



Florian Hense, Senior Economist | florian.hense@berenberg.com | +44 20 3207 7859

COVID-19 TRENDS: UPDATE AND SLIDE PACK

Berenberg Macro View

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

SLIDE PACK HIGHLIGHTS

- **SARS-CoV-2: recorded infections, hospitalisations and deaths keep falling in most countries, but progress is fragile amid virus mutations (p. 2-10)**
- **Vaccinations: big gaps between UK and US vs. EU, and within the EU – hospitalisations among elderly falling in Israel and UK by the most (p. 11-16)**
- **Recorded cases, hospitalisations and deaths by country (p. 17-18)**
- **Lockdown 2.0 restrictions (p. 20-21)**
- **Lockdown 2.0 economic impact (p. 22-24)**

Infections

- **Recorded cases** of daily new infections keep falling in most advanced economies, especially in Portugal, Spain, the UK and the US which suffered the strongest surges recently. Recorded numbers are also heading lower in Germany and France. Despite the considerable progress, recorded cases of daily new infections remain roughly twice as high as in late September at the start of the winter wave.
- **Mutations put the progress at risk.** Due to increased transmission and/or higher viral burden after infection, virus mutations are spreading in continental European countries. While overall recorded cases are still falling in most countries, they are receding much more slowly in some countries as the number of daily new infections with the new variants continues to rise notably. In Germany, the share of the Kent/UK variant surged to 22% on 16 February from 5.8% two weeks ago, suggesting a doubling every week. In France, the variant represented 25% of daily infections as of 11 February up from 13% 10 days earlier. In Italy, the variant made up 17.8% of recorded cases as of 14 February and in the Netherlands more than 30%. The variants threaten to keep infections, hospitalisations and deaths at high levels. In Italy and the Netherlands, recorded cases have remained broadly flat. In the Czech Republic, Poland, Slovenia as well as parts of Austria and France, the virus mutations are pushing infection numbers up again. It is an early warning that a new wave could be in the making. Especially countries where pandemic fatigue weighs on compliance with social distancing rules could likely suffer the same fate which the UK, Ireland, Spain and Portugal recently did after variants of the virus had spread there.
- **Test intensity and share of positive tests:** The further spread of more contagious variants of the SARS-CoV-2 virus makes it difficult to say whether the pandemic has turned around for good. The likely continued gap between recorded and actual cases adds to uncertainty. The UK may be the closest to success for two reasons. 1) With almost 1% 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 (0.34% and 0.33%, respectively). 2) The share of positive tests



BERENBERG

PARTNERSHIP SINCE 1590

MACRO NEWS

in the UK has fallen fast since the start of this year to 2.3% vs. 5.4% in the Eurozone (latest available data: 11 February) and 9.7% in the US (latest available data: 25 January).

Hospitalisations and deaths

- **Hospitalisations:** The number of people in hospitals treated with Covid-19 continues to fall in most countries. Hospitalisations are coming down particularly fast in the UK, the US, Germany and the Netherlands. They are edging lower step by step in Italy. The number of patients in Portuguese hospitals has also reversed in a 1-2 week(s) lagged response to the turnaround in recorded cases of daily new infections. The same has probably happened in Spain. For lack of February data, we cannot say that for a fact, though. As recorded cases in France seem to have turned the corner in early February, occupancy of ICUs has started to stabilise and that of hospital beds is falling.
- **Deaths:** Daily deaths associated with SARS-CoV-2 are following infections and hospitalisations lower with a lag of 2-3 and 1 week(s), respectively. Being the first with a notable reversal in daily new infections and the closest to having turned the corner for good, daily deaths in the UK have fallen significantly since mid-January. The Eurozone is also making further progress. Daily deaths continue to recede in Germany, France and Italy and have also reversed in Spain. The Netherlands where daily deaths have edged a little higher since early February are somewhat the exception. In the US, daily deaths are seemingly coming down for good.

Vaccinations

- **Status quo:** The UK and the US continue to widen their lead in the roll-out over the continental European economies. As of 16 February, the total number of vaccinations administered per 100 people – the sum of first and second doses – had reached 23.8 in the UK and 16.7 in the US. Spain follows with 5.6, Italy with 5.2, Germany with 5.1 and France with 4.6.
- **Reasons for different vaccinations rates:** Among the reasons for the differences in vaccinations are the approval date of the vaccines, vaccine supply, the roll-out speed and whether countries hold back vaccinations to administer them as the second dose or provide more people with the first jab with a somewhat unclear timing of the second jab. More recently, reluctance towards and low administration of one of the approved vaccines (AstraZeneca) is seemingly holding back the progress in parts of continental Europe.
- **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 75% of its population by May this year. The US could follow in September. Continental Europe would not reach a rate of 75% before summer 2023 at the current vaccination pace. As more vaccines are developed and get approved, production and roll-out facilities are further ramped up and reluctance towards vaccination fades as the positive results become ever more visible, the vaccination pace will likely quicken, especially in continental Europe. The date when these countries reach vaccination rates of 75% should thus move notably forward significantly. While the EU may thus manage to reach its target of vaccinating 70% of the population by the end of summer (mid-September), it looks like a long shot as of today.



MACRO NEWS

- **Impact – example of Israel and the UK:** In Israel, where the vaccination campaign started in mid-December and the total number of vaccinations administered per 100 people has surpassed 78%, daily recorded new infections have fallen since 17 January. The number of patients in hospitals treated with Covid-19 has also come down since 17 January. It is difficult to say how much of the progress owes to a change in behaviour such as adhering more to social distance rules and how much it is due to rising vaccination rates. The widening gap in infections and hospitalisations between the 60+ vs. the <60 olds over the recent weeks points to a major positive vaccination impact. As many Israelis below the age of 60 are also getting vaccinated, hospitalisation rates have also reversed among the 0-59 age group. That hospital admission rates among those aged 85 years and over continue to fall by more than any other age group in the UK, is also a sign that the UK's vaccination campaign is starting to pay off.

Mutation risks (beyond faster contagion and higher virus load)

- **Natural immunity:** Although the medical evidence does not seem to be conclusive yet, some virus variants may be as infectious for those who had contracted the “original” strain as for those who have so far contracted neither. Immunity built up from the virus making its way through the population by transmission would thus be somewhat less valuable than expected and the vaccination rate required to reach some degree of herd immunity higher – 75-80% instead of 60%.
- **Vaccination efficacy:** According to the evidence available so far, all administered and soon-to-be approved vaccines seem to be effective against symptomatically contracting the currently known virus variants, against transmitting them and – especially – against suffering from severe disease after infection. The efficacy differs from vaccine to vaccine and variant to variant, though. Some vaccine producers have started to develop a booster possibly to be given in the autumn to protect against the current various mutations.

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: Most governments look set to keep current restrictions largely in place for most of Q1. Medical systems are still feeling the strains. The recent surges in a few countries and the higher prevalence of faster spreading virus strains in most countries point to a need for caution. Some governments have responded to mutation hotspots with border closures – Austria within its country and Germany with some of its neighbours. Others such as Italy or France may have to re-impose some restrictions which they lifted two weeks (Italy) or two months (France) ago. While countries may gradually re-open from March onwards, they will probably move only slowly, especially with respect to international travel. The situation should improve more notably throughout Q2 as springtime heralds the natural remission of seasonal viruses and mass vaccination progresses. Due to higher vaccination rates, restrictions should be eased and behaviour should normalise faster in the UK and the US than in Eurozone countries. Summer could be more normal. The next winter may see the return of some restrictions, but probably not anywhere as tight ones as in the current winter.



MACRO NEWS

Economic outlook: The winter wave and the tight restrictions weigh on economic activity. Border closures within Europe could restrict cross-country trade and industrial production in late February and – possibly – in March as well. The virus mutations and the tighter restrictions for longer are a reason why economic activity – at least in continental Europe – will likely rebound only from late March or April onwards. Still, the hit to GDP in Q4 2020 and Q1 2021 combined is much more modest than in H1 2020. 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 the time profile of the rebound is a little uncertain, the 2020/2021 winter setback should be partly offset by faster catch-up gains throughout this year.

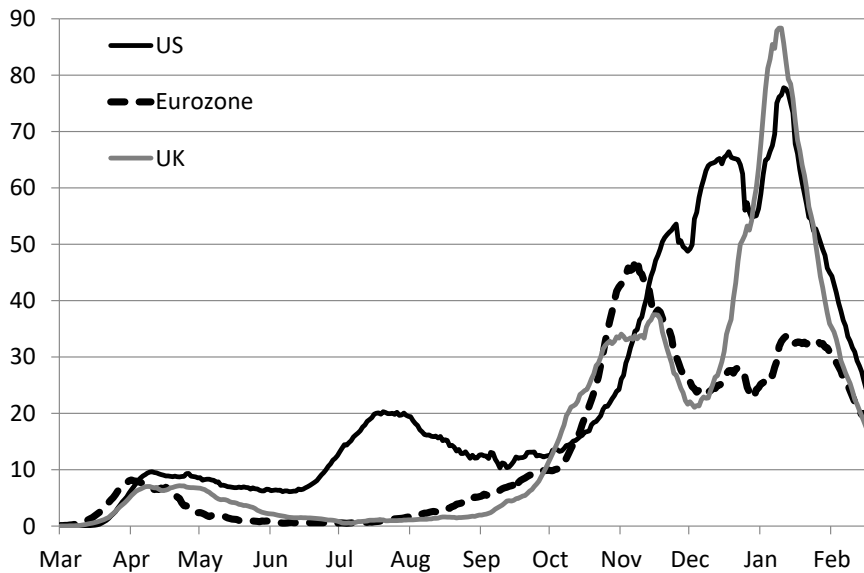
Downside risks near-term and later this year: Due to the spread of virus mutations the risks are tilted to the downside near-term, especially on the European continent. The rebound in economic activity could be further delayed if restrictions remain in place for even longer. The economic outlook could change more fundamentally later this year if vaccinations and/or the transmission of the virus fail to get countries close to herd immunity by autumn. In that case, countries would have to tighten restrictions significantly again in the next seasonal wave of virus infections next autumn. We see this as a tail risk, not as a likely scenario.

Political consequences: Beyond the health and economic trends we have to watch the potential political consequences as [we pointed out](#) in early February. Against the background of the SARS-CoV-2 pandemic, popular support of governments increased in most continental European countries during 2020. Such “rally ‘round the flag effect” has started to lessen at the start of 2021, partly because the pandemic has somewhat lost its fear factor. More importantly, though, the EU’s slow start of its vaccination campaign relative to the UK and the US has dented the image of key policy makers. In Germany, approval ratings for Angela Merkel’s centre-right CDU/CSU and leading politicians are falling ahead of the 26 September 2021 elections. In France, far-right Marine Le Pen is leading Emmanuel Macron in opinion polls for the first round of the presidential elections in April 2022. Mario Draghi’s honeymoon with Italian politicians and voters could possibly come to an early end in case of a third pandemic wave. It is still early days, though. Against the trend, approval ratings for most parties of Mark Rutte’s outgoing coalition in the Netherlands are rising ahead of the elections on 15-17 March 2021. The ultimate impact of the pandemic therefore remains to be seen. With faster vaccinations progress in coming months, current problems may well be defused ahead of elections. The UK shows the way. After Boris Johnson’s Conservatives took a hit last year amid his heavily criticised management of the pandemic, they seem to take the lead in the polls over the Labour Party again thanks to the fast vaccination roll-out.



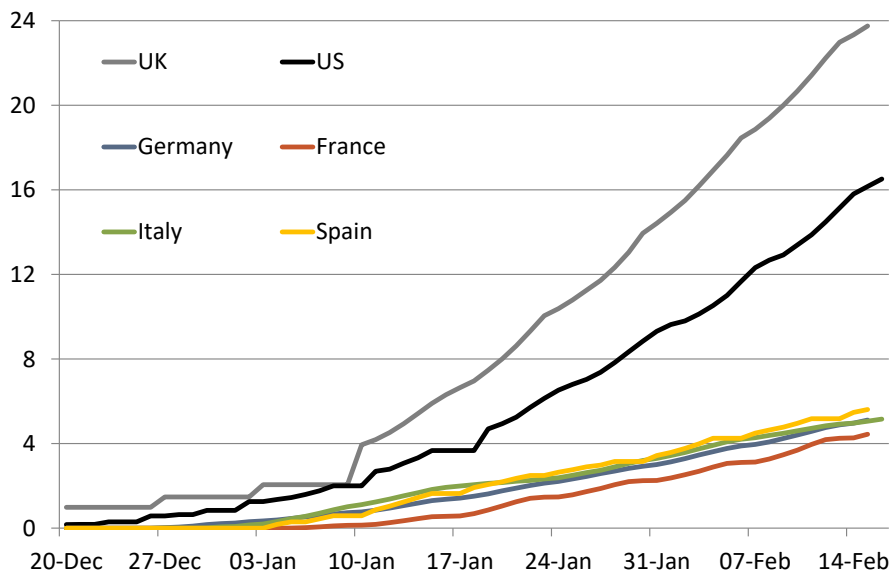
MACRO NEWS

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

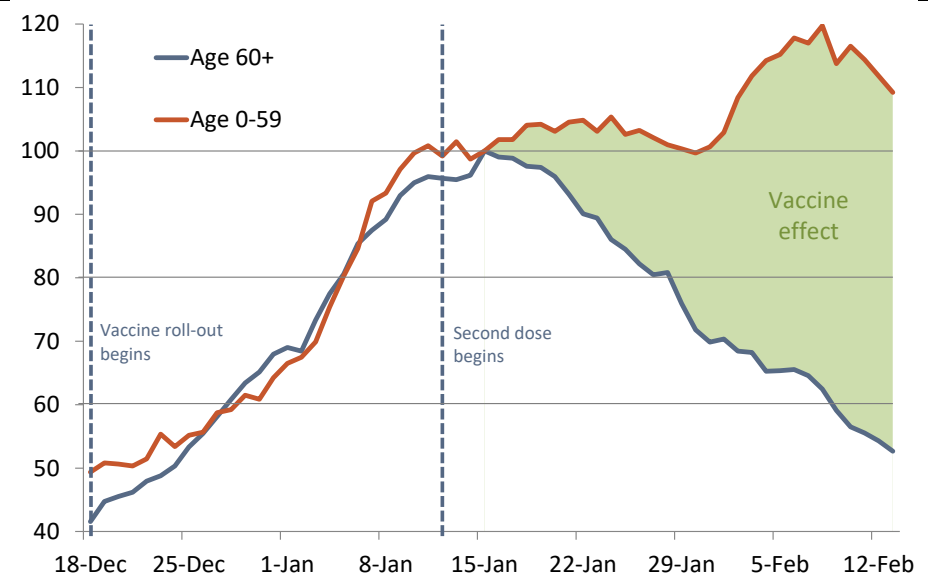


Source: Our World in Data



MACRO NEWS

Chart 3: Israel – hospital admissions as a percentage of winter peak, by age group



Hospital admissions based on rolling weekly sum of COVID-19 hospitalisations by age; Winter peak as of 15 December 2020. Age 60+ indexed at 14 January 2021 = 100, age 0-59 indexed at 15 January 2021. Source: Our World in Data, Segal et al., Weizmann Institute, Tel-Aviv University, FT, Berenberg



BERENBERG
PARTNERSHIP SINCE 1590

MACRO NEWS

Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.

This document is only for information purposes. It does not constitute investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

Remarks regarding foreign investors

The preparation of this document is subject to regulation in the United Kingdom. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by the Bank. Although Berenberg Capital Markets, LLC (“BCM”), an affiliate of the Bank and registered US broker-dealer, distributes this document to certain investors, BCM does not provide input into its contents, nor does this document constitute research of BCM. In addition, this document is meant exclusively for institutional investors and market professionals, but not for retail investors or private customers. It is not for distribution to or the use of retail investors or private customers. BCM accepts responsibility for this research document's contents and institutional investors receiving this research and wishing to effect any transactions in any security discussed herein should do so through BCM and not the Bank. Please contact Berenberg Capital Markets, LLC (+1 646 949 9000) if you require additional information.

Copyright

The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank's prior written consent.

© 2021 Joh. Berenberg, Gossler & Co. KG