# COVID-19 – Social and Economic Issue Analysis: Economy Second Edition

Paper written 28 September 2020

## Main points for Norfolk

- Latest UK GDP figures show negative growth for the vast majority of industry sectors between February (pre-COVID) and July 2020.
- Despite monthly GDP growing by 6.6% in July 2020, the UK economy remains in recession.
- The worst effected industry sector for UK negative contribution to growth is the Accommodation and food services sector (-60.1%), and for Norfolk, this sector employs around 30,000 jobs.
- For Norfolk, a high proportion of jobs (15.2%) are in the Human health and social activities sector. UK negative contribution to growth for this sector is around a quarter, and effects around 55,000 Norfolk employee jobs.
- For Norfolk, around 63,000 employee jobs are in the Wholesale, retail and motor trades sector, which shows marginal positive contribution to UK growth between February and July.
- Using regional furlough data as a proxy, the top three sectors most likely to be at risk of higher levels of redundancies when the CJRS is withdrawn are: Accommodation & food services; Arts, entertainment, recreation and other services; and Construction.
- Overall, Norfolk's current claimant rate for persons aged 16 and over is 5.4% for July 2020, compared with 5.6% for the Eastern region and 6.5% for England.

## What does the Government say about this issue?

Since 23 March 2020, when the Prime Minister announced national lockdown measures, the COVID-19 pandemic has affected all aspects of our daily lives. From total lockdown, to partial lockdown easing, to essential businesses reopening, to localised lockdowns, to schools reopening, to a working from home U-turn, to the rule of six, to rates of infection decreasing and more recently increasing sharply; the COVID-19 journey has so far been turbulent, and the end is not yet in sight.

The government continues to emphasise that it is critical that everybody observes the following key behaviours:

- **HANDS** – Wash your hands regularly and for 20 seconds.
- **FACE** – Wear a face covering in indoor settings where social distancing may be difficult and where you will come into contact with people you do not normally meet.
- **SPACE** – Stay 2 metres apart from people you do not live with where possible, or 1 metre with extra precautions in place.

On 9 September 2020, the government announced new measures in England[1] to suppress the virus and keep the number of infections down.

Less than a fortnight later, on 22 September, the government announced further national measures[2] to address rising cases of COVID-19 in England. People are again being encouraged to work from home if they can, while pubs and bars will be required to close at 10pm. Masks will be required for hospitality workers and passengers in taxis, weddings will be restricted to 15 guests and funerals to 30, and plans to resume certain sporting events will be put on hold. Businesses that are not considered “COVID-secure” will be forcibly closed. These new restrictions came a day after England’s Chief Medical Officer Professor Chris Whitty and UK Chief Scientific Adviser Sir Patrick Vallance presented a stark briefing[3] to the public of the deteriorating trends in COVID-19 infections.

**What impact is coronavirus having on the economy?**

Stricter infection control measures will slow the virus down, reduce the occurrence of outbreaks, and undoubtedly spare lives. These same control measures will continue to curtail economic activity and comes at a further and ongoing cost to businesses and jobs.

**Government intervention**

The government has put in place a range of financial support schemes, such as furlough payments, loans, tax relief and grants, to help employees and businesses through the COVID-19 pandemic.

Initially, the Chancellor announced[4] a package of government-backed and guaranteed loans to support businesses, making available an initial £330 billion of guarantees – equivalent to 15% of GDP. This was on top of a series of measures announced at Budget 2020, the government announced £30 billion of additional support for public services, individuals and businesses experiencing financial difficulties because of COVID-19, including a new £5 billion COVID-19 Response Fund, to provide any extra resources needed by the NHS and other public services to tackle the virus. The government has implemented new legal powers in the emergency COVID-19 legislation, enabling it to offer whatever further financial support it thinks necessary to support businesses.

[1] Cabinet Office “Coronavirus (COVID-19): What has changed” published 09 September 2020 - https://www.gov.uk/government/news/coronavirus-covid-19-what-has-changed-9-september
[2] Cabinet Office “Coronavirus (COVID-19): What has changed – 22 September” published 22 September 2020 - https://www.gov.uk/government/news/coronavirus-covid-19-what-has-changed-22-september
[3] BBC News online article “Covid: UK at 'critical point' in pandemic, top scientists to warn” published 21 September 2020 - https://www.bbc.co.uk/news/uk-54229845
[4] HM Treasury guidance “Support for those affected by Covid-19” published 09 April 2020 - https://www.gov.uk/government/publications/support-for-those-affected-by-covid-19

On 12 May 2020, the Chancellor announced[5] that so far, the Job Retention Scheme had protected 7.5 million workers and almost 1 million businesses, providing £10.1 billion support. Also, that businesses have benefitted from over £14 billion in loans and guarantees to support their cashflow during the crisis. This includes 268,000 Bounce Back Loans worth £8.3 billion, 36,000 loans worth over £6 billion through the Coronavirus Business Interruption Loan Scheme, and £359 million through the Coronavirus Large Business Interruption Loan Scheme. The Chancellor also announced at this time that the Job Retention Scheme would be extended until the end of October 2020.

On 08 July 2020, the Chancellor announced a package of measures[6] to support jobs in every part of the country, designed to give businesses the confidence to retain and hire, and provide people with the tools they need to get better jobs. The "Plan for Jobs" is the second part of a three-phase plan to secure the UK's economic recovery from coronavirus. As part of the plan to support jobs, a Job Retention Bonus is introduced to help firms keep furloughed workers. A new £2 billion Kickstart Scheme is launched to create hundreds of thousands of new, fully subsidised jobs for young people across the country. A total of £1.6 billion will be invested in scaling up employment support schemes, training and apprenticeships to help people looking for a job. The plan will also create tens of thousands of jobs through bringing forward work on £8.8 billion of new infrastructure, decarbonisation and maintenance projects. This includes a £3 billion green investment package that could help support around 140,000 green jobs and upgrade buildings and reduce emissions. In addition, £5.8 billion will be spent on shovel-ready construction projects to get Britain building. The plan is also designed to protect jobs. The rate of VAT applied on most tourism and hospitality-related activities will be cut from 20% to 5%. This will save households around £160 per year on average and, together with the Eat Out to Help Out Scheme, will support over 2.4 million staff at over 150,000 businesses, helping them recover and reopen after the COVID-19 lockdown. The government wants people to feel confident to move, to buy, to sell, to renovate, and to improve their homes, so a temporary increase to the Nil Rate Band of Residential SDLT (Stamp Duty) from £125,000 to £500,000 is introduced until 31 March 2021.

On 24 September 2020, following the government announcement (on 22 September) of further national measures to address rising cases of COVID-19 in England, the Chancellor outlined additional government support[7] to provide certainty to businesses and workers impacted by COVID-19. The package includes a new Jobs Support Scheme (introduced from 01 November) to protect millions of returning workers, extending the Self Employment Income Support Scheme and 15% VAT cut for the hospitality and tourism sectors, and help for businesses in repaying government-backed loans.

[5] HM Treasury news story "Chancellor extends furlough scheme until October" published 12 May 2020 - https://www.gov.uk/government/news/chancellor-extends-furlough-scheme-until-october
[6] HM Treasury news story "Chancellor's Plan for Jobs to help the UK's recovery" published 08 July 2020 - https://www.gov.uk/government/news/rishis-plan-for-jobs-will-help-britain-bounce-back
[7] HM Treasury news story "Chancellor outlines Winter Economy Plan" published 24 September 2020 - https://www.gov.uk/government/news/chancellor-outlines-winter-economy-plan

**What the data tells us**

Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of and growth in the economy. The Office for National Statistics (ONS) has released data for the three months to July 2020. [8] This release captures the direct effects of the COVID-19 pandemic and the government measures taken to reduce transmission of the virus. ONS has faced an increased number of challenges in producing monthly and quarterly estimates of UK GDP. As a result of these challenges, GDP estimates for July 2020 are subject to more uncertainty than usual. It should therefore be used with caution and alongside other measures, such as the three-month growth rate, when looking for an indicator of the longer-term trend of the economy. However, it is useful in highlighting one-off changes that can be masked by three-month growth rates.

The headline messages from the ONS bulletin are that:

- GDP fell by 7.6% in the three months to July 2020, following two consecutive quarterly falls
- Monthly GDP grew by 6.6% in July 2020 as lockdown measures continued to ease, following growth of 8.7% in June and 2.4% in May and a record fall of 20.0% in April 2020, but it has still only recovered just over half of the lost output caused by the coronavirus
- July 2020 GDP is now 18.6% higher than its April 2020 low. However, it remains 11.7% below the levels seen in February 2020, before the full impact of the coronavirus pandemic.

Commenting on the GDP figures for July 2020, ONS director of economic statistics Darren Morgan said:

- While it has continued steadily on the path towards recovery, the UK economy still has to make up nearly half of the GDP lost since the start of the pandemic.
- Education grew strongly as some children returned to school, while pubs, campsites and hairdressers all saw notable improvements. Car sales exceeded pre-crisis levels for the first time with showrooms having a particularly busy time.
- All areas of manufacturing, particularly distillers and car makers, saw improvements, while housebuilding also continued to recover. However, both production and construction remain well below previous levels.

GDP fell by 7.6% in the three months to July 2020 (with declines across all main sectors of the economy) following two consecutive quarterly falls, as government restrictions on movement dramatically reduced economic activity.

Monthly GDP grew by 6.6% in July 2020, following growth of 8.7% in June 2020. Despite this, the level of output did not fully recover from the record falls seen across March and April 2020 and was still 11.7% below the levels seen in February 2020, before the full impact of the COVID-19 pandemic. Looking ahead, results from Wave 12 of the Business Impact of COVID-19 Survey (BICS), which covered the dates 10

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[8] ONS statistical bulletin “GDP monthly estimate, UK: July 2020” published 11 September 2020 - https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/july2020

to 23 August 2020, found that of businesses currently trading, 47% reported their turnover had decreased below what is normally expected for August.

In July 2020, the services sector grew by 6.1%, following growth of 7.7% in June. The largest positive contributors to this increase were:

- education, which grew by 21.1% as some children returned to school
- wholesale, retail and repair of motor vehicles subsector (in particular, the motor vehicles industry), which recovered to above its February 2020 level after seeing record low levels of output in April and May
- accommodation and food service activities, which grew by 140.8% as lockdown measures eased; however, the level of output was 60.1% lower than its February 2020 level

Despite an increase of 6.1% in services, the level of services output was 12.6% lower than the level in February 2020 before the main impacts of the COVID-19 were seen.

Looking at the rolling three-month growth, services output fell by 8.1% in July 2020, following falls of 19.9% in June, 18.5% in May and 10.5% in April. This was driven by falls in nearly every industry, most notably:

- health, which fell by 23.6% as a result of reduced activity in elective operations and fewer accident and emergency visits
- food and beverage service activities, which fell by 60.1% as a result of the closure of bars and restaurants
- education, which fell by 14.3% as a result of school closures
- accommodation, which fell by 69.2% as a result of the closure of hotels and other short-stay accommodation

Production grew by 5.2% in July 2020, with manufacturing growing by 6.3%. The manufacturing sector saw all 13 subsectors increasing, following large falls across March and April 2020. Despite growth in the latest month, production output was 7.0% lower than the level in February 2020, with manufacturing 8.7% lower.

Looking at the rolling three-month growth, output in the production sector fell by 3.5% in July 2020, following falls of 16.9% in June, 15.5% in May and 9.0% in April. This was driven by falls in three out of the four subsectors:

- manufacturing, which fell by 4.4% as a result of 10 out of 13 subsectors falling; the most notable was the manufacture of transport equipment, which fell by 19.1% as many factories remained closed
- electricity, gas, steam and air conditioning supply, which fell by 3.2% as a result of falling industrial demand for electricity caused by the temporary closures of businesses
- water supply, which fell by 0.7% as a result of a decline in industrial and commercial waste, resulting directly from business closures

Mining and quarrying saw growth of 2.8% in the three months to July as quarrying recovered across May, June and July 2020 after a low levels of output in March and April.

Month-on-month, output in construction grew by 17.6%, following growth of 23.6% in June and 7.6% in May and a record fall of 40.2% in April 2020. This increase was driven by new housing and in particular private new housing (18.1% weight to construction), which grew by 30.3% after large declines in March and April.

Despite growth in the construction sector, output remains 11.6% lower than the level in February 2020 before the full impact of the COVID-19.

On a rolling three-month basis, the construction sector shrank by 10.6% in July 2020, following a record fall of 35% in June. The largest contributors to this fall were private new housing and private housing repair and maintenance, which fell by 17.0% and 17.9%, respectively.

Despite monthly GDP growing by 6.6% in July 2020, the UK economy remains in recession after Quarter 2 (Apr to June) 2020 saw a record fall of 20.4%, following a significant shock since the start of the COVID-19 pandemic; this follows a fall of 2.2% during Quarter 1 (Jan to Mar) 2020.[9]

Economists warn that the imposition of further COVID-19 restrictions (latest of which announced on 22 September 2020), such as the 10pm curfew on restaurants and bars, and another homeworking push, could mean that GDP growth flatlines or falls over the last few months of the year, and that Britain's economy is heading for a prolonged recession lasting until next spring.[10]

## What the data shows for Norfolk

People being unable to carry on with their usual work or business activities, and government lockdown guidance and restrictions, have resulted in an unprecedented deterioration in everyday economic activity. However, as local economies differ, the economic impact of COVID-19 varies between different areas, and between different towns and cities within an area.

### *Gross domestic product*

Table 1 shows two datasets side-by-side, for comparison. The rate of UK growth (GDP) by industry sector, between February (pre-COVID) and July 2020; alongside Norfolk employee jobs (%) for 2018. This shows negative growth for the vast majority of sectors between February and July. The highest negative contribution to UK growth between February and July was in the Accommodation and food services sector (-60.1%). This is particularly worrying for Norfolk as in 2018, the Accommodation and food services sector accounted for 8.3% of employee jobs, so negative contribution to growth in this sector affects around 30,000 jobs.

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[9] ONS statistical bulletin "Coronavirus and the impact on output in the UK economy: June 2020" published 12 August 2020 - https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/coronavirusandtheimpactonoutputintheukeconomy/june2020

[10] Guardian online news article "UK recession expected to continue until spring amid Covid-19 surge" published 22 September 2020 - https://www.theguardian.com/business/2020/sep/22/uk-recession-expected-continue-until-spring-covid-19-surge

The Arts, entertainment and recreation sector shows 31.3% negative contribution to UK growth between February and July. This affects around 10,000 (or 2.8%) Norfolk employee jobs in the sector.

The Human health and social activities sector shows 25.7% negative contribution to UK growth between February and July. This affects around 55,000 (or 15.2%) Norfolk employee jobs in the sector.

Other service activities sector shows 24.4% negative contribution to UK growth between February and July. This affects around 6,000 (or 1.7%) Norfolk employee jobs in the sector.

The Administrative and support services sector shows 23.4% negative contribution to UK growth between February and July. This affects around 29,000 (or 8.0%) Norfolk employee jobs in the sector.

The Education sector shows 21.9% negative contribution to UK growth between February and July. This affects around 33,000 (or 9.1%) Norfolk employee jobs in the sector.

The only sectors to show (marginal) positive contribution to UK growth between February and July are Wholesale, retail and motor trades sector and Public administration and defence sector, affecting around 77,000 (or 21.4%) Norfolk employee jobs.

**Table 1: UK growth (GDP) rates between February (pre-COVID) and July 2020 compared with Norfolk Employee Jobs (%) 2018**

| Industry Sector | UK growth (GDP) in Sector (%), February to July 2020 | Norfolk Employee Jobs (%), 2018 |
|---|---:|---:|
| Manufacturing | -8.7 | 9.1 |
| Construction | -11.5 | 5.0 |
| Wholesale, retail and motor trade | 0.3 | 17.5 |
| Transportation and storage | -17.7 | 4.2 |
| Accommodation and food services | -60.1 | 8.3 |
| Information and communication | -6.5 | 1.7 |
| Financial and insurance activities | -1.4 | 3.6 |
| Real estate | -3.1 | 1.4 |
| Professional, scientific and technical | -15.9 | 6.1 |
| Administrative and support activities | -23.4 | 8.0 |
| Public Admin and Defence | 0.6 | 3.9 |
| Education | -21.9 | 9.1 |
| Human health and social work activities | -25.7 | 15.2 |
| Arts, entertainment and recreation | -31.3 | 2.8 |
| Other Service Activities | -24.4 | 1.7 |

Source: Office for National Statistics and Nomis (ONS Business Register and Employment Survey)

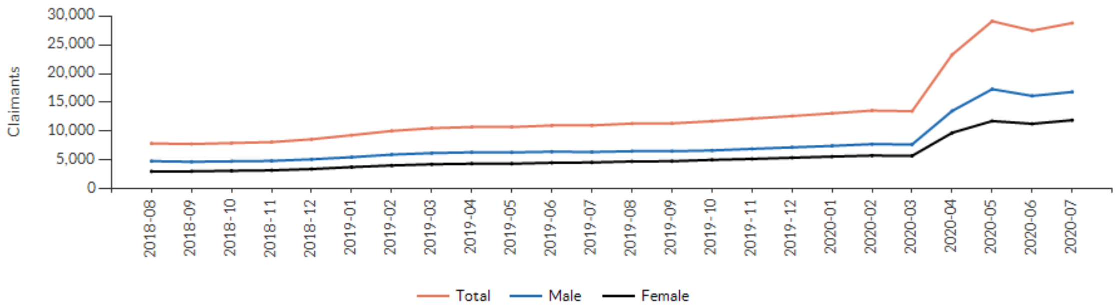
These data show the industry sectors in Norfolk that have been most effected by the downturn in growth between February and July 2020 during the COVID-19 pandemic so far. Although lockdown restrictions have been eased for some businesses which have re-opened (either partially or fully), many Norfolk businesses are in sectors where restrictions mean they will remain closed or business is curtailed for several weeks or months to come, such as the Accommodation and food services sector. These businesses will need specific strategies and support to get through the current economic downturn and on-going economic recession.

***The Claimant Count***

Claimant Count data is published monthly by ONS and counts the number of people claiming benefit principally for the reason of being unemployed. This is measured by combining the number of people claiming Jobseeker's Allowance (JSA) and National Insurance credits with the number of people receiving Universal Credit (UC) principally for the reason of being unemployed. Claimants declare that they are out of work, capable of, available for and actively seeking work during the week in which the claim is made.[11] It is worth noting that UK workers have largely been shielded from the adverse economic effects of the COVID-19 pandemic by job retention schemes, and therefore, claimant count data has limitations around giving a full picture of how the pandemic has so far effected employment.

Figure 1 shows the monthly claimant count[12] for Norfolk, running up to the outbreak of the COVID-19 pandemic, continuing through to July 2020. This shows a steep increase in claimants from March 2020, compared with the much lower levels seen previously. In July 2020, there were 28,770 claimants aged 16 and over in Norfolk – split by 16,825 male claimants and 11,945 female claimants. Overall, Norfolk's monthly claimant rate for persons aged 16 and over is 5.4% for July 2020 (6.4% for male claimants and 4.5% for female claimants), compared with 5.6% for the Eastern region and 6.5% for England.

**Figure 1: Norfolk monthly Claimant Count, to July 2020**




Source: ONS

[11] The measure of the number of people receiving Universal Credit principally for the reason of being unemployed is still being developed by the Department for Work and Pensions. Consequently, this component of the total Claimant Count does not yet correctly reflect the target population of unemployed claimants and is subject to revisions. For this reason, the Claimant Count is currently designated as Experimental Statistics.

[12] ONS Claimant Count published on Norfolk Insight – https://www.norfolkinsight.org.uk/economy-and-employment/#page7

***Coronavirus Job Retention Scheme***
HM Revenue and Customs (HMRC) publishes Coronavirus Job Retention Scheme (CJRS) claims data. The latest data covers all claims submitted by employers from the start of the scheme up to 31 July 2020[13].

As at 31 July, approximately 119,800 employments have been furloughed in Norfolk. This is a take-up rate of 31% of eligible employments in Norfolk, compared with a slightly lower rate of 30% for the Eastern region and a slightly higher rate of 32% for England.

This CJRS data could usefully be used as a proxy for looking at levels of redundancies within industry sectors, following discontinuance (or replacement) of the CJRS scheme, which is due at the end of October 2020.

Table 2 shows the Eastern region employments CJRS claims take-up rate, by sector (data is not available at local authority level). This shows that the top three sectors most likely to be at risk of higher levels of redundancies in this region are: Accommodation & food services; Arts, entertainment, recreation and other services; and Construction.

**Table 2: Eastern region employments CJRS claims take-up rate, by sector**

| **Sector** | **CJRS employments take-up rate** |
|---|---:|
| Accommodation & food services | 76% |
| Arts, entertainment, recreation and other services | 69% |
| Construction | 58% |
| Trade union, religious, political and repair | 53% |
| Unknown and other | 41% |
| Wholesale and retail; repair of motor vehicles | 40% |
| Manufacturing | 38% |
| Property | 37% |
| Transport & storage (inc postal) | 30% |
| Business administration and support services | 30% |
| Mining, quarrying & utilities | 27% |
| Professional, scientific & technical | 27% |
| Waste and Recycling | 24% |
| Agriculture, forestry & fishing | 20% |
| Information & communication | 18% |
| Energy Production | 17% |
| Education | 11% |
| Health | 11% |
| Domestic employers | 11% |
| Finance & insurance | 7% |
| Public administration & defence | 2% |

Source: HM Revenue and Customs

[13] HM Revenue and Customs official statistics "Coronavirus Job Retention Scheme statistics: August 2020" published 21 August 2020 - https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-august-2020

**Further information**

ONS publishes economic data and analysis and employment and labour market data and analysis, including the latest on COVID-19 in the UK and its effect on the economy and society.[14] Click here to go to the ONS COVID-19 resource.

Norfolk Insight has a COVID-19 Resource Hub that includes area reports, map explorers, data and analysis papers for COVID-19 response planning in Norfolk.[15] Click here to go to the Norfolk Insight COVID-19 Resource Hub.

New Anglia Local Economic Partnership (LEP) works to drive growth and enterprise in Norfolk and Suffolk. The LEP has published its COVID-19 Economic Recovery Restart Plan that outlines the key activities in place to help our economy restart. The Visitor Economy Recovery Plan, from New Anglia LEP and Visit East of England, outlines commitments and actions to support our tourism and cultural sectors.[16] Click here to go to the New Anglia LEP COVID-19 Economic Recovery resource.

The British Chamber of Commerce (BCC) has developed a Coronavirus Business Impact Tracker[17] that serves as a barometer of business' response to the Government's measures and changes to business' working practices over the next few months. It also tracks how quickly new Government interventions, introduced to deal with the real-world impact of this crisis, are getting to the businesses at the front line. Results from the latest BCC Coronavirus Business Impact Tracker (week 11) reveal that business conditions improved only moderately in the weeks since the UK economy suffered an historic contraction in Q2 2020, with firms still reporting high levels of reliance on government support schemes to help stem cashflow issues. Click here to go to the BCC Coronavirus Business Impact Tracker.

[14] ONS Coronavirus (COVID-19) resource - https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases
[15] Norfolk Insight COVID-19 Resource Hub - https://www.norfolkinsight.org.uk/coronavirus/
[16] New Anglia LEP COVID-19 Economic Recovery resource – https://newanglia.co.uk/covid-economic-recovery/
[17] British Chamber of Commerce Coronavirus Business Impact Tracker (Week 11) published 19 August 2020 - https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker