

SU/20/161

November 12, 2020

**The Acting Chair's Summing Up
Spain—2020 Article IV Consultation
Executive Board Meeting 20/108
November 11, 2020**

Executive Directors agreed with the thrust of the staff appraisal. They noted that the COVID-19 pandemic has severely hit Spain's economy and society, causing a tragic loss of lives, higher unemployment, and a sharp economic recession. The recovery will be protracted and subject to significant risks and uncertainty. The near-term outlook will crucially depend on the effectiveness of new containment measures and preparedness of the healthcare system.

Directors commended the authorities for their swift and forceful implementation of income and liquidity support measures to mitigate the economic and social fallout of the pandemic. They stressed the importance of continued policy support until the recovery is firmly underway while maintaining flexibility to adapt it to evolving developments. Directors agreed that, as the pandemic recedes, fiscal support should become increasingly targeted at vulnerable groups and viable firms, facilitating resource reallocation toward expanding sectors.

Directors highlighted the urgency of addressing corporate vulnerabilities. They recommended prioritizing targeted equity support to viable firms, with a well-designed exit strategy. They encouraged continued efforts to strengthen private debt resolution frameworks and expand the capacity of commercial courts.

Directors noted the strength of the financial system, which has helped mitigate the economic impact of the crisis. They emphasized the need for continued strong supervision, together with relief measures and prudent dividend policies. Directors welcomed efforts to strengthen the AML/CFT framework. They also encouraged enhancing the crisis management frameworks both at the national and European levels by tackling any shortcomings in the resolution and liquidation regimes.

Directors welcomed the authorities' intention to use European funds to support the near-term economic recovery while promoting a structural shift to a more productive, greener, and digital economy, in line with the policy priorities of the national recovery plans. They stressed the need for efficient coordination, implementation, and oversight of plans.

Directors agreed that, over the medium term, fiscal consolidation will be needed to rebuild buffers and put debt on a downward path. They welcomed ongoing efforts to enhance tax progressivity and revenue collection capacity, and encouraged further pension reforms.

Directors noted that the pandemic has exacerbated already high socio-economic disparities in Spain. They welcomed the efforts to strengthen the social safety net with the introduction of the Minimum Income Scheme. They encouraged more retraining and reskilling for displaced workers, upgrading unemployment benefits, addressing labor market duality, and improving gender equality.

It is expected that the next Article IV consultation with Spain will be held on the standard 12-month cycle.