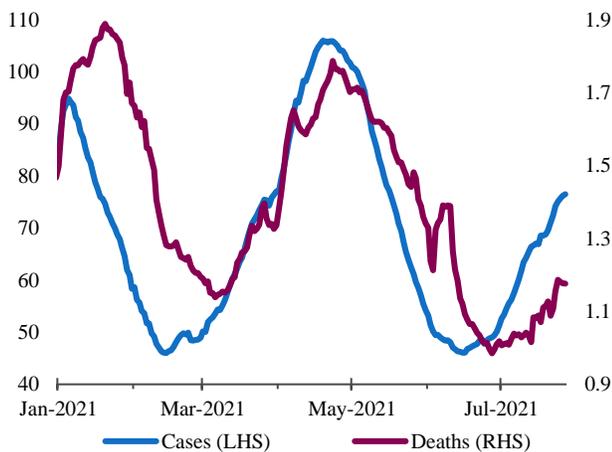


## Vaccines massively reduce the economic and health impact of Covid-19

**Introduction:** The current wave of the Covid-19 pandemic is being driven by the much more infectious delta variant of concern. However, highly effective vaccines have already been administered to a large and growing share of the global population. These vaccines are much better at preventing severe illness and death than they are at preventing mild or even asymptomatic infections caused by Covid-19. Therefore, the health impact (measured by hospitalisations and deaths) and the economic impact (mainly caused by lockdowns and social restrictions) from the delta wave is much lower than it was during previous waves (see chart 1).

**Chart 1: New daily cases and deaths**  
 (seven day moving average, per million people)<sup>1</sup>

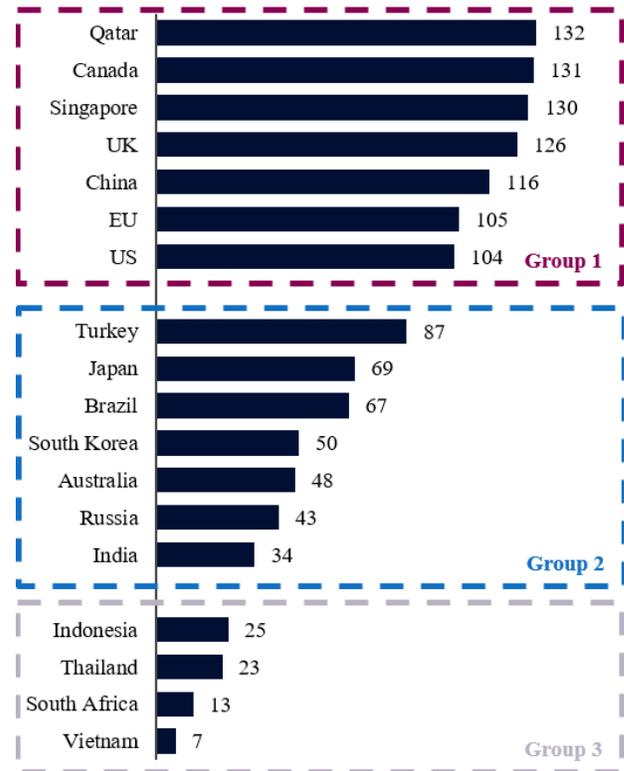


<sup>1</sup> Note: data cut-off for this article was 2<sup>nd</sup> August 2021

Sources: Official data collated by Our World in Data and QNB analysis

As we have previously noted, [diverse approaches](#) to managing the pandemic continue across countries. Some countries have opted to focus on vaccination and containment strategies, whereas others are still attempting to achieve a “zero Covid” strategy. A “zero Covid” strategy means a country is targeting zero cases of Covid-19 within its borders and typically requires a combination of exceptionally tight restrictions on international travel and aggressive use of strict local lockdowns in response to any local outbreaks or imported cases. Here we consider three country groups based on their progress with vaccination (see chart 2)

**Chart 2: Vaccination by country**  
 (Vaccine doses per 100 people)<sup>1</sup>



<sup>1</sup> Note: data cut-off for this article was 2<sup>nd</sup> August 2021

Sources: Official data collated by Our World in Data and QNB analysis

**Group 1** (already highly vaccinated): Wealthy countries, and those with advanced pharmaceutical sectors able to produce vaccines, have prioritized vaccines for their own use first. Vaccination campaigns in these countries have focused on the most vulnerable, older, age groups. Therefore, hospitalisations and deaths have remained much more limited than in earlier waves of the pandemic, even as infections have risen substantially. Countries in this group have also been able to contain the surge in infections with only light and targeted restrictions of social freedom after a third phase of lockdowns and social distancing measures. In some cases, countries have simply been delaying the move to reduced restrictions by a few weeks. High infections alone are still a mild headwind for economic activity through consumer risk aversion and softer labour supply. Taken together, the surge in infections has

only modestly weakened the economic outlook for these countries.

**Group 2** (medium level of vaccination): This group includes many large emerging market economies, such as Turkey, Brazil, Russia, and India whose vaccination campaigns were delayed by the limited supply of vaccines earlier this year. This group also contains a number of wealthy countries (Japan, South Korea and Australia) that have been pursuing “zero Covid” strategies rather than focusing on rapid vaccination campaigns. The lack of vaccination means that these countries are at greater risk of a surge in hospitalisations and deaths caused by the more-infectious delta variant of Covid-19. Therefore, tighter restrictions and again strict lockdowns may be required to contain the surge. Together, these two factors will increase the negative impact of the delta wave on these countries. Fortunately, the pace of vaccination is picking up rapidly as global vaccine supply increases, so the impact of the surge will moderate as the proportion of the population vaccinated increases and restrictions are eased again.

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**Group 3** (low level of vaccination): Our third group of countries contains those who have the lowest level of vaccination. The main factor has been the restricted vaccine supply to less wealthy countries, especially those with larger populations. However, vaccine hesitancy and pursuit of a “zero Covid” strategy are also important factors limiting vaccination rates, particularly in a number of Asian countries. Although economic activity was particularly resilient in many of these countries during 2020, they will experience a more severe impact from the delta wave until the level of vaccination rises significantly.

**Conclusion:** Overall, the impact of the delta wave of the pandemic has been to slow down and delay the reopening of the global economy slightly. However, the negative impact on low vaccination economies is larger than on countries with high levels of vaccination. In particular, the protection offered by vaccines is enabling highly vaccinated countries to more rapidly re-open to tourism and international travel.

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