Norfolk & Suffolk Unlimited

Covid-19 Recovery Restart Plan

Evidence Base
June 2020

Key messages

This document is designed to support Norfolk and Suffolk's COVID-19 ***Economic Recovery Plan – Restart June 2020***. It is predominantly based on an analysis of the sectors which are the focal point of the Economic Recovery Plan.

- **The UK economy has entered a period of historic decline**. It is far from certain when, or how well, it will recover. All places and sectors are affected: Norfolk and Suffolk's GVA could contract by -35.9% in Q2 2020, which mirrors the expected contraction in the UK economy of -36% in Q2.
- Norfolk and Suffolk appears to have **avoided the worst of the health impacts** of the crisis, though there remain significant challenges ahead.
- **All sectors are affected**, with the most affected including HE / FE and the visitor economy. One bright spot is that the three sectors which are the centrepiece of Norfolk and Suffolk's local industrial strategy (agrifood, clean energy, ICT and Digital) should be relatively well poised to recover.
- Across Norfolk and Suffolk:
    - **Universal Credit claims rose by 41%** in April compared to March.
    - **1 in 3 workers were furloughed in May**
    - **Apprenticeship starts are down by 5%** compared to the same time last year, with starts in Autumn 2020 potentially down by 50%
    - **1 in 3 businesses have less than 3 months cash reserves.** 4% of Norfolk and Suffolk's businesses have no cash reserves at all.
- Depending on the path of the outbreak and the central government policy response, **what happens from here is far from certain**. We have examined three different scenarios to help think this through. A quick bounce back is unlikely. A more muted recovery, where activity eases back gradually is possible, and should be hoped for, though a worse scenario with long-term impacts and mass unemployment cannot be ruled out. By the end of 2021 Norfolk and Suffolk's **unemployment rate could be similar to what it was at the beginning of 2020 (3.3%), or as high as 21%.**

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About this report

The New Anglia Local Enterprise Partnership (New Anglia LEP) has commissioned Metro Dynamics to prepare an evidence base which supports Norfolk and Suffolk's COVID-19 Recovery Plan – Restart June 2020. This analysis was conducted in May/June 2020, and reflects our current best understanding of the impact of COVID-19 on the national economy and on Norfolk and Suffolk.

Partners across Norfolk and Suffolk are developing a recovery plan which is based around twelve key sectors (with whole-of-place priorities captured within the Foundations of Productivity). This report predominantly presents evidence which supports this sector-based approach to recovery.

Our work coincides with work being done by entities within Norfolk and Suffolk (particularly NODA and SODA) to analyse the effects of COVID-19 on the economy, businesses, people and places. As much as possible, our approach has been to avoid duplicating or replicating the analysis being done elsewhere. The intention of this report, then, is to complement the analysis which already exists and add to it with a detailed sector-based assessment of what is happening.

The pace of economic change in COVID-19's wake has rendered many traditional datasets and forms of analysis temporarily obsolete. The economy is likely to have changed so fundamentally and so quickly that information which is not published in near-real time cannot be relied upon to paint a realistic picture.

Wherever possible in this report we have used up-to-date data sources, such as the ONS Business Impact of Coronavirus Survey (BICS) to analyse what is happening, although these sources are new and data is collected at a national level only. We have applied data from national sources to Norfolk and Suffolk's economic context to produce local estimates. The outputs of this analysis are estimates only. More accurate, specific data on the effects on Norfolk and Suffolk will become increasingly available as time goes on.

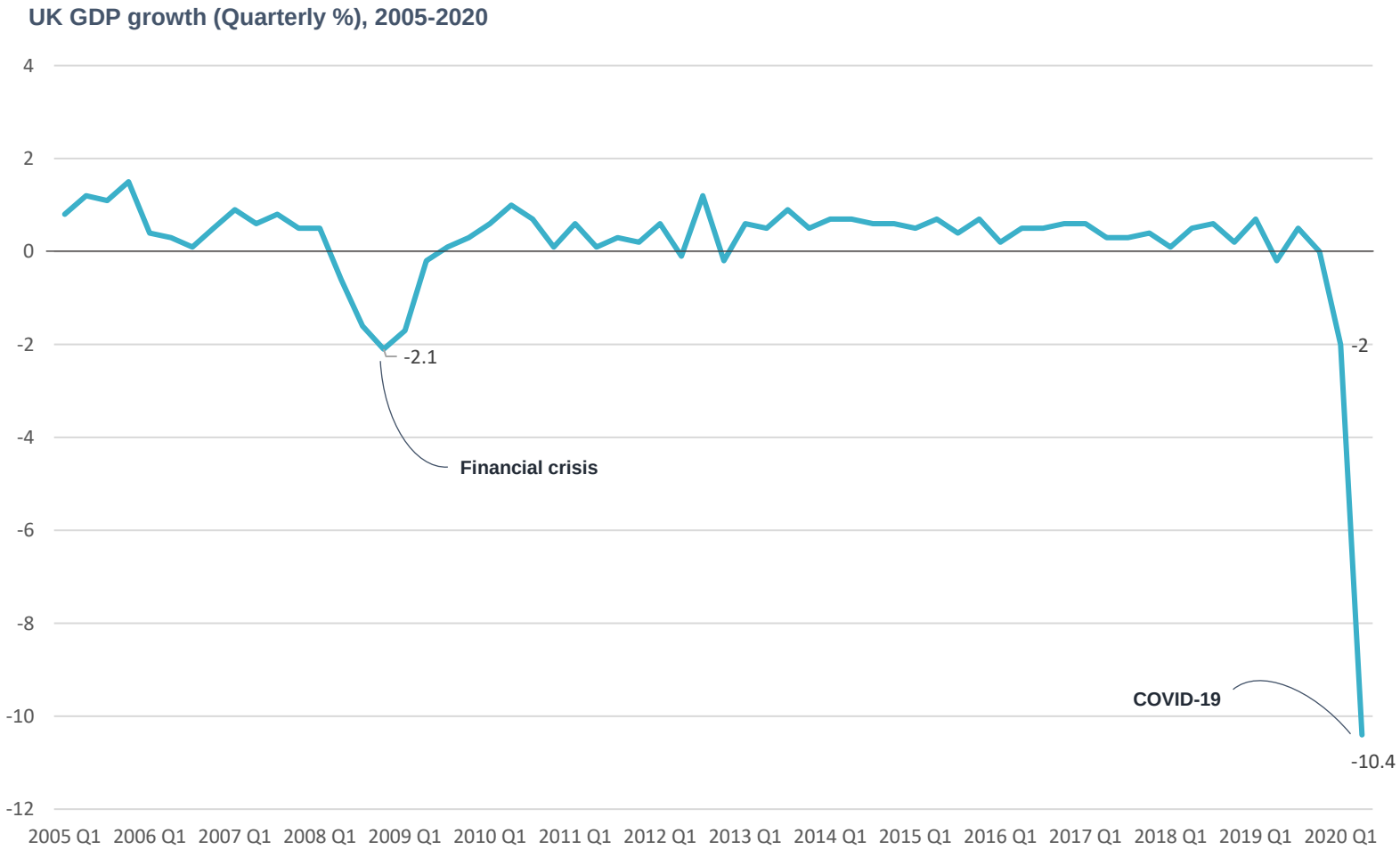
Limitations on the data currently available prevent us from being able to create exact Standard Industrial Code (SIC) definitions of the sectors which form the basis of the Recovery Plan, however, these sectors align fairly closely with the Broad SIC groups which are the basis of the analysis in this report. A major exception is agrifood, for which very little data currently exists.

The remainder of this report is split into five sections:

1. **What we know so far –** supporting information on the national context
2. **Scenario modelling -** projections of what may happen to Norfolk and Suffolk's economy and labour market in best / middle / worst case scenarios
3. **Assessing local impacts –** information on what is happening at a local level, split by local authority where possible
4. **Impacts on businesses and employees –** information on what is happening in Norfolk and Suffolk's businesses and employees across various occupations
5. **Sector outlooks –** assessments of major risks and implications for the sectors included in the Recovery Plan.

1. What we know so far

An historic decline in UK economic output



The UK economy contracted 10.4% from February – April.

April's figure dwarfs the downturn during the 2008-09 financial crisis, when the fastest contraction was a monthly fall of 1 per cent in March 2009. It also far exceeds the 6 per cent cumulative output lost during the one-and-a-half years of economic contraction during the financial crisis. The decline in output is broad-based, but is driven by a record plunge in services output, which encompasses over 80% of UK GDP.[1]

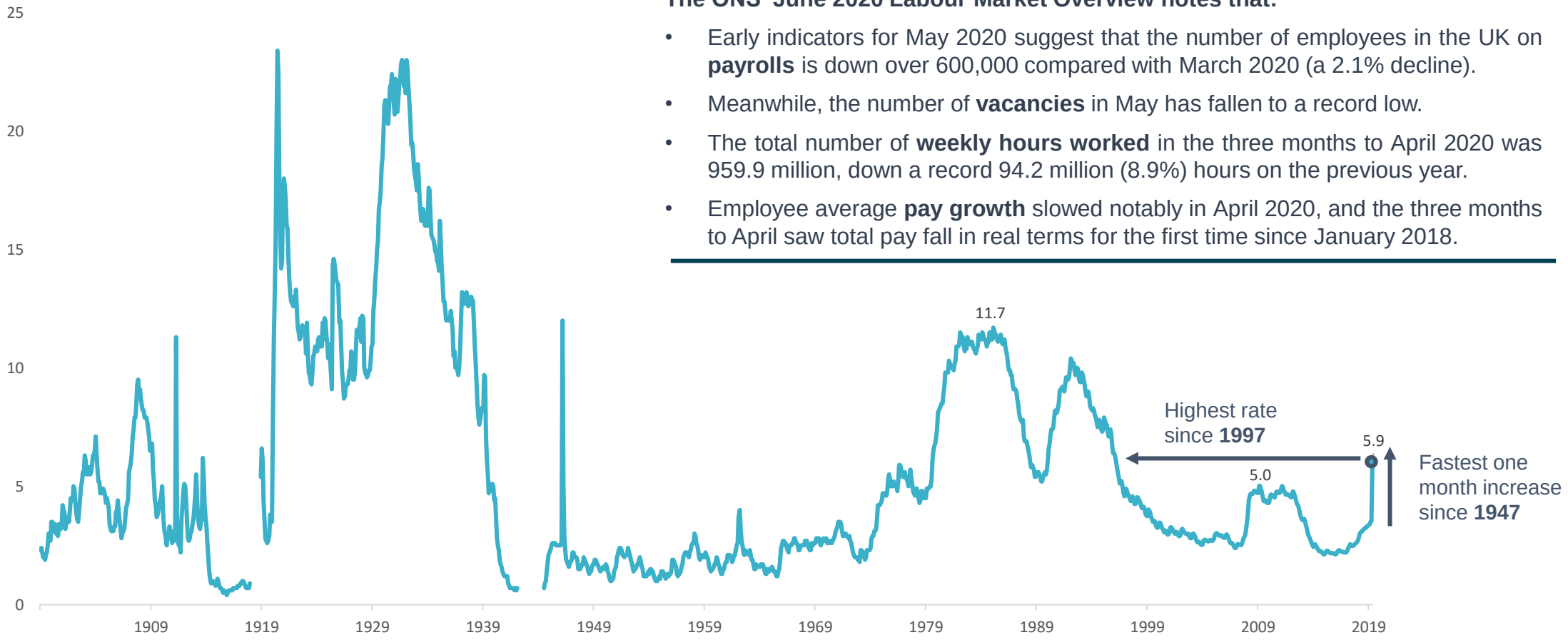
Although COVID-19 has caused an economic contraction of a different magnitude to anything in recent history, it should be noted that a downward trend in UK GDP was emerging prior to the crisis.

The remaining 20% is spread across 'Agriculture, forestry and fishing', 'Construction' and 'Production'.
Source: ONS GDP monthly estimate, April 2020

Record monthly rise in UK unemployment

Emergency measures have held the worst at bay for now, but this is still a profound shock.

UK Unemployment Rate (%)



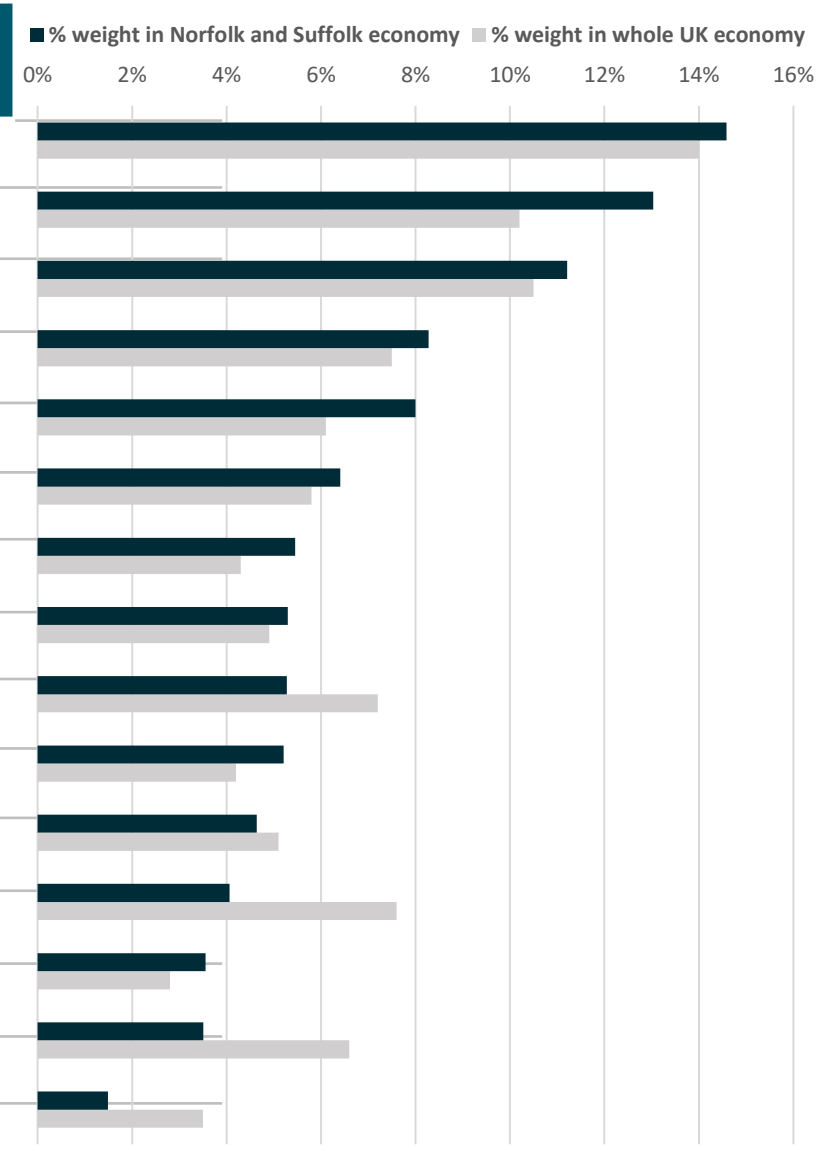
The ONS' June 2020 Labour Market Overview notes that:

- Early indicators for May 2020 suggest that the number of employees in the UK on **payrolls** is down over 600,000 compared with March 2020 (a 2.1% decline).
- Meanwhile, the number of **vacancies** in May has fallen to a record low.
- The total number of **weekly hours worked** in the three months to April 2020 was 959.9 million, down a record 94.2 million (8.9%) hours on the previous year.
- Employee average **pay growth** slowed notably in April 2020, and the three months to April saw total pay fall in real terms for the first time since January 2018.

Source: ONS Labour Market Overview, June 2020

All sectors are affected

Sector	N&S GVA, 2018 (£m)	Projected change in UK GVA, Q2 2020*
Real estate activities	£5,206	-20%
Manufacturing	£4,652	-55%
Wholesale and retail trade; repair of motor vehicles	£4,001	-50%
Human health and social work activities	£2,953	+50%
Construction	£2,854	-70%
Education	£2,287	-90%
Agriculture, mining, electricity, gas, water and waste	£1,945	-17%
Public administration and defence	£1,890	-20%
Financial and insurance activities	£1,883	-5%
Transportation and storage	£1,859	-35%
Administrative and support service activities	£1,656	-40%
Professional, scientific and technical activities	£1,450	-40%
Accommodation and food service activities	£1,269	-85%
Information and communication	£1,252	-45%
Arts, entertainment, recreation & other services	£531	-60%



In April the Office of Budget Responsibility (OBR) published estimates on projected change in GVA by sector in Q2 2020 (column in table, left). All sectors except for Human health and social work activities are expected to contract, Education by as much as 90%.

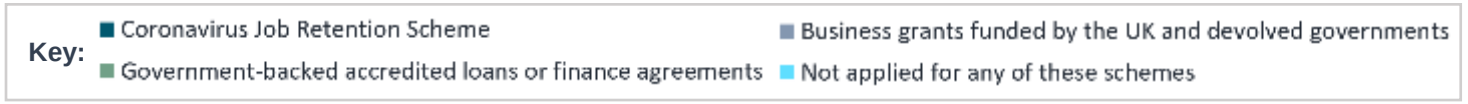
The OBR's estimates apply to the whole UK economy. They estimate that the **UK's GVA will contract by 36% in Q2 2020.**

We use the OBR's assessments of the impact on sectors frequently in this evidence base, by applying these projections to Norfolk and Suffolk's particular industrial mix to provide a local picture of what is happening. We find that, although Norfolk and Suffolk's industrial mix is different from the national picture, **the projected impact on Norfolk and Suffolk's GVA in Q2 2020 is similar: a contraction in GVA of 35.9%.**

Source: OBR Coronavirus Reference Scenario, April 2020; MD analysis **The figures for GVA are calculated based respective sector employees delivering their output, in their usual place of work. E.g. the figures for certain sectors – in particular education – will not reflect their actual activity in terms of delivering education, which has been taking place online*

80% of UK businesses have applied for Government support programmes

Percentage of businesses applying for Government support programmes up to May 17, by industry for the UK



The furlough scheme will remain in use for some time to come.

Business response to the question: ***'Does your business expect to use the Coronavirus Job Retention Scheme in the next two weeks?'*** *[applying to last two weeks of May]'*

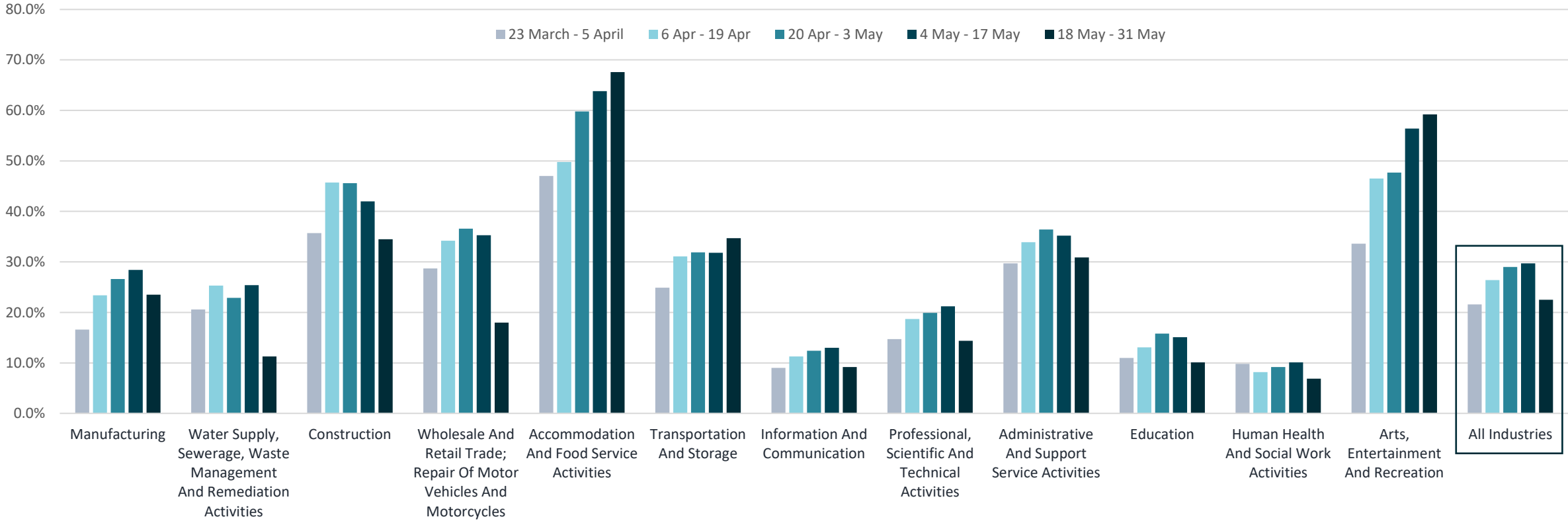
Sector	0% 20% 40% 60% 80% 100%	Yes	No	Unsure
Manufacturing		77.0%	18.1%	5.0%
Water Supply, Sewerage, Waste Management And Remediation Activities		75.8%	22.7%	1.5%
Construction		87.3%	9.9%	2.9%
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles		78.5%	16.1%	5.3%
Transportation And Storage		86.2%	11.0%	2.8%
Accommodation And Food Service Activities		95.7%	2.0%	2.4%
Information And Communication		49.8%	40.1%	10.1%
Real Estate Activities		66.2%	27.9%	5.9%
Professional, Scientific And Technical Activities		74.5%	19.6%	5.8%
Administrative And Support Service Activities		84.5%	12.0%	3.4%
Education		72.1%	18.5%	9.4%
Human Health And Social Work Activities		53.3%	42.6%	4.1%
Arts, Entertainment And Recreation		93.3%	5.6%	1.1%
All Industries		**78.7%**	**16.4%**	**4.8%**

Source: ONS BICS, Wave 5

3 in 10 UK workers have been furloughed

In the first half of April one in five UK workers were furloughed. By the middle of May this had risen to nearly three in ten – **8.7 million out of the UK's 36m workers**. The proportion of furloughed workers varies across sectors, although from March to mid-May there was an upward trend in the percentage of furloughed employees in all but the health and social care sector. In the last two weeks of May, the proportion of furloughed employees began to fall for most industries, though is still increasing in accommodation and food services, transportation and storage, and arts, entertainment and recreation.

Percentage of workers furloughed in businesses continuing to trade, by industry for the UK

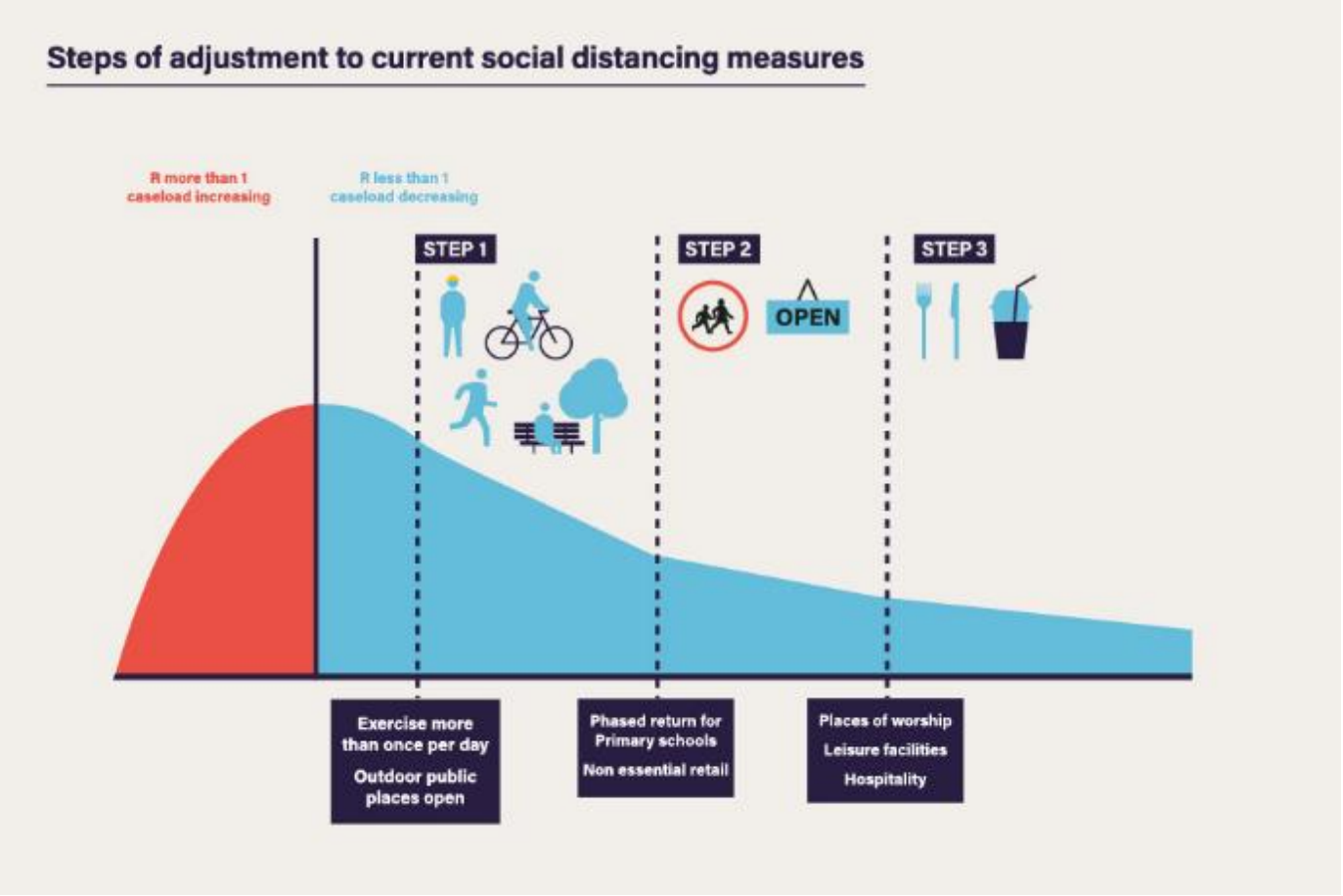


Source: ONS BICS, Wave 2 – 6

Excludes 'Real Estate Activities' as data on furloughed employees is not available for all time periods

Government response

Government is preparing to gradually reopen the economy, but changes won't be uniform



The Government has framed its response around what is required to keep R below 1.

This means contract tracing and testing will have to be implemented for anything like a return to normality to be possible. The approach until these tools are ready will be cautious.

The government is taking a phased approach, prioritising health, followed by economic and social factors. Any new approach will need to be feasible.

We are now exiting the first phase of the crisis. Phase 2, 'smarter controls' will 'enact measures that have the largest effect on controlling the epidemic but the lowest health, economic and social costs.' Phase 3 will take place when the virus can be reduced to manageable levels.

Source: UK Government '*Our Plan to Rebuild*'

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2. Scenario modelling

Introduction to the scenarios

Rarely has there been so much uncertainty as we look to the future. The two major sources of uncertainty are:

- The **progression of the outbreak** is unknown. There are encouraging signs that the UK is flattening the curve. However, the prospect of a "second wave" is being talked about as a significant possibility, as is the idea that the virus may continually recur for a long time before "herd immunity" is developed. A lack of understanding about the duration of immunity compounds this.
- The **central government policy response** is also unknown. It is unclear how long the Government will run schemes providing grants and loans to businesses, and whether there will be a "hard stop" when restrictions are lifted, or a smoothing process. Whether the transition period with the European Union ends at the end of 2020 or is extended also remains to be seen.

These two are, of course, deeply interrelated, which further complicates matters.

We have taken a scenarios based approach to look at three possible outcomes. We have not modelled these in extreme detail – this would be neither feasible nor particularly helpful. Instead, we have used them to show what the major risks might be across Norfolk and Suffolk's economy and within its sectors. In all probability we will not end up exactly in any of the scenarios, but somewhere between them.

Overview: research so far

The **Office for Budget Responsibility (OBR)** has published a "coronavirus reference scenario" (14th April) for the economy in 2020, with a primary view to the impact on government spending. The OBR expect the contraction to be sharp, due less to the virus itself and more to the measures taken to tackle it. The impact – a 35% fall in GDP in the second quarter, leading to a 13% drop across the year as a whole – falls out of a sector-based model. They expect the impact to be half in the third quarter and full restrictions eased by the end. They make explicit that "the scenario assumes that it is not necessary to reimpose the restrictions to deal with a new outbreak in the autumn."

The **International Monetary Fund (IMF)** has published four possible scenarios for world growth. Their main projection shows growth in the UK falling by 6.5% across 2020 (lower than falls projected in France, Germany, Spain, and Italy) with growth returning strongly in 2021 at 4.0%. The alternative scenarios are a) the outbreak lasts longer than anticipated in 2020, b) there is a new outbreak in 2021, or c) both of the above. In the last case, instead of 5.8% growth, and 8% reduction occurs. The huge breadth of outcomes being forecast by the IMF shows how difficult it is to make predictions in this time, regardless of expertise.

The **Bank of England (BoE)** Monetary Policy Committee has published their outlook, with one illustrative scenario. This involves a fairly sharp rebound in economic activity in the second half of the year, although GDP doesn't reach the pre-Covid level until the second half of 2021. Unemployment in 2020 rises sharply, but falls back more gradually as consumer uncertainty weighs on demand. They factor in a small productivity loss associated with less innovation and reduced investment. The Bank notes there are many key sensitivities, including the global outlook, response of consumers once measures are lifted, and the possibility of greater longer-term "scarring", acknowledging that "the balance of risks to the economic outlook lies to the downside".

The **Resolution Foundation** has produced macroeconomic forecasts with three different scenarios – a three-month, six-month, and twelve-month lockdown. While the emphasis of their findings are largely focused on public sector borrowing required, they note consequences for unemployment – with the total peaking at 2 million under the three-month scenario, and up to over 7 million (20.8%) in the 12-month scenario. This latter case would have severe impacts for all places in the United Kingdom.

The three scenarios

To develop our analysis we have created three scenarios within which we expect the reality to broadly fall:

Best case

A quick return to economic growth (a "V-shaped" recession).

In this case, while a sharp drop is experienced in Q2 of 2020, a close to full easing of restrictions has been enacted by the end of this quarter (with social distancing practices introduced to help everyday activities carry on, such as limitations on numbers in all shops, etc).

Q3 sees a quick bounce back in output, and though some output has been permanently lost (particularly in the hospitality and cultural sectors), by the end of the year long-term growth is restored. There is no long-term "scarring" of economic productivity.

This case is similar to the OBR's scenario, and fairly similar to the BoE's scenario.

Middle case

A slow return to economic growth (a "U-shaped" recession).

In this case, it does not prove as straightforward to ease restrictions as was hoped, due to recurring spikes in number of cases, as it becomes clear a vaccine will be needed before life can return to normal.

An on-off policy approach is adopted throughout 2020, allowing some economic activity to return, but in a slower more cautious manner – any bounce back in Q3 is muted and a return to long-run growth rates is not seen until early 2021. This causes a greater increase in unemployment, though the overall effect on productivity once growth returns in 2021 is minimal.

This case is similar to the IMF's "Longer outbreak in 2020" scenario.

Worst case

A lingering cloud over economic growth (an "L-shaped" recession).

In this case, any hopes that Covid-19 might be a "blip" in the economic growth path are abandoned. Delays in being able to find a vaccine lead to a further significant global outbreak in 2021. Many sectors of the economy are largely unable to restart as lockdown restrictions persist.

By the end of 2021, a vaccine is beginning to become available, leading to a gradual return of market and business confidence. However, as the duration of the outbreak becomes clear, many firms which were on the furlough scheme decide to cease trading. This causes a loss in worker-firm attachment capital and damages long-run productivity.

This case is similar to the IMF's "Longer outbreak in 2020 plus new outbreak in 2021" scenario.

Which scenario?

Which of these scenarios is most likely? Our considered view is:

1) The best-case scenario (V-shaped) is very unlikely.

The V-shaped scenario is both attractive and simple – if it is government restrictions which have created the drop in economic activity, then theoretically, once those have gone, life can return to normal. However, in practice things look much more challenging. Firstly, as discussed above, the impact on consumer confidence of the crisis suggests people are very pessimistic and unlikely to quickly return to spending patterns. By extending the furlough scheme to October, the Government is tacitly acknowledging that the demand for many goods and services will take at least into the third if not fourth quarter to return. Many businesses, such as restaurants, will be unable to reopen at full capacity for a long time. Delays in orders, particularly for complex products, will cause longer term supply chain impacts. Some sector leads, such as in aviation, have been explicit in saying they foresee a recovery to be measured in years, not months. In addition, the idea that restrictions will all be gone by the end of the year looks very unlikely – even the cautious plan set out by the Government is conditional – with data in some parts of the country suggesting it would not take much for infections to begin increasing rapidly again.

2) The middle case scenario (U-shaped) is possible, and at this stage would represent a good outcome.

The U-shaped recovery is within the bounds of possibility. If most businesses are able to reopen in some form this year, and the security of the furlough scheme gives consumers confidence to continue spending, we could see the economy gradually getting back on track. If an effective plan gets most workers back from furlough and into the workplace, then limited scarring to productivity should result. In our U-shaped model, output in 2021 is roughly the same as it was in 2017 – this would not be a bad result under the circumstances.

3) The worst case scenario (L-shaped) should be taken seriously and planned for as a possible outcome.

There are numerous factors which could take the Coronavirus recession from short-term disruption to long-term damage. Samuel Tombs, Chief UK Economist at Pantheon Macroeconomics, has spoken of the possibility of a “negative feedback loop” as unemployment leads to less spending, which in turn causes more unemployment. Should the Government decide that its furlough scheme is only delaying the inevitable, and draw it to a close prompting mass unemployment, this vicious cycle could take off very rapidly. For cities in particular, this is compounded by the fact that office workers, who have higher disposable income and tend to be based in city centres, are likely to be the last back to work, and there may be a permanent reduction in city centre office worker population if working from home patterns become embedded. In addition, the end of the transition period in December, if not managed well, could do a large amount of damage to exporting businesses. Finally, there is the possibility of another sharp spike in infections, with the WHO warning that this virus is unlikely to ever go away, so further spikes are probably inevitable.

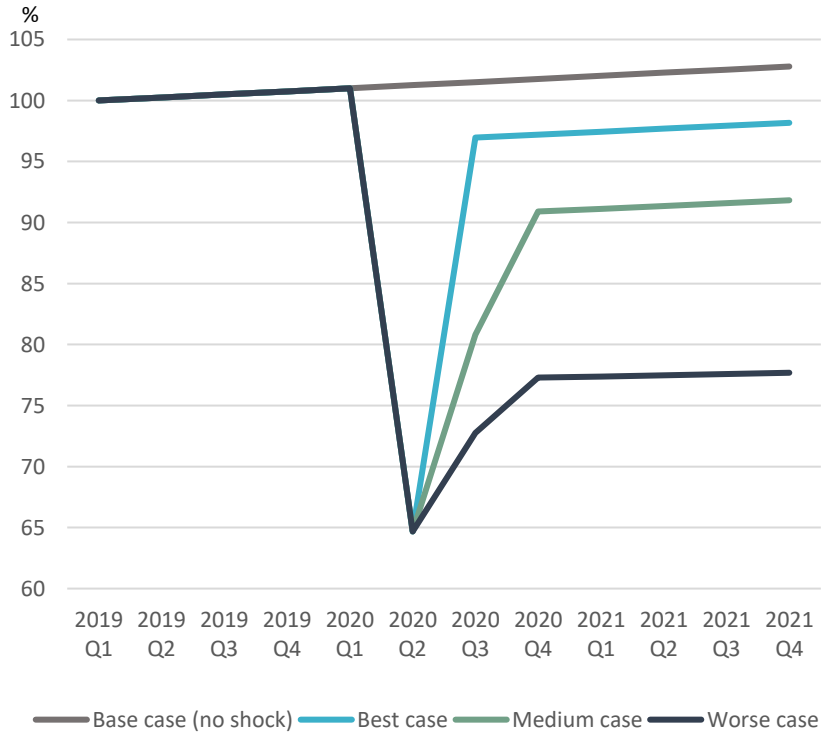
The above means it is best to take a “hope for the best, plan for the worst” approach – where the “best” is the reasonable middle case scenario – makes the most sense. We believe the reality is likely to fall somewhere between 2) and 3).

Profile of the three scenarios

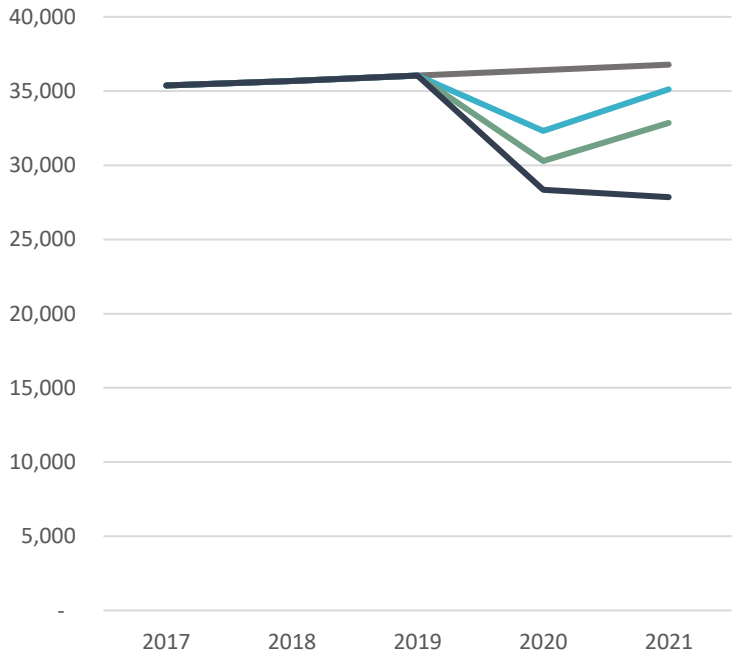
We have modelled a possible path for each scenario. In every case we have factored in a drop of **35.9%** in the second quarter, in accordance with an application of OBR sector forecasts to Norfolk and Suffolk's industry mix. In the best case scenario, we have modelled a rapid recovery, with businesses "picking up where they left off" so that the trend growth path is returned to. In the medium case, we have modelled a "bounce" in the third quarter which is half as sharp, although with some more output returning in the third quarter. Because this scenario assumes no long run scarring of the economy, the growth path into 2021 is still of the same gradient, but some output has been permanently lost. In the worst case scenario, the return of output is more muted still. We have also assumed long run damage to the productive capacity of the economy, with the long run growth path half as steep. When we annualise the quarterly figures, we can see the classic L-shape, where economic output is lost into the long-run.

Quarter-on-Quarter growth rate (%)

Change in quarterly output (%) (2019 Q1 = 100)



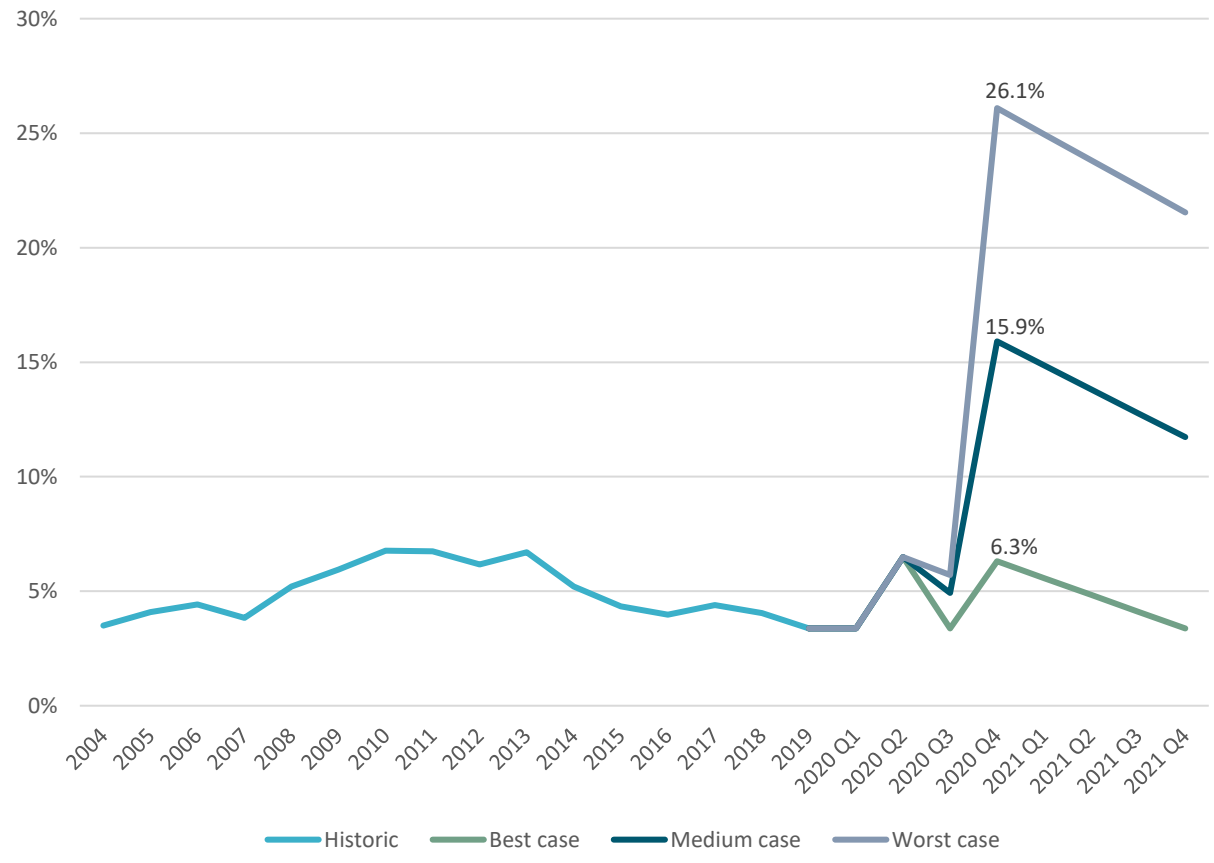
Modelled annual output (£m)



Profiles for Norfolk and Suffolk

Impacts on employment

Norfolk and Suffolk: Historic and projected unemployment under three scenarios



*Unemployment rate calculated as number of unemployed / number of economically active residents. Unemployment rate figures for 2020 and 2021 use data on economic inactivity from 2019, so shouldn't be quoted as definitive figures.

In its 27th May update the Government announced that 8.7m workers were now on the furlough scheme. Set against the ONS' previous estimates that at the end of 2019 there were 35.8m jobs in the UK, this is nearly a quarter (24.3%) of all pre-crisis jobs. Our scenarios need to take into account both the increase in unemployment which has happened as a result of recent disruption, and the likely path for taking workers back off furlough and into either employment or unemployment. We have made the following assumptions:

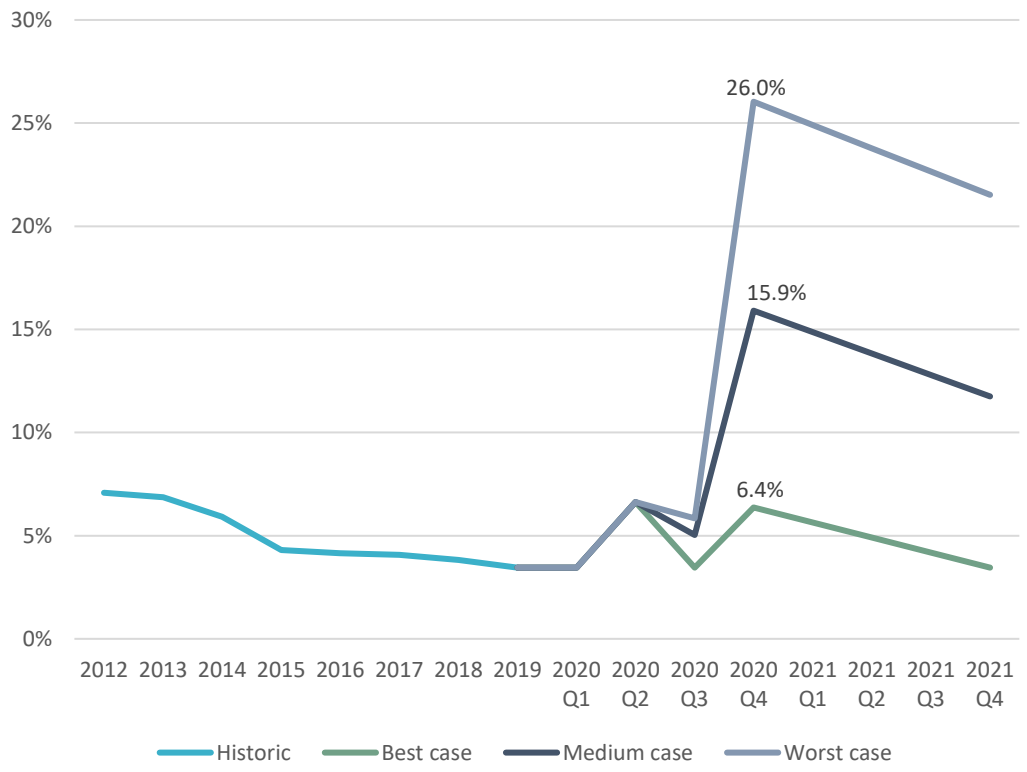
- Unemployment numbers in Q2 of 2020 is increased by a scale factor of 1.925, in line with the average of forecasters' projections in the Bank of England data. This corresponds to an unemployment rate of 6.5% in New Anglia – circa 50,200 residents. It is the highest the rate has been since 2013.
- In Q3, the furlough scheme continues. Some workers return to work. In the best case the unemployment rate falls to 3.4%, in the medium case the rate falls to 4.9% as half of those unemployed return to work, and in worst case falling to 5.7% as only a quarter of those return to work.
- In Q4, the furlough scheme ends in all scenarios. We have modelled that in the best / middle / worst cases, 25% / 50% / 75% of workers become unemployed once the furlough scheme ends. In the best case the unemployment rate rises to 6.3% (45,900). In the medium case the rate rises from 4.9% to 15.9% (123,200). In the worst case, the rate reaches 26.1% (202,150).
- The "unwinding" of unemployment then takes a year in the best case, three years in the medium case, and five years in the worst case. In all cases unemployment begins to gradually fall, but the rate at which it falls depends on the level of economic scarring within the area, which increases with time.

Unemployment has the potential to peak at 202,150 (26.1%) in the worst case scenario, whereas in the best case, the peak will be around 50,200 (6.5%).

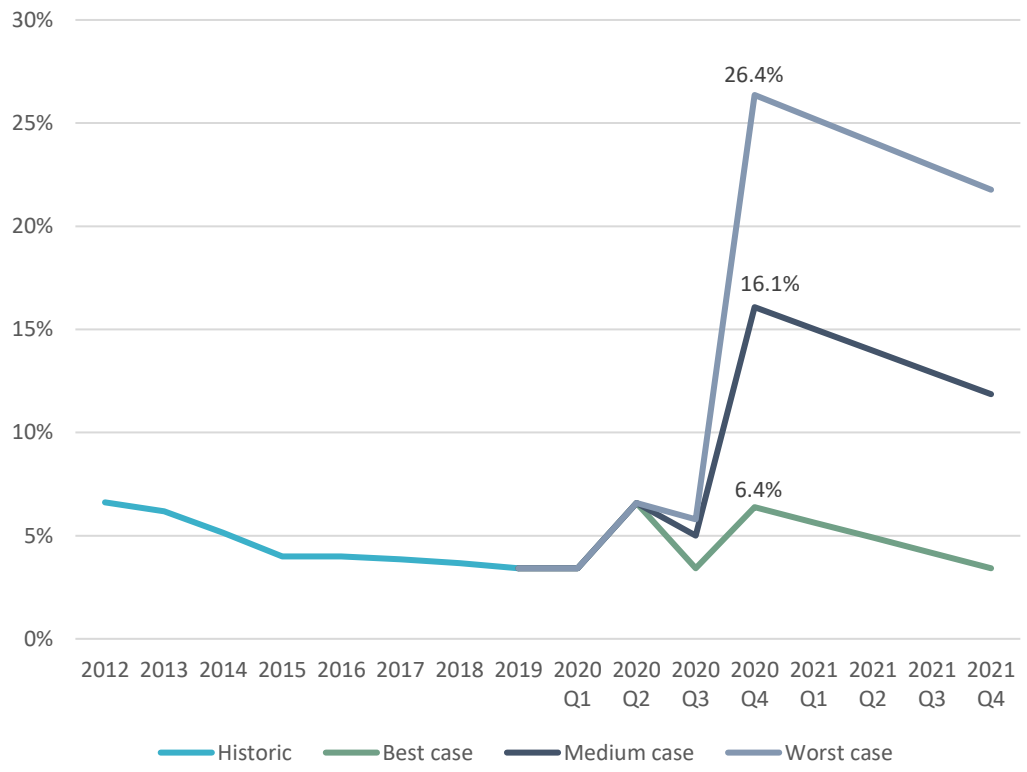
Sources: https://www.gov.uk/government/news/chancellor-extends-furlough-scheme-until-october, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/april2020

Impacts on employment by county

Norfolk: Historic and projected unemployment under three scenarios



Suffolk: Historic and projected unemployment under three scenarios

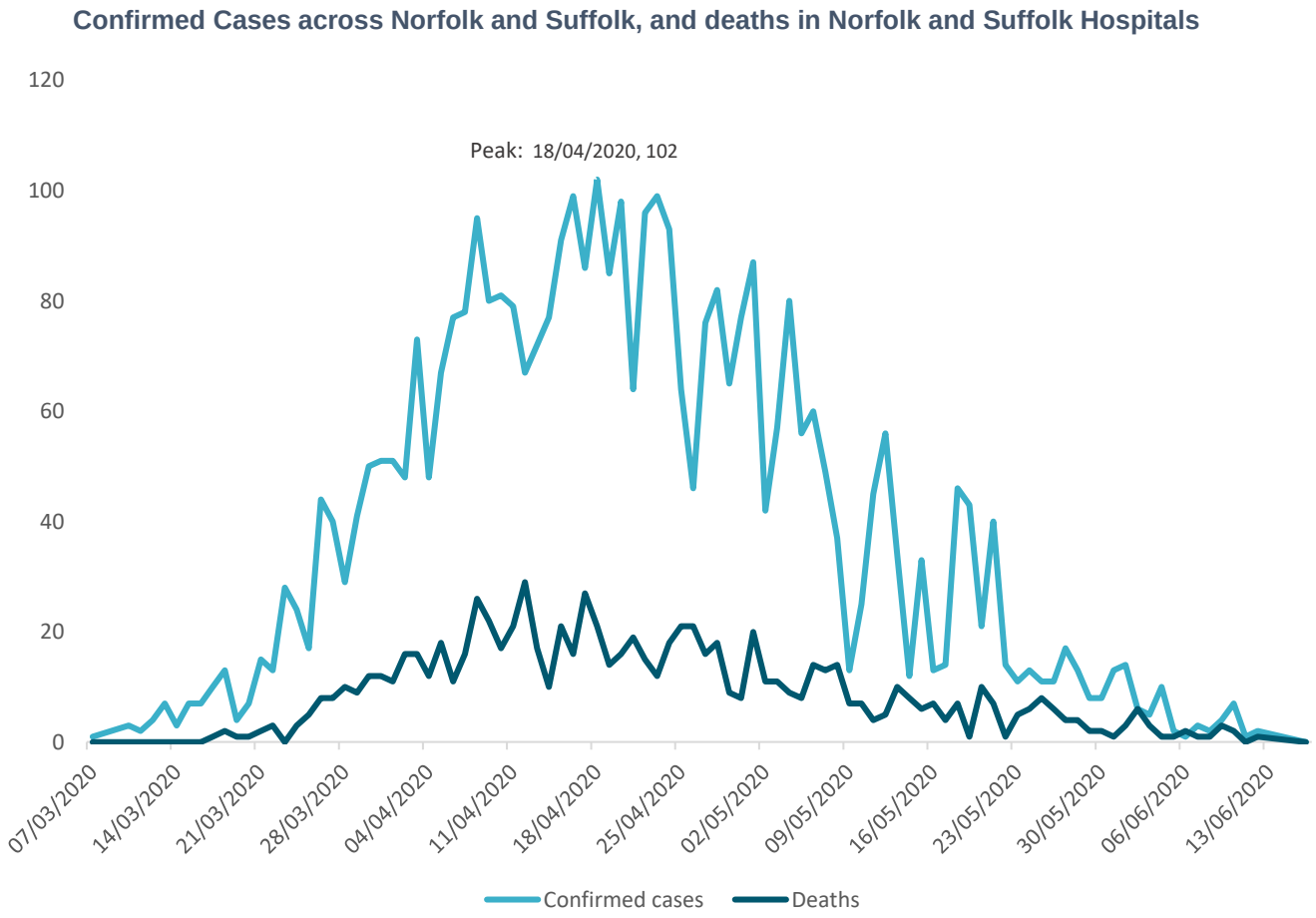


Norfolk has had historically higher rates of unemployment than Suffolk, but at the peak under all scenario, modelling suggests that Suffolk will have a marginally higher unemployment rate in 2020Q4. In the best case, 6.36% in Norfolk and 6.38% in Suffolk; in the medium case, 15.9% in Norfolk and 16.07% in Suffolk; and in the worst case, 26.03% in Norfolk and 26.36% in Suffolk.

Source: ONS Employment and Labour Market bulletin; MD analysis
Unemployment rate calculated as number of unemployed / number of economically active residents. Unemployment rate figures for 2020 and 2021 use data on economic inactivity from 2019, so shouldn't be quoted as definitive figures.

3. Assessing local impacts

Confirmed cases and deaths



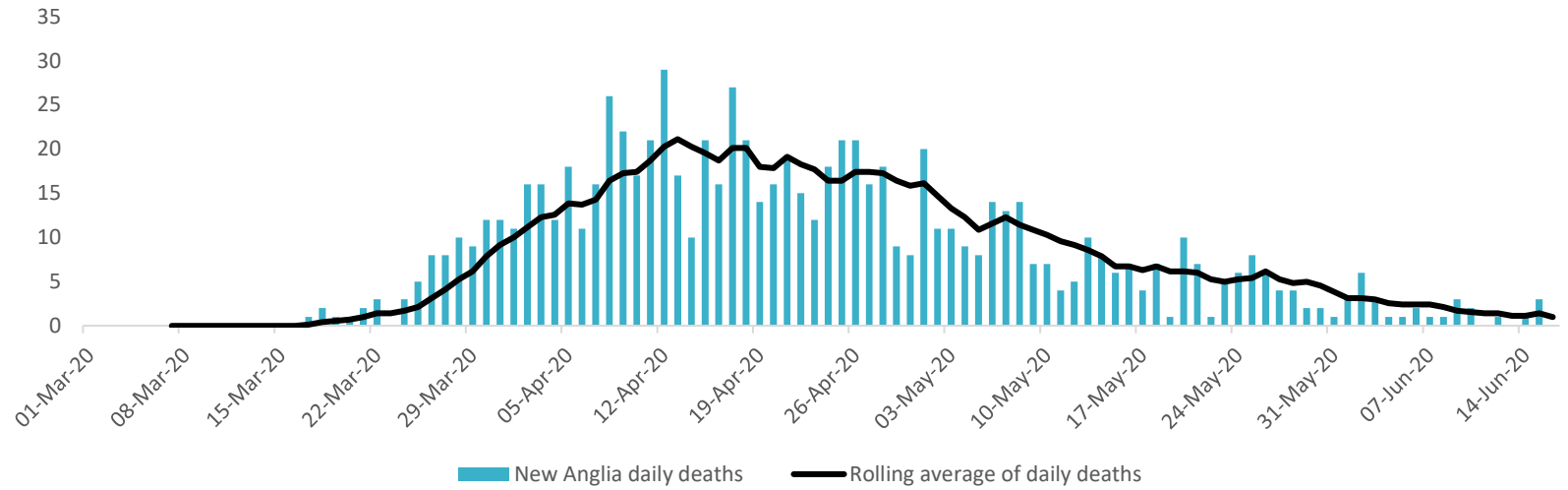
The impact of Coronavirus on Norfolk and Suffolk has caused a tragic loss of life, but the area has had a relatively low number of confirmed cases and deaths compared to other areas. Data from Gov.uk suggests that 3,775 residents of Norfolk and Suffolk had tested positive for Covid-19 and 841 had died as of the 16th June. The true number of cases will be higher than is reported due to testing capacity, and the number of deaths only include those recorded in hospitals. ONS figures recording deaths between the 1st March and the 31st May show that deaths per 100,000 people are lower for most districts in Norfolk and Suffolk than in England (81.9), excluding in Ipswich, where the rate is 91.2.

The number of deaths in this cycle peaked on the 12th April with 29 hospital deaths, while the number of cases peaked on the 18th April with 102 more cases being confirmed. The number of daily deaths has been declining, but only slowly, whereas the daily number of cases confirmed has fallen faster. The daily number of cases and deaths have been fewer than ten since the start of June.

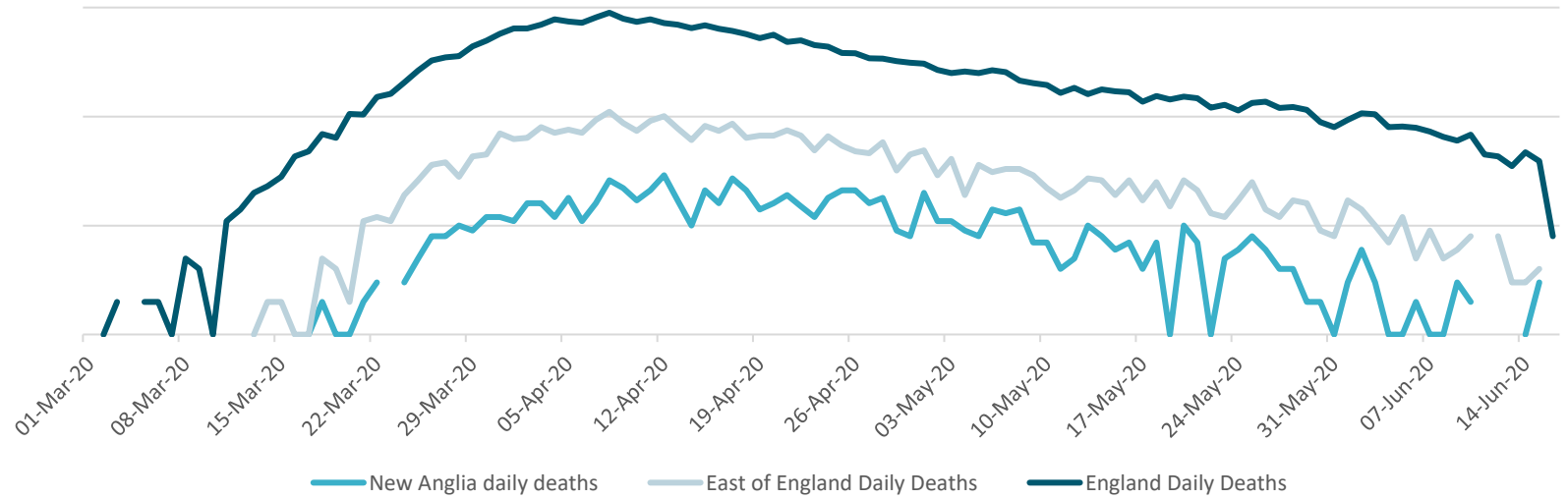
Sources: NHS UK and gov.uk. Recent data should be treated with caution as figures are subject to revision
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/deathsinvolvingcovid19bylocalareaanddeprivation

The curve has flattened

Number of Deaths in Hospitals across New Anglia



Number of Deaths in Hospitals (log scale)



The top graph show the number of daily deaths in hospitals across Norfolk and Suffolk, while the bottom graph shows the same number of deaths but compares the trajectory alongside the East of England and England.

The first virus related death in the East of England occurred eleven days after England recorded its first, with Norfolk and Suffolk recording its first death fifteen days after the country's first. The number of daily deaths had fluctuated across Norfolk and Suffolk after observing continued increase between the 20th and 30th March, but the number of daily deaths has been on the decline since peaking in mid-April.

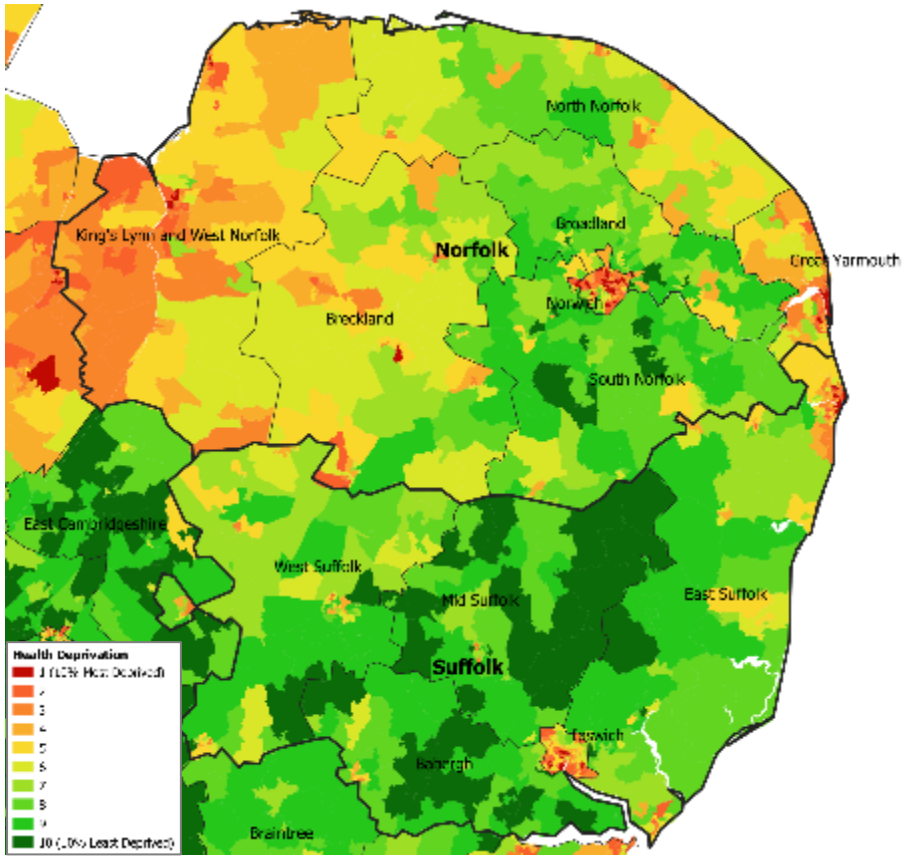
The daily number of hospital deaths peaked in England and the East of England around the same time (8th April) with deaths in New Anglia peaking a few days later (12th April). Daily deaths in Norfolk and Suffolk are now on a steeper decline than across England and the East of England, and the seven day rolling average of deaths is hovering around 1.

*Breaks in the data are for days where no deaths were recorded

Sources: NHS UK and gov.uk. Recent data should be treated with caution as figures are subject to revision

Pre-existing health challenges

Health deprivation across Norfolk and Suffolk, 2019



Index of Multiple Deprivation, 2019

Source: ONS deaths involving COVID-19 by local area and deprivation

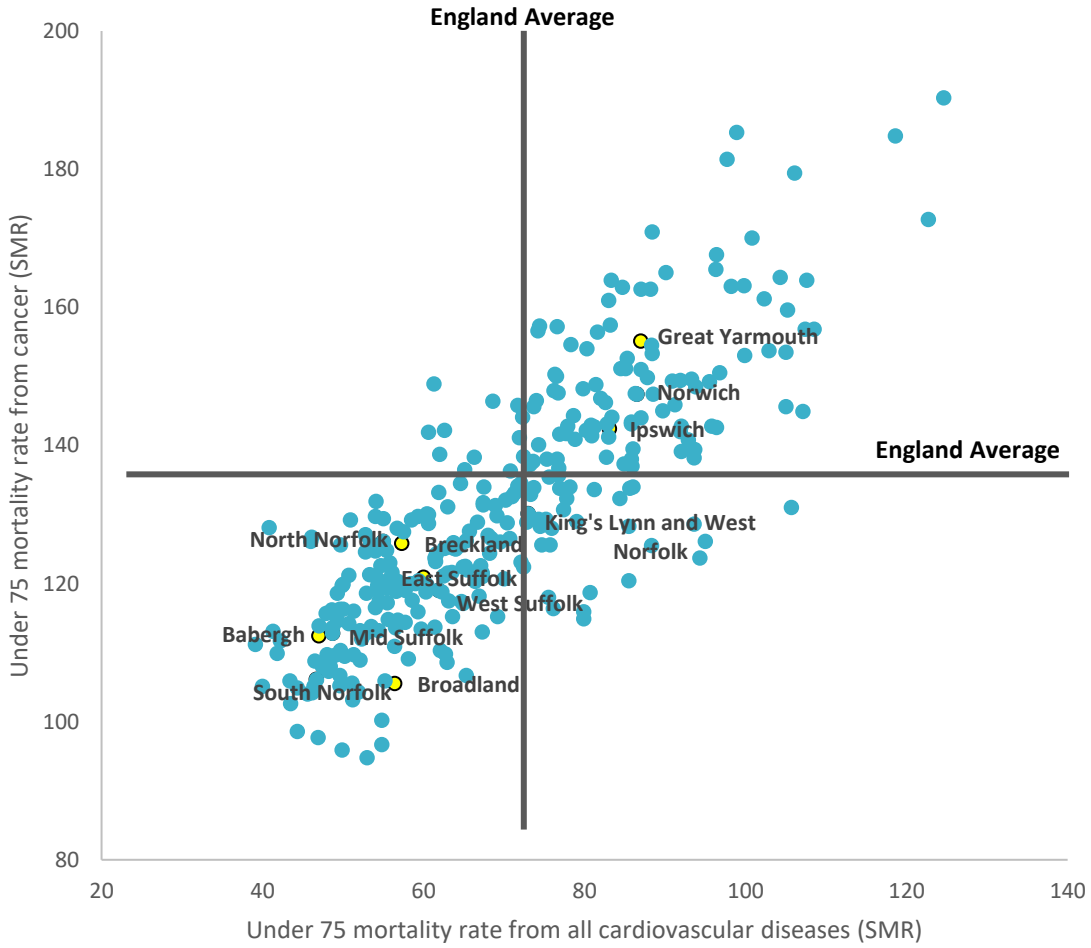
The health deprivation domain measures the risk of premature death and impairment of quality of life through poor health. Health deprivation in Norfolk and Suffolk is higher in more urban areas and coastal settlements, and is more widespread in Norfolk than in Suffolk. Ranked alongside 317 other local authorities, four districts in Norfolk and Suffolk are in the one-hundred most deprived in the country.

The evidence so far shows that deaths from Coronavirus are much higher in deprived areas, with the ONS finding that: "The age-standardised mortality rate of deaths involving COVID-19 in the most deprived areas of England was 55.1 deaths per 100,000 population compared with 25.3 deaths per 100,000 population in the least deprived areas."

Local Authority	Rank of average health deprivation score	Proportion of LSOAs in most deprived 10% nationally
Norwich	35	26.5%
Great Yarmouth	51	16.4%
King's Lynn and West Norfolk	67	5.6%
Ipswich	71	8.2%
North Norfolk	133	1.6%
Breckland	138	1.3%
East Suffolk	159	4.8%
West Suffolk	188	0.0%
Broadland	221	0.0%
South Norfolk	244	0.0%
Babergh	255	0.0%
Mid Suffolk	279	0.0%

Mortality rates vary across districts

Under-75 mortality rate from cancer and cardiovascular diseases by local authority, 2016-18



Source: Public Health England Local Health data, 2016-18.

Residents of districts with high levels of health deprivation have a higher risk of premature death from cancer or cardiovascular disease.

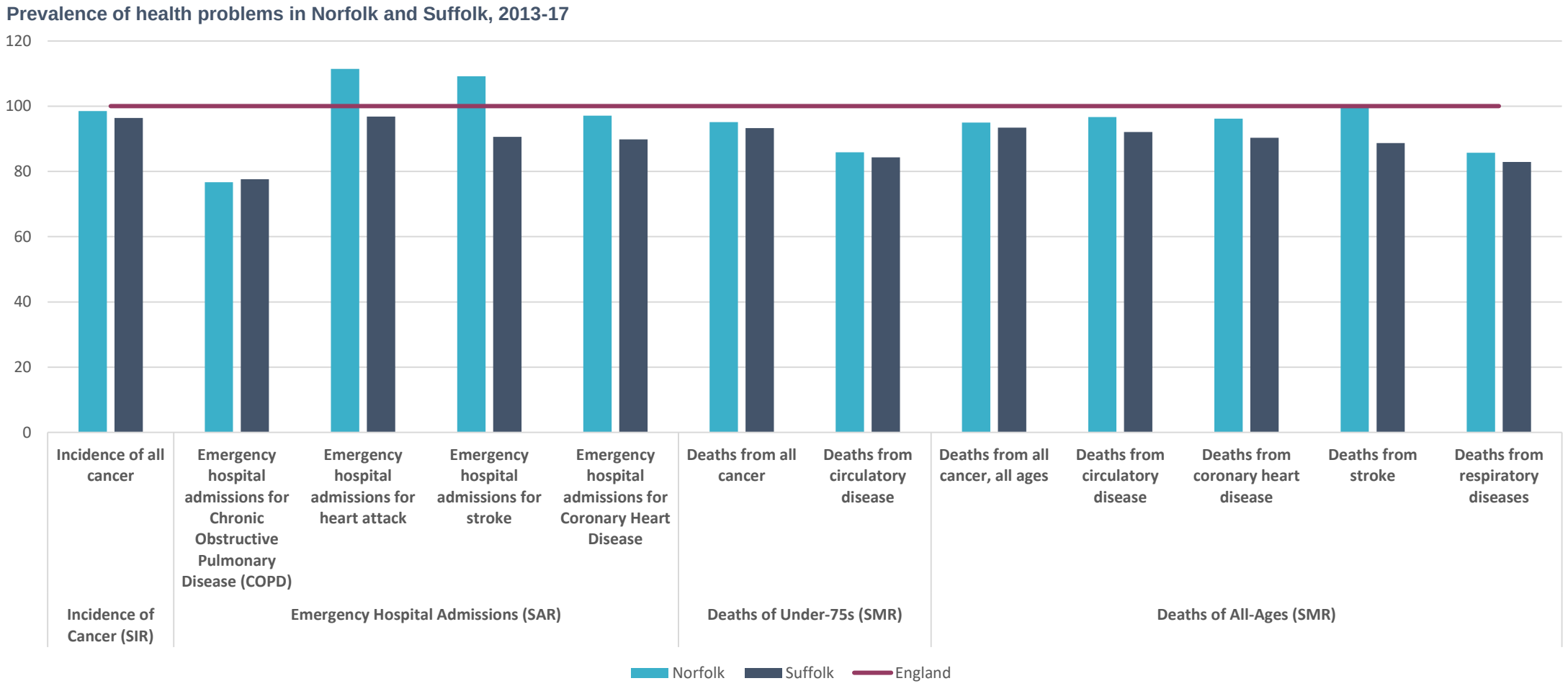
Data from Public Health England shows the prevalence of serious health problems in local authorities. By calculating the number of deaths from both diseases in people aged under 75, dividing by the population-years for those aged under 75 and multiplying by 100,000, we can work out the extent to which Norfolk and Suffolk districts are affected by serious health problems in comparison to national averages.

Weighted by age, the chart shows that deaths from cancer and cardiovascular disease are particularly high across the districts with high health deprivation. Great Yarmouth, Norwich and Ipswich are located in the top right of the chart and have a higher than (national) average number of deaths across both domains. The majority of districts in Norfolk and Suffolk have a lower than (national) average number of deaths across both domains.

The following slide shows the health breakdown across several domains for Norfolk and Suffolk relative to the England average. They are calculated using standardised rates which divide the number of deaths, hospital admissions, and incidences in the area by the respective number that would be expected if the area experienced the same age-specific rates of deaths, hospital admissions and incidences as for England.

The health indicators show that both counties perform better-than or in line with the England average across most domains. Norfolk does have a higher than anticipated number of emergency hospital admissions for strokes and heart attacks, but deaths from both do not exceed anticipated levels.

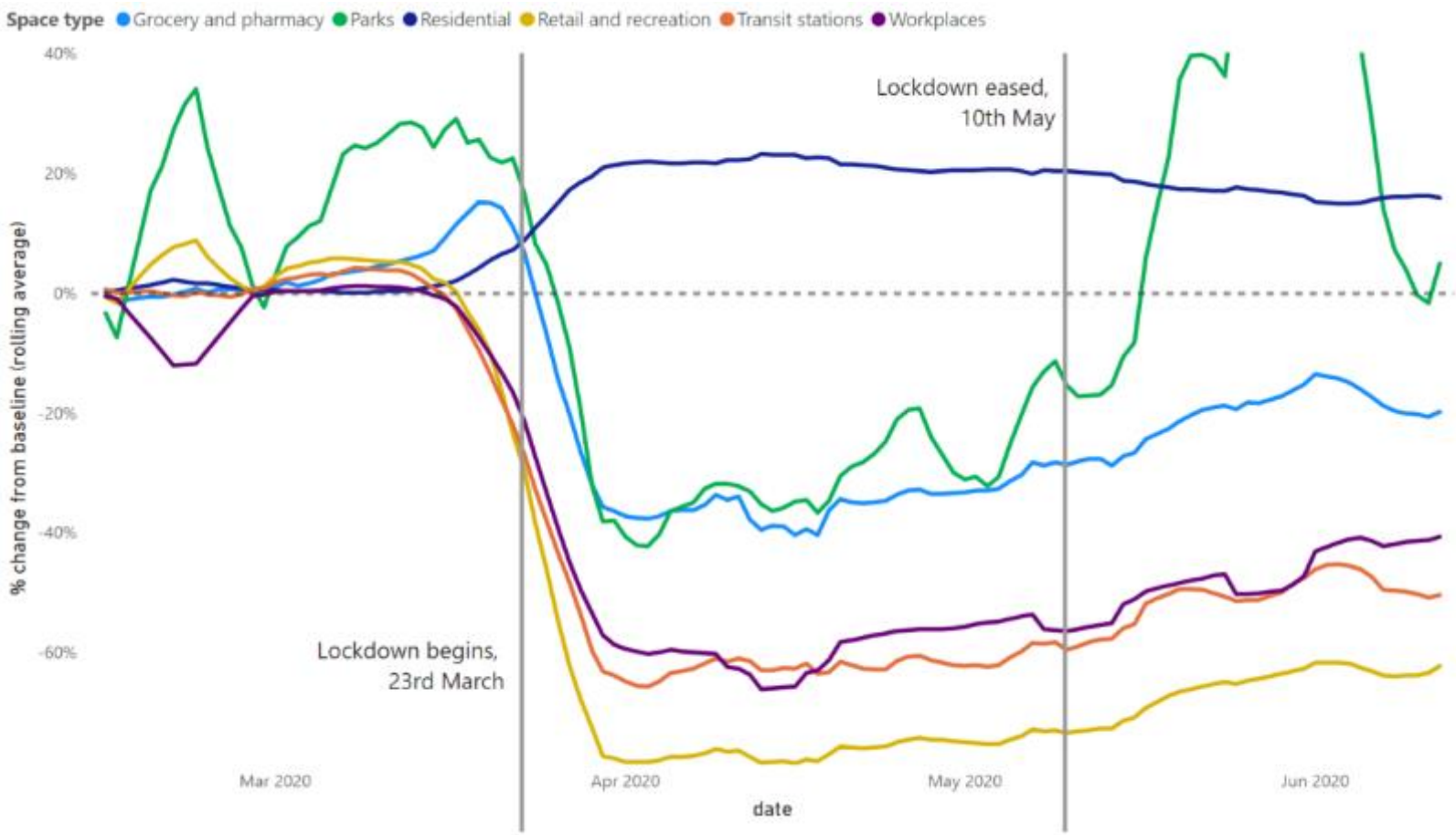
Mortality rates are below England average



Source: Public Health England Local Health data, 2013-17.

Changes in the use of space: Norfolk

Change in amount of time spent in different spaces relative to baseline for Norfolk (smoothed)



This visual shows change in the use of different types of space relative to the first six weeks of the year.

This data is provided by Google, based upon the real-time location of phones.

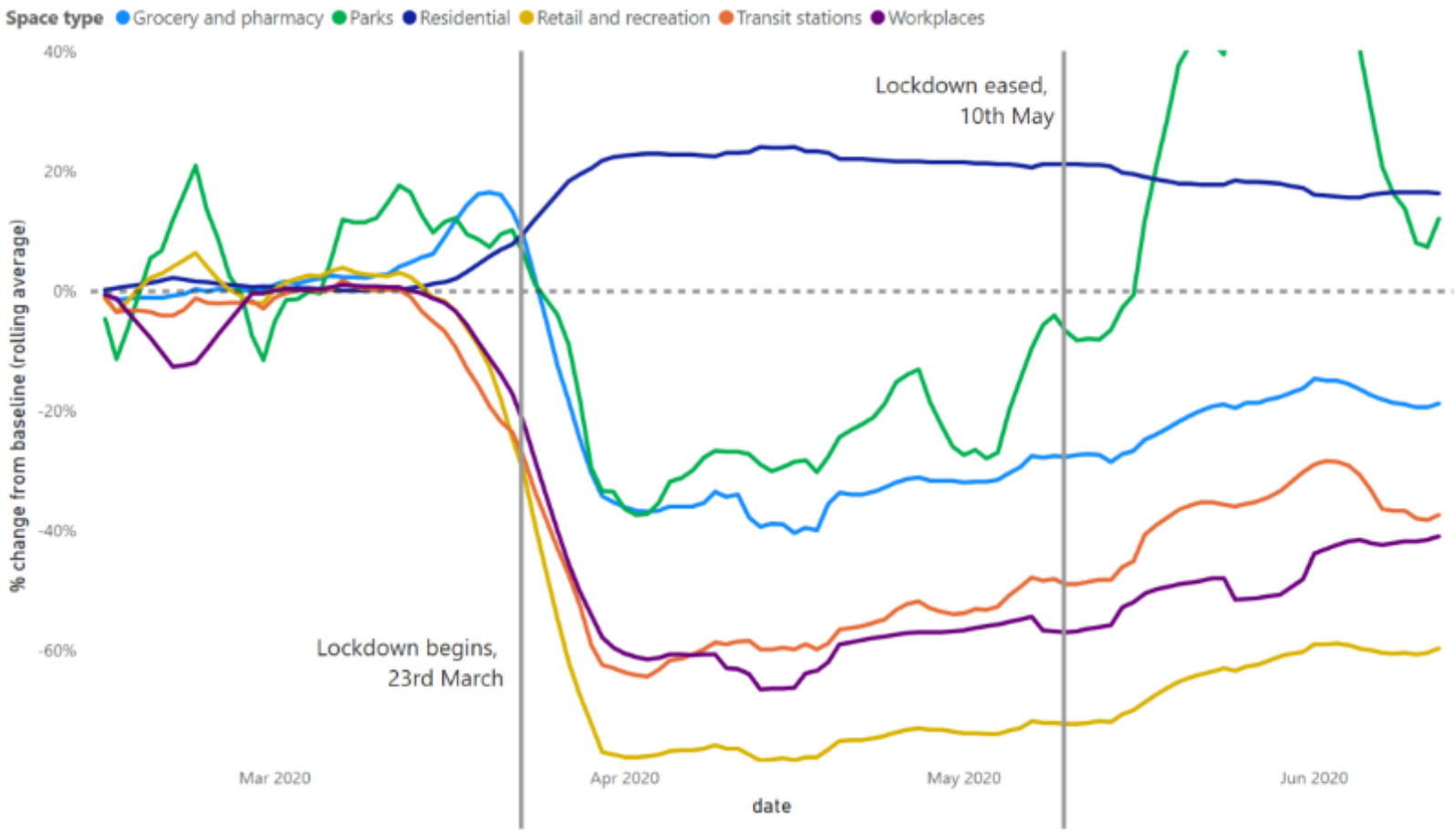
The dramatic effect of lockdown on the 23rd March can be clearly seen, in increased time at home, and reduced time in all other settings.

On the 10th May, the Government changed its messaging from "Stay at home" to "stay alert" and reduced various restrictions. Since then activity has returned to parks, but been slower to come back in other areas.

Source: Google COVID 19 Community Mobility Reports. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020

Changes in the use of space: Suffolk

Change in amount of time spent in different spaces relative to baseline for Suffolk (smoothed)



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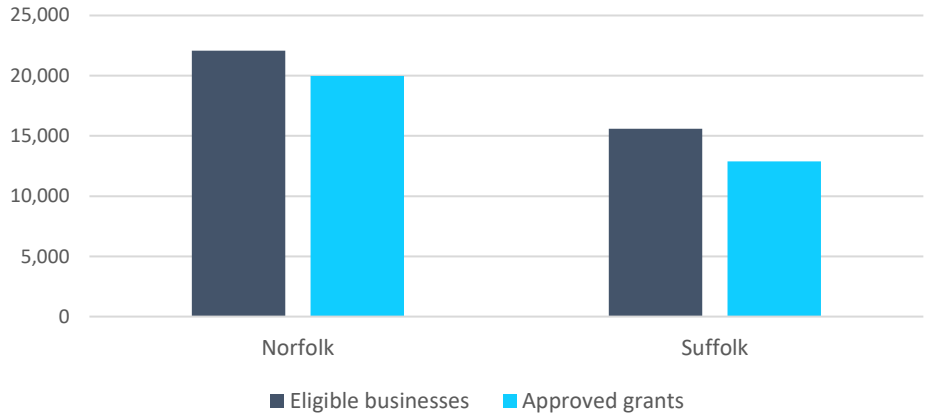
Source: Google COVID 19 Community Mobility Reports. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020

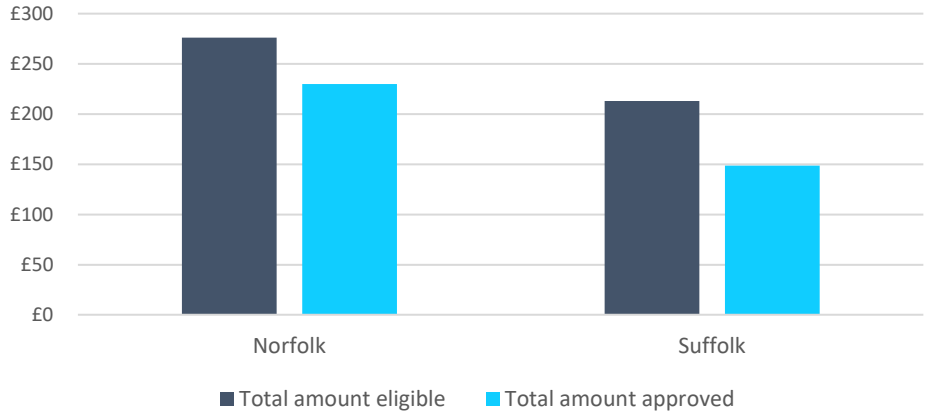
Businesses have taken up support grants

Local authority business support grant payments as of 31st May 2020

Number of businesses (eligible and approved) for Business Support Grant Payments



Value (£m) of business support grants (eligible and approved)



The UK Government announced the creation of Small Business Grant Fund in the Budget on March 11. This provides a grant of £10,000 to businesses in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR).

This is accompanied by a Retail, Hospitality and Leisure Grant (RHLG), which provides businesses in receipt of the Expanded Retail Discount with a rateable value of less than £51,000 with one of two grants:

- Businesses in the retail, hospitality or leisure sectors with a property that has a rateable value of up to and including £15,000 will receive a grant of £10,000.
- Eligible businesses in these sectors with a property that has a rateable value of over £15,000 and less than £51,000 will receive a grant of £25,000.

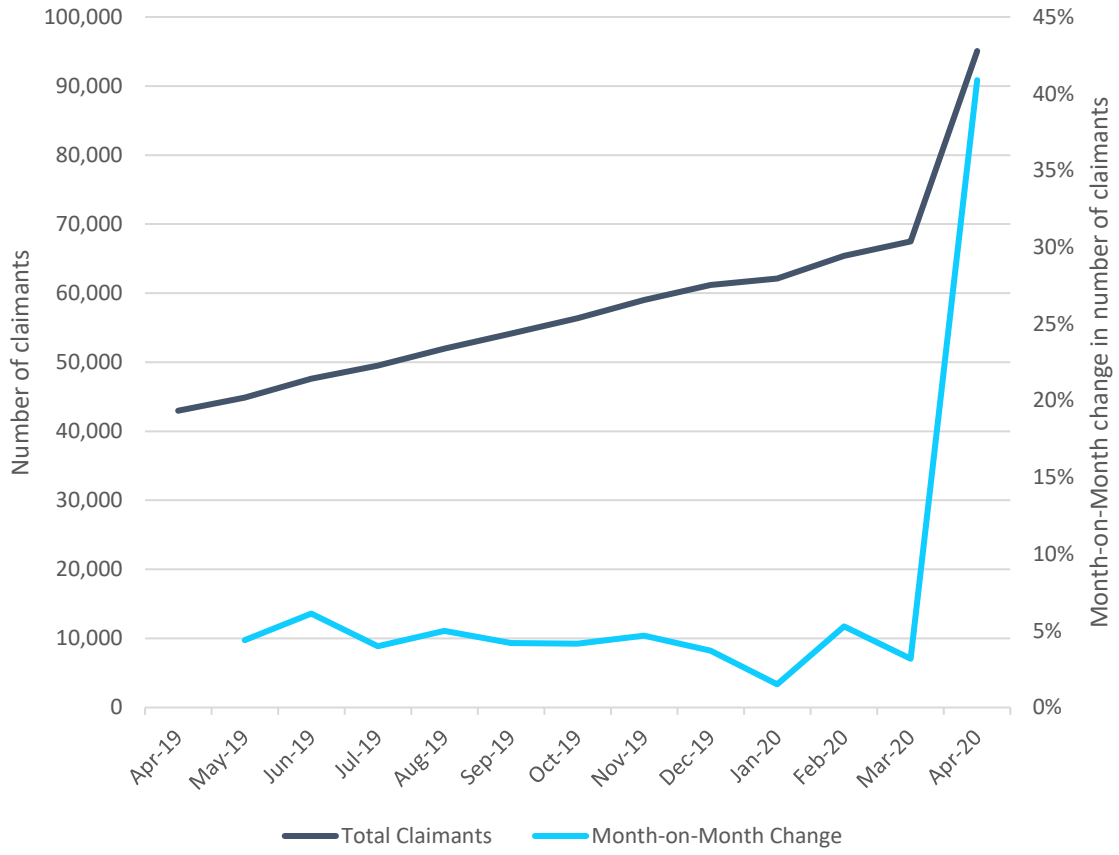
Local Authorities pay these grants to eligible businesses and are later reimbursed by Government.

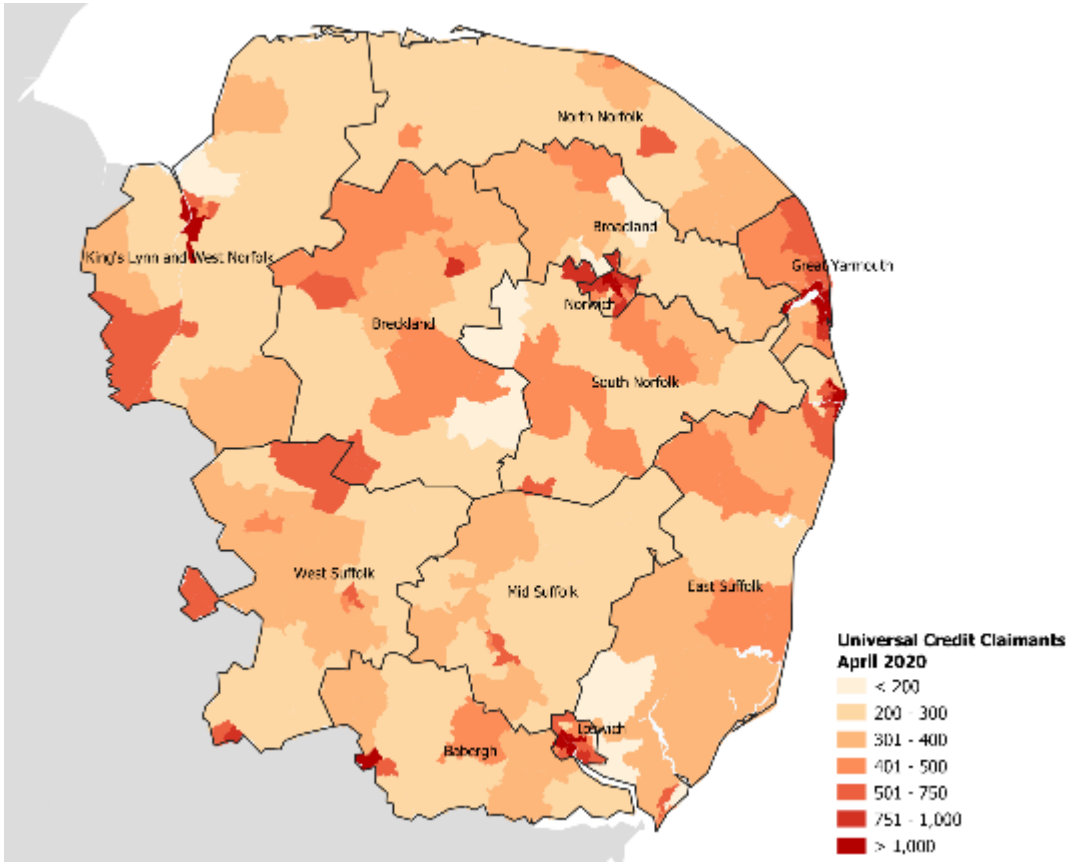
There are a higher number of businesses eligible for government support schemes in Norfolk than in Suffolk, translating into a higher number of businesses receiving financial support in Norfolk. Across the two counties **87.3% of the 37,647 eligible businesses have received financial support totalling £378.5m** – this accounts for 77.4% of the initial allocation set aside by Norfolk and Suffolk districts.

Source: Department for Business, Energy & Industrial Strategy, Local Authority grant payments as of May 31st 2020.

Rise in Universal Credit claims

Universal credit claimants – total for local authorities across Norfolk and Suffolk





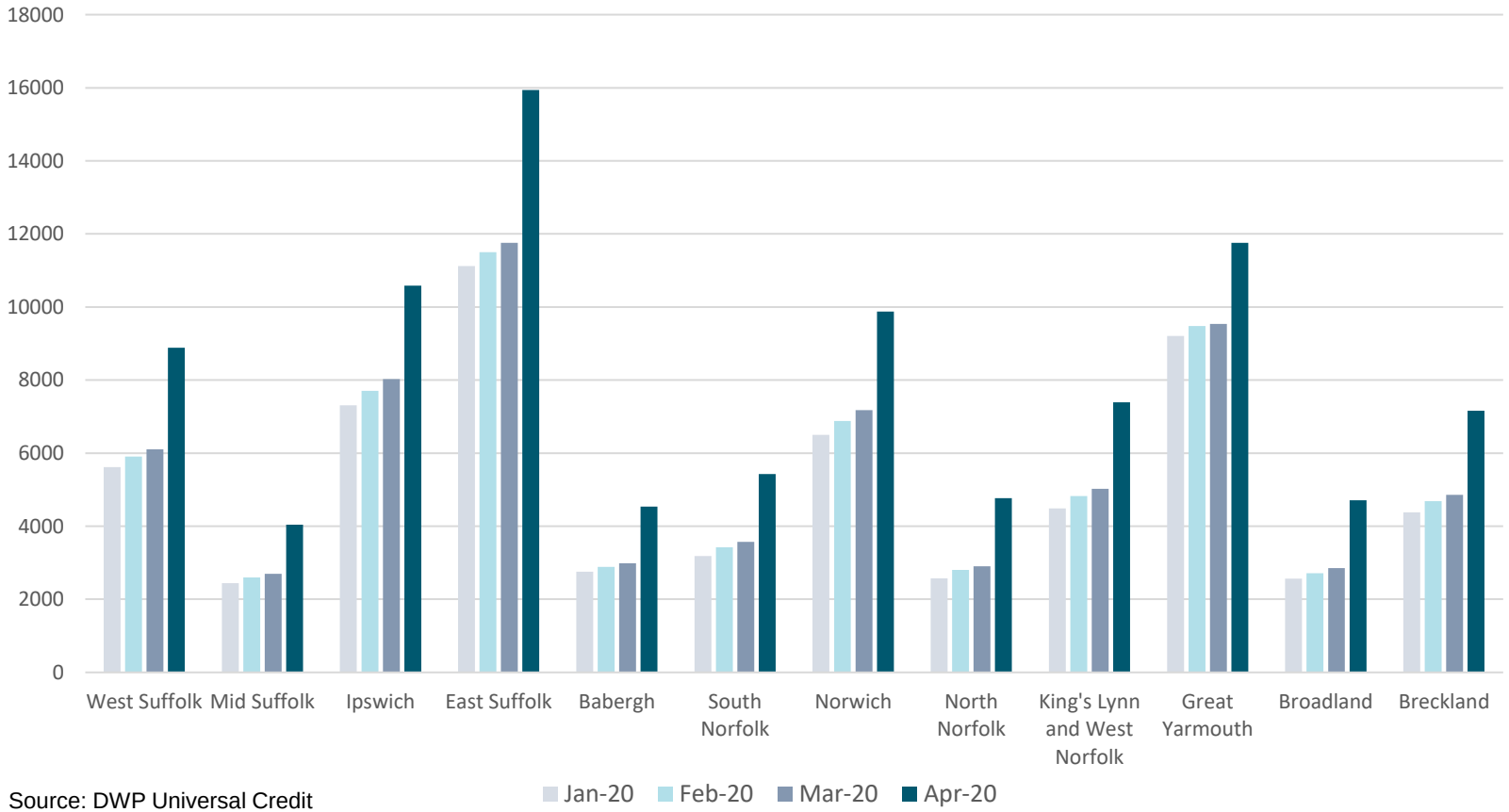
Universal credit claimants across Norfolk and Suffolk have been climbing steadily over the past year, as is common across much of the country as the system has been rolled out. Recent data show that the number of claimants has increased rapidly to **95,065** at end of April, an increase of nearly **41%** since the end of March. The highest number of claimants are within the urban centres of Norwich, Ipswich and Kings Lynn, and in the coastal towns of Great Yarmouth and Lowestoft.

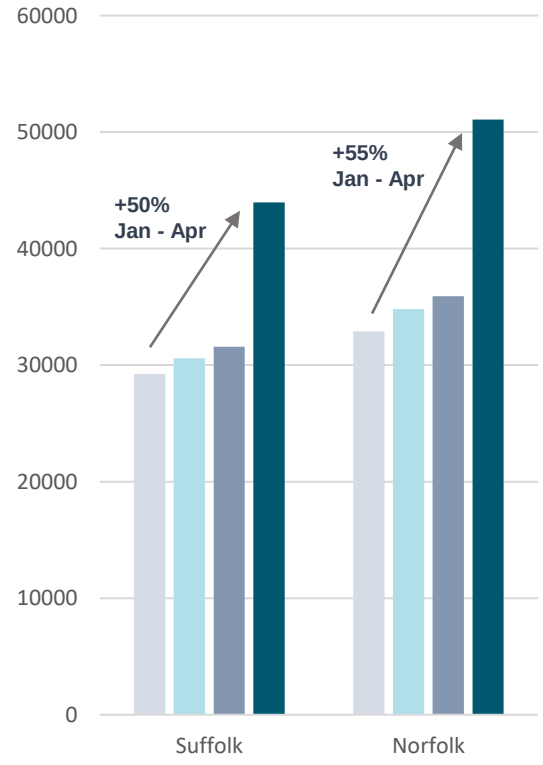
Source: DWP Universal Credit

Universal Credit claims by district

In January 2020 there were 62,129 Universal Credit claimants in Norfolk and Suffolk: by the end of April this had risen to 95,065, an increase of 53%. Claims have been rising in all local authorities, with the greatest percentage increases coming in North Norfolk (+85%) and Broadland (+84%), while the lowest was in Great Yarmouth – still with a 28% increase in claimants.
One in three universal credit claimants across all of Norfolk and Suffolk were under the age of 29. The proportion was highest in Norwich at 36% of claimants, and lowest in North Norfolk at 28.6%.

Universal credit claimants by local authority, Jan – Apr 2020

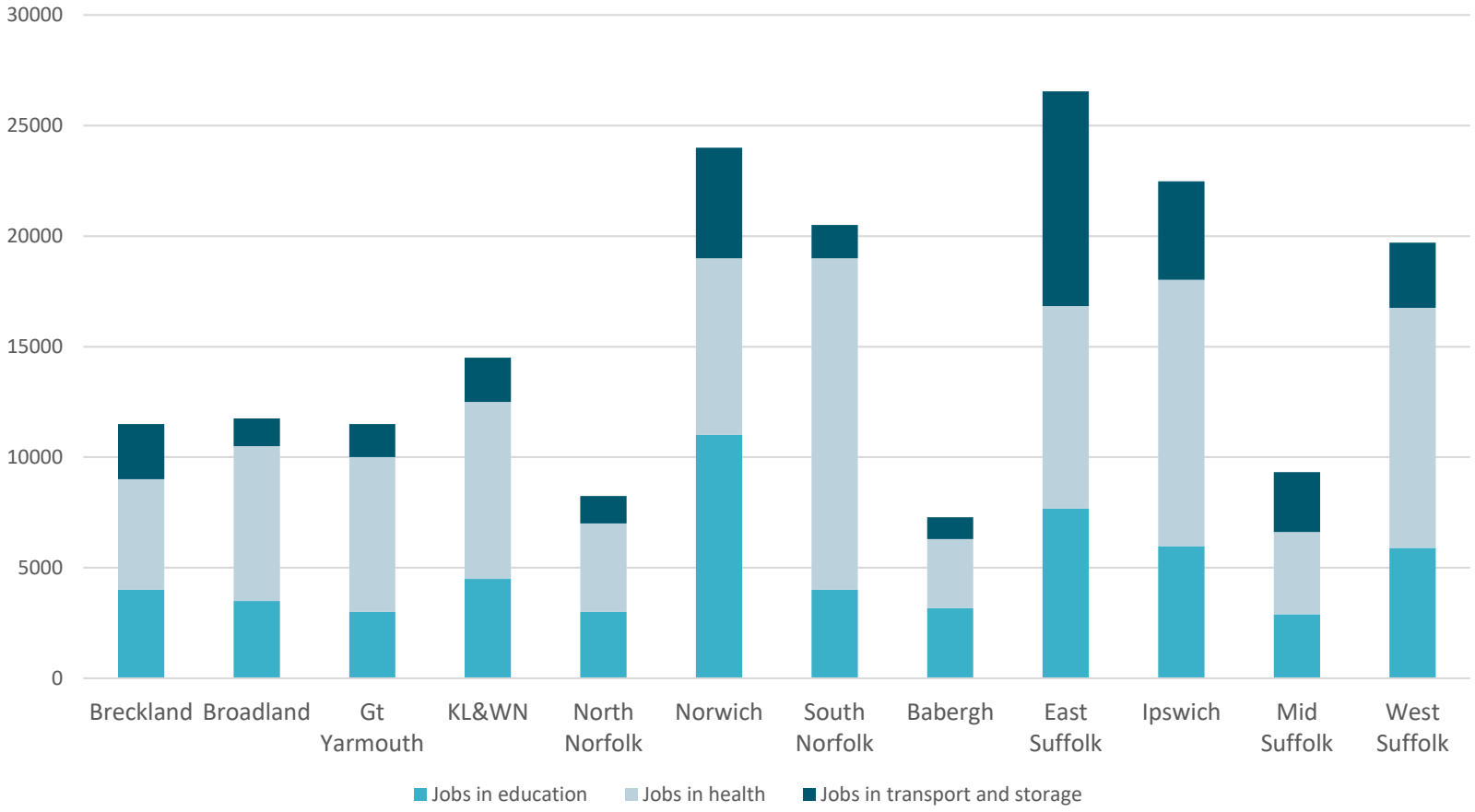


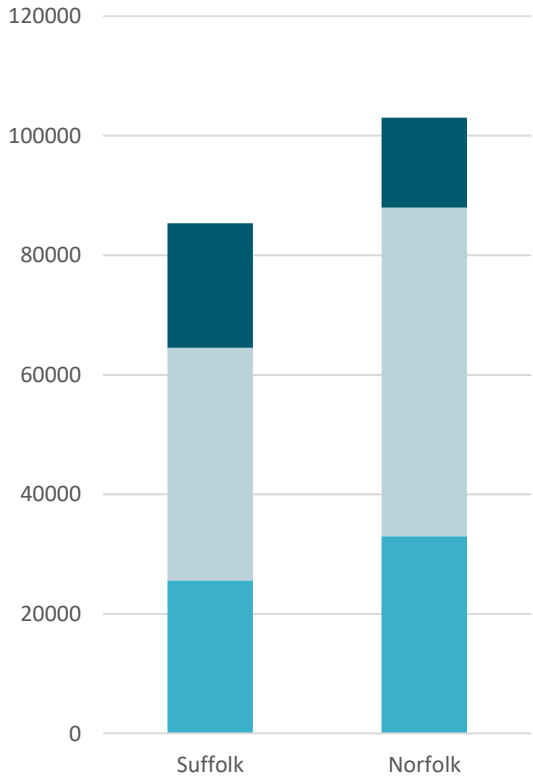


Source: DWP Universal Credit

Key workers in local authorities

Workers in education, health, and transport and storage by district, 2019



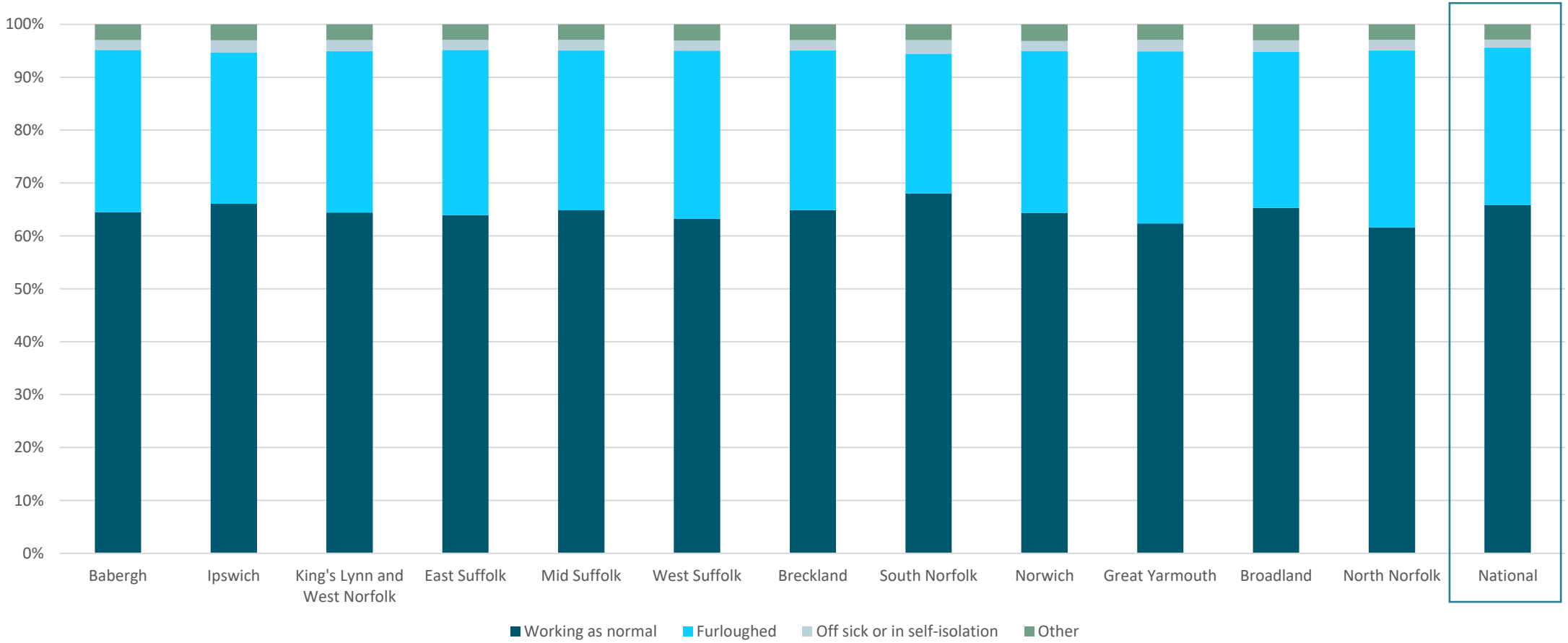


Source: MD analysis of data supplied by NODA and SODA
NODA and SODA analysis uses a more restrictive definition of the number of key workers than is used by the ONS so the 'official' number of key workers in Norfolk and Suffolk is higher than shown here.

Employment status in local authorities

Using data on employment by sector in each local authority combined with ONS BICS data on employment status we can estimate the employment status of workers in each local authority. Most local authorities are similar to the national picture (far right column), with around 2 in 3 employees working as normal (including remotely) and 1 in 3 being furloughed.

Estimates employment status of workers in businesses continuing to trade, by local authority, 4 May - 17 May 2020

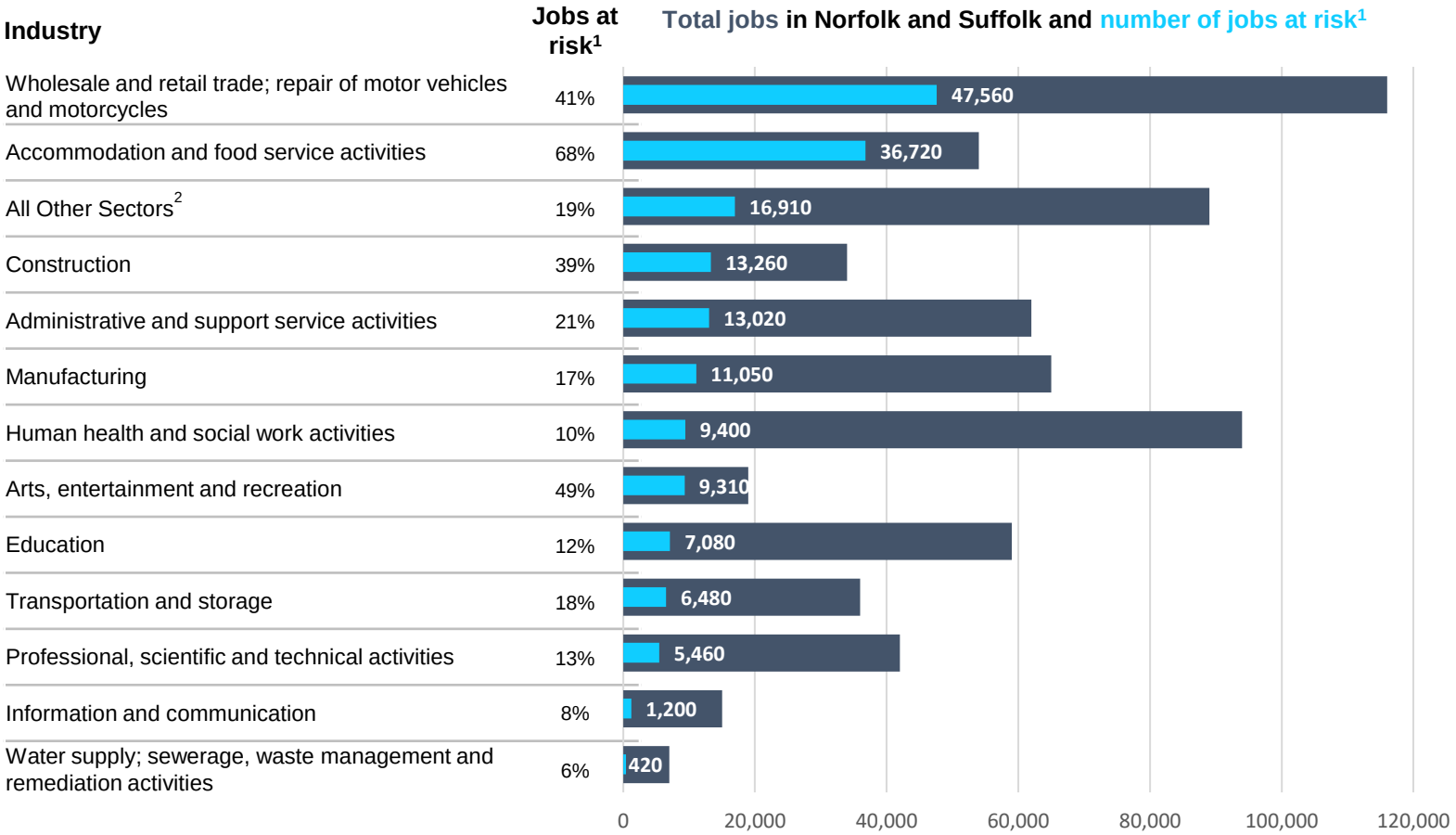


Source: ONS BRES, 2018; MD analysis of ONS BICS Wave 5

Please note: These numbers are approximations only. We have applied BICS survey responses on employment status by national sector to the amount of employment per sector in each local authority, to estimate the overall employment status of workers in that local authority. The BICS survey does not include all sectors, notably agriculture.

Jobs at risk due to physical distancing

Proportion of jobs in Norfolk and Suffolk at high risk of furlough, layoffs, or reductions in hours and/or pay during periods of high physical distancing



[1] 'Jobs at risk' means jobs which are at a high risk of furlough, layoffs, or reductions in hours or pay during periods of high physical distancing.
[2] Data is not available for all sectors. 'All other sectors' includes agriculture, forestry and fishing, mining and quarrying, electricity, gas, steam, financial and insurance activities, real estate activities, other service activities, and public administration and defence.
Source: McKinsey and Company 'COVID-19 in the United Kingdom', May 2020; ONS, 2019, Business Register and Employment Survey

The chart to the left uses estimates from McKinsey and Company on the proportion of jobs which are at high risk of disruption due to physical distancing ('disruption' means furlough, redundancy, or reductions in hours and/or pay) to assess the potential jobs at risk across Norfolk and Suffolk's sectors.

The analysis suggests that for Norfolk and Suffolk 177,000 jobs are at risk – one in four of all jobs in the area.

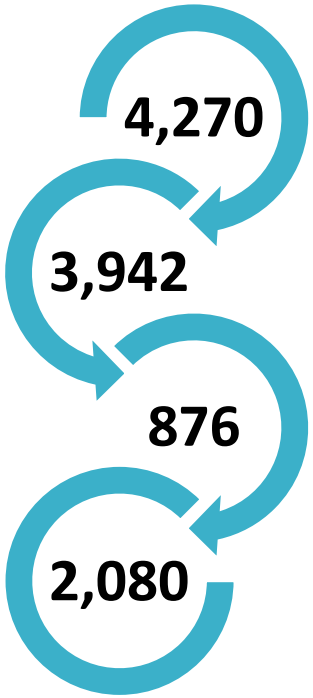
Unsurprisingly, the jobs most at risk of disruption are in sectors which are reliant on physical proximity – wholesale and retail trade, and accommodation and food service activities.

The jobs which are most at risk tend to be lower paid. The McKinsey analysis estimates that **47% of all jobs at risk of disruption due to physical distancing pay less than £10 an hour** (against a national median wage of £13 an hour) while just 6% of those at risk pay more than £25 an hour.

Covid-19 Impact on Apprentices

The Sutton Trust reported that in early April, only **39%** of apprenticeships were continuing as normal, with **36% furloughed** and **8% made redundant**. There is evidence that apprenticeship starts in Autumn 2020 could fall by as much as 50%.

In a national employer survey, employers felt that 81% of their apprentices will return to their course. This suggests employers believe that 19% will not. This suggests that of Norfolk and Suffolk's **10,950** apprenticeship starts in 2018/19, approximately:



Are continuing as normal

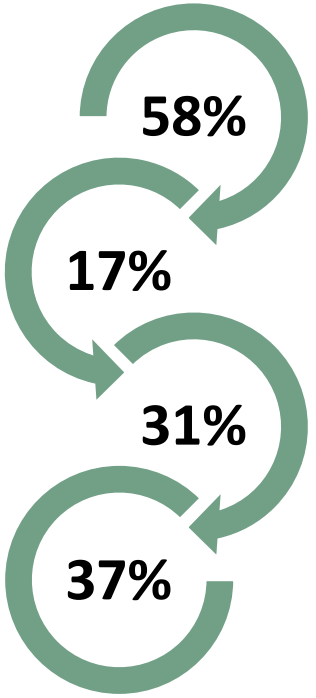
Are on furlough

Have been made redundant

May not return to their course

Looking forward, the Sutton Trust has surveyed employers to assess expectations of what will happen to apprenticeship numbers. The Sutton Trust found mixed findings amongst employers around how many of their apprentices would return to their courses following the pandemic. There were also concerns of the ability of some apprentices to complete their apprenticeship from home.

Of the employers surveyed:



Were confident all their apprentices would return

Felt that fewer than half of their apprentices would return

Are likely to higher fewer or no apprentices over the next year

Reported that some apprentices were unable to work from home due to lack of equipment

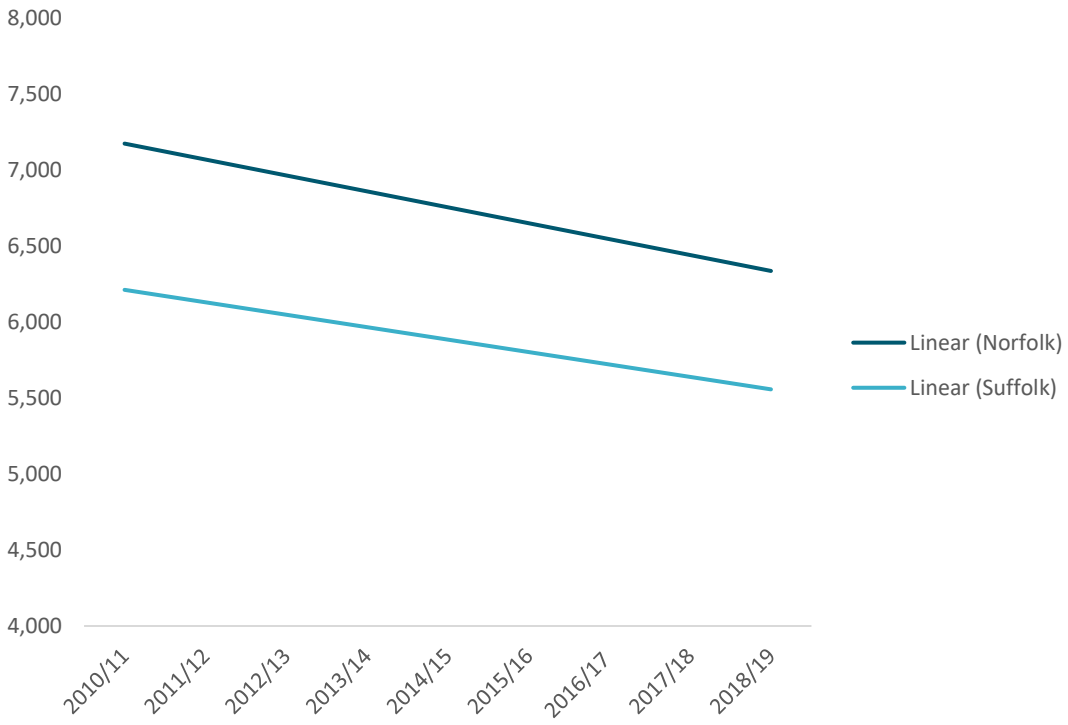
Source: The Sutton Trust 'COVID-19 and Social Mobility Impact Brief #3: Apprenticeships. May 2020

Covid-19 Impact on Apprenticeship Starts

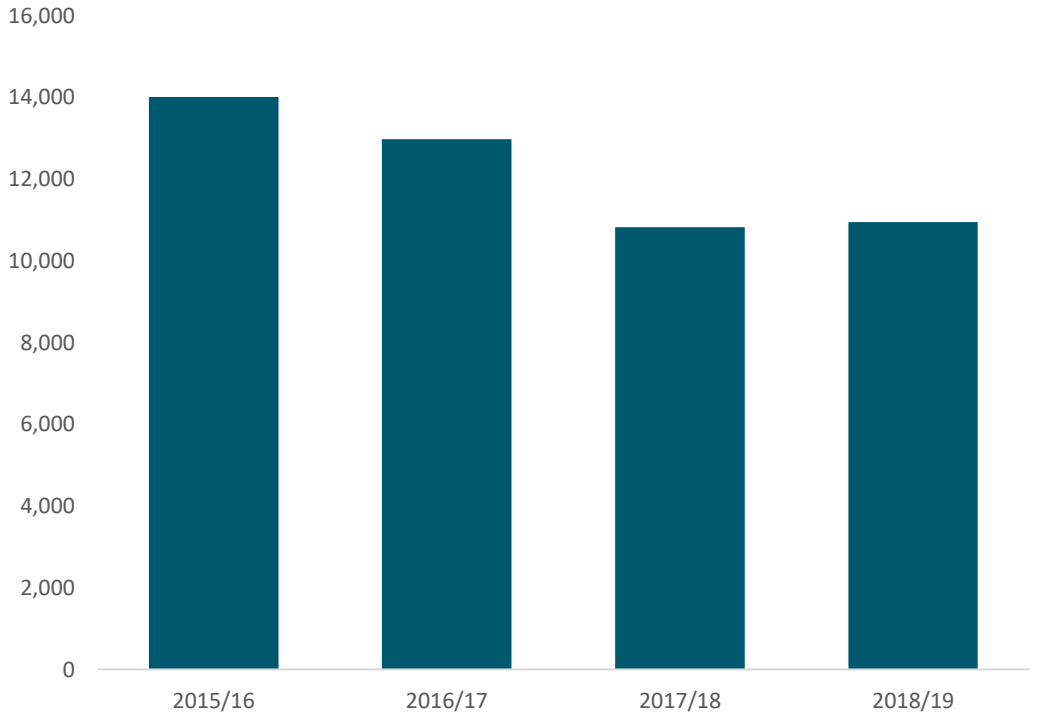
Apprenticeship starts have declined across Norfolk and Suffolk. From 2015/16 to 2018/19 there was a 22% decline in apprenticeship starts across the two areas. This is a continuation of a general pattern of decline over the past 10 years.

Pre-pandemic, apprenticeship starts across the first half of 2019/20 (August to January) were down 5% on the equivalent period a year earlier.

Apprenticeship Starts since 2010, Norfolk and Suffolk (linear trend)



Total Norfolk and Suffolk apprenticeship starts, 2015 - 2019



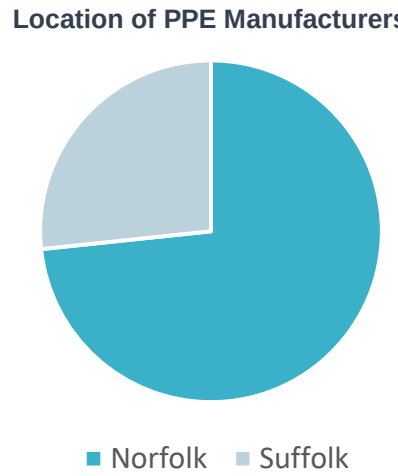
Source: ONS Apprenticeships and Traineeships

There are at least 60 PPE manufacturers in New Anglia LEP

x **35** firms = **306,720** weekly production capacity

x **22** firms = **103,370** weekly production capacity

x **18** firms = **133,000** weekly production capacity



- 44/60 known PPE manufacturers in Norfolk County
- 16/60 known PPE manufacturers in Suffolk County

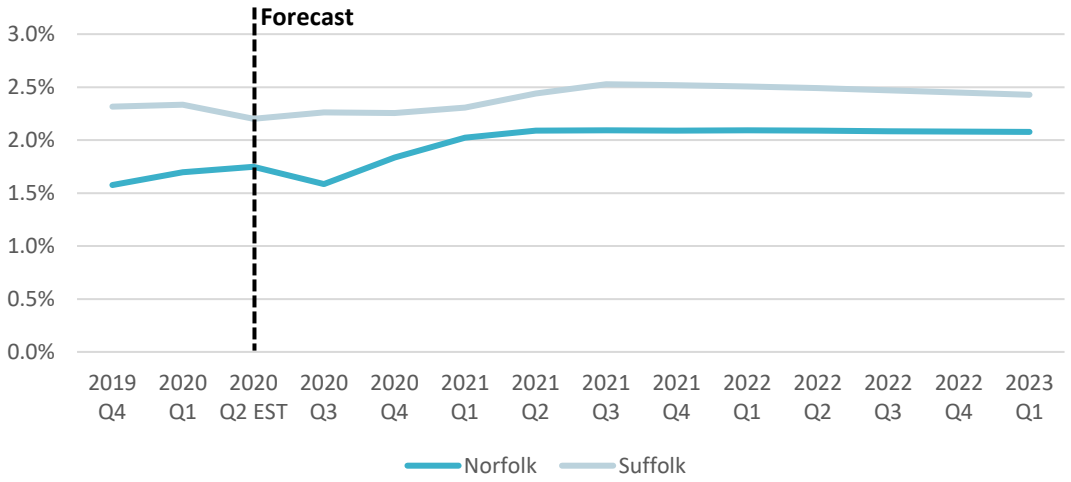
No reliable published estimates exist of how much PPE the UK needs, nor of how much is currently being produced.

However, in late May the Government announced **an additional 2 billion items of PPE will be produced domestically** and is in contact with over 350 potential manufacturers.

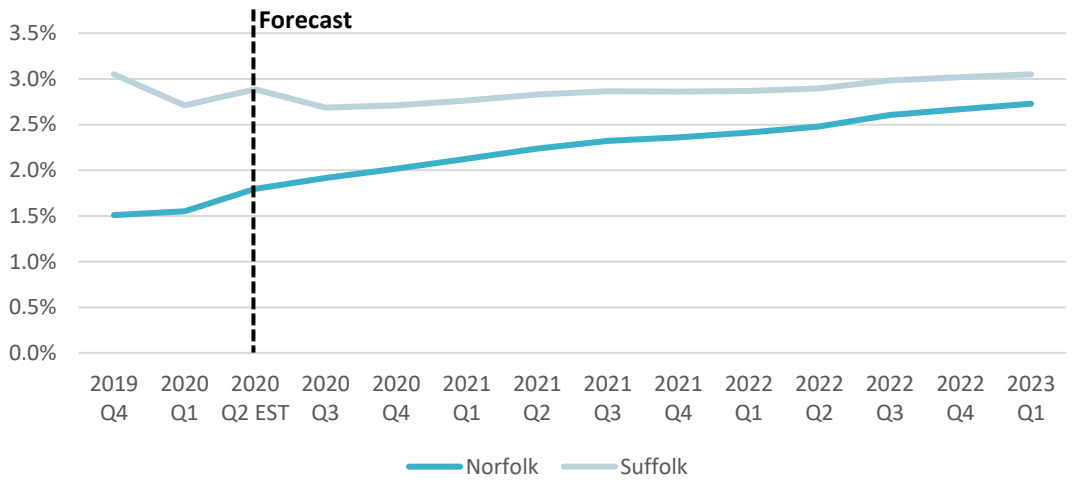
Source: New Anglia LEP

Commercial property forecasts

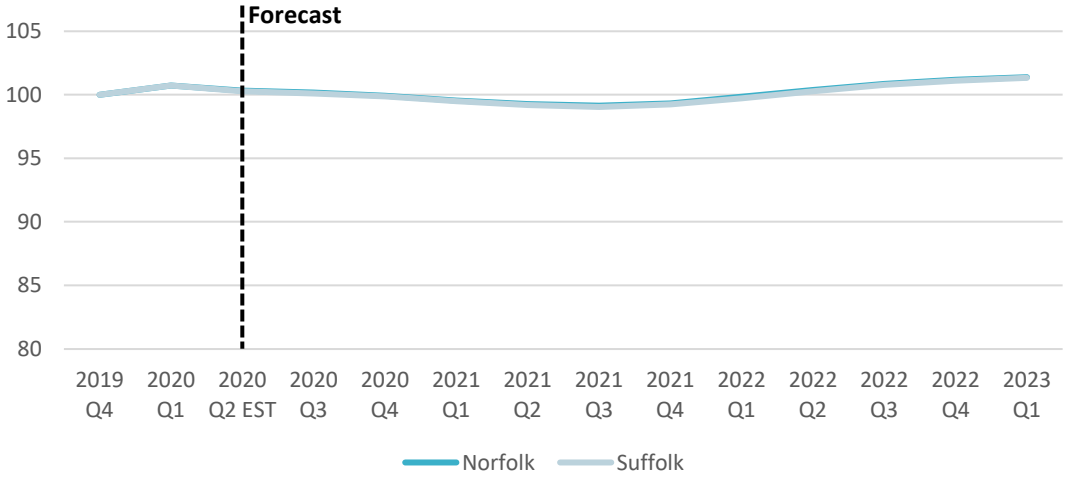
Retail vacancy rate forecasts



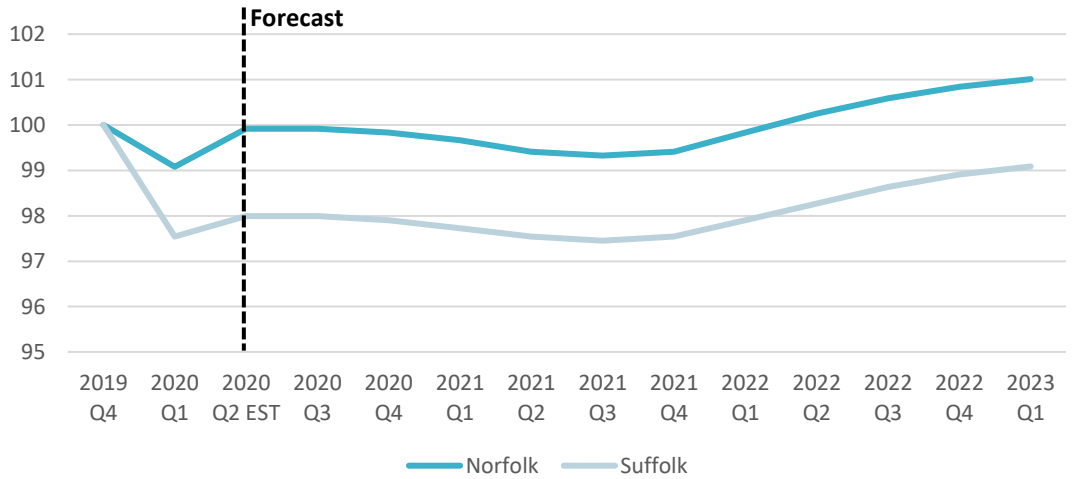
Office vacancy rate forecasts



Retail market rent per sf index forecasts (2019Q4 = 100)



Office market rent per sf index forecasts (2019Q4 = 100)

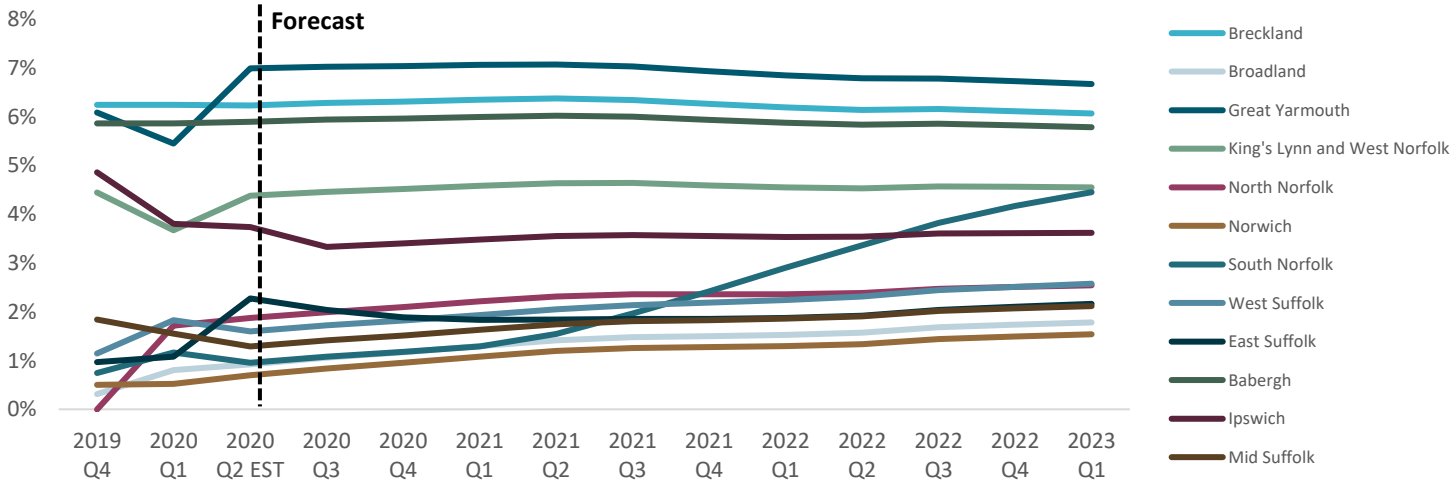


Sources: CoStar

*Forecasts are sourced from CoStar and are based on local economic indicators, updated to reflect the change in conditions from Covid-19

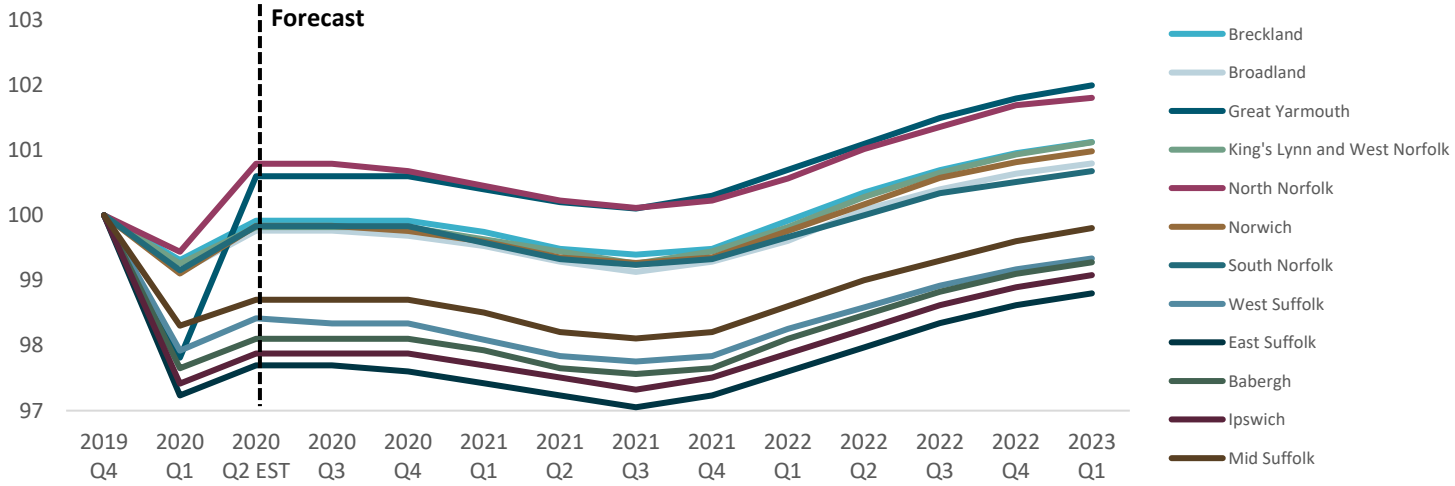
District office property market forecasts

Vacancy rate forecasts



The effect of the pandemic on vacancy rates varies depending on the current vacancy rate. Forecasts show that districts with currently high vacancy rates will experience a stagnation, and in some cases, a decline in vacancy rates. Districts with currently low vacancy rates are forecast to experience growing vacancy rates in the next two to three years. Half of Norfolk and Suffolk districts are expected to record higher vacancy rates in Q2 of 2020: Broadland, Great Yarmouth, King's Lynn and West Norfolk, North Norfolk, Norwich and East Suffolk – all but one are located in Norfolk.

Market rent per sf index forecasts (2019Q4 = 100)

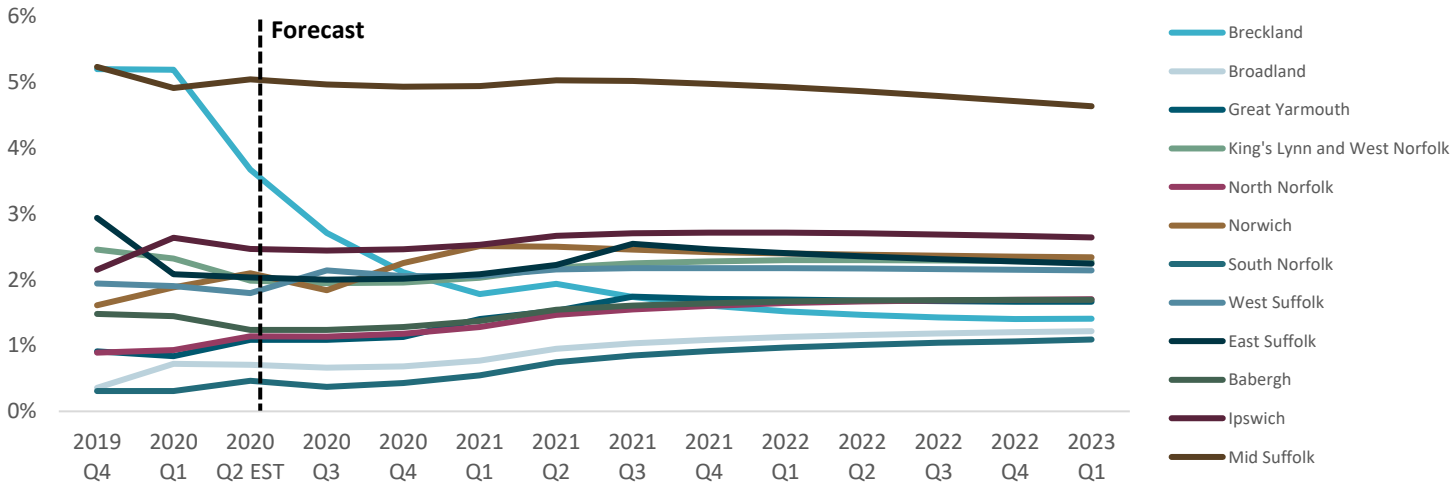


Market rents are forecast to decline, only later than the initial shock in 2020 Q2 as rents are expected to grow in the second quarter of the year across all districts. Rents are forecast to stagnate during the rest of 2020 until a decline across all districts during 2021. Compared to 2019Q4, market rents in Suffolk are relatively lower than in Norfolk, and for many districts, market rents aren't expected to reach their 2020Q1 levels until the end of 2020 or start of 2021.

Forecasts are sourced from CoStar and are based on local economic indicators, updated to reflect the change in conditions from Covid-19

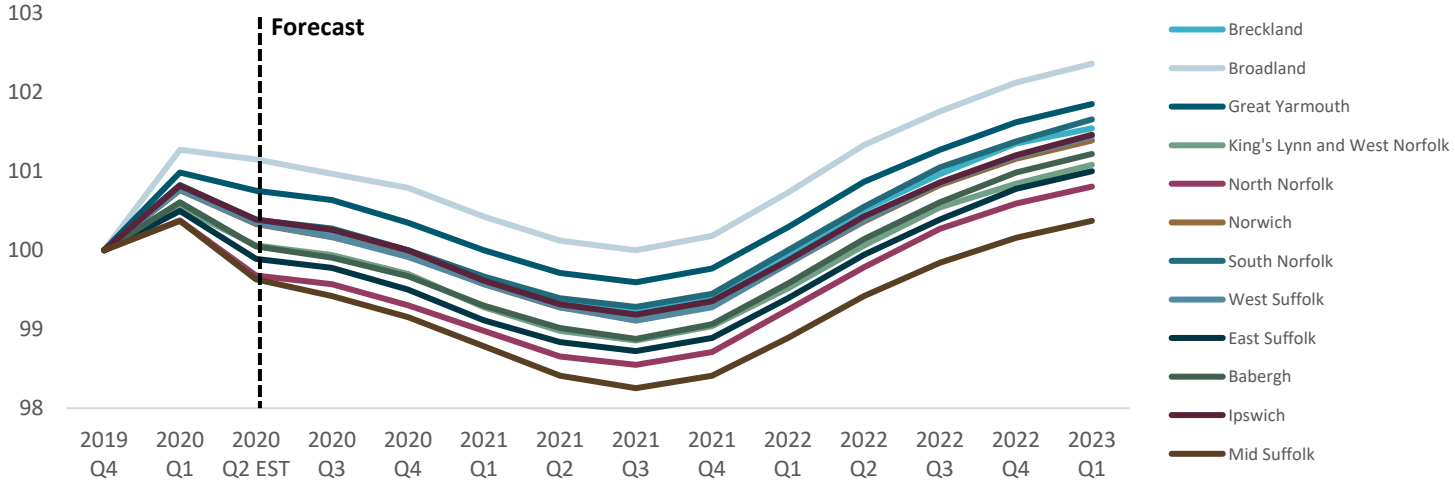
District retail property market forecasts

Vacancy rate forecasts



Vacancy rates are forecast to fall over the next three years in districts with currently high rates, but rise in most other districts. In districts where the vacancy rate is expected to rise, the rise isn't expected to be sudden and sharp, but instead more gradual from 2020Q2 onwards. Districts with initially low vacancy rates are forecast to experience a period of sustained growth in vacancies (South Norfolk, Broadland, North Norfolk and Babergh), while districts like King's Lynn and West Norfolk and West Suffolk are expected to experience stagnant vacancy rates.

Market rent per sf index forecasts (2019Q4 = 100)



Unlike in the office market, market rents are forecast to fall in the second quarter of 2020, continuing to fall until 2021Q3 across all districts. Market rents are expected to decline further in Suffolk districts than in Norfolk districts. The forecast recovery (growth) of market rents is expected happen at a similar rate after 2021Q3 across districts, but those with lower rental values look set to have a slower recovery. Mid Suffolk is forecasted to achieve its 2020Q1 rental level by 2023 Q1 compared with Broadland which is expected to reach its 2020Q1 rental level by 2020Q2.

Forecasts are sourced from CoStar and are based on local economic indicators, updated to reflect the change in conditions from Covid-19

respond
restart
renew

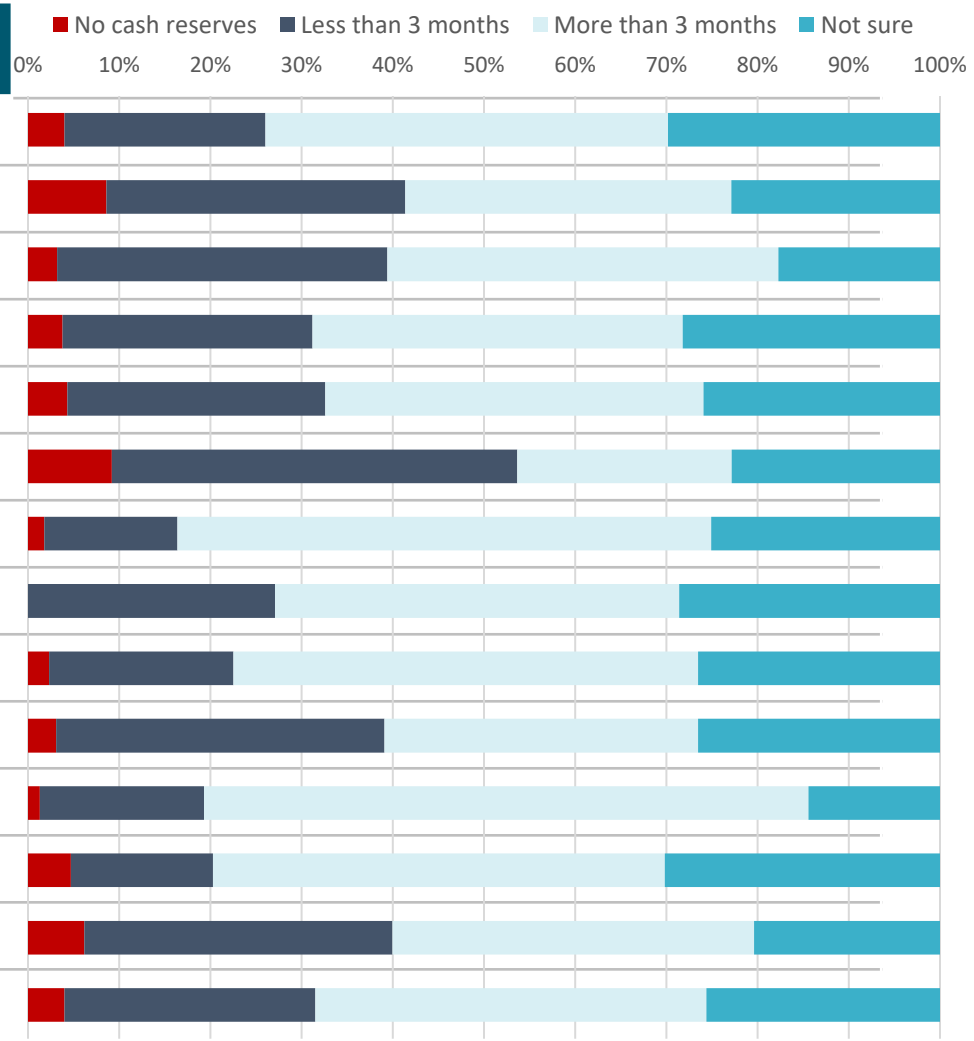
4. Employees and businesses

Business cash reserves

This analysis applies the OBR's estimates of sector changes in GVA in Q2 to Norfolk and Suffolk's industrial composition to approximate the impact on Norfolk and Suffolk's businesses. These numbers are estimates only.

Stated cash reserves, Norfolk and Suffolk businesses which have continued to trade or have paused trading, April 20 – May 3

Industry	N&S businesses with **no cash reserves**
Manufacturing	148
Water supply; sewerage, waste management and remediation activities	20
Construction	288
Wholesale and retail trade; repair of motor vehicles and motorcycles	356
Accommodation and food service activities	179
Transportation and storage	256
Information and communication	56
Real estate activities	n/a
Professional, scientific and technical activities	199
Administrative and support service activities	142
Education	13
Human health and social work activities	109
Arts, entertainment and recreation	103
All industries	**2,520**



Source: ONS, Wave 4 Business Impacts of COVID-19 Survey, May 2020; ONS Business Register and Employment Survey, 2019

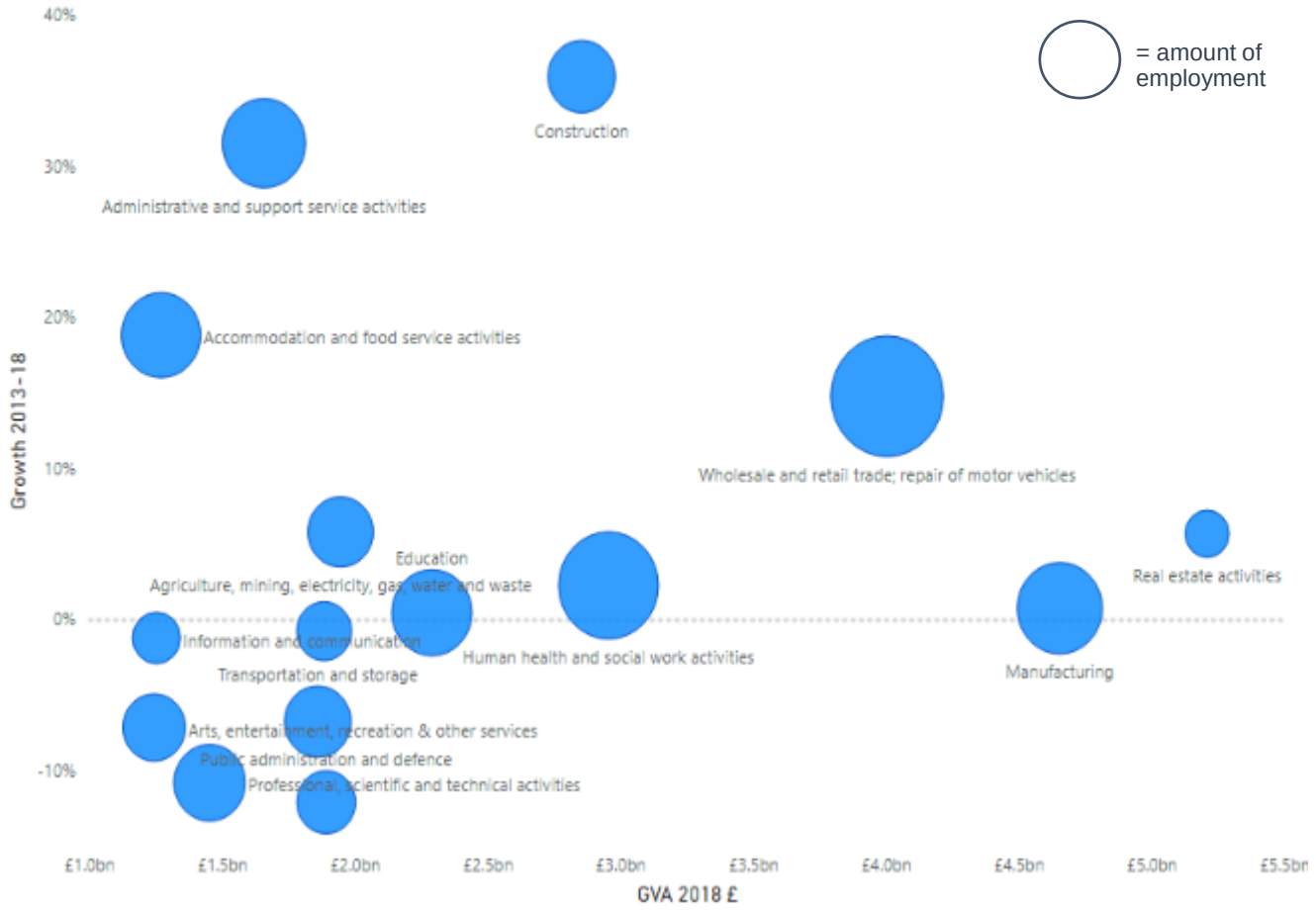
Many Norfolk and Suffolk businesses have only short term cash reserves. Taking survey responses from the ONS BICS Survey and applying them to Norfolk and Suffolk's industry composition, we estimate that 2,520 Norfolk and Suffolk businesses (4% of total 63,000 enterprises) had no cash reserves in the last fortnight of April 2020.

Across all industries nearly **20,000 businesses (31.5% of total) have less than 3 months of cash reserves**, while, positively, 27,000 businesses (42.9% of total) had more than 3 months of reserve cash.

One striking feature of this analysis is the 16,000 businesses (25.6% of total) which were unsure of how long their cash reserves would last, an unusually high proportion which highlights the substantial uncertainty facing businesses in all sectors.

GVA, GVA Growth and Employment by sector

GVA, GVA Growth and Employment by broad industrial group, Norfolk and Suffolk (2018)



Before looking in depth at key sectors, we can look at some headline national statistics to get a sense of how the national lockdown is affecting all broad sectors of the local economy.

Here we set out a sector map for Norfolk and Suffolk, where each bubble is a sector (broad industrial group). In total, Norfolk and Suffolk was a £36bn economy in 2018 – this has grown by 9.3% since 2008, and 5.1% since 2013 (values given in 2016 £).

On the x-axis, we have the total GVA output of different sectors. The largest three sectors for output are **real estate activities** (£5.2bn), **manufacturing** (£4.7bn) and **wholesale and retail** (£4.0bn).

On the y-axis, we have five-year GVA growth (2013-18). The three fastest growing sectors are **construction** (35.9%), **administrative and support service activities** (31.5%) and **accommodation and food service activities** (18.8%). Over half of the sectors have grown, but several have shrunk, the largest declines being in **public administration and defence** (-12.1%), **professional, scientific and technical activities** (-10.8%), and **arts, entertainment, recreation and other services** (-7.1%).

Finally, the size of the bubbles is the amount of employment in the sector, again in 2018. The three biggest sectors by employment are **wholesale and retail** (122,500), **human health and social work activities** (94,500), and **manufacturing** (66,500).

In the following slides, we "cast" national, sector-based data, which has been generated in response to the crisis, across the sector mix of Norfolk and Suffolk, to understand what the likely short-term impact will be.

Sources: ONS Regional Accounts, ONS Business Register and Employment Survey

OBR Projected economic impact

OBR projected impact on UK sectors, by local GVA, GVA growth, and employment

Sources: Office for Budget Responsibility, ONS Regional Accounts, ONS Business Register and Employment Survey

This chart (and following charts) show Norfolk and Suffolk's sector make up by broad industrial group. Each bubble represents a sector, and shows:

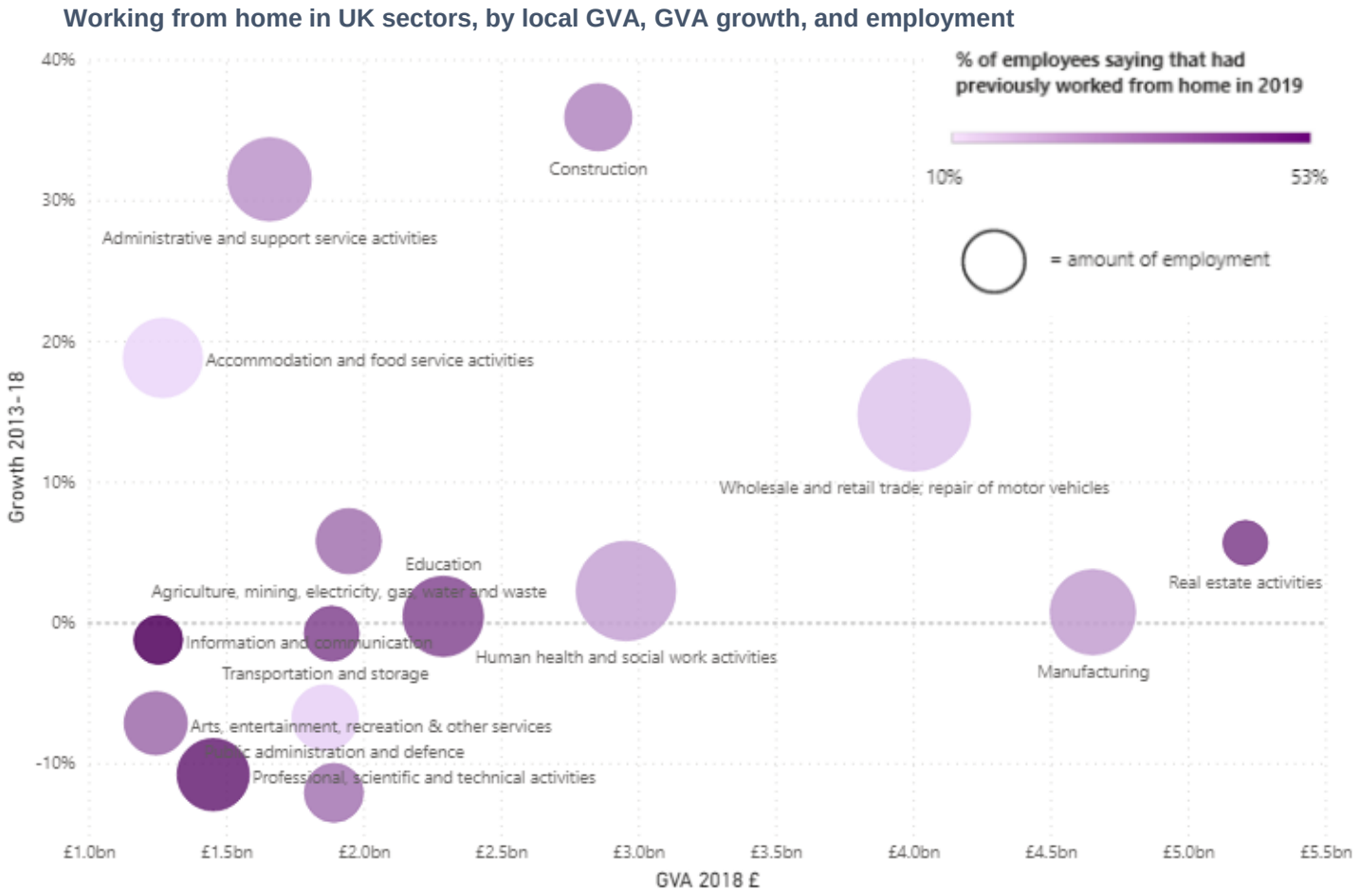
- its size in GVA terms
- its GVA growth over the last five years
- the amount of employment (shown by the size of the bubble).

We have overlaid the Office for Budget Responsibility (OBR) projections about the impact on sectors in the second quarter of Q2.

Norfolk and Suffolk's largest sector in terms of employment, wholesale and retail trade and repair of motor vehicles is set to be hit hard with a 50% fall in projected output in Q2 2020. The large manufacturing sector is also set to be one of the hardest hit, with a 55% fall.

More encouragingly, the significant health sector is set to see a 50% rise in output which could see an increase in employment. The high output real estate sector is set to take a 20% fall, a cause for concern but a more modest fall than some other sectors. A cause for concern is the red and orange bubbles nearer the top of the chart, the sectors that have driven Norfolk and Suffolk's GVA growth in recent years are set to be amongst the hardest hit sectors.

Ability to work from home



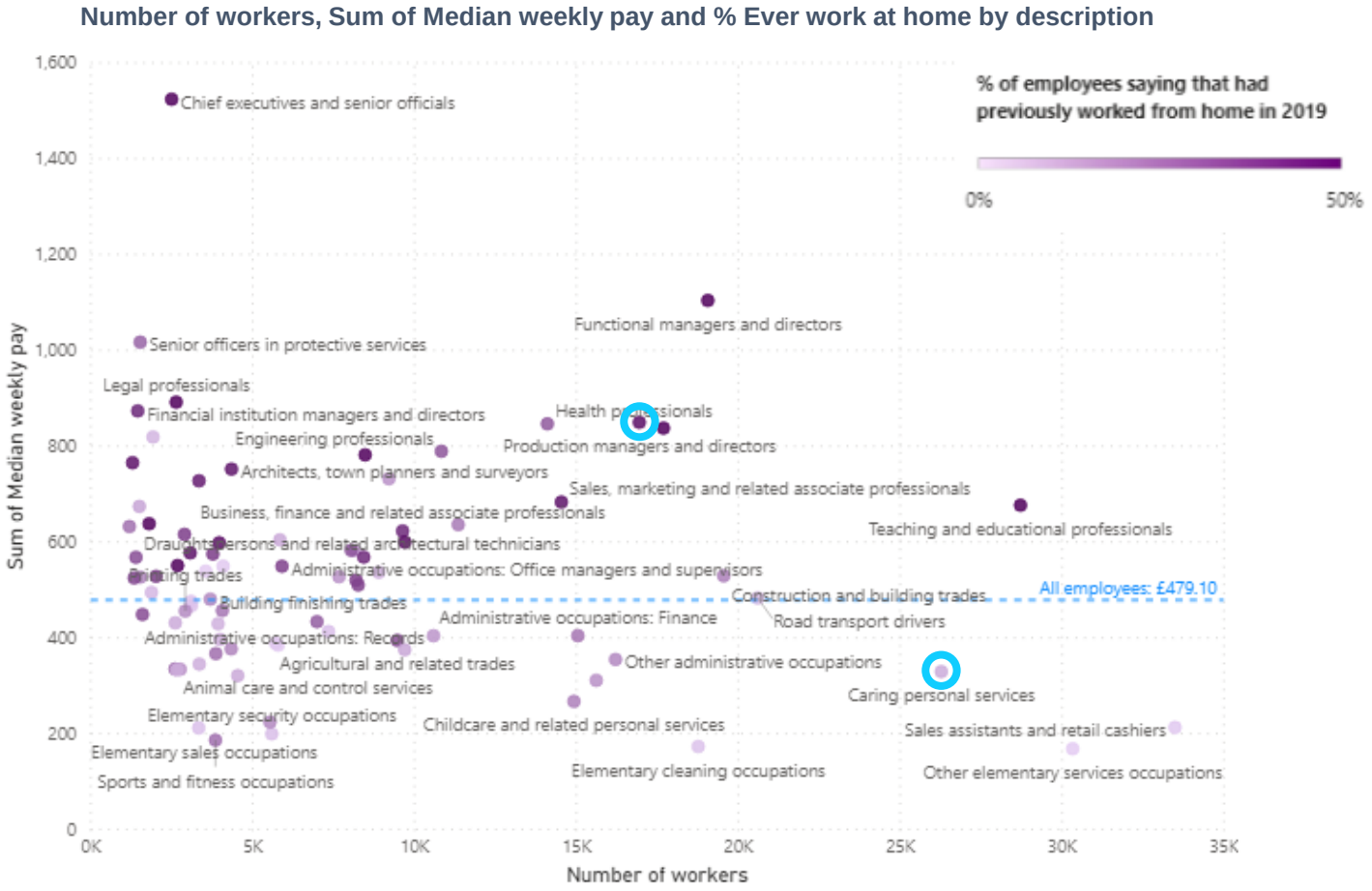
We can now look at which sectors have greater ability to work from home. This chart shows, by sector, the proportion of respondents in a 2019 UK-wide survey to say they had ever worked from home in the past.

We can see that the employees in the health sector are unsurprisingly less able to work from home. Norfolk and Suffolk's large population of healthcare workers are especially likely to be exposed to Covid-19. The large wholesale and retail trade and repair of motor vehicles sectors are also finding it very difficult to function while working from home, although in the case of retail it is possible this may push some shops to develop their online offer.

Notably, the sectors most able to work from home are the sectors in the bottom left of the graph, which are smaller sectors within Norfolk and Suffolk. Those larger sectors within the region have found it more difficult to adapt.

Sources: ONS dataset Coronavirus and homeworking in the UK labour market: 2019, ONS Regional Accounts, ONS Business Register and Employment Survey

Many low wage jobs are unable to work from home



Sources: ONS dataset Coronavirus and homeworking in the UK labour market: 2019, ONS Annual Survey of Hours and Earnings table 14.1a, ONS Social Survey (ad hoc request)

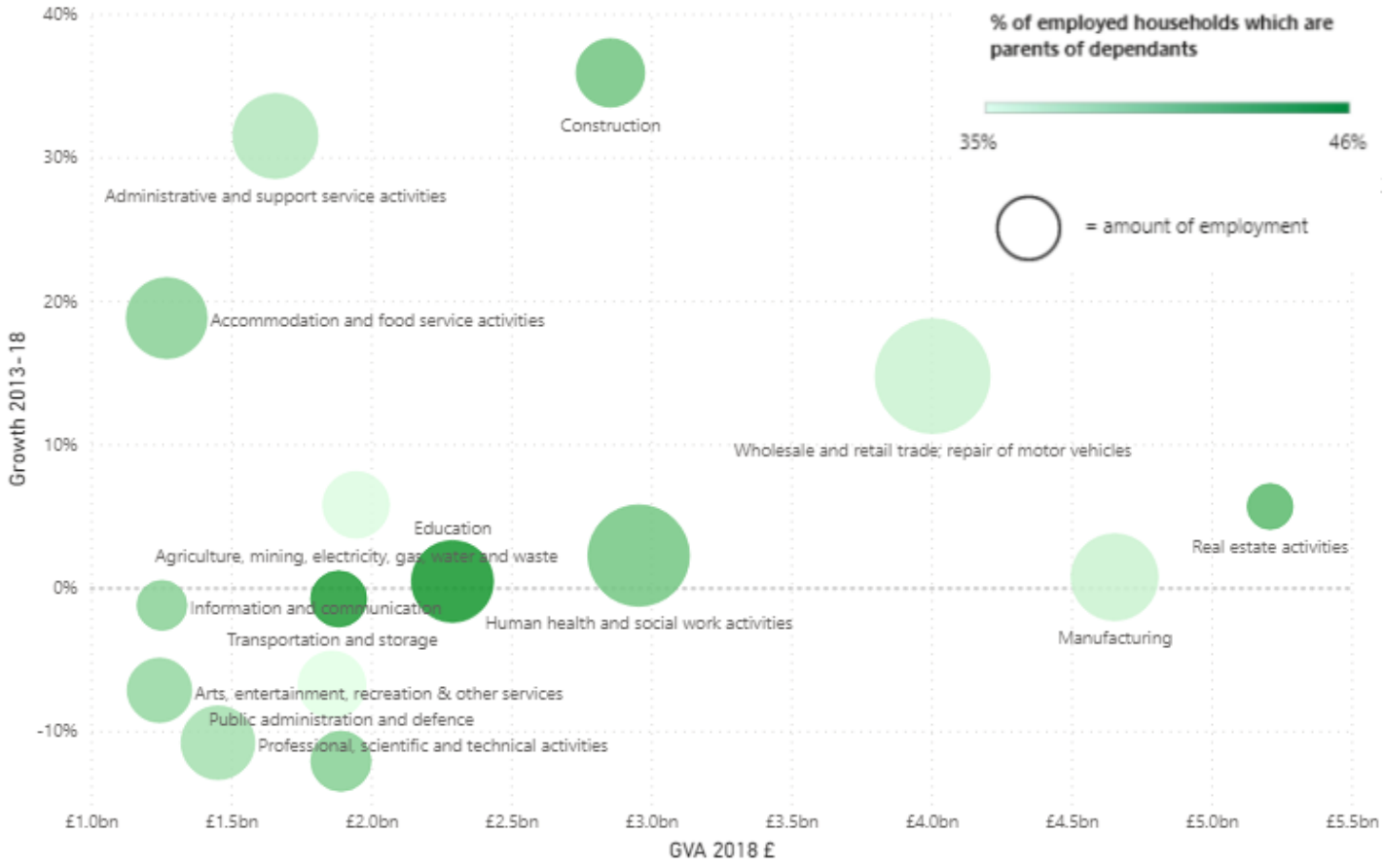
The chart, left, shows different professions by the number of them in Norfolk and Suffolk and how much the median worker gets paid. The darkness of the purple indicates those professions saying they had ever worked at home before.

An immediate observation is that higher paid workers are generally more likely to be able to work from home. Some of the most common jobs in Norfolk and Suffolk such as cashiers and caring services have low levels of respondents saying they had previously worked from home (3.1% and 9.9% respectively). These workers also have generally lower levels of purchasing power due to lower wages. This will mean any hit to income from being furloughed is likely to be felt more keenly.

Within the health and social care sector professions (blue circles), we can see there are significant differences between the pay and ability to work from home between different professions.

Parents in the workforce

Parenting in the workforce in UK sectors, by local GVA, GVA growth, and employment



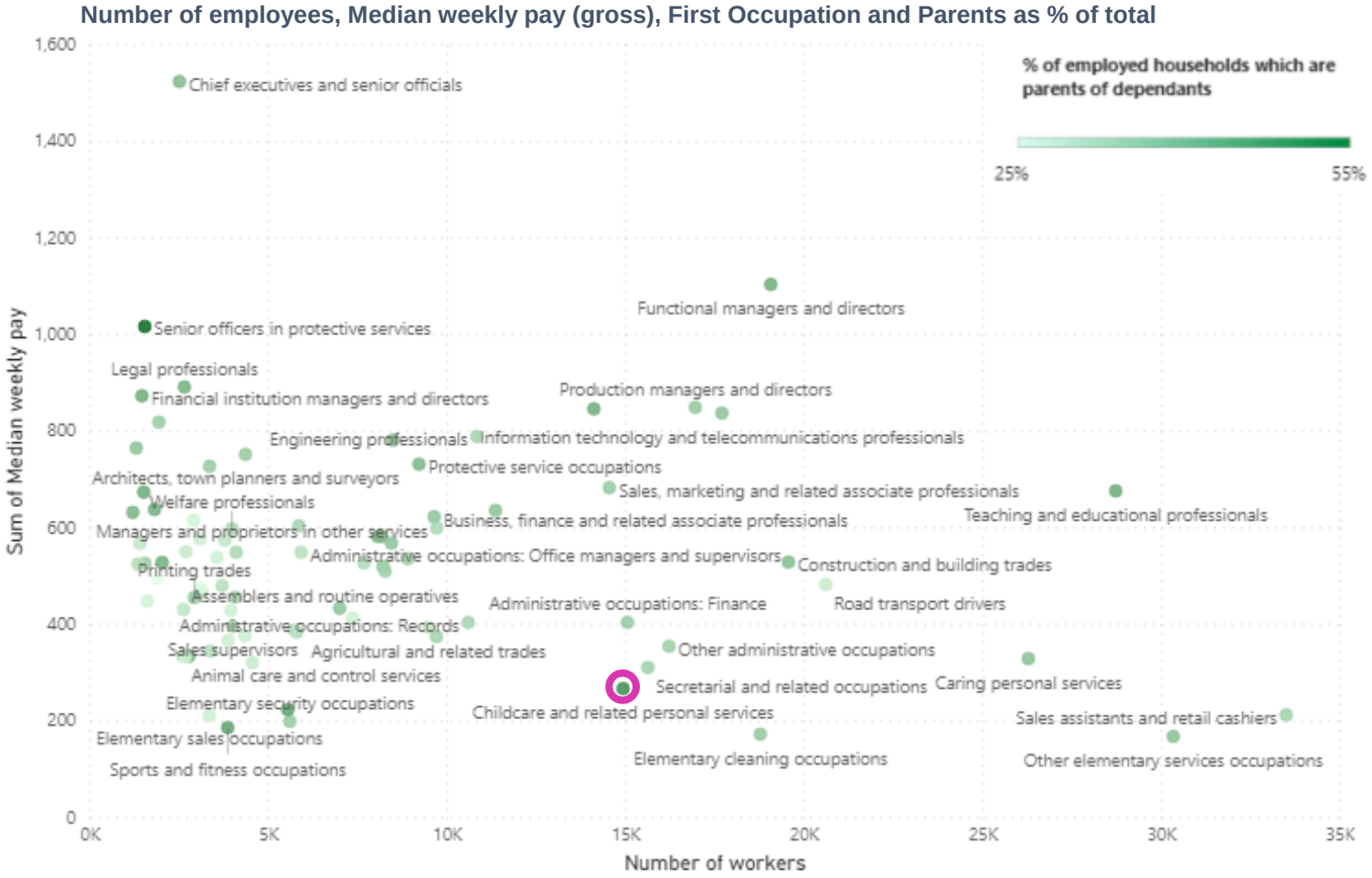
Sources: ONS dataset: Coronavirus and employment for parents in the UK, ONS Regional Accounts, ONS Business Register and Employment Survey

Those who are parents may find it particularly challenging to continue to work at the same rate during lockdown, due to the new responsibilities of home schooling. The highest rates of parenting in the workforce are in the education sector (46.1%) and the financial and insurance sector (45.5%).

Both Norfolk and Suffolk's large health sector and fast growing construction sector have rates of parenting over 40%. Health sector workers are designated as key workers, meaning they do have the option to continue to use schools, though evidence from headteachers so far suggests this is not being taken up by most key workers. The government has been trying to restart the construction sector in a way which can maintain social distancing, however, even should this be possible, relatively high rates of parenting may make it difficult for some workers to return full-time.

Norfolk and Suffolk's large wholesale and repair trade has a lower rate of parenting, which is important given its relatively low work from home rate.

Concentrations of parenting within key jobs hinders working

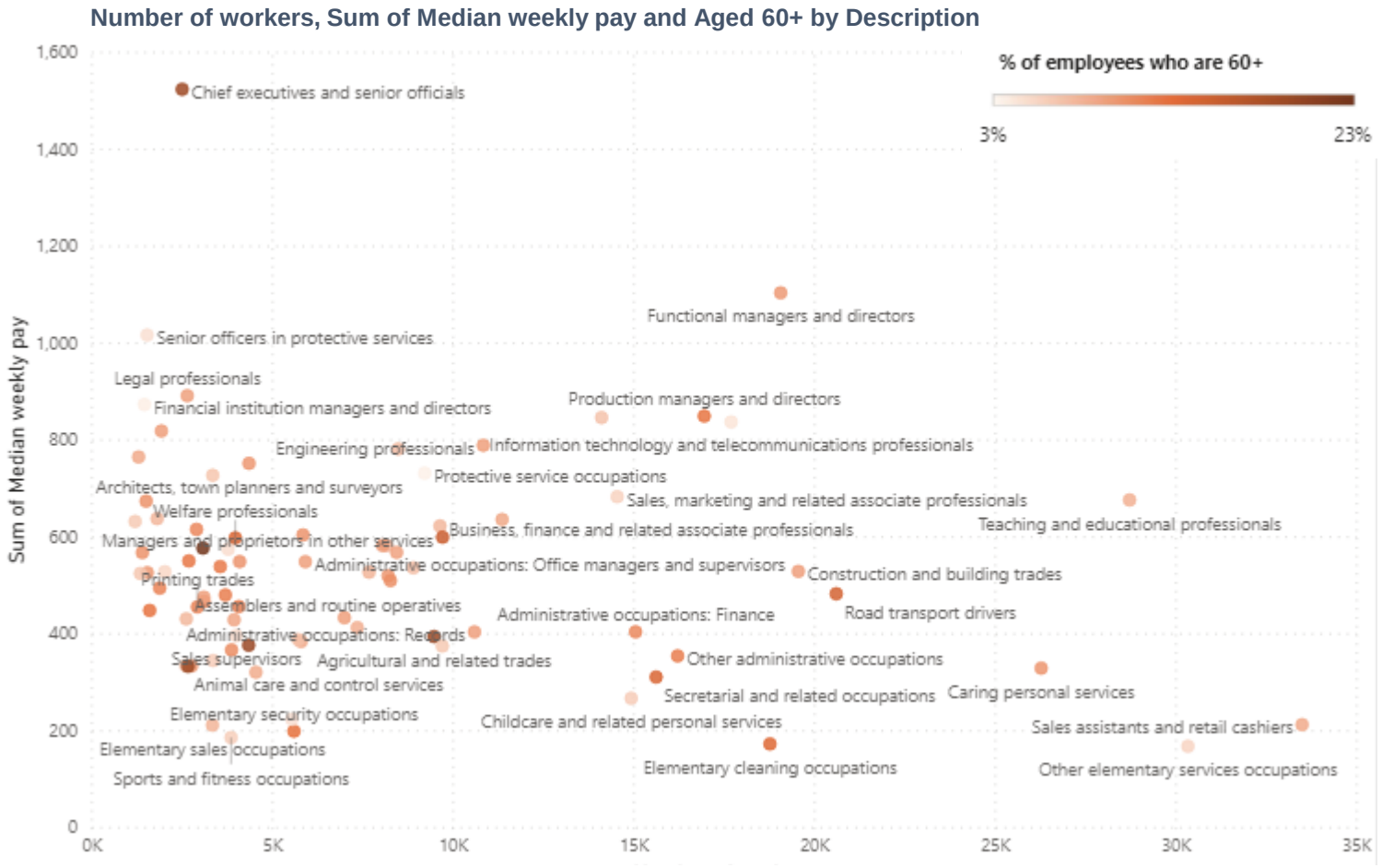


Rates of parents in the workforce are less variable by profession. Almost half of one of Norfolk and Suffolk's largest groups, teaching and educational professionals, are likely to be parents of dependants, although due to school closures, this will not prove as much of an encumbrance to daily work as it would if teachers were expected to be in work. More broadly, there are higher rates in public sector roles, such as health professionals.

Highest rates of parenting are seen in the childcare and related personal services professions (pink circle). This is a significant group in Norfolk and Suffolk (an estimated 14,923 individuals in 2019). Childminders will be used to having children of their own around while they look after other children – but may find that business is quiet due to parents not needing the services if they are at home, and not wanting to risk their child spreading infection.

Sources: ONS dataset: Coronavirus and employment for parents in the UK, ONS Annual Survey of Hours and Earnings table 14.1a, ONS Social Survey (ad hoc request)

In some professions, age may be a factor affecting ability to keep working



Sources: ONS dataset: Coronavirus and employment for those aged 70 years and over, 65 years and over, and 60 years and over, in the UK, ONS Annual Survey of Hours and Earnings table 14.1a, ONS Social Survey (ad hoc

Finally, we can look at rates of older people within professions. Older people are more susceptible to the virus, and are more likely to have been asked to shield due to higher rates of diagnosed conditions.

This chart shows the % of employees who are over 60 in each profession across the UK. We can see within Norfolk and Suffolk that darker oranges tend to be on the left side of the chart, but there are some significant groups on the right of the chart which have high rates of workers aged 60 plus too. Of the over 20,000 road transport drivers in Norfolk and Suffolk, over a sixth (17.7%) are estimated to be in this age category. Production managers and directors (14.7%), elementary cleaning occupations (16.4%) and Secretarial occupations (17.0%) are also particularly likely to be affected.

Chief executives and senior officials are also particularly likely to be affected (23.5%) although they are also more able to work form home than most other sectors, thus mitigating the issue.

respond
restart
renew

5. Sector outlooks

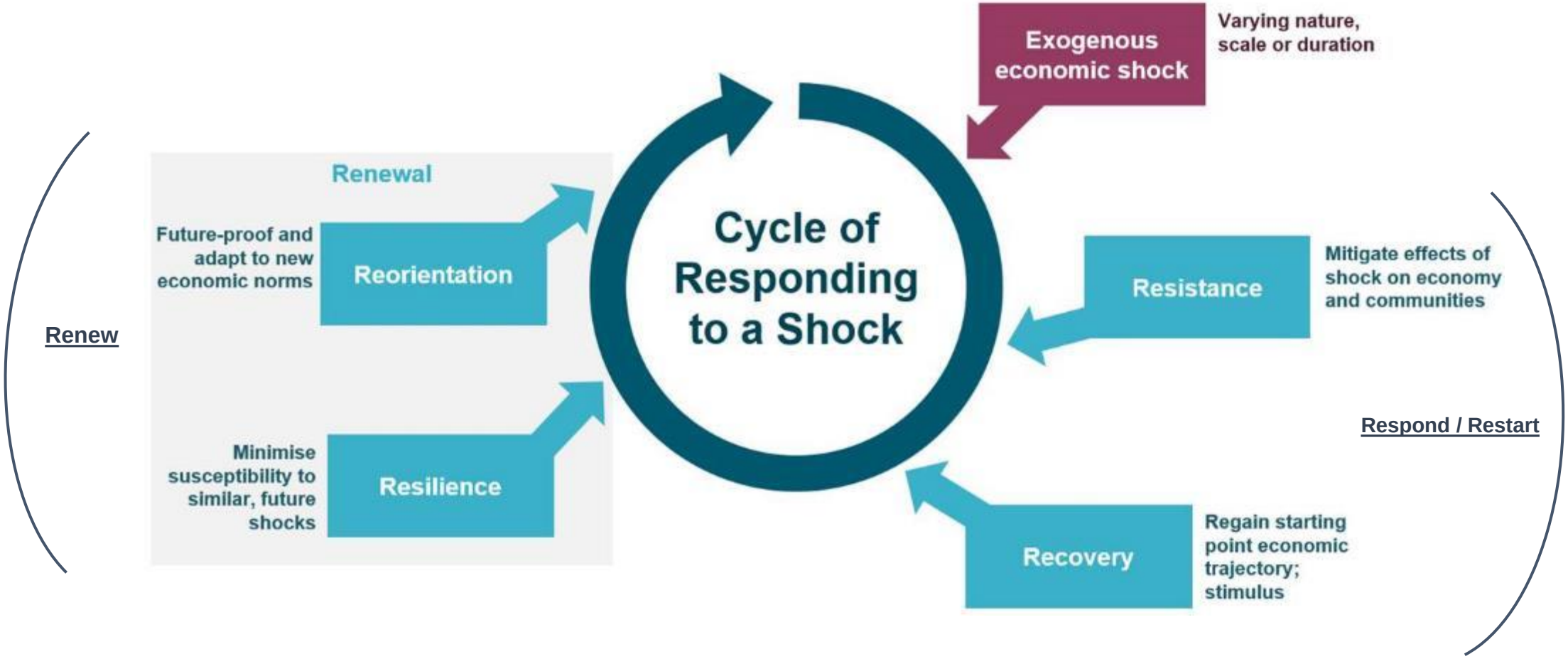
Norfolk and Suffolk's Recovery Plan

Norfolk and Suffolk's Recovery Plan is built around action plans for sectors which are underpinned by whole-of-place priorities in the Foundations of Productivity.

Here, **our analysis is focused on sectors**. Based on our three scenarios for how Norfolk and Suffolk's economy (and the national economy) may recover from this point on, we have developed scenarios for each sector included in the Recovery Plan, charting out the major risks and implications as Norfolk and Suffolk progresses from restart to renewal.

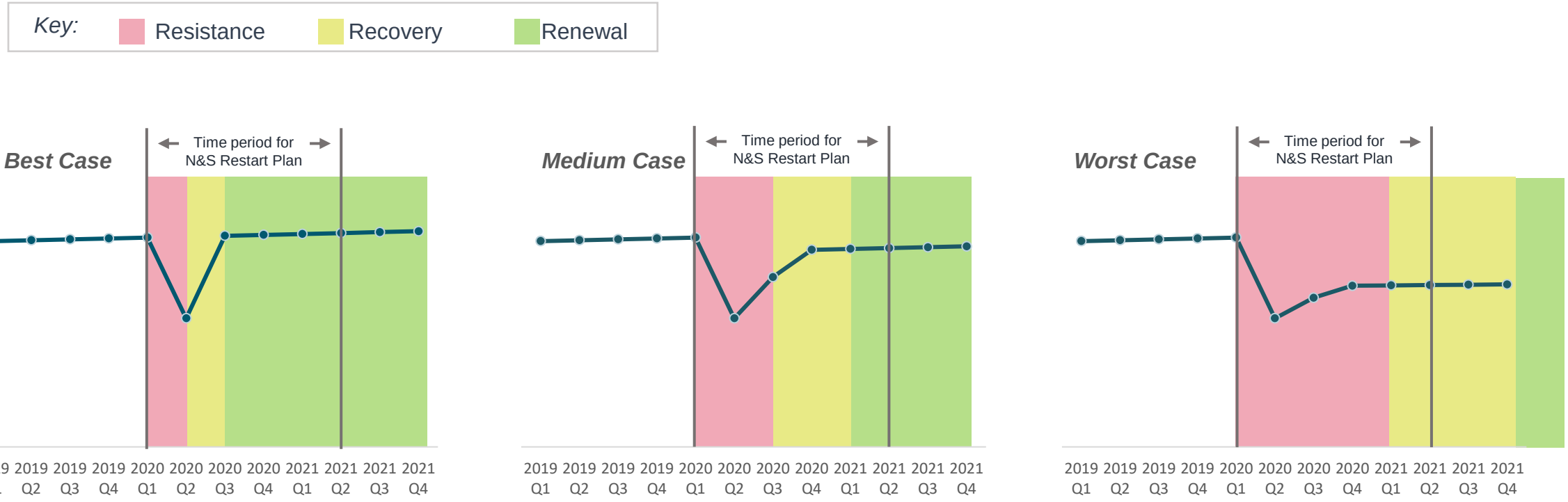
Cycle of responding to a shock

Metro Dynamics has developed a model of the cycle of responding to an economic shock, which has four stages: Resistance, Recovery, Resilience, and Reorientation (the last two of which are grouped under Renewal). Our model corresponds with the '**Respond, Restart, Renew**' structure being used to inform Norfolk and Suffolk's Economic Recovery Strategy.



Best, Medium and Worst Case Scenarios

Depending on the type of shock experienced, the timing of the different phases will vary. In the Best Case, Resistance only applies during the second quarter of 2020, as business are kept on financial life support for a month or two before being relaunched. Recovery is in the third quarter while the economic growth trajectory is caught up with, and then by the end of the year we are already into the renewal phase. In the Medium Case the resistance phase takes longer, and in the Worst Case, longer still. There is a corresponding lag in the recovery phase, which drags on much longer into 2021 in the Worst Case scenario, with the approach turning to renewal only in 2022.



Agrifood

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Supply chain disruptions prevent producers from selling products to buyers, leading to wasted outputs. 'No deal' Brexit leads to labour shortages, trade barriers and supply chain breakdowns, stalling recovery. Businesses reliant on CAP payments, but its future is uncertain	Resistance Preference for domestic produce aids demand, helping businesses stay afloat. Fragmented supply chains and labour markets disrupt operations (especially harvests).	Recovery Supply chains are reorganised. Well-positioned businesses can the crisis as an opportunity to advocate the benefits of local produce, helping to raise domestic demand.	Renewal The capacity of the sector to rapidly adapt and reorganise in response to COVID-19 broadens horizons on the productivity gains possible in the sector. High risk of substantial disruption if UK leaves the EU without a deal.
Medium Case		Continued supply chain disruptions places greater strain on the sector, forcing some businesses to close. Businesses reliant on CAP payments, but its future is uncertain. 'No deal' Brexit leads to labour shortages, trade barriers and supply chain breakdowns.	Resistance Labour shortages and supply chain disruptions reduce harvests, affecting business profitability. Permanent closure of some restaurants and cafes will lead to surplus produce of some products, with few buyers immediately available. Businesses are unable to get their product to market Preparation for Brexit is hindered by the ongoing economic crisis.		Recovery Supply chains are reorganised and labour shortages addressed, possibly through automation. High risk of substantial disruption if UK leaves the EU without a deal Renewal The capacity of the sector to adapt and reorganise in response to COVID-19 broadens horizons on the productivity gains possible in the sector, though depressed demand slows progress.
Worst Case		Small 'traditional' farmers go out of business, instigating a period of consolidation in the sector. Businesses reliant on CAP payments, but its future is uncertain. 'No deal' Brexit leads to labour shortages, trade barriers and supply chain breakdowns.	Resistance Immediate labour shortages reduce harvests, affecting business profitability. Ongoing labour shortages will require businesses to invest in technology or reduce / change output. Continually subdued demand from restaurants and cafes forces producers to find new buyers, cutting profits. N&S' independent producers struggle to remain solvent, leading to a period of consolidation in the sector as larger businesses buy smaller ones at low prices.		Recovery Supply chains are reorganised and labour shortages addressed, through automation in some instances. Sector productivity is slow to improve.

Clean Energy

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Existing projects are delayed while social distancing prevents most work from occurring. Disruptions in global supply chains (components, labour, tech) temporarily slow current projects down.	Resistance Businesses focus on reining in costs and reducing project delays where possible. The sector is relatively resilient to a V-shaped recession.	Recovery Postponed projects resume, though lost time may be difficult to make up. A quick recovery means no significant medium-term change in demand for clean energy.	Renewal Supply chains are reorganised. Postponed projects resume. Minimal economic scarring coupled with renewed demand for clean energy as the world's economy recovers leads to a strong period of growth for the sector. A 'no deal' Brexit has the potential to disrupt access to high-skilled international labour, and potentially affect N&S' electricity / gas Interconnectors with the EU.
Medium Case		Supply chain disruptions force some delayed projects to be postponed. Continued reduced demand for power lowers prices, creating financial difficulties for firms and the clean energy supply chain.	Resistance A longer recession puts downward pressure on energy prices, potentially affecting some investment decisions and project financing. Lengthy delays in projects squeeze the supply chain, leading some small companies to cease trading.		Recovery Postponed projects resume, though new suppliers and contractors may need to be found. The sector can expect a fairly robust recovery, though a 'no deal' Brexit is a risk
					Renewal Supply chains are reorganised. Postponed projects resume. Global economic renewal spurs demand for clean energy.
Worst Case		Major slump leads to current projects being cancelled and pipeline activity postponed. Climate change policy is deprioritised as attention is diverted to the immediate economic crisis.	Resistance Large businesses in the sector focus on 'not going backwards.' As time goes on projects which were postponed temporarily are mothballed. Significant disruption to supply chains, as small businesses which service the major players run out of capital and cease trading. Climate change and decarbonisation are lesser priorities, stalling momentum in the sector. Brexit causes further disruptions, particularly in labour markets and trade.		Recovery Businesses seek to recapitalise after a period of cost reduction. Some postponed projects resume, albeit with reduced ambitions.

ICT and Digital

Time period for N&S Restart Plan

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Supply chain issues cause delays in product delivery. Digitization projects put on hold and in some cases cancelled. Reduced demand for new products.	Resistance	Recovery	Renewal
			The digital industry is well equipped for remote working, enabling some projects to continue.	Supply chains will need to diversify, particularly to reduce the reliance on China.	Projects on hold should begin to restart and demand for new projects will slowly resurface, enabling a bounce back.
Medium Case		Reduction in demand for new products for firms and in electronic goods from consumers. Increasing number of failed start-ups.	Resistance		Recovery / Renewal
			The IT industry may need to reinvent its go to market strategy. The impetus behind digitisation may be reduced. Industry will need to focus on those solutions and products that enable firms to adapt to the changed working world.		Increased home working due to the slower recovery leads to opportunities for firms, e.g. broadband providers. Uplift in cloud demand and automation driven by increased home working. Supply chain diversification.
Worst Case		Major economic slump causes large reduction in demand from both firms and individuals for IT services and digital products. Long term supply chain issues.	Resistance		Recovery
			Industry will need to re-focus and again diversify supply chains. Industry will need to adapt to the changed market and the new needs of existing customers. Opportunities for firms specialising in products and services that enable individuals to work from home, e.g. broadband, electronic devices.		IT can play a role in the wider recovery by supporting firms to support their staff, in turn helping the industry recover.

Visitor Economy – Culture and Tourism

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Reduced or inability to re-open leads to short term business closures. Delay in restocking due to supply chain disruption. Reduced consumer demand.	Resistance	Recovery	Renewal
			Major disruptions to businesses, extended periods of closure. Firms adapt to continue trading under social distancing rules.	Consumer confidence recovers, boosting expenditure. Look for alternative suppliers to maintain stock.	Rise in domestic tourism boosts demand. Peak season is not overly curtailed and businesses can take advantage of demand recovery and re-shift.
Medium Case		Longer term restrictions lead to increased business closures. Some businesses do not re-open. Breaks in supply chains make re-opening difficult. Reduction in demand is more prolonged. Lack of access to finance and government schemes.	Resistance		Recovery / Renewal
			Major disruptions to businesses lead to more permanent closures and scarring. More comprehensive re-design of workplaces processes and layouts to enable as much trade as possible.		Increase in consumer confidence boosts expenditure. Retaining staff through furlough scheme means firms are ready to operate. / Decline in overseas travel could boost demand for UK based attractions.
Worst Case		Social distancing rules prevent businesses from operating at a profitable capacity. Second wave leads to second lockdown. Shift to online stores becomes permanent.	Resistance		Recovery
			Whilst some gradual re-opening may be possible, large parts of the sector may be shut down for an extended period of time. There is an opportunity for UK based hotels and tourist destinations to capitalise on the significant reduction in overseas travel.		Companies will be able to adapt to be able to open and ramp up service more quickly (e.g. new social distancing measures).

Health and Social Care

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Lack of PPE provision causes additional spread and deaths. Risk of other diseases going undiagnosed within the population. Risk of demand squeeze on hospital beds and facilities.	Resistance	Recovery	Renewal
			PPE production needs to be increased further to meet growing demand and minimise the spread.	Re-opening of facilities and public health messages to inform the population that they should still seek care for non-Covid issues.	Opportunities to build on the integration seen during the pandemic between health and social care (e.g. the Nightingale hospitals) to transform provision, move forward digitally and become more collaborative and efficient.
Medium Case		Longer term lack of PPE provision means situation within social care continues. Larger risk of diseases such as cancers going undiagnosed over a longer period causing public health issues in 2021.	Resistance		Recovery / Renewal
			Role of local Government is key to form local resistance plans and respond best to local needs. Procurement and planning for the NHS does not work for social care, so local hubs are vital for ensuring the supply of PPE and equipment.		Public health messages to tell the public that they can and should use facilities for non-Covid issues to avoid later crisis. / Continuation of programmes such as the Social Care Innovation Network to transform provision and strengthen the sector.
Worst Case		Health and social care facilities may be unprepared for a second wave, may not have the required PPE and equipment and may not have the capacity to cope with a second wave in the Autumn or Winter, when hospital occupation is already higher.	Resistance		Recovery
			The social care sector was not prepared for this pandemic and a second wave could be even more damaging, and could also overwhelm the health sector. Learning lessons from this first wave, particularly around the procurement of equipment and tests and managing of capacity will be vital to best mitigate against a second wave. Collaboration with the research and life sciences sectors on the rollout of a potential vaccine or treatment.		Research into rapid responses, collaboration (e.g. data sharing) and longer term management of the virus will be important for recovery.

VCSE (Voluntary, Community and Social Enterprise)

Time period for N&S Restart Plan

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Short term cash flow problems and funding shortfall. Increase in demand for services at a time of a supply challenge. Shortfall in volunteer numbers given sharp rise in demand.	Resistance	Recovery	Renewal
			Launch of services such as NHS volunteer app to boost numbers. Charities need to share learnings.	As the economy recovers, donations may rise and funding attractions (e.g. zoos) may be able to re-open, boosting revenues.	There is an opportunity for the VCSE sector to capitalise on the rise in volunteer numbers and promote the longer term role of volunteering. There is an opportunity for charities to increase their digital service provision permanently following innovations made during the crisis.
Medium Case		Longer term funding issues leads to some charities going under. Sector being unable to cope with rise in demand for services, with the risk of charities being unable to help those who need them most.	Resistance		Recovery / Renewal
			Charities have moved quickly to act, with many looking to alternative means of fundraising (from community groups to Zoom quizzes) and this continuing will be important in mitigating cash flow issues whilst being able to maintain provision.		The gradual re-opening of the economy will boost revenues and allow more 'normal' fundraising to resume. Charities will need to adapt, digitise and look at new fundraising models to move forwards.
Worst Case		Second wave hits the economy further, prompting a sharp rise in demand and additional funding issues that many charities cannot cope with. Volunteer shortfall through lengthier crisis period, particularly if some return to work.	Resistance		Recovery
			Charities will need to look at alternative funding models and many will rely on Government interventions in order to survive. Demand for many charitable services will increase at a time of a funding reduction, so it will be important for the charity and voluntary sectors to collaborate, share resources and learn in order to maximise efficiency and service provision (e.g. pooling volunteers and loosening restrictions).		Economy re-opening boosts revenues. Opportunity for the sector to apply some changes in ways of working from the pandemic going forwards.

Construction

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Operations cannot return to full capacity. Manufacturing closures causing materials shortages. Companies ordering from abroad facing uncertain delivery dates. Short-term liquidity problems of customer base make demand initially sluggish.	Resistance	Recovery	Renewal
			Firms take advantage of Government support schemes while operations at lower capacity.	Customer liquidity is not seriously affected. Increased material supplies allow for more operation. Firms chase increased efficiency to reduce future damage.	Demand starts to increase fuelled by cheaper credit availability. Infrastructure investments previously used to generate growth return as the Government starts to recover resources from previous loans.
Medium Case		Sites can operate but at a lower capacity. Supply chains reopen but at lower capacity, creating backlog of supplies. Government support becomes uncertain and customer confidence falls	Resistance		Recovery	Renewal
			Firms continue to take advantage of Government support schemes as operations are affected, balancing the income from operations with the income from public support. Pausing contracts and work that cannot be carried out profitably.		Sites can operate safely and work resumes on current contracts. Lower confidence in the customer base leads to lower demand initially.	Confidence increases in the market as the sector leads local growth.
Worst Case		Sites remain shut for a period and the downturn causes a restructuring of the sector. Supply chains feel the impact of lower demand and the shock travels across industries. Government support ends and jobs are lost.	Resistance			Recovery
			Business survival rates in the industry will fall as government support ends. Firms will seek to defer supply and loan commitments to ease cash flow. The return to growth will be slower and some project will continue, but businesses must strive to increase efficiency as the industry makes plans to resume work.			Economic scarring leads to a decline in new work, with current projects used to maximise returns.

Engineering and Manufacturing

Time period for N&S Restart Plan

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Civil engineering applications put on hold, with supply chains operating at lower capacity or addressing backlogged demand. Workforce safety concerns result in delays in production.	Resistance	Recovery	Renewal
			Minimise cancellations or postponement of orders. Use Government support scheme to bridge gap until supply chain opens	Supply chains reconfigured, with recovery driven by an increase in speed of automation and digital transformation.	Local authority capacity renewed to a level where it can resume some business sees applications considered for engineering projects. Demand for advanced manufacturing supplies resumes as companies aim for growth.
Medium Case		Longer term reduction in production and operations. Economic downturn causes reduction in demand and supply chains take a long time to recover.	Resistance		Recovery / Renewal
			Adjust production cycles to reflect replacement delays of around 18 months whilst keeping the supply chain moving. Firms need to reach a consensus on what the “new normal” may look like.		A “new normal” would be reached for Summer 2021. Reconfigured supply chains aid recovery. / Increase in UK based production helps stimulate recovery and reduces vulnerability to future supply shocks.
Worst Case		Economic downturn causes significant demand reduction. Longer term behavioural changes from businesses and consumers (i.e. flying less) changes where demand lies and the industry struggles to adapt.	Resistance		Recovery
			More significant changes to product mix and production cycles than described in Medium Case. Firms need to reach a consensus on what the “new normal” may look like, whilst protecting their own cash positions. Companies to review their strategies, supply chains and determine how the pandemic can be used as a catalyst to accelerate change.		A “new normal” would be reached, with an increase in domestic production and supply aiming to reduce future vulnerability.

Financial Services

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Low demand for credit. Loan default concerns. Low consumer confidence reducing spending and demand.	Resistance	Recovery	Renewal
			Firms need to co-ordinate their response to policy issues and prepare to accelerate digitisation.	Monetary policy tools are used to support markets. Firms and consumers supported to aim to maintain spending.	Cyber security is enhanced to support home working and digitisation has accelerated. Economic recovery leads to market stabilisation and demand levels resuming to pre-crisis levels.
Medium Case		More clients facing financial difficulty. Longer term reductions in demand. Increased risk of default. Weak cyber security measures causing homeworking issues.	Resistance		Recovery / Renewal
			Contactless limits raised further to support expenditure. Firms co-ordinate their response and accelerate digitisation to respond to potentially longer term behavioural changes.		Monetary policy tools are used to support markets. Firms and consumers supported to aim to maintain spending. / Recovery leads to an increase in demand and digitisation is accelerated to support the long term recovery.
Worst Case		Banking clients facing long term financial difficulty. Consumer confidence struggles to recover and demand remains low. The pressure to supply credit is increased.	Resistance		Recovery
			More significant changes than described in Best and Medium case. Firms still need to co-ordinate their responses and digitisation still needs to accelerate, but businesses and firms will need additional support to reduce the risk of defaulting. Firms will have difficult decision to make about where to supply credit, some of which may be taken out of their hands.		A policy mix and faster movement towards full digitisation aids the beginning of recovery.

Life Science and Bio Tech

Time period for N&S Restart Plan

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Low capacity operations, high staff premia and high rental values on labs cause many to access financial support. Work times staggered for social distancing. Supply chains temporarily disrupted in Manufacturing.	Resistance	Recovery	Renewal
			Companies with high overheads access government support to maintain periods of low capacity operations.	Gradual increases in capacity and some trials starting to resume. Areas of new work develop in response.	Limited to no economic scarring leads to R&D investment in the sector as the world attempts to learn from events. Existing companies innovate and grow, but start-ups, recognised as being the most productive businesses, begin to emerge.
Medium Case		Lockdown continues and capacity remains lower for longer, hurting prospects for collaboration. Supplies are running low and supply chains are backlogged. Damaged international confidence hurts investment	Resistance		Recovery	Renewal
			Prolonging of lockdown or changes to international relations impact on investment in the industry. Organisations remain operational but still at lower capacity. Life Science intelligence remains in demand, but investment slows in the medium-term.		The longer the world lives with Covid-19, the longer the industry can study it, and more questions will need answering (demand).	The industry begins grow, but economic scarring makes obtaining funding harder. Increasingly competitive industry.
Worst Case		Capacity remains persistently low, halting research. Investment yields start to fall as costs of operation increase due to less government support. Damage to investor confidence.	Resistance			Recovery
			Demand remains for Life Science knowledge, especially around Covid-19, but damage is felt in investor confidence. Firms look to pause projects to avoid eroding investment. Operations may be scaled back or projects cancelled.			Economic scarring affects investment in future projects with permanent losses to output.

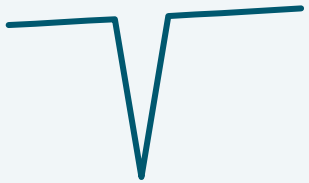
Higher and Further Education

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		Major drop in 2020 admissions from overseas students resulting in loss of income. High rate of deferral amongst domestic students. Decline in apprenticeship starts causing labour market issues and rise in NEET.	Resistance	Recovery	Renewal
			Ensure technology access for existing students, particularly vulnerable. Make provisions for 2020 assessments.	"Covid-proof" institutions as best as possible for 2020 admissions. Work to make 2020 offering attractive to students.	Overseas student income to return as economy moves towards renewal. Some temporary changes in teaching processes could become permanent, there is an opportunity to overhaul education provision and delivery.
Medium Case		Longer term drop in revenue from overseas students. Risk of a 'left behind cohort' as students struggle to enter both education and the labour market. Risk of some providers going under.	Resistance		Recovery	Renewal
			Covid-proof institutions and ensure the safest possible return to operations in Autumn 2020. Accelerate digitisation so courses can be offered remotely and establish how some in person interaction can be offered (e.g. small groups).		Opportunity to change the provision and delivery of education. Digital learning could increase flexibility and improve outcomes.	Lifting of restrictions, including those on overseas travel, enables students to return to campuses and colleges.
Worst Case		Major risk of providers going under. Domestic and international revenue takes a longer term cut. Reduction in course provision and range as providers cut back their offerings.	Resistance			Recovery
			Providers need to demonstrate that campuses, colleges and halls of residence are safe to be in, and a second wave to undermine their efforts and cause further issues into the next academic year and beyond. There is the risk of at least one 'lost cohort' with a lack of jobs available in the labour market for those exiting education in Summer 2020.			New ways of delivering courses and weaker labour market causing more to turn towards education facilitates recovery.

Ports and Logistics

← Time period for N&S Restart Plan →

Scenario	Shape	Major risks	Implications in time period		
			Q2 & Q3 2020	Q4 2020 – Q2 2021	Q3 2021 +
Best Case		A period of reduced cargo/passengers from/to affected countries. Staff shortages due to illness affects capacity. Brief reduction in consumption of non-essential goods. Essential supplies (oil) may briefly be harder to acquire.	Resistance Firms use Government support schemes while needed, applying to areas of lowest demand. Employ safety procedures to ensure workforce health.	Recovery The worst of conditions pass, internationally, and local firms resume importing and exporting. Demand for capacity increases commercially and for households.	Renewal The industry continues with current operations, but develops new systems to mitigate future risk. Technological advancements in the industry are expected to be advanced, making for better demand management and systems for forecasting demand. Climate consciousness could create a revival in international passenger sea travel.
Medium Case		International caution leads countries to reduce trade in favour of on-shoring. Trade further damaged by uncertainty around the Brexit transition period. Both have impacts on workforce demand and wider supply chains.	Resistance Firm supply decisions moving on-shore requiring restructuring in the logistics sector. Ports affected by this continue to access government support in the face of Brexit uncertainty. Capacity is curtailed but domestic logistics remain operational as people substitute face-to-face retail for online retail.		Recovery Clarity around international trade regulations marginally increase trade, with firms now able to plan for the future.	Renewal Ports focus on new methods of forecasting demand as logistics demand surges from increased on-shore activities.
Worst Case		International caution leads to large, prolonged falls in trade. Some port of operations become unattainable, leading to job losses. Economic scarring causes reduced domestic demand for goods.	Resistance Ports look to restructure and channel finance to areas of higher demand. Fewer cargo shipments, but essentials will continue to be shipped in and out. Agriculture remains one of Norfolk and Suffolk's main industries, so may be an opportunity to increase trade flows as a proportion of the total. Domestic and online retail continue to operate but at lower levels of demand.			Recovery The sector adapts to new conditions and starts to search out new business opportunities.

Norfolk & Suffolk Unlimited

Covid-19 Recovery Restart Plan

Evidence Base
June 2020