

# Economy briefing impacts of COVID-19

Week beginning Monday 08 June

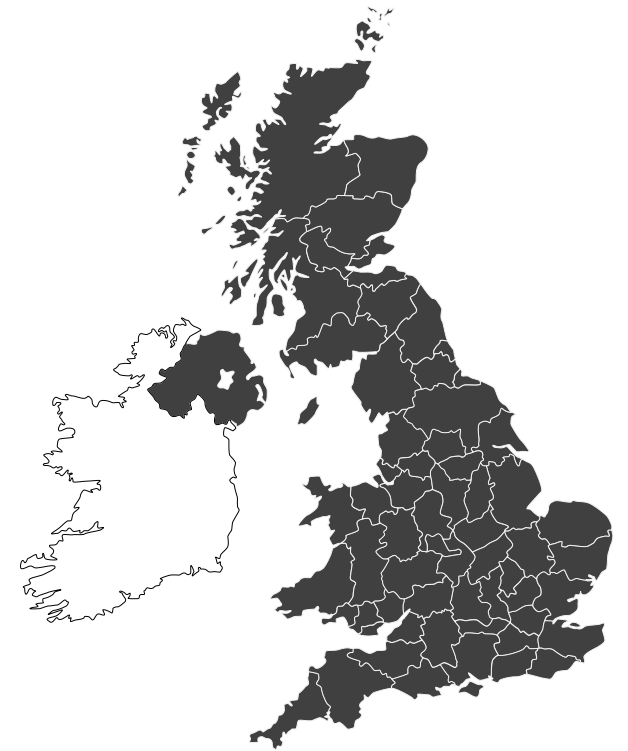
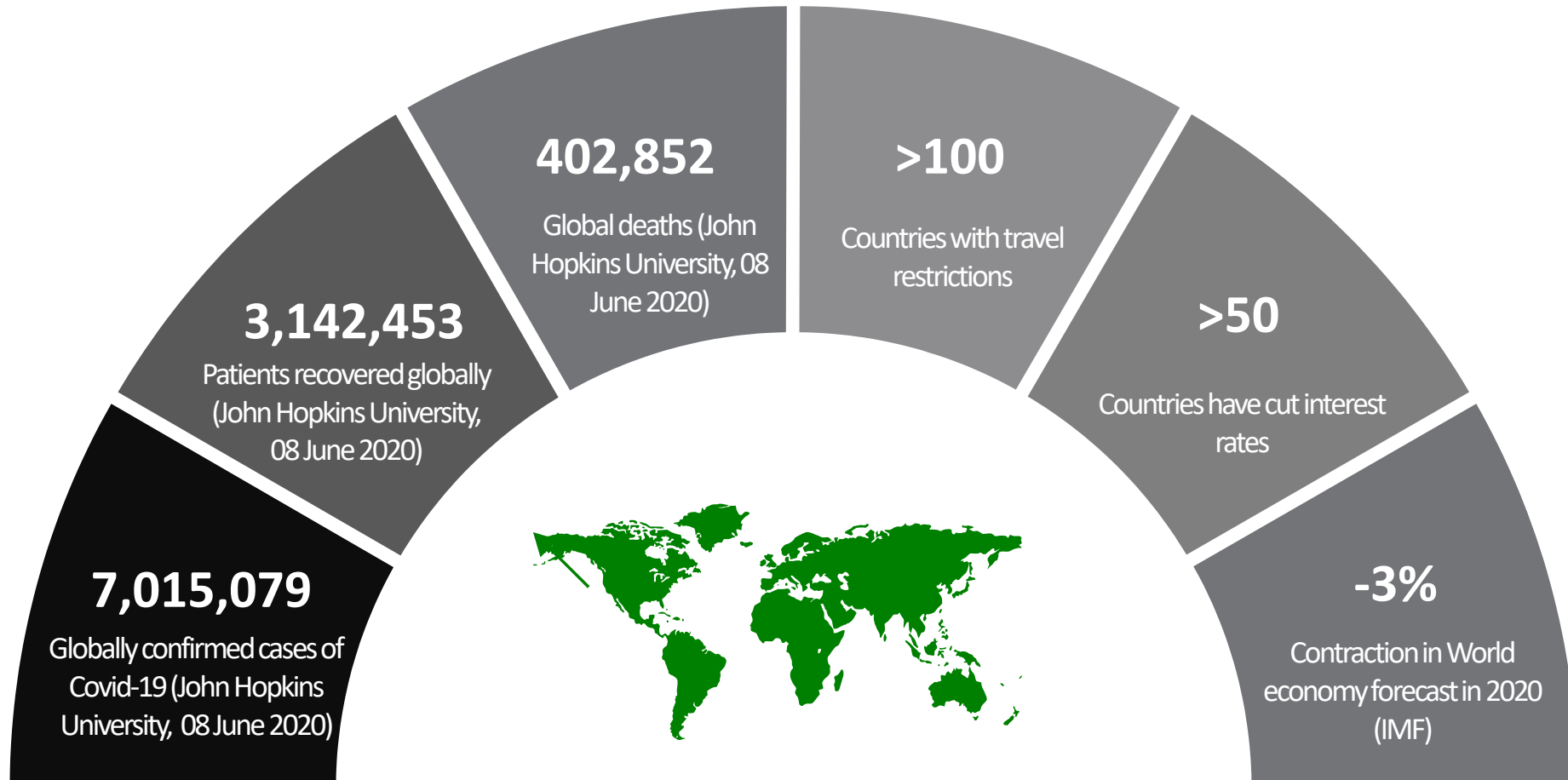
Last updated 15:00, 08 June 2020



# Global trends and outlook



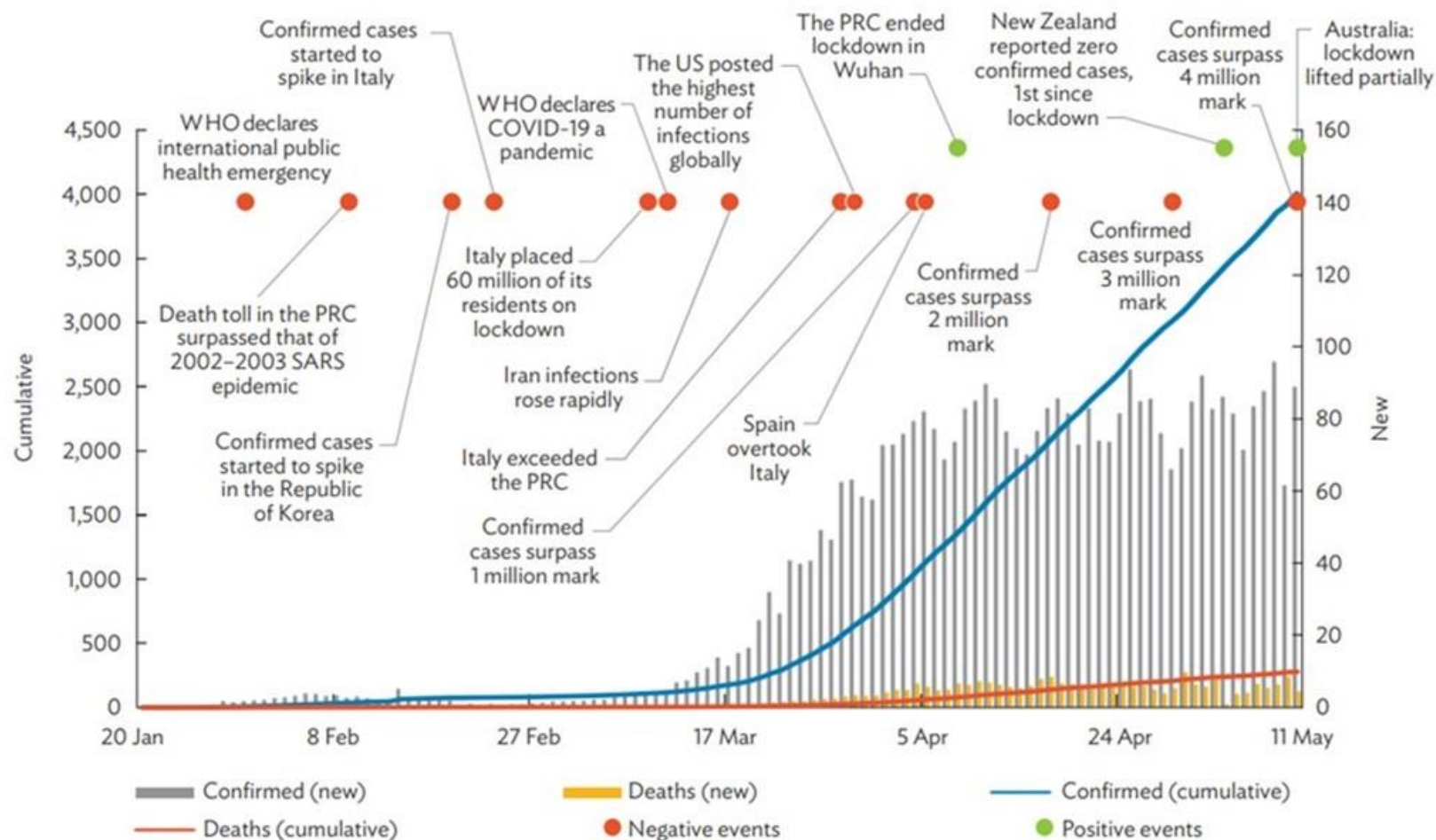
# GLOBAL HEADLINES



**286,194** Lab-confirmed cases (PHE, 01 June 2020)  
**40,542** 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

## IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.



# 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.

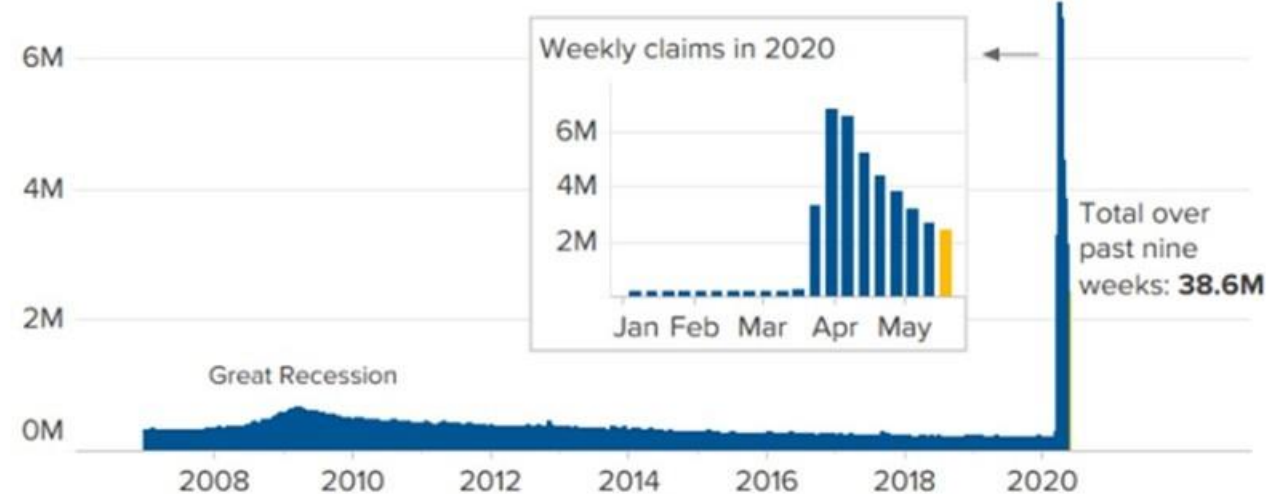
# GLOBAL ECONOMY

## 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

## Initial claims since early March top 38 million

Weekly initial unemployment insurance claims



# 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: ECONOMY

## **Real-time indicators suggest that the UK economy began gradually emerging from the lockdown from early May**

- Job websites suggest the labour market may have reached its lowest point during April. In the month to May 24, the number of job vacancies rose 9 per cent partially due to a 20 per cent increase in healthcare posts, according to data from the government website Find a Job. This is also reflected in data from the website LinkedIn
- Household spending took an unprecedented hit and fell 40 per cent in April, according to transaction data published by the London School of Economics. However, the contraction in spending was half as steep in the week to May 24 compared with the last week of March, according to data from Fable Data, a company that aggregates transaction data from banks, credit card providers and fintech companies.
- Shopping habits are also normalising, according to data from SimilarWeb, whose data show that the spike in visits to supermarket websites eased in May compared with April and the contraction in visits to fashion websites was less steep, while traffic to the websites of luxury goods producers started to grow again. Government data show a pick-up in motor vehicle usage, but no significant increase in the use of public transport.

## **The UK housing market is subdued, with the highest monthly fall in average house prices since February 2009**

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

# 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.

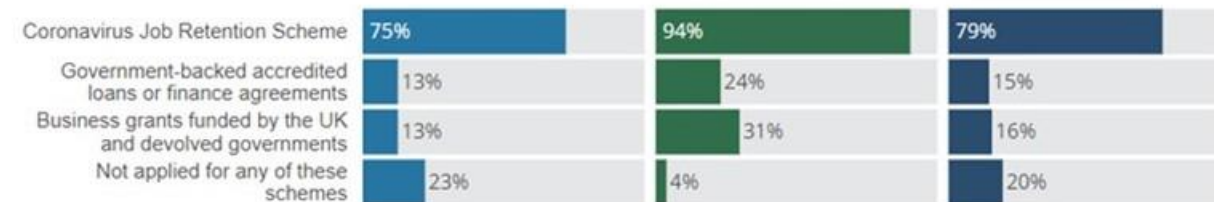
### Proportion of businesses by trading status and workers on furlough leave



### Cash reserves



### Proportion of businesses applying to government schemes



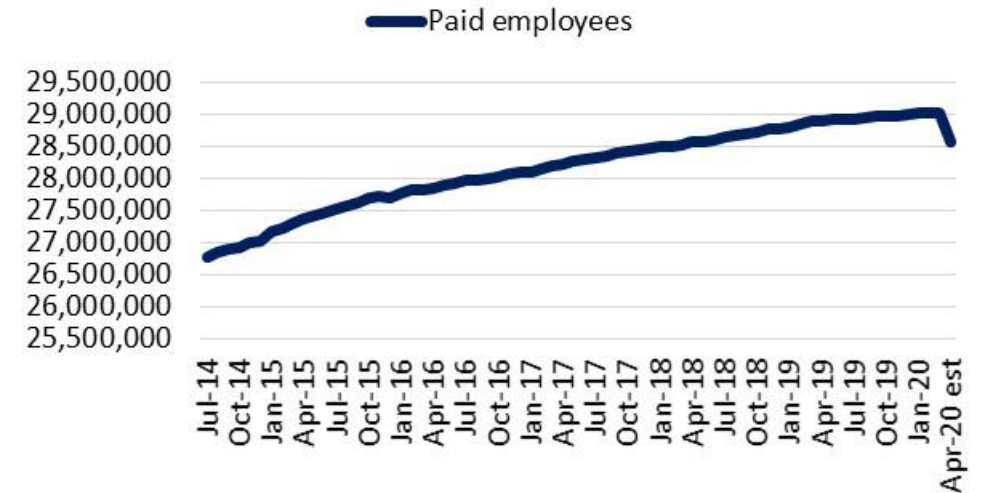
Source: Office for National Statistics – Business Impacts of Coronavirus Survey

# UK: LABOUR MARKET

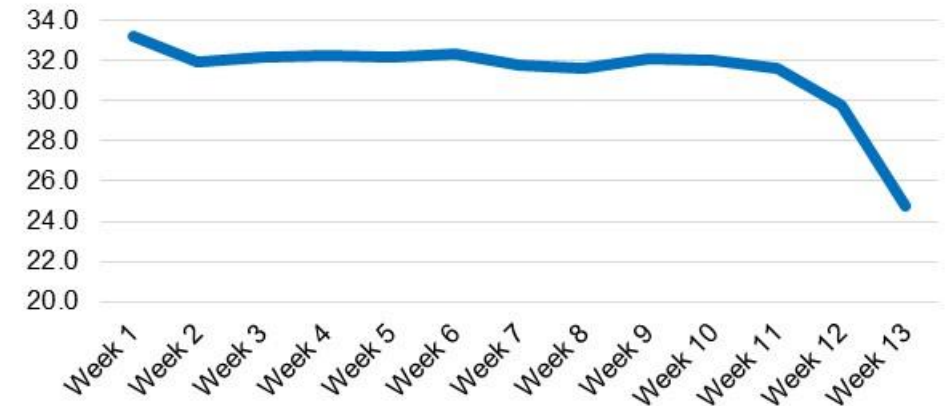
## Labour market conditions weaken

- **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.

HMRC estimate of paid employees



Average actual hours worked in main job - Jan-Mar 2020 weekly estimates



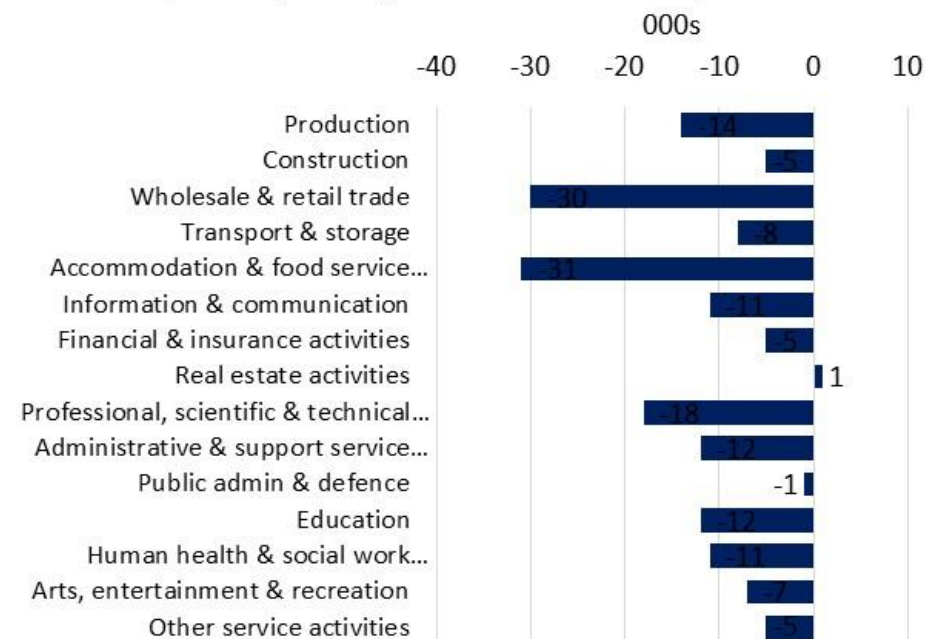
# UK: LABOUR MARKET

## 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.
- **JobisJob.com – handles 85% of jobs posted online across 250 online job boards:** UK job vacancies fallen to lowest level in 3 years; No. jobs posted Jan-May 2020 – 40% lower than same period in 2019; Retail worst hit – jobs down 53% Jan-May compared to 2019; Recruitment increased – healthcare, cleaning staff, warehouse operatives



Quarterly change in vacancies Feb-Apr 2020





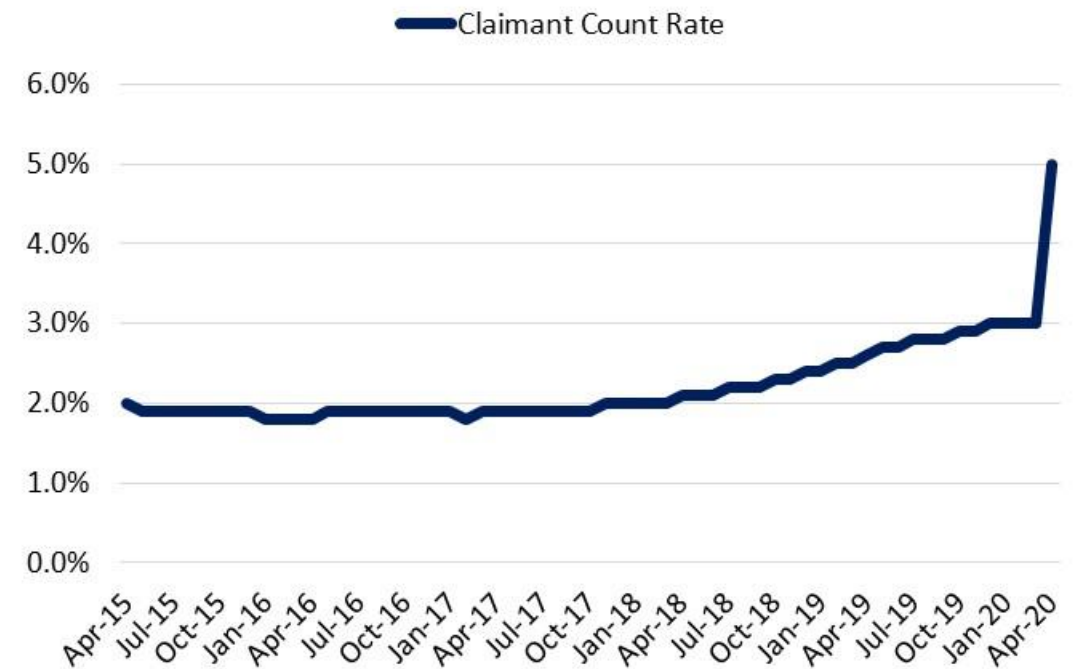
# UK: LABOUR MARKET

## 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

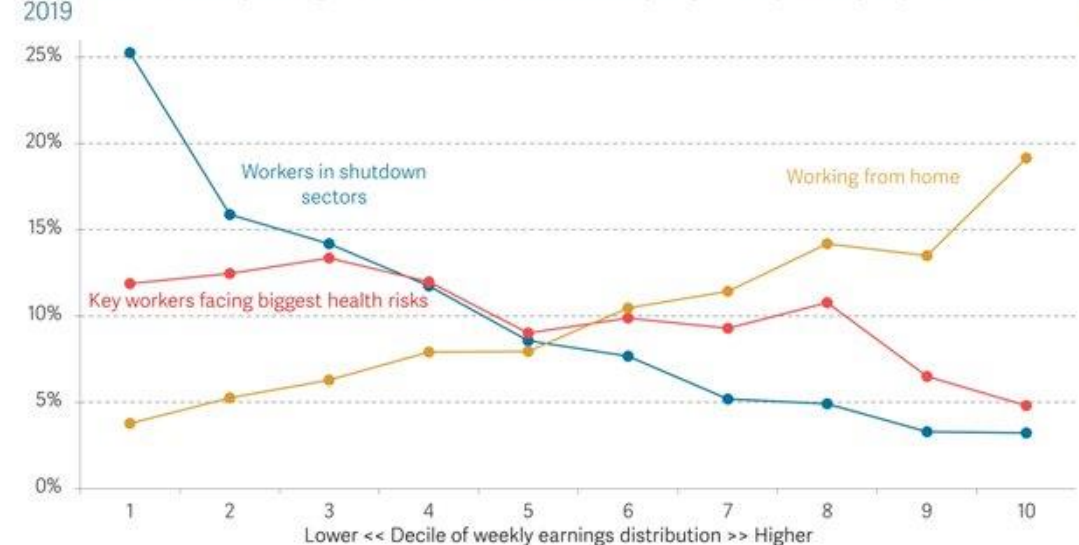
## **Resolution Foundation: unequal distribution of impacts of Covid-19**

- 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.

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



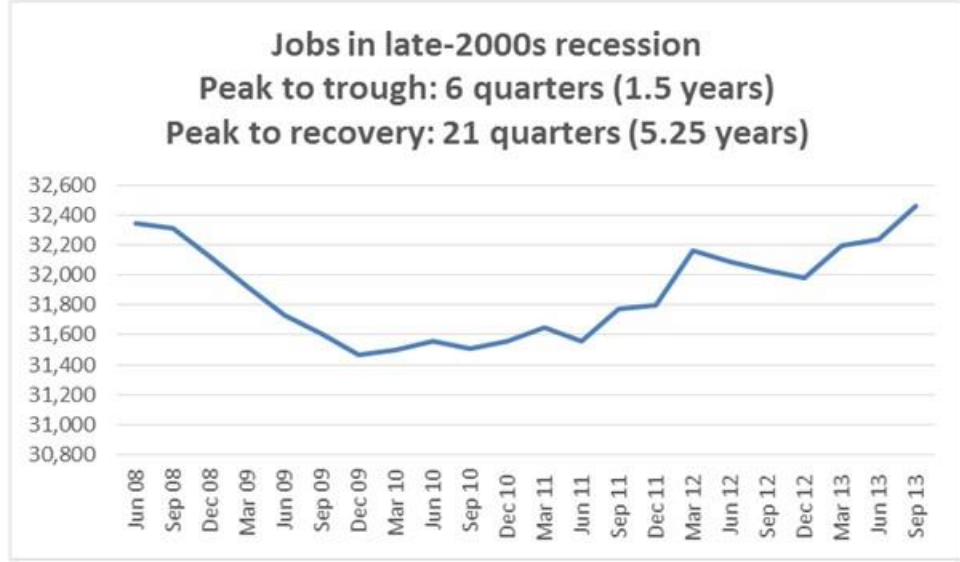
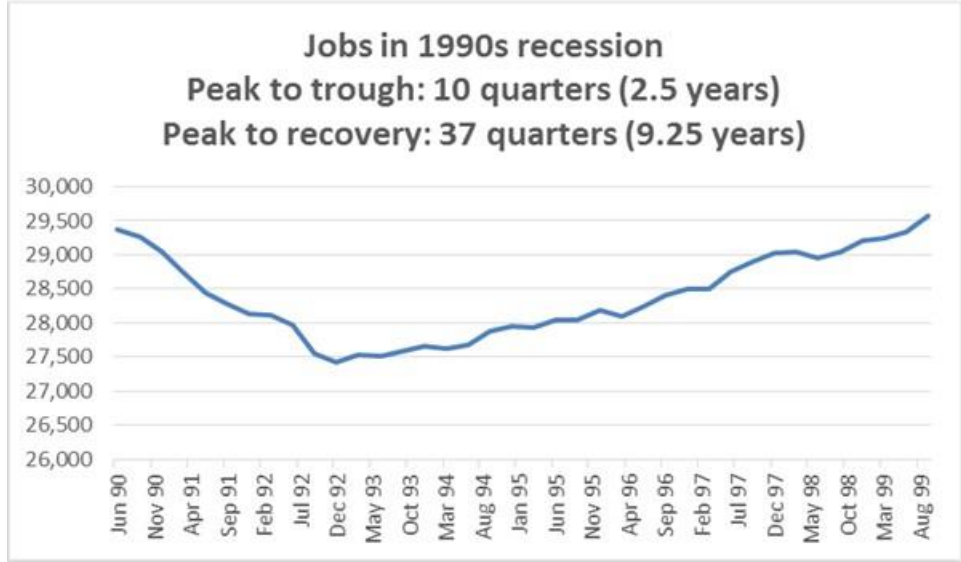
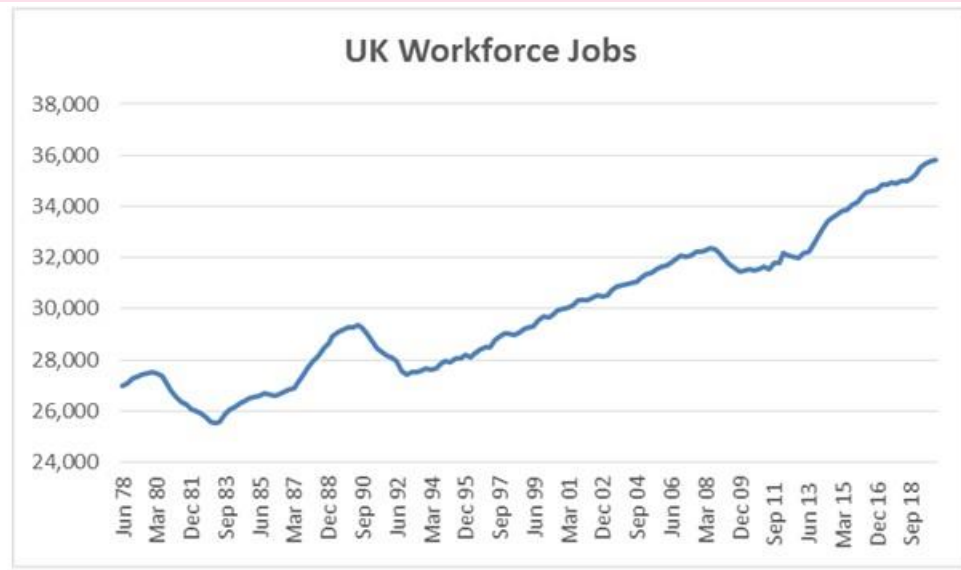
Notes: Pay data is from the 2019 quarters of the Labour Force Survey. Workers are assigned to groups based on their industry and occupation of work. The predicted probability of being able to work from home is drawn from analysis of waves 6 and 8 of Understanding Society. Source: RF analysis of ISEI,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

© Resolution Foundation 2020  
resolutionfoundation.org



# UK RECESSIONS AND JOB LOSS

*All analysis shows that the UK is 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

## \*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

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

**Higher rates of job loss** – more like 1980s and 1990s recessions than 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

# 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

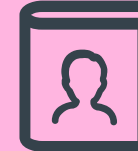


## TRADE AND SUPPLY CHAIN DISRUPTION

- 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%
<b>Thames Valley Berkshire</b>	<b>80,300</b>	<b>15.5%</b>	<b>115,600</b>	<b>22.3%</b>
Buckinghamshire	35,700	15.3%	66,700	28.5%
Oxfordshire	58,200	15.9%	99,500	27.3%
<b>Great Britain</b>	<b>5,038,800</b>	<b>16.9%</b>	<b>9,097,800</b>	<b>30.6%</b>

# 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"> <li>• Employs 26,500 in TVB – 5.1% of TVB total (GB=5.2%)</li> <li>• Slough: employs 6,400 (7.7%) – 1.4x more important than nationally</li> <li>• Retail trade (all) accounted for £1.5 billion, or 3.3% of TVB area GVA in 2018 (UK=5.2%)</li> </ul>
Energy/utilities	Demand: Unpredictable spikes in demand (lockdown & isolation)	Supply chain disruption Workforce continuity	<ul style="list-style-type: none"> <li>• Employs 10,300 in TVB – 2.0% of TVB total – 1.7x more important than nationally (1.1%)</li> <li>• Reading: employs 3,300 (3.1%) – 2.6x more important than nationally</li> <li>• Slough: employs 2,900 (3.1%) – 2.9x more important than nationally</li> </ul>
Health and social care	Demand: Increasing Workforce: Pre-existing workforce shortage	Rising demand, lack of workforce	<ul style="list-style-type: none"> <li>• Employs 48,000 in TVB – 9.3% of TVB total (GB=13.1%)</li> <li>• Human health and social work activities accounted for £2 billion of GVA, or 4.5% of total TVB GVA in 2018 (UK=7.6%)</li> </ul>
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"> <li>• Employs 9,500 in TVB – 1.8% of TVB total (GB=2.8%)</li> <li>• Slough: employs 4,700 (5.6) – 2.0x more important than nationally</li> <li>• Transportation &amp; storage accounted for £1.3 billion or 3.0% of TVB GVA in 2018 (UK=4.1%)</li> </ul>
Insurance	Demand: Steady increase in insurance claims	Insurance losses could be heavy	<ul style="list-style-type: none"> <li>• Employs 3,900 in TVB – 1.2% of TVB total (GB=1.0%)</li> <li>• Reading: employs 2,300 (2.2%) – 2.1x more important than nationally</li> <li>• Financial &amp; insurance activities accounted for £1 billion or 2.3% of TVB GVA in 2018 (UK=7.1%)</li> </ul>
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"> <li>• Employs 6,300 in TVB – 1.2% of TVB total (GB=2.4%)</li> <li>• Financial &amp; insurance activities accounted for £1 billion or 2.3% of TVB GVA in 2018 (UK=7.1%)</li> </ul>

# 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"> <li>Employs 29,600 in TVB – 5.7% of TVB total (GB=6.5%)</li> <li>Windsor &amp; Maidenhead: employs 8,000 (8.6%) – 1.5x more important than nationally</li> <li>Accounted for £818 million or 1.9% of TVB GVA in 2018 (UK=2.8%)</li> </ul>
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"> <li>Employs 13,000 in TVB – 2.5% of TVB total (GB=2.5%)</li> <li>Windsor &amp; Maidenhead: employs 4,800 (5.8%) – 2.3x more important than nationally</li> <li>Accounted for £473 million or 1.1% of TVB GVA in 2018 (UK=1.6%)</li> </ul>
Admin & support	Affected by lockdown and ability to work remotely	Lower demand, rate of furloughing is high	<ul style="list-style-type: none"> <li>Employs 35,300 in TVB – 6.8% of TVB total (GB=5.6%)</li> <li>Slough: employs 8,900 (10.6%) – 1.9x more important than nationally</li> <li>Accounted for £2.7 billion or 6.1% of TVB GVA in 2018 (UK=5.3%)</li> </ul>
Aviation / Travel	Demand: has declined rapidly	Revenue and cashflow crisis Unlikely international travel will pick up in 2020	<ul style="list-style-type: none"> <li>Air transport employs 1,000 in TVB – 0.2% of TVB total (GB=0.6%)</li> <li>Freight &amp; logistics employs 9,500 in TVB – 1.8% of TVB total (GB=2.8%)</li> <li>Freight &amp; logistics in Slough: employs 4,700 (5.6) – 2.0x more important than nationally</li> <li>Land, water and air transport accounted for £449 million or 1.0% of TVB GVA in 2018 (UK=2.1%)</li> </ul>
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"> <li>Employs 47,500 in TVB – 9.2% of TVB total (GB=8.1%)</li> <li>Bracknell Forest: employs 8,500 (14.0%) – 1.7x more important than nationally</li> <li>Accounted for £5.1 billion or 11.6% of TVB GVA in 2018 (UK=10.6%)</li> </ul>
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"> <li>Employs 25,000 in TVB – 4.8% of TVB total (GB=8.1%)</li> <li>Accounted for £2.9 billion or 6.6% of TVB GVA in 2018 (UK=9.9%)</li> </ul>
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"> <li>Employs 20,000 in TVB – 3.9% of TVB total (GB=4.7%)</li> <li>Accounted for £1.7 billion or 3.9% of TVB GVA in 2018 (UK=6.1%)</li> </ul>

# 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"> <li>Employs 74,300 in TVB – 14.3% of TVB total – 2.2x more important than nationally (GB=3.8%)</li> <li>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 &amp; Maidenhead (8,900, 10.7%) &amp; Wokingham (15,200, 17.4%)</li> <li>Accounted for £11 billion or 25.0% of TVB GVA in 2018 (UK=7.0%)</li> </ul>
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"> <li>Employs 23,300 in TVB – 4.5% of TVB total (GB=3.2%)</li> <li>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%)</li> <li>Manufacturing accounted for £2.9 billion or 6.6% of TVB GVA in 2018 (UK=9.9%)</li> </ul>
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"> <li>Employs 16,000 in TVB – 3.1% of TVB total, 3.4x more important than nationally (0.9%)</li> <li>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 &amp; Maidenhead (3,700, 4.3%), Wokingham (4,200, 4.8%).</li> </ul>
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"> <li>Employs 177,500 in TVB – 34.2% of TVB total (GB=24.5%)</li> <li>More important than the national average in Bracknell Forest (employs 23,900, or 38.9% of total), Wokingham (37,400, 43.0%)</li> <li>Professional, scientific and technical activities accounted for £4.7 billion or 10.8% of TVB GVA in 2018 (UK=7.8%)</li> </ul>



# Aviation & Aerospace

## LATEST NEWS

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)

Ryanair has told the City that passenger numbers fell 99.6% last month, to just 40,000 from 13.5m a year ago.

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.

Heathrow Airport's holding company has been put on credit watch - meaning it will be monitored closely for any changes - by ratings agency Standard & Poor's.

Lufthansa, the German flagship carrier, has posted a massive first-quarter loss of €2.1bn, just days after being bailed out by the German government.

Some airlines have fared better than others. Wizz Air, the London-listed eastern European airline, reported a net profit of €281m for the year to 31 March.

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).

Tui, the world's biggest travel firm, has struck a deal with Boeing to compensate for the grounding of its 737 Max planes, and also agreed a new delivery schedule for the planes, as the tour operator battles through the coronavirus pandemic.

IATA expects the volume of cargo flown around the world to fall during 2020 as the expected recession reduces consumers' demand for goods.



## ROLE IN ECONOMY

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%)

## IMPACT / RESILIENCE NOW

Demand has decline rapidly for air travel and civil aerospace. Thousands of flights cancelled and many airport operations closed. Furloughing widespread, job loss plans and redundancies announced.

## OPPORTUNITIES

Airports have been using down-time to conduct maintenance, e.g. resurfacing of runways, and put in place procedures for detecting covid-19 (infrared) and social distancing.

## OUTLOOK

### Short-term

Revenue and cashflow crisis. Civil aerospace at risk of failure without state aid. Disruption to supply chains.

### Med-term

Quarantine measures are in place for international travellers. Global recession keeps civil demand in check. M&A activity / consolidation likely.

### Long-term

Unlikely international travel will resume to prior levels in 2020; 'new normal' market structure likely to be very different, consolidation has happened incl M&A. Reshoring of suppliers likely.

# Manufacturing

## LATEST NEWS

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.

Government’s 14-day quarantine plan criticised as disruptive to supply chains (13 May).

New car registrations fell by 97% in April 2020, compared to April 2019, with just 4,321 vehicles being purchased.

Automotive sector badly hit globally – with Renault announcing 15,000 job cuts and German parts supplier ZF announcing 15,000 cuts also.

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.



## ROLE IN ECONOMY

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%)



## IMPACT / RESILIENCE NOW

80% of firms have reduced output, 85% forecasting sales will contract. Capital investment plans have been scrapped or put on hold. Demand urgent for some products (e.g. health care equipment, PPE, medications, food); and limited for others (automotive).



## OPPORTUNITIES

Medical devices, pharmaceuticals, likely on-shoring of strategic supplies due to disrupted international supply chains.



## OUTLOOK

Short-term  
Demand is urgent for some products (e.g. medical devices, ICT infrastructure), and has collapsed for others (e.g. automotive). Majority of factories have closed under shutdown

Med-term  
Factories reopen with social distancing / virus measures. Fall in export and domestic demand continues. Ongoing supply chain disruption.

Long-term  
Industry consolidation, M&A activity likely. Some resolution of supply chains, some onshoring of strategic suppliers and suppliers.

# Retail (non-food)

## LATEST NEWS

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.



## ROLE IN ECONOMY

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%)



## IMPACT / RESILIENCE NOW

Complete closure of physical non-food retail and loss of sales. Significant level of staff furloughing. Retail firms in financial difficulties over past few years have gone into administration. Online retail buoyant but not making up for total sales lost. Retailers without online or delivery presence do not benefit. Significant unsold seasonal stock.



## OPPORTUNITIES

Online sales and delivery. Stores that manage to open with social distancing / virus measures in place



## OUTLOOK

### Short-term

Boost to online shopping and local shopping. Large quantities of unsold stock and losses accruing.

### Med-term

Household savings made during lockdown may be ready to spend / jobless have reduced spending power. Supply chain difficulties as manufacturers and wholesalers suffer business failures.

### Long-term

Fast shake out of weaker players. Businesses will step up digital and technology investment to improve online capabilities and ability to flex with demand.



# ICT & Digital

## LATEST NEWS

Tech sector will be resilient to the effects of COVID-19 given the high degree of contracted revenue and is likely to experience post-crisis benefits in the mid-long term.

Short term, the crisis will result in delays in tech investment as customers curtail spending and complex sales/implementations are disrupted.

Some demand is increasing: SaaS/cloud transition, remote working enablement, B2C logistics technology, medtech/telemedicine, gaming and others.

Most pain will be felt by those with high exposure to the SME segment and / or more structurally challenged verticals (e.g. oil & gas, hospitality, travel etc).

Increasing recognition of digital infrastructure as CNI (critical national infrastructure) and greater understanding of the need to have better 'IT resilience', with governments expected to release regulation on compliance for pandemic preparedness rules which will span across multiple areas of IT.

Tech-led services will gain share over traditional "people services", as customers seek more efficient solutions and support for their core business operations as well as reduced support down-time, though budgetary pressures from customers may also lead to pricing pressure.

Structurally we expect to see consolidation of technology vendor markets as start-ups and smaller tech businesses struggle to survive, opportunistic acquisitions take place and buy-and-build strategies are accelerated.



## ROLE IN ECONOMY

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%)

## IMPACT / RESILIENCE NOW

Lockdown has increased demand for mobile devices and data, but revenues hit by reduced roaming activity and charges. Some operators are bringing forward capex for critical upgrades. Collaboration and cloud services experiencing rapid growth. Many B2B services are stalled. Leading tech companies have proactively stated a no job-cut policy. Less well funded start-ups reporting losses.

## OPPORTUNITIES

Telecom operators are adjusting contract terms and pricing to help alleviate pressure on consumers. Operators and tech companies are providing network connectivity to areas with no access. IT companies—normally keen competitors—are working together with governments by providing AI, compute and other resources. Cloud service providers are prioritizing capacity for healthcare, emergency and education requirements. Biosensors is a growth market.

## OUTLOOK

### Short-term

Remote working driving digital innovation.  
 Customer service shortfalls offset by cloud and digital capabilities.  
 Consumer demand reduced. Dealing with new peaks in demand due to home working.

### Med-term

Challenging market, due to consumer market stalling and B2B service demand in decline due to projects cancelled or put on hold. Potential for corporate restructuring / revision of HQ functions within multinational organisations

### Long-term

Consumer confidence returns, biosensors demand grown significantly. Broader acceptance of advanced technologies will drive innovation. Digital transformation of other industries.

# Life Sciences

## LATEST NEWS

Pharma companies and the associated outsourced pharma services industry are relatively resilient when compared to other sectors primarily due to the long R&D cycles and underpinned by recurring drug sales related to chronic diseases

In the main, any adverse impacts due to COVID 19 appear temporary, with a full recovery expected.

The number of players directly benefiting from COVID 19 during the crisis is relatively small

Many pharma companies are choosing not to initiate new clinical trials and/or to temporarily pause new patient enrolment in existing trials due to operational disruption at trial sites, as hospital priorities are diverted to COVID 19 . This short term effect on the CRO, and medical and regulatory affairs industries that rely on clinical trial activity is likely to be reversed after the crisis.

Pharma co.'s have largely pulled sales reps from the market , accelerating an already observed shift in commercial models to greater adoption of digital/virtual channels. New product launches and therapy switching will be impaired in the short/medium term but should regain full momentum.

Potential disruption to pharma supply chains are being experienced where manufacturing of APIs or finished products are concentrated in countries at the centre of the pandemic ( particularly the case for generic manufacturers). We may see more nationalisation of supply chains to mitigate against future events.



## ROLE IN ECONOMY

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%).



## IMPACT / RESILIENCE NOW

Significant increase in demand for disposable hospital supplies and everyday medicines (non-prescription) due to stockpiling at home.

Medical devices reporting delayed product launches, repositioning of inventory and supply chain disruptions.



## OPPORTUNITIES

Development of Covid-19 interventions could thrive. Increased profile of importance of sector could result in government interventions to onshore production to ensure strategic supplies.

Pharma industry racing to develop preventative and therapeutic treatments – currently 1000+ clinical trials for Covid-19



## OUTLOOK

### Short-term

Closure of Chinese manufacturing plants. Restrictions on exports of active pharmaceutical ingredients. Ban on exports to secure domestic supplies.

### Med-term

Development of Covid-19 interventions could thrive. Supply chains begin to recover. Losses made on Covid-19 programmes that fail during trials. Resumption of supply of APIs.

### Long-term

Growth from supply Covid-19 tests and treatments. Market leaders may emerge for provision of vaccine. Implications of economic impact on healthcare systems and spending, reimbursement decisions and pricing policy.

# Business services

## LATEST NEWS

While some subsectors are more resilient during the crisis (e.g. BPO / tech driven services, legal services, B2B logistics), others are being severely impacted in the short term (e.g. staffing & recruitment, construction / FM / flexible workspace, aviation logistics).

Volumes and discretionary spend on non-essential business services will decline, both during the crisis and through any subsequent recession.

There will be a short-term need for surge capacity for certain services during the crisis, especially in the government and healthcare sectors

Changes to contracting mechanisms are being required; service providers and clients need to agree the service and commercial implications of de-scoped services (potentially requiring re-negotiation of performance regimes), whilst more rapid and agile contracting is required for services requiring surge capacity (especially in healthcare and the public sector)



## ROLE IN ECONOMY

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%)



## IMPACT / RESILIENCE NOW

Demand has been limited and affected by lockdown; rates of home working and business continuity are higher.



## OPPORTUNITIES

Significant presence of leading firms and industries for digitalisation, AI, application of new technologies and processes to business services functions and roles.

Significant presence and leadership of firms in GSE in business services, digitalisation, application of new technologies.



## OUTLOOK

Short-term  
Some subsectors and firms are experiencing extreme pressure on revenues

Med-term  
Most attractive sub sectors appear to be tech driven services / BPO, TIC and flexible workspace. Certain types of consulting (IT/digital, business transformation, compliance) may fare better than others.

Long-term  
Current crisis is likely to accelerate ongoing trends across sub sectors, from remote collaboration and shortening timetables to the digitisation of services.



# 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 including Reading) – staff now into notified redundancy as company moved into administration
- The Casual Dining Group – moved into administration – 9 restaurants across TVB

## 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](http://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.

# 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



# REAL ESTATE: MARKET LEADERS' THOUGHTS ON IMPACT OF COVID-19 ON PROPERTY MARKET

***“The evolution of the office and its wider role within society will be accelerated by Covid-19. With a flight to quality, location and flexibility being the priority for occupiers.”***

Where high quality working environments in higher value industries for people working collaboratively, that foster networking and teamworking – these office environments likely to continue to prosper.

*“Whilst I can see a reduction in desk space needs, I think a lot of extra space will be given over to more amenity and breakout space. I think we will see a reversal of the increasing occupational density.”*

*“the form and function of the office will change. There were too many people commuting to London to send emails. The future of the office will need to be a place to socialise and collaborate with colleagues.”*

Most industry leaders agree that there would be a small net loss in office space.

**IMPLICATIONS: QUALITY LOCATIONS, PREMISES AND AMENITIES REQUIRED TO ATTRACT AND RETAIN KNOWLEDGE-BASED FIRMS AND THEIR WORKFORCE**

Some experts predicted that the office of the future will become more of a choice for employees, with the onus on organisations to create offices that people choose to go to.

*“Offices of the future will reflect a company’s corporate identity and no longer be a place to trigger off emails.”*

# REAL ESTATE: LATEST OFFICE MARKET REPORT

## ***Bouyant market and construction starts in 2018 but with much reduced private investor interest in 2019***

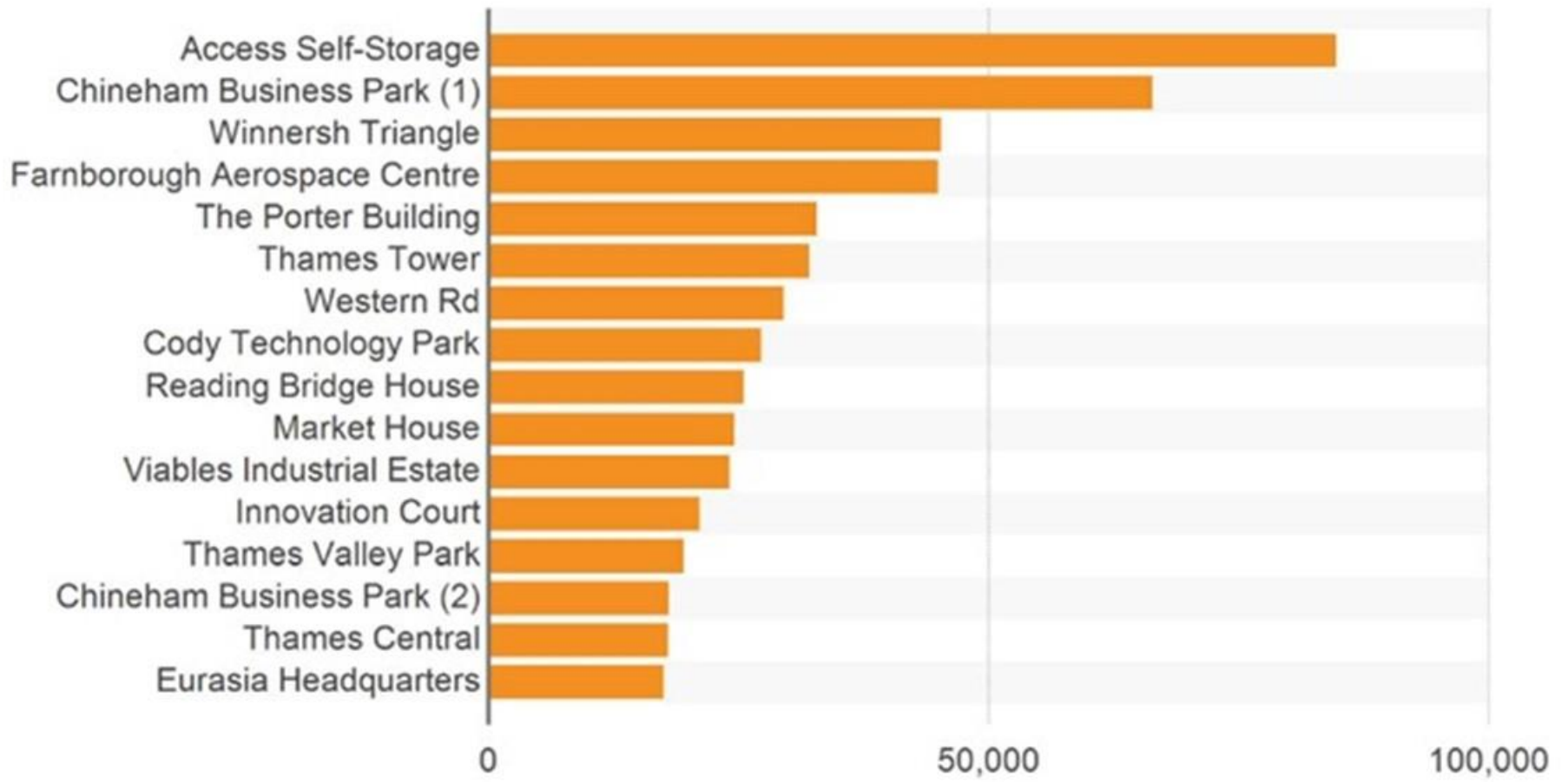
- Berkshire & North Hampshire entered 2020 with strong occupier demand
- Developer confidence was on a high in 2019 – highest construction starts in 4 years, of which 2/3 was speculative
- A lot of property stock lost to alternatives – i.e. residential conversion
- 2015-2018 – declining vacancies, limited construction, loss of offices to residential: strong rental value growth
- Gains in rental values in submarkets to receive Crossrail connectivity – Reading, Slough, Maidenhead
- Property investment and acquisition – stuttered in 2019 due to Brexit and political uncertainty - £400m invested in 2019 compared to £1.1 billion in 2020
- Largest deal in 2019, was Reading Borough Council's acquisition of the Four10 in Thames Valley Park from Royal London Investment Management for £38 million (yield 5.35%). The 71,800- SF building is fully let to French pharma company Sanofi
- Runnymede Borough Council's acquired Honeywell House in 20 Q1 motivated by income for in-borough regeneration. It purchased the 72,600-SF building in Bracknell town centre, let to Honeywell Control Systems for £32.9 million (yield 5.3%)

## ***Outlook is for reduced development and rental growth, private sector withdrawn from new investment***

- Covid-19 and downturn – reduced development activity and rental growth. New private investment has dried up, only local authorities investing now

# REAL ESTATE: NET ABSORPTION = NET CHANGE IN PROPERTY TAKE-UP (BALANCE OF NEW LEASES TAKEN VS. LEASES ENDED)

12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



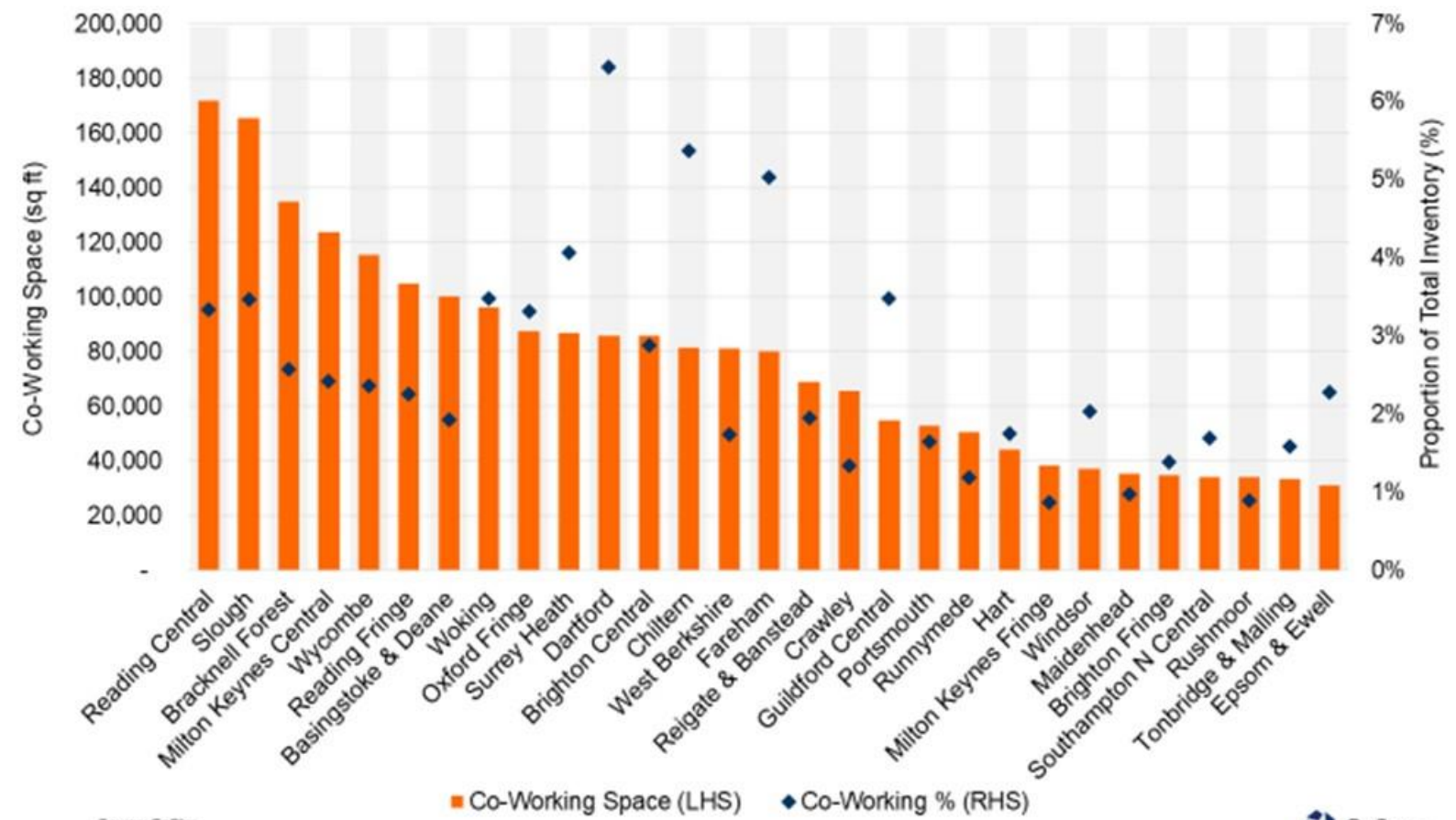
# REAL ESTATE: WHICH SOUTH EAST OFFICE LOCATION IS MOST EXPOSED TO A POTENTIAL CO-WORKING DOWNTURN?

## Analysis from Costar, 15 May 2020:

- While the impact of the coronavirus outbreak on co-working and flexible office solutions is still emerging, these providers are likely to see their business models severely tested in the coming months as many individuals and start-ups choose not to renew short-term licenses.
- The outbreak has seen the typical benefits of the co-working model; communal areas, shared amenities and hot-desking, turn into deterrents for businesses, at least in the short term.
- As in London, co-working operators have expanded across the South East in recent years, with some locations seeing a rapid increase in the presence of such providers. Co-working firms currently account for around 2.5m sq ft of office space across the South East
- The largest concentration of this type of space on a sq ft basis, perhaps unsurprisingly, is in the region's tech and SME hub locations across the Thames Valley:
  - The two Reading submarkets (Reading Central and Reading Fringe) are among the most heavily occupied locations, with almost 300,000 sq ft of flexible space in total.
  - However, as a proportion of total inventory, co-working space holds a relatively low market share, at a little over 2% in each.
  - Similarly, Slough and Milton Keynes rank highly for total space leased, but relatively low in terms of proportion of total inventory, at around 3% and 2%, respectively
- The submarket most exposed to co-working, by the percentage of inventory measure, is Dartford. The Kent submarket hosts just shy of 90,000 sq ft of flexible space, accounting for around 6.5% of total inventory
- It is not all doom and gloom for co-working spaces, however. With the crisis breaking down traditional office cultures, it could see businesses reassess their needs for large, long-term office spaces and turn to more flexible solutions. Already, large companies such as social media giant, Twitter and British telecoms firm BT are understood to be offering employees flexible working options, moves which could reduce their space requirements. If such trends continue and co-working providers are able to create safe environments, demand for co-working space could return

# REAL ESTATE: WHICH SOUTH EAST OFFICE LOCATION IS MOST EXPOSED TO A POTENTIAL CO-WORKING DOWNTURN?

## Co-Working Space by South East Office Submarket



Source: CoStar  
As of May-20



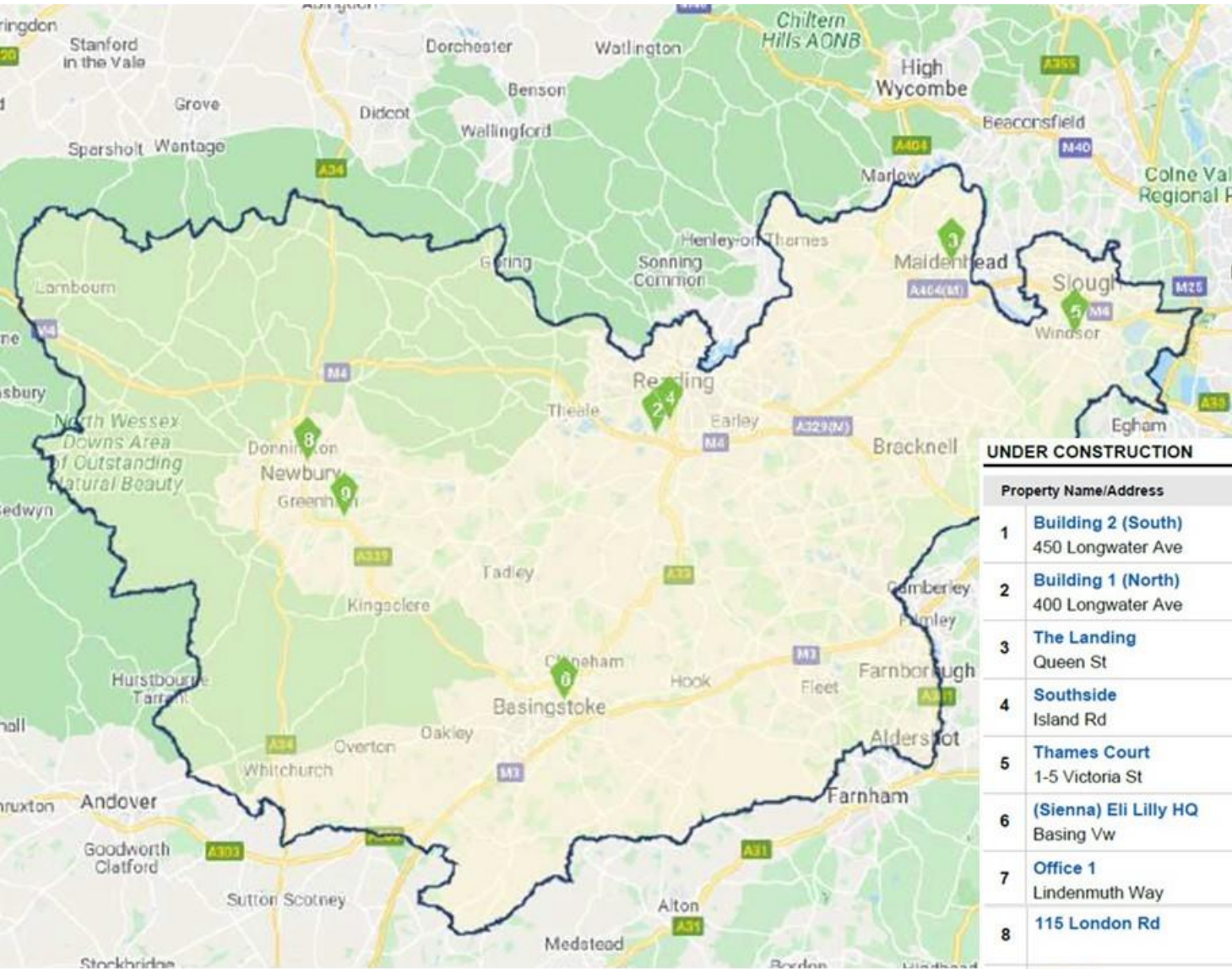
# REAL ESTATE: CONSTRUCTION ACTIVITY

## SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Reading Fringe	3	286	55	19.4%	4	24,883	95,232	2
2	Maidenhead	1	102	45	43.8%	3	14,499	102,000	1
3	Windsor	1	48	3	6.6%	5	8,508	47,992	3
4	West Berkshire	3	47	29	61.2%	2	10,099	15,705	5
5	Basingstoke & Deane	1	45	45	100%	1	15,235	45,000	4
6	Bracknell Forest	0	-	-	-	-	26,390	-	-
7	Hart	0	-	-	-	-	10,706	-	-
8	Reading Central	0	-	-	-	-	16,537	-	-
9	Rushmoor	0	-	-	-	-	20,165	-	-
10	Slough	0	-	-	-	-	18,145	-	-
	All Other	0	-	-	-	-	10,339	-	-
<b>Totals</b>		<b>9</b>	<b>528</b>	<b>177</b>	<b>33.5%</b>		<b>15,116</b>	<b>58,645</b>	



# REAL ESTATE: CONSTRUCTION ACTIVITY



### UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Floors	Start	Complete	Developer/Owner
1 Building 2 (South) 450 Longwater Ave	★★★★☆	116,994	5	Feb 2019	Aug 2020	Mapletree Investments Ltd
2 Building 1 (North) 400 Longwater Ave	★★★★☆	116,994	5	Feb 2019	Sep 2020	Oxford Properties Group Mapletree Investments Ltd
3 The Landing Queen St	★★★★☆	102,000	7	Apr 2019	Oct 2022	London & Aberdeen Group Smedvig Capital
4 Southside Island Rd	★★★★☆	51,707	4	Dec 2019	Jun 2022	M & G Group Ltd
5 Thames Court 1-5 Victoria St	★★★☆☆	47,992	5	Nov 2018	Jul 2020	-
6 (Sienna) Eli Lilly HQ Basing Vw	★★★★☆	45,000	5	Jun 2019	Aug 2020	Basingstoke & Deane Borough C...
7 Office 1 Lindenmuth Way	★★★★☆	19,755	3	Jan 2019	Jul 2020	Greenham Common Community...
8 115 London Rd	★★★☆☆	18,299	4	Jan 2020	Jan 2022	-
9 Office 3 Lindenmuth Way	★★★★☆	9,062	2	Jan 2019	Jul 2020	Greenham Common Community...

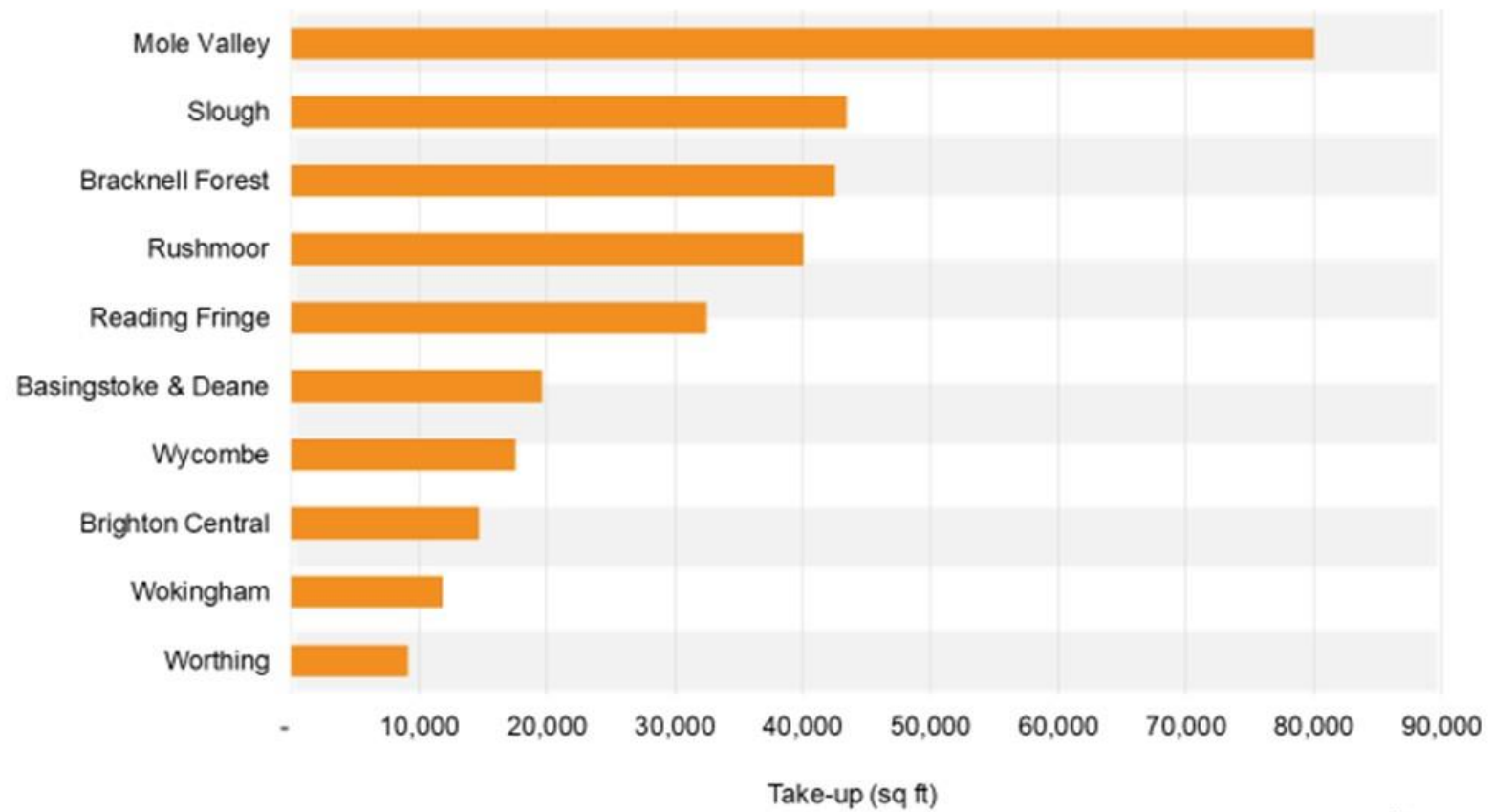
# REAL ESTATE: RECENT PROPERTY DEALS IN TVB

- Smart home technology group Loxone UK has bought a 10,000 sq ft headquarters office building at The Forum, Theale, Reading for its own occupation. The building, located opposite Theale Station and close to Theale High Street, occupies a prominent site of 0.52 acres.
- Frasers Property UK secures 140,000 sq ft of office lettings at Reading's Winnersh Triangle. The six companies include multi-national businesses Jacobs UK, Hewlett-Packard Enterprise and Hollister. The lettings will create £3.77m of recurring annual income with an average lease length of 10.4 years.



# REAL ESTATE: RECENT PROPERTY DEALS

## South East Office Take-up by Submarket Since Lockdown



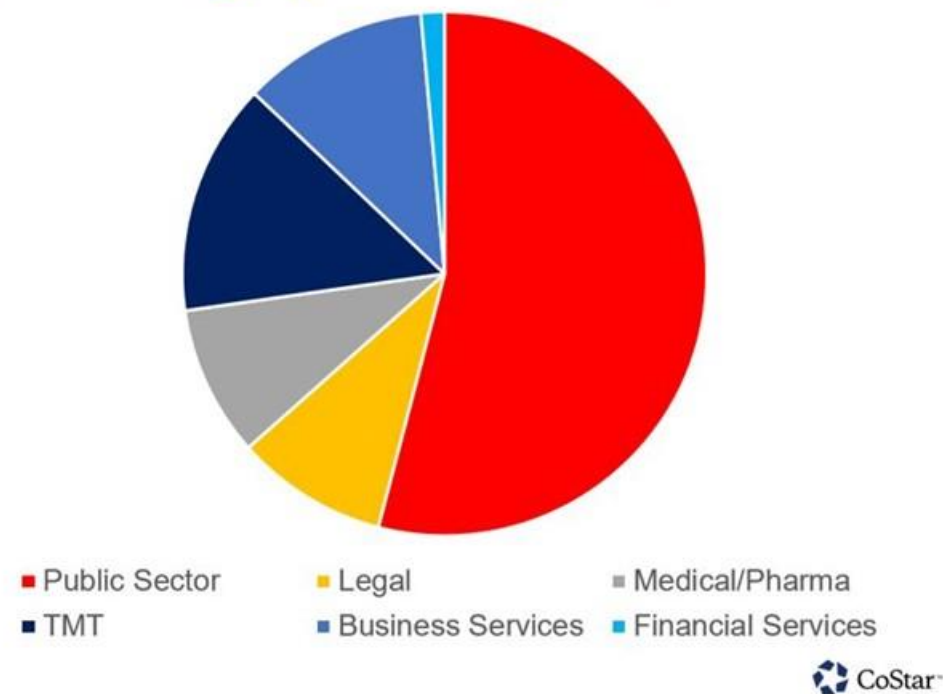
Source: CoStar  
As of May-20



# REAL ESTATE: OTHER MARKET DEALS OF RELEVANCE

- More than 80,000 sq ft of office take-up either completed or in talks in Leatherhead has bolstered Mole Valley in Surrey to one of the most active locations in the UK since the lockdown came into effect in late March. Notable deals include Hyundai's 17,000 sq ft lease at the Birchwood Building at Leatherhead Office Park and the commitment of an insurance firm, understood to be Aviva, for 14,400 sq ft in building Q4 at The Square.
- Public sector has dominated office leasing since the lockdown:** Government bodies and departments have accounted for 54% of UK office leasing since late March.

## Office Leasing by Industry Post-Lockdown

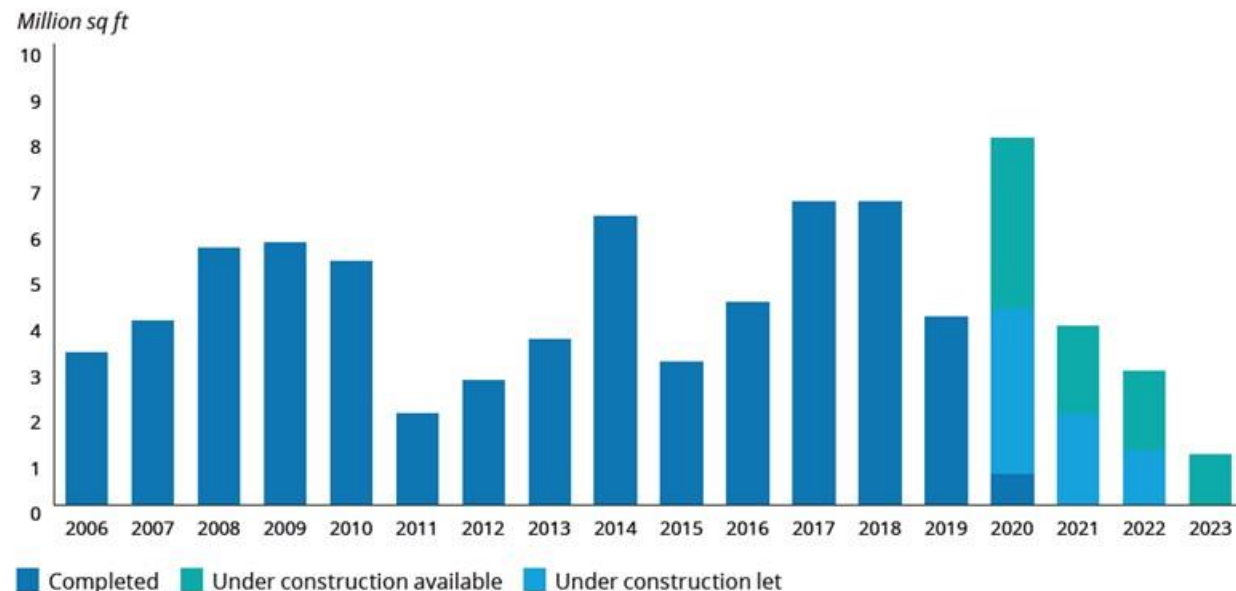




# REAL ESTATE: LONDON MARKET

- From 23rd March to 30th April 2020, office take-up was down by 50% compared to the same period in 2019, while the number of lettings dropped by around 70%
- With 60% of schemes under construction currently being suspended due to current lockdown, Deloitte expects three-to-six month delays to projects and many 2020 completions will be postponed until next year.
- Covid-19 prompting likely 60% fall in London office development starts over next five years
- Expected future office development starts in central London over the next five years have been scaled back from a projected 13.1m sq ft to 5.2m sq ft because of the impact of Covid-19.
- The stark 60% fall in projected central London office development comes from CBRE and emerged in today's full year results from British Land.
- The figures chime with the latest Deloitte London crane survey which last week reported that the fledgling recovery in the London office development market spurred by the December general election and the UK's confirmed exit from the EU will be put on hold for the best part of a year while the fallout from the pandemic unfolds.

Central London office pipeline



## REAL ESTATE: PROPERTY MARKET - SUMMARY

- Property market in London and GSE was stalling in 2019 due to past expansion and construction activity and threat of Brexit dampening demand
- Private financial investment in property – was withdrawing in 2019, now completely withdrawn
- Pandemic has further dampened activity
- In Berkshire – have been some notable letting and continued construction
- Nature of office demand and office working will change – higher quality premises that facilitate collaboration, creativity, networking, teamworking
- As yet, no evidence of businesses closing London offices and transferring elsewhere in UK
- Location fundamentals – quality, amenity, attracting and retaining talent
- Higher value added /knowledge based industries will be able to afford high quality, lower density offices – but what about other industries / activities?



# 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

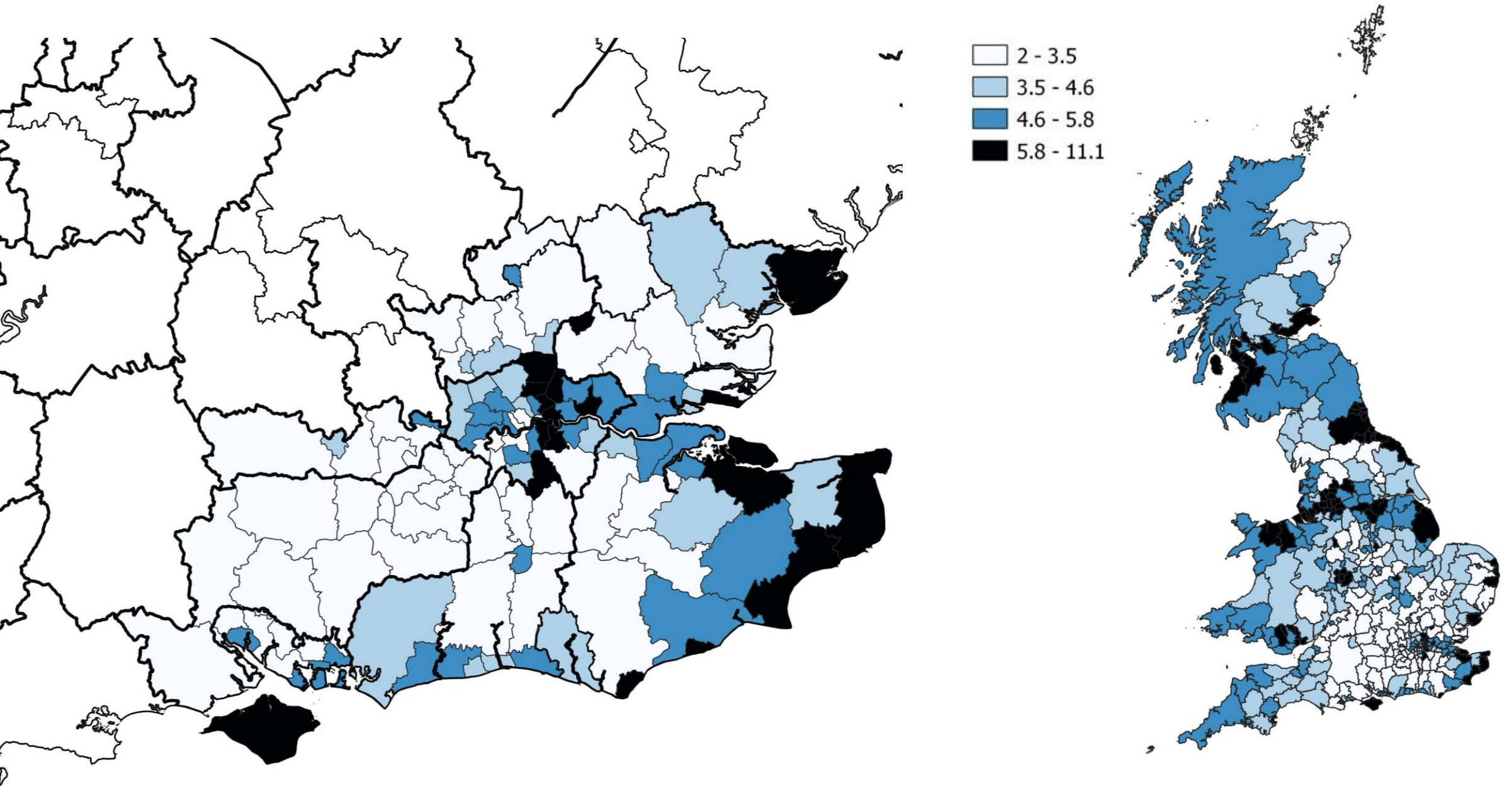
***+8,600 claimants in the past month (March to April) in TVB area, a +77% increase***

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

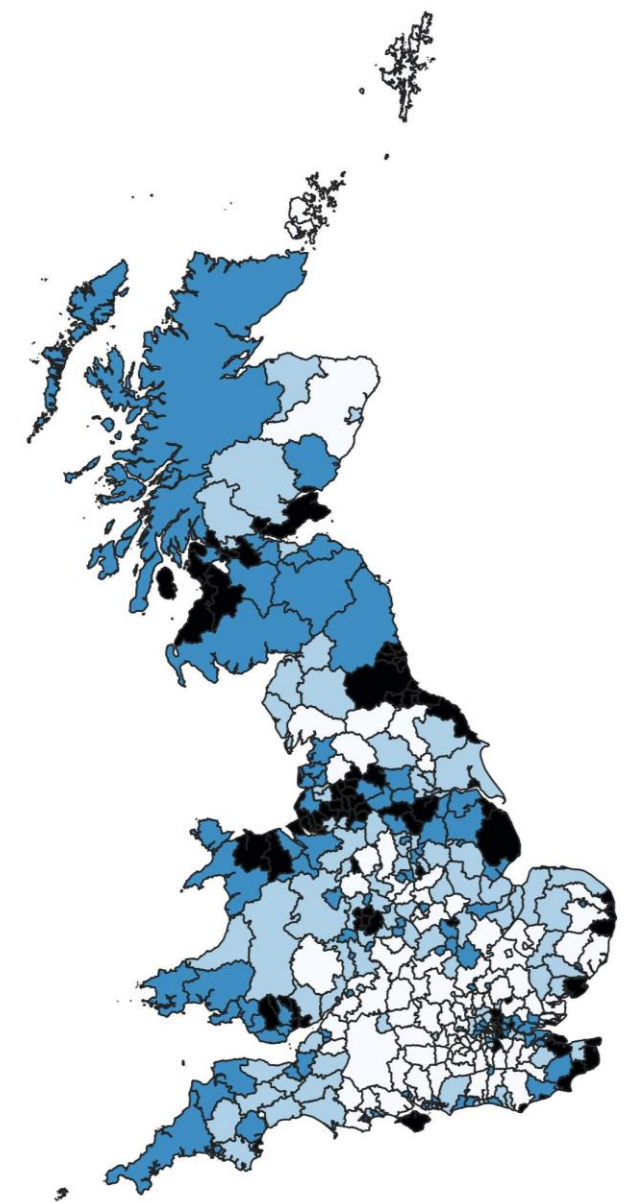
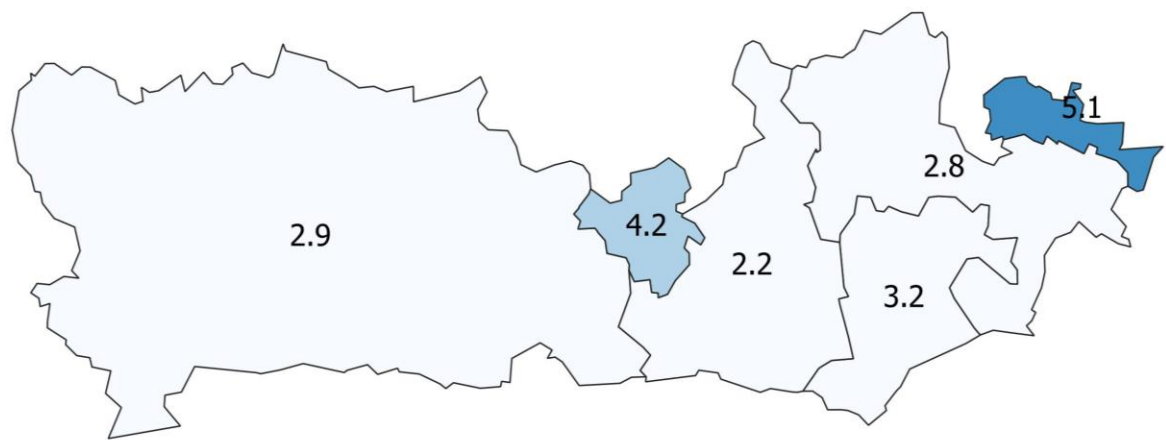
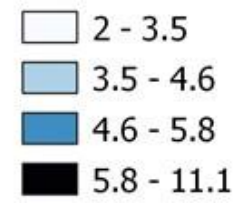
***Claimant unemployment has increased sharply in the South East of England***

	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%

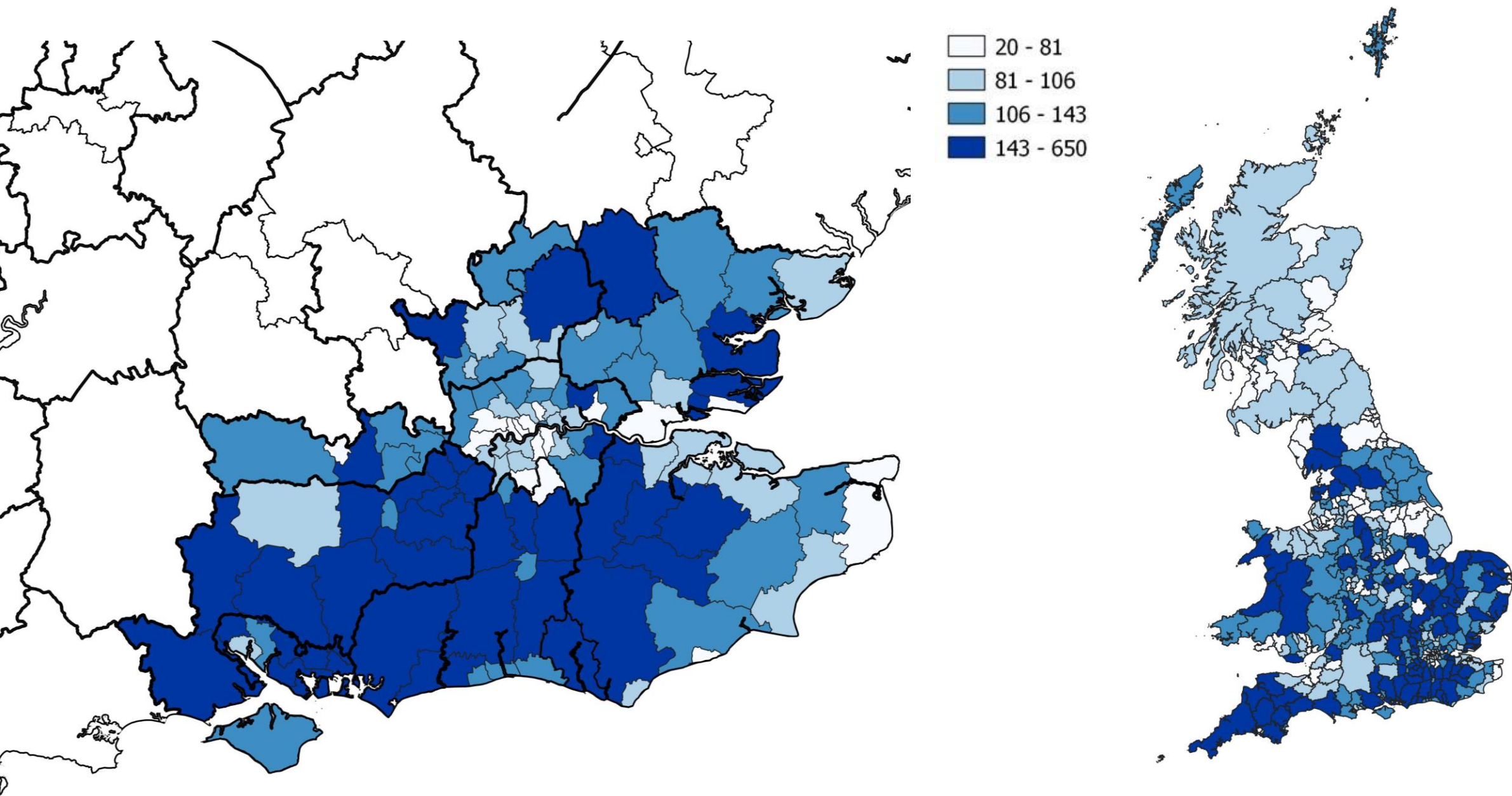


# April 2020 claimant unemployment rate %, UK=5.1%



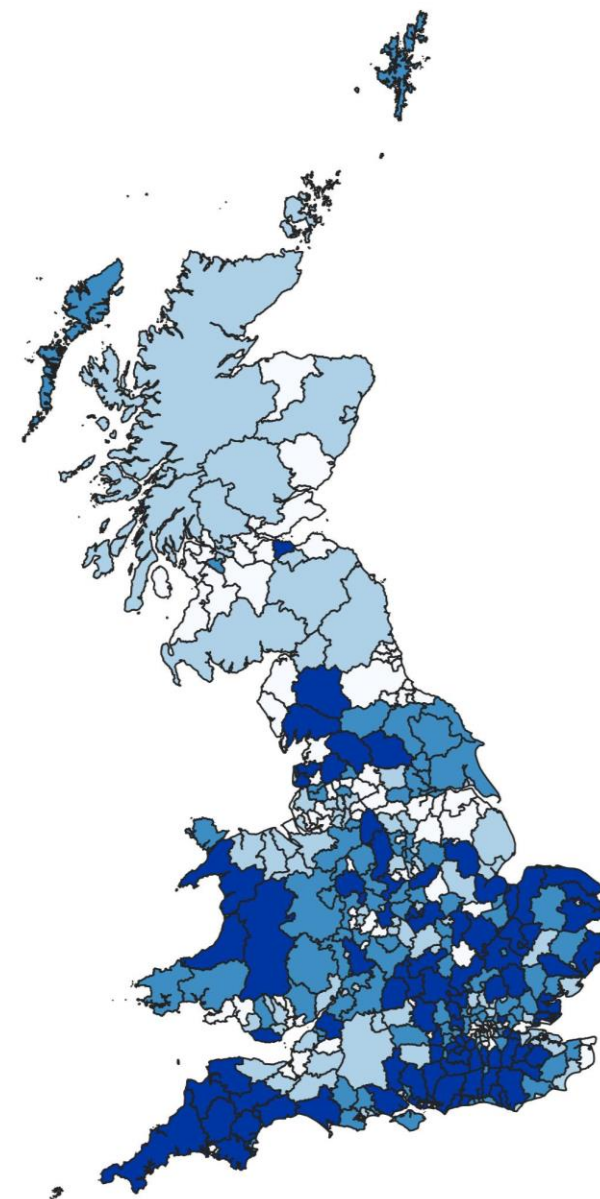
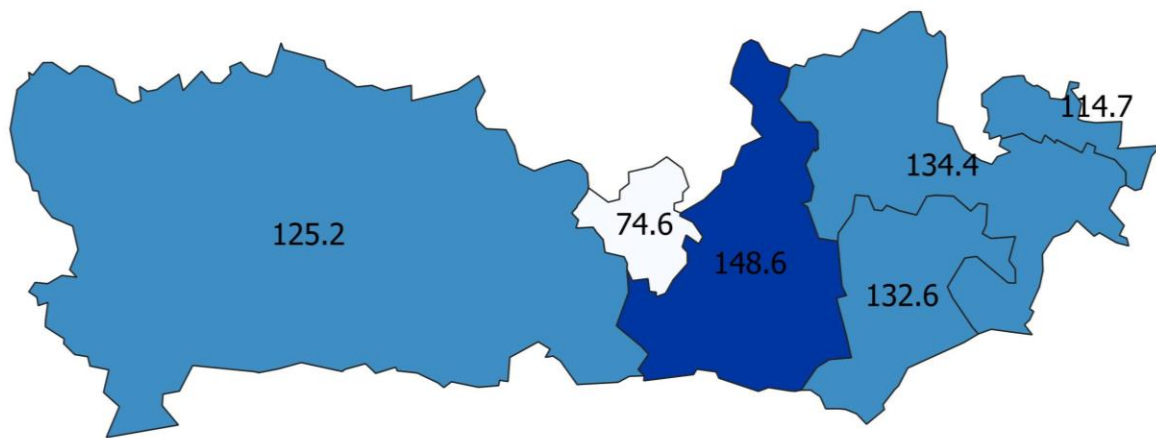
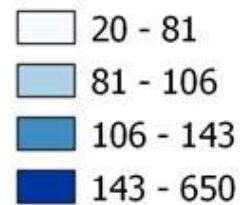


# Percentage increase in claimants from April 2019 to April 2020, UK=91%





# Percentage increase in claimants from April 2019 to April 2020, UK=91%



# 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



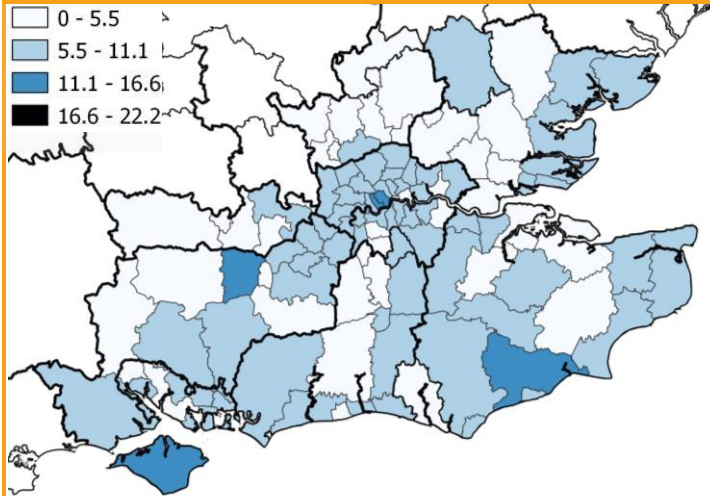


# Industries at risk



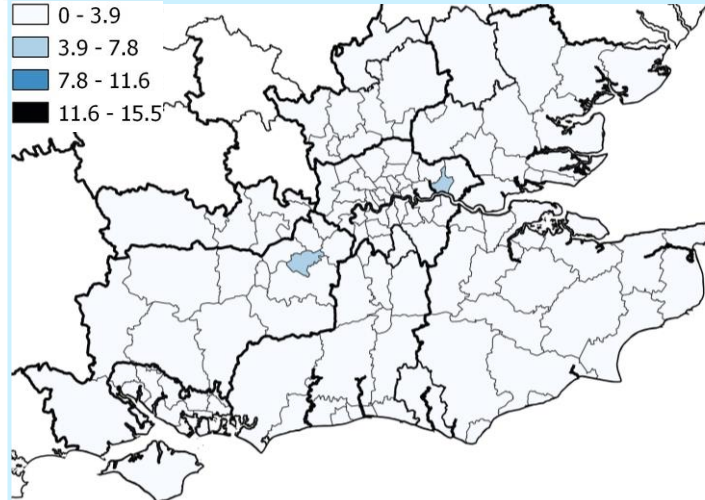
# INDUSTRIES AT RISK

## Hospitality & tourism: % total employment



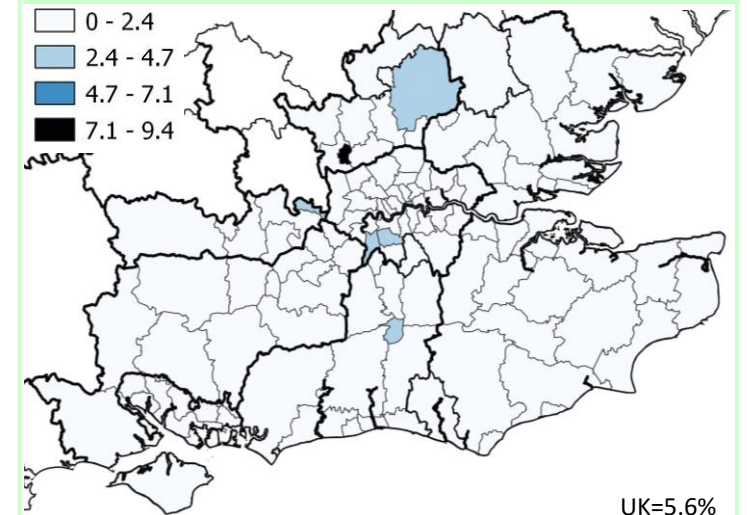
UK=6.5%

## Arts, entertainment & recreation: % total employment



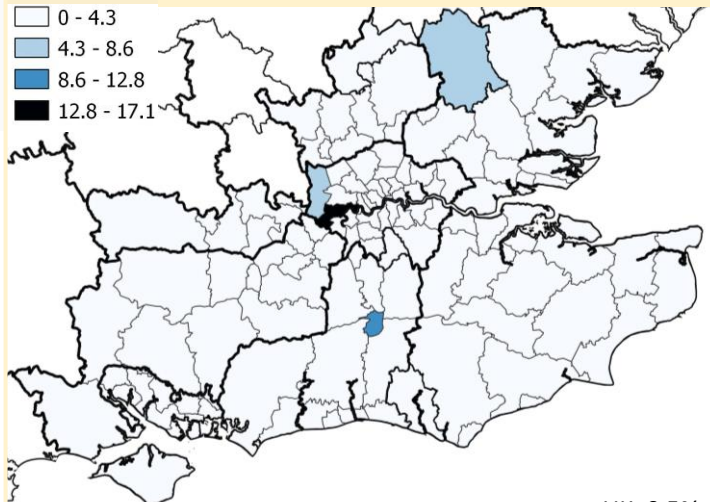
UK=2.5%

## Admin & support services: % total employment



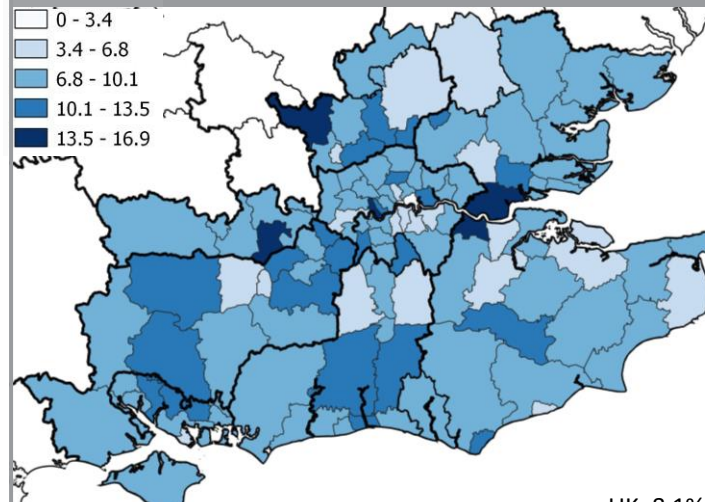
UK=5.6%

## Aviation & aerospace: % total employment



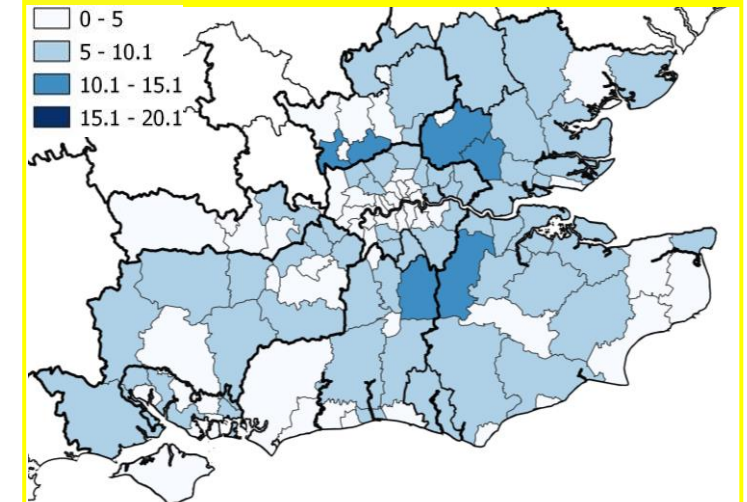
UK=0.5%

## Non-food retail: % total employment



UK=8.1%

## Construction: % total employment



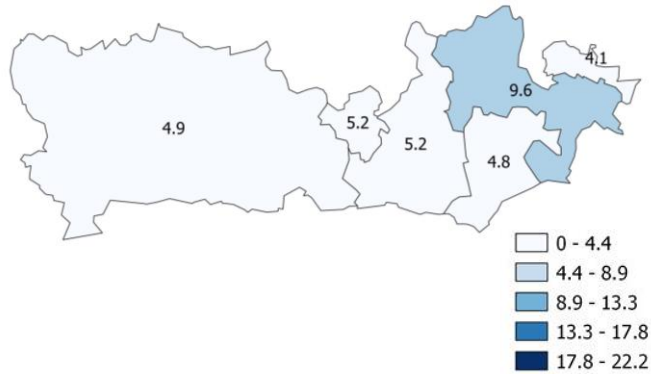
UK=4.7%



# INDUSTRIES AT RISK: Thames Valley Berkshire

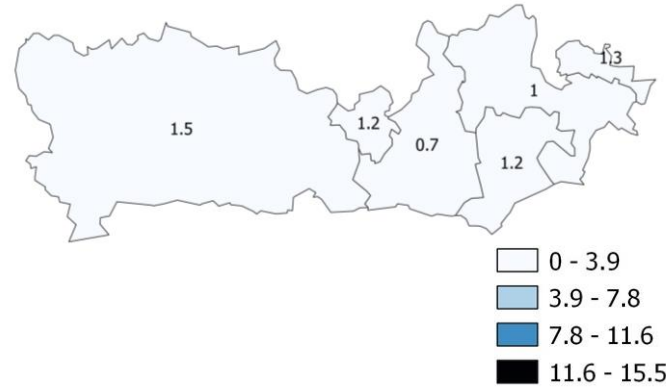
## Hospitality & tourism: % total employment

UK=6.5%



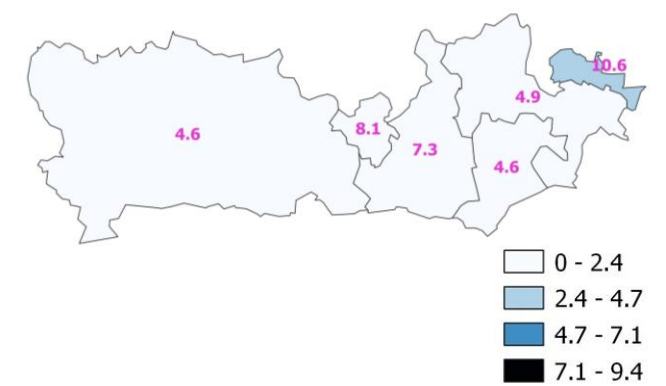
## Arts, entertainment & recreation: % total employment

UK=2.5%



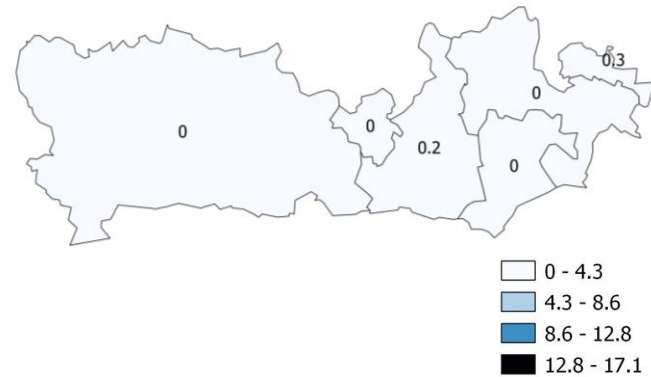
## Admin & support services: % total employment

UK=5.6%



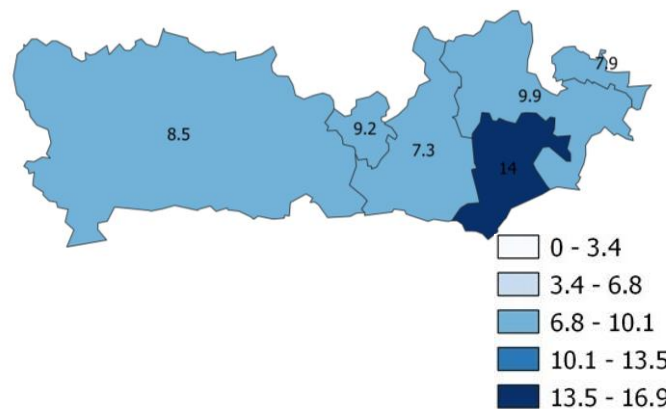
## Aviation & aerospace: % total employment

UK=0.5%



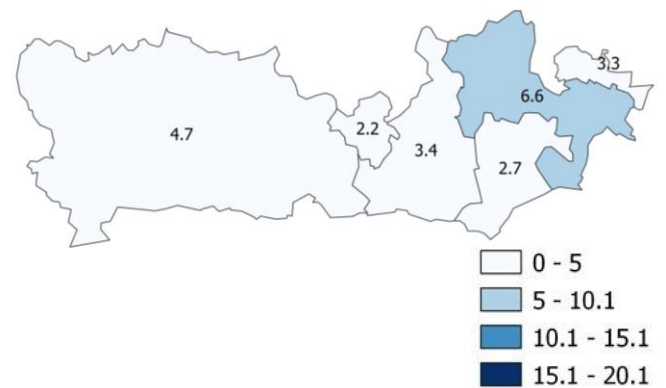
## Non-food retail: % total employment

UK=8.1%

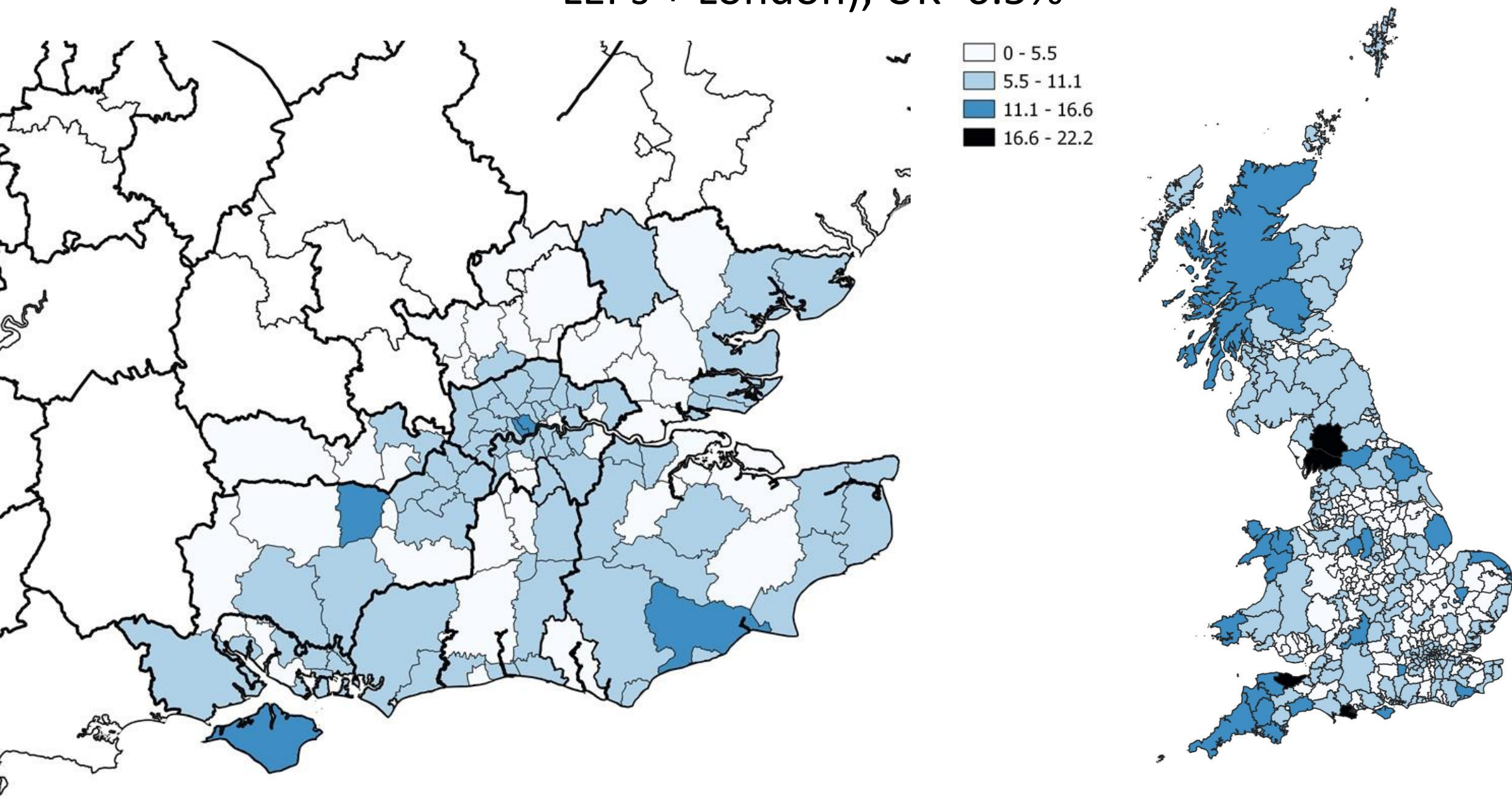


## Construction: % total employment

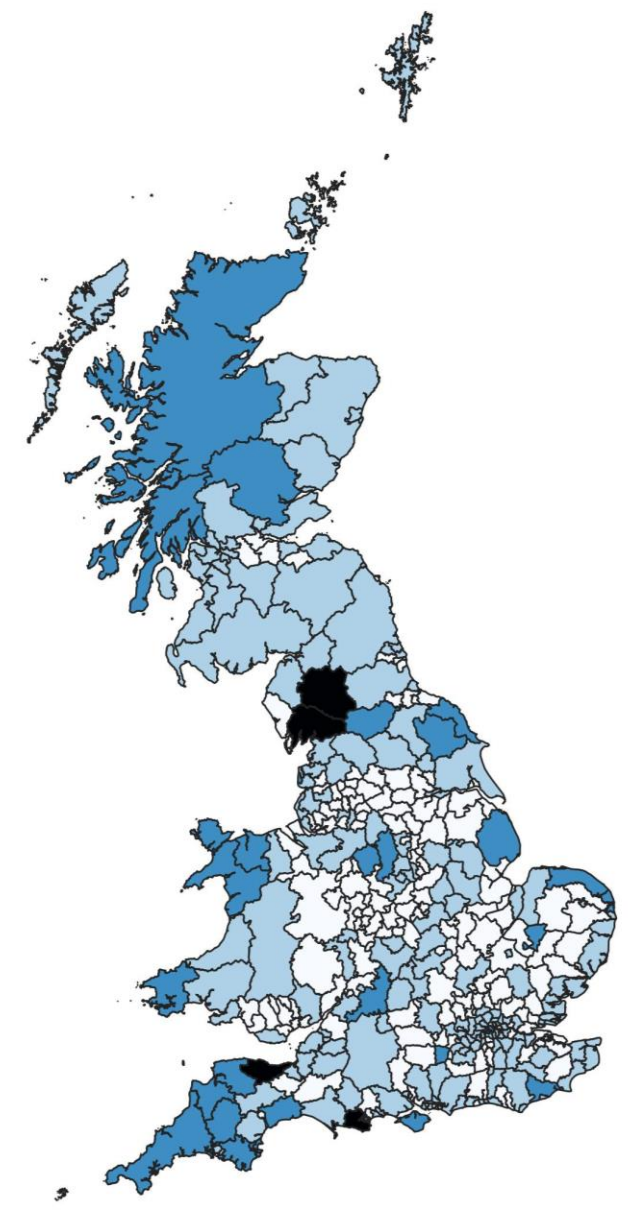
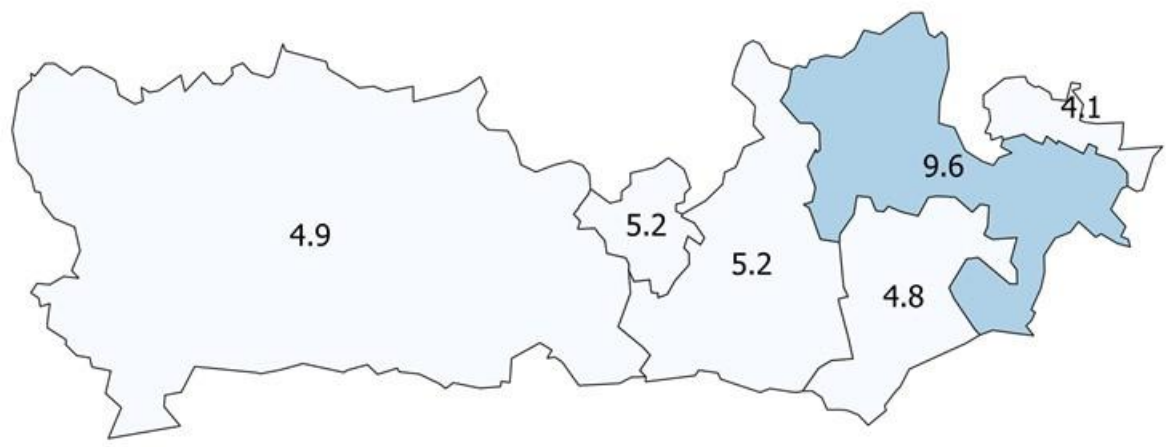
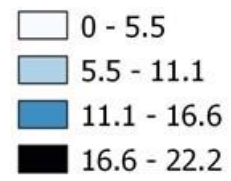
UK=4.7%



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

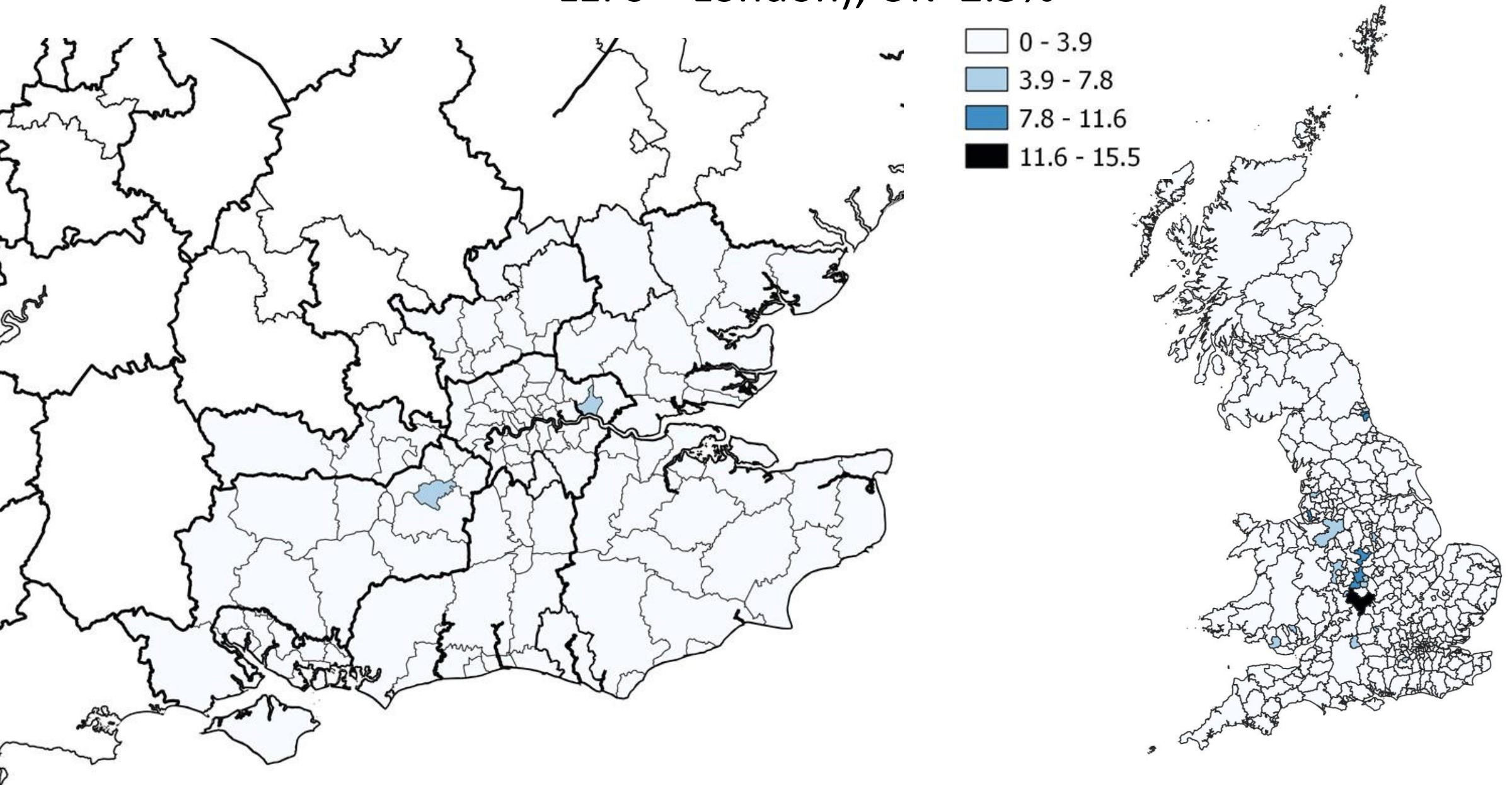


# % share of employment in hospitality and tourism sectors (TVB LEP area), UK=6.5%

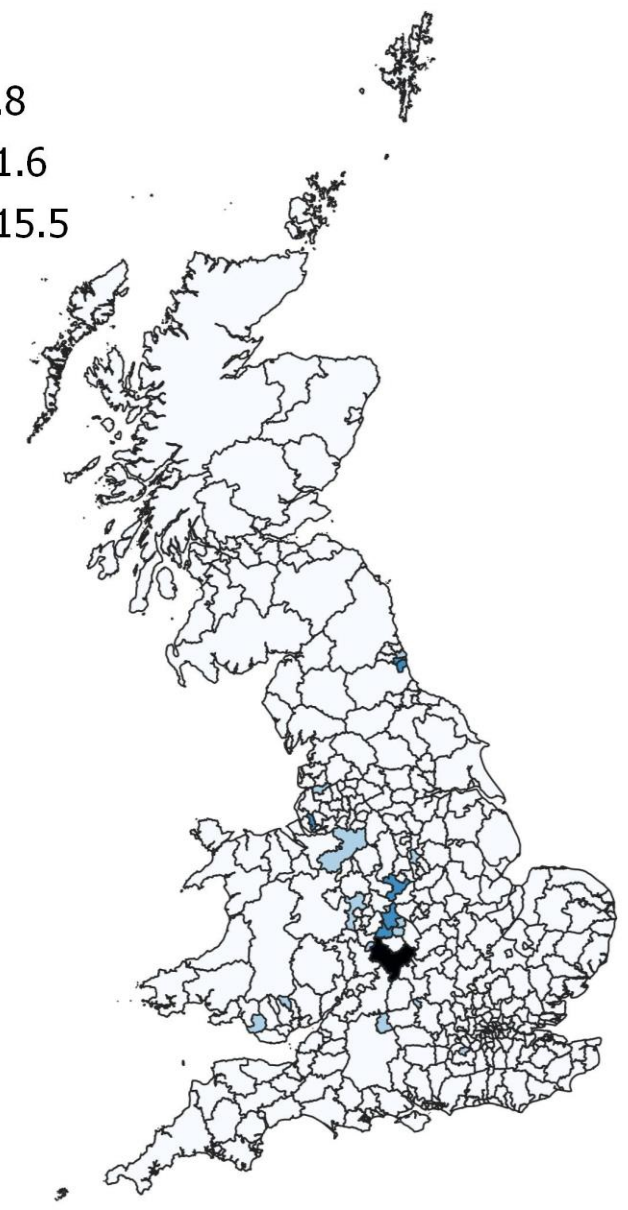
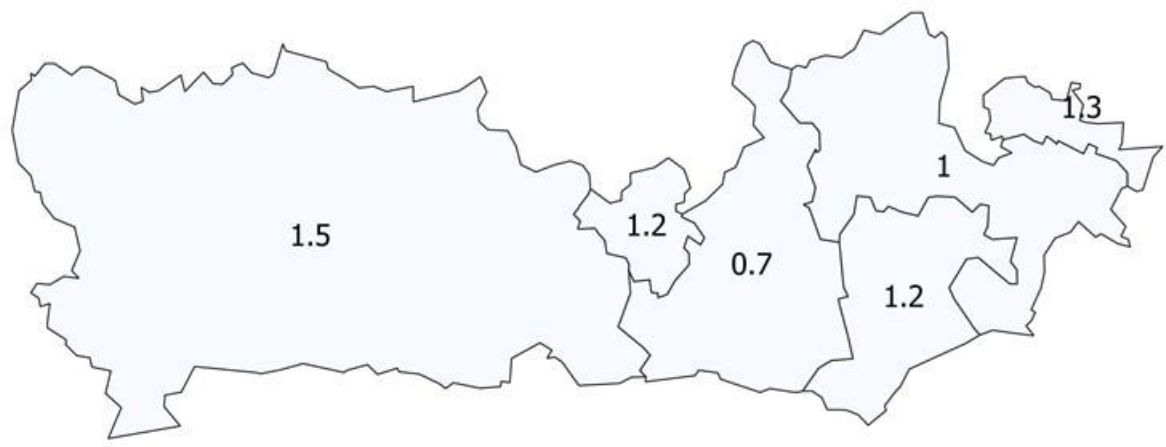
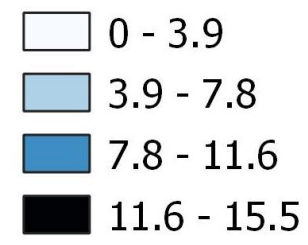




# % share of employment in Arts, entertainment & recreation (Southern LEPs + London), UK=2.5%

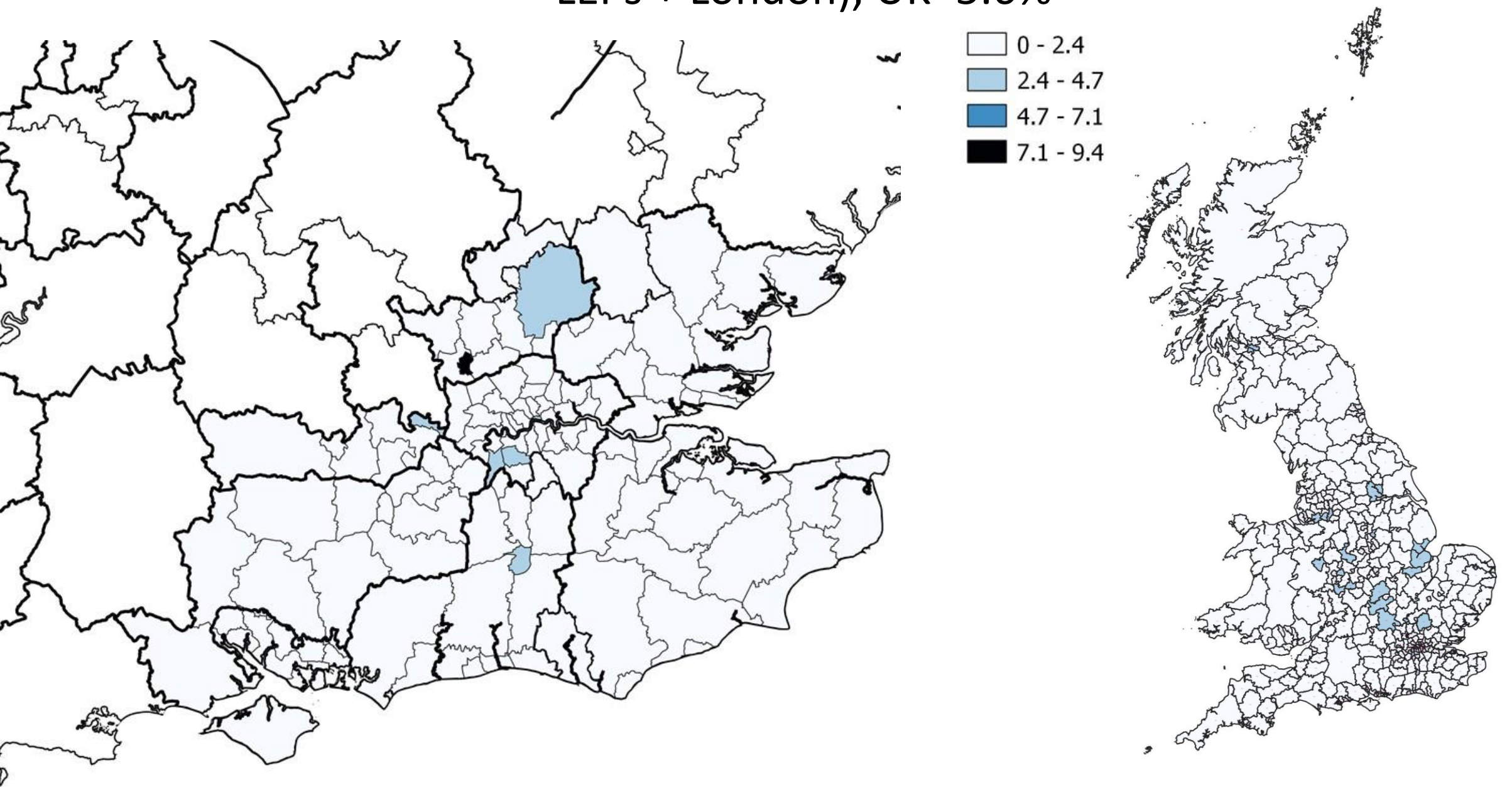


# % share of employment in Arts, entertainment & recreation (TVB LEP area), UK=2.5%

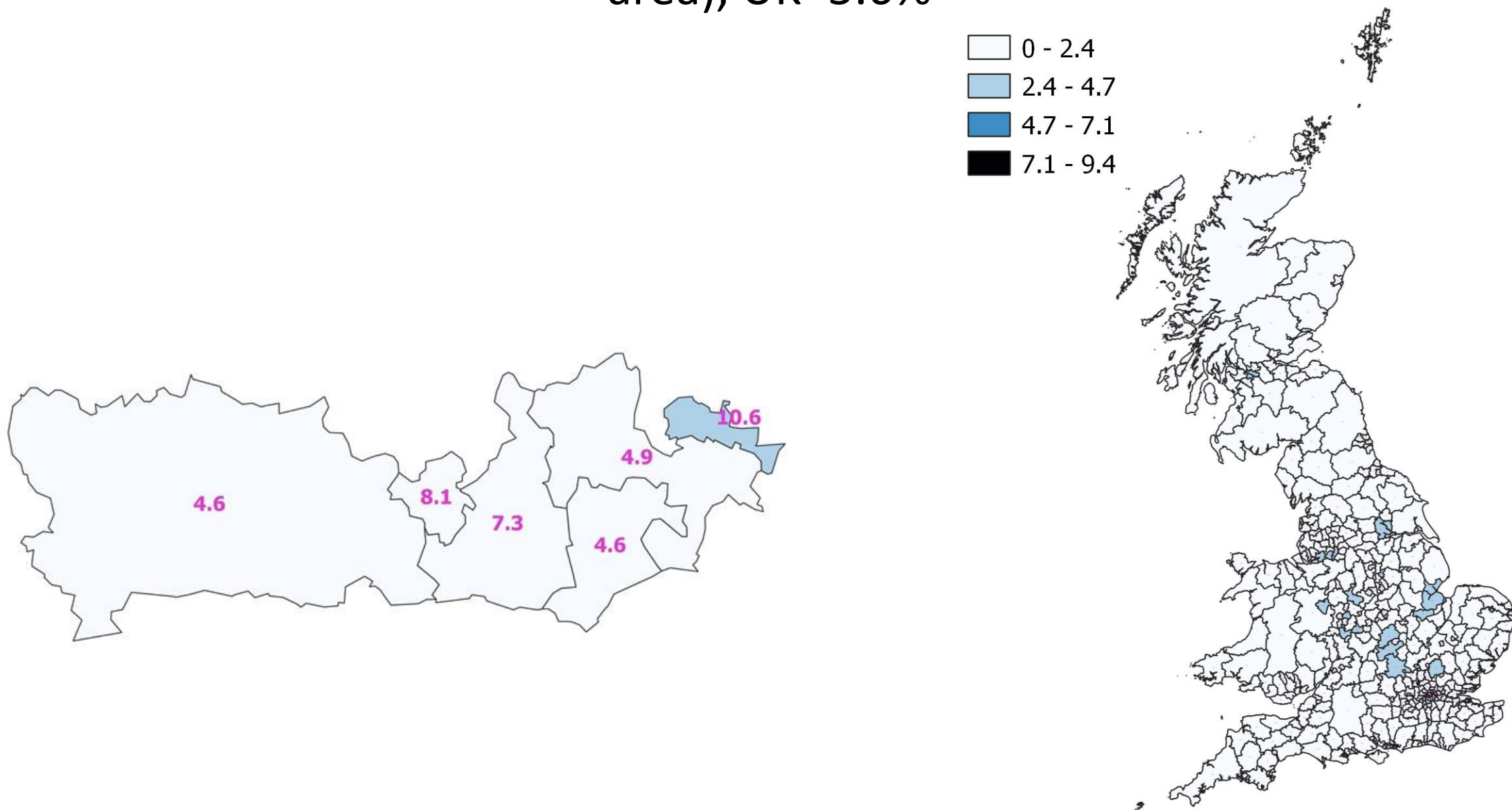




# % share of employment in Administrative & support services (Southern LEPs + London), UK=5.6%

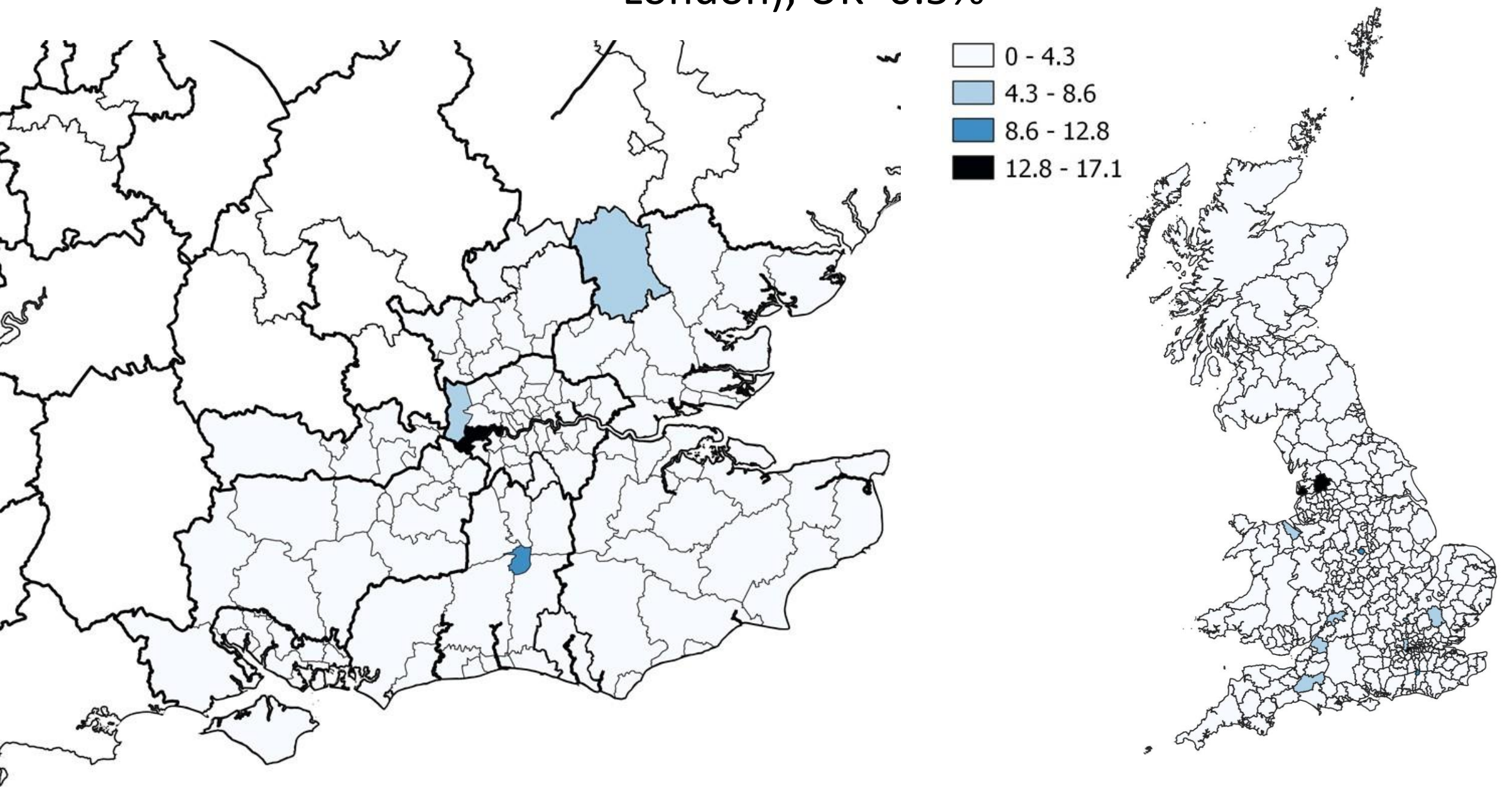


# % share of employment in Administrative & support services (TVB LEP area), UK=5.6%





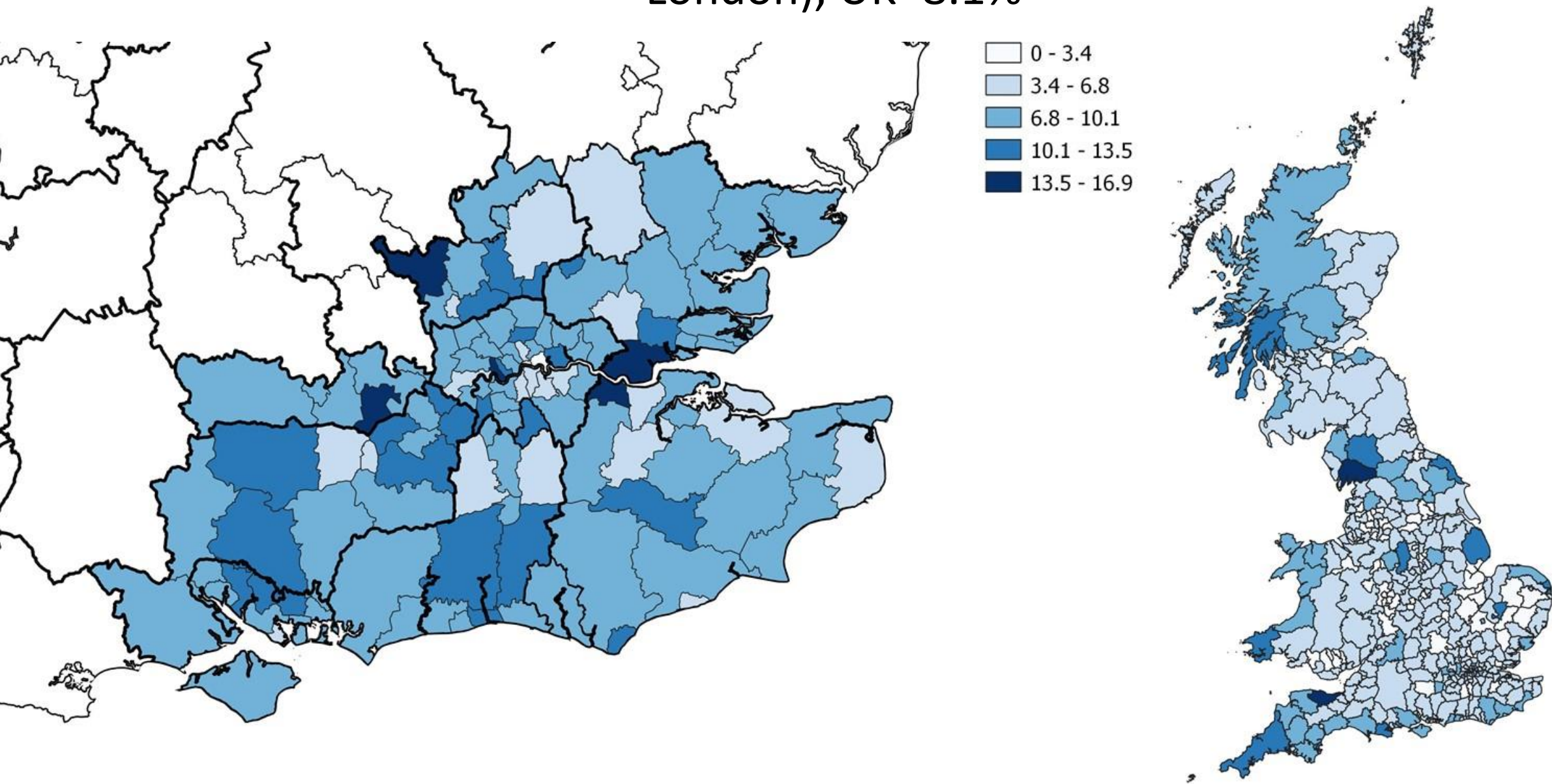
# % share of employment in Aviation and Aerospace (Southern LEPs + London), UK=0.5%





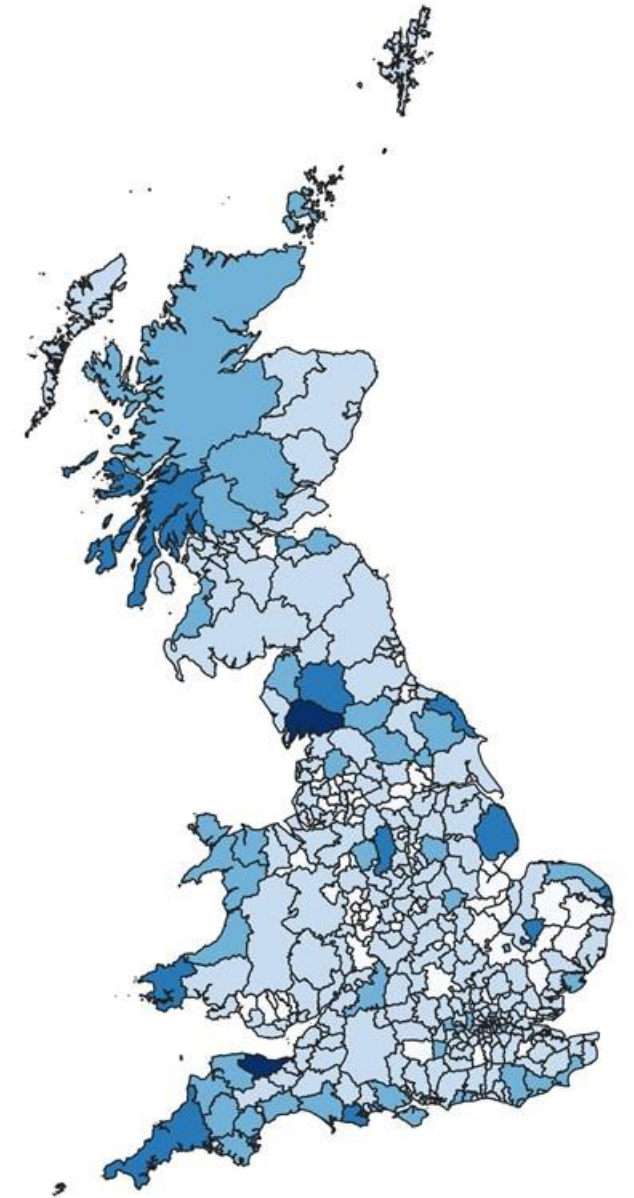
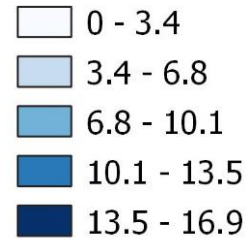
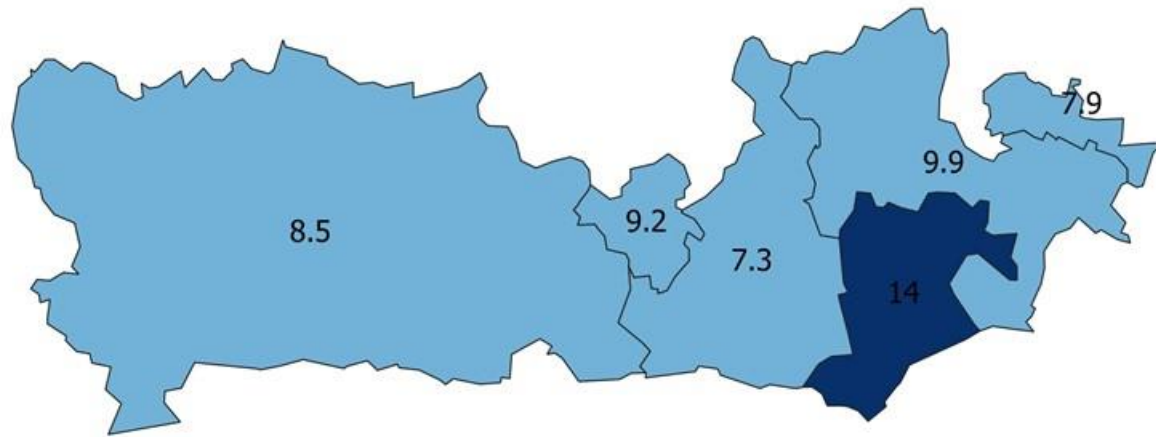


# % share of employment in non-food retail sectors (Southern LEPs + London), UK=8.1%

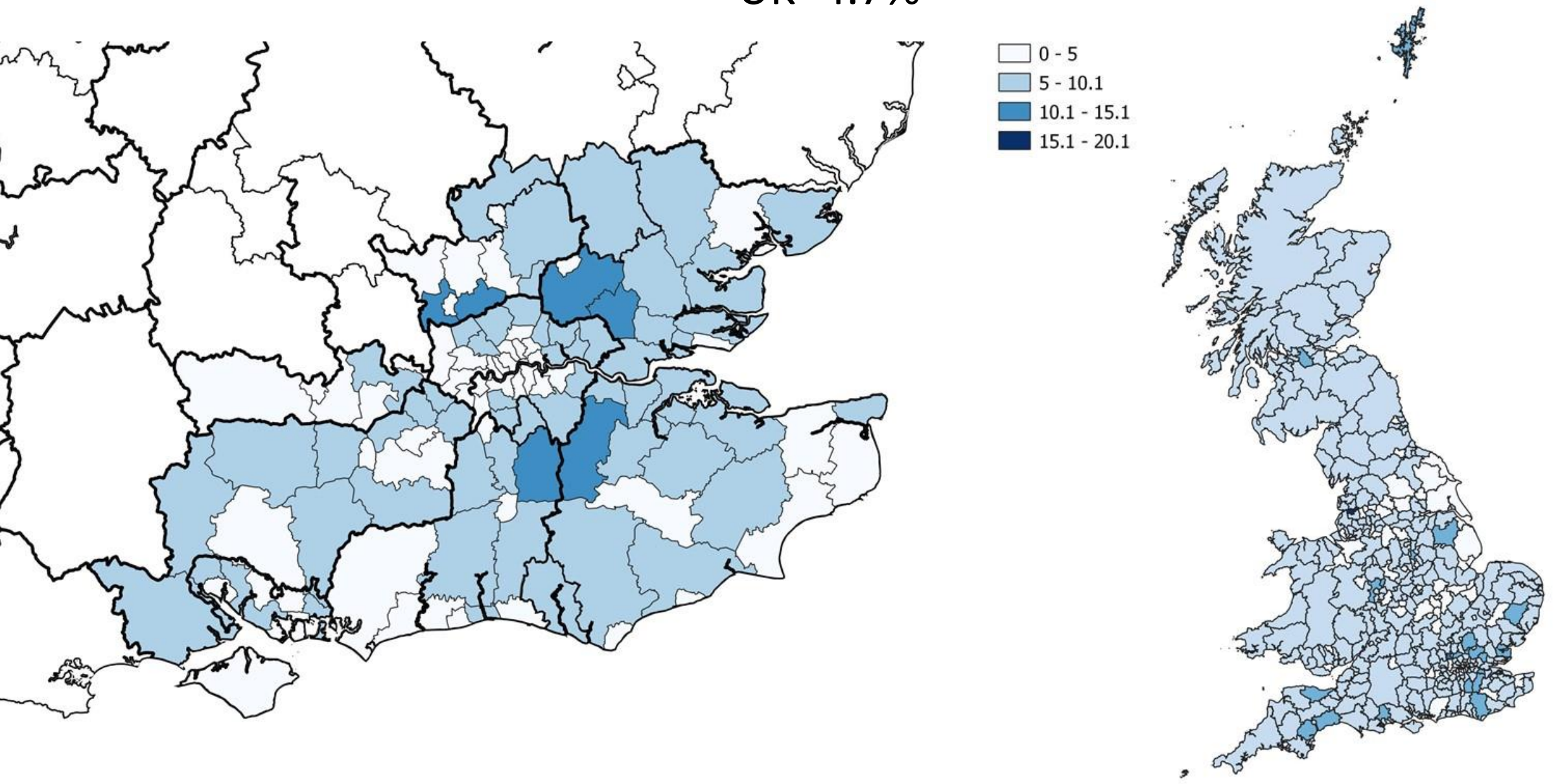




# % share of employment in non-food retail sectors (TVB LEP area), UK=8.1%



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



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

