COVID-19 in Germany: Further restrictions ahead - no formal lockdown

In the face of rapidly rising COVID-19 infection rates causing regional bottlenecks in intensive care units, the current caretaker federal government and heads of federal states agreed on further restrictions yesterday. From now on, the hospitalisation ratio in federal states will be the new single most important indicator to watch. It measures how many COVID-19 patients per 100,000 people have been hospitalised during the last 7 days. As soon as certain thresholds are exceeded, new restrictions will come into effect. Federal states have to implement the relevant regulation. The overall hospitalisation ratio in Germany is currently at 5.3 with large regional differences. Regional coronavirus hot spots are the southern and south-eastern parts of Germany.

New thresholds and measures in detail

If the hospitalisation ratio is above 3 in a federal state, access to certain facilities (including hotels and restaurants, cultural and sport events, and other leisure facilities or indoor events in general will only be allowed for people who are fully vaccinated or have recovered from a coronavirus infection (2G rule). Exemptions for people younger than 18 are possible.

If the hospitalisation ratio is above 6, people who are fully vaccinated or have recovered from an infection do, in addition, need to present a current negative coronavirus test (2G+ rule).

Particular emphasis is placed on the measures to be applied where hygiene standards are difficult to maintain. This applies especially to clubs and bars, etc. Again, exemptions for people younger than 18 are possible. Control of these rules will be intensified and penalties in case of violation will be increased.

If the hospitalisation ratio is above 9 (currently the case in two federal states), federal governments can decide on further measures such as restrictions on gatherings or lockdowns for certain facilities.

Mandatory vaccination for employees in the health and elderly care sector. But the federal government still must provide the respective regulatory framework.

Vaccination process (first and booster) should be accelerated.
Imposition of a mandatory 3G rule at the workplace. That means that employees must be fully vaccinated, recovered or are obliged to show a current negative test (not older than 24 hours). Employers must control and document this 3G rule every day. Thus, employees now have to disclose their vaccination or test status to their employers. Companies are obliged again to allow working from home where this is possible.

Introduction of 3G rule in public transport (plus still the obligation to wear a medical face mask).

Public coronavirus aid payments for affected companies are prolonged until March 31, 2022. Apart from the German legislation process, the EU Commission decided yesterday to extend the State Aid Temporary Framework further until end-June 2022. This allows the member states to continue support for economic recovery in the context of the coronavirus outbreak.

A formal general nationwide lockdown of certain sectors and schools is off the cards.

**Economic assessment**

The legal option of a nationwide lockdown is not included in this package. But, depending on the pandemic development, measures taken could still be far-reaching. Such concerns were behind our forecast change published in the Nov. Focus Germany, where we predicted economic stagnation in the winter half of 2021/22, in anticipation of rising infection rates, and their impact on private consumption, in particular.

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**Figure 1: Apple mobility index: Germany**

In view of the already declining mobility data, we see our assumptions confirmed that people will adapt their behaviour to the higher infection risks even without regulatory tightening. With regard to private consumption, consumers have become used to obtaining their goods online and thus avoiding personal contact. However, the 2G rule will exclude a certain share of consumers from brick-and-mortar stores and restaurants and hotels. Still, our latest forecast is already cautious, especially since we had already expected that the demand for personal services would decrease. On the other hand, some argue, that stricter rules and stricter enforcement might make consumers more willing to go out and shop than under a laissez-faire scenario.
In a similar vein, stricter rules might reduce the risk of employees being forced into quarantine, hence stabilising output. The exclusion of general school closures also ensures the availability of labour, at least as long as individual measures do not become nationwide.

Important state support measures to firms and employees have been extended until 31 March 2022. These include, on the one hand, simplified access to social security system aids (including short-time payments). On the other hand, the current bridging aid III Plus (as well as the new start-up aid Plus for solo self-employed was also extended.

As of 16th of November, around EUR 57.5 billion had already been disbursed through the various non-repayable grant programmes. Moreover, EUR 69 billion in repayable aid (KfW loans, large guarantees/guarantees by guarantee banks, WSF recapitalisation measures) had been granted. Furthermore, since early 2020 the Federal Labour Agency has disbursed short-time allowances aid (including social security contributions paid thereon) in the volume of EUR 42.5 bn (as of October 2021). As a result, the government has given non-repayable aid worth around EUR 100 billion and repayable aid of EUR 69 billion, i.e. EUR 169 billion.
Appendix 1

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