



Sub-Regional Covid-19 Business Intelligence

January 2021 Report

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1. Executive Summary

Welcome to the first edition of the Coventry & Warwickshire 'Smart Region' report for 2021. In this month's report we highlight the Logistics & Transport Technologies Sector as our spotlight sector, as well as presenting a range of the latest economic data and statistics.

The recommendations and findings of this month's report are based on intelligence gathered from CWLEP Growth Hub's contacts with local businesses, alongside survey data and information provided by Coventry City Council, Warwickshire County Council, and CWLEP.

Other sources include Coventry & Warwickshire Chamber of Commerce, Department for Work & Pensions, trade bodies and organisations such as Make UK, and other research bodies with expertise in Labour Market analysis.

Key Headlines

- In December 2020 **the claimant count in Coventry & Warwickshire totalled 33,145 people**. At the start of last year in January 2020, the claimant count stood at 14,900.
- Whilst there has been a very small fall on the previous month, **the overall claimant count total has been around the current level in Coventry & Warwickshire since May**.

Area	January 2020	November 2020	December 2020
Coventry	7,525	16,430	16,490
North Warwickshire	765	1,970	1,995
Nuneaton & Bedworth	2,670	5,190	5,115
Rugby	1,495	3,060	3,000
Stratford-on-Avon	995	2,930	2,955
Warwick	1,455	3,620	3,590
Warwickshire	7,375	16,770	16,655
CWLEP	14,900	33,200	33,145

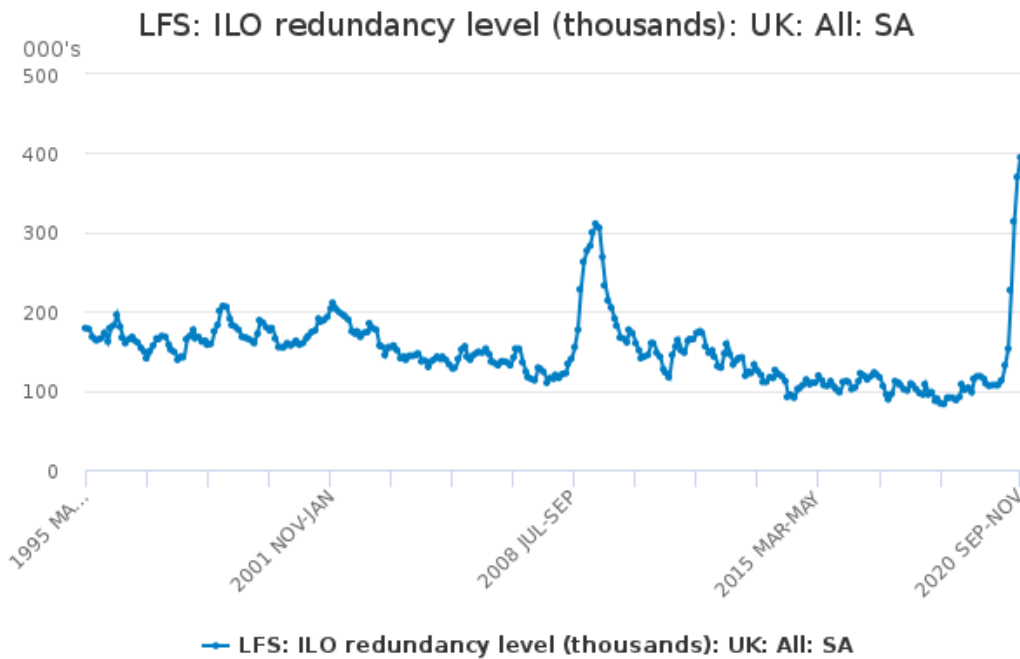
Source: Office for National Statistics

- Nationally, there was an increase in the claimant count between November and December, **with the UK's total increasing from 2,604,825 to a current total of 2,610,290**.

The Office for National Statistics also reported that:

- There were **828,000 fewer workers on UK company payrolls in December** than at the start of the pandemic.

- Estimates from the latest Labour Force Survey (LFS) suggest the **number of people reporting redundancy in the three months prior to interview increased in September to November 2020 to a record high of 395,000.**
- It is likely redundancy levels **would have been higher without the ongoing furlough support schemes** in place.



Source:

Source: Labour Force Survey Sept-Nov 2020, Office for National Statistics

2. Latest Trends

Coventry City Council's Economic Development Team have summarised the latest trends and challenges ahead.

Local Economic & Business Challenges

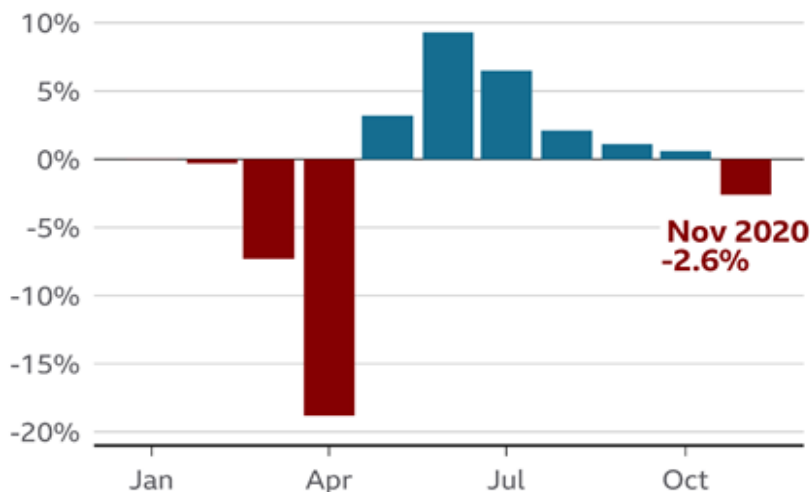
The UK is experiencing the economic effects of its third national lockdown. Despite six consecutive months of growth between April and October 2020, the UK economy contracted in November after the ramping up of the local 'Tier' restrictions and then the second lockdown in the run-up to Christmas.

This contraction looks set to continue under the current lockdown restrictions as we head towards Spring 2021 with many businesses, particularly those in the retail, hospitality, cultural, and personal services sectors, remaining closed.

According to the latest estimates from the Bank of England, the UK economy [shrank by 2.6% in November](#) 2020. The Bank is warning there is a high risk of a double-dip recession for only the second time in the UK's history. Although this November's contraction was not as severe as the 8% that had initially been forecast, the UK economy remains 8.5% smaller than pre-pandemic levels.

UK economy shrank 2.6% in November 2020

Monthly GDP growth, %



Source: Office for National Statistics

BBC

The November 2020 fall in GDP particularly affected services, which contracted by 3.4% (10% down on pre-pandemic levels). While there were widespread contractions across the sectors, manufacturing experienced modest growth whilst construction (1.9%) experienced more notable growth.

Locally, this positive performance in the construction sector is reflected in projects such as the City Centre Public Realm and Coventry Station works which are progressing to schedule, and work commencing on Two Friargate.

Further analysis by CCC's Employment & Skills Team has highlighted the disproportionate impact of the pandemic on job losses in sectors traditionally employing higher numbers of women and young people (hospitality, leisure, conferencing/events and non-food retail). Coventry's Job Shop continues to support women to find new employment in more "pandemic-proof" sectors, whilst Ambition Coventry's Youth Hub is providing intense training to enable young people (300 to date) to access good quality training and jobs.

In light of the contraction affecting many sectors of the economy, the Federation for Small Businesses (FSB) has raised concerns [about the level of grant support announced by Government](#), especially as restrictions affected trading in the lead up to Christmas, and with current restrictions now expected to persist well into 2021.

A recent [survey by the FSB](#) also highlighted that 5% of small businesses reported they expected to close within 12 months without further financial support – 250,000 nationally or around 20,000 businesses in the West Midlands (this could mean an estimated 500 closures in Coventry, and 1,400 in Warwickshire). The FSB is continuing its call for further grant support, particularly for the newly self-employed, those in supply chains, and company directors.

Despite the concerning economic trends, business confidence in Coventry & Warwickshire improved in Q4 2020, according to CW Chamber's [Quarterly Economic Survey](#), especially with the news that Covid-19 vaccines have been approved and are being rolled out.

With a score of 50 indicating 'neutral', confidence amongst manufacturers increased from 47.7 in Q3 to 71 in Q4, and confidence amongst service firms increased from 54.4 to 67.9. Domestic sales for manufacturers increased from 42.2 to 73.4 and overseas sales from 38.8 to 48.3 (still a negative balance). Although improving, both domestic and overseas sales for service firms remain in negative balance (40.4 and 41.7 respectively) and investment and cashflow also remain negative (45.4 for services and 41.6 for manufacturing).

Local Labour Market Challenges

With expected future increases in unemployment, the [Resolution Foundation](#) has highlighted concerns that abolition of the £20 increase in Universal Credit for 2021/22 could result in an increase in relative poverty of 1.2m people (400k of these being children).

As the chart shows, the **number of vacancies in Coventry & Warwickshire decreased in Q4 2020** after a steady recovery since April.

By the end of October there were 10,900 posts in Coventry that were furloughed and 20,200 in Warwickshire. This represents **7% of total posts potentially eligible for Coronavirus Job Retention Scheme (CJRS), and a 10% decrease from the July figures.**

Given the additional national restrictions imposed since the start of November, the number of furloughed employees will have increased, and nationally the proportion is estimated to have risen again to 15% of all eligible posts.

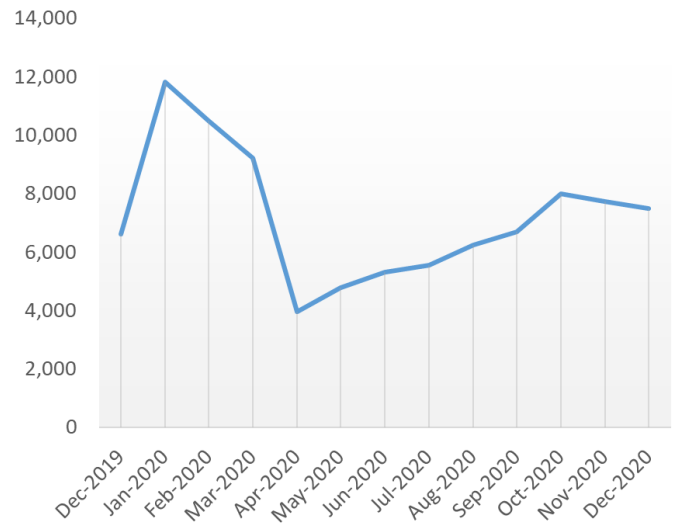
Although CJRS has been extended to the end of April 2021, businesses need as much clarity over timings and details about restrictions being eased, to raise confidence and minimise the number of posts lost, especially as Bank of England forecasts suggest that nationally unemployment will peak at 8% in Q2 2021.

Coventry Job Shop and the newly launched [CW Employment Solutions](#) are playing a vital role in supporting local businesses to minimise numbers of redundancies locally, and to give residents to access new employment. Local business and employment support programmes will continue to work closely to help minimise permanent job losses.

Emerging EU Trading Issues

The UK EU '[Trade and Cooperation Agreement](#)' sets out trading arrangements for the UK's new relationship with the EU, following the UK leaving the EU single market and customs union. The Agreement is important, given that over 6,400 businesses in Coventry & Warwickshire currently trade with the EU (either import or export), compared to 4,600 with non-EU countries. However, there are many details where further negotiation or clarification will be needed, not least around tariff free trade for all sectors and how a "level playing field" on competition, standards and

Coventry & Warwickshire Total Monthly Job Vacancies



(Source: Labour Market Insight, 2021)

regulations will be maintained. We've highlighted three emerging aspects impacting local companies:

- i. **For manufacturers**, it is welcome that there will be zero tariffs and quotas for producers of goods who can meet thresholds on rules of origin (i.e. high enough % of inputs into products originating from UK or EU). However, all exports and imports to/from the EU will require customs declarations, which will present new additional paperwork and administrative burdens for businesses. For automotive companies specifically, the permitted % of inputs into batteries from outside the UK or EU for tariff free trade will decrease from the current level of 70% to 40% by January 2024 and then down to 30% from 2027 onwards. Given that many inputs into batteries currently originate from the Far East, this intensifies the need to secure Government investment in credible battery production facilities in the West Midlands.

A [Make UK](#) Survey has highlighted further concerns amongst manufacturers nationally. For example, just 18% of companies believe investment prospects will increase, and just over one in four companies (26%) believe exports to the EU will fall (just 16% believe they will increase). One third of firms have experienced a drop in sales in January 2021 and 47% see potential customs delays as a risk. Positively, Jaguar Land Rover [sales](#) rose for the second quarter in succession in Q4 2020, boosted by a 20% increase in sales to China, although total sales remain 9% down on Q4 2019.

- ii. **For Business & Professional Services**, there is less certainty with further negotiations continuing over the coming months. At present, these firms need to comply with individual EU Member States' rules around eligible economic activities and qualifications to work in those countries. Whilst there is a four-month grace period for data exchange, there is also no formal long-term agreement on data exchange rules, which will affect businesses across a range of sectors.
- iii. **For EU companies that sell to the UK**, there has been a change to the way VAT is charged, [which has forced some firms to suspend sales to the UK](#) due to the added complexity and burden of administration.

Given all of these factors, the OBR has projected that this Agreement will result in UK GDP being 4% lower by 2030 than had the UK remained in the EU. Local business support partners are also fielding high numbers of queries from businesses, with Coventry & Warwickshire's Chamber International Hub reporting that of 40 enquiries from businesses during w/c 4th January 2021, some 55% had expressed uncertainties over the new rules, whilst 45% had specific concerns over additional and/or correct paperwork.

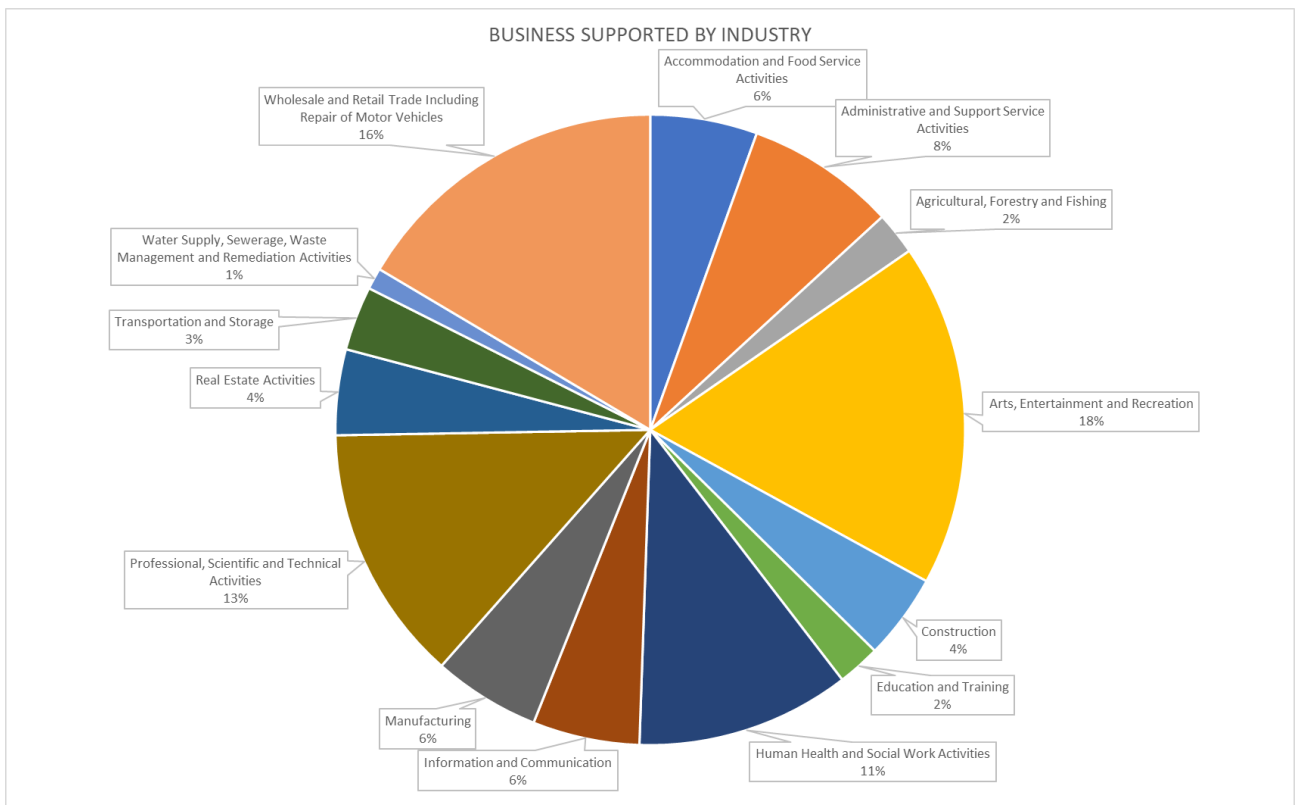
3. CWLEP Growth Hub Insights

3.1 CWLEP Growth Hub – Trends

Since the start of the pandemic in March 2020 **CW Growth Hub has supported 3,470 businesses and has had substantive discussions with 1,217 businesses specifically related to Covid-19 impact and EU Exit.**

This month's business insights are taken from intelligence gathered from supported businesses in the calendar month of December 2020.

3.1.1 Overview

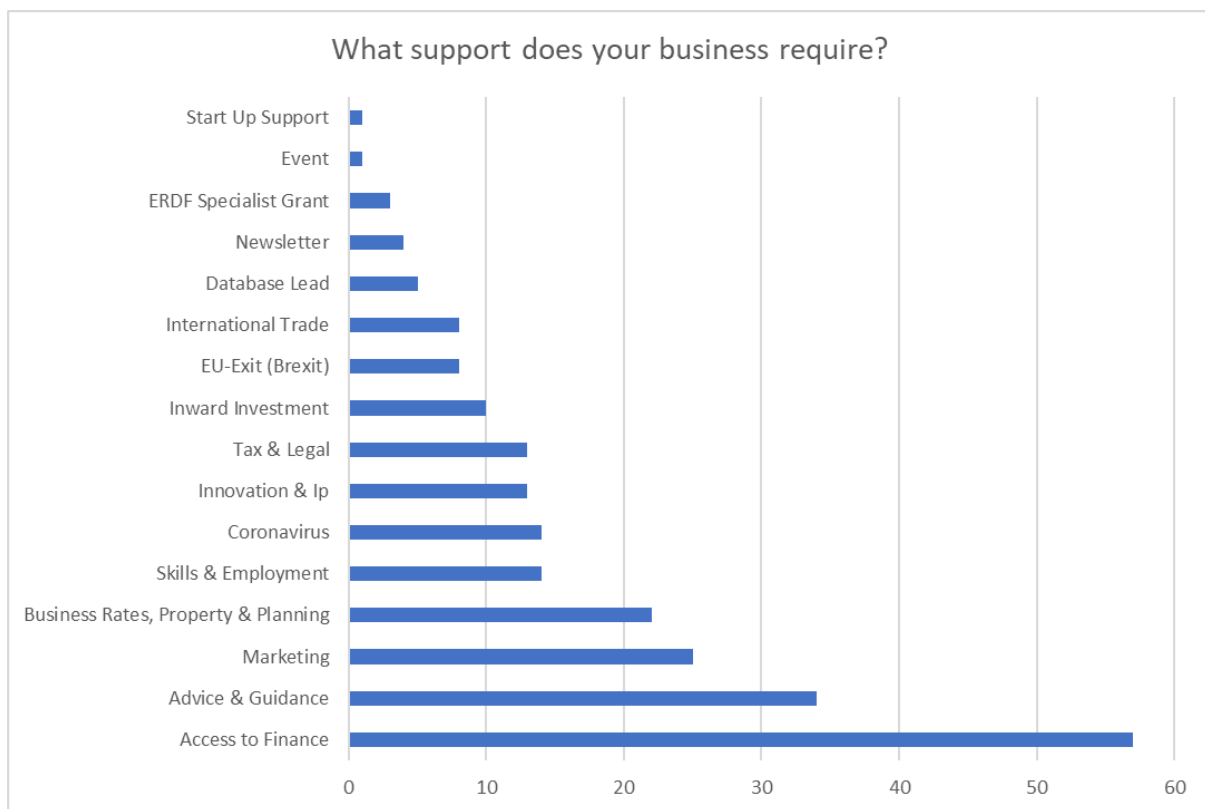


The top sectors supported by CW Growth Hub in December were **Arts, Entertainment & Recreation (18%); Wholesale & Retail Trade Including Repair of Motor Vehicles (16%); Professional, Scientific & Technical Activities (13%); and Human Health & Social Work Activities (11%).**

These **four sectors accounted for nearly 60% of the contacts and intelligence gathered from Coventry & Warwickshire businesses**, reflecting the impacts of uneven reopening of these businesses over the summer and autumn 2020, and the subsequent tightening of restrictions as we headed towards the winter.

The volume of businesses in “business to consumer” sectors seeking help reflects the levels in these sectors that Coventry & Warwickshire support has traditionally aided in high numbers. Meanwhile other sectors, such as **Manufacturing**, have been somewhat less represented this month.

The size profile of the businesses supported over the past month consisted of **34% sole traders, 43% of micro businesses (2-9 employees), 16% small businesses (10-49 employees) and 6% medium sized businesses (50-249 employees)**. There have been increases in **Micro, Small and Medium sized enterprises** approaching CWLEP Growth Hub compared to last month’s Smart Region Report, with over a fifth of these enquiries (21%) coming from businesses that started trading in 2020.



In line with previous months, **Access to Finance** is the most popular reason for support. As many clients have many different and complex business needs and wants, there is a spread of enquiries. Whilst **Access to Finance remains the key support requirement for businesses** – there were a high number of businesses that ticked **Advice & Guidance** as their main support need, which has led to **advice around Marketing support, Business rates, and Tax & legal** issues.

Interestingly, there was a resurgence in demand for **Business Rates, Property & Planning** advice over the past month, emphasising the range and depth of support that businesses need and the breadth of expertise that the Growth Hub has in the team.

Help with **Marketing** has been a persistent ask from enquirers since the start of the pandemic, as businesses recognise the need to drive increased turnover through showcasing what they do, reaching new customers and markets, and winning new business.

Finally, it is worth noting that whilst advice and guidance is always a key requirement from businesses seeking support from the CWLEP Growth Hub, **there has been a noticeable upward spike in the demand for this following the recent announcements from government.** A summary of our qualitative intelligence collected during our direct interaction with businesses is outlined in the Emerging Themes section.

3.2 Emerging Themes

Workplace Covid-19 Testing – a number of companies in Coventry & Warwickshire, where their staff are unable to work from home, have undertaken privately funded Covid-19 testing to ensure the safety of their staff and maintain good levels of attendance and business continuity. This has been received well by employees.

Many employers are also experiencing day-to-day and short-term uncertainty, not knowing how many of their staff are going to be able to attend workplaces due to either having to self-isolate or other personal circumstances issues, such as home-schooling arrangements for example.

Health & Safety – In addition to the businesses conducting self-financed Covid-19 testing, C&W Growth Hub agents are increasingly speaking to clients conducting more general Covid-19 risk assessments, highlighting many are raising their awareness of what they can do, and increasing the implementation of workplace Covid-safe measures.

End of EU Transition – During conversations with Coventry & Warwickshire businesses this month, there have been several issues discussed following the end of the EU Exit Transition period. Key points emerging are:

- Additional costs associated with transporting freight. Many businesses anticipated this, and some have chosen to employ the services of freight agencies and consultancies as they see specialists in this field as value for money, helping ensure the swift and timely importing and exporting of goods. Other mixed reports emerging with some companies reporting freight transport costs increases of up to four times.
- Delays with delivery of containers, although the expectation from businesses is that these delays are temporary. One business quoted an increase from seven, to ten days, another reporting delays from what should have been a

few days to a few weeks. Other companies reporting changes to shipping routes, or mode of transport, such as from sea to air.

- Questions around GDPR and how data regulation differs between the UK and the EU. The Government's Department for International Trade and CW Growth Hub resources have assisted with these and similar enquiries.
- Visas – some positive experiences with businesses requiring international visas for prospective new employees. One example is a company that had to apply for a highly skilled visa for a new starter from India and was pleased that the process was straightforward.
- Movement of people, particularly service sector workers and the vehicles and equipment they use. Some confusion exists over the intricacies of the varying scenarios around this activity, suggesting clearer guidance is needed.
- General feedback suggests that most businesses prepared well in the transition year between leaving the EU and agreeing a deal, even if some issues remain unresolved. This could most likely have been a very different story if an agreement had not been reached.

Local Authority Grants – Councils are working hard to identify and pay multiple government grant schemes to eligible businesses. Stratford District Council have highlighted the scale of this challenge, suggesting the number of applicants is overwhelming with a high volume of complex applications. Many positive stories from those businesses that have been successful are emerging, praising the swift and effective processing of claims, with others attributing their survival to the scheme.

Business Support Grants & the Green Agenda – CW Growth Hub staff continue to deal with enquiries resulting in referrals to partners for investment projects. The Green Agenda is becoming more high profile as businesses revise longer term strategies, covering sustainability and environmental issues when looking at product development and investing in assets such as vehicle fleets. This has resulted in further referrals to relevant support partners with quick turnarounds and the awarding of grants.

BAU & Partner Referrals – CW Growth Hub staff are also dealing with many positive stories from businesses that are surviving the pandemic along with those that have successfully diversified or pivoted, adapting their services and production. New enquiries are resulting in referrals to relevant support partners and their programmes, including Manufacturing Growth, Marketing, Start-Up support, Creative, Finance & Loans, Proof of Concept, Capital Investment, Green Projects, and IT & Digital projects where clients are investing in enhancing online sales, in some cases using Virtual Reality.

4. Spotlight; Logistics & Transport Technologies

The Covid-19 outbreak has impacted all sectors, with the Logistics & Transport Technologies sector affected immensely. The limits on the movement of goods within and across international borders as a result of lengthy lockdown restrictions in most countries, rapid changes to consumer and investor behaviour, and tighter cross border controls, have all had huge impacts. This has also caused many delays to the delivery of goods, with knock-on impacts affecting many industries. For the UK, and in addition to the impacts of Covid-19, the end of the transition period following EU Exit and the changes to the way that the UK trades with its closest neighbours, has also come into play at the same time.

Generally, the UK imports goods more than it exports goods across the globe and is therefore currently running a trade deficit. According to the data from Coventry & Warwickshire Chamber of Commerce, **47% of exported goods were sent from the West Midlands to the EU, whilst 62% of imported goods came from the EU into the region.**

4.1 Sector Snapshot – West Midlands

- 10,445 enterprises (7.2% of the West Midlands Combined Authority total)
- £5,043 million contribution to GVA (4.8% of WMCA total)
- 109,400 jobs (5.9% of WMCA total)
- £46,100 average GVA per worker
- “Golden Triangle” location for road access and major hubs and Strategic Rail Freight Interchanges (M1, M6, M69) e.g. Hams Hall, Birch Coppice, new WM Interchange (*Magna Park, Leicestershire; East Midlands Airport*) within 4 hours of ports and 90% population
- Variety of enterprises and business models:
 - B2B - Logistics Service Providers (freight forwarding, 3rd and 4th party LSPs) for manufacturers, wholesalers and retailers; Carriers (road haulage, rail, sea and air freight) for LSPs; Couriers, Express, Parcel companies for retailers, manufacturers, and other companies.
 - B2C – Couriers, Express, Parcel companies for private consumers.
- Dominated by road-borne freight (78%) and retail sector (65%).

(Source: CWLEP and Black Country Consortium)

EU Exit and International Borders

Coventry & Warwickshire's Chamber of Commerce recently surveyed businesses on how EU Exit has impacted them. The data highlighted that 43% identified tariffs as a

significant barrier to international trade and 38% believing restrictions on the rights of EU nationals to work in the UK will have a negative impact on their business.

Furthermore, Haulage Exchange (Digital Load & Freight Forwarder Platform) carried out research around how EU exit has impacted haulage companies. Positively, 15% of haulage companies have seen an increase in demand for their services. In addition, new employment opportunities have been created, with 9% of companies already seeing an increase in workforce numbers.

On the other hand, other haulage companies experienced adverse effects on their business. For instance, 21% reported lost business as a result of the UK's departure from the EU. Companies highlighted how they have reduced logistics employee numbers, with 15% of haulage companies already making redundancies. Finally, 40% of business stated that they did not face any changes to their business currently.

Before the UK's exit from the EU businesses delivering goods in UK/EU required minimal paperwork, which was generally an invoice and transport documents. After the exit transition period ended, businesses delivering goods into the UK from the EU may have an option to defer submitting customs declarations and payment of customs duties until 1 July 2021, if all required conditions are met. However, for business delivering goods into the EU, they will be required to provide customs paperwork and checks such as:

- Customs declarations
- Transportation paperwork
- Rules of origin checks
- Product safety certificates checks
- Inspections on food & drinks freight.

Since the start of 2021, drivers have reported delays with aspects of paperwork once at the border. The extra requirements have then caused subsequent delays and shortages in supply chains across the UK. Several lorry parks have opened around Kent to move delays and queues at the borders away from the motorways. However, drivers are required to have a Kent Access Permit if they are travelling through Kent to the port of Dover or Eurotunnel and on to the EU. It is unknown how long these impacts will last but it is certainly likely to be turbulent for aspects of the sector for some time to come.

Sector Opportunities

Despite the current difficulties the sector is experiencing on the back of the UK's exit from the EU, it has some significant opportunities linked to both changing consumer and business behaviours:

- Further growth in e-commerce and online retailing
- Demonstrable agility and resilience – positive profile (as key workers)

- Opportunity for coordinated adoption of new technological solutions
- Regional infrastructure assets, such as 5G for Connected Autonomous Vehicle technologies
- Higher and more positive profile for the industry – to attract a more diverse workforce, including from ailing sectors
- Drive for greater UK supply chain integration, re-shoring opportunities
- 'Golden Triangle' status for companies based in Coventry & Warwickshire, with scope for development of an innovation hub/cluster.

5. Recommendations

The following recommendations have been derived from analysis of macro-economic and business-level data and intelligence collated from Coventry & Warwickshire stakeholders.

5.1 Short Term

5.1.a

Extend targeted marketing to **signpost businesses towards the newly launched West Midlands Growth Hubs EU Support Website** wmgrowthhubs-eusupport.co.uk

To help guide businesses through the changes that affect them, the West Midlands Growth Hubs are working more closely together to ensure businesses across the region can access free, impartial, and expert advice. This includes **targeting Logistics and Transport businesses, given the extent to which they are impacted by the EU-UK trade deal, and which filters through to all other sectors.**

5.1.b

Present a strategic roadmap out of the current lockdown, including information on the KPI's that will trigger the end of the lockdown and how the UK could move to the next stage of the pandemic following an end to the latest restrictions.

5.1.c

Local and National campaigns to spread more timely messaging around the costs and practicalities associated with trading with the EU. This should include up-to-date waiting times at ports/crossings, as well as the required taxes/tariffs that have been levied to businesses and customers. The following topics need immediate attention:

- IP
- Data Regulations
- Upskilling the workforce in customs declarations/processes

5.1.d

With the current lockdown restrictions, 2021 is likely to see increasing unemployment – with further rounds of redundancies expected as the furlough support scheme comes to an end.

Partners in the region can support enhanced promotion of the recently launched Employment Solutions portal, supported by CWLEP and other local partners, to promote current and future job opportunities to both local jobseekers and employers.

Visit cwemploymentsolutions.co.uk/

5.2 Medium Term

Additional initiatives that would benefit the local economy and the labour market in the medium term could be led by government and include:

5.2.a

Rollout of broadband – inconsistencies remain across Warwickshire and **investment in skills** to improve computing and digital skills within the CW labour market will be critical to help employees and consumers, as well as businesses, to adapt to new technologies to expand trading relationships and establish new ones.

5.2.b

Award/allocation of the ERDF and ESF reserve funds to promote diversification and innovation that will allow adaptation to mitigate against the negative impacts of Covid-19 on the economy.

5.2.c

Better promotion of local, regional, national, and international initiatives and opportunities to expand trading relationships within the UK and helping to better utilise UK suppliers, in addition to showcasing the benefits of expanding markets globally. Services such as Coventry & Warwickshire's [FinditinCW](#) can help businesses to find new suppliers locally and build relationships.

5.2.d

Work alongside banks/lenders and other financial and business support institutions to explore ways to relieve the volume of debt in all sectors. This will ensure diversification, investment, and growth are not held back for longer than necessary.

5.2.e

Greater clarity is needed on the future funding for business support infrastructure following the end of the transition period with the EU. A greater understanding of funding available from the proposed UK Shared Prosperity Fund and the Levelling-up agenda is required to plan for the remainder of 2021 and beyond.

5.2.f

The CW Smart Region Report to focus on Transport & Logistics as a spotlight sector again in Q3 2021, to review the performance and experience of the sector after six months of post EU trading and review how/what further could be done to aid the sector.

5.3 Long Term

Businesses and the economy would benefit if both central government and local stakeholders consider and support these long-term recommendations:

5.3.a

Conduct market research to explore the best ways to further address the strains and compounding issues businesses are facing following Covid-19 and post EU Exit.

5.3.b

Drive and support initiatives to upskill the workforce, to promote diversification and boost the labour market in many sectors as the reset of the local economy occurs, including the **promotion of 'good work' opportunities and sustainable growth which reduces economic inequalities.**