

Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 18 May 2020

Edition 07

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 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. To date (20 May), Cambridge has registered 221 cases of Covid-19, and South Cambridgeshire 205 cases. Cambridgeshire has registered 1,077 cases of Covid-19, against the 248,293 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 20 May 2020, Cambridge has had 17.6 cases per 10,000 residents, South Cambridgeshire 13.0, and Cambridgeshire 16.5 compared to 37.4 for the UK.

Latest indicators suggest economy still contracting, with rate of decline slowing. The latest Purchasing Managers Index 'Flash' results for May suggest that the UK economy is still contracting, but the rate of decline has slowed down – this is reflected in the Eurozone, French and German PMIs also. HM Treasury's latest summary of independent forecasts suggests contraction of 8.6% in the economy in 2020, followed by an increase of 6.2% in 2021. The rate of unemployment is also predicted to rise to 7.5% in 2020. PMI survey results, analysis and feedback suggests that the UK looks set to see a frustratingly slow recovery, given the likely slower pace of opening up the economy relative to other countries which have seen fewer COVID-19 cases.

US unemployment continues to grow, although the rate of increase has slowed. The contrast between the US and UK unemployment rates reflects that fact that US assistance has focused on the out-of-work, whereas UK assistance has tried to incentivise employee retention.

79% of UK businesses surveyed continued to trade between 20 April and 03 May. 6% of these businesses has restarted during this period. Of businesses continuing to trade, 61% reported a decrease in turnover compared to normal expectations at this time of year. The accommodation and food services activities sector had the largest proportion of the workforce furloughed across businesses who have not permanently stopped trading, at 78%. Of all businesses who have not permanently stopped trading, 4% reported they had no cash reserves at all.

UK Labour Market Outlook is deteriorating rapidly. There has been a rapid increase in unemployment, with a rapid loss of jobs and working hours. The number of vacancies posted by employers has fallen even more sharply than in the aftermath of the 2008 financial crisis, even on a quarterly basis. Total employment fell by 457,000 in one month – from March to April.

More than one-fifth of UK employers plan to make redundancies over the next three months, with entry level jobs reduced by 23% this year. Hiring intentions at their lowest level in at least 15 years, with more than a quarter of private sector employers planning to cut staffing levels over the three months to July.

The Claimant Counts in Cambridge and South Cambridgeshire increased sharply in April 2020. In April 2020, there were 2,180 Jobseeker's Allowance and Universal Credit 'searching for work' conditionality claimants in Cambridge and 1,930 claimants in South Cambridgeshire. Compared to March 2020, the number of claimants increased by 53% in Cambridge and by 86% in South Cambridgeshire. The rate of increase was below the UK average (+67%) in Cambridge but much higher than average in South Cambridgeshire.

GLOBAL TRENDS AND OUTLOOK

The Eurozone economy experienced 3.8% contraction in Q1 2020. This reflects the official confirmation of countries such as France, Germany and Spain are in recession. However, recent 'Flash PMI' indicators (early estimates of monthly PMI survey results) suggest that the downturn may be bottoming out. The rate of decline in output and activity has slowed in the Eurozone and in France and Germany.

FIGURE 1: EUROZONE FLASH PMI (MAY)

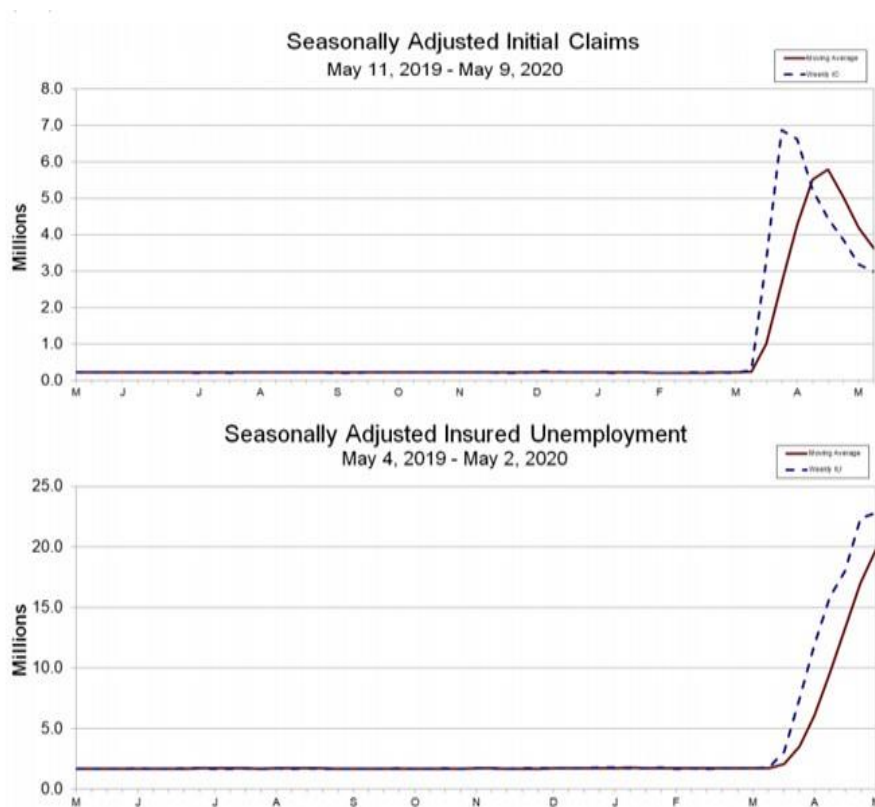
IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

1 in 5 American workers are now unemployed. The US has had 36.4 million new unemployment claims in the past 8 weeks – approaching unemployment rate of 16% as another 2.9 million filed for unemployment in the last week. The US Labor Department also reports that 22.8 million people filed 'continued claims' (meaning they've been receiving help for more than one week) over the past 8 weeks. This more than Wipes out decade of (+23m) jobs growth 2010-2020. Significant regional imbalances are emerging - in some states claims have been one-third of total employment (Michigan, Kentucky, Rhode Island).

FIGURE 2: INITIAL UNEMPLOYMENT CLAIMS AND WEEKLY CONTINUOUS CLAIMS IN THE US



UK TRENDS AND OUTLOOK

The consensus view is for an 8.6% contraction in UK economic output in 2020. The HM Treasury average of independent new forecasts also suggested a 6.2% increase in economic output in 2021, with the unemployment rate reaching 7.5% in 2020 and decreasing to 6.3% in 2021.

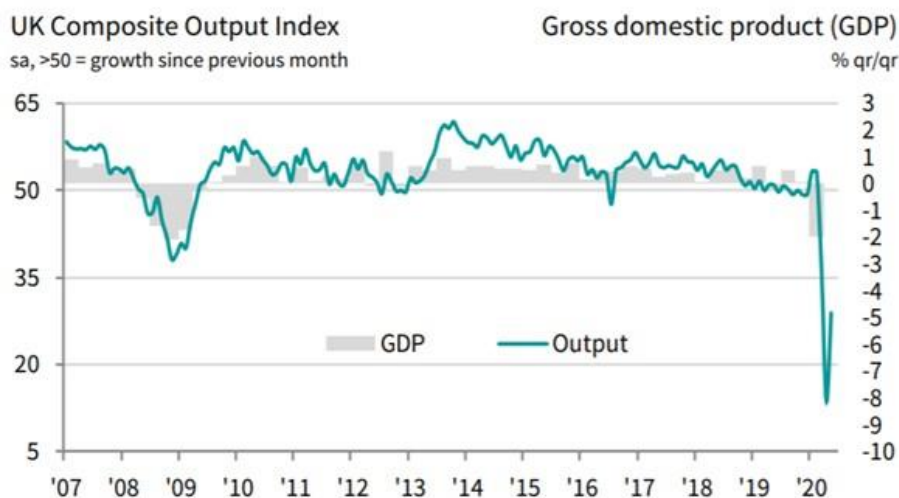
Both the manufacturing and service sectors are shrinking extremely rapidly as the lockdown continues, according to data firm IHS Markit's PMI surveys. The main findings from the May 21 Flash PMI results were that:

- Signs that the pace of the downturn is easing a little.
- UK Composite Output Index May: 28.9, up from 13.8 in April
- UK flash manufacturing PMI (May): 40.6, up from 32.9
- UK services flash PMI (May): 27.8, up from 12.3

Although the pace of decline has eased since April's record collapse, May saw the second largest monthly falls in output and jobs seen over the survey's 22-year history, the rates of decline continuing to far exceed anything seen previously.

PMI survey results, analysis and feedback suggests that the UK looks set to see a frustratingly slow recovery, given the likely slower pace of opening up the economy relative to other countries which have seen fewer COVID-19 cases.

FIGURE 3: UK FLASH PMI RESULTS, MAY 21



BUSINESS AND INDUSTRY IMPACTS

Impacts on businesses (Latest ONS survey of 9,196 businesses, 20 April to 3 May)

79% of businesses were continuing to trade between 20 April and 3 May 2020, while 20% reported they had temporarily closed or paused trading. Of those responding they continued to trade between 20 April and 03 May, 6% responded they had restarted trading in the last two weeks.

Of businesses continuing to trade, 61% reported a decrease in turnover outside of normal range in England, compared with 66% in Wales, 65% in Scotland and 63% in Northern Ireland between 20 April and 3 May 2020.

The accommodation and food services activities sector had the largest proportion of the workforce furloughed across businesses who have not permanently stopped trading, at 78%, in the period 20 April to 3 May 2020.

The most popular government schemes applied for by businesses who have not permanently stopped trading between 20 April and 3 May 2020, were the Coronavirus Job Retention Scheme and the Deferring VAT Payments Scheme, at 76% and 59% respectively.

Of all businesses who have not permanently stopped trading, 4% reported they had no cash reserves at all.

LABOUR MARKET

UK Labour Market Outlook is deteriorating rapidly

There has been a rapid increase in unemployment, with a rapid loss of jobs and working hours. The number of vacancies posted by employers has fallen even more sharply than in the aftermath of the 2008 financial crisis, even on a quarterly basis.

Prior to April, the UK labour market looked strong - the latest UK labour market statistics for January to March 2020 pointed to a continued strong labour market in terms of economic participation, unemployment, and redundancies

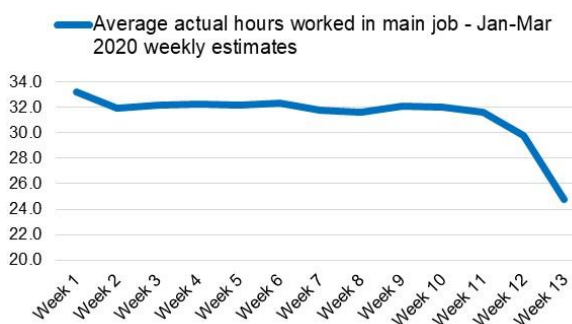
Payrolls fell in April. More up-to-date experimental data from HMRC suggests a 1.6% drop in numbers of employees in April

Working hours fell in March. Average weekly hours worked fell to its lowest level in almost nine years. During Jan-Mar 2020, weekly hours worked averaged 31.4 hours per worker. This was down 0.5 hours (or 1.5%) on the previous quarter, down 1.0 hours (or 2.7%) on the same time last year, and the lowest level since Apr-Jun 2011.

FIGURE 4: HMRC PAYROLL ESTIMATES



FIGURE 5: AVERAGE HOURS WORKED IN MAIN JOB



Employer’s hiring and HR intentions fell significantly. Vacancies fell to their lowest level for over six years and registered the biggest quarterly fall since the start of the time series in 2001.

During February to April 2020 (which incorporates almost six weeks of lockdown measures), the number of vacancies totalled 637,000 (down 21.1% on the previous quarter, down 24.8% on the same time last year, and the lowest level since Nov-Jan 2014).

The quarterly fall in vacancies was the sharpest since the series began in 2001. During the 2008/09 recession, the largest quarterly drop in vacancies was -17.8% in Nov-Jan 2009.

Industries experiencing the largest quarterly fall in vacancies were in the main lockdown sectors: Accommodation & food service activities (-31,000) and Wholesale & retail trade (-30,000).

There was a sharp increase in the number of claimants in April. The number of claimants totalled 2.1 million – up 69.0% on March 2020 and up 94.2% on the same month last year. The claimant count rate rose to 5.0% of the working age population – up 2.0pp on the previous month and up 2.4pp on a year ago. South-east of England saw one of the biggest increases.

Total employment fell by 457,000 in one month – from March to April. More than one-fifth of UK employers plan to make redundancies over the next three months, with entry level jobs reduced by 23% this year. Hiring intentions at their lowest level in at least 15 years, with more than a quarter of private sector employers planning to cut staffing levels over the three months to July

The CIPD / Addeco survey (18 May) that shows many firms had only been able to avoid lay-offs by freezing pay, putting a stop to hiring, cutting bonuses and making extensive use of the government’s furlough scheme. 50% of private sector employers planning to freeze pay, 15% expecting pay cuts, 29% expecting to cut bonuses. The Institute of Student Employers (ISE) survey: Graduate recruitment down 12%. All types of entry-level roles have been reduced this year by 23%

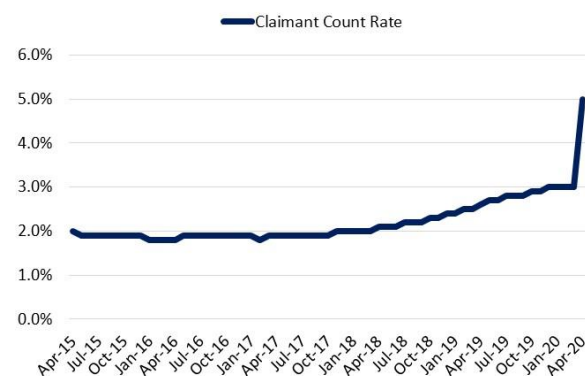
FIGURE 6: VACANCIES



FIGURE 7: CHANGES IN VACANCIES



FIGURE 7: UK UNEMPLOYMENT CLAIMANTS



Claimant Count April 2020: Cambridge and South Cambridgeshire

The Claimant Count measures the number of people claiming Jobseeker’s Allowance and all Universal Credit claimants who are required to seek work and be available for work.

The Claimant Counts in Cambridge and South Cambridgeshire increased sharply in April 2020.

In April 2020, there were 2,180 Jobseeker’s Allowance and Universal Credit ‘searching for work’ conditionality claimants in Cambridge and 1,930 claimants in South Cambridgeshire.

Compared to March 2020, the number of claimants increased by 53% in Cambridge and by 86% in South Cambridgeshire. The rate of increase was below the UK average (+67%) in Cambridge but much higher than average in South Cambridgeshire.

The Claimant Count rates (the number of claimants as a percentage of working age people) in Cambridge and South Cambridgeshire rose to 2.5% and 2.0% respectively in April. These remained well below the UK average rate (5.1%).

FIGURE 8: TOTAL CLAIMANTS LOCAL VS. NATIONAL

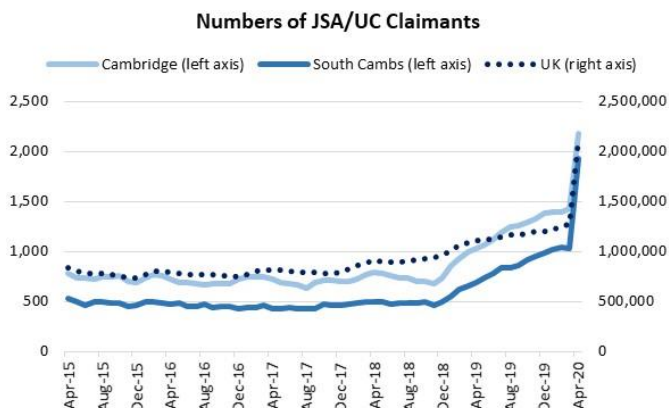


FIGURE 9: CLAIMANT RATES

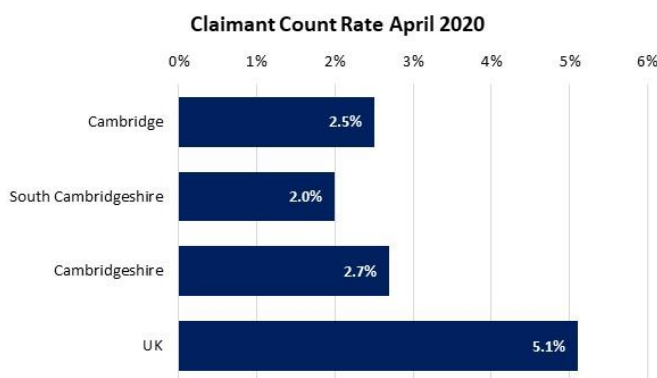
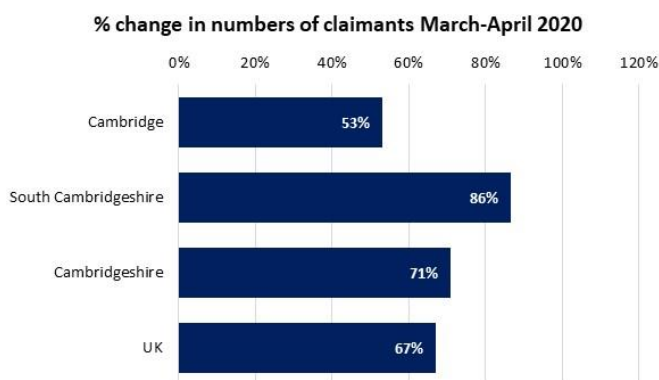


FIGURE 10: MONTHLY CHANGE IN TOTAL CLAIMANTS



PEOPLE

Current rates of infection. To date (20 May), Cambridge has registered 221 cases of Covid-19, and South Cambridgeshire 205 cases. Cambridgeshire has registered 1,077 cases of Covid-19, against the 248,293 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 20 May 2020, Cambridge has had 17.6 cases per 10,000 residents, South Cambridgeshire 13.0, and Cambridgeshire 16.5 compared to 37.4 for the UK.

COMPANY NEWS

The Cambridge Index dropped 964.8 points or 4.4% to close at 20961.9 on Tuesday 19 May, as seven of the top ten Index heavyweights posted weekly losses to their share prices. Johnson Matthey, down 5.6%, announced that its results for the full year ended 31 March 2020 will be postponed by two weeks to 11 June 2020, amid a delay in completion of certain audit procedures. Abcam, up 3.1%, announced that Mr Peter Allen would step down as the Chairman of the board of Diurnal Group on 30 June 2020, in accordance with the UK Corporate Governance Code (2018) and the view of certain shareholders that the Chairman cannot be a member of the Audit Committee. Further, the company stated that he will continue as a member of the audit and risk Committee, whereas his role as Chairman in nominations committee and member of the remuneration committee remain unchanged. Bango, up 4.3%, announced that it has entered into a significant deal, worth £1.5m along with opportunity to earn additional revenues, with major global telecoms provider for an initial period of three years. Under the agreement, the major global telecoms provider will provide third party products and services to its customers through the Bango Platform

Boost for UK tourism as ViewRanger and Outdooractive join forces. UK tourism is receiving a timely boost with the news of the acquisition of Cambridge-based ViewRanger by Bavarian Outdooractive. The two outdoor adventure companies are joining forces to showcase memorable destinations and outstanding routes to a combined global community of 7.3 million keen walkers, mountain-bikers, cyclists and more.

Schneider Electric and AVEVA extend partnership to deliver end-to-end solution for multi-site and hyperscale data center. Schneider Electric, the leader in digital transformation of energy management and automation, and AVEVA, the global leader in engineering and industrial software, today announced their expanded partnership to deliver innovative solutions for the data center market.

Health Enterprise East launches Innovation Grant funding for SMEs. Funded by a £1 million European Regional Development Fund (ERDF) grant, the MedTech NAVIGATOR aims to support innovation in the East of England over a three-year period by encouraging collaboration and knowledge transfer between industry and NHS experts in the region. The MedTech NAVIGATOR Innovation Grants are designed to facilitate such bespoke interactions between SMEs and eligible knowledge providers, such as NHS Trusts or Universities, during the product development process. Each Innovation Grant is worth 50% of the total project costs up to a maximum of £15,000, with businesses paying the remaining 50% and any project costs over and above the £15,000 cap.

University of Cambridge suspends mass lectures but small group teaching continues

The University and the Colleges will welcome as many students as possible to Cambridge for the start of the next academic year, guided by advice from Public Health England. Small group teaching – supervisions, seminars or individual tuition will continue in person as much as possible. Given the likely



need for continued social distancing, the University of Cambridge will suspend mass lectures in person for the next academic year. Lectures will be available online; this system is already in place in some University Departments. Freeing space in lecture halls will allow us to concentrate on delivering small group teaching, lab work and practicals. Colleges are planning to offer a wide range of activities, and will work hard to build up community life, even in the midst of social distancing.