

## Overcoming the Coronavirus Crisis Together; Strengthening Resilience and Growth – Key Messages

### ECONOMIC SITUATION: RECOVERY DEPENDS ON THE COURSE OF THE PANDEMIC

- The global economy began a strong recovery following the major slump in spring. However, there has recently been a sharp increase in the number of infections in many places.
- In light of the renewed restrictions, the economic recovery in the affected countries is likely to regain momentum only after the second wave of infection subsides.
- The German Council of Economic Experts (GCEE) expects economic output to decline in Germany by 5.1 % this year, and to increase by 3.7 % in 2021.

### STABILISATION POLICY AMID THE CORONAVIRUS CRISIS

- Monetary and fiscal policy reacted quickly to the crisis with very extensive support measures. Automatic stabilisers also play an important role.
- The Federal Government's stimulus package is contributing to the recovery and will likely increase economic output temporarily by 0.7 to 1.3 %, but some elements are not well targeted in all areas.
- Once there is a sustainable improvement in the economic situation in the future, the focus should be on the consolidation of public finances and on the normalisation of monetary policy.

### EMERGING STRONGER FROM THE CRISIS TOGETHER

- The temporary Recovery and Resilience Facility enables the EU member states to invest in productivity and growth, thus facilitating structural reforms.
- The sustainability of public finances, an effective fiscal framework and the stability of the financial system are prerequisites for a Europe that will be resilient in the future.
- Strengthening the EU's Single Market can increase resilience to future crises. More diversified supply chains and a European system of inventory management can contribute to this.

### CLIMATE PROTECTION AS AN INDUSTRIAL POLICY OPPORTUNITY

- Commitments worldwide to reduce greenhouse gas emissions make structural change inevitable. This will create significant industrial policy opportunities.
- The reduction of distorting incentives through an energy price reform with simultaneous strengthening of carbon emissions pricing could increase the coordination function of the market.
- Complementary measures can address obstacles that delay the penetration of lower emission technologies, by increasing the steering effect of the pricing of carbon emissions.

### PRODUCTIVITY GROWTH THROUGH INNOVATION: ADVANCING DIGITALISATION

- Private innovation spending in Germany is concentrated among large companies. Incentives for innovation and diffusion at small and medium-sized enterprises should be strengthened.
- Germany is well positioned in the development of digital technologies, but the framework conditions for digital services and business models should be improved.
- The pandemic has highlighted deficits in the digitalisation of public administration, healthcare and the education system. These should be reduced quickly and consistently.

### DEMOGRAPHIC CHANGE: SUSTAINABLE RETIREMENT PROVISION

- Population ageing is creating a considerable sustainability problem for the statutory pension scheme.
- In the long term, linking the retirement age to rising further life expectancy could ease the sustainability problem. In the short term, the reinstatement of the 'catch-up factor', which was suspended in 2018, would help.
- Mothers' Pension and Basic Pension reduce the risk of old-age poverty but are not well targeted. Better labour market integration and education are long-term options for preventing poverty.