



# COVID-19 uncertainty: how long until a clearer view emerges?

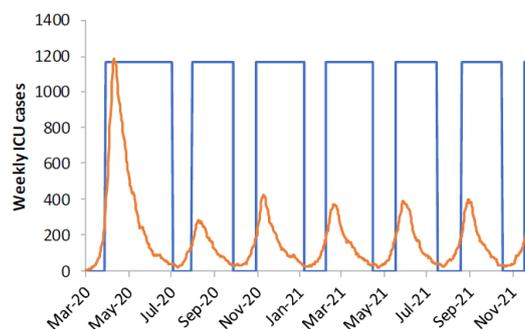
Pete Kelly, Managing Director

In a conversation with a colleague recently, he remarked that the violent stock market gyrations of recent days were probably worsened by the fact that there seems to be no clear reference point on which a plausible outlook can be based. How long will the lockdowns be needed? Which sectors will be impacted? How hard? It is therefore impossible for investors to know how to value anything. This sounds correct.

In the UK and the US, coronavirus response policy has recently switched towards much stronger efforts to prevent transmission: social distancing measures such as restaurant and bar closures, bans on mass gatherings, school and university closures, and so on. It has been widely reported that a study, from Imperial College London<sup>1</sup>, on the possible outcomes from different policy approaches to the pandemic has been highly influential in this change of course. The report makes for sobering reading. Had these two countries persisted in relatively mild controls, allowing partially slowed infection to take place on a mass scale, then their healthcare systems would have been overwhelmed with seriously ill patients requiring hospitalisation. Seriously ill patients would only account for only a small percentage of total cases, but this could still be a very large number indeed, far exceeding intensive care unit capacity. Those in strong need of such treatment, but for whom the healthcare system cannot deliver, would face a higher risk of death. Consequently, the US and UK responses now more closely resemble those in Continental Europe and some parts of Asia.

But, aside from its clear conclusions on how different sets of measures would have very different impacts on health, there was another striking assumption. If, as has been broadly agreed amongst various medical experts, a vaccine cannot be created for at least a year or 18 months, then the virus will remain within human populations, ready to re-emerge whenever strong control measures are relaxed. [Note: the authors of the report also ask an important question about what happens next in some locations where strict lockdowns have been successfully applied: "while experience in China and now South Korea show that suppression is possible in the short term, it remains to be seen whether it is possible long-term".]

The chart below shows how their model simulates this, for the UK. The ICU (intensive care unit) requirement rises exponentially during periods with no controls, and this is quickly brought under control whenever the strong measures are reintroduced. Such an approach allows for health systems to cope with the volume of seriously ill patients at given points in time, thus reducing the mortality rate among that group to its lowest level.



If there is no vaccine for some time then, in the meantime, this may well be the new normal for much of humanity. There would be periods of strong social controls and distancing, and then other periods when things look a lot more like our pre-COVID-19 history. It is not a particularly optimistic outlook, but it does offer a way for the business world to perhaps plan its own future. Find behaviours and methods that work best for each period of time and build in flexibility for the inevitable fine tuning of the approach. This – a way forward, of sorts – may be the reference point that many are searching for.

<sup>1</sup> <https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf>