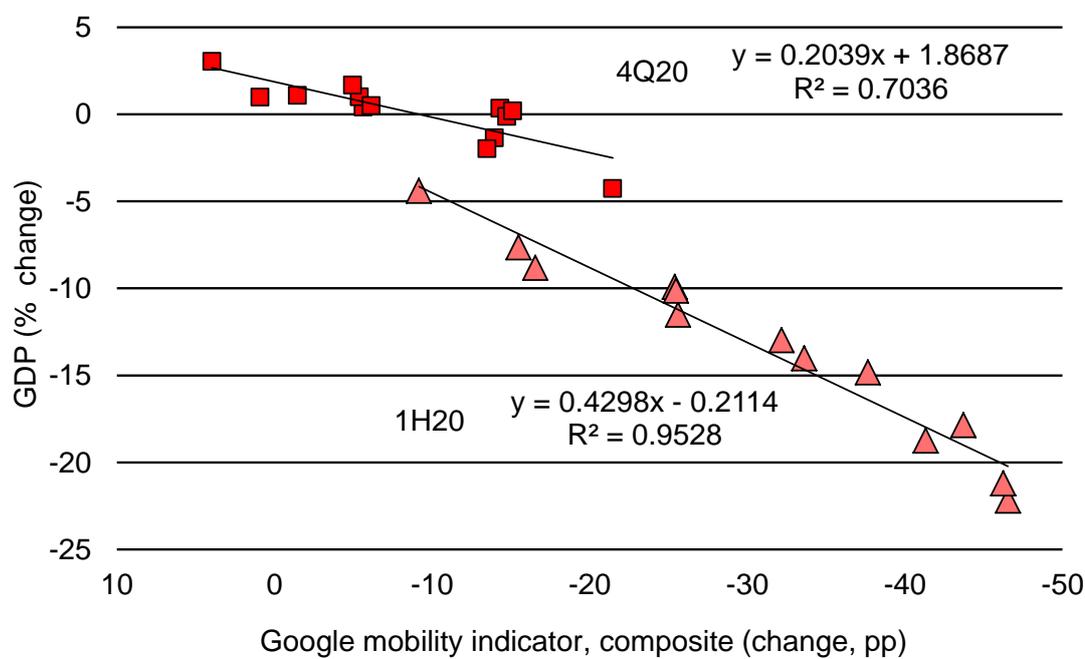


Learning to live with the virus



Source: Google, national sources, UniCredit Research

- Our *Chart of the Week* suggests that firms and households globally have been increasingly adapting to the pandemic environment, managing to contain the economic damage that stems from reduced mobility. The reduction in mobility reflects both restrictions implemented by governments to slow the spread of COVID-19 and voluntary social distancing.
- The chart shows the results of a simple regression between the rate of change of GDP¹ in 13 developed countries² and an indicator of mobility for each of these countries. We have derived this indicator from mobility statistics provided by Google³. We have run the regression for two periods, 1H20 and 4Q20, which correspond to the two waves of the pandemic and the associated impact on economic activity.
- The explanatory power of the model is highest for 1H20; here, mobility explains a massive 95% of the variability in GDP, and the slope of the regression line suggests that a 1pp decline in the mobility indicator is associated with a GDP decline of 0.4%. The picture changed in the final quarter of last year. The fit of the regression worsens somewhat (the R-squared drops to a still-high 70%) and the slope of the regression line is cut in half (0.20) compared to 1H20, suggesting GDP was about 50% less responsive to reductions in mobility.
- This finding points to progress on the part of firms and households in adapting to reduced mobility. For example, the implementation of remote working or online presence during the first lockdown has better equipped firms to deal with the second round of restrictions. Similarly, consumers have likely become more accustomed to shopping online during the second wave, for instance.
- The results of our analysis should be taken with a pinch of salt, given the complex relationship between the features of stringency measures and their impact on mobility and economic activity. Moreover, mobility data are not adjusted for seasonality, while GDP data are. All this might reduce the accuracy of our estimates, but, most likely, would not change the overall picture.

Notes:

1. The GDP performance for 4Q20 is computed as quarterly percentage change, while for 1H20 we take the cumulative change since 4Q19.
2. The 13 countries we consider are: the US, Japan, Canada, South Korea, the UK, Sweden, Germany, France, Italy, Spain, the Netherlands, Belgium and Austria. 4Q20 GDP data are not yet available for Canada, therefore we take the monthly GDP series available for October and November.
3. Our Google mobility indicator is an equally-weighted average of the mobility trends for “retail and recreation” venues and “work places”.

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