Box 2.1

STABILISATION MEASURES: MORATORIA AND ICO GUARANTEES

The grave pandemic-induced economic crisis has forced the majority of European countries to implement urgent and specific support programmes, such as the moratoria and State guarantees.

A moratorium temporarily defers loan repayments for a set period of time. Initially legislative moratoria for mortgage loans and non-mortgage loans to vulnerable individuals affected by the pandemic were established (Royal Decree-Laws 8/2020 and 11/2020). Specific legislative moratoria were subsequently approved for firms in the tourism and transportation sectors (Royal Decree-Laws 25/2020 and 26/2020). In addition to the legislative moratoria, financial institutions voluntarily implemented banking sector moratoria via their associations,[1] thus widening the group of beneficiaries of debt deferrals and extending the grace periods.

In Spain at 31 December 2020, more than 1.3 million moratoria on payments had been granted to around 1.8 million beneficiaries, of whom 77% were wage and salaried workers and 23% were self-employed. In total, these deferrals have affected exposures amounting to €54 billion, of which 42% correspond to legislative moratoria and 58% to banking sector moratoria.

The central government has provided State guarantees on a certain percentage (up to 80% of the principal) of financing extended to firms and the self-employed to cover liquidity needs and for new investments. To be eligible, the borrowers had to be domiciled in Spain and not be in default nor subject to insolvency proceedings.

Two guarantee facilities have been implemented for up to €100 billion and €40 billion, respectively (Royal Decree-Laws 8/2020 and 25/2020). Overseen by the Official Credit Institute, both facilities are processed through the credit institutions, which assess the viability of the borrowers and assume the risk for the unsecured portion of financing.

In Spain at 31 December 2020, some 944,000 loans had been guaranteed, corresponding to more than 591,000 firms and accounting for 87% of the initial programme. This injected €114 billion of liquidity, 70% of which was extended to the self-employed and SMEs and the remaining 30% to large firms.

The banking sector has been in constant contact with the economic authorities, creating an environment of close cooperation that has allowed the measures to be introduced swiftly and smoothly.

Thus, banks have played an essential role in channelling government support. The management capability of financial institutions, in particular credit institutions, has meant measures could be taken to protect the most vulnerable groups and the sectors hardest hit by the crisis, such as transportation and tourism. In addition, they have allowed more people to benefit from these financial relief measures through the banking sector moratoria.

With the support of State guarantees, banks have continued to provide access to credit and liquidity, and have helped address and mitigate the economic and social impact of COVID-19.

1 Banking sector moratoria agreements were established by the Spanish Banking Association, the Spanish Confederation of Savings Banks, the National Union of Credit Cooperatives and the National Association of Specialised Lending Institutions.