

Key points

- **High vaccination rates has been the way countries have begun returning to 'normal'**
- **Historically, the disease that creates a pandemic rarely disappears;**
- **The 'end' has occurred when severe illness and deaths have declined to a level that society considers 'manageable';**
- **What is considered 'manageable' will differ both within and across societies.**

Summary

The initial thinking was that the impact of the pandemic would be like a natural disaster: a short period of potentially extreme economic dislocation followed by a quick return to normality. This view reflected the experience of pandemics/epidemics of the past 100 years. And in Australia that initially was the case.

But of course COVID did not go away. Globally, the number of cases in the first 'wave' did not peak until the end of 2020. It was this combination of a more contagious disease and less restrictions that led to the second 'wave'. A third global wave then appeared as restrictions were eased following rising vaccination rates in most developed countries. The good news is that that third wave is subsiding.

Maybe with increasing vaccination rates COVID might disappear. Maybe, but unlikely. A good portion of COVID cases are asymptomatic. An ABS survey indicated that only about half of people that had COVID-like symptoms would get tested. In some parts of the world deadly diseases are viewed as a part of life.

The historical evidence is that pandemics don't end suddenly. The end comes once society accepts that the disease has become a manageable part of life. That acceptance will depend upon hospitalisation and death rates caused by the disease falling to a 'manageable' level. But what that 'manageable' level is will vary across society. The history of flu pandemics is that they have typically lasted for 2-4 years.

The international evidence is mixed as to how quickly societies return to 'normal'. Although the UK has substantially eased restrictions they are still above where they were at the start of 2020. Restrictions have been eased even more substantially in Denmark reflecting their current lower level of cases and high vaccination rate. China has had even lower case numbers and amongst the highest vaccination rate in the world but restrictions levels remains tight. Singapore has a very high vaccination rate but recently reimposed restrictions when case rates increased.

Even leaving aside Government decisions, reactions to rising COVID cases have differed across countries. During the most recent wave service-sector business confidence declined across most countries. That decline has been more moderate in Europe and the US than the large Asian economies.

Confidence can also be different within the same society. Confidence in the US during the most recent wave has been stronger for under 35's than older age groups (something similar is observed in the UK and Germany). This likely reflects the greater health concerns that older people have about the virus. To date Australia has had the opposite experience (ie, consumer confidence amongst the under 35's has been weaker).

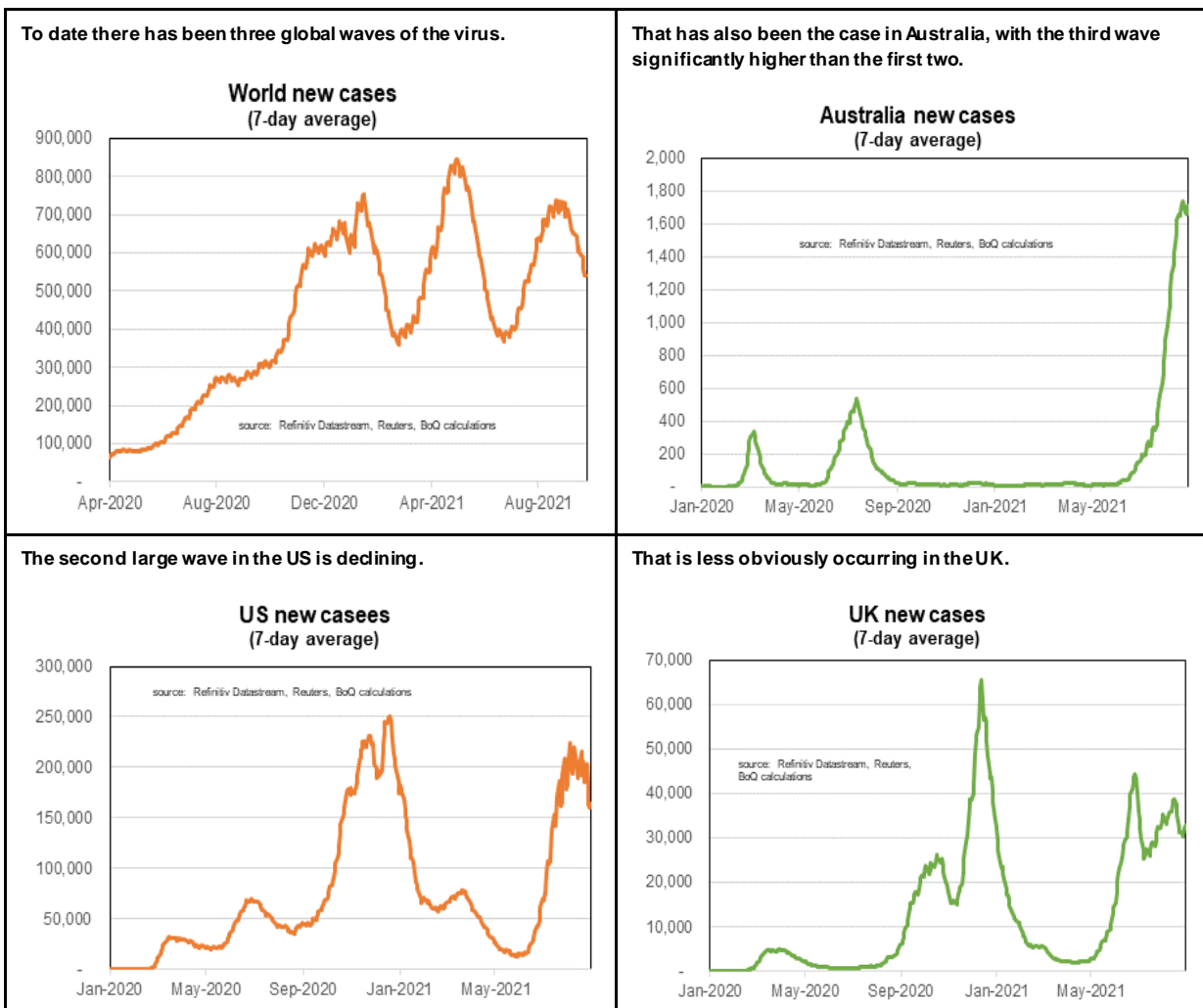
In Australia, state governments have indicated that some restrictions will remain in place for some time to come even after high vaccination rates are achieved. These restrictions may increase if case numbers rise substantially although a return to stringent widespread lockdowns is unlikely. That are differences between governments but that should not surprise as that is consistent with the international and historical evidence. The global evidence suggests that older people are more likely to become cautious in the event of a rise in cases.

When do pandemics end

The thing that everyone has wanted since the arrival of COVID is it to be gone. The initial thinking was that the impact of the pandemic would be like a natural disaster: a short period of potentially extreme economic dislocation followed by a quick return to normality. This view reflected the experience of pandemics/epidemics of the past 100 years (Ebola, SARS, Asian Flu). And in Australia (and other countries such as New Zealand, China and a fair bit of the rest of Asia) that is initially (largely) what happened.

But of course COVID did not go away. Globally, the number of cases in the first ‘wave’ did not peak until the end of 2020. The reduction in cases and the relief at the discovery of effective vaccines led to an easing of government restrictions. Towards the end of last year the Delta variant emerged resulting in COVID becoming substantially more contagious. It was this combination of a more contagious disease and less restrictions that led to the second ‘wave’. A third global wave then appeared as restrictions were eased following rising vaccination rates in most developed countries. The good news is that that third wave is subsiding.

While this has been the global pattern different countries have had different COVID experiences. Australia has to date has had three waves with rising peaks. In the US there has been two major waves, with a number of smaller ones in between. There has been a similar pattern in the UK. But whereas the second wave in the US looks to be declining that is less obvious in the UK.



Maybe with increasing vaccination rates COVID might disappear. Maybe, but unlikely. Eventually cholera outbreaks are bought under control. But Cholera still exists in the world today (as does the Plague). The world managed to stop the spread of SARS. But SARS was a disease that spread when symptoms were obvious. That is not the case with COVID. A good portion of COVID cases are asymptomatic. An ABS survey indicated that only about half of people that had COVID-like symptoms would get tested. In some parts of the world deadly diseases are viewed as a part of life.

Indeed, the historical evidence (as detailed in a paper by Charters and Heitman published in February 2021) was that pandemics don't end suddenly. The end comes once society accepts that the disease has become a manageable part of life. Partly that acceptance reflects hospitalisation and death rates caused by the disease falling to a 'manageable' level. It would be hard for society to accept that the pandemic has ended if the death rate is judged to be unacceptably high. But what that 'manageable' level is will vary across society, depending upon the path of the pandemic, the experience that society had in dealing with the disease and their tolerance of risk.

The history of flu pandemics is that they have typically lasted for 2-4 years. It can take longer though for the tensions created by Pandemics to be resolved. Charters and Heitman noted that the end of the Plague that hit Venice led to an intense period of political and societal negotiations (as an aside the experience in dealing with the Plague led to Venice inventing quarantine as a method to control the spread of disease).

Most likely COVID will become endemic to society. Decedents' of the Spanish Flu is still in circulation today. Morens, Taubenberger and Fauci identified 13 pandemics or severe seasonal flu seasons that were derived from the Spanish Flu.

Date of Flu Pandemics

1729
1761-62
1780-82
1830-33
1889-92
1918-20
1957-58
1968-69
2009-10

Source: Wikipedia

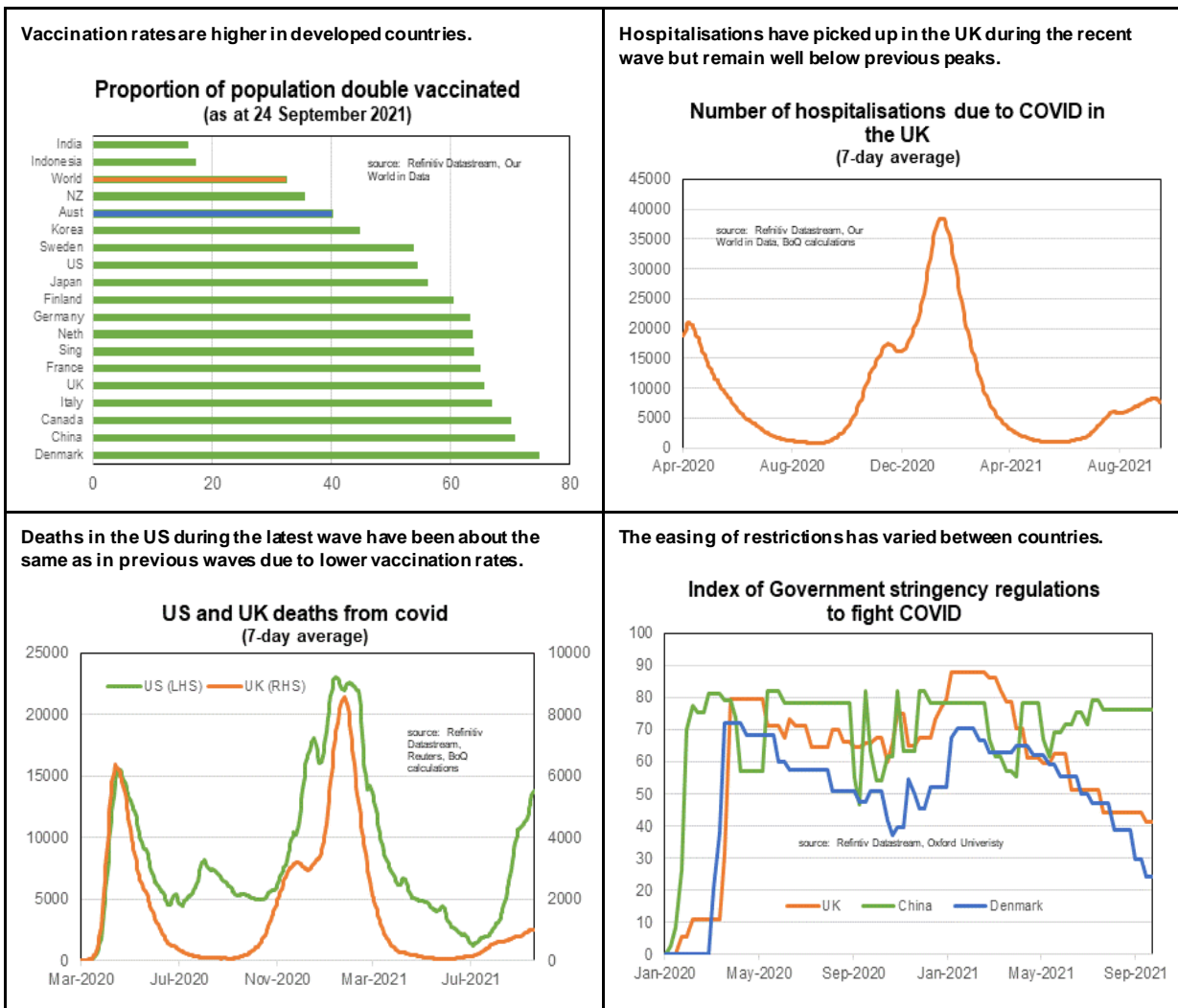
The first step in moving towards the 'end' of the pandemic is widespread vaccination. Remarkably in Australia we have quickly gone from being at the back of the developed country class for vaccination rates to potentially front-of-the-line. In the US, Europe, parts of the Middle East, China and developed Asia everyone will have had the opportunity of accessing a vaccine by the end of this year.

The story though is more mixed elsewhere. As at the end of September about one-third of the global population had been double vaccinated (largely reflecting progress in China and the developed countries). On some projections an 80% global vaccination rate could be reached by the first half of next year. It is possible that the vaccination rollout might ramp up in many developing countries in coming months. But logistical and political difficulties are likely to mean that not all regions will be able to achieve high vaccination rates over the next couple of years.

The evidence appears to be that widespread vaccination should help reduce, but not necessarily stop, the spread of the virus. Importantly the evidence is that the vaccines remain potent enough to drastically reduce hospitalisation and death rates. That certainly has been the case in the UK over recent months where despite

a big increase in cases, the rise in hospitalisation (and deaths) was well below previous peaks. Death rates have been higher in the US during their most recent wave largely amongst the substantial proportion of the population that were unvaccinated.

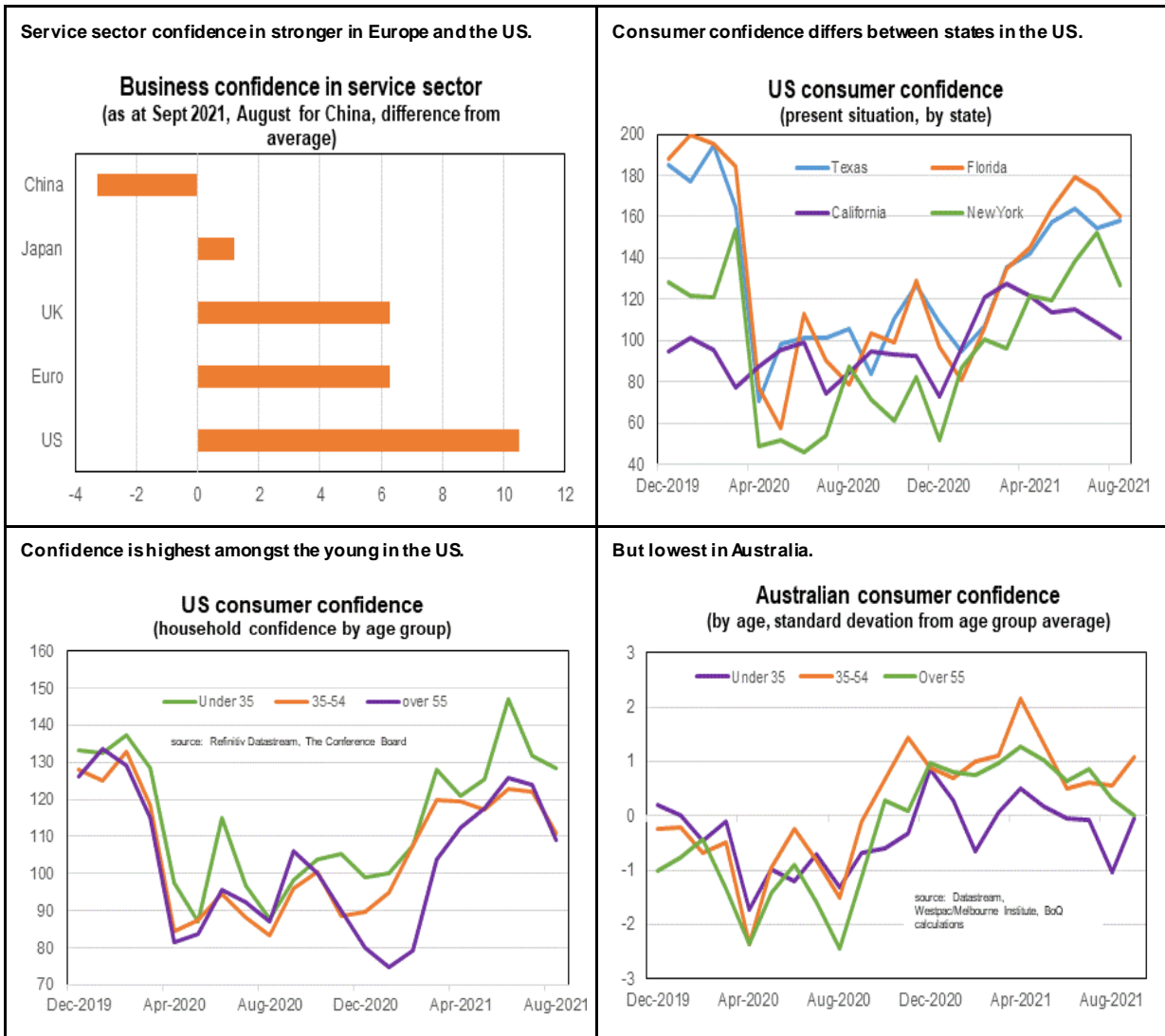
The international evidence is mixed as to how quickly societies return to 'normal'. Although the UK has substantially eased restrictions they are still above where they were at the start of 2020. Restrictions have been eased even more substantially in Denmark reflecting their current lower level of cases and high vaccination rate. China has had even lower case numbers and amongst the highest vaccination rate in the world but restrictions levels remains high. Singapore has a very high vaccination rate but recently reimposed restrictions when case rates increased.



Even leaving aside Government decisions, reactions to rising COVID cases have differed across countries. During the most recent wave service-sector business confidence declined across most countries. But that decline has been more moderate in Europe and the US than the large Asian economies. This can only partly be explained by differences in government regulations. It also reflects differences in consumer attitudes. Consumer confidence is lower in New York and Florida despite that the number of COVID cases in the most recent wave being higher in Texas and Florida.

Confidence can also be different within the same society. Confidence in the US during the most recent wave has been stronger for under 35's than older age groups (something similar is observed in the UK and Germany). This likely reflects the (understandably) greater health concerns that older people have about the

virus. To date Australia has had the opposite experience (ie, consumer confidence amongst the under 35's has been weaker). This likely reflects that while the health outcomes in Australia have been good the economic fallout of the lockdowns has hit younger workers harder.

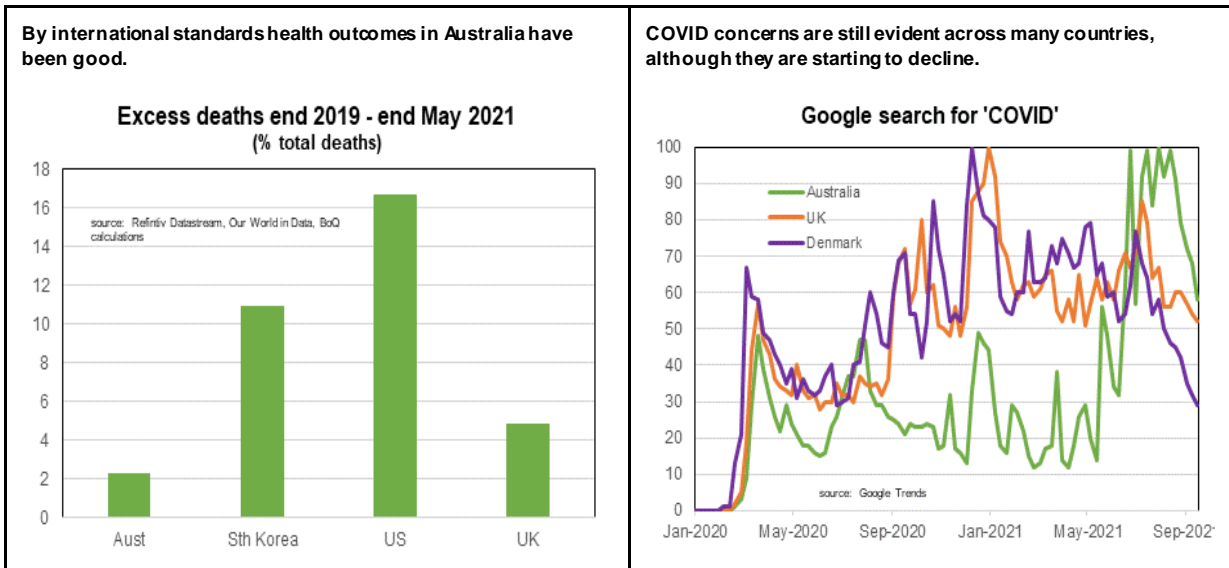


What does this mean for Australia?

In the first instance it come downs to the vaccination rate. Australia looks to be on track for a very high rate. While so far the pace of the vaccine rollout has varied between regions (high in NSW and the ACT, lower in Qld and WA) it looks likely that all state and territories should have an 80%-plus rate by year-end. The international experience though is that once restrictions are eased case numbers rise.

All state governments have indicated that some restrictions will remain in place for some time even when high vaccination rates are achieved. These restrictions may increase if case numbers rise although a return to stringent lockdowns is very unlikely. A determination about when to ease restrictions (notably state borders) is different amongst states and territories. That there are differences between governments should not surprise as that is consistent with the international and historical experience. We probably should also expect differences both between and within states as to how and when people will decide how to live with COVID.

The global evidence suggests that older people are more likely to become cautious in the event of a rise in cases.



We live in interesting times.

Regards

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