Article – Brexit: protecting the rights of EU citizens living in the UK

Although few of them were allowed to vote during the referendum, the millions of EU citizens living in the UK will be among those affected the most by Brexit. Their rights are covered by the withdrawal agreement negotiated by the UK and the EU, which the European Parliament is due to vote on 29 January.

On 15 January, MEPs adopted a resolution saying assurances are needed on the protection of citizens' rights to ensure Parliament's support for the withdrawal agreement. Following the adoption of the resolution, Parliament's Brexit coordinator Guy Verhofstadt obtained clarifications from Brexit secretary Steve Barclay during a meeting in London.

UK authorities are now exploring the possibility for EU citizens with settled status to be able to print a form asserting their status, as requested by the Parliament. Verhofstadt was also told that there would be no automatic deportation of EU citizens that have not applied yet. They will have the possibility to have their case heard and obtain settled status.

However, while the withdrawal agreement gives both Brits and EU citizens the right to continue working and living in the country in which they now live, other issues remain to be decided.

The next step is for the EU and the UK to negotiate an agreement on future relations, covering anything from trade to collaboration on issues such as the environment and terrorism. It will also cover health coverage for EU citizens living in the UK and Brits living in the EU.

January 2020 euro area bank lending survey

PRESS RELEASE

21 January 2020

- Credit standards remained broadly unchanged for both loans to enterprises and housing loans
- Demand for loans to enterprises declined, while demand for housing loans increased further
- Euro area banks use TLTRO-III liquidity largely for granting loans

Credit standards – i.e. banks' internal guidelines or loan approval criteria – remained broadly unchanged for both loans to enterprises and loans to households for house purchase in the fourth quarter of 2019, according to the January 2020 bank lending survey (BLS), in line with expectations expressed in the previous survey round. Credit standards for consumer credit and other lending to households tightened further, despite expectations that they would remain broadly unchanged. Risk perceptions (relating to both the general economic situation and the firm-specific situation) continued to have a tightening impact on the credit standards applied to loans to enterprises. Looking ahead to the first quarter of 2020, banks expect credit standards for loans to enterprises to remain unchanged, while they expect credit standards to tighten for housing loans and to ease for consumer credit and other credit to households.

Banks' overall terms and conditions – i.e. the actual terms and conditions agreed in loan contracts –remained broadly unchanged in the fourth quarter of 2019 for new loans to enterprises and housing loans, while they eased for consumer credit.

Net demand for loans to enterprises declined in the fourth quarter of 2019 (the first time this had been seen since the fourth quarter of 2013), despite banks expecting it to remain stable overall. That decline in net demand was broadly based across a number of larger and smaller euro area countries. Demand for loans to enterprises continued to be supported by the low general level of interest rates and, to a lesser extent, M&A activities. In contrast, financing needs for fixed investment ceased to contribute positively to firms' loan demand. Net demand for housing loans increased further in the fourth quarter of 2019, driven mainly by the low general level of interest rates, while favourable housing market prospects and consumer confidence also contributed positively. The use of alternative sources of finance continued to have a slightly negative effect on demand. Meanwhile, net demand for consumer credit and other lending to households increased in the fourth quarter of 2019, driven by the low general level of interest rates, consumer confidence and increased spending on durable goods.

Euro area banks reported that regulatory or supervisory action continued to have a strengthening impact on their capital positions in the second half of 2019, as well as a tightening impact on credit standards across all loan categories (with further tightening expected over the next six months).

Respondent banks also reported that non-performing loans (NPLs) had a small tightening impact on credit standards for loans to enterprises and consumer credit in the second half of 2019 (and a broadly neutral impact on credit standards for housing loans). Risk perceptions and risk aversion were the main drivers of the tightening impact of NPL ratios.

As regards the impact of the third series of targeted longer-term refinancing operations (TLTRO-III), euro area banks reported that they used TLTRO-III liquidity largely for the purpose of granting loans to the non-financial private sector. Given the attractive conditions surrounding TLTRO-III operations, the profitability motive has been the most important reason for banks to participate so far. As regards their lending policies, banks reported that TLTRO-III operations had a net easing impact on their terms and conditions in the second half of 2019, with a smaller easing impact on credit standards and a positive net impact on lending volumes.

The euro area bank lending survey, which is conducted four times a year, was developed by the Eurosystem in order to improve its understanding of banks' lending behaviour in the euro area. The results reported in the January 2020 survey relate to changes observed in the fourth quarter of 2019 and expected changes in the first quarter of 2020, unless otherwise indicated. The January 2020 survey round was conducted between 6 and 27 December 2019. A total of 144 banks were surveyed in this round, with a response rate of 100%.

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Notes

- **A report on this survey round** is available at https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html. A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can also be found on that web page.
- **The euro area and national data series** are available on the ECB's website via the Statistical Data Warehouse (http://sdw.ecb.europa.eu/browse.do?node=9691151). National results, as published by the respective national central banks, can be obtained via https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html.
- **For more detailed information** on the bank lending survey, see Köhler-

Ulbrich, P., Hempell, H. and Scopel, S., “The euro area bank lending survey”, Occasional Paper Series, No 179, ECB, 2016 (http://www.ecb.europa.eu/pub/pdf/scpops/ecbop179.en.pdf).

Chart 1

Changes in credit standards for loans or credit lines to enterprises and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)

Source: ECB (BLS).

Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”.

Chart 2

Changes in demand for loans or credit lines to enterprises and contributing factors

(net percentages of banks reporting an increase in demand and contributing factors)

Source: ECB (BLS).

Notes: Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding “increased considerably” and “increased somewhat” and the sum of the percentages of banks responding “decreased somewhat” and “decreased considerably”.

[Remarks by Mário Centeno following the Eurogroup meeting of 20 January 2020]

Good afternoon and happy new year. A relatively calm agenda today. No alarms and no surprises. First of all, we welcomed some new members to the group: Gernot Blümel from Austria, Katri Kulmuni from Finland, and Constantinos Petrides from Cyprus. Also, minister Nadia Calviño from Spain has been reappointed.

Since there has been a change of government in Austria, Finland and Spain, these Ministers presented the priorities of their new administrations. In the case of Cyprus, minister Petrides confirmed that the policy priorities will remain unchanged.

We invited the IMF to report on its interim mission to the euro area in the context of its Article IV consultation. We broadly agree on the economic outlook and the risks going forward.

The economy is in the midst of a slowdown, but continues to grow. In fact, the length of the growth period and the number of jobs we have added are breaking all records. While risks remain tilted to the downside, some of the most urgent risks have abated slightly since the Fund last reported to us in June. In particular, some of the uncertainty surrounding Brexit and the risk of an outright global trade war has diminished.

The Fund also commented on policy priorities for the euro area – this links to another item of our agenda because today the Commission presented to us its proposals for recommendations on the economic policy of the euro area for 2020. We had an initial discussion on these priorities today.

Ministers highlighted a few issues such as green budgeting as a tool to support the climate transition; the need for growth-friendly policies, namely through a focus on digitalisation; financial integration; and the need to continue with euro area reform. We will debate these priorities in more detail in our February meeting.

Today the Commission also presented its assessment on the updated draft budgetary plan of Portugal. We have issued a statement recognising that Portugal has come a long way in recent years. It will record a fiscal surplus this year – that is an unprecedented development and remarkable vis-à-vis the crisis times. Also, the medium-term budgetary objective is well within reach and the debt rule continues to be respected. At the same time, the Commission opinion still identifies some risks in the horizon. Portugal confirmed its commitment to address them appropriately in the course of 2020.

We then exchanged views on the euro area ongoing reform, following-up on the Eurosummit.
Our main discussion concerned the work programme for the next 6 months.

As I reported to Leaders in December, the Eurogroup has already reached an agreement in principle on a revised ESM Treaty text and all the related elements of the ESM package of reforms, subject to national procedures. It is no longer a question of substance, but we need to tie up a few loose ends of legal nature before launching the process for signature. Legal checks and translations are still ongoing. This work should pave the way for the signature of the Amending Agreement of the ESM Treaty in the coming months.

We also discussed a possible timeline for a potential early introduction of the common backstop, ahead of the end of the transition period in 2024. This decision will depend on whether sufficient progress has been made in risk reduction, based on the assessment that will take place later this year. We will discuss this in our March meeting.

During the coming months, we will also continue to work on the issue of liquidity in resolution. We have asked our deputies to report to us by June 2020.

On strengthening the Banking Union, including EDIS, the Leaders invited us to continue the constructive work of the past months. Today we also confirmed the importance of the package approach to enable progress in all areas in parallel towards June.

On the budgetary instrument for convergence and competitiveness, Leaders gave us a mandate to provide a swift contribution on the appropriate solutions for its financing, in time for decisions in the context of the MFF. This is a priority for our work over the coming weeks. We are working on the basis of the term sheet we agreed last October. Our intention is to provide a report on the need, the content, the modalities and the size of a possible IGA.

That rounds-up our discussions from today. The mood around the table was constructive and business-like. So I am optimistic that in this semester we will change gears in the euro area reform.

[Visit the meeting page]

Eurogroup statement on the updated draft budgetary plan of Portugal for 2020

The Eurogroup welcomes Portugal's submission of an updated draft budgetary plan (DBP) for 2020, as requested in its statement of 4 December 2019, as well as the Commission opinion issued on 15 January 2020.

The Eurogroup takes note that, according to the Commission assessment, the DBP of Portugal might result in a significant deviation from the adjustment path towards its medium-term budgetary objective (MTO). However, Portugal's MTO is within reach and Portugal continues to comply with the debt rule.

The Eurogroup invites Portugal to consider in a timely manner the necessary additional measures to address the risks identified by the Commission and to ensure that its 2020 budget will be compliant with SGP provisions and welcomes Portugal's commitment to follow up as needed.

We will continue to monitor euro area Member States' fiscal and economic policies, as well as the budgetary situation of the euro area as a whole.

Visit the meeting page

Canada – edible cannabis products may now be sold in Canada

From 16 December 2019, edible cannabis products are permitted to be sold in Canada. These must comply with new regulations for edible, inhalable and topical products, designed to reduce the risk of accidental consumption or overconsumption. Edible products are not individually approved for sale, but the regulations instruct manufacturers to provide Health Canada with a written notice of the product – including class of product, description and expected date of offering for sale – then wait 60 days before sale, to give the authorities time to raise any concerns. As the new regulations came into force on 17 October 2019, the earliest date for the sale of edible cannabis products was therefore 16 December 2019. Herbal cannabis products and cannabis oils have been on sale in licensed shops in Canada since 17 October 2018.

The new regulations introduce three new product classes:

- edible cannabis for eating or drinking;
- cannabis extracts for ingesting (which includes absorption in the mouth) or for inhaling; and
- cannabis topicals (such as creams or ointments), for application to external body surfaces (skin, hair or nails).

The existing class of cannabis oils will be deleted by October 2020, and in the future these products will be considered as cannabis extracts.

In line with Canada's objective of legalising for protection of public health, and keeping young people away from the market, the regulations state that products must not be appealing to youth or make health or cosmetic claims, and should not associate with tobacco, vaping or alcohol products. Packaging must be plain and child-resistant, must carry a standardised cannabis symbol and health warning, and be labelled with the THC and CBD content. Package sizes are limited to 10 mg THC per package for edible products and 10 mg THC per capsule or dispensed amount for cannabis extract; in addition there is a limit of 1000 mg THC per package for products other than edibles, e.g. a bottle of capsules. Cannabis extract for ingesting or inhaling should not have added sugars, sweeteners or colours, but this restriction does not apply to edible cannabis for eating or drinking. The new, updated warning messages include one stating that 'It can take up to 4 hours to feel the full effects from eating or drinking cannabis.'

Regulations and explanatory notes >>

Visit the EMCDDA cannabis policy page >>