

# Cambridge City and South Cambridgeshire

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

Week beginning 20 April 2020

Edition 03

### 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 21 April), there were 124,743 lab-confirmed cases and 16,509 hospital deaths. To date (21 April) Cambridgeshire has registered 550 cases of Covid-19, or 8.1 per 10,000 residents compared to the UK's rate of 18.8.

**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 22 million new unemployment claims in the past four weeks, pushing the unemployment rate from 3.5% to 16.0%, and the World Trade Organisation predicts a minimum of 13% contraction in World trade. With demand for oil and gas constrained, the US oil price dipped below zero as producers ran out of storage. On 20 April, the cost of a barrel of US oil for delivery in May slumped to minus \$40 per barrel and recovered overnight to \$1 per barrel on the morning of 21 April. This Reflects the lack of storage and that futures orders/contracts would have to take delivery.

**The consensus view is for the UK's economy to contract by 5.8% in 2020**, according to the HM Treasury average of new independent forecasts (16 April 2020). The unemployment rate is also projected to increase to 6.9%. Projections vary significantly between forecasters, and week-to-week, reflecting the uncertainties concerning the impact of the Coronavirus on the economy, the effect of the UK government response, and the timing and rate of recovery.







**25% of UK businesses have closed or paused trading and 75% continue to trade, according to the latest ONS Coronavirus Business Survey** (5,316 businesses surveyed 23 March -05 April). Of those businesses still trading: 21% of their workforce has already been furloughed. Of those businesses responding that were continuing trading, 38% reported their turnover was "substantially lower than normal" and 41% of businesses said they were reducing staff levels in the short-term. On the first day of the HMRC furlough scheme on 20 April, 140,000 employers made requests for over one-million employees.

**Perceptions of job security had plunged to their lowest on record, but this is yet to affect household finances.**

The household finance index (monthly survey of 1,500 adults in Great Britain conducted by Markit & Ipsos MORI) which measures overall perceptions of wellbeing, fell from 42.5 in March to 34.9 in April. On the plus side, there were no signs of immediate stress on household balance sheets in April, despite the marked deterioration in earnings and overall financial conditions.

**Data on higher education illustrates the potential risks for Cambridge in terms of overseas students and employment.**

Higher education accounts for 14.6% of total jobs in Cambridge City compared to the national average of 1.5%, the sector is 9.4 times more important as an employer than nationally. 35.2% of students at the University of Cambridge, and 14.5% of students at Anglia Ruskin University are from overseas, illustrating a significant degree of dependence on foreign students for enrolments and fee income. This may also have potential impacts on student spending in Cambridge.

	<p>2,480,749 confirmed cases of Covid-19 (John Hopkins University, 21 April 2020)</p>		<p>Travel restrictions apply in over 100 countries</p>
	<p>652,982 patients recovered 170,418 deaths (John Hopkins University, 21 April 2020)</p>		<p>Central banks have cut interest rates in over 50 countries</p>
	<p>124,743 lab-confirmed cases 16,509 hospital deaths (PHE, 21 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.** In its April edition of the IMF World Economic Outlook, the IMF has forecast a 3.0% contraction in global GDP in 2020, and a strong recovery of +5.8% in 2021. This compares starkly against the global economic contraction of 0.1% experienced in the Global Financial Crisis in 2009.

**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.

**The US has recorded 22 million new unemployment claims in the past four weeks, with the unemployment rate jumping from 3.5% to 16.0%.** In the past week (ending 10 April) there were 5.2 million new claims.

**The US oil price dipped below zero as producers ran out of storage.** On 20 April, the cost of a barrel of US oil for delivery in May slumped to minus \$40 per barrel and recovered overnight to \$1 per barrel on the morning of 21 April. This Reflects the lack of storage and that futures orders/contracts would have to take delivery. Instability in oil demand and supply is likely to have a knock on effect for global trade and security environment

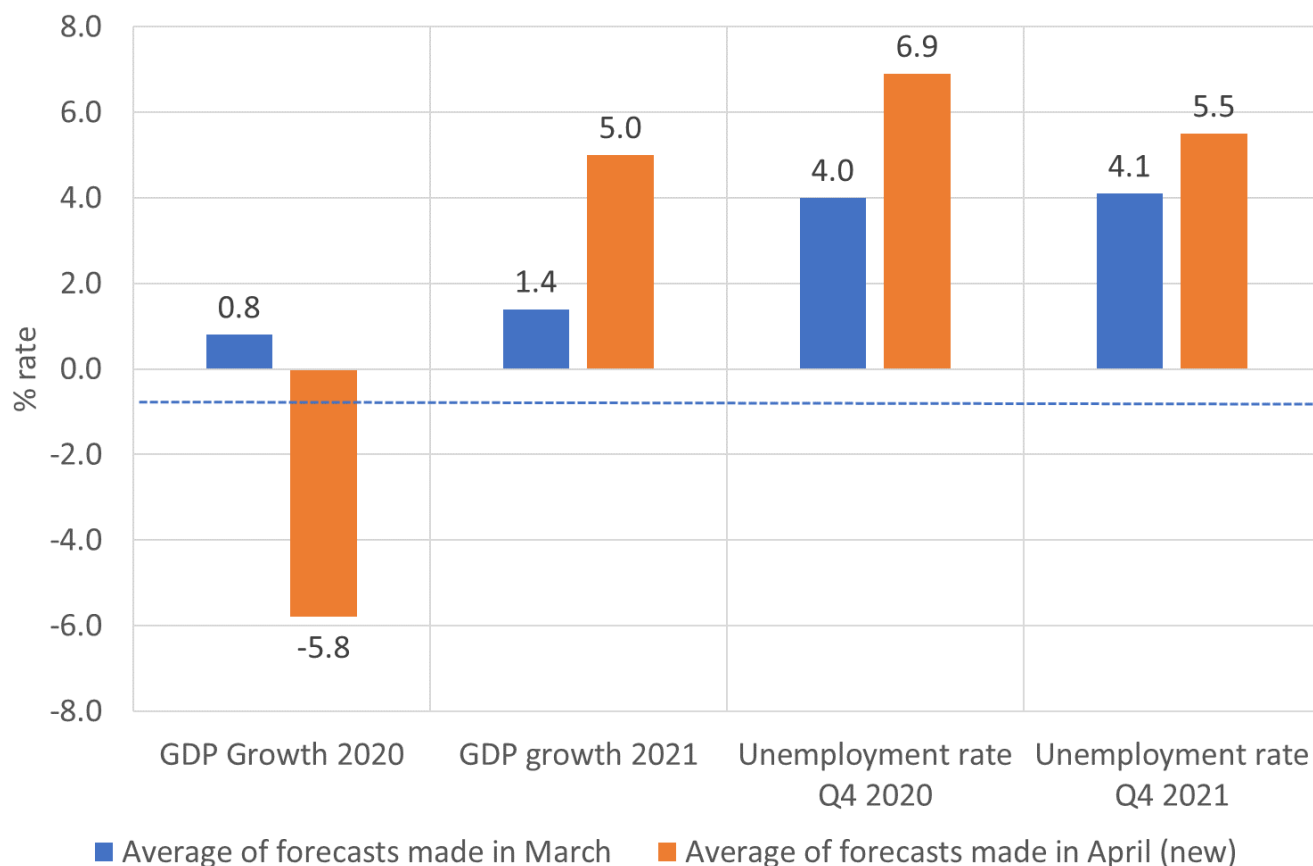
## UK TRENDS AND OUTLOOK

**The consensus view is for the UK's economy to contract by 5.8% in 2020, according to the HM Treasury average of new independent forecasts** (16 April 2020). The unemployment rate is also projected to increase to 6.9%. The average of new forecasts made in April, suggests a strong rebound, with a consensus GDP growth rate of 5.0% in 2021, and unemployment falling to 5.5%. This outlook is consistent with the IMF's view of a contraction of 6.5% in 2020 and growth of 4.0% in 2021. The onset of recession is compounded by the latest quarterly GDP figures released last week, which show that the UK economy was struggling before the Covid-19 lockdown – indicating that the 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. On recent trends, Cambridge and South Cambridgeshire's economy demonstrated stronger growth prior to the crisis, with an estimated 5.2% and 3.4% rate of annual GDP growth respectively in 2018, higher than the UK's growth rate of 1.4%.

**Projections vary concerning 2020 GDP performance**, reflecting the uncertainties concerning the impact of the Coronavirus on the economy, the effect of the UK government response, and the timing and rate of recovery.

- 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

**FIGURE 1: HM TREASURY AVERAGE OF NEW INDEPENDENT FORECASTS**



Source: HM Treasury

## BUSINESS IMPACTS

**25% of UK businesses have closed or paused trading and 75% continue to trade, according to the latest ONS Coronavirus Business Survey** (5,316 businesses surveyed 23 March -05 April). Of those businesses still trading: 21% of their workforce has already been furloughed. Of those businesses responding that were continuing trading, 38% reported their turnover was "substantially lower than normal" and 41% of businesses said they were reducing staff levels in the short-term. In the previous survey (9-22 March), these sectors were reducing staff numbers the most: accommodation and food services sector; the administrative and support services sector; and the arts, entertainment and recreation. In the previous survey (9-22 March), 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. With 3,800 jobs, Administration and support accounts for a much lower share of jobs in Cambridge City (3.6%) and South Cambridgeshire (2.5%) than nationally (5.6%). Conversely, with 9,900 jobs, Cambridge City employs a higher share (9.2%) in accommodation and food service activities compared to nationally (6.5%), whilst South Cambridge employs a lower share (3.9%, 3,200 jobs). Arts, entertainment and recreation account for 2.4% (2,600) of jobs in Cambridge City and 1.1% (900) of jobs South Cambridgeshire (1.1%) (GB=2.5%).

**On the first day (20 April) of the operation of the furlough scheme by HMRC, there had been requests from 140,000 employers for more than one-million employees.** Under the scheme, the government will cover 80% of workers' wages, up to £2,500 a month, if they are not working but kept on

their employers' payroll. The system can process up to 450,000 applications an hour. Employers should receive the money within six working days of making an application. HM Revenue & Customs has deployed 9,500 staff to deal with queries, including 5,000 on web chat.

## IMPACTS ON HOUSEHOLDS AND THE LABOUR MARKET

**Current rates of infection.** To date, Cambridgeshire has registered 530 cases of Covid-19, against the 124,473 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 8.1 Covid-19 cases per 10,000 residents compared to 18.8 for the UK.

**Labour market first release.** The latest labour market statistics up to the end of February were released on 20 April. Although the unemployment rate changed slightly (+0.1%), there was barely any change as this pre-dates the significant impacts of Coronavirus and the Lockdown. Claimant Count figures and rates for March barely shifted for Cambridge City and Cambridge (**Figure 2**). Subsequent releases on 19 May and 15 June should be more revealing in terms of labour market impacts.

**FIGURE 2: CLAIMANT UNEMPLOYMENT IN FEBRUARY AND MARCH 2020**

	Total claimant unemployed		Claimant unemployed rate (as % of adults aged 16-64)	
	February 2020	March 2020	February 2020	March 2020
Cambridge City	1,400	1,430	1.6	1.6
South Cambridgeshire	1,045	1,040	1.1	1.1
GB	1,225,855	1,245,270	3.0	3.1

Source: Office for National Statistics

**Perceptions of job security had plunged to their lowest on record, but this is yet to affect household finances.** The household finance index (monthly survey of 1,500 adults in Great Britain conducted by Markit & Ipsos MORI) which measures overall perceptions of wellbeing, fell from 42.5 in March to 34.9 in April. The respective index fell by just over 16 points, indicating an unprecedented speed of decline in workplace activity. Those employed in media, culture or entertainment sectors recorded the strongest drop in activity. On the plus side, there were no signs of immediate stress on household balance sheets in April, despite the marked deterioration in earnings and overall financial conditions. Debt levels held broadly stable when compared to March, while unsecured lending requirements rose at a rate that was below its long-run average as households dipped into savings.

## COMPANY NEWS

**Queens Award for Enterprise** made to South Cambridgeshire-based firm Sphere Fluidics, and Cambridge-based Adder Technology.

**Taylor Wessing, the International Law Firm based in Cambridge,** has advised the UK Government on the establishment of its new £500m 'Future Fund' to support start-up technology and life sciences companies.

**Cambridge Network's Executive Director, Claire Ruskin,** has been asked to help the Centre for the Protection of National Infrastructure (CPNI) find the companies that are 'forming the UK's diagnostic industry' in the context of COVID-19.

**In response to the COVID-19 pandemic, a team at the University of Cambridge has designed an open-source ventilator** in partnership with local clinicians, engineers and manufacturers across Africa that is focused to address the specific needs for treating COVID-19 patients and is a fully functioning system for use after the pandemic. Built primarily for use in low- and middle-income countries, the OVSI ventilator can be cheaply and quickly manufactured from readily available components. Current ventilators are expensive and difficult to fix, but an open-source design will allow users to adapt and fix the ventilators according to their needs and, by using readily available components, the machines can be built quickly across Africa in large numbers. The cost per device is estimated to be around one-tenth of currently available commercial systems.

**London Stansted Airport brings forward runway resurfacing work.** While the airport remains open for business with a limited number of commercial flights still operating, as well as a busy cargo operation that continues to bring vital supplies into the UK, the current reduction in flights has enabled the engineering and airfield operational teams to close the runway during part of the day. This change creates an extended period of time for specialist contractors to safely access the runway and makes it easier to carry out technical work in daylight hours rather than at night. At the same time, 3,600 airfield lights are being upgraded with energy efficient, high performance LED lamps which will reduce power output from airfield lights by around 70%, helping drive down operating costs and cutting emissions.

**Mologic Ltd, a leading developer of lateral flow and rapid diagnostic technologies, today announced that it will begin manufacturing its laboratory diagnostic test for COVID-19.** Following successful independent validation by the Liverpool School of Tropical Medicine and St George's, University of London, the test has also been submitted to Public Health England for formal validation. Mologic has entered into a Material Transfer Agreement with Omega Diagnostics Ltd and Omega will immediately start manufacture of Mologic's first-generation ELISA diagnostic tests. The laboratory-based ELISA diagnostic test is expected to produce up to 46,000 results per day, potentially contributing a significant portion of the UK government's planned 100,000 tests per day.

## HIGHER EDUCATION SECTOR

There is significant press coverage of the risks to the UK higher education sector from Covid-19, the lockdown and future barriers to international travel. In particular, there are fears that international students will not return to the UK, nor attend in September/October to begin courses. Universities UK, the body that represents British higher education, has warned of a potential drop in income in the coming academic year of £7bn — a third of all tuition fees — from international students. It also called for £2bn in extra government support for research. The trend will be compounded by domestic demographic pressures. In both the US and the UK, the number of people in their late teenage years preparing to enter university is currently in decline. For those in lower income families, fresh economic hardship could potentially reverse recent progress in improving access to higher education. According to **Figure 3**, Cambridge City supports 15,500 jobs in Higher Education and South Cambridgeshire supports 300 jobs. Higher education accounts for 14.6% of total jobs in Cambridge City compared to the national average of 1.5%, the sector is 9.4 times more important as an employer than nationally.

**As Figure 4** details, 35.2% of students at the University of Cambridge, and 14.5% of students at Anglia Ruskin University are from overseas, illustrating a significant degree of dependence on foreign students for enrolments and fee income. This will also have potential impacts on student spending in Cambridge.

**FIGURE 3: EMPLOYMENT (IN WORKPLACES BASED IN EACH AREA) IN THE EDUCATION SECTOR IN 2018**

	Cambridge	South Cambridgeshire	Cambridgeshire County	Great Britain
<b>Total employment</b>				
School and pre-school education	4,900	4,300	19,800	1,681,500
Post secondary non-tertiary	1,100	0	1,300	37,500
Higher education	15,500	300	15,500	459,000
Sports and recreation	100	100	300	24,000
Other education	2,400	1,000	4,100	228,000
Educational support	500	0	700	26,500
<b>Share of total employment</b>				
School and pre-school education	4.6%	5.2%	6.0%	5.7%
Post secondary non-tertiary	1.0%	0.0%	0.4%	0.1%
Higher education	14.6%	0.4%	4.7%	1.5%
Sports and recreation	0.1%	0.1%	0.1%	0.1%
Other education	2.3%	1.2%	1.2%	0.8%
Educational support	0.5%	0.0%	0.2%	0.1%
<b>Location quotients</b>				
School and pre-school education	0.8	0.9	1.1	1.0
Post secondary non-tertiary	8.2	0.0	3.1	1.0
Higher education	9.4	0.2	3.0	1.0
Sports and recreation	1.2	1.5	1.1	1.0
Other education	2.9	1.6	1.6	1.0
Educational support	5.3	0.0	2.4	1.0

Source: Business Register and Employment Survey, ONS.

**FIGURE 4: AREA OF DOMICILE OF HIGHER EDUCATION STUDENTS BY INSTITUTION IN 2018/19**

<b>Domicile of students</b>	Anglia Ruskin University	The University of Cambridge	Total (all UK HE institutions)
England	20,700	12,730	1,556,245
Scotland	75	305	173,295
Wales	80	305	100,995
Northern Ireland	75	190	63,535
Other UK	15	15	4,135
Total UK	20,950	13,545	1,898,205
Other European Union	1,555	2,625	143,025
Non-European Union	1,985	4,720	342,620
Total Non-UK	3,540	7,350	485,645
Total Students (all domiciles)	24,490	20,890	2,383,970
% of students that are non-UK domiciled	14.5%	35.2%	20.4%

Source: Higher Education Statistics Agency.