

KREAB *briefing*

WORLDWIDE

COVID-19

outlook 07 September 2020



Although there has been an increase in infections, the Government is now focussed on repairing the economy by getting workers to return to their offices. This briefing outlines how the situation has developed over the past two weeks.

Overview

Although the rise in infection in the UK has continued, the increase in other countries across Europe has been much sharper. Additionally, death rates in the UK remain relatively low.

In particular, France and Spain have seen a large increase in cases of the virus but both Governments, as is the case with most across the continent, are determined to avoid returning to a national lockdown, instead relying on local or regional lockdowns to control the spread of hotspots as they occur.

Similarly, the UK is also determined to keep restrictions to a minimum, although a return to full national lockdown is not entirely ruled out. At present, the focus is on enforcing stricter measures on smaller areas as the granularity of the data improves.

Simultaneously, the Treasury is asserting the demands of the economy on the UK's pandemic response. The Government is therefore entirely focussed on returning workers to their offices. To make this feasible, they are determined to ensure all children return to school so that childcare issues do not interfere with people's ability to return to work.

Current UK situation

Covid-19 infection rates have continued to rise slowly over the last two weeks and, while they have doubled in the last two months, at this point there has been no replication of the exponential growth of infection rates seen at the start of the epidemic in the UK. At just over 1,600 new cases per day, the rate is currently a fifth of that seen at the peak while the number of deaths has remained at around 10 per day for some time.

The rise in cases is due to the gradual relaxation of lockdown, but the pace of this has been slow due to the subsequent mitigation measures, such as social distancing, increased use of masks, hygiene procedures and especially home working. While the R infection number has gone above 1, these steps have helped to ensure that there is no exponential increase, such as that seen in March, when R was closer to 4.

Despite this increase, there has been no corresponding rise in death rate from Covid-19, which has continued to be flat or decreased slightly. Many research teams are trying to understand why these two trends are running counter to each other. Some early conclusions are that better treatments have improved hospital survival rates, but the most significant explanation appears to be that younger adults make up a high proportion of the new infections and are far less likely to suffer serious symptoms than older groups, lowering Covid-19 mortality rates.

Men under 40 have seen the biggest growth in infection rates, with more than twice as many now being infected every week compared to June.

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Economy struggles to recover

The UK economy suffered its most serious economic decline in modern history in the second quarter of the year, and although it is starting to recover, the pace remains slow. The Government now considers the greatest issue for the UK economy are town and city centres, which depend on office workers for custom. This is the motivation behind the Government's push to get people to return to work, see below.

However, the extended period of homeworking has driven many businesses to reconsider how they will operate in the future, and the last few weeks has seen many of them announce that they will make greater use of homeworking after the pandemic has passed. As a result, some companies have realised they will not need as much office space and are starting to look at plans to generate savings. Despite the fact the Government is pushing companies to return workers to offices, Capita, which is a major Government contractor, has announced it will close a third of its workplaces.

Response reforms

The efforts to use targeted Test and Trace to suppress virus hotspots has continued and has been reasonably successful, although it is an ongoing process as new centres of infection continue to occur. However, there has been some concern from local government, and on occasion local MPs, that some of these measures are applied over too wide an area when the actual centre of infection may only affect a very small zone.

As a result, the Government has been looking for opportunities to refine the system so local lockdown measures can be applied over much smaller areas. It is looking at how it can integrate information from the national testing system, local council public health teams and bulk data projects such as the self-diagnostic app being run by Kings College.

Government moves to increase resources to local contact tracers

In recognition of the value they are getting from the university's data, the Government has issued a £2 million grant to ensure the app can continue to operate through the winter.

Epidemiologists have had ongoing concerns compliance with self-isolation following contact with the Test and Trace system has not been high enough for it to be sufficiently effective. This is particularly the case for those unable to work from home as there is a big financial incentive to disregard instructions to self-

isolate. In response, the Government has now decided people in these circumstances can claim statutory sick pay for the duration of their self-isolation. However, the conditions put on the ability to claim, along with the low level of the payment, mean that its effect may be limited. Consequently, there is increasing political pressure to boost eligibility and the scale of the payments.

The Government has struggled to cope with a rapidly changing situation, both in terms of communications and in taking consistent action. Public Health England (PHE) has come in for some criticism for its part in tackling the virus, especially the testing regime. As a result, the Government has scapegoated the PHE in order to deflect blame from ministerial decisions.

The writing had been on the wall for the PHE for some time, and it has now been confirmed the body is being replaced by the National Institute for Health Protection (NIHP), which will combine the responsibilities and resources of PHE, NHS Test and Trace and the Joint Biosecurity Centre. The new organisation will also be expected to work closely with local government and the NHS. It will be headed, somewhat controversially and on an interim basis by Conservative Peer Dido Harding, the current boss of Test and Trace.

The Government's motivation for this change is partly to ensure a more unified response to future pandemics or public health challenges, but there is a clear communications imperative to attempt to portray the PHE as more to blame than ministers. NIHP will not start operations until spring 2021 as it is thought to be too risky to carry out such a large structural reform during the pandemic, but even this timeframe may be delayed if a vaccine is not available by then.

This also means that by the time of any inquiry into the Government's conduct during the pandemic PHE will have already been dissolved and can be safely targeted as being primarily responsible for the bulk of mistakes made in the course of the UK's pandemic response.

Quarantine extensions

The Government has continued to remove countries from the list from which quarantine free travel is permitted. There are now 18 countries which have been removed from the list since it was instigated in July.

Recently, Portugal was made quarantine free after having initially being deemed to have too high an infection rate.

The Westminster Government has tried to give greater clarity on why countries will be removed from the quarantine free list, by stating that a country will be removed when it has a seven day rolling average infection rate of over 20 cases per 100,000 people.

This should have meant Portugal's reprieve was short lived, as its infection rate has crept back above 20 only a week after being cleared for quarantine free travel. However following intense lobbying by the Portuguese Government UK ministers decided to include other factors such as the percentage of all tests which were positive rather than just the percentage of the population.

Any clarity was also further disipated by a lack of consistency of approach between England, Scotland, Wales and NI all of whom made different decisions about Portugal and Greece. In the latter case although the Westminster Government insist on countries being treated as a whole, Wales has imposed quarantine on only six Greek islands.

Outlook and future Government action

There remain conflicting views between the Government's economic and public health advisors, who continue to pull in opposite directions. The divisions in Government over the future handling of the epidemic are also becoming increasingly visible. The epidemiologists have not changed their view that a full return to work would lead to another exponential growth in infection rates and there are indications that the rate is already starting to grow faster. On the other hand, the Government's economic advisors are extremely concerned that the damage being done to some sectors of the economy is close to becoming permanent.

For the epidemiologists, the problem is not the reopening of schools or indeed people returning to work in offices, but rather the return to commuting on public transport. They believe this could lead to a large increase in the R rate, leading to an explosion of infection in the big cities, especially London where the usage of public transport is exceptionally high.

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Economists, for their part, see the drag that Government debt will place on the economy for many years to come. For that reason, they support Chancellor Rishi Sunak's determination to reduce support to the economy through the autumn. However, city centre economies have been devastated by the move to homeworking and without workers returning to offices or Government support remaining in place, the fear is that many businesses will be permanently lost.

Even some of the existing schemes have not helped city centre businesses as much as they have elsewhere. The Eat Out to Help Out scheme for subsidised pub and restaurant food has been a real boost for the hospitality sector, with many eateries reporting that they have made back their June and July losses in August. This effect is not seen in city centres, with one pub chain reporting that its branches in these areas experienced a 30% drop in revenues last month.

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deep divide in Government.**

The split in these two strands of opinion are driving a deep divide in Government, with some wishing to take the more cautious public health approach, while others want to press ahead with returning the economy to as near normal as possible. Unsurprisingly, Matt Hancock and the Department of Health and Social Care are leading those on the more cautious side, while Rishi Sunak and the Treasury are championing the economic imperative.

Overall, ministers support a more rapid return to normal patterns of working, as they are concerned the economic impact of the pandemic could leave the Government unable to take forward any of its wider policy agenda, which it had hoped to use its large majority to deliver.

While the Government may make concessions and policy reversals on more peripheral issues in the next month, the push to get people to go back to work will continue.

The drive to re-open schools is seen as critical to returning people to their workplaces, as this will ensure childcare does not pose a barrier. After the difficulties he faced with the exam results over the summer, Education Secretary Gavin Williamson's political future is also at stake if he is unable to successfully manage the re-opening of schools. The Government may consider moves such as delaying exams or increasing the use of facemasks in schools, but there will be no concessions on schools being open and pupils being required to attend.

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Covid Budget

Given Rishi Sunak is very much in the driving seat of this policy, there is a high degree of pressure on him to deliver a budget that allows the economy to continue its upturn whilst also helping the recovery of Government finances from the enormous Covid-19 hit.

The Government has already ruled out a return to austerity, which implies that Sunak will need to announce tax rises. However, while there is no austerity rhetoric, it is very likely that the Chancellor will attempt to reign in public spending. This will mostly be seen in the reduction of administration costs through changing the way Government operates and accelerating the movement of civil servants out of London. Strategically, this is also in line with the goal of Boris Johnson, Michael Gove and their Chief Advisor Dominic Cummings to fundamentally reform Government. Boris Johnson's appointment of Simon Case as head of the Civil Service further indicates that this reform agenda will be pushed through.

As mentioned earlier, some tax rises will be needed in order to facilitate this though Conservative backbench MPs are already starting to lobby Ministers against these. Given the fragile state of the economy, Tory MPs seeking to head off large tax rises will probably be successful this autumn, although the likelihood is that this will only delay tax raising measures until the next budget.

Despite this it is likely that there will be some tax rises on consumers, such as fuel and alcohol duties, announced in this Budget. Business taxes are also likely to rise, but this is not expected imminently and will probably be pushed to next year.

The other factor that the Chancellor will have to consider is how to support sectors of the economy which are not recovering, despite Government measures to return to normal work patterns. In particular, focus will be needed on parts of the hospitality sector and the performing arts.

Whilst Sunak is absolutely determined to end the furlough scheme by the end of October, the Treasury are continuing to look at measures they can take to support specific sectors which will continue to struggle and are at risk of suffering permanent damage. Sunak understands that he will have to implement some support for these in the Budget.

Avoiding the second wave

As highlighted above, the Government's epidemiological advisors believe that a public transport system operating at any level near its normal capacity poses a major risk of large infection hotspots emerging. While Ministers believe mechanisms in place for the suppression of hotspots can contain this, the majority of scientific opinion is against them, especially in relation to London.

Should a major outbreak develop in London at a time when the public transport system is at full capacity, then nearly a quarter of the whole population of the UK could be exposed once the families of commuters are taken into account.

Government strategy seems to rely on the assumption of a vaccine this year

While the current pattern of hotspots do not constitute a second wave of the infection, an upsurge of the disease in London is likely to trigger one, particularly as this will occur during the autumn when people spend less time outside.

Kreab has spoken to epidemiologists who worry the Government strategy seems to be reliant on the assumption that a vaccine will be available this year and can be prioritised to those who are at the greatest danger of spreading the virus. These

scientists assume that the Government has access to information on the number of positive cases in each trial and so are estimating when each will be unblinded (see below). This means they are betting on a vaccine being proven to be effective after the first trial and bypassing the full regulatory approval.

While much scorn has been directed at the Trump administration for suggesting that they would skip the normal regulatory approval process and make an emergency authorisation for any effective vaccine, the same is true for most countries. The UK Government is likely to follow this trajectory and streamline what is normally a lengthy regulatory approval process to allow a vaccine to be deployed almost as soon as a successful trial is completed. As mentioned above, the concern is that Government policy seems to be entirely dependent on this being possible this autumn.

Vaccine update

Vaccine trials have continued worldwide, with most of the leading developers looking to start trials in the countries with the highest infection rates as these will produce the fastest results.

All of the phase 3 trials are double blind, with half receiving the vaccine and half a placebo, and neither the participants nor the those running the trial knowing which is which until the trial is over.

When vaccine development teams make estimates about when they will be able to announce the completion of their vaccine, this is based on knowing the total number of participants who have contracted Covid-19. Only once they believe they have enough cases to be able to show the efficacy of their vaccine is the trial “unblinded” and they can show if it works. It is possible at this point that a vaccine could prove to be ineffective.

Undoubtedly there is a balance to be struck, as the more positive tests there are in the trial cohort the more accurate the results will be, but the longer it will take to forward a successful vaccine to the regulators for approval.

The Oxford University team has indicated that they expect they will reach their target number during the autumn. Moderna, a Massachusetts-based biotechnology company, believe that the vaccine they are developing in the USA will reach that point around the end of the year.

There has been some concern expressed the virus may mutate, something common in coronaviruses, and which could render vaccines developed for the original strain ineffective. However, vaccinologists are confident that no mutation yet seen is significant enough for this to be a problem, although vaccines may need to be reformulated every few years to respond to changes.

One specific mutation that has generated a lot of speculation is believed by some to have made the virus more contagious but less dangerous. However, there is currently no evidence to support this, and whilst this strain does produce a higher viral load in the throat and nasal passages of sufferers, there is no evidence that this leads to greater transmission. Equally, as highlighted above, treatment options have improved and, in many countries, the average age of sufferers has lowered, which has had a much more significant effect.

Vaccinologists are confident no mutation so far seen would render a vaccine ineffective.

Although this new strain of the virus is now the most common form in Europe and America, this is not in itself evidence that it is more contagious. The mutation first occurred in Europe and overall, there is more travel from Europe to America than there is from China to America, allowing it to become more dominant in those areas.

This is a mutation that vaccinologists do not believe will have any effect on vaccine effectiveness. Although the mutation affects the spike proteins on the exterior of the virus, it does not change the receptors that antibodies bind to. Therefore, the antibody response produced by a vaccine to one strain will still attack the other strain.

While there have now been documented cases of people who have had one strain of the virus contracting Covid-19 for a second time from the other strain, in these cases the second infection was normally asymptomatic and recovery was quick. This is seen as an indication that vaccines under development would act against the virus mutations seen so far.

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