

3rd July 2020

Introduction

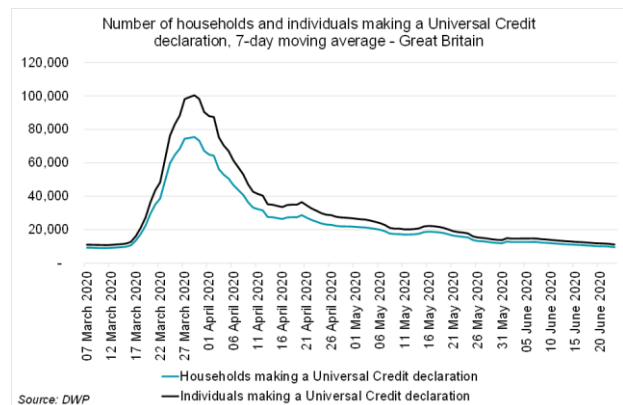
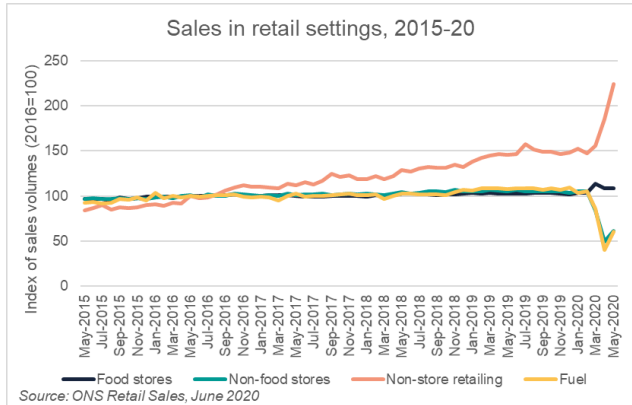
- This report presents the latest developments with regard to Covid-19 for Leeds City Region. It draws on a number of official and unofficial data sources to present the latest intelligence and is primarily focused on the economic impacts.
- It includes analysis of anecdotal evidence from interactions with businesses, and it is recognised that this analysis is based upon subjective views from those businesses which may or may not reflect the views of the wider business community.
- Where available, data is presented for Leeds City Region (covering Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York). Other geographies are used where data is not available at that level. In some cases, data is presented for a single authority or area. In those instances, further data is being sought to enable more comprehensive analysis of other areas. Please send any data to contribute for analysis or any comments on this report to Research@westyorks-ca.gov.uk.

Key local insights

- The Quarterly Economic Survey (QES) of businesses in Leeds City Region, in partnership with the local Chambers of Commerce, shows **an unprecedented fall in activity on all key indicators** in Q2 2020.
 - **Domestic sales and exports fell** at levels exceeding those seen in the 2008 crash, and **companies' cashflow position also deteriorated markedly** in the QES.
 - More companies reduced their employment headcounts than increased them according to the QES, but **the majority of businesses reported employment levels unchanged**.
 - This is further evidence that the furlough scheme is helping to mitigate unemployment for the time being at least, but there remain significant concerns over a spike in unemployment as the scheme is unwound.
- Although many businesses are restarting operations, the pace of change remains quite slow with **11% of businesses will not be seeking to reopen before mid-June** according to the Office for National Statistics' Business Impacts of Coronavirus survey. This increases to 65% in the Arts and Entertainment sector, and 49.5% in Hospitality.
- According to the same survey, on **average only 6.1% of staff were returning from furlough and 2.3% were returning from remote working by the end of May**.
- The level of activity in the economy has shown signs of recovery in recent weeks, though remains substantially below pre-lockdown levels.
 - **Retail sales increased by 12% in May 2020**, but sales were still down by 13% compared to February.
 - The **decline in manufacturing activity also stopped** in June, according to the Markit/CIPS PMI survey, which showed activity in the sector broadly flat.
 - **Local vacancy postings and new business bank account openings have increased** from the lows of March and April, but remain low by historic standards.
- Clearly these data do not yet take into account the recent reopening of non-essential retail from June 15th and of the hospitality sector from July 4th. There is, however, evidence of **an upturn in activity on the transport network**, with a 12% increase in footfall through Leeds Station and a 6% increase in MCard and concessionary pass usage in the week commencing June 22nd.

Latest headlines and trends

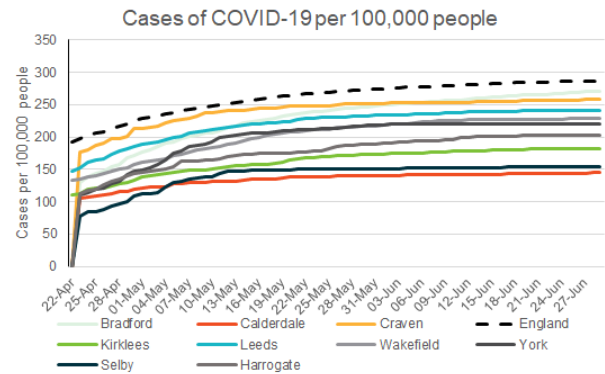
- Retail sales increased by 12% in May 2020, according to the Office for National Statistics. This followed the record falls experienced in the previous month, but sales were still down by 13% compared to pre-COVID-19 levels.
- Non-food stores saw the largest increase of 24% in May 2020 compared to a fall of 42% a month earlier. Within this, sales in hardware stores increased by 67% in May 2020 bringing them back to pre-COVID levels.
- With the easing of travel restrictions in May 2020 the volume of fuel sales increased by over 49% compared to but volumes are still down by 42.5% when compared to February 2020.
- On-line sales continue to increase with the proportion standing at 33% in May compared to 30% a month earlier.
- The Bank of England's Chief Economist Andy Haldane cited the quicker than expected recovery in retail sales as one factor leading to his assessment that the UK was on course for a "V" shaped recovery, with a sharp bounce back from the lockdown declines in activity. Others remain sceptical about the likelihood of this outcome.
- The number of daily declarations for Universal Credit continues to steadily decline towards pre-crisis levels, indicating that the influx of new claimants is falling. This trend suggests that the increase in the count of local claimants in June will be smaller than that for April and May when the figures are published in mid-July.
- The manufacturing sector halted the recent decline in activity in June, according to the latest Markit/CIPS PMI survey. The survey index reached 50.1 – a reading of over 50 equals growth, meaning that activity was largely flat after sharp falls in the preceding months. However, the survey still found staffing levels were being reduced at historically high levels, and there are expectations this will increase as the furlough scheme unwinds.
- The number of staff furloughed reached 9.3 million by 28th June, according to data from HMRC, up from 9.2m the week before. The total value of claims now stands at £25.5bn. 2.6 million people have claimed £7.6m under the Self-Employment Support Scheme.
- Access to the Coronavirus Job Retention Scheme closes to new entrants from the end of June, though companies can re-furlough staff who provided they have been part of the scheme for at least three weeks prior to June 30th. The time limit for staff to be furloughed will also reduce to one week from July.
- Business lending from the various government support schemes is approaching £43bn, with the number of loans up to 1.02 million as of 28th June. 967,000 of these are via the Bounce Back Loan scheme, which has lent £29.5bn. There were almost 48,000 loan approvals in the week to June 28th, down from 59,000 the week before, and about half the level seen at the end of May, but a significant level of activity nonetheless.
- The number of new mortgage approvals has fallen to 9,000 in May according to the Bank of England. It is down from around 70,000 (87%) prior to March, and continued to fall from the 16,000 recorded in April.



Developments in Leeds City Region

Covid-19 cases in Leeds City Region

The Covid-19 growth rate has continued to slow locally and nationally, according to data from the NHS. As of 29th June, the seven-day average growth rate has fallen slightly to 0.05% nationally. The growth rate in West Yorkshire and the wider Leeds City Region has also fallen slightly to 0.12% and 0.1% respectively, with Bradford having the highest growth figures at 0.3%. Previously Craven, York and Selby have all had cases stagnate over the last week. However currently only York has seen zero growth in cases in the last seven days.

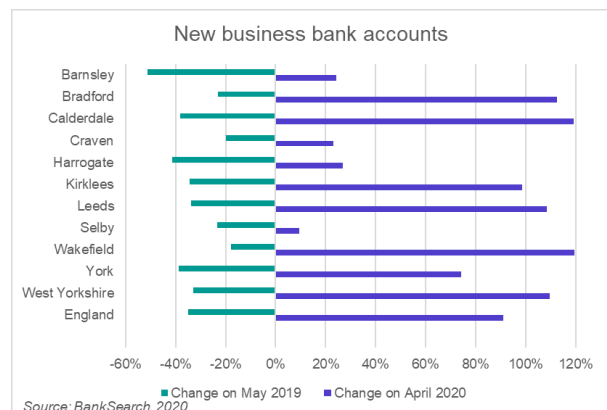


Source: NHS / Public Health England

Across England there have been 287 cases per 100,000 people. Across the Leeds City Region there have been 223 (WY: 232) cases per 100,000 with all local authorities having a lower rate than the England figure. Bradford has had the highest rate to date with 270.9 cases per 100,000 followed closely by Craven and Leeds with 258.7 and 241.4 cases per 100,000 respectively.

Business and economic impacts

The number of new business bank accounts opened in May increased by 88% to 900 in Leeds City Region and by 110% to 719 in West Yorkshire, compared to April 2020. There was a 91% increase across England as new business activity showed some signs of rebounding from April's historic lows. However, the number of new accounts remains 32% below May 2019 levels in Leeds City Region, and 33% lower in West Yorkshire.

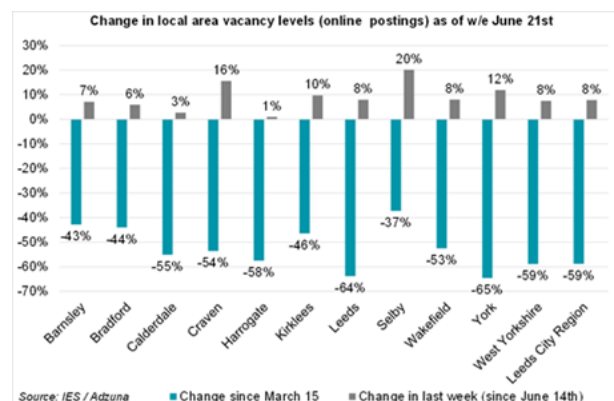


Source: BankSearch, 2020

Most areas of West Yorkshire saw the number of new accounts opened in May more than double compared to April, but the change was lower in most other areas of the City Region, ranging from 10% in Selby to 74% in York. Activity is below May 2019 levels in all districts.

Labour market trends

The number of live vacancy postings remains around 59% lower than pre-crisis levels, for both Leeds City Region and West Yorkshire, as of week ending 21 June. However, the modest recovery seen in more recent weeks continues with all districts enjoying a degree of growth in the latest week for which data are available. For some of the York and North Yorkshire districts the increase in postings was fairly pronounced. Most districts have now experienced growth for the last three weeks.

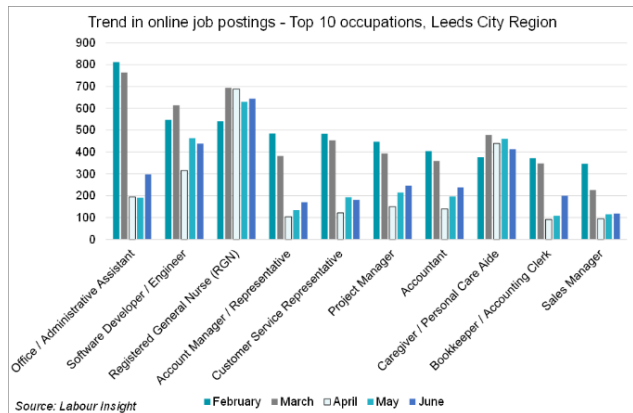


Source: IES / Adzuna

It is estimated that the ratio of vacancy postings per unemployed claimant (reflecting the number of jobless people competing for each vacancy) is now 9 for the City Region and 10 for West Yorkshire, compared with a UK average of around 7.

Vacancies by occupation

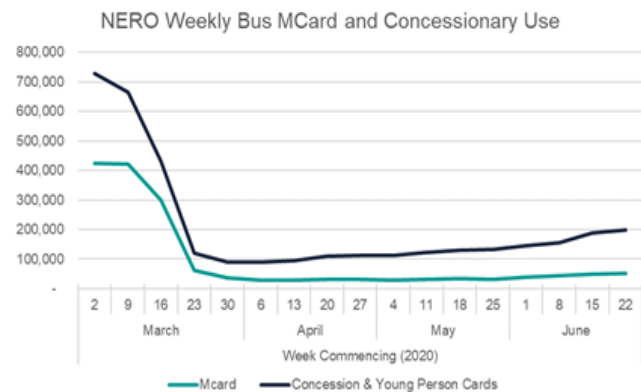
Another tool, Labour Insight, enables us to examine the occupational profile of job postings. Demand for health and care roles (Registered General Nurse and Care giver) has remained resilient throughout the crisis, whereas other occupations saw a pronounced fall in postings in April. All occupations in the top 10 have now seen a degree of recovery in May and June.



Bus MCard and Concessionary Use

For the week beginning Monday 22nd June 2020, the combined level of MCard and concessionary fare use shows a **reduction of 78%** against the week beginning 2nd March 2020, an **increase of 6%** against the previous week.

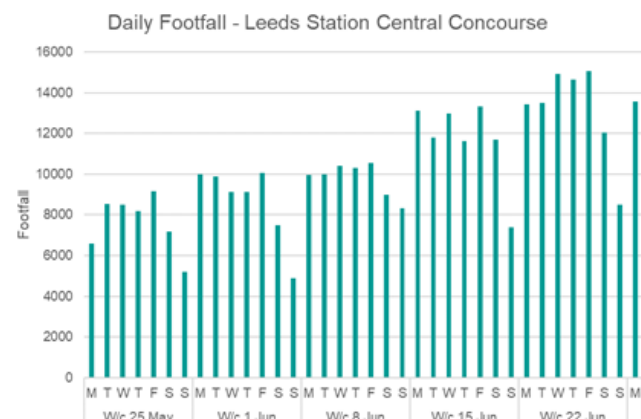
Source: WYCA NERO Reports



Leeds Station Footfall

Data from Network Rail shows total daily footfall levels on Leeds Station Central Concourse. For the week beginning Monday 22nd June 2020, this shows a **reduction of 86%** against the week beginning 2nd March 2020, an **increase of 12%** against the previous week.

Source: Network Rail / Station Capacity Team
stationcapacity@networkrail.co.uk

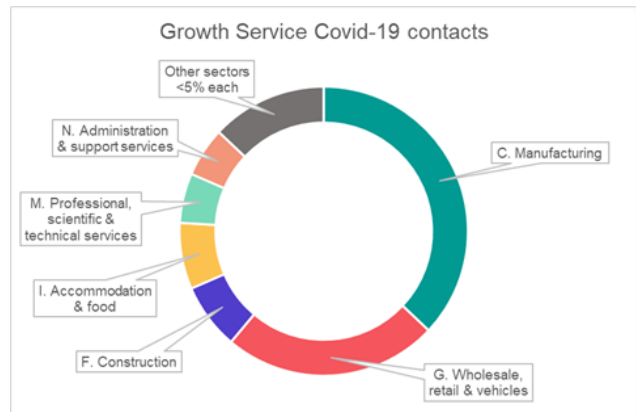


Business and stakeholder intelligence

This section summarises key issues emerging from interactions with businesses and other stakeholders in Leeds City Region. Whilst much of this is anecdotal, the below draws out key themes and issues from those conversations. However, it is recognised that this analysis is based upon subjective views from relatively small numbers of businesses which may or may not reflect the views of the wider business community.

Growth Service interactions

The LEP and its growth managers spoke to 83 businesses this week. 36% of cases for which data is available were in manufacturing, and 24% in wholesale/retail. Half of these interactions related to cashflow and finance, and 20% were updates and insights on trading conditions.



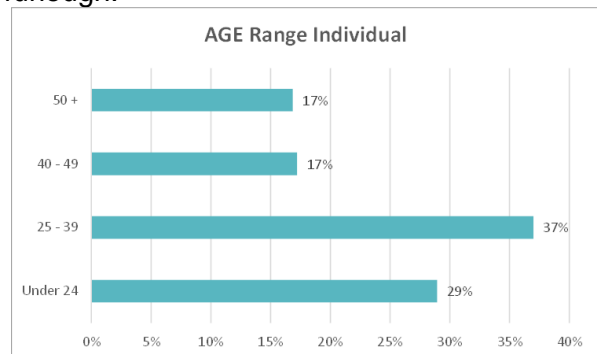
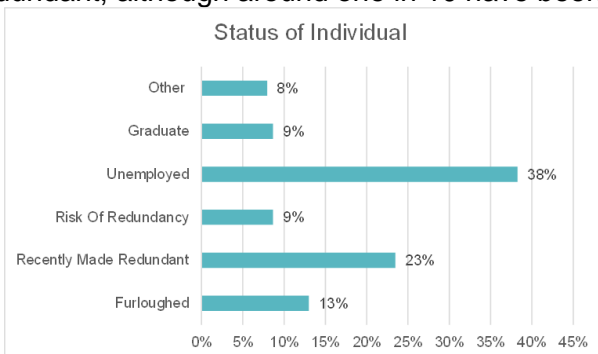
Whilst some businesses are returning to operations and bringing staff back from furlough, many continue to report subdued activities and revenues across a range of industries, including areas of professional services as well as the more frequently reported issues for consumer facing and events businesses.

As previously reported, some businesses are considering redundancies as operations recommence. However, others are identifying opportunities for growth, expansion and recruitment.

Employment Hub activity

Since the LEP began its Covid-19 campaign to promote the Employment Hub in mid-April, there have been 277 enquiries received from individuals and 19 from businesses. The Hub provides support for individuals who are seeking a new job and businesses who are seeking to recruit or need to make redundancies.

There were 29 enquiries from individuals in the week to 26 June, following 51 enquiries in the previous week. Most individuals who have sought help have been unemployed or recently made redundant, although around one in 10 have been on furlough.



Enquiries have been received from people from across the age ranges. 29% have come from young people aged 24 and under but the largest group in terms of enquiries is people aged 25-39. Enquiries from business continue to be slow, as companies deal with pressing issues like cash flow and access to finance. Among those who have made an enquiry the most common reason is to access recruitment support (more than half) with a much smaller proportion (one in 10) seeking assistance with making redundancies.

Local insight and analysis

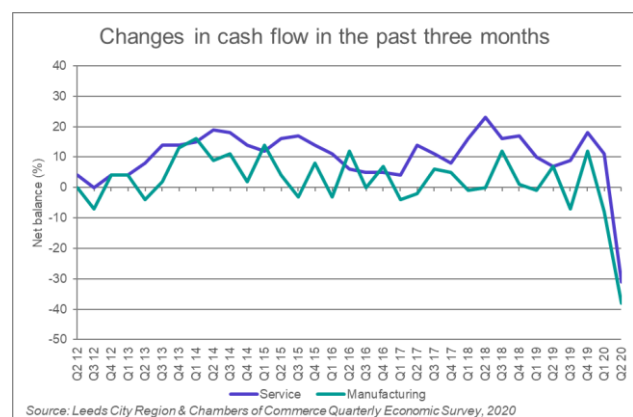
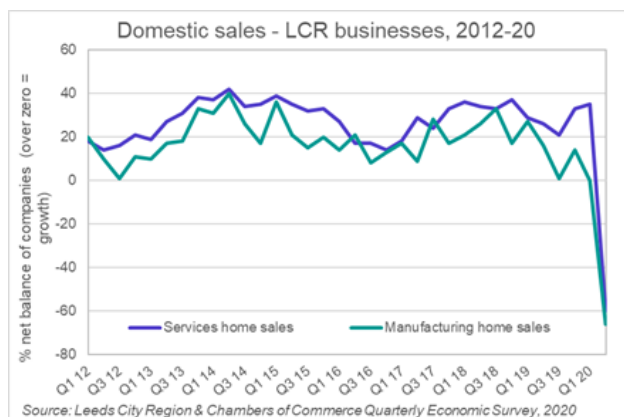
Leeds City Region Quarterly Economic Survey – Q2 2020 results

Businesses across Leeds City Region saw an unprecedented drop in activity in Q2 2020, according to the Quarterly Economic Survey with the Chambers of Commerce in Leeds City Region. All key measures on the survey turned negative, with drops in results at their lowest level in the survey's thirty one year history.

The survey carried out in collaboration between the LEP and the Chambers of Commerce in Leeds City Region, spoke to 369 businesses during 18th May to the 8th June 2020.

The services net balance for domestic sales dropped 95 points to -60%, far exceeding the low of -26 reached during 2008 (a reading below zero indicates contraction).

Manufacturers, who were already seeing the early impacts of coronavirus supply chain disruption in Q1, saw the domestic sales net balance fall from zero to -66%, which also exceeds the low point of Q4 2008 when it stood at -57%. Export sales saw similar levels of decline.



Companies also reported a significant drop in their cash flow situation over the past three months, with the net balance falling to -38 for manufacturers and -31 for service sector companies.

As would be expected given the uncertainty, investment in training and capital equipment fell. The net balance for employment also turned negative for the first time since 2008/9, indicating more companies reporting falling employee numbers than expanding. However, the majority of firms reported no change in employment, suggesting that the furlough scheme is enabling companies to retain staff for the time being at least.

ONS Business Impacts of COVID-19 Survey

ONS has been undertaking a fortnightly business survey which captures business responses on how they have been affected by COVID-19. There have been 7,245 respondents between 18 May to 31 May 2020. The results are unweighted so caution must be used when viewing the results.

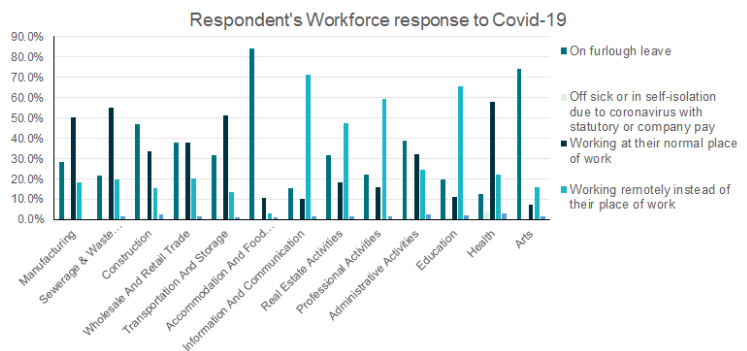
84.1% of respondents have said that they are currently trading, while 15.5% have temporarily closed. Very few companies have responded saying they have closed permanently.

79.3% of respondents say they have been open longer than two weeks. This varies considerably by sector. With the highest being in the health sector at 94% and the lowest in the hospitality sector with 23%.

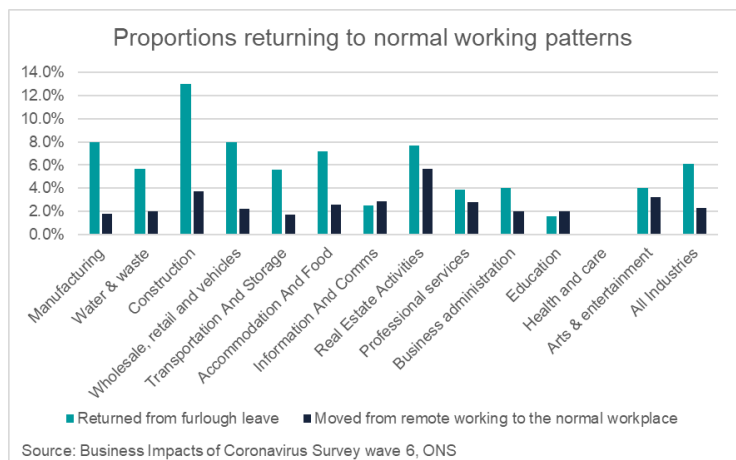
Overall, this has meant only 4.7% of respondents have said they have started trading within the last 2 weeks though this is highest in construction with 12% of the companies saying they have started in the last two weeks. A similar proportion of all companies (4.5%) expect to start trading in the next two weeks.

11% of respondents have said they will not be seeking to open in the next two weeks, with the highest concentration being in the Arts and Hospitality sectors with 65% and 49.5% respectively.

Across the different sectors business have adapted their staffing response in different ways. 37% of respondent's staff have been furloughed, 30% are working in their normal location and 28% are working remotely. This varies significantly between sector, as detailed in the graph opposite.



So far across the board there has been very few staff returning to normal working arrangements, with only 6.1% returning from furlough, and 2.3% returning from remote working. The highest is in the construction sector where 13% of staff have returned from furlough.



Financially only 20% of respondents have said there has been no effect on their turnover. This increased to 48% in the health sector but drops to 8% in the hospitality sector.

There has been extensive uptake of the various government support schemes with only 16.6% of respondent saying they didn't take any scheme. The most used was the Coronavirus Job Retention Scheme with 81% application rate, the least being government backed loans at 17%.