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## MACRO NEWS

02/08/21

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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 in the US and the UK, edge lower in the Eurozone as surges in Spain and Portugal start to reverse (p. 2-3)**
- **Hospitalisations: starting to fall in the UK, dropping in the US, mixed picture in the Eurozone (p. 6-8)**
- **Daily deaths: reversing in the UK and heading lower in the US, but edging higher in the Eurozone (p. 9-10)**
- **Vaccination roll-out: big gaps between UK and US vs. EU, and within the EU (p. 11-14)**
- **Recorded cases, hospitalisations and deaths across major advanced economies (p. 15-16)**
- **Lockdown 2.0 restrictions (p. 18-19)**
- **Lockdown 2.0 economic impact (p. 20-28)**

#### Recorded infections

- **Eurozone:** Recorded daily infections have edged lower over the past week – the first time this year after weeks of stagnation. While a week does not make a (downward) trend yet, the share of positive tests has also fallen further and the progress seems to be broad-based across countries. First, recorded cases continue to fall in Germany and the Netherlands, are stable in Italy and are no longer edging much higher in France. Second, while numbers in Spain and – in particular – Portugal remain extremely high, well above the peaks in the US and UK, the recent surges in these two countries have started to reverse. Still, the two countries remain examples of how fast the fortunes can change.
- **US:** Daily infections continue to fall. The share of positive tests has ticked lower since the start of the year. While recorded cases surged twice over the past two months after re-treating for a while, recorded cases have now fallen by more and for longer than they had risen before. Still, it is difficult to say how much of the drop in recorded cases owes to the (continued) fall in test intensity this year. Also, despite the recent progress, the share of positive tests remains almost twice as high as in Europe.
- **UK:** The UK faced the biggest challenge at the start of the year with the highest per-capita rates in daily recorded cases. However, numbers have now fallen faster than in the US and the Eurozone in 2021. Encouragingly, case numbers have dropped while the share of positive tests has also headed lower significantly and the test intensity has remained very high. With 0.9% 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

- **Eurozone:** A surge in the number of people in Portuguese and Spanish hospitals with SARS-CoV-2 has driven hospitalisation rates in the Eurozone further up in late January (latest available data: 24 January). Hospitalisations have also risen in France. Outside these three countries, the situation continues to improve: hospitalisations fall in line with recorded infections. The number of patients in intensive care units (ICUs) continues to decline in Germany and is heading lower in the Netherlands and Italy.
- **US:** The occupancy of both hospital beds and ICUs has receded for the fourth consecutive week. If recorded daily infections fall further, hospitalisations should follow.
- **UK:** After surging from early December onwards, the number of people in UK hospitals with SARS-CoV-2 has started to fall (latest available data: 26 January) in a lagged response to the turnaround in recorded infections in early January. Following the sharp drop in recorded infections in throughout January, future data may show that hospitalisations have fallen notably into February.

The health care systems in Portugal and Spain seem to be the most strained among the economies we follow on a regular basis. In Spain, roughly 80% of all ICUs – arguably the biggest bottleneck in the health care system – are occupied by patients with Covid-19. The health care systems in the UK and Italy also run close to capacity.

### Deaths

- **Eurozone:** Daily deaths associated with SARS-CoV-2 continued to rise over the past week in the Eurozone. While recorded daily deaths are falling in the Netherlands and Italy, they keep surging in Portugal and Spain as well as trending higher in Germany and France.
- **US:** For much of this year, weeks in which daily deaths in the US fell have alternated with weeks when rates rose. In the previous week, rates fell. The (sharp) drops in daily infections and hospitalisations suggests that daily deaths could stay on a downward trend going forward.
- **UK:** Daily deaths have turned around in the UK following the falls in infections and hospitalisations with a lag of 2-3 and 1 week(s), respectively. They are almost or more than twice as high as in the US and the Eurozone.

### Vaccinations

- **Status quo:** The UK and the US have widened their lead in the roll-out over the continental European economies. As of 2 February, the total number of vaccinations administered per 100 people – the sum of first and second doses – had reached 14.9 in the UK and 9.8 in the US. Spain follows with 3.6, Italy with 3.5, Germany with 3.1 and France with 2.4.
- **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 April this year. The US could follow in August. Continental Europe would not reach a rate of 60% before summer 2022 (France) at the current vaccination pace, with Germany, Spain and Italy following. As more vaccines are developed and get approved as well as production ramps up, the vaccination pace will quicken, especially in continental Europe. Thus,



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the date when these countries reach vaccination rates of 60% should move notably forward. The EU may still reach its target of vaccinating 70% of the population by the end of summer (mid-September), but it still looks like a long shot.

- **Order of vaccination effects – example of Israel:** In Israel, where the vaccination campaign started in mid December and the total number of vaccinations administered per 100 people has reached 55% – the highest in the world –, daily recorded infections have fallen since late December, hospitalisations since 17 January (latest available data: 29 January) and death rates since 25 January. It is difficult to say how much of the progress owes to tighter restrictions – Israel’s lockdown stringency index rose throughout early January – or a change in behaviour such as adhering more to social distance rules and how much it is due to rising vaccination rates. Relative to October, when hospitalisation rates fell after a surge during September, the number of patients seems to have dropped much faster in January. The difference in the pace of falling hospitalisations in January vs. October may be the positive vaccination impact.

### 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, or threaten to do so.
- **Natural immunity:** Possibly even more worrying, some variants like the South African strain may reportedly be as infectious for those who have contracted the more common virus strain as for those who have so far contracted neither. If these reports are confirmed by further research, immunity built up from the virus making its way through the population by transmission may be of less value than expected.
- **Vaccination immunity/efficacy:** All currently administered and soon-to-be approved vaccines seem to be effective against symptomatically contracting the currently known virus variants, transmitting them or suffering from severe disease after infection. The efficacy differs from vaccine to vaccine and virus variant to virus variant. The less effective some vaccines are against some virus strains, the less current vaccinations help to reach herd immunity. Some vaccine producers have started to develop a booster possibly to be given in the autumn to protect against the current various mutations. As yet another strain in the UK which shares some of the characteristics of the South African and Brazilian strains highlights, vaccine producers will have to outrun the virus in order to keep up with new strains.

In any way, vaccinations are only part of the solution. Countries will also have to keep containing the virus as effectively as possible – think testing, tracing, quarantine and isolation.

### Restrictions

Significant containment measures are in place in most countries. Some, like Germany, have imposed a harsher lockdown than in spring. Falling recorded infections suggest strains on medical systems could (further) lessen going forward – with Spain and – in particular – Portugal lagging the rest. Hospitals still operate close to capacity in many countries, though. In addition, UK- or



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Ireland-style surges driven by faster spreading virus strains – especially if restrictions are eased too quickly – hang like a Damocles sword above every country. Thus, most governments plan to keep current restrictions largely in place for most of Q1. In some countries – Italy has re-opened bars and restaurants in most regions – 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 throughout Q2 as springtime heralds the natural remission of seasonal respiratory viruses and mass vaccination progresses – or, in the case of EU countries, significantly accelerates. Summer could be more normal. Depending on the vaccination progress and virus mutations, the next winter may see the return of some restrictions, but probably not anywhere as tight ones as in the current winter. The risks are tilted to the downside, though.

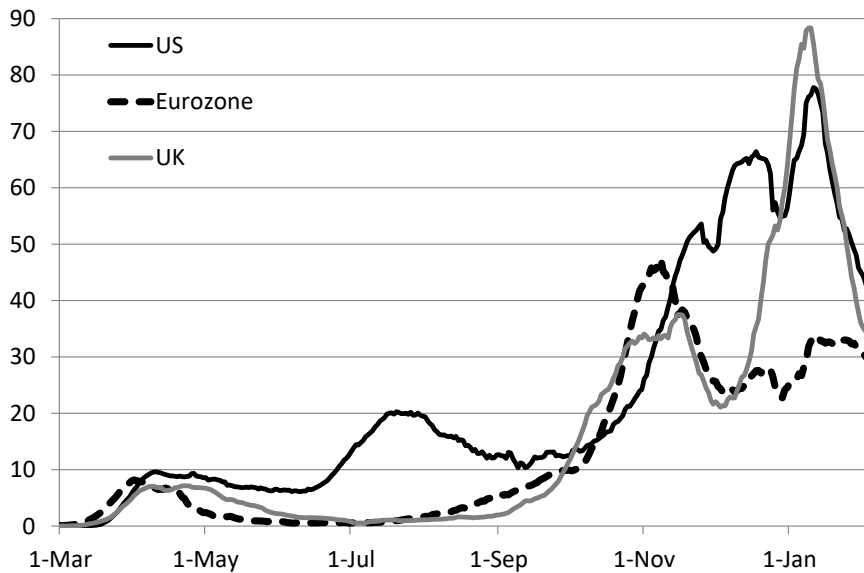
**Risk of an adverse scenario:** More contagious virus mutations have triggered tighter and longer restrictions in Europe. They are a reason why we expect economic activity in Europe to rebound a little later – Q2 rather than already during the second half of Q1 – than we had expected in late December. If vaccinations and/or the transmission of the virus fail to get countries close to herd immunity by autumn, the economic outlook would change more fundamentally. Beyond a slower, gradual exit from lockdown, we would have to factor in social distancing rules to remain in place for longer than we currently expect, with a summer less normal than expected and another winter lockdown.

**Economic outlook:** Tight restrictions cost economic activity. The hit to GDP in Q4 2020 and Q1 2021 combined is much more modest than in H1 2020, though: The second wave has been 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 have limited the damage. While economic activity may fall by a cumulative total of 2.7% in Q4 2020 and Q1 2021 in the Eurozone and by 1.6% in the UK, the US may get away with solid growth in both quarters (+2.2% Q1 2021 vs. Q3 2020) – compared to -15%, -21.2% and -10.1% in H1 2020, respectively. 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.



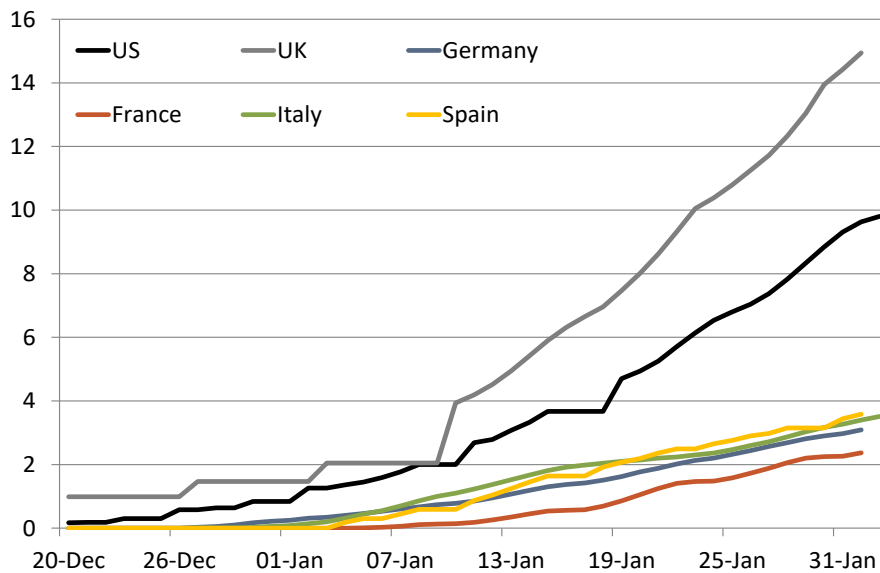
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**Chart 1: Confirmed new SARS-CoV-2 infections, per day, per 100,000 people**



Seven-day averages. Source: Johns Hopkins University.

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

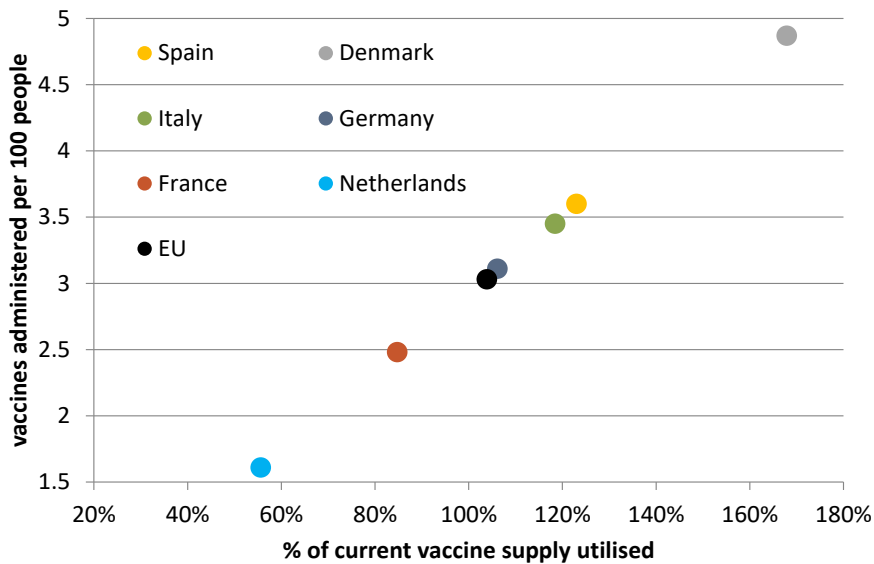


Source: Our World in Data



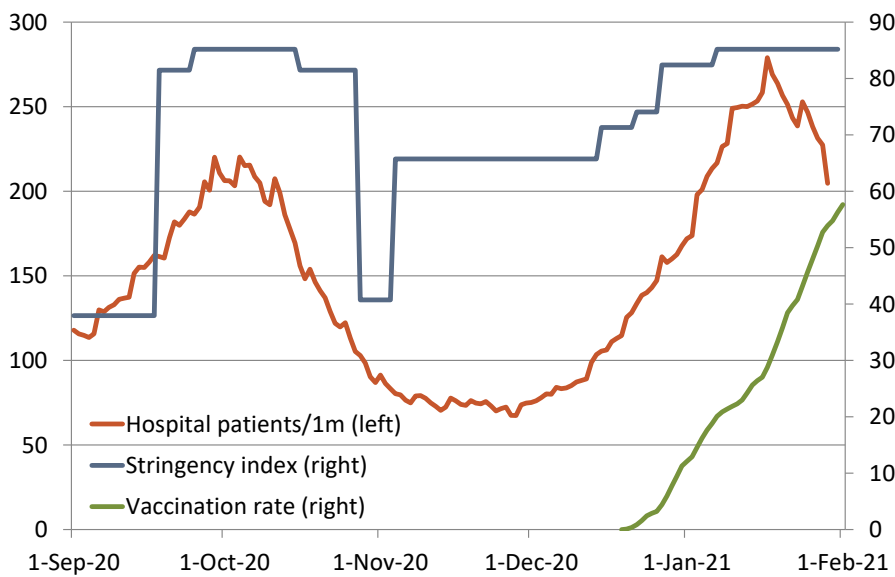
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**Chart 3: Vaccines administered vs. utilisation of vaccine supply in EU countries**



Source: Our World in Data, Berenberg

**Chart 4: Israel – hospitalisations, lockdown stringency and vaccinations**



Hospital patients per million; vaccination rate as total vaccinations per 100; Oxford University lockdown stringency index, 0 to 100 (most stringent). Source: Our World in Data, Oxford University, Berenberg



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