

Devon's Economy – The data analysis

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Introduction

Devon's economy was hit hard during 2020 and early 2021, with the immediate economic impacts of COVID-19 for the County as a whole being as severe as any in living memory. Devon County Council's (DCC) Economy, Enterprise and Skills team has been keeping track of the rapidly changing economic situation by using real-time information from a number of sources including Government, commissioning targeted studies, evidence and forecasts and gathering information directly from the business community to keep a track of impacts on our economy.

This information has fed directly into our Team Devon response and recovery work programme and that of partner organisations, including District Councils. It has also formed the basis of our engagement with Government to help drive forward a series of opportunity focused asks to help build our future economy.

The available data and evidence we are drawing on is summarised within this report. Only some datasets are available at a local, or District level, or are produced very recently. We have included within this report stakeholder and business derived evidence, which we will continue to expand as new data emerges.

Summary of key impacts

Devon's economy was rated 'red' by Government in Spring 2020 due to its deteriorating situation and the Economy, Enterprise and Skills team has been working closely with Government to monitor this situation working jointly with partner organisations locally, including District Councils, to drive forward an economic recovery plan, with deliverable and tangible actions.

Prior to the COVID-19 first national lockdown in March 2020 the global, national and local economies were already slowing rapidly, with notable impacts being felt in the County from the closure of Appledore shipyard; Flybe going into administration and significant jobs losses at Axminster carpets.

Certain parts of the tourism, hospitality and retail sectors on which Devon is overdependent have been especially hard hit, with many high street shop and restaurant chains announcing closures. Overseas owned branch plant manufacturing operations have also been vulnerable to global factors, with the announcement of closures of KDC Swallowfield in Bideford and Gould pumps in Axminster. During the first lockdown the construction sector was heavily impacted but has since recovered strongly and continued activity during the second and third lockdowns. The fishing sector has also been hit due in part to restricted supermarket supply chains, closure of the hospitality sector both in the UK and overseas, the impact of trade friction following the end of the Brexit transition period on 31st December 2020. Now as the economy reopens many sectors in Devon have labour supply issues.

Key parts of the workforce being impacted across Devon include:
<ul style="list-style-type: none">• Lower paid workers, who were more likely to have been furloughed and three times more likely to have been on reduced hours than their well-off counterparts (Source: London School of Economics)
<ul style="list-style-type: none">• Freelancers - national average earnings fell from £22,742 per quarter at the start of 2020 to £17,293 at the end of December 2020 (source: Office of National Statistics)
<ul style="list-style-type: none">• Just About Managing (families in work, but on lower incomes and Tax Credits) – pre-Covid figures showed that 39% of children in Devon were in working families claiming tax credits, compared with 36% in Great Britain. There was a particularly high concentration in Torridge (44%) and North Devon (43%) (source: Oxford Economics)
<ul style="list-style-type: none">• Younger people – large rise in UC claimants under 25 in Devon affected by lockdowns – from 1,710 in March 2020 to 4,180 in March 2021. Rise of 119% in England; 144% in Devon, and 231% rise in South Hams (source: Office for National Statistics)
<ul style="list-style-type: none">• Over 50s UC claimants – a large continuing rise through the year from 2,300 in March 2020 to 5,815 in March 2021. Rise of 111% in England; 153% in Devon, with a 188% rise in North Devon (source: Office for National Statistics)

Key impacts to date for the Devon Economy

Economic output

- Pre pandemic Devon's economy already significantly underperformed the national economy, with GVA at just 77.8% of the UK in 2019.
- Devon has a forecasted loss of output / productivity similar to the UK wide impact of almost 10% of GDP for 2020 as a whole on its pre pandemic levels. The Bank of England now forecasts a swifter and more sustained UK recovery of 7.25% in 2021 and 5.75% in 2022 with the national economy returning to its pre-Covid level by end-2021.
- Delayed economic recovery compared with nationally forecasted for much of Devon outside of Exeter and particularly in Mid and West Devon.

Unemployment

- A rise in Universal Credit (UC) Claimant count in Devon from 1.8% in March 2020 to 5.0% by May 2020 before falling back to 3.6% in June 2021, although with significant additional levels of inactivity (some hidden unemployment).
- UC levels in Devon rose from being very significantly below the national average, to close to the national average, the UK also having seen significant rises due to lockdowns
- Very heavy impacts in terms of UC claimant rises during lockdowns for under 25s and over 50s, although numbers of claimants now falling for all age groups

Furlough

- Large numbers of people in Devon still claiming furlough at end of May 2021, although well below the one third of all workers in Devon on furlough seen in early summer 2020.
- Now around the national average (8% of all workers in Devon at the end of May), from well above previously – we expect this to fall further as the furlough scheme winds down.
- Furlough especially focused in hospitality, tourism, the arts, construction, manufacturing and the service sector generally

Labour Market

- As some locked-down businesses began to reopen in April to July 2021 significant labour shortages have occurred in Devon across many sectors
- Some sectors experiencing acute demand include tourism; hospitality; health and care (which had some shortages pre-covid); transport (especially HGV drivers) and skilled construction staff. The voluntary sector has in some instances also reported a shortage of volunteers. Demand for goods and services appears to be bouncing back, but now with fewer people able to service those demands.
- A variety of reasons have been given and these include especially furlough, but also higher levels of applications to study, or retrain; EU exit causing an interim lack of migrant workers; early retirements during covid lockdowns; high housing costs meaning people can't afford to live near some jobs and people reprioritising their lives linked to covid lockdowns.
- In the tourism sector recent evidence now points to over half of all businesses paying more for staff, but reducing their opening hours, with disgruntled customers sometimes being the outcome. A significant number of businesses report brisk business but the impact of previous lockdowns has impacted their net positions with cash flow risk still looming and potential impacts on business survivability into 2022.

Just About Managing and pay

- Between 2019 and 2020 average pay for the lowest 20% of earners nationally rose slightly. In Devon outside of South Hams and West Devon it fell significantly and was already lower than nationally pre pandemic (in Devon as a whole for this group it fell by 6%). Unsure yet as to whether these impacts are temporary, but even temporary impacts could mean lower income households suffering from more debt issues.
- Average workplace pay rates in Devon were around 82.7% of the UK in 2020, but lower still in some parts of the County (West Devon just 71.9% of UK)

- Data on average pay rates overall in Devon were very volatile in 2020 showing a lot of changes to the labour market, but no significant trend, although greater levels of working from home. 2021 and 2022 data is needed to ascertain any longer term trends.
- On average, pay for freelancers on during 2020 took a significant hit
- SW House prices up 17% in a year – competition for housing, especially at higher priced end and in rural/coastal areas
- Staycation boom causing rental property to come off the market and be let by Airbnb - renters who have to move have been hit, especially in traditional holiday areas. Unsure yet as to whether these impacts are temporary.
- Anecdotal evidence (so far) of highly significant increases (doubling in some instances) in Food Bank usage in Devon during the pandemic lockdown periods and more widely worry about food insecurity, especially among those with children

High Streets

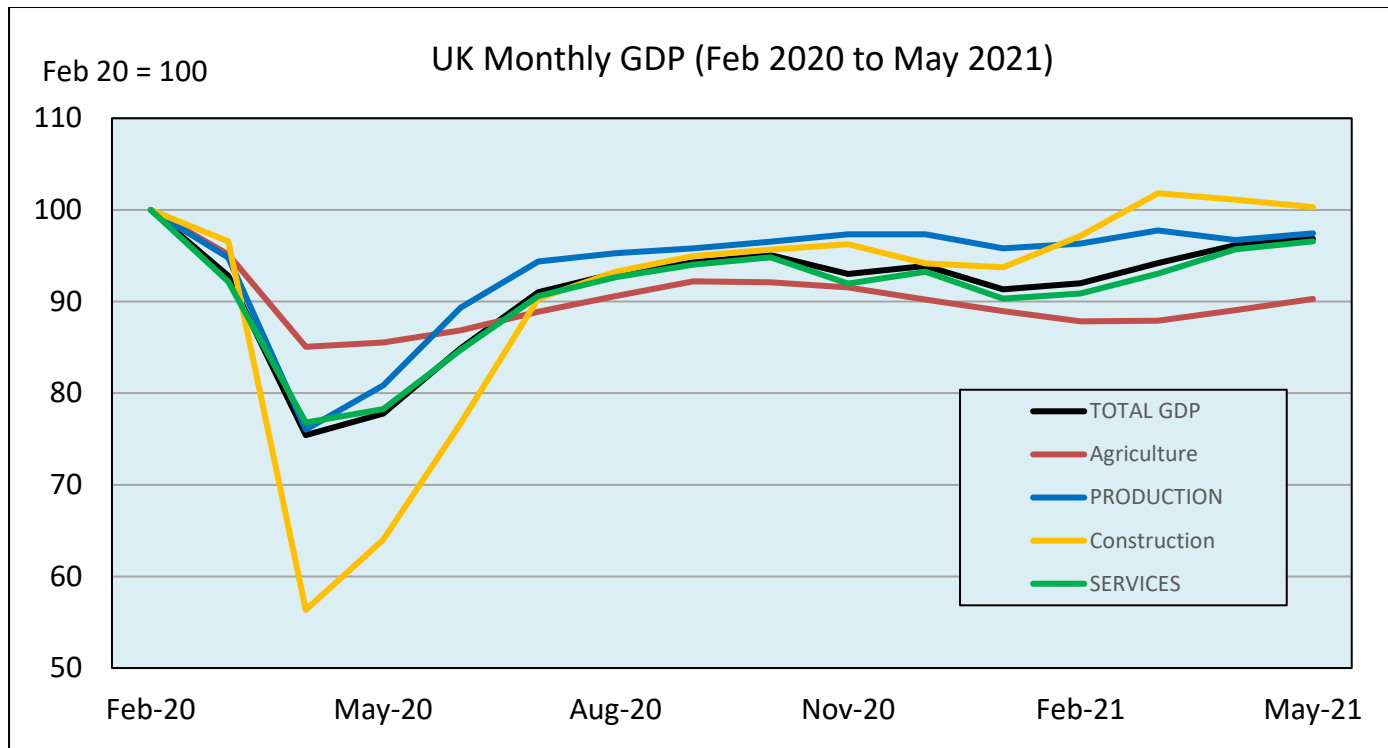
- All high streets in Devon were impacted by significant temporary business closures during the first 2020 lockdown
- Since then there has been a significant shift in spend patterns with many of the smaller market and coastal towns that are focused on independent stores holding up best, buoyed in part by the resumption of the holiday trade; higher numbers of people working from home and shopping more locally and retirees, many of whose incomes have held up feeling more confident in venturing out and spending again.
- The retail businesses most impacted by the pandemic have tended to be national and international chain stores that operate on business models with tight margins and often occupy more expensive town and city centre retail units.
- Retail vacancy rates remain an issue, but in most Devon towns and cities are below the national average (those remaining above at most recent survey were Cullompton, Ilfracombe, Axminster, Barnstaple and Exeter City Centre)

In depth

Economic output

National output figures are produced significantly in advance of those released for local areas i.e. Devon.

Latest GDP data for May 2021 shows the UK economy has now recovered to 3.1% below the level in February 2020 before the pandemic. Between April and May 2021, the economy grew by 0.8% as the economy continued to re-open; with Services output up 0.9% (driven by a 37% recovery in accommodation & food output); Production output up 0.8%; while Construction output was down 0.8% (leaving it 0.3% above the February 2020 level).



Source: ONS July 2021

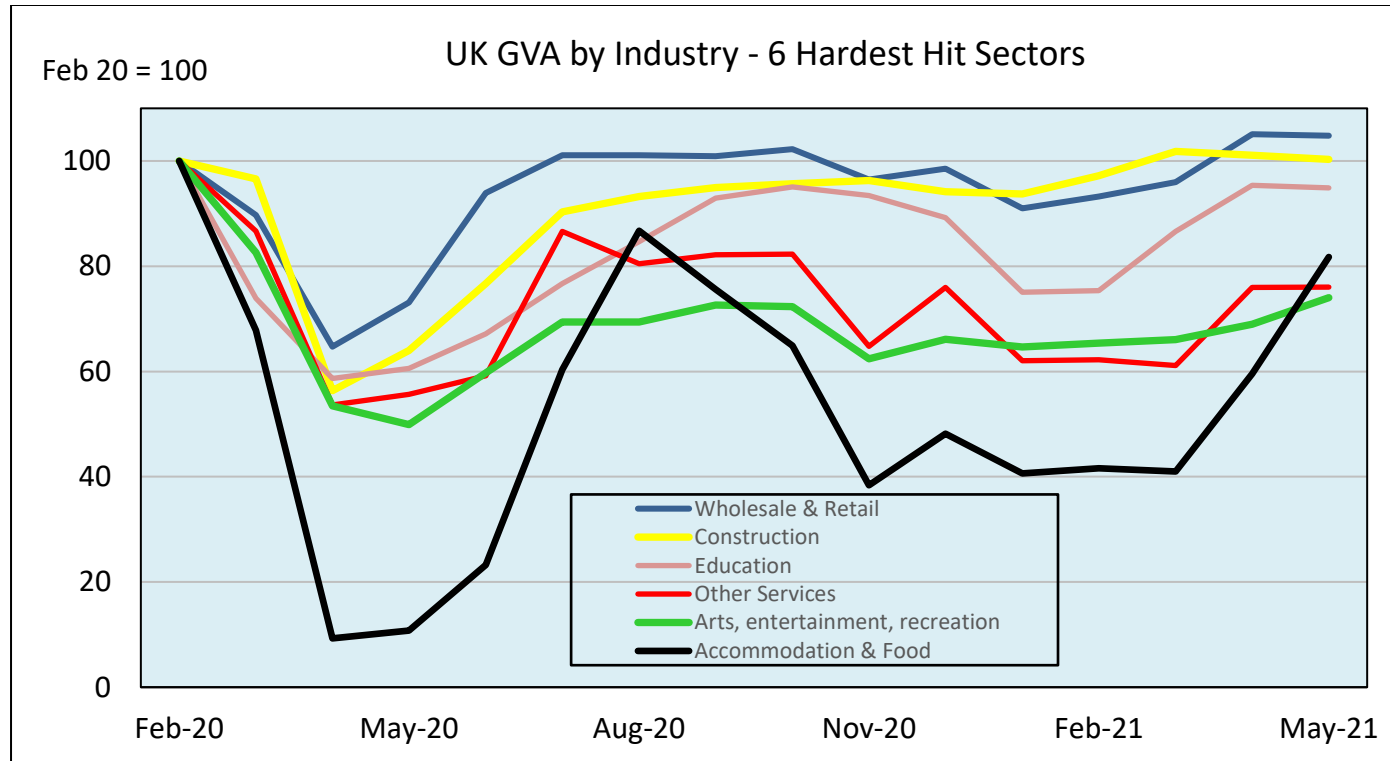
In terms of the sectors which were hardest hit at the start of the pandemic wholesale & retail output has now recovered to 5% above the level of output in February 2020 with a significant shift from physical to online purchases and an expansion of wholesale storage facilities.

In the week ending 26 June, retail footfall in the South West was 80% of the equivalent week in 2019, compared to 75% across the UK. Footfall was strongest at retail parks at 95%, but lower at shopping centres and high streets at 70% and 68% respectively.

Construction activity has also re-bounded strongly with building sites allowed to resume activity earlier in the pandemic with social distancing measures and an increase in house building activity and commercial work. Education was impacted with the closure of schools and colleges and subsequent move to online teaching, with rising case numbers, there are reports of increased absences due to self-isolation measures in the latest month.

Accommodation & food was hardest hit at the start of the pandemic with output falling 90% by April 2020, it subsequently began to recover with the eat out to help out scheme in July 2020. In autumn and winter 2020 the sector was again hit by social distancing restrictions and the November 2020 lockdown. In early 2021 most accommodation was shut in the 3rd lockdown with take-away services allowed to continue. Outdoor hospitality and self-catering accommodation were allowed to re-open on 12 April and Indoor hospitality and accommodation from 17 May which has led to a dramatic recovery in the sector.

Arts, entertainment and recreation and Other services have seen similar trends but have recovered less strongly in the last 2 months due to more restrictive social distancing measures, or full closures remaining in place, with output still about 25% below the level before the pandemic.



Source: ONS July 2021

Devon

In early summer 2020, on behalf of SW Councils DCC commissioned Oxford Economics to analyse potential Covid-19 economic impacts across the South West, including Devon. It found that output (size of the economy) impacts in Devon as a whole would be likely to be on par with the UK and produced a range of scenario's reflecting both the likely evolution of the pandemic and subsequent strength of the economic recovery. Nonetheless some areas of Devon, especially Mid Devon and West Devon are expected to recover more slowly than nationally.

Oxford Economics recovery forecasts for Devon

Baseline output recovery by	Pessimistic output recovery by	Baseline employment recovery by	Pessimistic employment recovery by	Baseline unemployment recovery by	Pessimistic unemployment recovery by
2022	2026	2022	2023	2023	Beyond 2035

Labour market

Devon initially saw a very significant rise in unemployment related to pandemic lockdowns, in particular among young people and the over 50s. The degree of increase experienced was above the national average, although the volume and rate overall are still slightly lower than the national average. It has risen from a situation of almost full employment in 2018 to now being close to the national average. Please note that claimant count unemployment figures are the narrower measure of unemployment and under the broader measure of unemployment figures are usually higher.

Devon experienced above the national average reliance on the national Job Retention Scheme (furlough). As the economy and hospitality has re-opened this situation has improved markedly with the latest data available to the end of May 2021.

Reliance on Furlough (CJRS)

Area	CJRS (July 2020)	CJRS (Jan 2021)	CJRS (May 2021)	% of eligible employees Furloughed July 2020	% of eligible employees Furloughed Jan 2021	% of eligible employees Furloughed May 2021
Torbay UA	20,000	10,900	5,200	36.5%	19.9%	10.1%
West Devon	6,700	3,500	1,700	31.9%	16.8%	8.5%
East Devon	19,700	10,000	4,600	34.0%	17.3%	8.3%
England	8,067,700	3,886,900	1,963,100	31.5%	15.5%	8.2%
Teignbridge	19,900	10,000	4,400	34.8%	17.6%	8.2%
South Hams	11,700	6,200	2,600	35.1%	18.5%	8.1%
North Devon	14,400	7,000	3,100	35.6%	17.2%	8.1%
Torrige	9,200	4,300	1,900	35.8%	16.8%	7.9%
Devon County	109,900	54,500	24,400	33.3%	16.6%	7.8%
South West	808,900	396,600	179,200	32.1%	15.9%	7.6%
Exeter	17,400	8,500	3,900	29.9%	14.9%	7.2%
Mid Devon	10,900	5,100	2,200	30.0%	14.1%	6.4%
Plymouth UA	36,400	15,000	6,700	31.2%	13.0%	6.0%

Source: HMRC June 2021

Reliance on Self Employed Income Support Scheme (SEISS)

Devon has also been disproportionately impacted in terms of the percentage of its workers who claimed SEISS, particularly focused in rural areas.

Area	SEISS1 (July 2020)	SEISS3 (Jan 2021)	SEISS4 (May 2021)	SEISS1/ Workforce July 2020	SEISS3/ Workforce Jan 2021	SEISS4/ Workforce May 2021
South Hams	5,400	4,100	3,400	11.1%	8.4%	7.0%
North Devon	5,600	4,300	3,700	10.0%	7.7%	6.6%
Torridge	4,200	3,000	2,400	10.9%	7.8%	6.2%
West Devon	3,200	2,400	1,900	10.2%	7.7%	6.1%
Torbay UA	6,200	5,300	4,600	8.1%	6.9%	6.0%
East Devon	6,900	5,400	4,500	8.8%	6.9%	5.7%
Teignbridge	6,500	5,100	4,400	8.5%	6.6%	5.7%
Devon County	40,300	30,900	26,000	8.6%	6.6%	5.6%
Mid Devon	4,300	3,200	2,600	9.0%	6.7%	5.4%
South West	239,000	192,000	165,000	7.1%	5.7%	4.9%
England	2,259,000	1,910,000	1,699,000	6.4%	5.4%	4.8%
Plymouth UA	8,700	7,400	6,600	5.2%	4.5%	4.0%
Exeter	4,200	3,300	3,000	4.7%	3.7%	3.3%

Source: HMRC June 2021

Key sectors reliant on national employment support schemes

The key sectors which remained reliant on the Coronavirus Job Retention (furlough) scheme in the Devon County Council area for May 2021 were:

- Arts, Entertainment and Recreation (29% of staff in the sector still furloughed)
- Accommodation and Food (34% of staff in the sector still furloughed)
- Transport and storage (11% of staff in the sector still furloughed)
- Construction (11% of staff in the sector still furloughed)
- Wholesale and retail (8% of staff in the sector still furloughed)

Other sectors heavily impacted include:

- Other Services
- Admin & Support

These sectors are strongly represented in the economy of many parts of Devon. Additionally, the Self-Employment Income Support Scheme shows 29% of claims in the South West originate from self-employed workers in the construction sector.

Broader business support

SME take-up of Government backed loans

In summer 2020 the Government announced loan schemes to help businesses to cope with the business effects of COVID-19 (these schemes were subsequently extended to 31 March 2021). For Small and Medium sized (SME) businesses these included:

- The Bounce Back Loan Scheme (BBLs) designed to provide financial support to businesses across the UK that are losing revenue and seeing their cashflow disrupted and that can benefit from £50,000 or less in finance. A pay as you grow scheme now also allows businesses to extend the repayment period for these loans up to 10 years and provides for a 6 month payment deferral.
- The Coronavirus Business Interruption Loan Scheme (CBILs) provided financial support to smaller businesses helped small and medium-sized businesses to access loans and other kinds of finance up to £5 million. The government guaranteed 80% of the finance to the lender and pays interest and any fees for the first 12 months.

By the end of May 2021 the British Business Bank stated that for the Devon County Council area it had provided:

- **BBLs: 20,234 loans worth £570.6m – highest take-up in construction and retail businesses – highest take-up in southern and eastern Devon**
- **CBILs: 1358 loans worth £321.7m – highest take-up in retail, construction and manufacturing businesses, with accommodation and food businesses also well represented – highest take-up in southern and eastern Devon**

SME Grant payments

The Government also extended support to SME's with further grant payments in the second and third lockdowns to businesses in the Devon County Council area

- **Local Restriction Support Grants: 48,061 grants were paid by 31 March 2021 with a total value of £109.6m.**
- **A total of 10,114 additional restriction grants have been paid to businesses in the DCC area with a total value of 21.7m up to 30 May 2021. A further 8,464 'restart' grants have also been paid to hospitality, accommodation, leisure and non-essential retail businesses up to the end of May 2021 with a total value of £64.4m.**

Cash flow is still a key issue for businesses and the BoE has recently highlighted many SME's in financial distress in Accommodation & Food; Transport & Storage and other sectors which have been hit hard by the pandemic. Results from the latest Business Impact of Coronavirus Survey (BIC's) to 26 June show:

- **A total of 43% of 'Other Service' firms, 34% of 'Accommodation & Food' firms, and 29% of 'Transport & Storage' firms had less than 3 months cashflow.**
- **A total of 13% of 'Other Service' firms, 10% of 'Construction' firms, 9% of 'Accommodation & Food' firms and 8% of 'Transport & Storage' firms had less than 1 months cashflow.**

Economic vulnerability index

The DCC Economy, Enterprise and Skills team has compiled a fine-grained economic vulnerability index focused on neighbourhoods, wards and towns within Devon to assess the overall state of play in terms of our economy and its constituent areas, looking in particular at the recent impacts of Covid-19 on our economy. This uses a range of different economic datasets and indicators, including from the UK Government Office for National Statistics. **It is updated every few weeks and relative positions of localities often alter as a result of the incorporation of new national datasets.**

The DCC Economic vulnerability index uses an existing economic baseline but is combined with more real-time information when this is available. It is helping identify areas of both need and opportunity in a potentially rapidly changing post Covid-19 economy. It will help us design appropriate interventions subject to programme and funding constraints and including where relevant with education and business sector partners.

It includes factors such as current unemployment levels, alongside respective furlough vulnerability, age profile, sector make up (highlighting potentially vulnerable sectors) and overall deprivation. As the furlough scheme ends the vulnerability index will be amended accordingly and if any relevant new datasets become available that are applicable to the index, these will be included.

Most of Devon has been significantly impacted by the economic effects of COVID-19 and more broadly a slowing global, national and local economy, with patterns of economic difficulty spread more widely across the whole County than in previous recessions. The impacts and future vulnerabilities identified in the index are being felt most significantly in Devon's market and coastal towns, with the 10 most vulnerable areas currently being:

Most vulnerable localities in Devon on composite Economic vulnerability index
1. Barnstaple Town Centre
2. Teignmouth: Town Centre and Seafront area
3. Ilfracombe – High Street, Fore Street and Quay
4. Newton Abbot : Station Road and Osborne Street area
5. Newton Abbot: Central – Union Road and Halcyon Road area
6. Ilfracombe West – Wilder Road and Torrs Park
7. Totnes Town Centre
8. Barnstaple – Forches Avenue Area
9. Honiton – Streamers Meadows and King Street
10. Ilfracombe – College Area

NB: As at 19th July 2021

Future Impacts and government support

We have provided a cautious forecast of additional potential increases as a result of the end of Furlough (now scheduled for 30 September 2021) and some further self-employed becoming unemployed, taking into account new measures that the Chancellor has recently announced to support employers.

Additional support measures have been gradually announced by the Government as the pandemic has evolved, the most recent of these include;

- A Pay as You Grow scheme will allow businesses to delay all Bounce Back Loan (BBL) payments for a further six months and will also allow up to 10 years to repay the loans.
- Businesses in the retail, hospitality and leisure sectors received a one-off grant worth up to £9,000 (a discretionary fund is available to support other impacted businesses). The third lockdown grant funding was in addition to existing discretionary grant funding to districts of up to £3000 per eligible business per month.
- The one-off funding is based on business property rateable values;
 - £4,000 for businesses with a rateable value <£15,000
 - £6,000 for businesses with a rateable value between £15,000 and £51,000
 - £9,000 for businesses with a rateable value >£51,000
- A sector specific support package for Airports called the Air and Ground Operations Scheme providing funding of up to £8m per applicant covering fixed costs such as business rates now extended to 31 March 2022.
- A Seafood disruption support scheme to support SME's exporting fish and shellfish to the EU providing up to £100,000 per applicant as a proportion of losses incurred.

The March 2021 Budget also extended support measures such as the furlough scheme and self employed income support scheme (SEISS) to 30 September 2021. The detailed measures outlined in the budget include;

- £5bn of 'restart' grants funding to help businesses re-start trading safely, including up to £18,000 for hospitality, accommodation, leisure, personal care and gyms and up to £6,000 for non-essential retail per premises depending on rateable value. The new grants replace monthly local restrictions grants (LRG's).
- Furlough scheme extended to 30 September 2021 – continuing at 80% of salary. From July employers will have to contribute 10%, then 20% in Aug and Sept.
- The fourth Self Employed SEISS grant was available to claim until May 31 and worth 80% of 3-month average trading profits up to £7500. Some 600,000 additional self-employed will now be eligible as 2019-20 tax return data is now available. A fifth grant has now available from June with the system open for these grants until the end of July.
- Coronavirus Business Interruption Loans (CBIL) have morphed in to the 'Recovery Loan Scheme' available until 31 December 2021 (subject to review) with continued 80% Government guarantee. Bounce back loans BBL and large LCBIL loans closed to applications on 31 March 2021.

- Extended business rates relief for retail, hospitality, leisure and nurseries - 100% relief up to the end of June and 66% relief between 30 June 2021 and 01 April 2022 (capped at £2m for businesses forced to close on 05 January 2021 and £105,000 for other eligible businesses)
- 5% reduced rate VAT for hospitality businesses extended to end of Sept 2021, with a 12.5% transitional rate until the end of March 2022.

Projections of potential UC claimants June 2021 (May data) – Districts and highest impacted wards

We have provided a conservative forecast of additional potential increases as a result of the end of Furlough and some further self-employed becoming unemployed, taking into account new measures that the Chancellor has recently announced to support employers.

Area	Mar-20	Apr-21	May-21	Workforce Supported (CJRS) (SEISS)	10% Risk Unemployed	2.5% Risk Unemployed	Projection Nov 21 (High)	Projection Nov 21 (Low)
Torbay	3.5	6.3	5.7	12.8%	1.3%	0.3%	6.7	6.0
England	3.0	6.0	5.7	10.4%	1.0%	0.3%	6.0	6.0
Plymouth	3.5	5.5	5.2	8.0%	0.8%	0.2%	5.4	5.4
North Devon	2.2	4.8	4.2	12.2%	1.2%	0.3%	5.2	4.5
Torridge	2.3	4.5	4.1	11.2%	1.1%	0.3%	5.0	4.4
Somerset	2.3	4.3	4.0	10.5%	1.0%	0.3%	4.8	4.3
Teignbridge	1.9	4.1	3.7	11.5%	1.1%	0.3%	4.7	4.0
Devon	1.8	3.9	3.6	10.8%	1.1%	0.3%	4.6	3.9
South Hams	1.5	3.8	3.4	12.3%	1.2%	0.3%	4.5	3.7
East Devon	1.8	3.7	3.3	11.6%	1.2%	0.3%	4.5	3.6
West Devon	1.6	3.7	3.3	11.5%	1.2%	0.3%	4.2	3.6
Mid Devon	1.7	3.5	3.2	10.0%	1.0%	0.3%	4.2	3.5

Just about Managing

This term generally refers to families on low-to-middle incomes, typically with one member of the household in work and who have little spare disposable income and low savings and often reliant on financial support mechanisms such as the furlough scheme; mortgage repayment holidays; tax credits and child benefit. They are by extension particularly vulnerable should the economic disruption last longer than anticipated.

Latest (pre-Covid) figures showed that 39% of children in Devon are in working families claiming tax credits, compared with 36% in Great Britain. There was a particularly high concentration in Torridge (44%) and North Devon (43%).

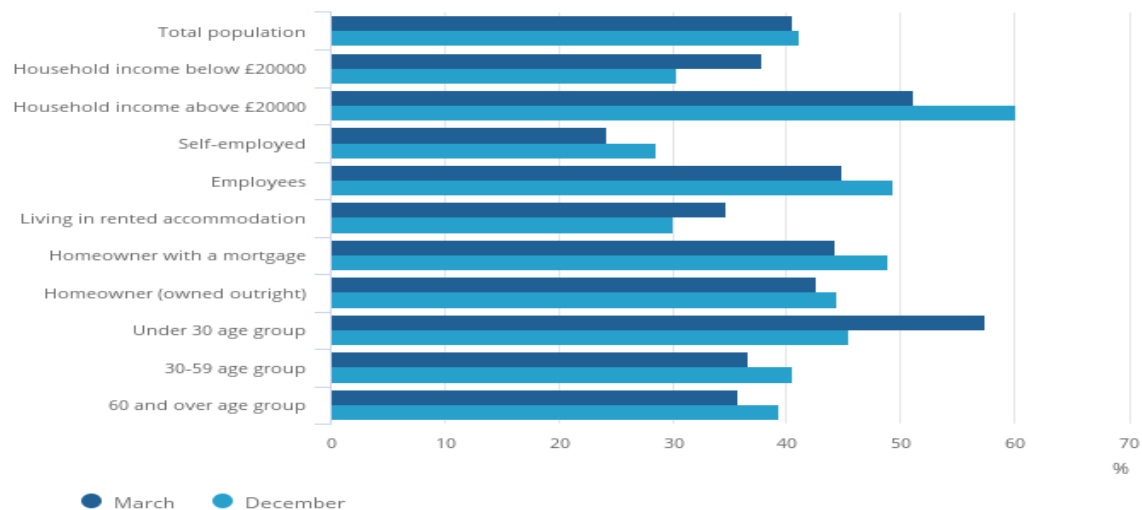
Recent published earnings data shows that most parts of Devon have been subject to an actual fall in earnings for the lowest paid 20% of workers between 2019 and 2020, compared with a small rise nationally over the same period. Pay for those groups in Devon was already lower than nationally prior to the pandemic.

Change in weekly pay for bottom 20% of resident earners 2019 to 2020

Area	Pay 2019	Pay 2020	Change in £	Change as a %	% of UK average Lowest 20% of earners
East Devon	£227.0	£196.8	-30.2	-13.30	76.9
Exeter	£227.9	£196.0	-31.9	-14.00	76.6
Mid Devon	£203.7	£186.0	-17.7	-8.69	72.7
North Devon	£191.9	- NA	NA	NA	NA
South Hams	£164.9	£188.0	23.1	14.01	73.4
Teignbridge	£221.3	£205.3	-16.0	-7.23	80.2
Torridge	£194.5	£185.4	-9.1	-4.68	72.4
West Devon	£203.4	£236.7	33.3	16.37	92.5
Devon	£212.4	£199.9	-12.5	-5.89	78.1
UK	£255.8	£256.0	0.2	0.08	100.0

Office for national statistics data shows that nationally it is lower income groups that have tended to be worst affected by the economic impacts of the pandemic.

Percentage of people reporting to be able to save for the year ahead in March and December 2020 for different societal groups



Source: Office for National Statistics – Personal and economic well-being in Great Britain: January 2021 - Opinions and Lifestyle Survey

In addition, Devon County Council is currently exploring potential impacts upon food bank usage and wider food insecurity during pandemic lockdowns. Current anecdotal evidence points to significantly increased usage and food insecurity concerns during lockdowns, particularly among families with children, although further exploration is taking place. We expect that usage will now decline as the economy reopens, but that there may be residual issues in terms of debt as a result of lost incomes.

Impacts on business

DCC is collecting real-time information from our business community in terms of impacts, issues and occasionally opportunities related to COVID-19. We are using this to supplement data and surveys that we gather and analyse. Most of this information backs up the findings we have on emerging impacts and highlights the particular difficulties experienced by hotels; some retailers; some tourist attractions; fisheries; arts/entertainment and also some manufacturers, especially when they are overseas owned branch-plants, or reliant on large UK retailer/supermarket contracts.

National data

Purchasing Managers Indices

June saw UK manufacturing continue its recovery from the steep COVID-19 induced downturn with a Purchasing Manager's Index of 63.9 (anything above 50 indicates expansion). Output, orders and employment all rose, but manufacturers also reported record input price rises. The service sector PMI meanwhile fell slightly to 62.4 in June from an 8 year high of 62.9 in May. The easing of lock-down restrictions has led to rapid growth with some hospitality businesses also reporting capacity constraints and shortages of staff

The Markit Construction PMI rose from 64.2 in May to 66.3 in June - the highest since 1997 (a value above 50 indicates expansion). Recovery is being led by housebuilding and commercial activity. Supplier delivery times have lengthened to the longest in 24 years with input prices also rising at a record pace with shortages in particularly for cement, concrete, plaster, steel, timber and roof tiles. The rate of job creation eased slightly in June but remained close to a 7-year high.

House prices

According to the Halifax house prices fell by 0.5% in June reducing the annual rate of increase to 8.8% with the stamp duty holiday now being phased out fully by the end of September. RICS surveyors remain positive with a net balance of +56 expecting house prices to continue rising, although the number of houses coming on to the market fell with a net balance of -34% of surveyors indicating lower supply in June.

Separate recent Nationwide data, however, pointed to the South West having the largest increase in house prices nationally at 17% over the past year. This is expected to have significant impacts on housing affordability for residents, particularly in already expensive locations, which may have an impact on workers being able to live near their place of work and resulting labour market impacts. Recent evidence from Airbnb also points to a significant uptick in rental properties in coastal and some rural areas being marketed as short-term holiday lets, which is impacting upon the amount of properties available for longer term residential lettings.

Business Impact of COVID-19 Survey (BICS) - sectors

The Office for National Statistics undertakes a fortnightly national Business Impact of COVID-19 Survey (BICS). In this survey it asks by sector which companies are expecting significant cash-flow problems. A number of businesses across all sectors appear to have been experiencing difficulties during the pandemic. Significant among this national analysis for Devon are the cash flow concerns for Accommodation & Food, Other Services and Construction given above average employment in these sectors.

Proportion of businesses with less than 3 months Cashflow

Industry	May 2020	Sept 2020	Mar 2021	May 2021	June 2021
Manufacturing	37.6%	23.6%	25.7%	26.4%	24.2%
Water Supply, Waste Mgt	48.4%	33.1%	26.0%	26.3%	32.8%
Construction	56.8%	32.9%	39.1%	36.7%	34.6%
Wholesale And Retail Trade	41.8%	20.2%	26.2%	25.2%	22.9%
Transportation And Storage	49.4%	26.6%	28.4%	34.3%	29.4%
Accommodation And Food	66.0%	40.1%	47.4%	46.2%	34.1%
Information And Comms	*	21.6%	24.9%	20.5%	21.7%
Real Estate Activities	37.8%	28.2%	22.2%	26.7%	29.1%
Professional And Technical	46.8%	23.1%	25.6%	25.7%	24.9%
Administrative And Support	51.8%	34.0%	36.2%	36.9%	33.0%
Education	35.9%	24.2%	23.7%	16.5%	22.1%
Human Health And Social Work	35.4%	28.7%	29.3%	36.1%	25.0%
Arts, Entertain And Recreation	58.2%	25.7%	33.4%	27.8%	25.3%
Other Services		43.0%	58.9%	47.6%	42.6%
All Industries	46.5%	27.0%	30.7%	29.9%	26.9%

Chambers of Commerce – sentiment survey

Since the start of the Covid-19 outbreak until the British Chambers of Commerce have been surveying businesses nationally on a regular basis.

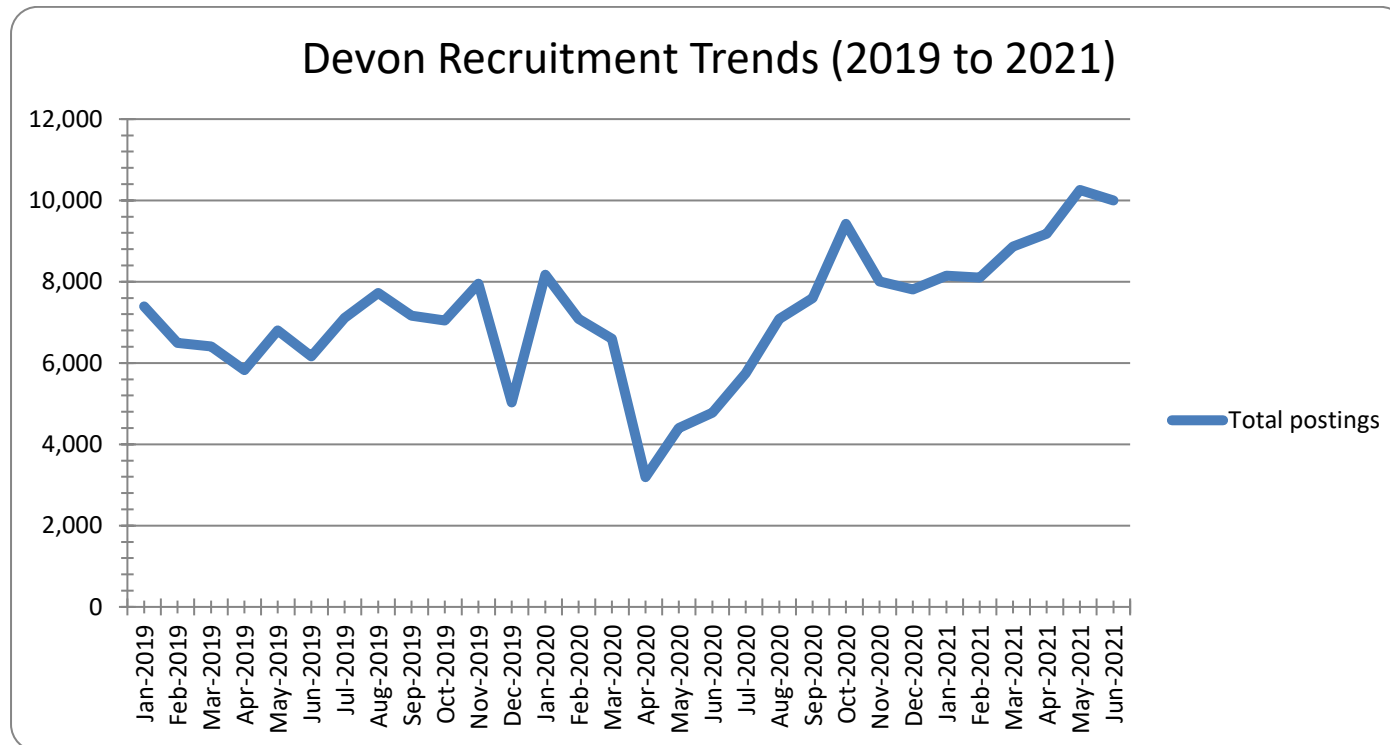
Recent information published (just prior to hospitality reopening) showed:

- 3 in every 5 firms (61%) have seen their revenue from UK customers fall in the last 3 months.
- Almost a third (31%) of business-to-consumer (B2C) firms said they would run out of cash in the next 3 months.
- A quarter of survey respondents (25%) report they would have made staff redundant if financial support had ended in March and April.
- On average business-to-consumer (B2C) firms were only operating at 42% of full capacity, while the figure overall was 57% for all firms against a pre-pandemic level of 75 to 80%.
- More than two thirds (68%) of firms using the Coronavirus Job Retention Scheme (CJRS) said it had been very effective, with a further 28% saying it was somewhat effective.

Jobs market

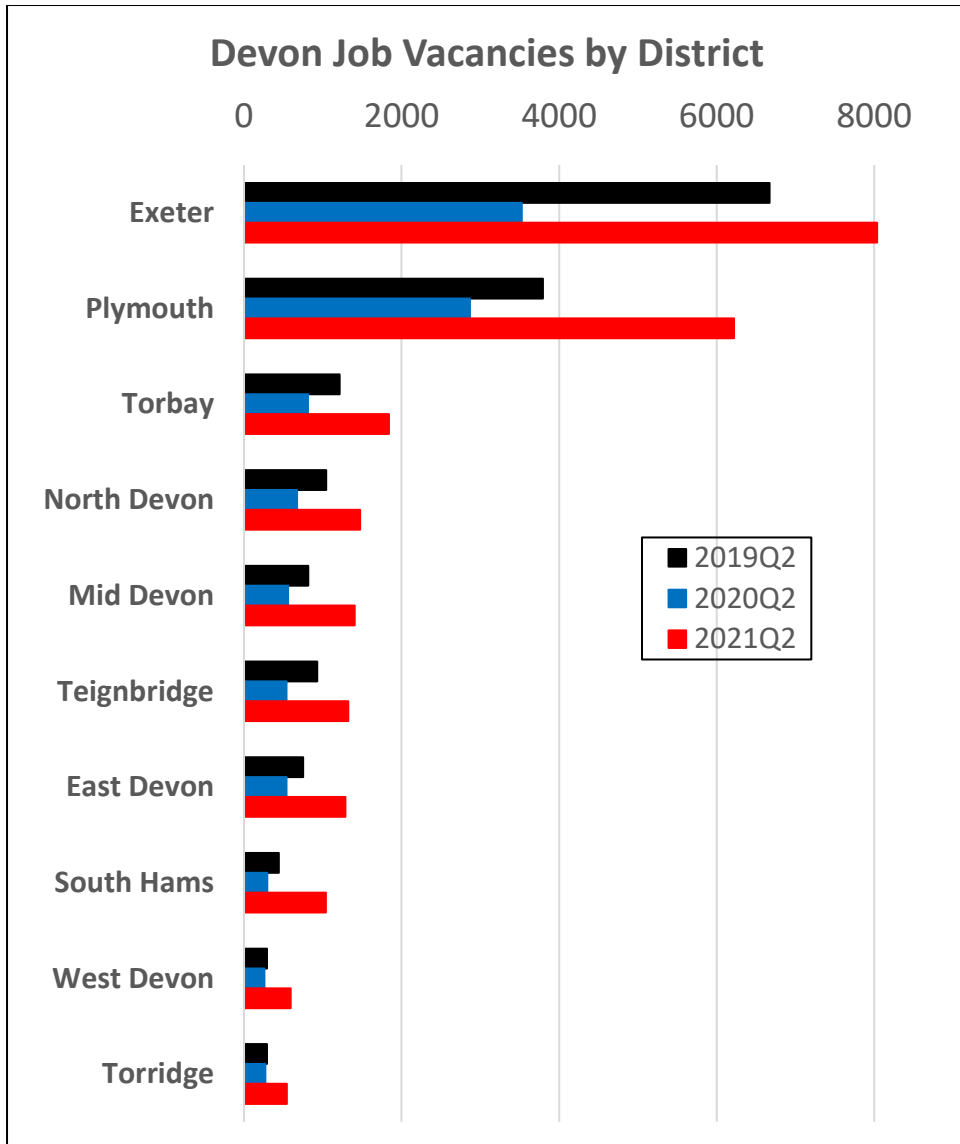
Jobs vacancies and recruitment in Devon – percentage change by sector

COVID-19 initially impacted significantly on recruitment by businesses across Devon, but there has been a subsequent recovery which has now become broad based across the region and across different sectors of the economy.



Source: Burning Glass – Labour Insights

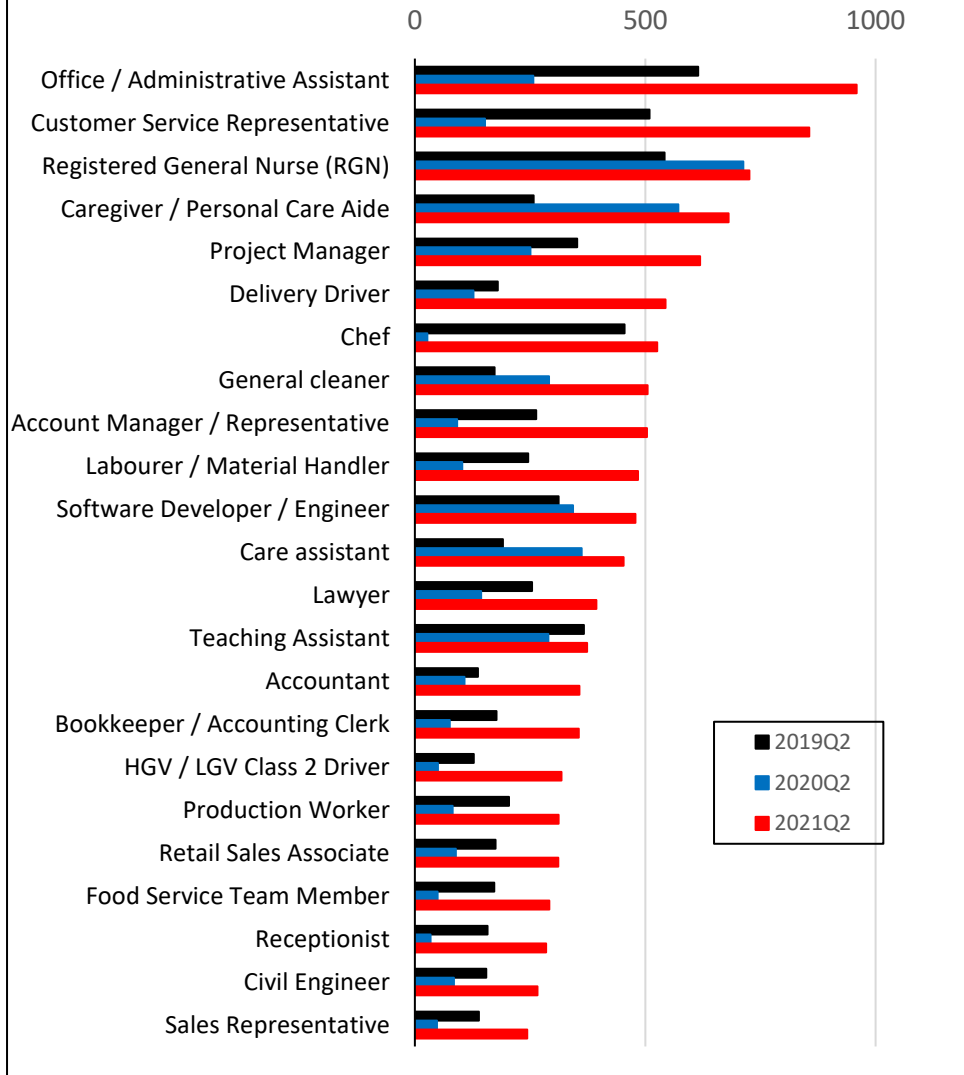
Recruitment activity in Q2 2021 has now increased above the level it was before the pandemic in Q2 2019.



Source: Burning Glass – Labour Insights

Bounce-backs in recruitment have occurred especially in manufacturing, hospitality, personal services and agriculture. Occupations in highest demand currently include Office Admin, Customer Service, Registered General Nurse and Care Workers. Others such as delivery drivers are now in much higher demand than before the pandemic and there has been a dramatic turnaround in the demand for Chefs as hospitality has re-opened.

Devon Occupations in Highest Demand Q2 2021



Source: Burning Glass – Labour Insights

Change in advertised vacancies

Sector	Apr-Jun 2021 change	Year on Year change to June 2021	Feb 20 - Jun 21 change
Agriculture, Horticulture, & the Outdoors	4.0%	225.0%	188.9%
Business Management and Operations	33.7%	201.9%	93.6%
Clerical and Administrative	36.2%	246.4%	90.2%
Community and Social Services	-13.5%	20.7%	48.6%
Construction, Extraction, and Architecture	-21.1%	118.5%	58.4%
Customer and Client Support	66.1%	374.6%	116.7%
Design, Media, and Writing	-32.8%	141.2%	0.0%
Education and Training	23.0%	11.2%	-19.6%
Engineering	-11.1%	104.6%	38.3%
Finance	-12.5%	94.4%	24.1%
Health Care including Nursing	21.3%	19.6%	27.3%
Hospitality, Food, and Tourism	27.9%	325.4%	62.2%
Human Resources	86.2%	250.0%	36.7%
Information Technology	13.0%	56.2%	10.4%
Law, Compliance, and Public Safety	-9.6%	140.6%	51.8%
Maintenance, Repair, and Installation	10.9%	100.0%	60.0%
Manufacturing and Production	-10.9%	241.8%	81.7%
Marketing and Public Relations	-10.2%	146.9%	51.9%
Performing Arts	0.0%	0.0%	0.0%
Personal Services	89.7%	189.5%	66.7%
Planning and Analysis	-7.9%	103.5%	34.9%
Sales	10.4%	251.3%	66.8%
Science and Research	27.7%	122.2%	39.5%
Transportation	-10.6%	181.5%	115.6%

Source: Burning Glass – Labour Insights

Tourism survey

DCC has worked with Visit Devon to undertake a surveys of Devon visitor intentions and tourism business impact during the pandemic. Latest tourism results from a July 2021 Covid-19 Business Impact Survey in Devon taken in June show;

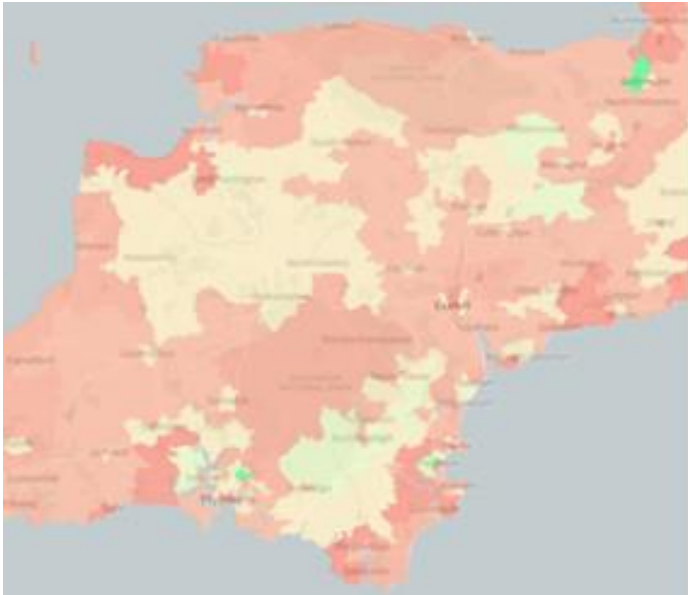
- 60% of businesses said their business had been closed for part of May as a result of the COVID-19 pandemic, 32% were open for the whole month whilst 8% said their business was closed for the whole of May.
- 56% of businesses said they were now fully open whilst 41% said they were now open but operating at reduced capacity. 3% said their business would remain closed for the whole of June
- 70% of businesses with staff said that all of their staff are working and 23% said some of their staff are working, some are furloughed. 4% in each case said that they had to lay off some of their staff or that some of their staff are on reduced working hours and just 2% said that all of their staff are furloughed.
- 17% of businesses were doubtful about surviving the coming months. 71% of businesses were confident of surviving the coming months and 13% felt making cut backs would be their only way to survive.
- Anticipated lost turnover in the sector in Devon is 34%

Devon retail spend data – Tortoise media

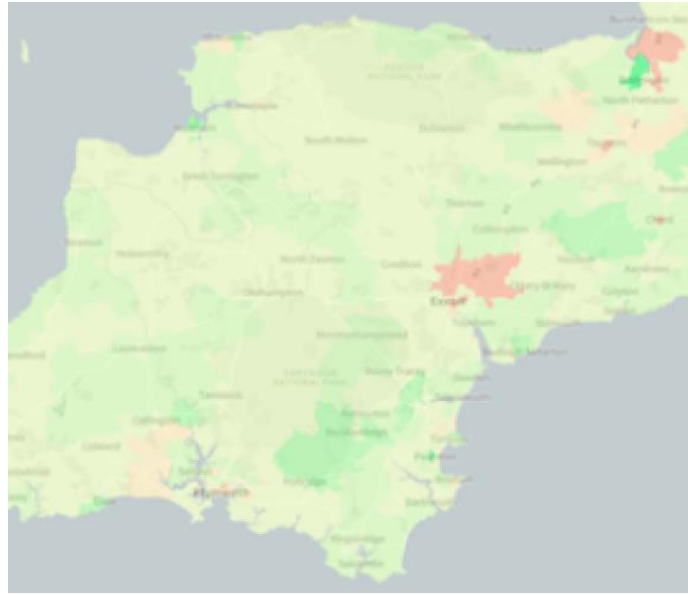
News and media business Tortoise media tracked and mapped consumer spend across Travel to Work Areas and towns nationally in early and mid 2020 and again in early 2021, providing change in spend data on the previous month during the first lockdown and as reopening happened. This provided a useful insight into consumer demand changes at the local level.

At a local level within Devon total retail spending was down significantly across nearly all parts of the County in Q2 2020, except in those areas where spend was primarily on food. Spending picked up over Summer 2020 across most of the County with most coastal areas; Dartmoor and the Blackdown Hills showing particularly improved levels of spend, although levels remained down in the Exeter area during Q3 and Q4 2020. With the renewed lockdown in Q1 2021, spending again fell in most coastal and rural areas, but with the re-opening of the economy it will have since recovered in many of these areas.

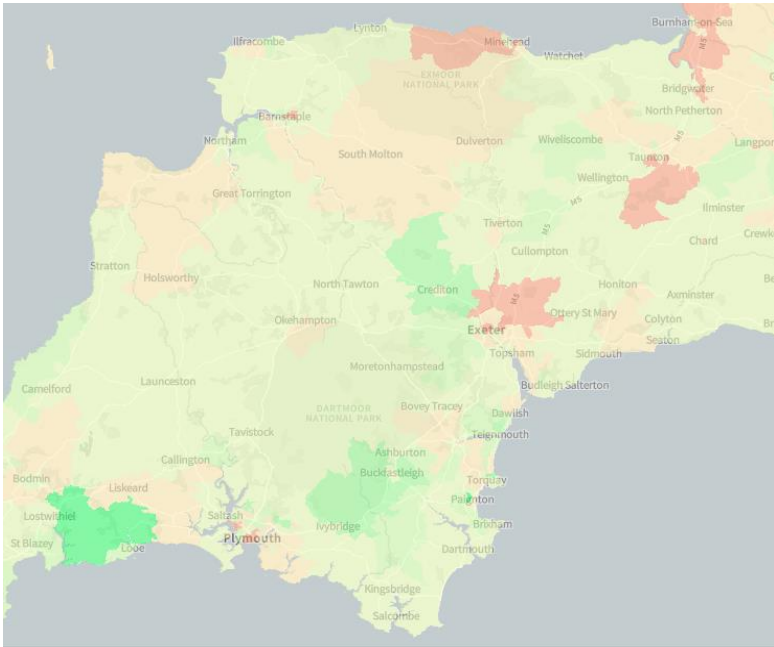
Q2 2020 retail sales



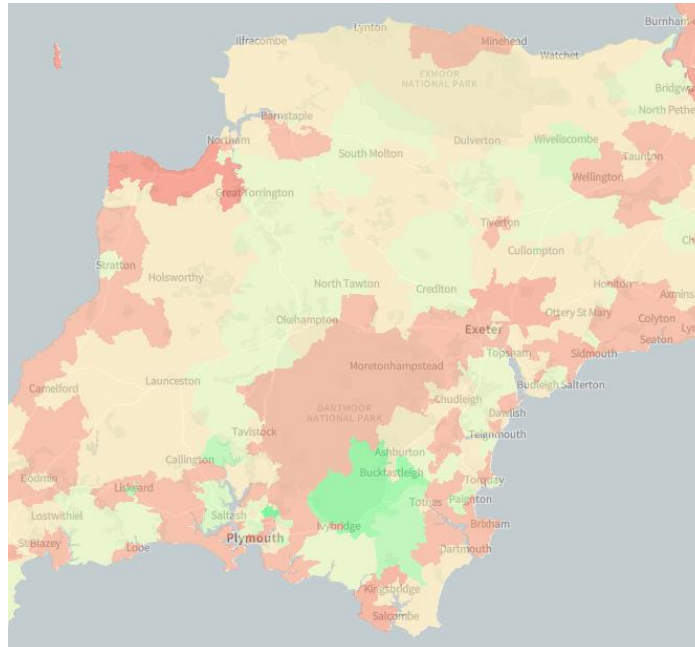
Q3 2020 retail sales



Q4 2020 retail sales

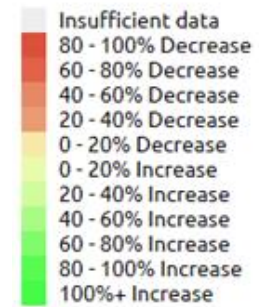


Q1 2021 retail sales



Total Sales Change (month to previous year)

Provided by Imfoco



National retail spend change

- Retail sales for May 2021 were down -1.4% following a rise of 9.2% in April with the re-opening of non-essential retail.
- Food sales fell -5.7% in the month following a -0.9% decline in April, there was anecdotal evidence of a rise in people eating out at restaurants and bars with the re-opening of hospitality businesses. In comparison to February 2020 (before the pandemic) food sales remain up 2.6%, with sales at smaller local food stores up about 10%.
- Non-food sales increased by 2.3% in May following a 26% increase in April with most shops allowed to re-open from 12 April. Household goods sales rose 9% in the month and are now up 30% compared to before the pandemic due to pent up demand.
- Fuel sales also rose 6.2% in May, following an 11% increase in April as easing of restrictions led to an increase in travel. Latest data on vehicle movements shows in the week ending 5 July, overall motor vehicle traffic was 97% of the level in February 2020.
- Clothing & footwear store sales rose 70% in April as shops re-opened with sales back up to pre-pandemic levels, they fell back 3% in May. Sales at smaller clothing & footwear stores are still significantly down due to social distancing restrictions and buyer confidence.
- Online sales accounted for 28.5% of all sales in May 2021 down from a record 36% in February 2021 but still up from 20% before the pandemic. Compared to February 2020, internet sales have increased by 59%, with online food delivery sales up 115%.

The Economy looking forward

For Devon the future is a potentially mixed picture, with Covid-19 impacts on the economy continuing for much longer than initially predicted. There has, however, been some recent good news:

- Irish owned Exeter Aerospace taking over Flybe's aircraft maintenance facility at Exeter Airport and immediately advertising for 100 aircraft mechanics, engineers and aviation professionals.
- The announcement that UK based Infrastrata which owns Harland and Wolff shipyard in Belfast has bought Appledore shipyard and intends to restart operations at the site.
- Designation of Plymouth as one of eight freeport sites subject to agreeing their governance arrangements and successfully completing their business cases, these Freeports will begin operations from late 2021. The Freeports will contain areas where businesses will benefit from more generous tax reliefs, customs benefits and wider government support.

Government infrastructure funding including £60m to upgrade the A361 North Devon Link Road, improvements to the A303 route into Devon, £40m of funding to reinstate passenger services on the Okehampton to Exeter line, and £38m of funding to upgrade the A382 between the A38 and Newton Abbot.

- The £4.8 billion UK wide Levelling Up Fund, which will support local areas across the UK to invest in infrastructure that improves everyday life. This will include regenerating town centres and high streets, upgrading local transport and investing in culture and heritage.
- The £220m UK Community Renewal Fund which will provide shorter term funding for smaller projects in 2021 between £0.5m and £3m aimed at deprived towns, ex-industrial, coastal and rural areas. The fund aims to support projects targeted at local needs and investment priorities, net zero, innovation and skills development guiding the future shared priority fund.

- Extensions to Government support measures including hospitality, leisure and non-essential retail re-start grants and continued business rates relief announced in the Budget on 03 March and the roadmap out of lockdown was outlined on 22 February. This has allowed businesses heavily impacted by the pandemic to plan to re-open safely with 7-day notice periods between stages;
 - with non-essential retail, outdoor hospitality, self-contained holiday accommodation, camping, zoos and theme parks, swimming pools and gyms, libraries and museums allowed to re-start from 12 April.
 - indoor hospitality, hotels, B&B's and cinemas, performances and limited sporting events from 17 May.
 - remaining sectors of the economy including nightclubs currently from 19 July.
 - capacity caps on businesses and events including concerts, theatres and sporting events will be removed, hospitality businesses will no longer required to provide table service only and face masks will no longer be mandatory. People fully vaccinated and those under 18 will no longer have to self-isolate from Amber list countries.
 - From 16 August people fully vaccinated or under 18 will not have to self-isolate unless they test positive.

Roadmap Steps towards economy re-opening:

	Step 1		Step 2	Step 3	Step 4
	08 March	29 March	12 April.	17 May.	No Earlier than 19 July. At least 5 weeks after step 3
Business and Activities	Wrap around care including sport for all children	Organised outdoor sport (children and adults)	All Retail	Indoor hospitality	Remaining businesses including nightclubs
		Outdoor sport and leisure facilities	Personal Care	Indoor entertainment & attractions	
			Libraries and community centres	Organised indoor sport (adult)	
			Most outdoor attractions	Remaining accommodation	
			Indoor leisure inc. gyms (individual use only)	Remaining outdoor entertainment (incl. performances)	
			Self-contained accommodation		
			Outdoor hospitality		
Travel	No Holidays	No Holidays	Domestic overnight stays (households only)	Domestic overnight stays	Domestic overnight stays
			No International holidays	International travel (subject to review)	International travel

Events	Funerals (30)		Funerals (30)	Significant life events (30)	No legal limit on live events
	Weddings and wakes (6)		Weddings and wakes (15)	Indoor events (1000) or 50%	Larger events
			Event pilots	Outdoor seated events 10000 or 50%	

[COVID-19 Response - Spring 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

A significant reconfiguration of our economy is nonetheless expected and we remain highly vulnerable to the end of the furlough scheme now on 30th September 2021, with a significant number of people still furloughed towards the end of the third national lockdown particularly in the hospitality, retail, leisure and other services industries.

Measures to reduce youth unemployment are welcome with the kickstart scheme now operating and the Government providing £126m in the Budget to create 40,000 new traineeships in England. The cash incentive for employers who take on an apprentice has been raised to £3,000 from 01 April 2021, although the apprenticeship levy remains in place. A new flexi-apprenticeship 'Flexi-job' scheme will also start in January 2022 to allow people to work for a number of different employers in the same sector.

Demand should bounce back in many areas as the economy re-opens with pent-up demand released in some areas and the savings ratio at an all-time high. The ongoing traffic light system on international travel may continue to lead to more domestic tourism with reports of increased advanced bookings in many coastal and rural areas in Devon. Hospitality venues may still struggle with viability in the Autumn months if some social distancing measures need to remain in place.

The Bank of England is now forecasting swifter and more sustained recovery – to 2019 pre-COVID output levels by the end of 2021 our economy will still be 3% smaller than it would have been had the Pandemic never happened. Future forecasts for UK economic growth are 7.25% in 2021; 5.75% in 2022; 1.25% in 2023. The Office for Budget Responsibility (OBR) now expect the peak in unemployment to be 340,000 lower than that assumed in their November 2020 forecast.

Other vulnerabilities we note include:

- Impacts on some exporters and importers from the end of the BREXIT transition period and the UK-EU Trade and Cooperation Agreement including food, fish and shellfish exports.
- Lower global demand for some exports; international tourism and aviation due to global economic conditions and potential for new variants of coronavirus leading to ongoing travel restrictions.
- A tourism and hospitality sector that has lost significant revenue through lockdown now being vulnerable to any future on-going disruption from COVID-19 or other factors.
- Reshaping of student demand in light of fewer overseas students, changes to the graduate employment market and the near-term impacts of COVID-19 and lockdowns on students based at UK universities

- Potential changes to shopping habits impacting high streets, including online shopping, more local shopping and fewer office workers in town and city centres due to a greater predominance of working from home

Potential opportunities we note include:

- The potential to focus on our businesses, skills and environment to help drive a green recovery.
- Using our digital businesses and capabilities as a launchpad to grow our economy and tap into new markets, provided our people have the right skills.
- Capitalising on trends in flexible and remote working to ensure opportunities are available for people across the whole Devon with economic benefits for local communities.
- Continuing to improve our tourism and hospitality offer, to capitalise on trends towards UK based holidays.

Evidence and data sets

All data sets, sources and projections used in this briefing are current at the time of writing. The COVID-19 economic picture is still an evolving situation with new datasets, reports, forecasts and Government interventions and amendments to programmes happening on an ongoing basis. We update our broader DCC COVID-19 economic evidence base regularly and evolve our forecasts and projections to reflect new data, providing greater certainty over time.

*Devon County Council Briefing,
Devon's Economy – the data analysis
August 2021*