The impact of Covid-19 on household income

Elena Magrini
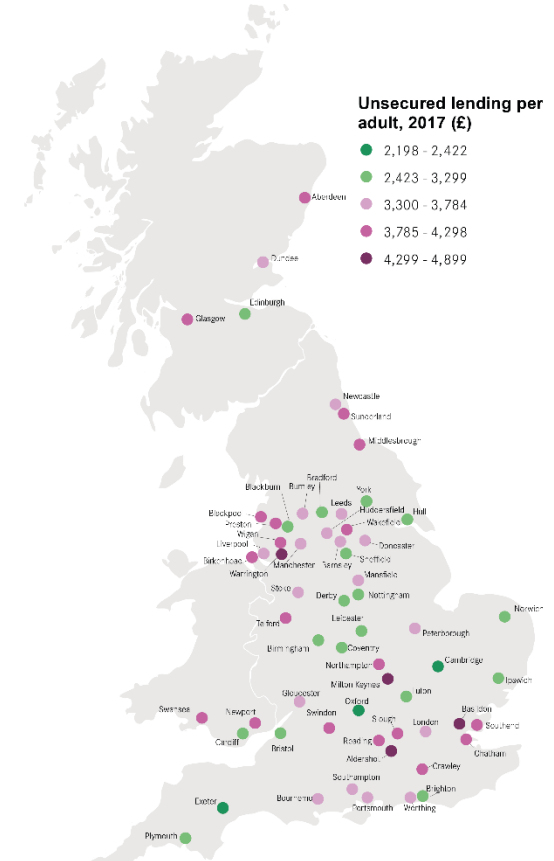
Centre for Cities

#CovidCities
@MagriniElena

How are household finances affected by Covid-19 in the short-term?
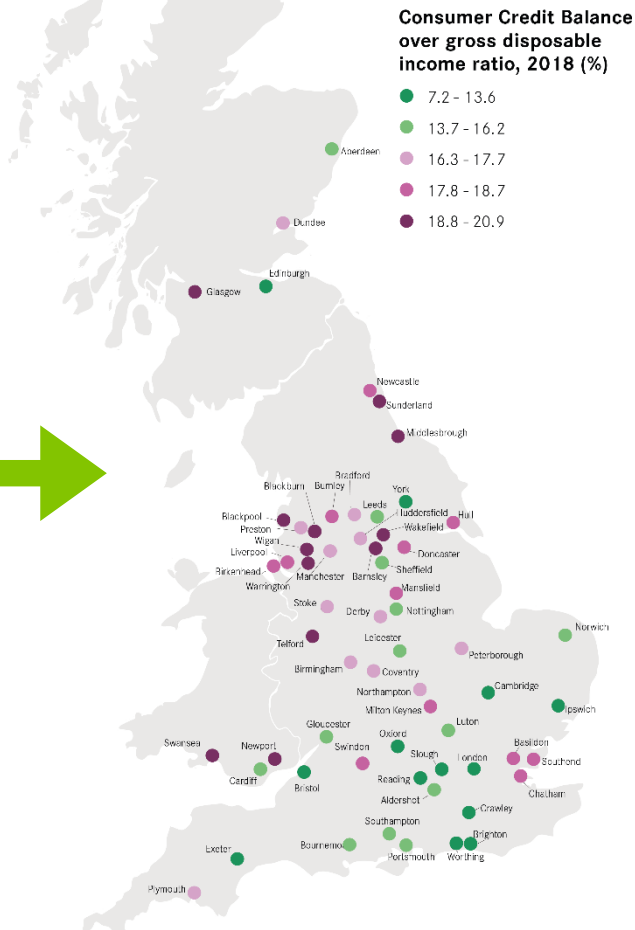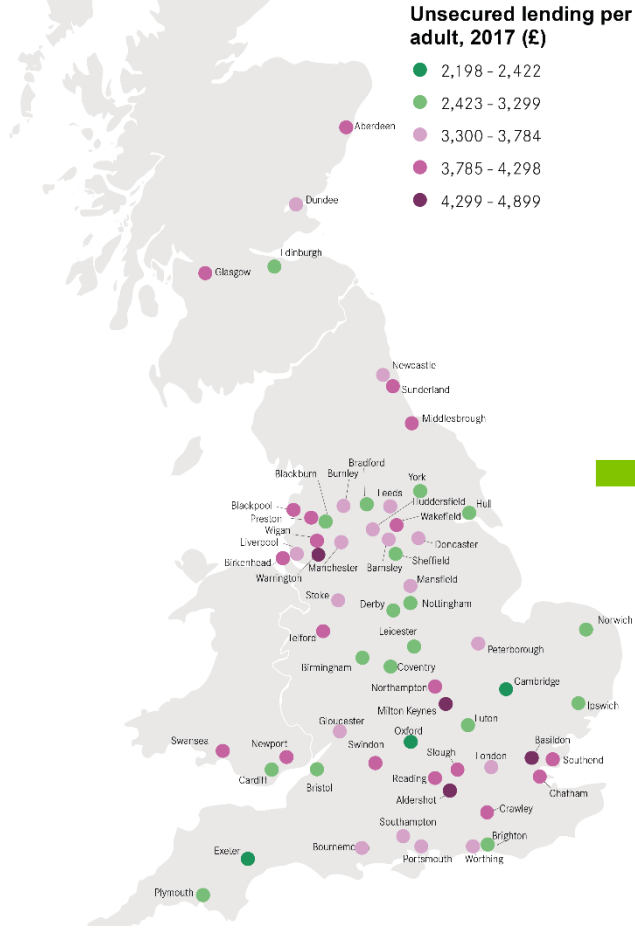
The level of consumer debt varies considerably across the country…

	Top 5 cities	Unsecured lending per adult, 2017 (£)
1	**Warrington**	**4,900**
2	**Aldershot**	**4,800**
3	**Milton Keynes**	**4,800**
4	**Basildon**	**4,700**
5	**Southend**	**4,300**

	Bottom 5 cities	Unsecured lending per adult, 2017 (£)
58	**Norwich**	**2,900**
59	**Leicester**	**2,900**
60	**Exeter**	**2,400**
61	**Cambridge**	**2,200**
62	**Oxford**	**2,200**

Unsecured lending per adult, 2017 (£)
- 2,198 - 2,422
- 2,423 - 3,299
- 3,300 - 3,784
- 3,785 - 4,298
- 4,299 - 4,899

…In the North of England and Wales it represents a bigger share of income

Unsecured lending per adult, 2017 (£)
- 2,198 – 2,422
- 2,423 – 3,299
- 3,300 – 3,784
- 3,785 – 4,298
- 4,299 – 4,899

Consumer Credit Balance over gross disposable income ratio, 2018 (%)
- 7.2 – 13.6
- 13.7 – 16.2
- 16.3 – 17.7
- 17.8 – 18.7
- 18.8 – 20.9

…In the North of England and Wales it represents a bigger share of income

	Top 5 cities	Debt to income ratio
1	Warrington	21%
2	Swansea	21%
3	Sunderland	21%
4	Wigan	20%
5	Middlesbrough	20%

	Bottom 5 cities	Debt to income ratio
58	Brighton	12%
59	London	10%
60	Exeter	10%
61	Cambridge	8%
62	Oxford	7%

Consumer Credit Balance over gross disposable income ratio, 2018 (%)

- 7.2 – 13.6
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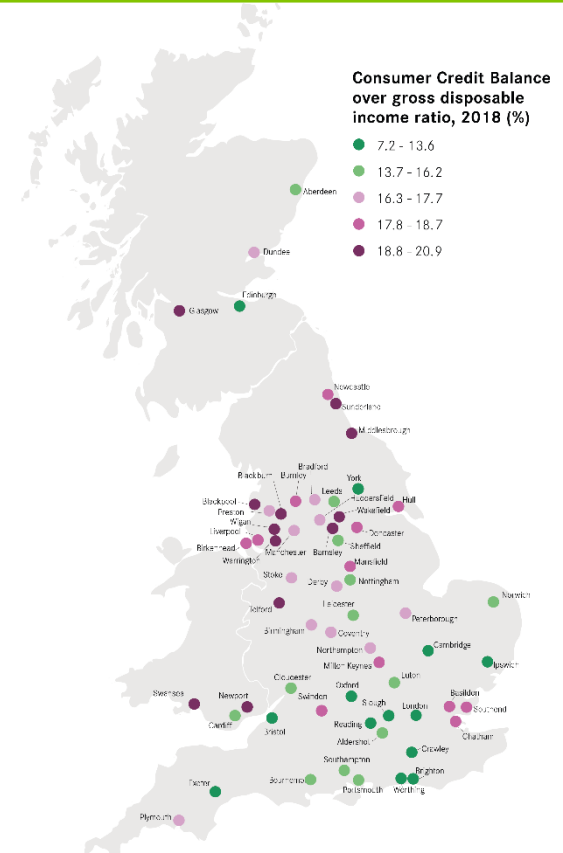
And in these places problem debt is also more likely to be a cause of concern
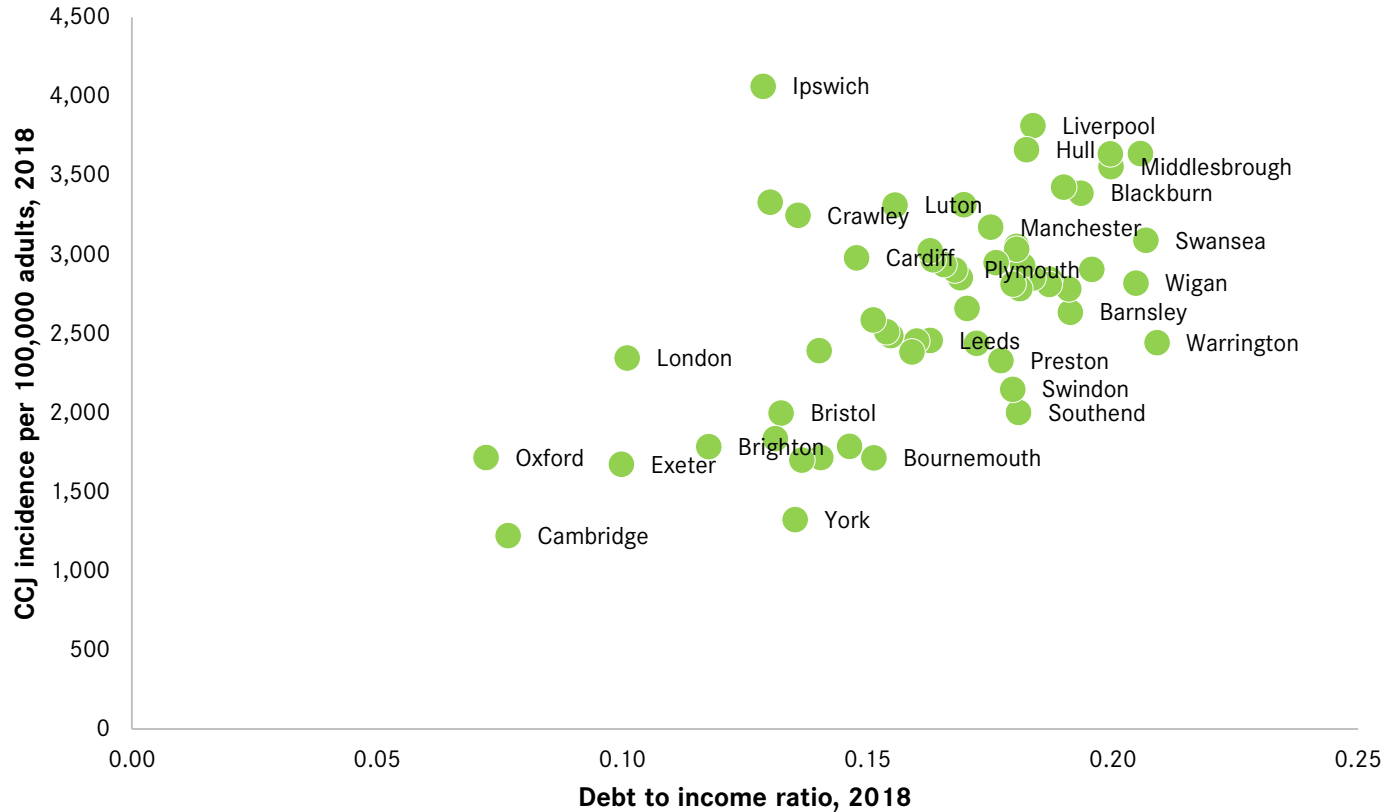
Meaning a reduction in income will be felt differently in different places

Before Coronavirus

Sunderland:
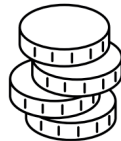
£1 owed : £5 earned

20% debt to income ratio

Exeter:

50p owed : £5 earned

10% debt to income ratio

Meaning a reduction in income will be felt differently in different places

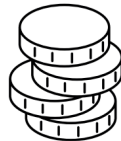## Before Coronavirus

Sunderland:

£1 owed : £5 earned

20% debt to income ratio

Exeter:

50p owed : £5 earned

10% debt to income ratio

Assuming 20% reduction in income due to Coronavirus
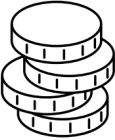
Sunderland:

£1 owed : £4 earned

26% debt to income ratio

Exeter:

50p owed : £4 earned

12% debt to income ratio

Hotspots for industry exposure and debt

|	Industry exposure	Debt to income ratio	Problem debt
1. Blackpool	High	High	High
2. Sunderland	High	High	High
3. Hull	High	High	High
4. Telford	High	High	Medium
5. Blackburn	Medium	High	High
6. Liverpool	Medium	High	High
7. Peterborough	High	Medium	High
8. Burnley	High	Medium	High
9. Middlesbrough	Medium	High	High
10. Luton	High	Medium	High
11. Newport	Medium	High	High
12. Manchester	High	Medium	High
13. Doncaster	Medium	High	High
14. Derby	High	Medium	Medium
15. Mansfield	High	High	Medium

How is Covid-19 affecting earning potential in the long-run?

Coronavirus will also affect household income in the longer term
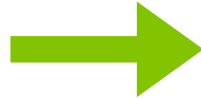
School closure → **Learning loss**

Bigger impact on children from disadvantaged backgrounds

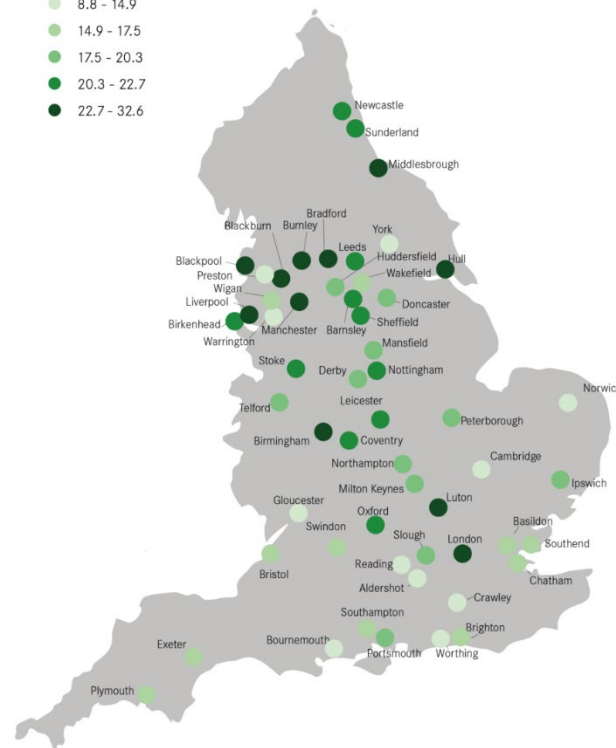# Coronavirus will also affect household income in the longer term

Closed

School closure → Learning loss

	Top 3 cities	Share of disadvantaged pupils
1	**Liverpool**	**33%**
2	**Hull**	**31%**
3	**Birmingham**	**30%**

Share of pupils from disadvantaged backgrounds at key stage 4, 2018 (%)

- 8.8 - 14.9
- 14.9 - 17.5
- 17.5 - 20.3
- 20.3 - 22.7
- 22.7 - 32.6

What does this mean for policy?

Covid-19 likely to exacerbate existing inequalities between places

Policy response:

1. Timely **payment of benefits**

2. Provide **debt management support**

3. Further support **and investment in education for children** from **disadvantaged backgrounds**

The economic impacts of COVID-19

Kathrin Enenkel

Centre for Cities

#CovidCities
@KEnenkel

What does the COVID-19 crisis mean for the economies of British cities and large towns?

Industries were grouped according their expected probability to furlough or to lay off workers

Sectors (examples)	Unaffected	Affected	Vulnerable	Very vulnerable
	• Health • Essential retail • Public administration	• Food production • Business services	• Non-essential retail • (Public) Transport	• Hospitality • Aviation • Leisure

Expected probability to furlough and to lay off workers

Every city has at least one in five jobs classified as either vulnerable or very vulnerable


Share of jobs exposed to the immediate effects of COVID-19

Legend: Unaffected or higher demand | Affected | Vulnerable | Very vulnerable
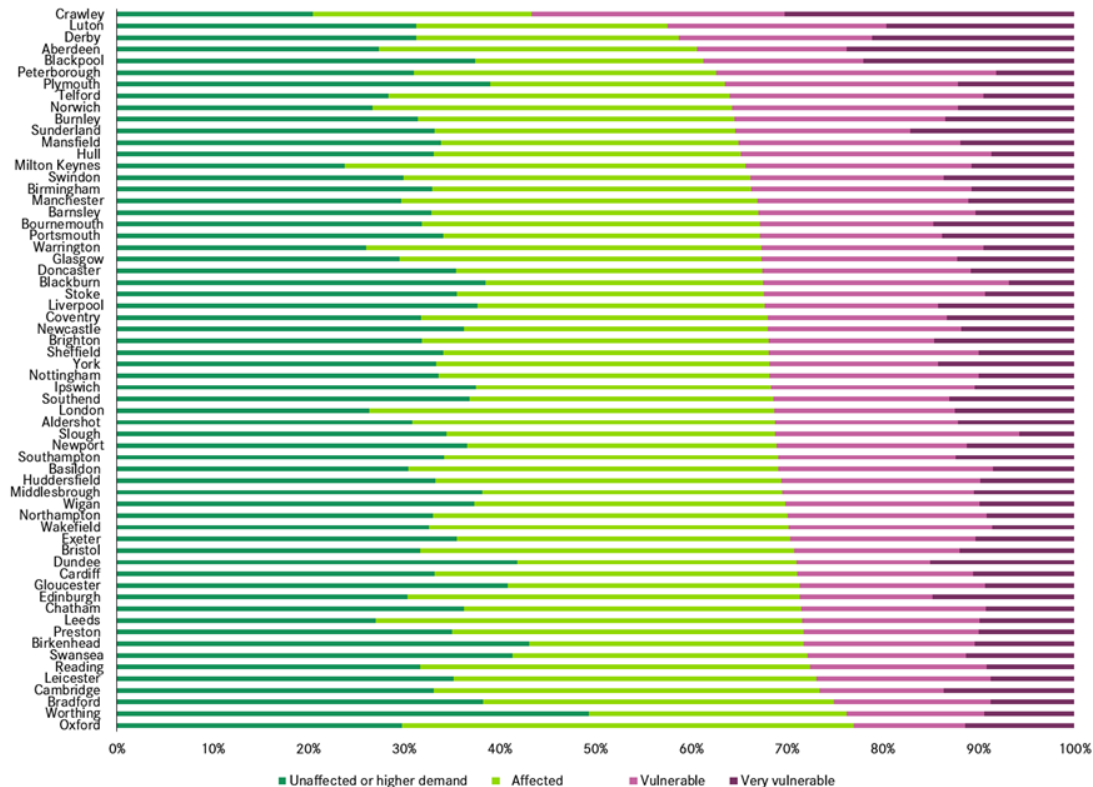
There is no particular geography to the most or least affected cities

	Top 5 cities	Share of jobs in particularly exposed industries
1	Oxford	23%
2	Worthing	24%
3	Bradford	25%
4	Cambridge	27%
5	Leicester	27%

	Bottom 5 cities	Share of jobs in particularly exposed industries
58	Blackpool	39%
59	Aberdeen	39%
60	Derby	41%
61	Luton	42%
62	Crawley	57%

Proportion affected (%), 2018
- 23.5 - 28.7
- 28.7 - 31.1
- 31.1 - 32.4
- 32.4 - 34.7
- 34.7 - 56.7
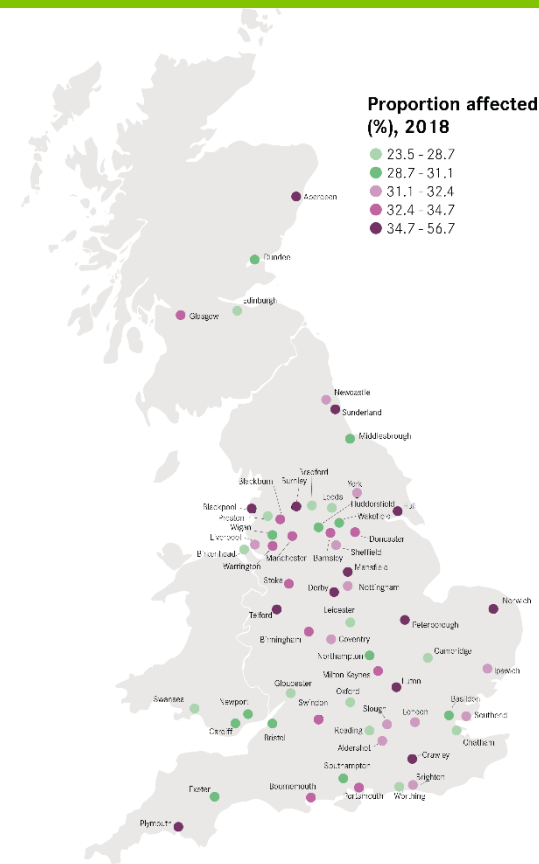
Cities with a lower share of their exporting base affected, are more likely to bounce back quickly

Affected jobs in the exporting industry as a share of all exporting jobs of a city
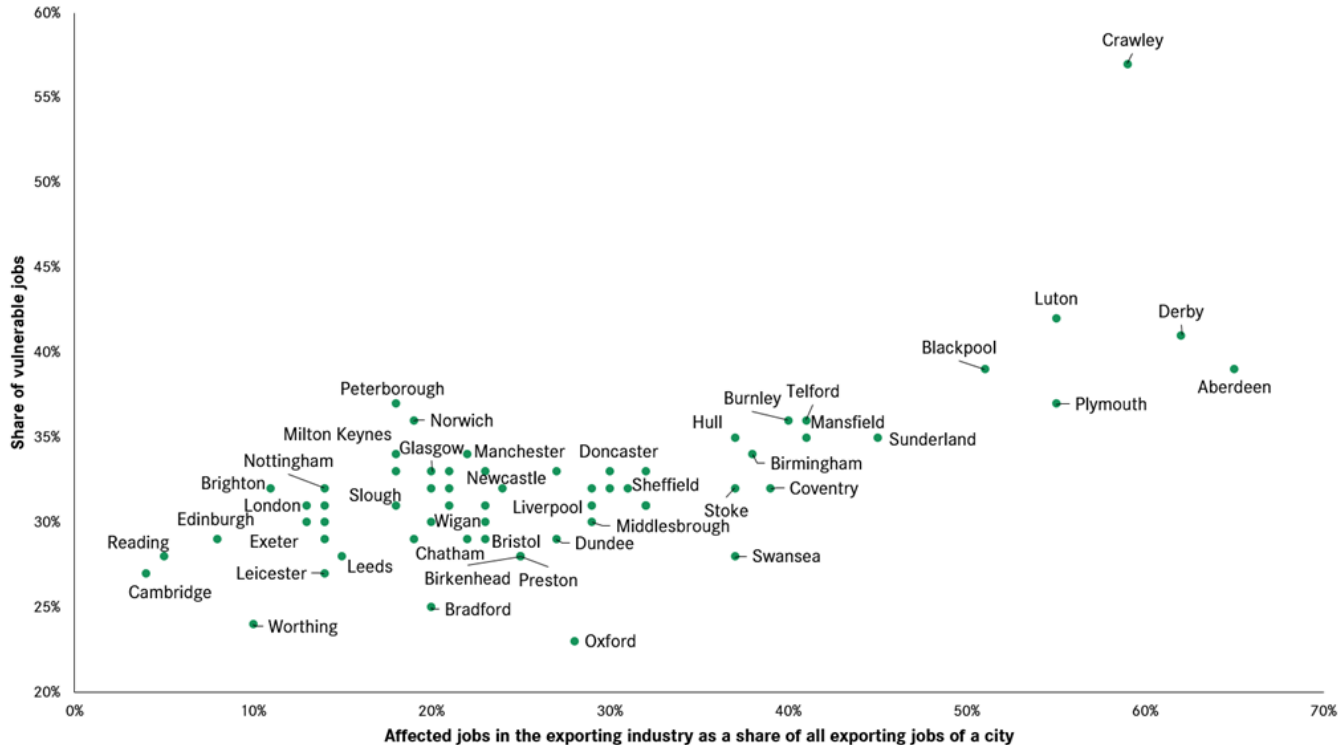
What does this mean for policy?

Place-based approach

Policy response:

1. Support of **local services in every part of the UK**

2. In addition, **sectoral approach** for particularly affected **exporting industries**

3. Support and investment in **further education**

Questions?

Elena Magrini and Kathrin Enenkel

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