

# Europe COVID-19 tracker

## Battling on multiple fronts

Free to View  
Economics - Europe

- ◆ The COVID-19 winter wave in Europe is still intensifying and the Omicron variant introduces further downside risks
- ◆ European countries have responded by adopting more stringent restrictions and measures to boost vaccine uptake
- ◆ The ECB is facing a difficult situation due to surging inflation and the Omicron variant represents an additional headache

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### The Omicron variant adds uncertainty to an already challenging situation

The emergence of the COVID-19 Omicron variant is posing downside risks to the global economy, given its potential for increased vaccine evasion compared to previous variants. These risks could be particularly acute in Europe, which is already facing a severe COVID-19 wave led by the Delta variant. The European Centre for Disease Prevention and Control (ECDC) indicated on 30 November that 44 confirmed cases of Omicron have been reported by 11 EU/EEA countries, with all cases being asymptomatic or with mild symptoms. However, uncertainty regarding the features of this new variant is still high, and so a downside scenario of renewed strict lockdown measures due to Omicron cannot be ruled out at this stage.

### Multipronged response from the European governments

Given this higher uncertainty, several European countries have restricted travel from southern Africa. Some countries went further, like the UK where all travellers are now required to have a PCR test by day two of arrival and have to self-isolate until they receive a negative result. Beyond travel restrictions, several governments have also adopted new measures to support vaccination uptake, via looser eligibility for booster shots (like in the UK or in France, where the booster will be required to keep health passes valid) or more stringent measures (fines in Greece for unvaccinated people over 60). Finally, due to the deteriorating situation linked to the current wave, domestic restrictions have been tightened further in some countries, including in the Netherlands where bars, restaurants and shops have been ordered to close by 5pm for the next three weeks. Germany, where pressure on hospitals is rising (Chart 4), could also announce new measures on Thursday, both in terms of restrictions and vaccinations (Bloomberg, 30 November).

### A more challenging backdrop for the ECB

The Omicron variant is an additional headache for the ECB, which is already facing a complex backdrop given the current surge in inflation (Charts 21-22). Increased and prolonged travel restrictions could provide a further blow to countries dependent on tourism, such as Spain. In a pessimistic scenario of renewed lockdowns, both demand and supply could be significantly impacted, resulting in higher uncertainty around the inflation outlook.

*This is a Free-to-View version of a report by the same title published on 01-Dec-21. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

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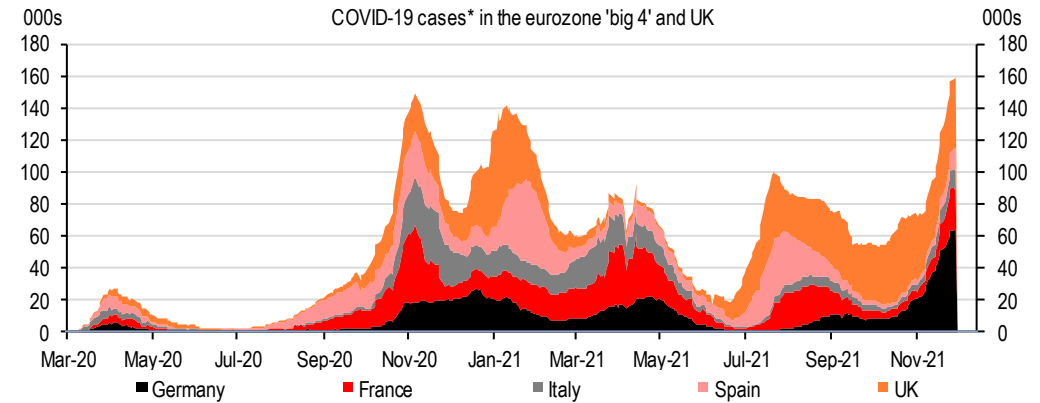
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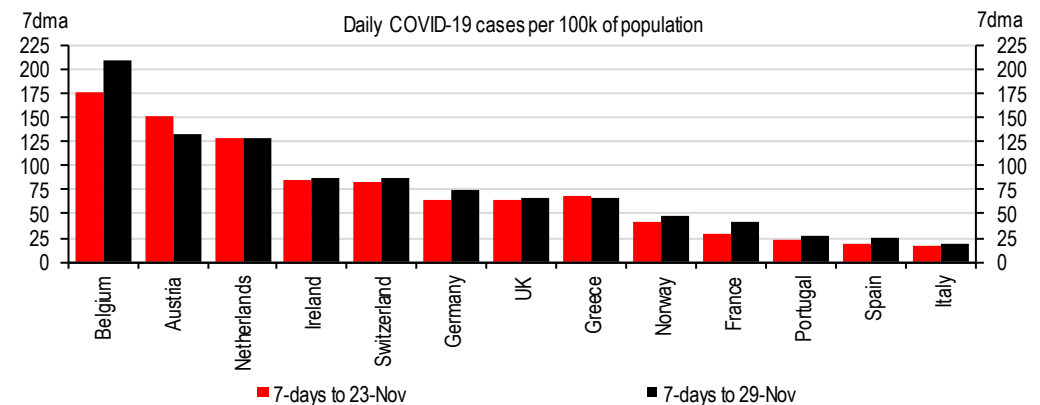
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## Still no signs of a peak in the winter wave

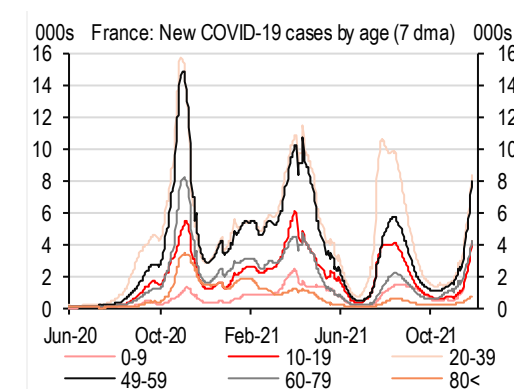
### 1. Case numbers in the Big 4 plus UK have topped their previous peak levels



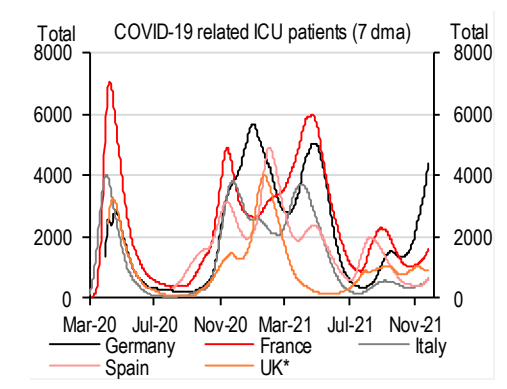
### 2. Austria, Belgium and the Netherlands are still the most affected countries but cases are continuing to rise markedly in Germany...



### 3. ...and in France



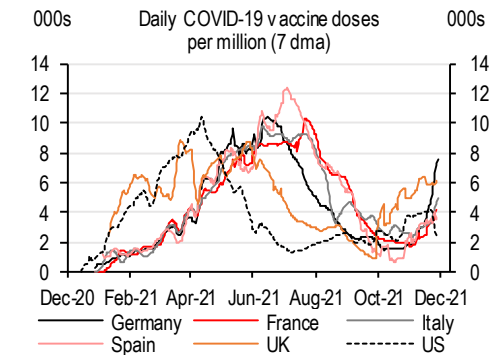
### 4. In Germany, pressure on hospitals is becoming particularly intense



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

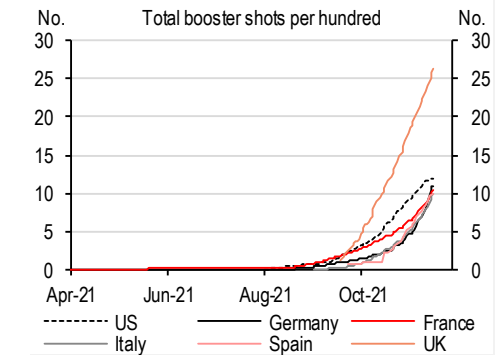
## Renewed momentum in vaccination

### 5. The pace of vaccination has picked up in some countries, especially Germany



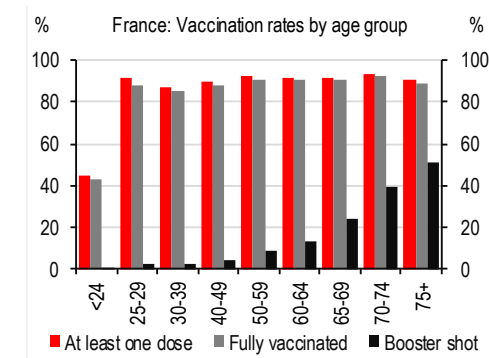
Source: Our World in Data, HSBC.

### 6. The UK is still leading the way on booster shots



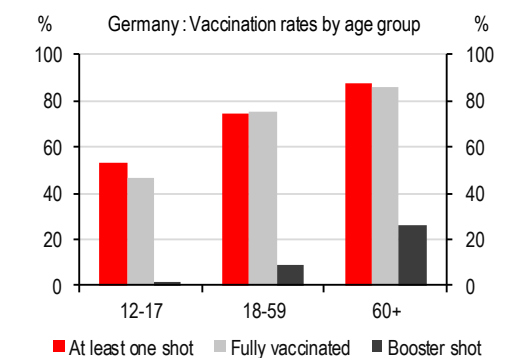
Source: Our World in Data, HSBC.

### 7. A large portion of elderly people has still not received a booster shot in France...



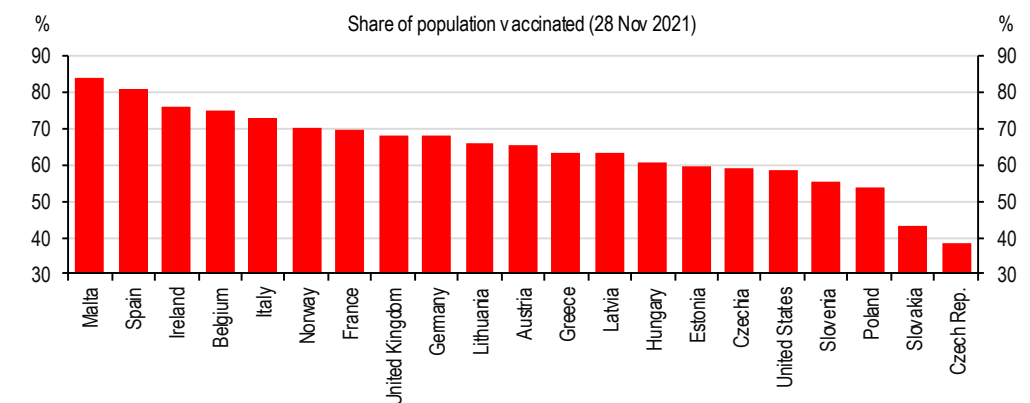
Source: French government, HSBC.

### 8. ... and Germany's rollout is even more limited



Source: RKI, HSBC.

### 9. There is still a significant divide in vaccination coverage between eastern and western Europe



Source: Our World in Data, HSBC.

## New restrictions are focused on unvaccinated people

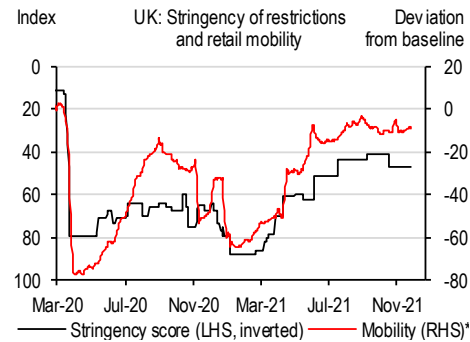
### 10. Latest on the restrictions from the major European countries

Country	Latest lockdown measures
Germany	<p>On 19 November, a new Infection Protection Act was approved by the Bundesrat, after having passed the Bundestag one day before. With the amendment, uniform nationwide coronavirus protection measures are possible even after the determination of the epidemic situation of national scope expires on 25 November. A number of new measures were introduced, eg, the 3G regulation (vaccinated, recovered, tested) will apply in the workplace and in public transport. Protective measures such as mandatory mask-wearing and distance regulations can be continued. Employees are encouraged to work from home.</p> <p>Following the surge in infection and incidence numbers to all-time highs and an accompanying rise in hospitalisation numbers, acting Chancellor Merkel and the Heads of the Federal states announced a three-step concept on 18 November based on the development of the hospitalisation rate. If there are more than three hospitalisations per 100k inhabitants in a federal state, a 2G rule will apply; if the hospitalisations rate rises above six, the 2G+ rule will apply in the federal state (which means vaccinated and recovered persons must present an additional rapid antigen test). If the hospitalisation rate crosses the threshold of nine, contact restrictions will apply. However, the ordering of curfews and accommodation bans or the area-wide closure of shops, schools, restaurants or sports facilities are excluded. The regulations are to apply nationwide until 19 March 2022, but can be extended by three months.</p>
France	<p>In metropolitan France, current restrictions are focused on unvaccinated people (aged above 12) via the imposition of a COVID-19 health pass (i.e. a proof of vaccination or a negative test) to access some activities (museums, cinemas, bars, restaurants, large shopping malls, hospitals and some long-distance transport such as airplanes and trains). In addition, vaccination is mandatory for some key occupations (healthcare, firemen) and breaches can lead to penalties.</p> <p>On 9 November, President Macron announced that for people eligible to receive booster shots (i.e. people aged above 65 and people with higher risk of developing serious illness), such a booster shot will be required from mid-December to have a valid COVID-19 pass. On 25 November, the government announced that all adults will be eligible for booster shots from December (5 months after the latest dose) and that this booster will be required 7 months after the latest dose to not lose the health pass.</p> <p>The Omicron variant has also led the government to adopt travel restrictions from southern Africa. In addition, all non-EU travellers coming to France will have to present a negative PCR test, even if they are vaccinated.</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. Some restrictions remain in place in some areas with some limitations to the opening hours of bars, restaurants and clubs (2am or 4am if all the staff is vaccinated or had a negative COVID-19 test), to the maximum number of people allowed for gatherings (8 or 12, depending on the region) and the capacity utilisation of buildings for events. The freedom to travel across regions has been re-established with no regions maintaining the external border closures in place. From 6 June, masks are no longer necessary in outdoor settings where social distancing is observed.</p> <p>Some regions have introduced a 'green pass' requirement for entering cultural and sports events, and some are also considering this for restaurants and bars. Spain's external frontier remains open. More regions are now implementing localised nightly curfews for people without a 'green pass'. For entry into the country, a proof of vaccination or a negative COVID-19 test within 48 hours of entry is required.</p>
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). About twenty municipalities in the Northern region of Alto Adige (which has more independence to set its own rules) are now back in the 'red zone' with curfews from 8pm to 5am and several activities being shut. But so far nothing has been agreed at the national level in terms of moving from the 'white zone' even to the 'yellow zone'.</p> <p>The government has introduced a 'green pass' requirement (full vaccination or negative COVID-19 test) to go into restaurants and bars (indoors), theatres, cinemas public transport, as well as some outdoors venues, and attend concerts and sporting events. The government has recently announced that from 15 October until the end of the year the 'green pass' will be required for all public and private sector workers, with high penalties for the non-compliant. The government has announced the introduction of a "super green pass" from 6 December, restricting access to social events (cinemas, restaurants, theatres, etc) for people that are unvaccinated or have had the virus in the past six months – so it's no longer enough to have had a negative test (<i>Corriere della Sera</i>, 24 November). A negative test would still be fine to go to work, though. Children aged 5-11 years can also be vaccinated from Monday 29 November. 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).</p>
UK	<p>Having been in lockdown through the first quarter of the year, the UK economy has now largely re-opened, so there are essentially no restrictions on social contact or economic activity. For Scotland, Wales and Northern Ireland, mask wearing has remained mandatory in public places throughout the reopening, and England reintroduced this on 30 November following the emergence of the Omicron variant. Scotland and Wales have 'vaccine passport' systems in place for nightclubs and some other venues. The Scottish government is considering extending the vaccine passport system to additional venues like cinemas and theatres.</p> <p>New travel rules were announced on 17 September, which divides arrivals into two groups – 'red list' and the rest of the world. Under the new system, entry into the UK from the red list remains banned to non-UK or Irish nationals. 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. On 1 November, all remaining countries were removed from this list, but ten have now been added back, following the emergence of the Omicron variant (all in southern Africa). For those who are fully vaccinated, arriving into England, Scotland, Wales or Northern Ireland from the rest of the world, pre-departure tests are no longer necessary, but a PCR test is now required by Day Two, with passengers required to self-isolate until they receive a negative result. For those who are not fully vaccinated, PCR tests are required before and after arrival.</p> <p>The new regulations which came into effect on 30 November (mandatory masks in England and PCR tests and self-isolation for arrivals) will be reviewed in three weeks, around 18-21 December.</p>

Source: Country data, HSBC

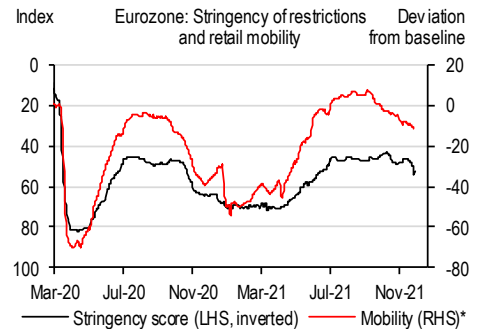
## Limited impact of the latest restrictions on mobility so far

### 11. Restrictions have become slightly more stringent in the UK...



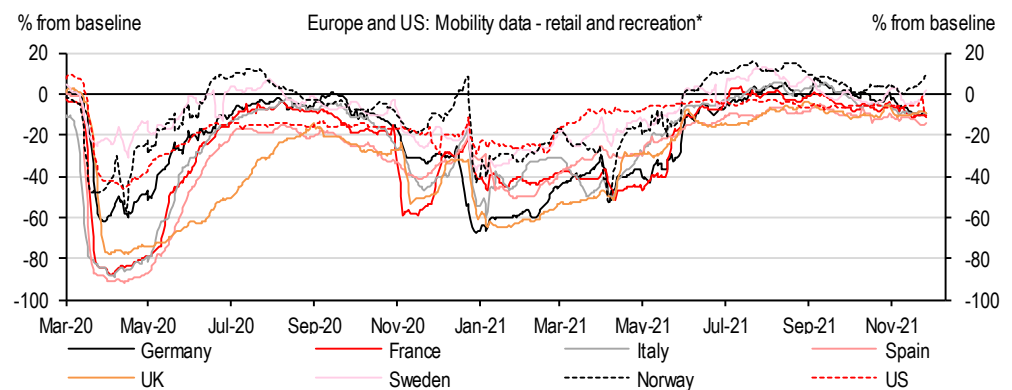
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC  
 Note: \*7-day moving average.

### 12. ...and in the eurozone



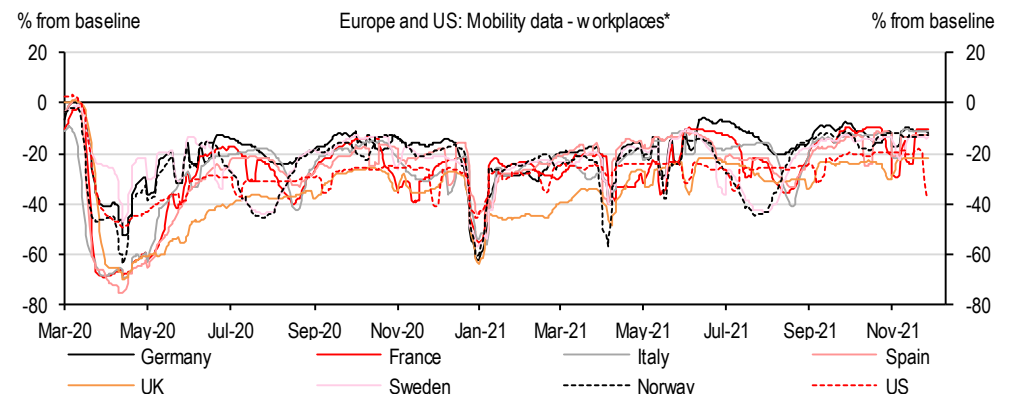
Source: Google mobility, Oxford COVID-19 Government response Tracker, HSBC  
 Note: \*7-day moving average

### 13. Retail mobility has generally edged down but it is not plunging...



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

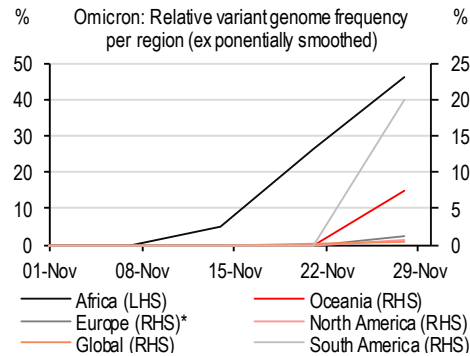
### 14. ...and it's also true for workplace activity



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

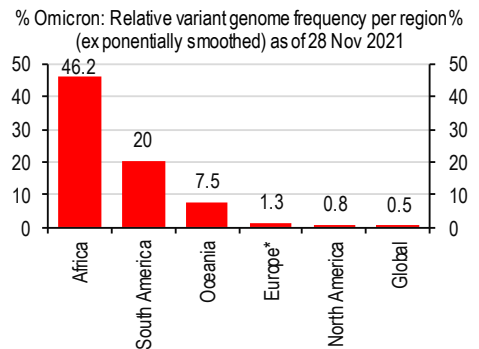
## Fears over the Omicron variant should impact travel activity

### 15. The Omicron variant has spread quickly in some parts of Africa...



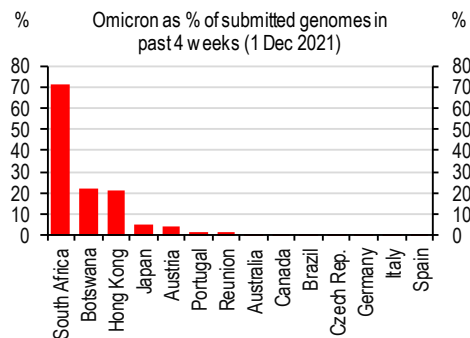
Source: GISAID, HSBC. Note: Geographic regions only contain countries that submit genome sequencing data on Omicron which are currently few. Eg. Africa refers to only a few countries, including South Africa. \*Europe doesn't include UK

### 16. ...while its presence in Europe seems to be low for the time being



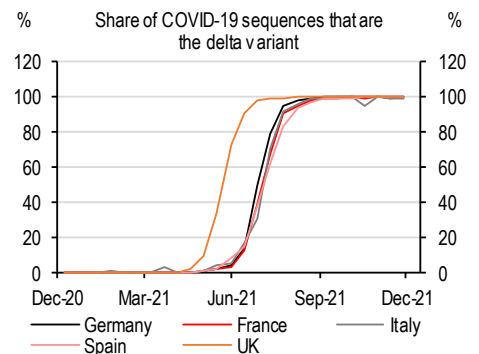
Source: GISAID, HSBC. Note: Geographic regions only contain countries that submit genome sequencing data on Omicron which are currently few. Eg. Africa refers to only a few countries, including South Africa. \*Europe doesn't include UK

### 17. However, it has already been detected in sequencing data for some countries



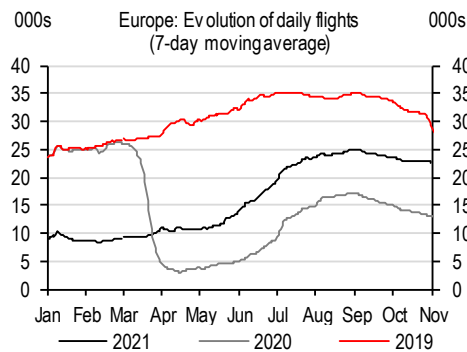
Source: GISAID, HSBC.

### 18. Delta is still the dominant variant in Europe



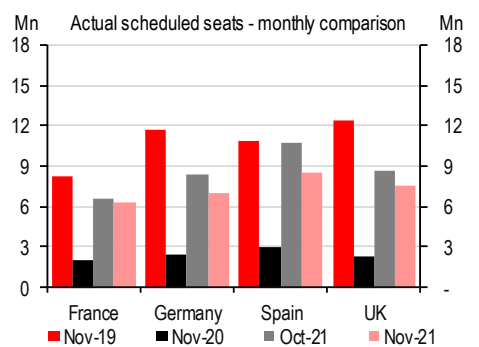
Source: Our World in Data.

### 19. Travel restrictions are likely to weigh further on flight activity...



Source: Eurocontrol.

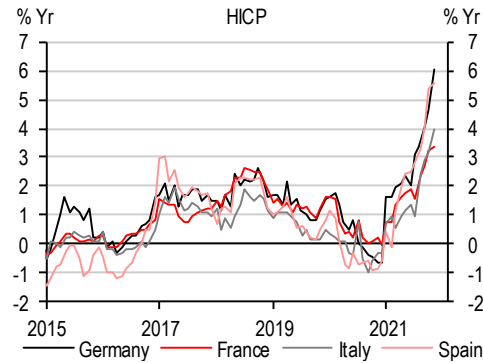
### 20. ...which was already softer in November, possibly due to the COVID-19 situation



Source: OAG.

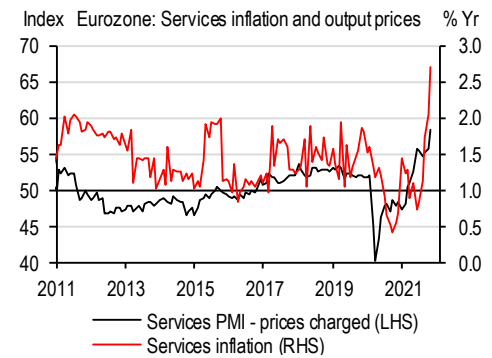
## Surging inflation remains a source of concern

### 21. Big upside surprise for eurozone inflation in November



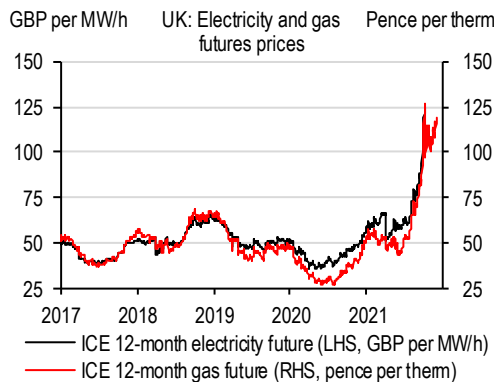
Source: Refinitiv Datastream, HSBC

### 22. Higher price pressures are also evident in the services sector



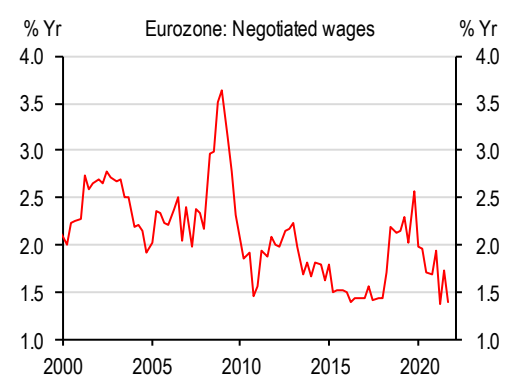
Source: Refinitiv Datastream, HSBC

### 23. Renewed upward pressures on energy prices in the UK



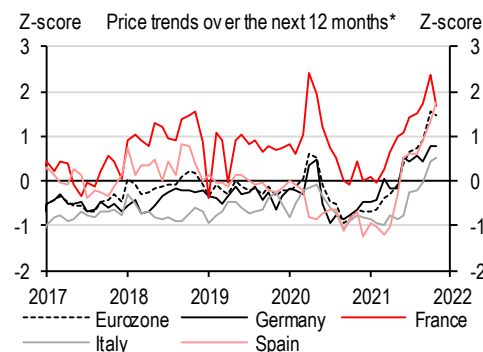
Source: Refinitiv Datastream, HSBC

### 24. Still no signs of second round effects via wages in the eurozone



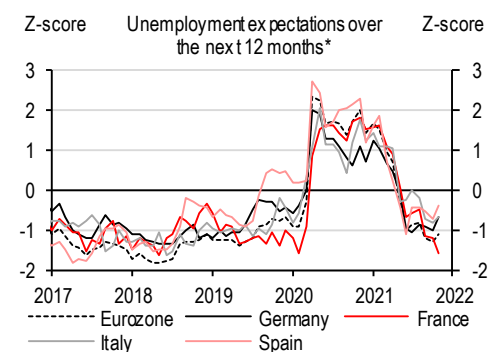
Source: ECB

### 25. Eurozone consumers are still expecting higher inflation in the future...



Source: Refinitiv Datastream, HSBC

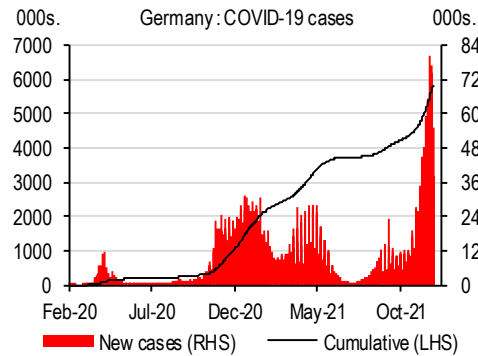
### 26. ...but sentiment on the labour market remains relatively upbeat



Source: Refinitiv Datastream, HSBC

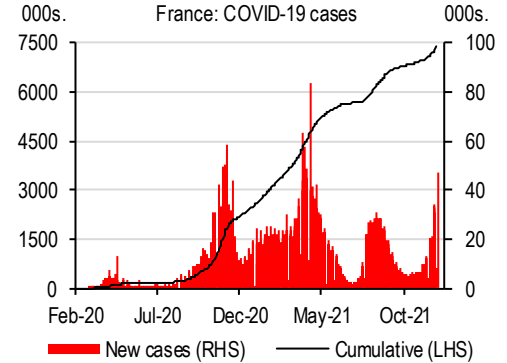
## COVID-19 in Western Europe

**27. German infection numbers are still rising rapidly**



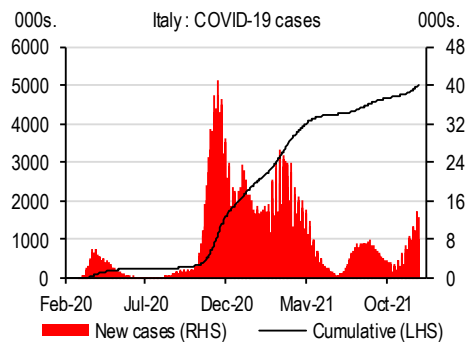
Source: Refinitiv Datastream, HSBC.

**28. In France, the COVID-19 situation is clearly worsening**



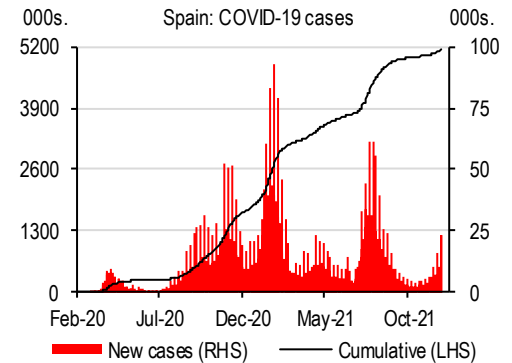
Source: Refinitiv Datastream, HSBC.

**29. Italy is starting to see more of an increase in infection numbers...**



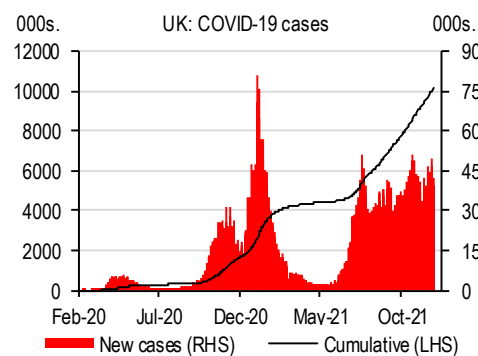
Source: Refinitiv Datastream, HSBC.

**30. Similarly, Spain is seeing rising cases, even though the level remains relatively low**



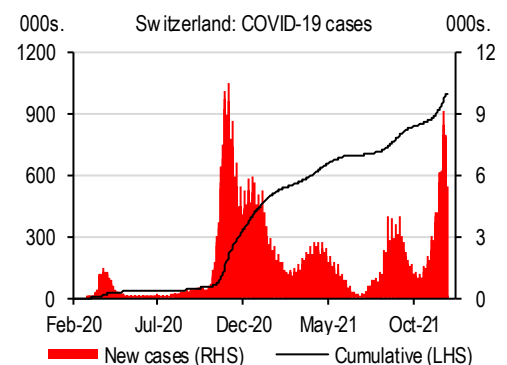
Source: Refinitiv Datastream, HSBC.

**31. In the UK, case numbers are more stable, but at a high level**



Source: Refinitiv Datastream, HSBC.

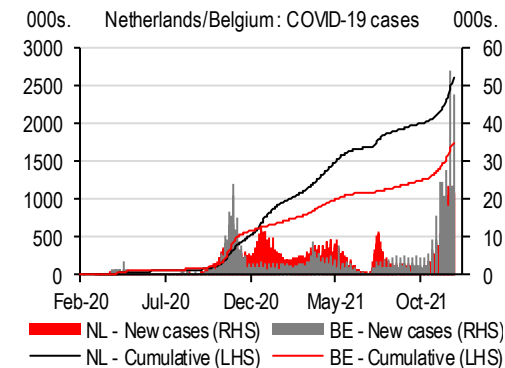
**32. Cases have risen sharply in Switzerland**



Source: Refinitiv Datastream, HSBC.

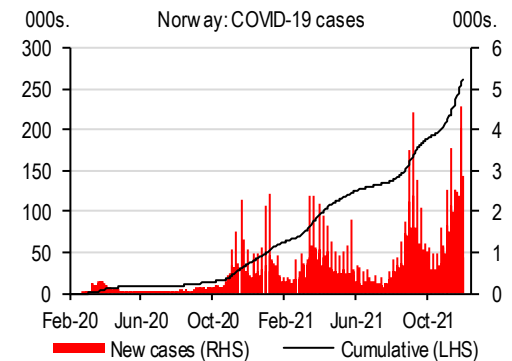


### 33. The COVID-19 situation is still very concerning in Belgium and the Netherlands



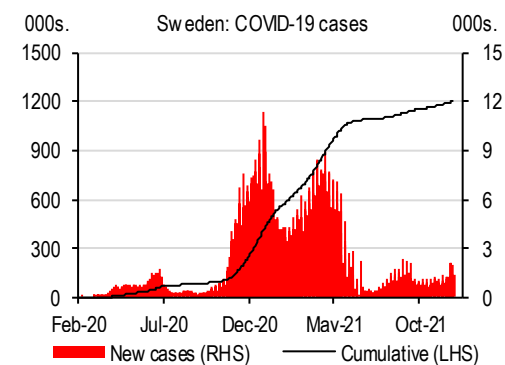
Source: Refinitiv Datastream, HSBC.

### 34. Norway's cases are now up more significantly



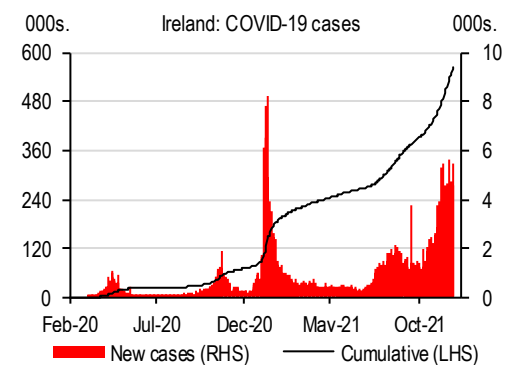
Source: Refinitiv Datastream, HSBC.

### 35. Conversely, Sweden is still not significantly impacted by the current wave



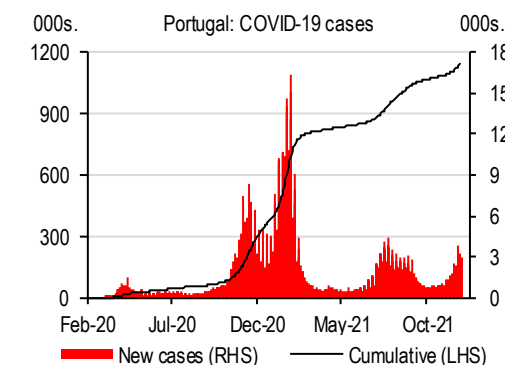
Source: Refinitiv Datastream, HSBC.

### 36. Irish case numbers are now increasing very rapidly



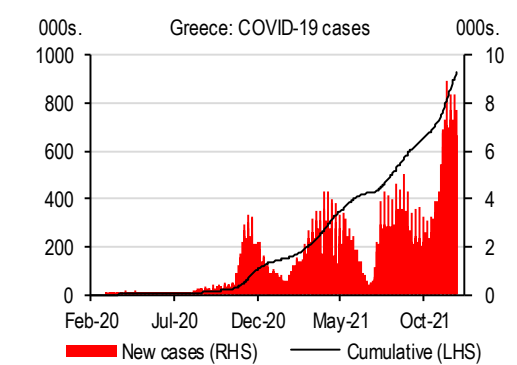
Source: Refinitiv Datastream, HSBC.

### 37. Case numbers in Portugal remain fairly low...



Source: Refinitiv Datastream, HSBC.

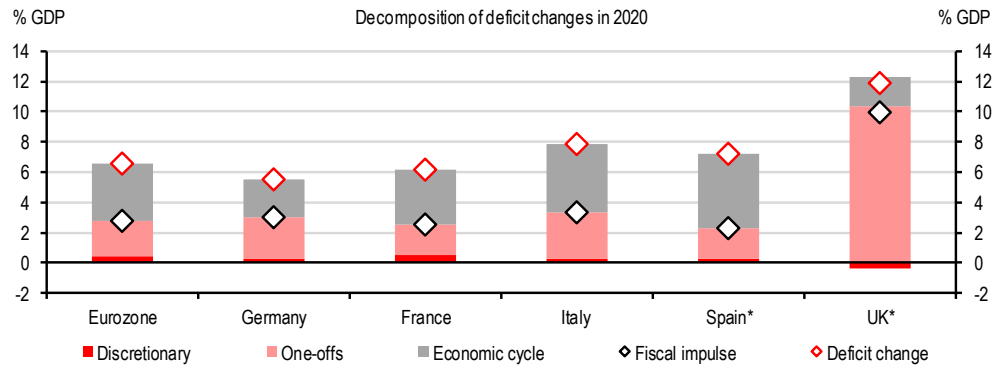
### 38. ...while they remain close to an all-time high in Greece



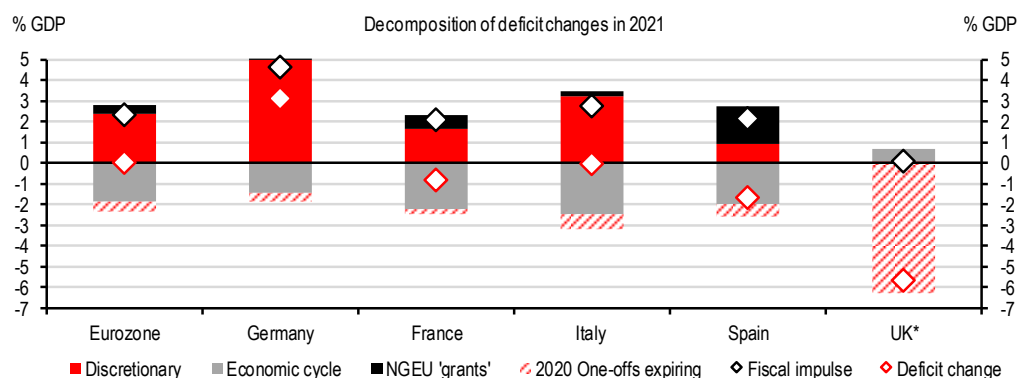
Source: Refinitiv Datastream, HSBC.

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

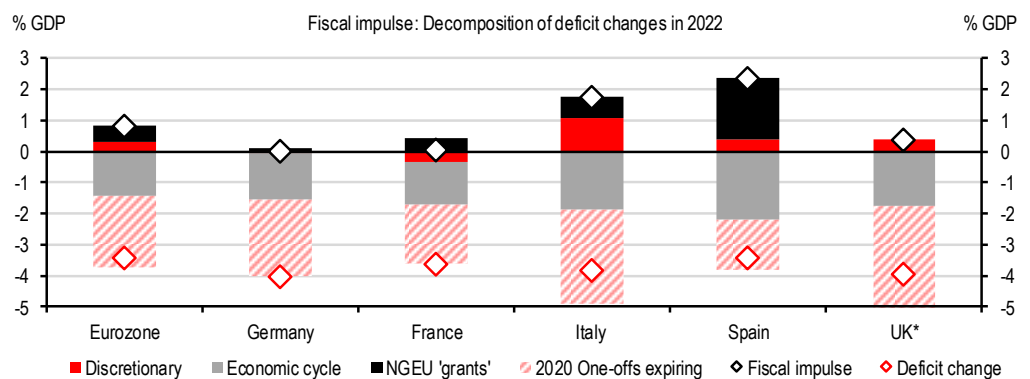
**39. Fiscal policy was highly supportive of growth last year even if a significant chunk of support did not make it into the economy due to restrictions and was actually saved**



**40. Stronger-than-anticipated growth has helped contain the fiscal deficits this year despite a strongly expansionary fiscal policy**



**41. In 2022, the domestic fiscal policy stance should remain mildly expansionary, and even more so including the additional support provided by the Next Generation EU (NGEU) fund**



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