

West of England Economic Briefing on Covid-19 Business Impacts

17 September 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. We have set up the West of England Economic Recovery Board, which is a partnership between the West of England Combined Authority, the Local Enterprise Partnership, businesses, universities and the region's councils.

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 Insight 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 as intelligence and analysis develops. Comments are sought on what should be expanded.

There are two broad sections of the briefing:

- A. State of the national and regional economy
- B. Government Support and details of areas under local lockdowns across England

Updates this briefing

For ease of reference, this brief collates material from over the past few months. The key updates in this briefing are:

Section	Updates	Pages
A	Overview: <ul style="list-style-type: none">UK quarterly GDP was estimated to have fallen by over 20% in the second quarter of 2020.UK monthly GDP has grown 18% since end of April 2020.	4-5
A	Business activity: <ul style="list-style-type: none">29 Administrations and 246 liquidations have been reported since 16 March 2020 in the region.	6-7
A	Labour market: <ul style="list-style-type: none">5.3% of the region's workforce claimed out of work benefits in August 2020 (39,695 residents).11% of the UK workforce are estimated to still be on furlough.	8-12
A	Mobility: <ul style="list-style-type: none">Mobility data on workplace and returning to office is slow in recovering for the region.	13-15
A	Infrastructure: <ul style="list-style-type: none">Recent analysis of consumer spending has suggested that the UK's per capita greenhouse gas emission footprint is down 14% year-on-year.	16
B	We provide an overview of the areas currently under local lockdowns and what additional measures are in place.	17-20

A. Overview: The economic impacts have been significant and we are currently in recession

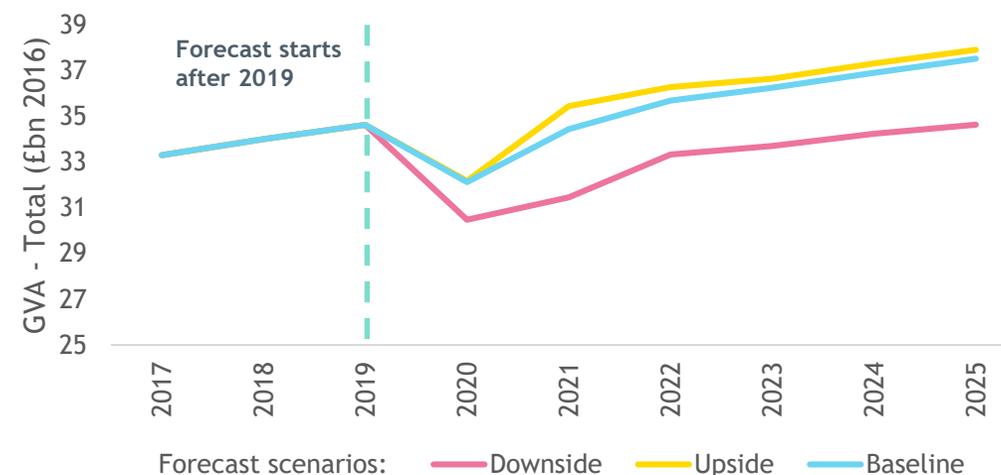
The pandemic is having a significant impact on economic output and the recovery is uncertain:

- UK quarterly GDP was estimated to have fallen by over 20% in the second quarter of 2020. This was the second consecutive quarterly fall and means the UK is currently in a technical recession.
- An increase of monthly GDP levels has been recorded since May, with growth of over 18% over May, June and July combined after a 20% fall in April. However real GDP is at a level last seen at the beginning of 2013.
- The chart on the right below shows three scenarios produced by Oxford Economics to 2025 for the West of England’s economic output:
 - In the baseline scenario, the local economy returns to its peak before the pandemic by the end of 2021, with an estimated contraction of 7% in 2020. This scenario is based on lockdown measures being fully lifted by early 2021, with no second wave of infections and a vaccine widely available in Q1 2021.
 - In the upside scenario, with an assumption of faster medical advances, the local economy recovers to its peak by 2021.
 - In the downside scenario, lockdown is extended through the third quarter of 2020 and there is a larger, longer lasting negative effect from the pandemic (from a second wave of infections, financial crisis or government implementing austerity measures). The local economy takes until 2025 to recover. A decline of 11% is estimated under this scenario for 2020.

UK monthly GDP has returned to growth since May but is 12% smaller than in February



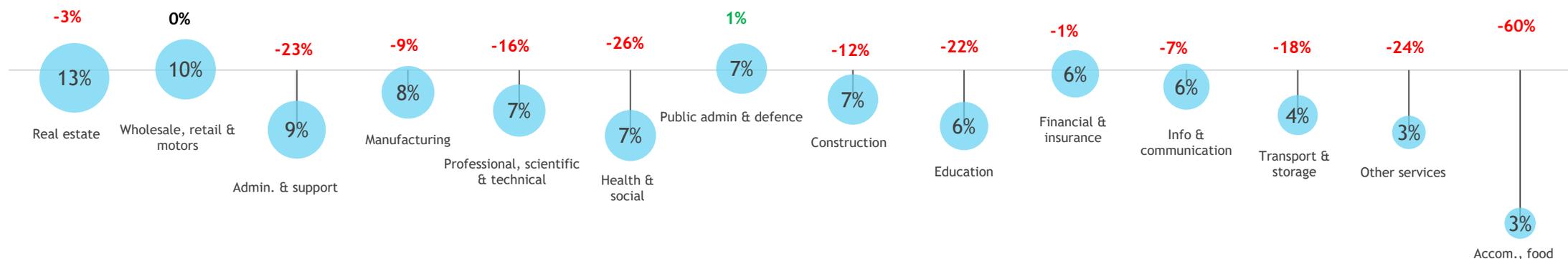
Oxford Economics: There is uncertainty in the recovery of the West of England’s economic output



A. Overview: Key sectors of the economy have been impacted differently

- The chart below shows the impact on GVA of key sectors of the economy (at a national level). The size of the bubble represents the percentage of regional GVA the sector accounted for in 2018, whilst the distance from the line indicates the national change in activity from February to July 2020.
- Almost all sectors have experienced a drop in economic output, but some have been clearly more adversely impacted than others, with the largest negative growth evident in accommodation and food services.

GVA change (%) in UK for various sectors from February to July 2020 with bubble size indicating proportion of West of England GVA in 2018



NB: Figures do not sum to 100% due to the exclusion of agriculture, mining, utilities and waste

A. Business activity: The retail environment is shifting and turnover is less than normal for nearly half of businesses

Trading Status:

4% of businesses are estimated to be temporarily closed nationally and a strong majority of these reported that they do not intend to permanently close business sites in the next three months. This compares to 24% businesses temporarily shut when lockdown restrictions were first imposed. However the arts, entertainment, and recreation industry is estimated to still have over 1 in 5 businesses temporarily closed in the UK.

Financial performance:

47% of businesses continuing to trade reported their turnover had decreased outside of normal range in the period between 10 August to 23 August (this is down from 67% at the height of lockdown), whilst 34% said their turnover had not been affected and 12% reported an increase in turnover.

- The sector appearing to be worst hit is arts, entertainment and recreation (74% reported a decrease).
- Interestingly 21% of the accommodation and food service activities sector reported an increase in turnover.
- Businesses in the UK have consistently been optimistic in their turnover expectations, based on [survey data responses between 1 June and 23 August](#). On average over this period, 13% of businesses expected a decrease in their turnover two weeks after responding, but 54% reported a decrease two weeks later.

Retail Sales in Great Britain:

Retail sales as at July 2020 by volume are 3% higher than pre-pandemic levels in February.

- Clothing store sales have been the hardest hit and are nearly 26% lower than in February
- Online sales now account for 29% of all retail sales. This figure was previously 20% back in February
- There has been a reduction of sales of 3.1% in food stores in the month of July, which the ONS propose could be linked to the re-opening of restaurants and bars at the beginning of July.

16,816 grants totalling £210.9m have been distributed by West of England local authorities (as of 30 August)

£35.5bn lent across the UK in Bounce-Back loans (as of 16 August)

£13.7bn lent to UK SMEs in Business Interruption Loans (as of 16 August)

A. Business activity: Bankruptcies have not risen to date but new company incorporations appear weak

Some businesses have entered administration or liquidation but so far this appears no higher than the same time period in 2019. The small numbers of businesses in these categories makes it difficult to draw conclusions, but it is possible that the combination of government support schemes and bans on evictions and winding-up petitions are protecting firms.

We have taken data since 16 March, as this was the date that the Government first advised people to work from home and avoid pubs, clubs, theatres and other social venues.

	16 March -31 August 2020	16 March -31 August 2019
West of England Reported Liquidations	246	244
West of England Reported Administrations	29	29

Current data for company incorporations with registered addresses including either the words “Bristol”, “Bath”, or “Weston-Super-Mare” from the official public records show that between 16 March to 31 August 2020, total incorporation levels are around a third when compared with the same time period last year. These figures seem to highlight the impact that the pandemic has had on business creation in the region.

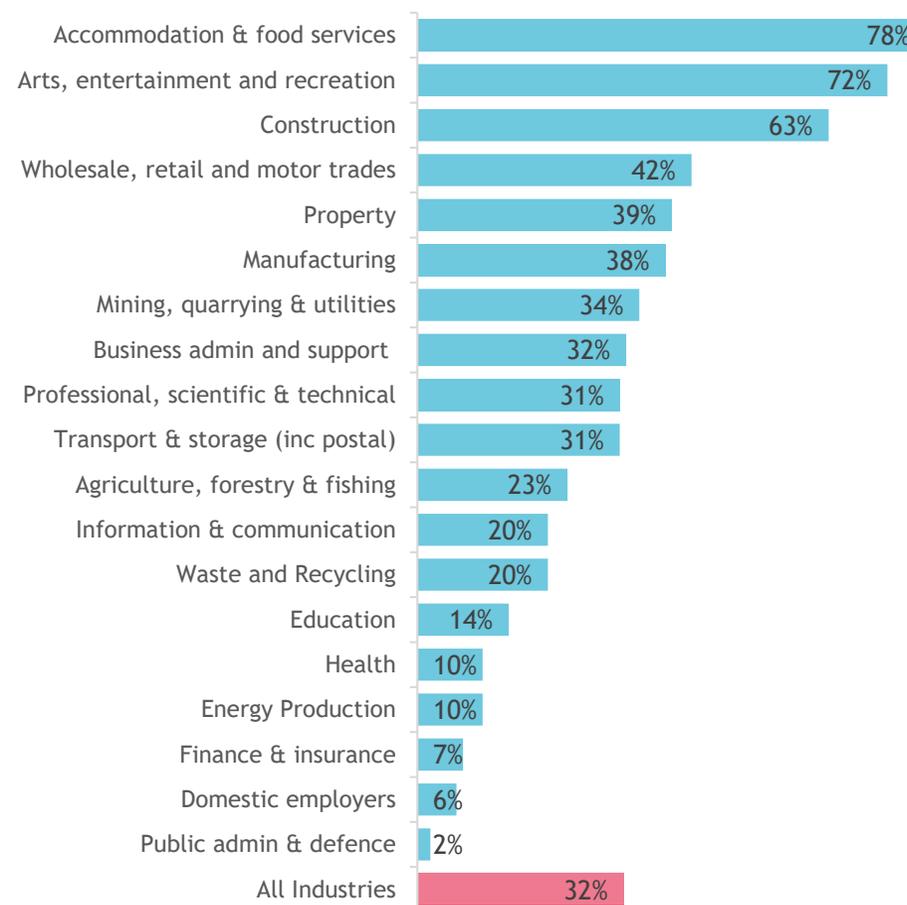
	16 March -31 August 2020	16 March -31 August 2019
Bath Incorporations	147	455
Bristol Incorporations	1,154	3,474
Weston-Super-Mare Incorporations	103	338

A. Labour market: 30% of the West of England workforce has been furloughed at some point

- 11% of the UK workforce are estimated to remain on furlough leave through the Coronavirus Job Retention Scheme (CJRS), as at between the 10 to 23 August. 41% of the arts, entertainment and recreation sector are estimated to be currently still on furlough.
- 36% of the UK workforce are working remotely instead of their normal place of work. 20% of working adults in the UK have been reported to be working exclusively at home.
- As of 16 August 2020, a total of 9.6m people in the UK have been furloughed, by 1.2m employers, with claims amounting to £35.4bn. This represents 32% of those eligible. Note that this is a cumulative figure and some of these workers will now have returned from furlough.
- As of 31 July, 170,900 West of England employees have been furloughed, representing around 30% of those eligible for furlough.
- For the entire South West, recorded furlough levels are highest among the accommodation and food sector (78% of the eligible workforce); arts, entertainment and recreation (72%); and construction (63%). This information is not yet available at a local authority level.

South West CJRS take-up rate by industry (31 July)

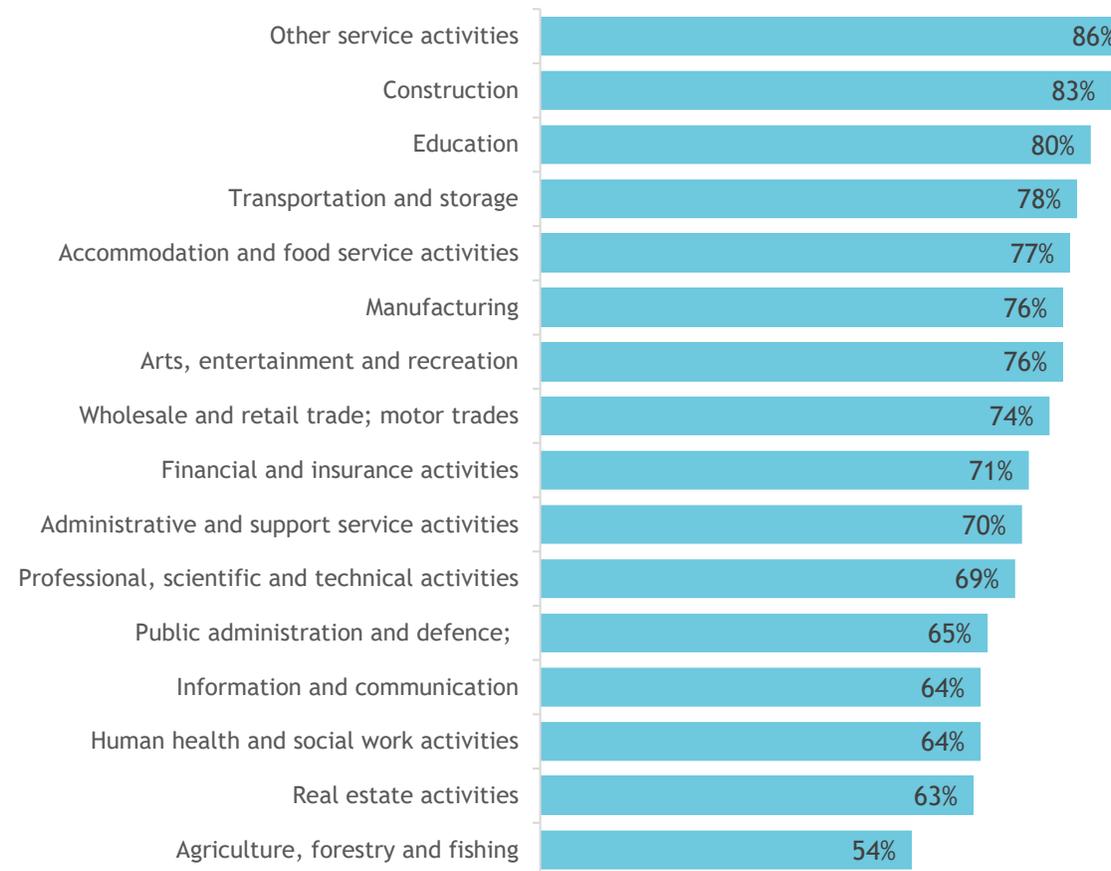
NB: Percentages are calculated based on number of employments eligible for furlough, which may be slightly less than the total workforce, due to a small number of people not eligible for furlough.



A. Labour market: 76% of eligible residents in the region have accessed the Self-Employment Income Support Scheme

- As of 31 July 2020, 44,100 claims have been made on the Self-Employment Income Support Scheme (SEISS) by West of England residents, amounting to £132.7 million.
- This represents 76% of people in the region eligible for the support and is in line with the national average.
- Across the South West, the take up rate for self employment support was highest amongst service activities (86%); construction (83%); and education (80%). This information is not yet available at a local authority level.
- Construction accounted for the highest proportion of claims, at 31% of the total number of claims in the South West.
- Note that not all self-employed people were eligible for this support. Notable exceptions include new businesses, freelancers, and those set up as 1-person limited companies. These figures may therefore underestimate the true impact of the pandemic on the self-employed, and sectors with a high concentration of freelancers.

South West SEISS take-up rate by industry (31 July)



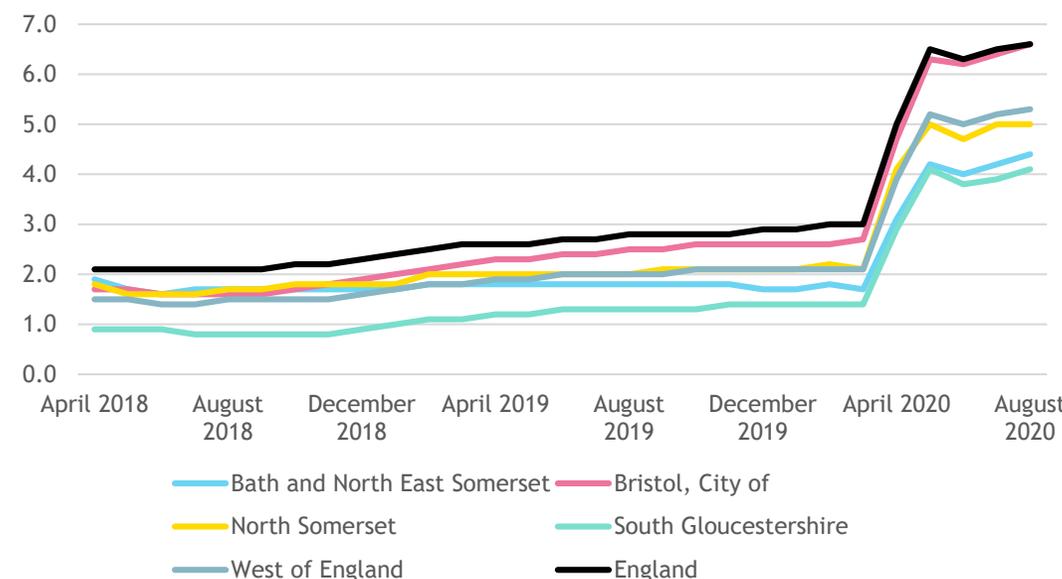
A. Labour market: Unemployment benefit claims rose sharply in April and May but now appear more stable

- The below table shows the number of people claiming out of work benefits. 5.3% of the region’s workforce claimed out of work benefits in August 2020 (38,800 residents). This is similar to the 5.2% reported for July 2020.
- All four unitary authorities in the West of England saw a spike in the number of claimants in April and May 2020. This appears relatively stable in August 2020, however, there are now 23,920 more claimants in the West of England than there were in February 2020, before the effects of the pandemic hit.
- Data from a BBC Freedom of Information request shows that [employers planned more than 300,000 redundancies in June and July across Britain](#). There are fears that there are going to be lags coming through for rises in unemployment, especially with the Coronavirus Job Retention Scheme ending in October.

- Other measures of unemployment data help give a fuller picture:
- The total level of hours worked in the economy fell by 18% on a quarterly basis in Q2 in the UK
 - PAYE data shows that the number of employees on a payroll at August 2020 is estimated to have fallen by 1.8% since February this year.

	July 2020		August 2020	
	Number	% workforce	Number	% workforce
Bath and North East Somerset	5,220	4.2	5,410	4.4
Bristol City	20,470	6.4	20,835	6.6
North Somerset	6,180	5.0	6,180	5.0
South Gloucestershire	6,930	3.9	7,265	4.1
West of England Total	38,800	5.2	39,695	5.3

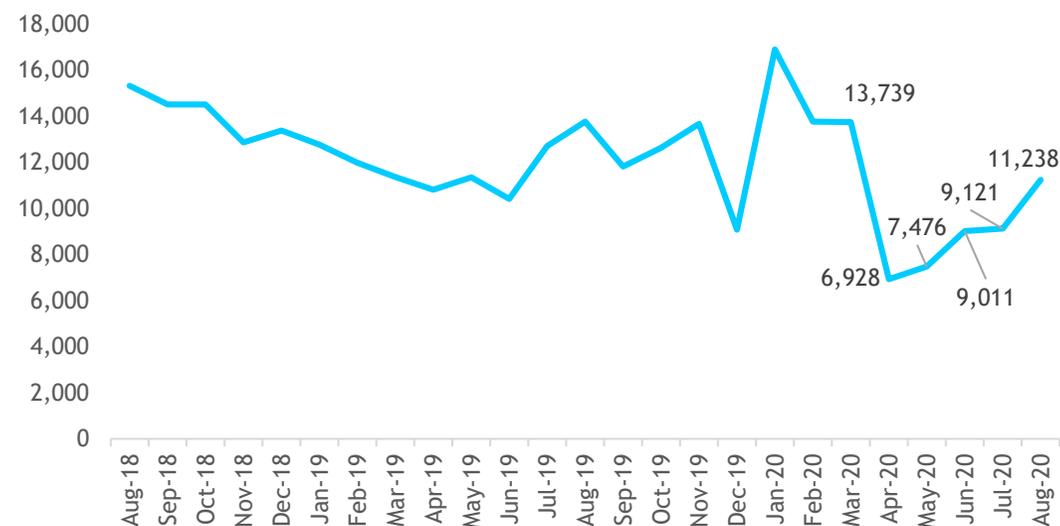
Working age residents claiming unemployment related benefits (%)



A. Labour market: Job adverts declined sharply in April but have risen since then

- There were 11,238 jobs advertised in the West of England in August 2020, up 23% from July 2020 suggesting some level of recovery in terms of available jobs. However the level of availability is 18% lower than the level of jobs advertised in August 2019.
- The impact of changes in number of jobs available as a result of lockdown measures and social distancing became visible in April, with significantly fewer jobs advertised. This has risen in last few months and continues to increase as lockdown measures are eased.
- Comparing the type of jobs advertised by industry, although the total number of jobs advertised remains lower than it was pre-pandemic, nearly all industries saw a rise in job postings in August 2020. Advertisements increased in accommodation and food services; and finance and insurance.
- Comparing the occupations in demand, for most occupations it has fallen since March although there has been an increase in demand in the last month for road transport drivers and Public Services and Other Associate Professionals.

Vacancies Over Time (West of England)

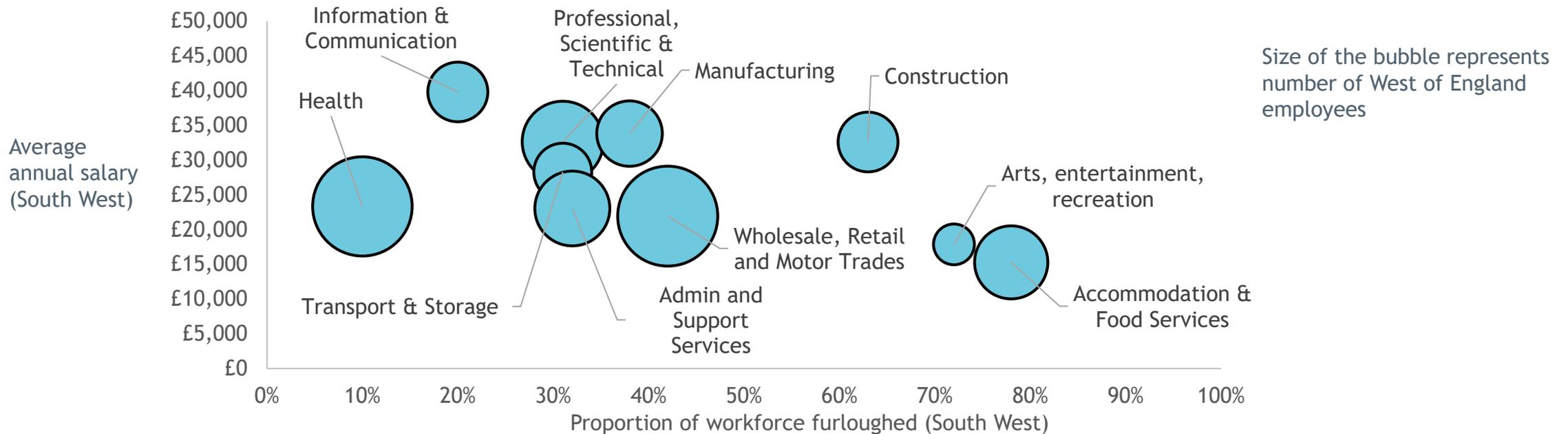


Top Occupations in August 2020 (West of England)

- Programmers and software development professionals (702)
- Nurse (557)
- Caregiver/personal care aide (410)
- Sales (288)
- IT / Business Analysts (265)

A. Labour market: Employees in some sectors have been disproportionately affected by the pandemic

- Those with lower average annual earnings may be most impacted - 78% of the accommodation and food services workforce, and 72% of the arts, entertainment and recreation workforce have been furloughed. In the South West, average annual earnings for these workers in these workers is £15,300 and £17,900 respectively, compared to an average salary of £26,700 across all industries.
- Conversely the information and communication sector, and professional, scientific and technical sectors have each furloughed 20% and 31% of their workforces respectively. Average annual South West earnings for these sectors are £39,800 and £32,600 respectively.



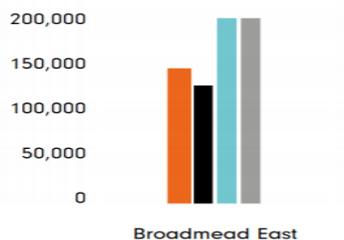
A. Mobility: Regional mobility fell dramatically but activity appears to be rising in retail and leisure

- People’s mobility initially reduced dramatically compared to a pre-lockdown baseline of Jan-Feb 2020 but is now rising steadily.
- Retail and leisure facilities have been hit hard but activity has risen following the reopening of non-essential retail from 15 June and some leisure from 4 July. This varies by local authority, with activity in North Somerset at higher relative levels to pre-lockdown, based on rolling 7-day average Google Trends data.
- Data from the Broadmead Business Improvement District suggests total footfall for August was 27.4% down when compared to the previous year for Broadmead East, Bristol.

Footfall by location

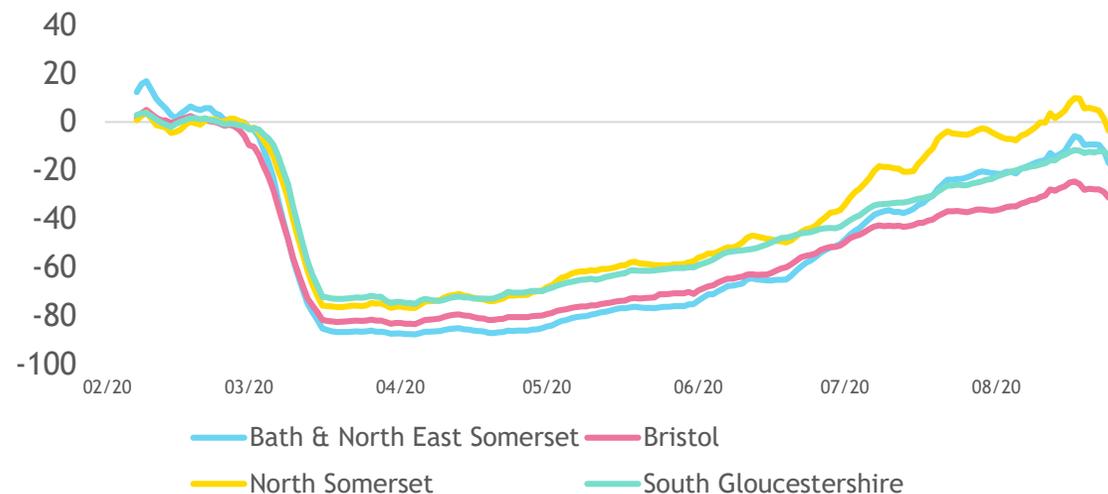
The figures shown below are calculated using weekly averages.

■ This month
 ■ Previous month
 ■ Previous year



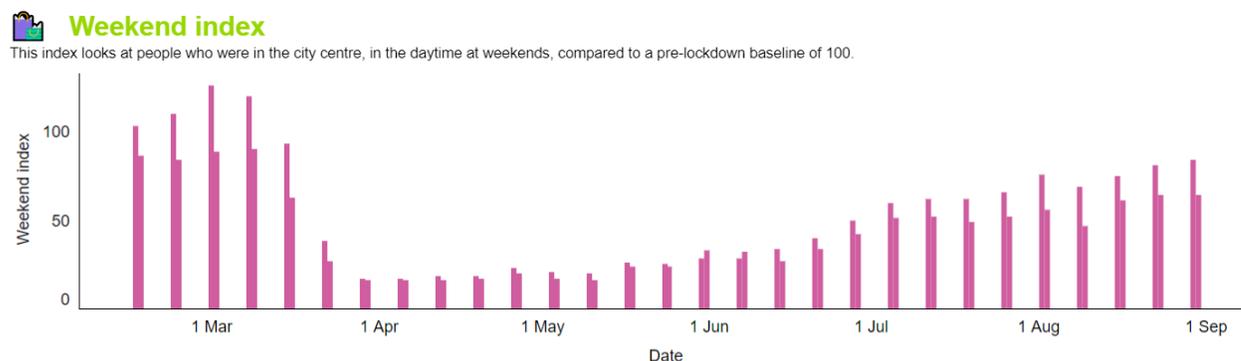
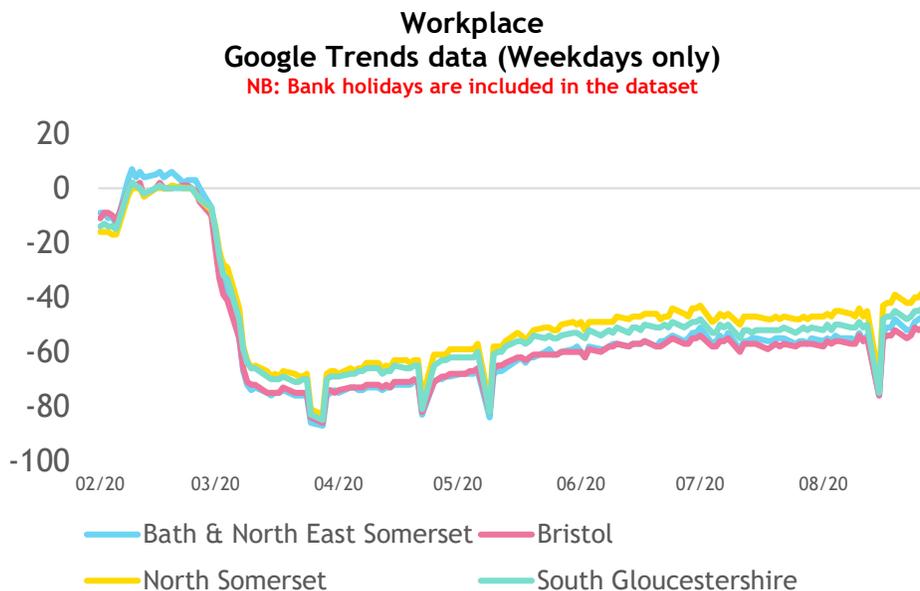
This Month	144,148
Previous Month	127,803
Previous Year	198,545
2 Years Ago	198,554
Year on Year %	-27.4 %

Retail and Recreation Google Trends data (7 days rolling average)



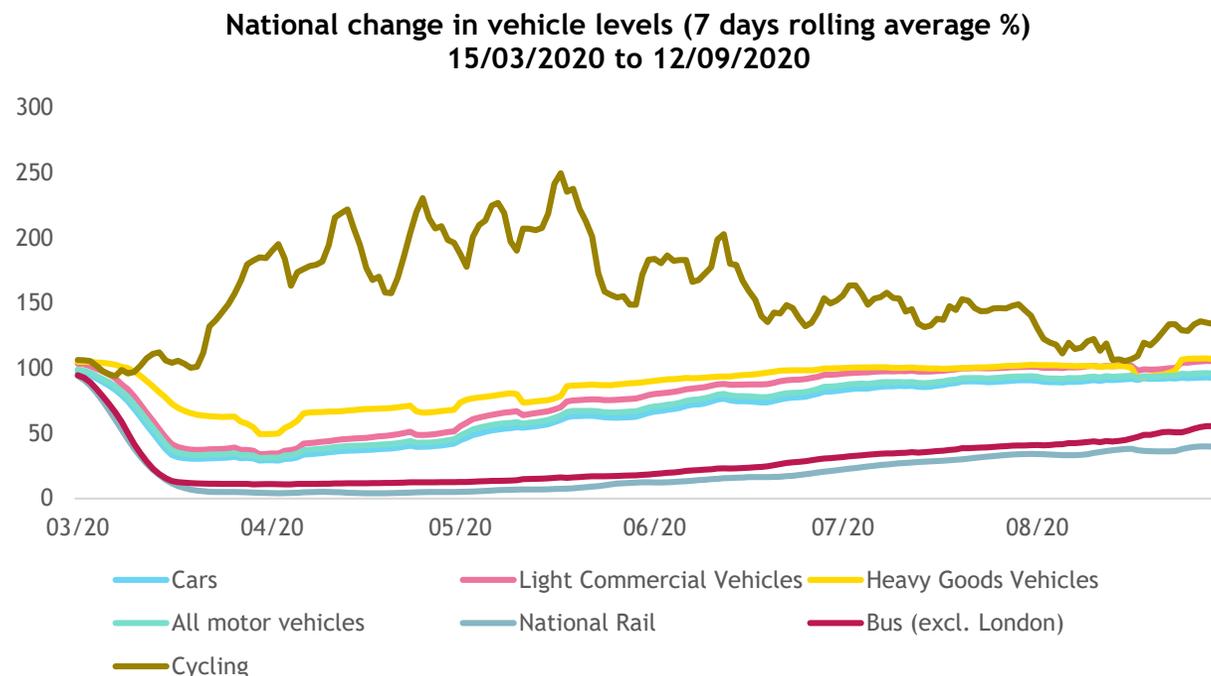
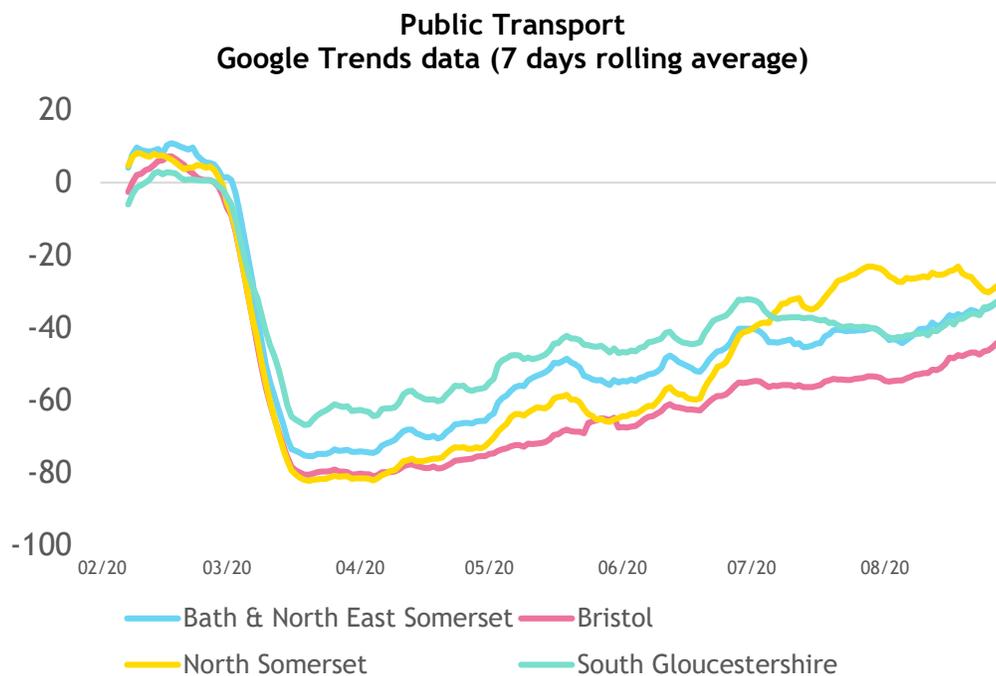
A. Mobility: The return to workplaces appears to be rising relatively slowly

- The Government have recently made calls for more office workers to return to their workplace, in an attempt to provide support to certain businesses in the nation’s city centres.
- However Google Trends data below shows that for all four unitary authorities are still recording levels strongly below pre-lockdown for workplace data. There has been a slight uptick in recent days but it is still too early to read into whether this is a continuing trend.
- Data from Centre for Cities High Streets Recovery Tracker for Bristol below right shows that their Workers index has not shown the same level of recovery as their Weekend index, highlighting that there has not been the same type of recovery for workplaces as leisure activity in Bristol city centre.



A. Mobility: Transport usage has risen but patronage varies across the region

- Public transport usage initially declined sharply but Google Trends data is showing a gradual rise for the unitary authorities. Patronage in Bristol relative to the start of the year is lower than other areas of the region.
- Department for Transport (DfT) data shows that nationally, rail usage is around 40% of pre-pandemic levels and bus use (excluding London) is around 55%. Car usage is around 92% of pre-pandemic levels during the week and close to 100% at weekends.



A. Infrastructure: Change in mobility and behaviours have an effect on air pollution and energy use

- The effect of the reduction in mobility was reflected in air quality data for the period during lockdown, with [Defra's Rapid evidence review in June 2020](#) report concluded that there was an average reduction in urban nitrogen oxides typically around 30-40% and urban nitrogen dioxide falling between 20-30%, after accounting for the unfavourable meteorological conditions.
- [Analysis of consumer spending data by the Carbon Trust](#) has estimated that the UK's greenhouse gas emission footprint is 14% down on a year-on-year per capita basis:
 - This has been calculated by analysis of purchases across different categories, based on data from individual account holders with Lloyds Banking Group.
 - The data showed that spending on fuel, commuting and airlines had dropped by 41% during lockdown.
 - Emissions associated with the consumption of food and drink and electronics were up year-on-year by an estimated 19% and 20%.
- Energy use is shifting as workplace activity reduces:
 - National Grid forecasted a 20% drop in electricity demand, as use shifts from commercial property to homes.
 - [Data from the International Energy Agency](#) (IEA) shows global electricity demand decreased by 2.5% in Q1 2020. Full lockdown measures introduced in March 2020 reduced electricity demand by at least 15% in the UK, France, Italy and Spain.
 - The IEA predicts global electricity demand will fall by 5% in 2020.
- Internet usage has risen during lockdown [according to Ofcom](#):
 - Adults spent an average of four hours a day online, up from three and a half in September 2019, as people seek new ways to keep connected, informed and entertained. Younger adults (18 to 24 years) spend an average of 5 hours online each day.
 - 70% of adults made video calls at least once a week in April 2020, compared to 35% in February. Consumption of news sites; communications tools such as WhatsApp; video platforms; and online games have all risen.
 - This highlights the importance of digital access for all.

B. The Government continues to offer support schemes for businesses and workers

The government has a number of support schemes available for businesses and workers affected by coronavirus. Listed below is information about the major support schemes, including eligibility criteria and application deadlines.

Scheme	Launched	Criteria	Deadline (if known)
Transport-Technology Research and Innovation Grants (T-TRIG)	14 September 2020	The government has announced its 11 th round of funding of the T-TRIG fund. Innovative transport start-ups with a focus on decarbonisation or COVID-19 recovery will be invited to bid for a share of over £1 million of Department for Transport funding.	11 October 2020
Kickstart Scheme	2 September 2020	As part of its Plan for Jobs, the government has introduced a new Kickstart Scheme, a £2 billion fund to create hundreds of thousands of high quality 6-month work placements aimed at those aged 16 to 24 who are on Universal Credit and are deemed to be at risk of long term unemployment. Funding available for each job will cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions and employer minimum automatic enrolment contributions.	First wave of placements to begin November 2020
Self-Isolation Fund	August 2020	People on low incomes who need to self-isolate due to testing positive for COVID-19 and are unable to work from home in areas with high incidence of COVID-19 will be eligible to receive £130 for their 10-day period of self-isolation. Other members of their household, who have to self-isolate for 14 days, will be entitled to a payment of £182. Non-household contacts advised to self-isolate through NHS Test and Trace will also be entitled to a payment of up to £182, tailored to the individual length of their isolation period.	-
Coronavirus Job Retention Scheme	April 2020	At its launch, the Coronavirus Job Retention Scheme paid up to 80% of wages for furloughed workers, up to a cap of £2,500 for the hours the employee is on furlough, as well as employer National Insurance Contributions (ER NICs) and pension contributions for the hours the employee is on furlough. From June, government subsidies have continued, but employers will have to pay employees for the hours they work From August, the government will pay 80% of wages up to a cap of £2,500 for the hours an employee is on furlough and employers began to pay ER NICs and pension contributions for the hours the employee is on furlough During September, the government will pay 70% of wages up to a cap of £2,187.50 for the hours the employee is on furlough. Employers will pay ER NICs and pension contributions and top up employees' wages to ensure they receive 80% of their wages up to a cap of £2,500, for time they are furloughed For October, the government will pay 60% of wages up to a cap of £1,875 for the hours the employee is on furlough. Employers will pay ER NICs and pension contributions and top up employees' wages to ensure they receive 80% of their wages up to a cap of £2,500, for time they are furloughed.	31 October 2020
Self-Employment Income Support Scheme	April 2020	The Self-Employment Income Support scheme provides self-employed people whose business has been adversely affected by coronavirus with a grant of £6,570. The first wave of grants concluded on 14 July. The second and final wave of grants launched on 14 July and individuals will be able to apply for a grant from any specified date until 19 October.	19 October 2020

B. The Government is continuing with its lockdown exit strategy

On Sunday 10th May, the Prime Minister announced the Government's official lockdown exit strategy in a command paper [Our Plan To Rebuild: The UK Government's COVID-19 recovery strategy](#). Contained details of localised lockdowns, which would be put in place in the event of a rise in the R-rate within a particular location. On 2 July, it [was announced](#) that WECA's constituent Unitary Authorities had published their own Local Lockdown Management Plans. Below are details of areas currently in local lockdowns, and what restrictions are still in place (as of 2 September).

Area	Date Initiated	Area(s) affected	Measures in place	Review Date
Leicester	29 June	Leicester City	<ul style="list-style-type: none"> From 15 September, Indoor venues such as Casinos, skating rinks, bowling alleys, indoor play areas, including soft play areas, exhibition centres & conference halls, indoor gyms, indoor fitness & dance studios, indoor sports courts & facilities and indoor swimming pools and water parks will reopen. Indoor performances in theatres and music venues are not able to take place, even with socially distanced audiences will also recommence on 15 September Close contact services (i.e. any treatments on the face such as eyebrow threading or make-up application) are prohibited Wedding receptions and celebrations, including for up to 30 people in the form of a sit-down meal are also not permitted to take place <ul style="list-style-type: none"> People are not able to host or visit families from outside their households in their homes or gardens, unless those individuals are part of their support bubble 	24 September
North of England	27 July	<p>Greater Manchester:</p> <ul style="list-style-type: none"> City of Manchester Bury Tameside Rochdale Salford <p>Lancashire:</p> <ul style="list-style-type: none"> Preston <p>West Yorkshire:</p> <ul style="list-style-type: none"> Bradford Calderdale Kirklees 	<ul style="list-style-type: none"> Across all areas, indoor venues such as Casinos, skating rinks, bowling alleys, indoor play areas, including soft play areas, and exhibition centres & conference halls should remain closed. In Bradford (within the limits of Bradford Metropolitan Council) indoor gyms, indoor fitness & dance studios, indoor sports courts & facilities and indoor swimming pools and water parks also remain closed. Across all areas, Indoor performances in theatres and music venues are not able to take place, even with socially distanced audiences Close contact services (i.e. any treatments on the face such as eyebrow threading or make-up application) are prohibited People are not able to host or visit families from outside their households in their homes or gardens, unless those individuals are part of their support bubble 	-

B. The Government is continuing with its lockdown exit strategy

Area	Date Initiated	Area(s) affected	Measures in place	Review Date
Blackburn with Darwen, Oldham, Pendle	28 August	<p>Oldham</p> <ul style="list-style-type: none"> - Whole area <p>Pendle</p> <ul style="list-style-type: none"> - whole area subject to wider restriction <p><i>The following parts have additional restrictions:</i></p> <ul style="list-style-type: none"> - Whitefield - Walverden - Southfield - Bradley - Clover Hill - Brierfield - Marsden <p>Blackburn with Darwen</p> <ul style="list-style-type: none"> - Audley & Queen's Park - Bastwell & Daisyfield - Billinge & Beardwood - Blackburn Central - Little Harwood & Whitebirk <ul style="list-style-type: none"> - Roe Lea - Shear Brow & Corporation Park <ul style="list-style-type: none"> - Wensley Fold 	<ul style="list-style-type: none"> • Across all areas, indoor venues such as Casinos, skating rinks, bowling alleys, indoor play areas, including soft play areas, and exhibition centres & conference halls should remain closed. • In Blackburn with Darwen indoor gyms, indoor fitness & dance studios, indoor sports courts & facilities and indoor swimming pools and water parks also remain closed. • Across all areas, Indoor performances in theatres and music venues are not able to take place, even with socially distanced audiences • Close contact services (i.e. any treatments on the face such as eyebrow threading or make-up application) are prohibited • People are not able to host or visit families from outside their households in their homes or gardens, unless those individuals are part of their support bubble 	-
Bolton	4 September	Bolton	<ul style="list-style-type: none"> • People are forbidden from mixing with individuals outside of their households, including in public outdoor spaces <ul style="list-style-type: none"> • All hospitality for food and drink will be restricted to takeaway only • There is also a late-night restriction of operating hours, meaning venues will be required to close between 10pm and 5am 	-
West Midlands	11 September	<ul style="list-style-type: none"> • Birmingham (city council area) • Sandwell (metropolitan borough council area) • Solihull (metropolitan borough council area) 	<ul style="list-style-type: none"> • From 15 September, people are advised not to host people that they do not live with in their homes or gardens, unless they are part of each other's support bubbles • People are also being advised not to go to another person's home or garden, unless they are part of each other's support bubbles <ul style="list-style-type: none"> • Measures will be reviewed weekly, but could be in place for at least two to three weeks 	18 September

B. The Government is continuing with its lockdown exit strategy

At the time of publication, it was widely expected that lockdown restrictions were likely to be put in place in the North East of England. However, this had not been officially confirmed by the Government before the publication of this document.

Area	Date Initiated	Area(s) affected	Measures in place	Review Date
North East of England	18 September	<ul style="list-style-type: none"> • Newcastle • Northumberland • North Tyneside • South Tyneside • Gateshead • County Durham • Sunderland 	<ul style="list-style-type: none"> • From 18 September, people are advised not to host people that they do not live with in their homes or gardens, unless they are part of each other's support bubbles • People are also being advised not to go to another person's home or garden, unless they are part of each other's support bubbles • There is also a late-night restriction of operating hours, meaning venues will be required to close between 10pm and 5am <ul style="list-style-type: none"> • Only essential visitors will be allowed to visit care homes • Use of public transport and car-sharing will be discouraged at peak times for all but essential journeys • Other measures that are set to be announced, but not yet confirmed, include sports fans not attending games and people being advised not to go on holiday with people outside their household 	-

Contact us

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