

Economy briefing impacts of COVID-19

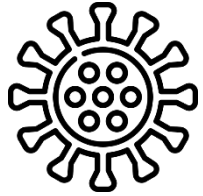
Week beginning Monday 11 May



Global trends and outlook

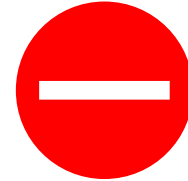


GLOBAL HEADLINES



4,136,056 confirmed cases of Covid-19

(John Hopkins University, 11 May 2020)



Travel restrictions apply in over 100 countries



1,422,984 patients recovered

283,478 deaths

(John Hopkins University, 11 May 2020)



Central banks have cut interest rates in over 50 countries



223,060 lab-confirmed cases

32,065 lab-confirmed deaths

(PHE, 11 May 2020)



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

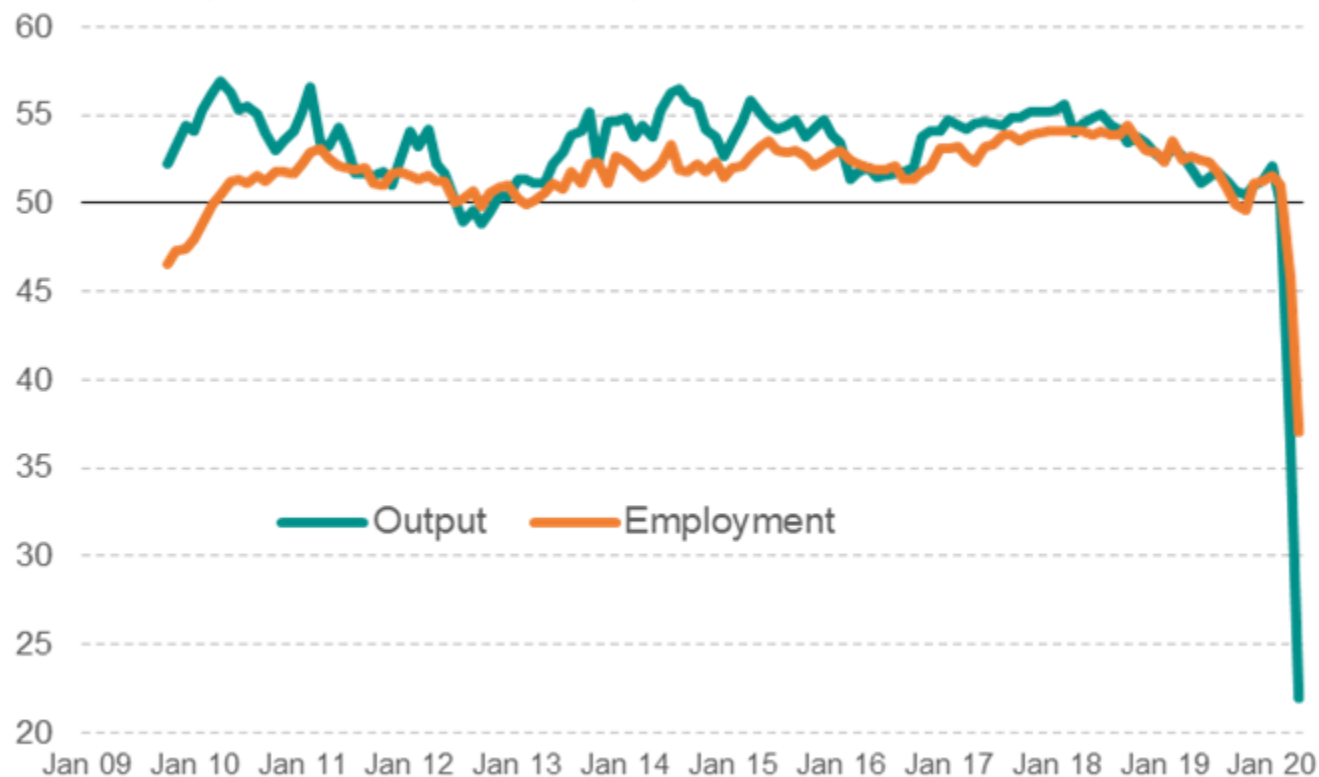
GLOBAL ECONOMY

Advanced economies enter recession

- G4 index of most advanced economies (US, Eurozone, Japan & UK): composite output index - fell from prior record low of 36.2 in March to 21.9 in April
- New orders index sank to 22.4
- Employment index hit new low of 37.1
- France, Germany, Spain now officially in recession
- The wider eurozone is also half-way into recession, after contracting by 3.8% in the last quarter.

G4 economies output and employment

Flash Composite PMI of 'G4' developed economies



Sources: IHS Markit.

GLOBAL ECONOMY

IMF downgrades global growth forecast

- April World Economic Outlook projects global growth in 2020 to fall to -3.0 percent – a downgrade of 6.3 percentage points from January 2020
- Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, IMF projects global growth in 2021 to rebound to 5.8 percent.

International trade on course for severe contraction

- World Trade Organisation: even the most optimistic scenario for 2020 was that trade would shrink by 13% – a bigger drop than in the 2008-09 recession caused by the banking crisis.
- Warned there was the risk of a much gloomier outcome under which trade would decline by 32% – on a par with the reduction seen between 1929 and 1932

Latest World Economic Outlook Growth Projections

The COVID-19 pandemic will severely impact growth across all regions.

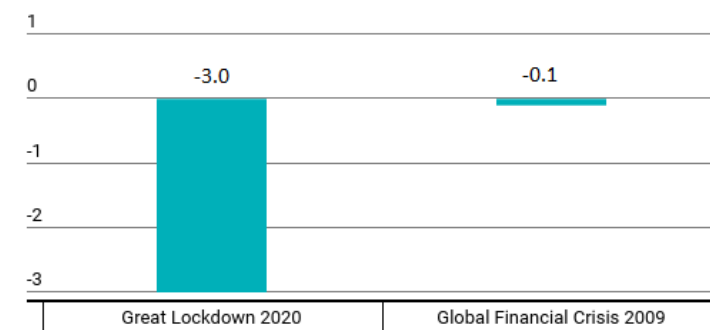
	PROJECTIONS		
(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF, World Economic Outlook, April 2020

The Great Lockdown

The world economy will experience the worst recession since the Great Depression.

(real GDP growth, year-on-year percent change)

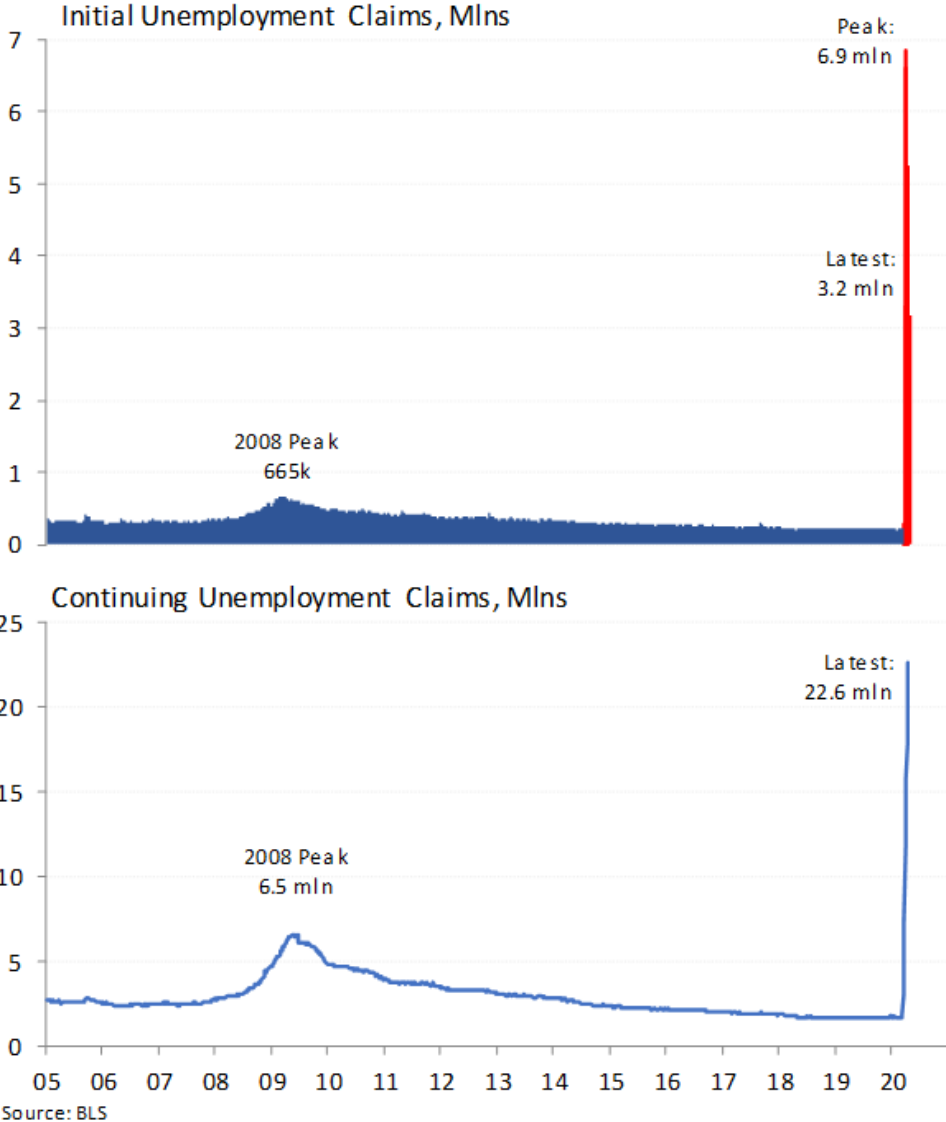


Source: IMF, World Economic Outlook.

US ECONOMY

1 in 5 American workers are now unemployed

- The IHS Markit Flash U.S. Composite PMI Output Index posted 27.4 in April, down from 40.9 in March
- The US private sector shed a record 20m jobs in April as coronavirus lockdowns and the resulting closure of non-essential businesses led to historic unemployment.
- 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.
- 33.5 million new unemployment claims in 7 weeks – approaching unemployment rate of 15%
- The US Labor Department also reports that 22.6 million people filed 'continued claims' (meaning they've been receiving help for more than one week)
- Wipes out decade of (+23m) jobs growth 2010-2020
- 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
- Significant regional imbalances emerging - in some states – claims have been one-third of total employment (Michigan, Kentucky, Rhode Island)



UK impacts and outlook

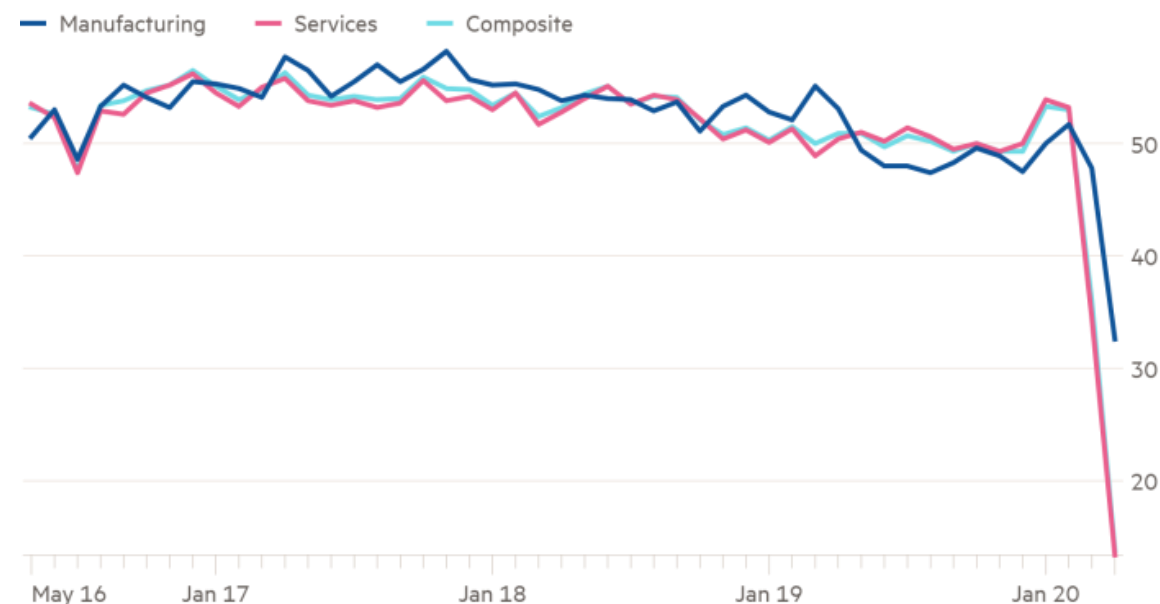


UK: PURCHASING MANAGER'S INDEX HITS NEW LOW

- The latest IHS Markit/Cips Composite Purchasing Managers' index (PMI) for the UK, a measure of economic performance in manufacturing and services, fell to 13.8 in April (from 36.0 in March), the lowest figure since the survey began more than two decades ago
- A score below 50 means most businesses reported a deterioration compared with the previous month
- Services was the worst performer, with the corresponding index dropping from 34.5 in the previous month to 13.4 in April, the lowest reading since the survey began in July 1996, but slightly above forecasts
- April's manufacturing final PMI, released last week, dropped to a survey-record low of 32.6
- Nearly 80 per cent of services sector respondents reported a drop in business activity during April, almost double the survey record set in March.
- Respondents attributed the reduced activity levels to business closures, shutdowns among clients or shrinking sales due to a slump in non-essential spending.

Coronavirus plunges the UK economy into an historic fall

Purchasing managers' index, below 50= a majority of businesses reporting a contraction



Sources: IHS Markit, Refinitiv
© FT

UK: ECONOMY

GDP figures for February show UK economy was struggling before Covid-19 lockdown:

- The UK economy contracted by 0.1% in the three months to February, following an 0.1% rise in January and an 0.2% rise in December
- This indicates a quarter-on-quarter drop in GDP of 1.8% in Q1, followed by a huge decline of 15% in Q2

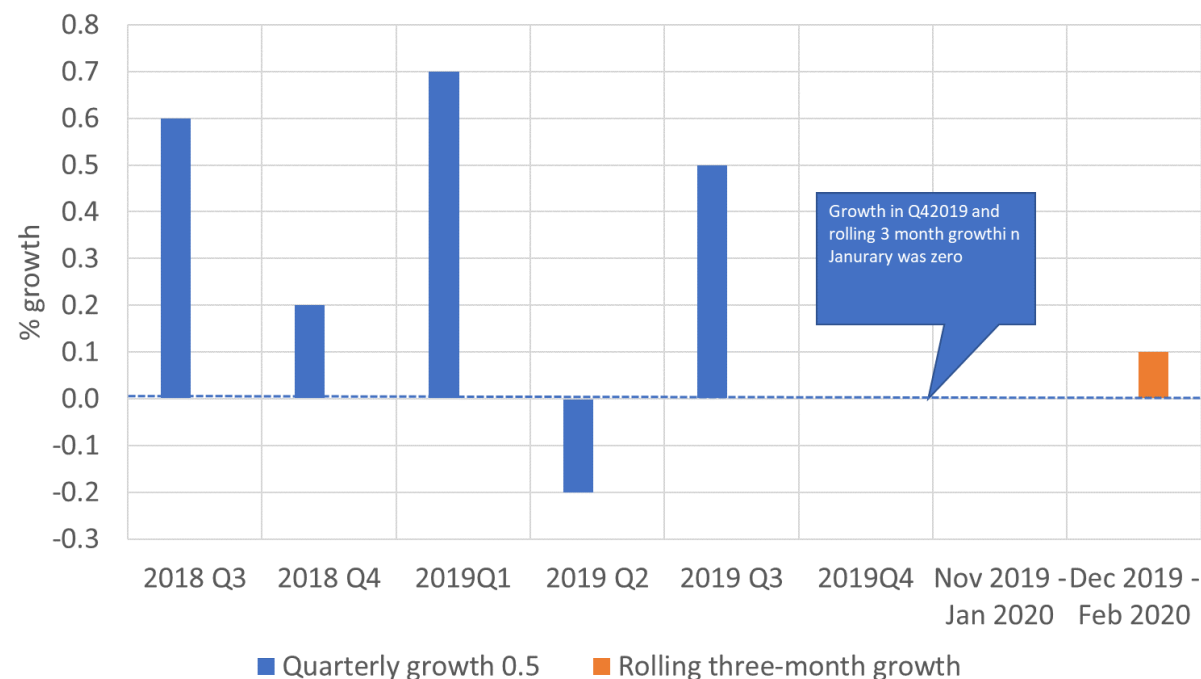
Bank of England scenario suggests UK economy could contract by 14% in 2020, followed by sharp rebound in 2021 of 12.5%

- BoE has forecast that coronavirus will push UK into deepest recession in 300 years
- 14% contraction over the whole 12 months; Forecast that unemployment likely to rise to 9% in 2021
- Despite gloomy outlook, BoE expects 'limited scarring to the economy' – sharp bounce back of +12.5% in 2021
- This V-shaped recovery – not fully accepted by economists – assumes economy quickly returns to normal, and very light impacts on supply chains and business viability

Predicting future economic growth is difficult - estimates vary:

- The consensus view is for the UK's economy to contract by 5.8% in 2020, according to the HM Treasury average of new independent forecasts (16 April 2020), and also suggests a strong rebound, with a consensus GDP growth rate of 5.0% in 2021
- OBR scenario: The UK economy could shrink by 12.8% in 2020, with unemployment spiking to 10%, with strong rebound of +17.9% in 2021
- IMF: 6.5% contraction in 2020, +4.0% rebound in 2021

UK gross domestic product (GDP) growth, Quarter 2 (Apr to June)
2018 until December 2019 to February 2020



UK: BUSINESS

Significant redundancies and furloughs announced in past few weeks

- Since the scheme opened on 20 April, 6.3m UK workers have been furloughed by 800,000 employers – representing 17.5% of UK jobs
- Wizz Air – 1,000 redundancies
- Furloughs - British Airways: 36,000; Airbus 3,200 (N Wales site)
- Redundancies – British Airways: 12,000; Boeing 16,000 (worldwide); Ryanair 3,000
- Accommodation and retail account for bulk of Covid-19 related notified redundancies

Price inflation

- Prices in the ONS's basket of 'high demand products', which includes food, cough medicines and cleaning products, have surged by 4.4% in the last four weeks, since lockdown measures began.

BCC Survey

- 70% of private firms have furloughed staff
- 59% of firms have at most three months of funds in reserve

Impacts on businesses (Latest ONS survey 6-19 April)

- 77% of surveyed businesses in the UK continuing to trade, 23% of businesses that responded they had temporarily closed or paused trading
- Of the businesses continuing to trade, 58% reported that their turnover had decreased, while 30% reported that their financial performance had not been affected
- Main sectors reporting temporarily closing or pausing trading were the accommodation and food service activities sector (81%) and the arts, entertainment and recreation sector (80%)
- Professional, scientific and technical activities (97%), information and communication (95%), health and social work activities (94%) and the administrative and support service activities (92%) sectors had the largest proportion of businesses responding to state they continued to trade.
- Of the survey respondents, 19% of the workforce had been furloughed under the terms of the UK government's Coronavirus Job Retention Scheme; of which the arts, entertainment and recreation, and construction sectors had the highest proportion, both with 40%
- 73% of the workforce were still working as normal for the period between 6 April and 19 April 2020
- 6% of the workforce were off sick or in self-isolation because of the coronavirus (COVID-19)

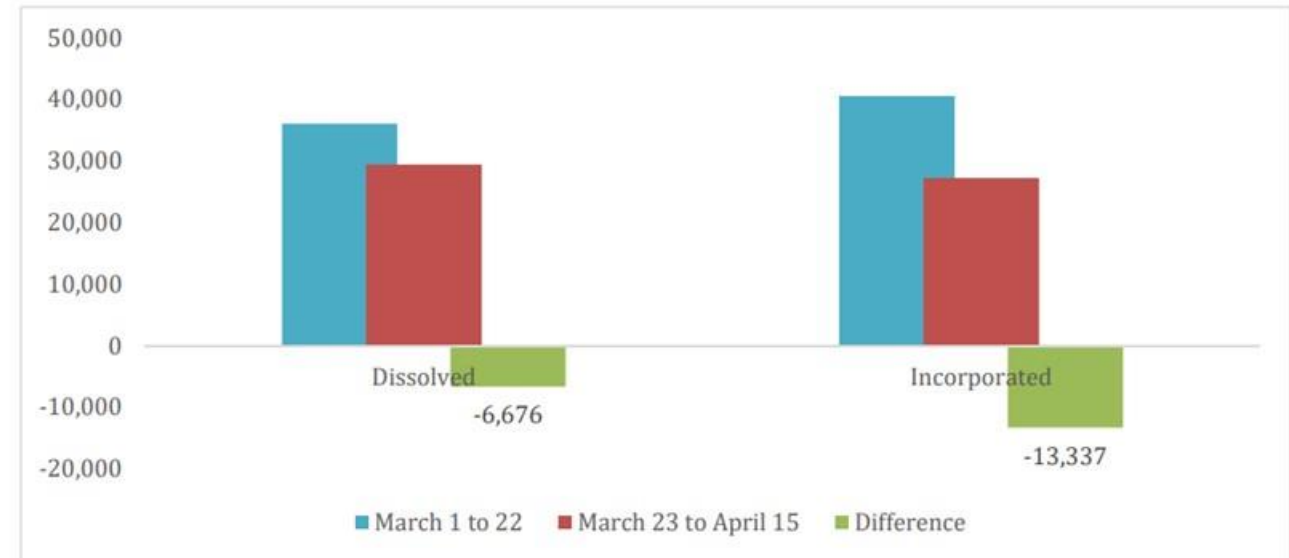
UK: BUSINESS

A 21,000 or 70% increase in company dissolutions in March 2020 compared to March 2019

- In absolute terms, London had the biggest increase with over 6,400 more dissolutions YoY
- In relative terms, this sharp increase was particularly striking in the West Midlands and Wales both of which experienced more than a 100% increase in dissolutions
- The sectors particularly influenced by this trend are Wholesale & Retail, Professional Services, Transportation & Storage, Information & Communication and Construction.
- The increase in company dissolutions is driven by young firms which appear as the most vulnerable when facing uncertainty and the current unprecedented challenges.
- Real risk: rather than seeing a V-shaped downturn and rebound as some economists such as the OBR have predicted, we could instead see an L-shape recession dragged down by a net loss of companies over a long period.

Source: Enterprise Research Centre compared company incorporations and dissolutions in the first quarter of 2020 with the same period in 2019

Figure 1: Number of dissolved firms before and after March 23rd 2020



Source; FAME analysis, Enterprise Research Centre, <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/04/ERC-Insight-Business-Dynamics-and-COVID-19-FINAL.pdf>

UK: INDUSTRIES



Airlines and aerospace furloughing staff or implementing redundancies. British Airways furloughs 36,000 staff, then announces 12,000 redundancies (27 April); Lufthansa suggest it will have to cut 10,000 jobs; Airbus furloughs 3,200 and cuts production by 1/3; Boeing announces 10% job cuts (28 April); Wizz Air makes 1,000 redundancies, Ryanair announces 3,000 redundancies



Jaguar Land Rover, the UK's biggest carmaker, plans to reopen some factories on 18 May, as the automotive industry moves to restart production with new measures to stop the spread of Covid-19



Housebuilders resuming operations at the beginning of May: Taylor Wimpey and Vistry Group (formerly known as Bovis) have announced they will resume building work soon, having suspended operations under the lockdown



IT recruitment services reporting major reduction in advertised vacancies. New candidate registrations on the CV-Library site have risen by 10 per cent year-on-year, even though job searches for new positions in the IT industry dropped by 6.7 percent

UK: INDUSTRIES

Retail round-up

- 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, said it had 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.
- Primark has rented nearly a third more warehouse space to help store £1.5bn of stock already ordered from suppliers which it cannot sell because its entire global network of 370 stores is closed during the crisis. It does not sell online.

UK: INDUSTRIES

Manufacturing overview

- New car registrations fell by 97% in April 2020, compared to April 2019, with just 4,321 vehicles being purchased
- The UK's manufacturing PMI reading came in at 32.6 in April, slightly worse than the flash reading of 32.9. That's confirmed as a record low
- Manufacturing Barometer (30 April), 608 firms interviewed 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% said 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.
- CBI latest members survey (Feb-April) – 330 manufacturing firms
 - Business sentiment – plunged in 3 months to April to -87%
 - Export sentiment dropped by -84%
 - 4/5 firms have had negative impact on their domestic output
 - ¾ manufacturers reported negative impact on international output
 - Half of manufacturers reported partial shutdown / closure
 - 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.

UK: INDUSTRIES

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.
- 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 - 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

UK: PEOPLE

There has been a significant increase (1.8m) in new Universal Credit registrations

- 1.8 million new registrations for Universal Credit since 16 March
- If all registrations became claimants – this would represent a 243% increase in claimant unemployment

Could be up to 2 million job losses, with employment rate increasing to 7.5%

- The Institute for Employment Studies has estimated that there have been between 1.5 and 2.0 million jobs lost due to the Coronavirus, with unemployment increasing to at least 2.5 million, or 7.5% of the workforce

A survey by market intelligence group Streetbees has shown that three-quarters of UK workers have been affected by Covid-19 in some way. A poll of 1,843 people in the UK over the last month found that:

- 12% have lost their job
- 20% reported business has slowed
- 18% said their hours have been reduced
- 17% said pay has been reduced
- 35% are working from home
- 6% have had hours increased
- The survey also found that 35% of people have no savings to rely on... and that 14% of those with savings have now used them up since the lockdown began

IHS Markit UK Household Finance Index
sa, 50 = no change in household finances since previous month



Job security perceptions

50 = no change in job security perceptions since previous month



UK: PEOPLE

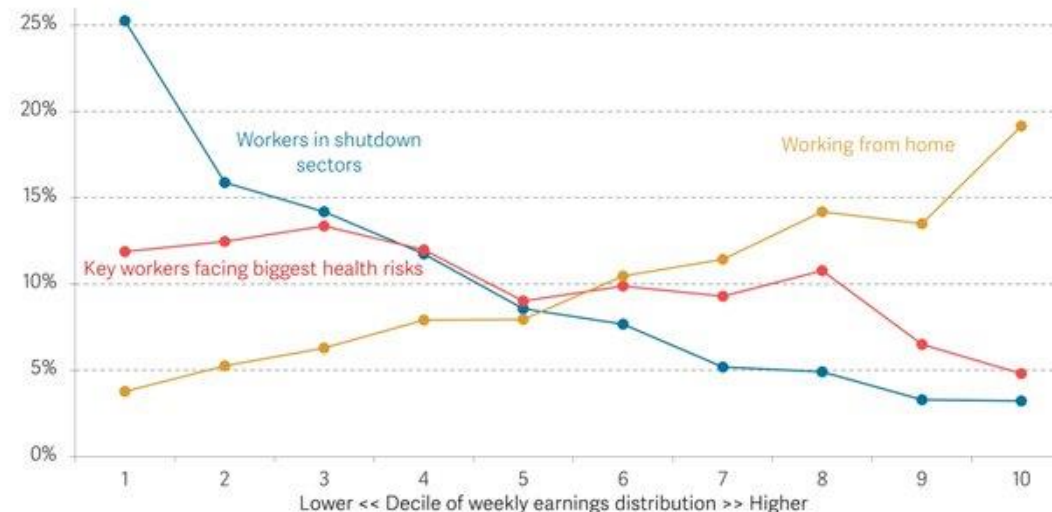
Resolution Foundation analysis of distribution of workforce impacts

- Women, low-paid workers, younger employees and parents are being hit particularly hard by the Covid-19 pandemic.
- Women make up a majority of 'key workers', which means they run a greater risk of exposure to the virus as they are not isolating.
- Those key workers are often relatively lowly paid.
- Those on low pay, or a younger adult – being more likely to have experienced job loss or have been furloughed.
- Those in shutdown sectors are younger – their average age of 39 is four years below the average age of those who can work from home.

Perceptions of job security had plunged to their lowest on record, but yet to affect household finances

- The household finance index (monthly survey of 1,500 adults in Great Britain conducted by Markit & Ipsos MORI) which measures overall perceptions of wellbeing, fell from 42.5 in March to 34.9 in April.
- Those employed in media, culture or entertainment sectors recorded the strongest drop in activity
- On the plus side, there were no signs of immediate stress on household balance sheets in April.

Proportion of employees aged 16-69 in each coronavirus job group, by weekly pay decile: UK, 2019



Notes: Pay data is from the 2019 quarters of the Labour Force Survey. Workers are assigned to groups based on their industry and occupation of work. The predicted probability of being able to work from home is drawn from analysis of waves 6 and 8 of Understanding Society. Source: RF analysis of ISEI, Understanding Society, ONS, Labour Force Survey.

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UK: PEOPLE

IFS analysis of employee assistance (02 Apr)

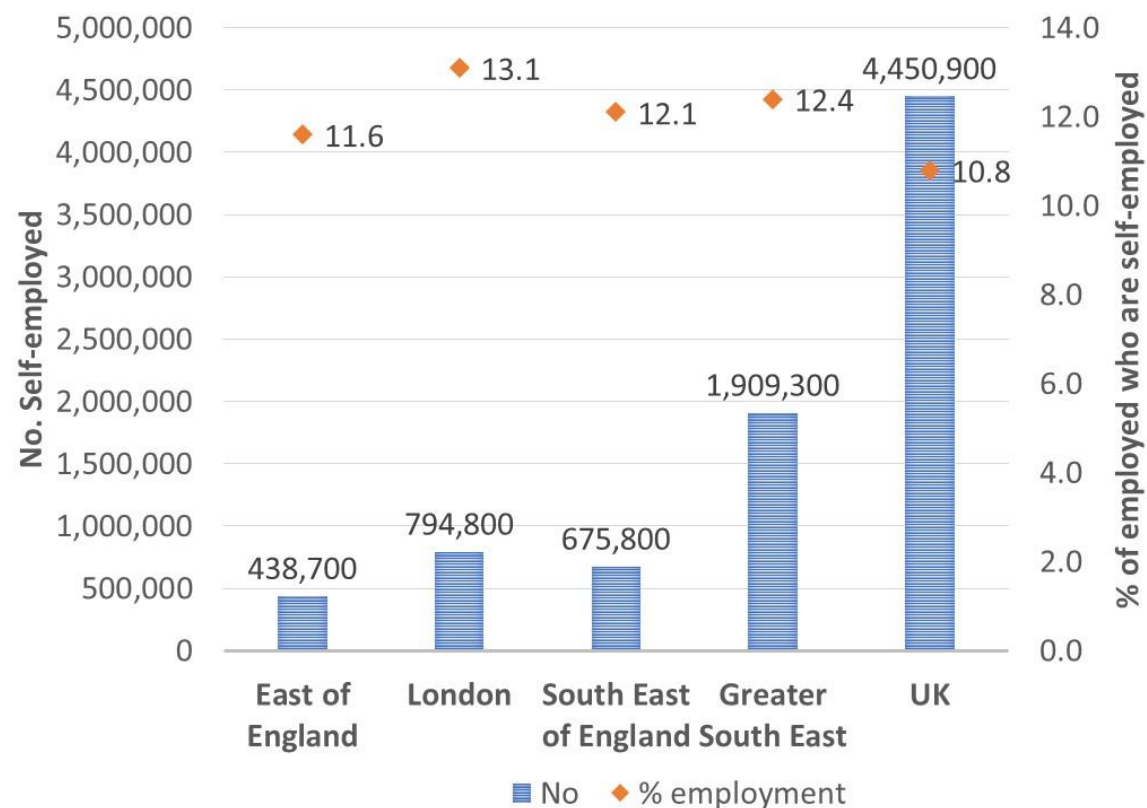
Employees are now much better protected from earnings falls resulting from job loss than they were at the start of the coronavirus outbreak:

- Previously employees would have lost 53% of their net family income if they lost their job - the reforms have reduced this to 13%.
- The number of employees who would have lost more than 60% of their family income if they lost their job has fallen from 9.5 million (36% of employees) to just 300,000 (1%).

Mixed news for the self-employed: support doesn't start until June, and up to 4 million will not be eligible

- 5.1 million reported income for self employment in 2016/17
- Up to June: almost half of self-employed would see their family income fall by at least 40% if their work dried up (a figure barely affected by recent increases in universal credit).
- In June, most self-employed workers will receive a large grant – up to 80% of three months' normal profits – if they report being affected by coronavirus at all.
- 4 million are ineligible for the full support:
 - Around 2 million – either/or: do not earn more than 50% of income from self employment; earn more than £50,000 per year; or entered self employment in the past year
 - 2 million owner-managers, who pay themselves in dividends – ineligible, apart from PAYE elements (would receive £166 per week)
 - So – roughly 1 million eligible / 4 million ineligible for full support

SELF-EMPLOYMENT, SEPTEMBER 2019





Greater South East and London

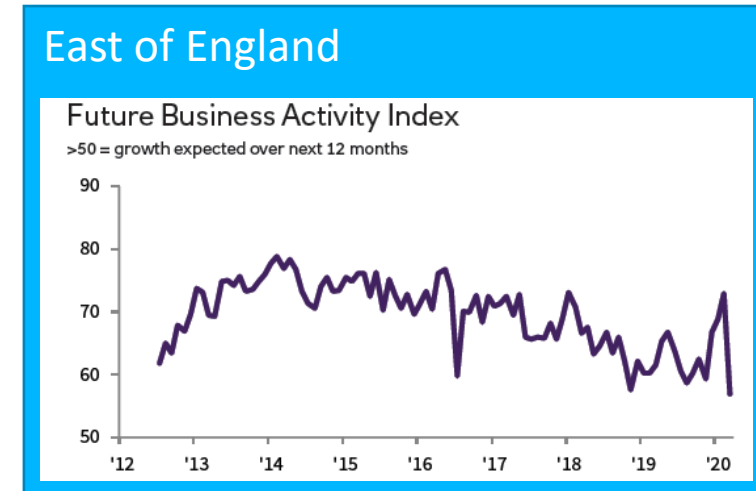
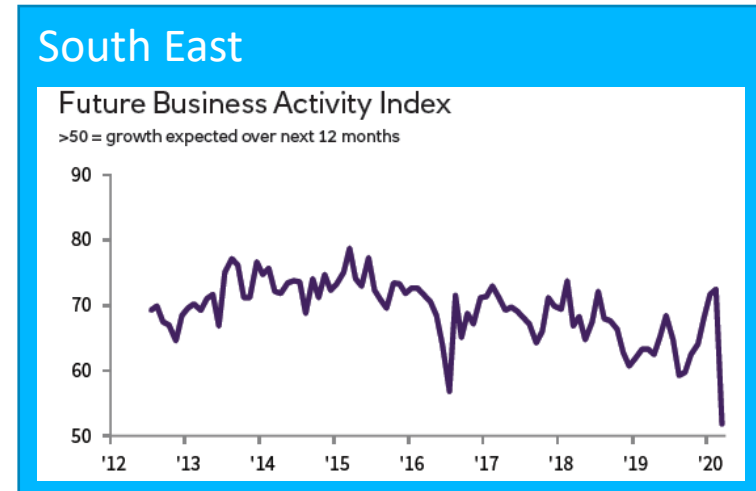
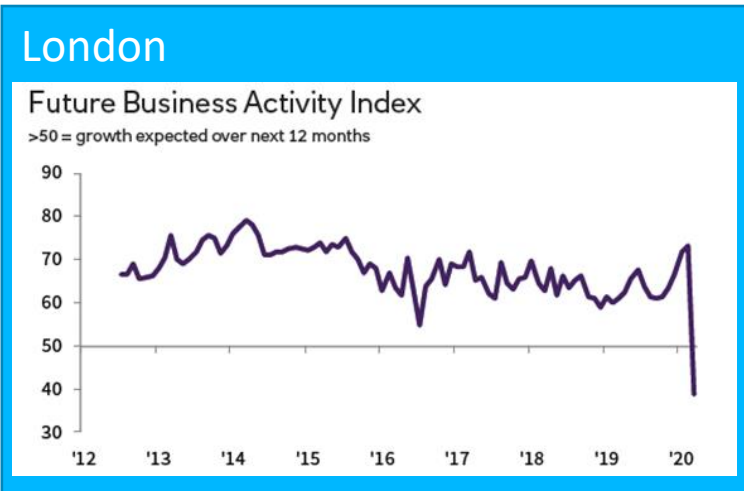


GREATER SOUTH EAST AND LONDON: ECONOMY

March 2020 Purchasing Manager's Index

- Business activity across GSE+ London – falls below 50.0 – signalling lack of new orders and new business
- Employment intentions – below 50.0 – signalling job losses
- Business expectations turn negative in March

	Region	Feb 2020	March 2020	Monthly change
Business activity	London	56.0	31.5	-24.5
	SE	53.0	37.2	-15.8
	East	54.1	40.7	-13.4
Employment	London	52.9	41.7	-11.2
	SE	48.9	44.0	-4.9
	East	52.1	47.8	-4.3



GREATER SOUTH EAST AND LONDON: INDUSTRIES

PMIs: South East England less exposed to industries forecasting major contraction

- LQs = location quotients – a measure of employment specialisation. LQ of 2.0 indicates that local share of industry’s employment is twice that of UK = e.g. local 10% vs UK 5%.
- South East England – higher specialism in electrical and electronic, but UK output index for March is at 47.0 – only a slight decrease
- Slightly more specialised in Transport and Communication services – which output index for March is at 45.0
- More positively – high degree of specialism in Computing & IT services, which has a positive outlook for March (52.0)

Manufacturing specialisation: South East

Rank	Sector	LQ	UK Output Index, Mar-20 (3mma)
1	Electrical & Electronic	2.21	47.0
2	Chemicals, Rubber & Plastics	1.20	48.0
3	Other Manufacturing	1.02	48.0
4	Wood & Paper	1.01	47.0
5	Machinery & Equipment	0.93	46.0
6	Metals & Metal Products	0.85	46.0
7	Transport Equipment	0.61	45.0
8	Food & Drink	0.59	52.0
9	Textiles & Clothing	0.38	46.0

35 40 45 50 55 60

Services specialisation: South East

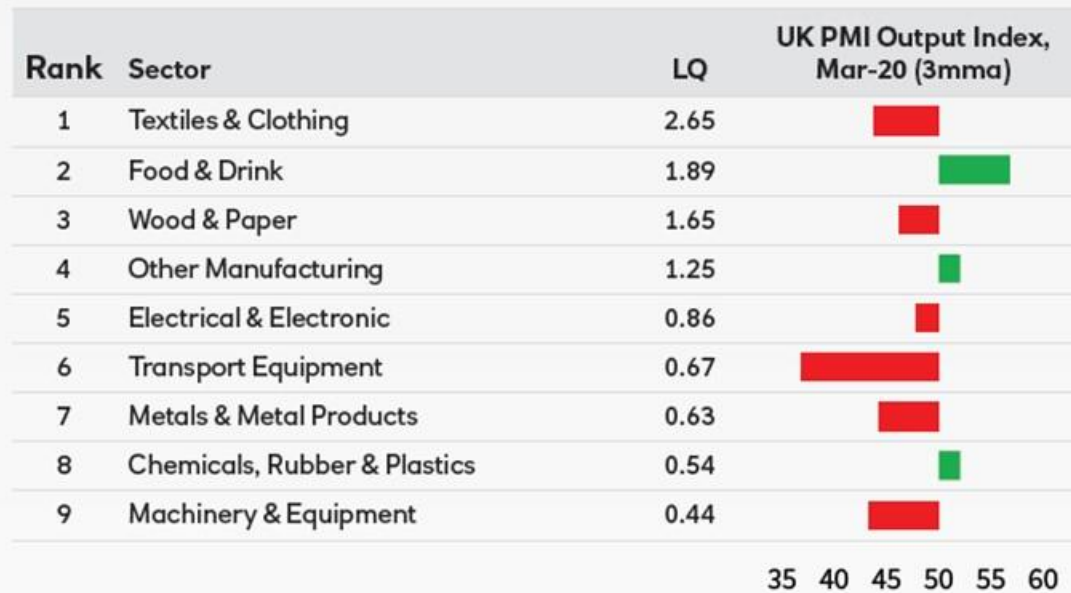
Rank	Sector	LQ	UK Business Activity Index, Mar-20 (3mma)
1	Computing & IT Services	1.68	52.0
2	Transport & Communication Services	1.13	45.0
3	Business-to-business Services	1.04	46.0
4	Hotels, Restaurants & Catering	0.91	45.0
5	Other personal/consumer Services	0.89	40.0
6	Financial Intermediation	0.63	46.0

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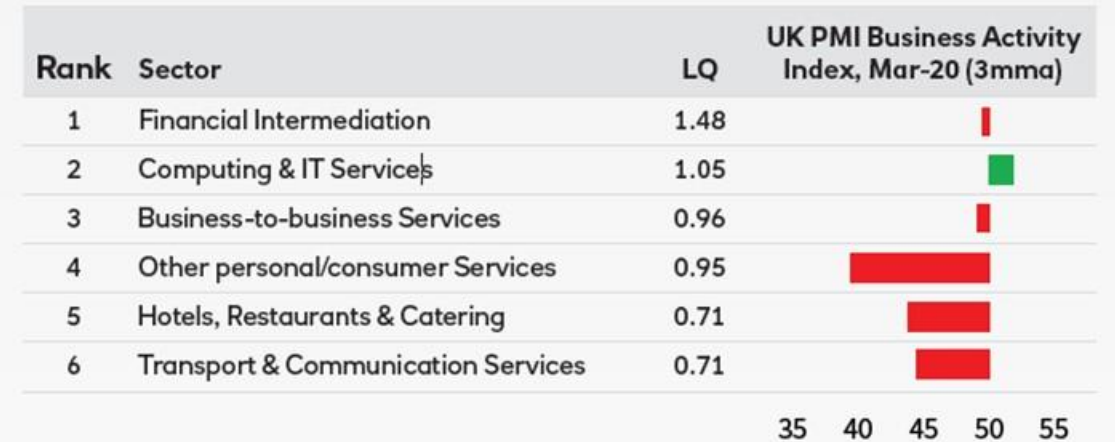
GREATER SOUTH EAST AND LONDON: INDUSTRIES

PMIs: London more exposed in Textiles & clothing

Manufacturing specialisation: London



Services specialisation: London

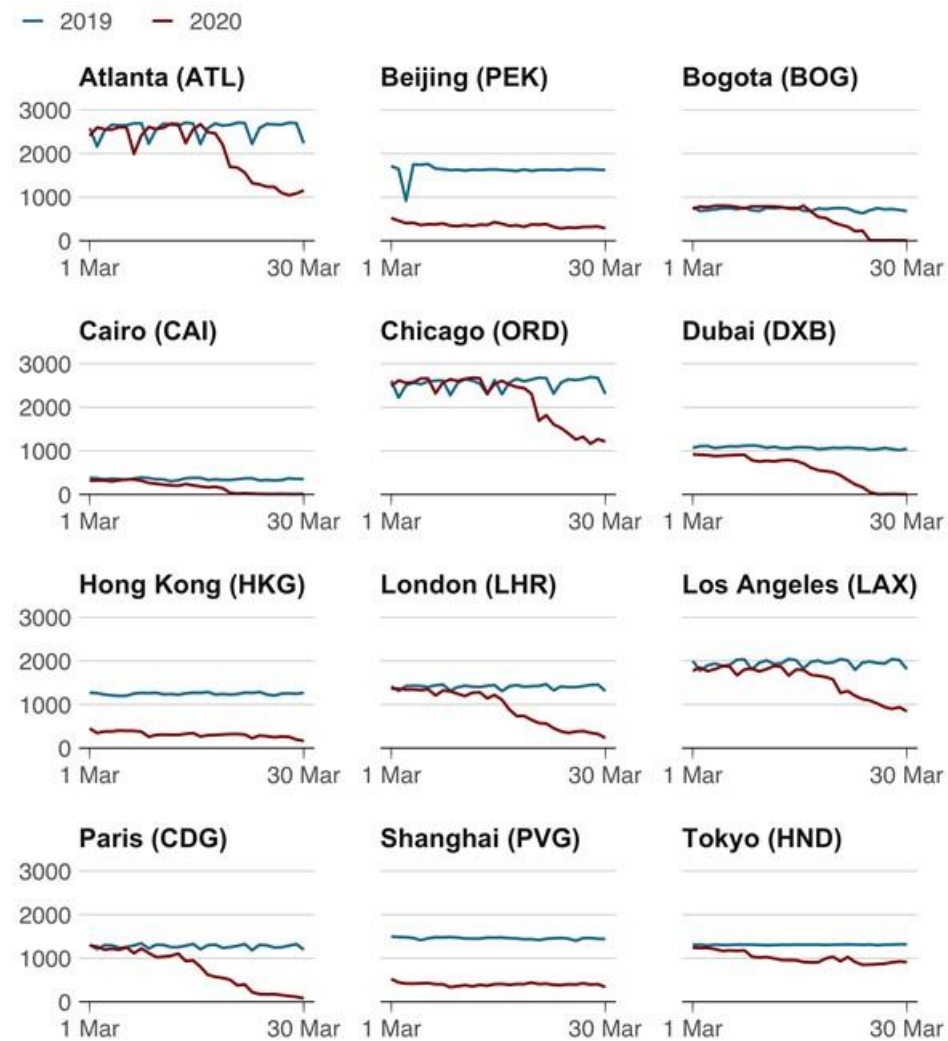


GREATER SOUTH EAST AND LONDON: INDUSTRIES

Aviation

- After putting 36,000 staff on furlough (80% of total), British Airways announces 12,000 redundancies (27 April); Lufthansa indicates 10,000 job losses. Ryanair announces 3,000 redundancies, could close some of its regional hubs outside of outside major hubs such as Stansted, Gatwick, Manchester and Birmingham. Virgin Atlantic announces 3,000 redundancies
- Air travel industry claims more than 660,000 jobs at risk due to collapse in air travel; Forecast for 140 million fewer UK air passengers in 2020, resulting in \$26.1 billion revenue loss (IATA)
- Aerospace orders and work being hit: Airbus puts 3,200 staff on furlough (N Wales site) and cuts production by one-third; Safran Seats GB places 399 at risk of redundancy; Boeing announces 10% job cuts worldwide, affecting 16,000 jobs (28 April)
- The volume of cargo being transported around the world by air fell by 15% in March, according to the International Air Transport Association (IATA), less than during the global financial crisis in 2008 when volumes fell by 23%. Airlines are quickly trying to repurpose passenger aircraft, or bring freight airplanes out of storage in order to fly goods.
- However IATA expects the volume of cargo flown around the world to fall during 2020 as the expected recession reduces consumers' demand for goods.
- Heathrow taking some capacity from closed airports with 5x normal cargo levels, prioritising medical supplies; and handling some flights for closed London City Airport
- GSE+London: 54,000 jobs in Air transport and Air freight; 14,800 jobs in Aerospace manufacture
- Importance of aviation industry to UK-based manufacturing supply chains – e.g. Rolls-Royce, Airbus

Number of flights around the world decrease



GREATER SOUTH EAST AND LONDON: INDUSTRIES

We have adapted a CBI analysis of industrial sectors which includes evidence on the local importance of each industry

CBI critical socio/economic sectors (“keeping the lights on”) – heat map / RAG rating

All sectors – face workforce absence and shortages due to coronavirus

Sector	Impact now	Impact in Q1 – Q3	GSE + LONDON
Food and drink retail	Demand: Unpredictable spikes in demand Supply: Supply chain disruption Workforce: high risk of infection	Cashflow / lease costs / payroll Disruption to business / supply chains by Jun-Aug	<ul style="list-style-type: none"> • Employs 604,700 – 5.0% of total • 20.1% of businesses are sole traders
Energy/utilities	Demand: Unpredictable spikes in demand (lockdown & isolation)	Supply chain disruption Workforce continuity	<ul style="list-style-type: none"> • Employs 116,000 – 1.0% of total
Health and social care	Demand: Increasing Workforce: Pre-existing workforce shortage	Rising demand, lack of workforce	<ul style="list-style-type: none"> • Employs 1,386,500 – 11.5% of total
Freight / logistics	Demand: Change in nature of demand Workforce: Pre-existing workforce shortage	Current and future workforce shortages impact distribution	<ul style="list-style-type: none"> • Employs 283,700 – 2.3% of total
Insurance	Demand: Steady increase in insurance claims	Insurance losses could be heavy	<ul style="list-style-type: none"> • Employs 155,800 – 1.3% of total • Important in: Coast to Capital LEP area (2.2% of all jobs) – twice as important as nationally
Banking + fin servs	Proactively supporting vulnerable firms Little stress in funding markets currently	Reserves run short Cash flow / liquidity difficulties	<ul style="list-style-type: none"> • Employs 391,800 – 3.2% of total • Important in: London (5.7% of jobs) – twice as important as nationally

GREATER SOUTH EAST AND LONDON: INDUSTRIES

We have adapted a CBI analysis of industrial sectors which includes evidence on the local importance of each industry

CBI sectors most at risk – heat map / RAG rating

All sectors – face workforce absence and shortages due to coronavirus

Sector	Impact now	Impact in Q1 – Q3	GSE + LONDON
Hospitality / tourism	Demand: Sharp decline in trade since Jan c. 500,000 redundancies in past week Seasonal hires of c 500,000 cancelled	National changes seeing 70% drop in bookings YOY Likely lose a full season of trade	<ul style="list-style-type: none"> Employs 815,700 – 6.7% of total 14.4% of accommodation and food businesses are sole traders
Aviation / Travel	Demand: has declined rapidly	Revenue and cashflow crisis Unlikely international travel will pick up in 2020	<ul style="list-style-type: none"> Employs 54,000 0.4% of total – 1.7x more important than the national average Almost 5x more important than nationally in Coast to Capital: Employing 10,400
Retail & wholesale	Demand: for non-food retail depressed Supply: severe supply chain disruption Workforce: high risk of infection	Recession further depresses demand Cashflow problems – salaries and leases Disruption to supply chain	<ul style="list-style-type: none"> Employs 963,700 – 8.0% of total 11.9% of businesses are sole traders
Manufacturing	Demand: urgent for some products Limited demand for others – e.g. automotive	Fall in export market and domestic demand Ongoing supply chain disruption	<ul style="list-style-type: none"> Employs 365,100 – 4.8% of total
Construction	Demand: Site work ongoing Supply: Materials supply chain disruption	As work slows down, could see significant downturn and layoffs	<ul style="list-style-type: none"> Employs 548,500 – 4.5% of total 14.6% of businesses are sole traders

GREATER SOUTH EAST AND LONDON: INDUSTRIES

Knowledge-based sectors

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
ICT & Digital	Demand: Consumer sector likely to surge / B2B decline; Unpredictable spikes in demand (lockdown & isolation)	Disruption to market demand Disruption to supply chains Workforce continuity Trade/ travel restrictions – less of an impact	<ul style="list-style-type: none"> Employs 752,000 in GSE – 6.2% of GSE total – 1.7x more important than nationally (GB=3.8%) Particularly more important than the national average in South East (employs 270,000 or 6.5% of total), and London (367,700, 7.1%)
Advanced Manufacturing	Demand: urgent for some products Limited demand for others – e.g. automotive Supply: shut down of many manufacturing plants	Fall in export market and domestic demand Ongoing supply chain disruption	<ul style="list-style-type: none"> Employs 155,500 in GSE – 3.0% of GSE total (GB=3.2%) 1.8x More important than the national average in the East of England, where it employs 116,400 or 4.2% of total)
Life Sciences (does not include health care)	Demand: Medicines, medical devices, Covid-19 related R&D	Supply chain disruption Advantage in rapid R&D and production	<ul style="list-style-type: none"> Employs 146,000 in GSE – 1.2% of GSE total, 3.4x more important than nationally (0.9%) Particularly more important than the national average in South East (employs 69,300 or 1.7% of total), and the East of England (47,300, 1.7%)
Business services	Demand has been limited and affected by lockdown; rates of home working and business continuity are higher	Decline in some areas of business, but new work / continuity in legal and finance advisory	<ul style="list-style-type: none"> Employs 3.8 million in GSE – 31.5% of GSE total (GB=24.5%) More important than the national average in London, where employs 2 million, or 38.6% of total

GREATER SOUTH EAST AND LONDON: BUSINESS & PEOPLE

Claimant unemployment could increase to almost 834,000 in the GSE+London

- If assumed Universal Credit unemployment claimants grew at national rate (+111%) from Feb to March
- Claimant unemployed in GSE+London would increase from 399,000 (2.6%) to 834,000 (5.4%)

GSE+London economy more reliant on self-employment

- 1.9m self-employed: own or run a business as main source of employment (12.4% of people in employment – higher than UK=10.8%)
- 156,200 sole traders (operating on PAYE)

Summary – Global and UK impact and outlook



DEMAND CONDITIONS

- Household confidence & expenditure reduced
- Severe impact for: retail, aviation, civil aerospace, accommodation, visitor economy, bars, cafes and restaurants, personal services, performance arts
- Global recession, UK recession in 2020 could be between 6% and 14% contraction
- Banks making provisions for bad loans

RISKS

- Redundancies, closures, restructuring
- 17.5% of UK jobs furloughed, risk of mass unemployment
- Finance and liquidity problems



TRADE AND SUPPLY CHAIN DISRUPTION

- Reduction in international trade
- Disruption/barriers to travel and immigration
- Aviation industry depressed
- Uncertainties – restoring international passenger transport and patterns of future provision
- Oil & gas prices and commodities - instability

RISKS

- Resuming business as usual?
- Sheer uncertainty facing businesses and industries
- Supply chains affected by shutdown



UNEQUAL IMPACT AND PROSPECTS

- Women make up a majority of 'key workers' & at greater risk
- Key workers and low pay
- Low paid, and young people – more likely job loss / furlough
- Young people more likely to be in in shutdown sectors
- New hires, graduate recruitment are already reduced, and will be further hit

RISKS

- Youth unemployment
- Acceleration of automation
- Reduced opportunities, marginalisation and disadvantage in labour market



RECOVERY

- Shape of recovery depends on how long it takes economy to return to 'normal' and vaccine developments
- UK government economic support – timely and massive
- ICT, digital, science & technology, financial and business services less affected by shutdown
- Some housebuilding, retail & manufacturing resuming
- Likely office workers will continue to face restrictions

RISKS & OPPORTUNITIES

- Faltering recovery
- Sectors less affected – likely to recover quicker
- Local economies with skilled, knowledge workers – more resilient



Thames valley Berkshire LEP area



How has shutdown impacted to date?

Ability to work from home

- ONS data on the ability and incidence of home working by occupational category suggests that a higher share of residents in the Thames Valley Berkshire area are capable of working from home (29.3%) compared to the UK average (26.6%).
- However, more than 70% are not capable, particularly in occupation categories 4 to 9. Within the LEP area, ability to work from home is highest in Wokingham (29.3%) and lowest in Slough (24.7%).

	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%	-	-
Bracknell Forest	3,500	6,800	4,100	1,600	1,200	800	300	200	200	18,800	28.5%
Reading	3,800	11,200	6,000	1,700	1,200	1,000	400	200	400	25,900	29.0%
Slough	2,700	7,000	3,800	1,100	1,300	1,200	400	400	400	18,300	24.7%
West Berkshire	5,600	9,100	4,800	1,800	1,500	1,000	400	300	300	24,800	29.1%
Windsor and Maidenhead	6,400	9,000	5,400	1,700	800	800	400	100	200	24,800	31.8%
Wokingham	5,900	12,200	5,200	1,400	1,000	800	400	100	200	27,200	32.3%
Thames Valley Berkshire	27,900	55,400	29,300	9,300	7,000	5,700	2,400	1,300	1,700	140,000	29.3%
Buckinghamshire	24,300	26,700	13,900	5,900	4,000	2,600	1,800	700	900	80,900	29.6%
Oxfordshire	22,600	46,000	21,700	6,600	5,900	4,300	2,200	700	1,100	111,000	30.1%
UK	1,719,200	3,124,900	1,719,200	623,700	591,700	416,600	206,100	131,300	140,900	8,673,800	26.6%

Sectors most affected by shutdown and key workers

Employment in sectors most affected by coronavirus risks and shutdown

- In Thames Valley Berkshire, **80,300 employees** (with workplaces in the area) work in sectors most affected by the Coronavirus shutdown. Compared to the Great Britain average (16.9%), Thames Valley Berkshire has a lower share of employees working in shutdown sectors (15.5%). Local authority areas with the highest shares of employees working in shutdown sectors are Windsor and Maidenhead (21.5%) and Reading (16.2%).
- **115,600 employees** in Thames Valley Berkshire 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%), Thames Valley Berkshire has a lower share of employees working in high-risk key worker sectors (22.3%). Within the LEP area, Reading (26.3%) has the highest shares of employees working in high-risk key worker sectors.

	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
Bracknell Forest	9,200	15.1%	13,700	22.5%
Reading	17,000	16.2%	27,600	26.3%
Slough	10,400	12.4%	17,400	20.7%
West Berkshire	14,600	15.1%	21,000	21.6%
Windsor and Maidenhead	18,100	21.5%	18,800	22.4%
Wokingham	11,000	12.7%	17,100	19.7%
Thames Valley Berkshire	80,300	15.5%	115,600	22.3%
Buckinghamshire	35,700	15.3%	66,700	28.5%
Oxfordshire	58,200	15.9%	99,500	27.3%
Great Britain	5,038,800	16.9%	9,097,800	30.6%

Industries

Business impact of Coronavirus

- In the ONS UK Coronavirus business surveys – the industries hit hardest in terms of job losses, and revenue loss are: accommodation and food services; administrative and support services; and arts, entertainment and recreation

How exposed are the LEP and LA areas to this?

- Hospitality and tourism: Employs 29,600 in TVB – 5.7% of TVB total (GB=6.5%); Windsor & Maidenhead: employs 8,000 (8.6%) – 1.5x more important than nationally
- Administrative and support activities account for a lot of jobs: employs 35,300 in TVB – 6.8% of TVB total (GB=5.6%); Slough: employs 8,900 (10.6%) – 1.9x more important than nationally
- Arts, entertainment and recreation: employment levels similar to the national average, Employs 13,000 in TVB – 2.5% of TVB total (GB=2.5%); more significant in Windsor & Maidenhead: employs 4,800 (5.8%) – 2.3x more important than nationally

LOCAL RISKS: INDUSTRIES

We have adapted a CBI analysis of industrial sectors which includes evidence on the local importance of each industry

Critical socio/economic sectors (“keeping the lights on”) – heat map / RAG rating

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
Food and drink retail	Demand: Unpredictable spikes in demand Supply: Supply chain disruption Workforce: high risk of infection	Cashflow / lease costs / payroll Disruption to business / supply chains by Jun-Aug	<ul style="list-style-type: none"> Employs 26,500 in TVB – 5.1% of TVB total (GB=5.2%) Slough: employs 6,400 (7.7%) – 1.4x more important than nationally
Energy/utilities	Demand: Unpredictable spikes in demand (lockdown & isolation)	Supply chain disruption Workforce continuity	<ul style="list-style-type: none"> Employs 10,300 in TVB – 2.0% of TVB total – 1.7x more important than nationally (1.1%) Reading: employs 3,300 (3.1%) – 2.6x more important than nationally Slough: employs 2,900 (3.1%) – 2.9x more important than nationally
Health and social care	Demand: Increasing Workforce: Pre-existing workforce shortage	Rising demand, lack of workforce	<ul style="list-style-type: none"> Employs 48,000 in TVB – 9.3% of TVB total (GB=13.1%)
Freight / logistics	Demand: Change in nature of demand Workforce: Pre-existing workforce shortage	Current and future workforce shortages impact distribution	<ul style="list-style-type: none"> Employs 9,500 in TVB – 1.8% of TVB total (GB=2.8%) Slough: employs 4,700 (5.6) – 2.0x more important than nationally
Insurance	Demand: Steady increase in insurance claims	Insurance losses could be heavy	<ul style="list-style-type: none"> Employs 3,900 in TVB – 1.2% of TVB total (GB=1.0%) Reading: employs 2,300 (2.2%) – 2.1x more important than nationally
Banking + fin servs	Proactively supporting vulnerable firms Little stress in funding markets currently	Reserves run short Cash flow / liquidity difficulties	<ul style="list-style-type: none"> Employs 6,300 in TVB – 1.2% of TVB total (GB=2.4%)

LOCAL RISKS: INDUSTRIES

We have adapted a CBI analysis of industrial sectors which includes evidence on the local importance of each industry

Sectors most at risk – heat map / RAG rating

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
Hospitality / tourism	Demand: Sharp decline in trade since Jan c. 500,000 redundancies in past week Seasonal hires of c 500,000 cancelled	National changes seeing 70% drop in bookings YOY Likely lose a full season of trade	<ul style="list-style-type: none"> Employs 29,600 in TVB – 5.7% of TVB total (GB=6.5%) Windsor & Maidenhead: employs 8,000 (8.6%) – 1.5x more important than nationally
Arts, entertainment & recreation	Demand: sharp decline with shutdown of venues and businesses	Complete loss of revenue at physical venues; disruption of new productions and services	<ul style="list-style-type: none"> Employs 13,000 in TVB – 2.5% of TVB total (GB=2.5%) Windsor & Maidenhead: employs 4,800 (5.8%) – 2.3x more important than nationally
Admin & support	Affected by lockdown and ability to work remotely	Lower demand, rate of furloughing is high	<ul style="list-style-type: none"> Employs 35,300 in TVB – 6.8% of TVB total (GB=5.6%) Slough: employs 8,900 (10.6%) – 1.9x more important than nationally
Aviation / Travel	Demand: has declined rapidly	Revenue and cashflow crisis Unlikely international travel will pick up in 2020	<ul style="list-style-type: none"> Air transport employs 1,000 in TVB – 0.2% of TVB total (GB=0.6%) Freight & logistics employs 9,500 in TVB – 1.8% of TVB total (GB=2.8%) Freight & logistics in Slough: employs 4,700 (5.6) – 2.0x more important than nationally
Retail & wholesale	Demand: for non-food retail depressed Supply: severe supply chain disruption Workforce: high risk of infection	Recession further depresses demand Cashflow problems – salaries and leases Disruption to supply chain	<ul style="list-style-type: none"> Employs 47,500 in TVB – 9.2% of TVB total (GB=8.1%) Bracknell Forest: employs 8,500 (14.0%) – 1.7x more important than nationally
Manufacturing	Demand: urgent for some products Limited demand for others – e.g. automotive	Fall in export market and domestic demand Ongoing supply chain disruption	<ul style="list-style-type: none"> Employs 25,000 in TVB – 4.8% of TVB total (GB=8.1%)
Construction	Demand: Site work ongoing Supply: Materials supply chain disruption	As work slows down, could see significant downturn and layoffs	<ul style="list-style-type: none"> Employs 20,000 in TVB – 3.9% of TVB total (GB=4.7%)

LOCAL RISKS: INDUSTRIES

Knowledge-based sectors

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
ICT & Digital	Demand: Consumer sector likely to surge / B2B decline; Unpredictable spikes in demand (lockdown & isolation)	Disruption to market demand Disruption to supply chains Workforce continuity Trade/ travel restrictions – less of an impact	<ul style="list-style-type: none"> Employs 74,300 in TVB – 14.3% of TVB total – 2.2x more important than nationally (GB=3.8%) More important than the national average in Bracknell Forest (employs 12,600 or 20.5% of total), Slough (6,600, 7.8%), West Berkshire (15,200, 15.6%), Windsor & Maidenhead (8,900, 10.7%) & Wokingham (15,200, 17.4%)
Advanced Manufacturing	Demand: urgent for some products Limited demand for others – e.g. automotive Supply: shut down of many manufacturing plants	Fall in export market and domestic demand Ongoing supply chain disruption	<ul style="list-style-type: none"> Employs 23,300 in TVB – 4.5% of TVB total (GB=3.2%) More important than the national average in Reading (employs 3,400 or 3.2% of total), West Berkshire (7,100, 7.3%) and Wokingham (4,900, 5.6%)
Life Sciences (does not include health care)	Demand: Medicines, medical devices, Covid-19 related R&D	Supply chain disruption Advantage in rapid R&D and production	<ul style="list-style-type: none"> Employs 16,000 in TVB – 3.1% of TVB total, 3.4x more important than nationally (0.9%) More important than the national average in every unitary authority area: Bracknell Forest (2,400 jobs, 3.9% of total), Reading (2,100, 2.0%), Slough (2,800, 3.3%), West Berkshire (1,300, 1.4%), Windsor & Maidenhead (3,700, 4.3%), Wokingham (4,200, 4.8%).
Business services	Demand has been limited and affected by lockdown; rates of home working and business continuity are higher	Decline in some areas of business, but new work / continuity in legal and finance advisory	<ul style="list-style-type: none"> Employs 177,500 in TVB – 34.2% of TVB total (GB=24.5%) More important than the national average in Bracknell Forest (employs 23,900, or 38.9% of total), Wokingham (37,400, 43.0%)

BUSINESS STRUCTURE

- TVB area slightly more reliant on microbusinesses (0 to 9 employees) – particularly in Windsor & Maidenhead and Wokingham
- 11.3% of private businesses are sole traders, compared to UK average of 17.0%; West Berkshire has higher share of businesses that are sold traders (14.4%). Sole traders benefit the most from self employment assistance from government

Area	Total businesses				Total	Share of businesses			
	Micro (0 to 9)	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)		Micro (0 to 9)	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)
Thames Valley Berkshire	40,895	3,455	795	260	45,405	90.1%	7.6%	1.8%	0.6%
Bracknell Forest	4,190	355	80	40	4,665	89.8%	7.6%	1.7%	0.9%
Reading	6,265	595	140	45	7,045	88.9%	8.4%	2.0%	0.6%
Slough	5,735	450	155	40	6,380	89.9%	7.1%	2.4%	0.6%
West Berkshire	7,950	740	145	45	8,875	89.6%	8.3%	1.6%	0.5%
Windsor and Maidenhead	8,690	700	150	40	9,575	90.8%	7.3%	1.6%	0.4%
Wokingham	8,070	620	125	50	8,865	91.0%	7.0%	1.4%	0.6%
United Kingdom	2,431,990	233,960	42,000	10,480	2,718,435	89.5%	8.6%	1.5%	0.4%

Features of the labour market in Thames Valley Berkshire

Younger labour market compared to UK average

- Although 16-25 year-olds make up a larger share of the population (11.2%) and workforce (16.4%) compared to the UK average (pop 9.9%, WF 15.8%)
- The next cohort is bigger of labour market entrants is also relatively bigger than the national average
- 67,000 young people aged 13-18 in Thames Valley Berkshire who will enter the labour market over the next 5 years
- Represents 7.4% of population, or equivalent to 11.7% of the working-age population – higher than UK average

Significant in- and out- commuting to London and rest of SE(2011)

- 11.9% (43,000) of TVB jobs filled by in-commuters from London
- 36.1% (130,000) of TVB jobs filled by in-commuters from rest of SE
- 6.6% (24,000) of TVB residents in work commute to London
- 19.2% (71,000) of TVB residents in work commute to rest of SE

	Total population aged 13-18	Percentage share of population aged 13-18	Share as % of working-age population
Bracknell Forest	9,200	7.5%	11.7%
Reading	10,100	6.2%	9.2%
Slough	11,300	7.6%	11.9%
West Berkshire	12,100	7.7%	12.5%
Windsor and Maidenhead	11,900	7.9%	12.9%
Wokingham	12,500	7.4%	12.1%
Thames Valley Berkshire	67,100	7.4%	11.7%
United Kingdom	4,364,500	6.6%	10.5%

Risk of increase in unemployment

1.8 new universal benefit applications in past 6 weeks

If assume claimant count will rise at same rate as national UB applications in past 6 weeks (+243%)

- TVB claimants would stand at 26,700 – a claimant rate of 4.6%, compared to 1.9% in March

	Feb 2020 - total claimants	Feb 2020 - claimant rate	April projection: If claimants increased by 243%	April projection: Rate if 95% increase in claimants
Bracknell Forest	1,220	1.6	2,969	3.8
Reading	3,005	2.8	7,312	6.7
Slough	2,810	3.0	6,838	7.2
West Berkshire	1,490	1.5	3,626	3.7
Windsor & Maidenhead	1,275	1.4	3,103	3.4
Wokingham	1,155	1.1	2,811	2.7
Thames Valley Berkshire	10,955	1.9	26,658	4.6
UK	1,255,770	3.1	3,055,770	7.3

Summary – local impacts and outlook



DEMAND CONDITIONS

- Although higher share of workers capable of WFG – 70% are not capable
- Slightly lower overall share of workers affected by shutdown compared to nationally
- Aviation impact: Heathrow (partic in Slough)
- Hospitality & tourism (Windsor & Maidenhead)
- Admin & support services (partic. Slough)
- Arts, entertainment & recreation (partic. Maidenhead)

RISKS

- Hospitality & tourism: further lockdown / restrictions, incl. international tourism
- Aviation restructuring
- Retail environment: jobs & town centres
- Insurance claims: Reading

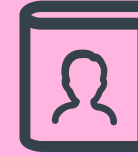


TRADE AND SUPPLY CHAIN DISRUPTION

- Significant industries at risk: utilities, food & drink (partic. Slough), freight & logistics,
- International HQs and multinational firms
- International gateway role

RISKS

- Reduced business activities under distancing procedures
- Supply chains affected by shutdown / international transport disruption



UNEQUAL IMPACT AND PROSPECTS

- TVB labour market is younger
- Starting with lower base of unemployment compared to UK average and other parts of UK
- Ability to WFH remains a minority in terms of the workforce (30%)
- Younger people more affected by furlough and redundancies

RISKS

- Reduced job openings & change in skills requirements
- Youth unemployment
- Acceleration of automation
- Reduced opportunities, marginalisation and disadvantage in labour market



RECOVERY

- ICT, digital, science & technology, life sciences, financial and business services – all major strengths for TVB economy, less affected by shutdown and likely to recover faster
- Likely office workers will continue to face restrictions
- For some businesses – conversion of ST debt into LT debt an advantage
- How long will households remain cautious on spending?

RISKS & OPPORTUNITIES

- Transport provision, distancing and London lockdown
- Sourcing materials, supplies, and skills
- Stronger capabilities for international trade and operations