

**KREAB** *briefing*

WORLDWIDE

# COVID-19

*o u t l o o k* 09 October 2020





With cases of Covid-19 still rising across Europe, the second wave is gaining momentum. The UK Government is attempting to flatten this curve by increasing the use of localised restrictions whilst trying to avoid a second national lockdown.

## Overview

The global death toll for Covid-19 now exceeds 1 million. Cases are still rising across Europe, with rates of infection remaining high in global hotspots, such as in the US and India.

The countries currently experiencing a resurgence in the northern hemisphere are now facing months of high transmission rates, as respiratory infections, such as Covid-19, thrive in the winter.

In the UK, the Government has been struggling with communication challenges around the management of the virus. Largely, this is due to the multiple local lockdowns currently in place across the nation, alongside Scotland, Northern Ireland and Wales setting their own restrictions. Confusion around this has also been exacerbated by numerous MPs and Ministers publicly relaying inaccurate information.

In recent weeks, the libertarian wing of the Conservative Party has started to voice their frustrations at the limits to personal freedom, and Johnson has lost the backing of many of his usual supporters.

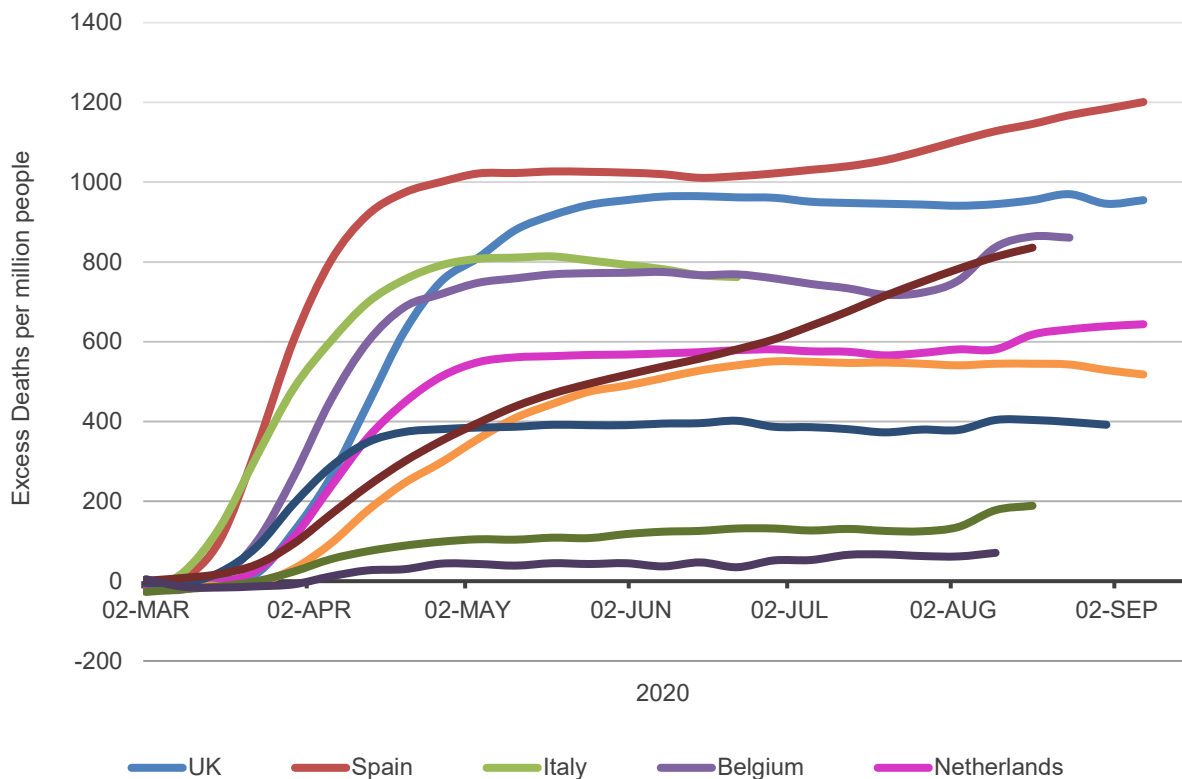
This faction, along with several other MPs, are now pushing to have the Government seek Parliamentary approval before announcing any further lockdown measures.

Although the Government has managed to avoid this so far, they have now been forced to commit to this new process for national measures. There is also pressure for this to include local and regional level restrictions.

This tension is showing no signs of subsiding. Even though MPs overwhelmingly backed the controversial Rule of Six in a House of Commons vote, 12 Conservative Party members voted against the Government.

Latest Kreab analysis of excess mortality figures for the countries we have tracked through this report series are shown below. Compared with the European countries in this data set, the US' cumulative mortality rate did not flatten out. This is interesting to note, considering the US is the only country with no structured decisions on nationwide restrictions, but rather patchwork measures that are decided at a local level.

**Cumulative Excess Mortality per million people**



## Outlook and future Government action

Whilst the Government has been basing its implementation of local lockdowns on the Office of National Statistics (ONS) survey, it is now clear the data from King's College provides better foresight on the rise of infection. Due to this, increasing weight is being placed on this source of information (see lockdown section below).

Alarming, Kings' data also shows infection rates in London are doubling every week, and these figures have now overtaken those seen in the Midlands. The national testing system has been slow in picking this up due to having resources moved outside of the Capital (see test and trace section below).

Due to the lag in ONS data, the Government is finding itself increasingly reliant on King's for updated figures. London has a high chance of following the trajectory seen in Northern England, which would pose additional strain on the already struggling economy.

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**Epidemiologists predict this wave will have a flattened peak, with rates falling slowly and remaining high for the rest of the year**

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Kreab has spoken to epidemiologists who predict urban rates of infection will be considerably higher in the second wave. They estimate rates will continue to rise for two to four weeks and will not drop as harshly as they did after the first peak. Rather, many predict there will be a flattened peak, with rates falling slowly and remaining high for the rest of the year. Optimistically, this suggests rates of infection may decline around Christmas.

Additionally, in the absence of a vaccine, they expect the arrival of spring to further mitigate the spread and drop levels down to those seen in summer.

This peak is expected to contain lower levels of infections than the one in March, mostly due to the counter measures currently being taken in an attempt to control the spread. It will, in part, also be due to the increased immunity of those who have previously contracted the virus. However, the effect of this is likely to be marginal, as the percentage is still under 10% for the whole population.

## Resetting lockdown measures

Whilst trying to keep to scientific advice, the Government has been more reliant on economic and epidemiological guidance, even though the advice has been conflicting at times. Contrastingly, social behaviour expertise, which was a key element of decision making during the spring, has not been at the forefront of recent Governmental discussions. This, combined with inconsistent

communications, has led to many restrictions becoming increasingly ignored and is reflected by local lockdowns yielding less successful results than before.

The Government has now recognised the urgent need to reset its communications, in order for the restrictions to be clear and the rationale behind them to be widely understood. The Rule of Six was the first part of this attempt, and the Government now intends to simplify local lockdown measures. The plan is to introduce a three-tiered system of controls, with a set of uniform restrictions within each tier. To try to ensure the rules are seen as fair, there will be defined thresholds of infection. The strongest restriction level in this system will be very close to the implementation of a full lockdown, with all hospitality venues closed and restrictions on non-elite team sports.

Nonetheless, there are still divisions within the Government on this issue. For example, Chancellor Rishi Sunak desires higher thresholds due to the increased financial support needed if businesses are forced to close, whilst Ministers are concerned with ensuring new restrictions secure Parliamentary approval before being enacted.

Boris Johnson is concerned with mitigating the current tensions within the Conservative Party and hopes for a consensus on restrictions between Ministers and those on the backbenches. He understands that if any members of these groups are unhappy with the Government's decisions, or if there is a deep division between each of these groups internally, rebellion is likely to intensify.

## Current situation in the UK

### Economy

In a speech to party members, Sunak vowed to balance the books, despite the large increase in Government spending. While this indicates potential tax rises in the new year, he provided no detail on the timings.

This comes shortly after the Job Support Scheme (JSS) was announced, replacing the furlough scheme which is set to end on 31 October. This initiative has been designed to protect jobs and businesses that are facing lower demand over the winter months due to Covid-19. It is set to begin on 1 November 2020 and run until April 2021.

Staff on this scheme are required to work a minimum of one third of their normal hours, which will be paid in full by their employer. For the remaining unworked hours, the Government and employer will each pay a third. The Government contribution will be capped at £697.92 a month.

Although SMEs are eligible for this programme regardless of their situation, large companies must prove a drop in turnover since March to benefit.

Alongside this measure, companies who have deferred VAT earlier this year can now spread these payments across 11 months, rather than paying a lump sum in March 2021. Those with business loans will be granted an extension from six to ten years.

VAT for the hospitality and tourism sectors had already been cut to 5%, and although this was initially due to expire in January, it will now be extended until the end of March 2021.

Additionally, the existing support scheme for the self-employed is set to be prolonged, although it will be less generous. From November 2020 to January 2021, only 20% of previous profits will be paid. The final three-month grant, covering up until the end of April 2021, is yet to be confirmed as the Treasury is assessing whether this would need to be adjusted to suit the changing circumstances.

From our discussions with council leaders, Kreab understands that many councils are facing financial challenges. The Government has asked them to increase spending on public health and support for businesses. Whilst there are promises of reimbursement, this has yet to materialise, and many have either run through their reserves or are alarmingly close to running out.

## Test and Trace

An investigation has been launched after Public Health England announced 15,841 positive Covid-19 results between 25 September and 2 October were left out of the UK daily case figures due to a technical glitch with the testing system. Although those who tested positive were informed, their close contacts were not notified, delaying the isolation process and furthering the spread of infection. The Government has received strong criticism for this and have announced tracers are currently in the process of working through the list of people who need to be contacted.

As mentioned in our previous reports, the testing system remains under considerable strain. Whilst primary operations were focused on moving capacity around to deal with emerging hotspots, these are now so widespread that there is not enough resource available to cope with the increased demand.

London has become a prime example of this, with testing capacity being moved outside the region a month ago. Now infection rates are on the rise again, the Government has found they lack sufficient data on the local spread due to this shortfall.

On a more positive note, the NHS app is now up and running and has had over 16 million downloads, despite not being able to run on older Apple phone models. Although Kreab has spoken to some academics who believe the app is useful and provides extra data, it is the use of the manual tracing system which is largely suppressing the virus. This is because the physical enforcement of isolation rules remains key to preventing transmission.

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## The Government is confident they will have the capacity to undertake 500,000 daily Covid-19 tests by the end of October.

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The Government is confident they will have the capacity to undertake 500,000 daily Covid-19 tests by the end of October. There is reason to believe this is achievable, as they have a good understanding of which facilities will come on stream in the next month. However, with demand having grown so largely, especially in urban areas, it does not necessarily mean an increase in capacity will resolve the current difficulties.

Additionally, when looking at these developments, it is important to note that capacity and demand are at different levels to one another. Currently, the Government is able to process 300,000 daily tests, but the number of actual daily tests being carried out stands at around 250,000.

### Vaccines

The AstraZeneca vaccine trial has now restarted in the UK, South Africa and Brazil. Despite the resumption in these locations, the Food and Drug Administration have further postponed the trials in the US. They are concerned that both pauses seen so far were due to the same adverse reaction, although it must be noted the first case was due to the participant having previously undiagnosed Multiple Sclerosis.

Moderna now has data showing their vaccine is safe and produces an immune response for older people, after having previously held data for younger age groups only. Despite this positive development, their vaccine remains at the early part of its stage 3 trials and is not expected to be available for widespread use until next spring.

Kreab has spoken to some vaccinologists who have explained that due to the rapid increase in infection, it is possible some stage 3 trials will be accelerated, making efficacy results available by the end of October or early November. However, this would still mean the earliest an inoculation programme would be able to start is the beginning of next year.

The Government is now in the early stages of planning for the delivery of a potential Covid-19 vaccine, should it become available, although their priorities will need to be revised once information on its effectiveness for different groups becomes clear.

The Joint Committee on Vaccination and Immunisation (JCVI) has recommended the Government bases its prioritising method on age group, alongside prioritising care and health workers. At present, its draft priority order is:

1. Older adult residents in care homes and care home workers
2. Those aged 80 or over, and health and social care workers
3. Those aged 74 or over
4. Those aged 70 or over
5. Those aged 65 or over
6. High-risk adults under 65
7. Moderate-risk adults under 65
8. Those aged 60 or over
9. Those aged 55 or over
10. Those aged 50 or over

At present, the JCVI is making no recommendations for vaccinating the population beyond these priority areas, believing this list is sufficient. However, it is likely the Government will receive harsh criticism for not including categories that cover the whole population. Kreab has spoken to one Government advisor who explained that whilst the Government understands the need to eventually vaccinate the whole population, they are currently pre-ordering vaccines in stage 3 trials for the groups listed above only. Once it becomes clear which vaccine works best, they will either order more to cover the rest of the adult population or use one of the other vaccines they have ordered if more than one proves effective.

Additionally, the yearly flu vaccine is currently being rolled out, starting with elderly and vulnerable groups, as it does every year. This has now been authorised for everyone over the age of 50.

Through this process, Government advisors are hoping to gain a better understanding of the speed in which a potential Covid-19 vaccine could be rolled out. However, many healthcare providers believe vaccine supply will be depleted before it reaches the entire population of those over 50. The Government is now looking at ways to increase this capacity, but as the global supply is limited, they are facing strong competition from other countries.



## Lockdowns

The Government has continued to issue local lockdowns across the UK, with some of them now covering large areas. There are substantial concerns that London is heading down this route, and rates in the City are being closely monitored. If this were to come into fruition, over half of the UK population would be living with extra social restrictions.

The implementation of local lockdowns is based on the Office of National Statistics survey. This has placed the North East in a high-risk category, hence the subsequent restrictions.

However, analysis by King's College on the data from their symptom reporting app has concluded the North West poses a much larger risk, with Manchester having the highest level of infections. In this city, approximately 1% of the population currently have symptomatic Covid-19. The Government have now acknowledged this and are increasing restrictions in parts of the region.

Such local lockdowns are of a different nature to the measures taken in March. Schools are likely to remain open, although some individual schools may have to close from time to time. Worryingly, many are also facing budget concerns, as there is an increased demand for temporary staff to cover those who are off sick or self-isolating.

The retail sector is also likely to continue functioning as normal and hospitality venues are expected to remain operative, even if they are restricted, although the Government is considering temporary closures.

Additionally, they are working to toughen the enforcement of newer restrictions through stronger police involvement and the use of larger fines.

It is extremely likely new restrictions will emerge, particularly for the winter months. One of which is household mixing bans, which have already been implemented in the North East and North West.

The Government's 10pm curfew for pubs has not been regarded as successful by MPs, including some on the Conservative backbenches. This restriction has created a new 'rush hour' of people leaving venues, with many going on to drink or socialise in houses after buying alcohol from off licenses. Kreab has spoken to many epidemiologists who believe this creates a much bigger risk, particularly for the spread of infection between younger people. This concern is based on the evidence that over 70% of the current spread of infection is due to contact in the home.

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Consequently, this policy is now under review. Alterations could include adding off license sales under this measure; temporarily closing pubs on a national, regional or local basis; or removing this restriction completely. The Parliament vote on this issue is set to take place next week.

Whilst efforts are being channelled into developing clearer messages to the public, the Government's overall strategy remains focused on preventing a second national lockdown. Most epidemiologists agree that this would be an unnecessary measure, as some areas still have very low levels of transmission.

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