

Coronavirus (COVID-19) bulletin

20 July 2020 to 23 July 2020

"Hoping for the best and planning for the worst"

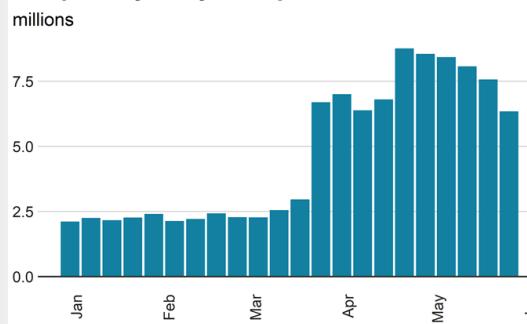
Boris Johnson



Hopes of a V-shaped recovery fade

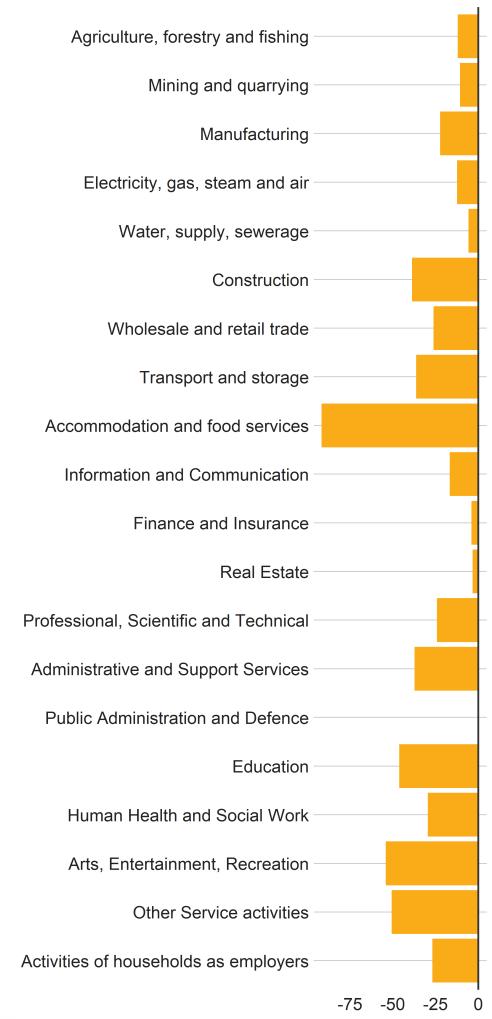
- The economy was still largely locked down in May. But the meagre 1.8% gain in GDP was worse than expected.
- While there were healthy gains in manufacturing (8.4%) and construction (8.2%), output in the arts, entertainment and recreation sectors actually dropped 11.3% on the month.
- More of the economy re-opened in June and July. But as the mobility trends shown to the right indicate, hopes of a sharp snap back in activity look unlikely to be realised.
- Weekly data show that there were still 6.3 million people temporarily away from paid work in the week starting 25 May, down from 8.8 million in w/c 20 April.
- This mirrors the rebound in construction and manufacturing. However, 'normal' feels a long way off.

Temporarily away from paid work



GDP in May was still 24.5% lower than pre-crisis levels

% change since February



Is fear of the virus holding the economy back?

- Although lockdown has been eased, people in the UK have not rushed back to shops, pubs and restaurants as elsewhere.
- There are several potential explanations. Official guidance has not always been clear and some may question whether distrust in the government is playing a role.
- But comparisons to other countries – including to those with less stringent lockdowns like Sweden and the US – are not favourable. Fear of the disease may be a factor that is affecting the UK more than elsewhere.
- The good news on a vaccine described below is timely. But the UK looks to be a worrying outlier which is experiencing the worst of both worlds.
- The world of work has permanently changed and government exhortations for workers to return to their offices are likely to have limited success. Many of the shops, bars and restaurants that catered to these workers will not return.

Comparisons:
22/07/20 vs 02/01/20

1/1.27
GBP/USD \downarrow 3%

6207
FTSE 100 \downarrow 18%

-0.11%
2Yr Yield \downarrow 68bps

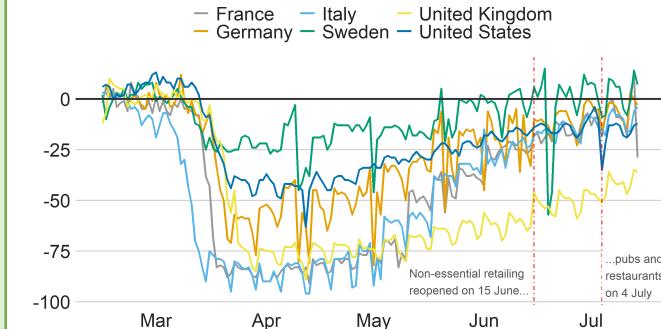
3276
S&P 500 \uparrow 1%

Controlling COVID-19

- The government is invested heavily in vaccination as a method to stop COVID-19. Nearly 200 million doses have been 'secured', pending successful trials.
- Early indications are promising, but many of the techniques being used are novel and without the track record of success of more traditional methods (see "Vaccination Strategies" to the right).
- The risks are large – the vaccine may not produce lasting immunity, or may not be effective in older people – those most at risk from the disease.
- A partially effective vaccine may give people a sense of security that undermines the effective social behaviours currently limiting viral spread.
- In the short term, antiviral drugs rather than vaccines may hold more promise to controlling infection and reducing COVID-19 mortality.

Mobility trends: Retail and Recreation

% difference from base



Vaccination Strategies

- The UK is hedging its bets, supporting both traditional vaccines and new, untried approaches.
- Traditional inactivated virus vaccines have a track record of success spanning 7 decades, but may take over a year for a safe and effective vaccine to be delivered.
- Vaccines being trialled now are using new and experimental approaches. These include expressing COVID-19 proteins on different harmless viruses (virus vector vaccines) or injecting messenger ribonucleic acid (mRNA) that our cells will translate into COVID-19 proteins.
- Virus vector vaccines have only recently been approved for Ebola. mRNA vaccines have never been used before.

Contact details

If you have any questions or would like to discuss anything further please contact the following

Keith Church

Head of Economic Modelling
keith.church@4-most.co.uk

Thomas Clarke

Principal Consultant
thomas.clarke@4-most.co.uk

Naomi Venables

Consultant
naomi.venables@4-most.co.uk