COVID-19 Economic Stimulus Programs: Different Countries, Similar Programs

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The economic impact of COVID-19 has been almost universal, yet some economies appear to be recovering more quickly than others. Comparing some of the major components of select stimulus programs in Germany, Singapore, and the United Kingdom in response to the economic downturn may help explain the different economic recovery rates. Yet, despite huge variations in legal systems, population, geography, and culture in the countries analyzed, we found significant uniformity in the programs implemented, with the contrasts akin to variations on a theme.

Early Responses

Each country under review announced large stimulus packages between February and May 2020. Germany adopted a $844 billion package comprised of a $175 billion stimulus program and $675 billion worth of loans and loan guarantees to struggling companies. The UK's response, announced on March 17, 2020, also included large loan guarantee schemes, including two parallel programs: one for large companies (the "CLBILS") and one targeting small and medium-sized enterprises (the "CBILS"). Singapore implemented five separate stimulus packages between February 18 and May 26, 2020, totaling approximately $71.8 billion.

All three countries quickly instituted wage subsidy programs, with the German government providing a minimum of 60 percent of employee salaries, Singapore providing 50 percent (later increased to 75 percent), and the UK providing 80 percent of furloughed employees' salaries. As of early July 2020, the UK's furlough program had supplemented 9 million employees' wages while another program supported an additional 2.7 million self-employed persons. Singapore also instituted a Wage Credit Scheme to provide government funding for employee wage increases given in 2019 or early 2020. These programs assuaged some of the economic pain caused by huge spikes in unemployment as lockdowns took effect in the second quarter of 2020. (See the representative graphs here for Germany, here for Singapore, and here for the UK.)

In addition, Germany announced a three-month payment moratorium on consumer loans issued prior to March 15, 2020 for households financially impacted by the pandemic. Singapore provided individuals and businesses with assistance to make insurance premium payments, and the UK Financial Conduct Authority requested that firms freeze payments on loans and credit cards for up to three months in April 2020.

Summer 2020 Packages

Generalized worker and company support programs

On June 29, 2020, the German Parliament passed a $146 billion package establishing and funding a number of programs designed to support workers and prop up struggling companies. The package provided families with an approximate $350 per child payment, doubled the single-parent income tax allowance to $4,500, and extended access to basic income support through the balance of 2020. On July 8, 2020, Germany provided $28 billion in bridging grants to companies to cover fixed operating costs. Companies with more than 10 employees could obtain grants capped at $169,000 depending on how steeply the company's sales revenue had declined.

On July 8, 2020, the UK announced a "Plan for Jobs" estimated to cost up to $37.5 billion. Similar to Germany's June 2020 stimulus package, the UK Plan included a number of programs designed to support workers and companies. The Plan extended some programs and established others, including the "Kickstart Scheme," which provided $2.5 billion to create hundreds of thousands of six-month work placements for those aged 16 to 24 and deemed to be at risk of long-term unemployment, and the Job Retention Bonus, which provided a one-off payment of approximately $1,250 to UK employers for every furloughed employee who remained continuously employed through January 2021.

Singapore's Summer 2020 efforts largely extended and supplemented already established programs. Eligibility for the Workfare Special Payment, a grant to low-wage workers, was widened, and the Job Support Scheme was extended to cover employee wages until March 2021. The COVID-19 Support Grant, introduced in May 2020 to provide grants to unemployed applicants that demonstrate job search or training efforts, was also extended. In August 2020, Singapore announced the Jobs Growth Incentive (JGI), a $718 million program to encourage firms to increase their headcount of local workers, reallocating funding chiefly from development expenditures delayed due to the pandemic.

Targeted programs

Each country targeted specific portions of their Summer 2020 stimulus programs to assisting particularly hard-hit sectors of the economy, as well as investing significant chunks to upgrade infrastructure and support industries of the future.

To shore up restaurants and pubs, the UK created the “Eat Out to Help Out” program, which provided diners with a 50% discount on meals and non-alcoholic drinks purchased at eateries during August 2020. The government also reduced the VAT rate from 20% to 5% at restaurants, hotels, and tourist attractions. Singapore provided its highest level of wage subsidies to employees working in the hardest-hit sectors, namely aerospace, aviation, and tourism. Singapore also provided a standalone relief package for airlines and their employees, and $230 million in vouchers to Singaporeans for use at local attractions, to offset the loss of dollars from now-nonexistent foreign tourists.

The stimulus programs also focused on technology, digitalization and sustainability. Germany’s June 2020 stimulus featured a $56 billion “future investment package” that included a doubling of the electric car buyer rebate to $6,750, $2.8 billion in e-charging facility upgrades, electric-powered bus and truck purchases, and battery cell production, $5.6 billion to the railway company Deutsche Bahn to support modernization, expansion, and electrification of the railway system, and $10 billion to research and develop hydrogen fuel technology with the hope of becoming a world leader in the space. Billions more were invested to retrofit buildings, build out 5G infrastructure, research artificial intelligence, and build “at least two” quantum computers.

The UK introduced a $2.5 billion Green Homes Grant, providing $2 for every $1 spent on home energy efficiency upgrades. The Plan for Jobs established and funded more environmental programs to promote decarbonization of public buildings, to support environmental charities, to promote direct air capture of CO2, and to develop the next generation of clean automotive technology. The UK also announced $6.25 billion put toward the acceleration of certain infrastructure projects to support both the economy and the transformation of the nation’s infrastructure.

Fall 2020 Stimulus

In October 2020, Singapore announced a six-month extension of its Enhanced Training Support Program for the hardest-hit sectors and expanded it to provide benefits to companies and workers in the marine and offshore sector. Eligibility for Singapore's JGI was widened to provide 50% wage support for all new hires with disabilities. The Temporary Bridging Loan Program, providing companies access to low interest, government-guaranteed loans of up to $718,000, was extended six months. The government also provided grocery vouchers to individuals, extended COVID-19 Support Grants for the unemployed, and established a new “baby bonus” to encourage families to have children.

Similarly, the UK abandoned plans to end several stimulus programs in late Fall 2020, extending wage subsidies and grants to the self-employed and reducing VAT rates. The Bank of England continued its quantitative easing program, agreeing on November 5, 2020 to purchase $187 billion of government bonds to promote lowered borrowing costs for consumers and businesses. The Bank also maintained the benchmark interest rate at 0.1%. In November 2020, Germany extended the enhanced electric vehicle subsidy to 2025. It also provided an additional $16 billion to cover fixed costs of companies and solo entrepreneurs affected by the lockdown re-imposed in November, capped at $225,000 and $5,625 respectively.

The Fall 2020 stimulus packages again emphasized investments in infrastructure and the future. Singapore funded upgrades at the Changi Air Hub, a major driver of the nation's economy. Singapore also dedicated funds to the development of the Tuas Port, with the first berths scheduled to be operational in 2021. When fully completed in 2040, the Tuas Port will be the world's largest fully automated terminal.

On November 15, 2020, UK Prime Minister Johnson announced his $15 billion "Ten Point Plan for a Green Industrial Revolution." The plan called for funding of hydrogen fuel technology, a quadrupling of offshore wind power by 2030, and investments in small, advanced nuclear reactors. Its proposal to ban sales of new gasoline and diesel cars by 2030 grabbed the media's attention. On November 25, 2020, a $125 billion National Infrastructure Plan was announced as part of the annual Spending Review. The plan seeks to upgrade the nation's roadways, railways, and develop a network of fiber broadband cables. A billion pounds were set aside for building retrofits, and another billion to "future-proof" the electricity grid along motorways and to support the installation of high-powered charging hubs at motorway service areas by 2023.

Recent Stimulus

Stimulus efforts continued in December 2020 and into 2021. Germany announced a $12.3 billion package to support companies impacted by the shutdown over the 2020 Christmas season, and Chancellor Merkel stated additional "large sums" could be deployed in 2021. Singapore moved into Phase 3 of its reopening plan on December 28, 2020, and has not reported more than one new case of locally transmitted COVID-19 in a single day since February 13, 2021. The country continues to seek ways to reopen to international travel, including constructing the Connect@Changi bubble to permit international business travelers to meet in Singapore. It also implemented new support measures for the finance industry and the local construction industry. The UK extended the furlough and business loan schemes, announced new grant programs, including a $1,250 Christmas grant for pubs, and announced new rounds of funding for Scotland, Wales, and Northern Ireland, which can be spent on business support and COVID-19 medical response efforts, among other things.

Conclusion

Each country is projected to bounce back to positive growth in 2021, with the IMF projecting annual GDP growth rates of 3.5%, 4.5%, and 5% for Germany, the UK, and Singapore respectively. There is, of course, a good deal of uncertainty regarding those projections with so much still unknown regarding the efficacy, manufacture, and distribution of vaccines, whether the emergence of new virus variants will slow down containment, and whether governments will continue to spend to support their respective economies. One thing that looks increasingly clear, however, is that the multitude of programs discussed above cushioned the economic blow dealt by the virus, and provided some much-needed breathing space (literally and figuratively) as well as a platform for a hoped-for economic resurgence in 2021 and beyond.

For ease of comparison, all currencies have been converted to US dollars. The exchange rates were taken as of July 1, 2020, and are as follows: \$1 = €0.889 = £0.801 = S\$1.394.

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Authored By

Benjamin E. Stearns

Thomas F. Morante

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