

April 22, 2021

Dear Clients and Colleagues:

When it comes to vaccination campaigns, the United States (US), United Kingdom (UK), and Israel continue to lead the way. Following the vaccination of some of the most vulnerable populations, the rate of hospitalizations are decreasing. Efficient vaccination campaigns in the US and UK have increased confidence that economic activity will continue to grow in the coming months. Many indications show strong pent-up demand from both consumers and corporates starting to increase.

In other parts of the world where vaccinations are taking longer, reopening will be slightly delayed. Despite the slow start in Europe, governments are intensifying their campaigns as the supply of vaccines increases. This should enable the economy to reopen and activity to rebound. As restrictions ease, we continue to expect the economy to recover rapidly beyond Q2.

There are some interesting data points that suggest a stronger economic activity as restrictions ease:

- **Resilience:** Similar to what we experienced in the second COVID-19 wave, economies are showing signs of resilience in this third COVID wave.
- **Business optimism:** Strong survey data for the industrial sector suggests that businesses are more optimistic.¹ This could lead to better business activity for Q2. We noticed some businesses commenting on better than expected business trends. After huge cost cutting efforts during 2020, businesses are gradually returning to capex and IT spending.
- **Manufacturing momentum:** Although the service component of the economy could still be impacted by government restrictions, the manufacturing side shows a strong business sentiment. Excluding some supply constraints, like the shortage of semi-conductors, or the disruption in Texas, global manufacturing shows positive momentum.²
- **Pent-up demand:** Global personal savings have soared rapidly over the past months, as expensive holidays were impossible.³ A portion of that extra money has been redeployed on

¹ Bloomberg – EMEA WEEK AHEAD: ECB to Hold, Russia Hike, U.K. Jobs

² <https://www.reuters.com/article/us-eurozone-economy-pmi-idUSKBN2BG133>

³ <https://www.ft.com/content/8cbfe40d-1ce1-4dc6-bcb2-1314b77b9443>

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near-term recreational goods, gardening and home spending. We believe that these product categories will remain strong even after the pandemic starts to retreat.

Some recreational and sports goods have become more popular in this pandemic as leisure options narrowed. Bicycle sales are enjoying phenomenal demand. Suppliers have indicated that stock levels in the supply chain are much too low and that the return to a more normal inventory level would already lead to a high double-digit market growth. RV manufacturers and RV rental marketplaces is another segment that cannot keep up with demand. Thanks to a tight supply chain, strong demand and low inventories, this segment should enjoy good order visibility for 2021 and beyond.

Regarding travel, US domestic and international flights are at the highest levels since the end of March 2020.⁴ Europe, which relies more on intercontinental traffic, has not improved much yet, but there are positive signs starting to emerge. The European Commission presented a proposal to create a digital Green Certificate to facilitate the safe free movement of citizens within the EU. Another example is Iceland, which will open its borders this week to visitors who have received the vaccine without the need for testing or quarantine. Australia and New Zealand will also have a similar arrangement starting next week.

Restaurant bookings are soaring in some parts of the US, but also in the UK, as outdoor bars and restaurants opened earlier this week.⁵ With a reduced supply of pubs and restaurants, the ones that operate should enjoy strong consumer traffic. Apparently, outdoor tables booked out several weeks in advance after the UK government announced its reopening framework this winter.

These observations and data points are no surprise, as people look forward to leisure activities and travel after months of restrictions. The important variables now are how fast populations are being vaccinated and how efficient vaccines are in terms of preventing a person from carrying or passing on the virus.

Have a great day.
The Global Alpha team

⁴ <https://www.dallasnews.com/business/airlines/2021/04/22/we-believe-the-worst-is-behind-us-travel-boost-helps-southwest-american-envision-end-to-financial-pain-of-covid-19/>

⁵ [The restaurant industry in recovery](#)

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