



When will U.S. daily life return to normal?

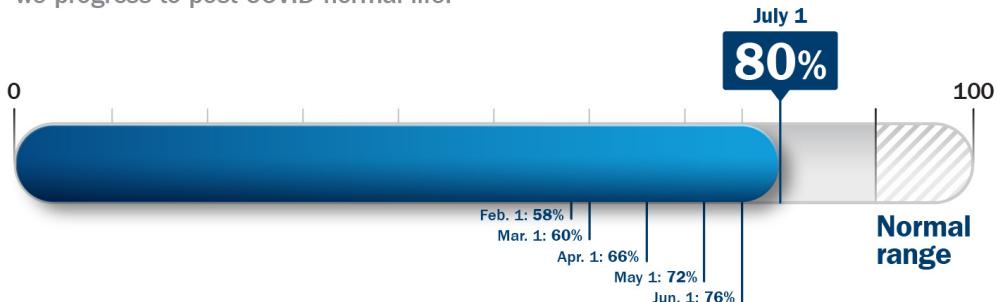
July 1, 2021

The Columbia Threadneedle Return to Normal Index measures progress toward a post-pandemic world.



RETURN TO NORMAL INDEX

The Return to Normal Index tracks activity compared with prepandemic levels as we progress to post-COVID normal life.



As of 07/01/21. Source: Columbia Threadneedle Investments

Columbia Threadneedle
Investments

As the U.S. continues its COVID-19 vaccination program, the Return to Normal Index measures human activity data relative to prepandemic levels. The index is constructed by our data scientists and fundamental analysts and tracks activities in the U.S. including travel, returning to work and school, brick-and-mortar shopping and eating out. By design, the index is focused on measuring components of daily life rather than economic indicators like GDP growth. The percentage level moves closer to 100 as daily life normalizes, and our analysts update it monthly.

WHAT'S CHANGED:

Since our June update, the Return to Normal Index has climbed up to 80% from 76% last month, with gains across all index components. After accelerating quickly around Memorial Day, the index moderated its upward trajectory in June. We may see a similar uptick in activity around the July Fourth holiday, and we believe the U.S. could reach the normal range by August or even sooner. We're monitoring the spread of the delta variant, which has demonstrated that it's more transmissible than other coronavirus variants. Vaccinations, especially the Pfizer/BioNTech and Moderna mRNA vaccines, have proven to be highly effective and, in most cases, have been effective at preventing serious illness from even the delta variant. We may see increased COVID cases in the U.S. in the short term, but there will most likely be a limited impact on human activity. Health authorities will be watching closely and determine if some restrictions need to return temporarily.

Activity numbers won't all return to where they were before COVID. The index could hit "normal" at a point lower than the 100 level due to continued changes in behavior like working from home. In the near term, we could see activity in some components exceed normal levels as pent-up demand drives a surge in things like travel. The definition of the future normal is evolving, and the index's normal threshold will reflect our data science and fundamental research insights.

WHAT WE'RE WATCHING:

We're analyzing the time people spend engaging in a broad set of activities outside their homes. The index components have implications for economic growth, but the primary objective is to monitor how close or far we are to returning to normal life.



Our index suggests that we're still 20% below pre-COVID activity levels. The levels of component activity vary: the return to brick-and-mortar stores is 13% below its pre-COVID levels and a normal work routine is 19% below pre-COVID. Travel and entertainment activity has recently had a stronger recovery. But it continues to lag other categories at 23% below pre-COVID levels. The return to school data may not see a meaningful gain until the fall — as long as a return to in-person schooling is more widely implemented.

WHAT COULD DRIVE CHANGE:

Faster vaccine uptake and falling case levels could accelerate the path to normal (i.e., the upside case). Developments that could impede a return to normal (i.e., the downside case) include the emergence of variants that are resistant to current vaccines or slower uptake of the vaccine in certain places (because of people's unwillingness to get vaccinated).

► Columbia Threadneedle Return to Normal Index over time

Level as of July 1: 80%



As of 07/01/21. Source: Columbia Threadneedle Investments

"This index provides a framework as we analyze companies," says Paul DiGiacomo, Head of Equity Research. "It's a roadmap for what normal activity might look like after COVID and how long it will take to get there. The information allows us to test a company's own assumptions and make adjustments in our views as needed."

For investors, the Columbia Threadneedle Return to Normal Index can act the same way: it's an additional input to consider as they research their individual asset allocation and portfolio decisions.

Bottom line: Understanding where we are on the path to normal life will be a critical question in 2021. This data input can help inform investors' asset allocation decisions and set expectations on market activity.

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