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COVID-19: MIXED NEWS WITH SOME POSITIVE TRENDS

Berenberg Macro View

Good news:

- US GDP growth accelerates as the economy reopens
- UK makes great progress
- EU vaccination campaign improves faster than expected

Bad news:

- New wave of infections continues to build in parts of the eurozone
- Surging case numbers in Brasil, India and Turkey add to mutation risks

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

RECORDED INFECTIONS (see chart 1 below and pages 2-3 of the slide pack)

- **Eurozone:** After a temporary decline to 27.4 recorded daily infections per 100,000 people on 9 April, the incidence number has edged up again to 30.0 on 15 April. The temporary dip seems to have reflected less intense testing and reporting in some countries over the Easter holiday season. **Germany**, for example, conducted 19% fewer tests in the week of 5-11 April than it had done at the peak two weeks earlier. That the share of positive tests rose further over the same period from 9.3% to 12.0% indicates that the underlying situation worsened over the Easter holiday period. Less intensive testing also seem to explain much of last week's drop in recorded infections in **France**. Major parts of the Eurozone remain in the thrall of the new wave of the pandemic driven largely by the more contagious UK/Kent variant of the virus. For now, however, the current wave is far milder than the spikes which the US and the UK suffered in early 2021, with Eurozone infections still 57% below the US and 62% below the UK peaks. Within the Eurozone, the situation differs strongly from country to country. Recorded cases have fallen in **Italy** over the last two weeks and may be stabilising in **Belgium**. However, infection numbers are rising significantly in **Spain** and **Germany**, albeit from a low level. The recent surge in Spain may be partly explained by a relaxation of lockdown rules to attract foreign tourists. In Germany, the reluctance of several German states to reverse some earlier re-opening steps despite a significant rise in infection numbers since mid-February may be exacerbating the situation. The number of recorded new cases could increase in many eurozone countries in coming days as the Easter effect wears off. However, tighter restrictions could soon start to work as well. would follow the situation at the turn of the year when less intense testing over Christmas had caused a temporary drop in numbers before giving way to a new rise in early January followed by a new decline thereafter.



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- The **UK** seems to have turned the corner, hopefully for good. Recorded new infections (now down to 2.4 per day per 100,000 people after a peak of 90 on 10 January) as well as the rate of positive tests hover around very low levels.
- **US:** The increase in daily infections remains limited. Having dropped from 77.7 per 100,000 people on 11 January to 16.3 on 9 March, it has edged up to 21.4 on 15 April. The limited rise since 22 March mostly reflects the rapid spread of the UK/Kent and the New York variants in the US Northeast. Michigan, with a population of about 10 million people, seems to be the most at risk. Daily new infections in Michigan are approaching their peak of mid-November 2020. The situation may get worse before it gets better. The reluctance of Michigan's governor to introduce tougher restrictions may push recorded daily infections higher in the short term. Hopefully, the decision to open vaccine eligibility to all adults will help to contain the pandemic in coming months.
- **Mutations:** Brasil shows how new Covid-19 variants and political reluctance to enforce tight nationwide restrictions can worsen the pandemic. During the first wave, 13% of hospitalised patients under the age of 45 ultimately died from Covid-19 in Brasil. Now, the figure is above 38% due to the spread of the highly contagious P1 variant. Nearly 67,000 people died last month – twice the number of any month since the outbreak. The patient profile is also changing. More younger people are in intensive care according to a survey released in early April by the Brazilian Association of Intensive Medicine. The mortality rate among patients aged 18 to 45 has increased over the past weeks. Half of those who were put on a mechanical ventilator have died. Having hovered around 1,500 in January and February 2021, the number of daily deaths associated with Covid-19 surged to a record of almost 4,000 in the first two weeks of April. Fortunately, Brazil is a special case among the world's major economies. But it is a reminder that the health situation can deteriorate fast. In the **United States**, the Kent variant now causes 44.1% of daily infections. In the **eurozone**, it has become the dominant strain. It accounts for around 80% of daily infections in several countries such as France and Germany.
- **Risks:** The surge in infections in major emerging markets, notably in **India** (200,000 recorded new cases on 14 April) , **Brasil** (85,000 recorded new cases per day in the last four weeks) and **Turkey** (63,000 new cases on 14 April), adds to the risk that new virus mutations may appear that may render vaccines less effective. Following the massive investment into vaccine research and production capacities, chances are that booster shots would be available soon to deal with such risks. But a requirement for further jabs could still force countries to re-introduce tighter restrictions again this autumn.

HOSPITALISATIONS AND DEATHS – see pages 6-9 of the slide pack

- **Hospitalisations:** The number of people in hospitals treated with SARS-CoV-2 is increasing again in the eurozone. While hospitalisations are rising in France, Germany and the

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Netherlands, they have started to decline in Italy and in Austria. But serious risks remain. In **France**, the number of patients in intensive care units (ICUs) is now 21% higher than during the peak of the second wave (with 5,952 patients in ICU on 13 April against 4,903 in mid-November 2020). Patients are also younger than during the two previous waves. 38% of patients in ICU are between 45 and 64. In the Paris area, 1,758 patients were in ICU on 13 April, which represents an increase of 55% compared with the peak of the second wave. Hospitals had to delay 80% of normal medical operations to focus on SARS-CoV-2 hospitalisations. But hospitalisations are likely to drop in the next two to three weeks following the introduction of a nationwide lockdown on 3 April. In **Germany**, the third wave is also putting strain on the medical system. Only 12% of intensive care beds are free. As of 14 April, nearly 4,700 people were receiving COVID-19 treatment in intensive care units from 2900 four weeks ago. German ICU occupancy is approaching the peak of the second wave of 5,700.

- **Deaths:** Daily deaths associated with SARS-CoV-2 in the **United Kingdom** have fallen sharply since the end of January. The seven-day average of daily deaths is at its lowest level since October 2020, at 48 on 13 April against a peak at 1,738 on 26 January. In **France**, **Italy** and to a lesser extent in **Germany**, the number of daily deaths is on the rise again following the increase in recorded infections with the usual lag. So far, the number of deaths remains well below the peak of the second wave (by 70% in Germany, 45% in France and 35% in Italy).

VACCINATIONS – see chart 2 below and page 10 of the slide pack

- **US and UK well ahead – EU starting to shape up:** Several countries have reported a record of daily doses administered over the past few days (United States: 4.6 million; Germany: 738,500 on 14 April; France: 510,000; Spain: 454,000; Belgium: 100,000). The United Kingdom has already given at least one jab to 48% of its population, mostly in vulnerable groups who accounted for 99% of coronavirus deaths in the UK so far. After a slow start, the EU's rollout is improving now that a larger supply of vaccines is available. The EU is currently vaccinating at roughly the same rate as the United Kingdom. Obviously, it remains far behind the UK and the US for cumulative jabs. At their current pace, Germany, France, Italy, Spain and the Netherlands could have inoculated more than 55% of their total populations by the end of June – two weeks ahead of schedule. But the course of vaccination depends on whether the projected supply will arrive (360 million doses expected in Q2 for the EU, after 108 million delivered in Q1). Things are evolving fast. The decisions to let General Practitioners administer the jab in Germany and to open mass vaccination centres across France seems to be making a difference.
- **Example of France:** France hit its target of 10 million first jabs last week, a week ahead of schedule. The campaign has accelerated in recent weeks. France's vaccination rate is now among the fastest in the European Union behind Malta and Hungary. More than two mil-

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lion people were vaccinated last week (a record of 290,000 jabs per day on average). At current pace, about 2.3 million people will be vaccinated this week. On 13 April, 64.3% of people above 75, who are more likely to get severely ill from Covid, had received at least one dose. If there is no shortage of supply, France will achieve the goal of having vaccinated 30 million people by mid-June. In addition, vaccine hesitancy has dropped. According to an Odoxa poll released on 8 April, 70% of the population wants to be vaccinated (+28 points compared with December 2020). That there appears to be no mass refusal of the AstraZeneca vaccine adds another reason for optimism.

RESTRICTIONS – see chart 3 below and pages 15-19 of the slide pack

The **United Kingdom** and **Ireland** eased Covid-19 restrictions earlier this week, **Portugal** has also relaxed its rules after bringing the spread of the UK/Kent variant of the virus under control. However, most other European governments have extended or tightened restrictions - in most cases until at least the end of April. Belgium will not lift its restrictions before 8 May.

- On Tuesday, the **German** cabinet passed a federal law forcing all regions to implement the same lockdown measures, including curfews, if the 7 day incidence rate surpasses 100. Parliament will have the final word. With luck, it will help bringing down daily infections in coming weeks.
- In **Italy**, the government is expected to provide guidance on the reopening of the economy after 16 April, when the next monitoring report on the pandemic situation is due to be released. In the interim, it has prolonged its mandatory five-day quarantine requirement for EU travellers seeking to enter the country until 30 April.
- In **Spain**, the government has extended travel restrictions until 19 April. Incoming travellers from third countries with Covid-19 mutations (such as Brasil and South Africa) must self-isolate for ten days. Border controls with Portugal will also remain in place until 17 April.
- In **France**, the Council of Ministers will discuss on 28 April a bill to exit the state of health emergency, which has been in place since 24 March 2020. Depending on the evolution of the number of daily infections, the bill could be subject to parliamentary scrutiny on 10 May at the earliest.
- **Poland** has extended coronavirus restrictions, which were due to expire on 9 April, to 18 April. The country has also reduced the number of people allowed into shops and to attend religious services.

Based on the Oxford Stringency Index that assesses indicators such as school and workplace closures and travel bans, Italy and France are now under the strictest restrictions among the major countries in Europe.

ECONOMIC OUTLOOK

In line with the rapid rebound in US retail&recreation footfall (chart 3 below) and the end of the February frosts, US retail sales soared 9.8% mom in March. This suits our long-held call for a major surge in demand once economies reopen. Having brought the pandemic under control, the UK looks set to follow suit from April onwards. Following significant progress in March and a likely setback in April, we expect the Eurozone rebound to commence in May unless the pandemic worsens much further for longer. We continue to expect the US to reach its pre-pandemic level of



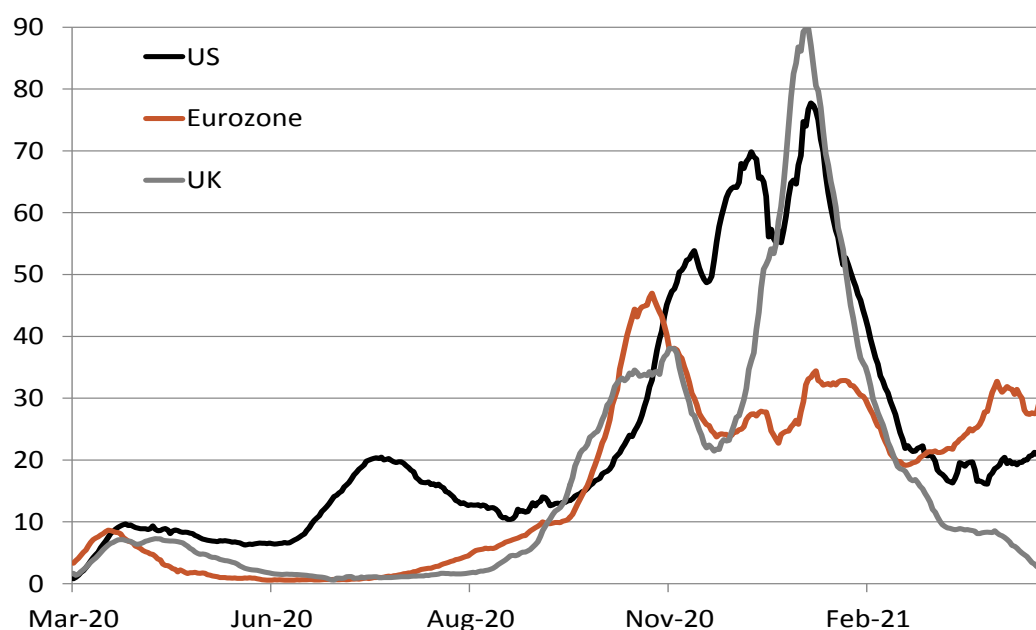
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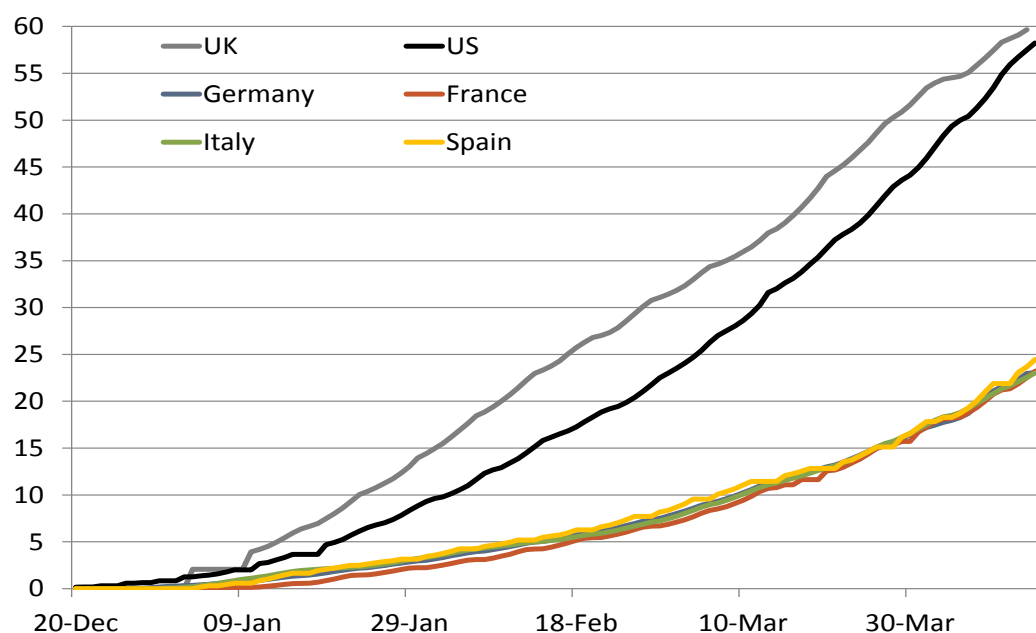
GDP in Q2 2021, followed by the eurozone in Q1 2022 and the UK in Q2 2022. With luck, the UK may catch up with the eurozone slightly earlier than that.

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 per 100 people





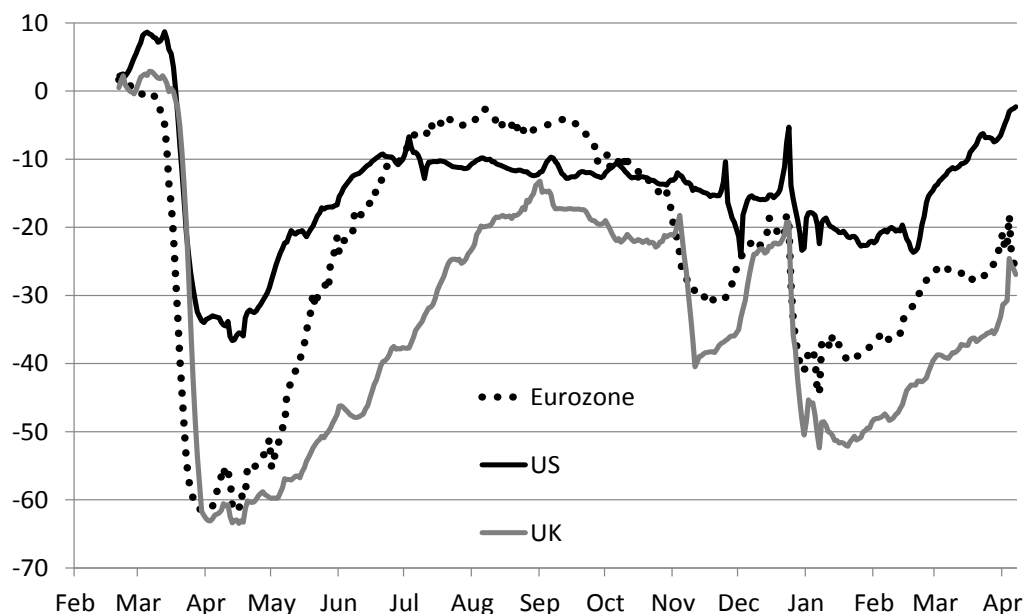
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Source: Our world in data

Chart 3: Mobility - retail&recreation footfall (% change from early 2020 baseline)



Seven-day moving averages. Percentage change to median from the 5-week period Jan 3 - Feb 6, 2020 for the same day of the week. Weighted footfall changes for Retail & Recreation and Grocery & Pharmacy 2:1. Seasonal fluctuations may distort the data which are not seasonally adjusted. Source: Google

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