The UK Economy Beyond Coronavirus

A UK Powerhouse report

The Ability to Adapt

A note from our CEO of Business Legal Services.

Welcome

...to the latest edition of our UK Powerhouse report.

It's certainly not an easy task to sum up 2020, but what's clear is that businesses have never faced so many challenges and uncertainty as over the last 12 months.

Our previous report was published in May, as the UK emerged from the first lockdown. The impact of the coronavirus crisis was stark, with millions of pounds in economic output being lost from key sectors each day.

At the time, it was difficult to predict what would happen next. Although a relaxation of restrictions followed, the tougher rules and the extension to the government's financial support demonstrates that the economic impact will be long-term.

Despite this, I think there's room for optimism. As well as exciting scientific breakthroughs, the business community has been incredibly resilient to what it's had to deal with over the last 12 months, whether that be COVID-19 or the uncertainty caused by Brexit.

Our latest UK Powerhouse report looks forward to 2021. Working with the Centre for Economics and Business Research (Cebr), we examine how the economy will recover, and what GVA and employment rates will look like when the furlough scheme's expected to end. On a more local level, we investigate where our city economies will be 12 months from now.

This latest report also includes some short commentary pieces from our lawyers, highlighting some of the issues and key considerations for businesses as we emerge from 2020.

I hope that you find it to be of interest and use as we move into what I'm sure will be a more prosperous 2021.

Vicky Brackett
CEO of Business Legal Services
victoria.brackett@irwinmitchell.com

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Authorship and acknowledgements

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London, November 2020

Executive Summary

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Official economic data sources for the UK's cities are often dated and fail to provide a reliable snapshot of the UK's localised economies. The last set of regional economic accounts corresponds to the economy in 2018.

To more accurately estimate current economic activity, Cebr has used a range of more timely indicators to create a 'nowcast' of GVA and employment for a range of key cities across the UK. Cebr also models the economies of these cities to produce a forecast of their performance.

The latest outputs of this analysis give us a picture of how the regional economies of the UK performed in Q3 2020, and how they're expected to perform in Q2 2021 and Q4 2021.

This report also contains a discussion on how the end of the furlough scheme will impact unemployment in the UK.

Key Findings

What you need to know about the recovery of the UK and its UK Powerhouse cities from the coronavirus crisis.

Key Findings

The UK economy **grew by 15.5% in Q3**, compared to the previous three-month period. The strong uptick in growth follows a record contraction of 19.8% in Q2 2020.

Milton Keynes is expected to recover quickly. It's forecast to see **9.9% annual GVA growth** between Q4 2020 and Q4 2021, following an expected 10.7% contraction in the year to Q4 2020.

The UK unemployment rate is expected to peak at around 7% at the end of Q2 2021. Ending the furlough scheme in March 2021 is expected to have far less impact than it would have done in October 2020.

Reading is estimated to have seen the **smallest contraction in economic output** in the year to Q3 2020, at -6.8%. Due to the relatively milder downturn, the city is set to have a less steep recovery, with 4.9% growth in the year to Q4 2021.

Edinburgh is estimated to have seen the **second-smallest economic contraction** out of the UK Powerhouse cities in Q3 2020, at -7%.

UK Economic Performance

Strong growth was recorded in Q3 2020, as coronavirus restrictions were eased following the first lockdown.

UK Economic Performance

After a 19.8% quarterly contraction in Q2 2020, the UK economy bounced back with a record 15.5% growth in Q3.

This strong growth comes as a result of the economy gradually opening up again over the summer, meaning the UK could recover a large share of the output lost during the lockdown months of Q2. Despite this, output remains below pre-crisis levels, and UK GDP is 9.6% lower than the same quarter in 2019.

Figure 1: UK GDP, monthly index, January 2020 = 100

Source: Office for National Statistics, Cebr analysis

A boom in the services sector

The services sector was one of the main contributors to the recovery in Q3. Following the closure of most hospitality businesses during Q2, the accommodation and food services sector recorded strong growth. This was helped by a boom in staycations, and the government's Eat Out to Help Out scheme.

The wholesale and retail trade sub-sector, which includes automobile sales, also saw strong growth in Q3, pushing output above pre-pandemic levels. The sector benefitted from pent-up demand and households using their savings accumulated during lockdown. This further underlines the importance of consumer spending in the recovery.

Increased unemployment

The UK unemployment rate rose to 4.8% in Q3, having stood at 4.1% in Q2. This equates to an estimated 1.62 million unemployed people in Q3, up by 243,000 on the previous quarter.

This uptick in the unemployment rate will partly reflect the changes to the furlough scheme made during September. The Government had previously subsidised up to 80% of an employees' wages. But the changes saw this cut to 70%, with employers having to top up the outstanding 10% in addition to pension and National Insurance Contributions.

This will have proven too much of a cost burden for some firms, given that demand remained subdued and with many businesses' revenue streams not yet back to pre-crisis levels.

Danny Revitt
Partner

"2020 has presented a unique set of circumstances to most businesses that's unlikely to be repeated."

"The world of real estate disputes usually trundles along happily in the background without hitting the headlines. But a series of legal restrictions have been placed on the rights of landlords against defaulting commercial and residential tenants in the face of the COVID-19 pandemic. This has seen our area of law thrust into the limelight, becoming the subject of public and media debate like never before.

"The natural and understandable justification for the restrictions introduced was to protect both commercial and residential tenants suffering from the economic effects of the pandemic from eviction from their business premises or homes. The restrictions also protected businesses from being placed into liquidation or having their assets seized as a result of rent arrears. But landlords have fought to change public perception of the 'David and Goliath' nature of landlord and tenant relationships. They point out that there are plenty of examples of landlords with cash-rich commercial or residential tenants who themselves are small businesses or individuals, relying on rental income from one or more properties both to live off and service bank debts.

"With this in mind, 2021 will be an interesting year for real estate disputes, as the UK emerges from lockdown and the various legal restrictions end. Landlords of commercial premises will have tricky decisions to make. Do they try to evict a tenant who has run up rent arrears during the pandemic? Will they be able to find a replacement tenant if they do? The approach of landlords may differ between the industrial market, where demand and occupancy remains relatively high. And there may be a different approach in the retail market too, where landlords may be more keen to reach arrangements with their tenants in view of the well-publicised drop in occupancy."

One thing is for sure: 2021 will present a new set of challenges to both landlords and tenants as the UK emerges from lockdown.

Impact of the Coronavirus Job Retention Scheme

Nearly 10 million jobs have been furloughed this year, as the Chancellor aimed to protect jobs during lockdown.

Impact of the Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme was introduced by the government as a temporary measure. It protected jobs when many businesses were forced to close amid lockdown and while social distancing restrictions limited demand.

It pays a share of employee wages, and until July 2020 it also reimbursed employers for National Insurance and pension contributions.

The scheme has been extremely effective in keeping people who would’ve otherwise been made redundant in employment. In total, 9.6 million jobs have been furloughed at some point since the start of the scheme.

The number of jobs furloughed on any given day has fallen from its peak of just under 9m in April and May to 3.3m at the end of August. Newer data from Monday 19 October to Tuesday 1 November suggests that 9% of the UK workforce was on partial or full furlough leave, equivalent to 2.9m workers.

Figure 2: Number of jobs furloughed per day

Source: HMRC, Cebr analysis

Elaine Huttley
Partner

"2020 has certainly been a turbulent year for employers. As businesses look ahead to 2021, it's essential they understand the latest guidance, comply with it and have appropriate records in place in the event of future audits."

"As can be seen in this report, unemployment is expected to peak in Q2. Any business planning to make redundancies and/or change terms and conditions of employment has to consider whether they're obliged to collectively consult. Failure to do so can be costly (up to 90 days gross pay per employee).

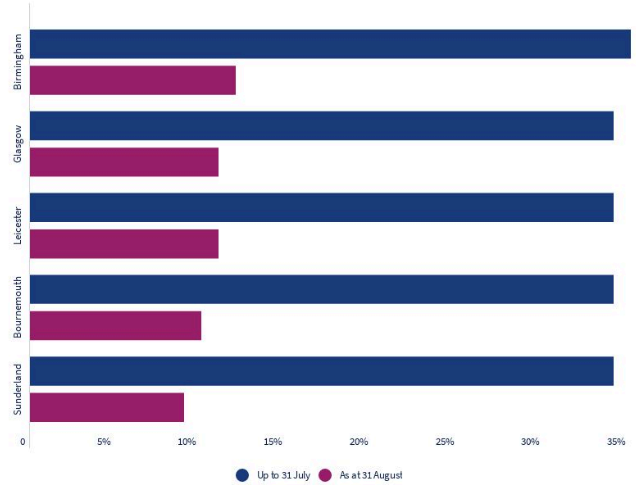
"Guidance on the new extended furlough scheme states that 'for claim periods starting on or after 1 December 2020, your employer cannot claim for any days on or after 1 December 2020 during which you were serving a contractual or statutory notice period for your employer (this includes people serving notice of retirement or resignation).'

"This means that even if you served notice before Tuesday 1 December, any employees still serving notice will have to be taken off furlough at the end of this month."

The top five cities with the highest share of eligible workers put on the furlough scheme in the period up to the end of July are Birmingham, Glasgow, Leicester, Bournemouth and Sunderland.

Figure 3 shows the contrast with the share of workers who were on furlough at the end of August, showing that businesses became a lot less reliant on the furlough scheme.

Figure 3: Top five UK Powerhouse cities by share of working population to have been on the furlough scheme in the period up to Friday 31 July 2021

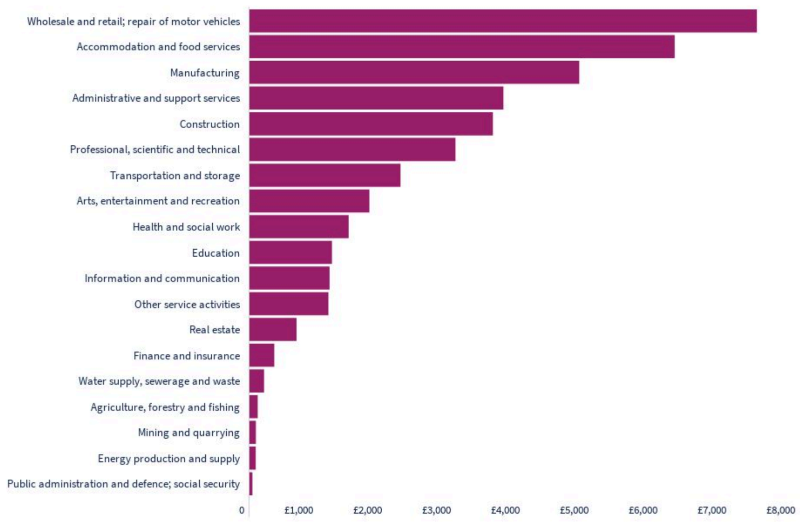


Source: HMRC, Cebr analysis

Furlough and the sectors

Uptake of the furlough scheme has varied across sectors, mostly depending on how the lockdown affected businesses' ability to continue operating as normal, or with employees working from home. Where business as usual isn't possible, a high proportion will have taken advantage of the ability to keep their workers on their books without paying wages.

Figure 4: Total value of furlough claims made for period to Monday 31 August (£ million)



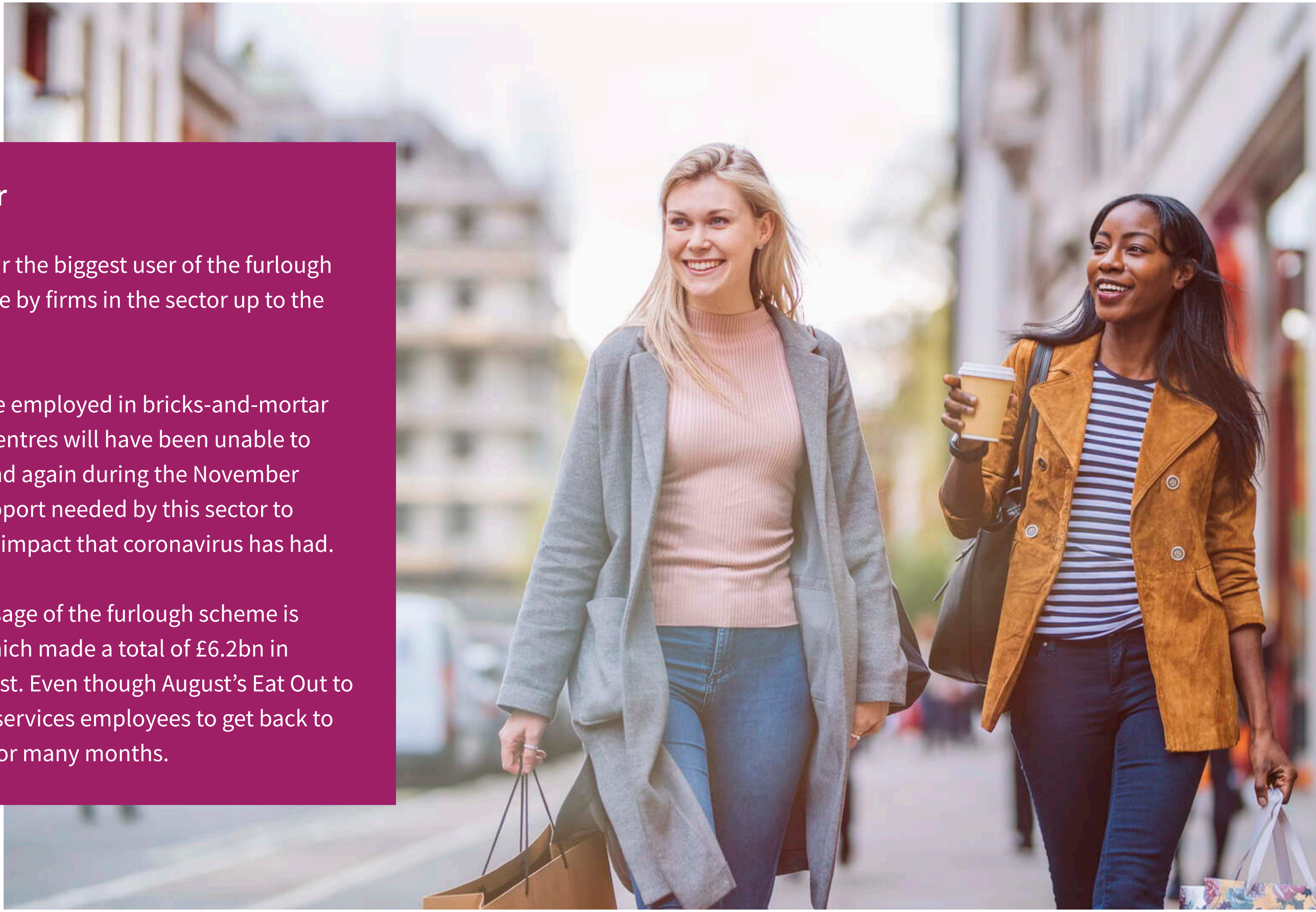
Source: HMRC, Cebr analysis

Focus on the consumer sector

The retail and wholesale sector is by far the biggest user of the furlough scheme. The total value of claims made by firms in the sector up to the end of August was £7.4 billion.

Workers in non-essential retail who are employed in bricks-and-mortar stores on high streets or in shopping centres will have been unable to work between late March and June, and again during the November lockdown. The size of the financial support needed by this sector to survive the crisis highlights the severe impact that coronavirus has had.

The sector to see the second largest usage of the furlough scheme is accommodation and food services, which made a total of £6.2bn in furlough claims up to Monday 31 August. Even though August's Eat Out to Help Out Scheme allowed many food services employees to get back to work, much of this industry was shut for many months.



Rob Coleridge
Senior Associate Solicitor

"COVID-19 has had unprecedented and dramatic impact on our consumer markets, affecting sectors and sub-sectors very differently."

"On the one hand, many non-essential retailers, and hospitality and leisure businesses, have struggled, despite government support. On the other hand, the acceleration of online retail and the adoption of new technology by some consumer businesses has been their saviour.

"This variety in effect is represented in the way our regions have been hit. Milton Keynes is a great example. It's been devastated by the closure of Adelie foods, but weathered this storm due to its mix of IT services and logistics businesses, which are the two key facilitators of online retail.

"E-commerce has helped both businesses with existing online retail platforms and those who've been quick to adopt this technology. Some national retailers with a wide real estate retail base relied on the furlough scheme less as the rise in e-commerce countered the downturn in footfall. Some smaller businesses have also prospered by being agile enough to adopt e-commerce, often using plug and play platforms such as Shopify, and keeping the loyalty of local consumers by offering collection or delivery services. This has also benefitted some B2B businesses, which have used e-commerce quickly to initiate a parallel B2C model.

"Technology has also been created to solve other consumer problems caused by the restrictions. For example, almost all pubs now have an app or digital service so you can buy a pint. And as e-commerce levels have risen, so have businesses' interest in the click-through marketing of ad-tech and influencer channels.

"Admittedly, there's still some uncertainty about whether the changes to consumer buying trends and businesses adaptations will last. In my view, the consumer market will be different from its status pre-COVID. The benefits to consumers are convenience and security.

"To business, alternative routes to market and access to customer data are too valuable to abandon, especially given the capital investment.

"As we move to a greater reliance on technology, different risks are faced by businesses as their model becomes increasingly dependent on a few contracts with third-party tech providers. Such contracts can dictate not only the level of service they receive, but also their right to customer data, which is crucial and heavily regulated.

"Accordingly, we're seeing boards placing a greater emphasis on, and investing in, getting those contracts right in the first place, and on resolving any disputes that arise."

Impact of the second lockdown

The Chancellor of the Exchequer had originally planned to end the furlough scheme on Saturday 31 October and replace it with the far less generous Job Support Scheme.

Given the ongoing effects of coronavirus on the UK economy, it seemed at the time that the labour market was heading for a cliff edge. As shown on figures 5 and 6, certain sectors and cities in the UK were more at-risk to the end of the furlough scheme than others, because they used it to a greater extent.

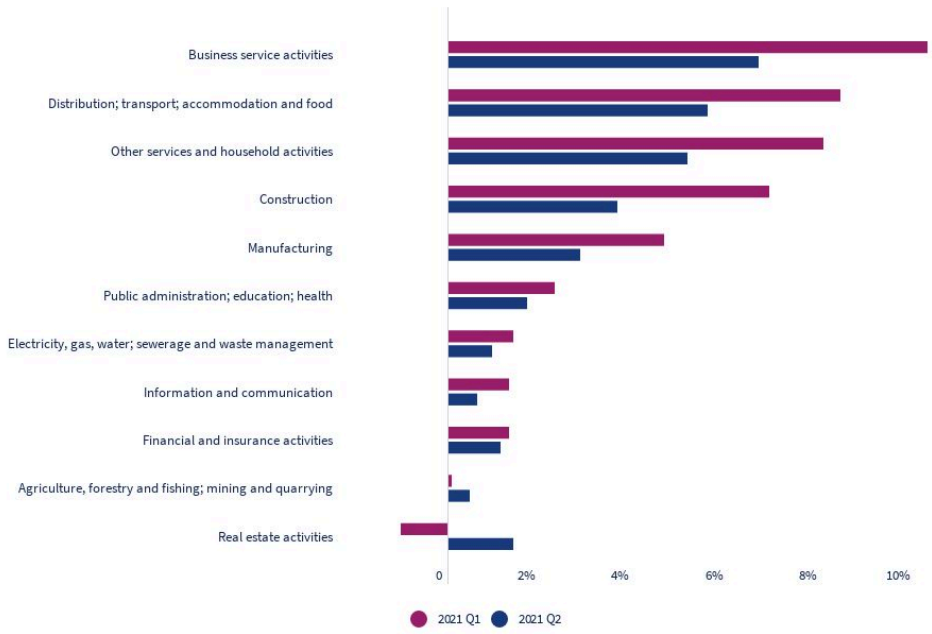
In mid-October, prior to the announcement of the extension of the furlough scheme, Cebr research estimated that 1.5m more people could lose their jobs by Christmas. This was based on survey results, showing businesses planned to lay off more than a third (35%) of furloughed workers at the planned end of the scheme.

Given the spike in coronavirus cases across the country in October, the government made the decision to place England in a second national lockdown in November. With many businesses again unable to open, the Chancellor announced the scheme would be extended until the end of March.

The Chancellor's decision will protect a significant number of jobs over the winter. But it will have come too late for some – redundancies must be planned at least 45 days in advance, and the last-minute extension meant that many businesses did end up making workers redundant.

Looking ahead

Figure 5: Quarterly change in economic output by sector of the economy



Source: Cebr forecasts

The impacts of the end of the furlough scheme will now be seen in Q2 2021. But there's hope that by spring 2021 the spread of coronavirus will be much more manageable, with some of the population vaccinated and the testing system being fairly mature. Estimations for the impact of the furlough scheme ending at that point are much more modest. Overall, Cebr forecasts that unemployment will peak in Q2 2021 at around 7%, up from 4.8% in Q3 2020.

Cebr also predicts wage growth to turn positive again in 2021, as the economy starts to recover from the coronavirus crisis and more people return to fully paid employment. Average earnings, including bonuses, are expected to see annual growth of between 1.2% and 1.6% in the first half of 2021.

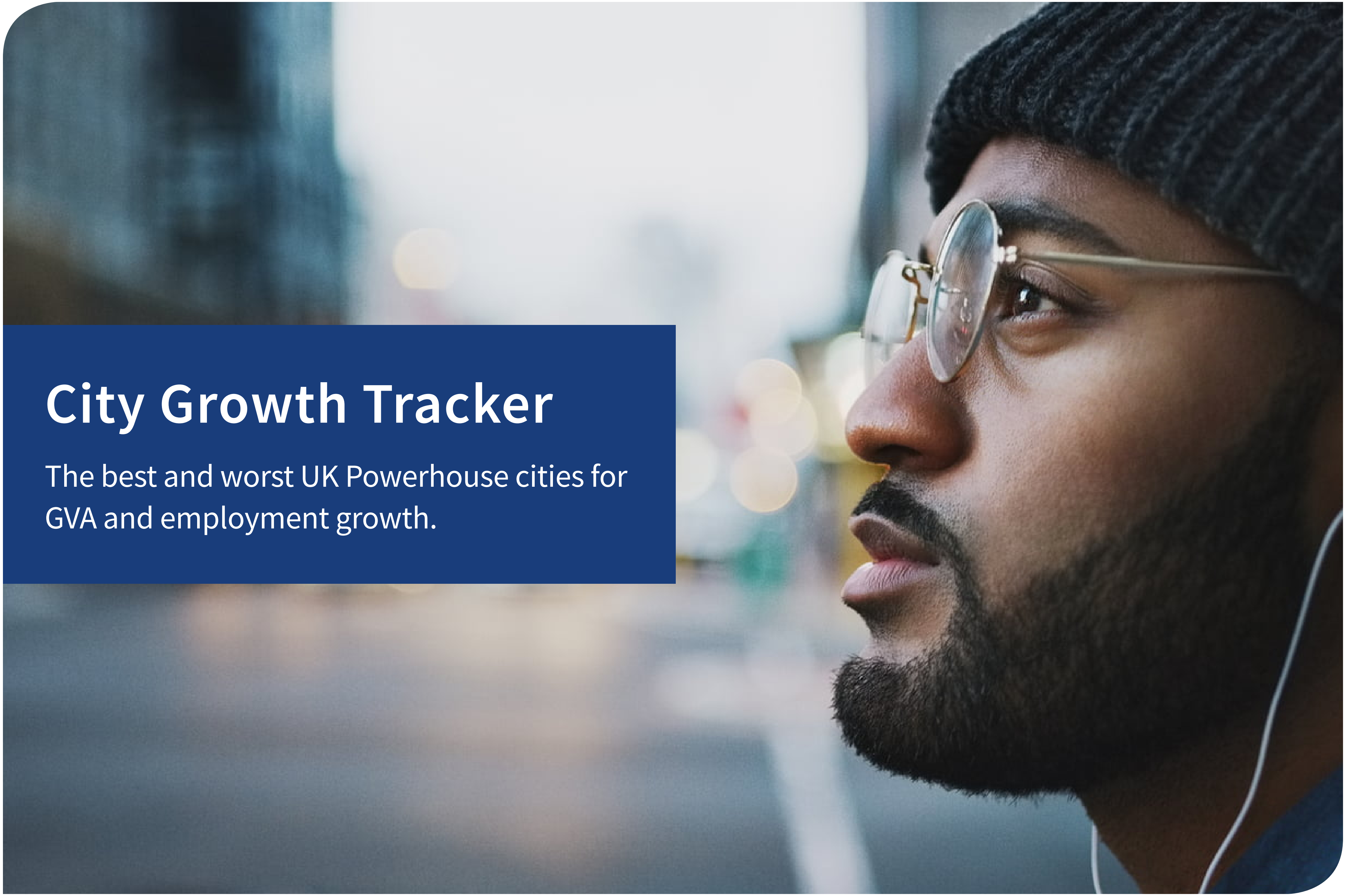
Looking at the forecasts by sector for Q2 2021, Cebr is expecting a slowdown in quarter-on-quarter economic output growth across all but two industries.

The business service activities sector, including IT support, administration and property services, is set to see the fastest growth in both Q1 and Q2 2021, although it's forecast to see a four-percentage-point slowdown in growth. The distribution, transport, accommodation and food services industry is expected to see the second fastest growth in Q2 2021.

Business support services and construction are the sectors set to see the largest slowdowns in growth between Q1 and Q2, so we could see more workers being furloughed in these industries.

Overall, the decision by the Chancellor of the Exchequer to extend the furlough scheme has saved hundreds of thousands of jobs.

The impact of ending the scheme in March 2021 is expected to be far smaller than it would have been in October 2020. And with the virus expected to be much more containable in spring 2021, Cebr now expects the UK unemployment rate to peak at around 7% at the end of the furlough scheme.



City Growth Tracker

The best and worst UK Powerhouse cities for GVA and employment growth.

City Growth Tracker

An important difference for UK Powerhouse reports since the coronavirus crisis, compared to before the pandemic, is the disjoint between economic output (GVA forecasts) and employment.

Government intervention through the furlough scheme has protected millions of jobs during the pandemic, even as economic output plunged. At its height, the furlough scheme was providing wages for over one in four workers in the UK.

This disjoint in is highlighted in the three sets of tables in this report. In the latest quarter of data, Q3 2020, all cities saw an annual contraction in economic growth, with a simple average of -9%.

Meanwhile, the annual contraction in employment was smaller, at -4% on average. Cambridge, Norwich and Ipswich are even forecast to have seen an annual rise in employment in the year to Q3 2020.

Looking ahead to Q2 2021, when the furlough scheme is set to end, the labour market is likely to take a hit. The majority of UK Powerhouse cities are expected to see a contraction in employment in this quarter, as employees that were protected from redundancy by the furlough scheme fall out of the labour market.

On the other hand, Q2 2021 essentially marks a year since the beginning of the economic impacts of the spread of coronavirus, so GVA growth is expected to be very high in comparison with a low base.

The average annual GVA growth across the UK Powerhouse cities is expected to be 23%, while the change in employment is forecast to be -0.7% year-on-year.

By the end of 2021, UK Powerhouse cities are expected to enjoy a fairly rapid recovery, both GVA growth and employment growth. Based on the encouraging news from several vaccine manufacturers, our central scenario now assumes that by mid-2021 an effective vaccination will have been distributed among a substantial part of the population. This should see the UK's social distancing measures relaxed, facilitating a return of consumer spending and business investment.

"Although the impact of COVID-19 has had a huge impact on businesses across the UK, it hasn’t yet translated into an increase in corporate insolvencies."

"A combination of the ban on landlords’ enforcement action for unpaid rent, the effective ban on winding-up petitions for suppliers and HMRC deferment has provided much-needed support. But undoubtedly the biggest reasons for a drop in insolvencies during 2020 has been the Coronavirus Business Interruption Loan Scheme, Bounce Back Loan Scheme and furlough scheme.

"Rent and wage costs are often the two largest fixed overheads for a business, and the fact that the government has picked up a big proportion of these fixed costs has stemmed the tide.

"However, this current period may well be the calm before the storm. Much of the furlough support will, as things currently stand, be removed in early 2021.

"As this report highlights, the impact will be significant on jobs – although not nearly as bad compared to the position if the scheme wasn’t extended.

"Next year will undoubtedly be difficult for many businesses with the issue being compounded by many of the deferred bills, including rent and VAT, needing to be paid.

"For those businesses which have taken on additional borrowing, meeting these new commitments will be challenging in what is expected, for most, to be a slow trading environment.

"The pattern will be different for different sectors. As this report shows that the distribution, transport, accommodation and food services industry is expected to see the second fastest growth in Q2 2021. On the other hand, business support services and construction are expected to see the largest slowdowns in growth between Q1 and Q2.

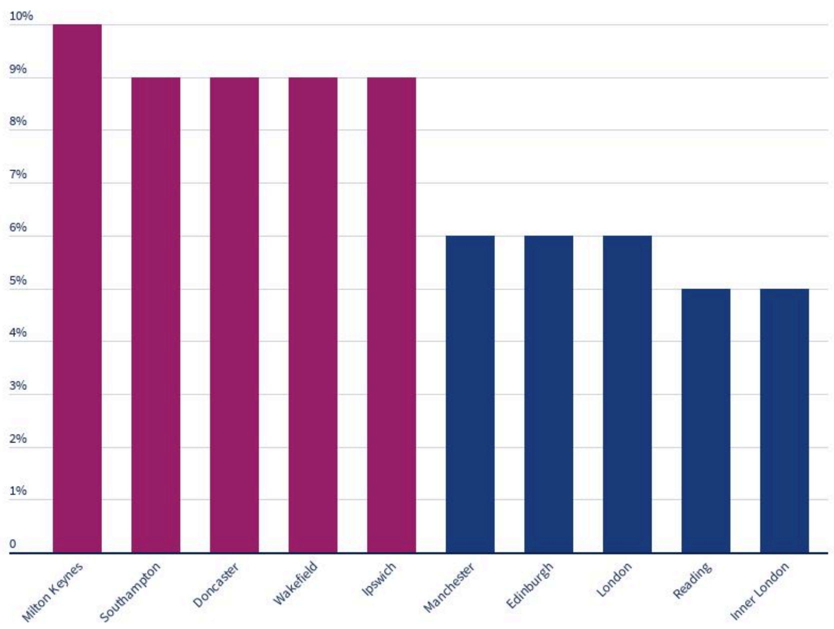
Andrew Walker
Partner and Head of Restructuring and Insolvency

"Although there will be growth in some parts of the economy as we move through 2021, I think it's likely there'll be a spike in Company Voluntary Arrangements, pre-pack administrations and the new Restructuring Plan. These will be used as rescue tools when financial issues that have built up during this year take effect.

"We regularly advise businesses that face potential financial difficulties in the future or are facing the prospect of insolvency. In our experience, taking advice early allows a business to explore all of the rescue tools available. This can help them find the right solution to allow the business to continue to trade and preserve the jobs of those employed, without an insolvency process if possible."

Milton Keynes set to see fastest economic recovery next year

Figure 6: Top and bottom five cities by annual GVA growth, Q4 2021



Source: Office for National Statistics, Cebr analysis

Milton Keynes is forecast to see 9.9% annual GVA growth between Q4 2020 and Q4 2021, following an expected 10.7% contraction in the year to Q4 2020. It's seeing one of the toughest downturns out of the UK Powerhouse cities in 2020, but is expected to recover quickly once the worst of the impacts of the coronavirus crisis are over. Similarly, in the last recession, Milton Keynes saw a sharp contraction in GVA in 2009 before a rapid return to growth in 2010, highlighting the city's ability to quickly regain output after times of economic challenges.

The economic make-up of Milton Keynes is heavily skewed towards services, especially highly skilled service sectors, such as IT and business services, as well as distribution and storage. Many businesses in these sectors have struggled amid the pandemic.

The June closure of Adelie Foods, one of the UK's largest sandwich makers, highlighted the challenges businesses have faced. It cost more than 2,000 jobs in the Milton Keynes area.

Yet a key sector of growth as the UK emerges from the pandemic will be in logistics and online retail, reflecting the change in consumer shopping patterns. Milton Keynes is home to Magna Park, which houses vast logistics sheds for Marks & Spencer, Amazon, John Lewis and Adidas.

Southampton is also set to see a sharp recovery from the coronavirus crisis, with a 10.0% annual contraction forecast in the year to Q4 2020, and a 9.2% GVA rebound and an 8.1% employment rebound in the year to Q4 2021.

It's home to two large universities, which are significant employers themselves. They also stimulate a lot of related employment, such as within the nightlife industry, from students who move to Southampton to attend university.

With the majority of university teaching conducted online in 2020, and with restrictions placed on pubs, bars and nightclubs, economic output related to its student population has been severely limited. When a vaccine allows for life to return to normality again, output related to the education sector and student spending should rebound, and employment alongside it.

Another south-coast city expected to come out of the coronavirus crisis relatively unscathed is Plymouth. It's forecast to see a rapid employment rebound in 2020, with annual employment growth rates of 1.2% and 8.1% in Q2 and Q4 respectively. Brexit presents a considerable challenge in Plymouth because the city currently receives large amounts of funding from the EU. But Plymouth has been allocated £10m from the government's new Getting Building Fund, set up in response to the pandemic to support future projects for the city council.

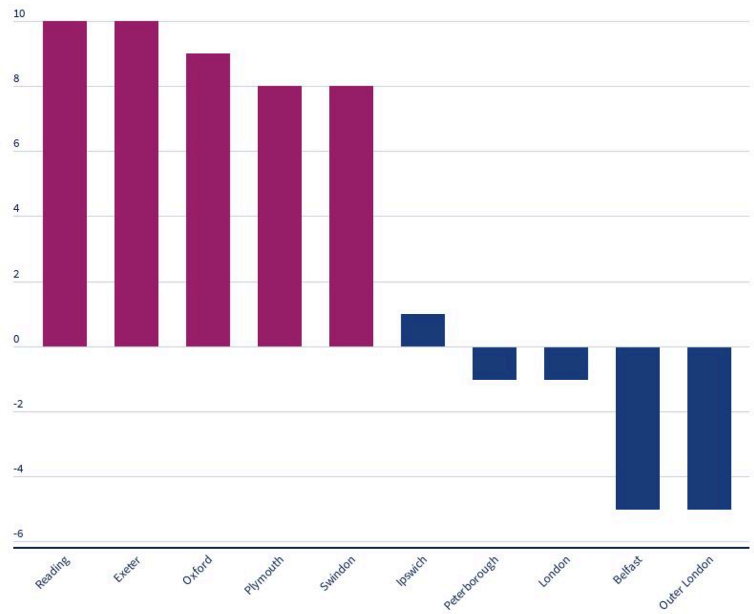
Brighton is estimated to have seen the third-smallest GVA contraction out of the UK Powerhouse cities in Q3 2020, although its 4.7% decline in the employment rate over the year to Q3 2020 places it in the bottom half of cities for employment performance. Brighton benefitted from a rise in staycations over the summer, when many British tourists visited the seaside town rather than travelling abroad. Visitor numbers will have fallen heading into colder months and amid the November lockdown.

Doncaster is another UK Powerhouse location estimated to have had a relatively strong contraction in 2020, with an 11.7% annual fall in GVA in Q3 2020. But the town is expected to bounce back in 2021, with 9.2% annual growth in the fourth quarter. Among the large businesses set to drive the recovery in Doncaster is Trackwork, a provider of construction and engineering services to the rail network.

Like Doncaster, Wakefield has seen a significant contraction in economic output in 2020, as the pandemic has limited activity, especially in the retail and hospitality sectors. Yet Wakefield is expected to see the fourth-fastest GVA growth out of the UK Powerhouse cities in the year to Q4 2021.

Reading is proving to be relatively resilient compared to other Powerhouse cities. It’s estimated to have seen the smallest contraction in economic output in the year to Q3 2020, at -6.8%. Due to the relatively milder downturn, the city is set to have a less steep recovery, with 4.9% growth forecast in the year to Q4 2021. It’s also set to see the strongest employment growth coming out of the coronavirus crisis, with 6.6% growth and 10.0% annual growth in Q2 and Q4 2021 respectively.

Figure 7: Five fastest and slowest expanding cities by year-on-year employment growth in Q4 2021



Source: Office for National Statistics, Cebr analysis

Reading's resilience comes from the large information and communication sector in the city. Both Microsoft and Oracle have multi-building campuses in the town. COVID-19 has accelerated trends in working from home and conducting business online as much as possible. These trends have made the economy far more reliant on the IT sector.

Another southern city expected to exhibit strong resilience in the labour market through the tail end of the crisis is Exeter, which is set to see the second-fastest growth out of the Powerhouse cities (following just Reading) in both Q2 and Q4 2021.

One of the biggest employers in the city is Pennon group, a water supplier and waste management firm, which has seen fairly inelastic demand for its services over the course of the pandemic.

Oxford follows Reading and Exeter in terms of expected performance of the labour market over the course of 2021. This highlights that cities in the south of England are expected to emerge from the crisis with the most in-tact labour markets.

Oxford is expected to see employment growth of 9.2% in the year to Q4 2021. The city has a relatively large scientific research and development sector, and the pharmaceutical sector has seen far more funding and investment amid the coronavirus pandemic. Jobs in this industry will have been sustained throughout the pandemic, and are likely to continue to be created even once a vaccine has been developed and distributed.

Meanwhile in Wales, Swansea is forecast to see a relatively rapid employment rebound in 2020, with 8.1% growth in the year to Q4 2021. Public sector jobs in administration, education and health are the biggest source of employment in the city. This sector is one of the least negatively impacted by the coronavirus crisis, so employment opportunities continue to be created.

Looking to Scotland, Edinburgh is estimated to have seen the second-smallest economic contraction out of the Powerhouse cities in Q3 2020, at -7.0%. The city has a large financial services sector. Most financial services businesses have been able to maintain all their services with employees working from home, so the sector has been relatively unscathed by the crisis.

"Before the UK entered lockdown in March 2020, I was anticipating a healthy increase in revenue for our Corporate team for FY20."

"Following lockdown, a reforecasting exercise was swiftly carried out. This was incredibly difficult, because none of our leadership team had ever been through a pandemic-induced lockdown before, so unlike with previous recessions we had no experience to draw on.

"We agreed that it'd be prudent to assume that M&A wouldn't be at the forefront of most of our clients' minds as the country came to terms with a severely restricted economy. This prudence was borne out by the next two months, when a healthy pipeline of active transactions quickly dried up as corporates quickly sought to come to terms with a very different world.

"Fast forward to now, and we've been amazed at how quickly deal activity levels have bounced back to pre-lockdown levels. Part of this has been driven by opportunism. A number of sectors have been ravaged by the lockdown restrictions, and businesses that have struggled have either entered some form of insolvency and been bought through pre-pack or other form of insolvency process, or have sought the safe haven of a stronger balance sheet.

"Those on public markets have tapped their shareholders for more capital, and those in the private equity arena have sought support from their investors.

"Others see opportunity in the current environment, and are investing in anticipation of life returning eventually to some form of new normality.

"The hospitality sector has seen much corporate activity in recent months, with the AIM listing of Various Eateries PLC by Hugh Osmond and others being a great case in point. Other sectors of the economy have been huge beneficiaries of the lockdown – IT, distribution and logistics, food retail, on line retail and medical businesses are just a few examples. M&A activity in these sectors is flourishing and shows no signs of abating.

Chris Rawstron
Partner and head of corporate

"Others see opportunity in the current environment, and are investing in anticipation of life returning eventually to some form of new normality. The hospitality sector has seen much corporate activity in recent months, with the AIM listing of Various Eateries PLC by Hugh Osmond and others being a great case in point.

"Other sectors of the economy have been huge beneficiaries of the lockdown – IT, distribution and logistics, food retail, on line retail and medical businesses are just a few examples. M&A activity in these sectors is flourishing and shows no signs of abating.

"It's not just the distressed, the entrepreneurs or the 'in-crowd' that are driving deal activity, though. There are a number of other basics which are fuelling transactional M&A.

"These include an abundance of "dry powder" which is looking for a home, a domestic economy which has proved incredibly resilient to the lockdown, perceived value in UK assets by overseas investors, a strong and financially robust private equity market, and pent-up demand from investors wanting to exit their businesses when more market certainty returns.

"We face uncertainty for some time yet – further waves of COVID-1, fall-out from the ending of Government support schemes and in particular the impact of that on unemployment, Brexit and a longer than anticipated recession or depression.

"So whilst all sensible businesses will remain cautious, there'll be strategic opportunities that present themselves which will drive corporate activity.

"Having been in regular contact with a number of great and very successful businesses in the immediate aftermath of the lockdown and beyond, I've been awed and very privileged to observe their resilience, speed of execution and professionalism in managing their way through something that none of us expected or were prepared for in a way that safeguarded the interests of all their stakeholders."

Powerhouse tables, Q3 2020 - GVA

		GVA Q3 2020, £mn (annualised, constant 2015 prices)	Growth (YoY)
1	Reading	7,300	-6.8%
2	Edinburgh	21,800	-7.0%
3	Brighton	7,400	-7.4%
4	Inner London	271,600	-7.8%
5	Sunderland	6,500	-8.0%
6	Swindon	8,400	-8.0%
7	Exeter	4,800	-8.1%
8	Oxford	18,700	-8.1%
9	Portsmouth	5,000	-8.2%
10	Coventry	8,300	-8.3%
11	Bournemouth	7,900	-8.4%
12	Cambridge	17,500	-8.4%
13	Glasgow	17,900	-8.5%
14	Cardiff	12,400	-8.5%
15	London	393,500	-8.6%
16	Derby	6,200	-8.7%
17	Stockport	5,800	-8.7%
18	Leicester	7,200	-8.7%
19	Peterborough	5,800	-8.8%
20	Bristol	12,800	-8.9%
21	Birmingham	25,300	-9.0%
22	Nottingham	8,800	-9.1%
23	Leeds	22,700	-9.1%

		GVA Q3 2020, £mn (annualised, constant 2015 prices)	Growth (YoY)
24	Belfast	11,700	-9.1%
25	Norwich	8,100	-9.1%
26	Swansea	4,700	-9.1%
27	Bradford	8,200	-9.1%
28	Manchester	19,500	-9.1%
29	Middlesbrough	4,000	-9.4%
30	Ipswich	16,300	-9.4%
31	Sheffield	10,900	-9.4%
32	Newcastle	16,900	-9.5%
33	Aberdeen	15,700	-9.5%
34	Plymouth	4,700	-9.6%
35	Greater Manchester	61,100	-9.6%
36	Liverpool	11,600	-9.7%
37	York	5,400	-9.7%
38	Hull	5,300	-9.9%
39	Outer London	121,900	-10.1%
40	Wolverhampton	4,000	-10.4%
41	Stoke-on-Trent	4,900	-10.4%
42	Rotherham	4,100	-10.5%
43	Wakefield	6,300	-10.8%
44	Southampton	6,500	-11.2%
45	Doncaster	4,900	-11.7%
46	Milton Keynes	12,100	-11.8%

Powerhouse tables, Q3 2020 - Employment

		Employment Level, Q3 2020	Growth (YoY)
1	Cambridge	148,000	2.9%
2	Norwich	132,900	1.8%
3	Ipswich	82,400	0.3%
4	Oxford	136,800	-0.9%
5	Swindon	115,200	-1.4%
6	Belfast	120,100	-1.5%
7	Swansea	112,900	-1.6%
8	Reading	128,800	-1.8%
9	York	120,700	-2.3%
10	Nottingham	222,300	-2.5%
11	Exeter	104,900	-2.7%
12	Cardiff	242,200	-3.2%
13	Leeds	433,200	-3.3%
14	Stockport	108,400	-3.4%
15	Wakefield	141,000	-3.6%
16	Doncaster	126,300	-3.6%
17	Rotherham	96,200	-3.6%
18	Edinburgh	357,000	-3.6%
19	Derby	150,700	-3.6%
20	Greater Manchester	1,267,900	-3.8%
21	Sheffield	294,900	-3.8%
22	Sunderland	123,700	-3.9%
23	Peterborough	108,900	-3.9%

		Employment Level, Q3 2020	Growth (YoY)
24	Liverpool	303,700	-4.0%
25	Middlesbrough	76,300	-4.2%
26	Aberdeen	177,800	-4.3%
27	Newcastle	197,400	-4.3%
28	Stoke-on-Trent	119,800	-4.5%
29	Coventry	182,600	-4.6%
30	Birmingham	578500	-4.7%
31	Brighton	142,100	-4.7%
32	Wolverhampton	116,500	-5.1%
33	Portsmouth	100,800	-5.6%
34	Milton Keynes	150,900	-5.8%
35	Bristol	333,200	-6.0%
36	Bournemouth	183000	-6.0%
37	Glasgow	426,600	-6.2%
38	Southampton	144,300	-7.1%
39	Hull	141,400	-7.9%
40	Plymouth	125,300	-8.0%
41	Bradford	192,800	-8.2%
42	Inner London	2,083,600	-8.3%
43	London	3,677,400	-8.4%
44	Outer London	1,593,800	-8.4%
45	Manchester	442,900	-8.5%
46	Leicester	204,900	-8.6%

Powerhouse tables, Q2 2021 - GVA

		GVA Q2 2021, £mn (annualised, constant 2015 prices)	Growth (YoY)
1	Doncaster	5,400	29.6%
2	Stoke-on-Trent	5,200	28.0%
3	Wakefield	6,800	26.9%
4	Rotherham	4,400	26.9%
5	Plymouth	5,000	26.2%
6	Milton Keynes	13,100	26.1%
7	Wolverhampton	4,300	26.1%
8	Hull	5,600	25.8%
9	Southampton	7,000	25.7%
10	Middlesbrough	4,300	25.0%
11	Derby	6,500	25.0%
12	Leicester	7,600	24.9%
13	Birmingham	26,700	24.7%
14	Liverpool	12,200	24.6%
15	Sheffield	11,500	24.3%
16	Oxford	19,700	24.3%
17	Newcastle	17,800	24.1%
18	Ipswich	17,300	24.0%
19	Greater Manchester	64,200	23.5%
20	Bradford	8,600	23.5%
21	Cambridge	18,300	23.4%
22	York	5,800	23.4%
23	Nottingham	9,200	23.2%

		GVA Q2 2021, £mn (annualised, constant 2015 prices)	Growth (YoY)
24	Portsmouth	5,300	23.2%
25	Swansea	4,900	22.9%
26	Norwich	8,500	22.8%
27	Outer London	128,300	22.6%
28	Exeter	5,000	22.6%
29	Peterborough	6,000	22.2%
30	Bristol	13,400	22.2%
31	Belfast	12,200	21.8%
32	Stockport	6,100	21.8%
33	Aberdeen	16,400	21.7%
34	Coventry	8,700	21.4%
35	Glasgow	18,600	21.3%
36	Manchester	20,200	21.0%
37	Leeds	23,500	20.6%
38	Sunderland	6,800	20.5%
39	Bournemouth	8,300	20.4%
40	Cardiff	12,800	20.4%
41	Brighton	7,800	19.8%
42	Swindon	8,600	18.1%
43	Reading	7,500	18.0%
44	London	401,200	17.3%
45	Edinburgh	22,400	16.6%
46	Inner London	272,900	14.9%

Powerhouse tables, Q2 2021 - Employment

		Employment Level, Q2 2021	Growth (YoY)
1	Reading	140,600	6.6%
2	Exeter	114,800	6.5%
3	Oxford	149,000	6.3%
4	Swindon	124,000	4.8%
5	Swansea	123,200	4.8%
6	Cambridge	152,700	2.4%
7	Southampton	151,200	2.2%
8	Portsmouth	104,800	1.4%
9	Norwich	135,700	1.3%
10	Bournemouth	190,600	1.3%
11	Bristol	347,000	1.3%
12	Milton Keynes	156,600	1.2%
13	Plymouth	130,500	1.2%
14	Stoke-on-Trent	123,000	0.9%
15	York	123,800	0.3%
16	Aberdeen	185,300	0.1%
17	Cardiff	252,600	0.0%
18	Wolverhampton	118,500	0.0%
19	Birmingham	587,800	-0.1%
20	Rotherham	98,200	-0.1%
21	Stockport	110,600	-0.2%
22	Wakefield	144,000	-0.2%
23	Ipswich	82,800	-0.2%
24	Newcastle	200,800	-0.2%
25	Sunderland	125,700	-0.3%
26	Greater Manchester	1,291,900	-0.4%
27	Liverpool	309,200	-0.4%
28	Edinburgh	370,100	-0.5%
29	Glasgow	441,900	-0.5%
30	Nottingham	226,900	-0.6%
31	Middlesbrough	77,300	-0.7%
32	Coventry	184,500	-0.7%
33	Derby	153,500	-0.8%
34	Leeds	437,600	-1.2%
35	Sheffield	297,300	-1.5%
36	Brighton	142,400	-2.2%
37	Peterborough	104,900	-4.4%
38	Hull	137,600	-5.0%
39	Manchester	430,400	-5.1%
40	Bradford	186,000	-5.8%
41	Leicester	198,300	-5.8%
42	Inner London	1,985,900	-7.0%
43	Belfast	111,700	-7.8%
44	London	3,435,700	-7.8%
45	Doncaster	1,457,800	-8.4%
46	Outer London	1,449,900	-8.9%

Powerhouse tables, Q4 2021 - GVA

		GVA Q4 2021, £mn (annualised, constant 2015 prices)	Growth (YoY)
1	Milton Keynes	13,500	9.9%
2	Southampton	7,200	9.2%
3	Doncaster	5,500	9.2%
4	Wakefield	6,900	8.9%
5	Ipswich	17,800	8.6%
6	Stoke-on-Trent	5,400	8.3%
7	Wolverhampton	4,400	8.3%
8	Rotherham	4,500	8.1%
9	Plymouth	5,100	8.0%
10	Hull	5,700	7.9%
11	Norwich	8,700	7.9%
12	Birmingham	27,400	7.8%
13	Outer London	132,000	7.6%
14	Bournemouth	8,500	7.6%
15	Middlesbrough	4,400	7.5%
16	Peterborough	6,200	7.5%
17	York	5,900	7.5%
18	Oxford	20,200	7.5%
19	Coventry	8,900	7.4%
20	Portsmouth	5,400	7.4%
21	Bradford	8,800	7.3%
22	Derby	6,700	7.3%
23	Sunderland	7,000	7.3%

		GVA Q4 2021, £mn (annualised, constant 2015 prices)	Growth (YoY)
24	Liverpool	12,600	7.3%
25	Greater Manchester	65,800	7.1%
26	Sheffield	11,800	7.1%
27	Stockport	6,200	7.1%
28	Exeter	5,100	7.0%
29	Newcastle	18,300	7.0%
30	Bristol	13,800	6.9%
31	Swansea	5,000	6.8%
32	Brighton	7,900	6.7%
33	Cambridge	18,800	6.7%
34	Nottingham	9,500	6.6%
35	Cardiff	13,100	6.5%
36	Leicester	7,800	6.4%
37	Swindon	8,800	6.4%
38	Glasgow	19,100	6.3%
39	Belfast	12,500	6.1%
40	Aberdeen	16,800	6.1%
41	Leeds	24,100	6.1%
42	Manchester	20,800	6.0%
43	Edinburgh	22,900	5.9%
44	London	411,700	5.5%
45	Reading	7,700	4.9%
46	Inner London	279,700	4.5%

Powerhouse tables, Q4 2021 - Employment

		Employment Level, Q4 2021	Growth (YoY)
1	Reading	139,200	10.0%
2	Exeter	112,300	9.9%
3	Oxford	146,800	9.2%
4	Plymouth	131,800	8.1%
5	Swindon	121,300	8.1%
6	Swansea	120,200	8.1%
7	Southampton	153,100	8.1%
8	Bristol	348,800	7.7%
9	Bournemouth	191,600	7.7%
10	Portsmouth	106,200	7.3%
11	Stoke-on-Trent	125,800	7.2%
12	Milton Keynes	158,600	7.1%
13	York	125,500	6.6%
14	Aberdeen	188,000	6.5%
15	Cardiff	253,400	6.4%
16	Wolverhampton	121,300	6.3%
17	Birmingham	601,700	6.2%
18	Rotherham	99,600	6.2%
19	Doncaster	130,800	6.2%
20	Stockport	114,100	6.2%
21	Wakefield	145,900	6.1%
22	Newcastle	203,100	6.1%
23	Sunderland	127,100	6.0%

		Employment Level, Q4 2021	Growth (YoY)
24	Greater Manchester	1,331,900	6.0%
25	Liverpool	318,800	5.9%
26	Edinburgh	375,400	5.9%
27	Glasgow	448,300	5.8%
28	Nottingham	234,200	5.7%
29	Middlesbrough	78,100	5.6%
30	Coventry	188,900	5.6%
31	Derby	158,400	5.5%
32	Sheffield	301,300	4.8%
33	Leeds	441,300	4.5%
34	Hull	143,700	4.3%
35	Manchester	454,900	3.7%
36	Bradford	194,300	3.5%
37	Leicester	210,900	3.4%
38	Brighton	144,200	3.4%
39	Cambridge	153,100	2.9%
40	Inner London	2,118,100	2.2%
41	Norwich	136,100	1.8%
42	Ipswich	83,900	1.3%
43	Peterborough	108,500	-0.9%
44	London	3,650,400	-1.1%
45	Belfast	113,800	-5.3%
46	Outer London	1,532,400	-5.4%

Thank you for reading

The UK Economy Beyond Coronavirus