

# Return to Normal Index: A holiday activity boost and a new variant threat

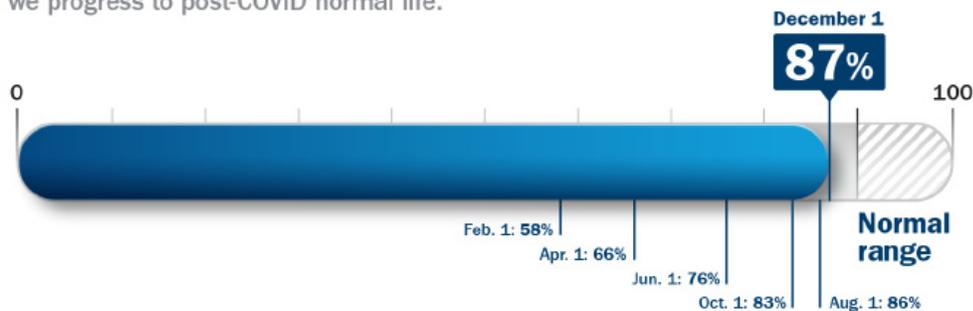
December 2, 2021

*The omicron variant delays our base case for a return to normal levels of activity.*



## 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 12/01/21. Source: Columbia Threadneedle Investments

At the beginning of the year, we created a Return to Normal Index to measure human activity data relative to prepandemic levels as we progressed through recovery of the pandemic. 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. The index is focused on measuring components of daily life rather than economic indicators like GDP growth, and the percentage level moves closer to 100 as daily life normalizes. Our analysts update it monthly.

### WHAT'S CHANGED:

The Return to Normal Index accelerated in November as both travel and brick-and-mortar spending picked up around the Thanksgiving holiday. But the emergence of the new, highly transmissible omicron variant has caused us to look closely at our expectations for hitting the normal range of activity. We expected to see a lift in activity around the holidays; we also anticipated a bit of a slowdown because of a winter surge. The rapid spread of omicron is a new catalyst that's expected to slow activity further while health authorities work to understand the severity of illness the new variant might cause, whether it will evade current vaccines and if a new vaccine is required. As a result, we've made our prior downside case our new base case assumption.

This change in our scenario-based approach to forecasting reflects factors like expectations for extended mask mandates, delayed return to office policies and diminished demand for travel while omicron creates uncertainty and case counts rise to higher levels. When we constructed the index, we knew that the path to recovery was unlikely to be a straight line, with the "known unknown" of variants a possibility that could delay reaching normal levels of activity. We now believe that activity will normalize in Q2 2022 — and we've adopted a new upside case of Q1 2022 and a new downside scenario of Q3 2022.

### 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**

Our index suggests that we're 13% below pre-COVID activity levels. Travel and entertainment activity saw the biggest increase for the month, which is not surprising given the Thanksgiving holiday. Brick-and-mortar spending also increased during the month.

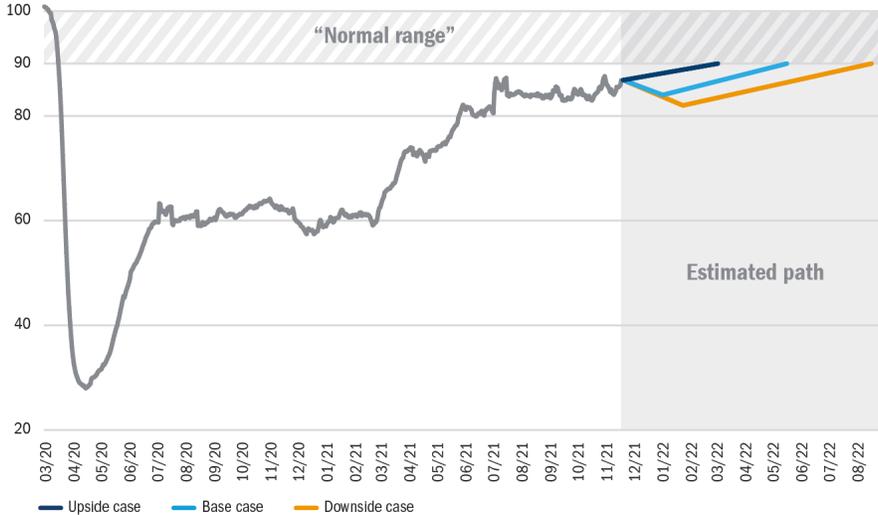
### WHAT COULD DRIVE CHANGE:

Greater certainty around omicron will drive change, as health authorities need time to gather information on whether vaccines remain effective against the new variant, how sick it makes people and any longer term impacts. While overall case numbers are high, we risk additional new vaccine-evading variants emerging. Depending on the new potential variants' ability to spread and make people sick, we could see further changes in our expected timelines for a return to normal levels of activity.

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 because of prolonged changes in behavior like working from home. That's why our normal range begins at 90%.

### ▶ Columbia Threadneedle Return to Normal Index over time

Level as of December 1: 87%



As of 12/01/21. Source: Columbia Threadneedle Investments

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

[Download chart](#)



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