



Recovery monitor 2Q: expectations for a synchronised recovery in the major economies

29th July 2021

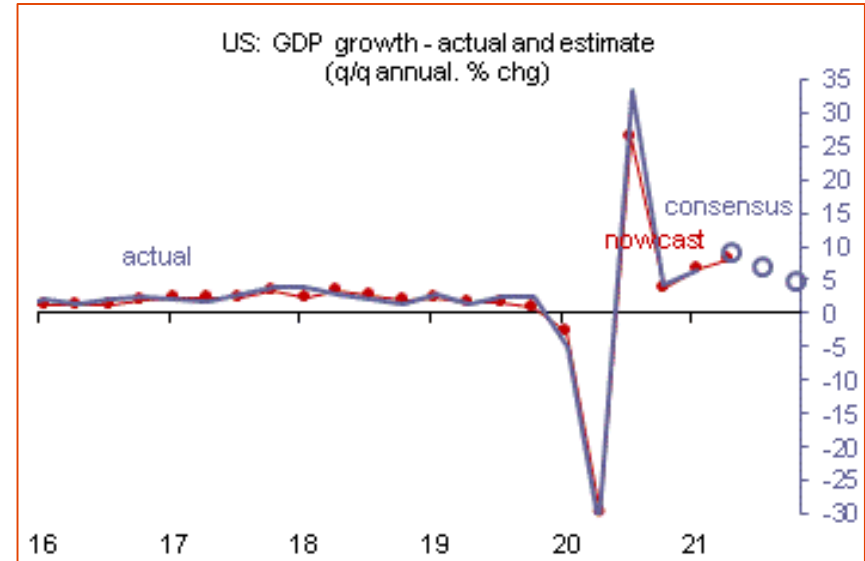
Recent data confirm expectations for a recovery in the Eurozone in 2Q and an acceleration of growth in the US, as opposed to an ongoing slowdown in China.

The resurgence of Covid infections tied to the spreading of the Delta variant should be kept under watch. The risk is a slowing of the recovery in the next few months, although (thanks to the protection offered by vaccines) a derailing does not seem likely for the time being.

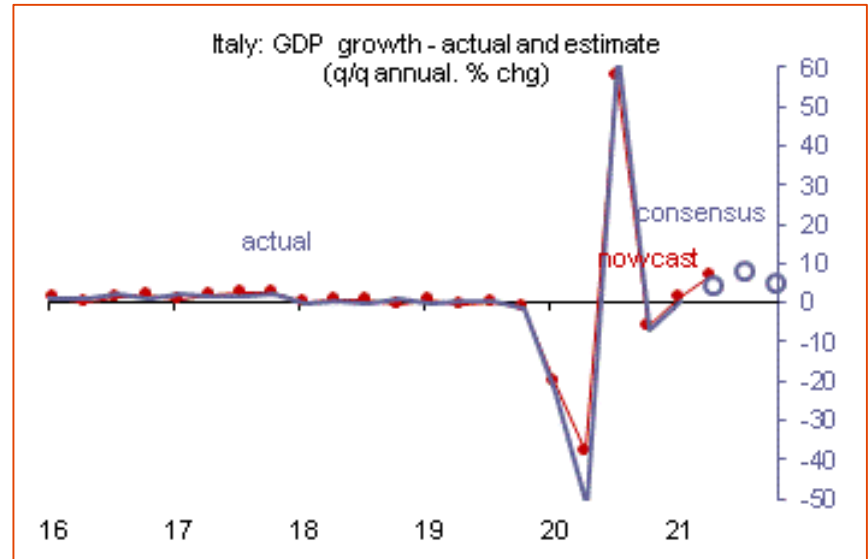
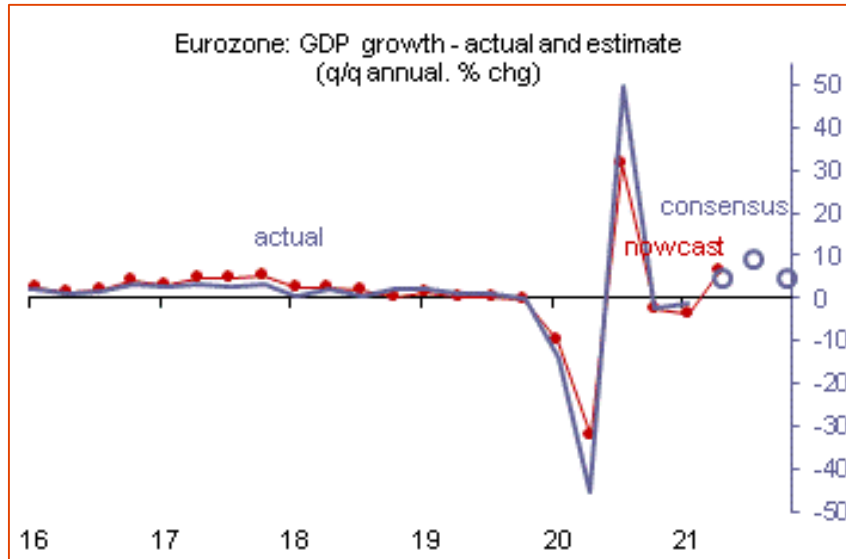
Synchronized recovery in the major economies in 2Q

Recent data, both monthly and higher-frequency, confirm **expectations for a synchronized recovery in the major economies in 2Q**.

According to the NECE nowcasting models, the **US economy accelerated to +8% q/q annualised** (from 6.4% in 1Q) driven by reopenings and by the build up of savings allowed by Biden's massive fiscal stimulus programmes. **Growth in China**, where GDP data have already been released, **was confirmed slower in year-on-year terms (from 18.3% to 7.9%)**, mostly as a result of the unfavourable statistical comparison with last year.



After incurring **contractions** for two quarters, the **Eurozone (and Italy)** will also participate in the **recovery**, with NECE models projecting **growth at around 6% q/q annualised**, thanks to the **acceleration of the vaccination campaign**, that has curbed infections and allowed an easing of restrictions on mobility and social activities.



Market focus is by now on the second half of the year and on the **potential impact on the economy of the Delta variant**, that has already caused a sharp resurgence of infections in recent weeks, not only in Asia, but also in many other countries (including in particular the United Kingdom, Israel, Australia, and Spain).

The recovery of the infection trend **may slow the recovery but does not seem a risk of derailing for the time being**, at least in the advanced countries where vaccinations have progressed more rapidly.

National governments are showing little propensity to impose **new restrictions** (if not very bland), and are choosing to bet on vaccinations and other, softer forms of contagion control, ranging from tracing procedures (British government) and the imposition of restrictions only on non-vaccinated individuals without a green pass (France and Italy).

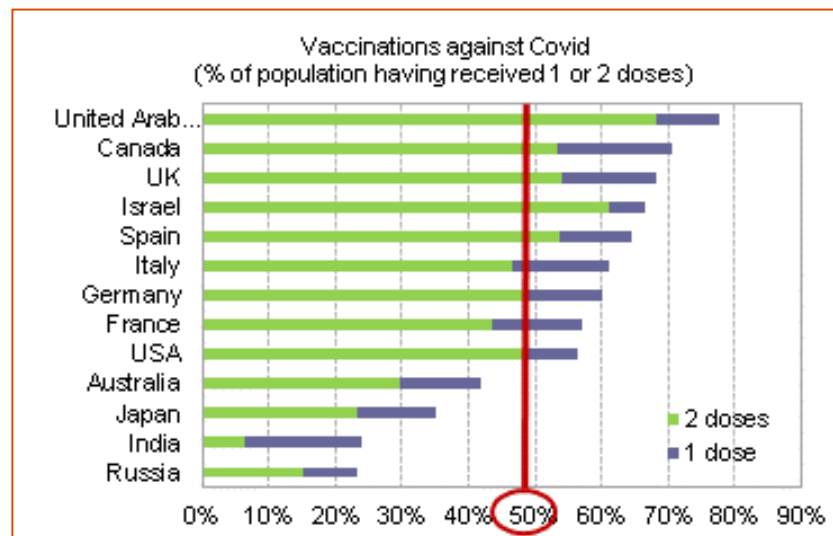
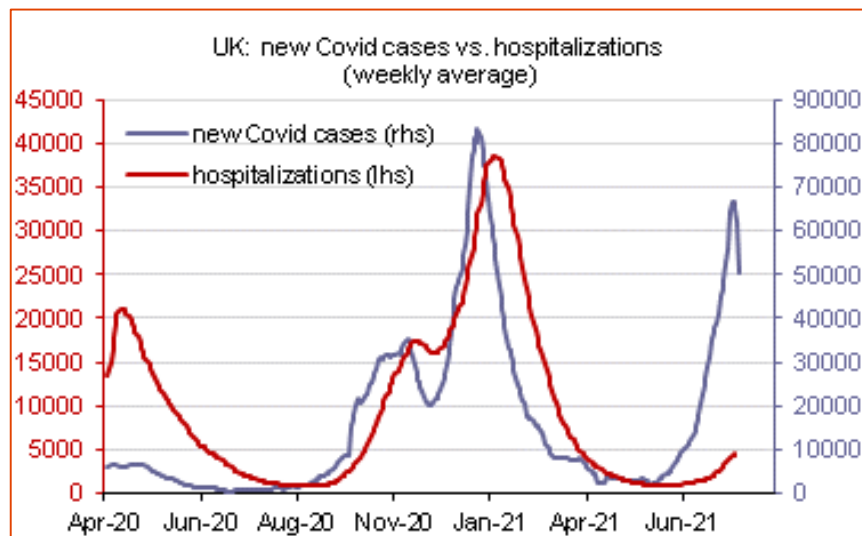
The next few weeks will tell if these strategies prove successful. Much will depend on the pace at which vaccines are administered and their effectiveness in containing hospitalisations and mortality. From this point of view **Great Britain represents an important test**.

Great Britain: an important test

UK is one of the countries at the **most advanced stage of its vaccination campaign** (55% of the population immunised with two doses of the vaccine and around 70% with at least one) and that is experiencing a surge in infections due to the Delta variant, confronted with which the Johnson government has for now opted not to introduce restrictions, in fact lifting all existing ones.

For the time being, **indications are reassuring**: despite a sharp increase in new infections, **hospitalisations and mortality in Great Britain remain low and well below the levels reached during the previous waves of the pandemic**. This is thanks to the protection offered by vaccines, that prevent severe forms of the disease from taking hold. The message on the trend of the economy is similar: over the past few weeks, high frequency indicators have kept improving in the United States, in the Eurozone and in Japan, whereas in the UK their recovery is on hold, although they remain at very high levels, consistent with an ongoing expansion of the economy, albeit at a slower pace than in 2Q.

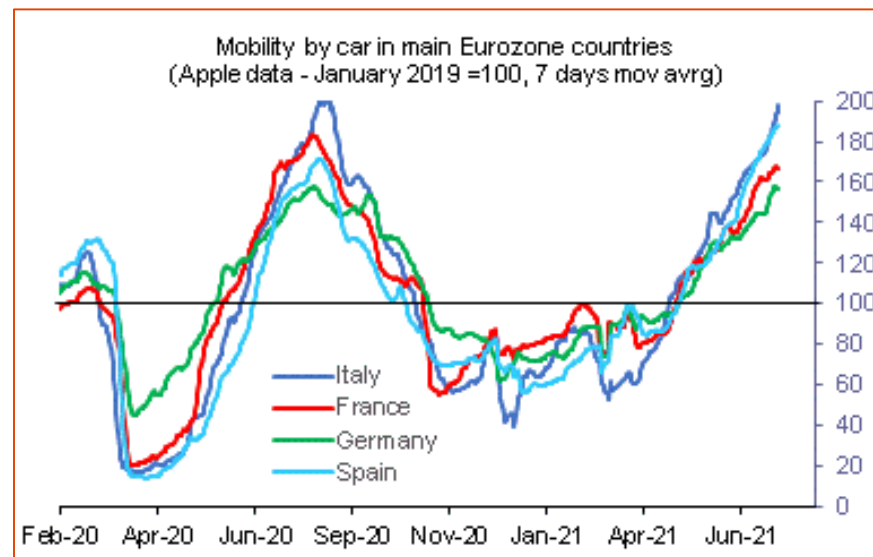
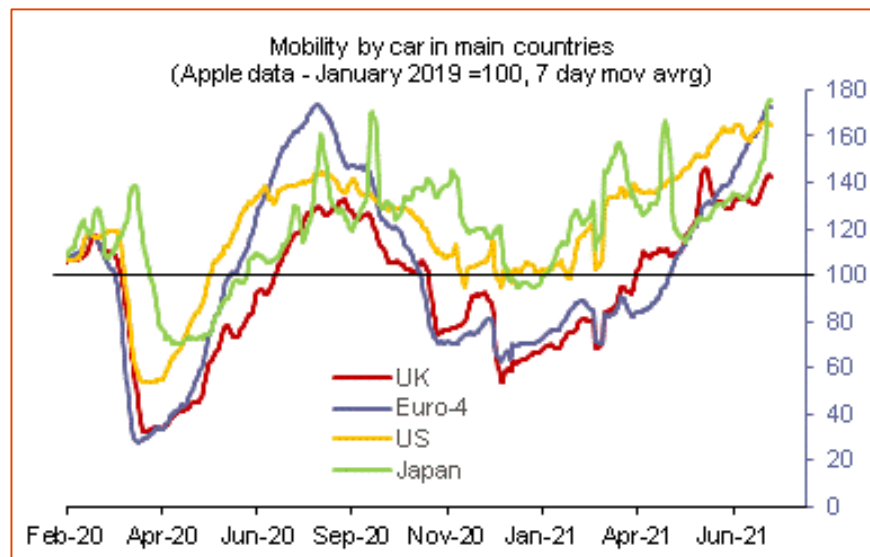
In the next few weeks, it will be important to **verify if the indicators confirm these positive indications**.



Mobility indices

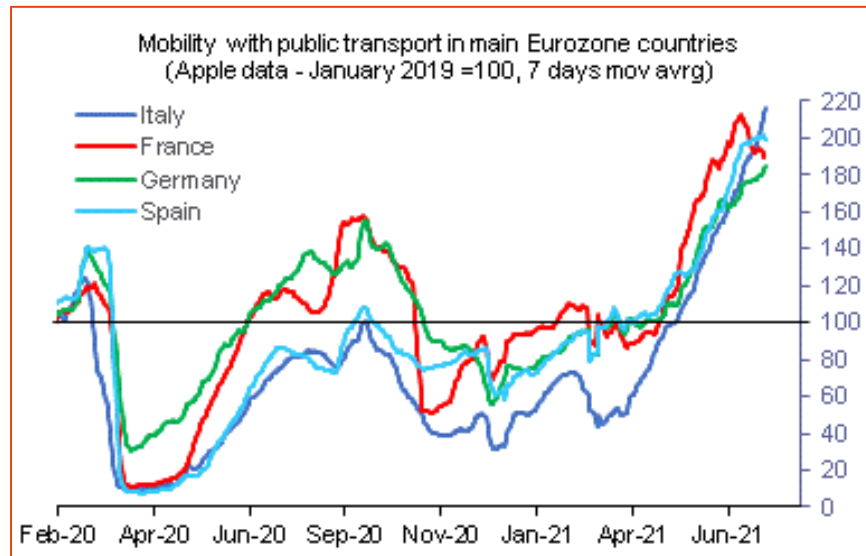
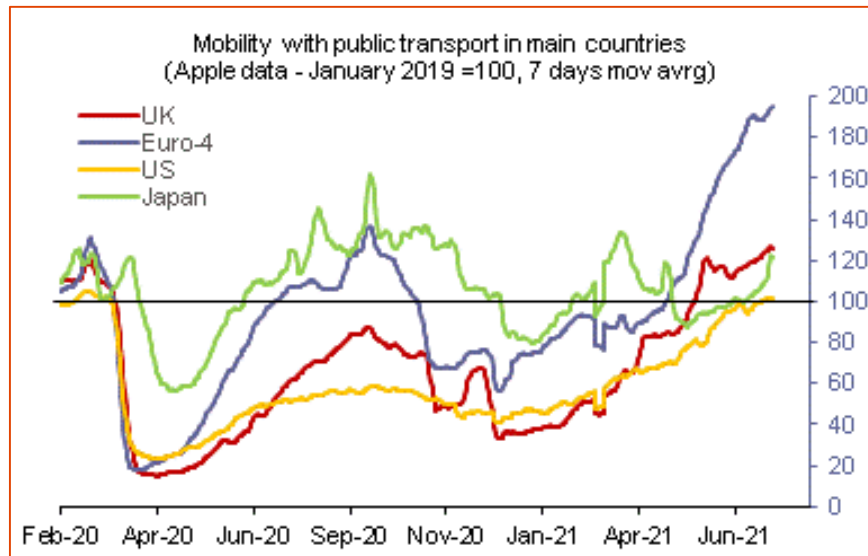
Mobility by car

Mobility has increased consistently in July, **especially by car and public transport**, that have bounced back to higher levels than before the outbreak of Covid, also thanks to the opening of the summer holiday season that typically brings an increase in travel.



Mobility indices

Mobility with public transport

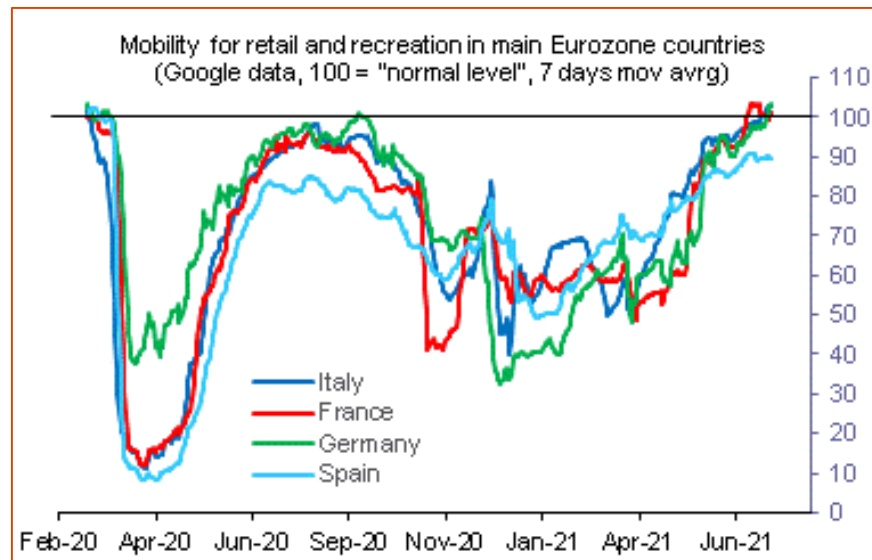
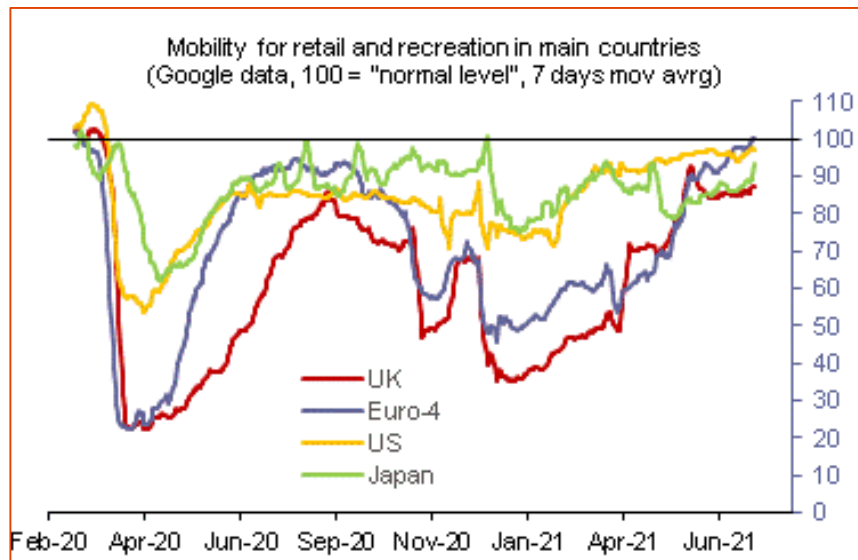


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Mobility indices

Mobility for retail and recreation

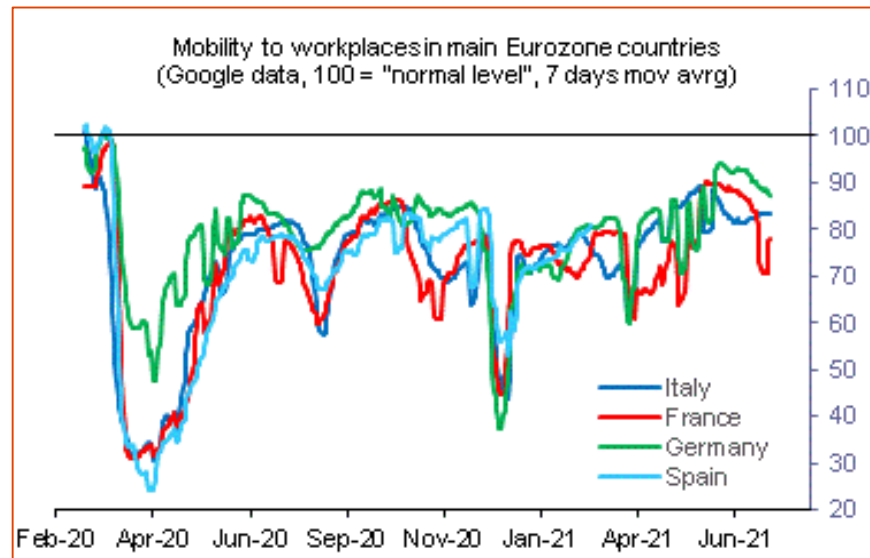
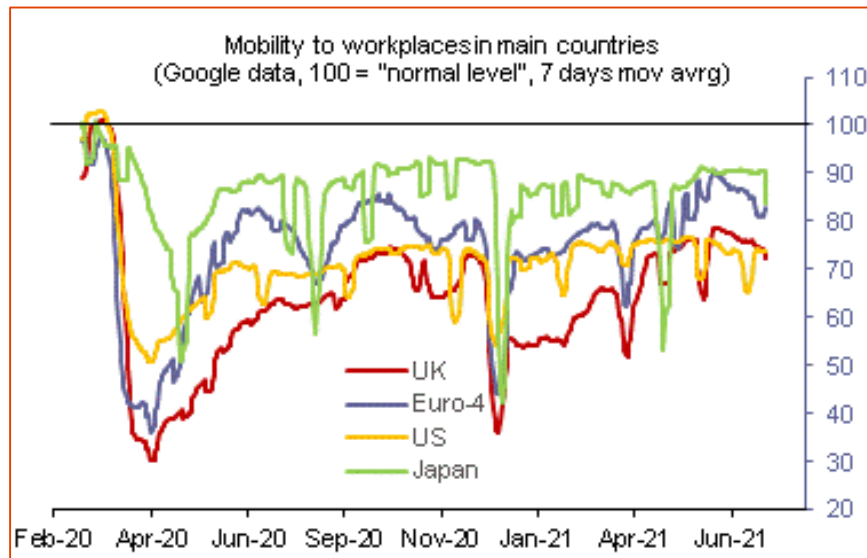
Mobility to reach retail outlets and for recreational activities also **recovered sharply, especially in the Eurozone and in the United States**, where it is now back to pre-Covid levels, as opposed to slightly lower in the other countries.



Mobility indices

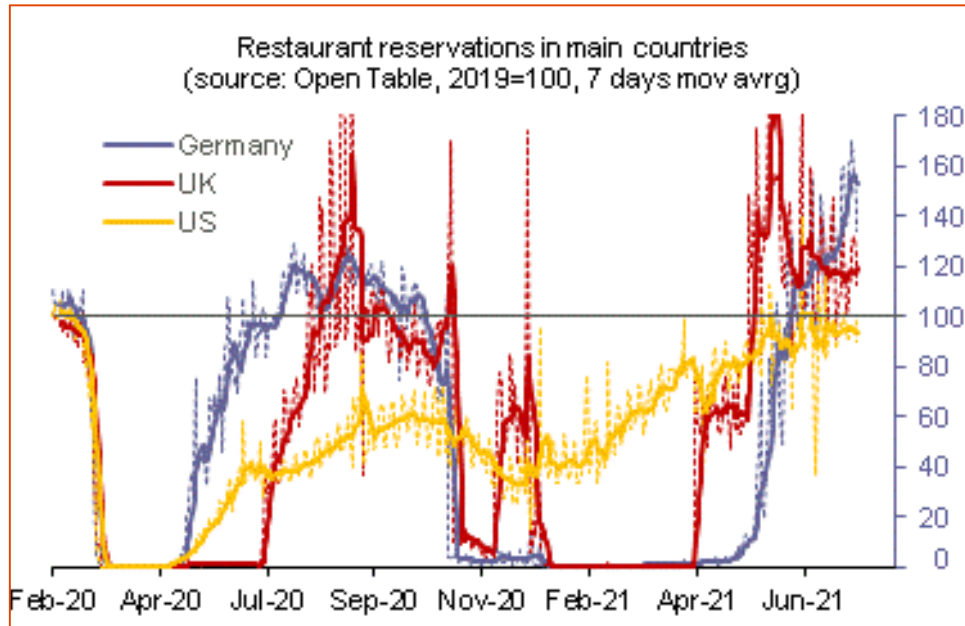
Mobility to workplaces

Mobility to the workplace **is lagging behind**, although in this case this is probably due to **persistently widespread use of smart-working solutions**.



Restaurant table reservations

Restaurant table reservations also **showed signs of a strong recovery, following the resumption of indoor dining in addition to outdoor seating.** Reservations are by now **back in line with pre-Covid levels, or higher, in Germany, the United States and Great Britain.**

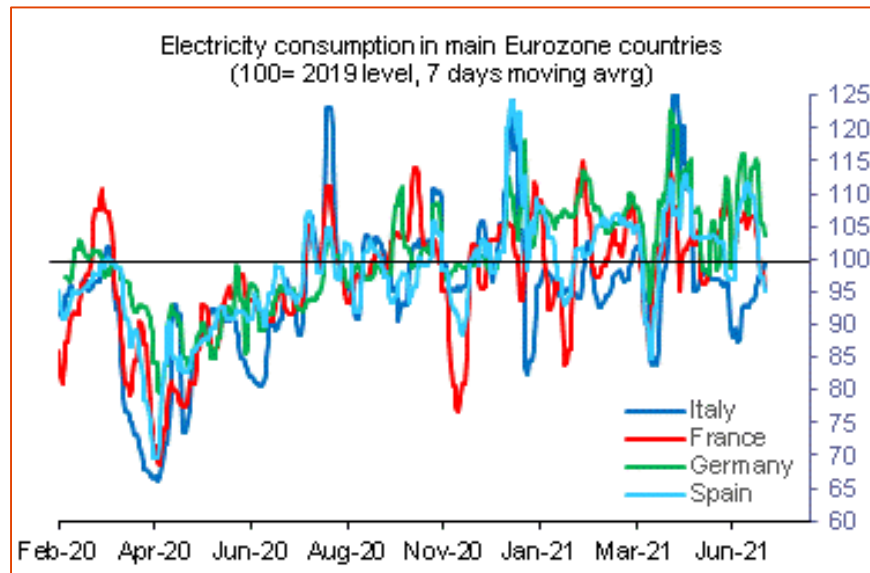
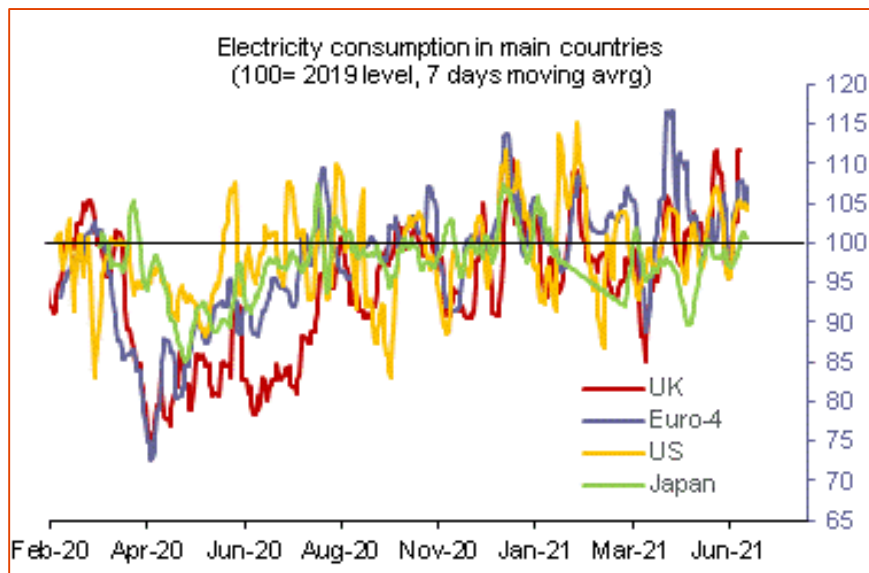


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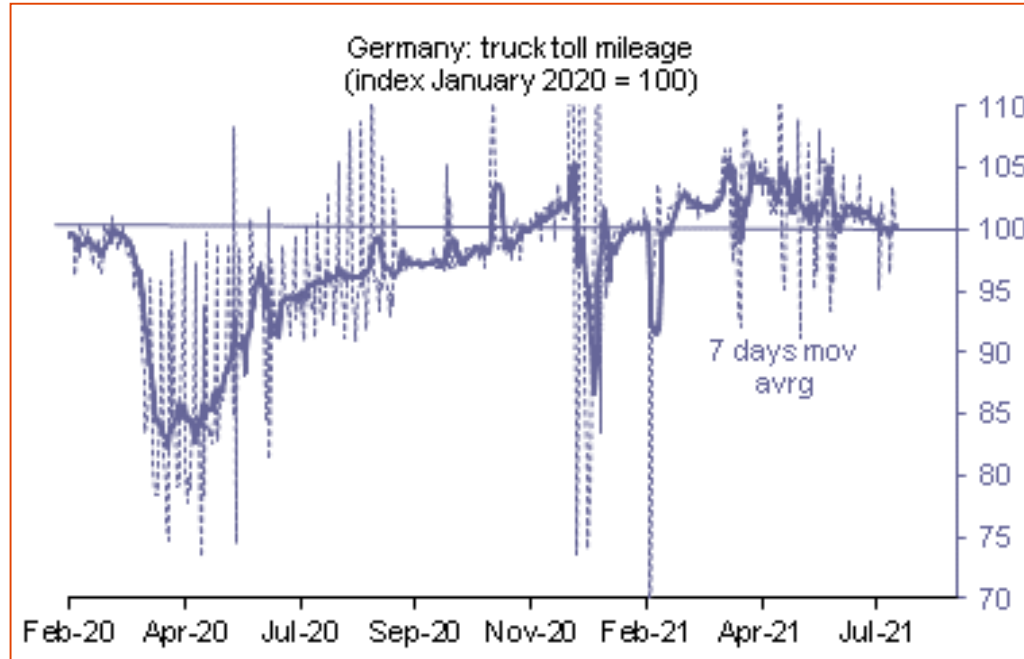
Electricity consumption

For many months now, indicators on **motorway truck tolls in Germany and electricity consumption have fully returned to normal.**

These indices are **particularly important for the manufacturing sector**, of which they **indicate an ongoing expansion.**



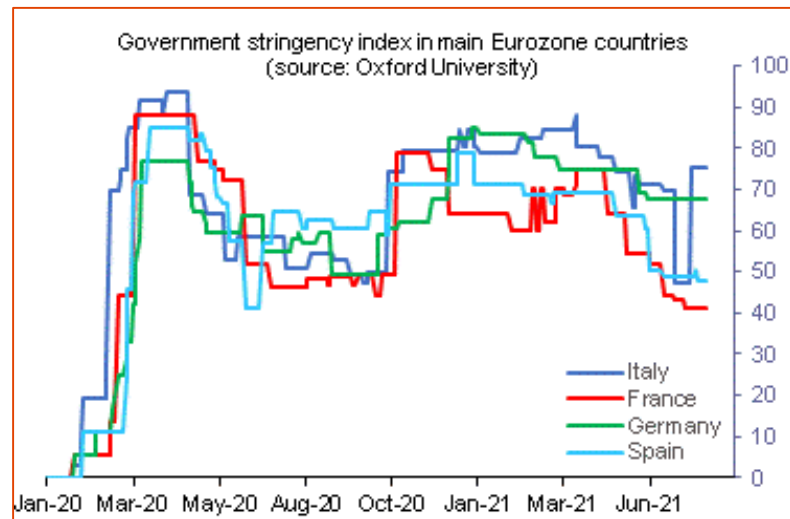
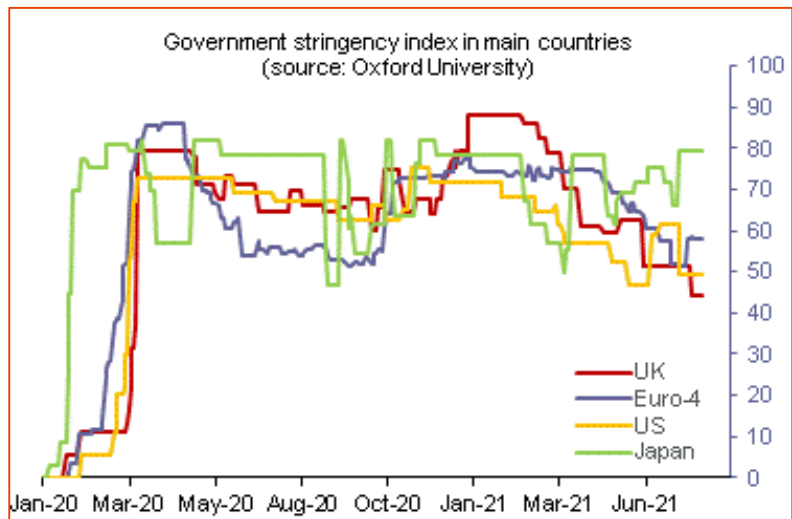
Truck toll mileage in Germany



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Government stringency indices

Indicators of lockdown stringency show an ongoing easing of restrictions in the United Kingdom and in the United States, as opposed to a slight intensification in the Eurozone, essentially due to the introduction of stricter control on travellers from some countries considered at risk, that must produce a negative swab test and/or face compulsory quarantine. Restrictions remain stricter in Japan, due to a surge in new infections and to the sluggish pace of the vaccination campaign.



APPENDIX ON METHODOLOGY

A brief description of the high-frequency data used to monitor the recovery is offered below:

- **Government response stringency indices** provided by Oxford University, that measure the stringency of the restrictive measures put in place by the governments of the main countries.
- **Mobility indices** provided by Apple and Google. Of particular interest to measure the intensity of the recovery are mobility indices to workplaces, and for retail and recreation, two sectors hit particularly hard by the lockdown.
- **Data on electricity consumption** are also of particular interest, as all businesses need electricity to operate, especially in the manufacturing sector. The data presented here are the result of elaborations based on EPSOE, IEA, and Octonet survey data, adjusted by temperatures and offered as moving weekly averages to attenuate daily volatility.
- **Restaurant table reservations** as provided by Open Table and available for some of the major countries, that allow the tracking of the trend of activity in the restaurant business, one of the most affected by the lockdowns.
- **Truck toll mileage in Germany** tends to work well as a forward indicator of the trend of industrial output.

The Euro-4 aggregate refers to the weighted average of the indices for the four largest Eurozone economies (Germany, France, Italy and Spain).

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