

Coronavirus - COVID-19

Monitoring the situation internationally – UK



06 November 2020



This report provides DI's members with information on essential developments related to the Covid-19 crisis in the UK. Similar reports are also available on China, U.S., Germany, France and Sweden. For comments and further information on the situation in the UK, please contact:

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Situation Summary

UK went into a second lockdown on 5 November. The national lockdown is foreseen to last for four weeks. To mitigate the impact on businesses, the UK-wide furlough scheme, which had been due to end on 31 October, will be extended until December. The government hopes that a four week national lockdown will be enough to get the Covid-19 situation under control, allowing the government, by the 2 December, to ease the restrictions and return to the 3-tier system for Covid-19 measures. As opposed to the national lockdown, the 3-tier system focuses on regional restrictions based on the local level of Covid-19 cases.

Meanwhile, on 5 November, the Bank of England decided to keep its interest rate at 0.1 percent and announced a decision to add £150 billion to its bond purchase programme to support the economy



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through a second lockdown. This year, the Bank of England has already cut interest rates and are supporting the UK economy through £300 billion of quantitative easing by buying large quantities of government bonds, aiming to keep interest rates on mortgages and business loans low.

Macroeconomic Development

Economic Growth

With the announcement of the new national lockdown, the UK economy is looking into dark months ahead. The Bank of England forecasts a 2 percent contraction in the economy for the final three months of the year, reversing its projection in August of 5.5 percent growth, because of the new government restrictions and a sharp rise in the spread of Covid-19. For total GDP in 2020, the Bank of England forecasts a negative growth of 5¼ percent, before recovering to 5½ percent in 2021. It is 3¾ percent in 2022 and 2½ percent in 2023.

Unemployment

Unemployment in UK has remained remarkably steady during the pandemic, hence not reflecting the dramatically fall in GDP. The relief measures by the government have, so far, mitigate the worst impact on job losses. Unemployment rate currently stands at 4.5.

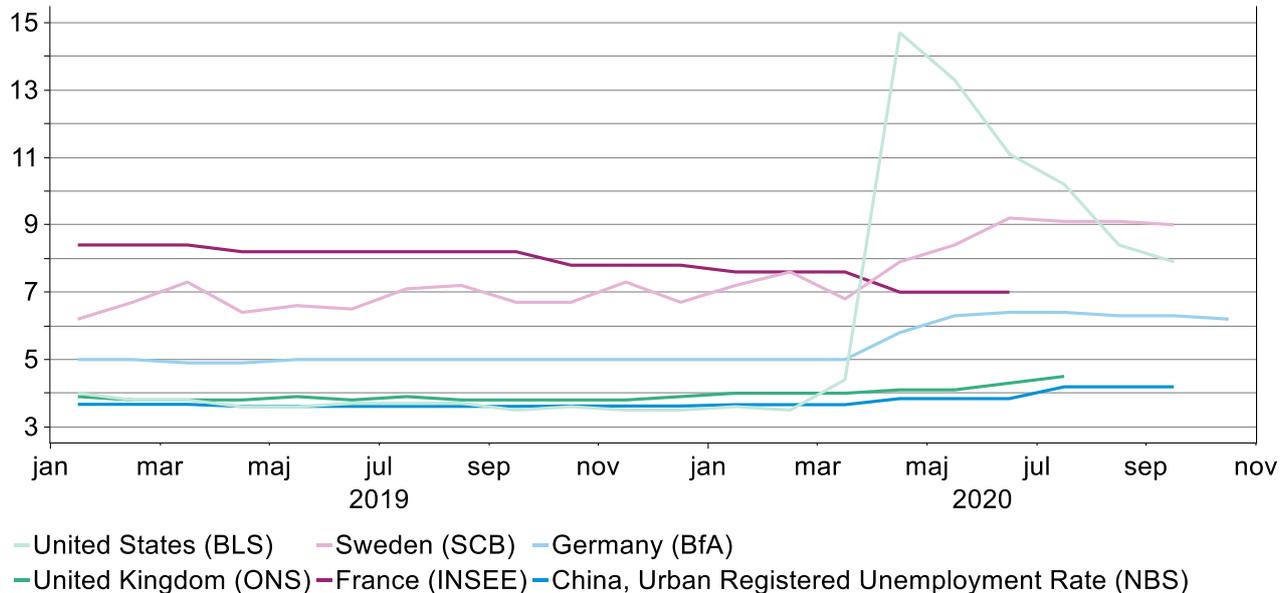
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Unemployment

Percent of labour force, seasonally adjusted



Kilde: Macrobond

Purchasing Managers' Index

The PMI index is a survey asking senior executives at private sector companies. The manufacturing companies are asked on their view on output, new orders, employment, future activity, etc. and services companies on business activity, employment, new business, etc. The UK follows the same picture as other leading markets, with sharp falls in the purchasing managers index occurring from February onwards, falling to a record low at 12.5 in April. The PMI has since then reversed the negative trend, reaching as high as 59 in August, before dropping to 54 in October. The PMI however remains well above pre-Covid-19 level.

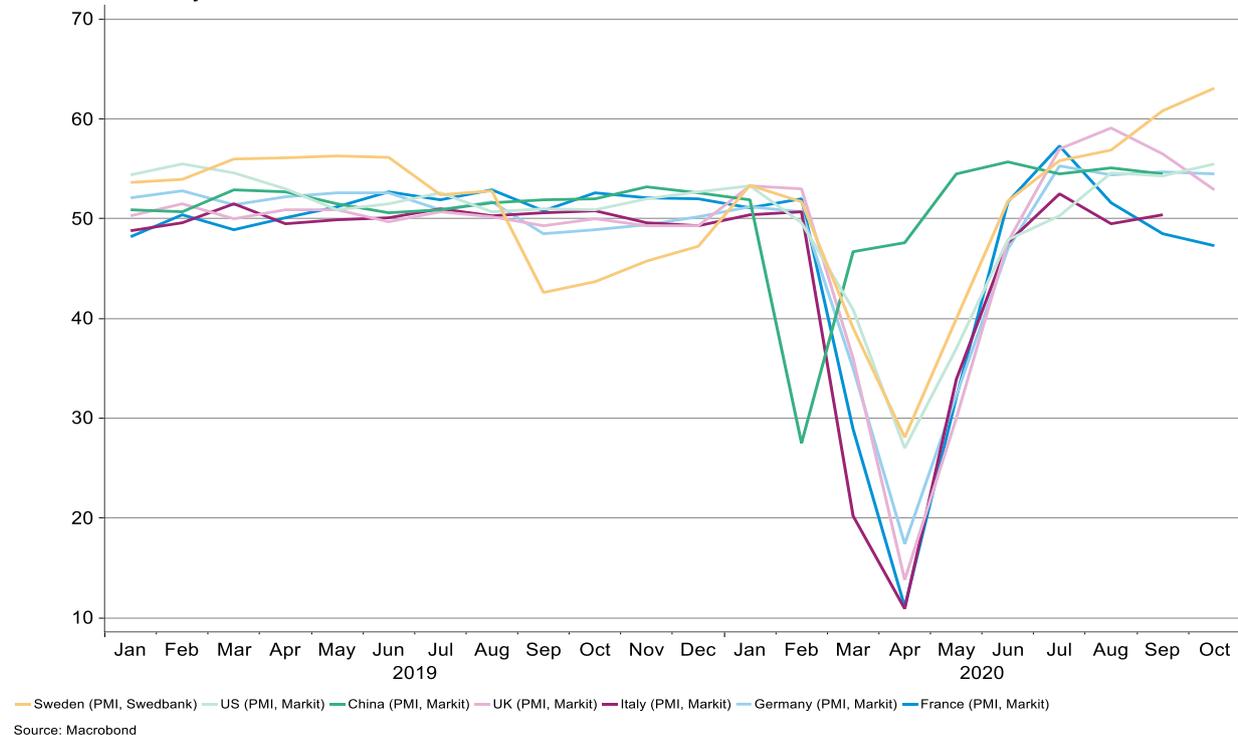
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Purchasing Managers' Index

Index, seasonally



Consumer Confidence

The consumer confidence is a survey among consumers asking their view on both the current and future general economic situation and the household financial situation. Combined with a question on their current purchase on larger goods. It provides information on optimism among consumers which, in turn, effects house consumption.

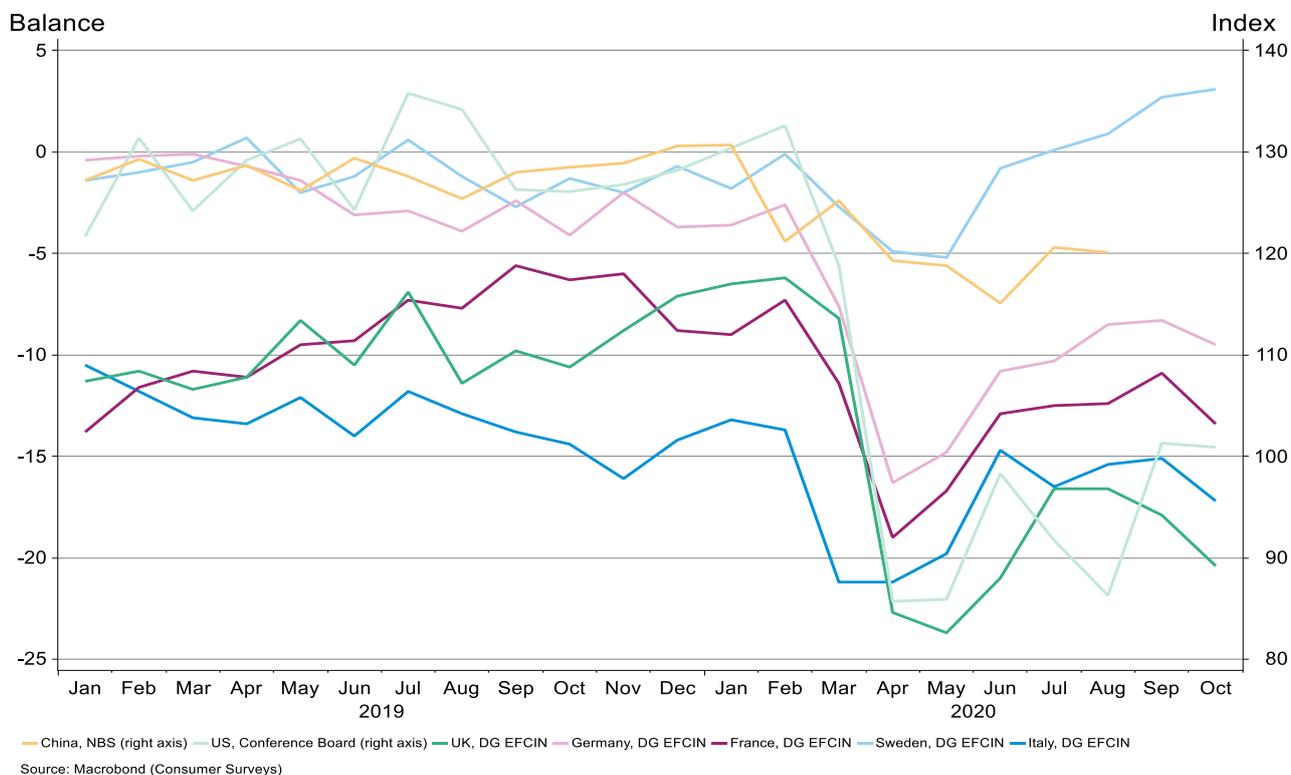
Like most other major countries, the UK experienced a massive drop in consumer confidence following the outbreak of Covid-19. This negative trend revised in May and consumer confidence continued to increase throughout the summer. In August, this development stagnated, before dropping to index level 89 in October. The UK consumer confidence still remains well below pre-Covid level.

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Consumer confidence



International stock markets

The movement in the stock market indexes provides information regarding the investor view of the future expected income of companies. We look at the indexes for most traded stocks (the larger companies) in the main countries. The leading index of UK company shares (FTSE 100) plunged by 25 percent in the first quarter of 2020, resulting in the biggest quarterly contraction in London-listed share values since Black Monday in 1987. In April UK shares started to rebound, with prices continuing to rise in May, followed by further volatility throughout June, July. The month of September and October witness new drops in FTSE 100. The FTSE 100 continues to be well below the pre-Covid-19 level.

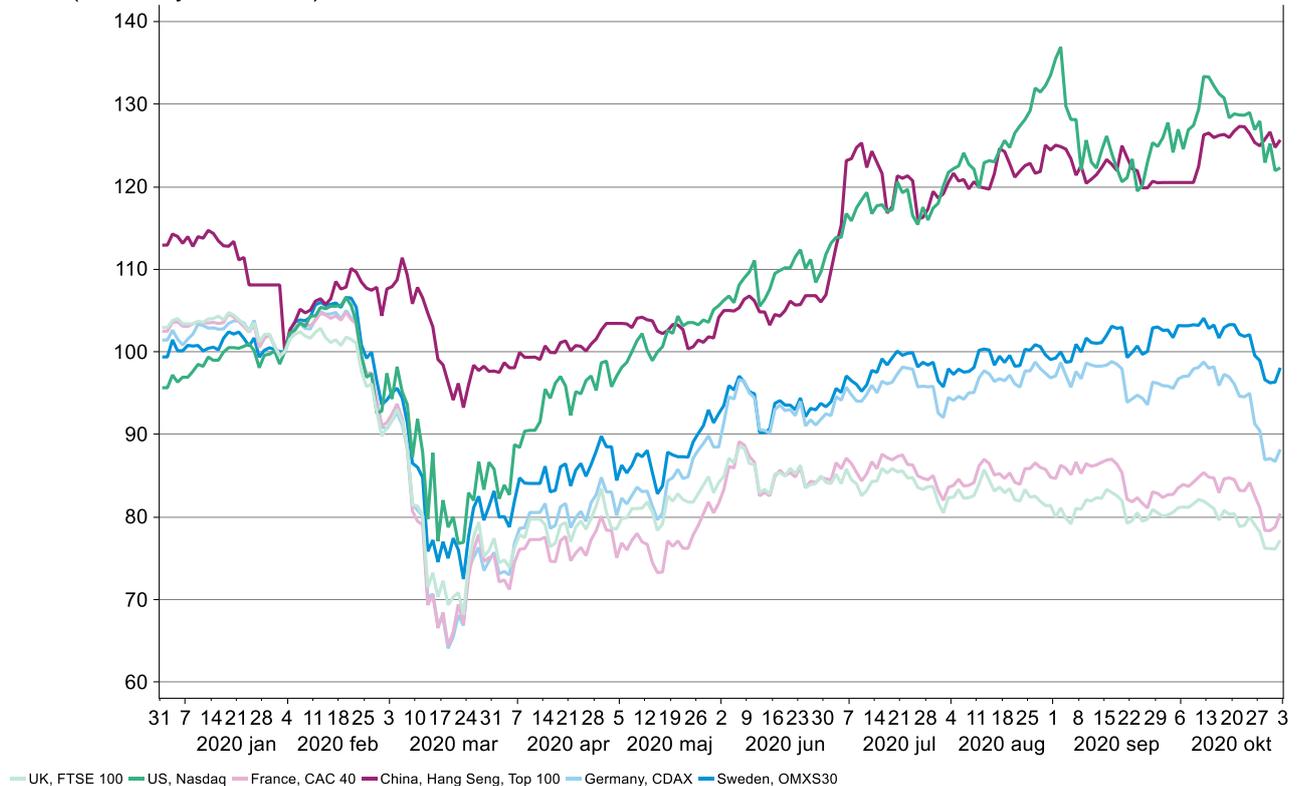
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International stock index

Index (February 3rd = 100)



Source: Macrobond

Operational Restrictions

With the second UK-wide lockdown coming into effect on 5 November, UK's three-tier system for Covid-19 restrictions were suspended. The national lockdown introduces significant restrictions on personal and profession activities. The below restrictions now apply for businesses. Please see [here](#) for the full list of lockdown measures:

- all non-essential retail, including, but not limited to clothing and electronics stores, vehicle showrooms, travel agents, betting shops, auction houses, tailors, car washes, tobacco and vape shops.

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- indoor and outdoor leisure facilities such as bowling alleys, leisure centres and gyms, sports facilities including swimming pools, golf courses and driving ranges, dance studios, stables and riding centres, soft play facilities, climbing walls and climbing centres, archery and shooting ranges, water and theme parks.
- entertainment venues such as theatres, concert halls, cinemas, museums and galleries, casinos, adult gaming centres and arcades, bingo halls, bowling alleys, concert halls, zoos and other animal attractions, botanical gardens.
- personal care facilities such as hair, beauty and nail salons, tattoo parlours, spas, massage.

UK borders remain open, however all travelers, aside from travel between UK and Ireland, are required to provide journey and contact details. Moreover, quarantine requirements were introduced by the end of July for travelling to the UK from certain countries. This also apply to UK citizens. See the full list of countries where quarantine rules do not apply [here](#).

Three-tier restriction system

In October 2020, the government introduced a new three-tier restriction system with increasing restrictions depending on the designated alert level. Below is a summary of the main rules that apply under the different tiers. The system is currently suspended.

Tier 1 (medium)

- The “rule of six” applies, meaning socialising in groups larger than six people is prohibited whether indoors or outdoors.
- Tradespeople can continue to go into a household for work and are not counted as being part of the six-person limit.
- Businesses and venues can continue to operate but pubs and restaurants must ensure customers only consume food and drink while seated, and close between 10pm and 5am.
- Takeaway food can continue to be sold after 10pm if ordered by phone or online.
- Schools and universities remain open.
- Places of worship remain open but people must not mingle in a group of more than six.

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- Weddings and funerals can go ahead with restrictions on the number of people who can attend (15 and 30 respectively).
- Exercise classes and organised sport can continue to take place outdoors, and – if the rule of six is followed – indoors.

Tier 2 (high)

- People are prohibited from socialising with anybody outside their household or support bubble in any indoor setting.
- Tradespeople can continue to go into a household for work.
- The rule of six continues to apply for socialising outdoors, for instance in a garden or public space like a park or beach.
- Businesses and venues can continue to operate but pubs and restaurants must ensure customers only consume food and drink while seated, and close between 10pm and 5am.
- Takeaway food can continue to be sold after 10pm if ordered online or by phone.
- Schools and universities remain open.
- Places of worship remain open but people must not mingle in a group of more than six.
- Weddings and funerals can go ahead with restrictions on the number of people who can attend (15 and 30 respectively).
- Exercise classes and organised sport can continue to take place outdoors but will only be permitted indoors if it is possible for people to avoid mixing with those they do not live with (or share a support bubble with), or for youth or disability sport.
- Travel is permitted to amenities that are open, for work or to access education, but people are advised to reduce the number of journeys where possible.

Tier 3 (very high)

- People are prohibited from socialising with anybody they do not live with, or have not formed a support bubble with, in any indoor setting, private garden or at most outdoor hospitality venues and ticketed events.
- Tradespeople can continue to go into a household for work.

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- The rule of six continues to apply to outdoor public spaces, such as parks, beaches, public gardens or sports venues.
- Pubs and bars are only permitted to remain open to operate as restaurants, in which case alcohol can only be served as part of a substantial meal.
- Schools and universities remain open.
- Places of worship remain open but household mixing is not permitted.
- Weddings and funerals can go ahead with restrictions on the number of people attending (15 and 30 respectively) but wedding receptions are not allowed.
- The rules for exercise classes and organised sport are the same as in tier 2. They can continue to take place outdoors but will only be permitted indoors if it is possible for people to avoid mixing with people they do not live with (or share a support bubble with), or for youth or disability sport. However, in Merseyside, gyms were ordered to close when it entered tier 3.
- Travelling outside a very high alert level area or entering a very high alert level area should be avoided other than for things such as work, education or youth services, to meet caring responsibilities or if travelling through as part of a longer journey.

UK Relief Measures

Extension of the Job Retention Scheme

The current furlough scheme, which had been due to end on 31 October, will be extended until December. All employees will continue to receive 80 percent of their salary (up to £2,500 per month) until 1 December. See [here](#) for more information on the Job Retention Scheme.

Lockdown Job Support Scheme

As the current Job Retention Scheme has been extended until December, the new Job Support Scheme will not take effect until 2 December 2020.

From 2 December, the new Job Support Scheme will take over from the previous job-retention scheme. The new scheme will pay people who cannot go to work because their business is closed under "very high" Tier Three coronavirus restrictions.

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The government will pay 67 percent of wages - up to a maximum of £2,100 a month - for each employee. Staff must be off work for a minimum of seven days to be eligible, and their employer doesn't have to pay towards their salary.

Eligibility: The scheme will run for six months starting from 1 November 2020. It will be open to all employers – not only the ones that have received support under the previous Job Retention Scheme. All SMEs will be eligible, but large businesses will be required to demonstrate that their business has been adversely affected by COVID-19.

Entitlement: Under the new Job Support Scheme, the company will pay employees for the hours worked. The cost of the hours not worked will be split between the employer, the government, and the employee. This means that employees will earn a minimum of 77% of their normal wage where the government contribution has not been capped. Employees will need to work a minimum of 33% of their usual hours and must not be on redundancy notice.

Calculations on government and business contributions

<i>Actual worked hours</i>	<i>Government contribution</i>	<i>Employer additional</i>	<i>Employer total contribution</i>	<i>Employee receives</i>
33%	22%	22%	55%	77%
40%	20%	20%	60%	80%
50%	16.67%	16.67%	66.67%	83.34%
60%	13.33%	13.33%	73.33%	86.67%
70%	10%	10%	80%	90%
80%	6.67%	6.67%	86.67%	93.34%
90%	3.33%	3.33%	93.33%	96.66%

Further information on the new Job Support Scheme are available [here](#) at the website of the Confederation of British Industry.

Government-backed and guaranteed loan facility

The government -backed and guaranteed loan facility of £330billion to support businesses. The financial support from the government will be delivered in two ways:

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- For larger businesses, Covid Corporate Financing Facility (CCFF) - a new lending facility backed by the Bank of England - will help support liquidity of larger firms, helping them bridge coronavirus disruption to their cash flows through purchase of short-term debt in the form of commercial paper.
- For SMEs, the Coronavirus Business Interruption Loan Scheme (CBILS) will offer loans of up to £5 million for SMEs who are experiencing lost or deferred revenues, leading to disruptions to their cash flow. It supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance. The scheme provides a lender with a Government-backed guarantee. A borrower always remains 100 percent liable for the debt. There will be no interest due for the first six months.
- Deferring VAT and Self-Assessment payments
- A Self-employment Income Support Scheme
- A Statutory Sick Pay relief package for small and medium sized businesses as well as a 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England
- Small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief
- Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000

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Trends and cases

A new [survey](#) on the business impact of coronavirus (COVID-19), covering the period 21 September to 4 October, found that across all industries:

- 83% of businesses had been trading for more than the last two weeks
- 2% of businesses had started trading within the last two weeks after a pause in trading
- 2% of businesses had paused trading but intend to restart in the next two weeks
- 11% of businesses had paused trading and do not intend to restart in the next two weeks
- 3% of businesses had permanently ceased trading. Of businesses that have not permanently stopped trading, 41% said they had less than six months' cash reserves and 4% said they had none. 35% said they had more than six months' cash reserves and 20% were not sure.

Table 2 shows the financial performance of businesses currently trading.

Table 2: Nearly half (48%) of currently trading businesses reported that their turnover had decreased below what is normally expected for this time of year

Percentage of businesses currently trading, 21 September 2020 to 4 October 2020, UK

	All Industries
Turnover has increased by more than 50%	<1%
Turnover has increased between 20% and 50%	3%
Turnover has increased by up to 20%	7%
Turnover has been unaffected	36%
Turnover has decreased by up to 20%	24%
Turnover has decreased between 20% and 50%	15%
Turnover has decreased by more than 50%	9%
Not sure	6%

Source: Office for National Statistics (ONS) – Business Impact of Coronavirus (COVID-19) Survey (BICS)