

West of England Weekly briefing on covid-19 business impacts

16 April 2020

Monitoring the economic impact of coronavirus

The West of England Combined Authority is working with partners and bringing the region together to tackle some of the urgent issues caused by coronavirus. We are taking our businesses' concerns back to government and influencing national decisions. While in this difficult time, we are already planning for the future and adapting our work and looking for new ways to help the West of England recover - to benefit all our residents and businesses.

Through our relationships with business, we are building a regional picture of the specific industrial and labour market challenges we're facing:

- We're talking to businesses of all sizes, answering their queries and helping them to find the support they need;
- We have set up a Covid-19 Business Response Panel, chaired by West of England Mayor Tim Bowles and including regional leads from across the business support and banking sector;
- The Local Enterprise Partnership Board is providing further intelligence and strategic support.

This briefing summarises this business intelligence, and WECA's economic analysis so far of the pandemic. The intention is to update it weekly as intelligence and analysis develops. Comments are sought on what should be expanded.

- A. Key challenges for businesses and gaps in government support
- B. Scale of impacts (emerging data)
- C. Baseline information on sectors, employment and the scale of support schemes

A. Critical challenges to supply and demand are driving cash flow difficulties

WECA has collated intelligence received through Growth Hub (12 businesses in week to 9 April; 22 to 3 April, 36 to 27 March, 35 to 22 Mar); from the unitary authorities' economic development teams; and from the LEP Board and Business Response Panel, chaired by the Mayor. The key challenges businesses are facing include:

- Cashflow and liquidity concerns - caused by loss or postponement of contracts and customers, and consequent inability to cover costs such as payroll and rents before external support is received. This is especially a concern for seasonal businesses who may lose their main operating season if lockdown is extended into summer;
- Managing staff - including staff wellbeing and safety, and ability to respond to current or future demand. Concerns around sickness, self-isolation and business continuity;
- Supply chain - issues with obtaining critical stock; disruption to companies along the supply chain; pressures on businesses that remain open;
- Potential risk to logistics capacity for deliveries - eg in recruiting staff, HGV driver medical checks held up by lack of NHS capacity, closure of restaurant premises;
- Capacity for organisations responding to increased demand - concerns that key support organisations such as banks, call centres, and Job Centre Plus, are not able to keep up with demand;
- Longer term planning - concerns about not being prepared for customer demand as isolation ends. Businesses looking for guidance on how to prepare, and for removal of support to be phased. Some businesses are beginning to think about longer-term changes - including potentially moving to smaller premises due to increased homeworking; and streamlining operations. Some businesses anticipate a slow return of demand, which may lead to a longer-term impact on jobs

A. Urgent gaps in support remain, particularly for smallest businesses

The number of calls for business support is decreasing week by week but businesses are still consistently concerned about these key issues:

- Timing of support - Serious concerns remain that gaps in receiving support of up to five weeks are too long for businesses and self-employed people facing immediate cash flow crises. Employers are worried that the delay in the Job Retention Scheme payments being available may add to cashflow issues.
- Loans are not reaching businesses fast enough but are starting to come through:
 - Some very small businesses are averse to taking on debt, as to date they have relied on organic growth. May need support to help such businesses manage new debt effectively.
 - By 15 April, The British Chamber of Commerce Business Impact Tracker reports **2% of surveyed firms had accessed the loan** (up from 1% the week before); **and 15% had accessed grants** (up from 7% the week before)
 - The Minister for Small Business [has given assurances](#) that money from supported schemes will hit accounts by the end of April
- Responses to government procurement of ventilators etc - some SMEs felt that the government was dealing with larger businesses and disregarding the proposals made by SMEs
- Clarity of support - many businesses are looking for more detail on eligibility, mechanisms of schemes etc. This is improving as government releases more guidance.
- Self-employment - Concerns over eligibility, particularly with newly established businesses and contractors set up as a 1-person limited company.
- Apprenticeships - Support needed for training providers. Government is funding Further Education Providers but not apprenticeships. Concerns about missed opportunities for 16-18 year olds and the impact on their future earnings; and financial impact on the sector

A. Gaps in support pose challenges for specific sectors and types of businesses

- WECA and the four UAs have provided support and guidance to a wide range of businesses. The hospitality and leisure sector and the retail sector were one of the top 5 most supported sectors for all UAs. Food services was the common sector reported by Bristol City Council, with companies looking to switch to takeout provision.
- Enquiries from the construction and manufacturing sector are increasing - lack of clarity on what work should continue has caused uncertainty and disparity in ways of operating across the sector, and supply chain issues are disrupting many businesses.
- Micro and small businesses: Concerns for businesses working out of co-working spaces and units owned by larger landlords who pay rates, therefore making them ineligible for business rate relief and the grant schemes.
 - This has been raised particularly for street food and market traders; and for the large number of co-working spaces operated in the tech and creative sectors.
Similar lack of support for those operating from homes
- Co-working providers and incubators: Concerns for the survival of flexible workspace providers, as tenants stop operating and are ineligible for some government support (See above), so many have cancelled their spaces and may not return. UKSPA have raised concerns about the longer-term impact on networks, innovation and R&D.
- Delivery of food and medical supplies: Heavy Goods Vehicle Driver Legislation requires drivers to have regular medical examinations (annually for over 65s), and the number of Doctors available to do this task has been reduced. Additionally HGV driver tests have been cancelled, reducing the availability of drivers. One test centre reports they would usually have 600 tests in the next three months.
- Other sectors commonly seeking support include finance and professional services; transport and logistics; and creative.

B. Early indicators of economic impact reflect these challenges at a national level

Emerging economic data can provide a guide to how the UK economy is performing and the scale of the downturn currently taking place. Regional data is currently limited but [early national indicators suggest](#):

- [Retail footfall](#) in the UK was over 80% lower in the first week of April compared to a year ago
- [Staffing levels](#) - 27% of businesses in an [ONS survey](#) were reducing staffing levels in the short term
- [Unemployment](#) - The Department for Work and Pensions reported there were [almost 950,000 new claims \(applications\)](#) for [Universal Credit in the two weeks to 31 March](#). This compares with an average of 110,000 per fortnight over the course of 2019.
- [Cashflow](#) - The [British Chamber of Commerce Business Impact Tracker](#) reveals that, as of 15 April, 66% of firms surveyed nationally have furloughed staff. 6% of firms have already run out of cash, and 36% have three months cash flow in reserve or less.
- [Property](#) - Property site [Zoopla reported](#) a 70% decline in new property sales agreed since the outbreak.
- [Economic output](#) - Analysis by the Centre for Economic and Business Research suggested that during the current lockdown there is a [reduction in UK economic output of 31% compared to normal](#) levels of activity - roughly £2.4bn per day. This varies considerably by sector.
- The Office for Budget Responsibility has published a [reference scenario](#) (not a forecast) based on a three-month lockdown: “real GDP falls 35 per cent in the second quarter, but bounces back quickly. Unemployment rises by more than 2 million to 10 per cent in the second quarter, but then declines more slowly than GDP recovers.”

B. Sector surveys provide evidence of specific impacts

- As of 3 April, [59 Bristol based businesses had entered liquidation](#) since 24 February. Department store Debenhams, which has outlets in Bristol and Bath, has since filed for administration. Fashion retailers Oasis and Warehouse also filed this week.
- **Social Care :** [A national survey](#) of the adult social care sector revealed 25% of the workforce was currently unable to work due to covid-19 related reasons, therefore 34% of providers urgently needed more staff; and 54% of providers were taking on temporary staff.
- **Tech sector:** [A national survey of scaling tech companies](#) revealed that 77% expected cashflow to be impacted by recent events; 50% planned to furlough staff; and 35% planned to access the loan scheme.
- **Science and Research:** [The UK Science Park Association surveyed its members](#) and reported that most management teams were home working, but sites remained open for lab access. Only 10% of sites had closed fully. 10% of members had furloughed management staff; and one third operational teams, with another third also considering this.
- **Creative Industries:**
 - [A national survey by the Creative Industries Federation](#) reports that around 40% of creative organisations estimate their income has decreased by 100% since the outbreak
 - Bristol City Council ran a survey of cultural organisations which revealed only 42% were entitled to Small Business Rate Relief, and therefore eligible for cash grants and business rates holidays.
- **Events and Festivals:** The Bristol Culture Survey also reported that 42% of cultural organisations had cancelled events, and a further 26% had postponed, at a combined cost of £3m. 65% of respondents will not be covered by insurance. Staff in this sector are at risk - there are over 3,500 freelancers reported, in addition to core staff of 300. Many organisations will have to end all freelance contracts.
- **Air quality:** reflecting the decline in regional mobility, [air pollution in Bristol](#) has fallen by more than half compared with last year

B. Effects are visible in the labour market: the number of jobs advertised has declined

- Early indicators from the labour market suggests the number of jobs being advertised in March 2020 was marginally down on the previous month, with only the health & social work industry showing a significant increase in demand.
- However there are certain occupations which have seen a rise in demand (greater than 25% on the previous month). This includes but is not limited to:
 - Nursing and Midwifery Professionals
 - Health Associate Professionals
 - Transport Associate Professionals
 - Administrative Occupations: Government and Related Organisations
 - Caring Personal Services
 - Elementary Storage Occupations
- Given that substantive changes to the economy and labour market were implemented on 16th, 20th and 23rd March the real impact of the change in demand won't become visible in the data available until the end of April.

C. We will monitor labour market indicators, including unemployment and benefit claims

We know that many people have been made redundant or furloughed over recent weeks and we can expect to see an increase in unemployment and the number claiming Universal Credit. No new data is yet available at a West of England level to represent the current impact, but we will monitor the impact using the most recent data available as the baseline.

Baseline Data

- Unemployment Rate (All Persons): 4.1 % (Oct 2018 - Sept 2019)
- Workless Households: 36,200 (9.9%) (Oct 2018 - Sept 2019)
- Number of Children in Workless Households: 11,800 (5.9%) (Oct 2018 - Sept 2019)
- Claims made for Universal Credit by Postcode District:
 - Bristol (BS) - 798 claims on January 2nd 2020
 - Bath (BA) - 337 claims on January 2nd 2020
- Starts on Universal Credit (Jobcentre Plus Locations in the West of England): 1,879 (Jan 2020)

C. There is significant employment in the sectors likely to be most affected

We are seeking real-time indicators of economic conditions to assess the actual impacts on the sectors of our economy, but these are currently limited. In the meantime, the most recent data provides a baseline for the scale of potential impacts.

Baseline Data

Sector	Employment (2018)		Number of businesses (2019)		GVA (2018) *	
	Number	% of total	Small or micro	All	£m	% of WofE total
Manufacturing	36,000	6	2,005	2,090	2,650	7
Construction	30,000	5	6,035	6,085	2,390	7
Retail & wholesale	84,000	14	5,515	5,610	3,468	10
Accommodation & food	45,000	8	2,545	2,605	925	3
Arts, entertainment & leisure	14,000	2	1,165	1,190	324	1
Education	55,000	9	675	765	2,277	6
Health & social care	83,000	14	1,780	1,920	2,562	7

*: Note that GVA data has been updated to include all 4 West of England Unitary Authorities. Previous editions of this report did not include North Somerset in this figure.

C. Different occupations will be differently affected

- Those working in sectors worst affected by the pandemic, as they cannot work from home - such retail and hospitality - may be disproportionately affected.
- National data on weekly earnings by industry, made available by ONS, shows that those employed within ‘Wholesaling, Retailing, Hotels & Restaurants’ earn on average £366 per week; compared to an average of £544 per week for the economy as a whole - this is 33% less on average. Whilst the experiences within parts of ‘Wholesaling, Retailing, Hotels & Restaurants’ vary greatly, **this suggests that the lowest earners are at the greatest risk.**

Baseline Data

Occupation	Number	% of all people in employment
managers, directors and senior officials	64,700	10.7
professional occupations	149,800	24.7
associate prof & tech occupations	102,900	17.0
administrative and secretarial occupations	60,100	9.9
skilled trades occupations	50,400	8.3
caring, leisure and other service occupations	52,000	8.6
sales and customer service occupations	39,900	6.6
process, plant and machine operatives	31,700	5.2
elementary occupations	54,800	9.0

C. Distribution of impacts is also critical

- One real-time indicator of impact is **people's mobility, which has evidently fallen dramatically** (see charts), although some workplace activity remains
- There may be a digital divide in accessing benefits and support: **certain groups who do not have access to the internet are becoming isolated**
- Among at-risk groups, there are approximately **146,600 people aged 70 and over** in the region (13% of the population) and **326,100 adults with health conditions or longer-term illnesses** (28% of population) (though these are not necessarily all risk factors for covid-19)

Visits and length of stay at workplaces have decreased significantly

Source: Google Community Mobility Reports, 9 Apr

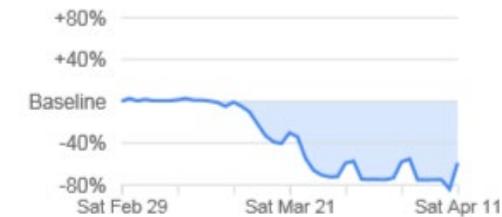
B&NES

-64% compared to baseline



Bristol

-59% compared to baseline



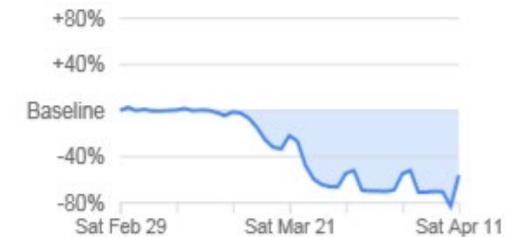
North Somerset

-57% compared to baseline



South Glos

-56% compared to baseline



C. Large numbers of the region's businesses should be eligible for government support - LAs have begun releasing payments

We have made an initial assessment of numbers of businesses eligible for each government scheme:

	Scheme	Sector	Estimate of WofE businesses eligible (out of 45,680 businesses in total)
Wages	Job retention scheme (80% of wages)	All	37,500 employers
	Reclaim Statutory Sick Pay	All - SME	37,300 SME employers
	Self-employed employment support scheme (80% of profits)	All	All 93,200 self-employed people
Grants	Small Business Grant Scheme	All - Small	27,300 firms receiving small business rate relief
	Cash grants - retail, hospitality, leisure	Retail, Hospitality, Leisure	12,300 retail, hospitality and leisure businesses occupying property with value up to £52,000
Loans	Business Interruption Loan Scheme (British Business Bank)	All - SME	All 45,500 SMEs
	Corporate Financing Facility (Bank of England)	All - Large	190 large businesses
Tax	Deferred VAT payments	All	27,600 VAT registered firms
	Deferred Income tax self-assessment	All	All 93,200 self-employed people
	Business Rates holidays - nurseries	Education	500 Ofsted registered providers occupying property
	Business Rates holidays - retail, hospitality, leisure	Retail, Hospitality, Leisure	14,100 retail, hospitality and leisure businesses occupying property
	Protection from eviction for commercial tenants	All	

Local authorities are distributing grants to support businesses. Complete figures for the region are not yet available but as of 7th April these grants amounted to £27 million.

C. This week the Government has announced additional sector-specific funding

- £750m of support for the charitable sector - £360 million direct from government departments and £370 million for smaller charities, including through a grant to the National Lottery Community Fund. A further £2m has been pledged by the Home Office specifically to support domestic abuse charities.
- £1.3m funding to help Destination Management Organisations cover operating costs and the cost of employees that cannot be furloughed under the Coronavirus Job Retention Scheme because they provide crucial business support services.

Scheme	Sector	Estimate of WofE businesses eligible (out of 45,680 businesses in total)
Emergency Charity Funding	Charitable Sector	Charity Commission estimates there are 2,967 charities in WofE
Home Office #YouAreNotAlone campaign fund	Charitable Sector	Charity Commission lists 15 organisations in WofE which state domestic abuse as primary charitable purpose
Support for DMOs	Tourism	Visit Bristol and Visit Bath

- The Department for Education has also provided an overview of additional funding that will be made available to schools to cover costs related to the COVID-19 outbreak to cover the period up to the end of the 2019 to 2020 summer term. Further guidance of the claims process will be published in June.
- Bristol is one of 12 UK cities selected by digital OOH advertising provider Ocean Outdoor as being eligible for its £10m Emergency Media Fund, intended to give businesses and brands access to advertising space across their screens during the coronavirus crisis. Priority will be given to retailers and SMEs

Contact us

-  westofengland-ca.gov.uk
-  Strategy@WestOfEngland-CA.gov.uk
-  [WestofEnglandCA](https://twitter.com/WestofEnglandCA)
-  [West-of-England-Combined-Authority](https://www.linkedin.com/company/West-of-England-Combined-Authority)

For further information on support available to businesses, visit the West of England Growth Hub: wearegrowth.co.uk