

Isabel Schnabel: Interview with LETA



Interview with Isabel Schnabel, Member of the Executive Board of the ECB, conducted by Ingūna Ukenābele on 22 February 2021

25 February 2021

How would you describe the current economic situation in the euro area?

In the course of the pandemic, we have experienced the deepest economic downturn since World War II. After the strong decline in economic activity following the first wave of infections in the spring of 2020, we saw a strong rebound, supported by the decisive fiscal and monetary policy response. This positive development was interrupted by increasing infection numbers towards the end of last year, also affecting economic activity at the start of 2021. With respect to the health situation, we continue to face substantial uncertainty due to the new variants of the virus, which is posing some downside risks to the short-term outlook.

That being said, it seems that we are now much better able to deal with lockdowns than the first time around. There has been some adaptation, which means that the second lockdown will have less severe economic consequences than the first one.

Moreover, we are seeing quite a few encouraging signs. First of all, we now have a vaccine. The vaccination is progressing slowly, but steadily. The world economy is recovering more quickly than we had anticipated. And the sizeable fiscal package envisaged by the Biden administration will likely have positive spillover effects in the euro area. So we are seeing light at the end of the tunnel.

Looking ahead, fiscal and monetary policy support will remain crucial and must not be withdrawn prematurely. As regards monetary policy, we will ensure that there is no unwarranted tightening of financing conditions. A too abrupt increase in real interest rates on the back of improving global growth prospects could jeopardise the economic recovery. Therefore, we are monitoring financial market developments closely.

Once the pandemic starts to decline, can we expect to see a recovery as fast as the one we saw last summer?

It was encouraging to see how quickly the economy rebounded last year, and there is potential for a comparably quick recovery once the health crisis has been broadly contained. But the risk of scarring increases with the duration and frequency of lockdowns. This means that containing the virus must take absolute priority. Moreover, we should use the crisis as an opportunity for structural change. For example, we have seen a push towards a more digital economy. These shifts could support productivity growth in the future. That is why the efficient use of public funds, especially those of the "Next Generation EU" instrument, is so important. These funds should be used to foster the transition to a greener and more digital economy.

By how much will the euro area grow this year? When might it see a return to pre-crisis levels?

In our latest staff projections in December, we projected economic growth for the euro area to reach 3.9% in 2021. Due to the continued lockdowns, economic growth in the first quarter of 2021 may be somewhat weaker than expected. But in light of the positive developments to which I have alluded, the historically favourable financing conditions and an expansionary fiscal policy, annual growth is likely to be in the same ballpark as projected in December.

Based on our current projections, the euro area economy should be back at its pre-crisis level by mid-2022.

Is there a risk that the crisis caused by the pandemic could lead to greater inequalities in development within the euro area since wealthy economies have invested more in aid and development programmes than their less wealthy counterparts?

At the beginning of the pandemic, one of the fears was that those countries hardest hit by the pandemic would not respond appropriately due to a lack of fiscal space. Contrary to these expectations, this has not been a general pattern during the crisis. The fiscal support package at European level plays an important role in this.

But at the end of the day, what matters most is how public funds are used. Will they be channelled into productive investments? Will they be used to foster innovation? This is the best way to counter any potential divergence. Therefore, European funds need to be paid out quickly and then be used wisely.

Does the ECB pay attention to Member States' programmes? In Latvia, for example, there has been a lot of criticism about the programme drafted by the Ministry of Finance.

These discussions are taking place in every country, and it is the European Commission's role to evaluate these programmes. Overall, the policy response that we have seen in the euro area has been well-suited to counter the pandemic shock. Job retention schemes, which have kept around ten million people all over the euro area in work, have been crucial to prevent a sharp increase in unemployment. Another important component has been the support to corporates to avoid that firms that would be viable in normal times would be forced to file for bankruptcy. These were some of the most important steps taken and they have worked very well, particularly in combination with monetary policy, which has provided favourable financing conditions for firms, households and governments – thereby reinforcing the fiscal response.

Are there differences in how the crisis is being overcome by euro area countries and non-euro area EU countries?

Overall, the response to the crisis has been quite similar. EU countries outside the euro area have faced a serious second wave of infections, resulting in renewed lockdowns. As EU members, they also have access to the "Next Generation EU" programme. Monetary policy in those countries has responded to mitigate the consequences of the pandemic. And the ECB has supported this response by providing euro liquidity through swap and repo lines.

Baltic states are some of the youngest members of the euro area. Is it easier for them to go through this crisis as euro area members given that some people still have their doubts about the single currency?

The Baltic states have also experienced a severe economic downturn due to the pandemic. But compared to the euro area as a whole, they have performed better: the decline in real GDP in 2020 has been among the smallest in the euro area. It is of course worth mentioning that their starting position was relatively good.

The ECB has provided crucial support to all euro area countries. During the financial market turbulence in March 2020, the ECB's reaction was essential in order to prevent a severe financial crisis. Systemic risk indicators were at levels comparable to those observed at the time of the global financial crisis. Due to our swift policy response, the ECB was able to calm financial markets relatively quickly.

Since then, the focus of monetary policy has shifted to providing favourable financing conditions in order to bring inflation back to a level that is consistent with our medium-term aim. The pandemic has put downward pressure on inflation, which we have countered through the introduction of various crisis measures, particularly through our new asset purchase programme, the pandemic emergency purchase programme (PEPP), and our longer-term refinancing operations.

The Baltic states have benefited substantially from all these measures. The euro has provided stability at a time of great uncertainty.

How long can the era of low interest rates last in your view? What will be the preconditions for this to change?

The low interest rate environment is driven by long-term structural trends such as demographics, which play an important role in the Baltic states, globalisation and a decline in productivity growth. There is a relatively strong desire to save and a subdued willingness to invest, which is putting downward pressure on interest rates not just in Europe, but across all advanced economies. These trends can of course reverse. For example, ageing societies may start to consume more, for example when it comes to medical services or long-term care. We may also see innovation, for example in green technologies. Such innovation could push up productivity growth, which would also boost investment. Whether this happens depends to a considerable extent on government policies, namely on structural policies and public investment.

We do not expect these long-term macroeconomic trends to reverse in the short term, but we shouldn't think that it will not happen at all. Anyone who has studied economic history knows that such trends can reverse. However, the timing is difficult to predict.

Do you see money being invested in the economy? In Latvia there is a feeling that low interest rates are not enough to lift the bank credit market, for example.

The pandemic is a time of exceptionally high uncertainty. In times like these, people typically save more. This could be forced saving due to the lockdowns, but of course part of these savings are precautionary because people are uncertain about the economic outlook. So there is typically more saving, and at the same time there is less investment because of high uncertainty. For the recovery, it is very important that consumers start consuming and firms start investing again. Confidence is key here, and both fiscal and monetary policy can help restore lost confidence and thereby stimulate demand.

How would you describe what is happening in financial markets, including the banking sector? How stable are eurozone banks at the moment? In many people's minds, the word "crisis" means that there are problems with banks and their savings.

This crisis is very different from the global financial crisis. Banks entered this crisis in relatively good shape. That is also true for the Baltic banks. In particular, banks were relatively well capitalised, which meant that they could be part of the solution to this crisis rather than being the cause of the problem.

This rather benign development was supported by fiscal, supervisory and monetary policy.

On the fiscal side, we saw loan moratoria and guarantees, while supervisors

relaxed their requirements. Both types of measures played a decisive role in supporting the banking sector. On the monetary policy side, central bank measures provided ample liquidity at highly favourable terms, which enabled banks to continue lending.

Due to the support measures, the number of insolvencies is currently very low. The critical point will be reached when these measures are phased out. There is the risk of a cliff effect that could spill over to the financial sector, and we could see an increase in non-performing loans. Our analysis shows that euro area banks should be able to cope with this as long as the support is not withdrawn too early and too abruptly, and as long as the overall conditions remain favourable, including the financing conditions provided by the ECB. But we should expect many firms to come out of this crisis with much higher debt levels.

How do the Baltic banks look in terms of this risk of non-performing loans?

The Baltic states are facing the same risk of a cliff effect. Many firms are experiencing rising indebtedness, and not all of them are going to survive. The pandemic creates challenges in all euro area countries.

In the Baltic and Nordic countries, preventing money laundering was a very hot topic before the pandemic. There were a number of scandals and strict rules were adopted. What is your assessment of the fight against money laundering in the euro area as a whole? Where are the biggest problems now?

The fight against money laundering and terrorist financing is crucial to preserve the integrity of the financial sector and public trust in financial institutions. This is primarily the responsibility of national authorities, while the ECB is responsible for supervising significant banks in the euro area. Of course, we collaborate and exchange information.

However, when it comes to cross-border issues, national responsibilities may not be sufficient. If there is limited enforcement in any single country, this can lead to negative spillover effects to the entire euro area. So I think a more European approach may be needed. This starts with further harmonising national rules. Moreover, it should be considered whether the fight against money laundering could not be conducted more efficiently at the European level. These ideas are also included in the European Commission's action plan on anti-money laundering.

Don't you think the European Commission is being too slow here? We have been talking about these issues for years.

There are good reasons to argue that these issues should be tackled quickly. But elevating powers and responsibilities to the European level is a difficult political issue and takes time. Regarding harmonisation, some progress could be achieved more quickly.

When can we expect a digital euro?

The introduction of a digital euro is still an open issue. In October 2020, the ECB published its first report on a digital euro. This report served as

the foundation for a public consultation process, which generated a lot of interest. We will most likely take a decision by the middle of the year as to whether we will launch a digital euro project, starting with an investigation phase. Of course, we are closely coordinating our plans with the European Commission. There are also important technical aspects that still need to be clarified. Let me stress that these discussions are still ongoing. No formal decision has been taken yet. The whole process will take several years.

Will there be public trust in a digital currency?

Public trust in a digital currency will be determined by the public trust in the central bank that issues it. There is a very high level of trust in the euro, and I have no doubt that we can generate the same level of trust in a digital euro.

Article – European strategy for data: what MEPs want



Data is at the heart of the EU's digital transformation that is influencing all aspects of society and the economy. It is necessary for the development of [artificial intelligence](#), which is one of the EU's priorities, and presents significant opportunities for innovation, recovery after the Covid-19 crisis

and growth, for example in health and green technologies.

Read more about [big data opportunities and challenges](#)

Responding to the European Commission's [European Strategy for Data](#), Parliament's industry, research and energy committee called for legislation focussed on people based on European values of privacy and transparency that will enable Europeans and EU-based companies to benefit from the potential of industrial and public data in a report adopted on 24 February 2021.

The benefits of an EU data economy

MEPs said that the crisis has shown the need for efficient data legislation that will support research and innovation. Large quantities of quality data, notably non-personal – industrial, public, and commercial – already exist in the EU and their full potential is yet to be explored. In the coming years, much more data will be generated. MEPs expect data legislation to help tap into this potential and make data available to European companies, including small and medium-sized enterprises, and researchers.

Enabling data flow between sectors and countries will help European businesses of all sizes to innovate and thrive in Europe and beyond and help establish the EU as a leader in the data economy.

The Commission projects that the data economy in the EU could grow from €301 billion in 2018 to €829 billion in 2025, with the number of data professionals rising from 5.7 to 10.9 million.

Europe's global competitors, such as the US and China, are innovating quickly and applying their ways of data access and use. To become a leader in the data economy, the EU should find a European way to unleash potential and set standards.

Rules to protect privacy, transparency and fundamental rights

MEPs said rules should be based on privacy, transparency and respect for fundamental rights. The free sharing of data must be limited to non-personal data or irreversibly anonymised data. Individuals must be in full control of their data and be protected by EU data protection rules, notably the General Data Protection Regulation (GDPR).

The committee called on the Commission and EU countries to work with other countries on global standards to promote EU values and principles and ensure the Union's market remains competitive.

European data spaces and big data infrastructure

Calling for the free flow of data to be the guiding principle, MEPs urged the Commission and EU countries to create sectoral data spaces that will enable the sharing of data while following common guidelines, legal requirements and protocols. In light of the pandemic, MEPs said that special attention should be given to the Common European Health Data Space.

As the success of the data strategy depends largely on information and communication technology infrastructure, MEPs called for accelerating technological developments in the EU, such as cybersecurity technology, optical fibres, 5G and 6G, and welcomed proposals to advance Europe's role in supercomputing and quantum computing. They warned that the digital divide between regions should be tackled to ensure equal possibilities, especially in light of the post-Covid recovery.

Environmental footprint of big data

While data has the potential to support green technologies and the [EU's goal to become climate neutral by 2050](#), the digital sector is responsible for more than 2% of global greenhouse gas emissions. As it grows, it must focus on lowering its carbon footprint and [reducing E-waste](#), MEPs said.

EU data sharing legislation

The Commission presented a European strategy for data in February 2020. The strategy and the White paper on artificial intelligence are the first pillars of the Commission's digital strategy.

Read more about [artificial intelligence opportunities and what the Parliament wants](#)

The industry, research and energy committee expects the report will be taken into account in the new Data Act that the Commission will present in the second half of 2021.

Parliament is also working on a report on the [Data Governance Act](#) that the Commission presented in December 2020 as part of the strategy for data. It aims to increase data availability and strengthen trust in data sharing and in intermediaries.

Parliament is set to vote on the committee report during a plenary session in March.

Press release – Press Conference by EP President Sassoli on EU summit and COVID-19



When: Thursday 25 February at 15.30

Where: EP Press room and via Interactio

President David Sassoli is set to convey Parliament's position and answer journalists' questions regarding the EU's response to the COVID-19 pandemic, particularly on the production and rollout of vaccines as well as on lessons learnt from the pandemic. He will also comment on the European Security and Defence Policy and EU relations with the Southern Neighbourhood.

Interpretation will be available at the press conference in Italian, English, French and German.

Journalists wishing to actively participate and ask questions, please connect via Interactio by using this [link](#).

You can also follow it live from 15.30 CET via Parliament's [webstreaming](#) and [EbS](#).

Information for the media – Use Interactio to ask questions

Interactio is only supported on iPad (with the Safari browser) and Mac/Windows (with the Google Chrome browser).

When [connecting](#), enter your name and the media you are representing in the first name / last name fields.

For better sound quality, use headphones and a microphone. Interpretation is

only possible for interventions with video.

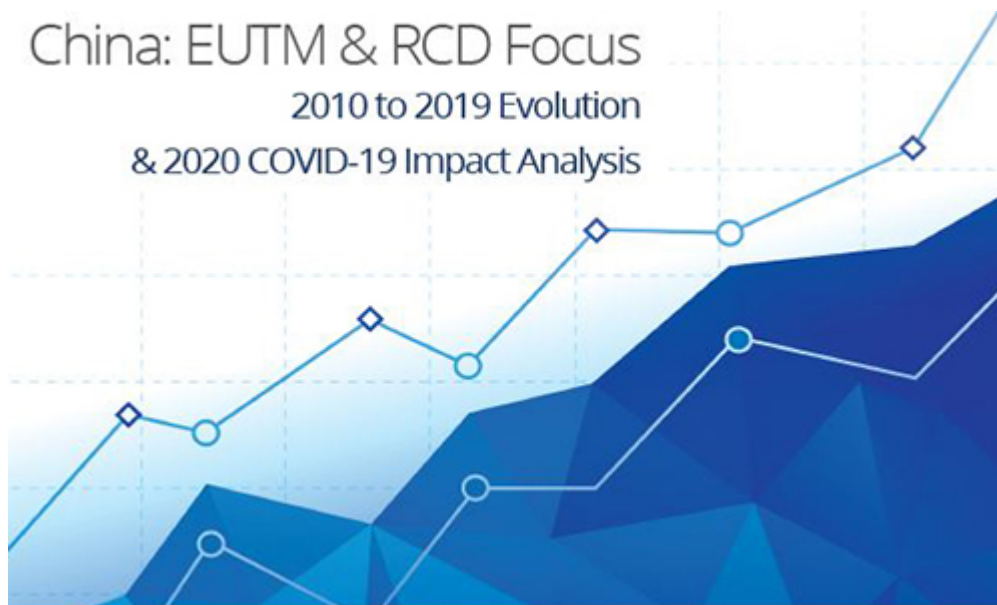
Journalists are asked to connect a few minutes before the start of the press conference to perform a connection test. Technical assistance can be provided if necessary via the chat box.

For more details, check the [connection guidelines](#) and [recommendations for remote speakers](#).

China: EUTM and RCD Focus – 2010 to 2019 Evolution & 2020 COVID-19 Impact Analysis

February 24, 2021 [General](#)

China: EUTM and RCD Focus – 2010 to 2019 Evolution & 2020 COVID-19 Impact Analysis



The remarkable growth in filings for EU trade marks and designs by Chinese applicants may have come to prominence during **2020** – especially following the onset of the COVID-19 pandemic – but this story starts much earlier.

The latest China Focus Report was initially developed to study the exponential growth in interest from Chinese applicants over the decade from **2010** to **2019**. This trend was clearly identified in the previously published EUIPO [Trade Mark Focus](#) and [Design Focus](#) reports and this new report provides more detailed information regarding top Chinese applicant/owner and class filing/registration volumes and rates, as well as data concerning straight-

through applications and objection/deficiency rates.

However, the global COVID-19 pandemic is currently impacting and disrupting human societies, provoking health and economic crises in major economies and developing countries. Several of the 'Top 10' countries, in terms of EUTM and RCD filings, are amongst the hardest hit. Therefore, the EUIPO feels that the picture would not be complete without an update on the impact this unprecedented upheaval is having on the filings for EU IP rights.

This analysis focuses specifically on the preponderant influence of demand from China on overall application volumes for both EUTMs and Direct RCDs since the pandemic began to spread globally, that is, during the first few months of **2020**. This general expansion can clearly be seen in the notable increase in the Chinese share of overall EUTM filings (from **9.5 %** in **2019** to **16.2 %** in **2020**) and Direct RCD filings (from **14.3 %** in **2019** to **19.1 %** in **2020**).

The predominance of technology-based enterprises, such as **Huawei**, in the Top 10 ranking of EUTM applicants from China is echoed in the distribution of the Top 10 Chinese EUTM classes filed for, with **Class 9** (*electrical apparatus; computers*) accounting for **20 %** of all Chinese EUTM class filings from **2010** to **2019**.

The most relevant fluctuation in Chinese EUTM class filings for **2020** concerns **Class 10** (*medical apparatus & instruments*). Indeed, more than **25 %** of overall **Class 10** filings in **2020** originated from Chinese applicants. This fact demonstrates a strong correlation between the increased global demand for personal protective equipment (PPE) and Chinese efforts to meet this demand by significantly increasing their production and supply of goods such as medical-grade gloves and masks.

For more detailed information on how increasing Chinese demand for EU IP rights is impacting overall filing dynamics, please read the new [China: EUTM and RCD Focus – 2010 to 2019 Evolution & 2020 COVID-19 Impact Analysis](#)

EIB Group in Poland in 2020: strong support for COVID-19 response and for green recovery



©martin-dm/Getty Images

- **Total financing reached €5.2 billion**
- **One third of the financing contributed to build resilience against the pandemic**
- **41% of the funds supported climate action and environmental sustainability, making 2020 a record year for EIB green investments in Poland**
- **Financing for innovation included projects in renewable energy, mobility and biotech**

In a year heavily marked by the COVID-19 pandemic, the EIB Group confirmed its strong support to the Polish economy, providing **€5.2 billion** of overall financing to the country's public and private sectors. Volumes delivered in 2020 were largely in line with the trend of the previous years, a sign that the country responded swiftly to the pandemic and continued to invest in the future despite the forced downturn.

Loans granted by the European Investment Bank (EIB) amounted to **€4.6 billion**, while the European Investment Fund (EIF) provided **€660 million** in guarantees and equity investments to small and medium-sized businesses and mid-caps. In absolute terms, Poland was the fifth biggest recipient of EIB Group financing among the 27 EU Member States after Italy, France, Spain and Germany.

This overall financing represents around **1%** of Poland's GDP, making the country the first recipient of EIB Group financing on a "per GDP basis" among the 15 largest EU economies.

"If anything can be learnt from the past year, it is that emergency action can and must be accompanied by investments in the future. It is indeed significant that in 2020 the EIB Group not only maintained a high level of

support to the Polish economy, but it also managed to invest around one third of its funds into COVID-19 related response initiatives and around 40% into climate action and environmental sustainability. We scaled up our green financing and we will continue to do so this year, while helping the public and private sectors to cope with the pandemic. A green recovery and support for innovation are two goals shared by Poland and the EIB” – said **EIB Vice-President Teresa Czerwińska**, who is in charge of operations in Poland.

“A sustainable development and climate action are very important goals for Poland. The Covid-19 pandemic has shown clearly that we also have to invest much more in the digital area. Development of cutting-edge technologies will be crucial in the process of digitalization of our economies and will help our citizens in their work and various social activities. I encourage the EIB to back Poland in financing our digital projects” – said **Tadeusz Kościński**, Minister of Finance, Development Funds and Regional Policy.

COVID-19 response

The EIB provided support to the **government’s Anti-Crisis plan** to fight the pandemic and its economic and social consequences, with a EUR 650m loan to the [Ministry of Finance](#) for COVID-19 financing, which was signed in September. A milestone was the first operation in December with the development fund [Polski Fundusz Rozwoju \(PFR\)](#), which saw the EIB engaged in a bond buying operation for PLN 500m (€110 million) to support the Financial Shield Program, a key nationwide initiative that aims to protect employment and ensure access to financing during a period of severe economic disruption. A second bond buying operation for PLN 2 bn was signed in early February 2021.

Other operations included loans to Small and Medium-sized Enterprises (SMEs) and to municipalities. A EUR 10 m loan to [Scope Fluidics](#) came in support of the biotech sector, contributing to research on diagnostics, including for infectious diseases like COVID-19.

Overall EIB Group financing for projects and initiatives linked to the pandemic response in Poland corresponded to about **one third** of the total financing to the country last year.

Green recovery, energy transition and mobility

The EIB scaled up its financing in support of Poland’s energy transition. Two major operations were signed with [Pomerania Wind Farm](#), a local subsidiary of the Lithuanian group Ignitis Renewables, and with the German developer company [wpd AG](#), for the construction of on shore wind farms. The latter project was financed jointly with Landesbank Baden-Württemberg (LBBW) and received the backing of the European Fund for Strategic Investments (EFSI).

The EIB also signed its first operation to build solar plants with [Energy Solar Projekty](#), a subsidiary company of the Energy and Infrastructure SME Fund managed by the Lithuanian-based investment management company Lords LB Asset Management.

Two operations signed last year are helping to create around Wroclaw an **ecosystem for the production of electrical vehicle batteries**. In March, the EIB signed a €480 million loan agreement with [LG Chem Wroclaw Energy](#), the Polish subsidiary of the LG Chem Group, for the construction and operation of highly automated and innovative manufacturing facilities for advanced lithium-ion (li-ion) cells and batteries for battery-powered electric vehicles (BEVs). In June, the Bank signed a €125 million loan with [Umicore](#), the Belgian-based global materials technology and recycling group, to finance the greenfield production facility for cathode materials that will be supplied to battery manufacturers of high-tech lithium-ion batteries, including LG Chem.

The EIB continued to finance the **sustainable development and revitalization plans of Polish cities and regions**. In 2020, 17 cities and regions received EIB loans, for PLN 4.4 billion (equivalent to approximately €1 billion) in aggregate. The first EIB loan to a Polish city below 100.000 people (Ostrow Wielkopolski) was signed in September thanks to a joint financing scheme launched with BGK that will be followed by more such loans under a new PLN 700m programme for small and medium municipalities approved at the end of 2020.

Within its urban financing, the EIB also supported environmental-friendly public transport in cities, including the metro in Warsaw, tramways in Krakow and commuter trains in the Tri-City (Gdansk-Gdynia-Sopot). National rail networks PLK and PKP Cargo also received backing.

Overall, in 2020, **climate action and environmental sustainability projects reached 41%** of the total EIB group financing in Poland (record year).

EFSI: Poland part of the success story of the Juncker Plan

Poland has also been an important recipient of funds under the European Fund for Strategic Investments (EFSI), the main pillar of the [Investment Plan for Europe](#) (Juncker Plan), a joint initiative of the EIB and the European Commission running between 2015 and 2020.

As of 31 December 2020, approved financing under EFSI reached **€4,2 billion** (of which **€276 million** in 2020), which are expected to trigger **€21,9 billion** of mobilised investments. This made Poland rank fifth among EU countries in terms of funds received. The EIB Group looks forward to making the most of InvestEU, the successor of EFSI under the European budget 2021-2027.

To learn more about the EIB in Poland:

Poland [page](#)

List of 2020 press releases: [link](#)