

Coronavirus (COVID-19) bulletin

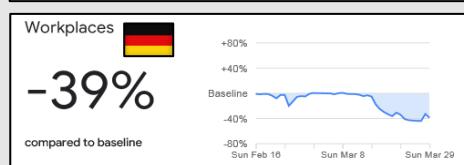
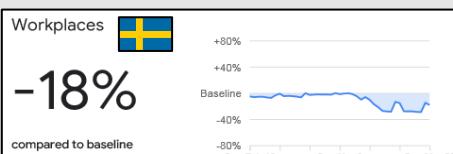
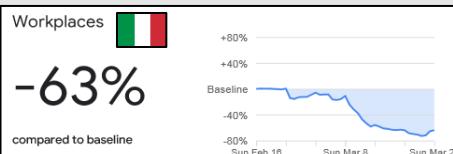
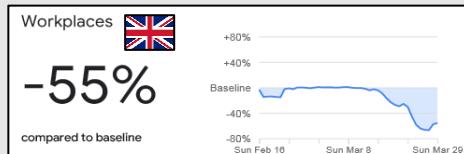
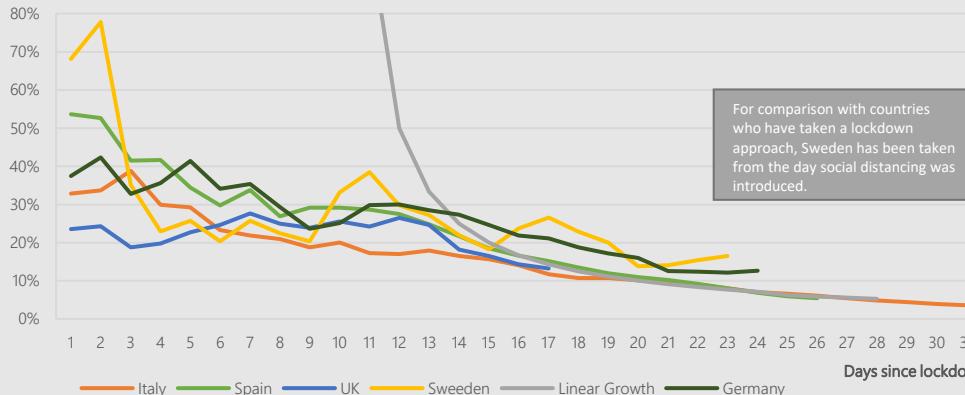
6 April 2020 to 9 April 2020

"Remain united and resolute"
- Queen Elizabeth II



Cumulative Mortality Growth Rate (using a geometric 4-day average) since date of lockdown, as at midnight on 7 April 2020

- The growth rate in deaths becomes linear 15 days after lockdown takes effect.
- The UK's light lockdown (16 – 23 March) was not sufficient to curtail exponential growth.
- Sweden has not entered an official lockdown but has instead encouraged social distancing.



Source: <https://www.worldometers.info/>; <https://www.google.com/covid19/mobility/>

4most Economic Update:

This analysis is intended to help firms assess the likely number of distressed customers they might expect to see, given a three-month lockdown.

- During 16-31 March, the UK saw 950,000 successful new claims for Universal Credit (UC). If all these claims represent new unemployment cases, the current unemployment rate will be 6.8% rather than 3.9%.
- This is equivalent to near 3% of those previously in employment, losing their jobs. Our baseline forecast is that the eventual decline will be c5% (an 8% unemployment rate). And even on our optimistic view where the economy rebounds, there will be 1.5% fewer people in employment in December than a year earlier.
- People falling onto Universal Credit will face sharp falls in income levels; the benefit will only cover approximately 20% of the median worker's salary.
- Initial Treasury estimates suggest a 10% take-up of the government's furlough scheme. The British Chamber of Commerce thinks a fifth of smaller firms plan to furlough all their staff. The Resolution Foundation predicts that as many as a third of all private sector workers (8-11 million people) may end up in the scheme.

Latest Insight:

Younger people disproportionately affected by the shut down (IFS/ONS)

- Those aged under 25 are c2.5 times more likely to work in a sector that is shut down. These sectors (non-food retail, hotels and restaurants etc) account for around 30% of all under-25 employment.
- Around 15% of all workers are in completely or largely shut down sectors.
- Shut down sectors tend to be those where pay is lowest. 34% of those in the bottom tenth of the income distribution, work in shut down sectors.

Survey evidence conducted on 25 March confirms this outlook (Oxford/Zurich/Cambridge University study)

- 69% of workers under 30 had their hours cut (compared to 49% for those aged 40-55); 58% under 30 reported lower pay (36% for 40-55).
- Around 12% of those aged under 25 reported "definitely" or "probably" having become unemployed in the previous four weeks (8% overall).

Barely half of households have enough assets to cover a three-month income shock (4most/ONS)

- Given a fall in employment income of 75%, the typical reduction associated with UC, a slim majority of households (56%) would be able to cope for three months.
- A more sizeable 74% can cope with an income shock of 25% - this is likely to be more typical of those facing reduced working hours or who are officially furloughed.

Source: Wealth and Assets Survey conducted by the Office for National Statistics (ONS)

Comparisons:
08/04/20 vs 02/01/20

1/1.24
GBP/USD 6%

5678
FTSE 100 25%

0.10%
2Yr Yield 48bps

2749
S&P 500 15%

4most Insight: Implication of Lockdown Periods on COVID-19 Epidemiology

The price for managing the COVID-19 epidemic has been a necessary shutdown of the economy in order to limit the infection and prevent the catastrophic outcome of an uncontrolled epidemic. The focus now is on an exit strategy that will restore economic activity without jeopardizing lives. Options being considered in the UK and in Europe are:

- Prolonged lockdown until a vaccine is developed (12 to 18 months from now)
- Impose lockdowns when infection rates surge, and relax restrictions when they slow
- Use COVID-19 antibody tests as a "passport", allowing those who have recovered to re-enter the economy
- Drastically reduce infection levels and pursue a contact "trace and test" policy to quarantine remaining cases.

Any relaxation of the lockdown has the risk of letting the epidemic resurge, however each day of the lockdown increases the economic damage, both now and in the future. "Trace and test" presents the best option, and both China and South Korea are aggressively pursuing this policy with optimistic results, however a recent surge in Singapore is concerning. Antibody "passports" have been put forward as a possibility by the UK government, however the proportion of people with COVID-19 immunity is likely too small to impact the economy, and this approach will create an incentive for people to become infected in order to obtain these "passports".

Contact details
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