

KREAB *briefing*

WORLDWIDE

COVID-19

outlook 30 July 2020



With signs of a second wave of infection emerging, Government efforts to suppress hotspots are intensifying. This briefing outlines the developments over the past week and builds on our previous briefings to look at how the situation in the UK is likely to develop.

Overview

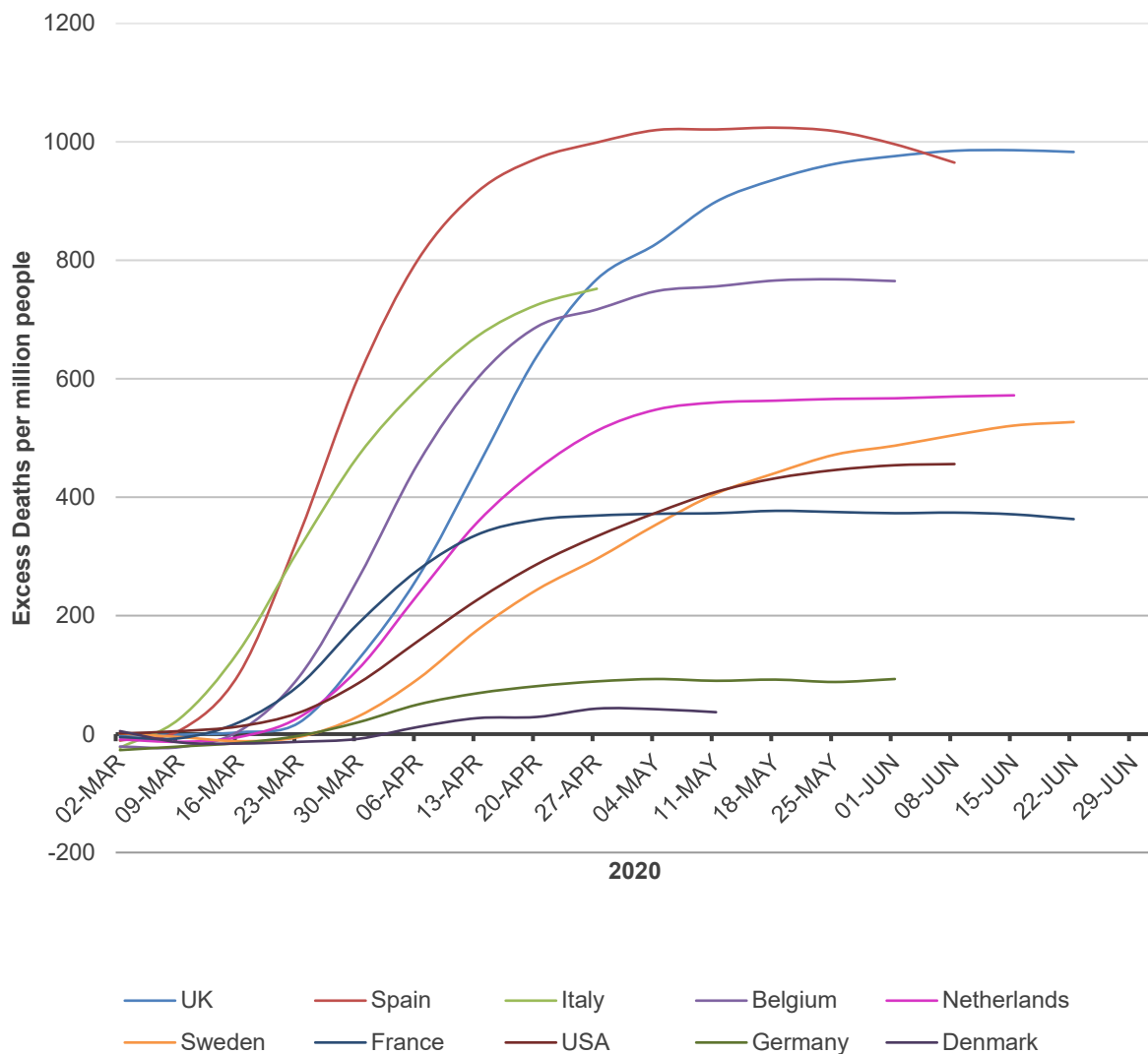
The UK continues, like most countries in Europe, to experience hotspots of infection and is focussing its efforts on locally based suppression of the virus. These efforts are starting to reap positive results in Leicester. Germany is also seeing some success with this approach.

Nevertheless, there is growing evidence that suggests there is a second wave of infection in many countries, with Spain being the most notable example in Europe. From an optimistic point of view, the growth in cases of Covid-19 is much slower at this stage than it was in the first wave earlier this year.

The number of deaths so far is also rising at an even slower pace. Although current figures are subject to a four-week lag of death data behind infection data, there is some evidence to suggest the slower pace may also be a result of improved methods of treatment and management of the symptoms of the disease (see below section on treatment for further details).

Latest Kreab analysis of excess mortality figures for the countries we have tracked through this report series are shown below. As we have highlighted, whilst these statistics are the most accurate measure of the death toll, they lag the infection rate the most and any second wave of infection is yet to show. Some countries, notably Spain, are seeing reduced death rates as currently less people are dying than expected for the time of year. This is normal in a disease which targets the elderly, as many of those who were frail and might have died at this time passed away when the virus first hit.

Cumulative Excess Mortality



[For the full background, click here](#)

Current UK situation

The Government continues to pursue a policy of identifying hotspots across the country and then acting to reduce them. Leicester continues to be one of these, with Blackburn now joining the list. Other towns in the North West such as Oldham and Rochdale are also causing concern and the number of hotspots are expected to grow in the coming weeks.

Encouragingly for the Government, there is some evidence that the measures in Leicester are starting to work and the national infection rate has stayed flat. As the number of infections in the city have started to decline, the Government has reduced the area under local lockdown. This has not been without controversy, with the directly elected Mayor of Leicester, Labour's Sir Peter

Ministers want local government to manage outbreaks

Soulsby, accusing the Government of having political motives for its decisions. This is because the Labour controlled Leicester Council and Lib Dem controlled Oadby and Wigston Council remain in lockdown, while the Conservative controlled councils adjacent to the city are now free.

The next area causing concern is Blackburn, where the infection rate has now risen to the level seen in Leicester. A slightly different approach is being taken in this case, with ministers leaving it to local government to manage the outbreak, although this

is yet to have an effect as the local R rate is still estimated to be above 1. At present, the Council is limited in what it can do, as while it can close its own buildings, it does not have powers to implement lockdown arrangements such as the closing of non-essential retail seen in Leicester.

The Government wants to replicate the apparent success it had in containing the infection in Leicester but believes councils need to have the powers to implement the necessary measures on their own, rather than waiting for central Government to impose them. To rectify this issue, the additional powers the Government is implementing allow councils to take hyper-local measures, down to closing individual premises. This measure is aimed at addressing some of the concerns expressed in Leicester where the whole city and surrounding areas were locked down even though the hotspot was mostly confined to one area of the city.

The Government is also taking reserve powers to lock down some areas to prevent people from moving in or out of a defined area and to be able to close down specific types of premises and reducing the maximum size of gatherings nationwide.

In Scotland, the largest hotspot of infection is ironically around a call centre in Motherwell which is being used for contact tracing in England.

The push for normality

Boris Johnson has announced that from 1 August the Government wishes to see the country return work patterns to as near normal as possible. Included within it is a request for all office-based staff to return to work, even in London, where the majority of people use public transport to commute.

This has set the Government at odds with its epidemiological advisors, who think even with staggered working hours the occupancy level of public transport will lead to another rapid growth in infection levels, especially without the ability to trace contacts due to the phone app not yet being available.

The news has also not pleased business groups, due to the Government putting responsibility on each employer to ensure its workplaces are “Covid secure” and decide whether to bring employees back. Each company is therefore liable for any infections that result rather than it being as a result of a government instruction.

Consequently, despite the Government’s strong desire to resurrect the economy of city centres by getting people to return to work, the plan is likely to fall flat. Employers are reluctant to instruct a return to the office and be liable for damages, whilst unions and employees will push back against those who do, with the backing of the Government’s own advisors.

While the Government sees no prospect of night clubs being able to re-open, they do want to see every other area of the economy begin functioning and so they will be conducting pilots in the next month to examine how this can happen for live performance venues, conferences, exhibitions and sports stadia.

This is part of the Treasury’s determination to reduce the areas of the economy which are still dependent on state support to an absolute minimum by October. Officials are confident that for most of these sectors, a workable solution can be found. For sports stadia, it should allow lower league football to commence next season, when it might have otherwise collapsed with serious political consequences for Conservative MPs as their local clubs closed.

For all these pilots, the solutions involve a reduction in capacity which will be very difficult for most live performance venues who depend on operating at close to maximum capacity for their economic survival.

**Government says it is
for employers to
decide whether to
bring employees back**

Johnson fights the flab

As we have previously reported, obesity is a major risk factor for those suffering from Covid-19. Having historically been against government action to change the public's eating habits, the Prime Minister's personal experience, where his doctors told him he probably would not have needed to be hospitalised had he not been overweight, has persuaded him to change his position.

The Government has therefore produced an obesity strategy which will aim to reduce the amount of unhealthy food, especially high calorie and high fat content foods. A key plank of the policy will be to restrict advertising of unhealthy food before 9pm and to force all food outlets to include calorie values for all items on menus and price lists. The strategy will also propose legislation to ban buy-one get one free offers and other deals which encourage the consumption of unhealthy food.

Although many of these proposals have existed for a while, Boris Johnson put a stop to their development when he became Prime Minister. Covid-19 makes it highly likely the Government will now press the measures through to legislation rapidly.

Risk-based quarantine bites

In our last two reports, we outlined how the UK moved to a risk-based approach to quarantining people returning to the UK from abroad. This inevitably means countries that are exempt from quarantine can be put back on the quarantine list at any time, which is exactly what happened at the weekend with Spain after it experienced a large spike in infections.

Unlike previous measures, this policy was implemented with only a few hours' notice, leaving many people in Spain with no chance to change their plans to return to the UK before quarantine started. Whilst the decision was made on the basis of advice from the Joint Biosecurity Centre, the speed of the action was undoubtedly politically driven. The Government is keen to show it is taking rapid and cautious action as well as demonstrating to the public, who are now showing signs of complacency, that the virus is still an active threat.

Spanish quarantine was implemented with only a few hours' notice

The move will have serious economic consequences for the tourism and airline sectors, especially given the speed of action, and this has shaken confidence in travel to other destinations. It has also created some confusion within Government as the Home Office implemented quarantine on all travellers arriving at the border from any part of Spain, even though the Foreign Office originally only advised against travel to mainland Spain. This meant insurance policies were invalid for travel to the Spanish mainland but still valid to the islands, even though tourists to those areas still had to quarantine when they returned.

Consequently, after a day of internal dispute, the Transport Secretary sided with the Home Office and the Foreign Office extended its ban to all of Spain.

The authorities on the Balearic and Canary Islands are therefore lobbying hard for travel from those regions to be exempt from quarantine. Kreab understands government officials are very sympathetic to the argument and the blanket quarantine was only implemented due to the time constraints.

It is possible the islands will be removed from the list especially given their stated concern is about internal travel inside Spain. The example the Government raises is that someone could travel from Catalonia to the Canary Islands and then to the UK. However, this ignores the fact that the Canaries are much closer to Mauritania than Catalonia, with the closest airport for Eastern Catalonia being few miles down the motorway in France. This means there is a far greater risk posed from not quarantining flights from Perpignan than there is from the Canaries.

Outlook and future Government action

As highlighted above, the Government's top priority at present is to restore as much of the economy as possible to near normal operation by the end of October, which is when the furlough scheme closes. In addition to re-opening the sectors of the economy still in lockdown, it realises it needs to restore a familiar pattern of movement for work and leisure to ensure that the ancillary businesses that service offices and their workers do not collapse. This is the thought process behind the Government's decision to go against epidemiological advice and push for a faster re-opening than the scientific evidence shows is prudent.

The Government is actively looking for measures it can take to mitigate against the increase in infection rates its relaxation policies are creating. A likely measure which could be introduced this week is the increase of the self-isolation period following contact with a known Covid-19 sufferer from seven to ten days.

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The Government is determined not to introduce another national lockdown, preferring instead to counter hotspots as they occur. However, the scientists Kreab has spoken to say the UK is likely to be looking at regional lockdowns that could even encompass the whole of London as a result of the rapid relaxation of controls.

On a slightly more optimistic note, the epidemiologists believe the combination of the existing social distancing precautions, the wider use of masks and the fact there is some immunity to infection now, albeit at a low level, means the rate of increase in infections within any hotspot will be lower in any second wave. With the highest public transport use and population density, London is most at risk although it is also the region that suffered the highest rate of infection in the first wave and so is predicted to have the highest level of immunity, albeit only for around 10% of the population.

The Treasury wants to be in a position by September to have a good understanding of which areas of the economy will need support beyond the end of its furlough scheme. As highlighted in our last report, Chancellor Rishi Sunak has put in place a scheme to incentivise companies to keep staff on beyond the end of the furlough scheme, as he recognises some sectors will need support until a vaccine or treatment is available. To that end, another financial statement will be issued in early Autumn.

Vaccine update

Much hope has been put on the early development of a vaccine and there has been very rapid progress. There are over 125 candidate vaccines in pre-clinical assessments to test their safety and effectiveness in laboratory and animal models. After only eight months since the world became aware of the virus, 29 of these are at a more advanced stage, which is unprecedented for the development of vaccines.

The pace of vaccine development is hugely accelerated.

There are 15 vaccines at stage-one trials which is where the vaccine is first injected into a small number of people to determine its safety and to gauge the level of immune response.

At the front of the queue are 11 vaccines in stage-two trials, and three in stage-three trials, and these are most likely to go into production. It is these stages that produce information about the effectiveness of the vaccines as well as further

safety data. The key difference between the stages is the number of people involved, which starts at a few hundred then moves up to many thousands. Any rare side effects are identified at the stage-three trials. In all three stages, half of the people in the trial are given the vaccine and half a placebo, with neither group or people administering the drug knowing which is which.

The pace of development is hugely accelerated and in normal circumstances, a new vaccine would take around ten years to develop. In a standard trial process, there would also be an extended period of time between the stages to analyse the data, whereas in the development of Covid-19 vaccines there is often less than a day between trial stages, with the analysis taking place while the following stage is being undertaken. Due to this sense of urgency, many trials are also merging stage two and three.

There has been some optimism expressed that a vaccine could be available by Autumn, given that several vaccines have been shown to be safe and produce an immune response. The latest of these is the Oxford University vaccine.

Completing the stage-three trials and being able to proceed to widespread deployment still produces many challenges. To be able to license a vaccine by Autumn would require a large number of issues to be resolved on the first attempt. The House of Commons' Health and Social Care Committee heard evidence last week about how low the chances are for a vaccine to be deployed before the end of the year.

One of the key issues for those conducting the trials is the decreasing levels of infection in many countries where trials are underway. The nature of the trials means the only way for a vaccine to be proved as effective is for a number of people who receive the placebo drug to become infected. For this reason, most vaccine groups are actively looking to develop trials in countries with high infection rates. For example, the Oxford vaccine group is conducting trials in Brazil and South Africa, but this is causing further delay because while stages two and three started in the UK in May, trials have only been running in South Africa and Brazil for a month.

Decreasing levels
of infection are
slowing trials.

The results of these trials will not be a pass or fail verdict on each vaccine. While it is possible a vaccine could be found to prevent infection in 100% of the people vaccinated, this is not likely. Most vaccines have variable levels of effectiveness, and while some prevent infection and therefore spread of the virus, some only reduce the severity of the disease. Factors, such as the recipients age can also affect how well a vaccine works for certain individuals. Where vaccines only reduce the severity of infection, they will help to reduce mortality and pressure on healthcare systems, even if they do not reduce the overall spread of the virus.

The dilemma for governments will be if the early vaccines are in the category of products that reduce the severity of the disease but not the spread. In this situation, if the vaccine is deployed, the virus has the capacity to spread more widely. Although for the majority of the population, symptoms would then be relatively minor, vaccines are less effective in the elderly who are also a high-risk group, and mortality rates for this section of the population may increase. Overall, deployment of such a vaccine would benefit society hugely, although there could be some political backlash against the Government who could be seen to be sacrificing the elderly to return the economy to normality.

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Pharmaceutical companies have warned even if stage-three trials prove a vaccine is effective, the drug will have to pass its regulatory approvals before people can start receiving it. However, in this area, there are grounds for optimism as most governments will fast track this stage of the process, potentially compressing it to a matter of days. The UK certainly intends to follow this course.

With that in mind, the Government is running a purchasing strategy for potential vaccines which aims to cover several different classes of vaccine in the hope it will have options on at least one that works. The latest of these has been a deal with GSK and Sanofi to take purchase options on their potential vaccine. This vaccine is manufactured through a more traditional method by using an inactivated virus. This means it is likely to be effective, but much slower than the vaccine techniques being pursued by Oxford and Imperial, and it will not be available this year as human trials only begin in the Autumn.

Treatment update

In parallel with the vaccine development progress, treatment options have been proceeding. While no cure has yet been found, the multitude of clinical trials being conducted have brought forward a range of treatment improvements which has led to a steady decline in mortality rates.

The latest potential drug therapy based on beta interferon has been shown to produce an extremely significant reduction in mortality in a small trial conducted through the Medical Research Council and the University of Southampton. A much larger trial is now underway, with results first expected in around a month. Should this confirm the earlier trial results, then the number of deaths could be significantly reduced, even with larger numbers of confirmed Covid-19 cases.

Not all improvements in clinical outcomes have been pharmaceutically led. Developments in the use of constant air pressure machines in early stages of the disease and in intensive care patient handling, as we have previously reported, have also improved outcomes.

So, between these treatment efforts and vaccine developments, the likely outcome is the UK will not return to the very high death rates seen in March and April, although the disease is likely to remain a dominant feature of the economy and people's lives beyond the end of the year.

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