Coronavirus Update
23 March 2020

This document summarises recent factual developments in the crisis response in Europe to the COVID-19 pandemic. In this summary we focus on the economic and business impact and major EU-level policy initiatives.

EU RESPONSE

Crisis coordination & competencies
On 20 March President of the EU Council Charles Michel wrote a public letter to the President of the Italian Republic Sergio Mattarella in which he said the Council will try to coordinate more effective action at the EU level to support Italy. Michel summarised the measures taken by the EU last week, including: restricting the export of health protection and assistance equipment; the financial crisis support measures announced by ECB president Christine Lagarde; support for research to rapidly develop an adequate vaccine and medical treatment; the closure of Schengen (the free movement countries) external borders, and the efforts to ensure that all European citizens in third countries who wish to return home can do so quickly.

Economic and financial measures
On 20 March the Commission proposed the activation of the general escape clause of the Stability and Growth Pact (SGP) as part of its strategy to respond to the coronavirus pandemic. The Council gathers on 23 March to discuss the proposal. Once endorsed by the Council it will allow Member States to undertake measures to deal adequately with the crisis, while departing from the budgetary requirements that would normally apply under the European fiscal framework.

The European Competition Network (ECN) released a statement saying the extraordinary situation may necessitate companies' cooperation to ensure the supply and fair distribution of scarce products to all consumers. In current circumstances the **ECN will not actively intervene against necessary and temporary measures put in place in order to avoid supply shortages.**

ECN said that companies with questions about the compatibility of such cooperation with EU/EEA competition law can consult the European Commission, the EFTA Surveillance Authority or the relevant national competition authority for guidance. It also underscored the **utmost importance of ensuring that products essential to protect public health (eg face masks and sanitising gel) remain available at competitive prices**. It said it would not hesitate to take action against companies taking advantage of the current situation by cartelising or abusing their dominant position, pointing out **that current rules allow manufacturers to set maximum price, which can help limit unjustified price increases at the distribution level.**

Institutional

The EU Council is organising a **teleconference of economics and finance ministers on 23 March 2020. The agenda highlights are:**

- **The economic impact of the COVID-19 crisis.** Ministers will exchange views on the economic fallout of the crisis and appropriate policy responses, including questions related to state aid rules. The European Commission will present an assessment of the situation. The European Central Bank will present the purchase programme announced on 18 March.
- Ministers will discuss the **flexibility of the Stability and Growth Pact.** They will look at the measures, including a general escape clause, presented by the European Commission in its communication on the economic aspects of the crisis.
- Ministers will exchange views on **the impact on the European Semester 2020, the process of budgetary scrutiny of the national budgets in the eurozone, and the coming months.**

On 23 March the Council agreed on a temporary derogation to its Rules of Procedure to make it easier to take decisions by written procedure, allowing EU ambassadors to decide to use the written procedure in accordance with the voting rule applicable for the adoption of the act itself. **It means that the existing requirement for unanimity for all decisions to use the written procedure no longer applies.** The decision will apply for one month and may be renewed if justified.

NATIONAL RESPONSES

Initial responses to the coronavirus pandemic are in the hands of EU member-state national governments as healthcare remains an exclusive national competence. Other measures taken include limitations on travel, trade and economic support measures.

Belgium

Travel: As of 20 March the Belgian government closed its borders for all non-essential travel.

Denmark

Economy: On 23 March Denmark's parliament postponed a new climate bill indefinitely. The bill would have legislated for a 70% reduction of carbon emissions by 2030. "Right now we use almost every effort to get through coronavirus outbreak. This does not mean that there is no willingness to look at equalisation and climate. Those we will get to in the time ahead", Finance Minister Nicolai Wammen said.

On 19 March all parties in the Danish government agreed to widespread economic support for companies and freelancers. This covers **75% of the salary** up to DKK23,000 (c **€3,100**) per month per employee for companies that keep on their employees, with **companies paying the remaining 25%** and employees giving up five days of holiday. They will also compensate for companies' fixed costs such as rent.

Payment of VAT and tax has been postponed for four months to liberate around DKK1.25bn (c **€167,330,000)**, and banks will get state guarantees so they can offer loans and liquidity to SMEs. There will also be extended public procurement to help boost company income. There's also a special agreement to protect the (part-state-owned) SAS airline company.

The European Commission has said that a DKK1bn (c **€130m**) Danish guarantee scheme for SMEs affected by Coronavirus outbreak is in line with EU state-aid rules. The schemes were approved under the State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak adopted by the Commission on 19 March 2020.

France

Economy: The European Commission has approved three French State aid schemes under the same temporary framework cited above.

Germany

Economy: The pandemic could cause the German economy to shrink by more than 20% this year, draining hundreds of billions of euros from the public budget, the Munich-based Ifo Institute said in a study published on 20 March. Depending on the length of the disruption, the institute estimates the losses will range from 7.2% for a two-month period to 20.6% under a worst-case scenario for a three-month outage. The institute estimates the economic cost of that would be **€255-729bn**. The crisis will also create a shortage of **€200bn** in the public budget, without considering consider the benefits of the economic rescue packages. Some **1.8 million workers could lose their jobs,** the institute said.

The German Chancellor announced more severe measures for Germany, including banning meetings of more than two people from different households and mandating the **closure of non-essential businesses**. On 22 March German Chancellor Angela Merkel self-quarantined at home after a consultation with a doctor who later tested positive for COVID-19.

On 19 March the German agriculture ministry announced that Berlin is working to create a new commission on the future of agriculture. This panel will develop proposals on economic, sustainability and competitiveness issues. It will also focus on animal husbandry, climate protection and the sector's future.

The European Commission has approved two **German state-aid schemes** to support the German economy in the context of the Coronavirus outbreak under the same temporary framework cited above.

Over 27,000 data scientists, designers, entrepreneurs and other creatives participated in an online contest organised by several organisations including the German Chancellery, leading to over 1,500 pitches for new solutions how to fight the pandemic.

Ireland

Economy: The Irish government has introduced a mechanism to enable businesses to provide top-up payments to staff above the **€203** being provided through the Employer Covid-19 Refund Scheme. The scheme enables employers to claim a refund of **€203** a week per employee in circumstances where staff are temporarily laid off but the company continues to pay them at least that amount. But an anomaly meant that if businesses wanted to pay staff more than the refund amount they would not be entitled to claim the **€203** refund. The organisation representing businesses in Dublin city centre had warned that unless top-ups were allowed thousands more jobs would be put at risk. The new mechanism allows employers to pay above the **€203** and still claim the refund from the state. Details of how the system will work are being finalised and will be published next week.

The government also said it would introduce new measures by the middle of this week to provide a guaranteed level of income for employees and those who have already lost their jobs due to the crisis. Speaking to national broadcaster RTÉ, **Tánaiste (deputy prime minister) Simon Coveney** said the government would introduce an economic package that will go "well beyond" what it had announced to date. In a rare show of alignment, **Irish trade unions and the employers' group Ibec** had separately called on the government to support worker wages by up to 75%, following similar schemes recently introduced in other European countries.

Dublin's ISEQ index again demonstrated a greater reaction to events than its European counterparts, seeing heavier losses this morning than other major European indices. The ISEQ slumped 6.3% in early trade: by comparison, Frankfurt, Paris and London saw early-trading losses of 4.4-4.8%.

Non-bank lender Finance Ireland has postponed its proposed **€100m**+ IPO as the health crisis negatively impacts global equity markets. The Irish state's Ireland Strategic Investment Fund and US investment giant Pimco each hold a 31% share in the company that had been seeking flotation in May.

Clothing retailer Primark is closing all of its 376 outlets in 12 countries until further notice. The closure is expected to incur a loss of some £650m (**€702.260.000,00**) worth in net sales a month. The Irish fast-fashion group also said it would stop placing new orders with suppliers.

The decision by fast food outlet McDonald's to close all its Irish restaurants will have a massive impact on an already struggling beef sector. McDonald's is the biggest buyer of Irish beef, spending more than **€160m** on Irish beef for its European operations. McDonald's buys some 40,000 tonnes of Irish beef every year, with one fifth of all burgers sold in Europe made from Irish beef.

One of Europe's largest poultry processors is hiring hundreds of temporary workers to meet a growing appetite for chicken it says is a direct response to the change in shopping patterns created by the coronavirus crisis. Moy Park, owned by US group Pilgrim's Pride, is set to create hundreds of temporary jobs at its Northern Ireland sites because of a "heightened demand for chicken produce".

Italy

Economy: On 22 March Prime Minister Giuseppe Conte announced an even more severe lockdown, with all non-essential factories to close. Only supermarkets, pharmacies, banks, post offices and public transport will still function.

The European Commission has approved under the same temporary framework cited above a **€50m** Italian aid scheme to support the production and supply of medical devices, such as ventilators, and personal protection equipment, such as masks, goggles, gowns, and safety suits.

The Netherlands

Economy: The cabinet will meet again on 23 March for crisis deliberations. It is expected that there will be a press conference following the meeting. New measures may be announced.

Norway

Economy: Norway's Development Aid Minister Dag-Inge Ulstein said on Monday 23 March that the country wanted to start a UN donors' fund to help poor countries fight the pandemic, saying they were "concerned about the way the virus will affect developing countries which have fragile healthcare systems".

Portugal

Economy: Under the temporary framework Portugal notified the Commission of four schemes for SMEs and midcaps affected by the Coronavirus outbreak in four different sectors: tourism; restaurants and other similar activities; extractive and manufacturing industry; and travel and tourism. The schemes have a total budget of **€3bn**, again approved by the EC.

Spain

Economy: On 22 March Spain's prime minister Pedro Sánchez called for an EU Marshall Plan to combat the spread of the pandemic. He praised the European Commission for its response to the public health crisis so far but added that an EU-wide plan to revitalise the continent's economy will be needed.

United Kingdom

Economy: The UK government is nationalising the country's railways for at least six months as part of efforts to make sure services continue to run during the pandemic.

The British government installed a "war room" to fight the pandemic. Former Nestlé executive Chris Tyas has been appointed director of food supply at the Department for Environment, Food and Rural Affairs to oversee national food security.

On 20 March Environment Secretary George Eustice said that the UK will lift the "three-crop rule" in a bid to help farmers recovering from recent floods. Eustice's department also announced £6m (c **€6.5m**) for the Farming Recovery Fund to help remediation efforts after storms Ciara and Dennis.

Upcoming Meetings

This week 23-27 March: A number of high-level videoconferences are scheduled. These will address the impact of the COVID-19 virus on different sectors

Monday 23 March

- Informal videoconference of Ministers of Foreign Affairs
- Informal teleconference of Economy and Finance Ministers

Tuesday 24 March

- (Possible) informal videoconference of Ministers for European Affairs
- Eurogroup videoconference
- Political and Security Committee

Wednesday 25 March

- Informal videoconference of Ministers responsible for Agriculture and Fisheries

Thursday 26 March

- Videoconference of Members of the European Council where new measures will be announced

Friday 27 March

- Informal videoconference of Ministers responsible for Cohesion/regional policy