

# Europe COVID-19 tracker

## Past peak growth; tourism returns

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Economics - Europe

- ◆ Infection rates and ICU occupancies remain broadly stable
- ◆ Data are pointing to slowing growth momentum...
- ◆ ...but the tourism season is finally showing signs of revival

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### Slight up-tick in cases

The number of cases are still broadly stable across Europe, although they are rising more rapidly in Germany and the UK, and intensive care unit occupancy rates for COVID-19 patients remain relatively contained. Most European countries are getting closer to the vaccination target of 70% of the population, which they had set out to meet by the end of the summer. Meanwhile, the debate is continuing on early signs of waning immunity from vaccines and the efficacy of vaccines in preventing transmission (FT, 19 August). Data from Israel are worrying in terms of possible waning protection (Chart 9-10). The French Health Minister said citizens over-65 are likely to be offered a booster shot starting in September (Anadolu, 23 August). UK Health Minister Sajid Javid said in early August that a booster campaign for over-50s would kick off in early September (even though the press is reporting that boosters may be limited to most vulnerable; Telegraph, 19 August).

### Past peak growth

The August PMIs indicated that the pace of service sector expansion eased slightly, both in the eurozone and the UK. The manufacturing PMIs also dipped again, even though there are some early signs of alleviating supply-side bottlenecks (Chart 18). The ifo survey in Germany gave a more concerning signal, with expectations surprising significantly to the downside and pointing to fading growth momentum, possibly also related to the slowdown in Asia. So it seems we might be past the peak in terms of sequential growth rates in Europe. Even then, due to the stronger-than-expected Q2, we increased our 2021 eurozone growth forecasts to 4.9% from 4.4%, while we nudged down our UK growth forecasts to 6.7% from 7.1%. Employment indicators, though, remain solid on both sides of the Channel. In the eurozone, short-time worker numbers are falling fast – we estimate there were some 5m workers in the eurozone in July, down from 10m in June (Charts 25-26) – which bodes well for the ongoing winding down of the schemes.

There are increasing signs of recovery in tourism, particularly domestic, which might be starting to generate some pockets of inflationary pressures. In Spain, the nights spent in tourist accommodation rose sharply in July, reaching 60% of pre-crisis levels. In Italy, the tourism and trade association CNA registered a 20% rise in domestic tourists in July relative to 2019 (26 July). Even foreign travel is starting to resume. Despite fairly elevated COVID-19 cases, in the first half of August international passenger traffic in Greek airports stood at 81% of 2019 all-time high levels, from 66% in July. Traffic at the Athens airport was at c70% of pre-pandemic levels, with the most popular islands doing even better, at 85%, and Santorini above 2019 levels (Ekathimerini, 23 August). Data from International aviation show a significant recovery of travel across the board within the continent, though less so for the UK, at least so far (Charts 29-34).

*This is an abridged version of a report by the same title published on 25-Aug-21. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

### Disclosures & Disclaimer

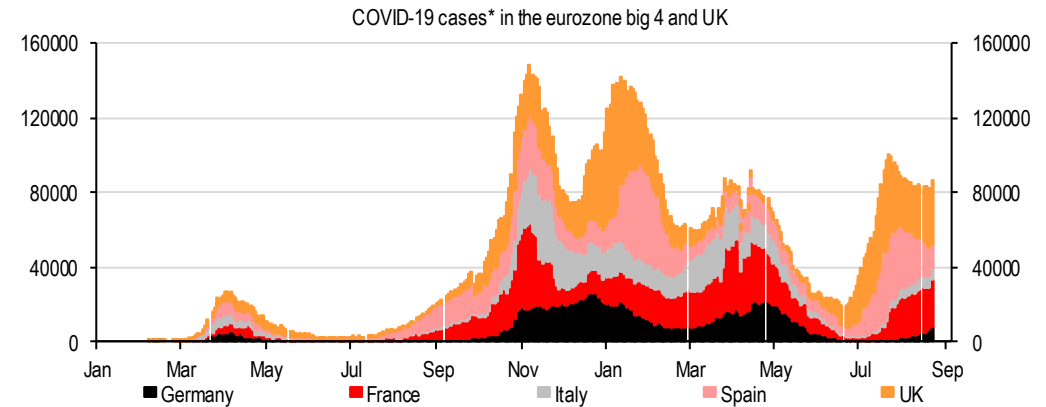
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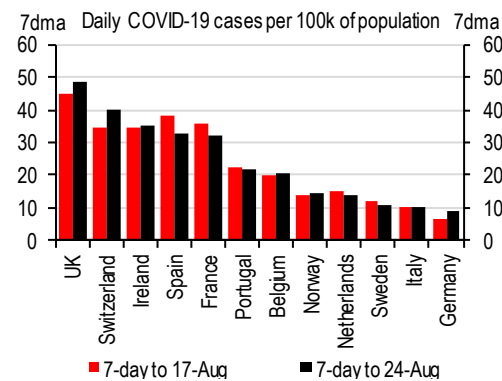
## COVID-19 cases relatively stable this week

### 1. European infection numbers have largely stabilised...



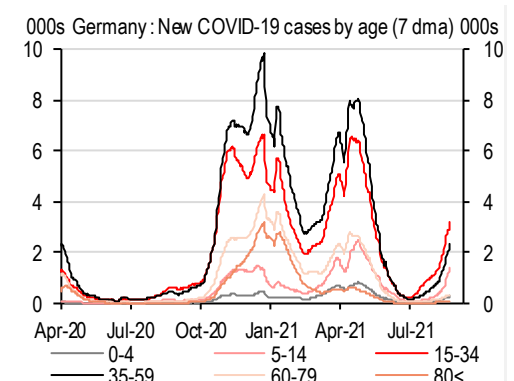
Source: Refinitiv Datastream, HSBC. Note: \*7-day moving average.

### 2. ...even though there were noticeable upticks in Germany and the UK this week



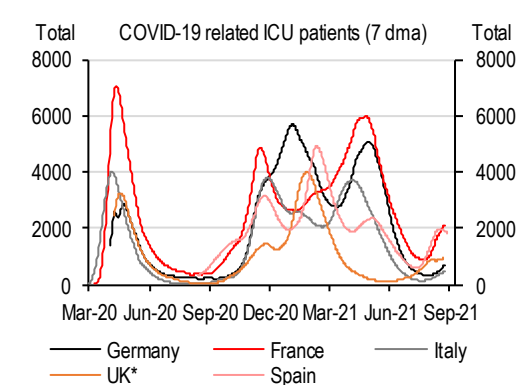
Source: Refinitiv Datastream, HSBC. Note: Weekend numbers are reported as 0 so "7-days to" does not include Saturday and Sunday.

### 3. New cases are rising across the board in Germany, but less among the elderly



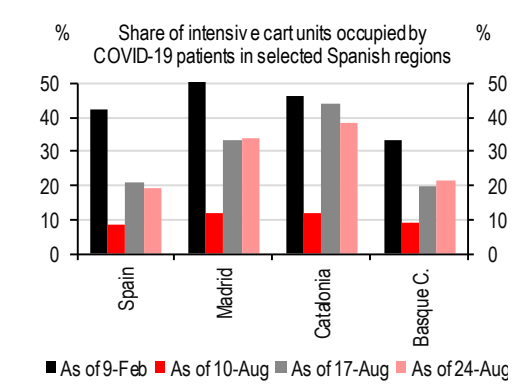
Source: Macrobond, HSBC.

### 4. ICU occupancy rates by COVID-19 patients remain low relative to previous waves...



Source: Macrobond, HSBC. Note: \*medically ventilated.

### 5. ...and have eased slightly in Spain after last week's spike

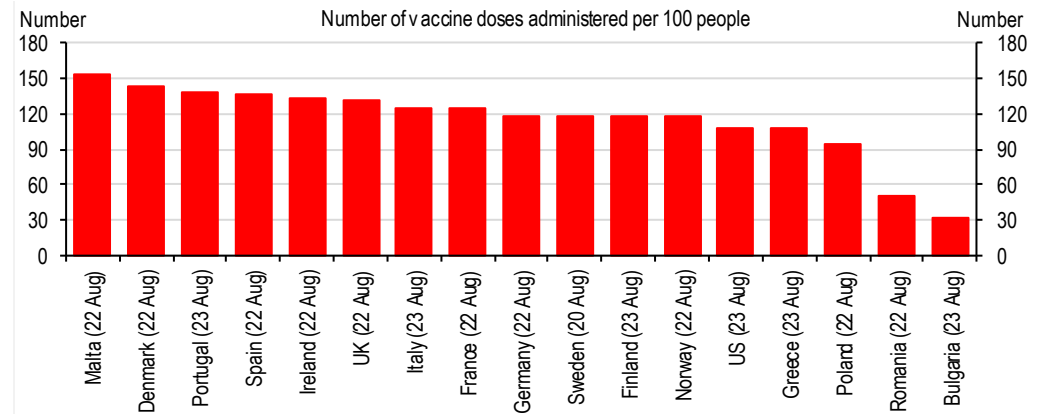


Source: El Diaro, Ministry of health, HSBC

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

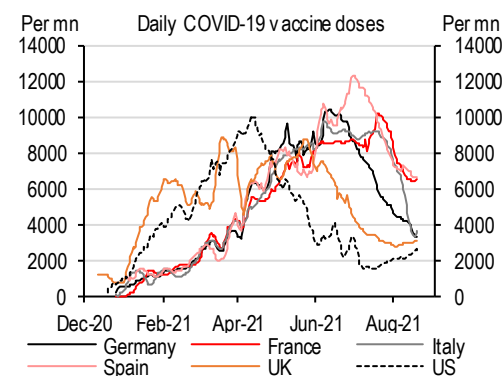
## Vaccinations aren't eliminating COVID-19

### 6. Overall, European countries show relatively high rates of vaccination...



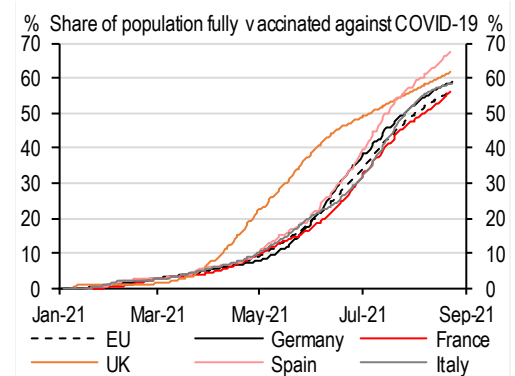
Source: Our World in Data, HSBC.

### 7. ...but the speed of vaccination continues to slow, although it is recovering in France...



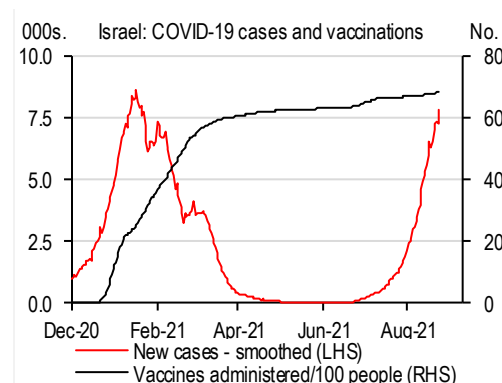
Source: Our World in Data, HSBC.

### 8. ...with many European countries now getting closer to the 70% target



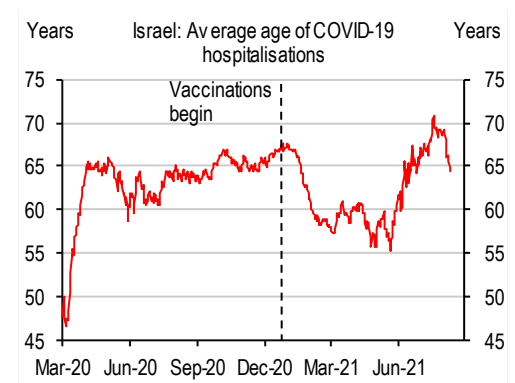
Source: Macrobond, HSBC.

### 9. Despite high vaccination rates, Israel is now showing soaring case numbers...



Source: Macrobond, Our World in Data, HSBC.

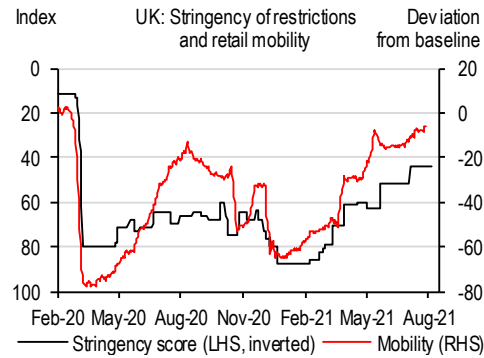
### 10. ...and the average age of people ending up in hospital has increased again after the initial decline



Source: Israeli government, HSBC.

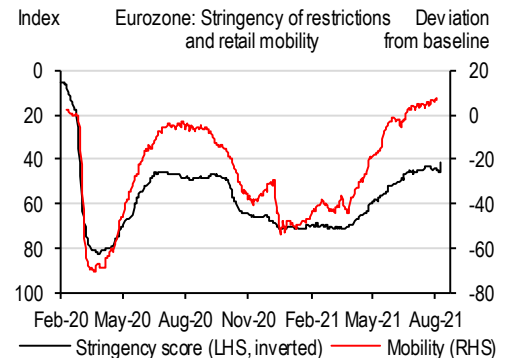
## Activity levels stabilising at around pre-pandemic levels

### 11. UK mobility has started to increase again...



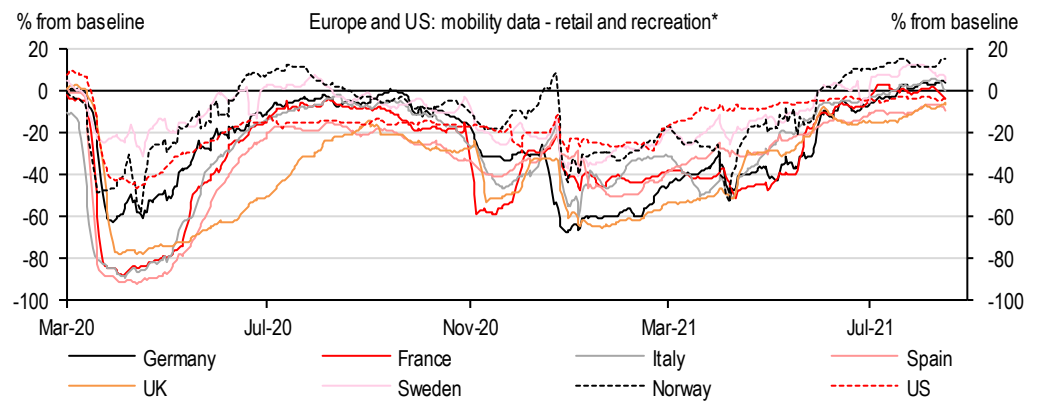
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC.

### 12. ...and remains on a gradual upward trend also in the eurozone



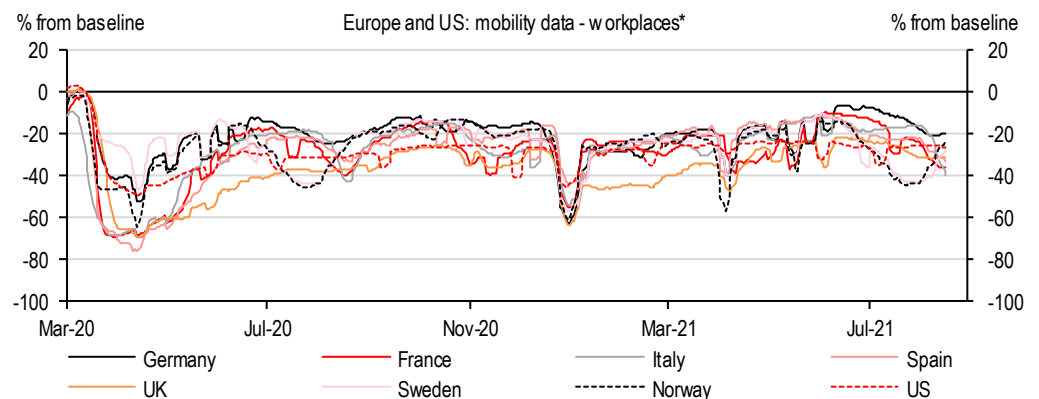
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC.

### 13. Retail and recreation activity is back to pre-pandemic levels in many places...



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

### 14. ...while the holiday season may be playing a role keeping people away from work



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

## Local restrictions start to be re-imposed in some countries

### 15. 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 25 August, 265 of the 401 districts exceed the 35-threshold, with 42 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.</p> <p>On 19 May, non-essential shops, cultural places (museums, cinemas) and the outdoor part of bars and restaurants partially reopened, but with restrictions on capacity. Moreover, the start of the curfew was set at 9pm instead of 7pm.</p> <p>On 9 June, gyms and the indoor parts of bars and restaurants reopened (at 50% of capacity). The capacity limit for the outdoor part of bars and restaurants was lifted, while the one on cinemas and theatres was raised to 65%. The start of the curfew was delayed to 11pm instead of 9pm. Rules on remote working were eased. Finally, attendance at some events of more than 1000 people (festivals, shows) was authorised with a COVID-19 health pass. Travel rules were also eased on 9 June: all fully vaccinated people from EU and from some other 'green' countries are no longer required to show a negative virus test to enter France, with only a proof of their vaccination status being sufficient.</p> <p>The curfew was completely lifted on 20 June and masks outdoors are no longer mandatory effective 17 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 on 12 July new measures 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 this autumn (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>
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. 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 from specific areas within the regions). On Saturday 26 June, Spain also eased its face mask rules, making masks no longer necessary in outdoor settings where social distancing is observed. Some restrictions, though, remain in place at the regional level, and some were tightened recently with COVID-19 cases now back on the rise. Most regions impose limitations in terms of the maximum number of people allowed for gatherings and restrictions to the opening times for restaurants and bars.</p> <p>For example, Aragon brought forward the closing time of clubs to 12:30am and Navarra to 1am. Recently joining them, Catalonia announced that all non-essential activities, including bars, must close by 12:30am and social gatherings must be capped at 10 people. In addition, a 1-6am curfew has been reintroduced on 17 July in several municipalities, including Barcelona. The Valencia Community, Navarra and Cantabria also recently introduced a 1-6 am curfew. 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. Even then, the UK maintaining Spain in the 'amber' list of countries requiring quarantine upon re-entry could be a setback for the ability of Spain to attract foreign tourists.</p>

Source: Country data, HSBC

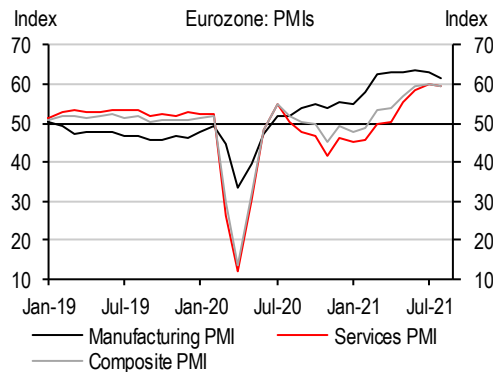
## 16. Latest on the restrictions from the major European countries (cont'd)

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, but it seems unlikely this will happen before the end of the holiday season (La Repubblica, 6 August).</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. 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). The government also recently introduced a 'green pass' requirement to go into restaurants and bars (indoors), theatres, cinemas public transport and attend concerts and sporting events. 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 and might introduce it for other countries.</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 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. However, it has also said that entry into nightclubs will require proof of vaccination from September. Meanwhile, Transport for London is maintaining an obligatory mask policy for its services.</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. In Wales, social distancing was lifted on 7 August, but working from home is still recommended and mask wearing is still mandatory. In Northern Ireland, a further stage of reopening took effect on 16 August, but limits and mask wearing will remain in place.</p> <p>International leisure travel has been allowed since 17 May with regulations on testing and quarantine requirements guided by a traffic light system with lighter restrictions for amber and green listed countries, depending on their levels of COVID-19 infection rates and variants present (UK government, 12 May 2021). Inbound arrivals will be subject to the same rules. On 28 July, the government announced that doubly vaccinated citizens of the US and the EU could enter the UK without quarantining from 2 August.</p> <p>Entry into the UK from a 'red list' of around 60 countries, including South Africa, Brazil and Turkey, 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.</p>

Source: Country data, HSBC

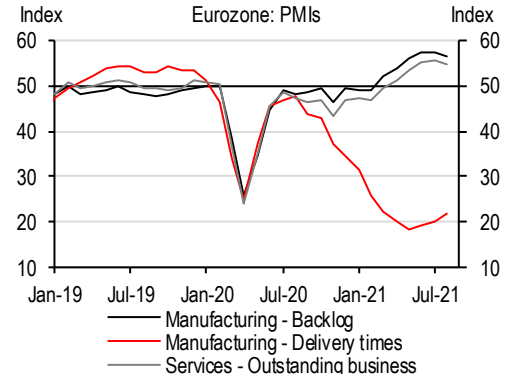
## Signs of activity levels peaking

### 17. The eurozone PMIs eased slightly in August



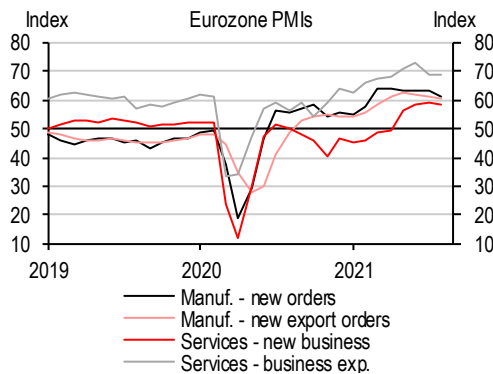
Source: Refinitiv Datastream, HSBC.

### 18. There were some signs of easing supply-side bottlenecks



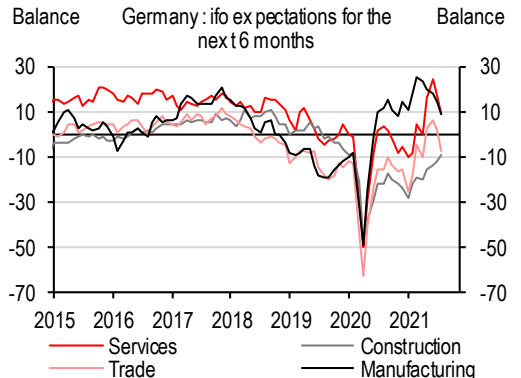
Source: Refinitiv Datastream, HSBC.

### 19. Forward looking indicators have started to come off a little from the recent highs



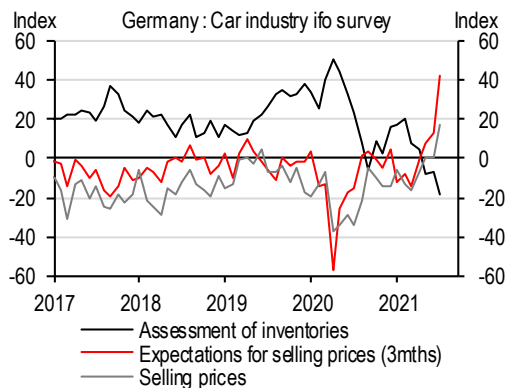
Source: Refinitiv Datastream, HSBC.

### 20. The ifo survey has shown a sharp drop of expectations across all sectors



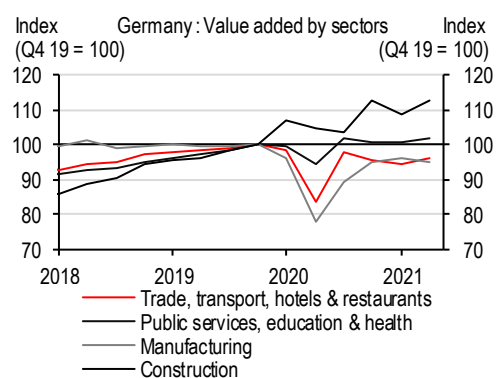
Source: Macrobond, HSBC.

### 21. Supply shortages might be starting to exert upward pressures on prices for car production



Source: Macrobond, HSBC

### 22. The GDP recovery in Germany so far has been very uneven across sectors

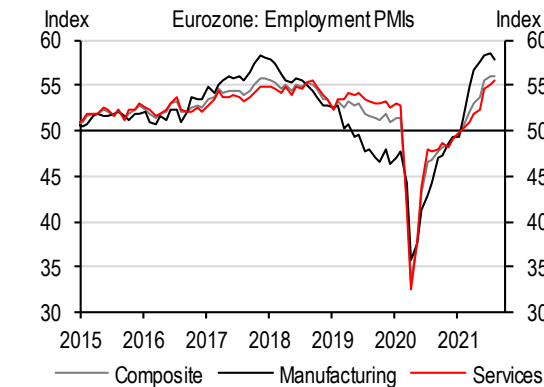


Source: Macrobond, HSBC.

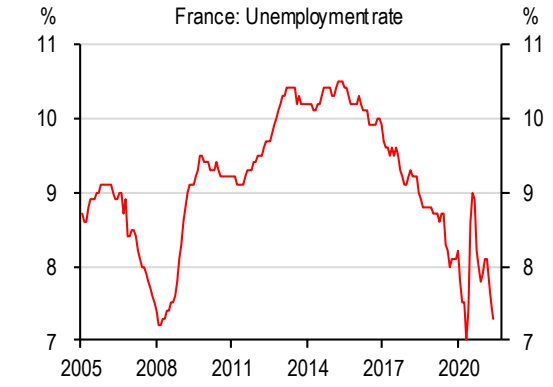


## Labour market continues to strengthen

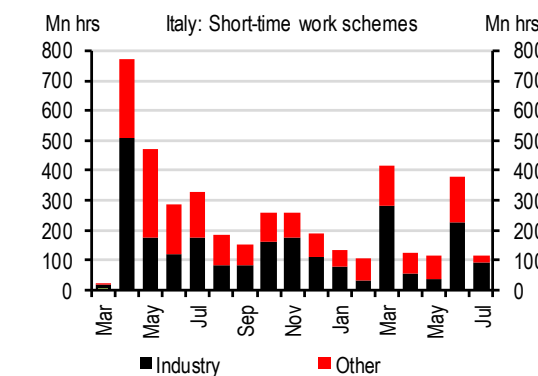
**23. The employment PMIs, though, are still looking solid**



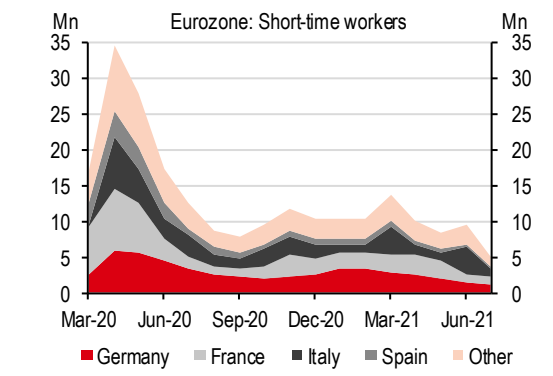
**24. The French unemployment rate fell sharply in June, to 7.3%, the lowest since last May**



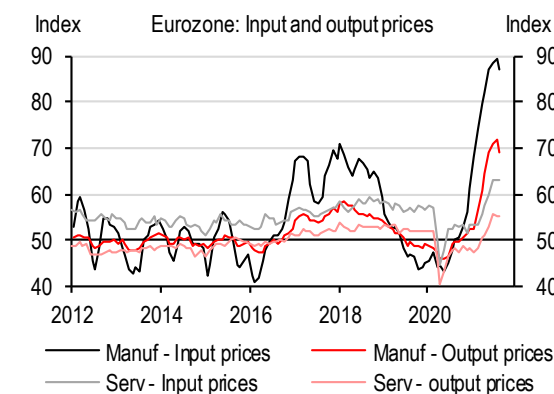
**25. The number of short-time workers fell sharply in Italy in July, but remains elevated**



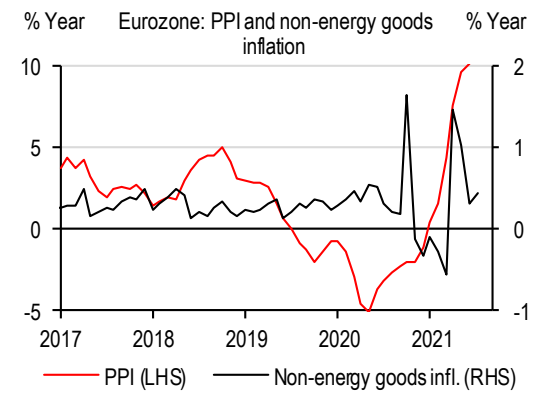
**26. We estimate that there are still c5m short-time workers across the eurozone**



**27. Price pressures remain very high although they are starting to fade a little...**



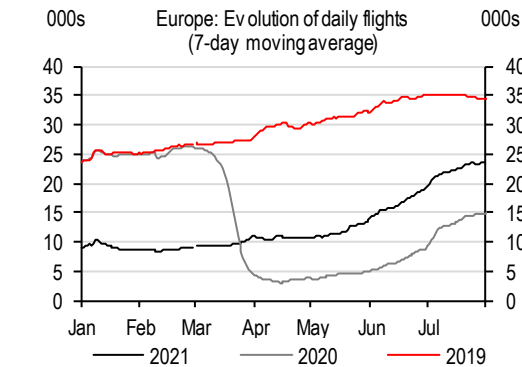
**28. ...and continue to push up producer prices, even though core industrial goods inflation has been less affected, at least so far**





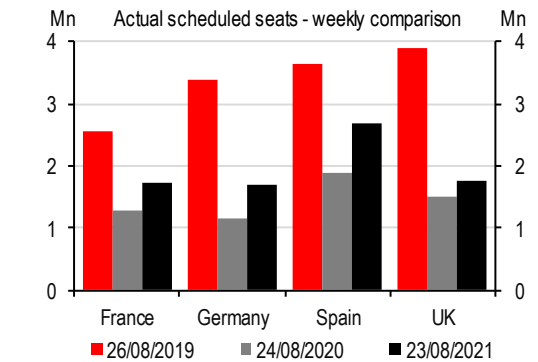
## The return of tourism brings pockets of inflation

### 29. Air traffic has started to increase more meaningfully across Europe



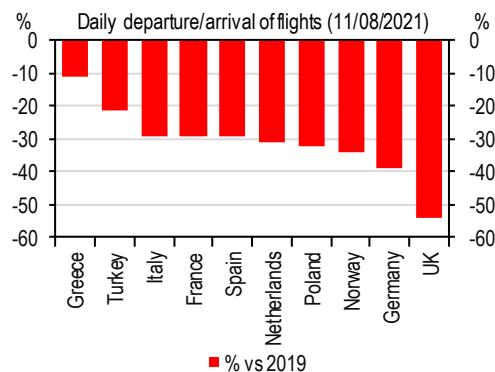
Source: Eurocontrol, HSBC

### 30. The pick-up is fairly evident relative to the same period last year



Source: OAG

### 31. Some countries in particular have seen a faster recovery, with Greece on top



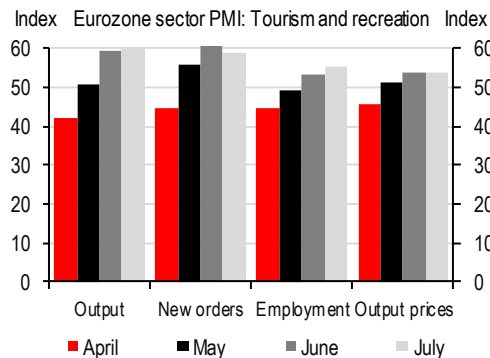
Source: Eurocontrol, HSBC

### 32. The number of overnight stays in Spain increased sharply in July



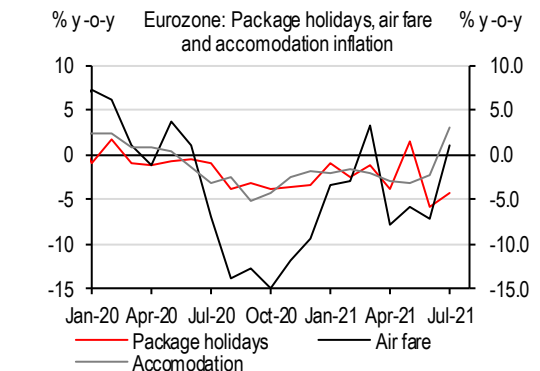
Source: Spanish Statistical Office, HSBC

### 33. The tourism and recreation sector has recovered sharply in the PMIs...



Source: Refinitiv Datastream, HSBC

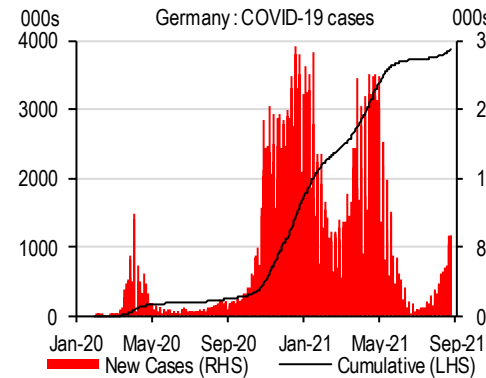
### 34. ...which might start to generate some pockets of inflationary pressures



Source: Refinitiv Datastream, HSBC

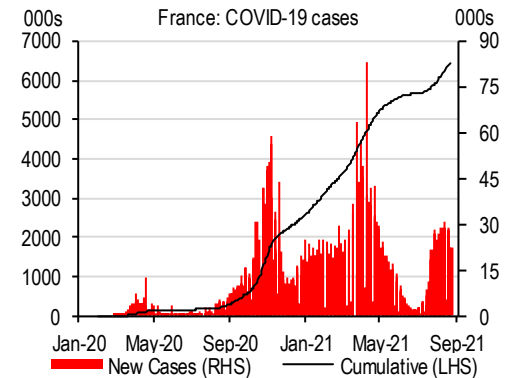
## COVID-19 in Western Europe

**35. In Germany, case numbers continue to rise, though from relatively low levels...**



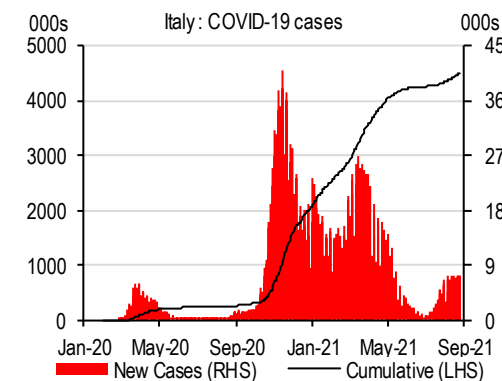
Source: Refinitiv Datastream, HSBC.

**36. ...while in France the recent uptick has at least slowed**



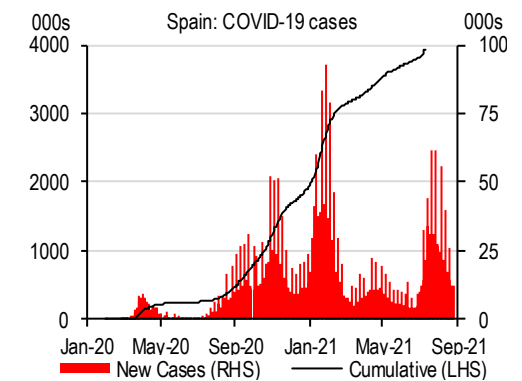
Source: Refinitiv Datastream, HSBC.

**37. In Italy, infection rates have stabilised**



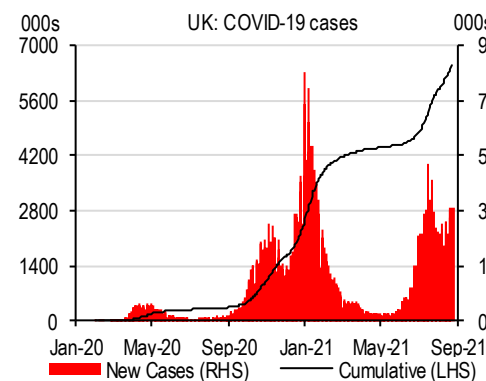
Source: Refinitiv Datastream, HSBC.

**38. Spanish numbers are falling sharply**



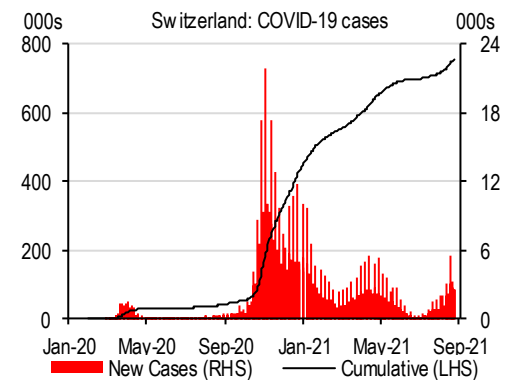
Source: Refinitiv Datastream, HSBC.

**39. Otherwise, in the UK cases are back on an upward trajectory**



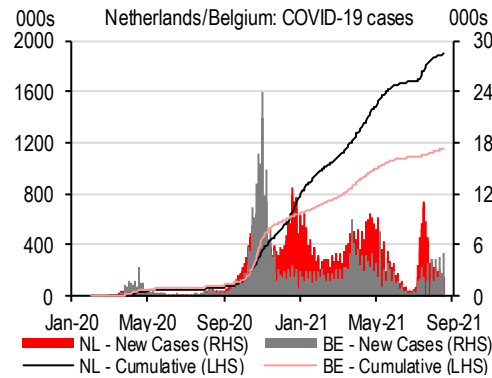
Source: Refinitiv Datastream, HSBC.

**40. ... while in Switzerland they appear to be past the peak**



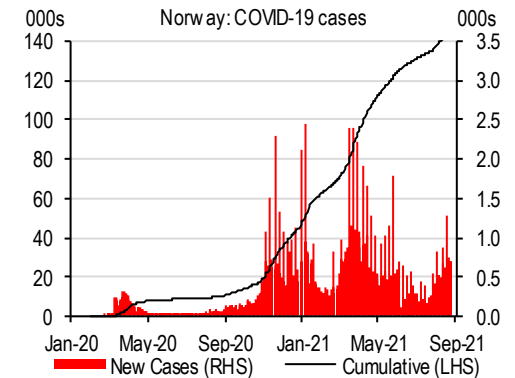
Source: Refinitiv Datastream, HSBC.

**41. Dutch cases have been broadly stable, but they seem back on the rise in Belgium**



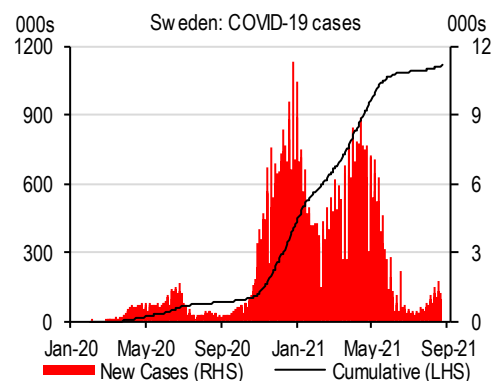
Source: Refinitiv Datastream, HSBC.

**42. Case numbers in Norway were rising rapidly, but we might be nearing a peak**



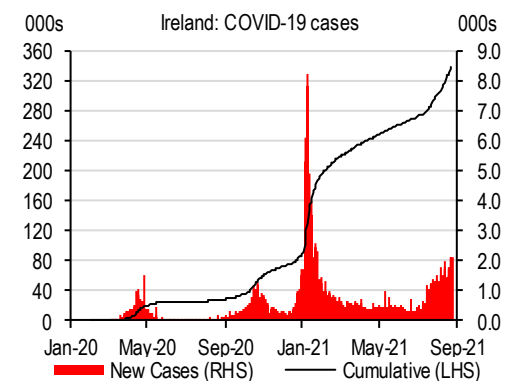
Source: Refinitiv Datastream, HSBC.

**43. Sweden has not really felt much of the Delta variant so far**



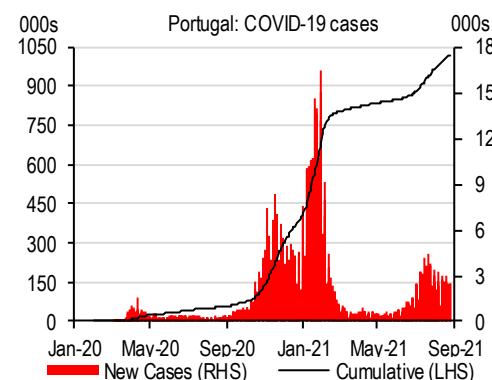
Source: Refinitiv Datastream, HSBC.

**44. Irish cases are rising very gradually**



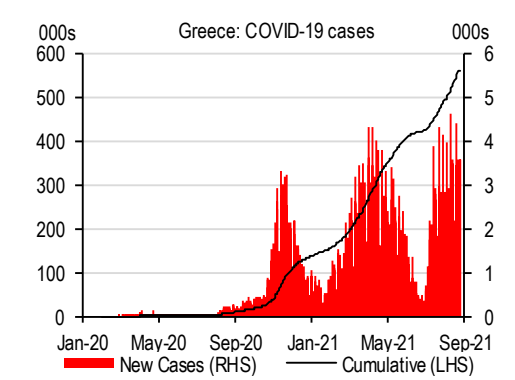
Source: Refinitiv Datastream, HSBC.

**45. Portugal has seen a steady drop in cases after a small spike in August...**



Source: Refinitiv Datastream, HSBC.

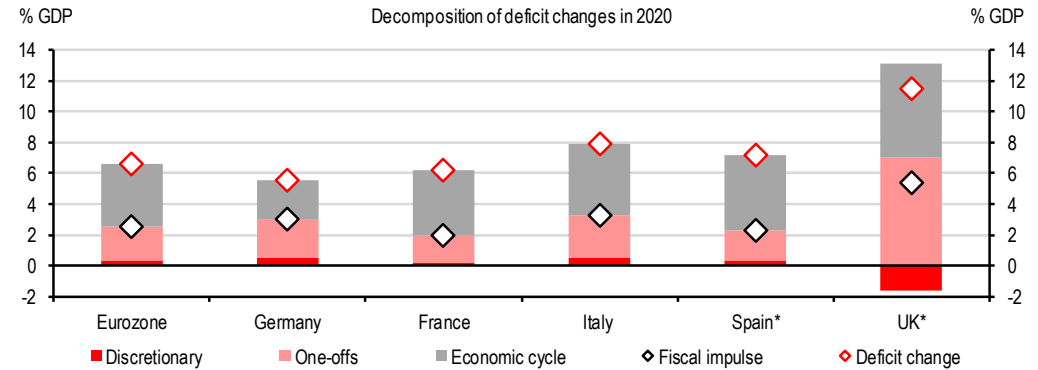
**46. ...while in Greece cases have stabilised at a relatively high level**



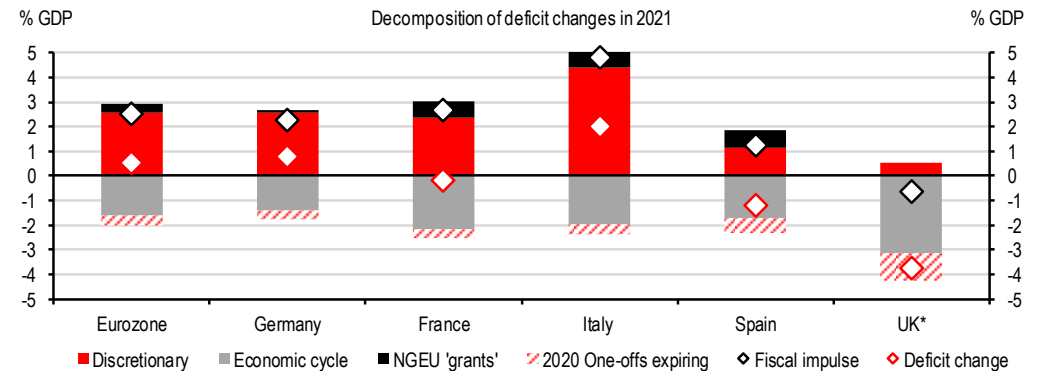
Source: Refinitiv Datastream, HSBC.

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

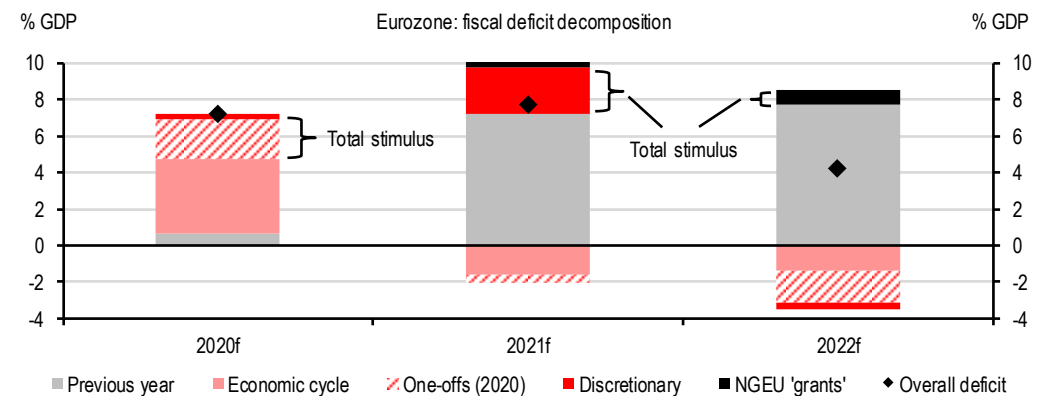
**47. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved**



**48. 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**



**49. Fiscal policy should remain expansive in 2022 in the eurozone thanks to the Next Generation EU fund, while Brussels has said that EU fiscal rules will remain suspended**



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