West Midlands Combined Authority

# State of the Region 2020
# Full Report

Prepared by the

**West Midlands Regional Economic Development Institute Partnership (WMREDI)**

**July 2020**

## About WMREDI

WMCA along with other regional partners have given support to a recently funded research institute in the region. WM-REDI will be a catalyst for a step-change in regional collaboration. Alongside funding from UKRI's Research England and the matching funds from the University of Birmingham, we have secured matched funding from the leading regional stakeholders involved in planning and delivering growth policies. This will be a shared collaborative approach to research and evidence in the region, as such all partners can utilise the structure to deliver research and data activities.

Key partners are:

- West Midlands Combined Authority (WMCA)
- GBS Chamber of Commerce
- Business and Professional Services consortium (BPS)
- West Midlands Growth Company (WMGC)
- Greater Birmingham and Solihull Local Enterprise Partnership (GBS LEP)
- The Black Country Consortium Ltd.
- The Coventry and Warwickshire Local Enterprise Partnership (C&WLEP)
- Aston University
- Birmingham City University (BCU)
- Other partners include Birmingham City Council and the other local authorities in the West Midlands metropolitan area, the Midlands Engine and the University of Warwick.

With special Thanks to the Black Country Consortium Economic Intelligence Unit for their significant contribution to this work

Black Country Consortium

Economic Intelligence Unit

# Foreword

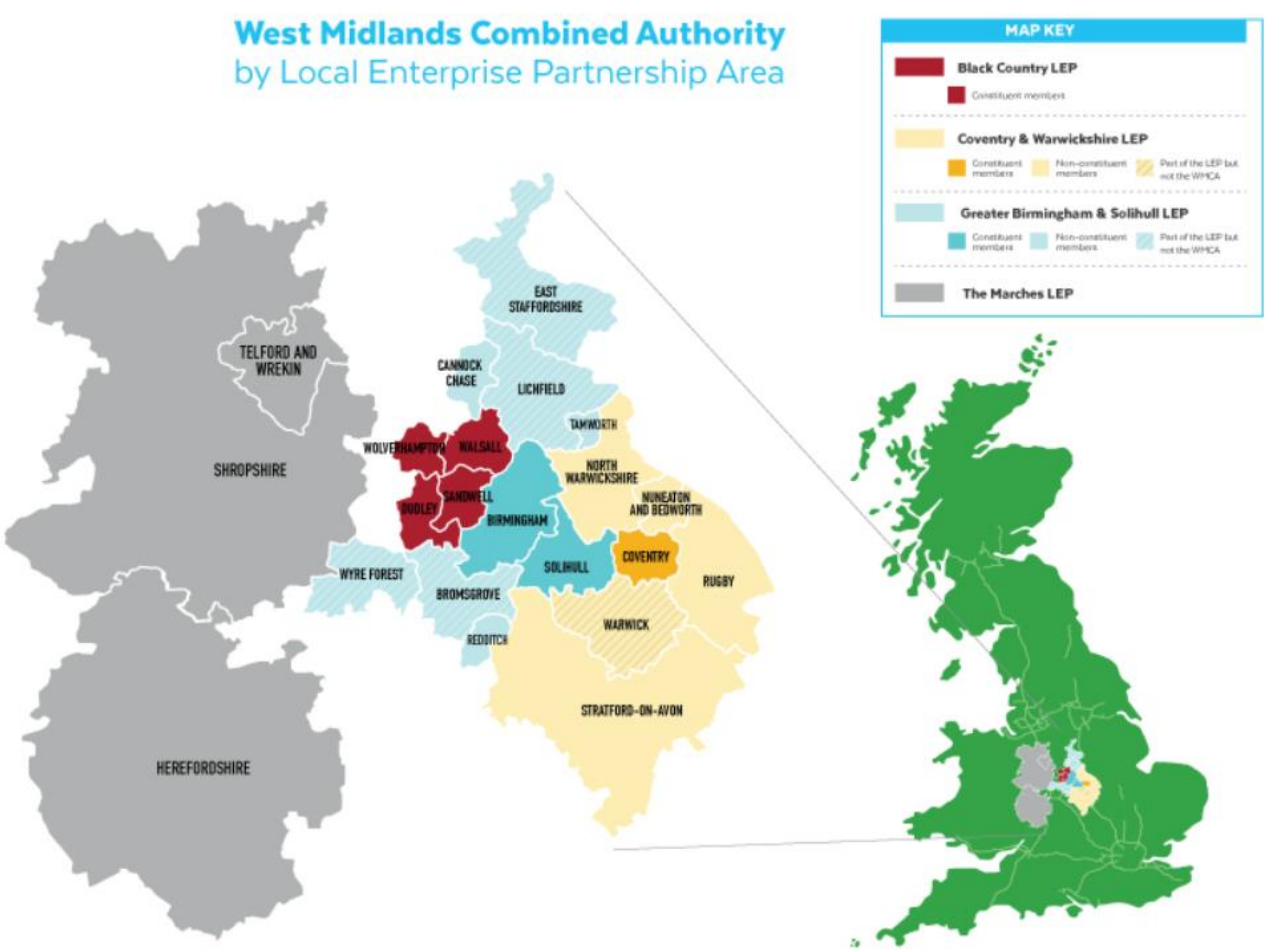
Welcome to State of the Region 2020 – the fourth annual review of performance across the West Midlands, In this edition we had already begun the process of moving to a wider analysis focussing on alignment to monitoring the Sustainable Development Goals (SDGs). This report is written on behalf of the West Midlands Combined Authority and all its partners, it should be seen as a stocktake of where the region stands, it's a snapshot on where we are doing well and where we need to work together to improve the region. But this year it is produced in extraordinary circumstances it's a call to action for everyone invested in the West Midlands. It is important to note this report was written in June 2020 and that some of the data included changes on a weekly basis. Latest data will be found in the weekly monitors as circumstances unfold.

It endeavours to be an honest reflection of the current regional condition, highlighting the challenges we face. However, we are not attempting to suggest what the solutions are; this lies within strategies and action plans the WMCA and partners own and deliver. It highlights how we are driving our evidence base for the future and continuing to build our understanding of the performance of the region. There are challenges to understanding this performance and how we change places for the better, not least understanding the causation and causality between action, output and outcomes. This document provides a balanced approach to regional monitoring and a useful tool understand the progress we are making through our combined action.

**The statistics used in the performance monitoring section of the report predominantly cover periods prior to the current Coronavirus pandemic due the lagging nature of annual reporting.**

**The data used is accurate as at end of June 2020.**

**Unless otherwise stated the data relates to the West Midlands Combined Authority region covered by the 3 LEP geography.**



## Executive Summary

The West Midlands is one of the largest conurbations outside London, its central location puts it at the heart of the UK's transport networks and international connections. The region was one of the most prosperous areas of the UK until the 1970/80s, and in the last 5 years it has been experiencing a resurgence of that power on the back of the growth in the business and professional services sector; technology driven manufacturing and city centre construction growth; thriving city centre based international business and professional services sector which was driving high levels of business tourism; a manufacturing base becoming more productive and an automotive sector responding to the challenge of a carbon neutral future; high exports, foreign direct investment and strong international links, and the biggest higher education cluster outside London. The region broke through the £100bn GVA barrier and had been bucking the national trend on a host of economic indicators, such as enterprise and employment growth. All this was powered by a young workforce, increasing its skills and moving to the region. However, underlying this growth there were significant issues with inequality, poverty, youth unemployment, low skills, poor health and school performance.

The economic impact of the Covid-19 pandemic has been severe. First quarter UK GDP fell 20% compared to last year, manufacturing PMI hit an all-time low and 496,000 people across the 3 LEP area are on furlough in June 2020, the equivalent of all jobs in Birmingham. Despite the general stasis felt by the economy through furlough and lockdown, the overall claimant count has nearly doubled overall and for young people.

Sectors where we have previously seen growth and expansion are now hardest hit, such as construction and the expanding higher education sector which makes our 3 cities, Birmingham, Coventry and Wolverhampton vulnerable. Our largest employment and GVA sector (professional, businesses and financial services) is still resilient and the sectors hardest hit through furlough (retail, hospitality and tourism) could bounce back providing consumer demand returns.

Economic forecasts consistently show the West Midlands to be one of the UK regions hit hardest by the economic crisis. This is because of our industrial and demographic mix, with some local economies among the most vulnerable in the UK in terms of their sectoral composition and health vulnerability. Those same models also show relatively strong regional growth in 2021, but this depends on assumptions about future market demand and international trade agreements. The stakes are high everywhere, but particularly so in the West Midlands.

However, our economic performance over the last 10 years since the last recession should give us confidence that with the appropriate support from Government, we can return to growth rapidly.

.

# Executive Summary - SWOT

**Pre-Covid-19 Strengths**

Young and diverse population
Business, Professional, Financial and Services sector and resilience
Private sector R&D and Innovation assets
Largest University sector outside London
Strong construction sector and portfolio of capital investment opportunities
Employment growth
Wage growth
Increase in high skills
Apprenticeship starts
Reducing number of young people not in education and training
Improving school attainment
Increasing numbers of active businesses
Increasing number of affordable homes
Business R&D investment
Strong levels of exporting and largest trade surplus
International Airport and close to a global city

**Pre-Covid-19 weaknesses**

High unemployment and youth unemployment
Unhealthy communities
Low/poor jobs growth
Survival rates of businesses
Significantly deprived areas and inequalities
Low usage of renewable energy
Numbers of residents with low qualifications
Higher unemployment

**Threats created by Covid-19**

Economic crash, social distancing and drop in consumer demand
Large scale unemployment
Long term scarring effects on young people
Apprenticeship availability
Trade and export drop and uncertainty
Negative impacts on international travel, education and tourism
Business investment and cash flow disrupted
R&D and innovation investment curtailed
Digital skills and infrastructure inequalities
Reduced take up and usage of public transport
A changing world which values technology, personalised interactions, flexibility which we may not be ready for
Large employer asset companies are starting to declare redundancies
Uncertainty over transition period and new trade and position

**Opportunities post Covid-19**

Sector mix ready for recovery and pick up
Strong healthcare and life sciences sector
Build on successful past growth in construction and business and professional services
Building on community spirit and growing community infrastructure
Adoption of technology and new business models
Growth in clean green mobility
Investing in strong local infrastructure which has responded well in the crisis
Greater investment in young people
Enhanced emphasis on lifelong learning, and adaptive flexible workforces

# Executive Summary – Specific Asset SWOT

**Strengths***

Automotive and Advanced engineering – JLR, Rolls Royce, Aston Martin, Aurrigo, Geely
Visitor and cultural sector – RSC, NEC, Royal Ballet and Symphony Hall, Birmingham Airport
BPFS sector and resilience – Large international companies, Deloitte, KPMG, HSBC, Lloyds TSB, PWC, NFU and Deutsche Bank
Major Brands - Mondelez, HSBC, National Express and Jaguar, Wesleyan Assurance Society and Gowling WLG, EON, Severn Trent, Balfour Beatty, KEIR
Largest University sector outside London - Aston University; Birmingham City University; Newman University College, University College Birmingham; University of Birmingham, Wolverhampton University, Warwick University and Coventry University
Strong construction sector and portfolio of projects - HS2, Metrolink, light rail, university station

**Weaknesses**

High unemployment and youth unemployment
Unhealthy communities
Weak jobs growth
Longer term survival rates of businesses
Significantly deprived areas and inequalities
Low usage of renewable energy
Numbers of residents with low qualifications
Higher unemployment
Supply chain vulnerability and international markets

**Threats***

International transport impact on Commonwealth Games, Capital of Culture and tourism assets such as Stratford.
Economic crash globally and impact on FDI
Social distancing and drop in consumer demand
Large scale unemployment - Announcements already for JLR, DHL, Rolls Royce, John Lewis
Long term scarring effects on young people
Apprenticeship availability due to employer instability
Trade deals and investment as a major exporting region, wider negative impacts on international travel, education and tourism
Business investment and cash flow disrupted
R&D and innovation investment curtailed especially in automotive
Digital skills and infrastructure inequalities
Reduced take up and usage of public transport

**Opportunities**

HS2 and UK Central
Commonwealth Games
City of Culture
5G testbed
Devolved Adult Education Budget
Brownfield Land Programme
Housing Programme
Driverless cars testbed
Silicon Spa
Life Sciences Park
Warwick Manufacturing Group and the Manufacturing Technology Centre
Local supply chain development

* The companies listed are intended as examples only, representative of the breadth of the business base

## Challenges Facing Policy

The evidence base on the impact of covid-19 highlights a number of policy challenges, which have acerbated underlying weaknesses in the regional ecosystem and also threaten our strengths:

**Good health & wellbeing –** The West Midlands already had poor health outcomes, the pandemic has highlighted this and improving the health of the population continues to be an issue. Driving improvement in physical activity and maximising the sectoral strengths the region such as the health sector, data driven healthcare and life sciences could improve the position.

**Reduced Inequalities** – The pandemic has highlighted how unequal society is, from the impacts on health and jobs at risk, through to the polarisation of communities. The pandemic has highlighted the role of key workers in underpinning society and the importance of roles in the foundational economy to vibrant, successful places. It has exposed how important it is to have access to digital infrastructure and the breadth of skills to utilise it. It has exposed need for good digital and safe physical connectivity to enable people to access jobs of the future.

**Sustainable Cities & Communities** – investing in community infrastructure is important for the future, as we have seen a return to hyper local living and investment in local businesses this creates an opportunity to build on changes the pandemic has brought to support SMEs and local high streets. The importance of open, green space to wellbeing, community support and reducing unnecessary travel are demand changes which could improve places in the long term. We have seen a change in the role of the home, and being able to access good broadband infrastructure and outside space could change the demands homeowners have and could change the face of city centres.

**Decent work & economic growth –** The pandemic has accelerated the need for investment in employability to protect workers affected by Covid-19 and to prepare for Brexit. The region already has underlying issues with people unable to access good employment because of their lack of qualifications. The rapid adoption of technology could leave many behind who do not have the advanced skills needed. The acceleration of youth unemployment and collapse of the industries they work in such as visitor economy, retail and culture, is of major concern everywhere, but in a region with internationally significant assets, these are also hit by the reduced global travel. The resilience of the education infrastructure under social distancing and the changing nature of future employment is an ongoing challenge to preparing people for the future. The impact of the pandemic makes addressing these issues even more important going forward and to equip them with the skills needs of the future.

**Industry, Innovation & infrastructure –** As can be seen in our sectoral assessments we have many assets and strengths in the region, but they are at risk. Forecasts demonstrate our assets can help us recover quicker, so it is vital we make the most of and protect our assets. There is a need to ensure people get the most out of our key companies, HS2, the Commonwealth Games and the City of Culture, and position ourselves as a global region. There is a potential risk to our higher education infrastructure as a driver of innovation and high level skills and business R&D investment, where we are a leader, is a key risk going forward.

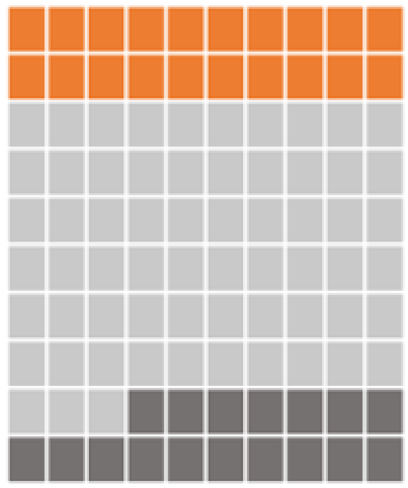
**Affordable & Clean energy –** the drive towards green, clean energy has accelerated with the impacts of Covid-19, as people experience the drop in pollution from reduced movement and the demand for different forms of safe transport rises. Along with the growth in technology and the drive for secure, safe energy this leads to a need for increased transport capacity, green growth and electrification. The West Midlands has major innovation assets in energy and electric vehicle manufacturing providing jobs in one of our biggest sectors, which is also most at risk of collapse post Covid-19. The need to future proof homes and businesses in terms of energy use was a key issue before the pandemic and continues to be, this is especially important as there may be greater use of homes in the future as workplaces, but opens up demand and opportunities for large scale retrofit programmes.

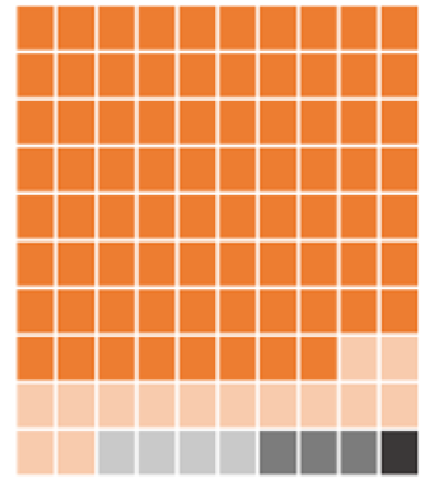
## The West Midlands Combined Authority Area – summary data

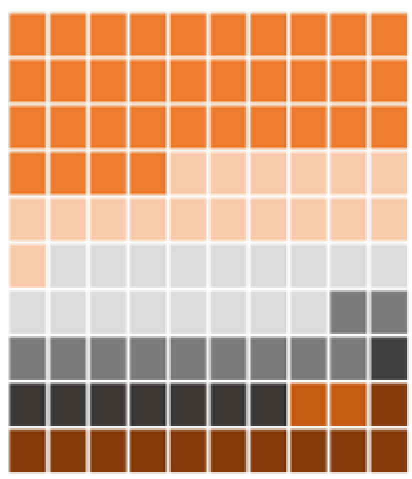
The region has large differences between its towns and cities, with Birmingham dominating most statistics, as would be expected as the largest Local Authority. But there is a great variation in performance within the region (from last year's State of the Region):

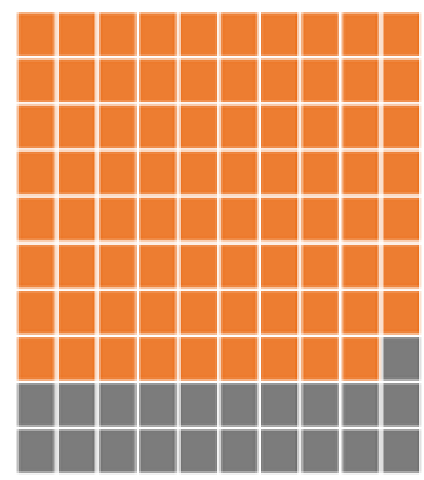
- There are 4m residents in the WMCA area. The Black Country has the highest **population** at 1.19m, followed by Birmingham at 1.1m and Coventry at 366k
- There were 32k **apprenticeship** starts across the WMCA region an increase of 8.7% double the national rate of 4.7%
- The number of people with **highest qualifications** at NVQ4 has increased by 4.4% to 860k compared to a UK increase of 2.9%. Meaning a third of the working age population is educated to degree level. The region needs another 173k to reach the national average.
- The number with **no qualifications** however have increased by 6,800 and increase of 2.4% compared to a UK decrease of -1.3%.
- The **employment** rate was 72.4% compared to 75.6% for the UK as a whole, a net increase of 25,500 more people in employment. The employment rate is highest in Warwick at 86%, Stratford-on-Avon at 85% and lowest in Birmingham at 65%
- The **unemployment** rate as 5.5% compared to 4% for the UK a net increase of 4,200
- The WMCA region has 1.8m **employees** and business, professional and financial services accounts for the highest percentage of jobs at just under 22% and the sector is increasing.
- Birmingham has 500k **jobs** followed by 450k in the Black Country, 162k in Coventry, with the lowest number of jobs in Tamworth 29k and Wyre Forest at 32k.
- Bromsgrove has the highest **earnings** at £34.4k only slightly above Solihull at £34.1k, lowest earnings are in Sandwell as £24.8k and Wolverhampton at £25.4k. However the gross domestic household income has far less disparity, with Coventry and Warwickshire at £21.6k, Birmingham and Solihull £17.9k and Black Country £15.6k
- Overall **deprivation** is high with 34.5% of local areas in the most deprived in the country. Birmingham has 41% of its neighbourhoods in the 10% most deprived, followed by Walsall at 26% and Wolverhampton at 21%.
- Birmingham **GVA** is £29bn, and the next highest was the Black Country at £21.2bn, Solihull at £9.8m, and Coventry at £9.5m. The lowest is in Wyre Forest at £1.4bn followed by Tamworth at £1.5bn. However GVA per employee is more balanced with narrower gaps demonstrating the greater numbers of "lower value" roles such as Birmingham at £56k, but the highest is Solihull at £80k, and Warwick at £73K to the lowest of £41k in Walsall.
- There were 170,475 active **enterprises**, and increase of 1.7%, where the UK experienced a decrease of 0.3%. Birmingham has 46.6k businesses, followed by the Black Country at 38.3k, Coventry 11.6k and Bromsgrove 11.5k, this order is replicated in the number of business starts. 18,805 enterprise births in 2013 in the WMCA (3 LEP), 42.1% (7,910) were still active in 2018. This is slightly below the UK survival rate of 42.4%
- Solihull has the best **school readiness** levels at 72.6% through to Sandwell at 66.8%. The average Progress 8 score in the West Midlands 7 Met. area has increased from -0.14 in 2018 to -0.08 in 2019. Birmingham was rated as 'Above Average'; both Solihull and Wolverhampton as 'Average'; while Coventry, Dudley, Sandwell and Walsall were deemed 'Below Average'. Solihull has the best school readiness levels at 72.6% through to Sandwell at 66.8%
- In the West Midlands region, the value of **exports** has decreased from £32.6bn in the year of 2019 Q1 to £30.6bn in the year 2020 Q1
- There are 1,735,709 **dwellings** in the WMCA (3 LEP) area in 2019, an increase of 16,615 dwellings since 2018

# If the West Midlands was 100 people…

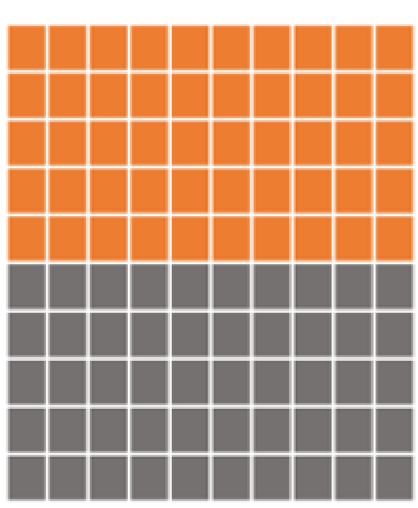


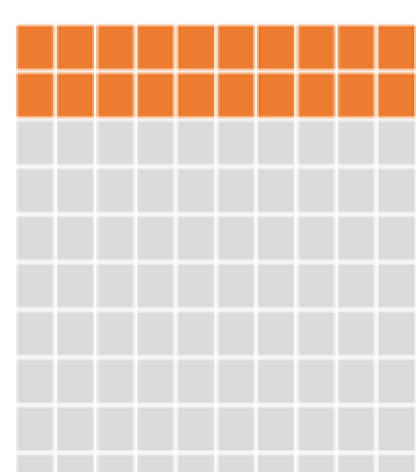



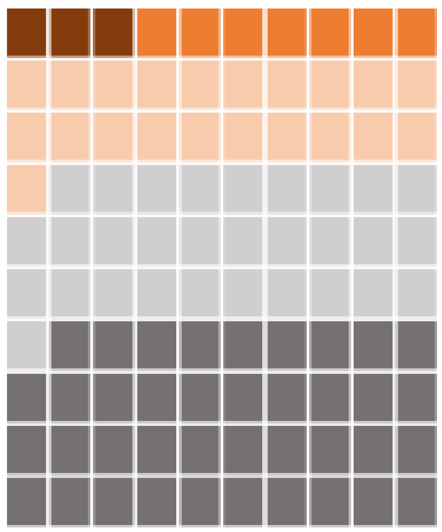





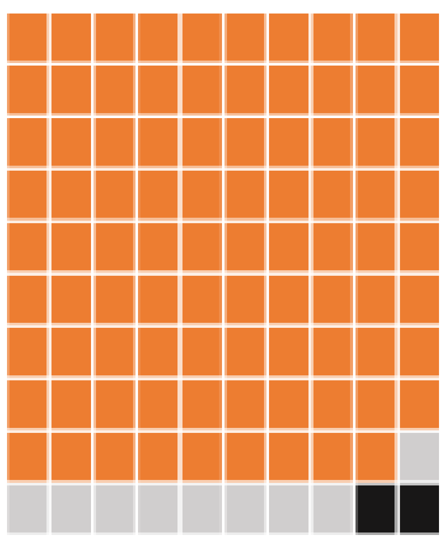



# If the West Midlands was 100 Businesses…



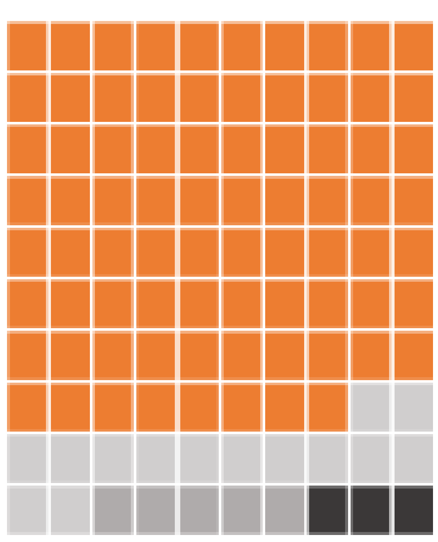
**Turnover Band**

High Achievers (£5m+)
Growth pioneers (£1m+)
Potential Gazelles (£250k+)
Solid performers (£100k+)
Lifestylers (-£100k)



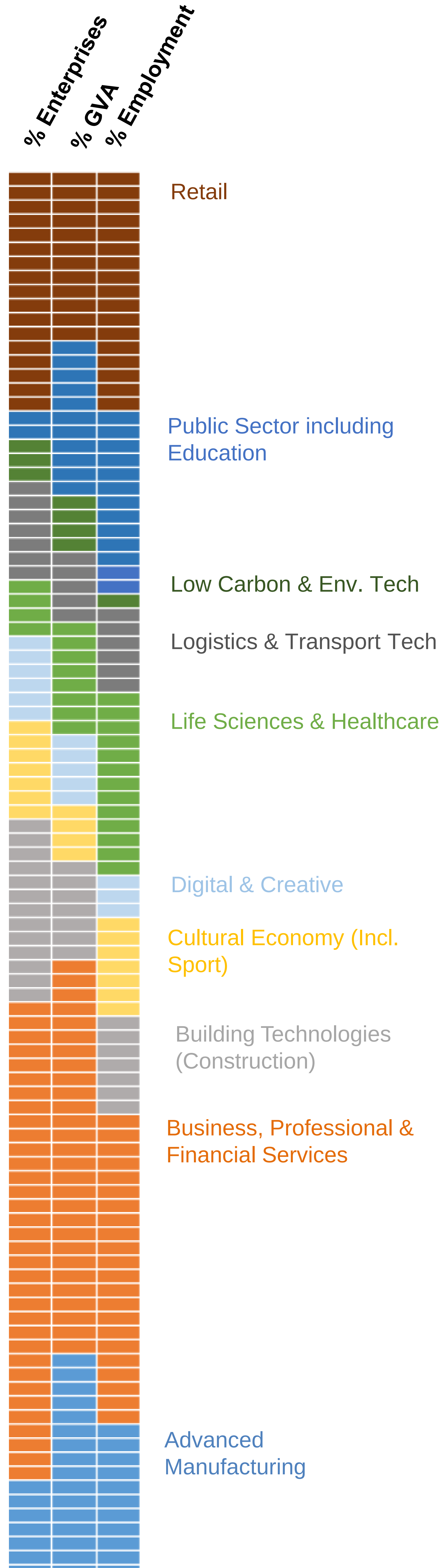
**Size of Enterprise**

Micro (0-9 employees)
Small (10-49 employees)
Medium Sized (50-249 employees)



**Ownership**

Company
Sole Proprietor
Partnership
Non Profit or mutual



# Key Past Trends Performance Indicators

The following indicators are the key ones identified across the previous State of the Region reports. All the green indicators are ones where the region has improved and got nearer to the target. Orange demonstrate we are going in the right direction but not as quickly as we would like. Red indicators are areas where we have stayed the same of have not progressed towards the target.

In general like many economies which grow rapidly, the focus shifts to ensuring that everyone can benefit from that growth and the progress of these indicators demonstrates the importance of that focus.

To note these data are largely precovid19 due to the lagging nature of the data and the actual year of the data is dependent on latest available release.

## Outperforming Indicators

### Total GVA: £105.1bn

**Increasing at a higher rate than the UK average at 4.0% vs 3.4% (2017-2018)**

**Target – to reach £153bn by 2030**

### GVA per Head: £25,183

**+3.3% (+£801) growth compared to +2.7% UK (2017-2018)**

**Shortfall of £3,545 to the UK Average**

### Enterprise Births: 24,640

**+1.7% (+410) growth compared to decrease of -0.3% for the UK (2017-2018)**

**59 Births per 10,000 population– above the UK (58).**

### Employment Rate: 72.6% (1,870,000 people)

**+0.7pp (+25,500 people) compared to +0.6pp UK (2018-2019)**

**To reach the UK average of 75.6%, an additional 82,370 required to be employed**

### Resident Wages: £29,422

**Increasing at the same rate as the UK since 2018 (+2.7%)**

**Still a shortfall of £931 to reach national level.**

### NVQ4+ Qualifications: 33.5% (861,700 people)

**+4.4% (+36,200 people) compared to +2.7% UK (2018-2019)**

**To reach the UK average of 40.2%, an additional 173,249 need to be upskilled**

### Apprenticeship Starts: 31,700

**+8.7% (+2,540 people) compared to +4.7% England (2017/18 - 2018/19)**

**84,000 Apprenticeship Starts Target: An additional 52,300 required**

### NEETs: 6.6% (WM 7 Met.)

**decreasing at the same rate as England since 2018 (-0.5pp)**

**To reach the England average of 5.5%, would require 713 less NEETs**

### Progress 8: -0.08 (WM 7 Met.)

**-0.06 decrease compared to an increase of +0.01 England**

**To reach the England average -0.03 requires an improvement of +0.05**

### Active Enterprises: 170,475

**Increasing above the UK average: +3.3% (+5,430) vs +0.5% (2017-2018)**

**To be above the UK per 10,000 population 409 vs 442**

### Additional Affordable Rented Dwellings: 1,960

**+13.8% (+238) compared to 8.0% England (2017/18 – 2018/19)**

**Increase the number of additional affordable rented dwellings**

### Output Gap: £14.8bn

**A decrease of nearly £44m from 2018 Output Gap**

**The aim is to have no output gap**

## Maintaining our Position

### Total Additional Affordable Dwellings: 3,822

Increasing at a slower rate than the England: 10.2% (+353) vs 22.0% (2017/18-2018/19)

Increase the number of additional affordable dwellings

### Five Year Survival Rate: 42.1% (2013 births)

The five-year survival rate is below the UK average of 42.4% - however compared to the five-year survival for 2012 births is decreasing at a slower rate than the UK -1.4pp vs 1.7pp

Target: Be above the UK and decrease at a slower rate

## Focus on Improvement

**Total Jobs: 1.8m**

-0.9% (-16,000) compared to an increase across England of +0.6%

To reach the Strategic Economic Plan target we need to achieve 2.4m jobs

**Top 10% Most Deprived Areas: 19.2%**

+0.3pp compared to 2015

Target: 10%

**Renewable Electricity Generation: 736,150 MwH**

A decrease of 7.5% (-60,044 MwH) since 2017 – the UK increased by 11.4%

**No Qualifications: 11.3% (290,500 people)**

+2.4% (+6,800 people) compared to a decrease of -1.3% UK (2018-2019)

To reach the UK average of 7.9%, an additional 87,115 need to gain one qualification

**Male Healthy Life Expectancy: 59.6 Years (WM 7 Met.)**

-0.3 years vs no change for the UK since 2015-17

3.5 years gap to UK average

Target: Reach UK average of 63.1 years

**Female Healthy Life Expectancy: 59.8 Years (WM 7 Met.)**

-0.3 years vs no change for the UK since 2015-17

3.8 years gap to UK average

Target: Reach UK average of 63.6 years

**Unemployment Rate: 5.5% (109,500 people)**

+0.1pp compared to a decrease of 0.3pp UK (2018-2019)

To reach the UK average of 4.0%, an additional 30,320 people need to employed.

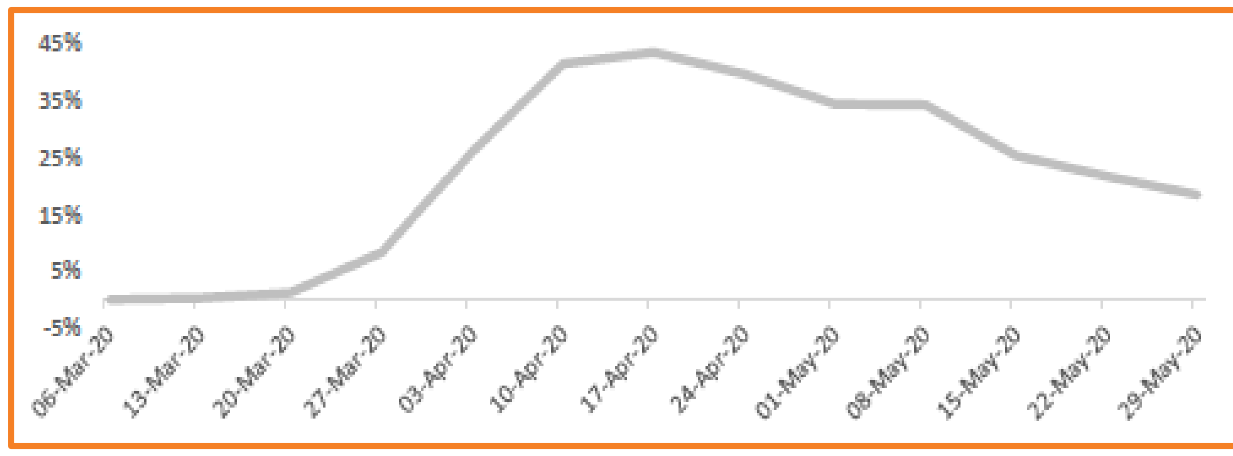
## Impact of Covid-19 – Key Issues

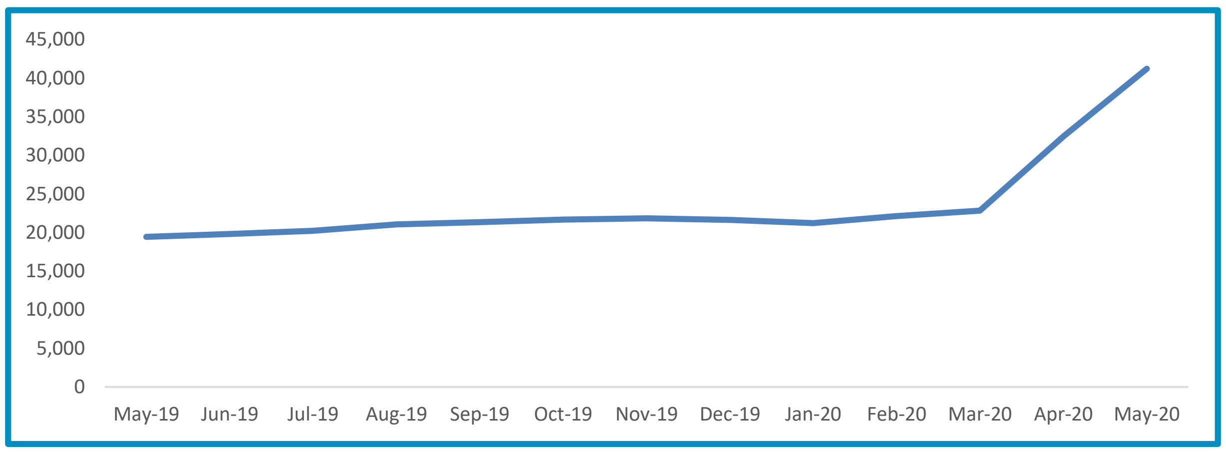
Since the start of the pandemic the West Midlands performance has changed dramatically, as is the case everywhere throughout the UK and elsewhere. Key issues are:

- Forecasters are now coming to a general consensus that the **UK is looking at a sharp fall and slower recovery over at least 2 years, with some sectors taking longer to recover**. This relies on a post Brexit trade deal, no further lockdowns, a credible vaccine and return of consumer spending. The prolonged international lock down, lack of travel, and social distancing may change attitudes to what consumers value and need in the longer term, the effects of which we have yet to see emerge.
- The West Midlands may face the **largest economic decline of all regions at 9.2%** (fall in GDP), however it may see the largest growth in 2021 at 8.1%. This is based on having the largest number of temporary closures and an expectation of most reopening. This however is far from certain and will be affected by social distancing measures and the implications of a second wave and continued lockdowns. Businesses regionally feel there is limited expectation of a consumer bounce-back due to social distancing. Businesses have utilised spare cash and resources and are reluctant to take on debt.
- **The youth claimant count had risen to 41,225** by May 2020, 8.3% of the young population, nearly doubling youth unemployment. It now sits 5th amongst combined authority areas but the rate of increase was much higher than elsewhere. As a region with high numbers of young people, we have a population facing multiple impacts from the pandemic. Closure of sectors which employ them, education system changing rapidly to cope with social distancing and the loss of final term in schools weakens the transition points between school, further and higher education and employment.
- **Overall claimants stand at 208k**, which is 6.3% of the working age population a rise from 115,000 and 3.5% in February, however overall increase in claims has been slower than other areas. This is despite the extensive **furloughing which stands at 496k people** in the WMCA area, which equates to 26.9% of jobs and is seen by business as the most successful of interventions. Businesses are flagging that although this is an excellent policy approach, it may just be moving the redundancy problem down the road if consumer spend and business activity doesn't return and they aren't supported to adapt
- Headline analysis suggests that the **public sector (including higher education) and the visitor economy sector** will be the sectors most impacted from the Covid-19, followed by construction, manufacturing and retail. Analysis suggests that the life science and healthcare may be the only sector that will be relatively unscathed, but notably it is also one of main sectors that has took the brunt of the human impact from Covid-19.
- **Apprenticeships**: the CA has the highest level of available vacancies compared to other regions, 1,643, which is a positive for the region. However this has declined recently, and recent business surveys show a decline in training and apprenticeship opportunities
- The WMCA area had the **highest death rates** at the start of all CAs but dropped down the rankings in later months. Overall however the 3 LEP geography has had the most deaths at over 4000. The pandemic hits cities harder. Pandemics hit denser, poorer, urban populations more, as social distancing is harder and over crowding more common
- Purchasing Managers Index (PMI) show business activity has dropped from 51.2 (over 50 signals growth, under 50 signals contraction) to 10.9, the lowest levels ever and back to 27.9. To be expected in these extraordinary conditions. However the PMI future business activity is holding up rising from 55.9 to 62.1 (down from 72.3% signalling **businesses are positive about the future once lockdown ends**

## Impact of Covid-19 – Short Term Indicators

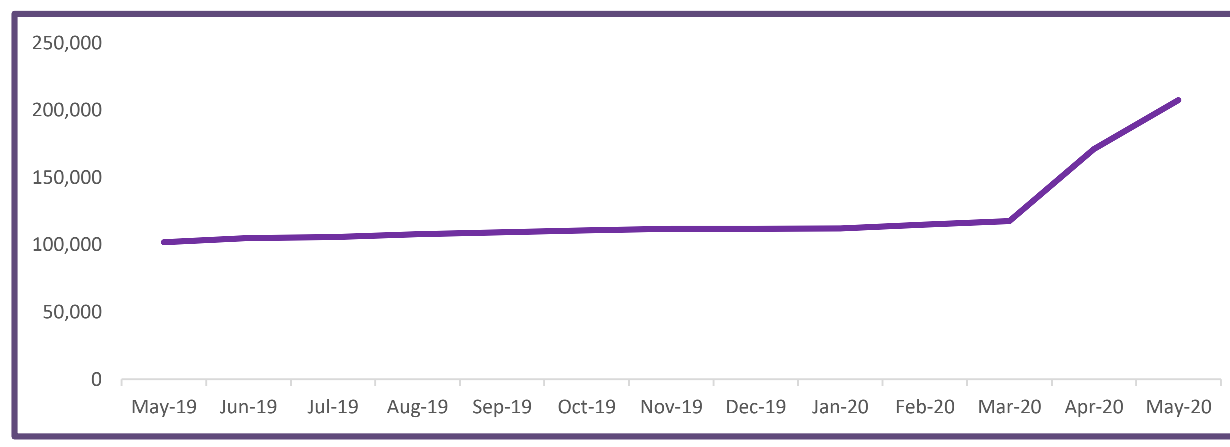
Week on week deaths from Covid-19 have dropped from **43%** in April to **18%** late May

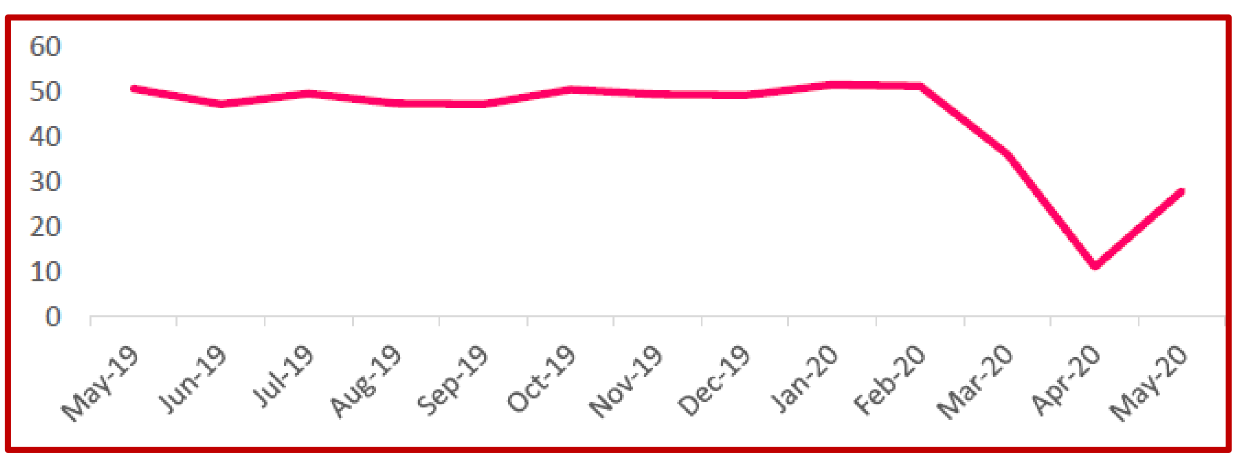



Youth Claimant Counts have increased by **10,000** between March and April 2020 to **41.2k**

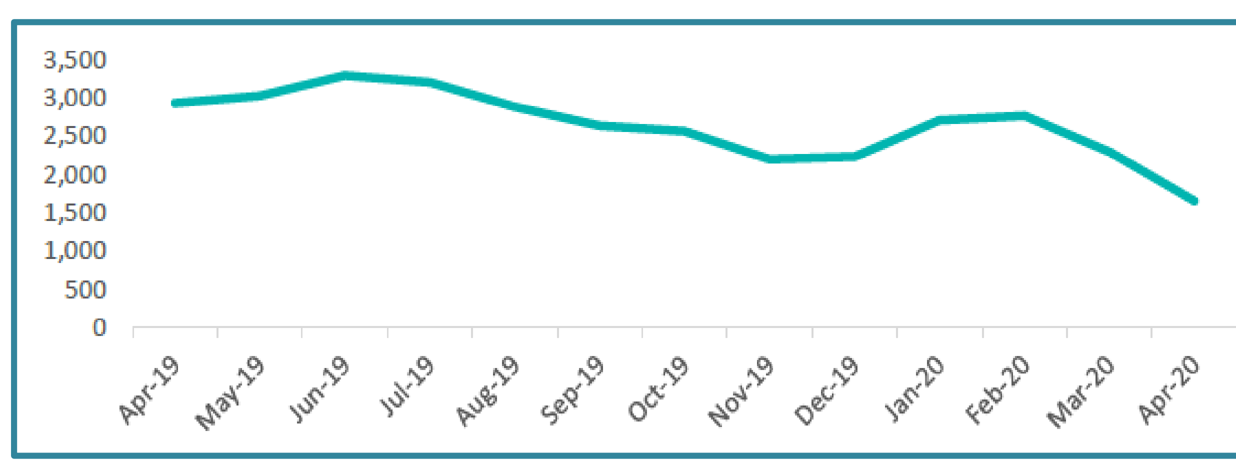
Claimant Counts have increased to **208k (6.3%)** from **115k (3.5%)** in February 2020

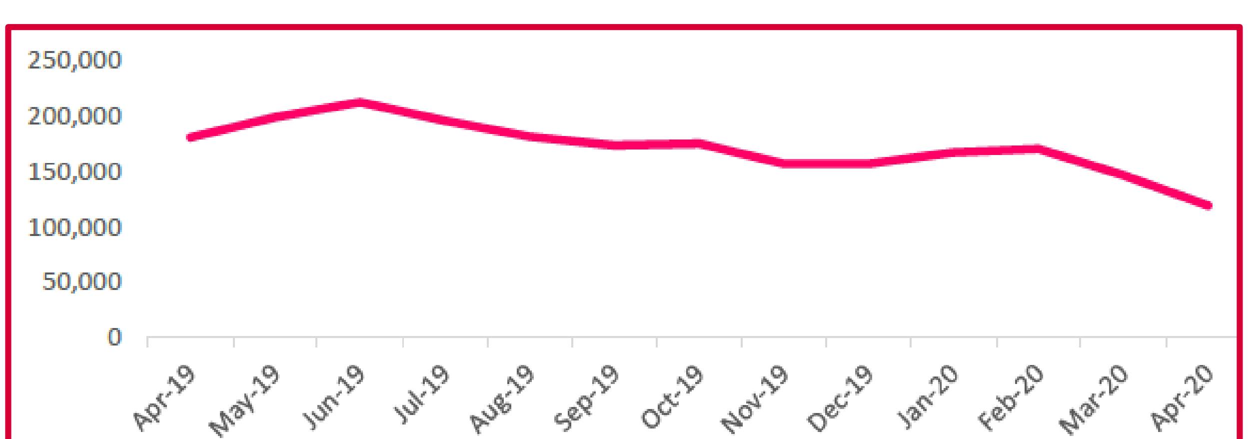



Business Activity Index has dropped from **51.2** to 10.9 and now back to **27.9**

Apprenticeship Vacancies have dropped from **2,756 to 1,643**




The number of unique job postings has reduced from **170k in February to 119k April**

Source: SED Dashboard 17th June 2020

# Impact of Covid-19 - Overview

Reviewing the extensive monitoring we have carried out over the last three months there is cause for concern, but the focus now should be on recovery and protecting our assets. Businesses are ready for change and are already innovating, we have to ensure that local skills and employment policies ensure people, especially the young, women and Black and minority ethnics groups who have been hit hardest by the impacts can fit into this change. We may also need to prepare for economic restructuring which significantly changes the job structure in the region. We also need to support and promote a return to good spending and the financial resilience in businesses and households.

There are signs that businesses are adjusting their employment but remaining productive, if this pattern grows or remains in the long term it could point towards higher levels of structural unemployment but improved productivity (similar to other European countries). Since 2009 the UK has maintained / grown employment levels and protected the skilled workforce but the trend outlined above may signal the end of that pattern. Rather the emerging pattern may be more aligned to the structural changes in the 1980s. This would lead to high levels of unemployment once furlough ends.

Covid-19 could exacerbate our weaknesses and undermine our strengths. This means we need to protect our assets, such as the diversity of our population,  entrepreneurial business base, our improving skills base, strong levels of exporting and international networks, high business investment and the growing employment base and wage growth.

There is a need to ensure our strong sectors survive and flagship companies that support supply chains can adapt, such as business and professional services, construction, automotive and university sector. All sectors currently under threat, and with a high volume of jobs to maintain and grow levels of quality jobs. Sectors which are expected to bounce back, such as retail, hospitality, tourism and culture and provide large numbers of jobs and are based on large numbers of SMES need to be supported to open back up and adapt to the changes. There is a need to build recovery on a resilient infrastructure, which encourages diversifying and supporting local growth, employment and supply chains and moving to a greener future. At the same time we need to develop new ways of working internationally in a tech-based future.

Reviewing the 1918 pandemic for wider economic, social and longer term impacts, some key issues can be seen emerging now, most notably higher death rates in the poor, disadvantaged communities. Variability at the time was attributed to inequalities of wealth and social status, bad diet, crowded living which created an environment where the poor, immigrants and ethnic minorities were more susceptible to infection. As a result cities were hit harder and it took 2 years to recover, with generally 3 peaks, the second more severe due to early lifting of lock down measures in some countries. These unequal impacts are being replicated today.

# Impact of Covid-19 – Impact on our Health

**Beyond the economic impact: COVID-19 and health inequalities**

The conditions in which we are born, grow, live, work and age have important implications for our physical and mental health, as individuals and across wider society. The West Midlands Combined Authority (WMCA) sets out a vision for building a healthier, happier, better connected and more prosperous West Midlands, recognising the inextricable link between health and wealth. COVID-19 has the potential to create and widen health inequalities, both through the direct impacts of the virus, and the indirect impacts of the control measures imposed. While underlying health conditions increase the risk of serious consequences from infection, the economic and social response to COVID-19 has the potential to exacerbate inequalities in physical and mental health.

Many of the frontline key workers who are most at risk of contracting the virus are in low paid, insecure employment. Where someone's home is not a place of safety, or when they do not have ready access to essentials such as food and medicine, being more isolated may place them at greater risk of harm. Social distancing and isolation can have a detrimental impact on mental health and wellbeing, including through harmful health behaviours and reducing access to services and support.

Crucially, the pandemic has highlighted existing socioeconomic inequalities that have underpinned poorer outcomes in already disadvantaged groups. A recent review by Public Health England (PHE) confirmed that the that the impact of COVID-19 has replicated existing health inequalities and, in some cases, has increased them.

Nationally, the largest disparity found was by age. Among people already diagnosed with COVID19, people who were 80 or older were seventy times more likely to die than those under 40. Risk of dying among those diagnosed with COVID-19 was also higher in males than females; those living in the more deprived areas than those living in the least deprived; and those in Black, Asian and Minority Ethnic (BAME) groups than in White ethnic groups.

It is important to note that these analyses did not take into account underlying health conditions or differences in occupational groups. However, a further review focusing specifically on BAME groups found that BAME individuals are more likely to work in occupations with a higher risk of COVID-19 exposure. In addition, the risks associated with COVID-19 transmission, morbidity, and mortality can be exacerbated by the housing challenges faced by some members of BAME groups.

Consultation with stakeholders also highlighted historic negative experiences of healthcare or at work may mean that individuals in BAME groups are less likely to seek care when needed or as NHS staff less likely to speak up when they have concerns about PPE or testing.

Socioeconomic inequalities have consistently been highlighted as key. BAME groups tend to have poorer socioeconomic circumstances which lead to poorer health outcomes; ONS data and PHE analysis confirmed the strong association between economic disadvantage and COVID-19 diagnoses, incidence and severe disease. Economic disadvantage is also strongly associated with the prevalence of smoking, obesity, diabetes, hypertension and their cardio-metabolic complications, which all increase the risk of disease severity.

While unpacking the relative contributions made by different social and economic factors is challenging as they often intersect and do not all act independently, it is clear that action is needed across the whole system to improve the wider determinants of health and actively reduce inequalities. This in line with the inclusive growth principles promoted by the WMCA, and reinforces the importance of building an inclusive economy where all citizens can benefit.

# Impact of Covid-19 – Impact on our Health

**What is happening in the West Midlands?**

Aggregated data for the WMCA show that on average, local authority areas ranking higher for socioeconomic deprivation also have higher rates of COVID-19 related deaths. This demonstrates that there is a broad correlation between area deprivation and COVID-19 related deaths.

This should be interpreted with caution, as overall levels of deprivation within an area can mask more complex relationships and inequalities. However, we also know that the areas with higher levels of deprivation and higher rates of COVID-19 related deaths are also those where life expectancy and healthy life expectancy are generally lower, and where persisting health and socioeconomic inequalities are greater.

Those within the Black ethnic group may be most affected by exposure to infection as it has the largest population proportion of healthcare workers. The Pakistani ethnic group may be most affected due to an increased risk of infection through exposure to general public as having the largest population proportion of transport and storage workers. This group also be most affected by exposure to loss of income as having the largest population proportion of wholesale and retail trade workers along with the ‘other Asian ethnic group ’ population also affected by exposure to loss of income as having the largest population proportion of accommodation and food services workers.

## Impact of Covid-19 on our economy

Forecasters are now coming to a general consensus they the UK is looking at a sharp fall and slower recovery over at least 2 years, with some sectors longer. There is limited expectation of a consumer bounce back, as people have utilised spare cash and resources and are reluctant to take on debt. The prolonged international lock down may change attitudes to what consumers value and need in the longer term, the effects of which we have yet to see emerge.

It is expected that we will have the worst recession in history, with March 2020 seeing the biggest GDP fall since records began and IMF predicting a drop in GDP close to 6% and likely to take 2 years to recover. The OECD released its latest predictions and warns that the UK is likely to be hardest hit with a slump of 11.5%, 14% if there is a second wave. This is largely because of the reliance of the UK on the services sector and the warning that the furlough scheme may not offset effects on employment. Local intelligence would reflect this concern that furlough may just be deferring redundancy and company failure later in the year. ICAEW forecasts prepared by Oxford Economics say GDP dropped 2% in Q1 the largest drop since 2009 and is forecast to shrink by 8.3% rebounding by 7.8% next year. The West Midlands may face the largest decline of all regions at 9.2%, however it may see the largest growth in 2021 at 8.1%. This is based on having the largest number of temporary closures and an expectation of most reopening. This however is far from certain and will be affected by social distancing measures, a trade deal and the implications of a second wave with continued lockdowns.

More forecasts, reports and research are now being published, many of which say Birmingham will be one of the hardest hit places. Oxford Economics predict it will be the worst hit city in the EU. This is because of the dependency on automotive and education (Higher Education Institutions), a younger than average population and high levels of health issues.

The Purchasing Managers Index (PMI), which tracks on a monthly basis business sentiment and thoughts about growth, has had a volatile ride in the last few months. PMI dropped to an all-time low in the region at 10.9 (growth would be above 50 and recession under 50). It is showing welcome signs of the economy picking back up for the West Midlands to 27.9 from its unprecedented low of 10.9 and the export climate index rose to 35.9 from the record low of 24.5 in April.

The pandemic makes it more likely that the UK will exit the EU without a trade deal, work by City-REDI estimated a risk (of no deal) to WMCA GDP of 12.2% and the whole NUTS1 region of 14.3% making it more exposed than the UK average. It is expected that any type of Brexit will exacerbate the negative impact of CV19. We are also nearing the closure of the EU programmes, 80% of which support recovery type activities and there has been no detail on replacement or shared prosperity funds.

Nationally a gradual lifting of lockdown is underway with non-essential retailers able to open from 15th June (contingent on the Covid-19 situation). From August employers will have to pay a quarter of the wages of furloughed staff. There are also reports that some large companies are seeking government bailouts.

UK likely to be the hardest hit region. WM face the largest decline of all regions at 9.2% with the largest growth at 8.1%. But risks are on the downside and on how well businesses recover and return to normal

PMI Business Activity Index in the region dropped to an all-time low of 10.9 and export climate dropped to a record low of 24.5

# Impact of Covid-19 on our People

**Resilient Communities**

Some of the places hardest hit initially may not be the same places as those that struggle over the long run. This is because the initial economic hit is driven by sector concentration within local areas rather than underlying factors that support local resilience to economic shocks that we define as a high level of skills, low unemployment or a speedy recovery from a previous recession. The West Midlands is projected to be hard hit initially (with only the East Midlands expected to suffer a greater decrease in GVA in 2020 Q2). This reflects the preponderance of local authorities in the Midlands with a larger than average manufacturing sector, and also a sizeable construction sector. Analysis by the Centre for Progressive Policy shows that treating all local authorities as being of equal importance economically (which is not realistic given variations in the size of local authorities in the vulnerable, moderate and resilient categories), after five years the West Midlands is expected to see an average 9.2% decrease in average GVA relative to the trend expected in the absence of the Covid-19 crisis. This is a greater decrease than the UK average, but slightly less than the average decreases expected for the North West (-9.5%), Yorkshire & the Humber (-10.5%), Northern Ireland (-11.6%) and the North East (-11.7%).

Relative to other regions, the West Midlands has a similar share of local authorities in the vulnerable category. However, the vulnerable category includes many of the large local authorities: Birmingham and the Black Country. The West Midlands has a greater than national average share of local authorities in the moderate category and a smaller than average share in the resilient category.

Other large regional cities in the UK are categorised as follows:

- *Vulnerable*: Birmingham, Manchester, Nottingham, Glasgow, Belfast
- *Moderate*: Leeds, Newcastle, Sheffield, Cardiff
- *Resilient*: Bristol, Liverpool

In the West Midlands only Coventry and Solihull are in the moderate category, with the remainder categorised as vulnerable.

| Vulnerable | Moderate | Resilient |
|---|---|---|
| **Birmingham** | Cannock Chase | Bromsgrove |
| **Dudley** | Coventry | Lichfield |
| **Sandwell** | East Staffordshire | Malvern Hills |
| **Tamworth** | Herefordshire, County of | Warwick |
| **Walsall** | Newcastle-under-Lyme | |
| **Wolverhampton** | North Warwickshire | |
| **Wyre Forest** | Nuneaton and Bedworth | |
| | Redditch | |
| | Rugby | |
| | Shropshire | |
| | Solihull | |
| | South Staffordshire | |
| | Stafford | |
| | Staffordshire Moorlands | |
| | Stoke-on-Trent | |
| | Stratford-on-Avon | |
| | Telford and Wrekin | |
| | Worcester | |
| | Wychavon | |

## Impact of Covid-19 on our People

**Jobs and Employment**

There is a rising concern about redundancies with a rise from 2,400 in April to 5,500 in May, significant regional announcements include Rolls Royce, Aston Martin, Triumph, Churchill China and Forterra, with Intu Merry Hill putting administrators on standby. Also concerns about quarantine and its impact on international trade flows and activity, still no support for ltd company directors.

Across the WMCA (3 LEP) area, 496,200 people have been furloughed which accounts for approximately 26.9% of jobs. The Black Country LEP area has the highest levels of staff furloughed at 31.7% across the 3 LEP areas. Tamworth has the highest number per 10,000 WAP for the total number of employments furloughed at 2,508. While Wyre Forest has the highest percentage when proportioned to jobs at 41.9% significantly above England at 24.8%.

Latest unemployment (still not covering the whole pandemic period) tells a story of a labour market in stasis: the West Midlands region is now at 74.5% employment down only -0.7pp since last quarter, with unemployment up slightly to 4.8% and inactivity rates increasing to 21.7%. There were 207,635 claimants aged 16 years and over in May 2020 in the WMCA (3 LEP) – this is an increase of 36,390 claimants since April 2020. This increase equates to 21.3% for the WMCA (3 LEP) compared to 26.6% growth for the UK. There were 41,225 youth claimants in the WMCA (3 LEP) area in May 2020, this is an increase of 8,775 people compared to April 2020. This equates to an increase of 27.0% – while the UK saw an increase of 32.3%.

Comparing unemployment by ethnic groups in the West Midlands, as noted previously unemployment rates were stark, where 11% of ethnic minority groups are unemployed (albeit there are marked differences between ethnic groups) compared to 5% of white groups. Disparities in health outcomes, educational outcomes, crime, age, income and hostile immigration, all contribute to racial inequalities. CV19 is likely to worsen these issues. Although there is not recent data on claimants by ethnicity, preCV19 Black or Black British groups faced higher unemployment levels. Mapping where the increases in claimants are, these are largely in areas with high black populations and greater employment in sectors which are closed.

**496k** people have been furloughed accounting for 27% of employment in the region

Claimants have increased by **93k** since February

Universal Credit claims **7.3** times higher than same time last year

Significant redundancy announcements at key flagship companies, especially in automotive and aerospace

**Rolls Royce, Aston Martin and Triumph**

# Impact of Covid-19 on our People

**Jobs and Employment**

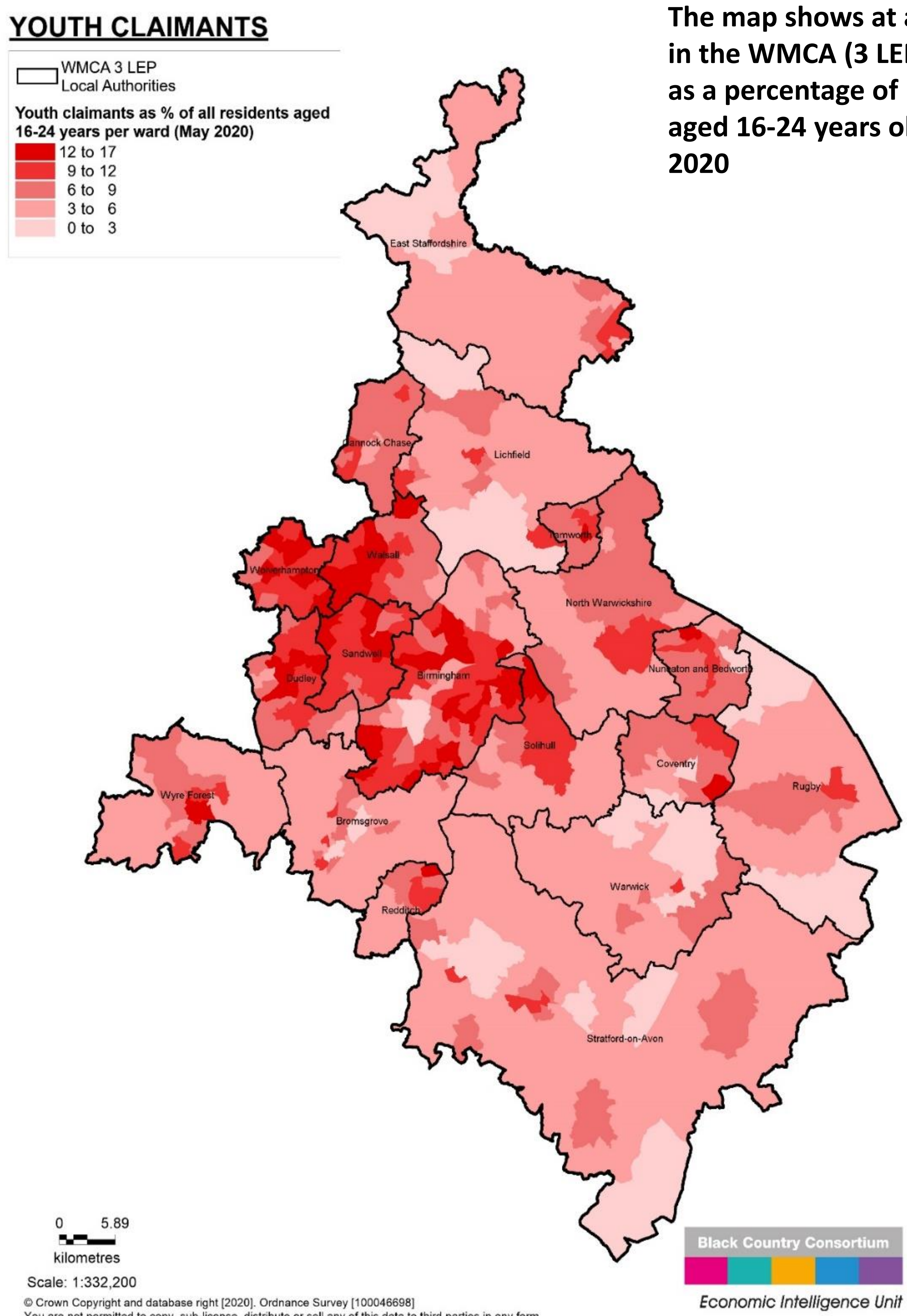
Inequality is likely to get worse, as in previous recession/pandemics. Employees aged under 25 years are about two and a half times as likely to work in a sector that is now shut down, as others, so raising the need for specific interventions to support them. Universal Credit (UC) in the last fortnight of March 2020 was 7.3 times higher than the same period a year earlier

We already have high youth unemployment in the region and low skills levels, which puts us at higher risk of longer term scaring effects on our young people, where they take longer to get into the job market and into good jobs. This will have a significant effect on areas already suffering deprivation and inequality. In economic downturns, young people tend to stay in education, but the disruption in the education sector due to closure may put many off this alternative. Therefore the region's young may be further disadvantaged.

The move to homeworking has exacerbated inequality the ability to work by housing tenure shows that 54% of social housing renters are unlikely to be able to work from home, compared to 33% of private renters and 27% of those with mortgage owned properties

**Under 25s**
**2.5 times**
**more likely to work in a sector which is shut down**

**Scaring effects young low, skilled are more likely to be unemployed**




**The map shows at a ward level in the WMCA (3 LEP), claimants as a percentage of residents aged 16-24 years old in May 2020**

## Impact of Covid-19 on our People

**Voluntary sector and support**
A poll of voluntary sector organisations showed that the biggest concern for them currently is how to support vulnerable groups, 38% of organizations surveyed identified cash-flow as their biggest concern. Nationally the charity sector bodies have made initial estimates that charities will miss out on a minimum of £4.3bn of income over the pandemic period, though the figure could be far higher. Research finds that up to 9 in 10 BME led organizations are at risk of closure after three months, with a projected 15,000 to 20,000 users per week unable to access services. Across the UK, 1 in 4 groups aren't sure that they will still exist in 6 months' time. 1 in 4 groups aren't sure that participants will come back and 38% of group don't feel equipped to support participants when they come back. Most organisations delivering youth services (88%) indicated they are likely or very likely to reduce service provision to young people. 31% said that staff redundancies were likely, while 17% said permanent closure was likely.

800 potential and actual rough sleepers have secured accommodation in the WMCA region. Of those who have come in off the streets 10 have returned and a further 40 have refused offers of help. Of those accommodated close to 150 have no recourse to public funds

Food poverty has accelerated through the pandemic, The Trussell Trust saw a national rise of 81% and 122% rise in parcels going to children. This is on the back of a 23% rise in the 6 months to December 2019. The Independent Food network reported a rise 17 times the same period last year. The Trussell Trust have said current levels of provision are unsustainable. They published key finds of latest research which found:

- An 89% increase in the number of food parcels distributed in April – up from 81% in March
- 67% increase in household referrals- up from 48% in March
- 107% increase in the number of children needing support from the same time in 2019

**Crime and disorder**
Nationally crime has fallen by 28% since Britain was locked down to battle the Covid-19. Falls in crime recorded by locally by police in the four weeks up until 12 April included a 37% drop in burglary, a 27% drop in vehicle crime, serious assault and personal robbery. Reported rape offences fell by 37% and shoplifting fell by 54%, with non-essential stores closed. Regionally personal robbery accounts for 3% of usual Total Recorded Crime (TRC). Personal robbery offences have seen a significant reduction of 53.6% since schools were closed and restrictions put 3 in place. Theft Shops & Stalls (TSS) usually accounts for 6% of usual TRC. TSS has reduced by 47.4% with almost all retail premises now closed, aside from supermarkets. Child Abuse accounts for 5% of usual TRC. With levels of school attendance being significantly lower than normal, referrals from partner agencies, especially those from education have been lower. Therefore, recorded child abuse has reduced by 47.7%. Hate crime accounts for 3%, and has reduced by 23.7% in the weeks since restricted movements began.Vehicle accounts for 11% of crime and it has reduced by 43% in the last six weeks and remain very low, most notably theft offences. The hypothesis remains that this is unlikely to change until restrictions are lifted. Domestic Abuse accounts for 17% of usual Total Recorded Crime. The weekly volume of Domestic Abuse has been stable since the beginning of March with a reduction of just 4% since restrictions in movement began. Offences would normally be in a period of seasonal reduction.

**Food bank usage is 17 times higher than last year and a 107% increase in children needing support**

**Crime has dropped across the country**
**-54% in robbery**
**-47% in theft from shops**
**-4% domestic Abuse**

**1 in 4 charity support groups don't know if they will exist in in 6 months**

# Impact of Covid-19 on our People

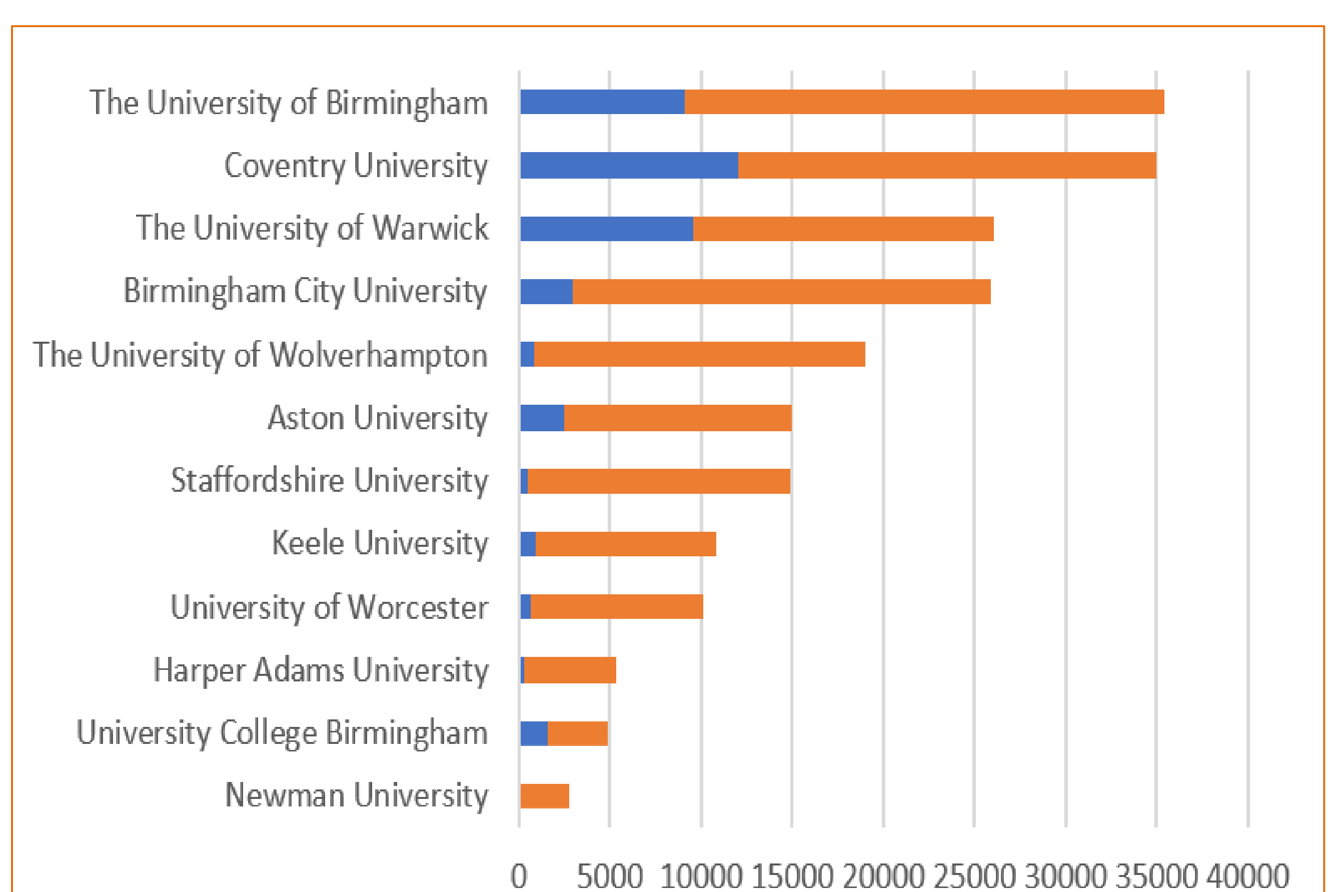
**Skills and Education**

With some schools reopening for some students from June, it is appropriate to reflect on the large literature indicating that school closures lead to slower progress or a reduction in learning outcomes for students. Despite moves to digital learning there remain concerns about disparities in access, with economically disadvantaged students most affected. There are also concerns about the development of skills that are more difficult to replicate online – including social and emotional skills that are prized by employers. Policy suggestions for overcoming educational disadvantage include extending vocational courses for young people by an additional year; greater flexibility in apprenticeships; extending maintenance loans and greater support for adult reskilling. Young people – especially those with no prior work experience – set to finish further education courses soon are likely to face particular challenges entering employment, with prospects set to be particularly limited for those taking courses in hospitality & catering, and in sports, leisure & recreation.

The university sector continues to be of high concern in the region due to the significant number of jobs and direct and indirect effects, this sector is also underpinning some of the dramatic drops in forecast performance. The instability of the university sector will also effect the future innovation capacity in the region and the support given to businesses to increase resilience as a result. All universities are impacted but the Universities of Birmingham, Coventry and Warwick are especially exposed to a contraction in international students, with important implications for local economies, given the importance of student spending.

Universities also face uncertainty about domestic recruitment and are seeing high levels of deferral. They have also lost income from commercial activities and rental accommodation. This is a particular issue to the West Midlands  the region has more universities than anywhere else after London, they support 155k students and have a direct expenditure of £2.6bn in the region and £12bn indirect and supports 71,000 jobs, which puts GVA at £7.5bn (manufacturing worth £11bn). This sector is predicted to be one of the hardest hit due to international student numbers and impact on private sector investment in R&D. The region's universities can expect a serious hit in long-term revenues, resulting from greatly reduced enrolment of international students. This exposure varies across the region (as below); Warwick University is the most exposed with 37% international students, while the University of Wolverhampton is comparatively insulated at only 4% on this measure.

**The region has 155k HE students and direct expenditure of £2.6bn and we have yet to see the impact of international travel on recruitment**




**Students at West Midlands Universities (Overseas Blue, Home Orange)**

## Impact of Covid-19 on our Businesses

Across various business surveys the main messages are: cash reserves are being used and are rapidly depleting; workforces have stayed relatively stable but there has been a significant amount of furloughing; the threat of redundancies remains, low hours are reducing, there is drop in contract staff and significant homeworking (50% of workers).

Local businesses are facing the most significant economic shock of recent decades with domestic demand, export demand, investment in training & capex and cash flow positions falling to record lows. While businesses are continuing to, on balance, experience the negative impact of COVID-19 and related lockdown measures, it is likely that businesses felt the sharpest negative impact of Coronavirus related measures in the early weeks of lockdown (end of March to mid-April).

Regionally 90% manufacturers have continued to trade during the crisis but 25% plan to make redundancies in the next 6 months. 40% believe it could take more than 12 months to return to normal trading conditions. One fifth of manufacturers are operating between 25% and 50% of their full capacity and over 70% of manufacturers have seen a further decrease in orders and sales. A quarter of companies expect to be back to full operating levels by the start of 2021.

Previous record levels of growth in the West Midlands have been driven by construction, which has now stalled and manufacturing, especially automotive, has been hit hard due to a reduction in domestic and export demand. Work carried out by WMREDI highlights there are 21 large manufacturing firms in the automotive supply chain which are at high risk because they have relatively poor liquidity ratios. They employ 16k people and only 12 are eligible for the Covid-19 Business Interruption Loan Scheme (CBILS). Out of the 9 high-risk firms that do not qualify for the CBILS, 6 of these also have negative profit margins. The 21 firms that do not qualify for CBILS will rely heavily on the Covid-19 Job Retention Scheme (CJRS), which is only a temporary measure.

Contrary to forecasters' assessments, businesses do not expect to see a sharp recovery as lockdown measures ease with the majority predicting a fall in profitability and turnover over the next 12 months. Meanwhile, a number of significant Government support schemes and interventions are set to end over the coming months.

While, on balance, firms are decreasing headcount, and HR1 redundancy notices are seeing a sharp rise, the Coronavirus Job Retention Scheme is likely to be playing a significant role in limiting workforce reduction. Businesses are to adapting to reduced demand by decreasing hours worked without decreasing headcount to the extent they otherwise may have done. However there is a change in business operations, with an increasing recognition that they can maintain operations on much lower numbers of employees, and the accelerated adoption of technology will drive this further. Maintaining headcount was an unusual pattern in the 2008 crash and has continued since, and this may now change as businesses can see gains from reducing the headcount. Therefore as the furlough scheme tapers down, it is likely that further redundancies will be made.

**21 automotive** sector companies are at high risk due to poor liquidity

**25% of companies expect to be back to operating levels by 2021**

**90% of manufacturers have continued to trade but 25% plan to make redundancies in next 6 months**

## Impact of Covid-19 on our Businesses

| HEADLINE ISSUES STILL OF CONCERN | |
|---|---|
| **SECTOR** | **KEY CONCERNS** |
| **Cross Sectoral** | **Social Distancing** - Companies are concerned over the lack of clarity for the recommended social distance. With discussions of this being potentially reduced to 1m, some companies have already invested up to £100k to make their premises safe under the 2m rule, meaning there is no further funding to adapt this to 1m.<br>**Access to Finance and Cash flow** - A number of SMEs continue to express concern about their ability to survive until the economy fully reopens due to cash flow. Most businesses in need of financial help in some way. Credit providers more cautious about who to lend to. Sales affected as buyers cannot always afford to pay. Companies do not want to borrow as they feel they are creating a problem, possibly larger, later on.<br>**Diversification -** Many companies looking at what else they are able to do, to diversify. Some are moving very quickly and most are aware this is key to their survival.<br>**Job Retention Scheme & Furlough -**Some confusion around the new rules of the Job Retention Scheme persists, particularly around the rules for part-time workers from July.<br>Fears around the unknown in relation to furlough being decreased in August and then ceasing in October. Companies preparing for redundancies and assessing costs and those at risk. This has been ongoing since furlough started. Potential legal cases as some employees not prepared to go back to work face redundancy. |
| **Retail** | **Return to Work -** Many are keen to re-open and start their recovery process. However, others are confused and disheartened due to the decrease in sales and interactions they have been seeing since Feb/March. Most have concerns about how to ensure safety of staff and customers.<br>**New Business Models including Digitalisation -** A lot of retail businesses have mentioned an increase in online orders and many have adopted ways to run the business digitally.<br>**Cross Theme -** The retail sector is complex, and its performance during the pandemic has differed immensely by sub-sector, with some areas showing strong growth whilst other areas have collapsed. Many online shopping, supermarket, and local convenience markets have shown growth over the past three months, whilst most remaining retail markets have had to close, furlough staff, and struggle with shop unit and shopping centre rents. |
| **Business & Professional Services** | **Cross Theme** - Many starting to see business pick back up, however this is very much dependent on sub sector.<br>**Access to Finance and Cash flow** - Some businesses still struggling due to not qualifying for the financial support offered. |
| **Construction** | **Cross Theme** - Starting to see work picking back up, but volume and value of orders is minimal to previous years. Some are suggesting that the impact has been minimal and they don't think the effects will be long-lasting. Some are looking to cut overhead costs. |
| **Manufacturing & Engineering** | **Cross Theme -** Research suggests this sector was one of the hardest hit during the lockdown. Starting to see work picking back up, but volume and value of orders is minimal to previous years. Some are suggesting that the impact has been minimal and they don't think the effects will be long-lasting.<br>**Trade Agreements -** Export sales – which had already fallen in the previous two quarters – continued to plummet.<br>**Diversification -** Businesses looking for funding to support diversification plans. |
| **Visitor Economy** | **Access to Finance -** Various businesses that have been closed throughout the lockdown period require support with financials having had no income.<br>**Loss of Sales -** Many are struggling to engage with clients or diversify – a lot of what they do is based on face-to-face interactions; difficult to deliver to an online audience. |

## Impact of Covid-19 on our Businesses

The closure of the hospitality, retail, tourism and cultural sectors has also taken a heavy toll, especially in rural and peripheral areas dependent on this as a large part of their economy. Latest WMGC data highlights 80% of businesses are now closed in the tourism sector. All have seen a drop in revenue of more than 50% and 60% are experiencing cash flow problems. Most businesses are worried that without additional support, they may not survive lockdown. Some 10% say they are contemplating permanent closure in the next few weeks and another 40% say they may be facing failure by the end of the summer. An audience survey by Indigo highlights only 17% of audience responses are booking for events, half of which are for events from November onwards and 35% are in Sept/October.

A significant proportion of firms report having applied for, or planning to apply for, finance through the Coronavirus Business Interruption Loan Scheme or Bounce Back Loan Scheme and 1 in 4 firms report pressure to increase prices arising from finance costs, indicating high levels of debt accruing within the business community. Going forward the burden of debt is significant; nationally it is forecast to be around £100bn. Payments are now being pushed back across the board, including public sector payments, which is creating a huge credit risk in supply chains. Businesses are understandably reluctant to take on debt they may not be able to pay back, and bank lending processes are still an issue due to the length of time taken and the decision making processes. The new bounce back loans seem to have a higher interest. The furlough scheme is working well and making a difference to businesses and whether they can withstand the current crisis.

Highlighted in purple, the following table shows the sectors where the WMCA (3 LEP area) has a higher percentage of jobs when compared to the England average – this includes advanced manufacturing and engineering (11.4% vs 8.0%), the public sector including education (13.1% vs 12.9%) and logistics and transport technologies (5.9% vs 4.9%) , life sciences and health care (13% v 12.7%) and retail (16.6% v 15.3%). In order to determine which sectors are currently most vulnerable we have applied the broad sector analysis from the Office for Budget Responsibility scenario to the 10 main sectors for the WMCA. The table also shows on a red - green shading scale which sectors will be potentially affected the most and how much that sector accounts for the overall total. This headline analysis suggests that the public sector (including education) and the visitor economy sector will be the sectors most impacted from the Covid-19. Analysis suggests that the life sciences and healthcare may be the only sector that will be unscathed, but notably also one of main sectors that has took the brunt of the human impact from Covid-19

| Sector | WMCA (3 LEP) Jobs | % WMCA (3 LEP) Jobs | England Jobs | % of Total England Jobs |
|---|---|---|---|---|
| Advanced Manufacturing & Engineering | 209,400 | 11.4% | 2,083,450 | 8.0% |
| Business, Professional & Financial Services | 402,040 | 21.8% | 5,962,000 | 22.9% |
| Construction (Building Technologies) | 121,000 | 6.6% | 1,832,000 | 7.1% |
| Cultural Economy inc. Sports | 135,150 | 7.3% | 2,569,000 | 9.9% |
| Digital & Creative | 49,320 | 2.7% | 1,151,000 | 4.4% |
| Low Carbon & Environment Technologies | 28,615 | 1.6% | 471,850 | 1.8% |
| Life Sciences & Healthcare | 239,000 | 13.0% | 3,306,000 | 12.7% |
| Public Sector inc. Education | 242,000 | 13.1% | 3,342,000 | 12.9% |
| Retail | 306,000 | 16.6% | 3,983,000 | 15.3% |
| Logistics & Transport Technologies | 109,355 | 5.9% | 1,279,000 | 4.9% |
| Total | 1,846,000 | | 25,979,300 | |

# Impact of Covid-19 on our Businesses

## Furloughed Workers per Sector

HMRC released at a national level the number of workers furloughed by broad sectors. The broad sectors were grouped to largely align to the WMCA ten sectors to help further understand impacts to vulnerable sectors. Applying the national proportions of workers furloughed per sector to the WMCA (3 LEP) furlough numbers suggests the cultural economy, including the sports sector, will have the highest number of workers furloughed at an estimated number of 100,444 workers. This potentially accounts for 74.3% of jobs in the cultural economy, including the sports sector, in the WMCA (3 LEP).

This is followed by the retail sector with an estimated 91,856 workers furloughed in the WMCA (3 LEP) area. This potentially accounts for 30.0% of jobs in this sector the WMCA (3 LEP). Notably, when looking at the proportion of jobs per sector, the retail sector is higher than the national average (16.6% vs 15.3%).
The business, professional and financial services also has a potential high number of workers furloughed in the WMCA (3 LEP) area at 91,737 workers, which is an estimated 22.8% of jobs in this sector.

The sector with the lowest proportion of workers furloughed is low carbon and environment technologies, with an estimated number of 5,523 workers furloughed in this sector for the WMCA (3 LEP) area, however this may equate to 19.3% of jobs in the WMCA (3 LEP) area. The next lowest sector at an estimated 9,586 workers furloughed in the digital and creative sector which is around 19.4% of jobs.

**The following table firstly shows the potential number of workers furloughed per sector which have been coloured red through to green depending on how heavily impacted and also in the table is the total number and proportion of jobs in the WMCA per sector, highlighted in blue demonstrates where the WMCA has a higher proportion of jobs when compared to national:**

| | % of National Furloughed | Estimated Number of WMCA Furloughed | WMCA Jobs (2018) | % of WMCA Workers Furloughed to Jobs | WMCA % of Jobs Total | England % of Jobs |
|---|---|---|---|---|---|---|
| Advanced Manufacturing | 9.6% | 47,417 | 209,400 | 22.6% | **11.3%** | 8.0% |
| Business, Professional and Financial Services | 18.5% | 91,737 | 402,040 | 22.8% | 21.8% | 22.9% |
| Construction | 7.8% | 38,778 | 121,000 | 32.0% | 6.6% | 7.1% |
| Cultural Economy Inc. Sports | 20.2% | 100,444 | 135,150 | 74.3% | 7.3% | 9.9% |
| Digital and Creative | 1.9% | 9,586 | 49,320 | 19.4% | 2.7% | 4.4% |
| Life Sciences & Healthcare | 3.8% | 18,944 | 239,000 | 7.9% | **12.9%** | 12.7% |
| Logistics & Transport Technologies | 3.5% | 17,307 | 109,355 | 15.8% | **5.9%** | 4.9% |
| Low Carbon and Environment Technologies | 1.1% | 5,523 | 28,615 | 19.3% | 1.6% | 1.8% |
| Public Sector Inc. Education | 2.5% | 12,428 | 242,000 | 5.1% | **13.1%** | 12.9% |
| Retail | 18.5% | 91,856 | 306,000 | 30.0% | **16.6%** | 15.3% |
| Unknown/ Other | 12.5% | 62,025 | | | | |
| Total | 100% | 496,200 | 1,846,000 | 26.9% | 100.0% | 100.0% |

## Impact of Covid-19 on our Businesses

Retail footfall fell to 20% of its 2019 levels and remains below 40%, with the West Midlands and the North East seeing the highest falls between 74% and 76%, however the lowest fall is still significant at 68%.

Consumer spending data shows small towns geared around tourism are hardest hit. There is a significant localisation effect leading to inner city areas doing better than suburbs. Consumer spend in Coventry has seen a 47% drop, Birmingham saw a 42% drop and Wolverhampton and Walsall a 46% drop.

Consumer spend is down significantly, and opening businesses up will have no effect unless people buy the products and services. There has been significant behaviour change with a drop in spend of more than a third and latest data from Barclays says spending is far lower than the Bank of England are forecasting; as yet we do not know yet whether this change will become the norm. However people are clearing household debt greater than ever before £3.8bn has been paid off and savings have gone up by £13.1bn. The virus has accelerated recent trends, with online shopping increasing to 60% against an average of 8%. Businesses have responded with significant take up of online provision and technology transformation. Rebuilding customer experience and appealing to these changing values will be key for business success and revival.

All businesses will be impacted by the Covid-19 pandemic. Some sectors may benefit financially, while others will suffer huge losses. Those countries with more service-oriented economies, like the UK, will be more negatively affected and will suffer larger negative employment effects. The UK economy was not in great shape coming into the Covid-19 crisis, after experiencing years' of little growth and investment, due to the uncertainty of Brexit. While we await the official data to confirm that the UK is currently in recession it is becoming clear the Office of Budget Responsibility's (OBR) forecasted 35% downturn in economic output between April and June as a result of the Covid-19 crisis is likely to be realised.

The ONS Business Impact of Covid-19 Survey (BICS) found that 25% of businesses had closed temporarily and 0.4% had permanently closed. Researchers at the Enterprise Research Centre (ERC) have calculated that, as part of work for the British Business Bank, this could easily translate into the loss of 85,000 firms and 1.2m jobs by September 2020 pushing the unemployment and claimant count even higher than it is now. At the time of writing, 8m jobs in over 1m firms have been 'furloughed' under the Government's Job Retention Scheme with £11.1bn claimed so far, giving an indication of the size of the 'pause' button on the economy.

**Spend in Coventry down 47% Wolverhampton 46% Birmingham 42%**

**Online shopping has increased to 60% from an average of 8%**

**Retail footfall fell by up to 76% in the West Midlands**

**Nationally people are clearing debt and saving and increasing savings more than ever before**

## Impact of Covid-19 on our Environment and Infrastructure

In the West Midlands, of those expressing an opinion, 65% felt the bus operators' response to Covid-19 had been excellent/good. 61% held a similar opinion in respect of rail operators and 59% in respect of Metro. 43% of public transport users are extremely concerned about using public transport post lockdown. Increased cleaning patrols (88%), social distancing when queuing (82%) and when travelling (72%) are essential in renewing passenger confidence.

The top-3 things respondents wanted to see change/ learn lessons from were *cleaner air* (81%) and *reduced traffic on roads/ reduced car use* (75%), followed by a *better work/life balance* (67%).
The two things people are most likely to do when lockdown restrictions are lifted are *walk more* (47%) and *working from home more* (39%) – albeit not everybody is able to do this. The thing they are most like to do less of is *use public transport* (36%). Transport for West Midlands data shows that there were roughly c200,000 daily Swift Card commercial journeys being made in the region in early March, compared to just c15,000 in early May.

36% of respondents to the Covid-19 travel change survey said they were less likely to use public transport post lockdown. Cycling has increased and 17% of respondents to the Covid-19 travel change survey said they are likely to cycle more post lockdown and 47% intend to do more walking. Train station concourse dwelling area capacity could reduce by approximately 86% from 1 person per m² because of social distancing.

Building sites across the UK have closed during lockdown (but are are now opening). This brought work on 220,000 new homes to a standstill this is in line with qualitative information which suggests that 80% of building sites were closed in lockdown, with those remaining open running at approx. 20-30% capacity due to distancing and supply chain issues. 51% say they have noticed cleaner air, and 27% more wildlife, since the lockdown began. Daily carbon emissions in the UK to drop by 36% under the current lockdown measures. Regionally levels of road traffic have dramatically reduced, the key source of NO2 in urban centres across the West Midlands – were roughly 30% of normal levels in early April. Nationally Covid-19 lockdown has seen Britain become overrun with tonnes of rubbish as the closure of tips leads to a 300 per cent fly-tipping increase. However more than 19m (38%) say they are cooking more from scratch and 17m are throwing away less food (33%).

Nationally 27% of environmental charities surveyed say they are either at high risk of becoming financially unviable in the coming months or financial reserves sufficient for four months or less. Almost half of those surveyed (47%) say their financial reserves are sufficient for six months or less. Of those that were able to provide details of expected financial losses the expected loss for just 23 organisations is £88m

**200k swift card journeys in March dropped to 15k in May**

**80% of building sites were closed in lockdown**

**65% think bus operators have responded well**

**Levels of NO2 have reduced by 30% in urban centres**

## Impact of Covid-19 on our leisure, culture and tourism

93% of audiences are saying they are missing attending events, 55% look forward to supporting their local venue but only 17% are making bookings (50% of these past November). Only 19% would return to attending events just because venues reopen. 41% would not consider booking for events for at least 4 months and ¾ want to see some distancing measures. There are 30,418 arts, culture, heritage or science charities nationally, about 15% of charitable sector nationally. Majority have had to close, having a significant impact on ability to generate income and deliver social benefits within communities. Charities reported projected loss of 48% income. 98% of heritage organisations were impacted within the first three weeks and the remaining 2% expecting impact in the future. 69% reported lost income and 91% cancelled or postponed events. 82% of organisations reported high or moderate risk to the long-term viability and 46% could survive no more than 6 months. Regionally creative and cultural businesses have been hit harder than most sectors by Covid-19. Even the 80% salary support is insufficient for many to keep staff on as they are often facing cancellation of all of their current contracts with no idea when work will resume. The City of Culture events, which would have generated significant sectoral growth, have also been pushed back to May 2021.

30% of the UK's creative workforce are self-employed (vs national average 15%). Within wider creative industries, 42% of freelancers/self-employed predict an annual decrease in income of more than 75% during 2020, and 63% of organisations predict a decrease in annual turnover of more than 50%. 62% of freelancers/self-employed and 42% of all organisations estimate that their monthly income or turnover has decreased by 100% since the outbreak. Regionally, organisations/individuals concerned about income for next 6 months; 71% of organisations and 63% of individuals expecting to earn less than 25% compared with same period last year. 34% of organisations have no reserves with 23% having less than ¼ in next three months. 28% of individual respondents have no savings at all. 50% of organisations report refocused their priorities, 62% furloughing all or some of their workforce. Good levels of awareness of sector support measures but low take up due to uncertainties about eligibility. 22% of organisations expect to be trading again immediately once lockdown lifted, 25% confident trading within 3 months. 47% are somewhat confident that their business will recover within 12 months.

Tourism (many cultural & heritage organisations are also visitor attractions, with heritage-based tourism alone worth £20.2billion to the UK economy per annum.): 40% of businesses surveyed had closed/ceased trading and only 36% expect to be still open/trading at the end of April, with the figure falling to 32% at the end of June, 25% at the end of August and 20% at the end of September
In Birmingham all cultural sector events and festivals have been cancelled or postponed to later in the year of 2021. There will be a competition for dates and audiences and will also put pressure on available spaces for future events

In Birmingham, snapshot survey data at the end of March showed that between 18 organisations and 15 freelancers, an average of 75% of freelancer contracts were cancelled with total lost income £90k. Estimated losses for organisations were £5.3m (between 3-6 months) and value of cancelled freelance contracts £1.2m . *I*n Coventry evidenced 31 freelancers reporting a total loss of just over £500k with average loss per member £16,657. Summer was also identified as the busiest time of the year with majority of income generated through this period. It is likely this is reflected in other parts of the region.

**34% of creative businesses have no reserves and 1/5 of businesses say income has gone down by 100%**

**40% of tourism businesses have closed; and 75% of freelancer contracts have been cancelled**

# Impact of Covid-19 on our leisure, culture and tourism

### Creative Freelancers

Coventry and Warwickshire LEP have carried out an analysis of the freelancer gap, where funding and support is missing for those who are self employed, which affects the creative and cultural industries specifically.

Covid-19 and the subsequent economic impact has highlighted a lack of understanding and awareness of our freelancer eco-system, particularly within the creative industries. Before Covid-19, creative industries were growing at five times the rate of the rest of the UK economy generating £11.7 billion in GVA and exporting £46 billion in goods and services. 2m people are directly employed by the sector and it is underpinned by a significant and diverse freelance workforce estimated to be an additional average headcount of 34% across all industries, with some sub-sectors as high as 50%.

Covid-19 has presented serious challenges for all businesses, but particularly for the creative industries. The recent Creative Industries Federation survey (March 2020) indicated that 42% of creative freelancers predict an annual decrease in income of more than 75% during 2020 and 63% of creative organisations predict an annual turnover decrease of more than 50%.is a conservatively estimated loss of at least £55 million in GVA this year. Even more concerning is the lack of support available to ensure the survival of our creative industries and freelancer community: nationally 40% of organisations and freelancers were not able to access Government support5 Applied to Coventry & Warwickshire, that is a conservatively estimated loss of at least £55 m in GVA this year. Even more concerning is the lack of support available to ensure the survival of our creative industries and freelancer community: nationally 40% of organisations and freelancers were not able to access Government support.

Although not statistically significant enough as a sample, the average loss of income per organisation was £108,333 in just one month. With an estimated 1138 creative businesses in Coventry city alone, that equates to at least £123m lost to the sector from mid-March to mid-April. With the national picture showing that 40% of creative organisations have not been able to access any Government support to mitigate against lost income, this situation presents a substantial risk to our regional eco-system

To date, Covid-19 Government support schemes have focused on businesses with commercial premises; those with permanently employed staff; or the self-employed with provable income. Most creative freelancers do not fit into these categories. Our lack of regional awareness about our creative freelance community is clear from the lack of sector specific recorded statistics. 51,200 people identify themselves as self-employed across Coventry & Warwickshire and 26,900 identify as working but not in ‘permanent employment ’; yet we do not know how many of these contribute to the creative industries. Creative freelancers often register themselves as Directors of private limited companies without PAYE employees or premises and this has been problematic in terms of business support before the pandemic as well as during. Creative freelancers have been unable to access European funded business support requiring job creation and capital investment. Even the recent West Midlands Combined Authority £2m pilot programme for creative industries focuses on ‘scale-up’.

## Impact of Covid-19 on our leisure, culture and tourism

West Midlands Growth Company has developed a series of post Covid forecast scenarios for the likely performance this year and next year for inward investment and tourism, they align with the general thinking across forecasters but apply directly to the West Midlands Economy.

| Drivers and enablers | Potential outcomes |
|---|---|
| **Strong bounce back** | |
| Key markets for the region such as China, India, the US and Germany emerge strongly from lockdown<br><br>The trend to near-shoring and localisation of supply chains to combat Covid-19 disruption continues, boosting in-bound investment in our critical transport technologies and advanced manufacturing clusters<br><br>The UK emerges successfully from the lockdown in late summer<br><br>The government negotiates an orderly exit from the EU with a trade deal at the end of 2020<br><br>Air bridges are established with the region's key markets for tourism, trade and investment<br><br>The UK government announces a budget for jobs and growth in the autumn | A release of pent up demand in FDI and in-bound tourism from key source markets<br><br>UK and WM business and consumer confidence bounces back<br><br>The region's business conferences and events market begins to recover<br><br>There is a boom in staycations, domestic day trips and city breaks in the region – facilitated by planned improvements to the transport infrastructure and Coventry City of Culture<br><br>The Commonwealth Games Tourism Trade and Investment (CWG TTI) programme helps accelerate these trends, hitting all its targets for inward investment, capital investment, business and leisure tourism attraction |
| **Sluggish recovery** | |
| Global storm clouds gather with an escalation of geo-political tensions and trade wars - with hot spots in some of our key markets such as China, the US and the GEC<br><br>No deal Brexit, WTO rules and tariffs<br><br>The region's USP's and ability to compete in the market as a business, investment and tourism location are depleted | Sluggish growth in in-bound investment and tourism<br><br>UK and WM business and consumer confidence is slow and reluctant to recover<br><br>Tourism sector sees only limited, mainly local growth in demand – notably the VFR market<br><br>The CWG TTI programme only partially hits its outcome targets |
| **Second wave** | |
| Lockdown re-imposed in the UK and in the region's key markets for trade, tourism and investment | Recovery in key in-bound markets delayed until H2 2021<br><br>Tourism and investment in the region continues to flat-line until 2022 at the earliest. The pace and shape of recovery thereafter is uncertain |

# Impact of Covid-19 on our leisure, culture and tourism

## Inward Investment

**Forecast for 2020-2021**
A combination of Brexit uncertainties and the impact of Covid-19 restrictions meant that by March 2020 WMGC inward investment pipeline had shrunk by 9% from December 2019 and by 33% from March 2019. Many of the projects still within the pipeline, meanwhile, are on pause due to the challenging economic climate. For example:

- While commercial and legal processes relating to property acquisition are taking much longer, investors are also re-setting their space requirements as they adopt more agile and home working.
- There is no incentive for investors to progress projects until office occupation levels begin to increase current projections from Birmingham's BPFS sector practice heads, suggest that only 20% of their staff will be back in the office full time by January 2021.

In the face of these challenges WMGC have downgraded their forecast for projects landed in 2021-2022 from 36 to 12, jobs created from 1,570 to just under 530, GVA generated from £104m to £37m and business rate uplift from £8.3m to £2.9m.

**2021-2022 and beyond**
Under the WMGC **strong bounce back scenario** the region's investment pipeline to would return to pre-Covid levels in H2 2021-2022, underpinned by:

- The emergence from lockdown of key source markets for the region
- An orderly exit from the EU with a trade deal at the end of 2020
- A UK government budget for jobs and growth in the Autumn
- The increased near-shoring and localisation of supply chains

41 new inward investment projects would be landed in 2021-2022 and another 54 would be landed in 2022-2023. So after achieving an outcome nearly 70% below target this year they would out-perform the previous forecast next year and the year after, allowing us to meet our three year target. As a result while projects landed will create less than 530 jobs this year (more than 1,000 below target) this would rise to more than 1,000 next year (nearly 200 above target) and more than 1,500 the year after (nearly 700 above target). This would lead to GVA generation of more than 120m next year and more than 160m next year and business rates uplift of nearly £10 m next year and more than £13 m the year after. 'Gear shift' projects involving the attraction of substantial, high value 'anchor' investments would account for just 4% of the total but account for two thirds of jobs created, GVA generated and business rates uplift. Our estimates for jobs, GVA and business rate uplift per project landed are based on WMGC average actual achievement over the last 3 years

Under our **sluggish recovery scenario** the region's investment pipeline would remain at below pre-Covid levels throughout the forecast period and new initiatives such as the Midlands Engine KAM Programme and the Commonwealth Games Tourism, Trade and Investment (TTI) Programme would not hit their outcome targets.

Just 25 new inward investment projects would be landed in 2021-2022 and another 32 would be landed in 2022-2023, with performance 36% below target over the forecast period. Less than 3,000 new jobs would be created over the 3 years, more than 1,700 below target. This would generate just £205m of GVA, more than £120m below target and create just £16m worth of business rate uplift, nearly £10m below target. Only 3 'gear shift' projects would be attracted to the region, creating just over 2,000 jobs.

# Impact of Covid-19 on our leisure, culture and tourism

## Visitor Economy

**Forecast for 2020**

While Covid-19 has created an unprecedented crisis for the region's business community, the tourism sector was the first to be affected and continuing to bearing the brunt. The regular survey of hotels, conference venues and attractions across the region run by WMGC's Research Team and Shakespeare's England indicates that:

- To date 80% of businesses have temporarily closed
- Many businesses are worried that, without additional support, they may not survive lockdown with 10% contemplating permanent closure in the next few weeks and another 40% believing that they may be facing failure by the end of the summer.

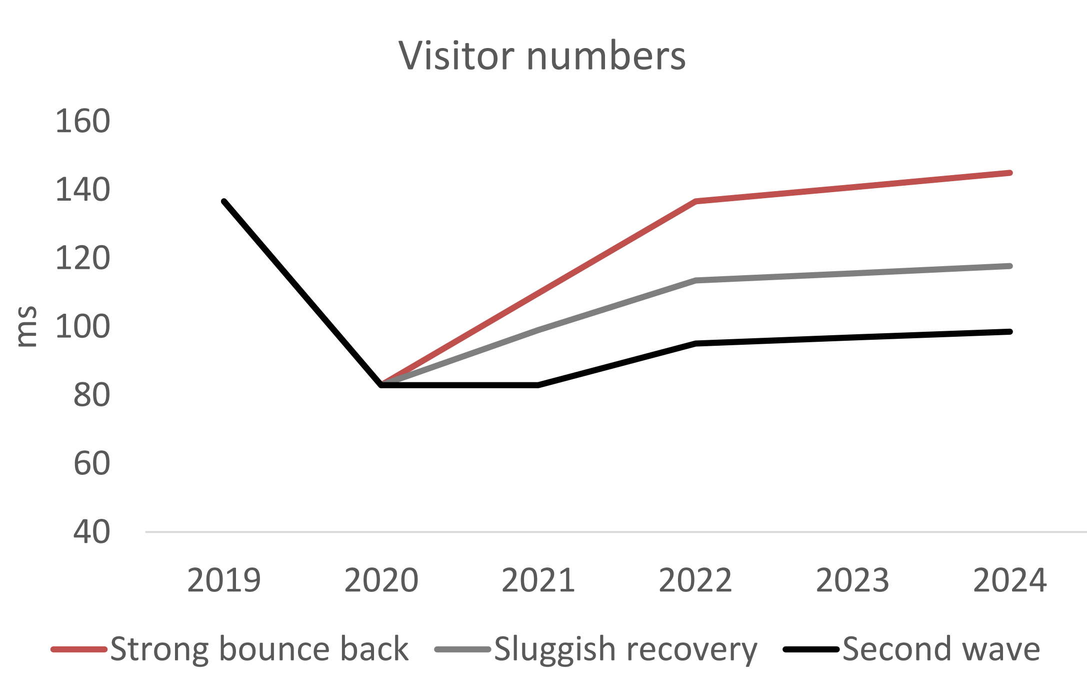
Based on impact modelling carried out by Global Tourism Solutions, the consultants who provide our STEAM tourism and value model, we are forecasting a fall in visitor numbers of 37% and in associated economic impact of 36% between 2018 (latest data available) and 2020. Based on the assumption that the sector continued to grow in line with recent trends in 2019, meanwhile, we estimate that while visitor numbers will fall from 137 m in 2019 to just 83 m in 2020, associated direct and multiplied expenditure will fall from 13 billion to just 8 billion.

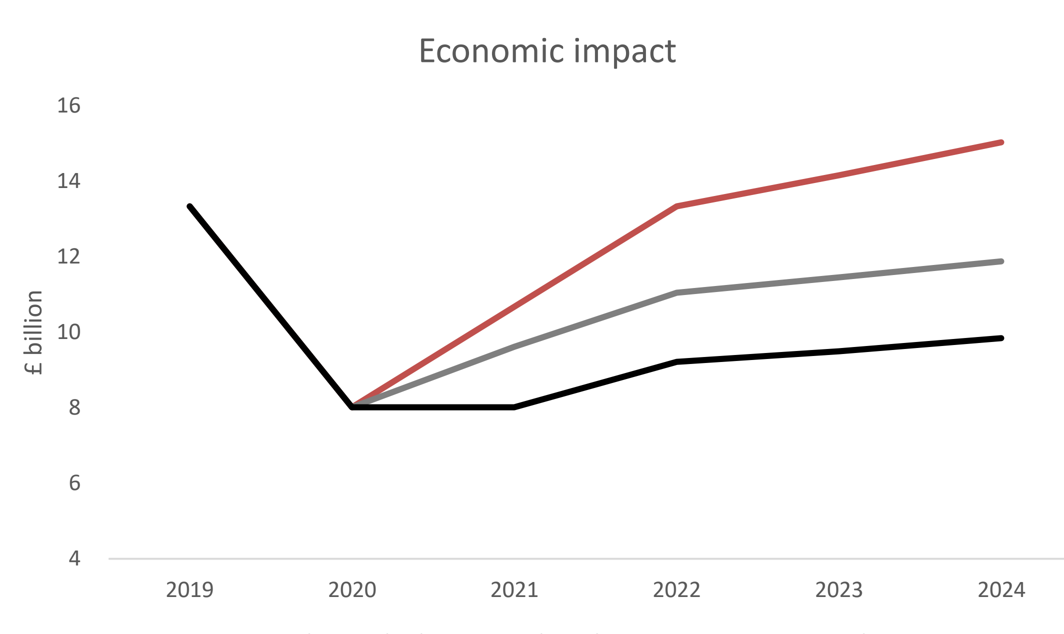
**Forecasts for 2021 and beyond**

Under our **strong bounce back scenario** visitor volume will increase by around 32% in 2021 and around 24% 2022 and visitor value will increase by around 33% in 2021 and around 25% 2022, with both recovering to pre-Covid levels. This scenario assumes that, boosted by a UK government budget for jobs and growth in the autumn and the establishment of air bridges with the region's key overseas markets for tourism:

- UK and WM business and consumer confidence bounces back
- The region's business conferences and events market begins to recover
- There is a boom in staycations, domestic day trips and city breaks in the region
- The CWG TTI Programme helps stimulate a recovery in international visitor numbers

Under the **sluggish recovery scenario** consumer confidence is much slower to recover and the CWG TTI programme only partially hits its outcome targets. Visitor volume and value would rise by around 19% in 2021 and 15% in 2022, with visitor numbers 14% below pre-Covid levels and economic impact 11% below pre-Covid levels in 2024. Under the **second wave scenario** tourism activity continues to flat-line until 2022 at the earliest as lockdown is re-imposed the UK and the region's key overseas markets. Visitor numbers would be 28% below pre-Covid levels and economic impact 26% below pre-Covid levels in 2024.



# Impact of Covid-19 on our Places – Covid-19 Risks to Place Assets

**Tourism Assets**

The OECD has stressed how the pandemic and measures to contain its spread are having a heavy impact on the tourism economy. Its analysis shows that depending on how long the crisis lasts, the potential shock could cause a 60-80% decline in the international tourism economy worldwide in 2020. Whilst Coventry and Warwickshire is less reliant on tourism than other parts of the national economy overall, certain areas are likely to be heavily hit in the short-term. This includes Stratford-upon-Avon which, according to estimates by Centre for Cities, is likely to suffer one of the largest declines in GVA in the West Midlands. If the crisis continues, the projected benefit from Coventry being UK City of Culture could also be threatened, although the start date has been pushed back to May 2021. The rise of virtual meetings during the pandemic raises questions over whether Birmingham will continue to see growth in its business tourism sector.

**International Travel**

If Coronavirus has a medium to long-term impact on air travel, being close to Birmingham International Airport would be less beneficial for the region than previously (i.e. the benefits of productivity would be less). Forecast growth in passenger numbers over the next decade may be impacted. Whilst the extent of the medium-long-term impact is as yet unclear, we know that traffic at the airport has fallen considerably since March, declining by 90% in April. The Chief Executive of the airport stated at the end of June that they expect a passenger scenario for this financial year of 90 percent less than in 2019/20. We have already seen this start to negatively impact on jobs in the region, with the airport announcing plans to cut up to 250 jobs representing 27% of its workforce due to unsustainable income losses.

**Young People**

A concern across the West Midlands, but especially in Greater Birmingham and Solihull and the Black Country, where skills levels are lower and unemployment rates higher, is that recent progress in increasing skills and employment levels will be slowed or reversed as a result of the pandemic. Unless effective countervailing measures are introduced at a national level, it is likely that lockdown is reducing opportunities for young people to gain work experience and participate in work based learning. Although the number of apprenticeship starts across the West Midlands is increasing, numbers remain low, and the Covid-19 crisis is creating worries that there will be less appetite for recruiting apprentices in firms going forward. A survey by Association of Employment and Learning Providers found 60% of employers nationally have stopped recruiting apprentices. It is encouraging that the government has announced an "opportunity guarantee" to ensure every young person had the chance of an apprenticeship or placement. However, it as yet unclear if the placements will be paid and if a guaranteed interview will be available at the end of the placement. Evidence emphasises the importance of supporting out-of-work people, particularly young people and those over 50 to rapidly find work if they are to avoid long-term unemployment.

**Life Sciences**

Assets in the West Midlands likely to be strengthened rather than weakened by the Covid crisis include those linked to life sciences. Birmingham with its Life Sciences Park due to open in 2022 and associated well developed medical technology complex (including various hospitals, University of Birmingham Medical School, Birmingham Health Partners and the Institute of Translational Medicine) appears particularly well placed to be at forefront of developing this sector.

# Impact of Covid-19 on our Places – Covid-19 Risks to Place Assets

**Universities**
The Coronavirus crisis is also having an impact on universities in the region. City-REDI research into the impact of student spending, paints a worrying picture for the West Midlands. It finds important variations across the UK by region in the benefits generated by student spending with the West Midlands hardest hit. The West Midlands (NUTS2) is the region that generates the largest multiplier for the UK economy with student spending generating over 4 billion pounds of output, 2 to 3 billion GVA and supporting between 44 and 55 thousand jobs. These figures suggest that student spending generates up to 4.2% of GVA in the West Midlands. Student expenditure directly supports to 4.2% of employment in the West Midlands compared to up to 2% nationally. This means that for each 3 to 5 students not starting in September 2020, a job is at risk. Universities also underpin the innovation assets across the three LEP areas, and the West Midlands is a leader in the business R&D which with reduced investment capacity in the private sector may be hit hard. Especially in the automotive, aerospace and manufacturing sectors

**Transport**
The drop in patronage of transport assets could reduced the available income for further investment, and the costs of running a much reduced infrastructure under social distancing and lockdown measures could make private and public sector delivery unsustainable. A drop in passenger numbers in the regional airport as highlighted earlier also threatens the integrated infrastructure which has made the West Midlands the heart of the transport network. Future proofing already in place in the region such as autonomous vehicles and electric vehicles could see demand accelerated because of the need for personal and safe transport options.

**Digital and Technology**
Coventry and Warwickshire is home to one of the country's largest digital gaming sectors and this sector has seen significant growth and demand under lockdown. Accelerated digitisation and application of technology has accelerated with increased homeworking and adoption by businesses of online sales. This presents an opportunity for the region to build and expand the skills and expertise.

**Key companies**
Many of the regions key companies are under significant pressures, with redundancies being announced and more expected. The companies most at risk are those that rely on face to face business, non food consumer demand and international supply chains. This puts many of our region's assets at sever risk, such as automotive, tourism and hospitality, retail, passenger transport, manufacturing and culture. Loss of major companies also reduces the investment they make in their supply chain, R&D, skills and supply chains.

## Impact of Covid-19 on our Recovery

Nationally, according to the ONS weekly survey, people think the country is getting kinder, and generally wellbeing remains the same. But since the beginning of the survey people think the country is also becoming more unequal.

Businesses are understandably reluctant to take on debt they may not be able to pay back, and bank lending processes are still an issue due to the length of time taken and the decision making processes. The new bounce back loans seem to have a higher interest. The furlough scheme is working well and making a difference to businesses and whether they can withstand the current crisis.

Safety measures which need to be put in place to combat the virus and ensure social distancing are of significant concern to businesses as premises are often too small to accommodate the demands. Businesses are still concerned about getting staff back to work without transport and adapting to working from home on a longer basis, but for many industries, this isn't possible. Businesses are still reporting issues with accessing finance through the Covid-19 support schemes due to ineligibility. Quarantine requirements continue to scar businesses as they try and deal with high absence levels. There are also significant issues and implications of track and trace on the operations of businesses

Remaining issues are recovery planning where businesses need advice and support to rebuild. Work by the Enterprise Research Centre shows that sole traders are very exposed, especially female and young entrepreneurs, and this is an issue still being raised by business representative organisations, as often sole traders slip through the current support mechanisms

Although many immediate business issues highlighted over the pandemic period have been addressed, there is still an issue with sole traders operating as limited companies who fall through the cracks. Cash reserves are still being used extensively but this may run out.

Local lockdowns are of significant concern to businesses, especially the manner in which Leicester has been closed, with little warning. There is little understanding of what the lockdown might look like and how it might impact.

The rise in job losses and those claiming benefits points to the need for investment in lifelong learning, better skills development and utilisation; effective local partnerships; reducing skills mismatches and helping people take greater responsibility for their own learning and development. The potential levels of unemployment facing the region will call for significant scaling up of training at a time when providers are facing uncertainty driven by social distancing and individual choices about investment in skills. Significant changes are happening in working practices, such as homeworking and technology changes which are creating a polarisation in employment opportunity and could leave many behind. The importance of key workers to a thriving economy has also been exposed

**"Social distancing is of serious concern"**

**"businesses need advice on adopting new business models"**

# Regional Outcome Indicators

The region continues to monitor change through the comprehensive list of monitoring indicators to help us understand the performance of the region

The following section provides the detail of those indicators and the how the region has faired. This data is largely pre covid-19

# Appendix 1

## Regional Outcome Indictors – full details

The Regional Outcome Indicators covered in this report provide a clear framework to monitor progress and the economic changes required to achieve our vision and the ambitions set out in the Strategic Economic Plan and further developed in the West Midlands Local Industrial Strategy. The Regional Outcome indicators are composed of a selection of strategic headline indicators, which measure the impact of all activity across the 3 LEP areas by all stakeholders. These indicators have been aligned to the 17 SDGs and those highlighted in pink are new additions to help towards monitoring progress.
The performance against these indicators are impacted by a number of factors including external factors like the global economy which are outside of the control of regional partners.

Work is ongoing to demonstrate the impact of investment and outputs on achieving our required outcomes and impact utilising logic chains

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 1. No Poverty | Employment Rate | 72.40% | +0.7 pp | +5.2 pp WMCA +4.4 pp UK | Employment rate 75.6% +82,370 People |
| | Income & Expenditure Balance | -£9.4bn | +1.2 bn | -£2.1bn (-17.9%) (-67.0%) UK | To achieve no fiscal gap |
| | Annual average earnings of full-time working residents | £29,422 | £784 | £3,155<br>+12.0% WMCA<br>+12.4% Eng. | £931 |
| | Youth Claimants Aged 18 - 24 | 32,245<br>(Apr. 2020) | 13,170<br>69.00% | -2,305<br>-6.7% WMCA<br>-6.1% UK | No Claimants |
| | Claimant Count Aged 18-64 | 169,850<br>(Apr. 2020) | 70,010<br>70.10% | 41,415<br>+32.2% WMCA<br>+36.6% UK | No Claimants |
| | Percentage of employees earning above UK living wage | 79.30% | +3.0pp | N/A | +0.6pp |

Income and Expenditure - Please note these figures are not comparable with those reported in previous years as the methodology has been updated to be completely consisteny with the ONS Country and Regional public sector finances. In previous years the analysis only focused on identifiable expenditure and the figures are now based on total managed expenditure which is made up of current expenditure (total non-identifiable/ total identifiable /total outside UK) and capital expenditure. The figures are produced by the ONS by region and these figures are subtracted from the total receipts and proportioned by population to give an estimated WMCA net fiscal balance.

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 2. Zero Hunger | Gross Disposable Household Income (GDHI) per Person | £17,752<br><br>-2018 | £780 | £2,639<br><br>+17.5% WMCA<br><br>+16.7% UK | £21,109 GDHI per Person +£3,357 GDHI per Person |
| 3. Good Health and Wellbeing | Healthy Life Expectancy (HLE) at Births – Males & Females | Males (M) =<br>59.6 years (WM 7 MET) | - 0.3 years | +0.3 years WM 7 Met 0 years UK | 63.1 years |
| | | Females (F) =<br>59.8 years<br>(WM 7 MET) | - 0.3 years | - 1 years WM 7 Met -0.2 years UK | 63.6 years |
| | Gap in employment rate for those in contact with secondary mental health services and the overall employment rate | 64.00%<br><br>(WM 7 MET) | +2.8 pp | + 4.7pp WM 7 Met<br><br>+2.9 pp Eng. | Below national |
| | Rates of suicide (per 100,000) | 9.5% (Average)<br>(WM 7 Met) | +0.3pp | - 0.5pp WM 7 Met<br>-0.4 Eng. | No suicides - 651 suicides |
| | Percentage of Physically Active Adults | 57.40% | -0.7pp | - 0.8pp WMCA +1.2pp Eng. (2015/16) | 63.30%<br>+ 191,834 Active People |
| | Infant Mortality | 6.7 per 1,000 Live Births (WM 7 Met) | +0.1 per 1,000 Live Births | +0.4 per 1,000 live births WM 7 Met No Change Eng. | 0 Preventabl e Deaths |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 4. Education | Percentage of children achieving a good level of development at the end of reception | 68.60% (WM 7 Met) | +0.3pp | +18.9pp WM 7 Met +20.1pp Eng. | +3.2pp |
| | Progress 8 Score | -0.14 (Below Average) | 0.02 | N/A | -0.03 + 0.11 points |
| | NEETs aged 16-17 | 4,400 6.60% (WM 7 Met) | -230 -5.00% | N/A | 5.50% - 711 NEETs |
| | No. of Apprenticeships starts | 31,740 | 2,540 8.70% | -4,270 - 11.9% WMCA -9.5 % Eng. | 84,000 +52,260 apprenticeships |
| | % of Working Age Population (WAP) with No Qualifications | 11.30% 290,500 People | 2.40% +6,000 People | - 20.0% WMCA - 72,500 People - 16.6% UK | 7.9% -87,115 People |
| | % of WAP with NVQ1 | 10.50% 271,000 People | -7.50% -21,900 People | -13.10% -40,700 People - 14.6% UK | Ahead of UK |
| | % of WAP with NVQ2 | 17.40% 446,800 people | 2.10% +9,200 People | +3.8% WMCA +16,400 people -4.4% UK | Ahead of UK |
| | % of WAP with NVQ3 | 16.70% 430,700 People | -5.20% -23,400 people | -1.2% WMCA -5,100 People +0.6% UK | 16.8% +1,816 People |
| | % of WAP with NVQ4+ | 33.50% 861,700 people | 4.40% + 36,200 People | +25.3% WMCA +174,000 People 17.5% UK | 40.2% + 732,249 People |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 5. Gender Equality | Wage Gap Between Males and Females | £32,335 Males | £492<br>1.50% | + 11.7% (+£3,382) WMCA<br>+12.3% UK | Full Time Earnings: £32,882 +£547 |
| | | £24,462 Females | £1,036<br>4.40% | +11.0% (+£2,430) WMCA<br>+13.5% UK | To Reach Male Full Time Earnings (UK) +£8,420 |
| | Employment Rates by Males and Females | 77.9% Males | +0.4pp | +4.4pp WMCA<br>+3.5pp UK | To Reach the UK Male Employment Rate (79.7%) +23,230 Males |
| | | 66.9% Females | +1.1pp | +5.9pp WMCA<br>+5.4pp UK | To Reach the UK Male Employment Rate (79.7%) +165,023 Females |
| 6. Clean Water & Sanitation | % of Waterbodies in good condition | To be developed | | | |
| 7. Affordable & Clean Energy | Households Living in Fuel Poverty | 193,915 Households<br>11.50% | -24,729 Households<br>-11.30% | -38,030 Households<br>-16.4% WMCA<br>+2.3% England | No Households in Fuel Poverty |
| | Amount of Renewable Electricity Generated | 4.50% | -0.4pp | +1.7pp WMCA<br>+8.8pp Eng. (2014) | Reach the England Average of 24.1% |

# Regional Outcome Indictors – full details

| | | | | | |
|---|---|---|---|---|---|
| 8. Decent Work & Economic Growth | Gross Value Added (GVA) per head | £25,183 | £801 | £4,258<br>+20.3% WMCA<br>+15.8% UK | GVA per head £28,729<br>+£3,545 GVA per head |
| | GVA per Hour | £31.07 | £0.93 | £3.63<br>+13.2% WMCA<br>+8.8% UK | GVA per hour £33.65<br>+£2.58 per Hour |
| | GVA per employee | £56,877 | £2,639 | £7,014<br>+14.1% WMCA<br>+10.1% Eng. | GVA per employee £63,261<br>+£6,384GVA per employee |
| | GVA in transformational sectors | £76.6bn | +£2.8bn | +15.9bn<br>+26.2% WMCA<br>+20.5% UK | £147bn WMCA SEP Ambition<br>+£70.4bn GVA |
| | No. of Enterprise Births | 24,640 Enterprise births<br>59 per 10,000 population | -3,315 Enterprise births | 5,425 Enterprise births<br>+28.8% WMCA<br>+10.3% UK | Ahead of UK |
| | Five - year Enterprise Survival Rate of businesses born in 2012 | 42.10% | -1.4pp | N/A | 42.40% |
| | Jobs in Transformational Sectors | 1.2m | -4,495 jobs | 148,525<br>+14.7% WMCA<br>+12.7% Eng. | 1.5m WMCA Transformational SEP Ambition<br>+ 336,775 Transformational Jobs |
| | Total Jobs | 1.8m | -16,000 | +172,000 Jobs<br>+10.3% WMCA<br>+ 10.2% Eng. | 2.4m WMCA SEP Total Jobs Ambition<br>+554,000 Jobs |
| | Employees working satisfactory hours | 82.90% | N/A | N/A | To Stay Above the UK Average |
| | Number of FDI Projects | 131 | -9<br>-6.4% WMCA<br>-14.0% UK | -7<br>-5.1% WMCA<br>+0.5% UK | |
| | Number of Jobs from FDI Projects | 4,666 | -3,267<br>-41.2% WMCA<br>-24.1% UK | -2,748<br>-37.1% WMCA<br>-13.2% UK | |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 9. Industry, Innovation & Infrastructure | Broadband Connectivity | 96.50%<br>1.8m premises | -0.2 pp | | 100% coverage |
| | Percentage of Innovative Businesses (Regional) | 52.00%<br>-2017 | -0.3pp<br>-2015 | +8.6pp WM<br>+4.6pp UK | |
| | Traffic Collisions | 5,564 WM 7 Met. (2018) | -291 (-5.0%) WM 7 Met. | +449 (+8.8%) WM 7 Met. | Reduce the Number of Collisions |
| | % residents able to access 3 or more strategic centres including Birmingham City Centre, accessible by public transport within 45 mins travel time in the am peak | 43% (WM 7 Met) | +0.9 pp | - 1.6 pp (Oct 2013 vs Jan 2019) | 75%<br>+ 32pp |
| | Bus time reliability | To Be Developed | | | |
| | Total Dwelling Stock Estimates | 1,735,709 | 16,515 | +73,214W MCA | 172,514 |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 10. Reduced Inequalities | Reduce % of people in top 10% most deprived areas | 19.20% | | | 10% of people |
| | Social Mobility (2018) | Based on 326 Local Authorities<br>Lowest Ranked: North Warwickshire: 307<br>Highest Rank: Bromsgrove<br>48 | +15 places | N/A | All the West Midland Local Authorities in the Top Quarter Ranking |
| | Health inequality gap by years between the most and least deprived areas | M = 8.8 years<br>F = 8.5 years<br>(WM 7 Met) | M = +2.6 years<br>F = +1.2 years | M = +1.4<br>F = +0.1 | No gap<br>Reduce gap by 8.8 years for males and 8.5 years for females |
| | Ratio of median house price to median gross annual residence-based earnings | 7.21 | 0.08 | +1.35 WMCA<br>+1.07 Eng. | |
| | Employment Rates by Ethnic Group | Highest: 77.5% Indians | +6.1pp WMCA | +10.4pp WMCA<br>+6.7pp UK | |
| | | Lowest: 51.4% Pakistanis/Banglades his | -2.2pp | +10.5pp WMCA<br>+7.6pp UK | |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 11. Sustainable Cities & Communities | Mode Share of all Journeys: | i) Non-sustainable: | i) Non-sustainable: | i) Non-Sustainable: | 45% car mode share |
| | i). Mode Share of all journeys by non-sustainable and sustainable | (Car) 68% | (Car) +1% | (Car) +4% | Car (- 23%) |
| | ii). Percentage of car journeys single occupancy | Sustainable: 32%<br>ii) 73% | Sustainable: -1% | Sustainable: - 4% | |
| | -2018 | (WM 7 Met) | | | |
| | Total Additional Affordable Dwellings | 3,822<br>(2018/19) | 353 | +988 WMCA<br>(2013/14 – 2018/19) | |
| | Number of Additional Affordable Rented Dwellings | 1,960<br>(2018/19) | 238 | +467 WMCA<br>(2013/14 – 2018/19) | |
| | Visitor Numbers | 131m Visitors (2018) | +2.6% (+3.4m) | - | Increase the Number of Visitors into the Region |
| 12. Responsible Consumption & Production | Local Authority Recycling Rates | 30.5% (WM 7 Met.) | -0.5pp | -3.3pp WM 7 Met. (2014/15) | |
| | Tonnes of Waste Collected | 1,274,588 Tonnes (WM 7 Met.) | +7,377 Tonnes | +3,529 Tonnes | Reduce the Amount of Waste produced and Collected |

## Regional Outcome Indictors – full details

| Outcomes | Measures of Success | Where we are now | Change over the last year | Direction of Travel Relative to UK average since 2013 | Scale of the Challenge |
|---|---|---|---|---|---|
| 13. Climate Action | $CO_2$ emitted within SEP area by transport, businesses and homes | 20,581 $ktCO_2$ | -775 $ktCO_2$<br>-3.60% | -17.1% WMCA<br>-20.2% Eng. | WMCA target: 40% reduction in carbon by 2030 from 2010 |
| | No. of days poor air quality per year (rated 4 or higher on the Daily Air Quality Index) | 37 Days WM | -9 Days | | WMCA target: 1 day by 2030<br>-36 days |
| 14. Life Below water | Canal Network (kms) | 520km | | | |
| 15. Life on Land | Increased the quantity & connectivity of green infrastructure | To Be Developed | | | |
| | Canopy Cover/Tree area as a proportion of total land area | | | | |
| 16. Peace, Justice & Strong Institutions | Total recorded crime (per 1,000 population) | 262,188<br>89.9 per 1,000 population<br>(WM 7 Met) | 7.20%<br>+7.8 per 1,000 Pop.<br>(WM 7 MET) | | Below the England average |
| | Proven Rates of Reoffending for Adults | 28.60% | -11.60% | -14.00%<br>-30.0% Eng. and Wales | Below the England Average |
| | No. of first-time entrants to Youth Justice System (per 100,000) | 308 per 100,000<br>(WM 7 MET) | -22.80% | - 37.7% WM 7 Met<br>- 46.9% Eng. | -70 per 100,00 first-time entrants |
| 17. Partnerships for the Goals | To Be Developed | | | | |

## Supporting documents and references

**Recovery Coordination Group Initial Impact Assessment** WMCA June 2020
**West Midlands Industrial Strategy Sector Summaries Update** Black Country Consortium Economic Intelligence Unit, June 2020
**Functional Geography of the West Midlands**, WMREDI June 2020 Prof Anne Green
**Midlands Engine Independent Economic Review**, Midlands Engine Economic Observatory 2020
**Inclusive Growth Update**; WMCA Board May 2019
**Quarterly Monitoring Dashboard** (Qtr 3 and 4 2019 and 1 and 2 2020); Strategic Economic Development Board, WMCA 2020
**Investment Board Forecasts**, West Midlands Growth Company June 2020
**Repowering the Black Country**, Black Country LEP June 2020
**Covid-19 Policy Review**, WMREDI June 2020

**Additional Covid-19 Analysis and references can be found in the collection of:**

Weekly Monitor; **Editions 1 to 17 from March 2020 to July 2020**, West Midlands Regional Economic Development Institute, University of Birmingham

Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application

For any queries please contact the lead Authors:

Rebecca Riley R.L.Riley@bham.ac.uk
Delma Dwight Delma_Dwight@blackcountryconsortium.co.uk
Prof Anne Green A.E.Green.1@bham.ac.uk

With special thanks to contributing authors from across the partnership organisations, without whom this document could not be produced

The West Midlands Regional Economic Development Institute
and the
City-Region Economic Development Institute

**In partnership with:**