

COVID-19

Economic exposure to COVID-19

Potential local vulnerabilities across Great Britain

| Chris Thoung and Anja Heimann
| 28 April 2020



Introduction

- This briefing provides an overview of potential **local economic exposure to COVID-19**, by local authority district in Great Britain.
- At a local level, the ongoing lockdown affects industries, firms and workers in different ways.
- Exposure to the lockdown's effects depends on the **local concentration of different industries, firms and workers**.

Considerations

- **Economic vulnerability** to the lockdown (imposed reductions in economic activity).
 - Which industries are most subject to enforced reductions in activity?
 - How many jobs are in these industries?
- **Potential fragility** among industries, firms and workers at risk of going out of business or suffering falls in income.
 - This is of immediate concern but may also hold back future recovery.
 - The government is still rolling out its support measures.

Focus on sectors

- Sectors most likely to be directly affected by the lockdown:
 - **Tourism and leisure**, including air transport, hotels, catering, arts and recreation.
 - **Manufacture of consumer durables**, including motor vehicles, consumer electronics and domestic appliances.
- High concentrations of employment and output in these sectors as indications of potential vulnerability.

Focus on small businesses

- Areas with **high proportions of small businesses** may be more vulnerable to cashflow difficulties.
 - Greater need for finance under the Coronavirus Business Interruption Loan Scheme?
 - More will become clear as the Coronavirus Job Retention Scheme continues to run.
- High proportions of small businesses as an indicator of potential fragility.

Focus on self-employment

- Areas with **high proportions of self-employment**, with people who may be suffering from a fall in income.
- An indicator of potential fragility because direct support is not yet available.
 - The current aim is for grants under the Self-employment Income Support Scheme to be made by early June 2020.

Summary: Sectors (1)

- In **tourism and leisure, there are local authorities in which one in five jobs are in industries likely to be affected by the lockdown.**
 - This is because of higher reliance on hotels and restaurants/catering.
- The most exposed areas are often those in which tourism is seasonal.
 - The full economic impacts of lockdown may be still to come.
- Areas in the south with major airports are also at risk.

Summary: Sectors (2)

- **Consumer durables manufacturing** is now a relatively small part of the British economy.
- However, **several areas in the West Midlands may be especially exposed.**
 - This is because of higher dependence on vehicle manufacturing.

Summary: Small businesses

- The majority of businesses in Great Britain have fewer than 50 employees.
- Focusing on the smallest (those with fewer than five employees, which may be more prone to cashflow difficulties), **local authorities with the highest concentration of small firms tend to be in or around London.**
- Applications have just opened for the Coronavirus Job Retention Scheme. This should reveal more about the extent of furloughing.

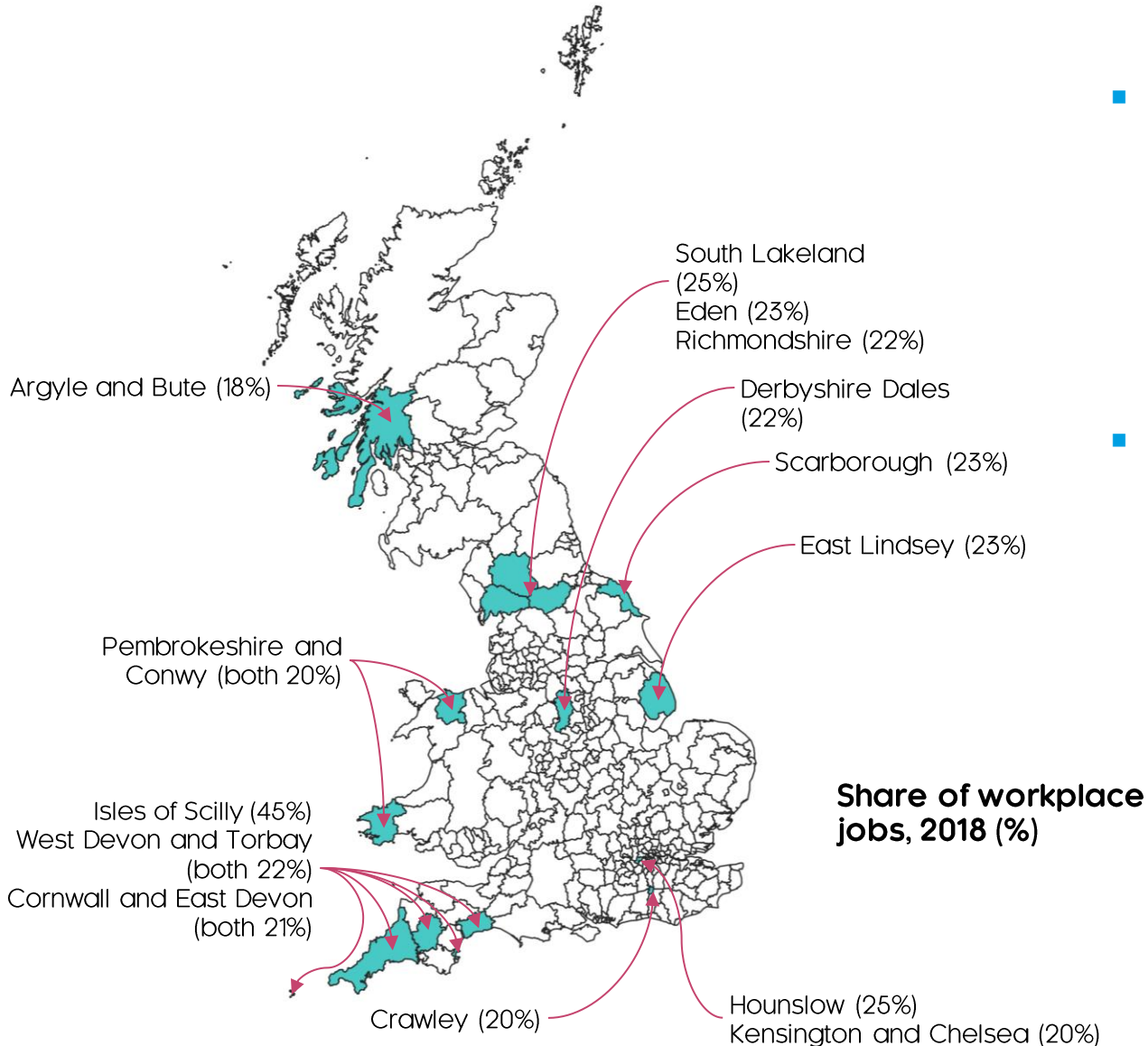
Summary: Self-employment (1)

- The Self-employment Income Support Scheme is still to open and **self-employed people face a continued loss of income.**
- **Many of the highest concentrations of self-employed people are in London.**
 - For example, one in three jobs in Haringey.
- There is no clear geographical pattern of exposure outside of London.
 - Although, as with the tourism and leisure analysis, there may be a seasonal tourism aspect to this.

Summary: Self-employment (2)

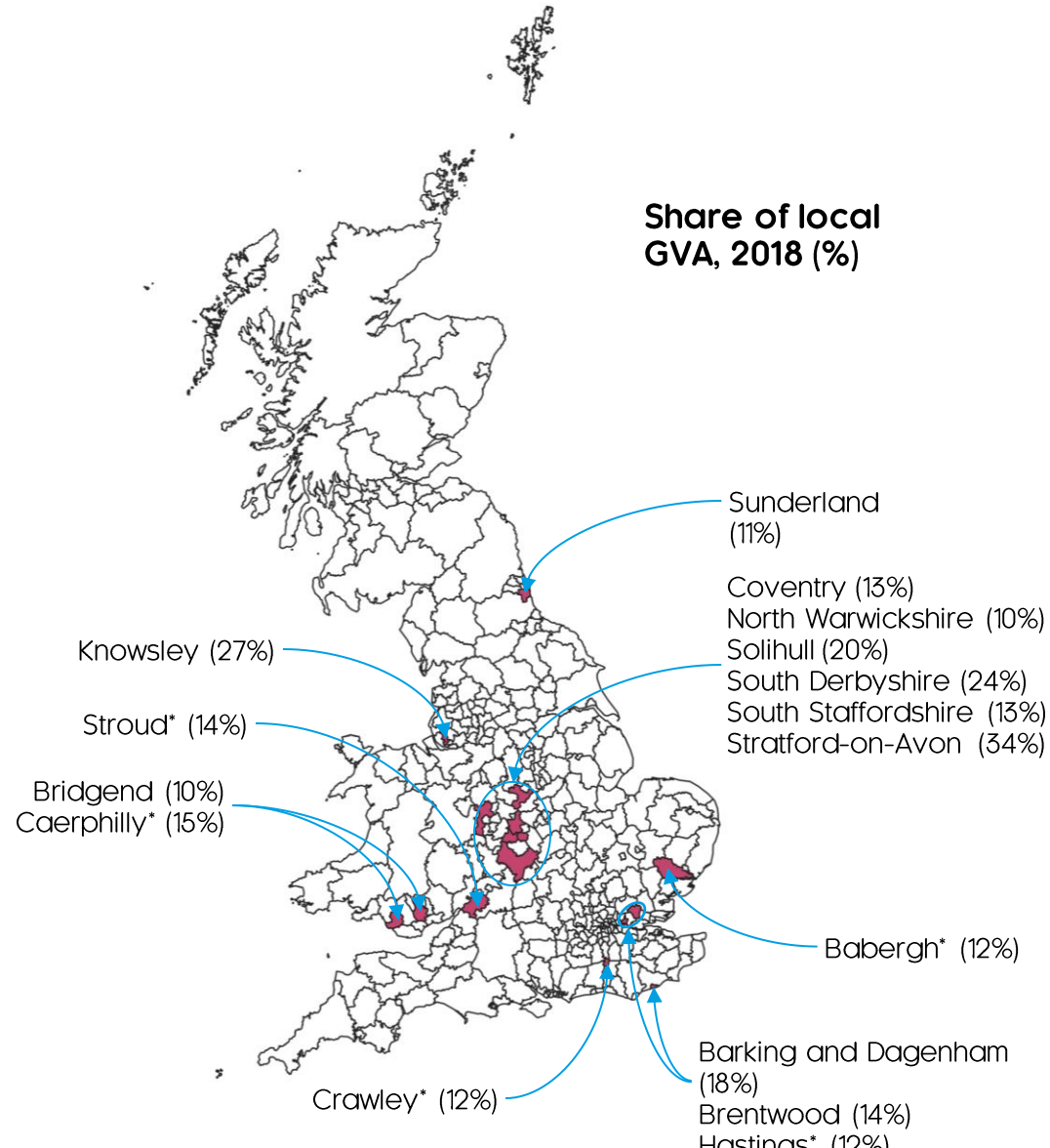
- **Men account for almost two-thirds of self-employment, but the split varies by industry:**
- In **tourism and leisure**, **women account for 45%** of self-employment.
- In **consumer durables manufacturing**, **men account for over 80%** of self-employment.
- Whether and how the lockdown is relaxed in the future will have implications for the sector and, in turn, the gender impacts over time.

Tourism and leisure: Workplace jobs



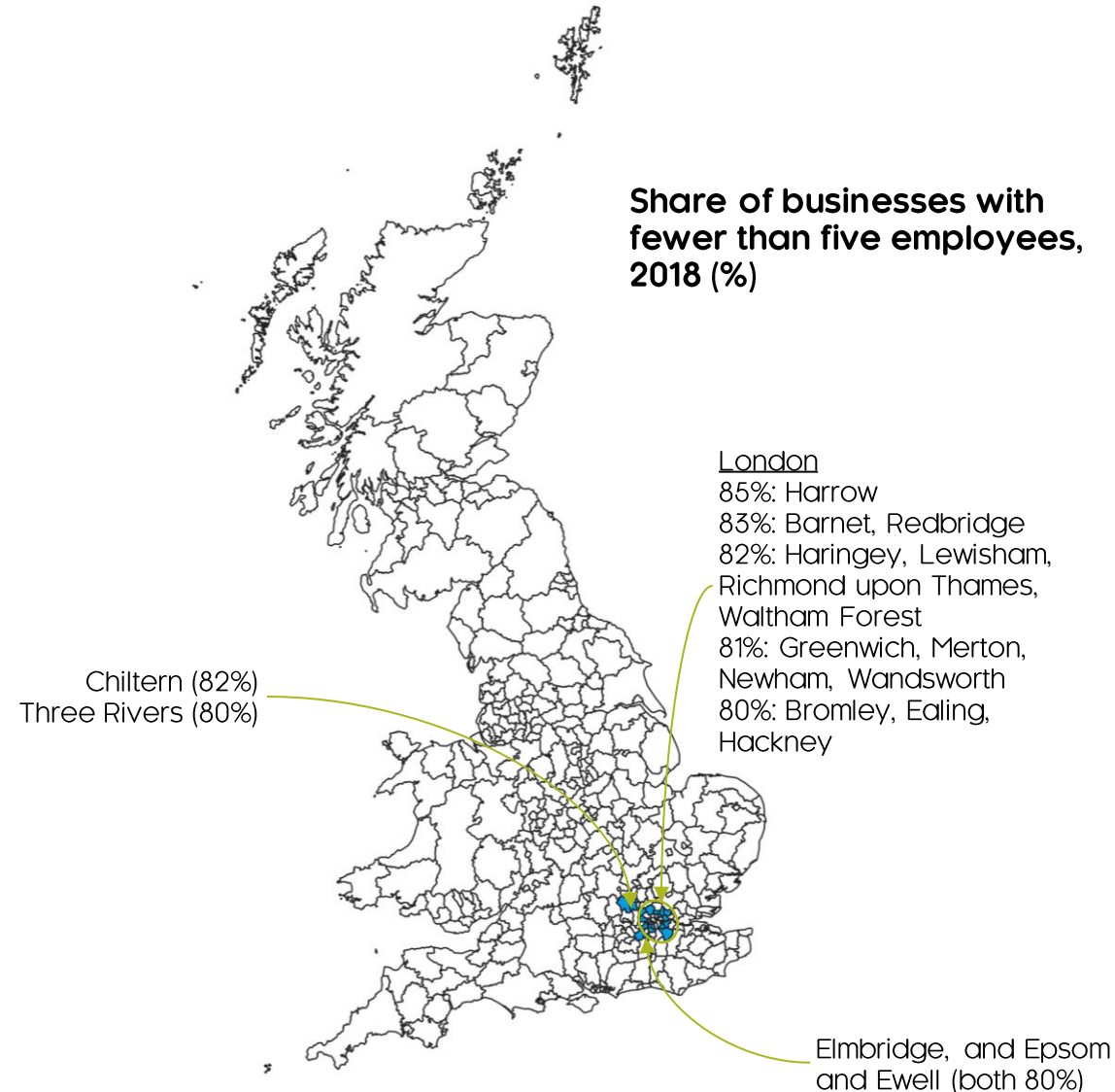
- Of the 371 areas in Great Britain:
 - There are **16 areas in which tourism and leisure accounts for 20% or more of workplace jobs.**
 - For most (301) areas, the share is between 10% and 20%.
- In the most exposed areas, high vulnerability is often due to **high proportions of jobs in the hotel and restaurants/catering sectors**, and many seem reliant on seasonal tourism.
 - Crawley and Hounslow are the notable exceptions, with greater reliance on air transport (Gatwick and Heathrow airports, respectively).

Durables: Output



- By output, consumer durables manufacturing in Great Britain is small, at around 2% of output.
 - However, there are **16 areas in which consumer durables manufacturing accounts for at least 10% of gross value added.**
 - In four areas, the share is 20% or more.
- **Exposure is clear in the West Midlands** (and South Derbyshire in the East Midlands) owing to **high dependence on motor vehicle manufacturing.**

Small businesses: Fewer than five employees



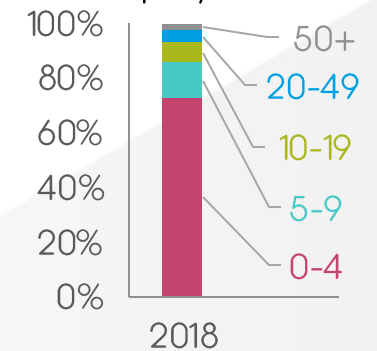
- The **majority of private businesses in Great Britain (98%) have fewer than 50 employees.**

- 72% have fewer than five employees.
- 86% have fewer than ten employees.

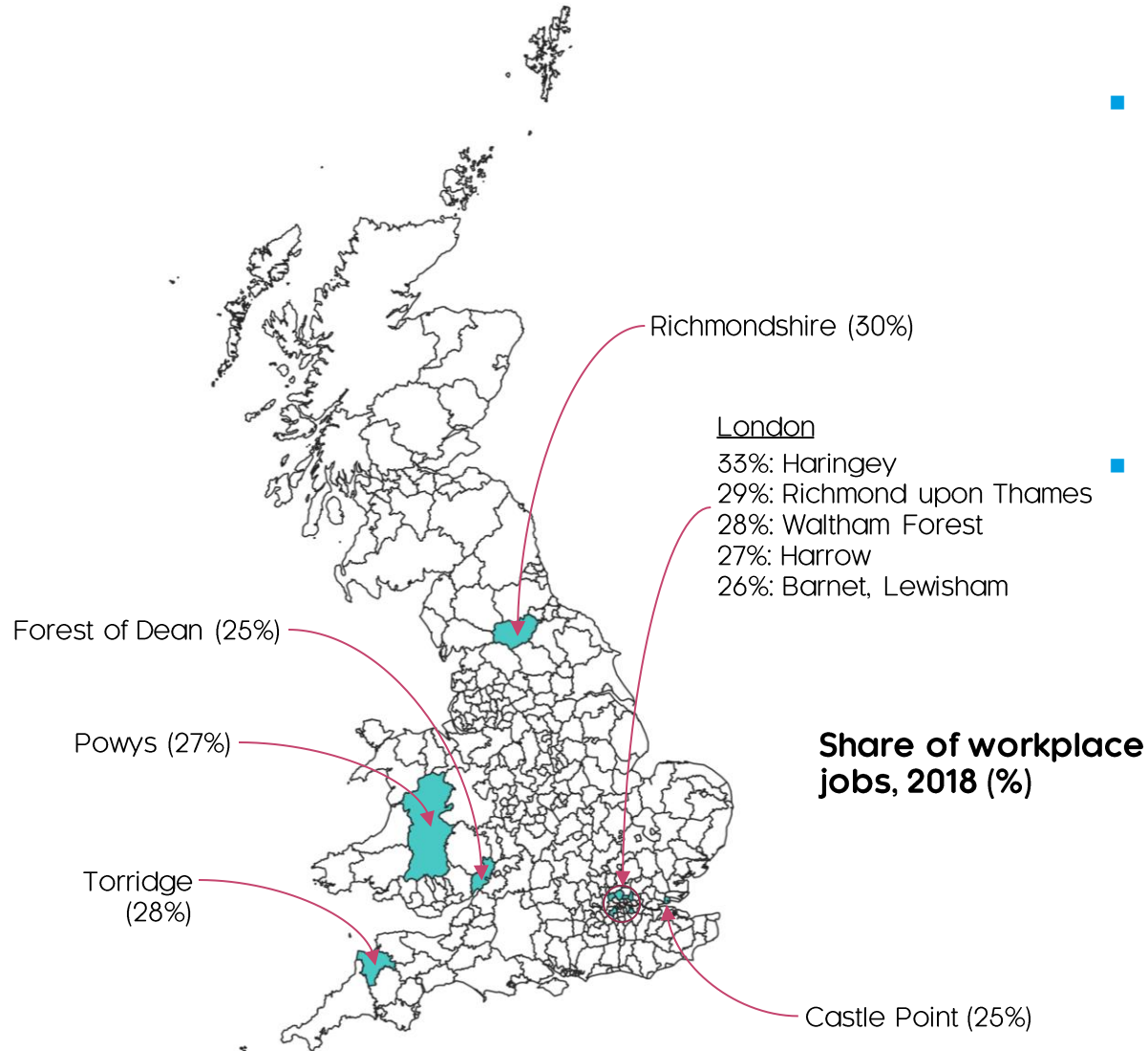
- In **18 areas, businesses with fewer than five employees account for more than 80% of firms.** All are either in or near London.

- London areas continue to be high in the rankings when considering firms with fewer than ten employees.

Composition of GB businesses (local units) by number of employees



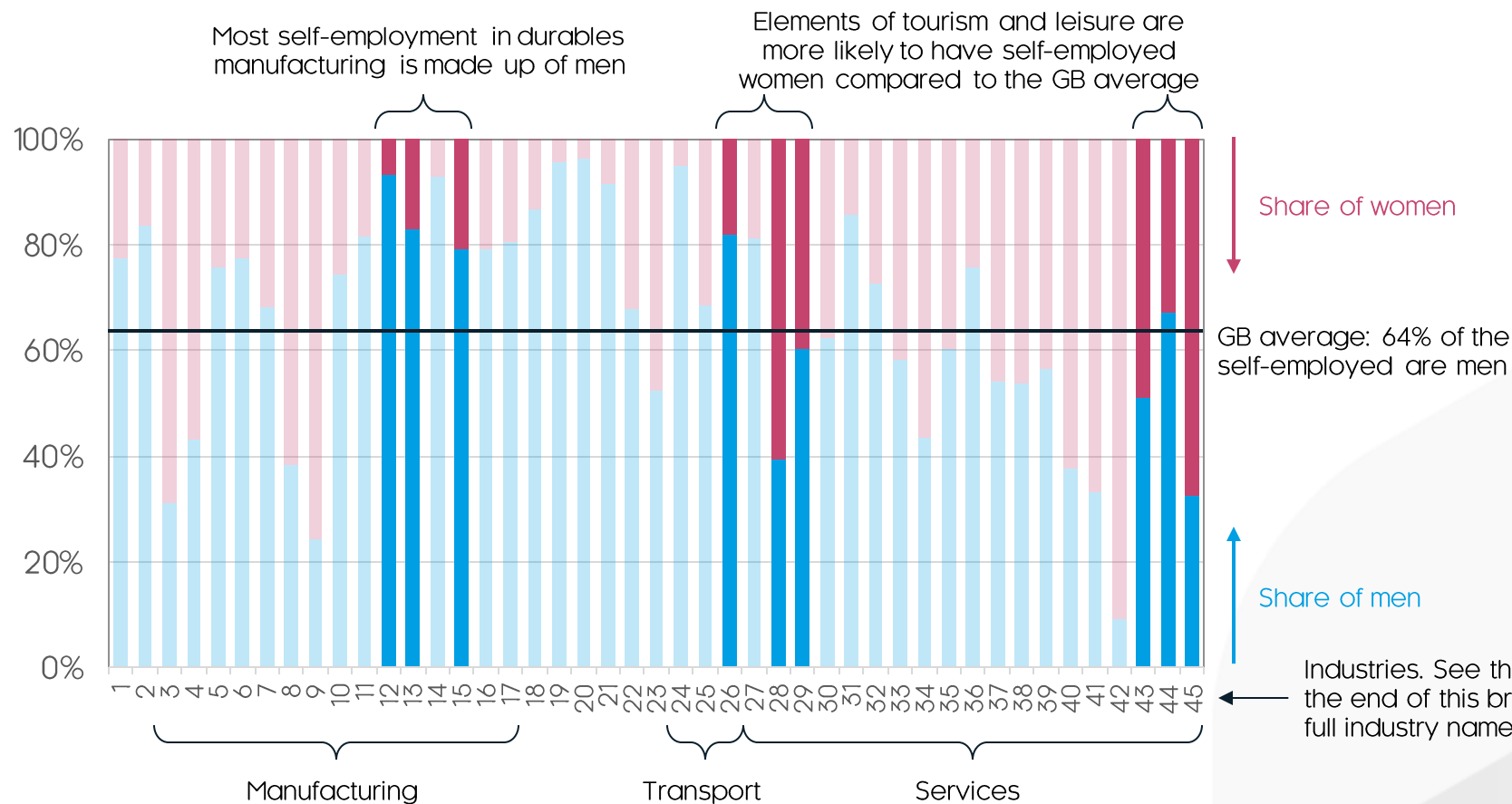
Self-employment by area



- **Self-employment accounts for 13% of workplace jobs** in Great Britain.
 - There are **11 areas in which the share is over 25%**.
 - In Haringey, self-employment accounts for one in three jobs.
- **Self-employed men account for a higher proportion of employment than self-employed women: 16% compared with 10%.**
 - In Haringey, **male self-employment is 36% of all male employment** in the area. **For women the figure is 30%.** These are the highest figures among all areas.

Self-employment: By industry and gender

Composition of self-employment by industry and gender, 2018
(workplace jobs)



- **Almost two-thirds of self-employment is made up of men but:**

- Men account for 86% of self-employment in durables manufacturing.
- Women account for 45% of self-employment in tourism and leisure and are thus relatively more affected in this sector.

How we can help

- **Place matters:** Local areas are different, with their own vulnerabilities but also opportunities.
- We can help you with:
 - **Data** and analysis: How is your area exposed? What's going on?
 - **Modelling:** How might things look under different scenarios? What might you prepare for?
 - **Resilience** assessment: What factors affect prospects for recovery? What should you be looking at more closely?
- **Talk to us** about your concerns:
 - If you'd like a call back to talk through the issues please [request a call back](#).
- <https://www.camecon.com/coronavirus/>

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@ info@camecon.com

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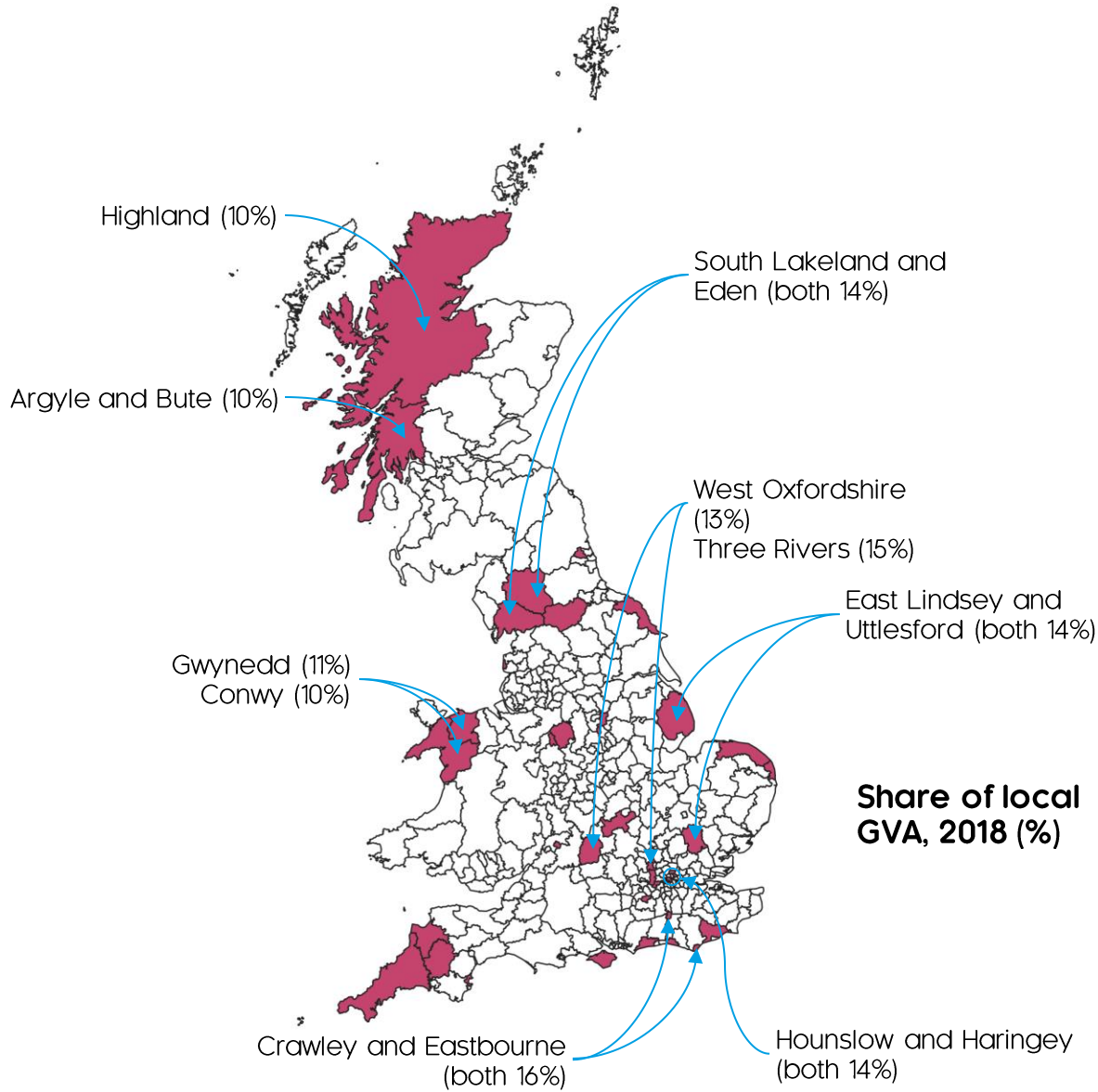
Economic exposure to COVID-19: Further analysis

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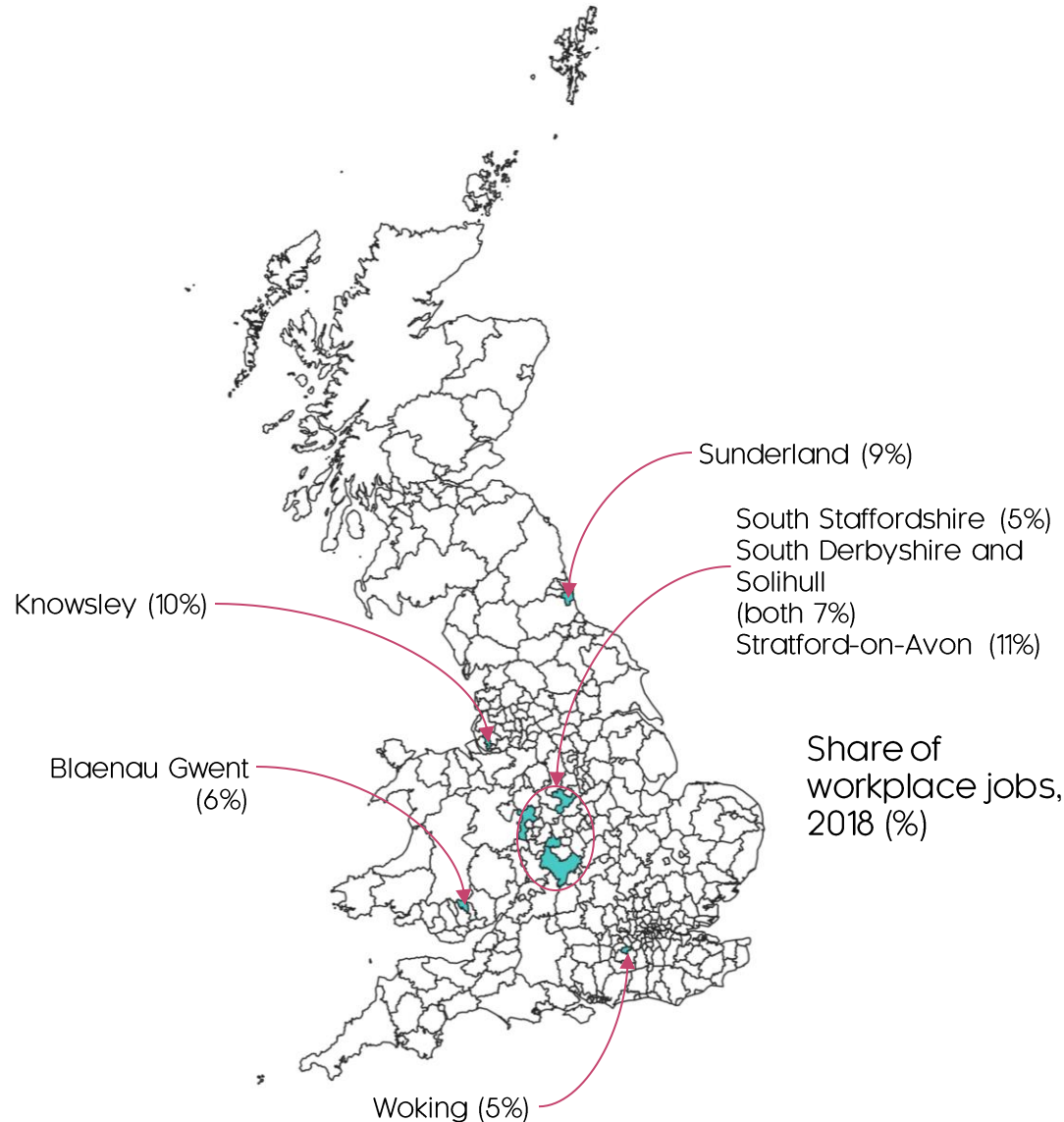


Tourism and leisure: Output



- Of the 371 areas in Great Britain:
 - There are **38 (one in ten)** in which **tourism and leisure accounts for at least 10% of economic output (gross value added)**.
- **High exposure is usually due to hotels, restaurants/catering and other services** with some exceptions:
 - Airports are important to Crawley (Gatwick), Hounslow (Heathrow) and Uttlesford (Stansted).
 - Three Rivers is notable as having a high reliance on recreation.

Durables: Workplace jobs



- While employment in consumer durables manufacturing accounts for just 1% of total employment in Great Britain, it remains important in some areas.
 - **Eight areas have employment shares of 5% or more**, with a share of **over 10% in Stratford-on-Avon**.
- Most of this exposure is because of the **presence of motor vehicle manufacturing**.
 - Coventry, Barking and Dagenham, North Warwickshire, and Swindon are also not far behind by this measure.

Note: Top eight exposed areas are marked and labelled.
Source: Cambridge Econometrics local authority database, March 2020.

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Economic exposure to COVID-19: Notes

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Notes (1)

- **Employment and output** (gross value added) data are for 2018 and come from Cambridge Econometrics' local authority database (last updated March 2020), which is derived from ONS data.
 - Employment is expressed in workplace-based jobs (full-time, part-time and self-employed). The data combine figures on employees by sector and local area (full- and part-time, by gender) from the Business Register and Employment Survey as well as the earlier Annual Business Inquiry. Self-employment is estimated from the Annual Population Survey. The figures are made consistent with more recently published estimates of jobs at a regional level by ONS (quarterly workforce jobs, June figures).
 - Output data are made consistent with sector-level data (by the balanced approach) at the local authority level from the ONS regional accounts.

Notes (2)

- **UK business count data** are for 2018 and come from ONS (accessed via Nomis)
 - The figures are ‘local units by industry and employment size band’.
 - Local units are individual sites that may belong to a larger ‘enterprise’. We use local units as a proxy for local businesses because the controlling enterprise may be located elsewhere in the country.
- The **sector classification** overleaf lists the industries identified in Cambridge Econometrics’ local authority database and their correspondence to the UK 2007 standard industrial classification of economic activities (SIC 2007).
 - The constituent industries for this analysis (‘Tourism and leisure’ and ‘Manufacture of consumer durables’) are also marked.
 - For assessing exposure to COVID-19, these industries are relatively broad in definition and should be taken to be an indication of where the economic impacts might fall at a local level.
 - This applies especially to durables, which could be for industrial use.

Sector

| CE industry | | SIC 2007 Division |
|-------------|---------------------------------|-------------------|
| 1 | Agriculture, forestry & fishing | 01-03 |
| 2 | Mining & quarrying | 05-09 |
| 3 | Food, drink & tobacco | 10-12 |
| 4 | Textiles etc | 13-15 |
| 5 | Wood & paper | 16-17 |
| 6 | Printing & recording | 18 |
| 7 | Coke & petroleum | 19 |
| 8 | Chemicals | 20 |
| 9 | Pharmaceuticals | 21 |
| 10 | Non-metallic mineral products | 22-23 |
| 11 | Metals & metal products | 24-25 |
| 12 | Electronics | 26 |
| 13 | Electrical equipment | 27 |
| 14 | Machinery | 28 |
| 15 | Motor vehicles | 29 |

| CE industry | | SIC 2007 Division |
|-------------|------------------------------|-------------------|
| 16 | Other transport equipment | 30 |
| 17 | Other manufacturing & repair | 31-33 |
| 18 | Electricity & gas | 35 |
| 19 | Water, sewerage & waste | 36-39 |
| 20 | Construction | 41-43 |
| 21 | Motor vehicles trade | 45 |
| 22 | Wholesale trade | 46 |
| 23 | Retail trade | 47 |
| 24 | Land transport | 49 |
| 25 | Water transport | 50 |
| 26 | Air transport | 51 |
| 27 | Warehousing & postal | 52-53 |
| 28 | Accommodation | 55 |
| 29 | Food & beverage services | 56 |
| 30 | Media | 58-60 |

| Tourism and leisure | | Durables |
|---------------------|---|-------------------|
| CE industry | | SIC 2007 Division |
| 31 | IT services | 61-63 |
| 32 | Financial & insurance | 64-66 |
| 33 | Real estate | 68 |
| 34 | Legal & accounting | 69 |
| 35 | Head offices & management consultancies | 70 |
| 36 | Architectural & engineering services | 71 |
| 37 | Other professional services | 72-75 |
| 38 | Business support services | 77-82 |
| 39 | Public Administration & Defence | 84 |
| 40 | Education | 85 |
| 41 | Health | 86 |
| 42 | Residential & social | 87-88 |
| 43 | Arts | 90-91 |
| 44 | Recreational services | 92-93 |
| 45 | Other services | 94-96 |