Thames Valley Berkshire
LOCAL ENTERPRISE PARTNERSHIP

Economy briefing impacts of COVID-19

Week beginning Monday 01 June

Last updated 14:00, 02 June 2020

Global trends and outlook

GLOBAL HEADLINES

6,273,402
Globally confirmed cases of Covid-19 (John Hopkins University, 02 June 2020)

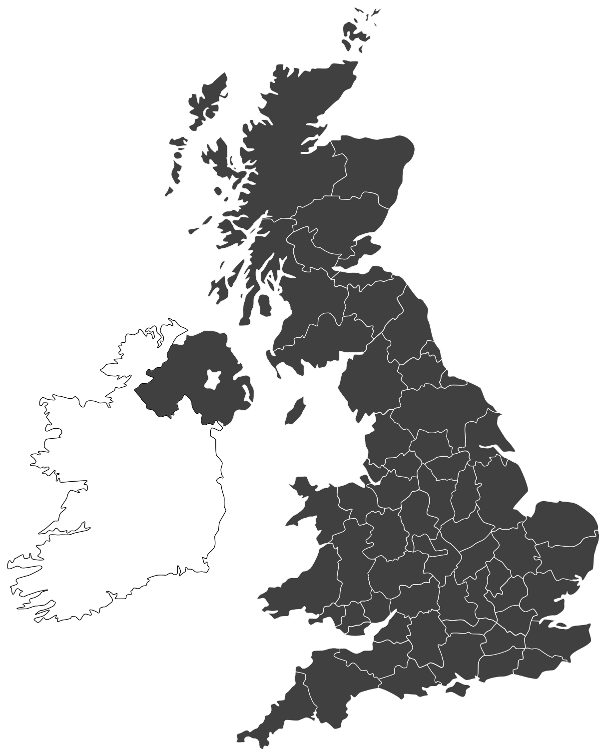
2,693,995
Patients recovered globally (John Hopkins University, 02 June 2020)

375,711
Global deaths (John Hopkins University, 02 June 2020)

>100
Countries with travel restrictions

>50
Countries have cut interest rates

-3%
Contraction in World economy forecast in 2020 (IMF)

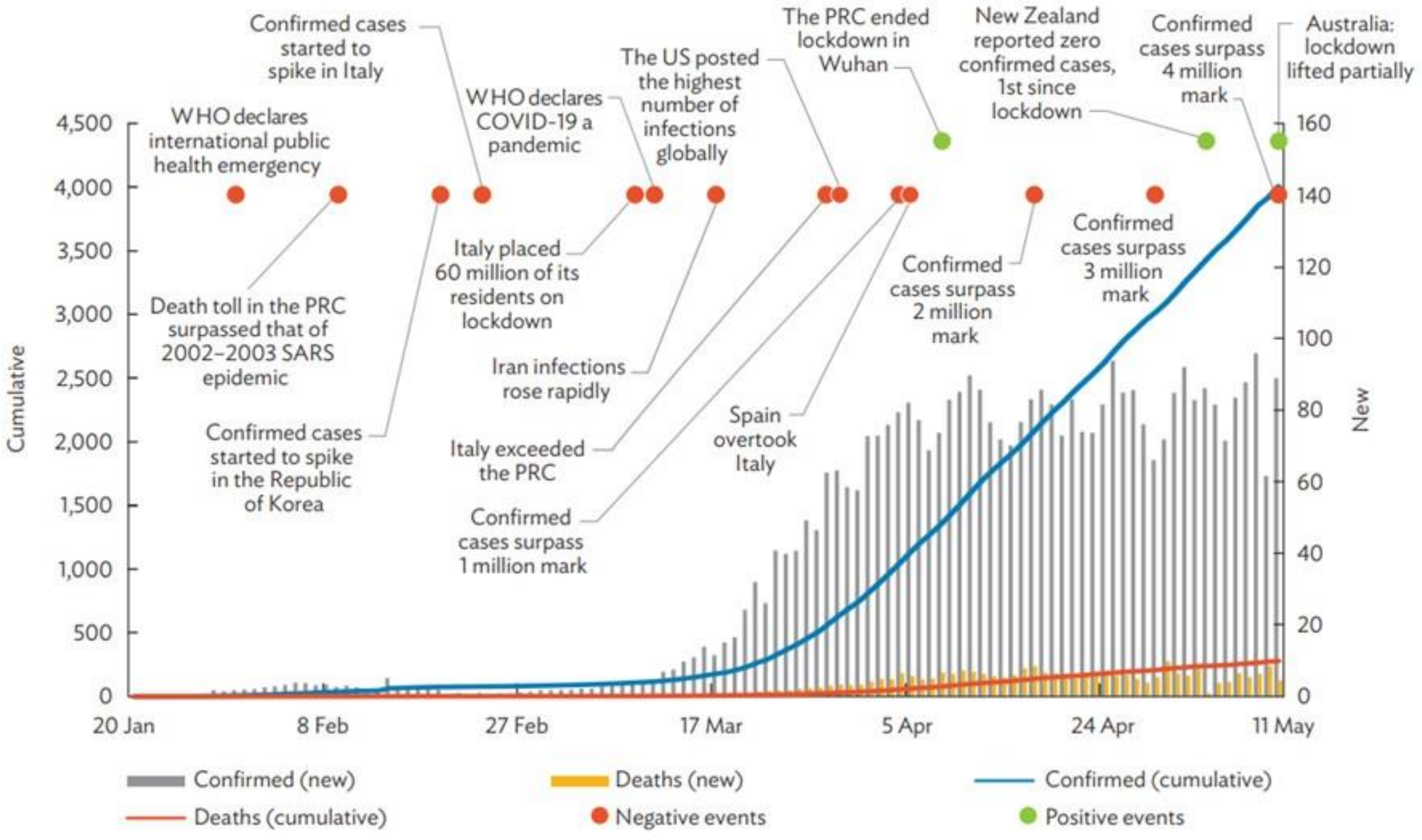


276,332 Lab-confirmed cases (PHE, 01 June 2020)

39,045 Lab-confirmed deaths (PHE, 01 June 2020)

GLOBAL HEADLINES

Figure 1. Global COVID-19 Confirmed Cases and Deaths in 2020 (‘000, as of 11 May)



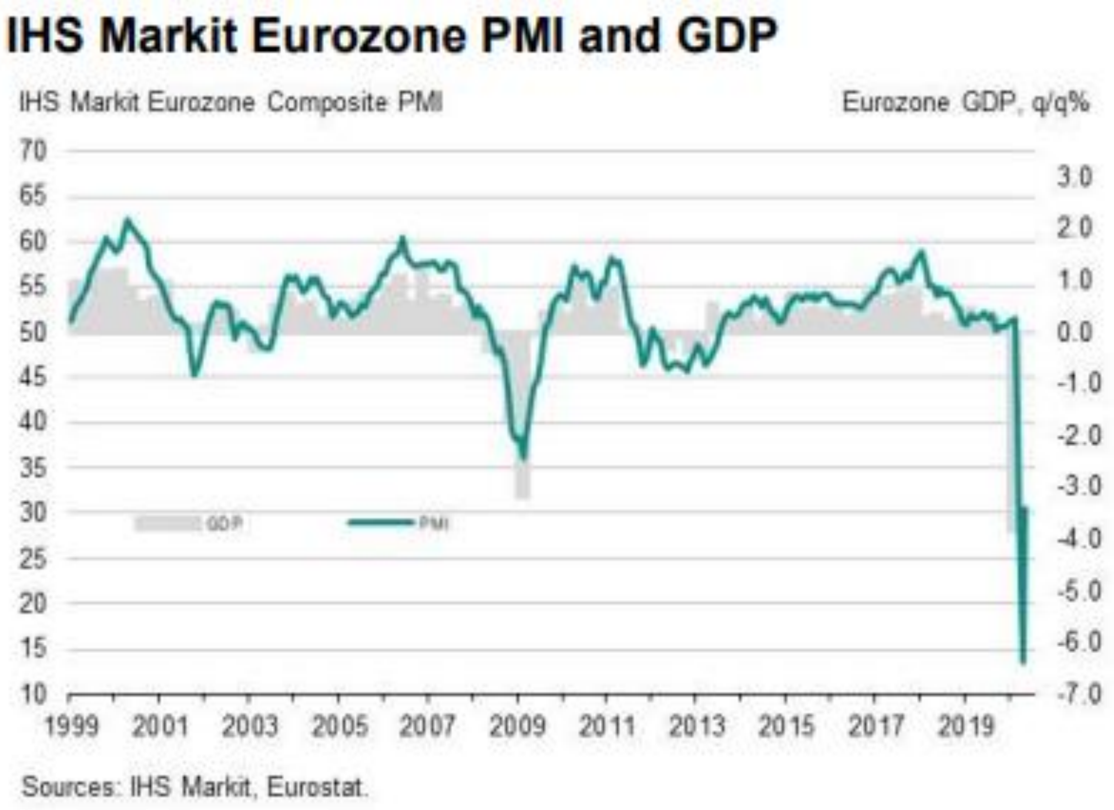
PRC = People’s Republic of China, SARS = severe acute respiratory syndrome, US = United States, WHO = World Health Organization.

Source: World Health Organization statistics downloaded using CEIC (accessed 12 May 2020).

GLOBAL ECONOMY

Signs that the rate of economic decline is easing, although most economies have entered recession

- Week beginning 18 May, 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.
- Eurozone unemployment went up in April, the second month after Covid-19 containment measures were implemented by most European countries, according to Eurostat figures. 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
- Meanwhile, Australia has entered its first recession for 29 years after the economy shrank by 0.3% in the January to March quarter



GLOBAL ECONOMY

Asian Development Bank

- ADB May forecast: Coronavirus could cut global economic output by as much as $8.8 trillion (£7.3 trillion) – or 9.7 per cent of the world's output.
- May's forecast Global contraction - more than twice as bad as the ADB forecast in April.
- ADB estimate that government measures to mitigate the economic impact could reduce that figure by as much as 40 per cent

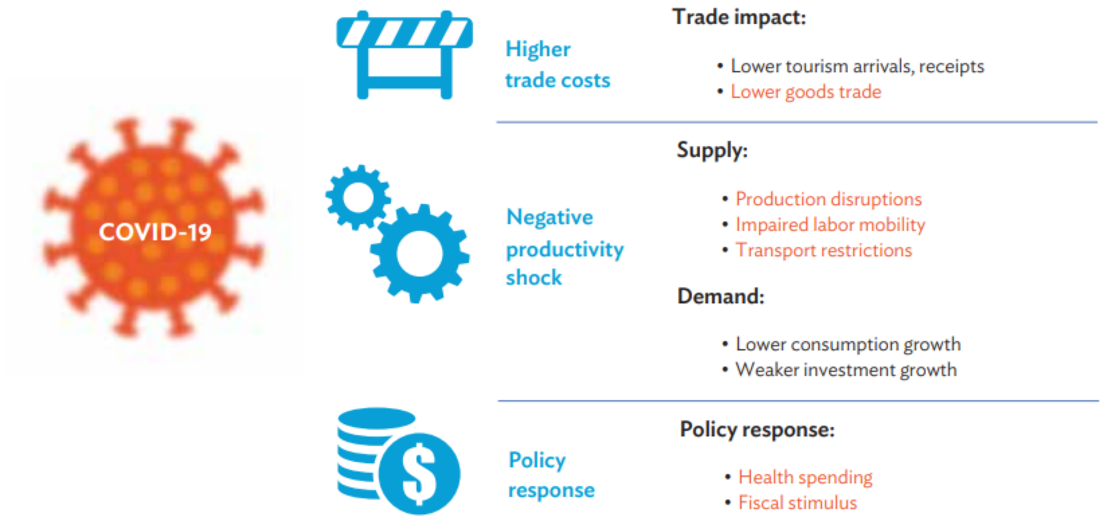
World trade

- International imports and exports have fallen to their lowest level for at least four years
- The WTO's quarterly goods trade barometer, which provides real-time information on the trajectory of world merchandise trade relative to recent trends, slumped to 87.6 on a scale where anything below 100 indicates a downturn
- Coronavirus crisis could accelerate the unpicking of globalisation after decades of ever closer integration between countries

Global factory output

- 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

Figure 2. How COVID-19 Affects the Economy



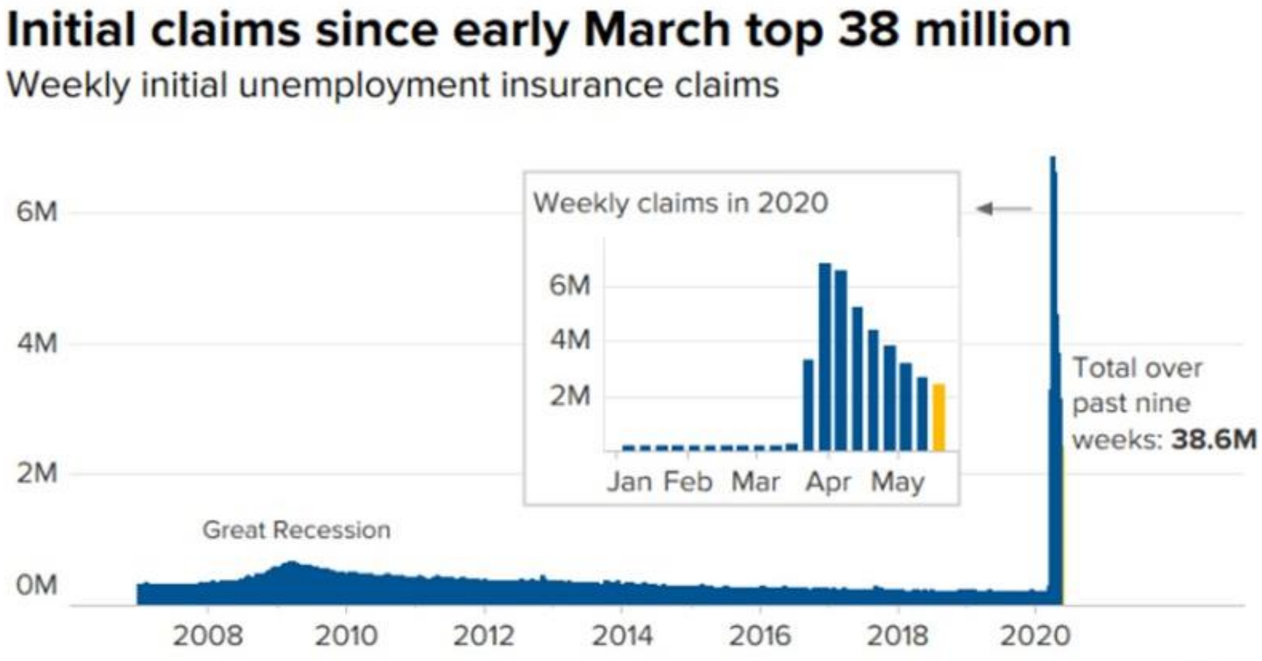
Notes: Red text refers to factors not included in the previous Asian Development Bank (ADB) estimation of COVID-19 impact using ADB Multiregional Input-Output Table (see Special Topic: The Impact of the Coronavirus Outbreak—An Update in ADB. 2020. *Asian Development Outlook 2020: What Drives Innovation in Asia.* Manila.). The Global Trade Analysis Project model includes all of these factors except the health spending channel. Also, it does not include the COVID-19 impact on migration and remittance; capital flows, debt and financial markets; and the environment. There are also no time lags, capacity constraints, or funding restrictions in the model. It also assumed that announced macroeconomic stabilization packages are implemented fully.

Source: Asian Development Bank.

GLOBAL ECONOMY

US unemployment rate heading for 20%

- The outlook for the US economy continues to worsen, with the IHS Markit Flash U.S. Composite PMI Output Index posted at 27.4 in April, down from 40.9 in March.
- Non-farm private employers cut 20.2m jobs in April, according to payroll processor ADP.
- There have been 40 million new unemployment claims in 10 weeks (2.1m in the last week).
- Unemployment rate now stands at 14.7%, with economists predicting that this will increase to 20% by the end of 2020.
- 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.
- Recent data out of the US has shown that with first quarter (2020) GDP has contracted by 5.0%
- Puts the differences in government support in stark relief: UK and other European governments have focused relief efforts at keeping businesses going and people in their jobs; US has instead, increased budgets for unemployment benefits



UK impacts and outlook

UK: ECONOMY

There are signs that the pace of the downturn in the UK is easing a little

- The UK Composite Output Index for May was 28.9, up from 13.8 in April. The UK flash manufacturing PMI (May) was 40.6, up from 32.9. The UK services PMI (May) was 29.0, up from 12.3. Although the pace of decline has eased since April's record collapse, May saw the second largest monthly falls in output and jobs seen over the survey's 22-year history, the rates of decline continuing to far exceed anything seen previously.
- UK Economy hit by fall in spending – household spending has fallen by 30% since early March

On average, economic forecasts predict a large decline in UK GDP in 2020, followed by robust growth in 2021

- The HM Treasury average of independent forecasts (May) suggest that there will be an 8.6% economic contraction in 2020 followed by 6.2% growth in 2021.
- The monthly average of forecasts also predicts that the ILO unemployment rate will reach 7.5% in 2020, reducing to 6.3% in 2021.

Bank of England's latest analysis and forecast of quick "V-shaped" recovery in 2021 looks doubtful

- BoE has forecast that coronavirus will push UK into deepest recession in 300 years. Output falling by 30% in first 6 months of 2020, 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' – only 1.5% of GDP lost in 2020, bounceback in V-shaped recovery
- BoE's "V-shaped" recovery questioned by press and economists: Some restrictions and social distancing measures likely to remain in place for the rest of 2020, and into 2021, depending on progress towards finding a vaccine. There is a risk of a second lockdown should another outbreak occur combined with depressed consumer confidence. Other forces also working against quick recovery: reduced investment, Supply chain disruption and reconfiguration, Disruption of 'just in time' production – eroding productivity, Brexit and small probability of smooth transition to a comprehensive FTA with EU

UK: BUSINESS

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

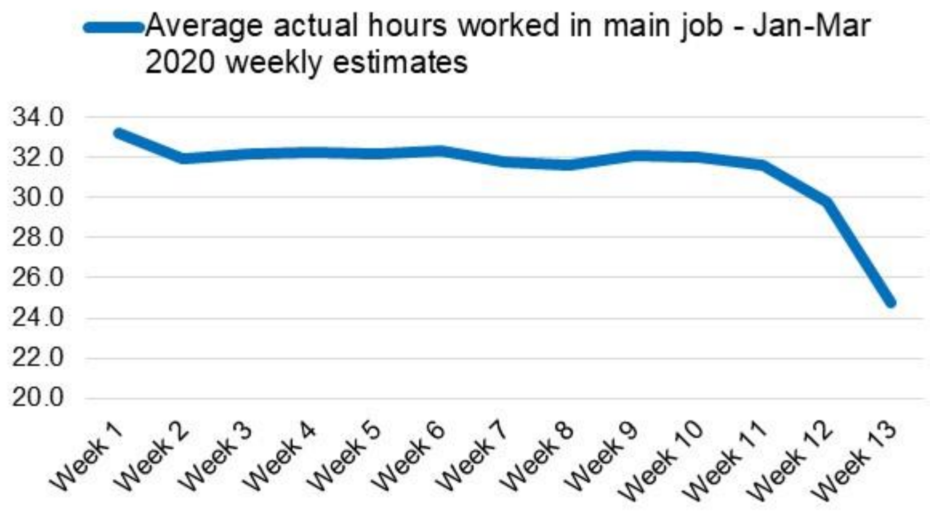
- 81% of businesses were continuing to trade between 4 May and 17 May 2020, while 18% reported they had temporarily closed or paused trading.
- 79% of businesses in the UK had applied for the Coronavirus Job Retention Scheme, whilst 42% of businesses had less than six months of cash reserves.
- Overall, 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.

Source: Office for National Statistics – Business Impacts of Coronavirus Survey

UK: LABOUR MARKET

Labour market conditions weaken

- **Prior to April, the UK labour market looked strong -** the latest UK labour market statistics for January to March 2020 pointed to a continued strong labour market in terms of economic participation, unemployment, and redundancies
- **Payrolls dropped in April.** More up-to-date experimental data from HMRC suggests a 1.6% drop in numbers of employees in April
- **Working hours fell in March.** Average weekly hours worked fell to its lowest level in almost nine years. During Jan-Mar 2020, weekly hours worked averaged 31.4 hours per worker. This was down 0.5 hours (or 1.5%) on the previous quarter, down 1.0 hours (or 2.7%) on the same time last year, and the lowest level since Apr-Jun 2011.

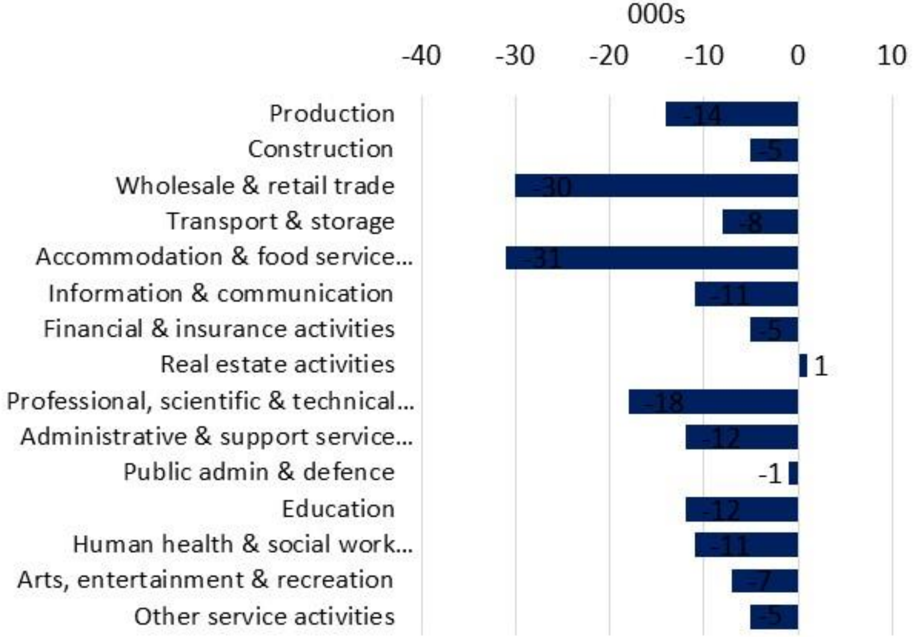


UK: LABOUR MARKET

Employer’s hiring and HR intentions fell significantly

- **Vacancies fell to their lowest level for over six years** and registered the biggest quarterly fall since the start of the time series in 2001.
- During February to April 2020 (which incorporates almost six weeks of lockdown measures), the number of vacancies totalled 637,000 (down 21.1% on the previous quarter, down 24.8% on the same time last year, and the lowest level since Nov-Jan 2014).
- **The quarterly fall in vacancies was the sharpest since the series began in 2001**. During the 2008/09 recession, the largest quarterly drop in vacancies was -17.8% in Nov-Jan 2009.
- Industries experiencing the largest quarterly fall in vacancies were in the main lockdown sectors: Accommodation & food service activities (-31,000) and Wholesale & retail trade (-30,000).
- **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.

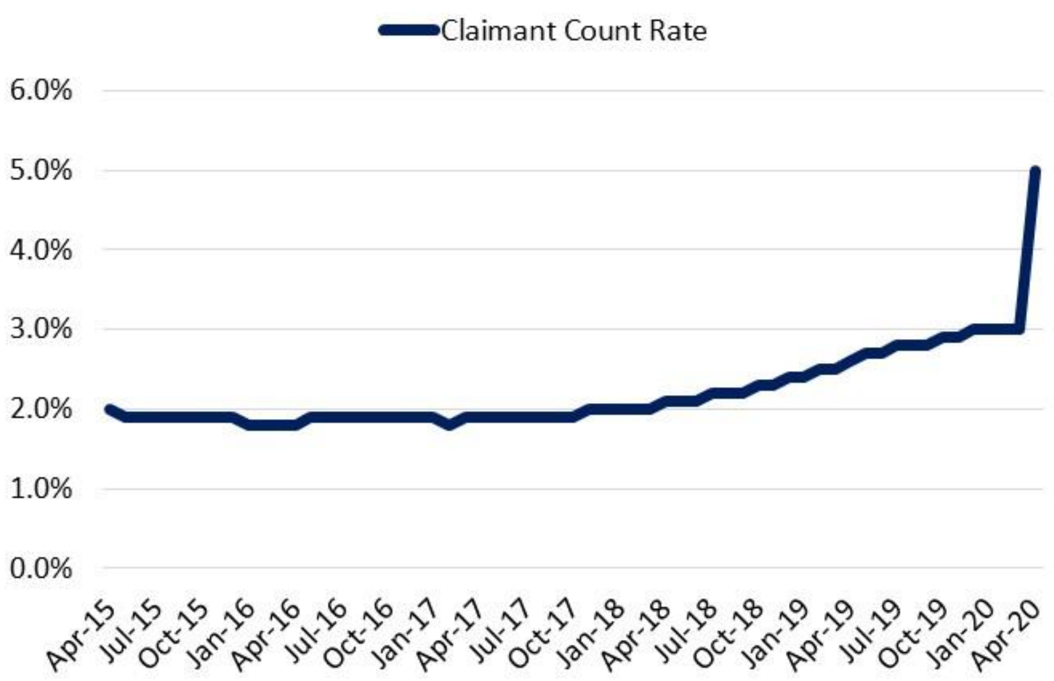
Quarterly change in vacancies Feb-Apr 2020



UK: LABOUR MARKET

There was a sharp increase in the number of claimants in April

- The number of claimants totalled 2.1 million – up 69.0% on March 2020 and up 94.2% on the same month last year. The claimant count rate rose to 5.0% of the working age population – up 2.0pp on the previous month and up 2.4pp on a year ago.
- South-east of England saw one of the biggest increases



Total employment fell by 457,000 in one month – from March to April

- Significant job loss
- Furloughing having an impact in reducing redundancies and job loss
- Question of what happens once Furloughing ends

UK: LABOUR MARKET

UK Labour Market Outlook is deteriorating rapidly

- Rapid increase in unemployment
- Rapid loss of jobs
- The number of vacancies posted by employers has fallen even more sharply than in the aftermath of the 2008 financial crisis, even on a quarterly basis

More than one-fifth of UK employers plan to make redundancies over the next three months, with entry level jobs reduced by 23% this year

- Hiring intentions at their lowest level in at least 15 years, with more than a quarter of private sector employers planning to cut staffing levels over the three months to July
- CIPD / Addeco survey (18 May) that shows many firms had only been able to avoid lay-offs by freezing pay, putting a stop to hiring, cutting bonuses and making extensive use of the government’s furlough scheme
- 50% of private sector employers planning to freeze pay, 15% expecting pay cuts, 29 % expecting to cut bonuses
- Institute of Student Employers (ISE) survey: Graduate recruitment down 12%. All types of entry-level roles have been reduced this year by 23%

At some point – employers will have to assess viability of furloughed jobs – Chancellor of Exchequer’s recent announcement make this more likely to happen from July onwards

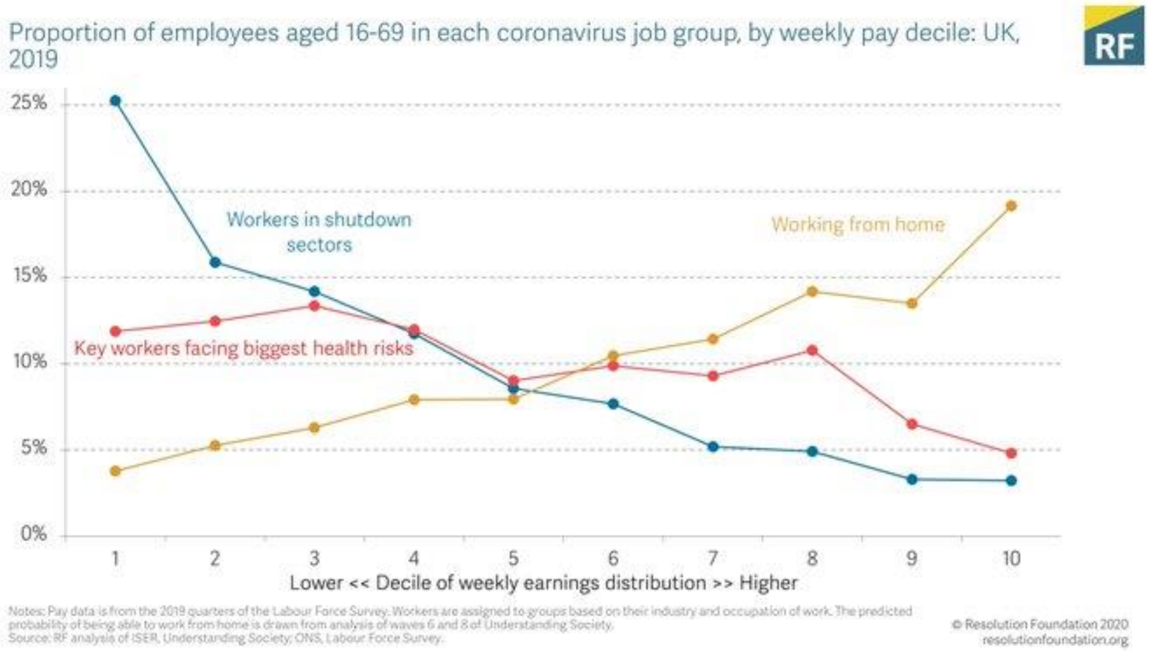
UK: PEOPLE

Resolution Foundation: unequal distribution of impacts of Covid-19

- 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.

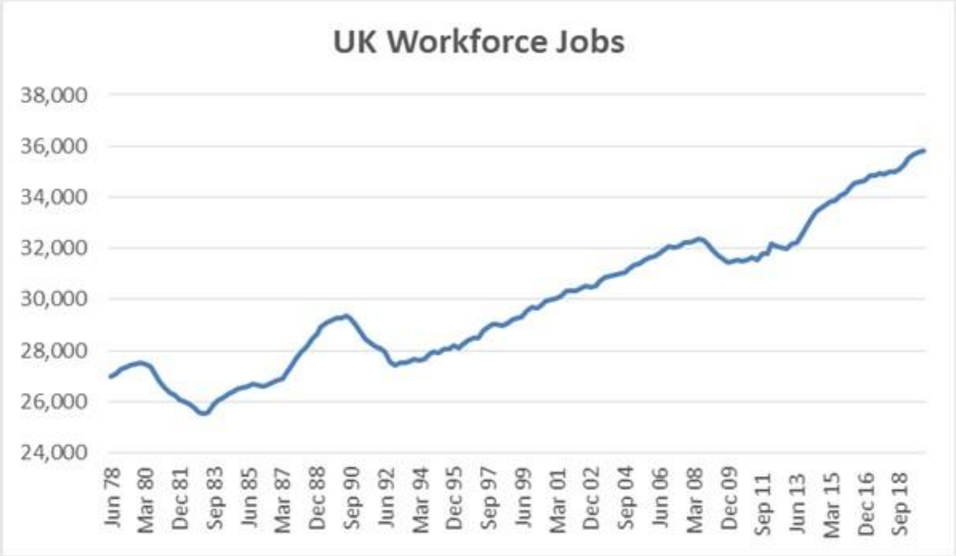
Perceptions of job security had plunged to their lowest on record, but yet to affect household finances

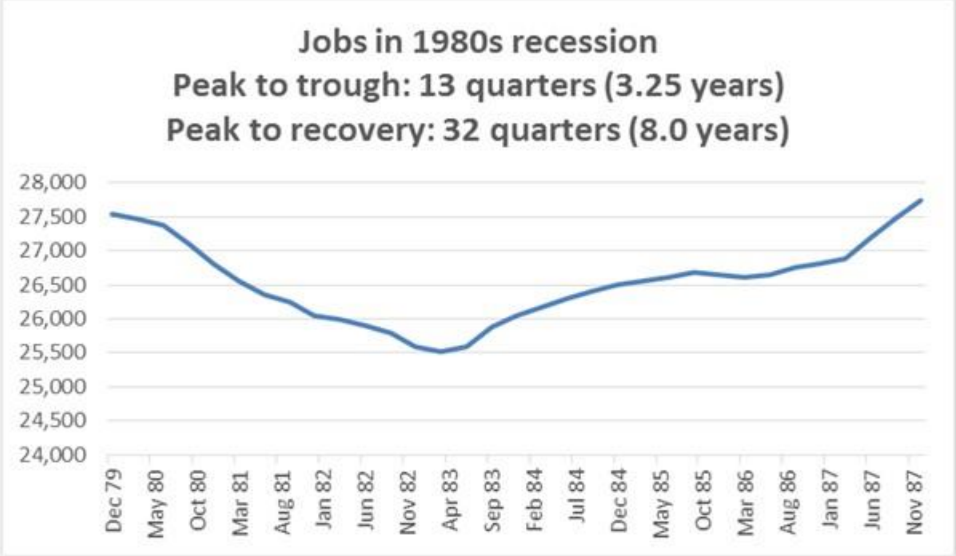
- The household finance index (monthly survey of 1,500 adults in Great Britain conducted by Markit & Ipsos MORI) which measures overall perceptions of wellbeing, fell from 42.5 in March to 34.9 in April.
- Those employed in media, culture or entertainment sectors recorded the strongest drop in activity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

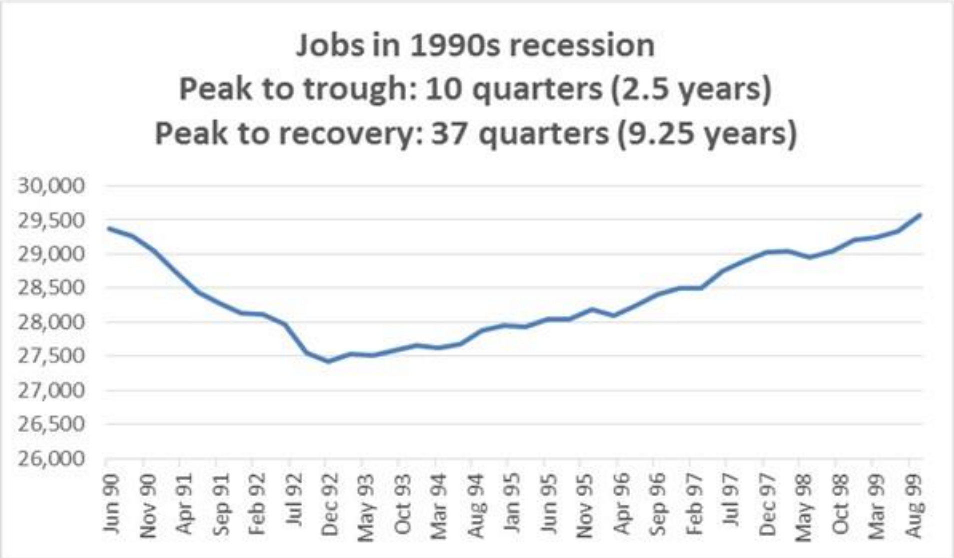


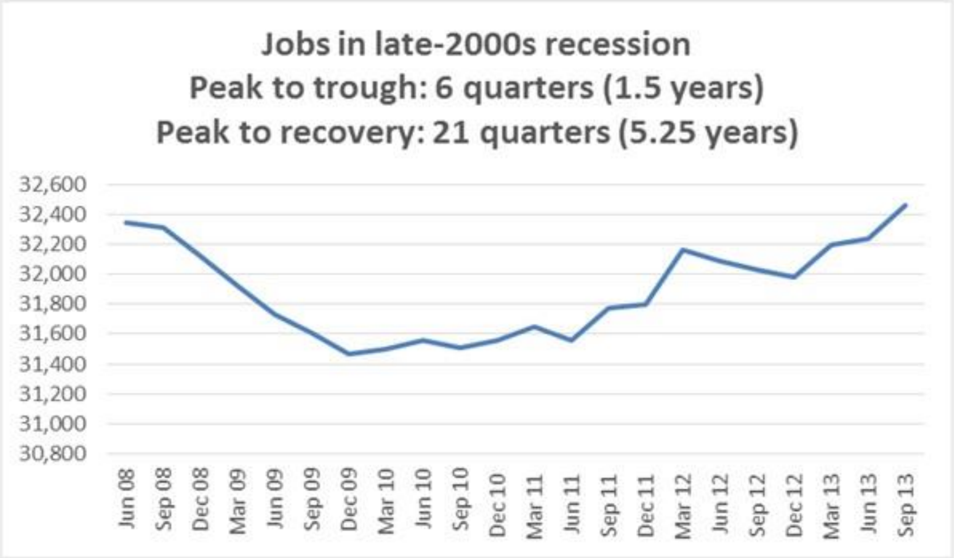
UK RECESSIONS AND JOB LOSS

All analysis shows that the UK his heading for a much deeper recession than in 2008/09 and that a V-shaped recovery is unlikely









UK: GOVERNMENT SUPPORT FOR THE ECONOMY

Furlough scheme

- Now extended until October, making provisions for part-time return to work / more flexibility
- Latest stats for 31 May for furlough/Job Retention Scheme: 8.7m UK people furloughed; 1.1m employers; £17.5bn cost so far
- Chancellor says employers will have to start sharing the cost after 01 August – this will prompt them to evaluate viability of workforce, and likely to result in redundancy announcements
- Furloughs - British Airways: 36,000; Airbus 3,200 (N Wales site)

Loans – CBIL & Bounce-back loans

- More than 304,000 companies have benefited from two separate government-backed loan schemes
- bounce-back loans are being approved by high street banks – about 38,000 every day
- High street banks have provided about £6.1bn to 35,919 businesses under the CBIL scheme so far
- 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

Self-employed support

- Self employed Income Support Scheme: 2.5m applicants; Paid out: £7.2bn
- But only reaching half of self-employed people.

Trade insurance

- Businesses with supply chains which rely on Trade Credit Insurance and who are experiencing difficulties maintaining cover due to Coronavirus will get support from the government
- Trade Credit Insurance provides cover to hundreds of thousands of business to business transactions, particularly in non-service sectors, such as manufacturing and construction. It insures suppliers selling goods against the company they are selling to defaulting on payment, giving businesses the confidence to trade with one another. But due to Coronavirus and businesses struggling to pay bills, they risk having credit insurance withdrawn, or premiums increasing to unaffordable levels.
- This was a major issue in the 2009 recession, and absence of trade insurance helped push a number of retailers and manufacturers into administration

What we know (so far) about this recession and its likely consequences

Higher rates of job loss – more like 1980s and 1990s recessions that 2000s. Employers are already signalling preparation for redundancies, and Chancellor has further prompted that with statements about increased contributions to the Furlough scheme from 01 August

Reduced hiring – employer surveys signal reduced intent to hire – e.g. 23% reduction in entry level hires

Consumer and travel related jobs affected soonest, hardest – no precedent

Manufacturing – likely to be hit by reduced demand and supply chain reduction

Private sector services, ICT & digital, scientific & professional – less impacted, likely to recover more quickly, but could be knock on effects through value chain

Banking and finance (for now) – robust enough to weather recession

Slump in confidence – recovery in confidence, and spending (household and B2B) is a big factor in pattern of recession and shape of recovery

Structural change* – real risk of structural changes in industries and labour markets

***STRUCTURAL CHANGE**

- Drivers: over capacity, technological backwardness, disrupted supply chains and international markets, cheaper acquisitions (stressed assets and valuations, combined with devalued currencies), new market models, cost savings, productivity gains, de-risking, shoring up balance sheets or writing off losses, new trade deals
- Closures and redundancies
- Consolidation / expansion on preferred sites, closure of non-preferred
- Closure / sale of non-core businesses or operations
- New business models – streamlined / supply chain capture (security) / digital
- Mergers & Acquisitions, corporate buy outs – e.g. to capture IP, address technological needs, create cost savings and productivity gains, market access
- Supply chain capture / agile logistics capture
- New strategic partnerships – e.g. supply and value chains, digital services, cloud services

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 up to 9% contraction
- Employers are now signalling intention to cut jobs, recruitment, bonuses
- Recruitment activity significantly curtailed

RISKS

- Redundancies, closures, restructuring
- Cuts to entry level jobs this year
- 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 + graduate 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
- At some point – employers will have to assess viability of furloughed jobs
- 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%**

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	• 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 • Retail trade (all) accounted for £1.5 billion, or 3.3% of TVB area GVA in 2018 (UK=5.2%)
Energy/utilities	Demand: Unpredictable spikes in demand (lockdown & isolation)	Supply chain disruption Workforce continuity	• 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	• Employs 48,000 in TVB – 9.3% of TVB total (GB=13.1%) • Human health and social work activities accounted for £2 billion of GVA, or 4.5% of total TVB GVA in 2018 (UK=7.6%)
Freight / logistics	Demand: Change in nature of demand Workforce: Pre-existing workforce shortage	Current and future workforce shortages impact distribution	• 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 • Transportation & storage accounted for £1.3 billion or 3.0% of TVB GVA in 2018 (UK=4.1%)
Insurance	Demand: Steady increase in insurance claims	Insurance losses could be heavy	• 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 • Financial & insurance activities accounted for £1 billion or 2.3% of TVB GVA in 2018 (UK=7.1%)
Banking + fin servs	Proactively supporting vulnerable firms Little stress in funding markets currently	Reserves run short Cash flow / liquidity difficulties	• Employs 6,300 in TVB – 1.2% of TVB total (GB=2.4%) • Financial & insurance activities accounted for £1 billion or 2.3% of TVB GVA in 2018 (UK=7.1%)

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	• 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 • Accounted for £818 million or 1.9% of TVB GVA in 2018 (UK=2.8%)
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	• 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 • Accounted for £473 million or 1.1% of TVB GVA in 2018 (UK=1.6%)
Admin & support	Affected by lockdown and ability to work remotely	Lower demand, rate of furloughing is high	• 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 • Accounted for £2.7 billion or 6.1% of TVB GVA in 2018 (UK=5.3%)
Aviation / Travel	Demand: has declined rapidly	Revenue and cashflow crisis Unlikely international travel will pick up in 2020	• 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 • Land, water and air transport accounted for £449 million or 1.0% of TVB GVA in 2018 (UK=2.1%)
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	• 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 • Accounted for £5.1 billion or 11.6% of TVB GVA in 2018 (UK=10.6%)
Manufacturing	Demand: urgent for some products; Limited demand for others – e.g. automotive	Fall in export market and domestic demand Ongoing supply chain disruption	• Employs 25,000 in TVB – 4.8% of TVB total (GB=8.1%) • Accounted for £2.9 billion or 6.6% of TVB GVA in 2018 (UK=9.9%)
Construction	Demand: Site work ongoing Supply: Materials supply chain disruption	As work slows down, could see significant downturn and layoffs	• Employs 20,000 in TVB – 3.9% of TVB total (GB=4.7%) • Accounted for £1.7 billion or 3.9% of TVB GVA in 2018 (UK=6.1%)

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	• 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%) • Accounted for £11 billion or 25.0% of TVB GVA in 2018 (UK=7.0%)
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	• 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%) • Manufacturing accounted for £2.9 billion or 6.6% of TVB GVA in 2018 (UK=9.9%)
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	• 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	• 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%) • Professional, scientific and technical activities accounted for £4.7 billion or 10.8% of TVB GVA in 2018 (UK=7.8%)

LOCAL RISKS: 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

Accommodation / Food Service, Retail and Leisure/Tourism

- Collectively, these three industries employ 151k workers (25% of the workforce) within Berkshire-based businesses.
- These sectors are major youth/emerging talent employers: 54% of Berkshire's 16-19 year olds and 26% of 20-24 year olds work in Retail, Accommodation or Food Service and many more work in Leisure/Tourism industry
- Risk cannot continue with Coronavirus Jobs Retention Scheme (CJRS – furloughing) when tapering (increased employer contribution) begins in August
- Just 36% of UK employers think that their operation will be commercially viable again by September (Sapio Research, B2B Confidence Survey, Wave 3)
- The majority (64%) forecast they will not return to viability until December 2020 onwards
- Amongst Berkshire's 2,350 retailers, 24% could still be operating as they work within food retail, 2% are likely to be open as they are dispensing chemists and 16% are online retailers. This means that 58% of Berkshire's retails have yet to re-open their doors. Many are likely to be in arrears for their rent and/or service charge, due at the end of March
- At least 69% of Berkshire's Accommodation & Food Service operators are yet to restart operations

We are witnessing widespread pay/salary cut enforcements for those remaining in post

- Hudson Contract, provider of payroll services to more than 2,200 construction SMEs, reported this week that building firms are asking tradespeople to take pay cuts of 10-30% to share the costs of reduced output as sites restart
- BAM Construct has cut the salaries of all staff, including those on furlough, by 20% for a minimum of 3 months
- Murphy has imposed a 10% pay cut for all staff for 3 months and reduced holiday entitlement to 21 days
- BDO, KPMG, AON, HPE (all with a substantial presence in TVB) have cut pay and earnings, and imposed a freeze on pay increases.

Recruitment and entry-level positions are also being cut

- Within Mercer's global survey:
  - 14% of businesses have cancelled the entire 2020 apprenticeship intake, 3% have rescinded some offers whilst 12% are staggering/delaying starts
  - 25% of businesses have cancelled their summer internship programme, whilst 10% have reduced numbers and 10% are staggering/delaying starts
  - Amongst those making new graduate hires, 4% have rescinded some or all offers and 19% are staggering/delaying start dates.

LOCAL RISKS: INDUSTRIES

Aviation / Heathrow Airport

- 45% staff based at Heathrow Airport are currently furloughed
- This is likely to include c.9,000 workers resident within Thames Valley Berkshire
- A study commissioned by LEPs within the 'Western Wedge' of Heathrow in 2013, estimated that 26% (18,400 then and 19,760 based on 2015 estimates) of the on-site Heathrow workforce – and 27% (1,900 estimate in 2013) of the associated off-site workers (in in-flight catering, airport hotel, parking & car hire, freight agents and aviation/airline services) - were resident within Thames Valley Berkshire
- Whilst unquantified in the 2013 study, it is also anticipated that - out of the 40,000 UK-wide FTE jobs within the Heathrow supply chains (transportation & storage, utilities, accommodation & food service, etc.) - several thousand would be within Berkshire-based businesses.
- 4% of Thames Valley Berkshire business survey respondents in 2013 indicated that their main customer base was located at Heathrow whilst a further 37% indicated that they supplied Heathrow but it was not their main customer base.

Heathrow restructuring underway

- With Heathrow Airport Ltd not anticipating any meaningful upturn this summer season – and, moreover, not expecting to recover to 2019 levels until the middle of the decade - massive organisational restructuring is taking place, with a range of cuts in negotiated grade pay packages and 90 day consultations with the non-negotiated grades
- Similar patterns of reorganisations activity are happening within airlines and the wider supply chain

Heathrow Airport is a major location factor for Foreign-Owned Companies (FOCs) and other firms

- Proximity to the Heathrow airport is crucial to businesses that require global connectivity and is acknowledged (notably within FDI discussions) as a prime factor in the location and expansion of many businesses within Berkshire
- 77% of FOCs surveyed within the Western Wedge said that Heathrow was important (29%) or very important (48%) to their operations.
- This rose to 89% amongst joint UK/FOC.
- With many multi-national organisations currently reviewing how and from where they will operate in the future there could be wider ramifications if the delay in resumption of connectivity via Heathrow is protracted.

BUSINESS NEWS

Closures and redundancies (since 18 May)

- OVO, Reading – closing office (260 staff)
- Arlington Automotive Group (600 employees across 8 UK locations) – staff now into notified redundancy as company moved into administration
- The Casual Dining Group – moved into administration – 9 restaurants across TVB
- Specsavers – into administration, puts 10 locations in Berkshire at risk (50 to 80 employees)

New deals & opportunities (since 18 May)

- Mercia Investments who are active investors in Intelligent Health, based in Reading, have invested over £11m in the seven weeks since the lockdown began
- Boomf, Reading – online retailer secured £969k equity for a 9% stake
- Virtualstock, Reading, Software firm (Stock Management), received £181k equity for a 1% stake
- Glean.ly, Bracknell – software company secured £110k equity for a 7% stake on 01 May
- Whitehall Finance - Secured £110k equity for a 3% stake on 1st April
- Kerridge Commercial Systems, Hungerford, West Berkshire – software firm acquired Infomat (Belgian company), provider of document management software
- Snaffling Pig/Startup Logistics, Ashampstead – the Food & Logistics firm has had 14 jobs protected with a new approach to the market, via Startup Logistics, which will operate as a direct-to-consumer (D2C) storage, picking, packing and delivery business specialising in food and drink

BUSINESS STRUCTURE

High concentration of Foreign-Owned Companies (FOCs)

- In 2019, FOCs represented 3% of enterprises, generated 30% of employment and accounted for 53% of Berkshire's turnover (compared to 15% and 40%, respectively, across the UK).
- Their international parents will ultimately determine when and how they restart operations in the UK.
- From a global survey by Mercer (www.mercer.com):
  - 36% of businesses still have a mandatory company-wide arrangement for all employees, globally, to work from home (WFH) whereas 14% have a mandatory WFH policy for all employees in most heavily affected locations.
  - 35% state that their return to work (RTW) strategies will be based on local infection rates and risks.
  - 51% of organisations stated that they were following their own employee protection policies compared to 19% who were following government advice.
  - 8% state that they will require antibody screening to test for immunity (where available) before a return to work.
  - 87% have cancelled all international travel whilst 67% have cancelled all domestic travel.

FOC also make a significant contribution to Apprenticeship and Talent training programmes

- There were 5,520 apprenticeship starts across Berkshire in 2018/19. Around half of all starts in Berkshire commence between July – September (2,820 in Q2 2019/20).
- Within Mercer's global survey:
  - 14% of businesses have cancelled the entire 2020 apprenticeship intake, 3% have rescinded some offers whilst 12% are staggering/delaying starts
  - 25% of businesses have cancelled their summer internship programme, whilst 10% have reduced numbers and 10% are staggering/delaying starts
  - Amongst those making new graduate hires, 4% have rescinded some or all offers and 19% are staggering/delaying start dates.

Covid-19 and Brexit are impacting the attractiveness of the area as a business location for inward investors

- Following a recent submission to a DIT/FDI consultation looking for sites for a Biologics company, none of the 5 UK shortlisted sites (including 2 within Reading) made the global shortlist. Within the feedback it was noted that "the current uncertainty created by Brexit and the potential impact on UK taxes and incentives was a concern, though not a key decision factor."

SUPPORT FOR BUSINESSES

Berkshire Growth Hub

- Enquiry levels continue at high levels – almost 50% above 2019
- The number of enquiries from businesses unhappy about the retail grants selection criteria has reduced as more LAs have distributed funds
- High demand for discretionary grants - likely to outstrip available funds by a considerable margin - the inference being that many marginal businesses will be denied support
- There is a growing trend that businesses are now planning for re-opening, the area of biggest concern for them is how they will comply with social distancing measures.
- **GROWTHmapper for Recovery:** New online tool to help businesses plan for recovery

Use of government support

- BBLS viewed as useful by businesses that have successfully applied
- CBILS is showing low numbers of successful applications. Frustration still being expressed on the level of detailed information being asked for by the banks to support applications
- Extension and increased flexibility of CJRS has been welcomed

Remaining concerns

- Public Houses
- Businesses in serviced offices that fell outside SBRR

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%

UNEMPLOYMENT

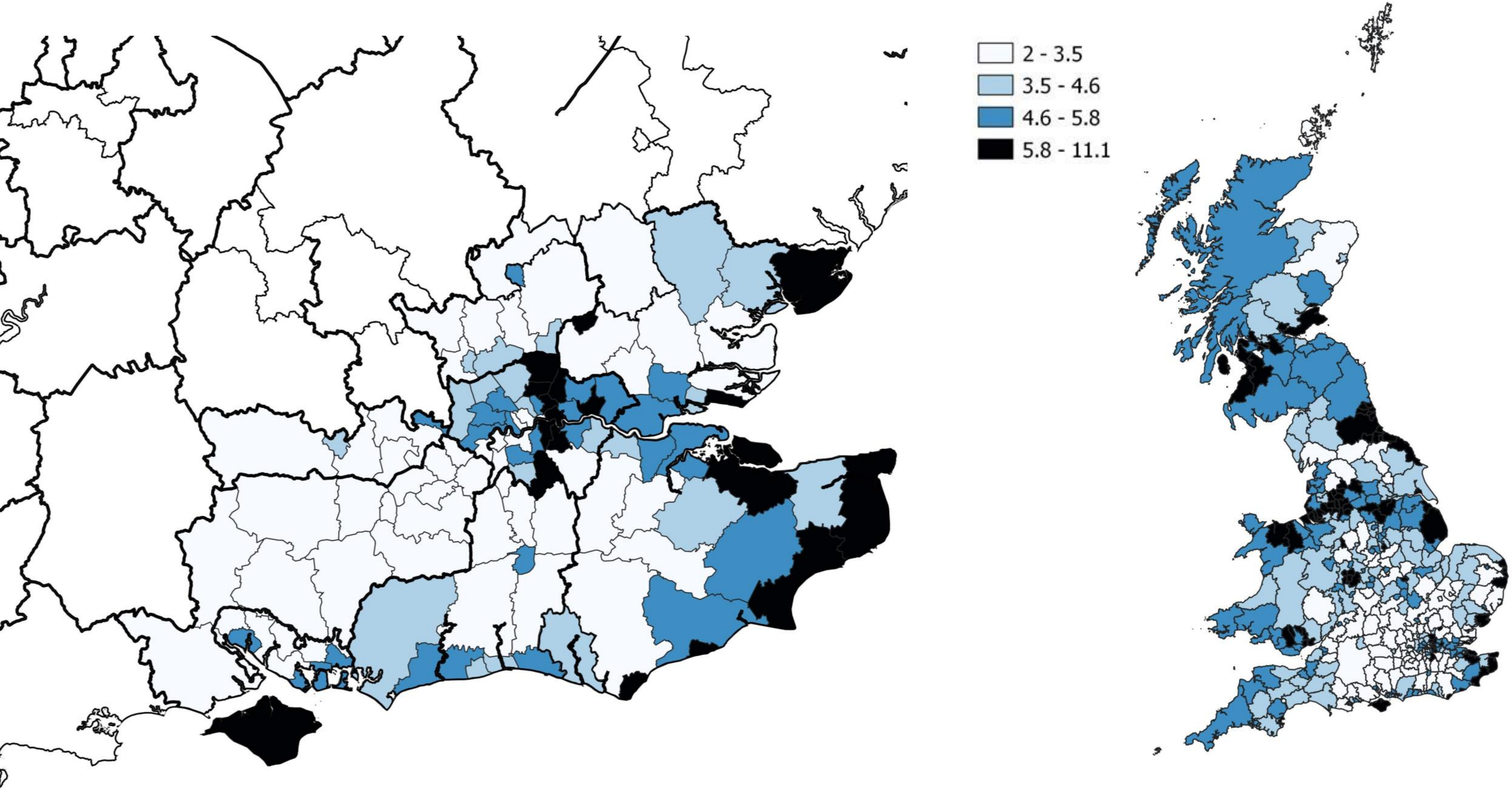
+8,600 claimants in the past month (March to April) in TVB area, a +77% increase

Claimant rate now 3.4% in April, up from 1.9% in March in TVB area

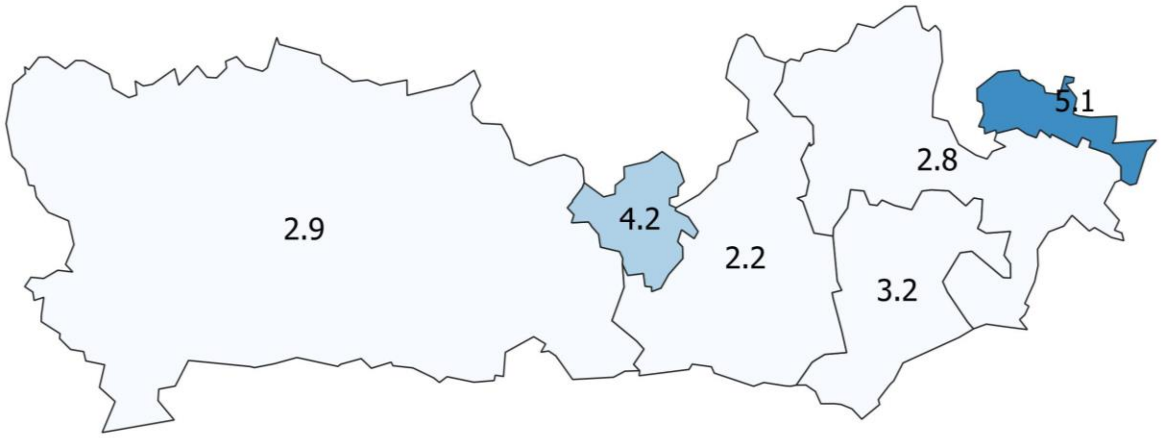
Claimant unemployment has increased sharply in the South East of England

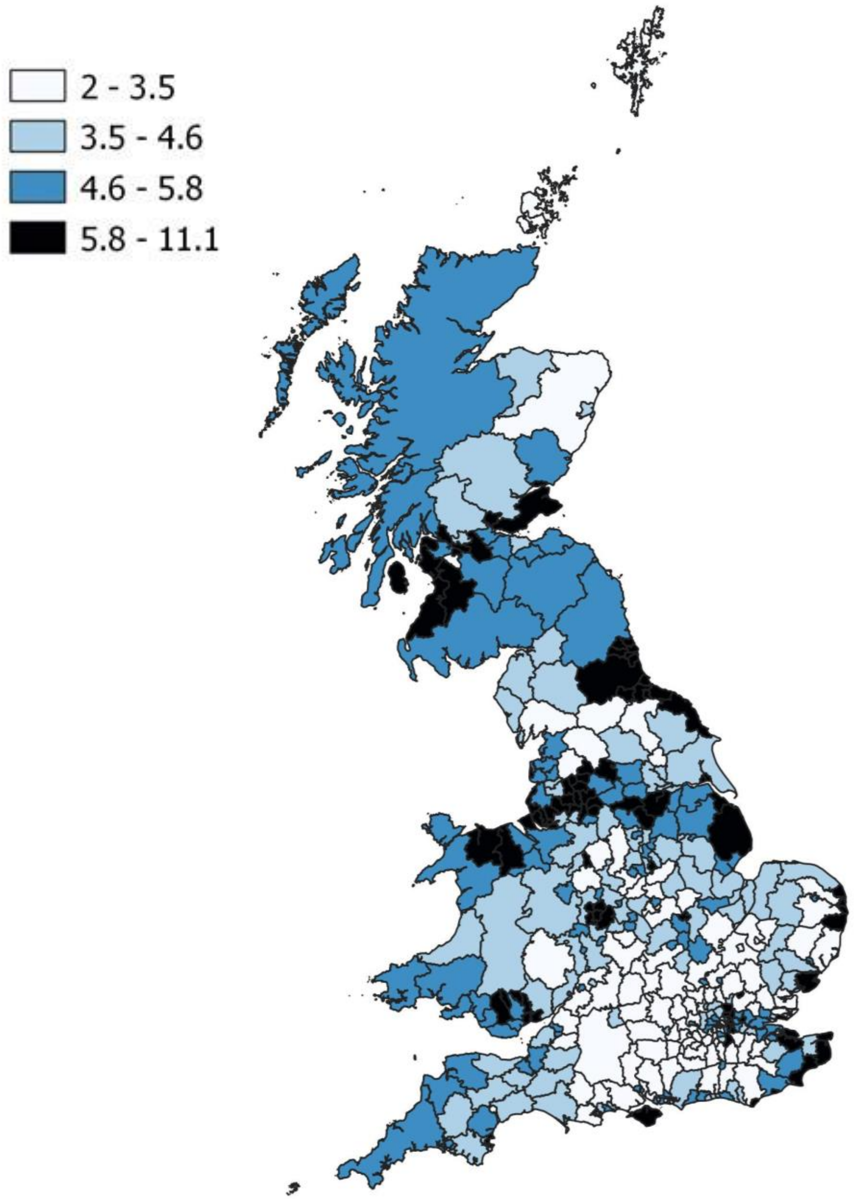
	March 2020 - total claimants	April 2020 - claimant rate	March 2020 - total claimants	April 2020 – total claimants	Monthly increase in claimants March to April
Bracknell Forest	1.5%	3.2%	1,220	2,500	105%
Reading	2.8%	4.2%	3,050	4,635	52%
Slough	3.0%	5.1%	2,820	4,830	71%
West Berkshire	1.6%	2.9%	1,525	2,815	85%
Windsor & Maidenhead	1.4%	2.8%	1,300	2,555	97%
Wokingham	1.1%	2.2%	1,140	2,275	100%
Thames Valley Berkshire	1.9%	3.4%	11,050	19,605	77%
UK	3.0%	5.1%	1,268,620	2,117,360	67%

April 2020 claimant unemployment rate %, UK=5.1%

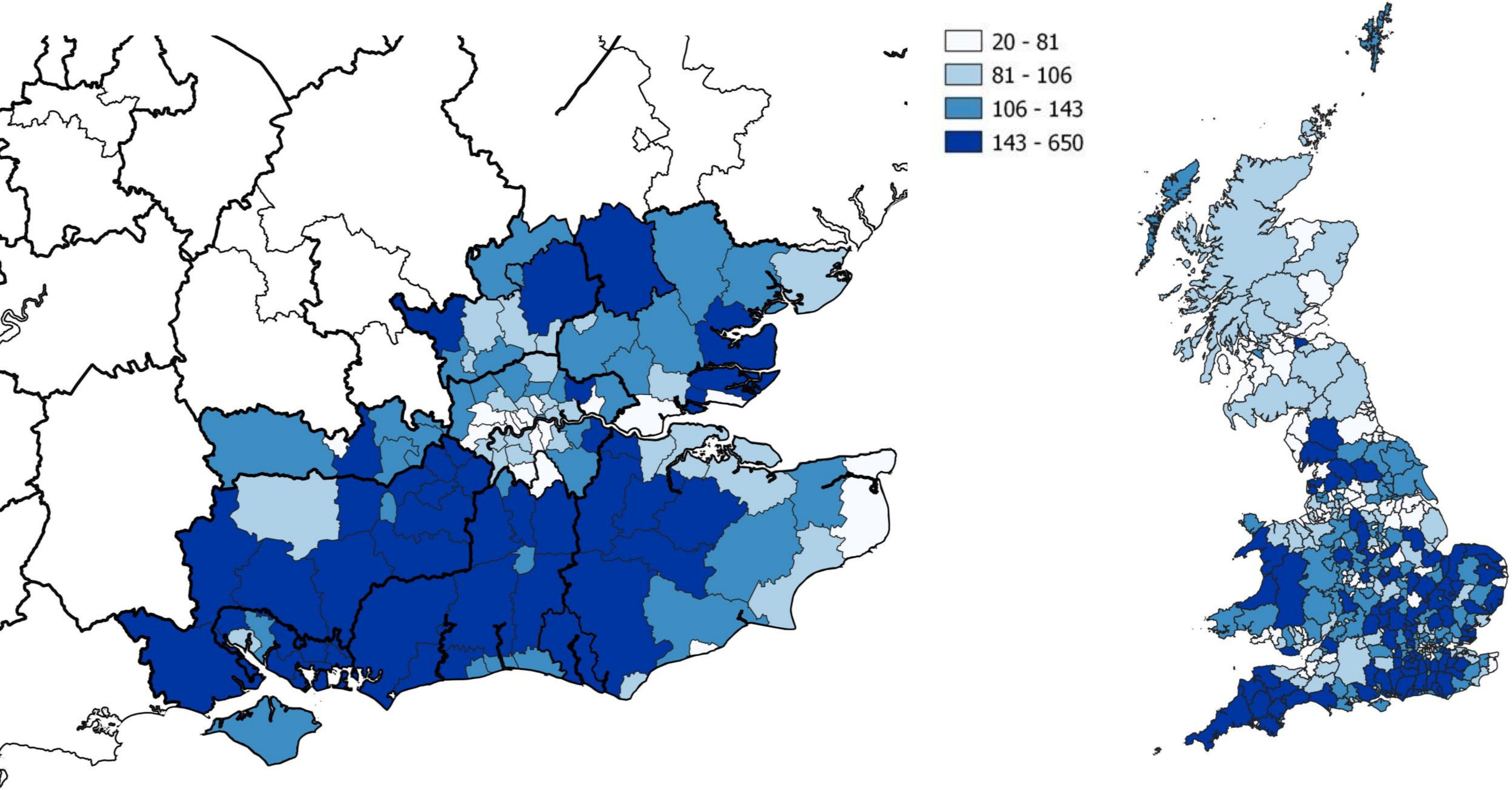


April 2020 claimant unemployment rate %, UK=5.1%

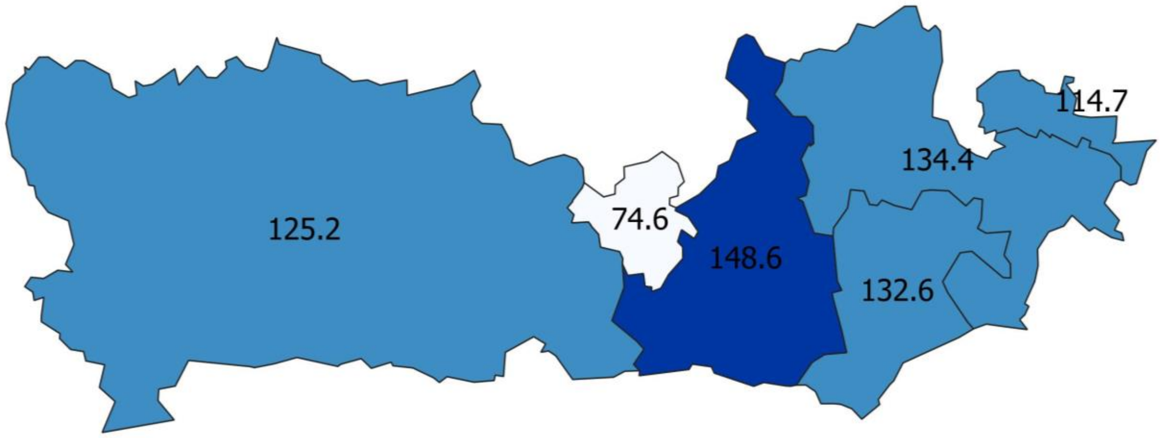


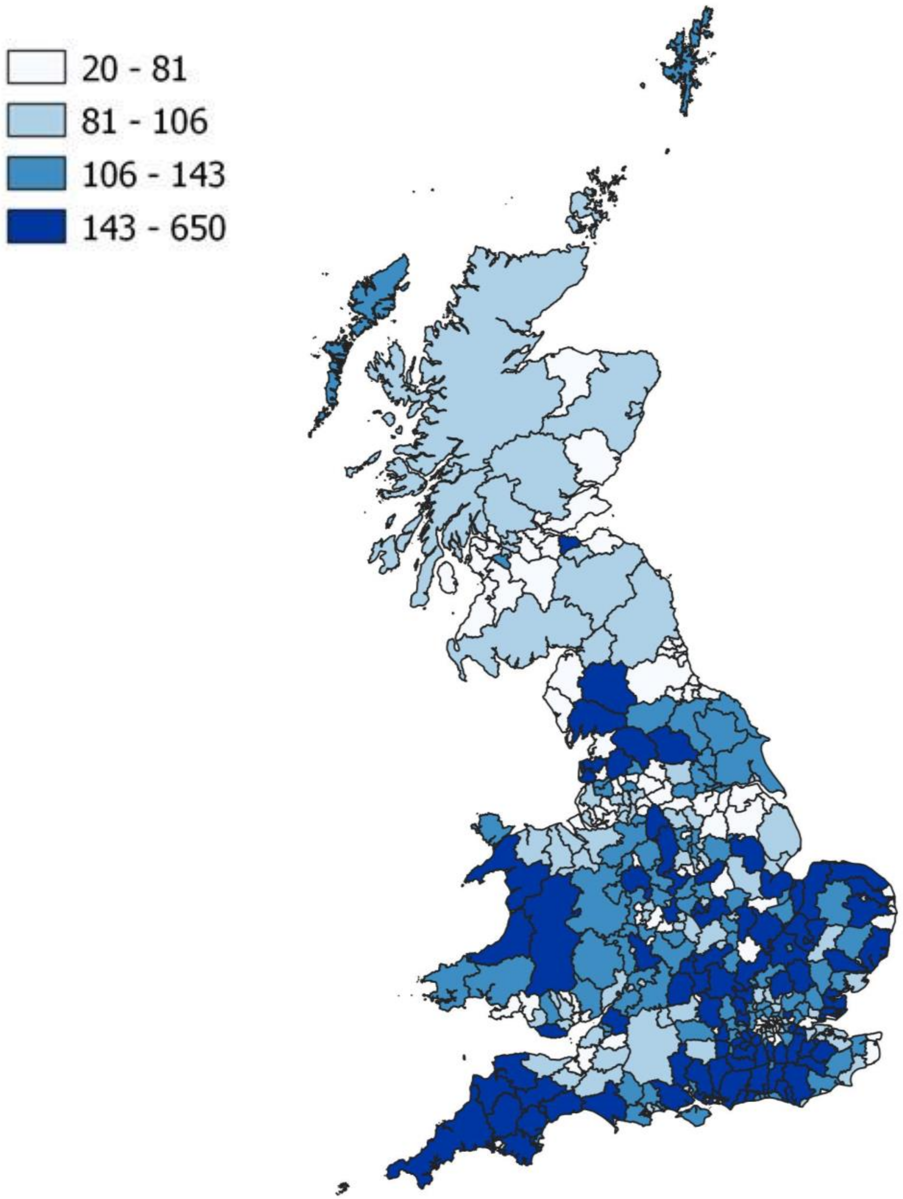


Percentage increase in claimants from April 2019 to April 2020, UK=67%



Percentage increase in claimants from April 2019 to April 2020, UK=67%





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?
- Seeing real signs of job losses and unemployment now

RISKS & OPPORTUNITIES

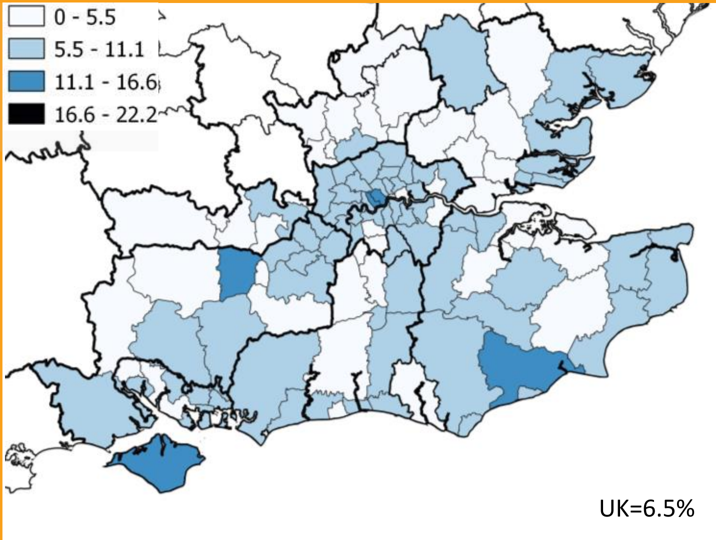
- Redundancies / restructuring
- Transport provision, distancing and London lockdown
- Sourcing materials, supplies, and skills
- Stronger capabilities for international trade and operations

Data maps

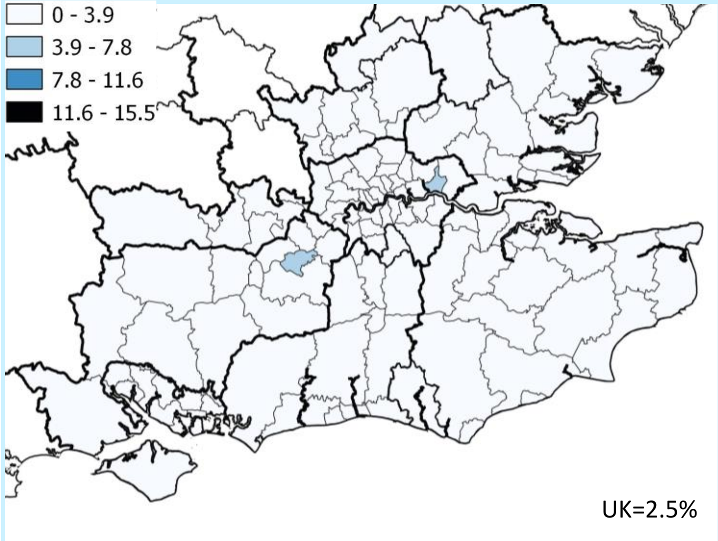
Industries at risk

INDUSTRIES AT RISK

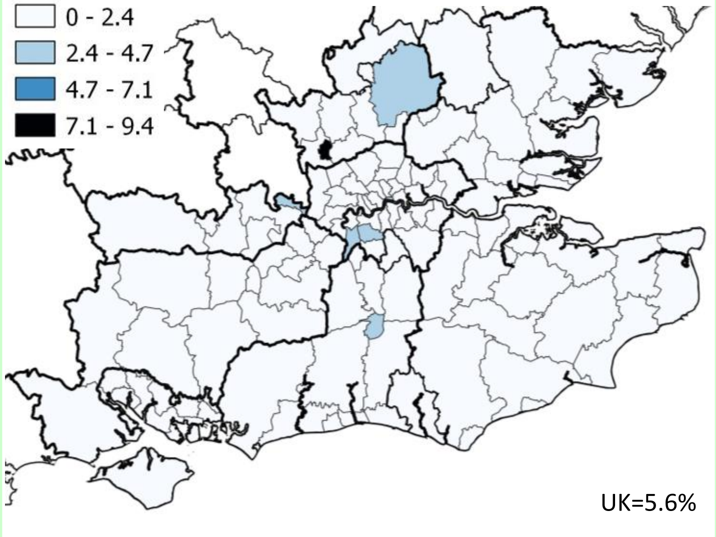
Hospitality & tourism: % total employment



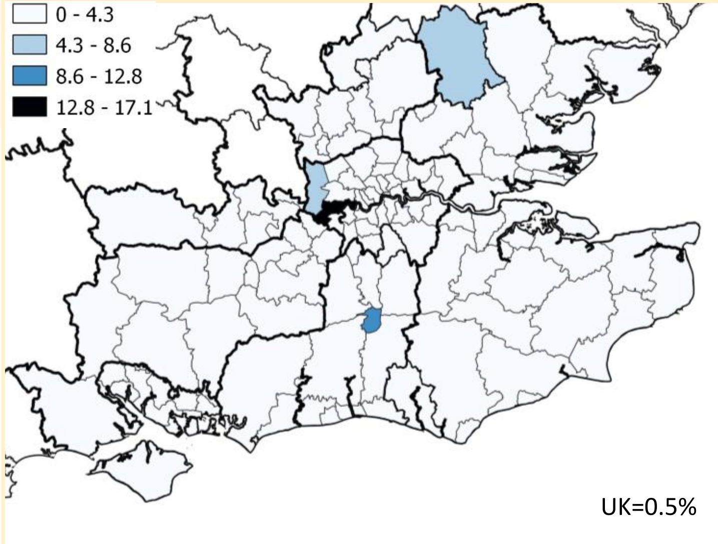
Arts, entertainment & recreation: % total employment



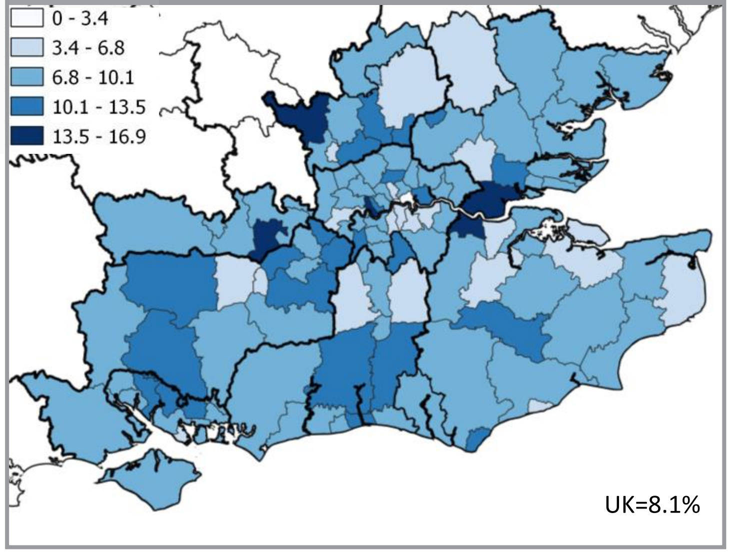
Admin & support services: % total employment



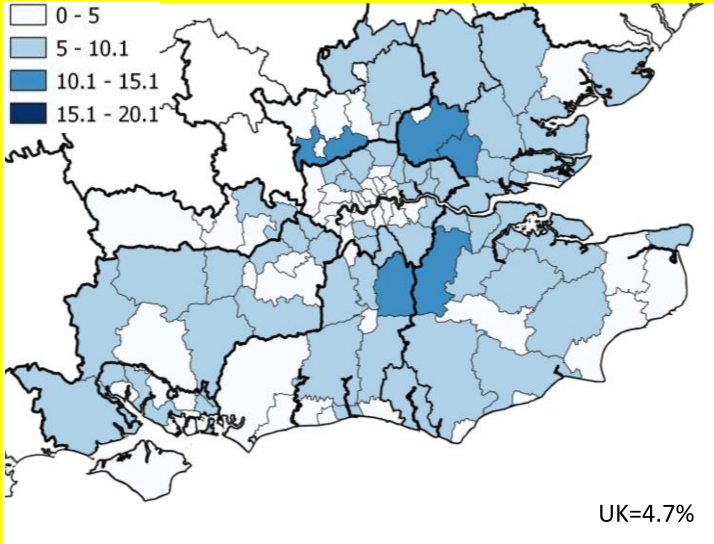
Aviation & aerospace: % total employment



Non-food retail: % total employment



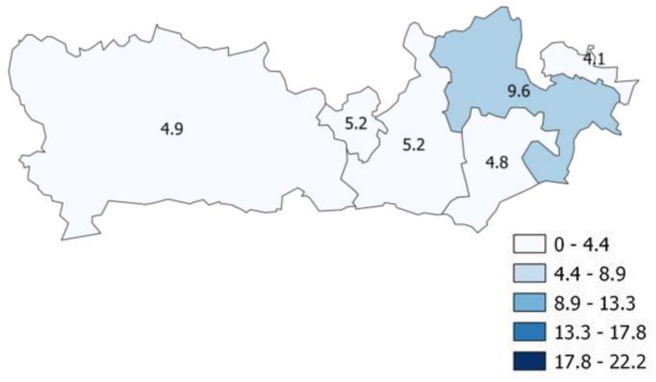
Construction: % total employment



INDUSTRIES AT RISK: Thames Valley Berkshire

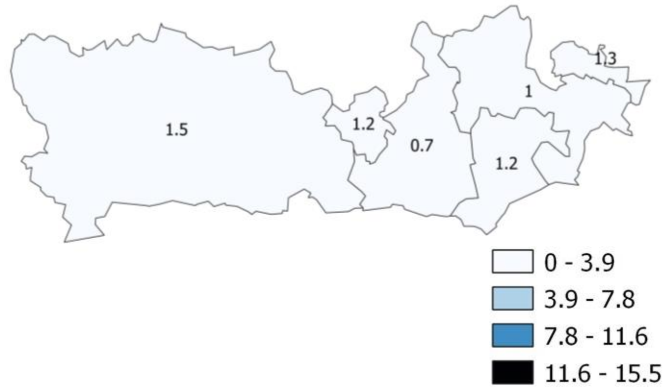
Hospitality & tourism: % total employment

UK=6.5%



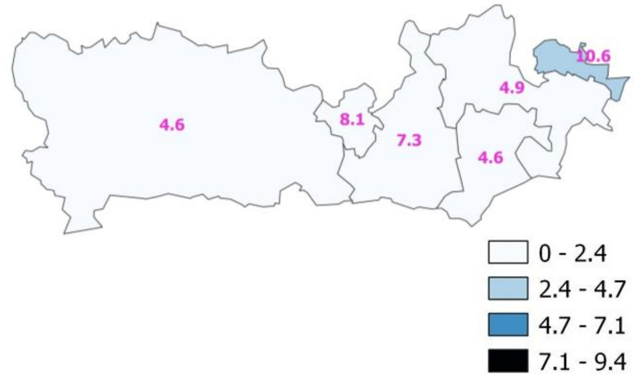
Arts, entertainment & recreation: % total employment

UK=2.5%



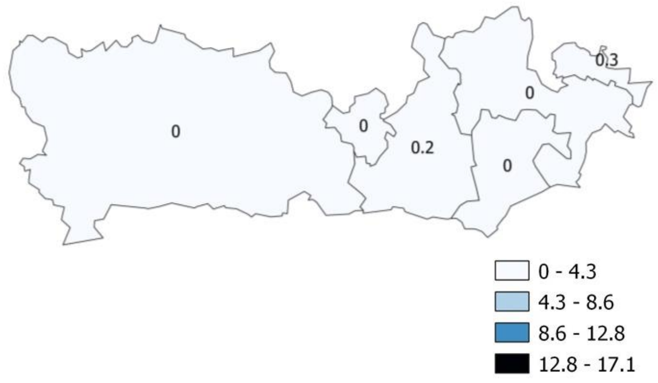
Admin & support services: % total employment

UK=5.6%



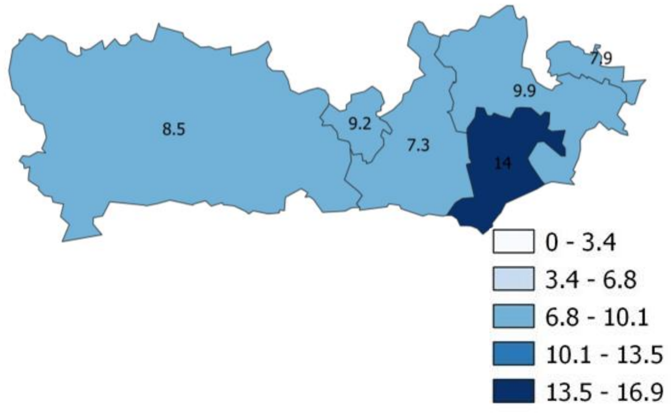
Aviation & aerospace: % total employment

UK=0.5%



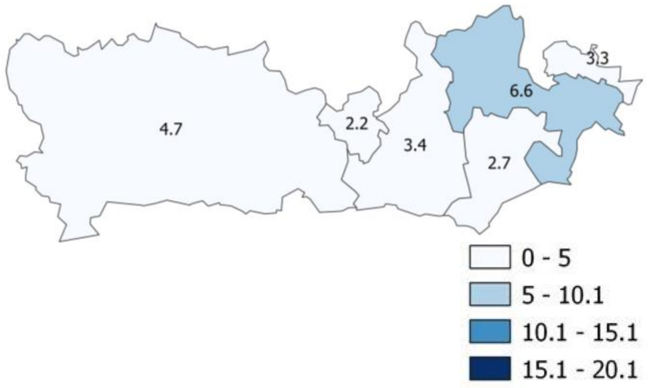
Non-food retail: % total employment

UK=8.1%

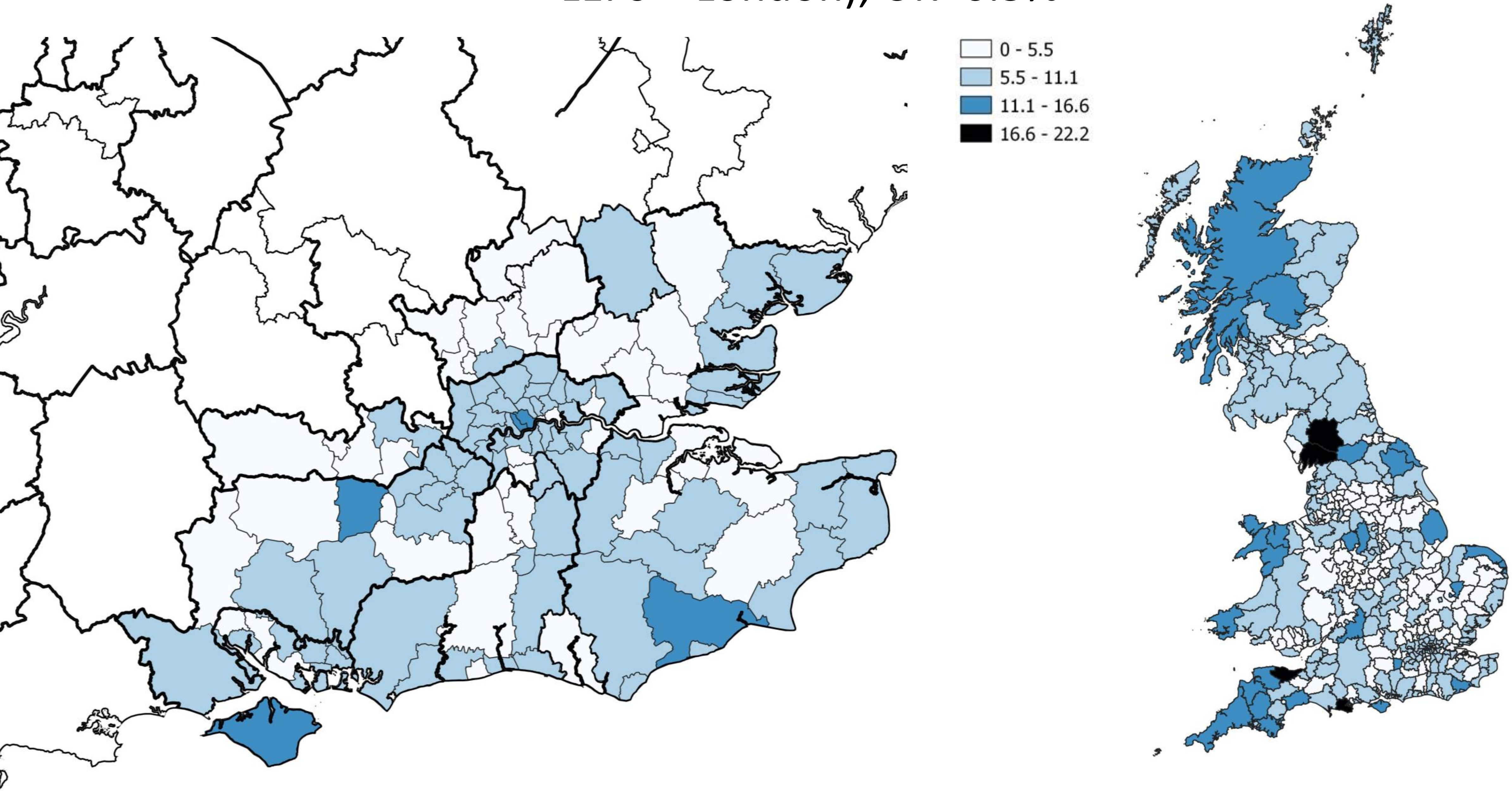


Construction: % total employment

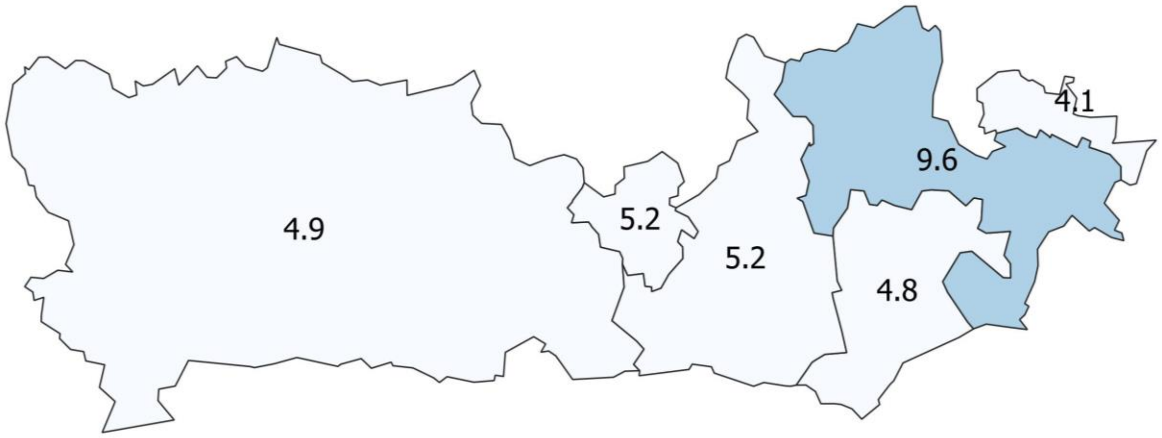
UK=4.7%

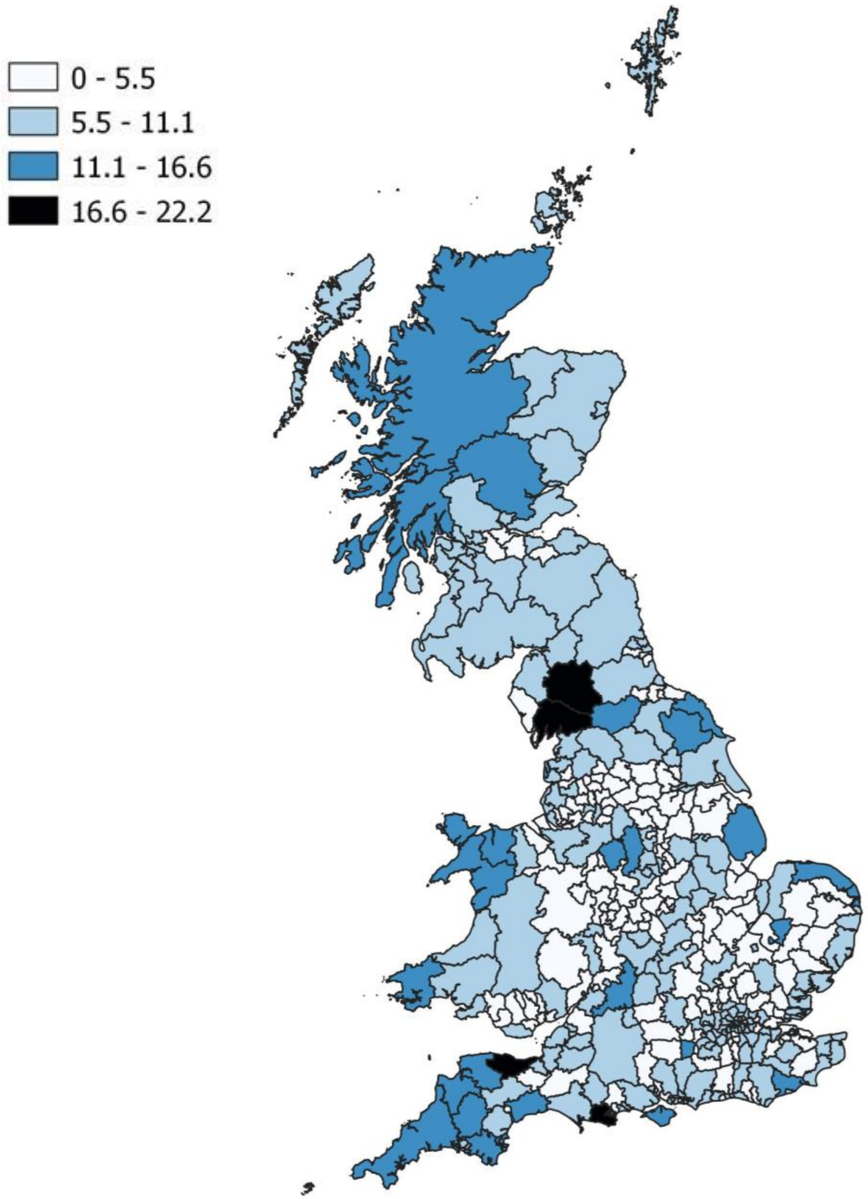


% share of employment in hospitality and tourism sectors (Southern LEPs + London), UK=6.5%

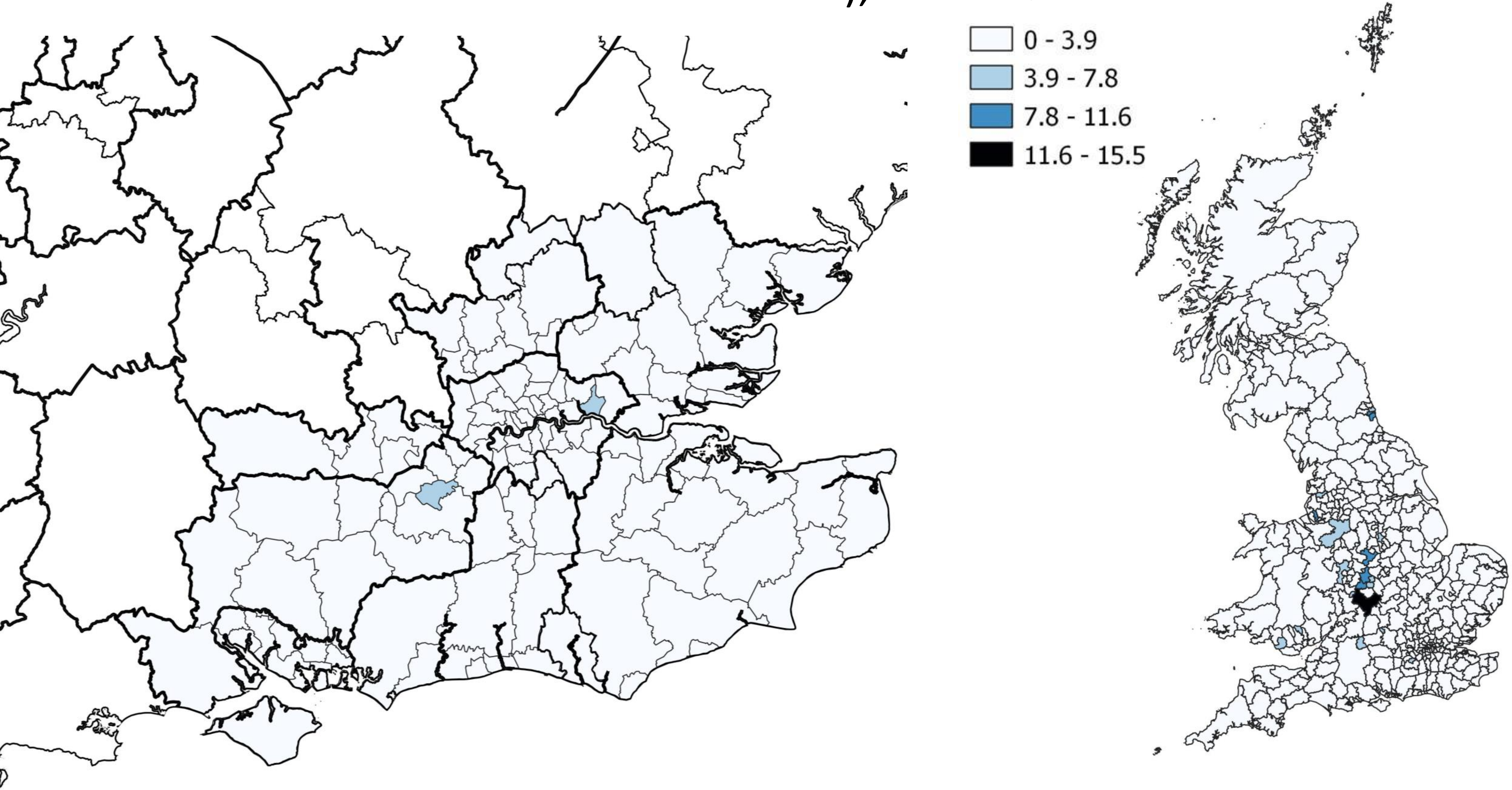


% share of employment in hospitality and tourism sectors (TVB LEP area), UK=6.5%

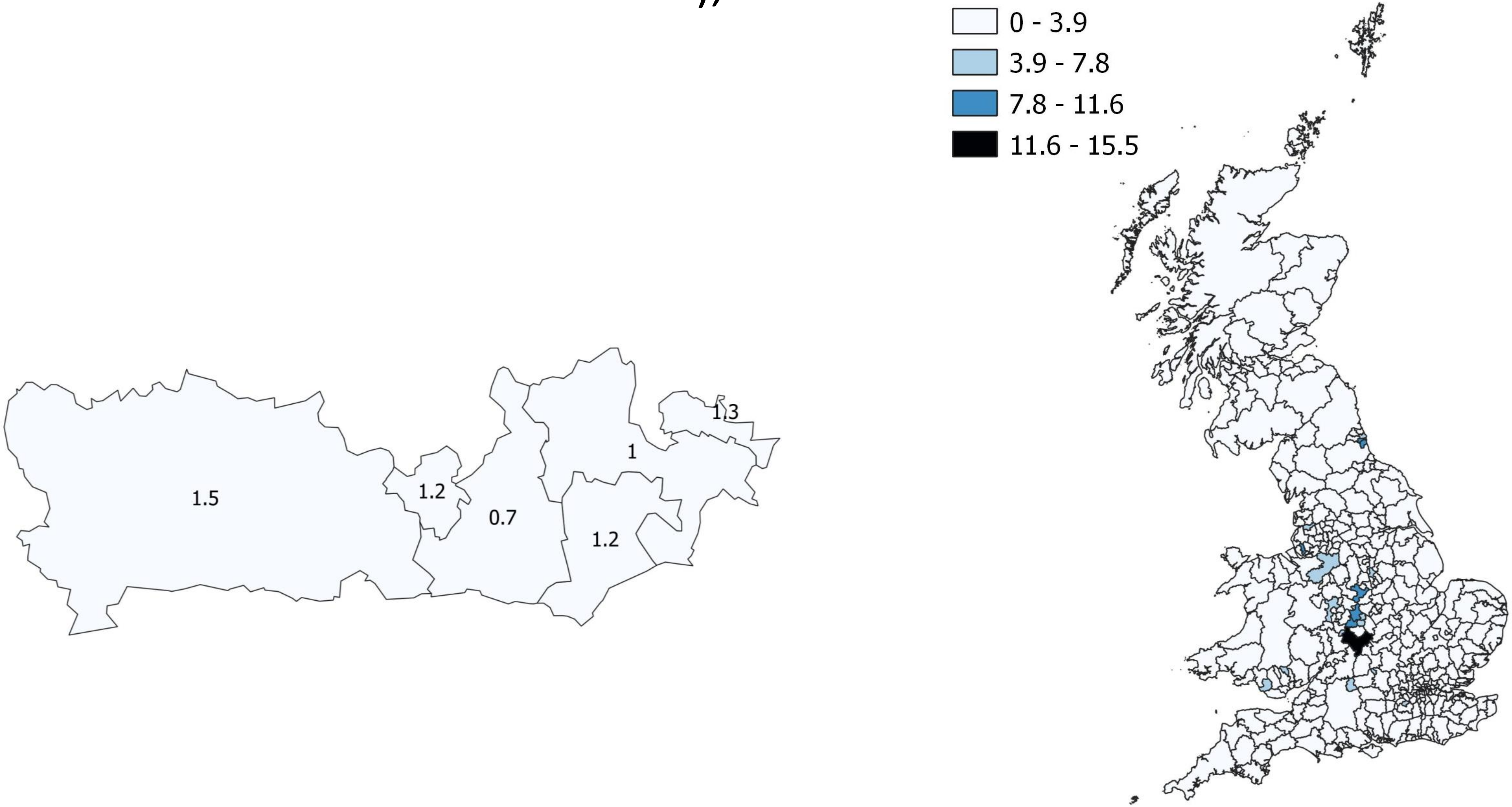




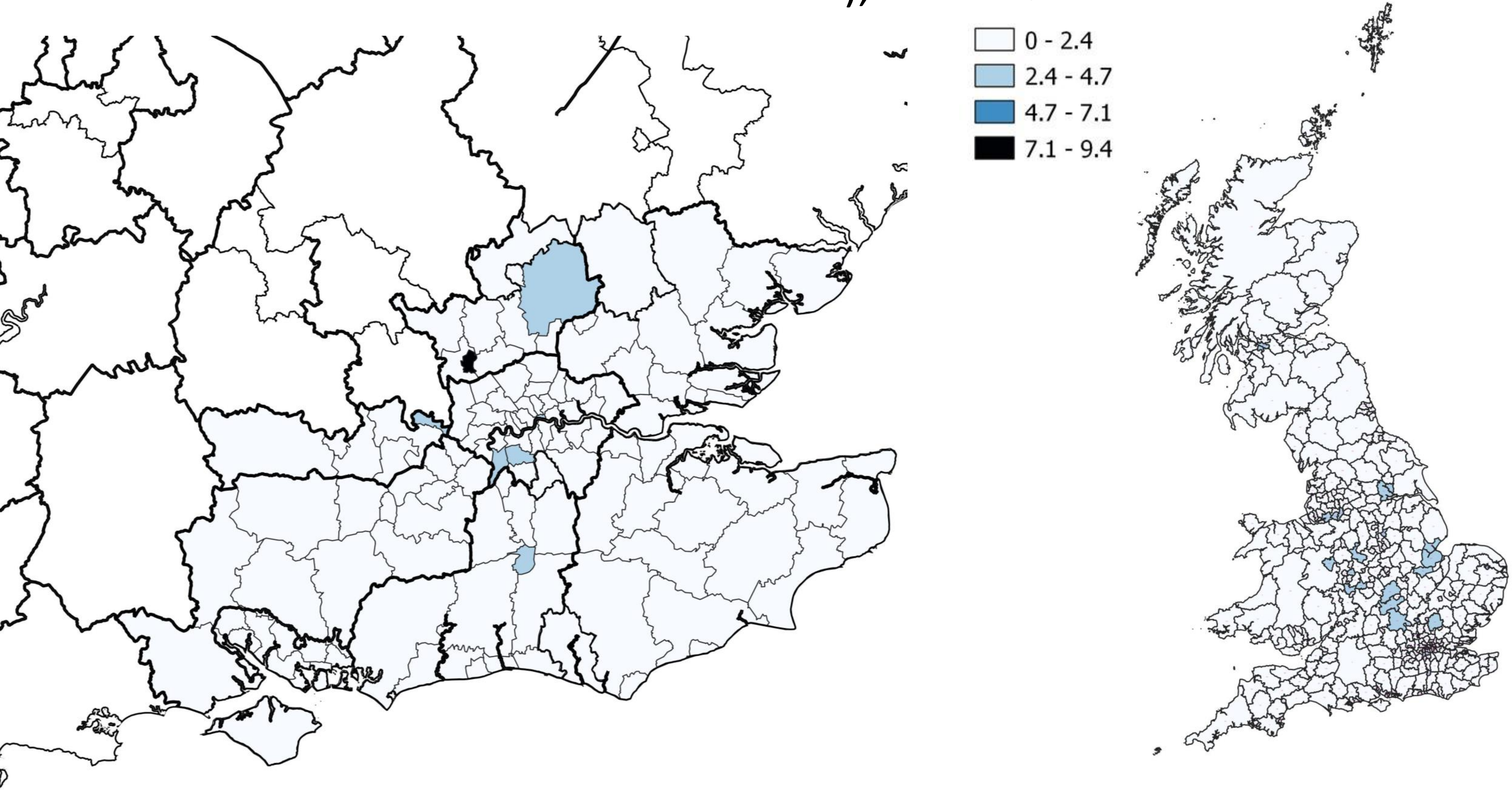
% share of employment in Arts, entertainment & recreation (Southern LEPs + London), UK=2.5%



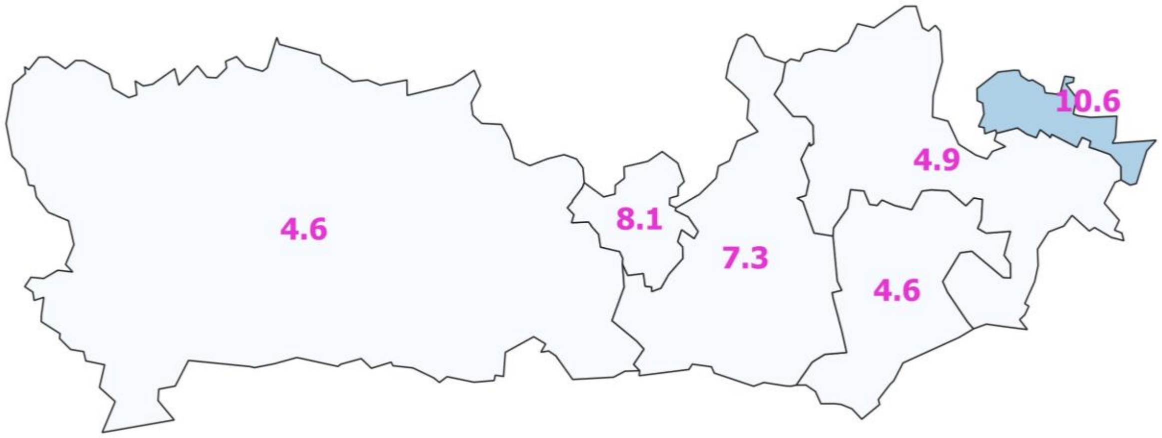
% share of employment in Arts, entertainment & recreation (TVB LEP area), UK=2.5%

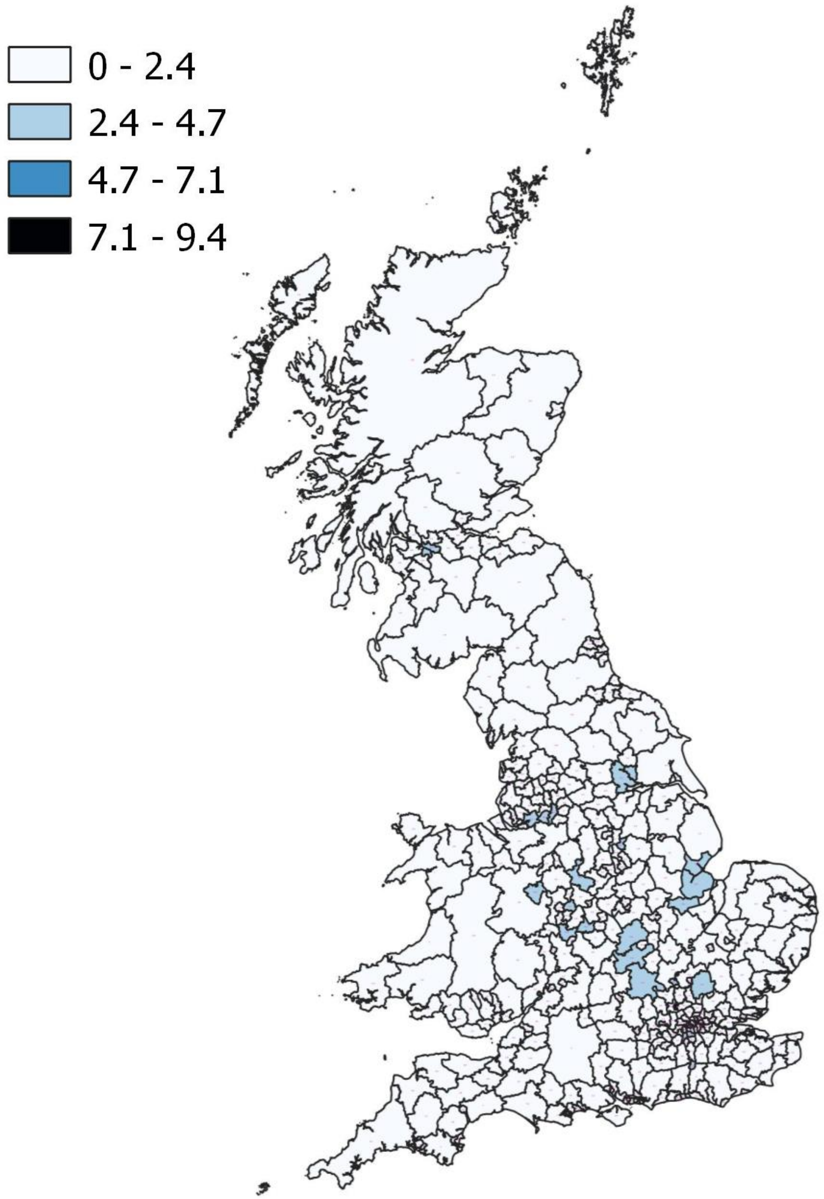


% share of employment in Administrative & support services (Southern LEPs + London), UK=5.6%

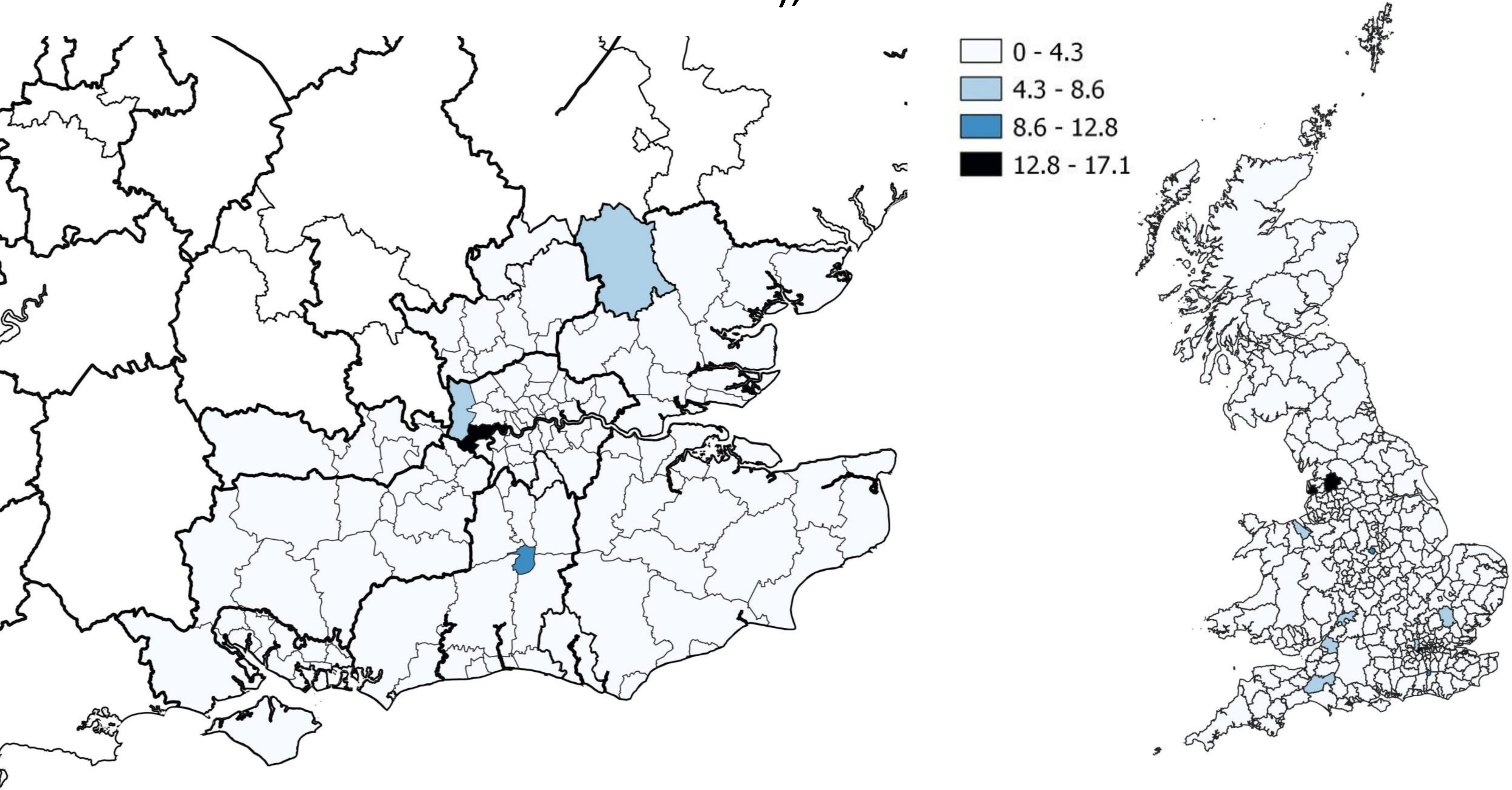


% share of employment in Administrative & support services (TVB LEP area), UK=5.6%

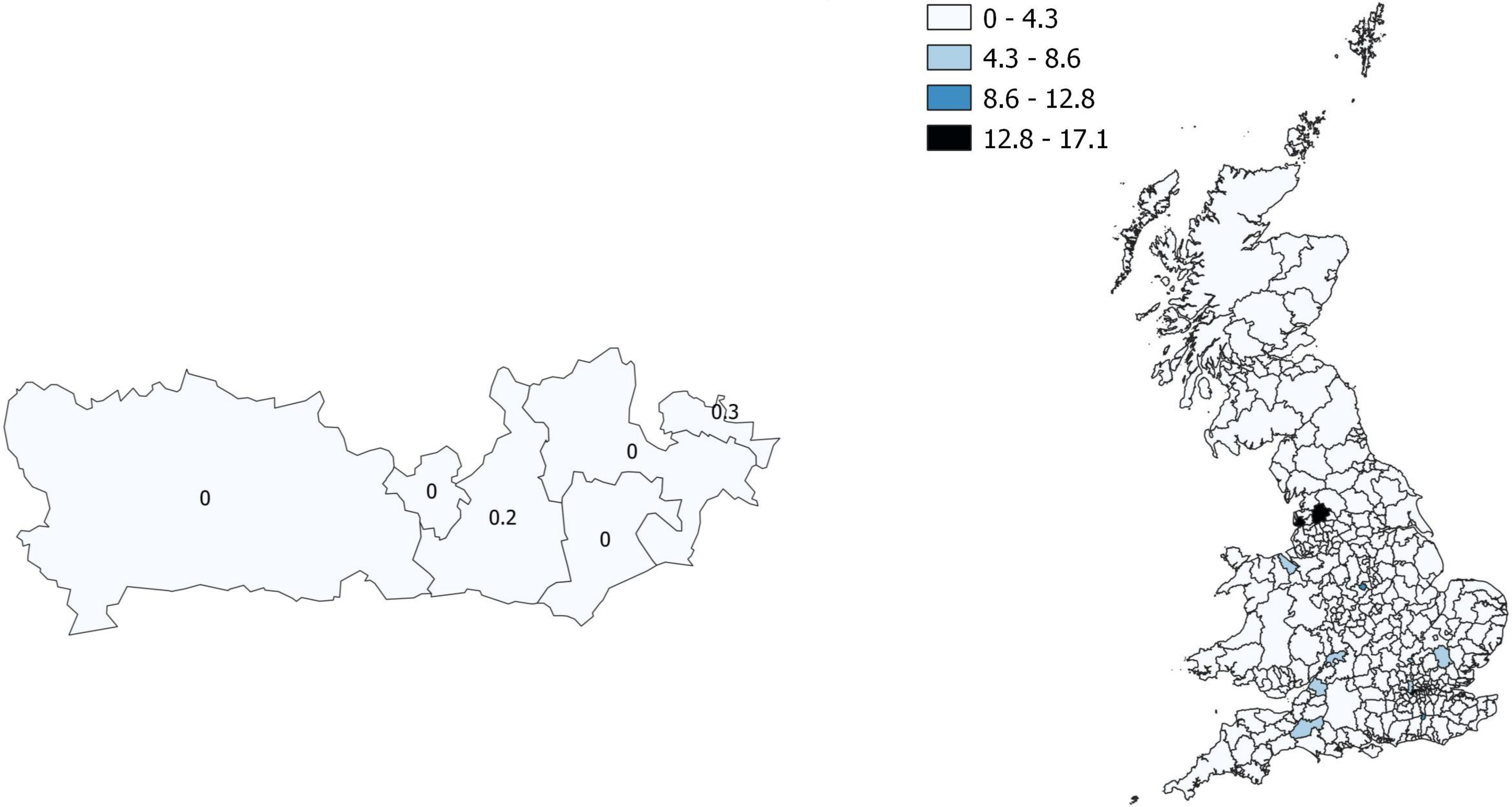




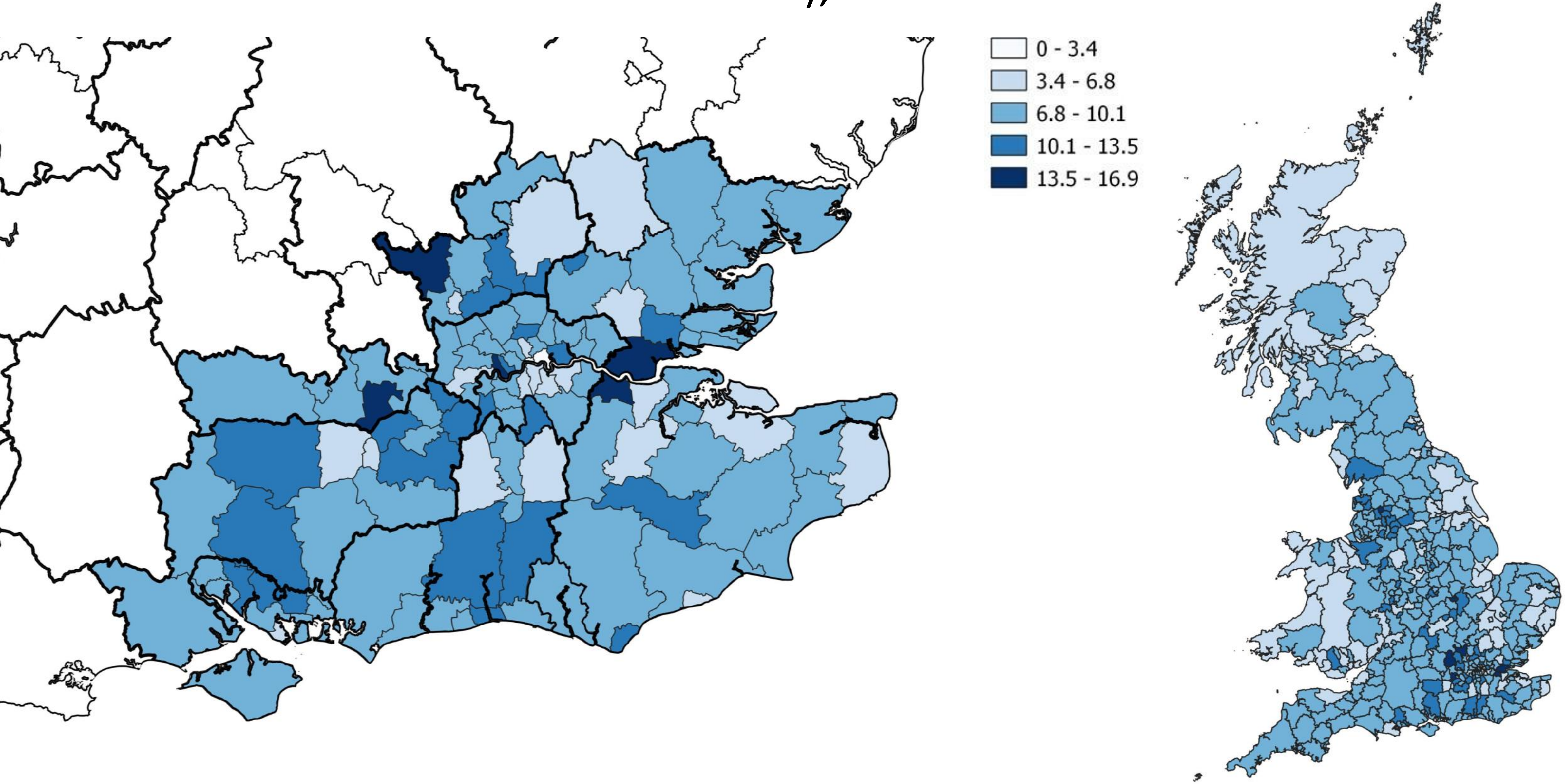
% share of employment in Aviation and Aerospace (Southern LEPs + London), UK=0.5%



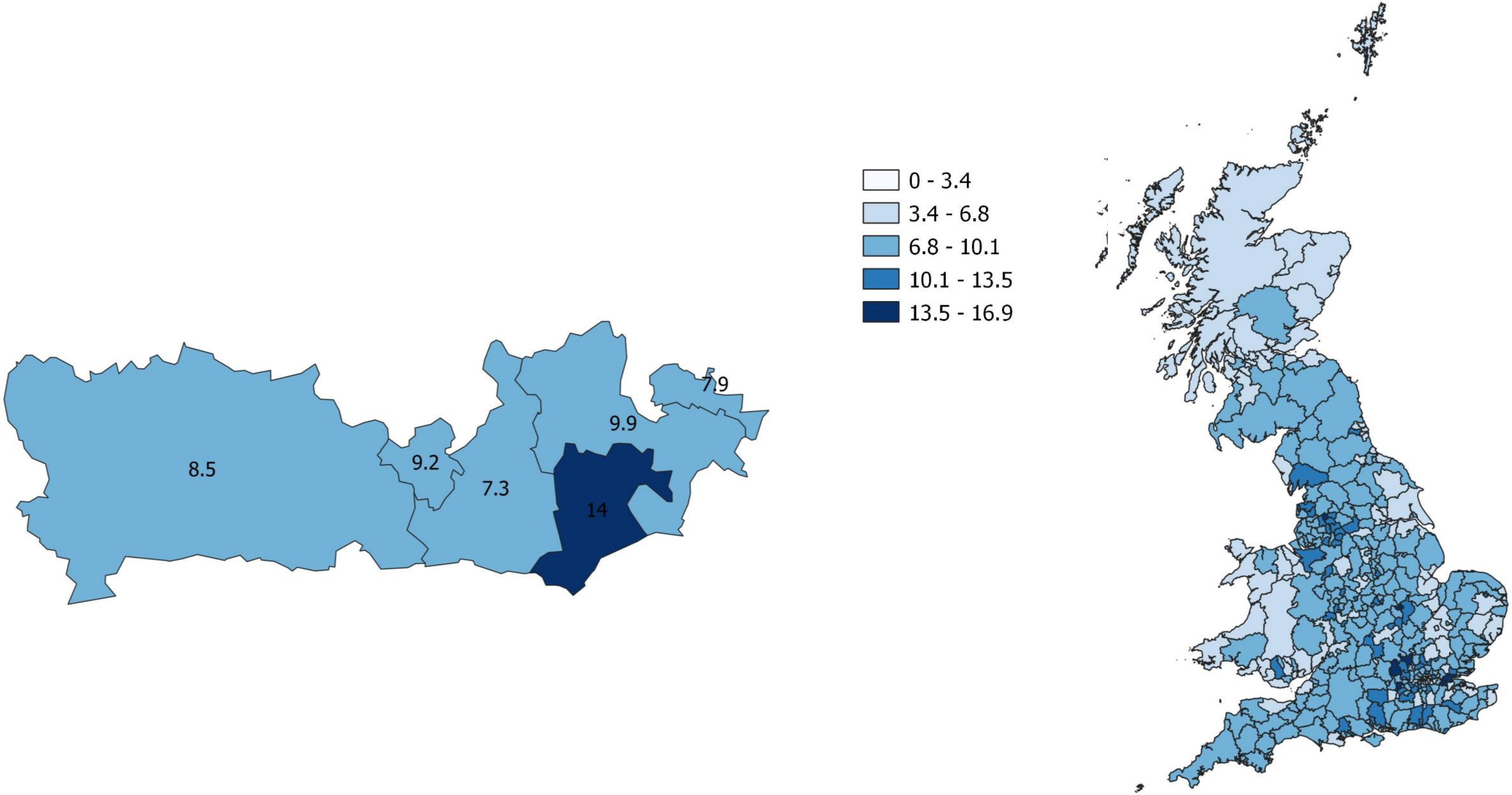
% share of employment in Aviation and Aerospace (TVB LEP area), UK=0.5%



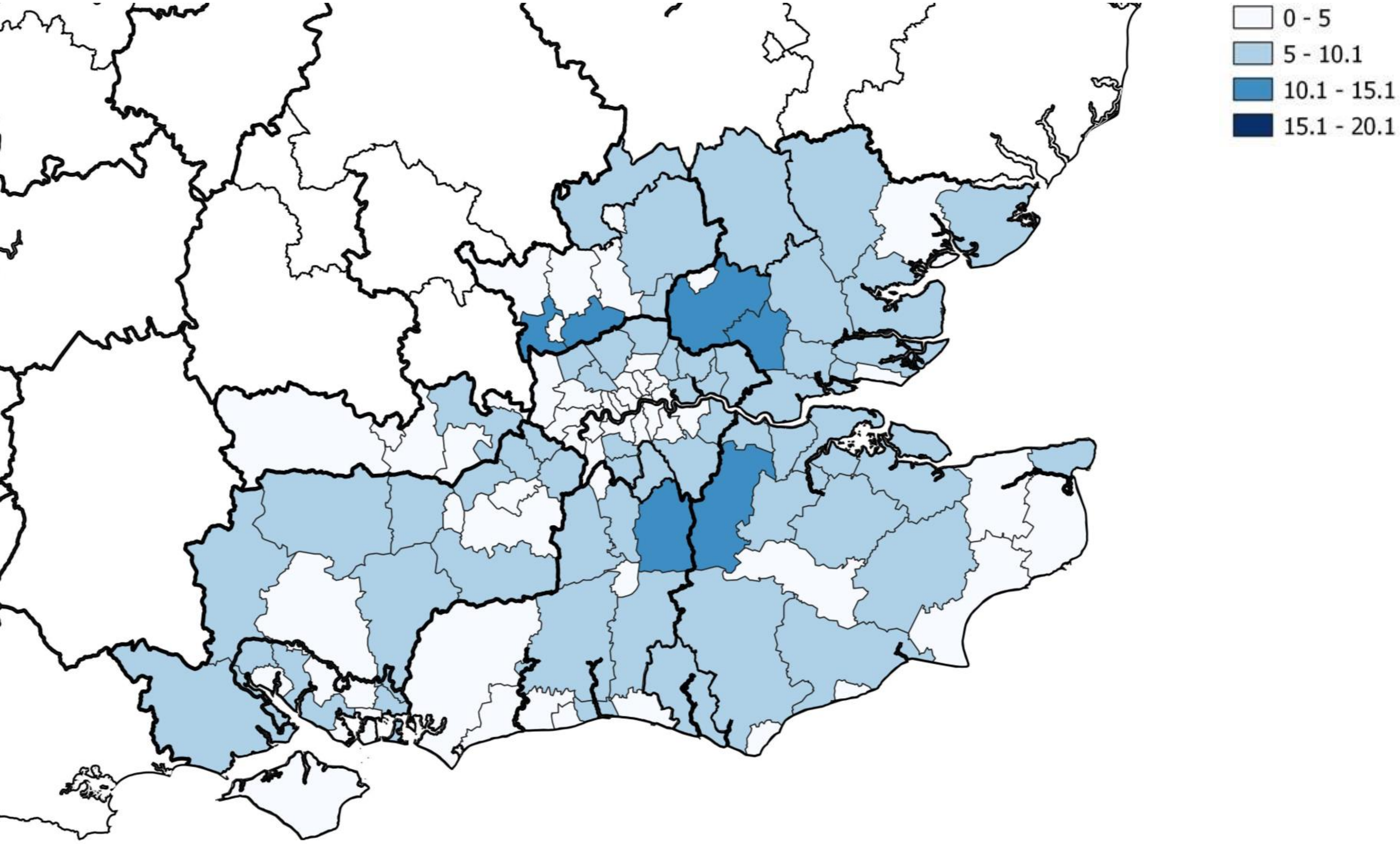
% share of employment in non-food retail sectors (Southern LEPs + London), UK=8.1%

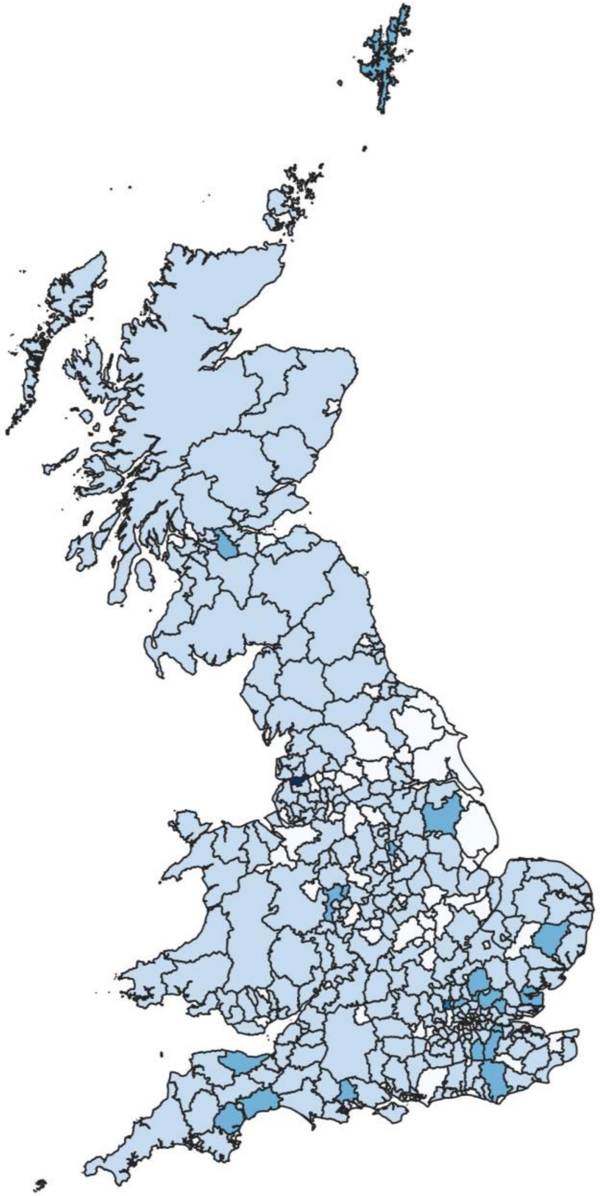


% share of employment in non-food retail sectors (TVB LEP area), UK=8.1%



% share of employment in construction (Southern LEPs + London), UK=4.7%





% share of employment in construction (TVB LEP area), UK=4.7%