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**Report to:** Employment and Skills Panel

**Date:** 19 June 2020

**Subject:** **Economic Reporting**

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## **1. Purpose of this report**

- 1.1 To provide an update on the latest economic and business intelligence for the Panel, and to update the Panel on the latest activity and intelligence around understanding the impact of Covid-19.

## **2. Information**

### Background

- 2.1 Since the outbreak of Covid-19 and the resulting lockdown, measures have been put in place to monitor the impact of the virus on the local economy. This has included the production of a weekly monitoring report, drawing together intelligence from the Growth Services' interactions with businesses along with intelligence from other data tools available to the LEP / Combined Authority, and published data. This report presents the latest assessment of that intelligence.
- 2.2 The Research & Intelligence team is also supporting work on recovery, by:
- undertaking analysis to identify areas, sectors and groups of society who may be more heavily affected by Covid-19
  - assessing the range of scenarios published by official institutions such as the Bank of England and Office for Budget Responsibility as well as other forecasters to understand potential impacts on the economy
  - commissioning further economic scenario work to understand the scale of potential impacts locally
  - undertaking primary research to understand the potential impact of measures such as social distancing on peoples' choices on issues such as public transport use and willingness to travel.

- 2.3 This work will feed into the development of a range of scenarios which will inform the organisation's policy response.

#### Impacts to date

- 2.4 Like the rest of the country, Leeds City Region has seen a significant fall in economic and other activity since the beginning of lockdown in March. In the early weeks of lockdown, footfall in Leeds city centre fell by 90% according to data from Leeds City Council, whilst data on MCard and concessionary fare passes showed a similar fall in movements across West Yorkshire.
- 2.5 The level of activity in the labour market also declined rapidly, with the number of vacancies advertised currently down 65% locally and 62% nationally compared to pre-lockdown. The largest reductions in vacancies have been in sales, HR and recruitment, hospitality and catering, and consultancy roles, showing that although shutdown sectors have been badly affected, wider swathes of the economy have also seen a significant reduction in hiring activity. Vacancies for social work and healthcare and nursing jobs have been relatively resilient. The number of new business bank accounts opened, a proxy for start-up activity, down by a similar amount in April.
- 2.6 There has also been an unprecedented increase in claims for unemployment benefits. In April 2020 there were 108,000 jobless claimants in Leeds City Region, with 87,900 claimants in West Yorkshire. Between March and April 2020, the count increased by 41,200 (+62%) across the City Region and by 30,800 (+54%) across West Yorkshire, lower than the increase seen nationally of 66%. The claimant rate (expressed as a proportion of adult residents) rose from 3.5% to 5.6% in the City Region and from 3.9% to 6.0% for West Yorkshire.
- 2.7 The monthly increase in the claimant count seen in April is largely unprecedented, though the consensus among analysts is that this would have been much higher had the Coronavirus Job Retention Scheme CJRS to furlough staff not been in place. Although official data on the take up of the CJRS is not available at the local level, one million businesses have collectively furloughed 8.7m staff nationally. Analysis of an Office for National Statistics business survey (which suggested eight million jobs could be furloughed) suggested that if applied locally, around 293,000 and 387,000 workers could be furloughed in West Yorkshire and Leeds City Region respectively. Around 75% of businesses nationally have used the scheme. There were 216,100 people on Universal Credit in Leeds City Region in April 2020 and 167,800 in West Yorkshire. Leeds City Region saw a monthly increase of 60,000 (38%) between March and April 2020 and West Yorkshire an increase of 44,600 (36%), both slightly below the national average increase of 40%.
- 2.8 Existing businesses have faced significant challenges. An ONS survey of businesses nationally suggested that around 20% had temporarily ceased trading. Locally, there was a spike in business liquidations in March, up 65%

on the same period last year, but this fell sharply to below usual levels in April. Temporary changes to company insolvency practices introduced in response to COVID-19 may have helped limit liquidations.

- 2.9 However, businesses continue to face challenging financial conditions, with the number of companies with high risk credit ratings rising sharply. Businesses in the business administration and hospitality sectors are particularly overrepresented here.
- 2.10 The majority of contacts to the LEP's Growth Managers and business support gateway have focused on issues around access to finance and cash flow, with contacts from B2C sectors such as retail and hospitality most prevalent.
- 2.11 Local authorities in Leeds City Region have paid out £726m to 61,500 businesses under the Small Business Grants Fund (SBGF) scheme and the Retail, Hospitality and Leisure Business Grants Fund (RHLCGF), according to data from BEIS. In West Yorkshire, £430m has been allocated to 37,000 businesses. In both areas, almost 80% of the funding has been allocated, in line with national activity.
- 2.12 Data from an ONS survey at regional level shows that four in five people in Yorkshire & Humber (82%) said they were worried or very worried about the impact of Covid-19 on their life. 29.5% of respondents in Yorkshire & Humber said their main worry was access to work, school or university, this is higher than in any other region. It is also higher than the proportion whose biggest concern was health, wellbeing or access to care.
- 2.13 16% of respondents in Yorkshire & Humber said their household finances had experienced a reduction in income in April. This is lower than in most regions and compares to 18% nationally, but there are no statistically significant variations across regions.

#### Potential future impacts

- 2.14 Most economic forecasters have provided an assessment of potential economic impacts at national level as a result of Covid-19. Most expect a sharp fall in 2020 followed by a recovery in 2021, though the scale of impact and timing of recovery is highly uncertain and heavily influenced by factors including the length of the lockdown.
- 2.15 The scenario developed by the Office for Budgetary Responsibility outlined a contraction in UK GDP of up to 35% in Q2, and 13% over the whole of 2020. NIESR forecast 15% drop in GDP in Q2 and just over 7% in 2020 as a whole. The Bank of England's Monetary Policy Committee has published its first assessment of potential economic impacts, suggesting GDP could fall by 25% in Q2, and by 14% in 2020.
- 2.16 There is more consensus on employment impacts, with those three national forecasts all suggesting unemployment could reach 9% or 10%.

2.17 At the local level, work is ongoing with Experian to develop a series of scenarios to understand local economic impacts for different trajectories. These scenarios will provide detailed local GVA and employment assessment by sector and support our recovery work. Initial higher-level forecasts by Oxford Economics suggest that the local impact in West Yorkshire may be slightly higher than the national forecasts.

2.18 Further work is ongoing understand current and potential future impacts in more detail, including surveys of households and businesses (the latter working with the Chambers of Commerce). This will provide further insight on the challenges facing key groups in ensuring activity can recover post-lockdown, and explore opportunities for future developments that can enhance the resilience of the economy and provide growth potential.

### **3. Clean Growth Implications**

3.1 There are no clean growth implications directly arising from this report.

### **4. Financial Implications**

4.1 There are no financial implications directly arising from this report.

### **5. Legal Implications**

5.1 There are no legal implications directly arising from this report.

### **6. Staffing Implications**

6.1 There are no staffing implications directly arising from this report.

### **7. External Consultees**

7.1 No external consultations have been undertaken.

### **8. Recommendations**

8.1 The Panel are asked to note the latest intelligence around the economic impacts of Covid-19 and consider how this relates to their work and future work plans.

### **9. Background Documents**

None.

### **10. Appendices**

Appendix A - Leeds City Region Covid-19 weekly monitor – 5th June 2020.