

Box A: The economic shock depends on how Covid-19 evolves

The Covid-19 shock is unlike typical macroeconomic shocks. It is foremost an epidemiological phenomenon. That is, to understand how it might evolve, we need to understand how the pandemic will evolve. This box considers some aspects of how the pandemic is unfolding in Ireland.

The path out of the crisis depends on transmission risks

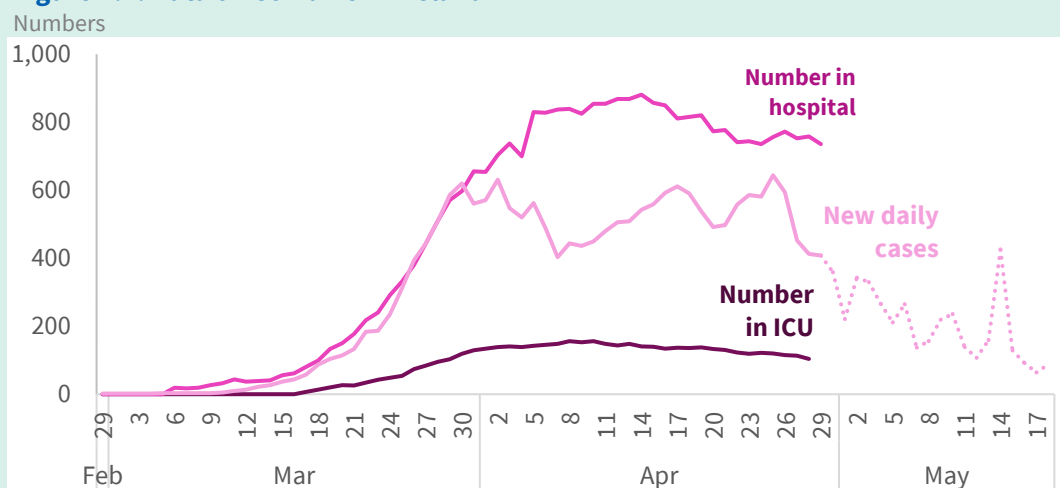
Ultimately, an effective vaccine may be needed to fully interrupt the transmission of Covid-19. As of 15th May 2020, the World Health Organisation (WHO, 2020) had identified eight candidate vaccines that were in clinical evaluation and 110 candidate vaccines in preclinical evaluation. Yet, there are no guarantees that safe and effective vaccines will be successfully identified and timely verification processes could mean that a vaccine might not be available until late next year at the earliest.

If a vaccine is not developed, the development of anti-viral drugs, tests for antibodies, and the gradual build-up of immunity in the population could pave the way for economic activity to further resume. There are of course risks if containment measures are lifted before health risks have dissipated.

Policymakers therefore face a difficult dilemma in balancing health and economic considerations when exiting from the crisis. The WHO has offered advice to countries easing restrictions. There are six criteria:

- 1) Controlling transmission
- 2) Ensuring health systems are able to detect, test, isolate and treat cases and trace contacts
- 3) Minimising outbreak risks in settings like health facilities and nursing homes
- 4) Putting preventive measures in place in workplaces, schools and other essential locations
- 5) Managing import risks
- 6) Ensuring communities are educated, engaged and empowered to adjust to a “new norm”

Figure A.1: Data on Covid-19 in Ireland



Source: Coronavirus Covid-19 Public Health Advice, Government of Ireland (2020).

Note: New daily cases refer to confirmed cases of Covid-19. Numbers in hospital and ICU are cumulative figures. External tests (including those conducted in Germany on behalf of Irish authorities) are backdated to appropriate dates as in the “Covid-19 modelling data published on Thursday 30 April 2020”. The dashed line represents the latest unadjusted data on new daily cases.

In Ireland, the transmission of the disease as measured by numbers of new daily cases, numbers in hospital, and numbers in (ICUs) with Covid-19 appears to have peaked for now.

Numbers have either flattened or begun a slow decline from various stages in April (Figure A.1). The peaks in data related to the transmission of the virus are encouraging, and new daily cases have reduced, though there may still be a long way to go before health concerns abate.

The Government's Roadmap

The Government's "Roadmap for Reopening Society and Business" follows similar criteria to that of the WHO. The roadmap sets out five phases for unlocking parts of society and the economy (summarised in Table A.1). Moving through the roadmap phases will depend on the progress of the disease, healthcare capacity, testing and contact tracing, the shielding of at-risk groups, and secondary morbidity and mortality. As part of the roadmap, businesses are expected to develop plans for the safe operation and protection of staff and customers (social distancing, hygiene and cleaning, extended opening hours, shift work, staggered hours).

Table A.1: Summary of the Government's Roadmap

Phase 1 18 May	Outdoor workers (including those in construction) Retailers outdoors or with strong social distancing (garden centres, hardware, farm markets) Outdoor amenities
Phase 2 8 June	20km travel restriction Other solitary workers Small retail outlets (with controls on number of interactions)
Phase 3 29 June	Crèches, childminders and preschools for essential workers Cafes and restaurants, with social distancing/cleaning Organisations with low daily interactions with people All other retail outlets
Phase 4 20 July	Extend travel to outside region Crèches, childminders, and preschools for all other workers (phased, e.g. 1 day/week) Some higher risk services (e.g., hairdressers) Return to work for those who cannot do remote work (shift work, staggered hours) Sports team leagues (with limitations on spectators)
Phase 5 10 August	Large social gatherings (large weddings, festivals) with social distancing/cleaning Higher risk services (bars, nightclubs, cinemas, theatres, etc.) with social distancing/cleaning Primary schools, secondary schools, universities Phased return to onsite working for all others (including those who can do remote work)

Health guidelines and behavioural norms face more prolonged impacts

The first phase has been passed. Yet, even after all the roadmap phases have been moved through, it is unlikely that the economy and society will return to previous norms. Some level of precaution, both recommended and voluntary, is likely to remain long after the initial containment phase ends.

Given the uncertainties involved, it helps to consider scenarios for different paths of the economy. This Fiscal Assessment Report sets out three scenarios over a five-year horizon to 2025 and shows a range of outcomes: a "Mild" scenario where conditions improve rapidly and lasting damage is kept to a minimum; a "Central" scenario, building on the official SPU 2020 forecasts where confinement measures are eased as planned but there are some lasting effects; and a "Severe" scenario where the recovery is protracted and marred by repeat lockdowns and wider financial distress. Box D, Chapter 2, details the basis for these scenarios.