

Gfirst LEP Economic Recovery Planning informed by businesses directly influencing GCC & Local Authority Recovery Plans



Gfirst LEP

Sectoral Intelligence gained from:

Business Groups:

- Cyber
- Advanced Engineering & Manufacturing
- Agri, Food and Rural
- Energy
- Construction & Infrastructure
- Retail and the High Street
- Visitor Economy, Tourism and Hospitality sector

- Trade & Membership bodies; FSB, National Farmers Union, Cynam, Circle 2 Success
- Gloucestershire Employment & Skills Board
- GERM sub-groups; Education/Health, Business Community & Local Authorities
- Gloucestershire Growth Hub Network; links to start-ups, self employed & SMEs of all sizes

Supported by **Economic data and impact modelling** by sector and district from Hardisty Jones, Gfirst & GCC

Together with **encouraging transformational thinking** on issues such as Health & Well Being, Community & Business Resilience, Voluntary Sector, Culture, Carbon Neutrality and collaborative working across stakeholders

GCC- Overarching Coordinating Recovery Plan

- Respects Long Term Strategy for the County e.g. LIS
- Threat to high GVA sectors e.g. Engineering & Manufacturing
- Increased importance/growth of IT & Cyber Sector
- Infrastructure issues e.g. broadband, highways

Local Authorities – Place based Recovery Plans

- Tourism & Destination Management
- Survival of Market Towns and High Street
- High unemployment in low GVA sectors
- Adapting public space
- Grants & Aid for business survival

World view on what are we trying to recover from?

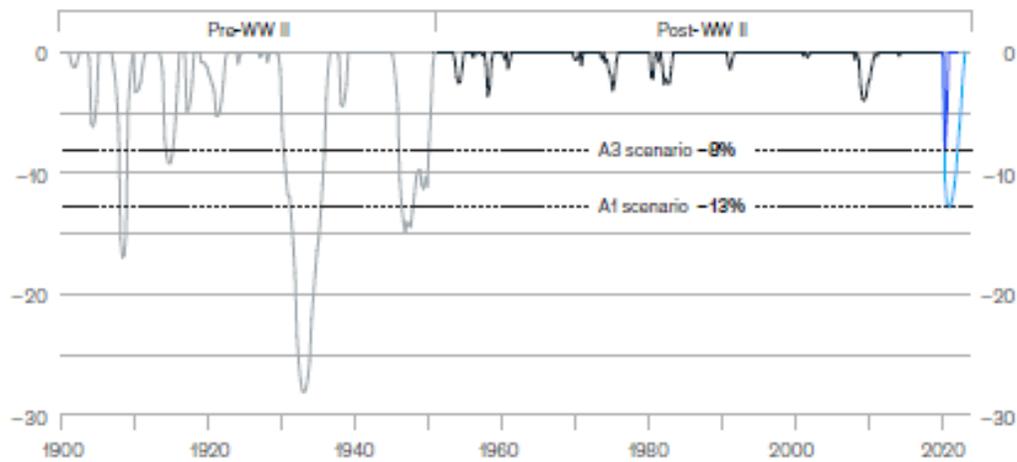
Potential scenarios dependent on effectiveness of public health and economic policy response

A1 Scenario 13% reduction in GDP

A3 Scenario 9% reduction in GDP

COVID-19 US impact could exceed anything since the end of WWII

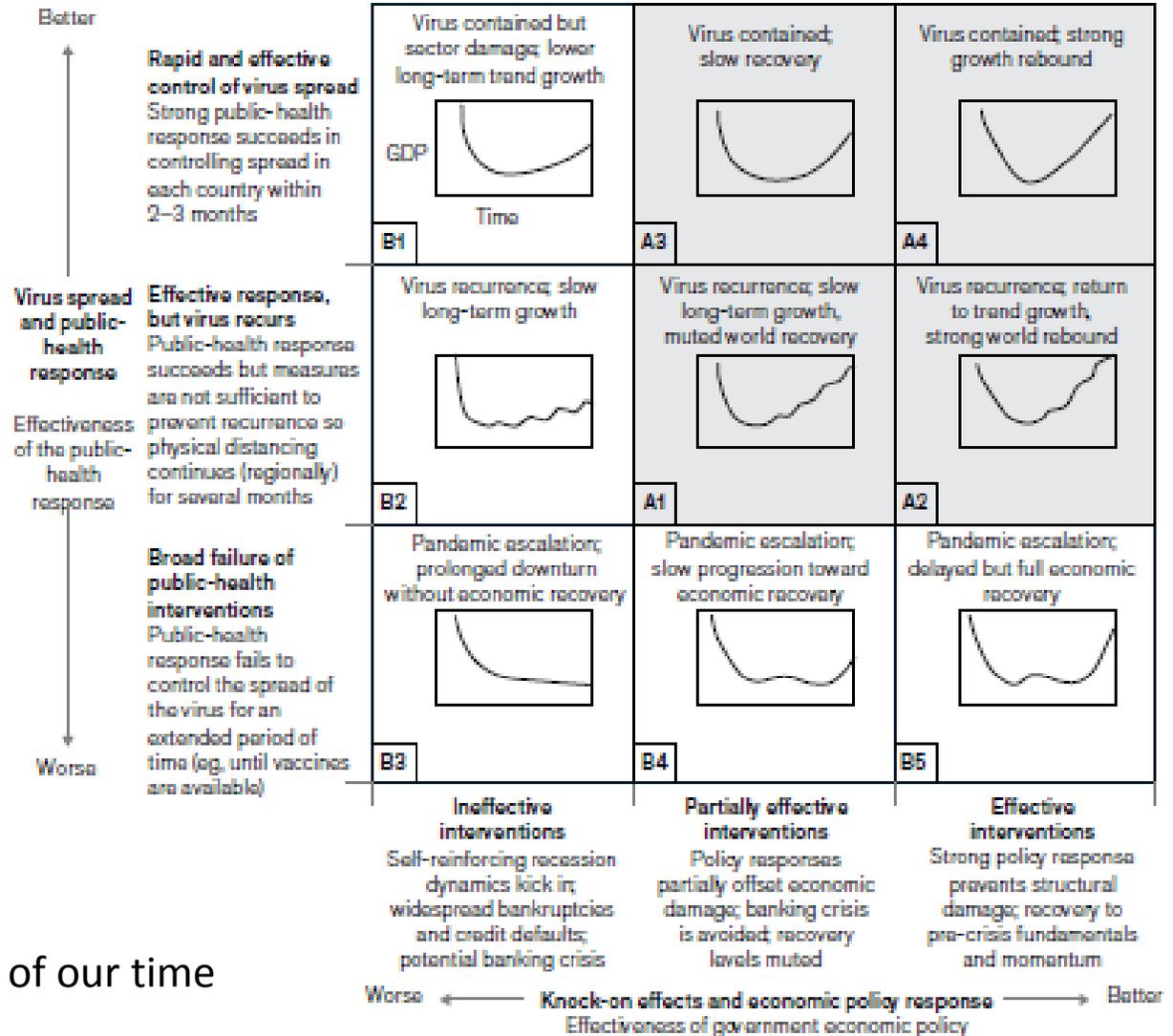
US real GDP, %, total drawdown from previous peak



Source: Historical Statistics of the United States Vol 3, Bureau of Economic Analysis; McKinsey analysis; In partnership with Oxford Economics

Scenarios for the economic impact of the COVID-19 crisis

GDP impact of COVID-19 spread, public-health response, and economic policies



Safeguarding our lives and our livelihoods: The imperative of our time

Post Coronavirus phases of Economic Impact

Full lockdown = three months

Possible phases of regional lockdown and release

Government intervention to support employment and business activity

Restart = two quarters

Gradual release from lockdown, social distancing, parts of the economy remain 'shut' or operating sub-optimally.

Gradual phasing-out of Government cash support for businesses

Revitalise = four quarters

Growth = new normal

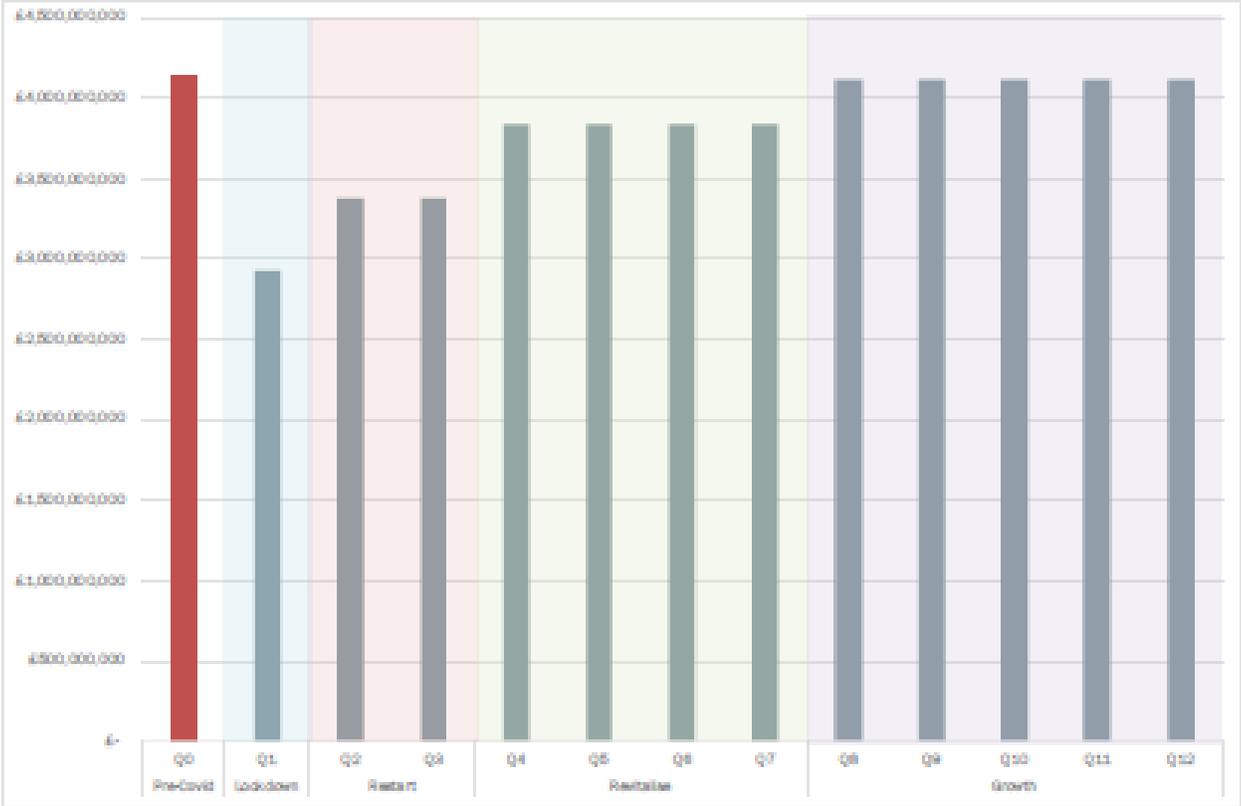
fully functioning economy with changed sector sizes; decline (e.g. High Street retail) and prosper (e.g. ICT and online content provision)

What GVA impact is Gloucestershire trying to recover from?

Figure 1.2: Impact on Total Gloucestershire GVA Over Time

Phase	Quarter (three months)	GVA per Quarter
Pre-Covid	Q0	£4,134,000,000
Lockdown	Q1	£2,928,000,000
Restart	Q2	£3,374,000,000
	Q3	£3,374,000,000
Revitalise	Q4	£3,843,000,000
	Q5	£3,843,000,000
	Q6	£3,843,000,000
	Q7	£3,843,000,000
Growth	Q8	£4,113,000,000
	Q9	£4,113,000,000
	Q10	£4,113,000,000
	Q11	£4,113,000,000
	Q12	£4,113,000,000

Figure 1.1: Impact on Total Gloucestershire GVA Over Time



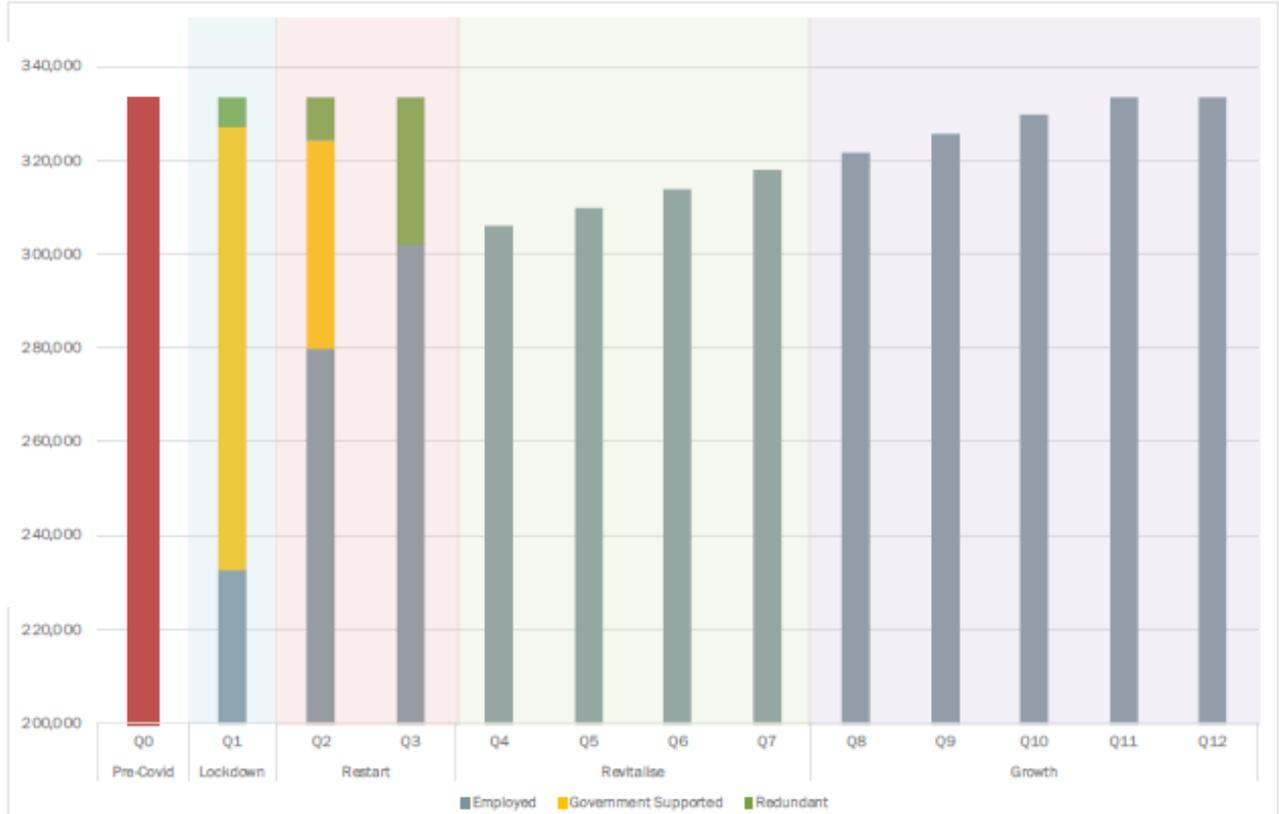
Estimating the Economic Impact of Coronavirus on the Gloucestershire Economy

What redundancy impact is Gloucestershire trying to recover from?

Figure 2.2: Impact on Employment Over Time

Phase	Quarter	Employed	Government Supported	Redundant
Pre-Covid	Q0	334,000		
Lockdown	Q1	233,000	95,000	6,000
Restart	Q2	280,000	44,000	9,000
	Q3	302,000	-	31,000
Revitalise	Q4	306,000		
	Q5	310,000		
	Q6	314,000		
	Q7	318,000		
Growth	Q8	322,000		
	Q9	326,000		
	Q10	330,000		
	Q11	334,000		
	Q12	334,000		

Figure 2.1: Impact on Total Gloucestershire Employment Over Time



Estimating the Economic Impact of Coronavirus on the Gloucestershire Economy

Gfirst Business Impact Survey 26/05/20 – 01/06/20

Is COVID-19 affecting your business?

Yes, negatively	89%
Yes, positively	9%
Not yet	2%
No	0%

Are you or any of your staff currently furloughed?

Yes	52%
No	48%
Not sure	0%

What proportion of those currently on furlough do you envisage returning to their roles?

100%	45%
More than 50%	31%
Less than 50%	21%
None	3%

How do you see your staffing levels changing over the next 6 months in terms of FTE?

Increasing	3%
Maintaining	68%
Decreasing	29%

Is your business currently fully operational?

Yes	20%
No	80%

When do you anticipate that your business will return to some level of operational activity?

Within the next 4 weeks	4%
Within the next 2 months	11%
Within the next 3 months	20%
Within the next 6 months	42%
More than 6 months	9%
Uncertain that we will return at all	13%

What are the three biggest risks your business is facing in the next 6 months?

Loss of domestic clients	63%
Changing market trends	32%
Loss of seasonal trade	29%
Impact on personal financial situation	27%
Managing cash flow	25%
Adapting workplace for social distancing for customers/clients	23%
Loss of international clients	21%
Payment of staff wages	16%
Adapting workplace for social distancing for staff	13%
Possible cessation of trading	13%
Uncertainty around in-person events	13%

Business Sector views

Cyber

- Growth sector; Work from home, online operations, security of teleconferencing, cyber risks
- Employees and skill needs for Cyber Central

Energy

- Potential Growth sector
- Gloucestershire strong on Carbon Agenda with innovative companies
- Alternative transportation methods
- Green power sources
- Energy efficient buildings

Agri, Food & Rural

- Immediate impacts dairy, supply to catering and events, crop picking
- Not just COVID but weather extremes
- Struggling farmers diversified into Tourism capital investments now suffering

Construction & Infrastructure

- Initial site closures now lifting
- Desire to build still exists and potential for more home building
- City regions and communities
- Green infrastructure & new transport solutions
- Change to use of Commercial sites
- Barriers to Development – Planning rules, timescales and construction site restrictions, change of use

Business Sector views

AEM

- Short term many continuing operations to fulfil existing contracts
- Severe impact longer term after those contracts end
- Existence of long-term contracts impacted by global economy
- 25% redundancies, defence contracts may partially mitigate
- Skills shortages in semi-skilled (welding, electrical components and highly experienced areas) might still exist

Visitor Economy and Tourism

- Immediate and severe impact
- Poor visitor experiences will lead to negative press
- Cash flow, small businesses strained and no access to finance
- Less customers & reduced margins v same costs = closures and redundancies
- 4 July reopening is attracting enquiries, but may now be mid-July
- “Three winters of trading”

Retail & High Street

- Immediate and severe impact
- Some stories of businesses pivoting to online success
- 15 June fears (unmanaged crowds) & ambitions (lower footfall with bigger basket sizes)
- Managing 2m in store difficult but but in shared space outside stores...
- Optimism over increased Localism

Overarching themes

- **Furloughing**; masking redundancies and the businesses that have already failed
- **Physical Distancing**; the cost, uncertainty, process changes and logistics of maintaining a 2m gap
- **18-24 year old employment**; redundancy will be higher than average as in retail, visitor economy, low skilled, zero hour contracts, apprenticeships c.30% vs c.10% average. Support schemes essential
- **Health & well being**; mental health impacts of lockdown, business closures, reduction of support networks family/schools/colleges, economic anxiety & lack of youth prospects. Well being impact of underlying non-COVID conditions being undiagnosed/treated
- **Voluntary sector**; increased need and potential for volunteers but limited cashflow will restrict services
- **Arts & Culture**; problems; no funds, audience reluctance, physical distance in venues
- **Carbon neutrality**; prospect for advancing the Carbon Agenda at an increased pace
- **Broadband**; the digital divide has become more transparent; education, WFH, access to digitalised services
- **Collaborative working**; increased possibility to learn across county institutions and sectors
- **Work from Home**; positive move for work/life balance, climate change, transportation, health & well being