

How does the delta variant impact our return to normal?

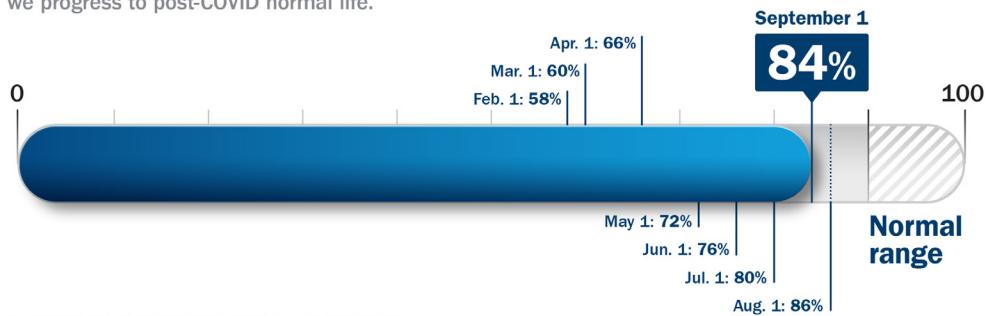
September 1, 2021

Consumer services appear to be slowing, but overall consumer activity is not meaningfully changing despite a surge in delta variant COVID infections.



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 09/01/21. Source: Columbia Threadneedle Investments

As the COVID-19 pandemic continues to unfold, 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 at restaurants. 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:

Delta variant infection levels rose in August, and in regions with lower vaccination rates, we saw hospitalizations rise as well. Delta has demonstrated that it is much more transmissible than the original strain of SARS-CoV 2 and other variants. Vaccines have been proven to be very effective at preventing COVID hospitalizations, and at the end of August, the Food and Drug Administration gave its full approval to the BioNTech/Pfizer vaccine for those age 16 and up. This vaccine was previously approved for emergency use only, and the full approval may accelerate vaccination rates and the implementation of vaccine mandates by employers, universities and municipal governments. Vaccination efforts are also likely to be bolstered by a White House recommendation for vaccine booster shots, allowing those who were fully vaccinated early on in the pandemic, such as health care workers, to get a follow-up shot eight months after their original vaccination.

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.



Return to
school



Return to
travel



Return to
entertainment



Return to
workplace



Return to
brick-and-mortar
shopping

Overall, our index suggests that we're now 16% below pre-COVID activity levels. The index is down slightly from its peak, and the decline was largely driven by the services component of brick-and-mortar spending. We are still seeing people going to shops, but activity at stores like salons has declined. Regionally, we saw greater impacts in COVID hotspots such as Texas and Florida.

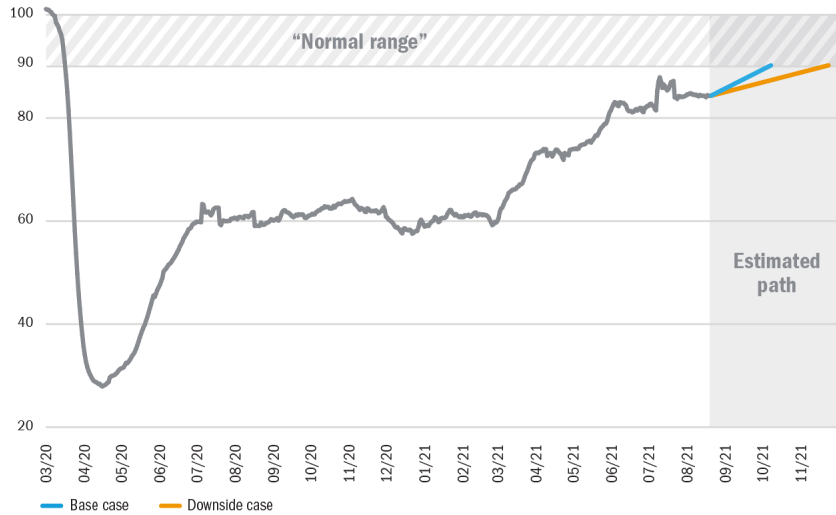
WHAT COULD DRIVE CHANGE:

The data on the delta variant is evolving, and if we see a large uptick in hospitalizations or new negative data on the efficacy of the vaccines, a return to normal levels of activity could be impeded. At the end of July, given the rise in delta variant infections, we pushed out our base case of an expected return to normal to late September and we're continuing to monitor the data closely, including data on new variants. The longer case counts worldwide are high, the greater the possibility that a new variant emerges.

As a reminder, we don't expect all levels of activity to return to their pre-COVID levels. The index could hit "normal" at a point lower than the 100 level due to continued changes in behavior like working from home. That's why we created a normal range that starts at 90%.

▶ Columbia Threadneedle Return to Normal Index over time

Level as of September 1: 84%



As of 09/01/21. Source: Columbia Threadneedle Investments

“This index continues to provide 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 a distinct 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 continues to be a critical question in 2021. This data input can help inform investors’ asset allocation decisions and set expectations on market activity.

[Download chart](#)



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