



GERMANY

ECONOMIC STIMULUS PACKAGE IN RESPONSE TO COVID 19

The German government is providing €1 billion (\$1.1 billion) in credit for businesses and companies of all sizes. The credit will be delivered through the state-owned KfW business development bank.

Germany's Ministry for Education and Research is expected to receive €145 million for the development of a vaccine. The country has also set aside €50 million to repatriate German tourists stranded around the world.

The southern state of Bavaria announced a fund worth up to €10 billion to help the region withstand the coronavirus. The fund allows the local government to buy stakes in faltering companies to prevent insolvencies.

Companies with up to 250 employees can apply for loans between €5,000 and €30,000. The fund will also be used to guarantee 80% of loans taken by companies threatened by default. Bavaria is home to nine blue-chip DAX-30 companies including car manufacturer BMW, engineering giant Siemens and sports retailer Adidas. There is no upper limit to the credit offered by (state-owned development bank) KfW.

Key spending and tax measures totaling €156 billion (4.5 percent of GDP) include:

- (i) spending on healthcare equipment, hospital capacity and R&D (vaccine),
- (ii) expanded access to short-term work ("Kurzarbeit") subsidy to preserve jobs and workers' incomes, expanded childcare benefits for low-income parents and easier access to basic income support for the self-employed,
- (iii) €50 billion in grants to small business owners and self-employed persons severely affected by the Covid-19 outbreak in addition to interest-free tax deferrals until year-end.

At the same time, through the newly created economic stabilization fund (WSF) and the public development bank KfW, the government is expanding the volume and access to public loan guarantees for firms of different sizes, with an allocation of at least €822 billion (24 percent of GDP).

Monetary and Macro-Financial

The ECB decided to provide monetary policy support through

- (i) additional asset purchases of €120 billion until end-2020 under the existing program (APP), and



- (ii) providing temporarily additional auctions of the full-allotment, fixed rate temporary liquidity facility at the deposit facility rate and more favorable terms on existing targeted longer-term refinancing operations (TLTRO-III) starting between June 2020 and June 2021.

Further measures included an additional €750 billion asset purchase program of private and public sector securities (Pandemic Emergency Purchase Program, PEPP) until end-2020, an expanded range of eligible assets under the corporate sector purchase program (CSPP), and relaxation of collateral standards for Eurosystem refinancing operations (MROs, LTROs, TLTROs).

Dates of announcements: 9 March 2020, 13 March 2020, 23 March 2020, 24 March 2020

+ Immediate fiscal impulse (€150 billion):

- a) €100 billion to recapitalise and buy stakes in companies affected by corona via the Economic Stabilisation Fund ('WSF')
- b) €10.05 billion for keeping people employed, by expanding the reduced hours compensation benefit scheme ('Kurzarbeitergeld')
- c) €3.5 billion for emergency measures, such as procuring protective suits and masks, fast-tracking work on a vaccine against corona and repatriating German holidaymakers stranded abroad
- d) €3.1 billion per year between 2021 and 2024 of additional investments into the private sector
- e) No amount estimate is available: Legal measures to relax rules for accessing welfare payments such as child allowance and income support, removing means-testing rules for six months from 1 April
- f) No amount estimate is available: Legal measures to protect tenants struggling to pay their rents from eviction

+ State-level measures

- a) €20 billion fund by the state of Bavaria to buy stakes in struggling companies
- b) €8.5 billion fund by the state of Hesse
- c) €5 billion fund by the state of Baden-Wuerttemberg to help small firms and the self-employed

+ Deferrals (€500 billion):

- a) €500 billion (Bruegel estimate) tax deferrals for businesses: €70 billion for direct corporate income tax; €430 billion if include indirect taxes and social contributions (assuming 75% tax deferral and 4% GDP loss in 2020)

+ Other liquidity and guarantee measures (€1103 billion):

- b) €100 billion in loans to the KfW
- c) €400 billion under the Economic Stabilisation Fund (WSF) to provide guarantees and tackle liquidity problems



- d) €50 billion to dispense bridging loans to small businesses and the self-employed
- e) €553 billion (€460 billion, which can be increased by €93 billion at short notice if necessary) available to guarantee and subsidise loans through KfW (including an extension of existing programmes) and to set up new ones and to expand liquidity assistance programmes.
