HATCH

COVID-19 Impact Assessment

Greater Brighton Economic Board

Report – Workshop 7th September 2021

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Greater Brighton

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Note about data sources and approach:

The analyses contained in this report were undertaken during 1 August 2021 and 24 August 2021. All data contained in this report is the most up to date available at the time.

Sources include ONS, HMRC Gazette Insolvency data, Google Mobility data and various surveys conducted by GBEB partners. Where possible the report uses datasets that are available at a small spatial area and allows the Greater Brighton economic area to be aggregated. Where this is not possible, regional data sets have been adjusted to reflect the Greater Brighton spatial area.

Report Forward

In the summer of 2020, the Greater Brighton Economic Board commissioned Hatch to undertake a short and sharp assessment of the current and likely impacts of the pandemic on the Greater Brighton region. At that stage of the pandemic, there was limited available economic and labour market data and as such the Board and many other economic partnerships across the country focused on short-term measures to protect the economy based on economic forecasts.

One year later, we are still in the midst of the pandemic. However, with the raft of temporal data available it is possible to begin to glean what the economic impact has been – and is likely to be – on the Greater Brighton region. The pandemic has framed what a prosperous and attractive place the region is to live in with high demand by potential future residents. Many of the region's businesses have found opportunities during the pandemic and designed new services and products with national demand.

However, as a visitor economy hotspot, the region has been hit by the subsequent waves of lockdown and the impacts on the high street and those working in arts and culture will take time to recover. And there has been a significant impact in Crawley as flight volumes through Gatwick continue to remain low.

During the Autumn months the Government plans to unwind a number of COVID support schemes, namely the CJRS and SEISS, and further rounds of business loans are unlikely. The cessation of these programmes will reveal the extent to which economic damage was temporary or permanent. Supporting people through labour market transitions and businesses to continue trading will be key to preventing economic scarring.

Over the following pages is a summary of where the Greater Brighton region stands, using the most up to date economic data. Following that is a summary of the current position and challenges faced by the region's core sectors.

The purpose is to provide a baseline of quantitative and qualitative data and intelligence Greater Brighton Economic Board representatives can to use to inform ideas on for a unified, regional response. Initial ideas will be discussed at a workshop on 7^{th} September 2021.

Central to this will be the opportunity to transition to a low carbon / net zero economy. This is a key element of GBEB priorities and will be key to both economic recovery and tackling the climate emergency.

Section 1: Impacts of COVID on Greater Brighton

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Since the start of the pandemic, the Greater Brighton region has lost an estimated 7k PAYE jobs (net) with 7k people having found new jobs

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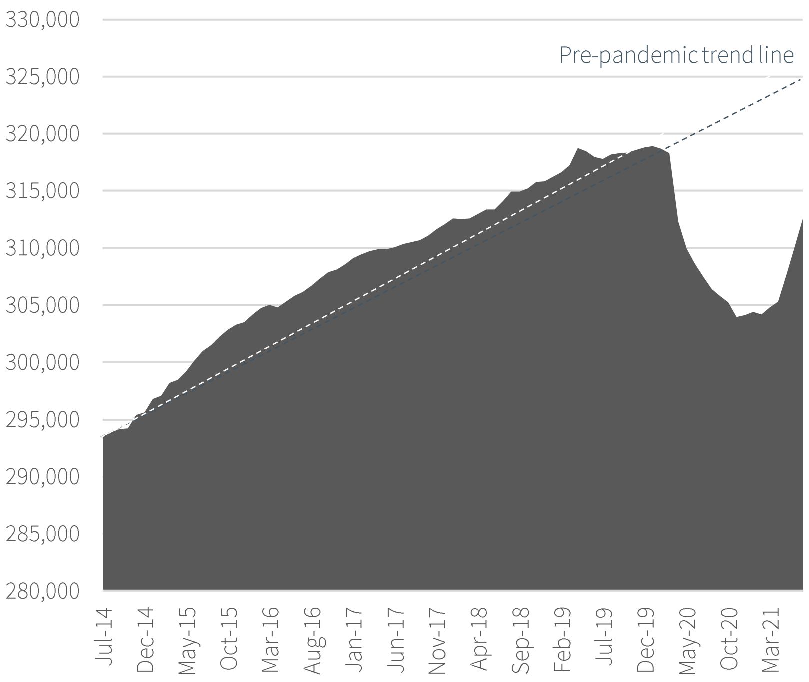
Total number of people on payroll in GB



Source: HMRC RTPI data up to July 2021, Hatch analysis

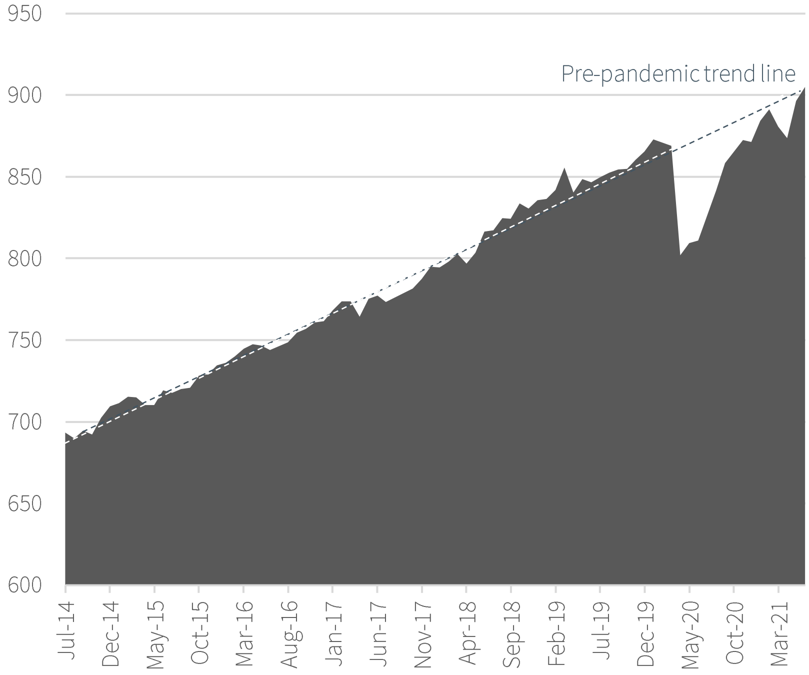
Before the pandemic, the Greater Brighton region had about 400k jobs. In March 2020, 318k of these jobs were salaried positions with formal employment status where staff were PAYE registered with HMRC. The number of payroll registrants fell as people were made redundant. Some redundancies resulted from the insolvencies of major retailers with a high street presence in the Greater Brighton region as well as smaller professional services firms. Other redundancies resulted from corporate restructuring as businesses sought to reduce fixed costs.

In late 2020/early 2021, about 14k payroll jobs had been lost, but in the intervening months there have been 7k new PAYE registrants which means that half of all people who lost a job since the start of COVID have found replacement work. As the economy continues to improve over the coming months, this figure should increase.

However, had the pandemic not happened, following historical trend lines, the region would have an estimated 325,000 on payroll against a figure of 312,000 for June 2021. In addition, many of the people showing up on PAYE may be on furlough, as discussed below.

Greater Brighton PAYE residents are earning more than they ever have

Total Earnings (£mns) of people on payroll in GB



Source: HMRC RTPI data up to July 2021, Hatch analysis

Across the Greater Brighton total earnings paid on a PAYE basis has reached a high point and now exceeds pre-pandemic levels. Regional monthly payroll earnings for July 2021 reached £905mn. This is unique as in most other parts of the country, total payroll earnings remain lower than the pre-pandemic figure in March 2020.

As there has been a net loss of 7k payroll employees, this means that salaried employees are earning more on average post-pandemic than they were before the pandemic. Survey evidence indicates that the increase in pay has not been shared equally across the pay scale and has disproportionately benefited higher earners through discretionary bonuses to retain staff. (FT)

This reflects the higher concentration of professional and management roles located across the region.

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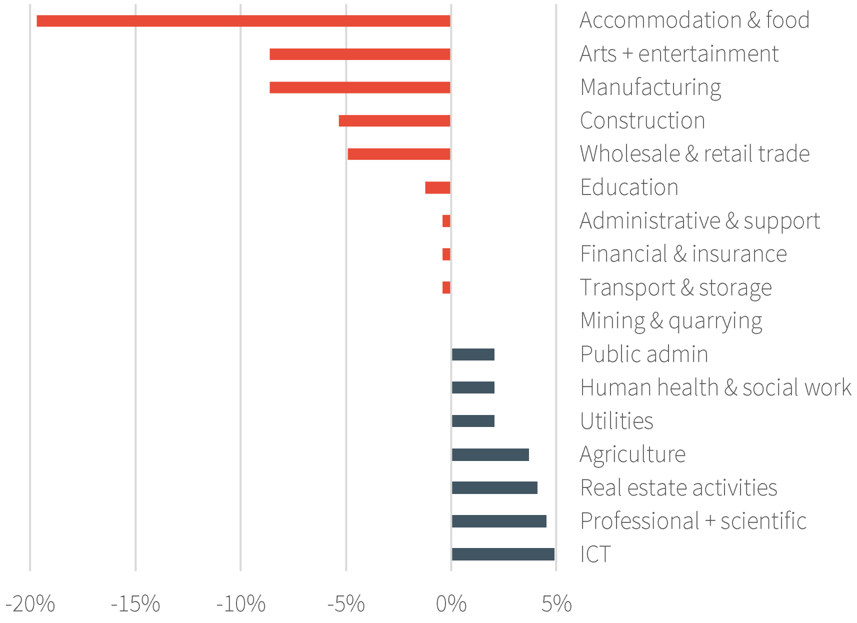
There have been shifts in the sectoral distribution of jobs with an overall net loss of about 60k jobs

Change in workforce jobs by sector between March 2020 and March 2021



Source: NOMIS (DWP) workforce jobs by sector, March 2021, Hatch analysis
Note: Transport and storage includes aviation

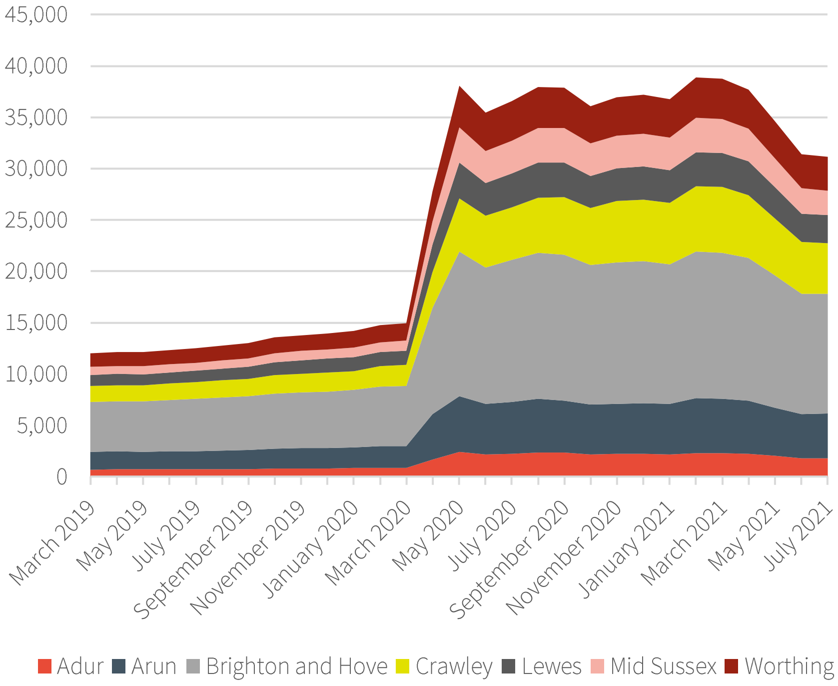
There has been a net reduction in the number of workforce jobs across Greater Brighton despite the continuance of the CJRS scheme. The net reduction of workforce jobs is 1.4% which compares favourably against the equivalent figure of 3% loss for the UK.

The loss of workforce jobs reflects the fact that many businesses have chosen to downsize or close in the face of ongoing challenges. However, as closures in sectors such as retail and accommodation and food have been well-publicised, there has been less acknowledgement of the growth in workforce jobs across several Greater Brighton sectors.

The sectors include public health and admin (as would be expected) as well as ICT, real estate and professional and scientific. This likely reflects the more long-standing changes brought about by the pandemic that are currently and will continue to benefit the region – namely changes in spending and living patterns, the shift of businesses to online platforms, the move of professional services firms out of expensive urban centres and people and families relocating.

Across the region 17k additional people now claim work-related benefits

Claimant count



Source: NOMIS (DWP) claimant count volumes up to July 2021, Hatch analysis

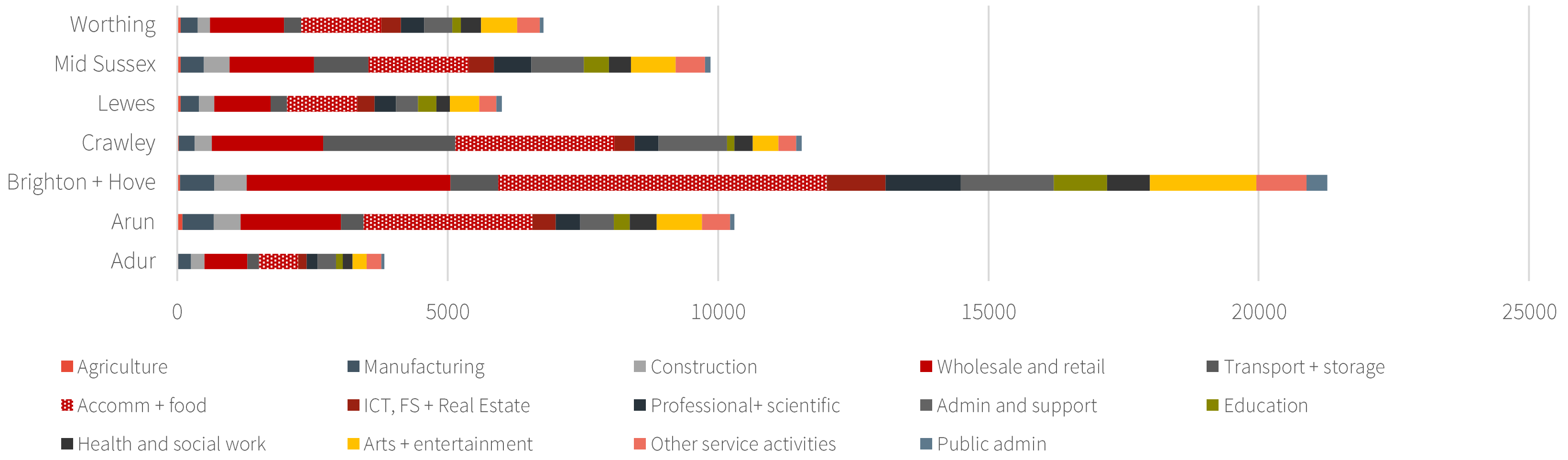
As would be expected, the claimant count has spiked since the start of the pandemic with an additional 17k people now claiming work-related benefits. The greatest increase in volume has been in Brighton & Hove, which is directly linked to the impact of lockdowns and social distancing on the city's tourist economy. There has been a slight decrease since the start of this summer, however the figures have plateaued.

As the payroll decrease was 7K (per previous slide) this suggests that many people who were self-employed or on short-term contracts have found it unable to find work and have been forced to claim benefits.

While the numbers have increased, when taken as a proportion of the working age adult population, the rates remain roughly in line with the UK average, with some regional differences, notable higher than average rates in Crawley.

In April 2021 12.5% of the Greater Brighton working age population was on furlough

Count of people on CJRS by sector



Source: CJRS (HMRC) Statistics. July 2021 release (covering up to April 2021), Hatch analysis

Just under 70k people were on CJRS in April (latest available data). The CJRS take-up rate of 12.5% is in line with the UK figure of 12.1% for April. The numbers may have dropped over the summer months as businesses staffed up to support day trips and longer family breaks. Half of all people in the Greater Brighton region on CJRS work in visitor economy-related sectors, namely retail, accommodation and food, and arts and entertainment. The CJRS scheme is due to close on 31 September and the Government has provided no indication to date that the scheme will be once again extended. There is a risk that some people on CJRS will be made redundant on closure of the scheme.

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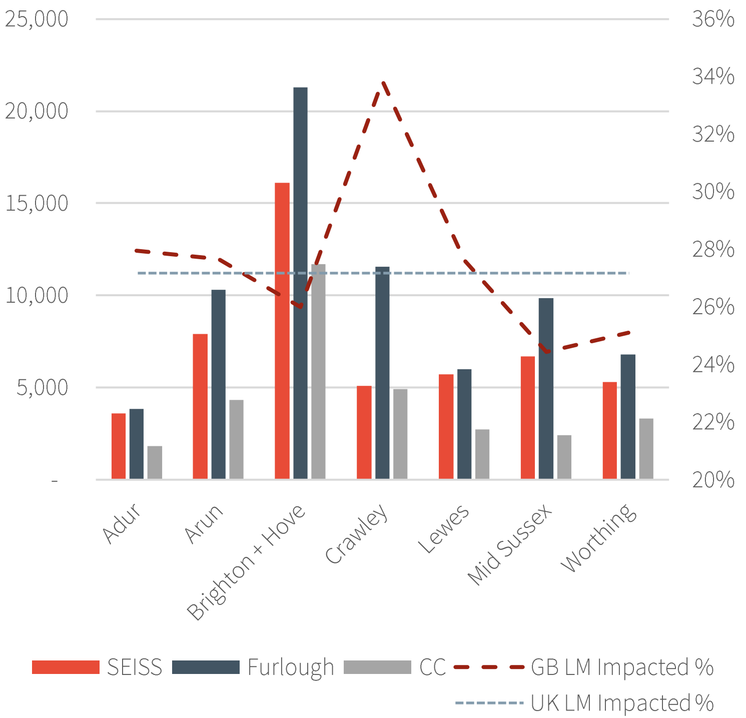
With 27% of all working age residents reliant on state support

Claimant, CJRS and SEISS counts by local authority



Source: NOMIS (DWP) claimant count volumes;, HMRC SEISS volumes, HMRC CJRS volumes; all data June 2021, Hatch analysis

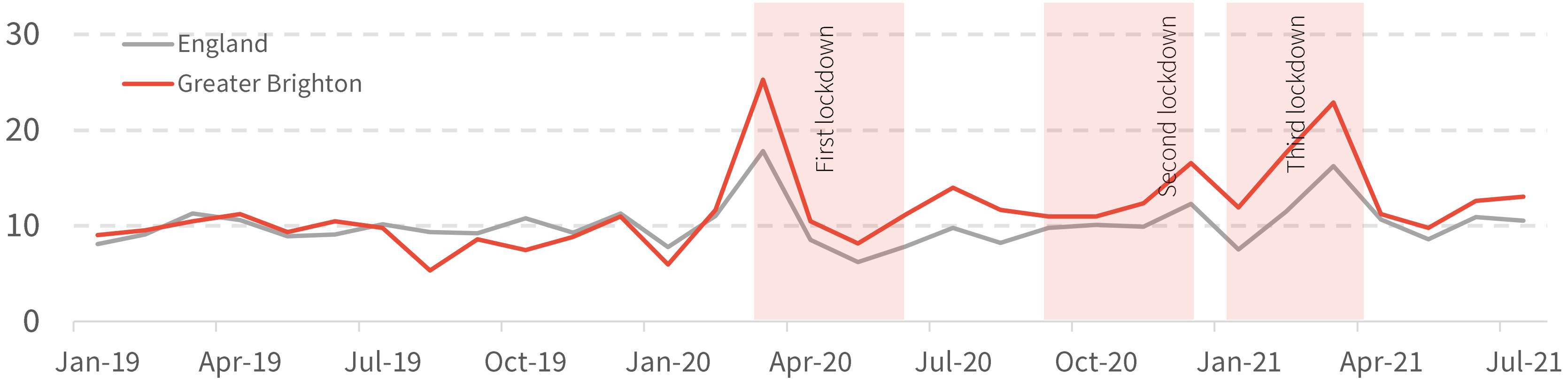
The claimant count alone does not provide a full story. Across the region there are many more people on furlough (thus still on PAYE) than there are claiming benefits. And more people reliant on Self Employment Income Support Scheme (SEISS) that there are claiming benefits. Both the CJRS and SEISS schemes will end in September 2021.

There is a high risk that a proportion of people on CJRS will be made redundant on the termination of the scheme and will sign-on for benefits as they search for work. In addition, the closure of the SEISS scheme will also push self-employed workers to claim as well. It is difficult to predict the impact on claimant count volumes, though it is inevitable there will be a sharp increase over the coming months.

When taken together – CJRS, SEISS and claimant count – across the Greater Brighton region, 27.4% of the working age population are being supported by the state. This is in line with the national average of 27%. There are some important spatial differences with Crawley experiencing a higher-than-average rate of 33% (reflecting the ongoing repercussions of low flight volumes to Gatwick Airport) and whilst Brighton & Hove have the highest numbers in volume, are below national average.

Greater Brighton business insolvencies are running at higher rates than the UK average

Total insolvencies per 10,000 businesses (Gazette data)



Source: Gazette, monthly insolvency and liquidation orders registered at the Court of Rolls, Hatch analysis

Since the start of the pandemic, almost 900 Greater Brighton businesses have gone into liquidation. This means they have either have been declared or are in the process of being declared insolvent by the Court of Rolls. The rate of insolvencies is slighter higher than the UK average and this likely reflects the larger share of small professional services firms and consultancies based in the region – businesses that are reliant on short-term contracts.

The pattern of insolvencies over the three lockdowns has mirrored the national pattern with the third lockdown having a particularly strong impact. Major businesses based in the Greater Brighton region that became insolvent include Brighton Holiday Homes.

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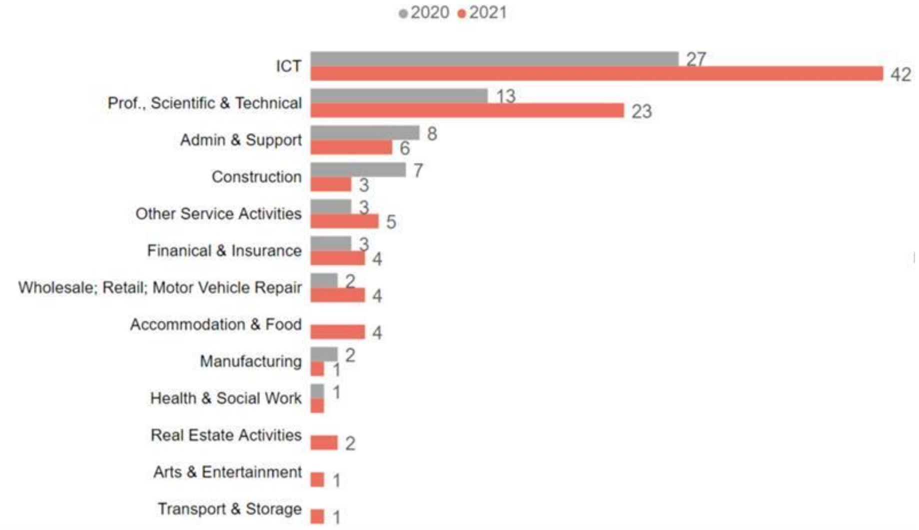
Insolvencies have been concentrated in professional services and ICT, which reflects the make-up of the GBR business base

Greater Brighton business insolvencies by sector (Jan-June)



Source: Gazette, monthly insolvency and liquidation orders registered at the Court of Rolls for period Jan to June, Hatch analysis

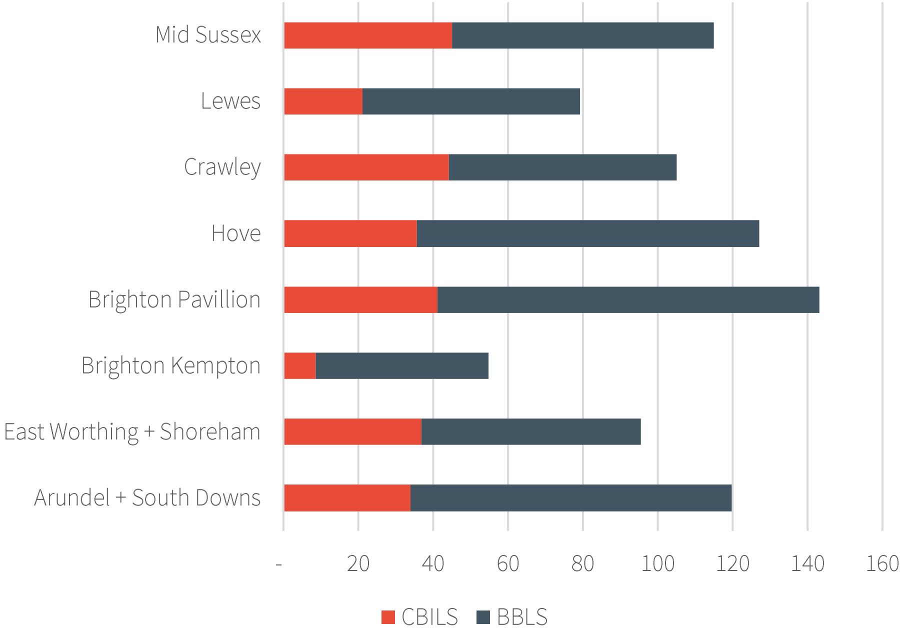
The Greater Brighton region has a greater proportion of SME ICT and professional services firms and this is reflected in the insolvency breakdown by sector. The chart on the left shows the volume of insolvencies for the period of January through June for 2020 and 2021.

In the ICT sector, many of the businesses that became insolvent in 2020 were directly related to online advertising – designing of online advertising campaigns and deployment of front-ends. During the first lockdown retailers and consumer services suspended variable costs and this had a direct impact on these businesses. This year many of the ICT businesses in trouble have been in the software design space.

There has also been an uptick in professional services insolvencies year on year. This reflects the small size of many of these small consultancy businesses, with limited cash on balance sheet.

Greater Brighton businesses have received £840mn in loans through government schemes

Total loan value (£m) as of July 2021 by local authority



Source: British Business Bank (BBB) CBILS and BBLS monthly reporting by Parliamentary Constituency, Hatch analysis

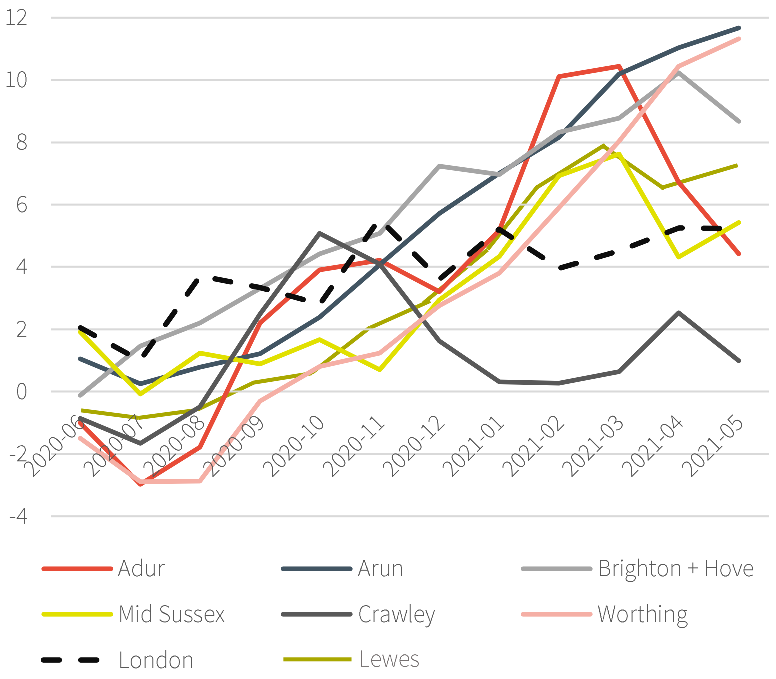
To support businesses experiencing loss of demand and cash flow issues, the Government put in place two loan schemes. The Coronavirus Business Interruption Loan Scheme (CBILS) provides loan up to £5mn to businesses with turnover up to £45mn and was recently replaced by the Recovery Loan Scheme (RLS). The Bounce Back Loan Scheme (BBLS) provided smaller loans of £50k or less.

Across the Greater Brighton region, £840mn of loans were secured by businesses through the two schemes. A total of 1k CBILs loans were negotiated (of £250k average loan value) and 20k BBLS loans of on average £30k. Both schemes offer up to a one-year repayment holiday and many businesses are approaching the 12-month repayment deadline. There is ongoing lobbying to government to extend the repayment holiday beyond 12-months.

Survey evidence shows that loans have been used to cover payroll and pay supply chain to ensure businesses continues uninterrupted There has been some suggestion that some funds have been to make capital purchases to aid with expansion.

Residential property price growth in Greater Brighton is outstripping many parts of the country, with the exception of Crawley

YoY (%) change in house price index



Source: ONS HPI dataset through to May 2021, Hatch analysis

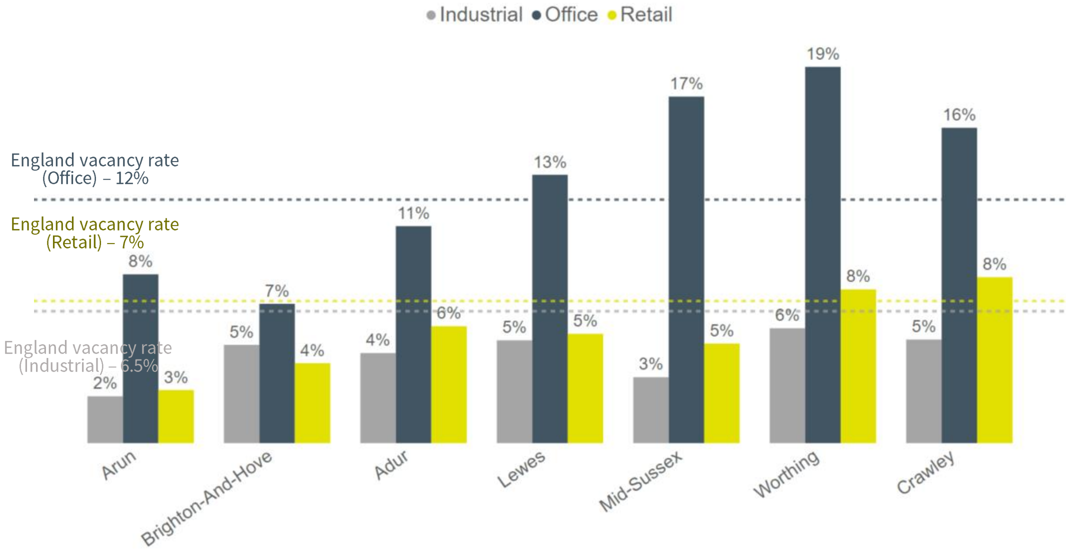
The Stamp Duty holiday combined with a desire for more outside space drove the residential property market in areas outside of London. As a result many areas across Greater Brighton achieved property price growth that outstripped London and the wider South East.

Over the coming months this pattern is expected to continue, even as Stamp Duty returns to regular rates from October 2021. Many businesses based in London and the South East are considering formalising hybrid and flexible working which will enable people and families to move outside of daily commuting catchment areas. The Greater Brighton region is particularly desirable given its sophisticated and culturally-rich towns and cities, coastline and national parks.

This presents an opportunity for the region to attract more high earning residents (and their spending power) into the region.

Commercial vacancy rates are creeping upwards with high vacancy rates for office space

Vacancy rate for GBEB Local Authorities by Use Class, June 2021



Source: Squire Data, vacancy counts, Hatch analysis

An interesting pattern is emerging in the Greater Brighton commercial real estate market. Despite the fact 20,000+ chain store outlets have closed since the start of the pandemic, the vacancy rate for retail space remains lower than the England average, with the exception of Worthing and Crawley. This may reflect the diversification of the retail offer and preponderance of independent shops. The industrial vacancy rate is also significantly below the England average.

Of note is the higher vacancy rate for office space. The rates seen in Worthing, Crawley and Mid-Sussex are in line with what is being seen in medium-sized urban centres. This partially reflects a reduction in lease take-up by small professional firms where staff can work from home. However, this available space may provide an opportunity for competitive locations to develop town-based workhubs that offer an “office when needed” to people working at home with main offices further away. Or some sites may be converted to residential under the new Permitted Development legislation.

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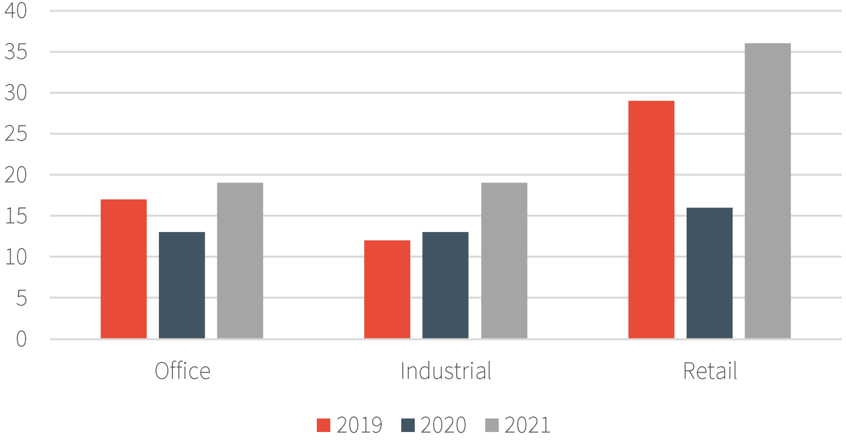
Commercial lease transaction volumes are higher in 2021 than they were for the full 2019 year

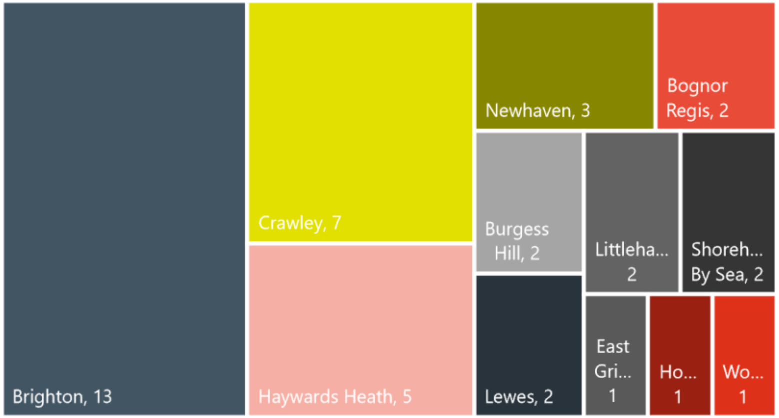
Volume of commercial lease transactions, full year 2019 + 2020, 6-months for 2021



Source: Co-Star data, transaction counts, Hatch analysis

In the first six months of 2021, the number of commercial property transactions outstripped 2019 volumes for the full-year. There is particularly high demand for retail space despite the success of online shopping during the pandemic, particularly for sites in Brighton.

Location of commercial lease transactions in 2021



Source: Co-Star data, transaction counts, Hatch analysis

Hayward's Heath and Crawley have seen a number of industrial property transactions particularly for logistics-related premises as well as office space. The high transaction volumes illustrate the fact some existing office and industrial spaces may be in the wrong locations.

Greater Brighton residents are returning to work at slower rates than the rest of England

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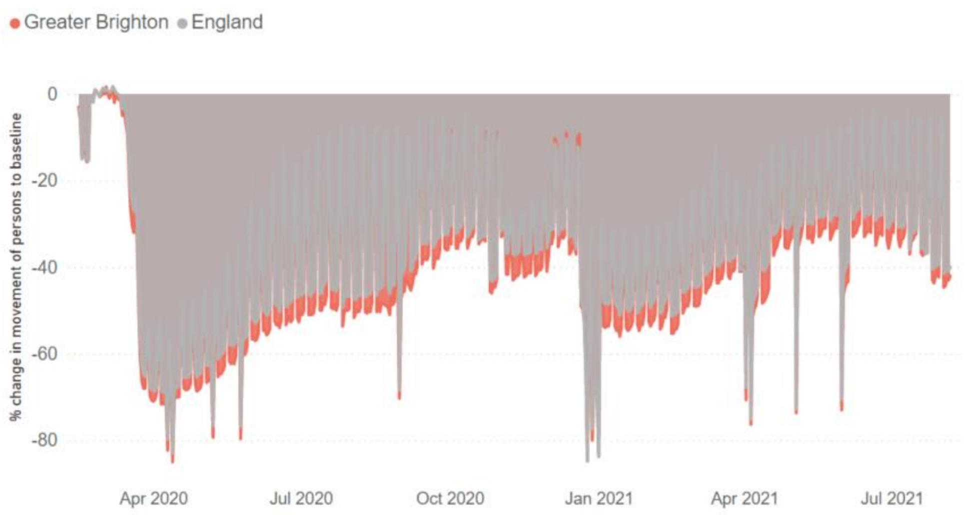
Workplace mobility at workplaces across Greater Brighton



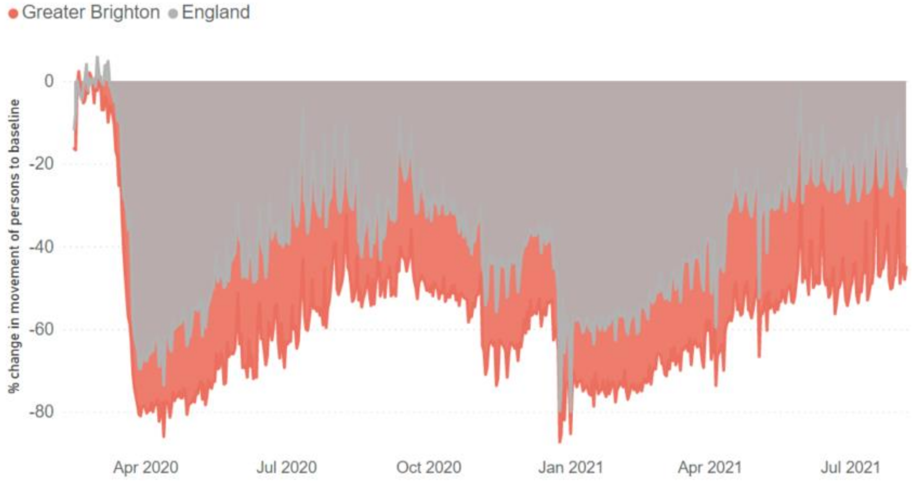
Source: Google Mobility, pre-pandemic baseline = 0, Hatch analysis

Across the UK, workplaces have 40% fewer people movements (as recorded by mobile phone towers) than at pre-pandemic levels. The numbers started to improve during the spring, with levels reaching sub-30%. However, over the summer months fewer people have returned to the office, perhaps reflecting a greater propensity to work at home as children are off from school. Greater Brighton resident movements have been the most active of all UK cities at returning to the workplace with *Centre for Cities* reporting 49% return to work rate for Brighton against an 18% rate for the UK.

It will be instructive to track workplace movements over the autumn months to determine whether the high rates of Greater Brighton residents returning to work holds and what proportion remains a permanent change with roughly 30% of the workforce no longer commuting to an office. If this is the case, this shift will impact on the stores and amenities located near offices across the region.

Widespread reluctance to return to public transport across the Greater Brighton region

Transit station mobility, GBR (Google Mobility data)



Source: Google Mobility, pre-pandemic baseline = 0, Hatch analysis

One of the most notable patterns is the lagged return to use of public transport across the Greater Brighton region. At present the use of public transit stations, including rail and bus, is down 50% on pre-pandemic levels. This is significantly lower than the England average which is 20% below.

It is possible that the use of public transport is being replaced by private vehicle which would be detrimental to the region's environmental goals. It may also reflect a reduced public transport during the pandemic.

Work may be required to overcome residents' reservations about the use of public transport to prevent a permanent behaviour change.

Section 2: Sectoral Analyses

The following sectors are covered in the analyses:

1. Creative, arts and digital
2. Aviation and logistics
3. Retail and high streets
4. Tourism and cultural
5. Financial services and professional services
6. Agriculture and viticulture
7. Manufacturing

1. Creative, Arts and Digital has been badly hit and will take time to recover

Pre-COVID

- The creative, arts and digital sector makes up around 15% of the area's total business base, generating a turnover in excess of £1.5 billion. Most creative and digital activities in the region revolve around music (11.7%), marketing and advertising (11.4%), design (10.8%), architecture and planning (10.3%), computer software (9%), apparel and fashion (8%) and arts and crafts (8%). Other smaller activities include publishing, PR & comms, media production and photography. Since 2014, growth has been particularly prominent in the software and performing arts.
- Creative businesses are very small: out of the 22% businesses that have no employees, a quarter are in the creative industries
- Creative and digital businesses are technology intensive and highly reliant on international import-export chains: 34% of technology intensive businesses and 36% of creative businesses were more likely to export internationally; and 47% of technology intensive businesses and 34% of creative industries relying on imports of goods or services
- Businesses in this sector were already fragile with one in five businesses mentioned lack of demand as an obstacle to business growth with many seeking to relocate outside of the region due to high costs

COVID Challenges

1. Alongside the tourism and retail/wholesale industry, the creative sector is among the most affected by the coronavirus crisis. Lockdown and social distancing measures have significantly changed the way we interact with creative content, given the lengthy duration of closures endured by the likes of galleries and theatres. Indeed, more than 11% of the sector's business base had not returned to trading as of August 2021 according to the ONS BICS Survey.
2. The visual and performing arts (galleries, theatres and events) and traditional media production activities (TV, radio, newspaper, books and advertising) have been hard hit by the crisis, with the majority of these sectors being forced to suspend their activities. This has had an immediate impact on self-employed freelancers, who have found themselves out of work, facing bankruptcy and in urgent need of financial support, leading to an uptick of around 5% in the volume of creative professionals ceasing their work in the creative sector during April-June 2020 according to the Creative Industries Policy and Evidence Centre's December 2020 report.
3. Oxford Economics have predicted a GVA drop of around £29 billion for the creative sector– this represents a contraction twice the rate of the broader economy. This will involve the redundancies of approximately 122,000 permanent workers in the sector and 287,000 freelancers.

2. Aviation continues to be hit whereas the logistics sector has experienced significant growth

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Pre-COVID

- The broader logistics sector, of which *some* Aviation activities are a part, is of significant importance to the GB region – accounting for 7% of all employment, with a location quotient of 1.5 vs England (i.e. degree of employment density where 1.0 is the same degree as England) as of 2019. The size of the sector (not including its supply chain) was £1.9bn in 2019 – also 7% of the GBEB region's total GVA.
- The UK is the worlds third largest air passenger market, with 120m passengers flying to the UK in 2019, supporting 1.5m jobs and generating around £100bn Gatwick Airport which was the second busiest airport in the UK. Through direct activities associated with the airport the sector supported economic output of £1.5bn in 2016, with a further £1.1bn of indirect economic output*.
- Greater Brighton is a hub for aviation, aerospace and defence manufacturing which is driven largely by the direct activities associated with Gatwick Airport.
- Prior to the Covid-19 pandemic the airport had reported that there had been growth in both passenger numbers and revenue in the 9 month period leading up to 31st December 2019. The published results, by Gatwick Airport, showed that just under 37 million passengers passed through the airport, resulting in an 0.3% increase. The increase in passengers was mainly down to long haul flight passengers**.

COVID-Challenges

1. The latest data for London Gatwick from shows that the airport saw a 93% drop in air traffic movements between January 2020 and January 2021. Only 17% of destinations served by Gatwick are currently on the destination 'green list' (August 2021). In the first six months of 2021, the airport made a £245mn loss.
2. Gatwick does not expect flight numbers to return to 2019 levels for 24 to 36 months. This reduction in traffic will have a knock-on effect on locally-provided services and international HQs locating near the airport. Unite estimate that the UK aviation sector has endured over 61,000 job losses since the start of the pandemic, as of March 2021.
3. Whilst rules on self-isolation for returning UK holidaymakers have been relaxed (provided they are double jabbed), numerous disincentives remain in place against people travelling by air, including the cost of tests which is incurred by the consumer, the possibility of having to isolate abroad, and extra paperwork required to fly overseas.
4. Logistics firms have faced short-term challenges to setup regional operations to keep up with demand and with many in the process of reprofiling operations to provide centres located near to large populations instead of relying on two or three national hubs.

3. Retail and high streets were impacted during lockdowns but the independent retail sector is now growing

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Pre-COVID

- The Retail and High Street sector accounts for 18% of the total business base in the region as of 2020, based on a Hatch selection of SIC codes. This is equivalent to 14% of all employment in the region.
- As of August 2021, Google Mobility data suggests that people are returning to high streets at a slower rate than England.
- Retail activity is particularly established in Brighton and Hove (with an employment density of 1.1 relative to England, as of 2019, according to the Business Register and Employment Survey). Brighton city currently sits at 22nd in the UK CACI retail towns ranking.
- The Business Survey further highlighted online competition as one of the key challenges to growth that businesses in this sector face. The lack of financial resources was also cited as an obstacle to growth, resulting in low levels of product and service innovation in the retail sector.

COVID Challenges

1. Retailers across the UK have reported the sharpest fall in sales in the year to April 2021, a level unmatched since the financial crisis of 2008. Although conditions for the Retail and High Street sector have improved since then, the British Retail Consortium has said that the recovery is now slowing* and vacancies continue to rack up across British town centers.
2. Ipsos Mori are detecting greater comfort amongst the British population to return to pre-pandemic activities such as going to restaurants, hairdresses, and bars and clubs. Its latest polling (July 2021) found increases of around 5 percentage points on people feeling 'comfortable' re-engaging in such activities compared to the previous month.
3. Similar research by Gfk highlights that "people are notably less worried than they were a year ago about the virus and the health of those around them" and therefore willing to re-engage in behaviors recently outlawed by lockdown such as retail/recreation. COVID consumer behaviors may "stick" long after the crisis, however, with an accelerated shift to online shopping, as well as alternative forms of delivery, the behavior change is expected to remain permanent features of consumer behavior going forward.

Sources: https://brc.org.uk/news/corporate-affairs/retail-sales-strong-but-slowing/, Comfort in returning to "normal", 8-11th May 2021, Ipsos Mori, Impact of COVID-19 on consumer behaviour, July 2021, GfK, British Independent Retailers Association

4. **Tourism and cultural** sector was impeded by lockdowns but has rallied over the summer months

Pre-COVID

- The GB region possesses outstanding tourism and culture offers, backed by a strong hospitality sector. In Brighton and Hove alone, there are 14,000 jobs in the accommodation and food services sector, making up around 42% of all the employment in that sector across the region. Brighton was the tenth most visited town in the UK by both inbound and overseas visitors in 2019.

- The thriving performing arts sector had a yearly turnover of £329m in 2019 and employed 3,500 people and benefited from the Royal Pavilion, Brighton Museum & Art Gallery, Brighton Dome & Theatre Royal, and events such as the Brighton Pride and Brighton Festival. Another key event is the Sussex Festival of Performing Arts. The proximity to the South Downs National Park is also an attractive factor of the region's visitor economy.

- Overseas visitors to the region accounted for 20% of all visitors in 2019, a drop from the 26% in 2016. Scandinavia, Germany, the United States, France and Australasia were the most frequently mentioned countries of origin. Domestic visitors mainly come from the South East (24%) and the Greater London Area (20%). The main reasons for visiting Brighton include going to the beach (26%) and seeing friends/relatives (18%).

COVID-19 Challenges

1. The impact of COVID-19 has been severe. Although lockdown restrictions are lifted in the UK as of July 2021, there remains hesitancy about attending non-socially distanced venues according to Ipsos Mori (May 2021). There is emerging evidence that this hesitancy will take time to overcome.

2. Many businesses in the tourism and cultural sectors owe significant rent arrears to landlords. There is ongoing uncertainty over who is accountable to pay for months of lost rent incurred during the three national lockdowns.
3. The events value chain supporting the tourism and culture sector has also been hard hit. As of April 2021, the city of Brighton and Hove still had approximately 29% of workers in the accommodation sector furloughed – compared to 26% for the UK as a whole. As of August 2021, 90% of firms in the accommodation and food service sectors had returned to trading as normal. This was the same for other tourist destinations across the region.
4. In spite of lockdown restrictions ending fully in July 2021, social distancing measures remain in place which has reduced capacity and revenues even for venues that are able to reopen.

5. Financial services and professional services sectors did well during the pandemic

Pre-COVID

- The professional, scientific and technical sector is one of the more-established sectors in the region with concentrations in Crawley, Brighton and Hove and Mid Sussex.
- Some new notable campuses are being established including the Science and Technical Park in Burgess Hill, the Environmental Technologies Centre near the Brighton City (Shoreham) Airport and the Sussex Innovation Centre near Brighton Station with further investments by the region's universities.
- There had been a trend for firms with global and national HQs based in London to base support and back-office functions in the region as the cost per desk was lower. In addition, many professional services firms set up regional hubs to service local clients.
- The region was home to a large number of SME professional services firms, namely small consultancies and marketing agencies.

COVID-19 Challenges

- The financial services sector has been more resilient to the impacts of the pandemic due as employees were able to work remotely. Economic output for the sector dropped 3% during the pandemic with 2% of eligible jobs furloughed compared to 13% average for the whole economy.
- The sector has been surprised at how seamless the move to home working has been. Large firms, including Barclays, have stated that they may no longer require their London HQ in Canary Wharf and instead operate using a series of satellite offices. This provides an opportunity for the Greater Brighton region as up to two thirds of FS employees live outside of London.
- Accountants and restructuring experts (management, operations and strategy consultants) are likely to be in high demand, as small businesses and large organisations will look to restructure their debt and work around cash shortages caused by the Covid 19 crisis. UK banks will put aside £5bn to cover the first quarter of loan losses which gives an indication of the upcoming scale of support required.

6. Agriculture and viticulture has been impacted by restrictions on events and hospitality

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Pre-COVID

- The UK food and drink sector generates around £121bn annually and employs over 4 million people making it the largest manufacturing sector in the country*. The Greater Brighton region has one of the largest horticulture industries which supports 9,000 jobs and generates around £1billion for the economy.
- The Greater Brighton agriculture sector is supported by the historically booming tourism industry that attracts around 24.5 million tourists to West Sussex annually. The tourism jobs that are created by the industry in West Sussex equate to around 8,500 in the food and drink industry with the direct expenditure at £346 million in the food and drink industry.
- The viticulture sector is a growth market five new vineyards established annually since 2016 and helping to establish an international brand for the region. The sector now boasts one of the greatest vineyards in the world with Ridgeview vineyard, and in 2019 it became the only British vineyard to be included in the Top 50 vineyards in the world global list.
- The horticultural sector has experienced strong growth with many brands starting as small family businesses such as Kate's Cakes and Higgidy Pies and the Real Pie Company.

COVID Challenges

1. The agricultural sector suffered initially as a result of the closure of hospitality but recovered once new home markets were accessed.
2. The viticulture sector has suffered with the restrictions on the wedding industry. The wedding sector contributes +£14bn to the economy of the UK annually. Many sectors have been impacted by the inability to hold wedding celebrations which includes the wine merchants and the rest of the food and drink industry.
3. The pandemic posed a greater threat to the wine industry in 2020 than climate change and increased tax. The break in the production and supply chains combined with increased demand through household consumption created a perfect storm. The local Ridgeview vineyard exports to a number of countries including Japan and USA with production expected to hit over 500,000 bottles by 2023.
4. The agricultural sector has been hampered by the combined factors of Brexit, the pandemic, and the ongoing shortage of labour to harvest has create challenges. This has led to some interruptions to market with reports of higher spoilage than in previous years, all of which have impacted bottom lines.

7. **Manufacturing** has been impacted unevenly with some sub-sectors thriving and others being severely impacted

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Pre-COVID

- Advanced manufacturing is a key sector in the economy with around 830 businesses and 8,000 people. The area has a variety of world leading high-tech manufacturing businesses including Rolls Royce Motor Cars, Bowers and Wilkins and Eurotherm.
- Prior to Covid the advanced manufacturing sector had been negatively impacted by Brexit uncertainty. According to research from Make UK (the UK manufacturing body) the sector had ground to a halt at the end of 2019 and had experienced big drops in European exports over previous years.
- The Greater Brighton Business Survey found that 55% of manufacturing companies export internationally, which is over double the SME national average. Additionally, 18% of the manufacturing businesses stated that they were heavily reliant on EU markets, while 30% of manufactures stated economic uncertainty as a reason for not innovating.

COVID Challenges

- The manufacturing sector was classed as essential and remained open through the restrictions. The lifting of coronavirus restrictions on the 19th July has positively impacted the manufacturing industry with the sector expected to grow twice as fast in 2021 with Make UK reporting the highest quarterly output volumes since the research began 30 years ago.
- The adaptability of the manufacturing sector resulted in a 'call to arms' to help combat Covid, with Ricardo using its expertise and resources to create bespoke face shields for the NHS healthcare staff.
- The pandemic led to changes in commuting behaviour, which combined with concern about the climate crisis led to a substantial uplift in bicycle sales. Prior to the global pandemic electric vehicles (EV's) were experiencing rapid growth, although the future market has been predicted to both increase and decrease. However, initial data shows that while the automotive market has taken a dive the EV sector has shown strength which could continue.
- Greater Brighton firms such as Zedify have successfully used the Clean Growth UK support and they use zero-emission electric cargo bikes to deliver food, office suppliers and other goods across congested towns. The company originated in Brighton and now spans across 9 UK cities employing 100 people.

Section 3: Post-COVID economic trends

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Post-COVID economic trends

Set out below are some of the universal themes that are expected to drive the reshaping of the UK economy over the coming years.

Accelerate opportunities to transition to low carbon through infrastructure investment.

Prioritisation of locally-sourced food supply chains to tackle food miles and support local agriculture and viticulture.

Permanent shift to remote working and hybrid working for some professions.

New consumer behaviors (e.g. online shopping) will stick and this will drive a repurposing of high streets/town centres.

Restructuring of corporate portfolios with an increase in mergers and acquisitions activities and ‘greening’ activities.

Successful places will develop place-specific policies and activities that build on the momentum of these national trends.

Emphasis on living near natural assets and move from urban conurbations to improve quality of life.

Growth of domestic staycation market as families consider environmental (and financial) barriers of overseas travel.

Acceleration of digital health with emphasis on proactive diagnostics for direct use by consumers.

Renewed interest in corporate cost-savings and stream-lining as businesses scramble to repay government-backed loans. ji

Accelerate opportunities to invest in low carbon businesses.

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