

# Europe COVID-19 tracker

## Riding out the Omicron storm

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Economics - Europe

- ◆ Omicron is still rife in Europe but contained ICU numbers mean governments are preparing to ease restrictions
- ◆ Economic expectations remain upbeat for spring...
- ◆ ...although high inflation could potentially spoil the party

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### **Despite extremely high infection numbers, Europe is trying to move on**

Infections across Europe have broadly stabilised at very high levels, but ICU numbers seem to be past their peak, which is also reflected in relatively moderate death numbers (with the exception of Italy where they rose sharply last week). The Omicron variant still seems to be much more prevalent among younger people and in particular school children, according to data from the UK and Germany. Younger COVID-19 patients that are hospitalised seem less likely to be transferred to the ICU, which means that the pressure on the health systems in Europe has been manageable so far (charts 1-10). In fact, governments in continental Europe seem more willing to follow the UK, which is further into the Omicron wave, and are starting to consider easing restrictions. In the Netherlands, for example, restaurants, cinemas and museums will reopen from 26 January. France will scrap the mandate for remote working and outdoor mask wearing on 2 February. And at the latest COVID-19 summit in Germany, some (though unspecified) easing measures were in the final resolution as Bavaria has already allowed 10k spectators back to sporting events. Hence, governments are now almost completely relying on vaccination to contain the health implications of the Omicron wave – although both initial immunisation as well as booster campaigns are losing steam and in particular younger people still lack vaccine protection (charts 11-15).

### **Businesses remain optimistic despite Omicron and inflation threats**

The prospect of easing restrictions has also contributed to a rather upbeat January PMI print in the manufacturing sector. Meanwhile, the service sector PMIs in both the Eurozone and the UK took a hit from the Omicron-related disruptions but remained in expansionary territory. This perception was underlined by national surveys in France and the German ifo, with the latter indicating an improvement in business expectations across all sectors. As a consequence, labour market prospects also remain very bright in 2022 (charts 21-26). However, not all was well on the economic front with UK retail sales taking a huge dip in December, although they remain way above pre-pandemic levels. UK consumer confidence also fell significantly while it stabilised around fairly low levels in the eurozone. The latter might not be completely surprising given that eurozone inflation reached a new all-time high of 5.0%. Indeed, price pressures might continue to weigh on consumers in the upcoming months as rising energy prices will not only be felt directly but likely also indirectly through second round effects, as indicated by the German PPI data which also soared to record highs in December (charts 27-32).

*This is an abridged version of a report by the same title published on 26-Jan-22. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

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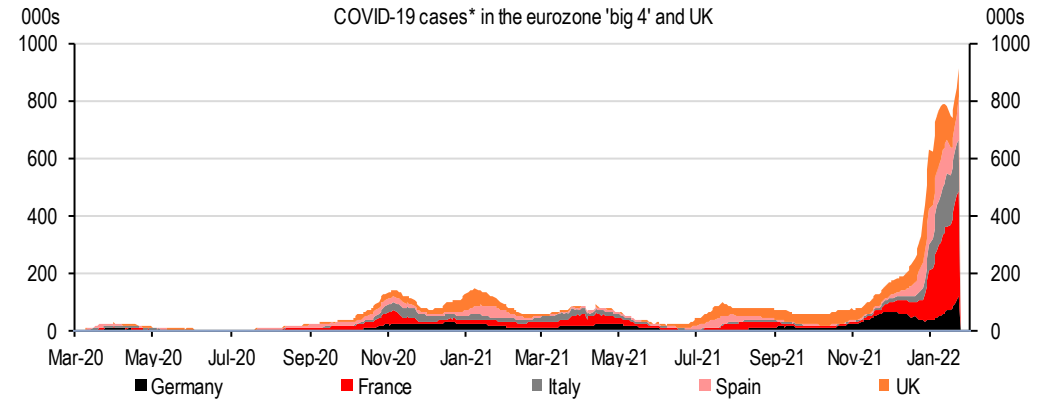
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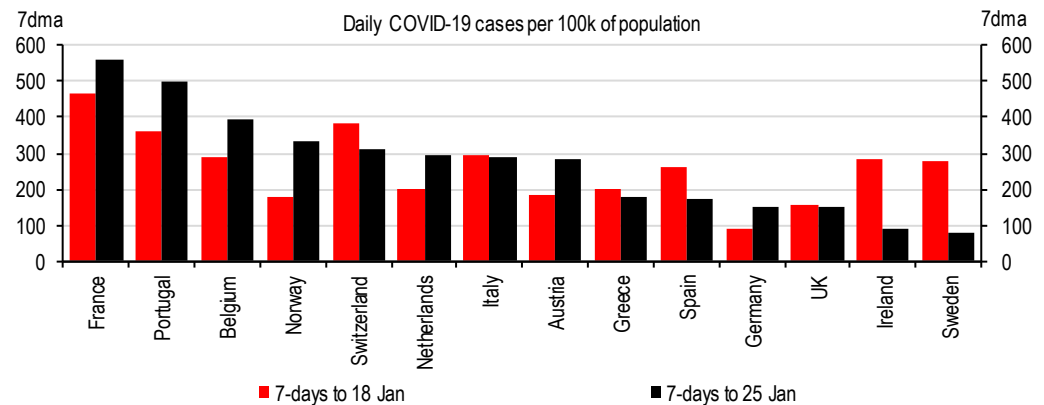
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## Stabilisation but no signs of a downturn in new infections

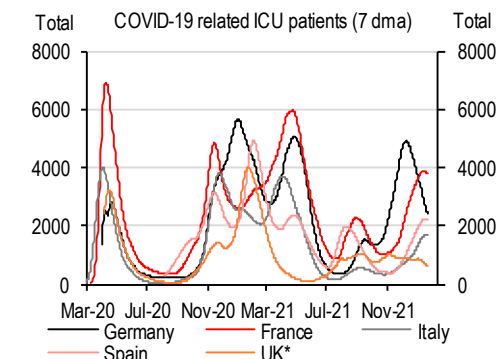
### 1. Other than the in the UK, there is not much of a downturn in infection numbers so far...



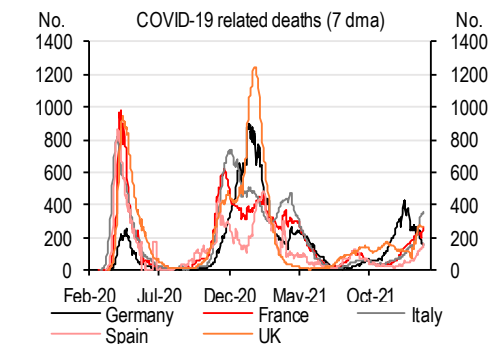
### 2. ...with a slightly mixed picture across countries



### 3. ICU number seem to have peaked in almost all big European countries...



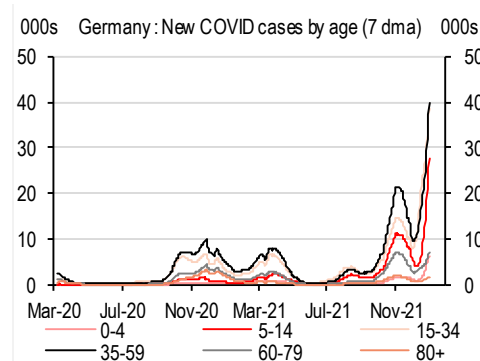
### 4. ...as well as death numbers apart from Italy which has seen an unwelcome rise



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

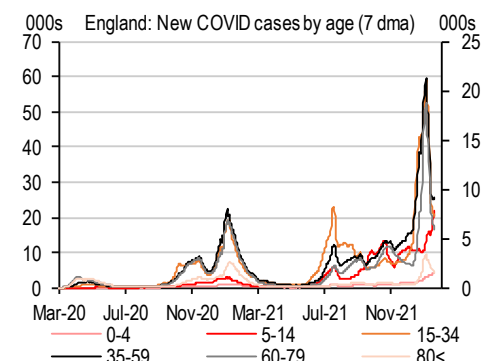
## Omicron cases are younger, making COVID-19 less severe

### 5. Younger age groups seem to be catching Omicron in Germany...



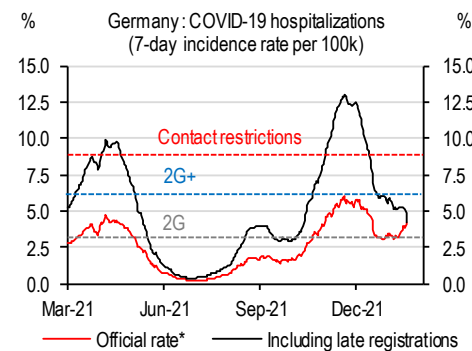
Source: Macrobond, HSBC.

### 6. ...and in the UK, unlike in previous waves



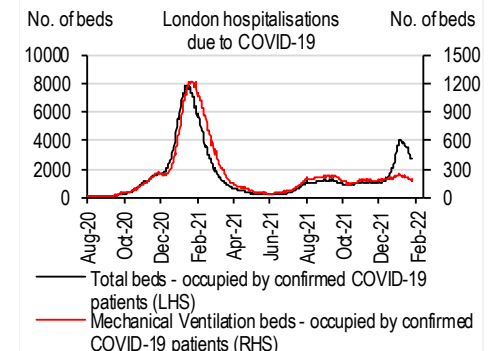
Source: UK government, HSBC.

### 7. Although hospitalisation is rising it remains far below the Delta wave peaks



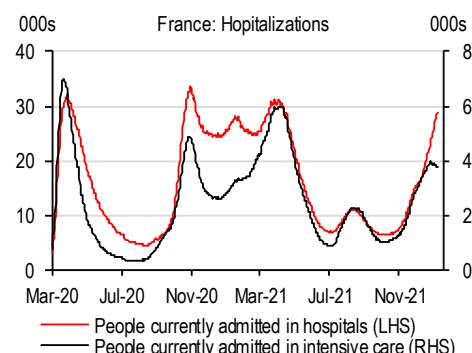
Source: Macrobond, HSBC.

### 8. And in the UK the hospitalisation data already indicate that the wave moderating



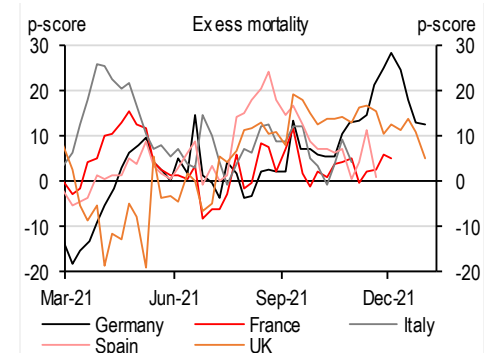
Source: UK government, HSBC.

### 9. Despite rising hospitalisation, French ICU numbers remain relatively low



Source: French government, HSBC.

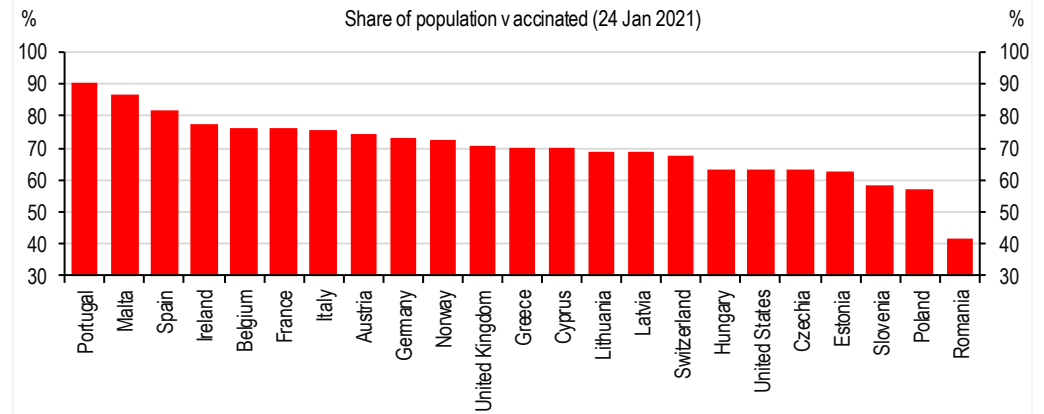
### 10. As a consequence, excess death statistics are beginning to normalise again



Source: Our World in Data, HSBC.

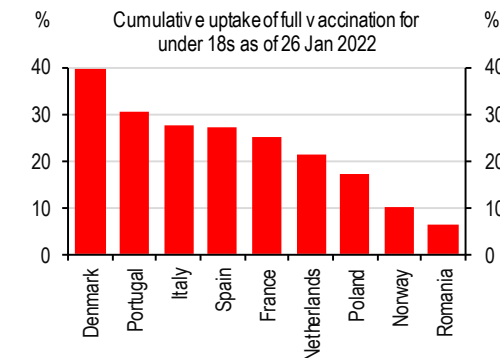
## Substantial vaccination variability remains across Europe

### 11. The overall level of vaccinated people in Europe is not increasing much anymore



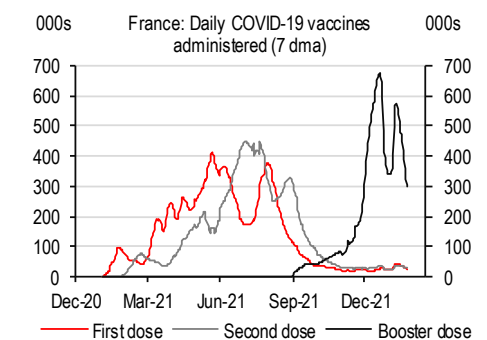
Source: Our World in Data, HSBC.

### 12. In particular amongst young people, the vaccination share remains low



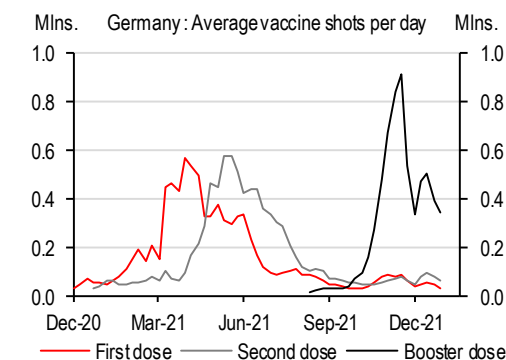
Source: ECDC, HSBC

### 13. For countries focussing on booster shots for the elderly...



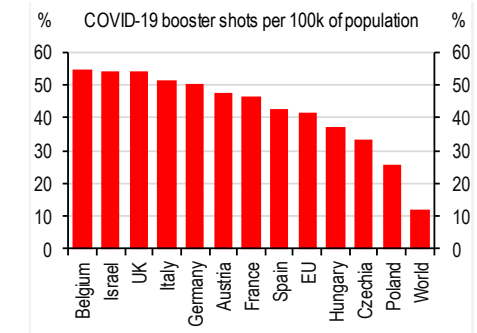
Source: French government, HSBC.

### 14. ...even that campaign is losing steam



Source: Macrobond, HSBC.

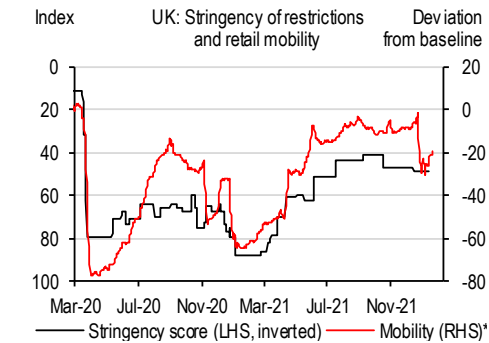
### 15 Overall there is still plenty of room for additional booster shots



Source: Macrobond, HSBC.

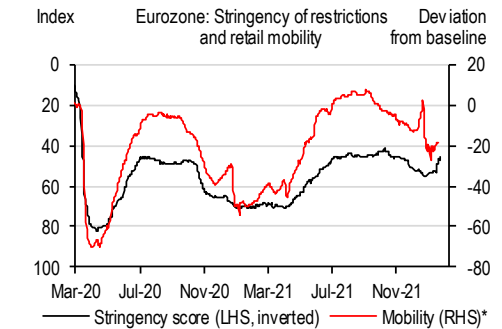
## Omicron has left its mark on activity in Europe

### 16. Since restrictions were lifted, a slight uptick in activity is observable...



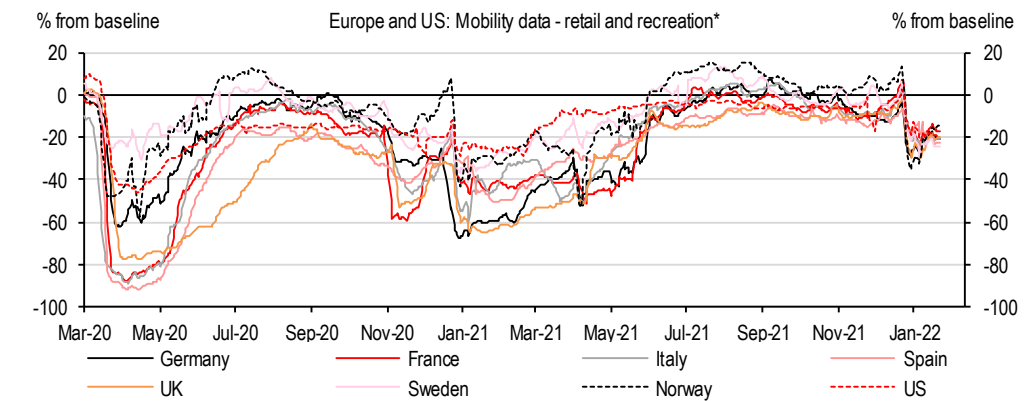
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC  
 Note: \*7-day moving average.

### 17. ...while this is at best only marginally the case in the eurozone



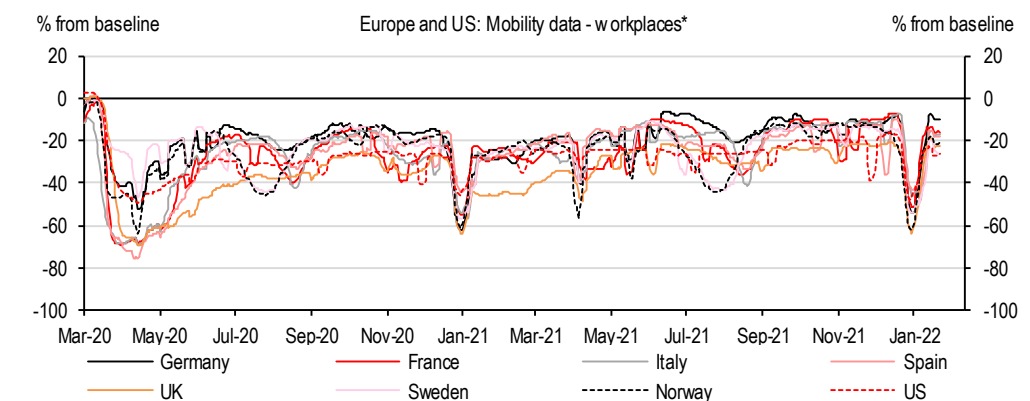
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC  
 Note: \*7-day moving average

### 18. Mobility is still well down with respect to shopping and leisure



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

### 19. Workplace mobility is broadly unchanged over the past few weeks



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

## New restrictions focused on unvaccinated people, UK to re-open

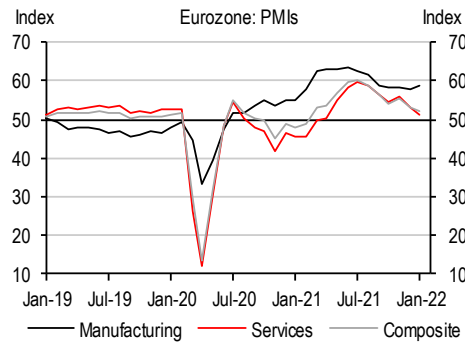
### 20. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>Germany extended all previous restrictions at the latest COVID-19 summit on 24 January. Apart from the general limit of just 10 people (not accounting for children) for private and public meetings irrespective of the COVID-19 situation and the vaccination status, a general banning of spectators from visiting "non-regional" (sporting) events indoors and outdoors and a closure of all dance clubs and potentially bars (though the latter depends on the federal states' local legislation), the so-called 2G+ rule will be applied to the whole gastronomy sector. This means that even fully vaccinated (or recently COVID-19 recovered) people now require a negative test result that is not older than 24 hours to enter a restaurant. However, people who have had a booster shot are exempt from the test mandate. This new regulation thus extends the general nationwide 2G-rule for almost all other activities, including retail shopping or private and public services irrespective of the local COVID-19 situation, and federal states are allowed to selectively apply a 2G+ rule to these sectors as well if the infection situation requires it. Moreover, unvaccinated people are even restricted from meeting with a maximum of two people from different households and need to provide a negative COVID-19 test to use public transport. Since the beginning of the pandemic, indoor mask wearing has been mandatory, including on public transport. More restrictive measures in general could still be applied on a local or federal state level depending on the respective infection situation. All these measures will be in place until at least the next scheduled COVID-19 summit on 16 February.</p>
France	<p>The COVID-19 health pass ("passe sanitaire") introduced in July 2021 to access some (museums, cinemas, bars, restaurants, large shopping malls, hospitals and some long-distance transport such as aeroplanes and trains) has been tightened and converted since 24 January into a vaccine pass ("passe vaccinal") for people aged above 16. This pass may be obtained with a proof of vaccination or recent recovery, but no longer with a negative test. Moreover, since 15 January, a booster is required 7 months after the last dose to maintain the pass. Regarding travel, all non-EU travellers coming to France have to present a negative test, even if they are vaccinated.</p> <p>Conversely, self-isolation rules were loosened on 3 January, due to the sharp rise in COVID-19 cases led by the Omicron variant. For infected people, the length of the isolation period has been cut to 7 days for vaccinated people, against 10 days for unvaccinated people. Besides, vaccinated people in contact with infected people don't have to quarantine if they have a negative test, contrary to unvaccinated people that have to isolate for 7 days.</p> <p>The government unveiled on 20 September a two-step calendar to ease other current restrictions. On 2 February, the mandatory rule on remote working (at least 3 and preferably 4 days per week when possible) will be scrapped (but remote working will remain advised). Mandatory mask wearing outdoors (required in several departments) will also be scrapped. Finally, current limits on large sport and cultural events (2,000 indoor, 5,000 outdoor) will also end, but mask wearing for these events will remain mandatory. On 16 February, night-clubs (closed since 10 December) are set to reopen. Standing concerts will also be allowed again.</p>
Spain	<p>Since May, Spain hasn't been in a state of emergency and the nationwide curfew has ended. As the number of COVID-19 cases has started to increase again, though, some restrictions have been reintroduced in some areas. Most regions have now introduced a 'green pass' requirement for entering restaurants, bars and all cultural and sports events. Some regions have also imposed additional limits on: the opening hours of bars, restaurants and clubs (2am or 4am if all the staff are vaccinated or had a negative COVID-19 test); the size of gatherings (8 or 12 people, depending on the region) and the capacity of buildings for events. Catalonia is the region which has imposed the toughest restrictions, imposing a 1am curfew in the cities with higher infection rates and limiting gatherings to 10 people. Asturias has closed bars and restaurants indoors. Other regions have imposed other restrictions to the opening hours of restaurants bars and clubs. Masks are not necessary in outdoor settings where social distancing is observed.</p>
Italy	<p>Since mid-September, a 'green pass' (full vaccination or negative COVID-19 test) has been required to go into restaurants and bars (indoors), theatres, cinemas public transport, as well as some outdoors venues, and attend concerts and sporting events. Since 15 October, it has also been a requirement for all public and private sector workers, with high penalties for the non-compliant. This was tightened on 15 December with the introduction of a 'super green pass', restricting access to social events (cinemas, restaurants, theatres, etc.) to people who are vaccinated or have had the virus in the past six months – so it's no longer enough to have tested negative. A negative test is still sufficient to go to work though. Restrictions have been tightened further since 10 January with the super-green pass requirement extended to several professions (health, education, military, public facing jobs) while the vaccination has been made mandatory for people of more than 50 years of age. From 20 January, the super green pass will also be required for hairdressers, beauty salons and all retail shops, and from 1 February for all public offices, postal services and banks.</p> <p>Currently, only six regions are left in the 'white' category while the remaining 14 are now back in the 'yellow' category with obligatory mask wearing outdoors and further restrictions to mobility. Press reports suggest some regions could move into the 'orange' category (with a further extension of the super green pass to restaurants, shopping malls, and mobility across different municipalities limited to essential reasons). Some municipalities in Northern Italy are now back in the 'red zone' with curfews from 8pm to 5am. As for international travel, arrivals from the EU no longer have to quarantine, but they are required to show a negative COVID-19 test undertaken within 48 hours before departure (from 16 December even if fully vaccinated).</p>
UK	<p>Mask wearing is mandatory in most public spaces, but England, Scotland and Wales have announced the end to the Omicron-specific measures introduced in December. In England, this means the working from home guidance has been lifted, vaccine passport arrangements no longer apply and masks are no longer mandatory in schools. In Scotland, it means nightclubs can reopen and the three household limit on social interactions has been lifted. In Wales, restrictions on outdoor and indoor activity will be lifted on 21 and 28 January, respectively.</p> <p>As of 7 January 2022, pre-departure tests are no longer required for arrivals into the UK, and passengers will need to take a lateral flow test, not a PCR, by day two after arrival. Rules are set to be further relaxed from 11 February, when full vaccinated travellers will no longer have to take post-arrival tests, and unvaccinated travellers will no longer need to isolate or take a test on day eight after arrival (though they will still need to take a pre-departure test and post-arrival PCR by day two).</p> <p>UK PM Boris Johnson has said that he is hoping to let all COVID-19 rules lapse – including self-isolation for those testing positive – when the legislation expires in March.</p>

Source: Country data, HSBC

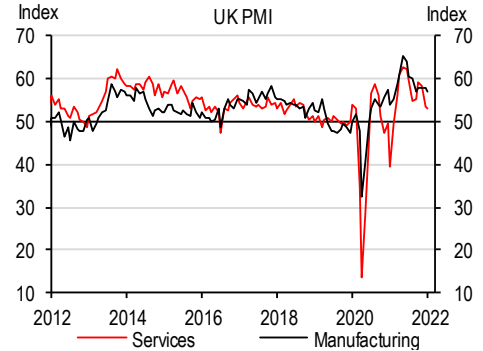
## Businesses remain optimistic about future economic prospects

**21. The eurozone manufacturing PMI rose in January while the service sector assessment declined**



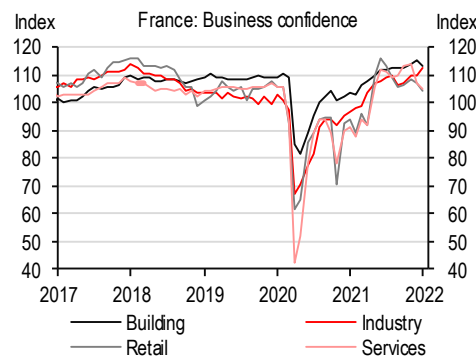
Source: Refinitiv Datastream, HSBC.

**22. In the UK, the Omicron shock made its mark in the service PMI in January**



Source: Refinitiv Datastream.

**23. French business confidence indicators are pretty much in line with the PMI data...**



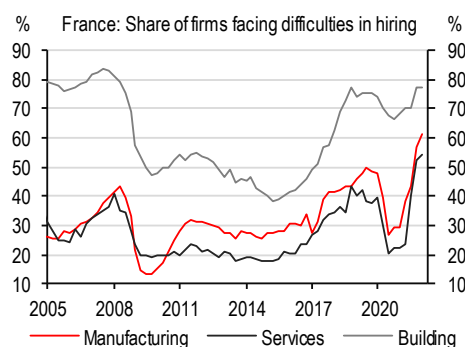
Source: INSEE.

**24. ...while in Germany the business outlook improved markedly**



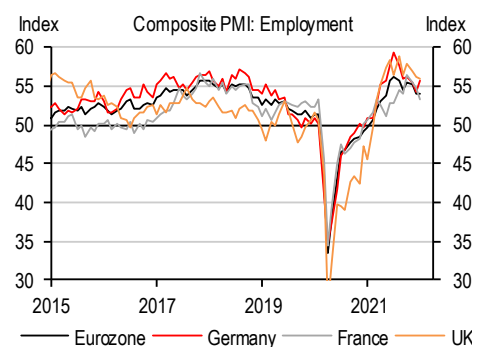
Source: Macrobond, HSBC.

**25. Hence, labour becomes an ever more scarce factor not only in France...**



Source: INSEE.

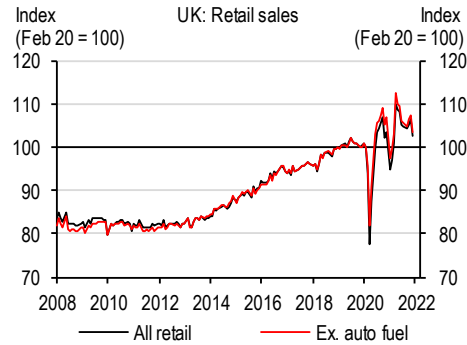
**26. ...as hiring intentions remain very high across sectors in Europe in 2022**



Source: Refinitiv Datastream.

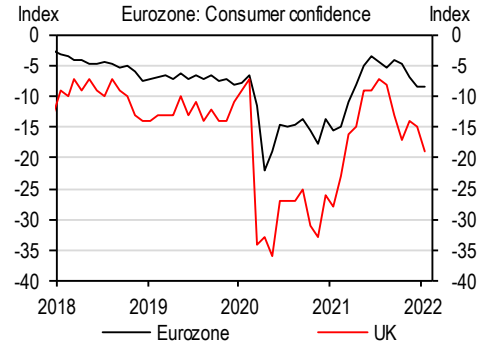
## Inflation could quickly become the main concern

**27. Despite a large December drop retail sales in the UK remain above pre-pandemic levels**



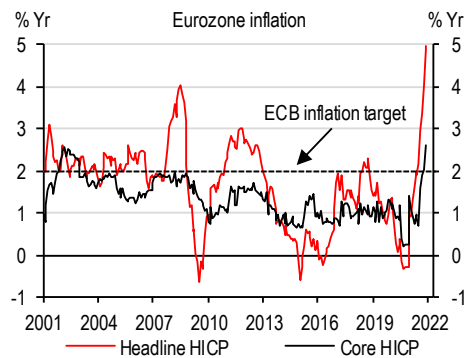
Source: Refinitiv Datastream.

**28. However, UK consumer confidence also sank and remains low in the Eurozone**



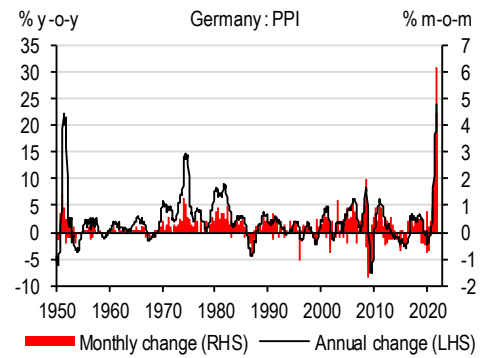
Source: Refinitiv Datastream, HSBC.

**29. The recent record inflation in the Eurozone might play a part here**



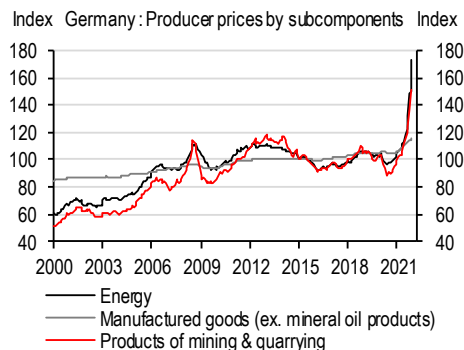
Source: Refinitiv Datastream, HSBC.

**30. Inflation pressures are far from over judged by latest German PPI data...**



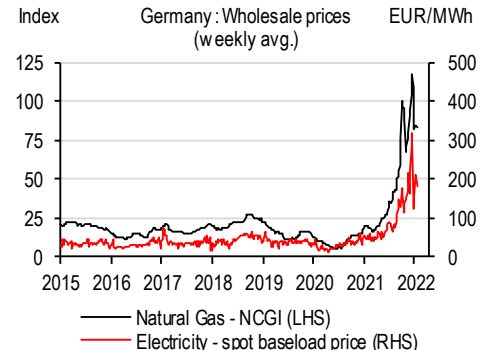
Source: Macrobond, HSBC.

**31. ...which are highlighting that energy costs will likely have second round effects**



Source: Macrobond, HSBC.

**32. ...on top of the potential direct impact in particular from household energy**

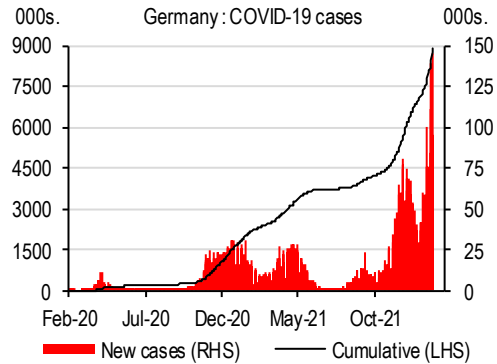


Source: Macrobond, HSBC.



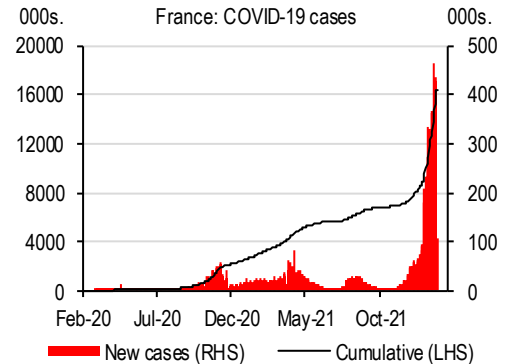
## COVID-19 in Western Europe

### 33. Germany is still in the midst of the Omicron wave...



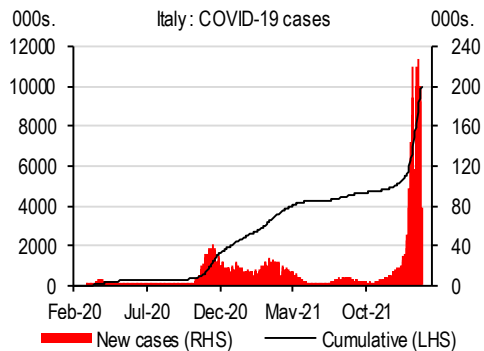
Source: Refinitiv Datastream, HSBC.

### 34. ...and cases are still extremely high in France



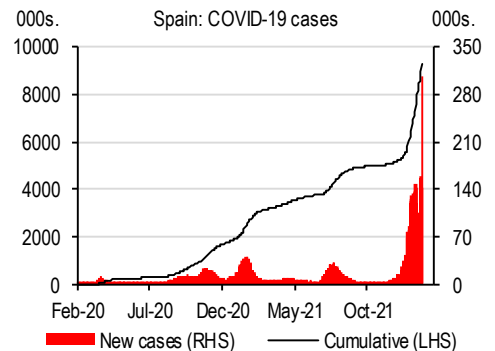
Source: Refinitiv Datastream, HSBC.

### 35. In Italy the situation has even become slightly worse lately...



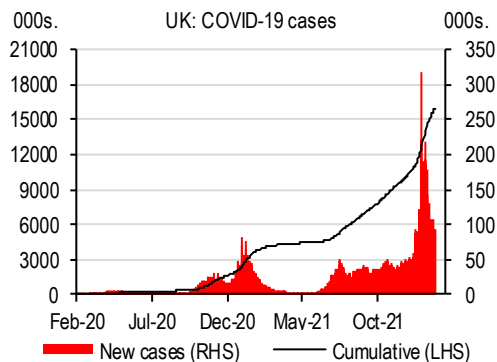
Source: Refinitiv Datastream, HSBC.

### 36. ...not unlike in Spain with new record infection numbers last week



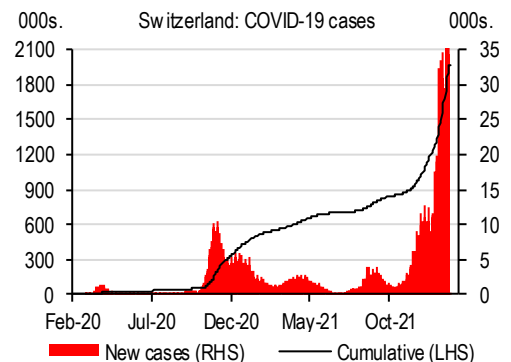
Source: Refinitiv Datastream, HSBC.

### 37. The UK is seemingly further ahead on the Omicron trajectory than the rest of Europe



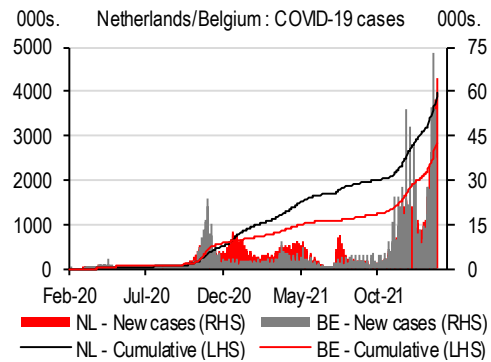
Source: Refinitiv Datastream, HSBC.

### 38. Switzerland on the other hand likely has not even peaked in infection numbers



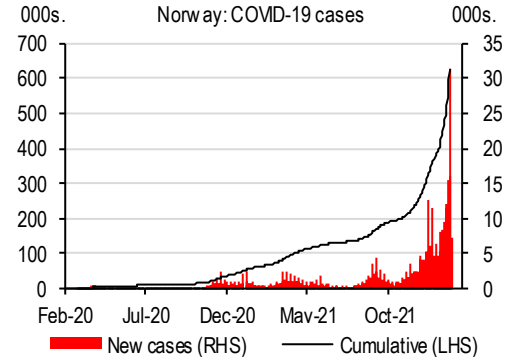
Source: Refinitiv Datastream, HSBC.

### 39. The Netherlands and Belgium are facing another rise in cases



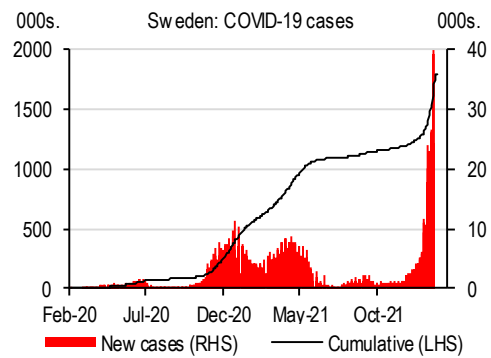
Source: Refinitiv Datastream, HSBC.

### 40. Norway had more cases since December than in almost two years before



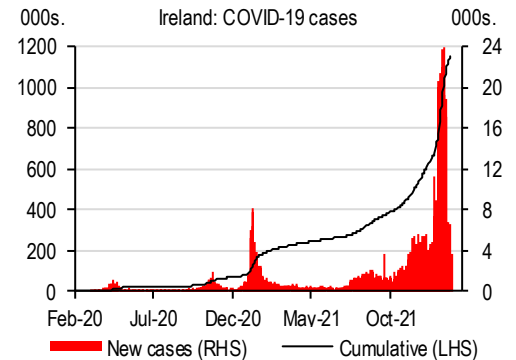
Source: Refinitiv Datastream, HSBC.

### 41. New infections in Sweden are also close to highs...



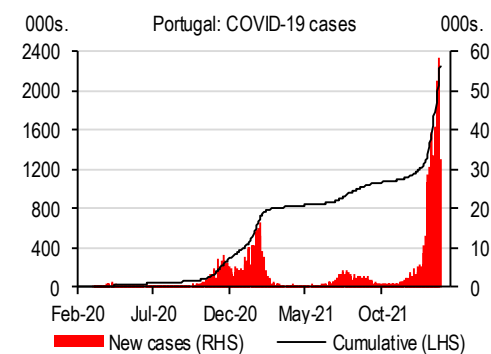
Source: Refinitiv Datastream, HSBC.

### 42. ...while they are abating in Ireland



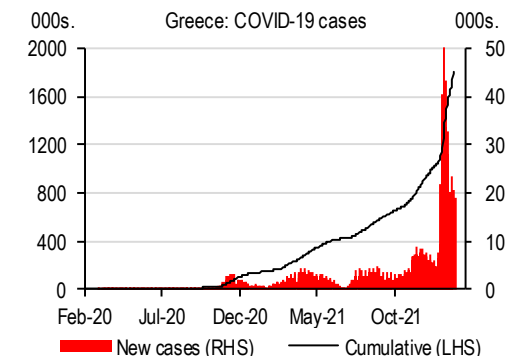
Source: Refinitiv Datastream, HSBC.

### 43. Despite the highest vaccination percentage Portugal can't escape Omicron



Source: Refinitiv Datastream, HSBC.

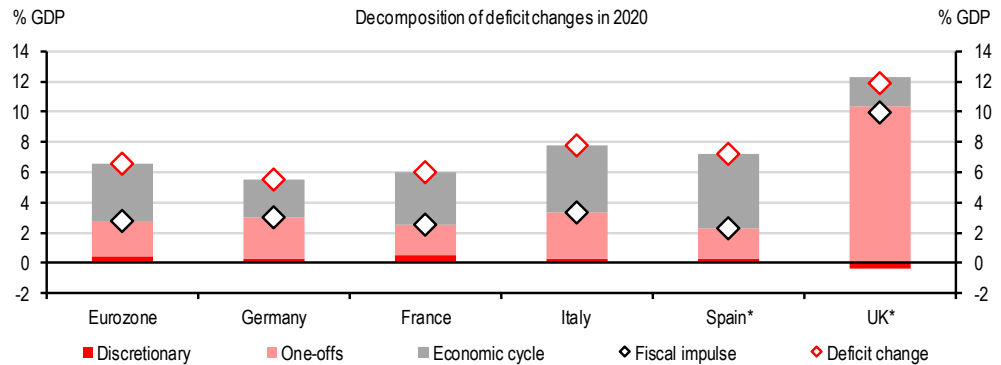
### 44. Greece seems to at least beyond its new infection peak



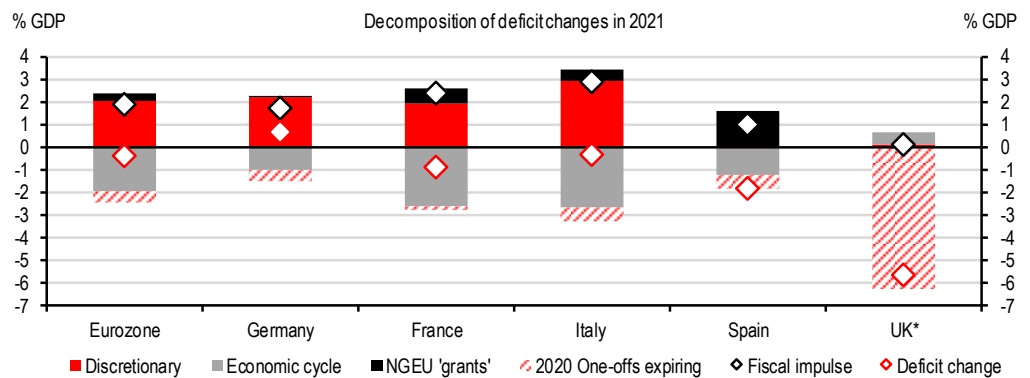
Source: Refinitiv Datastream, HSBC.

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

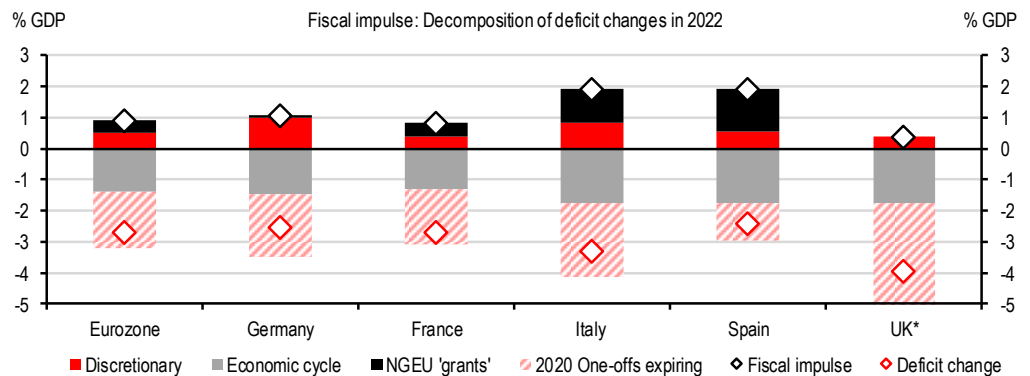
**45. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved**



**46. Stronger-than-anticipated growth has helped contain the fiscal deficits this year despite a strongly expansionary fiscal policy, particularly in the eurozone**



**47. In 2022, the domestic fiscal policy stance should remain mildly expansionary in the eurozone, thanks also to the support provided by the Next Generation EU (NGEU) fund**



# Disclosure appendix

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