MIDLANDS ENGINE
Economic Observatory

MIDLANDS ENGINE ECONOMIC IMPACT OF COVID-19

EDITION 10: 23RD OCTOBER 2020

Executive Summary

- UK redundancies increased by 74k in August, resulting in 227k redundant across the UK. The rise in unemployment, whilst steep, comes from a historically low baseline.
- The headline West Midlands Business Activity Index decreased from 61.9 in August 2020 to 58.5 in September 2020. Although a reading over 50 is still consistent with a marked rate of expansion. The headline East Midlands Business Activity Index increased from 57.4 in August 2020 to 58.6 in September 2020. The latest data rounded off a strong end to the quarter, indicating the strongest performance since the third quarter of 2014.
- WPI Strategy have identified areas most in need of levelling up through their Levelling Up Index, which is a socio-economic analysis of England and Wales at parliamentary constituency. The analysis reveals three broad categories of place, each with different needs and levels of success. Areas of Wales, Northern and Midlands towns, inner cities and coastal areas record the highest levels of deprivation, financial dependency, crime and empty commercial properties, yet also the lowest levels of spending power and health outcomes, putting them in prime position to benefit from any levelling up.
- The latest claimant data shows in September 2020, there were 428,515 claimants aged 16 years and over in the Midlands Engine. There are 216,975 (+102.6%, UK +113.6%) more claimants when compared to March 2020. The number of claimants as a percentage of residents aged 16 years old over was 5.1% in September compared to 5.0% for the UK.
- In September 2020, there were 88,560 claimants aged 16-24 in the Midlands Engine. There are 44,365 (+100.4%, UK +121.9%) more youth claimants when compared to March 2020. The number of claimants as a percentage of residents aged between 16 and 24 years old was 3.8% (UK 3.4%) in March 2020, this has increased to 7.7% in August (UK 7.6%).
- UK average house prices increased by 2.5% over the year to August 2020, up from 2.1% in July 2020. The East Midlands was the English region to see the highest annual growth in average house prices at 3.6%. The West Midlands was the third lowest region with an annual growth of 2.3%.
- One of the findings from the Make UK Bouncing Back Smarter: Innovation Monitor 2020 was manufacturers are aware of the benefits of Industrial Digital Technologies (44%) many are not yet adopting them. For example whilst half of manufacturers are aware of augmented and virtual reality they aren't yet utilising them.
- According to the ONS Business Impact of Coronavirus Survey (BICS) 27.3% of business in both the West Midlands and East Midlands that are in the education industry intend to have sites permanently closed in the next three months.
- Apparent inconsistencies in the handling of local lockdowns across the country are now being cited as problematic for businesses operating from multiple sites across the country – even in the wake of implementing the recent tiered restrictions.
- Make UK found the Job Support Scheme is felt to be insufficient both in scope, value and longevity – particularly since the implementation of Tier/1/2/3 restrictions.

Brexit

- A recent conference in the region on Brexit has highlighted that manufacturing is likely to be the sector hardest hit. This is a key concern for the Midlands. The impacts will vary across different subsectors based on a range of different impacts.
- Even in the event of a deal being agreed the added burden of bureaucracy such as proof of identity of parts will increase costs for businesses and threaten just in time delivery.
- 8.9% of the service sector's GDP is also at risk in the Midlands.
- Brexit is likely to have a bigger impact on GDP than the pandemic; a vaccine will to some extent reverse the pandemic impact but Brexit is a structural change. The combination of the two are seen as a toxic combination with distinct impacts interacting.

Emerging Policy Considerations

THEME	KEY CONCERNS
Access to Finance	• Positive impact of the Specialist Grants, comments such as 'life saving' confirming the effectiveness of the scheme. • Some businesses are looking for funding to improve their technology and ability to work from home.
Business Confidence	• Businesses steeling themselves for a difficult winter, with winding back of Furlough, further lockdowns, uncertainty over outcome of EU Exit.
New Business Models including Diversification	• Some businesses taking a more positive line, have come to terms with the 'new normal', and remodelling their business to find new opportunities. • Businesses continue to look to downsizing operations given the popularity of working from home. • Potential crisis for landlords as they seek to adapt to a potentially long term change in the way businesses and employees choose to work. A possible swathe of available larger premises could dictate how property owners choose to configure their buildings. A possible opportunity to create shared office space on flexible terms. • The percentage of businesses adapting their products and services continues to grow.
Jobs & Furlough	• As the end of CJRS approaches, businesses have already assessed staff numbers to remain productive and redundancies are inevitable. • Rationalising of some businesses with multiple sites to single locations, which could impact jobs in certain areas.
Supply Chain	• Rationalisation and reduction of product ranges and businesses reviewing their supply chains apparent.

EU Exit	• EU Exit - Concern over the availability of steel with EU exit, and the knock on effects of having to procure more expensive Chinese and European steel due to imposed tariffs.
	• Other main concerns noted by businesses include:
	  • Retaining and recruiting EU employees.
	  • Difficulties planning when things are not clear.
	  • No time to prepare with all the disruption and issues that responding to COVID-19 have brought.
	  • Delays from suppliers in EU and price fluctuations.

Global and National Outlook

Global Outlook

COVID-19 infection rates are surging in countless countries across the globe, with cases in Europe accelerating notably. Non-essential movement in and out of Madrid has been banned, the Czech government has touted an "improved" version of the first-styled lockdown, closing schools, restaurants and bars through to early November. Italy is also reviewing its current social distancing and restriction measures.

In global businesses news, the past week has seen some big takeovers. The biggest banking takeover this year has come from the Middle East, as Saudi Arabia's National Commercial Bank agreed to buy rival Samba Financial Group for $15 billion. The recent weekend also brought news that private equity firm EQT AB is said deliberating a takeover of Dutch phone company Royal KPN NV.

U.S. stocks have this week climbed to an almost six-week high, expressing a rally in some of the world's largest technology companies. The NYSE FANG+ index jumped 3.3% for its best session in a month, buoyed by Amazon Prime Day and an Apple Inc. product unveiling. Apple revealed four new 5G-enabled iPhones which will also come in different screen sizes.

Johnson & Johnson said its COVID-19 vaccine study has been temporarily halted following a trial participant falling ill. The participant's condition is being evaluated, and J&J says it will share more information after further investigation. While pauses in late-stage testing are routine in the pharmaceutical industry, the interruption may contribute to concerns over safety with vaccine research progressing at an unprecedented speed.

National Outlook

U.K. Prime Minister Boris Johnson has announced bars and pubs will be closed in the worst-hit parts of England in order to supress the spread of the virus. Chris Whitty, the Chief Medical Office, has said more measures might still be needed. Households in the Liverpool city-region, Greater Manchester and South Yorkshire will be banned from mixing indoors and in private gardens, with pubs, gyms and casinos closed.

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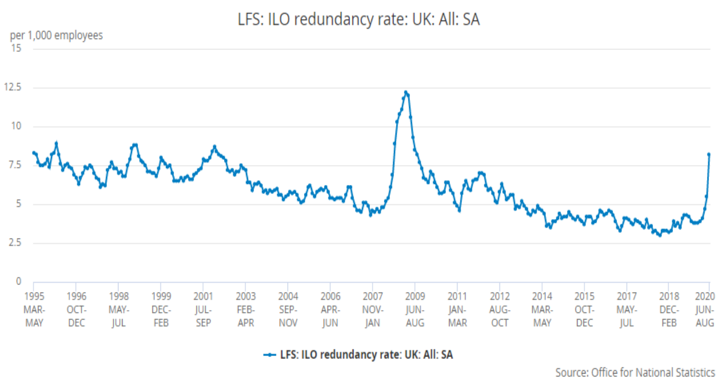
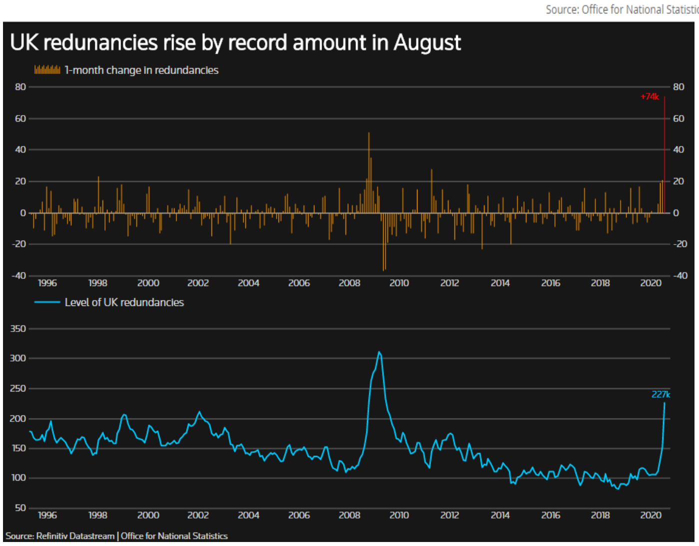




The UK is likely to be still borrowing £100billon a year and debt will be spiralling upwards, even until the end of this Parliament. The International Monetary Fund has upgraded its UK-growth forecast, but has cautioned that Britain will still be borrowing 4.4% of GDP in 2025. In that time total debt is likely to jump from 85% of national income to 107%.

Purchasing Manager Index (PMI) Survey Analysis:

The headline West Midlands Business Activity Index decreased from 61.9 in August 2020 to 58.5 in September 2020. Although, a reading over 50 is still consistent with a marked rate of expansion.

The headline East Midlands Business Activity Index increased from 57.4 in August 2020 to 58.6 in September 2020. The latest data rounded off a strong end to the quarter, indicating the strongest performance since the third quarter of 2014.

West Midlands Business Activity Index
sa, >50 = growth since previous month

East Midlands Business Activity Index
sa, >50 = growth since previous month

Source: IHS Markit, NatWest PMI, October 2020

Across the UK, the West Midlands had the fourth highest Business Activity Index and the East Midlands was the third highest.

Demand

Private sector firms in the West Midlands and East Midlands reported a further expansion although at a slower rate in new business in September. The West Midlands New Business Index decreased from 61.6 in August to 56.5 in September. The East Midlands New Business Index has decreased from 58.8 in August to 53.9 in September.

Capacity

Firms continued to register a strong drop in employment In September. In the West Midlands and East Midlands the Employment Index was recorded at 40.2 and 45.2 respectively. Despite being softer than in August, the rate of reduction was marked. Payroll numbers declined in all regions, however the West Midlands had the sharpest fall.

Outstanding business levels have declined further for the West Midlands and the Outstanding Business Index registered at 49.2 in September. In the East Midlands, outstanding business registered a renewed rise in backlogs of work and the Outstanding Business Index was 50.3 in September.

Prices

There has been a further rise in input prices for the West Midlands in September, although the rate of inflation softened from August. For the East Midlands this was the fourth successive month for a rise in input costs. The Input Prices Index was 55.1 for the West Midlands and 52.5 in the East Midlands in July 2020.

The Prices Charged Index continues to rise and was 52.4 in September for the West Midlands. For the East Midlands, the Prices Charged Index was 48.7 in September, this is a renewed fall in output charges.

Outlook

The West Midlands Future Business Activity Index increased from 65.5 in August to 67.8 in September. Companies in the West Midlands were strongly confident of a rise in business activity over the next 12 months.

The East Midlands Future Business Activity has increased from 66.3 in August to 71.2 in September – with output expectations at its highest since February and among the strongest of the UK regions.

Exports

The West Midlands Export Climate Index has decreased from 52.7 in August to 52.3 in September. This is the third month in a row for improvement in trade conditions, although it still remains below the long-run average.

The East Midlands Export Climate Index has increased from 50.8 in August to 51.0 in September. This shows a marginal improvement in trade conditions, although it was the slowest seen for three months.

Source: IHS Markit, NatWest PMI, October 2020. Please note, the indices vary between 0 and 100, a reading above 50 indicates an overall increase compared to the previous month, and below 50 an overall decrease. The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the selected region.

Levelling Up

WPI Strategy have identified areas most in need of levelling up through their Levelling Up Index, which is a socio-economic analysis of England and Wales at parliamentary constituency level. The analysis reveals three broad categories of place, each with different needs and levels of success.

The Achievers — These places perform better than the England and Wales average and are more likely to be in the South of England or upwardly mobile suburbs of major urban centres.

The Borderliners — These places hover around the England and Wales average on many of these indicators and are often in a strong position to capitalise on certain sectoral advantages to boost their recovery. Nevertheless, support will be needed in certain areas. They are spread fairly evenly across the research area.

The Priorities — These places have historically suffered structural weaknesses through industrial decline and are often disadvantaged through Government spending. These seats, disproportionately in the North and Midlands of England and in Wales, should be the priorities of the levelling up agenda.

WPI Strategy have used the following six indicators to determine the overall 'levelling up' score[1]:

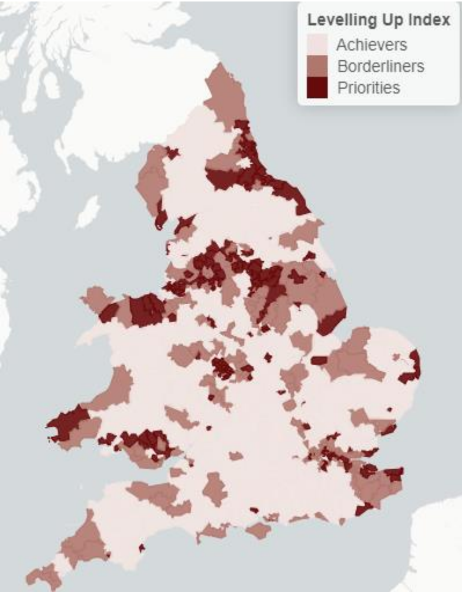
1. Spending power – comprised of employment and wage data to show economic strength.
Areas of Wales, Northern and Midlands towns, inner cities and coastal areas record lower economic scores on the 'spending power' indicator. This compares to those areas least in need of support, largely located in London where the economy is strongest, and employment is high. Of the top scoring constituencies, many are in London and the wider South. Clacton has the lowest score at 64. Poplar and Limehouse has the highest score at 263.

2. Financial dependency – focussed on Job Seekers' Allowance and Universal Credit claims and skills rates to show an area's current and likely dependence on state support.
Towns and cities in the Midlands dominate the dependency metric with areas of Birmingham, Wolverhampton and Dudley all running at double the national average, highlighting the major employment challenges in these areas. 11 of the top 20 constituencies on this measure are in the West Midlands where benefit dependency is much higher than the England and Wales average, in many cases more than double.

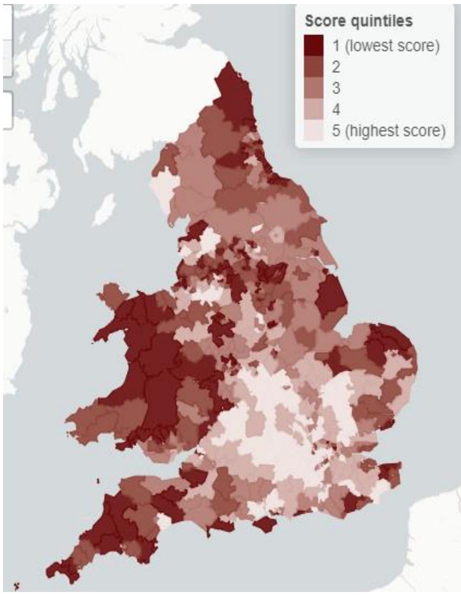
Other constituencies scoring highly on this measure are Bradford East and West, Hartlepool, Middlesbrough, and Easington in County Durham. Many of the constituencies scoring highly on this measure are in areas where heavy industry previously supported a large amount of employment. Rural, suburban and student areas have the lowest scores. Sheffield Hallam, Mole Valley and Winchester are at a third of the England and Wales average. Birmingham, Ladywood has the highest score at 266. Sheffield, Hallam has the lowest score at 26.

[1]'levelling up' score: The England average is 100. A constituency with a score of 110 will be 10 per cent above the England and Wales average on this deprivation measure, while a constituency with a score of 90 will be 10 per cent below the England and Wales average.
Source: WPI Strategy, The Levelling Up Index, 2020

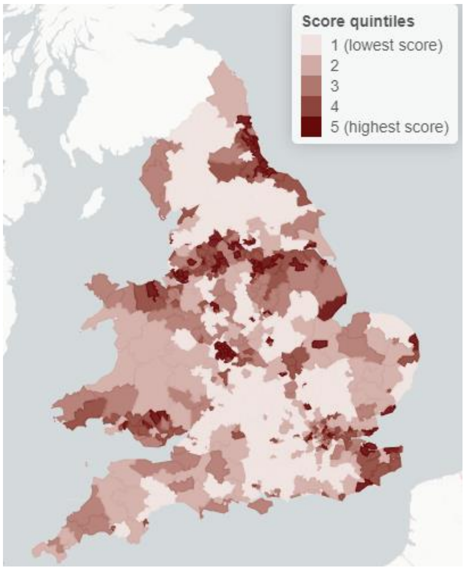
Broad Categories Map



Spending Power



Financial Dependency

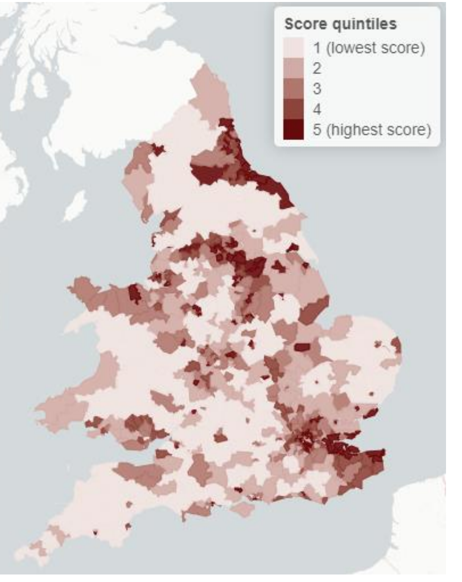


Levelling Up

3. Crime – the crime rates for each area.
Many of the areas with a higher 'financial dependency' score also have a high crime rate. Towns and cities in the North record the highest crime metrics with Blackpool, Middlesbrough, Leeds and Bradford amongst the top 10, with crime rates running at around twice the national average.

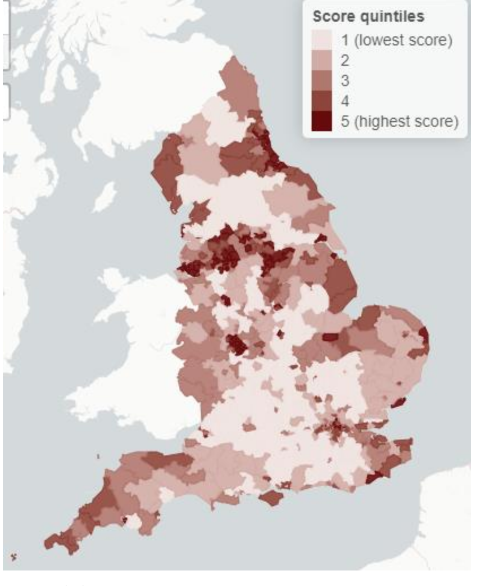
Affluent and more rural areas of the UK have the lowest crime figures, at less than half the national average, ranging from Altrincham and Sale West in the North to Central Devon in the South. Cheadle in Greater Manchester is the constituency with the lowest crime rate compared to the England and Wales average. Blackpool South has the highest score at 233. Cheadle has the lowest score at 35.

Crime



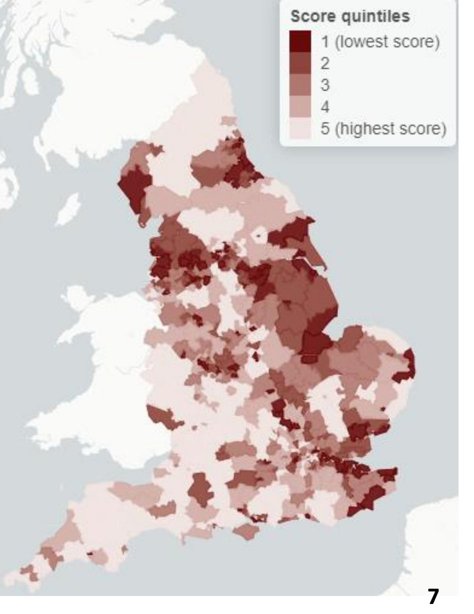
4. Deprivation (England only) – deprivation score across seven metrics.
Towns and cities in the Midlands, Yorkshire, North East and North West are most likely to have a higher number of people suffering from deprivation. Liverpool, Birmingham, Manchester, and Bradford are cities with multiple constituencies in the top thirty of this indicator, running at two and a half times the national average. This creates a large gap with those facing the lowest levels, such as Wokingham, which is eight times lower and a quarter of the national average. Liverpool, Walton has the highest score at 258. Wokingham has the lowest score at 28.

Deprivation



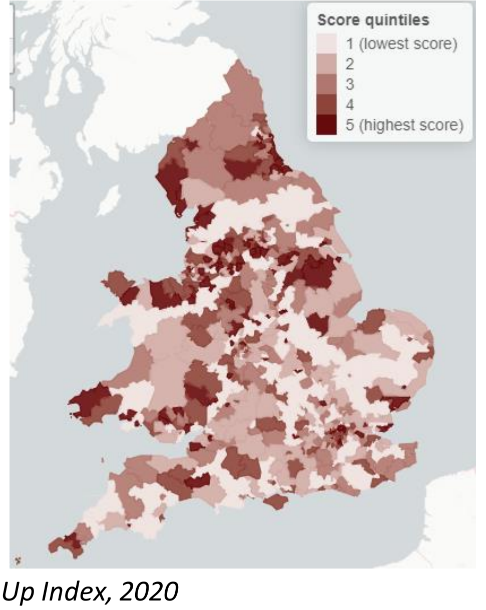
5. Health (England only) – based on both number of GPs and life expectancy for each area.
Coastal areas have some of the poorest health infrastructure and lowest life expectancy and this is true across multiple regions of the UK. Hastings, Clacton, Hull, Thurrock and Grimsby feature in the top 10 with scores under 80. Kingston Upon Hull's three seats are particularly badly affected and all fall within the bottom five. The areas with the best health outcomes are located in the South, particularly the South West, including seats in Devon, Dorset and Somerset. Kingston Upon Hull East has the lowest score at 69. Sheffield South East has the highest score at 133.

Health



6. Empty commercial properties – based on commercial vacancy rates.
Seats in the North and Wales record higher empty commercial properties rates almost twice the national average. 29 out of the top 30 highest scoring seats are in the North, Midlands, or Wales. Areas in the South and East have lower scores with scores at half the national average. Both Great Grimsby and Newport West have the highest score at 199. Clwyd South has the lowest score at 6, followed by the Forest of Dean at 23.

Empty Commercial Properties.



Source: WPI Strategy, The Levelling Up Index, 2020

ONS - Business Impact of the Coronavirus

The final results from the fourteenth round of the Business Impact of Coronavirus Survey (BICS) based off 23,912 businesses surveyed across the UK with a response rate of 23.1% (5,522).

Of the 3,717 businesses surveyed across the West Midlands, there was a response rate of 24.5% (911). For the East Midlands, of the 3,161 business surveyed there was a response rate of 25.1% (793). Unless stated, the following data is based on the period between 7th to 20th September 2020 and only covers topics where there is a regional breakdown. Please note the data used is unweighted and should be treated with caution when evaluating the impact of COVID-19.

Trading and Financial Performance

The trading status of businesses refer to the period of 7th – 20th September 2020 and the turnover analysis is between 21st September – 4th October.

For the East Midlands and West Midlands figures show that less than 1% of businesses have permanently ceased trading. While 97.4% of West Midlands businesses and 98.5% of East Midlands businesses have continued to trade and 2.1% of West Midlands businesses and 1.1% of East Midlands businesses have temporarily closed or paused trading.

97.0% of responding West Midlands and 98.0% of East Midlands businesses are currently trading and have been for more than the last two weeks. 1.9% of responding West Midlands businesses and less than 1% of East Midlands businesses have paused trading and do not intend to restart in the next two weeks.

53.0% of trading businesses in the West Midlands and 44.3% of East Midlands businesses reported their turnover had decreased by at least 20%. However, 27.7% of trading businesses in the West Midlands and 35.7% for the East Midlands reported that their turnover had not been unaffected and 11.5% reported their turnover had increased by at least 20% in the West Midlands and 12.6% for the East Midlands.

Turnover Versus Operating Costs

11.1% of West Midlands businesses and 10.1% of East Midlands businesses reported that operating costs exceeded turnover by at least 20% (UK 13.4%). 10.7% for the West Midlands and 9.2% reported turnover was equal to operating costs (UK 12.7%). While 55.5% of West Midlands and East Midlands businesses reported turnover exceed operating costs by at least 20% (UK 49.9%).

Currently Paused or Ceased Trading Business Sites

Out of the 13 broad industries 11 are above 1% for West Midlands businesses that have sites that have currently paused or ceased trading. The highest industry was accommodation and food services at 3.4%, followed by arts, entertainment and recreational activities at 2.1%. For the East Midlands, there were 4 industries that had businesses that had currently paused or ceased trading, the highest industry was the accommodation and food services industry at 3.0%, followed by the transportation and storage at 2.1%.

Site Closures

27.3% of businesses in both the West Midlands and East Midlands that are in the education industry intend to have sites permanently closed in the next three months. **The following table shows a breakdown by industry for the proportion of sites that will permanently close in the next three months:**

Industry	East Midlands	West Midlands
Manufacturing	16.7%	11.1%
Water Supply, Sewerage, Waste Management and Remediation Activities	*	*
Construction	*	*
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	2.8%	13.9%
Transportation and Storage	*	*
Accommodation and Food Service Activities	16.0%	8.0%
Information and Communication	5.6%	16.7%
Real Estate Activities	*	*
Professional, Scientific and Technical Activities	11.8%	0.0%
Administrative and Support Service Activities	0.0%	14.8%
Education	27.3%	27.3%
Human Health and Social Work Activities	*	*
Arts, Entertainment and Recreation	*	*
All Industries	9.3%	13.2%

*Less than 1%

Source: ONS, Business Impact of Coronavirus Survey

ONS - Business Impact of the Coronavirus

International Trading

1.6% of West Midlands businesses and 3.2% of East Midlands businesses continuing to export found that within the last two weeks they had not been able to export. While less than 1% of business in the West Midlands and 1.7% of East Midlands businesses had not been able to import within the last two weeks.

40.6% of exporting businesses in the West Midlands, and 29.6% for the East Midlands reported their businesses were still exporting but less than normal. Of those businesses who continued to trade and import, 31.8% in the West Midlands and 28.4% in the East Midlands were importing less than normal.

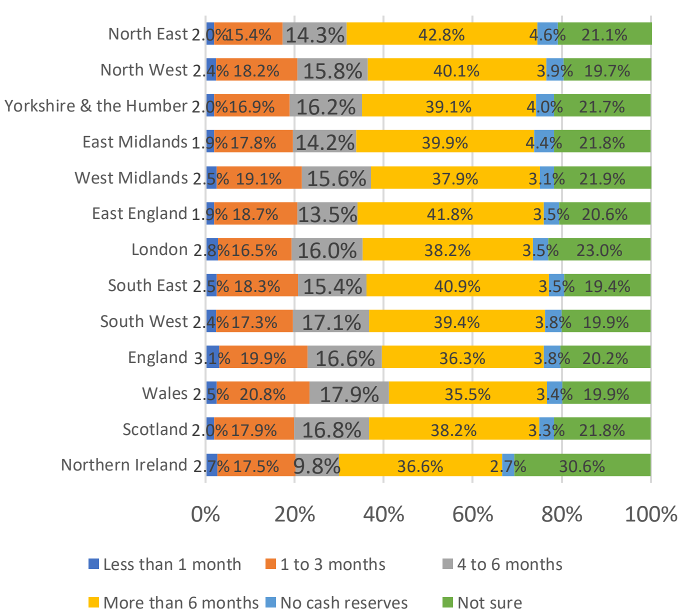
48.2% of West Midlands businesses and 56.8% of East Midlands businesses who were exporting reported that they had not been affected and 54.4% of West Midlands importers and 56.8% of East Midlands importers said that importing had not been affected.

1.3% of businesses in the West Midlands and 3.2% for the East Midlands are exporting more than normal. The figures for importing more than usual are 5.2% for the West Midlands and 4.3% for the East Midlands.

Cash Flow

3.1% of West Midlands businesses and 4.4% of East Midlands businesses that have not permanently stopped trading have no cash reserves.

The following graph shows for businesses that have not permanently stopped trading how long their cash reserves would last:



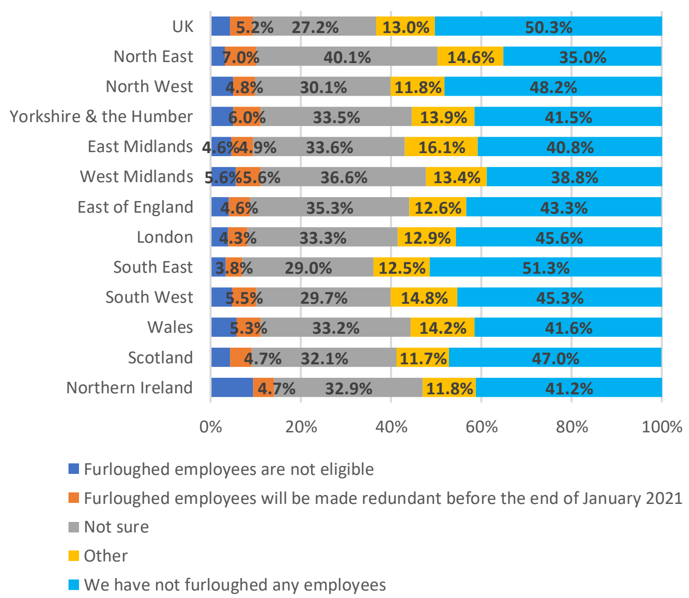
Source: ONS, Business Impact of Coronavirus Survey

Government Schemes, Initiatives & Job Retention Bonus

98.3% of West Midlands businesses and 98.5% of East Midlands businesses have received funds from the Coronavirus Job Retention Scheme (UK 6.8%). 15.8% of West Midlands businesses and 13.9% of East Midlands businesses received funds from a Government backed accredited loan or finance agreements (UK 24.7%). 1.1% of West Midlands businesses and less than 1% of East Midlands businesses have not received any funds from these schemes (UK 1.3%).

Businesses were asked why they were not intending to apply for the Job Retention Bonus, the most common reason at 38.8% of West Midlands businesses and 38.8% of East Midlands businesses was that they had not furloughed any employees compared to 50.3% for the UK.

The following graph shows why businesses were not intending to apply for the Job Retention Bonus:



20.4% of West Midlands businesses and 18.5% of East Midlands businesses are using the Deferring VAT payments initiative (UK 16.4%). 11.3% of West Midlands businesses and 10.3% of East Midlands businesses are using business rates holiday initiatives (UK 9.1%) and 7.3% of West Midlands businesses and 5.6% of East Midlands businesses are using HMRC Time to Pay Scheme (UK 6.7%). 73.8% of West Midlands businesses and 76.7% of East Midlands businesses are not using any of these initiatives (UK 77.6%).

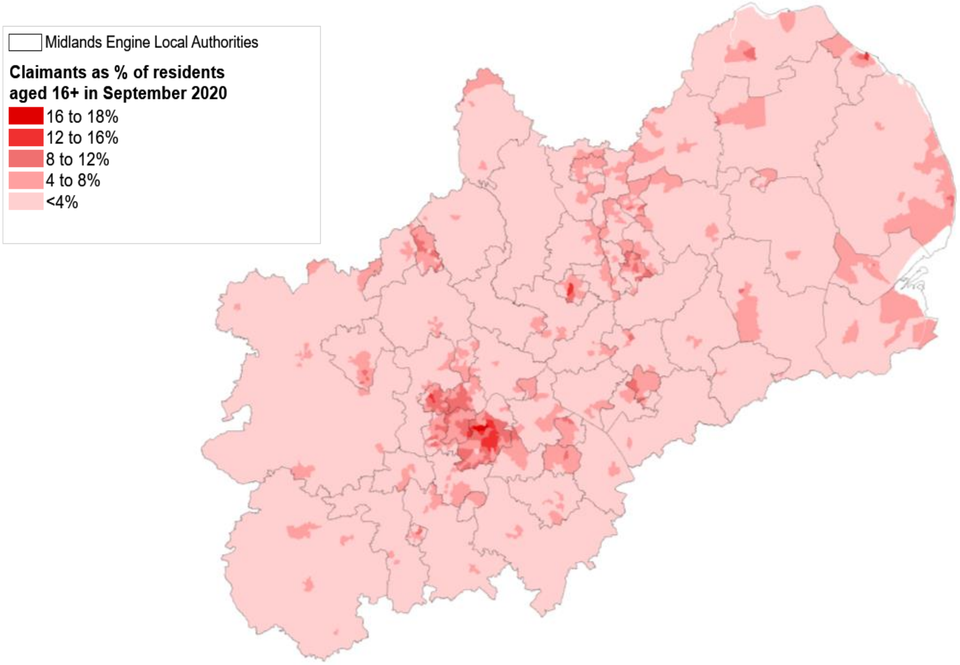
71.5% of West Midlands businesses and 70.5% of East Midlands businesses who received support from schemes or initiatives reported that it helped them to continue trading.

Claimants

In September 2020, there were 428,515 claimants aged 16 years and over in the Midlands Engine. This has increased by 3,425 claimants since August 2020 (+0.8% - matching UK growth). There are 216,975 (+102.6%, UK +113.6%) more claimants when compared to March 2020.

The number of claimants as a percentage of residents aged 16 years and over was 2.7% (UK 2.4%) in March 2020, this has increased to 5.1% in September (UK 5.0%).

Claimants as Percentage of Residents Aged 16 Years and Over in September 2020:

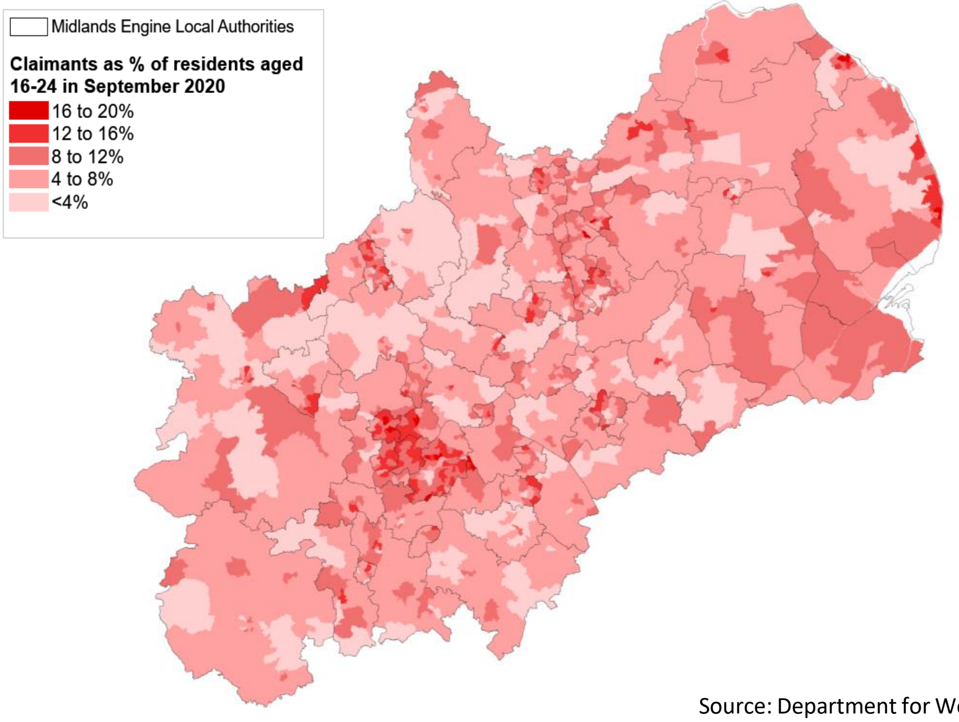


Out of the 1,511 wards within the Midlands Engine, 418 were at or above the UK average of 5.0% for the number of claimants as percentage of population – the top 3 were in Birmingham – Birchfield and Handsworth both at 17.5%, followed by Lozells at 17.4%.

In September 2020, there were 88,560 claimants aged 16-24 in the Midlands Engine. This has increased by 1,085 claimants since August 2020 (+1.2%, UK +1.4%). There are 44,365 (+100.4%, UK +121.9%) more youth claimants when compared to March 2020.

The number of claimants as a percentage of residents aged between 16 and 24 years old was 3.8% (UK 3.4%) in March 2020, this has increased to 7.7% in August (UK 7.6%).

Claimants as Percentage of Residents Aged 16 – 24 years old in September 2020:



Out of the 1,511 wards within the Midlands Engine, 650 were at or above the UK average for the number of claimants as a proportion of the population aged 16–24 years old. At the highest end of the scale was Portland in Mansfield at 19.2%, followed by East Marsh in North East Lincolnshire at 18.8%.

Source: Department for Work and Pensions, October 2020

Self-Employment Income Support Scheme

Across the Midlands Engine area, 447,200 of the population were eligible for the second grant of the Self-Employment Income Support Scheme (SEISS) at the end of September 2020. There were 296,200 claims made at a total value of £721.1m at the end of September. The average value of a claim was £2,500 in the Midlands Engine which matches the UK value. The total take-up rate for the Midlands Engine in September was 66% slightly below the UK average of 67%.

This can be split by gender and there was a total potentially eligible male population of 312,000 for the SEISS, which a take-up rate of 68% at the end of September which is based on the total number of claims of 212,600. There were 135,700 eligible female population with a take-up rate of 62% based on the total number of claims of 83,900.

Regional Analysis[2]

Claims by Age

At the Midlands Engine regional geography, there was an overall total potential eligible population of 479,000 for the SEISS at the end of September 2020, with a take up rate of 66% which is based on the total number of claims of 317,000. The total value of claims made up to the end of September was £780m with the average value of claims made at around £2,500.

The overall highest take-up rate by age for the regional Midlands Engine geography was for those aged 25–34 years old (60,500 claims and 86,800 eligible) and 35-44 years old (75,800 claims and 107,700 eligible) at 70%. The lowest take-up rate was those aged 65 years and over (16,200 claims and 34,000 eligible) at 48%. The age bracket of 35-44 years old had the highest total value of claims at nearly £184m, although those aged 55-64 had a take-up rate of 64% (66,700 claims and 104,800 eligible) had the second highest total value at £166.3m.

Claims by Sector

Applying the broad sectors to the Midlands Engine ten sectors shows that In the regional Midlands Engine geography, the highest total value of claim made was in the construction sector at £333m. The highest take-up rate was in transport technologies and logistics at 78%.

The following table shows a breakdown by sector across the regional Midlands Engine geography :

	Total potentially eligible pop.	Total no. of claims made to 30/9/20	Total value of claims made to 30/9/20 (£)	Average value of claims made to date (£)	Take-Up Rate
Advanced Manufacturing & Engineering	12,800	8,200	21,200,000	2,600	64%
Business, Professional & Financial Services	99,200	63,600	133,800,000	2,600	64%
Construction	149,200	108,300	333,000,000	3,100	73%
Visitor Economy	22,400	14,600	31,600,000	2,200	65%
Digital & Creative	4,300	2,300	6,200,000	2,700	53%
Low Carbon & Environmental Technologies	15,800	5,400	14,900,000	2,800	34%
Life Sciences and Healthcare	21,500	12,100	30,000,000	2,500	56%
Public Sector Inc. Education	17,200	12,600	25,900,000	2,200	73%
Retail	32,400	19,500	45,100,000	2,400	60%
Transport Technologies & Logistics	37,900	29,400	51,200,000	1,800	78%
Unknown/Other	65,900	41,200	86,900,000	2,100	63%
Total	479,000	317,000	780,000,000	2,500	66%

Take-up is based on total number of claims to date over total potentially eligible population.

[2] Please note figures will vary from the first section where the figures are based on the Midlands Engine 65 local authorities area. Claims by age and sector are only available at a regional level and the East Midlands region and West Midlands region has been combined and used.

The figures are based on claims submitted for the second SEISS grant by 19:51pm on 30 September 2020. Source: HMRC, Self-Employment Income Support Scheme (SEISS) Statistics: October 2020

The Centre for Brexit Studies annual conference, 'Global Birmingham – Beyond Brexit' on the 23rd September discussed the region post-Brexit.

Worries for UK Automotive

One of the panels considered the prospects for manufacturing. Professor Bailey noted that manufacturing was likely to be the sector hardest hit by Brexit, a point reiterated by Professor Ortega-Argilés. This is undoubtedly a point of concern in a region where manufacturing and services related to it account for almost one-third of economic activity (again pointed out by both).

Whilst the primary problem will vary by sector, a wide range of manufacturing industries will be hit, particularly in a no-deal scenario. For the automotive sector, tariffs are a particular threat, whereas for aerospace the threats are different. Indeed, as pointed out by Professor Bailey and Ian Henry of AutoAnalysis, in the case of the automotive sector there is the added challenge of low local content (unless trade partners agree a deal that includes cumulation).

Even in the event of a last-minute agreement between the UK and EU, this problem will not go away. Firms will need to be able to demonstrate the origin of parts, yet at present firms often have very poor visibility of their supply chains (in contrast to aerospace, where for safety reasons, understanding of the entire supply chain is much better). Insofar as this information exists, it is not held centrally or in systems that could be easily integrated.

Ian Henry also pointed out the challenges that customs checks will present for just-in-time processes that have been honed over many years. He suggested that these non-tariff barriers might be the equivalent of anywhere between ad-valorem tariffs of 1.5% and 9% according to a plethora of studies. In spite of the uncertainty, there are reasons to believe that due to the complexity of supply chains, the automotive sector would fall at the higher end of this spectrum.

It is not as simple as re-routing traffic – the nature of freight transport (roll-on, roll-off vs. lift-on, lift-off) and vehicle capacities will all need to be considered. Panellists were unanimous that they don't see an upside to manufacturing, regardless of the form of Brexit, although they viewed a trade agreement as vastly preferable to "no deal" for manufacturers.

Amongst manufacturers, Professor Bailey noted that there was a spectrum of severity, depending on the nature of changes. Food & drink manufacturing was particularly exposed given its high dependence on both trade (and high tariffs in the absence of a trade-deal) and migrant labour. EU countries provide a significant proportion of the workforce in parts of the sector.

This was reiterated by Professor Ortega-Argilés, who pointed out that even if its viability wasn't ultimately threatened there would be price increases (over 5%) and that increases in intermediate costs would erode any benefits that one might imagine would accrue to domestic producers from higher prices. Moreover, she noted that around 8.9% of the service sector's GDP in the West Midlands would be impacted by Brexit.

Indeed, she suggested that Brexit would ultimately have a larger impact on GDP in the West Midlands than the pandemic. In the event of a successful vaccine, much of the pandemic-induced fall in GDP will be reversed. This is not true of Brexit, where annual GDP might be in the region of 6-9% lower than it otherwise might have been. In addition, regions like the West Midlands will have to bear persistent restructuring costs (in the West Midlands this is likely to fall particularly heavily on the automotive sector and related industries).

Brexit and COVID-19 were thus seen by panellists as a toxic combination, with each having distinct impacts that interact. The pandemic has forced business services into a dramatic attempt to restructure and a shortage of ICT skills is clearly a challenge (particularly for smaller firms). Yet the additional bureaucracy of Brexit will hinder productivity. The understandable focus on COVID-19 has meant that we are not considering the impact of Brexit on longer-term productivity.

Jack Dromey MP presented evidence from a network of SMEs, sounding a note of alarm over the scale of redundancies. Again, he noted that Brexit and COVID-19 are seen as a toxic combination and there are frustrations over the (small) scale of investment relative to France and Germany. He noted that greater devolution and a reallocation of (public sector) capital spending by population would go some way to ameliorating these problems.

Ian Henry noted that, in the event of a "no deal" outcome, the optimum solution might be to continue trying to get a trade deal (a late trade deal is better than a non-existent one). Mass-market manufacturers are likely to be heavily affected and EU tariffs will probably make UK production unviable. Some 90% of production from Ellesmere Port (Vauxhall), 85% from Burnaston (Toyota) and over 65% of production from Sunderland (Nissan) is exported to the EU.

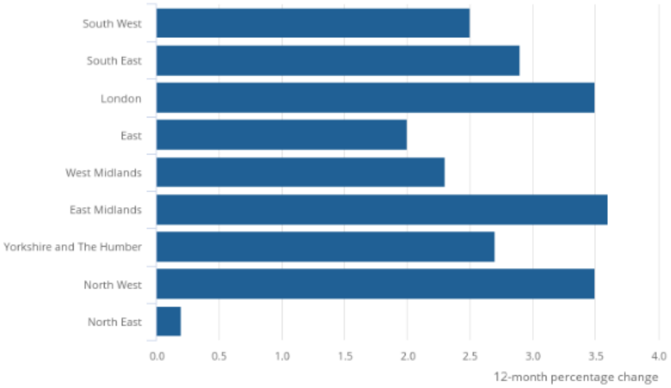
Whilst not a substitute to demand from the EU, it was suggested that some direct intervention might help. This could be done via procurement rules or incentives to use UK-built vehicles in the public and regulated sectors. The need for a major UK battery factory was also noted.

UK House Price Index

UK average house prices increased by 2.5% over the year to August 2020, up from 2.1% in July 2020.

The East Midlands was the English region to see the highest annual growth in average house prices at 3.6%. The West Midlands was the third lowest region with an annual growth of 2.3%. The lowest English region was the South East with annual growth at 0.2%.

All dwellings annual house price rate of change, year to August 2020:

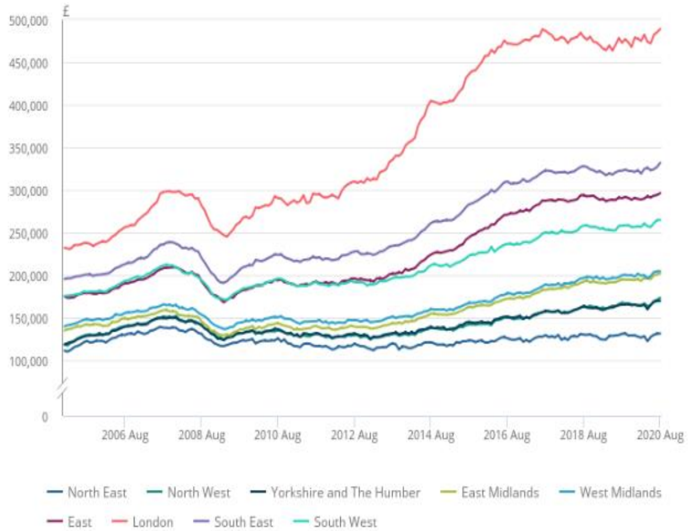


Source: HM Land Registry and Office for National Statistics – UK House Price Index

The 3.6% increase for the East Midlands means the average house price was £202,345 in the year to August 2020. The 2.3% annual growth means the average house prices for the West Midlands was £204,886 to the year August 2020.

London house prices remain the most expensive at an average of £489,159, this is the joint record high for London (matching prices from July 2017). The North East continued to have the lowest average house price, at £131,701, and is the only English region yet to surpass its pre-economic downturn peak of July 2007.

Average House Price, January 2005 to August 2020:



The following table shows the Housing market: simple average house prices, by new/other dwellings, type of buyer for the East Midlands, West Midlands and the UK for Q2 2019, Q1 2020 and Q2 2020:

		New dwellings Price	Other dwellings Price	All dwellings Price	First time buyers Price	Former owner occupiers Price
East Midlands	2019 Q2	£267,259	£213,010	£224,545	£173,793	£272,566
	2020 Q1	£264,982	£212,732	£221,085	£168,037	£273,360
	2020 Q2	**£267,711**	**£211,437**	**£219,498**	**£168,289**	**£271,912**
West Midlands	2019 Q2	£280,510	£220,075	£230,666	£180,275	£287,223
	2020 Q1	£279,637	£225,565	£232,567	£177,310	£293,110
	2020 Q2	**£273,038**	**£221,796**	**£228,351**	**£177,221**	**£289,286**
UK	2019 Q2	£303,611	£269,667	£275,901	£215,550	£339,438
	2020 Q1	£312,190	£286,936	£290,790	£223,680	£357,971
	2020 Q2	**£308,175**	**£276,840**	**£281,149**	**£219,739**	**£350,036**

In Q2 2020, former owner occupiers paid the highest average house prices in the East Midlands at £271,912. However, this is lower than values seen in Q1 2020 (£273,360) and also Q2 2020 (£272,566).

In Q2 2020, former owner occupiers also paid the highest average house prices in the West Midlands at £289,286. However, this is lower than values seen in Q1 2020 (£293,100) but higher than the Q2 2020 value (£287,233), which is similar patterns seen for the UK.

Source: ONS/HM Land Registry, UK House Price Index, October 2020

Please note, During July 2020, changes to Stamp Duty Land Tax, Land Transaction Tax and Land and Buildings Transaction Tax were made. The UK House Price Index (HPI) is based on completed housing transactions. Typically, a house purchase can take six to eight weeks to reach completion. Therefore, the price data feeding into the August 2020 UK HPI will mainly reflect those agreements that occurred before the tax changes took place. Also other dwellings is defined as any record in the dataset with an 'old' dwelling marker. This will not include any records where the dwelling type is unknown. The all dwellings average will include all records (so new, old and 'unknown').

Make UK Innovation Monitor

Key findings from the Make UK Bouncing Back Smarter: Innovation Monitor 2020 includes –

- Industrial Digital Technologies (IDTs) are fast becoming a reality for manufacturers with 8 in 10 believing IDTs will be a reality in their business by 2025. Yet, one third remain in the conception phase. There are also regional, sectoral and size variation when it comes to the adoption of IDTs and where manufacturers are on their digital journey.

- While manufacturers are aware of the benefits of IDTs (44%) many are not yet adopting them. For example whilst half of manufacturers are aware of augmented and virtual reality they aren't yet utilising them.

- The traditional barriers to adoption remain, particularly around access to skills and limited technical knowledge and competence. Finance is an increasing concern, with a lack of funds to invest in IDTs a barrier for many businesses, in particular SMEs.

- COVID has renewed the focus on resilience, and this creates significant opportunities for investment in IDTs. However, the pandemic will hit many manufacturers' spend on in-house R&D with two-fifths planning to decrease spend.
  - Awareness of many Government support measures for R&D is extremely low with 3/4s unaware of Made Smarter. The R&D tax credit is however better known (8 in 10 manufacturers aware).

- 20% of small businesses in the North West area, where Made Smarter pilot operates are in the revolution phase of adoption, second only to the South East at 33% suggesting that the model is working and making the case for its roll-out.

The four stages of Digital Transformation

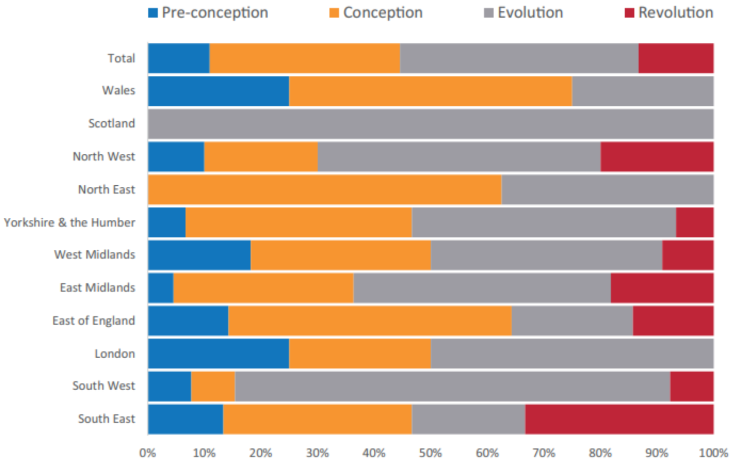
- **Pre-conception** - Doing nothing on digitalisation.

- **Conception -** Aware of the concepts and what peers are doing; considering implementation.

- **Evolution -** Improving current business processes and practices through introducing technology.

- **Evolution** - Seeing a step change in productivity and efficiency through far-ranging changes to technology and processes

The following chart shows the percentages of companies at stages of digitalisation adoption by region:



Source: Make UK/Infor, Innovation Monitor, 2020

However, these figures do mask significant variations in sector and regional performance. Some sectors have embraced digitalisation more eagerly than others, and this then feeds through into the relative economic performance of different regional economies.

The North West, for example, where aerospace and pharmaceuticals predominate, and where specific help to SMEs has been made available through the Made Smarter initiative, shows a high proportion of manufacturers in the 'revolution' stage (20%), second only to the South East at 33%.

However the West Midlands, where a high proportion of traditional, engineering-based manufacturers are based, has a very high proportion of companies still in the pre-conception stage (18%) with only 9% achieving 'revolution'. While the East Midlands is one highest regions in the revolution stage. Performance in Wales is notably below average, with a quarter of manufacturers not yet considering digitalisation, and none considering themselves to be at the 'revolution' stage.

Make UK Policy recommendations to Government:

- Bespoke, dedicated support to manufacturing SMEs should be made consistently available across the country: In England, the best way of doing this is the extension of the Made Smarter SME adoption programme to all regions.

- Fiscal incentives to support digitalisation and research and development spend must be increased: starting in the forthcoming budget. Additional investment allowances for technology related investments would be a good way of doing this.

Local Business Intelligence

This section draws on contributions from the East Midlands Chamber, Make UK, the NFU, CBI, FSB, Growth Hubs and Universities across the region.

East Midlands Overview

The latest BCC Quarterly Economic Survey (Q3), published since Monitor 9, presented the most positive picture of business conditions in the East Midlands for some time. This was probably a reflection of easing of national lockdown and the implementation of 'Eat-out-to-help-out' over the Summer – coupled with the rebound from the severe contraction witnessed in Q2. Unfortunately, the resurgence of Covid-19 cases during September and October has dampened this modest Summer optimism.

Large parts of the East Midlands are now under Tier 2 restrictions and it is likely that Nottingham and Nottinghamshire will move to Tier 3 measures in coming days.

Businesses continue to report extremely challenging trading conditions in many sectors – particularly those characterised by social consumption – such as hospitality, entertainment and sport.

The looming end of the Brexit transition period is becoming an increasing concern to export active Chamber members – particularly in the light of the limited information currently available about the specific nature of border controls and associated administration.

Manufacturing -Make UK

If feedback from the manufacturing sector in September evidenced some cautious optimism, this has now dissipated – probably as a function of rising COVID-19 cases and the implementation of associated restrictions.

Brexit preparedness remains a concern for many businesses in this sector – in the absence of clarity over future trading arrangements with the EU, concerns have been raised that many firms - post-COVID-19 – will not have the resources necessary to stockpile supplies in order to mitigate potential delays resulting from customs checks and associated administrative processes.

Many manufacturers report the likelihood of redundancies once the Job Retention Scheme comes to an end in October.

There is a strong case for extending this scheme – particularly for strategically important sectors where recovery is expected to take some time. Concerns are now being raised about the potential permanent loss of highly skilled engineers to the manufacturing sector that could result from large scale redundancies. Redeployment schemes of the type now being used by Rolls Royce in Derby may be needed on a sector-wide scale across the Midlands.

The successor Job Support Scheme is generally felt to offer 'too little, too late' and to lack the longevity of comparable schemes such as those in France and Germany. Similarly, while the intent behind the Kickstart scheme is welcomed, the requirement to provide 30+ places for young workers or to access the scheme via an intermediary, is seen as a barrier to adoption by many firms.

Multi-plant manufacturers operating from different locations are reporting concerns about the inconsistent approach to local lockdowns across the country – even since the advent of the new 'Tier 1/2/3'. Researching the specific requirements of lockdown in different parts of the country remains a drain on resources that could be more productively employed.

There is growing evidence of differentiation between manufacturing sub-sectors in feedback on trading conditions. While an 'upper quartile' are reported to be operating at or near normal levels, other firms are experiencing very different conditions and report continuing uncertainties in their ability to forecast and plan for future demand.

The automotive sector continues to experience low demand and is said to be particularly vulnerable to the impacts of friction at borders after the end of the Brexit transition. Civil aviation has bee similarly hard hit and is not expected to recover for some time. Demand for non-COVID-19 related medical supplies is said to have declined – in marked contrast to medical supplies required for COVID-19 response and treatment. Similarly, producers of food for supermarkets expect a strong Christmas, while producers of goods to high street retail in general face far more uncertain demand in the run-up to the end of the year.

Make UK - International Trade Report

Key Recommendations:

- Further develop on-the-ground support with in-market contacts, agents and other advisors with the local knowledge to help companies succeed in new markets.
- Establish a database of overseas companies in target countries to enable effective market research for manufacturers.
- Boost skills base through the introduction of a financial package for exporters to improve technical capability and provide grants and practical support to assist exporters attending trade shows and similar events overseas.
- Develop a national guidance website for business covering all destinations UK manufacturers send their workers in order to service products for customers.

Leicester Lockdown

The longest extant local lockdown in England remains in force in Leicester albeit that the City has now been designated a Tier 2 area. In some ways this represents a modest relaxation of restrictions in that households that have been banned from mixing inside or outside since the end of June are now able to meet outside/in gardens subject to the 'rule of 6'.

The Leicester lockdown saw many businesses unable to trade for close to 6 months. Business failures would seem inevitable and have probably been exacerbated by the relative absence of spatially targeted business/employment support measures to balance lockdown restrictions on business operations. This is a lesson that needs to be applied to business support in connection with the new Tier 2 and 3 restrictions.

Small Business – FSB

During the reporting period, the fortunes of Midlands-based small businesses have remained very mixed. In some sectors, such as professional services, many are reporting that demand is strong and even that they have "never been busier". Conversely, many in sectors such as events and the night-time economy, are really struggling. Their turnover has reduced dramatically (to zero in some cases) since the beginning of the pandemic and the hoped-for recovery during autumn/Christmas periods has been wiped out by the extension of COVID-19 restrictions.

Similarly, there remain large numbers of small businesses that have received no financial support whatsoever e.g. the newly self-employed and directors of limited companies. Those that remain solvent have chronically depleted reserves and there is still no prospect of support coming their way (an issue the FSB continues to lobby Government on as **they believe it is time to bring forward a rescue package for those who have been left out).**

With regards to the re-opening of schools and nurseries, FSB research shows that close to a quarter (23%) of small firms believe that this, as well as the availability of childminders, will have an impact on their ability to reopen safely.

A number of members have reported difficulties with their landlords, some of whom are chasing rent payments as soon as they fall due and offering little flexibility to their sitting tenants. FSB therefore welcomed the MHCLG announcement of a three-month extension to a moratorium on commercial tenant evictions in England until 31 December 2020. This measure will allow some breathing room at a time when local lockdowns, increasing coronavirus cases and difficulty when it comes to accessing testing among other factors are weighing heavy on the minds of small businesses.

The pandemic has changed our economy and in common with previous economic downturns, there have been some calls from Government for people to re-skill in different/new trades. For that to happen, the system must be designed with smaller businesses front and centre. The FSB reports that it is therefore regrettable that the Kickstart scheme – fundamentally a welcome proposal – handicapped smaller businesses (and some larger ones) through its requirement for at least 30 work placements to be offered. The FSB was able to work with Government to address this barrier to entry and has since been appointed, along with partner Adecco, as a national gateway/intermediary for the scheme. To date we have seen very strong interest in our 'wrap-around' Kickstart offering to small businesses and applications are flowing at pace and volume.

The move towards remote/home-based has also highlighted, once again, the variable quality of digital connectivity across the Midlands.

Unreliable and slow internet connections are by no means confined to more rural and remote locations, but the issue remains more prevalent in such places.

Apprenticeships are also hugely important both for small businesses looking to expand their workforce and for the individual who can learn on the job and set themselves up for the future. Evidence shows that around 92% of all apprenticeships offered by smaller businesses in England are held by 16-24 year olds. So whilst the FSB welcomed the financial incentives introduced for small firms that offer apprenticeships that were announced at the summer economic update, more needs to be done to support smaller businesses to hire apprentices including reducing upfront recruitment costs which would be a huge sign of support to many cash strapped small businesses.

Local lockdowns remain a major concern, not least because the Government has identified a growing number of 'high risk' areas in the Midlands. Plus, announcements of any new restrictions seems to be having a detrimental impact on consumer confidence and behaviour more generally. For example, even where businesses have not been directly affected by new restrictions, some retailers have reported a marked decline in footfall following their announcement.

FSB is calling for government and councils to: (1) issue new messages, restrictions and warning as soon as possible, to allow small firms to best prepare for any changes whether that be unlocking or a new lockdown; (2) ensure clarity in this messaging, to make it clear when new rules change, what businesses can/cannot do; and (3) provide continued, localised support where businesses are restricted or forced to close again. FSB are also calling for a balanced approach, which takes full account of both public health and economic impacts.

Farming – NFU

As we near the end of the Brexit transition period, concern is growing within the farming sector about the basis of future trading relationships with the EU – particularly given the paucity of information available to inform business planning. Concerns are also being voiced about the protection of food, animal welfare and environmental standards in the context of potential future trade deals.

The future of agricultural productivity schemes and larger rural socio-economic development schemes that have been funded through the Common Agriculture Policy or from other EU sources are also noted as causing significant concern within the sector.

Care Quality Commission Annual State of Care

The Care Quality Commission (CQC) has published its annual State of Care report where it warns that COVID-19 is magnifying inequalities and 'risks turning fault lines into chasms'. According to the report, before COVID-19 care was 'generally good', although social care was 'fragile' as a result of a lack of long-term funding solution. The CQC says the pandemic has exacerbated problems within the social care sector, and that the long-standing need for reform, investment and workforce planning in adult social care has been thrown into sharp relief by the pandemic.

Impact of the coronavirus: Key points

Health and care staff across all roles and services showed resilience under unprecedented pressures and adapted quickly to work in different ways to keep people safe.

In hospitals and care homes, staff worked long hours in difficult circumstances to care for people who were very sick with COVID-19 and, despite their efforts to protect people, tragically they saw many of those they cared for die. Some staff also had to deal with the loss of colleagues to COVID-19. A key challenge for providers has been maintaining a safe environment – managing the need to socially distance or isolate people due to COVID-19. Good infection prevention and control practice has been vital.

The crisis has accelerated innovation that had previously proved difficult to mainstream. The changes have proved beneficial to, and popular with, many. But many of these innovations exclude people who do not have good digital access, and some have been rushed into place during the pandemic.

The pandemic has had a major impact on elective care and urgent services such as cancer and cardiac services, and there is huge pent-up demand for care and treatment that has been postponed. The pandemic is having a disproportionate effect on some groups of people, and is shining a light on existing inequality in the health and social care system. It is vital that we understand how we can use this knowledge to move towards fairer and more equitable care, where nobody's needs go unmet.

It is important that the learning and innovation that has been seen during the pandemic is used to develop health and social care for the future. New approaches to care, developed in response to the pandemic and shown to have potential, must be fully evaluated before they become established practice.

Local Business Intelligence

THEME	KEY CONCERNS
Visitor Economy	**Cross Theme** • Having been closed for months during the worst of the lockdown they are now operating at limited capacity (or not at all if they rely on large scale events and exhibitions). • Many hospitality businesses rely on summer income to cover their costs during winter months but they had had sufficient turnover this year to do so. The sector is very concerned about the winter period. • Concern around the Government's messaging on retraining in relation to the arts. Fears that the messaging is slanted towards city areas and will not meet the needs of those in other areas. **Consumer Confidence** • Recent downturn in consumer confidence has hurt some hospitality businesses. **New Government Restrictions** • 10pm curfew and various local lockdowns have hit hospitality firms. • After recent government announcements there is rising concern about more restrictions being introduced. Many are wondering if the government are going to release some more targeted support for the sector.
Business, Professional & Financial Services	**Business Performance** • Varied experience by subsector. • Those in IT have been busy throughout the year and remain busy. • Events industry in turmoil – exhibitions not opening till March 2021. No income coming in – massive drain physically and mentally. **Access to Finance and Cashflow** • Need to generate cash flow main priority for many struggling businesses. **New Business Models Including Diversification** • Struggling businesses trying to reach a wider audience by diversifying.
Manufacturing	**Jobs & Furlough** • Several businesses looking to use the Kickstart programme. **Business Confidence** • Manufacturing businesses are currently improving performance wise but their outlook is worse than those in the service sector, with capacity to adapt to Brexit and concerns around impacts on supply chains cited.
Retail	**Sales** • Sales & footfall down on last year in various areas. • The fall may be partly due to city centre offices remaining closed. **Supply Chain** • Some businesses have noticed delays from international suppliers. **Brexit** Businesses trying to prepare for Brexit, but difficult until things become clearer.

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