

GOVERNMENT MEASURES TO STABILIZE THE ECONOMY

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Government Measures

Countering the crises

The German government quickly and decisively acted to counter the crises. On March 23, 2020 a **protective shield** was set up for citizens, jobs and the economy

- Short-Time Work
- Tax Policy Measures
- Financial Support for Businesses



A stack of Euro banknotes, including 100 and 200 Euro notes, is visible in the background. In the foreground, a pair of blue nitrile gloves is prominently displayed, partially covering the banknotes.

Short-Time Work

Compensation for temporary work reduction

The Federal Employment Agency (FEA) pays a **short-time allowance** as partial compensation for loss of earnings caused by a temporary cut in working hours.

Relaxed rules apply until end of 2020:

- reduction of working hours for more than 10% of employees reduced by at least 10%,
- in one or more business divisions or the entire business,
- no requirement to build up negative working time balances.

Short-Time Work

Reduces costs and helps companies to continue employ their staff

Implications for Employer

- Pays short-time allowance to employee
- Allowance is reimbursed by the FEA
- Full refund of social security payments
- Workforce is immediately available

Implication for Employee

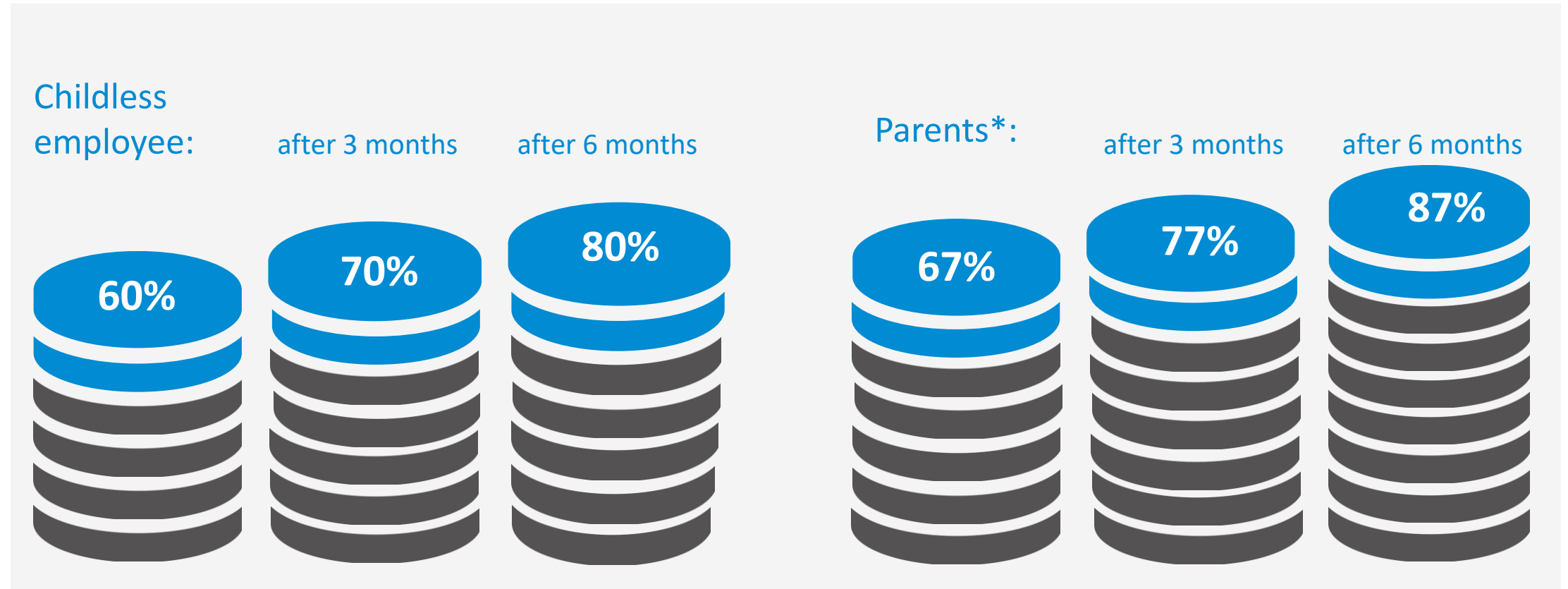
- Partial pay of net pay loss – at least 60% (childless employee) or 67% (parents*)
- The allowance is tax free
- Statutory period 12 (21) months

Financial burden of short-time allowance lies with Federal Employment Agency.

** Employees with at least one child living at home*

Short-Time Work

Increase of allowance rate - from a reduction of at least 50%

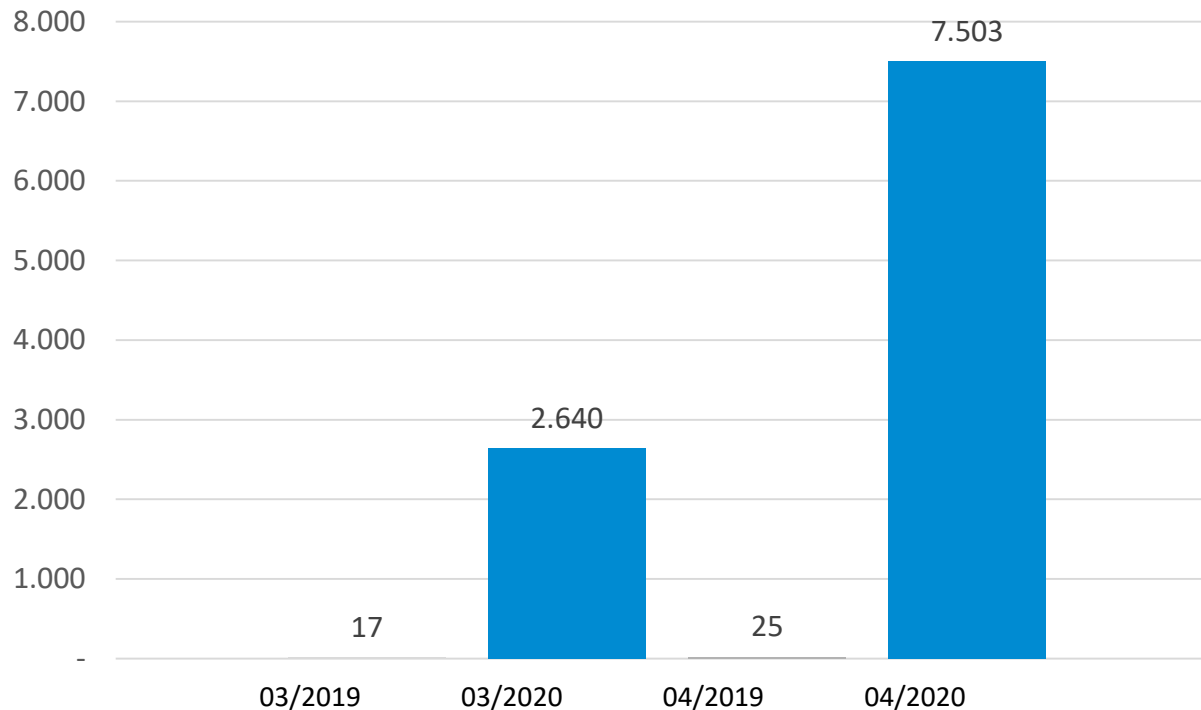


* Employees with at least one child living at home

Short-Time Work

In April 2020 short-time work registrations increased sharply

Employees working in companies filing for compensation for Short-Time Work (in thousand)



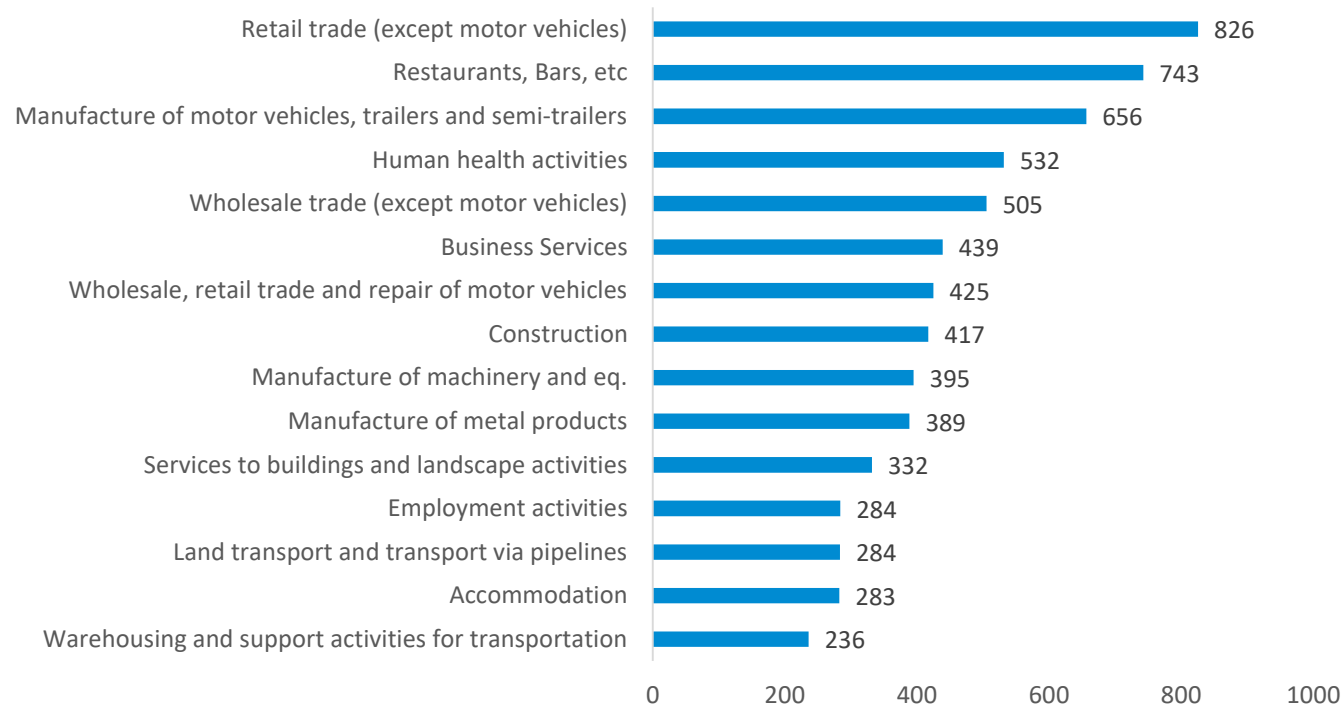
In March and April 2020, companies with more than 10 million employees registered short-time work.

Source: Federal Employment Agency, May 2020

Short-Time Work

Especially the retail and restaurant sectors are highly affected

Employees working in companies applying for Compensation for Short-Time Work by Sector in 03/2020 & 04/2020 (in thousand)



In nearly every industry sector, companies registered for short-time work during the lockdown.

Tax Policy Measures

Tax-related assistance to all businesses, but also to employees

**Interest free tax
payment deferrals**

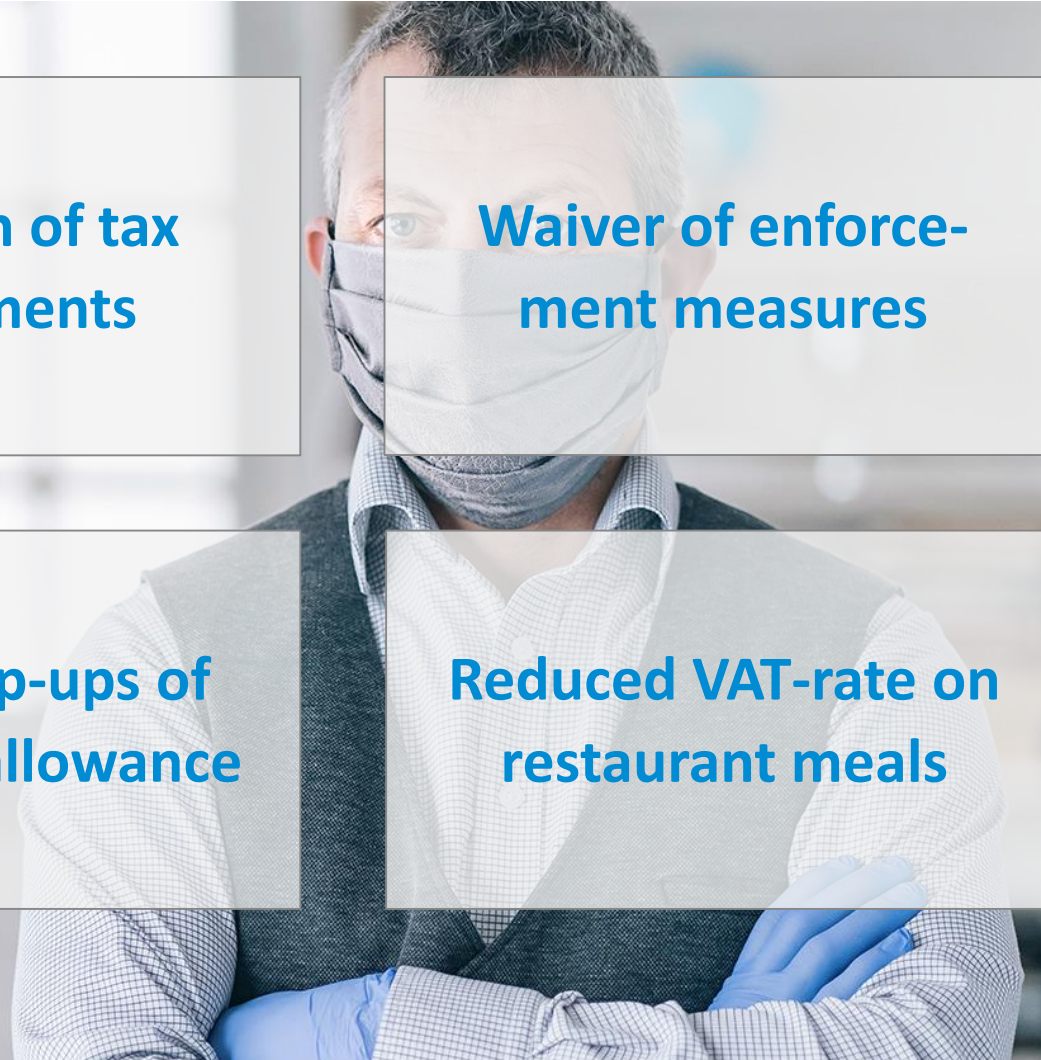
**Reduction of tax
prepayments**

**Waiver of enforce-
ment measures**

**No late-payment
penalties**

**Tax free top-ups of
short time allowance**

**Reduced VAT-rate on
restaurant meals**





Financial Support

Immediate support for small businesses

Immediate Assistance Programs

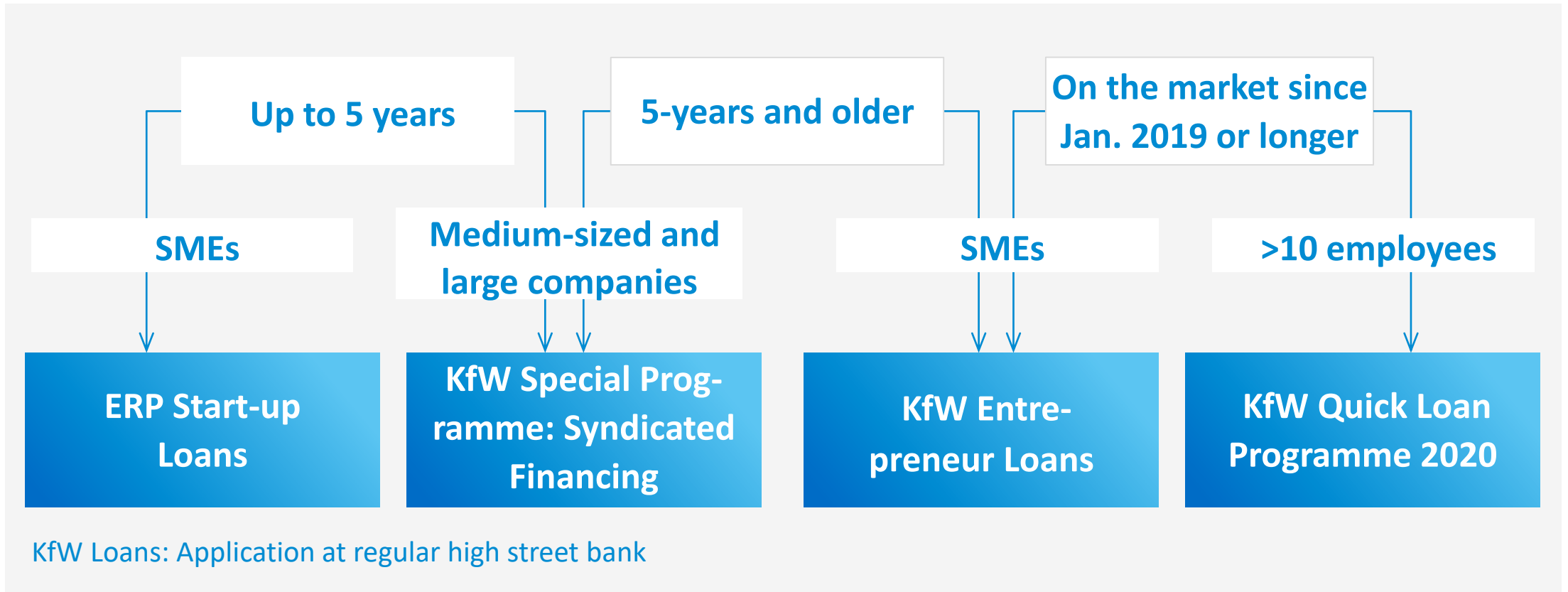
- Support businesses with up to 10 employees
- Implementation + application at federal state level
- EUR 50 bn. – funded by Government

Up to 10 employees:
EUR 15,000

Up to 5 employees:
EUR 9,000

Financial Support

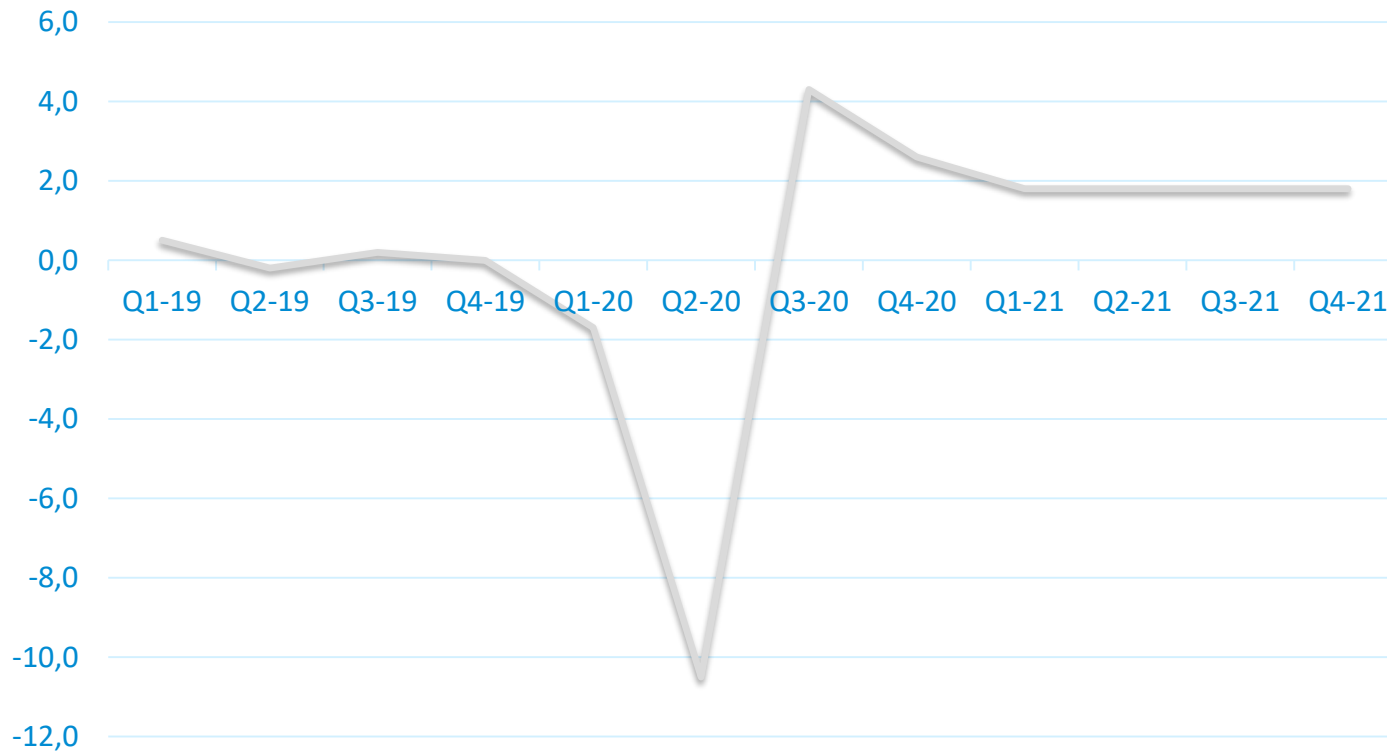
KfW loan programs - set up according to company age and size



Economic Development

German GDP is expected to decline by overall 6.5% in 2020

Expected Development of the German GDP



Germany is expected to reach pre-crisis level in the end of 2021.

Source: European Commission; Notes: change on previous quarter in %, not calendar adjusted

Economic Development

The German economy expects a recession in 2020

-12.1%

Export of Goods

-9.2%

Import of Goods

-5.8%

Investments

-8.3%

Consumption

Economic Development

...which is predicted to be followed by a strong recovery in 2021

+10.3%

Export of Goods

+8.6%

Import of Goods

+5.9%

Investments

+6.0%

Consumption

Economic Development

A fiscal package aiming to kick-start the German economy

"It is an ambitious program" declared Angela Merkel, as she presented the second package worth EUR 130 billion on June 5, 2020.

Stimulate Consumption:

- VAT cut from 19% to 16% and 7% to 5%
- Capped social security contributions
- Family allowance

Promote Investments:


- Increased tax incentives
- Extended tax credits for R&D expenditures
- Reduced electricity costs

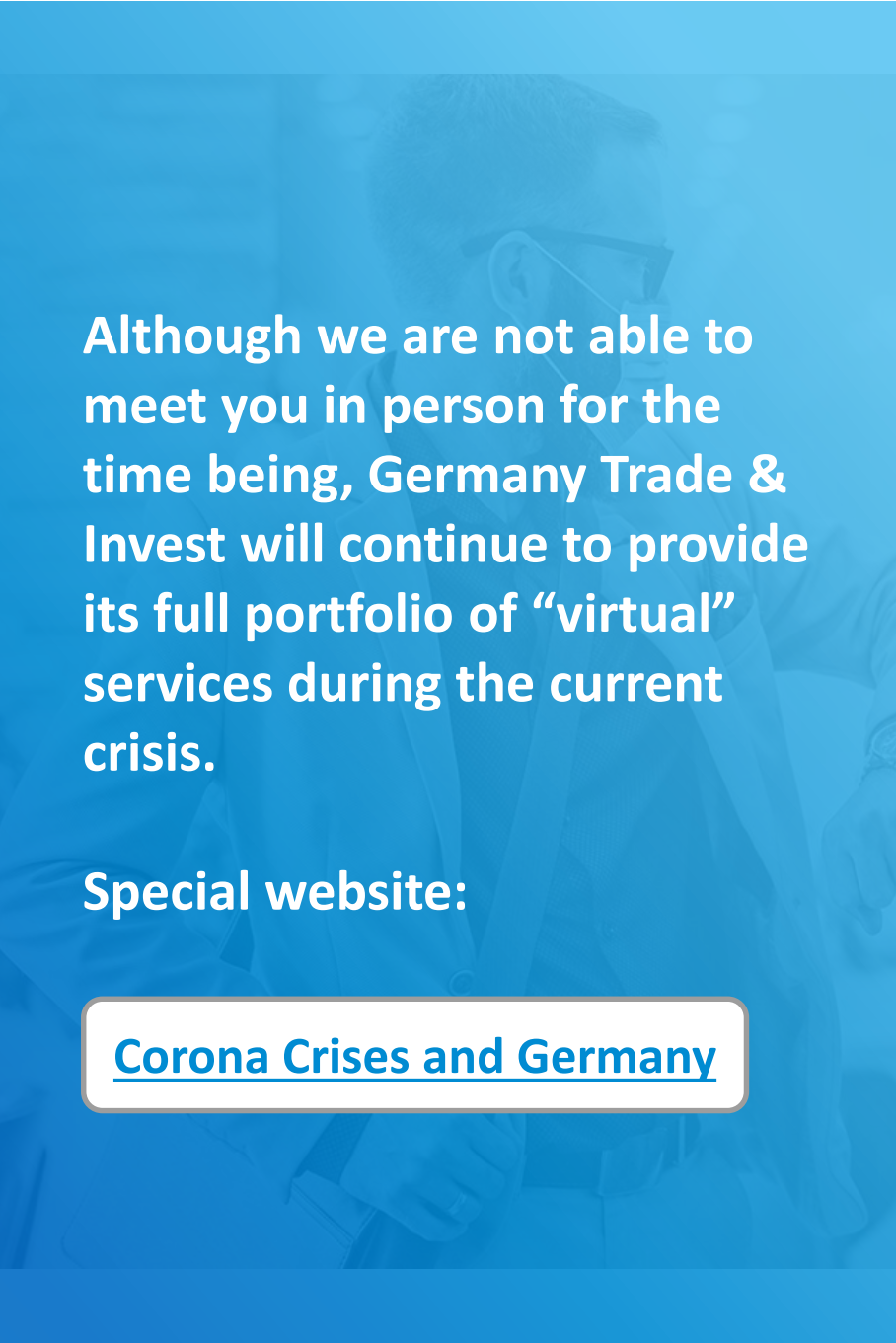

Structural Changes:

- Digitalization
- Healthcare
- Climate technologies
- E-Mobility

Economic Development

Germany will remain an attractive location for foreign companies

- 
- ✓ Germany's knowhow and economic structure are well maintained.
 - ✓ Being part of Europe's largest market helps companies to expand their foundation.
 - ✓ Companies can count on rational and effective state leadership and assistance.



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.

Special website:

[Corona Crises and Germany](#)

Contact Us



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