



BERENBERG

PARTNERSHIP SINCE 1590

Covid-19 trends in Europe

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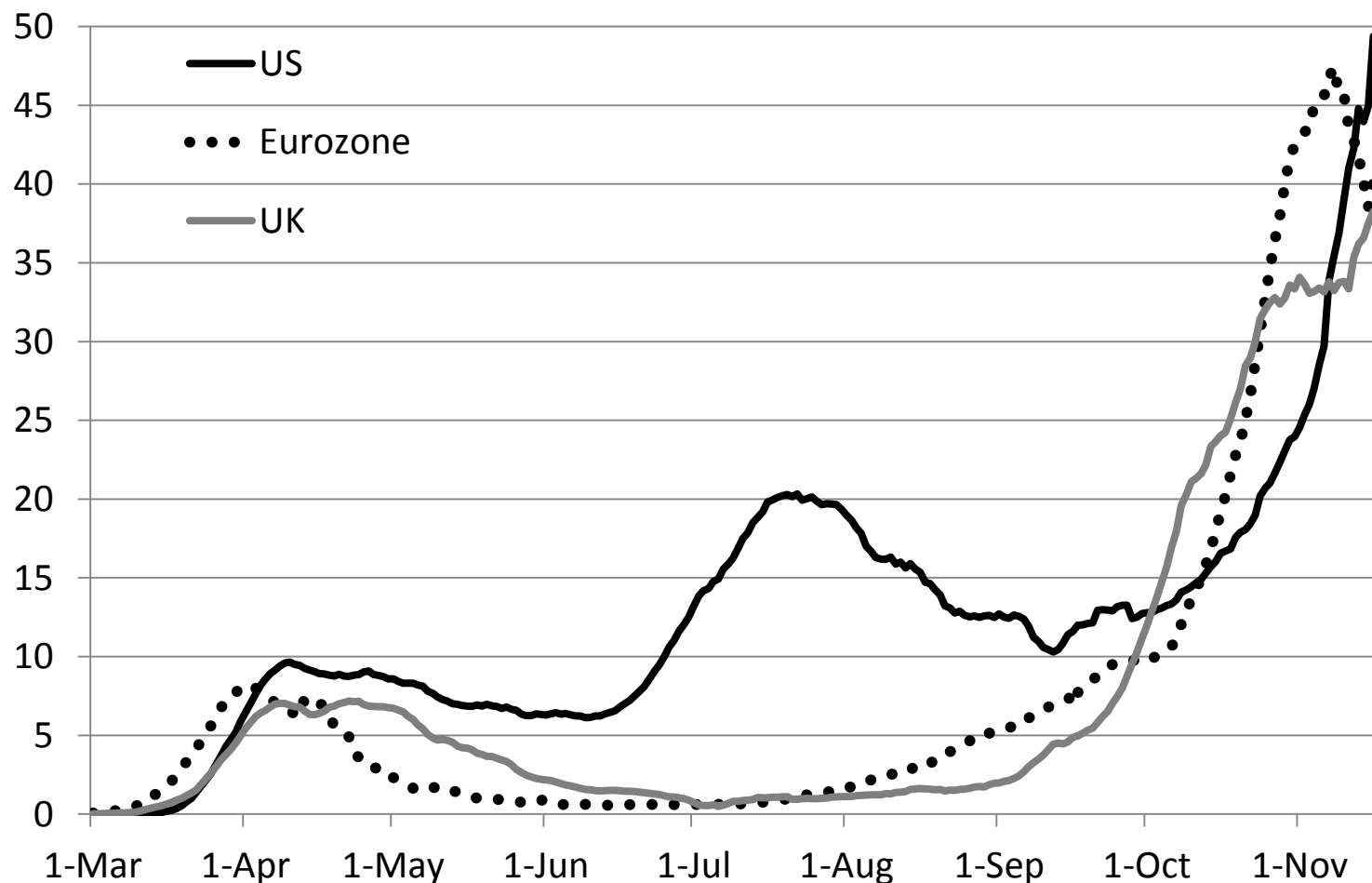
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Economics



Virus trends: heading for different directions?

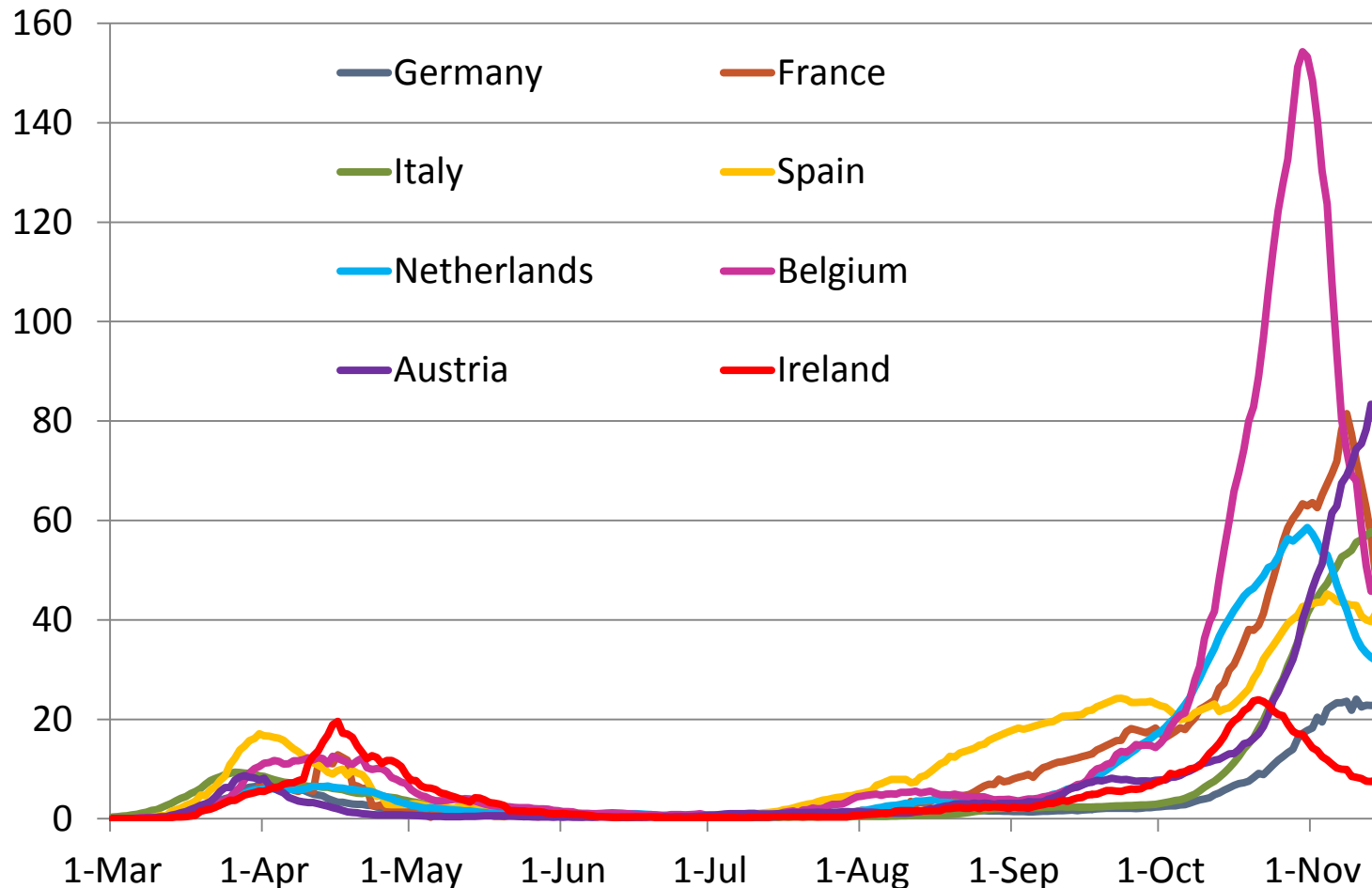
Confirmed new SARS-CoV-2 infections, per day, per 100,000 people



- **Virus trends remain the top global risk to watch.**
- Confirmed infections have risen well beyond the March/April levels in the Northern hemisphere.
- **Continental Europe:** infection numbers have seemingly rolled over, but remain at high levels
- **UK:** renewed pick-up after some signs of stabilisation
- **US:** new infections have surged exponentially beyond European trends. Rural areas are the big drivers.
- **The key question:** can medical capacities cope?
- Some regions are now under strain again.

Covid-19 in Eurozone countries: rolling over

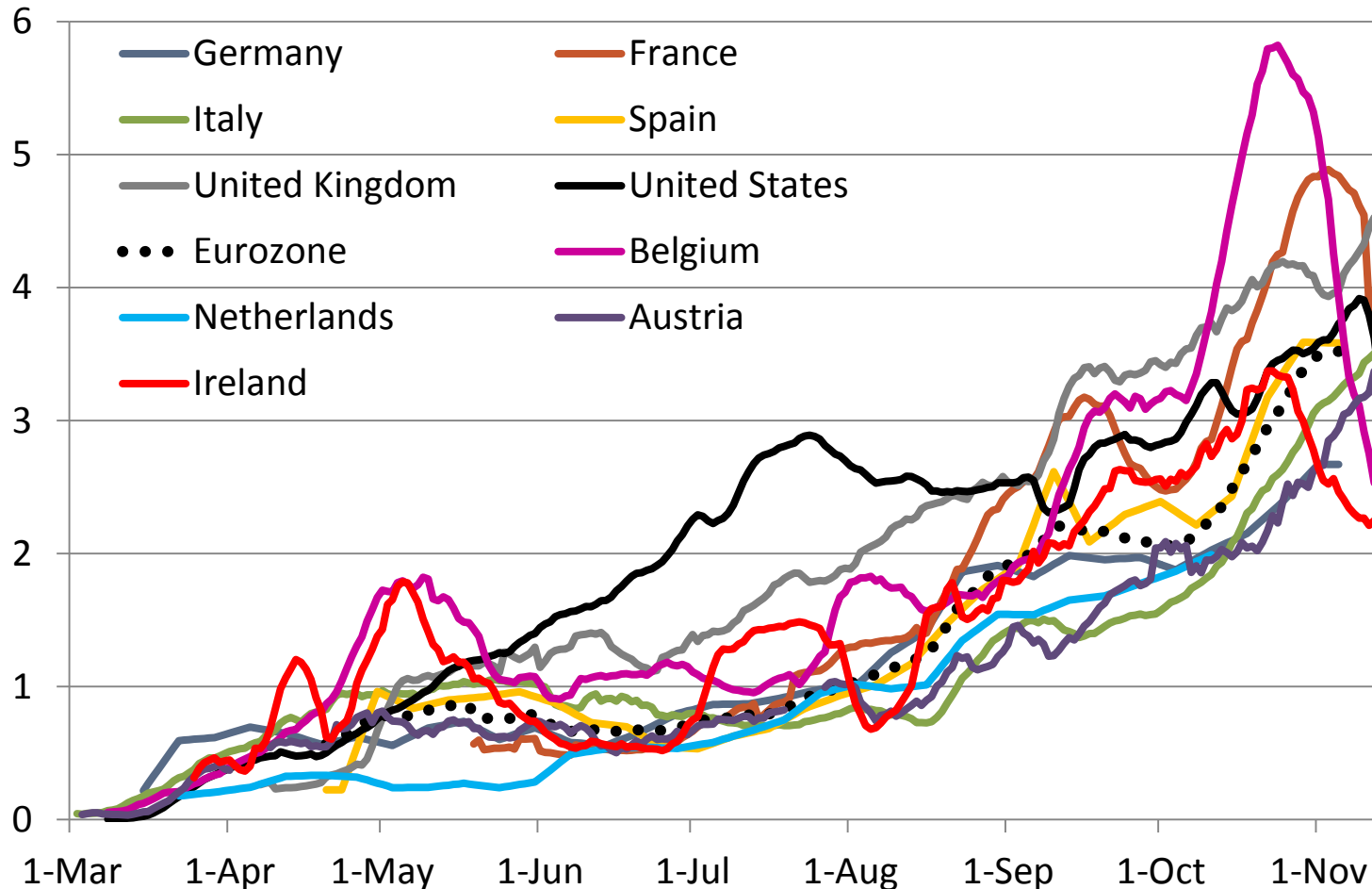
Confirmed new SARS-CoV-2 infections, per day, per 100,000 people



- New infections in Belgium are down from dramatic levels. They have also fallen in France and the Netherlands. In Italy and Spain infection numbers have stabilised.
- Less disciplined social distancing and increased travel activity were key reasons over the summer. Private gatherings seem to have played a major role in autumn.
- In the US, more wearing of face masks and targeted restrictions slowed down the spread of the virus for a while in August with little economic damage.
- But in the cold season, the measures now need to be much tougher.
- See page 6 for a closer look at the Belgium.

Second wave: test intensity is part of the picture ...

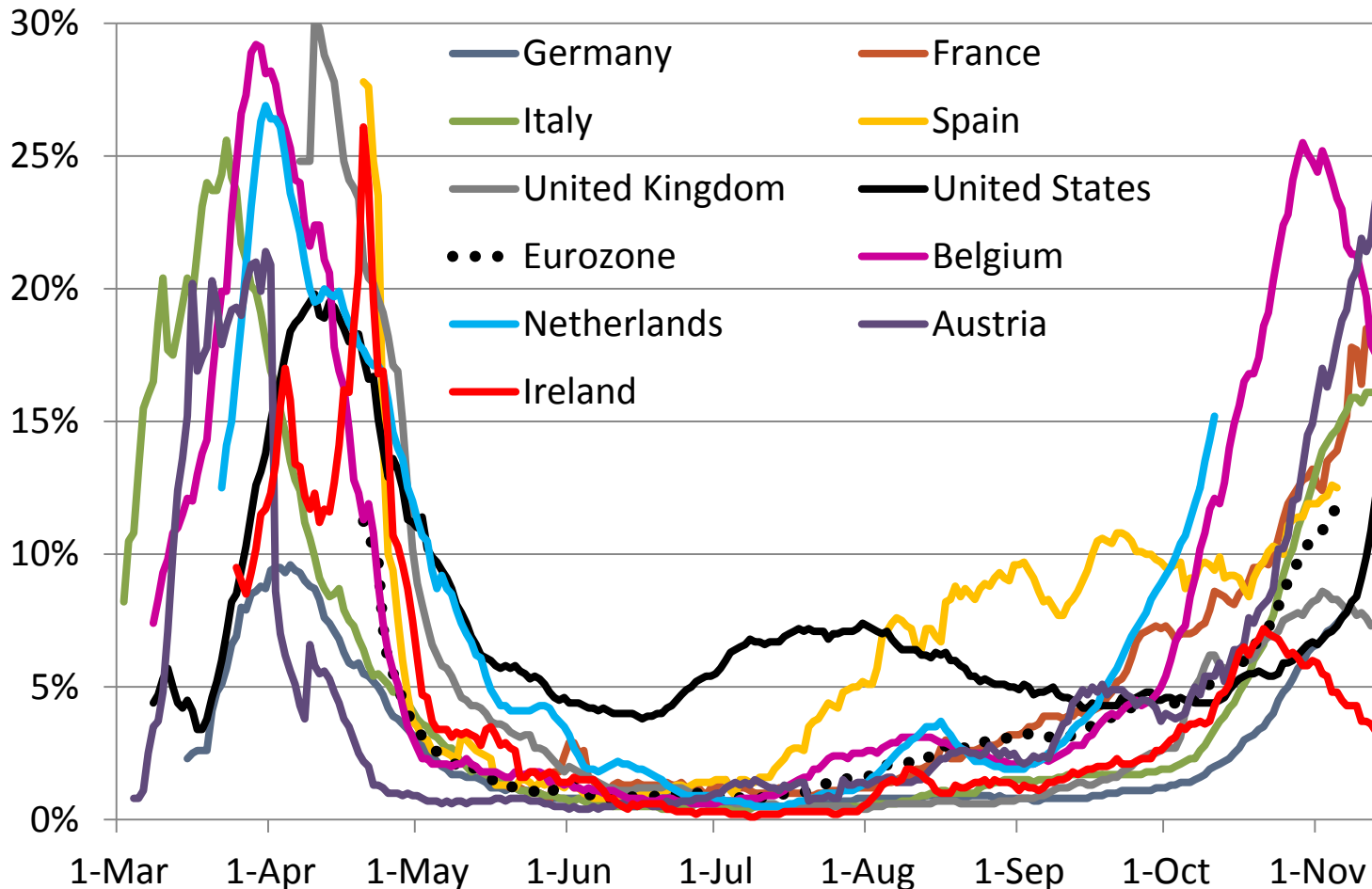
SARS-CoV-2 tests, per day, per 1000 people



- All major countries have significantly increased their testing capacities since the first wave.
- Increased testing plays some role in explaining the surge in recorded infections: More tests = more infections are detected.
- This played a role in the major surge in recorded infection in Belgium in October – see page 6.
- Many infections remain undetected.
- But the share of undetected infections is likely much smaller now than during the first wave. when most countries offered tests only or mostly to people with serious symptoms.

Second wave: ... as are infection rates

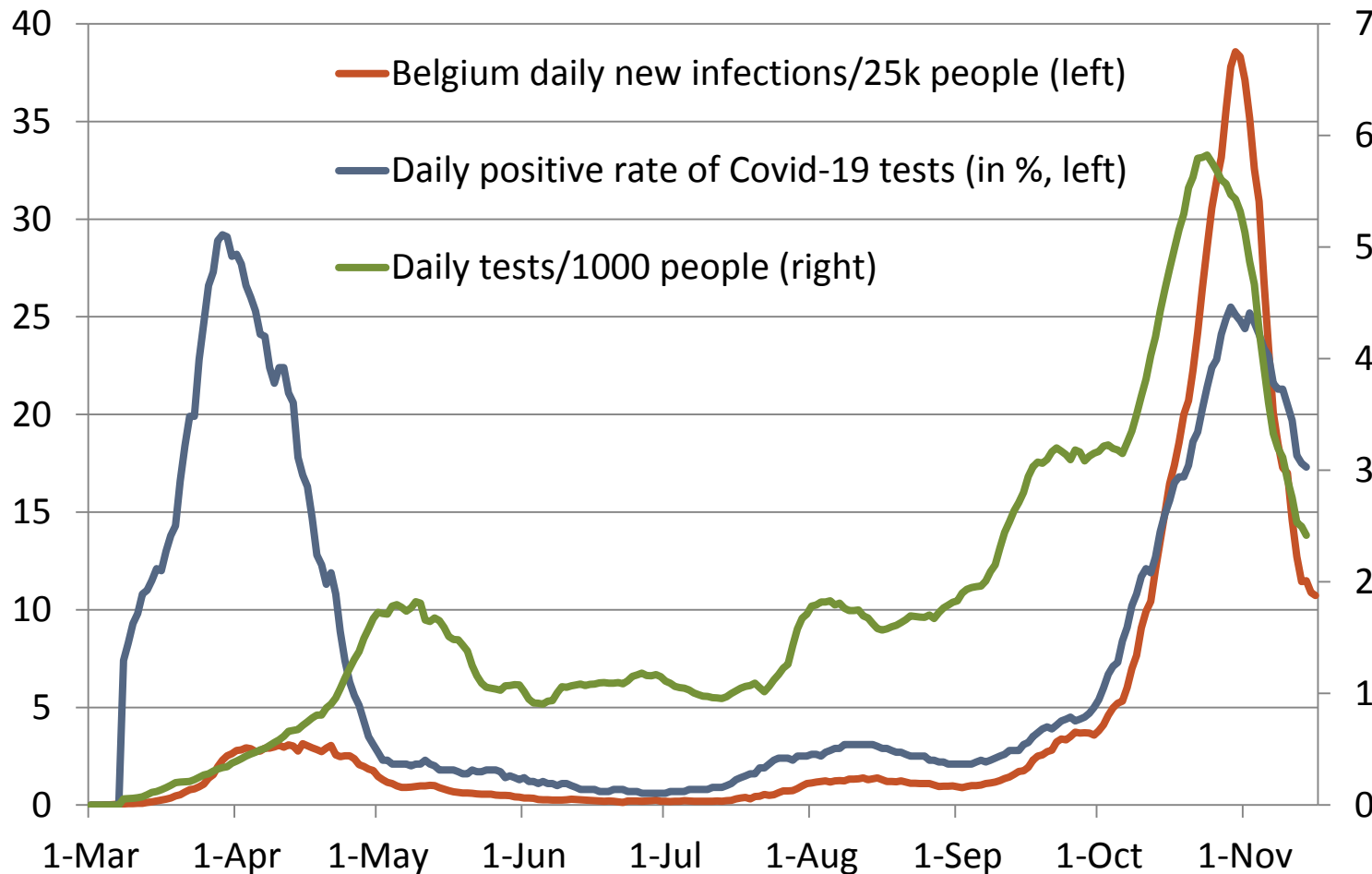
Share of positive test results for SARS-CoV-2



- Increased testing is not the major reason, for the rapid rise in recorded infections, though.
- The rate of positive tests has also increased significantly...
- ...but remains below the rates of March and April.

Belgium: a story of test intensity and infection rates

Covid-19: Daily new confirmed cases, tests and share of positive test results



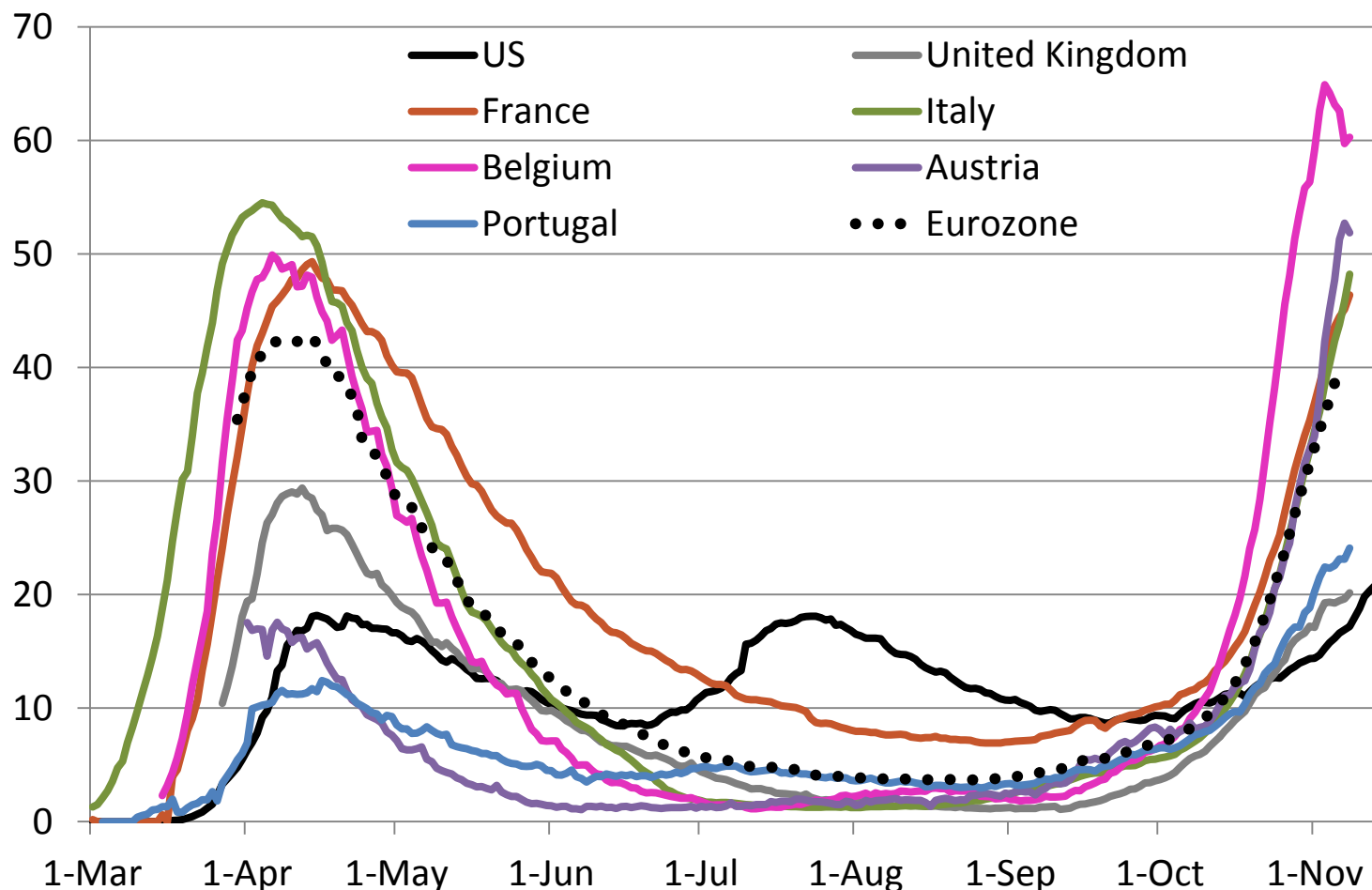
- In late September, the number of daily new confirmed cases in Belgium was below 2,000. By late October that number had shot up to c24,000. Recorded new infections have now come down to 5,000.
- More tests = more confirmed cases, and vice versa. During October, the number of daily tests per 1,000 people doubled from 3 to 6. It has now fallen down to 2.5.
- But the testing intensity explains only part of the rise and fall in new infections. In October, the share of positive tests surged with the number of infections. In early November it is heading south – as is the number of new confirmed cases.

Confirmed new daily SARS-CoV-2 infections, per 25,000 people, seven-day rolling averages, left hand scale. Daily tests per thousand people, seven-day rolling averages, left hand scale. Confirmed new daily cases divided by total daily tests, right hand scale, seven-day rolling averages. Source: Johns Hopkins University, Our World in Data, Berenberg



Hospitalisation rates beyond April peaks in some regions

Patients in hospital with SARS-CoV-2, per 100,000 people

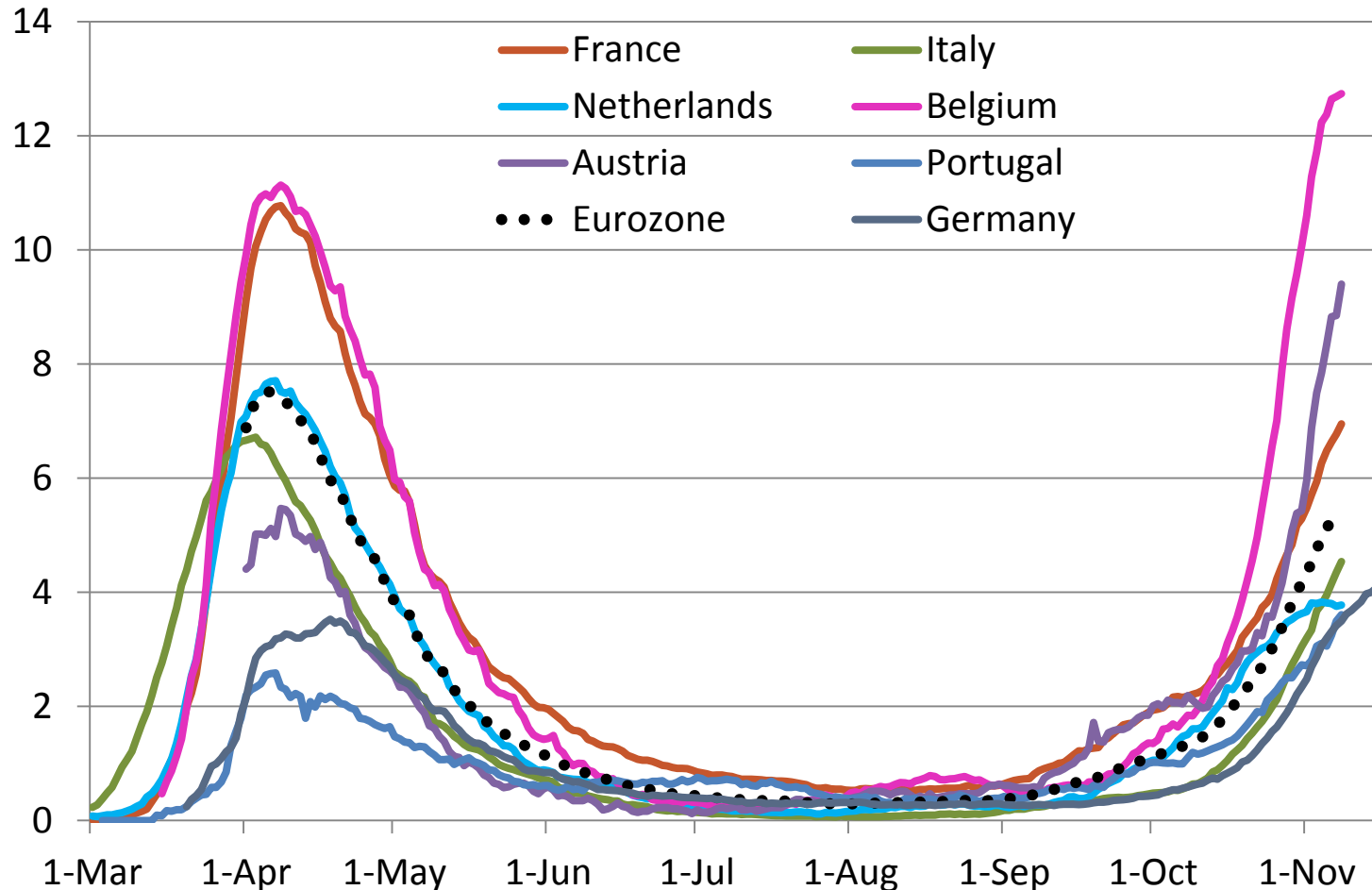


- Countries need to prevent excessive strains on the medical system so that those in need can get the best medical care possible
- A key parameter to gauge the risk that medical systems may face excessive strains is the number of people who have to be treated in hospital.
- The situation in Europe has become almost as serious as in April.
- In some countries including Belgium, Austria, Italy and France medical systems are feeling the strains.
- The jury is out whether authorities imposed lockdowns early enough to avoid an overburdening of medical systems.



A key bottleneck: space in intensive care units

Patients in intensive care with SARS-CoV-2, per 100,000 people

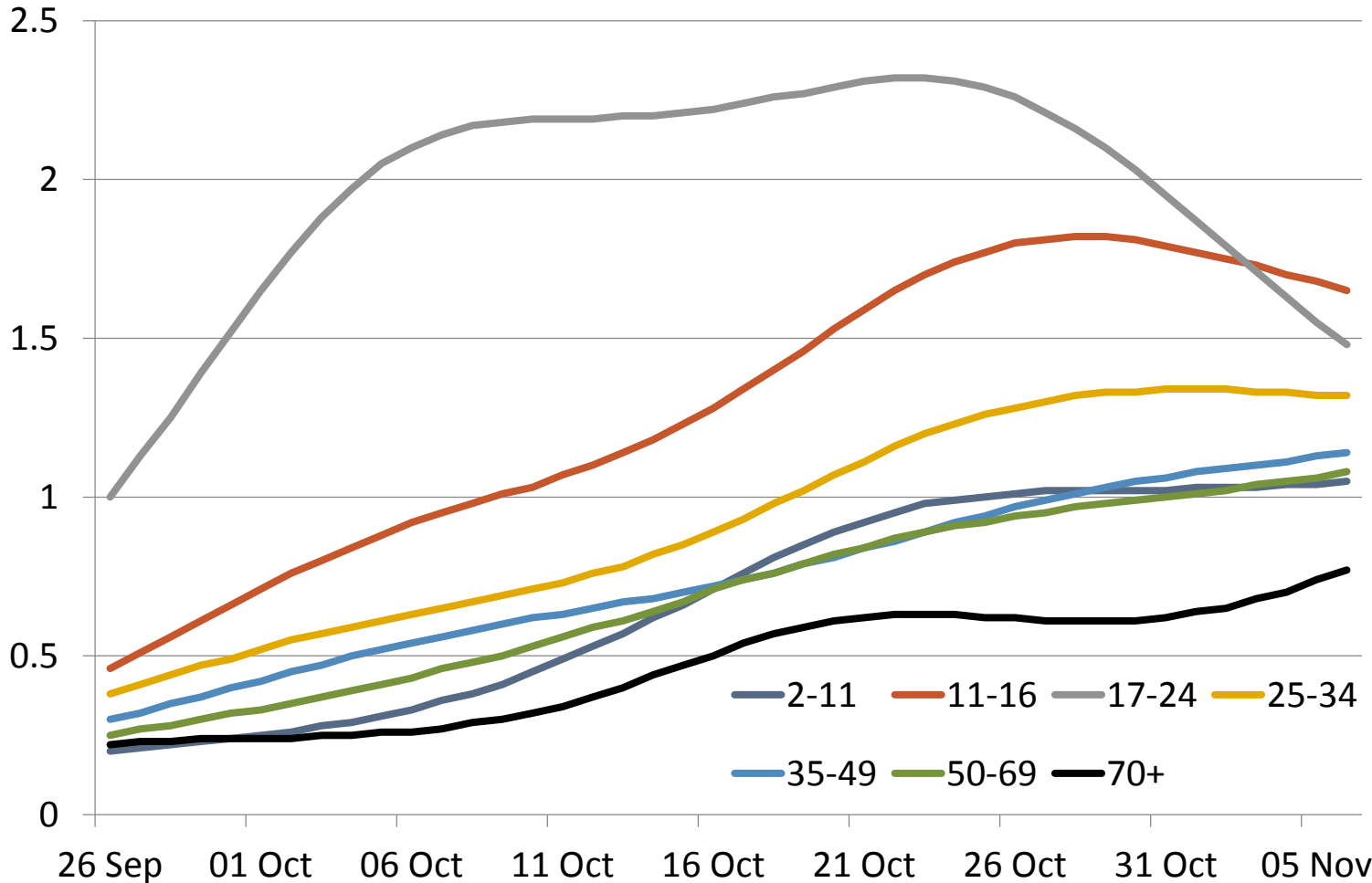


Intensive care occupancy per 100,000 people. For Eurozone we use the population-weighted average of available country data. Source: ECDC

- The number of Covid-19 patients who have to be treated in intensive care units is rising strongly and has passed the April level in Belgium.
- Germany is faring better than most other countries. But even in Germany, 3436 people with COVID-19 had to be treated in intensive care units (ICUs) on 16 November, up strongly from 312 on 26 September, taking up 12.1% of the 28,305 ICU beds. A total of 6,950 ICU beds were not occupied according to DIVI Intensivregister.
- However, a lack of qualified staff to tend for the seriously ill means that not all beds counted as free would actually be available.

England: infections – share of older age groups rising again

COVID-19 infection rates in England (%)



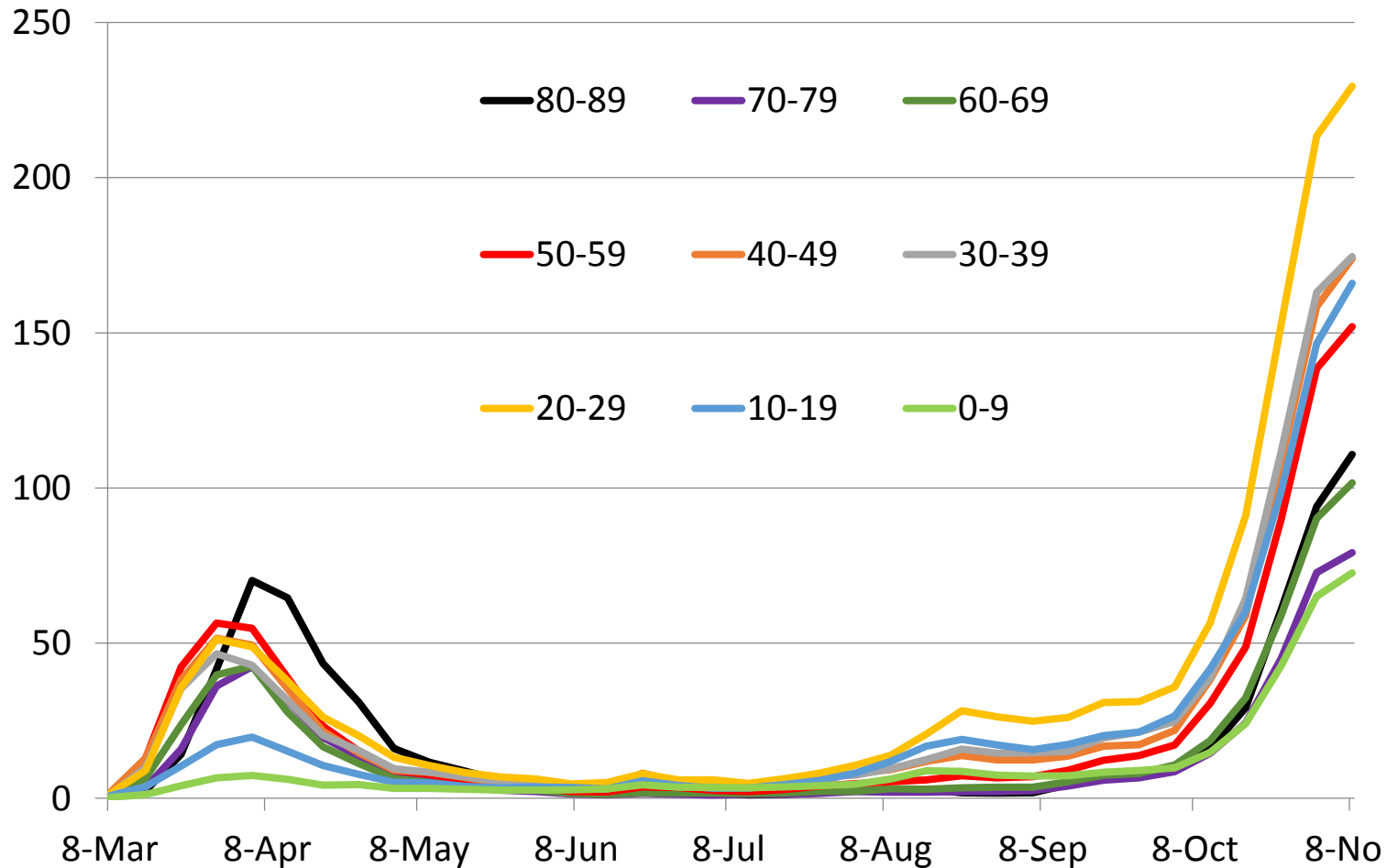
- Confirmed infections are now spreading more to older age groups again.
- Since the beginning of September, the rate of positive tests for older age groups has gone up in England...
- ...while it has come down for younger people.
- That heralds a higher rate of medical complications per recorded infection.

Estimated percentage of the population testing positive for the coronavirus (COVID-19) on nose and throat swabs, daily, by age group since 20 September 2020, England. These statistics refer to infections reported in the community, by which we mean private households. These figures exclude infections reported in hospitals, care homes and/or other institutional settings. Source: ONS



Germany: infections spreading to older age groups again

Confirmed new infections, per week, per 100,000 people in age group

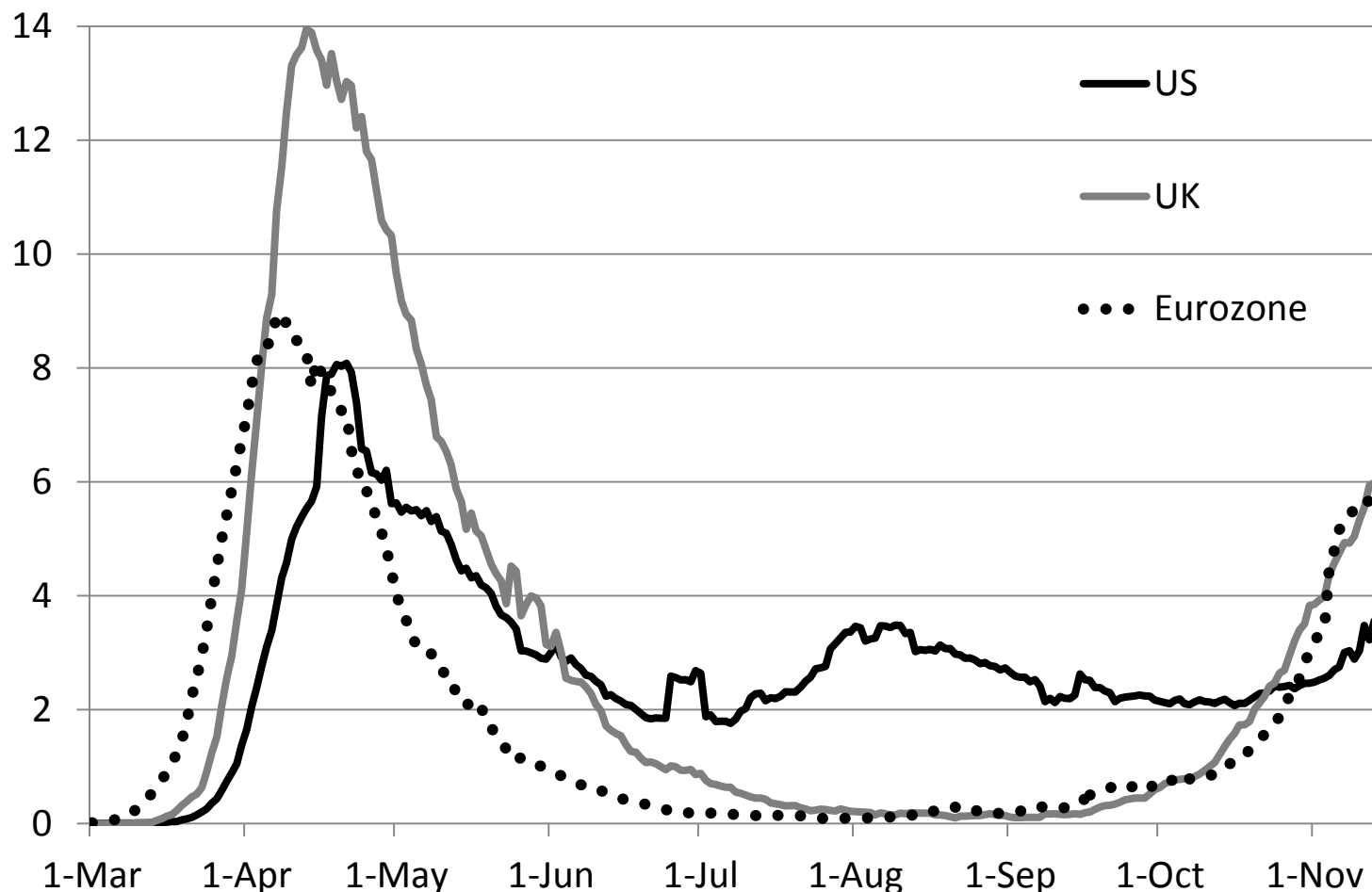


- At the beginning of the pandemic in Germany, COVID-19 affected mostly young to middle-aged people, often returning from skiing holidays. Infections then spread fast to older persons.
- After the decline in incidence for all age groups, the highest incidence since the renewed increase in case numbers is currently in the age group of 20 to 29-year-olds, followed by the age group of the 30 to 39-year-olds.
- Infections are now rising strongly in all age groups.
- The incidence has also increased significantly among persons 60+ years from September onwards.



Covid-19: death rates rising – but still below the April peak

Deaths associated with SARS-CoV-2, per day, per million people

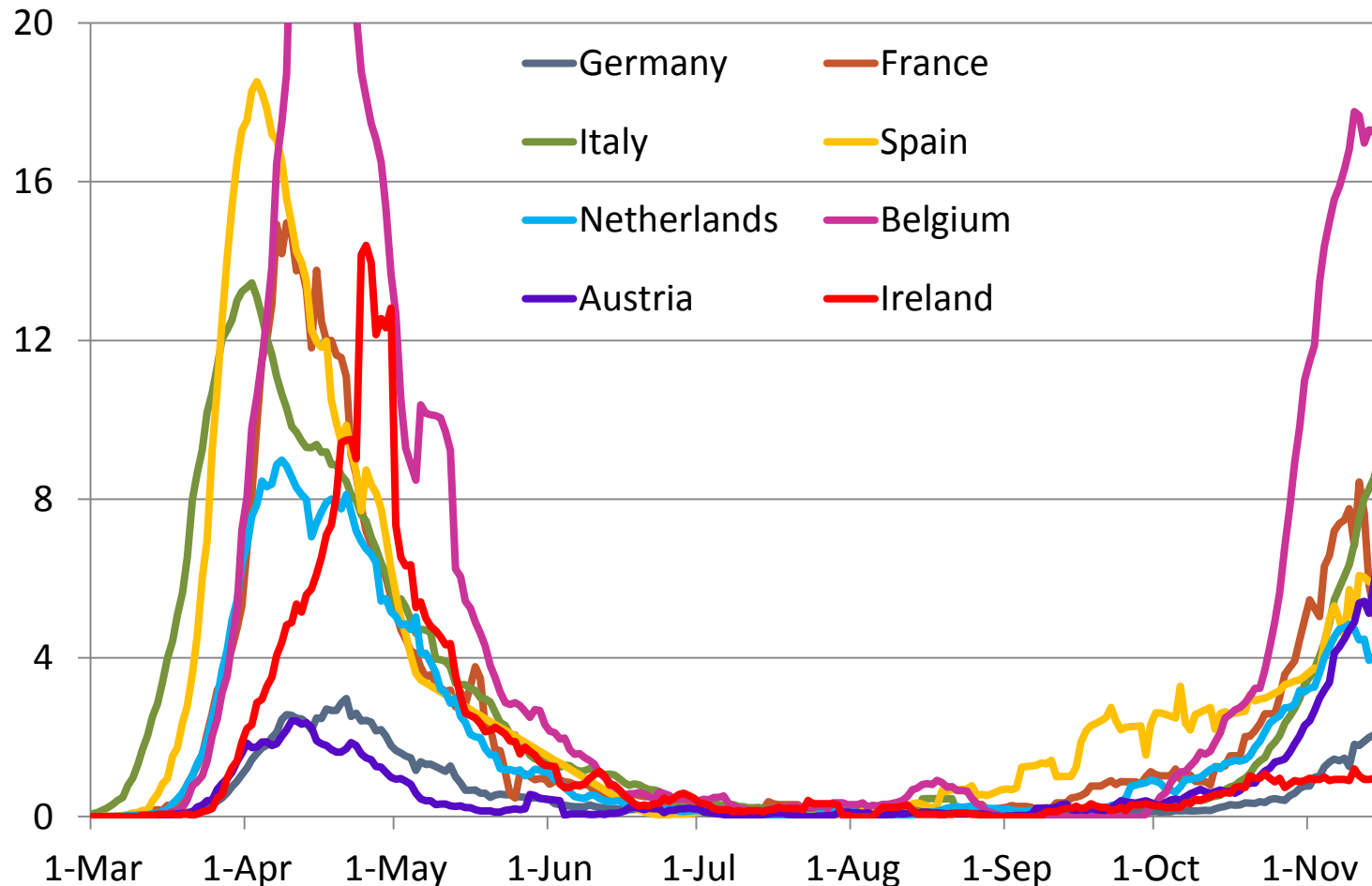


- **Coping with Covid-19**
- With the surge in infections, serious medical complications and deaths associated with Covid-19 have risen notably as well...
- ...but they remain below the April peaks.
- Less vulnerable people (the young) account for many infections.
- Societies are better at protecting the old and vulnerable.
- Medical progress has helped to contain medical complications and deaths.
- Increased face mask wearing probably lowers virus load per infected person and thus risk of serious complications.

Covid-19: deaths rates have risen notably in Eurozone countries



Deaths associated with SARS-CoV-2, per day, per million people

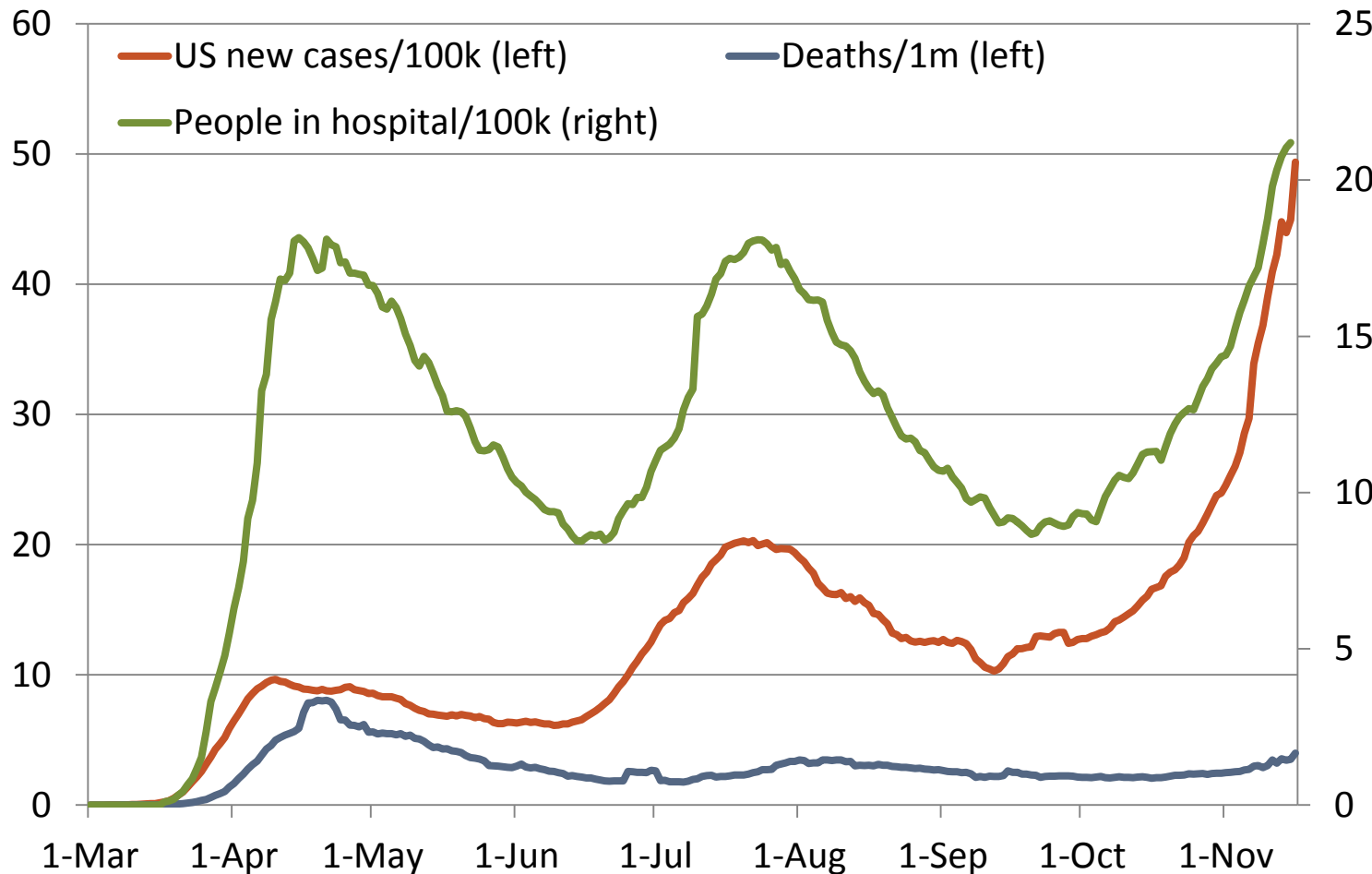


Seven-day rolling averages. The Belgian data are systematically higher than those for almost all other countries as Belgium uses a different method to count deaths associated with Covid-19. Source: Johns Hopkins University

- Since February, scientists, medical staff, citizens and policymakers have learned a lot about COVID-19 and the measures best suited to cope with it.
- In a lagged reaction to higher numbers of recorded infections, the number of deaths associated with the SARS-CoV-2 virus has risen notably as well.
- Countries with the worst increase in recorded infections are also seeing the worst rise in deaths, notably Belgium, Italy, Austria, Spain, France and the Netherlands.
- Belgium includes more cases in its count of deaths associated with Covid-19. That inflates the Belgian number relative to other countries.

Covid-19 complications in the US: back to previous peaks

US: surge in infections receding, hospitalisations and deaths stabilising



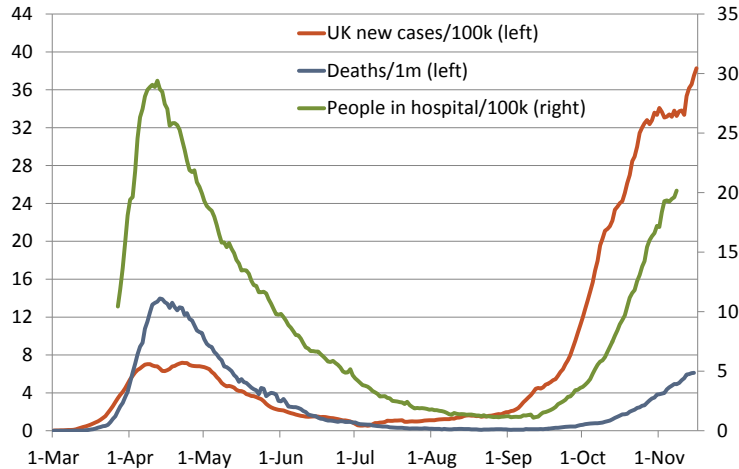
- **Coping with the second wave:** with new modest regional restrictions and changes in behaviour, US daily new cases fell noticeably from mid-July to mid-September.
- However, the infections rate has surged again since mid-September. The advent of the colder season and the spread to more rural regions plays a major role.
- The renewed rise in infections since mid-September is showing up in a higher hospitalisation rate but not (yet) in many more Covid-19 related deaths.

Daily new cases and people in hospital per 100,000 people. Daily deaths associated with Covid-19 per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Source: Johns Hopkins University, Covid-19 Tracking Project



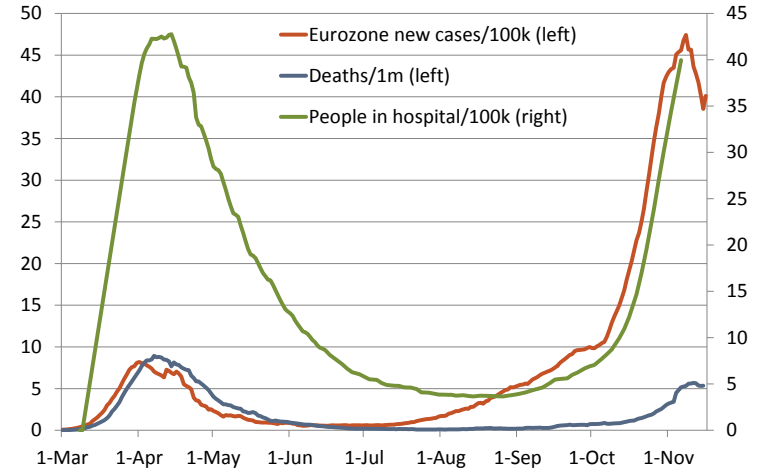
Virus trends in Europe: Cases, hospitalisations and deaths

UK



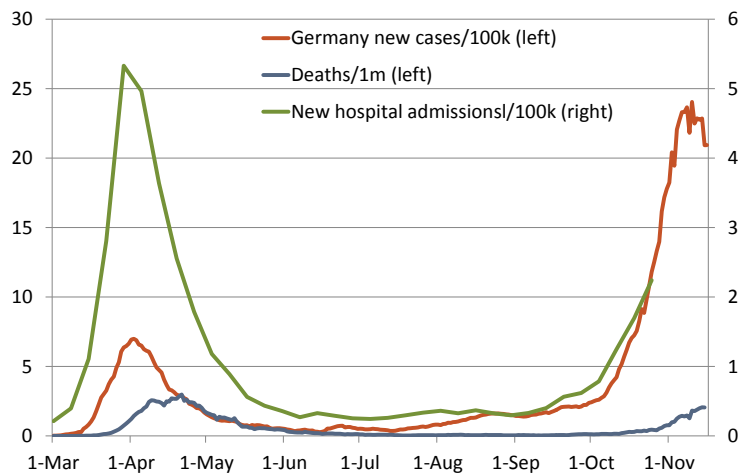
Daily new cases and people in hospital per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Source: Johns Hopkins University, ECDC

Eurozone



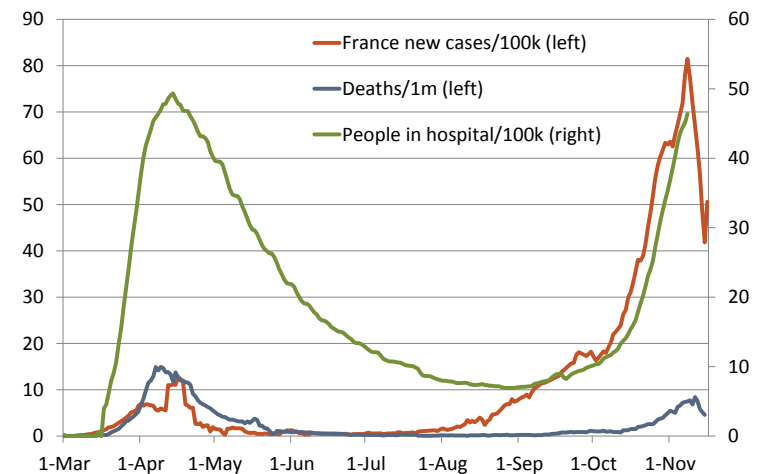
Daily new cases and people in hospital per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Population-weighted average of country data. Source: Johns Hopkins University, ECDC

Germany



Daily new cases and new hospital admissions per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospital admissions on right-hand scale. Source: Johns Hopkins University, ECDC

France

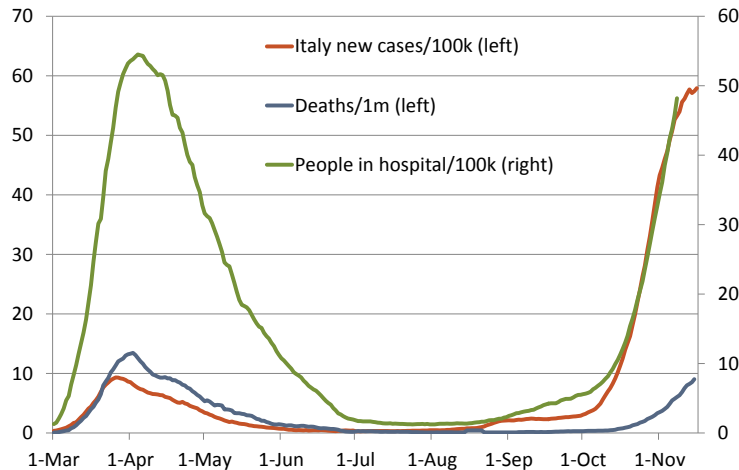


Daily new cases and people in hospital per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Source: Johns Hopkins University, ECDC



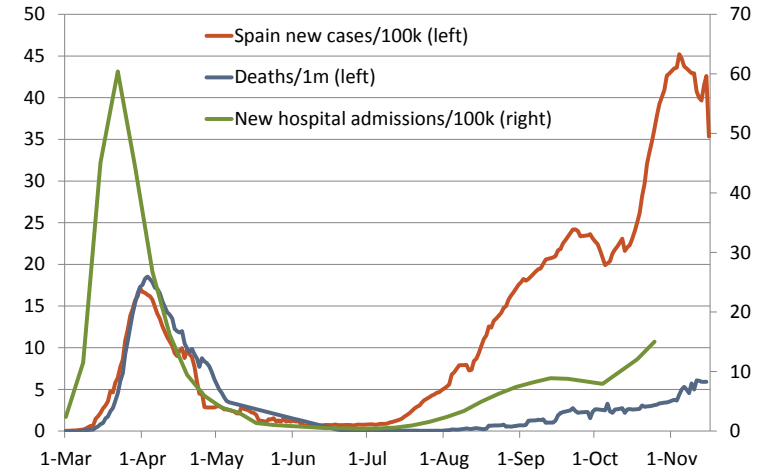
Virus trends in Europe: Cases, hospitalisations and deaths

Italy



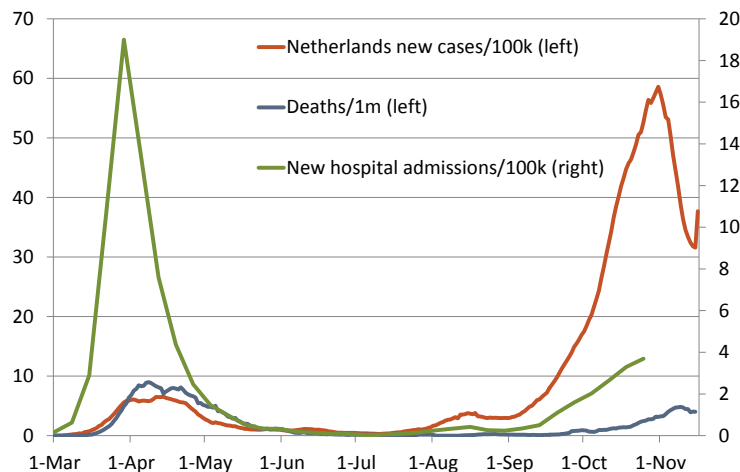
Daily new cases and people in hospital per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Source: Johns Hopkins University, ECDC

Spain



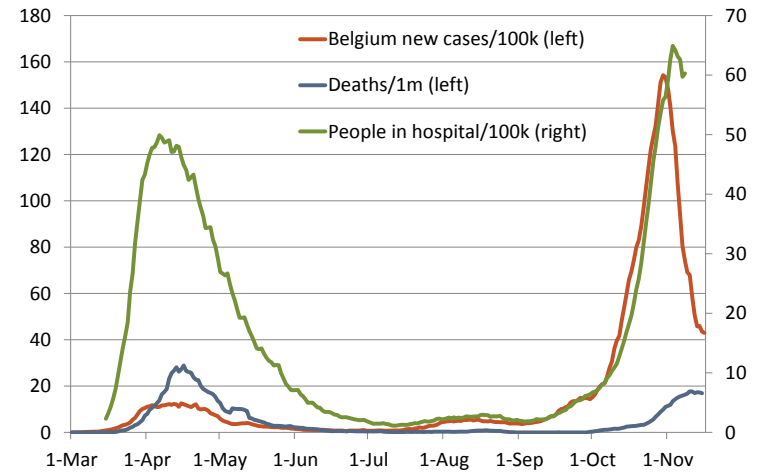
Daily new cases and new hospital admissions per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospital admissions on right-hand scale. Source: Johns Hopkins University, ECDC

Netherlands



Daily new cases and new hospital admissions per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospital admissions on right-hand scale. Source: Johns Hopkins University, ECDC

Belgium

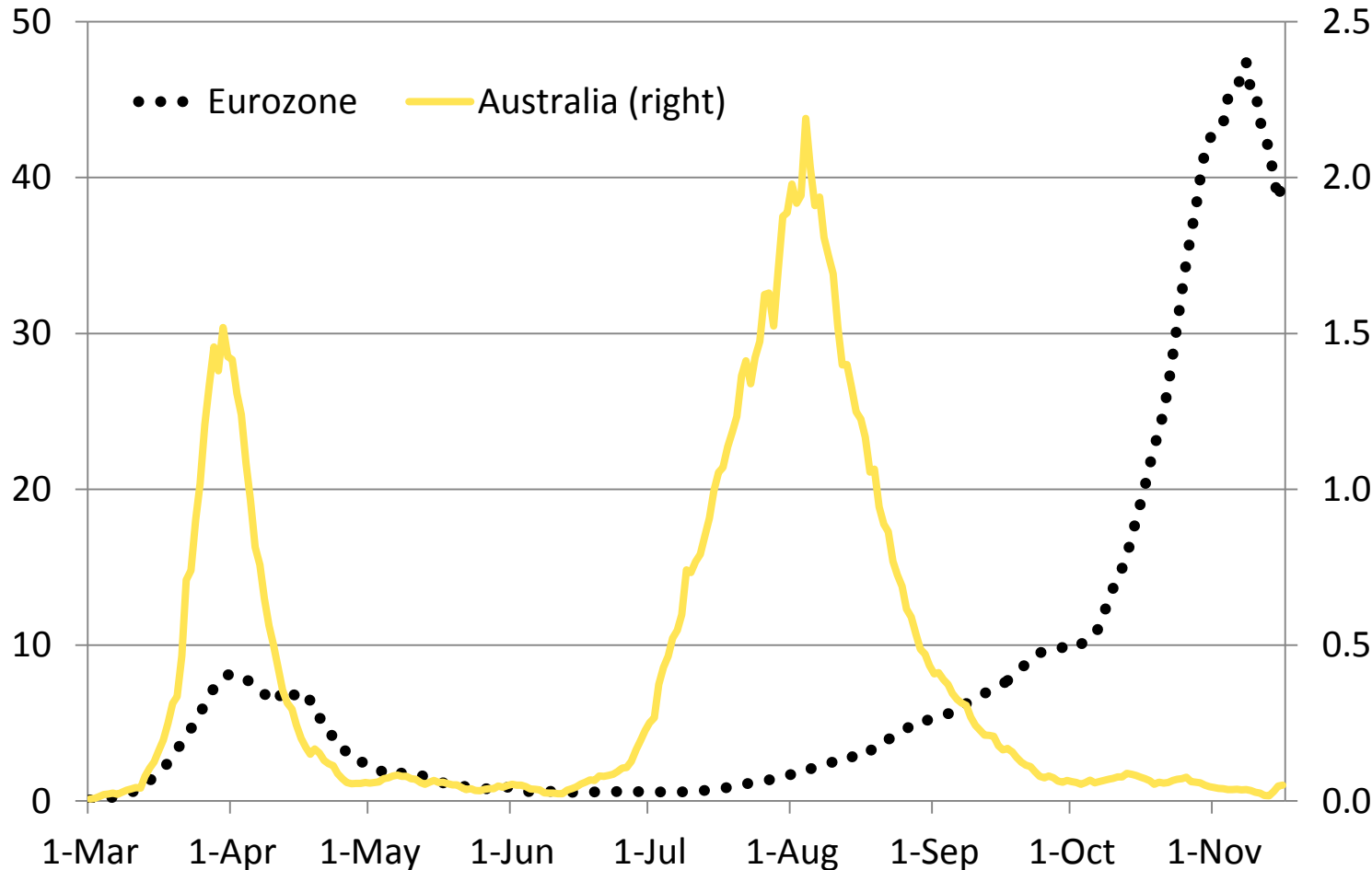


Daily new cases and people in hospital per 100,000 people. Daily deaths per 1 million people. Cases and deaths as seven-day rolling averages. Hospitalisations on right-hand scale. Source: Johns Hopkins University, ECDC



Infection curves: partly a matter of seasonality

Confirmed new infections, per day, per 100,000 people

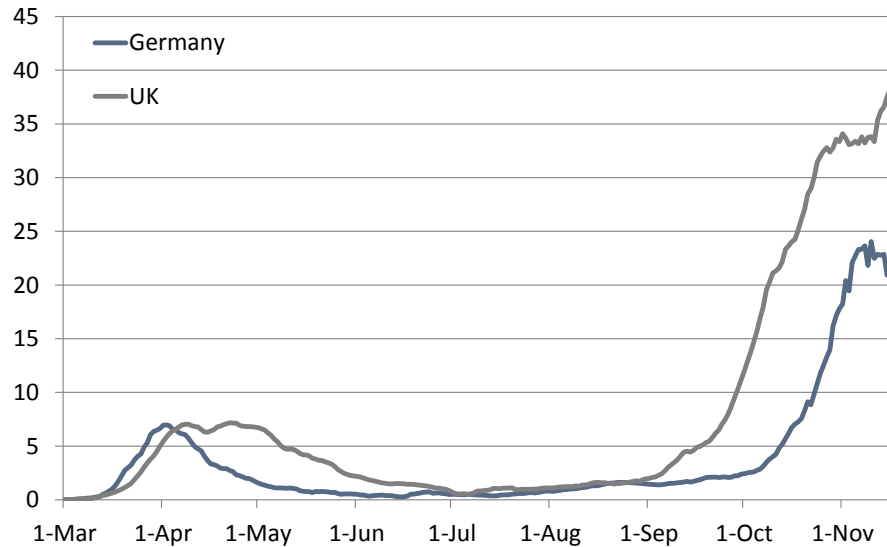


- In line with the experience from other standard coronavirus infections, infection rates for the new SARS-CoV-2 virus seem to be strongly seasonal.
- Countries in the Southern hemisphere such as Australia suffered a serious second wave during their cold season, followed by an ebbing of infections afterwards.
- This indicates a strong risk of further increases in infection rates and serious medical complications including death rates in coming months in the Northern hemisphere.
- On its own, that is negative for Europe and the US in coming months.



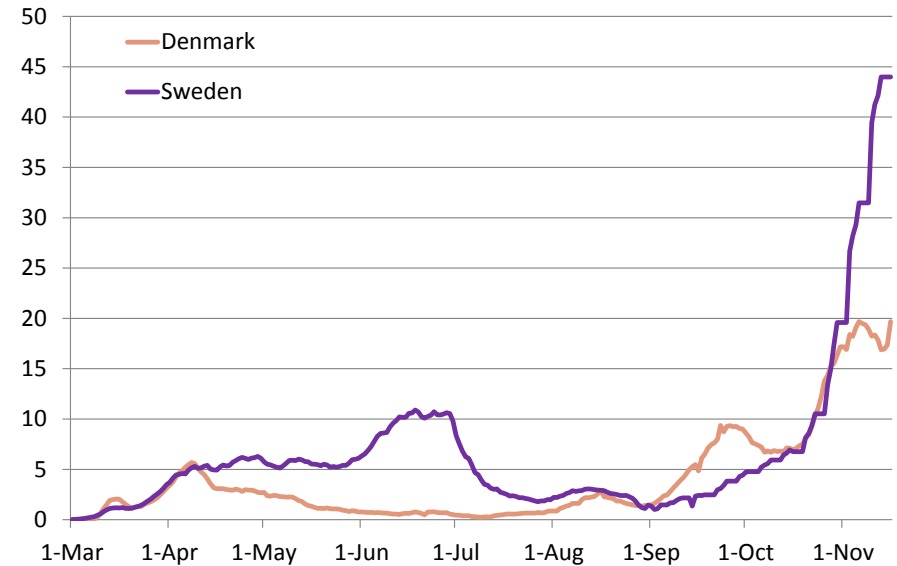
Trends in infections curves: matter of seasonality?

Confirmed new infections, per day, per 100,000 people



Seven-day rolling averages. Source: Johns Hopkins University

Confirmed new infections, per day, per 100,000 people



Seven-day rolling averages. Source: Johns Hopkins University

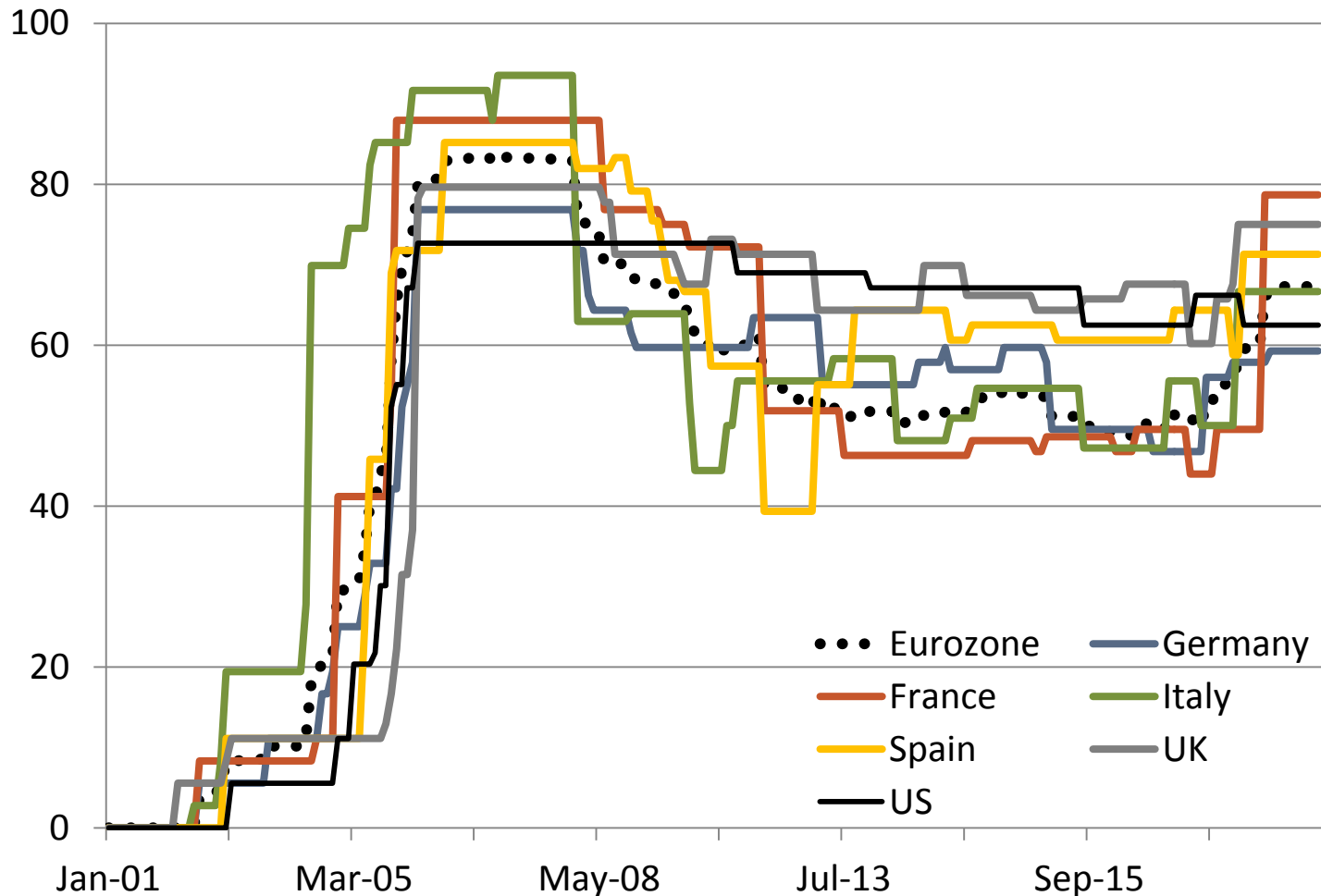
- Countries are imposing serious restrictions again, partly of the kind that helped to contain the first wave.
- The comparison of countries with similar climate conditions, say between Denmark and Sweden in March and April and between Germany and the UK at present, shows that the way in which countries react to the threat makes a big difference.
- This supports the hope, that even despite the seasonal factors, countries can get the situation back under control.

Lockdown 2.0: restrictions across major European countries

	Germany	France	Italy	Spain	Netherlands	Belgium	UK (England)
Schools	Open, except in regions with very high infections	Open	Open (high schools do distance learning)	Open	Open	Re-opening from mid-Nov (high schools do distance learning)	Open
National curfew	No	Outdoor time limited to 1h/day	10pm-5am	11pm-6am	No	10pm-6am (Wallonia) / 0-5am (Flanders)	No
Restaurants, bars etc.	Closed (takeaways possible)	Closed (takeaways possible)	Open until 6pm (takeaways possible), closed in some regions	Open with restrictions, closed in some regions	Closed (takeaways possible)	Closed (takeaways possible)	Closed (takeaways possible)
Hotels	Closed for tourists	Closed for tourists	Closed for tourists	Closed for tourists	Closed for tourists	Closed for tourists	Closed for tourists
Non-essential shops	Open, with restrictions	Closed	Open with restrictions, closed in some regions	Open with restrictions, closed in some regions	Open until 8pm, with restrictions	Closed	Closed
Factories, construction sites	Open	Open	Open	Open	Open	Open	Open
Intended end date	30-Nov	01-Dec	03-Dec	-	25-Nov	mid-Dec	02-Dec

Lockdown 2.0 across major countries

Oxford University lockdown stringency indices, 0 to 100 (most stringent)



- The restrictions to fight the second wave are less harsh than in spring.
- But, France, Belgium, England and some other countries or regions have closed non-essential shops for November, going well beyond the closure of restaurants, pubs and entertainment venues imposed in other countries such as Germany.



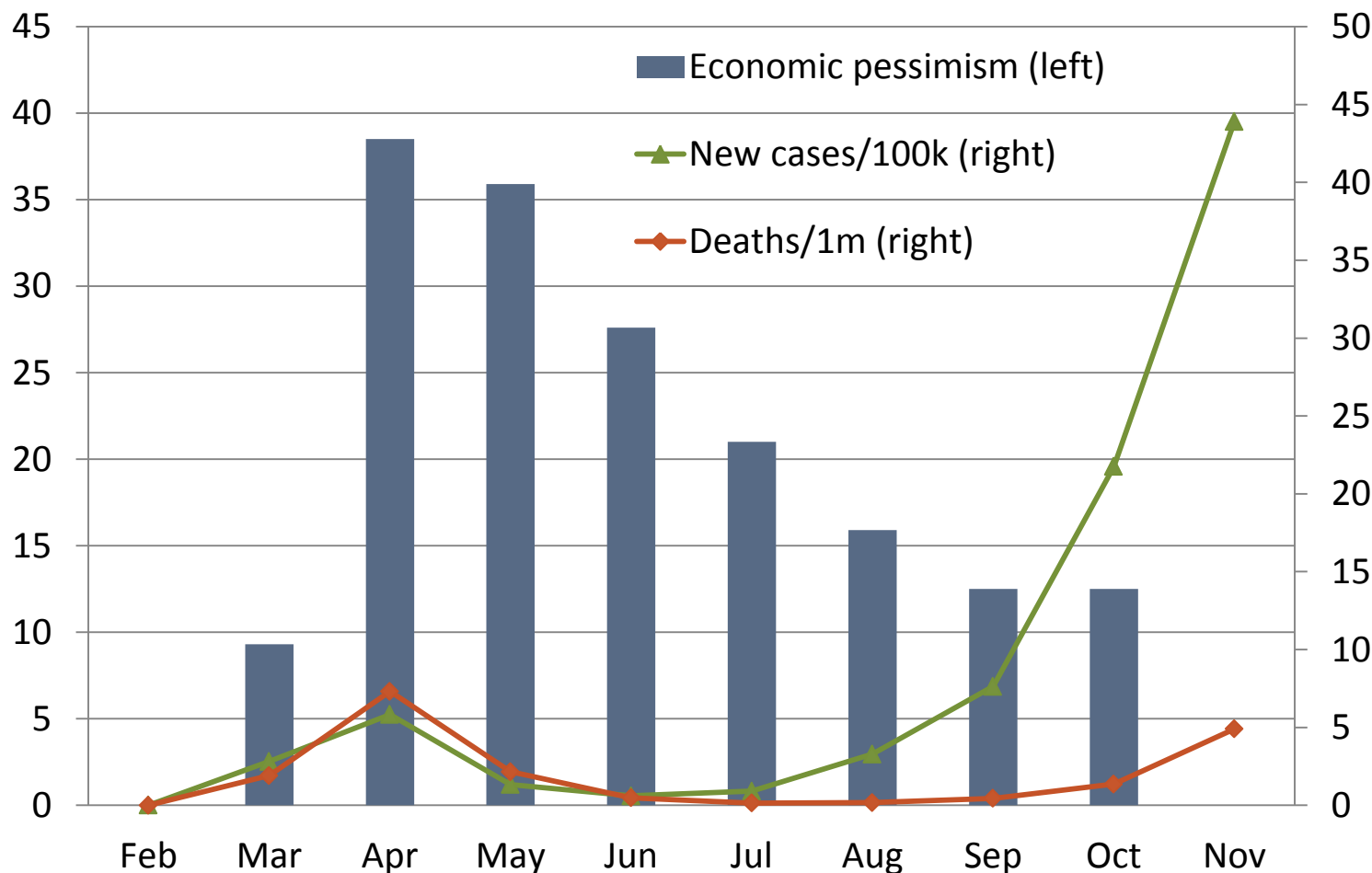
Lockdown 2.0: the most affected sectors, in % of GVA

	Eurozone	Germany	France	Italy	Spain	UK
Hospitality (restaurants, bars etc.)	2.4	1.3	2.2	3.1	5.1	2.3
Lodging (hotels etc.)	0.6	0.3	0.5	0.8	1.3	0.6
Arts/ entertainment/ recreation	1.4	1.3	1.4	1.2	2.2	1.6
Air transport	0.3	0.3	0.4	0.1	0.3	0.3
Travel agency, tour operator etc.	0.2	0.2	0.1	0.1	0.3	0.5
Subtotal	4.9	3.4	4.6	5.3	9.2	5.3
Wholesale and retail trade	11.1	10.0	10.4	11.9	12.9	10.5
Total	16.0	13.4	15.0	17.2	22.1	15.8



Coronomics: smaller hit to sentiment from second wave

Eurozone economic pessimism vs. new infections and SARS-CoV-2 deaths

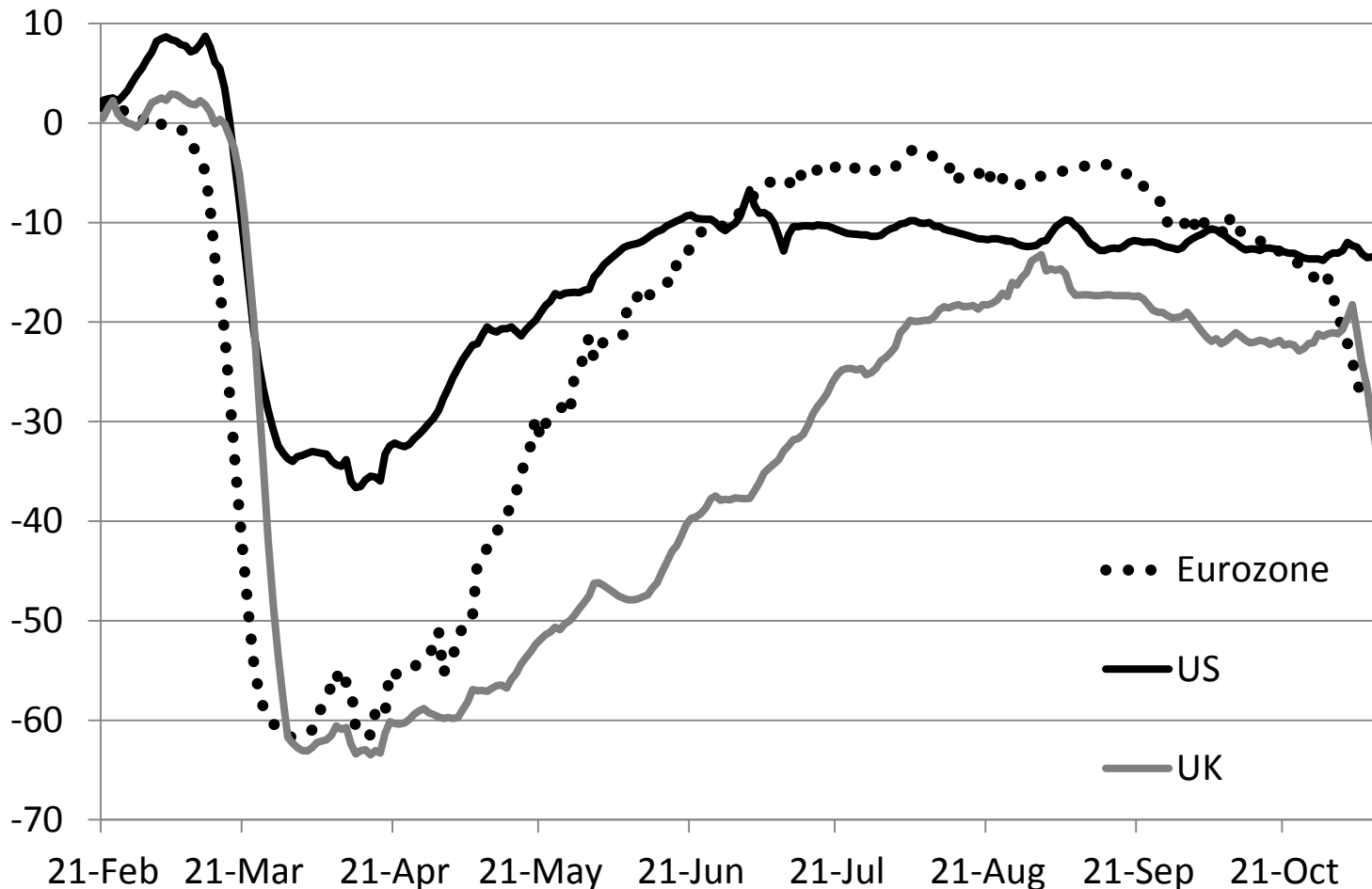


- While infection rates have surged...
- ...the number of deaths associated with Covid-19 has risen only modestly since June.
- As a result, economic pessimism continued to recede further from July to September.
- **We expect sentiment to decline in Q4.**
- **But for three reasons, the hit should be much more modest than in Q2.**
- (ii) The new restrictions are less stringent than in spring. Importantly, schools remain open.
- (i) The second wave is less of a nasty surprise.
- (iii) Solid export demand from US and China helps.



Notable downturn – consumers are going out less in Europe

Retail & recreation footfall for advanced economies (% from baseline)



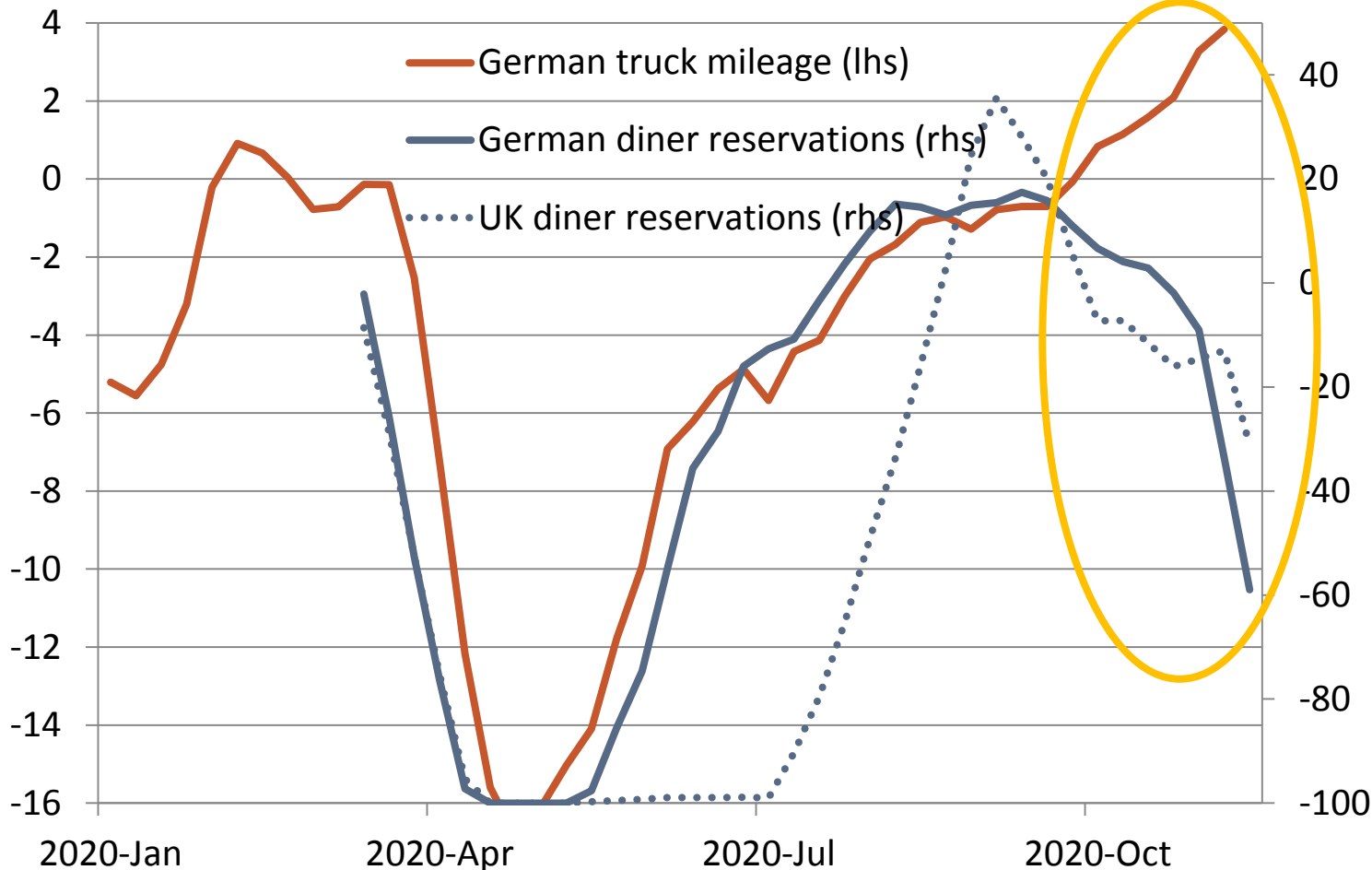
- **Eurozone:** reacted early, recovered early. But it now suffers a notable blow from the major surge in infections and restrictions.
- **UK** paid a high price for eight days of prevarication. Lockdowns had to last longer, delayed rebound. In response to the November lockdown activity in the UK follows Europe south.
- **US:** reacted by less initially – and paid a steep price in terms of excess mortality. The second wave has not (yet) hit US activity much – but risks are rising for US as infections are now surging again.

Daily data. Seven-day moving average. Values are the percentage change compared to the baseline, which is the median value 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.



Mind the gap: the curfew economy

Restaurants are closing again – but the trucks keep rolling

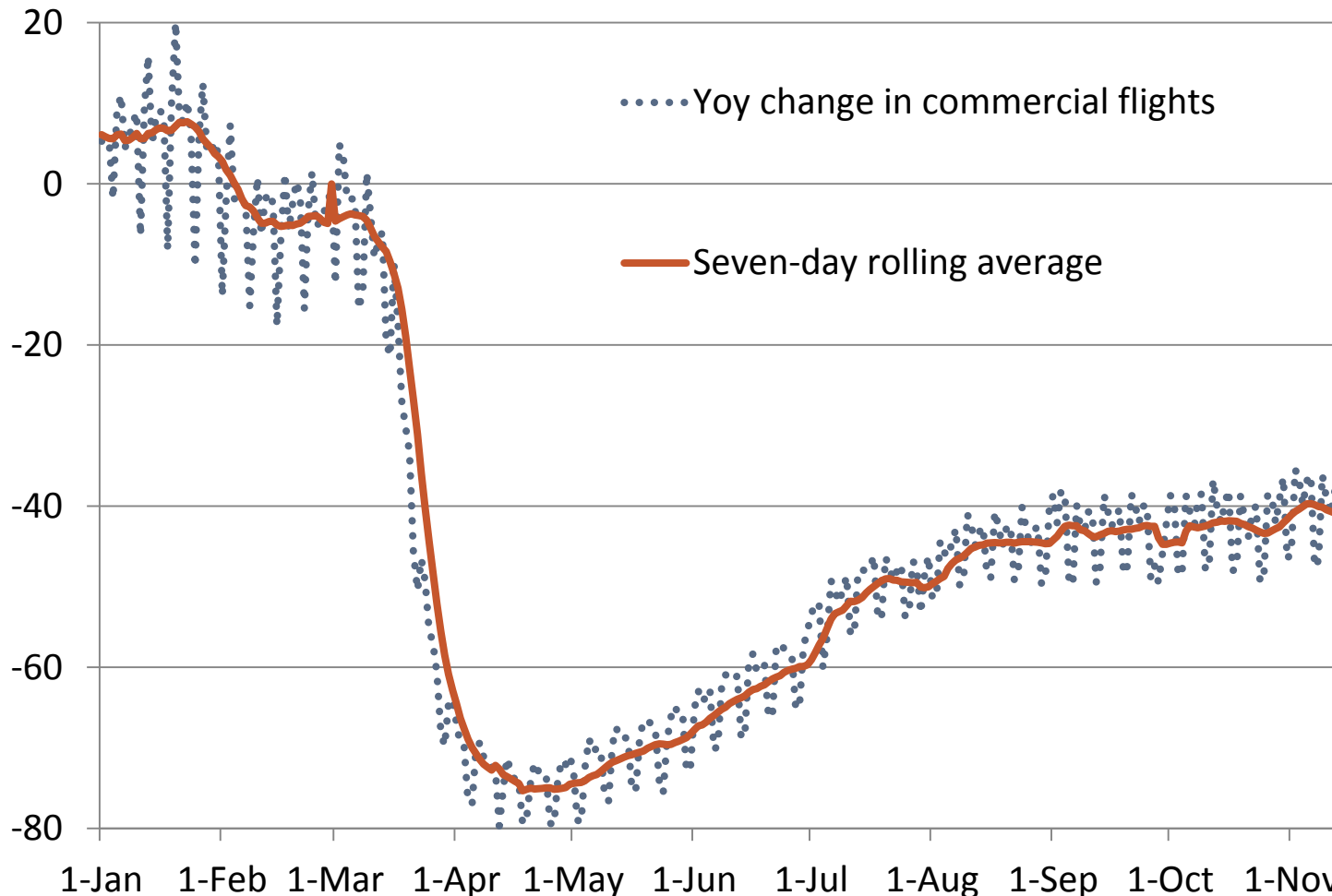


- In March and April, economic activity plunged by up to 30% within weeks.
- The sectors hit worst by the new measures account for around 5% of Eurozone and UK GDP.
- Helped by overseas demand and a need to replenish inventories, output in manufacturing can continue to expand modestly in Europe.
- German truck mileage is a proxy for industrial activity. It continued to rise in October.
- But parts of the service sector are being hit badly again, among them restaurants.

Mileage of large trucks on German federal highways, 2015=100, left-hand side. Diner reservations at restaurants on the OpenTable network, yoy change in %, right-hand side. Source: Federal Office for Goods Transport/Destatis, OpenTable, Berenberg

International travel well below 2019 level

Global commercial flights per day (change relative to 2019, in %)

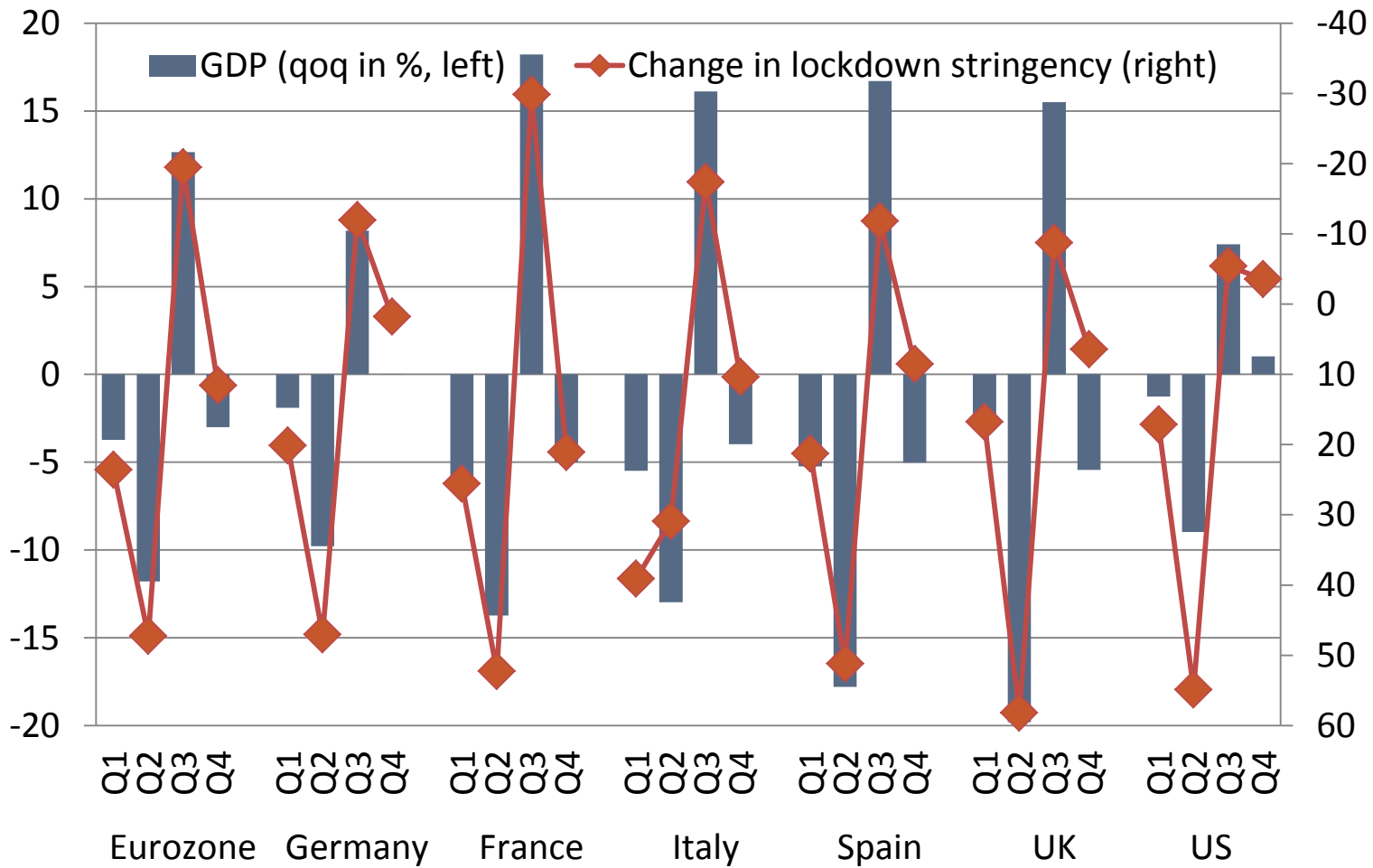


Yoy change in %. Includes commercial passenger flights, cargo flights, charter flights and some business jet flights. Excludes private flights, most helicopter flights, most ambulance flights, government flights, some military flights, drones and gliders. Source: Flightradar24

- The first wave of the pandemic hit global commercial flights hard.
- In mid-April, commercial flights including commercial passenger flights, cargo flights and charter flights fell by 75% relative to 2019 – 28,000 vs. 113,000 per day.
- Until September, flights more than doubled again.
- But they remain more than 40% below last year's level and have not recovered much over September and October.
- Because of the low starting level, the likely setback in November will be much milder than in March.

The lockdown effect across major countries

Changes in stringency of restrictions vs. changes in real GDP

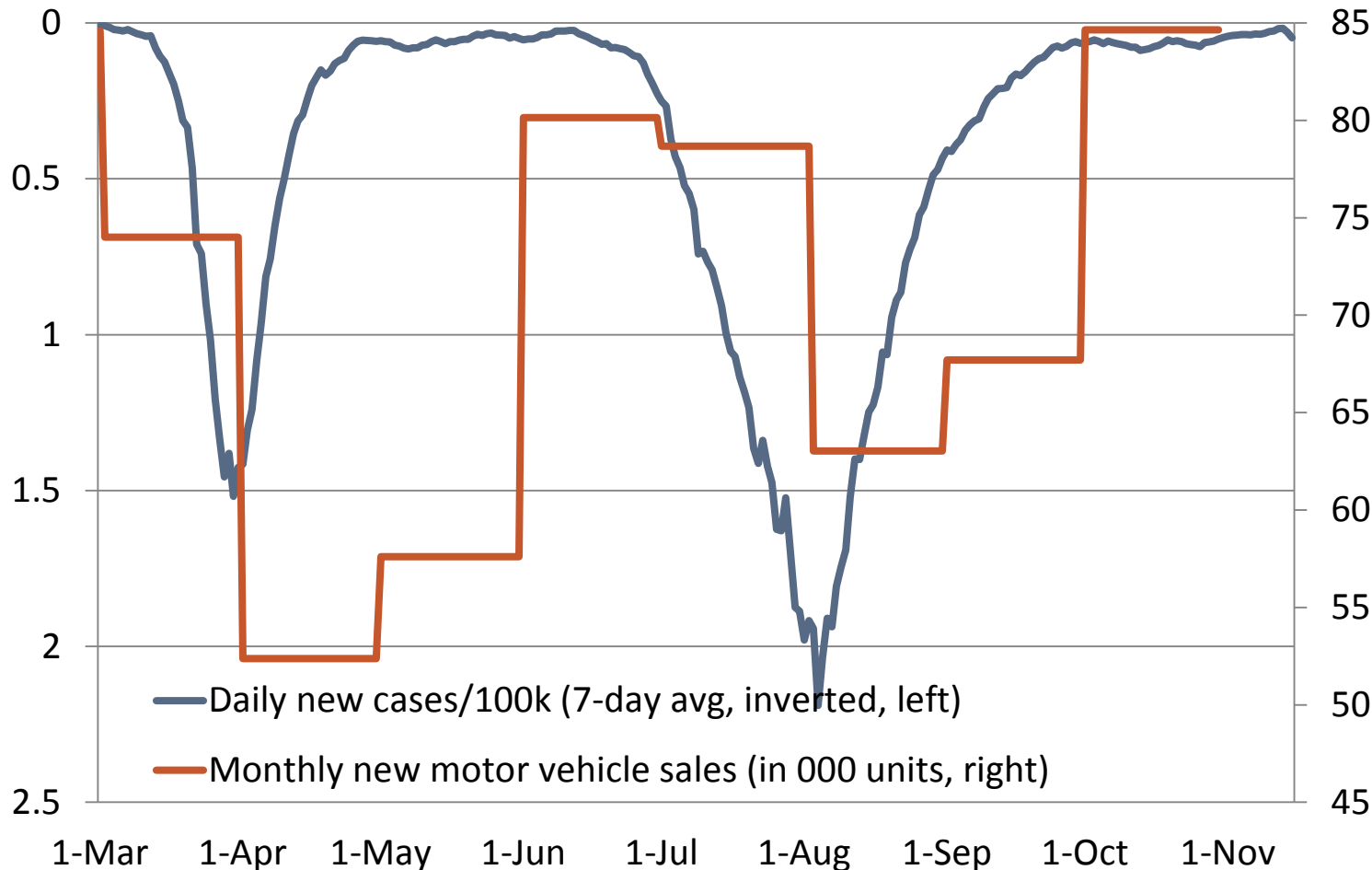


- Some countries like France and the UK have now also closed non-essential shops. GDP is likely to contract in these countries in Q4.
- Countries' economic performance in Q4 will likely correspond roughly to the harshness of restrictions that countries have introduced.

Change in real GDP, qoq in %, right hand scale. Berenberg projections for Q4. Oxford University lockdown stringency indices, 0 to 100 (most stringent), qoq change in points, right hand scale, inverted. Oxford University collects information on policy responses (containment and closure, economic and health system policies), scores their stringency and aggregates scores into a stringency index. Source: National statistical offices, Oxford University, Berenberg

Australia: snapback potential

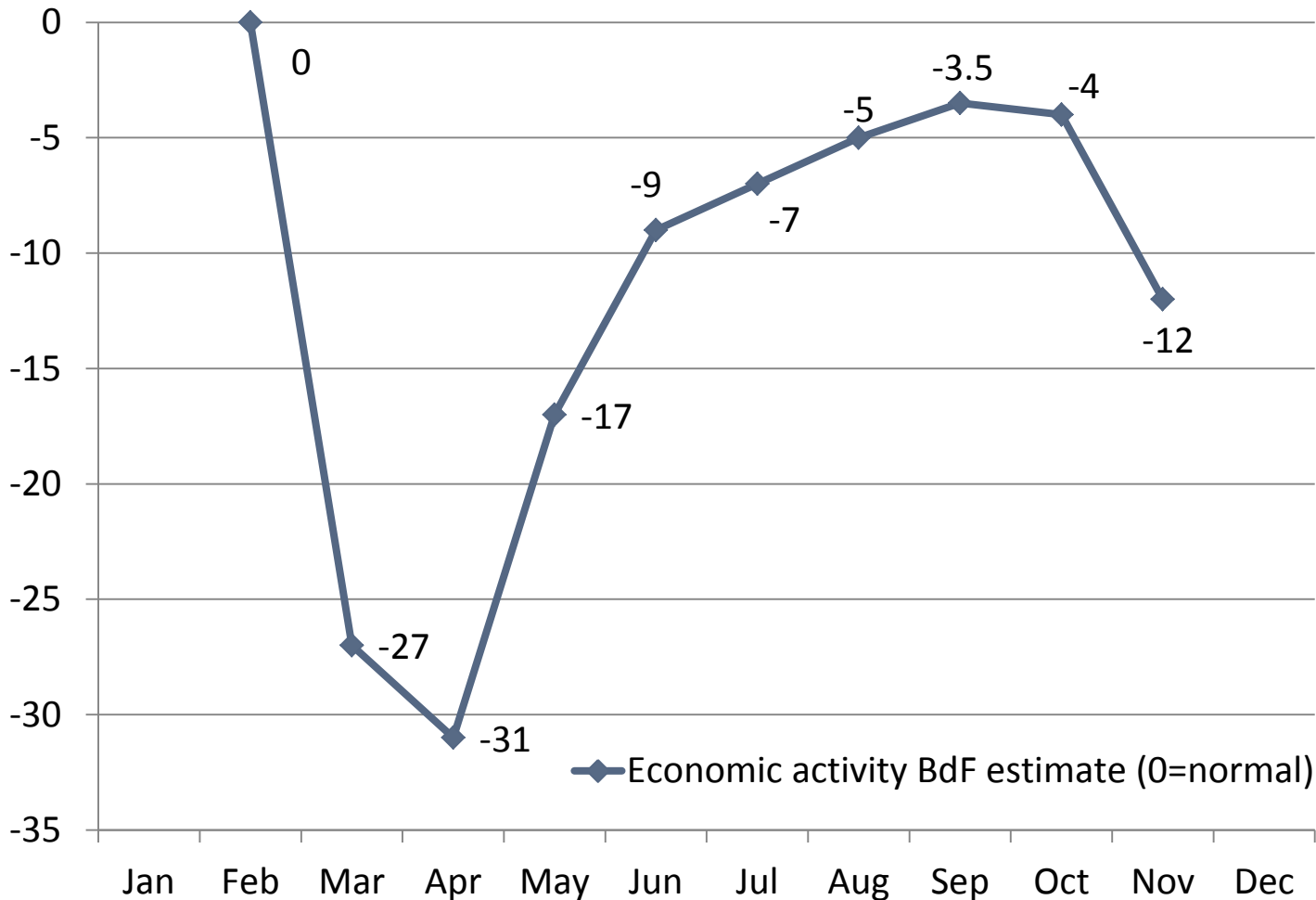
The two waves of Covid-19 and changes in economic activity



- Australia and other countries in the Southern Hemisphere suffered a significant second wave of infections during the colder season
- Economic activity plunged.
- A renewed set of restrictions further cut into supply and demand.
- These dynamics are currently repeating themselves in the Northern hemisphere.
- A positive: Once the second wave ebbed, economic activity snapped back quickly.

France: The lockdown effect

Banque de France estimate of economic activity



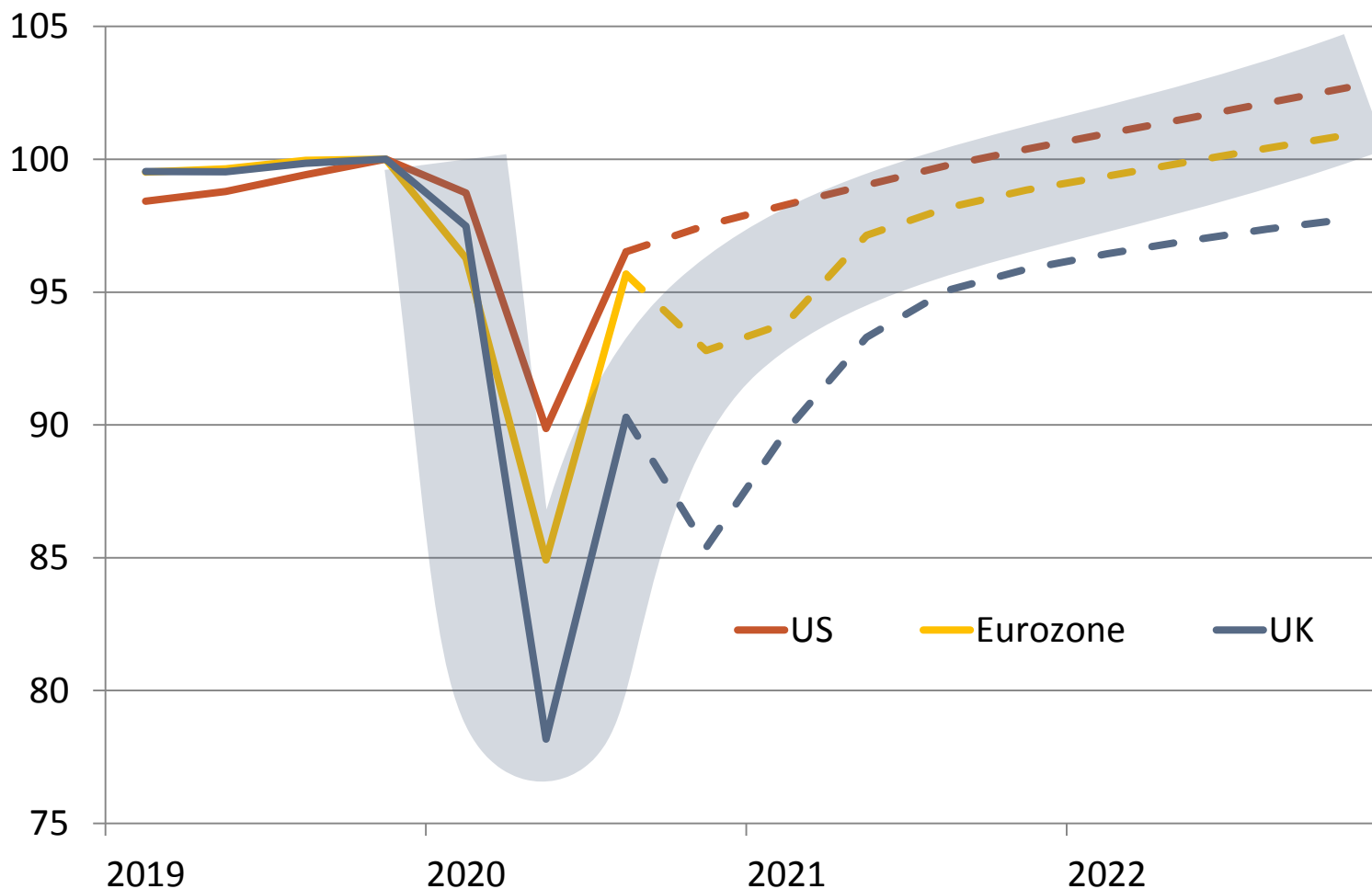
Estimate of economic activity compared to the normal level before the pandemic for a typical week. Source: Banque de France

- The second wave of COVID-19 is taking a heavy toll on Europe, especially France.
- France went into a second lockdown on 30 October.
- Unlike in March/April, schools, factories and construction sites remain open.
- Also, the new lockdown is less of a nasty surprise.
- Export demand (China, US) is holding up much better than in spring
- The BdF estimates that activity could fall 12% below normal in November, after - 4% in October. This is much less bad than the - 31% trough in April.



Coping with the virus: the tick-shaped recovery

The tick-shaped recovery – real GDP (dotted lines show forecast)



Real GDP, Q4 2019 = 100. Quarterly data; dotted lines are Berenberg forecast. Source: Berenberg, Eurostat, ONS, BEA

- Q1 and Q2 2020: the worst peacetime slump, focussed on March (Q1) and April (Q2).
- When supply was switched on again, activity rebounded fast.
- The pace of the rebound will flatten over time.
- GDP to surpass its late 2019 level in late 2021 in the US and in autumn 2022 in the Eurozone. Brexit makes for a shallower UK recovery.
- The US is boosted by a very big fiscal stimulus, 16% of GDP deficit in 2020 vs. c12% for the UK/Eurozone.
- New restrictions cause a serious setback in the Europe in Q4.

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