



Sub-Regional Covid-19 Business Intelligence

3rd November 2020 – 30th November 2020

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1. Executive Summary

Welcome to this final edition of the Coventry & Warwickshire 'Smart Region' report for 2020. We hope you have found our reports timely and helpful through the year, giving you an up-to-date analysis of the impacts of Covid-19 on key sectors in our local economy, and highlighting wider local economic themes and trends as the pandemic has evolved. We will continue to produce the reports monthly in 2021.

In this edition we highlight the end of the transition period with the EU and spotlight some of the estimated implications it may have on the local and regional economy.

The recommendations and findings of this month's report are based on intelligence gathered from CWLEP Growth Hub's business engagements and survey data, and information provided by Coventry City Council, Warwickshire County Council and CWLEP.

Sources include Warwickshire County Council's Weekly Business & Economic Update and other reports by WCC's Warwickshire Economics team, Coventry City Council's Business & Economy briefing, Coventry & Warwickshire Chamber of Commerce, Department for Work & Pensions, and other research bodies with expertise in Labour Market analysis.

Key Headlines

In November 2020, **the claimant count in Coventry & Warwickshire totalled 33,510 people**. At the start of the year in January 2020, the claimant count stood at 14,900. **Whilst there has been another small fall on the previous month, the overall claimant count total has been at around the current level in Coventry & Warwickshire since May.**

Area	January 2020	October 2020	November 2020
Coventry	7,525	16,695	16,600
North Warwickshire	765	1,980	1,980
Nuneaton & Bedworth	2,670	5,385	5,235
Rugby	1,495	3,105	3,080
Stratford-on-Avon	995	2,940	2,965
Warwick	1,455	3,650	3,650
Warwickshire	7,375	17,065	16,910
CWLEP	14,900	33,760	33,510

Source: Office for National Statistics

Nationally, there was an increase in the claimant count between October and November, with the UK's total **increasing from 2,565,320 to 2,631,280**.

The Office for National Statistics also reported that:

- **Redundancies hit a record 370,000 in the three months to October**, although this began to ease towards the end of the period. The figures pre-date the November lockdown and is expected to continue to rise in the next release of data.
- **There were 819,000 fewer workers on UK company payrolls in November** than at the start of the pandemic.
- **Hospitality was the worst hit sector**, accounting for a third of the job losses, followed by retail.

Other Headlines:

- **The UK is still emerging from its deepest recession on record**, after a 2.2% contraction of GDP in Q1 2020 and 19.8% contraction in Q2. Following a GDP expansion of 15.5% in Q3, GDP growth slowed to 0.4% in October and an 8% contraction is forecast for November.
- The economy **likely to end the year 7.9% smaller than in February**.
- The OBR and Bank of England both **project an 11.3% GDP contraction for 2020 overall, with the UK economy unlikely to return to 2019 levels until Q4 2022** (based on OBR's central scenario).
- **Over 6,400 businesses in Coventry & Warwickshire currently trade with the EU** (either import or export), compared to **4,600** to non-EU countries.
- **Latest Make UK/BDO Survey for Quarter 4 Manufacturing** highlights:
 - Output and orders improving but still substantially below historic averages
 - Exports declining ahead of EU exit, especially sharp for motor vehicles, while export margins also declining
 - Investment picture improving but now negative for three quarters
 - Employment data suggesting redundancies have taken place
 - Manufacturing to contract by 12% this year and forecast for 2021 substantially downgraded.

Source: MakeUK/BDO <https://www.makeuk.org/insights/reports/manufacturing-outlook-2020-q4>

2. Latest Support for Business

Following the announcement of the latest lockdown restrictions coming into effect in England, **Coventry City Council's Economic Development Team** have summarised the new and emerging arrangements for Business Support coming into effect.

Grants Available to Businesses

Businesses required to close in England due to local or national restrictions will be eligible for the following Grant Support which will be administered by Local Authorities:

- For properties with a rateable value of £15k or under, grants to be £1,334 per month, or £667 per two weeks
- For properties with a rateable value of between £15k-£51k grants to be £2,000 per month, or £1,000 per two weeks
- For properties with a rateable value of £51k or over grants to be £3,000 per month, or £1,500 per two weeks.

In addition, £1.1bn is being given to Local Authorities, distributed on the basis of £20 per head, for one-off payments to enable them to support businesses more broadly.

Coronavirus Job Retention Scheme (CJRS)

The CJRS that was due to end 31/10/2020 is extended until 31/3/2021.

There were 11,100 posts in Coventry and 22,200 in Warwickshire furloughed as of 30/9/2020 (latest available local statistics). This represents 7% of total posts potentially eligible for Coronavirus Job Retention Scheme (CJRS), and a four-fold decrease from the figures on 31/7/2020 (prior to businesses needing to contribute to costs of furloughed employees wage costs). Given the further restrictions imposed since 5/11/2020 for some sectors of the economy, it is, however, likely that the number of furloughed employees will have increased since early October.

- The Job Support Scheme, which was scheduled to start on 1/11/2020, has been postponed until the now extended CJRS ends. The number of local posts furloughed will need to be monitored closely - **recent estimates suggest that 9% of previously furloughed adults were no longer working by September, rising to 19% of those aged 18 to 24 and 22% of BAME workers.**

Support for Self-employed people

The support for self-employment and those on reduced hours was updated on 2/11/2020:

- Government is now providing two taxable Self Employment Income Support (SEISS) grants to support reduction in demand but are continuing to trade, or temporarily cannot trade.

- The first grant will cover a three-month period from 1/11/2020 until 31/1/2021. The Government will now provide a taxable grant now covering 80% of average monthly trading profits, for November and 40% for December and January, paid out in a single instalment covering 3 months' worth of profits, and capped at £5,160, increased from £3,750.
- The second grant will cover a three-month period from 1/2/2021 until 30/4/2021. The Government will review the level of the second grant and set this in due course.

A key consideration will be to explore the extent to which freelancers (particularly those who supply arts, culture & conferencing) previously not able to access SEISS will be able to access this support, either through this scheme or one of the grant funds.

Loan Finance

The Chancellor has announced that the Bounce Back Loans, Coronavirus Business Interruption Loans and Future Fund will now be extended for applications up to 31/1/2021.

Other Financial Support

Further support has been announced for individuals who could be affected by loss of income:

- People aged over 18 with low income or out of work are able to access Universal Credit
- People who cannot work whilst self-isolating can access Employment & Support Allowance
- Eligible mortgage holders will be able to apply for a further six-month mortgage payment holiday.

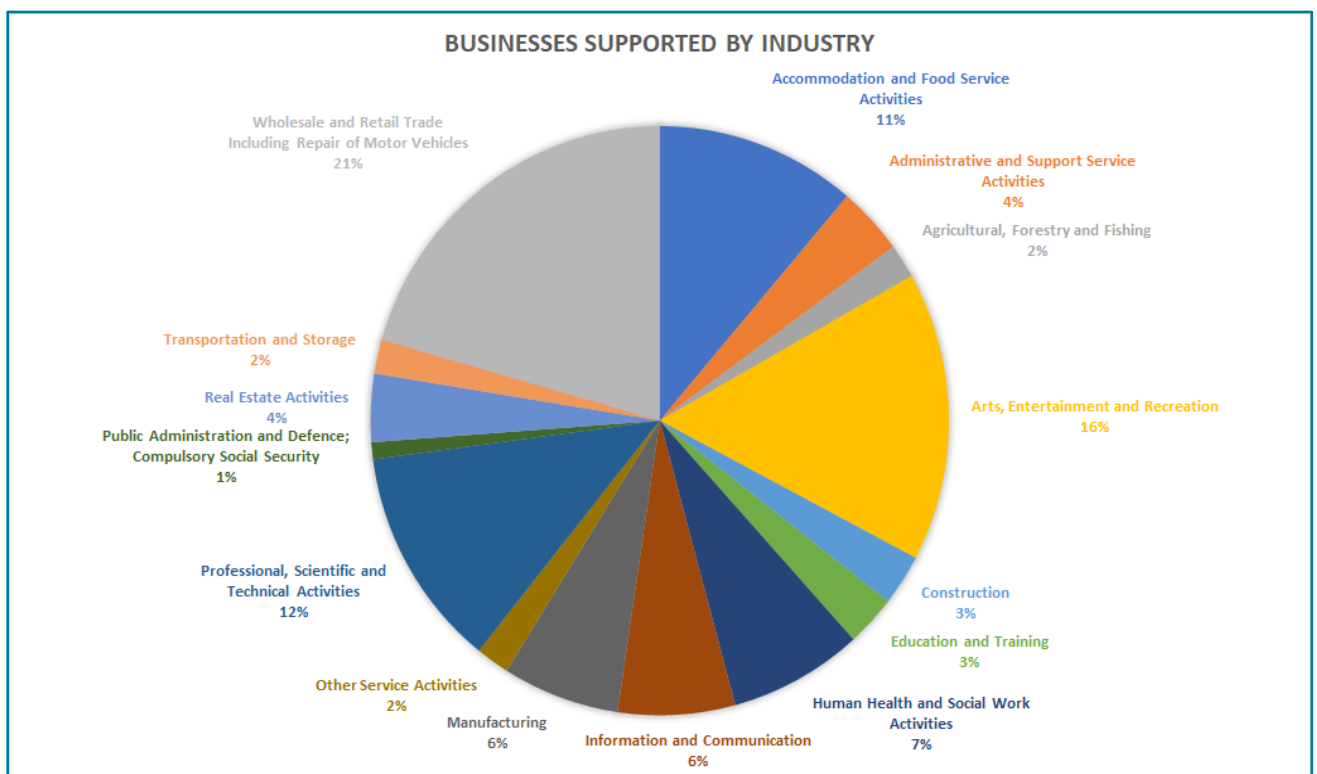
3. Business Insights

3.1 CWLEP Growth Hub – Trends

Since 1st March 2020 and the start of the pandemic, **CW Growth Hub has supported 3,316 businesses and has had substantive discussions with 1,164 businesses specifically related to Covid-19 impacts and EU Exit.**

This month's business insights are taken from intelligence gathered from supported businesses since 16th November 2020.

3.1.1 Overview

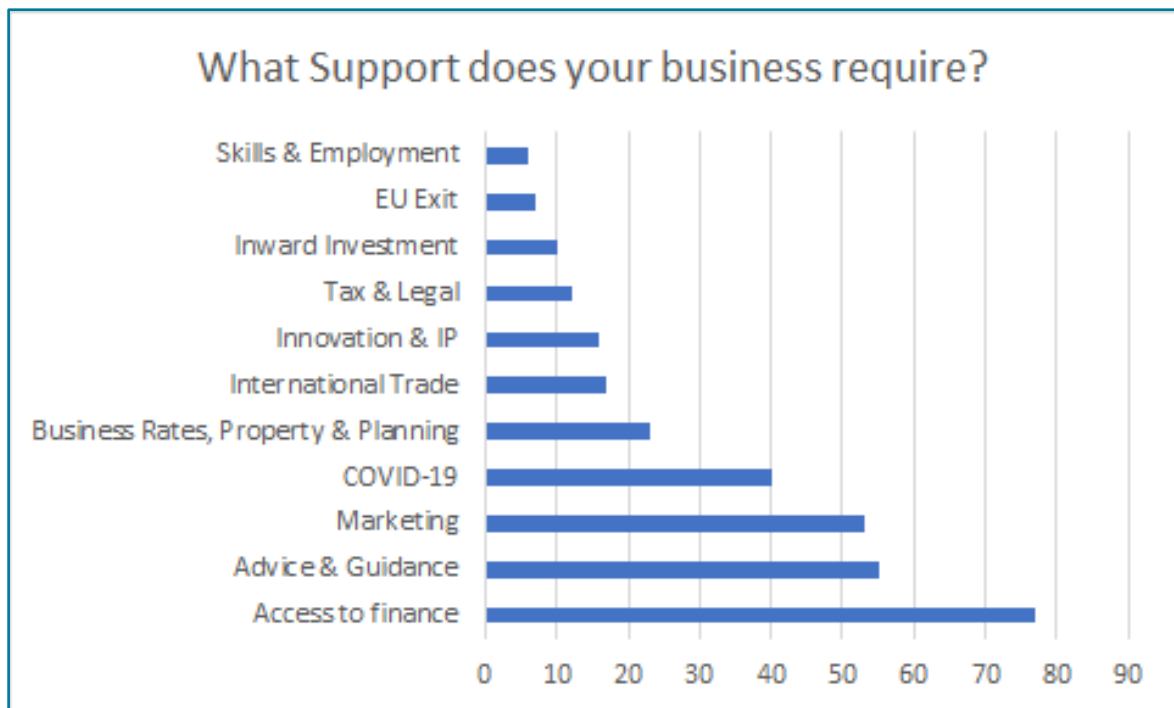


The top sectors supported by CW Growth Hub since mid-November were **Wholesale & Retail Trade Including Repair of Motor Vehicles (21%); Arts, Entertainment & Recreation (16%); Professional, Scientific & Technical Activities (12%); and Accommodation & Food Service Activities (12%).**

These four sectors accounted for over half of the intelligence gathered from Coventry & Warwickshire businesses. This reflects the uneven reopening of these businesses, particularly during and following the national lockdown and subsequent Tiered system in place to scale back the rate of Covid-19 infection.

At the time of writing, Coventry, Solihull, & Warwickshire sit within Tier 3 of the three-tier system, the highest level of restrictions in place, which has stopped many recreation, food & beverage and accommodation providers from opening.

The size profile of the businesses supported over the past month consisted of **40% sole traders, 43% micro businesses (2-9 employees), 12% small businesses (10-49 employees) and 5% medium sized businesses (50-249 employees)**. There have been increases in **Sole Traders, Micro and Medium sized enterprises** approaching CWLEP Growth Hub compared to the previous editions of the Smart Region Report, with nearly a third of these enquiries (30%) from businesses that started trading in 2020.



Similar to preceding months data, **Access to Finance** is the most popular reason for support detailed by clients. Under this heading, many clients have varied and complex needs and business financial support requirements. Investing in people and capital equipment are two of the main ways that clients are looking for access to financial support to grow and to move towards the next stages of their business development.

Whilst **Access to Finance remains the key support requirement for businesses**, there were also a high number of businesses that ticked Covid-19 as the area they require support with, although in many cases these conversations have led **into advice around Marketing Support, Business Rates, and Tax & Legal** issues.

Help with **Marketing** has been a persistent ask from businesses throughout the pandemic, as businesses recognise the need to increase turnover through

showcasing what they can do, how they have changed their business models, reaching new markets and customers, and competing for winning new business.

Finally, it is worth noting that whilst advice and guidance is always a key requirement from businesses seeking support from the CWLEP Growth Hub, there has been a noticeable small upward spike following recent announcements from government. Our qualitative intelligence collected during our direct interaction with businesses is outlined in the Emerging Themes section.

3.1.3 Emerging Themes

Grants – C&W Growth Hub are working with a number of clients across the region on various grant enquiries. Aside from assisting businesses with Local Restrictions Support Grant (LRSG) and Additional Restrictions Support Grant (ARSG) applications, delayed investment projects are beginning to resurface with capital purchases and green initiatives among the most common. Some businesses are looking for further government assistance with consultancy for marketing and overall strategy planning and are being plugged in to the most relevant local support programmes.

End of EU Transition Period – businesses are starting to feel the impact of a speculated “No Deal” EU Exit, with reports of supplements being added to invoices to offset any potential additional costs of leaving the EU. Other issues include imported goods that are being held dockside until taxes are paid before they are released. On a positive note, DiT import/export courses are being well received, saving money on expensive advice from external consultants.

Some businesses at risk of liquidation, due to Covid-19 or EU Exit, are **Transferring IP** to protect themselves and allow the resurrection of business activity at a later date.

Kickstart – some businesses are experiencing confusion arising from the rules of the Kickstart scheme, with a fear that misinformation may be deterring employers from pursuing it. Clearer messaging would help combat this and ensure opportunities to benefit from the scheme are maximised.

Businesses in the Events Industry who have had to lay-off employees are cautious to enrol apprentices when they are able to resume business for fears that further waves, restrictions, or lockdowns will not allow them to provide suitable job security for these people in the future.

BAU and Inbound Enquiries – new business start-ups continue to lead to enquiries, with new ventures covering a wide range of sectors. Home Care, App Development, Bakeries, e-Commerce and Social Media are just some of the types of businesses being started. Existing businesses also looking for support with property and planning issues.

4. Spotlight; EU Exit – End of Transition

According to the latest data available from the **Office for National Statistics (2018)** on **Exports and Imports from EU/non-EU sources**¹, Coventry & Warwickshire has a trade surplus when exporting to non-EU countries, whilst businesses in the area import more from EU sources. Overall, Coventry & Warwickshire **exported more than was imported by nearly £200 million**. Over **6,400** businesses in Coventry & Warwickshire traded with the EU (either import or export) compared to **4,600** to non-EU countries.

Pinpointing and targeting businesses that currently trade with the EU and detailing what they will need to check, change, and complete, to ensure future trade will be key to mitigating the changes still to be agreed. It will also help businesses take advantage of whatever the future trading relationship will look like.

Longer term trends will depend on the trading relationship that the UK and EU will strike in the coming days and weeks. This could **present opportunities for onshoring in the supply chain**, although alternatively this could present difficulties for sectors which utilise a supply chain dependent on imports.

HM Revenues & Customs (HMRC) estimate that they will annually process 270m customs declarations from 2021, compared with current volumes of 55 million, which is estimated to cost around £15billion a year. The increase in customs declarations will impact Coventry & Warwickshire businesses, although again the extent of any additional burdens is difficult to assess at this moment in time. The **National Audit Office's** report "**The UK border: preparedness for the end of the transition period**" suggests that it is very unlikely that all traders, industry and third parties will be ready for the end of the transition period.

Depending on any deal agreed, tariffs and exceptions may become the norm, as well as the need for new or different permits, regulations and border controls. Each of these has the potential to impact on the speed and density of movement of goods between the UK & EU. **There were 219.5m tonnes of freight crossed the border between the UK & the EU in 2019** (excluding Northern Ireland/Republic of Ireland crossings).

For the Logistics & transportation sector in particular, four of the six local authority areas in Coventry & Warwickshire have a Location Quotient² of above 1 for Transportation & Storage, with North Warwickshire having an LQ of 4.33. Given the concentration of logistics and transport sector industries in Coventry & Warwickshire and the wider West Midlands, impacts could be more acute on certain sectors that rely on the movement of goods to and from Europe and beyond.

¹ ONS, International exports of services from subnational areas of the UK

² The Location Quotient is a measure of the concentration of employment in a sector in an area. A value of one suggests that the amount of employment in a sector is proportional to its size compared to the national average.

5. Recommendations

The following recommendations have been drawn from analysis of macro-economic and business-level data collated from Coventry & Warwickshire stakeholders.

5.1 Short Term

5.1.a

It will be crucial that government introduce further interventions during the recovery and restart phase to support the UK labour market recovery:

- **Clarity surrounding the details of deal or no-deal scenarios for businesses is essential.** With the end of the Transition Period with the EU very quickly approaching, this will be pivotal to the extent of economic recovery in 2021. The following topics need immediate attention:
 - Data Regulations
 - IP
 - Upskilling the workforce in customs declarations/processes
- **Local and National campaigns to spread the message regarding the end of the Transition period to businesses** that detail the specific preparations they should be carrying out to lessen the possible disruption to trade.
- **Clarity on the strategy for exiting Covid-19 Tier restrictions** is needed for local businesses to plan for economic recovery in 2021.

5.1.b

With the recent Covid-19 local Tier and England-wide lockdown restrictions, the period October-December and into the Spring months of 2021 are likely to see increasing unemployment levels. Further rounds of increased redundancies are also expected as the new phase of furlough support works through towards the end of the current scheme.

Partners in the **region can support with the promotion of the newly launched Employment Solutions portal**, launched the w/c 9th November with full support from CWLEP and local stakeholders **to promote job opportunities to both local jobseekers and employers.**

For more information: <https://www.cwgrowthhub.co.uk/news/new-online-employment-website-launched-cw>

To see the portal: <https://www.cwemploymentsolutions.co.uk/>

5.1.c

A potential concern as workers are furloughed under current restrictions is businesses' capacity to prepare for future trading relationships with the EU, particularly given ongoing uncertainties around the detail of any potential trading deal. A strong recommendation by our local FSB and other Coventry & Warwickshire partners suggests **further financial and wraparound support may be required to enable businesses to make the necessary preparations over the next 2-3 months.**

5.2.d

Clarity around future funding opportunities and business support infrastructure

following the end of the transition period with the EU is essential. This will cover various different funding streams, but guidance around the scale and scope of the UK Shared Prosperity Fund and the Levelling-Up Fund is required, and is of real importance, so both the local public and private sectors can plan for 2021 and beyond.

5.2 Medium Term

Additional initiatives that would benefit the labour market in the medium term could be led by government and include:

5.2.a

Rollout of Broadband – inconsistencies remain across Warwickshire and **investment in skills** to improve computing and digital skills within the labour market will be critical to help businesses, employees, as well as also consumers to adapt to new technologies, and to expand and deepen business trading relationships.

5.2.b

Award/allocation of the remaining ERDF and ESF reserve funds - to promote diversification and innovation that will allow adaptations following the end of the transition period and helping to mitigate some of the impacts of Covid-19.

5.2.c

Local, regional, national, and international initiatives - to inform businesses of the opportunities available in expanding their trading relationships within the UK and utilising UK suppliers, in addition to showcasing the benefits of expanding markets globally. Services such as [Findit in CW](#) will become increasingly important in helping businesses find new suppliers locally, and build relationships at the very local level.

5.2.d

Work alongside Banks/Lenders to discuss ways to relieve the volume of debt in all sectors, to ensure diversification, investment, and growth are not stagnated for longer than is necessary.

5.3 Long Term

Businesses and the wider economy could benefit if both central government and local stakeholders consider and support these long-term recommendations:

5.3.a

Conduct market research into the best ways to address the strains of the compounding issues local businesses face following Covid-19 and EU exit.

5.3.b

Drive and **support initiatives to upskill the workforce and** that will promote diversification and boost the labour market in many sectors as the reset of the local economy occurs, including **promotion of 'good work' opportunities and growth which reduces economic inequalities.**