Corona Crisis and Germany

The global coronavirus (Covid-19) pandemic has far-reaching implications for business and the economy. Germany Trade & Invest provides regular information updates and answers to your questions about the potential effects for your project in Germany.

Germany Trade & Invest is working for you during this difficult time.

With major restrictions placed on movement and travel in place across the world, many planned events and trade fair visits have been cancelled or postponed. Although we are not able to meet you in person for the time being, Germany Trade & Invest will continue to provide its full portfolio of "virtual" services during the current crisis. All of our industry teams remain available to provide ongoing support – in Germany and around the world.

Entry Regulations, Border Controls, Travel Restrictions

A number of restrictions on entry to and travel within Germany as well as onward transit from the country have been introduced to safeguard public health since the outbreak of the coronavirus.

Germany’s Federal Foreign Office has prepared important information relating to entry and travel restrictions, behavior when in Germany, and transit through other countries.

Germany has also introduced travel restrictions for entries from outside the Schengen area. All corresponding entries from non-EU-citizens and citizens of non-Schengen states by plane or ship are affected.

National Guidelines to Slow the Spread of Coronavirus

On May 6, 2020 the federal government announced that lockdown restrictions will be further eased. Contact restrictions, with a minimum distance requirement of 1.5 meters and the use of masks in public spaces – especially in shops and on public transport - will remain in place until June 5, 2020.

Under strict hygiene and protective conditions, shops of all sizes will be allowed to open, recreational sport will again be permitted and pupils will gradually return to school until the summer holidays. Members of two households are also now permitted to meet.

All details of the reopening phase will be set at federal state level. However, the federal states and the federal government have agreed upon an emergency mechanism. If new infections rise to above 50 people cumulatively per 100,000 in a district within seven days, the responsible federal state has to reimpose restrictions.

For detailed information, please refer to the FAQs provided by the Federal Ministry of Interior.

Financial Support for Business

Germany’s government has moved swiftly and decisively to confront the potentially devastating effects of the coronavirus pandemic on the economy.
The country’s economy is in a strong position to introduce measures supporting the economy over a prolonged period. By providing businesses with sufficient liquidity, the government measures will help ensure that enterprises emerge from the crisis intact.

The Ministry of Finance and Federal Ministry for Economic Affairs and Energy have unveiled a joint assistance program and tax policy measures totaling billions of euros. The package of measures and instruments has been put in place to protect the employment market and enterprises of all sizes in all sectors.

**Liquidity Aid Loan Programs**

The federal development bank KfW has expanded and eased access and terms on two existing loan programs:

- the ERP-Universal Start-up Loan
- the KfW-Entrepreneur Loan

KfW has introduced a variety of special programmes to suit companies of different sizes and ages. These programmes include generous terms and conditions on consortial financing for larger projects, as well as emergency liquidity aid for SMEs, micro-enterprises and freelancers/self-employed persons experiencing financial difficulties as a result of the corona crisis.

Please refer to the KfW website for details on loan program conditions. Applications for all these can be made through high-street banks.

At the same time, both federal and state governments are setting up a variety of aid programs to support companies in Germany. The range of services is continuously being updated and expanded. The Federal Ministry for Economic Affairs and Energy provides an overview of all state programs (so far in German only). If you have any questions, please do not hesitate to contact us.

**More Flexible Rules for Short-Time Allowance Schemes**

The Federal Employment Agency pays the short-time allowance as partial compensation for a loss of earnings caused by a temporary cut in working hours. This reduces the costs faced by employers in the context of employing workers, and enables companies to continue to employ their workforce even in the event of a loss of orders. In other words, short-time allowances help to prevent dismissals.

Currently short-time allowances schemes can be granted on a more flexible basis for a limited period until December 31, 2020. For instance, companies are eligible to apply, if 10 percent of the employees are effected by shorter working hours. Moreover, social security contributions which have to be paid solely by employers for employees working short-time are reimbursed in full.

**Tax Policy Measures**

Tax measures improving companies’ liquidity situations have been decided. For instance, options for deferring tax payments and reducing prepayments will be enhanced. Enforcement rules will also be adapted - there will be no foreclosures or late payment fines, if the debtor of a pending tax payment is directly affected by the coronavirus.

**Consultancy funding**

Micro, small and medium-sized companies, including freelance workers and self-employed persons, are able to claim funding for corona-related consultancy fees, up to a value of EUR 4,000 from the Federal Office of Economics and Export Controls (BAFA).
Maintaining Supply Chains in the EU

European supply chains are maintained through an extensive network of freight transport services, including all modes of transport.

In order to ensure the proper functioning of the EU’s internal market, the EU has requested member states to immediately designate all of the relevant internal border-crossing points of the trans-European transport network and additional ones – to the extent deemed necessary – as "green lane" border crossings.

Green Lane Border Crossings

These green lane border crossings should be open to all freight vehicles – whatever goods they are carrying. Crossing the border, including any checks and health screening, should not take more than 15 minutes.

The European Commission has presented a practical guide to ensure continuous flow of goods across EU via green lanes. Moreover, the Commission has also set up a network of national contact points and a platform to provide information on national transport measures taken by member states in response to the coronavirus.

Economic Developments

The coronavirus outbreak in Germany has brought an abrupt end to the positive economic start to the year. The country’s economy must address unexpected challenges.

Economic Forecast Germany 2020-2021

According to the German Council of Economic Experts (GCEE), the most likely scenario will see the economic situation normalize over the summer in a way similar to the pattern emerging in China. However, this assumed recovery in the second half of 2020 will not prevent Germany experiencing a drop of 3.1 percent in GDP this year – making it the second most affected economy in the euro zone after Italy. In 2021, large catch-up and carry-over effects should buoy the economy, with a projected GDP increase of 3.7 percent. The GCEE also expects Germany’s recovery in 2021 to be the strongest of all euro zone countries.
Expected Development of the German Economy

Source: German Council of Economic Experts; Notes: change on previous quarter in %, not calendar adjusted

Expected Development of GDP in the Countries of the Euro Zone

Source: German Council of Economic Experts; Notes: change on previous year in %, calendar adjusted

Countering the Crisis - Record Package of Financial Support Measures

Germany’s government has moved swiftly to counteract the worst effects of the crisis, introducing a far-reaching package of financial measures to safeguard health, jobs and the economy. The record aid package includes a supplementary government budget of EUR 156 billion to absorb the immediate consequences of the crisis. The complete program of help measures – including guarantees and subsidized KfW bank loans – planned represents EUR 1.2 trillion in total. By moving quickly and decisively to mitigate the worst outcomes of the crisis, Germany’s government is creating the conditions to ensure that businesses – of all sizes – emerge from the crisis intact.

Germany was one of the safest investment locations worldwide before the global coronavirus pandemic. The country’s strong and stable economy now puts it on a strong footing to deal with the current crisis. The record financial aid package announced – with further measures foreseen as and when required – is a sign of the German government’s commitment to ensuring that the country maintains its proud position.
Global FDI Perspectives

A global recession now seems certain, with economic recovery only possible when the virus can be effectively contained. According to the OECD, a sharp slowdown in world growth is expected in the first half of the year as supply chains and commodities are affected, tourism falls away and business confidence falters.

UNCTAD reports that the outbreak and spread of Covid-19 will negatively affect global foreign direct investment (FDI) flows in the period 2020-2021. Downward pressure on FDI will be in the range of -30 to -40 percent according to new forecasts. Developed countries in particular will feel the effect of this downturn as a result of their dependence on global supply chains.

Sectors expected to experience the greatest decline in FDI levels include aviation, tourism, entertainment, retail trade, and luxury goods. The automotive, consumer goods and IT sectors should experience minimal decline, with biotechnology, e-commerce, digital technologies, and healthcare potentially recording FDI increases according to some forecasts.

German Industry News

May 04, 2020
**New Corona Antibody Test Made in Germany “99.8% Accurate”**

May 04, 2020
**Covid-19 – Creating Demand for Digital Health Applications**

Apr 29, 2020
**The Robots are Coming – Innovative Solutions for Covid-19 Crisis**

Apr 28, 2020
**Covid-19 Research: Last Opportunity to Apply for Research Grants**

Apr 20, 2020
**Logistics in Germany Rises to Covid-19**

Apr 14, 2020
**Covid-19 Fuels Debate over API Production Locations**

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