

Analyzing COVID-19

Situation in Israel and

Similar European Countries

Zvi Eckstein, Sarit Menahem-Carmi and Sergei Sumkin*



Special Policy Paper / April 2020

This is a short summary, for the full paper (in Hebrew) see
<https://www.idc.ac.il/he/research/aiep/pages/policy-papers.aspx>.

* Prof. Zvi Eckstein is Dean of the Tiomkin School of Economics and Head of Aaron Institute for Economic Policy at the IDC Herzliya, zeckstein@idc.ac.il.
Sarit Menahem-Carmi and Dr. Sergei Sumkin are senior researchers in the Aaron Institute for Economic Policy at the IDC Herzliya.

Aaron Institute for Economic Policy

In the name of Aaron Dovrat z"l

The vision of the Aaron Institute for Economic Policy is to sustain economic growth and social strength in Israel, by researching, modelling and developing modern, innovative and up to date strategies and policy tools for the Israeli economy, based on up-to-date global knowledge.

All modern economies aim for economic growth, achieved through employment increase and a rise in workers' productivity. The Aaron Institute conducts economic research that yields proposals for innovative policy tools and reforms for promoting growth, employment and productivity. The goal of policy research is to influence monetary and fiscal policy, as well as to formulate long-term plans for economic and social issues and contribute to the narrowing of social gaps. The institute aims to affect professional discourse, spur discussion based on credible information and socio-economic research, which will ultimately provide tools that will support a growth path and create social resilience in Israel.

The main aim of the Aaron Institute for Economic Policy at the Tiomkin School of Economics is to develop policy strategies that eliminate weaknesses and empower the strengths of the Israeli economy. We propose broad reforms as well as policy changes to particular industry sectors. In this framework Israel's relative advantages in technologic innovation and advances in the public and services sectors can be maximized. At the Aaron Institute, we crucially define quantitative goals while involving some of the countries' best economists in research and policy paper discussion meetings.

→ Board Members:

Mr. Shlomo Dovrat (Chairman), Ms. Yael Andorn, Ms. Judith Bronizki, Mr. Yoel Carasso, Prof. Zvi Eckstein, Prof. Martin Eichenbaum, Ms. Anat Levin, Mr. Zvi Limon, Prof. Rafi Melnick, Mr. Roni Naftali, Mr. Ronen Nir, Dr. Tali Regev, Mr. Haim Shani, Ms. Ofra Strauss, Mr. Erez Vigodman.

→ Head:

Prof. Zvi Eckstein.

→ Scientific Committee:

Prof. Zvi Eckstein (Chairman), Prof. Martin Eichenbaum, Prof. Zvi Hercowitz, Prof. Rafi Melnick, Prof. Omer Moav, Dr. Tali Regev, Dr. Yaniv Yedid-Levi.

→ Contact details:

The Interdisciplinary Center Herzliya - IDC, P.O. Box 167, Herzliya, ISRAEL 4610101

Phone: 972-9-9602431

Email: aaron.economics@idc.ac.il

Website: <https://www.idc.ac.il/en/research/aiep/pages/main.aspx>

Analyzing COVID-19 Situation in Israel and Similar European Countries

It has been a month since Israel went into lockdown in an effort to contain Coronavirus and prevent a situation in which the number of severe cases, or patients requiring mechanical ventilation, exceeds capacity of intensive care units (ICU). An analysis of morbidity data shows that the outbreak has been contained: the daily rate of increase in the number of active cases has abated significantly, from around 30% per day in the second week of March down to just around 3% in the second week of April, and around 0.2% in the third week of April. In addition, over the past two weeks we have seen an upwards trend in the number of recovered cases, along with a decrease in the number of new cases. **These trends project that within a few days the infection curve will be almost flattened, and the numbers of active and severe cases will diminish. Moreover, the data shows that the healthcare system had no difficulty supporting severe cases in ICU, as well as those in need of ventilation. At its peak, the current disease wave necessitated intensive care for 180 patients at a given time, some of which required mechanical ventilation and some sadly deceased. However, even if all ICU patients require ventilation, there will still be a margin of safety since the healthcare system already has 2,000 ventilation machines and at least 1,500 teams at the ready.**

A comparative analysis of the data shows that the death rate in Israel, in proportion to the numbers of infected and active cases, is significantly lower compared to developed countries with good healthcare services and similar morbidity rates (Austria), and particularly in comparison to countries with high morbidity rates (Italy, Sweden, England, and others). This data is mainly explained by the demographic composition of Israel, where the share of population over the age of 65 is 11% (compared to an average of 19% in developed OECD countries), and also by the high quality of the healthcare system in general, and primary healthcare in particular, and its capacity to support severe cases in hospitals.

The containment of the pandemic through lockdown caused a severe slump in economic activity and a sharp increase in the number of job seekers. The rate of people who are out of work rose to 25%, of whom around 90% are furloughed. The longer the economy is shut down, the greater the damage it suffers, since the risk of firms collapsing is growing. Hence the long-term impact of lockdown increases in proportion to the delay in return to economic activity. The Aaron Institute estimates that even if a slow return to economic activity is initiated within the next few days, unemployment rate at the end of this year will be 8-10%, meaning a massive drop in employment rates as well as the GDP.

The Morbidity data presented in this paper shows that during the current disease wave, the fear that the healthcare system would struggle to sustain intensive care of severe cases has been unfounded. In other words, it is highly unlikely that the number of severe cases requiring intensive care, specifically ventilators, will overwhelm the existing provision of equipment and medical teams. As the lockdown was put in place to address such fears, now that the risk is reduced it is imperative to introduce a clear economic plan for expansion of economic activity in a gradual yet well-defined process. A detailed plan for gradual emergence from lockdown, even if the dates it specifies are contingent on morbidity rates, will allow the business sector as well as job seekers to plan ahead while taking into consideration some degree of uncertainty – which will nevertheless be lower than it would be without any plan – and enable a smoother return to economic activity. Several European countries going through a similar phase, or even an earlier one in terms of morbidity rates (ie. higher increase rate of active cases), have already presented some basic ground rules for plans facilitating a return to economic activity, some of which are, as mentioned above, contingent on a decrease in morbidity rate and on the extent of available diagnostic tests for COVID-19. Special note should be given to Austria, which has similar population size and morbidity rates to Israel but is about a week ahead in terms of the outbreak's progression. When its situation was similar to that of Israel today, Austria has already announced a conditional work plan for a few months ahead, and thereby boosted levels of certainty in the business and public sectors.