West of England Economic Briefing on Covid-19 Business Impacts

25 February 2021

Responding to the economic impact of coronavirus

The West of England Combined Authority and Local Enterprise Partnership are working with partners across the region to support residents and businesses through Covid-19.

Our focus is on rebuilding a strong and inclusive economy and enabling regional businesses to deliver sustainable clean and green measures to improve quality of life for all in the West of England.

We have introduced a range of support measures to help businesses adapt to the new economic landscape and improve resilience, as well as support for residents to develop new skills, training and employment opportunities. More information on these support measures is available here.

Our Regional Recovery Taskforce, led by West of England Mayor, Tim Bowles, has put together a Regional Recovery Plan to drive economic recovery. It outlines how we will harness our region's creativity and diversity to protect and secure jobs, while building back greener and creating opportunities for all residents to share in the recovery.

This briefing summarises WECA's analysis of the economic effects so far of the pandemic. It contains a mix of regional and national data, and uses fast indicators of current conditions where possible.

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

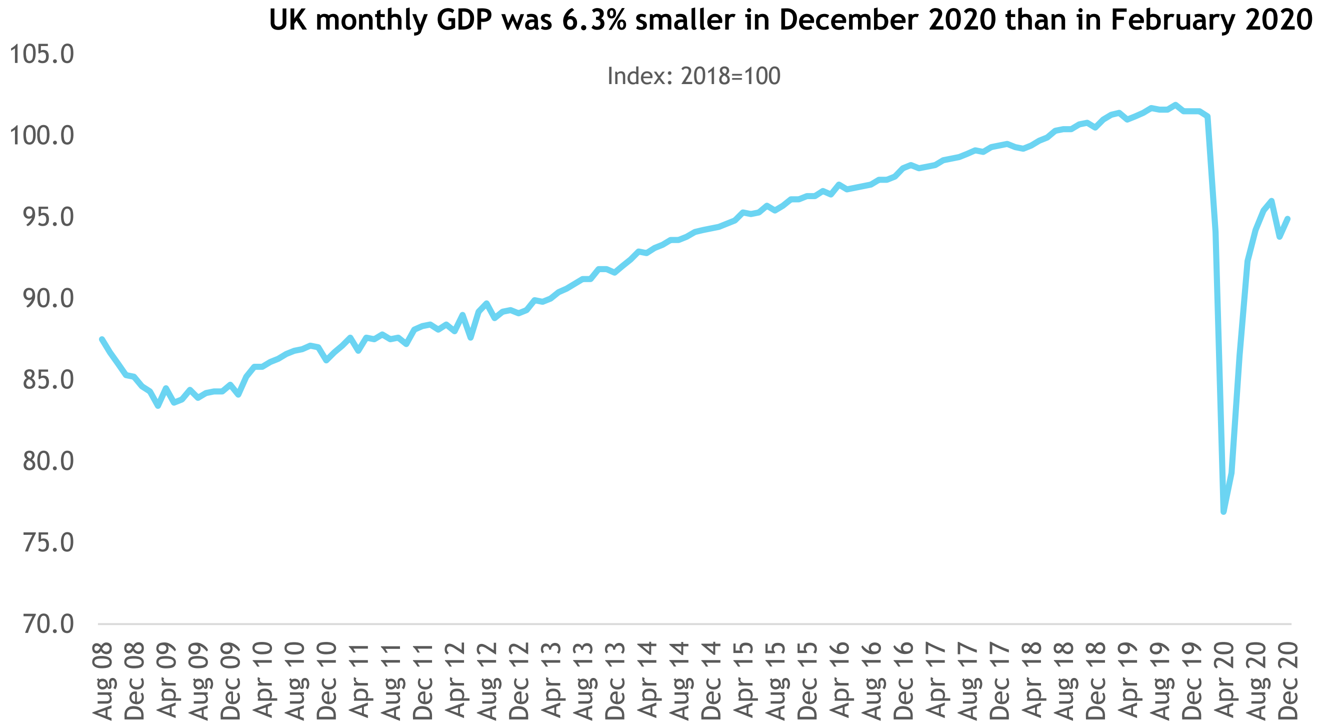
Updates this briefing

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:** ▪ UK GDP grew by 1.2% in December 2020. ▪ Bank of England projections are for a fall in GDP in Q1 2021 but to then pick up later during the year.	4-6
A	**Business activity:** ▪ 22% of businesses in other service activities and 35% in accommodation and food service activities reported they are currently trading in the UK. ▪ Nearly 13,000 grants under the Local Restrictions Support Grant and Additional Restrictions Grant schemes had been distributed by mid-January 2021.	7-9
A	**Labour market:** ▪ 14% of the region's workforce were estimated to be on furlough in January 2021. ▪ 4.8% of the region's workforce claimed out of work benefits in January 2021.	10-12
A	**Mobility:** ▪ Data from the Broadmead Business Improvement District in Bristol suggests total footfall for January 2021 was 74% down when compared to the previous year.	13-15
B	**Reintroduction of Lockdown Restrictions** ▪ On 22 February, the government published its roadmap for easing of coronavirus restrictions. ▪ Nearly 90,000 employees and over 6,500 businesses in the West of England are estimated to be among those most severely impacted by the restrictions.	16-17

A. Overview: The economic impacts have been significant

- UK monthly GDP grew by 1.2% in December. The estimated level of GDP is below that of October 2020, despite the growth in December.
- An increase of monthly UK GDP levels had been recorded for six consecutive months from 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.



Source: ONS GDP estimates, December 2020

A. Overview: The recovery is uncertain

- The below charts are projections of future GDP and unemployment from the Bank of England. GDP is expected to fall in the first quarter of 2021 and then rise subsequently. Unemployment is also projected to rise in 2021, before falling towards the end of the year.
- These are fan charts, which show the projections based on the probability that the Bank of England think they will occur. This reflects the uncertainty around the projection.

Chart 1.1: Near-term GDP projection based on market interest rate expectations, other policy measures as announced

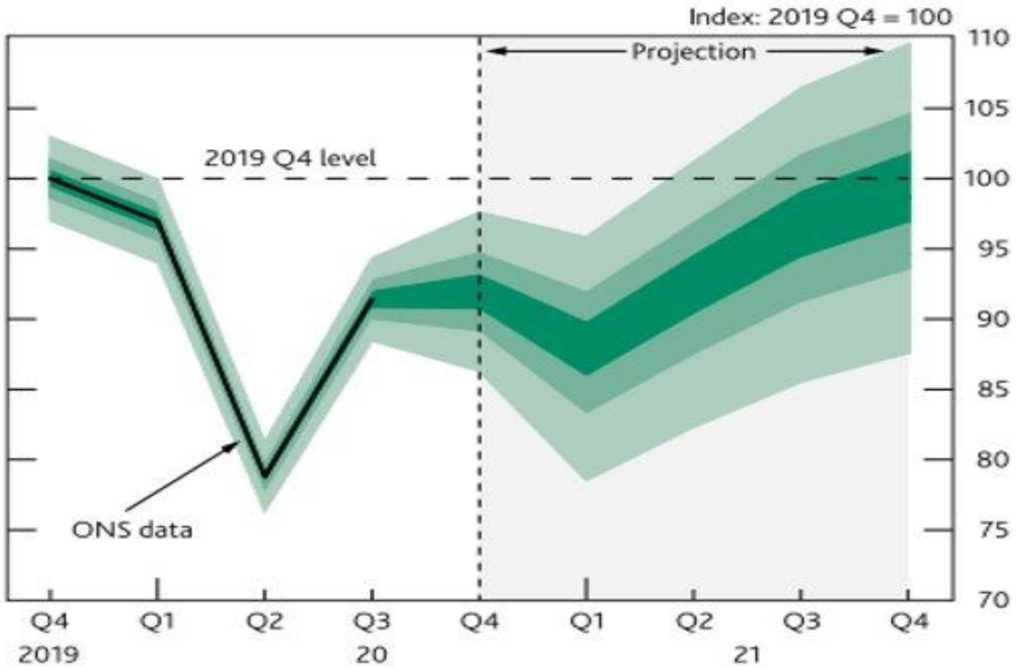
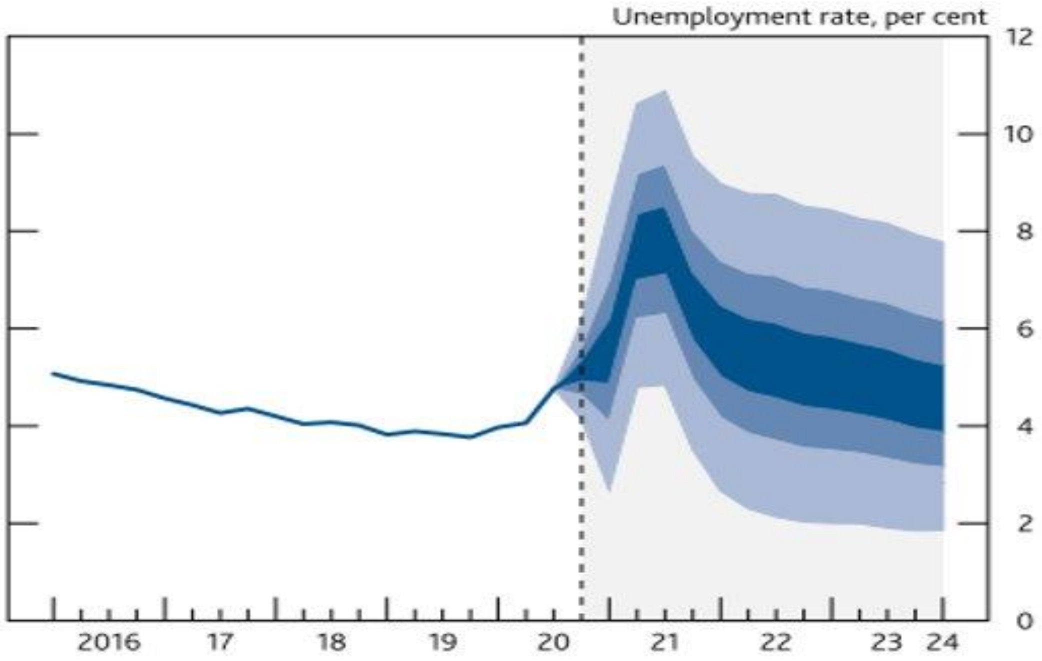


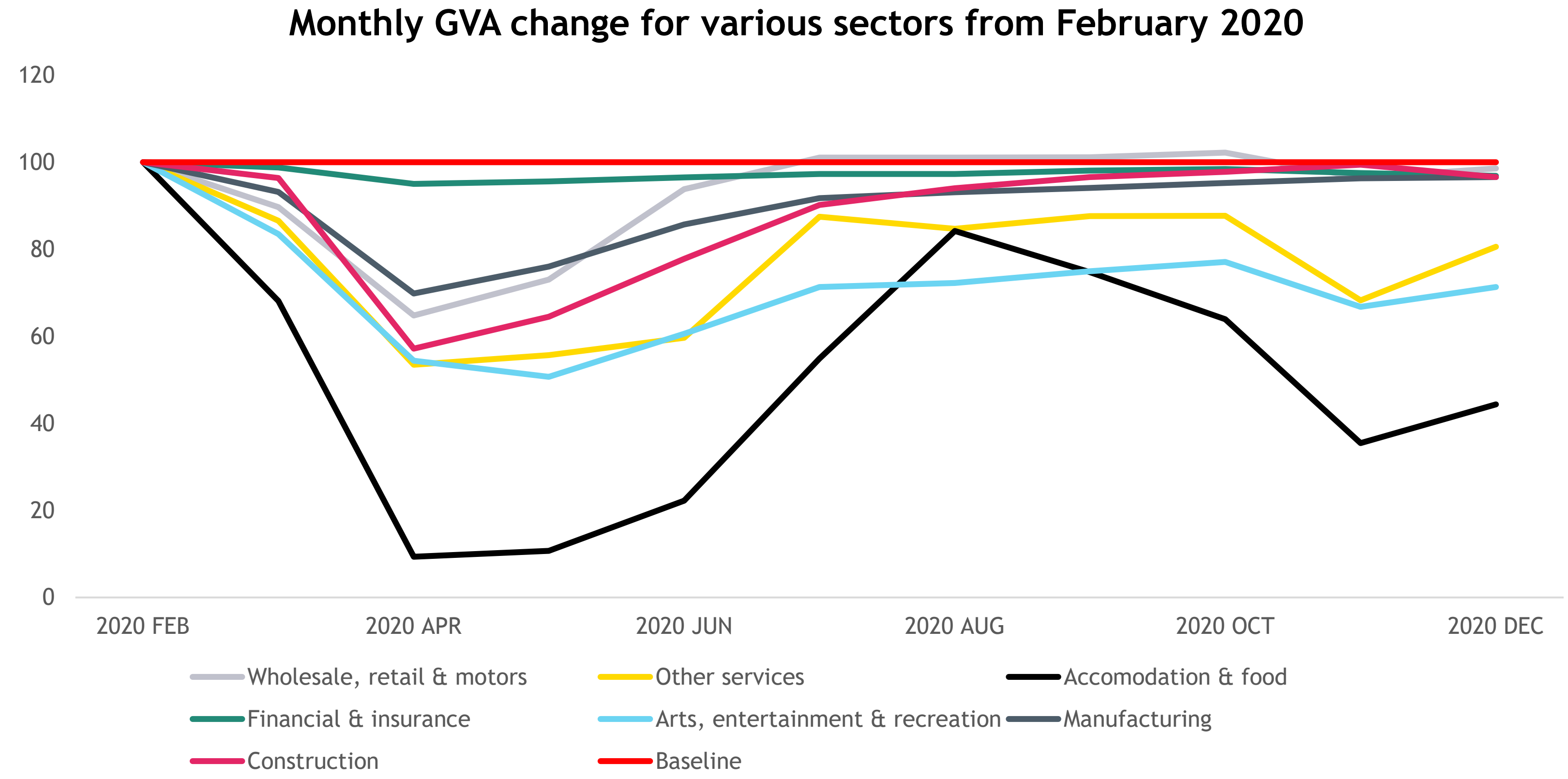
Chart 1.3: Unemployment projection based on market interest rate expectations, other policy measures as announced



Source: Bank of England Monetary Policy Report, February 2021

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

The chart below shows the impact on Gross Value Added (GVA) of certain sectors of the economy at a UK level. Almost all sectors have experienced a drop in economic output since February 2020, but some have been more adversely impacted than others. After recovery over the summer, output in the accommodation and food service sector has fallen again more recently. This data does not yet reflect the impact of the third lockdown.



Source: [ONS GDP estimates, December 2020]

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

WEST OF ENGLAND
Combined Authority

Trading status:
22% of businesses in the other service activities industry (which includes hairdressing and other beauty treatment activities) and 35% in the accommodation and food service activities industry reported they are currently trading. This figure is lower than the 73% reported across all industries.

Financial performance:
Around 8 in 10 of businesses in the accommodation and food services industry have reported a decreases in turnover, when compared with normal expectations for this time of year. This compares to 46% across all industries.

Exporting and importing challenges:
34% of businesses said the main challenge for exporting was changes in transportation costs, whilst for importing, the main challenge for 35% of businesses was disruption at the borders. These are businesses that are currently trading and have exported or imported over the last year. Nearly half of respondents in this category replied that they had experienced no challenges at all with exporting or importing.

Business Confidence:
ICAEW's Business Confidence Monitor for the South West in Q1 2021 reports that business confidence has improved recently, likely due to positive news on vaccination roll-outs. However, businesses in the South West did report the sharpest fall in domestic sales (2% decline year-on-year) since this survey began in 2004.

The data on this page, apart from the ICAEW findings, is from ONS survey responses for UK businesses during the reference period of 11 to 24 January 2021.

Source: ONS Business insights and impact on the UK economy (11 Feb), ICAEW Business Confidence Monitor Q1 2021

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

Businesses have received:

£45.6bn lent across the **UK** in Bounce-Back loans *(as of 21 February 2021)*	12,934 grants totalling £15.4m (under the Local Restrictions Support Grant and Additional Restrictions Grant schemes) have been distributed by West of England local authorities *(as of 18 January 2021)*	£22.0bn lent to **UK Small and Medium Enterprises (SMEs)** and £5.3bn to **larger UK businesses** in Business Interruption Loans *(as of 21 February 2021)*
£1.1bn lent to **UK businesses** in convertible loans as part of the Future Fund scheme *(as of 21 February 2021)*	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 2020)*	120,000 claims for £341.8m have been made on the Self-Employment Income Support Scheme (SEISS) by **West of England residents** *(as of 31 January 2021)*

Source: HMRC Coronavirus Support Statistics

A. Business activity: Liquidations appear not to have risen to date whilst the number of business start-ups is similar to pre-pandemic levels

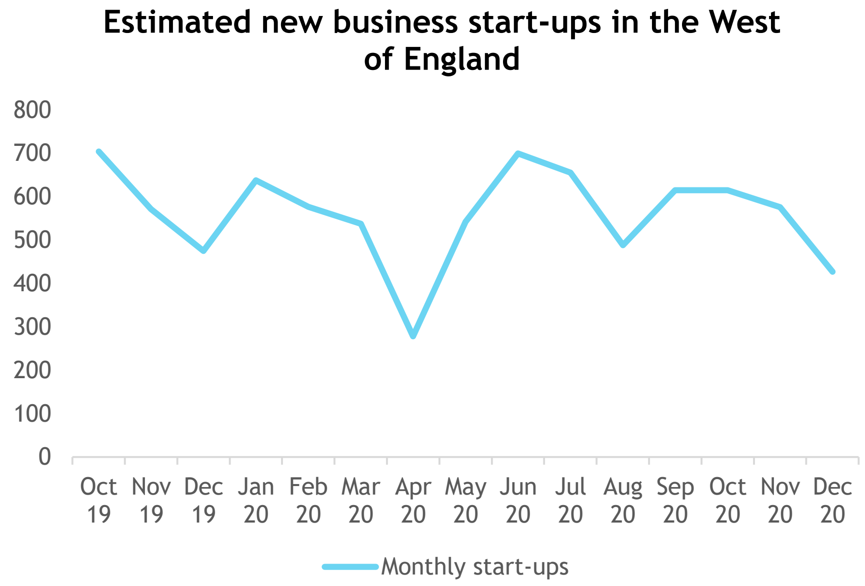
Some businesses have entered liquidation but so far this appears no higher than in the same time period last year. It is possible that the combination of government support schemes and bans on evictions and winding-up petitions have helped protect firms.

We have taken data since 16 March 2020, 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 2020 - 31 January 2021	16 March 2019 - 31 January 2020
West of England Reported Liquidations	419	470

The number of start-ups noticeably fell in April 2020, when the restrictions started in the UK. This data is from BankSearch and records the opening of new business current accounts. Since then however, the number has appeared to return to pre-pandemic levels.

Please note that previous versions of this briefing (prior to the January 2021 briefing) used data which included only new business current accounts being opened with more traditional High Street banks. The introduction of the Bounce-Back loan scheme in May and the resources this took up saw many High Street banks temporarily suspend accepting new business current account at this time. Neobank/Challenger banks picked up this demand and the data now includes these types of banks.



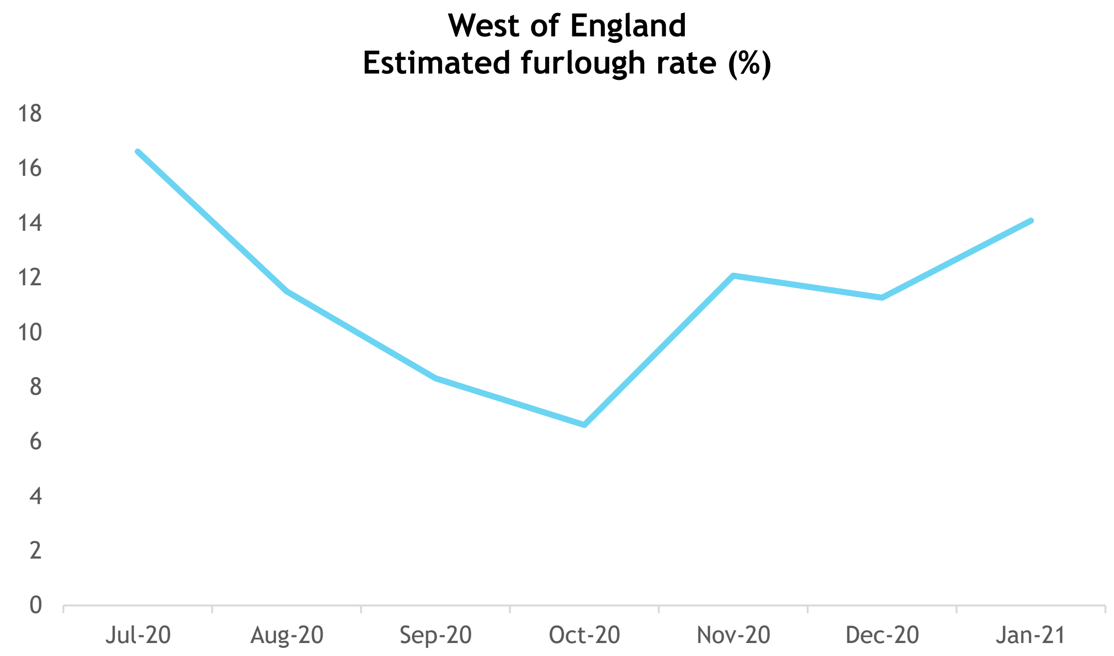
Source: The Gazette (Insolvency Notices), BankSearch

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

- As of 31 January 2021, 77,500 West of England employees were estimated to be on furlough, representing around 14% of those eligible. This compares to an estimated take-up rate of 16% for the UK.

- As of 31 January 2021, 120,000 claims have been made on the Self-Employment Income Support Scheme (SEISS) by West of England residents, amounting to £341.8m. This includes the first, second, and third tranches of the scheme. Details on the fourth grant will be announced on 3 March 2021.
  - First tranche: 44,100 claims (£132.7m)
  - Second tranche: 39,600 claims (£103.2m)
  - Third tranche: 36,300 claims (£105.9m)

- Recent Government analysis estimates that 90% of employees who left the furlough scheme in the UK between April and July last year were still on their original payroll in August 2020.



Source: HMRC Coronavirus statistics, CRJS statistics: secondary analysis

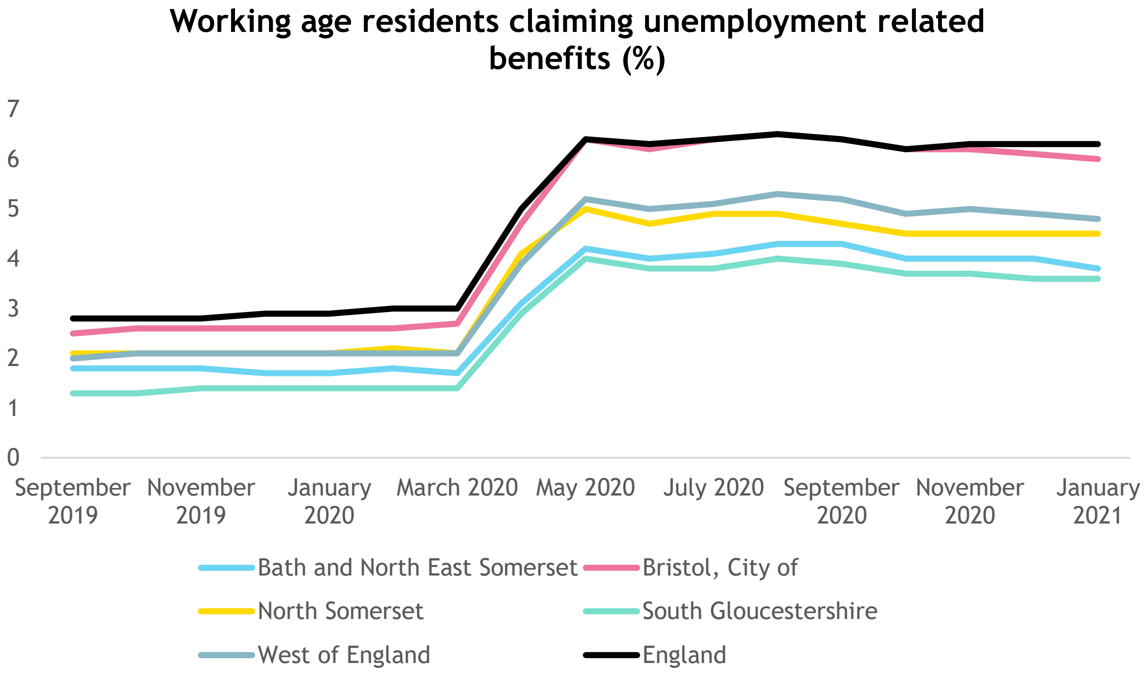
A. Labour market: Data on unemployment benefit claims rose sharply in April and May but now appears more stable

- The below table shows the number of people claiming out of work benefits. Approximately 4.8% of the region's workforce claimed out of work benefits in January 2021 (35,675). This is lower than the average figure for England (6.3%).
- An estimated 4.6% of the region's population of 16-24 year olds claimed out of work benefits in January 2021, which is below the England figure of 7.1%.
- 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 20,725 more claimants in the West of England than there were in February 2020.

	December 2020		January 2021	
	Number	% workforce	Number	% workforce
Bath and North East Somerset	4,945	4.0	4,760	3.8
Bristol City	19,430	6.1	18,940	6.0
North Somerset	5,645	4.5	5,650	4.5
South Gloucestershire	6,480	3.6	6,325	3.6
West of England Total	**36,500**	**4.9**	**35,675**	**4.8**

Other measures of unemployment data help give a fuller picture:

- The estimated unemployment rate for the UK was 5.1% for October to December 2020, which is 1.3% higher than the year before.
- PAYE data shows that the number of employees on a payroll in January 2021 in the UK is estimated to have fallen by 2.4% (over 700,000 employees) since February 2020.

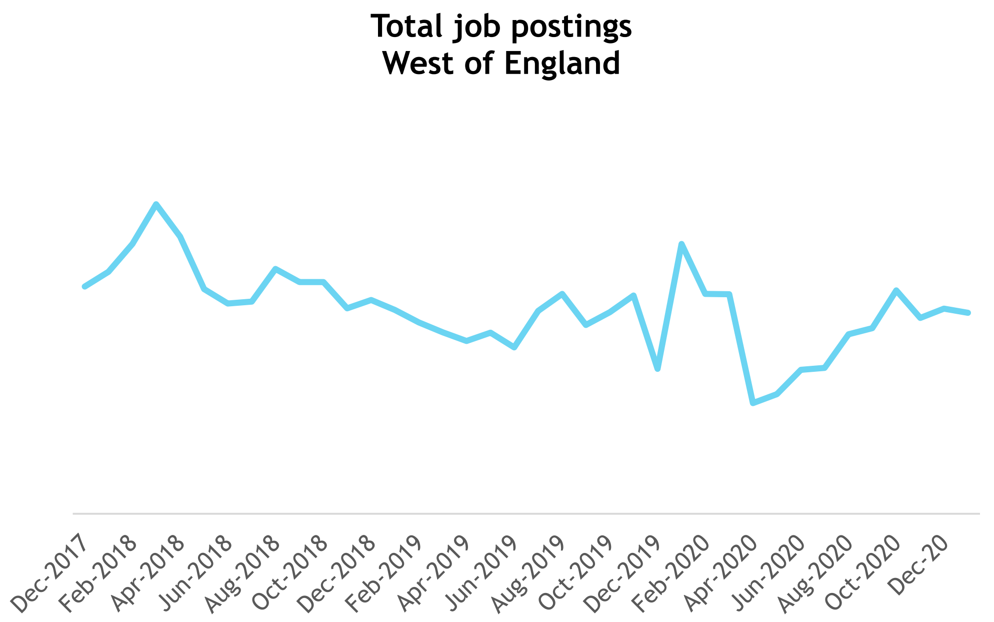


Source: Nomis Labour Market Profile, PAYE Real Time Information, Labour market overview, UK (Feb 21)

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

- According to the Labour Insight job postings analysis tool, there were a similar level of postings advertised in the West of England in January 2021 compared to December 2020.
- The impact of changes in the number of jobs available as a result of lockdown measures became visible in April and May 2020, with fewer jobs advertised.
- Data from the ONS suggests that the number of job vacancies in the UK between November 2020 to January 2021 was 26% lower than it was a year ago.

Job postings levels and associated analytics are highly sensitive to the web-scraping tool used. Analysing trends rather than totals is therefore advised.



Top occupations in January 2021 (West of England)

- Programmers and software development professionals
- Nurses
- Care workers and home carers
- Sales related occupations n.e.c.
- IT business analysts, architects and systems designers

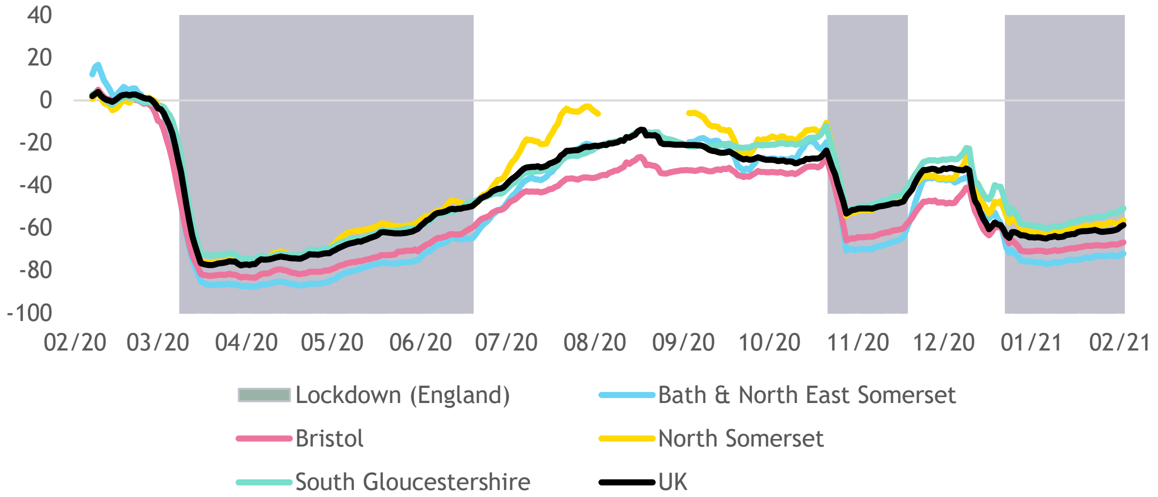
Source: Labour Insight, Labour market overview, UK (Feb 21)

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

WEST OF ENGLAND Combined Authority

- National lockdown restrictions were introduced on 6 January that closed many non-essential retail and recreation locations.
- There has been a sharp fall from Christmas Day onwards. The Google Mobility data suggests that Bristol and Bath & North East Somerset have seen greater falls in activity from the baseline of early 2020 than the UK on average.
- Data from the Broadmead Business Improvement District in Bristol suggests total footfall for January 2021 was 74% down when compared to the previous year.

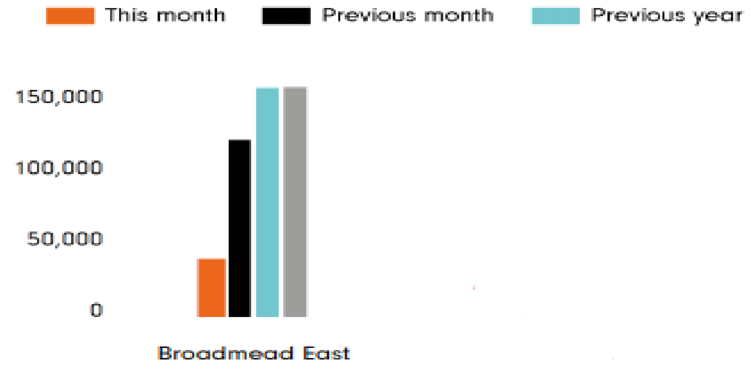
Retail and Recreation
Google Mobility data (7 day rolling average)



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

Footfall by location

The figures shown below are calculated using weekly averages.



This Month	40,216
Previous Month	120,145
Previous Year	154,628
2 Years Ago	155,208
Year on Year %	-74.0 %

Source: Google Community Mobility Reports (16 Feb), Footfall Report for Broadmead BID, January 21

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

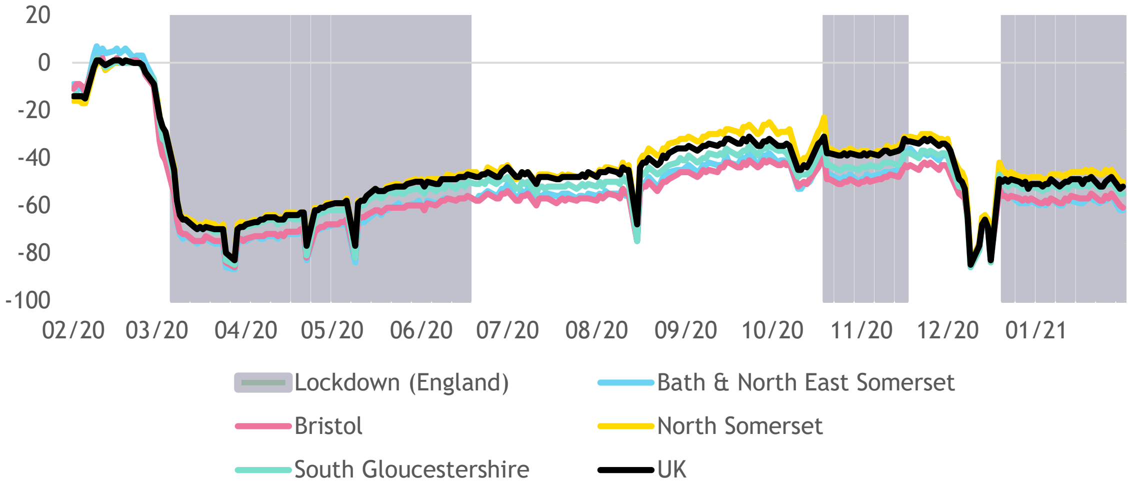
WEST OF ENGLAND
Combined Authority

- The current national restrictions do not stop people from travelling to workplaces. However, those who can work effectively from home have been asked to do so.

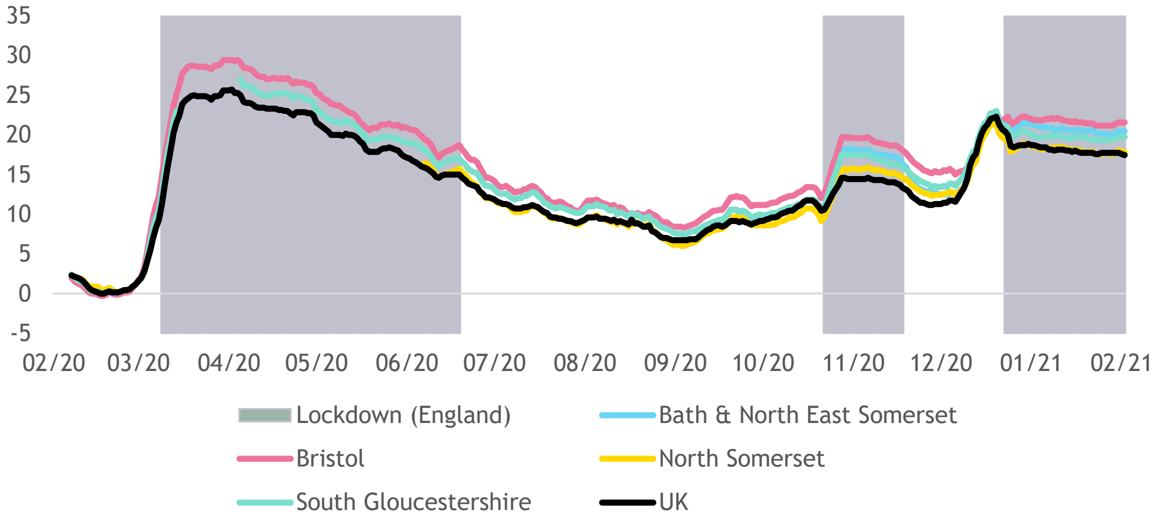
- The most recent Google Mobility data below shows that for all four unitary authorities, time spent at a workplace has fallen compared to mid-December. This data appears broadly flat over the current lockdown period (with a dip at the very end of the time series likely reflecting the start of the school half-term period).

- Residential data from Google shows time spent within homes had been in a state of decline since late April 2020 but has risen since September. This likely reflects a combination of seasonal effects and greater restrictions.

Workplace
Google Mobility data (weekdays only)
NB: Bank holidays are included



Residential
Google Mobility data (7 day rolling average)



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

Source: Google Community Mobility Reports (16 Feb)

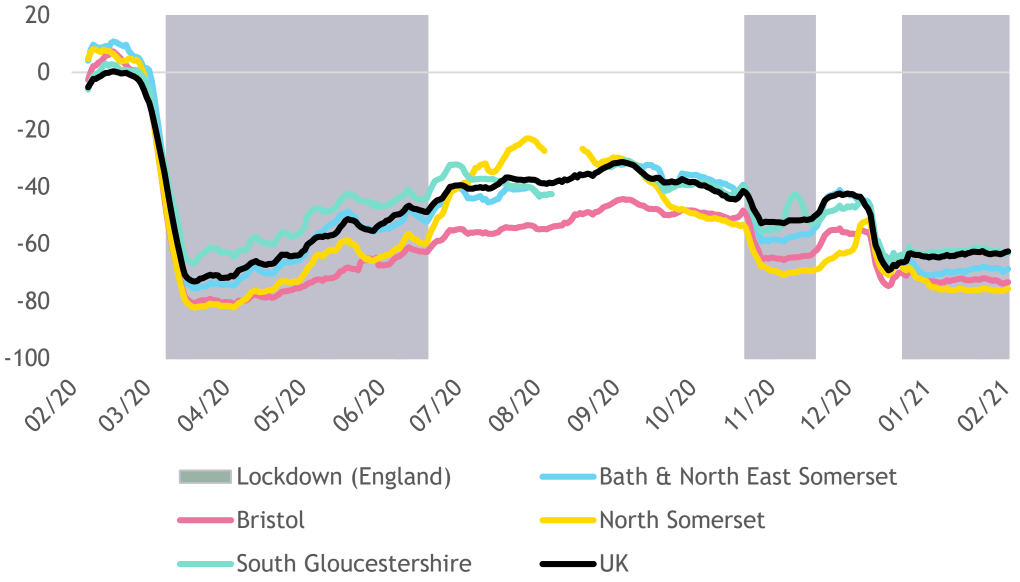
A. Mobility: Public transport usage in the region appears to have fallen recently

WEST OF ENGLAND
Combined Authority

- Google Mobility data has shown a fall in recent times for the unitary authorities and the use of public transport. Three of the four unitary authorities appear to be trending below the UK average for current public transport usage, compared to early 2020.

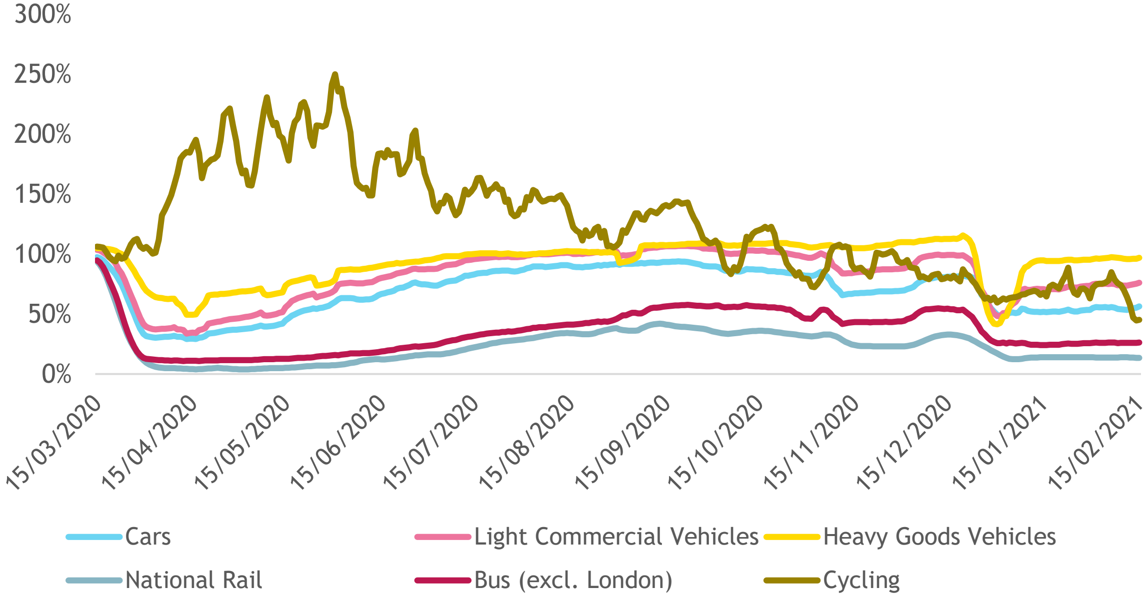
- Department for Transport (DfT) data shows that nationally, rail usage is around 14% of pre-pandemic levels and bus use (excluding London) is around 26%. Average car usage in a week is currently around 57% of pre-pandemic levels. Please note that the different modes of transportation use different baselines (more information can be found here).

Public Transport
Google Mobility data (7 day rolling average)



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

National change against baseline in vehicle levels
(7 day rolling average)
15/03/2020 to 15/02/2021



Source: Google Community Mobility Reports (16 Feb), DfT (Transport use during the COVID-19 pandemic)

B. New lockdown easing roadmap for England

WEST OF ENGLAND Combined Authority

- On **Monday 22 February**, the government published its roadmap for the easing of coronavirus lockdown restrictions.
- The phased unlocking will occur at intervals of at least five weeks, and may be subject to change depending on infection rates, vaccine uptake levels, or the emergence of new variants of concern.

	Step 1(a) 8 March	Step 1(b) 29 March	Step 2 No earlier than 12 April	Step 3 No earlier than 17 May	Step 4 No earlier than 21 June
Education	▪ All schools reopen ▪ Practical Higher Education courses	-	-	-	-
Social Contact	▪ Exercise and recreation outdoors with one other person or household ▪ No indoor mixing	▪ Rule of 6 or two households outdoors ▪ No indoor mixing	-	▪ Maximum 30 people outdoors ▪ Rule of 6 or two households indoors (subject to review)	▪ No Legal Limit
Business & Activities	▪ Wraparound care, including sport, for all children	▪ Organised outdoor sport ▪ Outdoor sport and leisure facilities ▪ Outdoor children's activities ▪ Outdoor parent & child groups (up to 15 parents)	▪ All retail ▪ Personal care ▪ Libraries & Community Centres ▪ Most outdoor attractions ▪ Indoor leisure & Gyms ▪ Self-contained accommodation ▪ All children's activities ▪ Outdoor hospitality ▪ Indoor parent & child groups (up to 15 parents)	▪ Indoor hospitality ▪ Indoor entertainment & attractions ▪ Organised indoor sport ▪ Remaining accommodation ▪ Remaining outdoor entertainments (including performances)	▪ Remaining businesses, including nightclubs
Travel	▪ Stay At Home ▪ No Holidays	▪ Minimise travel ▪ No holidays	▪ Domestic overnight stays (household only) ▪ No international holidays	▪ Domestic overnight stays ▪ International travel (subject to review)	▪ Domestic overnight stays ▪ International travel
Events	▪ Funerals (30) ▪ Weddings and Wakes (6)	-	▪ Funerals (30) ▪ Weddings, Wakes, Receptions (15) ▪ Event pilots	▪ Significant life events (30) ▪ Indoor events (1,000 or 50%) ▪ Outdoor seated events (10,000 or 25%) ▪ Outdoor other events (4,000 or 50%)	▪ No legal limit on life events ▪ Larger events

B. Lockdown restrictions in England: Businesses

WEST OF ENGLAND Combined Authority

The below estimates the number of businesses and employment in the West of England for some of the industries that have been most severely impacted in operating by the lockdown restriction.

	West of England	
Type of business	Businesses	Employment
Non-essential retail	1,675	24,845
Pubs & bars	680	10,000
Accommodation & food	1,830	31,100
Entertainment venues	1,065	9,900
Leisure centres, gyms	445	8,650
Personal care	650	3,000
Taxis	115	700
Market traders	40	55
Event organisers	130	825
TOTAL	**6,630**	**89,075**

Source: Nomis, WECA Calculations

Contact us

westofengland-ca.gov.uk
economicanalysis@WestOfEngland-CA.gov.uk
WestofEnglandCA
West-of-England-Combined-Authority

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