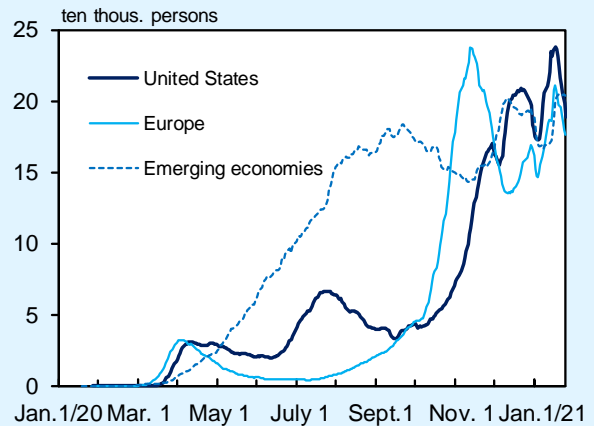


(Box 2) Impact of a Resurgence of COVID-19 since Autumn 2020 on the U.S. and European Economies

Since last autumn, the number of confirmed new cases of COVID-19 has clearly resurged in the United States and Europe (Chart B2-1). However, business sentiment suggests that downward pressure on economic activity has thus far been milder than last spring (Chart B2-2). This box summarizes the impact of a resurgence of COVID-19 since last autumn on the U.S. and European economies, using high-frequency data as well.

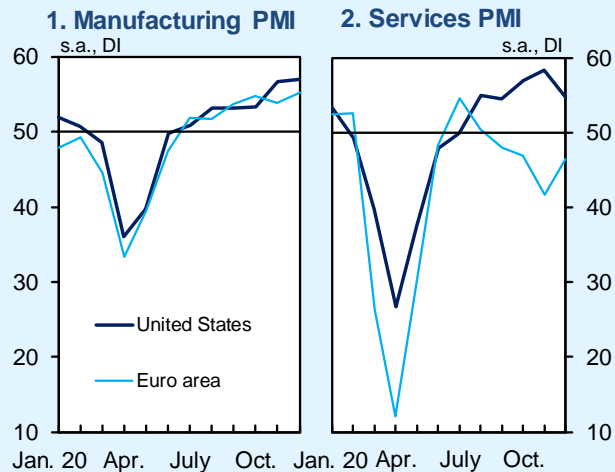
In response to the rapid increase in the number of confirmed new cases, European countries reinstated public health measures, including restrictions on going outside and on restaurant and retail store businesses, from late October last year, and the number of people visiting such places as retail stores and entertainment facilities decreased again (Chart B2-3). However, these countries have been trying to strike a balance between such restrictions and sustaining economic activities; for example, (1) unlike last spring, economic activities, mainly of the manufacturing and construction industries, are being maintained, and (2) measures are revised flexibly and in a timely manner depending on the COVID-19 situation. In addition, many European countries have taken into consideration securing corporate financing and household income; as with last spring, together with the tightening of public health measures, they have introduced additional fiscal support measures such as the extension of salary compensation under short-time work schemes and the provision of

Chart B2-1: Confirmed New Cases of COVID-19 in Major Economies



Source: CEIC.
 Note: Figures for the United States, Taiwan, and Hong Kong are from the CDC, the Taiwan Ministry of Health and Welfare, and the Hong Kong Centre for Health Protection, Department of Health, respectively. All other figures are from the WHO. Figures for Europe are the sum of figures for the EU and the United Kingdom. Figures for emerging economies are the sum of figures for India, South Africa, Russia, Turkey, and major economies in the NIEs, ASEAN, Latin America, and the Middle East. Figures show 7-day backward moving averages. The latest figures are for January 19.

Chart B2-2: PMI for the United States and the Euro Area

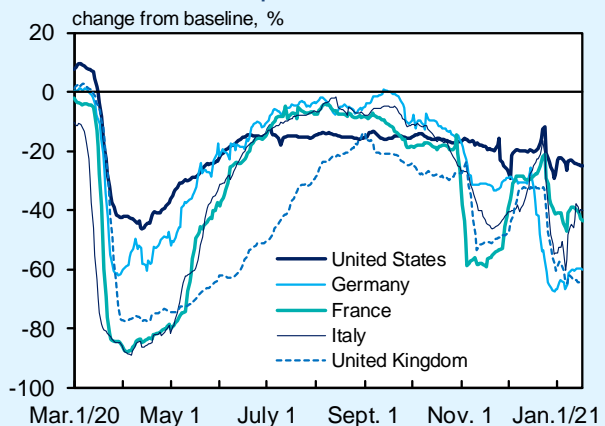


Source: IHS Markit (© and database right IHS Markit Ltd 2021. All rights reserved.).
 Note: Figures for the services PMI are the "Services Business Activity Index."

subsidies to firms. Under these circumstances, the impact of the resurgence of COVID-19 has been concentrated in the face-to-face services industry (Chart B2-2). This also is confirmed by high-frequency data; while the face-to-face services industry, such as eating and drinking, accommodations, and tourism, has been under downward pressure, electricity consumption -- a proxy for the level of activity in the economy as a whole, including the manufacturing industry -- has recovered to the previous year's level since last December, after dropping again in November (Chart B2-4). Thus, although European economies have been under downward pressure since last autumn, mainly in the services industry, they do not seem to have declined to the same extent as last spring.

In the United States, some states and cities have also tightened public health measures since November 2020, including restrictions on going outside and banning restaurants and other establishments from operating at night. However, compared with Europe, the decline in the number of people going outside has remained small, since the tightening of measures has been limited to certain areas and types of business (Chart B2-3). Despite the rising trend in the number of confirmed new cases, business sentiment in both the manufacturing and services industries has continued to improve clearly (Chart B2-2). This is partly because, under the prolonged low interest rate environment, housing investment has increased, mainly reflecting a demand shift from rented houses in urban areas to owned houses in the suburbs, and machinery investment related to digitalization in particular has expanded (Chart B2-5). Looking at high-frequency data on

Chart B2-3: Mobility Trends in the United States and Europe

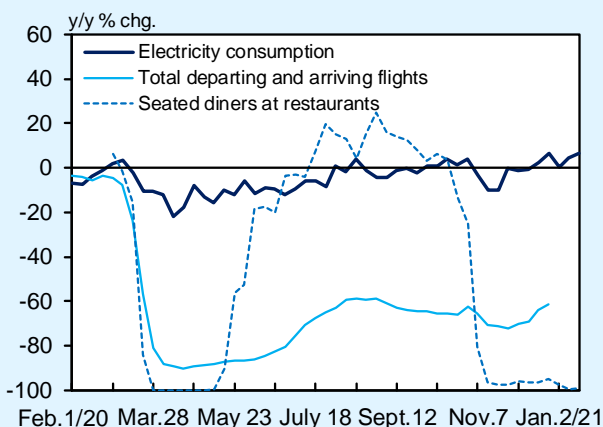


Source: Google LLC "Google COVID-19 Community Mobility Reports."

<https://www.google.com/covid19/mobility/>. Accessed: January 21, 2021.

- Notes: 1. Figures show 7-day backward moving averages of the percentage change in visits to places categorized as "retail and recreation" in the report released by Google.
 2. The baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020. The latest figures are for January 17.

Chart B2-4: Economic Activity Indicators for the Euro Area



Sources: Bloomberg; EUROCONTROL; OpenTable.

Notes: 1. The horizontal axis shows the ending date of each week.

2. Figures for electricity consumption are the simple average for Germany, France, Italy, and Spain. The latest figure is for the week of January 10 to 16, 2021.

3. Figures for total departing and arriving flights are the simple average for the main airports in Germany, France, Italy, and Spain. The latest figure is for the week of December 20 to 26, 2020.

4. Figures for seated diners at restaurants are based on the number of those who dined on the premises at restaurants in Germany participating in the OpenTable online network. The latest figure is for the week of January 10 to 16, 2021.

indicators of private consumption to date, overall consumption seems to have remained on a moderate improving trend; while downward pressure on consumption of face-to-face services, such as eating and drinking as well as accommodations, has increased somewhat, goods consumption has been firm (Chart B2-6). The United States also decided to introduce additional economic measures at the end of December, including ones to support small and medium-sized firms and provide cash payments to households, thereby securing corporate financing and household income amid a situation of the resurgence of COVID-19. Against this backdrop, the U.S. economy has remained on an improving trend.

Thus, the U.S. and European economies have been less affected so far by the resurgence of COVID-19 compared with last spring. Although the face-to-face services industry is likely to remain under downward pressure for the time being, the growth rates are expected to increase thereafter, partly owing to fiscal support, as further progress is expected to be made in simultaneously taking preventive measures against COVID-19 and improving economic activity. However, there remain extremely high uncertainties over this outlook. Some positive developments toward leading the pandemic to subside have been seen recently, such as the start of vaccinations in various countries, but the effects of vaccines and the pace of distribution are still unclear. For the time being, it is necessary to continue to closely monitor the consequences of the resurgence of COVID-19 in respective countries and the impact on economic activity.

Chart B2-5: Machinery Investment and Housing Investment in the United States

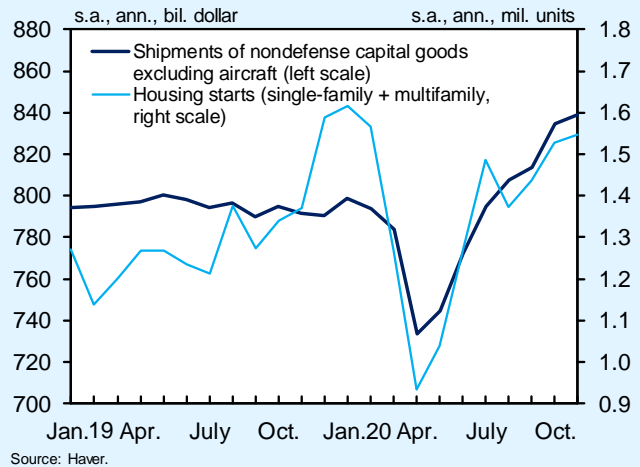
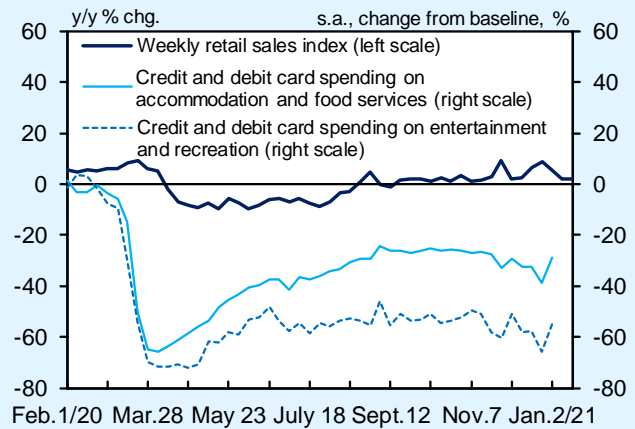


Chart B2-6: Private Consumption-Related Indicators for the United States



Notes: 1. The horizontal axis shows the ending date of each week.
 2. Figures for the weekly retail sales index are the "Johnson Redbook Index." The latest figure is for the week of January 10 to 16, 2021.
 3. Figures for credit and debit card spending are from Opportunity Insights. The baseline is the average for the period from January 4 to 31, 2020. The latest figures are for the week of December 28, 2020 to January 3, 2021.