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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

- **SARS-CoV-2 infections: creeping up in parts of continental Europe, roughly stable in the US, falling in the UK (p. 2-5)**
- **Another wave of infections could bring an end to the still ongoing fall in hospitalisations and deaths (p. 6-10)**
- **Vaccinations: gaps are still widening between UK/US vs. EU and within the EU (p. 11-13)**
- **Vaccines are working: hospitalisations among elderly falling in Israel by the most (p. 14)**
- **Recorded cases, hospitalisations and deaths by country (p. 15-16)**
- **Lockdown 2.0 restrictions (p. 18-19)**
- **Lockdown 2.0 economic impact (p. 20-22)**

Infections

- **Another wave?** Some, but not all advanced economies may be heading for another wave of infections before better spring weather and continued mass vaccination should bring numbers down for good. First the bad news: Among the major western European countries, daily new infections have risen notably in Italy, the Netherlands and France over the past two weeks. They continue to edge up modestly in Germany. In the US, numbers are declining slightly, but mostly because of less testing. The Czech Republic has been hit by a massive surge in recorded daily new infections. Poland and some smaller Eastern European countries could be following. Now the good news: the risk of yet another broad-based and major surge in infections has not increased further over the past week. Recorded cases of daily infections are rising less quickly than in November in most countries and may top much sooner, as the example of France seems to suggest. In addition, the recent rise in recorded cases in daily new infections in Italy for example partly owes to more tests in the second half of February. In addition, numbers keep falling in those advanced economies which suffered the worst spikes two months ago, notably the UK, Spain, Portugal and Ireland.
- **Virus variants drive numbers up:** Virus variants associated with increased transmission and/or higher viral burden after infection continue to leave an ever bigger mark on daily new infections. In continental Europe, the share of the Kent/UK variant has further increased to 52.6% in the first week of March up from 46.8% in the last week of February and 19.4% in the last week of January. In the US, the share has shot up to 36.9% over the same period from 9.8% and 2.5% before, respectively. The trend looks set to continue. In the UK, the Kent/UK strain made up 93.1% in the first week of March after 91.2% in the last week of February and 75.7% in late January.
- **Variant-driven surge over, high test intensity and low share of positive tests – the UK:** The renewed rise in case load in many countries shows that only a few countries may have turned the corner for good yet. The likely continued gap between recorded and actual cases adds uncertainty. The UK may be the closest to success for three reasons: 1) With the help of tight restrictions and a fast vaccination campaign, it has managed to rein in a surge led by the contagious Kent/UK variant of the SARS-CoV-2 virus. 2) With 0.9% of the

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population tested every day in February, 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 have tested significantly less over the same period (0.38% and 0.35%, respectively). 3) The share of positive tests in the UK has further fallen to 1.6% vs. rising both in the Eurozone and in the US to 6.8% and 7.4%, respectively.

Hospitalisations and deaths

- **Hospitalisations:** The number of people in hospitals treated with Covid-19 continues to decline in most countries. Hospitalisations are coming down particularly fast in Portugal, Spain, the UK, the US and Germany. But against the background of rising infections from mid-February onwards, progress has stalled in France and Italy and possibly also in the Netherlands. Whether countries will experience a renewed rise in hospital admissions going forward depends on how much the virus variants will raise the number of infections before further progress in vaccinations ultimately brings infection and hospitalisation numbers down.
- **Deaths:** Daily deaths associated with SARS-CoV-2 in the Eurozone, the US and the UK have been broadly following infections and hospitalisations with a lag of 2-3 and 1 week(s), respectively. Amid the retreat of the pandemic in the first six weeks of 2021 in most countries, they are still heading lower. That may change, though, if the renewed rise in many countries in continental Europe intensifies and broadens. Daily deaths are already coming down more slowly in continental Europe than the UK or the US. So far, however, the daily death toll remains higher in the US and the UK than in the Eurozone on a per-capita basis.

Vaccinations

- **Status quo:** The UK and the US continue to widen their lead in the roll-out over the continental European economies. As of 3 March, the total number of vaccinations administered per 100 people – the sum of first and second doses – reached 31.8 in the UK and 24.1 in the US. Spain follows with 8.7, Germany with 8.1, Italy with 7.9 and France with 7.2.
- **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. For that last reason, the share of the population fully vaccinated is slightly higher in France than in the UK (2.5% vs. 1.3%, respectively) while the share of people who have received at least one dose of vaccines is significantly lower (4.6% in France vs. 30.5% in the UK). A reluctance to accept or administer the AstraZeneca vaccine continues to hold 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 vaccines to 75% of its population by June. The US could follow in October. While continental Europe would not reach a rate of 75% before spring 2022 at the current vaccination pace, the date has moved forward from early 2023. As more vaccines get approved, production is ramped up, distribution accelerates and reluctance towards vaccination fades as the positive results become ever more visible, the vaccination pace will quicken further, especially in continental Europe. The date when these countries reach vaccination rates of 75% should thus move forward further. Based

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on estimates that take into account the agreed supply deals, EU countries may have enough vaccines to fully vaccinate 75% of their people already in late August, only 1-2 week(s) after the UK and the US. But in order to get there, EU countries will have to manage the process more efficiently, including that vaccinations are administered almost as quickly as they are supplied. That differences in vaccination rates across EU countries have widened in February – from 1.4% in the Netherlands and 4.8% in Denmark at the end of January to 5.8% vs. 11.0%, respectively on 2 March – highlights that some governments have even more work to do than others.

- **Impact – 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 97.5% (the share of people who received at least one dose is 56.1%), daily recorded new infections and hospitalisations have fallen since 17 January. The gap in infections and hospitalisations that opened up between the 60+ vs. the <60 olds by mid-January when many 60+ were vaccinated but not yet many <60 olds 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.

Restrictions – an uneven picture: While the restrictions in place more or less since November sufficed to contain the second wave of the original virus, they have not prevented a rapid increase in infections with the new variants. Some governments have responded to mutation hotspots with regional border closures. France and Italy have re-imposed some restrictions which they lifted earlier this year (in some regions). Most other countries have extended many – but not always all – of their restrictions until the end of March. Those countries which are starting to re-open are doing so very slowly. They are planning to ease with at least 2 weeks between the various steps to allow for the impact of changes on infections and hospital admissions to be assessed. The situation should improve more notably throughout Q2 as springtime heralds the natural remission of seasonal viruses and mass vaccination progresses. Summer could feel much more normal. The next winter may see the return of some restrictions, but probably not anywhere as tight ones as in the current winter.

Economic outlook: The tight restrictions – still or again – in place depress economic activity, especially in Europe. We expect Eurozone GDP to contract by -1.7% qoq in Q1 2021 after -0.6% in the previous quarter. After a notable inventory build-up ahead of the Brexit deadline on 31 December 2020 contributed to growth of 1% qoq in Q4, UK GDP may fall by 2.5% in Q1. Driven by yet another significant fiscal boost, the US economy could get away with growth at around 1.2% in 2021 after 1% in Q4 2020. Relative to the spring 2020 hit, the strong gains in manufacturing and global trade in particular continue to limit the damage from the battered service sector to the overall economy. While the time profile of the rebound is a little uncertain, we expect a strong bounce back in activity from spring onwards to mostly offset the 2020/2021 winter setback. Due to the faster-spreading virus variants, the risks remain tilted to the downside near-term on the European continent.

Political consequences: Beyond the health and economic trends we have to watch the potential political consequences. Against the background of the SARS-CoV-2 pandemic, popular support of



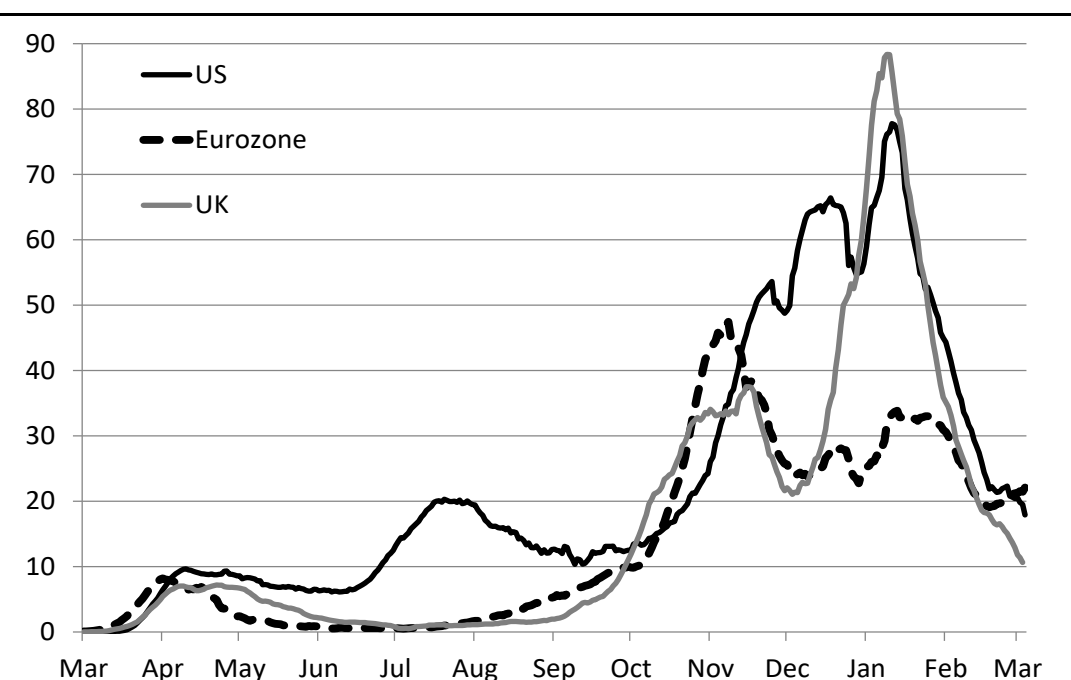
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governments increased in most continental European countries during 2020. Such “rally ‘round the flag effect” lessened at the start of 2021, partly because the pandemic has somewhat lost its fear factor. More importantly, the EU’s slow start of its vaccination campaign relative to the UK and the US has dented the image of key policy makers. Approval ratings for Dutch Prime Minister Mark Rutte’s party have fallen ahead of the elections on 15-17 March 2021, but so have those of the main opposition party and some parties of Rutte’s outgoing coalition are actually gaining ground. The ultimate impact of the pandemic remains to be seen, though. It is very early days. With faster vaccinations progress in coming months and strong economic recoveries, current problems may well be defused ahead of elections – such as in Germany in September this year and/or France in April/June 2022.

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



Seven-day averages. Source: Johns Hopkins University.

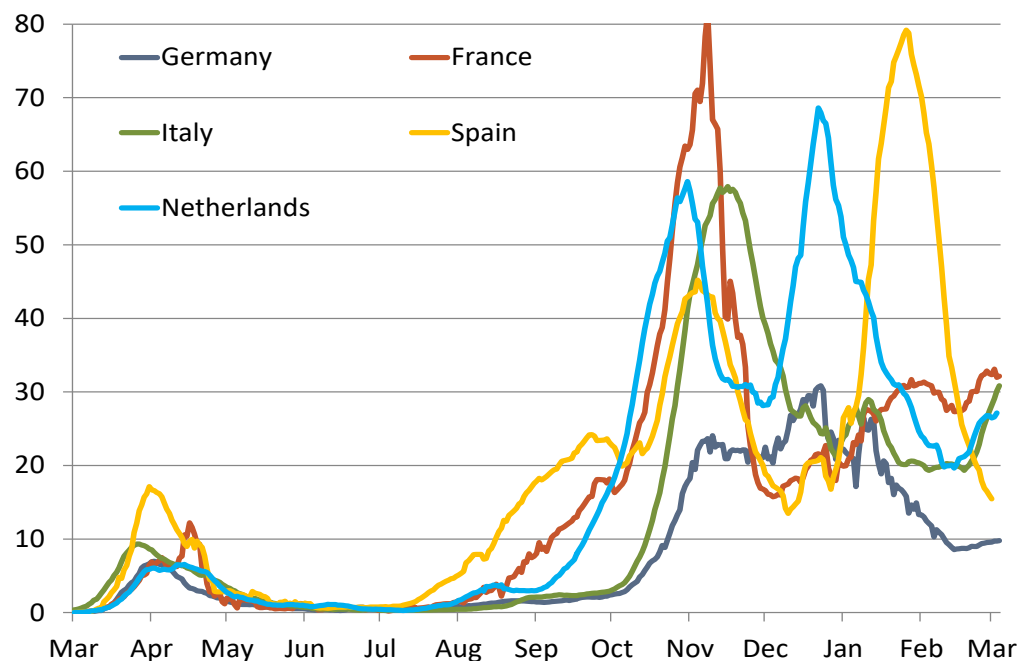


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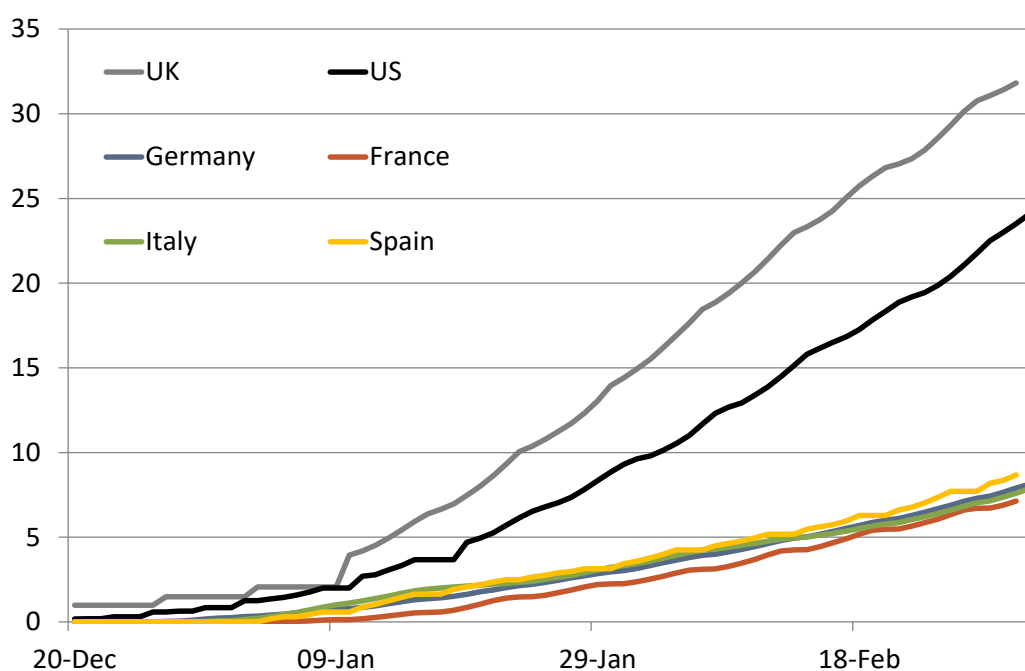
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Chart 2: Confirmed new SARS-CoV-2 infections, per day, per 100,000 people



Seven-day averages. Source: Johns Hopkins University.

Chart 3: Total number of COVID-19 vaccinations administered, per 100 people



Source: Our World in Data

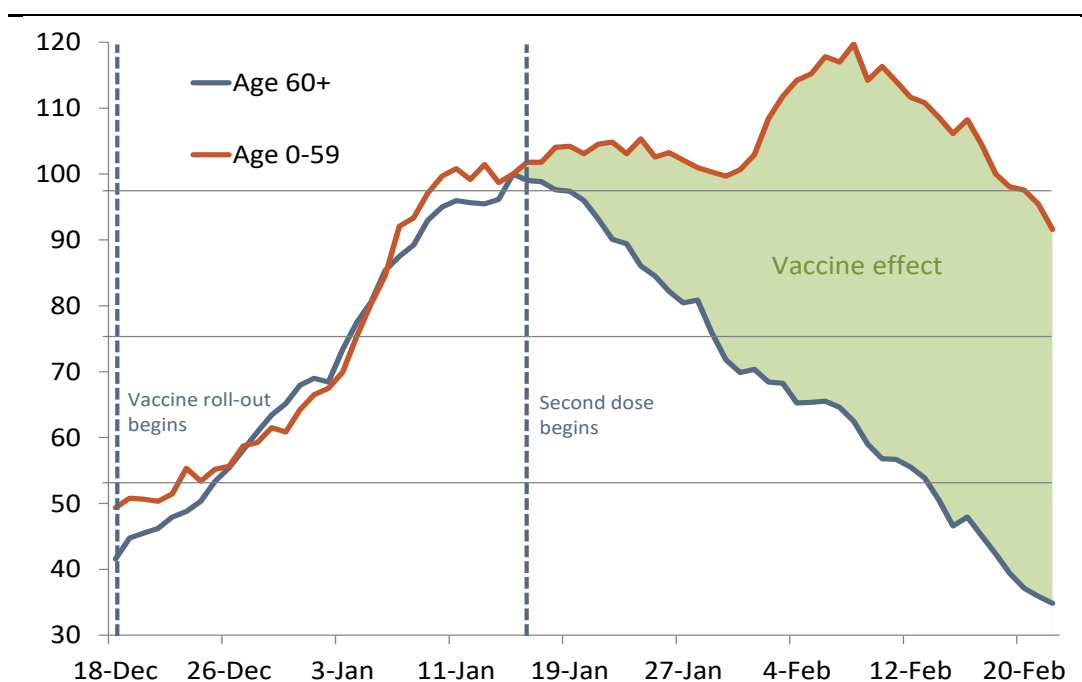


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Chart 4: Israel – hospital admissions as a percentage of winter peak, by age group



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

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