
Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 14 July 2020

Subject: **Economic Reporting**

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Purpose of this report

- 1.1 To provide an update on the latest economic and business intelligence for the Board, and to update the Board on the latest activity and intelligence around understanding the impact of COVID-19 since the Board's June meeting.

2. Information

Recent local developments

- 2.1 Further data released since the Board's last meeting updates the employment impacts of Covid-19. West Yorkshire's claimant count increased by 18,900 (22%) according to data from DWP, whilst the wider Leeds City Region saw a 22,000 (20%) increase in claimants in May, compared with April. Nationally, there was growth of 512,500 (29%). Comparing May 2020 with the pre-lockdown period in March 2020 the number of claimants has increased by 63,100 (94%) in Leeds City Region and by 49,600 (87%) across West Yorkshire. The national average increase was 114%.
- 2.2 This means there are now 129,900 claimants in Leeds City Region and 106,700 claimants in West Yorkshire, compared with March figures of 66,800 and 57,100 respectively.
- 2.3 HMRC have published data on the take up of the Coronavirus Job Retention Scheme at the local level for the first time. At the end of May, the total number of employments supported through furlough was 256,000 in West Yorkshire and 344,000 in Leeds City Region. In both cases this is equivalent to around 28% of employees, a similar proportion to the national average, with little variation across districts.
- 2.4 Results from the Quarterly Economic Survey (QES), conducted in partnership with the Chambers of Commerce in Leeds City Region, shows reductions in activity on all key measures on the survey in Quarter 2 2020. The services net balance for domestic sales dropped 95 points to -60%, far exceeding the low of -26 reached during 2008 (a reading below zero indicates contraction).

- 2.5 Companies also reported a significant worsening of their cash flow situation over the past three months. More companies report decreasing employee numbers than increasing for the first time since 2008/9. However, the majority of firms reported no change in employment, suggesting that the furlough scheme is enabling companies to retain staff for the time being at least.
- 2.6 Both local and national data shows some signs that results for May and June are less negative than for April, as more of the economy has begun to reopen. However, in almost all cases, activity remains significantly below pre-lockdown levels.
- 2.7 Nationally, retail sales increased by 12% in May 2020, but were still down by 13% compared to February. Meanwhile the decline in manufacturing activity also stopped in June, according to the Markit/CIPS PMI survey, which showed activity in the sector broadly flat (though at a substantially reduced level compared to February).
- 2.8 Locally, the number of new business bank accounts opened in May increased by 110% to 719 in West Yorkshire, compared to April 2020. There was a 91% increase across England. This data is used as a proxy for start-up activity and suggests new business activity showed some signs of rebounding from April's historic lows. However, the number of new accounts remains 32% below May 2019 levels in Leeds City Region, and 33% lower in West Yorkshire.
- 2.9 The number of live vacancy postings has shown modest recovery in recent weeks with the number of vacancies in West Yorkshire, up around 8% in the week to 21 June, compared to the previous week. However, this remains around 59% lower than pre-crisis levels. It is estimated that there are 10 vacancy postings per unemployed claimant in West Yorkshire compared to a UK average of around 7 (reflecting the number of jobless people competing for each vacancy).
- 2.10 Although local anecdotal evidence confirms that many businesses are returning to operations as lockdown eases, national surveys suggest that this is a relatively slow process. Data from the Office for National Statistics' Business Impacts of Coronavirus Survey suggests that 84% of businesses nationally were trading by the end of May. Overall, 79% had been trading for longer than two weeks and only 5% had opened in the past two weeks. A similar proportion expected to be open by mid-June. 11% would not be seeking to open in that time frame, although this increases to 65% in the Arts and Entertainment sector, and 49.5% in Hospitality.
- 2.11 According to the same survey, on average only 6.1% of staff were returning from furlough and 2.3% were returning from remote working by the end of May.
- 2.12 Clearly these data do not yet reflect the reopening of non-essential retail from 15 June and of the hospitality sector from 4 July. There is, however, evidence of an upturn in activity on the transport network, with a 12% increase in footfall

through Leeds Station and a 6% increase in MCard and concessionary pass usage in the week commencing 22 June.

- 2.13 The QES also provides insight into the measures businesses in the City Region are taking to adapt to COVID-19 as they reopen. More than 4 in 5 firms have or are planning to implement social distancing for staff (85%) and/or enable remote working (83%). Around two thirds are sourcing PPE for staff, and around 2 in 5 are planning steps to enable staff to get to work safely (42%) and/or staggering arrival times.
- 2.14 Around three quarters of businesses expect these measures to be in place for between three and twelve months. However, this falls to 61% when considering remote working, with more than a fifth (22%) of businesses expecting this change to be permanent, and a further 9% expecting it to last more than a year.

Potential future impacts – provisional results of modelling

- 2.15 As reported to the Board at the June meeting, Experian have been commissioned to develop a set of three scenarios to quantify the impact of COVID-19 on the local economy under a number of different assumptions to inform the work of the Economic Recovery Board. This work is still in progress and data is still being analysed and validated but a summary of the three scenarios and a provisional assessment of impacts is shown below.
- 2.16 In broad terms, the scenarios that have been modelled are:
- **Scenario 1:** consistent with the main forecast set out by the independent Office for Budget Responsibility (OBR), assumes that the national and local economy returns broadly to pre-crisis levels of activity by the end of Q3 2020.
 - **Scenario 2:** flexes the OBR assumptions, assuming that recovery takes longer and is not achieved until Q3 2021.
 - **Scenario 3:** effectively a double dip recession based on the introduction of a second period of lockdown from Q4 2020, with similar restrictions and duration.
- 2.17 The provisional results of this analysis show that the contraction in the West Yorkshire economy would be significant, with total GVA contracting by between £5.3 billion (10%) and £12.1 billion (22%) in 2020 across the three scenarios. While output begins to recover thereafter in scenarios 1 and 2, scenario 3 sees a further fall in GVA of £3.5 billion in 2021.
- 2.18 The impact on employment numbers across the scenarios is greater the longer it takes for activity to recover. In broad terms the modelling shows that between 30,000 and 58,000 jobs could be lost in West Yorkshire in 2020 (equivalent to a fall in employment of between 2.5% and 4.8%).
- 2.19 This could lead to the unemployment rate reaching between 8% in scenario 1 and 10% in scenario 3. The pace at which the unemployment rate returns to

pre-crisis levels also varies significantly, from H2 2021 in scenario 1, mid-2023 in scenario 2 and 2027 in scenario 3.

- 2.20 The detailed modelling work will provide local level insights across all the metrics shown above, but the early results show that there will be differing impacts across West Yorkshire.

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 Board 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 1: Leeds City Region weekly COVID-19 monitor – 3 July 2020