Rebound in mobility and economic activity

The strict lockdown measures led to economic contractions in Q2 that were unparalleled in modern times. However, the disparities between countries in the severity and duration of the social distancing measures imposed led to significant differences in GDP declines. For instance, in Germany or the US, where the mobility restrictions were relatively laxer (see first chart), the declines in GDP reached around 10% quarter-on-quarter (–9.7% for Germany and –9.1% for the US), while in countries that imposed stricter measures, such as Spain, the fall was substantially higher (–18.5%).

During Q3, the restrictions on mobility have generally been much less severe than in Q2, but the threat of further coronavirus outbreaks has continued to limit it. Furthermore, as was the case in Q2, the measures taken by the major advanced countries have been different, so the rebound in economic activity is likely to vary markedly as well. Specifically, the strong statistical relationship between mobility and economic activity (see second chart) allows us to obtain an initial estimate of the rebound in economic activity that is taking place in Q3.

As can be seen in the third chart, the mobility data suggest that economic activity has rebounded significantly in Q3, but in most of the countries analysed GDP remains well below the levels of late 2019[1]. For instance, in Spain and Italy we are likely to witness an increase in economic activity of more than 10% quarter-on-quarter in Q3. While substantial, this is still insufficient to counter the declines registered in the first half of the year. In the US, meanwhile, the slower revival of mobility (the pandemic has not given the American economy any respite) suggests that US GDP will grow below that of Germany (approximately 3% versus 7%), despite a similar decline in Q2 in both countries.

Finally, it should be mentioned that these estimates are subject to a great deal of uncertainty. The mobility indicator may not be adequately capturing the significant seasonal movements generated by tourism, for example, or the impact of teleworking.[2] Even so, it gives us an idea of how far off «normal» levels economic activity is in the major advanced economies.

Clàudia Canals

1. We estimate a regression of the quarterly change in GDP in Q1 and Q2 2020 of the major advanced economies (20 countries) with the quarter-on-quarter change in visits to retail and recreational areas based on data from Google (Google Mobility Report).
2. The mobility indicator is drawn up on the basis of a baseline («normal») level which corresponds to the level of mobility recorded between 3 January and 6 February 2020. However, the typical level of mobility during the summer months in countries such as Spain, with a huge influx of international tourists, bears little resemblance to that of winter months.
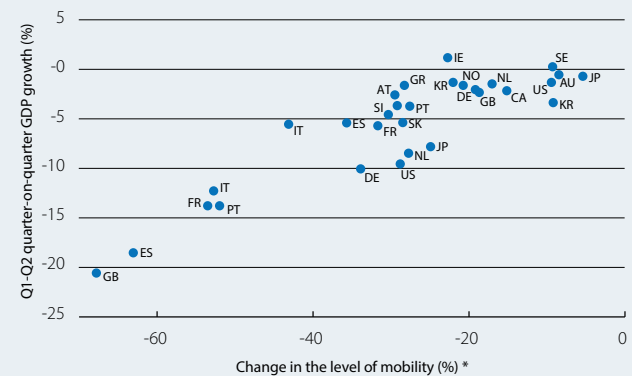
Mobility in Retail and Recreation
*Change relative to the baseline level (%) ***
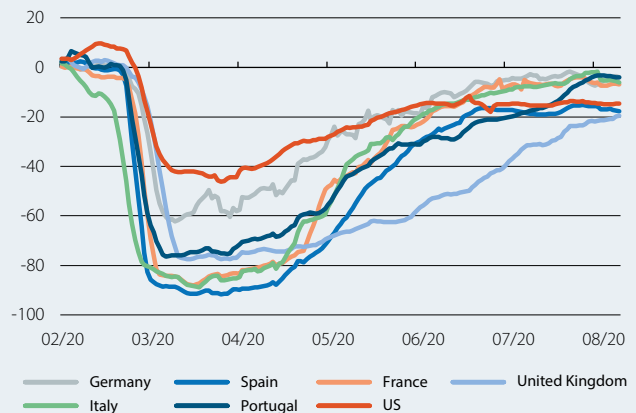
Note: * 7-day average figures. The baseline level corresponds to the average mobility recorded on the same day of the week between 3 January and 6 February.
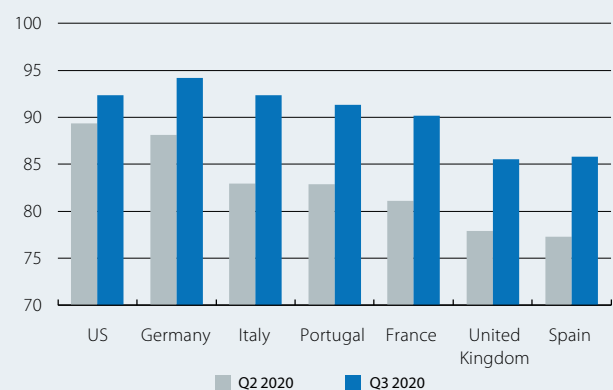**Source:** CaixaBank Research, based on data from Google Mobility Report.

Mobility and economic activity

Note: * The change in the level of mobility is built using Google's mobility reports, which measure how visits to retail and recreational areas have changed compared to the average for the same day of the week between 3 January and 6 February (a situation they define as «normal»). We compute the final value for Q1 2020 and Q2 2020 using the average of the daily data.
Source: CaixaBank Research, based on data from Google Mobility Report and Refinitiv.

Estimated real GDP based on mobility data for Q3 2020
Level (100 = Q4 2019)

Note: Estimates obtained from the result of the regression detailed in note 1 of the text, the observed trend in mobility in July and August and estimates for September.
Source: CaixaBank Research, based on data from Google Mobility Report and Refinitiv.