



Cautious lifting of corona restrictions with regional differences to remain

- Merkel's cabinet in consultation with the PMs of the 16 federal states agreed to partially lift containment measures but curbing health risks clearly dominated economic risks of a longer shutdown. The decisions taken will be reviewed on a bi-weekly basis with the next meeting of political leaders on April 30.
- In designing the exit strategy, German politics could revert to various experts' reports. Most of them agree on the epidemiological aspects and preconditions but partly differ on the sequencing of lifting measures, in particular regarding schooling.
- A European coordination of (national) exit strategies is important for Germany given its strong economic interlinkages with other member states. Restarting along the cross-border production chains in a synchronized way is crucial for the traction of the recovery. The EU Commission presented its roadmap yesterday calling for early notification and coordination of national steps.
- Germany's government enjoys high approval rates in handling the corona crisis. The coalition parties, above all the CDU/CSU, profit from the strong role the executive plays in crisis times. The Groko can also rely on a smooth working relationship between its two leading party figures, Chancellor Merkel and FM Scholz not least in terms of national and European measures for economic recovery.

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Merkel's cabinet together with the PMs of the 16 federal German states decided on the partial lifting of corona containment measures ([exit plan in German](#)). Health considerations clearly outweighed economic risks of a continued economic shutdown. In yesterday's press conference, Chancellor Merkel talked about a still fragile situation despite achievements, that there was "little room for manoeuvre" and that monitoring infection chains will remain a major precondition for returning to full social life. She pointed out that even an increase of R0 (currently slightly below 1) marginally above 1 would exploit current spare hospital capacities within just a few months. The strict rules for social distancing will be kept in place at least until May 3 which seems to be in accordance with public opinion (see chart). Germans are urged to wear masks in shops and on public transport. While this will not be binding by a federal regulation there have already been news that local communities will make it mandatory.

Not surprisingly, business representatives criticised the scope of the measures as too narrow and highlighted the inconsistencies. From next Monday onwards shops with a retail space of up to 800 square meters will be allowed to open again (with some flexibility on regional and local level in order to avoid crowding in the shopping areas and cities). The Federation of Retailers criticised the likely patchwork of shop openings and the adverse consequences for shops which need to remain closed. Restaurants and alike will remain closed resulting in immediate demands of the German Hotel and Restaurant Association for a sector rescue package. While capacity limits and hygienic measures could have allowed for a partial re-opening, it is probably easier for politics to take a general decision than to control compliance on local levels. Bigger events will be prohibited until end-August with dramatic economic consequences for the related business activities.

Expectations had been high, in particular, for the re-opening of schools and day-care which ranked first in recent surveys (see chart). Basically, schooling can open as of May 4 with some differences between the German states and schooling focused advanced grades. Primary schools and kindergartens will remain closed without any indication of the timing for opening again. This poses a significant challenge for parents to return to work (incl. managing home office) and is likely to hamper in particular the industry in assuming full activity again.

Throughout the management of the corona crisis there had been debates about whether Germany's federal system with major competences, e.g. in health care, anchored on state level could live up to this challenge. In yesterday's press conference, however, Chancellor Merkel as well as Bavarian PM Söder emphasized that the cooperation and coordination has been very good and that they see a strong advantage in the division of governance as it increases the flexibility in crisis response where appropriate. Germany's corona crisis management can see its successful approach confirmed in international comparison as well. According to a global ranking by the "[Deep Knowledge Group](#)", Germany ranks first in terms of its efficiency in coping with the corona crisis and receives good remarks on other criteria as well.

Politics can revert to expert opinions – but has to assume democratic responsibility for decisions

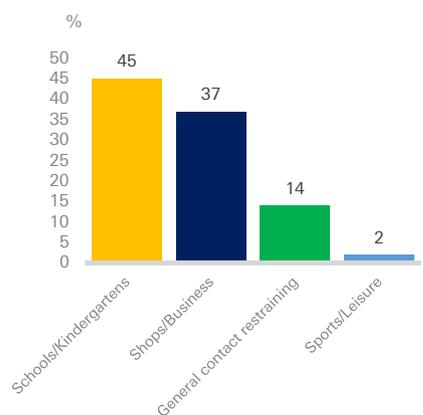
Over the last days and weeks, an increasing number of academic institutions and groups has published recommendations for the gradual lifting of the restrictive measures and phasing out the shutdown of business. Most of them agree that a

Figure 1: Is the relaxation of the containment measures by April 20 ...



Source: ZDF Politbarometer (9 April 2020)

Figure 2: In which areas should the relaxation start?



Source: ZDF Politbarometer (9 April 2020)



continued stabilization of new infections on a low level (flattening the curve), broadening of testing, keeping the current rules of social distancing and hygiene requirements and additional rules such as wearing masks are a pre-condition for even a partial lifting of the restrictions. They partly disagree, though, on the sequencing of the measures, above all with regard to school grades. Some of the advices (beyond the pure epidemiological expertise) received broader attention:

- [Third Ad-hoc paper of the Academy of Sciences Leopoldina](#): This is the major scientific advisory board for the government. They demanded a stronger differentiation in assessing the risks incl. those of a continued lockdown and suggest a gradual opening of schools and universities. Preconditions for normalisation of everyday life: (i) stabilisation of new infections (ii) keeping reserve capacities in hospitals (iii) compliance with hygiene protection measures.
- [German Council of Economic Experts](#): In an FAZ op-ed the Council demands clearer guidance for business on how to avoid infections and an overburdening of the health system instead of general and undifferentiated shutdown of sectors.
- [Ad-hoc corona expert group](#) initiated by NRW PM Armin Laschet (running for CDU party leadership as well): For the “way into a responsible normality” the group called for a roadmap of small and cautious steps. Economic activity should restart under the respective hygiene protection and possibilities of social distancing, incl. restaurants. Federal and regional task forces should monitor the development. Need for a consistent communication strategy to prevent weakening public support for containment measures.
- Ifo Institute “[Making the Fight against the Coronavirus Pandemic Sustainable](#)”. The report lists four criteria for a gradual and risk-adjusted opening with the concrete measures differentiated according to regions (e.g. German states), groups of people, areas of social life and economic sectors. They point to complementarities between sectors, i.e. even less vulnerable persons cannot go to work when day-care centres and schools are closed. They also suggest that high-value-added sectors which constitute parts of the manufacturing sector should be considered for priority opening.

European coordination of exit strategy important for Germany

Other EU members have already started to gradually lift some of their containment measures. Depending on the infection curve and national developments, these steps will be taken at different speed and scope, though. While this makes sense, it is also true that without a coordinated restart the integrated value chains in the single market will be difficult to reactivate. The Federation of German Industry was quoted on that point (POLITICO, April 14) stressing the strongly interlinked Italian and German corporate sectors. This holds particularly true for [machinery & equipment](#) where Italy is Germany’s second largest supplier. These interlinkages suggest a synchronized restart, contrary to the uncoordinated – sometimes even without advance notice – closure of borders in the single market which caused significant friction in logistics, e.g. truck tailbacks, and employees’ commuting. Admittedly, the task for the Commission is difficult as the EU has no legally binding competences in this area (e.g. member states making use of the exemption provisions for border controls) but EU leaders last month acknowledged that the lockdown exit would have to be better coordinated. In yesterday’s release of its



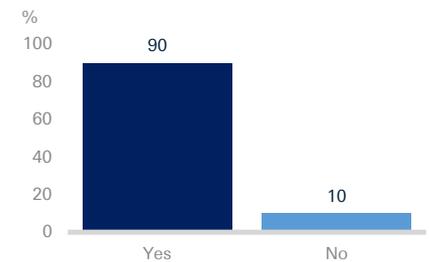
“[Joint European Roadmap towards lifting COVID-19 containment measures](#)” the Commission calls for a common approach and operating framework (incl. questions of the use of apps and data gathering). The Commission also suggests that border restrictions within the single market should be relaxed first and that external border opening should happen in a second stage. On the latter the Commission has already invited member states to prolong the temporary restriction on non-essential travel to the Schengen Area from April 17 to May 15. However, [President Macron](#) just indicated that external borders could remain closed until September to avoid a new wave of infections from outside the EU.

German government’s handling of the crisis enjoys strong public support

During a crisis the ruling parties tend to profit from the strong role the executive plays in such times. This holds true for Germany, in particular, where the Groko was seen very critical with ongoing speculations in media about an imminent break-up. In addition, Merkel’s leadership was put into question and the battle over the CDU party chair was in full play before corona hit Germany. Now, 88% of those surveyed appreciate the government’s work during the corona crisis and 90% consider containment measures appropriate (Politbarometer, April 2020).

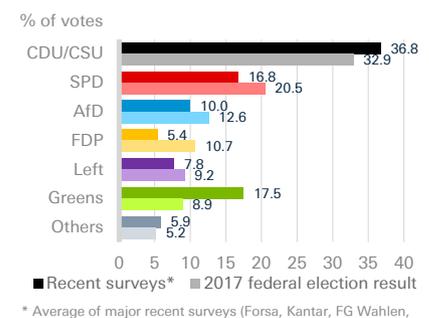
The Groko parties have recovered from their poor polling throughout 2019. With almost 36%, the CDU/CSU scores 4ppt higher than in the 2017 elections (see poll of polls chart) and more than 10ppt above their lowest polling in June 2019. The party probably also benefitted from a chancellor bonus given that 80% are satisfied with Merkel’s performance. PM of NRW Armin Laschet, who has an interest in following Merkel as chancellor in 2021, only ranks 5th in the list of the most important politicians. The SPD has left its nadir of 14% and scores at almost 17%. Despite the important role that FM Scholz and Labour Minister Heil play in the design of the economic rescue package, this is still below the 2017 result. Some observers would argue that this is also a reflection of the fact that SPD party leadership still focusses more on national (post-crisis one-off wealth tax) or even European redistribution measures (some SPD members being open for corona bonds). The parties in opposition have lost support to various degrees despite the fact that the mainstream parties play a very constructive role in the political process and crisis management – quite opposite to political debates in some EU partners. The Greens being stripped off their major topic of climate change – at least for the time being – even dropped below 20% in a number of polls. Does the shift in polls give us any indication on the political balance post-corona crisis? Not really, as this is an unprecedented situation. Still, if the government manages to get the economy back on track after fighting corona, the CDU might regain some of its lost strength, especially since 40% still see the CDU/CSU as the party with the highest economic competence.

Figure 3: Are the current containment measures appropriate?



Source : ZDF Politbarometer (9 April 2020)

Figure 4: Major political parties' popularity & result of the last federal election



Source : Wahlrecht.de, 14 April 2020



Appendix 1

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