

Europe COVID-19 tracker

Too good to be true?

Free to View
Economics - Europe

- ◆ After a steady rise in previous weeks, case numbers in the UK and the Netherlands are down sharply...
- ◆ ...but this may reflect lower testing and other temporary factors
- ◆ Meanwhile, European countries continue to push for higher vaccination take-up as growth momentum is starting to fade

A remarkable turnaround

A week ago, we reported that cases were continuing to accelerate in the UK and the Netherlands. This week, however, has seen a remarkable turnaround with the number of infections in those countries down 31% and 46% on last week, respectively (Charts 1 and 2). In the UK, top epidemiologist Neil Ferguson is now saying the bulk of the pandemic will be "behind us" by October (inews, 27 July), and the government has announced that from 2 August, borders will be completely open for fully vaccinated EU and US citizens.

The news is better than many had dared to hope for: at the start of July, the UK government was warning the case rate would rise to 100,000 per day (FT, 6 July). On 28 July, it was just under 28,000. But this good news might be a mirage, reflecting fewer tests as people seek to avoid the consequences of the 'pingdemic' (ie, people isolating having come into contact with COVID-19 affected ones, see Chart 14). Testing is down 13.8% w-o-w in the UK, but that is only half the fall in case numbers. In the Netherlands, testing is up but low compared with the UK so it could still be that cases are being missed (Chart 3). Positivity rates do not yet show a conclusive decline in either country (Chart 4).

Still, for the UK in particular, there are risks that following Freedom Day (19 July with the lifting of most restrictions) and the return to school, cases could see a rebound. In the meantime, hospitalisation and death numbers will tell us how real the 'improvement' is. In Scotland, hospitalisation numbers are starting to decline, which is encouraging (Chart 5).

Meanwhile, governments across Europe continue to grapple with the slowdown in vaccination uptake (Chart 7). The French policy of barring unvaccinated people from entering cultural venues, bars and restaurants has led to a jump in vaccinations (Chart 9), and even if the numbers of daily shots are not showing it yet, bookings soared in Italy after the government introduced similar measures last week (Libero, 27 July). In Germany, where case numbers are rising from a relatively low level, the availability of vaccines significantly exceeds demand, and the government is contemplating a move whereby "the vaccinated will certainly have more liberties than the unvaccinated" (Deutsche Welle, 26 July 2021).

Delta taking its toll on recovery

This week's economic data showed, by and large, a slowdown in the momentum of the recovery. With the exception of a strong set of German PMIs, other releases – UK and French PMIs, the German IFO, French consumer confidence – pointed to a little loss of momentum though consumer confidence held up better in the UK, Germany and Italy (Charts 18-23). This is likely to reflect the spread of the delta variant. With the UK being a little ahead of that curve, all eyes will be on its COVID data over the next few weeks. We can only hope the recent news does not prove too good to be true.

This is an abridged version of a report of the same title published on 28 July 2021. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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Disclosures & Disclaimer

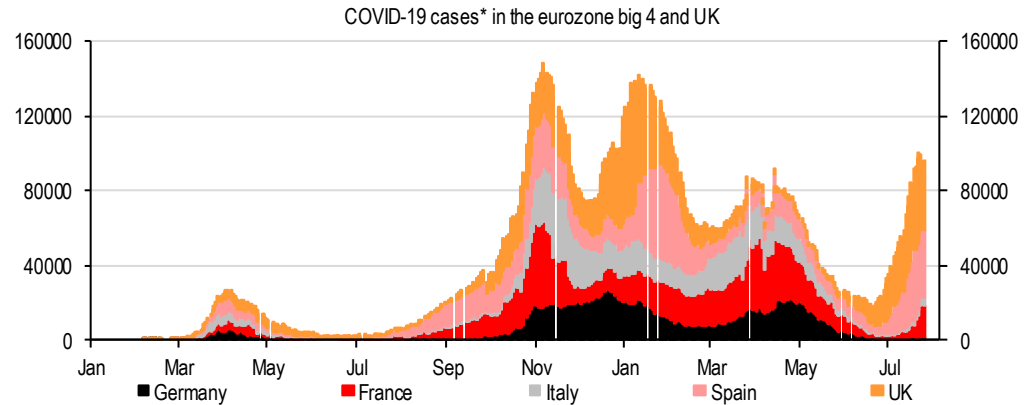
This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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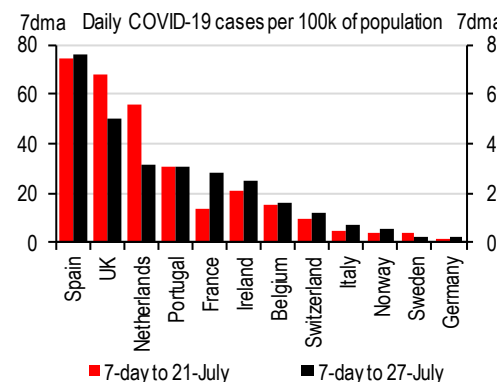
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Cases are still rising rapidly, but hospitalisation rates remain low

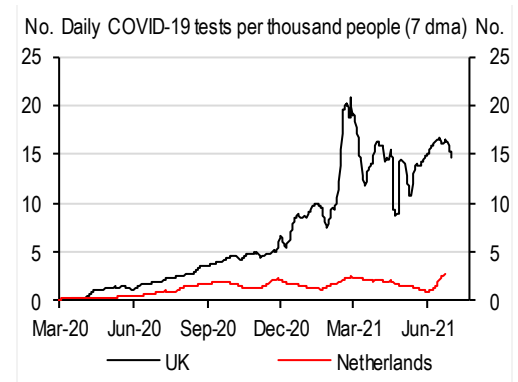
1. The UK led 14% fall in number of cases in Europe's five largest economies last week



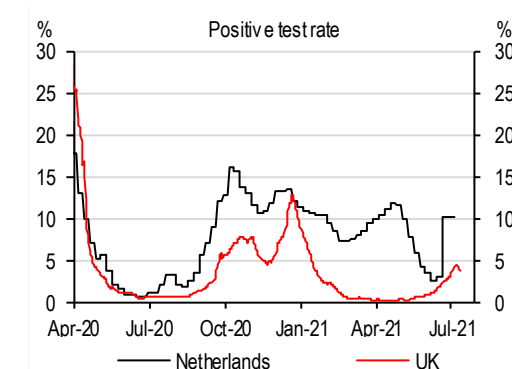
2. This is a remarkable turnaround with cases in the UK and Netherlands down 31% and 46% week-on-week, respectively



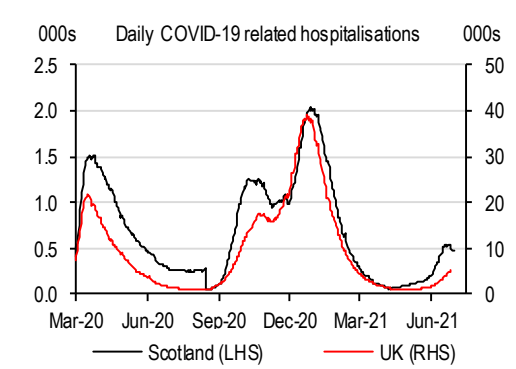
3. Testing might be part of the reason, having fallen 14% in the UK and remaining relatively low in the Netherlands



4. Positivity rates don't point to a definite improvement in the pandemic situation yet



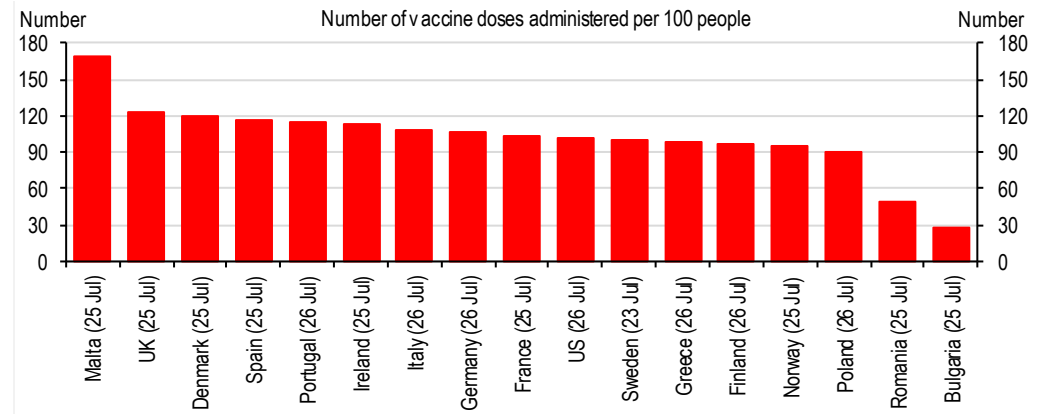
5. Falling Scottish hospitalisation numbers provide grounds for hope though



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

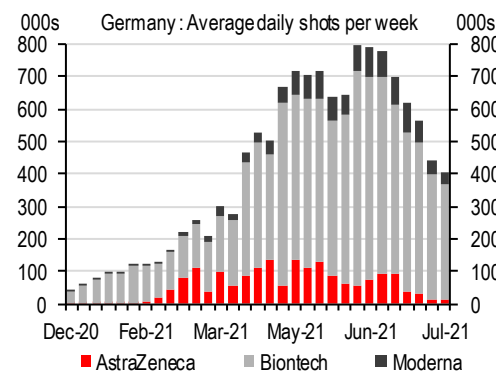
Still a tight race between vaccination and the Delta variant

6. Excluding Malta, the UK is still ahead of EU countries in terms of vaccine progress



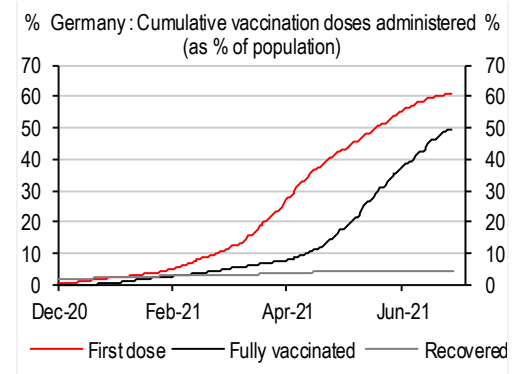
Source: Our World in Data, HSBC.

7. The pace of vaccination has fallen away in Germany...



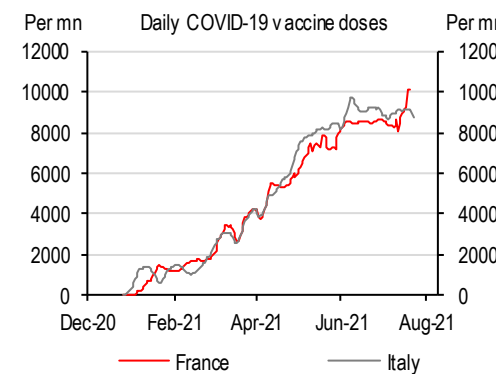
Source: Macrobond, HSBC.

8.... which is sparking a debate about possible 'vaccine passport' incentives...



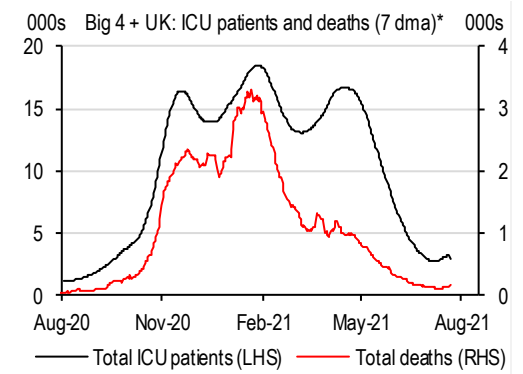
Source: Macrobond, HSBC.

9. ...such policies have had desired effect in France so far and the Italian government is hoping the same will happen in Italy



Source: Our World in Data, HSBC.

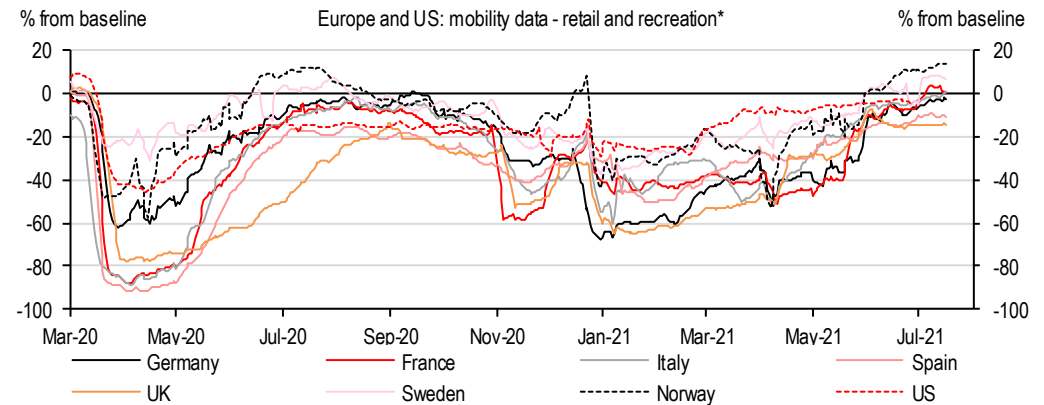
10. Evidence that vaccines are working remains compelling, even with the Delta variant



Source: Macrobond, HSBC. Note: *Medically ventilated.

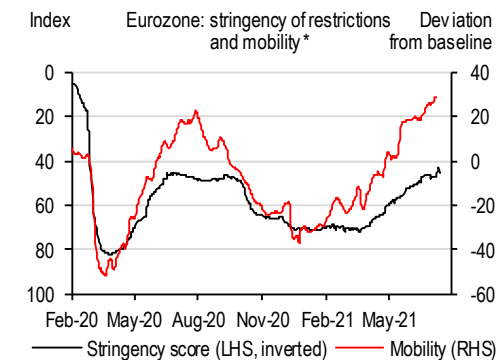
Recovery in activity has lost its momentum

11. Interestingly, mobility seems to be improving more in Europe than in the UK, despite the greater freedoms now in place in the latter



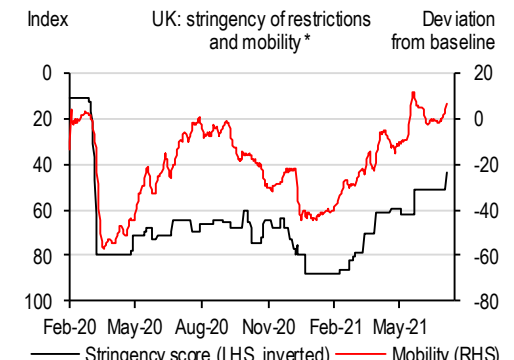
Source: Google, HSBC. Note: *7-day moving average.

12. Restrictions in the eurozone are no longer being eased...



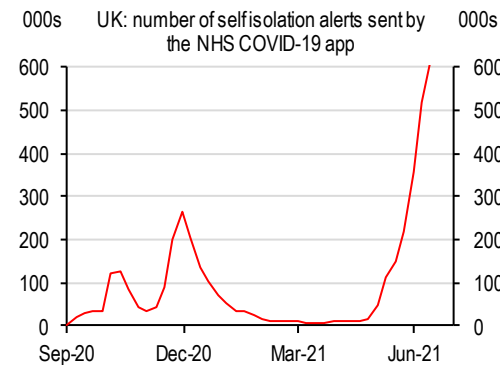
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC.
Note: *Mobility data is an average of all the components, excluding residential, 7dma.

13. ...while in England, most legal limits on social activity ended on 19 July



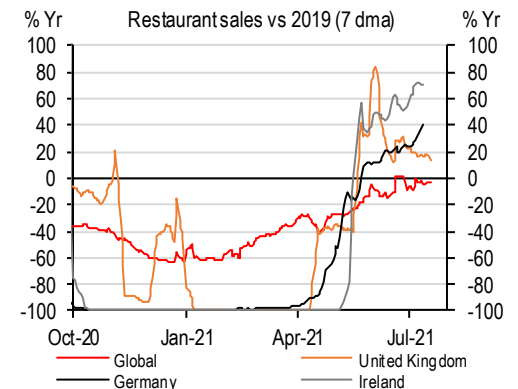
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC.
Note: *Mobility data is an average of all the components, excluding residential, 7dma.

14. Recent sharp rise in self-isolation alerts continues to be a drag on activity



Source: NHS COVID-19 app statistics.

15. European restaurant sales are up on 2019



Source: OpenTable, HSBC.

Local restrictions start to be re-imposed in some countries

16. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>The so-called national emergency break expired on 30 June so each federal state is now responsible for its own COVID-19 restrictions as long as the number of new infections within seven days per 100 citizens remains below 100. Above this incidence level, the following rules would still apply, which were agreed by the Chancellery and the heads of federal states on 22 March:</p> <ul style="list-style-type: none"> ◆ Private meetings are limited to five persons (children up to 14 years are not counted) from two different households in public and private places. ◆ 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. ◆ Non-essential private domestic travel should be generally avoided (but is not prohibited). Travellers from abroad who enter Germany from a designated COVID-19 risk area need to register before entering and have to quarantine for at least 10 days or provide a negative test result after five days at the earliest. ◆ Entering Germany from a high-risk designated area additionally requires a negative test result. <p>As of 28 July, still none of the 401 districts in Germany was above the critical incidence threshold of 100, while only 14 were above 35 of which five are also above 50. As a consequence, actual restrictions remain much lower than the official regulations suggest though regulations differ among federal states and even districts. Moreover, on 4 May, the Bundestag passed a decree that basically exempts fully vaccinated people and recovered COVID-19 patients from almost all restriction measures, such as providing an obligatory test to use certain services, and the general contact restrictions were lifted for them as well.</p> <p>That said, the government has now designated both Spain and the Netherlands – two of the most important foreign holiday destinations for Germans – as high risk territories, which implies an automatic 14-day quarantine obligation for not fully vaccinated persons entering from these countries. Moreover, as from 1 August, all travellers from abroad will possibly be obliged to provide either full vaccination protection evidence or a negative test result to avoid quarantines after entering Germany irrespective from where and by which measure of transport they are entering the country. Further measures and potential changes to the current restriction rules at the national level will be discussed at a summit between the heads of the federal states and the national government, which is scheduled for 10 August.</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). 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): it will be required from 21 July for all leisure and cultural places (like museums or cinemas) and from early 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. More recently, 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) due to a significant rise in infection rates.</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

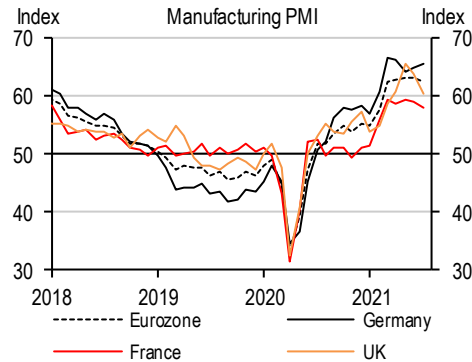
17. Latest on the restrictions from the major European countries (cont'd)

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). 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 been reopening in recent months. In England, schools reopened on 8 March, rules on outdoor gatherings were relaxed on 29 March, hairdressers and outdoor hospitality reopened on 12 April, and indoor hospitality restarted on 17 May.</p> <p>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. The government also plans to lift the requirement to self-isolate after coming into contact with someone who has tested positive from 16 August for those who have received both doses of the vaccine and for most schoolchildren. 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 most of Scotland, hairdressers and some retailers reopened on 5 April and outdoor hospitality and gyms on 26 April with an indoor alcohol ban lifted and cinemas reopened on 17 May. Scotland moved to a 'modified' form of 'Level 0' rules on 19 July, upping limits on social gatherings, and keeping mandatory mask-wearing. But the 'final' easing of restrictions, akin to that already taken in England, is targeted for 9 August. In Wales, limits remain on social gatherings and mask wearing remains mandatory with the next stage, including the opening of nightclubs, pencilled in for 7 August. In Northern Ireland, a further stage of reopening was confirmed on 26 July, but limits and mask wearing will remain in place.</p> <p>International leisure travel has not been banned 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 50 countries, including South Africa, Brazil and India, 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

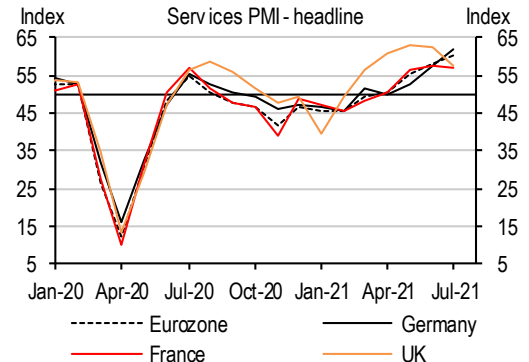
Surveys show some lost momentum in July

18. Generally, the July PMIs pointed to a slight slowdown, both in manufacturing...



Source: Refinitiv Datastream, IHS Markit, HSBC.

19....and in services, particularly in the UK



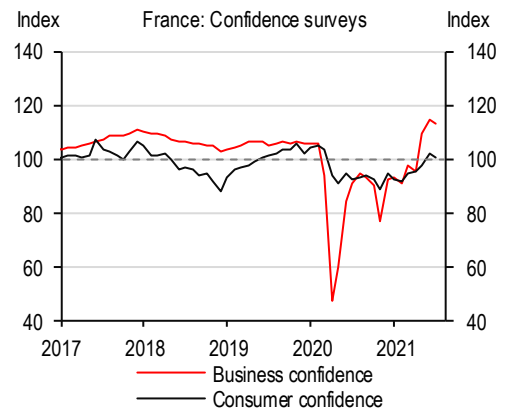
Source: Refinitiv Datastream, IHS Markit, HSBC.

20. The IFO survey also pointed to a loss of momentum for German firms



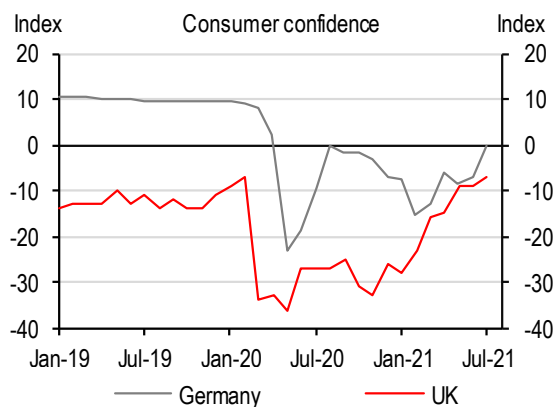
Source: Macrobond, HSBC.

21. In France, confidence indices retreated a little from last month's highs



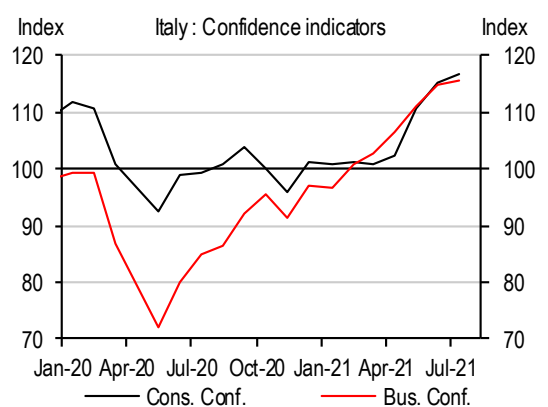
Source: Refinitiv Datastream, HSBC.

22. German and UK consumers were a little more upbeat, however...



Source: Bloomberg, Refinitiv Datastream, HSBC.

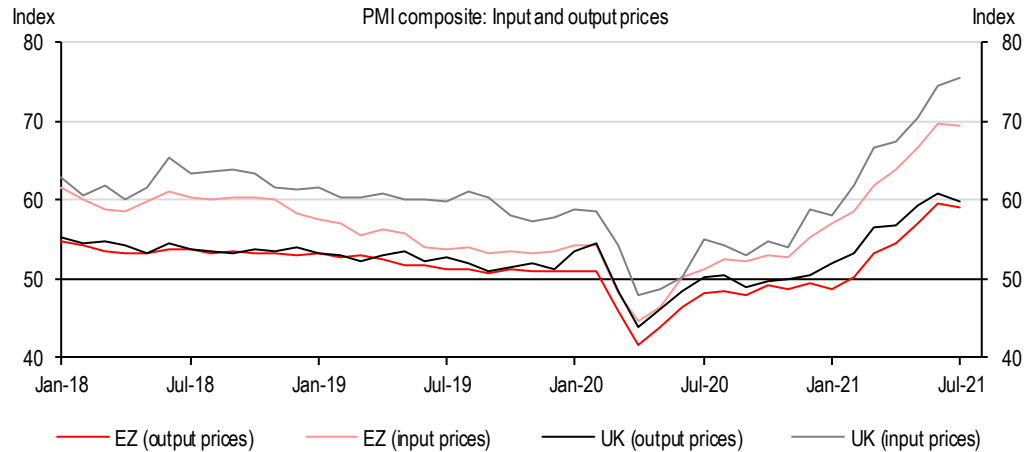
23. ...and so were both consumers and businesses in Italy as the tourism season is going strong



Source: Refinitiv Datastream, HSBC.

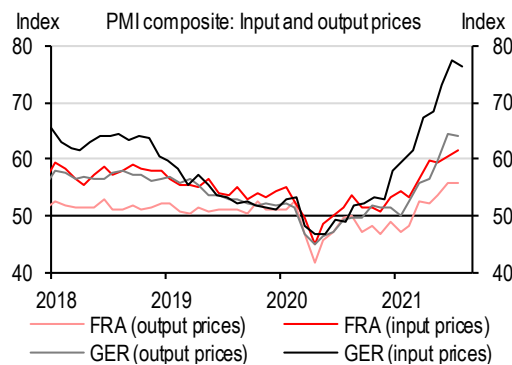
Price pressures in the eurozone are more limited than elsewhere

24. Inflation remains the issue of the day, and PMIs showed very little let-up



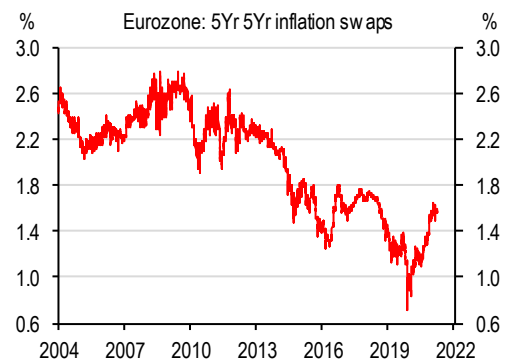
Source: Refinitiv Datastream, HSBC.

25. High input prices appear to be being passed onto customers, at least partly



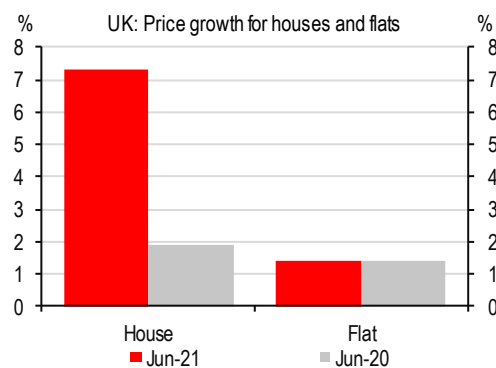
Source: Refinitiv Datastream, HSBC.

26. But the market seems unworried beyond the near term



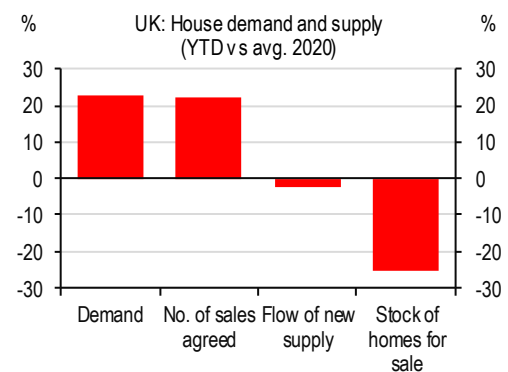
Source: Bloomberg, HSBC.

27. In the UK, the lockdown has led to demand for more space in housing...



Source: Hometrack, HSBC.

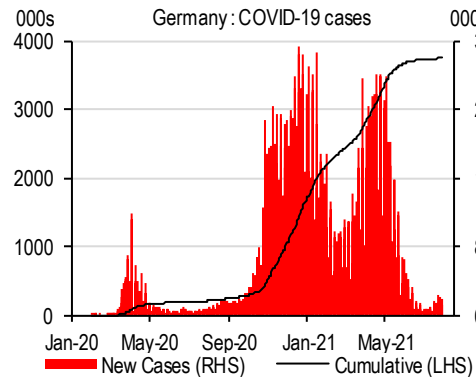
28. ...though supply growth has not even come close to matching up to demand



Source: Hometrack, HSBC.

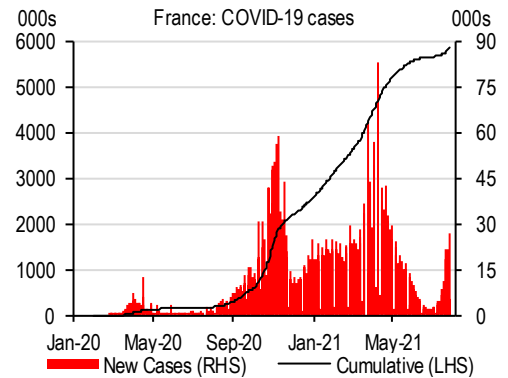
COVID-19 in Western Europe

29. New cases in Germany remain low but they have started to tick up...



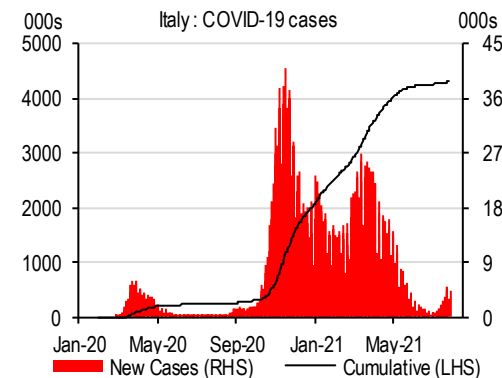
Source: Refinitiv Datastream, HSBC.

30. ...while they are now clearly on the rise in France



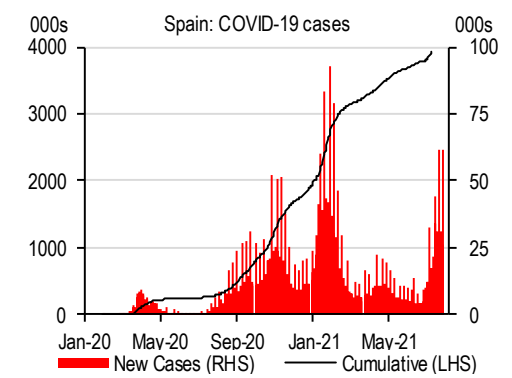
Source: Refinitiv Datastream, HSBC.

31. Infection rate is slightly edging up in Italy



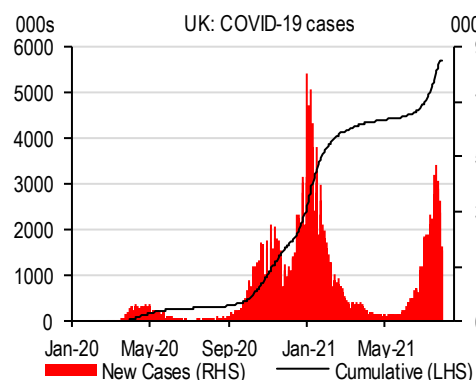
Source: Refinitiv Datastream, HSBC.

32. New COVID-19 cases are sharply accelerating in Spain



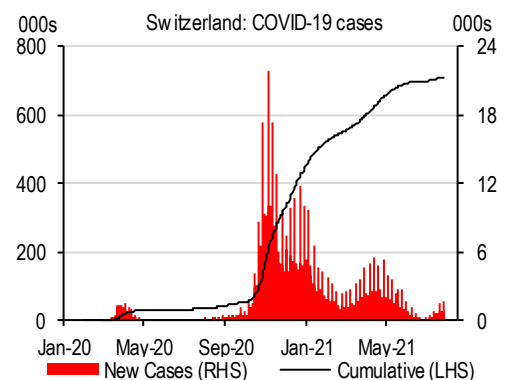
Source: Refinitiv Datastream, HSBC.

33. The UK has seen a remarkable downturn in case numbers in the last week... but will it last?



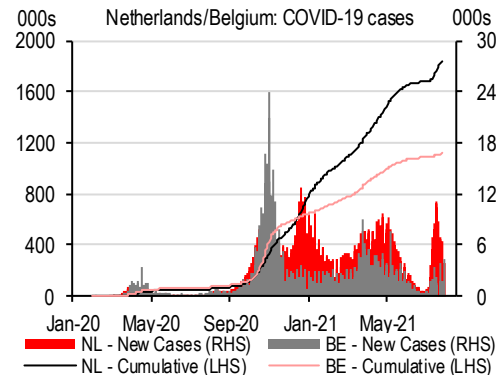
Source: Refinitiv Datastream, HSBC.

34. A small uptick is now visible in Switzerland



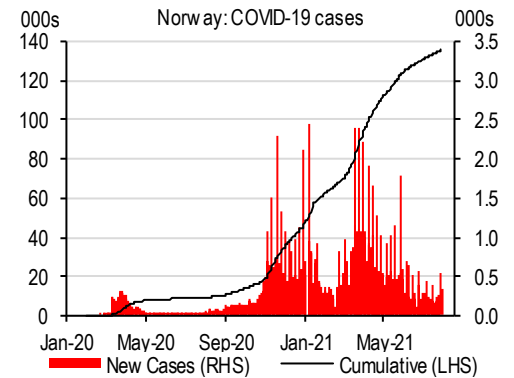
Source: Refinitiv Datastream, HSBC.

35. Like the UK, the Netherlands has seen a sharp fall in case numbers



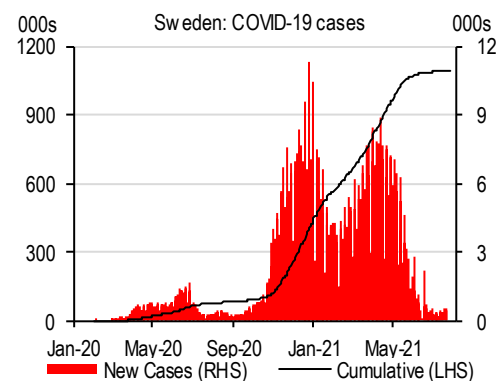
Source: Refinitiv Datastream, HSBC.

36. Cases are still low in Norway...



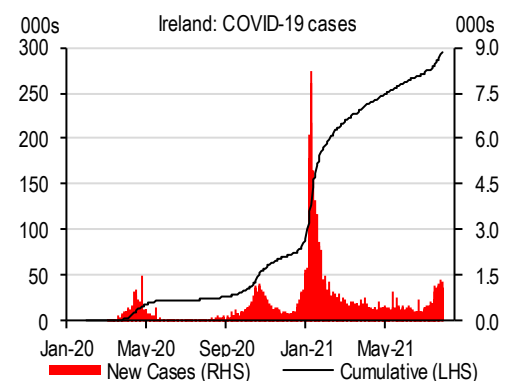
Source: Refinitiv Datastream, HSBC.

37. ...and in Sweden



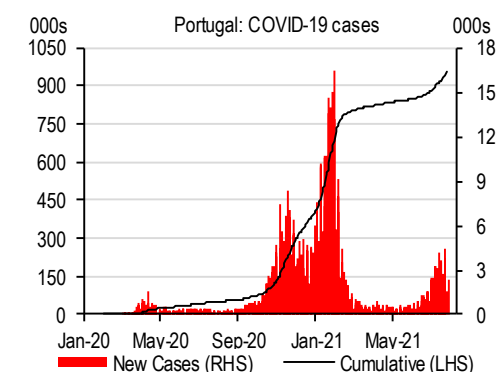
Source: Refinitiv Datastream, HSBC.

38. Ireland has a low but rising rate of new infections



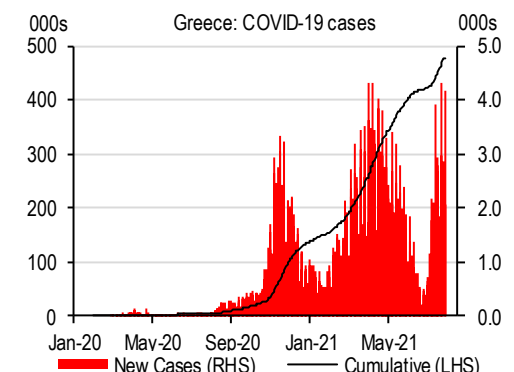
Source: Refinitiv Datastream, HSBC.

39. The news has been better for Portugal over the last week



Source: Refinitiv Datastream, HSBC.

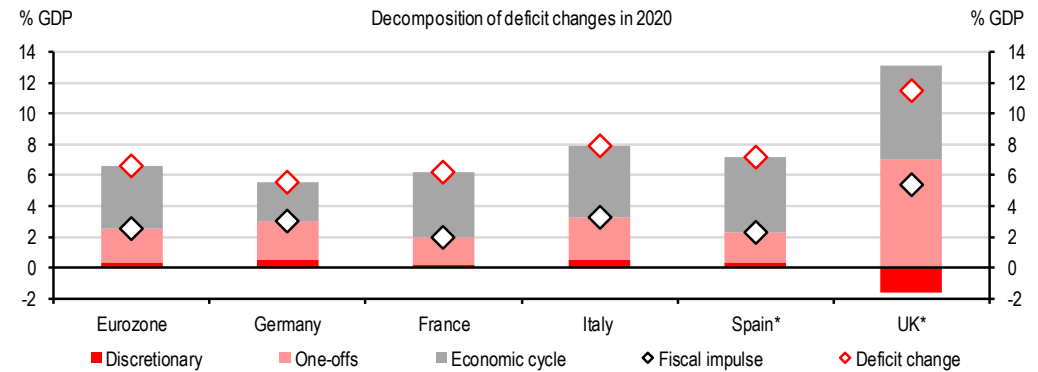
40. ...but not so much for Greece



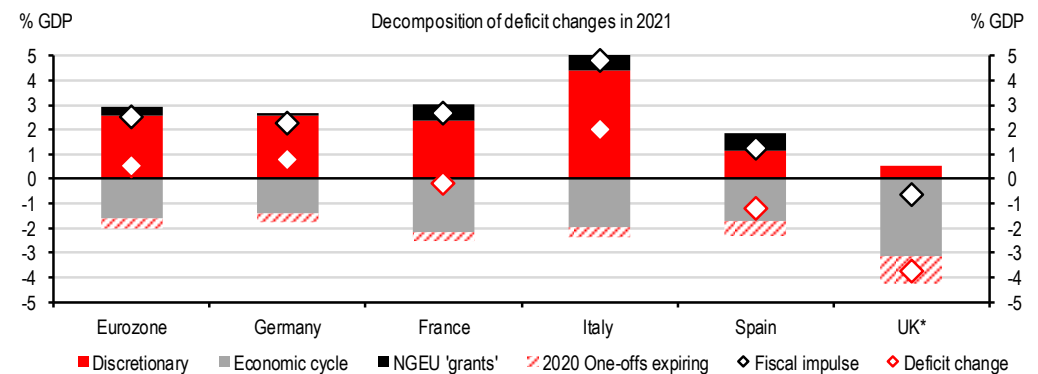
Source: Refinitiv Datastream, HSBC.

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

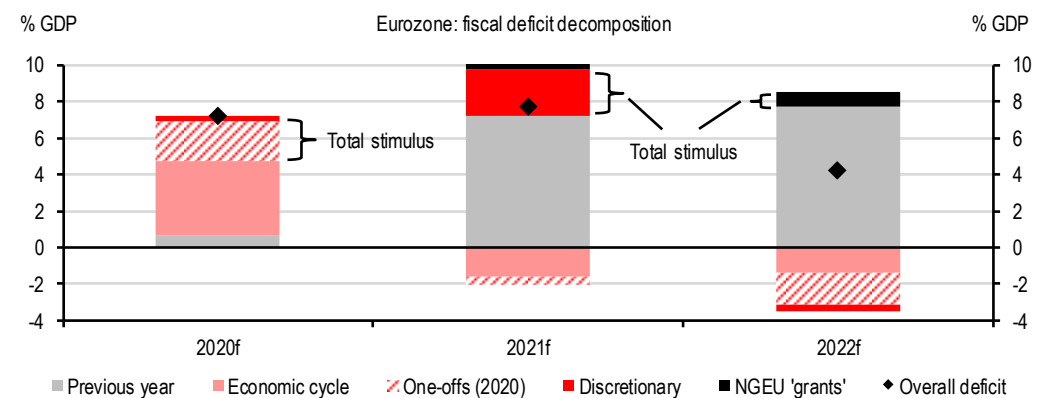
41. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved



42. 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



43. 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



Disclosure appendix

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