



*Al Ministro
dell'Economia e delle Finanze*

Rome, 10 March 2020

Dear Valdis, dear Paolo,

Following up on my letter dated 5 March 2020, I wish to inform you that the Italian Government is about to send to Parliament an addendum to the Report (*Relazione al Parlamento*) in accordance with Article 6 comma 2 a) of Law n. 243/2012 in order to seek a broader authorisation to raise the deficit ceiling for 2020.

I recall that Law n. 243/2021 envisages that the Government should seek Parliament's endorsement whenever it relaxes the convergence path towards the MTO. Deviations from existing structural deficit targets can be authorised in the presence of extraordinary events outside of the government's control.

Over the past two days, the Government has decided to counter the Coronavirus outbreak with significantly more restrictive measures. On Sunday, we legislated a selective lockdown for the most affected regions. On Monday, we decided to broaden this approach to the whole nation. People's movements are limited to proven needs to commute to work and to emergency and health reasons. Additional preventive measures were adopted and all sporting and entertainment events were suspended. The Government also urged citizens to stay home as much as possible.

The reinforced strategy we have decided to follow entails a larger economic impact. With economic activity liable to fall more deeply and broadly in the near term, we must provide stronger support to workers and companies. Moreover, the public health-care system may need additional funding to adequately respond to the epidemic. We have thus decided to raise the size of the support package that we are about to legislate to around €10 billion, and to secure additional contingent financing, in the framework of a coordinated EU-wide response, for a roughly equivalent amount of resources. In total, we are therefore asking Parliament's authorisation for up to €20 billion of additional net borrowing.

The package to be issued later this week is worth 0.6 percent of GDP, which would take the projected 2020 deficit to 2.7 percent of GDP before accounting for changes in the macroeconomic scenario compared to the existing official forecast, which was last updated in the 2020 Draft Budgetary Plan. The overall authorisation is worth 1.1% of GDP. The Government will publish a new macro forecast and budgetary projections in April, with the 2020 Stability Program.

Meanwhile, our friendship and our sympathy goes to other member states that have experienced a broadening of the COVID-19 outbreak over the past few days. Rapidly containing and defeating the coronavirus is in the interest of our peoples.

Let me also reiterate that the Italian government believes the EU should respond to this emergency not only by using the inbuilt flexibility of the Stability and Growth Pact, but also by readying a coordinated fiscal stimulus package focused on our common sustainable growth goals.

I look forward to continuing the dialogue concerning Italy's response to the COVID-19 emergency and our fiscal policy plans.

Yours sincerely,



Roberto Gualtieri

Economy and Finance Minister

Valdis Dombrovskis
Vice President
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