

# COVID-19 SITUATION

OUTBREAK

SANITARY MEASURES

SUPPORT SCHEMES

RESEARCH  
20<sup>TH</sup> MARCH 2020



**BNP PARIBAS**  
**REAL ESTATE**

Real Estate for a changing world

# EXECUTIVE SUMMARY

## COVID-19 AND ITS IMPLICATIONS



## KEY MESSAGES

### EUROPE: NEW CENTRE OF THE EPIDEMIC

Around 8 000 new cases are reported each day in Europe. All the main economies in Europe have a growth rate around 30% per day.

### DISRUPTION OF SUPPLY CHAIN & LABOUR FORCE

The confinement measures adopted in many countries disrupt global value chains and reduce the supply of labour.

### RECESSION

This shock will push the global economy into a recession. We are not expecting an immediate and steep recovery as the shock has been staggered.

### FISCAL AND MONETARY RESPONSES

Central banks and governments have put in place policies in order to support the global economy. The length of contraction in economic activity is likely to be shorter than during the last crises.

### SANITARY MEASURES

Governments have also put in place some sanitary measures to mitigate the spread of the virus, with for example: the closure of schools, lockdown of population, etc.

# OUTBREAK SITUATION



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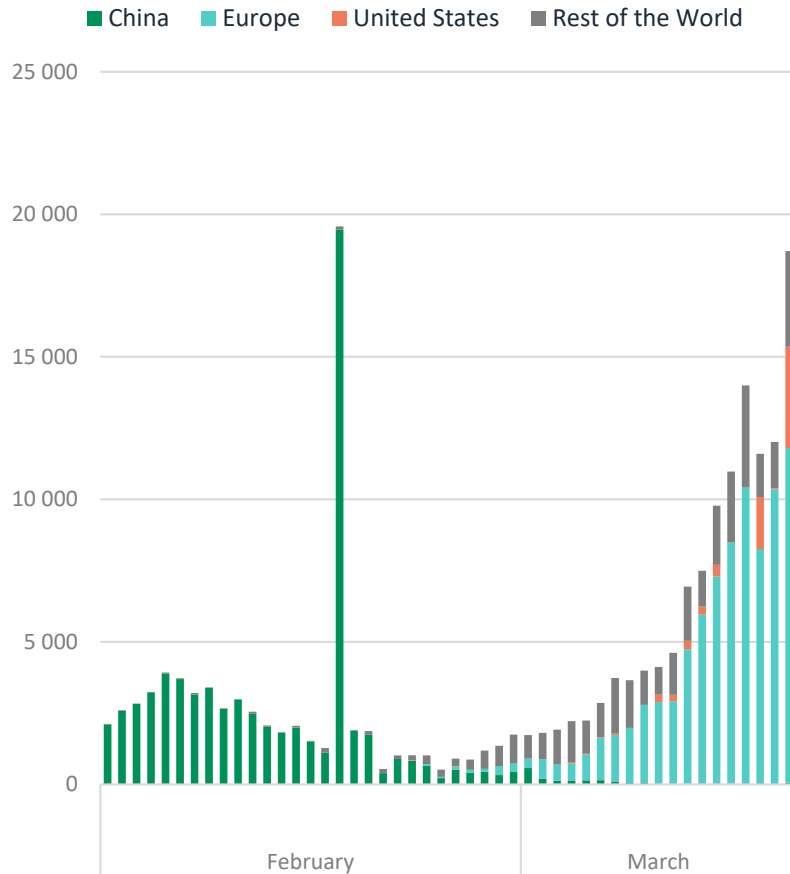




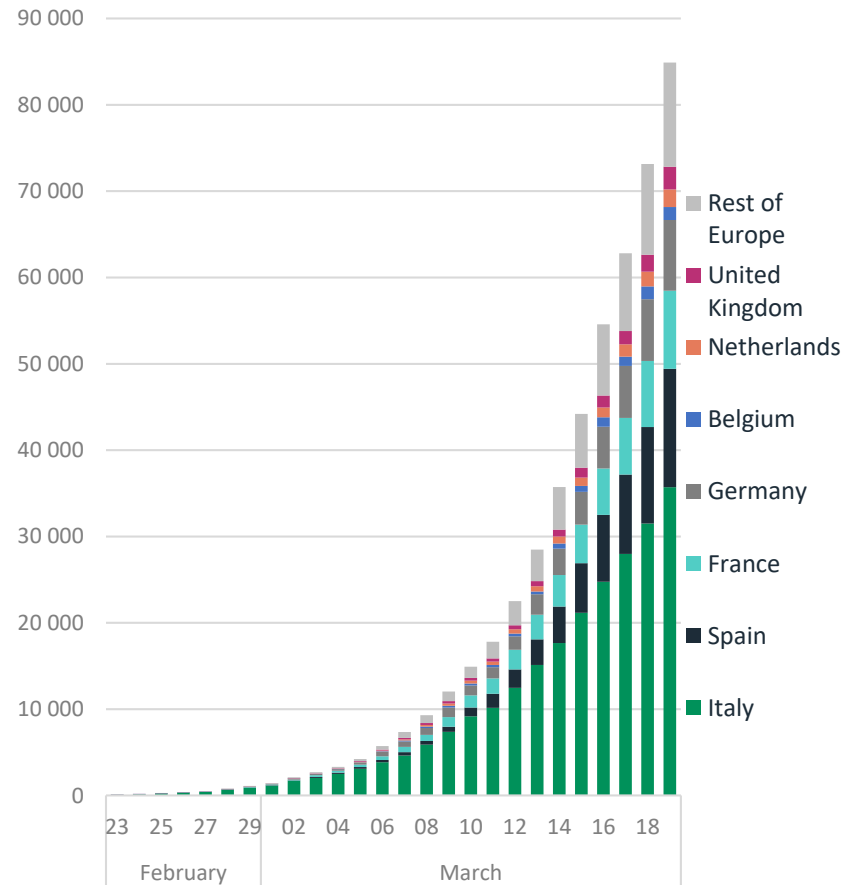
# CONFIRMED CASES OF COVID-19

## VIRUS WIDELY SPREAD OUTSIDE CHINA

### CONFIRMED DAILY CASES IN THE WORLD



### CUMULATIVE CONFIRMED CASES IN EUROPE

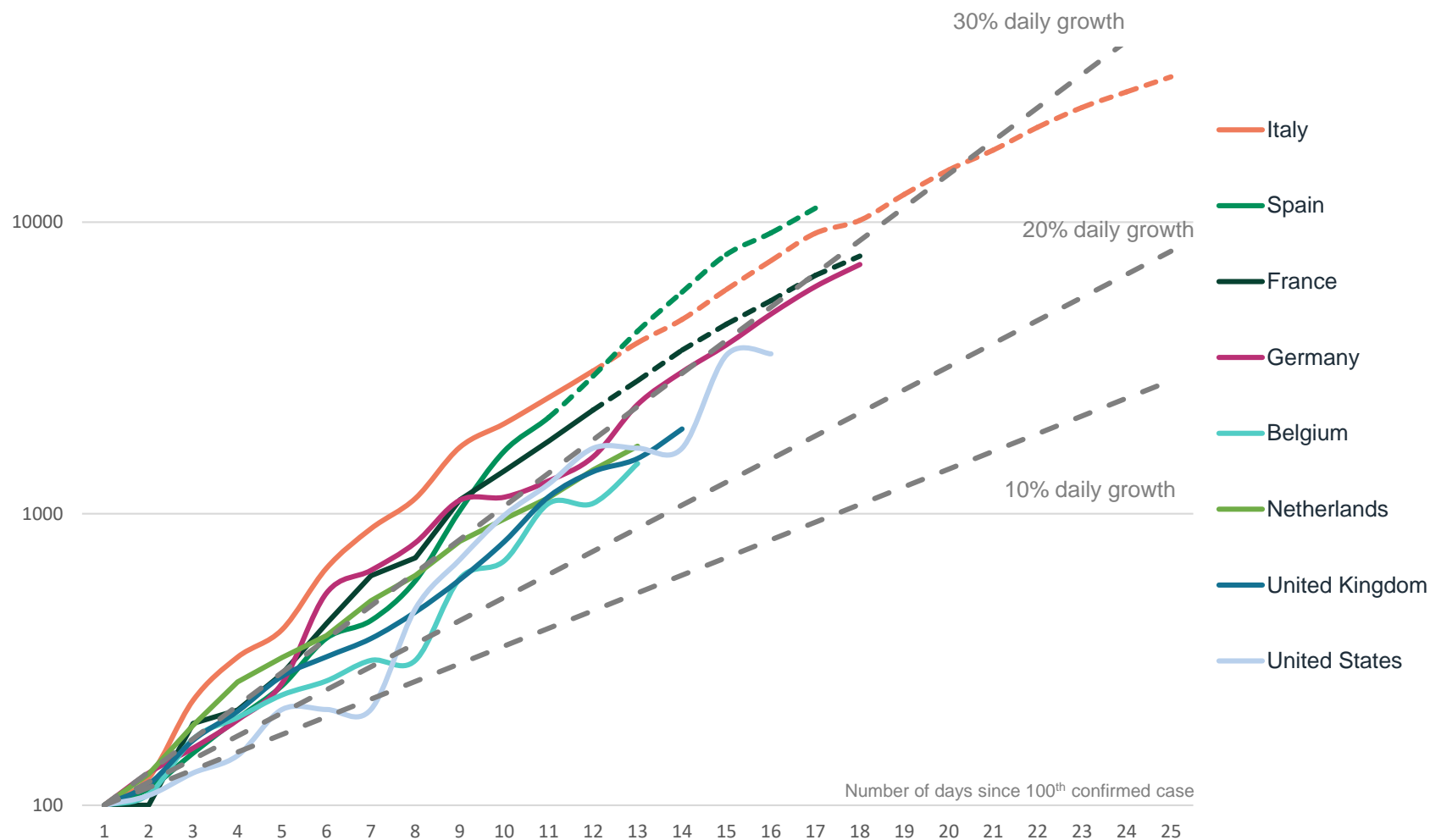


- The emergency of Covid -19 at the beginning of 2020 took the world by surprise (delivering a shock), just as the global economy had begun to stabilize from trade wars in the preceding years. **Its implication for the global economy remains uncertain**, but it is clear that the effect is likely to come in two phases at least:
  - **disruption to the supply chain in China**, where most factories were shut during the peak of the crises
  - situation develops into a **pandemic** and is **spreading across the European countries**
- We are now in the second phase, with **major economic implications for Europe**.
- Today, around **8 000 new cases are reported daily in Europe**.
- **The centre of the pandemic is Italy**, with around 30 000 confirmed cases in cumulative (**less than half the number in Europe**).
- **Cases in Spain are also growing fast and should be a point of vigilance** (the growth is even quicker than in Italy at the moment).
- For the **other European countries, cases are also evolving fast** and the situation should continue to be monitored.

Sources: World Health Organisation

# INFECTION TRAJECTORIES

## GROWTH OF OUTBREAKS



\* The dash line shows when the quarantine measures have been put in place by the government

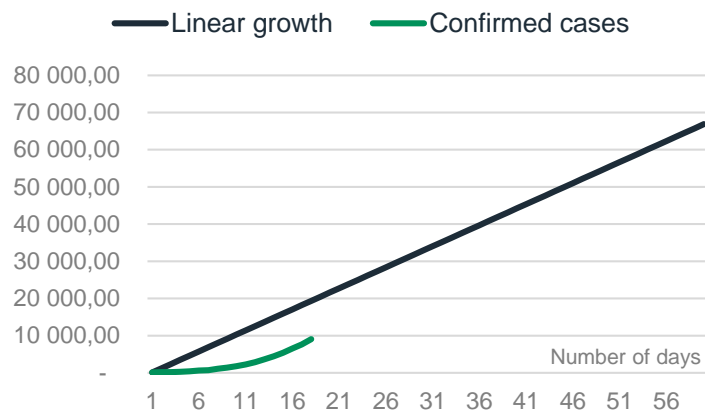
Sources: World Health Organisation

- All the main economies in Europe currently have a growth rate at around 30% per day.
- The increase in Spain is even sharper than in Italy, meaning that the impact could even be more important for the country.
- The United States are also concerning as no real measures have been taken by the central government and the confirmed cases may boom in the next few days.
- However, a lot of cases are still undetected and figures could be more important.
- At the moment, Italy is below the 30% daily growth, meaning that the containment measures applied by the government produce their first effects.
- In France and Germany the growth is still similar but the curve starts to decline as quarantine measure are now effective also.
- In the UK, there is still no quarantine measures imposed by the government. However, 40 tube stations has been closed in London the 19<sup>th</sup> of March and there are scenarios of a lockdown. Now, most of the companies have sent home their employees, despite no clear measures from the government.

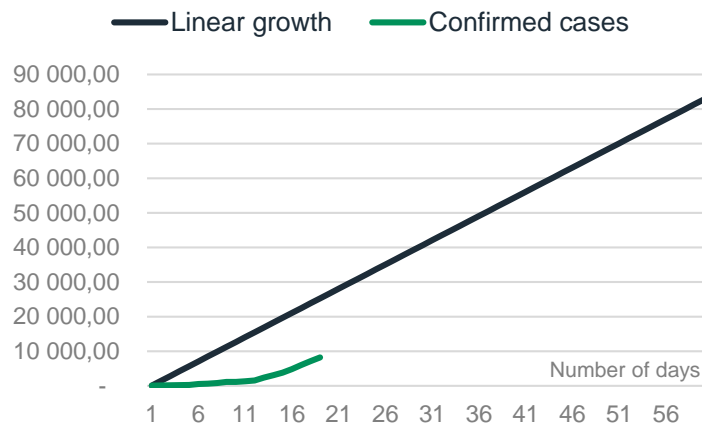
# EXPECTED NUMBER OF CASES VS REALITY

ESTIMATION BASED ON FIGURES FROM HUBEI PROVINCE

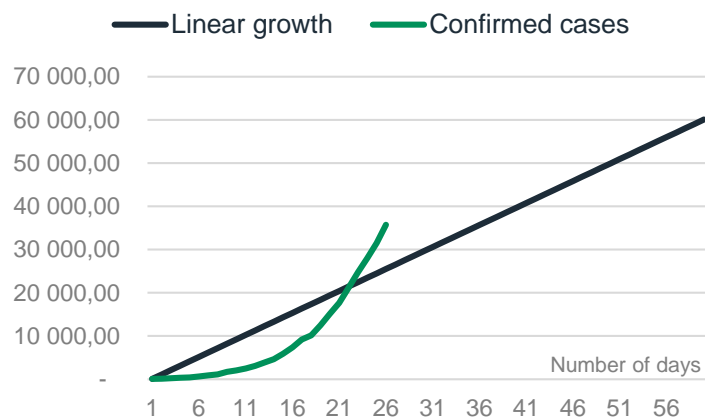
France



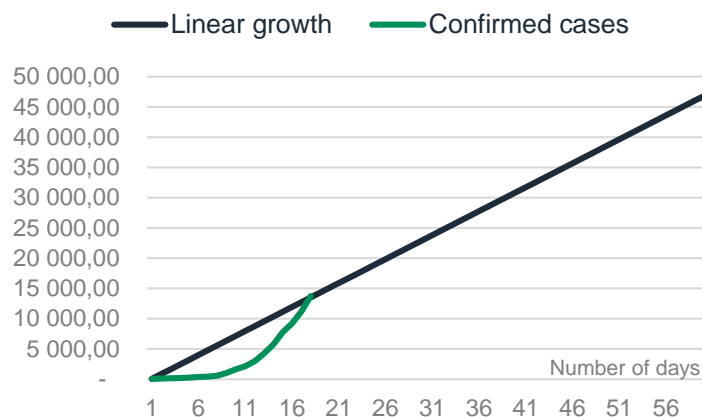
Germany



Italy



Spain



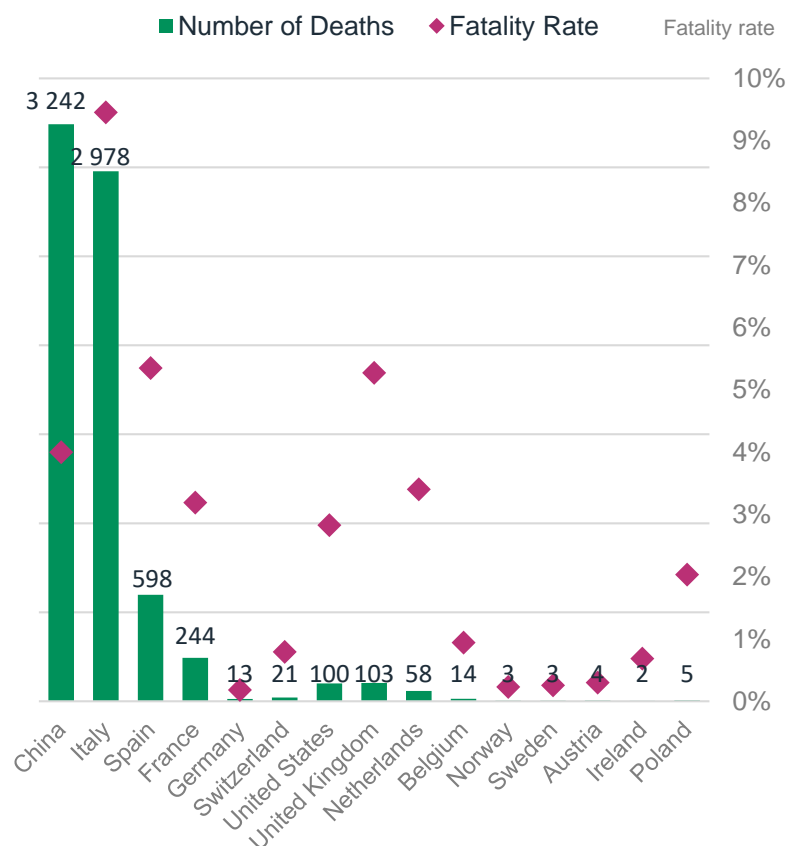
- In order to monitor the cases across European countries, **we have estimated the potential number of cases at the end of the pandemic.**
- To do so, we based our assumption on the confirmed cases in the province of Hubei, China, the centre of the epidemic. **In Hubei, two months after the 100<sup>th</sup> cases, 67 800 people were confirmed to have the virus.** This means that **0.1% of the population has contracted the virus after 2 months.**
- By replicating the same assumption in the main European countries, **we can see how the virus is spreading and also, if it is faster or lower than in China.**
- Unsurprisingly, **Italy is growing faster than France or Germany.** Its current number of infected people is greater than the theoretical one. **If the virus continues to spread at this speed, Italy could be worst than the centre of the epidemic.**
- **For France and Germany, the situation seems to be under control** at the moment and the speed of contagion is still limited
- **For Spain, the situation is very worrying** and should be looked at every day. **The epidemic's pace is even faster than in Italy.**

Sources: World Health Organisation, BNP Paribas Real Estate

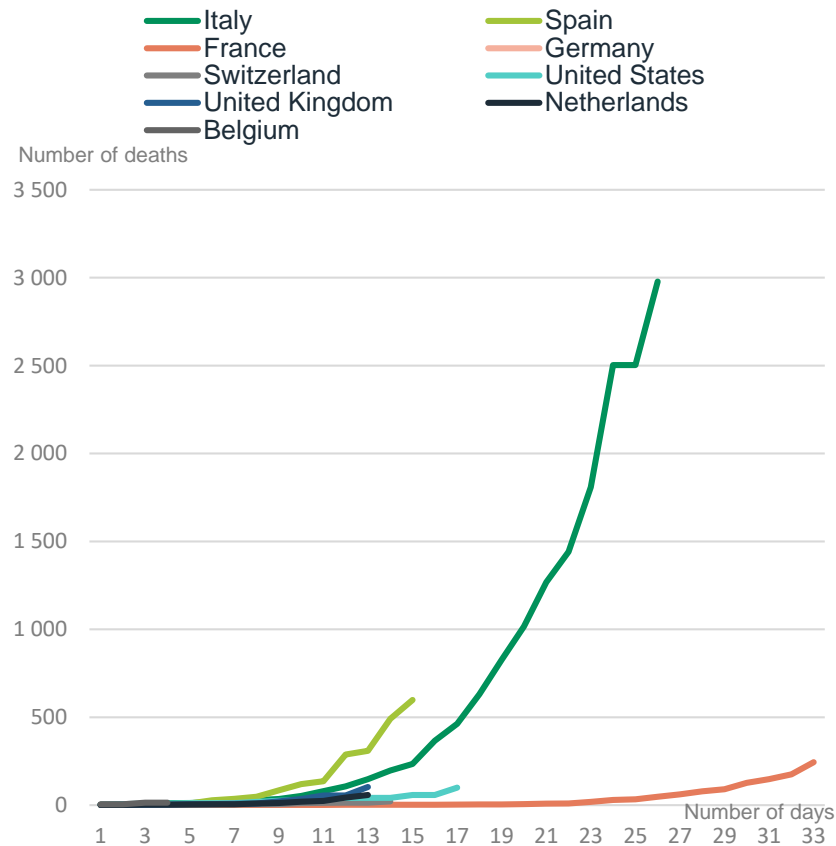
# THE FATALITY RATE OF COVID-19

FATALITY RATE DEPENDS ON QUALITY OF HEALTHCARE AND POPULATION AGE

## FATALITY RATE IN THE WORLD



## EVOLUTION OF DEATHS (SINCE FIRST DEATH)



- The fatality rate differs greatly for every country. In China, the fatality rate has been at 4.0% since the beginning of the outbreak. For countries where the quality of the healthcare system is better (France, Germany, Switzerland, etc.), the fatality rate can drop to 2%, or even 0.2% for Germany.
- The fatality rate is the highest in Italy, where the age of the population is an important factor. Indeed, 23% of the population is older than 65 years old, and nearly 60% of the population is aged 40 or over. The median age is also the highest across Europe.
- The way of living is also an important factor as several generations may live in the same place. This means that older people are not properly isolated and have a greater chance to catch-it.
- We expect Spain to have a similar trend, but in a lower proportion.
- In other countries, the number of deaths is still low and if the quarantine measures are followed by the population, healthcare systems should continue to be able to take care of the patients.

Sources: World Health Organisation

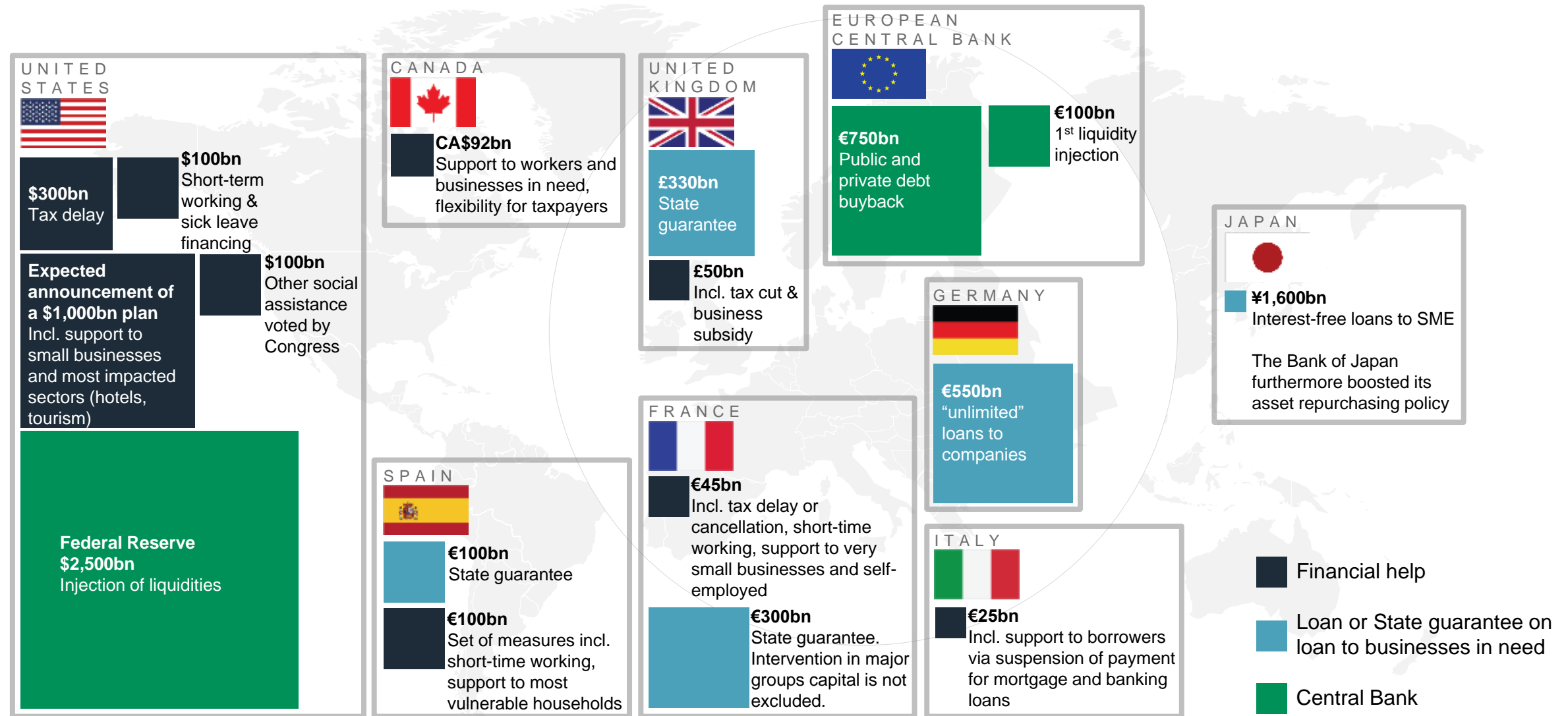
# SANITARY MEASURES & SUPPORT SCHEMES





# THE COVID-19 CRISIS: STATE & FEDERAL BANKS MOBILISATION

## MEASURES ANNOUNCED BY G7 AUTHORITIES AND SPAIN



# REACTION OF THE EUROPEAN CENTRAL BANK



## EMERGENCY PROGRAM OF €750BN ANNOUNCED BY THE ECB

- The **European Central Bank** strongly reacted on Wednesday, March 18<sup>th</sup> and announced a **€750bn emergency purchase program** to sustain the economy and to ensure the monetary stability in the Eurozone.
- This program comes **in addition to the €120bn plan decided on March 12<sup>th</sup>**. As a result, the ECB's investment program in 2020 will amount to 7.3% of the Euro area GDP.
- The ECB will offer loans to bank at the lowest interest rate ever (-0.75%).
- Purchases of private and public sector securities will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase program.
- This new purchase program will be the most important since the ECB started to conduct net purchases of securities in October 2014. During the net asset purchase phase, **monthly** purchase pace averaged:
  - €60bn from March 2015 to March 2016
  - €80bn from April 2016 to March 2017
  - €60bn from April 2017 to December 2017
  - €30bn from January 2018 to September 2018
  - €15bn from October 2018 to December 2018

Source: European Central Bank

# THE COVID-19 CRISIS: THE SITUATION IN FRANCE



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
School and non-essential shop closures	March 16th	At least 15 days, otherwise "until further notice"	Shops of first necessity are allowed to remain open: food retail, pharmacies, gas stations, tobacco shops
Population lockdown	March 17th	At least 15 days	Non-essential movement of individuals is banned. What is allowed: shopping for groceries, imperative family reasons, health-related appointments, brief outings for exercise
Public Health emergency declaration	Decree of the Council of Ministers on March 18th Expected Parliament vote March 19-20	12 days Any extension beyond 12 days has to be authorized by law	The Prime Minister can govern by decree to restrict civil liberties (movement restrictions). The Minister of Health is allowed to pass decree-laws to adopt all necessary measures to limit the disease propagation

Source: French administration

# THE COVID-19 CRISIS: THE SITUATION IN FRANCE



## STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	<ul style="list-style-type: none"><li>• The government will guarantee up to €300bn of bank loans to companies</li><li>• Companies are allowed to delay paying their taxes and social security contributions</li><li>• Possible nationalisation of companies to avoid bankruptcies</li><li>• Small companies facing difficulties are allowed to delay paying their rent, their water/energy bills</li><li>• Possible tax discount for companies facing difficulties</li><li>• The administration will help companies to negotiate the rescheduling of bank loans</li><li>• No delay penalty applied for public contracts</li></ul>
Individuals	<ul style="list-style-type: none"><li>• Broadening of rights to partial unemployment and financed by the State</li><li>• Extension of the winter ban on tenant evictions until the end of May</li></ul>

Source: French administration



# THE COVID-19 CRISIS: THE SITUATION IN THE UK



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Partial closure of the public transport network	March 19th	TBD	40 underground stations closed No nights Tube services
London lockdown scenario	"Within a few days"	TBD	Partial lockdown in London under discussion. Pubs and restaurants could be closed and strict control placed on public movement

Source: BBC

# THE COVID-19 CRISIS: THE SITUATION IN THE UK



## STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	<ul style="list-style-type: none"><li>• Initial £330bn (15% of the UK GDP) loan scheme to support businesses: the government guarantees assistance to companies to pay their rents, the salaries, their suppliers or to purchase stock</li><li>• Further £20bn in tax breaks for firms</li><li>• Larger firms will be eligible to a low-cost and easily accessible lending facility through the Bank of England</li><li>• Small and medium sized businesses can borrow up to £5m with no interest due for the first twelve months</li><li>• Cash grants of up to £25,000 for retailers and hospitality businesses under the £51,000 rateable value threshold to help with rent and wage bills.</li><li>• £3,000 grant for the smallest businesses announced last week increased to £10,000</li><li>• Introduction of the coronavirus job retention scheme: Companies and organisations will be able to apply for a grant from HMRC to cover the wages of people who are not working due to coronavirus shutdowns, but who haven't been laid off. It will cover 80% of the salaries of these retained workers, up to £2,500 per month.</li><li>• Deferring VAT for all businesses until the end of June. (Represents an additional £30bn injection into the economy.)</li></ul>
Individuals	<ul style="list-style-type: none"><li>• Project of emergency legislation to suspend new evictions from social or rented accommodation for at least three months</li><li>• Three-months mortgage repayment break for individuals facing financial difficulties</li></ul>

Source: Business Insider

# THE COVID-19 CRISIS: GERMANY



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Non-essential shop closures on a federal level + schools and daycare facility closures	March 16th	TBD	Supermarkets, banks and pharmacies are allowed to stay open, while bars, clubs, swimming pools and cinemas have been asked to close. Restaurants have to close by 6pm.
Border closures with France, Austria and Switzerland	March 16th	TBD	N/A
Non-mandatory lockdown	TBD	TBD	Non-mandatory lockdown, the population is encouraged to stay at home by the Federal State

Source: Zeit Online

# THE COVID-19 CRISIS: GERMANY



## SUPPORT SCHEMES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Population lockdown	March 9th	At least until April 3rd	Italy is the most affected country in Europe. Non-essential movements of individuals are banned.
School closures and public event bans	March 9th	At least until April 3rd	
Postponement of the referendum of March 29th + possible postponement of the local elections in several provinces	TBD	TBD	The referendum on the decrease in the number of MPs is postponed until further notice.

Source: Business Insider, Reuters



# THE COVID-19 CRISIS: ITALY



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Population lockdown	March 9th	At least until April 3rd	Italy is the most affected country in Europe. Non-essential movement of individuals is banned.
School closures and public event bans	March 9th	At least until April 3rd	N/A
Postponement of the referendum of March 29th + possible postponement of the local elections in several provinces	TBD	TBD	The referendum on the decrease in the number of MPs is postponed until further notice.

Source: Press articles

# THE COVID-19 CRISIS: ITALY



## SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	<ul style="list-style-type: none"><li>• €25bn emergency program for both companies and individuals</li><li>• Mortgage repayment break</li></ul>
Individuals	<ul style="list-style-type: none"><li>• €25bn emergency program for both companies and individuals</li><li>• Mortgage repayment break</li><li>• Increase in partial unemployment funding</li><li>• Dismissal procedures suspended</li><li>• Allowance granted to families to finance daycare services</li></ul>

Source: Zeit Online

# THE COVID-19 CRISIS: SPAIN



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Population lockdown	March 14th	At least 15 days	The population is asked to stay at home except for grocery shopping, work purposes if remote working is not possible, and trips to the pharmacy.
Store closures	March 13th	TBD	All shops are closed, except for grocery stores, pharmacies and gas stations.

Source: Zeit Online

# THE COVID-19 CRISIS: SPAIN



## SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	<ul style="list-style-type: none"><li>• Public guarantee of €100bn to ensure liquidity for businesses + €87bn of private resources + €17bn as direct support for the firms most likely to suffer from the effects of the pandemic</li><li>• €200bn amounts to 20% of Spain's GDP</li><li>• Loans to companies will be guaranteed by the State</li><li>• Companies which will adopt partial unemployment measures will be waived of social taxes</li></ul>
Individuals	<ul style="list-style-type: none"><li>• €600m dedicated to the most affected part of the population</li><li>• At least 100,000 workers are facing temporary layoffs</li><li>• Freelancers / independant workers will be allowed to receive unemployment compensation</li><li>• Access to partial unemployment made easier</li><li>• Ban on tenant eviction</li><li>• Possible break on mortgage repayment</li></ul>

Source: El Pais



# THE COVID-19 CRISIS: BELGIUM



## SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Travel bans (going abroad)	March 18th	At least until April 5th	Non-essential travel for Belgians outside of the country are banned.
Lockdown of the population	March 18th	At least until April 5th	Non-essential movement of individuals are banned. Individuals may leave their home to go grocery shopping, important family emergencies, health-related appointments, brief outings for exercise.

Source: Press articles

# THE COVID-19 CRISIS: BELGIUM



## SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	<ul style="list-style-type: none"><li>• Wallonia government announced a €350m support scheme: a €5,000 subsidy will be granted to each retailer forced to close during the crisis (estimated 48,980 recipients), €4,000 in Flanders</li><li>• Regional institutions will guarantee loans for companies up to €200,000</li></ul>
Individuals	<ul style="list-style-type: none"><li>• At the moment, 500,000 people are considered as being temporarily laid-off for economic reasons. Another 500,000 temporary layoffs are expected in the coming weeks.</li><li>• Up to €1bn could be necessary to cover unemployment compensation</li><li>• No tenant eviction for 30 days + no energy/water supply disconnection in Wallonia and Brussels Region</li><li>• In Flanders: energy and water supply bills will be paid by the community for workers forced to partial unemployment (estimated 100,000 people) for an estimated total cost of €20bn</li></ul>

Source: RTBF, Le Soir

# 6 BUSINESS LINES in Europe

## A 360° vision

### Main locations\*

#### EUROPE

##### FRANCE

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167, Quai de la Bataille  
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Tel.: +32 2 290 59 59

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Tel.: +420 224 835 000

##### GERMANY

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Tel.: +49 69 298 99 0

##### HUNGARY

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##### IRELAND

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Ballsbridge, Dublin 4  
Tel.: +353 1 66 11 233

##### ITALY

Piazza Lina Bo Bardi, 3  
20124 Milano  
Tel.: +39 02 58 33 141

##### LUXEMBOURG

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10 rue Edward Steichen  
L-2540 Luxembourg  
Tel.: +352 34 94 84

##### NETHERLANDS

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##### POLAND

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Tel.: +65 8189 2762

### Alliances\*

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##### CYPRUS

##### DENMARK

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##### FINLAND

##### GREECE

##### HUNGARY \*\*

##### JERSEY

##### LATVIA

\* March 2019

\*\* Coverage In Transaction, Valuation  
& Consulting

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##### NORTHERN IRELAND

##### NORWAY

##### PORTUGAL \*\*

##### SERBIA

##### SWEDEN

##### SWITZERLAND

##### USA

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