

Impacts of COVID-19 on financial wellbeing

Money and Pensions Service evidence and insights
summary briefing

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- Younger people are more likely to work in shut-down sectors and more likely to have lost work. Younger people are also less financially secure going into the crisis. Education leavers will be particularly affected by the coming recession.
- Parents with dependent children are under greater financial pressure, particularly single parents and parents with young children
- Renters are more exposed to risk than homeowners
- Those who are self-employed, work variable hours, or in the gig economy are more likely to be affected financially
- Ethnic minorities are more economically vulnerable and more likely to be impacted
- The impact is concentrated on some sectors of the economy (e.g. accommodation, food) more than others
- Regional imbalances in the economic impacts of COVID-19

Macro-Economic Impacts

- The UK is headed for a recession, with economic activity expected not to recover until the second half of 2021
- Government borrowing has been significant and is likely to outstrip GDP at a time when GDP is also likely to see a significant annual decrease, fuelled by Q2, but is dependent on when lockdown and other social distancing measures are relaxed
- Unemployment is expected to rise sharply; 8 million workers have been furloughed; 2.3 million individuals have already made Universal Credit claims since lockdown began
- New jobs will be difficult to find, particularly in the near future
- A significant minority of businesses have temporarily closed or paused trading during lockdown, and business are coming under increasing pressure
- Overall, social distancing measures have restricted spending and increased saving while decreasing demand for consumer credit

Introduction

The coronavirus (COVID-19) pandemic is having a seismic impact on the UK economy and on people's financial wellbeing across the UK. The social distancing restrictions brought in to contain the virus have had profound implications for people's incomes, their ability to work, and how they manage their finances. With 11.5 million people (22% of all adults) in the UK having less than £100 in savings, 8.99 million (17%) over-indebted, and 9 million (17%) borrowing to pay for essentials because they have run out of money, many households were already in a precarious financial situation going into the current crisis and may really struggle to keep afloat.

The current crisis clearly presents a profound challenge to collective ambitions to improve the UK's financial wellbeing¹, and we need to understand COVID-19's impacts on the economy, the labour market, and on people's finances.

We have therefore collated and analysed the many research findings, insights and analyses available from think tanks, research institutes, academics, charities, polling agencies, government data, and other sources that are publicly available, to better understand how people's financial wellbeing is already being affected, and how it is likely to be affected as the crisis unfolds.

This briefing provides a summary of insights and research from over 100 secondary sources (published up until the 8th May) to help us understand the impacts on people's financial wellbeing. It focuses on the ways in which people's general financial wellbeing is being affected, the impacts specifically in terms of the UK Strategy's Agendas for Change and cross-cutting themes, the ways in which particular groups are already or are expected to be impacted disproportionately, and on the general macro-economic impacts which provide the wider context for all of this.

The insights and evidence collected here will help to inform our development of the UK Strategy, but we also hope this may be useful for other organisations and the broader financial wellbeing sector too, to help inform responses to the current crisis.

The time-sensitive nature of the research means that we should treat each piece of data as a snapshot in time, but this summary should be able to provide a timely overview of what some of the impacts and challenges have been so far for households across the country. We would like to thank all of the producers of research, analysis and data for their generosity in making this information available publicly so that it can be used widely for public good. Synthesis and interpretation of this data found in this summary are the authors' own.

¹ Money and Pensions Service, [UK Strategy for Financial Wellbeing](#), 2020

Current Financial Wellbeing

Concern over financial wellbeing and personal finances is high and those impacted financially also have lower general wellbeing.

- The ONS Opinions and Lifestyle Survey² saw nearly a quarter of people (23%) saying their household finances had been impacted by coronavirus and 63% reported feeling stressed or anxious.
- The ONS also found people who had already been impacted financially reported lower wellbeing³.
- In fieldwork conducted 20th - 22nd April, BVA BDRC⁴ reports 39% of people said they had been financially impacted to some extent, with 13% 'hit hard'.

Those impacted financially are struggling with redundancies, reduced working hours and pay, being furloughed, and concerns over job security

- Research shows that somewhere between a fifth and a quarter of adults have seen a reduction in income:
 - A tracker launched by Standard Life Foundation, conducted by YouGov⁵, found 11% of households were in serious financial difficulty with a further 17% struggling to make ends meet.
 - The ONS⁶ found 40% of adults said their work had been affected (6.2 million people) and in the period 3rd- 13th April 20% said they experienced a reduction in income.
 - Among the self-employed, 12% were already facing significant financial difficulties, with a further 12% certain they would according to a study by Ipsos MORI and KCL⁷.
- Similar proportions to those that have seen a reduction in income have been furloughed. An ONS survey⁸ of businesses still trading or temporarily paused found that 27% of the workforce had been furloughed. In the ONS Opinions and Lifestyle Survey⁹, 22% of those who said their work had been affected were furloughed.
- For those still in employment, the future seems uncertain. 18% of those affected experienced a decrease in their hours¹⁰ and Ipsos MORI¹¹ (19th-21st March) found 53% of workers rated the threat to their job or business as high or very high. Another study by the Universities of Oxford, Cambridge and Zurich¹² conducted on 25th March 33% expected to lost their job within four months.

About a fifth of adults are struggling to pay the bills (including essential ones). Larger proportions are worried about what might happen.

- Research suggests between 16-22% of adults are struggling to pay their bills:
 - Resolution Foundation¹³ research found 22% finding it difficult to pay their bills;

² ONS, [Coronavirus and the social impacts on Great Britain](#), 7th May 2020.

³ ONS, [Personal and economic well-being in Great Britain](#), 4th May 2020.

⁴ BVA BDRC, [Tracking Consumer Sentiment on the Impact of COVID-19](#), 24th April 2020.

⁵ Standard Life Foundation and YouGov, [Financial Wellbeing Tracker](#), 30th April 2020.

⁶ ONS, [Personal and economic well-being in Great Britain: May 2020](#), 4th May 2020

⁷ Ipsos MORI and KCL, [Life under lockdown](#), 22nd April 2020.

⁸ ONS, [Furloughing of workers across UK businesses: 23 March 2020 to 5 April 2020](#), 23rd April 2020.

⁹ ONS, [Coronavirus and the social impacts on Great Britain](#), 7th May 2020.

¹⁰ ONS, [Coronavirus and the social impacts on Great Britain](#), 7th May 2020.

¹¹ Ipsos MORI, [Britain's view of COVID-19 as 'high threat' to their business jumps 19 points in a week](#), 26th March 2020.

¹² University of Oxford; University of Cambridge; University of Zurich, [Research paper: Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK](#), 1st April 2020.

¹³ Resolution Foundation, [Spotlight - The economic effects of coronavirus](#), 17 April 2020

- The ONS reported 16% of adults in Great Britain have struggled to pay bills such as food and energy¹⁴ (based on data from 17th-27th April);
- Ipsos MORI and KCL¹⁵ found 22% of people reported they already couldn't afford essential items or housing costs, or thought they would be certain/very likely to during the crisis; and,
- The Standard Life Foundation tracker¹⁶ found 17% of households had missed payments on bills or credit commitments.
- Surveys suggest that much larger proportions are at risk of not being able to pay their bills in the future:
 - Citizens Advice¹⁷ (2nd-7th April) estimated over 13 million people had already been unable to pay or expected to be unable to pay, at least one bill;
 - In the Standard Life Foundation tracker¹⁸ 87% of households in serious difficulty said it was a struggle to pay for food and other daily necessities; and,
 - A survey by Universities of Oxford, Cambridge and Zurich¹⁹ on 25th March found there was a 49% chance of workers having problems paying their bills.
- 1.6 million mortgage payment holidays have been given to homeowners impacted by COVID-19²⁰ - this is one in seven mortgages in the UK, amounting to £755 per month of suspended payments on average.
- Data from UK Finance show as of 30th April, almost 700,000 credit card payment holidays had been granted, and almost 470,000 personal loan payment holidays, while over 27 million customer accounts had been offered three months' interest-free borrowing via arranged overdrafts up to £500.²¹
- The ONS also found 2.3 million people in Great Britain (20%) reported their pension value is being affected as a result of economic instability due to COVID-19²².

A lot of people are worried about what will happen to their finances in the longer-term and this is impacting big spending decisions.

- The ONS found²³ 41% of people expected their household's financial position get a little/ lot worse over the next 12 months.
- There are signs that the uncertainty is putting people off from making big financial decisions. According to the ONS²⁴, 46% thought it is the wrong time to make major purchases such as furniture or electrical goods.

¹⁴ ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5th May 2020.

¹⁵ Ipsos MORI and KCL, [Life under lockdown](#), 22nd April 2020.

¹⁶ Standard Life Foundation and YouGov, [Financial Wellbeing Tracker](#), 30th April 2020.

¹⁷ Citizens Advice/Opinium, [Millions face financial cliff edge when protections end](#), 1st May 2020.

¹⁸ Standard Life Foundation and YouGov, [Financial Wellbeing Tracker](#), 30th April 2020.

¹⁹ University of Oxford; University of Cambridge; University of Zurich, [Research paper: Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK](#), 1st April 2020.

²⁰ Building Societies Association, [Lenders grant 1.6 million payment holidays to mortgage holders](#), 28th April 2020.

²¹ UK Finance, [Lenders offer hundreds of thousands of customers payment holidays on credit cards and personal loans](#), 8 May 2020.

²² ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5th May 2020.

²³ ONS, [Coronavirus and the social impacts on Great Britain](#), 7th May 2020.

²⁴ ONS, [Coronavirus and the social impacts on Great Britain](#), 7th May 2020.

Impacts on UK Strategy Agendas for Change and themes

Nation of Savers: Impacts on saving behaviour

Adults are increasingly since March needing to use savings to cover living costs

Polling over March and April indicates that between one in six and three in ten people in the UK have had to dip into their savings already to pay for general living costs. For example:

- ONS data²⁵ (17th – 27th April) shows that of the 30% of all adults had needed to use savings to cover living costs and 16% were struggling to pay bills. 30% of all UK adults were also unable to save as usual.
 - These figures have been increasing recently (23% in fieldwork conducted between 9-20th April used savings to cover bills).
- Ipsos MORI polling²⁶ (27th-30th March) found 16% had accessed money from savings.
- BVA BDRC polling (9th April)²⁷ found 14% started using savings for day-to-day spending.
- Standard Life Foundation's²⁸ survey of 6,500 people in April found one in five households (21%) had used savings in the previous four weeks to make ends meet.

Across all households the saving ratio is likely to increase due to decreased spending during lockdown

While many households are having to eat into their savings, on average UK households' saving rate is rising, because the social distancing restrictions have limited consumption and spending opportunities.

- CEBR research²⁹ analysing spending patterns indicates there will be excess household savings of around £23 billion in total, due to decreased expenditure. Debit card spending during the first two weeks of the lockdown showed a 30% fall in average monthly household spending, meaning average household monthly savings could be £280 higher – even after accounting for a £515 fall in income on average.
- The Bank of England's Monetary Policy Report³⁰ also notes that in aggregate, the saving ratio is likely to rise sharply while social distancing measures are in place, with the drop in consumption outweighing the income drop experienced by a large proportion of households. The Bank's analysis of household money flows in March supports this, with net flows into bank deposits from households more than doubling, while borrowing fell.
- Research by the National Institute of Economic and Social Research³¹ forecasts (based on lockdown easing in mid-May, and economic activity resuming in the second half of 2020) the household saving ratio rising from around six per cent in 2019 to 17% in 2020, when spending opportunities are limited.

²⁵ ONS, [Coronavirus and the social impacts on Great Britain: 16 April 2020](#), 7 May 2020

²⁶ Ipsos MORI, [Coronavirus omnibus polling data](#), 7 April 2020

²⁷ BVA BDRC, [Tracking Consumer Sentiment on the Impact of COVID-19](#), 9 April 2020

²⁸ Standard Life Foundation, [Coronavirus Financial Impact Tracker: Key findings from a national survey](#), April 2020

²⁹ CEBR, [£23 billion in excess savings set to accumulate in Q2 as consumer spending declines](#), 24 April 2020

³⁰ Bank of England, [Monetary Policy Report May 2020](#), 7 May 2020

³¹ Lenoel, C & Young, G, [Prospects for the UK Economy](#), National Institute Economic Review Issue 252, 28 April 2020

- Ipsos MORI polling³² (27th-30th March) found 46% had already saved more money or spent less money overall (51% of those earning £25k-45k).
- Further Ipsos MORI³³ polling (17th-20th April) found almost two thirds (63%) of Britons had been spending less money overall due to the coronavirus outbreak, with 32% already having saved more and a further 21% considering saving more money.

There are indications the crisis is affecting savings mindsets

- ONS³⁴ data (17th-27th April 2020) show 10% thought it is the wrong time to save, while 39% thought they would be able to save some money in the next 12 months.
- In qualitative research by Britain Thinks³⁵ many participants reported the crisis would lead to them taking a different, more prudent approach with their personal finances in the future. Many also noted a change in mindset in response to the crisis, reporting they would engage in more prudent, risk-averse financial behaviour in the future than they have done in the past. Nearly all the participants said the crisis had caused them to realise the benefits of having a financial cushion to fall back on and given them greater motivation to save in the future.

Credit Counts: Impacts on credit use

Some households are using overdrafts, spending more on credit cards, and taking out loans

- Ipsos MORI polling³⁶ (17th-20th April) showed as a result of coronavirus:
 - 16% had accessed and 21% are considering accessing money from savings;
 - 12% had used overdraft and 11% were considering doing this;
 - 11% had spent more money than usual on a credit card, and nine per cent were considering it;
 - Nine per cent had borrowed from family/friends, with eight per cent considering it;
 - Five per cent had accessed new credit card, while seven per cent were considering doing so;
 - Six per cent had requested mortgage payments be temporarily stopped, with nine per cent considering it; and,
 - Four per cent had taken out personal loan from a bank, and eight per cent were considering it .
- Slightly smaller proportions (between 3-7%) of respondents to the Bank of England/ Ipsos MORI survey³⁷ reported that they had either applied for a loan, increased the balance on their credit card or increased their overdraft since February as a result of COVID-19.

The number of people borrowing money or using credit is slowly declining, as is the number of people struggling to pay their bills (e.g. food and energy).

- ONS data (30th April)³⁸ showed:
 - 9.5% of respondents surveyed between 9th-20th April had to borrow money or use credit. This is in comparison to 17.8% of respondents surveyed between 3rd-13th April.

³² Ipsos MORI, [Coronavirus omnibus polling data](#), 7 April 2020

³³ Ipsos MORI, [Britons spend less and prepare to save more as Coronavirus outbreak affects jobs and businesses](#), 27 April 2020

³⁴ ONS, [Coronavirus and the social impacts on GB](#), 7 May 2020

³⁵ Britain Thinks, Coronavirus Diaries: Week 4 report, 1 May 2020

³⁶ Ipsos MORI, [Britons spend less and prepare to save more as Coronavirus outbreak affects jobs and businesses](#), 27 April 2020

³⁷ Bank of England, [Monetary Policy Report](#), May 2020

³⁸ ONS, [Coronavirus and the social impacts on Great Britain:30 April 2020](#), 30 April 2020

- 12.9% of respondents surveyed between 9th-20th April said they were struggling to pay bills (for example food and energy). This is in comparison to 14.9% of respondents surveyed between 3rd-13th April.
- Subsequent ONS data (14th May)³⁹ show this trend continuing:
 - 8.8% of respondents surveyed between 24th April and 3rd May had to borrow money or use credit. This is in comparison to 16% of respondents surveyed between 17th-27th April.
 - 10.2% of respondents surveyed between 24th April and 3rd May said they were struggling to pay bills (for example food and energy). This is in comparison to 16% of respondents surveyed between 17th-27th April.

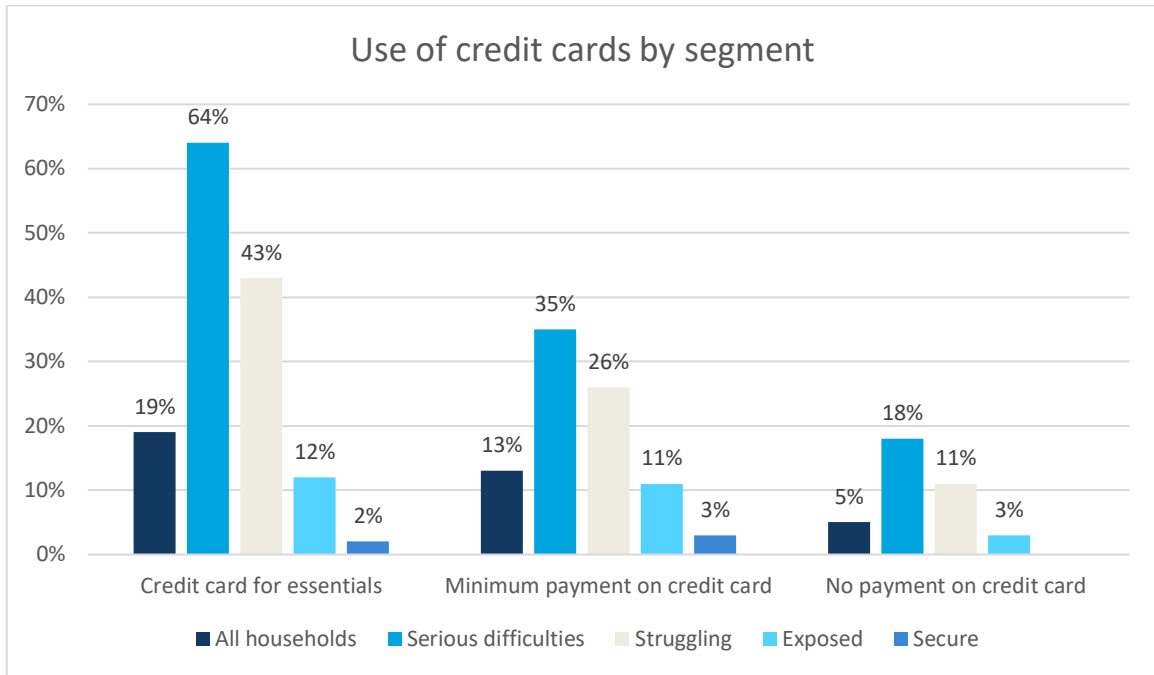
Fieldwork dates	Borrowing money or using credit	Struggling to pay bills
3-13 April	17.8%	14.9%
9-20 April	9.5%	12.9%
24 April-3 May	8.8%	10.2%

While some are struggling to make credit card repayments and missing payments on household bills, there is a segment of the population (11%/ 3.1 million households) that this is more likely to apply to. Few have reached out to creditors to reach an agreement, but the majority that did were successful.

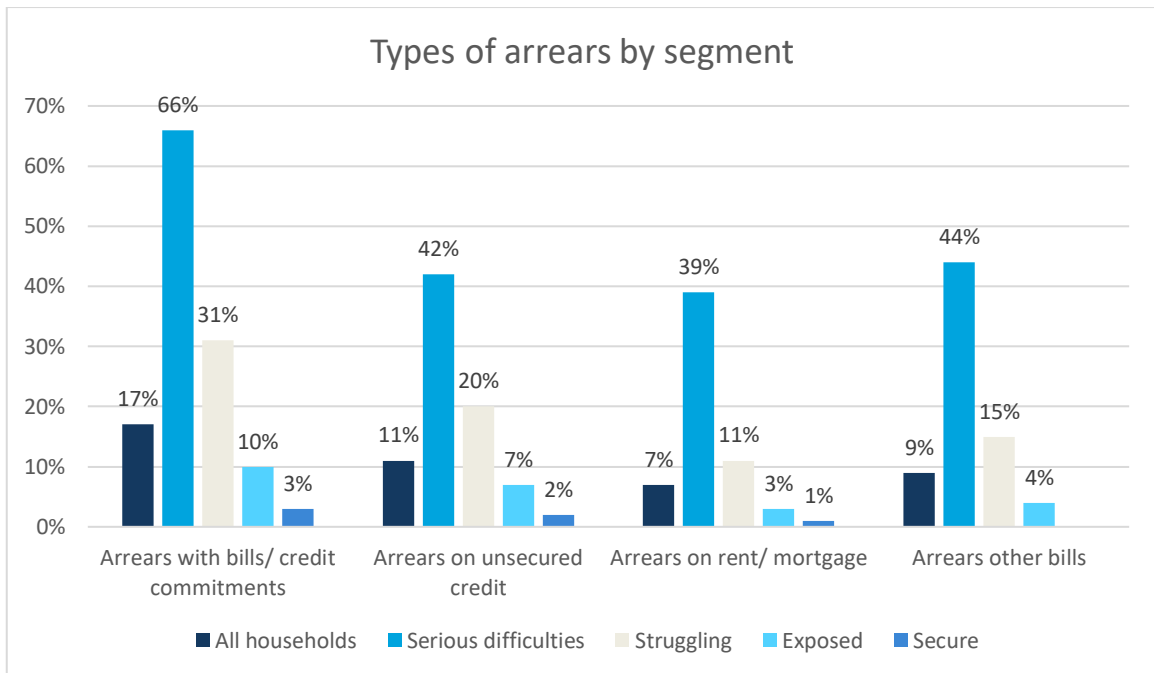
- Standard Life Foundation’s tracker (9th-15th April)⁴⁰ shows:
 - 19% of households in the UK had used a credit card, overdraft or borrowed money to buy food and other essentials over the past four weeks. However, this jumps to 64% of those in the ‘serious financial difficulty’ segment.
 - 13% of households with a credit card made the minimum payment on at least one card, but this is as many as 35% of those in serious financial difficulty, and 18% made no payment at all on at least one card.
 - 17% of households admitted to owing money in missed payments on household bills or credit commitments, but this rises to 66% within the segment in serious financial difficulty.
 - While the highest proportion of the segments that had contacted their creditors were those in ‘serious financial difficulty’ (33% compared to 8% of all), it is still only half of those who are in arrears. However, 63% of those who had had succeeded in reaching an agreement with at least one of their creditors and that far fewer (24%) had been turned down by any of them.

³⁹ ONS, [Coronavirus and the social impacts on Great Britain: 14 May 2020](#), 14 May 2020

⁴⁰ Standard Life Foundation, [Coronavirus Financial Impact Tracker](#), April 2020



- Only 17% of households reported to be in arrears, but this varies by segment and type of arrears. Most common was being in arrears on unsecured credit and car finance (11%), but this accounts for 42% of those in serious difficulty and 20% of those struggling.
 - While only 7% of households reported to be in rent or mortgage arrears, this worryingly rises to 39% of those in serious difficulties and 11% of those struggling.



Better Debt Advice: Impacts on debt

Around one in five are struggling to pay bills, but it is still too early to see this translating into higher demand for debt advice; however debt:income ratios are expected to rise

- As noted in the ‘[Current Financial Wellbeing](#)’ section, surveys consistently show around one in five people are struggling to pay bills, which is likely to translate into increased over-indebtedness. However, it is still too early at this stage to see indications of how this will affect demand for debt advice.
- According to the Standard Life Foundation Financial Impact Tracker⁴¹, 37% of the 3.1 million households in the ‘serious financial difficulties’ segment (11% of households in the population) had already sought advice and help from an agency in a position to help them, including Citizens Advice (17%), DWP (13%), and well under one per cent had contacted a fee-charging debt management company.
- The Bank of England’s Interim Financial Stability Report⁴² noted the ability of some households to service their debts will be challenged by the period of higher unemployment and weaker income growth as a result of COVID-19. The Bank estimates for a shock consistent with the scenario in its Monetary Policy Report, the share of households with high mortgage debt-servicing ratios (40% or above - a level above which households are more likely to experience payment difficulties) might double, from one per cent in 2019, to two per cent during 2020 Q2.
- The IFS⁴³ reports debt repayments are most likely to consume very high shares of income (over 30%) at the very bottom of the income distribution, but these households’ income may not be able to fall much further, whereas those on middle-incomes (who may experience significant income falls), are most likely to have high levels of debt repayments: almost one in four in the seventh income decile spend more than 10% of their income on debt repayments, and 12% of those in the fourth income decile spend over 20% of their income on debt repayments.

Future Focus: Impacts on pensions and retirement planning

The crisis has hit pension values; those in retirement may be most likely to see immediate reduction in income; those approaching retirement are somewhat protected as their pensions are less likely to be invested in equities

- ONS⁴⁴ data (17th-27th April 2020), indicate 13% of people reported their pension value had been affected by economic instability (the proportion was 12% over 9th-20th April)
- The IFS⁴⁵ reports between the beginning of January and the beginning of April, the FTSE all-share index fell by 30%, wiping out all the gains of the last eight years, and despite a slight recovery, by April they were still around 20% below their January level. This reduces the wealth of those with DC pension pots that are invested in equities. If prices do not recover by the time savers need to access their pension, those with DC pensions invested in equities will either need to make do with less in their retirements, delay retirement, or save more.

⁴¹ Standard Life Foundation, [Coronavirus Financial Impact Tracker](#), April 2020.

⁴² Bank of England, [Interim Financial Stability Report](#), 7 May 2020

⁴³ IFS, [Despite short-term relief, households could face debt problems as a result of the coronavirus \(COVID-19\) pandemic](#), 24 April 2020

⁴⁴ ONS, [Coronavirus and the social impacts on GB](#), 7 May 2020

⁴⁵ Institute for Fiscal Studies, [Observation: Coronavirus and defined contribution pensions: freedom means tough choices when times are hard](#), 30 April 2020

- MoneyFacts⁴⁶ data showed that average annuity income fell by six per cent in the first three months of 2020, its lowest level on record. The impact of the Coronavirus pandemic on the global stocks markets has also resulted in the average pension fund value falling by 15.2% during this period – its worst quarterly performance on record.
- Moneywise⁴⁷ reports only 11% of pension funds avoided losses in the first quarter of 2020, with the average pension fund value falling by 15.2% - the worst quarterly performance on record.
- Those already accessing their pension and continuing to withdraw from pension funds may see their pension value fall, and the IFS⁴⁸ calculates that even if equities' value increases again, if pensioners continue to withdraw every month, the value could never recover, even though equity values do (if their pensions are invested in equities).
- The Pensions Policy Institute⁴⁹ notes that although DC pension pot sizes have been impacted by market volatility, they have not been as severely affected as the stock market in general due to diversification and investment in less volatile assets. It notes people approaching retirement are somewhat protected as investments will have been shifted away from riskier equities towards more stable investments, although they may nonetheless be facing a reduced pension pot, and those who are able to will benefit from delaying accessing their pension to allow more time for its value to recover. It notes people already in retirement are at the greatest risk of experiencing an immediate reduction in retirement income.

Financial Foundations: Impacts on young people

Traditional access routes to financial education are blocked during lockdown and this might hit vulnerable children and young people the hardest

This Agenda for Change focuses on increasing the amount of meaningful financial education to children and young people. However, the access routes to this education are currently blocked (schools and training via parents and carers). Financial education is prioritized differently across the different nations, but with only 59% of secondary schools and colleges in England feeling like they have the necessary skills and knowledge to support pupils to develop financial skills⁵⁰, it is likely that schools are not prioritising it over core subjects on the curriculum. However, there is no published evidence to suggest what different players are currently doing to help children and young people learn about money, and what they plan to do once social distancing measures are reduced.

Of particular concern is the proportion of vulnerable CYP who are not taking up their places at school. The Department for Education reported that on Friday 17th April, around 5% of all children and young people classified as 'Children in Need', or who have an Education, Health and Care Plan are in attendance at school⁵¹. This could broaden the gap that already exists for vulnerable children⁵².

Additionally, we know there is already a link between parents' over-indebtedness and low financial capability for children and young people⁵³. The current crisis is likely to increase the numbers of over-indebted households, particularly for those with children and so we could see the knock-on effects for these children in the future if not addressed.

⁴⁶ MoneyFacts, [Average annuity income falls to lowest point on record](#), 29 April 2020

⁴⁷ Moneywise, [Nine in ten pension funds suffer losses and annuities hit record lows](#), 29 April 2020

⁴⁸ Institute for Fiscal Studies, [Observation: Coronavirus and defined contribution pensions: freedom means tough choices when times are hard](#), 30 April 2020

⁴⁹ Pensions Policy Institute, [The pensions implications of COVID-19](#). PPI Briefing Note Number 120, 30 April 2020

⁵⁰ Money Advice Service, [Financial education in secondary schools in England](#), November 2018.

⁵¹ Department for Education, [Coronavirus \(COVID-19\) attendance in educational and early years settings in England- summary of returns to 17 April 2020](#), 17 April 2020

⁵² Money Advice Service, [Children and Young People Financial Capability Deep Dive: Vulnerability](#), April 2018.

⁵³ Money Advice Service, [Children and Young People and Financial Capability: Needs Analysis](#), April 2018.

Mental health (and money)

Anxiety and low wellbeing have increased since the outbreak, and around a fifth of people report concerns around their mental health as a result of COVID-19

- ONS data⁵⁴ show an overall increase in anxiety: between 20th-30th March, almost half (49.6%) of people in Great Britain reported high anxiety; this was sharply elevated compared with the end of 2019 (21%), and equates to over 25 million people aged 16 years and over.
- ONS data⁵⁵ (17th-27th April) show over six in ten (63%) report feeling stressed or anxious, and 37% reported a high anxiety score (rating of 6+ on a 0-10 scale). Although it is not known how many people who said their wellbeing was affected had mental health issues prior to COVID-19, over three in ten (31%) of those who reported their wellbeing has been affected said it was making their mental health worse.
- Ipsos MORI polling⁵⁶ (26th-30th March) found one in five people (20%) reported worrying about their mental health, when asked about the impact of COVID-19 on their wellbeing⁵⁷, including 11% who were concerned about anxiety and seven per cent concerned about depression.
- Subsequent Ipsos MORI polling (10th-13th April)⁵⁸ confirms this picture, with again 20% reporting being concerned about mental illnesses such as depression and anxiety.
- Ipsos MORI⁵⁹ polling (1st-4th May) found almost six in ten (58%) of Britons said they were finding it harder to stay positive about the future compared with before the coronavirus outbreak, and over half (54%) were struggling to stay positive day-to-day. Three-quarters (73%) said they would feel more optimistic if they knew their income wouldn't be affected.

People who have been financially impacted report lower mental wellbeing

- ONS data⁶⁰ show people who had already been impacted financially were also reporting lower well-being, with people who have experienced a reduction in household finances because of the coronavirus reporting 16% higher anxiety on average.
- Similarly, the ONS⁶¹ has found people who thought they would not be able to save money in the next year reported anxiety 33% higher on average.
- Research by the Mental Health Foundation⁶² (24-26th April) indicates the link between work and finances and mental health, with a fifth (20%) of unemployed people surveyed reporting suicidal thoughts and feelings within the last two weeks, (more than double the rate among UK adults generally) and more than one in ten (11%) unemployed adults who had felt stress because of the pandemic also reporting they had not found anything to help them cope with it (again, double the UK average).

⁵⁴ ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5 May 2020

⁵⁵ ONS, [Coronavirus and the social impacts on Great Britain](#), 7 May 2020

⁵⁶ Ipsos MORI, [COVID-19 and Mental Wellbeing](#), 16 April 2020

⁵⁷ "Thinking about the current coronavirus (COVID-19) pandemic, what, if any, concerns do you have about the impact on your mental wellbeing?" (open ended)

⁵⁸ Ipsos MORI, [One month in: British public opinion on COVID-19](#), 28 April 2020

⁵⁹ Ipsos MORI, [6 in 10 Britons struggle to stay positive about the future, but this could be changed with a vaccine](#), 7 May

⁶⁰ ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5 May 2020

⁶¹ ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5 May 2020

⁶² Mental Health Foundation, [More than a third of UK adults in full-time work are worried about losing their jobs. \(Findings from the Mental Health Foundation Coronavirus Study\)](#), 6 May

Gender (and money)

Women may be at greater risk because they are over-represented in the sectors most affected by social distancing restrictions

- Centre for Economic Policy Research analysis⁶³ of how earnings of different type of workers are impacted by changes in GDP noted that although historically, female earnings have been less impacted by fluctuations in GDP (in part since they are more likely to work in sectors that are typically less exposed to such fluctuations), with COVID-19, many of the most-affected industries in the short-run (such as hospitality and travel) contain a high proportion of female workers, in contrast to previous downturns where male-dominated industries such as finance, construction and manufacturing bore the brunt. This means women may be more affected in the current crisis.
- The IFS⁶⁴ found women were about a third more likely to work in a sector that is now shut down than men: 17% female employees were in such sectors, compared to 13% male.
- Fawcett Society⁶⁵ polling (15th-21st April) found fears about debt were hitting women key workers harder than men, with 43% of all women working outside the home agreeing compared with 32% of men. Women who were still going outside to work were also more likely to more likely than men to say they had to continue going out to work because they could not afford to stay at home and were more anxious.
- However, some polls indicate higher level of economic concern among men: MIS Group UK polling⁶⁶ (17th April) found 36% of men have economic concerns, compared with 29% of women.
- Research also highlights women's relatively lower financial security going into the crisis – research conducted prior to the current crisis by the LSE's Centre for the Analysis of Social Exclusion⁶⁷ found male-headed households more likely to be financially secure compared to females.

Women are more anxious than men

- ONS data⁶⁸ show women reporting higher anxiety than men, with their average rating 24% higher over 3rd-13th April. One possible explanation for this discrepancy is that a greater proportion of women are economically inactive (24.3% compared with 15.8%, of men).
- Fawcett Society⁶⁹ polling (15th-21st April) found a third (36%) of women reported high levels of anxiety, compared with 27% of men. Mothers of young children were among the most anxious: nearly half (46%) of mothers of under-11s reported anxiety above a seven on a scale of 0-10, compared with 36% of fathers. This compares with 32% of women and 24% of men who were not parents of young children.

⁶³ Bell et al, [Prepare for large wage cuts if you are younger and work in a small firms](#): Centre for Economic Policy Research article, 6 April 2020

⁶⁴ IFS, [IFS briefing note: sector shutdowns - which workers are most exposed?](#), 6 April 2020

⁶⁵ Fawcett Society, [Press release: Parents are struggling to cope financially & women key workers are more anxious](#), 7 May

⁶⁶ MIS Group, [COVID-19 Survey tracker results](#), 20 April 2020

⁶⁷ Knight, A. & Rucci, M, [The financial resilience of households: 22 country study with new estimates, breakdowns by household characteristics and a review of policy options](#), 4 May 2020

⁶⁸ ONS, [Personal and Economic Wellbeing in Great Britain](#), May 2020, 5 May 2020

⁶⁹ Fawcett Society, [Press release: Parents are struggling to cope financially & women key workers are more anxious](#), 7 May

Impacts on particular groups

Low income households are at greater risk – they are more likely to work in shut-down sectors, less able to work from home, and because they spend a higher proportion of income on essentials, they have less capacity to absorb an income shock

- Low income workers are seven times more likely to work in shut-down sectors and these workers are 25% more likely to have no savings:
 - The IFS⁷⁰ reports low earners are seven times as likely as high earners to have worked in a sector that is now shut down: one in three employees in the bottom tenth of the earnings distribution work in shut down sectors versus just five per cent of those in the top decile.
 - The Resolution Foundation⁷¹ finds sectors already heavily affected have significantly lower typical weekly pay (£320), compared to the economy as a whole (£455). Those in the most at-risk sectors and occupations are also around 25% more likely than average to live in families with no savings at all.
- Lower income groups were less likely to have been able to their usual working hours and more likely to have lost their jobs since March:
 - PWC⁷² identified that 70% of those earning more than £50,000 a year had been able to keep working their usual hours in April, whereas only 40% of those earning less than £20,000 a year could do so.
 - Research by the Universities of Oxford, Cambridge and Zurich⁷³ (survey March 25th 2020) found 12% of low-income workers were unemployed because of COVID-19 compared to five per cent of higher earners.
 - CEBR⁷⁴ found the largest part of the projected unemployment increase in Q2 2020 is likely to be in the lower end of wage spectrum.
- Higher social grades are more likely to be able to work from home and their pay has been less affected:
 - BVA BDRC's tracker⁷⁵ found nearly half of those in the A and B social grades are now working from home and have faced no loss of income from the crisis compared to just 13% of C2DEs; whereas 42% of those in social grades E/D/C2 have seen pay reductions, compared to 37% of those in grades A and B.
 - The RSA⁷⁶ and IFS⁷⁷ similarly identify a strong link between low pay and inability to work from home.

⁷⁰ Institute for Fiscal Studies, [Briefing note: sector shutdowns - which workers are most exposed?](#), 6 April 2020

⁷¹ Resolution Foundation, [Briefing Note: Doing what it takes - Protecting firms and families from the economic impact of coronavirus](#), 19 March 2020

⁷² PWC, [UK Economic Update](#), 6 May 2020

⁷³ University of Oxford; University of Cambridge; University of Zurich, [Research paper: Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK](#), 1st April 2020

⁷⁴ Centre for Economic and Business Research, [UK households fall in cash for essential spending Q2](#), 20 April 2020

⁷⁵ BVA BDRC, [Tracking Consumer Sentiment on the Impact of COVID-19](#), 17 April 2020

⁷⁶ RSA, [Low pay, lack of homeworking: why workers are suffering during lockdown](#), 20 April 2020

⁷⁷ Institute for Fiscal Studies, [Getting people back into work: Briefing note](#), 4 May 2020

- Coupled with being more likely to have seen a loss of earnings, the IFS⁷⁸ finds low-income households spend higher proportion of disposable income on necessities (55% compared to 39% for higher-income households), so will tend to find it harder to weather income shocks.

Younger people are more likely to work in shut-down sectors and more likely to have lost work. Younger people are also less financially secure going into the crisis. Education leavers will be particularly affected by the coming recession.

Younger people aged under 25 are two and a half times more likely to work in shut-down sectors than employees aged 25 and over, as well as their earnings often being affected in recessions:

- The IFS⁷⁹ noted that on the eve of the crisis, employees aged under 25 were about 2.5 times as likely as other employees to work in a sector that is now shut down.
- The Resolution Foundation⁸⁰ found that 23% of working millennials are in shutdown sectors, compared to 16% of Generation X and 16% of Baby Boomers.
- Centre for Economic Policy Research⁸¹ analysis shows that a fall in GDP affects younger workers worse: for those under 35, on average, a 10% drop in nominal GDP corresponds with a 3.8% fall in real weekly earnings, compared to three per cent for those aged 45-55.
- Research in March by the Universities of Oxford, Cambridge and Zurich⁸² found younger workers were more likely to have worked fewer hours and earned less than usual in the past week; more likely to have lost their job in the last four weeks and attribute this to COVID-19; and in-work younger people were more likely to believe they would lose their job by August.

Younger people had lower financial security pre-crisis and spend a high proportion of their income (as high as 63% for under 35s) on essentials, including housing:

- LSE's Centre for the Analysis of Social Exclusion⁸³ found older household heads prior to the pandemic were more likely to have sufficient net assets to cover three months' gross income than younger household heads.
- The Intergenerational Foundation⁸⁴ notes young workers devote more income to spending on essentials, making it hard for them to cut back. Households under-35 devote an average of 63% of equivalised weekly income to essential goods and services, among which housing is the single largest cost.

Younger people are experiencing greater financial impacts and are two to three times more likely to have used forms of credit or accessed savings than the average:

- Ipsos MORI polling⁸⁵ (27-30 March) found those under 25 were more than twice as likely as all ages to have taken out a mortgage holiday, almost three times as all to have taken out a new credit card, and more than twice as likely to have taken out a personal loan. Those under 35 were more likely to have accessed savings, borrowed money from family/friends, and used an overdraft.

⁷⁸ Institute for Fiscal Studies, [IFS Briefing note: Household spending and coronavirus](#), 8 April 2020

⁷⁹ IFS, [IFS briefing note: sector shutdowns - which workers are most exposed?](#), 6 April, 2020

⁸⁰ Resolution Foundation, [Risky business Economic impacts of the coronavirus crisis on different groups of workers](#), 28th April 2020.

⁸¹ Bell et al, [Prepare for large wage cuts if you are younger and work in a small firms](#): Centre for Economic Policy Research article, 6 April 2020

⁸² University of Oxford; University of Cambridge; University of Zurich, [Research paper: Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK](#), 1st April 2020

⁸³ Knight, A. & Rucci, M, [The financial resilience of households: 22 country study with new estimates, breakdowns by household characteristics and a review of policy options](#), 4 May 2020

⁸⁴ Intergenerational Foundation, [Are young adults at risk of being made homeless by COVID-19?](#), 27 April

⁸⁵ Ipsos MORI, [Coronavirus omnibus polling data](#), 7 April 2020

- An Ipsos MORI and Kings College London survey⁸⁶ (1st-3rd April) found younger people reported finding it more difficult to cope financially: 42% of 16-24-year-olds were already finding it extremely difficult, or expected to in the next four weeks, compared to 15% on average across all ages. Harris Interactive polling⁸⁷ (6 April) similarly found younger people were more concerned about finances.

Education leavers will be affected long-term as they find it more difficult to find paid work and tend to be paid less compared to those entering the labour market in better economic conditions:

- Unlike in previous recessions, the most-affected sectors are those that attract a large proportion of those leaving education (particularly non-graduate leavers).⁸⁸
- IFS⁸⁹ analysis of the effects of entering the labour market during the previous three recessions compared to normal times shows the impacts on young people may be felt for years. The probability of being in paid work was seven per cent lower for young people a year after entering the labour market, and five years later they were still less likely to be in work. Those who did find a job were earning six per cent less after one year than normal cohorts.
- Resolution Foundation⁹⁰ analysis of the impact of the last recession shows people starting their careers in the midst of a downturn experience a reduction in real hourly pay of around six per cent one year after leaving education, and compared to people who left education in better economic conditions their wages do not recover for up to six years.

Parents with dependent children are under greater financial pressure, particularly single parents and parents with young children

- Fawcett Society⁹¹ polling (15th-21st April) found parents were twice as likely as those without children to say they would struggle to make ends meet in the next three months
 - 51% of parents of under-11s agreed they would struggle to make ends meet in the next three months, compared with 27% of non-parents. This increased to 56% for single parents.
 - Parents were more than twice as likely to say their household has nearly run out of money, and half (48%) of parents of young children said they were worried about how they would pay their rent or mortgage, compared with 20% of other respondents.
 - Over half (57%) of parents of young children expected to be in greater debt after the coronavirus crisis, compared to 24% of women and 27% of men without young children.

Renters are more exposed to risk than homeowners

- LSE's Centre for the Analysis of Social Exclusion⁹² found that prior to the crisis, those who own their homes outright in the UK have the highest proportions able to cover their income for three months.
- ONS data⁹³ show people who rent were more likely to have had their household finances and their jobs negatively impacted due to coronavirus (COVID-19), through reduced income, using savings to cover living costs, reduced working hours, and the inability to save for the future.
- The Resolution Foundation⁹⁴ finds renters (private and social sector) – who even prior to the crisis spent more of their incomes on housing costs than owners – are likely to be harder hit by the income shock. 79%

⁸⁶ Ipsos MORI and Kings' College London, [Life under lockdown](#), 3 April, 2020

⁸⁷ Harris Interactive, [Global COVID-19 Barometer UK FS headlines](#), 8 April 2020

⁸⁸ Resolution Foundation, [Class of 2020: Education leavers in the current crisis](#), May 2020.

⁸⁹ IFS, [A bad time to graduate](#), 17 April 2020

⁹⁰ Resolution Foundation, [Briefing: Growing Pains - the impact of leaving education in a recession on earnings and employment](#), May 2019

⁹¹ Fawcett Society, [Press release: Parents are struggling to cope financially & women key workers are more anxious](#), 7 May 2020

⁹² Knight, A. & Rucci, M, [The financial resilience of households: 22 country study with new estimates, breakdowns by household characteristics and a review of policy options](#), 4 May 2020

⁹³ ONS, [Personal and economic well-being in Great Britain](#), 4th May 2020.

⁹⁴ Resolution Foundation, [Housing Outlook Q2 2020](#), 9 April 2020

of social renters and 59% of private renters fell into the "all at risk" group (sectors directly affected by social distancing, unlikely to be able to work with schools closed, and unlikely to be able to work from home), compared to 50% of mortgage owners.

- University of Birmingham research⁹⁵ finds renters, especially social housing tenants, have been worst hit, with 4/5 social housing tenants work in sectors directly affected by the lockdown, unable to work from home, or with caring responsibilities for school-age children, compared to only half of homeowners.
- Shelter/YouGov survey of renters⁹⁶ (24th-27th March) found one in five private renters in England – (1.7 million adults) said they were likely to lose their job in the next three months because of the coronavirus crisis. Almost one in four renters (24%) had already seen their incomes fall, or lost their jobs, as a result of the pandemic.
- Opinium research⁹⁷ (14th April) found almost half (48%) of renters were worried about the stability of their living situation. Two fifths (43%) whose work has been impacted by the outbreak struggled to pay rent, bills or for other essentials.. One in ten either had to voluntarily leave their home, move in with friends or parents or request for their tenancy to end earlier due to the COVID-19 outbreak.

Those who are self-employed, work variable hours, or in the gig economy are more likely to be affected financially

- CEBR⁹⁸ research shows people with variable hours (four million workers on flexible/ zero hours contracts) expect to earn 59% of their usual income, and many self-employed people were unable to work and had to survive on savings, loans or benefits until the government Self Employment Income Support scheme started.
- Research by the Universities of Oxford, Cambridge and Zurich⁹⁹ (survey March 25th) found self-employed workers, those not paid a salary, and those with variable hours were more likely to work and earn less. 75% of the self-employed, 66% of temporary workers, and 66% of workers with variable schedules set by their employer earned less in the last week compared to 26% of permanent, salaried employees. Workers employed on less secure work arrangements were more likely to have lost their job in the last four weeks and attribute this to COVID-19.
- ONS data¹⁰⁰ show the self-employed were more likely to have had their household finances and their jobs negatively impacted due to coronavirus, through reduced income, using savings to cover living costs, reduced working hours, and the inability to save for the future.
- Polling (2nd-7th April) for Citizens Advice¹⁰¹ found 68% of people on zero-hours contracts had applied or expected to apply for benefits as a result of the coronavirus outbreak, compared to 20% of UK adults.

Ethnic minorities are more economically vulnerable and more likely to be impacted

- Research by the IFS¹⁰² has highlighted that many ethnic minorities are more economically vulnerable to the current crisis than are white ethnic groups:
 - Bangladeshi men are four times as likely as white British men to have jobs in shut-down industries, and Pakistani men are nearly three times as likely.

⁹⁵ University of Birmingham, [Poverty, household debt and COVID-19](#), 24 April 2020

⁹⁶ Shelter/YouGov, [Shelter press release: 1.7 million renters expect to lose their job in the next three months](#), 16 April 2020

⁹⁷ Opinium/The Guardian, [Impact of COVID-19 on Renters](#), 14 April 2020

⁹⁸ CEBR, [UK households fall in cash for essential spending Q2](#)

⁹⁹ University of Oxford; University of Cambridge; University of Zurich, [Research paper: Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK](#), 1st April 2020

¹⁰⁰ ONS, [Personal and economic well-being in Great Britain](#), 4th May 2020.

¹⁰¹ Citizens Advice, [One in five to need support from benefits system amid employment crisis](#), 21 April 2020

¹⁰² Institute for Fiscal Studies, [Are some ethnic groups more vulnerable to COVID-19 than others?](#), 1 May 2020

- Black African and black Caribbean men are both 50% more likely than white British men to work in shut-down sectors.
- Self-employment – where incomes may currently be especially uncertain – is especially prevalent amongst Pakistanis: Pakistani men are over 70% more likely to be self-employed than the white British majority.
- Bangladeshi, black Caribbeans and black Africans also have the most limited savings to provide a financial buffer if laid off, with around 30% living in households with enough to cover one month of income, compared to nearly 60% of the rest of the population.
- The potential for buffering incomes within the household depends on partners' employment rates, which are much lower for Pakistani and Bangladeshi women. As a result, 29% of Bangladeshi working-age men both work in a shut-down sector and have a partner who is not in paid work, compared with only one per cent of white British men.
- Business in the Community¹⁰³ notes research shows ethnic minority groups fared worse as a result of the 2008 recession than the white majority (experiencing higher unemployment, lower earnings, lower self-employment rates and higher housing costs) with far-reaching and long-lasting consequences: by 2010, BAME people were twice as likely as white groups to have no savings, with 60% of Black and Asian people in the UK having no savings at all.
 - BITC also notes research showing BAME millennials are 47% more likely to be on a zero hours contract, and 4.17% less likely to have a permanent contract than their white peer group.
- Runnymede¹⁰⁴ have noted people from ethnic minority groups are more likely to be in insecure employment or to become unemployed, and so less able to benefit from the government's coronavirus support measures that focus on full-time employees.

The impact is concentrated on some sectors of the economy (e.g. accommodation, food) more than others

- The ILO¹⁰⁵ identifies particular sectors facing a high risk of workforce displacement, including retail trade, accommodation and food services, and manufacturing. These sectors employ millions of often low-paid, low-skilled workers, particularly in the case of accommodation and food services and retail trade, and the economic risks will be felt particularly hard by workers in these sectors.
- The ONS survey of UK businesses¹⁰⁶ in April (6th-19th) showed the main sectors temporarily closing or pausing trading were in accommodation and food service activities (81%); the arts entertainment and recreation sector (80%). The accommodation and food service activities sector had the largest levels of workforce furloughed, at 73%.
- Resolution Foundation¹⁰⁷ analysis finds employees in the hospitality and retail sectors (the lowest-paying parts of the economy) are most likely (50% more than average) to be affected. 3.1 million employees (46%) in these sectors could be furloughed in Q2 2020, with an additional 800,000 becoming unemployed. Almost four in ten of all furloughed employees could be from these two sectors alone.
- Indeed job postings data¹⁰⁸ indicates the sectors most affected by a reduction in job postings: Beauty & wellness (where postings are down 77%), closely followed by hospitality & tourism (-76%) and food preparation and service (-75%).
- Research by the Institute for Social and Economic Research¹⁰⁹ using ONS Input-Output data quantifies the overall effects on the UK economy, and by sector, of different lockdown scenarios, finding the most badly

¹⁰³ Business in the Community, [Factsheet - ethnicity and the economic impact of COVID-19](#), April 2020

¹⁰⁴ Runnymede, [The Colour of Money How racial inequalities obstruct a fair and resilient economy](#), 30 April 2020

¹⁰⁵ International Labour Organization, [ILO Monitor](#), 7 April 2020

¹⁰⁶ ONS, [Coronavirus and the economic impacts on the UK](#), 7 May 2020

¹⁰⁷ Resolution Foundation, [Spotlight: Launching an economic lifeboat: The impact of the Coronavirus Job Retention Scheme](#), 20 April 2020

¹⁰⁸ Indeed, [Indeed job postings data](#), 14 April 2020

¹⁰⁹ ISER, [New analysis of the impact of lockdown on UK jobs](#), 18 April 2020

affected sector is Accommodation & Food Services (-75%), followed by Other Services (-50.2%) and retail, wholesale, and repair of motor vehicle (-47.6%), and transport and storage (-44%).

- Further analysis by the Institute for Social and Economic Research¹¹⁰ shows, based on three months' lockdown, the Accommodation & Food industry contracting by over 80%, Transport & storage by over 40%, and Manufacturing by almost 30%.

Regional imbalances in the economic impacts of COVID-19

- Centre for Progressive Policy analysis¹¹¹ (applying OBR figures to each local authority) finds the decline in economic output is estimated to reach close to 50% in parts of the Midlands and the North West in the second quarter of this year. In other parts of the country, the hit to the local economy may be half that. Nine of the top ten and 16 of the top 20 are in the Midlands or the North West.
- KMPG analysis¹¹² of ONS data to forecast regional growth in 2020 and 2021 finds the West Midland will be the worst affected region, with its economy contracting by just over 10%. The next worst affected is the East of England (-10%). London is expected to be the least affected region (-7%). The five worst affected regions forecast for 2020 are the West Midlands (-10.1%), East of England (-10%), East Midlands (-9.7%), North West (-9.5%) and South East (-9.2%).
- Analysis by the RSA¹¹³, based on the ONS data and local authority jobs profiles, finds Richmondshire, North Yorkshire will be most affected, with 35% of jobs vulnerable owing to its large hospitality and tourism sectors, with Eden in the Lake District and East Lindsey in Lincolnshire following. Coastal and rural areas dominate the top 20 most-affected areas.
- A PWC survey¹¹⁴ shows workers in the North East of England were most likely to have become unemployed or furloughed compared to other UK regions, followed by the South East and Wales. Workers in London were least likely to have been furloughed, but many had become unemployed or seen a reduction in their working hours.
- The IFS¹¹⁵ reports workers in London are considerably more able to work from home (58%) than the rest of the country (e.g. just 38% can work from home in the North East).

¹¹⁰ Richiardi, M., Bronka, P., & Collado, D., [The Economic Consequences of COVID-19 lock-down in the UK. An Input-Output Analysis Using Consensus Scenarios](#), 3 May 2020

¹¹¹ CPP, [Which local authorities face the biggest immediate economic hit?](#), 16 April 2020

¹¹² KMPG, [Chief Economist's note: Levelling-up and COVID-19](#), 22 April 2020

¹¹³ RSA, [One-in-three jobs in parts of Britain at risk due to COVID-19, local data reveals](#), 27 April 2020

¹¹⁴ PWC, [UK Economic Update](#), 6 May 2020

¹¹⁵ Institute for Fiscal Studies, [Getting people back into work: Briefing note](#), 4 May 2020

Macro-Economic Impacts

Different forecasters have looked at the impact on the wider economy of COVID-19. The critical assumption is the length of time social distancing remains in place (or whether it is reintroduced) determines how the economy, in the form of GDP and employment, respond. The most common scenarios that are modelled are based on social distancing remaining in place for:

- Three months, which involves GDP dropping steeply but then rebounding 9-12 months later (commonly described as a U shaped recession)
- Six months, which involves GDP dropping steeply for a longer period before rebounding 16-22 months later (commonly described as a bathtub shaped recession)
- 12 months, which involves GDP dropping steeply and remaining low for a prolonged period.

The impact of these different assumptions on GDP and unemployment are summarized in the table below:

Duration of lockdown	Q2 GDP fall (compared to Q1 2020)	Annual (YoY) GDP fall	Unemployment
3-months	30-35% fall	10-14% fall	5-10% increase (Q2)
6-months		20% fall	14.1% increase (Q3)
12-months		24% fall	20.8% increase (Q4)

As of yet, economic forecasts have not gone beyond this level of analysis to disaggregate further. There may be more details on this once we know more about how long social distancing and lockdown measures last and their impact on particular sectors.

The UK is headed for a recession, with economic activity expected not to recover until the second half of 2021

- Prior to lockdown (December 2019- February 2020), the Labour Force Survey¹¹⁶ estimated that the UK employment rate was at a record high of 76.6% (31.1 million people) and the unemployment rate was four per cent (1.36 million people), with the economic inactivity rate at a record low of 20.2% (8.37 million people). Since then, a number of models, forecasts and projections have been made to estimate what the likely macro-economic impact is for the UK.
- The Bank of England's¹¹⁷ illustrative scenario (based on social distancing measures and government support schemes remaining until early June, before being gradually unwound by the end of September) showed the economy shrinking 14% as a whole in 2020 – marginally worse than the 13% indicated by the OBR.
 - The Bank expects GDP to be close to 30% lower in 2020 Q2 than at the end of 2019. GDP is expected to have fallen by around 3% in 2020 Q1 and to fall by a further 25% in Q2, pushing the UK into a technical recession.
 - The Bank expects activity to pick up again in the latter part of 2020 and into 2021 after social distancing measures are relaxed, but it does not expect economic activity to reach its pre-crisis level until the second half of 2021.

¹¹⁶ ONS, [Employment in the UK: April 2020](#), 21st April 2020.

¹¹⁷ Bank of England, [Monetary Policy Report May 2020](#), 7 May 2020

Government borrowing has been significant and is likely to outstrip GDP at a time when GDP is also likely to see a significant annual decrease, fuelled by Q2, but is dependent on when lockdown and other social distancing measures are relaxed

- Government borrowing to fund the support schemes is expected to rise. The Resolution Foundation’s modelling saw debt rising to over 100% of GDP in each scenario (3/6/12 months of social distancing measures)¹¹⁸.
 - However, the proportion of government revenue paying debt interest falls below pre-outbreak forecast because of low interest rate environment – but an unexpected rise in inflation/ interest rates could increase burden of servicing government debt.
- The impact on GDP has also been modelled based on a few different scenarios. Most agree the impact will largely occur in Q2 2020, with the economy largely bouncing back by the fourth quarter, but this is mostly dependent on social distancing and lockdown measures ending or easing after three months. Overall, the GDP impacts are likely to be severe, but at least recoverable in the long-term. The table below summarizes some of the different estimates for GDP.

Organisation	Q2 GDP fall (compared to Q1 2020)	Annual (YoY) GDP fall
OBR (based on 3-month lockdown)	-35%	-13%
Resolution Foundation (based on 3 month, 6 month and 12 month lockdown scenarios)		-10%/-20%/-24%
EY (based on 3-month lockdown)	-13%	-10%
Bank of England (based on 3-month lockdown)	-30%	-14%

- Other research also highlights the significant economic effect of social distancing restrictions. For example:
 - PWC¹¹⁹ notes the Purchasing Managers’ Index (PMI) data for April suggested the COVID-19 outbreak has had a significant impact on business activity, such that PWC’s GDP growth estimates for 2020 in April ranged from around -5% to -10%, as compared to -3% to -7% previously.
 - National Institute of Economic and Social Research¹²⁰ found the measures to limit the spread of COVID-19 are causing a severe contraction in economic activity. If lockdown begins to be eased mid-May and assuming continuity of government support for the economy in the meantime, they forecast a GDP fall of seven per cent in 2020, with public sector borrowing rising above £200 billion in 2020–21, over £150 billion more than in the OBR’s forecast at budget time.

Unemployment is expected to rise sharply; 8 million workers have been furloughed; 2.3 million individuals have already made Universal Credit claims since lockdown began

- The impact of the social distancing restrictions on GDP also increases unemployment.
 - The OBR modelled the impact based on three months of lockdown and estimated that unemployment would rise to 10% in Q2¹²¹.

¹¹⁸ Resolution Foundation, [Doing more of what it takes - next steps in the economic response to coronavirus](#), 16th April 2020

¹¹⁹ PWC, [UK Economic Update](#), 29 April 2020

¹²⁰ Lenoel, C & Young, G, [Prospects for the UK Economy, National Institute Economic Review Issue 252](#), 28 April 2020

¹²¹ OBR, [Coronavirus Reference Scenario](#), 14th April 2020.

- The Resolution Foundation’s modelling for different scenarios gave a more modest forecast for a three-month lockdown (5.4%), but when modelling for a six-month and twelve-month lockdown the estimates were much higher (14.1% and 20.8% respectively)¹²².
- EY estimated that if lockdown measures end in May, unemployment could rise to 6.8% in Q3¹²³.

Organisation	3-month lockdown	6-month lockdown	12-month lockdown
OBR	10% (Q2)	n/a	n/a
Resolution Foundation	5.4% (Q2)	14.1% (Q3)	20.8% (Q4)
EY	6.8% (Q3)	n/a	n/a
Bank of England	9.0% (Q2)	n/a	n/a

- Some of the risks to employment levels might be offset by the Government’s furloughing scheme and the self-employment income support scheme.
 - Without government furlough scheme, the Centre for Economics and Business Research estimates that household costs shouldering the impact would have easily doubled but estimate a loss of £3.9 billion to disposable income¹²⁴.
 - The Resolution Foundation analysis of ONS data suggests as many as 11.7 million workers could be furloughed or unemployed in Q2¹²⁵.
 - The government also announced support through to self-employed through an 80% income support scheme, but around 151,000 self-employed people (three per cent of the five million self-employed) may not be eligible¹²⁶.
- The Bank of England’s¹²⁷ scenario sees unemployment rising sharply, from 4.6% in 2020 Q1 to 9.0% in 2020 Q2 (the highest rate since 1994), before falling again gradually, to return to pre-crisis levels by 2023.
 - Over half of employed respondents to a Bank/Ipsos MORI survey (24th-7th April) reported that they were employed but not currently working, or were working fewer hours, as a result of the pandemic (and the self-employed were most likely to be working fewer hours).
- Modelling by the Institute for Social and Economic Research¹²⁸ based on three months of lockdown, found almost one quarter of all UK jobs - more than seven million jobs - are at risk during lockdown.
- Research by the University of Birmingham¹²⁹ reports COVID-19 has resulted in an estimated 18% of the total workforce seeing their hours cut, being laid off or made redundant.
- As of 17th May, eight million workers had been furloughed from 986,000 employers, while two million claims were made to the Self Employment Income Support scheme.¹³⁰
- DWP data show from 1st March to the 12th of May, DWP received 2.8 million individual declarations to Universal Credit. The bulk of these (2.6 million) fell after 16th March when the lockdown came into effect.¹³¹

¹²² Resolution Foundation, [Doing more of what it takes - next steps in the economic response to coronavirus](#), 16th April 2020.

¹²³ EY, [EY Item Club Spring Forecast: UK economy headed for record contraction as coronavirus has heavy near-term impact](#), April 2020.

¹²⁴ CEBR, [UK households fall in cash for essential spending Q2](#), 20th April 2020.

¹²⁵ Resolution Foundation, [Spotlight: Launching an economic lifeboat. The impact of the Coronavirus Job Retention Scheme](#), 20th April 2020.

¹²⁶ ONS, [Coronavirus Round-up](#), 17th April 2020.

¹²⁷ Bank of England, [Monetary Policy Report May 2020](#), 7 May 2020

¹²⁸ Richiardi, M., Bronka, P., & Collado, D., [The Economic Consequences of COVID-19 lock-down in the UK. An Input-Output Analysis Using Consensus Scenarios](#), 3 May 2020

¹²⁹ University of Birmingham, [Poverty, household debt and COVID-19](#), April 2020, 24 April 2020

¹³⁰ HMRC, [HMRC coronavirus \(COVID-19\) statistics: HMRC data about the Coronavirus Job Retention Scheme and Self-Employment Support Scheme](#), 12th May 2020.

¹³¹ Department for Work and Pensions, [Universal Credit declarations \(claims\) and advances: management information](#) 19 May 2020

New jobs will be difficult to find, particularly in the near future

- For those looking for new jobs the outlook isn't good either.
 - KPMG reported that permanent placements and temporary billings both fell at the steepest rates since 2009 as firms cancelled or postponed plans to take on new staff¹³².
 - The job search website 'Indeed' reported that on the 10th April job postings were down 44% on the same time in 2019 and new job postings were down 70% compared with the same time last year¹³³.
 - A REC/KMPG survey¹³⁴ of around 400 UK recruitment and employment consultancies in April (7th-24th) found permanent staff appointments and temp billings fell at the sharpest rates since the survey began in October 1997, exceeding those seen even at the height of the global financial crisis. Permanent starting salaries also declined at the quickest rate since March 2009, while pay awarded to short-term staff dropped to the greatest extent since July 2009.

A significant minority of businesses have temporarily closed or paused trading during lockdown, and business are coming under increasing pressure

- In terms of the impact on businesses, the ONS reported 24% were temporarily closed or had paused trading between 23rd March and 5th April. This massively varies across industries, with 82% in arts, entertainment or recreation being closed or pausing trading, followed by 81% of hotels and restaurants. This is explored further in the later section on impacts on sub-groups. Cashflow is a significant concern for many businesses, with six in ten reporting to have less than three months' cash in reserve¹³⁵.
- ONS data¹³⁶ in April showed 58% businesses still in operation had decreased turnover, with one in four (24%) businesses continuing to trade reporting their turnover had decreased by more than half the normal level, in the period 6 April to 19 April 2020. Two thirds (66%) of responding businesses had applied for the government's Job Retention Scheme.
- A survey of 700 businesses by the British Chambers of Commerce¹³⁷ found by 24th April, 76% of firms had furloughed a portion of their staff.
- PWC¹³⁸ report more UK businesses are coming under significant financial pressure: an ONS survey of businesses (6th-19th April) showed 58% of businesses that were still in operation during this period indicated their turnover had decreased, with around a quarter of businesses still operating seeing a sales decline of over 50%.
- The IHS Markit/CIPS surveys¹³⁹ headline all-sector output index fell to an all-time low of 13.4 in April, down from 36.3 in March (prior to March, the previous low in the 22-year survey history was 37.5, reached in November 2008), and 79% of survey respondents reported a drop in business activity in April, almost double the record set in March (49%). 49% of business also reported a decline in payroll numbers during April.
- The CBI Quarterly SME Trends Survey¹⁴⁰ shows SME manufacturing output fell at the quickest pace in over a decade in the quarter to April, with over four out of five firms noting that the measures to contain the outbreak had a negative impact on their domestic output. 53% of firms had partially shutdown or closed UK production/activity, and 52% of firms had temporarily laid off staff, while 9% reported permanent layoffs.

¹³² KPMG and Recruitment and Employment Confederation, [Report on Jobs](#), 8th April 2020.

¹³³ Indeed, [Job postings data](#), 14th April 2020.

¹³⁴ REC/KPMG, [Report on Jobs: COVID-19 pandemic leads to record falls in recruitment activity](#), 7 May 2020

¹³⁵ British Chambers, [Coronavirus Business Impact Tracker](#), 22nd April 2020.

¹³⁶ ONS, [Coronavirus, the UK economy and society, faster indicators, 30 April 2020](#), 30 April 2020

¹³⁷ British Chambers of Commerce, [BCC Coronavirus Business Impact Tracker: Loan schemes still slow to help many cash-strapped firms – but furlough scheme preventing redundancies](#), 29 April 2020

¹³⁸ PWC, [UK Economic Update](#), 6 May 2020

¹³⁹ IHS Markit, [CIPS UK Services PMI](#), 5 May 2020

¹⁴⁰ Confederation of British Industry, [Press release: SME manufacturers see activity plunge sharply due to COVID-19 crisis](#), 5 May 2020

- CEBR's business distress tracker survey¹⁴¹ in May found one in ten British businesses reporting a high risk they would enter insolvency as a result of the coronavirus crisis, equating to more than half a million (591,000) businesses. The majority (51%) reported at least a small risk of going insolvent due to the crisis, equating to nearly three million firms. An estimated 257,000 UK businesses said they would not be able to survive another month of the lockdown conditions, while 1.1 million would not be able to survive three more months of lockdown.
- The ONS survey of UK businesses¹⁴² in April (6-19th) showed 77% were continuing to trade, and of those still trading, 58% reported decreased turnover, while 30% reported their performance had not been affected. 19% of the workforce had been furloughed during this period.

Overall, social distancing measures have restricted spending and increased saving while decreasing demand for consumer credit

- Consumer spending is being hit by social distancing restrictions.
 - Even based on the assumption that some lockdown measures will ease in May, EY identified 44% of consumer spending at risk of either being delayed or lost completely¹⁴³.
 - The Centre for Economics and Business Research¹⁴⁴ estimated that there will be a £3.9bn reduction in disposable income as a result of changes in the labour market but due to a reduction in ability to spend money on many activities, this equates to £23 billion in excess savings over a quarter.
- Data on consumer credit for March shows a net repayment of consumer credit:
 - Bank of England Money and Credit data shows¹⁴⁵ households repaid £3.8 billion of consumer credit, on net, in March, the largest net repayment since the series began (1993). Within this, credit cards accounted for £2.4 billion of net repayments and other loans and advances accounted for £1.5 billion.
 - The Bank of England's Monetary Policy Report¹⁴⁶ observes some households have needed to take on extra consumer credit as a result of COVID-19, but overall demand has fallen as social distancing measures have restricted spending. In aggregate, net consumer credit lending volumes fell sharply in March as repayments exceeded new gross lending, particularly for credit cards.

¹⁴¹ Centre for Economics and Business Research/Opinium, [Coronavirus emergency pushes more than half a million UK businesses to the brink of insolvency](#), 6 May 2020

¹⁴² ONS, [Coronavirus and the economic impacts on the UK](#), 7 May 2020

¹⁴³ EY, [EY Item Club Spring Forecast: UK economy headed for record contraction as coronavirus has heavy near-term impact](#), April 2020.

¹⁴⁴ CEBR, [UK households fall in cash for essential spending Q2](#), 20th April 2020.

¹⁴⁵ Bank of England, [Money and Credit - March 2020](#)

¹⁴⁶ Bank of England, [Monetary Policy Report](#), May 2020

