

North East Covid-19

Economic Response Group

COVID-19 Intelligence

May 2021 update



on behalf of business:



on behalf of regional universities:



Up to date indicators showing the impact of Covid on the North East economy are available on the North East Data Hub [here](https://www.northeastdatahub.co.uk/report/covid-19-intelligence-january-2021-update).

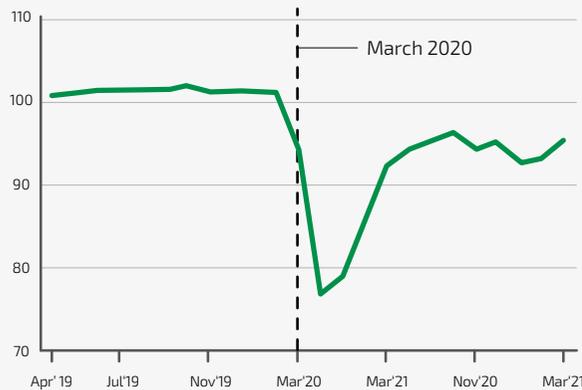
This is the fifth in a series of summary updates on the ongoing economic impacts of the Covid-19 pandemic, and the path towards recovery. This report focuses on updating the published quantitative evidence only. No further consultations or research have been undertaken exploring the impacts on sectors and places. Readers who are interested in the most recent qualitative evidence on the impacts of the pandemic on sectors and places in the North East can find it in the January report, at:

<https://www.northeastdatahub.co.uk/report/covid-19-intelligence-january-2021-update>

Summary of key findings

Economic activity

UK Gross Domestic Product (GDP), April 2019 to March 2021

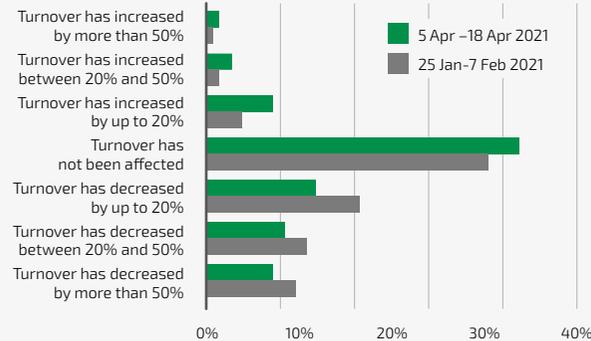


UK GDP grew by 2.1% in March 2021, the fastest monthly growth since August 2020. GDP is now 5.9% below the levels seen in February 2020, the last month before the main impact of the COVID-19 pandemic.

Source: ONS GDP monthly estimate, UK: March 2021

Business activity

Impact of COVID-19 on turnover, UK, 25 January to 7 February and 5 to 18 April 2021



Between 5 and 18 April, turnover was lower than normally expected for 34% of UK businesses, and higher than expected for 14% of businesses. Fewer businesses were suffering negative effects on turnover, and more were experiencing increased turnover, than in late January and early February.

Source: Business insights and impact on the UK economy: 6 May 2021

Footfall and visits to recreational services

Visits to retail and recreation locations (seven-day rolling average, indexed), North East LEP, 21 February 2020 to 26 February 2021

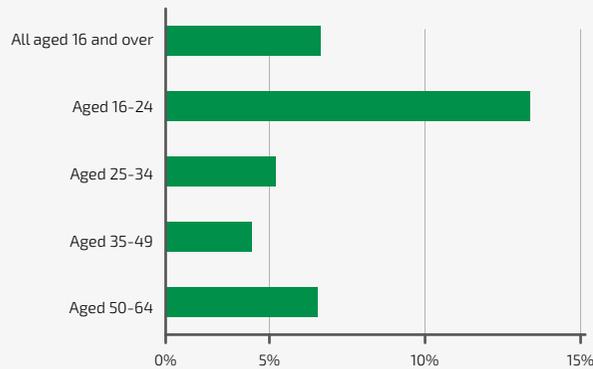


Google's community mobility data suggests that weekday visits to retail and recreation sites in the week ending 7 May were 15 to 20 percentage points higher than in the week prior to lockdown restrictions easing on 12 April. Weekend visit levels were about 25 percentage points higher. Retail and recreation visits were still at only 72 per cent of early 2020 levels, however.

Source: Google Community Mobility Reports

Unemployment

Unemployment rate by age, North East region, Q4 2020

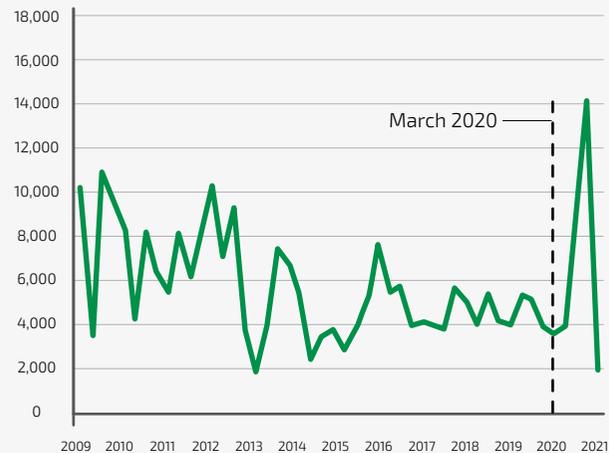


At 5.7%, the North East region had the second highest unemployment rate among the English regions in Q4 2020. The unemployment rate is notably higher among young people than in other age groups.

Source: ONS Labour market in the regions of the UK: April 2021

Redundancies

Quarterly redundancy estimates, North East region, 2009 to 2020



According to the Labour Force Survey, 1,900 people in the North East region (including the North East and Tees Valley LEP areas) were made redundant in the period December 2020 to February 2021. This was a much lower total than in the previous quarter (14,200) and the lowest three-month total since 2013.

Source: ONS Labour Market Release Table RED02: Redundancy Levels by Region

Recruitment demand

Weekly vacancy index (February 2020 = 100), North East region and England, to week ending 23 April 2021



In the week ending 23 April, vacancy levels in the North East region were at 137% of their level in February 2020. This was above the equivalent figure for England, and the highest of the nine English regions.

Source: ONS analysis of Adzuna website data

Key data

Economic output



UK GDP grew by 2.1% in March 2021.

This was the fastest monthly growth since August 2020. The service sector has been the main contributor to GDP's recovery in February and March 2021 following large falls in January, with production and construction also contributing positively.

UK GDP is now 5.9% below the levels seen in February 2020, the last month before the main impact of the COVID-19 pandemic, and 1.1% below the initial peak in recovery in October 2020.

Reflecting this, in the latest NatWest UK Regional PMI report private sector firms in the North East region (including the North East and Tees Valley LEP areas) reported a sharp recovery in business activity in March.

Firms reported that demand had improved as businesses prepared for the scheduled easing of COVID-19 restrictions.

According to firms responding to NatWest's survey, there was a renewed increase in the amount of new business received in March, ending a sequence of four consecutive monthly declines.

There was a sharp improvement in export demand, reflecting marked output expansion in Germany, the Netherlands and US, the three largest export markets for North East firms.

North East firms remain optimistic about the 12-month outlook

With NatWest reporting that sentiment in March was at its highest level since July 2020

61% of firms in the region expect growth.

Forecasters including the Bank of England have upgraded their expectations of the UK's economic recovery in 2021 and beyond, as the number of new COVID-19 cases continues to fall and the vaccination programme proceeds.

In its May 2021 Monetary Policy Report, the Bank of England expects UK GDP to recover strongly to pre-COVID-19 levels over the remainder of 2021, earlier than previously forecast

Nevertheless, forecasters continue to indicate that the economic outlook remains uncertain. According to the Bank of England, the outlook continues to depend on the evolution of the COVID-19 pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments. Its report notes the surge in COVID-19 cases in India caused by the emergence of a new variant.



Growth is expected to be boosted by a continuing decline in health risks and a fall in levels of uncertainty, as well as fiscal policy.

Consumer spending is also expected to be supported by households running down additional savings accumulated during the pandemic. Some forecasters, such as the EY Item Club, expect increases in business investment over the next two years.

After 2021, the pace of GDP growth is generally expected to slow as the boost from some of those factors wanes.



Business activity

ONS reports that between 19 April and 2 May, 93% of UK businesses said they were currently trading

And a further 2% said they had paused trading but were planning to restart within the next two weeks

However, 25% of UK businesses said they had temporarily closed or paused trading in at least one of their sites.

Between 5 and 18 April, turnover was lower than normally expected for 34% of UK businesses. Turnover was higher than expected for 14% of businesses.

A comparison with results from late January and early February shows that fewer businesses were suffering negative effects on turnover, and more were experiencing increased turnover.

49% of UK exporters had exported as normal in the period 5 to 18 April, and 3% exported more than normal for the time of year. 21% exported less than normal, while 9% were unable to export at all. 46% of UK importers had imported as normal in this period, and 4% imported more than normal for the time of year. 28% imported less than normal, while 6% were unable to import at all.



Exporters and importers reported challenges relating to additional paperwork, customs duties or levies, and changes in transportation costs, identifying EU transition as a major cause.

4% of businesses in the North East region had no cash reserves.

40% had cash reserves to last six months or less.

9% had no or low confidence in their business surviving for three months.

15% reported that they faced a moderate or severe risk of insolvency.

These proportions are lower than in late January and early February.

2% of UK businesses said they expected to make redundancies in the next three months.

With redundancies appearing most likely in accommodation and food services. In late October 2020, by comparison, 9% of UK businesses expected to make redundancies in the next three months; at that time, firms in transportation and storage and the administrative and support services sector were most likely to say they expected to make staff redundant.

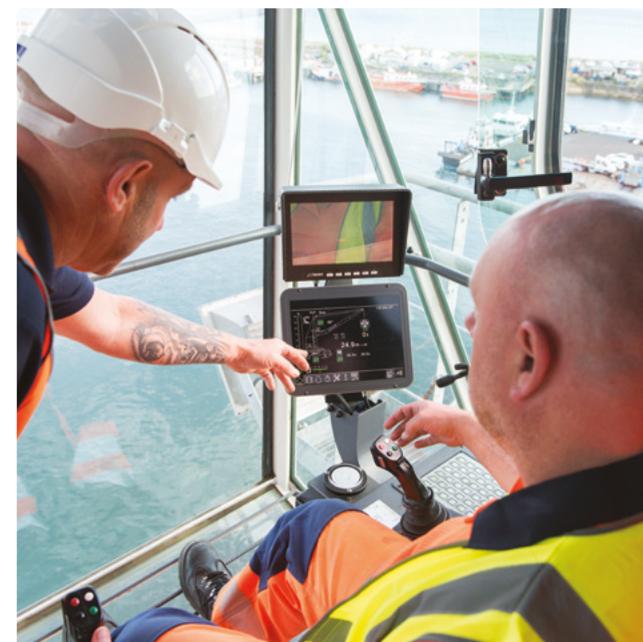
International trade

International trade continues to recover from the low point in Q2 2020.

The value of exports from the North East region (including North East and Tees Valley LEP areas) in Q4 2020 was 79% higher than in Q2, while the value of imports to the region in Q4 2020 was 45% higher than in Q2.

Businesses in the North East LEP area report inconsistencies around the process of exporting to and importing from different EU countries.

Businesses which export direct to consumers report increased costs relating to the use of couriers and fulfilment centres.



Footfall and visits to recreational services



Google's community mobility data suggests that weekday visits to retail and recreation sites in the week ending 7 May were 15 to 20 percentage points higher than in the week prior to lockdown restrictions easing on 12 April. Weekend visit levels were about 25 percentage points higher than on the weekend before restrictions eased.

Retail and recreation visits were still at only 72% of early 2020 levels, and 13 percentage points below the mid-2020 peak in August.

The latest levels of visits to supermarkets, pharmacies and public transport hubs were all at the highest since March 2020. Visits to workplaces were slightly down on recent weeks, and hours spent at home were slightly higher, due to the bank holiday.



ONS data suggests that in the week ending 2 May, there were more cars on the road in Tyne & Wear than at any time since September, and more trucks and vans since late October.

The number of cars was at 92% of pre-COVID-19 levels, and the number of trucks and vans at 90%.

ONS estimates that the number of pedestrians and cyclists using Tyne & Wear roads in the week ending 2 May was at 77% of pre-COVID-19 levels, higher than at any time since September.

Unemployment and economic inactivity

According to the latest ONS data, in the period December 2020 to February 2021 the North East region (including the North East and Tees Valley LEP areas) had the second highest unemployment rate among the English regions (5.7%, compared with 5.0% in England).

The North East's unemployment rate has fallen in each three-month period since its peak of 6.6% in June to August 2020.

The unemployment rate is highest among young people.

13.1% of 16 to 24 year olds in the North East region were unemployed in the period December 2020 to February 2021.

In the period November 2020 to January 2021, the North East region had the highest working-age economic inactivity rate among the English regions (23.7%, compared with 20.5% in England).

Economic inactivity counts people who are not in employment but who are also not actively seeking a job. It includes working age people who are sick, have caring responsibilities, are students or retired early, as well as those who don't want a job for other reasons.

Economic inactivity is highest among the youngest and oldest age groups.

The unemployment rate in the region is higher among men (6.9%) than women (4.2%). The economic inactivity rate is higher among women (26.4%) than men (20.2%).

In the year to the period December 2020 to February 2021:



The number of women in employment in the North East region fell by 4,400 while economic inactivity rose by 3,500 and unemployment rose by 1,000.



The number of men in employment fell by 6,900 and unemployment fell by 2,200, while inactivity rose by 4,500.

Claimant count

According to ONS data, around 86,500 people were claiming unemployment-related benefits in the North East LEP area in March 2021. This was 32,000 more than in March 2020.

Most of this increase happened between March and April 2020, when restrictions introduced as a result of COVID-19 led to a sharp rise in the number of claims for Universal Credit.

6.9% of 16 to 64 year olds in the North East were claiming unemployment-related benefits in March 2021, compared with 6.2% in England excluding London.

Employment and earnings

Analysis of HMRC's Pay As You Earn (PAYE) data shows that there were around 19,600 fewer payrolled employees in the North East region (including the North East and Tees Valley LEP areas) in March 2021 than in March 2020, a fall of 1.8%.

Most of this fall happened between March and April 2020.

Nationally, the largest decreases in employee numbers in the year to March 2021 were in accommodation and food services, wholesale and retail including the motor trade, manufacturing, and arts, entertainment and recreation.



Coronavirus Job Retention Scheme

Provisional HMRC data shows that at the end of March, almost 106,000 employments in the North East LEP area were furloughed.

This was lower than in January or February, but was 50,000 higher than at the end of October when the CJRS extension began.

In total, around 312,000 employments in the North East LEP area have been furloughed at some point since March 2020.

13.2% of eligible employments in the North East LEP area were furloughed at the end of March, compared with 14.0% in England.

52% of furloughed workers in the North East LEP area at the end of March were female.

71% of furloughed employments in the North East LEP area at the end of March were fully furloughed, a slightly higher proportion than nationally (70%). The number of fully furloughed employments had risen by 155% since the end of October, while the number of partially furloughed employments had risen by 26%.

More than a quarter of furloughed employments in the North East region (including the North East and Tees Valley LEP areas) at the end of January were in accommodation and food services.

Around one in five were in retail and wholesale, and one in ten were in manufacturing. Slightly smaller proportions were in arts and recreation or business administration support services.

An April 2021 survey of Newcastle businesses found that 69% of firms expect all staff currently on furlough to eventually return to work, particularly from Autumn 2021.

Most businesses said this would be a phased return.

One in five businesses expect to adopt a hybrid model of working, with staff splitting their time between the office and home (with a preference towards two-thirds of their time to be spent in the office).

Anecdotal feedback from firms in the professional services and digital sectors suggests a mix between allowing staff to continue to work from home, and planning for a phased return to work (with plans to reconfigure office space).

Businesses reported a sense of mistrust of public transport and identified this as a challenge to the return to workplaces.

Self-Employment Income Support Scheme (SEISS)

According to HMRC, at the end of January (when claims closed) 46,000 self-employed workers in the North East LEP area had made SEISS claims in the third tranche of the scheme.

This was 3,000 fewer than the number of claimants in the second tranche of the scheme, and 5,500 fewer than in the first tranche.

65% of the eligible population in the North East made a claim in the third tranche of the scheme by 31 October, while the take-up rate was 70% in the second tranche and 77% in the first tranche. These were similar proportions to those seen nationally. The same eligibility criteria applied in each tranche.

Almost 30% of SEISS claimants in the North East region (including the North East and Tees Valley LEP areas) in the third tranche of the scheme were in the construction sector. A further 21% were in either transport and storage (including postal) or personal and membership services.

Around 33% of self-employed workers in the North East region – about 46,000 people – were ineligible to claim SEISS.

People who had become self-employed after April 2019, for example, were previously ineligible for SEISS support. The March 2021 Budget announcement extended the fourth round of SEISS support to self-employed people who first submitted a self-assessment tax return for the 2019-20 financial year.

Impacts on individuals



ONS data shows that across Great Britain, 37% of people who were working in the period 28 April to 3 May had worked from home because of the COVID-19 outbreak.

60% of those who were working had travelled to work in the past seven days, either exclusively or in combination with working from home. 22% were not able to work from home.

The proportion of people working from home has fallen from 45% in mid-February, reflecting the relaxation of lockdown restrictions.

Redundancies

According to the Labour Force Survey:

1,900

people in the North East region (including the North East and Tees Valley LEP areas) were made redundant in the period December 2020 to February 2021

This was a much lower total than in the previous quarter (14,200) and the lowest three-month total since 2013.

This was equivalent to a rate of 1.8 redundancies per 1,000 employees, lower than the rate in England (7.8 per 1,000 employees) and the lowest rate among the nine English regions.

Nationally, redundancies in the period December 2020 to February 2021 were highest in business administration support, accommodation and food services, and manufacturing.

Vacancies

ONS data shows that in the week ending 23 April, vacancy levels in the North East region (including the North East and Tees Valley LEP areas) were at 137% of their level in February 2020.

This was above the equivalent figure for England (105%) and the highest of the nine English regions.

Nationally, vacancy levels were most notably above February 2020 levels in transport and logistics and warehousing, manufacturing, construction, and domestic help.

UK vacancy levels remained low in graduate jobs, administrative, clerical and secretarial jobs, energy, oil and gas, and catering and hospitality.



Apprenticeship starts

Data from the Department for Education shows that in the first six months of the 2020/21 academic year, there were 6,285 apprenticeship starts in the North East LEP area, 24% below the number in the same period in 2019/20.

Intermediate apprenticeship starts were at 41% of the level in 2019/20 while advanced apprenticeship starts had fallen by 25%. The number of higher apprenticeship starts had risen slightly.

Apprenticeship starts among young people aged under 19 were at 60% of the level in the same period in 2019/20. Among those aged 19 to 24, apprenticeship starts were down by 25% while starts among those aged 25 plus were 9% lower than in 2019/20.

Apprenticeship starts in engineering and manufacturing technologies in the first six months of the 2020/21 academic year were 38% below the level in the same period in 2019/20. Starts in information and communication technology, in business, administration and law, in retail and commercial enterprise, and in construction, planning and the built environment were down by 20% to 25%. In contrast, apprenticeship starts in health, public services and care had only decreased by 7%.

Future employment scenarios

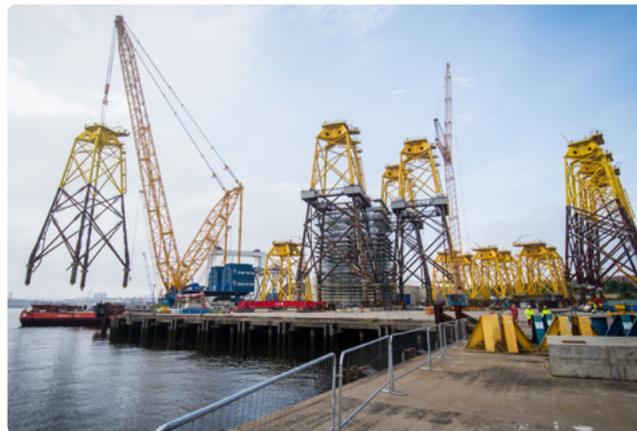
While they note that the outlook remains uncertain, most forecasters including the Bank of England expect the UK's economic recovery to pick up pace from Q2 2021, as vaccines become more widely available and social distancing restrictions are eased.

Forecasters are less pessimistic about the extent of long-term economic scarring and its impact on the labour market than reported previously.

In particular, the further extension of the Coronavirus Job Retention Scheme and additional Self-Employment Income Support Scheme grants announced in the March Budget are expected to continue to mitigate against job losses caused by the pandemic.

As the EY Item Club notes, continuing CJRS and SEISS support will help businesses retain skills and capability in significant numbers, giving the UK economy more scope to bounce back quickly.

Nevertheless, the unemployment rate is expected to rise slightly in the short term, as not all employees will return from furlough.



The Bank of England expects the unemployment rate to peak at 5.2% in late 2021, but notes this is much lower than the 7.7% previously forecast. Similarly, the EY Item Club expects unemployment to peak at 5.8% in 2021, while noting that the consensus among forecasters was previously a peak of 8% to 9%.

As the Bank of England notes, however, the outlook for the labour market remains uncertain, and sensitive to the evolution of the pandemic, and measures taken to protect public health including the vaccination programme. Government policy is expected to be a key driver of economic growth for some time.

Understanding how 'levelling up', the move to net zero, and the drive to build Global Britain might impact the economy and what opportunities might arise remains important.

