



## Bernd Spalt

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# Coronavirus has the power to transform Europe towards deeper integration

Without question, the coronavirus crisis is the largest threat to public health in living memory. Even though the real economic impact is not fully visible yet, most experts agree that we are facing an unprecedented hit on both the supply and demand side, with a lasting impact comparable only to such major disruptions as the global financial market crisis of 2007/08 or the oil crisis of the early 1970s. Above all, this crisis falls into the category of 'black swan events', which are hard to foresee and even harder to prepare for.

The sheer magnitude and unclear progression of the current crisis have the potential to stun the global economy far beyond the second half of this year, as is now commonly assumed. But there is one element of encouragement as efforts ramp up to address this challenge: despite the world's rather inevitable unpreparedness for this particular black swan, most economies were actually in rather good shape when the coronavirus first hit. Also, central banks and governments have reacted quite swiftly, which may be a lesson from the 2008/9 crisis, when the first round of reactions in parts of the world were too slow and faint-hearted.

As the infection numbers start to peak in Europe and the US, the focus of public debate is shifting from protecting people's lives and livelihoods to restarting the broader economy. That is also why this is the right moment to take a closer look at what has changed in the economy and what this means for the banking sector.

Currently, governments are acting swiftly to keep their economies afloat. There is no doubt that they are guided by the right motivations, even as many details of these measures' implementation are still being worked out. All these measures have bought us some time, but we all know that the relief they offer can only be temporary and efforts to further strengthen the real economy will be needed in the coming months. We as the banking sector stand firmly by our commitment to support the customers and finance the real economy. Banks understand that they are key parts of the critical infrastructure on which societies rely (especially in such crises) and have undertaken massive – and successful – efforts to keep things up and running for their customers. Banks like Erste Group have been able to rely on their sustainable and resilient business model, with its digital offering and physical branch infrastructure. More generally, banks have shown that they are ready to support society by addressing the needs enterprises have in order to overcome their short-term difficulties. It is in the private sector that jobs are being created, where families generate their income, and where Europe produces its wealth.

Going forward we need a medium-long term framework to organize and coordinate the management of this crisis – a framework which takes into account the specific roles of politicians, banks and supervisors alike. In some markets we do see first signs of patchwork-like actions at national levels that fail to reflect the need for coordinated responses within the broader European context. We, as banks, need flexibility to be able to help. What is not needed are any additional obstacles to the free movement of capital or ring-fencing measures. What's more, governments should try to remove any unnecessary hurdles in the existing frameworks.

As a strategic investor in Central and Eastern Europe, Erste Group remains strongly committed to its home region. For this reason, we believe that a coordinated response involving all relevant stakeholders at the regional level makes sense and could draw on the successful model provided by the Vienna Initiative. It is astonishing that a virus that does not stop at any border has been treated – from an economic perspective – almost independently by all countries. This virus has the power to transform Europe, either towards more nationality or towards deeper integration. Going forward we remain committed to capital market development, support the European Banking Union and ultimately support any measures to foster deeper European integration. ●