

Eurozone vaccinations: Is the needle moving?

Second quarter vaccination efforts will be key for eurozone economies' reopenings. For lost ground to be made up, promised supply needs to come in, vaccine take-up needs to improve and logistics need to be ready. If that's the case, eurozone reopenings are a lot closer than many think



Source: Shutterstock

The EU has had a rough start to the vaccination process.

Delayed supplies have followed a slower start than in other advanced economies, concerns about vaccine side effects impacting take-up, and rows with suppliers have turned the mood on the EU vaccination process so frosty that the Pfizer vaccine could be stored in it.

In this piece, we look ahead to see whether vaccination efforts can keep the eurozone economic recovery close in timing to the US and UK.

A rough start indeed...

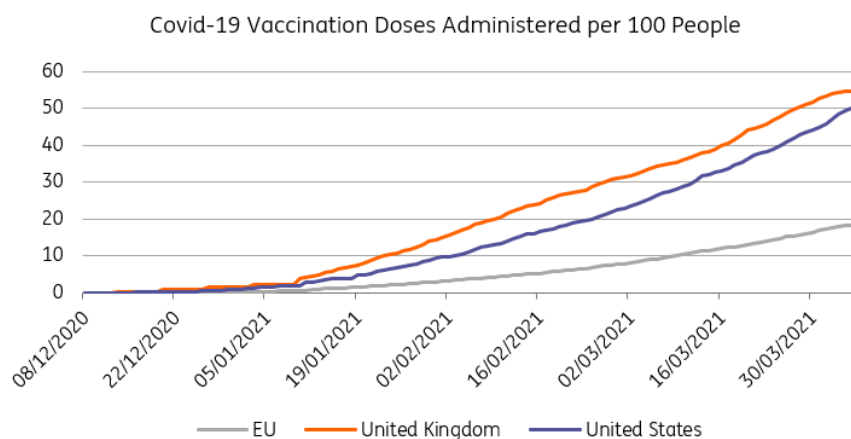
Most eurozone countries started the vaccination process with symbolic jabs at the end of 2020. The process has been one disappointment after another with a slow pace across the board. While individual countries have seen different teething problems, it seems that they are all in the same boat. A very similar amount of vaccines have been provided in most countries, all-around 15% of the population at this point. That compares to numbers between 40 and 50 percent for the UK and the US.

Expectations of when 70% of the adult population will be inoculated differ significantly for the EU.

Expectations of when 70% of the adult population will be inoculated differ significantly for the EU. Most countries still use a soft target of 'end of summer', which is months behind the US and UK and could prove costly as it likely means later reopenings. Bloomberg reported on an internal memo from the European Commission, which revealed the much more ambitious target of 14 July.

This is still significantly behind the US, set to get there in April already, and very ambitious given the weak progress made so far. Recall that US President Joe Biden announced that every US citizen would receive a vaccination offer by mid-April. While this makes the eurozone look far behind, much incoming supply in the coming weeks should help.

Where are we on vaccinations at the moment?



Source: Macrobond, ECDC, ING Research

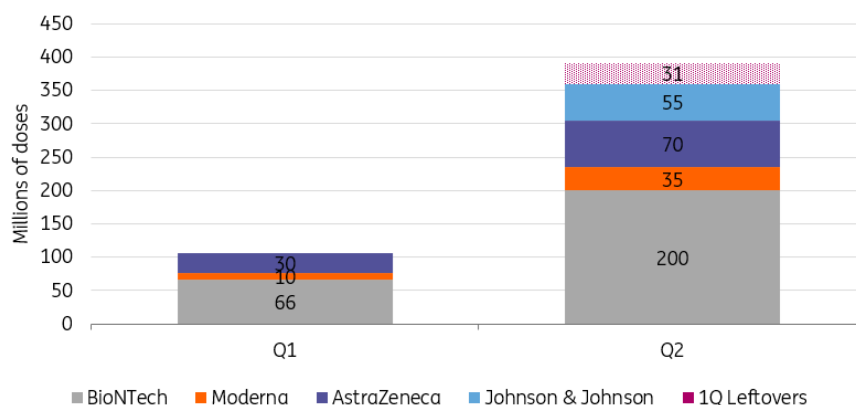
Supply is around the corner, or is it?

The second quarter will see large vaccine inflows, which is why EU countries are so far behind the US and UK at the moment and yet they only trail about eight weeks in terms of planning to reach 70% of the 18-year-old+ population vaccinated. The big question is whether the large suppliers will deliver the promised amounts of vaccines.

We're at the start of the quarter, and bad news has already come in as AstraZeneca has announced cutbacks of 60 million on the promised 90 million shots for 2Q. While this still allows for a total EU inflow that meets the 70% of the population mark, it shows that suppliers continue to struggle to meet their targets for the moment, and this uncertainty continues to cloud the Commission's projections.

Taking the incoming supplies and an estimate of unused vaccines, there will be enough vaccines supplied by the end of 2Q for 71% of the EU adult population to be vaccinated. That brings the 14 July target in play, but any hiccups in production (and eventually also in the take-up of the jabs) can push this out further into the summer.

EU supply is set to increase dramatically in 2Q



Source: European Commission President Von der Leyen March 17 statement, ING estimates

Are Eurozone countries prepared for the supply inflow?

So with the large supply coming in over the course of the current quarter, the next hurdle will be the logistics of vaccinating, which have so far been disappointing.

There are positive developments in this regard though as countries like France and Netherlands have recently made concrete progress in terms of setting up mass vaccination sites that allow for much faster inoculation than has happened until now.

If that is enough to process the large number of vaccines coming the EU's way has to be seen, it is not unlikely that these new efforts to mass vaccinate will still exhibit teething problems over the coming weeks. That adds to concerns about the possibility to achieve the Commission's early July target.

Vaccine doubts: more prevalent in the EU

It's not just supply and logistics that are the problem.

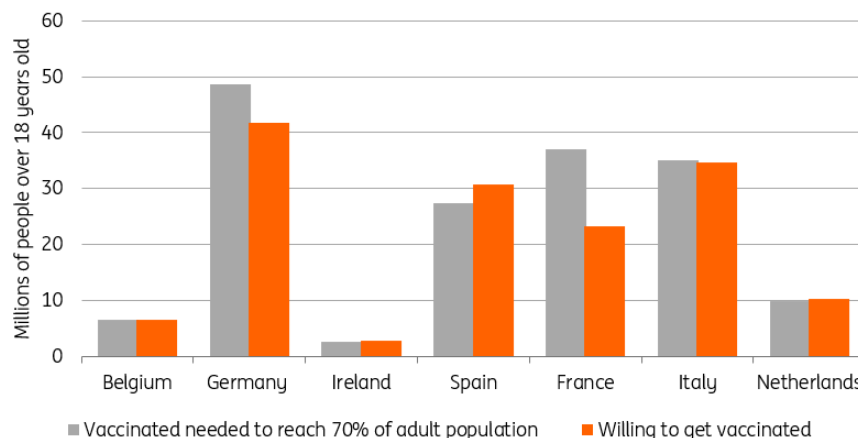
Willingness to get vaccinated continues to be a source of concern in the EU too. While vaccination eagerness increased at the start of the programme, doubts about the AstraZeneca vaccine, including the temporary halt, has increased worries about the take-up. Most recently, the willingness to take a vaccine has been declining in all large countries except for Spain. Instances of no shows at vaccination sites have been plenty, especially in large countries like Germany, resulting in doubts about vaccine take-up over the course of 2Q as well. If other countries show

positive effects of the vaccination process like reopening economies and travel using vaccination passports, the impact of unwillingness could prove small, though but it does remain a downside risk.

No shows at vaccination sites are raising doubts about the vaccine take-up over 2Q

Besides that, the regulatory issues that evolve around the AstraZeneca vaccine also eat into the possible use of the 2Q supply. Local stops in using the vaccine due to possible connections to thrombosis and a back-and-forth regarding the recommended age groups for the vaccine have scrambled logistics and have caused further delays in shots. The question is whether this is a temporary or permanent restriction on ages. If the latter is the case, then the total amount of AstraZeneca shots supplied in 2Q may not be fully used again. Due to the sizable downgrade in AstraZeneca supply this quarter, it already lost some importance for total vaccinations, but it remains the second most important supplier.

Willingness to get vaccinated could cause countries to fall short of reaching herd immunity numbers



Source: YouGov, ING Research

Note: survey taken on March 11, with exception of Belgium for which the survey is from early February

Eurozone, still on track for a mid-year reopening

For the time being, things are looking ok.

Ambitious targets of 70% of the adult population vaccinated in early July would require the most optimistic scenario to materialise, which we deem unlikely

While vaccination rates remain well below levels seen in other advanced economies, the EU will see a surge in vaccine supply in 2Q. Ambitious targets of 70% of the adult population vaccinated in early July would require the most optimistic scenario to materialise, which we deem unlikely. Still, sometime this summer is doable but the latest delay could prove to be the tipping point for a summer re-opening, particularly in Southern European countries.

Given the eurozone's rather disappointing track record, however, the risk of more delays and a further falling behind the US cannot be ruled out.

Authors

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@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>.