

Restart and Recovery – Scenarios and Economic Policy Measures



Four Phases to Address Economic Consequences of Covid-19

Phase 1: Containment (2020)	Relevant Policy Measures:
<ul style="list-style-type: none">■ Temporary restrictions on public life and partial cessation of economic activity■ Protection for businesses and employees from crisis-related insolvencies■ Setting of hygiene standards	<ul style="list-style-type: none">▶ Provide liquidity▶ Only accept state involvement in private companies as a last resort▶ Reach international agreement not to introduce new trade barriers and to remove existing barriers▶ Avoid systematic relevance as a criterion▶ Set short-term regulations on central reporting deadlines▶ Review the policies' effectiveness and appropriateness
Phase 2: Re-entry (2020/2021)	Relevant Policy Measures:
<ul style="list-style-type: none">■ Gradual relaxation of restrictions on public life■ Resumption of economic activity■ Compliance with occupational health and safety measures and avoidance of further infections■ Obstacles to cross-border logistics and movement of goods remain■ Possible interruptions by regional or sectoral containment measures in the event of relapses■ Availability of vaccines and effective medicine puts an end to this phase	<ul style="list-style-type: none">▶ Restore European and non-European value chains▶ Open educational institutions▶ Restore supplier relationships and industrial process chains▶ Stabilise confidence among employees and consumers▶ Prepare economic stimuli▶ Coordinate support measures at the European level▶ Focus on developing and emerging countries
Phase 3: Stabilisation (2021)	Relevant Policy Measures:
<ul style="list-style-type: none">■ Short phase in the first quarter of 2021 for a period of one to a maximum of two quarters■ Restrictions on public life are largely lifted■ Domestic economic activity is conducted largely undisturbed■ International disturbances are still considerable	<ul style="list-style-type: none">▶ Boost demand and private household consumption▶ Coordinate recovery strategy at the European level▶ Restore and revitalise EU internal market
Phase 4: Recovery (2021/2022)	Relevant Policy Measures:
<ul style="list-style-type: none">■ Pre-crisis economic activity level will be achieved in the course of 2021 at the earliest, possibly rather in 2022■ Remaining dip in demand for some sectors■ Depending on the income and employment situation faster recovery of the consumer goods sectors■ Recovery of the labour market is typically delayed; might take several years throughout Europe and will have a permanent dampening effect on private consumption	<p>At the national and European level:</p> <ul style="list-style-type: none">▶ Develop a long-term growth programme▶ Withdrawal of the state from shareholdings▶ Abolish the solidarity surplus▶ Extend tax incentives for research and development and improve depreciation conditions▶ Adjust interest rates▶ Bring national policies in line with EU initiatives and enable EU funding channels▶ Reassess the EU Climate Action Programme 2030 <p>At the international level:</p> <ul style="list-style-type: none">▶ Strengthen the World Trade Organization▶ Conclude ambitious trade agreements and shape existing agreements along fair competition principles▶ Strengthen health protection internationally