PRESS RELEASE

Cambridge Cluster Insights

CAMBRIDGE AREA

Annual Draw 2020 Highlights

Cambridge continued to grow in 2019/20, but not as fast

- The study identified 26,000 companies based in a twenty mile radius of the centre of Cambridge.
- Together these companies had employment of 239,000 and a combined turnover of £48bn.
- The knowledge intensive (KI) businesses accounted for 5,372 companies with 68,000 employees and turnover of £18bn – 21%, 28% and 38% of the total respectively. This shows a high degree of knowledge intensity in the area.
- **Exhibit 1** shows the employment growth of Cambridge companies over the last eight years. It shows KI and non-KI companies separately and all companies together.
- Growth is positive in both groups in all eight years and overall there has been robust corporate employment growth. KI companies have grown faster than non-KI companies over the last three years.
- A slowdown in employment growth is evident in both groups over the past three years, but more marked for KI companies.
- **Exhibit 2** shows the equivalent information for turnover and the picture is similar to that found for employment. However, KI corporate turnover growth has been greater than that of non-KI companies for the last five years.

Sectoral effects

- In terms of employment the largest KI sectors are Information Technology, Life Sciences and High-tech Manufacturing. In non-KI sectors the largest are Education, Business Services, Distribution, Other Manufacturing and Construction.
- The employment growth per annum of these sectors over the last year is shown on the vertical axis in **Exhibit 3** in comparison with their annual growth rates over the last three years on the horizontal axis.
- The 45^0 degree line shows faster growth the further away from the origin you go. Sectors above the 45^0 degree line have increased their growth in the last year whereas those below the line have a declining growth rate.
- The fastest growing sectors in the last year are Life Sciences, Information Technology, Knowledge Intensive Services, Transport and Travel (due to Turners of Soham) and Manufacturing.
- Nine of the thirteen sectors show lower growth in the latest year compared with the last three years and only two, Knowledge Intensive Services and Transport and Travel, have shown an acceleration of growth.

Size effects

- We see the usual skewed size distribution. 89% of the companies fall in the 1-9 employee size range, 8.6% in 10-49 employees, 1.9% in 50-249 employees, and only 0.4% (110 companies) have 250 or more employees.
- It is a different pattern if we look at the distribution of employment. 22% are in 1-9 employee firms, 18% in 10-49 employee firms, 22% in 50-249 employees firms; but firms with 250 or more employees represent 38% of corporate employment in Cambridge.
- The concentration of turnover amongst the largest is even greater – firms with 250 or more employees represent only 0.4% of companies, but 38% of employment and 46% of turnover.
- This large company group with 250 or more employees also had the fastest employment growth in the last year at 5.6%, but no pattern is observed across the other size groups – 1-9 employees 1.2%, 10-49 employees 4.1% and 50-249 employees 2.6%.

Business demography

- The demographic analysis explores the contribution to employment growth made by companies in the Cambridge area at the beginning and end of the year alongside the contribution made by births and deaths and location changes into and out of the Cambridge area.
- **Exhibit 4** shows the growth in Cambridge corporate employment from 2012/13 up to the latest year. The pattern of employment growth overall is similar to that shown in Exhibit 1, but an interesting trend is observed. The impact of net entrants (i.e. those born or moved in less those died or moved out) has moved over time from being a strong positive influence on growth in 2012/13 to being a negative influence in 2019/20 – this is represented by the shaded area in Exhibit 4.
- In the first few years of this period employment changes due to business start-ups exceeded the losses due to company closures. This has changed and now the impact of closures exceeds that of start-ups and imparts a negative, but small, impact on growth.
- Location changes have been monitored only since 2016. Over these years the impact on employment of companies moving out of the Cambridge area has exceeded that of those moving in. This is probably due to the rising cost of doing business in Cambridge over this period. Over the last four years this has on average made growth of employment 1% less.

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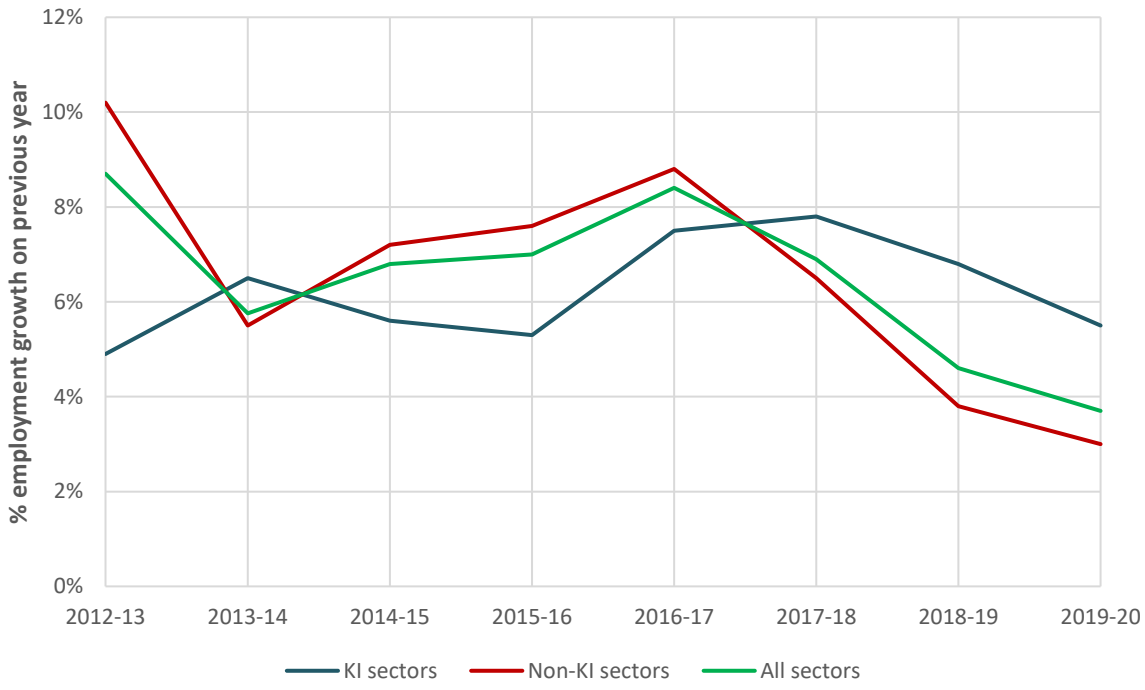
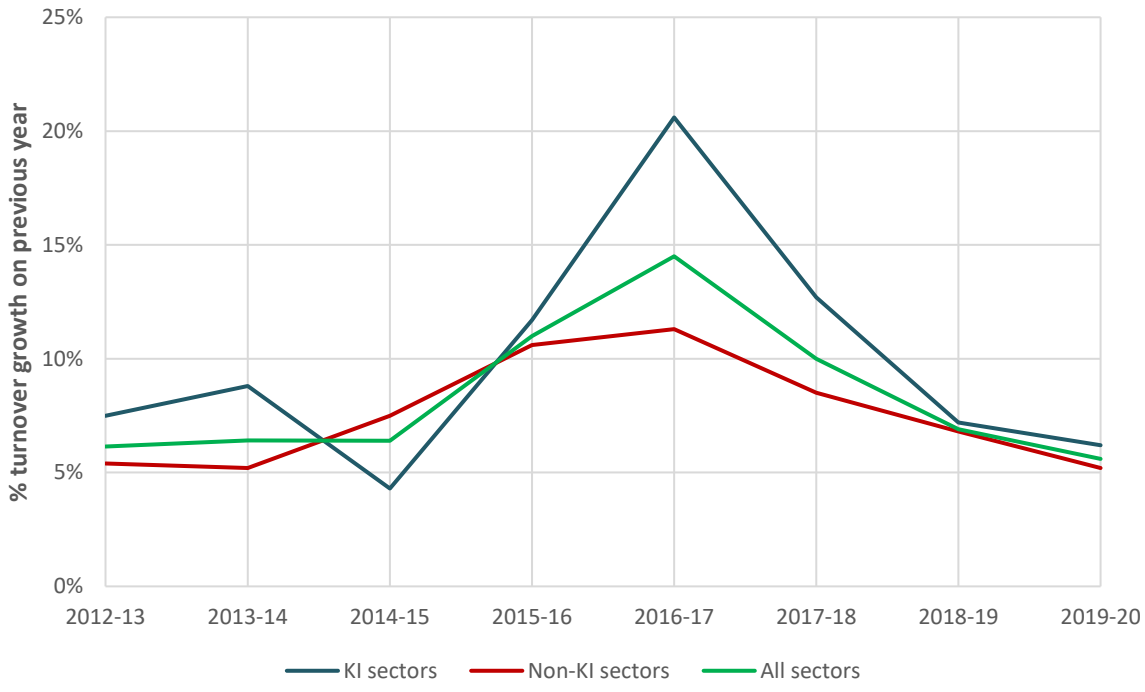
Exhibit 1 Employment growth 2012-13 to 2019-20 in the Cambridge area



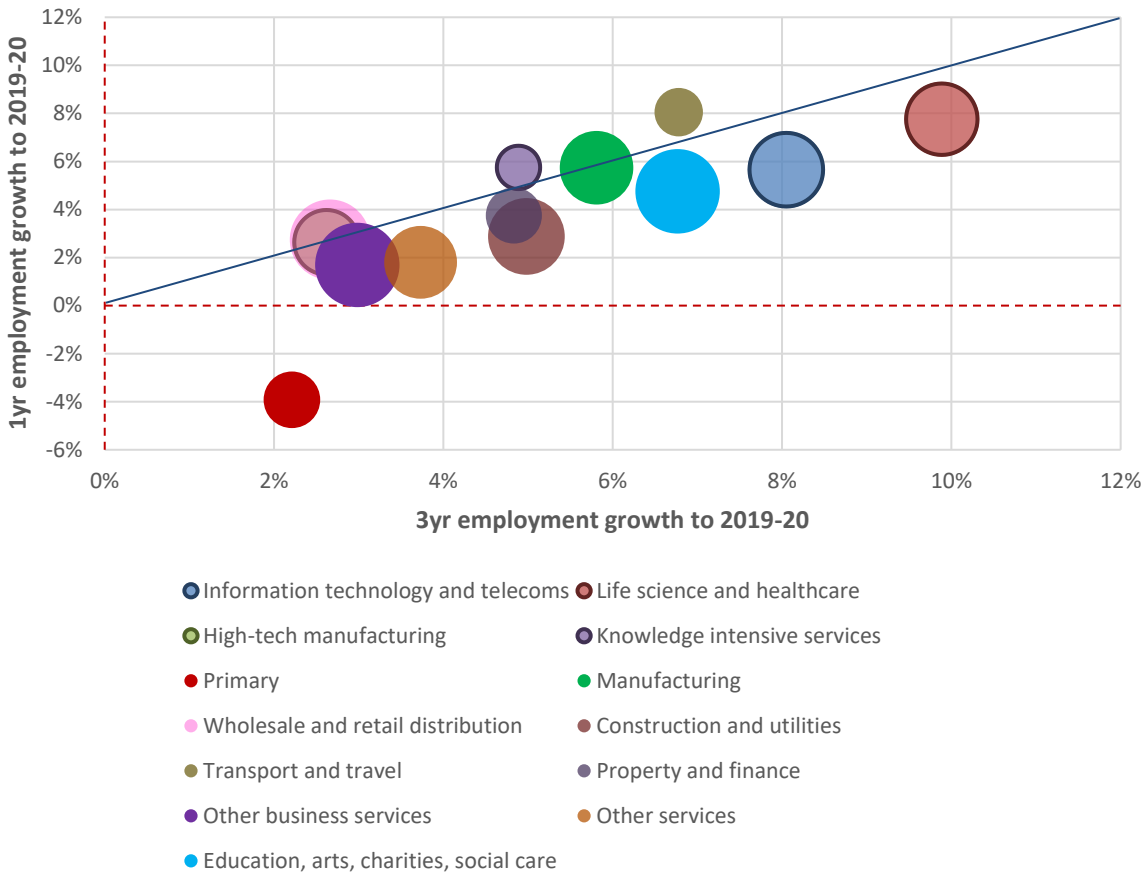
Source: Cosh & Caselli, CBR.

Exhibit 2 Turnover growth 2012-13 to 2019-20 in the Cambridge area



Source: Cosh & Caselli, CBR.

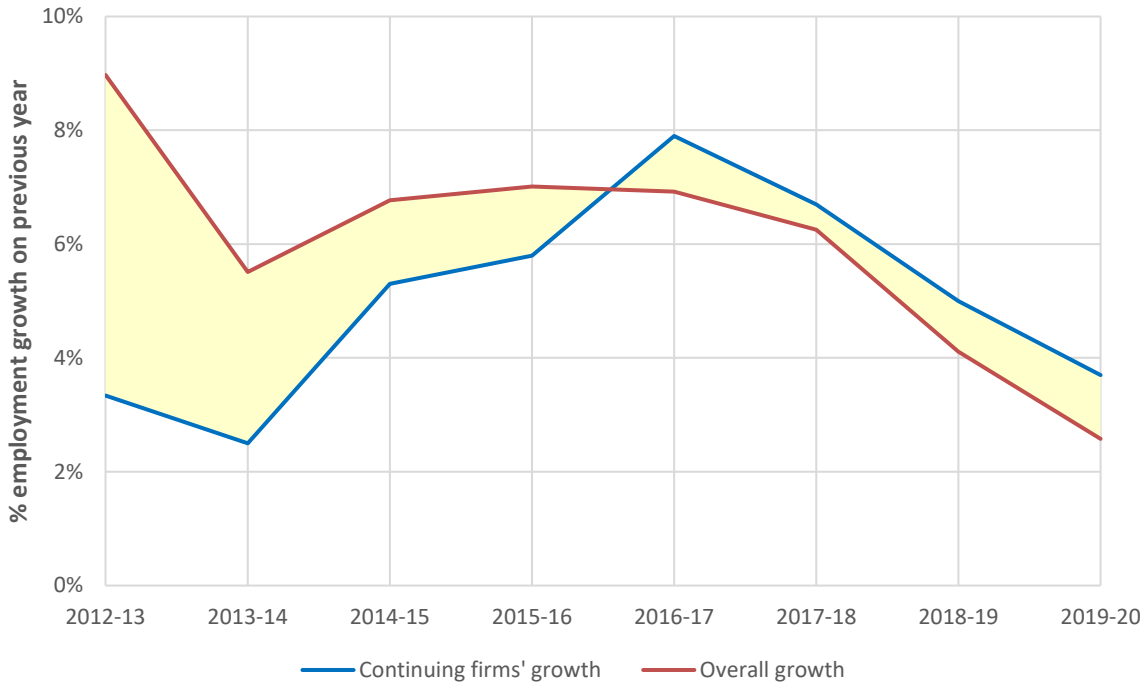
Exhibit 3 Employment growth by sector in the Cambridge area



Note: The size of each bubble is proportionate to the number of employees in 2019-20 on a continuous scale. Bubbles with an outline identify KI sectors.

Source: Cosh & Caselli, CBR.

Exhibit 4 Contribution of net entrants to employment growth 2012-13 to 2019-20 in the Cambridge area



Note: The contribution of net entrants to employment growth is represented by the shaded area.
Source: Cosh & Caselli, CBR.

About Cambridge Cluster Insights

Cambridge Cluster Insights - Cambridge Ahead

The webpage above includes the Cambridge Cluster Map (select Cluster Map tab) which shows the location of each company and allows the user to look at the clusters shown in the broad picture, or to drill down to a single company and capture its information. The user can choose the area covered and which sectors to include. On separate tabs the user can explore sectoral growth, growth by company size, company births and deaths and produce lists of companies by area, sector and size.

Cambridge Cluster Insights also provides information about the size and location of the principal research intensive institutions in the area.

About the draw

The annual draw takes all companies based within a twenty mile radius of the centre of Cambridge. In addition it includes major businesses operating, but not based, in the area. The annual audited accounts of these companies are inspected to discover their employment and turnover and their principal location is established. The annual draw allows us to track the growth of companies' employment and turnover, changes in location and company births and deaths. The database underpinning this work has over 90,000 companies on it and covers the financial years 2010/11 to 2019/20.

The underlying core corporate database has been established and maintained with the ongoing support of Cambridge Ahead, and is currently sponsored by Arm, Marshall of Cambridge and the Cambridgeshire and Peterborough Combined Authority.

The nerdy stuff

The data provided in the principal analyses concerns only Cambridge based companies. Each company is given a principal location and main sector of activity. We measure the total employment and turnover of our companies. About three-quarters of our companies provide employment and most of the rest are one-person businesses. However, less than 10% of the companies provide turnover data (fortunately these are the largest few thousand). This means that we estimate a company's turnover based on its employment and the ratio of turnover to employment for that sector and size.

Our size and sector analyses take companies which are in the Cambridge area in 2019/20 or were in the Cambridge area when they died. It then looks at the employment and turnover of these companies back to 2010/11. Companies that moved out of the area in the past decade are excluded. The Cluster Map uses these data but by default displays only those that are alive in 2019/20.

Our demography analysis takes a different approach from that used for size and sector analyses. It takes companies that were alive and in the Cambridge area in 2010/11. Some of these companies died or moved out of the area in the following years, but other companies were born or moved into the area. The company demography yearly analysis splits changes in employment and turnover into the growth of continuing companies, plus births and those moved in, less deaths and those moved out. Location changes are identified only since 2016 when our work began.

Some companies require special treatment due to their very large size – AstraZeneca and Aveva kindly provide us with their employment in the Cambridge area and it is those figures that appear. Also, Marshall of Cambridge is split into Marshall Motor Holdings and its other businesses (principally Marshall Aerospace).

Covid

The 2020 draw shows the information of the accounting period ending in the 2019/20 financial year. This means that the impact of the Covid crisis is minimal in this draw. The team are working on an update that will provide early quantification of the impact of Covid on Cambridge businesses.

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