GREATER LONDON AUTHORITY

COVID-19 Economic Impact Analysis

A summary report to the Greater London Authority examining the economic impact of COVID-19 on London's SMEs

August 2020

Created by:

Bloomberg Associates

In collaboration with:

slalom CKA DueDil

Content

Introduction

The Coronavirus pandemic has hit global, national, and local economies with unprecedented force. As with the majority of crises, the most vulnerable parts of the economy will likely take the hardest hits. By focusing on London's small businesses, this analysis aims to support those in most need, and align to the Mayor's strategy of supporting the Small and Medium Enterprises (SMEs), which account for over 99% of all companies in the Greater London area.

Currently, most recovery research and models take a top-down, macroeconomic approach, leveraging a combination of national-level data, with insights from past economically cataclysmic events. While valuable, there are a few limitations to this approach:

- The top down approaches often miss factors specific to a city level economy
- Over-reliance on insight from past events underestimates the complexity of the current situation
- The model outputs are not sensitive enough to be actionable and applicable at the city level

In this project our team partnered with Greater London Authority (GLA) Economics, and the GLA's Enterprise and Policy teams to drive a bottom-up approach, which focuses specifically on the most vulnerable combination of sectors and locations in the Greater London area, and accounts for the relationship between the components that make up economic indicators at the business category or business geographic levels.

To this end, we leveraged a combination of publicly available data and combined it with private sector near real-time data (in as close to real time as possible), to get a deeper, more granular, and more realistic understanding of the economic recovery landscape in which SMEs are currently fighting for survival. This perspective does not aim to replace the macroeconomic approach, but rather complement it to provide a more complete, holistic understanding of the economic status at a profoundly granular level.

This exercise was conducted between March 2020 and June 2020, and leverages the most updated data available at the time. It is important to note that new data and evidence constantly emerges, and that the goal is to be able to integrate new data, update the material, and continually update actionable insights in future iterations of this work.

While this approach is tried and tested in other environments and disciplines, the methodology here, described in detail in the data package supplementing this report, is, to our knowledge, the first scalable attempt to apply this approach to the economic assessment for a city. It is also important to note that this project aims to bring to light the most accurate, updated, and relevant insight, but does not go into how this insight should be used to design or impact policy and intervention decisions.

We recognise that like any other data driven economic modelling, it has its assumptions and limitations. Nevertheless, we are confident in the directional validity of our insights, learnings and analysis as key tools that could enable the GLA to make more informed, evidence-based decisions on policy interventions as they work towards London's economic recovery.

The Team

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This study was a combined effort across several consulting and data partners, all of whom contributed their time, data, and expertise on a pro-bono basis, for the betterment of London, its citizens, and the ability of the GLA to lead an effective effort in economic recovery.

Consulting Partners

Bloomberg Associates

slalom

Data Partners

burningglass TECHNOLOGIES

CKA

DueDil

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London's SME Economy

London's SMEs

The public health response to the COVID-19 outbreak has required an economic lockdown across the globe that is unprecedented in modern history. Businesses of all sizes have had to rapidly convert to online and remote functionality. Across all sectors, businesses large and small were required to close down over-night with little knowledge of when or to what degree re-opening would be possible.

Urban areas have been at the forefront of the pandemic in many nations. Their function as economic centres of activity left them vulnerable to exponential economic impacts. London is the centre of the economy in the United Kingdom, and while representing 13% of the population, it accounts for more than 23% of its entire national economic output[1]

SMEs in LONDON[2]

- Total SMEs in London: 1,010,000
- % of all London businesses: 99.8%
- % of total employment: 52% (excluding "gig-economy")
- % of business turnover: 48% (£500BN)
- Average sectoral growth rate: 29%

The incredible diversity of SMEs across the city may prove advantageous in enabling resilience and supporting London's position as a global city. This unique composition of a "nation of shopkeepers"[3] has both strengths and weaknesses when it comes to the ongoing economic impacts of the COVID-19 lockdown. The concentration of large economic forces and companies, and London's position as a global economic capital could be leveraged to help small businesses relative to places without large companies and economic gravitas.

On the other hand, the diversity and complexity of London's SME ecosystem also makes the design of interventions, policymaking, and resource allocation extremely challenging. Addressing high (and growing) income inequality represented across geographic, demographic, and sectoral levels, is likely to be a critical component in the path to economic recovery. Evidence shows that the COVID-19 pandemic has had a disproportionate impact on disadvantaged groups, and specific demographic segments.

[1] https://www.theguardian.com/commentisfree/2019/may/20/london-uk-economy-decentralisation
[2] https://www.gov.uk/government/statistics/business-population-estimates-2019
[3] https://www.thearticle.com/a-nation-of-shopkeepers-and-proud

London’s economic resilience and vulnerability

Economic Resilience

London’s diversity, its position as a global economic epicentre, the inherent adaptability of its population and the ecosystem of hundreds of thousands of small businesses provide a strong foundation to support its economic recovery.

However, widespread changes to the nature of work – from remote working to automation, as well as a widening income disparity gap, will require forward thinking policies that bring people along into the new economic models through workforce development, supply chain resilience and business protections and trade.

At the heart of much of the economic stabilisation and recovery efforts that are arising across the world’s cities is the hope that some of the vulnerabilities and inequities that have been exposed need to be addressed if the recovery is to be equitable and inclusive[4].

People from **BAME backgrounds** have experienced a disproportionate number of COVID-19 deaths in their communities. These same communities have also seen disproportionate job losses. Lower-wage and lower skilled jobs in the service industry and other trades have been severely impacted. Jobs across the board in lower-ranked Index of Multiple Deprivation (IMD) areas have been lost. However, there is an incredible resilience and resourcefulness across London’s communities that will be key in transition and recovery.

There are many important conversations happening about the future of work across the world - from remote models to more flexible and modular production. The economic impacts of the COVID-19 lockdown have much to do with pre-existing financial and economic realities for SMEs and employees in London.

It has been important to understand, at a granular, grass-roots level, the health and vulnerabilities of London’s SME ecosystem and employees in order to illustrate the impact and develop some predictions for the immediate future.

Like many nations, the UK central government has provided interim support to businesses to mitigate against the impacts of the economic downturn. The largest program that has been provided is the Coronavirus Job Retention Scheme.

[4] https://www.london.gov.uk/press-releases/mayoral/calls-to-tackle-covid-19-inequality

The data

This analysis used the most relevant data available as of Q1 and Q2 of 2020. As updated data becomes available, this analysis can and should be expanded to make use of most recent and relevant data.

The data used for this analysis does not consider the immediate potential spike in insolvencies and unemployment that could potentially occur once the Coronavirus Job Retention Scheme (CJRS) and Coronavirus Business Interruption Loan Scheme (CBILS) expire. Drawing on the data and insights of companies and employees who have been supported by the CJRS could offer indications into unemployment and turnover challenges that London may be facing in the future.

To understand **business and sectoral vulnerabilities**, it was possible to gather quantitative information about individual companies and sectors. Much of this data was made available through private sector partners. These indicators are available in meaningful enough sample sizes as to offer insights into the overall "fiscal health" of the SMEs that make up the London economy.

Understanding the pre-existing **vulnerabilities of the workforce** and employees of these SMEs is a different challenge. There are socio-economic, mobility and skills variables that are all incredibly meaningful to understanding the overall impact on the workforce in Greater London and how they have been and will continue to be affected by the economic impacts of the COVID-19 lockdown.

For the purposes of this report, the existing vulnerabilities of employee groups has been assessed by looking at employees at risk and furloughed employees, across geographies, industry sectors, or both.

Indicators used in this study

- # SMEs in a geographic region (e.g. Borough, MSOA, etc.) or sector (e.g. SIC, sector, etc.)
- # SME employees (by region and/or sector)
- SME turnover over the past 12 months (by region and/or sector)
- Estimated total post tax profit of London SMEs
- Estimated turnover at risk by London SMEs
- Geometric mean of liquidity ratio (current ratio) per company for London SMEs
- Geometric mean of debt to assets solvency ratio per company for London SMEs
- Average credit risk banding (very low, low, moderate, high) of London SMEs
- % of SMEs at risk (by region and/or sector)
- % turnover at risk by London
- % London SMEs in Set 2 sample ineligible for Coronavirus Business Interruption Loan
- % employees at risk by London SME
- IMD Deprivation Ranking scale by location
- BICS (COVID Survey):
  - Forecast for % Q2 turnover drop of London SMEs
  - Estimated % furloughed staff for SMEs
  - Estimated forecast for Q2 turnover drop of London SMEs
  - Estimated furloughed staff for SMEs

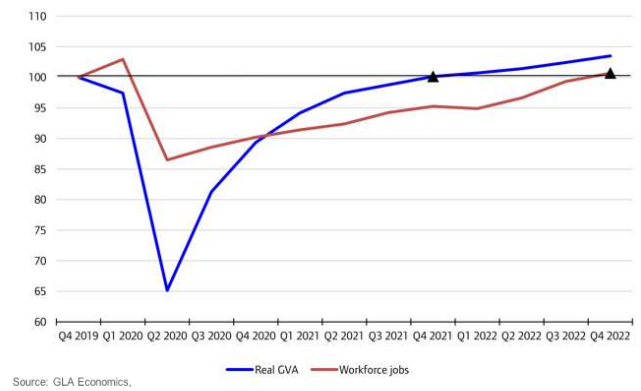
Initial macroeconomic scenarios

- In May 2020 GLA Economics published a set of projections for London's economy post-COVID reflecting assumptions for the UK economy set out in earlier Office for Budget Responsibility (OBR) and Bank of England scenarios.
- According to the GLA forecasts reflective of the OBR and Bank of England inputs, London's real Gross Value Added (GVA) growth is expected to decrease by -17% in 2020, and then rebound at a rate of +17% in 2021.
- "Standard" rates of growth are not expected to stabilise until 2022 (+4.5%).
- This economic output path is expected to be accompanied with a -7% annual drop in workforce jobs for 2020, and a slow recovery throughout 2021 (+1.4%) and 2021 (+4.9%).
- Charts and graphs have been sourced from GLA Economics.

GLA employment Projections:
- 2020: -420,000 jobs
- 2021: +70,000 jobs
- Not returning to pre-COVID levels until 2023

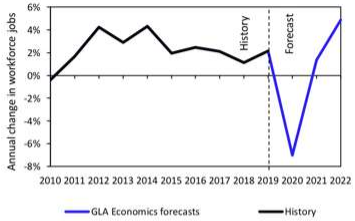
GLA GDP Projections:
- 2020: -£76.7bn
- 2021: +£65.3bn
- 2022: +£11.0bn and return to pre-COVID levels

Figure 1.3: Expected shape of the economic recovery under the GLA Economics reference scenario[15] (index)

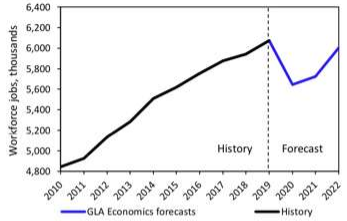


Source: GLA Economics,

Annual growth (%)



Level (million of workforce jobs)



Source: GLA Economics,

	Growth (annual %)					Level (millions of workforce jobs)				
	2019	2020	2021	2022			2019	2020	2021	2022
GLA scenario-based forecast	2.2	-7.0	1.4	4.9		GLA scenario-based forecast	6.07	5.65	5.72	6.00

Updated macroeconomic scenarios (July 2020)

In July 2020, GLA Economics updated its forecasts which now created three scenarios:

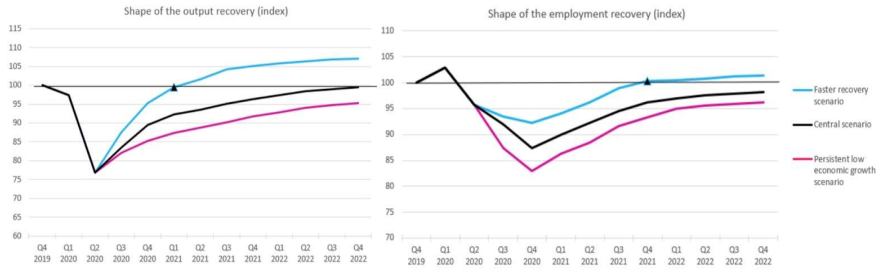
- Fast economic recovery (recover to pre-COVID-19 trends by 2023)
- Gradual return (recovery after 5+ years)
- Slow economic recovery (diminished growth all the way out to 2030)

Since this analysis was conducted before this data was released, these new scenarios are not reflected in the analysis conducted here but can be included in future iterations.

London's real **GVA growth rate** could be **-10.8% (£50bn) to -14.7% (£67bn)** this year. This growth rate is then expected to rebound to 4.9% to 15.1% in 2021, before returning to more normal figures in 2022 (3.7% to 5.2%)

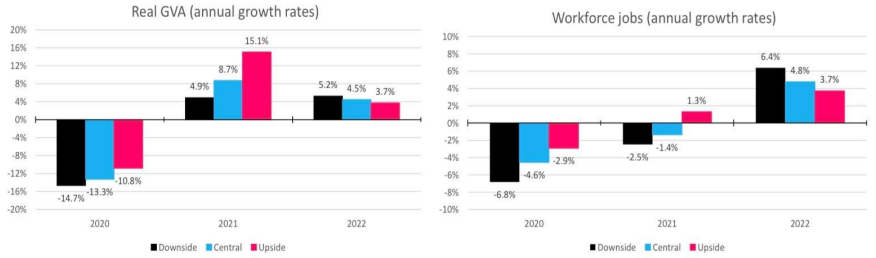
Workforce jobs would decline between **2.9% (170k)** and **6.8% (410k)** this year. These (or other) jobs would return in 2022 under the fast recovery scenario, but unemployment would continue to rise in 2021 under the other scenarios.

Medium-term scenarios projections (1)



Source: GLA Economics

Medium-term scenarios projections (2)

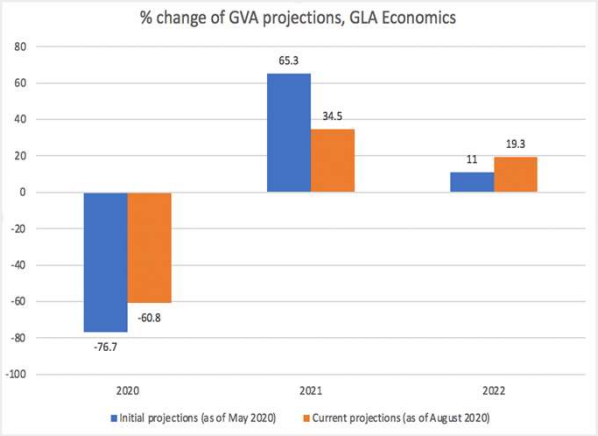


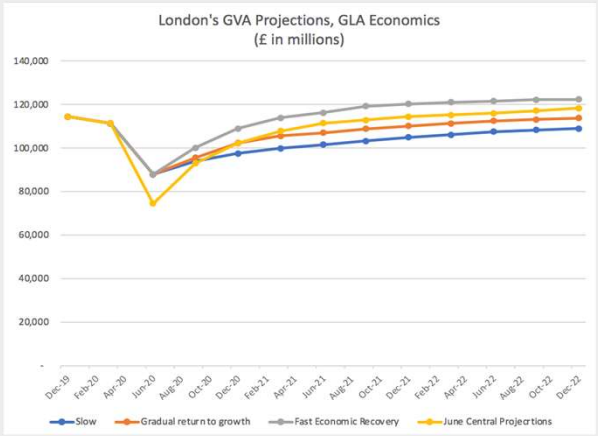
Source: GLA Economics, August 2020

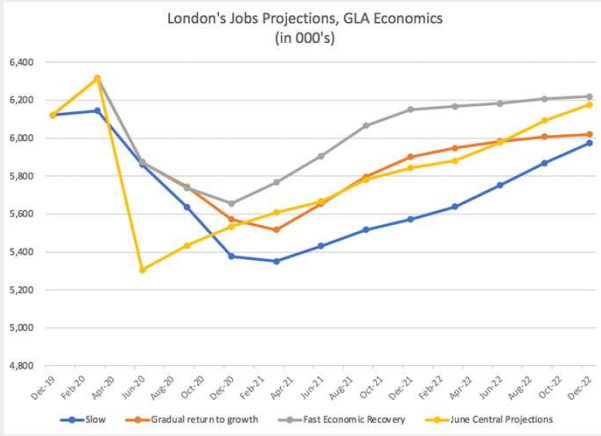
Initial vs. July 2020 macroeconomic projections

The following graphs present the initial projections released by GLA Economics in May compared to the most recent projections released in August 2020.

Current data indicates that the economic impact for 2020 will not be as severe as initially expected (-£60.8BN in projected GVA loss in 2020 vs the initial expectation of -£76.7BN in GVA loss). However, projections also now indicate a significantly slower recovery (+£34.5BN gain in 2021 vs. the +£65.3BN initially expected).







Source: GLA Economics, August 2020

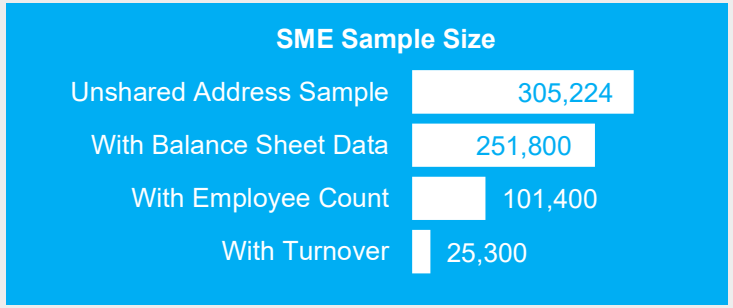
Risk calculations and samples

Pre-existing vulnerabilities can be understood through the data to help pinpoint weaknesses across different sectors. These factors must be taken in consideration of SME clustering geographies, as well as the types of businesses that make up a sector and might therefore have sweeping impacts on availability of goods and services delivery across the city. Business risk was assessed as a calculation using the four key indicators, agreed upon in consultation with the GLA. A full explanation of this calculation is provided on page 38 of the Data Package: SME Risk Scenario Based on Combined Indicators.

- **Current liquidity score:** the ratio of a company's current assets to its current liabilities. This captures the ability of a company to readily meet its short-term liabilities. A low liquidity score can indicate a company lacks enough accessible cash to maintain its current liabilities.
- **Debt-to-assets ratio:** the ratio of a company's total debt to its total assets that captures how leveraged a company is. A high score can indicate a company with more debt than it can readily service and may affect its eligibility for financing.
- **Credit risk:** a proprietary indicator and groups companies by credit score into low (1), medium (2), high (3) and very high (4) bands.
- **CBILS eligibility:** company profiles to determine SME eligibility for the government-backed Coronavirus Business Interruption Loan Scheme (CBILS).

Samples: Sample sizes are important to recognize. The samples included in the study are substantial enough to represent the larger SME population in London. However, as with all samples, some considerations should be taken, and percentage and change values should be prioritised as more representative of reality than absolute numbers.

Note on data updates: Furlough rates data is derived from ONS Business Impact COVID-19 (BICS) survey as this is the most accurate and timely data available at the time of analysis, HMRC data has since become available, which may create some differences across London sectors and boroughs.



GLA Sectors

First, it was important to understand which business sectors are currently experiencing economic challenges, and how these challenges may evolve, based on potential scenarios in the near future. With limited resources and time, the team prioritised examination of sectors that have experienced the highest levels of economic challenges.

In this exercise, a GLA Sector Classification built from ONS SIC codes, which is aligned with the one used in the London Input-Output Model, was applied. It was combined with data about companies, turnover, risk, financials, movement, credit, and demographic data to create a series of indicators which were confirmed by the GLA.

The indicators generally divide into three areas, which are included in the three tables detailed in the following pages, segmented into three focus areas - **Turnover**, **Employment**, and **Business risk**.

Lastly, it is important to note that this analysis does not reflect real time information and emerging evidence on movement and footfall across different parts of the city, which have been made available since this analysis was concluded, and that result in different local impacts across sectors of the London economy in the transition phase.

Indicators of turnover

Summary

In analysing turnover, included were past turnover, profits, and additional performance data reported through DueDil and Companies House, combined with forecast data assessing potential recovery scenarios. Then macroeconomic projections provided by the GLA* were accounted for to get a combination of bottom-up and top-down informed potential scenarios to assess future performance.

Total turnover, post tax profits, Q2 turnover drop, Q2 turnover percentage drop, future turnover at risk, and percentage of future turnover at risk were considered as key indicators of interest, which were confirmed by the GLA Economics team.

A relatively low percentage (8–10%) of SMEs in the sample provide a reported turnover in their accounts. While these percentages still enable high levels of confidence in the representativeness of the data, and while adjustments were made to account for varying reporting rates, different sectors and geographic areas have varying sample sizes. This should be considered when making conclusions based on revenue-based indicators.

Top Ranked GLA Sectors

Estimated total turnover for the past 12 months	
Administrative and Support Services	£57,152,708,850
Information and Communications	£54,849,754,459
High Value Business Support	£46,124,657,789
Wholesale (incl. Motors)	£45,309,926,396
GLA Sector Average	£20,420,163,314

Estimated percentage of Q2 turnover drop	
Accommodation and Food	-46%
Construction	-45%
Travel and Tourism	-39%
Administrative and support services	38%
GLA Sector Average	33%

Estimated post tax profits for the past 12 months	
High Value Business Support	£4,036,804,883
Administrative and Support Services	£3,197,507,578
Information and Communications	£2,462,887,005
Real Estate, Architecture	£2,107,036,225
GLA Sector Average	£1,054,484,062

Estimated total turnover at risk	
Information and communications	£7,821,292,983
High value business support	£5,128,608,493
Administrative and support services	£3,564,947,000
Retail (excluding Motor)	£2,660,652,727
GLA Sector Average	£1,444,926,120

Estimated total of Q2 turnover drop	
Administrative and support services	£4,062,847,547
Wholesale (including Motor)	£4,031,907,174
High value business support	£3,190,315,235
Information and Communications	£3,045,119,404
GLA Sector Average	£1,479,100,828

Estimated percentage of turnover at risk	
Information and Communications	15%
Transport and Storage	13%
High Value Business Support	12%
Science R&D + Vet	11%
GLA Sector Average	6%

* GLA projections provided were in line with the London Economic Outlook published on June 15th, which were based on OBR/ BoE scenarios from late April and May, 2020.

Indicators of turnover

Key Take-Aways

- Three of the five highest revenue SME sectors in London are related to business operations; **Administrative and Support Services**, **Information and Communications**, and **High Value Business Support**. These same sectors are again represented in post-tax profits, and estimated total turnover at risk, though at a slightly different ranking order. Only one of them (Administrative and Support Services), is at the top of percentage of turnover drop. So, while they account for large portions of the overall SME turnover in London, these sectors may not be the ones in most urgent need of immediate recovery support or stabilisation.

- While both **Retail** and **Wholesale** sectors rank within the top 5 in terms of total turnover, their lower margins are reflected in post-tax profits. **Wholesale**, which ranks fourth in total turnover, but has relatively low margins, also ranks second in turnover drop. This may be explained not only through the low margins of the business profits in the sector, but also in overall reduction in wholesale activity across the different SIC codes represented in the sector. With an uncertain future ahead, both individuals and businesses may be reluctant to invest in supplies, restock inventory, or take on any commitments that cannot materialize in the immediate future.

- A more representative view of the economic impact of the lockdown is seen when observing the estimated percentage of turnover drop, where one can see industries that rely on physical movement and interaction exhibiting the highest rates of expected turnover decline. As expected, the highest drop rates in turnover are projected in the **Accommodation and Food**, **Travel and Tourism** and **Construction** sectors. **Arts, Entertainment and Recreation*** are also expected to be deeply impacted, as museums, theatres, cinemas, and other SMEs in the sector were completely shut down.

- Looking at risk indicators, one can see a strong correlation between the sectors with the highest past rates of turnover with the ones with highest rates of turnover at risk. The outliers are **Transport and Storage**, where lockdown has severely impacted people's usage of transportation services, and **Science R&D**, where it might be assumed that the impact on research institutions, universities, and colleges has brought many budget decision makers to pause future investment opportunities and upcoming projects and initiatives.

*This is sector R in the ONS Sectoral Industrial Classification 2007. It includes museums, libraries and archives, galleries, performing and visual arts, plus the operation of historical visitor activities. Most of these are part of the much broader definition of cultural industries and creative economy developed by the Department for Culture, Media & Sport (DCMS). The latter has been used as the basis for the deep dive on page 42.

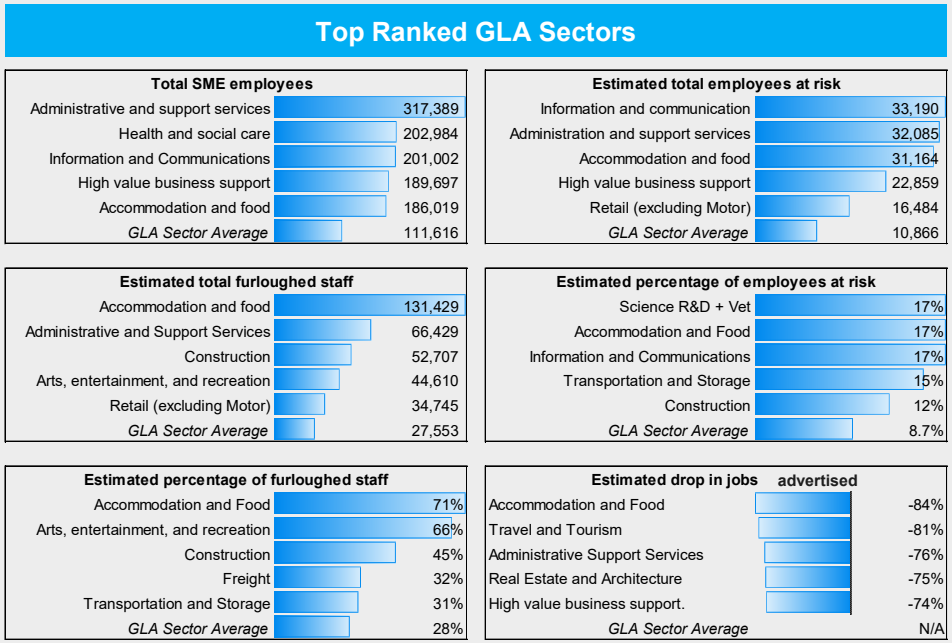
Indicators of employment

Summary

Employment is a critical component of SME economies, not only because of the volume of employees that work in SMEs, but also because of a lower skills investment, and skill transferability, which make workforce development more challenging, costly, and time consuming.

The total of SME employees in London were examined, and outputs were combined with survey data and financial reporting to assess current **estimated furlough rates, percentage of furloughed staff, total employees at risk, and percentage of employees at risk** for each GLA sector.

Burning Glass provided data about the current rates of **advertised employment opportunities**, by sector.



Indicators of employment

Key Take-Aways

- **High Value Business Support**, **Administrative and Support Services**, and **Information and Communications** sectors are three of the largest five SME employers in London. **Health and Social Care** is the second largest SME sector, employing over 200k people. The fact that **the Health and Social Care** sector is not represented in turnover indicates the low average revenue cycles in the sector.
- With most hotels and restaurants deeply impacted by lockdown, it is unsurprising that **Accommodation and Food** furlough rates are well ahead of any other sector, with almost as many furloughed employees as the next three largest sectors combined at over 131,000 people, representing 71% of all sector SME workforce. Even with the gradual lifting of restrictions, social distancing, reduced travel, and restrictions on public gatherings place **Accommodation and Food** at the top of employees at risk ratings, with 17% of SME employees, totalling over 30,000 individuals at risk; based on our calculations in this scenario, which are based on the sample sizes and methodologies previously described.
- The shutdown of any places of public gathering is also drastically impacting the **Arts, Entertainment and Recreation** (AER) sector, where an estimated 66% of all staff are being currently furloughed. The **AER** sector does not appear in the top of employees at future risk, which may indicate a relatively fast expected recovery, as lockdown restrictions are gradually lifted. It is important to note that a continual first wave, or second and third waves of COVID-19 breakouts (with related lockdowns) may drastically change this forecast.
- In the **Travel and Tourism** sector there is a significant reduction in job advertisements (down 81%), representing the uncertain future of the sector, and the reluctance of business owners to invest in business growth for the short to medium term.
- In the **Construction** sector, there is a high percentage rates of furloughed employees (45%) and employees at risk (12%).
- In the **Retail** sector, there is a high volume of furloughed employees and employees at risk. Neither of these is represented through high rates when looking at the percentage of **Retail** SME employees that are furloughed or are at future risk. However, the sheer volume of employment in the sector, as well as the trickle-down impact of retail downturns on town centres and high streets does merit a closer examination and potential intervention design.

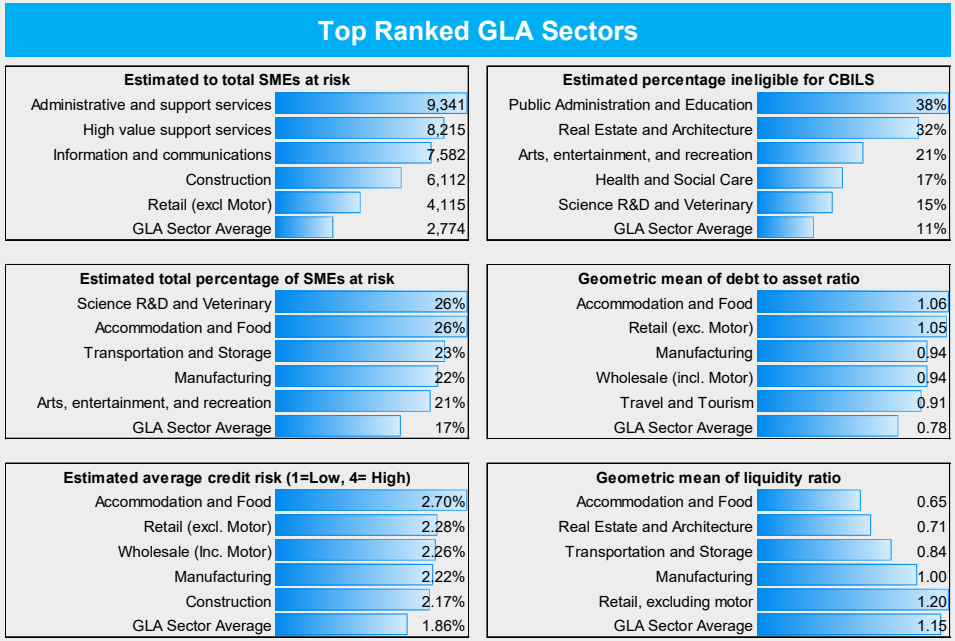
Indicators of business risk

Summary

For the purposes of this exercise, business risk has been calculated using weighted averages across three components of “business health”, and include **Credit Risk, Debt to Asset Ratio,** and **Liquidity Ratio**.

To this, the additional component of **eligibility for CBILS support** was added. Finally, these calculations were integrated into the larger macroeconomic projections provided by the GLA to get a sense of the ability of SMEs in different business sectors to “weather the storm”.

To the right is a breakdown of these risk indicators to specific GLA sectors, as well as the total number and the percentage of SMEs at risk in the highest risk sectors.



Indicators of business risk

Key Take-Aways

- In terms of sheer numbers, business operation- related sectors account for a disproportionate volume of SMEs at risk, with over 25,000 SMEs that fit the “at-risk” definition. However, when looking at which industries are projected to be most vulnerable in terms of the largest percentage of SMEs being “at risk” a different set of sectors appear, with **Science R&D** (26%), **Accommodation and Food** (26%), **Transportation and Storage** (23%) **Manufacturing** (22%) and **Arts, Entertainment and Recreation** (21%) exhibiting the highest percentage rates of SMEs at risk.
- There is a balance to be had between looking at the overall number of businesses that are “at risk”, vs. entire sectors that are closer to collapse. While the sheer numbers are important, the collapse of an entire sector, or large parts of it, may have ripple effects on other sectors, creating a domino effect of economic impact which will reflect in both turnover and jobs.
- **Accommodation and Food** seems to be the industry with the highest overall risk, with the highest rates risk in four of the six indicators examined, including highest rates in percentage of SMEs at risk (26, tied for first), Highest credit risk score (2.7), highest debt to asset ratio (1.06) and lowest liquidity ratio (0.65).
- Another sector that stands out is **Retail**, which has a high number of SMEs, combined with high credit risk, and a high debt to asset ratio. For SMEs, there is great concern about the ability of retail stores to bounce back to pre-COVID-19 levels.
- Finally, it is worth noting that the **Manufacturing** sector which has the 4th highest percentage of SMEs at risk (22%), also exhibits high rates of Credit Risk (2.22), Liquidity ratio (1.0) and debt to asset ratio (0.94). While many small manufacturers may be able to continue production lines with limited movement across large areas, the small margins in which the sector generally operates make it a risk that the GLA may want to further examine.

GREATER LONDON AUTHORITY

Boroughs

London is made up of 32 boroughs and the City of London, which together create an incredibly diverse and complex economic, ethnic, and demographic environment.

After gaining a strong understanding of London's SME environment from a sectoral perspective, it was important to assess the landscape from the perspective of London's economic geographies. While the information presented in this section can be provided at more granular levels, (to street level), this exercise primarily focused on boroughs, with some detailed examination of specific Middle-Layer Super Output Areas (MSOAs), and the GLA policy focus on high streets, and town centres.

Previously used combinations of company insights, turnover, risk, financial, and credit data were combined with mobile-based location and geo-spatial data to understand how SMEs are distributed across the London geography, where specific concentrations appear, and where one may experience areas of increased risk and potential economic challenge. Again, indicators were divided into three focus areas: Turnover, Employment, and Business risk.

Finally, we will again note that the analysis is relevant to Q1 and Q2 of 2020, and thus does not reflect emerging evidence from movement and footfall across London's local economies as the city emerges from the lockdown, which is resulting in variable speeds of recovery in the transition phase for example between central and outer London.

Indicators of turnover

Summary

Calculating indicators of turnover relied on a combination of data from DueDil, Companies House reporting, the OBR reference scenario pertaining to fall in economic output and the BICS COVID impact survey broken down over GLA-provided sectoral definitions using London-specific data.

As with the sectoral analysis, macroeconomic projections provided by the GLA were taken into account to better understand the intersection of bottom-up and top-down perspectives. **Total turnover**, **post tax profits, Q2 turnover drop, Q2 turnover percentage drop, future turnover at risk, and percentage of future turnover at risk** were considered as key indicators of interest, which were confirmed by GLA Economics.

Note that a relatively low percentage (8–10%) of SMEs in the sample provide a reported turnover in their accounts. While these percentages provide a relative level of confidence in the representativeness of the data, and while adjustments were made to account for varying reporting rates, different sectors and geographic areas have varying sample sizes. This should be considered when making conclusions based on revenue-based indicators.

Top Ranked Boroughs

Estimated total turnover for the past 12 months	
Westminster	£43,712,678,006
Camden	£21,976,097,472
City of London	£17,193,068,236
Southwark	£16,250,812,421
Islington	£15,728,470,556
Average per Borough	£9,477,920,005

Estimated percentage of Q2 turnover drop	
Lewisham	36%
Enfield	35%
Brent	35%
Croydon	35%
Ealing	34%
Average per Borough	33%

Estimated post tax profits for the past 12 months	
Westminster	£2,745,873,836
Camden	£1,033,404,803
Hillingdon	£927,000,382
City of London	£900,393,651
Southwark	£800,127,957
Average per Borough	£520,694,151

Estimated total turnover at risk	
Westminster	£2,692,231,768
Camden	£1,622,184,921
City of London	£1,380,391,031
Islington	£1,344,406,337
Hackney	£1,343,359,490
Average per Borough	£580,291,231

Estimated total of Q2 turnover drop	
Westminster	£2,740,438,480
Camden	£1,455,027,451
Southwark	£1,083,367,953
Islington	£1,073,298,192
Ealing	£1,029,005,666
Average per Borough	£667,366,116

Estimated percentage of turnover at risk	
Hammersmith and Fulham	13%
Hackney	13%
Enfield	10%
Islington	9%
City of London	9%
Average per Borough	5.6%

Indicators of turnover

Key Take-Aways

- At a high level, the negative percentage impact on turnover in Q2 is spread across London with all boroughs seeing a **drop of 30%- 50% in projected turnover**.
- **Central London** accounts for a significant portion of London's overall economic output. This is well represented when observing both total turnover as well as post-tax profits for the past 12 months. The boroughs of **Westminster** and **Camden** top the list for both respective indicators. These boroughs are also showing less impact of percentage turnover drops, which may be due to the high concentration of larger businesses, professional services, digital, high tech, consulting, accounting, and management firms in those areas. The only outlier is the borough of **Hillingdon**, in which Heathrow airport is located, which is ranked third in post-tax profits.
- The analysis becomes more interesting in examining turnover drop. Here, other boroughs such as **Southwark**, and **Islington** are represented. While still in Central London, these boroughs have higher rates of poverty and lower IMD deprivation rankings.
- On a deeper level, it is possible to see areas of historic deprivation exhibiting the highest rates of percentage turnover drops. **Lewisham** (36%), **Enfield** (35%), **Brent** (35%) **Croydon** (35%) and **Ealing** (34%) all exhibit higher rates than the borough average of 32.8%.
- Examining total turnover at risk does not provide much insight, as the numbers are heavily skewed by the sheer volume of economic activity in the centre. However, when accounting for the percentage of turnover at risk, **Hammersmith and Fulham** (13%), as well as **Hackney** (13%) have the highest rates, almost three times the city borough average of 5.6%.

Indicators of turnover

Key Take-Aways Continued

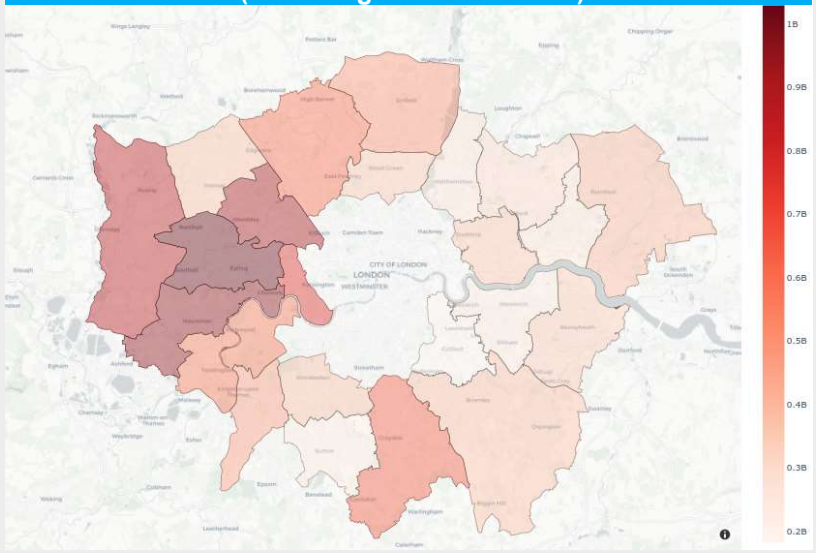
Overall, the clear economic output **divide between Central and Outer London** boroughs is well represented.

If the GLA wanted to focus on the areas of highest economic output to drive the highest numbers of economic recovery, it will probably want to look at **Westminster**, **Camden**, and **City of London** first.

However, if the GLA were interested in providing support in the areas with the highest relative proportion of impact, it may want to cross reference economic activity with deprivation, which may be represented in **Southwark**, **Hackney** and **Kensington**, and then venture to outer boroughs such as **Ealing**, **Lewisham**, **Brent**, and **Enfield**.

Finally, when we exclude Central London and recalibrate projected turnover drop, we can see a westward shift of higher impact boroughs exhibited in the following map:

Estimated Q2 Turnover Drop, by Borough (excluding Central London)



Indicators of employment

Summary

The gravitas of Central London is again evident when one examines employment by geographic divisions. It is clear that there are some areas of London that account for a huge portion of employment, but where there are very few residents, or where the resident population is demographically different than the employee population.

The overview summary will be focusing on four employment indicators- **estimated furlough rates, percentage of furloughed employees, total employees at risk, and percentage of employees at risk**. Risk calculations are described in detail in the supplemental data package.

To fully understand indicators of employment, it is necessary to account for a few factors that require a deeper dive, and are represented in the detailed data package, such as location data and daytime journeys and movement of employees across London.

To develop this perspective, the data package also provides insights and statistics which exclude Central London and provide a more balanced view of specific “employment hot-spots” in the outer boroughs.

Top Ranked Boroughs

Total SME employees	
Westminster	177,766
Camden	95,256
Southwark	87,546
Islington	80,906
City of London	74,083
London average per borough	55,941

Estimated total employees at risk	
Westminster	20,983
City of London	9,488
Camden	9,300
Islington	8,566
Tower Hamlets	8,380
London average per borough	5,292

Estimated total furloughed employees	
Westminster	48,333
Camden	21,426
Ealing	19,668
Southwark	19,007
Islington	17,997
London average per borough	13,704

Estimated percentage of employees at risk	
City of London	13%
Hackney	12%
Westminster	12%
Hammersmith and Fulham	12%
Tower Hamlets	11%
London average per borough	9%

Estimated percentage of furloughed employees	
Kensington	33%
Westminster	32%
Merton	31%
Ealing	30%
Enfield	30%
London average per borough	27.40%

Indicators of employment

Key Take-Aways

- Overall, SME employment is highly concentrated in Central London, where **Westminster** alone accounts for more than three times the average size of borough SME employees, and more than the five smallest SME employee boroughs of **Lewisham**, **Sutton**, **Kingston**, **Haringey** and **Greenwich**, combined.
- This concentration of employment is also represented in the estimated number of furloughed employees. However, when examining furloughed employment as a percentage of total employment, there are new areas of concern in **Kensington** (33%), **Merton** (31%), **Ealing** (30%) and **Enfield** (30%).
- Projecting future employment risk areas, the sheer size of Central London still accounts for the highest number of employees at risk, with **Westminster** (21k), **City of London** (9.5k), **Camden** (9.3k) representing the highest counts. But again, when examining the percentage of employees at risk, the geographic focus slightly shifts, with **Hackney** (12%), **Hammersmith and Fulham** (12%) and **Tower Hamlets** (11%) exhibiting some of the highest percentage rates of employees at risk.
- This may lead one to believe that in order to drive the highest rates of economic recovery, one must only focus on a few central boroughs. From a purely analytical perspective, this may be an obvious interpretation. However, this would not account for several critical factors such as business sector concentrations, population deprivation, equity, and the interdependency of different industries.
- A more granular examination presented later in this summary, and more thoroughly throughout the data package, is highly recommended.

Indicators of risk

Summary

Using individual companies' reported accounting and financial reporting metrics, combined with registered addresses, it was possible to compute a range of indicators that can be used to assess risk.

We assessed those against the 2019 Index of **Multiple Deprivation ranking** in our analysis for each borough, with postcode-level interpolations used throughout. Note that a lower score indicates a higher rate of deprivation.

As with business sectors, geographic distribution of risk has been calculated as a weighted average of three components of "business health", and include **Credit Risk**, **Debt to Asset Ratio**, and **Liquidity Ratio**. To this, an additional component of **eligibility for CBILS support** was added.

These calculations were integrated into the larger macroeconomic projections provided by the GLA to get a sense of the ability of SMEs in different sectors to "weather the storm" and accounted for the presence and distribution of these businesses in defined geographic areas.

Top Ranked Boroughs

IMD Ranking Score	
Barking and Dagenham (33rd of 33)	6964
Newham (32nd)	8097
Hackney (31st)	8126
Lewisham (30th)	10283
Brent (29th)	10707
London average per borough	15,236

Estimated percentage ineligible for CBILS	
City of London	16%
Camden	15%
Hackney	15%
Lambeth	14%
Tower Hamlets	14%
London average per borough	11%

Estimated total SMEs at risk	
Westminster	2991
Barnet	2125
Ealing	1972
Camden	1797
Brent	1741
London average per borough	1,398

Geometric mean of debt to asset ratio	
Newham	0.80
Barking and Dagenham	0.79
Kensington and Chelsea	0.79
Westminster	0.76
Brent	0.75
London average per borough	0.72

Estimated percentage of SMEs at risk	
Kensington and Chelsea	18.70%
Hammersmith and Fulham	17.70%
Westminster	17.60%
Newham	17.50%
Tower Hamlets	17.30%
London average per borough	15.90%

Geometric mean of liquidity ratio	
Barking and Dagenham	1.05
Hackney	1.06
Bexley	1.08
Westminster	1.10
Hillingdon	1.11
London average per borough	1.18

Estimated average credit risk (1-4 ranking scale)	
Ealing	1.91
Westminster	1.90
Brent	1.90
Hillingdon	1.89
Barking and Dagenham	1.89
London average per borough	1.82

Indicators of business risk

Key Take-Aways

- At a high level, there is a risk disparity between North and South London, as well as (but to a lesser degree) between East and West London. Northern parts of London clearly exhibit higher rates of risk, including lower liquidity, high debt to asset ratios, and higher credit risk scores. East London exhibits higher general rates of business risk, with a few boroughs of exception in West London such as **Hammersmith and Fulham** .
- The number of SMEs at risk does not correspond to the total volume of SMEs, SME employment, or turnover figures. While one may expect **Westminster** and **Camden** to have significantly more SMEs at risk due to the sheer volume of business in those boroughs, what is actually seen is a far more even distribution of SMEs at risk, indicating the need for a more granular examination of each borough to the MSOA level, and potentially, the design of hyper-local interventions.
- There is an apparent correlation between IMD ranking and risk indicators, with **Barking** and **Dagenham,** (ranked last in IMD) also exhibiting the lowest rates of liquidity (1.05) and second highest rates of debt to asset ratio (0.79). Additional boroughs with low IMD ranking that exhibit high rates of SMEs at risk include **Newham, Barnet,** and **Kensington** and **Chelsea.**
- When assessing the percentage of SMEs at risk, **Kensington** and **Chelsea** (18.7%) and **Hammersmith and Fulham** (17.7%) have the highest rates, ahead of **Westminster** (17.6%), **Newham** (17.5%), and **Tower Hamlets** (17.3%)
- CBILS ineligibility is generally concentrated in central boroughs, which is likely a derivative of particular industry prevalence in those areas, most likely legal, consulting, accounting, business support, digital, and technology companies.

Indicators of business risk

The Risk Belt

Taking a wide look at the overall distribution of SMEs at risk, the **"risk belt" of London** stretches from **Barking and Dagenham** in the East, through the City of London in the centre, past **Hammersmith and Fulham**, and across to **Ealing** in the West of London.

GREATER LONDON AUTHORITY

Sector & Location Intersection

Neither business sectors nor geographic economies exist in a vacuum. Each is heavily influenced by a wide array of micro and macro-economic factors, as well as behavioural, demographic, ethnic, and political considerations.

At a minimum, it is vital to explore the relationship between these two factors, to assess which combinations of business sector and location indicate the existence of risk hot spots across the Greater London economy.

SMEs at risk by sector and highest risk locations

The relationship between industry and location reveals some interesting and unexpected areas of both risk and opportunity for the GLA to further investigate. When cross referencing scores between geographic areas and sectors, a more nuanced view of London's SME economy is revealed, demonstrating the specific areas in which each industry is seeing higher or lower rates of turnover and employment impact.

If a specific area has a high concentration of accommodation and food SMEs, there is an representation of that area in our analysis. For this reason, while the table to the right provides only percentage figures, we also included the total numbers (in turnover and employment drop) in the supplemental data package to this report.

This allows the reader to get a more balanced view of the relationship between indicators, as well as a deeper understanding of which areas are in fact hardest hit.

Top 3 Boroughs with the Highest % of Companies at Risk, per Sector

	Highest Risk Borough					
Sector	#1		#2		#3	
Accommodation and Food	Barking	33%	Harrow	30%	Hillingdon	30%
Administrative Support	Barking	24%	Croydon	23%	Newham	23%
Arts, Entertainment, and Recreation	Baxley	30%	Redbridge	27%	Havering	26%
Construction	Camden	28%	City of London	27%	Richmond	25%
Financial and Insurance	Barking	9%	Greenwich	7%	Kensington	4%
Freight	Wandsworth	29%	Southwark	29%	Kensington	25%
Health and Social Care	Hammersmith	4%	Kingston	4%	Islington	3%
High Level Business Support	Barking	26%	City of London	24%	Newham	23%
Information and Communications	Kensington	29%	Westminster	26%	Camden	23%
Manufacturing	Kensington	31%	Hammersmith	30%	Camden	29%
Public Administration and Education	Kensington	24%	Newham	24%	Lewisham	24%
Real Estate and Architecture	Greenwich	11%	Lewisham	10%	City of London	10%
Retail (excluding Motor)	Lambeth	26%	Southwark	25%	Lewisham	25%
Transport and Storage	City of London	33%	Southwark	32%	Camden	30%
Travel and Tourism	Kensington	18%	Hammersmith	17%	Newham	17%
Wholesale (Including Motor)	Lambeth	29%	Bromley	24%	Havering	23%

Identifying granular areas for targeted intervention and high return on recovery investment

In this analysis, we start seeing a more complex picture that goes beyond the expected relationship between economic impact, and traditional areas of deprivation, or specific concentration of sectors that are naturally more vulnerable to the economic impact of the COVID-19 lockdown. For example, when observing **Accommodation and Food**, perhaps the hardest hit sector, we can see that **Richmond Upon Thames**, a traditionally affluent borough, is ranking third in percentage of SME employees at risk.

This does not necessarily indicate a higher economic vulnerability in **Richmond** compared to, say **Newham**. What it does indicate, however, is a concentration of Accommodation and Food employees that work in **Richmond** that are at high risk, and may point to a specific area, at the borough or MSOA level, that could create high impact of economic recovery value if addressed specifically with a tailored and targeted intervention.

Employees at risk by sector and highest risk locations

Looking at the **Travel and Tourism** sector, it is clear that Sutton has by far the highest percentage of SME employees at risk with 50%.

However, this point alone does not tell the whole story, as Sutton has far fewer **Travel and Tourism** SME businesses than Kensington, where 18% of sector SMEs are at risk.

So, it is important to look critically at both absolute as well as percentage increase/ decrease numbers and apply a level of analysis (and some common sense) when interpreting these findings and applying them to policy and intervention design.

Top 3 boroughs with the highest % of employees at risk, per sector

	Highest Risk Borough					
Sector	#1		#2		#3	
Accommodation and Food	Barking	52%	Bromley	31%	Richmond	30%
Administrative Support	Harrow	17%	Brent	16%	Merton	16%
Arts, Entertainment, and Recreation	Wandsworth	8%	Camden	7%	Hammersmith	3%
Construction	Tower Hamlets	27%	Westminster	24%	Waltham Forest	22%
Financial and Insurance	Bromley	5%	Kensington	3%	Merton	2%
Freight	Hackney	33%	Hillingdon	23%	Redbridge	23%
Health and Social Care	Sutton	20%	Harrow	2%	Newham	2%
High Level Business Support	Hounslow	23%	Bexley	22%	Hillingdon	18%
Information and Communications	Hammersmith	25%	City of London	24%	Lambeth	21%
Manufacturing	City of London	26%	Bromley	30%	Richmond	30%
Public Administration and Education	Sutton	27%	Harringey	19%	Hackney	15%
Real Estate and Architecture	Hounslow	30%	Greenwich	13%	Islington	17%
Retail (excluding Motor)	City of London	27%	Westminster	18%	Hillingdon	17%
Transport and Storage	City of London	58%	Camden	80%	Hammersmith	48%
Travel and Tourism	Sutton	50%	Islington	37%	Waltham Forest	25%
Wholesale (Including Motor)	Kensington	22%	Camden	14%	Hackney	13%

Deep Dives

Working with GLA Economics and the Enterprise and Policy teams, we determined three areas of focus and interest, where we conducted a deeper analysis of the landscape, indicators, and potential economic scenarios.

These were selected based on the current focus areas of the GLA as well as the availability of meaningful and timely data. These deep dives focused on:

- The Night Time Economy (NTE)
- High Streets and Town Centres
- The Creative and Cultural Industries

In later phases of this project we plan to conduct additional deep dives into additional sectors, economic geographies, and potentially new indicators. This will be done in full coordination with the GLA to ensure any research and insight drives meaningful and actionable outputs.

The Night Time Economy (NTE)

The GLA well understands the complexity and importance of the industries and businesses that make up the **Night Time Economy** (NTE) and have made concerted efforts to support and invest in this off-hours ecosystem[6]. Supporting NTE businesses also contributes to the economic development goal of supporting London's high streets.

The NTE is a specific GLA sector that is comprised of a cross-section of industries that operate in the 6pm to 6am timeframe. NTE is comprised largely of SMEs that fall into the sectors of culture and leisure – such as the creative arts and entertainment, food and beverage and other activities such as catering and accommodation. These activities are strongly concentrated in Central London.

However, while food and beverage services contribute the most by SIC classification, the whole industry grouping of activities which support wider social and economic activities contributes visibly more to revenue across the night-time economy. NTE comprises activities such as transport, warehousing, wholesale trade and motion picture/video production. These industries are located in outer London boroughs and would require alternate approaches to address economic impacts from the business mix and profile observed in the Central.

[6] https://www.london.gov.uk/press-releases/mayoral/night-time-economy-can-help-save-the-high-street#:~:text=London's%20night%2Dtime%20economy%20employs,the%20heart%20of%20London%20policymaking

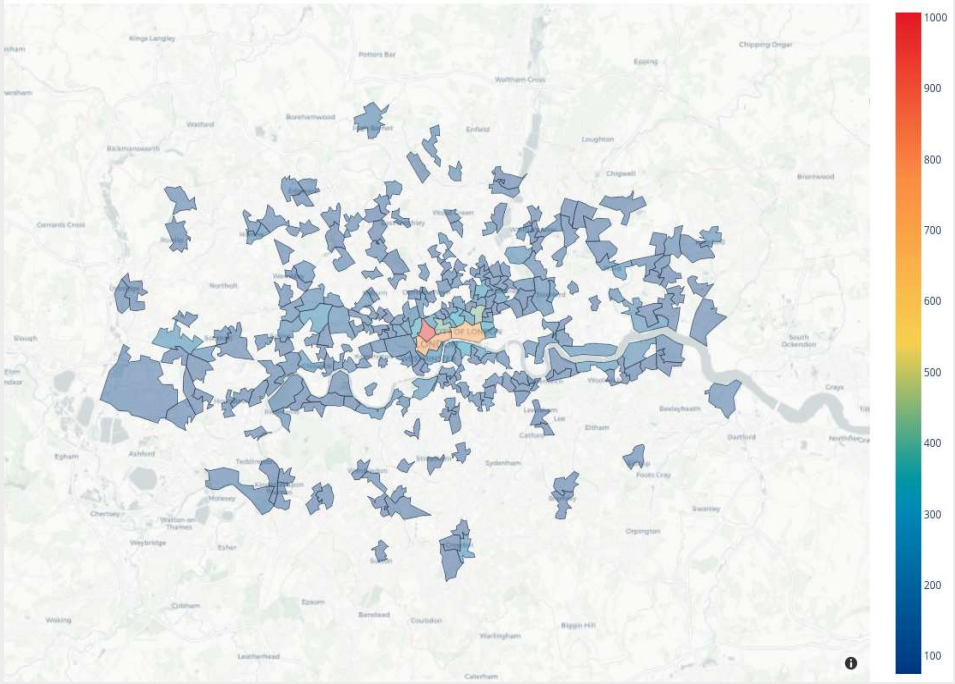
Key Takeaways

- 64,883 SMEs fall under one or more SIC codes that make up the night-time economy based on the GLA cross-sector classification.
- 23,603 SMEs fall into the culture and leisure activities grouping, principally made up of SMEs in the accommodation and food, and arts, entertainment and recreation sectors.
- By borough, cross-sector night-time economy SMEs are widespread across London. Central London consistently shows both the highest concentrations of SMEs, as well as the highest adverse impact in terms of furloughs, employment at risk, and turnover drops . This is particularly acute in **Westminster**, **City of London**, **Hackney** and **Camden**.
- Employee furloughs are again most severe in Central London leisure sectors. However fiscal vulnerabilities of SMEs in the outer boroughs may have particular implications for supply chains and the transport of goods across the city.

Where are NTE SMEs concentrated?

By borough, cross-sector night-time economy SMEs are widespread across London, but when broken down to the MSOA level, clusters appear, and Central London is dominant with regards to concentration of night-time economy SMEs.

NTE SME distribution at MSOA with outliers removed



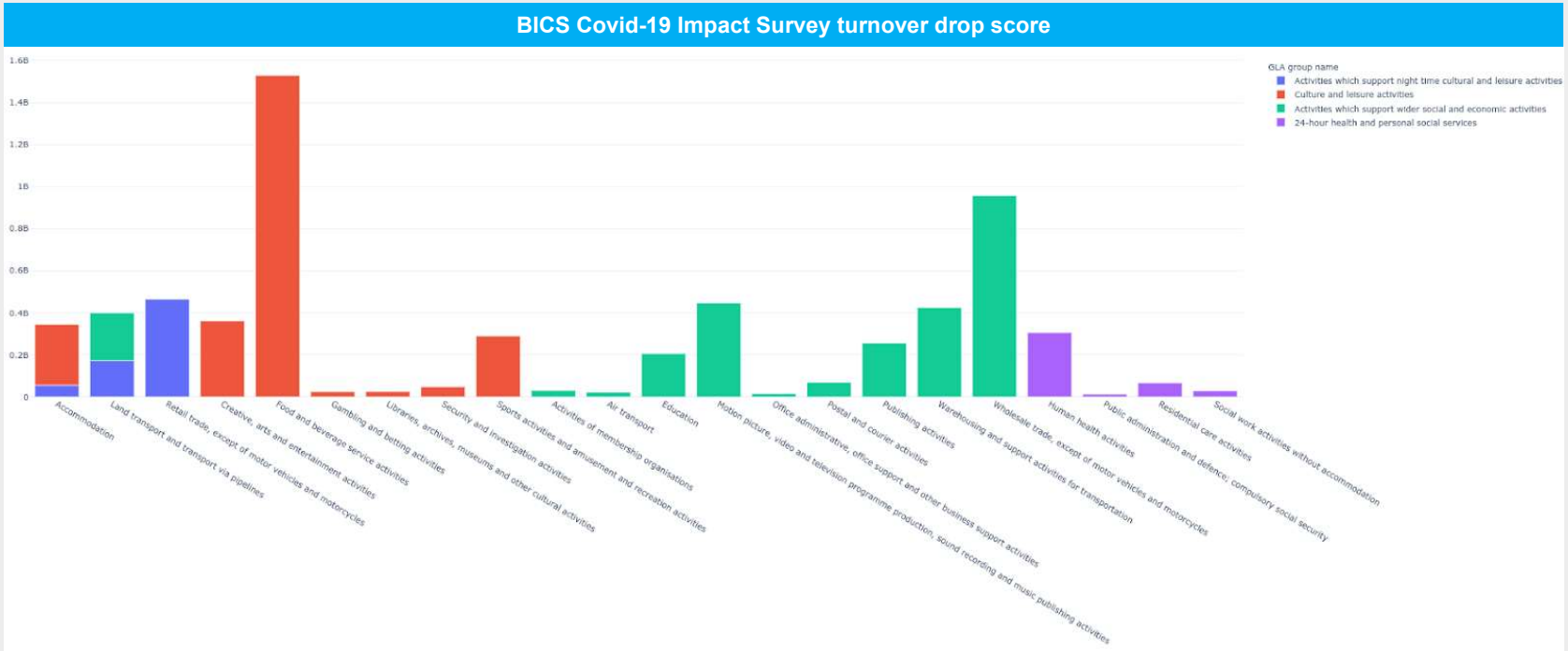
MSOA with over 200 Nighttime economy SMEs

MSOA	Count
Westminster 013	1,007
Westminster 018	755
City of London 001	727
Hackney 027	418
Camden 028	412
Westminster 011	320
Islington 022	303
Southwark 002	285
Tower Hamlets 015	268
Hackney 021	233
Camden 027	215
Southwark 003	215
Camden 026	207
Ealing 015	203

What is the estimated impact on NTE SME turnover, by sector

The BICS COVID impact survey was used to estimate turnover drop by combining turnover data for individual companies to provide a weighting, adjusting for different reporting rates.

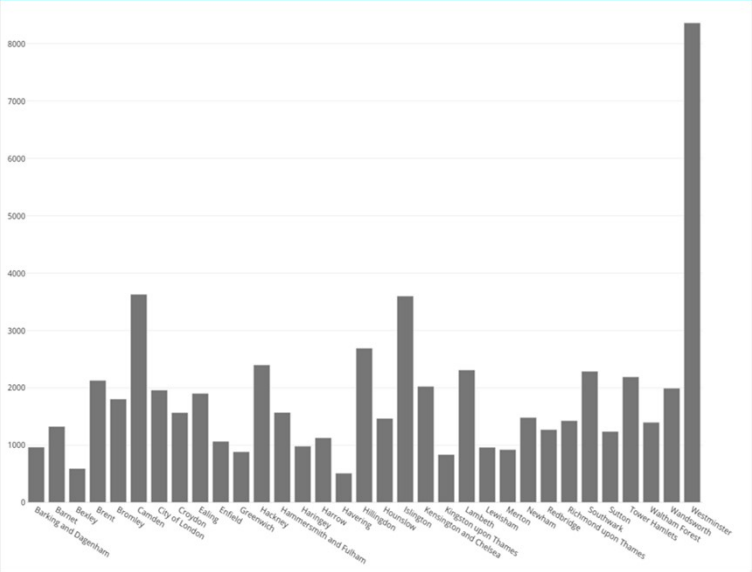
The scale should be interpreted as a relative score, due to the use of sampled data. Negative scores indicate a forecast of increase in output.



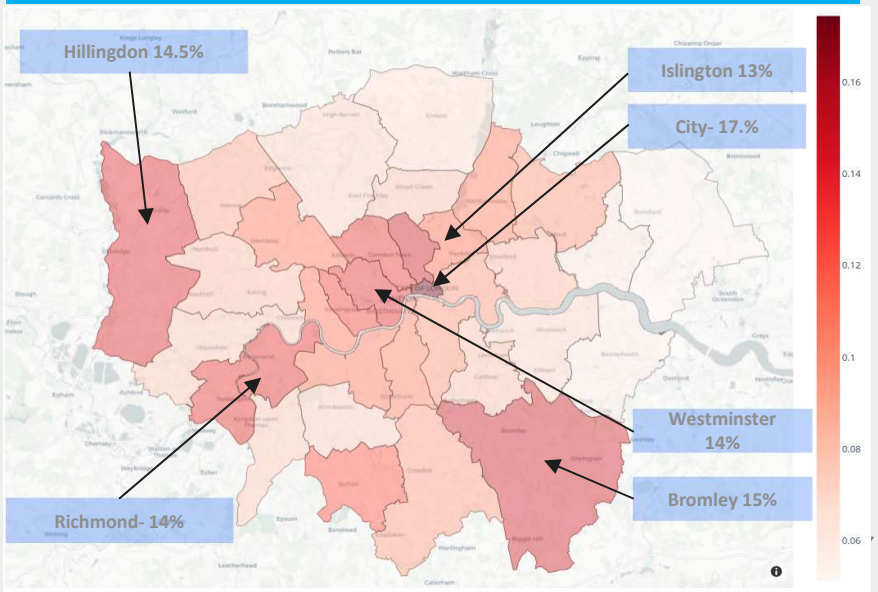
Where are NTE employees at risk?

Under this scenario it is possible to see where employment may be at risk in the night-time economy. In terms of absolute score the largest numbers of night-time economy employees at risk are in **Westminster**, **Camden** and **Islington**, although these areas also see larger numbers of employees at risk across all industries more generally.

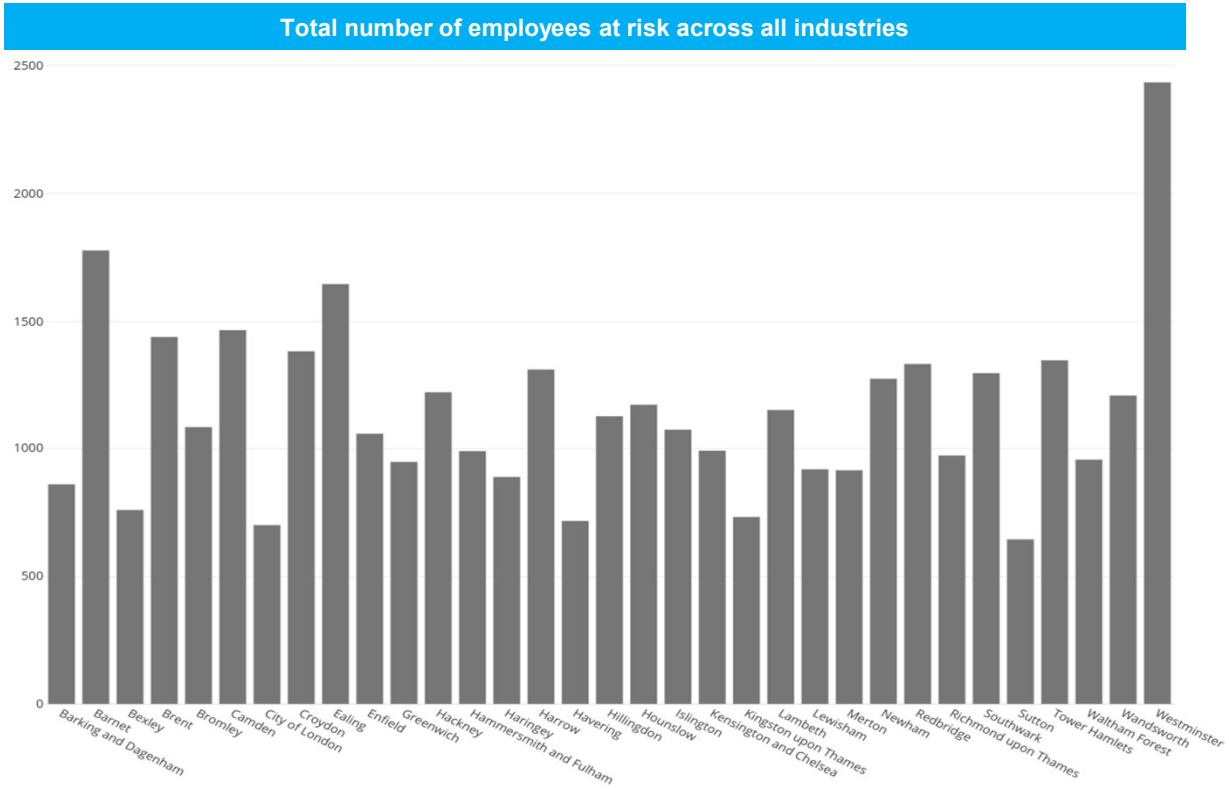
Total NTE SME employees at risk by borough



Percentage of NTE SME employees at risk by borough



Where are NTE employees at risk?



High streets and town centres

High streets are the traditional centres of commercial and social activities for London neighbourhoods. The GLA has developed a programme to protect and foster the vitality of the city's high streets through supporting spaces for increased economic activity and improved urban streetscapes[7]. Similarly, there has been a emphasis in the London Plan on refocusing retail in town centre geographies, noting that retail is shifting to the Central Activity Zone and away from the traditional centers[8].

The concentration of the types of businesses across high streets and the economic impacts of the COVID-19 lockdown will have profound impact on the overall economic state of boroughs. The business profile; the variety and size of SMEs across high streets in different boroughs; is key to understanding which sectors may need stabilisation and investment to maintain vitality to the immediate community. Special and creative focus on the nuances of SME and employee vulnerabilities in these geographies in the post-COVID recession may allow the GLA to achieve their existing goals for regeneration.

Key Takeaways

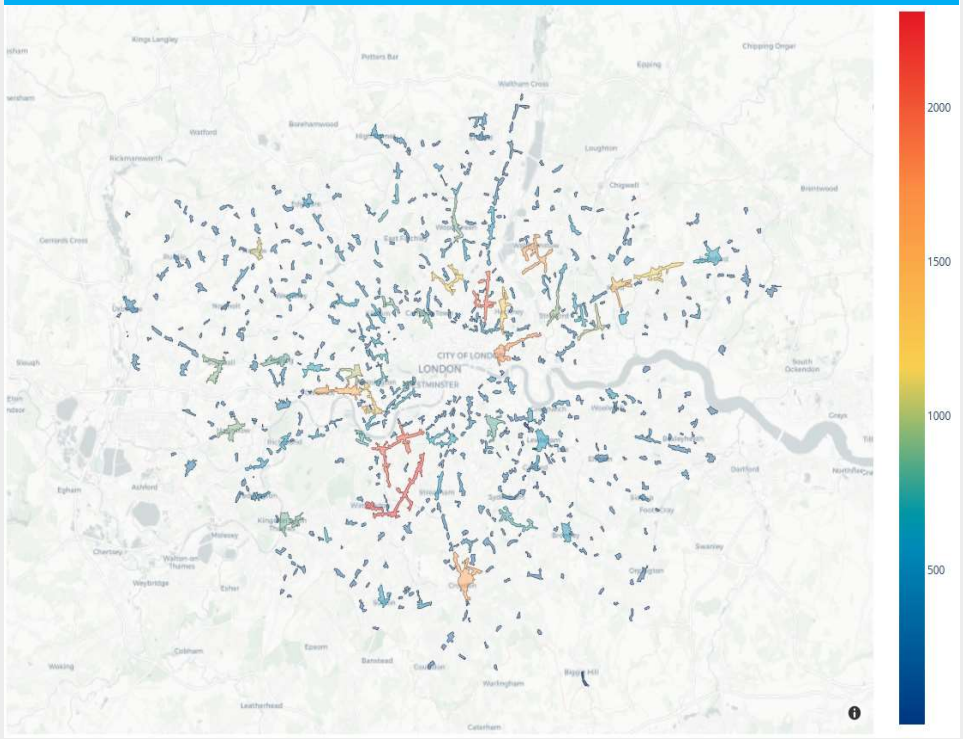
- More than 100,000 SMEs are located on 600 High Streets in London
- The occurrence of high numbers of SMEs in certain borough's High Streets help understand which sectors might need support in that particular geography, such as Information and Communications in Hackney and Construction in Havering.
- High numbers of workday visitors to a High Street who are traveling further than 1 kilometre indicate that the High Street is more of a destination (for work or commerce) for a larger number of people from across London. Lower numbers indicate that the High Street serves the immediate local population.
- Estimated furlough numbers across the high street and town centre SMEs shows that town centre furlough numbers appear highest in Westminster and Southwark, while high streets are, unsurprisingly, seeing high furlough numbers in boroughs across London.

[7] https://www.london.gov.uk/what-we-do/regeneration/high-streets/supporting-high-streets
[8] https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan/london-plan-chapter-two-londons-places/policy-2#:~:text=2.70%20In%20outer%20and%20inner,infrastructure%20and%20public%20open%20space.

How are SMEs distributed across high streets?

~100,000 SMEs in high streets

high streets (Central London excluded)



High street SMEs by borough

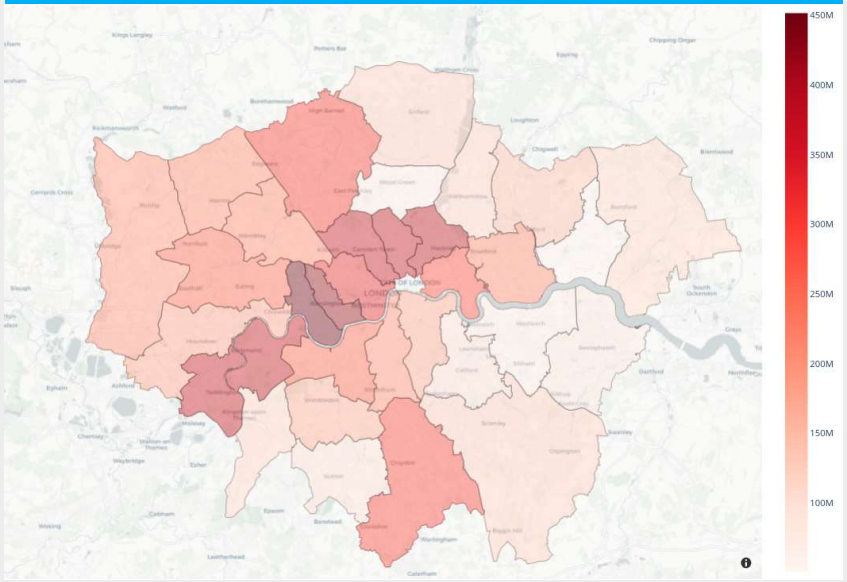
High streets with over 1,000 SMEs

	SMEs
Central London	5,789
Tooting, Balham, Clapham South, Tooting Broadway, Collier's Wood, Merton, Broadway, Wimbledon	2,312
Wandsworth High Street + East Hill, Wandsworth. Garratt Lane, Earlsfield. Clapham Junction.	2,145
Dalston, Stoke Newington and Stamford Hill	2,042
Mile End Road, Bow Road	1,759
White Horse Road + Windmill Road, Lower Addiscombe Road, North End, Croydon.	1,655
Walthamstow, Leyton etc.	1,608
King Street, Ravenscourt Park + Chiswick High Rd + Glenthorne Road, Fulham Palace Road, Fulham.	1,537
High Road, Cranbrook Road + Ilford Lane, Ilford.	1,383
Mare Street, Hackney.	1,253
Fulham Broadway, North End Road and Dawes Road, Fulham	1,252
Archway, Holloway, Seven Sisters Road and Stroud Green	1,182
High Road, Seven Kings.	1,160
Station Road + College Road, Harrow	1,034

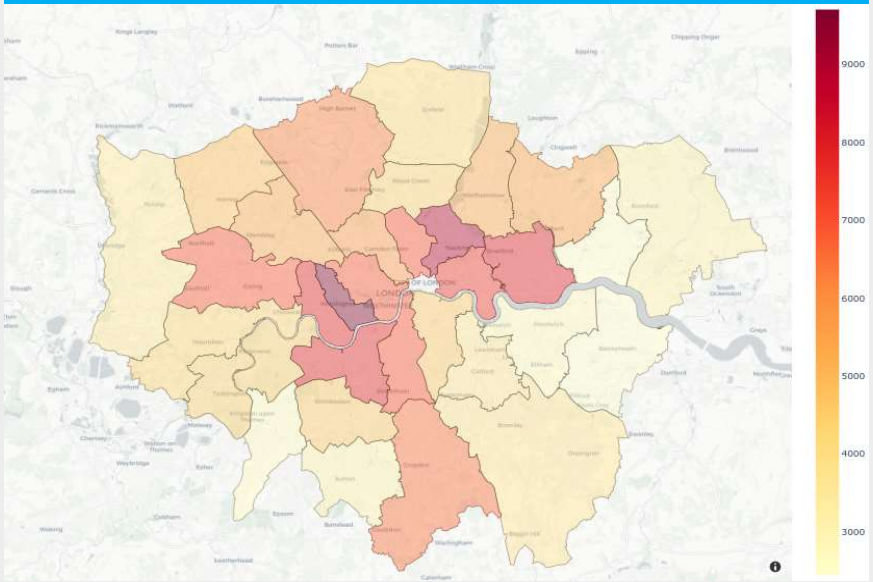
High street impact by borough

- The OBR reference scenario was used to estimate output impact scores due to lockdown by combining with turnover data for individual companies to provide a weighting, adjusting for different reporting rates.
- Estimated furlough numbers across the high street SMEs shows that town centre furlough numbers appear highest in **Westminster** and **Southwark**, while high streets are, unsurprisingly, seeing high furlough numbers in boroughs across London.
- Both indicators present a similar picture of high street impact.

High streets SMEs projected turnover % drop, by borough



High street SME total furlough numbers, by borough



NOTE: The scale should be interpreted as a relative score.

The Creative and Cultural Industries (CCI)

The **Creative and Cultural Industries** (CCI) cross sectoral classification* is critical to London's economy. This industry is a specific focus for the GLA. The deep dive aims to draw out key takeaways that will inform intervention and policy design. It is important to note that in this exercise, we included SMEs that fall under the CCI classification, but did not include non-profit cultural organisations. For future exercises that seek to understand the impact of COVID-19 on London's culture ecosystem as a whole, a wider set of data that includes non-profits and other cultural organisations can be applied.

Turnover Estimates

- With 52,124 SMEs in our sample, the CCI cross- sector classification is the second largest one in our sample.
- There are 6,358 CCI SMEs in the sample registered in the **Central Activities Zone** (CAZ), which is 12.2% of the total CCI SMEs in the sample.
- However, aside from the expected higher numbers in Central London, CCI SMEs are found across London, with slightly more presence in the western parts of the city, as might be expected given the diversity of business activities covered.
- In terms of pre-COVID-19 turnover, **Computer Programming**, **Consulting and Related Activities** (~£19BN) account for more than the turnover contribution of the next two CCI SME categories combined- **Advertising, Marketing Research** (£6BN) and **Motion Pictures, Video, TV, Sound Recording and Publishing** (~£6BN).
- When estimating the COVID-19 turnover drop impact for CCI SMEs by category, **Computer Programming**, **Consulting and Related Activities** (1.2BN), **Advertising, Marketing Research** (£.055BN) and **Motion Pictures, Video, TV, Sound Recording and Publishing** (~£0.45BN) are again the top leading SME categories within the classification.

**This is part of the much broader definition of cultural industries and creative economy developed by the Department for Culture, Media & Sport (DCMS).

The Creative and Cultural Industries (continued)

Risk Estimates

- Across the CCI classification we see that museums, galleries and libraries operate at the highest liquidity ratios and the lowest debt-to-assets ratios and credit risk. **Publishing** SMEs in the sample operate at the highest debt-to-assets ratio and, along with **Film, TV, Radio and Photography**, operating with an average liquidity ratio below 1.
- For the whole CCI cross-sector definition, the percentage at risk score is 17.7%. When broken down into categories, we see **Publishing** leading with 30% of SMEs at risk, followed by **Crafts** (24%) and **Film, TV, Video, Radio and Photo**graphy at 23.5% of all category SMEs in our sample being “at risk”. Finally, we can see that for the whole CCI cross-sector definition, the percentage at risk score for turnover is 11.3%. The leading sectors for percentage at risk score for turnover are **IT, Software and Computer Services** (19.5%), **Advertising and Marketing** (11.5%) and **Publishing** (11.3%).

Employment Estimates

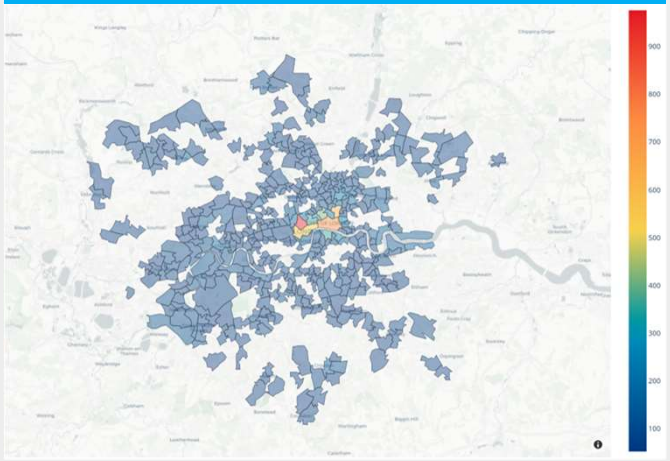
- Estimated furlough levels across the CCI classification shows the highest furlough score for the **Arts, Entertainment and Recreation** sector as might be expected, with around 24,000 employees impacted. Although the largest group by number of employees is **IT, Software and Computer Services**, the furlough rate is generally much lower than other CCI classifications.
- In terms of estimated percentage of employees at risk, 13% of all CCI cross sector definition employees fall into this definition, with **Publishing** (21%), **Film, TV, Video, Radio and Photography** (15.5%) and **IT, Software and Computer Services** (15.2%) exhibiting the highest percentage rates. In terms of location, we can see high concentrations of CCI SME employees at risk in the boroughs of **Westminster**, **Islington**, **Hackney**, the **City of London**, and **Camden**, However, when observing SMEs at risk as a percentage of total SME population, the boroughs of **Hounslow**, **City of London**, **Brent**, **Hackney** and **Hammersmith and Fulham** are where we see the highest percentage of SME employees at risk.

Distribution of CCI SME Locations

By borough

Aside from the expected higher numbers in Central London, CCI SMEs are found across London as might be expected given the diversity of business activities covered. Beyond Central London, there are visibly more CCI SMEs in West London areas.

MSOA (small numbers removed)

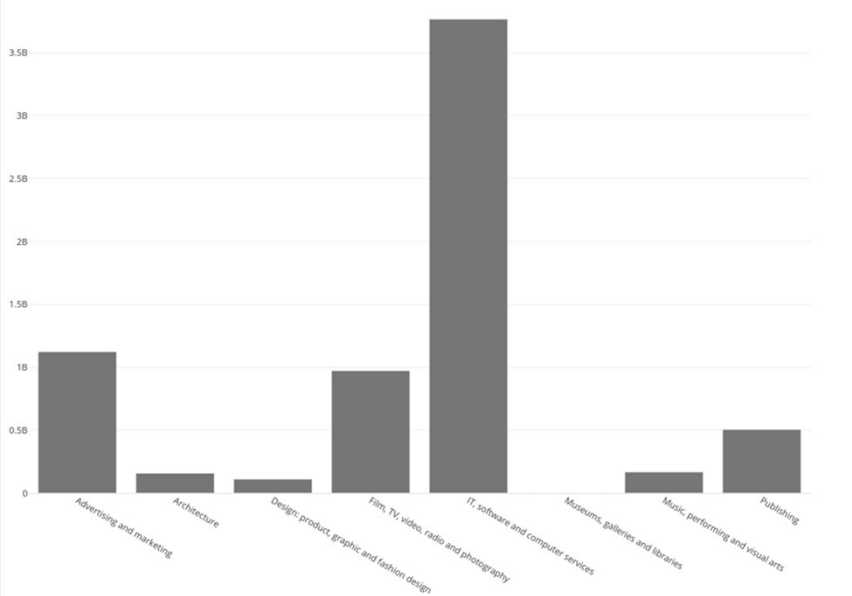


MSOA with over 180 CCI SMEs

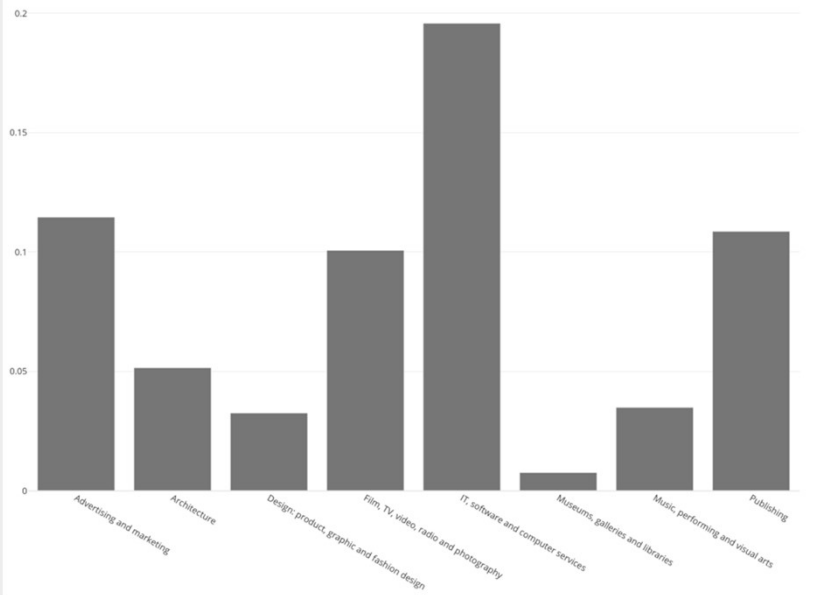
Westminster 013	976
City of London 001	735
Hackney 027	608
Westminster 018	535
Islington 022	403
Camden 028	344
Southwark 002	338
Camden 027	309
Southwark 003	252
Hackney 021	228
Islington 023	215
Tower Hamlets 015	202
Camden 026	192
Hackney 023	187

Turnover at risk

Total at Risk Score



% at Risk Score

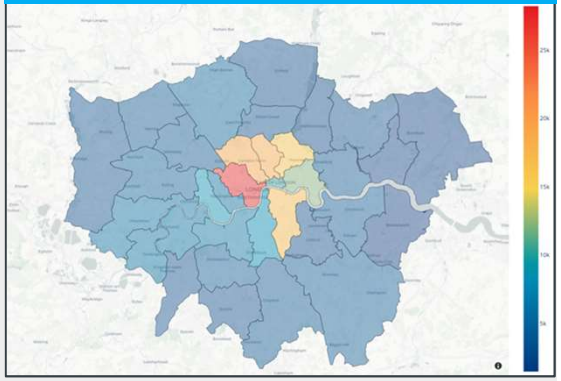


We display here graphs showing turnover at risk under the OBR based scenario we applied. Crafts has been removed due to low turnover reporting rate. For the whole CCI cross-sector definition, the percentage at risk score for turnover is 11.3%.

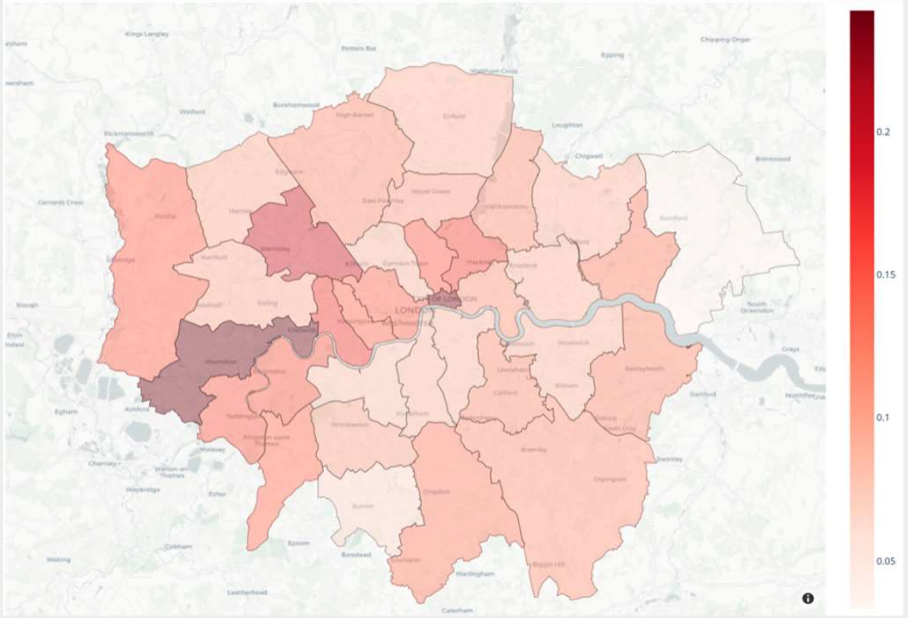
Employees at risk

Under the scenario we applied, one can examine where employment may be at risk in the CCI cross-sector classification. Central boroughs have higher total at risk scores, but this is reflective of the higher numbers of CCI employees overall in central boroughs (shown also, for reference).

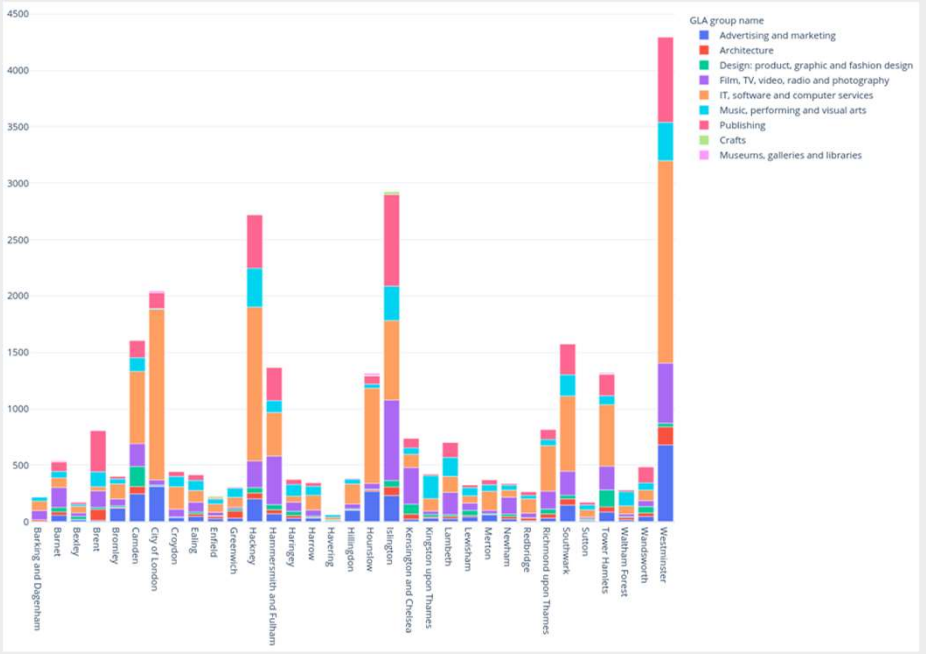
CCI Employees by LAD



% at Risk Score



Total at Risk Score



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