# POLICY BRIEF

## The impact of the Ukraine crisis in the EU economic and financial union

### 1. Introduction

The war in Ukraine and the resulting security crisis are changing the EU's political landscape and will have a long-term impact on the European economy. The Russian invasion of Ukraine will also have a lasting impact on the EU policy agenda, primarily and in the first instance on its foreign, defence and foreign policy. However, the economic and financial repercussions of the conflict and the Western response will have implications for the broader economic and financial policy agenda, not least because of the financial sanctions imposed on Russia. While these sanctions have been mainly the result of a reaction against an external threat, and under the rationale of protecting European security and opposing Russia's military intervention in Ukraine, they will not come without significant economic consequences for the EU.

The policy responses to this shock (both the security and the consequent energy and economic crises) are likely to bring about major transformations in the EU as a polity and in the financial and fiscal spheres. In this brief, we explore these issues by focusing on two aspects: the macroeconomic consequences and the potential changes in the framework of EU fiscal and financial integration.

Issue 2022/43
July 2022

### Authors

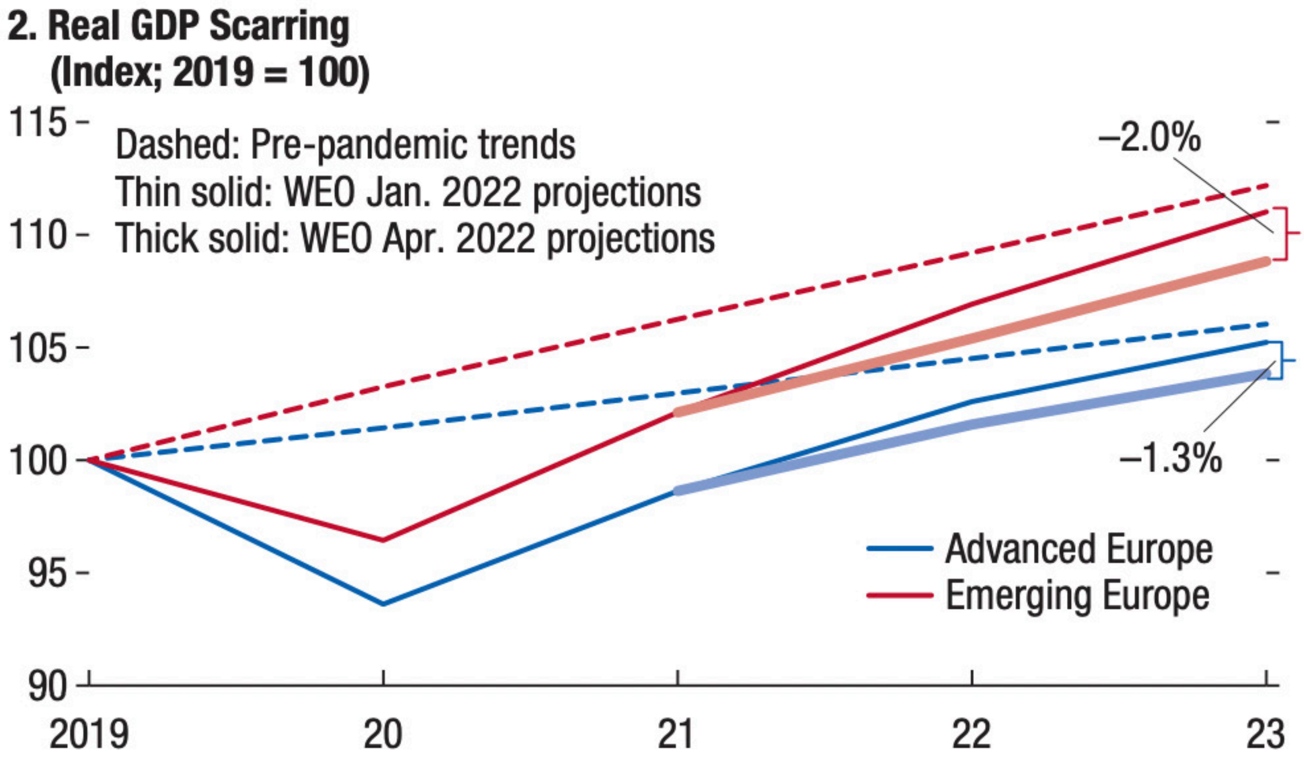
**María del Carmen Sandoval Velasco** (FBF), **Thorsten Beck** (FBF) and **Pierre Schlosser** (FBF).

This brief follows from a presentation given by the authors at the EUI on 18 May 2022 as part of a seminar series convened by the EUI's EGPP Programme. The authors would like to thank the organizers and seminar participants for the stimulating discussion and feedback received on some of our initial analysis presented.

## 2. The macroeconomic impact

Following Russia's invasion the Ukraine, the global, including European, macroeconomic situation is characterised by high uncertainty. While GDP projections by the IMF in January 2022 point to a recovery of GDP losses during the pandemic and a return to pre-pandemic growth paths by 2024, projections in April 2022 point to a much longer timeframe, over which European countries will return to the pre-pandemic growth path.

**Figure 1, GDP scarring In Europe due to pandemic.**

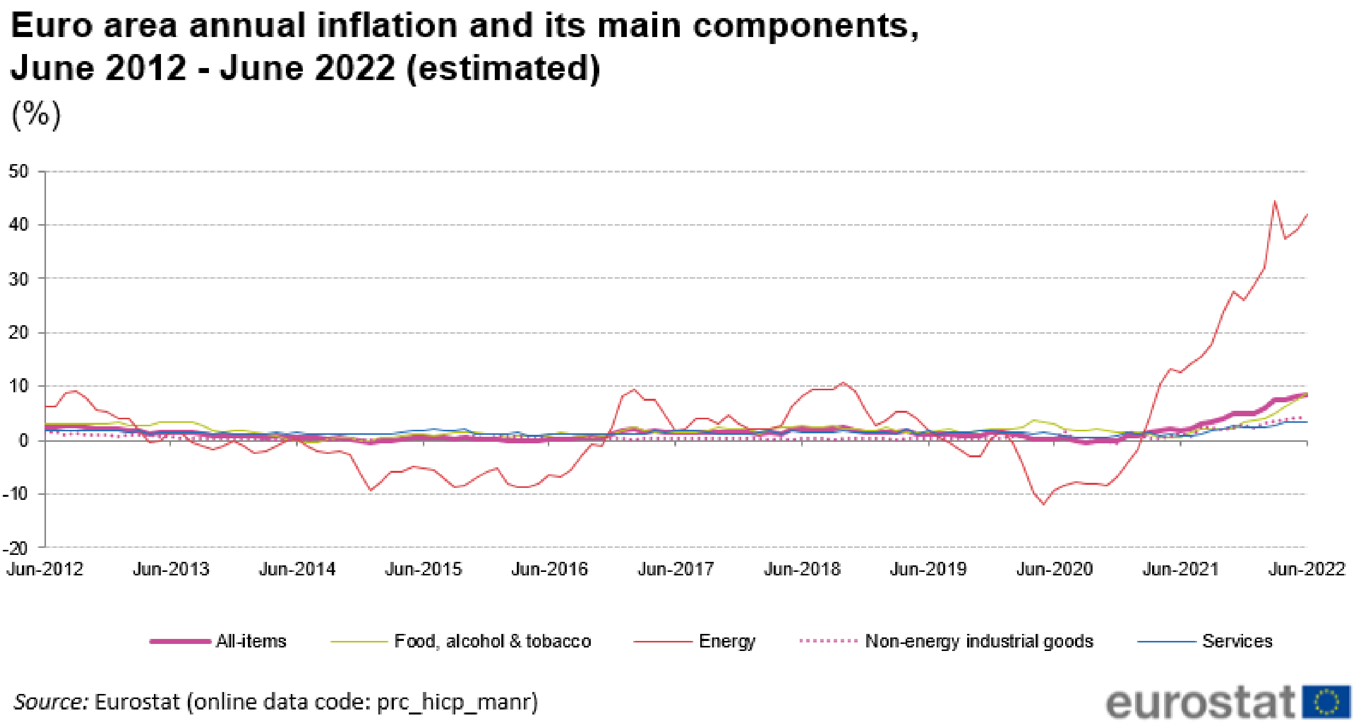



*Source:WEO, IMF*

At the same time, inflation rates have been moving upwards, a trend that predated the Russian invasion, driven by different factors. While demand-side pressures certainly have played a role in the U.S., supply chain disruptions and labour market tightening ('Great Resignation') seem to have been the driving factors in Europe. As shown by Reis (2021), medium-term inflation expectations, however, were still below 2% in the euro area at the end of 2021. This outlook has certainly changed with the Russian invasion and the dramatic increase in energy and food prices. While the core inflation rate (taking out energy and food prices) is still between 3 and 4% (3.8% in May), there are concerns that through second-and third round effects energy and food price inflation will also push up core inflation. Most importantly, while monetary policy is not really an adequate tool to counter supply-side pressures (or at least only at the cost of a high output loss), it can help anchor inflation expectations. For this reason, it is not surprising that there are increasing indications that the ECB will raise interest rates to zero over the next few months and possibly into positive territory in late 2022 and/or 2023. A first step is to be undertaken in July 2022 and there are strong indications that further interest rate increases will follow in the second half of 2022.

The normalisation or tightening of monetary policy raises in turn the risk of divergence in sovereign bond yields. This risk materialised in mid-June after the ECB announced an end to further expansion of its bond purchase programme and reduction in balance sheet. Dramatically increasing Italian sovereign bond yields resulted in an emergency Governing Council meeting and the announcement of a new programme to counter and fragmentation risk within sovereign bond markets in the euro area with details still to be announced. It is clear, however, that a renewed 'whatever it takes' is more difficult to implement in times of tightening than in times of loosening monetary policy and there is an increasing risk of fiscal dominance.

**Figure 2, Inflation in Euro Area**




*Retrieved on 19 July at:*
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Euro_area_annual_inflation_and_its_main_components,_June_2012_-_June_2022_(estimated)_(%25)-1.png

Rising energy prices and possible energy shortages also contribute to a rising likelihood of a global recession. The IMF has already downgraded its GDP growth projections in the April World Economic Outlook Projections, compared to January. While projected output growth for 2022 and 2023 is still well above the 2.5% threshold for a global recessions, a slow-down in the post-pandemic recovery is projected, with significant downside risks in case of an escalation of the conflict between the Western World and Russia. Similarly, growth in international trade is projected a lower rate than before. Overall, this points to a looming risk of stagflation, a combination of high inflation and stagnant growth, last seen across the advanced world in the 1970s.

**Figure 3, Growth Projection, by International Monetary Fund (2022).**

**Table 1.1. Overview of the *World Economic Outlook* Projections**
*(Percent change, unless noted otherwise)*

| | | Projections | | Difference from January 2022 WEO *Update*[1] | | Difference from October 2021 WEO[1] | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| **World Output** | **6.1** | **3.6** | **3.6** | **–0.8** | **–0.2** | **–1.3** | **0.0** |
| **Advanced Economies** | **5.2** | **3.3** | **2.4** | **–0.6** | **–0.2** | **–1.2** | **0.2** |
| United States | 5.7 | 3.7 | 2.3 | –0.3 | –0.3 | –1.5 | 0.1 |
| Euro Area | 5.3 | 2.8 | 2.3 | –1.1 | –0.2 | –1.5 | 0.3 |
| Germany | 2.8 | 2.1 | 2.7 | –1.7 | 0.2 | –2.5 | 1.1 |
| France | 7.0 | 2.9 | 1.4 | –0.6 | –0.4 | –1.0 | –0.4 |
| Italy | 6.6 | 2.3 | 1.7 | –1.5 | –0.5 | –1.9 | 0.1 |
| Spain | 5.1 | 4.8 | 3.3 | –1.0 | –0.5 | –1.6 | 0.7 |
| Japan | 1.6 | 2.4 | 2.3 | –0.9 | 0.5 | –0.8 | 0.9 |
| United Kingdom | 7.4 | 3.7 | 1.2 | –1.0 | –1.1 | –1.3 | –0.7 |
| Canada | 4.6 | 3.9 | 2.8 | –0.2 | 0.0 | –1.0 | 0.2 |
| Other Advanced Economies[2] | 5.0 | 3.1 | 3.0 | –0.5 | 0.1 | –0.6 | 0.1 |

*World Economic Outlook: War Sets Back the Global Recovery, 6.*

## 3. Policy Agenda

There are several spheres in which the war in Ukraine is affecting (and will affect) the EU: from the economic policy domain, to the foreign, security and defence policy to the migration and energy policies – just to mention some. In the short term, the EU and its member states will be adding new policy solutions to cope with the long-term consequences of this crisis, that have appeared mainly due to the disruption in the energy supply chain or a macroeconomic shock and robust socioeconomic impact in the EU member states, but also, it is bringing an important geopolitical change.

This situation shows that while many Member States are still in phase of recovery of the pandemic, they have been forced to urgently react and respond to this new threat that has unfolded.[1]

Therefore, in the context of the Ukrainian war we observe a slight shift from a pandemic recovery phase to urgent action against an external and security threat and efforts to address the immediate consequences of the impact of financial sanctions in different domains, bringing thus - among others - a renewed economic, energy and security policy agenda.

**EU policy agenda in the context of the Ukrainian war (main items)**

- Increase security and defence capabilities
- Rebuild and reconstruct Ukraine
- Accelerate the energy transition/ independence from Russian oil and gas
- Refugees and humanitarian action
- EU enlargement

This shift in the policy agenda will also be reflected in the actions taken in the economic, financial and fiscal spheres at the EU level, not least by the actors involved in these policy areas. While it may be too early to see a major change in EU financial and fiscal integration, we have already identified three main spheres/realms where the war in Ukraine and the responses to it are affecting the EU, and which

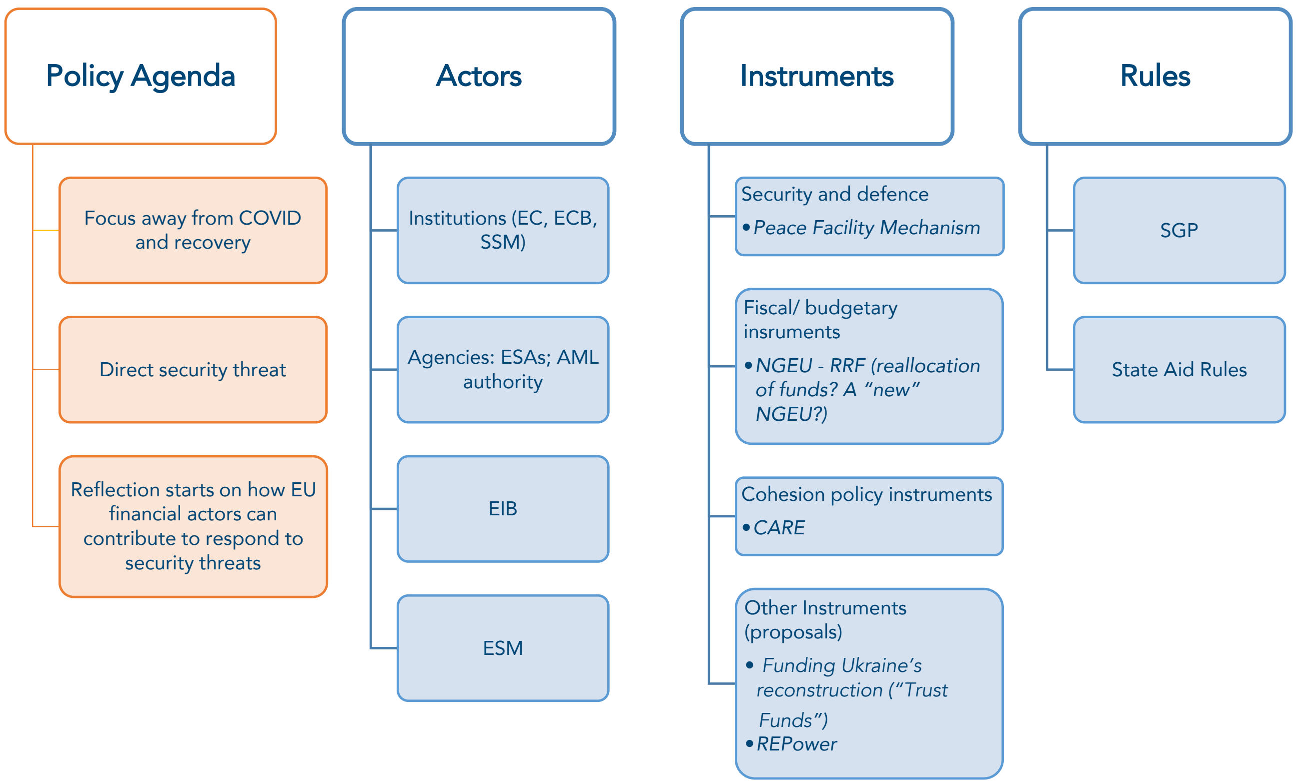
1 In a first moment Member States decided to act with one voice through the EU against a shock that affected the whole EU. This alignment of positions in the foreign policy domain was mainly driven by an external threat. In terms of the financial sanctions imposed, there was a common response rather than coalition -clashes or strong divisions in terms of interests and preferences. These disagreements will probably come when the debate on a new fiscal framework or budgetary instruments to tackle the impact of the Ukrainian crisis in the EU economy will be discussed.

could entail relevant transformations in the financial and fiscal domains. These are the following:

1. **Actors.** Economic and financial actors (mainly EU institutions and agencies involved in the economic and financial spheres) are being affected by the context of the war and the change in the EU's policy agenda. We will analyse how and to what extent this new crisis is contributing to some important changes in terms of roles, competences and programmes.
2. **Instruments.** The Ukrainian crisis is already having a major effect on the way in which some mechanisms and instruments are being used. This could also appear as an incentive to reform existing instruments, and potentially as an opportunity to create new ones.
3. **Rules.** Regarding rules, is it possible to observe a change in the way fiscal discipline norms and economic and financial rules are applied (e.g. rules under the SGP; and State Aid Rules).

In the following sections we will go through each of them in detail.

**Figure 4, How the war in Ukraine – and the EU responses – will impact the European Union in the economic, financial and fiscal domains?**




## 4. Actors

The Russian invasion of Ukraine has impacted the actors of Europe's financial union in various ways. While it is too early to tell whether the war will durably recast the current vertical power allocation between the EU centre and the national capitals (Macron's early efforts to push for a new debt mutualisation agenda seem to have backfired), one can already perceive an impact on the horizontal power distribution among EU financial actors. As a result of this the mandates of the host of actors – both institutions and agencies – involved in the EU's Financial Union are likely to evolve in the coming years.

Our conjecture is that that institutional change will be path dependent for the European Commission but path-breaking for both the European Central Bank (ECB) and the Single Supervisory Mechanism (SSM) as well as the soon to be created Anti-Money Laundering Authority, although for different reasons.

The **European Commission's** role appears so far to be path-dependent with its role with the COVID crisis management and the design of the Next Generation EU initiative. When compared to the marginal crisis management contribution that the Commission was cornered into during the euro crisis there thus seems to be a new consent given by Member States to the Commission to coordinate crisis management even in policy territories where its mandate is not obvious (e.g. security crises management). In this particular instance, the Commission head Von Der Leyen can also count on a power ally in the position of the EU High Level representative.

Our anticipation as far as the **European Central Bank** is concerned– the chief crisis manager of the EU's past two crises (the euro crisis and the pandemic, to be clear) – is that its role will be path-breaking as opposed to being path-dependent on the previous, hyper-central role the institution played during the previous crises. The ECB is very likely to interpret its role more narrowly over the coming months and years as it will get to grips with inflation and with re-establishing its track record and credibility on the anchoring of sound and stable inflation expectations. The ECB will need to deal with a new macroeconomic uncertainty both on the supply side where shocks are affecting both the commodities markets and the industrial supply chains but also on the demand side given selected overheating on both labour and real estate markets in the euro area. In uncertain times when simultaneous changes it can be hard to disentangle variables and causal mechanisms, therefore the ECB will be facing an analytical challenge. The period will also be a test case for its newly revised monetary policy strategy. In other words we are back to having a standard independent monetary authority in town and not the default crisis manager that the ECB had to become especially during the Euro crisis (for lack of political leadership).  There is an alternative possibility, however, that with the tightening monetary policy, sovereign bond yields across the euro area will again start to diverge, which might put the ECB back into crisis management mode.

The effects of the war in Ukraine on the institutional evolution of **the Single Supervisory Mechanism (SSM)** – the central player of the EU Banking Union – are likely to be path-breaking on its current trajectory. It will need to be paying closer attention on the one hand to the geopolitical context given the increase in geopolitical risks (e.g. Sberbank Europe became illiquid and thus declared 'Failing or Likely to Fail' as a result of the Russian invasion of Ukraine) and on the other to implementing EU general policies – which will bring questions relating to the boundaries of its mandate and hence its accountability. Functional spill-overs may thus be at play to push for an extension of its mandate over time. For instance, because of the financial sanctions imposed on Russia one might expect that the SSM will be facing more political pressure than in the past to act as a vehicle of EU general policy which is a completely new place to be for the mechanism, which by and large has been focussed for now on ensuring the safety and stability and of the EU's banking system.

As the SSM recalls on its website in its current mandate it is not responsible for the enforcement of sanctions on financial actors as this remains in the hands of national authorities. Yet, one can imagine that the SSM will need to pay closer attention to the Environmental, Social and Governance (ESG) indicators when assessing the soundness of banks in the future. In fact in the first public speech given by the SSM Chair after the invasion of Ukraine by Russia few paragraphs relate precisely to the so far undefined social element of ESG. When it comes to assessing ESG risks and also business model risks geopolitical dimensions might play an increased role in the future. Time will tell however how much European politics will put the SSM under pressure to act on this front.

Given the partial overlap between Russian financial flows and money laundering circuits, the war in Ukraine and resulting sanctions taken by the EU and the West to Isolate the Russian financial system increased pressure will fall on financial transactions monitoring occurring in the European single market. This is likely to lead to a higher politicization of the current – rather low-salience – negotiation about the creation of a brand new **Anti-Money Laundering (AML) Authority** proposed by the Commission in summer 2021 and which ought to be directly supervising the largest or riskiest cross border financial sector actors in the EU. The Authority which the Commission hopes can be established in 2023 may already avail of about 250 full staff members as of 2026. In the meantime illicit financial flows and Russian money transfers will be under increased watch in the EU and so will national authorities who are currently responsible for the AML supervision task, so far with mixed results.

## 5. Instruments

The impact of the Ukrainian crisis on the EU's policy agenda is also bringing relevant changes in the use of some existing instruments, which have been adapted to address the current needs in different areas such as security and defence, migration and humanitarian action, as well as in the energy field, among others. Our expectation is that, due to the urgent need to finance energy independence from Russian oil and gas, enhance EU defence capabilities, as well as the urgency to manage the new wave of migration and humanitarian action and contribute to the reconstruction of Ukraine, the introduction of a new fiscal framework for the EU - or at least the design of new budgetary instruments – will probably be necessary in order to cope with the current situation which will have long-term economic consequences.

### Security and defence

At the EU level, some steps have already been taken to provide financial support to Ukraine through the Peace Facility mechanism (PFM). A total of €2 billion of military assistance has been agreed at the European level to support the Ukrainian army (European Council, 2022). This is an important step in the field of foreign security and defence policy, as it is the first time that funding for the purchase of lethal weapons in a third state has been agreed at the European level. The PFM is an instrument designed to finance Common Foreign and Security Policy (CFSP) actions in the military and defence areas and is financed outside the EU budget, with value of €5 billion.

Moreover, there has been an important move related to the expansion of the EU's and the member states' defence capabilities. The later means new expenditure and increased investments at national level.2 Some EU member states also abandoned their long-standing policies regarding security, defence policy and military aid, such as Germany, Finland and Sweden.

As long as the external threat and geopolitical pressures continue, we will see that devoting significant financial resources to strengthening the EU's defence capabilities will remain a priority.

### Fiscal and Budgetary Instruments

Since March 2022, there has been a clear discussion related to which economic measures will be taken to address the impact of the Ukrainian crisis – there was a debate of whether there needs to be more common borrowing, more common debt issuance to fund the collective response to this crisis, including the urgent need to make the EU energetically independent and accelerate the green transition. And here is where we may expect potential relevant changes regarding instruments.

In the context of the policy responses to the Covid-19 pandemic, the main innovation was the creation of the New Generation EU (NGEU) and the Recovery and Resilience Facility (RRF) as a key part of this instrument. The NGEU represented a rather pioneering solution, as it was the first time that the EU issued common debt to cope with the impact of an exceptional circumstance such as the pandemic. The NGEU emerged as a temporary recovery instrument financed through grants and loans, with a large part of the funds being used to finance the digital and energy transition (especially under the RRF).

We also observe that the pandemic represented a further push for the EU's digital, green and sustainable agendas, and it is quite likely that the war in Ukraine will also represent an incentive to accelerate investments in these areas. In this respect, the NGEU is already an important precedent for a common lending instrument.

2 NATO countries have already agreed to destinate 2% of their GDP to defence.

But one of the biggest questions is how likely is a major change in the EU's fiscal capacity or whether the introduction of a new instrument of joint debt issuance is possible. And if this is the case, who will support it?

Some member states may argue that too much joint debt is already being issued in the EU, and that perhaps it is too early to talk about joint debt issuance. Countries such as the Netherlands have stressed that the focus should be on maximising the use of existing facilities rather than trying to create new recovery funds or similar instruments.

In fact, one of the existing proposals is to use part of the remaining NGEU funds (loans) to address the impact of the Ukrainian crisis and help finance some of the costs it will entail. This will involve a reallocation of funds. On 23 May, the European Commission presented new guidelines for fiscal policy as part of the European Semester spring package that essentially links it to the RRF and the REPowerEU plan to address current needs and challenges (especially in the energy field).

Our prospect is that it is quite likely that we will observe some sort of push for an improved or reformed NGEU or a new EU extra-budgetary instrument. This push will come especially from some Southern Member States (and the EC) and will not come with major divisions and clashes between EU countries.

### Cohesion policy instruments

As part of the humanitarian action efforts in the framework of the current crisis and alongside the urgent need to financially support Member States to contribute to this task, we also notice a relevant adjustment in terms of the use of cohesion policy instruments. In this regard, the Commission has proposed to relax the rules for the use of cohesion funds to give the possibility to EU countries to reallocate resources from existing funds for a humanitarian action purpose helping people fleeing Ukraine. This is planned to be done through the introduction of a new instrument: Cohesion Action for Refugees in Europe (CARE).

It is quite likely that we will continue to observe a potential relevant change in terms of cohesion policy rules, adapted and made more flexible to cope with current circumstances and to alleviate national budgetary pressures.

### Other instruments

There are other important proposals currently on the EU's policy agenda that will entail more financial costs for the EU, such as a sort of solidarity trust fund for Ukraine's reconstruction and the REPowerEU plan, which will seek to accelerate the EU's energy independence from Russian fossil fuels. Regarding the former, the potential creation of this fund is likely to build on past experiences, such as the EU-Facility for refugees in Turkey, that aimed to support Turkey's allocation and processing of refugees, and of the EU regional Trust Fund in Response to the Syrian crisis (which was also opened to other non-EU contributors).

On the energy side, we observe the war in Ukraine has given a strong push to the EU's energy-transition agenda. REPOwerEU was presented by the Commission on 18 May following the objective to end the EU's dependence from Russian oil and gas by 2027, which main pillars focus on demand reduction, diversification of oil and gas suppliers and the transition to a low-carbon economy.

## 6. Rules

### Revision of Stability and Growth Pact Rules

In March 2020, the European Commission and the European Council decided to suspend the fiscal policy rule of the Stability and Growth Pact for the duration of the pandemic, using the activation of the general escape clause. This was extended in 2021. The suspension was supposed to end at the end of 2022; in light of the Ukraine invasion, however, it was again extended in May 2022.

At the same time, public discussions are continuing to which extent the fiscal policy rules should be reinstated or should be reformed. On the one side of the debate are economists and policy makers who fear fiscal dominance in monetary policy decisions by the ECB, i.e., monetary policy that is too accommodating given high sovereign debt levels in some EU countries. At the same time, they fear that the core for the next sovereign debt crisis is being laid if debt levels are not reduced dramatically over the next years. On the other side of the debate are economists and policy makers that fear a repeat of mistakes from the eurodebt crisis, where tightening fiscal policies across the euro areas depressed aggregate demand, exacerbating a recession and ultimately contributing to rising rather than falling debt/GDP ratios. On the political level, similar coalitions of countries have emerged as in the last decade, though with Germany taking a less fiscally hawkish view. In political economy terms, one can also expect, new coalitions of countries to emerge according to how hard they will be hit by energy embargoes and rising energy prices in the next months and years.

This discussion on fiscal policy rules is happening on the backdrop of dramatically rising demands on government budgets in the coming years.

One and most relevant to the theme of this paper are higher defence expenditures following the Russian invasion of Ukraine, already mentioned above. Two, demographic change will require significant government outlays as fewer and fewer working adults have to support a larger retiree population. Three, climate change and the necessary transition to a net zero economy requires a prominent role for government investments and possibly a strengthening of the social welfare network to cushion the repercussions of carbon taxation for lower-income population segments. It is also clear that some of these priorities (especially the third one, possibly the first to a certain extent) have strong global or European public good character and therefore require a coordinated approach if not joint financing. In addition, a potential financing of the reconstruction of Ukraine after the war would be best funded on the European rather than national level.

Recent history suggests that one possible way forward would be continuous suspensions of the fiscal policy rules or amendments that allow carve-outs for specific expenditures (as already done in Germany with defence expenditures being exempt from the constitutional debt brake). At the same time, following the example of NGEU, one can envision further joint budget initiatives as alluded to above.

On a normative level, it would be good to have a clear redefinition of the fiscal policy rules, preferably on the national level, with national institutions monitoring and thus holding governments accountable, as suggested by Martin et al. (2021). Similarly, a clear separation and independence of monetary and fiscal policy is not appropriate during crisis situations as the current one (Bartsch et al., 2020).

### State Aid Rules

In order to facilitate broad-based government support during the pandemic and consequent lockdowns, the European Commission has suspended the state aid rules over the past two years. This suspension is scheduled to end on 30 June 2022. The question is whether further economic distress resulting from the Ukraine invasion and increasing energy prices call for a coordinated approach in some sectors, especially the energy sector. This might become even more relevant in case of the need for energy rationing. While a further economy-wide suspension of state aid rules does not seem necessary, the question, therefore, is whether sector-specific suspensions would be useful if not necessary. A broader question is whether a rethinking of the role of governments and thus competition rules might be necessary in the wake of the pandemic and the ongoing short- and long-term challenges, including energy price inflation, security and climate change.

## 7. Conclusions

Monnet's method that reforms and new European structures and powers are driven by adverse events and crises that cannot be solved with existing policy tools and on the national level will most likely also hold in this crisis. In this paper we have argued that some players will take on new roles, such as the European Commission to address the energy and security crises, the new players already planned earlier will take on a more prominent role, such as the AML Authority. Similarly, existing instruments will have to be broadened in its scope (such as the Peace Facility mechanism) or redirected (such as the Cohesion Funds), while recently introduced instruments, such as the NGEU, might provide an example for similar instruments to confront the adverse consequence of the Russian invasion of Ukraine. Finally, rules such as fiscal and state aid rules, will have to be redefined given new challenges and new circumstances.

Another dimension that will need close monitoring is the extent to which the war in Ukraine will lead to a reconfiguration of the North-South cleavage that was structuring the fiscal and financial policies debates in the European Union, i.e. Germany, the Netherlands, Austria and the Nordic countries on the fiscally conservative side of the debate and Southern Europe on the other side. Why?

First, because the Russian invasion may lead some countries – especially Finland and the Baltics – which are neighbouring Russia to adopt a different cooperation approach and tone towards its EU partners, including from the South. Looking back in time requests such as the Finish requests to Greece to provide islands as collateral to EU loans during the euro crisis seem even more out of place in the current context. Second because the war in Ukraine could lead to a recast of power resources in the EU. While economically powerful the North of Europe has discovered vulnerabilities in its defence and energy independence that will require huge fiscal investments in the future. An excessively tough line from Germany to enforce fiscal discipline in the EU may for example play against its material interests, which is a new reality for Germany and for the European Union. Third because a common security threat is likely to lead all parties involved to focus on what binds them together as EU members and on avoiding further internal conflicts and fragmentation.

## Reference list


Allenbach-Ammann, J. (2022, May 23). EU fiscal rules to be suspended for another year . Retrieved July 14, 2022, from Euractiv website: https://www.euractiv.com/section/economy-jobs/news/eu-fiscal-rules-to-be-suspended-for-another-year/.

Bartsch, E., Benassy-Quere, A., Corsetti, G., & Debrun, X. (2020). It's all in the mix: How monetary and fiscal policies can work or fail together. In *Geneva Reports on the World Economy* (Vol. 23).

Enria, A. (2022, March 28). The challenges of good corporate citizenship. Keynote speech. Retrieved July 13, 2022, from European Central Bank | Banking Supervision website: https://www.bankingsupervision.europa.eu/press/speeches/date/2022/html/ssm.sp220328~51e4e42917.en.html.

European Council (23 May 2022). Amending Decision (CFSP) 2022/338 on an assistance measure under the European Peace Facility for the supply to the Ukrainian Armed Forces of military equipment, and platforms, designed to deliver lethal force. https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=uriserv:OJ.L_.2022.145.01.0040.01.ENG

EU Regional Trust Fund in Response to the Syrian crisis. (n.d.). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/trustfund-syria-region/index_en.

European Semester Spring Package. (2022, May 23). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3182.

FAQs on Russia-Ukraine war and ECB Banking Supervision. (n.d.). Retrieved July 13, 2022, from European Central Bank | Banking Supervision website: https://www.bankingsupervision.europa.eu/press/publications/html/ssm.faq_Russia_Ukraine_war_and_Banking_Supervision~8360ccdf6f.en.html.

International Monetary Fund. (2022). World Economic Outlook-Rising Caseloads, A Disrupted Recovery, and Higher Inflation. *IMF Working Papers*, *20*(242), 1–157. Retrieved from https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022.

International Monetary Fund. (2022). *World Economic Outlook: War Sets Back the Global Recovery*. Retrieved from https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx.

Jones, M. (2022, June 15). GLOBAL MARKETS-Emergency ECB meeting lifts Europe, Fed expected to go big | Reuters. Retrieved July 13, 2022, from https://www.reuters.com/article/global-markets-idAFL8N2Y235Z

Leali, G. (2022, March 9). Dutch PM Mark Rutte against new EU debt as response to Ukraine war – POLITICO. Retrieved July 14, 2022, from Politico Pro website: https://www.politico.eu/article/netherlands-rutte-against-new-common-eu-debt/.

Martin, P, J Pisani-Ferry and X Ragot (2021). Reforming the European Fiscal Framework, Les notes du conseil d'analyse économique, no 63. https://www.cae-eco.fr/pour-une-refonte-du-cadre-budgetaire-europeen

Monetary policy decisions. Press release. (2022, June 9). Retrieved July 13, 2022, from ECB website: https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220609~122666c272.en.html.

NextGenerationEU. (n.d.). Retrieved July 14, 2022, from European Union website: https://europa.eu/next-generation-eu/index_en.

Recovery and Resilience Facility . (n.d.). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en.

Reis, R. (2021). Losing the Inflation Anchor. *Brookings Papers on Economic Activity*, (BPEA Conference Drafts).

REPowerEU: affordable, secure and sustainable energy for Europe | European Commission. (n.d.). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en.

The EU Facility for Refugees in Turkey. (n.d.). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/turkey-0/eu-facility-refugees-turkey_en.

The State Aid Temporary Framework. (n.d.). Retrieved July 15, 2022, from European Commission Competition Policy website: https://ec.europa.eu/competition-policy/state-aid/coronavirus/temporary-framework_en.

Ukraine: Cohesion funding to support people fleeing. (2022, March 8). Retrieved July 14, 2022, from European Commission website: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1607.

## The Florence School of Banking & Finance

*The Florence School of Banking & Finance is a European platform bringing together practitioners and academics from the Banking and Finance sector to develop a common culture of regulation and supervision in the European Union. It does so through policy debate, training and applied research and in close interaction with its network of leading academic institutions.*
*Complete information on our activities can be found soon at:* fbf.eui.eu

## Robert Schuman Centre for Advanced Studies

*The Robert Schuman Centre for Advanced Studies (RSCAS), created in 1992 and directed by Professor Erik Jones, aims to develop inter-disciplinary and comparative research on the major issues facing the process of European integration, European societies and Europe's place in 21st century global politics. The Centre is home to a large post-doctoral programme and hosts major research programmes, projects and data sets, in addition to a range of working groups and ad hoc initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration, the expanding membership of the European Union, developments in Europe's neighbourhood and the wider world.*

www.eui/rsc

Co-funded by the
Erasmus+ Programme
of the European Union



Published by
European University Institute (EUI)
Via dei Roccettini 9, I-50014
San Domenico di Fiesole (FI)
Italy

doi:10.2870/541211
ISBN:978-92-9466-241-5
ISSN:2467-4540
QM-AX-22-043-EN-N