomic outlook and **no-policy-change scenario**, to AIReF, as these would enable a better analysis of the impact of measures
- Signing an **agreement** to regulate information exchange

2. Macroeconomic scenario

Emergence of COVID-19

Percentage of world GDP affected by COVID-19



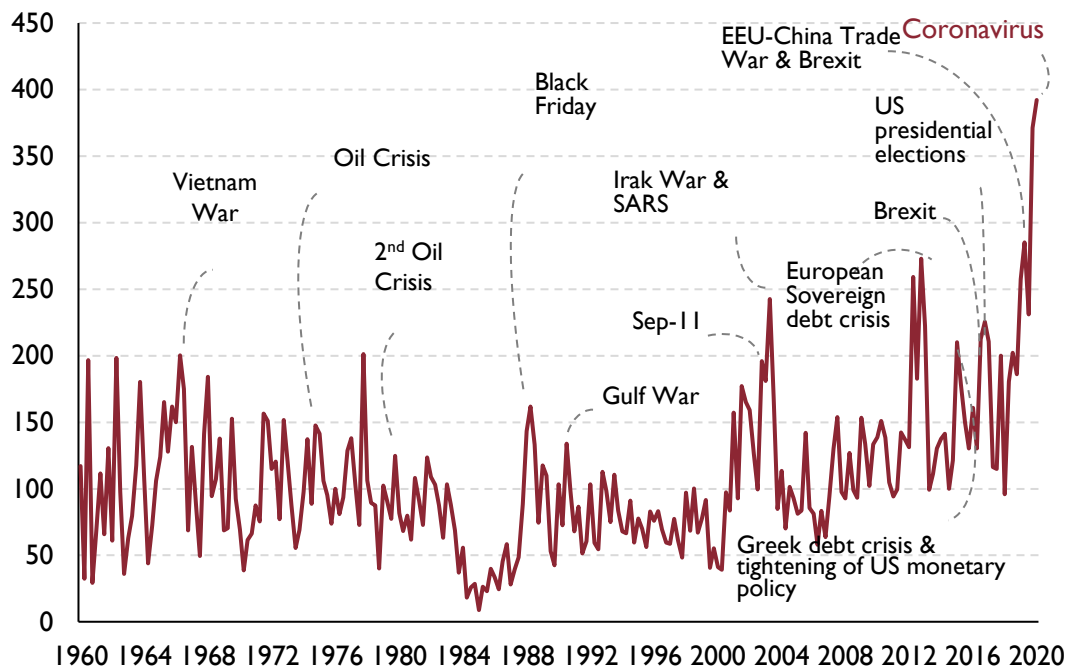
Source: CSSE at Johns Hopkins University and IMF

- **COVID-19 represents an extreme, global and synchronised disturbance in the economy**
- **The pandemic has forced most countries to implement extreme social distancing measures that involve the "hibernation" of non-essential economic activities.**
- **Never before has there been such an intense and simultaneous standstill of global supply and demand**

The latest growth forecasts point to a global recession, in a highly uncertain environment

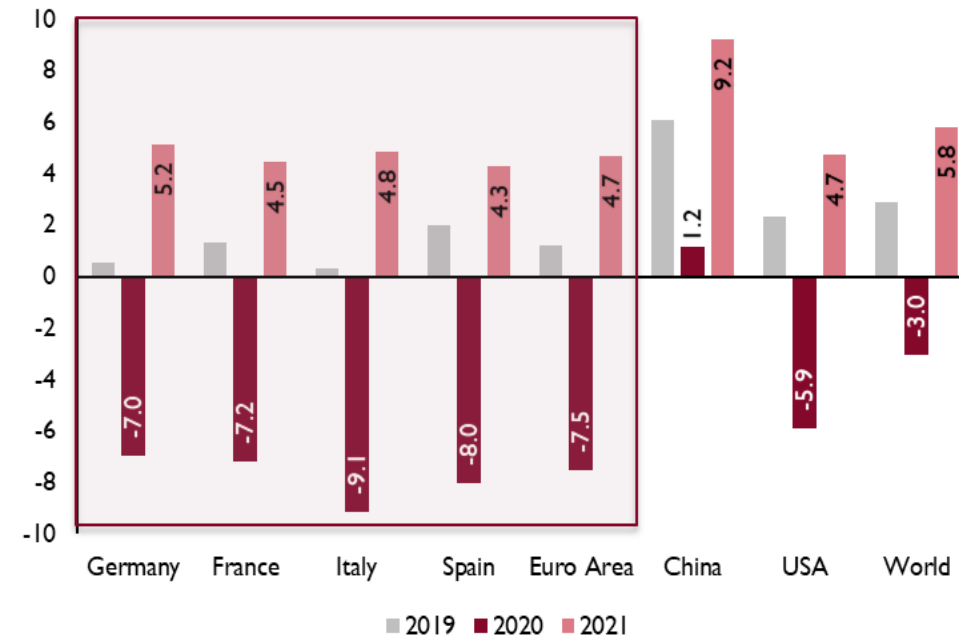
- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
- 4. Recommendations

Economic Uncertainty Index



Source: International Monetary Fund.

GDP Growth Forecasts for 2020 and 2021 (% Var)



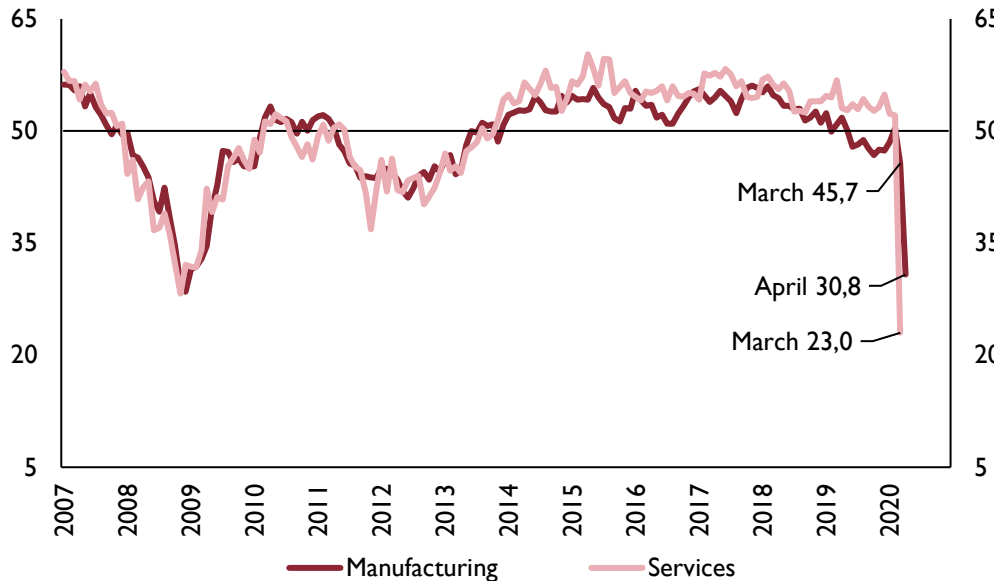
Source: International Monetary Fund (WEO, April 2020).

The growth forecasts prepared by the IMF in early April indicate a global and synchronised recession in 2020, against a highly uncertain economic backdrop. This recession will be more intense than the global financial crisis

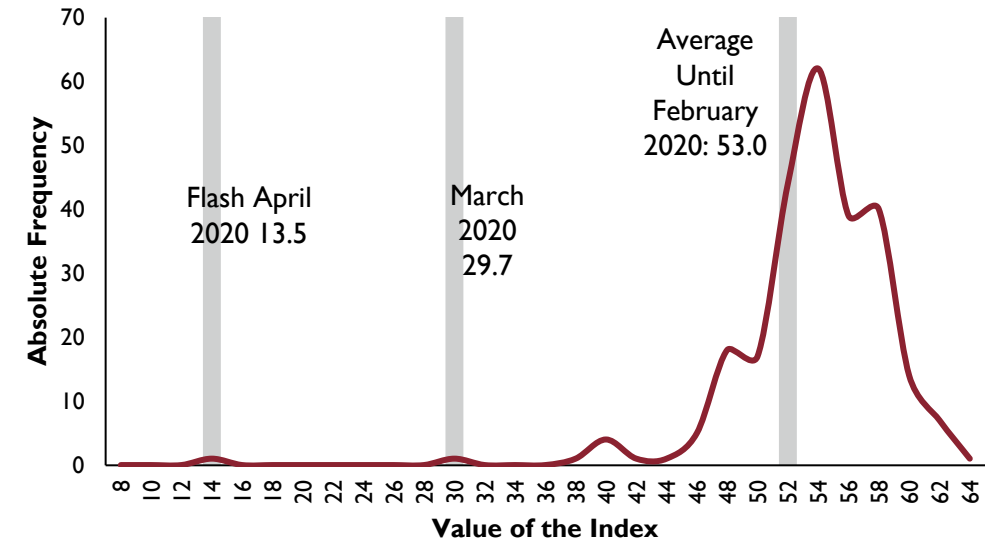
The indicators predict severe disruption of activity in surrounding countries

- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
- 4. Recommendations

Composite PMI for the Euro Zone (Seasonally Adjusted Index <50 Equivalent to Contraction // > 50 Equivalent to Expansion)



Histogram of the Euro Zone's Composite PMI (Absolute Frequencies)



Source: IHS Markit.

The economic disruption suggested by the available indicators in the euro zone is of an unprecedented magnitude, much higher than that observed during the financial and sovereign debt crisis

The uncertainty has led AIReF to develop macroeconomic scenarios

1. Introduction

2. Macro scenario

3. Fiscal scenario

4. Recommendations

- In such uncertain times, it is difficult to prepare forecasts and assign probabilities to specific scenarios, which the AIReF had been doing to assess the Stability Programme's scenario:
 - Difficulty in determining the duration of the health crisis and the degree to which economic activity will return to normal once the epidemic has been controlled.
 - Lack of sufficient indicators and previous references
 - Caution in relation to the economic models that are commonly used to make forecasts based on empirical regularities
- Because of this, AIReF has developed various macroeconomic scenarios based on the duration of the epidemic



The uncertainty has led AIReF to develop macroeconomic scenarios

1. Introduction

2. Macro scenario

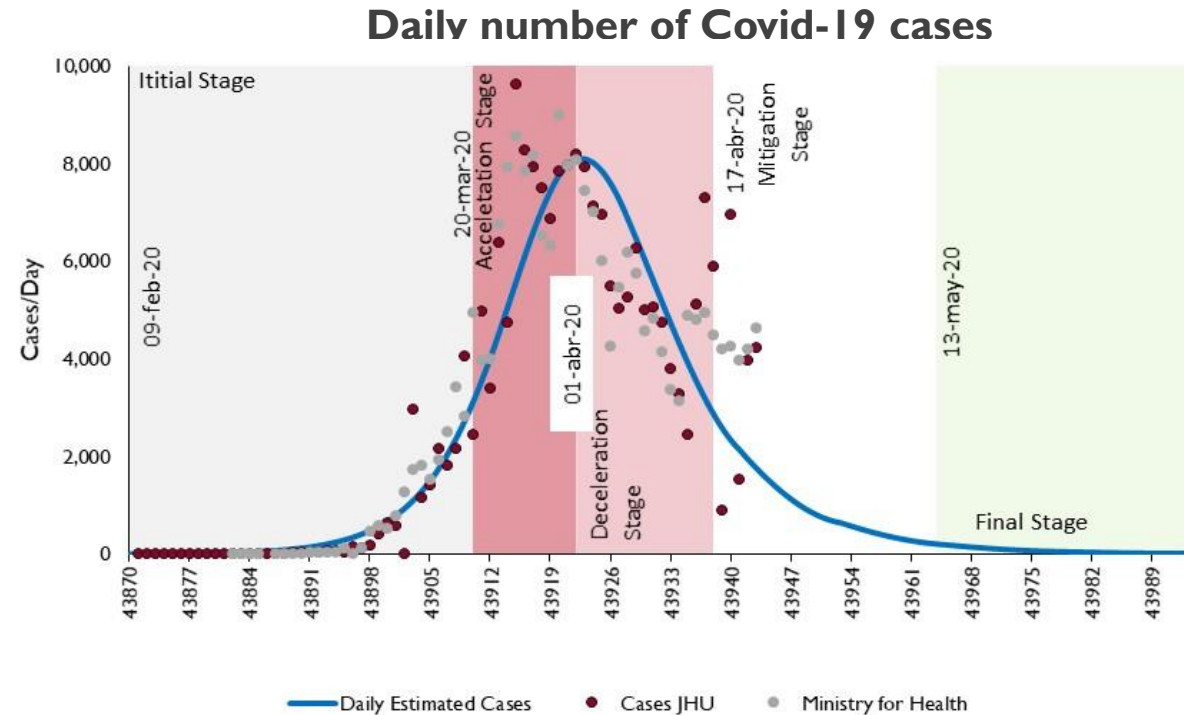
3. Fiscal scenario

4. Recommendations

- **AIReF has therefore established two scenarios for the evolution of Gross Domestic Product, based on assumptions about:**
 - The duration of the epidemic and confinement period, which determines the initial impact on the added value of different sectors of activity associated with the "hibernation" of the economy
 - The influence that certain structural characteristics of the economy can have on its resilience
 - Both scenarios incorporate the macroeconomic impact of the economic policy measures implemented so far
- **The consistency of all these elements is achieved through the use of AIReF's quarterly model**



The duration of the epidemic is the fundamental determining factor in AIReF's scenarios



Source: *Ministerio de Sanidad* (Ministry of Health), Johns Hopkins University, CSSE.

- Assumptions about the duration of the epidemic are key to limiting the initial impact on economic activity and economic recovery
- A simplified model was created to establish hypotheses about the length of the confinement period.
- Using the information currently available, these models suggest that the number of new daily cases will reach very low values in mid-May.

Main characteristics of AIReF's scenarios

Scenario 1

- **Confinement ends on May 15th**
- **Gradual recovery of economic activity, although activities related to tourism and catering continue to be affected by social distancing measures until the end of 2020**
- **Consistent with the Government's de-escalation scenarios presented on 28th April**

Scenario 2

- **More adverse evolution of the epidemic and worse economic recovery**
- **Confinement also ends on May 15th, but an additional outbreak forces the population to be confined for an additional month in autumn**
- **The longer the pandemic lasts, the greater the financial difficulties for companies and households. World trade growth contracts further**

1. Introduction

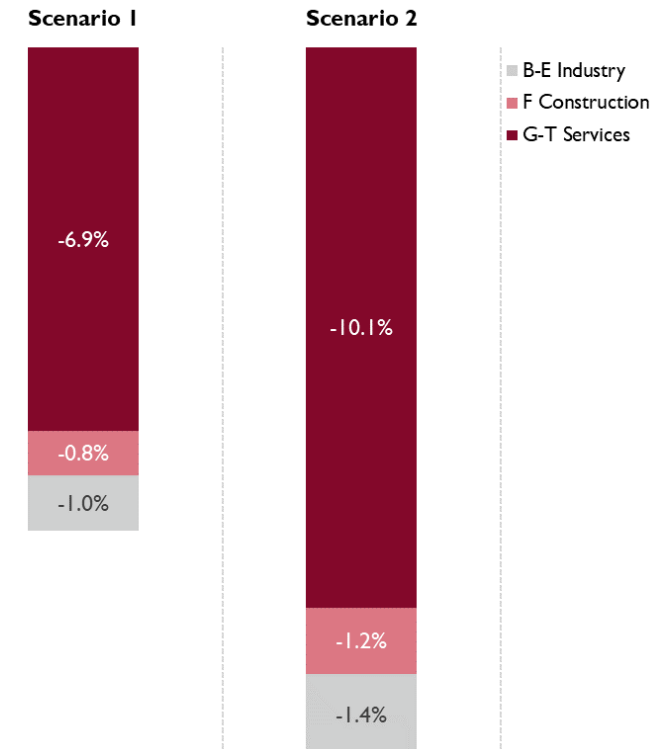
2. Macro scenario

3. Fiscal scenario

4. Recommendations

Taking duration into account, the initial economic impact of the economy's "hibernation" is estimated from the supply side

- Based on assumptions on the duration of the epidemic, the initial impact of the period of confinement is calculated based on hypotheses about the degree to which the activity of each sector has stopped. A higher impact is considered during the period of restriction of non-essential activities
- In both scenarios, it is believed that tourism-related activity will not recover to its normal levels in 2020

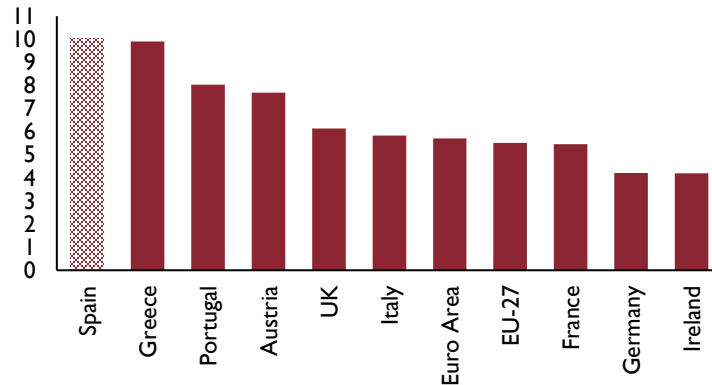


	Consensus Estimate Previous to COVID-19 Outbreak	Initial State of Alarm (15-mar 27-mar)	Essential Activities (28-mar 14-apr)	State of Alarm (14-apr 15-may)	Additional Impact on Tourism Sector Rest of 2020	Additional Impact after 15th May in the rest of Sectors Rest of 2020	Estimated Initial Impact
Scenario 1	1.6	-1.6	-3.1	-4.0	-1.6		-8.7
Scenario 2	1.6	-1.6	-3.1	-4.0	-1.6	-4.0	-12.8

Other determining factors in the Spanish economy's recovery

1 Productive Specialisation

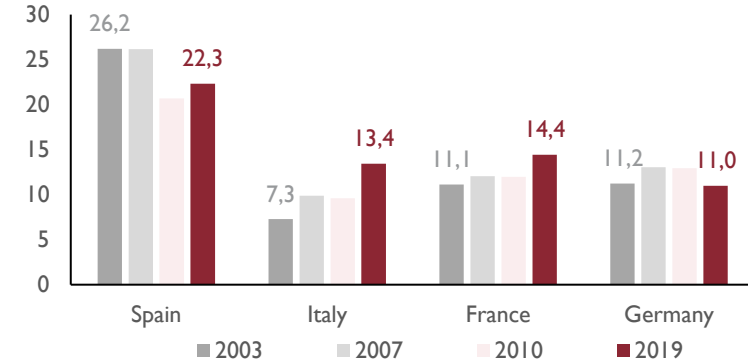
Gross Added Value Generated by Tourism Sectors (%)



Source: Eurostat

2 Labour Segmentation and Temporary contracts

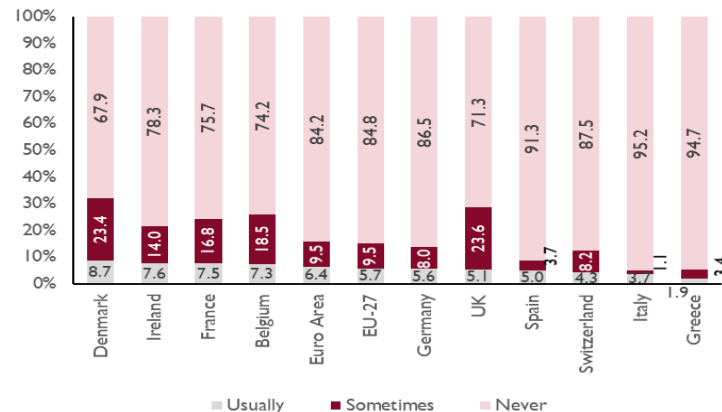
Ratio of Temporary contracts (%)



Source: Eurostat

3 Preparation for social distancing

Percentage of Employees between 24 and 64 years



Source: Eurostat

4 Business Demographics

	Micro (0-9)	Small (10-49)	Mid-sized (50-249)	Big Firms (Más de 250)
Size by Employee Stratum	95.6	3.7	0.7	0.1
Size by % of Employment	41.0	18.1	12.9	28.1
Size by % of GVA	25.8	17.8	17.4	39.0

Firms with Debt at Risk*	16.5	8.9	9.4	10.5
--------------------------	------	-----	-----	------

Source: *Instituto Nacional de Estadística* (National Statistics Institute - INE), *Instituto Valenciano de Investigaciones Económicas* (Valencian Institute of Economic Research - IVIE) and *Círculo de Empresarios*

- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
- 4. Recommendations



AIReF's macroeconomic scenarios: severe contraction in 2020, followed by an incomplete recovery

- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
- 4. Recommendations

Macroeconomic Scenario (% Y-o-Y unless otherwise stated)			Scenario 1		Scenario 2	
			2019	2020	2021	2020
Volume	GDP	2.0	-8.9	4.6	-11.7	5.8
	Private Consumption	1.1	-9.0	3.7	-13.0	5.3
	Public Consumption	2.3	5.4	-1.8	7.7	-3.4
	GFCF Equipment	3.0	-36.2	18.5	-45.2	22.0
	GFCF Construction	1.2	-18.7	10.7	-31.1	16.5
	<i>Domestic Demand (Contribution in pp of GDP)</i>	<i>1.5</i>	<i>-9.1</i>	<i>3.8</i>	<i>-13.2</i>	<i>4.7</i>
	Exports of Goods and Services	2.6	-30.3	15.9	-35.7	13.1
	Imports of Goods and Services	1.2	-34.3	15.4	-44.3	11.4
	<i>External Demand (Contribution in pp of GDP)</i>	<i>0.5</i>	<i>0.2</i>	<i>0.7</i>	<i>1.5</i>	<i>1.0</i>
Nominal and Employment	Nominal GDP	3.6	-8.9	5.0	-12.1	6.3
	Implicit GDP Deflator	1.6	0.0	0.4	-0.5	0.5
	Full-time Equivalent Employment	2.1	-9.7	2.6	-12.9	3.1

- With the exception of public consumption, all demand-side aggregates are expected to suffer a sharp drop in 2020
- In 2021 a notable increase in all components of GDP is expected

AIReF's macroeconomic scenarios: main features

- Economic contraction is concentrated in the first two quarters of 2020
- Strong impact on employment in 2020, although with uncertain results due to the impact of the job retention programme ERTes
- Private consumption is expected to contract very strongly in 2020 due to the negative contribution of all its determinants, especially gross disposable income linked to decreasing employment
- There is also expected to be a sharp drop in investment, in a context of uncertainty and lower demand
- A strong increase in public consumption in 2020, linked to increased healthcare expenditure and hiring staff to tackle the epidemic, partially mitigates the behaviour of the rest of the aggregates
- Positive contribution of external demand in both scenarios

1. Introduction

2. Macro scenario

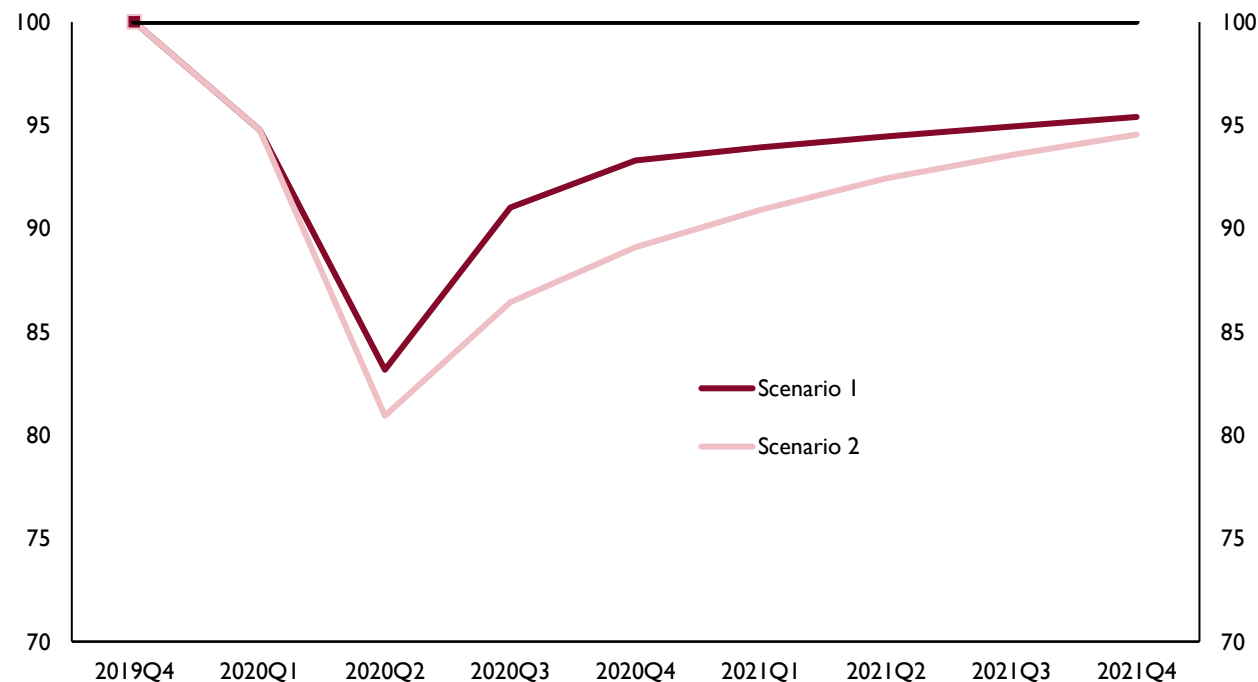
3. Fiscal scenario

4. Recommendations



The Spanish economy is not expected to recover its 2019 close levels until after the forecasted period

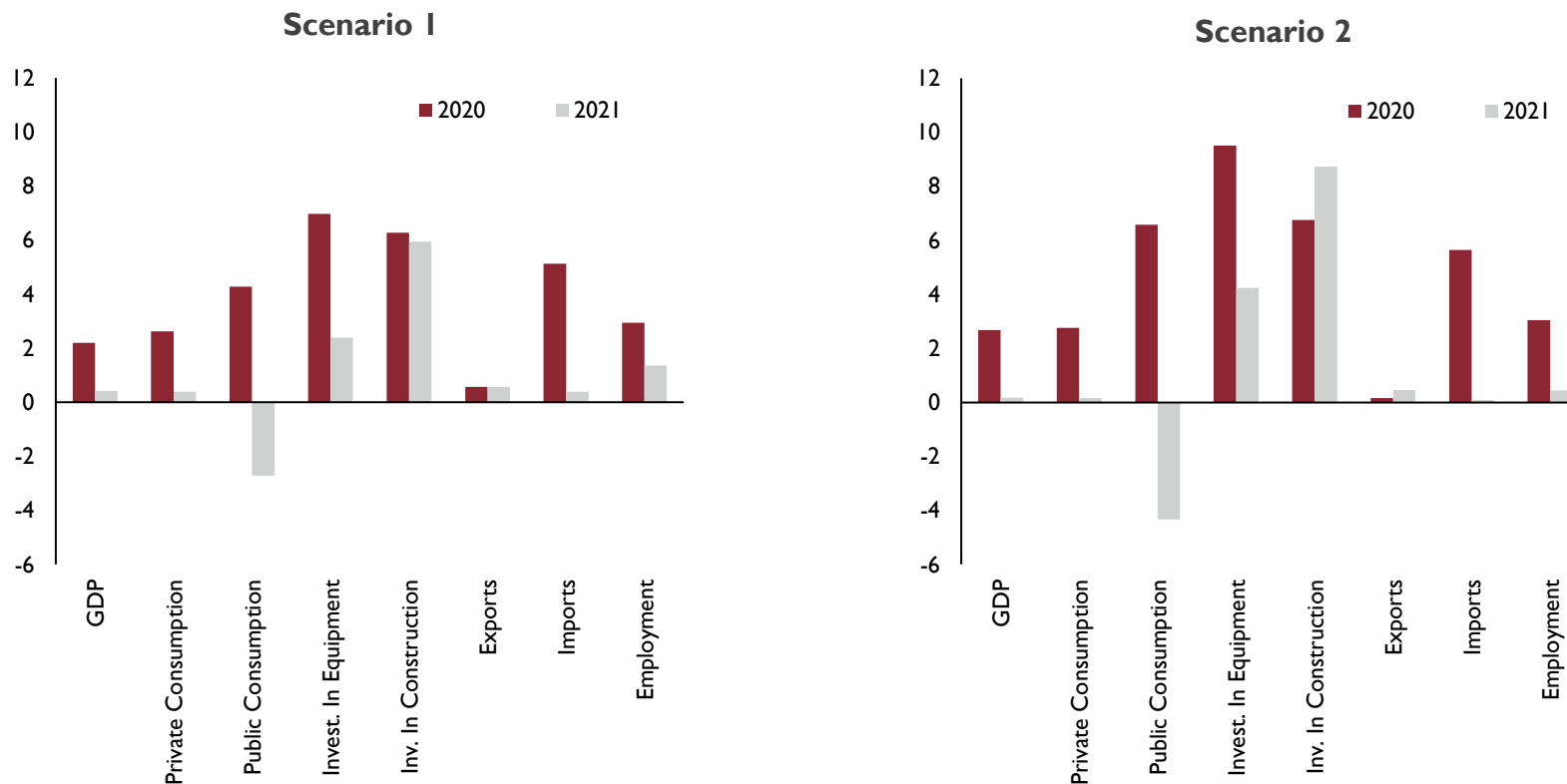
Variation in GDP level compared to the fourth quarter of 2019
(Index 2019Q4 = 100)



- The contraction in activity is concentrated in the first two quarters of 2020, with a cumulative loss of GDP of around 20%.
- At the end of 2021, GDP is expected to be around 5% of pre-crisis levels

The impact of economic policy measures and public consumption is expected to be especially significant in 2020

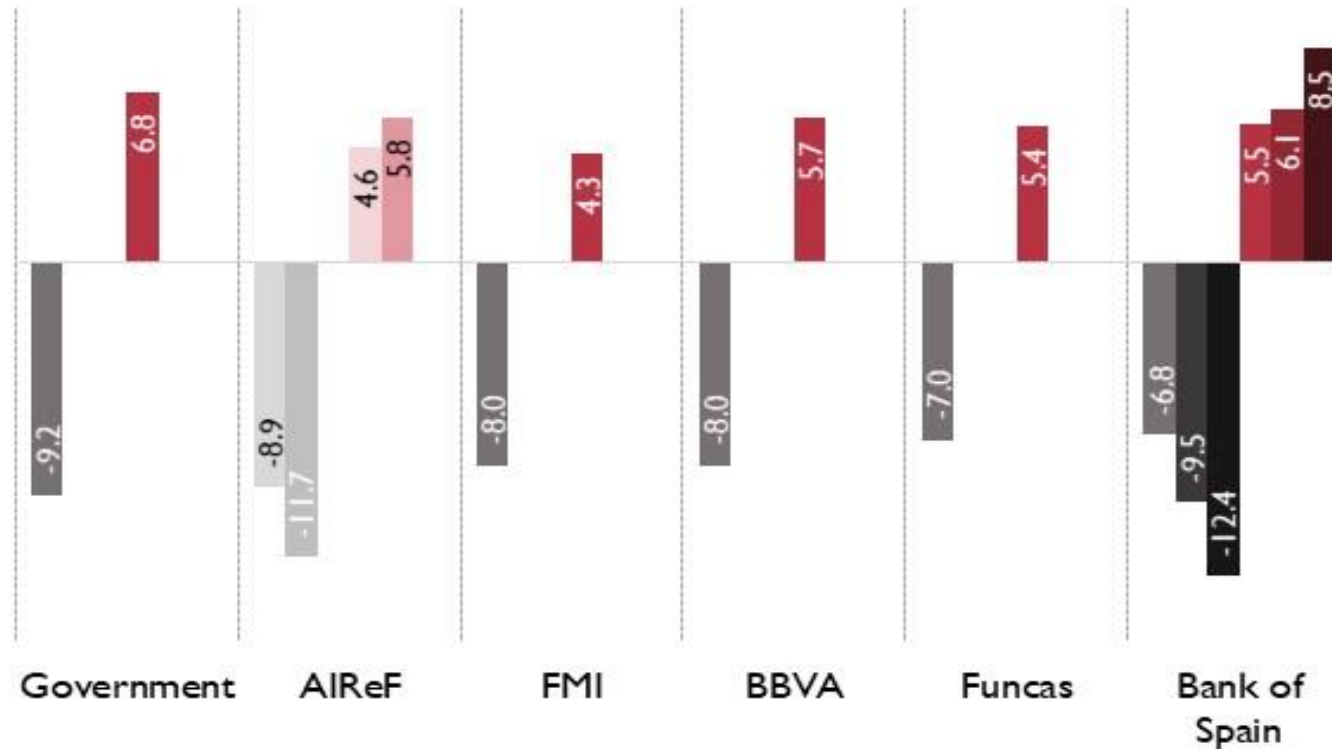
Estimated Impact of Measures (Deviations in Percentage Points Compared to the No-Policy-Change Scenario. In Volume)



The estimated impact on GDP is 2.2% in 2020 in scenario 1 and 2.7% in the most adverse scenario

AIReF's Endorsement

COMPARISON OF FORECASTS FOR GDP GROWTH IN SPAIN. 2020 and 2021 (% Var)



- AIReF endorsed the 2020-2021 SPU's macroeconomic outlook on 30th April
- The Government's macroeconomic scenario falls within the range of the forecasts made by AIReF itself and those of other public and private agencies.
- However, downside risks are observed in 2021

Ex-Ante Analysis of the Government's Macroeconomic Outlook

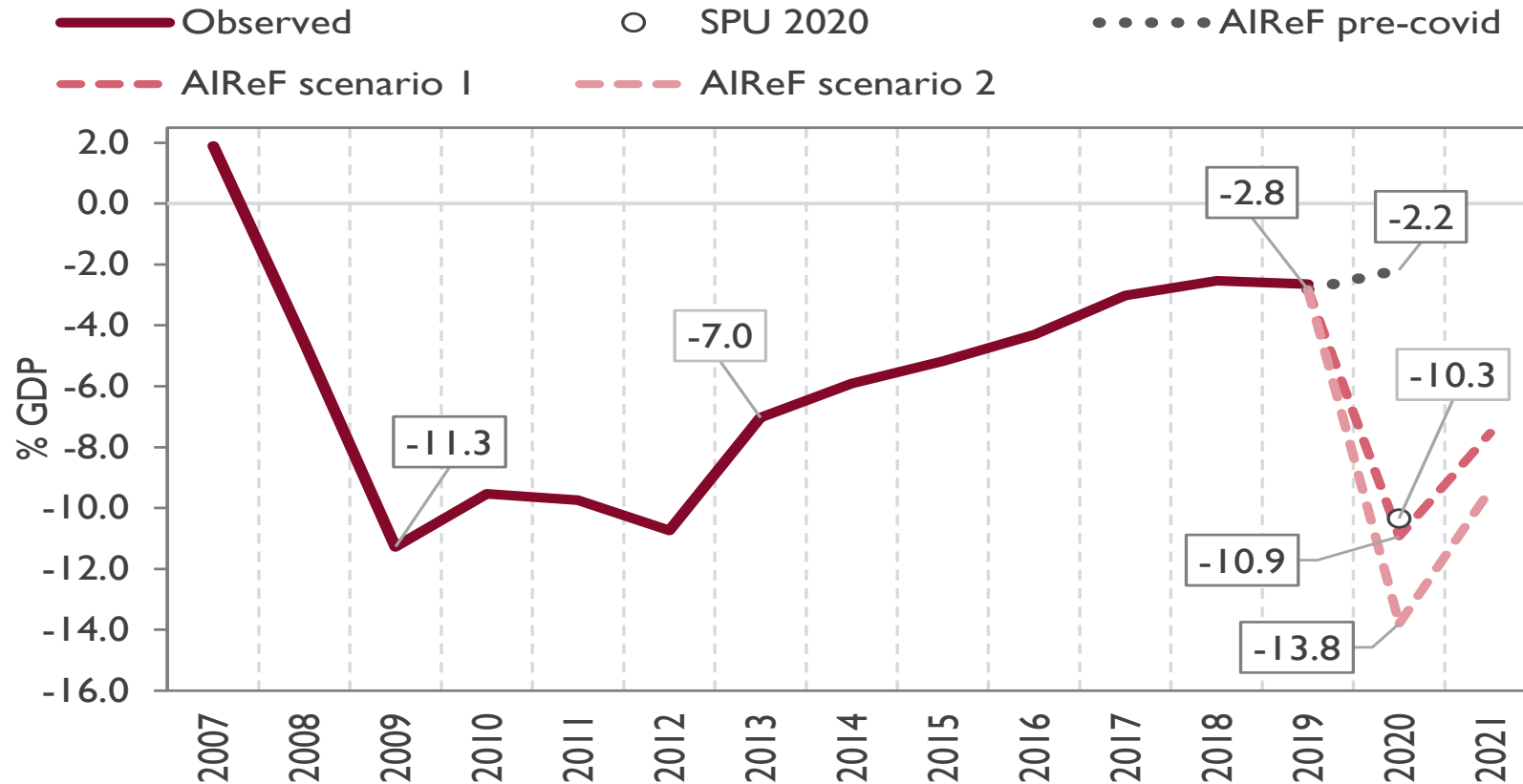
MACROECONOMIC SCENARIO	SCENARIO 1			SCENARIO 2		GOVERNMENT	
	2019	2020	2021	2020	2021	2020	2021
VOLUME							
GDP (% Y-oY. Unless otherwise stated)	2,0	-8,9	4,6	-11,7	5,8	-9,2	6,8
Consumption (contribution to GDP growth)	1,1	-4,2	1,7	-6,0	2,1	-6,5	2,1
Private consumption	1,1	-9,0	3,7	-13,0	5,3	-8,8	4,7
Public consumption	2,3	5,4	-1,8	7,7	-3,4	2,5	1,8
GFCF in Equipment	3,0	-36,2	18,5	-45,2	22,0	-37,0	32,5
GFCF in Construction and Intellectual Property	1,2	-18,7	10,7	-31,1	16,5	-25,0	12,5
Domestic Demand (contribution to GDP growth)	1,5	-9,1	3,8	-13,2	4,7	-9,7	5,8
Exports	2,6	-30,3	15,9	-35,7	13,1	-27,1	11,6
Imports	1,2	-34,3	15,4	-44,3	11,4	-31,0	9,3
External Demand (contribution to GDP growth)	0,5	0,2	0,7	1,5	1,0	0,5	1,0
PRICES	2019	2020	2021	2020	2021	2020	2021
GDP deflator	1,6	0,0	0,4	-0,5	0,5	-1,0	1,8
Private consumption deflator	1,2	-1,9	1,0	-2,4	1,0	-1,5	1,7
NOMINAL	2019	2020	2021	2020	2021	2020	2021
GDP	3,6	-8,9	5,0	-12,1	6,3	-10,1	8,7
Net Lending/Borrowing (% of GDP)	2,3	3,2	3,0	4,9	5,2	1,8	1,8
Current Operations vs RoW	-2,0	-2,8	-2,6	-4,4	-4,8	-1,4	-1,5
EMPLOYMENT	2019	2020	2021	2020	2021	2020	2021
Compensation of Employees	4,7	-9,5	3,4	-13,0	3,9	-7,9	6,8
FTEE	2,1	-9,7	2,6	-12,9	3,1	-9,7	5,7
Compensation per employee (Thousands of €, Y-o-Y)	2,2	0,1	0,7	0,1	0,7	2,0	1,0

- The main discrepancies are found in the intensity of recovery in investment and employment in 2021
- In contrast, public consumption for 2020 is expected to grow at a smaller pace than under AIReF's scenarios

3. Fiscal scenario

AIReF estimates a deficit of 10.9% of GDP in 2020, but does not rule out reaching 13.8% in a more adverse scenario

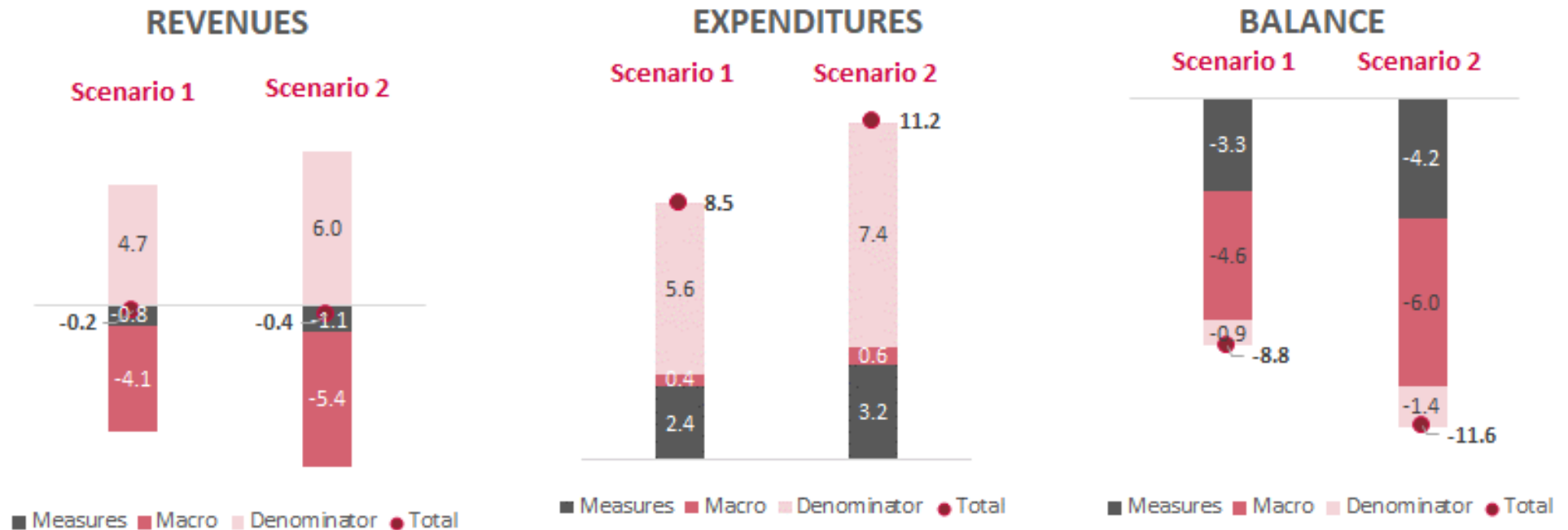
EVOLUTION OF THE PAS' BALANCE. (% GDP)



- Due to the temporary nature of the crisis, the PAs' deficit will decrease to 7.5% or 9.4% in 2020, depending on which scenario occurs



The impact of the COVID - 19 crisis on the PAs' deficit is expected to be between 8.8% and 11.7% GDP



- This impact on deficit is broken down into three factors:
 - Effect of the measures adopted by the PAs
 - Macroeconomic effect of the decrease in economic activity
 - Denominator effect:
 - For the same amount of expenditure or revenue and lower GDP → The weight of GDP rises
 - It amplifies the rise in expenditure and cushions the fall in revenue.

The measures adopted to date represent an increase in the deficit of between 3.3% and 4.2% GDP

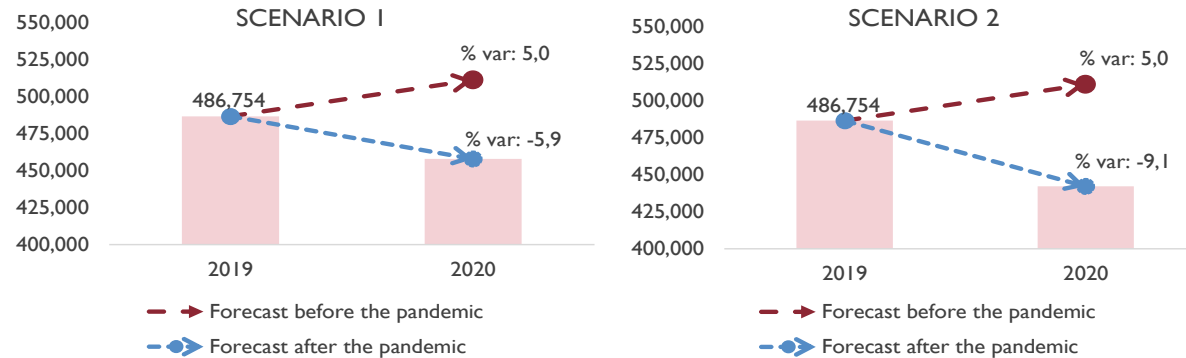
Impact of COVID19 measures (+ sign = greater deficit)		SPU		AIReF's ESTIMATE			
				Scenario 1		Scenario 2	
		Millions of €	% GDP	Millions of €	% GDP	Millions of €	% GDP
Central Administration		3,529	0.3	2,789	0.2	2,911	0.3
Expenditure measures		1,353	0.1	1,353	0.1	1,353	0.1
Health expenditure		1,147	0.1	1,147	0.1	1,147	0.1
Other social expenditure		206	0.0	205	0.0	205	0.0
Fiscal measures		2,176	0.2	1,437	0.1	1,558	0.1
Sanitary material COVID-19 VAT		1,046	0.1	317	0.0	317	0.0
CIT SME fractional payments tax base method				425	0.0	546	0.0
Waiver of the Personal Income Tax Objective Estimation Regime and the VAT simplified and special agrarian Regime		1,130	0.1	596	0.1	596	0.1
Proportional reduction in Objective Estimate by days in state of emergency				99	0.0	99	0.0
FSS		26,279	2.3	26,745	2.4	31,095	2.8
Temporary employment regulation forms (ERTEs)	Unemployment benefit	17,894	1.6	15,211	1.3	17,938	1.6
	Business contribution exemption	2,216	0.2	6,203	0.5	6,875	0.6
Self-employed	Extraordinary allowance for cessation of activity	3,767	0.3	3,623	0.3	4,270	0.4
	Contribution exemption	981	0.1	1,316	0.1	1,552	0.1
Temporary work disability (ILT)		1,355	0.1	343	0.0	412	0.0
Other measures		66	0.0	49	0.0	49	0.0
REGIONS (*)		634	0.1	6,654	0.6	9,737	0.9
Region income measures (without CSE transfers)		93	0.0	239	0.0	326	0.0
Region non-health spending measures (without transfers to LGs)		150	0.0	214	0.0	789	0.1
Region health expenditure measures		391	0.0	6,201	0.5	8,621	0.8
LGs		300	0.0	1,604	0.1	2,757	0.3
LG spending measures		300	0.0	941	0.1	1,611	0.1
LG income measures (without CSE and Region transfers)			0.0	662	0.1	1,146	0.1
TOTAL MEASURES		30,742	2.7	37,792	3.3	46,500	4.2

- High uncertainty about the impact, which is gradually reducing
- It is important to distinguish between temporary measures, almost all to date (95%), and permanent measures

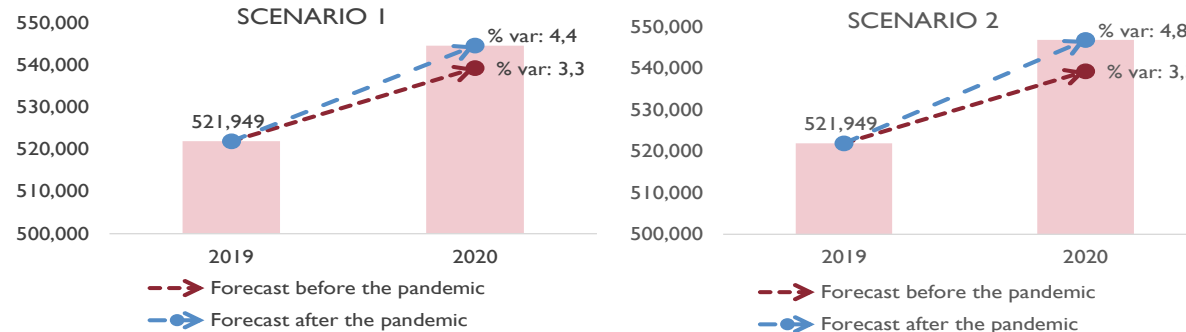
(*) The SPU only specifies the destination of a measure in the field of education and social services. The rest is included in epigraphs without indicating the destination, it has therefore been considered as health

Once the economic impact of the measures has been eliminated, the fall in activity will result in a deficit increase of between 4.6% and 6% GDP

Revenue



Expenditure



- Reduction in revenue of between 5.9% and 9.1% compared to 2019, although the pre-pandemic scenario predicted an increase of 5%.
- The fall in 2020 is cushioned in Personal Income Tax (PIT) and Corporate Income Tax (CIT) due to the effect of annual income campaigns and companies
- In expenditure, there is an increase in unemployment benefits

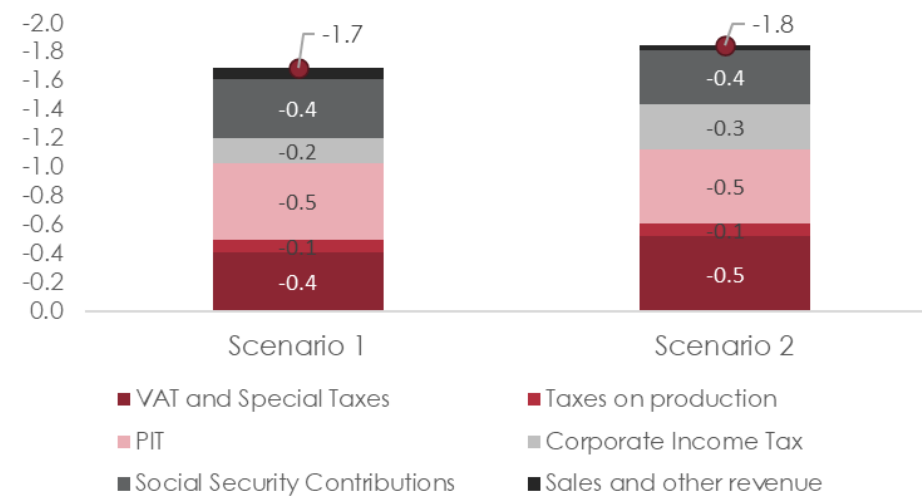
- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
 - A. Balance
 - i. COVID effect
 - ii. Impact measures
 - iii. Macro impact
 - B. Revenue
 - C. Expenditure
 - D. Sub-sectors
 - E. Sustainability
- 4. Recommendations

AIReF estimates that 2020 revenue will be between 39.5% and 39.4% GDP, both scenarios below the 41.2% forecasted in the SPU

REVENUE IN % OF GDP SPU VS AIReF

	SPU	AIReF	
		Scenario 1	Scenario 2
Total taxes	23.5	22.3	22.1
Indirect taxes	11.9	11.4	11.3
Direct taxes	11.1	10.4	10.3
Taxes on capital	0.5	0.5	0.5
Social security contributions	13.5	13.1	13.1
Property income and other current revenues	3.6	3.5	3.6
Other capital income	0.6	0.5	0.6
Total revenue	41.2	39.5	39.4

DIFFERENCE IN REVENUE BETWEEN AIReF AND SPU SCENARIOS (% GDP)



- Differences occur across all major tax figures
- Under the Government's macroeconomic scenario, revenue would continue to be lower than AIReF's estimates:
 - PIT: The SPU predicts a fall of only 2.4%
 - VAT: 5.2% decrease in collection while private consumption falls by 10.2%
 - Social security contributions: Differences in assessment of the measures

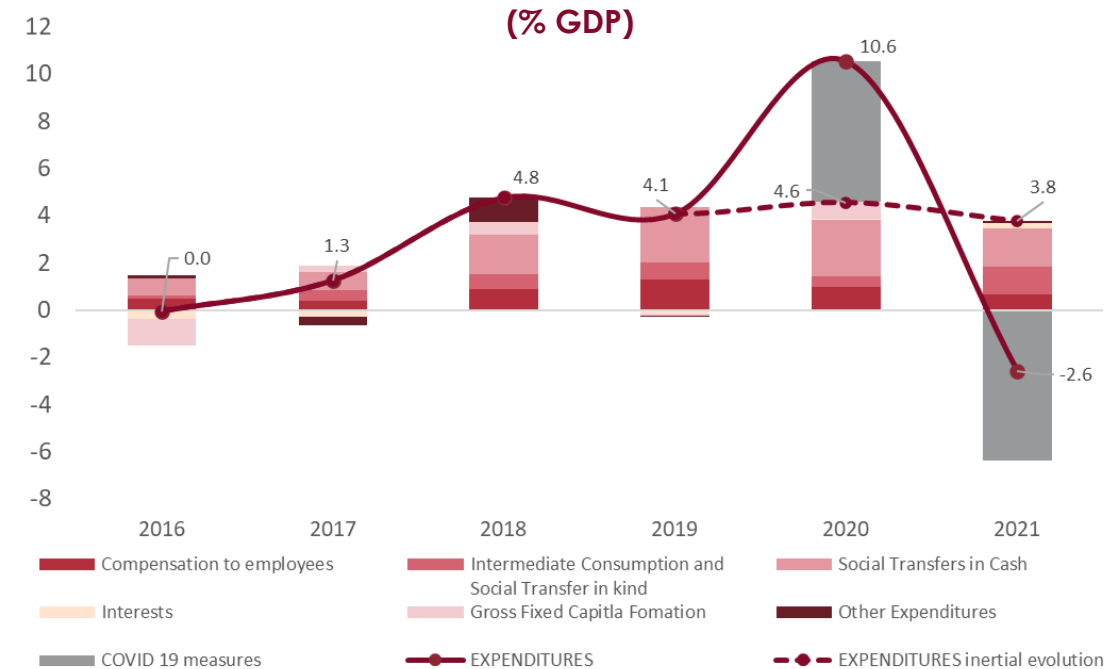
The SPU's expenditure forecast of 51.5% GDP falls between AIREF's two scenarios (50.4% and 53.2% GDP).

- 1. Introduction
- 2. Macro scenario
- 3. Fiscal scenario
 - A. Balance
 - i. COVID effect
 - ii. Impact measures
 - iii. Macro impact
 - B. Revenue
 - C. Expenditure
 - D. Sub-sectors
 - E. Sustainability
- 4. Recommendations

EXPENDITURE IN% GDP SPU VS AIREF

	SPU		AIREF	
		Scenario 1	Scenario 2	
Compensation of employees	12.7	12.5	13.1	
Intermediate consumption	6.2	6.0	6.3	
Social transfers in kind via market	3.2	3.1	3.3	
Social provisions (not in kind)	20.6	20.1	21.3	
Interest	2.6	2.5	2.6	
Gross capital formation	2.6	2.7	2.8	
Other capital income	3.7	3.6	3.7	
Total expenditures	51.5	50.4	53.2	

DIFFERENCE IN REVENUE BETWEEN AIREF AND SPU SCENARIOS



- There is inconsistency between the public consumption figures in the SPU's fiscal and macroeconomic scenario
- The SPU's expenditure falls between both of AIREF's scenarios in all headings
- In the absence of measures, the evolution of expenditure is similar to that of previous years



All sub-sectors will see their fiscal balance deteriorate, although to different extents

SCENARIO 1

	2020					
	Pre-pandemic forecast (1)	COVID effect			Total COVID effect (2) = (a)+(b)+(c)	Actual forecast (3)=(1)-(2)
		Denominator effect (a)	Measures effect (b)	Macro effect (c)		
PAs	-2.2	-0.9	-3.3	-4.6	-8.8	-10.9
AC	-0.9	-0.5	-0.4	-2.8	-3.7	-4.5
FSS	-1.3	-0.3	-2.2	-1.1	-3.6	-5.0
Regions	-0.3	-0.1	-0.6	-0.5	-1.1	-1.5
LGs	0.3	0.0	-0.1	-0.2	-0.3	0.0

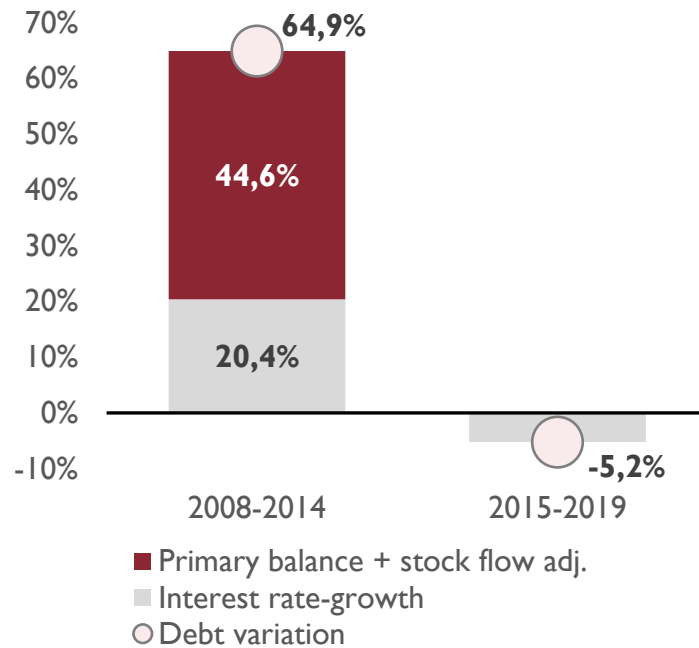
SCENARIO 2

	2020					
	Pre-pandemic forecast (1)	COVID effect			Total COVID effect (2) = (a)+(b)+(c)	Actual forecast (3)=(1)-(2)
		Denominator effect (a)	Measures effect (b)	Macro effect (c)		
PAs	-2.2	-1.4	-4.2	-6.0	-11.6	-13.8
AC	-0.9	-0.8	-0.4	-3.6	-4.7	-5.6
FSS	-1.3	-0.5	-2.8	-1.5	-4.8	-6.1
Regions	-0.3	-0.2	-0.9	-0.6	-1.6	-2.0
LGs	0.3	0.0	-0.2	-0.3	-0.5	-0.1

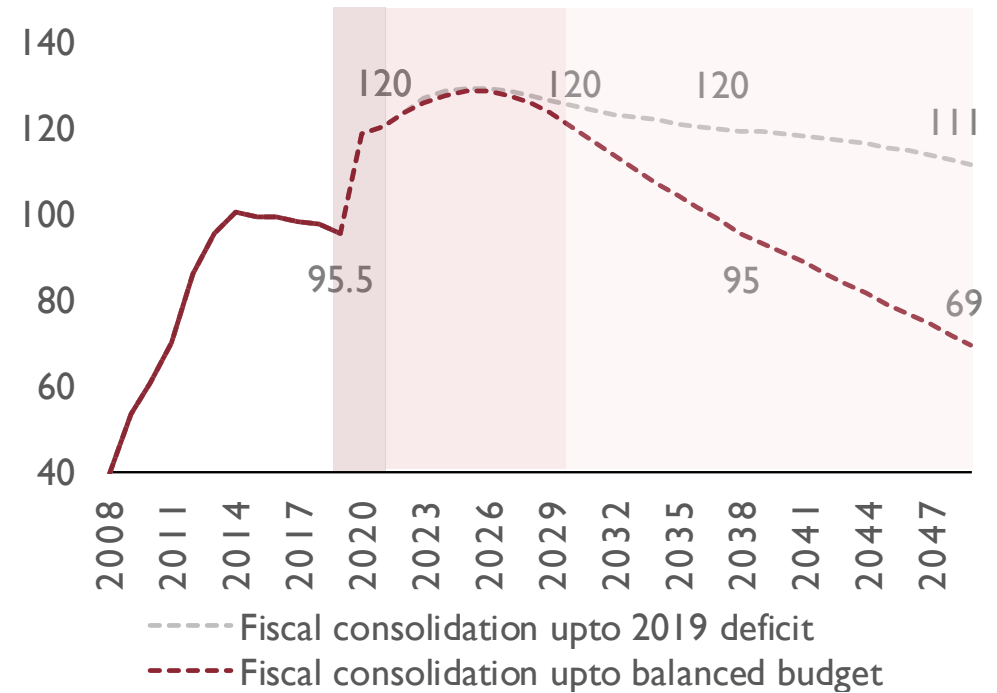
- The final distribution between sub-sectors will depend on transfers between PAs
- The AC will experience the greatest deterioration of revenue by not adjusting the instalment payments to realistic revenue forecasts
- The Regions will increase their deficit in 2021 and 2022 due to the drop in instalment payments and the negative settlement of 2020, which will be accentuated by the non-reimbursable fund announced

In 2020 debt-to-GDP will pick up between 20 and 27 percentage points

CONTRIBUTION TO THE CHANGE IN DEBT (%GDP)



PUBLIC DEBT PROJECTIONS UNDER ALTERNATIVE FISCAL CONSOLIDATION STRATEGIES (%GDP)



- At the end of 2020 debt-to-GDP ratio will be between 115% and 122% of GDP
- The starting fiscal position represents an additional strain to overcome the challenges posed by the crisis.
- In order to keep the 2021 debt level stable by 2030, simulations indicate it would be necessary to embark on a fiscal consolidation strategy similar to the one undertaken in the past decade.

4. Recommendations

New recommendations on the fiscal framework and the sustainability of public finances.

- Activation of the **exceptionality clause**
- Start working on a **Rebalancing Plan**
- Adequate planning of **permanent measures** and inclusion in the Rebalancing Plan
- Monitoring of measures that generate **contingent liabilities**, inclusion in the Rebalancing Plan and quarterly submission of information to AIReF

Recommendations reiterated in its endorsement of the macroeconomic scenario:

- The **fiscal scenario** should be sent, along with the macroeconomic outlook and **no-policy-change scenario**, to AIReF, as these enable better analysis of the impact of measures
- Signing an **agreement** to regulate information exchange



Autoridad Independiente
de Responsabilidad Fiscal

www.airef.es



[@AIReF_es](https://twitter.com/AIReF_es)

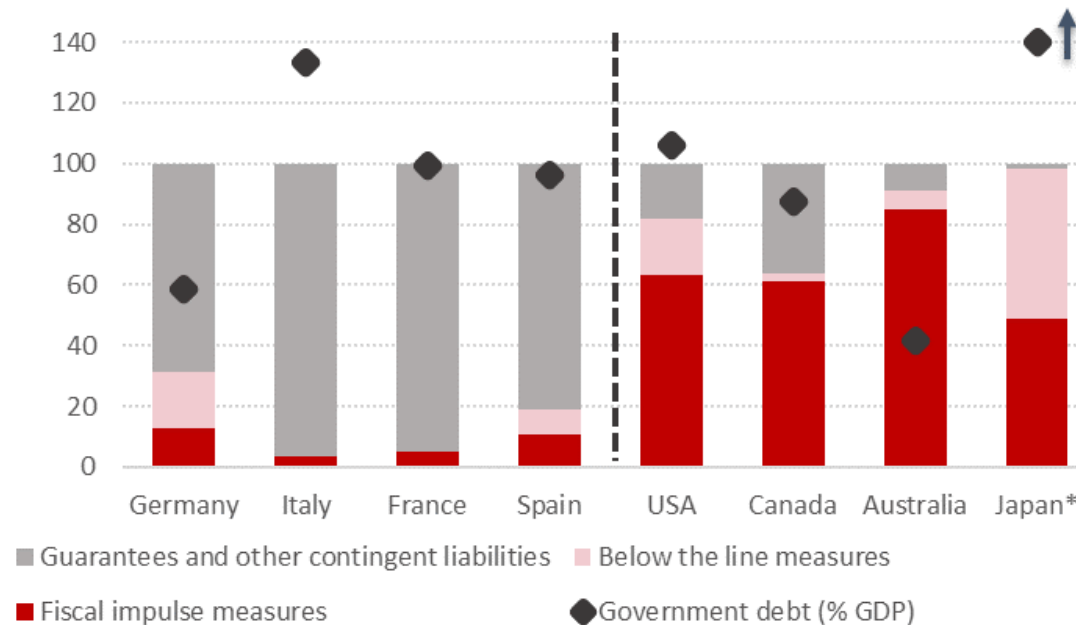
Approximation of the initial impact of confinement measures from the supply side

Degree of impact by sector of activity

	State of Emergency	Essential Activities
Activities that experience low impact (0%-10% with lower GVA)	Pharmaceutical products; Agriculture, forestry and fishing; Food industries; Telecommunications; Financial and insurance activities; Public administration and defence; Mandatory social security; etc.	Agriculture, forestry and fishing; Food industries; Beverage manufacturing and tobacco industry; Telecommunications; financial and insurance activities; Public administration and defence; Compulsory social security; etc.
Activities that experience medium (50% with lower GVA)	Textile industry; Paper industry; Graphic arts; Metallurgy and metal products; Retail trade; etc.	Up to 100% lower GVA
Activities that experience high impact (80%-100% with lower GVA)	Real estate activities; Sale and repair of motor vehicles and motorcycles; Hostelry; Travel agency activities; Air transport; Storage and activities related to transportation; Construction; etc.	

The economic authorities have designed expansive fiscal policies to mitigate the effects of the crisis

Percentage Composition of Fiscal Stimulus Packages
(% Over Total Measures)



Source: IMF, Fiscal Monitor (April 2020).

There are large differences in the composition of stimulus measures within and outside of the euro zone; implementation of guarantees and endorsements, as opposed to direct fiscal stimulus measures