

West of England Economic Briefing on Covid-19 Business Impacts

25 March 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 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

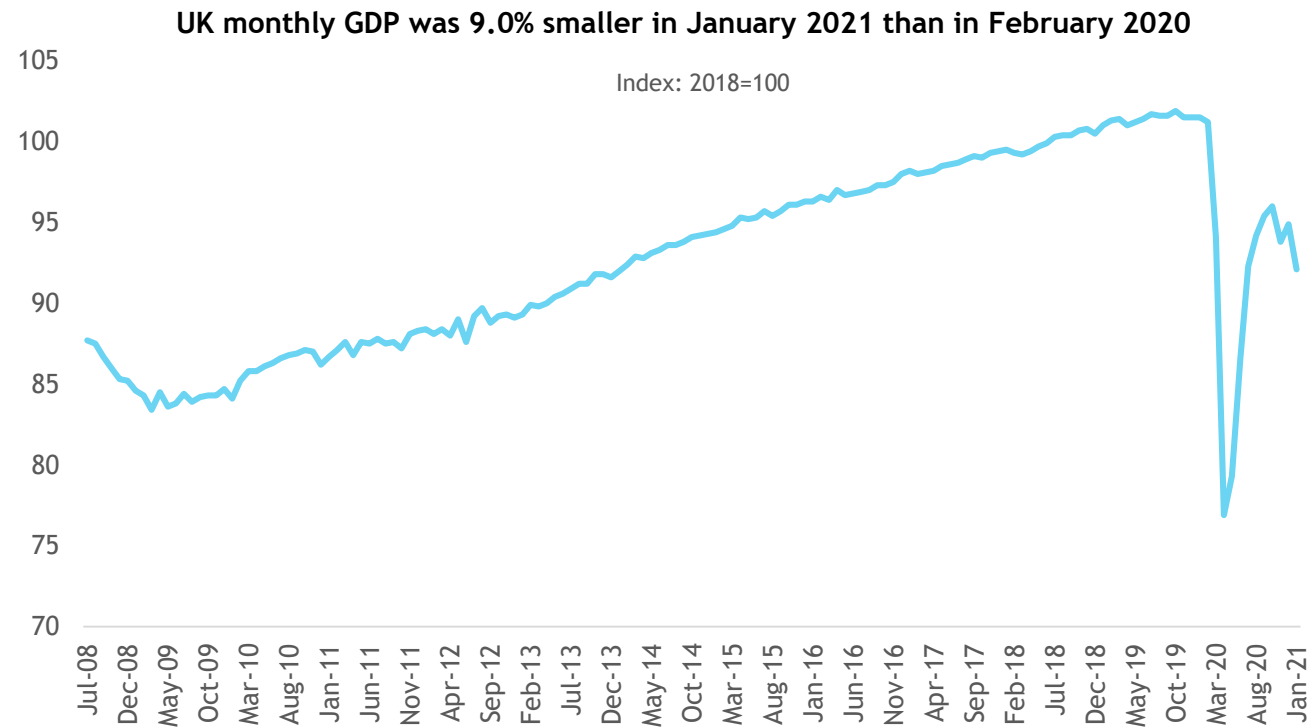
Updates this briefing

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: <ul style="list-style-type: none">UK GDP fell by 2.9% in January 2021.Bank of England and OBR projections are for a fall in GDP in Q1 2021 but a pick up later on during this year.	4-7
A	Business activity: <ul style="list-style-type: none">26% of businesses in other service activities and 43% in accommodation and food service activities reported they are currently trading in the UK.	8-10
A	Labour market: <ul style="list-style-type: none">14.1% of the region's workforce were estimated to be on furlough in February 2021.5.0% of the region's workforce claimed out of work benefits in February 2021.	11-13
A	Mobility: <ul style="list-style-type: none">Google Mobility data suggests a small upward trend in visits to retail and recreation locations and workplaces and use of public transport more recently, albeit still at highly depressed levels.	14-16
B	Reintroduction of Lockdown Restrictions <ul style="list-style-type: none">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.	17-18

A. Overview: The economic impacts have been significant

- UK monthly GDP was estimated to fall by 2.9% in January 2021, as the impact of greater restrictions took effect.
- 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 and 4% below the level in October 2020, which was the initial recovery peak.



A. Overview: The recovery is uncertain - Bank of England

- 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

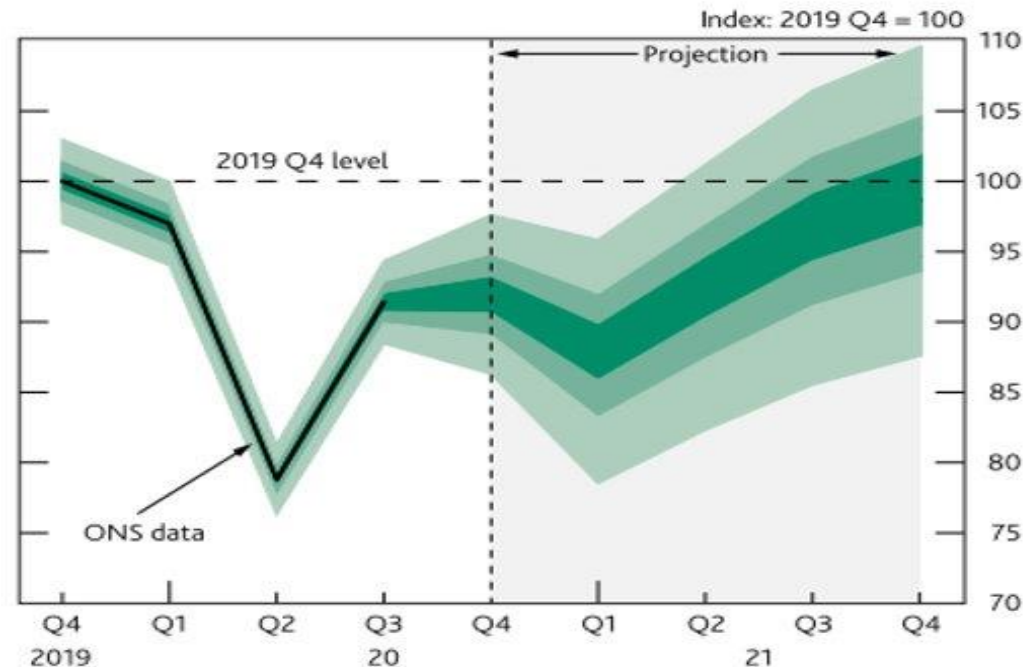
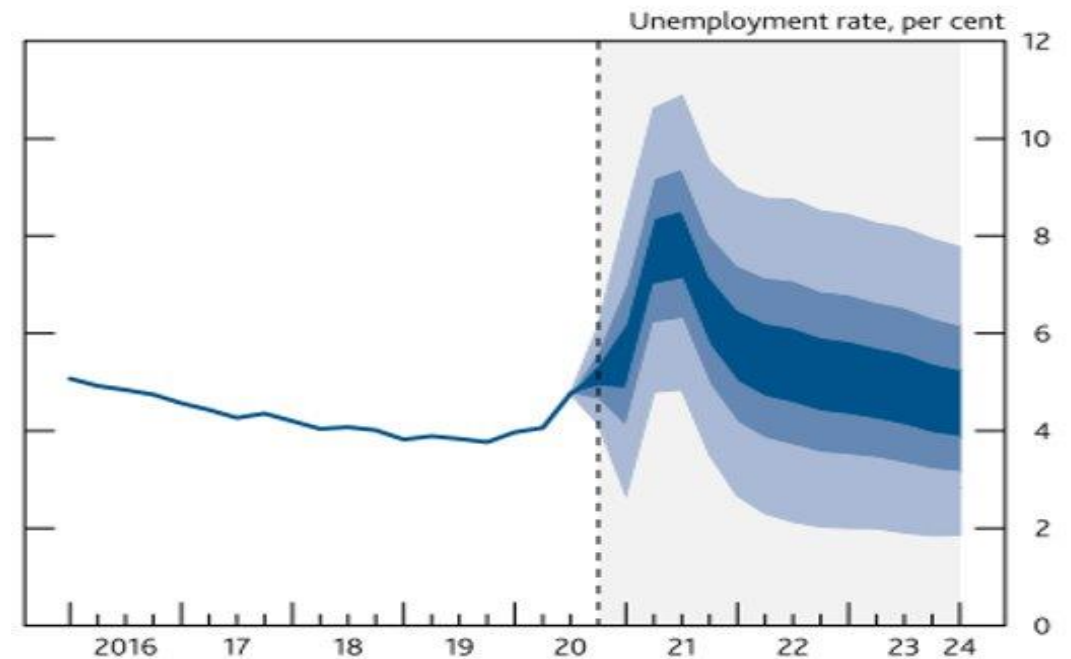


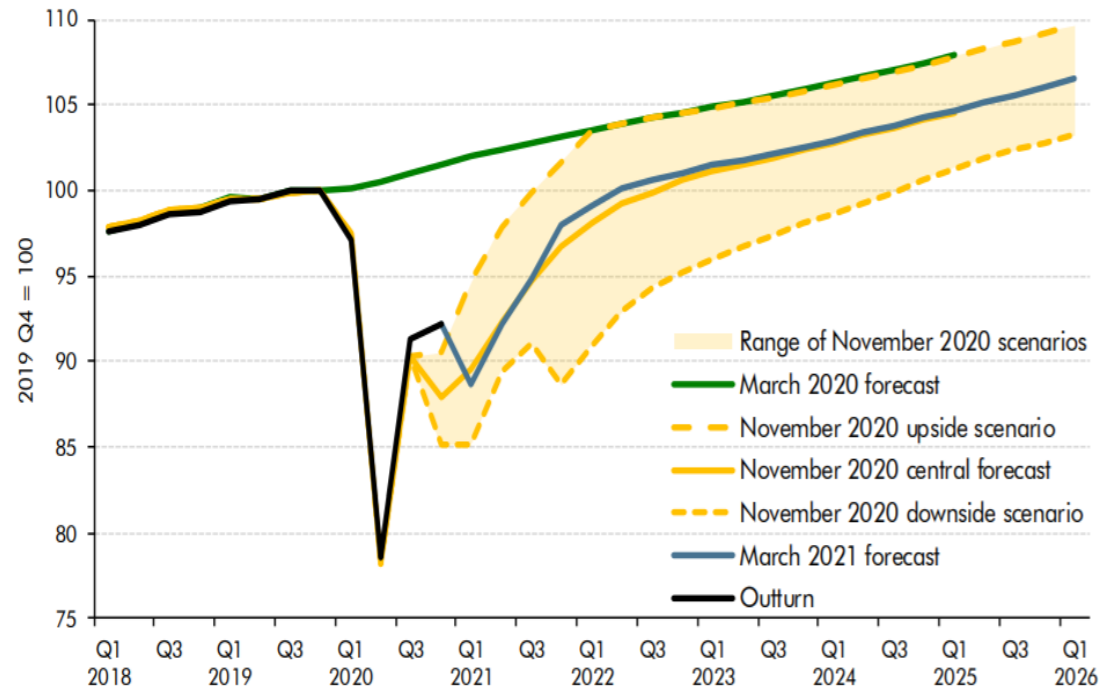
Chart 1.3: Unemployment projection based on market interest rate expectations, other policy measures as announced



A. Overview: The recovery is uncertain - Office for Budget Responsibility (OBR)

- The OBR forecast for the UK incorporates the roadmap plans and the extension of the furlough scheme. This has resulted in a more optimistic forecast in certain aspects than their previous one in November 2020.
- This forecast expects GDP to grow by 4% in 2021 and get back to pre-pandemic levels by Q2 2022. Unemployment is anticipated to rise to a peak of 6.5% at the end of 2021.

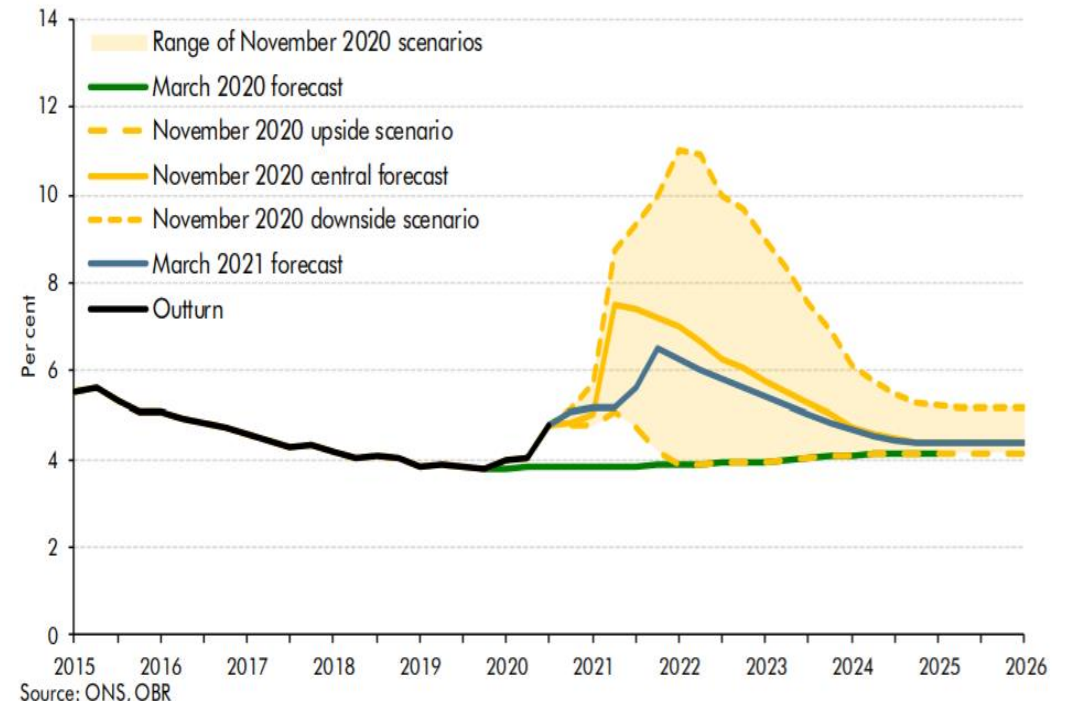
Chart 1.5: Real GDP: central forecast and scenarios



Source: ONS, OBR

Source: [OBR Economic and fiscal outlook, March 2021](#)

Chart 1.6: Unemployment rate

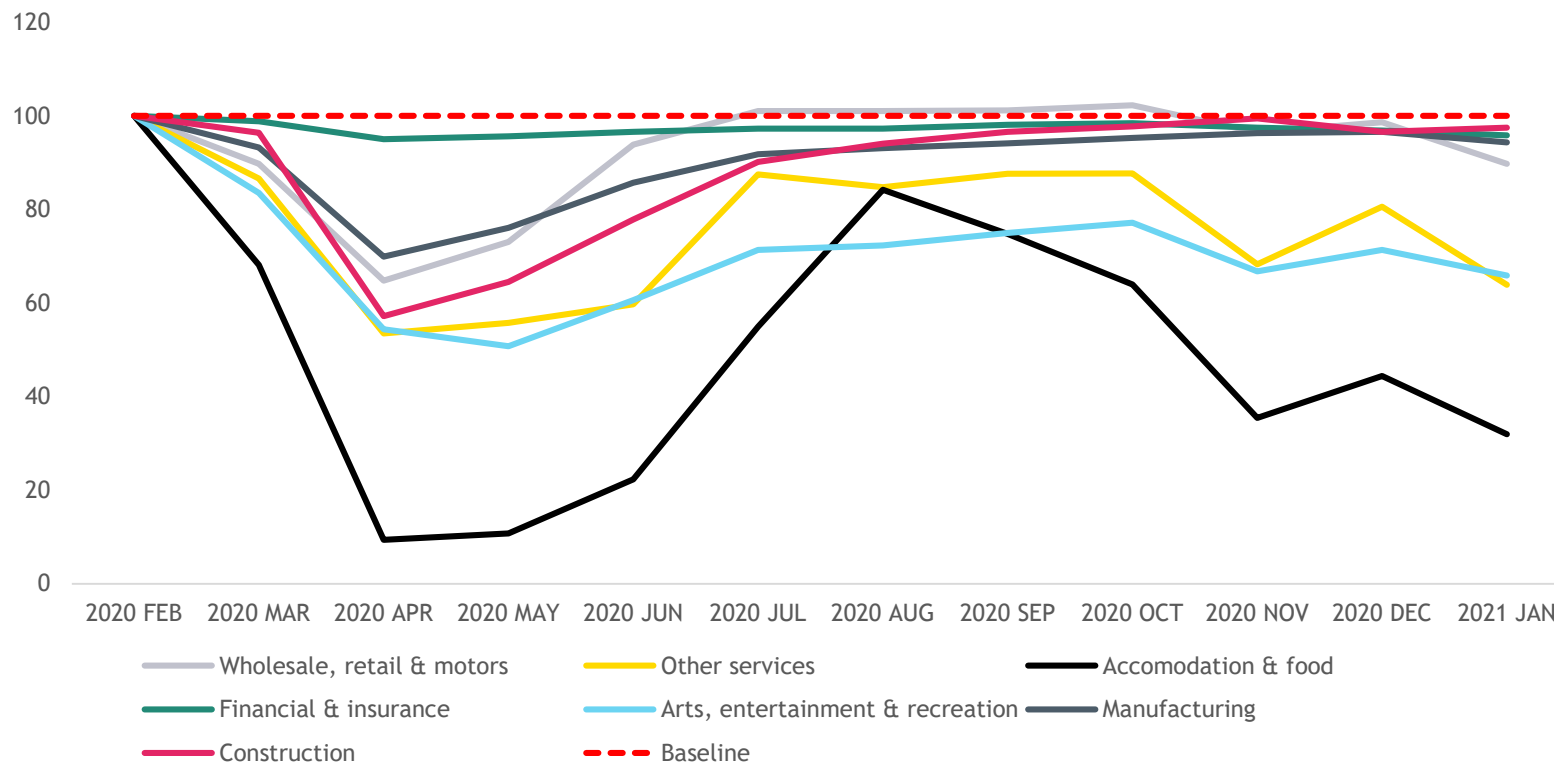


Source: ONS, OBR

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

The chart below shows the impact on Gross Value Added (GVA) in 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. Other services also experienced a 21% fall in GVA in January 2021.

Monthly GVA change for various sectors from February 2020



Source: [ONS GDP estimates, January 2021](#)

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

Trading status:

26% of businesses in the other service activities industry (which includes hairdressing and other beauty treatment activities) and 43% in the accommodation and food service activities industry reported they are currently trading. This figure is lower than the 74% reported across all industries but is an increase on the reported levels for these sectors a month ago.

Financial performance:

44% of businesses across all industries reported that their turnover had decreased compared to normal expectations, with 38% saying it had not been affected and 8% indicating it had increased. The remaining respondents were not sure.

Exporting and importing challenges:

In the most recent ONS survey, 39% of businesses said the main challenge for exporting was additional paperwork, whilst for importing, the main challenge for 42% of businesses was a change in transportation costs. These are businesses that are currently trading and have exported or imported over the last year. 44% of exporters and 39% of importers in this category replied that they had experienced no challenges at all.

Manufacturing:

The latest Bank of England's Agents' summary of business conditions reports that manufacturing output is weaker than a year ago, with some of this recent weakness due to the unwinding of stockpiling in late 2020 and non-tariff barriers with the EU. The report mentions that smaller firms are experiencing greater disruption.

The information on this page is from ONS survey responses for UK businesses during the reference period of 8 to 21 February 2021.

A. Business activity: Support received by businesses in the region and the UK

£46.5bn lent across the **UK** in
Bounce-Back loans
(as of 21 March 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)

£23.3bn lent to **UK Small and
Medium Enterprises (SMEs)** and
£5.3bn to **larger UK businesses**
in Business Interruption Loans
(as of 21 March 2021)

£1.1bn lent to **UK businesses** in
convertible loans as part of the
Future Fund scheme
(as of 21 March 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)

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

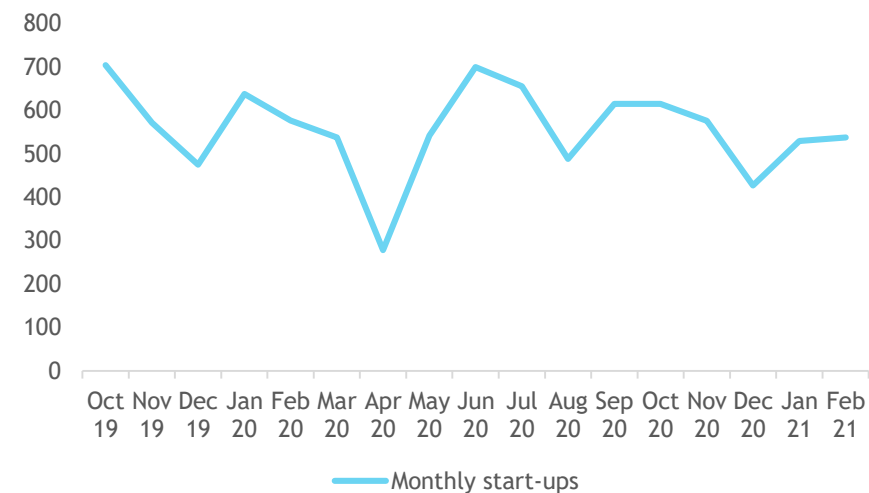
Some businesses have entered liquidation but so far this appears no higher than in the same time period last year.

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 - 28 February 2021	16 March 2019 - 29 February 2020
West of England Reported Liquidations	461	530

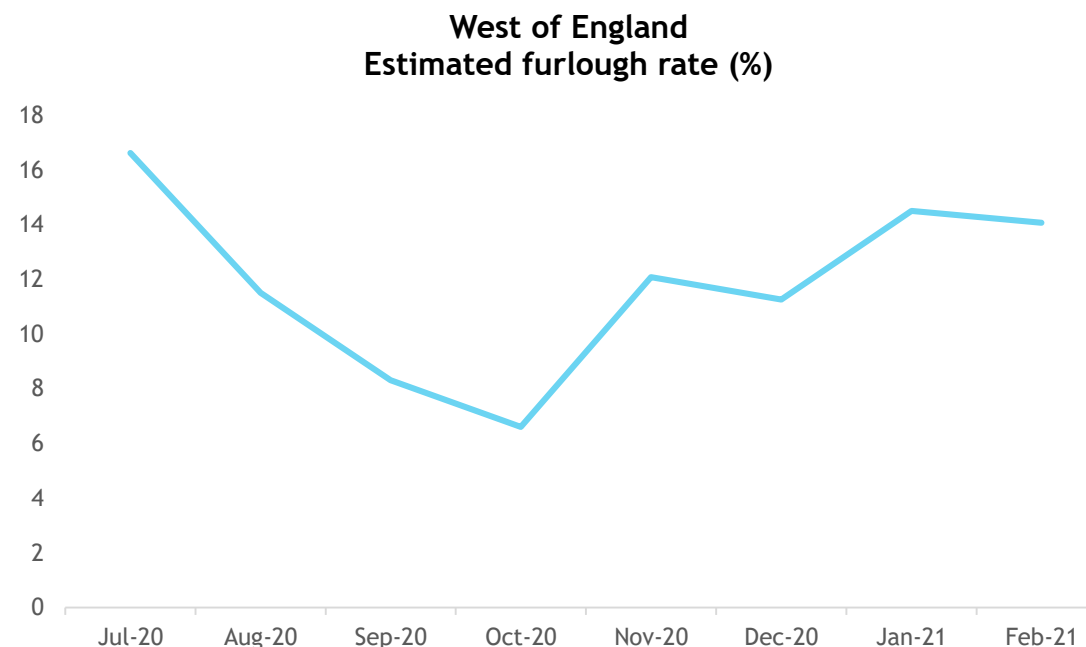
The number of start-ups noticeably fell in April 2020, when the restrictions started in the UK. This data is from BankSearch and records the opening of new business current accounts. Since then however, the number has appeared to return to pre-pandemic levels.

Estimated new business start-ups in the West of England



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

- As of 28 February 2021, 77,400 West of England employees were estimated to be on furlough, representing around 14.1% of those eligible. This is similar to the rate in January 2021 for the region and compares to an estimated take-up rate of 15.1% 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.
 - First tranche: 44,100 claims (£132.7m)
 - Second tranche: 39,600 claims (£103.2m)
 - Third tranche: 36,300 claims (£105.9m)
- 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.



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

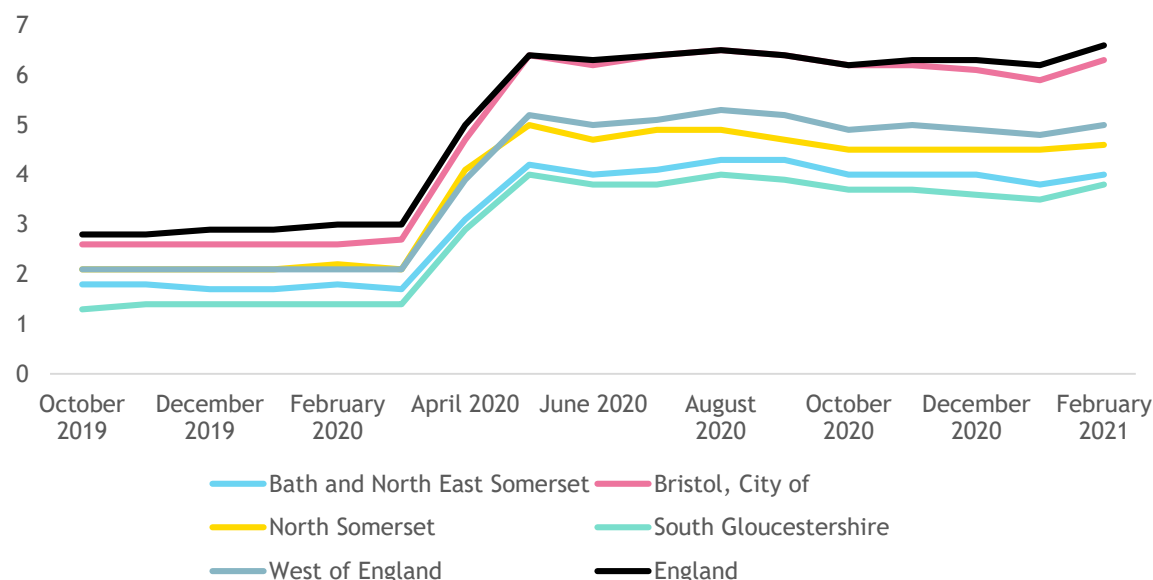
- The below table shows the number of people claiming out of work benefits. Approximately 5.0% of the region’s workforce claimed out of work benefits in February 2021 (37,335). This is lower than the average figure for England (6.3%).
- An estimated 4.7% of the region’s population of 16-24 year olds claimed out of work benefits in January 2021, which is below the England figure of 7.3%.
- 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, with a small increase in February, but there are now 21,560 more claimants in the West of England than there were in February 2020.

Other measures of unemployment data help give a fuller picture:

- The estimated unemployment rate for the UK was 5.0% for November 2020 to January 2021, which is 1.1% higher than the year before.
- PAYE data shows that the number of employees on a payroll (seasonally adjusted) in February 2021 in the UK is estimated to have fallen by 2.4% (693,000 employees) since February 2020, although this has increased for the third consecutive month.

	January 2021		February 2021	
	Number	% workforce	Number	% workforce
Bath and North East Somerset	4,740	3.8	4,980	4.0
Bristol City	18,725	5.9	19,850	6.3
North Somerset	5,600	4.5	5,775	4.6
South Gloucestershire	6,290	3.5	6,730	3.8
West of England Total	35,355	4.8	37,335	5.0

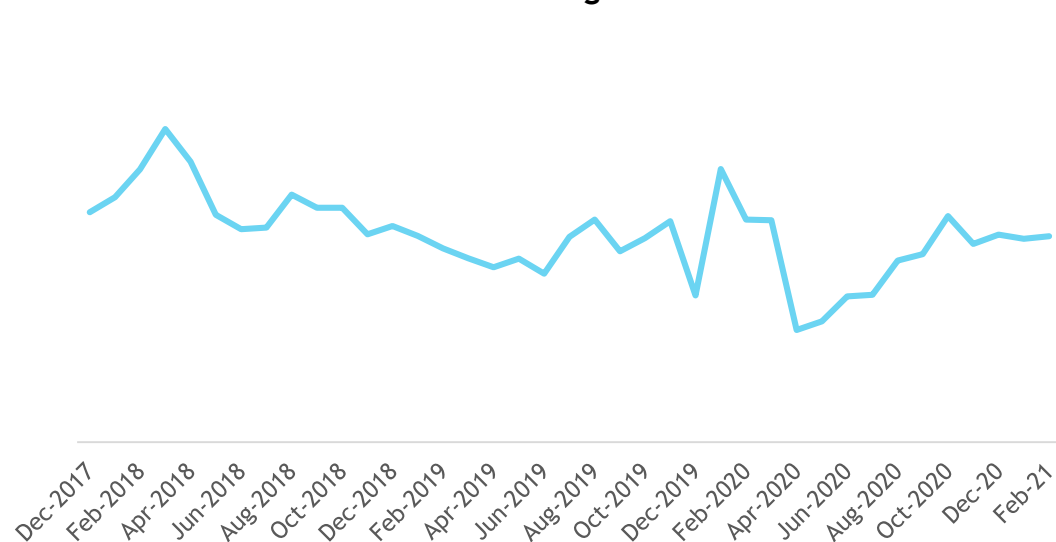
Working age residents claiming unemployment related benefits (%)



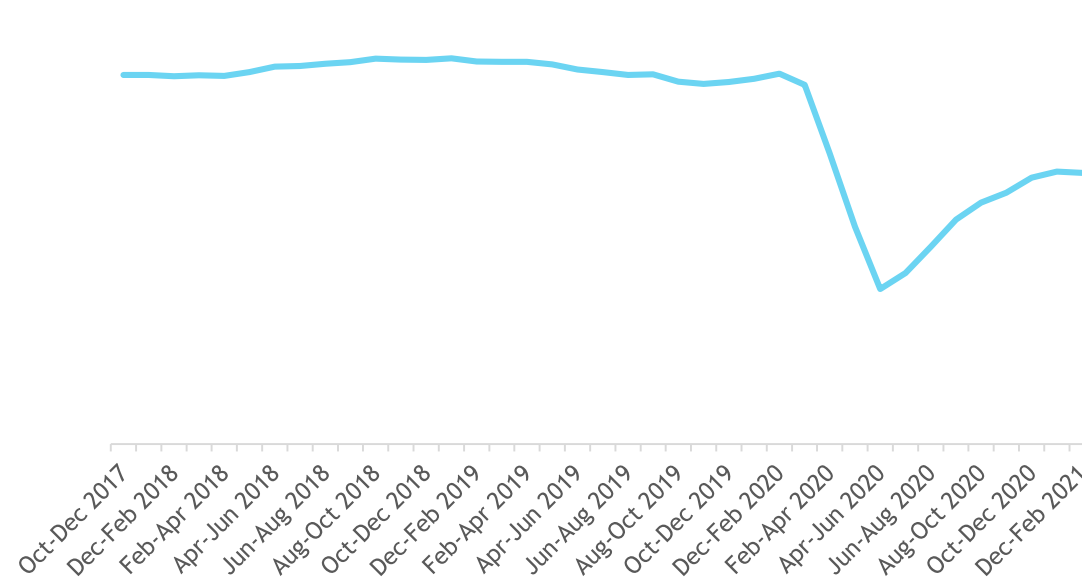
Labour market: Vacancies and job adverts declined sharply in April 2020 but have risen since

- According to the Labour Insight job postings analysis tool, there were a similar level of postings advertised in the West of England in February 2021 compared to the last few months. *Job postings levels and associated analytics are highly sensitive to the web-scraping tool used. Analysing trends rather than totals is therefore advised.*
- Data from the ONS suggests that the number of job vacancies in the UK between December 2020 to February 2021 was 27% lower than it was a year ago. This is a greater drop-off than seen in the Labour Insight data, where number of postings has returned to a level seen pre-pandemic. The difference here is likely in part due to different data collection methods and the type of data (total job postings is a “flow” of new job postings, whilst the survey data is a “stocktake” of open vacancies).

**Total job postings
West of England**

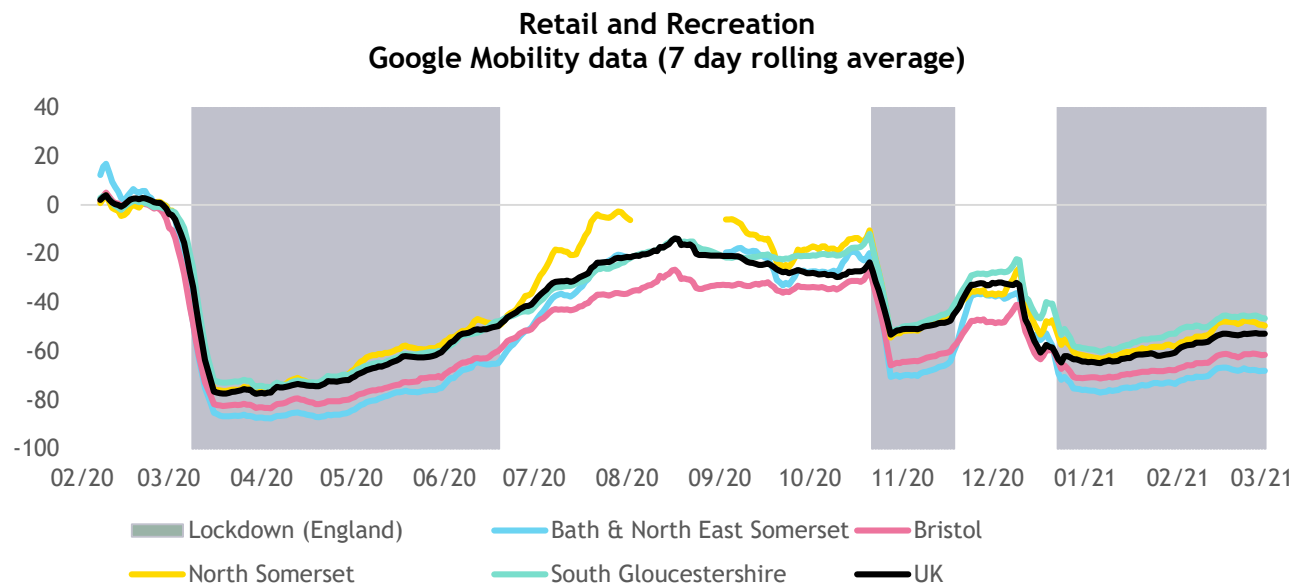


**Seasonally adjusted vacancies (ONS Vacancy Survey)
UK**



A. Mobility: Retail and leisure activity has been impacted by restrictions

- National lockdown restrictions were introduced on 6 January that closed many non-essential retail and recreation locations.
- 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 February 2021 was 75.5% down when compared to the previous year.

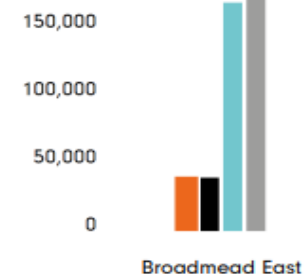


NB: Google Trends data is missing for Bath & North East Somerset and North Somerset at dates between August and September

Footfall by location

The figures shown below are calculated using weekly averages.

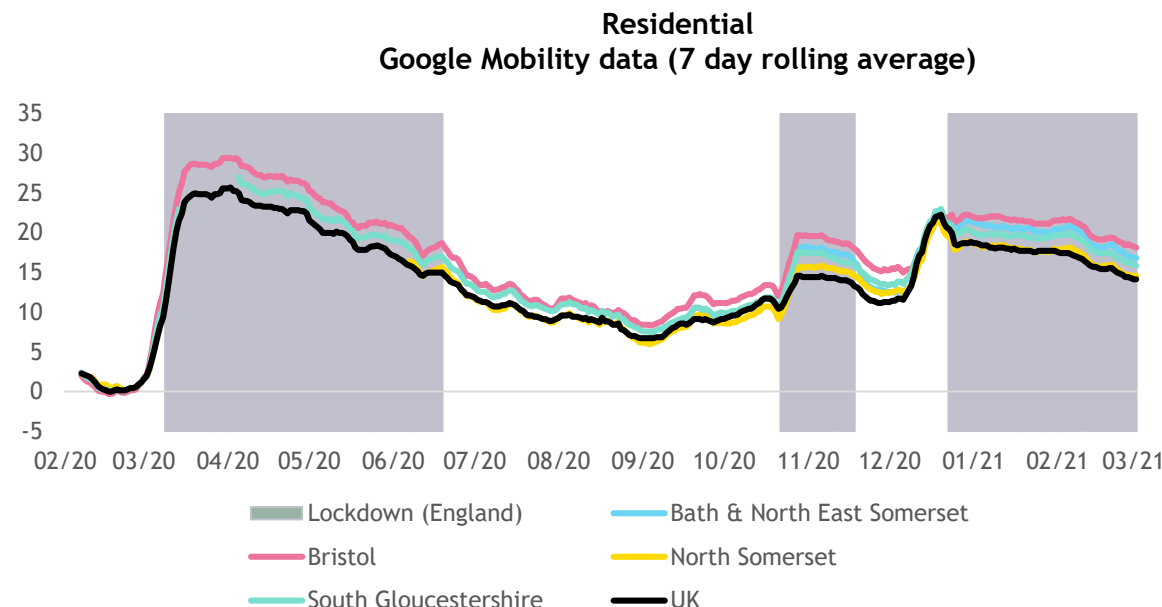
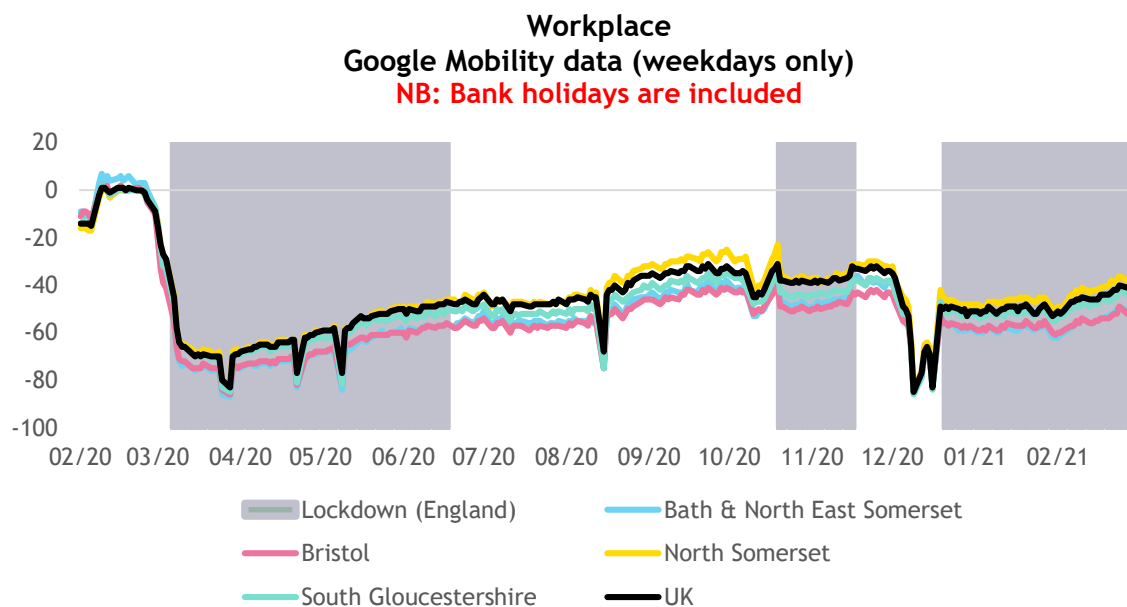
Legend: This month, Previous month, Previous year



This Month	39,698
Previous Month	40,216
Previous Year	161,829
2 Years Ago	168,459
Year on Year %	-75.5 %

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

- 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. The trend does appear to be rising in recent weeks however, indicating relatively more visits being made to workplaces.
- Residential data from Google shows time spent within homes has been fallen in recent weeks. The improved weather conditions and longer days are likely to be a factor in this.

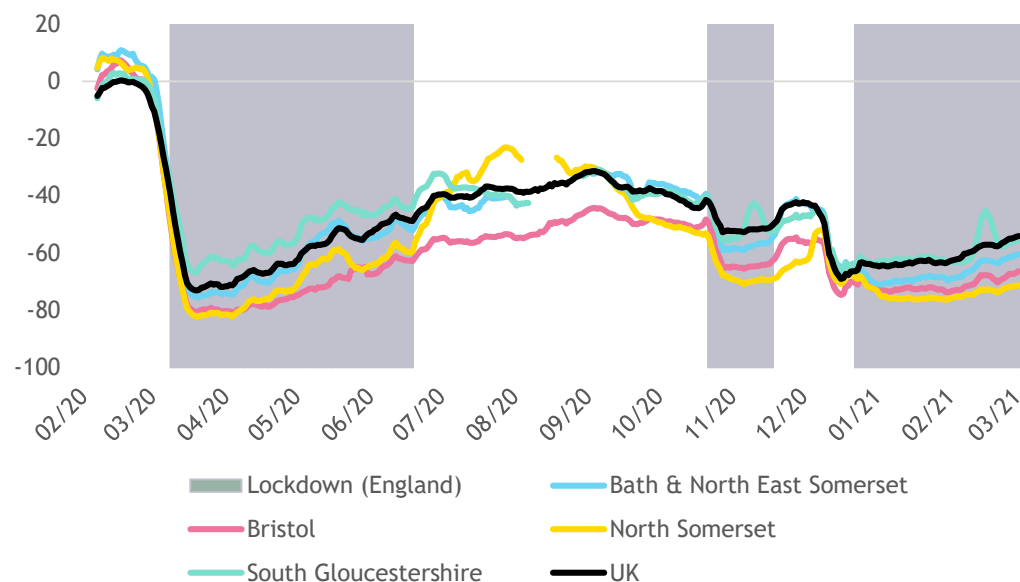


NB: Google Trends data is missing for Bath & North East Somerset, North Somerset and South Gloucestershire for certain dates

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

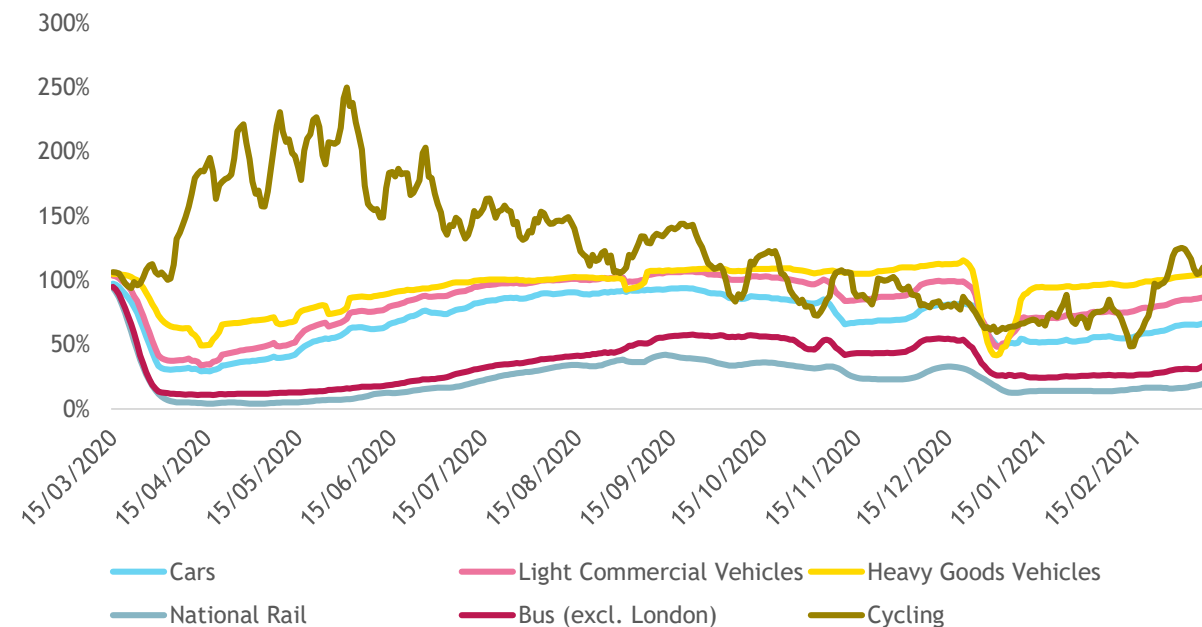
- Google Mobility data has shown an increasing trend in recent weeks for the unitary authorities and the use of public transport. This coincides with the data indicating less time spent in residential places and more visits to workplaces, and also captures the time period more recently where most students have returned to school.
- Department for Transport (DfT) data shows that nationally, rail usage is around 21% of pre-pandemic levels and bus use (excluding London) is around 38%. Average car usage in a week is currently around 68% 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 12/03/2021



B. New lockdown easing roadmap for England

- 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	<ul style="list-style-type: none"> All schools reopen Practical Higher Education courses 	-	-	-	-
Social Contact	<ul style="list-style-type: none"> Exercise and recreation outdoors with one other person or household No indoor mixing 	<ul style="list-style-type: none"> Rule of 6 or two households outdoors No indoor mixing 	-	<ul style="list-style-type: none"> Maximum 30 people outdoors Rule of 6 or two households indoors (subject to review) 	<ul style="list-style-type: none"> No Legal Limit
Business & Activities	<ul style="list-style-type: none"> Wraparound care, including sport, for all children 	<ul style="list-style-type: none"> Organised outdoor sport Outdoor sport and leisure facilities Outdoor children's activities Outdoor parent & child groups (up to 15 parents) 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Indoor hospitality Indoor entertainment & attractions Organised indoor sport Remaining accommodation Remaining outdoor entertainments (including performances) 	<ul style="list-style-type: none"> Remaining businesses, including nightclubs
Travel	<ul style="list-style-type: none"> Stay At Home No Holidays 	<ul style="list-style-type: none"> Minimise travel No holidays 	<ul style="list-style-type: none"> Domestic overnight stays (household only) No international holidays 	<ul style="list-style-type: none"> Domestic overnight stays International travel (subject to review) 	<ul style="list-style-type: none"> Domestic overnight stays International travel
Events	<ul style="list-style-type: none"> Funerals (30) Weddings and Wakes (6) 	-	<ul style="list-style-type: none"> Funerals (30) Weddings, Wakes, Receptions (15) Event pilots 	<ul style="list-style-type: none"> Significant life events (30) Indoor events (1,000 or 50%) Outdoor seated events (10,000 or 25%) Outdoor other events (4,000 or 50%) 	<ul style="list-style-type: none"> No legal limit on life events Larger events

B. Lockdown restrictions in England: Businesses

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

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