

# Cities and the pandemic

## What is the impact from re-opening?

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Economics - Global

- ◆ High frequency data show that while city life is returning...
- ◆ ...progress is slow, even where restrictions are lifted...
- ◆ ...as remote working and caution over public transport keep volumes down

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The world's largest cities have, so far, been some of the biggest economic losers from the pandemic. With offices closed as workers stay at home, leisure facilities shuttered and the allure of bigger homes, it's been a tough 18 months for the world's biggest urban centres. But as vaccines roll out and economies re-open, how has urban mobility changed?

We combine a wide range of indicators to look at how cities across the world are recovering. Evidence suggests the picture is truly mixed - not just between cities, but within them too.

Parts of the world where the pandemic is still raging are seeing urban mobility levels at very depressed levels – in Jakarta and Kuala Lumpur activity data are less than half what they were pre-pandemic.

In some places, some sense of normality is returning: in London, road traffic is up, bars and restaurants are booked and people are exploring again. But at the same time, fewer than half of workers are back in offices. Pret a Manger, a bellwether coffee chain for commuters, is reporting sales at half of normal levels and public transport usage is 40-60% down, according to Transport for London.

It's a similar story in New York. Metropolitan Transportation Authority (MTA) data show subway ridership is about half pre-pandemic levels, but traffic via bridges and tunnels is normal again. This matches with Apple mobility data that shows car usage up a lot and TomTom data showing congestion nearly back at pre-pandemic levels. Elsewhere in the US, restaurant bookings are up and spending has soared, showing cities remain popular places for leisure.

In most cities where restrictions have been eased, there is clearly a willingness for people to travel, but much more so by private vehicle than public transport. And as long as large numbers of people still work from home, certain urban data will remain weak.

This is going to create headaches for policymakers in cities in the coming months. If public transport usage remains low, this creates a funding challenge for authorities. And at the same time, if we see busy roads, the cost of urban congestion cannot be ignored. Policy may have to shift to make public transport more attractive.

*This is an abridged version of a report by the same title published on 29-Jul-21. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

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# Back in business?

- ◆ Cities are getting busier, but more so on roads than trains
- ◆ Workplace attendance remains subdued, as workers stay home...
- ◆ ...which could impact how cities need to look in future

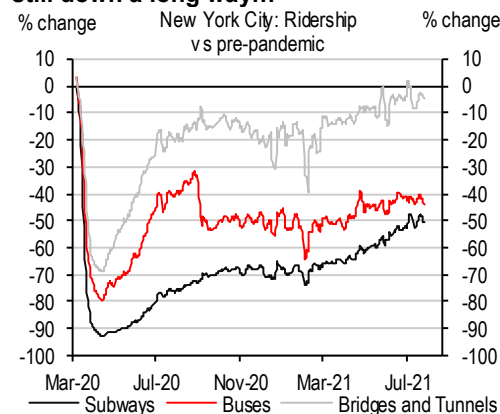
## Are cities returning to normal?

As restrictions ease, workers are starting to (tentatively) return to offices across the world, leisure activities are re-opening and spectators are returning to shows and sporting events in much of the world.

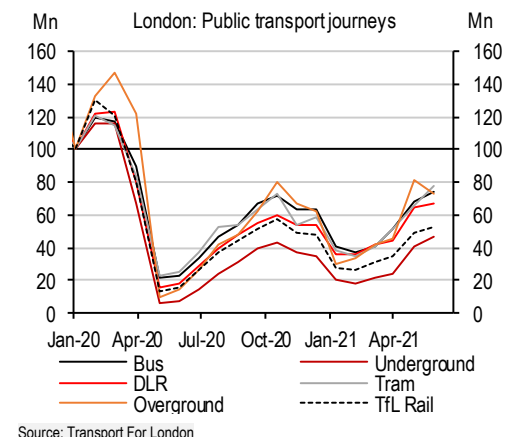
But what is happening to cities, the worst-hit part of economies the world over? The story is complex and varies greatly, depending on where you are and what sort of data you track.

In two of the developed world's biggest cities, home to predominantly service workers – New York and London – the data from public transport providers is still very subdued. In New York, MTA data show that subway traffic is still running at half of pre-pandemic volumes, while things look similar in London. In both, the trajectory may be up, but remains some way below pre-pandemic figures. Whether they continue their progression will have a big influence on the businesses that rely on office footfall – cafes, restaurants, bars, and travel providers themselves. Given that multiple surveys<sup>1</sup> suggest that most professional workers would prefer to work remotely 2-3 days a week, the chances of these numbers returning to 'normal' are unlikely, particularly during weekday rush hours.

### 1. In New York, public transport usage is still down a long way...



### 2. ...and in London, too, across all forms



Data from the café chain Pret a Manger, as cited by Bloomberg<sup>2</sup>, are one way of tracking this. Sales in City of London and Canary Wharf haven't picked up much after the full relaxation of restrictions, whilst in the city's suburbs, sales are strong, benefitting from workers at home still popping out for coffees and lunches.

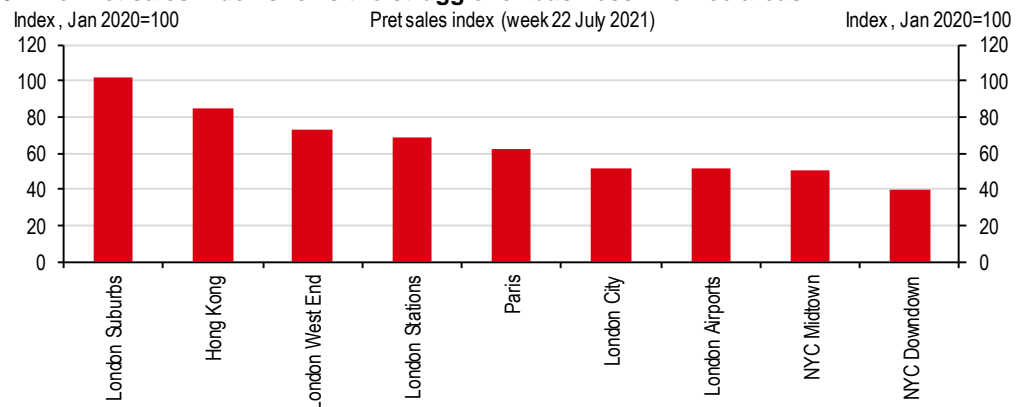
<sup>1</sup> Such as Covid-19 and Working from Home Survey, Strathclyde University, 24 March 2021

<sup>2</sup> Bloomberg Pret Index, latest update at: London Lags New York, Paris Despite Reopening, Bloomberg, 27 July 2021

In Manhattan, where commuting times can be long, many people have chosen to continue working from home. Others have moved out to the suburbs or to new states. As such Pret sales in downtown NYC are only back up to just over a third of pre-pandemic levels – a slower recovery than London’s financial districts.

In Paris, where the government has been encouraging the return to offices, Pret’s sales have rebounded to over 70% of pre-pandemic levels. Meanwhile Hong Kong is almost back to ‘normal’, with sales back to 85% of pre-pandemic levels. These numbers fit with the broader Google Mobility data, that suggest that office attendance is still down about 50% in London, New York and Paris.

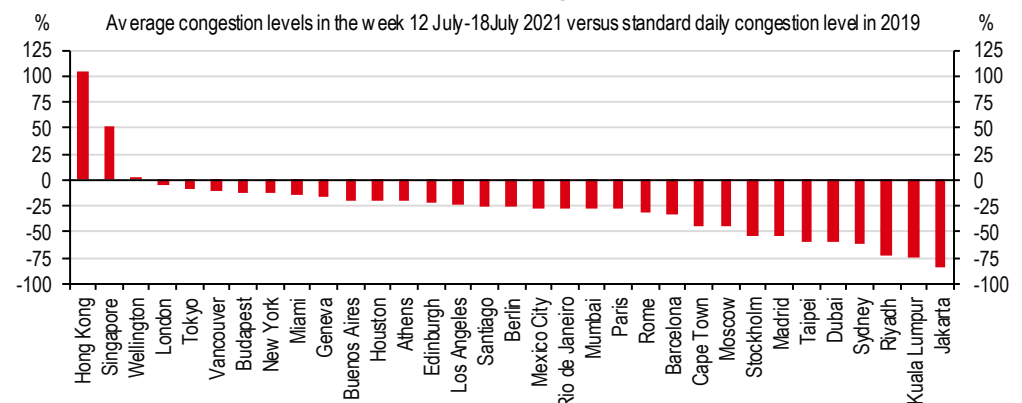
### 3. The Pret sales index shows the struggle for business in office areas



Source: Bloomberg

So while office workers aren’t coming back yet, that’s not to say that people aren’t travelling in cities at all. Data from TomTom, which measures urban congestion, show that many cities across the world are seeing a return to pre-pandemic levels of traffic. Whilst that may be good news for businesses that rely on that footfall, it’s bad news longer term if public transport usage is replaced by more private transportation. Congestion and pollution are two of the biggest issues cities face over the coming years.

### 4. Cities across the world are seeing lower levels of congestion than pre pandemic – but closer to normal levels than public transport usage

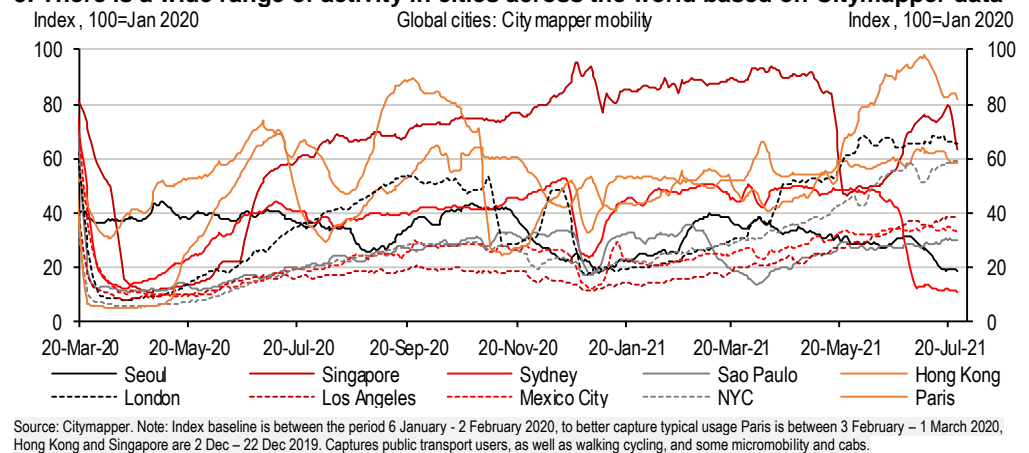


Source: TomTom

There’s a clear divergence though, with those economies with tightened restrictions seeing a sharp drop in mobility – and those without restrictions in place seeing a very clear rotation into private travel. In Hong Kong, whilst road congestion is double 2019 levels, MTR usage in June was still 10-15% below the same month in 2019.

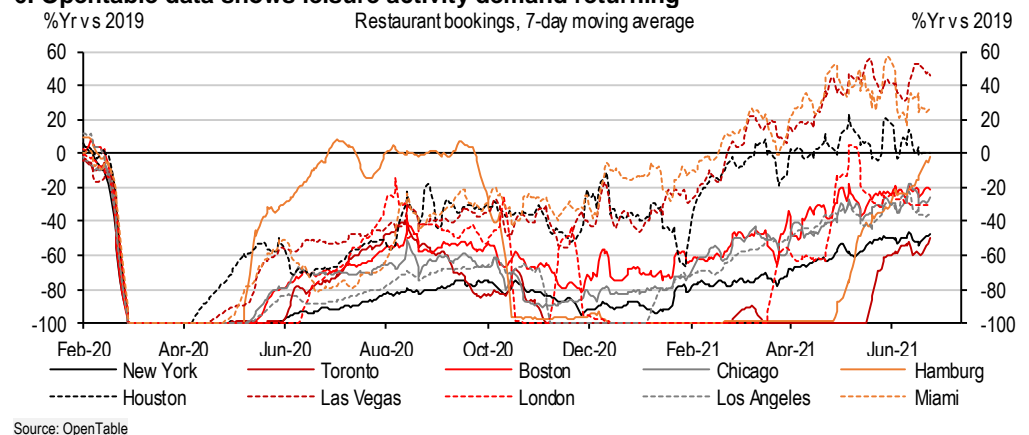
And whilst we don't get the same detailed data in terms of use numbers for every city in the world, what we can see is the much lower number of users for services such as Citymapper, where users check the best route across a city – using public transport, micromobility or on foot. These figures are still some way below pre-pandemic levels in much of the world – with the various lockdowns in different cities very visible – most recently in Sydney.

#### 5. There is a wide range of activity in cities across the world based on Citymapper data



But while people may not be travelling as much on public transport – largely reflecting white collar workers staying remote – there is a sense of leisure in cities returning much more quickly. Opentable's bookings data, which tracks the number of diners, has soared in most cities as they have re-opened. The figures lag in the likes of London, New York and Toronto, where restrictions have only recently been eased – but they have picked up strongly in Miami and Houston, US states where restrictions came off much earlier. It's worth noting that these data could be distorted by the need to book tables due to capacity constraints, but nonetheless, they show a clear return to cities for leisure purposes.

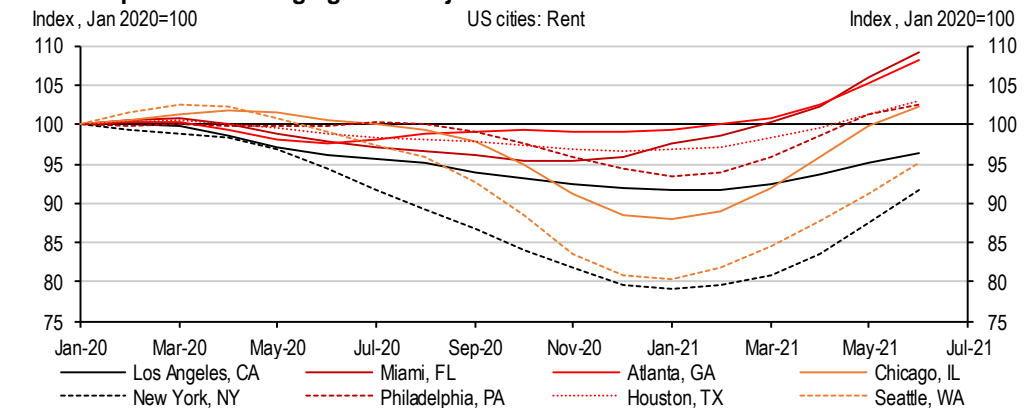
#### 6. Opentable data shows leisure activity demand returning



It also seems clear that people are returning to cities to live, too. In the biggest cities in the US, where we get timely data from Apartment List, we can see rents rising sharply. Whilst New York is lagging still, with rents nearly 10% below January 2020 levels, we can see rents in Atlanta, Miami and Chicago all back above prices back then. This could pose some upside pressure to rental CPI in the coming months, particularly if this demand keeps increasing as more activities open up in big cities.

In the UK, Zoopla has reported<sup>3</sup> rental demand rising quickly in cities as restrictions have eased, but rental costs are still down nearly 10% in London from pre-pandemic levels and are still down (albeit by much less) in other major cities such as Leeds, Manchester and Edinburgh, where the attractiveness of cities has been reduced by restrictions. But now, with rental bargains available and employment holding up better than expected, demand is up in these areas, which could lead to a continued rise in urban mobility levels.

### 7. Rental prices are rising again in major US cities

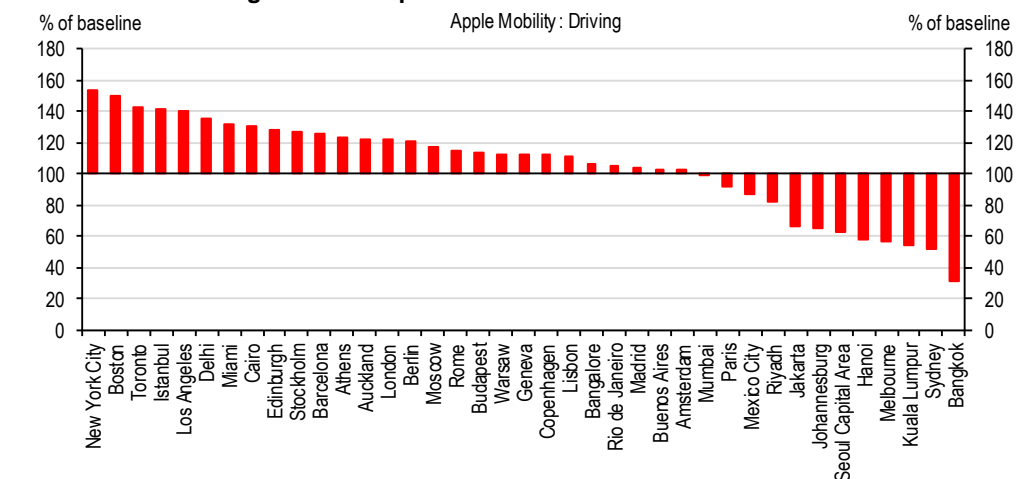


Source: Apartment List

## Across the world

There are a few key standouts from the data. First, it is clear where restrictions have been put in place in countries and where they have been removed. Chart 8 shows the Apple Mobility driving data – which track the number of requests for journeys using Apple Maps – and show the collapse in the likes of Bangkok, Sydney and Kuala Lumpur, while North American cities are seeing plenty of traffic.

### 8. The divide in driving shows the split between lockdowns and not

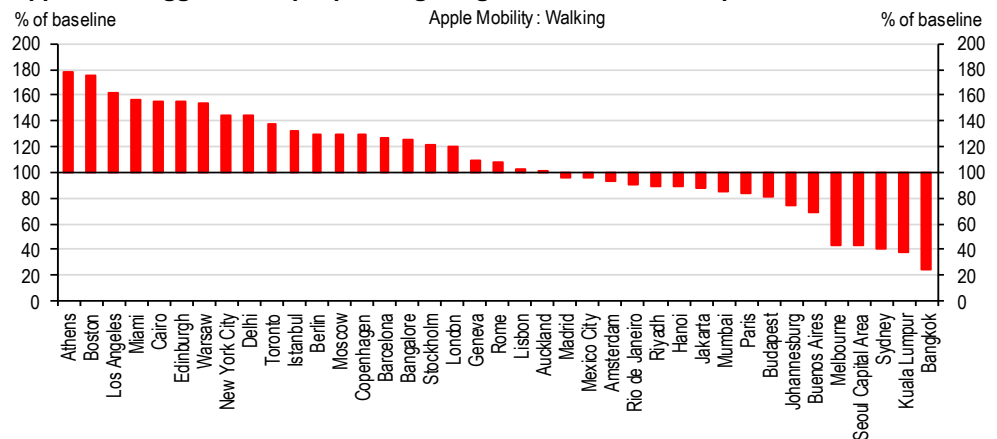


Source: Apple Mobility Reports

The same data is available for walking, too, and whilst there is a relatively similar pattern, there is a clear pick-up in some European cities – notably Athens, Edinburgh and Warsaw – as people are walking much more than pre-pandemic. It is worth noting, however, that because these data are not seasonally adjusted, much of this could be a weather effect.

<sup>3</sup> Renters return to city centres as lockdown restrictions ease, Zoopla, 27 May 2021

### 9. Apple data suggest more people are getting about on foot where possible

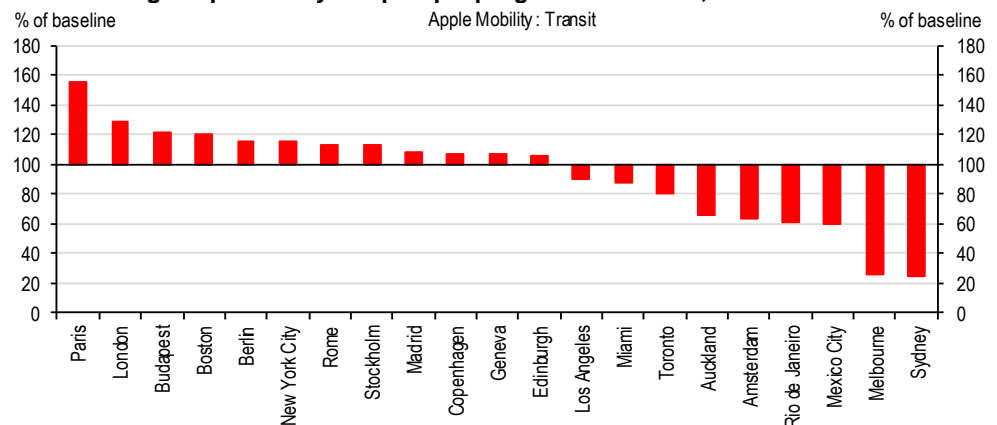


Source: Apple Mobility Reports

Equally, given the different sizes and natures of cities, the possibility for walking (and cycling) to make up a large share of mobility will vary. It's much more likely that smaller cities, with favourable climates see these figures rise more quickly as an alternative to cars, trains and buses.

Second, in terms of public transport – we are seeing a pick-up in the number of requests in much of the world. Whilst this may seem odd – given that London and New York are seeing lower passenger numbers than normal – this could be as a result of the type of journeys people are making. If journeys are simply for commuting purposes, that is unlikely to flag in the Apple data – as people know the route they take every day. Instead, if people are looking for the best route to a leisure activity or restaurant, that would flag here, and so that may explain the strong readings in the likes of London, Paris and New York as the cities re-open.

### 10. Transit usage requests may be up as people go to restaurants, not offices



Source: Apple Mobility Reports

Across the combination of data from both Apple and Google, it's clear that many of the world's biggest cities are not be fully back to normal, particularly in Asia where the virus is still rampant. But in North America and Europe, cities are coming back strongly in terms of overall activity.

Overall, cities are coming back to life, but slowly. It appears that it's private transport and recreation that are recovering more quickly than workplaces and public transportation – and if that trend continues it could create some headaches – both in terms of congestion and the viability of many businesses that rely on that worker footfall. These data will be worth tracking to see how cities emerge from the pandemic and what it means for their futures.

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