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COVID-19 TRENDS: UPDATE AND SLIDE PACK

Berenberg Macro View

Click [here](#) for a detailed slide pack on Covid-19 trends.

SLIDE PACK HIGHLIGHTS

- **Recorded infections:** continue to fall fast from very high levels in the US and the UK, surge in Spain and Portugal offsets progress in other Eurozone countries (p. 2-3)
- **Hospitalisations:** stabilising in the UK and falling in the US, mixed picture in the Eurozone (p. 6-8)
- **Daily deaths:** first signs of stabilisation in the UK, increasing again in the US and edging higher in the Eurozone (p. 9-10)
- **Vaccination roll-out:** big gaps between UK and US vs. EU, and within the EU (p. 11-13)
- **Recorded cases, hospitalisations and deaths across major advanced economies** (p. 14-15)
- **Lockdown 2.0 restrictions** (p. 17-18)
- **Lockdown 2.0 economic impact** (p. 19-24)

Recorded infections:

- **UK:** The UK continues to re-gain control over the second wave. Recorded cases have fallen as sharply over the past 2.5 weeks as they had surged in the five weeks before. The share of positive tests has headed further down while the test intensity has remained very high. Despite the progress, recorded infections are still at very high levels, on a per-capita basis a little below those in the US and 1.5 times that of the Eurozone.
- **US:** Daily infections continue to fall in the US, almost as strongly as in the UK. Whether they have turned around for good remains difficult to say. First, recorded cases had signalled a retreat of the second wave twice over the past two months before surging again thereafter. Second, while the share of positive tests has continued to tick lower, test intensity has fallen recently.
- **Eurozone:** Recorded daily infections are still not on a downward trend in the Eurozone. They have not changed much for the past two weeks. The apparent stagnation in the Eurozone as a whole camouflages the very mixed picture by country. Lower case numbers in Germany, Italy and the Netherlands as well as some signs of stabilisation in France have been offset by the surge in daily new infections in Spain and Portugal well beyond the per-capita rates in the UK and the US. Spain and Portugal are examples of how fast the fortunes can change. That daily recorded cases in Spain are no longer growing exponentially raises hopes that they may peak in the coming days.
- **UK vs. US vs. Eurozone:** With 0.85% of the population tested every day, the UK's number of recorded cases is probably closer to the actual number of daily infections (detected and undetected) than those of the US and the Eurozone which test significantly less (0.4% and 0.3%, respectively).

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Hospitalisations

After surging for six consecutive weeks, the number of people in **UK** hospitals with SARS-CoV-2 seems to be stabilising (latest available data: 20 January). Following the turnaround in recorded infections two weeks ago, future data may show that hospitalisations may have started to fall over the past week. In the **US**, the occupancy of both hospital beds and intensive care units (ICUs) has receded for the second week in a row. If recorded daily infections continue to fall, so should hospitalisations. In the **Eurozone**, hospitalisation rates are edging higher again. Similar to infections, the picture is mixed across countries. The number of patients in ICUs has decreased for the third consecutive week in Germany and is heading lower in the Netherlands and Italy, too. However, in France the number of patients in ICUs has started to edge up. In Spain and Portugal hospitalisations have risen notably in line with recorded infections. The health care systems in Spain followed by the UK and Italy seem to be the most strained among the major economies. In Spain, roughly 60% of all ICUs – arguably the biggest bottleneck in the health care system – are occupied by patients with Covid-19.

Daily deaths associated with SARS-CoV-2 continued to rise over the past week. In the **UK**, they have shot well beyond their peak during the first wave and are currently almost or more than twice as high as in the US and the Eurozone, respectively. The recent rise in daily deaths was a little less marked than during the three weeks before. This raises hopes that they could peak soon as the pandemic has turned a little less virulent in the UK for the past two weeks. In the **US**, daily deaths have also increased again after falling in the previous week. The sharp drop in daily infections and the downward trend in hospitalisations suggests that daily deaths could turn around soon, though. Recorded daily deaths are picking up in the **Eurozone**, too. While in Germany, the Netherlands and Italy daily deaths are falling, they are surging in Spain and Portugal as well as trending higher in France.

Vaccinations

- **Status quo:** The UK and the US have widened the gaps in the roll-out to the continental European economies. As of 26 January, the total number of vaccinations administered per 100 people – the sum of first and second doses – was 10.8 in the UK and 7.1 in the US. Spain follows with 2.8, Italy with 2.5, Germany with 2.3 and France with 1.8. The average daily number of vaccinations administered per 100 people over the past seven days has reached 0.47 in the UK (previous week: 0.35), 0.34 in the US (0.28), 0.13 in France (0.09), 0.1 in both Spain (0.15) and Germany (0.07) and 0.07 in Italy (0.09).
- **Order of vaccination effects:** As the most vulnerable – and most exposed – parts of society are inoculated first, we could notice the first visible effects in a sustained fall in death and hospitalisation rates. We may have to wait for a major impact on infections – beyond that of tight restrictions and better weather from spring onwards – until inoculation reaches the young.
- **Outlook:** If the UK maintains the pace of its vaccine roll-out of the past two weeks, it may manage to administer at least one dose of vaccinations to 60% of the population by May/June this year. The US could follow in September/October. Continental Europe would not reach the 60% rate before summer 2022 (Spain and France), early 2023 (Ger-

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many) or late 2023 (Italy). As more vaccines get approved and production increases, the inoculation pace should quicken, especially in continental Europe. Thus, the date when these countries reach levels of herd immunity at vaccination rates of 60-80% should move notably forward. So far, the EU's target to vaccinate 70% of the population by the end of summer (mid-September) looks like a long shot, though.

- **Differences between UK/US and EU:** Among the reasons behind the lower vaccination rates in the EU are: 1) the later approval of two of the vaccines; 2) vaccination supply delays; and 3) that most EU countries have held back vaccinations to administer them as the second dose in the appropriate window of time after the first dose, rather than providing more people with the first jab with a somewhat unclear timing of the second jab.
- **Differences within the EU:** While Brussels is aiming to distribute vaccination doses to EU countries relative to their population, differences in vaccination rates are significant. As of 26 January, the total number of vaccinations administered per 100 people was 3.5 in Denmark and 0.8 in the Netherlands. While the Netherlands has been slow in the roll-out, Denmark has fully utilised (extracting also extra doses from each vial) the vaccinations available. The gaps in vaccination rates have started to tighten – unfortunately, for the wrong reasons. The lower-than-expected deliveries are seemingly hitting those countries first which have utilised their national allocations the most – Denmark, but also Spain and Italy. As also the laggards such as France and the Netherlands increase their vaccination pace, they could eventually be in the same situation.

Virus mutations

- **Infections:** Associated with increased transmission and/or higher viral burden after infection, virus mutations first identified in the UK, South Africa, and Brasil have driven (even) faster spreads in these countries and elsewhere than during the first wave. More daily infections have led to higher hospitalisations and death rates as well as tighter, longer restrictions and weaker economic activity, or threaten to do so.
- **Vaccination efficacy and containment:** If these virus mutations were resistant to the currently administered vaccinations, the economic outlook would change more fundamentally. Fortunately, the vaccines seem to be (largely) effective against the faster-spreading virus variants. While vaccines may not be as effective against the South African variant, they apparently still trigger more antibodies than what people who had the virus would have. Vaccination producers have started to develop a booster possibly to be given in the autumn to protect against various mutations. Against the background of future – possibly resistant – variants, vaccinations may not be the only solution. Countries will also have to work on containing the virus – think testing, tracing, quarantine and isolation.

Current restrictions: Significant containment measures are in place in most countries. Some, like Germany, have imposed a harsher lockdown than in spring. No longer rising recorded infections suggest strains on medical systems could (further) lessen going forward – with Spain and Portugal lagging the rest. Hospitals still operate beyond, at or close to capacity, though. In addition, UK- or Ireland-style surges driven by faster spreading virus strains hang like a Damocles sword above many countries. Thus, most governments plan to keep current restrictions largely in place



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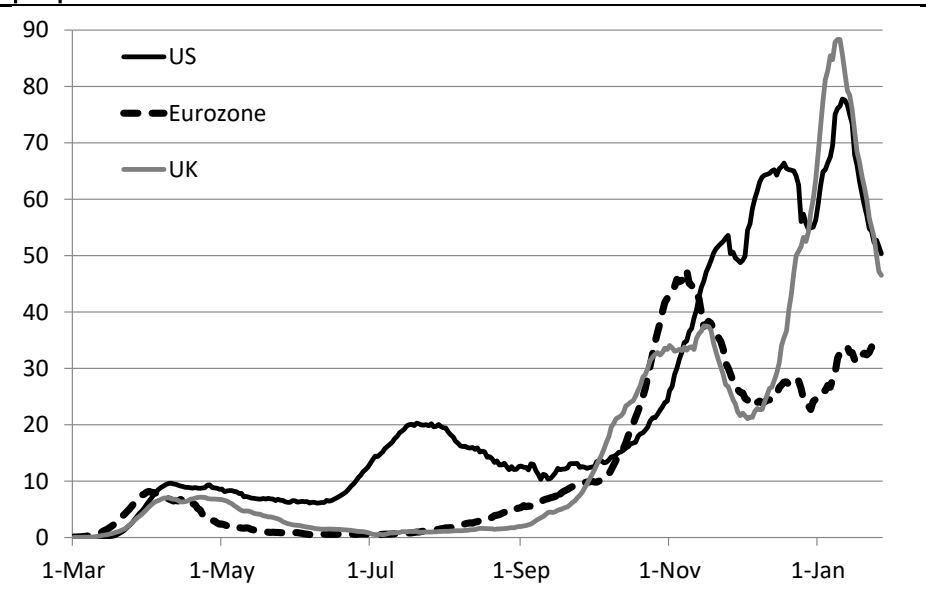
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for most of Q1. In some countries a gradual re-opening may start before March, but governments will likely be cautious to not move too quickly, especially with respect to international travel. The situation should improve more notably – in the UK possibly earlier than in the EU – as more people are vaccinated and springtime heralds the natural remission of seasonal respiratory viruses. Summer could be more normal. Depending on the vaccination progress and potential virus mutations, the next winter may see the return of some restrictions, but probably not anywhere as tight ones as in the current winter.

Economic outlook – towards a brighter spring: Tight restrictions cost economic activity as highlighted by the high-frequency footfall data. Consumers have stayed more at home at the start of the new year, especially in the UK. Although the restrictions are almost as tight as during spring, the hit to GDP in Q4 2020 and Q1 2021 combined should be much more modest than in H1 2020: The second wave is less of a nasty surprise, supply chains are still working and inoculations raise hopes for a strong rebound from spring onwards. Gains in manufacturing and global trade limit the damage. Also, while the time profile of the rebound has become a little more uncertain recently, the notable setback we project for this winter should be partly offset by faster catch-up gains throughout this year.

Chart 1: Confirmed new SARS-CoV-2 infections, per day, per 100,000 people



Seven-day averages. Source: Johns Hopkins University.

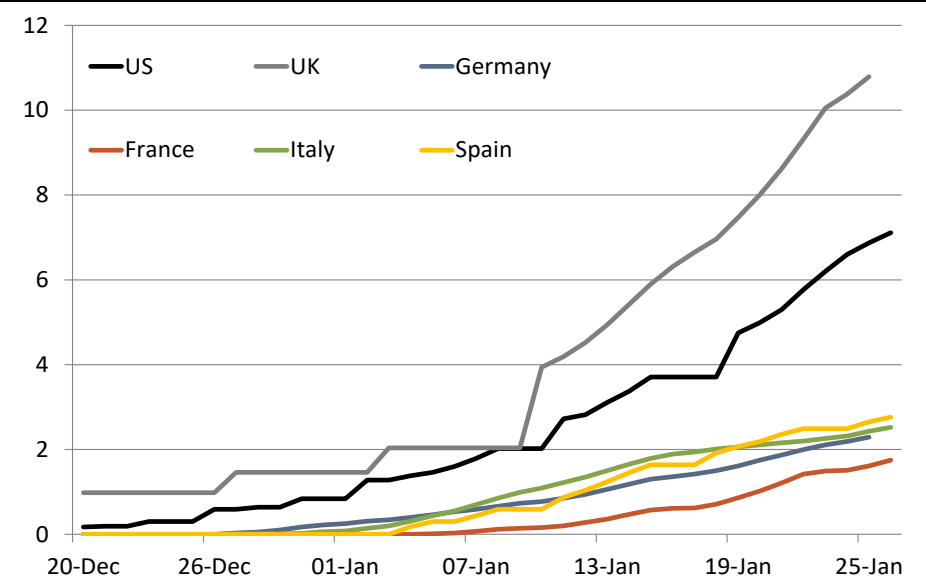


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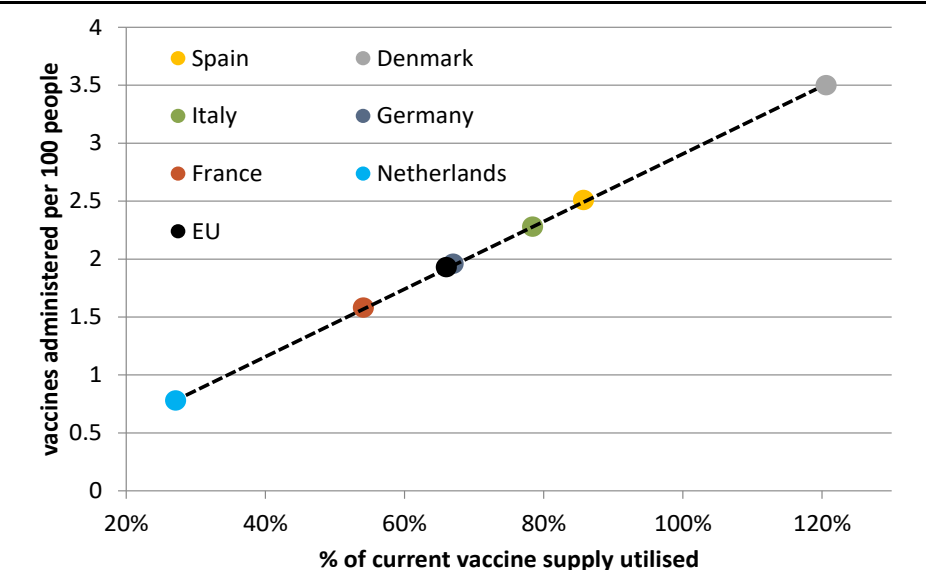
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Chart 2: Total number of COVID-19 vaccinations administered, per 100 people



Source: Our World in Data

Chart 3: Vaccines administered vs. utilisation of vaccine supply in EU countries



Source: Our World in Data, Berenberg

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