

Europe COVID-19 tracker

Europe may be closer to 'learning to live' with COVID-19

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Economics - Europe

- ◆ The Omicron wave seems to be peaking in some countries such as in the UK...
- ◆ ...where the limited rise in ICU numbers so far is supporting the case for a more endemic evolution of the virus
- ◆ But with new cases rising sharply and high pressures on the health system in most of countries, caution prevails for now

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Some indications of a more endemic phase of the virus emerging

Last week, we highlighted some bright spots behind the massive surge in COVID-19 cases stemming from the Omicron wave. The past few days have further supported the case for cautious optimism as case numbers have started to recede in a handful of countries, especially in the UK (Chart 2). If the coming days confirm that the peak is now behind in the UK, this would point to a relatively short wave compared with the previous variants, similarly to what has been observed in South Africa. More importantly, in London, one of the earliest hotspots for Omicron, hospital admissions have shown tentative signs of stabilisation while ICU numbers have remained relatively low compared with the previous waves (Chart 7).

Against that backdrop, several Conservative UK MPs have called for an end of 'Plan B' restrictions at the next review, planned on 26 January. Spanish Prime Minister Pedro Sánchez has also opened up to the possibility that COVID-19 could soon be treated more like an endemic illness (Bloomberg, 11 January 2022). However, officials from institutions like the World Health Organization (WHO) and the European Medicines Agency (EMA) have warned that it is too early to claim that the virus is becoming more endemic (Reuters, 11 January 2022). After all, infections are still rising sharply in several countries (Charts 2 and 4). Moreover, pressure on hospitals is already elevated in some countries such as France (Chart 8) and even if vaccination booster campaigns have gathered speed at the start of the year, coverage is still not sufficiently high (Chart 11) to be fully confident about the capacity of hospitals to cope with a large number of new patients due to the Omicron wave.

Limited impact on economic activity so far

The latest economic data released in the eurozone point to a relatively strong Q4 with upside surprises in November for industrial production (even if it was distorted by the performance of Ireland and with hefty downward revisions to the October print) and retail sales (Charts 21-23). Granted, the impact of Omicron could be more visible in Q1, but the latest business surveys and high-frequency data are not pointing to a significant plunge in activity either (Charts 25-26). However, staff absences due to the sharp rise in the number of people infected and in quarantine (Chart 30) and real income squeeze due to high inflation (Charts 27-29) could be a drag on economic activity at the start of 2022.

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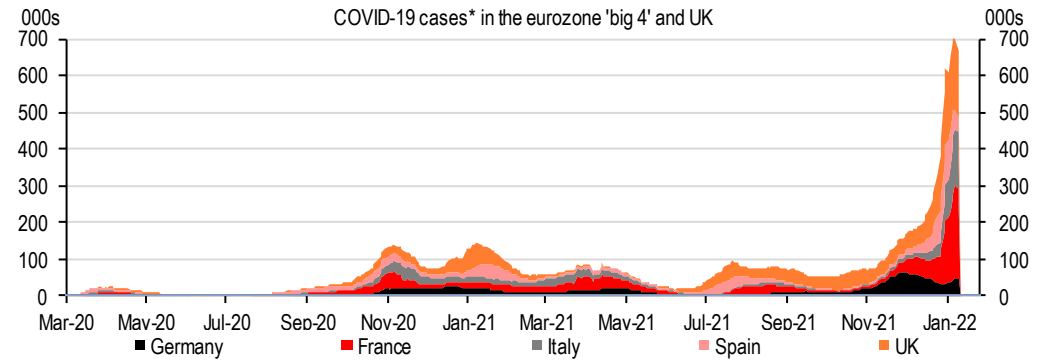
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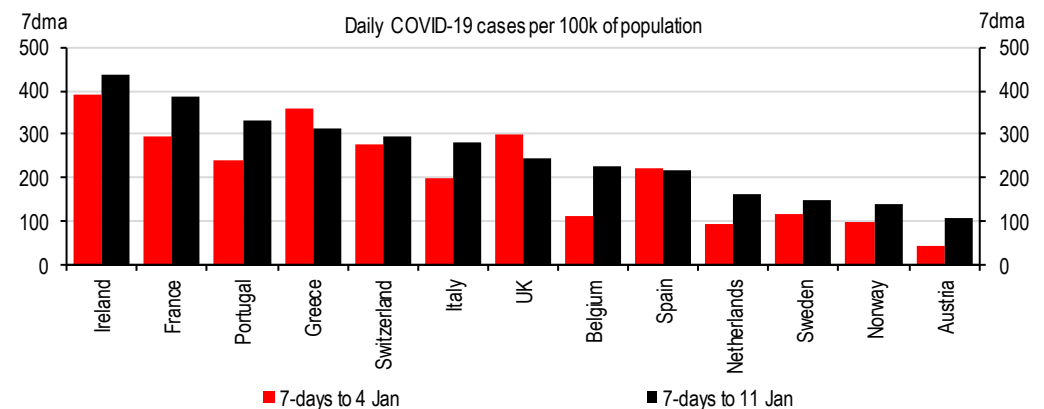
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Case numbers still elevated but some better signs in the UK

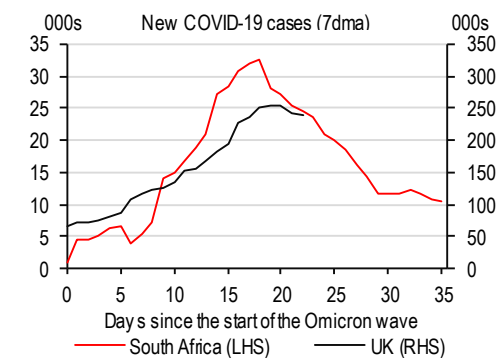
1. The Omicron wave remains very strong in Europe...



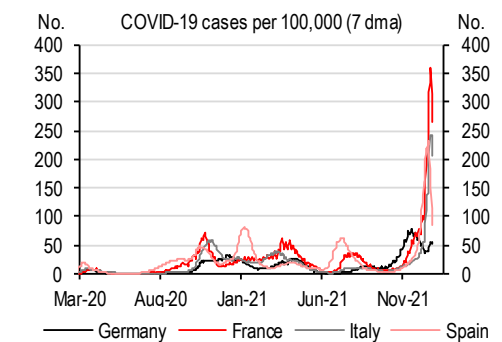
2. ...but case numbers have started to recede in some countries, especially in the UK



3. A peak in the UK would broadly mirror the precedent set by South Africa



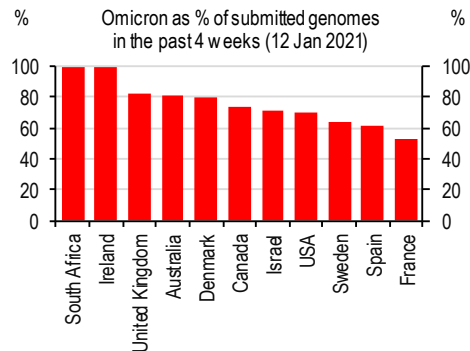
4. Cases are still broadly on the rise in the eurozone Big 4 countries



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

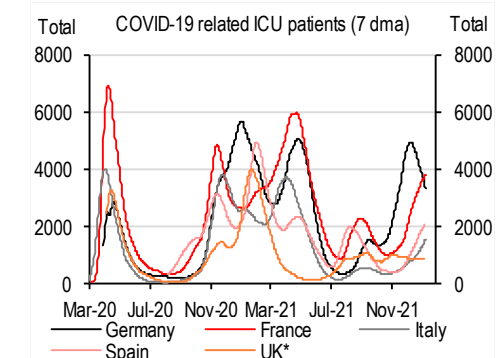
Cautious positives to take from hospitalisation data

5. Omicron has now become the main variant in several European countries



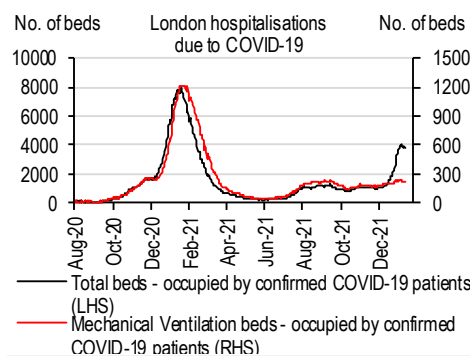
Source: GISAID, HSBC.

6. Intensive care numbers are still rising in France, Italy and Spain



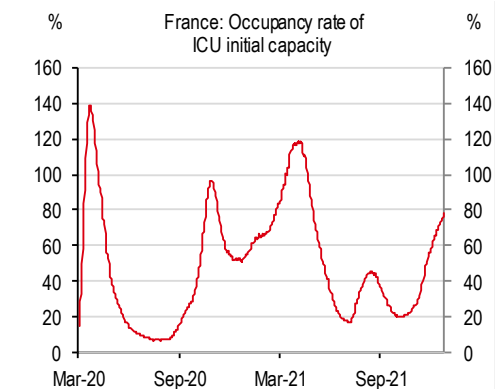
Source: Macrobond, HSBC.

7. In contrast, hospital admissions seem to have started to stabilise in London



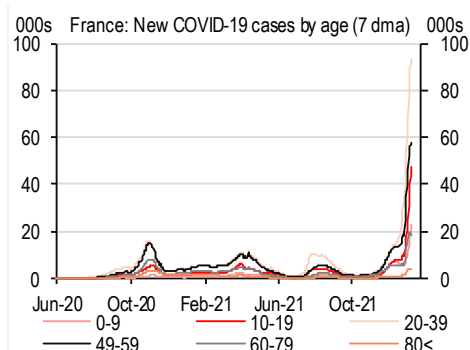
Source: NHS England, HSBC

8. Pressure on French hospitals is mounting



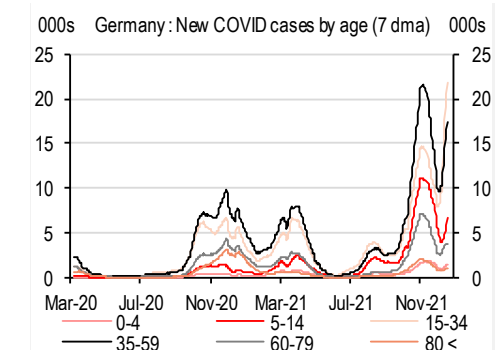
Source: French Government, HSBC. Note: Relative to the initial level, capacity may be enhanced by one-off measures

9. The Omicron wave has mainly impacted teens and young adults in France...



Source: French Government, HSBC.

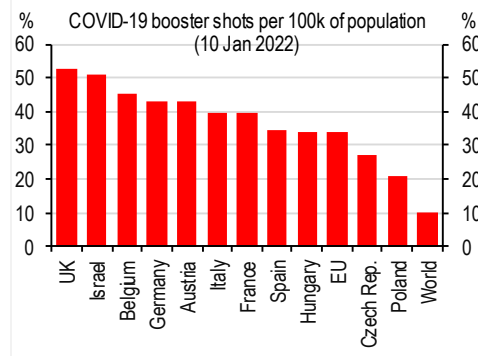
10. ...and the picture is relatively similar in Germany



Source: Macrobond, HSBC.

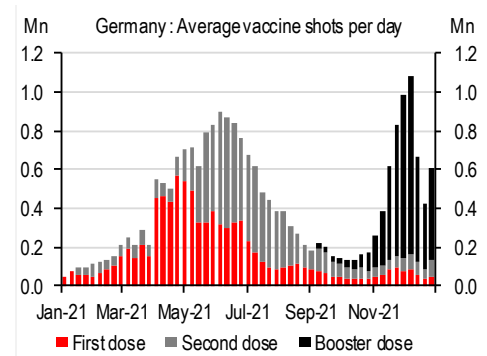
Revival in booster campaigns at the start of the year

11. The UK is leading the booster campaign in Europe



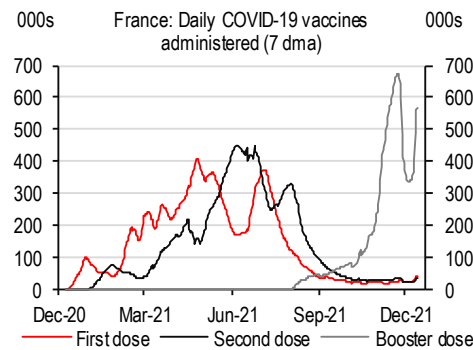
Source: Macrobond, HSBC.

12. The pace of vaccination has rebounded in Germany with the end of the festivities



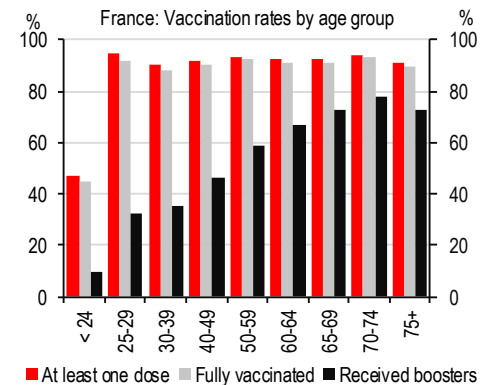
Source: Macrobond, HSBC.

13. Vaccination has also re-accelerated in France...



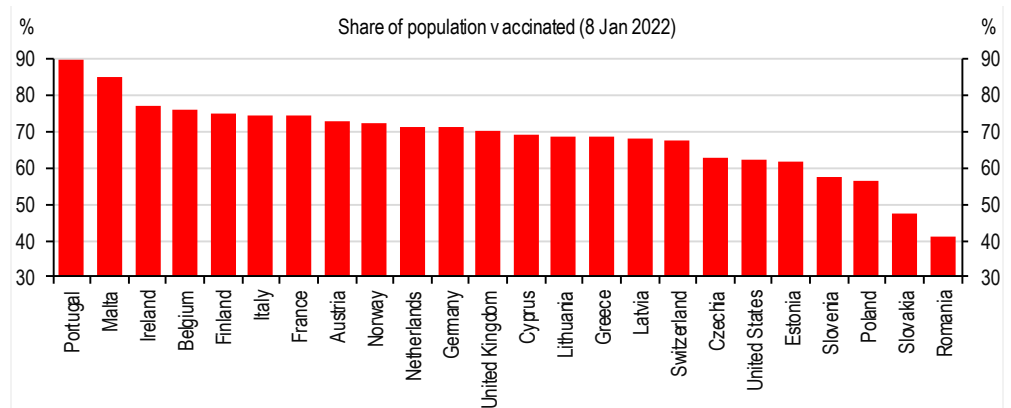
Source: French Government, HSBC.

14 ...but the booster coverage of elderly people has still room to improve



Source: French Government, HSBC.

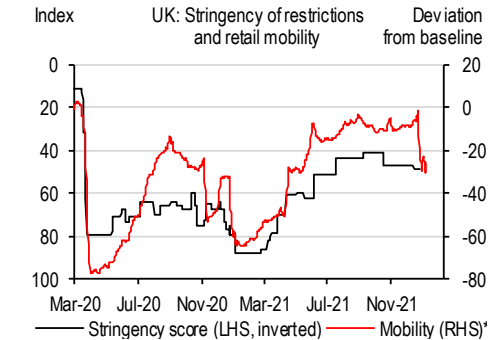
15. Vaccination coverage is still low for several countries in Eastern Europe



Source: Our World in Data, HSBC.

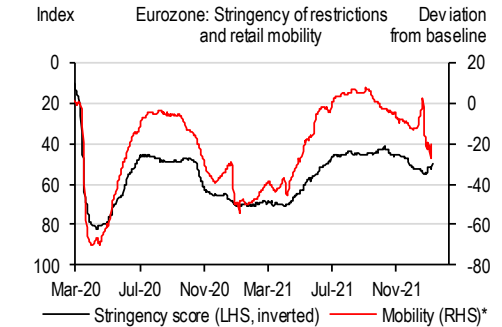
Mobility data distorted by the holiday season

16. Mobility has dropped in the UK but it probably reflects the impact of holidays



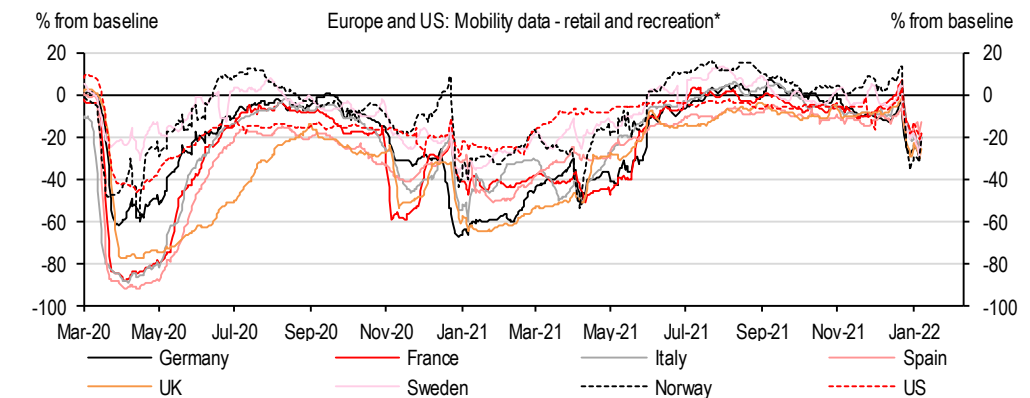
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC
 Note: *7-day moving average.

17. The situation is similar in the eurozone



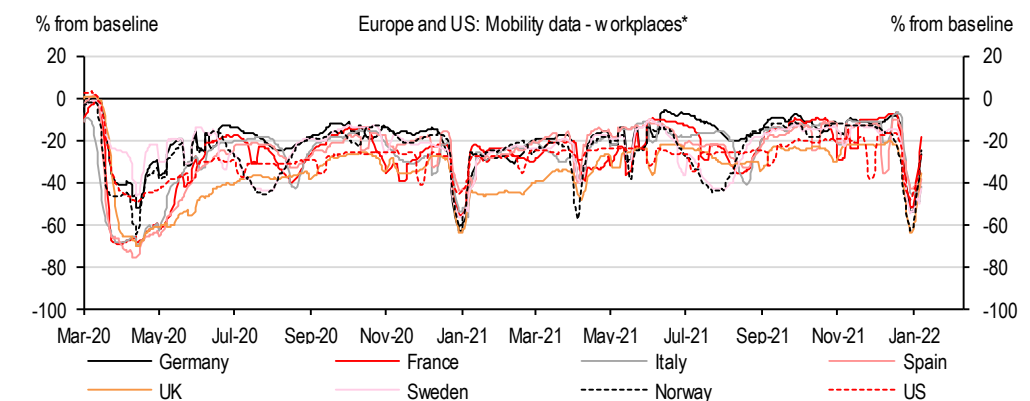
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC
 Note: *7-day moving average

18. Retail mobility data though has not shown signs of marked rebound at the start to 2022



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

19. The recovery in workplace mobility has been more pronounced after the holiday drop



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

New restrictions are focused on unvaccinated people

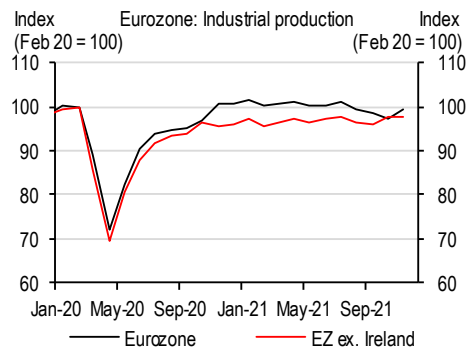
20. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>Germany further tightened some COVID-19 restrictions after a summit on 7 January and extended all previous restrictions announced in December. 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 now 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 24 January.</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 would no longer be possible to present a negative test for people aged above 16. 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 2000 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. 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.</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 public spaces. Scotland and Wales introduced new restrictions over Christmas, but Scotland is set to relax some of these – allowing attendance of large sporting events – from 17 January. The UK has also loosened travel rules. 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

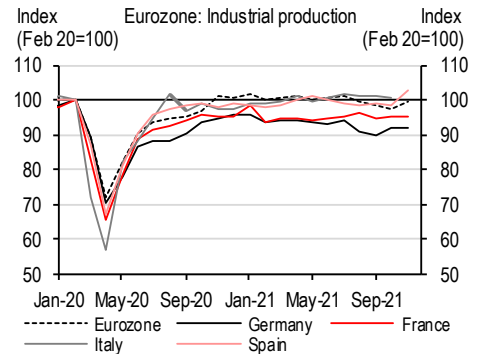
Resilient economic activity at the end of 2021

21. Eurozone industrial production has been distorted by Ireland data recently



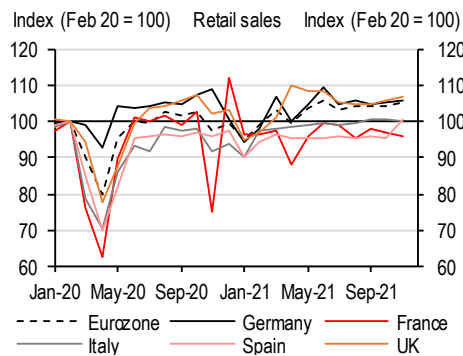
Source: Refinitiv Datastream, HSBC.

22. Germany and France have been lagging in the industrial recovery



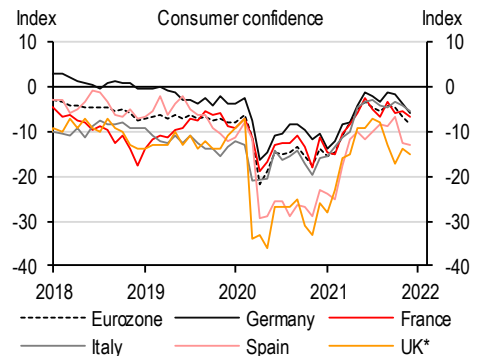
Source: Refinitiv Datastream, HSBC.

23. Eurozone retail sales have been resilient in November...



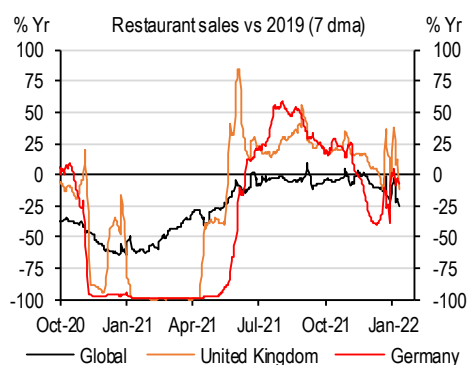
Source: Refinitiv Datastream, HSBC.

24. ...but softer consumer confidence is pointing to a more subdued outlook



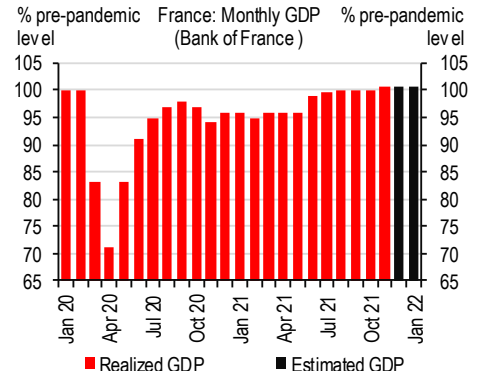
Source: Refinitiv Datastream, HSBC.

25. Restaurant sales have held up in spite of the emergence of Omicron



Source: OpenTable.

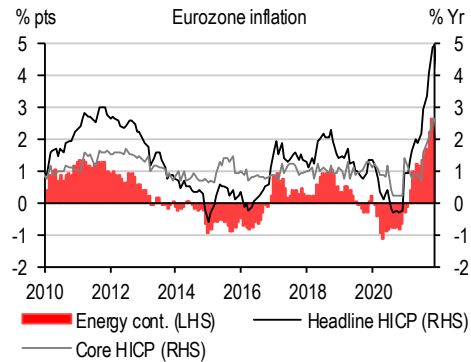
26. French GDP has also been resilient in December according to Bank of France



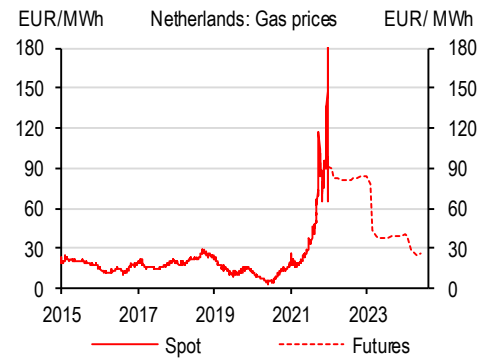
Source: Bank of France, HSBC.

Mixed signals on the inflation outlook

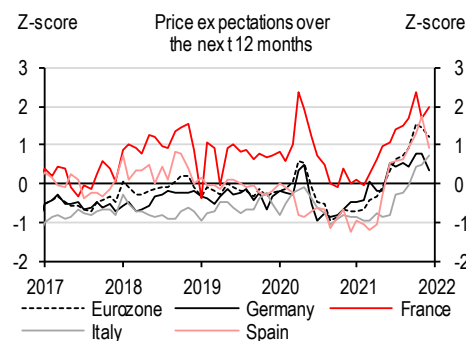
27. Eurozone inflation surprised again on the upside in December



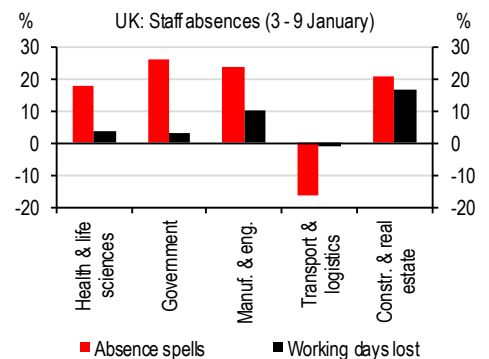
28. Wholesale gas prices are off their peak but are expected to remain high in 2022



29. Price expectations from consumers seem to have peaked



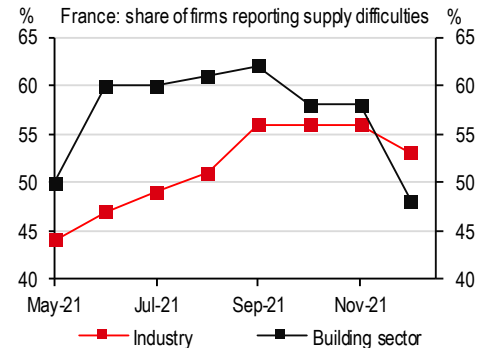
30. Omicron has led to a marked rise in staff absences in the UK



31. In Germany, the use of the short-time work scheme has slightly risen in December

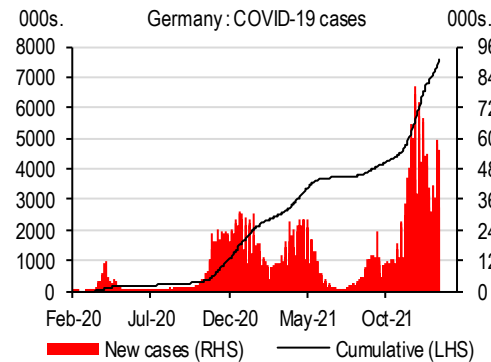


32. French firms were reporting lower supply difficulties in December



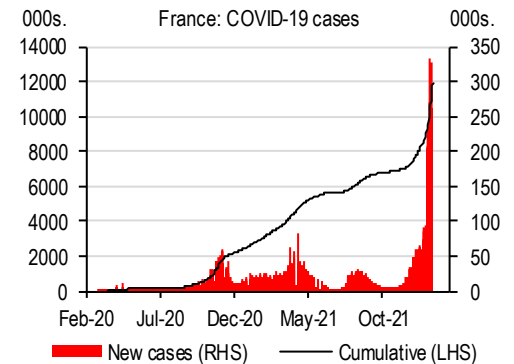
COVID-19 in Western Europe

33. The renewed rise in German new cases could reflect the early impact of Omicron



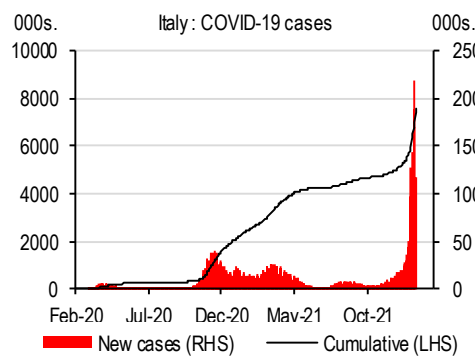
Source: Refinitiv Datastream, HSBC.

34. The Omicron wave in France has been especially pronounced



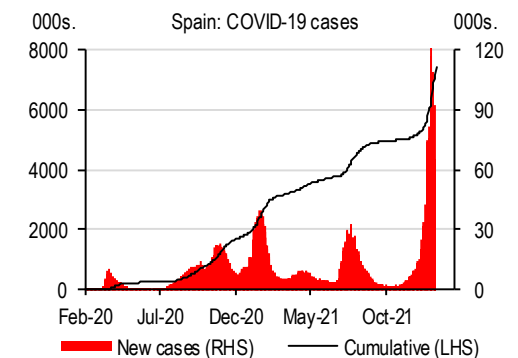
Source: Refinitiv Datastream, HSBC.

35. Italy has not been spared by Omicron...



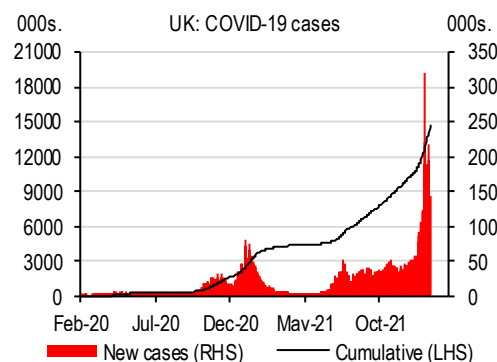
Source: Refinitiv Datastream, HSBC.

36. ... and neither has Spain



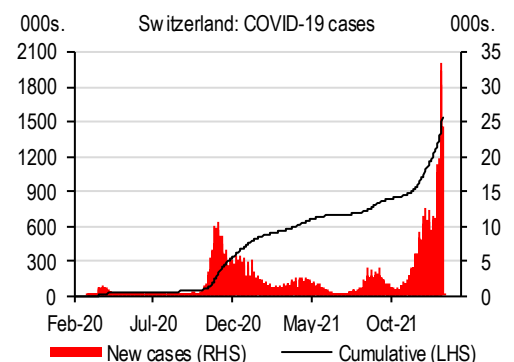
Source: Refinitiv Datastream, HSBC.

37. The Omicron wave could have reached its peak in the UK...



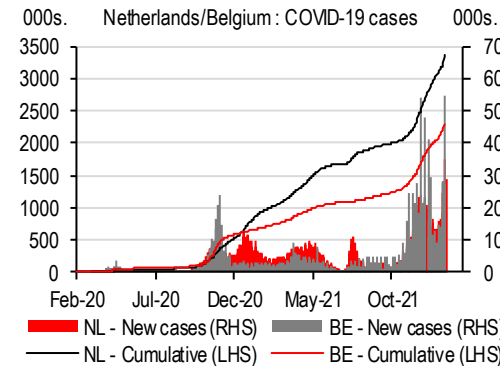
Source: Refinitiv Datastream, HSBC.

38. ...and also possibly in Switzerland



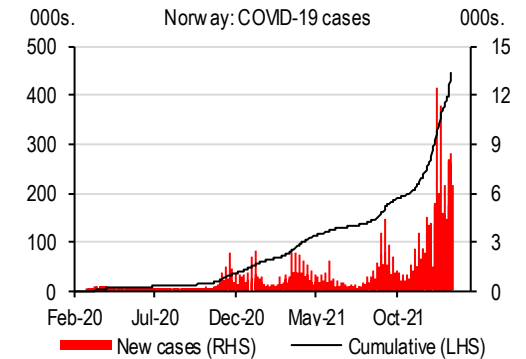
Source: Refinitiv Datastream, HSBC.

39. Benelux cases are rising again after a quieter period



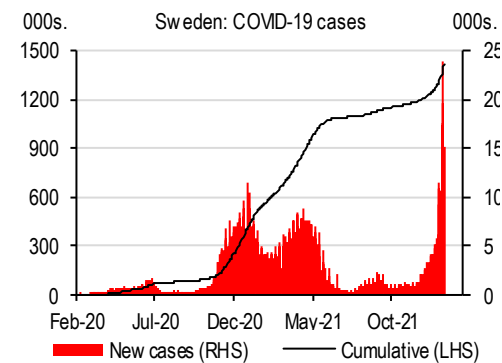
Source: Refinitiv Datastream, HSBC.

40. In Norway, the peak could be behind us



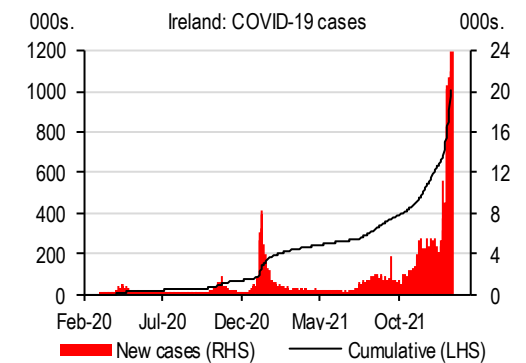
Source: Refinitiv Datastream, HSBC.

41. Sweden has finally been caught by Omicron



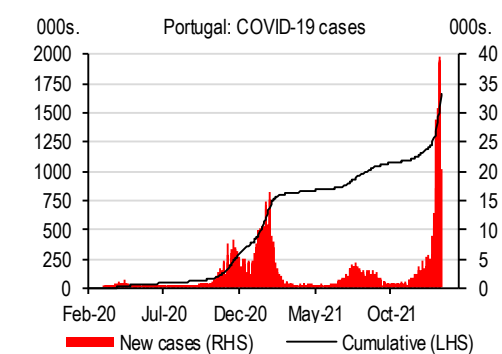
Source: Refinitiv Datastream, HSBC.

42. The impact of Omicron has been especially marked in Ireland



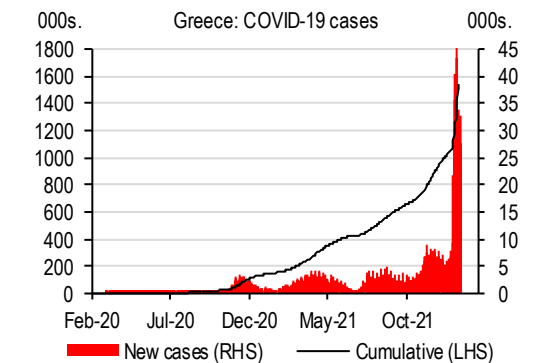
Source: Refinitiv Datastream, HSBC.

43. Omicron has also spread rapidly across Portugal...



Source: Refinitiv Datastream, HSBC.

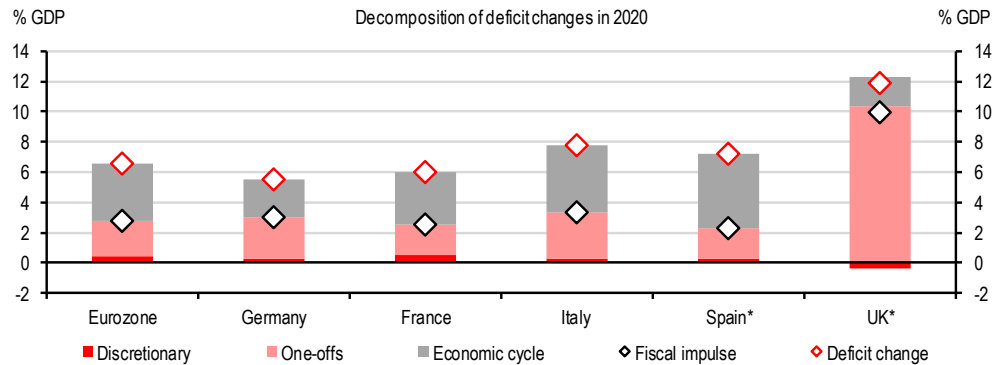
44. ... and Greece



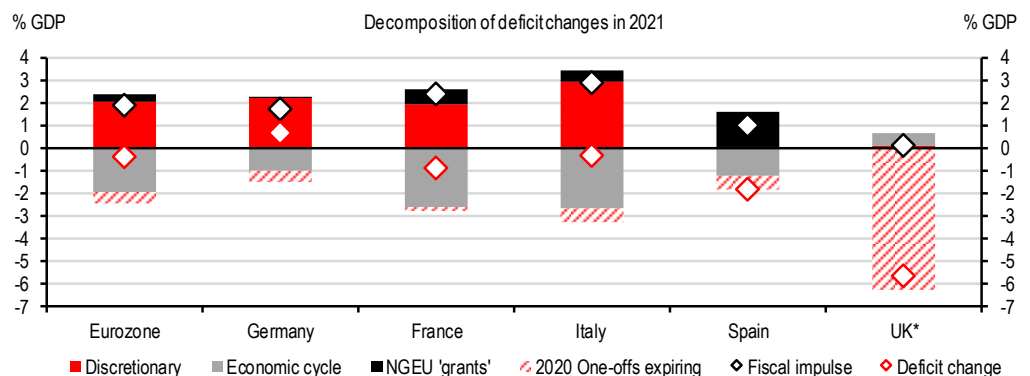
Source: Refinitiv Datastream, HSBC.

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

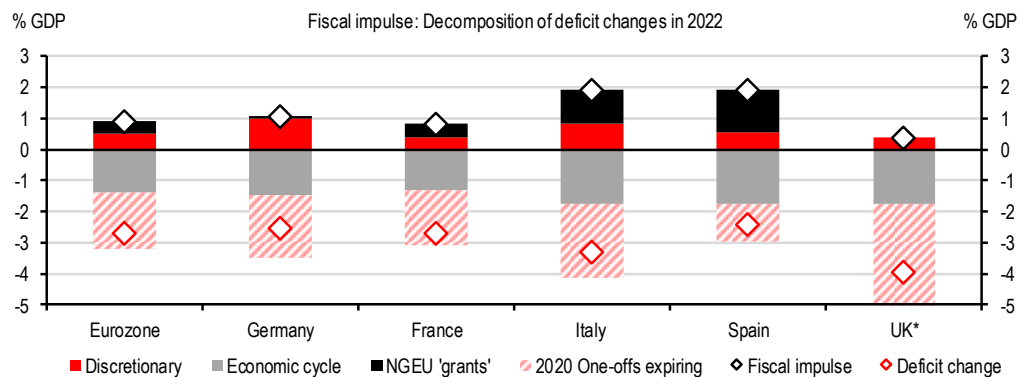
45. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved



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



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