

17th July 2020

Introduction

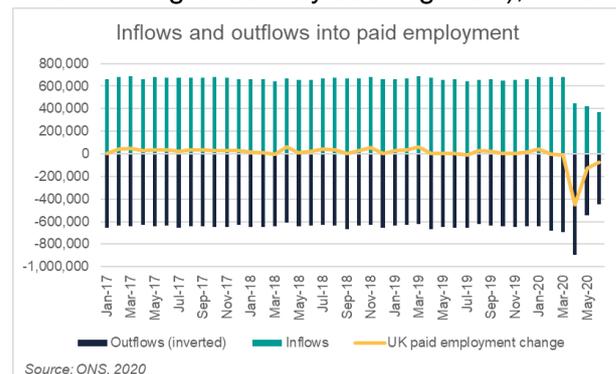
- This report presents the latest developments with regard to Covid-19 for Leeds City Region. It draws on a number of official and unofficial data sources to present the latest intelligence and is primarily focused on the economic impacts.
- It includes analysis of anecdotal evidence from interactions 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 latest national **economic data shows a slight increase** in activity in May, following the sharp declines in March and April. GDP increased by 1.8%, in May compared to April. This was however below the expectations of many analysts who expected growth in excess of 5%. Output was 19% lower in the three months to May compared to the preceding three months.
- The **number of people claiming out of work benefits has stabilised** following sharp falls in April and May. There was a 0.4% increase in claimants in West Yorkshire and a 0.4% fall across the wider City Region compared to mid-May. There was a 1.4% fall nationally. However, the number of claimants remains close to double the level seen in March.
- The number of **people furloughed in Leeds City Region increased by 18.5%** between May and June, according to data from HMRC. This is in line with the 18% increase nationally. 304,000 people were furloughed at the end of June in West Yorkshire, and 408,000 in the wider City Region.
- Take up of the scheme remains highest among businesses in the hospitality sector, and SMEs have furloughed a greater proportion of their staff than large businesses.
- The number of businesses in West Yorkshire with **high risk credit ratings fell** between mid-June and mid-July, but remains around 32% higher than it was in March.
- However, recent **increases in the number of job vacancies being advertised have stalled**, with a 9% decrease in the week to July 5th.
- Activity on the **transport network continues its upwards trajectory**, with the fastest weekly increases seen since lockdown began to ease in the week to July 6th.
- The Office for Budget Responsibility have updated their analysis on the potential impacts of COVID-19, suggesting **unemployment could reach between 10% and 13% this year, and GDP could fall by between 10.6% and 14.3%**. The rate of recovery also varies significantly.

Latest headlines and trends

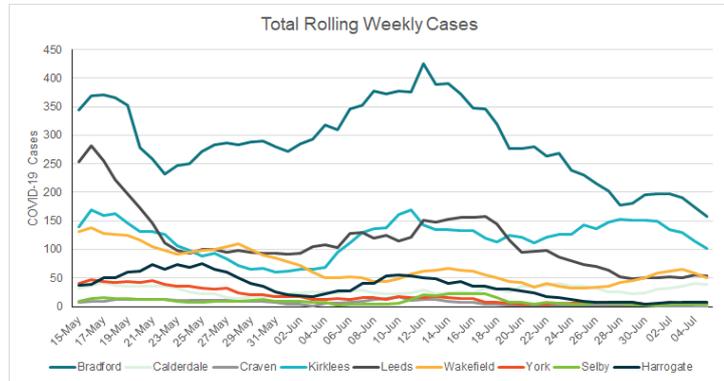
- UK GDP increased by 1.8% in May according to data from the ONS. Although the economy returned to growth as the lockdown began to ease, output across the three-month period of March to May was 19% lower than in the preceding three months.
- Although most areas of manufacturing and construction recorded stronger growth, much of the service sector other than retail saw output either flat or continuing to contract.
- The Office for Budget Responsibility (OBR) have updated their forecasts to take account of recent developments, though these do not include an assessment of the impact of measures announced by the Chancellor on July 8th.
- Across the three scenarios the OBR have produced the GDP impact for 2020 ranges from a fall of 10.6% in the most optimistic scenario, to a fall of 14.3% in the most pessimistic.
- The unemployment rate also follows a similar trajectory, with the peak ranging between 9.7% and 13.2%. In the most optimistic scenario, it returns to its pre-crisis rate of 4.1%, compared to 5.3% and 6.3% by 2024 in the other scenarios.
- The latest data from ONS shows a slight fall in the number of people claiming out of work benefits between May and June, decreasing by 28,100 (1.1%) to 2.6 million. However, since March 2020, the claimant count has increased by 112.2%, or 1.4 million.
- The official unemployment rate remains at a near-record low of 3.9% in May, but this by definition only includes people who are out of work and looking for work. There has been a slight increase in the proportion of people economically inactive (i.e. not working or actively seeking work), whilst the number who are economically inactive and who want a job increased by a record 257,000 on the year and a record 253,000 on the quarter to May.
- Early ONS analysis of pay as you earn (PAYE) data suggests there were 74,000 fewer people in paid employment in June compared to May, and 6149,000 fewer than in March. The monthly decline is a slowdown from a fall of 124,000 in May and 450,000 in April.
- Other data from the ONS shows that inflation increased slightly to 0.8% in June, compared to 0.7% in May. Higher prices for clothing and food were partially offset by falling food prices.
- The coronavirus loan schemes have now lent £46.3bn to businesses, of which £31.7bn is accounted for by the Bounce Back Loan scheme. Although the number of loans being approved has fallen, there were still 35,000 new approvals between July 5th and July 12th, taking the total number of businesses with approved facilities to 1.1 million.



Developments in Leeds City Region

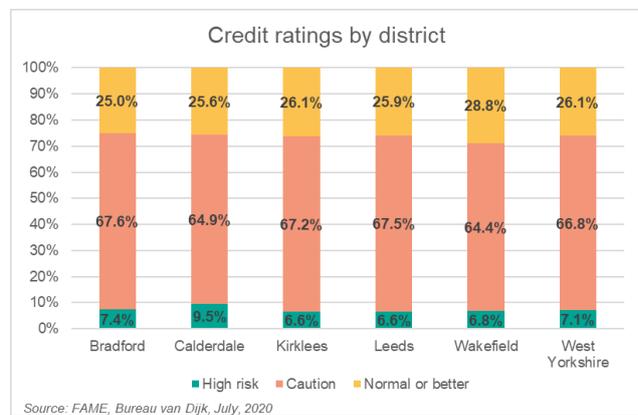
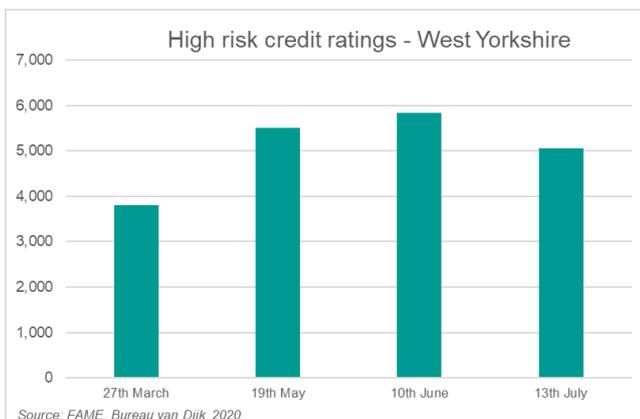
Weekly Covid-19 cases in Leeds City Region

The graph opposite shows the total weekly cases of COVID-19 as of 11th July, across the local authorities in the Leeds City Region. Over the last week 5th to 11th July there have been 417 new cases across the Leeds City Region, 401 of those cases are in West Yorkshire. Bradford has the highest amount with 157 while Craven has had no new cases. Since the peak in mid-June there has been a downward trend in the number of weekly new cases. However, over the last week the downward trend has slowed with a slight increase in cases in some areas. This might be due to an increased prevalence of the virus or an increased level of testing in these areas.



Business and economic impacts

The number of businesses in West Yorkshire with high risk credit ratings fell by 13.5% between 10th June and 13th July, according to data from Bureau van Dijk's FAME business database. However, the number of businesses with high risk ratings remains 32.5% higher than in late March. 5,050 businesses have a high-risk credit rating, 7.1% of all businesses with credit ratings. At district level, this ranges between 6.6% in Kirklees and Leeds, and 9.5% in Calderdale.

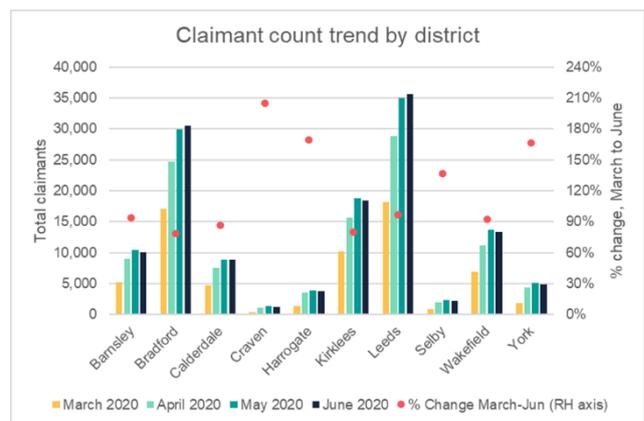
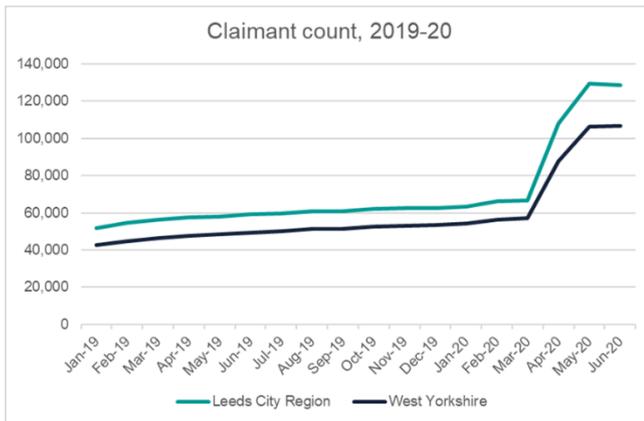


Labour market trends

The latest available claimant count data, which are for June (published 16th July) show a relatively unchanged level of people claiming out of work benefits compared to May, though the numbers remain almost double those seen in March.

Leeds City Region COVID-19 Monitor

Leeds City Region saw a fall in claimants of 600 (-0.4%) between May and June, while West Yorkshire's claimant count increased by 400 (0.4%). Across the UK, the number of claimants fell by 35,900 (-1.4%). Comparing June 2020 with the pre-lockdown period in March 2020 the number of claimants has increased by 61,900 (93%) in Leeds City Region and by 49,500 (87%) across West Yorkshire. The national average increase was 107%.

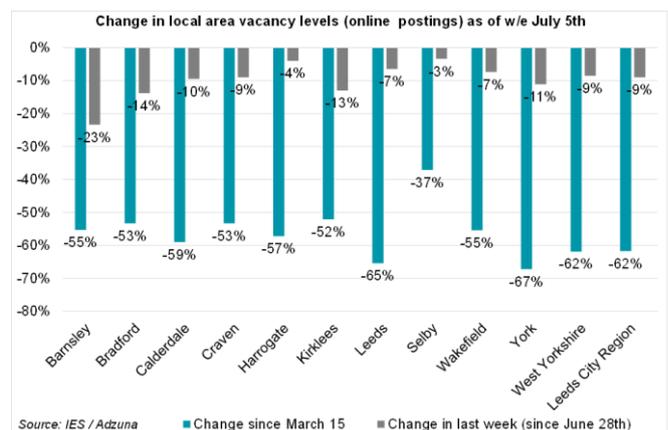


This means there are now 128,700 claimants in Leeds City Region and 106,600 claimants in West Yorkshire. The claimant rate (expressed as a proportion of adult residents) was unchanged between May and June in both areas, at 6.7% in Leeds City Region and 7.3% in West Yorkshire though it has increased from 3.5% and 3.9% respectively since March.

Job vacancy postings

The number of live vacancy postings was 62% lower than pre-crisis levels, for both Leeds City Region and West Yorkshire, as of week ending 5 July according to data from the Institute for Employment Studies and Adzuna. Leeds and York have seen the biggest decline over this period, probably reflecting their exposure to the sectors worst-affected by the crisis, such as hospitality.

The extent of this decline has widened as a result of a 9% reduction in the number of postings for the City Region and West Yorkshire in the most recent week for which data are available. This follows several weeks of modest recovery.



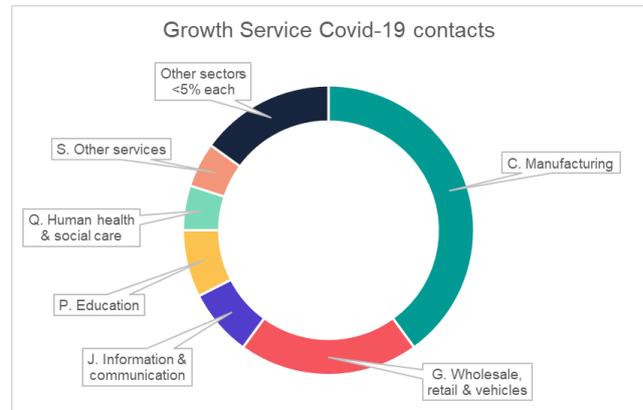
All districts shared in this weekly decline to varying degrees, as the number of vacancies fell by around 7% nationally. It is estimated that the ratio of vacancy postings per unemployed claimant (reflecting the number of jobless people competing for each vacancy) is now 10 for both the City Region and for West Yorkshire.

Leeds City Region COVID-19 Monitor

Local business insight

The LEP and its growth managers spoke to 91 businesses this week. Detailed information is available for 40 of these interactions. Of those, 3 have confirmed redundancies, whilst a further 10 companies have said redundancies may occur in the near future.

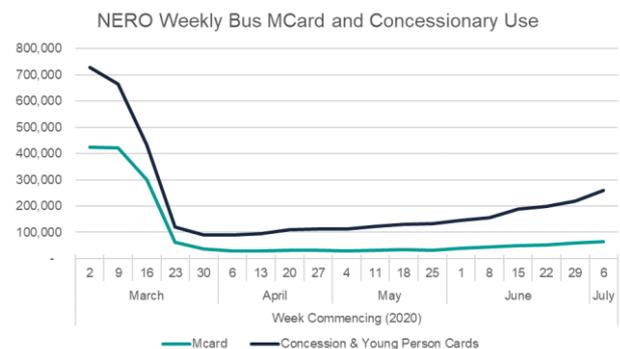
Some companies who have had a significant proportion of their staff furloughed report bring back at least a proportion of these. However, some report that activity remains slow to pick up and, in some instances, staff are being re-furloughed as a result.



Local Bus Patronage

For the week beginning Monday 6th July 2020, the combined level of MCard and concessionary fare use shows a **reduction of 72%** against the week beginning 2nd March 2020, an **increase of 17%** against the previous week.

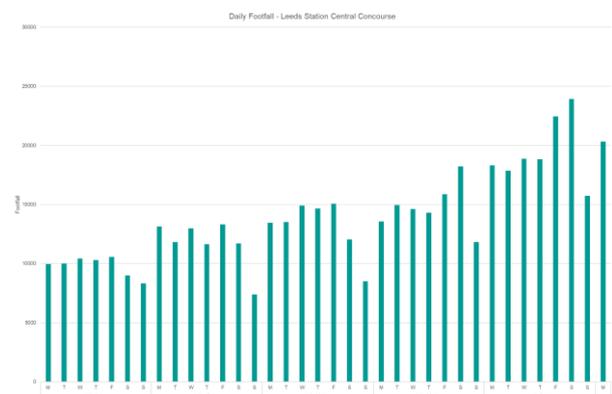
Source: WYCA NERO Reports



Leeds Station Footfall

Data from Network Rail shows total daily footfall levels on Leeds Station Central Concourse. For the week beginning Monday 6th July 2020, this shows a **reduction of 79%** against the week beginning 2nd March 2020, an **increase of 32%** against the previous week.

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



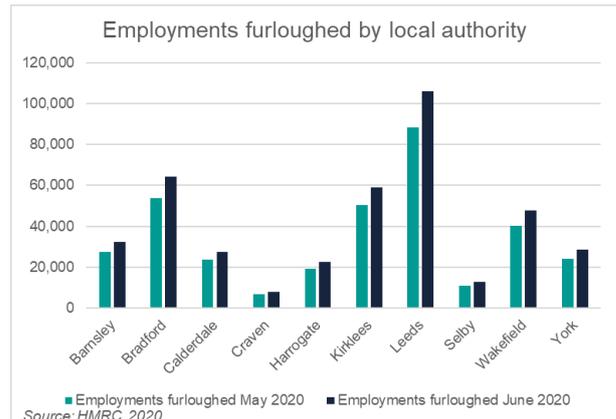
Local insight and analysis

Coronavirus Job Retention Scheme – local statistics

HMRC have published updated data on the take up of the Coronavirus Job Retention Scheme at local authority level to the end of June. The data looks at employments furloughed based on the residential address HMRC holds for each employee. Where individuals have been furloughed from more than one job, they will be counted for each employment that has been furloughed.

There were 304,200 jobs furloughed in West Yorkshire and 408,400 across the wider City Region by the end of June. In both cases this equates to 30% of eligible jobs, in line with the figure for England as a whole.

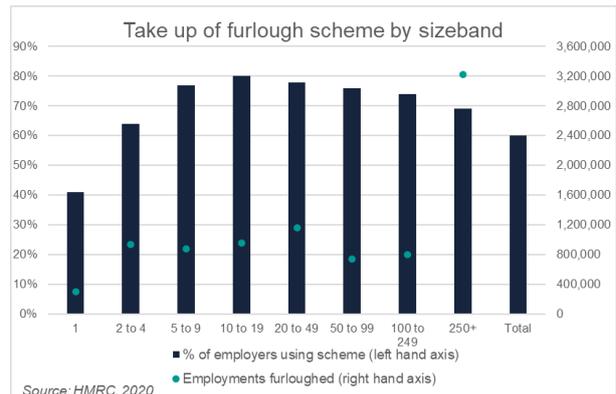
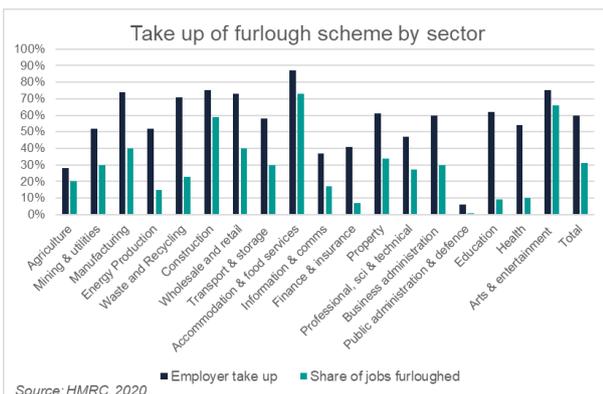
These figures are also broadly consistent across the districts of Leeds City Region, with the only variation in Craven (33%), Kirklees (32%), Leeds and Wakefield (both 29%). In absolute terms, Leeds has 105,900 employments furloughed, the second highest number of in the country at district level. However, this is largely a reflection of the local authority's size, with Birmingham the only area with more jobs furloughed.



There was an increase in furloughed employments of around 18% in England between the end of May and the end of June, similar to the 18.5% increase locally. At district level, there was a 20% increase in Leeds, but the increase was lowest in Calderdale (15.6%).

At national level, 1.14 million employers had furloughed 9.37 million jobs, equating to 60% of employers taking up the scheme. However, there are sizeable differences by size and sector. Smaller businesses have used the scheme more extensively than their larger counterparts, with 78% of employers with 5-99 staff using the scheme, compared to 69% of those employing more than 250 people. Employers with 5-99 staff had furloughed a total of 47% of jobs, compared to just 19% among large employers. Take up in the latter category is still significant however, with 3.2 million jobs furloughed by large companies.

87% of businesses in the accommodation and food services sector have used the furlough scheme, furloughing 73% of jobs. The next highest prevalence is among construction (75% of employers furloughing 59% of jobs), manufacturing (74% / 40%) and wholesale and retail (73% / 40%).



Office for Budget Responsibility updated forecasts

- The Office for Budget Responsibility (OBR) have updated their forecasts to take account of recent developments, though these do not include an assessment of the impact of measures announced by the Chancellor on July 8th.
- The OBR have produced three scenarios, the trajectories of which will be determined by the course of the pandemic, the lifting of lockdown, the effectiveness of the government's policy response and the response of businesses and households. The GDP impact for 2020 ranges from a fall of 10.6% in the most optimistic scenario, to a fall of 14.3% in the most pessimistic.
- The rate of recovery also varies significantly, with GDP at its pre-virus peak by early 2021 with no long term scarring on the economy in the most optimistic scenario, whilst in the most pessimistic scenario shows GDP not recovering to its pre-virus levels until Q3 2024, and remaining 6% below pre-virus projections in 2025.
- The unemployment rate also follows a similar trajectory, with the peak ranging between 9.7% and 13.2%. In the most optimistic scenario, it returns to its pre-crisis rate of 4.1%, compared to 5.3% and 6.3% by 2024 in the other scenarios. The proportion of furloughed staff who are made redundant ranges from 10%-20% across the scenarios.
- The OBR also assess the long-term impact of the crisis on public sector net debt. Borrowing in 2020-21 is estimated to reach between £263bn and £391bn, or between 13% and 21% of GDP. In the central and downside scenarios, debt as a % of GDP exceeds 100%, and remains there throughout the forecast period. This has significant long-term implications for public sector net debt.

