



Sub-Regional Covid-19 Business Intelligence

28th April – 4th May 2020

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1. Executive Summary

The recommendations and findings of this week's report are based on intelligence gathered across the CWLEP Growth Hub's business engagements and survey data, and information provided by Coventry City Council and Warwickshire County Council. Sources include the Warwickshire County Council's Weekly Business and Economic Update and other reports by WCC's Warwickshire Economics, Coventry City Council's Business and Economy briefing and the West Midlands Economic Intelligence Tracker (including insight from British Chambers of Commerce and FSB).

This week's report will see the addition of a section of Macroeconomic data provided by Warwickshire County Council and Coventry City Council. We have also added a section for sector spotlights. This week we have had insights from several sources on the Culture and Tourism sector. This sector has also made up 35% of the survey responses and business engagements of the CWLEP Growth Hub. Based on solid business insights we are pleased to present key findings and recommendations to support this sector towards recovery.

Key Findings

An increase in unemployment across Coventry & Warwickshire by 27,840 individuals to **45,640**, based on the Office for Budget Responsibility's (OBR) forecast of a 2.56 fold national increase during Q2.

If 30% of the workforce joins the **Coronavirus Retention Scheme** (OBR's assumption), this could mean 137,400 of Coventry & Warwickshire's workforce are being furloughed; however, because initial feedback suggests the proportion furloughed will be higher (half of businesses expecting to furlough at least 50% of their staff), the number could be as high as 183,200 if 40% are furloughed, and 229,000 if 50% are.

In the British Chamber of Commerce (BCC) survey 23% of businesses suggested that they had less than one month cashflow left. If that was applied to local NOMIS data, it could mean that **over 8,700 businesses in Coventry & Warwickshire as a whole could be facing major threat within a month without financial stimulus, particularly within SMEs that make up the vast majority of the local business base**. This could put significant numbers of local jobs at risk in the short-term.

A key highlight is that we are starting to see **businesses, across all sectors, diversify in order to survive** this pandemic. For instance, manufacturers have switched production measures to develop PPE equipment, restaurants are starting to develop more elaborate e-commerce platforms and some within the food and drink industry have begun manufacturing hand sanitisers.

According to the Institute of Social and Economic Research (ISER) Stratford-on-Avon is expected to see the largest overall GVA decline of 46.2% in Coventry & Warwickshire. Stratford-on-Avon is followed by North Warwickshire (-45%), Rugby (-44.9%), Nuneaton & Bedworth (-35.5%), Coventry (-36.7%) and finally Warwick (-34.1%).

Stratford-on-Avon could see the largest GVA decline of 46%, followed by North Warwickshire at 45%

Of all England local authorities, Stratford-on-Avon is expected to experience the 4th largest GVA decline by Q2 2020 and North Warwickshire places 10th due to their presence in the manufacturing and wholesale and retail trade industries which GVA's are expected to decrease by 55% and 35% respectively. **All the local authority areas in Coventry & Warwickshire are however all vulnerable to a substantial decline in GVA** with Warwick seeing the smallest expected GVA decline, but still placing 61st of 284 local authorities in England.

There is clear evidence that COVID-19 has had a particularly adverse effect on the performance of our local tourism sector. **Shakespeare's England and West Midlands Growth Company – COVID 19 Tourism Business Impact Survey:** 66% of businesses based in Coventry and Warwickshire, 26% in Greater Birmingham and 8% in the Black Country. Key themes:

- 95% of businesses report a fall in revenue and 82% have temporarily closed
- More than half report cash flow problems and 30% of businesses have let staff go.

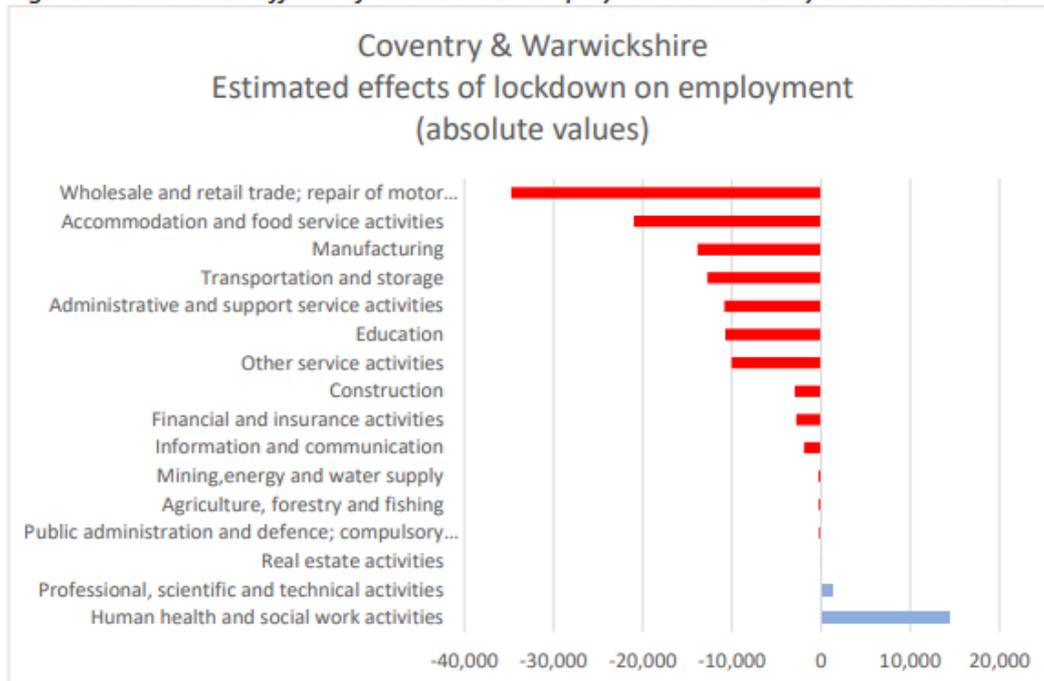
2. Macroeconomic Insights – Impact on Local Employment

The briefing note on modelling the COVID-19 Impact on local employment by the Economics Team at Warwickshire County Council outlines the state of the region. In the national context it is estimated by ISER, that approximately 6.5 million jobs could be taken out of the UK economy as a result of the lockdown measures.

Remaining in line with ISER national findings, we can indicatively apply the estimated effects of the lockdown on national % employment by sector to the corresponding local sectors based within Coventry and Warwickshire, Warwickshire and its respective Districts & Boroughs areas (using latest employee counts for 2018 from the Business Register and Employment Survey). This will allow us to gain a suggestive understanding of the potential movements within the local labour market as a result of the outbreak. It is important to note that in order for our model to remain in line with ISER analysis we have combined the Mining, energy and water supply industries into one sector alongside combining the “other services” sector with the “Arts and Recreation” sector. We have also maintained the impact on each sector irrespective of the local area.

Coventry & Warwickshire

Figure 2 – Estimated effects of lockdown on employment in Coventry & Warwickshire



Source: ISER, 2020, NOMIS, 2020

Looking through a regional lens, the modelled effect of the lockdown would see approximately 106,939 jobs taken from Coventry & Warwickshire’s economy accounting for 23% of its total employment.

*The lockdown could see approx. **106,939 jobs** taken from Coventry & Warwickshire – causing **23% of total unemployment***

- The most affected sectors would be the Wholesale and retail trade (-34,748) as it employs the most amount of people across the region alongside the Accommodation and food service sector (-21,028) and Manufacturing (-13,860)
- The percentage fall in the national manufacturing employment estimated by ISER disproportionately impacts Coventry & Warwickshire manufacturing sector (-13,860) as a result of it being the 2nd largest employing sector in the region.

Spotlight on Tourism Sector Employment

The following number of employees make up the local tourism sector as of 2018.

Local Tourism Sector Employment	
Coventry & Warwickshire	33,000
Warwickshire	24,000
<i>North Warwickshire</i>	<i>3,500</i>
<i>Nuneaton & Bedworth</i>	<i>3,000</i>
<i>Rugby</i>	<i>4,000</i>
<i>Stratford-on-Avon</i>	<i>7,000</i>
<i>Warwick</i>	<i>6,000</i>

Source: BRES, NOMIS, 2020

- **Coventry & Warwickshire's tourism sector would see a reduction of 11,016 jobs**, which would approximate to **33.3% of the total jobs** within the sector across the region
- **Warwickshire, which makes up 71.4% of the total tourism employment across the region would see a reduction of 8,327 jobs** within the tourism sector, approximating to 34.6% of the total jobs within the sector across Warwickshire.

*Around **11,016 jobs in C&W's tourism sector** will be lost, that is **33.3% of total jobs in the sector***

3. Business Insights

3.1 CWLEP Growth Hub

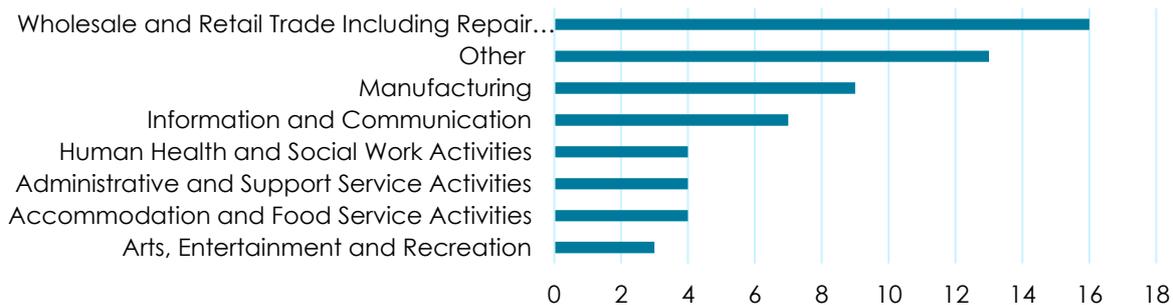
3.1.a Growth Hub Headline Data

The CWLEP Growth Hub has supported 1,800 businesses since 1st March 2020 and had substantive discussions with 846 businesses. We have handled an 554% increase of enquiries, 95% of which were needing support to help them understand what they may be eligible for in terms of support during the pandemic. Overall the cumulative data confirms what the macro-economic insights under section 3 have shown. Manufacturing and Retail/Wholesale are amongst the sectors seeing the most severe impact with cases showing that cashflow is at a critical stage – and unless the furloughing scheme is offered beyond June businesses are expecting staff redundancies.

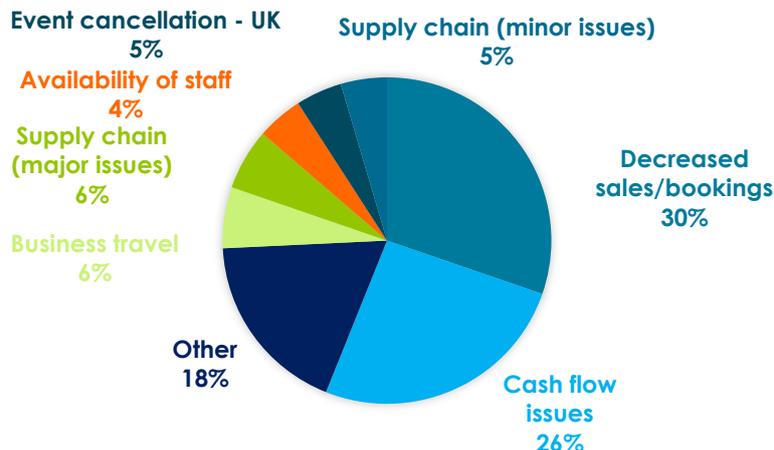
3.1.b Growth Hub Weekly Trends

As part of our business engagement we have conducted a survey and the below dashboard outlines this week's trends. Compared to last week we had an **increase of enquiries from the retail sector that is suffering particularly through business closures and loss of income.**

Surveyed Businesses by Industry



HOW IS COVID19 AFFECTING YOUR BUSINESS?



As the pie chart shows, decreased sales and bookings (3 in 10) and cashflow concerns (more than 1 in 4) continue to be two key issues affecting our businesses. Financial support is still sought by 77% of businesses that got in touch with us this week. Just over 20% of businesses named **Business Continuity planning as a key concern**.

3.2 CW Chamber of Commerce

The Chief Executive of the Coventry & Warwickshire Chamber of Commerce has issued statements on the state of local businesses. Part of the key impact will be the **increased debt in business (due to offer of loans not grants to all)**, but equally there is a need to understand the debt that the Government is building up through this.

Recovery of the region and country may not be V shaped, which indicates an immediate bounceback – there may be a re-spike. A move from furlough to redundancies is expected and we should be prepared for this as we think through our **support for the unemployed and self-employed (start-up services)**.

There will be a need to gradually adjust the business support schemes and cash support to reflect evolving social distancing restrictions and reflect changing levels of business activity and business need. For example,

- extend furlough in a tapering off kind-of-way
- extend furlough with 50% at work and 50% furloughed
- wage subsidies
- expected there will be some writing-off-loans for some, over time (to allow bounce back without mass scale redundancies and impact on health and universal credit and jobless support etc).

Tax incentives could aid recovery and future investment intentions. New tax incentives that make it easier to claim, such as tax relief on investment in training; tax relief on investment in buildings (as long as it is linked with Net Zero agenda).

On Brexit, we need to be acutely aware that Europe is seriously thinking now about protectionism and on-shoring. So, **trade with Europe may have more barriers not less**. The UK, of course, is also looking at reshoring, but inevitably we do not have all of the supply chains we need; some of our supply chains rely on OEMs abroad; and the cost of on-shoring supply chains can be expensive.

We need to also look at our other global trade links: How do we open them up quickly? The further away, the more costly and the more likely for disruption in the supply chain, but we **must pursue all global trade opportunities**. Europe is important to us – a great market – lots of opportunity – closer to us – so Government would need to be working on this. The general consensus seems to be Brexit will not be delayed, albeit it would make absolute sense to do so.

4. Sector Spotlight – Culture & Tourism

In recent weeks, a range of evidence has emerged demonstrating that our Culture & Tourism sector is being particularly adversely affected by COVID-19 and is facing further medium-term challenges.

The national Davies Tanner “Business Events Recovery and Sentiment Survey” around COVID-19 outlines that **September will be a key month to the recovery period** according to the sector and the most bookings that are currently being picked up are for this month. The general sentiment is that **recovery for this sector will pick up in the next 6-9 months with an expected return to normality taking 12 months or longer.**

The BVABDRC “Tracking Consumer Sentiment on the Impact of COVID-19” weekly update has identified that the average of the overall desire of consumers planning to **go to a visitor attraction is at its highest in six weeks**, though on average the view is that this will be in about 5.2 months. In general the sentiment is that **open door attractions will be seen safer than indoor attractions.** A key determinant for this perception is whether an attraction can maintain social distancing, therefore consumers expect quick return to “quieter” gardens and county park. Positively, consumers intention to shop and eat out in the next six months is at its highest. However, regardless of destination **the key to attracting consumers will be to build trust and confidence to get them to visit and shop.**

The ALVA Attractions Recovery Tracker identifies that customers **are more anxious/uncomfortable visiting indoor facilities** and **cleanliness and distancing will measure very strongly** with consumers. Attractions and leisure facilities must be seen to be delivering and policing their measures effectively – beyond just presenting notices. “**Extraordinary measures**” such as kitting out staff with gloves and masks to wear at all times, allowing card payments only, and using disposable cups for hot drinks have been listed highest on measures expected by visitors in relation to on-site catering facilities. Other facilities such as zoos and theatres should at least make hand sanitiser available, a measure deemed more important to some visitors than social distancing.

VisitBritain's Domestic COVID-19 Tracker further highlights that amongst domestic holiday destinations the **West Midlands and East Midlands are the regions least considered amongst travellers** either planning a UK holiday and those considering a replacement holiday due to cancellation of a domestic or overseas holiday, with **countryside and seaside being the top considered location types.**

4.1 Local Economic Output Analysis for the Tourism Sector

The findings undertaken by the Office of Budget Responsibilities (OBR) on broad sectoral expected GVA declines due to COVID 19 were utilised by Warwickshire County Council Economics and Coventry City Council in order to explore the potential local impact of the lockdown measures on local tourism output.

Key findings of the analysis suggest:

- Direct Tourism GVA accounts for 3.4% of Coventry and Warwickshire's total GVA
- Individual industries most effected by COVID 19 in terms of GVA reductions were the **Restaurants and Mobile Food Service Activities, beverage serving activities and Hotels and Similar Accommodation** due to the broad sectors expected 85% GVA decline.
- **Coventry & Stratford-on-Avon** contribute the most to C&W total tourism GVA (25.4% and 25.3% respectively) with Coventry having a stronger presence in Organisation of Conventions and Trade Shows and passenger transport. Stratford-on-Avon shows strength in recreational industries including performing arts and sports facilities, and accommodation. These two areas are also expected to experience **the largest absolute losses to GVA (£)** as shown in the below graph.

4.2 Business Insights – Culture & Tourism

For the purpose of this Sector "Spotlight" analysis we have included CWLEP Growth Hub business engagements from the following industries: Accommodation and Food Services; Arts, Entertainment and Recreation; and Wholesale and Retail Trade.

Around **35% of businesses engagements** that were conducted by the Growth Hub, Warwickshire County Council and Coventry City Council since 1st March 2020 were with businesses in the Culture and Tourism industries. 52% of these businesses are Micro businesses (2-9 employees) and 22% are Sole Employees. Trends for this sector show that **reduction in business travel and cancellation of events and conferences has severely impacted the industries** that fall into the tourism and culture sector. Whilst some tourism businesses are heavily independent on person-to-person

35% of all businesses engaged were from the Tourism & Leisure sectors.

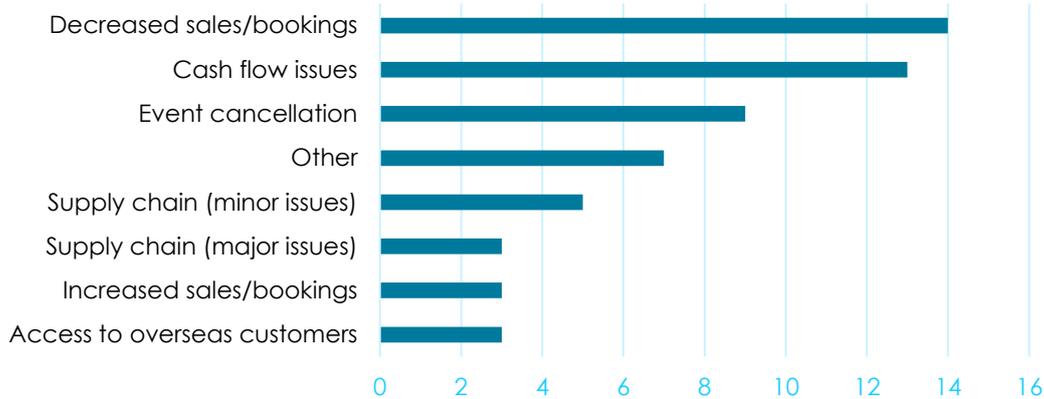
interaction and thus have ceased trading, other businesses have launched online offers and promotions.

Businesses have outlined that the **threat to projects such as Coventry 2021 and the 2022 Commonwealth Games** will put any expected growth at risk. Uncertainty around planned infrastructure projects will be impacting businesses adversely. Tourism businesses are seeing the **need to be focusing on domestic and local audiences** for survival as air travel and wider national and international travel is not expected to pick back up.

The organiser of a large annual event traditionally attracting 120,000 delegates to the region is expecting that the rescheduled event will attract a lower attendance and will be a **missed opportunity of an investment into regional businesses of up to £30m.**

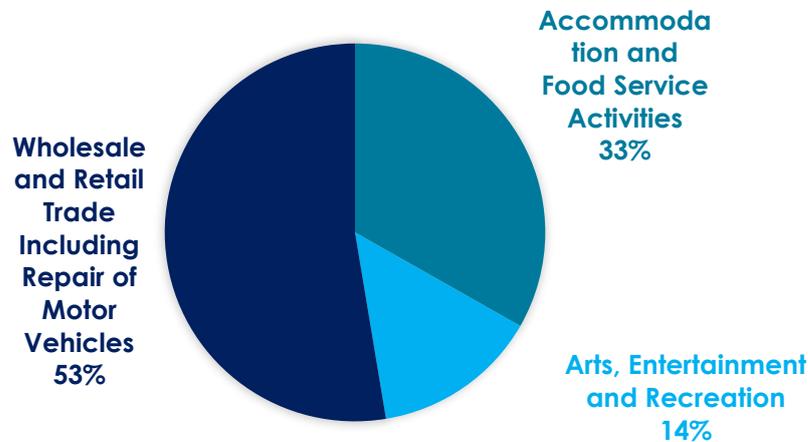
Uncertainty in guidance is further leaving businesses losing staff, worrying about damaged reputation and uncertain about when and how they will be able to open to them.

How is COVID19 Affecting Your Business?



Based on survey responses received from Culture & Tourism businesses

SECTOR BY INDUSTRIES



This is also backed by **business-led input received from CW Chamber of Commerce, the hospitality, tourism & leisure industries are amongst the worst hit** and, any return to normality will arrive 'last' for this sector. The post-lockdown demand will be diluted by a slow & steady return to a new-norm for this sector and will, of course, only benefit those who have survived the COVID-19 crisis.

The West Midlands Regional Economic Development Institute (WM REDI) outlines that businesses from the sector are highlighting a number of issues and problems with the support on offer, with significant numbers of them deemed ineligible. For example, they highlight **difficulties in obtaining loans, the inflexibility of the furlough scheme and continued delays in support coming through.**

Businesses have strong views on the additional help they feel is needed from the government to ensure the survival of the sector, notably a more flexible furloughing scheme, grants rather than loans and **longer term funding to help**

businesses re-design their business models, re-build their cash position and deal with what may be a long and drawn out recovery in demand. Many companies have adapted their business models to cope with the challenges. Much of this is a short-term fix, and two thirds of businesses will not retain the changes after lockdown ends. There are, however, some examples of successful adaptations – notably relating to digital and on-line approaches - which are likely to be sustained in the longer term.

Shakespeare England and West Midlands Growth Company – COVID 19

Tourism Business Impact Survey, where 66% of the participants were based in Coventry and Warwickshire, 26% in Greater Birmingham and 8% in the Black Country shows the key themes:

- 95% of businesses report a fall in revenue and 82% have temporarily closed
- More than half report cashflow problems and 30% of businesses have let staff go.
- Businesses are calling for the government to move more quickly to help businesses access existing support and for additional help to cover other costs.
- Once the crisis passes businesses are focussing on identifying new revenue streams and stronger marketing push

Based on the above business evidence, a **consumer confidence campaign could be led by Government to support culture and tourism and investment connected to this.** An inward and outward-looking BRITAIN IS SAFE campaign, as a reiteration of the Government's promotional Britain is Great Campaign, could lift confidence and ensure that businesses and consumers can start to enjoy national and local tourism safely whilst adhering to social distancing measures. This could be launched with the recommendation of a staged approach for businesses operating in the sector, e.g. allowing 50% of full capacity in the first two months after lockdown is lifted, 75% thereafter, etc.

Alongside this, **hoteliers will require guidance on conducting business in future whilst keeping in line with social distancing.** Issuing of guidance could be lead by a call-out for best practice by industry bodies, coordinated by Government and supported by BROs.

Businesses will further need to **expand and upskill their digital capabilities by building an online offer** – eCommerce training will need to be made available to businesses. Specialist support to businesses will be required to sustain them throughout the **phased return to trade during and after times of social distancing.**

5. Recommendations

The following recommendations have been derived off the back of careful analysis of macro-economic and business-level data that we have collated from Coventry & Warwickshire-based stakeholders. This view is completely formed on the basis of evidence and serves as a guidance to decision makers at local and central governmental levels.

5.1 Short Term

6.1.a

Sector-led intelligence is to lead the way in coming out of lockdown and further **intelligence and support needs to be developed** to enable the tourism and hospitality sectors to adjust post lockdown.

- Culture and Tourism sector could be supported to recovery by a Government-backed **inward and outward-looking BRITAIN IS SAFE campaign**. This will **build up consumer and business confidence** on domestic travel as we go out of lockdown – reassurance and leadership on how businesses and public will continue to explore domestic destinations whilst managing a phased return out of lockdown. The phased return could enable a gradual growth in capacity of businesses.
- **eCommerce to enable culture and tourism business' resilience**. Support tools and specialist support to be made available to businesses. This will be required to sustain them throughout the phased return to trade during and after times of social distancing and rolled out to industries that have been traditionally people facing. This will maintain importance as lockdown measures might only be lifted gradually and the risk of a second peak might exist.
- **Hoteliers will require guidance on conducting business in future** whilst keeping in line with social distancing. Issuing of guidance could be led by a call-out for best practice by industry bodies, coordinated by Government and supported by BROs and the local Destination Management Organisations.
- **Clarity around large scale events such as Coventry 2021 and Commonwealth Games 2022 is needed**. What are the wider implications of rescheduled large events (e.g. potential clash of Commonwealth Games with rescheduled Olympics), and economic implications and **how can we still maximise these opportunities?**
- All attractions need to **take the time to get it right**. *Safety is key and Coventry and Warwickshire needs to be known "COVID-Safe"*. This could be informed by a kitemark. **Coventry and Warwickshire could take the lead on making this a national standard** and acknowledging areas where the public, be it visitor, employee or business **can feel safe**. This can be backed by recommendations from the ALVA report:
 - Limiting numbers of visitors on-site at once

- Be seen to be implementing and policing distancing measures on-site (not just lip-service), including toilets
- Consider only opening cafés and play facilities where distancing can be policed
- Can we be more flexible on providing picnic facilities in the short term?
- Hand sanitiser around the site and staff visibly cleaning
- PPE is more polarising, especially if compulsory for visitors
- Further the ALVA report points out that pre-visit communications with the public is vital to support on-site actions:
 - Can we use the trend for virtual online visits to demonstrate policing of distancing and other measures on-site?
 - Any messaging around creating perceptions of physical open spaces, whether outdoor or indoor

6.1.b

Businesses require **general “forward guidance”** on how to come out of lockdown. Some of this will be industry-led, but the more clarity that we / Govt / local Govt can offer, the better. The guidance should be based on:

- how businesses and employees can work but work safely
- how as a business do you open up your doors

6.1.c

The main short-term priority is still to **ensure local businesses secure finance rapidly to facilitate cashflow**. To this end, we welcome the introduction of Bounce Back Loans and our local support providers will actively promote this fund to stimulate applications, but it is vital that applications to this fund are **processed, approved and paid rapidly** in order to save businesses and jobs.

6.1.d

Given the ongoing challenges our businesses are facing in accessing CBILS, businesses would like the **exploration of further amendments to the CBILS scheme**, and thereby enabling viable businesses not qualifying for Bounce Back Loans to be able to secure the necessary finance rapidly and thereby save businesses and jobs in the local economy. These include:

- Closer regulation of interest rates being imposed, and time taken to process applications.
- Including conditions for repayments around lifting of social mobility restrictions and recovery of business incomes.
- Extension of other forms of debt such as overdraft limits.
- Consideration of Government guaranteeing 100% of CBILS loans above £50k.
- Consider temporary amendments to rate relief criteria.
- Provide incentives to companies to rehire workers after lifting of lockdown restrictions.

5.2 Medium Term

6.2.a

Stimulating the market will help, investment in infrastructure, investment in housing, get our construction and Manufacturing and Engineering sectors opened up

- To capitalise on longer-term opportunities presented by “reshoring”, the **introduction of a “Diversification Fund”** to support manufacturers with capital or revenue expenditure to help develop new products or expand production of existing products to enable these businesses to supply more sectors. The fund could be financed through various avenues, one option being **repurposing any underspend left from the grant money given to Local Authorities.**
- Focused investment to **accelerate innovation throughout the business base.** A key area of focus should be to accelerate growth of electric vehicle/ battery technology supply chains within Coventry & Warwickshire and the West Midlands.

5.3 Long term

6.3.a

Look at the **‘greener future’** with manufacturing & engineering and aviation. Supporting of airlines could work alongside stringent ‘green’ conditions

6.3.b

Commit to investment in **sustaining Growth Hubs and successful local business support and innovation support schemes**, as well as bolstering capacity in international trade and inward investment support, to enable local economies to adapt to evolve global economic dynamics.

6.3.c

Accelerate investment in fast and **reliable full fibre broadband and 5G infrastructure** that will act as an **important enabler for future economic growth, as well** complementary support services to enable businesses to utilise ICT effectively in maximising their competitiveness. Government should also provide successor funding to Local Growth Fund to deliver transport infrastructure projects that will **accelerate the development of priority commercial sites.**

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