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Delivering prosperity through innovation

ECONOMY BRIEFING IMPACTS OF COVID-19

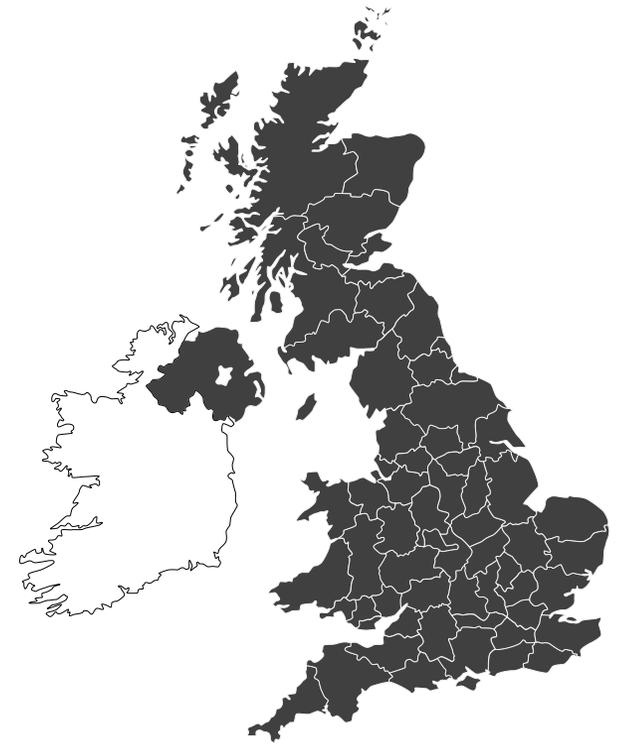
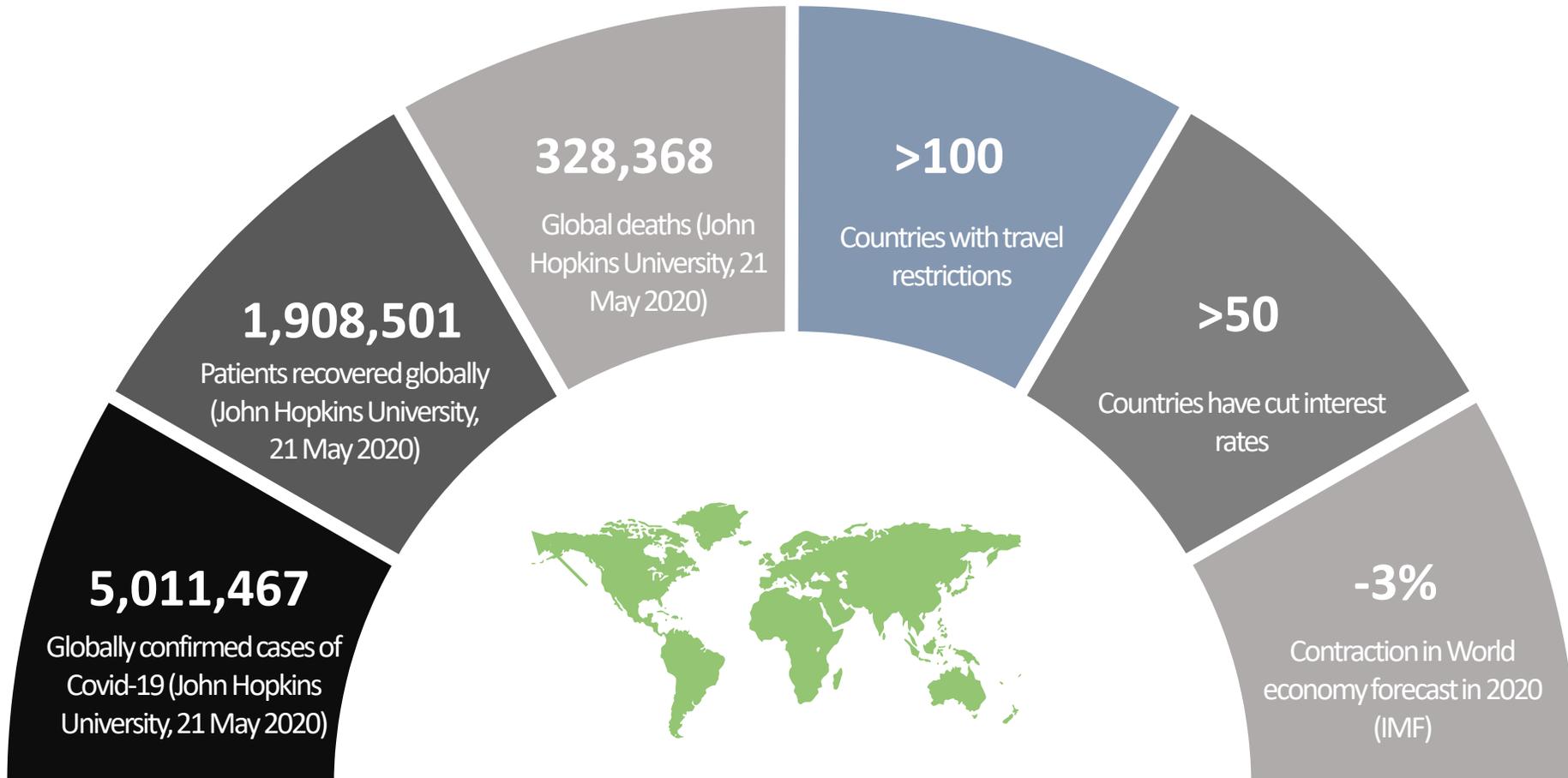
Week beginning Monday 18 May 2020

Last updated Thursday 20 May



GLOBAL TRENDS AND OUTLOOK

GLOBAL HEADLINES



248,293 Lab-confirmed cases (PHE, 20 May 2020)

35,704 Lab-confirmed deaths (PHE, 20 May 2020)

GLOBAL ECONOMY

Advanced economies enter recession, some signs that rate of decline has eased in France & Germany

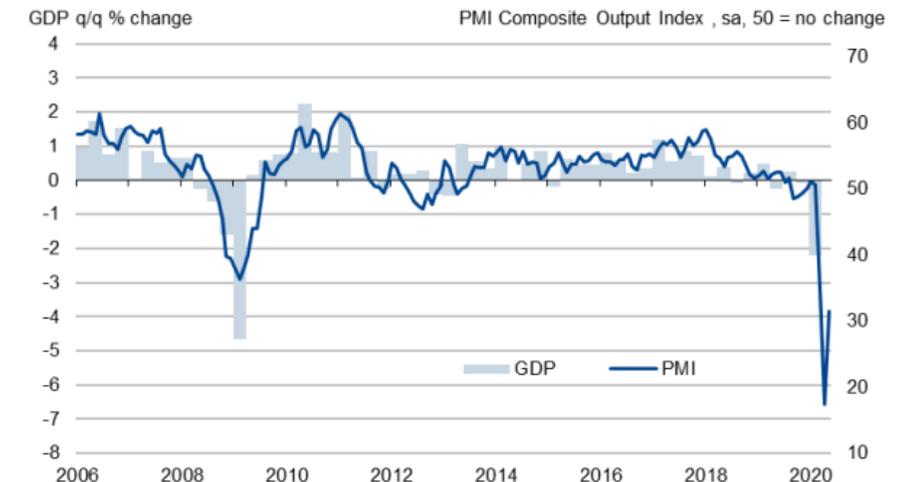
- Eurozone GDP falls by 3.8% in Q1 2020
- Headline Eurozone PMI at 30.5 up from 13.6 but still well below the neutral 50.0 position as the economy shows tentative signs of restart. New orders Employment index hit new low of 37.1
- France, Germany, Spain now officially in recession
- Rates of decline in activity has eased off in France and Germany

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

Germany PMI and GDP

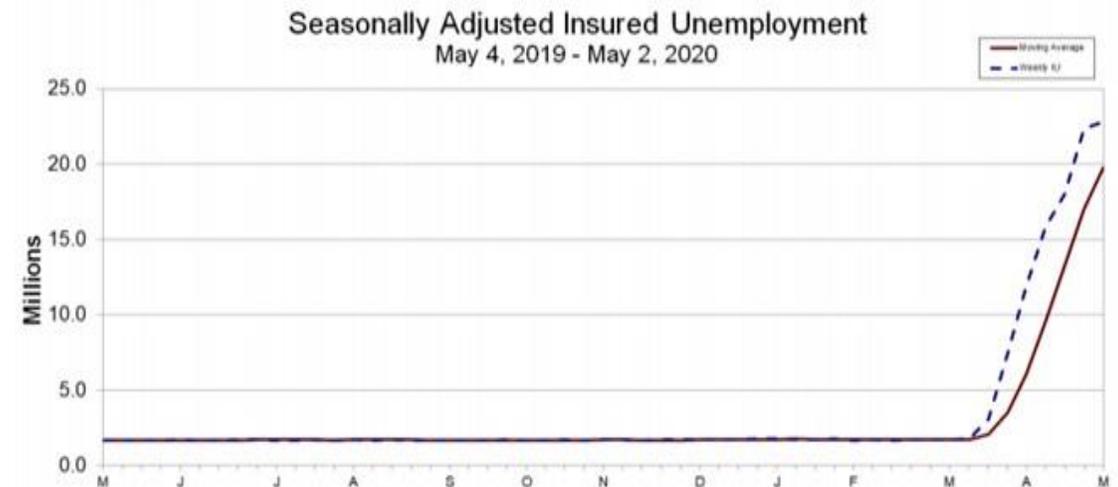
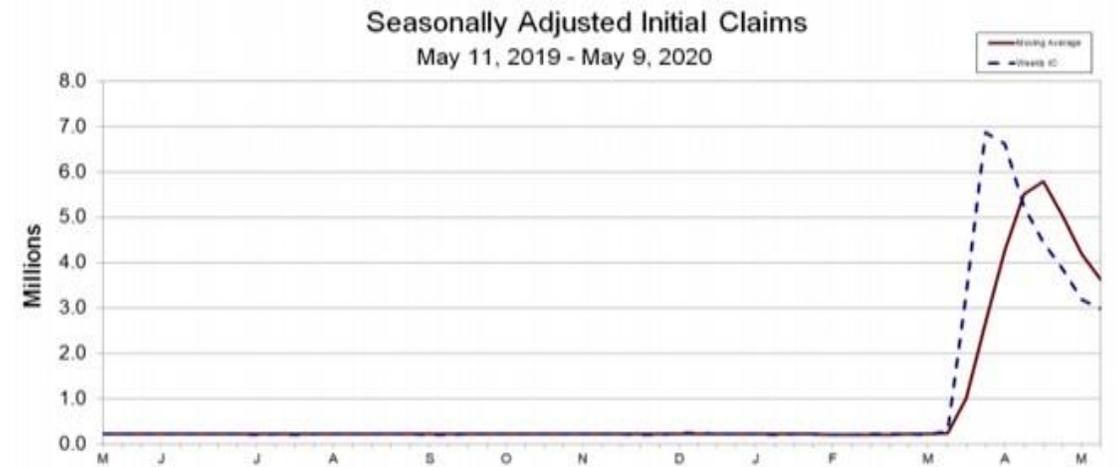


Sources: Statistisches Bundesamt, IHS Markit.

US ECONOMY

1 in 5 American workers are now unemployed

- The IHS Markit Flash U.S. Composite PMI Output Index posted 27.4 in April, down from 40.9 in March
- The US private sector shed a record 20m jobs in April as coronavirus lockdowns and the resulting closure of non-essential businesses led to historic unemployment.
- Non-farm private employers cut 20.2m jobs last month, according to payroll processor ADP. That compared with economists' expectations for 20m and easily surpassed the previous record of about 835,000 in February 2009 during the financial crisis.
- 36 million new unemployment claims in 8 weeks (3m in the last week) – approaching unemployment rate of 15%
- The US Labor Department also reports that 22.6 million people filed 'continued claims' (meaning they've been receiving help for more than one week)
- Wipes out decade of (+23m) jobs growth 2010-2020
- Many large US companies have announced cuts to staff or are planning layoffs – Boeing: announce layoffs of 16,000 / 10%; Hertz has laid off 10,000 employees and is reportedly considering bankruptcy
- Significant regional imbalances emerging - in some states – claims have been one-third of total employment (Michigan, Kentucky, Rhode Island)





UK IMPACTS AND OUTLOOK

UK: ECONOMY

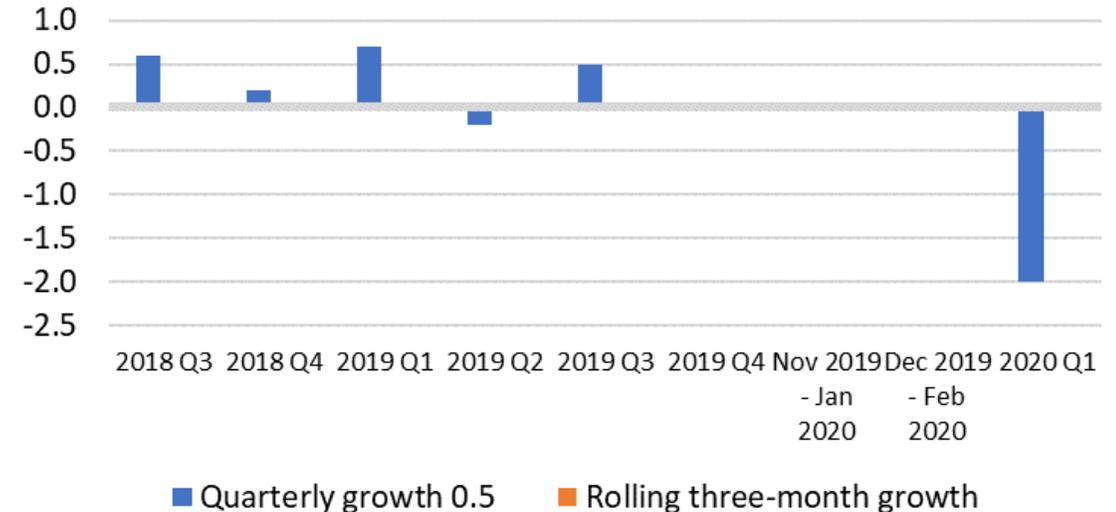
GDP falls by 5.8% in March

- The UK economy wasn't doing particularly well before the Covid-19 lockdown struck
- GDP rose by 0.1% in January, but the economy then contracted by 0.2% in February - as the coronavirus pandemic began to impact the economy
- The real pain struck in March, when GDP shrank by 5.8% - and all sections of the UK economy have suffered dramatic declines in activity
- GDP fell by 2.0% in the three months to March 2020, following no growth in the three months to February

These sectors experienced particular decline:

- Education, which fell by 4.0% as a result of school closures at the end of March
- Wholesale and retail trade and repair of motor vehicles and motorcycles, which fell by 10.7%, predominantly driven by a reduction in new car registrations
- Food and beverage service activities, which fell by 7.3% as a result of the closure of bars and restaurants towards the end of March
- Accommodation, which fell by 14.6% as a result of the closure of hotels and campsites in March
- Travel agents, which fell by 23.6% as a result of reduced demand caused by the introduction of travel restrictions in March
- Most manufacturing sectors also contracted -- with transport equipment-making declining by 20.5% as car factories shut down
- But one sector defied the gloom -- the manufacture of basic pharmaceuticals grew by 9.2% (presumably because people were stocking up on medicines and painkillers)

GDP fell by 2.0% in Quarter 1 (Jan to Mar) 2020, signalling the first direct impacts of the coronavirus (COVID-19) on the economy



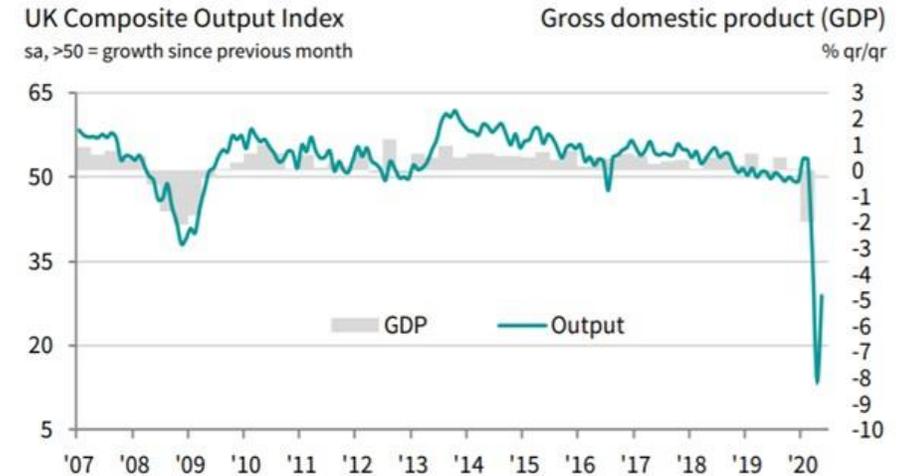
	Quarterly growth	Rolling three-month growth
2018 Q2	0.5	
2018 Q3	0.6	
2018 Q4	0.2	
2019 Q1	0.7	
2019 Q2	-0.2	
2019 Q3	0.5	
2019 Q4	0.0	
Nov 2019 - Jan 2020		0.0
Dec 2019 - Feb 2020		0.0
2020 Q1	-2.0	

UK: PMI RESULTS INDICATE FURTHER SERIOUS ECONOMIC CONTRACTION IN APRIL

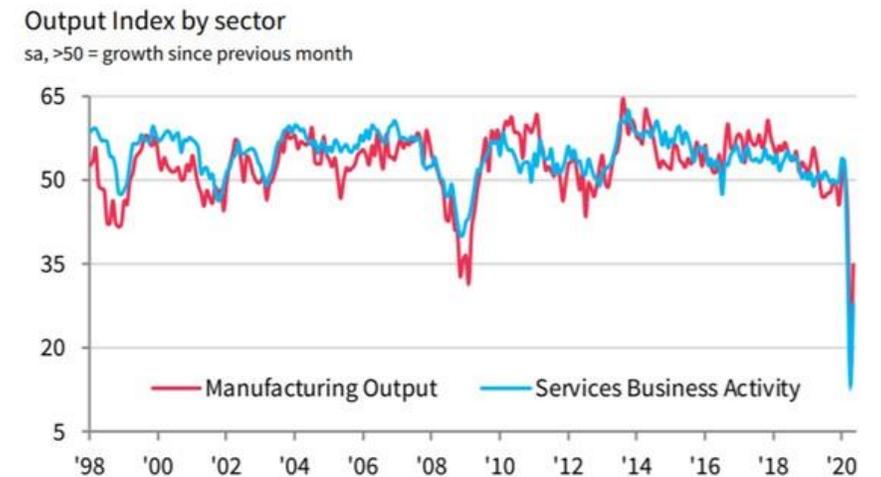
Both the manufacturing and service sectors are shrinking extremely rapidly as the lockdown continues, according to data firm IHS Markit's PMI surveys

- Signs that the pace of the downturn is easing a little.
- UK Composite Output Index May: 28.9, up from 13.8 in April
- UK flash manufacturing PMI (May): 40.6, up from 32.9
- UK services flash PMI (May): 27.8, 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.



Sources: IHS Markit, CIPS, Office for National Statistics.



Sources: IHS Markit, CIPS.

UK: ECONOMY

HM Treasury average of independent forecast (May):

- 8.6% economic contraction in 2020; 6.2% growth in 2021
- ILO unemployment rate to reach 7.5% in 2020, 6.3% in 2021

Bank of England's latest analysis and forecast suggests deep recession in 2020 with quick "V-shaped" recovery in 2021

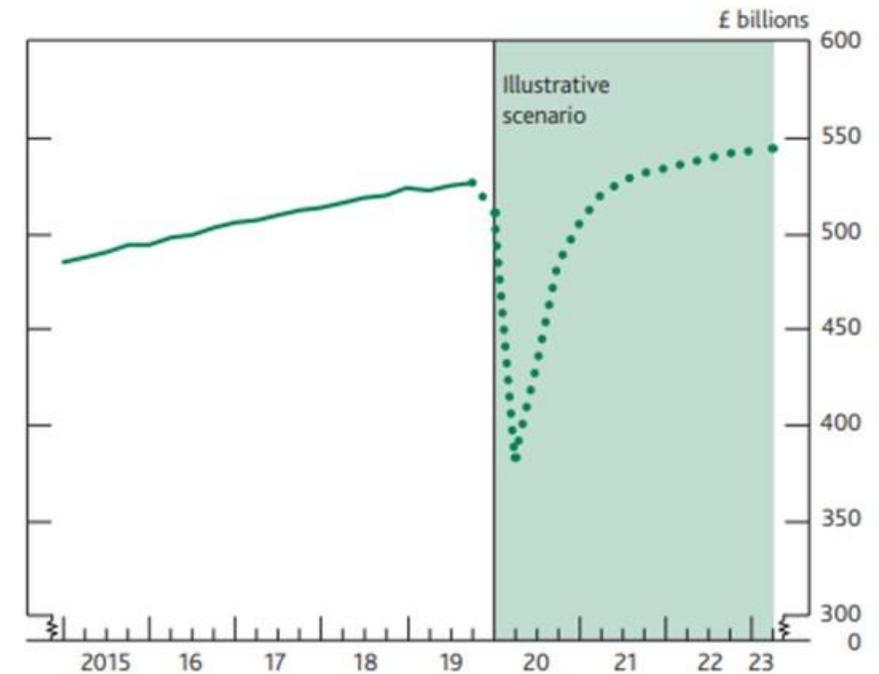
- BoE has forecast that coronavirus will push UK into deepest recession in 300 years
- Output falling by 30% in first 6 months of 2020, 14% contraction over the whole 12 months
- Economy hit by fall in spending – household spending has fallen by 30% since early March
- Forecast that unemployment likely 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 at play:
 - 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

Chart 1.3 GDP picks up relatively rapidly in 2020 H2 in the scenario, although it takes some time to recover towards its previous path

GDP scenario^{(a)(b)}



(a) Conditioned on the assumptions in **Chart 1.2** footnote (a).

(b) The dotted line begins in 2020 Q1, as ONS data are currently only available to February.

UK: BUSINESS

Impacts on businesses (Latest ONS survey of 6,196 businesses 20 April to 3 May)

- 79% of businesses were continuing to trade between 20 April and 3 May 2020, while 20% reported they had temporarily closed or paused trading
- Of those responding they continued to trade between 20 April and 03 May, 6% responded they had restarted trading in the last two weeks.
- Of businesses continuing to trade, 61% reported a decrease in turnover outside of normal range in England, compared with 66% in Wales, 65% in Scotland and 63% in Northern Ireland between 20 April and 3 May 2020.
- The accommodation and food services activities sector had the largest proportion of the workforce furloughed across businesses who have not permanently stopped trading, at 78%, in the period 20 April to 3 May 2020.
- The most popular government schemes applied for by businesses who have not permanently stopped trading between 20 April and 3 May 2020, were the Coronavirus Job Retention Scheme and the Deferring VAT Payments Scheme, at 76% and 59% respectively.
- Of all businesses who have not permanently stopped trading, 4% reported they had no cash reserves at all.



UK: INDUSTRY

Retail round-up

- Almost two-fifths of Britain's retailers have closed for business completely as a result of a Covid-19 lockdown that has prompted a collapse in consumer spending unmatched since the financial crisis in late 2008 (CBI survey)
- UK retailers are increasingly falling between the cracks of various government support schemes, with large companies facing stringent credit rating criteria and banks still reluctant to lend to smaller ones.
- Major retailers no longer have investment grade credit ratings – a requirement to access CCCF (Coronavirus Corporate Credit Facility), and banks have been limiting their exposure to loans to the retail industry
- John Lewis predicts worst case sales decline of around 35% in 2020. Online sales have not offset sales lost through shop closures. JL has furloughed 14,000 staff. Year-on-year - over the past five weeks John Lewis sales were 17% down on 2019.
- Associated British Foods (ABF), the owner of Primark, said it had furloughed 68,000 workers around the world. It has also written off £284m of stock, including Euro 2020 merchandise and spring fashions, which it is unlikely to ever sell.
- High street and travel hub retailer WH Smith has reported that its sales were pretty much obliterated last month, under the lockdown.
- Total revenues in April fell 85% compared with a year ago, including a 91% plunge at airports and railway stations where most outlets are closed. High Street revenue dropped 74%.
- But there are positives. WH Smiths' online businesses "performed strongly", with a 400% jump in book sales in the last month. The company is also still operating 130 stores in hospitals across the UK.

UK: INDUSTRY

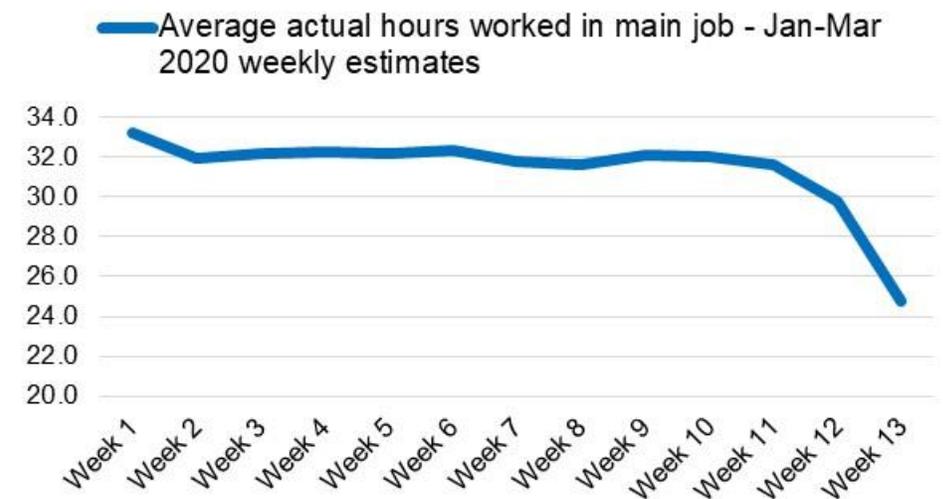
Manufacturing overview

- Rolls Royce announced 9,000 job cuts, Boeing 10,000 – mainly in civil aerospace. Most of UK RR jobs are in civil aerospace.
- The UK's manufacturing PMI reading came in at 32.6 in April, slightly worse than the flash reading of 32.9. That's confirmed as a record low
- Manufacturing Barometer (30 April), 608 firms interviewed in Spring 2020 showed that on balance, sales turnover has contracting, and that the view for 2020 is very negative, with 85% of manufacturers forecasting that their sales would contract, and 86% forecasting much reduced profits in the next six months of 2020. On balance, 13% said that their capital investment would increase in 2020, 57% said it would decrease. 55% expected staff numbers to be reduced in 2020, only 7% expected them to increase.
- CBI latest members survey (Feb-April) – 330 manufacturing firms
 - Business sentiment – plunged in 3 months to April to -87%
 - Export sentiment dropped by -84%
 - 4/5 firms have had negative impact on their domestic output
 - ¾ manufacturers reported negative impact on international output
 - Half of manufacturers reported partial shutdown / closure
 - Just over half of manufacturers mentioned that they temporarily laid off staff, but only one in twenty reported permanent layoffs.
 - Around two-thirds of firms have faced cash flow difficulties.

UK: 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.



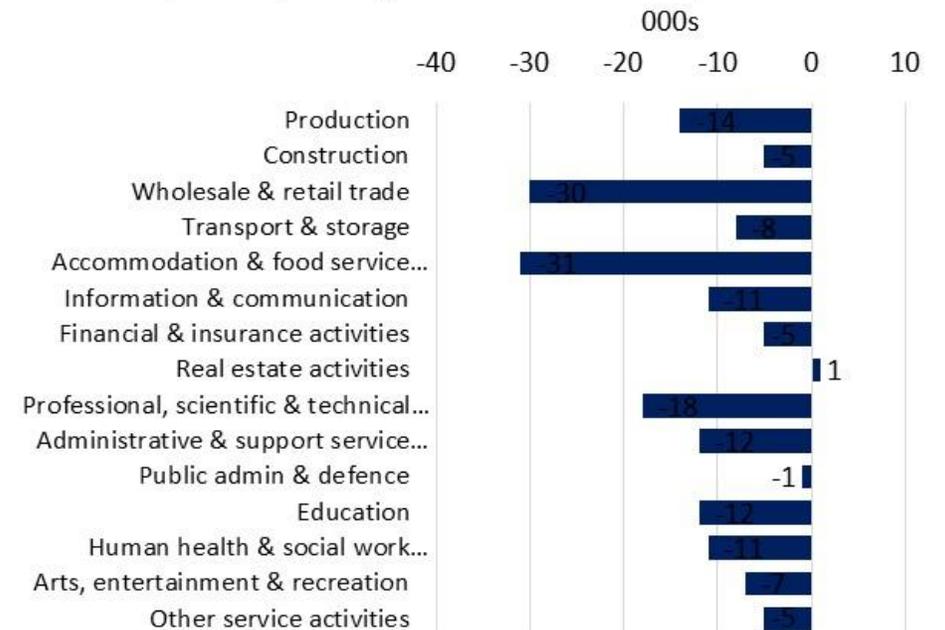
UK: LABOUR MARKET

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).



Quarterly change in vacancies Feb-Apr 2020



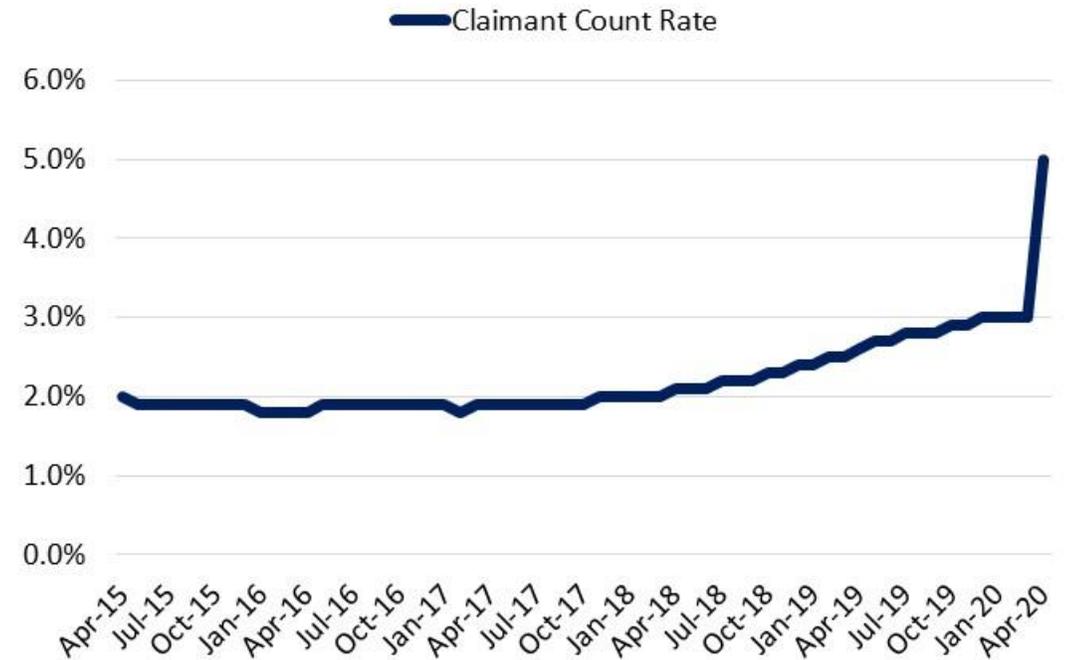
UK: LABOUR MARKET

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

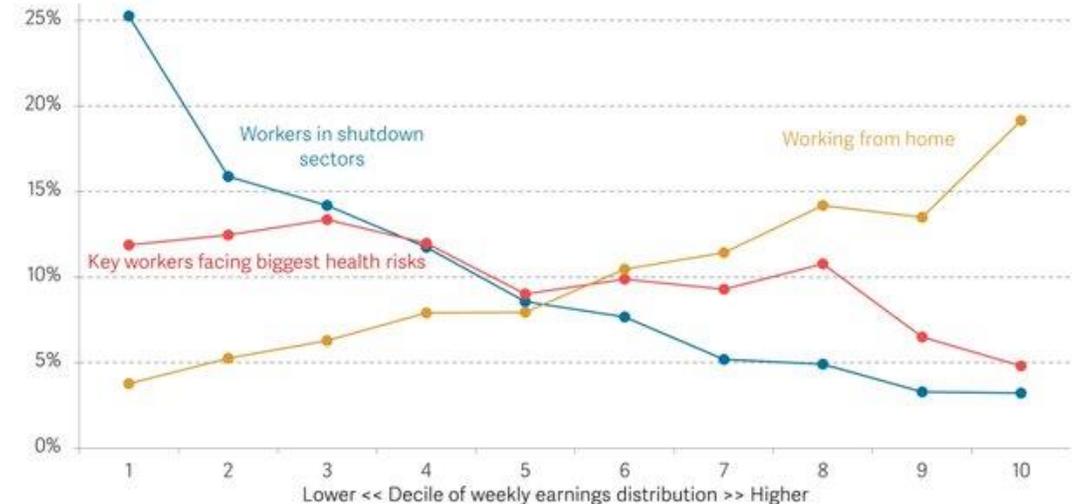
Resolution Foundation analysis of distribution of workforce impacts

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

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

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

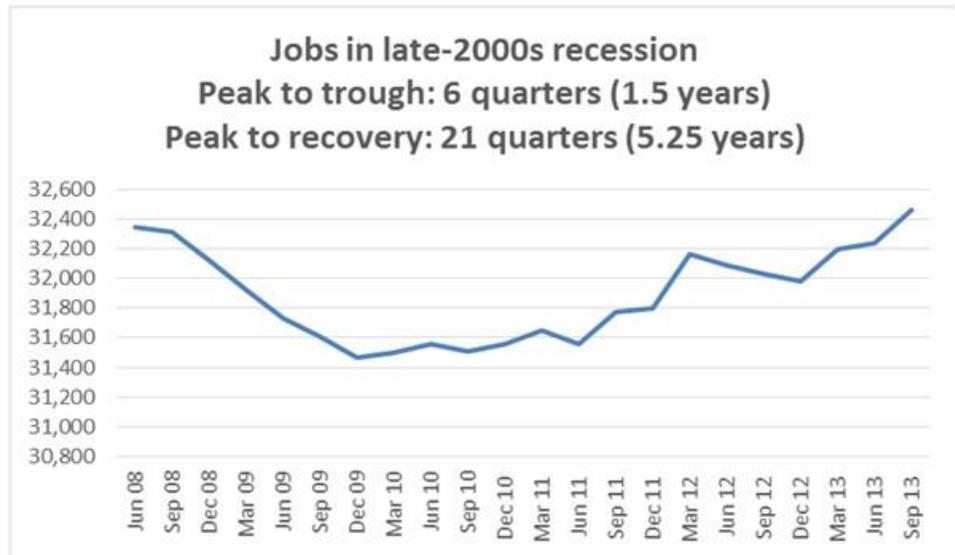
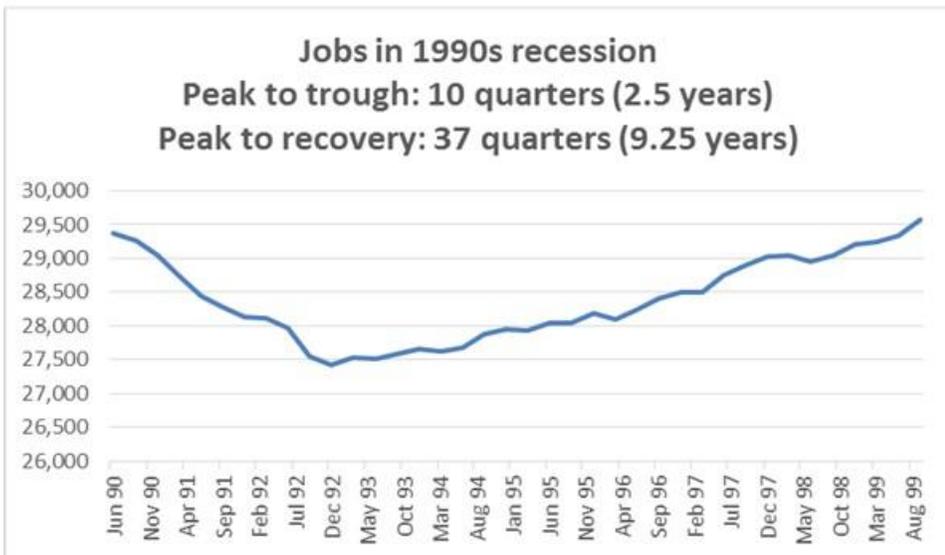
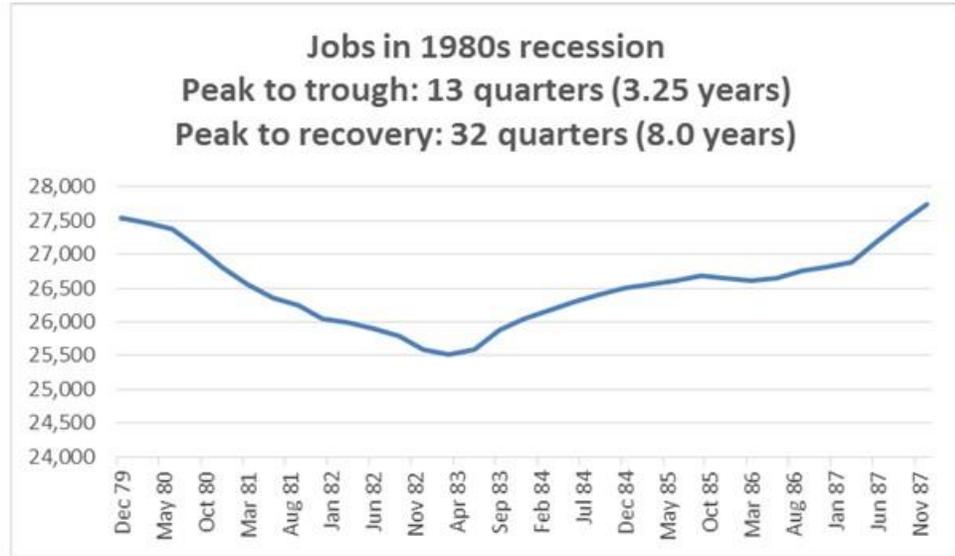
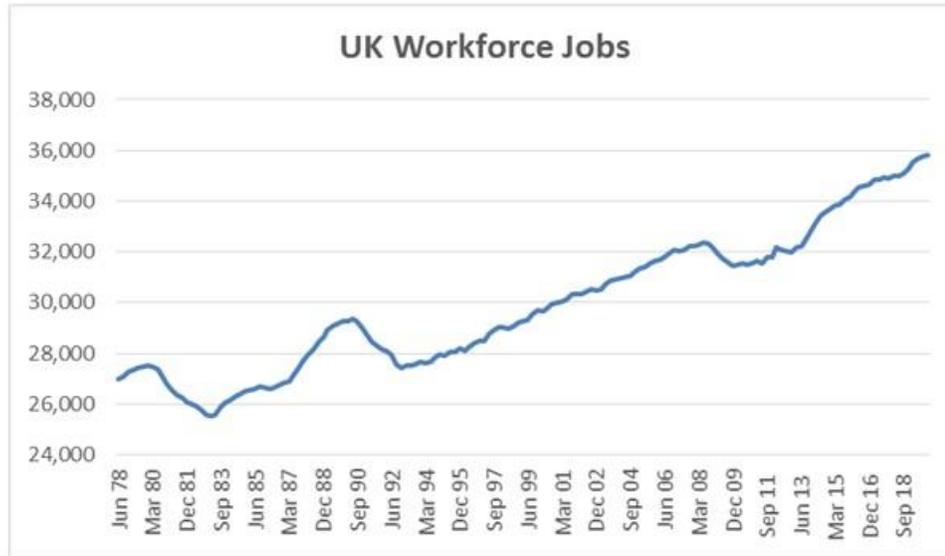
Proportion of employees aged 16-69 in each coronavirus job group, by weekly pay decile: UK, 2019



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

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
- Since the scheme opened on 20 April, 6.3m UK workers have been furloughed by 800,000 employers – representing 17.5% of UK jobs
- 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

Self-employed support

- The self-employment income support scheme (SEISS) has received more than 110,000 claims in its first four hours of operation

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



STRATEGIC ISSUES AFFECTING SOUTHERN LEPs



Are Southern
LEPs likely to
recover faster,
better?

IMPACT OF SHUTDOWN

- GSE is slightly less affected by shutdown
- Less employees in key worker roles at risk
- Higher share of residents in the Greater South East are capable of working from home (28.6%) compared to the UK average (26.6%).
- However, more than 70% are not capable, particularly in occupation categories 4 to 9.
- Within the area, ability to work from home is highest in London (30.1%) and lowest in the East of England (26.8%).

	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
East	437,500	15.7%	812,800	29.2%
London	953,800	18.5%	1,271,700	24.6%
South East	714,100	17.2%	1,205,300	29.0%
Greater South East	2,105,400	17.4%	3,289,800	27.2%
Great Britain	5,038,800	16.9%	9,097,800	30.6%

COMPARING RECESSIONS IN THE GSE

1990s RECESSION

JOB LOSSES	GSE
Length of continuous job losses	Same as UK - June 1990 to Dec 1992
Rate of job loss	Greater: 8.5% (UK 6.1% loss) Particularly high in London: 11.3% loss
Public sector jobs	Fall in health, social work and public admin jobs UK: public sector employment increased
Sectors most affected by jobs losses	Production (incl. manufacturing) Construction Accommodation Food services Financial and insurance activities

RECOVERY	GSE
Time taken to recover total jobs to pre-recession levels	30 quarters, slightly longer than UK (29 quarters) Slowest in London (in GSE) – 34 quarters
Main sectoral jobs gains	Private sector services accounted for 95% of all GSE's job gains during recovery period Administrative and Support Services, Information & Communication, Wholesale & Retail Trade, Construction Professional, Scientific and Technical Activities, and Accommodation and Food Service Activities contributed disproportionately to the GSE's jobs recovery (i.e. the share of all job gains was greater than the share of all jobs)
Public sector jobs	Jobs in Public Administration continued to fall in this period and remain below their pre-recession level today

2000s RECESSION

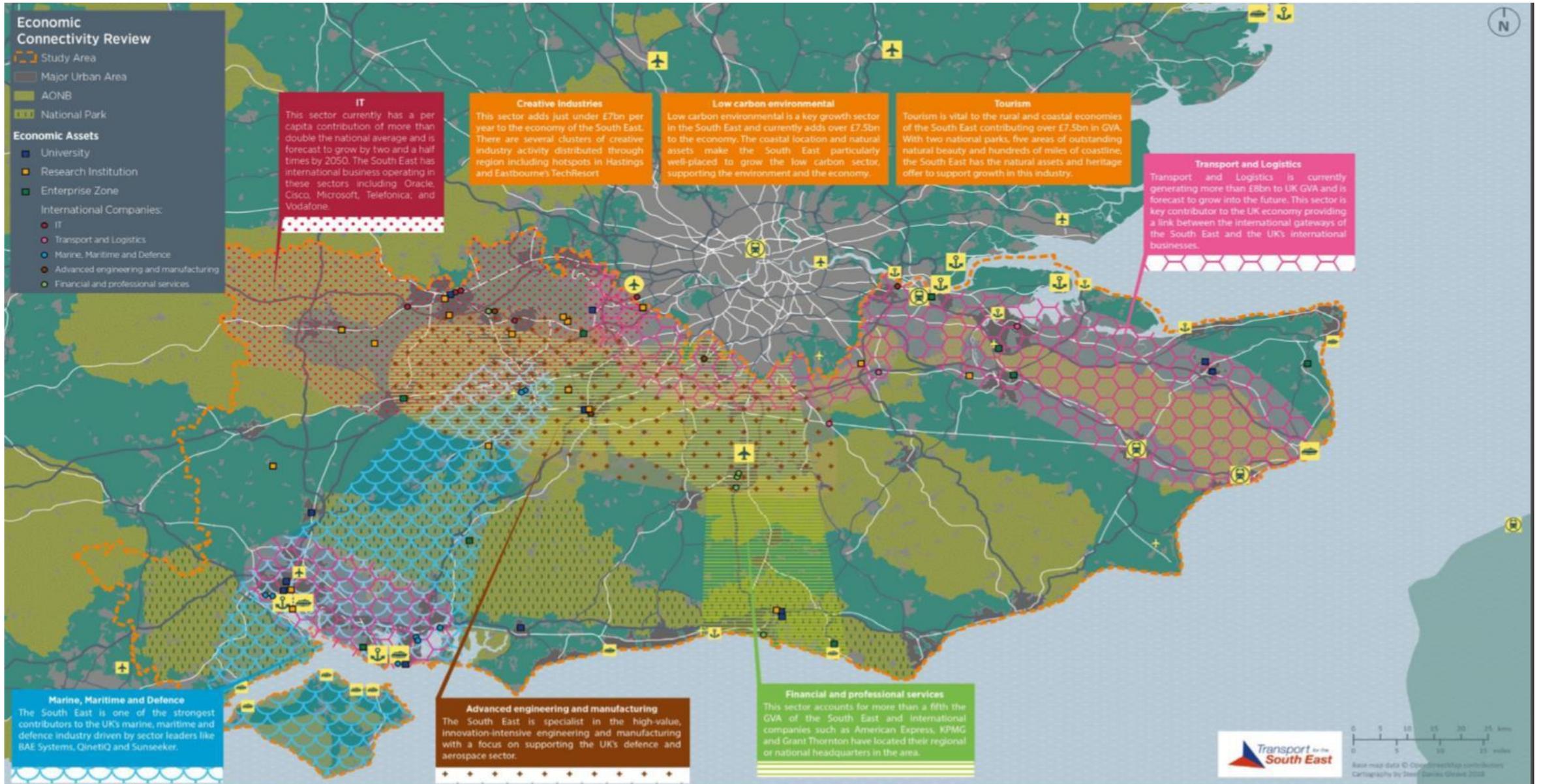
JOB LOSSES	GSE
Length of continuous job losses	GSE: slighter shorter period Sept 2008-Dec 2009 (UK June 2008-Dec 2009)
Rate of job loss	GSE: 2.8%, similar to UK (2.7%) Particularly high in London: 4.4% loss over shorter period Dec 2008 to Dec 2009
Sectors most affected by jobs losses	Wholesale and Retail Trade Administrative and Support Services Activities Production Compared to the UK, Private Sector Services accounted for a larger share total job losses in the GSE However, Production and Construction accounted for below-average shares of all job losses. The GSE also benefited more from jobs growth across the public sector than nationally.

RECOVERY	GSE
Time taken to recover total jobs to pre-recession levels	14 quarters, much quicker than UK (21 quarters) Fastest in London (14 quarters), slowest in East (20 quarters) During the GSE's recovery period, jobs growth was more than double the UK average (GSE 4.8%, UK 2.2%)
Main sectoral jobs gains	Private sector services accounted for 90% of all GSE's job gains during recovery period. Arts, Entertainment and Recreation, Administrative and Support Service Activities, Accommodation and Food Service Activities, and Information and Communication contributed disproportionately to the GSE's jobs recovery

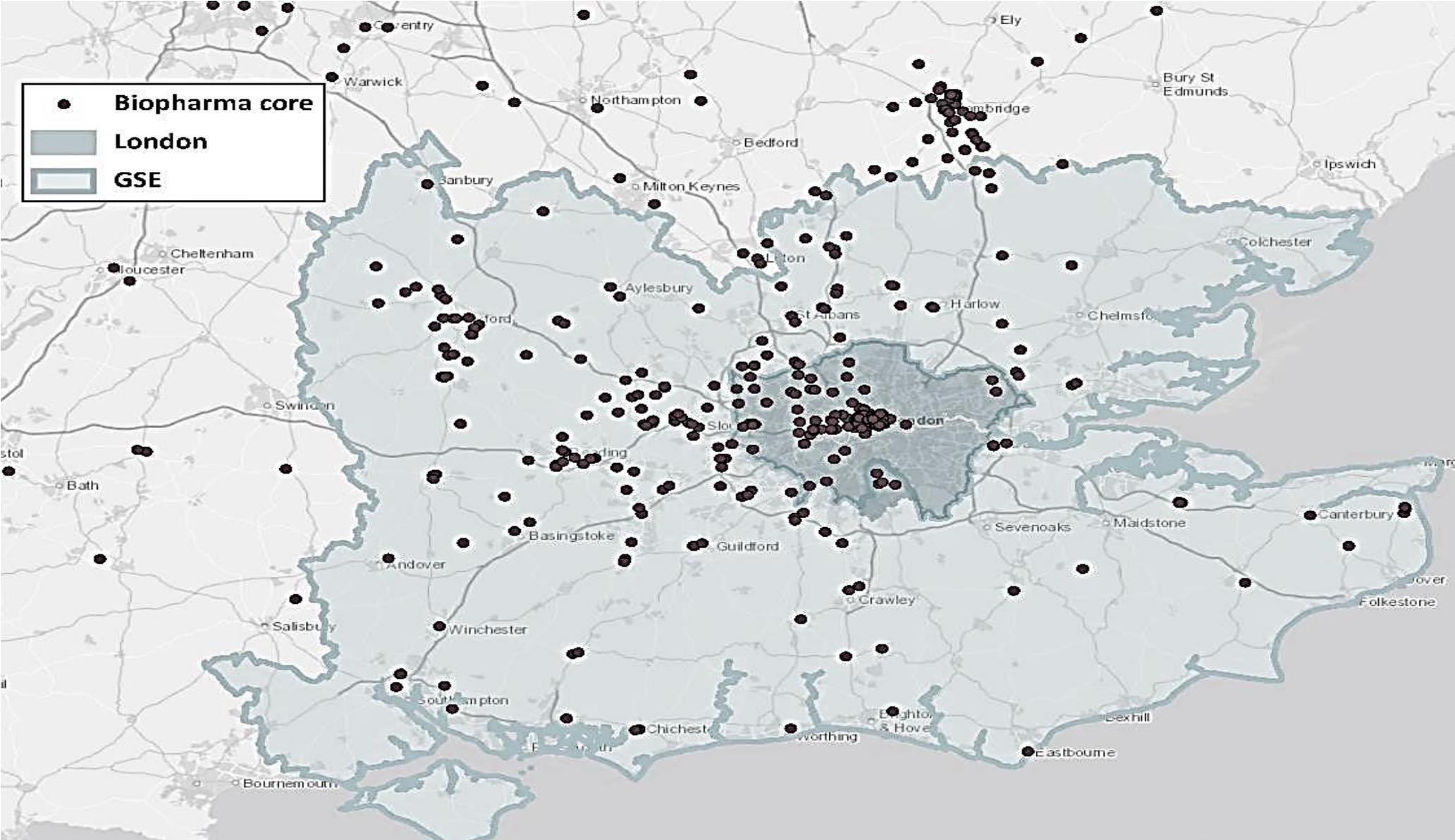


Southern LEPs:
*Global capability,
innovation and
entrepreneurship*

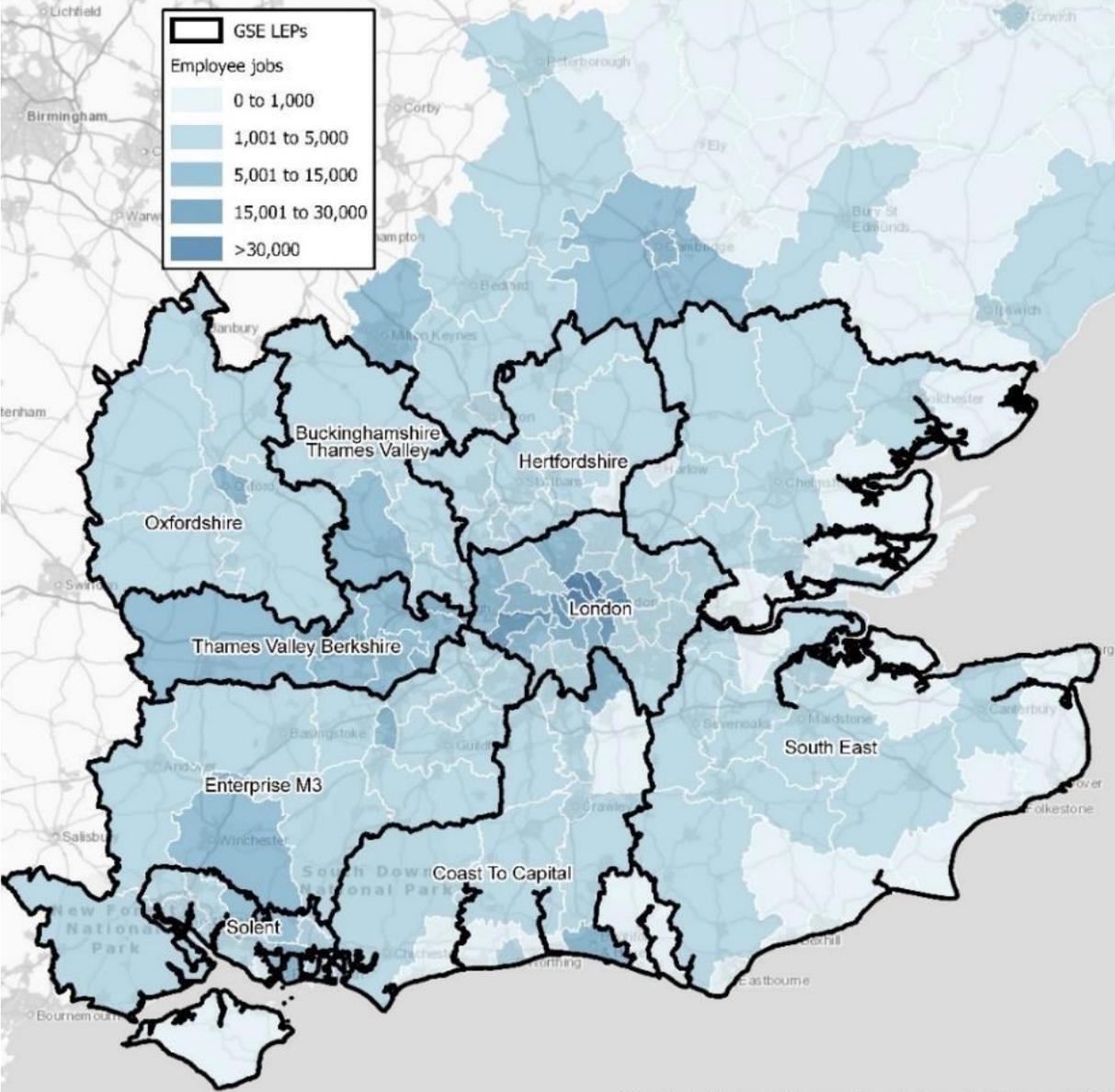
MAJOR SCIENCE, TECHNOLOGY AND INNOVATION BUSINESSES IN OXFORD – HERTS - SOUTH EAST MIDLANDS - CAMBRIDGE



BIOPHARMA COMPANIES IN GREATER SOUTH EAST



ABSOLUTE NUMBER OF EMPLOYEE JOBS IN THE INFORMATION AND COMMUNICATION SECTOR



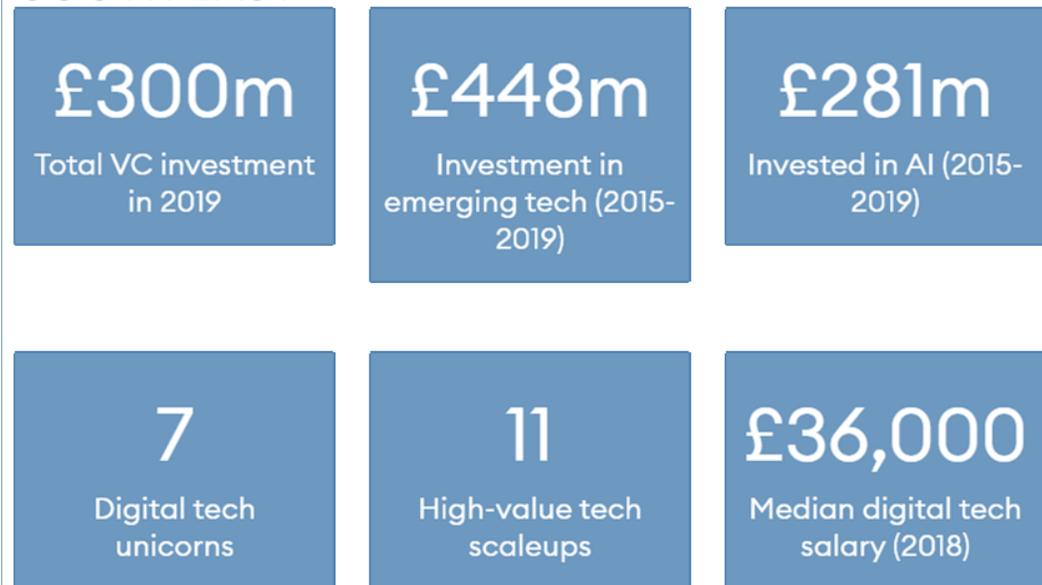
TECH, STARTUPS AND VC

- Centre for London: since 2003, London and the South East England region had attracted a fifth of Western European investment in new headquarter projects – more than the Paris-centred Ile de France region, Dublin and Amsterdam-Rotterdam combined.
- Deloitte: London and south east England now host 55 per cent of the world's largest 500 companies' European HQs.

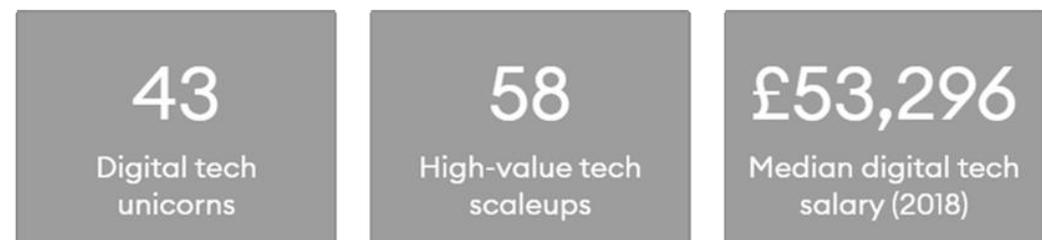
EAST OF ENGLAND



SOUTH EAST



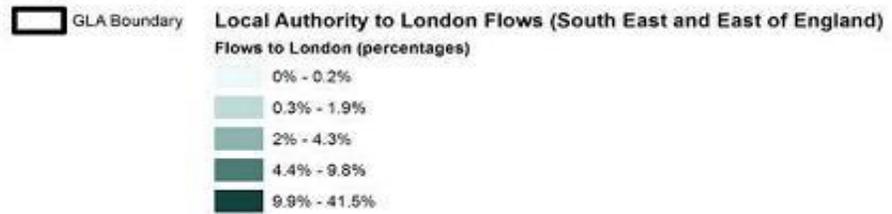
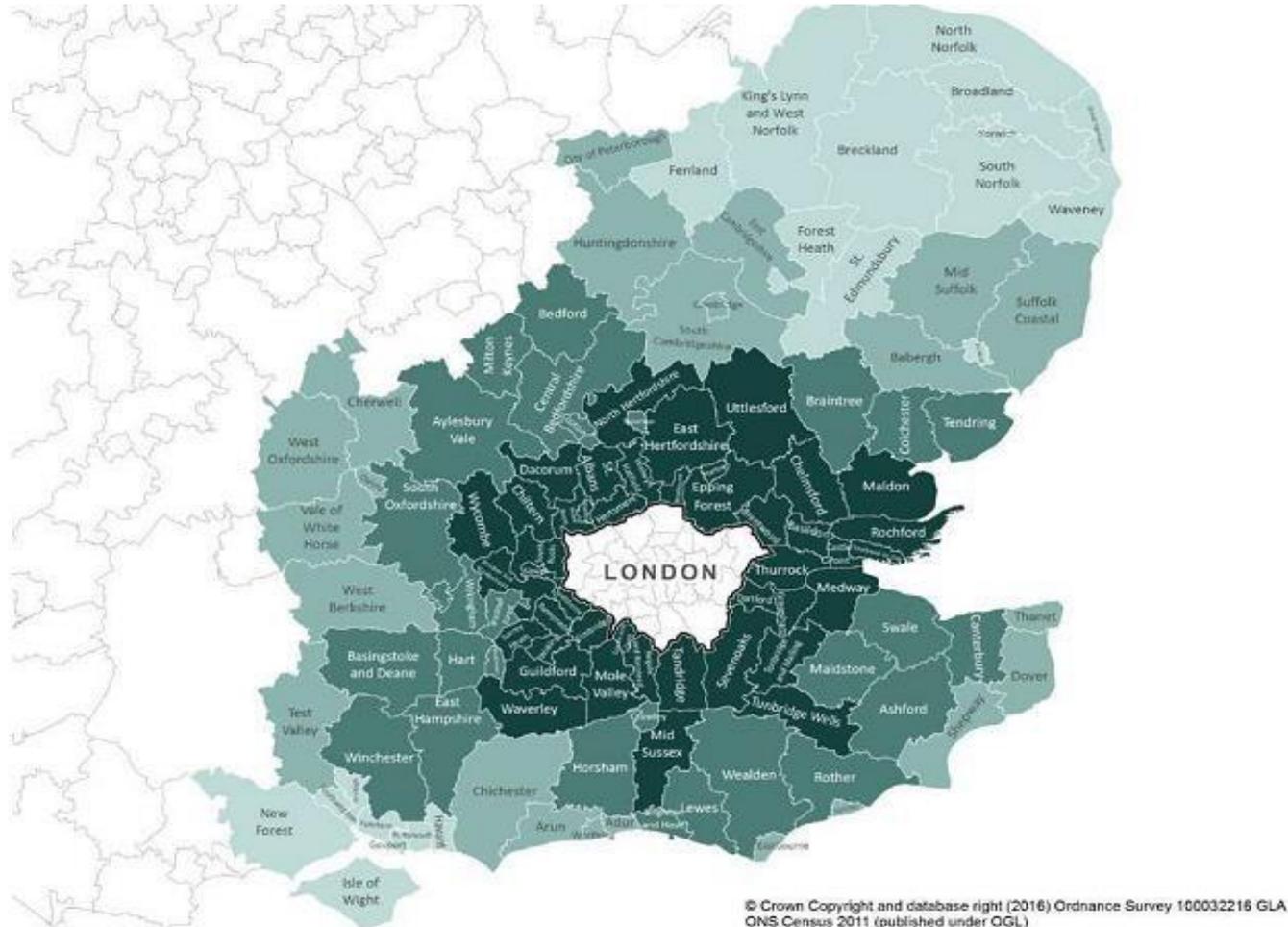
LONDON



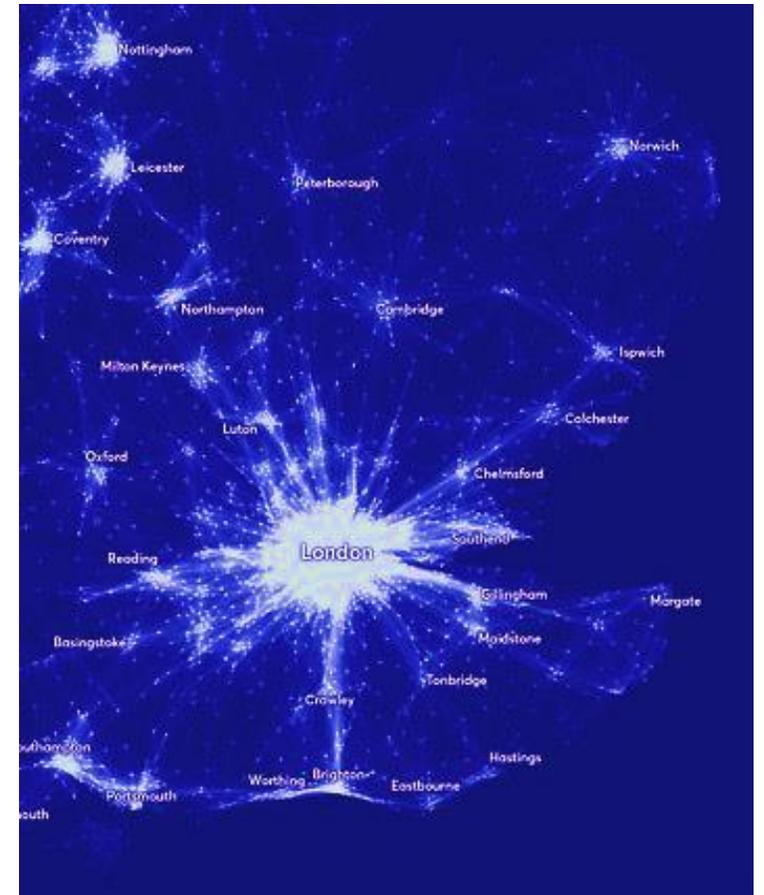


Greater South East & London functional area

COMMUTING



- 500,000 South East residents commute into London to work / 180,000 London residents commute to SE
- 380,000 EoE residents commute into London to work / 100,000 London residents commute into EoE





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Delivering prosperity through innovation

SUMMARISING THE GLOBAL AND UK IMPACT AND OUTLOOK

*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 between 6% and 14% contraction
- Banks making provisions for bad loans
- Employers are now signalling intention to cut jobs, recruitment, bonuses

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



ENTERPRISE M3, HAMPSHIRE, IOW AND SURREY

LOCAL RISKS: EMPLOYMENT IN SECTORS MOST AFFECTED BY SHUTDOWN AND KEY WORKER RISKS

- In the Enterprise M3 area, **129,500 employees** (with workplaces in the area) work in sectors most affected by the Coronavirus shutdown. Compared to the Great Britain average (16.9%), Enterprise M3 has a slightly higher share of employees working in shutdown sectors (17.3%). Local authority areas with the highest shares of employees working in shutdown sectors are Hart (22.3%), Woking (20.0%) and Elmbridge (19.5%).
- 195,100 employees** in Enterprise M3 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%), Enterprise M3 has a lower share of employees working in high-risk key worker sectors (26.1%). Within the LEP area, Winchester (31.4%), East Hampshire (30.2%) and Test Valley (30.0%) have 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
Basingstoke and Deane	12,600	14.7%	23,300	27.1%
East Hampshire	6,800	15.9%	13,000	30.2%
Elmbridge	11,500	19.5%	14,900	25.3%
Guildford	15,100	18.4%	22,500	27.4%
Hart	8,500	22.3%	7,600	20.0%
Runnymede	9,300	16.0%	13,200	22.8%
Rushmoor	7,600	15.3%	10,100	20.2%
Spelthorne	6,200	16.8%	7,600	20.6%
Surrey Heath	9,400	16.8%	14,100	25.1%
Test Valley	8,300	14.4%	17,400	30.0%
Waverley	9,500	18.6%	14,200	27.9%
Winchester	15,400	18.4%	26,400	31.4%
Woking	9,200	20.0%	10,900	23.6%
Enterprise M3	129,500	17.3%	195,100	26.1%
Hampshire	100,600	16.6%	168,400	27.7%
Surrey	93,900	16.7%	152,200	27.0%
Hampshire & Isle of Wight	113,400	17.2%	14,200	27.9%
Great Britain	5,038,800	16.9%	9,097,800	30.6%

LOCAL RISKS: EMPLOYMENT IN SECTORS MOST AFFECTED BY SHUTDOWN AND KEY WORKER RISKS

SHUTDOWN SECTORS

Shutdown sectors in Enterprise M3 with the largest numbers of employees are:

- Bars and restaurants (44,700)
- Other (non-food) retail (32,800)
- Arts, entertainment and recreation (22,200)

KEY WORKERS FACING BIGGEST RISKS

Sectors in Enterprise M3 with the largest numbers of key workers facing the biggest health and safety risks from Covid-19 are:

- Health and social care (85,500 key workers)
- Education (48,500 key workers)
- Food wholesale & retail (32,800 key workers)

Sectors most affected by Coronavirus shutdown

Sector	No. employees	% share of employees
Food wholesale & retail	3,800	0.5%
Other retail	32,800	4.4%
Passenger transport (assumed running at 50% capacity)	1,900	0.3%
Air transport (assumed running at 10% capacity)	400	0.1%
Accommodation and tourism	12,000	1.6%
Bars & restaurants	44,700	6.0%
Education	1,200	0.2%
Health and social care	3,100	0.4%
Arts, entertainment and recreation	22,200	3.0%
Personal services	7,500	1.0%
Total	129,500	17.3%

Sectors with key workers facing biggest health and safety risks

Sector	No. employees	% share of employees
Agriculture	4,000	0.5%
Food processing	3,000	0.4%
Print and broadcast journalism	500	0.1%
Food wholesale & retail	32,800	4.4%
Passenger transport (assumed running at 50% capacity)	1,900	0.3%
Air transport (assumed running at 10% capacity)	0	0.0%
Public administration and public services	18,900	2.5%
Education	48,500	6.5%
Health and social care	85,500	11.4%
Total	195,100	26.1%

LOCAL RISKS: INDUSTRIES

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

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
Food and drink retail	Demand: Unpredictable spikes in demand Supply: Supply chain disruption Workforce: high risk of infection	Cashflow / lease costs / payroll Disruption to business / supply chains by Jun-Aug	<ul style="list-style-type: none"> Employs 36,400 in EM3 – 4.9% of total Employs 45,700 in C2C – 5.3% of total Employs 30,400 in Solent – 5.8% of total Hampshire: 34,300 (5.7%), IoW: 3,700 (7.3%), Surrey: 25,500 (4.5%) Test Valley: employs 5,000 (8.7%) – 1.6x more important than nationally
Energy/utilities	Demand: Unpredictable spikes in demand (lockdown & isolation)	Supply chain disruption Workforce continuity	<ul style="list-style-type: none"> Employs 7,000 in EM3 – 1.0% of total Employs 10,500 in C2C – 1.2% of total Employs 5,500 in Solent – 1.0% of total Hampshire: 6,300 (1.0%), IoW: 300 (0.5%), Surrey: 5,500 (1.0%)
Health and social care	Demand: Increasing Workforce: Pre-existing workforce shortage	Rising demand, lack of workforce	<ul style="list-style-type: none"> Employs 90,000 in EM3 – 12.2% of total Employs 120,000 in C2C – 14.0% of total Employs 72,500 in Solent – 13.7% of total Hampshire: 68,000 (11.2%), IoW: 9,500 (18.8%), Surrey: 74,000 (13.1%)
Freight / logistics	Demand: Change in nature of demand Workforce: Pre-existing workforce shortage	Current and future workforce shortages impact distribution	<ul style="list-style-type: none"> Employs 13,300 in EM3 – 1.8% of total Employs 18,300 in C2C – 2.1% of total Employs 17,100 in Solent – 3.2% of total Hampshire: 14,900 (2.5%), IoW: 800 (2.5%), Surrey: 9,800 (1.7%) Spelthorne: employs 3,000 (8.1%) – 2.9x more important than nationally Test Valley: employs 2,700 (4.7%) – 1.7x more important than nationally
Insurance	Demand: Steady increase in insurance claims	Insurance losses could be heavy	<ul style="list-style-type: none"> Employs 9,300 in EM3 – 1.3% of total Employs 18,500 in C2C – 2.2% of total Employs 6,300 in Solent – 1.2% of total Hampshire: 8,500 (1.5%), IoW: 100 (0.2%), Surrey: 11,300 (2.0%) More important than national average in: Surrey, East Hampshire, Guildford, Runnymede, Rushmoor, Test Valley
Banking + fin servs	Proactively supporting vulnerable firms Little stress in funding markets currently	Reserves run short, facing bad loans and credit, balance sheet pressures, freeze on new mortgage lending, short-term cost increases	<ul style="list-style-type: none"> Employs 10,300 in EM3 – 1.4% of total Employs 16,800 in C2C – 2.0% of total Employs 8,900 in Solent – 1.7% of total Hampshire: 9,900 (1.6%), IoW: 400 (0.7%), Surrey: 10,400 (1.8%)

LOCAL RISKS: INDUSTRIES

CBI sectors most at risk – heat map / RAG rating

Sector	Impact now	Impact in Q1 – Q3	LOCAL IMPACTS
Hospitality / tourism	Demand: Sharp decline in trade since Jan c. 500,000 redundancies in past week Seasonal hires of c 500,000 cancelled	National changes seeing 70% drop in bookings YOY Likely lose a full season of trade	<ul style="list-style-type: none"> Employs 49,800 in EM3 – 6.8% of total Employs 54,700 in C2C – 6.4% of total Employs 33,900 in Solent – 6.4% of total Hampshire: 37,700 (6.2%), IoW: 6,500 (12.9%), Surrey: 33,500 (5.9%) Hart: employs 4,500 (11.9%) – 2.0x more important than nationally
Aviation / Travel	Demand: has declined rapidly	Revenue and cashflow crisis Unlikely international travel will pick up in 2020 Civil aerospace manufacturers facing significant halt and contraction in orders	<ul style="list-style-type: none"> Employs 500 in EM3 – 0.1% of total Employs 10,500 in C2C – 1.2% of total (4.7x more important than nationally) Employs 200 in Solent <0.1% of total Hampshire: 600 (0.1%), IoW: 0, Surrey: 200 (0.04%) Rushmoor: employs 400 (0.8%) – 3.1x more important than nationally
Retail & wholesale	Demand: for non-food retail depressed Supply: severe supply chain disruption Workforce: high risk of infection	Recession further depresses demand Cashflow problems – salaries and leases Disruption to supply chain	<ul style="list-style-type: none"> Employs 66,500 in EM3 – 9.0% of total Employs 75,300 in C2C – 8.8% of total Employs 44,600 in Solent – 8.4% of total Hampshire: 54,800 (8.3%), IoW: 3,700 (9.9%), Surrey: 50,100 (4.5%) Basingstoke & Deane: employs 10,600 (12.3%) – 1.5X more important than nationally
Manufacturing	Demand: urgent for some products Limited demand for others – e.g. automotive	Fall in export market and domestic demand. Ongoing supply chain disruption. Automotive manufacturers predicted to be hit worse than 2008/09	<ul style="list-style-type: none"> Employs 43,000 in EM3 – 5.8% of total Employs 41,500 in C2C – 4.9% of total Employs 44,500 in Solent – 8.4% of total Hampshire: 35,500 (1.0%), IoW: 2,100 (0.5%), Surrey: 33,500 (1.0%)
Construction	Demand: Site work ongoing Supply: Materials supply chain disruption	Projects cancelled or delayed - could see significant downturn and layoffs Lack of materials supply Lack of migrant workforce	<ul style="list-style-type: none"> Employs 41,500 in EM3 – 5.6% of total Employs 41,500 in C2C – 4.9% of total Employs 25,000 in Solent – 4.7% of total Hampshire: 34,300 (5.9%), IoW: 3,700 (4.2%), Surrey: 25,500 (5.9%) Hart: employs 2,800 (7.3%) – 1.6X more important than nationally Spelthorne: employs 3,000 (8.0%) – 1.7X more important than nationally

LOCAL RISKS: INDUSTRIES

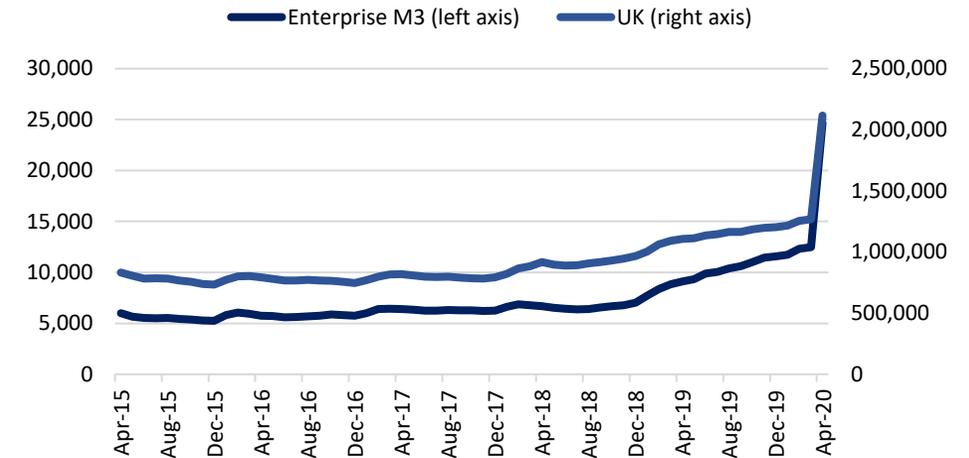
Priority and knowledge-based sectors

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"> • <u>Employs 52,300 in EM3 – 7.1% of total – 1.9x more important than nationally</u> • Employs 35,800 in C2C – 4.2% of total • Employs 22,200 in Solent – 4.2% of total • <u>Hampshire: 37,800 (6.2%), IoW: 1,200 (0.5%), Surrey: 34,300 (6.2%)</u> • EM3: 1.9x more important than nationally. Hampshire 1.7x, Surrey 1.6x
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 Defense sector continues with orders, facing some supply chain and production disruption Civil aerospace manufacturers facing significant halt and contraction in orders	<ul style="list-style-type: none"> • Employs 29,000 in EM3 – 3.9% of total • Employs 25,400 in C2C – 3.0% of total • <u>Employs 29,300 in Solent – 5.6% of total – 1.8x more than nationally</u> • <u>Hampshire: 33,500 (5.5%), IoW: 3,100 (6.0%), Surrey: 22,200 (3.9%)</u> • Hampshire: 1.7x more important than nationally, IoW 1.9x
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"> • <u>Employs 12,100 in EM3 – 1.6% of total</u> • Employs 8,800 in C2C – 1.1% of total • Employs 8,100 in Solent – 1.5% of total • <u>Hampshire: 11,100 (1.8%), IoW: <50 (0.1%), Surrey: 9,400 (1.7%)</u> • EM3: 1.8x more important than nationally. Solent 1.9x, Hampshire 2.0x, Surrey 1.8x
Satellites and space manufacturing and satellite communication	Mixed impact. Defence related projects remain on-track. Commercial projects face uncertainty	Supply chain disruption; demand from TV and broadcasting organisations may be hit by downturn in advertising revenue	<ul style="list-style-type: none"> • Employs 1,400 in EM3 – 0.6% of total • Employs 900 in C2C – 0.1% of total • Employs 5,100 in Solent – 1.0% of total • Hampshire: 2,800 (0.5%), IoW: 1,500 (2.9%), Surrey: 1,000 (0.2%) • Solent 3x more important than nationally, IoW 9x more important
Computer games publishing and interactive software	Physical retail sales reduced. Online sales boosted.	Links to movies may mean delayed releases.	<ul style="list-style-type: none"> • Employs 1,000 in EM3 – 0.1% of total, 3x more important than nationally • Employs 8,800 in C2C – 1.1% of total, 2x more important than nationally • Employs 100 in Solent – 0.4% of total • Hampshire: 200 (<0.1%), IoW: 0, Surrey: 1000 (0.2%)

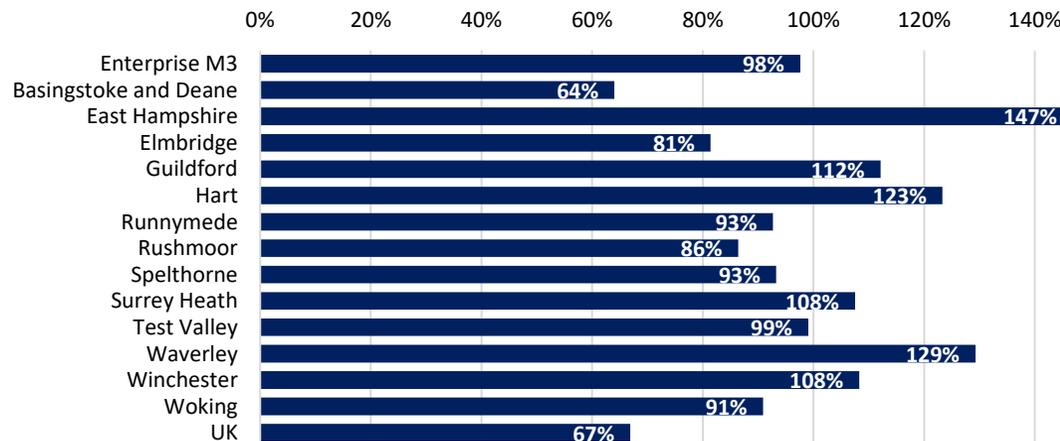
INCREASE IN UNEMPLOYMENT

- The Claimant Count in Enterprise M3 increased sharply in April 2020, and at a sharper rate than the UK average. In April 2020, there were 24,680 Jobseeker’s Allowance and Universal Credit ‘searching for work’ conditionality claimants in Enterprise M3.
- Compared to March 2020, the number of claimants in Enterprise M3 increased by 98%. This was above the UK average increase (+67%). Across the LEP area, the largest increase was in East Hampshire (+147% - the 7th highest rate of increase of all 379 local authority areas across the UK). Only Basingstoke and Deane experienced a below-average rate of increase.
- The Claimant Count rate (the number of claimants as a percentage of working age people) in Enterprise M3 rose to 2.6% in April, up from 1.3% in March. This remained well below the UK average rate (5.1%). Within the LEP area, rates ranged from 2.0% in Hart to 3.3% in Spelthorne.

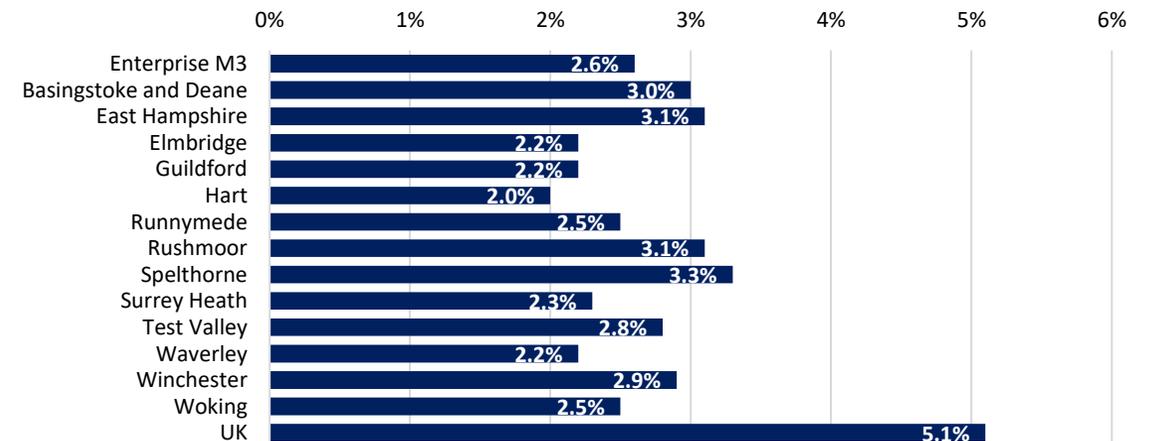
Numbers of JSA/UC Claimants



% change in numbers of claimants March-April 2020



Claimant Count Rate April 2020

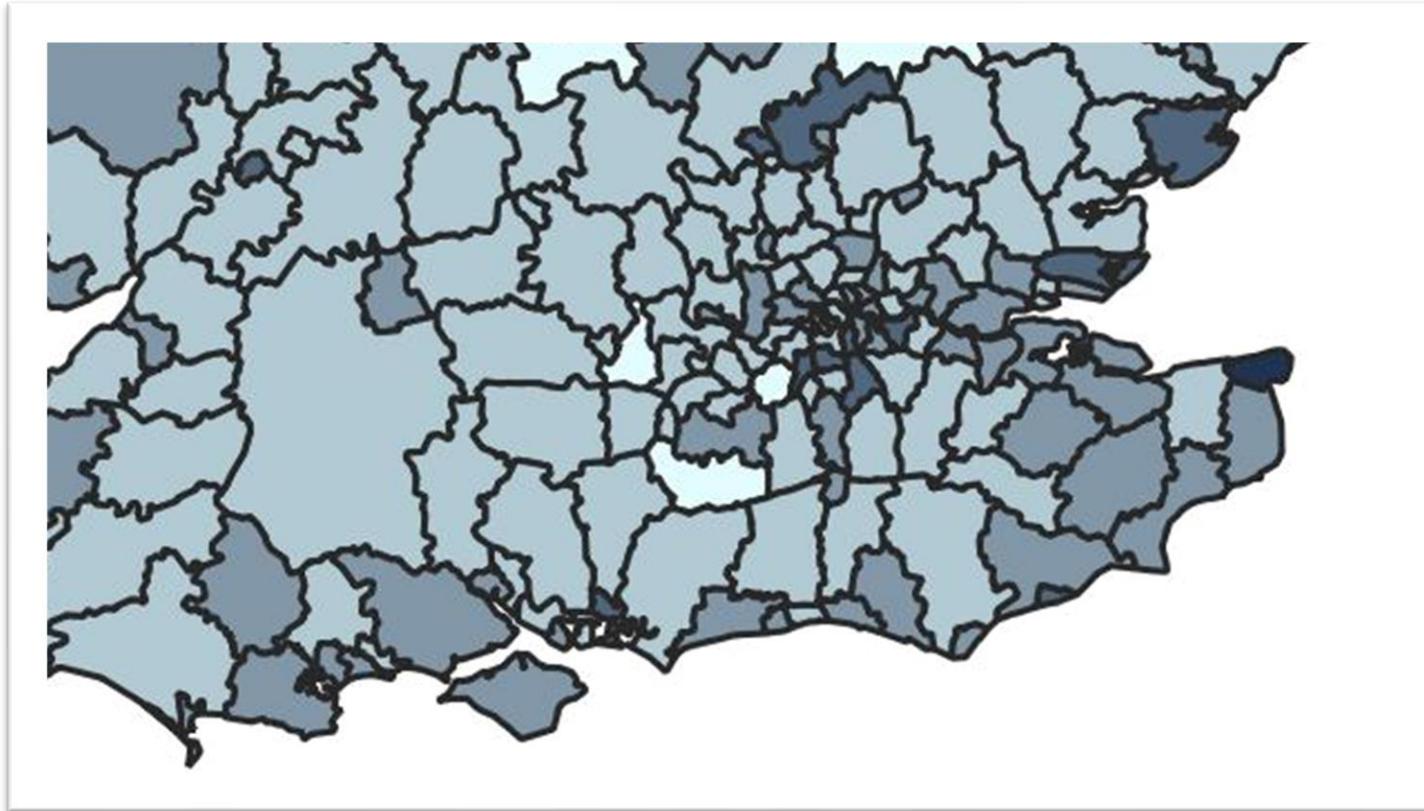


INCREASE IN UNEMPLOYMENT

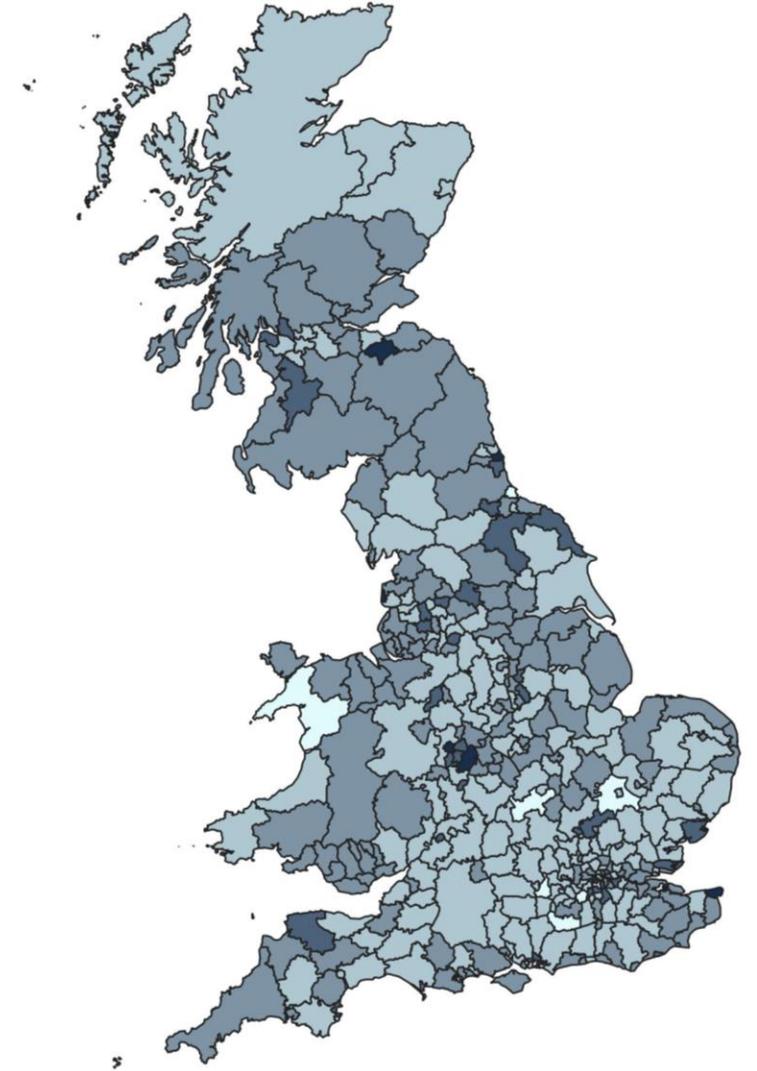
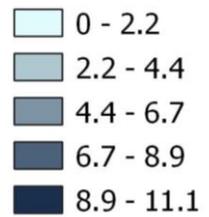
Claimant count rates in most recent two months

	March 2020 - total claimants	April 2020 - claimant rate	March 2020 - total claimants	April 2020 – total claimants	Monthly increase in claimants March to April
Enterprise M3	1.3%	2.6%	12,490	24,680	98%
Basingstoke and Deane	1.8%	3.0%	2,015	3,305	64%
East Hampshire	1.2%	3.1%	885	2,185	147%
Elmbridge	1.2%	2.2%	995	1,805	81%
Guildford	1.0%	2.2%	990	2,100	112%
Hart	0.9%	2.0%	515	1,150	123%
Runnymede	1.3%	2.5%	750	1,445	93%
Rushmoor	1.7%	3.1%	1,030	1,920	86%
Spelthorne	1.7%	3.3%	1,040	2,010	93%
Surrey Heath	1.1%	2.3%	600	1,245	108%
Test Valley	1.4%	2.8%	1,045	2,080	99%
Waverley	1.0%	2.2%	700	1,605	129%
Winchester	1.4%	2.9%	1,030	2,145	108%
Woking	1.3%	2.5%	825	1,575	91%
Hampshire	1.6%	3.3%	13,355	26,935	102%
Surrey	1.2%	2.5%	9,040	18,090	100%
Hampshire & Isle of Wight	1.8%	3.5%	15,935	31,665	99%
UK	3.0%	5.1%	1,268,620	2,117,360	67%

CLAIMANT RATE: APRIL 2020



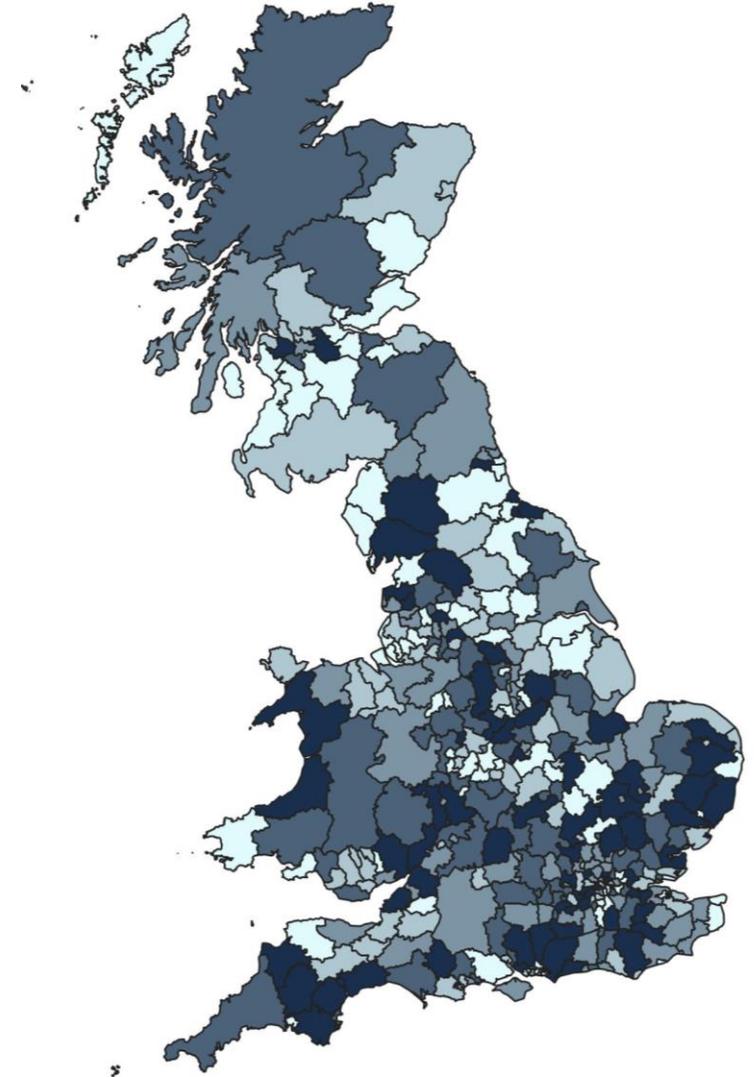
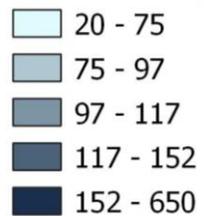
Claimant unemployment rate, April 2020, %



% INCREASE IN TOTAL CLAIMANT UNEMPLOYED, COMPARING APRIL 2019 TO APRIL 2020 – YEAR-ON-YEAR INCREASE



% increase in total claimants, year-on-year from April 2019 to April 2020



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