

# West Midlands Weekly Economic Impact Monitor



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This monitor aims to pull together information across regional partners to understand the impacts of Covid19 on the economy and remains. Where possible it will utilise all forms of quantitative and qualitative intelligence. However we urge caution in the use of the contents as this is an emerging situation.

## Key Issues

- Deaths decreased from 22,351 in the week of the 17<sup>th</sup> April to 21,997 in the week of the 24<sup>th</sup> April. The number of deaths registered that state Coronavirus on the death certificate have also experienced a decrease from 8,758 people to 8,237 people over the same period. There was a total of 2,505 deaths registered across the WMCA (3 LEP) area in the week of the 24<sup>th</sup> April 2020. There were 710 deaths registered that were related to Coronavirus over the same period – this accounts for 28.3% of total deaths which has decreased slightly from the 17<sup>th</sup> April 2020 (30.3%). The WMCA (3 LEP) area accounts for 80.7% of the 880 Coronavirus related deaths registered in the West Midlands Region.
- Forecasters are firming up to a sharp drop in economic activity, with an expectation of a gradual recovery over 2 to 5 years, which might vary by sector. Length of lockdown is the greatest determinant of recovery. They also highlight that recovery hangs on successful decision making by governments internationally. Countries with stricter lockdowns, more service-oriented economies, especially those dependent on tourism, and weaker fiscal support are likely to suffer more. Forecasters are also predicting the economy will not rebound to previous levels and a 90% economy based on social distancing will be the norm with associated impacts on the levels of internationalisation we have been used to. A detailed review of sectoral impacts are included in the appendices.
- Work by WMREDI highlights diversification makes businesses and places more resilient; they are coping better than those that are specialised or export dependant. The Midlands is therefore more exposed. The Midlands is more susceptible to the effects of disruption to EU value chains as modelled in Brexit analysis. To change this there is a need to invest in business diversification, especially in related skills and technological diversification.
- Levelling up is likely to be exacerbated as poorer areas are less resilient. Work by WMREDI has highlighted the need for clearer devolution, with a framework of powers and funding, ending austerity and recognition of the critical role of local government in responding to covi19.
- Latest work on the challenges facing young people, highlights that in the last recession unemployment for education leavers was linked to the level of qualification: the lower the qualification level the less likely they were to be employed. This is likely to happen again. Scarring for the higher qualified is lower and ends sooner, while for those with lower qualifications scarring is more long lasting. For the West Midlands youth unemployment was already an issue. The region also has higher levels of those with low qualifications. Normally young people stay in education during recession, but the current uncertainty over the education sector (and apprenticeships) could make this challenging.
- BAME deaths are being investigated but controlling for numbers in the local population (especially in the West Midlands) the disparity reduces. It is likely the higher rates are due to other social issues around housing, culture and deprivation.
- Across various business surveys main messages are: cash reserves being used and rapidly depleting with timeframes reducing on how long they will last; workforces on the whole so far have stayed the same but a significant rise in furloughing, whilst redundancies remain low, but hours are reducing, drop in contract staff and significant homeworking (45% of workers).
- There are increasing risks associated with the return in consumer spend, due to strained household finances and stretched credit. This will increase poorly performing debt in banks and missed payments.
- The banks remain and issue but the new Bounce Back loan has a higher take up, CIBLS still performing poorly in terms of decisions. Businesses reluctant to access, most data suggesting only ¼ of businesses considering.
- However this is a precarious situation as businesses are using cash reserves; Chamber research highlights 77% seeing a decline in reserves (this is 7% up on last week) the length of time they see reserves lasting has dropped, suggesting they are drawing ever closer to being unsustainable.
- Businesses were asked how much time they would need to prepare for either a partial or complete end of the lockdown – 41% said they would need less than a week, 24% said they would need between one to three weeks and 9% said they would require no preparation time at all. National ONS business data is similar to the local survey findings, a quarter of businesses have closed. Of those still open 58% say their turnover has been affected, a ¼ of these companies say this has reduced by more than 50%. 26% of businesses have not applied for any government intervention scheme. Anxiety remains high but has slightly dropped, but remains higher for those with underlying health issues

## Summary of suggested interventions generated this week

### Latest issues raised for interventions to manage risk:

- Many issues remain the same from earlier issues, and as yet no interventions and policy in place,
- A significant issue not addressed is the flexibility and duration of furloughing. This is now becoming an immediate risk as is guidance on returning. They would like the furlough to be extended or additional flexibility.
- There also needs to be effective communications and guidance in place on how to bring people back from both an operational business need and personal mental health and wellbeing point of view. This would inform how to safely lift restrictions and ensure they have a healthy working environment. Concerns have been expressed by companies about testing and whether they should be accessing it or leave supplies for NHS/social care, a business campaign could boost testing in the community. Similar with PPE if there is none for them what is the guidance, especially within social distancing restrictions, such as working with clients, transport implications and dealing with employees who express concern at returning, either on health or childcare issues.
- Publication of performance tables for banks on implementation of CIBLS which is still a problem, to allow us to understand issues and practices, similar to the LA data on grants.

### And support for recovery:

- Businesses are needing more clarity about what form and shape lockdown will take. This is needed for preparation, especially on social distancing measures and also how they will apply to the wider environment, transport infrastructure and bringing staff back to work
- There are issues across the region with capacity to deliver some of the interventions/support and this is slowing implementation and getting worse because of reduced capacity in the region and size of the workforce. Most staff are tied to dealing with immediate risk and future planning around social distancing is constrained by capacity
- Initial review of past actions and activities has flagged up a number of areas to explore further. Policies include governments have support for helping failing companies; the importance of place approaches responding directly to need and encouraging risk in policy; improving liquidity; the use of mutual guarantee and peer-to-peer lending schemes to solve credit issues; R&D credits can thwart wider R&D firm impacts in recession so needs wider business support; the need for government to be an active entrepreneur in innovation; workplace social distancing is an effective measure to reduce transmission. These point to the need for task forces to develop interventions, supporting business to support each other, including mutual guarantee society model, examination of RDA interventions suggests adapting interventions they already had and rapid response, worked well.
- Clarity over the future exit strategy continues to gather a pace, as businesses need to understand how they implement returning from lockdown. At the moment they are taking this into their own hands which risks problems should government advise be different. As in last week's monitor, especially as regards to furloughing, so that businesses can plan their return to the market. How to reshape businesses to deal with recovery ie restrictions on international movement, understand new markets and opportunities, improve their use and application of technology to build on changes already established. Programmes to develop support to create opportunities for diversifying their income and de-risk their business and invest in long term R&D and technology implementation. Also guidance on supply chain resilience and re-shoring; altering the way they work with international suppliers under the longer term social distancing rules and lack of trade missions.
- Support for universities as anchor institutions, especially where they support local economies and labour markets such as in WM. A strategic funding package that prevents at risk universities collapsing; increase and speed up allocation of research funding; package of support with international recruitment and online learning

## Global and National Outlook

COVID-19 deaths continue to fall in European countries exposing increasing rifts in governments between easing lockdown measures and preventing a second-wave of infections. The first [easing of measures in Italy](#) will start to take place this week, at a time Prime Minister Giuseppe Conte is facing a growing opposition from politicians and business that are left out of the initial moves in lock easing measure.

During this crisis one of the worst effected industries is the Airline industry, but there are tentative signs that the industry is inching closer to securing the necessary bailouts they need. Among those declaring increased optimism [is Deutsche Lufthansa AG](#) which has reported they expect to finalise a package with the German government soon. Norwegian Air Shuttle ASA is also inching closer to a deal with bondholders that will would secure state loan guarantees.

[April HIS 'Markit European PMI' data](#) shows the extent the public health crisis is having on the continent's manufacturing output.

Eurozone: 33.4  
Italy: 31.1  
Greek: 29.5  
France: 31.5  
Germany: 34.5  
Spain: 30.8  
Dutch: 41.3

[Researchers at the University of Tokyo](#) have suggested that the COVID-19 crisis will not only destroy economic activity at the aggregate level, but will also significantly damage it at individual level through rising inequality and potent and lasting economic -shocks on low-income groups. They echo support measures by WM-REDI authors for the government to provide financial support to those groups who are more vulnerable to being severely hit by the crisis.

It is thus critical that the Government continues to monitor changing labour market data to identify affected individuals and sub-groups, mindful of their conditions, with the aim of targeting policies to mitigate economic distress at a micro-level.

### National Outlook

The Prime Minister has said the UK is now past the peak of its respective epidemic. The U.K. is due to set out plans to ease restrictions this week with a gradual sectoral and age-focused approach. This week the UK it will also start free-trade talks with the U.S. as Brexit forges on despite the current crisis.

Business confidence in the UK has seen its largest quarterly fall on record. Deloitte's latest CFO survey shows a reversal after Q4 2019 survey showed the largest increase in sentiment in the wake of the general election and resolution of political uncertainty. [The Deloitte CFO survey for Q1 2020](#), which samples the sentiment amongst the UK's largest businesses, took place after the UK was placed into lockdown between 8 and 22 April. 104 CFOs participated in the latest survey, including CFOs of 23 FTSE 100 and 43 FTSE 250 companies. The combined market value of the UK-listed companies that participated is £418bn, approximately 21% of the UK quoted equity market.

A review of cross sector global and national issues highlighted by a [Ibis World](#), [S&PGlobal](#), [Mckinsey](#) and [Statista](#) are:

- Although expectation is a sharp drop in economic activity there is an expectation of a gradual recovery based on prolonged lockdowns globally. With income losses over 2 years with corporates seeing a 10-15% drop in revenue and banks incurring extra credit costs and risks. Deeper recession in EU for 2020 with 2 qtr recession, growth falling to 7.3% (S&PGlobal)
- Corporates are set to take the largest hits, with hit on credit and more exposed industries, there were already record levels of credit rated 'B' and below and this may push default rates above 10%. Banks are not immune from the impacts and although generally have strong balances sheets post 2008 there will be impacts on underlying assets
- Stricter and longer covid19 measures, higher debt leverage, tighter financing and re-emergence of trade tensions especially US/China disputes and EU/UK
- Slump in consumer business, strained borrowing, missed loan payments and for banks higher nonperforming loans; longer lockdowns having a severe impact on household income
- Credit conditions weakening across emerging markets with a slump in oil, trade and tourism and lockdown many will go into recession, increasing the expectation of a deeper global recession and social distancing halting most activities and severe shock to employment



- Policy mistakes on the rise when they matter most, failure to contain the pandemic leading to longer lockout and deeper economic shocks, absence of proper stimulus could derail recovery and prolong the downturn. This will result in a slower pace of normalisation. But government intervention comes at the expense of higher government debt and the emphasis is shifting to the recovery plans globally, effective national policy will determine the future positioning of national economies.
- Sharp economic contraction will result in significant declines in revenue and EBITDA for capital goods companies. The extent of the impact depends on the end market exposure.
- Countries with stricter lockdowns, more service-oriented economies, especially those dependent on tourism, and weaker fiscal support to suffer more. A bolder response at the EU level could help speed up the recovery across Europe

### Regional Outlook

#### British Chamber of Commerce – WK4 Business Impacts Tracker – West Midlands

Businesses surveyed (102, which is a 50% increase in sample from last week), 98% less than 250 staff, 40% employ 1 to 9 staff and 7% sole traders. 54% do not export, 47% did not import. 23% Professional Services and 32% manufacturers (slightly above regional sectoral breakdown for manufacturing)

- 62% saw a fall in revenue, this has improved on last week. 63% drop in international revenue, over a third of which said this was significant (as last week).
- 77% saw a drop in cash reserves (higher than last week), and 44% expect cash reserves to cover 1-3 months (this is significant higher than last week), 21% 3 to 6 months, but 16% could only cover a month (an increase from 14%); 1% have no cash reserves
- 68% said the workforce remaining the same (similar to week which may reflect furlough kicking in), 47% cited a drop in hours worked (as last week)
- 23% said they would not furlough staff (a drop on previous week) and 13% expect to furlough the entire workforce (an increase on last week). Of those intending to apply, 63% said they had submitted a claim and received the funding and 13% submitted with no response yet
- 32% reported a drop in apprenticeship activity and training.

Support measures - 13% already secured business rates holiday (a drop of 5%). 55% aware but not planning to

apply. 1/3 of firms were planning to use the self employment income support scheme (the second week this has increased). 33% deferred VAT payment (similar to last week) and a further 21% are planning to; 5% planning to apply for the grant scheme (less than half last week's %) and 14% had already applied; 11% applied for SSP (double last week) and 16% preparing to apply for the HMRC extension.

Of the businesses unable to access support, the majority stated they did not meet the criteria and 1/3 of businesses faced a slow or no response at all applying for grant funding and 1 in 5 felt there was insufficient information available to apply for business rates holiday.

23% had attempted to access finance via CBILS and 59% had no plans to apply. Of those that didn't apply 46% already have the right levels of cash, 18% wanted to gain clarification on lockdown, 23% felt they couldn't repay. Of those claiming 86% said it was for everyday operations and 23% to pay off debts. 27% had made a successful CBILs application and 41% awaiting a decision. On CBILs 50% had taken 14 days or more to receive a decision from starting an application. **In terms of preparing for end of lockdown 41% said they would need less than a week, 24% would need 1-3 weeks and 9% no preparation at all.**

## Qualitative Intelligence – West Midlands

(This information is a collation of the qualitative intelligence shared regional stakeholders)

### Financial support

Many of the key issues of previous weeks, still are problematic in the delivery of the various support packages.

- The challenge of dealing with banks remains an issue, as is take up and speed of decision. And Bounce Back loans seem to be working better but some banks only giving to their own clients (and as all banks aren't approved this is an issue). CIBLS regionally similar numbers across growth hubs say, 23% had attempted to access, 55% no plans to apply. Reasons for that 43% had the clash, 34% need clarity on lockdown and 10% didn't think they met the criteria to apply.
- Impact on sole traders and sole directors, is still an issue and the sector is now becoming increasingly agree
- Levels of unemployment are now a serious concern to local areas, Cov&War at 106k and could go to 250k according to IFS. For this area they also account for 66% of tourism employment in the region and are therefore at high risk of employment issues.
- SMEs are continuing to use using cash reserves
- Cash flow remains and issue. There will be no cash for investment for recovery and any associated costs. This is an important issue for getting supply chains in place, changing business models, seeking advice or managing debt going forward.
- 87% of manufacturers remain operational and WM will be worst hit of all English regions. Even subsectors which have made gains (ie bakeware) are operating at 80% capacity. Only 1/5<sup>th</sup> have taken advantage of furloughing.
- Local Authority implementation of grants is now catching up and complaints have dropped significantly. With Birmingham processing and refunding 70% of rates. This however as a significant impact on local government finances
- Credit still a significant issue with a lack of confidence in the supply chain which needs addressing otherwise supply will grind to a halt
- Concern amongst business that the current set of policy interventions, especially furlough ,is just moving the issue further out rather than resolving
- There are major concerns now with the ceramics industry in the region as manufacturing is hit and export markets.
- Universities are of concern in the region and their associated supply chains

### Furloughing

The furlough process is going very well. However the 'all or nothing' nature of furloughing continues to prove problematic now as companies turn to looking at recovery they need greater assurance on the length and depth of the scheme to know whether they have the capacity to reopen. Manufacturing especially has made little use of this due to lack of flexibility in the system its not appropriate for their business models. There flexibility and certainty over the scheme is vital to recovery plans.

### Recovery

Businesses are still asking for guidance on recovery, and are now planning in the absence of guidance (which may cause issues if plans do not match government policy) this includes:

- Lockdown information and timescales
- Business looking at social distancing plans but what are Local Authorities plans on the open spaces and transport?
- How to safely lift restrictions and ensure they have a healthy working environment. Concerns have been expressed by companies about the testing kits and whether they should be accessing them or leave supplies for NHS/social care. Similarly how do they and should they access PPE and if not what is the guidance.
- How to reopen their business within social distancing restrictions, such as working with clients, bringing staff back, transport implications and dealing with employees who express concern at returning, either on health grounds of childcare issues.
- How to reshape businesses to deal with restrictions on international movement, understand new markets and opportunities, improve their use and application of technology to build on changes already established. This is a great opportunity to build on the catalyst already started and increase future resilience (such as online marketing or sales moving to international sales at lower investment costs as less need for travel and more acceptance of technology driven solutions)
- How to develop opportunities for diversifying their income and de-risk their business and invest in R&D
- Supply chain resilience and re-shoring as well as altering the way they work with international suppliers under the longer term social distancing rules and lack of trade missions. Investment in tech based relationship development, opportunity under this accelerated lock down environment.
- Issue (especially for manufacturing and automotive) that we are getting through this, to then hit Brexit and then hit emissions changes in 2021, creating a constant set of hurdles for the industry.

## Impact on Black and Minority ethnic groups

The [Nuffield Trust](#) published a blog which looked at the reasons why the BAME community is being harder hit by the virus. A summary is below:

The Guardian [reported](#) that BAME groups accounted for 19% of all Covid-19 deaths in hospitals, yet constitute only 15% of the population of England.

On the face of it, this does look disproportionate. But statistically such comparisons are difficult to make. A key problem in the case of Covid-19 is that the pandemic has not spread evenly across the country. For example, London and the Midlands have recorded many more deaths (around 45% of all reported since March 1<sup>st</sup>), but also have a higher than average proportion of BAME people (more than 40% in the case of London).

Given this, we might expect more deaths among BAME groups than the national proportion of BAME people. To look at a more helpful estimate they weighted regional populations to take account of the uneven distribution of deaths, giving greater weight to heavily affected areas. Doing this makes the apparent disparity disappear, with deaths proportionate to the local population.

But BAME populations tend to be younger, and as this virus is known to be a disease affecting older people more the authors would expect the deaths to be lower as

a proportion of those severely infected. However the underlying health conditions associated with the virus are all higher in non-white groups. Other factors include the occupations which may be more public facing, home environment (eg multiple occupancy), lifestyle, behaviours in lockdown and income all putting them at higher risk.

With a new virus however the author's also highlight that there may be an underlying predisposition we are not aware of. Generally however as the chart below shows, the numbers broadly match the ethnic representation in the population at a local level.

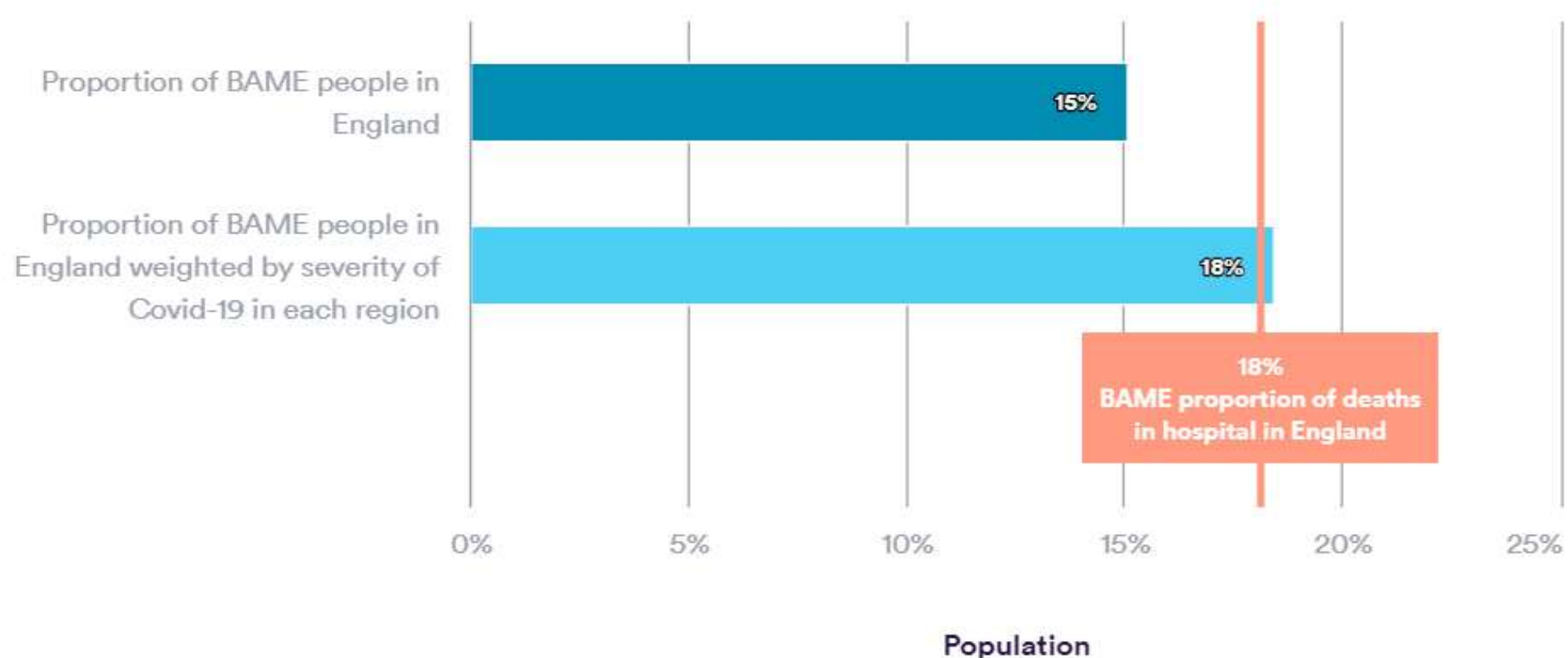
### Latest National and Regional Statistics

#### ONS weekly release (national and no sector breakdown)

#### Business Impacts

Based on an update of the new weekly survey of businesses which is statistically representative at the national level (sample 17,623 and a response rate of 29%):

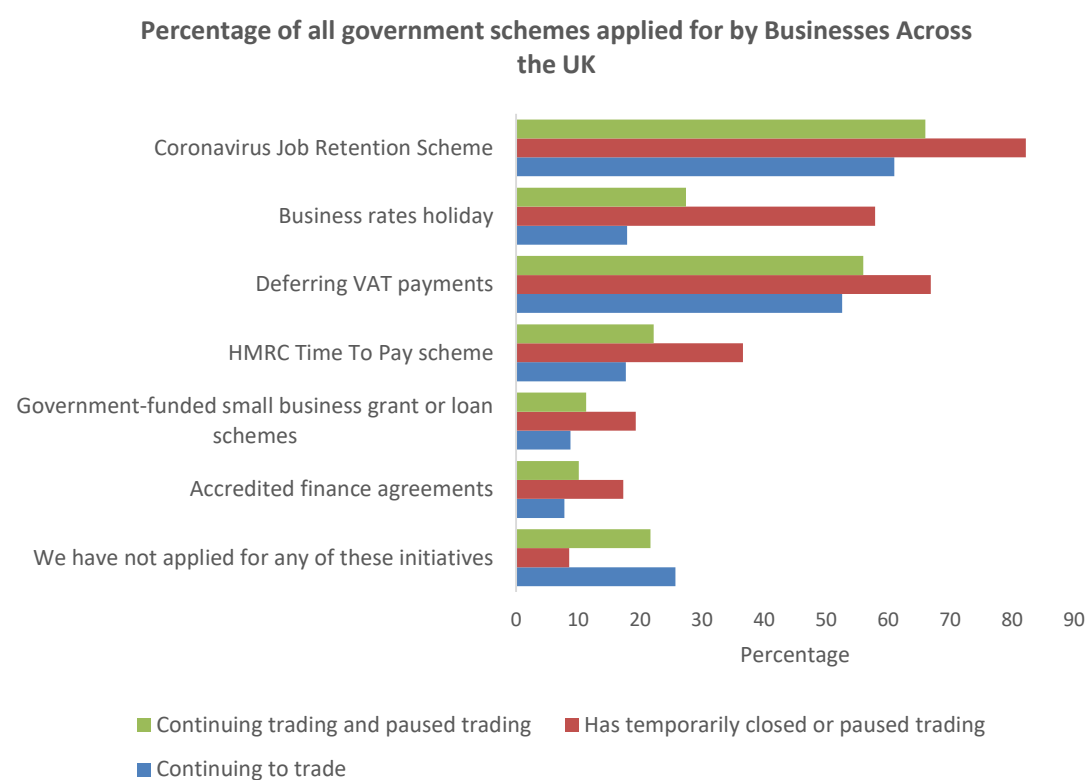
- 24% have temporary closed or paused
- 58% continue to report that turnover is affected and levels vary from up to 20% decrease (14%), between 20 – 50% decrease (20%) and decreases over 50% (24%). 30% said turnover was unaffected only 3% reported an increase
- 43% expect turnover to stay the same, 32% expect it to decrease and 13% substantially decrease.
- 61% of businesses still open have applied for the job retention scheme and 82% of those who have closed.
- 26% have not applied for any government support



© Nuffield Trust

Source: Nuffield Trust analysis of [NHS England data](#).





## Wider Social Impacts on People

24% of adults say the virus is affecting their household income (a slight drop on last survey). This is the most common concern (68% stating it), 23% are using savings to cover living costs and 9.5% are borrow to meet costs. 85% expect the economic conditions to get worse.

84% of adults support current measures in place and 84% have not left their home other than for permitted reasons. Working from home has slightly decreased to 45%. The mean anxiety score continues to decrease, and general impact on well-being has decreased. However for those with specific health issues this has increased.

85% of key workers are worried about the effect on their life (slightly above the 82% for all adults). 64% of key workers reported home schools and have not sent their children to school, siting alternative care and concern for the wellbeing of children.

## Recovery - The 90% economy

The [Economist](#) highlights the new reality might be a 90% economy based on social distancing measures and predictions of their impact on the economy. Post lockdown, although there will be relief, ether will continue to be a pervasive fear, uncertainty and lack of innovative fervour with deepened inequalities. The fraction of life lost in lockdown where offices are open but pubs are not, will colour people's behaviour for years to come. People may well feel less comfortable leaving the home in the future.

A YouGov poll carried out for them says a third of Americans think it will be several months before it will be safe to reopen business as usual. Comparison on Denmark (with a strict lockdown) and Sweden (exceptionally relaxed) the consumption patterns are broadly similar. This suggested personal choice as important as government policy, and personal choice is

harder to reverse. China's discretionary spending is 40% below last year, breweries selling 40% less beer, 1/3 of hotel beds are occupied. The less social world is not necessarily bad news for all companies and in recovery it is important to understand who are resilient. In China the desire for a car has risen (the assumption being that wanting to avoid infection is driving this), which may be good for the West Midlands automotive sector, but not good for climate change. But the desire to own a car may not be affordable, which may lead to a boost in shared ownership and leasing models.

Innovation in this environment is likely to suffer, despite the need to innovate at the moment, the drawbacks of issues such as digital inclusion and tech in business will outweigh the positives. Economic agglomeration theory depends on benefits of being close, of social interaction, sharing and interacting to boost spill over effects. These are the very things that increase the spread of a pandemic. This will impact on the effectiveness of cities in the long run. Reflecting on the property analysis in last weeks monitor its likely that people will demand different things from their home life, including access to open space, and safe homeworking environments, this will impact on the viability of cities and how they shape themselves in the future.

## Bounce-back

It is rare economies bounce-back to where they were before following a major shock. Place resilience is often based on the assets and weaknesses that already exist and how the shock affects them. [Cambridge Economics](#) stress that this is not just about the sectoral mix but the businesses at local levels and their capacity to weather the storm. They point out no economy has recovered to a better place post shock.

## Green Book and Targets

The Treasury is currently reviewing [The Green Book](#) guidance initially this was as a response to the challenge that this was preventing a levelling up agenda. However the Green book merely presents a structure to inform decision making based on a good evidence base. Often the issue is interventions lack clarity over the strategic fit and objectives, and the fit is based on the HMT target to reduce the structural deficit and drive up productivity. These two targets need reviewing in light of the huge investment into the private sector and jobs carried out through this pandemic period. They also need reviewing in light on the need to help places recover. These targets are rendered useless in an economy struggling to survive on at best a 90% level, with large local disparities.

## Weekly Deaths Registered: 24<sup>th</sup> April 2020

The following analysis compares the latest time period (week of the 24<sup>th</sup> April 2020) to the previous week period (week of the 17<sup>th</sup> April 2020) for the number of deaths registered and the number of deaths related to the Coronavirus.

Across England and Wales, the overall registered death figure has decreased from 22,351 in the week of the 17<sup>th</sup> April to 21,997 in the week of the 24<sup>th</sup> April. The number of deaths registered that state Coronavirus on the death certificate has also experienced a decrease from 8,758 people to 8,237 people over the same period.

Regional level analysis shows that the West Midlands overall registered death figure has decreased from 2,536 people in the week of the 17<sup>th</sup> April to 2,481 people in the week 24<sup>th</sup> April. The number of registered deaths related to Coronavirus has decreased from 999 people to 880 over the same period.

There was a total of 2,505 deaths registered across the WMCA (3 LEP) area in the week of the 24<sup>th</sup> April 2020.

There were 710 deaths registered that were related to Coronavirus over the same period – this accounts for 28.3% of total deaths which has decreased slightly from the 17<sup>th</sup> April 2020 (30.3%). The WMCA (3 LEP) area accounts for 80.7% of the 880 Coronavirus related deaths registered in the West Midlands Region.

In comparison to the week of the 17<sup>th</sup> April 2020, the overall registered death figures have decreased 273 people, with the number of deaths related to Coronavirus decreasing by 131 people.

At a local authority level, Birmingham accounts for 27.7% (197) deaths related to Coronavirus in the WMCA (3 LEP), this is followed Solihull at 7.7% (55 deaths).

Of deaths involving Coronavirus registered in the week of the 24<sup>th</sup> April 2020, 62.5% (444) occurred in a hospital which has decreased when compared to the 17<sup>th</sup> April at 78.2% (658). The number of Coronavirus related deaths that in a care home has increased from 14.3% (120) in the week of the 17<sup>th</sup> April 2020 to 29.0% (206) in the week of the 24<sup>th</sup> April 2020.

### Place and number of deaths registered that are related to Coronavirus in the week 24<sup>th</sup> April 2020

	Care home	Elsewhere	Home	Hospice	Hospital	Other communal establishment	Total
Cannock Chase	4	0	0	1	5	0	10
East Staffordshire	10	0	0	0	18	0	28
Lichfield	4	1	1	0	15	0	21
Tamworth	1	0	0	0	7	1	9
North Warwickshire	6	0	0	0	7	0	13
Nuneaton and Bedworth	0	0	2	2	11	0	15
Rugby	5	0	1	0	1	0	7
Stratford-on-Avon	18	0	1	0	16	0	35
Warwick	7	0	0	0	10	0	17
Bromsgrove	13	0	0	0	10	1	24
Redditch	0	0	0	0	9	1	10
Wyre Forest	11	0	1	0	6	1	19
Birmingham	56	3	12	6	120	0	197
Coventry	13	1	1	2	33	0	50
Dudley	13	0	2	1	36	0	52
Sandwell	8	0	2	1	42	0	53
Solihull	15	0	2	0	38	0	55
Walsall	12	0	5	3	33	0	53
Wolverhampton	10	0	3	0	27	2	42
WM 7 Met.	127	4	27	13	329	2	502
Black Country LEP	43	0	12	5	138	0	200
Coventry & Warwickshire LEP	49	1	5	4	78	1	137
Greater Birmingham & Solihull LEP	114	4	16	7	228	4	373
WMCA (3 LEP)	206	5	33	16	444	6	710
% by place in WMCA	29%	0.7%	4.6%	2.3%	62.5%	0.8%	



# Appendices

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- Summary of sectoral impacts
- ‘Getting on the ladder’ – challenges facing young people leaving education
- Diversification measures
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- Modelling local effects of impacts
- LEP Level Local Business Intelligence

## The need for greater devolution in England to respond to Covid-19

Dr Charlotte Hoole WMREDI

The economic and social impact of Covid-19 will undoubtedly setback the government's election pledge to 'level up' the UK, with the gap between London and the rest of the UK predicted to widen this year. While it is impossible to know now what the full impact will be, it is clear that the response required is not one that central government can take on alone. Already local and regional leaders are showing their ability to step up to the mark, but going forward central government needs to go much further to deliver on their decade-long promise to devolve greater powers and funding to support local and regional efforts.

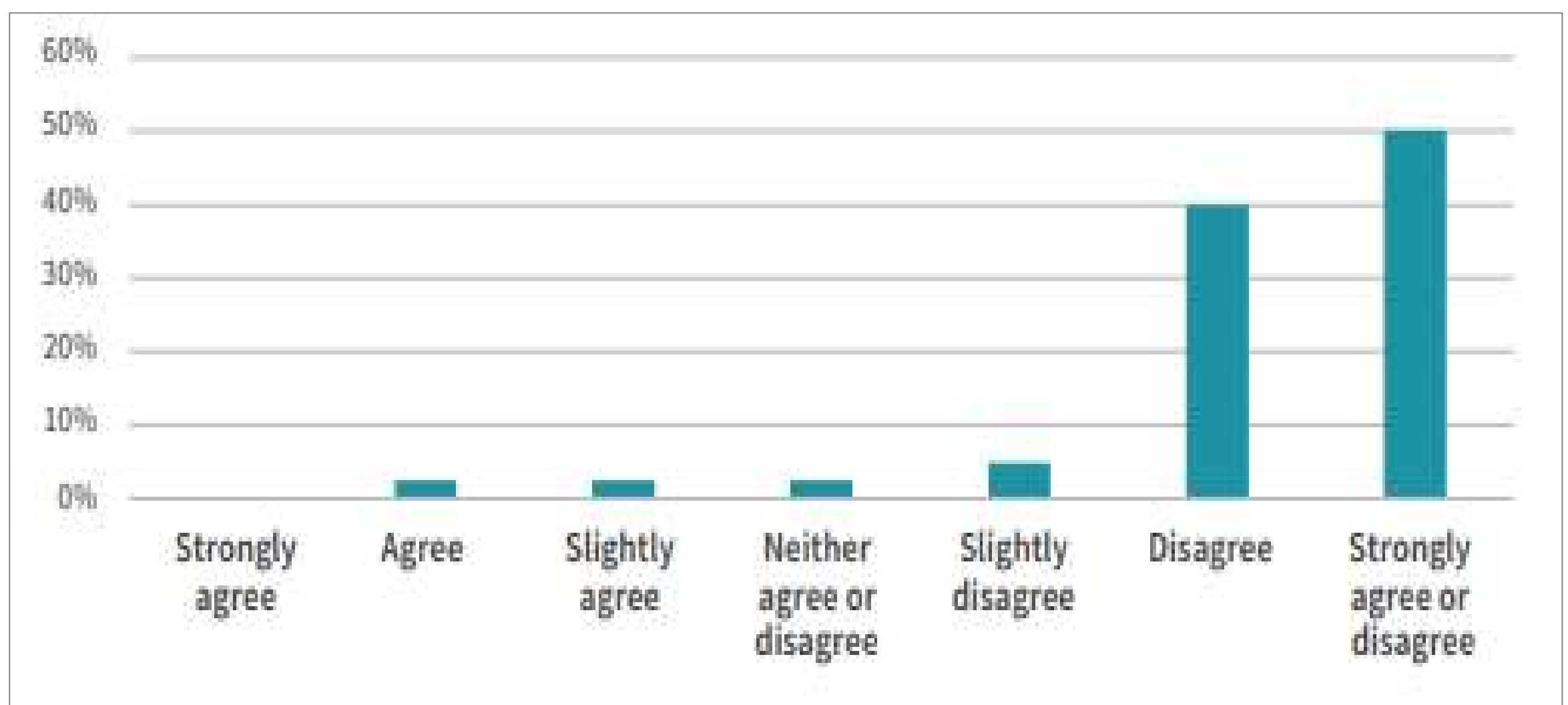
Across England, metro Mayors, local authorities, businesses and civil society have been leading coordinated local responses to the Covid-19 pandemic. In the West Midlands for example, the West Midlands Combined Authority has established a Covid-19 Economic Impact Group - chaired by Mayor Andy Street and supported by analysis and data provided by [City REDI](#) - to assess the ongoing impact of the crisis in the region and to decide on appropriate policy interventions. This recognises the place-based impact of the pandemic that clearly local and regional leaders are in the best position to respond to. However, unlike Wales, Scotland and

Northern Ireland who have been granted additional emergency powers via the Coronavirus Act 2020, local efforts to tackle the pandemic in England have not been similarly supported. This is a familiar story but one that needs to change quickly as the UK faces the brunt of its worst recession in modest history. The approach taken must learn from the strengths and weaknesses of existing English devolution arrangement.

Firstly, central government must **recognise the critical role of local government in responding to Covid-19**. Previously, devolution in England has been largely top-down, heavily conditional and those leading it have often failed to respond to local government asks on what kind of devolution is needed in place. Going forward, local government - that has already proven its ability to unite and deliver coordinated responses in the early stages of this pandemic - need to be seen by central government as partners in the UK's recovery.

Secondly, a more **coherent devolution framework of greater powers and funding** is vital. A recent [audit](#) for the [UK2070 Commission](#) of devolution decision makers' views reveals overwhelmingly that existing devolution arrangements do not provide sufficient powers and funding to city region Mayors and combined authorities as shown in Figure 1. In the light of the Covid-19 pandemic, the need for such powers and funding to strengthen regional capacity and to make regional policy more effective is only going to get greater.

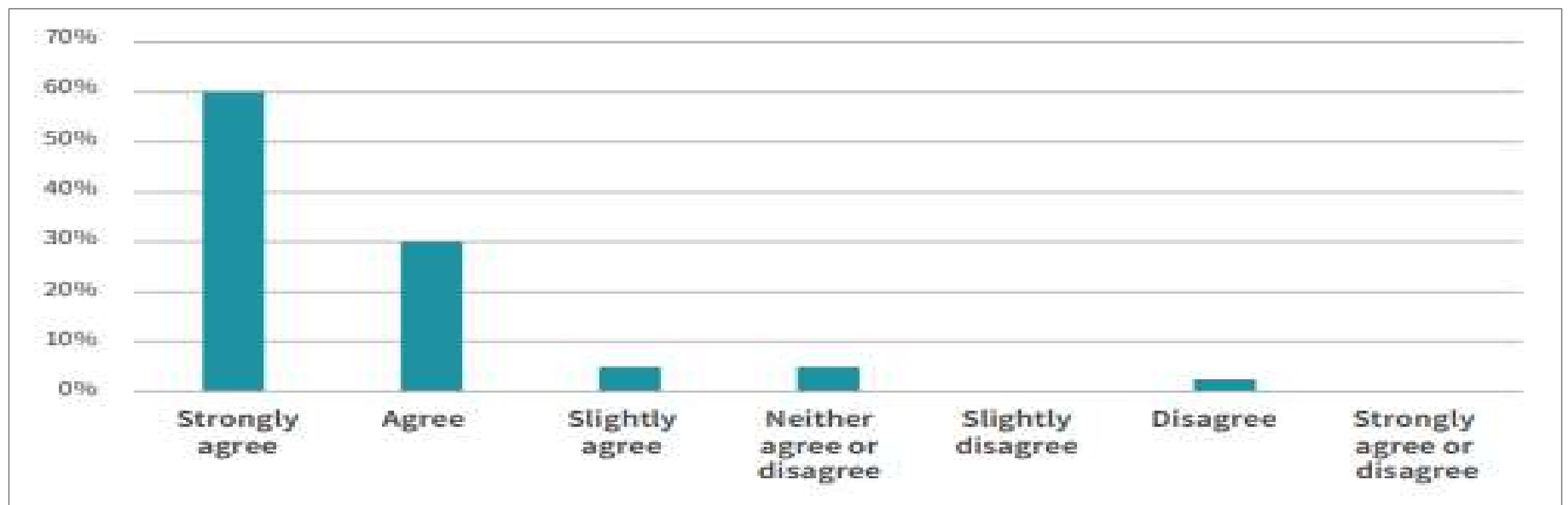
***Devolution decision makers' views on whether existing devolution arrangements provide sufficient powers and funding to city region Mayors and combined authorities (source: [DevoConnect](#))***



The same [audit](#) also revealed an overwhelming view that the Government's approach to English devolution needs to be more systematic and comprehensive as shown in Figure 2. Responding to Covid-19 requires a long-term, transparent

framework of local and regional governance and accountability that cannot be adequately supported by the existing complex and incoherent model of devolution.

***Devolution decision makers' views on whether the Government's approach to English devolution should be more systematic/comprehensive (source: [DevoConnect](#))***



The need for greater powers and funding goes hand-in-hand with the need for **putting a complete end to austerity** for local authorities, which saw [real-term reductions of 49.1% in local government funding between 2010-11 and 2017-18](#). A decade of austerity has heavily compromised the UK's ability to respond to the pandemic, especially at the local level.

Thirdly, the response to Covid-19 must focus on **growing the economies of all UK regions in a way that is truly inclusive and sustainable**. With predictions that UK regional inequality - [already worse than any other large wealthy country in the world](#) - will worsen as a result of the pandemic, it is vital that national government propose long-lasting solutions to tackle regional inequality. Strengthening the capacity of local and regional governments by devolving further political and fiscal powers must be part of this solution. This will require a

radical shift in thinking away from focusing on growing already strategically dominant places such as London. A future growth agenda must also be both inclusive and sustainable, with [research](#) showing wide variations across UK regions in terms of their performance on a range of prosperity, inclusivity and sustainability indicators. Local and regional leaders will need to be supported to increase their productivity as well as 'level up' their education and skills, earnings, and health and wellbeing. We must also not lose touch with the positives coming out of the crisis such as a strong sense of community and the benefits on the environments.

In short, there is a need for greater devolution to empower local government in their response to Covid-19. This calls for radical, long-lasting reform to the way things currently operate.



## Summary of sectoral impacts

Rebecca Riley WMREDI/WMCA

In preparation of more detailed work looking the impact on sectors in the region and WMCA, the following is a review of expected global/national impacts. Most of these issues apply directly to the sector in the region. Next steps will be to review size of risk and impact on the region. They are provided as a useful guide to the issues sectors will be facing in the coming months.

### Agriculture and Food

Export is central to this sector and is a substantial share of output. Therefore the disruption in supply chains present a significant threat to demand. In the UK labour shortages are of highest concern, estimating a shortage of 80,000 workers. Although a small number of workers (150) were brought in vacancies are running at high levels. Crops farming is expected to see significant reductions due to the prices in global crops. Sales by milk processors are reported to have dropped by 50-60%. Fishing has seen severe plunging demand from export and domestic demand. Packaged food companies will continue to see a rise in demand and benefit from the pandemic. Alcoholic beverage sector is facing a negative outlook due to drop in on-premise sales and the sector is quickly innovating to change its routes to market but as yet this has not offset the drop in sales. Protein manufacturing and production is expected to remain stable as most companies have diverse operations, and as a staple the risk remains low, however routes to market are changing and the hit from hospitality is driving innovation in the sector. Agritech is a growing part of the sector and this may provide some resilience in the future.

### Energy

The virus as caused the price of oil to fall as demand has decreased. Travel bans and reduced production have led to decreased demand, leading to lower oil prices. Global oil demand is expected to demand in 2020 constricting travel and broader economic activity. But oil assumptions have not been changed so far for 2021 and 2022. This drop is expected to cause a drop in electricity and gas prices. As a result of low demand in commercial sector utilities will also experience a reduced load, but significant increase in the residential sector due to homeworking. Electricity dropped 10% in March with consumption following weekend patterns. Prices are down 30% on the same time last year. The slowdown has enabled renewables to overtake fossil fuels as the main source of electricity. Carbon prices in the EU trading scheme have dropped to a 16 month low. The National

Grid has predicted use could drop by 20% over the summer, this could lead to windfarms and power plants being turned off to avoid overload.

### Construction

Glenigans state that 2,434 construction sites have currently suspended work. Representing £58bn of the UKs total construction value. This includes the UKs largest house builder Barratt Development which has furloughed all but 15% of its staff. The UK is expected to miss key housing targets. Savills state that 220,000 new homes are at a standstill. Construction PMI hit 39.3 in March the steepest contraction since 2009. JCB has stopped production at its UK plants due to reduced demand for machines. S&P Global expect heavy duty trucks to decline 20-30% in the year to 1.7m units, followed by a sales recovery next year. BuildUK are asking Local Authorities to extend permitted working hours on sites to allow for social distancing. Infrastructure based on discretionary spending is facing a negative cash flow. Under construction projects are facing supply-chain and employment restrictions and disruptions. It is expected that public financed infrastructure will be unaffected, such as roads, hospitals etc due to continued government investment.

### Manufacturing

CBI reported a 21% decline in output volumes for the 3 months to April 20. The fastest pace of decline since 2009. Output dropped in 13 of 17 subsectors. Manufacturers expect output to decline by 67% in the next 3 months, the weakest since 1958. PMI in March dropped to 47.8. Every major car maker has cut production The Society of Motor Manufacturers and Traders (SMMT) estimate this will cause an 18% drop in production on last year. Car makers have enacted Brexit measures to increase storage for parts, ordered several weeks ago. Projections for light vehicle forecast sales are being revised down to a decline globally by 15% and expect car makers to face intense credit pressures. Food manufacturing has experienced a huge surge in demand to meet retail demand. Specialist medical and pharmaceutical firms are expected to benefit from the viral outbreak. A report by the Manufacturing growth programme found 9 out of 10 respondents expect sales to drop in next 6 months. Centre for Progressive Policy highlighted regions with high manufacturing will face the largest economic hit.

### Wholesale Trade

Demand is likely to drop due to drop in demand from nonessential stores, such as clothing and retail with large retailers such as New Look and Next cancelling orders and extending payment terms.

This could lead to industry collapse and large quantities of unsold stock. Food and grocery has seen an increased demand, but not enough to replace drops elsewhere. Some wholesalers (Bidfood) has set up operations to sell directly to the consumer to replace drop in demand from catering sector. The number of cars registered in the country fell 44.4% in March (relative to March 19). SMMT predict the market could shrink by 25% in 2020, with only 1.72m cars sold. A number of car plant are expected to open in May on limited levels to test social distancing or maintain lucrative markets. Chemical wholesaling could face minor disruption as China is the main producer of critical minerals (31 of 44). Tobacco is expected to remain firm but volatile, and reliant on disposable incomes.

### Retail

After lobbying from the British Retail Consortium and the British Property Federation, in April, the government introduced temporary measures to safeguard the UK high street against aggressive debt recovery including banning winding-up orders and aggressive rent collection tactics. According to Remit Consulting, only 41.0% of retailers paid rent on the last collection date of March 25. Primark has reported £1.9bn of unwanted stock, which will lead to extreme discounting on opening. UK retail sales fell 5.1% in March the worst rate since 1995. Cosmetic companies will continue to run into issue with retail closures and lockdown and social distancing measures. The gap between food and non-food and instore and online is dramatic due to adapting to life under lockdown. E-commerce is continuing to thrive 20% of all non-food sales, IMRG reported a 140% increase in beauty sales and 70% in home and garden over the first week in April, again not enough to offset footfall. But household products and personal care companies continue to benefit alongside cleaning products and paper products. The pandemic is however providing opportunities for innovation and growth, including services for online delivery, scan, pay and go systems and volunteer shopping cards. Initially supermarkets ramped up recruitment to cope with demand but this may have levelled off.

### Transport and Warehousing

Travel restrictions are now in place indefinitely. This

has created a significant decline in demand for airlines. UK has increased efforts to repatriate those overseas. The International Air Transport Association has called for urgent government assistance, global revenue could fall by £251bn in 2020. S&P Global see infrastructure assets like airports are set to face particular disruption with a 3-5 year recovery phase due to social distancing, restrictions and quarantines and more long term structural changes such as reduction in business travel and downsizing of airline fleets. Aircraft leasing should fare better but we will see more repossessions and re-leasing at lower rates. The distribution sector is facing significant implications and uncertainty around the ability to restore sales. Generally however infrastructure assets are facing a bigger threat than in 2008/9, risks from climate change although more gradual have not gone away and could be as devastating and unpredictable in the coming years

### Information and Media

Due to social distancing people are working from home, significantly increasing demand for remote working ICT services. With an increase of 12m daily users on the teams platform from March 11<sup>th</sup> to 18<sup>th</sup>. UK's main internet providers agreed to remove data caps on fixed line broadband and committed to supporting customers having trouble paying bills. UK newspaper sales have plunged 30% the University of Oxford has estimated that it could remove 10% of frontline journalism jobs. Telecoms and broadband operators are unlikely to see a downgrade but risks exist where companies are reliant on mobility, retail and supply chains.

### Finance and Insurance

April 27<sup>th</sup> the FTSE opened 1.6% stringer as death rates dropped across Europe. Oil prices have continued to plummet, and went into negative territory. The FTSE 100 is the worst performer in EU stock markets, despite measures to improve. The Bank of England called for banks to hasten the pace in getting state-backed loans to struggling companies. Despite a fall in optimism industry's latest survey says business volumes and profitability have increased. IT capital expenditure is predicted to increase in the absence of F2F channels.



The IMF warned that the world faces its worst recession since the 1930s, slashing forecasts by 3% this year rather than the 3.3% expansion expected. 1.2m have been allowed to defer mortgage payments. There has been a spike in new accounts (300%) for share dealing as investors look to acquire shares in a tumbling Market. UK insurers have excluded covid19 on contracts up for renewal from April 1<sup>st</sup> and insurers face a slump. Building societies has started to withdraw low deposit mortgages. Fitch has downgraded the UK economy to AA- due to weakening public finances and fiscal loosening stance, which has led to the £ weakening against the \$. Firms have stopped going public as deals are difficult to price and we should expect a spike in downgrades and defaults over next 6 months. Downgrades will affect travel, hospitality, leisure and oil and gas.

#### Real Estate and Rental

Social distancing has frozen the market due to fear of infection and guidance advising to delay purchases. Concerns are also weakening consumer confidence and constraining demand. The BOE slashed interest rates in March taking borrowing down to the lowest rate in history. This may stimulate some demand. Listing websites have seen a fall in demand of 40%, and predict a 60% drop in transactions in the next 3 months. Many agencies have furloughed staff and in the coming months it is expected there will be job losses and tighter lending conditions. Knight Frank expects residential property sales to drop 38% in 2020 and prices to decline 5% rebounding by 5% in 2021. March prices did not rise the first time since Oct, but this reflects sales agreed pre lockdown. Rightmove site visits plummeted by 40% but available stock is only down 2.6%

#### Professional, Scientific and Technical

Major firms have placed travel restrictions on staff, which may affect audits, as well as the sector turning to digital meetings with clients. Consultancy is in demand to understand the economic impacts, and advise on how to deal with them. Legal activities may benefit from insolvency activities and law firms have recorded a boost in enquiries for services including will writing (up 30%), employment law and addressing supply chain

disruption and disputes. Advertising revenue is falling, ITV shares fell 8.5% as travel firms pull their ads, the company is predicting a 10% fall. Funeral activities are seeing a surge in demand.

#### Education

All education establishments have been closed since 20<sup>th</sup> March, all examinations are cancelled and students will be given grades based on past attainment. The government proposed a cap on UK and undergraduate admissions, the first time since 2015. This is likely to restrict student choices. Education will be one of the hardest hit sectors as staff are furloughed, and temporary staff are dismissed, and international students cancel enrolments. Up to £6.9bn in fee income from non-EU students is at risk. Universities will be hit by the purchasing power of China and other economies. If the virus spread is contained by Summer 2020 S&P Global expect this will not affect move in dates of students, if it goes beyond this will impact directly on Universities and also associated sectors such as rental property. Although students may choose to defer, especially 1 year taught courses. This will lead to operating deficits in 2021.

#### Health and Social Care

The first human vaccine trials are being tested in the UK, based on £40m of government funding to Oxford and Imperial. A further 52 medicines are being prohibited from export to ease supply shortages (including inhalers, codeine and antibiotics). The BME has warned of dangerously low PPE and other medical equipment due to the virus being a multi-organ disease. Dispensing chemists have secured additional funding to ensure delivery to self-isolating patients. 20,000 staff have been brought back into the NHS. Pharma and medical supplies are likely to face moderate headwinds and those linked to production in defence of covid19 are expected to do well, immediate issues may be disruption in trade links. Some healthcare however has been hit hard through cancellation of activities such as dental, physio, deferrable procedures. Health however has one of the highest 'B' ratings of all sectors and therefore face potential negative rating actions.



### Arts, Entertainment and Recreation

Public gathering have been limited and all venues closed since 20th March. All gyms, museums, libraries, playgrounds, indoor sports venues, cinemas, youth centres, community halls, swimming pools, amusement parks, arcades, outdoor and indoor markets will close, having a strong negative effect for many industries in the Arts and Recreation Services. Any potential delays or cancellations in public sports events could mean lost revenue or significant costs to sports and recreation facilities operators and administrators. Sports leagues with the highest revenues are paused indefinitely, leading to huge financial distress for sports clubs as they need the income from ticket sales and sponsoring to finance players and other employee salaries.

### Accommodation and Food

Cafes, pubs and clubs have been closed since March 20th. Many businesses are struggling to pay wages and there is extensive use of furlough scheme. Business rates holidays have been introduced. The British Takeaway Campaign has called for an immediate 3 month freeze on rents ahead of quarterly payments. Despite many takeaways remaining open orders have fallen sharply.

### Public Administration

Local Authorities are facing increasing costs across all services and in support to businesses, the success of policy and intervention will impact on the length and severity of the lockdown and therefore the economic impact. Globally there is a medium risk to the financial performance of the sector. Local and regional governments (LRG) in emerging markets, public universities, and transport infrastructure operators and providers are the most vulnerable to current economic disruptions. It remains to be seen how fiscal stimulus will trickle down to local public sector levels.

#### Sources

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## 'Getting on the ladder' – challenges facing young people leaving education

Anne Green - WMREDI

When unemployment rates were relatively low and employment rates high a key concern amongst labour market commentators and policy analysts was 'climbing the ladder' to achieve progression in work. In the context of [continued demand for low-skilled job roles in the economy and a growth in higher-skilled jobs the decline in traditional middle-skilled clerical and blue-collar jobs](#) meant that there were fewer 'middle rungs' on the ladder of job progression. With the changed economic circumstances of the Covid-19 pandemic the emphasis shifts back to 'getting on the ladder' (i.e. accessing employment).

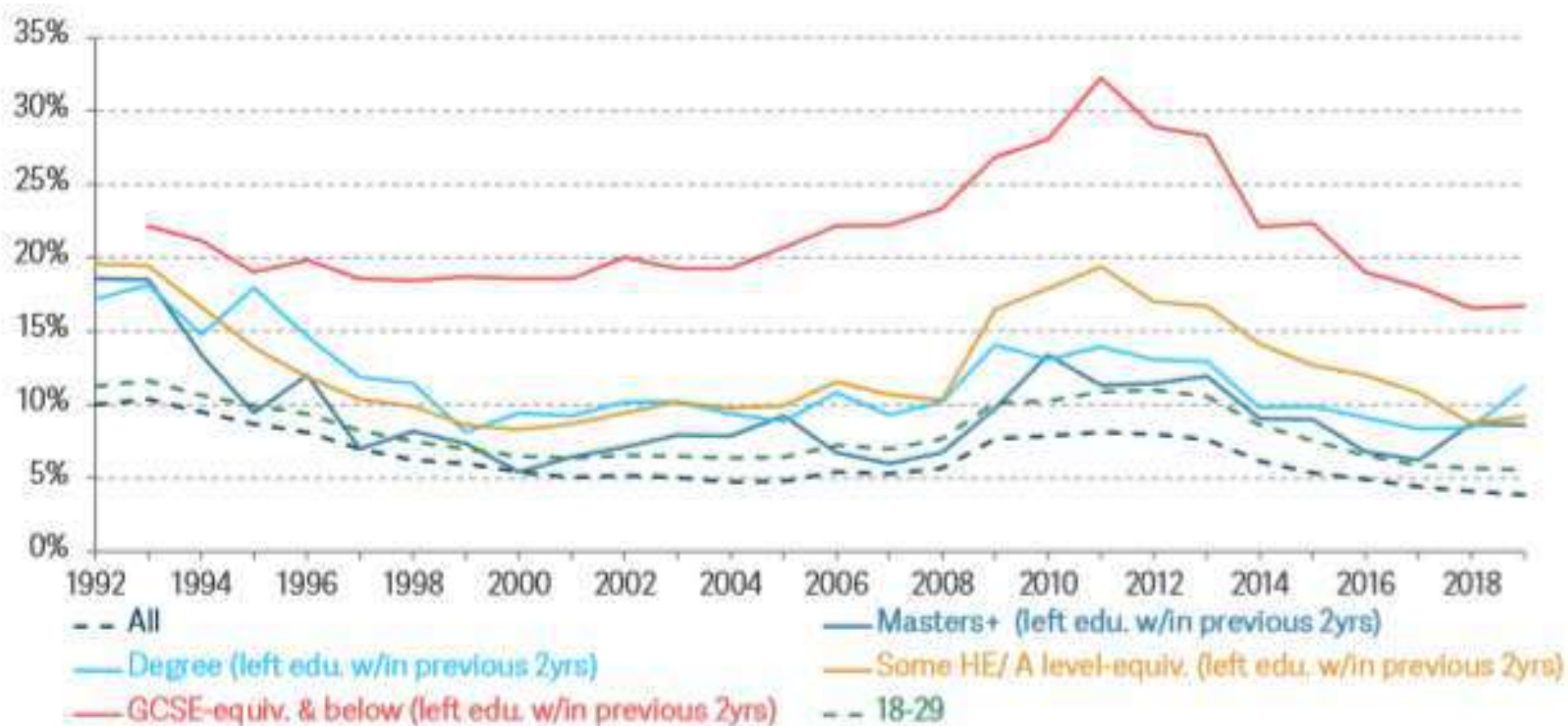
The [Resolution Foundation has published a report on prospects for and challenges faced by education leavers in the context of the Covid-19 crisis](#). As noted by the [Institute for Fiscal Studies](#) and as set

out in a previous feature on [unemployment and labour market policy priorities](#) young people are hit disproportionately hard in economic downturns. It is those with fewer qualifications who fare worst of all.

The Resolution Foundation's analysis of the unemployment rate in the wake of the Financial Crisis shows that the unemployment rate rose more for 18-29 years olds than for all age groups and that those individuals who had left education in the previous two years saw marked increases in unemployment (see below). Between 2008 and 2011 unemployment for education leavers with lower-level qualifications (GCSE equivalent and below) rose from 23% to 32%, while for those with mid-level qualifications (some higher education/A level-equivalent) the unemployment rate rose from 10% to 19%. While graduates also saw increases in unemployment the scale was much less marked than for non-graduate recent education leavers.

### UK unemployment rate by age, highest qualification and whether left education in the last two years, 1992-2019

Source: Henahan K (2020) *Class of 2020: Education leavers in the current crisis*, Resolution Foundation





Using data from the Labour Force Survey and projections of marked unemployment increases from Q2 2019 to Q2 2020 from the Office for Budget Responsibility, the [Resolution Foundation](#) has estimated likelihoods of being employed from one year after leaving education. The estimated employment rates in the Covid-19 scenario are 66% for those with higher-level qualifications (compared with a counterfactual of 83%), 64% for those with mid-level qualifications (compared with a counterfactual of 73%) and 54% for those with lower-level qualifications (compared with a counterfactual of 54%). These are large reductions in estimated employment rates for all three groups of education leavers. But it is what happens next where the differentials between the groups are most marked: for graduates 'scarring effects' end after four years, but for non-graduates they persist for longer.

The [Resolution Foundation](#) point to a *triple whammy for low-qualified education leavers*:

- They are more likely in 'non crisis' circumstances

- to work in lower-paid and less secure job roles
- They are less likely to find employment in crisis than in non-crisis conditions
- Due to the nature of sectoral shutdowns in the Covid-19 crisis (e.g. in hospitality – which is an important sector for labour market entry and for young people's employment generally) lower-qualified leavers may be less likely to find employment quickly after entering the jobs market than in previous recessions

So the features of the Covid-19 crisis that make it different from previous crises (as shown below) are likely to work to accentuate disadvantages faced by low-qualified leavers.

*So what does this mean for the West Midlands?*

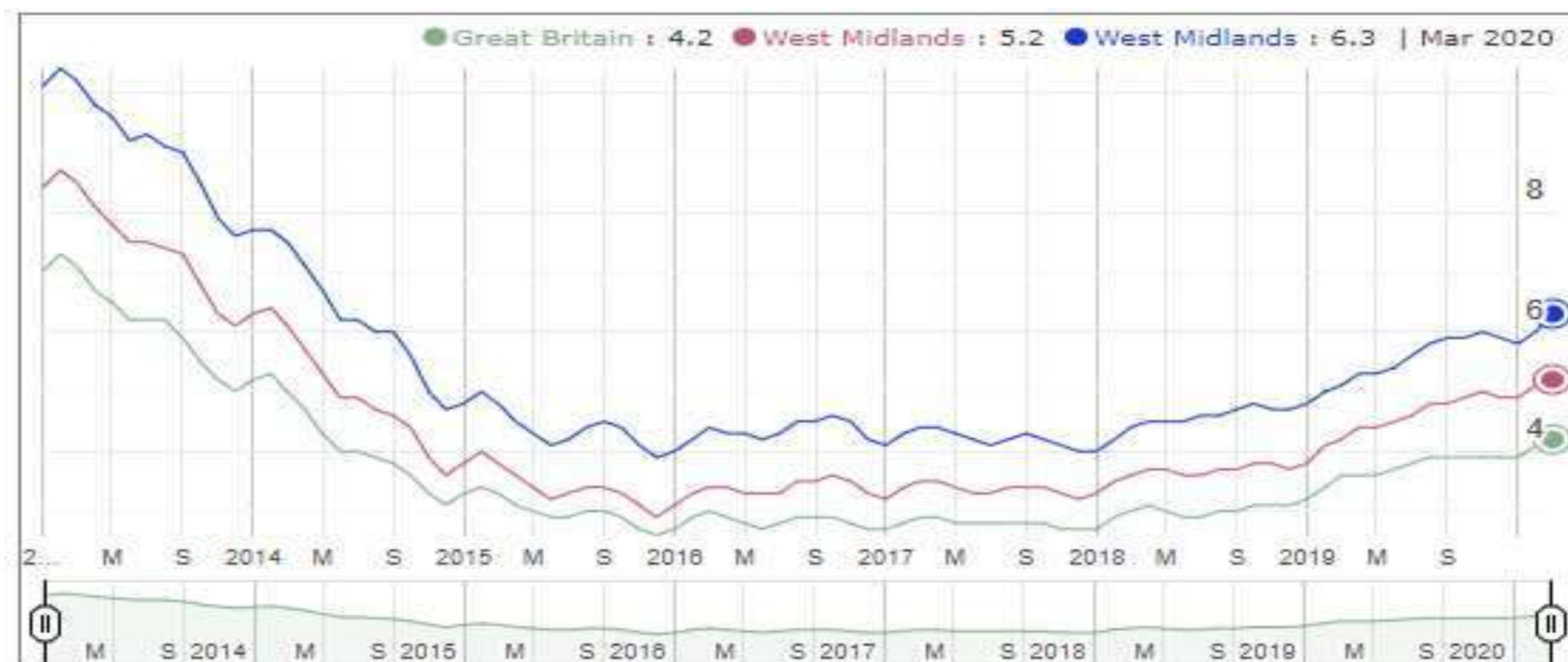
The Figure below shows the trend in claimants aged 18-24 over the period to March 2020 (i.e. before the main large increases in claims related to the Covid-19 crisis). However, it is clear that the number of claimants was already a slow upward trend before the Covid-19 crisis and that the claimant rate was higher regionally than nationally.

#### Previous recessions and Covid-19 crisis features

Common features of recessions	Distinctive features of Covid-19 crisis
High unemployment	'Shutdowns' of some sectors (e.g. much of hospitality)
Fewer job openings	School, college and university closures (with some substitution of online learning)

#### Claimants aged 18-24 years as a percentage of the population aged 18-24 years in Great Britain (green), West Midlands NUTS 1 region (red) and West Midlands Combined Authority area (blue), 2013-2020

Nomis – claimant count





Despite improvements in qualification levels, it also remains the case that the West Midlands has more individuals with lower-level qualifications and fewer with high-level qualifications than nationally, so indicating that a larger than average share of young people face amongst the greatest challenges faced by education. This indicates that the challenge of young people leaving education 'getting on the ladder' are set to be more marked in the West Midlands than nationally.

In previous recessions some young people have remained in education at a time of crisis. This suggests that an increase in young people in full-time further education and higher education might be expected. But in the context of the Covid-19 crisis there is a lack of face-to-face advice and guidance and also on opportunities for networking. Moreover, learners have missed out on some learning (despite a move to some remote learning). This raises questions of:

- How can young people/ education leavers be supported to navigate changing opportunities?
- How well equipped is the skills and learning system to respond to the crisis?
- What is the ability of different parts of the education system to absorb greater numbers of recruits from September 2020?

There is also an issue currently and over the short-term of *access to apprenticeships*. Data on apprenticeships starts shows an increase of 10.2% in apprenticeship starts in the West Midlands Metropolitan Area between 2017/18 and 2018/19. This overall increase disguises a decrease in Intermediate Apprenticeships and an increase in Advanced Apprenticeships and especially Higher Apprenticeships. So while apprenticeship opportunities for more qualified individuals have been increasing for those individuals with fewer qualifications – especially younger people - apprenticeship opportunities have decreased – and markedly so since 2016/17.

The lockdown has had a marked impact on apprenticeship starts. 304 providers nationally responding to a request for [data from FE Week](#)

indicated that of 13,732 apprenticeship starts expected in April 2020, only 2,693 were achieved (i.e. just under 20% of those expected). The lockdown also impacts on opportunities for work experience and work-based learning – which can be important in helping individuals to access jobs. In an environment where there is social distancing as businesses return:

- What will be the appetite for taking on apprentices - especially in sectors less well suited to remote learning?
- What opportunities will there be for young people to get important experience in the workplace?

## COVID-19, Diversification measures. What local and regional governments can do

***Covid-19 and Brexit are putting in danger our value chains. How can an economic diversification strategy help in this process? and what can local and regional governments do about it?***

By Raquel Ortega-Argiles

Covid-19 and Brexit are affecting the UK industrial fabric in different ways, but in particular, the sudden deglobalisation effects they create can lead to trade demand and supply disruptions.

The virus outbreak, which initially led to temporary closures of factories in the Chinese province of Hubei, caused disruptions in production on many continents. Hubei accounts for only 4.5% of Chinese GDP, but it is a high-tech manufacturing hub, home to local and foreign firms highly integrated into global supply chains in the automotive, electronic, and pharmaceutical industries ([Financial Times](#)).

Across the world a combination of lower incomes and the fear of contagion have resulted in lower private spending, which an increase in government spending can only partly compensate for. On the supply side, with factories either closing or operating below capacity and large numbers of employees prevented from working, less output is being produced. Emerging evidence from China and a select number of developed countries suggest a drop in demand, proxied by the considerable decline in energy consumption and transport use, real estate-related commercial activity and other indicators of consumer behaviour ([Financial Times](#)).

The development of global value chains was designed to maximise efficiency and profits, but while just-in-time manufacturing may be the optimal way of producing complex products, the pandemic has exposed weaknesses inherent in a system that requires all its parts to work like clockwork. Some of the measures put in place by governments have facilitated the fight against demand reductions by providing financial support to innovative firms and encouraging firms, industries and places to diversify in order to build economic resilience.

The current events will force businesses to re-engineer their global value chains and production

lines to different degrees. Additionally, some manufacturing firms have had to adapt to the crisis by repurposing the production chains to other priority goods such as health devices, PPE or food production

As with previous research on the issue of Brexit, in terms of Covid-19, the areas that are more diversified seem to be coping more than areas that are highly specialised or import dependent. Places that have a narrow export profile, high industrial specialisation or high geographical trade dependency are highly vulnerable to response measures owing to new restrictions, demands or standards from importers or macroeconomic conditions from importers ([Javorcik, 2020](#)). In this context, economic diversification is a matter of concern for areas that exhibit the following characteristics: (a) a significant percentage of their total exports is concentrated on only a few products or services (high concentration index); (b) a significant percentage of their total imports is concentrated on only a few countries (high trade dependence); (c) demand for those products or services is likely to drop as a result of measures imposed in other countries (affected by response measures) ([OECD-WTO, 2019](#)).

New evidence about the effects of Covid-19 clearly shows that UK's most deprived areas are going to suffer more from the effects of the pandemic than the most prosperous ones ([KPMG, ONS](#)).

Consultancy [KPMG](#) said that an analysis of the likely impact this year on the UK's regions showed that the closure of car plants and mothballing of hundreds of factories connected to the automotive sector meant the West Midlands region's economy would shrink by 10.1% while London with a more diversified industrial structure will contract *only* by 7.3% this year.

These patterns are not so dissimilar from the implications of Brexit, which as we know, will have a direct effect on the competitiveness of firms and industries in the UK and in the EU regions ([Thissen et al., 2019](#)).



Among the UK areas that are going to be more affected due to the negative trade related consequences of Brexit are the Midlands and the North of England ([Chen et al., 2017](#)) due to their trade specialisation portfolios. As we see in our recent analysis of the trade structure in the Midlands area for the [Midlands Engine Economic Independent review](#), East Midlands and West Midlands regions are clearly [heavily dependent on trade in a series of non-services sectors such as manufacturing goods](#). Both regions are heavily dependent on trade relationships with the EU, in particular for import activity. In the case of exports outside the UK, both regions have a very similar sectoral distribution with more than 60% of the exports having an EU country as the destination country. Meanwhile, between 60% and 68% of the regional imports in these regions come from the EU countries, with West Midlands being the region with the highest EU trade dependency in imports. Sectorally, the distribution of exports to the EU is very similar in both regions. Agriculture, Mining-quarrying and energy supply; Food beverage and tobacco; Textiles and Leather; Coke, Petroleum, fuels and chemicals; Electronic, Optical Equipment and transport equipment; Construction; Real estate, renting and business activity are all characterized by more than 60% of the regions' exports leaving to the EU countries.

The UK regional comparative analyses of the economic implications of Brexit ([Chen et al., 2018](#) and [Cambridge Econometrics, 2018](#)) show that the Midlands Engine is more susceptible to the effects of disruptions in the EU value chain than the UK regional average, due to its regional industrial structure, and largely irrespective of the scenario used for the whole suit of indicators included in the analysis. The long-term implications of value chain disruptions also display a fairly homogenous effect at the LEP level ([Cambridge Econometrics, 2018](#)). While the results show harder effects in the case of West Midlands, the Single Market and Customs Union scenarios find that Stoke-on-Trent and Staffordshire as well as Worcestershire are the most affected areas in terms of reduction of GVA and employment in 2030. Under the WTO rules scenario the GVA analysis finds that the most affected areas are Greater Lincolnshire and The

Marches, due to the harder effect of this Brexit scenario in agriculture goods.

Given its industrial structure, Covid-19 is heavily impacting on the West Midlands economy, with [car sales](#) plunging to lowest level since 1946 and new [UK car registrations decreasing by 40%](#). Covid-19 has also added other aspects to the loss of competitiveness in firms, industries and regions. Areas that are more specialised in services appear to be more resilient as some service industries have been able to continue their activities via online or teleworking. KMPG (ref), argues that London's services sector, specialised in Business and Professional Services, from marketing and advertising to architecture and financial services, has been able to largely carry on by working remotely through the lockdown. However, areas heavily specialised in manufacturing have seen the closure of production plants and a reduction of production lines.

### **Which industries are the winners and losers in this process?**

In these unprecedented times, continuity of business and industry is key, and this calls for a prudent response to the supply- and demand-side effects as soon as the restrictions related to COVID-19 have been lifted ([UNIDO, 2020](#)). To help future-proof industry, governments may need to promote initiatives that ensure production stands on a more solid ground in case of supply chain disruptions. This may include reorientation towards sourcing from shorter distances and increasing the emphasis on domestic supply chain development. Moreover, local industries involved in boosting the production of the most-needed goods (such as food products, essential health care products, telecommunications technology and inputs for local manufacturing) will be the winners as they are able to maintain or even grow revenues.

[Fresh food producers](#) have been affected differently, in that while the sector seems to be growing due to the higher national short-term demand some producers have been affected by surpluses in their production, [shortages in manual labour](#), and problems with redistribution and storage while pivoting towards retail and direct final consumers.



Many fresh food producers have seen their home market increasing due to higher national demand. We have all seen examples, such as the grocery sales of flour that were up 92% in the four weeks to 22 March compared to the same period last year, according to consumer analysts [Kantar](#).

The UK dairy farming sector experienced many problems with its [surplus](#), staff shortages and also losing thousands of litres of milk while redirecting their products from the hospitality sector to the retail market. Similarly, UK fisheries, with a yearly volume of around £2 billion in exports that account for around 60% of its market, is seeing losses of around £25 million a week with a 50% fall in the price of certain types of fish.

There is a clear need for a transformation of our industries so as to enhance productivity and increase diversification – tourism, agriculture, financial services, retail and many other businesses must change the way they operate in order to be successful in a new ‘normal’ post-COVID world. However, diversification can be costly because it implies the implementation of technological advanced processes with new skills and technical infrastructures.

The industries which are able to diversify into related sectors and markets will be the ones that in the long run are best able to reduce the risks of potential demand shocks at a lower cost. To do this firms will need to invest in new business processes and in technological innovation and governments can support these efforts in different ways.

At the onset of the COVID emergency, within the manufacturing sector, a number of companies started repurposing their production lines in order to switch to the production of urgently needed goods such as ventilators, masks and intensive care units. Others have had to close at least for some weeks, as is the case with some of the pottery firms Churchill China, [Portmeirion](#) and [Steelite International](#) at their North Staffordshire-based headquarters in West Midlands, or [Britain’s biggest bricks makers](#) (Ibstock and Forterra) because of the closure of construction sites.

Many companies have also reorganised their businesses to make use of telecommuting and e-commerce, and some firms have started rethinking their business models, with supply shortages from overseas leading to an increase in procurement of

inputs from local or regional businesses. The full extent of these measures will only become evident after the shocks associated with COVID-19 have settled.

### **Covid-19 Business diversification examples**

We can see many examples of businesses across the globe, such as fashion and beauty houses LVMH and [Coty, adapting](#) in the short-term to the emergency by changing their production lines to create healthcare products, including hand sanitisers and face masks. [Coty Inc.](#) started producing hydro-alcoholic gel, which is used as hand sanitizer, to help combat the COVID-19 virus at the end of March. Production and donations reached tens of thousands of units per week. The products are free of charge and are being distributed to medical and emergency services staff who are facing shortages due to the fast-spreading COVID-19 virus. Meanwhile, some manufacturers have use 3D printing facilitates to produce health equipment such as personal protective equipment or face shields, an example is [3DPPE](#) in the US and [3DCrowd](#) in the UK. Other examples include [HTA Design](#) and [HOK’s London Studio](#), two architecture firms, which have worked directly with the NHS to develop an open-source pattern for 3D printers to manufacture plastic headsets. In the UK, breweries and gin distilleries have announced plans to switch to producing hand sanitisers instead of the alcoholic spirits during the Covid-19 pandemic.

Parts of the wholesale food industry and restaurant sectors have tried to [change their business model and diversify](#) in order to maintain their business. Some have started to operate online or starting up home deliveries. In the fishing industry in the UK, [Call 4 fish](#) has been established to support fishermen, allowing them able to distribute fish and shellfish directly to consumers.

Depending on the nature of these activities, some of these businesses may qualify [for R&D tax relief](#), which can have a positive impact on cash flow at a critical time. Business owners may not be aware that repurposing existing machinery to manufacture products that already exist – such as hand sanitiser, ventilators or PPE – could qualify as R&D, because the methods and processes involved may not be in the public domain.

In the West Midlands, a series of manufacturing and engineering firms have put their technology to new uses to provide vital equipment to NHS and other healthcare staff. Among them is the [Manufacturing Technology Centre \(MTC\)](#), where engineers have developed a protective shield for staff involved in the intubation procedure for patients linked up to ventilators. The shields have been designed in collaboration with medical experts and Rolls-Royce, Aston Martin and component firm Multimatic, with wider support from government agency Innovate UK. The team moved from prototype to manufacture in less than a week and the MTC in [Coventry said](#) it was aiming to increase production to 200 units per day. Other firms include Cadbury at Bournville, Warwick-based 3P Innovation, Sutton Coldfield-based WHS Plastics, and [Jaguar Land Rover](#), all of which are examples of Midlands firms which are using their 3D-printing capabilities in conjunction with other collaborators to produce much-needed healthcare equipment. However, these rapid diversification initiatives also raise the question of whether a highly diversified economy is more or less resilient to economic shocks.

### **The benefits of related technological and skill diversification**

The debates between the benefits of [specialisation and diversification](#) for economic and industrial growth have been widely explored in the economic literature. Empirical evidence shows that countries that are more exposed to international trade tend to be more specialised in a wide range of high value niche activities and this is associated with higher levels of prosperity ([World Economic Forum](#)). This underscores the importance of a country or region's positioning in global value-chains. However, in the last dozen or so years, new evidence have shown the benefits of the related technological diversification for economic growth in general ([Frenken et al., 2007](#); [McCann and Ortega-Argiles, 2015](#); [Balland et al., 2018](#)) and for economic resilience ([Rocchetta and Mina; 2019](#)). It is not diversification per se that is important, but rather the ability to diversity around core sets of existing capabilities and skills, and it this related technological diversification which has been shown

to be associated with stronger and more resilient growth. The experience of UK-based firms rapidly diversifying in order to respond to the COVID emergency demonstrates that widespread related diversification is indeed possible under the right or required circumstances.

### **The role of government**

In terms of trade and economic growth issues, the lessons from these experiences are that the threats posed by both Brexit and COVID can best be responded to by enhancing related diversification. However, when considering a related diversification strategy, business owners should aim to de-risk as far as possible by entering into new markets by making a relatively small vertical or horizontal steps, such that they are still in the arena of their existing capabilities and able to build on their existing strengths. Diversification into largely unrelated activities or technologies requiring very different capabilities or skills is very risky and rarely is a good strategy, at least from a policy perspective. However, designing policy to help to foster related diversification requires careful consideration, and is a central principle in the smart specialisation logic, a cornerstone of the EU regional development funding programmes. As the EU leaves the arena of EU regional funding programmes from 2021 onwards, to be replaced by a Shared Prosperity Fund, it is important that many of the principles underpinning smart specialisation are not lost, and that enhancing related diversification remains a key policy objective at the local level. The experience of COVID is that UK-based firms have the ability and potential to diversity into related technologies and industries on the basis of new alliances and collaborative working relationships and that that such advances should not be lost when the crisis abates.



## ONS Weekly Release Indicators

On the 30<sup>th</sup> April 2020 the ONS published the weekly publication containing data about the condition of the UK society and economy and the impact of the COVID-19 pandemic. The statistics are experimental and have been devised to provide timely information, with publication of final survey results currently expected to take place fortnightly with initial findings released in-between. The following information contains the initial results from Wave 3 of the Business Impact of Coronavirus Survey and the final results for Wave 4 of the Opinion and Lifestyle Survey.

### Business Impact of the Coronavirus

The initial results from the third round of the Business Impact of Coronavirus (COVID-19) Survey (BICS) show that of the 17,623 businesses surveyed across the UK, 5,158 (29%) businesses responded. Unless stated, the following data is based on the period between 6<sup>th</sup> April to the 19<sup>th</sup> April 2020 and no regional breakdown is available. These initial indicators will cover the business impact of the Coronavirus after the closure of all “non-essential” businesses and announcement of the government’s job retention schemes.

### Trading and Financial Performance

24% have temporary closed or paused trading with 76% have reported continuing to trade between 6<sup>th</sup> to 19<sup>th</sup> April 2020 (these figures exclude businesses that responded they have permanently ceased trading). 57.5% of businesses that are continuing to trade reported

that their turnover had been affected. Levels vary from at least a decrease of up to 20% (13.6%), decreasing between 20% and 50% (20%) and turnover decreasing by more than 50% (23.9%).

30.2% reported their turnover had been unaffected from Coronavirus, with a further 3.3% of businesses reporting their turnover had increased.

Turnover forecasts for the next weeks from respondents show 43% expected theirs to stay the same, 7% expect it to increase a little. However, at the other end of the scale, 32% expect turnover to decrease a little with a further 13% expecting turnover to substantially decrease.

### Government Schemes

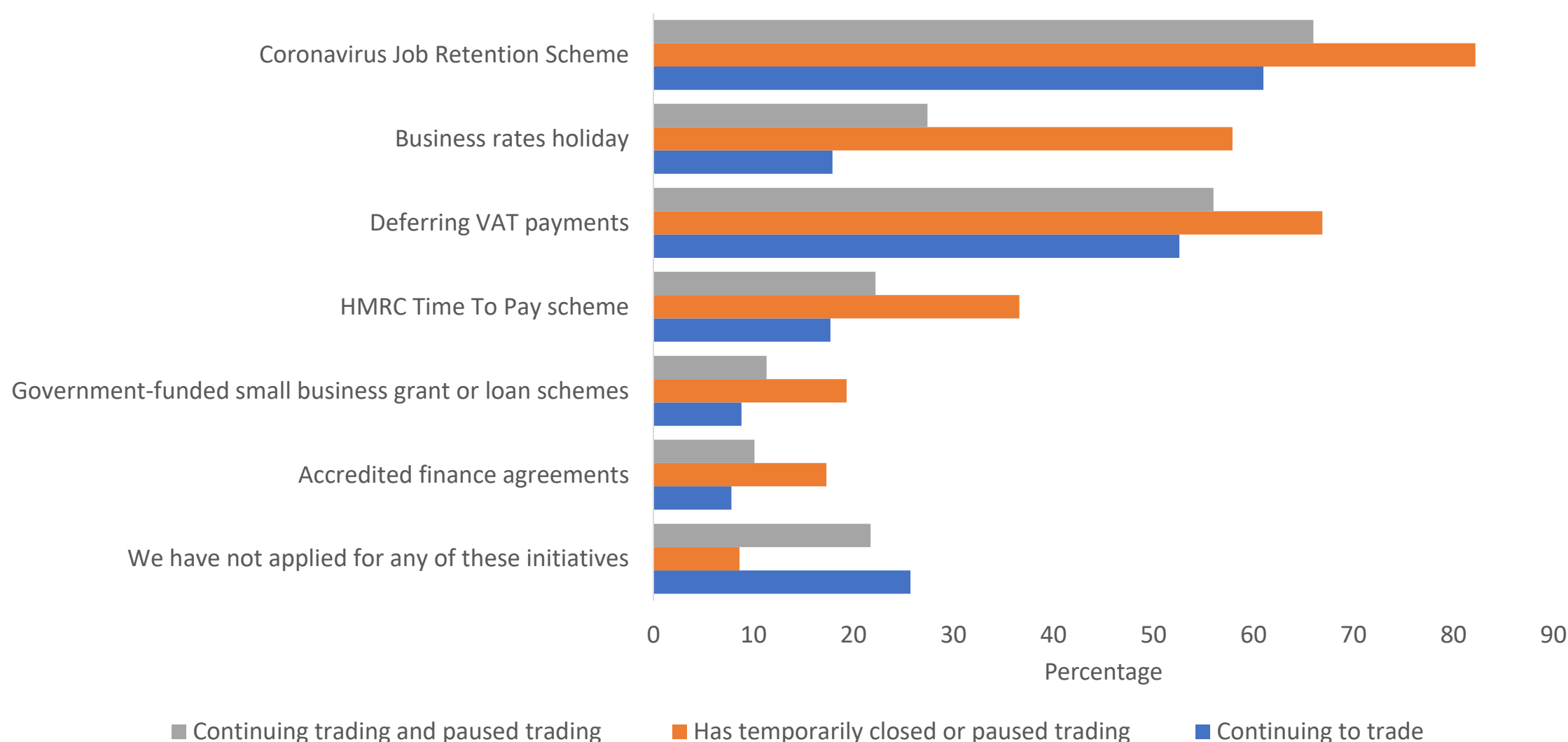
Due to the Coronavirus Job Retention Scheme going live on 20<sup>th</sup> April, responses were collected up to 27<sup>th</sup> April which allowed businesses to indicate whether they had applied or received from any scheme.

61% of businesses that are continuing trading applied for the Coronavirus Job Retention Scheme with 82.2% of businesses that have temporary closed or paused trading applying.

25.7% of businesses continuing trading indicated that they had not applied for any of the government initiatives with 8.6% of businesses that have temporary closed or paused trading not applying for a scheme.

**The following graph shows the percentage breakdown of schemes businesses have applied for (please note figures will not match 100% as businesses can select multiple).**

Percentage of all government schemes applied for by Businesses Across the UK



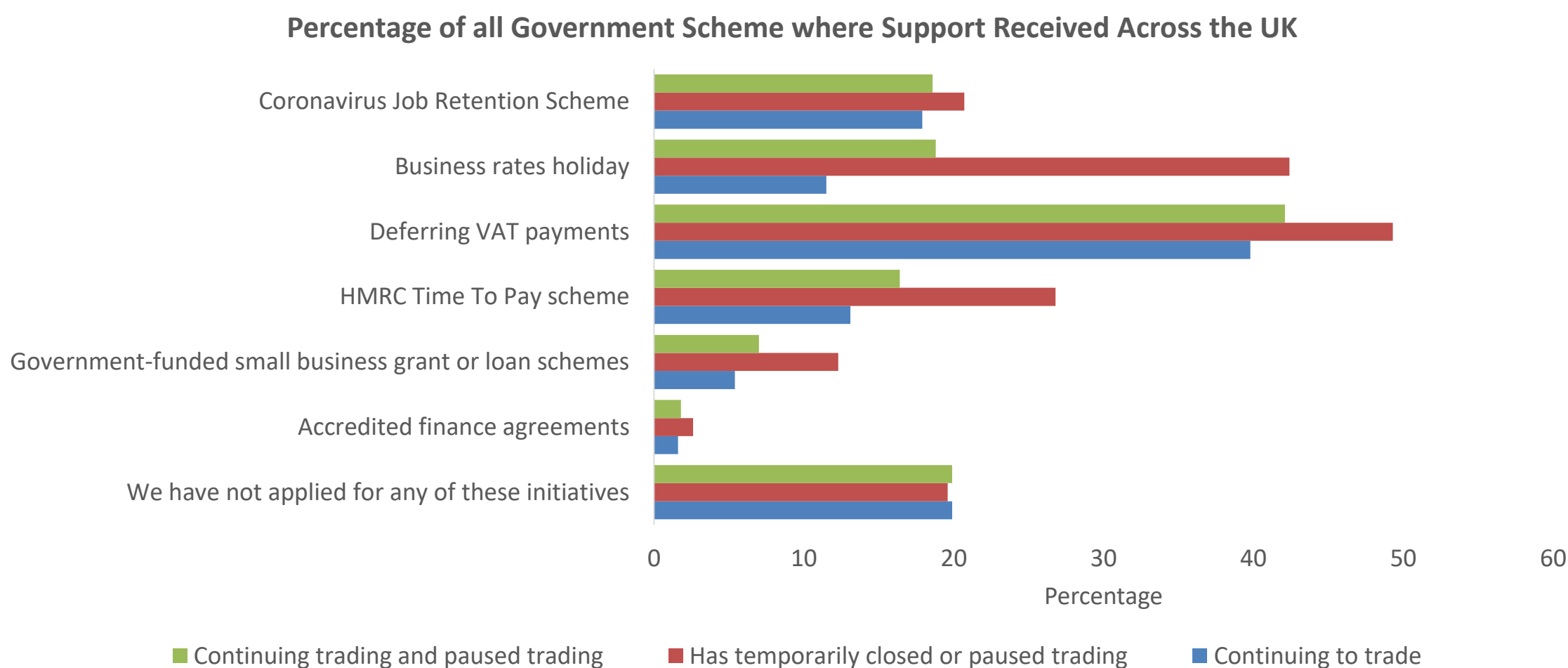


17.9% of businesses continuing to trade had received support from the Coronavirus Job Retention Scheme, with 20.7% of businesses that have temporary closed or paused trading receiving support.

39.8% of businesses continuing to trade have received support from the Deferring VAT payments scheme, with 49.3% of businesses that have temporary closed or

paused trading receiving support from this scheme.

**The following graph shows the percentage breakdown of schemes businesses have received support for (please note figures will not match 100% as businesses can select multiple).**



### Social Impact of the Coronavirus

Indicators from the Opinions and Lifestyle Survey is a weekly update to understand on the impacts of the COVID-19 pandemic on people, households and communities in Great Britain. Wave 4 covers the period of 9<sup>th</sup> April 2020 to 20<sup>th</sup> April 2020.

### Concerns about household finances

The number of adults that said that Coronavirus was affecting their household finances has decreased from 26.7% in the previous survey results to 23.6% in Wave 4. The most common concern on household finances continues to be a reduced income at 68.2%, with 23.4% using savings to cover living costs and a further 9.5% borrowing money or using credit.

84.7% expect the general economic situation for Great Britain to get slightly or a lot worse over the next 12 months this has increased from the previous survey results (82.9%).

### Staying at home and self-isolation

84% of adults reported they had either not left their home or only left for one of the permitted reasons in the last seven days, of the 16% who reported to have left their home the most common reason was to run errands.

86% of people with underlying health condition reported they had either not left their home or only left for one of the permitted reasons in the last seven days which increases further to 88% when restricting the age to those aged 70 years and over.

84% of adults reported they strongly supported the measures with 13% saying they tend to support the measures in place.

The percentage of adults that reported to self-isolating in the past seven days decreased from the previous wave results (covering period 3-13<sup>th</sup> April) from 38% to 30% between 9<sup>th</sup> -20<sup>th</sup> April. People with underlying health conditions decreased from 49% to 43% over the same periods with those aged over 70 years old and over increasing by 1% to reach 50% in the latest period.

### Working from home

Compared to the Wave 3 results, the number of adults that are working from home has decreased from 49% to 45% in Wave 4. Within the 45% of people reporting working from home - 6% had both worked from home and travelled to work, while 39% reported that have only worked at home. A further 26% of adults in employment reported they had travelled to work in the last seven days and had not worked from home.

## Impacts of Wellbeing

The mean anxiety score continues to decrease and in the latest survey period for all adults went down to 4.2, similar patterns can be seen for those aged 70 years and over which has also decreased to 4.2. Those with any specific health conditions decreased from 5.4 in the Wave 3 survey results to 4.9 in Wave 4.

Compared to the 3<sup>rd</sup> - 13<sup>th</sup> April, the percentage of all adults and those aged 70 years and over reported their well-being was being affected by Coronavirus has decreased to 45.8% and 38.2%

(from 49.9% and 45.5% respectively). However, adults with any specific health conditions has reported an increase over this period to 57.7% (from 55.6%).

People with specific health conditions reported an increase of feeling lonely often/always and some of the time when compared to the previous period, reaching 8.9% and 22.1% (from 7.3% and 20.4% respectively), while all adults and those aged 70 years and over recorded a decrease in these categories.

### Indicators of wellbeing, 3<sup>rd</sup> – 13<sup>th</sup> April and 9<sup>th</sup> – 20<sup>th</sup> April.

Indicator	Group	9 <sup>th</sup> -20 <sup>th</sup> April	3 <sup>rd</sup> - 13 <sup>th</sup> April
Percentage reporting their well-being is being affected (Question only asked to respondents that said they were very worried or somewhat worried about the affect Covid-19 is having on their life right now)	All adults	45.8%	49.9%
	70 years and over	38.2%	45.5%
	Any specific health condition	57.7%	55.6%
Mean anxiety score	All adults	4.2	4.9
	70 years old or over	4.2	5
	Any specific health condition	4.9	5.4
Percentage with high anxiety (score 6-10)	All adults	35.7%	46.4%
	70 years and over	34.6%	49.8%
	Any specific health condition	45.7%	56.6%
Feeling lonely often/always	All adults	3.8%	5.8%
	70 years and over	3.5%	3.6%
	Any specific health condition	8.9%	7.3%
Feeling lonely some of the time	All adults	16.7%	20.5%
	70 years and over	13.9%	10.9%
	Any specific health condition	22.1%	20.4%

### Key Workers

In this section, a key worker is a respondent that reported they have been given “key worker status” only.

85% of all key workers reported they are very or somewhat worried about the effect of coronavirus is having on their life – only slightly above the 82% of all adults.

This survey period ran over the Easter period which may

affect the proportion of children at school/being home-schooled. Schools remained open for children of key workers and vulnerable children, however, 64% of key workers reported to home-schooling their children over the past seven days. A large proportion of keys workers have not sent their children to school over the past seven days with the most common reasons being the availability of alternative care at 34% and concerns for the health and wellbeing of their children at 30%.

**British Chambers of Commerce – COVID-19 Business Tracker:****West Midlands Results (Week Five)****Introduction**

In response to the unprecedented crisis caused by the advent of Coronavirus, the British Chambers of Commerce has developed a Covid-19 Business Impacts Tracker which will serve as a barometer of business' response to the measures introduced by the Government to help firms navigate this exceptional landscape. The tracker will explore weekly business conditions to help understand the scale of the challenges that companies across the country are facing right now and in a bid to gauge the awareness and usage of government support measures amongst the business community. The results listed below are based on responses received from 102 firms in the West Midlands and cover the period from 29th April to 1st May.

98% of respondents employed less than 250 staff members and of those, 40% employed between 1 to 9 members of staff and 11% identified themselves as sole traders. 54% of businesses surveyed did not export their goods & services (and similarly, 47% did not engage in importing activities). Of those firms that were involved in exporting, 31% distributed their products and services to countries both inside and outside the European Union. 23% of businesses that took part in the survey operated in the professional services sector and 32% were listed as manufacturers.

**Changes to Trading Conditions & the Workforce**

In comparison to the previous week (w/c 27th April) 62% of businesses witnessed a fall in UK revenue (with 40% citing a significant decrease). 63% of firms saw a drop in international revenue (with 32% suggesting it was significant) and 77% had also seen a decline in cash reserves. In terms of developments related to employment, 68% cited constancy in the size of their workforce along with a 47% fall in the number of hours worked by staff. 32% reported a drop in training or apprenticeship activity. Over the course of the following week, 23% of businesses said they would not furlough any of their staff members and 13% expected to furlough their entire workforce. On 20 April, HMRC opened the portal for employers to claim payments for furloughed employees through the Coronavirus Job Retention Scheme and 63% had submitted a claim and received payment from HMRC. 13% submitted a claim more than six working days ago and were yet to receive a payment.

44% of businesses expected their cash reserves to cover their trading activity for one to three months, 21% suggested their reserves would be able to cover them for three to six months, whereas 16% estimated that they would only be covered for less than a month. One percent of respondents reported that they had no cash reserves whatsoever.

**Support Measures Introduced by Government –feedback from the business community**

In terms of the measures implemented by the Government to support businesses affected by COVID-19, 13% had already secured a business rates holiday (of those firms based in the leisure, hospitality or retail sector). 55% were aware of this particular measure but currently were not planning to apply. Additionally, a third of firms were planning to use the Self-employment income support scheme (the second consecutive week this number had gone up). 33% of businesses had deferred VAT payments for three months (the highest take up of any of the measures listed) and an additional 21% expected to do the same. 5% were planning to apply to the grant scheme available for small businesses and 14% so far had made a submission for this particular scheme (an increase of one percent compared to the previous week). 11% of respondents had applied for SSP refunds and 14% of businesses were preparing to apply to HMRC's Time to Pay extension scheme. One percent of firms were currently using the Bounce Back Scheme and 16% planned to apply for it; 13% had never heard of the scheme. 10% faced either a slow or no response at all when applying for grant funding and 70% of businesses were told they didn't meet the criteria required to access this particular scheme. 23% of businesses had attempted to access finance via CBILs and 59% had no plans to apply for this particular scheme. Of those businesses that didn't apply, 46% already had the prerequisite levels of cash or funding, 18% wanted to gain clarity on the length of lockdown before applying and 23% felt that they would not be able to pay back the loan. Of those firms attempting to secure finance via CBILs, 86% of businesses said they would use the finance for everyday operations and 23% suggested the money would be used to pay off debts. On average, firms were offered an interest of 5% for the CBILs loan (after the initial 12 month interest free period). 27% of businesses said they had secured the required finance and 41% were still waiting for a decision. 50% of firms said the application process (from starting it to receiving a decision from the Bank) had taken 14 days. Participants were also asked how much time they would need to prepare for either a partial or complete end of the lockdown – 41% said they would need less than a week, 24% said they would need between one to three weeks and 9% said they would require no preparation time at all.



## Modelling the local economic impacts of the coronavirus

Ben Gardiner Cambridge Economics

[CE have published a blog](#) which looks at the effects of the virus, summary below:

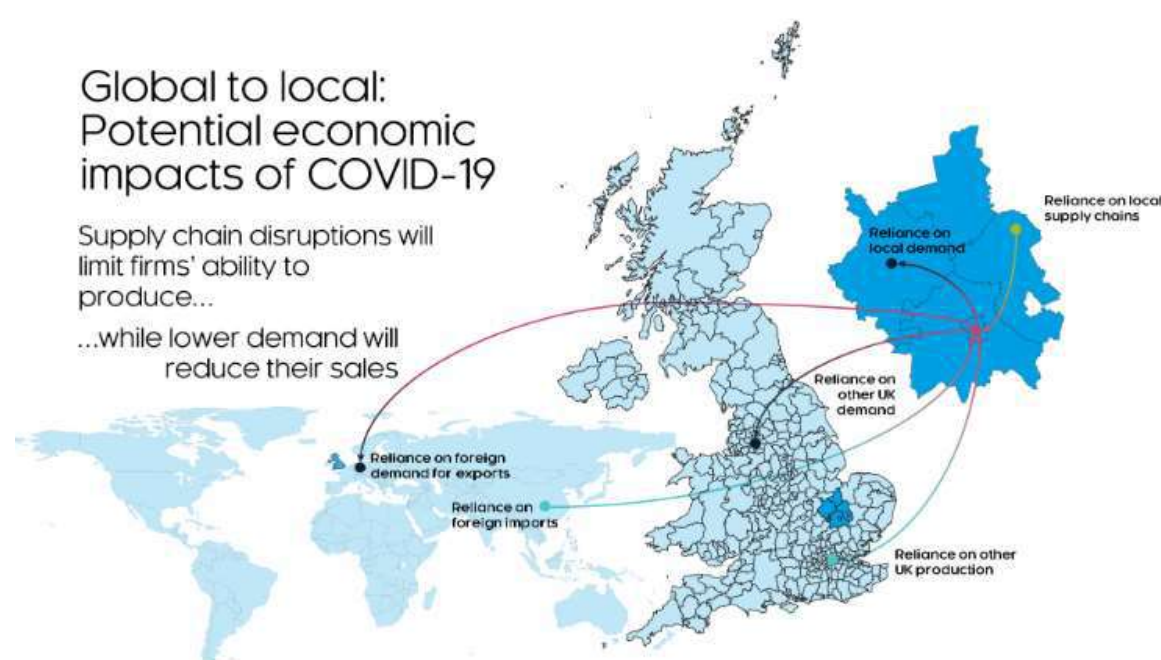
The COVID-19 pandemic is a health crisis, which is quickly turning into a major economic shock. It affects all sectors of the economy, to varying degrees.

### Economic exposure

At a local level, lock-down and social distancing are causing immediate challenges of unknown duration, but the degree of economic exposure a local area faces will largely depend upon two factors:

- The sector-occupation-mix: the structure of a local economy, and the effects of the lockdown on dependent industries (possibly elsewhere in the world) as well as the impact of a country's own measures.
- At the worker and firm level: the likelihood of remaining employed or in business, as well as the ability to financially withstand a lockdown. With income or salary support still to be paid can people and businesses hang on long enough?

So, local exposure depends on the relative concentration of vulnerable workers, firms and industries.



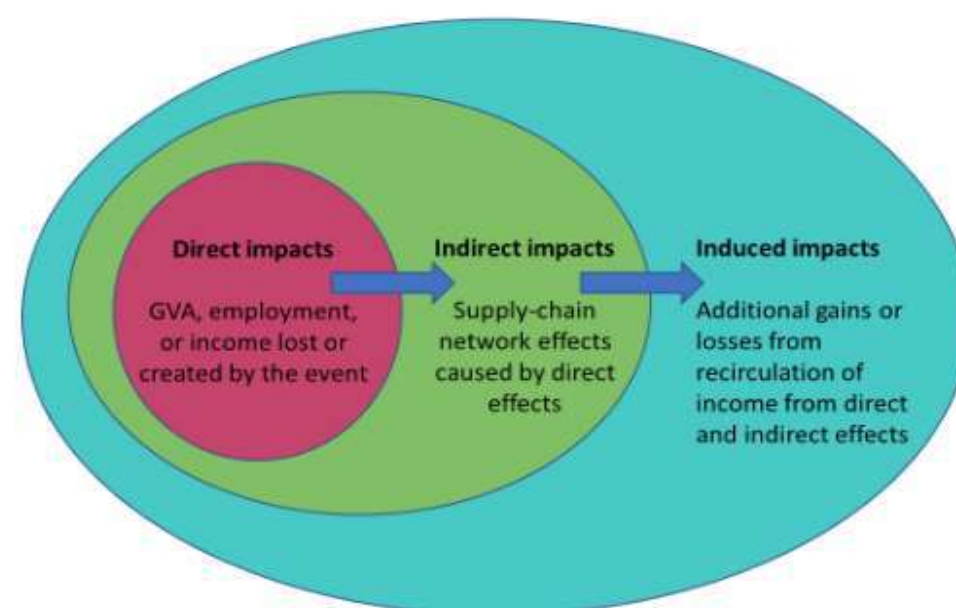
But to reiterate, using a sectoral structure to predict local effects is only part of the story, modelling needs to be localised to consider a range of possible outcomes and our team has already started looking at the local vulnerabilities to the economic impact of COVID-19 across Great Britain.

### Wider economic impacts

Cambridge Econometrics can produce estimates of the direct sector employment and GVA impacts by combining local intelligence with analysis of:

- an area's specific business demography (e.g. which sectors are most likely to be affected and by how much, which depends on the business make-up (size/sectors) in the local area)
- the occupations of the workforce
- the impact the spread of COVID-19 is having on participation on the local workforce
- The analysis can also consider offsetting factors, such as where jobs have been gained in other sectors, such as health and care sectors. These are combined together in the model's input-output framework which measures the extent to which supply-chain effects are important for different industries and locations.

The overall impacts include the direct, indirect (supply-chain) and induced (additional spending) effects – as shown in the figure below:



For example, if we consider an area's hospitality sector (covering hotels and restaurants), which is one of the most-highly affected sectors due to the travel and tourism restrictions currently in place, there will initially be an estimate of how many jobs have been affected from surveys, business network information, or more official government sources such as the HR1 redundancy notifications.

From there, the LEFM model can estimate the knock-on effects to suppliers in other sectors, in this case principally manufacturers of food and drink and business services (used for marketing purposes).

Finally, the people directly employed in the hospitality sectors and their supply chains will spend some of their incomes on other goods and services, often in the local economy (for example, in retail and leisure outlets). All these components can be combined together to gauge the total estimated local impact.

While vulnerability to the economic shock of COVID-19 and its wider impact are important aspects to consider, equally important is how well-equipped different sectors and geographies are to adapt and recover from the shock, and this relates to the concept of resilience.

Work by [the Citi-Redi](#) team at the University of Birmingham has done some preliminary analysis, looking at factors which influence local area resilience and linking them to both previously identified factors associated with resilience and also performance from the last big shock, some ten years ago now.

Other research undertaken with the [University of Cambridge](#) puts forward three conclusions which are also relevant for the Covid-19 crisis and emerging shock:

There is rarely a bounce-back where above-trend or faster growth is enjoyed. In other words, the hit to output and/or employment is permanent and not recovered

The effects of shocks (both ability to resist and recover) are compounded by other (slow-burn) effects already going on in an economy – so areas which are suffering from industrial decline, those seen as ‘left-behind’, or which might be experiencing the early adverse impacts of Brexit, are likely to suffer greater disruption from the added effects of COVID-19

How well an area was able to resist previous shocks can have little bearing on how well they recover from the next one that comes along – this finding is related to the different nature of shocks and the varying impacts that result

One thing that is understood about resilience is that each shock is different so different factors might be important in determining how well economies adapt and recover, and this is particularly important for lower level geographies where differences become greater as spatial scale decreases.

Work undertaken by Cambridge Econometrics for the

[Core Cities](#) Group considered resilience to shocks, and used the approach summarised below to show how building economic resilience for sustained recovery will entail focusing policy simultaneously on at least three main aspects of a city’s economy.

The various elements and fundamentals (the industrial ‘ecosystem’) that promote local dynamic competitiveness; a local economic environment and culture that inspires business confidence and commitment; and a local institutional system of support and leadership, with a collective vision for the city’s development.

None of these policy dimensions can be resolved overnight, and will take substantial resource and time to change, as well as a continuation of the devolution agenda to give local policy makers the power to make changes at appropriate levels of governance.



HEADLINES & ESCALATION		
BCLEP	GBSLEP	CWLEP
<ul style="list-style-type: none"> <li>Enquiries continue to be largely from self-employed, single director Ltd companies or retail units looking to access support as they currently don't qualify for any of the available schemes. More home-based businesses have enquired and raised concern about the lack of financial support for them i.e. As they are home based and do not have a Business Rates identifier, they are unable to apply for grant support. These enquiries are now reaching critical point for the companies where they are seeking any final opportunities for support as reserves run out and all options have been exhausted.</li> <li>The number of companies looking for funding to diversify and access to mentoring programmes to work through business restart plans has increased.</li> </ul>	<p>Small Business Grants:</p> <ul style="list-style-type: none"> <li>Processing of grants is slow and people are getting desperate.</li> <li>There is lack of clarity about process and eligibility.</li> <li>Payments are issued to rate payers, not business owners, leaving many renters excluded.</li> <li>Businesses are not sure if the landlord is getting the grant or not.</li> <li>Businesses are not always sure whether payment is automatic. Councils do not have the correct details of all companies in their area and this is delaying things further.</li> <li>Some businesses think they are entitled to grants but having applied over 30 days ago and not having had any response from the council they are not sure if and when they will get any help before they go out of business.</li> <li>There are also cases where the Valuation Office Agency was due to reassess premises for rates before 11th March cut off point but either the work has not been undertaken or the decision not yet made. This means the council can't progress the grant application until the VOA has issued new property reference numbers.</li> </ul> <p>Additional Grant Support:</p> <ul style="list-style-type: none"> <li>The new fund to help businesses with under 50 employees who had been excluded from previous coronavirus support measures has been welcomed by businesses in the West Midlands. Businesses which previously fell through the cracks in existing support need urgent access to this support in order to survive.</li> </ul>	<ul style="list-style-type: none"> <li>COVID 19 Tourism Business Impact Survey: 66% of businesses based in Coventry and Warwickshire, 26% in Greater Birmingham and 8% in the Black Country. Key themes: <ul style="list-style-type: none"> <li>95% of businesses report a fall in revenue and 82% have temporarily closed</li> <li>More than half report cashflow problems and 30% of businesses have let staff go.</li> </ul> </li> <li>An increase in unemployment across Coventry &amp; Warwickshire as a whole by 27,840 individuals to 45,640.</li> <li>If 30% of the workforce joins the Coronavirus Retention Scheme (OBR's assumption), this could mean 137,400 of Coventry &amp; Warwickshire's workforce are being furloughed; however, because initial feedback suggests the proportion furloughed will be higher (half of businesses expecting to furlough at least 50% of their staff), the number could be as high as 183,200 if 40% are furloughed, and 229,000 if 50% are.</li> <li>If the British Chamber of Commerce survey was applied to local NOMIS data, it could mean that over 8,700 businesses in Coventry &amp; Warwickshire as a whole could be facing major threat within a month without financial stimulus, particularly within SMEs that make up the vast majority of the local business base. This could put significant numbers of local jobs at risk in the short-term.</li> </ul>



HEADLINES & ESCALATION		
BCLEP	GBSLEP	CWLEP
<ul style="list-style-type: none"> <li></li> </ul>	<p>Loans:</p> <ul style="list-style-type: none"> <li>• CBILS: A significant number of small and micro businesses have struggled to access CBILS and in some cases this scheme has not been effective in getting finance to the businesses that need it. There have been significant delays in decisions or responses from lenders reported by businesses and reports of previously viable businesses being denied loans.</li> <li>• Bounce Back Loan Scheme: The scheme has received a positive reaction from many businesses. Unfortunately, despite details being finalised over the weekend, the site was not operational first thing on 04/05 and when it was functioning, applicants were advised that lenders were only working with existing customers.</li> </ul> <p>Job Retention Scheme:</p> <ul style="list-style-type: none"> <li>• Businesses offered positive response to the scheme as initial payments were issued as planned. Businesses are starting to question how the support will need to evolve beyond the end of June to help as businesses consider reopening.</li> </ul> <p>Support for directors of limited companies paid through dividends:</p> <ul style="list-style-type: none"> <li>• There is a need for equal support for directors of limited companies who pay themselves through dividends and as such are unable to fully access furlough support at their existing salary levels or the self-employed income support scheme</li> <li>• Clarity is needed on how far a Director who is furloughed can act to save a business.</li> </ul>	<ul style="list-style-type: none"> <li>• A key highlight is that we are starting to see businesses, across all sectors, diversify in order to survive this pandemic. For instance, manufacturers have switched production measures to develop PPE equipment, restaurants are starting to develop more elaborate e-commerce platforms and some within the food and drink industry has begun manufacturing hand sanitiser.</li> </ul>

NEW ECONOMIC SHOCKS			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
Intu	Dudley	Retail	Intu face further hardship as 40% of tenants refuse to pay rent on their premises during the Covid-19 closures. (Express and Star)
Coventry City Football Club	Coventry	Leisure and Sport	Players at Coventry City have “unanimously agreed” to take a 25% wage deferral. In a statement on the club’s website, the players say they have held discussions on what is “the best way of helping to safeguard Coventry City Football Club in the immediate future amid the Coronavirus pandemic”. Coventry said that the deferral is “for the foreseeable future.”: <a href="#">Information here</a>
Cath Kidston	Leamington (National)	Retail	Cath Kidston, the floral fashion brand, is set to file for administration as the coronavirus shutdown pushes High Street retailers to breaking point. The move will put nearly 950 jobs at risk at the company which is best-known for its brightly-coloured designs. Cath Kidston employs 941 people, of which 820 have been furloughed under the government's employee payment scheme. They are set to close all retail stores permanently: <a href="#">Information here</a>
Rolls Royce		Manufacturing, Engineering, Aerospace, Automotive	Rolls-Royce has ended its project to develop a hybrid-electric plane. The manufacturing giant had been working on the programme with Airbus and Siemens and first announced the move in November 2017: <a href="#">Information here</a>
Next	National	Retail	Fashion retailer Next has warned that its sales could fall by as much as £1.6 billion this year because of the impact of coronavirus. In a trading statement issued this morning, the firm, which is headquartered at Enderby, in Leicestershire, also said it could end up posting a pre-tax loss of £150 million. The firm said in the worst case scenario, its sales could be down by 40% if shoppers continue to be kept away from stores due to the coronavirus lockdown: <a href="#">Information here</a>

NB all details in these tables have been announced publicly

NEW INVESTMENT OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
West Midlands Metro	West Midlands	Transport	£2.1m emergency funding received to protect the transport service whilst numbers of passengers have dropped critically. <a href="#">Information here</a>
CyberOwl	West Midlands	Digital and Cybersecurity	A cybersecurity company which platform helps to safeguard transport and infrastructure systems has raised a further £1.8m to help it expand its business in the maritime sector. CyberOwl has secured funding from 24 Haymarket, Mercia's EIS funds, and the MEIF Proof of Concept & Early Stage Fund, which is managed by Mercia as part of the Midlands Engine Investment Fund. <a href="#">Information here</a>
The Warwickshire Gin Company Limited	Leamington Spa	Food and Drink	A Leamington-based distiller is using its expertise in handcrafted gin to make hand sanitiser for frontline workers. Warwickshire Gin Company produced 4,000 litres of sanitiser on the first day of production and it will be made available exclusively to care homes and key workers. After getting the go-ahead from HMRC, the business had labels made up and started producing the new product in their distillery: <a href="#">Information here</a>
Lee Clements & Sons Locksmiths	Coventry	Retail	A locksmith has signed a new lease on a Coventry retail outlet. Lee Clements & Sons Locksmiths has signed a new lease out to the unit on Beake Avenue as part of its ongoing expansion and will now carry out refit of the premises with a view to launching when retail restrictions are lifted in the coming weeks: <a href="#">Information here</a>
Home Instead Senior Care	West Midlands	Human Health and Social Care	Some 500 West Midlands jobs are to be created by a firm which provides care to older people in their homes. Home Instead Senior Care, which has 20 offices across the region, says it is creating the roles as the demand for care services spirals. Home Instead wants to ensure that there are enough caregivers to deal with the increasing level of demand they are experiencing from both new and existing clients: <a href="#">Information here</a>
The Butchers Social	Henley-in Arden	Food and Drink	The Butchers Social, an independent pub-restaurant in Henley-in-Arden, has adapted to life in lockdown by becoming a high-street shop, selling local produce and take-away meals. Mike Bullard, chef-owner of The Butchers Social, initially began preparing ready-meals for the residents of Henley-in-Arden to enjoy in the comfort of their own homes. Now The Butchers Shop is operating a full 'click and collect' service, sending shoppers a catalogue of products to order from ready for them to pick up in store: <a href="#">Information here</a>
The MTC	Coventry	Manufacturing, Engineering, Training	The Coventry-based Manufacturing Technology Centre has loaned two of its MiR200 mobile robots to support the production of life-saving Continuous Positive Airway Pressure (CPAP) devices by Mercedes-AMG High Performance Powertrains: <a href="#">Information here</a>



NEW INVESTMENT OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
Fire Angel Safety Technology Group	Coventry	Manufacturing, Safety Technologies	A Coventry-based smoke alarm and carbon monoxide detector manufacturer has said its performance during the first quarter of 2020 was "close to the board's expectations." Fire Angel Safety Technology Group added that its results for the second half of the year are forecast to be at a higher margin than the first and, therefore, the timing of the Covid-19 pandemic is expected to have a "more limited impact" on its performance than might have been the case later in 2020: <a href="#">Information here</a>
Coventry Rugby Club	Coventry	Leisure and Sport	Championship club Coventry Rugby have passed their initial fundraising target of £30,000 to help them "bridge the financial chasm" caused by the coronavirus pandemic and honour its payments to local companies and suppliers: <a href="#">Information here</a>
Häfele Group	Rugby	Manufacturing	The UK arm of manufacturer and supplier of furniture fittings and architectural hardware Häfele Group has hailed its performance despite describing 2019 as a "challenging year". <a href="#">Information here</a>
JLR	National	Manufacturing, Engineering, Automotive	Jaguar Land Rover is scaling up production of its protective face visors in a continued effort to support the fight against coronavirus. New tooling, developed by Sutton Coldfield-based WHS Plastics, will produce a further 14,000 visors each week for key workers across the UK: <a href="#">Information here</a>

Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application

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City-Region Economic Development Institute

**In partnership with:**

