

West of England Economic Briefing on Covid-19 Business Impacts

15 October 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. The West of England Regional Recovery Taskforce, a partnership between the West of England Combined Authority, the Local Enterprise Partnership, businesses, universities and the region's councils, recently published our [Recovery Plan](#).

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

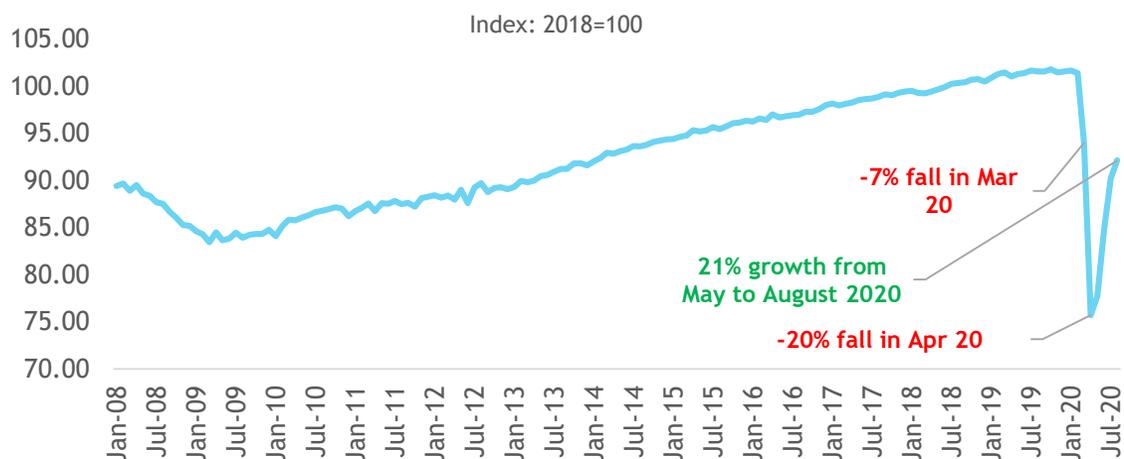
For ease of reference, this brief collates material from over the past few months. The key updates in this briefing are:

Section	Updates	Pages
A	Overview: <ul style="list-style-type: none"> UK GDP has grown 21% from May to August 2020 but is 9% smaller than in February. There is a marked difference in certain sectors and how they have recovered over the pandemic, compared to February to August. 	4-5
A	Business activity: <ul style="list-style-type: none"> Smaller businesses are more likely to remain shut in the UK. The number of start-ups in the region has fallen but liquidations reported since 16 March 2020 does not differ markedly from last year. 	6-7
A	Labour market: <ul style="list-style-type: none"> 5.3% of the region's workforce claimed out of work benefits in September 2020 (39,210 residents). Job vacancy data is continuing to rise but 21% lower than in September 2019. 	8-11
A	Mobility: <ul style="list-style-type: none"> Mobility data on retail and leisure activity and the use of public transport is appearing to fall or plateau in the region. The data is mixed on whether there has been an increase in the return to offices more recently. 	12-15
B	Government Support Schemes <ul style="list-style-type: none"> We provide an overview of the current government support schemes for businesses. 	16
	Local Lockdowns <ul style="list-style-type: none"> On 12 October, the government announced a new 3-tier system to manage local lockdowns. Support packages have been made available to help local authorities, businesses and people in higher-tier lockdowns. 	17-18

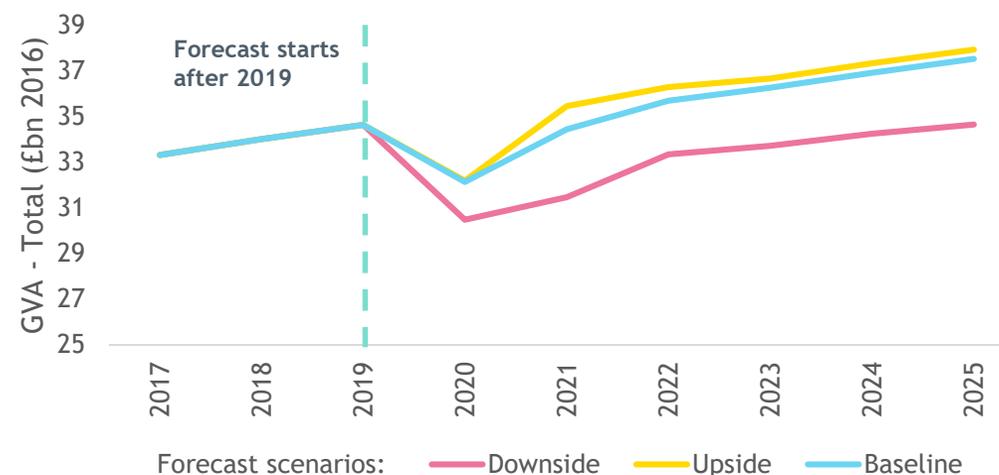
A. Overview: The economic impacts have been significant and the recovery is uncertain

- 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 was in a technical recession for that quarter.
- An increase of monthly GDP levels has been recorded from May, with growth of over 21% from then to August. This was after a 20% fall in April and a 7% fall in March. However real GDP is at a level last seen at the beginning of 2014.
- 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 9% smaller than in February



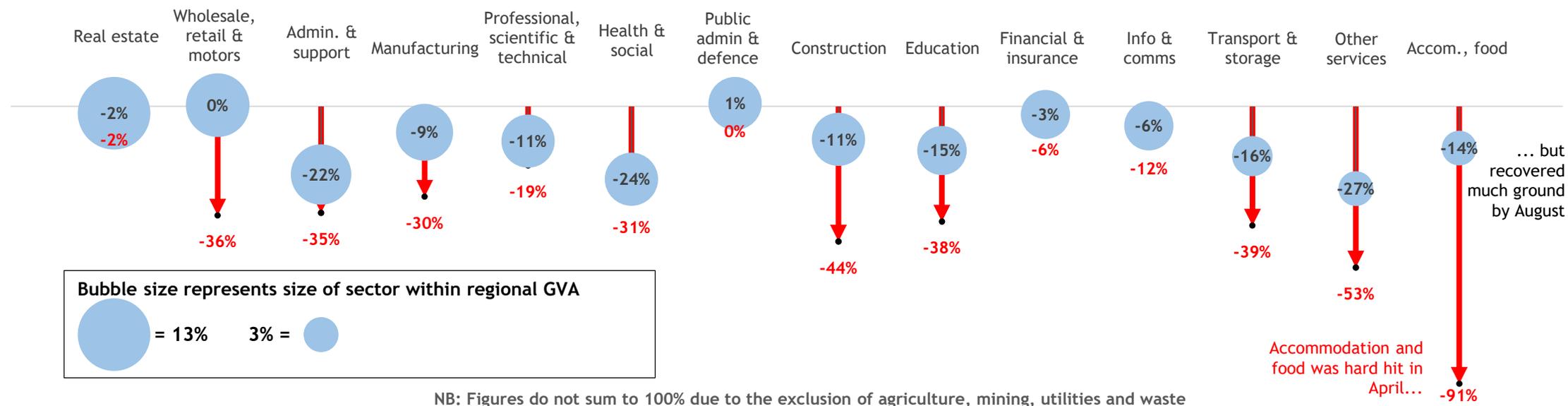
Oxford Economics: There is uncertainty in the recovery of the West of England’s economic output



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 August 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 April 2020 and to August 2020



A. Business activity: Smaller businesses are more likely to still be shut but less likely to report a fall in profits

Trading Status:

Smaller businesses are reporting that they are more likely to still have not resumed activity in the UK. Nearly 11% of businesses with 0-9 employees have responded that they have paused trading and do not intend to restart in the next two weeks. This is compared to around 1% of businesses with more than 250 employees by comparison.

Financial performance:

Nearly 43% of businesses in the UK responded saying their profits have decreased, compared with normal expectations for the time of year, and the weighted response can be seen below.

Size Band	Profits have increased (%)	Profits have stayed the same (%)	Profits have decreased (%)	Not Sure (%)
0 - 9	4.3	43.5	37.6	14.6
10 - 49	5.8	32.5	45.8	15.9
50 - 99	7.3	33.9	43.9	14.9
100 -249	7.0	36.9	39.5	16.6
250 +	8.4	30.2	43.3	18.1
All Size Bands	7.2	33.7	42.7	16.4

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

£38.0bn lent across the UK in Bounce-Back loans (as of 20 September)

£15.5bn lent to UK SMEs in Business Interruption Loans (as of 20 September)

A. Business activity: Liquidations appear not to have risen to date but business start-ups have fallen in the region

Some businesses have entered liquidation but so far this appears no higher than in the same time period in 2019. It is possible that the combination of government support schemes and bans on evictions and winding-up petitions have helped protect firms.

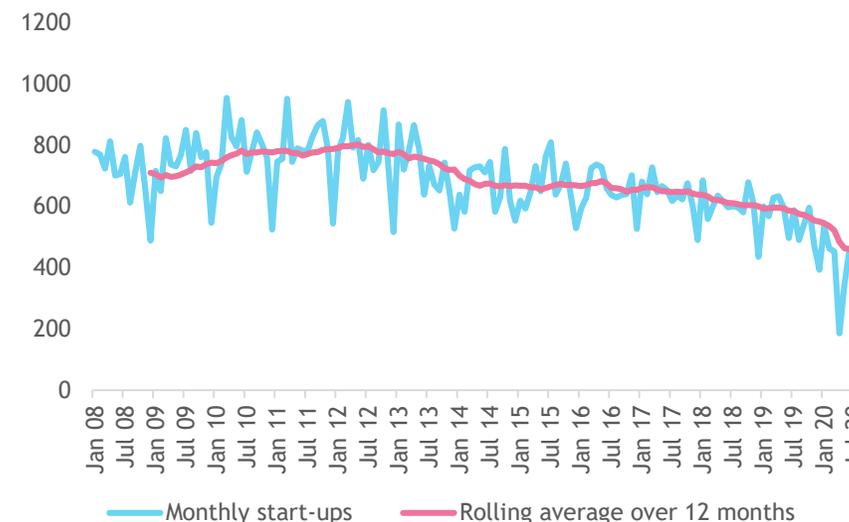
We have taken data since 16 March, as this was the date that the Government first advised people to work from home and avoid pubs, clubs, theatres and other social venues.

	16 March -30 September 2020	16 March -30 September 2019
West of England Reported Liquidations	267	293

Data from BankSearch shows that the number of start-ups has fallen since the pandemic started. There has been a year-on-year drop of 24% of start-ups, equivalent to 1,673 less, when comparing the year to August 2020 against the same period to August 2019. This is an acceleration of a downward trend that has already been occurring before the pandemic.

Current data from The Gazette on company incorporations with registered addresses including either the words “Bristol”, “Bath”, or “Weston-Super-Mare” also shows a similar trend in a fall in incorporations over the last year.

New business start-ups in the West of England



A. Labour market: Residents have accessed furlough and self-employment income support schemes

- 9% of the UK workforce are estimated to remain on furlough leave through the Coronavirus Job Retention Scheme (CJRS), as at between 7 to 20 September. This was estimated at 30% in early June and 32% of the arts, entertainment and recreation sector and 27% of the accommodation and food services sector are estimated to be currently still on furlough.
- As of 31 July, 170,900 West of England employees have been furloughed, representing around 30% of those eligible for furlough.
- As of 20 September 2020, a total of 9.6m people in the UK have been furloughed, by 1.2m employers, with claims amounting to £39.3bn.
- As of 31 August 2020, 78,200 claims have been made on the Self-Employment Income Support Scheme (SEISS) by West of England residents, amounting to £222 million. This includes the first and second grants of the scheme.
- 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%). The take up rate for self-employment support was highest amongst service activities (69%); transport and storage (66%); and education (65%). This information is not available at a local authority level.
- Note that not all self-employed people were eligible for the Self-Employment Income Support Scheme. Notable exceptions include new businesses and those set up as 1-person limited companies.

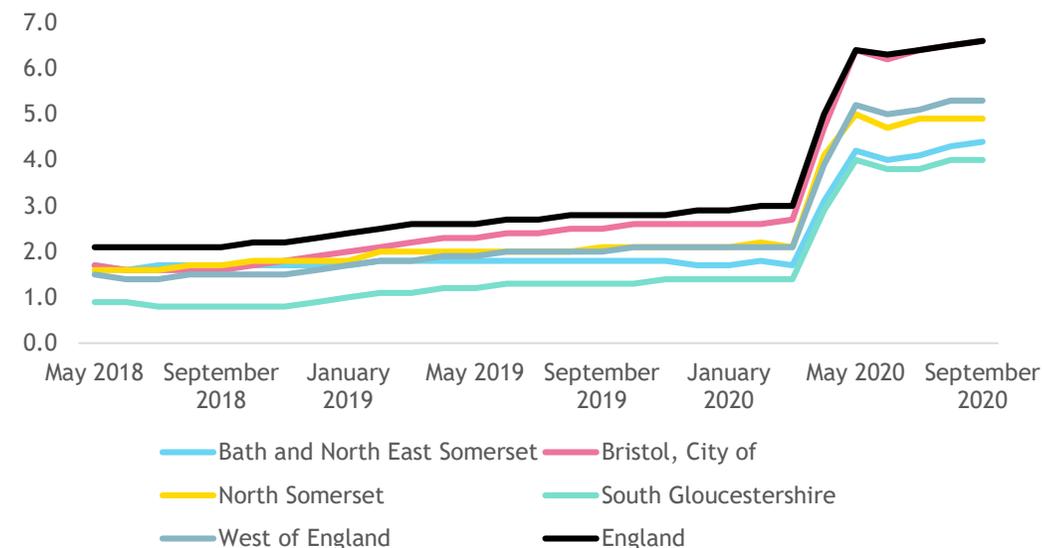
A. Labour market: Unemployment benefit claims rose sharply in April and May but now appear more stable

- 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 September 2020 (39,210). This is similar to the reported figure for August 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 23,625 more claimants in the West of England than there were in February 2020, before the effects of the pandemic hit.
- The ONS estimate that there were 227,000 redundancies between June to August 2020 in the UK. This number does not consider any planned redundancies. There are concerns that there are going to be rises in the quarterly numbers, especially with the Coronavirus Job Retention Scheme ending this month. [A YouGov poll found over a third of UK employers planned to make staff redundant over the next three months.](#)

- 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 September 2020 is estimated to have fallen by 1.7% since February this year.

	August 2020		September 2020	
	Number	% workforce	Number	% workforce
Bath and North East Somerset	5,345	4.3	5,450	4.3
Bristol City	20,595	6.5	20,790	6.5
North Somerset	6,090	4.9	6,035	4.9
South Gloucestershire	7,180	4.0	7,125	4.0
West of England Total	39,210	5.3	39,400	5.3

Working age residents claiming unemployment related benefits (%)

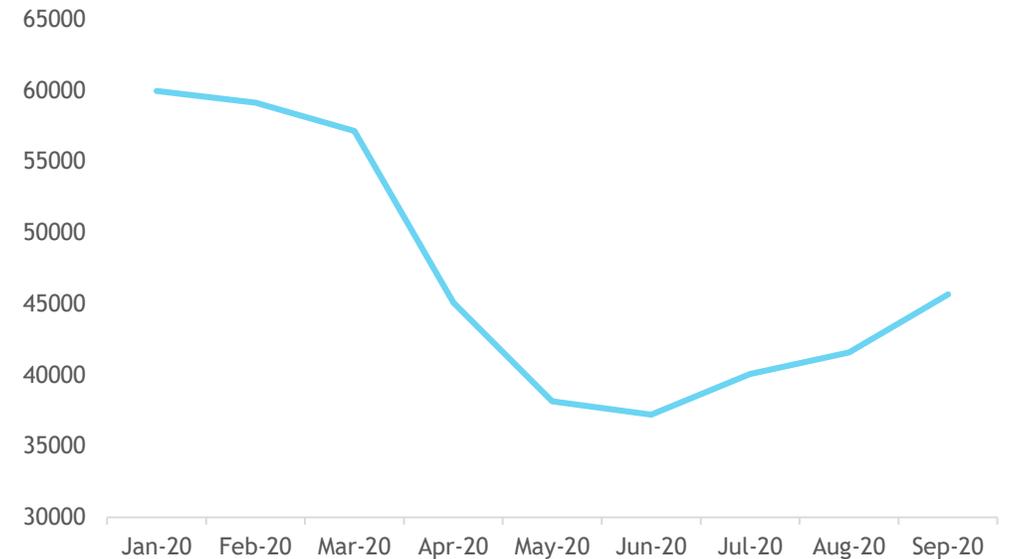


Labour market: Job adverts declined sharply in April but have risen since then

- According to the EMSI job-postings analysis tool, there were 45,658 unique job postings advertised in the West of England in September 2020, up over 9% from August 2020 suggesting some level of recovery in terms of available jobs. However the level of availability is 21% lower than the level of jobs advertised in September 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.
- 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 September 2020.

Job postings levels and associated analytics are highly sensitive to the web-scraping tool used. Sensitivity analysis has been undertaken and, although levels differ between tools, trends over time are similar - analysing trends rather than totals is therefore advised.

Vacancies Over Time (West of England)

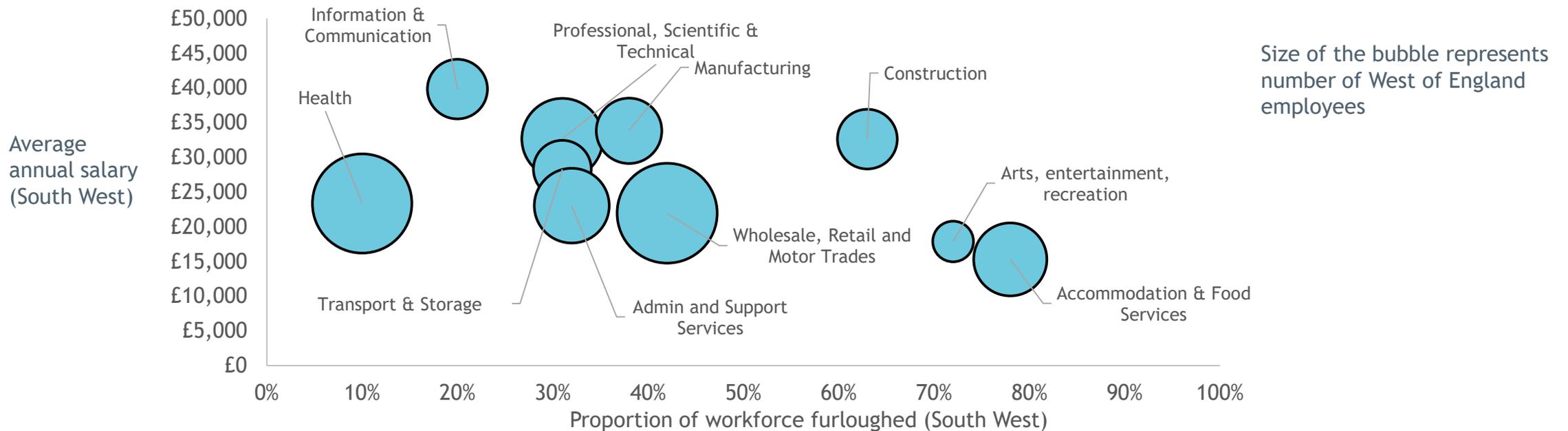


Top Occupations in September 2020 (West of England)

- Nurse (2,629)
- Programmers and software development professionals (1,705)
- Sales account and business development managers (1,439)
- Care workers and home carers (1,312)
- Van drivers (1,235)

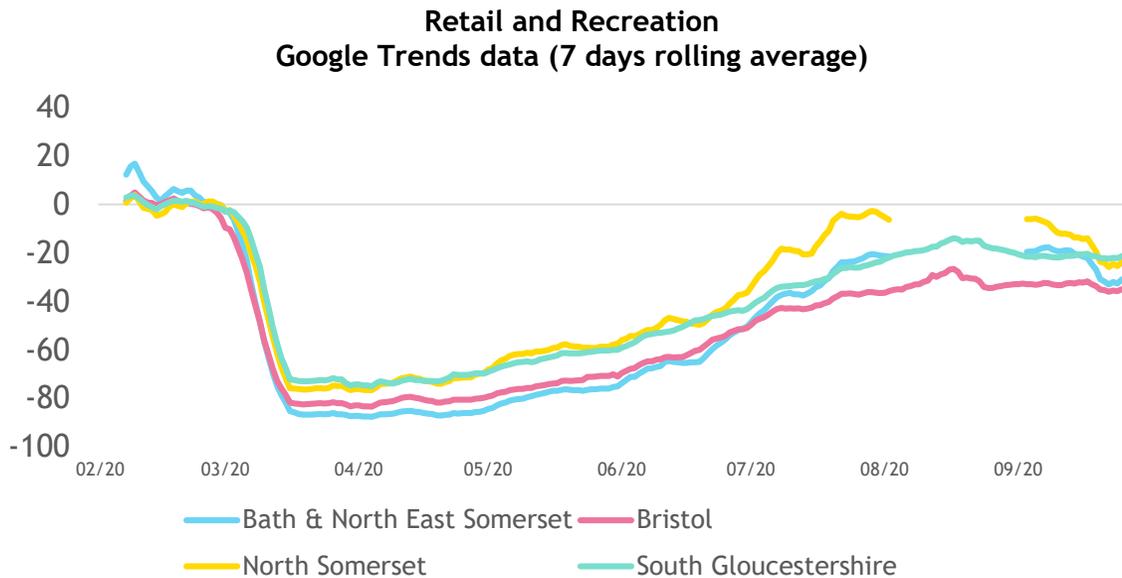
A. Labour market: Employees in some sectors have been disproportionately affected by the pandemic

- 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: Retail and leisure activity is struggling to return to pre-lockdown levels

- People’s mobility initially reduced dramatically compared to a pre-lockdown baseline of Jan-Feb 2020 but has risen since then.
- Activity has risen following the reopening of non-essential retail from 15 June and some leisure from 4 July. This varies by local authority, based on rolling 7-day average Google Trends data. Google Trends data has shown a fall for North Somerset and Bath & North East Somerset more recently however and it has plateaued for Bristol and South Gloucestershire.
- Data from the Broadmead Business Improvement District suggests total footfall for September was 28.0% down when compared to the previous year for Broadmead East, Bristol. There was a year on year reduction of 25% in car park sales in Bristol in August 2020, based on data from Destination Bristol Business Barometer.

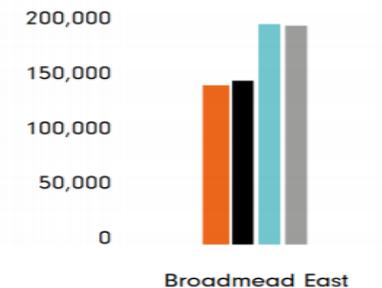


NB: Google Trends data is missing for Bath & North East Somerset and North Somerset over August and September

Footfall by location

The figures shown below are calculated using weekly averages.

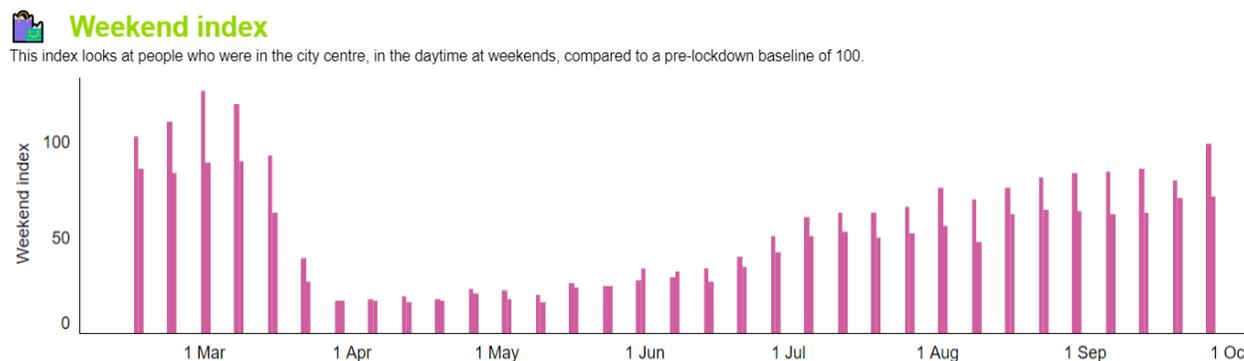
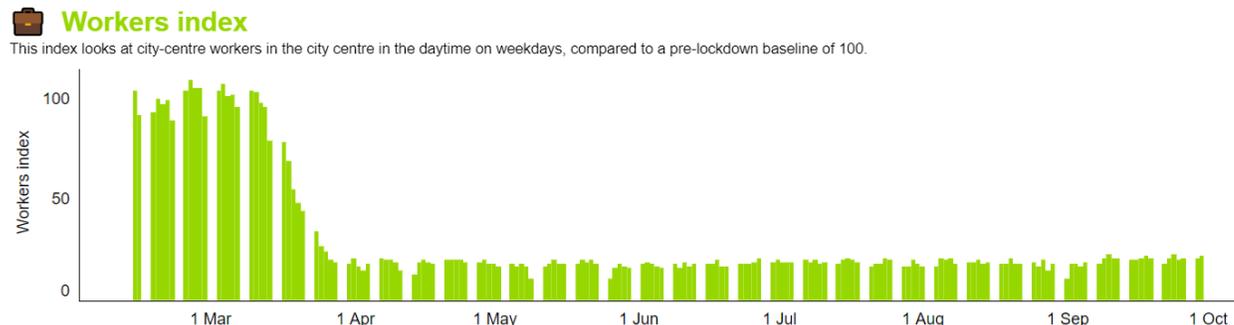
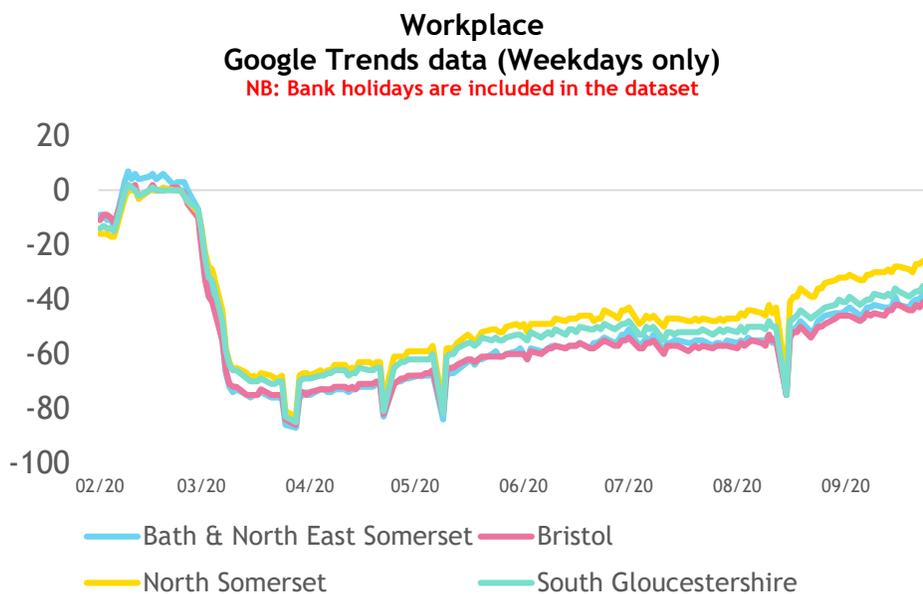
Legend: This month (orange), Previous month (black), Previous year (teal)



This Month	138,450
Previous Month	144,148
Previous Year	192,288
2 Years Ago	190,903
Year on Year %	-28.0 %

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

- The Government’s guidance on working from home changed for England on 22 September.
- However Google Trends data below shows that for all four unitary authorities are still appearing to rise after this date of this change in guidance at a shallow but increasing rate than over the summer.
- However 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 both that there has not been the same type of recovery for workplaces as leisure activity in Bristol city centre and without the apparent rise in the Google Trends data.



A. Mobility: Survey respondents are indicating a lower level of socialising is occurring across Great Britain when compared to the summer

- The most recent Opinions and Lifestyle Survey, which covers the period 30 September to 4 October 2020, indicated that people have been less likely to leave home to socialise.
- There has been a fall from 38% at the end of August to 25% in the most recent survey of respondents replying they have left home to eat or drink at a restaurant, café, bar or pub in the past week. This coincides with the end of the Eat Out to Help Out scheme, but also the end of summer. This may therefore just reflect a general trend of socialising less at this time of year.
- The level of respondents stating that they have travelled to work has remained broadly consistent.

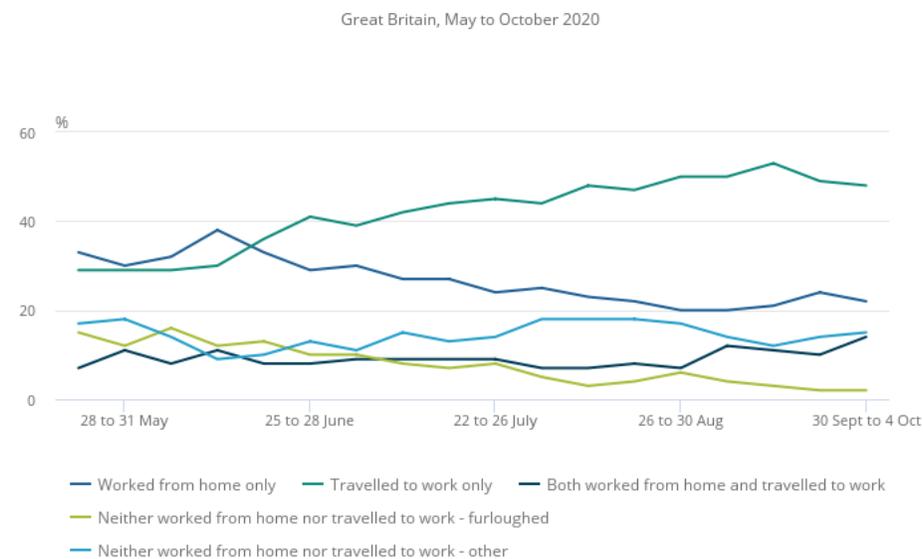
Figure 1: Levels of socialising, visiting an outdoor beauty spot, and eating out have continued to decrease this week after increasing through the summer



Source: Office for National Statistics – Opinions and Lifestyle Survey

Source: [ONS Opinions and Lifestyle Survey \(30 Sep to 4 Oct\)](#)

Figure 5: The percentage of working adults that had travelled to work in the past seven days remained stable

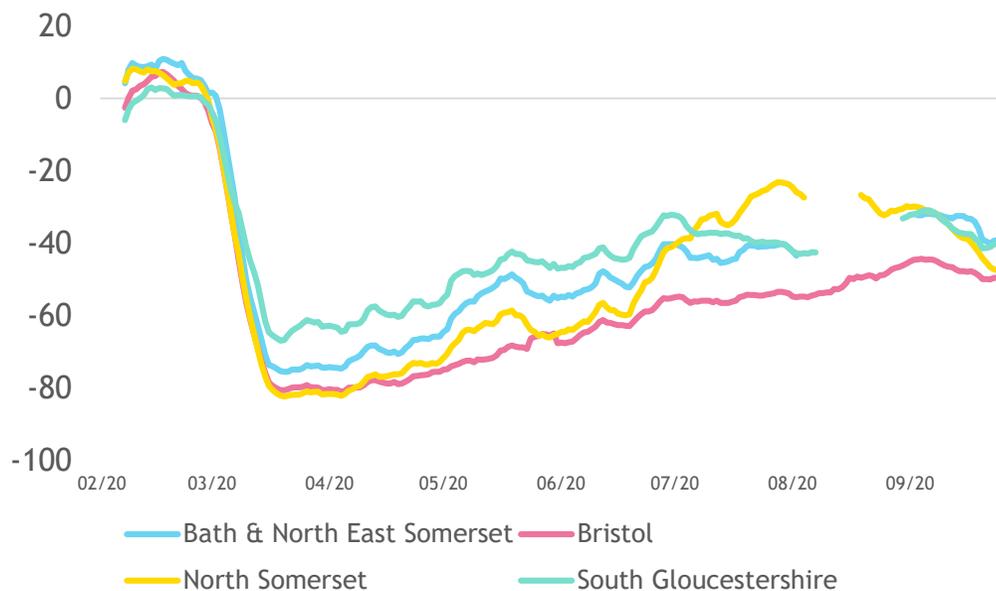


Source: Office for National Statistics – Opinions and Lifestyle Survey

A. Mobility: Public transport usage appears to have fallen since slightly recently

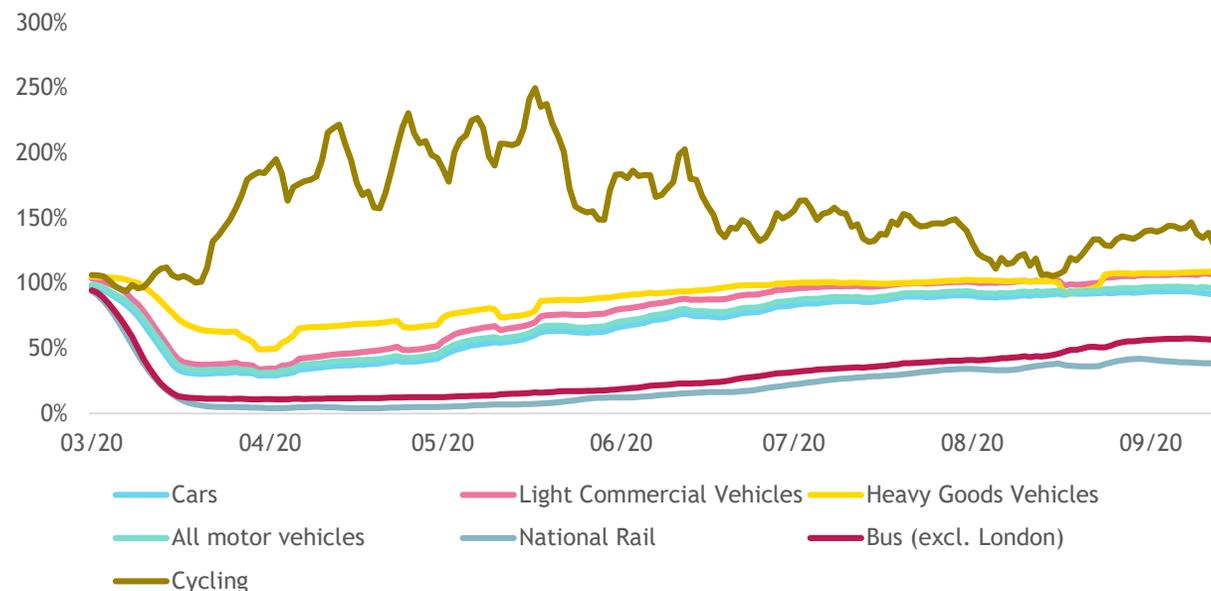
- Public transport usage initially declined sharply but Google Trends data has shown a gradual rise for the unitary authorities. The recent trend in this data however is a falling rate, seen most strongly in North Somerset.
- Department for Transport (DfT) data shows that nationally, rail usage is around 39% of pre-pandemic levels and bus use (excluding London) is around 57%. Average car usage in a week is currently around 90% of pre-pandemic levels.

Public Transport
Google Trends data (7 days rolling average)



NB: Google Trends data is missing for Bath & North East Somerset and North Somerset over August and September

National % change in vehicle levels (last 7 days rolling average)
15/03/2020 to 28/09/2020



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)
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 paid 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 has announced changes to its local lockdown programmes

Since the lifting of the national lockdown on 23 June, several areas across England have been placed under local lockdowns. This included restrictions on non-essential retail businesses remaining closed, and limits placed on social mixing between households.

On 12 October, the government announced a simplification of local lockdown measures, with a three-tiered approach below.

The new system will apply to England only and came into force on Wednesday 14 October. Allocation of tiers is correct as of 15 October.

Tier	Measures in place	Where it will apply to
Medium	<ul style="list-style-type: none"> All current remaining lockdown measures will remain in place 	The majority of the country are be placed in this category
High	<ul style="list-style-type: none"> No mixing indoors with individuals outside of one's household or support bubble The Rule Of Six will continue to apply to outdoor gatherings 	<p>Areas that had previously been in local lockdown measures.</p> <p>Cheshire, Greater Manchester, Derbyshire, Lancashire, West Yorkshire, South Yorkshire, Durham, Northumberland, Tees Valley, West Midlands, Leicestershire and Nottinghamshire</p>
Very High	<ul style="list-style-type: none"> Restrictions on social gatherings indoors and outdoors <ul style="list-style-type: none"> Closure of pubs and bars Additional restrictions can be brought into effect, as agreed with local leaders, where necessary 	<p>Areas with significant increases in the infection rate, where the NHS is at risk.</p> <p>Currently, Liverpool City Region is placed in this category (with additional closures for casinos, betting shops, adult gaming centres and gyms)</p>

B. Additional government support will be made available

The government has also confirmed two funding streams to support businesses and local authorities experiencing local lockdowns:

- The [Coronavirus Job Support Scheme](#) will be expanded to protect jobs and support businesses required to close their doors as a result of coronavirus restrictions. The government will pay up two-thirds of salaries of staff, up to a maximum of £2,100 a month.
- Updated [guidance on shielding](#) for who are clinically extremely vulnerable states that those in “Very High” tier areas who are required to shield may be eligible for a support package, and Statutory Sick Pay or Employment and Support Allowance.
- Local authorities have also been allocated £30 million of funding under the [local authority compliance and enforcement grant](#) to help fund related coronavirus enforcement and compliance activities. Under the scheme, the West of England's unitary authorities received the following amounts:
 - Bath & North-East Somerset: £74,362
 - Bristol: £282,752
 - North Somerset: £93,485
 - South Gloucestershire: £111,680
- 45 cultural organisations across the region will receive a £9.7 million share of the Government's [Culture Recovery Fund](#).

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