

Cambridge City and South Cambridgeshire

MONITORING THE ECONOMIC AND BUSINESS IMPACTS OF COVID-19

Week beginning 22 June 2020

Edition 12

SUMMARY

To date (25 June 2020), Cambridge has registered 236 cases of Covid-19 (with no increase in the past week), and South Cambridgeshire 218 cases (with just one additional case in the past week). Cambridgeshire has registered 1,246 cases of Covid-19 (increasing by 5 cases in the past week), against the 306,862 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 17 June 2020, Cambridge has had 18.8 cases per 10,000 residents, South Cambridgeshire 13.9, and Cambridgeshire 19.1 compared to 46.2 for the UK.

IMF forecasts bigger global recession in 2020, particularly in advanced economies. The coronavirus crisis will have an even bigger impact on the global economy than it initially thought, according to the IMF. It forecast that the global economy will contract by 4.9 per cent this year. The IMF projects that the advanced economies of the US and Europe will experience a contraction of 8.0% in 2020, with the contraction particularly high in Italy (-12.8%), Spain (-12.5%) and France (-12.5%). The IMF projects that the UK will experience a 10.2% contraction in 2020 and growth of 6.3% in 2021. It also forecasts that emerging economies will contract by 3.0 per cent this year, and grow by 5.9% in 2021.

Latest PMIs show advanced economies recovering with some returning to growth. France's composite PMI signalled a return to growth in manufacturing and services. Germany's PMI results signalled a much smaller rate of contraction, as did the Eurozone. In the UK, the 'flash' manufacturing PMI jumped to 50.1 in June compared to 40.7 in May - above the 50-point mark which shows an expansionary trend. Activity across the UK services sector is still shrinking, but at a slower rate - with a PMI of 47.0 in June, up from 29.0 in May.

UK outlook for 2020 worsens. The latest HM Treasury average of independent forecasts (June) suggest that there will be an 9.2% economic contraction in 2020 followed by 6.5% growth in 2021. The monthly average of forecasts also predicts that the ILO unemployment rate will reach 7.9% in 2020, reducing to 6.6% in 2021.

As the retail sector experienced a significant rebound in sales, the aviation sector outlook worsens with fresh job losses announced. Retail sales showed a rebound in May with sales rising 12.0% month-on-month. That is a significant improvement compared to the -18% contraction in April. But the annual reading is sobering: retail sales were still -13.1% lower compared to May 2019. Meanwhile, the crisis in the aviation industry deepened as the UK airport industry has estimated that up to 20,000 jobs are at risk across the UK, as operators struggle to restart after the lockdown. There have been several more announcements of large scale jobs cuts and redundancies over the past week, including the ground-handling company Swissport, which announced 4,500 job cuts out of a total UK workforce of 8,500.

ECONOMIC CONDITIONS

IMF adjusts economic forecasts to predict lower growth in wake of Covid-19 impact. The coronavirus crisis will have an even bigger impact on the global economy than it initially thought, according to the IMF. It forecast a global economic contraction of 4.9 per cent this year. The IMF projects that the advanced economies of the US and Europe will experience a contraction of 8.0% in 2020, with the contraction particularly high in Italy (-12.8%), Spain (-12.5%) and France (-12.5%). The IMF projects that advanced economies will recover and grow by 4.8% in 2021. The IMF projects that the UK will experience a 10.2% contraction in 2020 and growth of 6.3% in 2021. It also forecasts that emerging economies will contract by 3.0 per cent this year, and grow by 5.9% in 2021.

Latest PMIs show advanced economies recovering with some returning to growth. France's flash (initial estimate) composite PMI (Purchasing Manager's Index) increased from 32.1 in May to 51.3 in June (flash) – where a reading above 50.0 indicates expansionary activity. France's Manufacturing PMI also rose from 40.6 in May to 52.1 in June (flash), and the services PMI rose from 31.1 in May to 50.3 in June. Germany's Composite PMI also increased from 32.3 in May to 45.8 in June (flash), which is not expansionary, but is a significant improvement. Germany's manufacturing output index also increased from 31.7 in May to 45.8 in June (flash). Overall, the Eurozone composite PMI for services and manufacturing jumped to 47.5 in June from 31.9 in May which indicates an easing of the downturn.

The HM Treasury average of independent forecasts (June) suggest that there will be an 9.2% economic contraction in 2020 followed by 6.5% growth in 2021. The monthly average of forecasts also predicts that the ILO unemployment rate will reach 7.9% in 2020, reducing to 6.6% in 2021.

The contraction has halted amongst UK manufacturers. UK factories have returned to growth this month, as the Covid-19 recession eases. The 'flash' manufacturing PMI has jumped to 50.1 this month from 40.7 in May - above the 50-point mark which shows an expansionary trend. Activity across the services sector is still shrinking, but at a slower rate - with a PMI of 47.0, up from 29.0 in May. This comes on the back of a recent CBI survey which suggested that British industrial output shrank at an unprecedented pace in the three months to June as COVID-19 heavily disrupted operations.

Another 1.48 million people filed for unemployment insurance across the US last week. Claims for unemployment insurance have now fallen for 12 weeks in a row but remain historically high. About 47 million people have now filed for benefits in the last 14 weeks with 3 million claims made in the last two weeks. Last week's figure was just 60,000 lower than the previous week. Slightly more encouragingly, the number of Americans who have been claiming unemployment benefit for at least a fortnight has dropped slightly from 20.289m to 19.522m – but remains high.

FIGURE 1: IMF PROJECTIONS FOR ECONOMIC GROWTH

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
World Output	2.9	-4.9	5.4
Advanced Economies	1.7	-8.0	4.8
United States	2.3	-8.0	4.5
Euro Area	1.3	-10.2	6.0
Germany	0.6	-7.8	5.4
France	1.5	-12.5	7.3
Italy	0.3	-12.8	6.3
Spain	2.0	-12.8	6.3
Japan	0.7	-5.8	2.4
United Kingdom	1.4	-10.2	6.3
Canada	1.7	-8.4	4.9
Other Advanced Economies	1.7	-4.8	4.2
Emerging Markets and Developing Economies	3.7	-3.0	5.9
Emerging and Developing Asia	5.5	-0.8	7.4
China	6.1	1.0	8.2
India	4.2	-4.5	6.0
ASEAN-5	4.9	-2.0	6.2
Emerging and Developing Europe	2.1	-5.8	4.3
Russia	1.3	-6.6	4.1
Latin America and the Caribbean	0.1	-9.4	3.7
Brazil	1.1	-9.1	3.6
Mexico	-0.3	-10.5	3.3
Middle East and Central Asia	1.0	-4.7	3.3
Saudi Arabia	0.3	-6.8	3.1
Sub-Saharan Africa	3.1	-3.2	3.4
Nigeria	2.2	-5.4	2.6
South Africa	0.2	-8.0	3.5
Low-Income Developing Countries	5.2	-1.0	5.2

Source: IMF, *World Economic Outlook Update*, June 2020

Note: For India, data and forecasts are presented on a fiscal year basis, with FY2020/2021 starting in April 2020. India's growth is -4.9 percent in 2020 based on the calendar year.

IMPACT ON BUSINESSES

Of all responding UK businesses to Wave 6 of the Business Impact of Coronavirus (COVID-19) Survey (BICS), 79% had been trading for more than the last two weeks, 5% had started trading again within the last two weeks after a pause in trading, 5% reported intending to restart within the next two weeks, with the remainder temporarily closed, paused or ceased trading. Across all sectors, the wholesale and retail trade (17%) and transportation and storage (10%) sectors reported the largest percentage of businesses indicating their turnover had increased compared with what is normally expected for this time of year. Of those businesses with a proportion of their workforce furloughed, 42% of businesses reported providing top-ups to furloughed workers' pay on top of the Coronavirus Job Retention Scheme. Of the 7,245 UK businesses surveyed, a small number of businesses (less than 1%) responded that they had permanently ceased trading in the period 18 May to 31 May 2020. 65% reported their turnover had been lower than normal in the last two weeks. The main sectors to have reported that their turnover decreased by more than 50% were the accommodation and food service activities sector (66%), the arts, entertainment and recreation sector (64%), and the construction sector (38%).

UK Retail Sales either smashed a record in May (+12.0% since April) or are down a huge 13.1% on the year since May 2019. Retail sales showed a rebound in May with sales rising 12.0% month-on-month. That is a significant improvement compared to the -18% contraction in April. But the annual reading is sobering: retail sales were still -13.1% lower compared to May 2019. That is an improvement on the -22.7% annual decline logged in April. The proportion of retail spending being made online hit a record 33.4% in May - that is higher than the first full month of lockdown in April, when online sales accounted for 30.8% of spending.

Crisis in aviation industry deepens. The UK airport industry has estimated that up to 20,000 jobs are at risk across the UK, as operators struggle to restart after the lockdown. There have been several more announcements of large scale jobs cuts and redundancies over the past week, including the ground-handling company Swissport, which announced 4,500 job cuts out of a total UK workforce of 8,500. The global impact of the pandemic on aviation was further underlined by the announcement by Australia's Qantas airline of 6,000 job cuts and continued furloughing of 15,000 workers. Other recent redundancies announced include Royal Mail (2,000 management roles).

The US President has signed an order temporarily suspending the issue of new H-1B visas, popular amongst tech firms. Tech companies have for years relied on the H-1B visa program to bring software engineers and others into the country from countries including India, China, Canada, and South Korea. Tech firms are among the biggest—and most successful—users of the competitive program – including Microsoft, Apple, Google, Facebook, Amazon and Intel. The US administration said the move will give US workers access to an additional 525,000 jobs.

IMPACT ON THE WORKFORCE AND LABOUR MARKET

To date (25 June 2020), Cambridge has registered 236 cases of Covid-19 (with no increase in the past week), and South Cambridgeshire 218 cases (with just one additional case in the past week). Cambridgeshire has registered 1,246 cases of Covid-19 (increasing by 5 cases in the past week), against the 306,862 cases nationally. If we were to calculate this on a per capita basis (using total estimated resident population in 2018), on 17 June 2020, Cambridge has had 18.8 cases per 10,000 residents, South Cambridgeshire 13.9, and Cambridgeshire 19.1 compared to 46.2 for the UK.

COMPANY NEWS

Cambridge Index climbs 4.4%. The Cambridge Index advanced 985.3 points or 4.4% to close at 23359.7, as six of the top ten Index heavyweights posted weekly gains to their share prices. Goldman Sachs increased its target price on AVEVA Group, up 7.5%, to 4100p from 3600p and gave a “Neutral” rating. DS Smith, up 4.1%, announced the appointment of Geoff Drabble as Chairman Designate and a Non-Executive Director to the board with effect from 1 September 2020. Johnson Matthey, up 2.1%, announced a contract with JSC Technoleasing to provide license for the 3,000 MTPD plant for the latter’s new Amur Oblast facility in Russia. Berenberg lifted its target price on the stock to 2700p from 2400p. Abcam, up 3.8%, announced that Jonathan Milner, co-founder and Non-Executive Deputy Chairman will not stand for re-election at the next Annual General Meeting (AGM).

TWI Innovation Network launches new subscription programme. The new *TWI Innovation Network (TWIIN)* Subscription Programme offers entrepreneurial, innovation-focused companies / organisations the opportunity to embark on mutual collaborations which will help them enable engineering advances in specialist areas, across a wide range of industry sectors in response to commercial needs. The TWIIN subscription programme will enable companies and research and technology organisations (RTOs) to maximise their capabilities in advancing new concepts through the Technology Readiness Levels (TRLs) to market delivery, with tailored support including 1-2-1 innovation management consultations, bespoke workshops and opportunities for forging new partnerships.

Cambridge Innovation Capital’s net assets grew by 46% to £301.7 million on 31 March 2020 (2019: £206.4 million). £35.7 million (2019: £44.9 million) has been invested into four new and 12 existing portfolio companies, bringing the total invested to £163.0 million in 30 companies (2019: £127.3 million in 26 companies). Cambridge Innovation Capital achieved a fair value increase of £69.5 million (2019: £30.7 million) which, together with investments, resulted in a portfolio value of £291.5 million (2019: £186.3 million).

TTP plc selected for technology advisory partnership with Cancer Research UK. TTP plc, a leading independent technology and product development company, today announced that it has entered into a technology advisory partnership with Cancer Research UK. TTP has been selected by Cancer Research UK to apply its technology design and development expertise and insight in the healthcare sector, to assess discoveries made by the charity’s academic researchers. Under the terms of the agreement, TTP will review and evaluate the clinical and commercial applications of emerging technologies, to support Cancer Research UK’s pioneering work into the prevention, diagnosis and treatment of cancer.

Arm technology powers the world’s fastest supercomputer. At the International Supercomputing Conference (ISC) it was announced that the Fugaku supercomputer, a system jointly developed by RIKEN and Fujitsu Limited, and based on Arm® technology, was awarded the number one spot of the TOP500 list. Having been crowned the world’s most efficient supercomputer on the Green500 list in November 2019, Fugaku was today also given top honours on the HPCG list, a ranking of benchmarks across real-world applications, and the HPL-AI, which rates performance on tasks used in artificial intelligence applications.

Illumina, Inc. has selected seven early-stage companies to join the first global cohort of Illumina Accelerator, the company creation engine focused on partnering with entrepreneurs to build breakthrough genomics start-ups. Three companies comprise the inaugural funding cycle of Illumina Accelerator Cambridge, UK, and four companies will join as part of the 11th funding cycle in the San Francisco Bay Area. Illumina Accelerator announced its global expansion last year. During two six-month

funding cycles per year, Illumina Accelerator provides the selected start-ups with access to seed investment, access to Illumina sequencing systems and reagents, as well as business guidance, genomics expertise, and fully operational lab space adjacent to Illumina's campuses in Cambridge, UK or the San Francisco Bay Area.

Siemens has signed an agreement to acquire Cambridge, UK-based UltraSoC Technologies Ltd., a provider of instrumentation and analytics solutions that put intelligent monitoring, cybersecurity and functional safety capabilities into the core hardware of system-on-chip (SoC). Siemens plans to integrate UltraSoC's technology into the Xcelerator portfolio as part of Mentor's Tessent™ software product suite. The addition of UltraSoC to Siemens enables a unified data-driven infrastructure that can enhance product quality, safety and cybersecurity, and the creation of a comprehensive solution to help semiconductor industry customers overcome key pain points including manufacturing defects, software and hardware bugs, device early-failure and wear-out, functional safety, and malicious attacks.

ARU ranked fifth in the UK among mainstream universities for the proportion of UK undergraduates in employment or further study 15 months after graduating. The Graduate Outcomes survey shows that 92% of ARU's UK undergraduates are either in employment or further study, with 86% in employment. And ARU is ranked second amongst the country's mainstream universities for the proportion of part-time UK undergraduate students in full-time employment 15 months after graduating. The survey shows that 97% of ARU's part-time UK undergraduates are in employment or further study.