

Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 04 May 2020

Edition 05

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:

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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 05 May), there were 194,990 lab-confirmed cases and 29,427 hospital deaths. Cambridgeshire has registered 827 cases of Covid-19, or 12.7 per 10,000 residents compared to the UK's rate of 29.4.

France, Germany and Spain officially enter recession. The wider Eurozone economy also experienced its first full quarter of recession, after contracting by 3.8% in the three months from January to March. The US continues to experience serious economic fall-out, with the unemployment rate jumping from 3.5% to 19% in six weeks and major employers announcing redundancies.







Bank of England data confirms typical household behaviour during a crisis – to cut consumption, pay off debt and save money. Households paid back £2.4bn of credit card debt in February - suggesting a huge fall in consumption that almost certainly augurs a recession. There was £5.4bn less lending to households in March compared to February - with only a week of full lockdown.

Large-scale redundancies announced by businesses most impacted by the Coronavirus: In the past week, British Airways has announced 12,000 redundancies, Virgin Atlantic 3,000 redundancies, and Ryanair 3,000. Boeing has announced 10,000 job cuts, whilst Rolls Royce has announced 8,000. The manufacturing outlook in the UK continues to worsen, with 85% of manufacturers forecasting a contraction in sales.

17.5% of UK jobs have been furloughed. 6.3 million jobs (equivalent to 17.5% of UK jobs) had been furloughed by 800,000 companies, with claims amounting to £8bn by 03 May. The bounce-back loan scheme (BBLS) was launched at 8.30am on Monday 04 May and had received 79,500 applications for a loan of up to £50,000 by the afternoon.

Local residents more able to work from home compared to the UK average. ONS data on the ability and incidence of home working by occupational category suggests that higher shares of residents in Cambridge and South Cambridgeshire are capable of working from home (32.2% and 30.9% respectively) compared to the UK average (26.6%). However, almost 70% are not capable, particularly in occupation categories 4 to 9.

In Cambridge and South Cambridgeshire, 27,300 employees (with workplaces in the area) work in sectors most affected by the Coronavirus shutdown. Compared to the Great Britain average (16.9%), Cambridge has a higher share of employees working in shutdown sectors (18.5%) while South Cambridgeshire has a much lower share (9.2%). **46,700 employees** in Cambridge and South Cambridgeshire work in sectors which employ key workers facing the biggest health and safety risks from Covid-19. Compared to the Great Britain average (30.6%), both Cambridge and South Cambridgeshire have lower shares of employees working in high-risk key worker sectors (26.2% and 22.6% respectively).

	<p>3,585,357 confirmed cases of Covid-19 (John Hopkins University, 05 May 2020)</p>		<p>Travel restrictions apply in over 100 countries</p>
	<p>1,168,355 patients recovered 251,595 deaths (John Hopkins University, 05 May 2020)</p>		<p>Central banks have cut interest rates in over 50 countries</p>
	<p>190,584 lab-confirmed cases 28,734 deaths of patients in hospitals (PHE, 04 May 2020)</p>		<p>IMF: world economic output to contract by 3% in 2020 WTO: world trade will shrink by 13% in 2020 UK economy – consensus view: heading for 5.8% contraction in 2020</p>

GLOBAL TRENDS AND OUTLOOK

Major economies officially enter recession. France, Germany, and Spain are now officially in economic recession. The wider Eurozone economy also experienced its first full quarter of recession, after contracting by 3.8% in the three months from January to March. The latest Purchasing Manager's Composite Index for the Eurozone (06 April) recorded the lowest decrease on record, from 29.7 in March to 13.6 in April (where above 50.0 indicates an increase/expansion in orders, activity and output).

The US has recorded 30.2 million new unemployment claims in the past six weeks, with the unemployment rate jumping from 3.5% to 19%. In the past week (ending 24 April) there were 3.8 million new claims. This wipes out a decade of jobs growth, between 2010 and 2020, where 23 million jobs were added to the US economy. The blow was most heavily felt in the service sector, and especially for consumer-facing companies, but both manufacturing and service sectors have experienced record falls in output. 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.

UK TRENDS AND OUTLOOK

UK Private sector output plummets in April. Data firm Markit has reported that its 'composite PMI' index, which tracks activity across the private sector, fell to just 13.8 last month from 36 in March. Historical comparisons of the PMI with GDP indicate that the April survey reading is consistent with the economy falling at a quarterly rate of approximately 7%, but it is expected the actual decline in GDP could be even greater, in part because the PMI excludes the vast majority of the self-employed and the retail sector. Just one-in-five service providers managed to avoid a drop in business activity since March, and those hardest hit by social distancing measures and travel restrictions often reported complete stoppages of business operations."

Bank of England data confirms typical household behaviour during a crisis – to cut consumption, pay off debt and save money. Households paid back £2.4bn of credit card debt in February – suggesting a huge fall in consumption that almost certainly augurs a recession. There was £5.4bn less lending to households in March compared to February – with only a week of full lockdown.

BUSINESS AND INDUSTRY IMPACTS

Large-scale redundancies begin to be announced amongst businesses most impacted by the Coronavirus: Major airlines have been amongst the first to announce major redundancies, followed by aerospace manufacturers. In the past week, British Airways has announced 12,000 redundancies, and Ryanair 3,000. Boeing has announced 10,000 job cuts, whilst Rolls Royce has announced 8,000. The aviation industry has been badly hit by the pandemic as many flights across the world have been suspended.

24% of businesses had temporarily closed or paused trading, whilst 75% continued to trade according to the latest ONS Business Impact of Coronavirus (COVID-19) Survey (23 March to 05 April 2020). 27% of the workforce had been furloughed across 6,150 businesses. Less than 1% of the workforce had been made redundant across responding businesses that were still trading or had temporarily paused trading. Over two-thirds of businesses reported their turnover was outside of the normal range. Of these businesses, 60% reported their turnover was substantially lower than normal in the last two

weeks – particularly in the accommodation and food services activities sector. The highest proportion of workforce being furloughed was recorded in the accommodation and food service activities industry (80%) and in the arts, entertainment and recreation industry (68%).

A significant number of small businesses have applied for the new government bounce-back loan scheme, and almost one-quarter of employees in Britain have been furloughed. The bounce-back loan scheme (BBLS) was launched at 8.30am on Monday 04 May and had received 79,500 applications for a loan of up to £50,000 by the afternoon, already exceeding the 52,807 applications for the existing coronavirus business interruption loan scheme (CBILS), which started on 23 March. According to HMRC, a total of 6.3m jobs (equivalent to 17.5% of UK jobs) had been furloughed by 800,000 companies, with claims amounting to £8bn by 03 May.

Almost two-fifths of Britain’s retailers have closed for business completely as a result of a Covid-19 lockdown that has prompted a collapse in consumer spending unmatched since the financial crisis in late 2008 (CBI survey). UK retailers are increasingly falling between the cracks of various government support schemes, with large companies facing stringent credit rating criteria and banks still reluctant to lend to smaller ones. Major retailers no longer have investment grade credit ratings – a requirement to access CCCF (Coronavirus Corporate Credit Facility), and banks have been limiting their exposure to loans to the retail industry. John Lewis predicts worst case sales decline of around 35% in 2020. Online sales have not offset sales lost through shop closures. JL has furloughed 14,000 staff. Year-on-year - over the past five weeks John Lewis sales were 17% down on 2019. Associated British Foods (ABF), the owner of Primark, has furloughed 68,000 workers around the world. It has also written off £284m of stock, including Euro 2020 merchandise and spring fashions, which it is unlikely to ever sell.

The manufacturing outlook continues to weaken. The UK’s manufacturing PMI reading came in at 32.6 in April, slightly worse than the flash reading of 32.9. That is confirmed as a record low. The Manufacturing Barometer (30 April), which interviewed 608 firms in Spring 2020, showed that on balance, sales turnover has contracting, and that the view for 2020 is very negative, with 85% of manufacturers forecasting that their sales would contract, and 86% forecasting much reduced profits in the next six months of 2020. On balance, 13% of manufacturers that their capital investment would increase in 2020, 57% said it would decrease. 55% expected staff numbers to be reduced in 2020, only 7% expected them to increase. In the CBI latest members survey (Feb-April) of 330 manufacturing firms, business sentiment – plunged in 3 months to April to -87%, with export sentiment dropping by -84%. Four-fifths of firms have experienced negative impact on their domestic output, and three-quarters reported a negative impact on international output. Just over half of manufacturers mentioned that they temporarily laid off staff, but only one in twenty reported permanent layoffs. Around two-thirds of firms have faced cash flow difficulties.

Banking & finance: major banks making provisions for bad debts. The pandemic has put banks under pressure to lend more while simultaneously facing mounting defaults from hard-pressed customers whose revenues have fallen precipitously because of the lockdown. The Royal Bank of Scotland suffered a near-50% drop in first quarter profits after putting aside £802m to help cover a potential surge in bad debts due to the Covid-19 outbreak, making it the latest UK bank to reveal the mounting cost of the pandemic. Barclays Bank’s first-quarter credit impairment charges surged almost fivefold to £2.1bn from £448m in the same period last year. The stress was particularly acute at Barclaycard, the credit card business that operates in the UK, US, and Germany, which accounted for £885m of the virus-related loan-loss reserves. The banking sector continues to face bad loans and credit, balance sheet pressures, a freeze on new mortgage lending, and short-term cost increases.

The government is to stabilise England’s universities as they struggle to cope with the fallout from the coronavirus crisis, but it has stopped short of meeting the sector’s demand to guarantee the future funding of research. In a package announced by ministers on Monday to shore up the sector’s short-term cash flow, universities have agreed not to engage in predatory student admissions practices in return for an advance of tuition fees worth up to £2.6bn. However, the sector failed to secure government backing for its demand for a £2bn research funding bailout to protect universities most exposed to a predicted sharp fall in international students this autumn. Instead they were offered an advance of just £100m in research funding pending the outcome of a ministerial task force review that will consider further support for the sector.

IMPACTS ON HOUSEHOLDS AND THE LABOUR MARKET

Current rates of infection. To date, Cambridgeshire has registered 827 cases of Covid-19, against the 194,990 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 05 May 2020, Cambridgeshire has had 12.7 Covid-19 cases per 10,000 residents compared to 29.4 for the UK.

There has been a significant increase (1.8m) in new Universal Credit registrations in the UK. There were 1.8 million new registrations for Universal Credit between 16 March and 21 April. If all registrations became claimants – this would represent a 243% increase in claimant unemployment, with a total of 3 million claimants and the claimant rate jumping from 3.1% to 7.3%. If Cambridge’s claimant unemployment increased at the same rate, it would increase from 1,400 in February to 3,400 in April, or an increase in the claimant rate from 1.6% to 3.9%. Similarly, claimant unemployment in South Cambridgeshire would increase from 1,000 in February to 2,500 in April - or an increase in the claimant rate from 1.1% to 2.7%.

WORKING FROM HOME

ONS data on the ability and incidence of home working by occupational category suggests that higher shares of residents in Cambridge and South Cambridgeshire are capable of working from home (32.2% and 30.9% respectively) compared to the UK average (26.6%). However, almost 70% are not capable, particularly in occupation categories 4 to 9.

FIGURE 1: CAPABILITY OF OCCUPATIONS FOR WORKING FROM HOME

	1: managers, directors and senior officials	2: professional occupations	3: associate prof & tech occupations	4: administrative and secretarial occupations	5: skilled trades occupations	6: caring, leisure and other service occupations	7: sales and customer service occupations	8: process, plant and machine operatives	9: elementary occupations	Number of employed residents capable of working from home	% employees capable of working from home
% capable of working from home (UK)	46.7%	45.0%	36.5%	19.9%	17.9%	14.1%	8.7%	6.5%	4.2%	-	-
Cambridge	2,800	13,700	3,700	800	300	400	500	100	300	22,800	32.2%
South Cambridgeshire	5,800	11,300	3,900	1,500	1,700	500	400	300	200	25,700	30.9%
Cambridgeshire	18,700	40,700	15,500	5,900	5,800	3,300	2,100	1,200	1,400	94,500	28.3%

Source: replication of IFS and Resolution Foundation analysis using residential employment data from Annual Population Survey, Office for National Statistics.

IMPACT OF SHUTDOWN

In Cambridge and South Cambridgeshire, **27,300 employees** (with workplaces in the area) work in sectors most affected by the Coronavirus shutdown. Compared to the Great Britain average (16.9%), Cambridge has a higher share of employees working in shutdown sectors (18.5%) while South Cambridgeshire has a much lower share (9.2%).

46,700 employees in Cambridge and South Cambridgeshire work in sectors which employ key workers facing the biggest health and safety risks from Covid-19. Compared to the Great Britain average (30.6%), both Cambridge and South Cambridgeshire have lower shares of employees working in high-risk key worker sectors (26.2% and 22.6% respectively).

FIGURE 2: EMPLOYMENT IN SECTORS MOST AFFECTED BY CORONAVIRUS SHUTDOWN AND IN SECTORS WHERE KEY WORKERS FACE THE BIGGEST RISKS

	Sectors most affected by Coronavirus shutdown		Sectors with key workers facing biggest health and safety risks	
	No. employees	% share of employees	No. employees	% share of employees
Cambridge	19,700	18.5%	27,900	26.2%
South Cambridgeshire	7,600	9.2%	18,800	22.6%
Cambridgeshire County	44,800	13.5%	94,200	28.4%
Great Britain	5,038,800	16.9%	9,097,800	30.6%

Source: adapted IFS and Resolution Foundation analysis using data from Business Register and Employment Survey, Office for National Statistics.

Shutdown sectors

Shutdown sectors in Cambridge with the largest numbers of employees are Bars and restaurants (9,000); Other (non-food) retail (4,000); and Arts, entertainment and recreation (2,400). Shutdown sectors in South Cambridgeshire with the largest numbers of employees are: Bars and restaurants (3,600); Other (non-food) retail (1,300); Arts, entertainment and recreation (800); and Accommodation and tourism (800).

FIGURE 3: EMPLOYMENT IN SECTORS MOST AFFECTED BY CORONAVIRUS SHUTDOWN

Sectors most affected by Coronavirus shutdown	CAMBRIDGE		SOUTH CAMBRIDGESHIRE	
	No. employees	% share of employees	No. employees	% share of employees
Food wholesale & retail	900	0.8%	0	0.0%
Other retail	4,000	3.8%	1,300	1.6%
Passenger transport (assumed at 50% capacity)	400	0.4%	200	0.2%
Air transport (assumed at 10% capacity)	0	0.0%	0	0.0%
Accommodation and tourism	1,300	1.2%	800	1.0%
Bars & restaurants	9,000	8.5%	3,600	4.3%
Education	100	0.1%	200	0.2%
Health and social care	300	0.2%	300	0.4%
Arts, entertainment and recreation	2,400	2.3%	800	1.0%
Personal services	1,300	1.2%	400	0.5%
Total	19,700	18.5%	7,600	9.2%

Source: replication of IFS and Resolution Foundation analysis using employment data from Business Register and Employment Survey, Office for National Statistics.

Key worker sectors

Sectors in Cambridge with the largest numbers of key workers facing the biggest health and safety risks from Covid-19 are:

- Health and social care (16,000 key workers)
- Education (6,100 key workers)
- Food wholesale & retail (2,700 key workers)

Sectors in South Cambridgeshire with the largest numbers of key workers facing the biggest health and safety risks from Covid-19 are:

- Health and social care (8,000 key workers)
- Education (4,900 key workers)
- Food wholesale & retail (2,700 key workers)

FIGURE 4: EMPLOYMENT IN SECTORS WITH KEY WORKERS THAT FACE THE BIGGEST HEALTH AND SAFETY RISKS

Sectors with key workers facing biggest health and safety risks	CAMBRIDGE		SOUTH CAMBRIDGESHIRE	
	No. employees	% share of employees	No. employees	% share of employees
Agriculture	0	0.0%	1,000	1.3%
Food processing	200	0.1%	800	0.9%
Print and broadcast journalism	100	0.1%	200	0.2%
Food wholesale & retail	2,700	2.5%	2,700	3.2%
Passenger transport (assumed at 50% capacity)	400	0.4%	200	0.2%
Air transport (assumed at 10% capacity)	0	0.0%	0	0.0%
Public administration and public services	2,400	2.2%	1,000	1.3%
Education	6,100	5.7%	4,900	5.9%
Health and social care	16,000	15.0%	8,000	9.7%
Total	27,900	26.2%	18,800	22.6%

Source: replication of IFS and Resolution Foundation analysis using employment data from Business Register and Employment Survey, Office for National Statistics.

COMPANY NEWS

Three Cambridge ventilator designs will continue to be supported as part of the government's Ventilator Challenge, set up to increase supply of devices to help the NHS in the fight against coronavirus. The government announced it would support a total of 11 devices, three of which come from Cambridge technology consultancies: Veloci-Vent, made by Cambridge Consultants Ltd and MetLase; Sagentia Ventilator, made by Sagentia; and CoVent, made by TTP and Dyson.

AstraZeneca joins UK Government's ACCORD trial platform. AstraZeneca is joining forces with public research bodies and academic institutions as part of a UK government-led initiative to speed up the development of medicines to treat patients hospitalised with COVID-19. The government-sponsored ACCORD (Accelerating COVID-19 Research & Development) platform is a new, single Phase II clinical trial platform launched in the UK to fast-track research into potential treatments and is part of a co-ordinated

therapeutic development pathway that the UK Government has put in place as part of the overall Therapeutics Taskforce.

Medovate develops new PPE face mask to help front line clinicians with coronavirus. Medovate, the dynamic Cambridge based medical device company, is developing an innovative face mask incorporating a specialised filter which has been proven to be an effective barrier against viruses. The reusable and robust face mask expands upon a design principle which has already been employed in masks used in intensive care units in other European countries, including Italy and Spain.

leso Digital Health, the leader in online cognitive behavioural therapy provision and an innovator in mental healthcare has been named a winner in Red Herring's Top 100 Europe. Recognising Europe's leading private companies, Red Herring selects award winners from approximately 1,200 companies each year, celebrating innovation and technologies across industries. As a clinically proven digital healthcare provider, leso's vision is to deliver and develop services that remove barriers to evidence-based mental health treatment and recovery. Today, leso partners with 75 NHS clinical commissioning groups across England under the IAPT programme (Improving Access to Psychological Therapies), providing online cognitive behavioural therapy that enables clinicians to treat patients remotely within a secure, text-based and confidential environment.

Marshall wins 5-year support contract with Cameroon Air Force. Marshall Aerospace and Defence Group (ADG) will provide aircraft maintenance, technical support and training to the Cameroon Air Force's fleet of C-130H aircraft, as part of a five-year contract now ratified by the Cameroon Presidency.