# MIDLANDS ENGINE
# ECONOMIC IMPACT OF COVID-19

**Edition 1: 28th April 2020**

MIDLANDS ENGINE
Economic Observatory


# Introduction

Welcome to the first edition of the Midlands Engine Economic Impact of COVID 19. This report is produced by the Midlands Engine Economic Observatory which is a partnership commissioned by the Midlands Engine including Black Country Consortium – Economic Intelligence Unit, Nottingham Trent University and WM REDI.

This monitor aims to pull together information across regional partners to understand the impacts of Covid19 on the economy – at a sub national level, across the Midlands Engine geography. Where possible it will utilise all forms of quantitative and qualitative intelligence. However we urge caution in the use of the contents as this is an emerging situation. The information will be drawn from a wide range of sources including the Midlands Engine Business Forum Members, Growth Hubs, Chambers, LEP's, ONS etc. The Midlands Engine gratefully acknowledges the input of many partners who have directly contributed data to inform this report.

The report brings together data at the level of the regional economy, and allows the interpretation of macro issues and trends, which over time will help shape recovery interventions as well as support short term decision making. Over time the report will evolve to include LEP level interpretation and sector specific analysis.

We welcome any feedback on the content to ensure this report meets the needs of partners and welcome any additional intelligence. Please forward any feedback and intelligence to info@midlandsengine.org.

# Executive Summary

**Background**

New fortnightly **Economic intelligence monitor** produced by Midlands Economic Observatory partners – Black Country Consortiums Economic Intelligence Unit, Nottingham Trent University and WM REDI with inputs from a wide variety of partners across the region. The purpose of the report is to provide real time analysis of evolving Midlands Engine economy providing a common evidence base to inform evolving Economic Recovery Plans. It is the first report that pulls together the evidence base at the Midlands Engine level.

**Key findings from Monitor:**

**Regional Economy**

- The speed and scale of this economic shock is unprecedented. Economist are still assessing the potential shape of recovery – from V, U, W, L-shaped scenarios. The Office for Budget Responsibility predicts a 3 month lockdown followed by quick recovery. It is likely that there will be strong sectoral / place / demographic differences on business survival, future growth and employment. Therefore, composition of the Midlands Engine (ME) economy and potential impact is critical in terms of the potential impact. KPMG have produced some GVA forecasts for 2020/2021 that show **West Midlands, East of England and East Midlands as being the top 3 regions to be forecast to be hit the hardest.**

- KPMG predict that the region that will feel the biggest impact of the pandemic in 2020 could be the West Midlands; they forecast its economy will **contract by just over 10 percent.** This is because it is home to many automotive manufacturers; they make up nearly 6 percent of the local economy. This sector faces a severe downturn as a result of **supply-chain factors** interrupting production and falling demand as consumers cut back spending. According to the Society of Motor Manufacturing and Traders, the number of new car registrations fell by 44 percent in March, compared to one year ago. Lockdown hadn't even been in place for the entire month.

- A number of sectors identified as strongest performing (by the recent Independent Economic Review - IER) in terms of productivity that are concentrated in the Midlands now face serious challenges. Of these, automotive manufacturing would appear to be amongst the most vulnerable, along with construction, tourism especially in rural areas. Other sectors reliant on any form of social consumption are also likely to be highly vulnerable – depending on the duration of lockdown measures.

- **The Regional Business activity index** measured by a survey of regional purchasing managers saw a sharp fall in the West Midlands (WM) business activity as new orders dropped at the sharpest pace on record with the index down to **36.1 in March from 51.6 in previous month**. The East Midland's (EM) index was down to 37.6 in March from 52.1 in February. Out of the 12 regions the **East Midlands** came in 7th highest for the sharpest declines in the outputs of goods and services, while the West Midlands was the 4th highest.

- The Institute for Fiscal Studies (IFS) analysis on **workers that are likely to be most affected by the lockdown** due to sectors that have come to a complete halt – shows that **young workers** – under 25s of which the WM and EM have a higher proportion that the national average, **females** and **low earners** are more likely to be impacted. The vulnerability of the Young must raise concerns about potential long term scarring effects on labour market participation and career progression.

# Executive Summary

- Analysis based of the Business Register and Employment Survey shows that overall at the Midlands Engine LEP level geography, **over 741,000 jobs are in the affected sectors** – accounting for 15.8% of employment compared to 18.2% for Great Britain. However, there will be significant variation within the Midlands Engine by sector and by location.

- Analysis of the UK Business Count Survey shows an estimated total of **87,080 businesses in the Midlands Engine LEP** area are in sectors affected by the lockdown – this accounts for **18.8% compared to a 19.4% national average impacted.**

- ONS national survey of businesses – from 5,316 companies that responded 25% have temporarily closed or paused trading. 37.5% report turnover substantially lower than normal with 35% saying turnover has been unaffected.

- In terms of wellbeing 53.1% of adults reported their wellbeing to be adversely affected by Covid-19.

- Red Cross developed a COVID-19 vulnerability index – which measure a range of indicators for people that were classed as vulnerable due to being at risk in demographic factors receiving benefits for health etc, key workers etc. **Across the ME 25 LA (39%) were in top 2 more vulnerable quintiles and 10 in the most vulnerable - Live interactive sub – LA mapping available here.**

- EMSI Job postings – 1.7m in March 2020 of which 270k were unique posting down 4.2% from February.

- Quantitative analysis supplemented with range real time local intelligence from local business via Growth Hubs, Chambers and Representative Bodies:

**Rescue to Resilience: Emerging Policy Themes -**

- Access to finance and cashflow
- Skills and Labour Supply (including furloughing)
- New business models including digitisation e.g. Med-tech
- Social distancing and implications for coming out of lock down
- Trade Agreements
- Consumer Behaviour – persistence of changing consumption and mobility patterns
- Supply Chain Readiness and pinch points
- Rural and urban economies e.g. food supply, processing and consumers
- Consequences of reported inflexibilities and gaps in coverage of current HMG business support measures
- Productivity and logistical consequences of large-scale switch to remote working and e-commerce – depending on persistence may have implication for long term land use and transportation policy and planning
- Long term health and wellbeing consequences of enforced isolation (health, education, psychological)
- Vulnerability of the Young to employment effects must raise concerns about potential long term ‘scarring’ impacts on labour market participation and career progression

# Global and National Outlook

**Global Outlook**

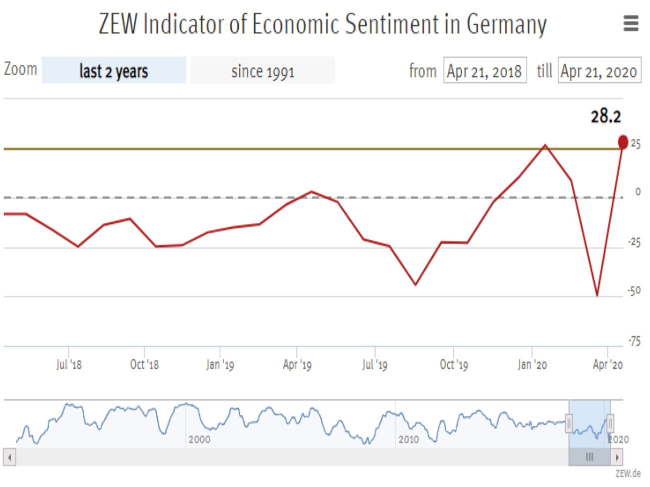
Fragile oil markets dipped below -$30 a barrel then returned above $0, then fell again below $0. Substantial reduced demand from the global economy means companies are producing more oil than they can store.

The negative prices are an additional sign of the crisis gripping the oil sector, with lockdowns measures having cut demand for crude by as much as a third.

Europe's first-quarter earnings season commenced this week. German software giant SAP SE reported Q1 EPS of EUR0.85, versus EUR0.90 reported last year. Revenue for the quarter came in at EUR6.52 billion, versus EUR6.12 billion reported last year, showing healthy growth. Sales for Danone rose 3.7% on a like-for-like basis in first quarter as consumers in Europe stocked up on groceries and water.

London Stock Exchange Group Q1 has posted total income up 13% year-on-year to £615 million, which is mainly driven by increased equity trading in Capital Markets. Elsewhere in the United Kingdom Associated British Foods (ABF) - the parent company that owns British clothing giant Primark – shares reduced by 4.4% to £18.98. The business conglomerate reported a statutory first half profits plunge after a £284m inventory write-down, revealing the impact the crisis is having on retail companies.

The ZEW Indicator of Economic Sentiment for Germany has risen by 77.7 points in April 2020, posting valuation at 28.2 points, ahead of a loosening of lockdown measures in Germany. Nevertheless, the evaluation of the current economic situation has worsened significantly, with the indicator dropping to a new reading of minus 91.5 points, 48.4 points lower than in March. This posting corresponds to that seen in April/May 2009 during the financial economic crash.




**National Outlook**

In the UK there is an increasing focus on what damage a prolonged lockdown will do to the economy.

Analysis by the Office for Budget Responsibility has undertaken work warning of a 35% reduction in real GDP in Q2 2020 (April to June 2020) and result in a 2m decline in the labour market. Unemployment could reach 10% by the end of spring.

The Centre for Progressive Policy has undertaken analyses of the variations in impacts at local authority level. The analyses are based on the assumption that the sectoral impacts are the same locally as they are nationally (although in reality this need not necessarily be the case). Hence the local impacts of the (OBR) scenario represented are a function of the distribution of each local authority's GVA by sector.

Source: Nadaq, SAP Turns To Profit, April 2020: https://www.nasdaq.com/articles/sap-turns-to-profit-in-q1-maintains-fy20-outlook-quick-facts-2020-04-21
Source: Yahoo! Finance, April 2020: https://finance.yahoo.com/news/danone-withdraws-2020-forecast-amid-053058763.html
Source: London Stock Exchange: LSEG Trading Statement Q1 2020 RNS
ZEW Indicator of Economic Sentiment, April 2020
Source: Office for Budget Responsibly, 2020

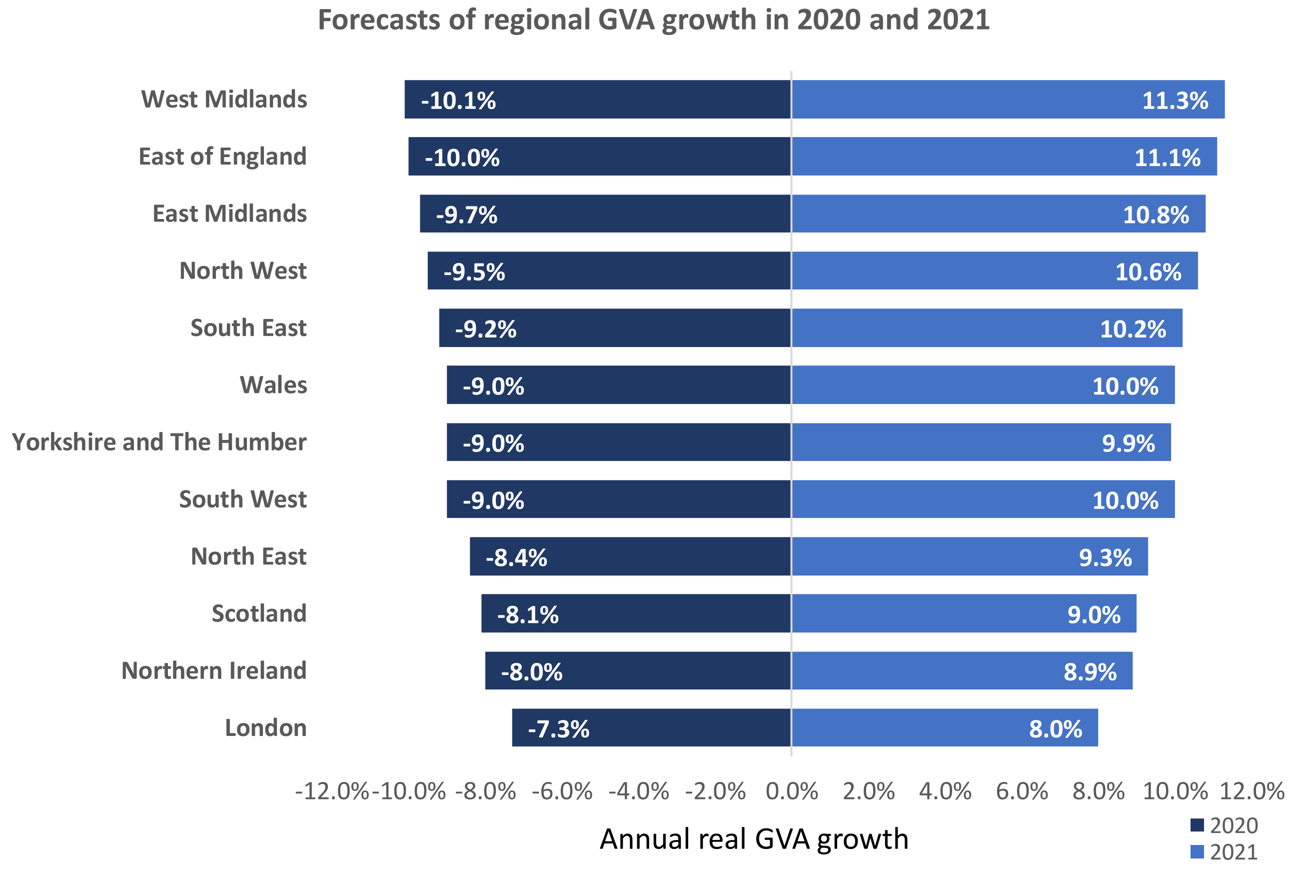
# Regional Midlands Engine Outlook

**Midlands Outlook**

Analysis by KPMG shows that the economic impact of COVID-19 will hit the West Midlands harder than any other region, predicting that the economy in the region will contract by 10.1% in 2020. The East Midlands is also down to be the region impacted the third most, forecast to contract by 9.7%.

The impact is likely to be larger in the West Midlands than other regions because it has a large number of automotive manufacturers, making up nearly 6% of the local economy. The Society of Motor Manufacturing and Traders suggests that the number of new car registrations fell by 44% in March compared to the same month last year, and given that this was before lockdown started, it suggests that the automotive sector faces a severe downturn – especially when supply-chain factors interrupting production are also considered. As the East Midlands also rely heavily on manufacturing industries, they are also expected to bet hit hard by the crisis. Meanwhile London is forecasted to be the least affected region, with predictions that the economy will contract by 7.3%, meaning that the gap in performance between London and the Midlands will widen this year.

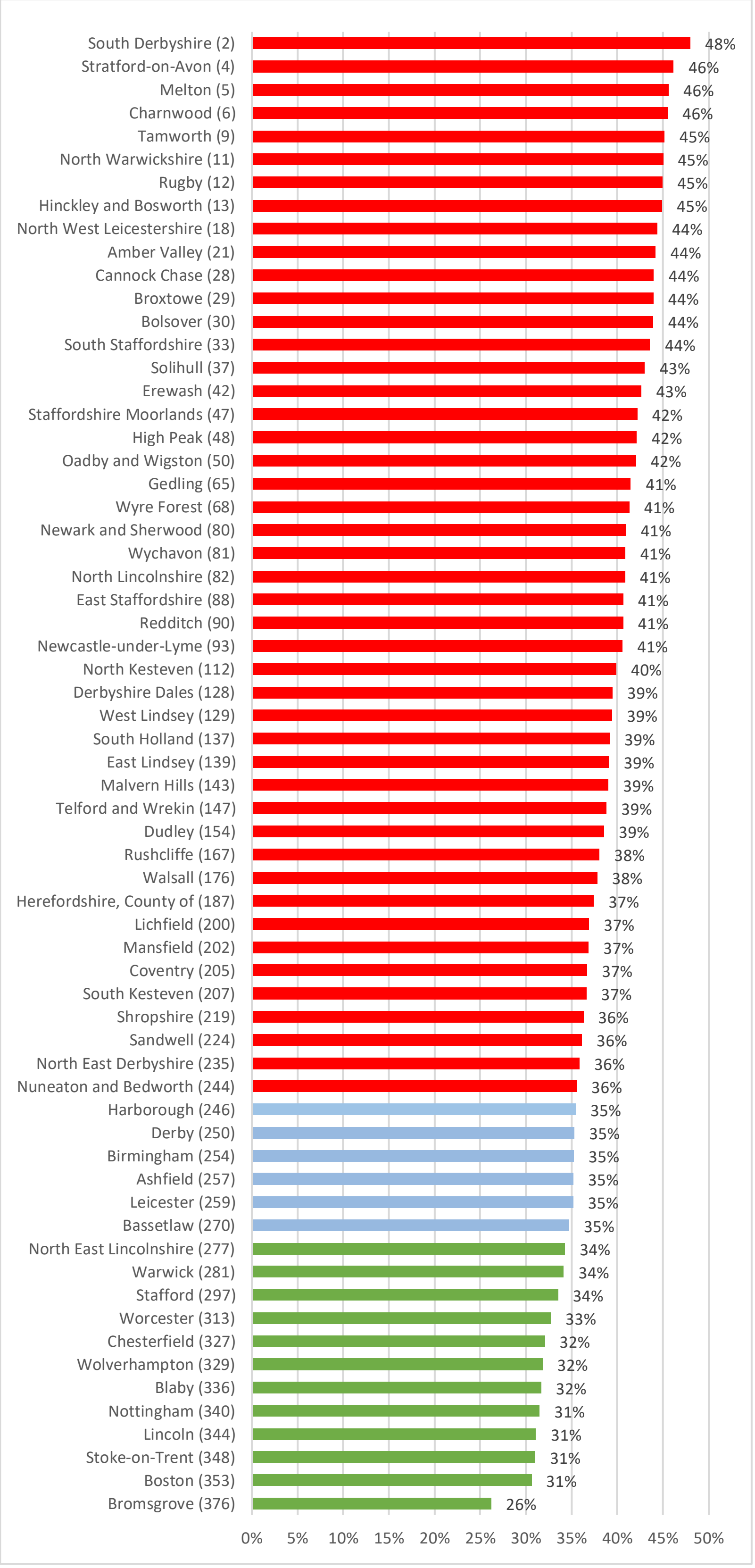
Given these forecasts, KPMG's chief economist, Yael Selfin, said that the damage caused by COVID-19 would have a negative impact on the government's plans to "level up" the economy.




Source: https://home.kpmg/uk/en/home/insights/2020/04/chief-economist-s-note-levelling-up-and-covid-19.html
Source: https://www.theguardian.com/business/2020/apr/22/west-midlands-economy-hardest-hit-from-covid-19-as-auto-sector-stalls

# Midlands Engine Outlook

Forecasts of the estimated percentage decline in GVA Q2 2020, local authorities in the Midlands Engine area.




In the chart to the left - Great Britain rankings are shown in brackets after the local authority name (with '1' being the local authority with the greatest estimated decline and '382' with the smallest estimated decline)

The worry is that any prolonged lockdown will severely damage the economy, with many businesses citing they have reserves of only another month. The result could be a lengthy, deep recession.

The premise of this is based on the principle that there is a trade-off between impact on the economy and observance of social distancing, but this may be misplaced. Any economic and societal transition to a new 'normal' may not be as economically damaging as a rushed exit from lockdown.

A study comparing social distancing measures introduced by Philadelphia and Cleveland in the 1918 pandemic analysed the mortality rate and proceeding economic recovery. It found that Cleveland suffered fewer deaths and a stronger economic recovery than Philadelphia, which introduced less stringent social distancing measures and exited lockdown earlier.

Analysis of past pandemics and social distancing measures are likely to be underlining anxiety within Government about a second and more severe peak.

The government has launched a new coronavirus business support finder tool._The online tool aims to help businesses and self-employed people across the UK to speedily determine what financial support is available to them during the coronavirus pandemic.

The Treasury has confirmed more than 1m people were enrolled in the UK government's flagship staff furlough scheme during its first day of operation. More than 140,000 companies have applied for the programme costing over £1bn.

Source: Correia, Sergio and Luck, Stephan and Verner, Emil, Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu (March 30, 2020).
Source: Gov.UK, BEIS Press Release. 20 April 2020
Source: Centre for Progressive Policy

# Business Activity

**Analysis from Regional Purchasing Manager Index (PMI) Survey:**
Business survey data for March 2020 has indicated the extent that the emergency public health measures are having on the Midlands' economy.

West Midlands' business activity fell sharply as new orders dropped at the sharpest pace on record. Businesses in the private sector have reported a sharp fall in new businesses during March, meaning the new Business index stands at 30.2.

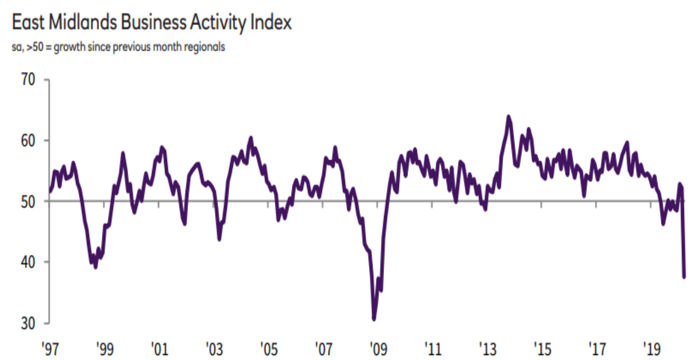
Headline West Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – fell to 36.1 in March. In the previous month it was 51.6, signalling renewed business confidence and economic growth after a period of contraction as a result of political uncertainty in 2019. March 2020 PMI headline activity is the sharpest reduction since data collection began for National Westminster in July 1996.

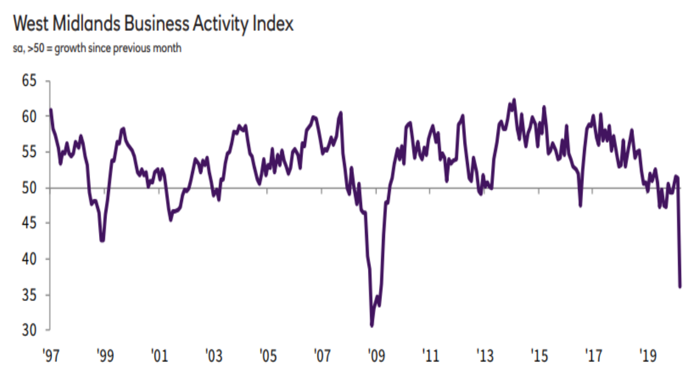
Whilst the downturn is being felt across the UK, the reduction at the national level was less marked than in the West Midlands.

The ongoing public health crisis and subsequent strict social distancing measures have also significantly damaged the East Midlands economy. East Midlands Business Activity Index measured at 37.6 in March 2020. This is down from 52.1 in February 2020. This contraction in the East Midlands economy is the sharpest and fastest contraction in business activity since the financial crisis in 2009.

All regions of the UK all regions have experienced a sharp a decrease in business activity. Out of the 12 regions the East Midlands came in 7th highest for the sharpest declines in the outputs of goods and services, while the West Midlands was the 4th highest.

The East Midlands Future Business Activity Index dropped to an all-time low at 56.4. Similarly, the West Midlands Future Business Activity Index has also fallen to a record low of 55.9. Fewer companies are relaying an optimistic forecast for the next year. East Midlands firms are more confident than the UK average, whilst the West Midlands also had a stronger outlook than the UK average. For many businesses there is a hope the economy will quickly rebound with the ability to introduce new products and services to a more active market. Uncertainty remains around longevity of lockdown and social distancing restrictions and the necessary transition period to renewed business activity.




Source: HIS Markit, NatWest PMI, April 2020
Please note: The seasonally adjusted Business Activity Index measures the combined output of the manufacturing and service sectors of each region. A reading below 50 indicates contraction in output, and the further below 50 the faster the rate of decline signalled.

# Economic Impacts

**Workers in Sectors at Greatest Risk**

A briefing note published by the Institute for Fiscal Studies (IFS) shows which workers are likely to be most affected by the COVID-19 lockdown across the UK – focussing on the industries that are experiencing a complete halt to their production or services. The IFS analysis shows that: Young workers (under 25) are more than twice as likely as other employees to work in a sector that has ceased activity due to the lockdown – in the East Midlands and West Midlands there is a higher proportion than the national average. Whereas women in the UK are about one third more likely than men to work in a sector that has ceased activity. Also, Low earners are seven times as likely as high earners to have worked in a sector that has been shut down. Analysis of individual weekly earnings shows that 34% of employees in the bottom tenth of the earnings distribution work in shut down sectors compared with versus just 5% in the top tenth of the earnings distribution.

Applying the IFS analysis to regional and local level data, Tasos Kitsos and Konstantinos Karagounis indicates that the East Midlands, West Midlands and its constituent parts are broadly in line with national estimates.

Over 342,000 jobs in the East Midlands are in the affected sectors. This accounts for 16.5% of all employment in the region. While in the West Midlands over 388,000 jobs are in the affected sectors, accounting for 15.2% of all employment in the region. There are more part-time workers in the affected sectors than full-time workers, both in number and as a proportion of the labour force.

Overall at the Midlands Engine LEP level geography, over 741,000 jobs are in the affected sectors – accounting for 15.8% of employment. Within the Midlands Engine geography, levels vary from 13.8% (63,960 jobs) in Coventry and Warwickshire LEP to 17.4% (75,310) in the Greater Lincolnshire LEP.

**Jobs at risk as a results of Coronavirus lockdown**

| Area type | Name | Employment (number) | Employment (%) | FT Employment (number) | FT Employment (%) | PT Employment (number) | PT Employment (%) |
|---|---|---|---|---|---|---|---|
| **Country** | Great Britain | 5,403,550 | 18.2% | 2,662,400 | 13.2% | 2,741,100 | 28.5% |
| **Region** | East Midlands* | 342,085 | 16.5% | 153,305 | 10.9% | 186,465 | 28.0% |
| **Region** | West Midlands | 388,210 | 15.2% | 173,845 | 9.9% | 213,390 | 26.5% |
| **LEP** | D2N2 | 158,640 | 17.0% | 70,990 | 11.3% | 86,085 | 28.4% |
| **LEP** | Greater Lincolnshire** | 75,310 | 17.4% | 31,760 | 10.9% | 42,385 | 29.1% |
| **LEP** | LLEP | 73,520 | 15.5% | 32,890 | 10.2% | 40,755 | 27.1% |
| **LEP** | Black Country | 63,975 | 14.4% | 30,265 | 9.9% | 34,275 | 24.2% |
| **LEP** | Coventry and Warwickshire | 63,960 | 13.8% | 27,545 | 8.6% | 36,355 | 25.5% |
| **LEP** | Greater Birmingham and Solihull | 145,995 | 15.6% | 70,215 | 10.8% | 76,635 | 26.9% |
| **LEP** | The Marches | 44,205 | 15.3% | 19,470 | 10.2% | 24,385 | 25.6% |
| **LEP** | Stoke-on-Trent & Staffordshire | 74,715 | 16.0% | 30,895 | 9.5% | 44,255 | 29.9% |
| **LEP** | Worcestershire | 41,190 | 16.2% | 18,030 | 10.7% | 22,935 | 26.2% |
| | Midlands Engine (LEP) | 741,510 | 15.8% | 332,060 | 10.4% | 408,065 | 27.2% |

*Includes Northampton/shire and excludes North Lincolnshire and North East Lincolnshire

**Includes North Lincolnshire and North East Lincolnshire

Analysis taken from Source: Business Register and Employment Survey

Please Note: The list of sectors classed as being directly affected by the lockdown are as follows (4-digit SIC codes in brackets): Non-food, non-pharmaceutical retail (4719, 4730-4772, 4776-4799); passenger transport (4910, 4931-4939, 5010, 5030, 5110); accommodation and food (5510- 5630); travel (7911-7990); childcare (8510, 8891); arts and leisure (9001-9329 except 'artistic creation' 9003); personal care (9601-9609 except 'funeral and related activities' 9603); domestic services (9700).
Although the same methodology has been used in the East Midlands analysis, figures may differ slightly to the original analysis.

# Economic Impacts

The table below shows under 25s and women under 25 as a proportion of the population as well as the proportion of businesses that are in the most affected sectors. Data on the number of under 25s and women under 25 that work in the affected sectors is not publicly available but the proportions provide an approximation of the relative impact.

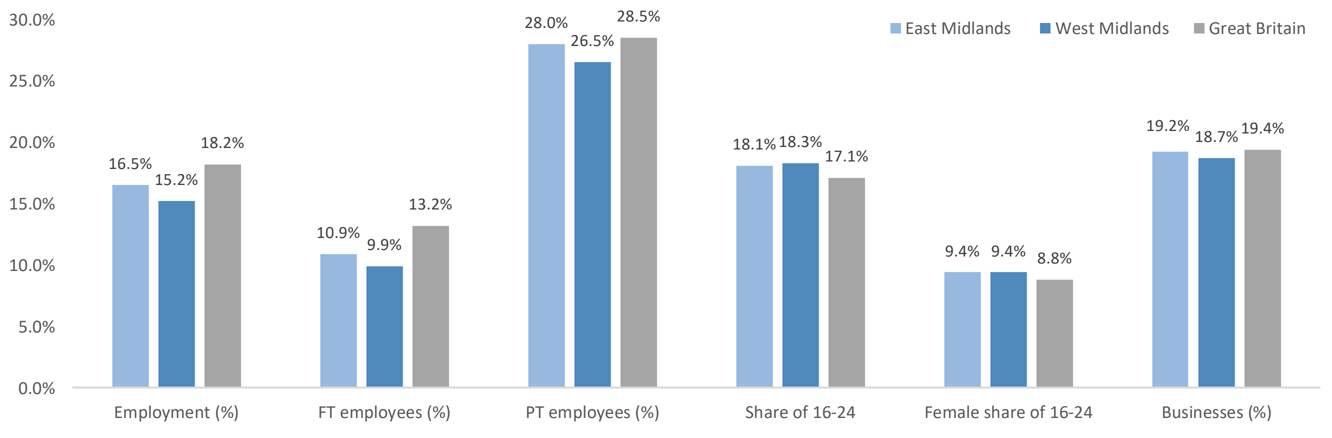
The East Midlands and West Midlands has a higher proportion of under 25s than the national average. This is particularly pronounced in metropolitan areas of the East Midlands. The IFS analysis suggests that younger workers, and particularly females, are overrepresented in the affected sectors.

A total of 87,080 businesses in the Midlands Engine LEP area are in sectors affected by the lockdown – this accounts for 18.8%. Within the Midlands Engine LEP area – Greater Lincolnshire has the highest percentage of businesses in sectors that are affected by the lockdown at 19.9% (9,040) which is above the national average (19.4%), this is followed by the Black Country at 19.5% (7,780).

## Businesses and population most affected by the Coronavirus lockdown

| Name | 16-24 (% of working age population) | Females 16-24 (% of working age population) | Number of businesses | Businesses (%) |
|---|---|---|---|---|
| Great Britain | 17.1% | 8.8% | 598,090 | 19.4% |
| East Midlands Region | 18.1% | 9.4% | 40,345 | 19.2% |
| West Midlands Region | 18.3% | 9.4% | 46,850 | 18.7% |
| Derby, Derbyshire, Nottingham & Nottinghamshire | 18.3% | 8.9% | 16,935 | 19.4% |
| Greater Lincolnshire | 16.3% | 7.9% | 9,040 | 19.9% |
| Leicester & Leicestershire | 20.6% | 9.7% | 8,465 | 17.6% |
| Black Country | 17.0% | 8.2% | 7,780 | 19.5% |
| Coventry and Warwickshire | 19.9% | 9.5% | 7,650 | 17.3% |
| Greater Birmingham and Solihull | 19.8% | 9.8% | 16,480 | 19.0% |
| The Marches | 15.6% | 7.5% | 6,425 | 17.9% |
| Stoke-on-Trent & Staffordshire | 16.6% | 7.8% | 9,040 | 19.4% |
| Worcestershire | 15.6% | 7.6% | 5,265 | 17.2% |
| Midlands Engine (LEP) | 18.1% | 8.8% | 87,080 | 18.8% |

## Summary of jobs, population and businesses likely to be affected by COVID-19 lockdown[1]




Analysis from Sources: UK Business Counts and ONS, Mid year populations

[1]Employment (%) – Share of total employment in sectors directly affected by the lockdown. FT employees (%) – Share of total full-time employees in sectors directly affected by the lockdown. PT employees (%) – Share of total part-time employees in sectors directly affected by the lockdown. Share of 16-24 – percentage share of working age population, aged 16-24. Female share of 16-24 – percentage share of working age population, aged 16-24.. Businesses (%) – share of total businesses in sectors directly affected by the lockdown

# ONS Weekly Releases

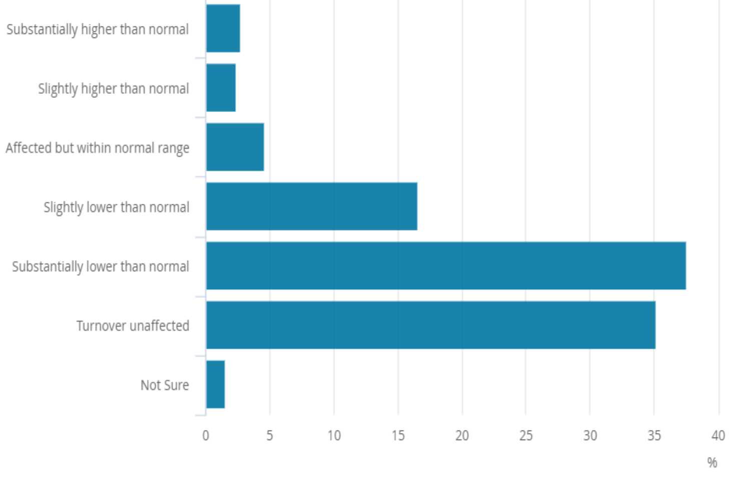
On 16th April 2020 the ONS published the third edition of its weekly publication containing data about the condition of the UK society and economy and the impact of the COVID-19 pandemic. The statistics are experimental and have been devised to provide timely information, with publication of survey results currently expected to take place fortnightly with initial findings released in-between. The following statistics are based on the UK as a whole.

**Business Impact of the Coronavirus – Initial results**
The Initial results from the second round of the Business Impact of Coronavirus (COVID-19) Survey (BICS) show that of the 17,786 businesses surveyed, 5,316 (30%) businesses responded. The following data is based on the period between 23rd Match to the 4th April 2020. Sectoral breakdown is unavailable on this release.

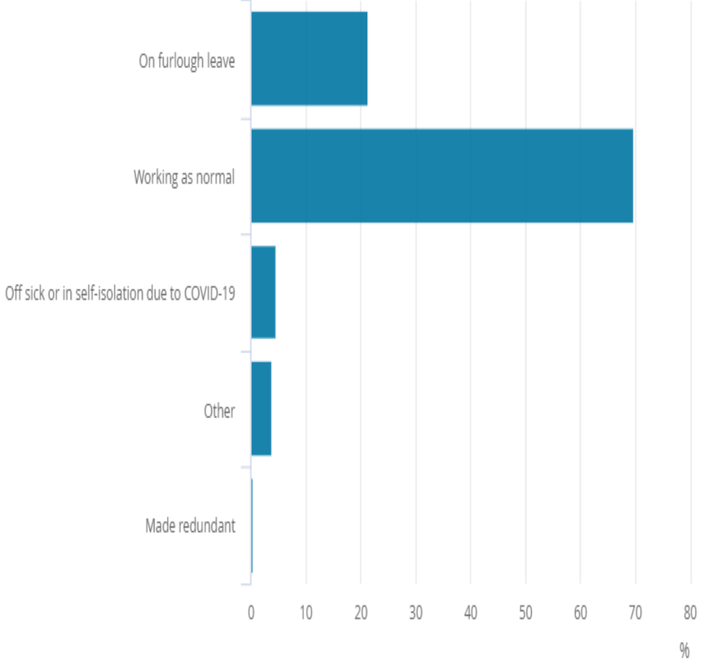
**Financial Performance – Initial Results**
Based on the 5,316 respondents, results show that 24.8% of the respondents have temporary closed or paused trading between the 23rd March to the 5th April 2020 with 0.4% permanently creasing trade. 74.8% have continued to trade over this period.

37.5% of the responding businesses reported that turnover was substantially lower than normal, however 35.2% have found that turnover has been unaffected.

**Effect on turnover, percentage of all responding businesses, UK, 23 March to 5 April 2020**




**Workforce – Initial Results**
Responding businesses that are still trading, an estimated 21.4% of the workforce have been furloughed. 69.8% are working as normal with 4.5% off sick or in self-isolation due to Coronavirus.




Measures that have been taken to manage the current workforce by businesses that continue to trade shows that 40.5% of respondents are reducing staff levels in the short term and 28.5% are decreasing work hours. However, 19.7% of businesses have taken no measures. 7.1% are recruiting staff for the short term and 11.6% are increasing working hours.

Please note, the following figures will likely have overlap. Arrangements that have been put into place for staff working patterns for those businesses that are continuing to trade include on average, 37% of staff still working at their normal place of work with 47% of staff working remotely. 16% had other arrangements in place.

Source: ONS, Coronavirus, the UK economy and society, faster indicators: 16 April 2020

# ONS Weekly Releases

### Social Impact of the Coronavirus

Indicators from the Opinions and Lifestyle Survey is a weekly update to understand on the impacts of the COVID-19 pandemic on people, households and communities in Great Britain. The second release covers the period of 27th March 2020 to 6rh April 2020. This 10-day collection period is the first to be based wholly after the government Stay at Home measures that were introduced on the 23rd March.

### Concerns about Work

39.7% of people aged 16 years and over said that the Coronavirus was affecting their work. The top three concerns about work are; 35.7% were concerned about the decrease in hours worked (place of work closed or reduced opening hours, availability of work), 31.9% due to being asked to work from home and 17.9% are worried about their own health and safety at work.

### Concerns about Household Finances

22.9% of adults have found Coronavirus is affecting their household finances. The main reasons for household finances being affected are; 72.9% have a reduced income, 31.9% are using saving to cover living costs and 26.0% have found savings value is being affected by economic instability.

### Expectations for the Future

On a household level, 44.3% of adults expect their financial position to get worse over the next 12 months with 41.0% of people expecting to be able to save over this same time period.

35.0% of the population aged 16 years and over think life to return to normal in 4 to 6 months with 32.9% of the population estimating between 7 – 12 months.

When asked about the general economic situation of the country, 84.5% believe it will get worse over the next 12 months. 40.4% of adults felt now was the right time to save.

### Impacts of Wellbeing

Out of the 3 indicators with data for both time periods recorded, there has been a decrease across all groups excluding one which saw an increase for those with underlying health issues with feeling lonely often/always from 8.4% to 11.2%.

46.9% of adults reported high levels of anxiety between the 27th March – 6th April, however this has decreased from 49.6% that was reported between 20th to 30th March. With those with underlying health issues decreasing from 52% in the previous period to 45.4% in the latest period available.

Overall, 53.1% of all adults reported their wellbeing is being affected due to the Coronavirus, the proportion lowers when restricting the age range to those aged 70 years and over (45.8%).

**Indicators of wellbeing, 27th March to 6th April and 20th – 30th March.**

| Indicator | Group | 27th March – 6th April (%) | 20th – 30th March (%) |
|---|---|---|---|
| Wellbeing is being affected | All adults | 53.1 | N/A |
| | 70 years and over | 45.8 | N/A |
| | Underlying health | 54.7 | N/A |
| Percentage with high anxiety (score 6-10) | All adults | 46.9 | 49.6 |
| | 70 years and over | 42.2 | 42.8 |
| | Underlying health | 45.4 | 52 |
| Feeling lonely often/always | All adults | 5.4 | 6.3 |
| | 70 years and over | 1.1 | 1.9 |
| | Underlying health | 11.2 | 8.4 |
| Feeling lonely some of the time | All adults | 14.7 | 17.5 |
| | 70 years and over | 10.5 | 10.8 |
| | Underlying health | 14.4 | 14.8 |

Source: ONS, Coronavirus, the UK economy and society, faster indicators: 16 April 2020

# Vulnerability Index Maps

**Overall COVID-19 Vulnerability Index**

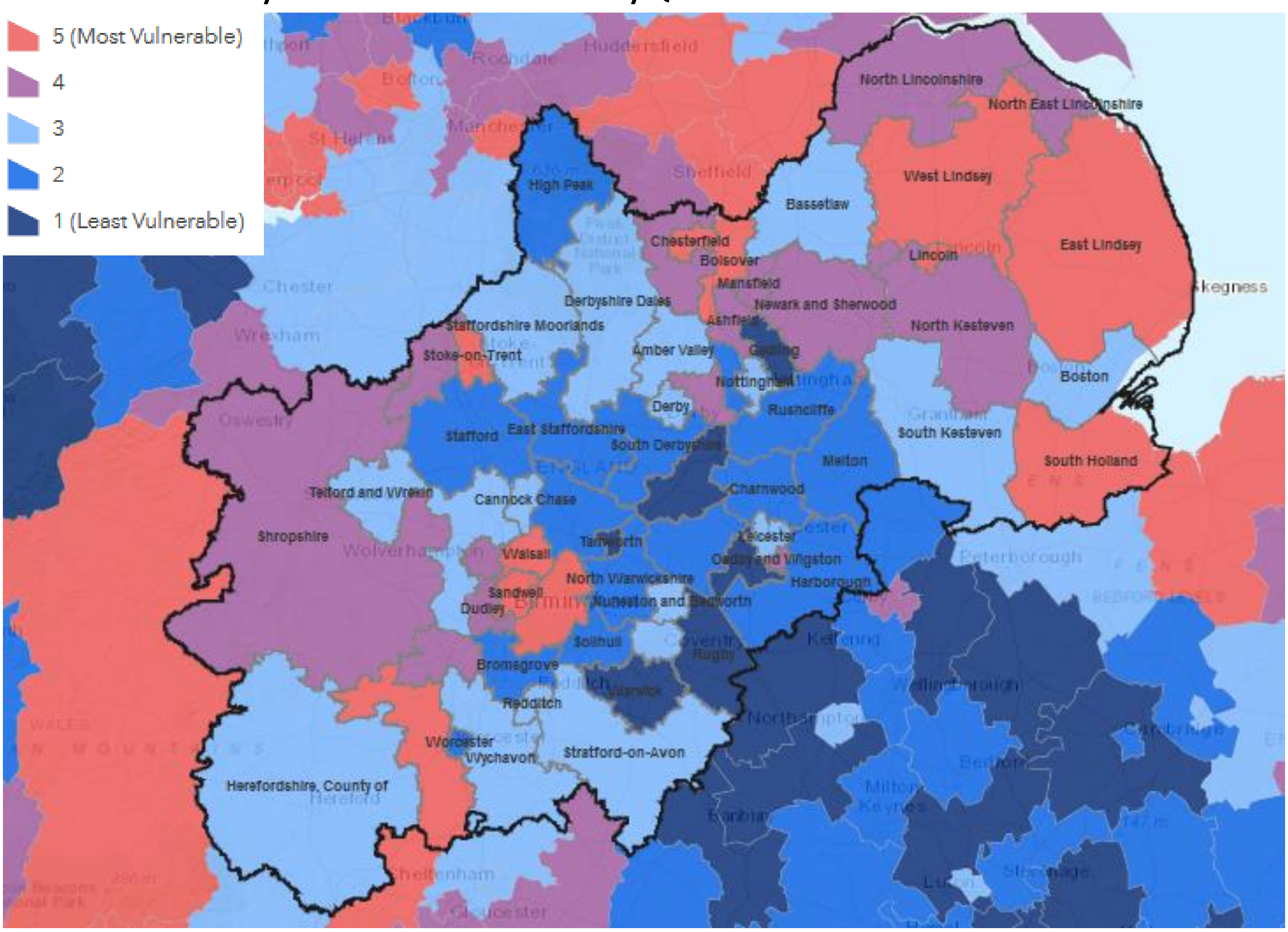
The British Red Cross has developed a COVID-19 Vulnerability index at Ward and Local Authority level. The index combines multiple sources of (mostly) open data to identify vulnerable areas and groups within Local Authorities and neighbourhoods (wards).

The Index consists of the following :

- **Clinical vulnerability** (underlying health conditions)
- **Health & wellbeing including mental health** (loneliness, healthy life expectancy at 65)
- **Economic vulnerability** (recipients of social care benefits, employment & support allowance, disability benefits, Universal Credit)
- **Social and geographical vulnerability** (barriers to housing and services, poor living environment, digital exclusion)

Online, interactive maps are available here that show the different components of the vulnerability Index.

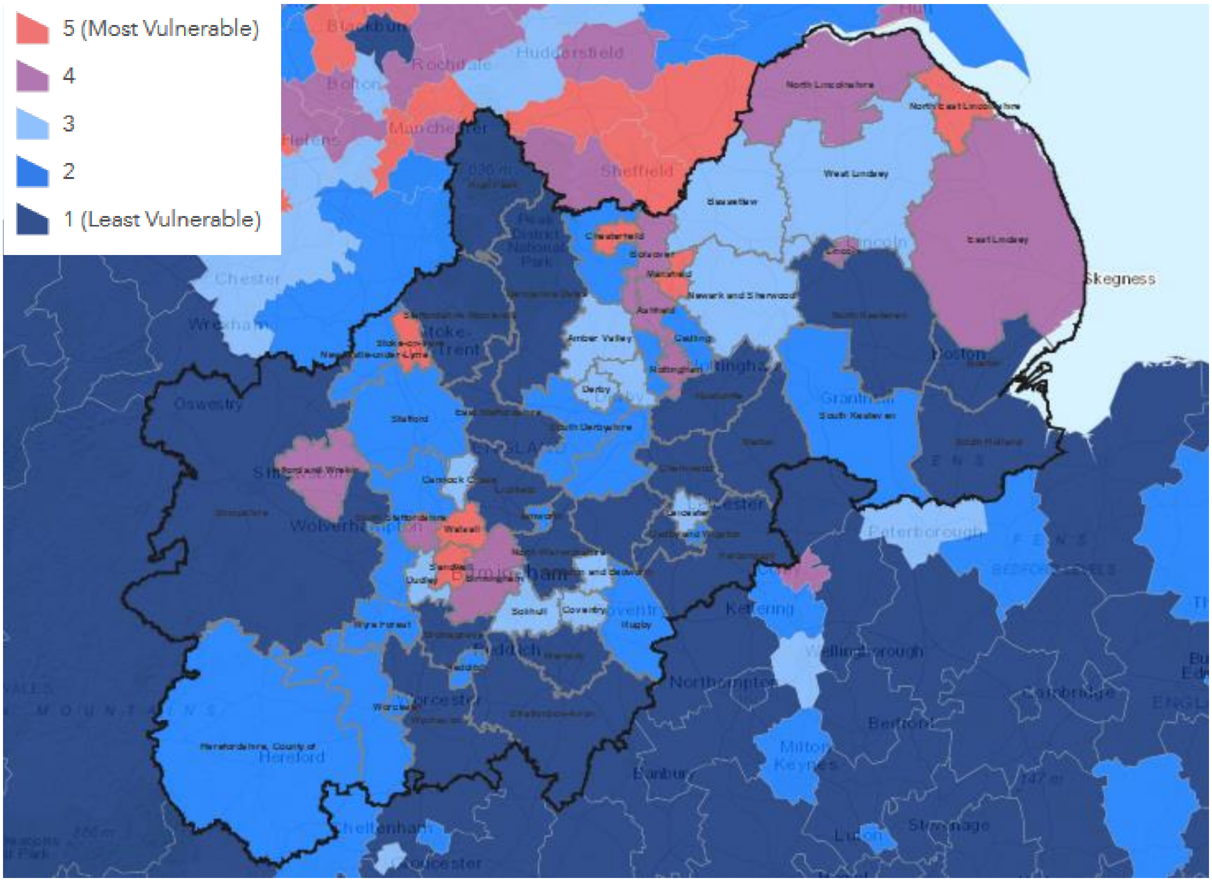
**Overall Vulnerability Index for Local Authorities by Quintile**



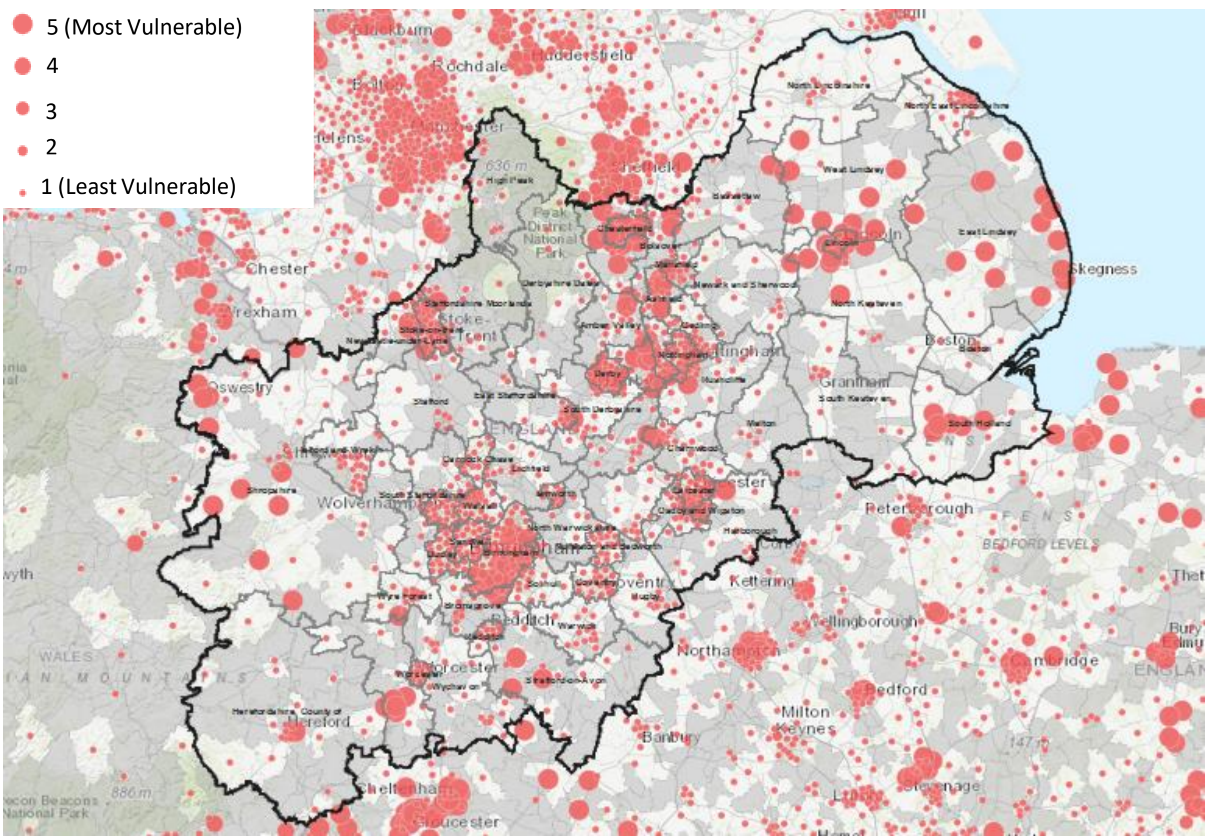

Source: British Red Cross, 2020

# Vulnerability Index Maps

**Economic Vulnerability Index for Local Authorities by Quintile**




**Health & Wellbeing Vulnerability Index for Wards by Quintile**



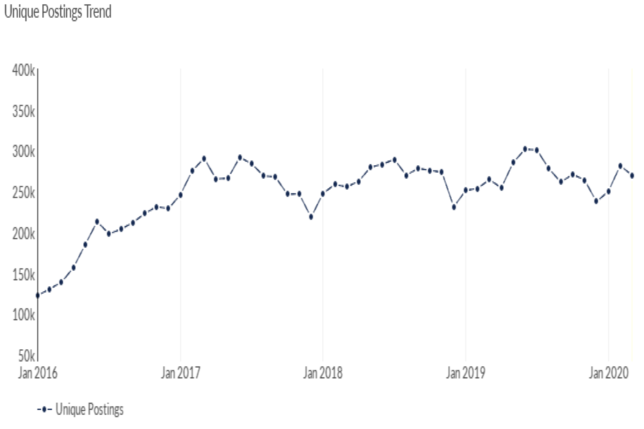

Source: British Red Cross, 2020

# Skills

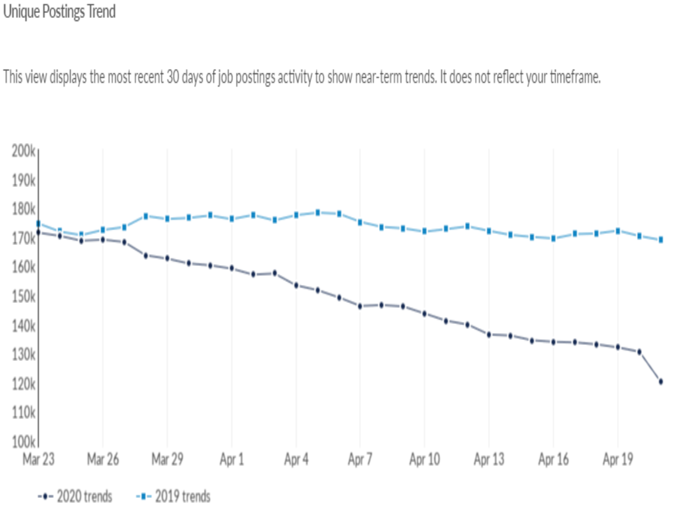
**Midlands Engine Job Postings**
There were 1.7m total job postings across the Midlands Engine area in March 2020 compared to 1.69m in February and 1.48m in March 2019.

The top 5 areas for job postings were Birmingham, Nottingham, Leicester, Coventry and Derby. These areas accounted for 42% of all advertised vacancies.

Of the total postings in March 2020, 269,948 were unique vacancies. This is down -4.2% from February, but up 2.0 per cent compared to the same period last year. However, due to data lags the impact from Coronavirus may not have taken hold and will not be reflective of the current position.

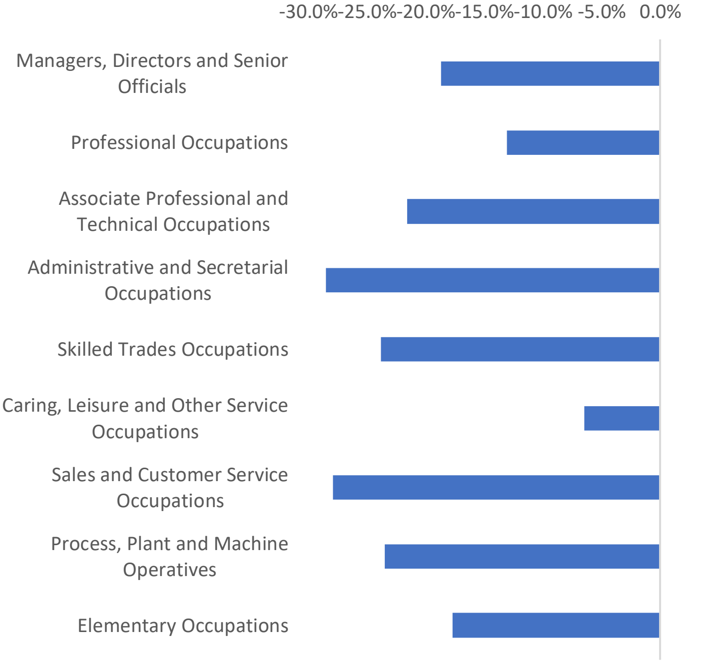



The graph below shows the most recent 30 days of unique job postings across the Midland Engine (for near term trend) and compares to the same period in 2019.




There was a reduction of 51,284 in the number of unique job postings between 23 March and 19 April 2020 (-28.9%).

All major occupational groups across the Midlands Engine region recorded a reduction in job postings in the last 30 days.




Administrative and Secretarial, Sales and Customer Service, Skilled Trades and Process, Plant and Machine Operatives all witnessed decreases in postings of around 25% or more.

At a more disaggregated level, sales, marketing and associated professionals saw the largest absolute reduction in job postings.

For some positivity, the mean advertised salary for these vacancies, which was up 0.7% to £27.7k, compared with the same period in 2019

Source: EMSI Analytics, 2020

# Qualitative Insight

The following section is based on the collation of the qualitative intelligence shared regional stakeholders in the West Midlands.

**Financial support**
Following the Easter break enquiries about financial support have increased again. Other key points this week:

- The challenge of dealing with banks remains an issue, including time taken to deal with applications (6-8 weeks, by which time a company could have gone bust), and information requesting (still requirements for forecasts).
- Initial figures on CIBLs is illustrating the reluctance to take on debt in an environment where the future is so uncertain. Whereas extension of overdrafts is more common at a 4 times higher rate. There are also issues with guidance and information on CIBLS and what is required. Also a request that exports being included in the assessment.
- SMEs are using cash reserves now – and will need investment for recovery. This is an important issue for getting supply chains in place.
- Some businesses face an issue of perishable stock going to waste. There is also an issue with branded stock where they cant be repurposed or resold but the original clients are refusing
- Again, concerns have been raised about the lack of an appeals process for business grants.
- OEMs are extending payments to over 120 days in many cases
- Local Authority implementation of grants on the whole going well and now money is being distributed at high rates. There is an issue that LAs may still not have company details, including bank details and this is causing delays.
- Programmes switching EU funding are now being piloted and implemented

**Furloughing**
The 'all or nothing' nature of furloughing continues to prove problematic. Some businesses require staff for some, but not all, of the time. This suggests a need for flexibility over length or time and how you can implement it. However feedback has been that the furlough process works very well, and is easy to do and get the income, with very few complaints about the HMRC process so far. There is a rising concern that the furlough process is delaying redundancies which may inevitably happen further down the line, so flexibility is required about extending the furlough into the future and some certainty about how government sees recovery developing.

**Landlords**
Still evidence of landlords not relaxing or negotiating terms and significant issues in the letting sector. With significant risks to flexible workspace and office space in the region. This could result in an over supply in office accommodation in the future and a lack of management capacity.

**Self Employment/sole directorship**
There are still issues around self employment if you pay yourself through a limited company and are a sole director, there is no support available and the self employment support is not available.

**Gig economy**
A lot of the above issues come together and impact on the 'gig' economy, self employed, flexible workspaces, short term contracting and flexible workforces. The general insecurity of this is creating even greater insecurity now and could undermine broader supply chains and business models in the future.

**The FSB feedback on LA delivery up to the end of last week: In Shropshire, Herefordshire, Worcestershire**: grant funding is flowing (Herefordshire was one of the first off the line). All are saying that they are making payments to businesses where they have the required info, with subsequent phases of payment to those where they need to source info/work out their business/tenancy status. Most had staff working over the Easter break to keep the money flowing. All recognise that short term cash flow is a massive problem and the majority foresee big problems down the line for their respective economies.

**In West Midlands & Staffordshire:** Birmingham have publicly stated that they are starting to distribute grants to the businesses they have full information for, latest information £80m in 3 days. Dudley have publicly announced that they have handed over £2m over the past couple of days to 95 companies.

**In Warwickshire & Coventry**: as far as FSB are aware all local authorities across Coventry, Warwickshire and Solihull have started paying out. Further details Warwick District Council had paid out £7.3m. North Warwickshire had paid out £1.275m. Stratford had paid grants totalling £4.6m to 291 businesses. Nuneaton: first payments last Thursday – 20% of total was expected to paid then.
Rugby: Had made 40 payments by last Thursday totalling £750,000 – 700 applications

# Qualitative Insight

The following section draws on contributions from the East Midlands Chamber, Make UK and Universities across the region. Scope of coverage will be extended for future iterations of this Midlands wide report to ensure of comprehensive picture is developed.

**Overview of the EM Business Intelligence**
As part of its ongoing response to the coronavirus pandemic, the Chamber last week introduced a £100,000 support fund, enabling member businesses which have been most affected by the crisis to apply for a full or partial rebate of up to three months of their membership fees.

The response has been positive, data collected as part of the application process is informative. Of the 95 businesses which have so far applied for relief, 74% have already furloughed staff, 27% have or intend to take advantage of CBILS, 61% are deferring VAT payments and six per cent are taking advantage of Self Employment Income Support.

These figures mirror the national picture being painted by BCC's Coronavirus Business Impact Tracker, which this week found that 66% of survey respondents have furloughed staff in anticipation of scheme going live.
More than half the respondents (59%) have three months or less of cash in reserve, while only two per cent of firms surveyed had successfully accessed CBILS, 15% of which are now receiving grants.

In terms of the support the Chamber and its LEP partners are providing to local businesses, helplines have received more 1,000 requests for support between 1 April and 9 April and a further 2,150 in March. To put this into context, across the entire Chamber network in the UK, 21,200 support requests were received in March, which means East Midlands Chamber contributed more than 10% of the total support required. This included 744 separate tasks for coronavirus support in the D2N2 area since 17 March, while in the LLEP area, there has been a 650% increase in business adviser referrals, compared to the average weekly pre-coronavirus activity.

Feedback from university employability teams with direct business contacts suggest that most firms have halted external recruitment activity. The focus of their activity has switched to the retention and management of existing staff (including through remote working), short time working and furlough.

**Specific Business Issues Identified**
Knowledge of available support schemes seems high, but many firms are reporting difficulties with applications processes. Concerns are being raised about the lack of consistency in handling of applications by different lenders (CBILS) and local authorities. Application processes are considered too complex.

Significant numbers of firms eligible for CBILS appear not to be not using this form of support due to a reluctance to take on secured debt at a time of extreme uncertainty over future abilities to service new debt finance.

A main focus of business concern has been the management of cash flow leading to problems in payment of suppliers and potentially employees. In this respect, the sequencing of 'business challenges' associated with lockdown bears some resemblance to that experienced in 2008/09 albeit the onset has been far faster. In 2008/09 cash flow problems were swiftly followed by problems with access to finance and managing workforce through short time working and similar measures. Indications from business sources suggest that at the present time cash-flow and employment issues are to the fore.

Large numbers of businesses across the region have already applied or are stating their intention to apply for the Coronavirus Job Retention Scheme. Although generally welcomed, concerns are being raised about the apparent inflexibility (all or nothing nature) of this scheme.

Concerns are being raised by businesses of many types about eligibility for and therefore coverage of current support schemes. Particular concerns have been raised about the status of owner managers/directors and recently started self-employed business people who are not covered by existing schemes and may have little alternative but to fall back on Universal Credit.

**Sectoral Perspectives/Case Studies**

Intelligence from Make UK is revealing evidence of the variable impact of the lockdown on Midlands manufacturers. Use of furlough is reported to be extensive within the sector – albeit that many manufacturers have raised specific concerns about the inflexibility of the scheme and its inability to cater for businesses facing non-linear/predictable demand. Some firms are reported as reluctant to apply until they have seen the experience of early applications by others.

Many manufacturers across the Midlands are reporting a collapse of sales and future order books. The following data collected from a sample of Midlands manufacturers is illustrative:

| Sector | Furlough | Level of Furlough | Orders | Level of Orders |
|---|---|---|---|---|
| General Fabrication | Yes | 50% | Down | 40-50% |
| Metal Fabrication for construction | Yes | 52% | Down | 50-50% |
| Automotive | Yes | 85% | Down | 100% |
| Tooling | No | 0% | Up | 35% |
| Basic Metals | No | 0% | Normal | Normal |
| Freight/Packaging | N/A | N/A | Down | 66% |
| Textiles | Yes | 95% | Down | 100% |
| Aerospace | Yes | 15% | Normal | Normal |
| Automotive | Yes | 95% | Down | 100% |
| Mechanical Equipment | Yes | 61% | Down | 50% |
| Automotive | Yes | 85% | Down | 100% |
| Mechanical Equipment | Yes | 50% | N/A | N/A |
| Metal Fabrication | Yes | 65% | N/A | N/A |
| Automotive | Yes | Hourly Paid & release agency staff | Down | 100% |
| Aerospace | Yes | 50% | Disrupted | Unsure |
| Metal products | Yes | 10% | Down | 45% |
| Metal Products | Yes | N/A | Down | 80% |

Evidence is emerging of supply chain impacts associated with furlough. This is occurring where decisions to furlough by particular firms have knock on impacts through the customers that they supply.

Food manufacturing – changing consumption patterns (closure of many catering outlets and shift to purchase of long shelf life items by consumers) is creating challenges for food manufacture. Packaging capacity for retail sale has been an issue for some (tins, cans & retail sized packaging for flour etc.).

Agriculture – reports have been received of similar concerns about the inflexibility of the furlough scheme.

IT – Some evidence of early impacts where firms are engaged in international supply chains – experienced slowdown in demand as early as January. Affected by lockdowns in other countries (directly and indirectly) particularly China.

# National Farmers Union Covid-19 Briefing Summary

**The National Farmers' Union (NFU) is a member organisation/industry association for farmers in England and Wales. The following is a summary of the NFU covid-19 briefing summary, and looks at various ways in which the covid-19 crisis is impacting the industry.**

**Market and Supply Chain Issues**

- Closure of pubs, cafes and restaurants has reduced demand for specialist supply chains serving food service, and has left specialist producers of hops, barley and cider apples with a reduced market.
- Many agricultural sectors are producing perishable products using systems with long lead in and out times that are very difficult to furlough.

**Supply of inputs onto farm**

- Farm businesses rely on a range of major and incidental inputs that are critical for production processes. This crisis is demonstrating how interconnected agriculture is with the wider economy.
- Farm businesses and contractors are heavily reliant on local engineering companies for spare parts and machinery repairs.

**Labour**

- The processing sector continues to proceed with caution around absenteeism.
- Availability of PPE to protect workers e.g. dust masks is an increasing concern
- The inability to "part-time furlough" workers means the furlough scheme is not suitable for some businesses.

**Seasonal Labour**

- The NFU have been working with AHDB, Defra and a number of grower trade associations and labour providers on the Pick for Britain web portal designed to put members of the public in touch with growers and labour providers that can offer seasonal work on farms and horticultural holdings including vineyards.

**Fly-Tipping**

- Fly-tipping is very costly and time consuming to remove.
- NFU members have reported an increase in the amount of rubbish that's being illegally dumped there, this could be due in part to the closure of local authority household waste and recycling centres.

**Sky lanterns during lockdown**

- Sky lanterns pose a serious fire risk and a danger to animals that may ingest the debris. 100 councils have banned sky lanterns, and the NFU would like to see a total ban.

**Fuel**

- With local engineering firms closing and imports interrupted there has been some disruption to the supply chain to get necessary parts on farm.
- Early on in the crisis supply of fuel to farm was a significant problem for some businesses. While this does seem to be improving now, the NFU will be monitoring the situation closely.

**Financial Support**

- The government's support package will be important for many people in agriculture and any associated industries.
- The NFU welcomes that agricultural businesses will now be eligible for the Business Interruption Loan
- There is a risk that the government's focus on providing financial support for individual companies will not feed into the rest of the supply chain in order to maintain production and added value.
- The government's announcement that they will relax rules on filing accounts will not significantly benefit farmers as around 90% are unincorporated businesses



Source: National Farmers Union Covid-19 Weekly Briefing

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Produced by:

Contributions by:
Black Country Consortium – Economic Intelligence Team
Rebecca Riley – WM REDI
William Rossiter and Konstantinos Karagounis – Nottingham Trent University

For any queries please contact:


Professor Delma Dwight
Delma_Dwight@blackcountryconsortium.co.uk

Rebecca Riley
R.L.Riley@@bham.ac.uk

William Rossiter
William.Rossiter@ntu.ac.uk