

# Europe COVID-19 tracker

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Economics - Europe

## Cross Channel divide

- ◆ The COVID-19 situation in Europe has further stabilised
- ◆ While the outlook for a rather unperturbed autumn and a strong labour market has lifted consumer confidence on the Continent...
- ◆ ...the energy crisis in the UK and the ongoing global supply chain disruptions suggest a less stable outlook

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### **New infection numbers eased again and ICU numbers remain moderately low**

Europe remains rather resilient to the global Delta-variant spread as new infection numbers have dropped again this week in almost all countries except the UK (chart 1,2). Moreover, both ICU and death rates lie far below the previous peaks even though case numbers have been elevated for some time now (charts 3,4). It seems that the strong roll-out of vaccines until June has helped the Continent to prevent the worst (chart 5). However, vaccination progress has slowed down markedly since June, despite the fact that Spain is the only European country to have met the 70% minimum threshold for herd immunity through vaccination so far (charts 6,7). Given the uptick in case numbers since July was clearly driven by unvaccinated under 14 year olds, the more vulnerable elderly population seem to currently enjoy a relatively high level of protection in light of their much lower new infection numbers (charts 8,9).

### **While European consumers are beginning to prepare for a return to normal...**

With remaining restrictions being gradually lifted across Europe - particularly in Scandinavia - the stage seems set for a return to normal during autumn (charts 10-15). This might have contributed to the rather upbeat consumer confidence surveys in September, which reached a new record high in Italy by the ISTAT measure, while both the German GfK as well as the French INSEE index also surprised to the upside (charts 16-18). As the breakdown of the latter showed, the strong rebound in labour markets played an important role in this respect, too. This is underlined by the German Ifo employment barometer, which went up for the third consecutive month in September, thus further crawling towards its all-time high from August 2018 (chart 19).

### **...UK consumers and European businesses still feel the pandemic's breath**

But there was not a positive mood swing everywhere in September, as e.g. the UK GfK consumer sentiment plunged heavily to -13pts (chart 20). After the threat of significantly rising gas prices already unsettled consumers in early September (chart 21), the shortage of lorry drivers resulted in a severe petrol crisis, with many gasoline stations running out of fuel. In fact, UK gasoline prices have already reached five-year highs and are thus weighing on consumer purchasing power (chart 22).

Increasing costs for raw materials is also still an issue for businesses across Europe, as underlined by the latest import price developments in Germany (chart 23). Therefore, the rather disappointing September flash PMIs could be partly explained by that phenomenon (charts 24,25). And although overall business sentiment in the eurozone remains constructive (chart 26), the supply chain disruptions are still substantial as the latest German car production numbers indicate (chart 27).

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

### **Disclosures & Disclaimer**

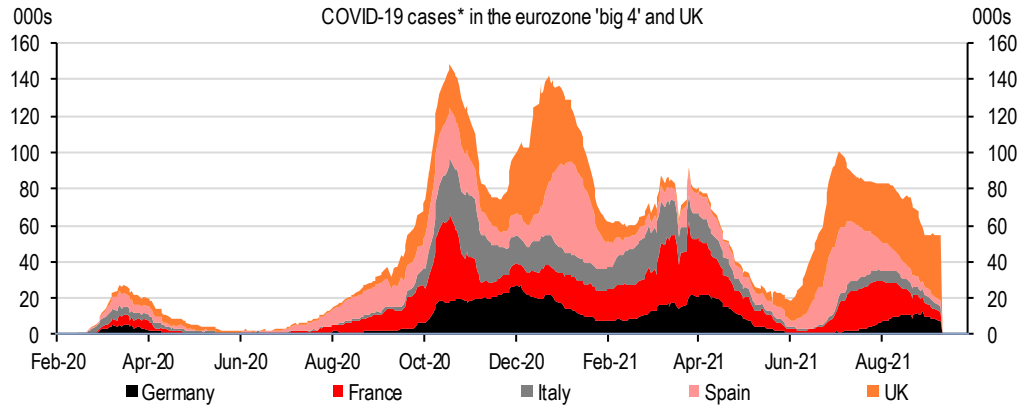
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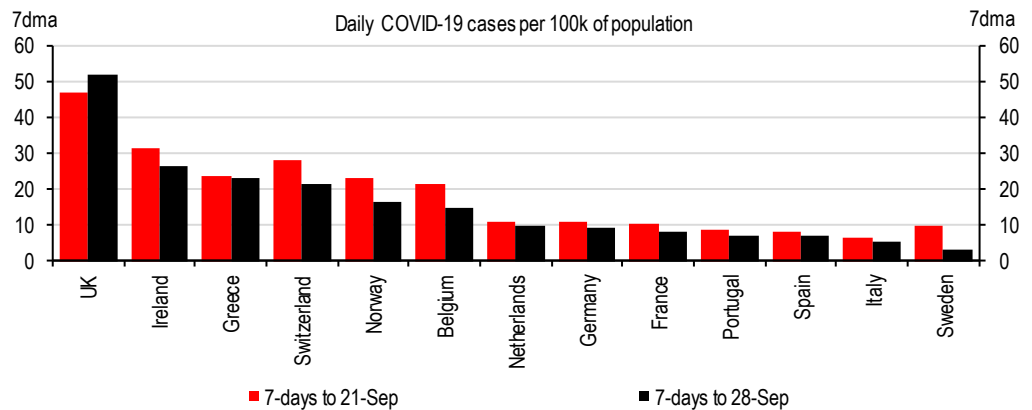
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## Apart from the UK, the COVID-19 situation improved last week

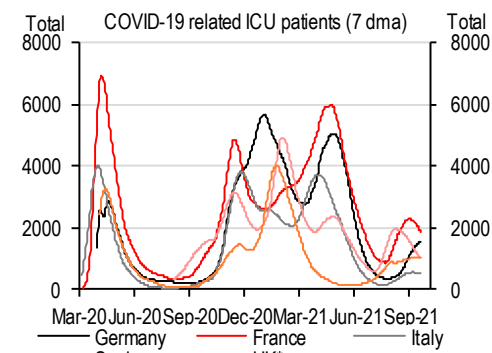
### 1. The UK was the negative outlier last week...



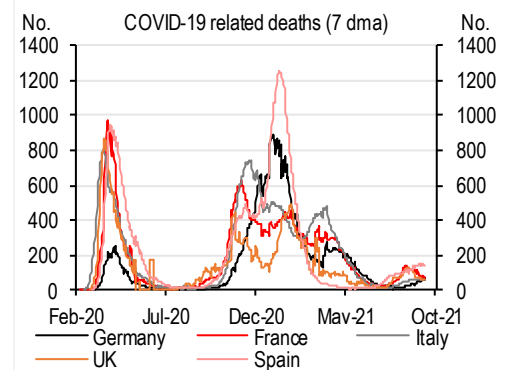
### 2. ...as it was the only country with increasing new COVID-19 infections



### 3. ICU numbers remain comparably low throughout Europe...



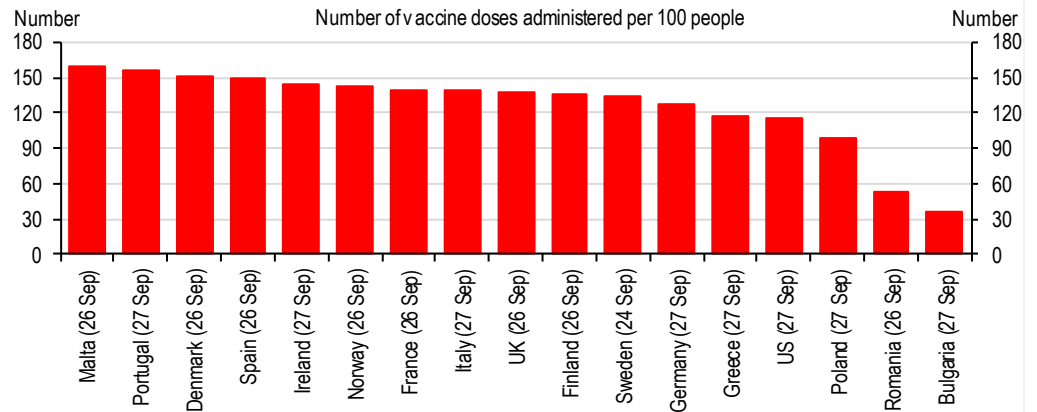
### 4. ...which keeps mortality rates under control as well



We acknowledge the assistance of Yash Dewan, HSBC Bank plc, in the preparation of this report.

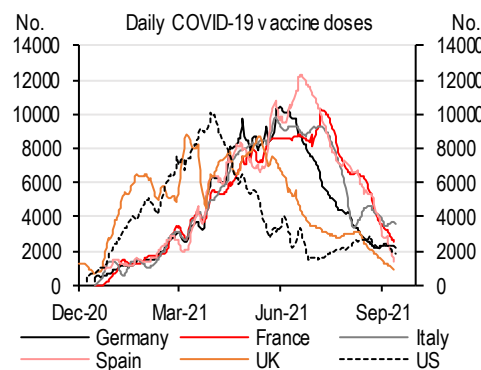
## Despite stagnating vaccination progress, case numbers stabilise

### 5. EU countries and the UK have a rather high degree of vaccination protection...



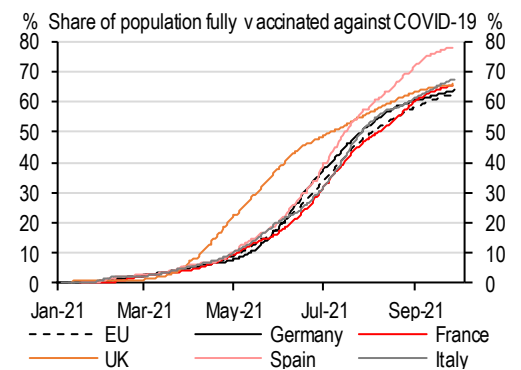
Source: Our World in Data, HSBC.

### 6. ...which partly explains the still declining vaccination rollout lately



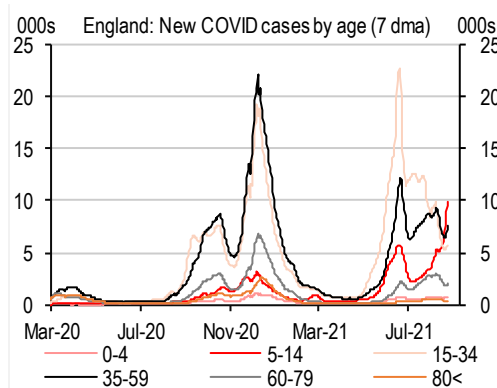
Source: Our World in Data, HSBC.

### 7. However, herd immunity is not reached in almost any European country except Spain



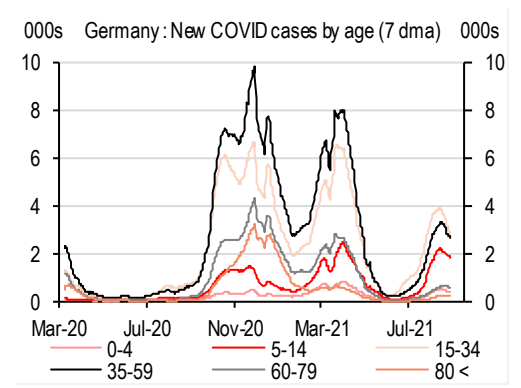
Source: Macrobond HSBC.

### 8. Non-vaccinated children seem to be driving the latest uptick in the UK, ...



Source: UK government HSBC

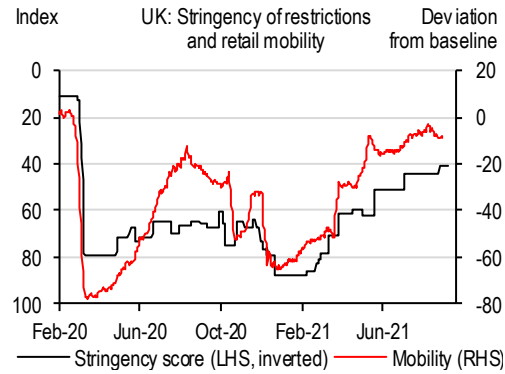
### 9. ...which chimes well with the situation in Germany



Source: Macrobond, HSBC

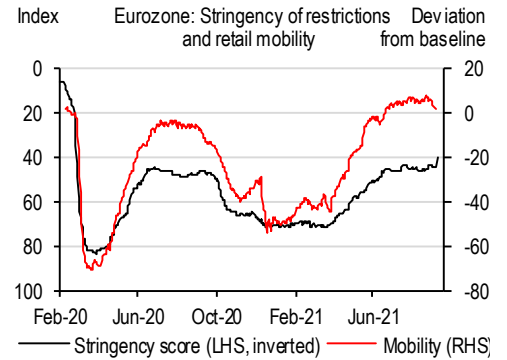
## While restrictions have further eased, activity has not bounced lately

### 10. UK mobility remains muted despite restrictions being almost entirely lifted,...



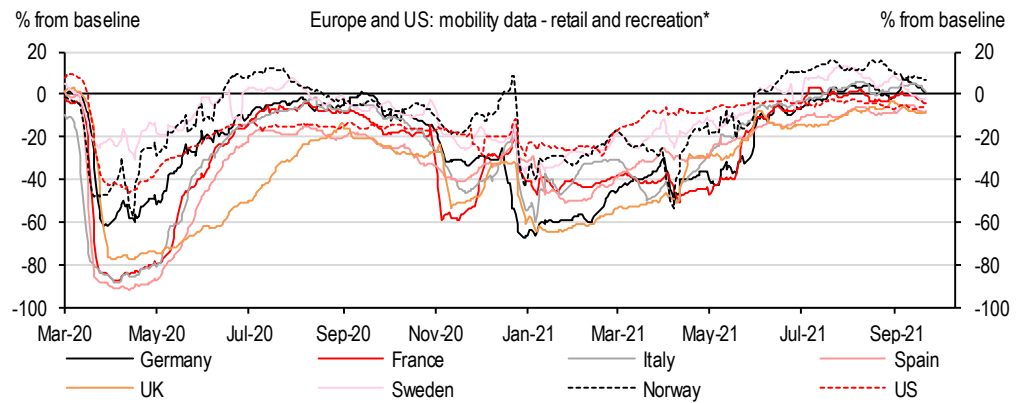
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC.

### 11. ...and it has even gone down in the eurozone lately



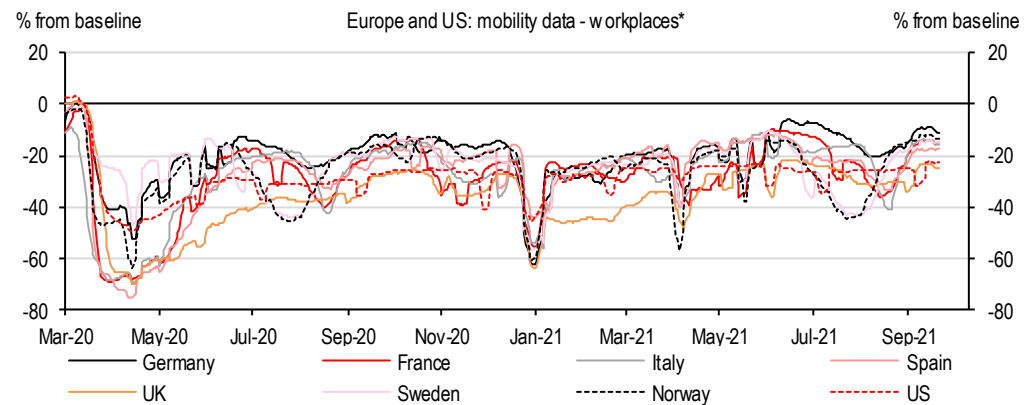
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC

### 12. Overall, the end of summer has dragged down mobility in many European countries...



Source: Google, HSBC. Note: \*7-day moving average.

### 13. ...with workplace mobility being particularly low compared to pre-crisis levels



Source: Google, HSBC. Note: \*7-day moving average.

## All quiet on the restrictions front

### 14. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>To speed up the stalling vaccination campaign, Chancellor Merkel and the heads of the federal states on 10 August took actions to overhaul the outdated COVID-19 regulations and incentivise the take-up of vaccines. To this end, a so-called 3G-rule (3G: "geimpft, genesen, getestet" – "vaccinated, recovered, tested") was implemented. Starting from 23 August, unvaccinated people (except children) are thus required to present a negative Corona test for indoor activities (e.g. restaurants, services, events, etc.). Moreover, from 11 October, tests will no longer be free of charge except for people who are medically not advised to get a vaccine shot (e.g. children, adolescents, or pregnant women). The 3G-rule will be reviewed every four weeks. But each federal state can decide on its own whether to suspend the 3G-rule in whole or partly as long as the 7-day incidence in a district is below 35 new infections per 100k inhabitants or the indicator system of the Federal state reflects a comparably low incidence and an increase of the number of infections is not to be expected as a consequence of the suspension of the rules. As of 29 September, 322 of the 401 districts exceeded the 35-threshold with 48 above the incidence threshold of 100.</p> <p>The following rules also apply:</p> <ul style="list-style-type: none"> <li>◆ Contact restrictions and curfews no longer apply to vaccinated and recovered persons (those persons are no longer counted at private gatherings).</li> <li>◆ Distance and hygiene regulations continue to apply nationwide. This also includes vaccinated or recovered persons.</li> <li>◆ When using public transport or visiting shops, masks of the "KN95 of FFP" standards must be worn. An even stricter rule applies for employees and visitors of nursing homes, who have to wear FFP-2 masks for at least as long as there is not sufficient protection through vaccination.</li> </ul> <p>Restrictions (such as limited number of participants for clubs and parties) are still possible, and hygiene concepts must be presented at sporting events with more than 5,000 spectators. The maximum number of spectators is limited to 25,000.</p> <p>From 1 August 2021, there will be a general obligation to carry a proof of vaccination, recovery or a negative test for COVID-19 when entering Germany (irrespective from where and by which means of transport travellers are entering the country) for persons aged over 12 to avoid quarantine. Vaccinated or recovered persons do not have to be quarantined after returning from a "high-risk area", which is defined as a region with particularly high numbers or where there is "evidence of "dangerous incidence of infection" (e.g. a new virus variant).</p>
France	<p>The government introduced strict additional restrictions at the start of the year, including a stricter curfew and travel restrictions. Full-time lockdowns (including closure of non-essential shops and services and further restrictions on domestic travel) were then put in place in 19 departments on 20 March, then extended to all metropolitan France on 3 April (with schools being closed for between three and four weeks, including the already planned spring holidays).</p> <p>Restrictions have started to be gradually eased since the end of April. Kindergartens and primary schools reopened on 26 April, followed by secondary and high schools on 3 May. All restrictions on domestic travel were also lifted on 3 May. On 19 May, non-essential shops, cultural places (museums, cinemas) and the outdoor part of bars and restaurants partially reopened. Moreover, the start of the curfew was set at 9pm instead of 7pm. On 9 June, gyms and the indoor parts of bars and restaurants reopened. The start of the curfew was delayed to 11pm. The curfew was completely lifted on 20 June. On 30 June, most existing capacity limits (shops, restaurants, gyms, cultural venues) were lifted. Nightclubs reopened on 9 July but with strict protocols (capacity limit of 75% indoors and a required COVID-19 health pass).</p> <p>Due to the rapid spread of the Delta variant, President Macron announced new measures on 12 July to boost vaccination numbers, including mandatory vaccination for health care workers (controls will start to be held on 15 September) and the widening of the scope of activities requiring a COVID-19 health pass (i.e. a proof of vaccination or a negative test). From 21 July, health passes were required for all leisure and cultural places (like museums or cinemas) and from 9 August for bars, restaurants, shopping malls, hospitals and some transports (trains, planes). In addition, PCR tests will no longer be free of charge from 15 October (unless obtained with a medical prescription).</p> <p>Local restrictions (including a renewed curfew) were announced on 12 July for the overseas territories of Martinique and Réunion Island. Later in July, several coastal departments (Pyrénées-Orientales, Corsica, Charentes-Maritimes and Gironde) implemented renewed local restriction measures (like mandatory mask wearing outdoors, early closures of bars and restaurants, and restriction on outdoor gatherings). More recently, a full lockdown has been implemented in some overseas territories (on 9 August for Martinique and 11 August for Guadeloupe).</p> <p>Primary, secondary and high schools reopened on 2 September with 100% of physical attendance but with the maintain of strict protocols (frequent testing, mask wearing, limitation of interactions, restriction on some indoor activities). In primary schools, the detection of one COVID-19 case in a classroom will lead to its closure for 7 days (with lessons being held on distance). For secondary and high schools, in the same situation, vaccinated pupils will be authorised to continue to attend lessons physically.</p>
Spain	<p>On 9 May, the state of emergency expired and was not extended by the government. With that, the nationwide curfew also came to an end, even though it remains in place in some cities in Andalusia (2-7am), Catalonia, Valencia Community, and Navarra (1-6am). The freedom to travel across regions has been re-established, with no regions maintaining the external border closure in place (even though regions are still imposing travel restrictions in and out of specific areas within the regions). From 6 June, Spain also eased its facemask rules, making masks no longer necessary in outdoor settings where social distancing is observed. Most regions still impose limitations in terms of the maximum number of people allowed for gatherings. Some regions have already introduced a 'green pass' requirement for entering cultural and sports events, and some are considering also for restaurants and bars.</p> <p>Specific restrictions on nightlife and opening time of bars and restaurants remain in place at the regional level, and some were tightened over the summer following renewed COVID-19 infections. For example, Aragon brought forward the closing time of clubs to 12:30am, and Asturias and Navarra to 1am. In Catalonia, all non-essential activities, including bars, must close by 12:30am and social gatherings must be capped at 10 people. In the Madrid region and Andalusia, restaurants have to close at 1am, and bars and clubs can remain open until 2am and 3am, respectively. Spain's external frontier remains open. For entry, a proof of vaccination or a negative COVID-19 test is required.</p>

Source: Country data, HSBC

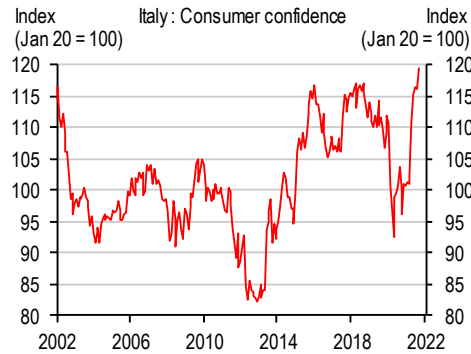
## 15. Latest on the restrictions from the major European countries (cont'd)

Country	Latest lockdown measures
Italy	<p>Currently, all the Italian territory is in the 'white' category with hardly any restrictions (other than obligatory mask wearing indoors – since 28 June, masks are no longer required outdoors – and some social distancing requirements) although the press has been speculating that some regions might move back in the 'yellow' category with limited restrictions applying in the coming weeks due to the rising number of COVID-19 cases (La Repubblica, 6 August).</p> <p>The government has introduced a 'green pass' requirement (full vaccination or negative COVID-19 test) to go into restaurants and bars (indoors), theatres, cinemas public transport, as well as some outdoors venues, and attend concerts and sporting events. The government has recently announced that from 15 October until the end of the year the 'green pass' will be required for all public and private sector workers, with high penalties for the non-compliant.</p> <p>In the COVID-19 decree approved on 18 May, restrictions were lifted based on the following steps. Primary schools were reopened everywhere (up to 13 years of age) while high school attendance is set at between 50% and 100%. Outdoor restaurants, cinemas and theatres and museums have already been allowed to reopen (for restaurants, both for lunch and dinner). There are no more limits for the number of people in restaurants outdoors. From 22 May, shopping centres were also opened on weekends and ski resorts were allowed to reopen (although the ski season is basically over). From 24 May, gyms were allowed to reopen. and from 1 June, indoor restaurants. From 15 June, theme parks and museums reopened, and from 1 July, indoor swimming pools, sport halls, trade exhibitions and congresses. However, the opening of clubs has been pushed back with no reopening date communicated as of yet.</p> <p>From 19 May, the curfew has been delayed from 10pm to 11pm (still until 5am). It was then delayed further from 12pm from 7 June and abolished altogether on 21 June. From 28 June, wearing masks outdoors is no longer required (it still is for indoor gatherings, though). Home visits to relatives and friends remain permitted once a day, up to a maximum of four people (in addition to the residents). As for international travel, people arriving from the EU no longer have to quarantine, but they will be required to show a negative COVID-19 test undertaken within 48 hours before departure (unless fully vaccinated). For the UK, the government introduced a special 5-day quarantine requirement.</p>
UK	<p>Having been in lockdown through the first quarter of the year, the UK economy has now largely reopened. The delayed final step for England, which saw the government removing "all legal limits on social contact", including opening nightclubs, removing social distancing requirements for hospitality and ending mandatory mask wearing, was taken on 19 July. As of 16 August, those who have received both doses of the vaccine and those who are under 18 no longer need to self-isolate after coming into contact with someone who has tested positive.</p> <p>In September, the English government said it would not be going ahead with plans for a 'vaccine passport' to enter nightclubs, and announced plans to start vaccinating 12-15 year olds from 22 September, and deliver a booster vaccine programme for adults over 50. However, it also warned that it might have to reintroduce mask wearing and the recommendation to work from home, if the COVID-19 situation worsened.</p> <p>For the rest of the UK, plans for further lifting of restrictions vary by country. For Scotland, the 'final' easing of restrictions, akin to that already taken in England, took place on 9 August, but First Minister Nicola Sturgeon warned on 24 August that some restrictions might have to be re-imposed, and launched a vaccine passport scheme for nightclubs and other venues, which will take effect from 1 October. In Wales, social distancing was lifted on 7 August, but working from home is still recommended, mask wearing is still mandatory and a vaccine passport system will come into play from 11 October. In Northern Ireland, a further stage of reopening took effect on 16 August, but limits and mask wearing will remain in place.</p> <p>New travel rules were announced on 17 September, which divides arrivals into two groups – 'red list' and the rest of the world. Under the new system, entry into the UK from a 'red list' of around 54 countries, including South Africa and Brazil, remains banned to non-UK or Irish nationals. As of 15 February, for those who cannot be refused entry from these countries – i.e. returning British or Irish nationals – a mandatory 10-day quarantine in government-approved accommodation applies. But for the rest of the world, the quarantine requirement has been removed for arrivals, and fully vaccinated passengers arriving in England will be able to replace day 2 PCR tests with cheaper lateral flow tests – from the end of October – and no longer need to take pre-departure tests (PDTs). For those arriving into Scotland and Northern Ireland, PDTs and day 2 PCRs will still be required. The Welsh government is considering its position.</p>

Source: Country data, HSBC

## While the mood of EU consumers brightened, UK faced an energy crisis

### 16. Consumer confidence in Italy reached a new record high in September



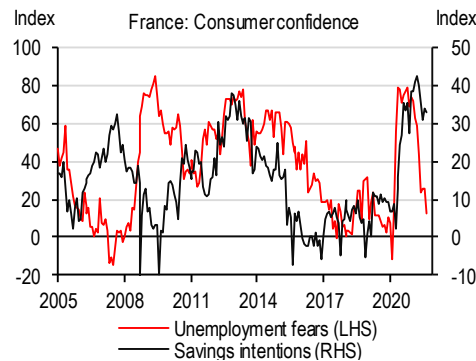
Source: Refinitiv Datastream, HSBC.

### 17. German consumers also looked more optimistic towards the future...



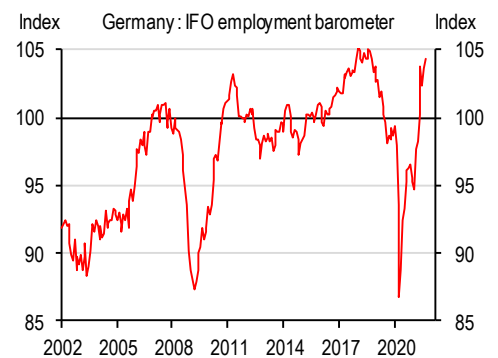
Source: Macrobond, HSBC.

### 18. ...as did the French on the back of a strong labour market situation, ...



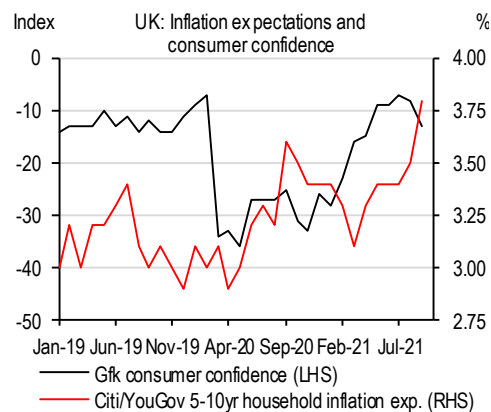
Source: INSEE, HSBC.

### 19. ...which is also very supportive in Germany as firms are increasingly eager to hire people



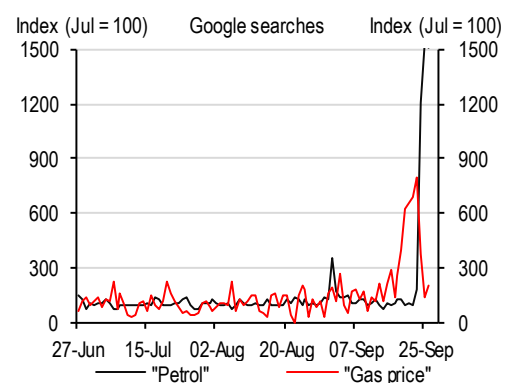
Source: Macrobond, HSBC.

### 20. Meanwhile, UK consumer confidence took a significant blow...



Source: Refinitiv Datastream, YouGov, HSBC

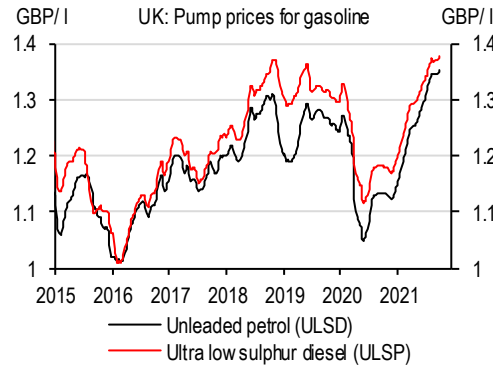
### 21. ...in light of higher gas prices, the shortage of fuel, and empty supermarket shelves



Source: Google, HSBC.

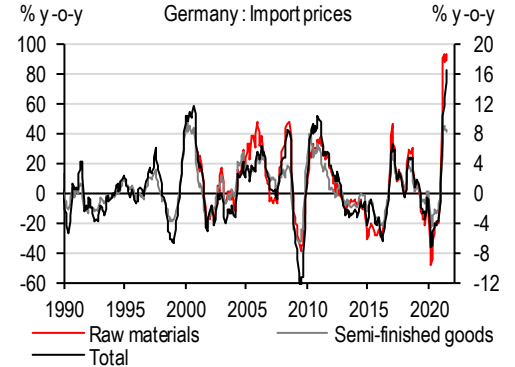
## Supply constraints still weigh on consumers and businesses alike

**22. Fuel prices in the UK have already reached a new five-year high**



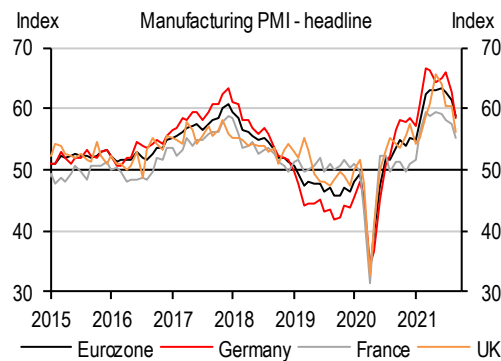
Source: Macrobond, HSBC.

**23. Businesses also continue to feel the pandemic-related supply cost pressures**



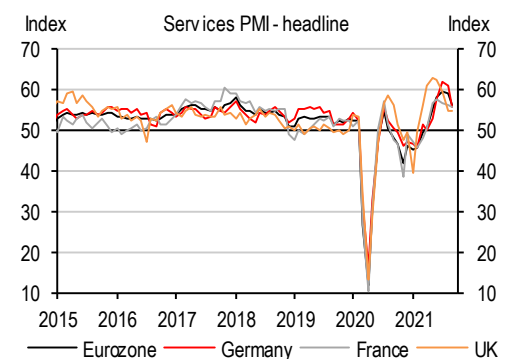
Source: Macrobond, HSBC

**24. The recent drop in the manufacturing flash PMIs might have at least partly contributed to the supply chain issues, ...**



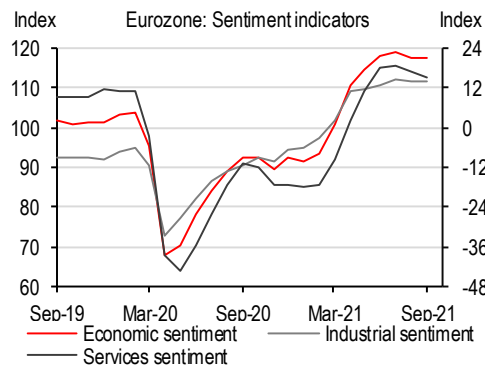
Source: Refinitiv Datastream, HSBC.

**25. ...although the less supply chain dependent businesses in the service sector also became less optimistic**



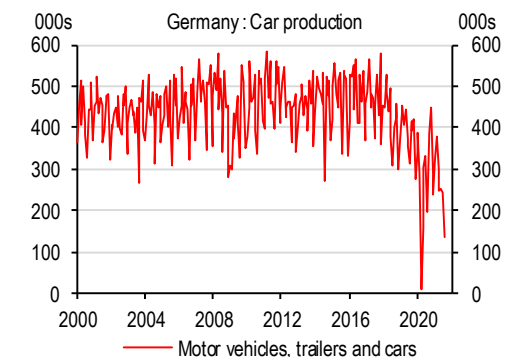
Source: Refinitiv Datastream, HSBC.

**26. While overall business sentiment in the eurozone remains elevated, ...**



Source: Refinitiv Datastream, HSBC

**27. ... the disruptions in the automotive sector are particularly worrying**

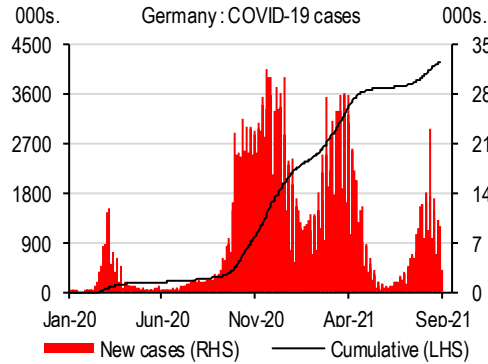


Source: Macrobond, HSBC.



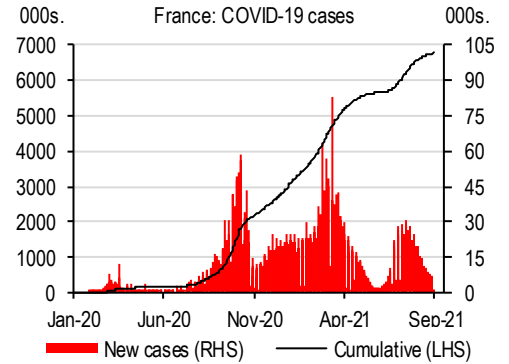
## COVID-19 in Western Europe

**28. New infection numbers continued to gradually decline in the previous week**



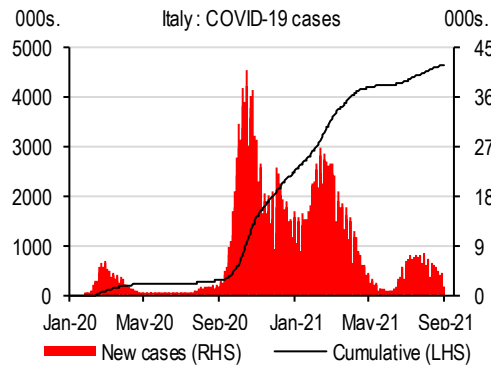
Source: Refinitiv Datastream, HSBC.

**29. France seems to have contained the latest COVID-19 wave**



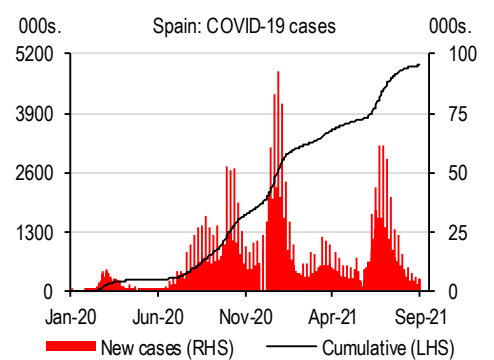
Source: Refinitiv Datastream, HSBC.

**30. The same goes for Italy on an even lower infection level**



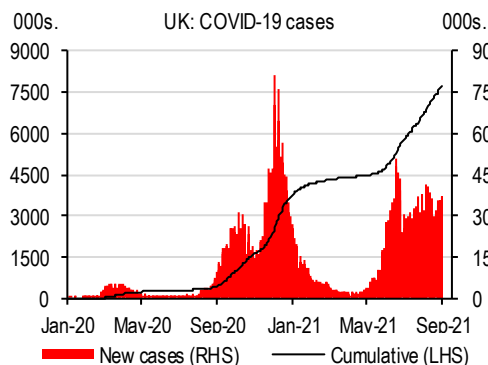
Source: Refinitiv Datastream, HSBC.

**31. Solid progress in Spain's vaccination programme seems to be paying off**



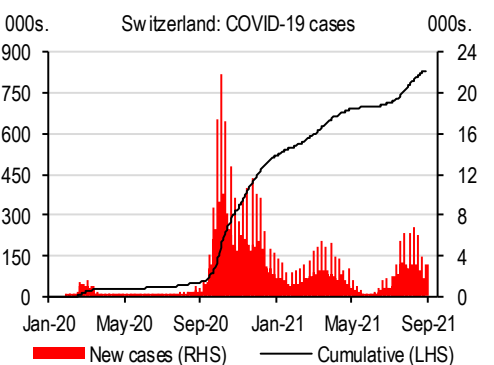
Source: Refinitiv Datastream, HSBC.

**32. UK numbers remain stubbornly high in comparison to the rest of Europe**



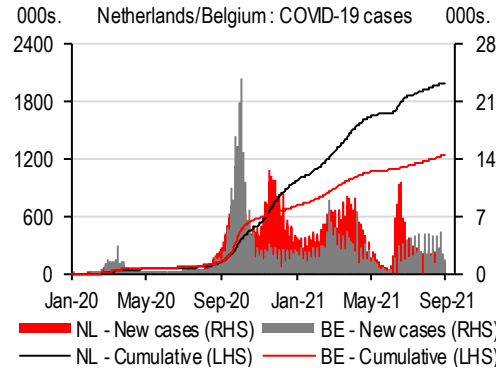
Source: Refinitiv Datastream, HSBC.

**33. Case numbers dropped slightly in Switzerland, but are still comparably high**



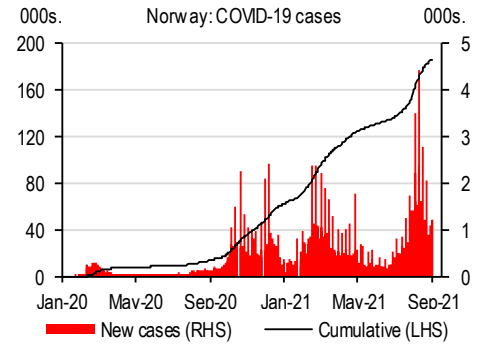
Source: Refinitiv Datastream, HSBC.

**34. In the Low Countries, new infection numbers have stabilised**



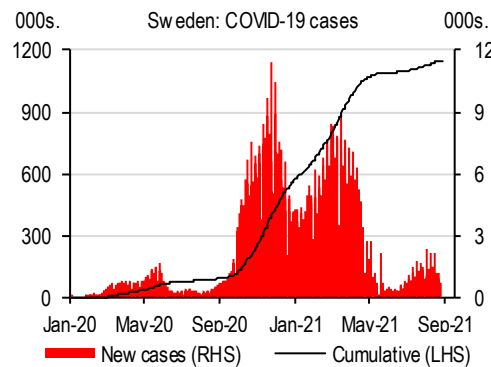
Source: Refinitiv Datastream, HSBC.

**35. Norway seems to have brought the third wave under control**



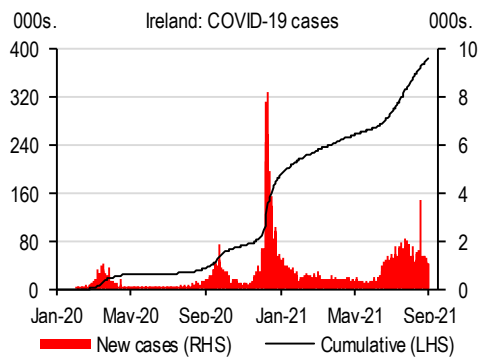
Source: Refinitiv Datastream, HSBC.

**36. Swedish case numbers remain low despite re-openings and the end of summer**



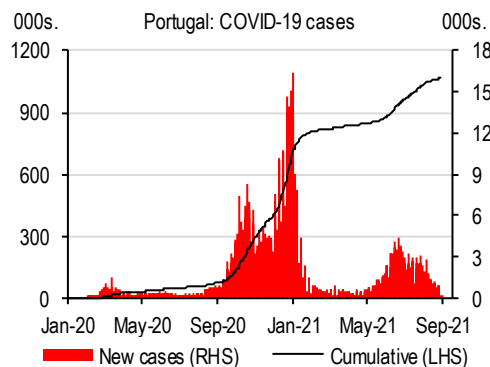
Source: Refinitiv Datastream, HSBC.

**37. Ireland has seen a gradual decline in new infections again**



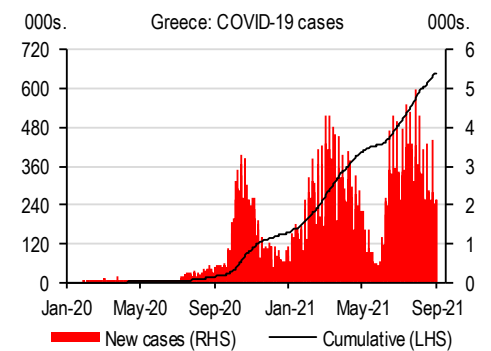
Source: Refinitiv Datastream, HSBC.

**38. In Portugal, the Delta wave seems to be broken for the moment**



Source: Refinitiv Datastream, HSBC.

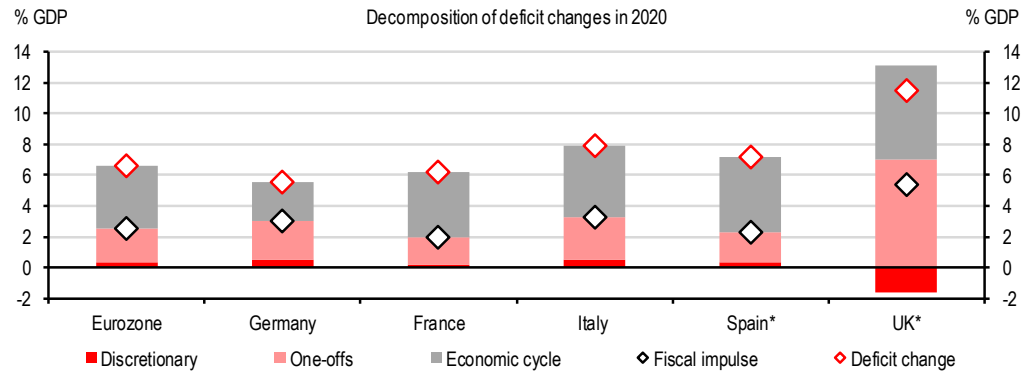
**39. In Greece, the situation has eased, but case numbers are still rather elevated**



Source: Refinitiv Datastream, HSBC.

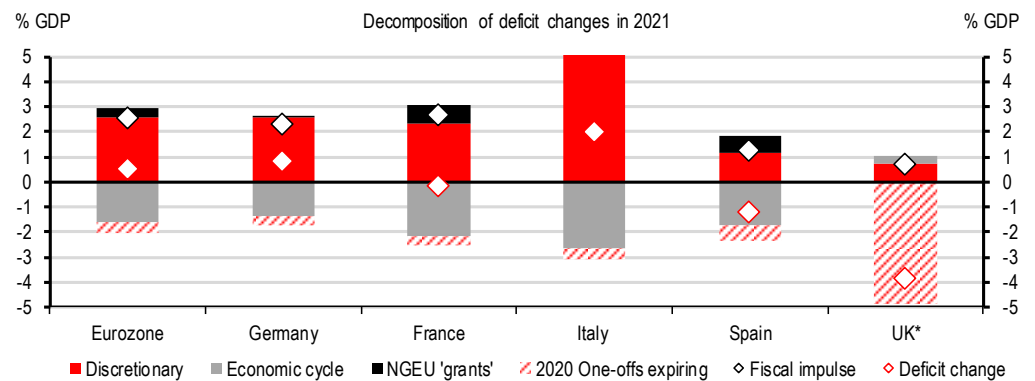
## Fiscal measures (in the Big 4 eurozone countries and the UK)

**40. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved**



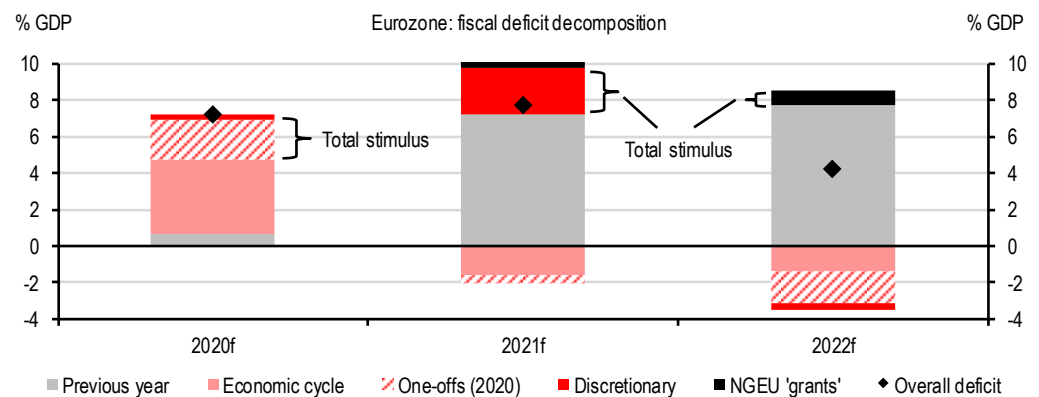
Source: HSBC calculations based on national statistical institutes, Eurostat and European Commission, 2020 budgets and amendments. Notes: \*Refers to fiscal year 2020/21. \*\*Discounting the impact (0.9% of GDP) of the incorporation of 'Sareb' under the public sector. The 'Economic Cycle' component for eurozone countries and the Big 4 includes the 'normal' short-time work compensation schemes but not the extensions and more generous terms agreed in response to the COVID-19 crisis. For the UK, it includes the Job Retention Scheme (JRS).

**41. After the latest significant upward revisions of this year's deficit targets by most eurozone countries, fiscal policy could be even more supportive of growth this year**



Source: HSBC calculations based on national statistical institutes, Eurostat and European Commission, 2020 budgets and amendments. Notes: \*Refers to fiscal year 2020/21. The 'Economic Cycle' component for eurozone countries and the Big 4 includes the 'normal' short-time work compensation schemes but not the extensions and more generous terms agreed in response to the COVID-19 crisis. For the UK, it includes the Job Retention Scheme (JRS).

**42. Fiscal policy should remain expansive in 2022 in the eurozone thanks to the Next Generation EU fund, with countries very much in the mood for spending the windfall gains**



Source: HSBC calculations based on national statistical institutes, Eurostat and European Commission, 2020 budgets and amendments. Notes: The adjusted series takes into account that due to ongoing restrictions at least part of the stimulus implemented last year and this year did not actually feed through into the economy but will only do so once restrictions are lifted.

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