

Germany faces huge economic slump due to coronavirus pandemic

The coronavirus pandemic will hit Germany's economy harder than any other calamity in decades, according to Economy Minister Peter Altmaier. An expert told DW that projections of recovery in 2021 were "wishful thinking."



With the coronavirus pandemic unleashing a wave of job losses, bankruptcies and factory closures across the world, Germany's GDP is due to shrink 6.3% in 2020, the government announced on Wednesday.

"We will experience the worst recession in the history of the Federal Republic" which was founded in 1949, Economy Minister Peter Altmaier said.

The economic blow would surpass the one left by the global crisis of 2009, which saw Germany's economy shrink by over 5%.

Short-hours scheme for German workers

Altmaier said the nation's economy is set to hit its lowest point before the end of June and then start growing again with 5.2% growth projected in 2021. He also warned that the government cannot restart the economy with a single stroke and risk the success achieved in combating the pandemic.

"Only if we lift economic and social restrictions step-by-step, and with a sense of proportion, can we start with the slow recovery in the second half of the year," Altmaier said.

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Germany's export-oriented economy is also set to shed hundreds of thousands of jobs before the end of the year, putting the jobless rate at about 5.8% or around 2.62 million compared to its previous average of 2.27 million. Berlin has pushed multiple measures to mitigate the fallout.

According to Altmaier, around 3 million workers have already been placed on a short-time work scheme that sees employees reduced hours to avoid layoffs, and the government boosting the workers' salaries.

'Those are not really forecasts'

Commenting on Altmaier's statement on Wednesday, however, the head of the German Institute of Economic Research (DIW) dismissed them as "wishful thinking."

"Those are not really forecasts, those are scenarios... scenarios assuming that there is no second wave of infections, assuming that there is no new lockdown in the future," Marcel Fratzscher told DW. "That's wishful thinking — that the economy will recover next year. Clearly the answer to how will the economy get out of recession depends very much on the pandemic itself."

At the same time, Fratzscher praised the government's approach to helping mitigate the impact, saying that the Cabinet "has already done a lot in this first stage of this lockdown."

"Hardly any government in the world has spent more money on stabilizing the economy, providing support to companies, direct financial transfers, huge guarantees for bank loans, particularly to small-to-medium-sized enterprises."

Several large companies, including Adidas, Condor airline, and TUI travel company have already taken out massive government-backed loans. The country's flagship carrier Lufthansa is still negotiation its bailout.

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