

Overcoming the third wave - Vaccinate, vaccinate, vaccinate!



CORONA - NEWSLETTER

The third wave of the coronavirus pandemic is challenging all societies in the world. The tally of infections and illnesses is growing to alarming proportions. Germany, like Europe in general, therefore needs to shift up a few gears when it comes to vaccination. Against this background, the economists of the Savings Banks Finance Group think it is unavoidable that the recovery of the German, and of the wider European economy, in 2021 is going to be delayed once again:

- In response to the increased incidence of infections, the lockdown is, de facto, being extended yet again, this time until May/June 2021. The Chief Economists of the Savings Banks Finance Group have therefore made a downward revision to their 2021 growth projection. The reason for this is that the second quarter of 2021, like the first quarter, is now likely to produce a stagnation scenario. On average, most bank analysts now expect GDP growth of 3.0 percent for 2021 instead of the 3.5 percent originally pencilled in back in January. The growth narrative is still intact nevertheless: if an accelerating vaccination rollout makes easing measures possible again, macroeconomic growth will pick up strongly. For 2022, most bank analysts are now even expecting higher growth than was the case this January.
- The mechanism shift, away from decisions by the Conference of German State Premiers and towards an amendment of the Infection Protection Act in the middle of the pandemic, is a critical factor. For the country's municipalities, for example, this shift again raises central questions, ranging from the federal structure of the state (subsidiarity vs. centralised control) to detailed regulations governing economic self-determination rights, which could once again make it more difficult for small and medium-sized businesses to act economically. Politicians must succeed in building trust for the measures adopted.
- One thing is certain: Germany, Europe and the world as a whole can only overcome this crisis in the long term if the vaccination campaign finally starts proceeding at a distinctly more rapid pace. What is important here is to let the secret of success behind the social free market economy take effect. As our analysis below shows, once enough vaccine is available, all avenues must be used to ensure that everyone receives an offer of vaccination as quickly as possible. Vaccinate, vaccinate, vaccinate - that has got to be the watchword of the hour!

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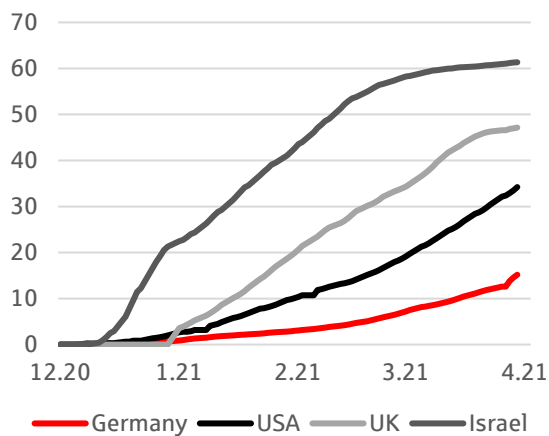
Germany: The vaccination campaign got off to a bumpy start but is now picking up speed

The start of the vaccination campaign against Covid-19 was notoriously bumpy in Germany. Other countries, such as Israel, the USA or the UK, had secured a larger volume of vaccine supplies earlier and already embarked on a dynamic vaccination campaign during the first quarter. In Israel, 60 percent of the population have received at least their first jab, with the corresponding ratios for the UK and the USA being almost 50 percent and over 32 percent, respectively. Germany and the rest of the EU are lagging far behind, with an average first-time vaccination rate of just over 10 percent.

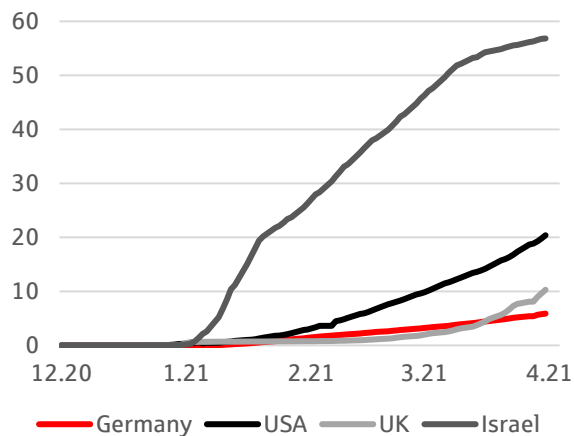
The vaccination rate in Germany is still low at the present moment

Fig. 1: Vaccination rate (first jab)

(proportion of the population that has been vaccinated)



Vaccination rate (second jab)



Sources: Refinitiv, LBBW Research

What is more, the latest data makes it plain that Germany and many other member countries have missed the EU vaccination target for people over 80. The European Commission's goal was for at least 80 percent of this age group to be vaccinated against the coronavirus by the end of March - on an EU-wide basis, however, not even 60 percent of those over 80 have already rolled up their sleeves for their first vaccination. Only every third person in this age group has been fully vaccinated. In Germany, according to the public-health institute RKI, the rate of first-time vaccinations among people over 80 years of age ranges from 59 percent for the North Rhine region in the federal state of North Rhine Westphalia to 79.5 percent for the federal state of Schleswig-Holstein. Of the same age group, between 26 percent in Schleswig-Holstein and 47 percent in Lower Saxony are now fully protected, having already received a second vaccination.

The EU has missed its self-imposed vaccination target

A nationwide vaccination rate cannot be generated for this age group because data is only available from nine federal states. The fact that the data basis is deficient despite all the bureaucracy would appear to be symptomatic. Another example of this shortcoming is that the emphatic

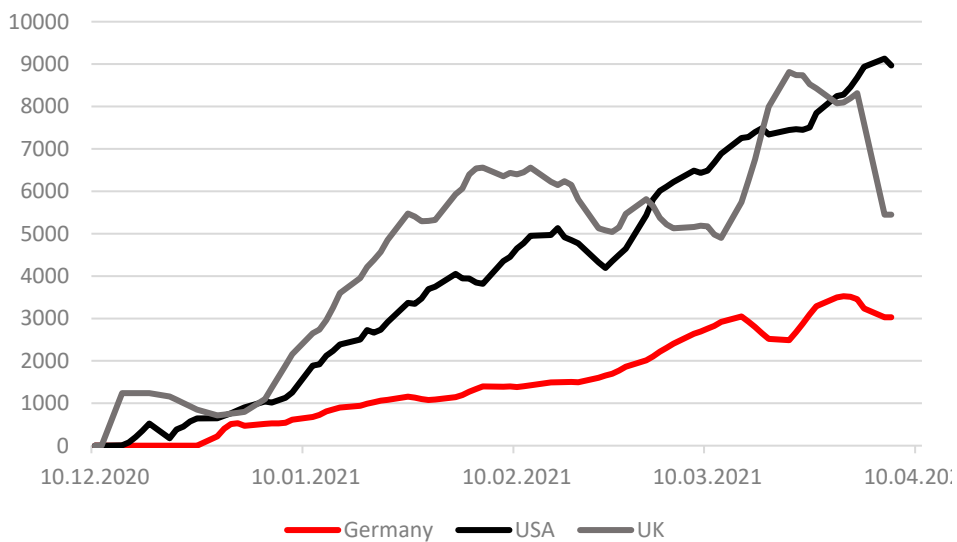
The German database is incomplete

demand by the German Society for Epidemiology for a link between the vaccination data and the health-insurance number of vaccinees, in order to be able to evaluate suspected cases of serious side effects in a scientifically sound and timely manner, met with deaf ears at the Federal Ministry of Health and at the public-health institute RKI in December of last year.

At this point we would like to look ahead. There are good reasons to believe that the pace of the vaccination rollout in Germany will now increase significantly, even if the ongoing discussion about the AstraZeneca vaccine is not necessarily conducive to inspiring confidence in the vaccination campaign. The vaccination pace has already speeded up over the past three months. As the following chart shows, the daily number of vaccinations in relation to the size of the population has so far been lagging behind the tally in countries such as the UK or the USA.

The pace of the vaccination rollout is poised to increase

Fig. 2: Number of vaccinations per day per 1 million inhabitants
(seven-day moving average)



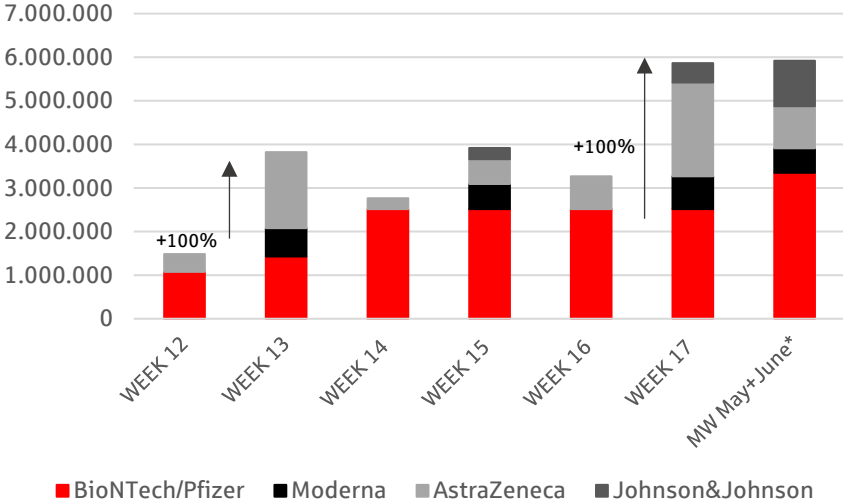
Source: Refinitiv, LBBW Research

Germany's Federal Ministry of Health has published the projected weekly deliveries of vaccines for April. Of course, some of these vaccine shots still have to be produced, so deviations are to be expected. According to the plan, the number of daily vaccinations per million inhabitants could rise to around 6,500 in April and subsequently towards 10,000. Where only about 1.5 to 2 million vaccine doses were delivered per week in March, twice as many (3 to 4 million) are expected to materialize weekly from April onwards. Starting in calendar week 17, and thus on 26 April, deliveries are then expected to double again to just under 6 million per week. Of this total, 2.25 million doses per week are to be administered in the vaccination centres, the rest in doctors' surgeries, with company doctors subsequently joining the vaccination drive as well. All vaccination facilities together should have

A quadrupling of vaccine supplies is foreseeable

a capacity for 7.5 to 8.5 million vaccinations per week, so that there should not be a bottleneck on this front in the foreseeable future.

Fig. 3: Weekly vaccine deliveries for Germany

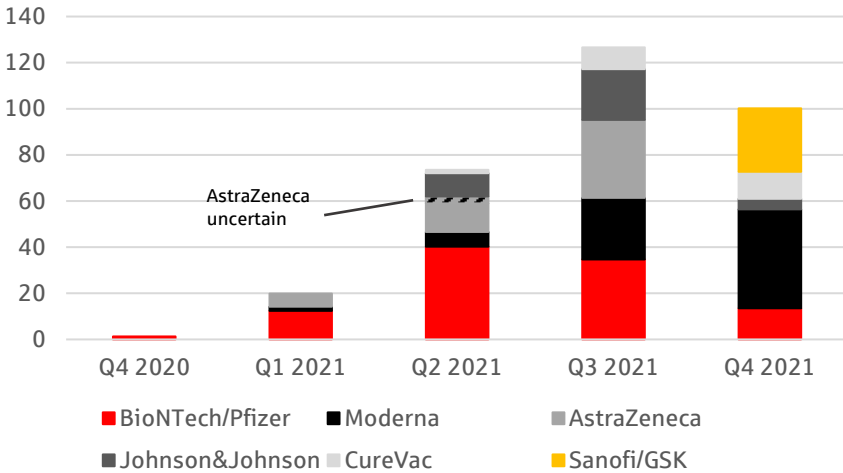


*Mean value per week for the months of May and June
 Source: Federal Ministry of Health, tagesschau.de, LBBW Research

The plan is that a total of around 93 to 96 million vaccine doses will be delivered to Germany by the end of the second quarter. The deliveries are around 4 to 7 million doses higher in the case of AstraZeneca than we had feared for some time in view of announced supply-forecast cuts, and they include 1.7 million more doses from BioNTech/Pfizer in the first quarter than previously announced. In addition, the federal government is currently seeking to secure a bilateral contract to purchase the Russian vaccine Sputnik V.

Fig. 4: Vaccine deliveries for Germany by quarter

Cut-off date: 22 March 2021



Source: Federal Ministry of Health, LBBW Research

Assuming 93 million vaccine doses are available by 30 June, that would be enough to vaccinate 50 million people (70.6 percent of the population in Germany older than 16). Assuming that 80 percent of those over 16 wish to be vaccinated, the almost 10 percent left out of the equation ought to be able to receive their vaccination offer as early as in July.

A vaccination offer for all over 16 year-olds in the summer looks to be realistic

The conclusion to be drawn is that the pace of the vaccination rollout in Germany is now gradually picking up. For the period from mid/end May onwards, we expect the rising vaccination rate to exert a noticeable dampening effect on the toll of new infections. The prospect of sustainable reopenings for the economy and for the population in general is thus becoming tangible. "Herd immunity" should be achieved over the course of the summer. That said, the next four to six weeks are going to remain a major challenge for the population as for the economy.

What we ask of policymakers: To accelerate the vaccination campaign through more pragmatism and to postpone second vaccinations

In principle, it is definitely right to prioritise individual groups for vaccination in order to make progress as early as possible with regard to the number of fatalities, the occupancy rate at clinics and the maintenance of the health-care system, and so as to reduce the spread of the virus. However, experience to date shows that mobilising such a vaccination campaign is a genuine logistical challenge even in the 21st century. We therefore believe that it is necessary to constantly balance the goal of prioritisation with what is actually feasible. Before compromises are made over the speed of vaccination because vaccination dates cannot be rescheduled at short notice or because vaccine doses are being unnecessarily withheld, a less bureaucratic route should be opened in case of doubt, and more responsibility should be passed on to actors working locally "on the ground."

Prioritisation makes sense, but should not be at the expense of speed

Criticism of the way things have been handled to date has been levelled not least by the World Health Organization. WHO Regional Director for Europe Hans Kluge has described the vaccination campaign in Europe as being "unacceptably slow", calling for "every single vial which we have in stock to be used - now." We wholeheartedly endorse this call. After all, on 24 March 2021, the Federal Ministry of Health withdrew its recommendation to withhold 20 percent to 50 percent (depending on the vaccine being used) of vaccine supplies for second vaccinations.

Furthermore, we believe that everything possible must now be done to administer first vaccinations to as many people as possible in our country quickly and stringently, and then to follow up with the second vaccination when significantly larger supplies of vaccine become available later in the

Gaining time by extending the interval between first and second vaccinations

second quarter and in the July-September period. To this end, general practitioners and company doctors should be provided with adequate vaccine doses. That would enable a faster basic coverage, analogous to the situation in the United States or in Great Britain. As a consequence, the incidence rate would lose in importance at an earlier stage. Municipalities would be given greater leeway for easing measures. This demand, which has been advocated in many quarters, has now been taken up by Germany's Standing Commission on Vaccination (STIKO). Since 1 April 2021, this body has also been recommending that the timing of the second vaccination for mRNA vaccines from BioNTech/Pfizer and Moderna should be shifted towards the end of the approved period and that the second jab should only be administered after six weeks. Previously, the recommendation was three to six weeks (BioNTech/Pfizer) and four to six weeks (Moderna). If this recommendation is heeded by the responsible authorities, a time gain of two to three weeks can be secured for these vaccines.

In view of this, the pace of vaccination should now increase significantly, not only because of increased vaccine supplies but also because of an improved vaccination strategy. For all that, it should not be forgotten that the spread of Covid-19 is a global phenomenon and therefore that a high vaccination rate, not only in Europe but worldwide, is essential to ensure that the pandemic is successfully contained.

At the end of the day, though, it would also be wrong to lose sight of the global dimension

Disclaimer

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