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COVID-19 dbDIG survey: Adapting to life in lockdown

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Towards the end of 2020, countries across Europe entered the most recent wave of lockdowns in an attempt to contain the spread of covid. Even though these restrictions were not as strict as those imposed during the first wave of lockdowns beginning in March (the German government referred to their recent lockdown as "lockdown lite"), many predicted that the lockdowns would have a significant impact on the national economies. In their December projections, the ECB had forecast a decline of 2.2% qoq in euro area GDP, while the consensus forecast in the mid-January was down at -2.4% qoq. However, the euro area economy has proven to be surprisingly resilient to the most recent lockdowns. The flash print of Q4 GDP growth came in this week at -0.7% qoq. **This report uses the results from the dbDIG household survey to analyse whether the economy is adapting to better handle changes in lockdown restrictions, and thus whether markets should be less pessimistic about the drag lockdowns have on economic growth.**[1] Analysis of the survey responses suggests that:

- **Mobility** is still affected by lockdown restrictions. But the link between mobility and economic activity may be weakening over time as the economy and workers adapt to operating under lockdown restrictions.
- **Employment and the job market**. Workers report that the introduction of restrictions in the latest wave of lockdowns had no significant effect on their productivity or hours worked (and both are above the levels seen in the first lockdowns), pointing to workers successfully adapting to working from home. However, the picture is not all positive. Workers report that they feel more at risk now from being made unemployed, and those who are unemployed are more pessimistic about finding new employment.
- **Consumer spending** is higher in the latest lockdowns than it was during the first lockdowns. Spending did dip a little in January, but the evidence suggests this was driven by a post-Christmas lull rather the tightening of restrictions.
- **Expectations/concerns**. While the latest lockdowns did not significantly alter the trend in expectations, households do not feel like conditions have improved since the first lockdown. They continue to be pessimistic about the outlook for the wider economy and their own incomes.

The dbDIG household survey:

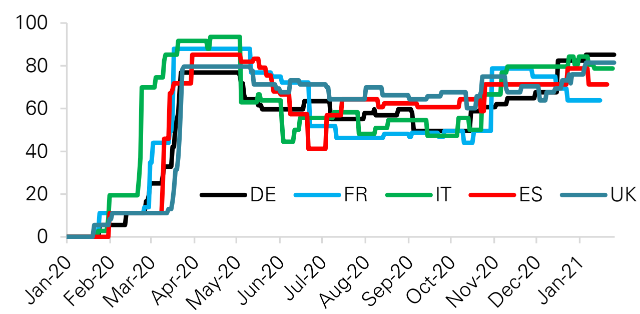
Deutsche Bank's Data Innovation Group (dbDIG) runs a regular survey of households in the larger European economies (Germany, France, Italy, Spain, and the United Kingdom) asking a wide range of economic-related questions. The survey also features questions specifically about how COVID-19 is affecting households, and how they are changing their behaviour in response to it. Survey results are collected daily, giving us a high-frequency look at how households' views and behaviours are constantly evolving throughout this pandemic.

1 Recent news stories suggest the French government may be considering a third national lockdown.

Recent lockdowns – Not quite as restrictive as the first

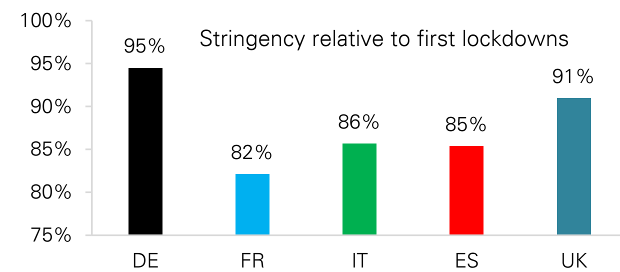
Towards the end of 2020, the major European countries entered a second wave of national lockdowns. The restrictions put in place were different from those seen in the peak of the first lockdown (March-May), and the German government termed this second lockdown as "lockdown lite". Despite the differences in restrictions from the first lockdown, the stringency of these recent lockdowns was relatively high. According to the Oxford COVID-19 Government Response Tracker, which tracks 19 indicators of government responses to the virus, the restrictions in the recent wave of lockdowns across Europe were still quite stringent, at over 80% of the stringency seen in the first lockdowns (Figure 1 and Figure 2).

Figure 1: After loosening throughout most of the year, restrictions became more stringent as Europe entered "lockdown lite" at the end of 2020



Source : Deutsche Bank, Oxford COVID-19 Government Response Tracker

Figure 2: The stringency of the recent lockdown (Nov onwards) is over 80% of that of the restrictions seen at the peak of the first lockdown (April)



Source : Deutsche Bank, Oxford COVID-19 Government Response Tracker
Notes: relative stringency is measured as average Nov 2020 - Jan 2021 vs average April 2020.

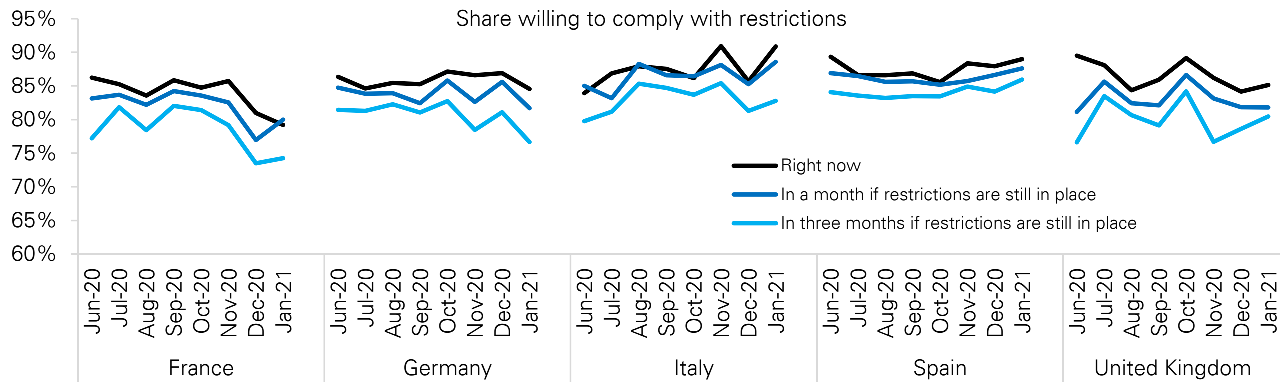
However, despite the stringency of the restrictions, the euro area economy has proven to be relatively resilient during this recent collection of lockdowns. The flash print for euro area GDP grew -0.7% qoq. This decline is a lot less severe than had been previously feared – the ECB had penciled in -2.2% qoq in its December forecast while the consensus in the mid-January BBG survey was down at -2.4%.[2]

Despite downside risk in the near term, a robust recovery in activity is one of the prospects we have highlighted in our latest thinking on what lies ahead in terms of macroeconomic conditions and policy in Europe.[3] If economies have learnt to adapt to Covid-19 it could limit Q1 downsides for growth and provide a platform for a robust recovery through 2021-22.

People report compliance with the restrictions. According to our dbDIG survey, right across Europe around c.80% of respondents report that they are complying with the restrictions put in place to combat the virus (Figure 3). "Lockdown fatigue" also does not appear to be an issue. The share of respondents who report they would continue to comply with the restrictions if they were still in place in one and three months time is broadly similar to the share complying now. As a result, any differences in economic activity between lockdowns is highly unlikely to be caused by people flouting the rules.

2 The consensus estimate just before the release of the data was for -0.9%.
3 See "Europe Economics: All you need to know", DB Focus Europe, 25 Jan 2021.

Figure 3: People report complying with the rules, and "lockdown fatigue" seems low

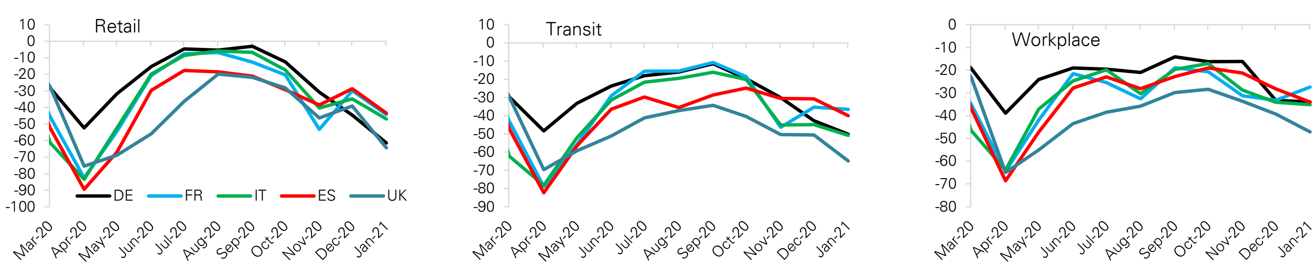


Source : Deutsche Bank's dbDIG household survey

Mobility

The first wave of lockdowns, starting in March-April, saw significant declines in mobility as many people were required to stay at home and not leave their residence unless it was for one of a few specific reasons (such as obtaining food or exercise). Non-essential stores closed, and many workers were placed into furlough schemes. According to mobility data from Google collected using cellphone locations, during the first lockdown retail and transit use was 80% or so below pre-covid levels, and Workplace visits were down 60-70% across most of Europe (Figure 4).[4] Germany was the exception. Because the country locked down while the number of infections was relatively low, their lockdown was not as restrictive as in other countries who were hit earlier and more severely by the pandemic (such as Spain and Italy).

Figure 4: Google mobility data



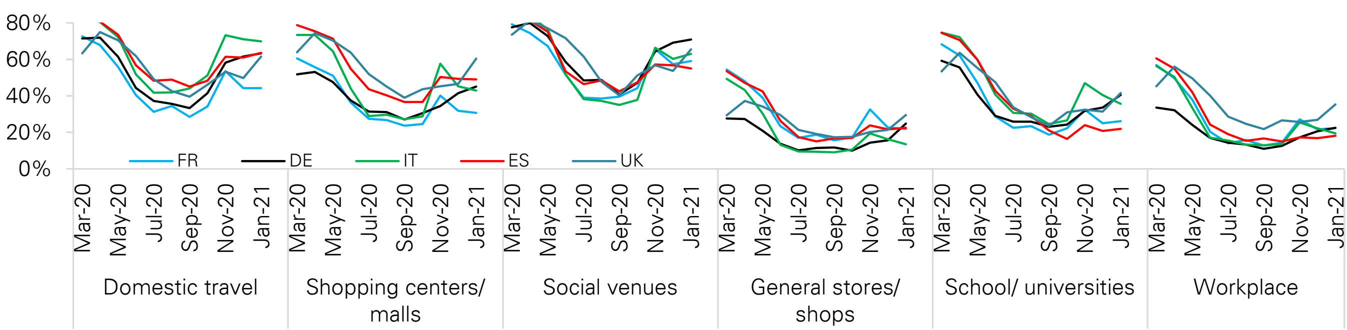
Source : Deutsche Bank, Google
Notes: mobility as a percentage of pre-covid mobility

During the most recent wave of lockdowns, mobility has not fallen by as much as in the first lockdowns. This is a likely consequence of two factors: 1) as the stringency index above showed, the latest wave of lockdowns was not quite as restrictive as the first wave; and 2) the composition of the package of restrictions in the recent lockdown is different from that in the first. Given the experience of the first lockdown, governments tried to design restrictions that would minimise the economic impact while still containing the spread of the virus.

4 Other mobility data such as that from Apple maps and Citymapper show the same pattern.

Our dbDIG household survey supports the mobility trends seen in the Google data. Across the entire range of activities and locations we survey about, there was a rise in the share of respondents avoiding the activity/location in recent months (Figure 5). However, the share was generally well below that seen during the first lockdowns back in March-April.

Figure 5: The share of respondents avoiding various activities/locations rose during the recent lockdown

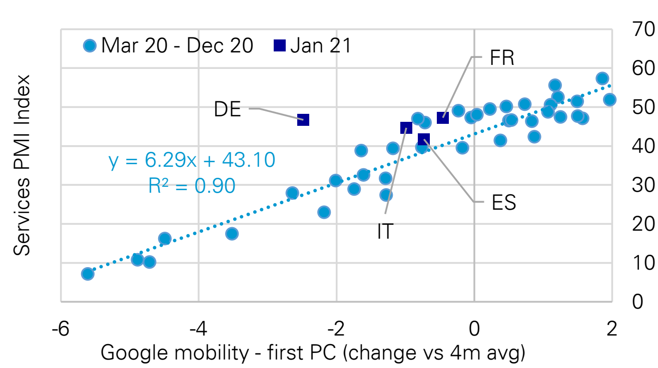


Source : Deutsche Bank's dbDIG household survey

Our previous work has shown that there is a reasonable relationship between high-frequency mobility data, and economy activity in the service sector PMI (Figure 6).[5] Therefore the resilience of recent economic activity is consistent with the stronger mobility data seen during the recent lockdown (relative to the first lockdown).

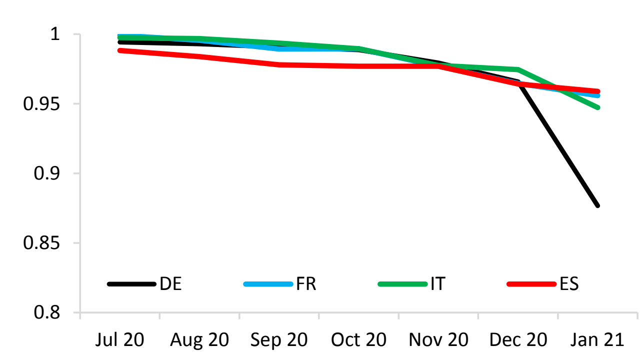
However, the relationship between mobility and economic activity in the service sector may be weakening. Figure 7 shows the correlation between the two data series has been steadily weakening for all countries. One potential explanation for this weaking relationship is that as time goes on, workers and the economy are better adapting to working under lockdown restrictions (such as by working from home). The same level of restrictions no longer has the same negative impact on performance and productivity.

Figure 6: Historically there is a reasonable relationship between mobility and economic activity...



Source : Deutsche Bank, Google, Haver Analytics

Figure 7: ... however the correlation does appear to be weakening over time.



Source : Deutsche Bank, Google, Haver Analytics
Notes: Correlation at each date computed using data from April

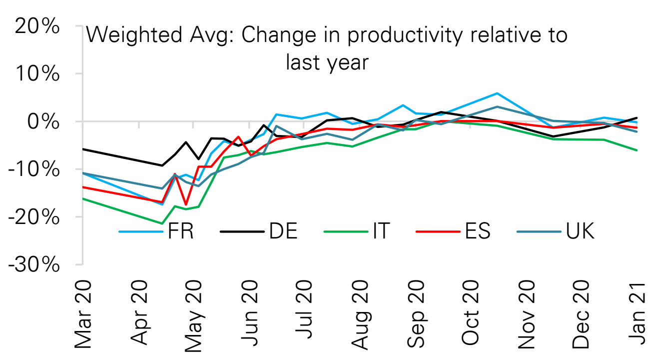
5 See "September PMIs: A test of the infections-mobility-activity nexus", Europe Blog, 22 September 2020.

Employment and job market

During the first lockdown (starting around March) workers were forced to dramatically change the manner in which they worked. Many of those who were not furloughed had to adapt to working from home, forgoing many of the facilities and support provided by being in an office environment. Workers' own perceptions of their productivity fell by 10-20% during this period (Figure 8). However, given time, workers were able to adapt to their new working environment and perceived productivity steadily rose back to pre-covid levels over the course of 2020. **During the recent lockdowns, there was no significant decline in perceived productivity**.

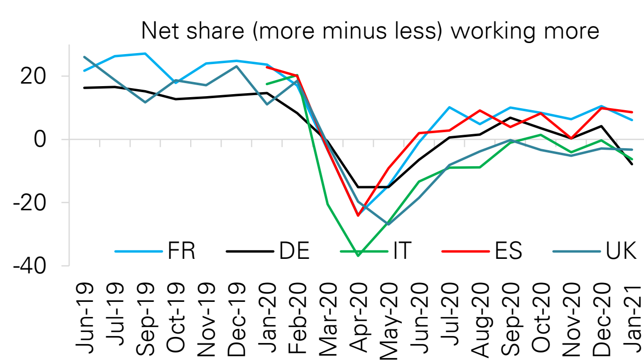
Hours worked have been affected more by the pandemic (Figure 9). Since July 2020, the net share of respondents working more hours than last year was around zero (on net, workers were working roughly the same amount of hours as they did back in 2019). While this is up on the record lows seen during the first lockdown, it is still below the positive growth rate in net hours worked seen pre-covid. We also see that the tightening of restrictions in November to December as part of the recent lockdowns had very little effect on the trend in the net share of respondents working more hours. Therefore, it seems that the labour market is becoming more robust to changes in the stringency of lockdown restrictions.

Figure 8: Worker's perceived productivity has returned to pre-covid levels



Source : Deutsche Bank's dbDIG household survey

Figure 9: Hours worked have stabalised, but still remain below pre-covid levels

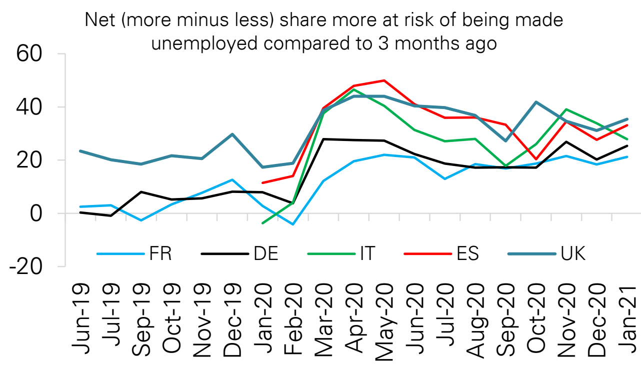


Source : Deutsche Bank's dbDIG household survey

However, not everything in the survey is positive for the labour market. Concerns about job security have continued to grow since the start of the pandemic. As would be expected, the net share of respondents who felt they were more at risk of being made unemployed than they were 3 months ago rose rapidly during the first lockdown (Figure 10). However, since then, a greater share of workers have continued to feel more at risk (relative to three months ago) than feel less at risk.

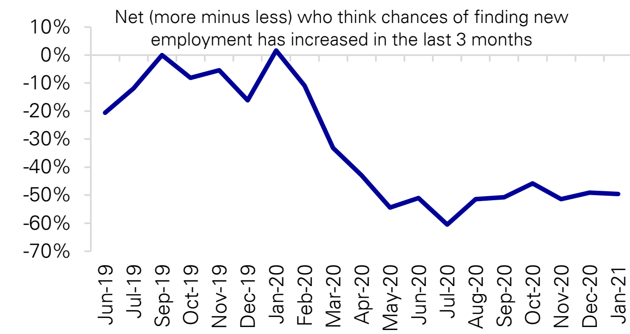
A similar pattern is seen in the pool of unemployed workers. The perceived chance of finding a new job fell significantly (on net) during the first lockdown (Figure 11). Since then, on net, the unemployed have consistently responded that the chances of them finding new employment has decreased in the previous three months – pointing to worsening job prospects.

Figure 10: On net, workers feel like the risk of being made unemployed continues to grow steadily



Source : Deutsche Bank's dbDIG household survey

Figure 11: Unemployed workers see diminishing prospects of finding new employment

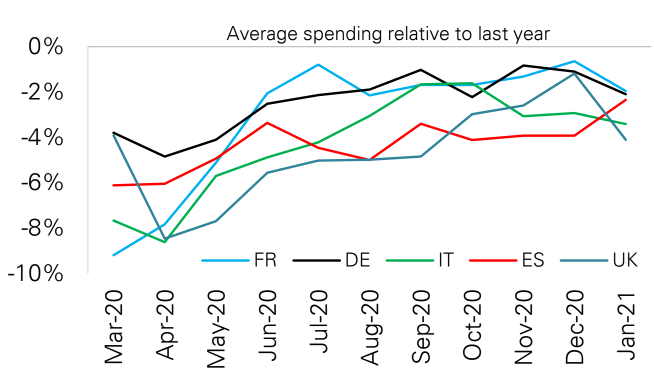


Source : Deutsche Bank's dbDIG household survey
Notes: Due to small sample sizes in each country, the respondents from all 5 countries have been pooled together into a single series.

Consumer spending

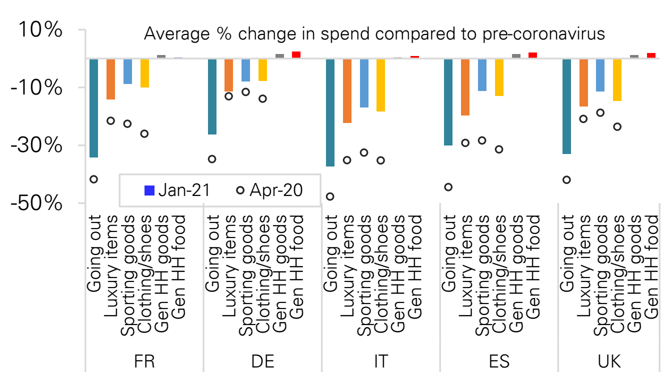
Since the start of the first lockdown, and the closure of many stores, spending has been lower than in the previous year (Figure 12). According to our survey respondents, spending was around 5% to 9% down on the previous year during the peak of the first lockdown. However, since then the gradual reopening of stores and introduction of furlough and other support schemes, spending has recovered to be around 2% to 4% below 2019 levels. Most countries saw a small dip in spending growth during the most recent January survey wave.[6] However, the size of this decline is relatively small, and overall spending across the major European economies seems to have been robust to the introduction of the restrictions that were part of the recent lockdowns. The pickup in spending between the first and recent lockdowns has been broad based (Figure 13).

Figure 12: Spending during the recent lockdown is still down on last year, but significantly improved on the first lockdown



Source : Deutsche Bank's dbDIG household survey

Figure 13: Spending is up on the first lockdown for a broad range of categories



Source : Deutsche Bank's dbDIG household survey
Notes: Spending on general household goods and food was not surveyed during the time of the first lockdown

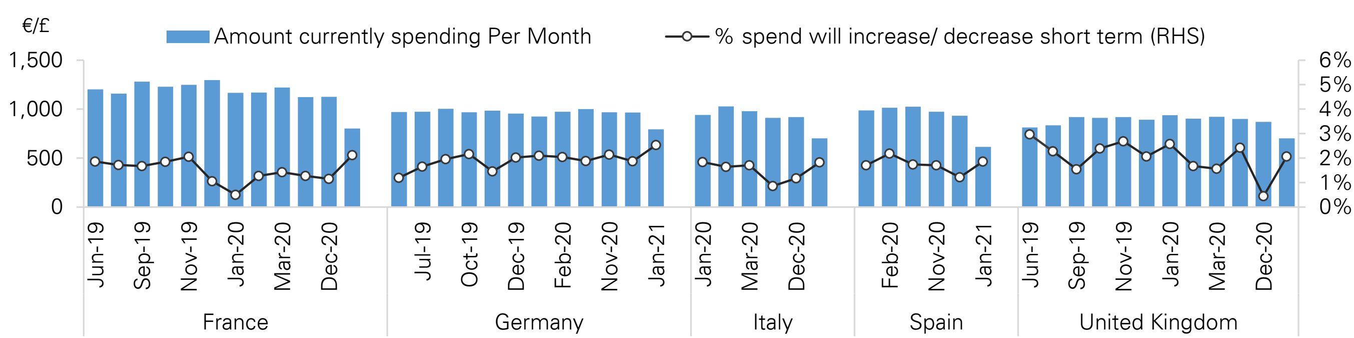
6 The January survey wave covers responses collected from mid-December to late January.

In terms of spending on big-ticket items, respondents in France, Italy, and the UK were choosing to delay purchases at about the same rate as just after the first lockdown (Figure 14).[7] However, in both Germany and Spain, more respondents are choosing the delay the purchase of a wider range of big-ticket items in the current lockdown relative to just after the peak of the first lockdown.

Figure 14: France, Italy and the UK were delaying big-ticket purchases at the same rate as after the first lockdown. Germany and Italy had more people delaying purchases.

Source : Deutsche Bank's dbDIG household survey

Figure 15: Discretionary spending was down in January, but expected to rise in the near term



Source : Deutsche Bank's dbDIG household survey

The decline in spending during the January wave of survey results (mid-December to late-January) likely reflects a Christmas seasonal pattern. Anecdotally, there were reports of people shopping earlier for the holiday period given the extra time on their hands. There is also usually a post-Christmas slump in sales during normal times. The decline in spending seen above is a result of declining discretionary spending according to other parts of our survey (Figure 15). The January results also showed that, on average, respondents expected spending to rise more in the short term than they expected in previous months, supporting the

7 Due to data limitations, we can only compare the current lockdown, Dec-Jan, to just after the first lockdown, May-Jun, not to the April-May lockdown itself.

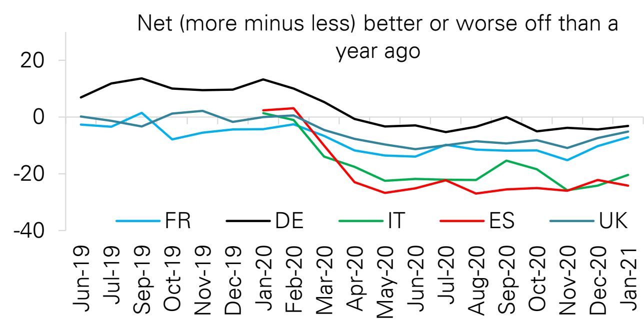
idea that January is likely to be a one-off post-Christmas lull and spending will rise to previous levels shortly.

Expectations

Since the start of the pandemic, on net, more respondents think their family is worse off than a year ago (Figure 16). The net share during the current lockdowns is broadly similar to the shares seen during the first lockdowns. It can be viewed as a positive that the net share did not decline further at the start of the recent lockdowns, and may even have started to improve recently. However, households are still worse off in absolute terms.

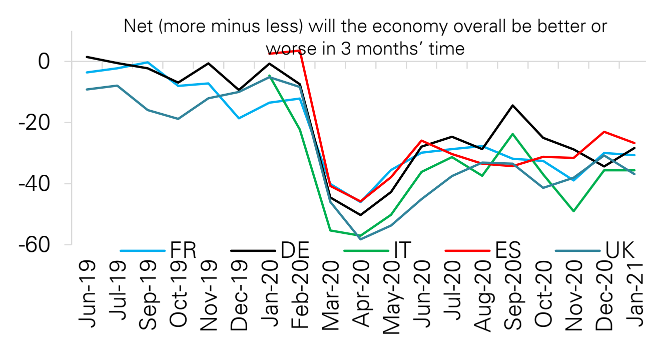
Looking forward, respondents do not expect the economy to get better in the near term. Ever since the first lockdowns, a net share of around 40% of respondents have expected the economy to get worse in the next three months (Figure 17). Again, the share did not seem to be significantly affected by entering the most recent lockdown.

Figure 16: The net share of respondents who believe their family is worse off than a year ago has been fairly stable



Source : Deutsche Bank's dbDIG household survey

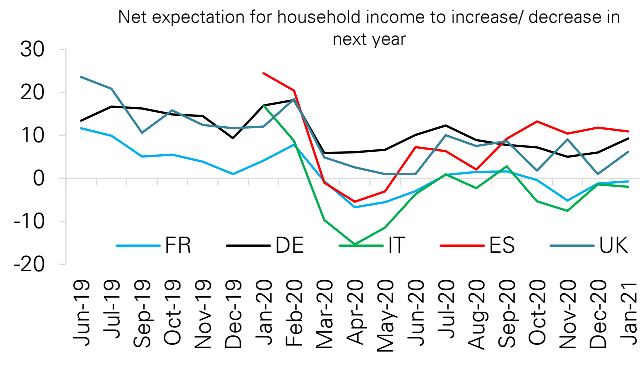
Figure 17: Respondents expect the economy to get worse over the next 3 months



Source : Deutsche Bank's dbDIG household survey

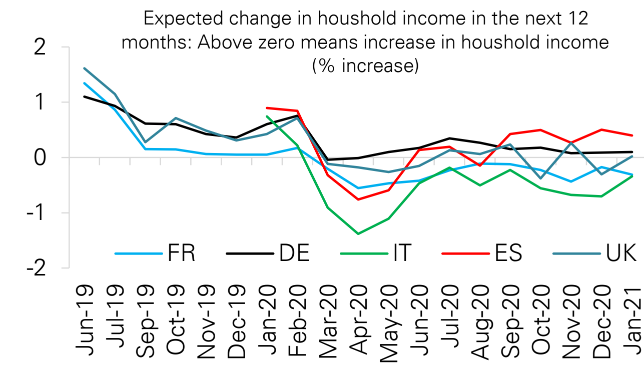
Household income expectations have been pretty robust to the tightening of restrictions during the recent lockdown. On net, around c.10% more people expect their household income to rise over the next year than decrease (Figure 18). This is a higher share than during the first lockdown, but still below the levels seen pre-covid. Even though the share of respondents expecting an increase in their income is higher than the share expecting their income to decrease, the distribution of the size of these income changes is skewed. Those expecting an income rise generally expect a smaller rise than the size of the expected income fall from those expecting incomes to decline. Therefore, the expected average change in income is fairly close to zero for all countries (Figure 19).

Figure 18: On net, more households now expect incomes to rise in the next year...



Source : Deutsche Bank's dbDIG household survey

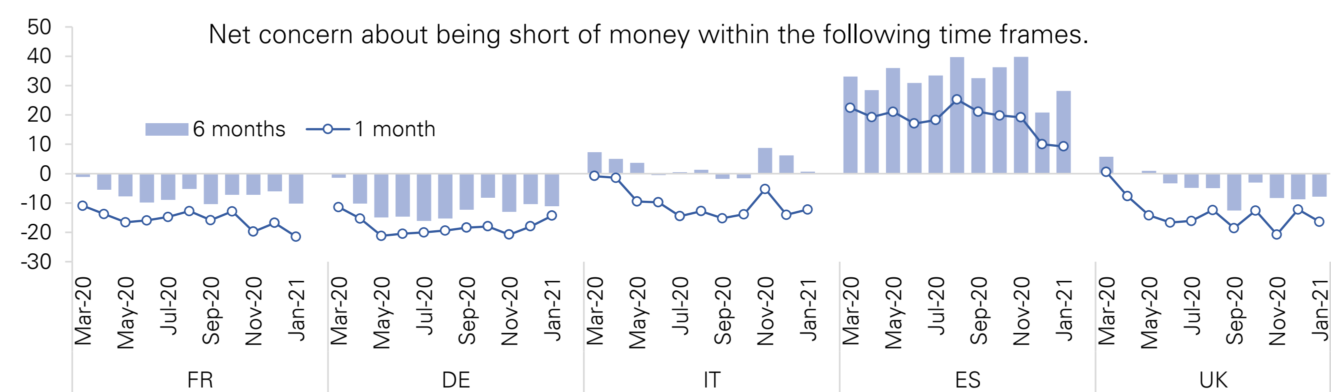
Figure 19: ... but the distributions of expectations are skewed and the average expected rise is around zero



Source : Deutsche Bank's dbDIG household survey

In all countries, apart from Spain, households are, on net, not concerned about being short of money within the next month (Figure 20).[8] However, **for all countries, respondents have higher levels of concern about being short of money in the next 6 months than they do today**. This could be reflecting their general concern about the economic outlook and future income prospects described above.

Figure 20: Respondents are more pessimistic about being short of money later in the year



Source : Deutsche Bank's dbDIG household survey

Prospects for the future

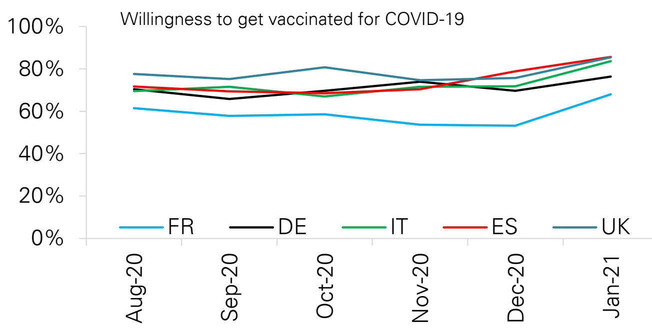
There are also other signs in the dbDIG survey results that give some hope for stronger economic performance in the future.

The January wave of survey results (collected from mid-December to late-January) showed a significant rise in the share of respondents willing to get the covid-19 vaccine (Figure 21). Even in France, which by European standards is skeptical of vaccines and has had significant issues rolling out the vaccine, the share willing to get vaccinated rose up to the levels seen in other countries back in August and September. Apart from Germany, we also saw a rise in the share of

8 Spanish respondents have generally shown a higher level of concern than other countries across a range of questions in our survey.

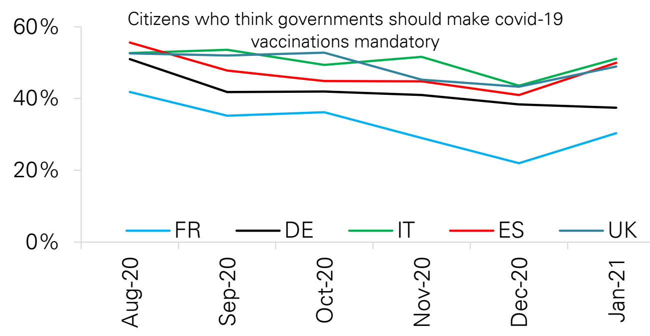
respondents who believe the vaccine should be made mandatory (Figure 22).

Figure 21:Willingness to get vaccinated is now on the rise



Source : Deutsche Bank's dbDIG household survey

Figure 22:Share to think vaccine should be mandatory on the rise in most countries

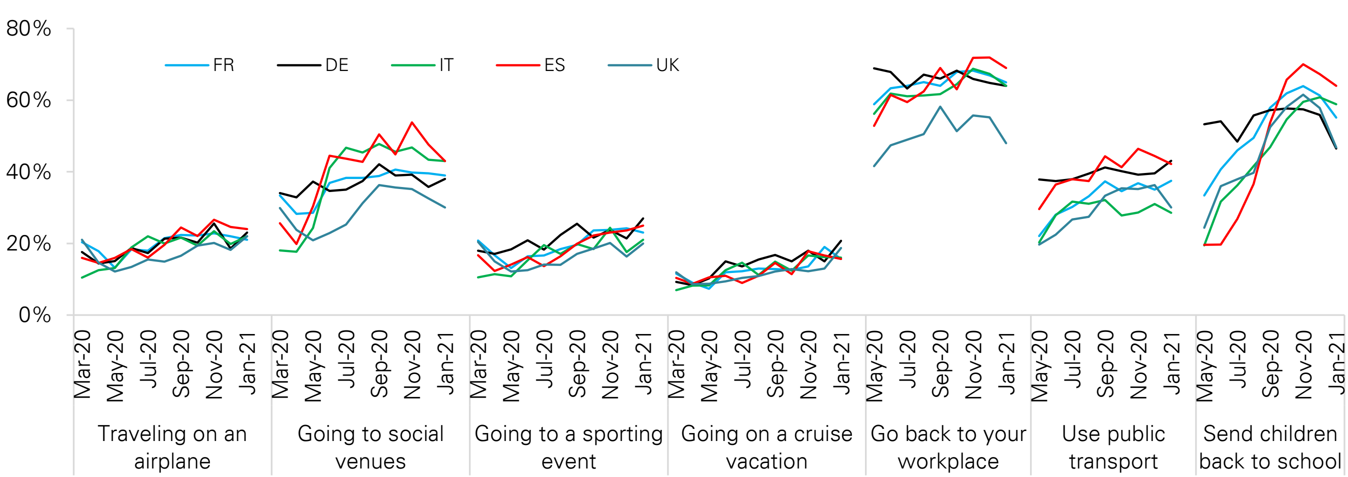


Source : Deutsche Bank's dbDIG household survey

The improving attitudes towards the vaccine are a positive sign for the economic recovery. The faster governments are able to deploy the vaccine to achieve herd immunity, the quicker normality can be restored.

When that normalisation does come, it might come quickly. According to our dbDIG survey, the share of respondents who feel comfortable doing a wide range of activities within a few weeks has generally been trending upwards since the start of the pandemic (Figure 23). Only comfort with sending children back to school shows a noticeable decline in recent months.

Figure 23: The comfort of returning to normal has generally been trending upwards since the start of the pandemic



Source : Deutsche Bank's dbDIG household survey

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Previous dbDIG household survey research

- COVID-19 dbDIG survey: The impact on households (8) – Lockdown Lite, DB Focus Europe, 11 November 2020.
- COVID-19 dbDIG survey: The impact on households (7) – Assessing the recovery, DB Focus Europe, 21 July 2020.
- COVID-19 dbDIG survey: The impact on households (6) — Furloughed workers, DB Focus Europe, 17 June 2020.
- COVID-19 dbDIG survey: The impact on households (5), DB Focus Europe, 14 May 2020.
- COVID-19 dbDIG survey: The impact on Employment, DB Focus Europe, 23 April 2020.

Appendix 1

Important Disclosures

*Other information available upon request

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