



COVID-19

October 8, 2020

The Germans are starting to get restless (again)

Author

Stefan Schneider
+49(69)910-31790
stefan-b.schneider@db.com

www.dbresearch.com

Deutsche Bank Research Management
Stefan Schneider

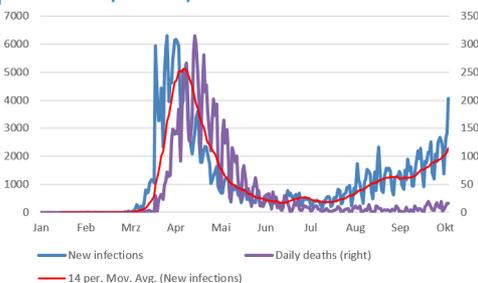


After the summer break new cases have picked up strongly in most of Germany's neighboring countries. In many cases (France, Spain, UK, Netherlands, Poland, Czech Republic), numbers are (by far) exceeding the peaks reported in spring or are back at these levels (Belgium, Austria). Various governments have introduced new measures, such as Paris shutting down parts of the hospitality and leisure sector, and Spain ordering a partial lockdown in Madrid, albeit not as encompassing as in April. In other countries, social distancing and mask-wearing rules have been tightened or are being discussed.

German infections are rising but not as dramatically as in neighboring countries

In Germany, infection numbers have risen to a daily average of above 2,000 during the last two weeks. On Wednesday they jumped to 4085. This compares to 5,000 new cases per day during the height of the pandemic in late March and early April. While the renewed increase was initially seen as temporary and triggered by holidaymakers returning, it has so far not abated and is now to a large extent the result of more people returning to work and private events. Since the weather conditions only started to deteriorate at the very end of September, the increase can at best be in part explained by people staying indoors more again.

Germany: Daily Covid-19 numbers



Source: RKI

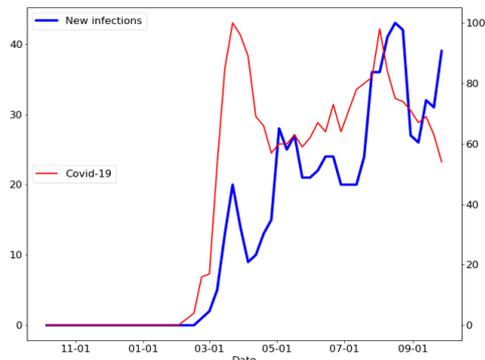
Strong political intention to avoid a second lockdown

At the end of September, Chancellor Merkel and Länder MPs agreed on a set of measures, which are all in all rather homeopathic. There are limits for the number of participants in public and private parties if the local infection rate is too high and fines are introduced for providing fake identities when visiting restaurants and bars. Starting October 15th the government will introduce widespread usage of antigen tests in hospitals and retirement homes, so that patients and visitors can be frequently tested. People returning from risk areas have to self-quarantine for 10 days, but can shorten this to 5 days if they test negative. Berlin and Frankfurt, where cases are rising towards the threshold of 50 per 100k inhabitants over 7 days (in some parts of Berlin they are already above this level) have announced curfews for restaurants and pubs after 10 p.m. Clearly city councils and the German government do not want to disrupt the economy with such measures but are aiming at avoiding a second lockdown or the widespread closure of schools.



COVID-19

COVID-19 related Google searches



Source: Google

Warning signals from high-frequency data

In March/April, one could observe that people started social distancing even before official measures were introduced. In our forecast for the winter half we have assumed higher infection rates will lead to more voluntary social distancing again. There are signs that this might have started.

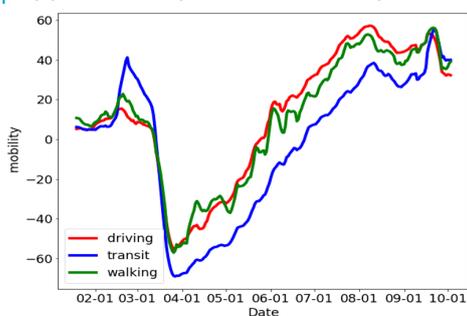
Google trends suggest that the increase in German infection numbers since the end of the summer holidays is, at least, getting people's attention (see Chart 2). While in Germany the number of searches with key words such as COVID-19 or corona are clearly below their peaks, Google searches about new infections ("Neuinfektionen") have risen strongly. This begins to be mirrored in activity trackers like the Apple mobility index or pedestrian traffic in Germany's 10 top high streets, which are looking increasingly toppish.

Probably a more limited response by the people to rising infection rates

Admittedly, these trackers (which are also influenced by weather and holiday effects) do at best show a first reaction in people's behavior and we do not expect any kind of responses similar to the experience from March/April when streets were largely empty and retail sales fell by 8.3%. Most importantly, we do not expect a countrywide lockdown. Secondly, the virus and its behavior are no longer completely new to people and they have – to some extent – learned to live with the virus. Thirdly, we have so far not experienced a parallel increase in mortality rates as new infections occur largely within the younger cohorts.

With a much smaller number of severe cases the German health system currently has sufficient capacity to cope. About 30% of Germany's more than 30,000 intensive care beds are currently available. On the other hand, the prevalence of the virus among younger more mobile and possibly less careful cohorts implies the risk of faster dispersion, increasing the risk that numbers will rise further.

Apple mobility index: Germany



Source: Apple mobility data

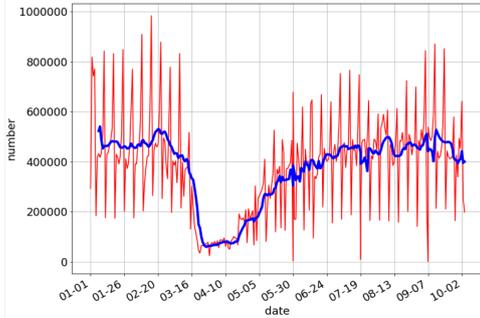
Sober outlook for the winter half

The recent flare-up in infections adds to our concerns that consumer spending, which should have provided the lion's share to the Q3 GDP of about 6%, will soften in Q4. This will negatively affect sectors like tourism, restaurants and personal services. Moreover, the strong rebound in orders from other EMU countries (+85% since their trough in April) which is in part the result of – admittedly stronger than expected – catch-up effects, is expected to stall towards year-end, given the escalating infection rates in many EMU countries mentioned above. We therefore expect growth to slow strongly during the winter half. GDP could even shrink if it surprises to the upside in Q3, as indicated by some of the hard data.



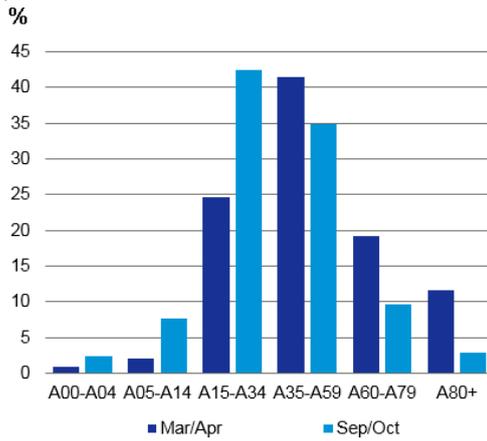
COVID-19

Pedestrians in major German shopping streets



Source: hystreet.com

New infections: Age distribution



Source: RKI, Deutsche Bank Research



COVID-19

© Copyright 2020. Deutsche Bank AG, Deutsche Bank Research, 60262 Frankfurt am Main, Germany. All rights reserved. When quoting please cite "Deutsche Bank Research".

The above information does not constitute the provision of investment, legal or tax advice. Any views expressed reflect the current views of the author, which do not necessarily correspond to the opinions of Deutsche Bank AG or its affiliates. Opinions expressed may change without notice. Opinions expressed may differ from views set out in other documents, including research, published by Deutsche Bank. The above information is provided for informational purposes only and without any obligation, whether contractual or otherwise. No warranty or representation is made as to the correctness, completeness and accuracy of the information given or the assessments made. In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, licensed to carry on banking business and to provide financial services under the supervision of the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG, London Branch, a member of the London Stock Exchange, authorized by UK's Prudential Regulation Authority (PRA) and subject to limited regulation by the UK's Financial Conduct Authority (FCA) (under number 150018) and by the PRA. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Inc. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.