

## Why the Covid-19 recovery in Europe could be short-lived

On Friday, the Eurozone will be cheered up by a massive third-quarter growth figure, indicating that the rebound from lockdown has caused GDP to soar. Unfortunately, this is all old news in the fast-paced Covid-19 economy. The second wave of the virus and new restrictive measures risk putting the eurozone recovery into reverse



People working in the hospitality sector protest against more restrictions in Paris

### Alarm bells are ringing

The second wave of the coronavirus has reached almost every corner of the eurozone and the first round of new restrictive measures has been put in place. While the third quarter was still focused on rapid economic recovery from the March-April lockdowns, the question now is whether the economy's going into reverse on the back of the new restrictions aimed at tackling the virus. As those measures become more strict, that prospect is looking increasingly likely.

---

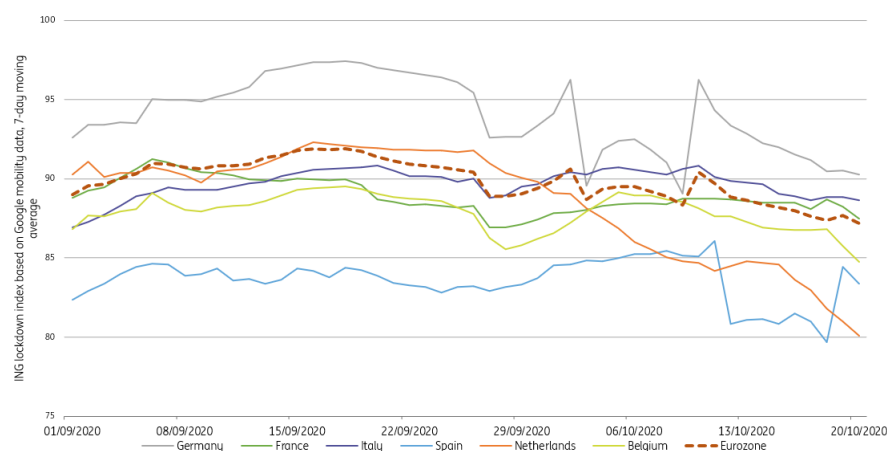
*The recovery is being interrupted by the second wave*

---

At least for now, the second wave has not had nearly as much of an impact on mobility as the first did. Yes, our index-tracking based on Google data which looks at daily visits to retail and recreation, workplaces and groceries and pharmacies has clearly peaked and is trending down, but only very modestly so far. The index peaked on September 18 at 91.9, which indicates a level of activity about 9% below the pre-corona average and has since dropped to 87.2. Still, it's far above the low of 42.5 seen during the lockdown months.

Make no mistake though, alarm bells should be going off as this gives a strong indication that the recovery is being interrupted by the second wave. The declines since September 18 have been strongest in the Netherlands as our index dropped by 13% in mobility. With data up to October 20, this includes the first effects of the latest measures taken.

## Mobility is decreasing again as the second wave hits



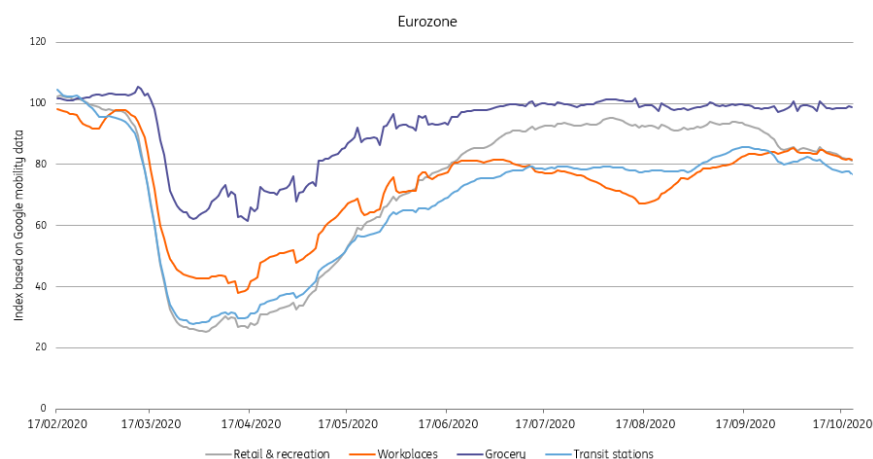
Source: Source: ING Research, Google COVID-19 Community Mobility Reports

Note: index of activity since 15 Feb for retail & recreation, groceries & pharmacies and workplaces using Google Covid19 Community Mobility Reports with data through 20 October. 100=baseline of activity between 3 Jan and 9 Feb

The fact that mobility did not see much of a decline until mid-October despite new restrictive measures being announced is also because the measures so far have been relatively mild. In fact, most restrictions could be labelled as a ‘smart’ lockdown or a ‘recreational’ lockdown. Fewer people allowed to come together, more restrictions on visiting sports matches and cultural activities and restaurants and bars closing earlier or shut down altogether have been common announcements in recent weeks.

Only Ireland has so far made the more radical steps to move back into a more or less full lockdown. The ‘recreational’ lockdown is also reflected in the Google mobility data with, on average, daily visits to retail and recreation sites currently 13% below their post-lockdown peak with other indicators trending much closer to their September peaks.

## The decline in activity has been largest for retail and recreation



Source: Source: ING Research, Google COVID-19 Community Mobility Reports

Note: index of activity since 15 Feb using Google Covid19 Community Mobility Reports with data through 20 October. 100=baseline of activity between 3 Jan and 9 Feb

## Chances of a drop in eurozone GDP are increasing

Looking beyond Q3 GDP data, the latest restrictions have clearly increased the risk of weakening economic activity, at least in parts of the service sector. At the same time, however, the manufacturing sector could keep some of its positive momentum going into the fourth quarter, given the lagged start after the lockdowns and the continuing strength of the Chinese rebound.

As policymakers currently try to tackle the virus with smarter or more tailor-made restrictions, the adverse impact on the eurozone could also be milder. That said, given the exponential spread of the virus, the risk that additional measures will follow on top of those recently announced is high. With it, the chances of a drop in eurozone GDP in the fourth quarter are increasing too. A double-dip in the fourth quarter is becoming more of a realistic scenario by the day.

### Authors

#### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

#### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.