

West of England Weekly briefing on covid-19 business impacts

9 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 (22 businesses in week 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. 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;
- 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.

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

Using the intelligence gathered, we have identified gaps in the support packages introduced by the Government. Key issues raised include:

- Timing of support - gaps in receiving support of up to five weeks are too long for businesses and self-employed people facing immediate cash flow crises
- Loans are not reaching businesses fast enough:
 - 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. Concerns about conditionality of loans and personal guarantees were addressed by HMT on 2 April
 - There has been an increase in the last week of businesses requesting assistance with the Business Interruption Loan. Business reported difficulties and delays dealing with banks, and high interest rates. The British Chamber of Commerce Business Impact Tracker reports 1% of surveyed firms had accessed the loan; and 7% had accessed grants.
- 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.

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

Key sector specific issues raised through local intelligence include:

- 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 take a while to 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.
- Food services: Rising concerns from food service companies looking to switch to take-away and home delivery but in some cases struggling, including where based out of markets that are closed.

B. Early indicators of economic impact reflect these challenges

- 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.
- The [British Chamber of Commerce Business Impact Tracker](#) reveals that, as of 8 April, 37% of firms survey nationally are planning to furlough between 75 and 100% of staff within the next week.
- **Social Care** : The adult social care sector is an exception to this - [a national survey](#) 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
- **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.

B. A wide range of sectors are seeking support - most commonly retail, hospitality & leisure, and food services

- WECA and the 4 Unitary Authorities have been in contact with businesses from a wide range of sectors to provide support and guidance.
- The **hospitality and leisure sector** sought support across WECA and all UAs. This was the most common sector supported in Bath and North East Somerset - representing 30% of all businesses the UA interacted with - and one of the top 5 most supported sectors for all UAs.
- Businesses in the **retail sector** also consistently sought support across WECA and all UAs.
- **Food services** was the most common sector reported by Bristol City. This sector did not appear to contact other UAs but could be counted within retail.
- Other sectors commonly seeking support include:
 - Finance and business services
 - Construction and manufacturing
 - Transport and logistics
 - Creative

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	2,021	7
Construction	30,000	5	6,035	6,085	2153	7
Retail & wholesale	84,000	14	5,515	5,610	2986	10
Accommodation & food	45,000	8	2,545	2,605	759	2
Arts, entertainment & leisure	14,000	2	1,165	1,190	283	1
Education	55,000	9	675	765	1,980	6
Health & social care	83,000	14	1,780	1,920	2,242	7

C. Different occupations will be differently affected

Unemployment and furloughing will continue to rise, and lower-income people are likely to be more adversely affected (since less likely to be able to work at home). We will monitor these changes against the base line.

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)
- 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, 2 Apr

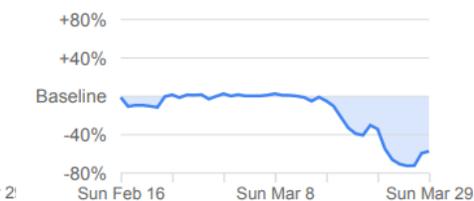
B&NES

-66% compared to baseline



Bristol

-57% compared to baseline



North Somerset

-54% compared to baseline



South Glos

-52% compared to baseline



C. Large numbers of the region's businesses should be eligible for government support

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	

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