

Europe COVID-19 tracker

Finding the positives

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Economics - Europe

- ◆ The Omicron wave in Europe has already dwarfed its predecessors in terms of case numbers and positivity rates...
- ◆ ... but so far, we have not seen that mirrored in ICU occupancy or fatalities
- ◆ Meanwhile, concerns about staff absences remain pressing and governments have been reducing isolation requirements

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Eye-watering numbers still

In the Big Four plus UK, there were 624k daily COVID-19 infections on the last day of 2021 – more than four times the previous high at the start of the year (chart 1). This clearly reflects the spread of the highly contagious Omicron variant. In countries where this started earlier, the impact is clear. For example, in Ireland, Omicron now accounts for 92% of cases, with 50% of all COVID-19 tests coming out positive in the week to 4 January. Germany appears to be a partial exception so far, with case numbers still lower than they were in late November (charts 2 and 4).

However, the data continue to support the case for cautious optimism. In London, one of the earliest hotspots for Omicron, hospitalisation levels are still rising but at a slightly slower rate than before, and the share of patients requiring mechanical ventilation has been considerably lower than in previous waves (chart 7). Part of the reason for that may well be due to vaccination, although in some countries the rate at which booster jabs have been administered has slowed a little (charts 11-15).

For now, staffing levels are among governments' most pressing economic concerns. In Italy, just ahead of the new year, a reported 2.5 million people (or 5% of the population) were isolating. In the UK, several hospitals have declared 'critical incidents' – not because of the number of patients but because of the lack of available staff. Against this backdrop, numerous governments, including the UK, France, Italy and Ireland, have relaxed the rules around isolation (see *The Guardian*, *EU countries cut Covid isolation periods in Omicron balancing act*, 31 December 2021). The German government is reportedly considering doing so and will make an announcement on Friday 7th January.

Inflation news a little softer

Meanwhile, some European countries have released December CPI inflation data, ahead of the eurozone-wide print due on Friday 7th January. For Spain and Italy, there were further jumps to 6.7% and 4.2% y-o-y respectively, though in France the print was unchanged at 3.4% (chart 29). Meanwhile, lower energy prices and a drop in the 'prices charged' index in the services PMIs suggest slightly softer inflation pressures ahead (charts 30-32).

This is an abridged version of a report by the same title published on 05-Jan-22. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

Disclosures & Disclaimer

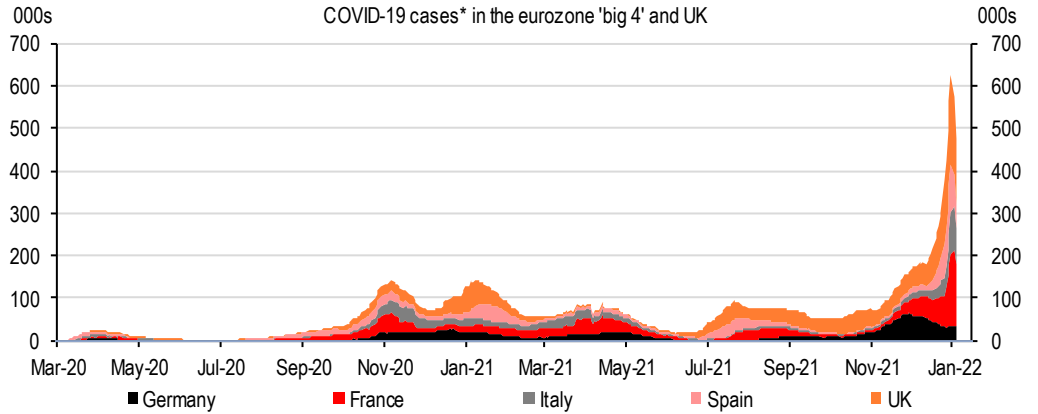
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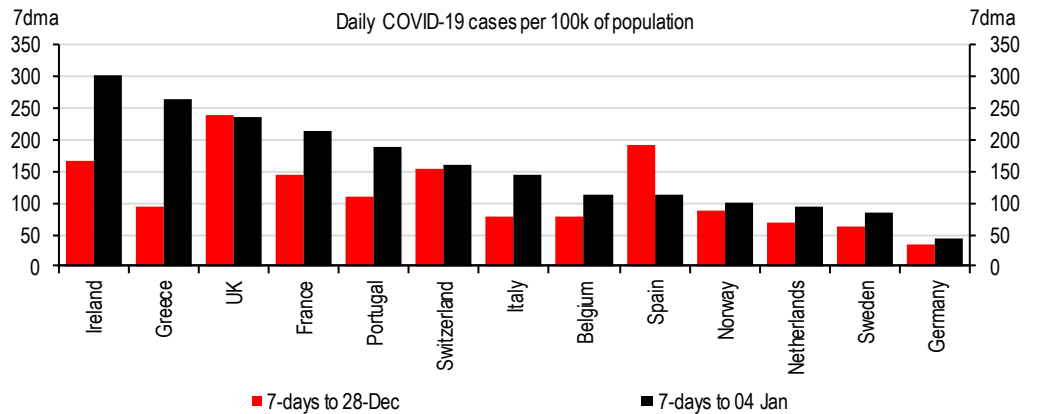
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Omicron still on the up

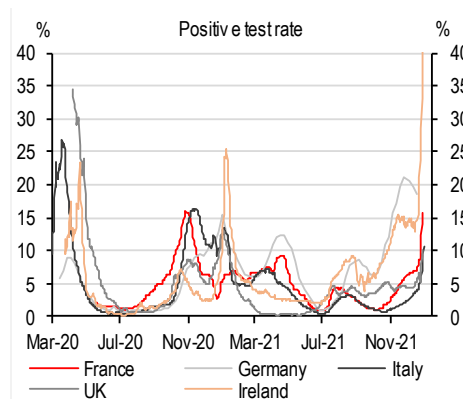
1. The Omicron wave has dwarfed its predecessors, in terms of case numbers



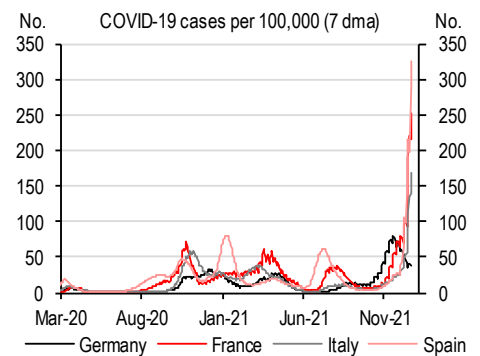
2. Ireland and Greece have seen the biggest rises this week, with Germany remaining an apparent outlier



3. Positivity rates have shot up, especially in Ireland



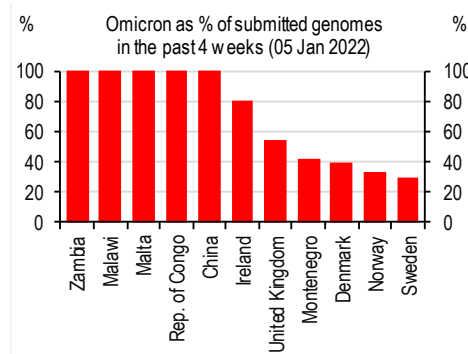
4. Germany is the main exception so far



We acknowledge the assistance of Edward Collins and Charlotte Gosling, HSBC Bank plc, in the preparation of this report.

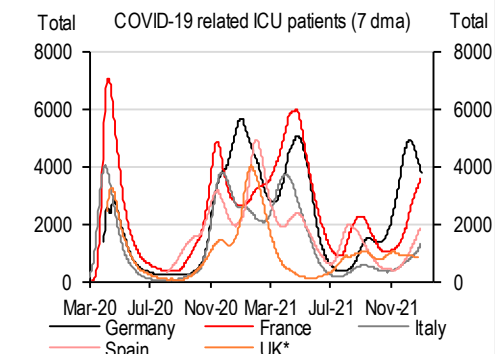
Cautious positives to take from hospitalisation data

5. Ireland and the UK saw Omicron take hold early



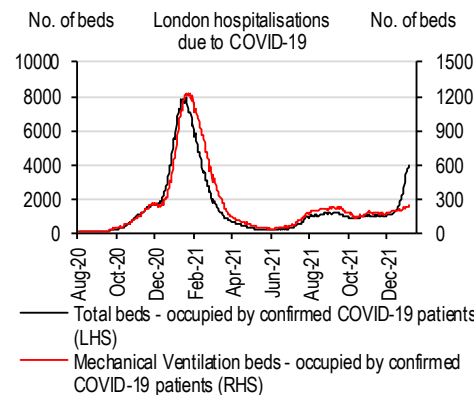
Source: GISAID, HSBC.

6. Hospitalisation rates have not yet picked up to the same degree as on previous occasions



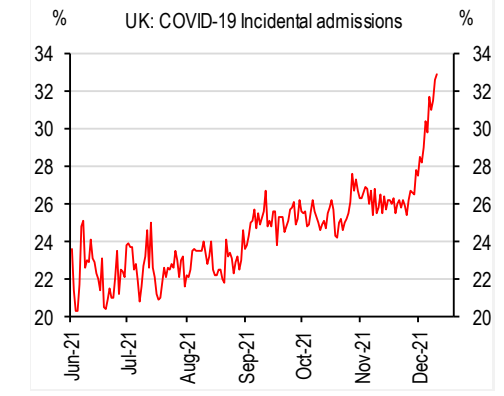
Source: Macrobond, HSBC. *medically ventilated

7. In London, the divergence between hospitalisations and use of ventilators is stark



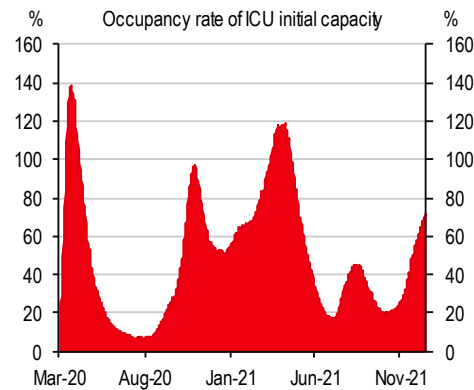
Source: NHS England, HSBC

8. In the UK, the proportion of people in hospital with COVID-19 but not because of COVID-19 has risen



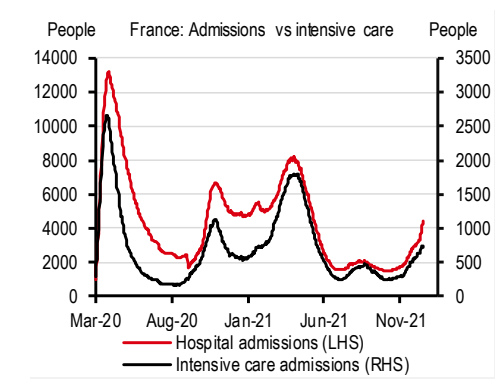
Source: UK Government, HSBC

9. In France, ICU occupancy is on the rise...



Source: French Government, HSBC.

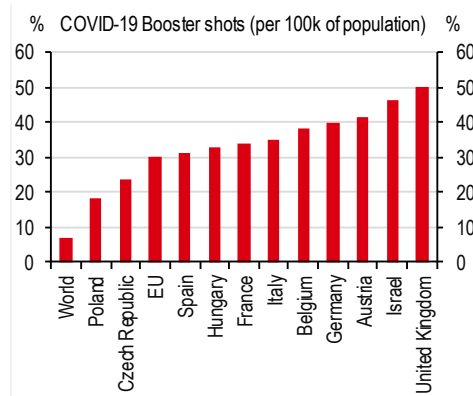
10. ... and any divergence is still in its early stages



Source: French Government, HSBC.

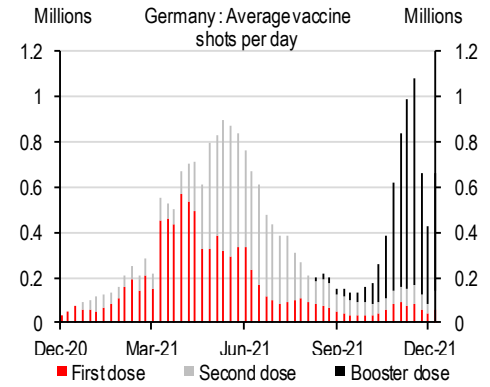
Booster campaigns stalling in some countries

11. Europe is continuing to roll out the booster campaign



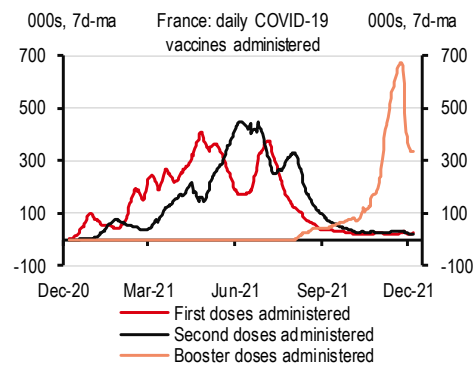
Source: Macrobond, HSBC

12. Germany has seen a big uptick in recent weeks, albeit slowing in the holiday season



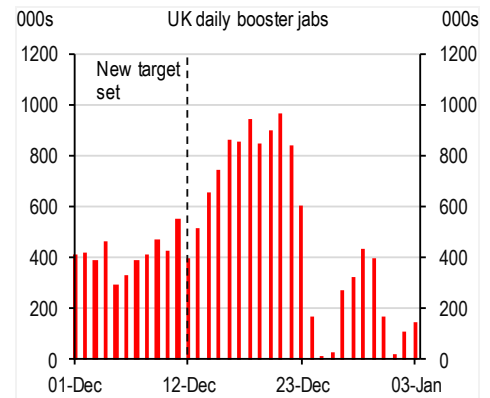
Source: Macrobond, HSBC

13. In France the pace has slowed too...



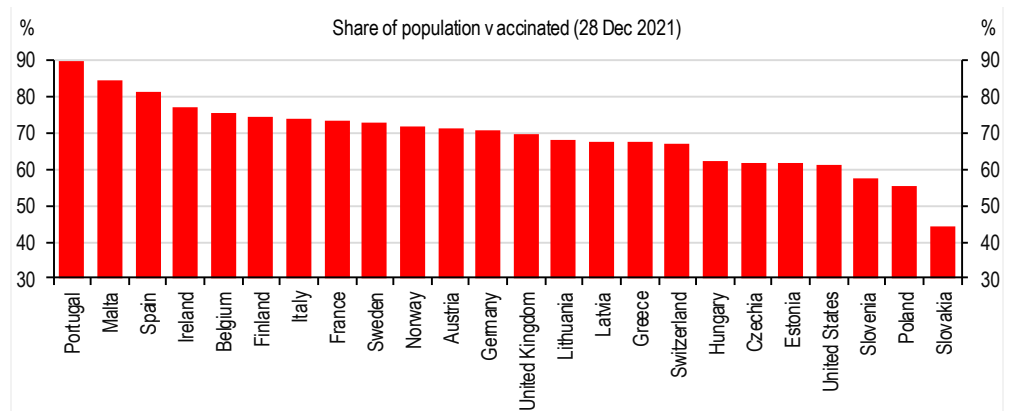
Source: UK Government, HSBC

14.... and also in the UK



Source: Our world in data, HSBC

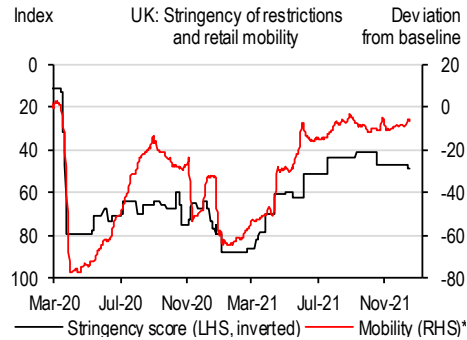
15. In many countries, a third or more of the population is still not double vaccinated



Source: Our World in Data, HSBC

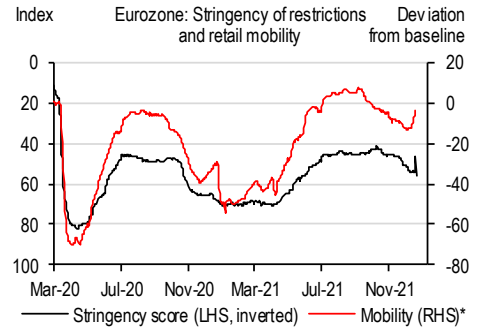
Mobility starting to recover already?

16. Increased restrictions in the UK have not yet affected mobility...



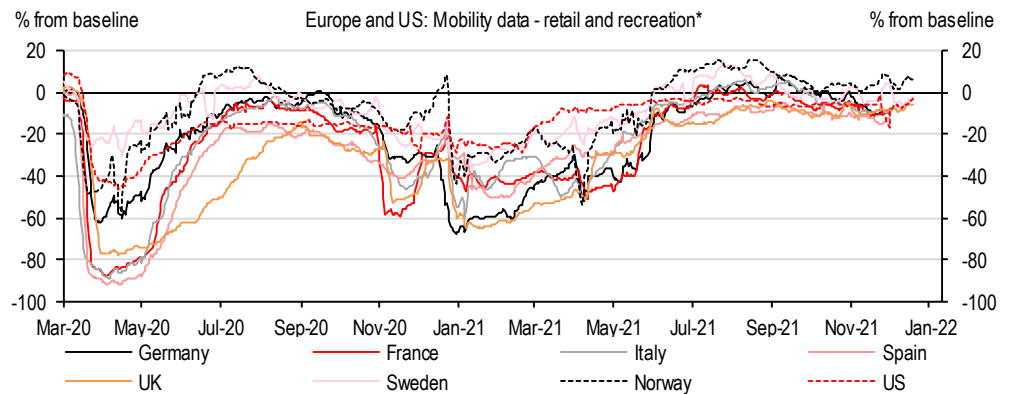
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC
Note: *7-day moving average.

17. ... and mobility has actually picked up a bit in the eurozone of late



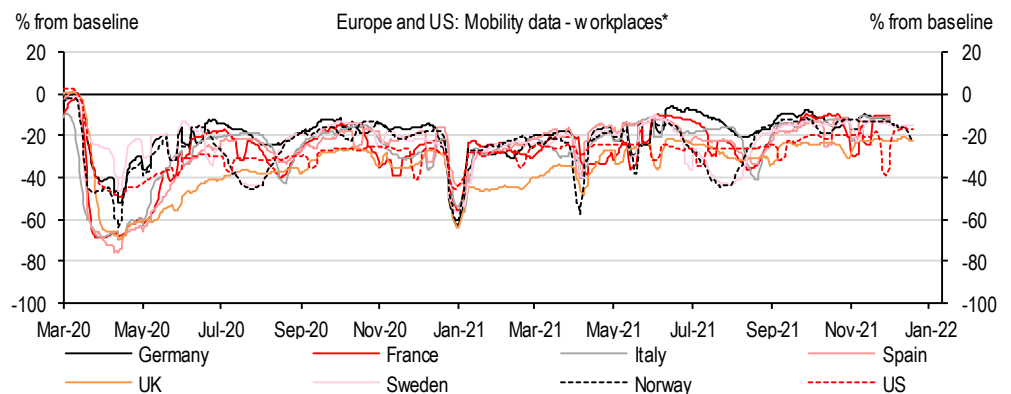
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC
Note: *7-day moving average

18. For the moment, retail and recreation mobility remain roughly unchanged ...



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

19. ...as does workplace mobility, though at a lower overall level



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

New restrictions are focused on unvaccinated people

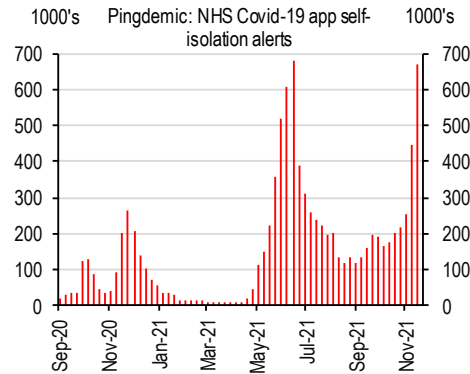
20. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>Germany has announced it will further tighten COVID-19 restrictions from 28 December by severely intensifying some of the already implemented measures from 2 December. Most importantly, there will now be a general limit of just ten people (not accounting for children) for private and public meetings irrespective of the COVID-19 situation in the local district and if people are fully vaccinated against (or have recovered from) COVID-19. Moreover, (sporting) events will no longer be allowed to host any spectators (even outdoors). Finally, all clubs and bars have to be closed, although the latter technically also requires an additional legal provision by the respective federal state to be officially enacted, which most but not all have done.</p> <p>Apart from that, the measures from 2 December remain fully in place which include a general nationwide 2G-rule (meaning access only for COVID-19 recovered and vaccinated) for almost all activities like retail shopping, private and public services, restaurants and events irrespective of the local COVID-19 situation. Public gatherings around New Year will be prohibited as will be the use of fireworks like in 2020. For the unvaccinated, there are also even more severe contact restrictions as they are allowed to meet with a maximum of two people from different households and e.g. need to provide a negative COVID-19 test to use public transport. Since the beginning of the pandemic indoor mask wearing is mandatory including in public transport. More restrictive measures could also still be applied on a local or federal state level depending on the infection situation.</p>
France	<p>Current restrictions are mainly targeted on unvaccinated people (aged above 12) via the imposition of a health pass (i.e. a proof of full vaccination, recovery or a negative test) to access some activities (museums, cinemas, bars, restaurants, large shopping malls, hospitals and some long-distance transport such as aeroplanes and trains). In addition, vaccination is mandatory for some key occupations (healthcare, firefighters). The health pass (introduced in July 2021) will become more stringent on 15 January. First, for all adults, a booster will be required 7 months after the latest dose to not lose the pass. Second, it will no longer be sufficient to present a negative test for people aged above 16.</p> <p>Among other restrictions, nightclubs have been closed since 10 December and will not reopen before the end of January at the earliest. Large events in closed places are now limited to a ceiling of 2,000 people. Wherever possible, remote working is now mandatory for at least 3 days (and preferably 4 days) per week. Non-compliant firms are subject to fines. Mask wearing is mandatory outdoors in several departments. 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>
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.</p> <p>Currently, most regions are in the 'white' category with no additional restrictions on top of the green pass (other than indoor mask-wearing). However, six regions (Trentino, Friuli, Veneto, Liguria, Marche and Calabria), accounting for about a fifth of the population, are 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 public spaces. Both Scotland and Wales have 'vaccine passport' systems in place for nightclubs and some other venues and the Scottish government is considering extending this to cinemas and theatres as well. 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. On 8 December, the Prime Minister announced 'Plan B' measures including work-from-home guidance, mandatory masks in most indoor settings and vaccine passports for nightclubs and large gatherings.</p>

Source: Country data, HSBC

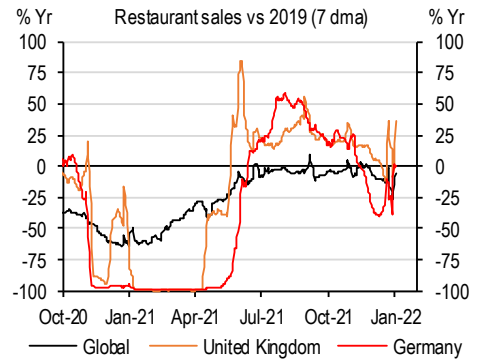
Activity holding up

21. One economic issue for the UK is high levels of staff shortages due to self-isolation...



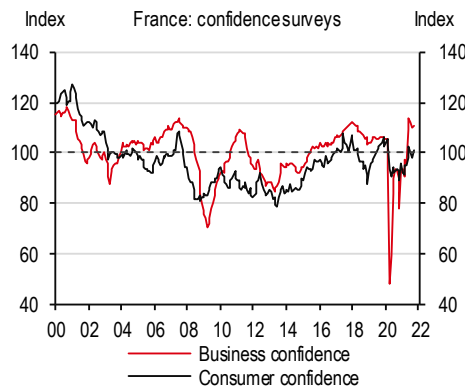
Source: Spectorator

22. ...but the restaurant data are not as bad as some might have feared



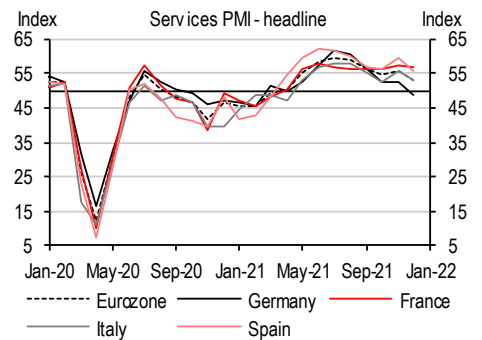
Source: Opentable

23. French consumer confidence has also held up



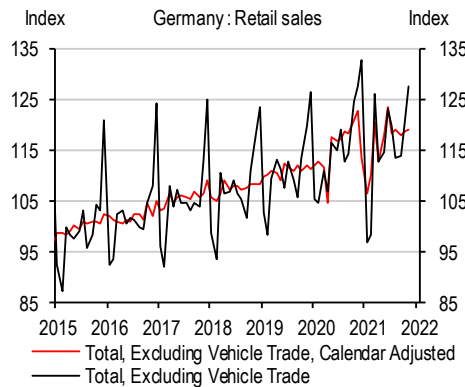
Source: INSEE

24. The Spanish and Italian services PMIs fell in December



Source: IHS Markit, Refinitiv Datastream, HSBC.

25. German retail sales have remained robust...



Source: Macrobond, HSBC.

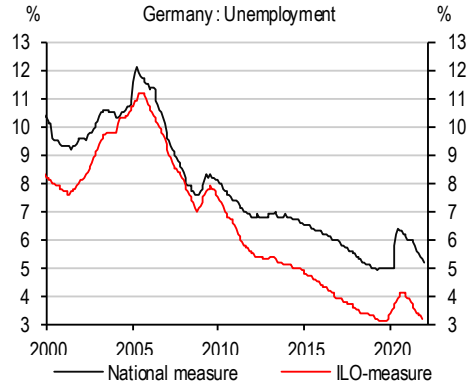
26. ... despite a continuing negative impact of the pandemic on traditional shopping



Source: Macrobond, HSBC.

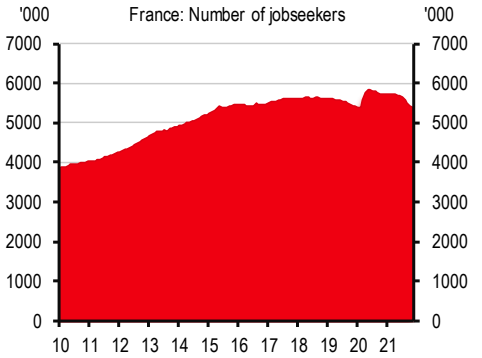
Some better news on inflation

27. Meanwhile, the German labour market remains very strong



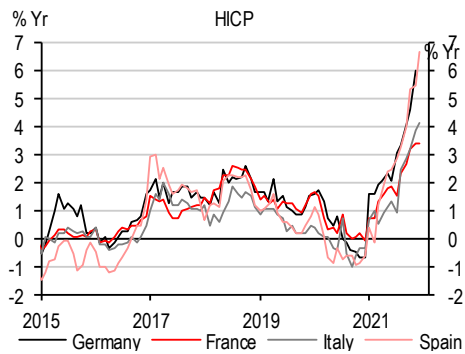
Source: Refinitiv Datastream.

28. Unemployment is falling in France, too



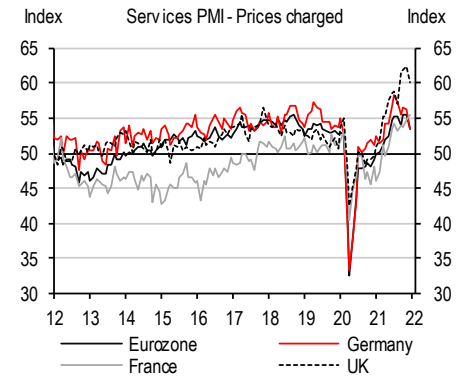
Source: French Labour Ministry

29. Inflation rose in December... except in France where it was unchanged



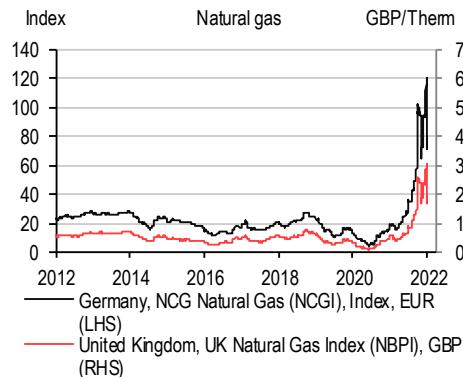
Source: Eurostat

30. The services PMI survey showed a little less price pressure in December



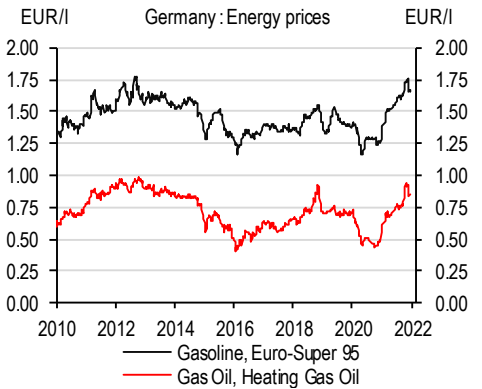
Source: IHS Markit, Refinitiv Datastream, HSBC

31. There was slightly better news on energy prices too...



Source: Macrobond, HSBC

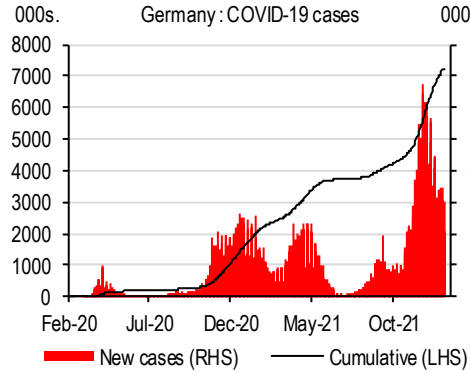
32. ... which is already being passed on to German consumers



Source: Macrobond, HSBC

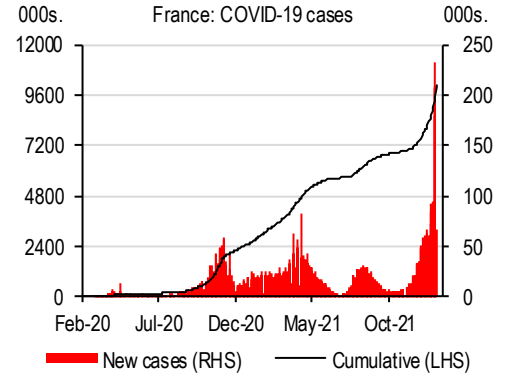
COVID-19 in Western Europe

33. German case numbers do not yet show much sign of an Omicron effect...



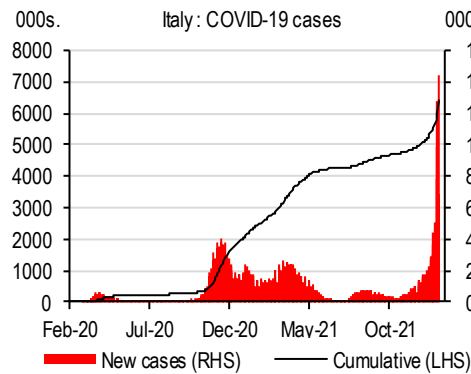
Source: Refinitiv Datastream, HSBC.

34. ...unlike those in France



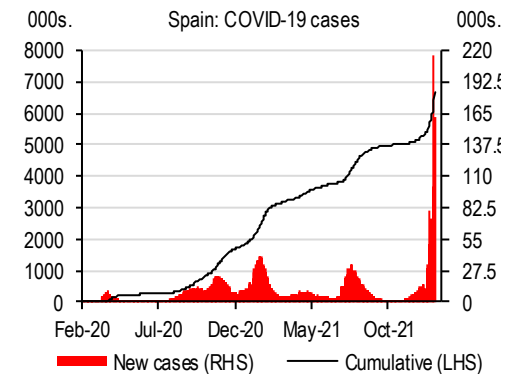
Source: Refinitiv Datastream, HSBC.

35. Omicron has also dwarfed previous case numbers in Italy...



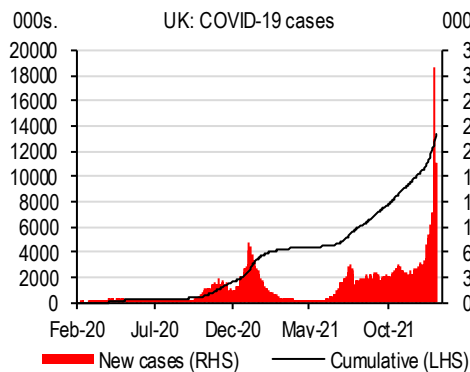
Source: Refinitiv Datastream, HSBC.

36. ... and Spain



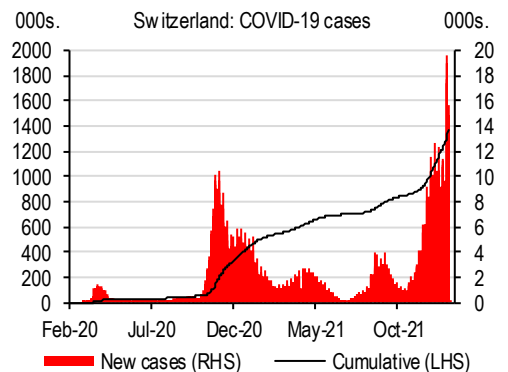
Source: Refinitiv Datastream, HSBC.

37. The UK recorded 218k daily cases on 4 January – a new record



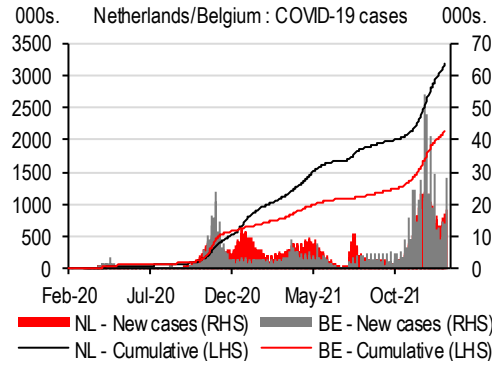
Source: Refinitiv Datastream, HSBC.

38. Swiss peaks



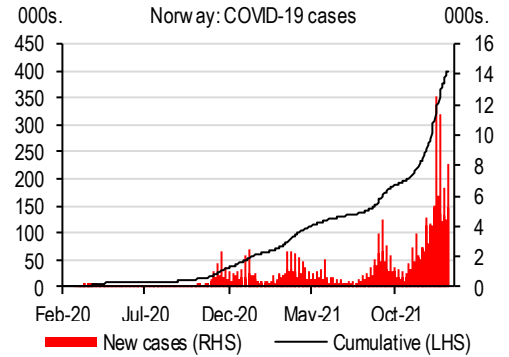
Source: Refinitiv Datastream, HSBC.

39. Benelux cases have fallen back a little



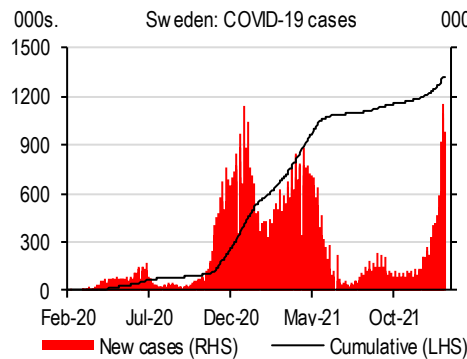
Source: Refinitiv Datastream, HSBC.

40. Norway also saw an early arrival of Omicron



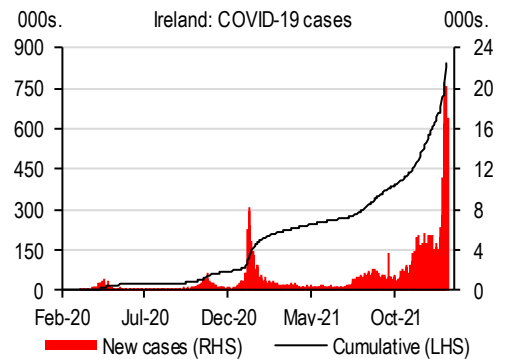
Source: Refinitiv Datastream, HSBC.

41. In Sweden, case numbers are comparable to previous waves



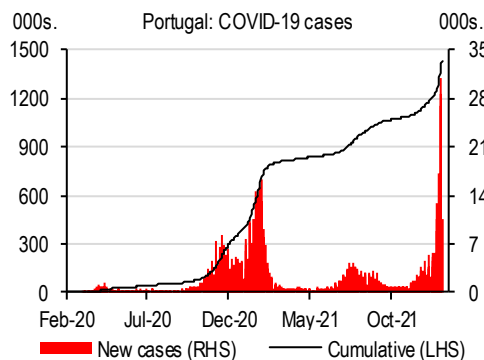
Source: Refinitiv Datastream, HSBC.

42. Omicron has spread rapidly across Ireland ...



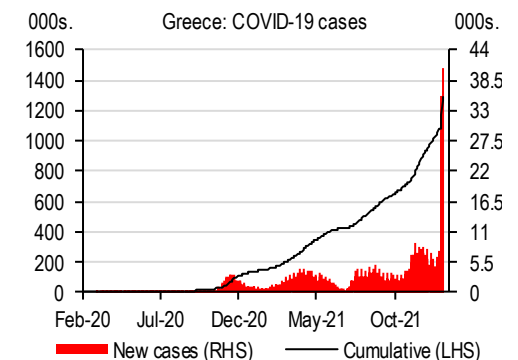
Source: Refinitiv Datastream, HSBC.

43. ... and Portugal...



Source: Refinitiv Datastream, HSBC.

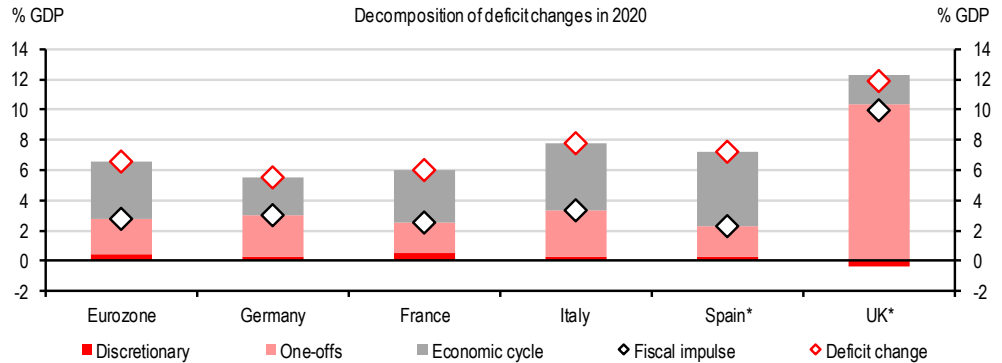
44. ... and Greece



Source: Refinitiv Datastream, HSBC.

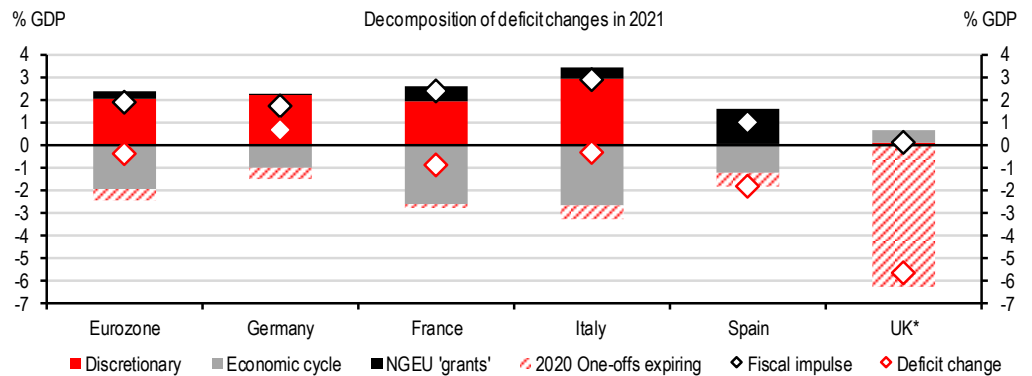
Fiscal measures (in the Big 4 eurozone countries and the UK)

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



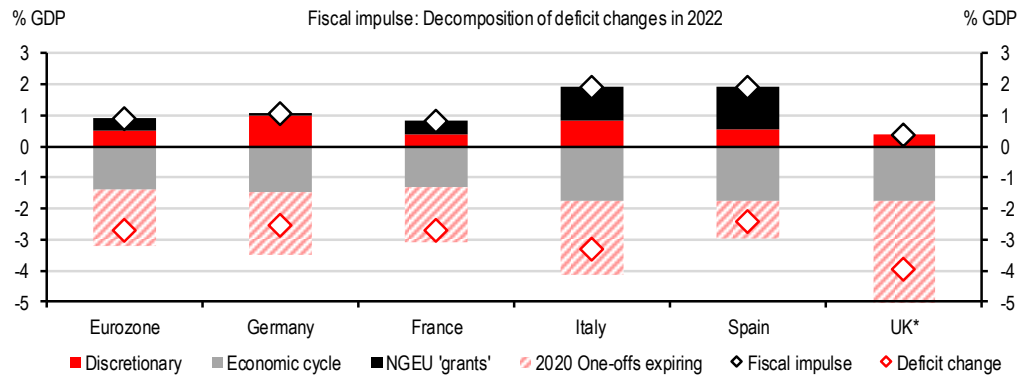
Source: HSBC calculations based on national statistical institutes, Eurostat and European Commission, 2020 budgets and amendments.
Notes: *Discounting the impact (0.9% of GDP) of the incorporation of 'Sareb' under the public sector. The 'Economic Cycle' component for eurozone countries and the Big 4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

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



Source: HSBC calculations based on 2022 Draft Budget Plans, Eurostat and European Commission, 2020 budgets and amendments.
Notes: 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. *fiscal year 2021/22

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



Source: HSBC calculations based on 2022 Draft Budget Plans, 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.

Disclosure appendix

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