

THE DAILY CHECK-IN WITH GOLDMAN SACHS

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Liz Bowyer: Hi, Daan.

Daan Struyven: Hi, Liz.

Liz Bowyer: You've just published a new report for Goldman Sachs Research on the global rollout of the COVID vaccine. What explains the sluggish start that we're seeing in many countries?

Daan Struyven: Yeah, so limited supply is clearly playing an important role. But in addition to supply, we really think that slow distribution is the most important reason for this slow start in several advanced economies, including the US. Insufficient planning is likely the single-most important reason for the slow start to distribution. My view is that global policymakers have been pleasantly surprised by the speed at which these effective vaccines have been developed.

In addition to insufficient planning, there's a few other key bottlenecks. The fact that we're not utilizing all the distribution channels, challenges associated with pretty complex steering and prioritization plans, the fact that we're holding back doses -- second doses -- in many countries, and finally there's quite a lot of complexity and red tape in the vaccination procedures for now.

Liz Bowyer: But you've written that you expect those bottlenecks to be temporary for the most part. What's the rationale for that?

Daan Struyven: Yeah, so it's true that the cumulative vaccination numbers have disappointed projections so far. The good news is that we're starting to see an upturn in the daily trends of doses. For instance, in the US over the last week the daily average doses provided has picked up to almost 800,000 per day. And so this pickup is consistent with our conviction that very sharp economic, health, and political incentives to accelerate the pace will cause a pickup.

Moreover, there are quite a lot of opportunities for policymakers to learn from success stories abroad including the

UK and especially Israel.

Liz Bowyer: So let's talk about Israel, which is an early success story when it comes to vaccination. What are we seeing there?

Daan Struyven: Yeah, so Israel has already vaccinated or at least provided the first dose to a quarter of its population. Moreover, it has already provided a first shot to nearly three quarters of its population above 60 years old.

Liz Bowyer: But just given that Israel has advantages that other countries don't -- a fully digitized health system, for example -- is its success replaceable?

Daan Struyven: Yeah, to be sure Israel has some unique factors. Fully digitized health system, a compact geography, a lot of experience with crisis management. Nevertheless, some of the strategies that Israel has implemented from day one are largely replaceable in other advanced economies. Israel is using broad and simple steering schemes based on age. Israel is deploying large vaccination centers from the start and is also drawing in workers, mobilizing workers from other sectors and is asking workers in the medical sector to do overtime. And all these ingredients to Israel's success seem largely replaceable to us in many developed markets after a transition interim period.

Liz Bowyer: And when do you expect that Israel might see its vaccination efforts translate into lower hospitalization and fatalities?

Daan Struyven: Yeah, so the uncertainty is large. We are economists, we're not doctors. Nevertheless, we monitor the forecasts from medical experts. And for instance, experts at the Weizmann Institute of Science project that already by the end of January, at the end of this month, Israel will likely be the first economy in the world to benefit from a vaccine-induced decline in both hospitalizations and a bit later fatalities.

Liz Bowyer: So Daan, just given all the challenges that you've described but also ways that they might be alleviated, what's your updated timeline for global vaccination?

Daan Struyven: So we're looking for a gradual pickup in the incoming weeks and months. I think the month of February could start to see a significant pickup in many DMs, including in the US where we're planning to activate the pharmacy distribution

channel which has a lot of experience with distributing vaccines, or in Germany where the plan is to fully bring online the 400 mass vaccination centers.

Looking beyond February, we expect the pace to pick up further, and the curve should start to steepen gradually over the spring. And so by May, our estimation suggests that developed markets should be able to vaccinate 15-20% of its population per month.

Liz Bowyer: And how does the emergence of the new strain of COVID affect that timeline?

Daan Struyven: Yeah, so on the positive side, the new more contagious strain clearly increases the pressure and the incentives to inoculate quickly. On the negative side, if the new contagious strain leads to further hospitals being filled, it could drain resources away from the medical center to vaccinate. Looking further out -- and that's also a negative implication -- a more contagious virus likely implies higher vaccination shares among the broader population before you achieve herd immunity.

Liz Bowyer: So speaking of herd immunity, what's the expected timeline for achieving that?

Daan Struyven: Yeah, so we expect large shares of the vulnerable and high-risk populations to receive their first dose by the end of the first quarter in most developed economies. The point at which 50% of the population under our timelines has received its first shot is April for the UK, May for the US, and June for the European Union. And so together with the impact of prior infections our rapid vaccination timeline should result in effective herd immunity by the end of the summer in most advanced economies.

Liz Bowyer: And Daan, how does the vaccination timeline impact the outlook that Goldman Sachs Research has for global growth this year?

Daan Struyven: Yeah, so along with our view that policy support on the monetary and fiscal side will remain strong, it is the most important pillar of our optimistic and well above consensus outlook for global growth this year. The view is that widespread vaccinations should trigger herd immunity in developed markets by the end of the summer and cause a sustained upturn in the virus sensitive economic activities.

Liz Bowyer: And what are the risks to that outlook?

Daan Struyven: The risks are large, especially this year's outlook, two sided and probably tilted to the downside on net. On the negative side, the world has never done such a massive and rapid vaccine distribution campaign. Moreover, the virus could mutate further.

On the positive side, however, I would like to flag the upside risks that the impact from the very large fiscal spending that we're seeing in the US could be larger than expected. And on the vaccine side, you could see a big pickup in pent-up demand and sort of a party effect with a big boost to economic activity stronger than in our baseline outlook.

Liz Bowyer: Thanks, Daan.

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