West of England Economic Briefing on Covid-19 Business Impacts

29 April 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

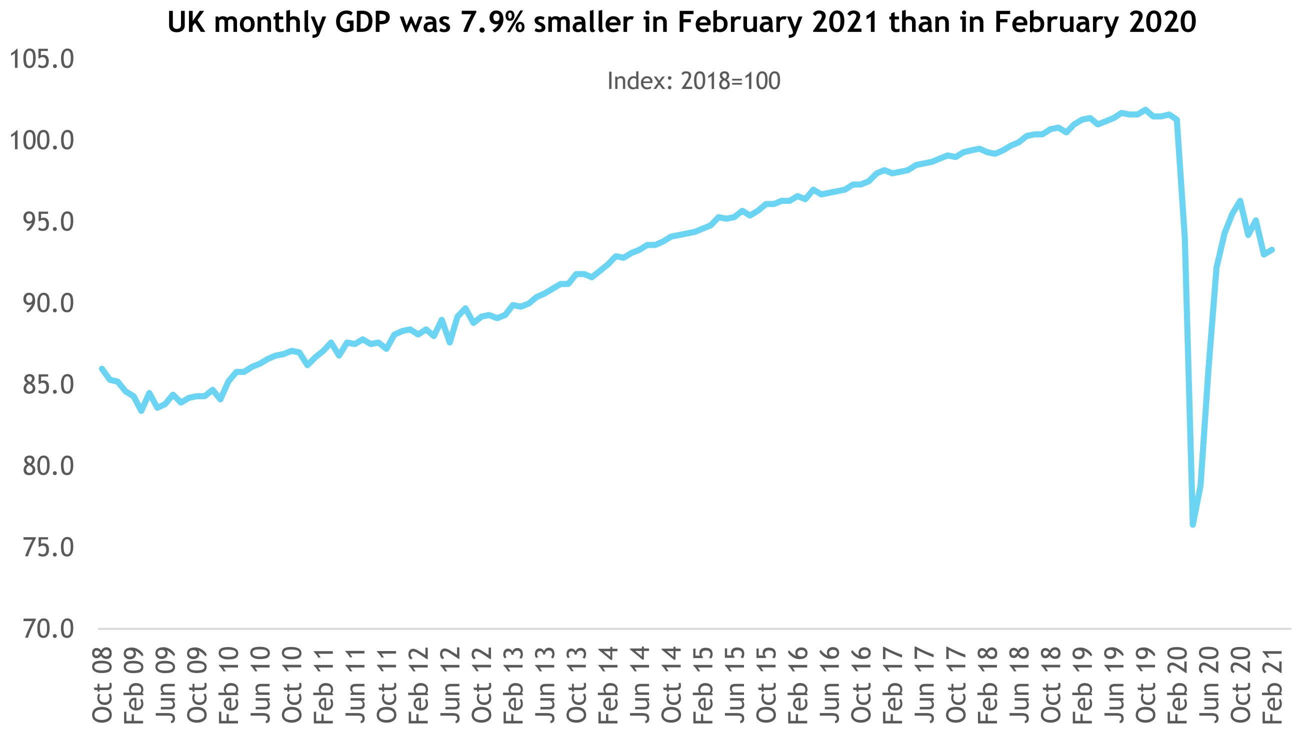
Updates this briefing

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:** ▪ UK GDP grew by 0.4% in February 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:** ▪ A recent South West Chambers survey has indicated exporters have been affected in the region by increased trade barriers. ▪ Retail spending has increased in Great Britain by 5.5% in March 2021.	8-9
A	**Labour market:** ▪ 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.	10-12
A	**Mobility:** ▪ Google Mobility data indicates that time spent at retail and recreation locations, on public transport and at workplaces has increased in recent weeks, aligning with easing of restrictions.	13-15
B	**Lockdown Roadmap** ▪ On 12 April, England moved onto Step 2 of the roadmap.	16-17

A. Overview: The economic impacts have been significant

- UK monthly GDP was estimated to have grown by 0.4% in February 2021, following a revised fall of 2.2% in January 2021.
- An increase of monthly UK GDP levels had been recorded for six consecutive months from May 2020, with growth of over 23% from then to October 2020. This was after a 20% fall in April 2020 and a 7% fall in March 2020. Real UK GDP is currently at a level last seen in 2014 and 3% below the level in October 2020, which was the initial recovery peak.



Source: ONS GDP estimates, February 2021

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

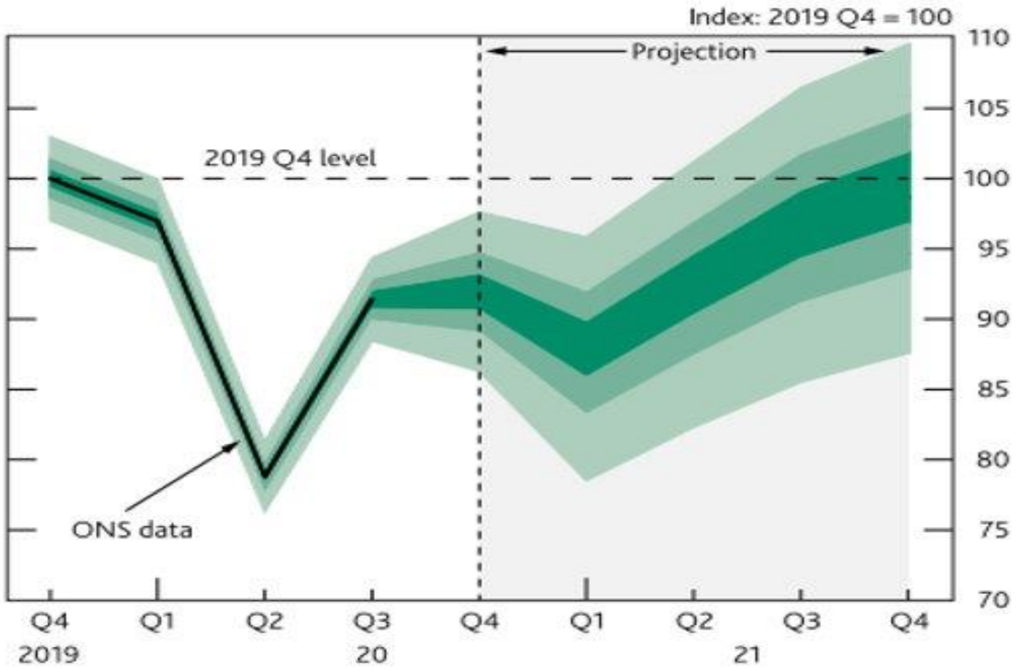
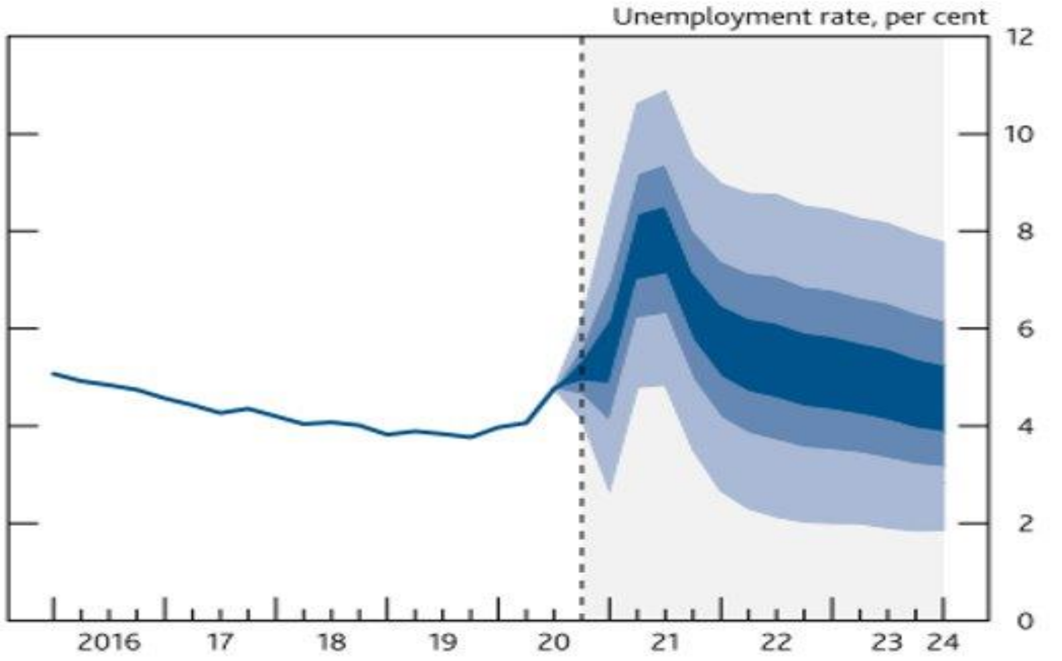


Chart 1.3: Unemployment projection based on market interest rate expectations, other policy measures as announced

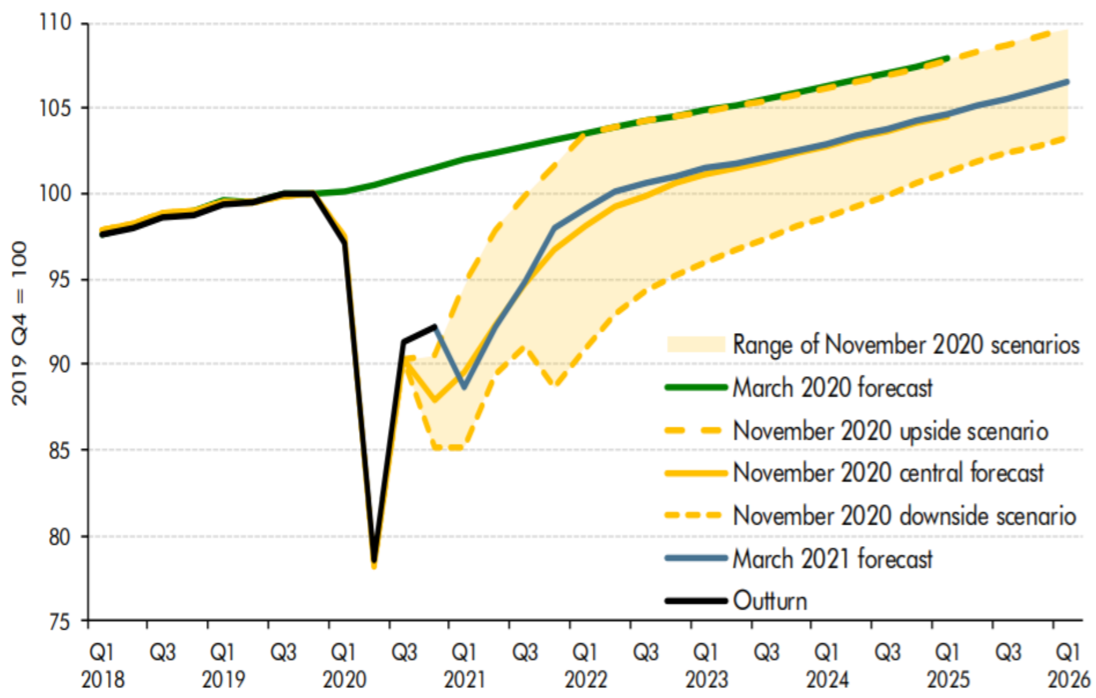


Source: Bank of England Monetary Policy Report, February 2021

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

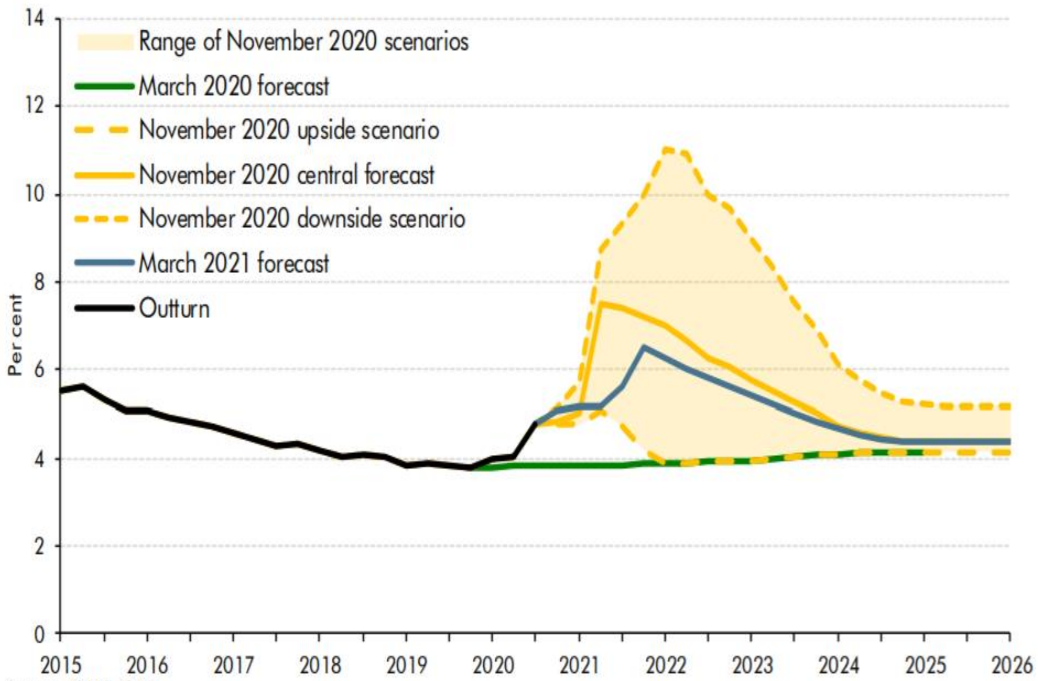
- The OBR forecast for the UK incorporates the roadmap plans and the extension of the furlough scheme. This has resulted in a more optimistic forecast in certain aspects than their previous one in November 2020.
- This forecast expects GDP to grow by 4% in 2021 and get back to pre-pandemic levels by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

Chart 1.6: Unemployment rate

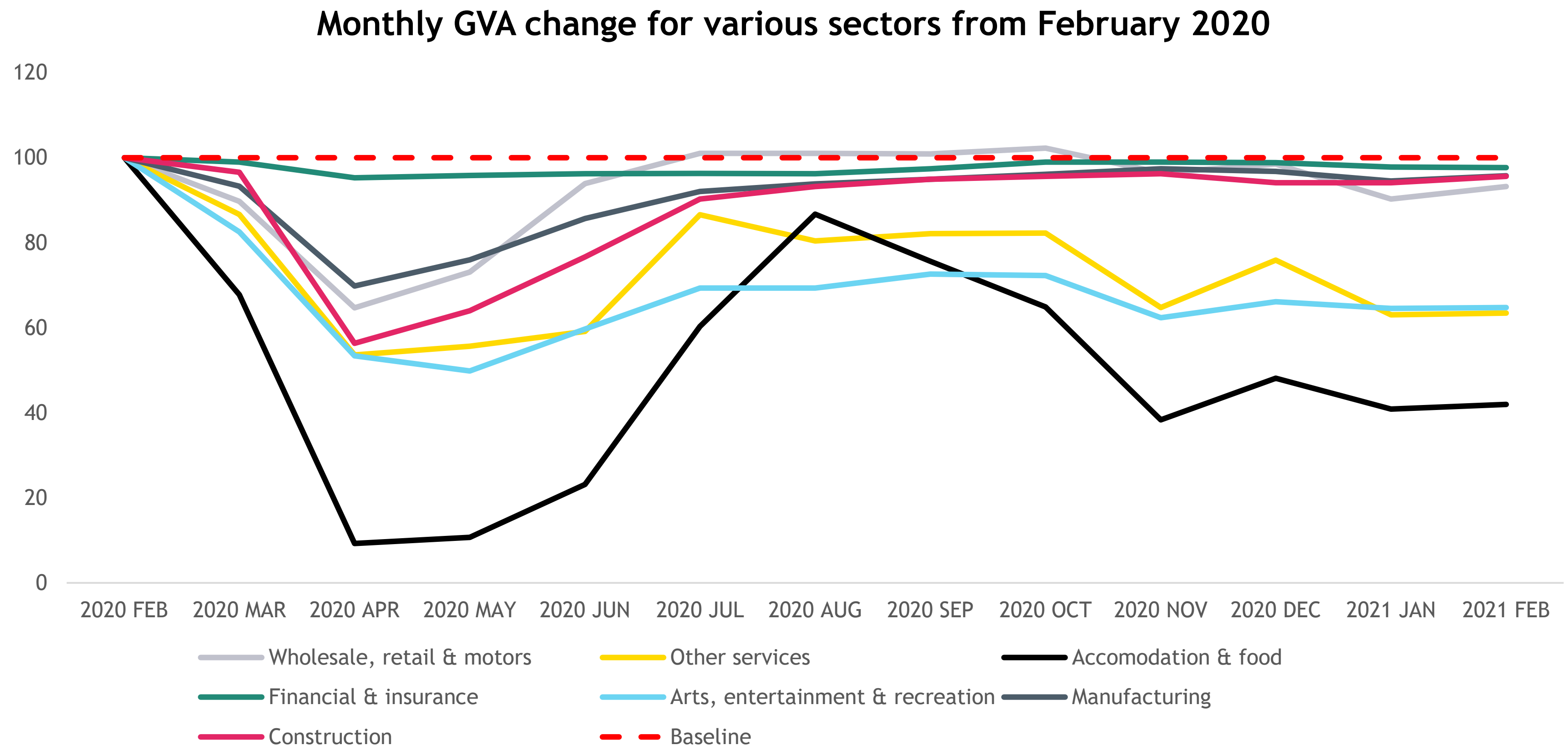


Source: ONS, OBR

Source: [OBR Economic and Fiscal Outlook, March 2021]

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. There was not any noticeable change in three of the hardest hit sectors below for February 2021.



Source: [ONS GDP estimates, February 2021]

A. Business and consumer activity: Exporting appears to have been affected and consumer spending is rising

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- There has not been a rise in liquidations in the West of England region, according to The Gazette insolvency data, with 485 recorded notices of an appointment of liquidators between 1 April 2020 to 31 March 2021. This is less than the 596 recorded between 1 April 2019 to 31 March 2020.

- A recent South West Chambers survey indicated that exports have been affected by increased trade barriers, with 53% of exporters replying they had been impacted. Manufacturers were the most affected.

- The ONS estimate that around 1 in 5 industries were considered “resilient” during the pandemic and people employed in these industries made up approximately 12% of total employment. Industries associated with pharmaceuticals performed particularly well.

- Retail sales spending increased by 5.5% in Great Britain in March 2021, compared to the previous month, and is up 0.9% compared with February 2020. CHAPS based credit and debit card purchases also reached 91% of its February 2020 average in the week to 15 April 2021, which was an increase of 8 percentage points week-on-week and OpenTable estimates that UK seated diner reservations were at 60% on Saturday 17 April 2021, compared to the equivalent Saturday of 2019. Please note that the recent figure is with outdoors seating only being allowed.

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)

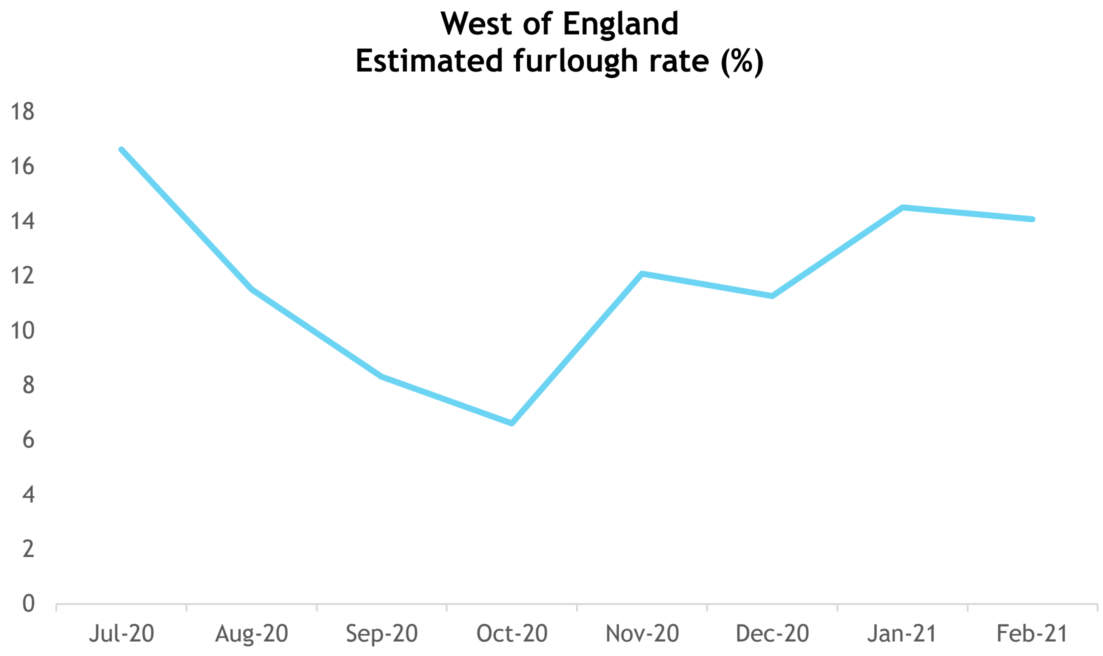
Source: HMRC Coronavirus Support Statistics

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.



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 5.0% of the region's workforce claimed out of work benefits in March 2021 (37,315). This is lower than the average figure for England (6.6%).

- An estimated 4.8% of the region's population of 16-24 year olds claimed out of work benefits in March 2021, which is below the England figure of 7.4%.

- 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 21,540 more claimants in the West of England than there were in February 2020.

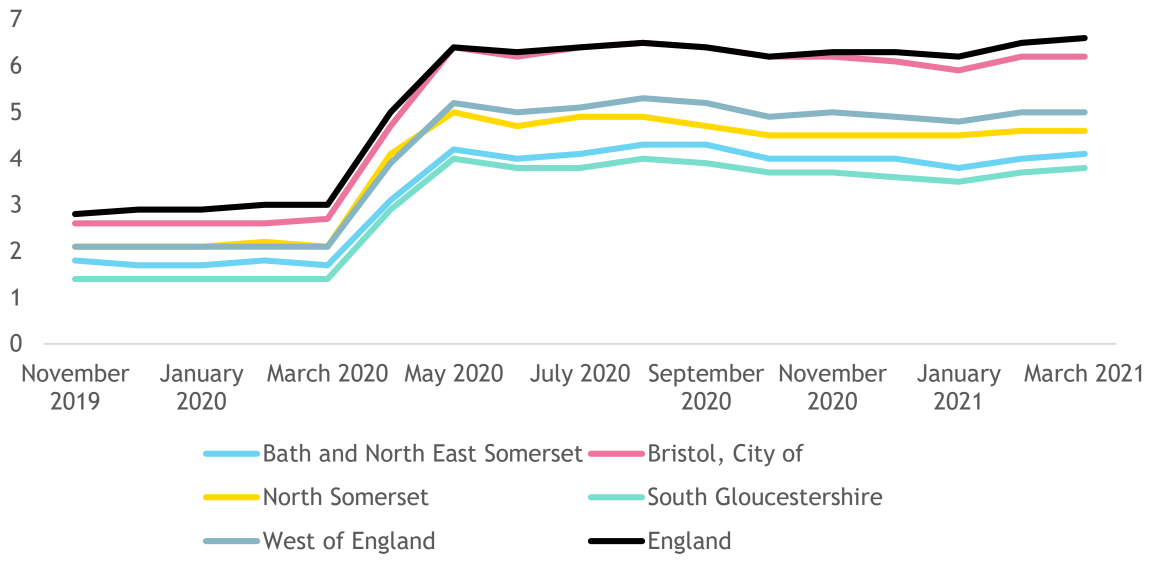
	February 2021		March 2021	
	Number	% workforce	Number	% workforce
Bath and North East Somerset	4,930	4.0	5,065	4.1
Bristol City	19,785	6.2	19,765	6.2
North Somerset	5,750	4.6	5,775	4.6
South Gloucestershire	6,665	3.7	6,705	3.8
West of England Total	**37,130**	**5.0**	**37,315**	**5.0**

Other measures of unemployment data help give a wider picture:

- The estimated unemployment rate for the UK was 5.0% for December 2020 to February 2021, which is 0.9 percentage points higher than the year before and 0.1 percentage points less than the previous quarter.

- PAYE data shows that the number of employees on a payroll (seasonally adjusted) in March 2021 in the UK is estimated to have fallen by 2.9% (827,000 employees) since February 2020.

Working age residents claiming unemployment related benefits (%)



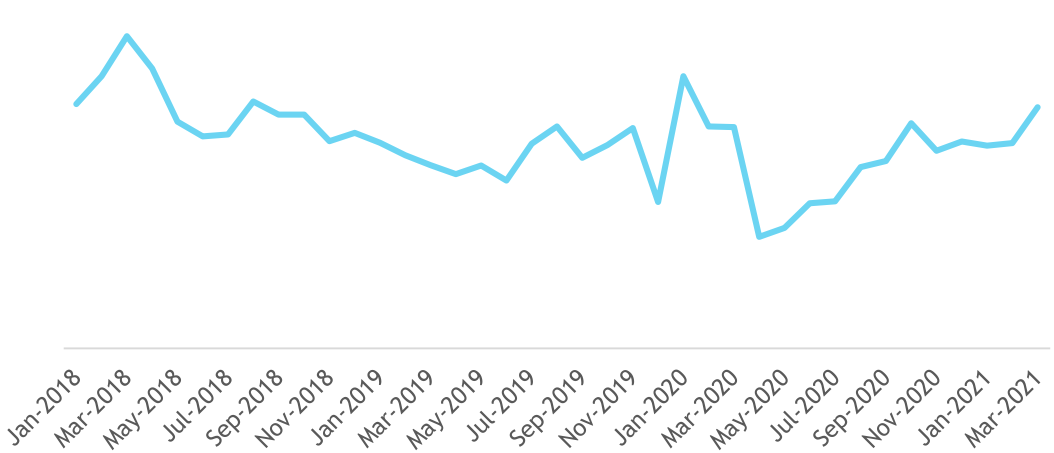
Source: [Nomis Labour Market Profile](), [PAYE Real Time Information](), [Labour market overview, UK (April 21)]()

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

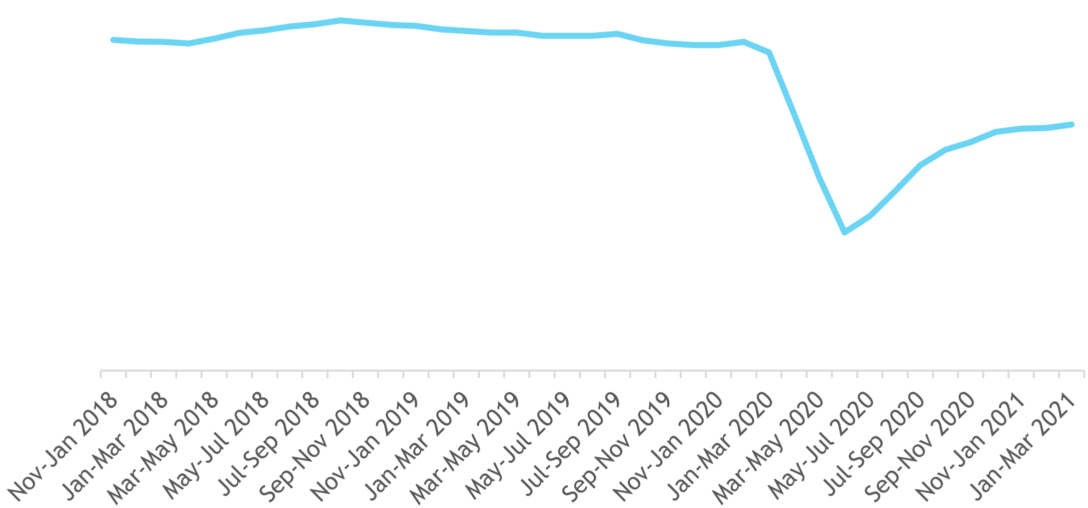
- According to the Labour Insight job postings analysis tool, there was a rise in the level of postings advertised in the West of England in March 2021 compared to the last few months. *Job postings levels and associated analytics are highly sensitive to the web-scraping tool used. Analysing trends rather than totals is therefore advised.*

- Data from the ONS suggests that the number of job vacancies in the UK between January 2021 to March 2021 was 23% 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



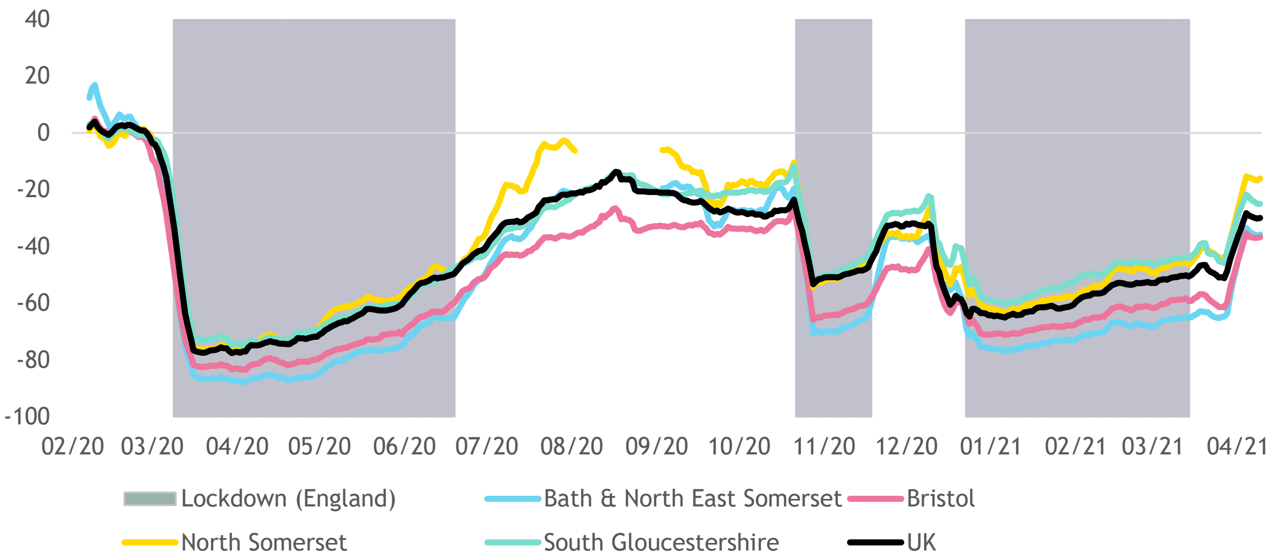
Source: Labour Insight, Labour market overview, UK (April 21)

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

- Step two of the roadmap for easing restrictions occurred on 12 April 2021 and this opened up many non-essential retail and recreation locations. This can be seen in the recent spike in the Google Mobility data below.

- Data from the Broadmead Business Improvement District in Bristol suggests total footfall for March 2021 was 47.5% down when compared to the previous year.

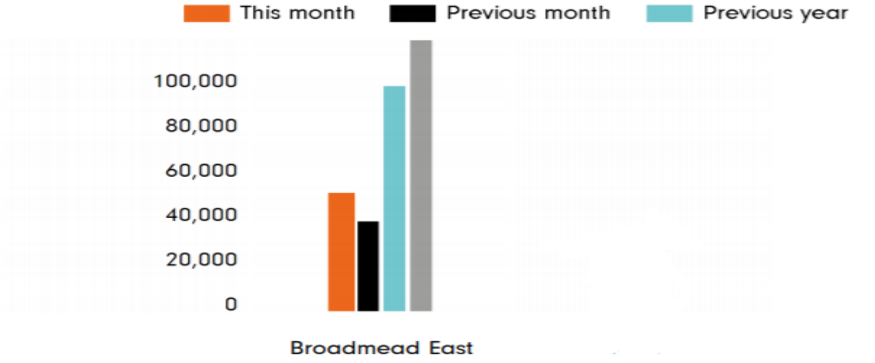
Retail and Recreation
Google Mobility data (7 day rolling average)



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.



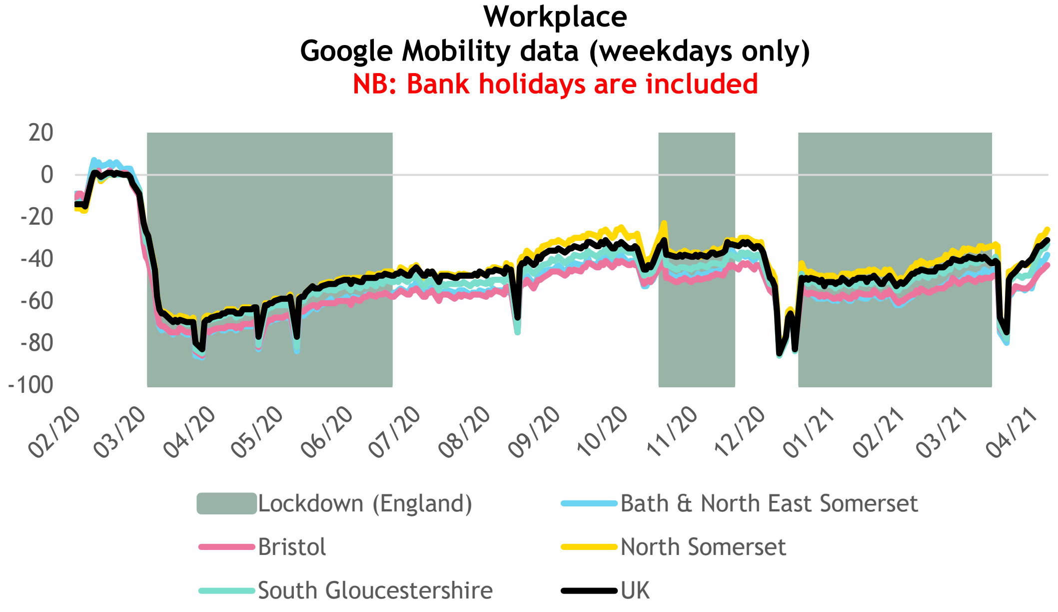
This Month	50,709
Previous Month	39,698
Previous Year	96,539
2 Years Ago	174,552
Year on Year %	-47.5 %

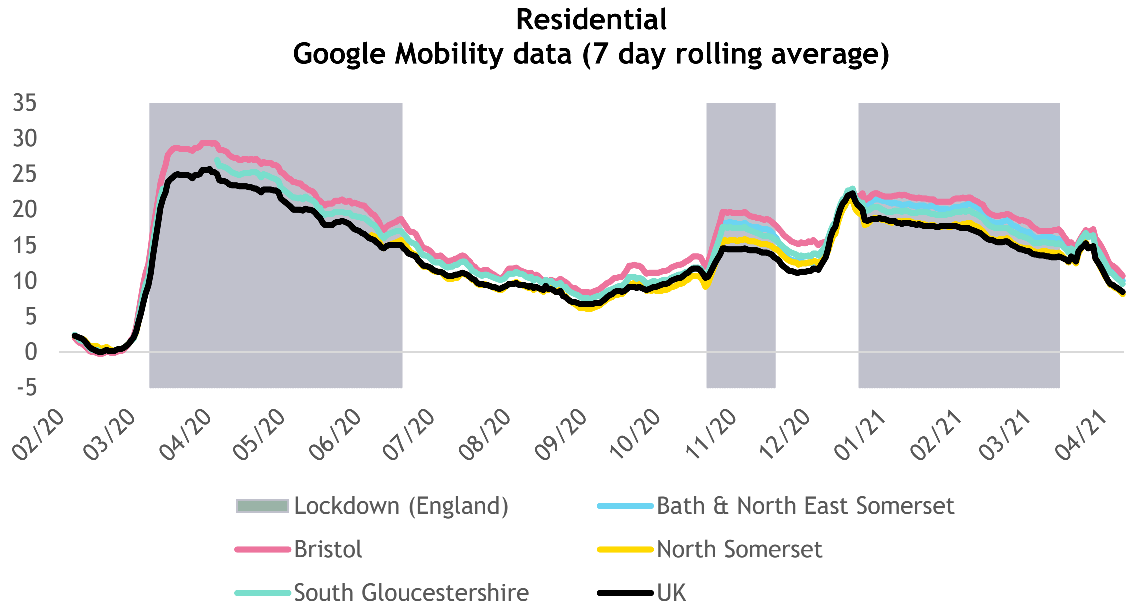
Source: Google Community Mobility Reports (23 April), Footfall Report for Broadmead BID, March 21

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

- The most recent Google Mobility data below shows that for all four unitary authorities, time spent at a workplace has increased in recent weeks. Current levels now look similar to those in September and October 2020, prior to the introduction of the second lockdown.

- Residential data from Google shows time spent within homes has been falling in recent weeks. The stay-at-home order ended on 29 March, but the more dramatic decline appears to have happened since 12 April. Improved weather conditions and longer days are also likely to be a factor in time spent at home.





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

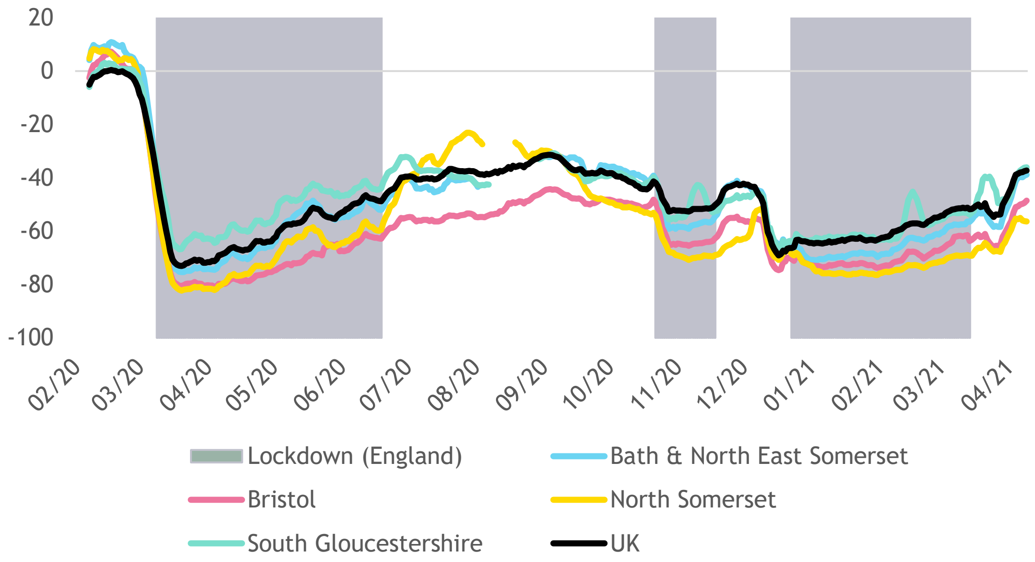
Source: Google Community Mobility Reports (23 April)

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 retail and recreation places. North Somerset appears to be at a lower level relative to last summer than the other areas.

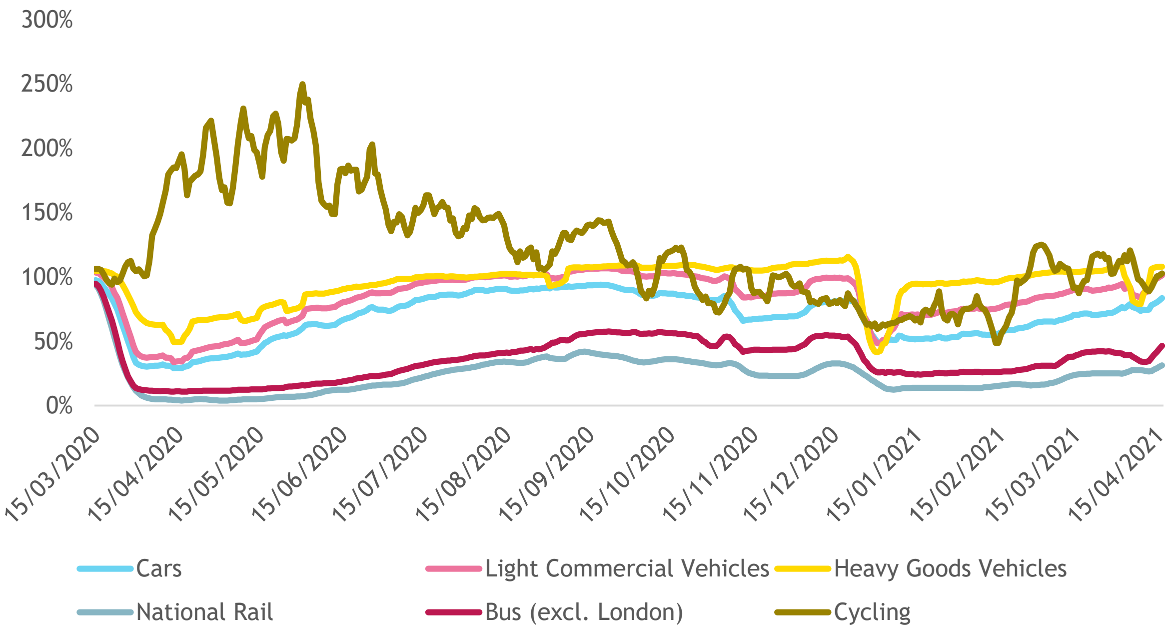
- Department for Transport (DfT) data shows that nationally, rail usage is around 31% of pre-pandemic levels and bus use (excluding London) is around 38%. Average car usage in a week is currently around 84% of pre-pandemic levels. Please note that the different modes of transportation use different baselines (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 16/04/2021



Source: Google Community Mobility Reports (23 April), DfT (Transport use during the COVID-19 pandemic)

B. New lockdown easing roadmap for England

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- 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.
- On **12 April**, England moved onto **Step 2** of the roadmap.

	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. New lockdown easing roadmap for England

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Listed below are the restrictions currently still in place under **Step 2** of the roadmap out of lockdown.

MEETING OTHERS

You must not socialise indoors except with your household or support bubble. You can meet outdoors, including in gardens, in groups of six people or two households.

OVERNIGHT STAYS

Domestic overnight stays are allowed, but you must only stay with members of your household or support bubble.

EDUCATION

Early years settings, schools and colleges are open for all students. Students on practical university courses can return. Students and staff will be regularly tested. Other Higher Education students should continue to learn remotely.

WORK AND BUSINESS

You should work from home if you can.

RETAIL AND PERSONAL CARE

All retail open. Hairdressers, beauty and nail salons open.

BARS, PUBS AND RESTAURANTS

Open outdoors for groups of six people or two households. Those that serve alcohol must provide table service. Closed indoors.

ACCOMMODATION

Campsites and self-contained holiday accommodation open for visits with your household or support bubble only. Hotels, hostels and B&Bs closed.

LEISURE AND SPORTING FACILITIES

Gyms, indoor sports facilities and spas open for use on your own or with your own household or support bubble. Saunas and steam rooms closed.

ENTERTAINMENT

Outdoor settings and attractions, such as zoos and theme parks open for visits of two households, or in a group of up to six people. Drive-in-events open for visits with your household or support bubble. Indoor entertainment closed.

PUBLIC BUILDINGS

Libraries and community centres open.

RESIDENTIAL CARE

People who live in a care home in England will be allowed two named regular indoor visitors.

SHIELDING

Clinically extremely vulnerable people in England are no longer advised to shield, but should continue taking extra precautions such as minimising social interactions and shopping at quieter times of the day.

DOMESTIC TRAVEL

You should minimise travel as much as possible. Avoid the busiest times and routes - plan your journey and what you need at your destination ahead of time.

OVERSEAS TRAVEL

You must not go on holiday abroad. You could be fined £5,000 for travelling abroad without a legally permitted reason.

PLACES OF WORSHIP

Places of worship open and communal worship is permitted, but you must not mix indoors with anyone outside your household or support bubble.

WEDDINGS AND FUNERALS

Funerals can continue with up to 30 attendees. Weddings, outdoor receptions, and commemorative events such as wakes can take place with up to 15 attendees (in premises that are permitted to open).

Source: Government "Covid-19 Step 2 Restrictions" promotional materials

Contact us

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