

COVID-19

outlook 07 April 2020



The Covid-19 pandemic is now affecting every country in Europe with cases still increasing exponentially in each. This briefing sets out the steps governments across the continent are taking to address the health crisis and the associated economic challenges it poses.

Background

Throughout Europe, governments are enforcing restrictions on the movement of people and consequently the functioning of businesses. Most countries exhibit remarkably similar trajectories in the progress of the disease, with cases and deaths initially doubling every two or three days.

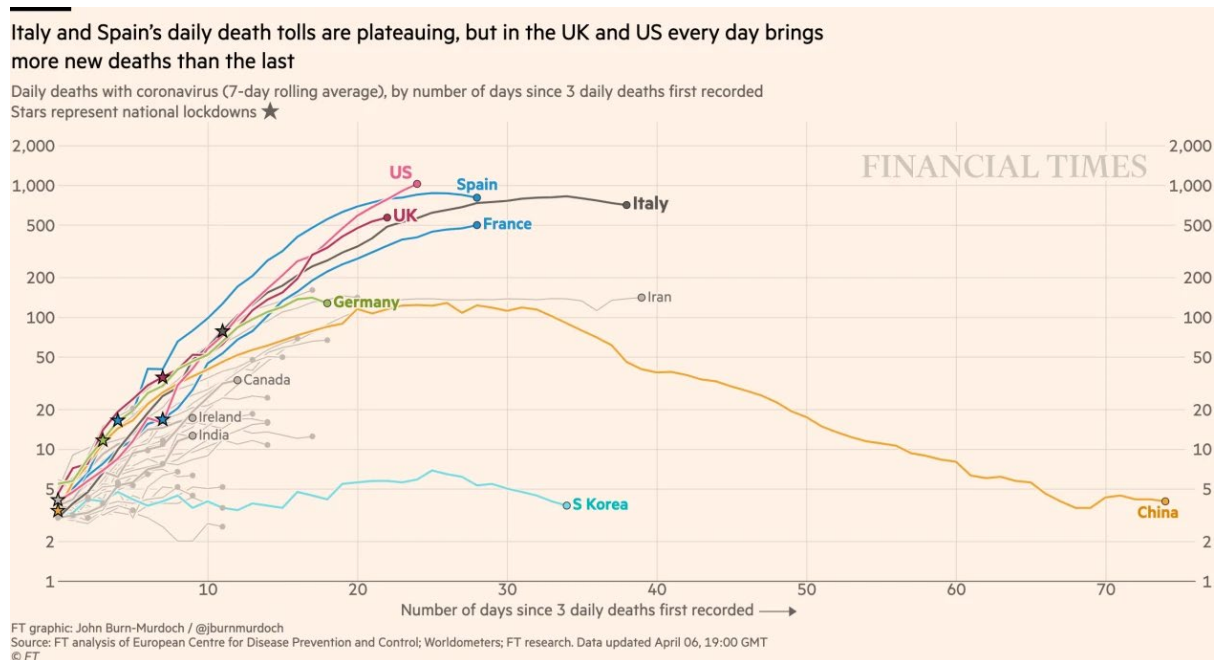
Italy remains the most significantly affected of any European country, with around 130,000 confirmed cases and nearly 16,000 deaths, closely followed by Spain (which actually has more cases) and France. However, Italy appears to be showing signs of passing its peak infection rate, though it remains many weeks before the Government will ease restrictions and restart the economy.

It is likely some restrictions will be maintained across Europe for the rest of the year, or until a vaccine becomes readily available, although they will become less stringent over time.

All countries are seeking to increase testing to diagnose the virus in symptomatic people, with many also keen to test those who have previously had the disease. The quantities of testing and the conditions applied vary from country to country, some, such as Germany, are engaged in widespread testing on anyone with symptoms, whereas others only test those who are seriously ill in hospital. Academic studies show the number of actual infections is likely to be somewhere

between 10 and 30 times the number of reported infections. Although a Chinese study has indicated that up to 80% of people may have the virus asymptotically which implies the figure could be even higher.

For this reason, confirmed infections are difficult to compare as countries frequently change the quantity or conditions for testing. It can, therefore, be misleading to use those figures. Due to this, most analyses use the figures for the numbers killed by Covid-19, as all countries test the critically ill. This does mean there is a lag in spotting when a country reaches the peak infection rate as the death rate will continue to increase for several days, typically a week or more, after the infection rate ceases to increase.



Current UK situation

The Prime Minister is now in intensive care in hospital after contracting Covid-19 and his duties have been passed to his deputy Foreign Secretary Dominic Raab until he recovers sufficiently to resume work. Health Secretary Matt Hancock has also had the disease as have several other senior figures.

Cases in the UK continue to rise rapidly, doubling every 2-3 days. The path of the disease in the UK is tracking that of Italy closely, and accordingly the Government is concentrating on stronger enforcement of the current movement restrictions to prevent a similar crisis level. To this end the Prime Minister has issued a letter to every household in the country to reinforce the message.

London remains by far the most affected region, followed by the West Midlands where the infection rate continues to rise and where there is clear evidence of public disregard for movement restrictions, prompting stronger police action.

Unsurprisingly the Government has reconfigured the civil service to adapt to the challenge of Covid-19, moving resources from other areas. Brexit negotiations have suffered from this change in priority, with large numbers of officials in the Cabinet Office, which coordinates Brexit negotiations, moving from Brexit to Covid-19. The Brexit units are the logical place for Government to pull resource from as they consist of exactly the strategic planners who are needed for this work.

While Government Departments have slowed work on other projects due to Covid-19, many of the redeployed staff are dealing with the impact of the virus on their departmental responsibilities. For example, staff in the Department for Culture, Media and Sport are working intensively on the impact on the finances of museums, galleries and sports clubs rather than being available to work directly on combatting the outbreak.

It is likely the restrictions for all countries in Europe will be maintained in some form for the rest of the year

The effort stretches more widely than the central coordination effort and the direct work of the Department of Health with military support. The pandemic is also causing a major economic shock, and so preservation of business and maintenance of the food supply also require intensive efforts.

Each Government department has ceased or scaled back non-essential work and, where possible, re-deployed staff to Covid-19 related work. Again, each department has Brexit related staff who are included in those redeployed. Thus, the knock-on effect on Brexit negotiations is far beyond the difficulties in arranging meetings during a lockdown.

Supporting the economy

The Government has continued to roll out measures to support the economy. So far, it has announced direct grants for some companies, loan guarantees and paying 80% of the wages of workers who are laid off. It has also agreed to pay 80% of the average earnings of the self-employed.

The latest announcement is to change insolvency regulations, preventing the compulsory winding up of companies that would be viable if not for the disease, though this announcement does require a change in legislation before it can come into effect.

Increasing healthcare capacity

Efforts to increase the capacity of the NHS to cope with the huge number of expected hospitalisations from the disease have increased, with the Excel Centre in London being converted into a 4,000-bed hospital.

Additionally, exhibition centres in Birmingham, Manchester, Glasgow, Cardiff, Harrogate and Bristol will also follow suit. While it has not yet been made public Kreab's contacts in Government have informed us that the conference centre in Gateshead is also being considered for additional field hospital capacity. These units were originally expected to take serious cases that do not need the most intensive care, with the most critical cases remaining in existing hospitals. However, the Excel centre is now being equipped and staffed so that all patients can be on ventilators.

Simultaneously, the Government is trying to procure as many ventilators as possible. At the start of the year the UK only had around 8,000 ventilators (including those in the private sector which the NHS has also now contracted), but it estimates that it could need 30,000 and at the very least 18,000 will be needed at the peak of the infection.

At the start of the year the UK only had around 8,000 ventilators, but at least 30,000 will be needed at the peak of the infection.

Consequently, the Government is attempting to purchase ventilators from existing UK manufacturers and on the international market. It is also encouraging manufacturers who are not currently in this market to help produce existing designs and come up with new models which are easier to produce. So far this has brought around 2,000 more ventilators on stream.

Earlier this month the Department of Health and Social Care was prevented from taking part in an EU ventilator purchase scheme after the Cabinet Office vetoed it for political reasons relating to Brexit. This now paints the Government in a bad light, so they are trying to claim it was accidental and that the UK would take part in a further EU purchase round.

Outlook and future government action

Having seen what has happened elsewhere, especially in Italy, which required much stronger restrictions than the UK currently has in place, the Government is drawing up options for such measures. These could be implemented within the next week if the current measures show no sign of slowing the growth of the disease.

The key targets of further action are a reduction in the businesses which are allowed to be open or further restricting the ability of people to go out.

Within the first category there are some businesses such as off-licenses and bike shops which might be considered not so essential (particularly bike shops if the right to exercise is constrained). However, a much bigger sector is construction, if all construction sites were shut down, then it would have a further effect on movement of people, although most large construction sites have already closed down and public transport use in London is down 90%.

Although there will be limited effect, these moves are still likely to happen for political reasons, as Government advisors are keen to have something which they can do to show they are taking action as the lock down proceeds. It would therefore represent a symbolic action without having a major impact on the economy due to the sectors already being largely closed.

The other major sector which is still operating, other than the health service and food supply chain which will definitely not be restricted, is the online goods delivery sector. The issue with this sector is warehouse operators rather than the delivery drivers. The latter can, and most already do, use contactless deliveries where packages are not directly handed to the customers, in warehouses large numbers of people are working in close proximity and social distancing is difficult.

Unlike for the construction sector the closure of online delivery services will have a major impact on the economy and consequently ministers are extremely reticent to take this step. It would therefore only be as a last resort.

One option being considered is restricting the products that can be supplied only to essential items. This would therefore require less warehouse operatives allowing for social distancing to be implemented. Defining any such list will be controversial and it would generate negative coverage where Ministers get it wrong, which is inevitable in some areas.

The final option would be to further restrict the movement of people from their houses. At present people can go out to exercise once per day, to walk their dog or to get food shopping. However, there are no legal limits on where people do this and so how far they go from their house.

Government does have draft regulations which it can use to either restrict how far from their homes people can travel for exercise or for shopping. They also have a more restrictive measure which could ban leaving your home for anything other than walking a dog once per day or shopping once per week although it is still unclear if there are any mechanisms for enforcing the frequency of leaving the house. The Government is split on this issue with Health Secretary Matt Hancock leading the group keen on removing the right to exercise if needed but Boris Johnson is opposed as he fears it will lead to a loss of public support for the lockdown.

Testing

Whilst restrictions are being considered, the top priority remains testing, as better information is needed to monitor the spread of the disease. In addition, the Government's political, rather than medical, advisers see this as the key to re-opening the economy.

While the front the Government is displaying is about treating victims, reducing the spread of the virus and propping up the economy, a large proportion of its strategic planners, based in the Cabinet Office, are working on options to restart the economy as fast as possible. Decisions being taken on the management of the UK epidemic are therefore being influence by the route out of lockdown being set out by these planners.

This is the reason the UK has put so much stress on antibody testing, which can determine if someone has previously had the disease and is therefore likely to be immune. Other countries have put more emphasis on antigen or PCR testing, which determines if someone has the disease. This has led to the UK having a lower level of testing compared to many other countries and has generated some criticism.

This testing for the active virus also does not fit well with the Government's recovery strategy, and community testing can risk further spread, and so it is another reason that it has not been prioritised. Due to this Ministers have been caught flat footed by the lack of any ability to ramp up testing levels which has left them unable to test most NHS staff, who they had thought they would be able to test. Ministers have instructed more resources to be put into this area now both to ensure less NHS staff are self-isolating and to deflect media, political and public criticism.

The Government strategists still regard virus testing as a sideshow and the main push is still on the antibody tests.

The Government strategists still regard virus testing as a sideshow and the main push is still on the antibody tests. UK bought options on up to 17million of these antibody tests across several suppliers, but several of these have been found to be very inaccurate. They are still evaluating test kits from other suppliers to confirm their effectiveness and accuracy. Assuming the tests work, the Government intends to purchase more and start widespread testing to cover most of the population.

This testing will initially focus on health and social care workers and will then be expanded to other critical workers. These workers will then not need to self-isolate if they, or a member of their household, suffer cold and flu like symptoms in future.

Recovery strategy

Several ministers and advisors envisage a system where, using antibody testing, those confirmed as immune to Covid-19 are given greater rights to move and work than those who are not. This is

If the infection rate does turn out to be in line with Government expectations then we would see the current movement restrictions until late May at the earliest.

deeply controversial even within the Government, as this would require the carrying of identification which will confirm Covid-19 status as well as identity.

This is a measure which the UK has no tradition of, with Boris Johnson being personally sceptical. However several ministers, notably Matt Hancock and Chancellor Rishi Sunak would like to see this introduced as it would allow for an earlier re-opening of the economy which is something Kreab understands that Johnson

instructed ministers and officials to consider, alongside minimising the health impact of the virus.

Implementing this would require a change in the law, which is not certain to be approved even with a large Conservative majority. The Home Office has some concerns over the fraud and crime risk in such as system. In particular the idea of issuing wrist bands to people who are immune to the virus could be a particular focus of street crime.

Whilst the official lock down is set to be reviewed in mid-April, the Government is currently working on the assumption it will not be able to relax restrictions until sometime in May at the earliest. Once the restrictions are relaxed, the Government believes this will only be temporary and it will need to tighten them again after three or four weeks of the lighter restrictions. Epidemiologists are advising the Government to expect this second restriction to last three to four weeks. Their working assumption is that this system of tighter and looser restrictions will last into the Autumn or until a vaccine is available, which is not likely before the end of the year at the earliest.

Their working assumption is that this system of tighter and looser restrictions will last into the Autumn or until a vaccine is available

This lifting of restrictions is also not likely to be total. Workers who can work from home are likely to be asked to continue to do so for the duration of these rolling restrictions. It is also unlikely that pubs and restaurants will be allowed to open, at least in the first lifting of restrictions. Kreab's contacts have also shared insights which leads us to believe the Government is hoping to allow schools to open at the beginning of June after their scheduled half term, potentially closing early for the summer holiday in July as the second round of restrictions are applied. There is optimism schools and universities can resume without interruption from the new academic year in September.

In terms of transport, the UK Government has made no attempt itself to dictate curbs on the operation of train transport, including international trains, or aviation. There have been reductions in service levels driven by a lack of demand, especially given Government advice not to travel, and in the case of plane travel by restrictions placed on it by other Governments. Thus, the re-opening of air travel will be gradual and based on decisions made by other Governments as well as the UK Government's relaxation of restrictions on travel for people in the UK.

The search for data

The situation is still very fluid and Government strategists are continually reviewing this and timelines in consultation with epidemiologists. Its hope is by the end of May the situation will be more process driven and it will be able to return planning resources back to the Brexit negotiations although the process will still be seriously delayed by work to deal with Covid-19.

The timeline that is determined by this strategy is entirely underpinned by the data so is very dependent on the availability of mass antibody testing. In the absence of this epidemiologists will look at the level of hospitalisations and the response of those numbers to the relaxation of movement controls in May at the earliest.

The Government has also announced that the defence laboratories will start to test 500 samples per day for Covid-19 antibodies at random. These tests are highly accurate but slow and so are unsuitable for mass testing. The aim is to provide more information for the epidemiologists to allow them to make a better assessment about the spread of the disease as it will monitor the same group of people on a regular basis for the next 12 months.

If the infection rate does turn out to be in line with Government expectations then we would see the current movement restrictions until at the earliest, late May; light restrictions (with pubs and restaurants remaining closed) in June/July; tighter restrictions for about four weeks July/August; then lighter restrictions with the potential opening of pubs and restaurants later in August. It may be necessary to have further periods of restrictions beyond this. Sports fixtures may be permitted without spectators from June with audiences not allowed to return until the Autumn.

Parliament

Parliament, like other places of employment, has been closed but it will likely be brought back as an essential operation in late-April as some of the measures being taken by the Government, such as the insolvency measures described above, need changes in legislation. It will not look like the traditional Parliament; the Speaker has indicated that for the duration of the pandemic he is prepared to allow radical changes in operation such as remote or at least very extended voting periods to allow for social distancing.

Indeed, by the time Parliament closed, Prime Ministers Question time was being held in two shifts, with one group of MPs attending the first part and the others attending the second to ensure social distance inside the chamber.

The select committees have more flexibility to innovate as they can decide their own rules of procedure. So many of them have continued to meet and conduct inquiries through video conferencing both for members and witnesses.

The committees that have continued to operate are focussed on Covid-19 and so at this point it is not a good time for business to engage with them on any other issues.

Many select committees have continued to meet and conduct inquiries through video conferencing both for members and witnesses.

