Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 08 June 2020 **Edition 10**

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), To date (10 June 2020), Cambridge has registered 235 cases of Covid-19, and South Cambridgeshire 217 cases. Cambridgeshire has registered 1,235 cases of Covid-19, against the 290,143 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 18.7 cases per 10,000 residents, South Cambridgeshire 13.8, and Cambridgeshire 19.0 compared to 43.7 for the UK.

Whilst there have been signs of an easing off of the rate of economic decline in the UK, the OECD forecasts that the UK is likely to suffer the worst damage to its economy amongst OECD nations. The OECD forecasts a UK economic contraction of 11.5% in 2020, worsening to 14% if the virus returns later in the year. This is a worse fall in economic output than forecast for France, Italy, Spain, Germany, and the US. The outlook is likely to be worse if the UK fails to secure a trade deal with the EU, according to the OECD. The credit ratings agency Moody's warned that a no-deal Brexit would "significantly damage the UK's potentially fragile recovery from its deepest recession in almost a century."

The global nature of the pandemic means that emerging economies are forecast to shrink for the first time in 60 years. The World Bank forecasts a 2.5 per cent contraction in emerging markets' gross domestic product, with incomes per capita set to shrink by 3.6 per cent globally.

The economic impact of Coronavirus on the US has shown signs of easing over the past two weeks. The US unemployment rate has unexpectedly fallen to 13.3% in May, down from 14.7% in April. It comes as US non-farm payrolls showed the economy actually grew by 2.5 million jobs during May. The US Labor Department also reports that the number of Americans making continued claims for unemployment fell to 20.9m in the week ending 30 May, down from 21.3m in the prior week. 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 past week has seen a fresh wave of redundancies announced in the UK from firms including BP, Johnson Matthey, Mulberry, Easyjet, and Heathrow Airport. Research from Barbour ABI has revealed that 473 infrastructure projects worth over £6.5 billion remain suspended. Engineering and construction firms are beginning to report layoffs and job cuts.

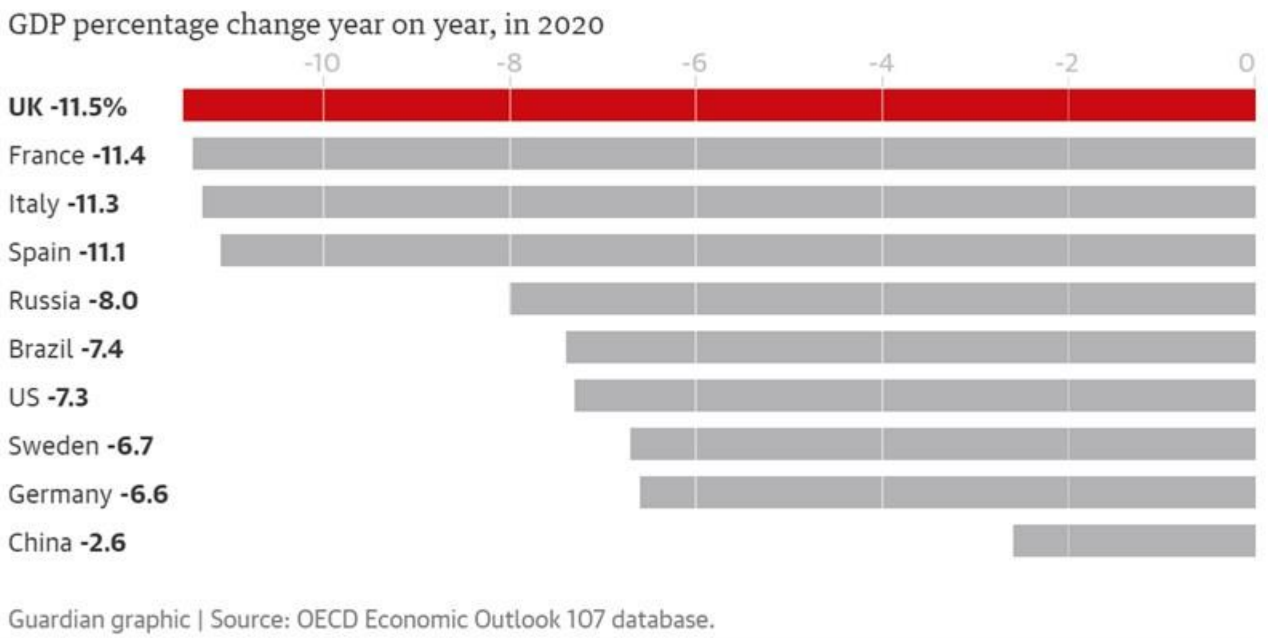
More than one million British businesses have furloughed at least one employee, according to data from HM Revenue and Customs that covers up to 31 May. Claims up to that point totalled £17.4bn, HMRC said. The government pays 80% of wages up to £2,500 a month under the scheme.

The outlook for UK jobs is the gloomiest in almost three decades, according to the latest employment survey by recruitment firm ManpowerGroup. It found that companies in the largest sectors of the economy are more likely to cut jobs than to hire people over the next three months, from July to September, the weakest forecast since records began in 1992. Online jobs site JobisJob.com has reported that online vacancies int the first 5 months of 2020 are 40% lower than the same period in 2019.

ECONOMIC CONDITIONS

UK economy likely to suffer worst covid-19 damage, according to latest OECD forecasts. The OECD forecasts a UK economic contraction of 11.5% in 2020, worsening to 14% if the virus returns later in the year. This is a worse fall in economic output than forecast for France, Italy, Spain, Germany, and the US. Germany's decline in national income (GDP) is forecast to be 6.6% this year while Spain's GDP will fall by 11.1%, Italy's by 11.3 and France's by 11.4%. The US, the world's largest economy, is expected to take a hit of 7.3%. One factor identified by the OECD is the importance of the service sector to the UK economy. Trade, tourism, real estate and hospitality together make up a sizeable chunk of gross domestic products and all have been hard hit by the lockdown. The OECD further stated that "The failure to conclude a trade deal with the European Union by the end of 2020 or put in place alternative arrangements would have a strongly negative effect on trade and jobs." Adding to pressure on No 10 to agree concessions with Brussels to secure a Brexit deal amid the economic damage caused by the pandemic, the credit ratings agency Moody's warned that a no-deal Brexit would "significantly damage the UK's potentially fragile recovery from its deepest recession in almost a century."

FIGURE 1: LATEST OECD ECONOMIC FORECASTS FOR 2020



Source: Guardian Newspaper

Emerging economies forecast to shrink for first time in 60 years. The World Bank forecasts a 2.5 per cent contraction in emerging markets' gross domestic product, with incomes per capita set to shrink by 3.6 per cent globally. Global factory production fell for the fourth straight month, but PMI data showed there was a softer contraction in output in May compared to a month earlier (42.4 in May, up from 39.6 in April). China was the only country to report any increase in output in May.

Eurozone GDP falls 3.6% in the first quarter of 2020. Sharp declines in household spending and investment dragged down economic growth in the eurozone in the first quarter, but the fall was slightly smaller than previously estimated. This is the largest decline ever recorded. Household spending plunged 4.7% in the eurozone as shops, restaurants, cafes and bars shut because of the Covid-19 pandemic. Investment fell 4.3% and exports were down 4.2%.

The US unemployment rate has unexpectedly fallen to 13.3% in May, down from 14.7% in April. It comes as US non-farm payrolls showed the economy actually grew by 2.5 million jobs during May. That compared to expectations for a loss of 8 million amongst economists. There have been 44 million new unemployment claims in 12 weeks (1.54 million in the last week). The US Labor Department also reports that the number of Americans making continued claims for unemployment fell to 20.9m in the week ending 30 May, down from 21.3m in the prior week. 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.

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.

Consumers' reluctance to spend may put brakes on UK recovery. The UK's economic recovery appeared to stall in the final week of May, with consumers reluctant to spend, despite the easing of lockdown measures. High-frequency indicators show that spending, mobility and confidence have not increased much despite announcements of easing of lockdown on May 11. In the final week of May, household spending was 18.5 per cent lower than in the equivalent week of 2019, according to Fable Data, a consultancy which tracks spending levels across a large sample of data from bank accounts, credit and debit cards and fintech companies. According to the latest flash survey, taken between May 20 and May 26 by market researchers GfK, consumer confidence has deteriorated, dropping two points to a level of -36 — the lowest it has been since the pandemic started. Mobility figures from Google maps show a gradual recovery in the number of trips to workplaces. By the end of May they stood at roughly half pre-virus levels — although the UK lags significantly behind other large European countries. Official data from the Office for National Statistics suggests that more than one-fifth of normal household spending has been prevented by the lockdown.

IMPACT ON BUSINESSES

Fresh wave of new redundancies announced. As the UK emerges out of lockdown, and tapering is about to be introduced to the furlough scheme (CJRS) in August, firms have announced redundancies:

- BP announced its intention to cut 2,000 jobs in the UK as part wider cutbacks.
- Johnson Matthey announced 2,500 job cuts worldwide. With a major facility in Royston, North Hertfordshire, further announcements will be of relevance.
- The British luxury handbag maker Mulberry has also signalled that it intends to slash 25% of its global workforce, with up to 470 jobs at risk across the organisation, from head office to manufacturing, retail, distribution and support. It currently employs 1,390 people worldwide, including 1,140 in the UK.
- EasyJet has warned that there could be more job losses at the budget carrier if the UK's new quarantine policy continues. EasyJet currently intends to cut up to 4,500, or 30% of its global workforce, as it battles the coronavirus crisis which led to the grounding of planes around the world. EasyJet said its fleet will also involve 51 fewer aircraft than expected by year-end 2021.
- Heathrow Airport has started a voluntary redundancy scheme as it tries to cut costs. IATA's most recent forecasts suggest that the aviation industry is headed for a $100bn loss in 2020/21, on top of losses of $84bn in 2020.
- Major global automotive manufacturers continue to announce job cuts world-wide, including Renault (15,000), ZF (15,000), McLaren (1,200), Bentley (1,000) 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).
- Dennis Publishing, the company founded by the late media entrepreneur Felix Dennis, has begun a consultation process with 122 of its approximately 480 UK staff.
- Centrica, the owner of British Gas has announced 5,000 job cuts.
- P&O Ferries intends to make up to 1,100 staff redundant.

Infrastructure projects stalled, with new contracts and tenders drying up as work struggles to restart after lockdown. More than 470 infrastructure projects in the UK worth £6 billion remain on hold and the number of new contracts and tenders in the sector has dried up because of coronavirus, according to research by Barbour ABI. Fifty-seven infrastructure projects with a value of £8.5bn that were delayed by the crisis have restarted, including the Northern Line extension, Crossrail, and the Thames Tideway super sewer. However, 473 projects worth over £6.5 billion remain suspended. Overall, work stopped on 4,800 projects across the wider construction industry, or about half of all sites, with a total value of £70 billion. The falls in on-site productivity because of social distancing measures risk delaying completion for years, raising costs and putting pressure on contractors' finances. Moreover, the uncertainty has led to weakness in the planning pipeline. The total value of contract awards has fallen 60 per cent since mid-March compared to the previous 10 weeks, while there has been a 40 per cent fall in new tenders over the same period. The fear is that contractors will not have the ability to survive if the work does not come through. This is reflected in recent announcements by construction company Atkins, which has been heavily involved in work on airports, one of the sectors worst hit by the crisis, said it was planning to cut 280 jobs over the next two years. Other construction companies, such as Wates and the brickmakers Ibstock and Forterra, have also laid off a significant number of people. HM Treasury has still not published its long-awaited national infrastructure strategy, two years after it was first promised.

Firms significantly scale back investment plans. The Institute of Directors (IoD) confidence tracker revealed the Covid-19 crisis had driven down investment intentions among its members for the next 12 months by 11 percentage points to a record low of -43%. The monthly survey found investment and hiring intentions "plumbed new depths" last month despite some easing of the lockdown and an improvement in the overall confidence business owners have in the economy, which increased from -69% in April to -60%. Officials at the Treasury and Bank of England are concerned that businesses will delay spending on new plant and machinery, IT systems and upgrades to ageing properties while they cope with the coronavirus crisis, jeopardising the recovery.

IMPACTS ON WORKERS AND UNEMPLOYED

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More than one million British businesses have furloughed at least one employee, according to data from HM Revenue and Customs that covers up to 31 May. Claims up to that point totalled £17.4bn, HMRC said. The government pays 80% of wages up to £2,500 a month under the scheme. As **Figure 3** shows, the largest claims from sectors came from retail, followed by accommodation and food services. There was also a very large number of manufacturing claims, given its relatively small share of the total economy. The total number of employers that made at least one CJRS claim to 31 May 2020 is 1.07 million. 8.7 million employees in jobs have been supported through the scheme under claims made until 31 May, with these claims totalling £17.5 billion. 6,300 large employers (those with 250 or more employees) have furloughed around 2.5 million employments.

Online vacancies down 40% compared to 2019. JobisJob.com, which handles 85% of jobs posted online across 250 online jobs boards has reported that UK job vacancies have fallen to their lowest level in 3 years. The number of jobs posted between Jan-May 2020 is 40% lower than same period in 2019. The retail sector has been hit the worst, with jobs down 53% during Jan-May compared to 2019. Where recruitment has increased – has been in jobs for healthcare, cleaning staff, and warehouse operatives.

The outlook for UK jobs is the gloomiest in almost three decades, according to the latest employment survey by recruitment firm ManpowerGroup. It found that companies in the largest sectors of the economy are more likely to cut jobs than to hire people over the next three months, from July to September, the weakest forecast since records began in 1992.

FIGURE 2: CJRS CLAIMS BY EMPLOYER SIZE

		Total number of employers furloughing	Total number of employments furloughed	Total value of claims made (£million)
Employer size (number of employees)	1	256,500	256,500	453
	2 to 4	383,700	829,300	1,562
	5 to 9	175,200	808,900	1,706
	10 to 19	102,800	879,800	1,969
	20 to 49	64,100	1,063,300	2,531
	50 to 99	20,600	667,400	1,606
	100 to 249	11,200	671,800	1,606
	250+	6,300	2,473,800	4,877
	Unknown	47,400	1,045,300	1,161
	Total	1,067,700	8,696,000	17,471

Source: HMRC CJRS and PAYE Real Time Information data

FIGURE 3: CJRS CLAIMS BY INDUSTRY

Sector	Total number of employers furloughing	Total number of employments furloughed	Total value of claims made (£million)
Agriculture, forestry & fishing	8,300	31,300	57
Mining, quarrying & utilities	500	12,900	40
Manufacturing	67,400	831,000	2,111
Energy Production	600	16,300	39
Waste and Recycling	3,700	36,300	87
Construction	154,400	679,600	1,760
Wholesale and retail; repair of motor vehicles	161,900	1,609,800	3,342
Transport & storage (inc. postal)	36,500	303,300	736
Accommodation & food services	102,000	1,403,300	2,595
Information & communication	47,600	168,000	420
Finance & insurance	12,500	62,800	153
Property	25,200	128,500	300
Professional, scientific & technical	126,500	495,800	1,175
Business administration and support services	88,800	644,800	1,342
Public administration & defence	400	4,400	5
Education	20,800	213,400	363
Health	47,000	332,000	547
Arts, entertainment, recreation and other services	26,600	357,000	653
Trade union, religious, political and repair.	65,000	268,400	496
Domestic employers	6,000	7,400	15
Unknown and other	66,000	1,089,600	1,237
Total	1,067,700	8,696,000	17,471

Source: HMRC CJRS and PAYE Real Time Information data and Inter-Departmental Business Register

COMPANY NEWS

Cambridge Index marginally declines. The Cambridge Index marginally fell by 3.2 points to close at 23687.8, as losses in Index heavyweights such as AVEVA Group and Abcam were offset by gains in DS Smith and Johnson Matthey. Frontier Developments, up 2.2%, launched a major expansion for its Elite Dangerous game, which will arrive in early 2021. CyanConnode, up 76.7%, announced that it has now received the required approvals to resume the implementation of a substantial Indian contract, which had been delayed. Gaming Realms, up 17.5%, in its trading update for the five months ended 31 May 2020, announced that licensing revenue was up 80% during the period, while its social division revenues were 15% higher. Marshall Motor, up 6.7%, in its trading statement, announced that the group is confident of achieving good operational and financial performance in the first quarter of the current financial year.

Austria awards C-130 avionics modification contract to Marshall. The Austrian Air Force has awarded a multi-million-pound contract to Marshall Aerospace and Defence Group (Marshall ADG) to update the navigation systems on its fleet of three C 130K aircraft. Following on from the Night Vision System upgrade modification of the Flight Management System in 2017, Marshall ADG will now design and update the Electronic Flight Instrument System displays, Standby Instrument and Flight Management System across the fleet.

Coronavirus regional testing site to open in Cambridge. A drive-through coronavirus testing facility is to open at the Milton Park & Ride in Cambridge, as part of the Government's UK-wide drive to increase testing. The testing centre is being operated in partnership with G4S and will offer assisted and self-administered tests. Those tested will receive their results within a few days. The site will start testing essential workers and people with symptoms of coronavirus on 05 June.

Bidwells forecasts huge increase in demand for workspace in Oxford-Cambridge Arc as cluster leads UK's fight against Covid-19. New Bidwells research has revealed that up to 20 million sq ft of new lab and office space will be required in the Oxford-Cambridge Arc within the next two decades to keep pace with soaring demand, twice the volume of the previous 20 years. The new report, 'Oxford-Cambridge Arc Beyond the Covid-19 Crisis' from Bidwells, also estimates that the Arc will represent almost 11 percent of UK GVA by 2050, up from 6 percent today, equivalent to £100bn a year. The region's high-growth core, where economic output rose by 5.4 percent over the five years to 2018, compared to the national average of 3.7 percent, has the ability to create vital, highly skilled employment opportunities. In 2018, the number of people working in the Scientific & Technical sector across the Arc rose by 6.1 percent. In Cambridge, home to giants such as Amazon and Microsoft, this figure rose to 27 percent, an addition of 8,000 new jobs.

Qkine – a specialist developer and manufacturer of proteins for stem cell, organoid and regenerative medicine applications – today announced the successful closure of a £1.5M series A investment round to accelerate the global scale-up of its commercial operations and make key hires to its leadership team. The funding round attracted support from a wealth of leading life science funds and angel investors, including Parkwalk, a London-based firm that backs world-changing technologies emerging from the UK's leading universities, who led the round; Jonathan Milner, serial entrepreneur and founder of Abcam; Martlet Capital, a Cambridge-based investor with a growing portfolio of innovative life science companies; and the fast-growing o2h ventures Human Health EIS fund. As a result of Qkine's success to date and ever-increasing customer base, the company has also secured investment from its existing supporters, including Cambridge Enterprise and other angel investors, to complete the round.

FlexEnable has been named in the cofinitive #21toWatch campaign. The award recognises the People, Companies, and the 'Things' that they create that are setting the standards in innovation and entrepreneurship across globe. FlexEnable has been recognised for its groundbreaking flexible OLCD (Organic Liquid Crystal Display) technology, which enables low-cost, large area glass-free LCDs that can be conformed and wrapped around almost any surface.

Timestrip®, the developer of smart indicator technology, has developed an important new range of indicators to help healthcare professionals meet WHO guidelines in the handling of virus specimens. The Timestrip Virus Specimen Transport (VST) series has been specially formulated to provide a clear indication when key temperature levels are exceeded. Uniquely, these indicators monitor when specimens - including coronavirus – have been stored for too long and outside the required temperature range for reliable testing. Four products make up the VST range, and together they form an essential tool to support hospitals, surgeries and medical laboratories in storing and transporting virus specimens correctly, and preserving their integrity.