

Covid-19 Newsletter 2: Exit strategy

As EU Member States embark on a cautious de-confinement path, the economy slides into recession and the question of the proportionality of public health-related measures and their economic consequences is increasingly present in the public debate.

As long as a vaccine (or an effective treatment) for the COVID-19 disease is not found and deployed, post-COVID-19 societies will have to coexist with the virus, and find an equilibrium between the social constraints resulting from health protecting measures and the need to mitigate as much as possible a huge economic shock, which if not addressed adequately, could have unpredictable social and political consequences. It is crucial to put in place a forward-looking economic strategy, including a credible recovery plan and reinforced public health structures.

The reconstruction package should have at its core the European Green Deal and the digital transformation in order to kick-start the economy, improve its resilience and create jobs while at the same time assist in the ecological transition, foster sustainable economic and social development - including the strategic autonomy of our continent.

The COVID-19 crisis has shown above all the importance of joint European action. Although public health is primarily the competence of the Member States, the European Parliament has called on the Commission and the Member States to act together and to rise to the challenge and ensure that the Union emerges stronger from this crisis. In particular, a coordinated post-lockdown approach in the EU should be ensured.

The present COVID-19 Newsletter focuses on the de-confinement strategies and EU measures to support the economic recovery. An update of ongoing COVID-19 related expertise work for the ECON, EMPL, ENVI, ITRE and IMCO committees is provided at the end of this document.

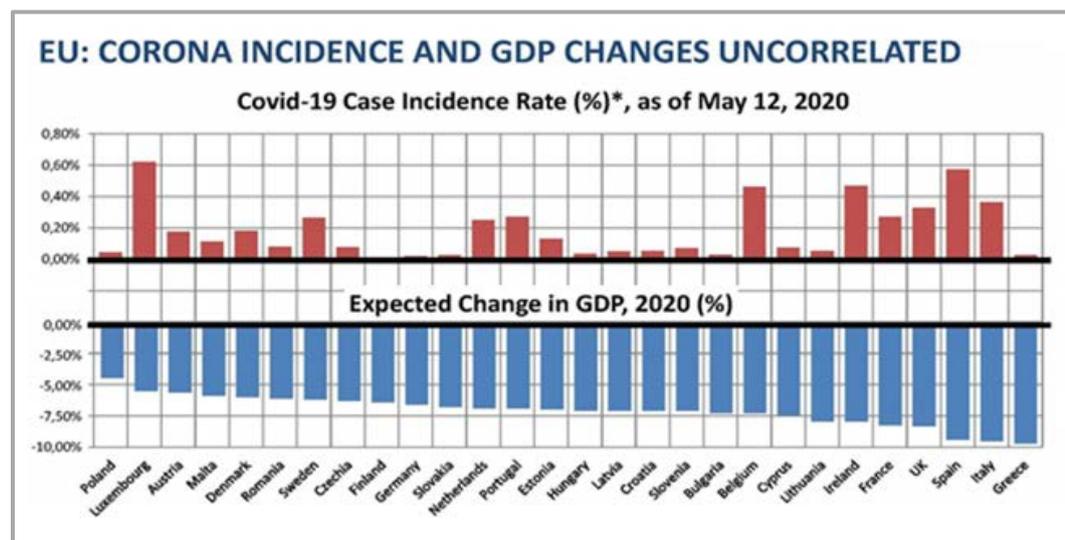
1. THE SIZE OF THE ECONOMIC SHOCK

The Covid-19¹ pandemic casts significant uncertainty over the economic outlook for all countries, particularly in the medium term. The economic impact of the pandemic in 2020 will be significant all over the European Union (EU), and not always proportional to the Covid-19 incidence.

During the first two months of the pandemic, all Member States have prohibited public gatherings, closed (totally or partially) schools and non-food commerce, made teleworking a norm in all sectors where it was possible, and introduced border/travel restrictions. More than half of the Member States have declared the **state of emergency**. These measures have delayed the spread of the virus and alleviated pressure on health care systems, while at the same time causing **considerable damage to the economic and social life**. In its Summer 2020 Economic Forecast, published on 7 July 2020, the [European Commission cautions about an even deeper recession with wider divergences](#) (Euro - 8.7%, Spain -10.9%, France -10.6%, Italy -11.2%, while the Bundesbank real time weekly tracker points to [a contraction in Germany of 4.8% QoQ in the second quarter](#)).



EU Covid-19 incidence rate and GDP changes uncorrelated



Source: Commission forecast and Oxford based on the JHU database.

The greatest uncertainty, however, relates to the eventual pace - time and length - of the recovery, which is likely to be asymmetric, as opposed to an originally largely symmetric Covid-19 economic shock. Consequently, experts are expected to continuously revise their views on the economic outlook, either up or down, as we learn more about the extent of the economic impact. At present, these revisions are very large², which greatly complicates developing an adequate, timely and targeted policy stance based on standard techniques, as used in regular forecasting practices by the European Commission, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) or national authorities.

Largely because of such great number of unknowns, other key experts - including the European Central Bank³ - turn to scenarios, rather than to forecasts and typically elaborate upside and downside scenarios:

Upside scenarios typically assume that medical advances, such as increased testing capacity, enhanced therapeutics, and the discovery of a vaccine in the second half of 2020, will lessen business and consumer fear. This would facilitate quicker easing of restrictions and therefore allow activity to resume faster. As a result, GDP still contracts strongly in 2020, but the recovery in 2021 is stronger.

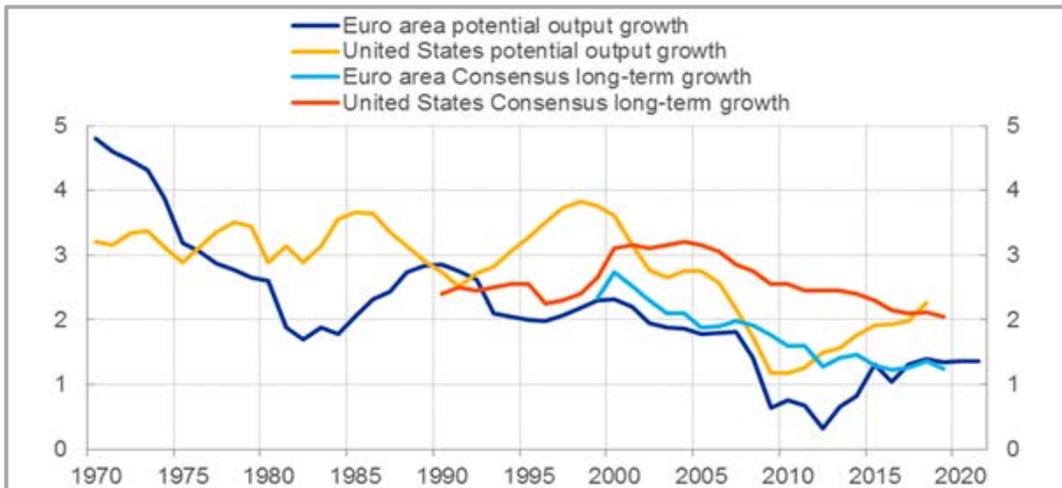
Downside scenarios include a longer period of lockdown - and tighter measures - and tend to set out how long-standing structural issues evolve into a financial crisis as limited credit supply amplifies de-leveraging in the private sector. As public and private investment fall, productivity growth slows, and potential output diverges from previous trends. Under these circumstances, GDP levels could be well below the pre-Covid-19 baseline for years to come.

In the [June 2020 macroeconomic projections](#) by the European Central Bank (ECB), the **baseline assumes only partial success in containing the virus**, with some resurgence in infections over the next few quarters, requiring persistent containment measures. Nevertheless, the ECB notes that these measures are expected to entail lower economic costs than those during the strict lockdowns, due to learning and behavioural responses by authorities and economic agents.

The Covid-19 pandemic impact, for better or for worse, is likely to reinforce many trends that had started to unfold beforehand. Productivity growth has decelerated sharply during the past decades in the euro area like in all advanced economies. The consequences are far-reaching. They include lower long-term real interest rates, weaker potential growth (see graph below) and, most importantly, slower gains in living standards as a result of the Covid-19's impact on corporations and households, and

growing labour market imbalances, and layoffs. These consequences are among the root causes of political disenfranchisement in the EU and major parts of the western world.

Potential output and consensus long-term growth in Euro area and United States

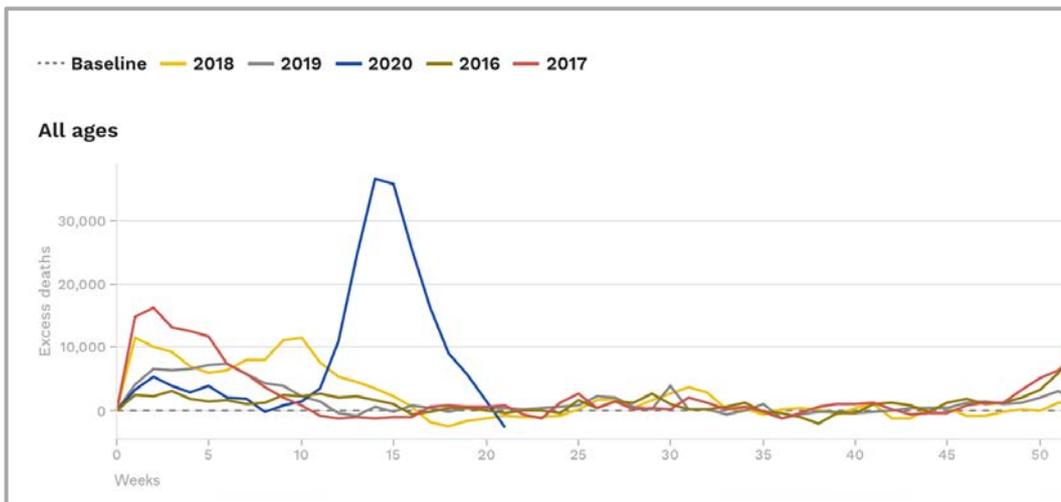


Source: ECB, 2020.

2. CONFINEMENT, DE-CONFINEMENT AND THE 'NEW NORMAL'

With more than 1,598,000 reported cases and 176,000 deaths in the EU/EEA and the UK⁴, as the 'curve flattens', Member States have decided to restart economic and social activities gradually, while monitoring closely the impact on the pandemic development and the pressure on health care systems.

Weekly excess deaths in selected countries between 2016 and 2020



Source: [EuroMOMO](#); countries: AT, BE, CH, DK, EE, EL, ES, FI, FR, DE (Berlin, Hesse), HU, IE, IT, LU, MT, NL, NO, PT, SE, UK; data extraction 03/06/2020.

Regarding specifically, the mortality rate, the [COVID/19 Health System Monitor](#) has argued that **national definitions of Covid-19 deaths may result in a substantial lack of comparability** of Covid-19 related mortality across countries and that estimating excess deaths could be used more widely to monitor the true scale of impact of the Covid-19 pandemic with minimal time lag. A substantial **excess of mortality rate in April 2020 due to the Covid-19 pandemic appears** from the comparison of the 2016-2020 mortality rates related to seasonal influenza, pandemics and other public health threats for a selected group of countries and all age groups. The excess of mortality rate

is seen primarily in the age group of ≥ 65 years, but also in the age groups of 45-64 and 15-44 years⁵. This period includes part of the influenza season as well as the start of the Covid-19 pandemic. In his [policy insight](#), Daniel Gros concludes that the huge economic costs of the great lockdown might still be lower than the medical costs generated by a potentially uncontrolled spread of the virus.

According to the World Health Organisation (WHO)⁶ and the European Medicines Agency (EMA)⁷, there will be **no Covid-19 vaccine developed before 12-18 months from the outburst**. The ECB baseline (mid-2021) is consistent with this estimate. Additional time needs to be factored in for authorising the vaccine, producing it in sufficient quantity, and making it widely available. In the absence of a vaccine or treatment, a likely public health scenario describing the equilibrium status of our society assumes that, for the next **12-18 months Covid-19 may become an endemic virus in worldwide societies**. Possible new Covid-19 resurgences in infections in the EU might happen, which could intermittently (and to varying degrees) stress national healthcare systems.

At the moment, it is **unclear whether recovering from Covid-19 grants immunity and for how long**, as subsequent waves of infections have been detected⁸. Because of the Covid-19 high infectivity⁹, positive cases should be benchmarked against the maximum intensive care units (ICU) capacities in all EU Member States. This implies pandemic monitoring and forecast, and the realisation of some form of dynamic equilibrium between the number of new positive patients and their bed and ICU healthcare capacity. New social distancing rules have been introduced across Member States to contain the spreading of the virus and ease the burden on the healthcare system.

Under such a stable pandemic emergency scenario, the Member States, in coordination with the European Union¹⁰, should adopt public health measures, which would be the basis for a 'new normal'. Any action in this regard should be **based on science** and have public health at its centre. Measures should also be **proportionate, so that, whenever feasible, safe alternatives should replace general prohibitive measures**¹¹. In particular, there must be a permanent evaluation of all measures in the light of new scientific evidence and the possible resurgence of new infections. The present Newsletter takes into account in particular the scientific advice of the European Centre for Disease Prevention and Control (ECDC)¹². The following is a non-limitative list of measures:

- Introduction of **large-scale, quick and reliable**¹³ [Covid-19 molecular tests](#)¹⁴ (e.g. for at least 0.1% of the population per day¹⁵), under the assumption of a **random sample** of the whole population to monitor its status¹⁶.
- **Temporary and intermittent social distancing measures** should be used to control subsequent outbreaks of the disease. The efficiency of such social distancing measures for virus control should be carefully and locally monitored and assessed on the field.
- **Temporary increase of ICU beds, medical devices, staff and facilities**: the new post Covid-19 society should remain in equilibrium by keeping the maximum number of occupied ICU beds below the maximum capacity of each national healthcare system (keeping in mind that a sufficient number of ICU beds need to remain available for other, non Covid-19-related emergencies). Available medical devices and ICU beds on each day must be equal to at least the number of the positive Covid-19 cases found 1-14 days earlier in the total population, multiplied by (i.e. adjusted to the percentage of) the severity risk of showing respectively general symptoms requiring hospitalisation and certain acute symptoms for ICU¹⁷. Covid-19 dedicated areas for patients should be identified in hospitals and targeted training for Covid-19 dedicated medical staff should become the norm¹⁸.
- Most **vulnerable groups** should be protected for longer, while **diagnosed people or people with mild symptoms** should remain quarantined and treated adequately.
- The introduction of **effective Covid-19 antiviral drugs** could make the scenario milder. Reducing the severity of the sickness and its hospitalisation rate would allow national health

care systems to release some capacity currently reserved for the treatment of serious Covid-19 patients (ICU beds and equipment, medical staff, medicines and therapies).

- The same goes for the potential **herd immunity** factor¹⁹. The bigger the number of persons immune to the Covid-19, the smaller will be the required healthcare capacity. Based on the reproduction rate of the Covid-19 virus, potentially 60% of the population needs to acquire immunisation for herd immunity to work²⁰.
- Standard **serological tests** should also be widely used to detect immunised patients in order to develop a more efficient and granular contact tracing policy.
- **Consensus on Covid-19 personal data**: for their own safety, citizens could be invited to [GDPR](#)-consent as a way to be empowered to take effective and more targeted social distancing measures, and for warning, preventing and contact tracing to help limit the propagation of the Covid-19 disease²¹.
- **Social distancing measures could be modulated on a temporal and/or regional and/or local basis**, under the conditions of a strict monitoring of the increase of the number of positive cases and available ICU beds in hospitals, in particular in case of subsequent outbursts. **Effective social distancing** could be optimised by an efficient, combined use of relevant apps²², vaccine and antiviral drugs (once these are available), herd immunity and measures targeting vulnerable groups, diagnosed people or people with mild symptoms. Technology - including Artificial Intelligence - could also help in bringing the new living conditions closer to those of the pre Covid-19 times²³.

In the coming months, the compatibility of social distancing measures and high-proximity economic activities such as restaurants, large events or public transports will be tested, with some business models possibly requiring adaptation to the new social context. It can also be assumed that many other activities will have safely restarted and become operational, on the basis of the new public health social norms. As anticipated, local Covid-19 hotspots have appeared, as certain diffusion mechanisms of the infection and its seasonality are not fully understood. Until the development and deployment of a vaccine or effective anti-viral treatment, the public health emergency remains, and the necessary containment measures will keep impacting negatively upon the economy. **Bearing in mind the considerable damage to the economy, it is crucial to put in place a forward-looking economic strategy, including a credible recovery plan and reinforced public health structures.**

3. THE RECOVERY PLAN

On the **short-term financial stability front**, the EU has reacted swiftly to the pandemic emergency by adopting [stabilisation and other accompanying measures](#) including: the [ECB decisive action](#), various [European Investment Bank measures](#), the activation of the Stability and Growth Pact escape clause, State Aid authorisations, easing of capital requirements for banks, the European Stability Mechanism Pandemic Crisis Support (PCS) Credit Line, the Covid-19 Response Investment Initiative, the EU Solidarity Fund and a VAT waiver²⁴.

When devising the **economic strategy and the recovery plan**, the trade-off between the alleviation of current hardship and the strain on future generations needs to be taken into account. To this effect, a balance needs to be found between a debt-financed increase of current public expenditure and the effect on future sovereign budgets, where the servicing of the debt will lead to tax increases and/or reductions of state expenditures.

While stressing the necessity of the measures to protect vulnerable workers and firms from the worst effects of the sudden drop in activity through unemployment benefits, grants, transfers, loans at low rates and tax deferrals, [Blanchard, Philippon and Pisani-Ferry have argued](#) that the post-lockdown economy will have *"to combine protection and reallocation in a context in which the nature and duration of the shocks are highly uncertain, unemployment is initially very high and there are few*

opportunities to find new jobs, firms have a hard time obtaining credit, many firms are likely insolvent or nonviable, and government interventions face the reality of limited public resources"²⁵. Thus the design of the recovery instruments, both at national and EU level, is of utmost importance.

The European Parliament has called in its [resolution of 15 May 2020](#) for a **Recovery and Transformation Fund** (RTF) of €2 trillion in size to be financed through the issuance of long-dated recovery bonds guaranteed by the EU budget, maximising the headroom and subject to a repayment plan²⁶. The RTF should become operational as soon as possible this year and should operate through loans and (mostly) through grants, direct payments for investment and equity. In order not to endanger the recovery path, the RTF should not put an additional burden on national treasuries. In this regard, the European Parliament has expressed its readiness to **consider maintaining Member States' Gross National Income contributions at current nominal levels in exchange for the establishment of new own resources**.

The RTF should be geared towards transforming the Member States' economies and strengthening their resilience through the pooling of strategic investments into the European Green Deal, the digital agenda and achieving European sovereignty in strategic sectors, such as the health sector. This will counteract widening divergences between Member States and prepare our economies for the future.

Responding to the European Parliament's request, the Commission President Ursula von der Leyen [proposed](#) at the European Parliament's plenary session on 27 May 2020 an emergency **Next Generation EU (NGE)** instrument of **€750 billion** to temporarily increase the EU budget (raising funds on the financial markets) and a corresponding [reinforced multiannual financial framework \(MFF\) for 2021-2027 amounting to €1,100 billion](#). The centrepiece of the recovery plan will be a new Recovery and Resilience Facility (RRF), which, together with cohesion policy and the Just Transition Mechanism, will be instrumental in achieving these important goals. The RRF will be embedded in the European Semester. Member States will draw up recovery and resilience plans as part of their National Reform Programmes. In addition, the reinforced European Agricultural Fund for Rural Development will support rural areas in making the structural changes necessary in line with the European Green Deal.

While initially a majority of Member States have reacted positively, some national governments have called for changes to the Commission's proposals, notably regarding the size of the EU budget, the balance between grants and loans, and the length of time for paying back the loans. Further details on the plenary debate in the European Parliament and on the discussions at the European Council can be found [here](#)²⁷.

4. THE EUROPEAN DIMENSION OF HEALTHCARE

Turning specifically to the health sector, **the European dimension of healthcare could be substantially developed** in areas such as research and development for vaccines and treatments, establishment of common strategic stocks of medicines and medical products, coordination of European procurement policies to secure more effectively European and global access. Furthermore, in line with the European Parliament resolution of 15 May 2020, it is of paramount importance to establish a new standalone **European Health Programme**, as it was the case in the past²⁸. As the Parliament also reiterated in this resolution, the EU should strengthen its strategic autonomy in health and reduce its dependency on third-country imports for essential medicines. Currently 90% of active pharmaceutical ingredients (APIs) for generic medicines are sourced from India and China. Europe is India's biggest buyer of paracetamol APIs and imports around 12000 tonnes annually; while India is dependent on China, which supplies almost 70% of the APIs for Indian drug-makers. Though for innovative medicines many APIs are produced in Europe, even when APIs are produced in the EU, most of the raw materials, for both generics and innovative medicines, [are sourced from China](#). The

new pharmaceutical strategy, expected from the Commission in the autumn 2020, must address this issue. The **Health Autonomy Action**, proposed by the Parliament, should help to produce, store and coordinate the production of critical medicine and pharmaceutical products and equipment in the EU. It should also pool and coordinate digital manufacturing capabilities such as 3D printing, which can contribute to substituting necessary equipment. On 27 May 2020, the Commission [proposed](#) a new Health Programme, **EU4Health**, to strengthen health security and prepare for future health crises with a budget of €9.4 billion. The new programme will invest in prevention, crisis preparedness, the procurement of vital medicines and equipment, as well as improving long-term health outcomes.

Furthermore, the Covid-19 crisis has demonstrated the **need to further pool efforts and reinforce coordination at EU level**. While in the current Treaty framework the Member States have the primary responsibility to manage public health crises, measures taken by individual Member States could damage the interests of the others if the measures are inconsistent with one another or based on diverging risk assessments. The aim to coordinate the response at Union level should, therefore, seek to ensure, inter alia, that **measures taken at national level are proportionate and limited to public health risks, and do not conflict with the right and obligations laid down in the TFEU such as those related to the restriction on travel and trade**. The lessons-learned during the Covid-19 crisis set out a good case to deal with the spill-over effects of uncoordinated (or poorly coordinated) responses through **reinforcing the coordination role of the EMA and of the ECDC**, enabling them to deliver quickly and effectively a coordinated response, based on common European standards for health data interoperability (e.g. harmonising methodology to have comparable statistics on cases in pandemics). In its resolution of 17 April 2020, the European Parliament called for substantially strengthening the competences, budget and staff of the ECDC and of the EMA to enable them to coordinate medical responses in times of crisis.

5. A STRONG, SUSTAINABLE AND FORWARD-LOOKING POLICY STRATEGY

The impact of the pandemic demonstrates the economic and societal rationale for a strong, sustainable and forward-looking policy strategy, and some key elements include those listed below.

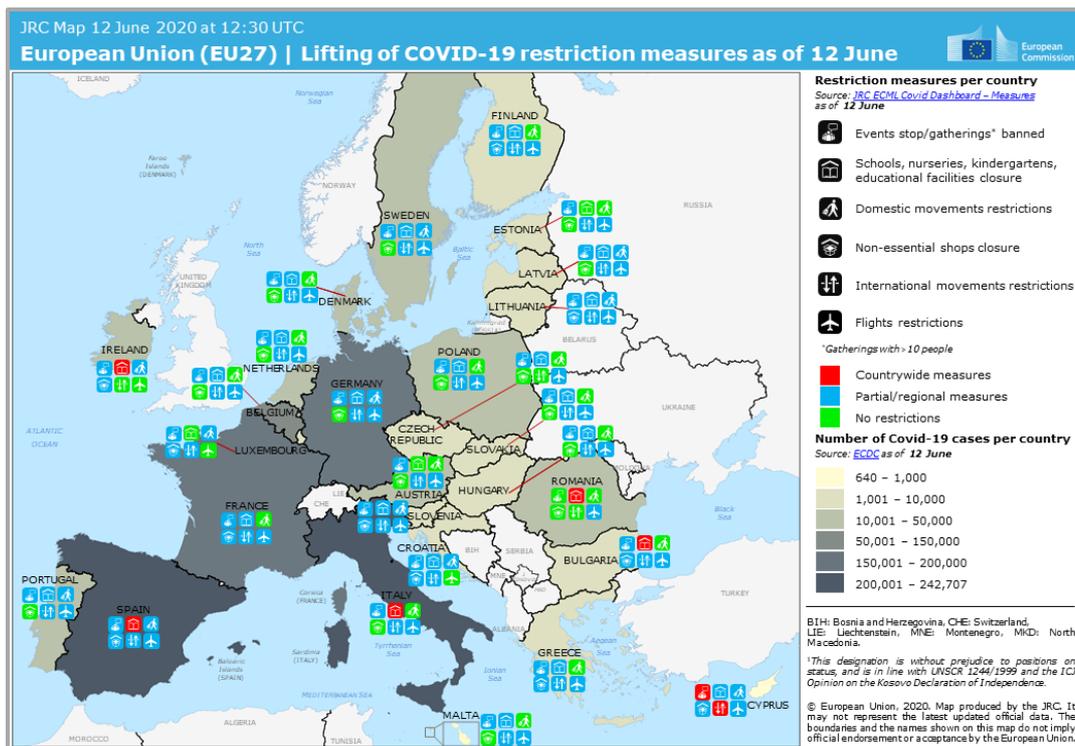
The risk of unravelling of the internal market and of the Schengen acquis - a decisive response:

A borderless geographic area where persons, goods, services and capital circulate freely and where economic operators compete on merits is the EU economic heart and is key to the recovery. The internal market, as one of the main achievements of the European Union, must be central to the EU's response. All the internal market tools should be put at the service of the immediate and medium-term responses to the crisis. A scattered and diverging approach between Member States would not be the right response to the Covid-19 crisis.

Over the first two months following the outbreak, almost all Member States introduced border/travel restrictions. While the Commission has taken in the first place swift [action towards enabling the free circulation of goods and essential services and handing national export bans on medical supplies](#), the border closures or restrictions have seriously impaired the well-functioning of the internal market.

Following a severe disruption of the free movement of goods and the transport sector, the European Commission proposed on 13 May a phased and coordinated approach for restoring freedom of movement and lifting internal border controls within the EU. With the health situation now improving in the EU, **the Commission recommended on 11 June that Member States remove such restrictions by 15 June 2020**.

Covid-19 restriction measures in the EU27 as of 12 June 2020



Source: European Commission.

European Green Deal and the Digital Agenda - investment drivers for the economic recovery:

Questions arise on the impact of the Covid-19 health crisis on the EU's flagship European Green Deal strategy, although all three major European institutions confirmed their will to address the post Covid-19 era without altering the ambitious climate agenda. In a joint statement on 26 March 2020, the Council requested the Commission, in consultation with other institutions, to develop a Roadmap accompanied by an Action Plan on economic recovery and sustainable growth, integrating inter alia the green transition and the digital transformation. The following day, the Commission reaffirmed that the European Green Deal remains the EU's growth strategy, as proposed under the European Climate Law. The European Parliament in its [resolution of 17 April 2020](#) stressed that the recovery and the reconstruction package "should have at its core the European Green Deal and the digital transformation in order to kick-start the economy, improve its resilience and create jobs while at the same time assist in the ecological transition, foster sustainable economic and social development - including the strategic autonomy of our continent - and assist in implementing an industrial strategy that preserves core EU industrial sectors; highlights the need to align our responses with the EU's objective of climate neutrality". Short-term emergency responses to address Covid-19 need to be aligned with the long-term ambitious climate targets, such as the new greenhouse gas emission reduction target for 2030 (expected in September 2020) and the decarbonisation in 2050.

Digital acceleration, research and innovation:

The pandemic will accelerate and catalyse digital transformation driven by key technologies and innovations such as big data analytics, 3D printing, and advanced robotics. Companies that have adapted to the digital age will be rewarded. The gap between ["frontier" and "laggard" firms](#) will widen, in particular once the public support is phased out. Public investment and more research and innovation funds can stimulate productivity growth over time.

Industrial policy:

The proposed overall MFF+NGE budget for direct industrial policy instruments amounts to: Horizon Europe €94.4 billion; Just Transition Fund €40 billion; Invest EU €31.6 billion; CEF €19.9 billion; European Space Programme €13.2 billion; Digital Europe €8.2 billion; European Defence Fund €8 billion; International Thermonuclear Experimental Reactor (ITER) €5 billion; Euratom €1.8 billion. These figures sparked a debate on the impact of Covid-19 at the ITRE Committee and will be subject to intense negotiations among the three institutions in the coming months.

Globalisation and policy mix challenges:

Globalisation for manufactured goods could go partly into reverse as firms shorten supply chains and governments force producers of medicine and other strategic goods to onshore production. A post-pandemic need for fiscal stabilisation may restrain demand growth as more government intervention in economies could impair the supply side. However, the positive factors will likely prevail in most countries. Only countries that are sufficiently well governed and get their fiscal policies right in the wake of the Covid-19 shock may reap the full benefits of greater technological diffusion.

6. THE RESPONSE TO THE EMPLOYMENT CRISIS

In addition to the health dimension, the **crisis is dramatically affecting workers, employees, and the self-employed**. While the pandemic prompted immediate concerns for health and safety at work, especially for service workers with frequent customer contacts, the lockdown measures taken in response throughout the EU and across the world have raised the spectre of a major economic downturn with rising unemployment.

The Commission, together with the Member States, should take all measures to keep as many jobs as possible and to ensure that the recovery is based on upward social economic convergence, social dialogue and improved social rights and working conditions with targeted measures for those in precarious forms of work.

Unemployment in the EU is forecast to increase from 6.7% in 2019 to 9.0% in 2020 (Eurozone: 7.5% in 2019 to 9.6% in 2020)²⁹ and the loss in working hours is forecast at 10.5% globally and 11.8% in Europe in the second quarter of 2020³⁰. To face what is one of the greatest labour crises in recent times, the EU has taken initiatives to address immediate needs and mitigate negative impacts on various policy sectors, including employment and social policy. These include measures to mitigate job or salary losses, as well as measures to support the most vulnerable or deprived groups who may be disadvantaged by the current situation. Supporting efforts to keep people in employment and stave off bankruptcies is both an ethical and social imperative and, in the words of Commissioner Schmit³¹, **a sound investment in human capital towards a quicker and better economic recovery**. In its [resolution of 17 April 2020](#)²⁹, the European Parliament welcomed the Commission's new **Support to mitigate Unemployment Risks in an Emergency (SURE)** proposal and called for its swift implementation and for the launch of a permanent European Unemployment Reinsurance Scheme. It has been noted however that the bulk of national short-term work measures, as also supported by SURE, mostly benefits people in stable employment up to the outbreak³². Conversely, those in part-time, precarious or informal employment are most at risk, as they often lack social security and health insurance cover. While this segment of the workforce is largest in low-income countries, those informal workers significantly affected could reach 15% to 30% of the workforce even in EU Member States³³. It appears essential therefore that in its coordinating and supplementing measures, the EU remain especially vigilant with regard to those most vulnerable groups and to the increasing risk of poverty.

A Eurofound survey³⁴ in March 2020 showed that almost 40% of people in Europe report their financial situation as worse than before the pandemic. Close to half indicate that their households cannot make ends meet and over half report they cannot maintain their standard of living for more than three months without an income.

The crisis has also exacerbated less obvious inequalities, notably the 'digital divide' in the access to stable broadband and the required hardware for working/learning from home, which is threatening to leave already-deprived families even further behind the mainstream. The new Digital Agenda will need to address these issues if, as widely touted, further digitalisation is to be part of the recovery strategy.

Coinciding with genuine difficulties to make ends meet and the gloomy economic outlook, a recent survey³⁵ reports significantly decreasing trust in the EU and national governments, even among traditionally pro-EU populations like those of France, Italy or Spain, in a context where the EU has been perceived as not having played a visible role at the outbreak of the health crisis. On the other hand, coming up with an effective and timely response to the lockdown's fallout that transcends national differences in this area could provide an opportunity to regain much-needed EU credibility.

7. ONGOING AND RECENT COVID-19-RELATED EXPERTISE

The following publications cover relevant aspects of the Covid-19 pandemic and its consequences:

ECON

- The ECB's Monetary Policy Response to the Covid-19 Crisis ([regularly updated](#))
- A forthcoming study on the macro-prudential aspects of non-banking intermediation (shadow banking) should cover the risks arising from the Covid-19 crisis (to be launched)
- Post-Crisis Global Currency Order: Risks and Opportunities for the Euro (to be launched)
- Study on Covid-19-related State Aid and global competitiveness: What are the main trends in, and differences between, the EU Member States in terms of recovery and resilience initiatives? To what extent is there a risk that these national plans could distort competition in the internal market? The study should also examine to what extent should EU single market objectives be flexibly interpreted in order to strengthen European firms' competitiveness on global markets (to be launched)

EMPL

- Employment and social situation in Germany - In-depth analysis ([published](#))
- Mitigating employment and social effects of the Corona pandemic - European and international policy recommendations - Briefing ([published](#))
- European initiative for minimum wages - At a glance (expected July 2020)
- Skills and jobs - At a glance (expected July 2020)
- The Child Guarantee - At a glance (expected July 2020)
- Affordable Housing - In-depth Analysis (expected July 2020)
- Social Impact Investment - In-depth Analysis (expected September 2020)

ENVI

- Medicine shortage in the EU during the novel coronavirus outbreak - Briefing ([published](#))
- Covid-19 vaccine and treatment, and the resilience of the health care systems - [Special meeting of ENVI's Health Working Group](#) (26 June 2020)
- Covid-19 data collection and reporting (expected July 2020)
- Link between biodiversity loss and the increase of zoonotic diseases such as Covid-19 - In-depth Analysis (to be launched)
- Ambient and indoor air pollution and vulnerability/resilience of our society against diseases such as Covid-19 (to be launched)

- Opportunities of post Covid-19 European recovery funds in transitioning towards circular and climate neutral economy (to be launched)
- The relation between zoonotic pandemics and the livestock sector, including fur production (to be launched)
- Access to medicines and medical devices related to the Covid-19 crisis (to be launched)

ITRE

- Covid-19: List of the measures taken in relation to the ITRE remit - March-April 2020 - Briefing ([published](#))
- National Covid-19 contact tracing apps - Briefing ([published](#))
- Covid-19 impact on EU industries (to be launched)
- Covid-19: List of the measures taken in relation to the ITRE remit - May-June 2020 - Briefing (expected July 2020)

IMCO

- A number of recent IMCO publications refer to the Covid-19 crisis and to the importance of the Digital Single Market in minimising its impact (see: [collection of studies on the DSA](#))
- An updated collection of studies on Artificial Intelligence which includes considerations on the Covid-19 crisis in the Internal Market ([published](#))
- An upcoming research on "Legal obstacles to single market rules" which will address, among other issues, new obstacles that arose as a result of Covid-19 (expected October 2020)
- The impact of Covid-19 on the Internal Market - Workshop (expected November 2020) and Study (expected January 2021)

¹ To facilitate reading, we refer to both the disease and its corresponding virus SARS-CoV-2 as Covid-19.

² EGOV - [Selected Euro Area Macroeconomic Indicators](#).

³ European Central Bank - [Alternative scenarios for the impact of the Covid-19 pandemic on economic activity in the euro area](#).

⁴ Data from the [Worldometer](#) website, extracted on 29 June 2020.

⁵ From week 10, 2020 and as of week 21, there were over 168,000 excess deaths estimated in total, including 153,000 deaths in the age group ≥65 years, 12,000 deaths in the age group 45-64 years and 2,000 deaths age group 15-44 year.

⁶ Science Alert - [Here's Why It's Taking So Long to Develop a Vaccine For The New Coronavirus](#).

⁷ EMA - [Treatments and vaccines for Covid-19](#).

⁸ BBC - "[Coronavirus: peut-on être infecté deux fois par le virus Covid-19?](#)". There is currently no evidence that people who have recovered from Covid-19 and have antibodies are protected from a second infection, WHO warns. See also "[Immunity passports](#)" in the context of Covid-19.

⁹ The Lancet - [Nowcasting and forecasting the potential domestic and international spread of the 2019-nCoV outbreak originating in Wuhan, China: a modelling study](#).

¹⁰ Under Article 168 TFEU public health is primarily the competence of the Member States, which requires them to define and deliver their national health services and medical care, while the EU complements national policies dealing with cross-border threats. In the event of communicable diseases like an influenza pandemic, the European Commission has a coordination responsibility through the [Early Warning and Response System \(EWRS\)](#), which requires national authorities to notify each other and the Commission of intended or taken measures, for a more timely, efficient and coordinated public health action.

¹¹ The principle of proportionality, as laid down in the EU Treaty and interpreted by the EUCJ, requires that the measures must be appropriate for securing attainment of the objective which they pursue and must not go beyond what is necessary in order to attain it.

¹² ECDC - [Rapid Risk Assessment: Coronavirus disease 2019 \(Covid-19\) in the EU/EEA and the UK – ninth update](#).

¹³ It should be considered that current [PCR-based](#) nasal Covid-19 test seems to have an accuracy of 70%, producing 30% of false negatives [pre-print [Yang, 2020](#)].

¹⁴ Unlike molecular tests, serologic tests are not suitable to identify who should be in isolation to avoid spreading the disease. The clinical performance of serologic tests needs to be demonstrated before deployment at scale can happen. See OECD - [Testing for Covid-19: A way to lift confinement restrictions](#) - 16 April 2020.

¹⁵ This estimate is based on pragmatic observations. On 15 April 2020, Germany (leader in large-scale testing) [reported](#) through the Robert Koch Institute that the number of Covid-19 daily tests ranged from 72,200 week 12 and 123,000 on week 16, equivalent to 0.15% of its population. The current size of Covid-19 tests is performed approximately on a sample size equal to 0.1% of the population. The currently social distancing and lockdown measures demonstrate the possibility of curbing the virus spread under stress conditions

¹⁶ For example, for Germany, this would mean 80,000 Covid-19 molecular tests/day, available at [Our World In Data](#).

¹⁷ These parameters can be quantified using actual figures from national experiences. According to the World Health Organisation (WHO) [Covid-19 strategy update](#) (14 April 2020), overall 20% of cases are severe or critical, with a crude clinical case fatality rate currently of over 3%, increasing in older age groups and in those with certain underlying conditions. According to data from countries affected early in the pandemic, about 40% of cases will experience mild disease, 40% will experience moderate disease including pneumonia, 15%

- of cases will experience severe disease, and 5% of cases will have critical disease. According to ECDC data, approximately 40% of the diagnosed Covid-19 cases require hospitalisation; and while not all critical cases are admitted to intensive care units, on average 2% of the total cases are treated in ICUs and/or requiring respiratory support ([ECDC rapid risk assessment](#), 9th update of 23 April 2020, Table 1 and [ECDC rapid risk assessment](#), 10th update of 11 June 2020).
- ¹⁸ Balduzzi A., et al. - [Lessons after the early management of the Covid-19 outbreak in a pediatric transplant and hemato-oncology center embedded within a Covid-19 dedicated hospital in Lombardia, Italy](#). In case a vaccine is not found (and no herd immunity happens) within the time span assumed by WHO and EMA, the 'flatten-the-curve' strategy would not return to zero after two years. The curve that shows the number of cases over time would not be a simple Gaussian function, as commonly shown in the media, but a sum of a bell-shaped and a logistic function having a non-zero long-term maximum saturation number of positive Covid-19 cases. In such a context, the capacity utilisation of national healthcare intensive care units should be managed to oscillate under control below the maximum healthcare capacity, e.g. tentatively between 0.1% and 1.0% of the total population.
- ¹⁹ Although herd immunity has been presented as a possible scenario, it has not been proved yet and cannot be assumed.
- ²⁰ The basic reproduction number (R0) refers to the expected number of people whom a single sick person can infect, which is in between 2 and 3. Herd immunity is calculated as $1 - (1/R0)$; when R0 is set at 2.5, the herd immunity threshold is 60%.
- ²¹ The EU Commission's recommendation of 8 April 2020 on a common Union toolbox for the use of technology and data to combat and exit from the Covid-19 crisis ([COM \(2020\)2296](#)) sets up a process for developing a common approach, referred to as a Toolbox, to use digital means to address the crisis.
- ²² For more information, see the Policy Department A briefing provided for the ITRE committee [National Covid-19 contact tracing apps](#).
- ²³ The contribution of Artificial Intelligence to the economic recovery is still difficult to perceive today. For more information, see the EPRS In-depth Analysis [Ten technologies to fight Coronavirus](#).
- ²⁴ Further details on measures taken in the policy areas covered by the [ECON](#), [EMPL](#), [ENVI](#), [ITRE](#) and [JMCO](#) committees can be found in the [April 2020 Newsletter on Covid-19 from the Policy Department for Economic, Scientific and Quality of Life Policies](#). See also [the European Commission Covid-19 response factsheet](#).
- ²⁵ In exploring the right policy mix, these authors argue in favour of a gradual phasing out of job retention schemes and the phasing in of sectoral wage subsidies to create incentives to resume production. Credit guarantees for new loans "should continue, albeit with decreasing generosity and perhaps some equity participation by the state." They also propose a fast-track process/light loan restructuring program to deal with the likely high number of insolvencies.
- ²⁶ On top of other initiatives mentioned in the [April 2020 Newsletter on Covid-19 from the Policy Department for Economic, Scientific and Quality of Life Policies](#), more recently, [France and Germany have put forward a European Recovery Initiative](#).
- ²⁷ In particular, attention is being paid to the Union's principles of budgetary balance and discipline under Article 310 TFE, the integrity of the system of own resources (Article 311 TFEU), Article 122 TFEU as legal basis for the Recovery Instrument proposal and Article 125(1) TFEU (no bail-out clause). The 0,6% compartment set aside for the repayments under the Own Resources ceiling operates a sort of security for the borrowing so that overall the balance is respected. Equally, a crucial issue will be how to strengthen the role of the budgetary authority with regard to the external assigned revenue (EAR). Under the current Financial Regulation, the Commission just receives EAR and uses it directly without a significant control by the budgetary authority.
- ²⁸ Contrary to the previous Commission proposal to integrate health into the ESF+.
- ²⁹ European Commission, [Spring 2020 Economic Forecast](#), 6 May 2020.
- ³⁰ [ILO Monitor: Covid-19 and the world of work. Third edition](#), 29 April 2020.
- ³¹ In teleconference with EMPL coordinators, 21 April 2020.
- ³² See the Eurofound Flagship Report "[Labour market change](#)", April 2020.
- ³³ [ILO Monitor: Covid-19 and the world of work. Third Edition](#), 29 April 2020.
- ³⁴ [Eurofound e-survey: Living, working and Covid-19](#), March 2020.
- ³⁵ Eurobarometer, [Public Opinion Monitoring in the times of Covid-19](#), survey, 3 June 2020 and European Council on Foreign Relations (ECFR), [Europe's pandemic politics: How the virus has changed the public's worldview](#), 24 June 2020.

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Administrator responsible: Matteo CIUCCI; Editorial assistant: Roberto BIANCHINI

Contact: Poldep-Economy-Science@ep.europa.eu

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