From Containment to Recovery

Covid-19's Local Economic Impact on Nottingham - an updated assessment (April 2021)

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Summary

Growth Hub Business Survey

81% of businesses are still actively trading; 60% have furloughed staff; and 13% have made staff redundant. The majority of businesses have incurred a substantial '100% negative' impact on their business performance, especially in relation to falling revenue, sales, declining customer base and reduced operating capacity.

Only 9% of businesses surveyed had made any redundancies as a result of Covid-19's effect on their business while 9% of businesses expect to make redundancies due to Covid in the next six months.

Looking ahead, key concerns centre on uncertainties about consumer confidence and spending, the possibility of an economic recession and the impact of Covid-19 on their financial stability.

Key Economic Indicators

The City's **employment rate** stood at 67.6% at Oct 2019-Sept 2021. There is tentative evidence that employment in the City may not have fallen as significantly as might have been expected a year ago when the first pandemic lockdown began.

Recent data also suggests that net job losses have occurred in lower skilled and lower paid **occupations**, notably sales and customer care; and caring, leisure and other service occupations, with smaller falls also seen in process, plant and machine operatives and elementary occupations.

Sectors across the City which may have experienced significant net falls in jobs over last year are Accommodation and Food Services (-2,200); Administration and Support Services (-1,700); and Wholesale and Retail (-1,600); Manufacturing (-900); and Health and Social Work (-900).

The latest figures show 17,900 **jobs furloughed** in the City (38,000 in Greater Nottingham) at the end of January 2021.

With the onset of the Covid-19 pandemic **unemployment** rose quickly between February and May 2020 at both the City and national levels. The rates then tailed off and had gradually declined by November 2020 as the Coronavirus Job Retention Scheme became more widely rolled out. The most recent estimated figures for February 2021 show an increase of 670 people claiming unemployment benefits since November, with all of the increase occurring in the last month, giving a total of 18,939 (8.2%).

Job vacancies in Nottingham stood at 20,530 in March 2020. They fell sharply to June before rising once again until November 2020. They fell back slightly in December as the second national lockdown began to bite.

With a downturn in demand, many businesses will have turned to fulfilling existing orders and drawing on cash reserves, but as the scale of the economic effects became more widespread and serious so we saw a sudden and very significant upturn in **business closures** across the City between August and October (when they reached a peak of 1,230) before the downward trend was resumed.

Future Outlook

Looking ahead to Q2 (July-September) 2021, private sector employment is forecast to be -6.8% lower than it would have been without the impact of Covid-19. Sales are expected to decline by -10.5% and investment by -13.9% and they are not expected to recover to pre-Covid levels until 2022.

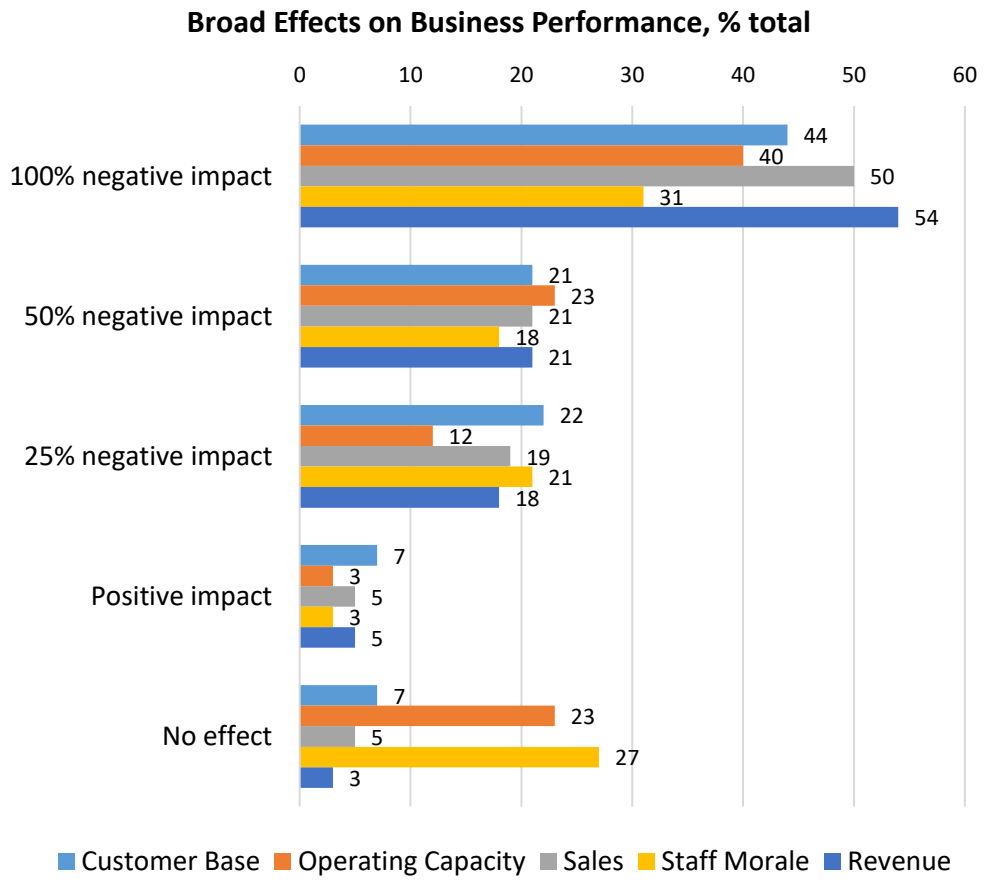
Sectors with a significant GVA value which are at 'high risk' are Food and Beverage Services; and Land, Water and (especially) Air Transport. Employment activities; tourism and security services are expected to be moderately impacted.

D2N2 Growth Hub Business Survey 2020-21

Overall Impact of Covid-19

- 81% of businesses are still actively trading.
- 60% have furloughed staff.
- 13% have made staff redundant.

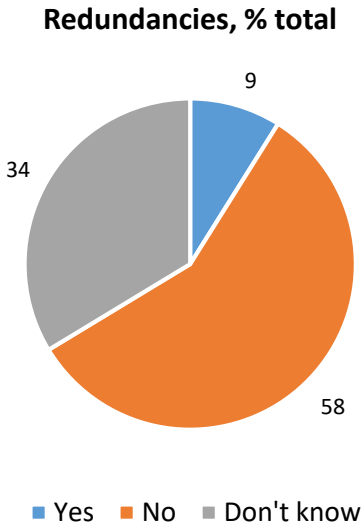
Effects on Business Performance



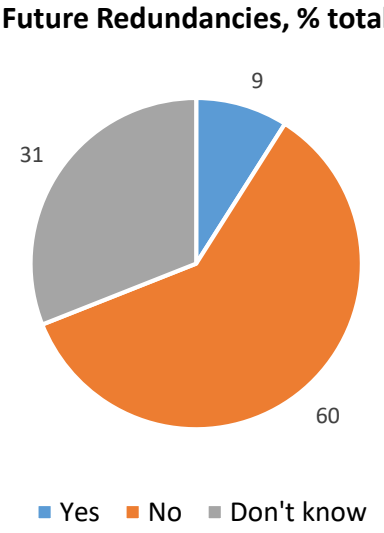
Source: Growth Hub Covid-19 Business Survey

The vast majority of businesses have incurred a substantial 100% negative impact on their business performance, especially in relation to falling revenue (54%), sales (50%), declining customer base (44%) and reduced operating capacity (40%). However, a significant minority of businesses had experienced no substantial effect on workforce morale (27%) or reduced operating capacity (23%).

Redundancies



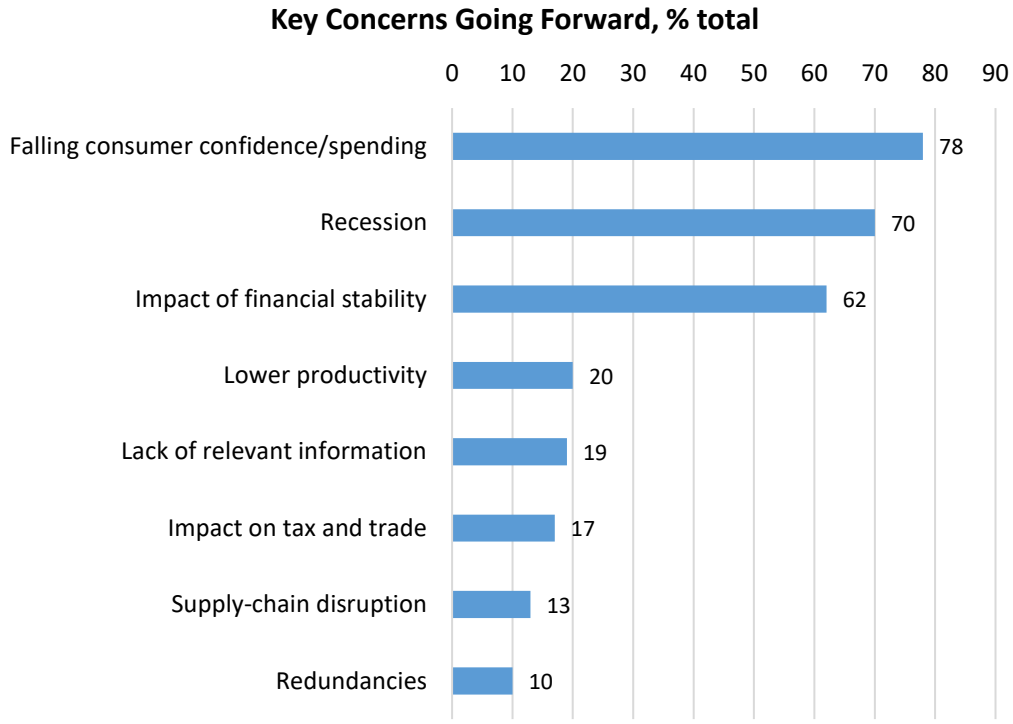
Only 9% of businesses surveyed had made any redundancies as a result of Covid-19's effect on their business although one-third were unsure whether Covid-19 had been the primary reason for job losses.



Source: Growth Hub Covid-19 Business Survey

Looking ahead to the next six months, 9% of businesses expect to make redundancies as a consequence of Covid-19 whereas 60% do not. Almost one-third are unsure.

Key Concerns Going Forward

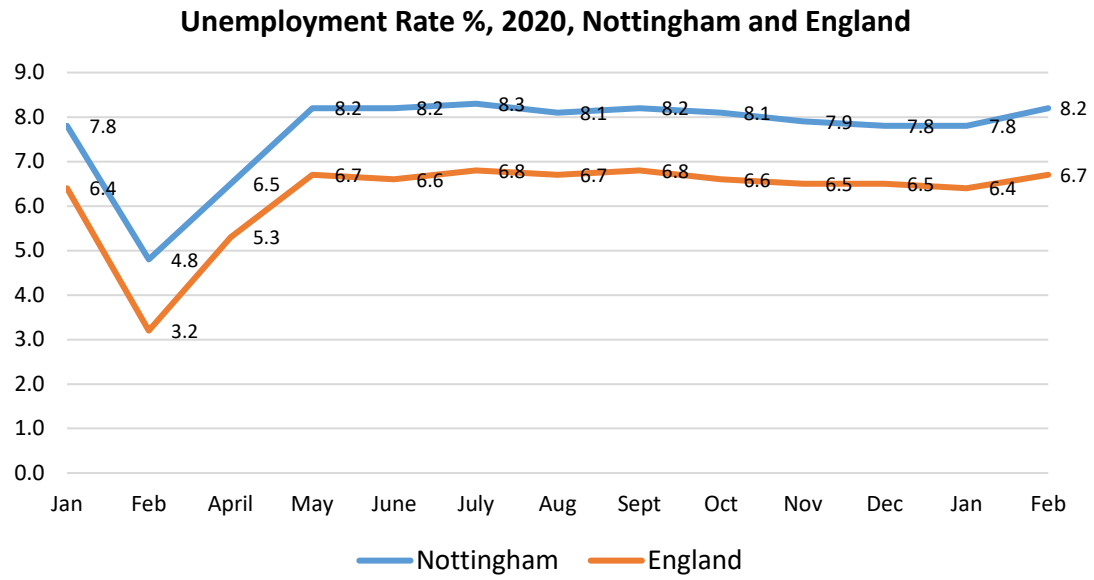


Source: Growth Hub Covid-19 Business Survey

Looking ahead, key concerns of businesses centre on uncertainties about consumer confidence and spending (78%), the possibility of an economic recession (70%) and the impact of Covid-19 on their financial stability (62%).

Key Economic Indicators

Unemployment



Source: DWP/ Nottingham City Council

With the onset of the Covid-19 pandemic unemployment rose quickly between February and May 2020 at both the City and national levels. The rates then tailed off and had gradually declined by November 2020 as the Coronavirus Job Retention Scheme became more widely rolled out. The Nottingham rate has consistently remained above the national average. The second national lockdown began in November 2020 but again the Covid-19 business support schemes seem to have prevented an uptick in unemployment during December and January.

The latest official unemployment figures for November 2020 show 18,269 people in Nottingham City were out of work and claiming unemployment related benefits, 7.9% of the City's working age population. The most recent estimated figures for February 2021 show an increase of 670 people claiming unemployment benefits since November, with all of the increase occurring in the last month, giving a total of 18,939 (8.2%).

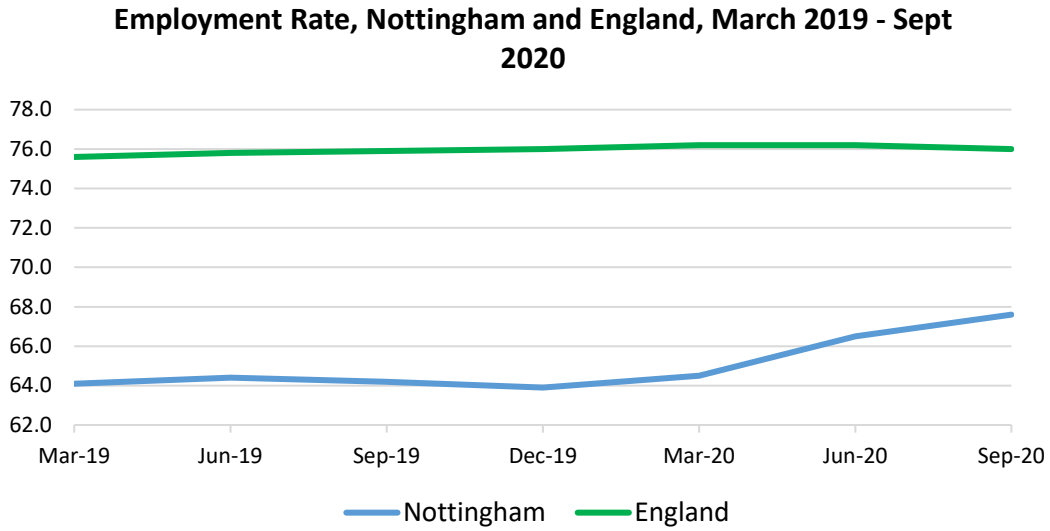
The increase in February means unemployment is now higher than the previous peak of 18,840 people in June 2020. A seasonal increase in unemployment is usually expected at this time of the year as temporary Christmas jobs come to an end. The extension of the furlough scheme in November 2020 has also led to an increase in the number of furloughed jobs. The number of furloughed jobs has risen from a low of 9,000 jobs at the end of October 2020 to 17,900 jobs at the end of January 2021.

Furlough and Self-Employment Claims

The latest figures from HMRC show 17,900 jobs furloughed in the City (38,000 in Greater Nottingham) at the end of January 2021.

7,900 self-employed people in the City (17,300 in Greater Nottingham) had claimed the third round of the SEISS scheme by the end of January 2021. The average claim was £2,400 in the City (£2,700 in Greater Nottingham).

Employment Rate



Source: APS, NOMIS

Note: the figures in the above table are annual averages.

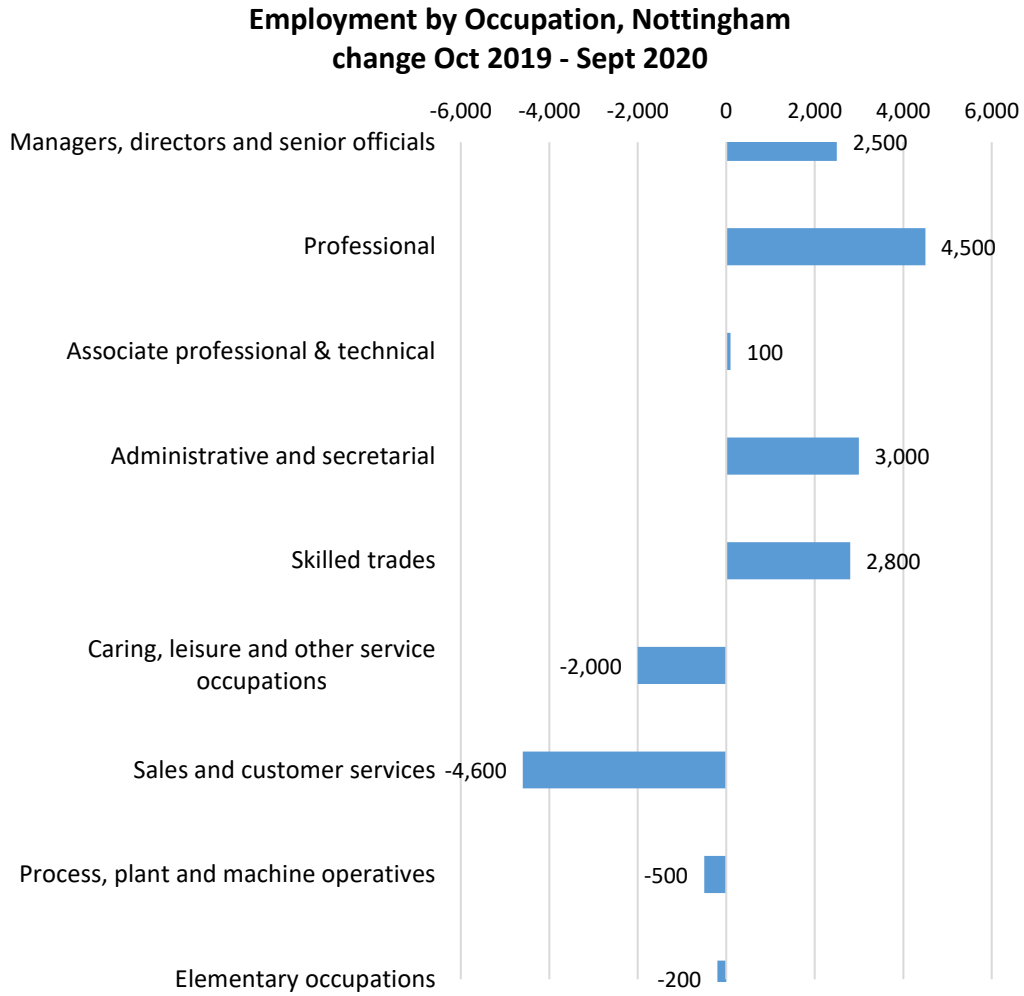
The City's employment rate stood at 67.6% at Oct 2019-Sept 2021. The annual average rate in April 2018-March 2019 was 64.1%. These figures are not directly comparable, however, because they are based on an annual average. It is also important to be mindful of the confidence interval that applies to this APS data - this is the latest annualised figure - but even here we can only be 95% confident that the true value is within a range of 64.3-70.9% (i.e within a 6.6pp range). The confidence interval is probably wider still for the quarterly data.

Notwithstanding the above, there is tentative evidence that employment in the City may not have fallen as significantly as might have been expected a year ago when the first pandemic lockdown began.

Perhaps the main reason is the relatively high share of jobs which are based in the public sector, notably health, social care, education and public administration - sectors which have not been as badly affected by the pandemic as others such as retail and leisure, although these are sizeable employers in the City. The importance of business and financial services, again relatively well protected from Covid, may also be a factor. But it's also the case that Nottingham is heavily reliant on spending from tourism and higher education students which have both been significantly affected by Covid-19.

Second, the pandemic has resulted in a large proportion of the student population being at home rather than in their term-time accommodation. The economically inactive students fell from 16,600 in the period from Oct 2018-Sept 2019 to 10,800 for Oct 2019-Sept 2020. The change is not statistically significant but we know that there was likely to be a very large fall in the student population once the universities moved to working from home. Reducing the number of the students in the population will increase the proportion of employed people.

Occupations



Source: APS, NOMIS

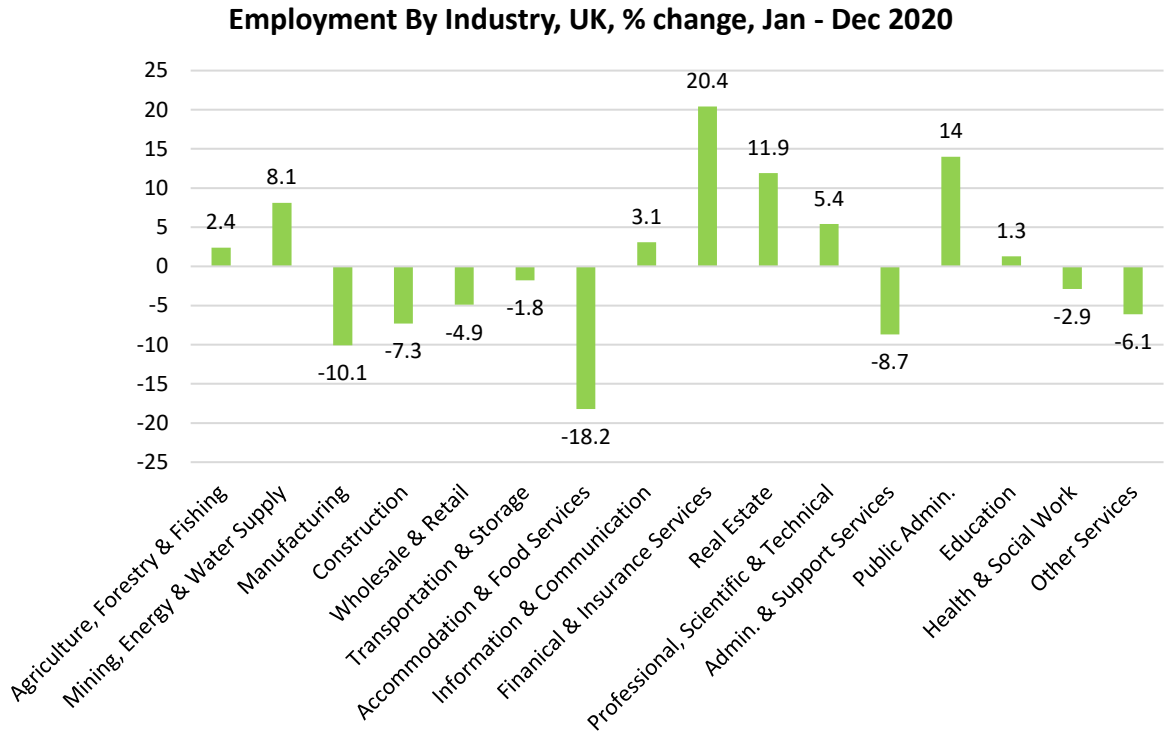
Note: the figures in the above table are annual averages.

The above chart suggests there may have been a marked difference in employment change by occupation between October 2019 and September 2020. Net job losses have occurred in lower skilled and lower paid occupations, notably sales and customer care; and caring, leisure and other service occupations, with smaller falls also seen in process, plant and machine operatives and elementary occupations.

These changes largely reflect the influence of Covid on key customer-facing sectors in both the private and public sectors. To a lesser extent, perhaps, they may also reflect an acceleration of investment in automation (a long-term trend) which tends to displace mainly lower-skilled occupations.

By comparison, higher skilled and higher paid occupations such as Professional and Managerial jobs have increased, as have Administrative and Skilled Trade jobs.

Sectors



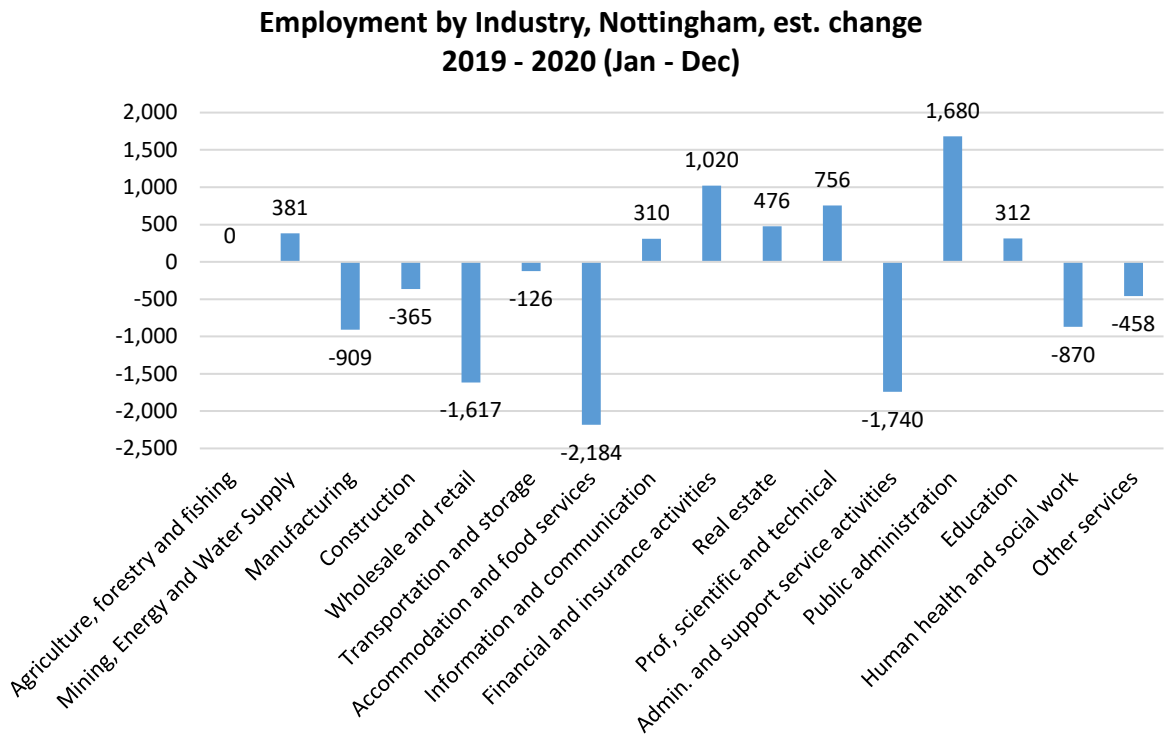
Source: ONS

The above chart shows change in employment by sector between January and December 2020; the data is for the UK since no comparable sub-national data is available. Sectors which have seen a significant net fall in jobs are Accommodation and Food Services (-18.2%); Manufacturing (-10.1%); Administration and Business Support Services (-8.7%); Other Services (-6.1%); and Wholesale and Retail (-4.9%).

Sectors which experienced a net increase in jobs over 2020 include Financial and Insurance Services (20.4%); Public Administration (14.0%); Real Estate (11.9%); and Utilities (8.1%).

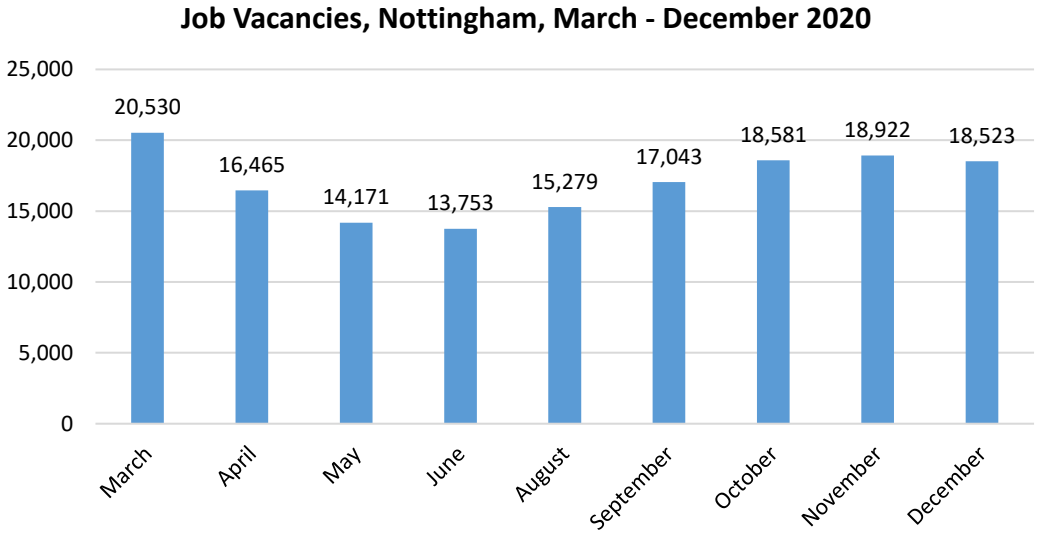
We can apply these percentage changes to the BRES figures to give an idea of how Nottingham would be affected if it followed the national pattern. This gives us an idea of whether we were protected by our relatively diverse industrial structure. From the chart below we see that:

- Significant net job gains might be expected in Public Administration (1,700); Finance and Insurance (1,000); and Professional, Scientific and Technical (800).
- Significant net falls in jobs are expected in Accommodation and Food Services (-2,200); Administration and Support Services (-1,700); Wholesale and Retail (-1,600); Manufacturing (-900); and Health and Social Work (-900).



Source: ONS/ Nottingham City Council

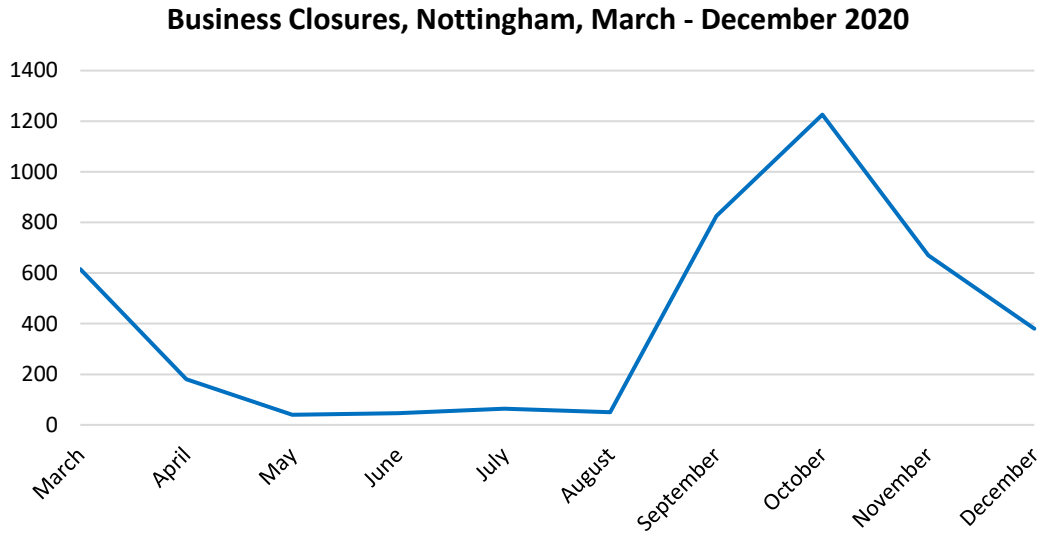
Job Vacancies



Source: EMSI

Job vacancies (postings) in Nottingham stood at 20,530 in March 2020. They fell sharply to June before rising once again until November 2020. They fell back slightly in December as the second national lockdown began to bite.

Business Closures



Source: FAME

As we might expect the effects of Covid-19 on business closures has been a lagged effect. With a downturn in demand, many businesses will have turned to fulfilling existing orders and drawing on cash reserves, but as the scale of the economic effects became more widespread and serious so we saw a sudden and very significant upturn in business closures across the City between August and October (when they reached a peak of 1,230) before the downward trend was resumed. The effect of the second lockdown on business closures is not reflected in the available data as yet.

Other Key Economic Indicators

16 - 64 year olds			
% Economic Activity	**Nottingham**	**England**	**Difference**
Dec-19	69.5	79.2	9.7
Mar-20	69.1	79.4	10.3
Jun-20	70.5	79.5	9.0
Sep-20	72.1	79.4	7.3
Change Dec-19 - Sep-20	2.6	0.2	

% Employment Rate	**Nottingham**	**England**	
Dec-19	63.9	76.0	12.1
Mar-20	64.5	76.2	11.7
Jun-20	66.5	76.2	9.7
Sep-20	67.6	76.0	8.4
Change Dec-19 - Sep-20	3.7	0.0	

% 18-24 in Employment	**Nottingham**	**England**	
Dec-19	37.9	61.3	23.4
Mar-20	39.9	61.6	21.7
Jun-20	41.9	62.4	20.5
Sep-20	40.8	61.5	20.7
Change Dec-19 - Sep-20	2.9	0.2	

% Economically Inactive	Nottingham	England	
Dec-19	30.5	20.8	-9.7
Mar-20	30.9	20.6	-10.3
Jun-20	29.5	20.5	-9.0
Sep-20	27.9	20.6	-7.3
Change Dec-19 - Sep-20	-2.6	-0.2	

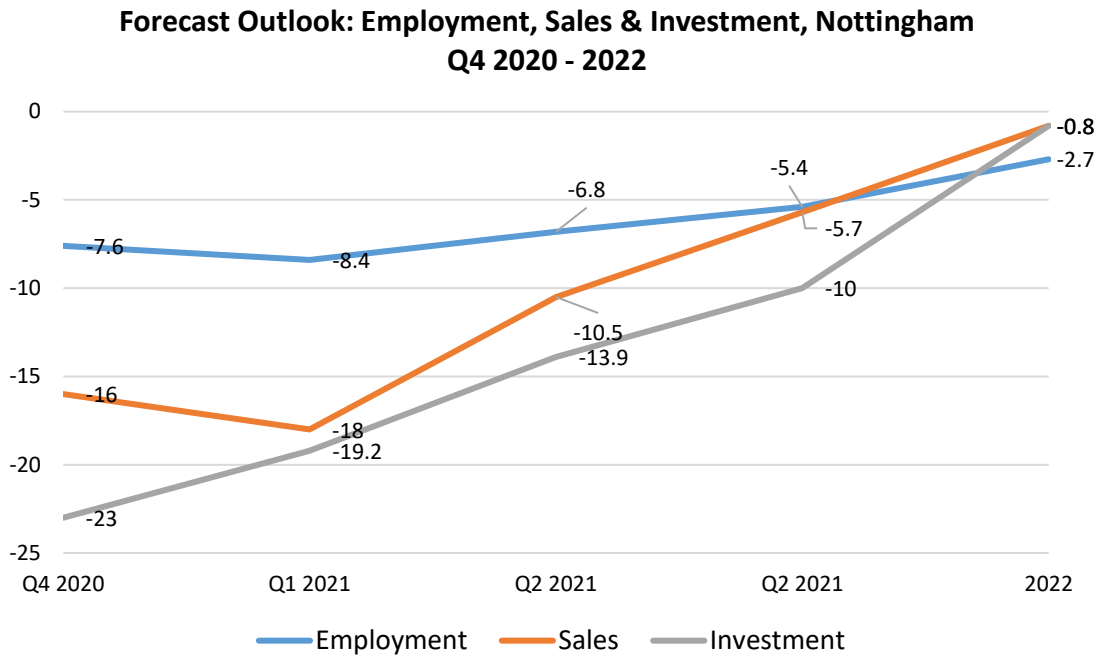
Source: APS, NOMIS

The above table shows data for the population of working age (16 to 64 years). Key finding are:

- The economic activity rate, employment rate and the employment rate for young people (aged 18-24) for Nottingham are below those for England although the difference has been narrowing. All have been rising in recent months. This reflects the positive influence of the Covid-19 business support schemes. However, the latest data precede the second lockdown.
- The economic inactivity rate has fallen in recent months with Nottingham experiencing a significant fall. This reflects a very large fall in the student population living in the city, with many working from home.

Future Outlook

Employment, Sales and Investment



Source: D2N2 Economy Dashboard

If we look at short-term impacts in Q2 2021, private sector employment is forecast to be -6.8% lower than it would have been without the impact of Covid-19. Sales are expected to decline by -10.5% and investment by -13.9% and they are not expected to recover to pre-Covid levels until 2022.

GVA - Outlook to end of 2021

The KPMG forecast for 2021 suggests Nottingham's GVA growth (3.3%) will be above that for the UK (2.8%) but below the regional average (4.0%). As the table below shows:

- The number of high risk sectors is expected to fall from 12 in 2020 to 5 in 2021 with GVA associated with this group falling by 27.4% or 2.2 percentage points (-£220 million). Sectors with a significant GVA value which are at high risk are Food and Beverage Services (£192m) and Land, Water and (especially) Air Transport (£150m). These were also high risk in 2020.
- Moderately impacted sectors account for £1,170m (11.7%) with the number in this group having risen from six to nine over the year.
- Essential/ Low Impacted sectors account for £8,281 million (82.5%) of total GVA. The number of low risk sectors is forecast to rise from 24 in 2020 to 28 in 2021 with GVA for this group increasing by 31.1% or 19.6 percentage points (£1,967 million). The Wholesale and Retail sector is expected to be moderately exposed over this year as lockdown measures are now starting to be eased. Low Risk Sectors with a significant GVA value now includes Wholesale and Retail (£1,334 million) which was previously classified as being moderate risk. Other sectors in this category include Human Health (£1,034m); Real Estate (£986m); and Telecommunications & IT (£795m).

Sectoral Concentration by Risk Banding, Nottingham City in 2021

High Impact	GVA £m	% Total
Land, Water & Air Transport	150	
Accommodation	62	
Food & Beverage Services	192	
Publishing; film and TV production and broadcasting	90	
Other Personal Services	90	
High Impact	**584**	**5.8%**

Low Impact	GVA £m	% Total
Manufacture of Food Products, Beverages & Tobacco	74	
Manufacture of petroleum, chemicals and other minerals	28	
Basic Metals & Metal Products	6	
Manufacture of electronic, optical and electrical products	53	
Other Manufacturing & Repair	131	
Electricity, gas, water; sewerage and waste management	553	
Construction & Civil Engineering	408	
Wholesale & Retail Trade incl. Repair of Vehicles	1,334	
Warehousing & Support Activities for Transportation	30	
Postal & Courier Activities	53	
Telecommunications & IT	795	
Financial Services except Insurance & Pensions	97	
Real Estate	986	
Legal & Accounting Services	284	
Activities of Head Offices & Management Consultancy	67	
Architectural & Engineering Activities	93	
Research and development; advertising and market research	155	
Other Professional, Scientific & Technical	26	
Vetenary Activities	12	
Renting & Leasing Activities	58	
Office Admin., Office Support & Other Business Support	193	
Public Admin., Defence & Social Security	603	
Education	828	
Human Health	1,034	
Residential Care & Social Work	315	
Activities of Membership Organisations	47	
Repair of Computers & Personal Household Goods	4	
Domestic Personnel - Households	14	
Low Impact	**8,281**	**82.5%**

Moderate Impact	GVA £m	% Total
Agriculture, Forestry & Fishing; Mining & Quarrying	0	
Manu. Textiles, Apparel & Leather Products	31	
Manu. of Wood & Paper Products	56	
Manufacture of machinery and transport equipment	24	

Insurance, pension funding and auxiliary financial activities	390	
Services to Buildings & Landscape Activities	37	
Creative, arts, entertainment and cultural activities	33	
Sports and recreation activities; Gambling and betting;	81	
Employment activities; tourism and security services	518	
Moderate Impact	**1,170**	**11.7%**
TOTAL GVA £m	**10,035**	**100%**

Source: KPMG. ONS. Nottingham City Council