Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 01 June 2020 **Edition 09**

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 228 cases of Covid-19, and South Cambridgeshire 211 cases. Cambridgeshire has registered 1,197 cases of Covid-19, against the 279,856 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 18.1 cases per 10,000 residents, South Cambridgeshire 13.4, and Cambridgeshire 18.4 compared to 42.1 for the UK.

As rates of decline ease off in the Eurozone and UK, global economy and most national economies will still experience recession in 2020. Forecasts suggest that the Coronavirus could cut global economic output in 2020 by between 6.4% under a 3-month containment scenario, and 9.7% under a 6-month containment. The Asian Development Bank suggests that Government policy responses —such as direct income and revenue support—could soften the COVID-19 impact by as much as 30%–40%.

US unemployment continues to increase, at a slower rate, and May's payrolls bring more positive news. There have been 42 million new unemployment claims over the past 11 weeks as the coronavirus and lockdown has taken hold. This wipes out the 23 million jobs growth over the decade to 2020. Payroll job losses were 2.76 million in May, adding to the 19.6 million in April, but lower than expected.

Economic output is still in decline in the UK but is declining at a lower rate. The average of independent forecasts is for UK contraction of 8.6% in 2020. There are some indicators that activity is picking up, with recruitment activity and retail expenditure improving in May compared to April.

UK housing market subdued, with house prices decreasing in May. Nationwide estimated that UK house prices decreased by 1.7%, after a 0.9% increase in April, representing the largest monthly decrease since February 2009. Housing sale enquiries have picked up in May, although approved home loans fell by 80% in May compared to February.

In the latest ONS coronavirus business survey (04 May to 17 May 2020), 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.

Manufacturing leaders call for emergency bailout. Make UK, representing 20,000 engineering. manufacturing and technology companies has called for direct state support to ensure firms survive during Covid-19. This reflects support being given in other countries such as France.

Retail stores are making plans to reopen. This comes after 14% of UK shops reported no turnover at all during April.

Announcements concerning job cuts are occurring more frequently, particularly in vulnerable sectors such as aviation, automotive manufacturing and sales, restaurants, and hotels.

Recruitment prospects continue to worsen for many sectors. Online job adverts declined by more than 50% from the start of March to the start of May 2020 – particularly in catering and hospitality, and wholesale and retail.

UK lenders have granted around 1.5 million payment holidays on credit cards and personal loans for customers impacted by the Covid-19 outbreak and lockdown. Figures from UK Finance show that there has been a near 30% increase in payment delays being granted across both products since the start of May.

ECONOMIC CONDITIONS

Forecasts suggest that the Coronavirus could cut global economic output in 2020 by between 6.4% under a 3-month containment scenario, and 9.7% under a 6-month containment. The Asian Development Bank suggests that Government policy responses —such as direct income and revenue support—could soften the COVID-19 impact by as much as 30%–40%, reducing the global economic loss to $4.1 trillion–$5.4 trillion (4.5%–5.9% of global GDP).

Rate of decline eases in the Eurozone. 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. The unemployment rate in the Eurozone rose to 7.3% from 7.1% in March, while the jobless rate for the whole EU was 6.6% in April, up from 6.4% in March

US unemployment rate heading for 25%. There have been 42 million new unemployment claims in 11 weeks (1.9 million in the last week). The unemployment rate in April was 14.7%, with economists suggesting that the rate is now at 21.5%. 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. More positively, payroll job losses in May (notified by payroll firm ADP), at 2.76 million were much smaller-than-expected and nowhere near April's revised figure of 19.6 million job losses.

The UK economy is showing tentative signs of improvement as the country eases out of its lockdown with job vacancies starting to reopen, household spending contracting less sharply and more companies returning to business. Motor vehicle usage has also risen while property searches have jumped in the still fragile housing market since the initial lifting of Covid-19 restrictions on May 11. The overall picture remains one of activity at depressed levels compared with before the pandemic – with the forecast, on average, for an 8.6% contraction in economic output and recession in 2020.

Real-time indicators suggest that the UK economy began gradually emerging from the lockdown from early May. Job websites suggest the labour market may have reached its lowest point during April. In the month to May 24, the number of job vacancies rose 9 per cent partially due to a 20 per cent increase in healthcare posts, according to data from the government website Find a Job. The website LinkedIn also showed how the hiring of new staff deteriorated at a slower pace in the first week of May compared with the steep fall in April, while the drop in UK job postings on the website Indeed has stabilised. Household spending took an unprecedented hit and fell 40 per cent in April, according to transaction data published by the London School of Economics. However, the contraction in spending was half as steep in the week to May 24 compared with the last week of March, according to data from Fable Data, a company that aggregates transaction data from banks, credit card providers and fintech companies. Shopping habits are also normalising, according to data from SimilarWeb, whose data show that the spike in visits to supermarket websites eased in May compared with April and the contraction in visits to fashion websites was less steep, while traffic to the websites of luxury goods producers started to grow again. Government data show a pick-up in motor vehicle usage, but no significant increase in the use of public transport.

The UK housing market is subdued, with the highest monthly fall in average house prices since February 2009. In the first week after the market reopened on May 13, the property website Zoopla reported a weekly 88 per cent jump in demand, defined as browsing on the website followed by inquiry. Yet harder measures of market activity, such as sales agreed, are more subdued, rising from levels that are just a tenth of typical sales volumes at this time of year. The number of approved home loans fell by 80% compared to February, to just 15,800. This was around half the number of approvals that were logged during the worst periods of the global financial crisis and the worst since records began in 1993. Remortgaging performed better, having fallen just 34% to 34,400 since February. It came as borrowers tried to take advantage of the drop in interest rates, with the Bank of England base rate now at 0.1%. Nationwide Building Society data showed that the average price of a home in the UK dropped 1.7% in May from the previous month to £218,902. This comes after April's 0.9% gain and is the biggest monthly fall since February 2009.

IMPACT ON BUSINESSES

In the latest ONS coronavirus business survey (04 May to 17 May 2020), 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.

Manufacturing leaders call for emergency bailout. Make UK, representing 20,000 engineering. manufacturing and technology companies has called for direct state support to ensure firms survive during Covid-19. Make UK claims that the extent of the damage caused by the coronavirus crisis and lockdown measures was so widespread that failure to provide direct support this year could drive companies to the wall. Urging the government to step in, it said firms would need help to service debts they had accumulated during the crisis, and that firms in aerospace, automotive and steel would benefit most from direct aid. Other major countries have taken such an approach, including France, where Air France has been forced to cut back its domestic routes if train journeys could be used as an alternative in exchange for a €7bn (£6.3bn) government bailout.

Retail stores planning to reopen. Fashion retailer Primark is preparing to reopen all its 153 stores in England on 15 June, according to its owner Associated British Foods. Primark is installing hand sanitiser stations and perspex screens at tills and handing out face masks and gloves to staff in preparation for the reopening of stores in England. This comes after 14% of UK shops reported no turnover at all in April, due to the Covid-19 shutdown – including 27% of clothing and footwear outlets (where takings halved last month), and almost 40% of department stores.

Nationwide Building Society has seen its annual profits almost halve, in part due to the impact of hundreds of thousands of customers taking payment holidays due to the coronavirus. Nationwide's pre-tax profits fell by 44% from £833m to £466m in the year to 4 April. 280,000 nationwide customers have so far opted to take a payment holiday which has cost the company £101m:

More job cuts announced in vulnerable sectors. Easyjet announced 4,500 job cuts on 27 May. EasyJet has laid out fresh cost cutting plans that will involve axing up to a third of its 15,000-strong workforce in response to the Covid-19 crisis. EasyJet said its fleet will also involve 51 fewer aircraft than expected by year-end 2021. Major global automotive manufacturers continue to announce job cuts world-wide, including Renault (15,000), ZF (15,000), McLaren (1,200) and Aston Martin (500). Motor retailer Lookers announced it is shedding 1,500 jobs and closing 12 sites. Several restaurant chains have either entered administration or have announced outlet closures including The Casual Dining Group (Bella Italia, Café Rouge) and The Restaurant Group (Wagamama, Garfunkel's, Frankie & Benny's).

UK banks are warning that up to half of the £18.5bn of "bounce back" coronavirus loans are unlikely to be repaid. Under the terms of BBLS participation it is made clear that banks bear the responsibility of pursuing defaulting borrowers.

IMPACTS ON WORKERS AND UNEMPLOYED

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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.

UK lenders have granted around 1.5 million payment holidays on credit cards and personal loans for customers impacted by the Covid-19 outbreak and lockdown. Figures from UK Finance show that there has been a near 30% increase in payment delays being granted across both products since the start of May. Currently **877,800 credit card customers** have been granted a freeze, representing around 1.7% of the total 51 million accounts run by its members. **608,000 personal loan customer**s have been put on a payment holiday, which is around 6.8% of the 9 million accounts run by UK Finance members

COMPANY NEWS

The Cambridge Index advanced 917.1 points or 4% to close at 23690.9, as all of the top ten Index heavyweights posted weekly gains to their share prices. AVEVA Group, up 0.2%, announced that it will release its annual results for the year ended 31 March 2020 on 9 June 2020. 1Spatial, up 13.2%, announced that its audited results for the year ended 31 January 2020 is scheduled to be released by mid-June 2020.

Lite Access Technologies wins CityFibre contract as part of £20m investment in Cambridge. CityFibre, the UK's third national digital infrastructure platform, has awarded Lite Access Technologies a city-wide build contract in Cambridge. The project is part of CityFibre's £4bn Gigabit City Investment Programme, targeting full fibre rollout to up to eight million premises across the UK.

Mission Therapeutics, a drug discovery and development company focused on selectively inhibiting deubiquitylating enzymes (DUBs), today announces its move to new purpose-built headquarters on the Babraham Research Campus, Cambridge. As the Company has grown, its need for space has increased and it has had to split its operations across two sites – at Granta Park and the Babraham Research Campus. Mission's move into BioMed Realty's newly developed Babraham Research Campus buildings will combine its two existing sites. This will bring all employees back together, promoting collaboration, innovation and efficiency, and will provide 40% more space to facilitate the Company's continuing growth.

Johnson Matthey in Royston has donated space at one its sites to help DHL to assemble ventilators on behalf of Ventilator Challenge UK. This is a not for profit organisation that is led by two different consortia making two types of ventilators. DHL was asked to create, construct and manage logistics operations for both consortiums who have been charged with manufacturing 15,000 ventilators in 12 weeks. This is a marked increase on the 4,000 ventilators typically manufactured in the UK each year. As it became clear that capacity would be constrained if both supply chains continued to operate from one facility, DHL approached Johnson Matthey to support the consortium and logistics provision through its site in Bedford.

Foreign Direct Investment in East of England grows 11% in 2019. The East of England recorded a 11% increase in FDI projects in 2019, from 36 to 40 in the last 12 months, according to the EY 2020 UK Attractiveness Survey which launched on 28 May. The region recorded 40 FDI projects in 2019, 23 were new to the region, representing an 11% increase, when compared to 2018. Declared employment creation from Foreign Direct Investment projects in the East of England stood at 117.4 jobs per project, more than double the UK average of 51.4 jobs per project. Investors perceive the UK to be resilient compared to European peers as Brexit fades as an influence on investment decisions. The past four years have been significant for the region, with 116 new FDI projects secured, more than in the previous six years combined. Cambridge retained its top spot as the leading city for FDI in the East of England, representing 25% of the total investment in the region.