

West of England Economic Briefing on Covid-19 Business Impacts

16 December 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

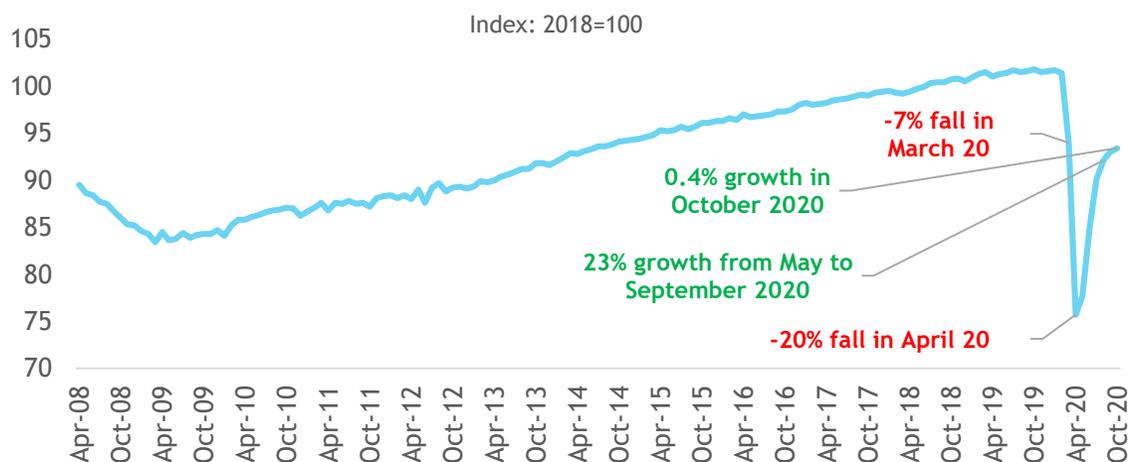
For ease of reference, this brief collates material from over the past few months. The key updates in this briefing are:

| Section | Updates | Pages |
|---------|---|-------|
| A | <p>Overview:</p> <ul style="list-style-type: none"> UK GDP has grown 23% from May to October 2020 but is 8% smaller than in February. There is a marked difference in certain sectors and how they have recovered over the pandemic, compared to February to October. | 4-5 |
| A | <p>Business activity:</p> <ul style="list-style-type: none"> Less than 50% of UK companies in the other service activities and accommodation and food services sectors reported they were trading between 16 to 29 November. 14% of all businesses reported that they had no or low confidence that their business would survive the next three months. This number was higher for the other service activities and accommodation and food services sectors. | 6-9 |
| A | <p>Labour market:</p> <ul style="list-style-type: none"> 5.0% of the region's workforce claimed out of work benefits in November 2020 (37,285 residents). The ONS estimates that there were 370,000 redundancies between August to October 2020 in the UK. | 10-12 |
| A | <p>Mobility:</p> <ul style="list-style-type: none"> Mobility data on retail and leisure activity and the use of public transport fell with the introduction of the second lockdown and time spent in homes increased. Data from the Broadmead Business Improvement District in Bristol suggests total footfall for November was over 75% down when compared to the previous year. | 13-15 |
| B | <p>New Tier Restrictions</p> <ul style="list-style-type: none"> On 2 December, Bath & North East Somerset was placed in Tier 2 (High), whilst Bristol, South Gloucestershire and North Somerset were all placed in Tier 3 (Very High). Government support packages have been announced or extended to support people and businesses during this second lockdown. | 16-18 |

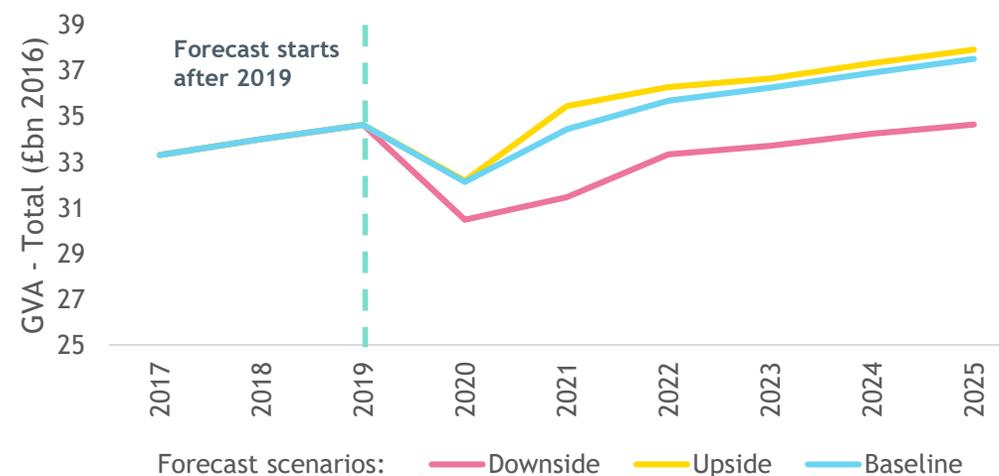
A. Overview: The economic impacts have been significant and the recovery is uncertain

- UK monthly GDP grew by 0.4% in October.
- An increase of monthly UK GDP levels have been recorded since May, with growth of over 23% from then to October. This was after a 20% fall in April and a 7% fall in March. Real UK GDP is currently at a level last seen in 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 8% smaller than in February



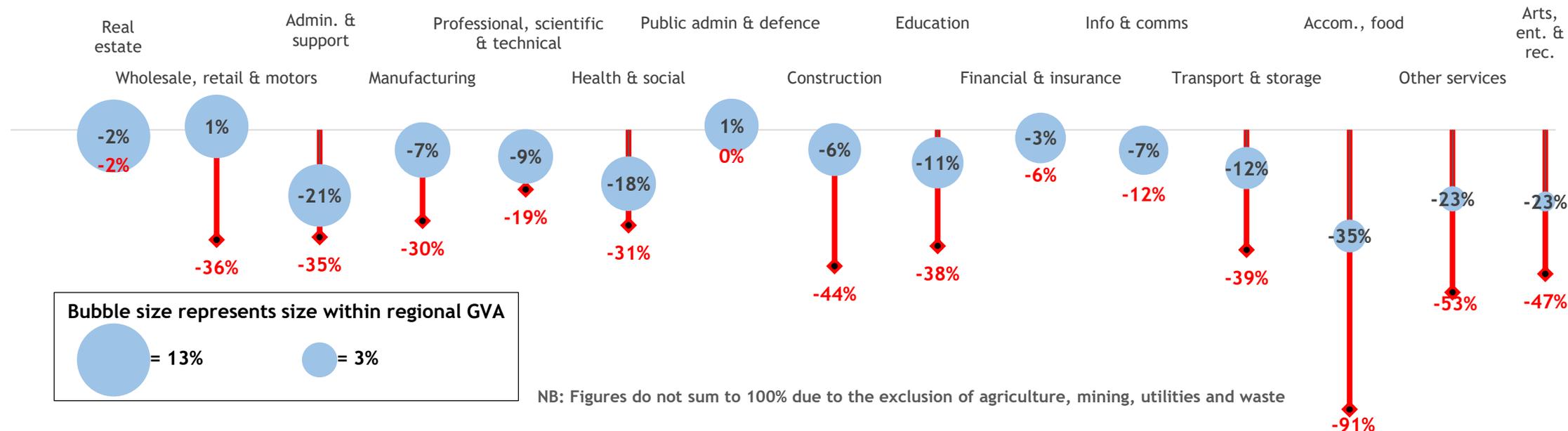
Oxford Economics: There is uncertainty in the recovery of the West of England’s economic output



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

- The chart below shows the impact on Gross Value Added (GVA) of key sectors of the economy at a UK level. The size of the bubble represents the percentage of regional GVA the sector accounted for in 2018, whilst the distance from the horizontal line indicates the change in GVA from February to October 2020. This distance is given by the number within the bubble. The red diamond represents the change in GVA between February to April 2020.
- Almost all sectors have experienced a drop in economic output, but some have been clearly more adversely impacted than others. After recovery over the summer, output in the accommodation and food service sector has fallen again in October and is approximately a third down on February's level.

GVA change (%) in UK for various sectors from February to April 2020 and to October 2020



A. Business activity: Different industries are reporting different impacts on their trading status, financial performance and confidence

Trading status:

Less than 50% of UK companies in the other service activities and accommodation and food services sectors reported they were trading between 16 to 29 November. This reflects the lockdown conditions of the time of the survey, where the UK average was 77% of businesses reporting that they are currently trading. Human health and social work and water and waste were reported to be the least affected.

Financial performance:

There were three UK industries where more than half of the respondents responded that they have seen a decrease in revenues, with 79% of accommodation and food services companies reporting a fall. Arts, entertainment and recreation and education were the other two, at 73% and 60%.

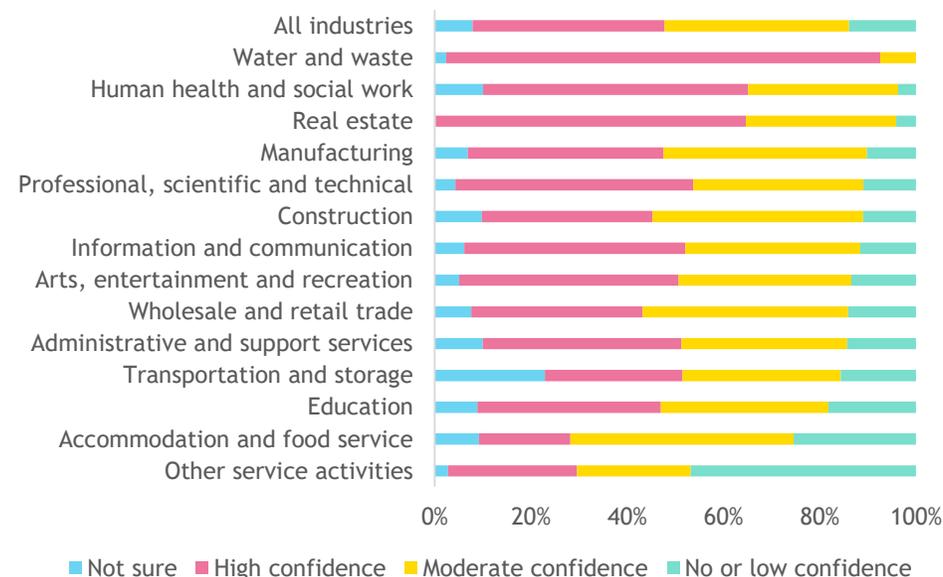
Business Confidence:

14% of all businesses reported that they had no or low confidence that their business would survive the next three months. The other service activities industry and the accommodation and food service industry had the highest levels in this category, at 47% and 25% respectively. The other service industry includes hairdressing and other beauty treatment activities, which were closed during lockdown.

For the wider South West region, ICAEW have reported that business confidence is lower than the UK average.

The data on this page is from survey responses for the period 16 to 29 November and covers the period where the UK was under lockdown restrictions.

Business confidence reported by industry



A. Over a quarter of business have increased homeworking because of the pandemic. More firms are prepared than not for Brexit, but many are unsure

Homeworking:

28% of active businesses responded that they had more staff working from home as a result of the pandemic.

16% of all businesses reported they intended to increase homeworking as part of their permanent business model in the future, with 68% replying they did not intend to and 16% unsure. 90% of these businesses that responded to not intending to use greater homeworking gave the reason that it was not suitable for their business.

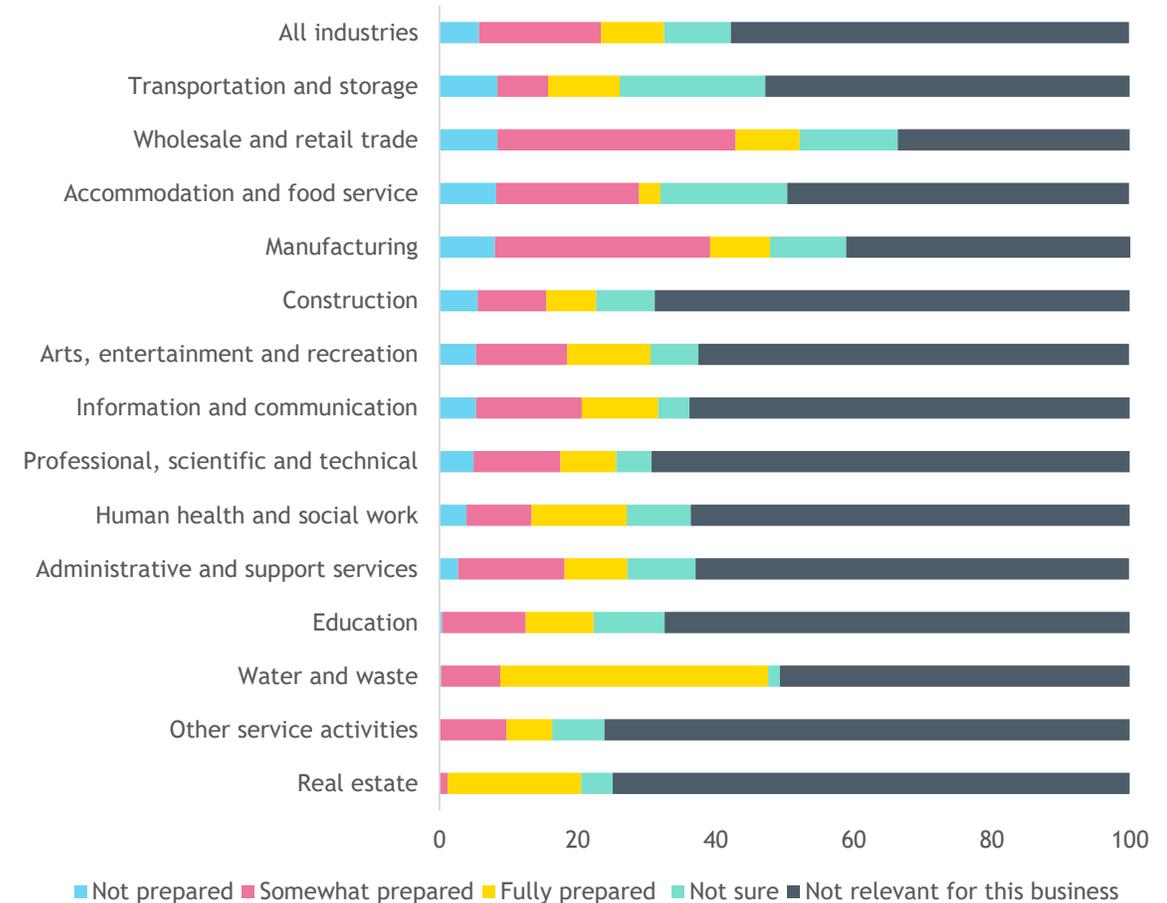
EU transition period:

9% of all businesses have stated they are fully prepared for the end of the EU transition period (at the end of December 2020), with 10% unsure, 6% unprepared, 18% somewhat prepared and 58% replying that it is not relevant.

This varies across industries and certain industries had a high percentage of respondents saying that they are “not sure”, such as in transportation and storage and accommodation and food service.

The data on this page is from survey responses for the period 16 to 29 November and covers the period where the UK was under lockdown restrictions.

Reported preparedness for transition by industry



A. Support received by businesses in the region and the UK

Businesses have received:

£42.2bn lent across the **UK** in Bounce-Back loans
(as of 15 November)

£875.8m lent to **UK businesses** in convertible loans as part of the Future Fund scheme
(as of 15 November)

21,161 grants totalling £224.3m (under the Small Business Grants Fund scheme, Retail, Hospitality and Leisure Grants Fund scheme and Local Authority Discretionary Grant Fund scheme) have been distributed by **West of England local authorities**
(as of 11 November)

£18.5bn lent to **UK Small and Medium Enterprises (SMEs)** and £4.8bn to **larger UK businesses** in Business Interruption Loans
(as of 15 November)

83,900 claims for £236.2m have been made on the Self-Employment Income Support Scheme (SEISS) by **West of England residents**
(as of 30 September 2020)

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 -31 November 2020 | 16 March -31 November 2019 |
|--|----------------------------|----------------------------|
| West of England Reported Liquidations | 339 | 385 |

The number of start-ups has fallen since the pandemic started, according to data from BankSearch.

There has been a year-on-year drop of 28% of estimated new start-ups in the region. This is equivalent to 1,860 fewer businesses over the year to October, when comparing to the same period the year before. This is an acceleration of a downward trend that has already been occurring before the pandemic.

Estimated new business start-ups in the West of England



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

- 15.1% of the UK workforce were estimated to remain on furlough leave through the Coronavirus Job Retention Scheme (CJRS), based on the most recent ONS Business Impact of Coronavirus Survey, reflecting the dates between 2 to 15 November 2020. This was an increase from 9% in the previous survey, reflecting the change in conditions.
- As of 30 September 2020, 39,900 West of England employees were on furlough, representing around 7% of those eligible. Please note this data is the most recent available but is at an earlier date than the estimation above for the UK.
- As of 15 November 2020, a total of 9.6m people in the UK have been furloughed at some point, by 1.2m employers, with claims amounting to £43.0bn.
- As of 30 September 2020, 83,900 claims have been made on the Self-Employment Income Support Scheme (SEISS) by West of England residents, amounting to £236.2m. This includes the first and second tranches of the scheme.
- As of 15 November 2020, in the UK there were a total of 2.7m claims for the first tranche of SEISS, at a total value of £7.8bn and 2.4m claims for the second tranche, at a total value of £5.9bn.

- Recent Government analysis estimates that 90% of employees who left the CJRS in the UK between April and July this year were still on their original payroll in August. The below table shows the percentage of employees remaining on their original payroll for different sectors in the UK.

| Sector | Percentage (%) |
|--|----------------|
| Agriculture, forestry and fishing | 90 |
| Mining and quarrying | 90 |
| Manufacturing | 93 |
| Energy production and supply | 93 |
| Water supply, sewerage and waste | 91 |
| Construction | 93 |
| Wholesale and retail; repair of motor vehicles | 92 |
| Transportation and storage | 92 |
| Accommodation and food services | 85 |
| Information and communication | 87 |
| Finance and insurance | 88 |
| Real estate | 92 |
| Professional, scientific and technical | 89 |
| Administrative and support services | 85 |
| Public administration and defence; social security | 97 |
| Education | 90 |
| Health and social work | 90 |
| Arts, entertainment and recreation | 88 |
| Other service activities | 84 |

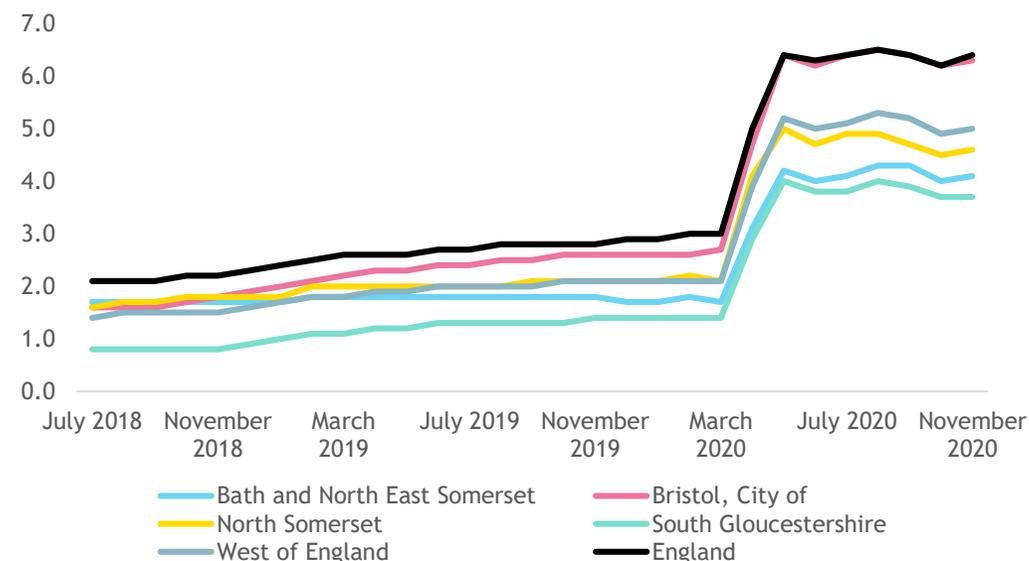
A. Labour market: Data on unemployment benefit claims rose sharply in April and May but now appears more stable

- The below table shows the number of people claiming out of work benefits. 5.0% of the region’s workforce claimed out of work benefits in November 2020 (37,285). This is similar to the reported figure for October 2020 and lower than the average figure for England.
- 4.9% of the region’s population of 16-24 year olds claimed out of work benefits, which is below the national average of 7.3%.
- All four unitary authorities in the West of England saw a spike in the number of claimants in April and May 2020. This has appeared relatively stable since but there are now 21,510 more claimants in the West of England than there were in February 2020.
- The ONS estimates that there were 370,000 redundancies between August to October 2020 in the UK. This number does not consider any redundancies planned in the future.

- Other measures of unemployment data help give a fuller picture:
- The estimated unemployment rate for the UK was 4.9% for August to October 2020, which is 1.2% higher than the year before.
 - PAYE data shows that the number of employees on a payroll at October 2020 in the UK is estimated to have fallen by 1.8% since February this year.

| | October 2020 | | November 2020 | |
|------------------------------|---------------|-------------|---------------|-------------|
| | Number | % workforce | Number | % workforce |
| Bath and North East Somerset | 4,990 | 4.0 | 5,080 | 4.1 |
| Bristol City | 19,605 | 6.2 | 19,905 | 6.3 |
| North Somerset | 5,535 | 4.5 | 5,690 | 4.6 |
| South Gloucestershire | 6,560 | 3.7 | 6,610 | 3.7 |
| West of England Total | 36,690 | 4.9 | 37,285 | 5.0 |

Working age residents claiming unemployment related benefits (%)

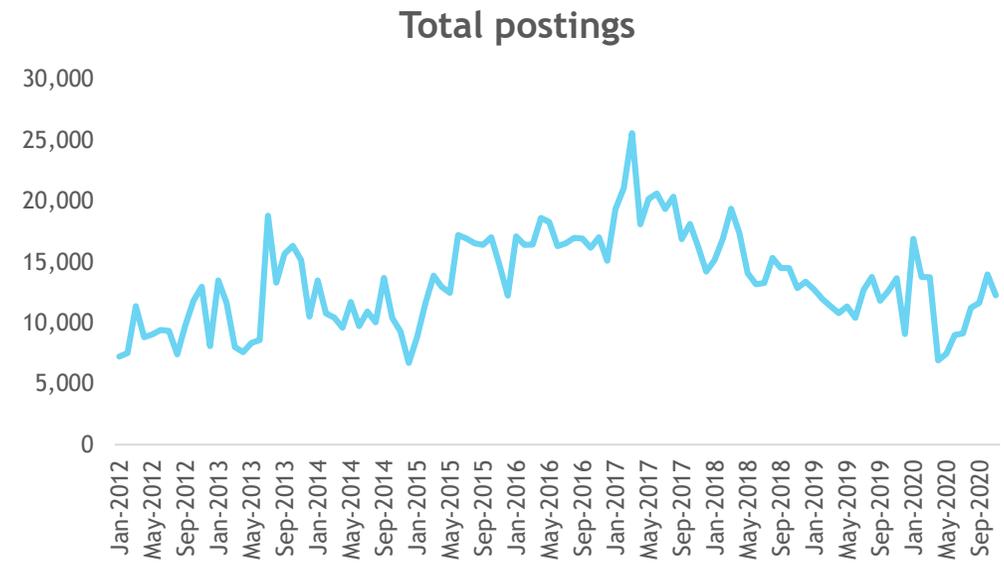


Labour market: Job adverts declined sharply in April but have risen since

- According to the Labour Insight job postings analysis tool, there were 12.3% less postings advertised in the West of England in November 2020 compared to October 2020 and this is 10% lower than the number of jobs advertised in November 2019.
- The impact of changes in the number of jobs available as a result of lockdown measures and social distancing became visible in April, with significantly fewer jobs advertised.
- However using this particular tool, vacancy postings are not at the lowest levels they have been since 2012.

*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. **Please note that this has changed in this analysis from EMSI to Labour Insight this month.***

Vacancies over time (West of England)



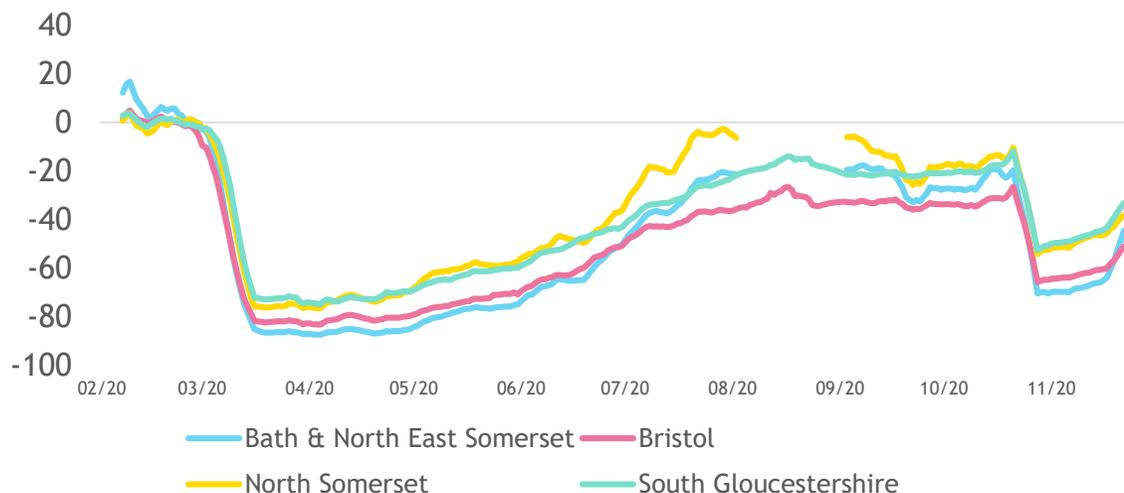
Top occupations in November 2020 (West of England)

- Programmers and software development professionals
- Nurse
- Care workers and home carers
- IT business analysts, architects and system designers
- Other administrative occupations

A. Mobility: Retail and leisure activity has been struggling to return to pre-lockdown levels

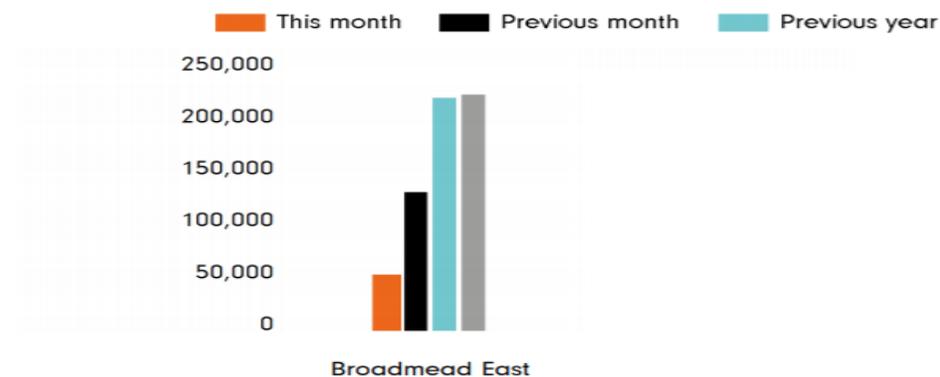
- Lockdown restrictions were introduced on 5 November that closed many non-essential retail and recreation locations. This ended on 2 December.
- People’s mobility initially reduced dramatically compared to a pre-pandemic baseline of early 2020 but has risen since then. There was a sharp fall recently that coincided with the start of the most recent lockdown.
- Data from the Broadmead Business Improvement District in Bristol suggests total footfall for November was over 75% down when compared to the previous year. Footfall is down 44.2% for the year to date (to end of November) when compared to 2019.

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



Footfall by location

The figures shown below are calculated using weekly averages.

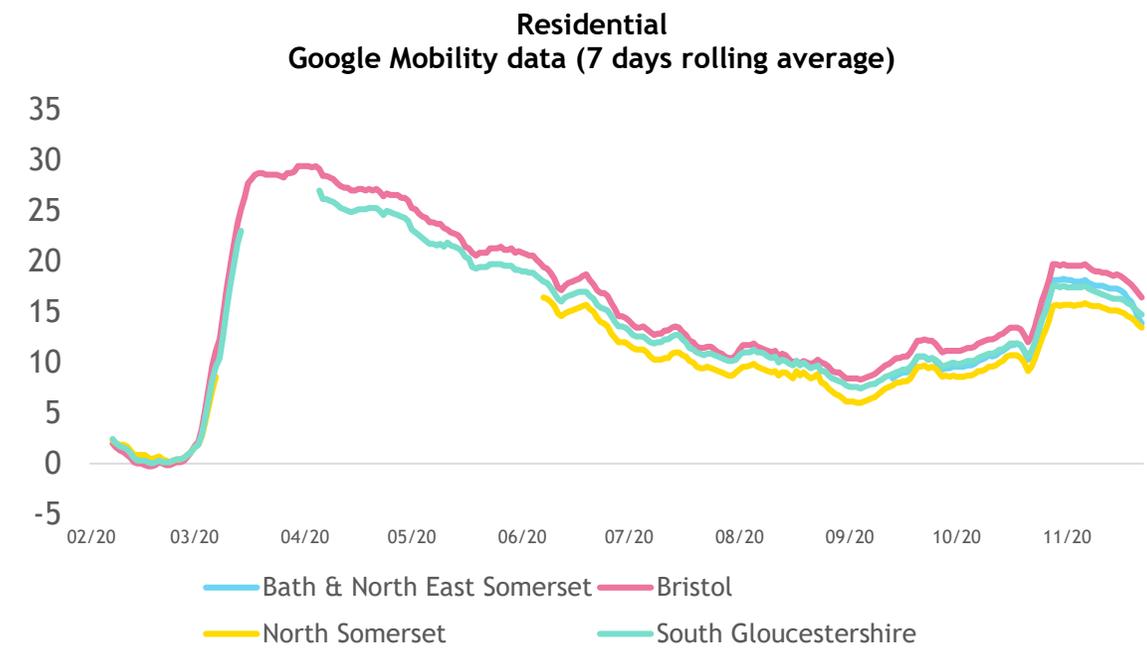
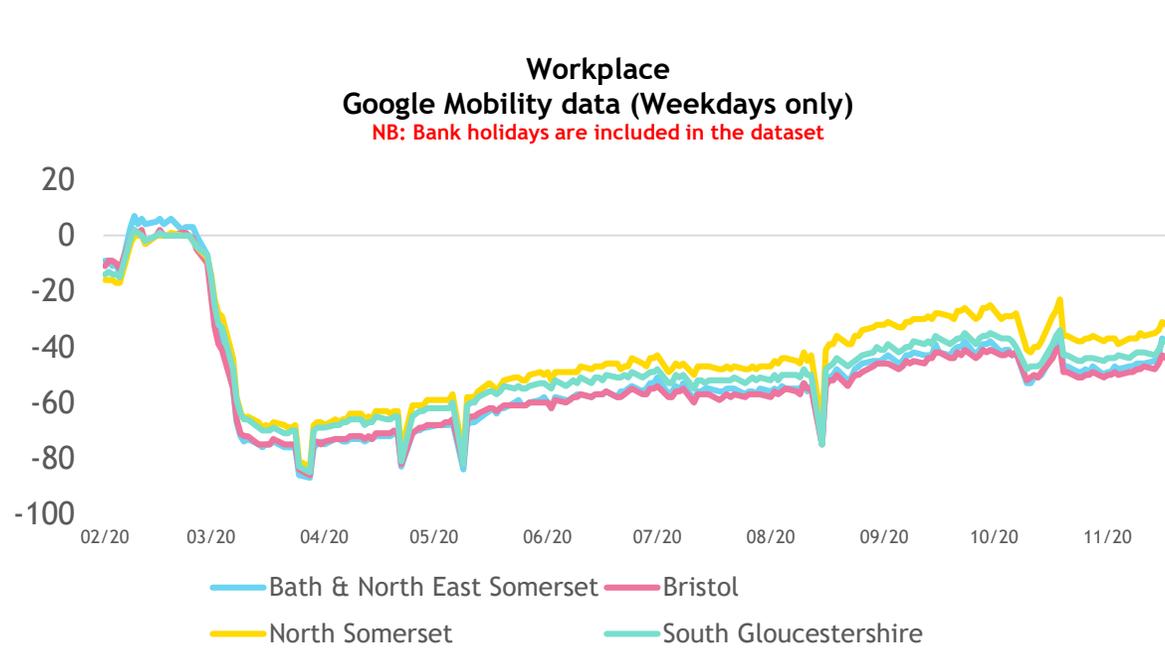


| | |
|----------------|----------------|
| This Month | 53,295 |
| Previous Month | 129,647 |
| Previous Year | 215,010 |
| 2 Years Ago | 218,077 |
| Year on Year % | -75.2 % |

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

A. Mobility: The speed and extent of a return to workplaces is uncertain

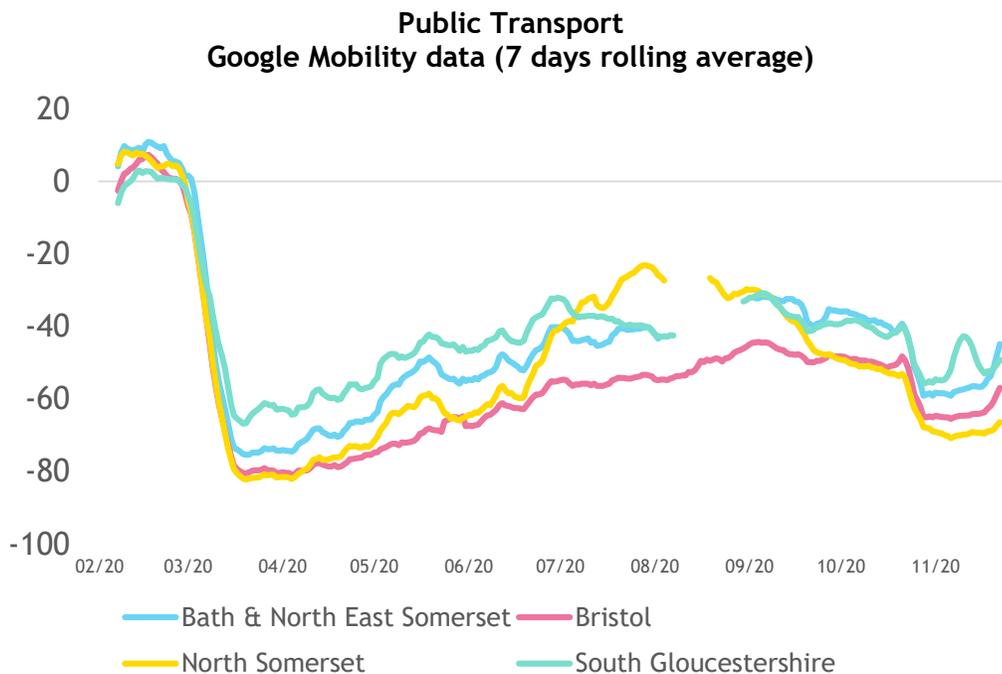
- The recent national restrictions do not stop people from travelling to workplaces. However those who can work effectively from home have been asked to do so.
- The most recent Google Mobility data below shows that for all four unitary authorities, time spent at a workplace fell with the introduction of the more recent lockdown. The magnitude of this fall was much lower than that seen in the retail and recreation data from the previous slide.
- Residential data from Google shows time spent within homes had been in a state of decline since late April, but has risen since September. This likely reflects a combination of seasonal effects and greater restrictions.



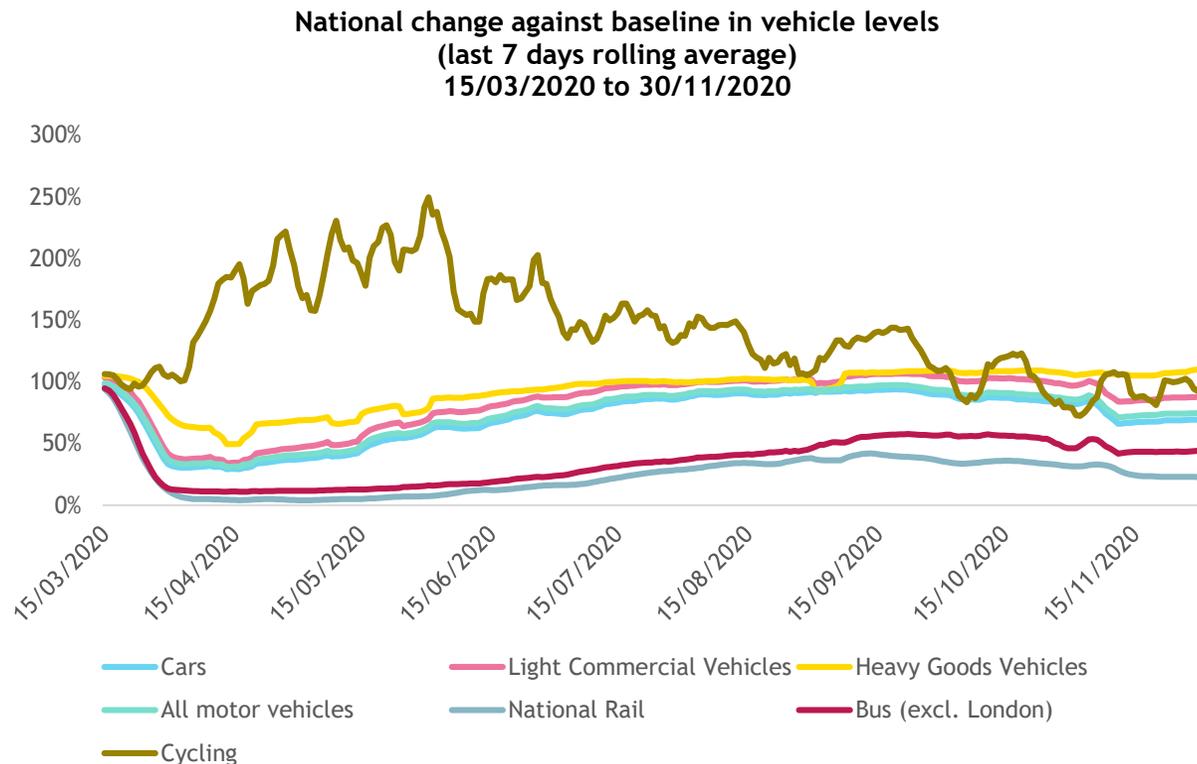
NB: Google Trends data is missing for Bath & North East Somerset, North Somerset and South Gloucestershire for certain dates

A. Mobility: Public transport usage in the region appears to have fallen recently

- Google Mobility data has shown a fall in recent times for the unitary authorities and use of public transport. There is a “blip” in the data for South Gloucestershire recently, where the level rises and falls in relatively short order, which we have no reasonable explanation for.
- Department for Transport (DfT) data shows that nationally, rail usage is around 23% of pre-pandemic levels and bus use (excluding London) is around 44%. Average car usage in a week is currently around 69% of pre-pandemic levels. The fall in this data coincides with the introduction of the second lockdown.



NB: Google Trends data is missing for Bath & North East Somerset, North Somerset, and South Gloucestershire at dates between August and September



B. New restrictions in England: Businesses

- Following the conclusion of the second national lockdown on 2 December, England reverted to Local COVID Alert tier levels of “Medium”, “High” or “Very High”, depending on local infection rates.
- Bristol, South Gloucestershire and North Somerset were all placed in Tier 3 (Very High) and Bath & North-East Somerset in Tier 2 (High). **These allocations will be reviewed on Thursday 17 December.**

| Type of business | Tier 2: Bath & NE Somerset | | | Tier 3: Bristol, N Somerset, S Gloucestershire | | |
|-----------------------|---------------------------------|------------|--------------|--|---------------|---------------|
| | Impact | Businesses | Employment | Impact | Businesses | Employment |
| Pubs & bars | Closed (unless serving food) | 140 | 2,250 | Closed | 540 | 8,250 |
| Accommodation & food | Open but no indoor mixing | 370 | 6,655 | Closed | 1,455 | 24,980 |
| Entertainment venues | Open, limited capacity & curfew | 240 | 1,785 | Closed | 800 | 8,295 |
| Leisure centres, gyms | Open | 95 | 1,700 | Open but no indoor classes | 360 | 6,960 |
| Event Organisers | Events limited | 25 | 90 | Closed | 105 | 770 |
| TOTAL | | 870 | 3,260 | | 12,480 | 49,255 |

B. New restrictions in England: Individuals

| Type of activity | Tier 2: Bath & NE Somerset | Tier 3: Bristol, N Somerset, S Gloucestershire |
|-------------------------------------|---|---|
| Meeting Friends & Family | No mixing of households indoors (apart from support bubbles); Maximum of 6 outdoors | No mixing of households indoors or most outdoor spaces. Maximum of 6 in some public spaces (e.g. public parks) |
| Exercise | Classes & organised adult sport can take place outdoors. Indoor classes may not take place if there is interaction between people from different households | Classes & organised adult sport can take place outdoors. Indoor group activities should not take place. |
| Private Worship | Open, but cannot interact with anyone outside household or support bubble | Open, but cannot interact with anyone outside household or support bubble |
| Care Homes | COVID-Secure arrangements (e.g. visiting pods, window visits). Outdoor/airtight visits only. | COVID-Secure arrangements (e.g. visiting pods, window visits). Outdoor/airtight visits only. |
| Weddings & Funerals | 15 Guests for weddings and wakes; 30 for funerals. Wedding receptions are permitted for up to 15 guests. | 15 Guests for weddings and wakes; 30 for funerals. Wedding receptions not permitted |
| Travelling | Reduce the number of journeys you make and walk or cycle if possible. Travel to a Tier 3 area should be avoided, unless necessary | Avoid travelling outside your area; travel only where necessary; avoid busy times & routes on public transport; avoid carsharing with those outside your bubble |
| Overnight Stays | Permitted with household or support bubble | Government advises against overnight stays |
| Education | Early years, schools, colleges & universities open. Childcare & other supervised activities for children & childcare bubbles permitted | Early years, schools, colleges & universities open. Childcare & other supervised activities for children & childcare bubbles permitted |

B. Additional government support will be made available

- The [Coronavirus Job Retention Scheme](#) will now run until the end of March 2021, with employees receiving 80% of their current salary for hours not worked.
- The next tranche of funding through the [Self-Employment Income Support Scheme](#) will be available from November to January and will be increased from 55% to 80% of average trading profits - up to a maximum of £7,500.
- Businesses that received Bounce Back Loans but did not claim the maximum permitted amount (£50,000) may now be eligible to get [“top up” loans](#) from authorised lenders.
- Funding will also be made available through the [Local Restrictions Support Grant \(LRSB\)](#) and [Additional Restrictions Grant \(ARG\)](#) to support businesses that are legally required to close during lockdown, or experience significant financial hardship during lockdown.
- 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](#).

Contact us

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