

Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 25 May 2020

Edition 08

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 (27 May), Cambridge has registered 226 cases of Covid-19, and South Cambridgeshire 207 cases. Cambridgeshire has registered 1,162 cases of Covid-19, against the 267,240 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 17.8 cases per 10,000 residents, South Cambridgeshire 13.1, and Cambridgeshire 18.0 compared to 40.2 for the UK.

The rate of economic decline appears to have eased with April's Purchasing Manager's Index results for the UK and the rest of the Eurozone having a less negative outlook than March. The US outlook has worsened, however, with unemployment continuing to increase to 41 million new unemployment claims in the past 10 weeks, and US GDP contracting by 5% for the first quarter of 2020.

On average, economic forecasts predict a large decline in UK GDP in 2020, followed by robust growth in 2021. The HM Treasury average of independent forecasts (May) suggest that there will be an 8.6% economic contraction in 2020 followed by 6.2% growth in 2021. The monthly average of forecasts also predicts that the ILO unemployment rate will reach 7.5% in 2020, reducing to 6.3% in 2021.

In the latest ONS coronavirus business survey, 81% of businesses were continuing to trade between 4 May and 17 May 2020, while 18% reported they had temporarily closed or paused trading. 79% of businesses in the UK had applied for the Coronavirus Job Retention Scheme, whilst 42% of businesses had less than six months of cash reserves.

Online job adverts declined by more than 50% from the start of March to the start of May 2020. Using figures from job adverts provided by Adzuna (an online job search engine), the total number of online job adverts was relatively stable from the start of 2019 until the beginning of March 2020, after which it began to decline rapidly. The categories of catering and hospitality, and wholesale and retail, both saw very large declines in job adverts across this period, stabilising in May between 20% and 25% of their 2019 averages.

GLOBAL TRENDS AND OUTLOOK

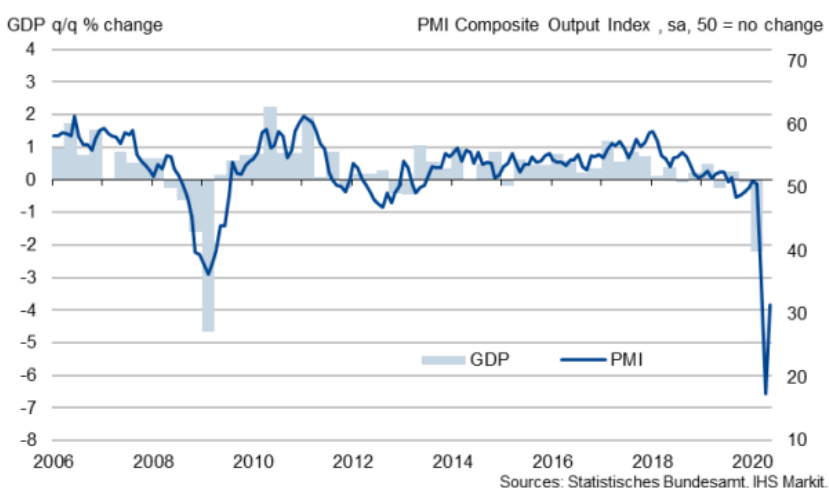
Signs that the rate of decline has eased, as PMI index increases. Last week, the headline Eurozone PMI for April was 30.5, up from 13.6 in March but still well below the neutral 50.0 position as the economy shows tentative signs of restart. The employment index hit a new low of 37.1, signalling continued job losses. Although France and Germany are now officially in recession, their latest PMI results showed that the rate of decline had eased off.

FIGURE 2: EUROZONE PURCHASING MANAGERS' INDEX

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.



Sources: Statistisches Bundesamt, IHS Markit.

US unemployment rate heading for 20%. The outlook for the US economy continues to worsen, with the IHS Markit Flash U.S. Composite PMI Output Index posted at 27.4 in April, down from 40.9 in March. Non-farm private employers cut 20.2m jobs last month, according to payroll processor ADP. That compared with economists' expectations for 20m and easily surpassed the previous record of about 835,000 in February 2009 during the financial crisis. There have been 40 million new unemployment claims in 10 weeks (2.1m in the last week). The unemployment rate now stands at 14.7%, with economists

predicting that this will increase to 20% by the end of 2020. The US Labor Department also reports that 25 million people filed 'continued claims' (meaning they've been receiving help for more than one week) plus another 2.23 million claims under the Pandemic Unemployment Assistance Programme. This wipes out decade of (+23m) jobs growth between 2010 and 2020. Many large US companies have announced cuts to staff or are planning layoffs – Boeing: announce layoffs of 16,000 / 10%; Hertz has laid off 10,000 employees and is reportedly considering bankruptcy. Recent data out of the US has shown that with first quarter (2020) GDP has contracted by 5.0%.

FIGURE 2: INITIAL UNEMPLOYMENT CLAIMS IN THE US

Initial claims since early March top 38 million

Weekly initial unemployment insurance claims



UK TRENDS AND OUTLOOK

There are signs that the pace of the downturn in the UK is easing a little. The UK Composite Output Index for May was 28.9, up from 13.8 in April. The UK flash manufacturing PMI (May) was 40.6, up from 32.9. The UK services flash PMI (May) was 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.

On average, economic forecasts predict a large decline in UK GDP in 2020, followed by robust growth in 2021. The HM Treasury average of independent forecasts (May) suggest that there will be an 8.6% economic contraction in 2020 followed by 6.2% growth in 2021. The monthly average of forecasts also predicts that the ILO unemployment rate will reach 7.5% in 2020, reducing to 6.3% in 2021.

BUSINESS AND INDUSTRY IMPACTS

In the latest ONS coronavirus business survey, 81% of businesses were continuing to trade between 4 May and 17 May 2020, while 18% reported they had temporarily closed or paused trading. 79% of businesses in the UK had applied for the Coronavirus Job Retention Scheme, whilst 42% of businesses had less than six months of cash reserves. Overall, 4% of responding businesses had no cash reserves; this rose to 7% for businesses who had paused trading. Of the 14% of businesses who

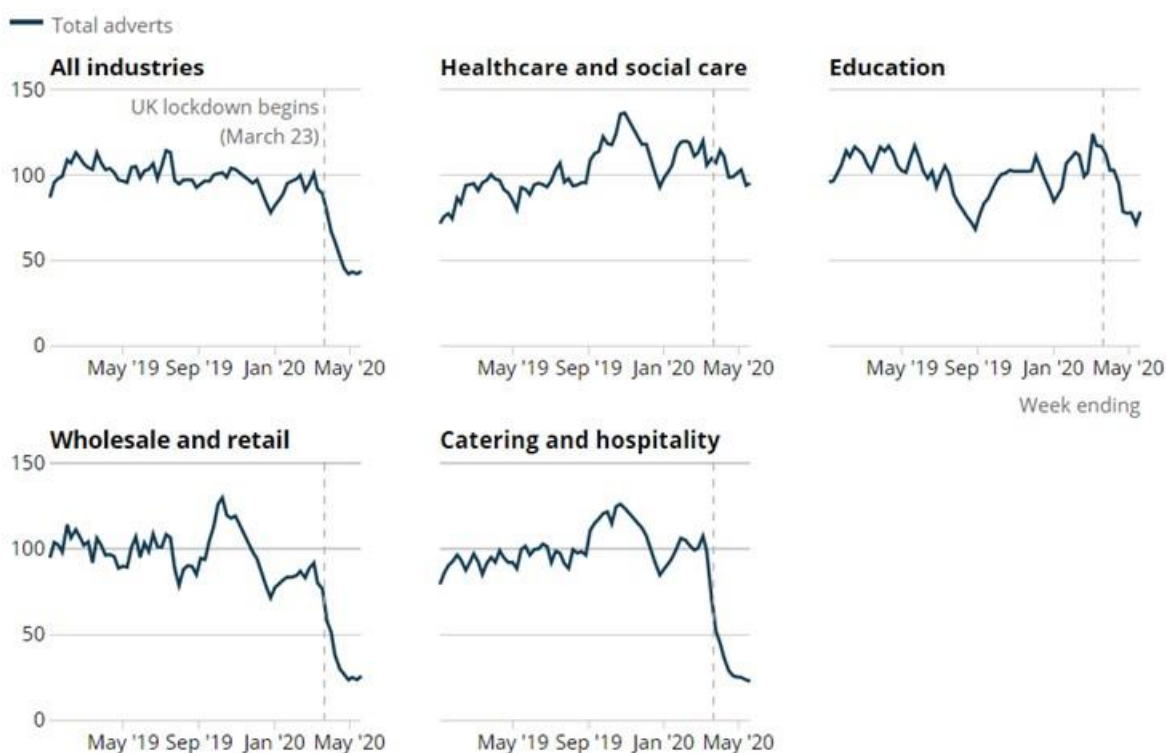
reported they had paused trading but are intending to restart trading in the next two weeks, they expect 31% of their workforce will return from furlough leave. The Coronavirus Job Retention Scheme was the most popular government support scheme, with 79% of all responding businesses applying; 27% of the workforce in these businesses had been furloughed.

LABOUR MARKET

Online job adverts declined by more than 50% from the start of March to the start of May 2020.

Using figures from job adverts provided by Adzuna (an online job search engine), the total number of online job adverts was relatively stable from the start of 2019 until the beginning of March 2020, after which it began to decline rapidly. This decline continued for two months, with total job adverts levelling off from the start of May to around 43% of its 2019 average. The categories of catering and hospitality, and wholesale and retail, both saw very large declines in job adverts across this period, stabilising in May between 20% and 25% of their 2019 averages. In contrast, education saw a far smaller decline to around 80% of its 2019 average. The volume of job adverts in health and social care saw little or no change from March to May. The "Education", "Healthcare / Social Care" (aggregated from Healthcare and Social Care), "Retail/Wholesale" and "Catering/Hospitality" categories were selected because they are likely to be of particular interest to users, and more closely track trends in ONS vacancies data. Further category breakdowns not presented here are included in the Online job advert estimates dataset.

FIGURE 3: TOTAL WEEKLY JOB ADVERTS ON ADZUNA, UK: INDEX 2019 AVERAGE = 100



PEOPLE

Current rates of infection. To date (27 May), Cambridge has registered 226 cases of Covid-19, and South Cambridgeshire 207 cases. Cambridgeshire has registered 1,162 cases of Covid-19, against the 267,240 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 17.8 cases per 10,000 residents, South Cambridgeshire 13.1, and Cambridgeshire 18.0 compared to 40.2 for the UK.

COMPANY NEWS

Cambridge start-up Decorte Future Industries has won £50k from Innovate UK to fund final R & D trials of advanced technology intelligent clothing in care homes to help combat coronavirus. It is the maximum Innovate UK was mandated to award in the 'Business-led innovation in response to global disruption' competition. As Business Weekly revealed in February, DFI (then in stealth) has developed intelligent, always-fitting clothing with embedded AI controls, which is machine washable and can be tumble dried.

A Combined Authority grant is helping Cambridge-based Alchemie Technology showcase how its advanced manufacturing innovations can help combat the coronavirus. The company's coatings and dyeing technology can be used on products such as face masks and other personal protective equipment (PPE) to deactivate the Covid-19 virus, making it incapable of infecting. The technology could also be used on seat coverings for public transport and on clothing.

Marshall Motor Group is among those to be reopening its car showrooms from June 1. It follows the Prime Ministers' announcement on Monday permitting dealerships to open their doors again as the Covid-19 lockdown is eased. The company said it has undertaken risk assessments of its sites and has trained its staff on revised operating procedures to help prevent the spread of the coronavirus.

Cambridge's tourism industry is expected to take a massive hit due to the Covid-19 pandemic, with predictions that visitor numbers may not return to normal for three years. Emma Thornton, CEO of Visit Cambridge & Beyond, said: "We are not expecting to see any international visitors in this financial year. We are really looking at a local domestic market instead." Cambridge attracts 8.2million visitors annually, worth about £849million to the local economy. The visitor economy also accounts for around 22 per cent of jobs in the city.