West Midlands
Weekly Economic Impact Monitor

WM REDI CITY REDI

Issue 40 Publication Date 8/01/21

This monitor aims to pull together information across regional partners to understand the impacts of Covid-19 on the economy. 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.

As 2021 begins, the world is faced with promise and peril according to Deloitte. They note that on the positive side, the distribution of vaccines is under way, offering the promise that, sometime later in the year, the negative impact of the virus could ultimately abate. On the negative side, they highlight the virus continues to threaten economic stability, especially in those parts of the world where the outbreak has not been controlled. This is true in the United States and the United Kingdom and threatens to be a problem elsewhere as the new strains of the virus spread further. The challenge for policymakers will be to stifle the current outbreak, protect those who are disrupted by the outbreak, and speed up distribution of the vaccine.

- In the most recent week, the percentage of people testing positive for the coronavirus (COVID-19) in England has continued to increase; during the most recent week (12 to 18 December 2020), ONS estimate 645,800 people had the coronavirus. More recent data on testing is showing a rate of 640.89 per 100,000, considerably up from before Christmas. University Hospitals Birmingham NHS Foundation Trust has been in the top five hospitals nationally, throughout most of December for hospital admissions.
- Weekly deaths in the WMCA area have risen to 244 in the week commencing 18th December and the infections and share of deaths are increasing in younger age groups.
- England and Scotland have entered a national lockdown with legal 'stay at home' instrucitons. Daily virus cases in the UK have soared, setting a new record: 1 in 30 Londoners is estimated to have the virus. The country's death toll stood at 76,423, after fatalities overtook Italy's in recent days. Infection cases across the region has increased by over 50% over the Christmas period
- Around 8 in 10 (78%) adults reported they would be either very likely or fairly likely to have the COVID-19 vaccine if offered and the proportion reporting this increased with age.
- In the EU Deloitte note that "the fourth quarter outbreak of the virus on the European continent quickly abated due to the imposition of economic restrictions as well people staying at home
- BREXIT was already impacting and slowing the economy pre-Covid and as a result some markets were underperforming mid-term averages. Generally those analysts previously reporting a "short sharp shock" and then recovery, have extended their time horizons.
- China's economic growth continues at a healthy pace. Consumer spending has been boosted by confidence that the virus is under control.
- Emerging markets have experienced a range of economic outcomes during the pandemic, but the common denominator has been a sudden temporary collapse in economic activity followed by a rise in debt.
- Meanwhile, global food prices have risen sharply in recent months, potentially creating economic and social stress.
- Of all businesses, excluding those who have permanently ceased trading, 11% of their workforce are on furlough leave, down from 16% in the prior wave. 78% of businesses had been trading for more than the last two weeks (an increase from 76% in Wave 19 of the ONS survey), 7% of businesses had started trading within the last two weeks after a pause in trading (an increase from 5% in Wave 19), 3% of businesses had paused trading but intend to restart in the next two weeks (a decrease from 7% in Wave 19), 10% of businesses had paused trading and do not intend to restart in the next two weeks and 3% of businesses had permanently ceased trading.
- In the week ending 20th December 2020, the seven-day average number of daily cargo ship visits in the UK increased to the highest levels since June 2020 at 111 visits. The increase in cargo ship visits occurred at several major UK ports including: Grimsby and Immingham, Southampton, Felixstowe, Tees and Hartlepool, and Holyhead.

The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

West Midlands Combined Authority UKRI Research England

- On Tuesday 1st December 2020, the number of seated diners in restaurants was around 4% of its total on the same day of the corresponding week in 2019. On Saturday 12th December, seated UK diners increased to around 84% of their level last year.
- It is estimated that there will be around 11% more new referrals to mental health services, each year for the next three years; and associated costs amount to an extra £1 billion a year. This is around 8% of annual NHS expenditure on mental health services. 500,000 people were not able to access services during the first national lockdown.

Brexit Impacts

- **Delays at border crossings** and reduced freedom of movement – increased costs, reduced flexibility and reduced profitability for haulage industry, retail and manufacturers. Potential impact on retail prices.
- **Tariffs** – could be payable where Rules of Origin not met or in the case of UK breach of level playing field conditions.
    - Important medium term consideration for manufacturing firms and supply chains and global investors. Particular concern is UK position on electric cars and battery manufacture.
    - Immediate concern for processed food exporters.
- **Lack of mutual recognition** – of standards and certification – increased costs in assessments or even dual production processes, e.g. sanitary and phytosanitary certification, chemicals, professional qualifications.
- **Data flows** – agreement still needed – could undermine manufacturing operations as well as services.
- **Financial services** – equivalence and "passporting" not yet addressed – potential impact on the industry.
- **Services** – restrictions on trade.

Lockdown Impacts

- Based on a sector methodology, a total of 417,845 businesses currently have to temporarily close, or not open as usual, in England due to COVD-19 restrictions. This is slightly lower than widely reported estimates of 550,000.
- In the WMCA 3-LEP area, comprising Black Country LEP (BCLEP), Coventry & Warwickshire LEP (CWLEP) and Greater Birmingham and Solihull LEP (GBSLEP), it is estimated that over 25,000 businesses are temporarily closed due to restrictions. This is an estimation, but the figure is very likely to be at least 20,000 and possibly above 30,000. Across the wider West Midlands region, 40,000 closures are estimated. Around 10,000 of closures in the WMCA are non-essential shops. Retail is the hardest hit sector in terms of business counts across all areas, but the restrictions are clearly causing temporary closures widely across the economy.

Property Market

- Different sectors in the real estate market have reacted to the pandemic at startlingly different speeds – some unpredictably.
- The impact of Government support measures has provided relief for some sectors but it remains to be seen whether they have slowed the pace of change with inevitable falls in the mid-term, or whether for some, the extent of the potential trough has been avoided altogether.
- Investment activity during the first lockdown was at approximately 50% of the 5 year average but returned to c.80% in September and October, providing some transactional evidence to inform a views.
- Generally UK Land Values have not exhibited signs of falling to date, however they are traditionally both slow to respond and falls in capital values are amplified for sites.
- Construction costs have remained broadly the same with marginal labour price falls matched by materials price increases. Housebuilding is keeping construction volumes and therefore prices aloft.
- Contrary to expectations house prices have increased. Whilst more data is required, emerging evidence suggests this is driven by sales in affluent areas, which are substantially above the 5-year average and mask substantial declines for the less well off.
- Stamp Duty removal, low Bank of England Base Rate, increased savings for the affluent and changing lifestyles are primary drivers. A fall in prices may yet occur as the impact of these stimuli abates.
- There is a suggestion that the domestic market for Private Rented Sector investment is still strong and Birmingham is well positioned.
- Leisure and Retail have been the worst performing sectors with capital declines exceeding those in the financial crisis.
- In retail, the only bright spot is Food Stores, which have retained value. Retail Warehousing has been semi-insulated from the steep falls in value.

- On-line retail is negatively impacting Retail property but bolstering demand for Distribution space, with the West Midlands well positioned for the latter.
- Industrial and Distribution values have increased marginally. Investor demand remains good, buoyed by e-commerce demand and potentially a need to redistribute funds to a performing real estate sector.
- In the Office sector, lease structures and a “wait and see” attitude amongst office occupiers have meant that forecasting impact is still difficult, with little transactional evidence.
- Indications of “corporate thought” would imply that prime office locations and product will retain values whilst secondary and tertiary could be dramatically impacted.
- Serviced Offices are particularly the subject of debate, with a negative impact of homeworking and the potential for a positive push from the need for more corporate flexibility.

Global, National and Regional Outlook

Ben Brittain, WMREDI; Rebecca Riley WMCA/WMREDI

Global

As 2021 begins, the world is faced with promise and peril according to Deloitte. They note that on the positive side, the distribution of vaccines is under way, offering the promise that, sometime later in the year, the negative impact of the virus could ultimately abate. On the negative side, they highlight the virus continues to threaten economic stability, especially in those parts of the world where the outbreak has not been controlled. This is true in the United States and the United Kingdom and threatens to be a problem elsewhere as the new strains of the virus spread further. The challenge for policymakers will be to stifle the current outbreak, protect those who are disrupted by the outbreak, and speed up distribution of the vaccine.

Russian oil producers are set to get a boost. Saudi Arabia will unilaterally cut its crude oil production by a million barrels a day during February and March, in an OPEC+ deal that will permit Russia to increase its current output. The concession sent Brent futures almost 5% higher by day-end.

Following the news, European energy shares outperformed all other sectors and rose the most since late November. This same week, a Saudi-led bloc of Arab states agreed to restore ties with Qatar, following a sustained U.S. push for the region to unite against Iran, especially considering the Gulf nation's announcement of its restoring uranium enrichment.

Outgoing US President Donald Trump signed an order banning transactions with eight Chinese software apps including Ant Group's Alipay in 45 days. The order is the outgoing administration's latest bid to use national security powers against China's largest technology companies, before the President leaves office. According to Deloitte the US economy clearly weakened toward the end of 2020. Personal income and consumer spending both declined in November and some measures of housing activity weakened after many months of stellar performance. The weakness likely resulted from the impact of the massive surge in the virus. Although the number of new infections began to abate toward the end of December, public health officials worry that the increase in holiday travel in late December will result in yet another surge in infections in early January. Meanwhile, the US Congress finally passed and the president signed a spending package of about US$900 billion. It includes extended unemployment insurance, cash for households and businesses, and money for education and medical care.

Bitcoin has spiralled to $34,000 just a day after smashing through the $30,000 level this weekend, extending an eye-popping rally as other cryptocurrencies also gather momentum. Ethereum has risen above $1,000 this week. There are suggestions that Bitcoin is muscling in on gold as a hedge against U.S. dollar weakness and inflation risk.

In the EU Deloitte note that "the fourth quarter outbreak of the virus on the European continent quickly abated due to the imposition of economic restrictions as well as reduced consumer mobility through lockdown restrictions. In addition, many governments in the European Union extended support for the labour market well into 2021, thereby averting further economic distress. The result is likely to be a strong upturn in growth in the first quarter of 2021 after a likely decline in activity in the last quarter of 2020. Moreover, vaccine distribution is underway, thereby setting the stage for a significant acceleration in growth later in the year".

Germany extended and tightened its lockdown, limiting travel to 15 kilometers for those living in worst-affected areas and restricting private gatherings.

A WHO team trying to enter China to investigate the virus's origins has been delayed by visa issues, sparking speculation that China is trying to block any formal investigation in to the virus's origins. China's economic growth continues at a healthy pace. Consumer spending has been boosted by confidence that the virus is under control. Fixed asset investment has been helped by substantial funding for state-owned enterprises as well as regional governments. And exports have performed well, in part owing to China's global competitiveness in technologies for which demand has accelerated during the pandemic. This includes personal protective equipment (PPE) and technologies used for remote interaction. Yet the strength of China's economy has come with a cost in terms of rising debt. Moreover, the government is evidently keen to avoid the kinds of financial pitfalls that often emerge when credit creation is excessive

Emerging markets have experienced a range of economic outcomes during the pandemic, but the common denominator has been a sudden temporary collapse in economic activity followed by a rise in debt. Although many emerging countries are now growing rapidly, the ability to fully recover from this situation will depend on many factors, not the least of which will be the speed at which vaccines are distributed in poorer countries. Even in the best of circumstances, many countries will remain laden with debts that could stymie growth and create financial vulnerabilities.

Meanwhile, global food prices have risen sharply in recent months, potentially creating economic and social stress. The prices of wheat and soybeans are now the highest they have been since 2014. In the past, sharp swings in food prices often led to politically destabilizing mass protests or a sharp rise in unsustainable government debt when governments attempt to subsidize food costs for consumers.

National

Brexit (*contributions from Tony Smith WMCA/BCC*)

Under the circumstances the UK-EU FTA, reached during a pandemic, to a tight timetable and with, at times, what seemed to be irreconcilable differences, is an achievement and is generally good news for the economy as it brings clarity and for business and a better outcome than operating under World Trade Rules. It is one of the biggest trade deals ever done and agreed in record time, but it isn't as big as the Single Market. No deal would have led to sterling falling and inflationary rises. The announcement of the deal led to a jump from 24% to 37%, the largest yet, in the proportion of voters who think the UK is handling Brexit well. Professor Anand Menon of King's College put it, "On the spectrum of hard to soft Brexit, this agreement is located very much at the former end". Leaving the single market and customs union and ending free movement introduces new frictions and costs in economic relations with the EU. This will not end debate on the future UK-EU relationship – it provides a framework for further negotiation in the future.

The Brexit deal has been agreed and contains new rules for how the UK and EU will live, work and trade together. Whilst the UK was in the EU, companies could buy and sell goods and there were no limits on the amount, under the terms of the deal this won't change. However there are agreements now in place to ensure neither side has an unfair advantage. This includes shared rules and standards on worker's rights and social and environmental regulations.

Mr Johnson likened the final deal to the "Canada plus plus" arrangement Brexiteers had wanted all along because it will have the benefits of the deal the EU struck with Canada but without any of the quotas or tariffs imposed on some Canadian goods.

Deloitte highlight that the deal allows trade in goods between the United Kingdom and the EU to take place without tariffs or quotas. However, trade will now involve bureaucracy and border controls, adding costs and reducing speed. Service trade, however, remains subject to potentially restrictive rules. Meanwhile, the United Kingdom has exited the single market and the customs union. The single market, which encompasses the EU as well as Norway and Iceland, means free movement of not only goods and services but also people and capital. It also means common rules applied to certain industries and activities. The customs union means barrier free trade and a common external tariff with respect to other countries. The United Kingdom chose to exit both agreements in order to restrict and control migration, implement its own internal regulations, and make trade agreements with non-EU countries, such as Japan and the United States. The passage of a deal is a relief to many observers who worried that a no-deal Brexit would have been catastrophic. Still, the British government's own Office of Budget Responsibility (OBR) says that in the long run, the current deal will reduce real GDP by 4% versus if the United Kingdom had stayed in the EU. The OBR said that a no-deal Brexit would have reduced real GDP by 6%. Meanwhile, the latest spread of COVID-19 is already disrupting trade. This will make it difficult to discern the true impact of Brexit.

Key features of the deal:

- Impacts of leaving the single market and common market will still apply and core lines were protected for both sides - Single Market integrity for EU; Avoidance of EU legal oversight for UK (except NI); Lots of compromise on Level Playing Field (LPF) and future alignment on standards
- BUT: it falls short of UK aspirations in many areas and much still left to be negotiated - Mutual recognition and conformity; Equivalence of standards; Service sector and financial services; Data sharing provisions still to be negotiated
- Some restrictions on mobility, but recognition of health and social security
- Energy and nuclear co-operation continues but new deals to be done

- Alignment - Freedom for UK to introduce its own State Aid rules, but now needs to set them out and agree them; Commitment to maintain labour, social and environmental standards – but with strong enforcement and "rebalancing" system
- Widespread concerns on the future sustainability of the deal: Complexity of different regulations; Northern Ireland position; Many negotiations still to come
- Freedom to work and live between the UK and the EU also comes to an end, and in 2021, UK nationals will need a visa if they want to stay in the EU more than 90 days in a 180-day period
- Northern Ireland will continue to follow many of the EU's rules in order to avoid a hardening of its border with the Republic of Ireland. This will mean however that new checks will be introduced on goods entering Northern Ireland from the rest of the UK
- Before Brexit, the UK was automatically part of any trade deal the EU reached with other countries. When the UK left, the EU had about 40 trade deals covering more than 70 countries. So far the UK has made deals to continue trading in the same way with 60 of these countries.
- But the fact that Britain left the arrangement on Jan 1st means there will be more friction for businesses, which will face more paperwork when exporting goods, and customs checks. Import and Export procedures are still in place. This was always going to be the case and involves a big shift in paperwork and processes for those business who have previously only been involved with Intra-EU trade
- Under a Free Trade agreement Customs Duty tariffs will be reduced to 0% for goods originating in the UK and EU.
- Origin status will be the hot topic in 2021. The rules of origin will be critical to the tariff free movement of goods. Unlike a Customs Union, a free trade deal is a bilateral agreement which only allows tariff free movement of goods which are produced in either the UK or EU. There are rules relating to status being determined by the percentage of UK or EU content. For goods manufactured in the UK/EU they must meet the rules of origin laid out in the FTA. Exporters meeting the origin rules will need to obtain a preference certificate to ensure that 0% tariffs apply. See below about Approved Exporter Status and certificates.

Tariffs will no longer apply to most goods, however, Rules of Origin may well mean tariffs on goods with non-EU ingredients/parts – e.g. food, machinery – though these are phased in.

Risks

- Agreements which will reduce friction:
    - Use of simplified forms
    - Some businesses will benefit from trusted trader schemes
    - No requirement for new permits or licenses for truckers
- But new documents and processes needed
    - No agreement of phasing on EU side – will apply from 1/1/21 – UK will phase inbound checks
    - Customs declarations – estimated £15bn annual cost for UK as a whole
    - Gaps in agreement on mutual recognition mean dual assessment needed for EU and UK markets
- Business readiness – surveys show low readiness in SMEs, partly due to lack of clarity on the deal until now
- Government/systems readiness – concerns about:
    - GVMS system for checking customs at border points was still being tested on 9 December
    - Construction not yet started on border control points needed for imports by July
    - Operation Brock - Infrastructure for managing lorry traffic – C19 "test" highlighted concerns, advice systems not ready
    - Shortage of staff in HMRC and border force, vets and EHOs
    - Shortage of customs agents

Impacts

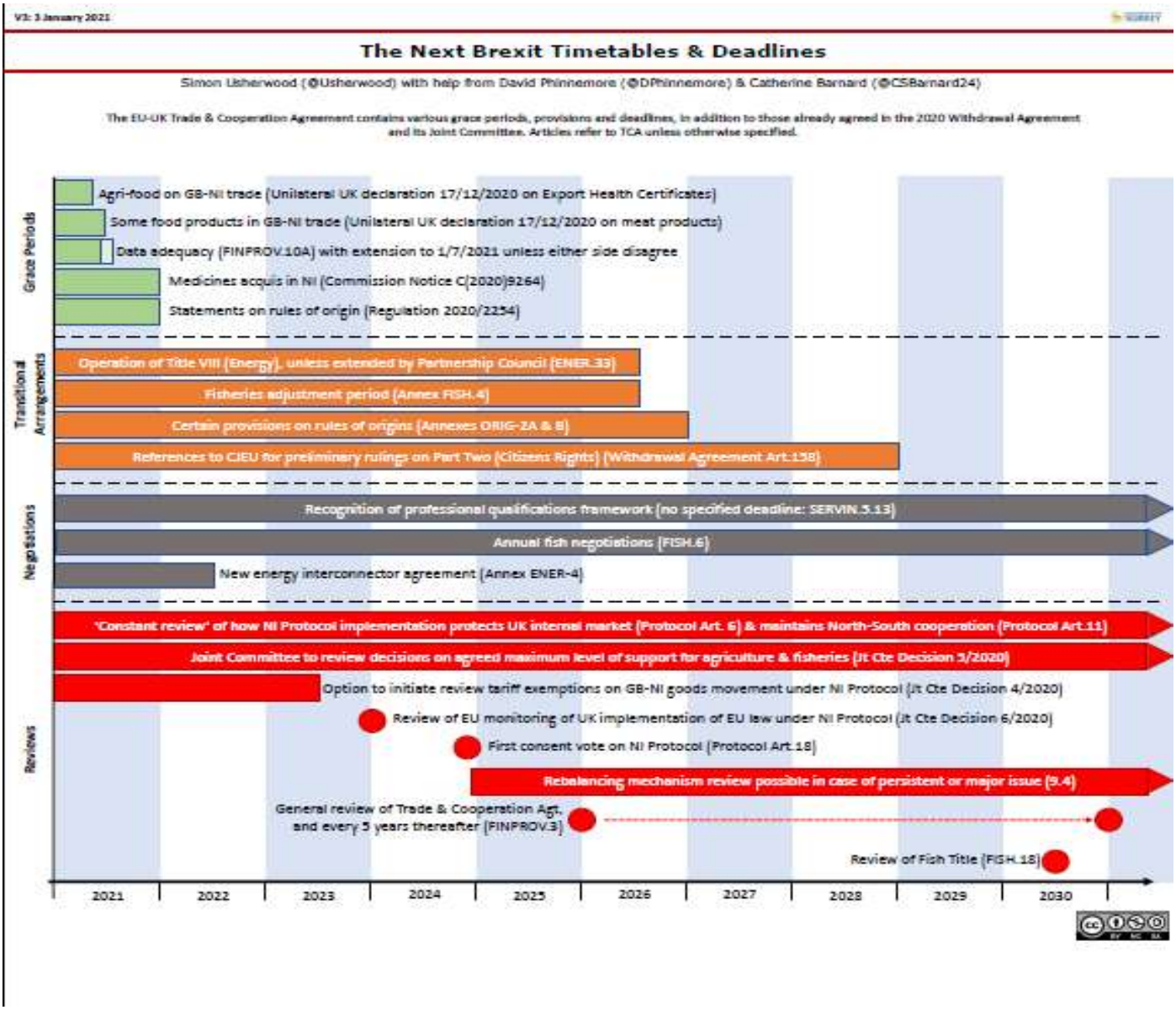
- Delays at the border - businesses focused mainly on trading with the EU will be worst affected – costs - but ALL businesses with some import/export will be affected by delays
- Potential 60-80% reduction in flow at ports – several days delay
- Impacts include customs declarations, certification costs, audits for rules of origin requirements, border delays disrupting just-in-time systems, EU customers switching to other suppliers, visa costs for EU workers etc.
- Some businesses have stockpiled (e.g. supermarkets, automotive) – but only temporary; doesn't help with just in time and many businesses also impacted by COVID shortages
- Businesses not prepared for change are most vulnerable – customs agents may not be available
- Changes in provision of services and lack of recognition of professional qualifications in short term
- Lowest readiness is in smaller firms – but this could impact on supply chains of larger firms

- Communications to keep those not prepared away from the border will be critical
- Firms will experience cash flow problems and potentially legal action if unaware of new requirements

Summary of Impacts

- **Delays at border crossings** and reduced freedom of movement – increased costs, reduced flexibility and reduced profitability for haulage industry, retail and manufacturers. Potential impact on retail prices
- **Tariffs** – could be payable where Rules of Origin not met or in the case of UK breach of level playing field conditions.
    - Important medium term consideration for manufacturing firms and supply chains and global investors. Particular concern is UK position on electric cars and battery manufacture.
    - Immediate concern for processed food exporters
- **Lack of mutual recognition** – of standards and certification – increased costs in assessments or even dual production processes, e.g. sanitary and phytosanitary certification, chemicals, professional qualifications
- **Data flows** – agreement still needed – could undermine manufacturing operations as well as services
- **Financial services** – equivalence and "passporting" not yet addressed – potential impact on the industry
- **Services** – restrictions on trade

Future Timetable



Lockdown

England and Scotland have entered a national lockdown with legal 'stay at home' instrucitons. Daily virus cases in the U.K. have soared, set a new record, as 1 in 30 Londoners is estimated to have the virus. The country's death toll stood at 77,346 after fatalities overtook Italy's in recent days.

U.K. Prime Minister Boris Johnson warned of hard weeks ahead as he announced a plan to vaccinate 13.9 million people at highest risk from the virus by mid-February, before restrictions can be eased again. The UK government is also set to publish daily vaccination data from Monday.

Regional

Infection cases across the region has increased by over 50%. Further details are provided below. The following wards have the highest infection rates in the region:

Tibbington -1,114
Low Hill - 1,058
Lozells East - 977
Friar Park - 970
Greets Green West - 968
Castlecroft - 963
Compton & Merryhill North – 961
Wednesfield North East - 946
Yardley Wood East - 894
Wednesbury South - 894
Wood End - 883
Wednesfield Town - 876
Merryhill South - 859
Handsworth Wood - 856
Darlaston West - 838
Great Barr - 833
Hall Green East - 833
Goldthorn Park - 834
Tettenhall North - 828
Brandhall - 828
138216277814
Wall Heath - 820
Short Heath West- 813
West Heath - 807

Mental Health

Early in the Covid pandemic, it became clear that people's mental health would suffer. Whether through bereavement, unemployment, social isolation, not being able to access support services – or a host of other routes – an alarming picture began to emerge and attract attention.

The detail of this picture has become progressively clearer. Press reports, population surveys, stories from service users and staff; evidence has emerged and accumulated. We are gaining an increasingly refined understanding of exactly how bad the pandemic has been for the nation's mental health.

Against this background – and as part of a national analytical collaboration – the Midlands and Lancashire NHS Strategy Unit has produced a model to help local services plan their response. Using this model, they estimate that:

- There will be around 11% more new referrals to mental health services, each year for the next three years; and
- Associated costs amount to an extra £1 billion a year. This is around 8% of annual NHS expenditure on mental health services.

Moreover, these figures are in addition to the approximately 500,000 people that were not able to access services during the first national lockdown. These headline results are shocking. They are useful for seeing the scale of coming demand and for attracting appropriate attention.

BREXIT DEAL: what is new for the regions?

Professor Raquel Ortega-Argiles, WMREDI

On 24 December 2020, the UK and EU agreed on a new Trade and Cooperation Agreement to govern the future trading and security relationship now that the UK has left the EU (IFG).

The Trade and Cooperation Agreement is made up of three pillars (IFG 2021a):

- "A free trade agreement covers the economic and social partnership, including transport, energy and mobility."
- "A framework for cooperation between law enforcement and judicial authorities across civil and criminal matters."
- "An overarching governance arrangement which will allow for cross-retaliation across different economic areas" (IFG 2021a)

The 1,200-page text was accompanied by some joint declarations and commitments including different degrees of cooperation or mutual recognition for manufacturing and trade in goods (2021b), for financial services (IFG 2021c), industrial subsidies and state aid (IFG 2021d), energy and climate change policies (IFG 2021e), law enforcement (IFG 2021f), participation in EU programmes (2021f,g), as well as an agreement on the exchange of intellectual property rights, data and classified information (IFG 2021h). Other areas of agreement relate to transport, mobility, fisheries and governance (IFG 2021a).

In terms of trade, there will be new arrangements for goods and services in which new rules of origin will be applied, relating to the amount of local content associated with producing a good. In order to avoid tariffs and quotas, many areas of manufacturing and food production and trade will benefit from cumulation agreements, whereby EU and UK production content can be combined to meet rules of origin thresholds, but these will differ between sectors, and not all products will be compliant (IGF 2021b). There will be a series of qualifications linked to each good, and the goods will qualify for being or not exempt from paying tariffs or be submitted to quotas. For example, electric vehicles will be tariff-free if they contain at least 40% originating content until the end of 2023 and at least 45% until the end of 2026. Similarly, geographical indications, the names used to define both the origin and the reputational quality of products, such as the Welsh lamb, will continue to be protected (IFG 2021b).

There are different degrees of alignment and agreement in each of the areas covered by the agreement. Where the UK and the EU may diverge overtime on certain issues, such as on state aid or labour, social or environmental standards, there are the provisions which allow for negotiation, in some cases for arbitration, and ultimately for retaliation, and these provisions differ sectorally or according to the issue.

Overall the UK and EU will still remain more aligned with each other on many of these issues than either the UK or the EU are with third-party countries. As such, while the agreement falls far short of Single Market membership, in general, it still represents a more comprehensive agreement than the EU has with other third-party countries.

Although the UK had initially wanted some areas to be covered by separate agreements, such as fisheries, energy and security, there will in future be just one agreement covering the future relationship between the UK and the EU. It will also be supplemented by both sides' unilateral decisions, including on financial services equivalence and data adequacy.

In terms of UK regions, the main issue concerns the medium- and long-run perspectives of business regarding the likelihood of the scale and the nature of any future divergence on standards regarding state aid or labour, social or environmental standards, and any areas where the future relations are still open to evolution, or changing circumstances. The UK regions which are most dependent on EU markets are also those which are also most exposed and vulnerable to these risks (Chen et al. 2018), especially if complex global value-chains connect them. If investors fear that future divergence is likely and potentially could also trigger retaliatory actions, then business confidence will be weakened in those sectors and regions. This effect appears more likely in regions which are the most dependent on EU markets. Indeed, the exposure of individual regions to Brexit means that the details of the final agreed deal

would in reality have few implications for the impacts of Brexit for many sectors and places, implications which are primarily due to Brexit itself, and this is especially so for the weaker regions of the UK (Thissen et al. 2020).

References

Chen, W., Los, B., McCann, P., Ortega-Argilés, R., Thissen, M., and van Oort, F., 2018, "The Continental Divide? Economic Exposure to Brexit in Regions and Countries on Both Sides of the Channel", *Papers in Regional Science*, 97.1, 25-54,

Institute for Government, 2021a, *UK-EU Future Relationship: The Deal*, See: https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal

Institute for Government, 2021b, *UK-EU Future* Relationship: Goods, See https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/goods

Institute for Government, 2021c, *UK-EU Future Relationship: Services*, See: https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/services

Institute for Government, 2021c, *UK-EU Future Relationship: Intellectual Property, Procurement and Data,* See: https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/ip-rights-procurement

Institute for Government, 2021d, *UK-EU Future Relationship: Level Playing Field*, See: https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/level-playing-field

Institute for Government, 2021e, *UK-EU Future Relationship: Energy, See:* https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/energy

Institute for Government, 2021e, *UK-EU Future Relationship: Law and Justice*, See: https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/law-justice

Institute for Government, 2021g, *UK-EU Future Relationship: EU Programmes, See:* https://www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/eu-programmes

Thissen, M., van Oort, F., McCann, P., Ortega-Argilés, R., and Husby, T., 2021, "The Implications of Brexit for UK and EU Regional Competitiveness", 2021, *Economic Geography*, doi: 10.1080/00130095.2020.1820862

Temporary Business Closures due to third UK National Lockdown

BCCEIU

This analysis estimates the number of businesses that are forced to close or not operate as normal as a result of current national COVID-19 restrictions – inclusive of the third national lockdown announced on January 4th 2021.

Data is provided for the three Local Enterprise Partnerships (LEPs) that form the West Midlands Combined Authority (WMCA) area and compared with regional and national figures. It should be noted that, due to information and data limitations, the findings provide an estimate of the situation rather than precise figures.

Table 1 below demonstrates the business activities that are mandated to close1 by the restrictions and an estimated number of businesses that are affected within each across a range of geographies.2

Table 1: Estimated number of Temporary Business Closures due to COVID-19 Restrictions

Estimated No. of Temporary Closures by Business Activity	BCLEP	CWLEP	GBSLEP	WMCA-3LEP	WM Region	England
TOTAL BUSINESSES	34,360	38,355	78,920	151,635	221,910	2,390,970
TOTAL BUSINESSES MANDATED TO CLOSE/UNABLE TO OPERATE AS NORMAL	7,045	6,460	13,400	26,905	39,465	417,845
NON-ESSENTIAL SHOPS	2,740	2,300	4,880	9,920	14,010	137,545
PUBS & BARS	570	555	805	1,930	3,360	31,600
RESTAURANTS	1,625	1,190	2,995	5,810	8,140	88,855
PERSONAL CARE (HAIRDRESSERS ETC)	1,070	905	1,985	3,960	5,900	58,750
GYMS & LEISURE FACILITIES	175	255	365	795	1,285	14,385
ACCOMODATION & TOURISM	85	250	340	675	1,180	16,900
ARTS & ENTERTAINMENT	140	225	395	760	1,145	21,415
EDUCATION FACILITIES (INC. SCHOOLS**3**)	640	780	1,635	3,055	4,445	48,395
BUSINESSES CLOSED AS A % OF ALL BUSINESSES	20.5%	16.8%	17.0%	17.7%	17.8%	17.5%

- Based on a sector methodology, a total of 417,845 businesses currently have to temporarily close, or not open as usual, in England due to COVD-19 restrictions. This is slightly lower than widely reported estimates of 550,000.4

- In the WMCA 3-LEP area, comprising Black Country LEP (BCLEP), Coventry & Warwickshire LEP (CWLEP) and Greater Birmingham and Solihull LEP (GBSLEP), it is estimated that over 25,000 businesses are temporarily closed due to restrictions. This is an estimation, but the figure is very likely to be at least 20,000 and possibly above 30,000. Across the wider West Midlands region, 40,000 closures are estimated.

- Around 10,000 of closures in the WMCA are non-essential shops, the most common business activity affected. Following this, the area's almost 6,000 restaurants, 2,000 pubs and bars and 4,000 personal care service facilities (including hairdressers and nail salons) have been forced to close.

[1] In this analysis, "closure" is defined by the inability to open as normal; it is noted that many businesses in the business activity categories will operate - for example through online/click and collect.
[2] The business activity categories have been developed via sector definitions through 5-digit Standard Industrial Classification ('SIC') codes, assessing the ability for businesses in each industrial classification to open as normal. The resulting business activities are deemed to reasonably reflect all sectors that must close because of the restrictions, but do not reflect all individual businesses attached to the activities and SIC codes.
[3] While the majority of schools are not businesses, they are included within education facilities also to demonstrate the scale of closures in this sector.
[4] Analysis from Altus Group showed that almost 550,000 businesses will be forced to shutter under the nationwide lockdown, including more than 400,000 non-essential shops and 37,000 pubs.

- The data suggests that almost 20% of all businesses in the WMCA will now be temporarily closed by the latest restrictions. This is in line with estimates at the West Midlands region and national level.

- BCLEP reports the highest number of businesses closed as a percentage of total businesses – 20.5% - with over 7,000 businesses expected to be temporarily closed. CWLEP has the lowest – 16.8% - accounting for 6,460 closures while GBSLEP's 13,400 closures represents 16.8% of all local businesses.

- Retail is the hardest hit sector in terms of business counts across all areas, but the restrictions are clearly causing temporary closures widely across the economy. Also, the data provided does not take into account the damaging impact restrictions continue to have on businesses in wider sectors and the economy in general.

- While it is acknowledged that many businesses within these activities will continue to trade through restrictions (e.g., online/through click and collect), the data confirms the damaging effect of restrictions – amounting to around a fifth of local and national businesses being unable to trade at all or way below normal expectations.

Source: Black Country EIU Analysis of ONS UK Business Counts (2020)5

[5] ONS UK Business Counts data reflects The UK Business: activity, size and location dataset released in September 2020, providing a snapshot of the of the Inter-Departmental Business Register (IDBR) taken in March 2020. The dataset provides business count data by local authority and LEP across 5-digit SIC codes, allowing for sector analysis across geographies. Please note, as the latest data reflects 2019-2020, the impacts from Coronavirus on business counts will is not captured.

The Property Market and Covid19

Ian Martin WMCA

(Please note this is a report prepared for the WMCA Investment Board and is an update of a report prepared at the start of the pandemic which featured in an earlier monitor)

It is worth considering that the UK economy had already slowed pre-pandemic towards the end of 2019 in line with world economies. BREXIT is still a potential shock to be absorbed.

Whilst we knew in April that there were Central Government and Bank of England (BoE) measures were to be instigated to provide some relief to soften the immediate impact of Covid, the measures have subsequently been extended and new ones added. The furlough scheme alone, is protecting 9 million jobs and has been extended to the Spring 2021. Self-employed people have received £13bn in support. The Government state that there has been £200bn of support so far, in addition to the BoE measures of Quantitative Easing and lowering the Base Rate.

The measures have meant that there has been a softening of the economic impact to date and the economic growth in July-September means we are technically no longer in recession. This is despite the fact that the UK economy is still c.9% smaller than pre-Covid.

With businesses disrupted and the underlying economic situation, it is a surprise that real estate markets have not reacted more dramatically than they have across the board. It remains to be seen what will happen and when. We are not yet "out of the woods".

In April 2020, analysts were either sitting on the fence, advocating "Scenario planning" (JLL) or forecasting a "short sharp shock" followed by swift recovery in 2021 (CBRE and Colliers). Generally there is still a lack of firm predictions or analysts have extended the date by which recovery will be achieved. Generally the situation has been worse than they expected. The general silence could be read as either uncertainty, or the thought that we are likely to be performing at sub-2019 levels for a number of years.

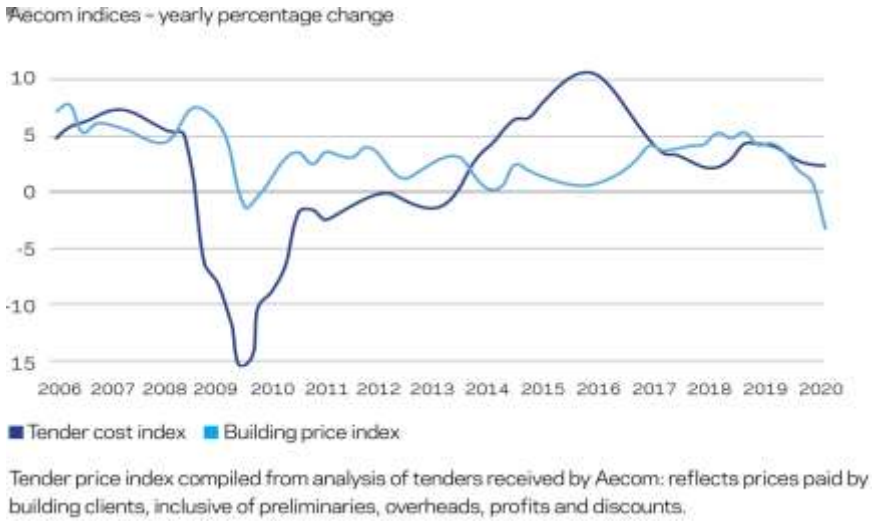
Property Market in General

There is cause to remain concerned about land values for undeveloped sites. Land prices are highly susceptible to falling values. Residual valuation methods mean that land value is effected to a greater degree than end values when sale prices decrease. In the last property market crash, values fell by more than 50% on many sites. We have not yet seen land transactions that would evidence lower values. When land values fall, land owners are reluctant to sell land as they expect the market to return – transaction volumes fall and therefore evidence is not obtainable. Savills Land Value index currently shows no significant movement in the last 6 months:

The industrial/distribution sector has performed well and is set to continue. Suburban residential and more rural locations have also defied gravity.

City centre locations may fair less well over the coming 12-24 months, especially retail or leisure locations non-prime office locations. The impact on residential apartment sites remains to be seen. Prime locations for offices are likely to retain value (see Office Sector below for rationale).

As forecast construction costs have remained broadly the same in the short term. Construction is labour intensive and wages have fallen. Materials prices have increased marginally. Despite this, contractors are pricing in risk and time delays due to changed working practices and material shortages. The previous report did not foresee that the housebuilding sector would continue with the volumes they are producing, and this has also kept construction activity reasonably high.

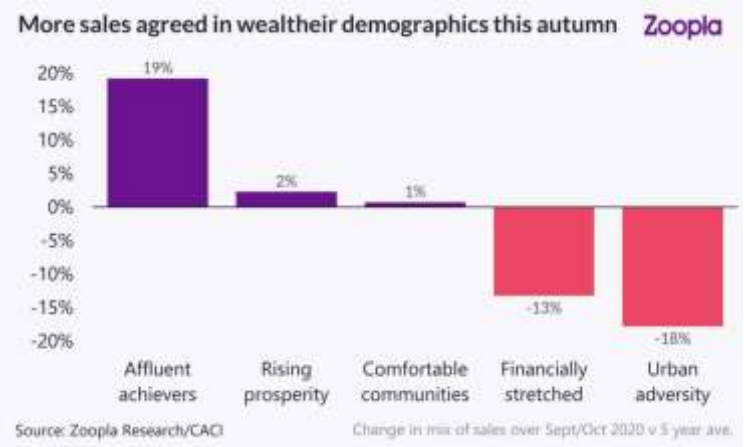


Residential Market

The residential market predictions (for general housing) made in April have largely not yet come to pass. Instead of the beginning of a decline in prices, the market overall has risen. The Halifax House Price Index saw a year in year growth of 7.5% and Zoopla reported UK growth of 3%, with the West Midlands growing by 3.1% in the year to September. This is the largest upswing since June 2016 and was largely experienced in the period post lockdown from June to October.

The number of buyers would also seem to be high, as indicated by mortgage approvals being at their highest levels since 2007, the year before the financial crash.

The headlines mask geographic and house type differences. The more wealthy have not been as dramatically effected by Covid to date and indeed have accumulated savings as some discretionary spend has been curtailed. This has meant the growth is being driven in more affluent areas.

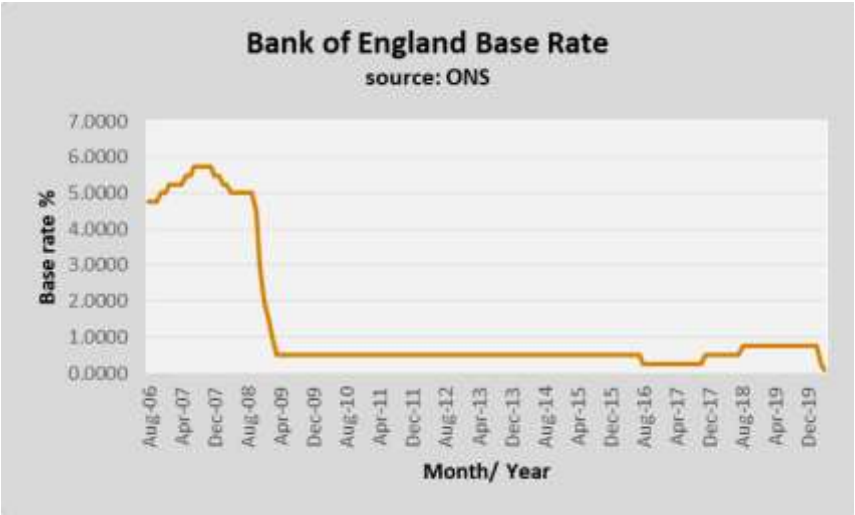


It is still not yet possible to estimate the extent and depth of the current crisis. It still seems a possibility that the fall in the market will be at least similar to that from the previous recession in 2008/9. As a guide, at a UK level the fall

in value was approx. 18% over 18 months and it took 5 years for recovery to pre-recession levels[6]. The UK figures are suppressed by including London, where price falls were less dramatic and recovery was quicker. The fall in average value for the West Midlands was felt quickly in the last recession. The market fell by 17.11% over 5 quarters and the market recovered to the previous high over 8.5 years[7].

Zoopla do note that the current pattern was experienced post 2008 and flag that 2021 is "uncertain". The price increase is largely due to an impact of the Stamp Duty removal (for sub £500,000 homes) and pent up demand outstripping supply in post lockdown.

Affordability has potentially increased, with a low Bank of England Base Rate of 0.1% (it was 5% falling to 0.5% in 2008 to 2009) and correspondingly low mortgage rates. The low BoE Rate as a protective measure though, not a stimulating one. Unlike in 2008 there is "nothing left in the tank" to stimulate the market with rate reductions, unless the Bank of England contemplates negative rates: a measure it has resisted to date.



However, large scale unemployment would impact the market and disruption towards the lower end of the market could impact throughout as the ability to "trade up" is reduced. This will take time to filter up.

The residential market is best considered as two sub-markets; houses and city centre apartments. Outside Birmingham City Centre, the West Midlands is generally not exposed to the city centre apartment market. However, some large schemes are in planning stages for Coventry.

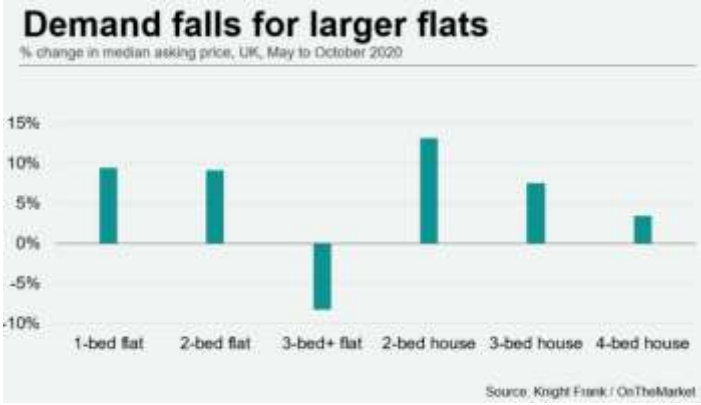
City Centre Apartments

Apartments are more exposed to the investor market than general housing. Short term lets and transient residents are features.

Data to establish price movements by residence type tends to come from the ONS. The latest data is to August 2020 and therefore a little historic. Sales prices had dropped 0.5% in contrast to the same period for all housing of +2.5%. Note though that the figures are only national at the moment and not necessarily applicable to the West Midlands. Avison Young have noted anecdotally that they do not believe apartment prices in Birmingham have reduced to date.

Whilst asking prices are only a guide and not "real data" they are indicative of trends. Occupiers are shunning larger apartments, whilst 2 bed terrace houses have the highest increases in asking prices. This would indicate that those able to afford a choice are prioritising outdoor space and/or suburban locations.

[6] CBRE Post Covid 19 report Mar 2020
[7] ONS Data downloaded and analysed Apr 2020

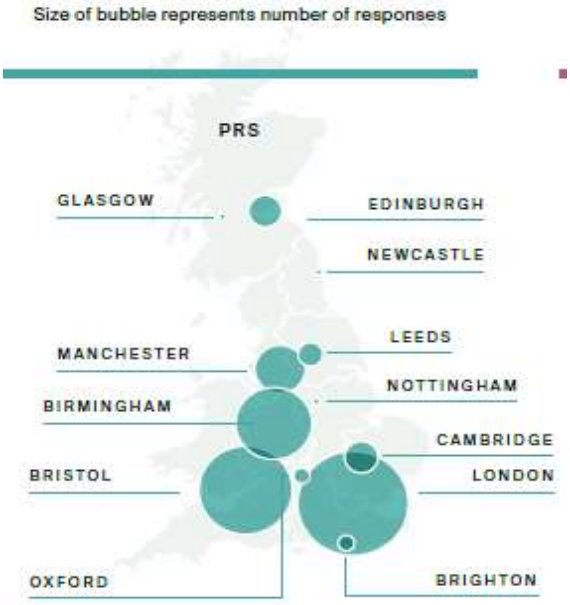


We had predicted that the "Stay at Home" instructions would cause people to re-evaluate their choice of living arrangements and this does seem to be driving choice by a move to suburban locations or the countryside. It is too early to see how apartment builders will respond through new design but we would still expect to see a mid-term change to facilitate lower density, more outside space and home working space.

For Open Market Sale, Developers rely heavily on foreign pre-sales. With exhibitions cancelled, this is causing a lull. Whilst we predicted a price fall, the 0.5% to August represents hardly any movement so far. I would maintain there is more to come.

Developers are likely to find funding difficult in the next year or two. Risk averse Investment Committees and Banks' Lending Appetite can be expected, leading to delays in schemes and some re-planned. It's too early to note more than anecdotal evidence at this stage.

Knight Frank's Residential market survey anticipates £4bn of Private Rented Sector acquisitions in 2021, with Birmingham seen as the 3rd "hottest" market for performance over the next 5 years.[8]



The Knight Frank report also predicted a rise from the current estimate of £41bn of current PRS Assets in 2020 to £75bn in 2025.

Institutional domestic investors in the Private Rented Sector had been frustrated in acquiring as rapidly as they would like. Sales to owner occupiers, or individual unit sales to the foreign investor buy-to-let market have priced them out. As predicted interest has remained and prices are now favourable for the domestic institutional investor.

[8] Residential Investment Survey 2020 – Knight Frank – Nov 2020

If the Knight Frank survey is correct, then for Apartments the Institutional PRS Investment may compensate for the decline in Open Market Sale. Development will continue in prime locations, potentially with only a small price adjustment.

General Housing

As predicted in April the lockdown would cause re-evaluation of what makes a good home. This occurred and will continue to influence moves, driving demand as homeworking becomes normal. It will be a particular feature of more affluent areas.

As predicted that there would be a fall in demand as unemployment rises, negatively impacting the owner occupier sector and higher end of the rental market. As noted, we have not yet experienced this, possibly due to financial support measures. There remains concerned for the 2021 period.

Larger housebuilders can weather a storm by slowing projects to meet demand if required. A sub-contracting model means that overheads for direct labour are much lower than in the past.

In April we felt that it was unlikely that larger housebuilders would contemplate significant land acquisitions, leading to a potential future hiatus in supply. This was partly as a result of market forecasts but also the ability to leverage their balance sheet. The value of these companies has surprisingly bounced back dramatically since April and for now this doesn't seem an issue.

Source: Harvey Lansdown (26/11/20) / Stock Market

Small housebuilders too are continuing to trade well it appears. Whilst many are exposed to high amounts of debt, sales are keeping pace with construction. However, Banks may be becoming more cautious when considering new business and this may curtail some activity.

For large and small housebuilders, the attitude and plan doesn't seem to have changed much. Sales continue, demand is reasonable and prices are increasing. The next 12 months will be interesting to watch. The economic backdrop cannot be ignored.

Leisure and Retail

The impact for leisure and retail property will be the most acutely felt and for a longer period than any other sector. Both the occupier and investor market will be impacted.

Food stores remain an exception and have performed well, however this is possibly due to the fact that on-line deliveries have been fully booked and the number of visits is not indicative of customer's preferences. There may be mid to long term consequences here also but this is generally being ignored by Investors who are happy to find a retail asset they can still invest in.

When all movement restrictions are revisited it may take longer for the majority of the public to feel safe visiting such places.

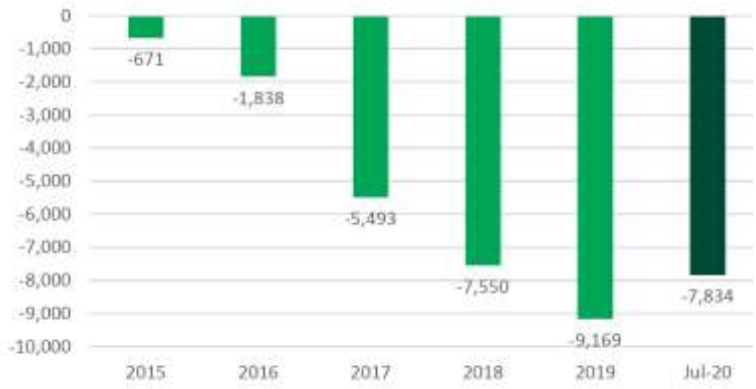
Retail

In April we stated that the occupier market for physical space has been deteriorating for some time with businesses focussed on a physical presence struggling against those with online operations. As predicted that Covid-19 would accelerate what was already changing, with an end to many cash-strapped retailers. This has certainly occurred.

Major retailers have been a real casualty and have had insufficient cash reserves to weather the storm. Major issues on the High Street and in Shopping centres continue. Peacocks, Jaeger, Edinburgh Woollen Mill have entered Administration in November alone, effecting over 500 stores. At the time of writing Debenhams have just gone into Administration and the news of Arcadia's collapse has just broken.

The first half of 2020 resulted in a net loss (more closures than openings) of 7,834 retail units. This is already worse than any other year but 2019 (and that was a full year). This is despite protective measures regarding eviction. A reprieve in the second half could have been expected as we approach the key trading period, but with current news things appear to have worsened. See below for change in retail units:

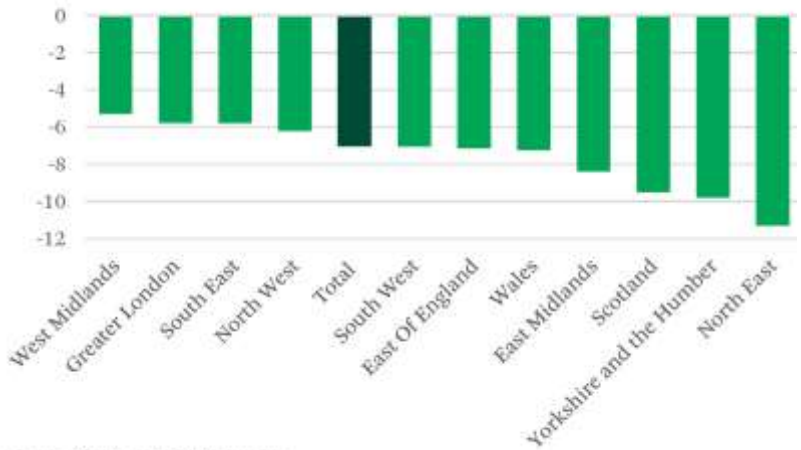
Figure 1: Net change number of units (2015 - Jul 2020)



Source: The Local Data Company

And whilst it is bad in the West Midlands, it has been doing better than elsewhere:

Figure 2: Net percentage change in units (2015 - Jul 2020)



Source: The Local Data Company

Retailers' key trading period is Christmas. The virus will continue to effect traditional shopping patterns in Q4 and we maintain the prediction that there will be even greater fall out for the "bricks and mortar" based retailers who may have been planning on limping through to the January sales.

The Government banned commercial evictions until the end of December, regardless of whether rent is being paid. This could be masking the picture of what the High Street would look like otherwise.

We predicted, that retail sales via the internet would top the current 20% as we return to "normal", it has done so and then some. This is despite the UK already being at the top of the league of all European countries and commentators citing various reasons as to why this was unlikely to go further. We have not returned to "normal" yet but ONS publish data showing internet shopping reached 32.8% in May, before falling to 26.1% in September. The figure includes food sales. Non-food penetration separately reached 44%. There will now be more people convinced that this is a permanent shift beyond the perceived 20% hurdle. CBRE state that the effect has been to concentrate 5 years growth into 6 months.

For retailers, as well as manufacturers, the movement restrictions have placed a greater focus on "just in time delivery". Retailers will be considering warehousing stock. This will not assist the retail property sector.

Investor interest in retail has been waning for some time, reflecting falling demand from occupiers in light of growing e-commerce. Rents have reduced to try to attract and retain tenants and incentives have increased. There is no sign of this trend ending and capital values look certain to keep falling.

For Prime Shopping Centres, Savills had reported a full 1% annual shift to 6.75% yield by Q1, 2020. This has pushed further out to 8.5% equivalent yield by Q3, 2020. Savills agree it will get worse.

Secondary centres had moved out 1.25% over the prior period to 11%. They are now at 12.5%. Tertiary had moved 1.75% to 14.25% and are now at 15.5%. CBRE are indicating the same figures.

Providing a local comparison, Savills note that Touchwood in Solihull has been brought to market at £130m representing a yield of 7.5%.

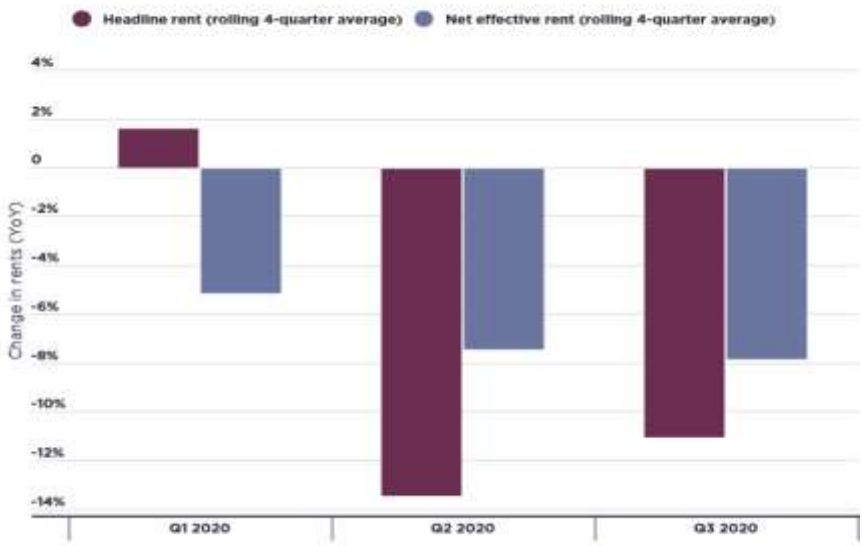
SC equivalent yields: Savills classifications	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Super-prime centre	5.25%	5.50%	5.75%	6.25%	6.25%	6.75%
Prime centre	7.00%	7.25%	7.50%	8.00%	8.00%	8.50%
Town centre dominant	8.75%	9.00%	9.25%	9.50%	9.50%	10.00%
Community & convenience	8.50%	8.75%	9.00%	9.50%	9.50%	9.75%
Secondary	11.00%	11.25%	11.50%	12.00%	12.00%	12.50%
Tertiary	14.00%	14.50%	14.50%	15.00%	15.00%	15.50%

Source Savills Research

The decline in rents and investor sentiment add weight to my statement that for some shopping centres there will never be a recovery. Redevelopment for alternative uses is the only future. As stated previously that High Street shops are often held by the Private Investor with substantial debt. The decline in rents and restriction on eviction for non-payment should have resulted in forced sales of such property. This has not occurred as yet. It indicates Lenders are being patient. We would expect that this will occur in 2021 and if Investors accept the adjusted prices than represents an opportunity for investors to acquire significant swathes of the High Street and to reinvigorate them through Asset Management. As previously reported the fall in prime retail rents outside London, with a 30% decline over the 9 years to mid-2019 [9]. The largest dip being during the Financial Crisis where rents fell from c.£111psf to £96psf in c.12 months. This sharp 13.5% drop was never recovered. In the past 12 months there has been an 11% decrease in headline rents and nearly 8% in terms of the net effective rent (after incentives).

[9] Colliers Midsummer Retail Report 2019

***Change in average high street and shopping centre rents** highlights the acceleration in net effective rental decline since Covid-19*



Source: Savills Research | Note: Based on Savills UK retail deals, excluding London & SE

The April prediction of a 24% fall in capital values for prime High Street retail is so close to being achieved already, it will most likely be overshot. Knight Frank are currently predicting that in retail "rents will continue to rebase rapidly, with capital values following suit by c.30-50%"[10]. It is difficult to comprehend the more gloomy end of this range, but with the anchor tenants disappearing from the High Street, this may come to pass.

It is interesting to note that Retail Warehouses have been impacted, but not nearly as badly. Their locations are often anchored with a food store, meaning good footfall. They are also Out of Town, so were generally not reliant on public transport patronage. Their layout also accommodates social distancing better than traditional shops. Yields pushed out only 75bps from 6.25% to 7% for prime.[11] Food stores are not considered in detail but are a bright spot. Net yields have remained c.4.3-5% on transactions with investor confidence in this area.

Also of note, is that independent retailing has suffered a lesser net attrition rate than the large chain stores. While 20,019 "indie" locations closed, 18,186 opened in 2020. This may be good news for some suburban locations, or even secondary pitches on high Streets. We should note though, that these businesses will generally not locate in the prime pitch as occupation costs are still too high. Their ability to create "life" on prime streets is therefore muted. As previously predicted that, as a sector, they would be impacted less and the enthusiasm to start an enterprise have not been dented.

I can see the potential for a new form of retailing emerging. Premises dedicated to the indie outlet. A type of market hall approach may emerge, designed to bring life into High Street locations. Independents will be able to trial their goods without the expense of a full fit-out, long lease commitment and it overcomes the trading history required for a standard lease.

Leisure

For the purpose of this report, the yields and rents attributable to Retail can be assumed to be similar to those for Leisure. In most cases Food and Beverage operators compete with retailers for space on high streets and are treated similarly.

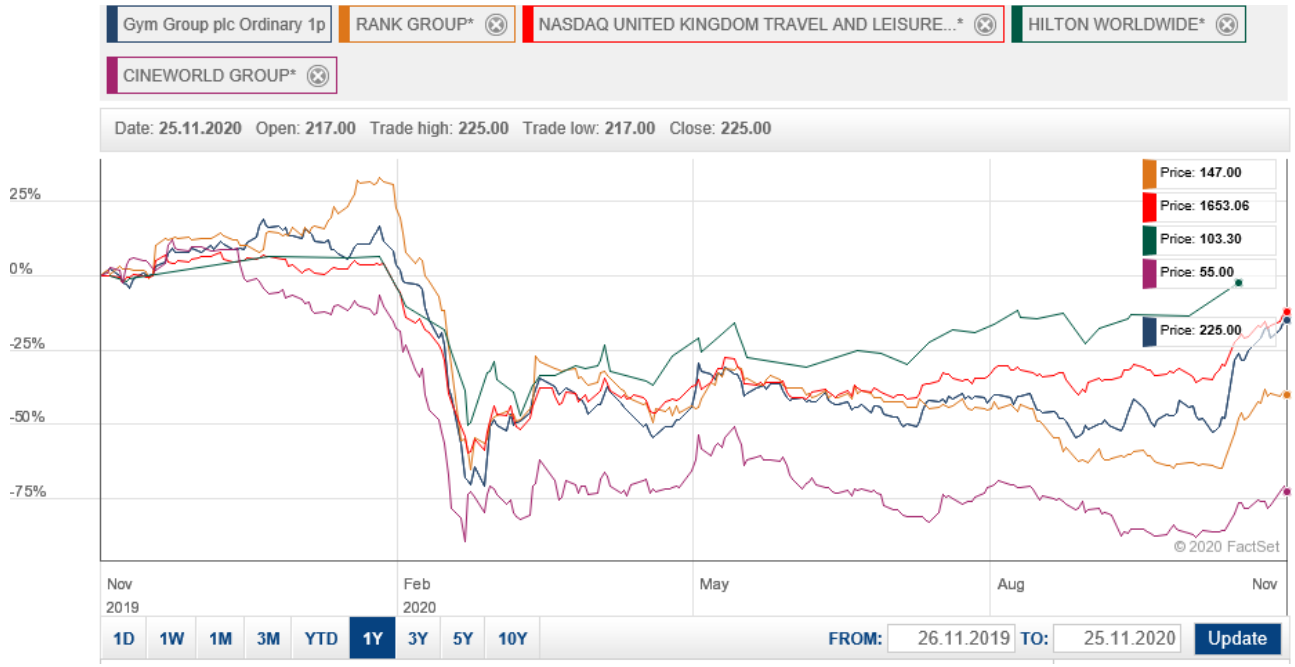
We continue to predict that for more bespoke leisure properties, such as Cinemas and Leisure complexes, there is likely to be severely restricted occupier demand for some time. Operators tend to be larger companies and their trading will be severely impacted by Covid-19. Company failure will result in some instances. For other

[10] Covid 19 "What we know" Sept 2020 Knight Frank
[11] CBRE Investment Yields Nov 2020

organisations their balance sheets will be curtailed for some time. Rents will be reduced and take-up may cease for the coming quarters, likely only gradually rising in coming years.

Savills have previously presented a more upbeat picture. They pointed out that operators continue to engage with developers and landlords. They had been expanding pre-Covid and were in growth mode (unlike retailers). Additionally, they believe that there could be a boom following quarantine restrictions being relaxed.

A review of the stock market over the last 12 months gives an indication of occupier demand and hence the prospects for rents and yields. Hotels (Hilton) and Gyms (Gym Group) have begun a recovery but value is still likely to be lower. Vaccine news is responsible and social distancing is possible to some degree. Cinemas are trading badly and there is little investor confidence.



The damage to the Leisure market will be felt in retail locations. Great store has been placed on the ability of leisure operations to anchor retail and breathe life into town centres. Withdrawal of occupier demand will slow regeneration. A possible outcome could be that new and smaller operators with lower financial burden will emerge first from Covid and be back in growth mode.

Industrial and Distribution

The industrial and distribution sector has been the best performing property sector over recent years.

In April we predicted that the Industrial and Distribution market would continue to be the best performing sector and it has been. However, we did feel that there could be some negative yield movement and in reality there has been a slight positive movement for most industrial to date (according to CBRE) and only one minor adverse movement over the last 4 quarters:

INDUSTRIAL						
Prime Distribution	4.50	4.50	4.50	4.25	4.25	Stronger
Prime Estate (GL ex HTW)	4.00	4.00	4.00	4.00	3.75	Stronger
Prime Estate (Ex Greater London)	4.50	4.50	4.50	4.25	4.25	Stronger
Good Secondary	5.50	5.50	5.65	5.50	5.50	Stronger
Secondary Estate	6.50	6.50	6.75	6.75	6.75	Stable

The investor reaction is positive. This may be buoyed by slightly lower Borrowing Rates justifying slightly better yields. It is also the only Sector performing well for demand. Some Institutional Funds that must retain a fixed asset

weighting in real estate and they need to identify some aspect of real estate to invest into. Competition for the best assets is likely to be driving yield.

We would maintain that for non-distribution assets, such as older premises with restricted eaves height, or locations that are not as well connected, then some outwards movement is likely. Factory premises may be impacted by the general economic situation as we move forward and central government support is tapered off.

Demand is being driven by the rise in on-line retail as discussed above. An indication of the demand from "e-tail" can be gleaned from Amazon's expansion. Between 2018 and 2019 they grew floorspace by 15% globally. They intend to add 50% in 2020 and as well as acquiring 532,000 sqft in Hinckley this year, they are currently looking for an additional 40 UK parcel hubs.

As previously reported, it should be noted that the West Midlands had 40% of the space taken up by motor industry companies in 2019. This was from a total of 4.35m sqft. The benefits of the automotive sector in recent years will be reversed if the current pandemic causes long lasting financial issues for domestic car production. This is a peculiarity of the West Midlands and the future of this industrial sector could impact our regional market.

There is no update to the statistics generally and analyst information is awaited.

Offices

When writing in April we noted that some commentators were sceptical that home working would be a significant permanent feature when we returned to "normal". There are no disbelievers now and only some disagreement as to the extent to which office space will be required. The enforced experiment was a success for many businesses and individuals.

Pre-Covid the office sector was doing rather well in the West Midlands. Birmingham dominated with the largest take-up (780,095 sqft in 116 deals during 2019); largest deals, for example the 283,000 sqft letting to BT in 2020; highest rents at £34 psf headline and lowest yields at 4.75%[12].

Prime headline rents have actually increased in Birmingham with a new record headline rent of £37 psf in Q3 at Two Chamberlain Square – an 8.8% increase. Knights Plc took nearly 18,000 sqft, Instant Offices took c.7,000 sqft and Mazars taking nearly 12,000 sqft (JLL). This does not however reveal the incentives offered that might be driving this and therefore the net rent. They are thought to be 3 years on a 10 year lease giving a net effective rent of c.£25 psf.

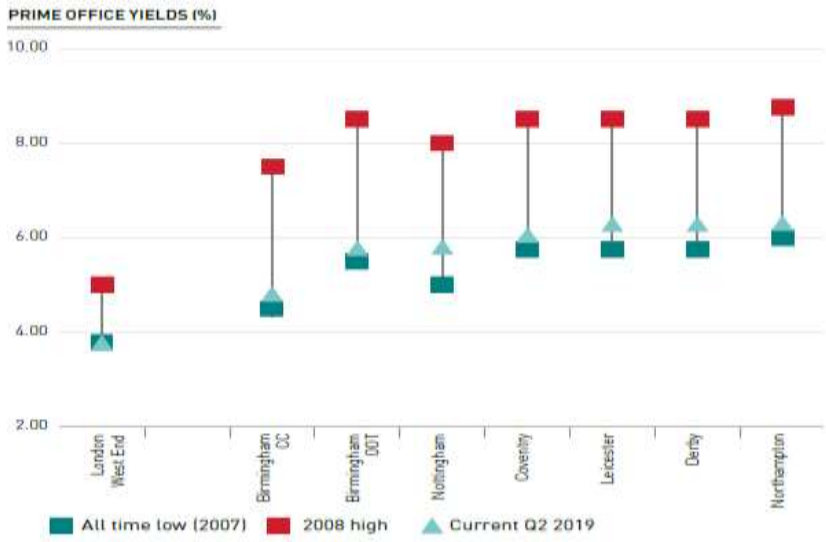
There was just 80,000 sqft leased in Birmingham in Q3, 2020 and 75% of this was Grade A. Take-up in 2020 over three quarters is 480,000 sqft in 43 deals, not significantly down on 2019 but 70% was concluded before the end of March. There is 503,000 sqft of Grade A space available now and adding 480,000 sqft under construction.

JLL are reporting that prime yields remain unchanged at 4.75% but there is little evidence to base this view upon.

It is worth stating that the yields and rents are for the very prime locations. Most yields would have been around 6% for a well let, quality city centre building of reasonable size in Birmingham and 7% for Out of Town Offices. No evidence of movement has emerged yet, however I would expect that non-prime yields would have moved outwards.

In looking at the possible effect of Covid on Investor sentiment it is worth considering where yields were in 2008. The chart below is produced by LSH Research and usefully shows where Birmingham and Coventry are now compared to the lowest point in recent history, 2008.

[12] Multiple sources including CBRE Marketview Snapshot, LSH, JLL and Office Agents Society.



Keep in mind the counter intuitive nature of yields; high is bad (low values) and low is good (high values).

Office market rents should deteriorate in a recession. Occupiers usually take advantage of less demand for prime space by upgrading, albeit this is a slow process as they will wait until their leases expire before moving and this has a smoothing effect on the market.

The poor economic situation is not the only factor to consider in forecasting the market though. As we have moved along since April, homeworking has become so normal that many companies are considering their future requirements.

We previously predicted that companies may opt for home working but maintain a much smaller permanent office base under a traditional lease. That would give them a strong company identity and control of environment critical when staff need to come together. There are now numerous stories of companies that will permanently move from the current strategy and some announcements starting to be made.

We predicted that "serviced offices and providers of co-working space may benefit". JLL published a report in July[13]. They state that social distancing will mean pure co-working space will struggle and new flexible space operators may emerge to take advantage of closures. Flexible space will however grow with JLL predicting that by 2030 this will account for 30% of all office space. In the medium term it is believed that there will be an increase in "workplace mobility programmes" with satellite offices being flexible space (service offices) and companies maintaining a traditional core office building. This accords with my thoughts in April.

JLL Research states that although freelancers will shed co-working space and work from home, in the Corporate Real estate market 67% of decision makers are increasing their workplace mobility programs with flexible office space as a central element of their strategy.

Occupiers will generally need less space but will not shed all space. Headquarter functions, "drop-in" offices and client meeting space appear to be planned in central locations and those that are close to transport nodes. The reduction in space will provide companies with a huge saving on their occupation cost and this, together with the function of the retained requirements, is likely to support demand and budget for the best office buildings.

We were previously stated that anticipating a 25% fall in values would seem to be a rational position, whilst watching developments closely and expecting a sharper shorter fall before partial recovery.

It is now entirely feasible to see a widening gap between prime offices that retain demand (and possibly see increased demand in the next 12-24 months?) and secondary buildings. Secondary offices are likely to be particularly affected, as they did not generally fulfil the functions of Headquarters or client meeting space. If so, then yields will push out and rents fall. As stated though, office occupiers tend to have legally binding leases. They

[13] The Impact of COVID-19 on Flexible Space – JLL July 2020

are not free to terminate agreements at will and the market impact will occur over a number of years, albeit most acutely in the first 24 months.

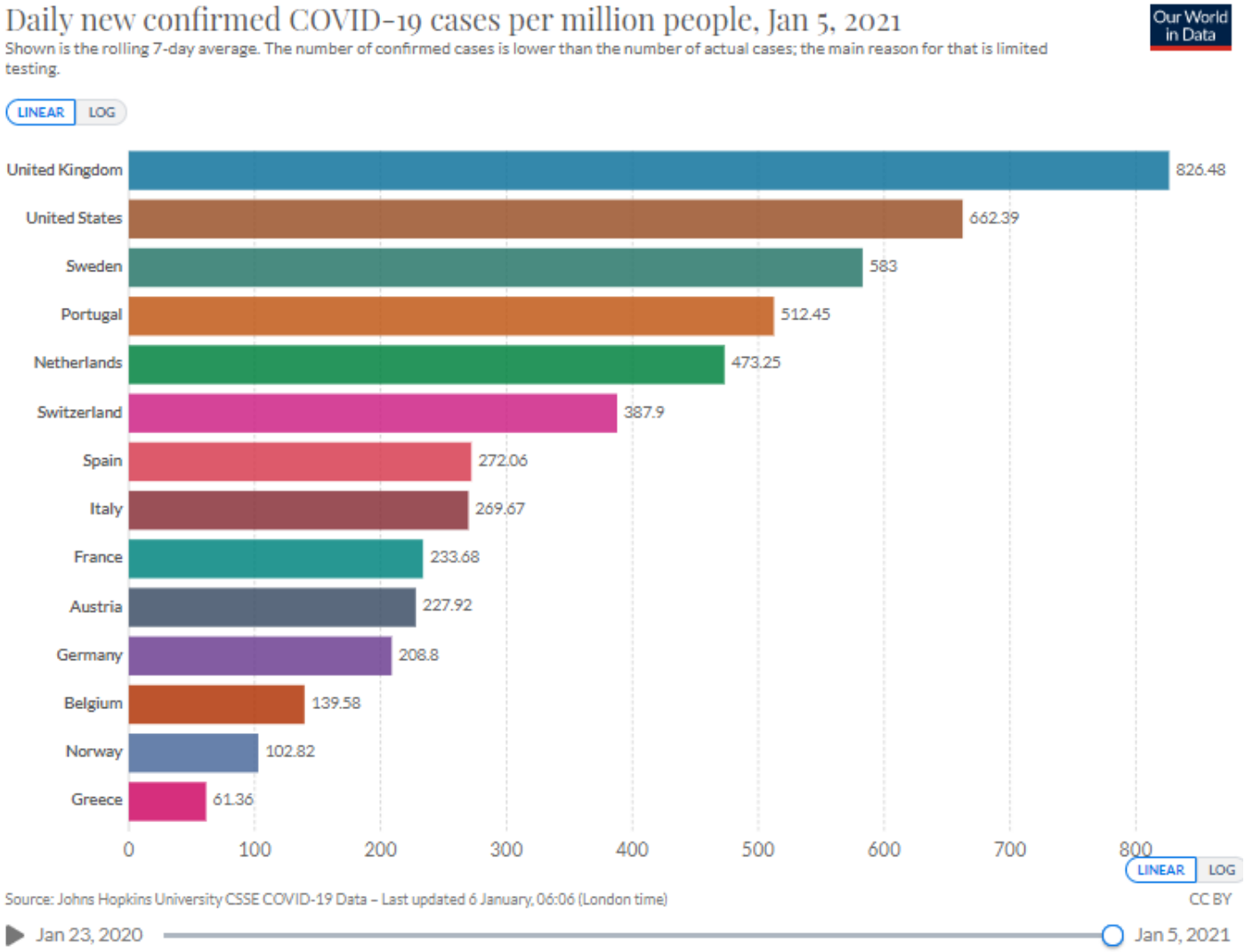
The overall impact on the market could be an average decline of c.25% fall in values, however we now believe this will be much less likely for prime and much more so for secondary.

Infection Rates

Rebecca Riley WMREDI/WMCA

Europe has seen a resurgence in infection rates which is continuing (see graph below).

Since 31 December 2019 and as of week 2020-52, **80,316,555 cases** of COVID-19 (in accordance with the applied case definitions and testing strategies in the affected countries) have been reported, including **1,770,695 deaths**.

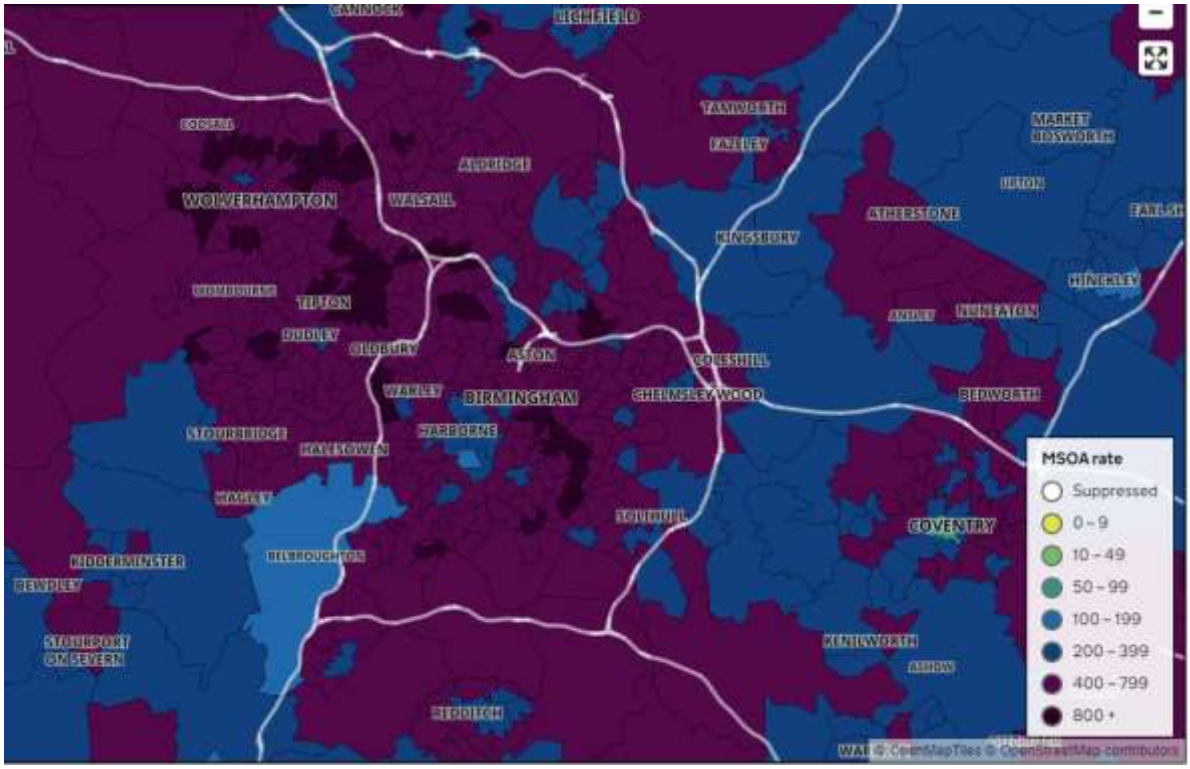


Latest ONS infection survey data (24th December – next release 8th Jan) states:

- In the most recent week, the percentage of people testing positive for the coronavirus (COVID-19) in England has continued to increase; during the most recent week (12 to 18 December 2020), we estimate 645,800 people (95% credible interval: 610,100 to 683,100) within the community population in England had the coronavirus (COVID-19), equating to around 1 in 85 people (95% credible interval: 1 in 90 to 1 in 80).
- Over the most recent week, the percentage of people testing positive has continued to increase sharply in London, the East of England, and the South East; London now has the highest percentage of people testing positive.
- In the most recent week, the percentage of people testing positive has increased for all age groups except those aged 50 to 69 years where there are early signs of an increase, and those aged 70 years and above in whom there are early signs of a decrease.
- The percentage of those testing positive has increased sharply in recent weeks in Wales; during the most recent week (12 to 18 December 2020), we estimate that 52,200 people in Wales had COVID-19 (95% credible interval: 40,800 to 65,300), equating to around 1 in 60 people (95% credible interval: 1 in 75 to 1 in 45).

- The percentage testing positive in Northern Ireland has increased in the most recent week; during the most recent week (12 to 18 December 2020), we estimate that 10,100 people in Northern Ireland had COVID-19 (95% credible interval: 6,100 to 14,900), equating to around 1 in 180 people (95% credible interval: 1 in 300 to 1 in 125).
- The percentage testing positive in Scotland has decreased in the most recent week; during the most recent week (12 to 18 December 2020), we estimate that 37,100 people in Scotland had COVID-19 (95% credible interval: 28,900 to 46,300), equating to around 1 in 140 people (95% credible interval: 1 in 180 to 1 in 115).
- In the most recent possible time period (14 to 18 December), London, the South East, and the East of England have the highest percentages of positive cases that are compatible with the new variant of the virus.

The map below displays weekly data, which are updated every day here. This map is for 1st January 2021

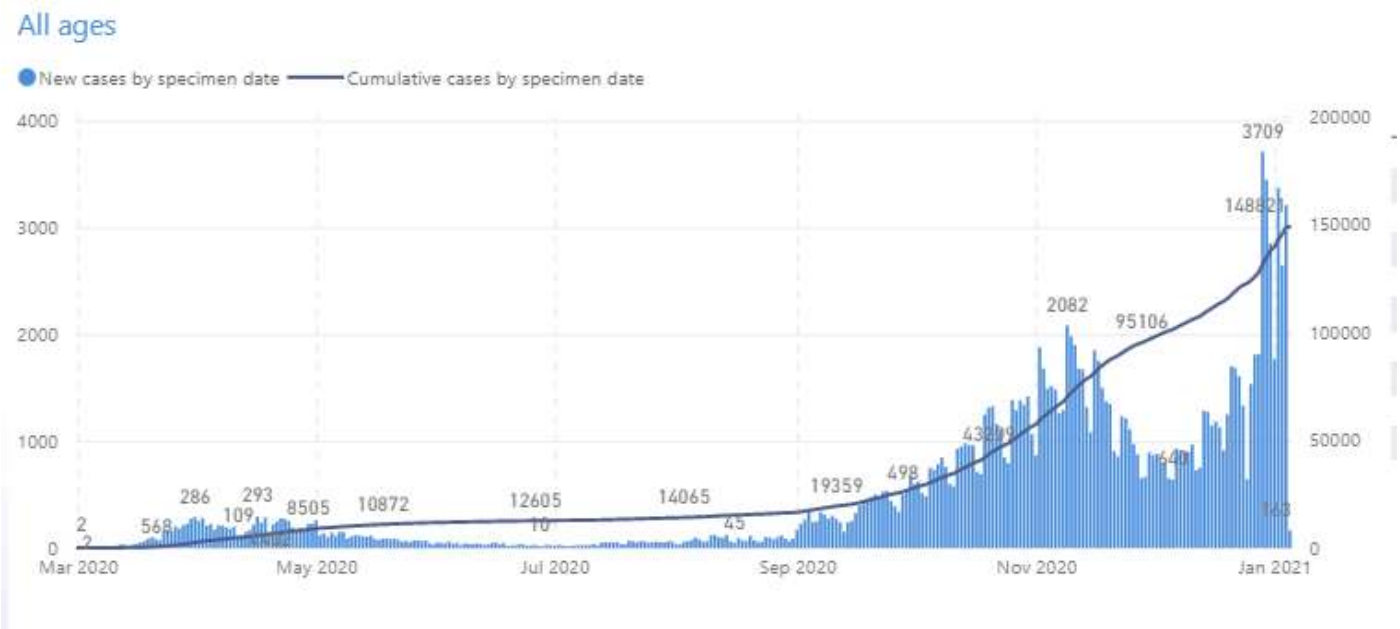


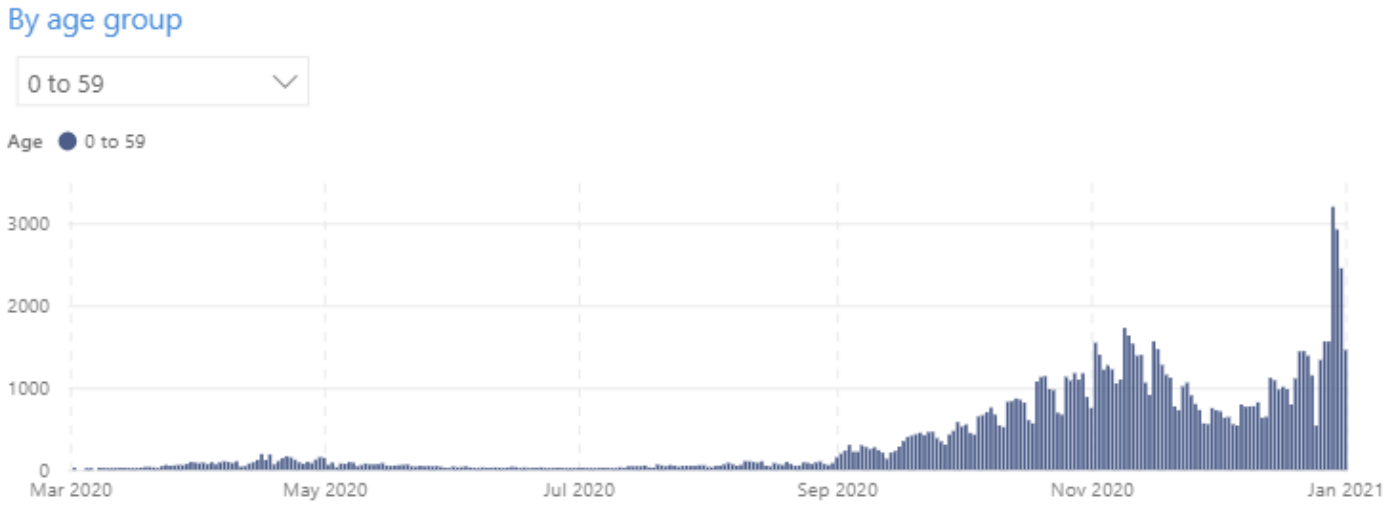
Regional Data

The Coventry, Solihull and Warwickshire Epidemiology and Intelligence Cell have created a dashboard which looks at covid data on a regional level. Data below:

Date	New cases by specimen date	New cases by publish date	Cumulative cases by specimen date	Cumulative cases per 100,000	Cases in the last 7 days	Rate per 100,000 in the last 7 days
05 January 2021	163	3106	148821	5,081.66	2	0.07
04 January 2021	3209	4185	148658	5,076.09	2	0.07
03 January 2021	2646	1631	145449	4,966.52	2	0.07
02 January 2021	3372	4036	142803	4,876.17	18769	640.89
01 January 2021	1768	1609	139431	4,761.03	16929	578.06
31 December 2020	2853	3025	137663	4,700.65	15804	539.64
30 December 2020	3447	2112	134810	4,603.24	14284	487.74
29 December 2020	3709	2353	131363	4,485.53	12442	424.85
28 December 2020	1812	1151	127654	4,358.89	10417	355.70
27 December 2020	1808	749	125842	4,297.01	10305	351.88
26 December 2020	1532	1532	124034	4,235.28	9746	332.79

As can be seen from the charts below in the first lockdown infections were higher in the older age groups, whereas now younger people are being infected (nb there will be some effect from higher testing but symptomatic cases presenting for testing are also more prevalent now).



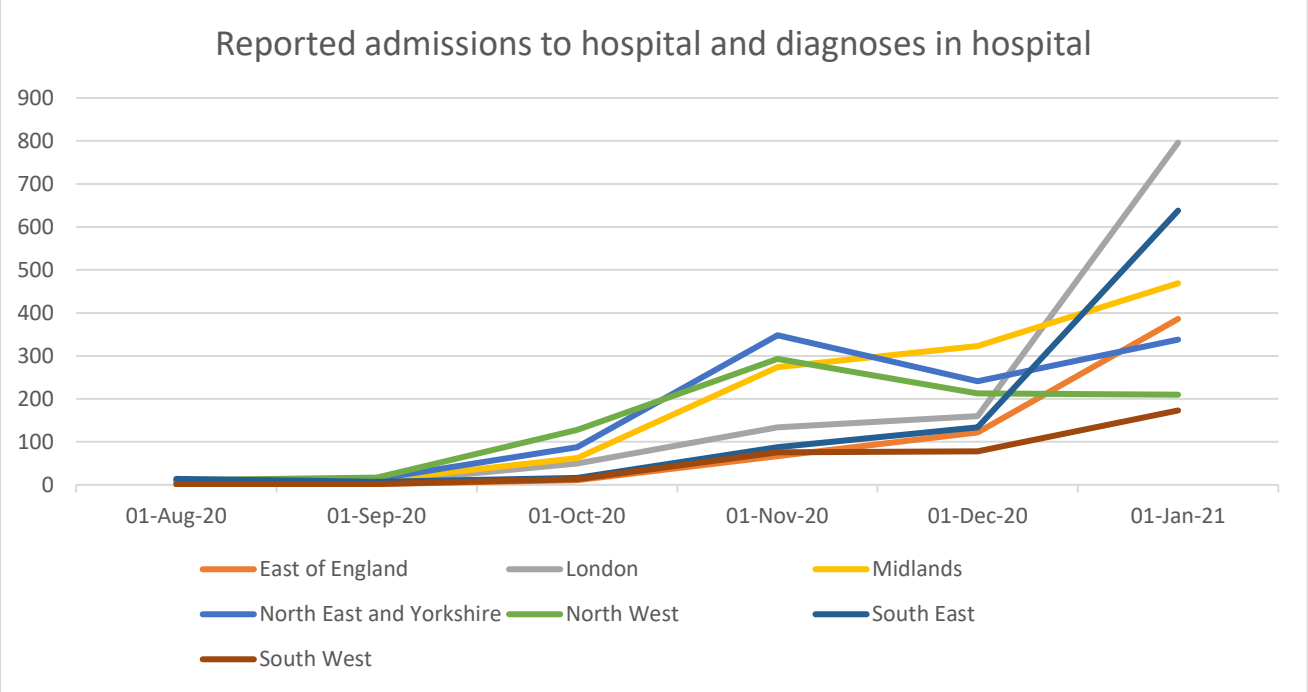


Covid 19 Hospital Activity

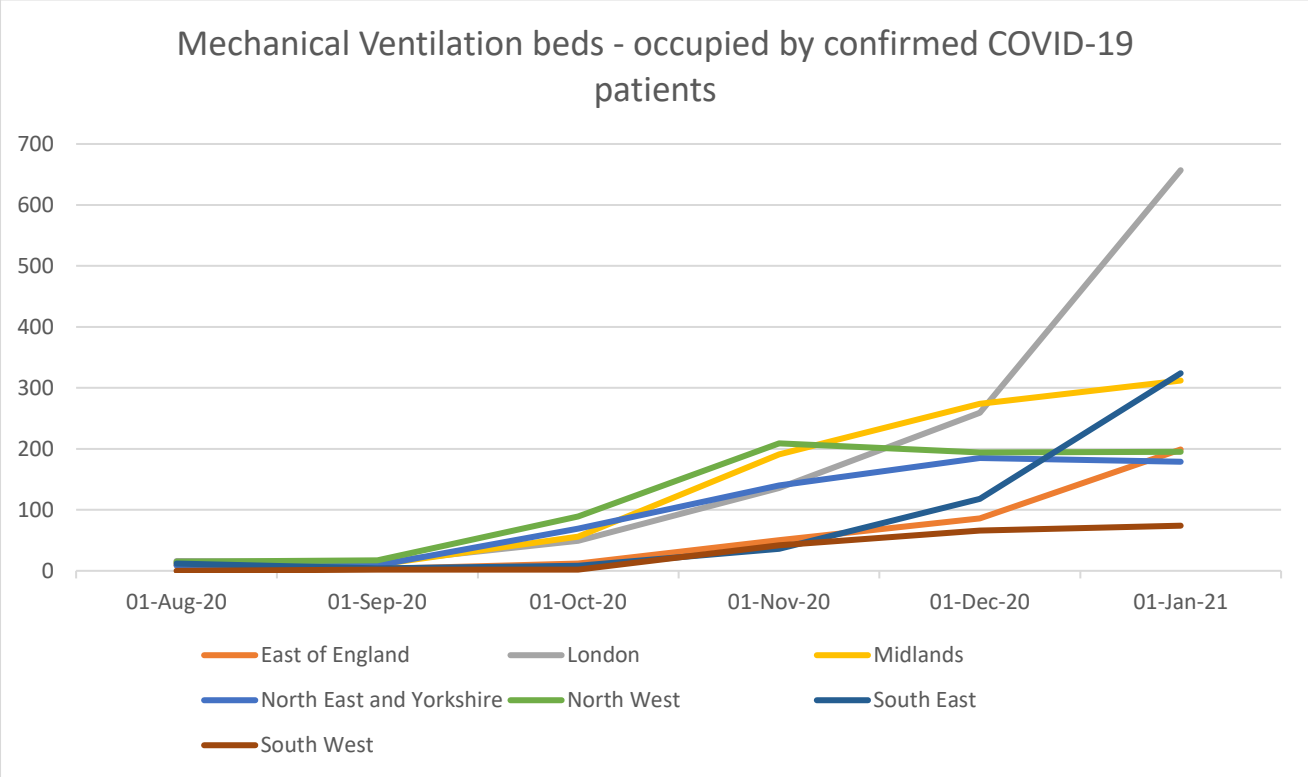
A number of data collections have been implemented to support incident management. The collections were activated at short notice and the content of the collections has evolved as the incident has developed. The data collected is classified as management information. It has been collected on a daily basis with a tight turn round time. No revisions have been made to the dataset. Any analysis of the data should be undertaken with this in mind.

Total reported admissions to hospital and diagnoses in hospital

The data points in the graph below are for the 1st of each month although daily rates are available

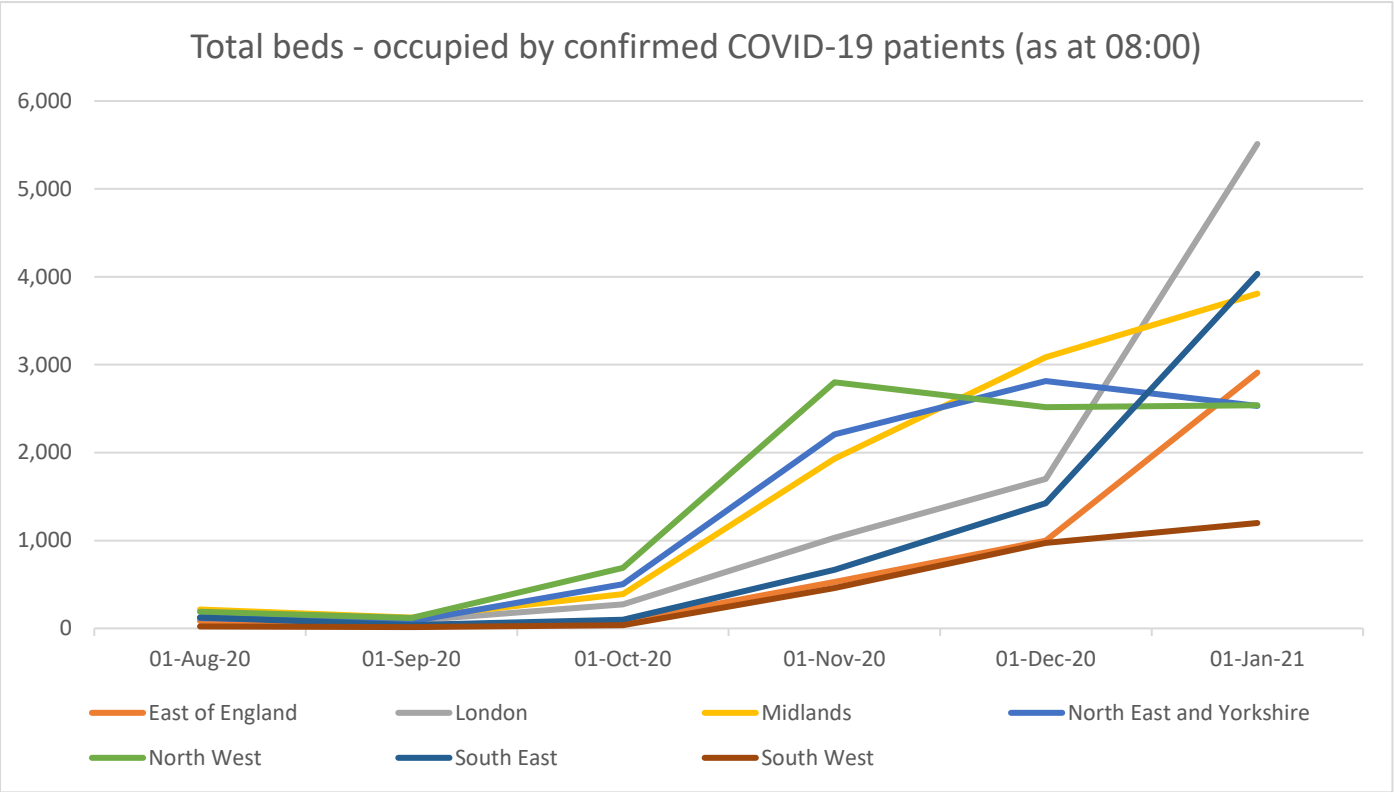


Mechanical Ventilation beds - occupied by confirmed COVID-19 patients



The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

Total beds - occupied by confirmed COVID-19 patients (as at 08:00)



Total reported admissions to hospital and diagnoses in hospital

The latest daily admissions data is below (and data is available on a daily basis since August), the table highlights the top 15 hospitals with highest admissions. University Hospitals Birmingham NHS Foundation Trust has been in the top 5 throughout most of December.

	NHS England Region	Name	27-Dec-20
		ENGLAND	2,572
		London	629
		South East	515
		Midlands	401
		East of England	382
		North East and Yorkshire	298
		North West	234
		South West	113
1	East of England	MID AND SOUTH ESSEX NHS FOUNDATION TRUST	99
2	London	BARTS HEALTH NHS TRUST	81
3	South East	FRIMLEY HEALTH NHS FOUNDATION TRUST	67
4	Midlands	UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST	59
5	South East	MEDWAY NHS FOUNDATION TRUST	52
6	South East	PORTSMOUTH HOSPITALS NHS TRUST	50
7	London	LONDON NORTH WEST UNIVERSITY HEALTHCARE NHS TRUST	47
8	South East	EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	46
9	London	ST GEORGE'S UNIVERSITY HOSPITALS NHS FOUNDATION TRUST	43

The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

10	London	BARKING, HAVERING AND REDBRIDGE UNIVERSITY HOSPITALS NHS TRUST	42
11	London	IMPERIAL COLLEGE HEALTHCARE NHS TRUST	42
12	London	CHELSEA AND WESTMINSTER HOSPITAL NHS FOUNDATION TRUST	40
13	London	ROYAL FREE LONDON NHS FOUNDATION TRUST	39
14	London	LEWISHAM AND GREENWICH NHS TRUST	39
15	Midlands	UNIVERSITY HOSPITALS OF NORTH MIDLANDS NHS TRUST	39

Weekly Deaths Registered 18th December 2020

BCCEIU

The following analysis compares the latest available time period (the week of the 18th December 2020) to the previous week period (the week of the 11th December 2020) for the number of deaths registered and the number of deaths related to the Coronavirus. The latest weekly data includes deaths that occurred up to 18 December 2020 but were registered up to 26th December 2020.

Across England and Wales, the overall registered death figure increased from 12,274 in the week of the 11th December to 12,995 in the week of 18th December. The number of deaths registered that state Coronavirus on the death certificate experienced an increase from 2,753 people to 2,985 people over the same period.

Regional level analysis shows that the West Midlands' overall registered death figure decreased from 1,432 people in the week 11th December to 1,385 in the week of 18th December. The number of registered deaths related to Coronavirus has decreased from 376 people to 373 over the same period.

There was a total of 946 deaths registered across the WMCA (3 LEP) area in the week of the 18th December. There were 244 deaths registered that were related to Coronavirus over the same period – accounting for 25.8% of total deaths. The WMCA (3 LEP) area accounted for 65.4% of the 373 Coronavirus related deaths registered in the West Midlands Region. In comparison to the week of the 11h December, the overall registered death figures in the WMCA (3 LEP) area decreased by 8, while the number of deaths related to Coronavirus decreased by 6 people.

At a local authority level, Birmingham accounted for 20.1% (49) of deaths related to Coronavirus in the WMCA (3 LEP), this is followed by Sandwell at 10.2% (25 deaths) and Dudley at 7.8% (19 deaths).

Of deaths involving Coronavirus registered in the week of the 18th December, 78.3% (191) occurred in a hospital, 12.7% (31) occurred in a care home, 7.0% (17) occurred at home and 1.6% (4) occurred in a hospice.

Place and number of deaths registered that are related to Coronavirus in the week of 18th December:

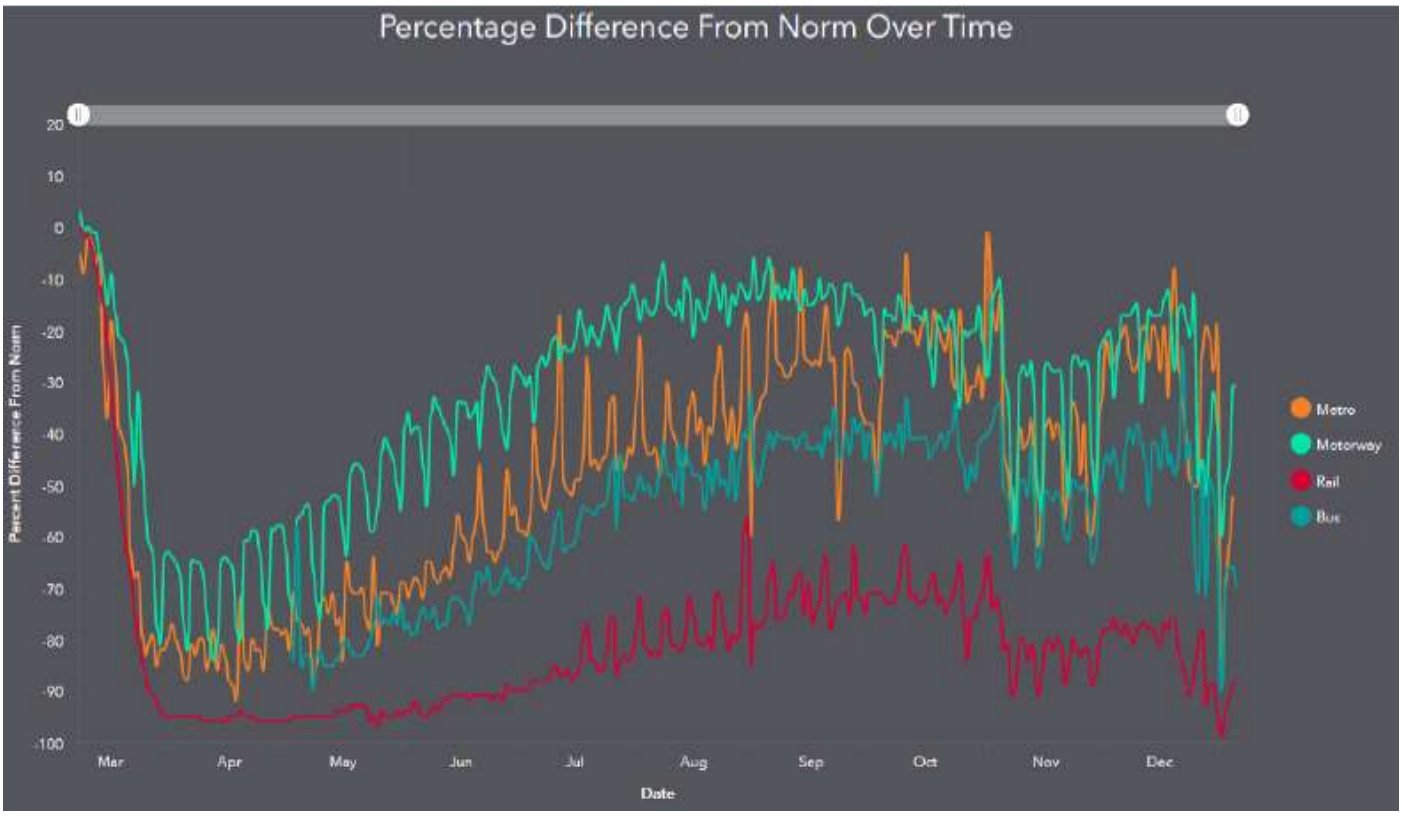
Area name	Care home	Elsewhere	Home	Hospice	Hospital	Other communal establishment	Total
Cannock Chase	1	0	0	0	9	0	10
East Staffordshire	1	0	0	0	13	0	14
Lichfield	0	0	2	1	10	0	13
Tamworth	0	0	0	0	3	0	3
North Warwickshire	2	0	1	0	2	0	5
Nuneaton and Bedworth	2	0	0	0	7	0	9
Rugby	0	0	1	0	2	0	3
Stratford-on-Avon	1	0	1	0	4	0	6
Warwick	4	0	1	0	6	0	11
Bromsgrove	5	0	0	0	4	0	9
Redditch	2	0	0	0	8	0	10
Wyre Forest	2	0	0	0	5	0	7
Birmingham	2	0	2	0	45	0	49
Coventry	0	0	0	0	11	0	11
Dudley	2	0	2	0	15	0	19
Sandwell	0	0	3	0	22	0	25
Solihull	2	0	1	1	8	0	12
Walsall	1	0	1	0	13	0	15
Wolverhampton	4	1	2	2	4	0	13
WM 7 Met.	11	1	11	3	118	0	144
BC LEP	7	1	8	2	54	0	72
CW LEP	9	0	4	0	32	0	45
GBS LEP	15	0	5	2	105	0	127
WMCA (3 LEP)	**31**	**1**	**17**	**4**	**191**	**0**	**244**

Source: ONS, Death registrations and occurrences by local authority and health board, 30th December 2020

The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

Transport Data

Anne Shaw TFWM



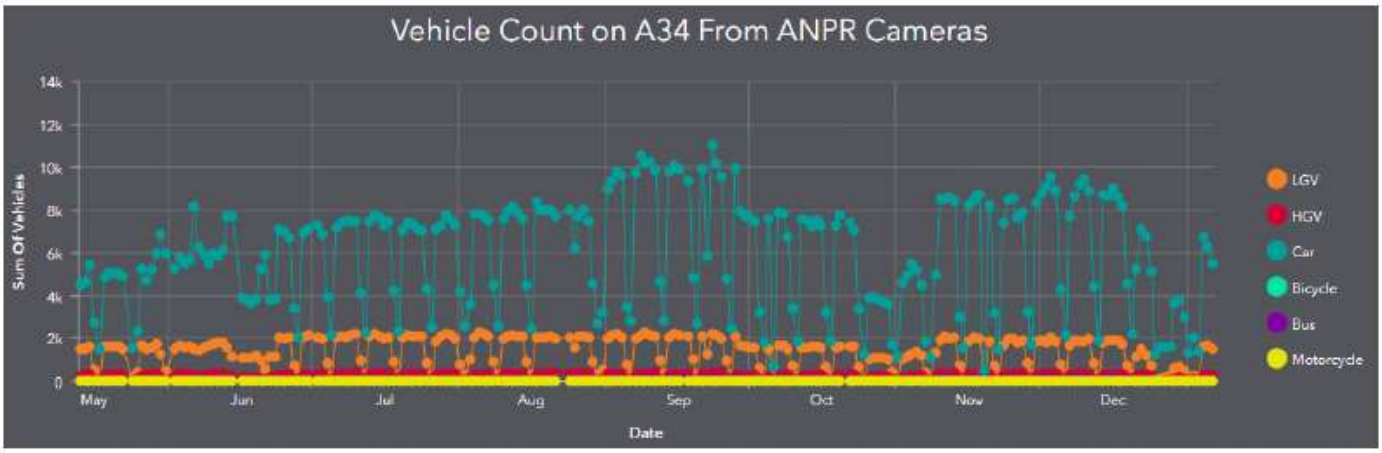
The table provides intel in terms of the levels of services and the use of the network per mode compared to this time last year, the day before and the week before for the 1st December.

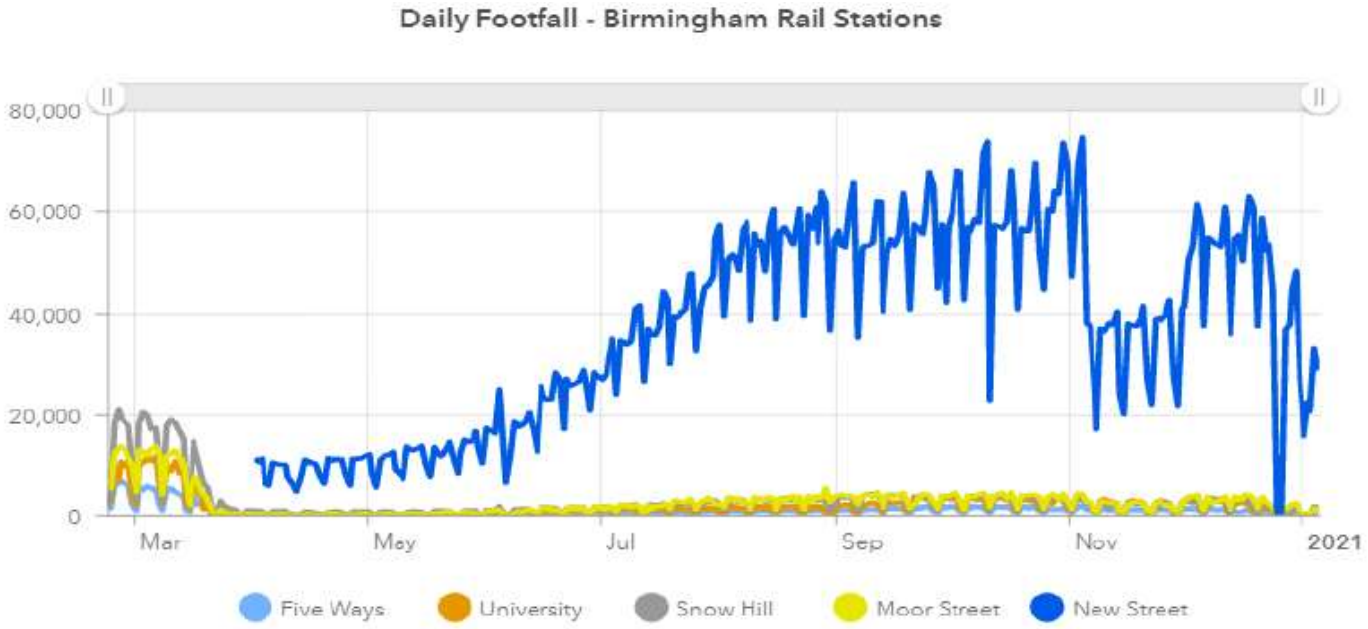
	% levels pre covid	% change from day before	% change from Week before
Bus	30	-4	-21
Train	11	0	0
Tram*	48	+10	-32
Roads (HE SRN)	69	0	+10

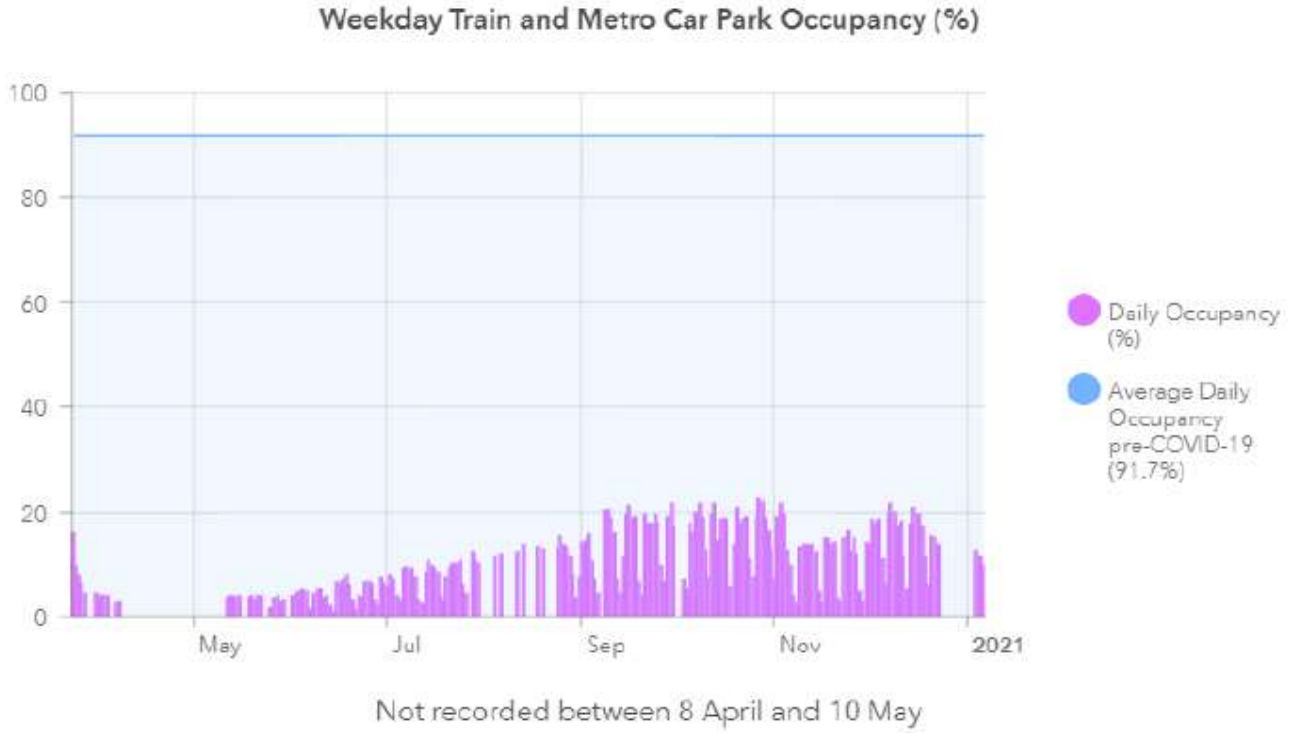
* Data is only currently available up to 4th January, this is pre national lockdown and it is anticipated patronage levels will drop further when the data is available.
** As last week was the festive period network usage figures will have been different when compared to the pre festive period. Next week's figures should show a truer reflection of network usage.

Following the introduction of further Covid measures, transport services remain at their current levels with social distancing measures in place.

We continue to monitor the network and carry out relevant actions to assist with managing capacity to ensure compliance with social distancing. In addition, we are also continuing to encourage and enforce on the network the wearing of face coverings.


Vehicle Count on A34 From ANPR Cameras
Sum Of Vehicles
14k
12k
10k
8k
6k
4k
2k
0
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Date
LGV
HGV
Car
Bicycle
Bus
Motorcycle


Daily Footfall - Birmingham Rail Stations
80,000
60,000
40,000
20,000
0
Mar
May
Jul
Sep
Nov
2021
Five Ways
University
Snow Hill
Moor Street
New Street


Weekday Train and Metro Car Park Occupancy (%)
100
80
60
40
20
0
May
Jul
Sep
Nov
2021
Daily Occupancy (%)
Average Daily Occupancy pre-COVID-19 (91.7%)
Not recorded between 8 April and 10 May

ONS Weekly Release Indicators

BCCEIU

ONS Weekly Release Indicators

On the 23rd December 2020 the ONS released the weekly publication containing data about the condition of the UK society and economy from the COVID-19 pandemic.

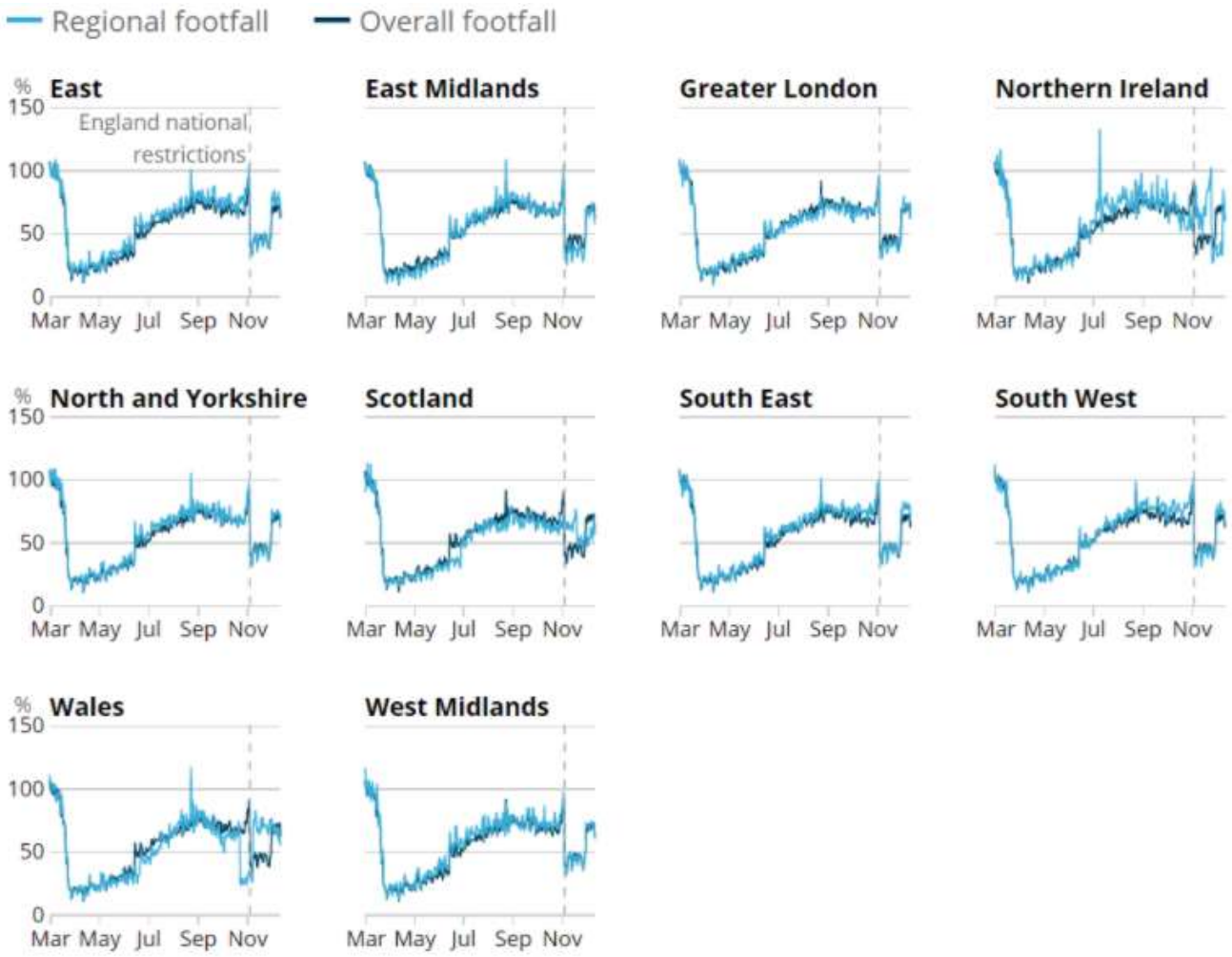
The statistics are experimental and have been devised to provide timely information. The following summary contains shipping data, roads and traffic camera data, footfall data, initial results from Wave 20 of the Business Impact of Coronavirus Survey (BICS), social impacts of the coronavirus, national company incorporations and voluntary dissolution applications, OpenTable seated diner estimates, online price change in the food and drink basket and experimental online job adverts.

National Footfall

Customer activity figures are provided by Springboard. The volume of footfall has been compared to the same day the previous year (i.e. Sunday 20th December 2020 will be compared to Sunday 20th December 2019). This data coincides with the introduction of the new four-tier system.

In the week ending 13 December 2020, overall UK footfall was at 69% of the level seen at the same time last year, an increase of seven percentage points compared with the previous week's footfall.

Overall volume of daily footfall, percentage change from the same day the previous year, UK, 1 March to 13 December 2020



Overall footfall has decreased by 14 percentage points from the previous day meaning for the week ending 20th December 2020 footfall was at 53% of its 2019 levels for the same period. Footfall saw a 17 percentage point drop in retail parks and a 13 percentage point drop in both shopping centres and high streets.

Source: Springboard and the Department for Business, Energy and Industrial Strategy

National Company Incorporations and Voluntary Dissolution

According to Companies House data, there were 13,257 company incorporations in the week ending 18th December 2020, this was above the incorporations recorded in the same week as 2019 which was 11,503, but lower than the previous week (ending 11th December) at 15,766.

Total weekly company incorporations, UK, from week ending Friday 4 January 2019 to week ending Friday 11 December 2020

Source: Companies House and Office for National Statistics

For the week ending 18th December, there were 4,893 voluntary dissolution applications. This was lower than the same week as the previous year at 6,217, and lower than the previous week (ending 11th December) which recorded 5,279.

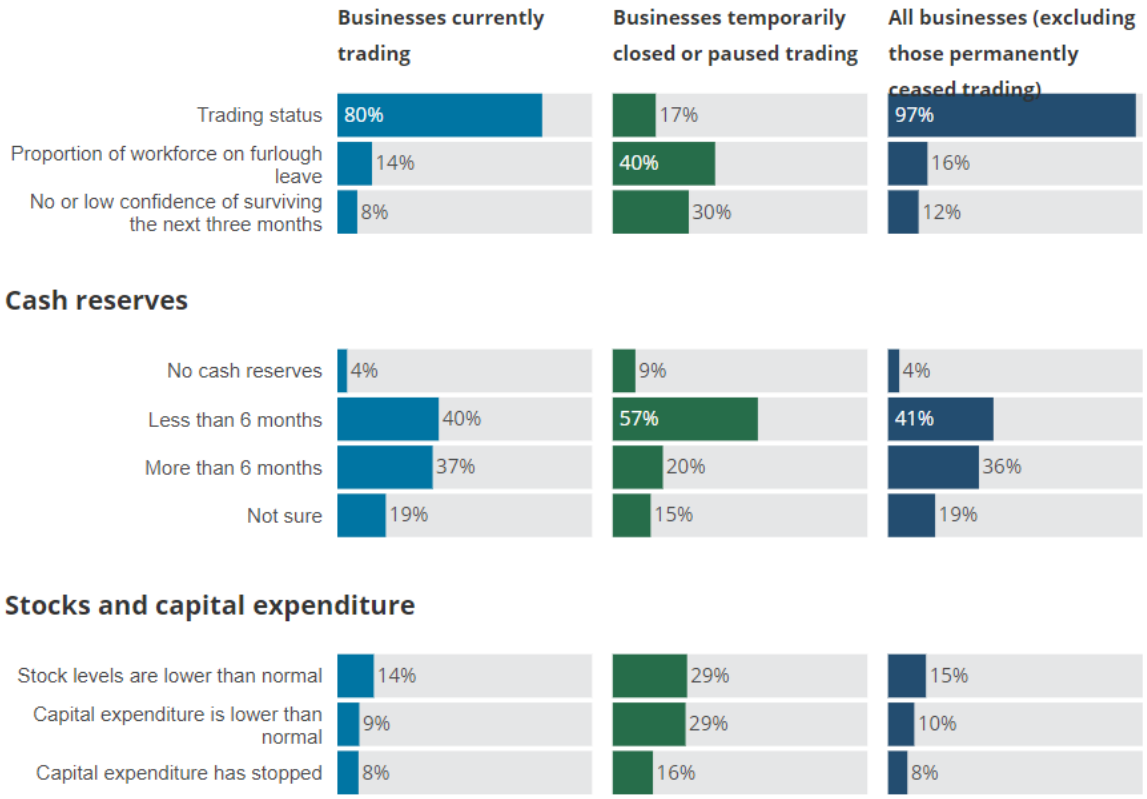
Total weekly company voluntary dissolution applications, UK, from week ending Friday 4 January 2019 to week ending Friday 11 December 2020

Source: Companies House and Office for National Statistics

Business Impact of the Coronavirus

Final results from Wave 19 of the Business Impact of Coronavirus (COVID-19) Survey (BICS) show that 80% of UK businesses are currently trading.

Headline indicators from the Business Impact of Coronavirus (COVID-19) Survey (BICS)



The initial results from Wave 20 of the Business Impact of Coronavirus Survey (BICS) show that of the 39,000 businesses sampled, 85% of UK businesses are currently trading. This gives a response rate of 11.7%, lower than usual. Of all businesses, excluding those who have permanently ceased trading, 11% of their workforce are on furlough leave, down from 16% in the prior wave. 78% of businesses had been trading for more than the last two weeks (an increase from 76% in Wave 19), 7% of businesses had started trading within the last two weeks after a pause in trading (an increase from 5% in Wave 19), 3% of businesses had paused trading but intend to restart in the next two weeks (a decrease from 7% in Wave 19), 10% of businesses had paused trading and do not intend to restart in the next two weeks and 3% of businesses had permanently ceased trading.

Online Jobs Adverts

These estimates are experimental figures are taken from jobs adverts provided by Adzuna. The Adzuna categories do not correspond to SIC categories and therefore not comparable with the ONS Vacancy Survey.

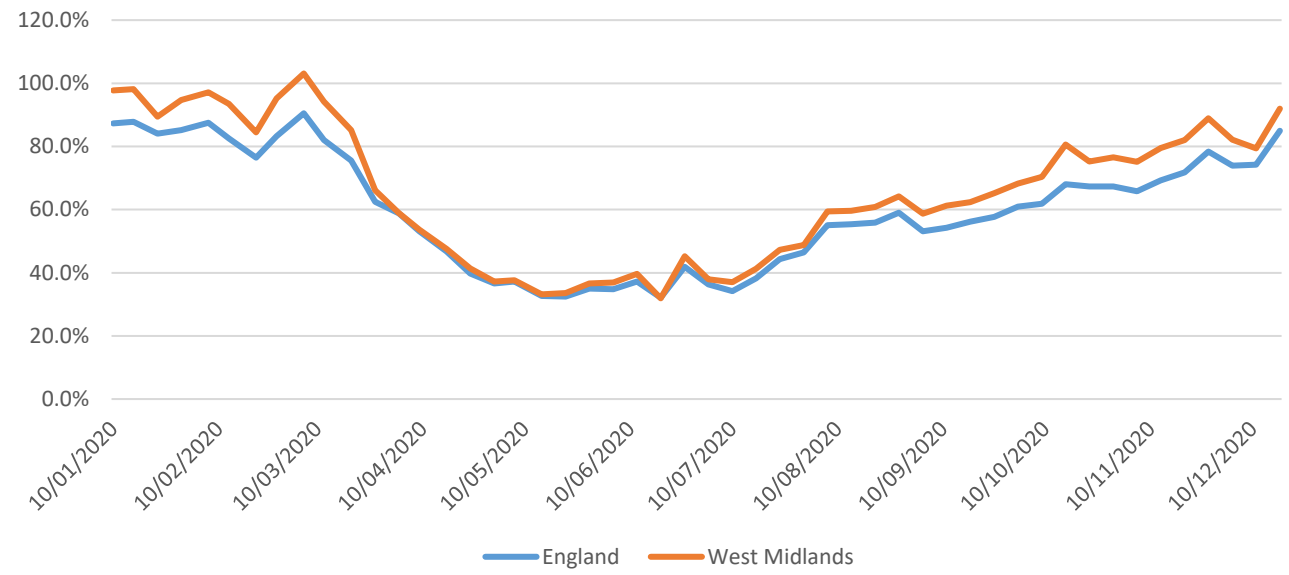
Between 4 December and 11 December 2020, total online job adverts remained unchanged from the previous week at 74% of the level seen in the same week last year. Nationally, in the week ending 18th December total online job adverts increased by 9 percentage points to 83% of the level seen in the same time last year.

In the week ending 11th December, out of the 28 categories (excluding unknown) 17 decreased from the previous week, with the highest decrease in transport, logistics and warehouse by 14 percentage points but is at 111% of the level seen in the same week in 2019. This category is known to be highly seasonal, with increased variation in the number of online job adverts in the build up to the Christmas period.

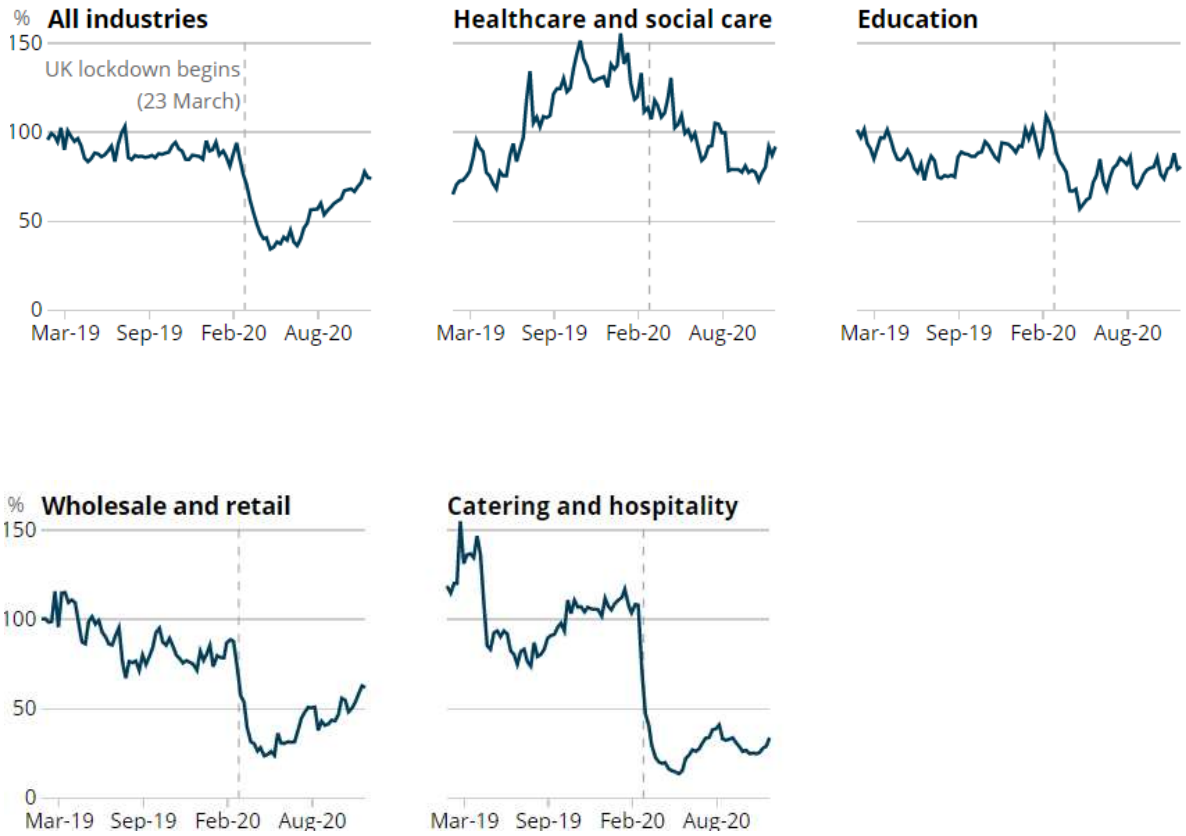
The largest increase out of the 9 categories was in property, increasing by 7 percentage points to 88.7% of level seen in the same week in 2019.

In the latest week ending 18 December 2020, the volume of online job adverts increased by 9 percentage points from the previous week to 83% of levels compared with the same time last year.

The following chart shows the total weekly job adverts on Adzuna, for all regions and the West Midlands, 10th



January 2020 to 18th December 2020: percentage change from the same week in the previous year



Source: Adzuna

Shipping

Shipping data is provided by exactEarth. In the week ending 20th December 2020, the seven-day average number of daily cargo ship visits in the UK increased to the highest levels since June 2020 at 111 visits. The increase in cargo ship

visits occurred at several major UK ports including: Grimsby and Immingham, Southampton, Felixstowe, Tees and Hartlepool, and Holyhead.

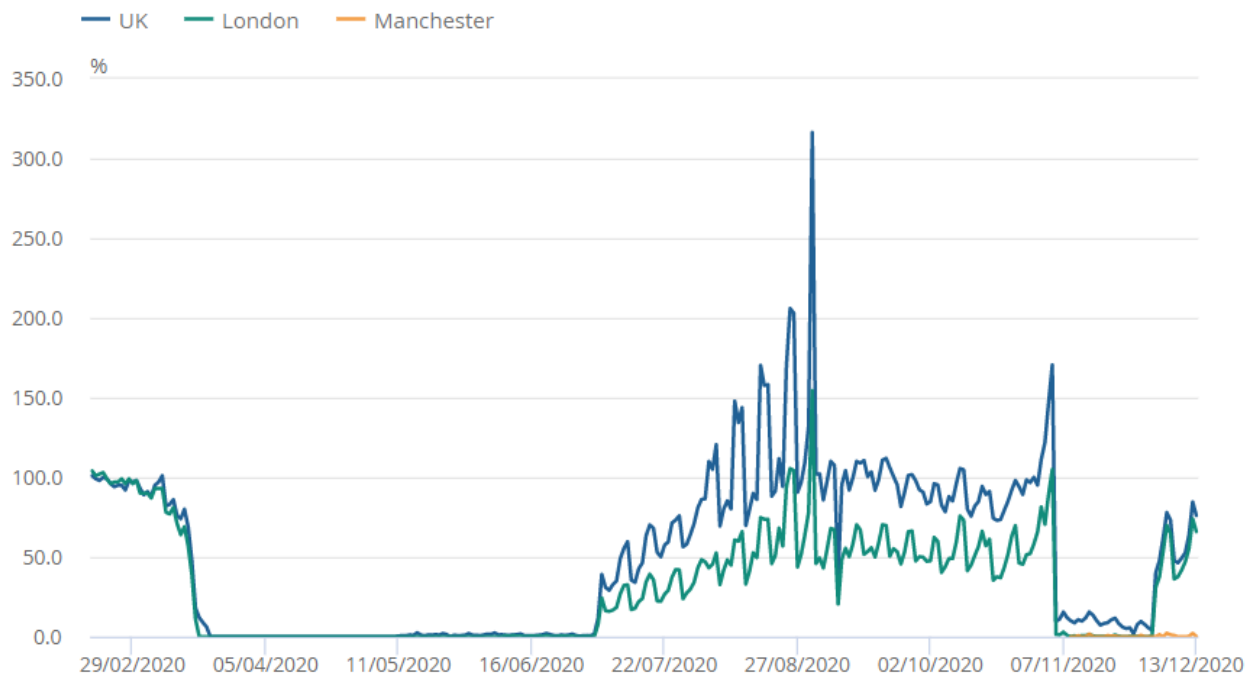
Roads and traffic camera data

The Department for Transport (DfT) reported that as of Monday 21st December 2020, the volume of all motor vehicle traffic was 8 percentage points lower than the previous week.

OpenTable Seated Diner Estimates

Since the lifting of national restrictions in England on 2 December 2020, the number of seated diners in the UK has increased substantially. On Tuesday 1 December 2020, the number of seated diners in restaurants was around 4% of its total on the same day of the corresponding week in 2019. On Saturday 12th December, seated UK diners increased to around 84% of their level last year.

Percentage of seated diners, year-on-year comparison, 18 February 2020 to 13 December 2020, UK, London and Manchester (West Midlands not explored in the ONS release)



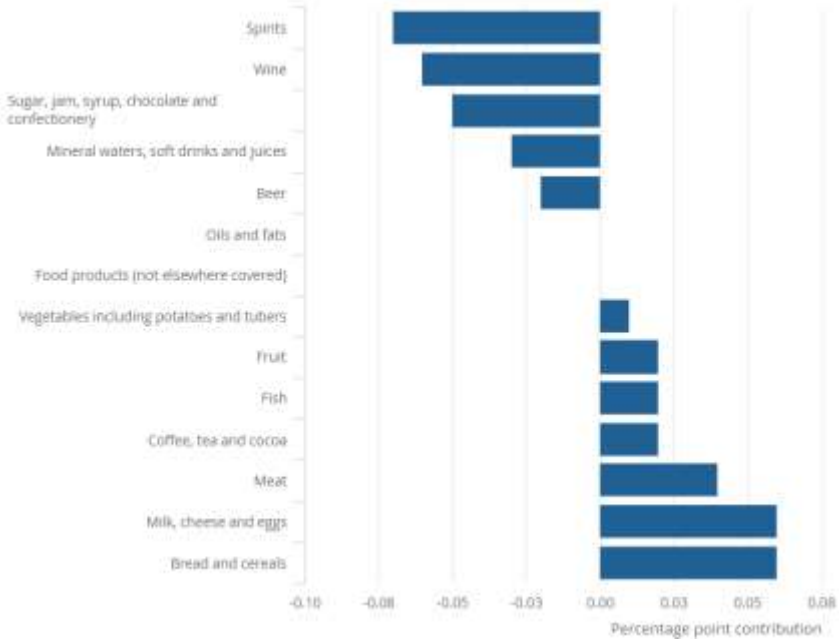
On Saturday 19th December, seated diners in the UK decreased to around 65% of their level on the same day of the equivalent week of 2019, down from 84% the week prior. Figures in London were much lower given the introduction of the Tier 4 restrictions, at 6% of last year's levels, down from 74% a week prior.

Source: OpenTable

Online Price Change in the Food and Drink Basket

In the week ending 13th December, prices of items in the food and drink were at 99% of levels seen in the week ending 7th June 2020 and remained unchanged the following week. Retailers offered Christmas discounts for vegetables which provided a negative contribution, whereas meat, milk, cheese, eggs, oils and fats provided positive contributions.

Contributions to online price change of a selection of food and drink products, UK, percentage point contributions to the percentage change between week ending 6 December 2020 and week ending 13 December 2020



Source: Office for National Statistics – Online price collection

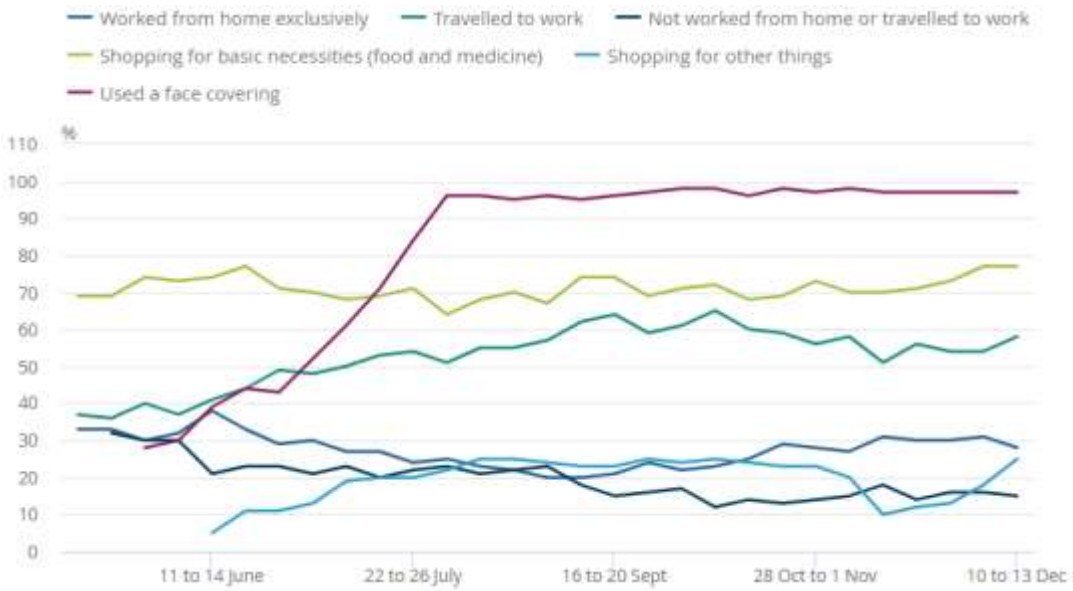
Social Impacts of the Coronavirus

According to the latest Opinions and Lifestyle Survey covering the period 13 to 20 December 2020, the survey went out to 6,027 adults in Great Britain and had a response rate of 55%. In the week ending 20 December 2020, around 57% of adults travelled to work (both exclusively and in combination with working from home). This figure is broadly unchanged from the week ending 13 December 2020. 28% of adults worked exclusively from home, and 15% neither travelled to work nor worked from home.

Shopping

In the week ending 13th December, 97% of adults used a face covering, 77% shopped for food and medicine, and 25% shopped for things other than food and medicine. In the week ending 20th December, of the adults that left their home in the past 7 days, 97% of adults used a face covering, 77% shopped for food and medicine, and 23% shopped for things other than food and medicine.

Proportion of adults, Great Britain, 14 May to 13 December 2020



Source: Office for National Statistics – Opinions and Lifestyle Survey

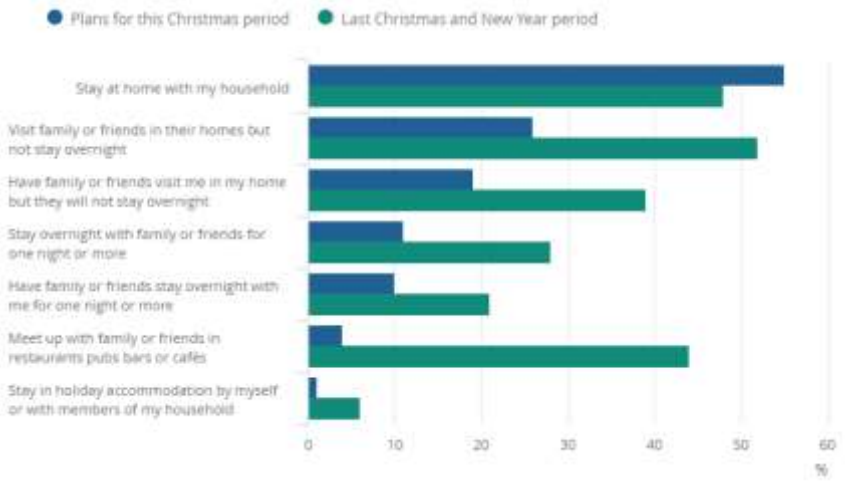
Compliance with most measures to stop the spread of the coronavirus (COVID-19) remained high, with 90% reporting always or often handwashing after returning home, 97% using a face covering, and 89% avoiding physical contact when outside their home.

Plans for Christmas

Just over half (56%) of adults in Great Britain reported they felt it was very easy or easy to understand rules for forming a Christmas bubble and this reported understanding appeared to increase with age; just under half of adults aged between 16 to 29 years (48%), over half (55%) of adults aged 30 to 49 years, around 6 in 10 (58%) adults aged 50 to 69 years and around 6 in 10 (61%) adults aged 70 years and above reported this.

Half of adults (50%) reported planning to form a Christmas bubble, with around 4 in 10 (38%) not planning to do so and 1 in 10 (12%) reporting they didn't know.

A lower proportion of adults reported planning various social activities with their family and friends this Christmas than was reported last year; this included: visiting family and friends and not staying overnight (26% compared with 52% last year), having family and friends visit but not stay overnight (19% compared with 39% last year), staying overnight with family and friends (11% compared with 28% last year), having family and friends stay overnight (10%, compared with 21% last year) or meeting up in restaurants, cafés or bars 4% compared with 44% last year).

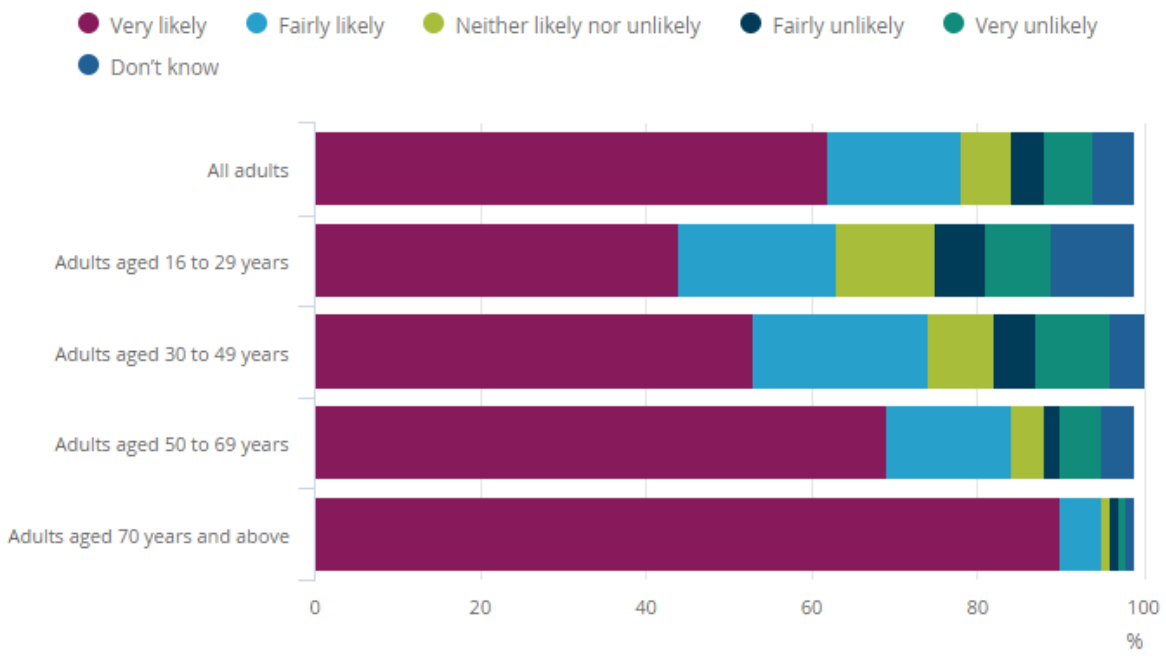


Source: Office for National Statistics – Opinions and Lifestyle Survey

Attitudes to COVID-19 Vaccination

Around 8 in 10 (78%) adults reported they would be either very likely or fairly likely to have the COVID-19 vaccine if offered and the proportion reporting this increased with age; around 6 in 10 (63%) of those aged between 16 and 29 years, three-quarters (74%) of adults aged 30 to 49 years, over 8 in 10 (84%) adults aged 50 to 69 years and over 9 in 10 (95%) adults aged 70 years and above reported this.

Of the 10% of adults who said they would be unlikely (either fairly or very unlikely) to have the COVID-19 vaccine if offered, the most commonly reported reasons why not were: feeling worried about the side effects, wanting to wait to see how well the vaccine works and feeling worried about the long-term effects on their health.



Source: Office for National Statistics – Opinions and Lifestyle Survey

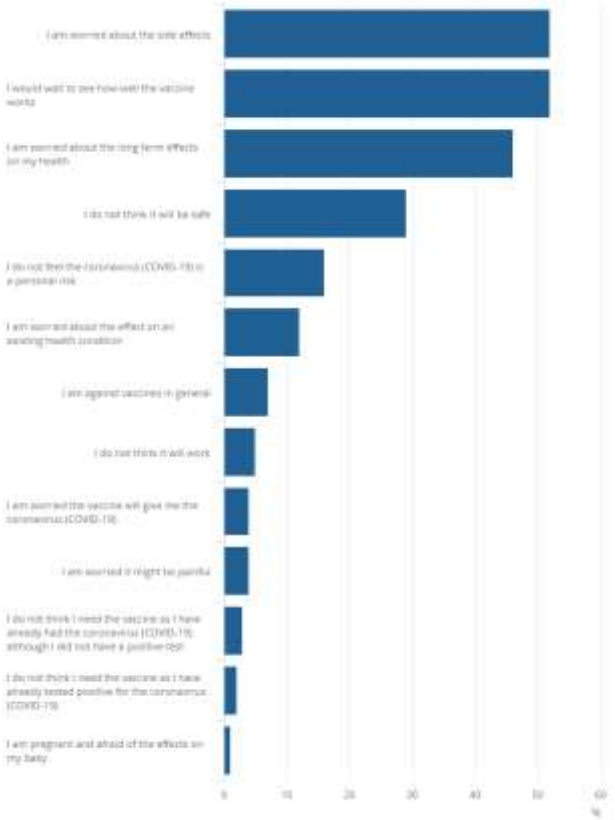
Around 8 in 10 adults (79%) reported they would be very likely or fairly likely to get a test for COVID-19 as part of mass testing even if they had no symptoms; this proportion was around 6 in 10 (63%) of those aged between 16 and 29 years and around three-quarters among older age groups - 72% of adults aged 30 to 49 years, 75% of adults aged 50 to 69 years and 78% of adults aged 70 years and above

The following summary shows the main indicators for Great Britain, 2nd to 13th December 2020:

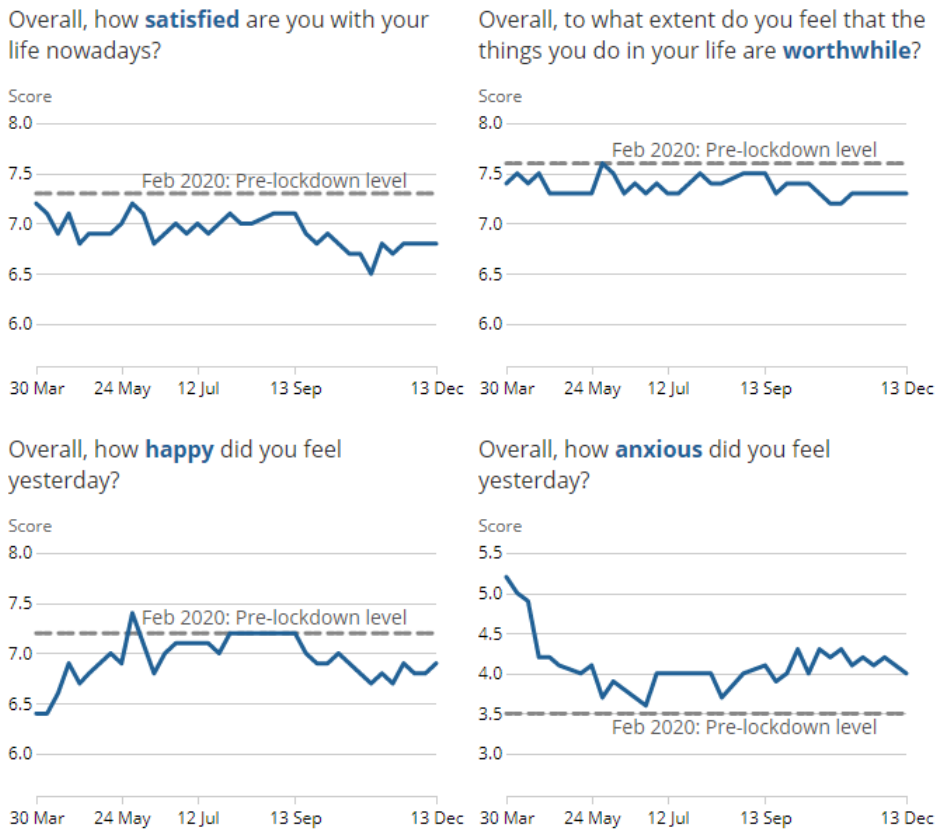
Indicator	This week(%)	Last week (%)
Percentage of adults always/often handwashing with soap and water after returning home from a public place	90	89
Percentage of adults that have used a face covering when outside their home in the past seven days	97	97
Percentage of adults always/often maintaining social distancing when meeting up with people outside their support bubble	87	85
Percentage of adults avoiding physical contact when outside their home in the past seven days	89	89
Percentage of adults that self-isolated in the past seven days	6	7
Percentage of working adults that have worked from home at some point in the past 7 days	37	40
Percentage of working adults travelling to work (exclusively and in combination with working from home)	58	54
Percentage of adults who have either stayed at home or only left for work, exercise, essential shopping or medical needs in the past 7 days	31	38
Percentage of adults very or somewhat worried about the effect of COVID-19 on their life right now	68	67

Source: ONS – Opinions and Lifestyle Survey

This week in Great Britain, average personal well-being scores for life satisfaction (6.8) and feeling that things done in life are worthwhile (7.3) remained the same as last week. Happiness (6.9) increased slightly compared with last week, and there was a slight decrease in the anxiety score (4.0).



The following charts shows for Great Britain personal well-being scores between March to December 2020:



Source: ONS – Opinions and Lifestyle Survey

LEP Level Intelligence

HEADLINES

SECTOR	KEY CONCERNS
Cross Sector	**COVID-19** Businesses are warning of a "potentially toxic" scenario for key industries after new national lockdown restrictions and the continuation of countries closing their borders to the UK. Business leaders are calling for more support for business, pointing out that furlough will not protect jobs if employers go out of business. Bounce Back and Coronavirus Business Interruption loans will cost the government more if the company fails and cannot repay it than if the business is just supported through this time. They stress that if businesses are lost, it will take years for them, and the communities they employ, serve and contribute to, to recover. It is demanded that the government introduce additional support now to save businesses and jobs. There are specific calls for the Government to: • Utilise the c.£2bn in business rates relief funds returned by major retailers (and from other COVID-19 support) for directly supporting businesses. • Take action on reliefs such as: business rates relief, NI contributions to furlough payments for closed businesses and VAT reliefs and deferral. • Deliver greater transparency on the evidence base for targeting restrictions at certain sectors, the economic impact of key measures and the criteria by which restrictions will be reduced to allow businesses time to plan effectively. In addition: • Directors taking income as dividends have not been able to access the support from the SEISS scheme and cannot furlough themselves as they need to be active in the business to bring in sales. • There is not enough support for commercial landlords. There has been reports of tenants going into a company voluntary arrangement (CVA), paying less and expecting savings on service charges at a time when the landlord's costs are increasing for security, cleaning and materials. • Bounce Back Loans and the Job Retention Scheme have saved businesses from closing. • With furlough being extended to the end of April 2021, there is continued uncertainty as to what will happen when this scheme is eventually withdrawn. Businesses preparing for what some see as inevitable large-scale redundancies. • **National Recovery Strategy** – with an EU trade deal agreed and as 2021 starts, will government be looking to provide a clear strategy, primarily in dealing with COVID recovery, vaccinations and investment? **Access to Finance** • Frustrated entrepreneurs are being "stifled" by the decision of almost all high street banks to stop opening new business accounts, a TheBusinessDesk.com investigation has found. Banks claim they need to prioritise the needs of their existing customers, which has seen them bring the shutters down on new accounts for periods of up to three months. Mike Cherry, the chairman of the Federation of Small Businesses, called for urgent action to unblock the system. • A notable number of Growth Hub queries have recently been received in relation to HMRC relief, EU Exit surveys and business development grants. **Schemes** • There was less than normal business engagement over the festive period as many firms were closed. Enquiries that have been received however have been focused on peer networks programmes, and funding and finance. • Some businesses are involved in schemes to offer online work placements to school students as an alternative to regular work experience programmes that have not been possible as a result of COVID-19.

SECTOR	KEY CONCERNS

	• More than 3,000 jobseekers in the West Midlands have been supported through the Government's Sector-based Work Academy Programme
	Grants
	• Businesses are continuing to push ahead with investment projects with the purchase of capital equipment, and are also looking to recruit new skilled staff and apprentices. These businesses are taking grant applications seriously as they are keen to exploit European support schemes, whilst they remain available.
	UK Transition
	• The announcement of a trade deal between the UK and the European Union was greeted with relief by business leaders and businesses in the West Midlands, who stress that it will take time for both the UK and EU to adapt.
	• Specific concerns from SMEs are around the VAT situation agreed on deferred/delayed VAT on imports, the requirement and process to register for VAT in Europe and have a European EORI number, trading with Northern Ireland, price increases, supply chain disruption and customs queries.
	• Now that the UK and EU have agreed a deal, it is likely that we will continue to see the need for support on this topic as businesses try to understand the detail and their obligations. Previous reports have indicated the requirement for clear messaging on a number of issues:
	  ○ Dealing with stock shortages and backlog of freight supplies.
	  ○ Understanding rules regarding travel to EU by UK based workers.
	  ○ Understanding rules and legal requirements around employment of EU nationals.
	  ○ Contract Law – how are trade contracts affected now we are no longer part of the EU?
	  ○ Changes to exporting – understanding the required documentation and delays to fulfilment.
	Start-Ups and New Business Models
	• An innovative approach to Start Up support has been identified in Coventry & Warwickshire, with an enquiry from Entrepreneurs Unlocked, a Community Interest Company set up to assist ex-offenders with entrepreneurial flair, set up ventures and put skills to good use.

Retail	**COVID-19** • Businesses in this sector will be looking for further government support to ensure that they survive the remainder of the winter period. Hope remains that this sector will be able to begin trading sooner than the Summer of 2021. • Some independent retailers have reported that there appears to be more support from local people to support their businesses. This may be an indication that the public are more aware of the importance to think locally, accelerated, perhaps, by our imminent departure from the EU.
Visitor Economy	**COVID-19** • Restrictions imposed on businesses across the region has resulted in business owners expressing their frustration of not being able to open which could result in potential permanent closure (particularly pubs and hospitality). • Companies in the worst affected industries are really struggling, given it's now almost been a year of reduced or no income. For example, theatres and conference centres.
Manufacturing	**UK Transition** • Automotive Sector: Overall the new Brexit deal is welcomed by automotive manufacturers over a 'no-deal' alternative. However, much will depend on the degree of flexibility allowed and the degree of phasing in and there are still major implications and costs. According to David Bailey from Birmingham Business School, the deal is better than no deal for the sector. There will be extra costs for the industry in terms of non-tariff barriers but things could have been much worse. **COVID-19** • Wider than just a lack of business, practical issues of the pandemic have been reported. For example, lockdowns affecting the ability for face-to-face sales meetings.

NEW ECONOMIC SHOCKS

COMPANY	LOCATION	SECTOR	SOURCE/DETAIL
Pizza Hut	Bentley Bridge, Wolverhampton	Hospitality	A Pizza Hut restaurant is closing in the Black Country, bringing uncertainty to staff members.
Shell Energy Retail	Coventry	Energy	Pre-tax losses widened to more than £30m at a Coventry-based supplier of gas, electricity and broadband which is owned by Shell, new accounts have confirmed. Shell Energy Retail, formerly First Utility, has reported losses of £31.5m for the 12 months to 31 December 2019, compared to £20.7m in the prior year. Its turnover went from £850.3m to £832m over the same period.
Park Sheet Metal	Coventry	Automotive	Turnover at a Coventry-headquartered manufacturer whose clients include Bentley, Aston Martin and Jaguar Land Rover is set to fall during its most recent financial year because of the Covid-19 pandemic's impact on the automotive sector. Park Sheet Metal Company has said the shutdown of production during the first half of 2020 led to a decrease in its sales
Monsoon Venue Group	Birmingham	Events (Weddings) sector	Couples have been left in the lurch after a wedding event company started the process of liquidation. Monsoon Venue Group, in Birmingham, caters for Asian weddings and had struggled to stay afloat as Covid-19 restrictions limited their business.
Tandem	Castle Bromwich	Manufacturing (Bikes)	Bike maker Tandem, which has its main base in Castle Bromwich, saw its shares fell by nearly 7 per cent.

NEW INVESTMENT, DEALS AND OPPORTUNITIES

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
COMPANY	**LOCATION**	**SECTOR**	**DETAIL & SOURCE**
Marston's	Black Country and wider region	Hospitality	Pubs group Marston's is taking over the running of more than150 in Wales from SA Brain.
Future High Streets Fund	Brierley Hill / Kidderminster	Retail / Public	Brierley Hill and Kidderminster have been awarded a combined £30m funding in a bid to save their high streets.
The Green Duck Brewing Company	Stourbridge	Hospitality	The independent brewery, based in Rufford Road, Stourbridge, has been forced to shut its bar because of virus restrictions but teamed up with Coventry's Twisted Barrel Brewery and Tap House to raise £25,000.
RJ Clark Engineering	Netherton	Engineering	A new niche engineering company has been launched in Netherton after securing a funding package from Central Business Finance, creating five new jobs for the region.
BT	Across West Midlands region	Entertainment	BT Openreach has bucked the economic trend by creating 164 West Midlands engineering jobs, which are to be filled next year
Alloy Wheel International (AWI)	Brierley Hill	Manufacturing	Securing a new medical quality standard is set to open up a £1m opportunity for one of the UK's leading manufacturers of round, flat and profile wire. Alloy Wire International (AWI), which offers a 60-strong range of Exotic alloys, has taken just nine months to refine its systems to achieve ISO 13485 – the quality standard for supplying medical devices.
West Midlands cinemas	Across West Midlands region	Entertainment	Nine independent cinemas in the region have been awarded £419,375 in funding from the Government's £1.57 billion Culture Recovery Fund.
Warehouse REIT	Rugby	Property	A pair of warehouses in the West Midlands have been bought as part of a wider deal worth almost £20m. AIM-listed Warehouse REIT has acquired two detached industrial units totalling 48,000 sq ft at Stonebridge Cross, Droitwich Spa and a 39,000 sq ft unit at Valley Point, Rugby.
Montpelier Estates	Leamington Spa	Healthcare	Work is due to start in January to create a care home and apartment complex in Leamington Spa. Specialist care home provider Montpelier Estates is behind the project after it purchased Sovereign House in Queensway on Tachbrook Park from property development company AC Lloyd. The two-storey building has been demolished to make way for two three-storey buildings containing a 78-bedroom care home and 15 care apartments, a car-park and landscaped gardens. The complex, which will be operated by Berkley Care Group, will provide 24-hour support for people with dementia and brain-related injuries and the development will feature en-suite bedrooms, day rooms and a dining room along with service support, staff support and ancillary offices. A total of 100 jobs will be created at the care home – which is expected to open in the spring of 2022.
Hertford Junction	Coventry	Construction	A landmark building inspired by towers in Sweden and Shanghai could be constructed in Coventry, according to new plans. Land at Feast Junction, Hertford Place, has been set aside for the scheme which would rise to 20 storeys and feature 89 student apartments. A total of 59 one-bed and 30 two-bed flats, 119 bedrooms overall, would be created if the go-ahead is granted by Coventry City Council.

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
IM Properties	Stratford upon Avon	Property	The first phase of a £140m business park in Stratford-upon-Avon, which could support up to 1,650 jobs when complete, is being marketed to potential occupiers. Solihull-headquartered IM Properties (IMP) is behind the Stratford 46 business park which is located on the west side of the town and will be directly accessed off the A46. The scheme will offer a mix of logistics, office and roadside premises. A flexible planning permission means that units can range from 10,000 sq ft up to 250,000 sq ft for a single letting.
ESS	Coventry	Software	A private equity firm is to invest in a Coventry-based provider of education technology. Montagu Private Equity will back ParentPay after its deal to acquire Capita's Education Software Solutions (ESS) business was agreed. ESS, which is valued at up to £400m, will become part of the ParentPay group. ESS is a standalone provider of management information system (MIS) and related software for the education sector. Part of the consideration agreed is for Montagu to assume liabilities such as working capital and debt worth £57m. Montagu will pay £298m on completion, expected early in 2021.
Cookson Precious Metals	Birmingham	Jewellery / Manufacturing	Turnover jumped by almost £100m at a Birmingham-based jewellery manufacturer and supplier, which was founded in 1845, during its latest financial year. Cooksongold, which offers a range of 17,000 products to jewellery makers, including tools, silver clay, gemstones and beadings materials, has reported a turnover of £357.6m for the 12 months to 31 December 2019, up from £265.9m.
Birmingham Health Innovation Campus	Birmingham	Life sciences	Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) has granted £14 million to support the development of Birmingham Health Innovation Campus in Selly Oak.
Deltic Bars	National, including across the West Midlands	Hospitality	Some 1,300 jobs have been saved after Nordic nightlife group REKOM swooped for stricken British nightclub owner Deltic. REKOM UK will buy up 42 Deltic bars and clubs across the country.

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
For any queries please contact the lead Authors:

Rebecca Riley R.Riley@Bham.ac.uk
Ben Brittain B.Brittain@bham.ac.uk
Delma Dwight Delma_Dwight@blackcountryconsortium.co.uk
Anne Green A.E.Green.1@bham.ac.uk

This programme of briefings is funded by the West Midlands Combined Authority, Research England and UKRI (Research England Development Fund)

The West Midlands Regional Economic Development Institute
and the
City-Region Economic Development Institute
Funded by UKRI