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COVID-19: Economic Impacts SELEP Briefing

3rd June 2020





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Global trends and outlook

A summary of the latest headlines in relation to the global health pandemic and economic forecasts and impacts





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Global Confirmed COVID-19 Cases: 6,203,385

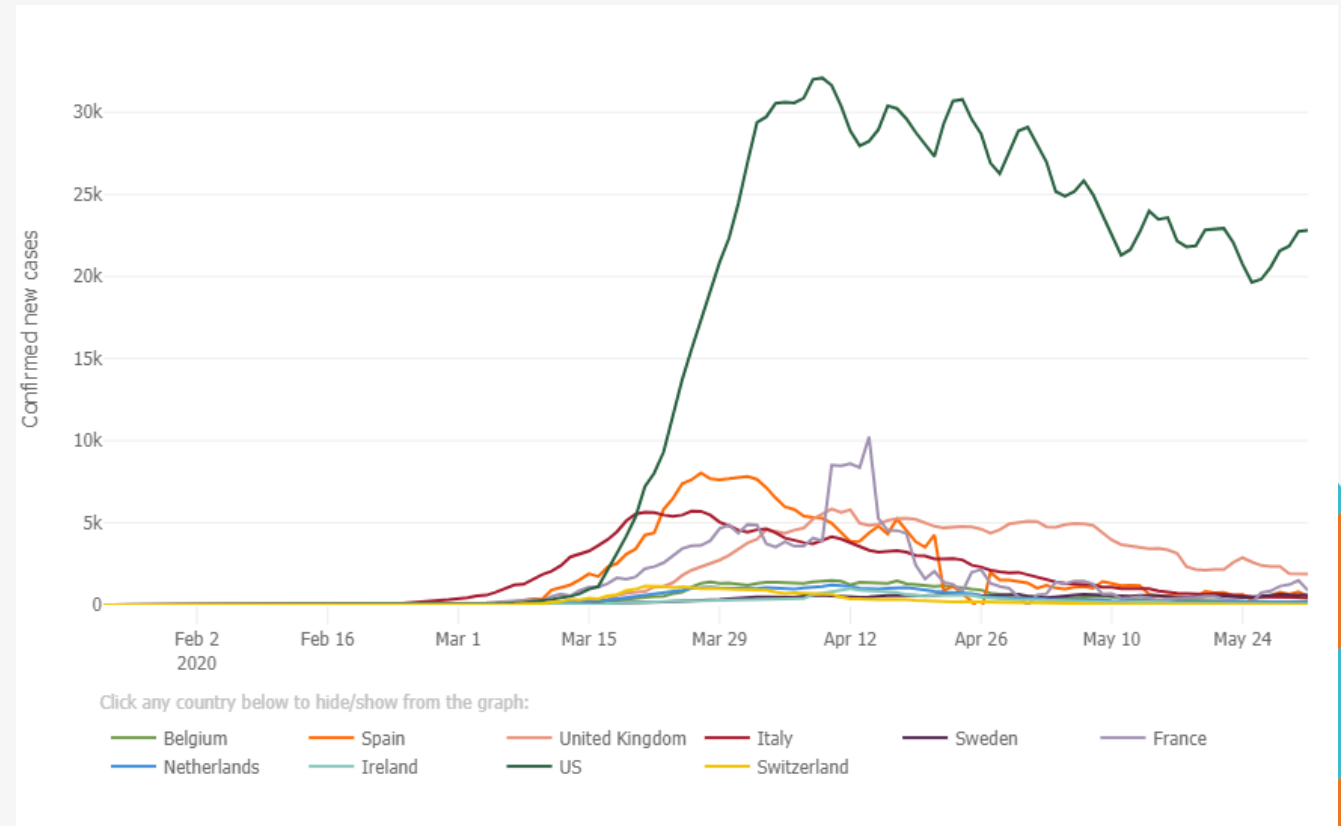
Global COVID-19 Deaths: 372,657

Global COVID-19 Recoveries: 2,660,284

- Most countries are now seeing a reduction in daily confirmed new cases of COVID-19.
- The USA has the most COVID-19 cases for an individual country with 1,792,512 confirmed cases.
- The next most impacted countries are Brazil (514,849 cases), Russia (414,878 cases), the United Kingdom (274,762 cases) and Spain (239,479 cases)

Global headlines: COVID-19

Daily confirmed new COVID-19 cases



(Source: John Hopkins University, Daily COVID-19 Updates, data 01/06/2020; charts 01/06/2020)

Central banks and research institutes in France and Germany state their countries are in recession

- France's central bank: Q4 2019 contraction of 0.1%; Q1 contraction of 5.5%.
- Germany's economy shrank by 2.2% in Q1 of 2020, the biggest quarterly fall since 2009. This followed a 0.1% contraction in Q4 2019.
- Noting that economic support in France and Germany is considerable, with Germany's public finances in good shape.

International trade on course for severe contraction

- World Trade Organisation: even the most optimistic scenario for 2020 was that trade would shrink by 13% – a bigger drop than in the 2008-09 recession caused by the banking crisis.
- Warned there was the risk of a much gloomier outcome under which trade would decline by 32% – on a par with the reduction seen between 1929 and 1932.





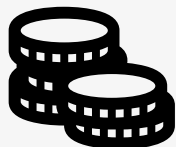
IMF World Economic Outlook Report



- The IMF's World Economic Outlook Report has modelled a baseline scenario for the global economy which assumes a sharp contraction in the global economy of -0.3% in 2020.
- This baseline scenario also assumes that the pandemic fades in the second half of 2020, and containment scenarios are generally unwound, so the global economy is projected to grow by 5.8% in 2021 as economic activity normalises.
- Under this scenario, advanced economies - including the United Kingdom - are projected to grow by -6.1% in 2020 and 4.5% in 2021.

(Source: IMF, World Economic Outlook Report, April 2020)

Central Bank Policy Rates



Bank of England: 0.1%

USA: 0.125%

Euro Area: 0%

(Source: BIS Policy Rate Statistics, 16/04/2020)





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National impacts and outlook

A summary of economic scenarios and early indications of the impact on our national economy, business, people and environment





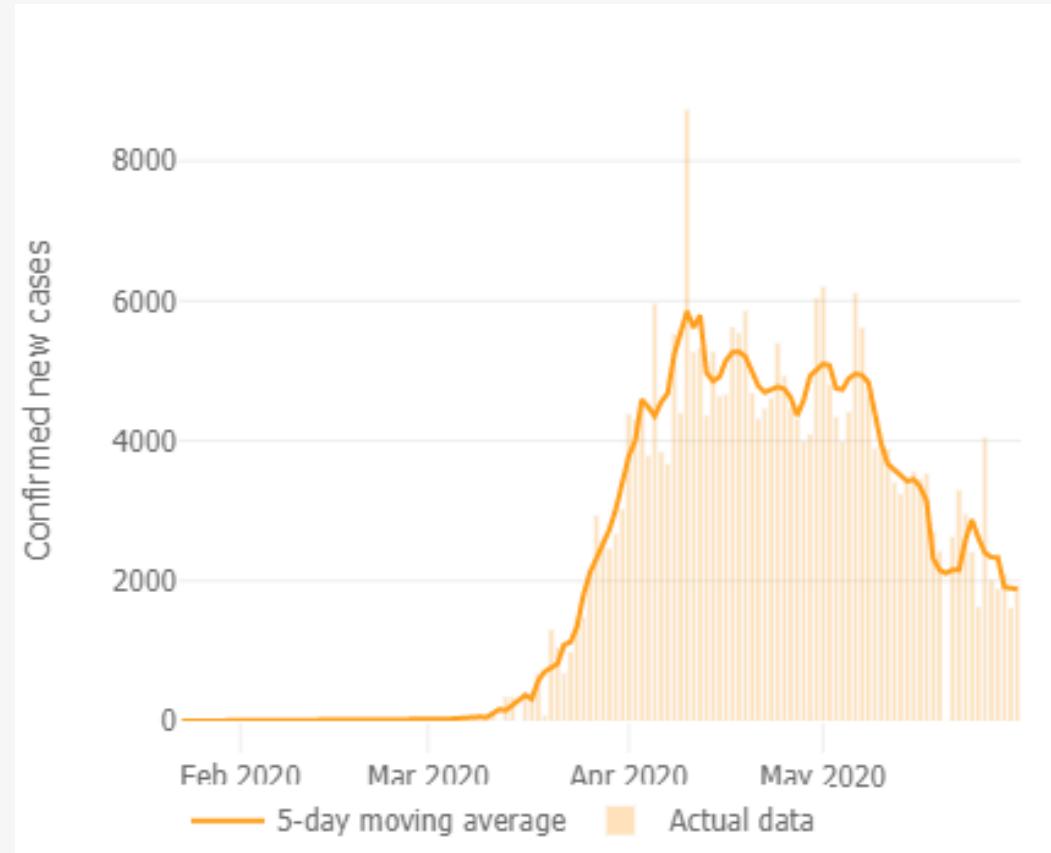
UK Confirmed COVID-19 Cases: 274,762

UK COVID-19 Deaths: 38,489

(Source: GOV.UK, 01/06/2020)

- The daily confirmed new COVID-19 cases in the United Kingdom is beginning to reduce as the graph on the right illustrates.
- The mortality rate against confirmed COVID-19 cases is extremely high in the United Kingdom, at over 14%. Against a global mortality rate to confirmed cases of under 7%.
- The WHO has estimated the actual mortality rate to be between 2-4%.

UK confirmed daily new COVID-19 cases



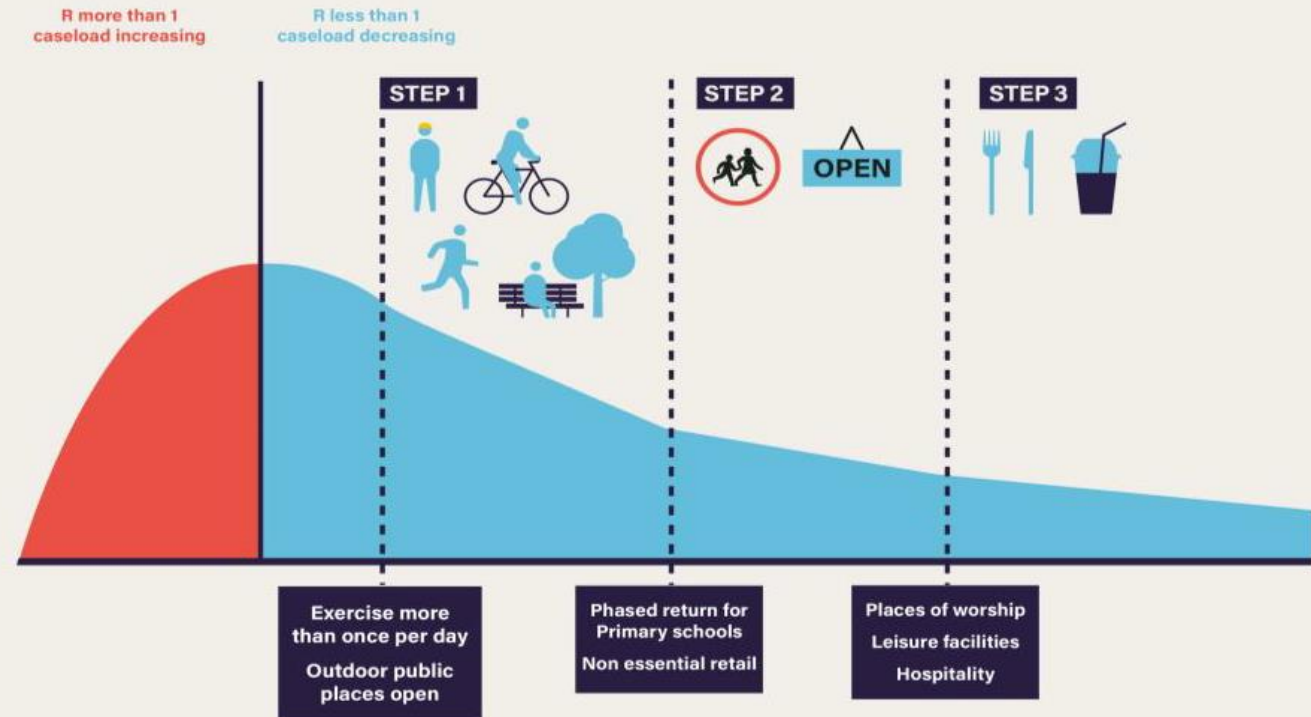
(Source: John Hopkins University, Daily COVID-19 Updates, 01/06/2020)

The UK Government's COVID-19 recovery strategy, Our Plan to Rebuild, was released on 11th May setting out the three-stage roadmap to easing lockdown. We will continue to monitor the impact of this as information becomes available.

Five new ministerial-led taskforces have also now been set up to develop plans for how and when closed sectors can reopen safely. These will look at:

- pubs and restaurants (Department for Business, Energy and industrial Strategy)
- non-essential retail (including salons) (Department for Business, Energy and industrial Strategy)
- recreation and leisure, including tourism, culture and heritage, libraries, entertainment and sport (Department for Culture, Media and Sport)
- places of worship (Ministry for Housing, Communities and Local Government)
- international aviation, reflecting the unique challenges that sector is facing (Department for Transport)

Steps of adjustment to current social distancing measures

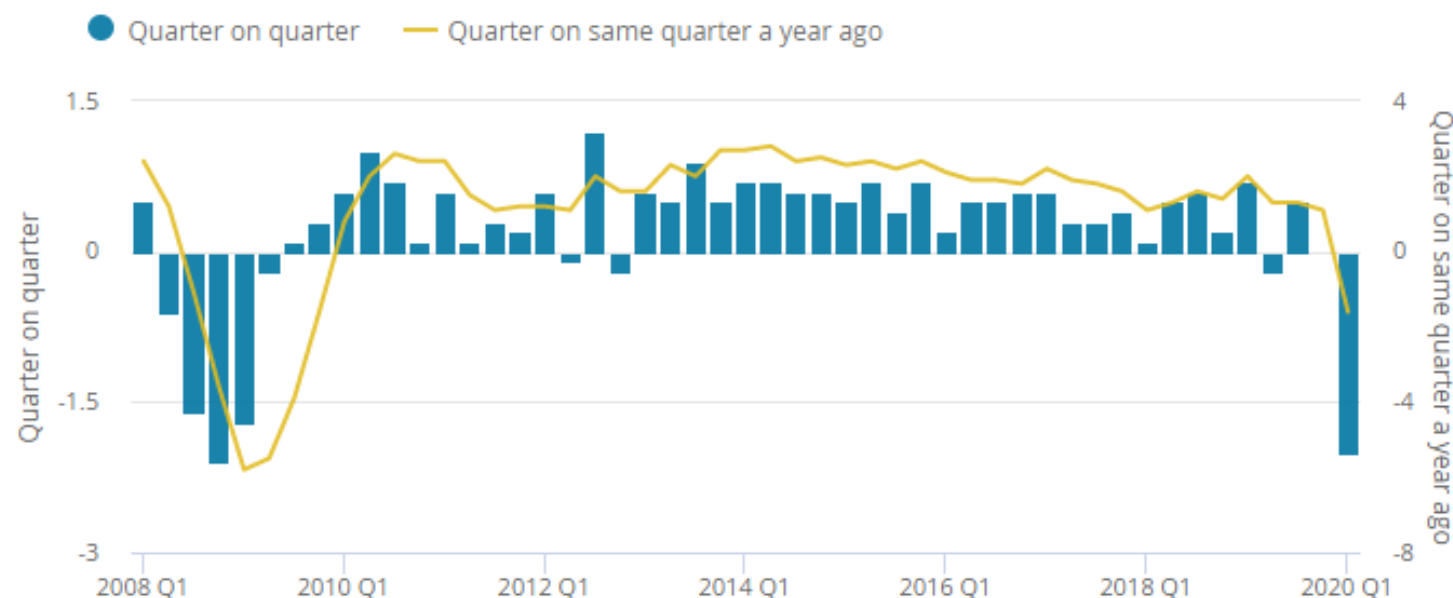


National impacts and outlook

In Q1 2020 Real GDP fell by 2%, reflecting the impact of imposed public health restrictions and voluntary social distancing.

- This is the largest quarterly contraction of GDP since the 2008 global financial crisis.
- The first quarter decline largely reflects the 5.8% fall in output in March 2020. With widespread decline across services, production and construction industries.
- GDP grew by 0.1% in January 2020, was -0.2% in February 2020 before falling substantially by -5.8% in March 2020.

UK, Quarter 1 (Jan to Mar) 2008 to Quarter 1 (Jan to Mar) 2020

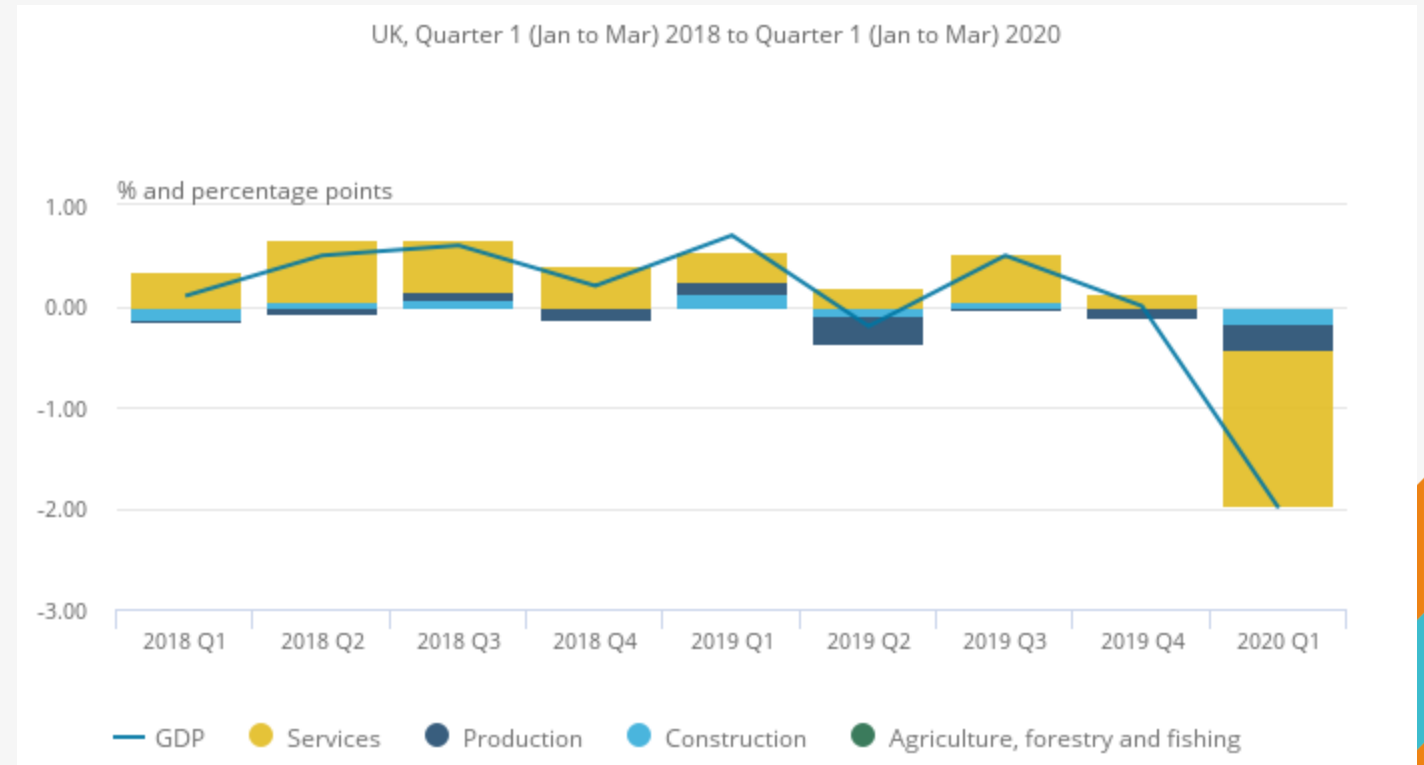


(Source: ONS, 13 May 2020)

National impacts and outlook

As the table illustrates, there was a widespread fall in output across services, production and construction sectors in Q1 2020

- Services saw output decrease by 1.9% - accounting for 1.55% of quarterly GDP decline.
- Production saw output fall by 2.1% - accounting for 0.27% of quarterly GDP decline.
- Construction output decreased by 2.6% - constituting 0.16% of quarterly GDP decline.
- Output remained flat in agriculture, forestry and fishing.



(Source: ONS, 13 May 2020)



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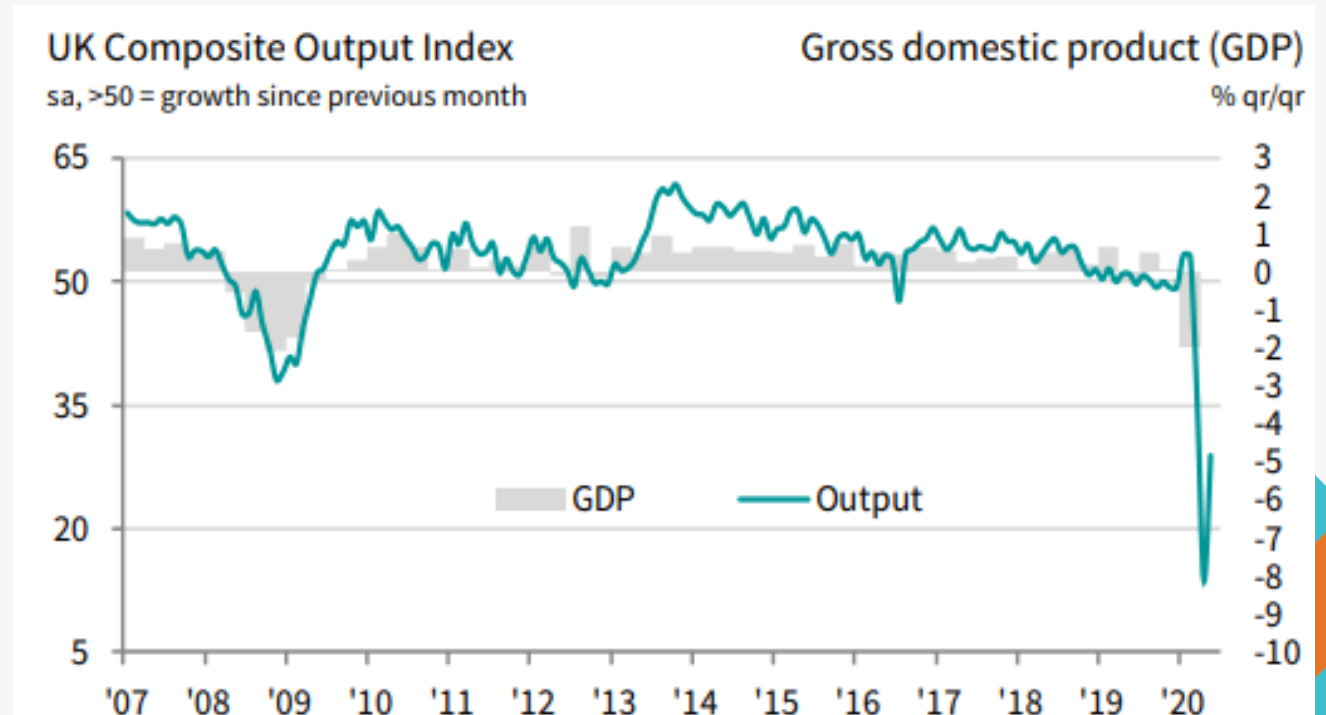
National impacts and outlook

Purchasing Managers Index (PMI)

In April 2020, UK Composite Output PMI recorded its **sharpest contraction since records began in 1998**, with composite PMI levels significantly below those registered during the Global Financial Crisis. This fall stabilised somewhat in May 2020, but is still well below historic levels.

The graph on the right illustrates the United Kingdom's Composite Output PMI - which is a combination of the Services and Manufacturing PMIs.

UK Composite Output PMI



(Source: IHS Markit/CIPS UK Composite PMI, ONS, May 2020).

Note: The PMI is a measure of the prevailing direction of economic trends. It is based on a monthly survey of supply chain managers across 19 industries.



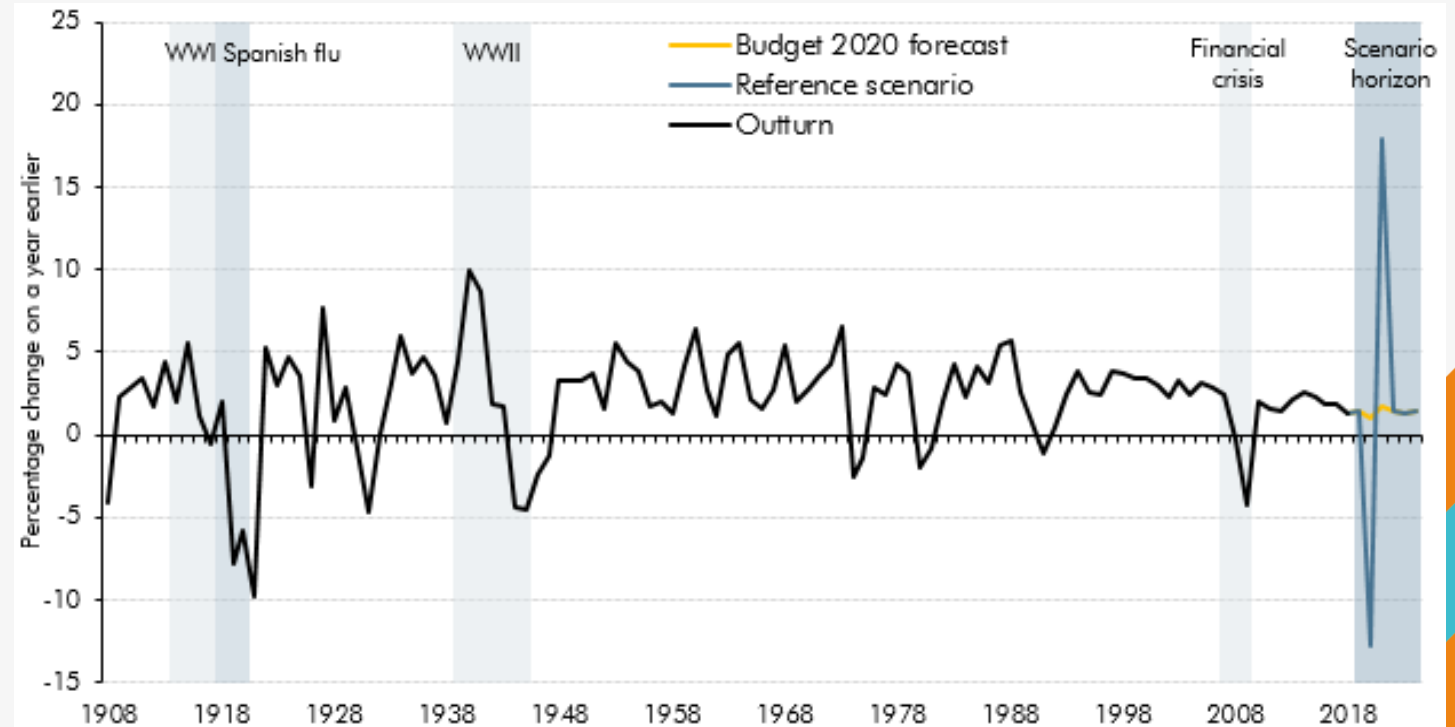
Office for Budget Responsibility Analysis

OBR models a sharp economic decline with Real GDP falling 35% in the second quarter but bouncing back quickly. - resulting in an annual GDP decline of 13% in 2020.

This level of decline would comfortably exceed any of the annual falls around the end of each world war or the Global Financial Crisis.

There are a number of external estimates of the potential impact of the COVID-19 outbreak, which mostly point to double-digit falls in UK GDP, although the range of estimates is large. The OECD for example estimate that UK output could fall by 26% and that consumer spending could fall by 37%.

GDP decline in historical perspective



Source: Bank of England, ONS, OBR

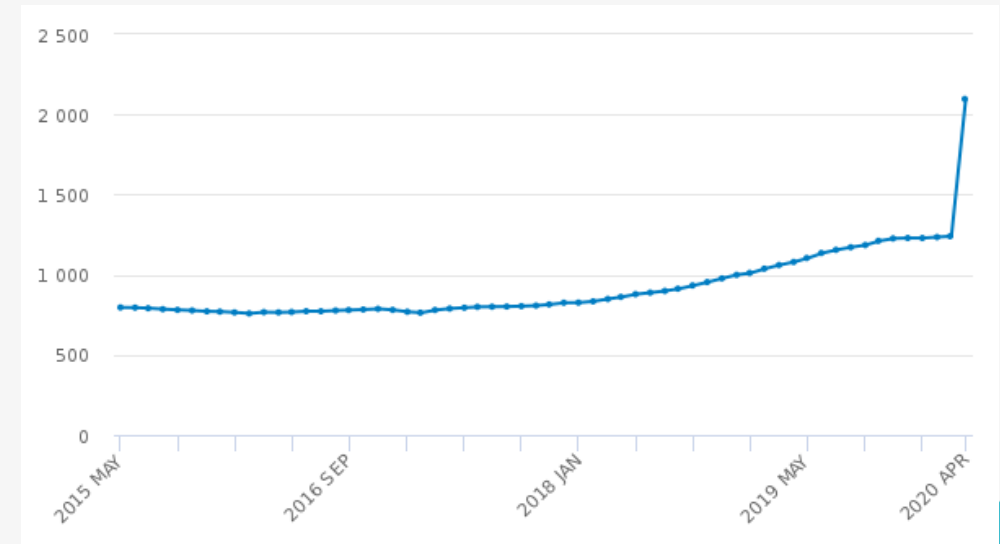
Note: The OBR published a comprehensive Covid-19 analysis for the UK economy on the 14th April which were subsequently updated on 14th May.

Since the start of the COVID-19 pandemic, there has been unprecedented levels of demand for Universal Credit

- 2.6 million individual declarations to Universal Credit from 1 March 2020 to 5 May 2020.
- Whilst there is still an increase in volumes compared to normal business, these are now beginning to fall.
- 95% increase in claimant unemployment if all registrations became claimants.
- 69.1% increase in data which covers claims for Jobseeker's Allowance and those claimants of Universal Credit stating they are "searching for work". This is experimental DWP claimant data (see graph) from March to April 2020.
- Between **1.5 and 2.0 million jobs lost** due to COVID-19 is estimated by the IES, with unemployment increasing to at least 2.5 million, or **7.5% of the workforce**.

National outlook: UK people

Unemployment Benefit – Claimant Count

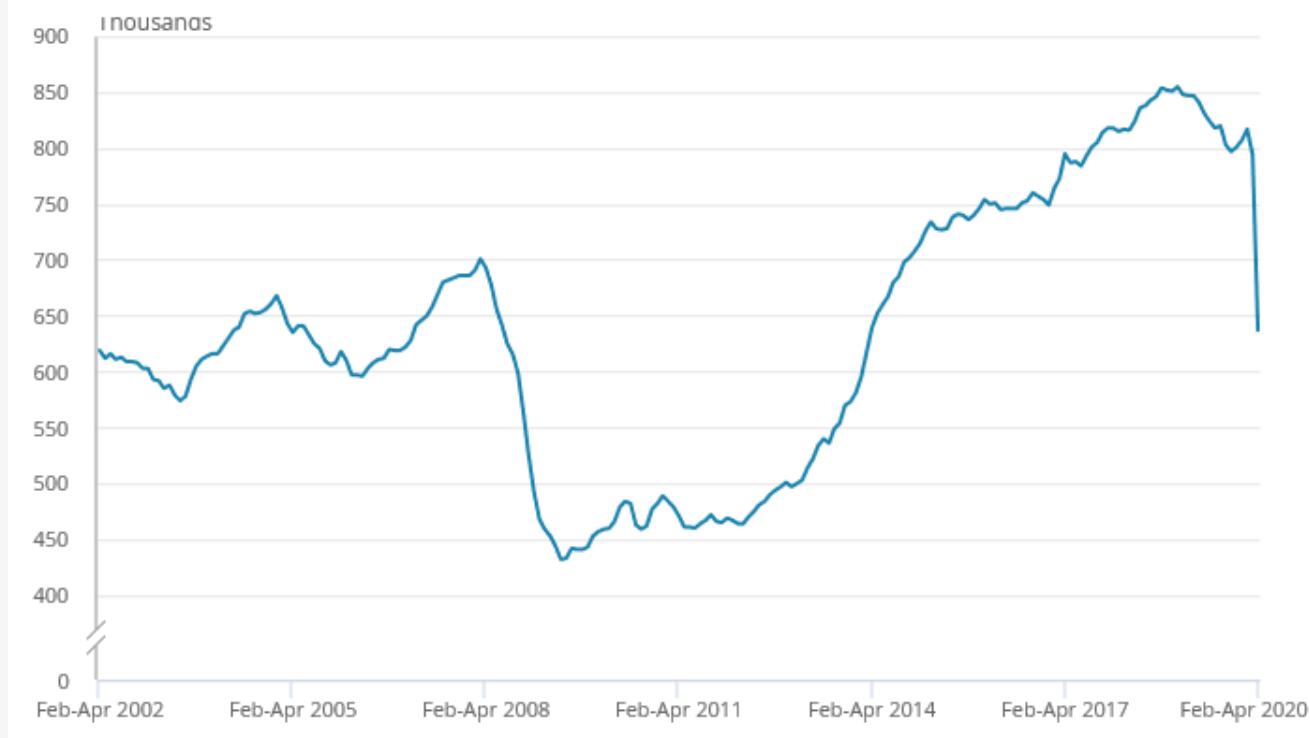


country	January 2020	February 2020	March 2020	April 2020
United Kingdom	1,215,555	1,255,770	1,268,620	2,117,360
Great Britain	1,185,840	1,225,855	1,238,420	2,061,030
England	1,014,875	1,050,875	1,063,505	1,768,540

(Source: ONS, 19 May 2020)

National outlook: UK people

Number of vacancies in the UK, seasonally adjusted, between February to April 2002 and February to April 2020



(Source: ONS, 19 May 2020)

Vacancies dipped significantly, with an estimated 637,000 vacancies in the UK in February to April 2020, 170,000 fewer than the previous quarter.

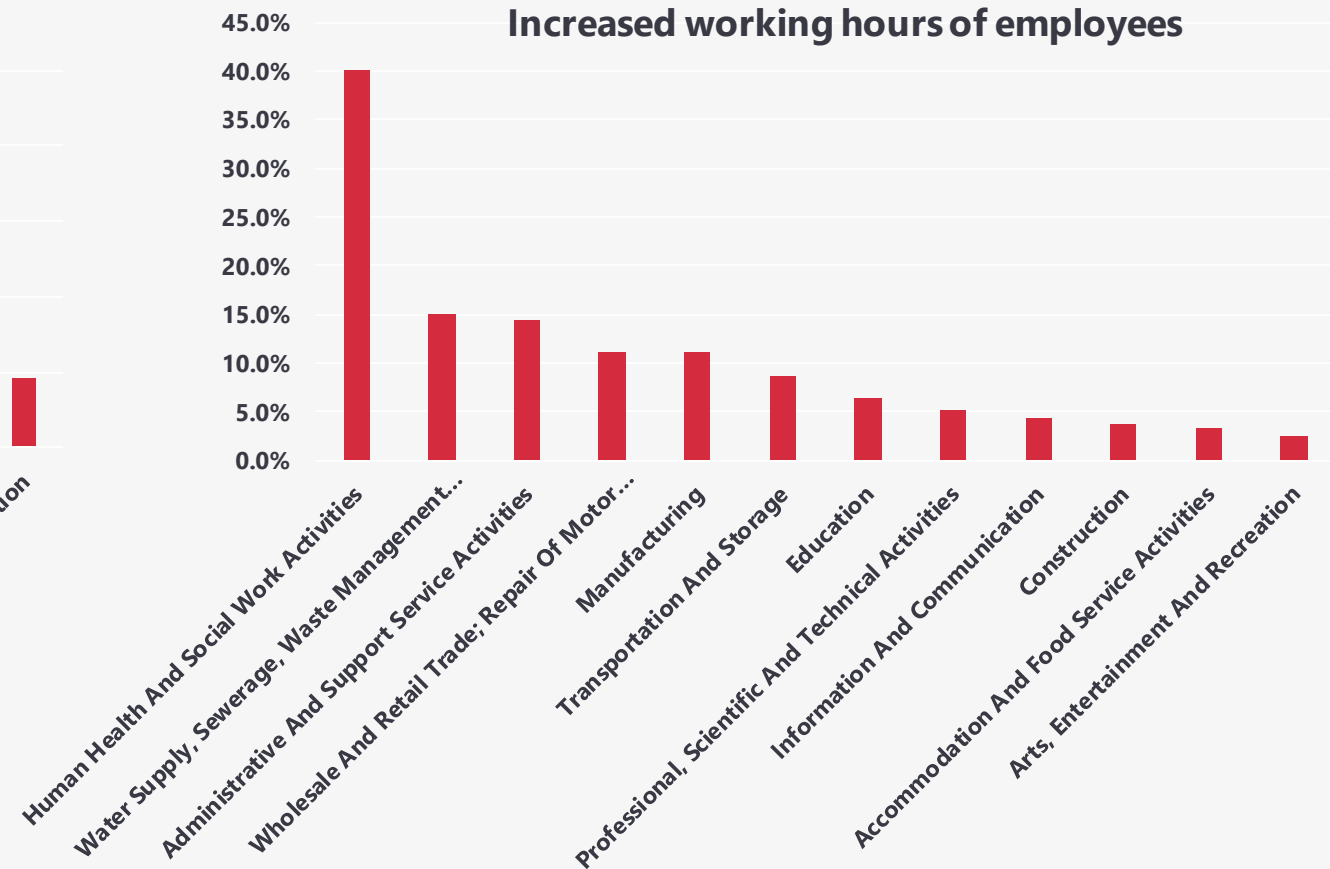
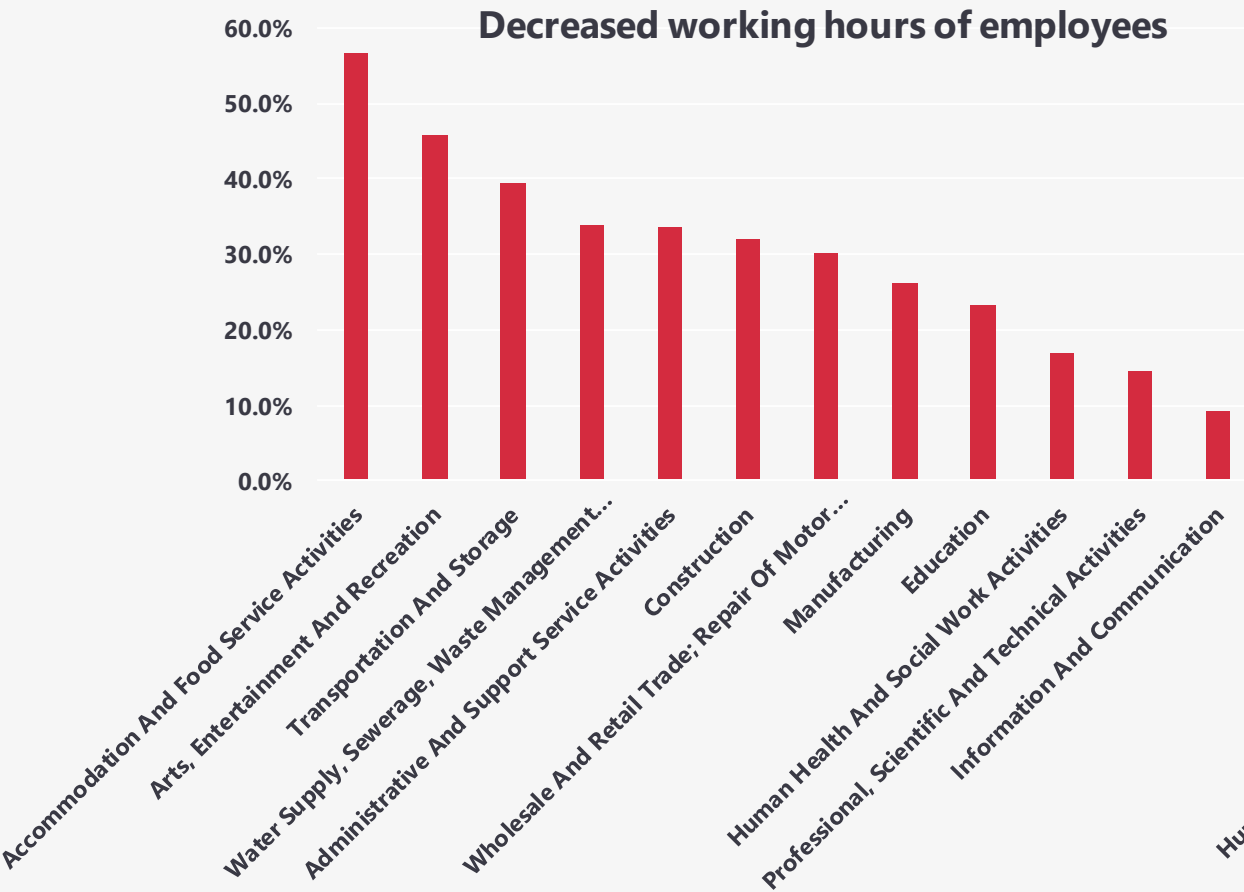
Recent PAYE data suggests that the number of paid employees fell by 1.6% when compared with March 2020.



National outlook: UK people (young people)

- 25% of young people claim their future career prospects have already been damaged by the coronavirus crisis, while half (49 per cent) say it will be “harder than ever” to get a job.
- 43% of young people say their anxiety levels have increased due to the pandemic and a 1/3rd say they are overwhelmed by feelings of panic and anxiety on a daily basis.
- 47% say they don’t feel in control of their lives, significantly higher than findings from just five months ago, supported by L’Oréal Paris which showed that 38% felt this way.
- 54% of young women sharing that they don’t feel in control of their lives compared with 42% just five months ago, so the effect on women appears greater.
- 52% of respondents believe the pandemic will make their generation stronger and more resilient and thus remain hopeful and optimistic about the future, even during lockdown.

In the UK, the total number of hours worked in Jan-Mar 2020 dropped by 12.4 million hours (1.2%) compared with the previous year. This was the largest annual fall in a decade. The fall in hours worked occurred as lockdown measures were introduced, with average hours around 25% below usual levels in the final week of March. The graphs below show estimates of the impact by industry based on the ONS Business Impact Survey.



Business impact and access to government support

In the latest ONS BICS* survey, **79%** of businesses reported continuing to trade, while **20%** reported they had temporarily closed or paused trading. This differed little between the size of businesses. Of businesses continuing to trade, **61%** reported a decrease in turnover outside of normal range in England.

The majority of firms responding to the BCC survey (15 May) were in a position to partially restart operations as lockdown restrictions are eased. **83 %** reported that they know some or a lot of details about government guidance on working safely. **37%** reported they can implement the guidance and fully restart, and **45%** that they can partially restart. 85% had received payment from furlough scheme.

By 31st May **45,843** loans had been issued to SMEs through the CBILS worth **£8.92bn**, **191** large businesses had been approved for the CLBILS worth **£1.1bn**, and **699,354** loans were approved for the BBLS worth **£21.29bn**

Latest insights from CBI suggest that firms are continuing to seek clarification on issues such as workplace guidance, the impact of the track and trace systems and the two week quarantine period.

(*Business Impact of Coronavirus (COVID-19) Survey for the period 20 April to 3 May

National outlook: UK business

Major companies have entered administration including:

Carluccio's (2,000 staff), Brighthouse (2,400 staff), Laura Ashley (70 store closures, 268 redundancies, 1700 furloughed) and Debenhams (22,000 staff)

Significant redundancies announced in past few weeks, including:

British Airways (36,000), Tui (8,000), Ryanair (3,000), and P&O Ferries (1,100) , Ovo Energy (2,600), Rolls Royce (9,000+ globally)

Major companies also furloughing significant numbers of staff, including:

Barratt (5,500), British Gas (3,800) and Redrow (1,800 +200 redundancies)



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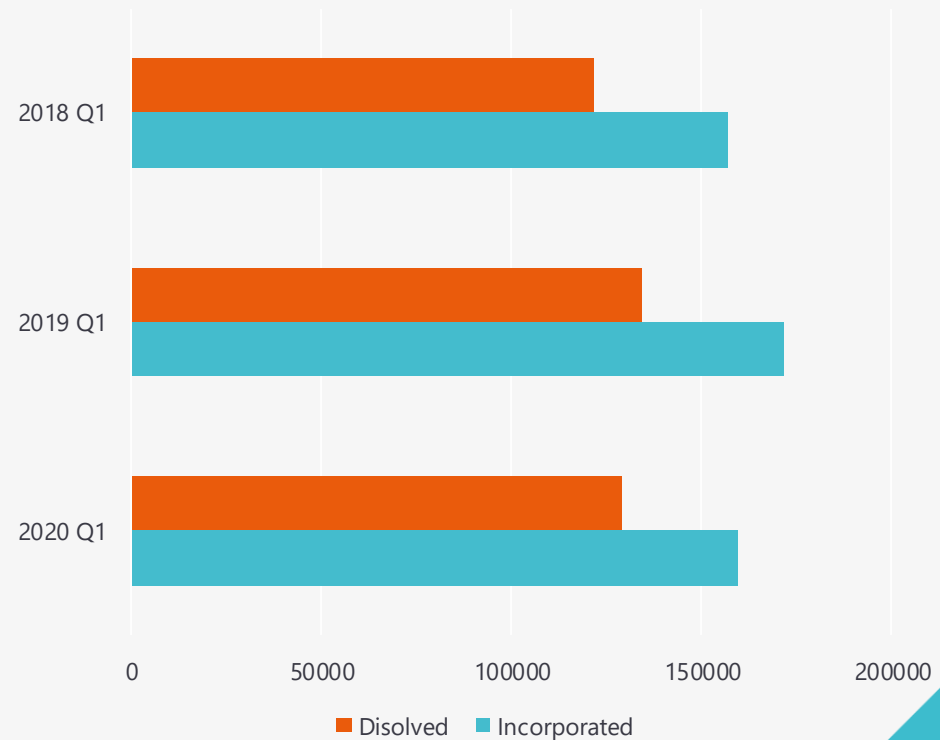
A 3% decline in net company gain from Q1 2019 to Q1 2020 (19% in 2020 Q1 v 22% in 2019).

Number of businesses incorporated in Q1 of 2020 was lower than 2019, with over 10,000 less, but at similar levels to 2018, with c2,500 more incorporations in Q1 2020 than 2018.

However, tentative data suggests the impact of COVID-19 (Mar/Apr incorporations) sees a possible decline of c.18% from the same period in 2019.

Q2 data should be available late July which will give a clearer picture of the impact of COVID-19 on business births and deaths.

National outlook: UK business



(Source: Companies House, May 2020)

National outlook: Environment

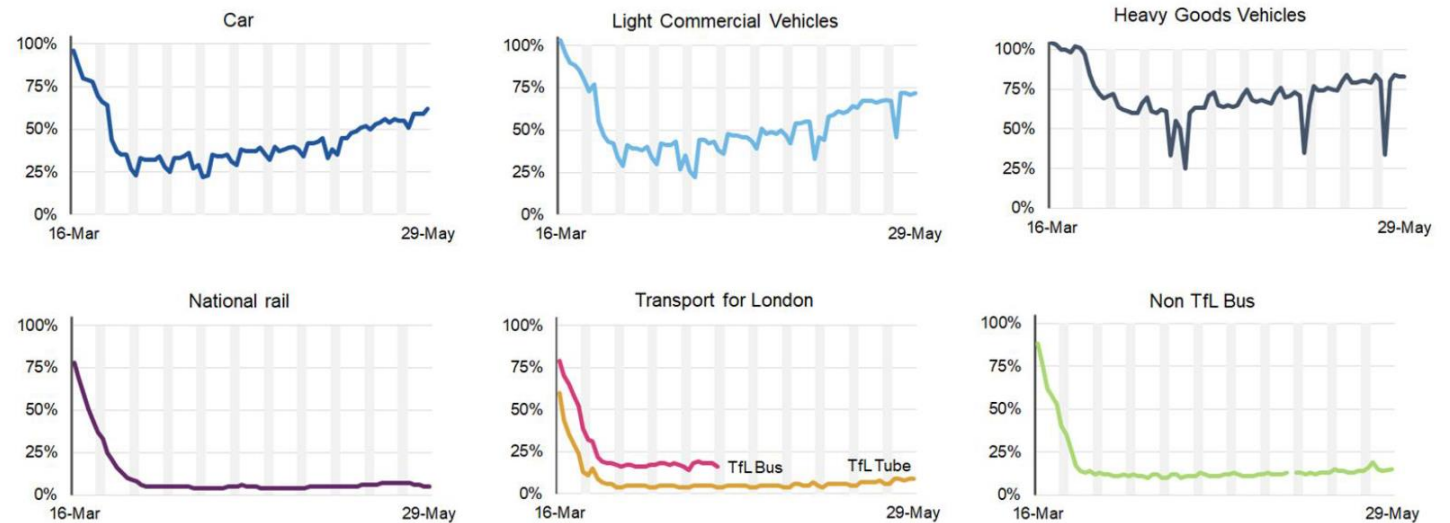
The changes in living and working patterns during the COVID-19 pandemic are likely to have had a significant effect on air pollution in the UK. Analysis by Sia Partners (May 2020) found that daily CO₂ emissions in the UK dropped by 36% during the COVID-19 lockdown

While many of the impacts will be short term, there are opportunities to promote a 'green recovery' which reduces carbon emissions and harnesses some of the changes brought about through lockdown.

There is potential for this to have positive impacts on behaviour going forward, for example 22% of drivers said they would use their cars less after lockdown (AA Survey).

Government are also bringing forward a national cycling plan for publication in early June, in line with the statutory Cycling and Walking Investment Strategy to help double cycling and increase walking by 2025. Many LAs are considering/ implementing local schemes.

Changes in transport use (Great Britain)



Transport data is indexed to the equivalent day in either January or February 2020 (Traffic and Buses) or 2019 (Rail). Shaded areas represent weekends.



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Greater South East economic impact

What does this mean for the Greater South East economies



Greater South East and London

- The Greater South East LEPs recognise that there are a range of shared challenges and priorities for them to pursue
- The size, geography and economic make up of the region presents a complex picture in terms of the impact of COVID-19
- Data from the Purchasing Manager's Index (PMI) suggests that the South East of England **is less exposed to industries forecasting major contraction**
- However, the impact on certain industries will be felt particularly strongly in the Greater South East. For example aviation employs 14,600 people in this region and it handles 61% of UK PAX
- The **GSE+London economy is also more reliant on self-employment**. 1.9m are self-employed: own or run a business as main source of employment (which is 12.4% of total people in employment. Higher than UK at 10.8%), and there are 156,200 sole traders (operating on PAYE)
- The impact on **commuting and travel to work patterns** in this region is substantial, with a likely impact on medium-long term behaviours. Currently 500,000 South East residents commute into London to work / 180,000 London residents commute to SE; 380,000 EoE residents commute into London to work / 100,000 London residents commute into EoE
- Crucially, there is a **strong presence of industries that can help boost recovery**, such as ICT and digital; life sciences; and business services, AI and application of new technologies. The Southern LEPs and London contribute 44.7% of the UK's knowledge-based jobs
- Harnessing these opportunities, along with the **delivery of major infrastructure projects and substantial numbers of new homes** could help the region to recover more quickly from the economic impacts of Covid-19.

Summary of impact & outlook for Southern LEPs



DEMAND CONDITIONS

- Although higher share of workers capable of WFH – 70% are not capable
- Slightly lower overall share of workers affected by shutdown compared to nationally
- Aviation impact: Heathrow, Gatwick, Stansted, London Southend
- Hospitality & tourism
- Admin & support services
- Arts, entertainment & recreation

RISKS

- Hospitality & tourism: further lockdown / restrictions, incl. international tourism
- Aviation restructuring
- Retail environment: jobs & town centres

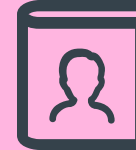


TRADE AND SUPPLY CHAIN DISRUPTION

- Significant industries at risk: utilities, food & drink, freight & logistics,
- International HQs and multinational firms – risk of restructuring, knock-on impacts of US recession
- International gateway role

RISKS

- Reduced business activities under distancing procedures
- Supply chains affected by shutdown / international transport disruption



UNEQUAL IMPACT AND PROSPECTS

- Starting with lower base of unemployment compared to UK average and other parts of UK
- Ability to WFH remains a minority in terms of the workforce (30%)
- Younger people more affected by furlough and redundancies

RISKS

- Reduced job openings & change in skills requirements
- Youth unemployment
- Acceleration of automation
- Reduced opportunities, marginalisation and disadvantage in labour market



RECOVERY

- ICT, digital, science & technology, life sciences, financial and business services – all major strengths for Southern LEPs, less affected by shutdown and likely to recover faster
- Likely office workers will continue to face restrictions
- For some businesses – conversion of ST debt into LT debt an advantage
- How long will households remain cautious on spending?
- Global capabilities: stronger for international trade, value added markets and operations

RISKS & OPPORTUNITIES

- U or L shaped recovery
- Risks of corporate and industry restructuring
- Transport provision, distancing and London lockdown
- Sourcing materials, supplies, and skills



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Sectoral Impacts

Latest information on the impact on industry and those sectors facing the most significant challenges



Beginning to see industry impacts



Airlines furloughing staff or implementing redundancies - British Airways plans to make up to 12,000 redundant, Ryanair up to 3,000, TUI c.8,000, Wizz Air 1,000 & EasyJet c4,500. Stansted airport has seen a 99% reduction in passenger numbers. Gatwick is at risk of losing three long haul airlines.



Collapse in advertising revenue prompts restructuring in TV and media industry - Channel 4 to make £245m in savings, big cuts to programming budget, and furlough 100 staff. ITV to furlough 800 (15%) of staff.



Housebuilders beginning to furlough bulk of staff - Barratt furloughs 4,000, Redrow 1,800, MJ Gleeson 450, Mace 800, Alpine 1,000+.



IT recruitment services reporting major reduction in advertised vacancies. New candidate registrations on the CV-Library site have risen by 10 per cent year-on-year, even though job searches for new positions in the IT industry dropped by 6.7%.



Manufacturers are calling for greater and faster financial support from Government -Almost 9 out of 10 predicting a drastic decline in production volumes and a similar number (85%) expecting sales to drop over the next six months.

UK output losses by sector in Q2 2020

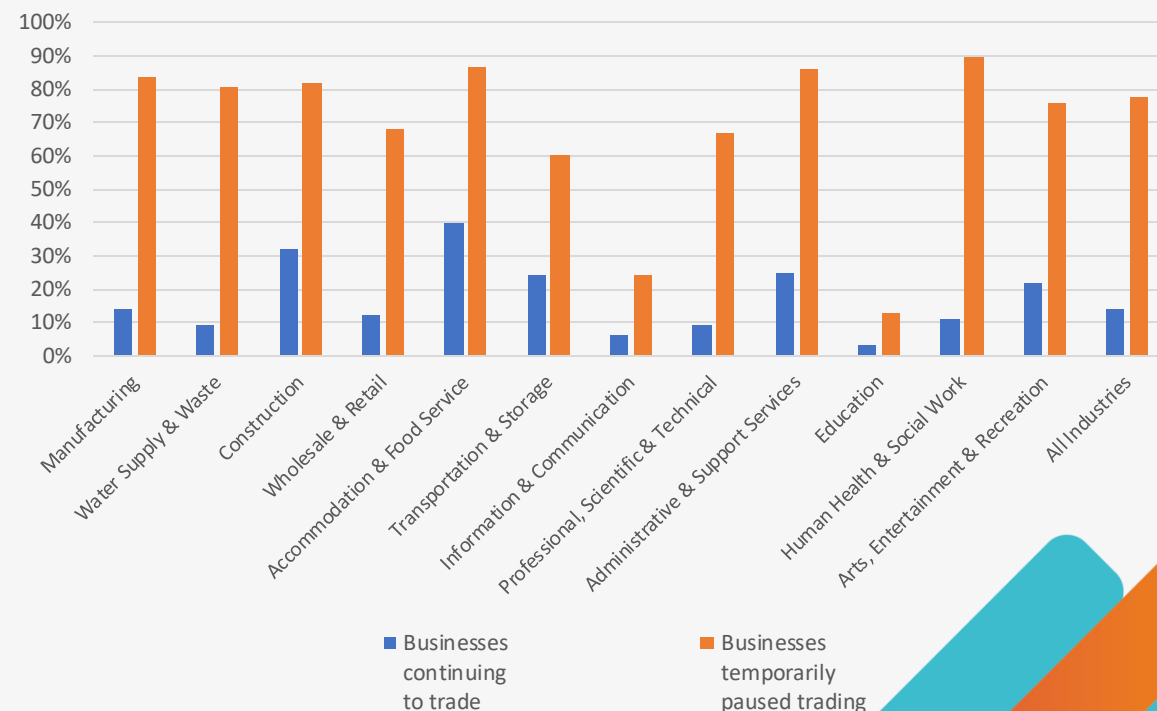
Sector	Per cent	
	Weight in whole economy value added	Effect on output relative to baseline
Agriculture	0.7	0
Mining, energy and water supply	3.4	-20
Manufacturing	10.2	-55
Construction	6.1	-70
Wholesale, retail and motor trades	10.5	-50
Transport and storage	4.2	-35
Accommodation and food services	2.8	-85
Information and communication	6.6	-45
Financial and insurance services	7.2	-5
Real estate	14.0	-20
Professional, scientific and technical activities	7.6	-40
Administrative and support activities	5.1	-40
Public administration and defence	4.9	-20
Education	5.8	-90
Human health and social activities	7.5	50
Other services	3.5	-60
Whole economy	100.0	-35

Based on OBR estimates the most negatively impacted industries are **accommodation and food services, education, construction and manufacturing.**

Note: OBR produced an estimate of the share of output that could be lost in each industry in Q2 2020, utilising estimates of the shares of key workers and those able to work from home in each industry, with further adjustments for childcare and absences due to illness.

National sector impacts

Proportion of Staff on Furlough Leave by Sector



(Source: ONS Data April)

- **Accommodation and food & construction** seeing highest furlough of those continuing to trade.
- **Human health & social work** has the highest furloughed of those that have temporarily ceased trading.
- **Education and IT sectors** have seen the lowest proportion of staff furloughed for both those trading and that have temporality paused.

Schools in the UK closed to most pupils from 20th March and colleges and universities have moved to remote learning.

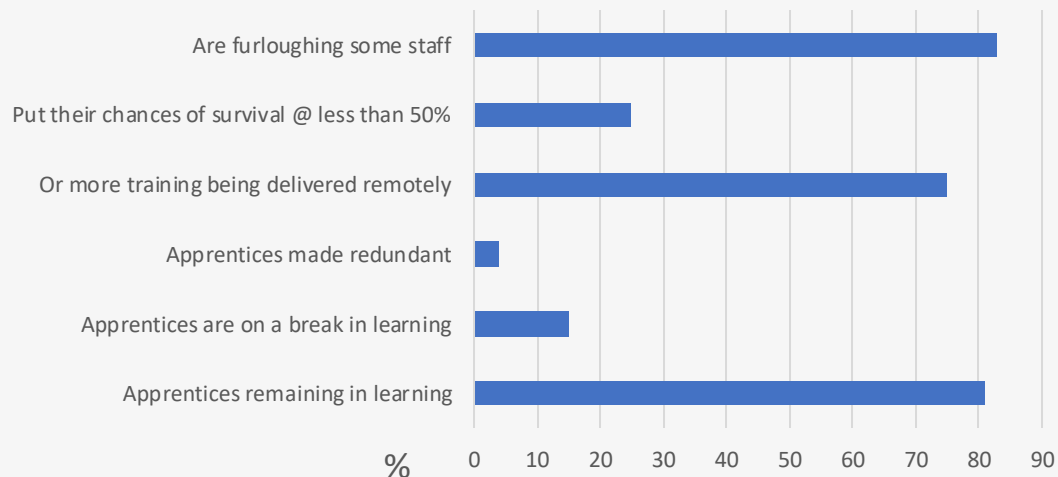
£2.5bn is the reduction expected by Universities expect for 2020/21 and a hit of **£790M by the end of summer**. They have asked Government to double research funding to **£4bn to boost revenues**. (Oxford Economics)

81% of apprentices remain on programme, with **15%** on break and **4%** made redundant. (AELP survey)

Nationally, Education has furloughed the lowest proportion of staff at just over 10%. Likely due to publicly funded and teachers supporting online.

In SELEP, **64%** said they were affected by cash flow, **61%** by access to customers and their biggest concerns going forward were lost income and possible cessation of trading (responses likely to be from private training providers).

FE & Skills Providers



Role in the Economy	157,641 jobs across SELEP and output of c.£5.9bn. 6.6% of SELEP economy v 5.8% nationally
Impact/ Resilience	<p>90% reduction in outputs predicted by OBR for Q2. Highest of any sector.</p> <p>Universities are hard hit with up income from fees at risk and more than half of staff in the sector in insecure employment.</p> <p>The South East (region) will see biggest impact outside London.</p>
Opportunities	<p>Move to remote learning – more than 3/4 of FE learning delivered remotely. HE having moved to this model also.</p> <p>Higher unemployment and retraining needs could see student numbers rise significantly.</p> <p>Many universities supporting the COVID-19 response and there are increased opportunities for R&D.</p>
Outlook	<p>Short -Loss of income and employment (FE/HE) New working methods</p> <p>Medium -Schools, college, universities to gradually reopen and student numbers return</p> <p>Long -Some institutions cease trading Students numbers grow due to retraining demand Digital investments improve online capabilities</p>

40% of staff in this sector, of those businesses continuing to trade, are furloughed. 87% of those temporarily ceased.

28% of all employees in coastal towns in England & Wales work in these sectors*. (Centre for Towns)

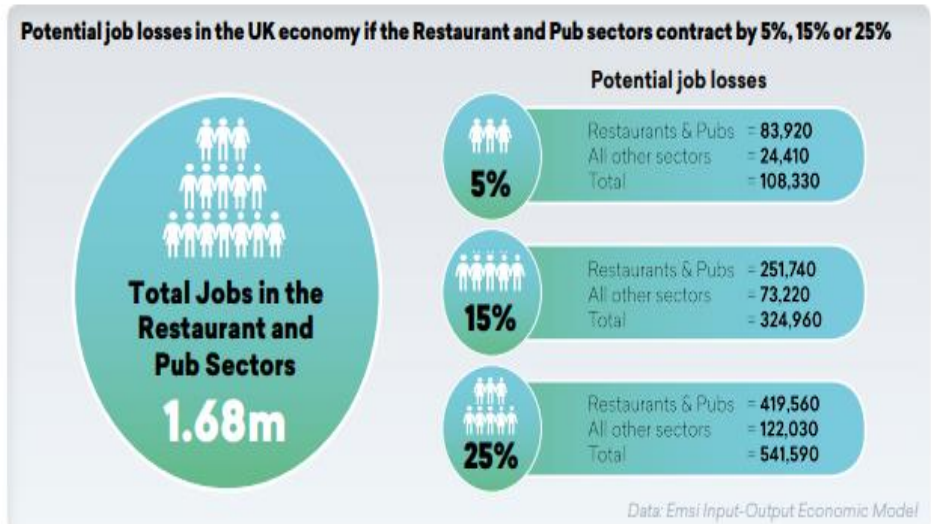
55% of employees seen decreased hours. Highest of any sector.

25% contraction of employment (over 400,000)

5% job loss (as predicted nationally) would be **6,105** jobs in SELEP
500,000 seasonal hires cancelled.

27% said they had taken no contingency measures. Only sector in SELEP where this was the highest proportion. (SELEP survey)

Biggest concerns are lost income, cash flow and possible cessation of trading.



Accommodation & Food

Role in the Economy	122,117 jobs across SELEP and output of c.£3.5bn. 3.9% of SELEP economy v 2.8% nationally
Impact/ Resilience	85% reduction in outputs predicted by OBR for Q2. 2nd highest sector. Big impacts on this sector due to ongoing constraints on human interaction Inevitable geographical variation due to prominence of employment in this sector e.g. tourism spots Elements on this sector will be the last to return
Opportunities	Potential increase in domestic travel could offset income lost by international travel constraints/ ongoing consumer behaviour changes. Opportunities for adaptation and diversification e.g. Amsterdam example.
Outlook	Short – Risk of losing a full season of trade. Cash flow and viability issues, especially for SMEs. High likelihood of cessation of businesses. Medium - Demand increases as restrictions loosened, although likely to take time. Maybe more from domestic than international. Long – Adaptation of services. A reduction in enterprises could see increased trade and could reduce price competition.

*Note: *Accommodation, non-food retail, pubs & restaurants and arts & leisure. SE and EOE regions have 20.2% and 19.7% of people employed in these sectors, respectively*

32% of staff, the 2nd highest proportion, are furloughed for businesses that are still trading.

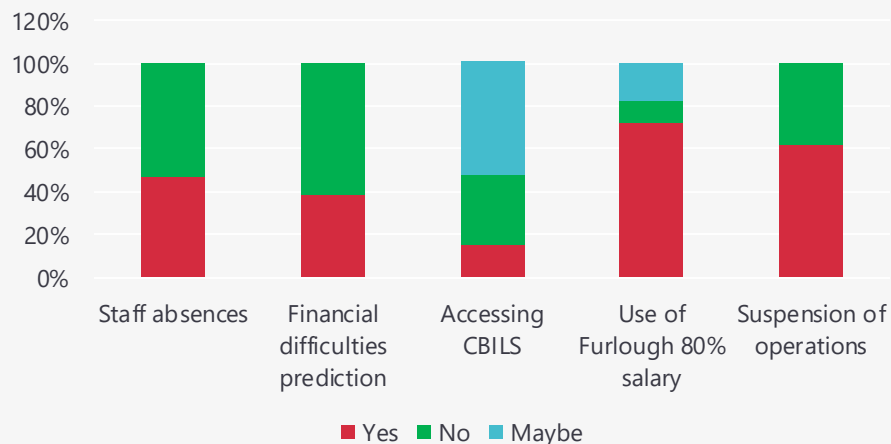
Only **15%** stated they would be accessing Government's CBILS.

40% said that the greatest help the market could provide is the payment of invoices to support cash flow. Public support needed is alternative grant funding and supply of information.

74% in SELEP said their cash flow was affected, with big impacts in access to customers and supply chain. Going forward lost income and cash flow remain their main concerns.

Construction is the biggest sector in SELEP by enterprise, making up 17% and with c.95% being micro.

SAP representative voiced concerns over reduction in apprenticeships.



Role in the Economy	106,595 jobs across SELEP and output of c.£9.3bn. 10.4% of SELEP economy v 6.1% nationally.
Impact/ Resilience	<p>70% reduction in outputs predicted by OBR for Q2. 3rd highest sector.</p> <p>Due to the size of the sector in SELEP v nationally, we could see biggest impacts.</p> <p>Suspension of operations (by 62% of businesses). Biggest reason (23%) due to main contractors closing sites.</p>
Opportunities	<p>Large scale of planned development could see big opportunities for SELEP to lead economic recovery, with this sector at the forefront (linked to MPG)</p> <p>60% of companies said they were confident of surviving the next year. 62% adopting new procedures to do so, which would support supply chain availability.</p> <p>Could provide key route to job creation, retraining and redeployment of those hit by redundancy.</p>
Outlook	<p>Short – Large number of staff furloughed, cash flow issues. Criticism for ‘flouting’ lockdown initially.</p> <p>Medium – Possible challenges with supply chain and implementing ongoing COVID-19 secure rules. Impacts of prolonged quarantine on availability of foreign workers.</p> <p>Long – Often a sector that supports economic recovery. Job creation and opportunity for accelerating innovation.</p>

Only **14%** of staff have been furloughed, of those continuing to trade.

More than **80%** of SMEs said they expected a fall in income, with significant falls in employment, investment, turnover & profits compared with Q3 2019.

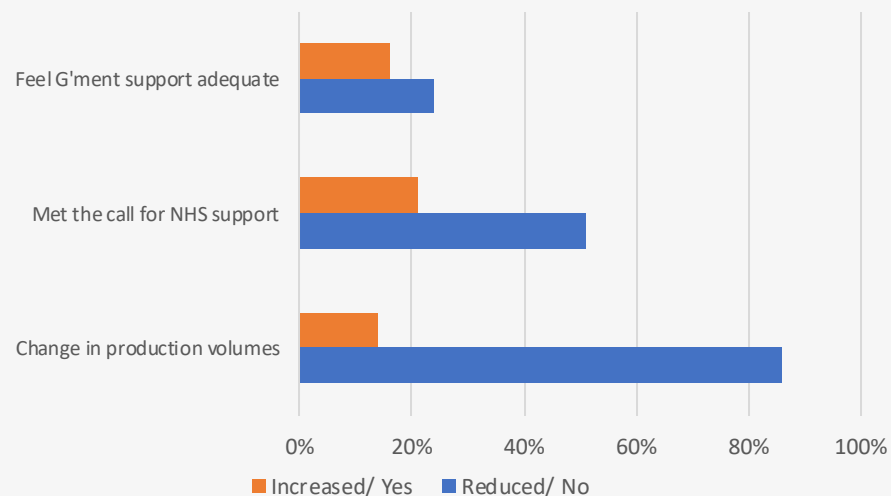
86% seen a reduction in production volumes.

84% stated that more financial help was needed.

63% of business in SELEP stated supply chain and cash flow were their biggest impacts, with reduced productivity being their main concern.

70% said their primary measure has been to have new/flexible ways of working, closely following 57% with additional hygiene supplies.

Manufacturing is the 7th highest sector by enterprise in SELEP, making up 7%, with 82% being micro.



Manufacturing

Role in the Economy	109,413 jobs across SELEP and output of c.£6.6bn. 7.4% of SELEP economy v 10.4% nationally.
Impact/ Resilience	55% reduction in outputs predicted by OBR for Q2, 4 th highest sector. Many SMEs predicting a significant fall in employment, investment, turnover and profits. Industry variation with some seeing decrease in demand e.g. aviation; whilst others seeing surges e.g. food, plastics.
Opportunities	Opportunities for diversification to respond to changes in demand. Investment in new technologies and practices that both drive productivity advancements but also support COVID-19 secure compliance.
Outlook	Short – Cash flow issues. Industry variation depending on products and Medium – Possible challenges with supply chain and implementing ongoing COVID-19 secure rules. Long – Often a sector that supports economic recovery with job creation. Opportunity for accelerating innovation.

90% loss of income overnight by freelances and artists, with little reserves.

60%+ of businesses saying they're expecting a 50%+ decrease in turnover this year.

40% report an entire loss of income as a result of pandemic

Expectation that the culture sector will be last to return with over

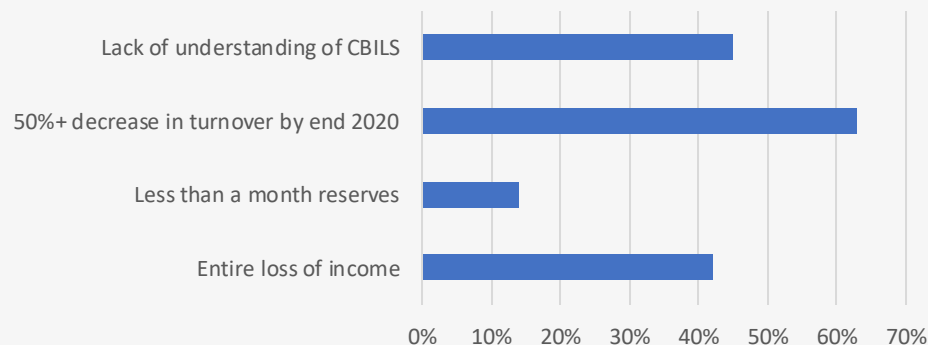
45% decrease in employee hours worked. 2nd biggest sector decrease.

£160M of emergency funding made available through the Arts Council England but won't cover all businesses.

Many charities in the sector are not eligible for CBILS because their trading income falls beneath the 50% threshold.

£120M was earmarked by Government for the 2022 Festival of Britain.

Sector calls for this to be used to support businesses through the crisis instead.



Arts, Entertainment & Recreation

Role in the Economy

40,459 jobs across SELEP and output of c.£2bn.
2.3% of SELEP economy v 2.4% nationally.

Impact/ Resilience

Sector has higher proportion of freelance workers, which have been badly affected.
Expectation of large decreases in turnover.
Likely to be one of the last sectors to return due to ongoing restriction on human interaction.

Opportunities

Opportunities for diversification to respond to changes in consumer demand.
Creation of new commercial models E.g. more digital/online experiences.
Changes to workspaces to support more flexibility and reductions in ability/desire to commute.
Seize greater benefits from those already seen by businesses working together more as a single team, with the geographic distances have disappeared.

Outlook

Short – Cash flow issues. Mass closures and loss of earning for self-employed.

Medium – Possible challenges with ongoing change to consumer behaviour (forced or voluntary), supply chain impacts and implementing COVID-19 secure rules.
Challenge of moving from free online content in short term to re-commercialising going forward.

Long – Likely need for adaptation and innovation for products and services on a permanent basis.

3.2% reduction in exports to EU markets and 7.8% to the rest of the world, but this is prior to full COVID-19 measures being imposed.

25-30% reduction in deep sea container reduction by in February/March. This is expected to pick up now the Chinese economy active again.

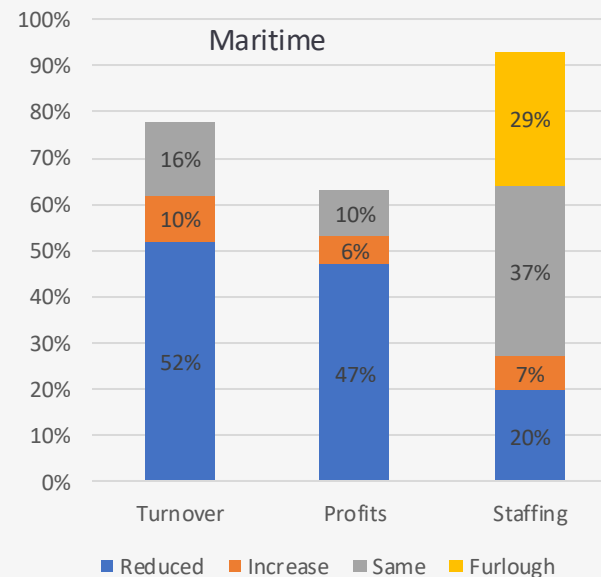
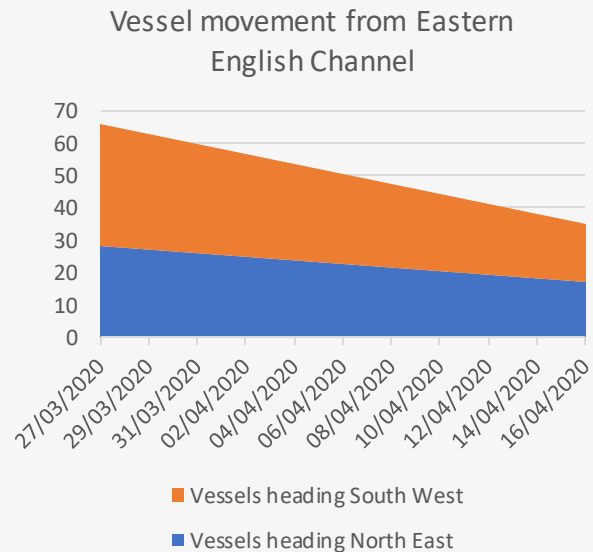
47% reduction in vessel movement from the Eastern English Channel.

58% increase in air freight costs (using the example of the price from China to London % during March)

40% decrease in employee hours worked. 3rd higher sector.

80% in SELEP said that cash flow was affected most, with this and lost income being the largest concerns going forward.

C.50% of companies in maritime reported reduced turnover and profits. With almost 30% saying they were planning to furlough some employees.



Transport & Logistics inc. Maritime

Role in the Economy

97,274 jobs across SELEP and output of c.£5.3bn.
5.9% of SELEP economy v 2.3% nationally.

Impact/ Resilience

35% reduction in outputs predicted by OBR for Q2.
Industry variation with some seeing decrease in demand e.g. public transport and other seeing an increase e.g. delivery of goods.
Pre-COVID-19 exports were already down

Opportunities

Investment in new technologies and practices that both drive productivity advancements but also support COVID-19 secure compliance.
Live policy opportunities E.g. Freeports

Outlook

Short – Cash flow issues. Industry variation depending on products and
Medium – Possible challenges with supply chain and implementing ongoing COVID-19 secure rules.
Long – Could be a sector that supports economic recovery. Job creation and opportunity for accelerating innovation.



SOUTH EAST
LOCAL ENTERPRISE
PARTNERSHIP

SELEP/Local economic impact

What does this mean for SELEP and our local/regional economies





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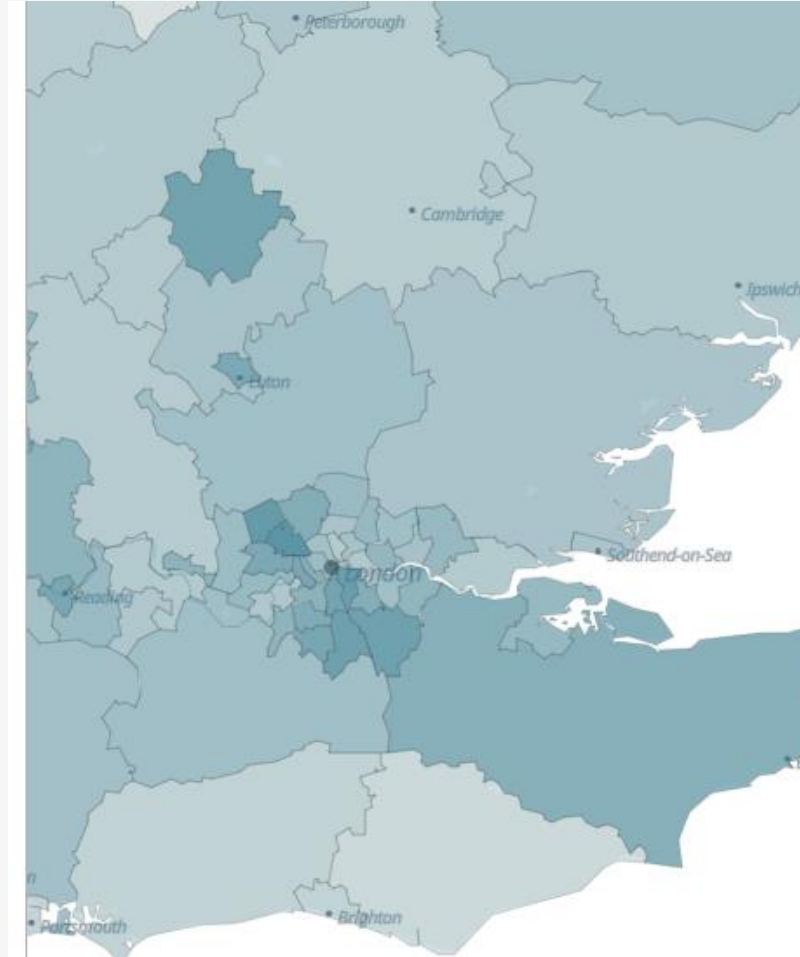


SELEP Confirmed COVID-19 Cases: 10,460 - 3.8% of the UK total.

(Source: GOV.UK, 01/06/2020)

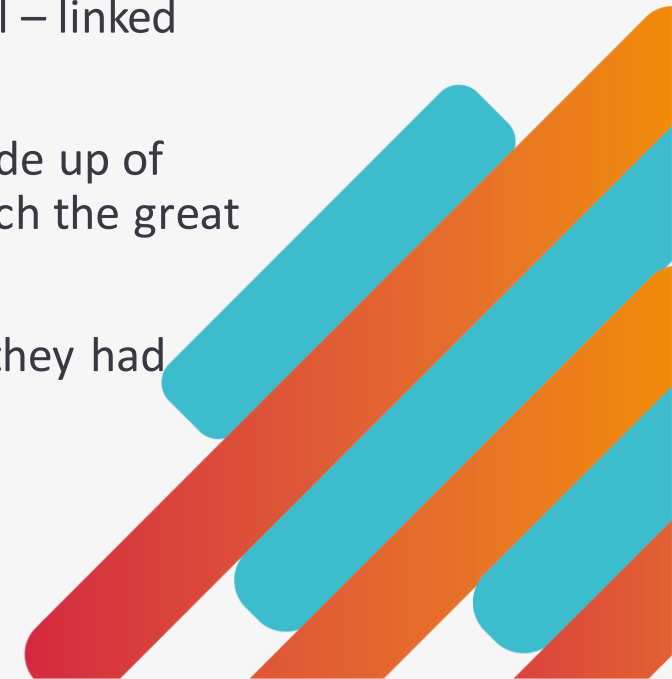
- East Sussex has 716 total cases and an infection rate of 129.1 (the rate noted here and below is the number of infections per 100,000 resident population).
- Essex has 3,249 total cases and an infection rate of 219.9.
- Kent has 4,989 total cases and an infection rate of 318.
- Medway has 764 total cases and an infection rate of 275.
- Southend-on-Sea has 404 total cases and an infection rate of 221.4.
- Thurrock has 338 total cases and an infection rate of 195.9.

SELEP headlines



(Source: GOV.UK, 01/06/2020) The darker shaded areas have higher Infection rates per 100,000 of resident population.

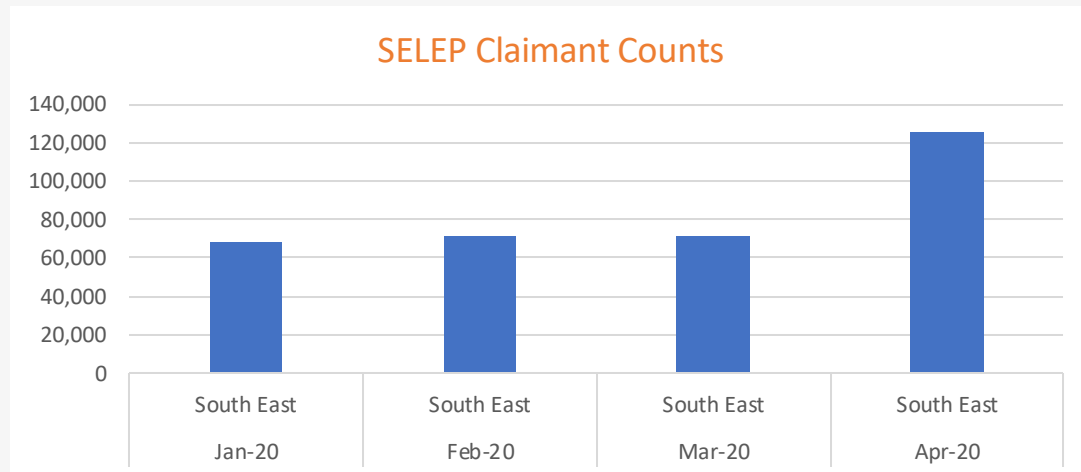
- The South East LEP is a major contributor to the UK economy providing c.£90billion GVA per annum. A contraction of our economy at a similar level to that forecast by the OBR of 13% in 2020 would be a loss of £11.7billion.
- The SELEP economy is considerably diverse, but some of our most significant sectors are amongst the most affected. Construction and transport and logistics have particularly high relative concentrations of employment, along with strengths in manufacturing and food production. Across much of the South East, the tourism industry is also substantial – linked with the coast, as well as our cultural offer.
- SELEP is home to approximately 170,000 businesses, which is overwhelmingly made up of small enterprises. 90% of our businesses employ nine or fewer employees, of which the great majority employ fewer than five.
- 98% of businesses that responded to the SELEP Business Impact Survey said that they had been impacted by COVID-19.



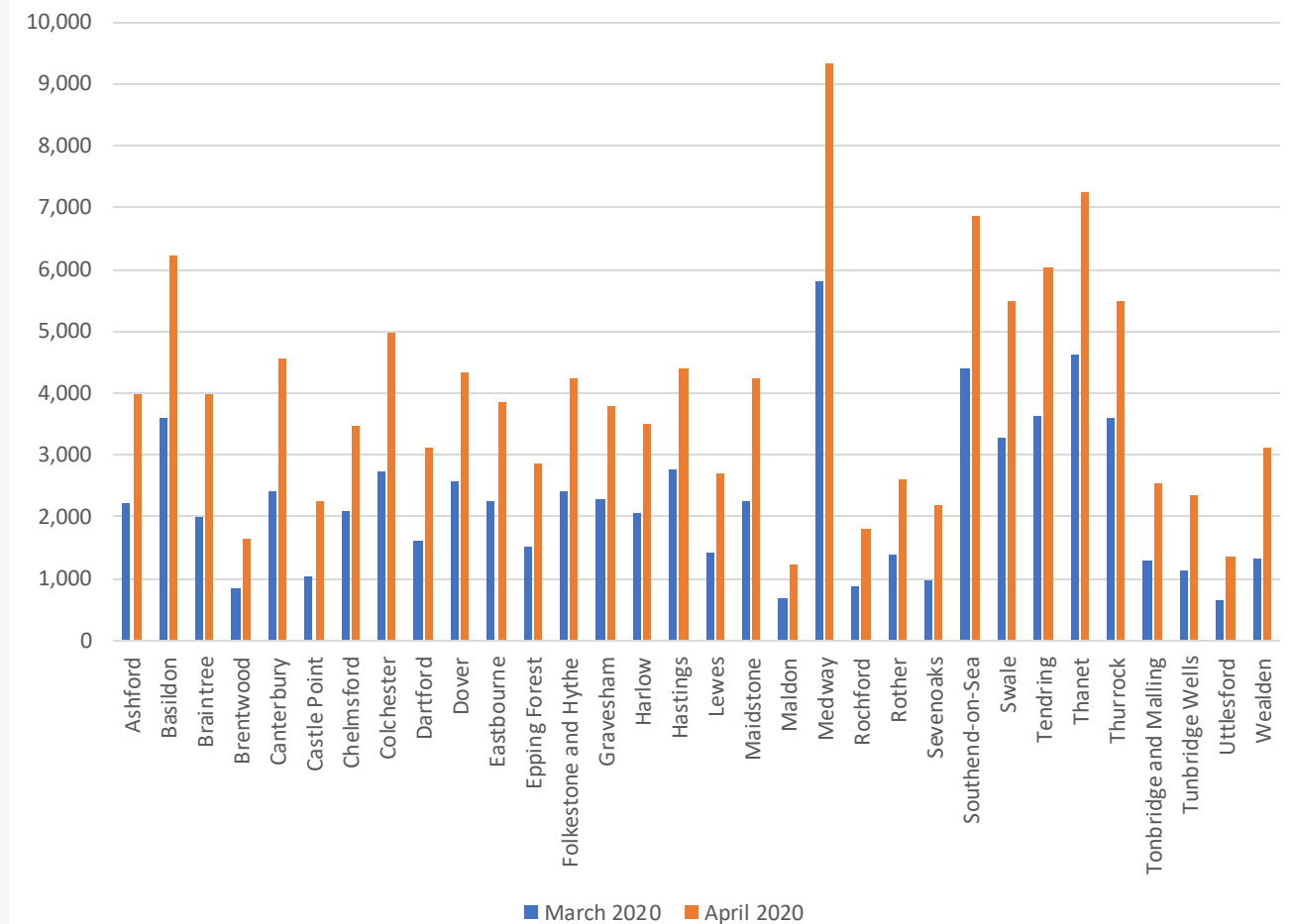
ONS data suggests that there was a **75% increase in the number of benefits claimants** in our area between March and April 2020.

Current (April) universal credit claims in the SELEP area are **125,735**, having risen from 71,750 in March.

There are large disparities across SELEP – e.g. from 9,325 in Medway and 7,245 in Thanet to 1,215 in Maldon.

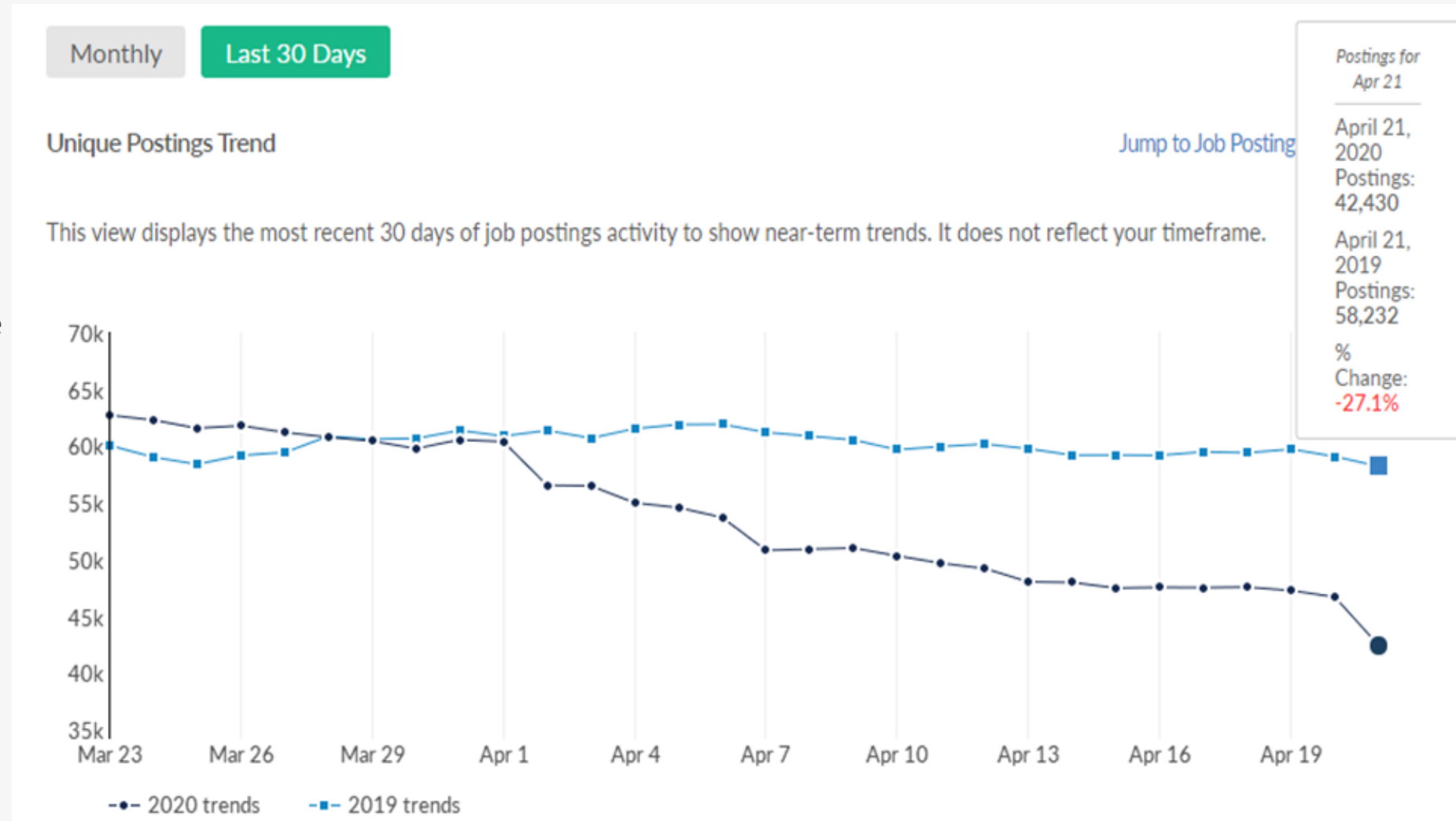


Benefit claims locally



(Source: ONS, 19th May)

- Sharp decline in jobs postings across the SELEP area in a single month compared with same period last year. **27% decrease** in April 2020.
- The top 10 job postings include nurses (5,727), care workers (4,640), Primary & nursery teachers (3,968), sales & BD managers (2,811) and van drivers (1,955).

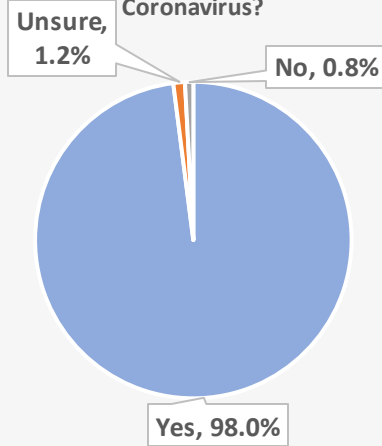




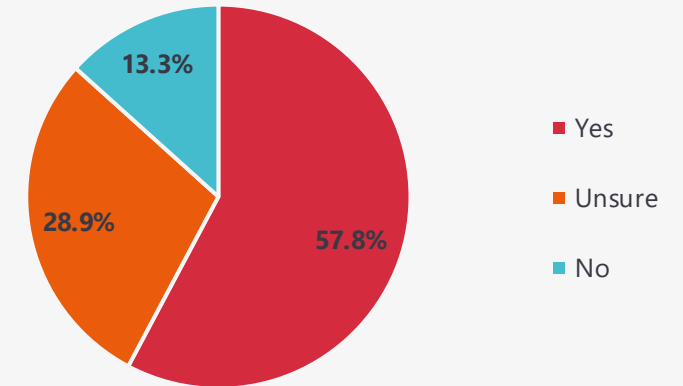
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LOCAL ENTERPRISE
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Results of SELEP COVID-19 business surveys

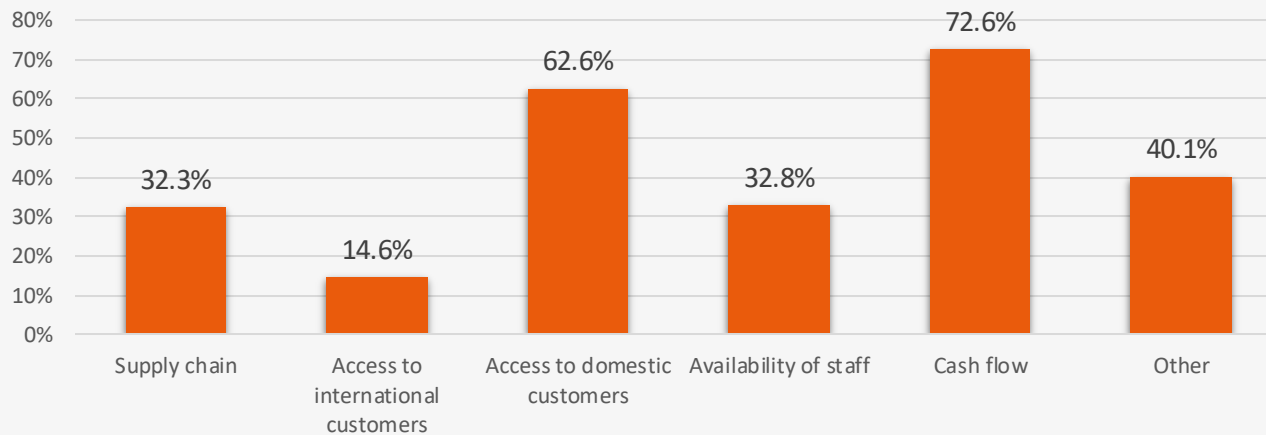
Has your business been affected by the Coronavirus?



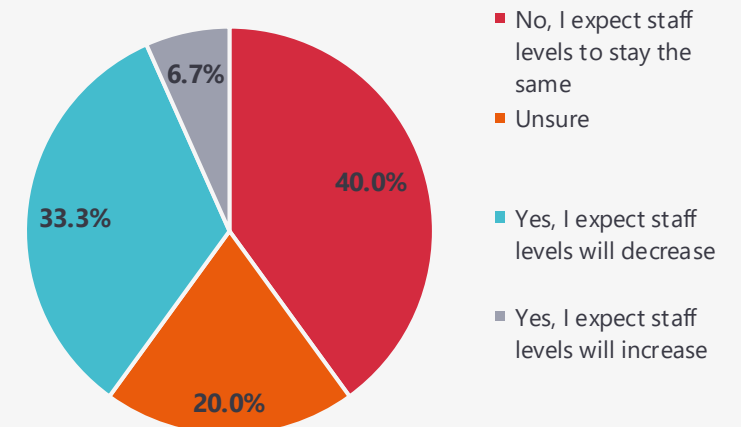
Will your business change the way it operates or delivers services in the future, as a result of COVID-19?



In what ways has your business been affected so far?



Do you expect any impact to your staffing levels in 12mths time?



The SELEP COVID-19 Business Impact Survey (23rd March - 27th April). 591 responses were received.
The COVID-19 Business Recovery Survey (14th May- live). 90 responses to date.



SELEP COVID-19 Business Impact Survey

- Lost income was the biggest concern for businesses, with 42% ranking that top out of a list of concerns. Cash flow and possible cessation of trading were ranked 2nd and 3rd most concerning. However, when asked if the crisis were to continue for longer than two to three months then the possible cessation of trading became the biggest concern (ranked top by 33%)
- 59% of businesses felt that it had been easy to access Government advice on business practice and support, and 70% said they had found it useful
- Navigating finance options was the most common area that businesses said they would welcome advice and support (63%) from the LEP and Growth Hub
- Feedback from businesses also highlighted the following issues and concerns:
 - The impact of forced closure, event/order cancellations, and existing/new project cessation
 - Businesses who require face-to-face customer interaction are experiencing huge drops in demand because they are not equipped or able to provide services remotely, and/or because customers are nervous about having businesses in their homes
 - Government advice is spread across too many different access points, and SMEs are finding it difficult to apply the specifics to their own individual circumstances
 - More support is needed for sole traders and self-employed
 - Inability to pay ongoing bills such as rent, mortgage, utilities, insurances, etc
 - Many businesses who were viable before lockdown are advising of very short timescales until they are forced to close, if they don't receive financial help
 - Impacts on mental health due to uncertainty and worry about potential losses (e.g. business closure, evictions, bankruptcy, IVAs)
 - If the current situation lasts beyond the summer months, SMEs whose trade reduces over the winter period are concerned it will take much longer to be back in a financially stable position, and potentially not in time to avoid complete closure/bankruptcy

SELEP COVID-19 Business Recovery Survey

Feedback to 2nd Survey, May-20

- 31% of businesses were in temporary closure, 31% surviving, 23% transitioning and 12% were indefinite closure. Only 2% were thriving.
- Additional support required beyond that available – **49%** said help in **adapting their business model/ business innovation**, followed by **short term capital (42%)** and purchase of **new equipment (41%)** and **support to comply with COVID-19 guidelines (39%)**.
- Top factors that would influence recovery are **length of time to return to previous market conditions (74%)**, certainty around restrictions (69%), length of lockdown (69%).
- 50% of businesses said they felt they could meet the COVID-19 Secure requirements (76% had seen the guidance)
- 40% expected their staffing levels to remain the same but 33% expected a decrease.
- **58% of businesses said their business would change the way it operates**, with **40%** saying such changes would have an **impact on reducing carbon emissions**.
- **Of those changing their operations, many examples of how were technology based** - ecommerce, online booking, contactless payment, use of video, virtual recruitment, online consumer comms, home working.
- For carbon reduction, most examples related to **reduced travel and greater use of technology**, linked to the above.
- Only 2.2% of businesses said they didn't expect to be operating in 12 months time, but 33% were unsure.
- **27% of businesses felt that the crisis had presented opportunities** for them.
- In terms of measures taken, 60% have furloughed staff, 59% moved to home working and 48% had adapted their operation
- Top schemes secured were self employed income support (50%) and business rate relief (24%) and time to pay (19%).
- Top schemes applied for were self employed income support (34%), bounce back loan (22%) and time to pay (19%).
- CBI data highlights concerns businesses have over test & trace and need for staff to quarantine if notified and calling for a 3 month business rate suspension.

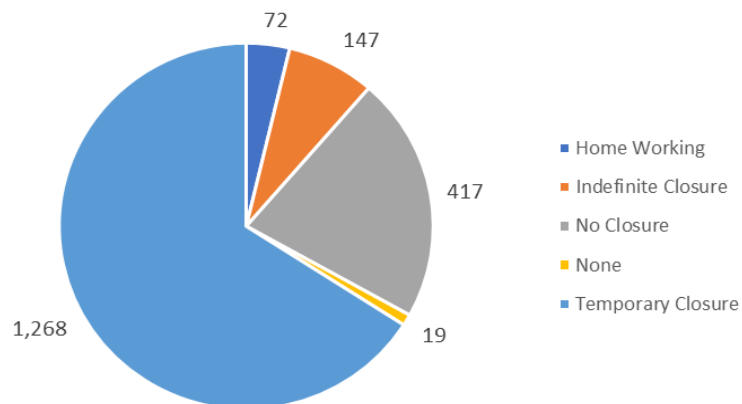


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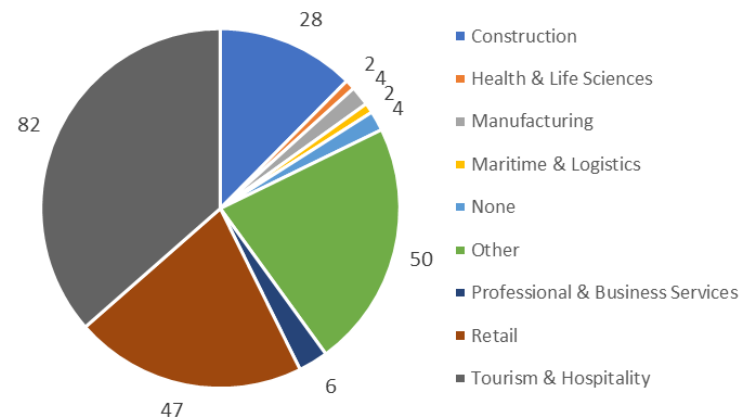
SELEP COVID-19 business support forms

(2,016 responses – as of 01-06-2020)

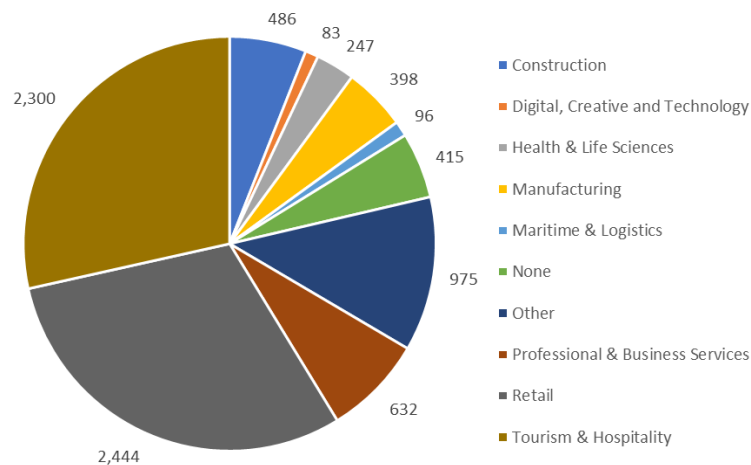
Business Status



Jobs Lost

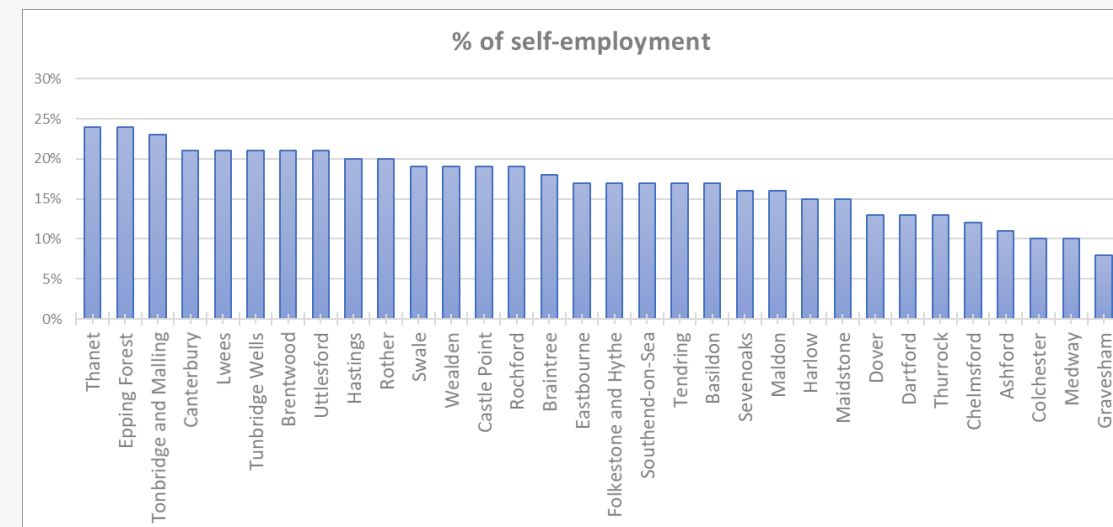
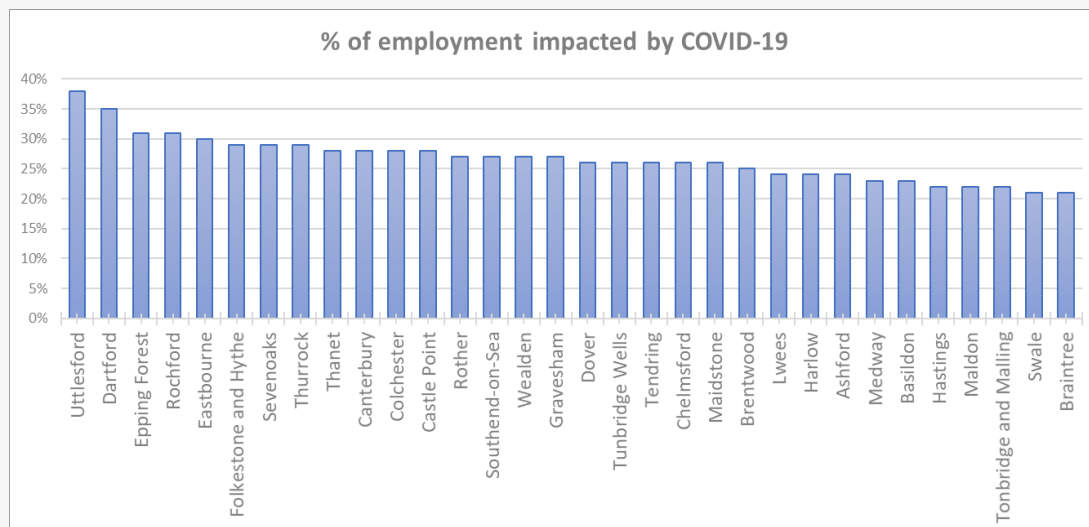
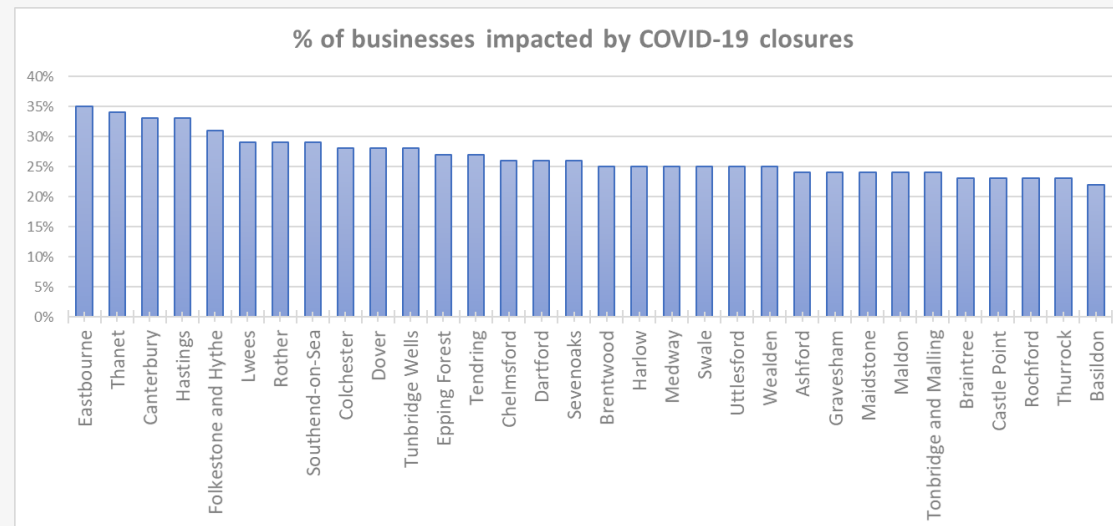


Jobs Furloughed



- The Hatch Regeneris COVID-19 Socio Economic Impact Exposure Report identifies those areas most impacted by the restrictions and guidance introduced in response to COVID-19.
- The areas with the greatest % of businesses (based on ONS business count 2019) impacted in SELEP are predominantly coastal or rural areas.
- The impact on employment (ONS Business register & employment survey 2018) reflects the location of large employers such as Stansted Airport, which has furloughed 70% of staff, and potentially those with large numbers employed in other affected sectors e.g. retail, construction.

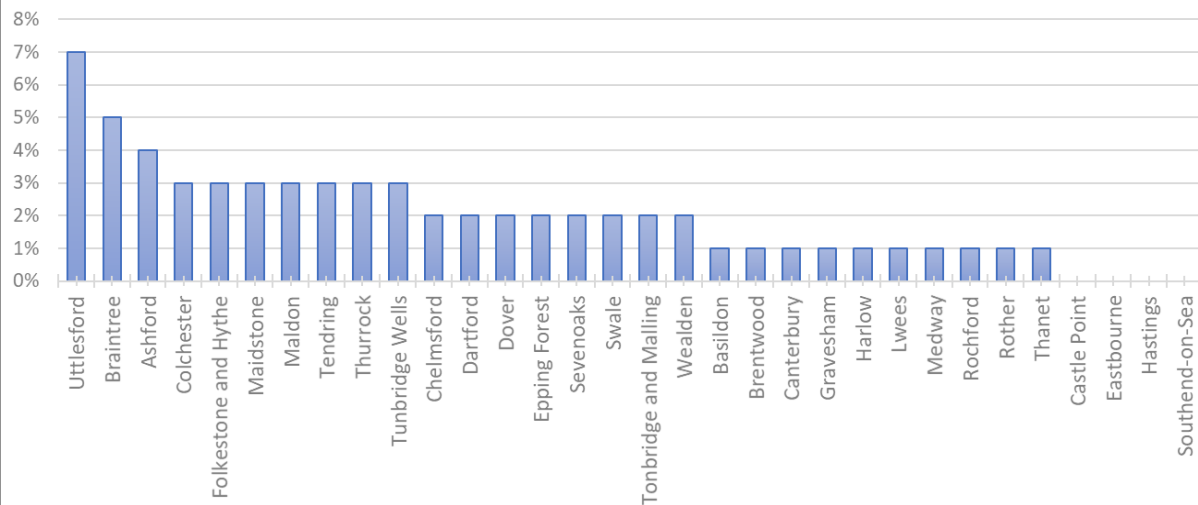
SELEP region COVID-19 impacts



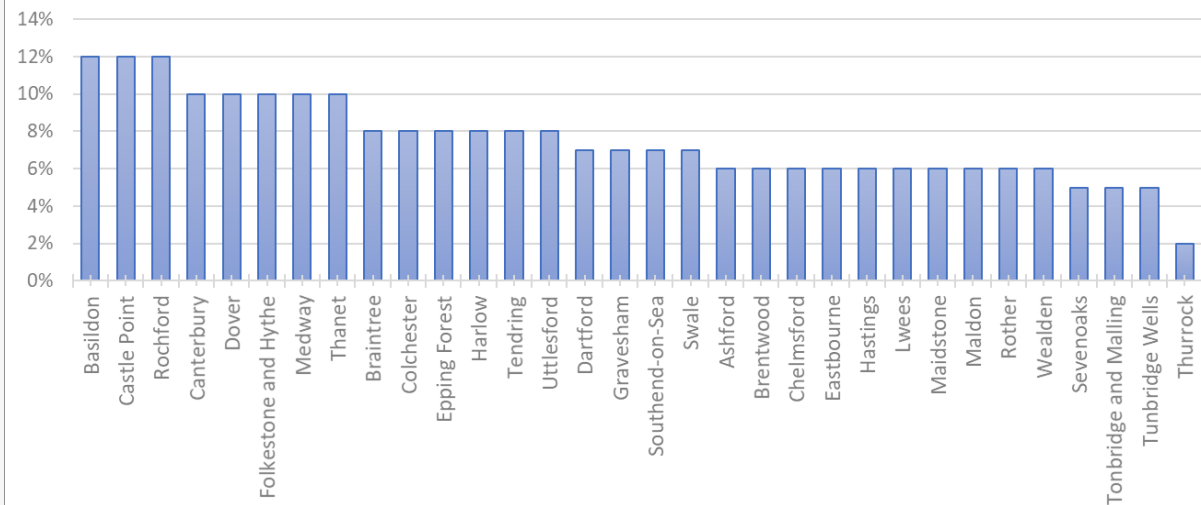


SELEP region COVID-19 impacts

% of premises without adequate* broadband



% who do not use the internet

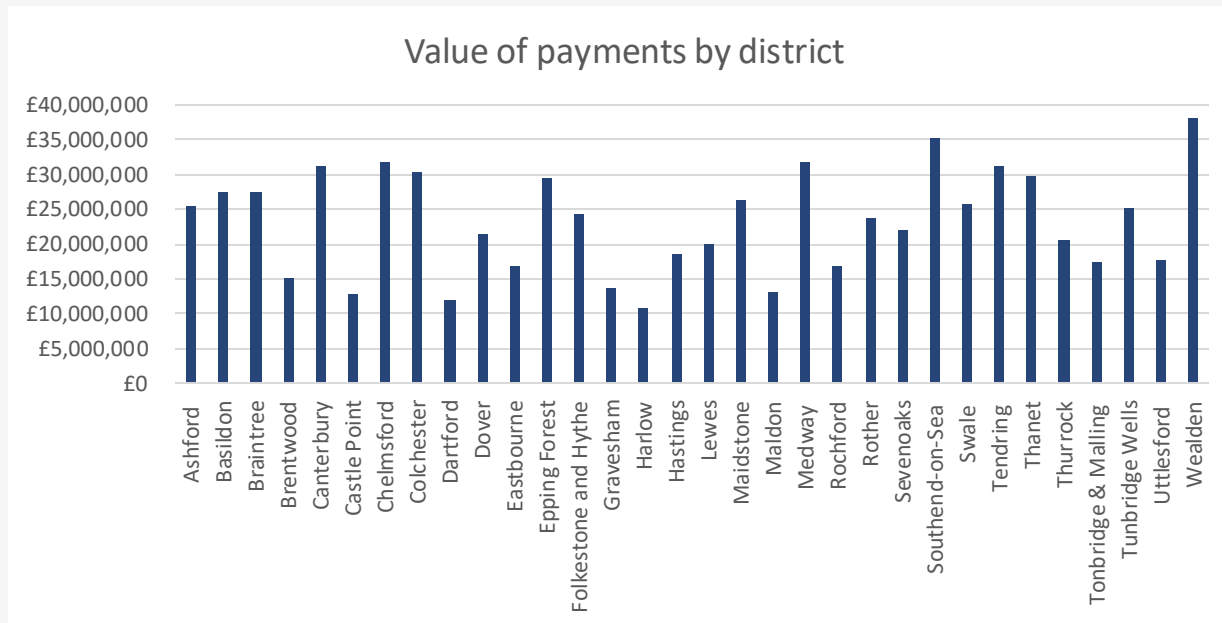


- The Hatch Regeneris COVID-19 Socio Economic Impact Exposure Report also identifies the locations most impacted by limitations relating to internet usage and broadband coverage.
- These issues will be important in enabling residents and businesses to operate and remain connected during the current restrictions and to adapt to the ongoing impacts of COVID-19.

(Source: Hatch Regeneris **COVID-19 Socio-Economic Impact Exposure Report**)

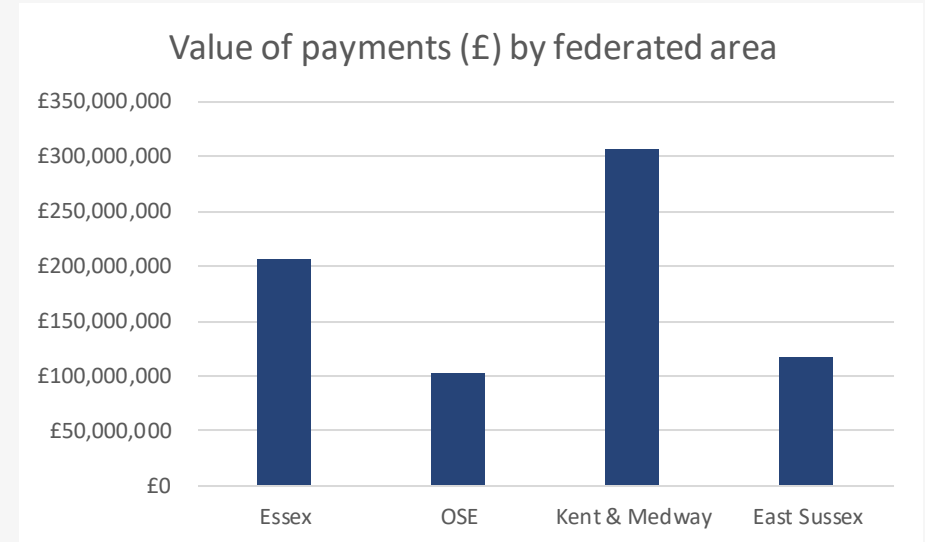
Note: *adequate is defined as not meeting the USO (Universal Service Obligation).

- SELEP received a total initial allocation (IA) of £944,776,000 through the Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Business Grants Fund (RHLGF) schemes
- 61,271 grants have been awarded in SELEP to date, totalling £747,740,000 (79% of IA)
- SELEP LAs have awarded 7.6% of national payments so far

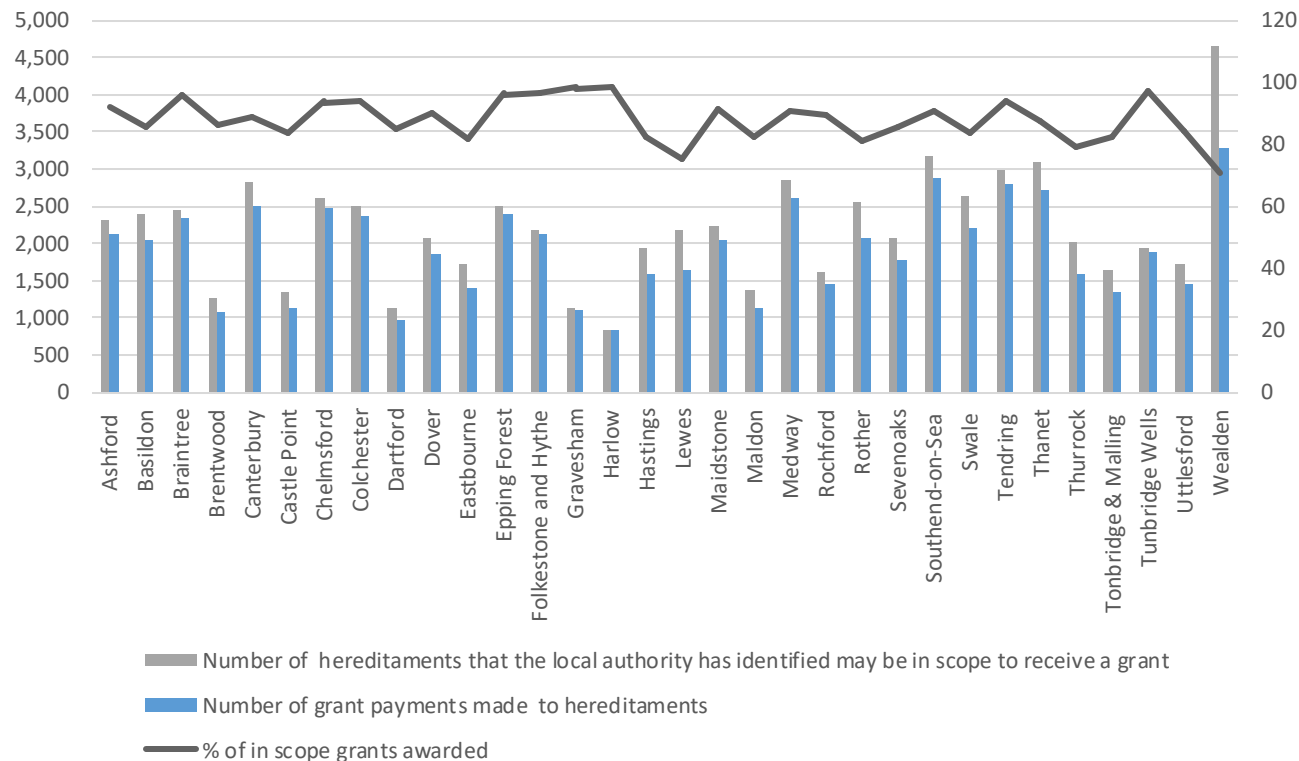


(Source: ONS, as of 31 May)

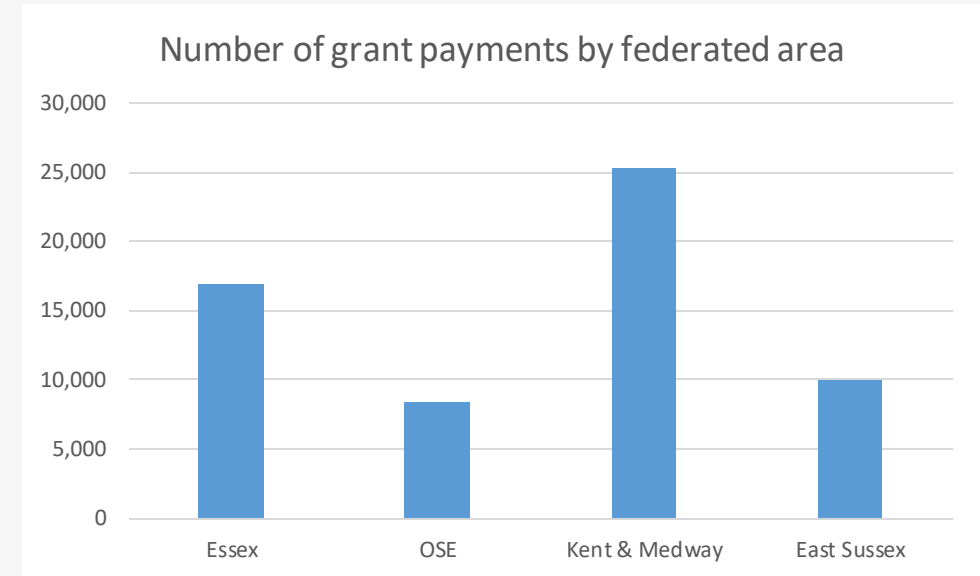
Government Grant Awards



- Tendring had the single highest initial allocation of £80,270,000 and 94% of in scope grants have been awarded (2,802 grants) although the total value is of these is only £31,200,000
- Wealden has the highest number of hereditaments in scope for a grant (4,667), and 70% of these have been awarded so far



Government Grant Awards



(Source: ONS, as of 31 May)

Local economic analysis and response

Each of the four federated areas are considering economic impacts and recovery planning, with some common themes including:

- A need for short, medium and longer term planning based on intelligence
- The importance of communication with businesses to reduce confusion around the range of support at national and local levels
- Enabling business to access available Government schemes and financial support
- The role of the Growth Hub and other local and regional bodies
- Supporting recovery including in relation to particular sectors or business types, skills and labour force, supply chains, digital and ICT, low carbon and business adaptation and innovation
- Consideration of the industries most affected locally
- Longer term impacts include growth opportunities, innovation, new ways of working, impact on employment space, property values and town centres

