

# Cambridge City and South Cambridgeshire

## MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

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Week beginning 13 April 2020

Edition 02

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### SUMMARY

This briefing is intended to provide up-to-date information on the economic impacts and consequences of the Covid-19 virus and lockdown. It uses information and intelligence from a range of national and local sources of news, data and analysis. We welcome the input of additional local insights and data for inclusion in this report. If you have anything you would like to share please email: [glenn@mylocaleconomy.org](mailto:glenn@mylocaleconomy.org) with details.

**Covid-19**, or the Coronavirus is a highly infectious respiratory virus which, since the first incident in China in December 2019, has infected the populations of many countries around the world. In the UK (as of 15 April), there were more than 93,873 cases and 12,107 deaths. To date (15 April) Cambridgeshire has registered 399 cases of Covid-19, or 6.1 per 10,000 residents compared to the UK's rate of 14.1.

**The global economic outlook has worsened, with the IMF predicting a 3% contraction in economic output in 2020.** Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains – the IMF projects global growth in 2021 to rebound to 5.8 percent. The US has recorded 16 million new unemployment claims in the past three weeks, and the World Trade Organisation predicts a minimum of 13% contraction in world trade.

**The latest GDP figures show that the UK economy was struggling before the Covid-19 lockdown.** Latest ONS estimates show that the UK economy contracted by 0.1% in the three months to February, following an 0.1% rise in January and an 0.2% rise in December. Projections vary concerning 2020 GDP performance – from a contraction of 3% (a continuation of existing trends) to 13% (OBR). Cambridge and South Cambridgeshire are starting from a higher rate of growth, recording 5.2% and 3.4% annual GDP growth respectively in 2018, higher than the UK's growth rate of 1.4%.

**We are beginning to see industry impacts.** The collapse in advertising revenue has prompted Channel 4 to make £245m in savings, big cuts to programming budget, and furlough 100 staff. IT jobs in the UK fell by 17.4% in March 2020 compared to March 2019 according to one recruiter. Many airlines and housebuilders have furloughed staff.

**29% of businesses have reduced staff numbers in the short-term** (ONS survey 9-22 March). Industries that have reduced staff numbers the most include accommodation and food services sector; the administrative and support services sector; and the arts, entertainment and recreation.







**SMEs are struggling to access government support.** A British Chambers of Commerce Survey (08 April) suggests that only 1% of firms responding to its survey had secured a loan under the government's Coronavirus Business Interruption Loan Scheme (CBILS) while 7% had received one of the grants offered

by the Treasury for small businesses. On 12 April, HM Government admitted that just 1.4% of businesses that enquired about its coronavirus business interruption loan scheme (CBILS) have so far been successful. However – progress being made, as British banks have issued a total of 6,020 loans worth £1.1bn through CBILS in week ending 10 April. 21% of the 28,460 formal applications have now been approved.

**There has been a significant increase (1.2m) in new Universal Credit registrations.** There were 1.2 million new registrations for Universal Credit between 16 and 07 April March (21 days). If all registrations became claimants – this would represent a 95% increase in claimant unemployment. The Institute for Employment Studies has estimated that there have been between 1.5 and 2.0 million jobs lost due to the Coronavirus, with unemployment increasing to at least 2.5 million, or 7.5% of the workforce

**Firms and research institutes in Cambridge and South Cambridgeshire continue to help with the response to the Coronavirus.** It was recently announced that Astrazeneca is researching antibodies to target COVID-19. The Cambridge Institute for Therapeutic Immunology and Infectious Disease (CITIID) has developed a new test for infection with SARS-CoV2 that inactivates the virus at the point of sampling, and this is now being used to test and screen frontline NHS staff at a Addenbrookes hospital.

**Business continues,** with Cofinitive being shortlisted among the world’s elite PR agencies in the upcoming CIPR Excellence 2020 Awards. Cambridge Network’s series of recruitment events continues online, with the next one scheduled for 14 May.

	<p>1,996,681 confirmed cases of Covid-19 (John Hopkins University, 15 April 2020)</p>		<p>Travel restrictions apply in over 100 countries</p>
	<p>500,717 patients recovered 127,590 deaths (John Hopkins University, 15 April 2020)</p>		<p>Central banks have cut interest rates in over 50 countries</p>
	<p>93,873 cases 12,107 deaths (15 April 2020)</p>		<p>IMF: world economic output to contract by 3% in 2020 WTO: world trade will shrink by 13% in 2020 UK economy – heading for 3 to 13% contraction in 2020</p>

## GLOBAL TRENDS AND OUTLOOK

**The global economic outlook worsens, as the IMF predicts a 3% contraction in global economic output in 2020.** The IMF's April World Economic Outlook projects global growth in 2020 to fall to -3.0 percent - a downgrade of 6.3 percentage points from January 2020. Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains – the IMF projects global growth in 2021 to rebound to 5.8 percent.

**The indications are that France and Germany are in recession.** France's central bank is estimating that there was a contraction of 0.1% in Q4 2019, and a contraction of 6% in Q1 2020 – with the finance minister now predicting an 8% decrease in GDP for 2020. Germany's main economics institute has estimated that it is on course for a 1.9% contraction in Q1 2019, a Q2 contraction of 9.8% and an overall contraction of 4.2% for the year 2020. These are both countries with significant public intervention in the economy during the Covid-19 crisis.

**FIGURE 1: IMF WORLD ECONOMIC OUTLOOK, APRIL 2020**

### Latest World Economic Outlook Growth Projections

The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	2019	PROJECTIONS	
		2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-3.0</b>	<b>5.8</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-6.1</b>	<b>4.5</b>
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
<b>Emerging Markets and Developing Economies</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.6</b>
<b>Emerging and Developing Asia</b>	<b>5.5</b>	<b>1.0</b>	<b>8.5</b>
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
<b>Emerging and Developing Europe</b>	<b>2.1</b>	<b>-5.2</b>	<b>4.2</b>
Russia	1.3	-5.5	3.5
<b>Latin America and the Caribbean</b>	<b>0.1</b>	<b>-5.2</b>	<b>3.4</b>
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
<b>Middle East and Central Asia</b>	<b>1.2</b>	<b>-2.8</b>	<b>4.0</b>
Saudi Arabia	0.3	-2.3	2.9
<b>Sub-Saharan Africa</b>	<b>3.1</b>	<b>-1.6</b>	<b>4.1</b>
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
<b>Low-Income Developing Countries</b>	<b>5.1</b>	<b>0.4</b>	<b>5.6</b>

Source: IMF, World Economic Outlook, April 2020

INTERNATIONAL MONETARY FUND

IMF.org

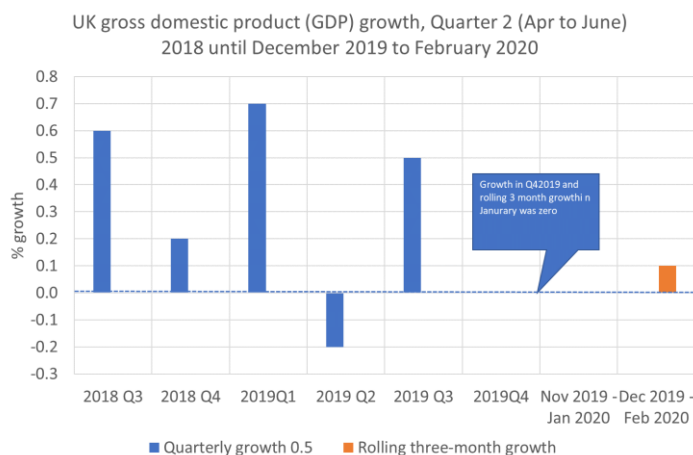
**The US has recorded 16 million new unemployment claims in the past three weeks, with the unemployment rate jumping from 3.5% to 13.5%.** In the past week there were 6.6 million claims (week ending 04 April March); compared to the previous week's 6.8 million claims (week ending 28 March); and the week before's 3.3m (week ending 21 March). Canada has also experienced a record-breaking one-million job cuts, pushing unemployment up to 7.8%.

**International trade is on course for severe contraction.** The World Trade Organisation has suggested that even the most optimistic scenario for 2020 is that trade will shrink by 13% – a bigger drop than in the 2008-09 recession caused by the banking crisis. The WTO further warned that there was the risk of a much gloomier outcome under which trade would decline by 32% – on a par with the reduction seen between 1929 and 1932.

## UK TRENDS AND OUTLOOK

**The latest GDP figures show that the UK economy was struggling before the Covid-19 lockdown.** Latest ONS estimates show that the UK economy contracted by 0.1% in the three months to February, following an 0.1% rise in January and an 0.2% rise in December. Most elements of the services sector grew, though manufacturing continued to decline. Construction saw a notable fall in February, as wet weather and flooding hampered housebuilding. This points to a quarter-on-quarter drop in GDP of 1.8% in Q1, followed by a huge decline of about 15% in Q2. The UK's economic performance very much depends on Covid-19 recovery plan and events.

**FIGURE 2: LATEST QUARTERLY ESTIMATES OF UK GDP, APRIL 2020**



Source: ONS

Projections vary concerning 2020 GDP performance:

- On current quarterly trends, the UK is on course for 3% contraction in 2020 – but very much depends on Covid-19 recovery plan and events
- OBR scenario: The UK economy could shrink by 12.8% in 2020, with unemployment spiking to 10%, with strong rebound of +17.9% in 2021
- IMF: 6.5% contraction in 2020, +4.0% rebound in 2021

The latest official figures for Cambridge and South Cambridgeshire showed 5.2% and 3.4% annual GDP growth respectively in 2018, higher than the UK's growth rate of 1.4%.

**British banks and other lenders have provided over 1.2 million mortgage payment holidays to households hit by the coronavirus outbreak** - according to industry group UK Finance. About one-in-nine households will have their mortgage payments and interest deferred for up to three months to help cope with loss of income during the crisis.

## IMPACT ON INDUSTRIES

We are beginning to see some industry impacts in terms of redundancies and staff furloughs. The collapse in advertising revenue has prompted Channel 4 to make £245m in savings, big cuts to programming budget, and furlough 100 staff. IT jobs in the UK dropped by 17.4% in March, compared to the same period in 2019 according to a new report from the independent job board CV-Library, which pinned the major drop on layoffs and recruitment freezes caused by the coronavirus outbreak. New candidate registrations on the CV-Library site have risen by 10 per cent year-on-year, even though job searches for new positions in the IT industry dropped by 6.7 percent. The IT and telecomms sector is an important industrial sector in Cambridge and South Cambridgeshire – accounting for 6,800 (6.4% of total) jobs in Cambridge City and 6,400 jobs (7.7%) in South Cambridgeshire (GB = 3.8%).



**Airlines furloughing staff or implementing redundancies.** British Airways furloughs 36,000 staff; Wizz Air makes 1,000 redundancies



**Collapse in advertising revenue prompts restructuring in TV and media industry**  
- Channel 4 to make £245m in savings, big cuts to programming budget, and furlough 100 staff



**Housebuilders beginning to furlough bulk of staff:** Barratt furloughs 4,000, Redrow 1,800, MJ Gleeson 450



**IT recruitment services reporting major reduction in advertised vacancies.** New candidate registrations on the CV-Library site have risen by 10 per cent year-on-year, even though job searches for new positions in the IT industry dropped by 6.7 percent

### The latest regional Purchasing Manager's Index results for March

suggest a rapid deterioration in business outlook for growth (**Figure 3**).

Business activity across the Greater South East and London has fallen below 50.0 – signalling a lack of new orders and new business. Employment intentions are below 50.0 – signalling job losses. Overall, the future outlook (**Figure 4**) is on a downward trend.

As detailed in **Figure 5**, the East of England is more exposed in the industrial sectors of: Machinery & Equipment, Electrical and Electronic, and Transport & communications.

**FIGURE 3: MARCH 2020 PURCHASING MANAGER'S INDEX FOR THE REGIONS**

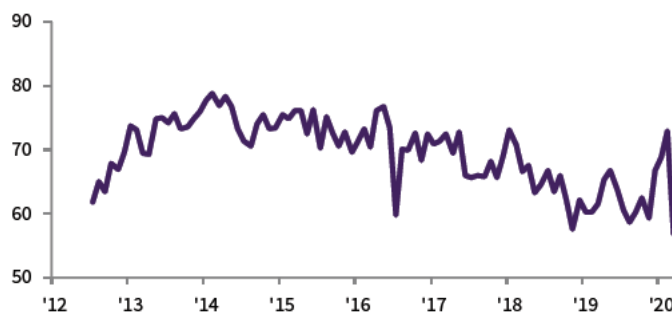
	Region	Feb 2020	March 2020	Monthly change
Business activity	London	56.0	31.5	-24.5
	SE	53.0	37.2	-15.8
	East	54.1	40.7	-13.4
Employment	London	52.9	41.7	-11.2
	SE	48.9	44.0	-4.9
	East	52.1	47.8	-4.3

Source: Natwest Regional PMI

**FIGURE 4: MARCH 2020 PURCHASING MANAGER'S INDEX FOR THE REGIONS - FUTURE BUSINESS ACTIVITY FOR THE EAST OF ENGLAND**

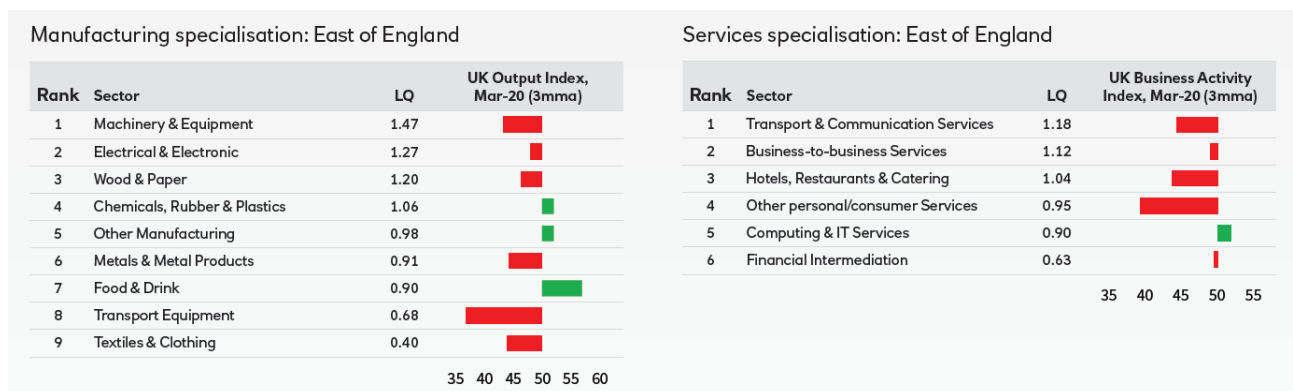
#### Future Business Activity Index

>50 = growth expected over next 12 months



Source: Natwest Regional PMI

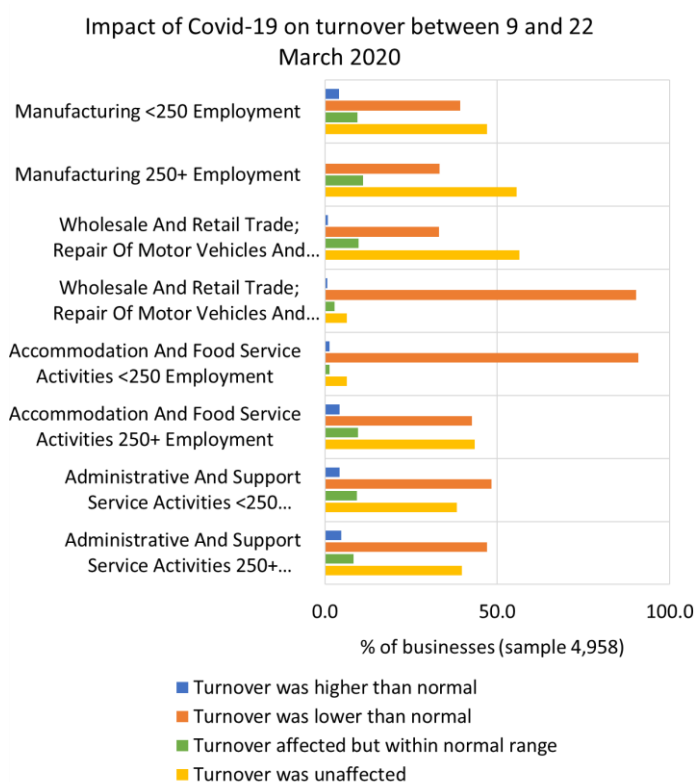
**FIGURE 5: MARCH 2020 PURCHASING MANAGER’S INDEX FOR THE REGIONS – OUTPUT AND BUSINESS ACTIVITIES FOR INDUSTRIES**



## BUSINESS IMPACTS

**29% of businesses have reduced staff numbers in the short-term** (ONS survey 9-22 March). Industries that have reduced staff numbers the most include accommodation and food services sector; the administrative and support services sector; and the arts, entertainment and recreation. 40% of businesses reported they were confident they could continue operating during the COVID-19 pandemic, 15% said they were not confident and 44% said they did not know. 47% of businesses reported that their turnover was lower than normal for the period (**Figure 6**). For accommodation and food service activities (regardless of employment size) over 90% of responding businesses reported that turnover was lower than normal for this period.

**FIGURE 6: ONS SURVEY RESULTS DETAILING IMPACTS OF COVID-19 ON TURNOVER**



Source: ONS

**SMEs are struggling to access government support.** A British Chambers of Commerce Survey (08 April) suggests that only 1% of firms responding to its survey had secured a loan under the government’s Coronavirus Business Interruption Loan Scheme (CBILS) while 7% had received one of the grants offered by the Treasury for small businesses. Many companies face little change in their dire cashflow problems, with 57% of firms having three months’ cash in reserve or less, and 6% reporting they had already run out of money. On 12 April, HM Government admitted that just 1.4% of businesses that enquired about its coronavirus business interruption loan scheme (CBILS) have so far been successful. However – progress

being made, as British banks have issued a total of 6,020 loans worth £1.1bn through CBILS in week ending 10 April. 21% of the 28,460 formal applications have now been approved.

## IMPACTS ON THE LABOUR MARKET

**Current rates of infection.** To date, Cambridgeshire has registered 399 cases of Covid-19, against the 93,873 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 15 April 2020, Cambridgeshire has had 6.1 Covid-19 cases per 10,000 residents compared to 14.1 for the UK.

**There has been a significant increase (1.2m) in new Universal Credit registrations.** There were 1.2 million new registrations for Universal Credit between 16 and 07 April March (21 days). The Institute for Employment Studies has estimated that there have been between 1.5 and 2.0 million jobs lost due to the Coronavirus, with unemployment increasing to at least 2.5 million, or 7.5% of the workforce. If all registrations became claimants – this would represent a 95% increase in claimant unemployment. The February 2020 claimant rate in Cambridge (1.6%) and South Cambridgeshire (1.1%) was lower than the UK rate of 3.0%. An increase in claimants by 95% between February and March, would see unemployment claimants rise from to 2,800 (3.1%) in Cambridge and 2,100 (2.2%) in South Cambridgeshire.

## COMPANY NEWS

**Cofinitive, the Cambridge-based PR & Marketing consultancy has been shortlisted among the world's elite PR agencies in the upcoming CIPR Excellence 2020 Awards.** The consultancy, which specialises in branding, strategy, marketing communication & engagement, has been shortlisted in the Small PR Consultancy of the Year category in recognition of the consistently high level of service it provides and achieves for its clients across all industries and sectors, locally, nationally and internationally.

**AstraZeneca is researching antibodies to target COVID-19.** Harnessing internal expertise and via new collaborations, the aim is to identify monoclonal antibodies that have the potential to recognise, bind to and neutralise the SARS-CoV-2 virus, to decrease the impact of COVID-19. More than 50 virology, protein engineering, clinical and bioprocess experts across BioPharmaceuticals R&D and Operations are working on this effort, using proprietary antibody discovery technology that was previously developed under an agreement with the US Defense Advanced Research Projects Agency (DARPA) as part of the Pandemic Preparedness Platform programme.

**Cambridge Network's popular series of recruitment events continues next month with an online Jobs Fair on 14th May.** With hundreds of vacancies still on the site, a dedicated page has been added for healthcare and supply chain areas who are facing an increase in demand caused by the pandemic.

**Cambridge researchers develop new coronavirus test for frontline NHS workers.** A new test for infection with SARS-CoV2 that inactivates the virus at the point of sampling, has been developed by a team of researchers at the Cambridge Institute for Therapeutic Immunology and Infectious Disease (CITIID). It is now being used to test and screen frontline NHS staff at a Cambridge hospital. Using a modified polymerase chain reaction (PCR) test, the CITIID team are able to diagnose infection in four hours, much faster than the current tests, which take over 24 hours to return a result. They are using the test on NHS healthcare workers at Addenbrooke's Hospital, part of Cambridge University Hospitals (CUH) NHS Trust, as well as on staff who have been asked to isolate due to potential contact with infected individuals but who may or may not be themselves infected.