Chesterfield Recovery Scenario – Key Sector Prospects

Key Point Summary

The Bank of England Covid-19 scenario predicts national GDP declining at an annualised rate of 14% in 2020, with a major fall of 25% in Q2 (April-June) but then a bounce back in activity in the second half of 2020. However, there remains a great deal of uncertainty above the future shape of any recovery.

The structure of Chesterfield's economy has been assessed as having a higher degree of employment resilience than the national average, in response to the Covid-19 outbreak. This means that Chesterfield is relatively better placed than many districts when it comes to the recovery phase, whilst fully recognising the unprecedented scale of the challenge that lies ahead.

It is estimated that 92% of Chesterfield's total employment is currently in sectors now theoretically 'open for business' with 8% remaining in lockdown until the full implementation of the Government's recovery roadmap.

It is estimated that 570 Chesterfield businesses are currently temporarily closed, with 2 sectors – hospitality and leisure – accounting for 54% of all closures.

It has been estimated that 19% of Chesterfield's employed workforce is currently on furlough, compared to 26% nationally.

The recovery prospects for Chesterfield's key private business sectors could best be described as mixed. Higher-value, business-facing, service based sectors (with high levels of remote working) appear to be doing reasonably well, whilst lower-value, consumer-facing service based sectors are likely to be particularly impacted by Covid-19. Manufacturing sits somewhere between the two and its fortunes will be very much linked to the outlook for the global economy.

Introduction

This paper seeks to outline a Covid-19 recovery scenario for Chesterfield's economy. It considers how Chesterfield's key business sectors might emerge from lockdown and what factors could impact on their journey towards a normalisation of activities, whatever the 'new normal' looks like.

The current situation could best be described as dynamic, with information on the impact of Covid-19 and Government responses emerging on an almost daily basis. However, it is reasonable to state that the scale and duration of economic disruption remains highly uncertain, with the regular sources of information not updated quickly

enough to provide any meaningful insight. As such, this scenario is based on educated guess work and assumptions, all of which could change in future.

Context

The under-pinning assumption in assessing the economic impact of Covid-19 is the longer it goes on for (including the period of lockdown and the on-going requirement for social distancing measures) the greater the negative impact on the economy in terms of business failures, cancelled investment and rising unemployment (with the increasing risk that individuals becoming more permanently detached from the world of work).

In thinking about the nature of any recovery, it is worth highlighting that the national economy had already entered a period of slower economic growth following the Brexit decision in 2016. Continuing uncertainty about Brexit, alongside increasing world trade tensions, had reduced the national GDP growth forecast to only 1% for 2020. At the local scale, the impact of this slowdown has mainly been seen in a slowing of the business start-up rate and a gradual increase in the unemployment rate (from a low point of 1.6% at the end of 2015 to 3.2% in March 2020, prior to any Covid impact).

Both the Office for Budget Responsibility (OBR) and the Bank of England (BoE) have produced illustrative scenarios for how the economy might recover from Covid-19, both of which assume a very large (but hopefully temporary) shock to the economy. These scenarios broadly assume a 3 month period of lockdown (April-June) during which time economic activity is heavily restricted. These restrictions are then gradually lifted over the next 3 months, with a phasing out of social-distancing measures by September 2020. This is then followed by a period (until mid-2021) during which time people remain cautious about shopping and socialising, and voluntarily maintain social-distancing measures, meaning that the economy takes some time to recover towards its previous growth path.

Based on the BoE scenario, this results in a decline in GDP of -3% in Q1 2020, with the country only entering lockdown at the end of the quarter, but then a fall of -25% in Q2. Activity then bounces back quite sharply in the second half of 2020 and the first half of 2021, such that GDP reaches its pre-Covid level at the end of that period. Overall, this equates to a fall in GDP of 14% in 2020, an increase of 15% in 2021, followed by growth of 3% in 2022.

Both the OBR and BoE anticipate a significant rise in unemployment, with the OBR forecasting an increase of more than 2 million claimants and the rate peaking at 10% in Q2 2020. The OBR then see this falling back to 7.3% by year end, followed by further falls to 6.0% in 2021 and 4.5% in 2022. Following these forecasts, there has been a sharp rise in unemployment, with the national claimant count unemployment rate increasing from 3.1% in March to 6.5% in May. However, this increase has not

(so far) been as steep as forecast and this largely reflects the high level of business take-up of the Government's Coronavirus Job Retention Scheme (CJRS).

Over 9 million workers are presently enrolled on the CJRS, representing around 26% of the employed workforce. This scheme sees the Government paying up to 80% of a furloughed worker's wages, capped at £2,500 a month. More than one million businesses have made use of the scheme to temporarily lay-off workers. The scheme, which originally ran until the end of June 2020, has now been extended to the end of October 2020, but this will be on a shared funding basis with businesses from August. The aim of the extension is to support a longer transition period back to full time work, as different business sectors emerge from lock-down. However, whilst a 'cliff-edge' for a significant rise in unemployment at the end of June has been avoided, there is now a risk that a further cliff-edge will appear in October if the economy hasn't sufficiently recovered by then.

A separate scheme for the self-employed opened in May 2020, providing a one-off grant equivalent to 3 months profits (up to a maximum of £7,500). There are presently around 5 million people registered as self-employed nationally and 2.3 million people have so far applied for support via the scheme. This scheme has also now been extended to include a second round of grants, with previous applicants eligible to apply.

The Office for National Statistics (ONS) is currently undertaking a survey every two weeks to look at the impact of Covid-19 on businesses. The most recent survey (covering the period 1st-14th June) shows that 14% of businesses remain temporarily closed, with rates ranging from 2% in the utilities sector to 59% in the leisure / recreation sector. However, the percentage of temporarily closed businesses is decreasing as the economy gradually reopens for business (the rate had been as high as 24% at the beginning of April).

Chesterfield Economic Resilience

The first ONS survey (covering the period 23rd March-5th April) provided the basis for an assessment of the overall 'economic resilience' of Chesterfield's economy, relative to the national average. It used a scorecard approach to categorise business sectors according to the impact that Covid-19 was having on turnover, staffing and general business confidence. Based on scores, sectors were allocated to either a higher, middle or lower resilience category. Adjustments were then made to include sectors which fell outside the scope of the ONS survey (such as public administration) and to split larger sectors into sub-sectors where there was a clear difference in the level of Covid-19 impact within sector (for example to distinguish between essential and non-essential retail).

The sector resilience table is set out below, with employment allocated to each category and comparison to the national average:

Chesterfield Economic Resilience		
Sector	Chesterfield % employment and number of jobs	National % employment
Higher Resilience		
Financial & Professional Services	7.9% (4,100)	13.9%
ICT	2.9% (1,500)	4.2%
Health and Social Services	21.1% (11,000)	13.2%
Education	9.6% (5,000)	8.9%
Public Administration	3.4% (1,750)	4.3%
Retail (Convenience)	5.6% (2,900)	4.6%
Total	50.5% (26,250)	49.1%
Middle Resilience		
Wholesale / Vehicles	10.7% (5,600)	5.8%
Manufacturing	8.6% (4,500)	8.1%
Utilities / Waste Services	0.9% (450)	1.6%
Logistics	4.5% (2,300)	2.6%
Total	24.7% (12,850)	18.1%
Lower Resilience		
Construction	4.3% (2,250)	4.7%
Transport	1.3% (700)	2.2%
Admin and Support Services	6.7% (3,500)	9.1%
Leisure and Recreation	1.7% (900)	2.5%
Accommodation and Food	4.8% (2,500)	7.6%
Other Services	1.3% (700)	2.0%
Retail (Comparison)	4.6% (2,400)	4.7%
Total	24.8% (12,950)	32.8%

At the beginning of the Covid-19 lockdown period, just over half of Chesterfield's total employment was classified as being in higher resilience sectors, slightly ahead of the national average at 49%. Whilst Chesterfield had a lower level of employment in higher-value private sector services, this was compensated for by its high level of employment in health and social services. The majority of employment in this sector falls within the public sector, which alongside public administration and education, provides a relative cushion to the economic impact of Covid-19, helping to sustain jobs and spend in the local economy. Employees in the higher value serviced based sectors were more likely to be able to work from home and this provided a greater degree of resilience in these sectors.

Chesterfield had a higher proportion of employment in the middle resilience sectors (25% compared to 18% nationally), notably in wholesale and vehicle related

activities. These middle resilience sectors were generally a step removed from direct day-to-day contact with customers, which in theory enabled a greater degree of business continuity, although other sector specific factors did come into play. For example, the impact of Covid-19 on future demand for air travel, filtered relatively quickly down the supply chain to impact on manufacturers such as Rolls Royce.

The lower resilience category included 4 sectors where the majority of businesses were directly subject to lockdown measures (accommodation/food, retail comparison, leisure/recreation and other services) meaning that the restart of activity was guided by the Government rather than the level of market demand. Chesterfield had a notably lower level of employment in the lower resilience sectors (25%) compared to the national average (33%). For example, the most impacted sector (on the basis of the scorecard) 'accommodation and food services', is only two-thirds the size in Chesterfield as it is nationally.

Overall, the structure of Chesterfield's economy was assessed as having a higher degree of economic resilience to the impact of Covid-19 than the national average. This assessment has been confirmed by other research (reported in the Midlands Engine Covid-19 Monitor) which applied the OBR scenario benchmark of a Q2 2020 GVA decline of 35% to all districts nationally, based on their particular sector mix. This estimated a GVA decline of 32% in Chesterfield, ranking it 327th out of 382 authorities (where 382 was the least impacted district). This made Chesterfield the least impacted authority in Derbyshire, whereas South Derbyshire, with a GVA decline of 48%, was the most impacted. Whilst this does underline that 'economic resilience' is a relative concept (ie Chesterfield is the least impacted but still with a forecast GVA decline of 32%), it does suggest that Chesterfield's restart point, when it comes to the recovery phase, is better positioned than for many other districts.

Chesterfield Recovery Scenario

The primary reference point for the Chesterfield Recovery Scenario is the Government's Covid-19 Recovery Strategy, which sets out a timeframe for the easing of lockdown restrictions. This is supplemented by the local application of the results of the ONS business surveys, which helps to broadly outline the prospects for individual business sectors in Chesterfield.

The Government's recovery roadmap identifies 3 steps to the lifting of lockdown restrictions and progression through each of the stages is subject to successfully controlling the further spread of the virus:

Step 1 – Applying from 13th May 2020, all workers who can work from home should continue to work from home, however those who cannot work from home should travel to work (but preferably not by public transport) if their workplace is open. Sectors of the economy which are allowed to be open should be open, for example food production, construction, manufacturing, logistics and (parts of) distribution. All open workplaces will need to comply with the new Covid-19 Secure guidelines.

Specific examples of businesses that have been permitted to restart work as part of Step-1 include: those linked to the residential property market such as estate agents, removals and conveyancers; garden centres; and trades people and cleaners who go into other people's houses.

Step 2 – this saw the opening of open markets and car showrooms from 1st June, followed by other non-essential retail on the 15th June. Step-2 also saw the beginning of a phased return for some primary education school pupils, with the Government's stated ambition that all primary school children to return to school before the summer and for some teacher contact to take place with secondary school pupils who will be sitting exams in the following year.

Step 3 – Applying no earlier than the 4th July 2020, the aim is to open at least some of the remaining businesses that have been required to close, including hairdressers, hospitality (food, drink and accommodation) and leisure (for example cinemas). However, some activities such as indoor gyms, swimming pools, beauty salons and nightclubs remain closed for the foreseeable future.

Taking the roadmap as a starting point, it is possible to broadly allocate key business sectors to each of the steps as follows:

Business Sectors – Steps to Recovery		
Step-1 (May 2020)	Step-2 (June 2020)	Step-3 (July 2020)
Financial and professional services		
ICT		
Admin and support services		
Health and social services		
Education		
Public Administration		
Retail (essential)		
Wholesale and vehicle repairs		
Manufacturing		
Utilities and waste		
Construction		
Transport and logistics		
	Retail (non-essential)	
		Accommodation and food
		Leisure and recreation
		Other services
Chesterfield Employment		
Step-1 sectors	Step-2 sectors	Step-3 sectors
44,300 (85%) National 82%	3,600 (7%) National 6%	4,100 (8%) National 12%

Approximately 92% of Chesterfield's employment is in business sectors which could now (theoretically) be considered to be 'open for business' (Step 1 and 2), ahead of the national average of 88%. Whilst having a greater proportion of sectors open for business increases the local potential for recovery, it will still take time for business activity in those sectors to return towards previous levels (ie to fully reutilise sector capacity in terms of the number of temporarily closed businesses and furloughed employees). Across all sectors, this return to normality (or whatever the 'new normal' turns out to be) will be influenced by a broad range of factors, including:

- Timing of recovery phase – there is a great deal of uncertainty around the 'shape' of the recovery, for example will it be V-shaped (ie a significant bounce-back as short-term restrictions are eased); U-shaped (with an extended period of lockdown and low levels of economic activity, followed by recovery); or ✓-shaped (with recovery beginning in the short-term but then extended over a longer timeframe than with a V-shaped recovery). The overall pace of economic recovery at national (and international) level will directly or in-directly impact the prospects of all business sectors.

- Sector lockdown – whilst all sectors are subject to the requirements of social distancing, some sectors (Step-3) remain in lockdown, with the timeframe for the easing of these restrictions to be determined by Government as they implement each stage of the recovery roadmap. Whilst the Government has called the timing of the roadmap 'cautious', there is also a body of opinion that suggests that the Government is actually proceeding too quickly with the lifting of lockdown measures, risking a further spike in Covid-19 cases.

- Consumer and business confidence – uncertainty over the economic outlook acts to reduce confidence, with consumers deferring major purchases and limiting discretionary spend more generally. Business investment was already at low levels on the back of Brexit uncertainty and the Covid-19 crisis is only likely to exacerbate the situation, at least in the short term (the BoE forecast that business investment will fall by as much as 50% in Q2 2020).

- Supply of labour – lockdown requirements have seen non-essential workers staying at home for an extended period. Whilst some sectors (notably the higher-value service based sectors) have seen high levels of home-working, 26% of the total UK workforce are currently on furlough and therefore temporarily inactive. Many workers are also staying at home to care for children or other dependents. Return to work will therefore be dependent on a return to school for large numbers of people. Restricted access to public transport will also be an issue for workers located in the larger employment centres.

- Supply chain disruption – many businesses have been impacted by national / international disruption to supply chains (both business closures and transport

links), whilst a reduction in demand for goods and services will also have a negative impact at all levels in the supply chain.

- National response – the Government is likely to consider further interventions to support businesses, sectors and the unemployed during the recovery phase. For example, although the current deadline for the unwinding of the furlough scheme is October 2020, this may still prove to be too soon for employees in some sectors, such as hospitality, if social distancing measures remain in place.

Chesterfield Recovery Scenario – Sector Review

The sector review is based on:

- An update of the sector resilience scorecard.
- Estimation of the number of Chesterfield businesses which are temporarily closed.
- Estimation of the number of employee jobs which have been furloughed.
- A sector narrative combining the above with a consideration of sector specific issues.

Sector Resilience Scorecard

Using the most recent ONS business survey data (1st-14th June), the resilience scorecard has been updated to see how well key business sectors are weathering / recovering from the economic impact of Covid-19. The scorecard in based on business responses to the following questions (which seek to focus on positive aspects of business performance):

- Business has continued to trade or restarted trading during the outbreak period
- Business turnover has not been affected by the outbreak
- Business has not been required to make use of any Government support schemes
- Business has cash reserves for more than 6 months.

Scores have been totalled and sectors ranked, with the lowest score being the most resilient sector and the highest score the least resilient sector. To note that in relation to the education and health & social services sectors, the assessment relates only to private sector businesses in those sectors and not the public sector.

Sector	Continued to trade	Turnover not affected	No Govt support	Cash reserves	Total Score	**Rank**
Manufacturing	2	6	6	3	17	**4**
Utilities/Waste	1	4	3	6	14	**2**
Construction	10	8	11	10	39	**10**
Retail/Wholesale/ Vehicles	5	9	7	5	26	**7**
Transport / Storage	4	10	10	7	31	**8**
Accommodation/ Food	11	12	12	12	47	**12**
ICT	8	2	2	2	14	**3**

Financial / Professional Services	6	3	4	4	17	**4**
Admin/ Support Services	9	7	8	11	35	**9**
Education	7	5	5	1	18	**6**
Health and Social Services	3	1	1	8	13	**1**
Leisure/ Recreation	12	11	9	9	41	**11**

The range of responses to each of the questions was as follows:

- Business has continued to trade – this ranged from 41% in leisure/recreation to 98% in utilities (all sectors average 86%)

- Business turnover has not been affected – this ranged from 6% in accommodation/food to 44% in health and social services (all sectors average 21%)

- Business has not made use of any Government support schemes – this ranged from 2% in accommodation/food to 59% in health services (all sectors average 18%)

- Business has cash reserves for more than 6 months – this ranged from 14% in accommodation/food to 49% in education (all sectors average 33%).

Based on scores, the sectors have been categorised as follows (previous rank in brackets):

Sector Resilience		
Higher resilience	Middle resilience	Lower resilience
1. Health and social services (3) 2. Utilities / Waste (7) 3. ICT (2)	4. Financial and professional services (1) 4. Manufacturing (6) 6. Education (4) 7. Retail/ wholesale /vehicles (5) 8. Transport (8)	9. Admin / support services (10) 10. Construction (9) 11. Recreation / leisure (11) 12. Accommodation / food (12)

Despite the use of different criteria, there is a reasonable degree of consistency with 9 sectors occupying the same resilience category as per the original assessment. The biggest change has been the utilities/waste sector moving up 5 places, whilst

both education and financial professional services have dropped down into the middle resilience category. The lowest resilience category contains the same 4 sectors as per the original assessment, with hospitality and leisure/recreation remaining under lockdown restrictions.

Temporary Business Closures

Based on the ONS survey, it is possible to estimate the number of businesses in Chesterfield which have temporarily closed as a result of Covid-19. This helps to illustrate the scale of the challenge that each sector will face during the recovery phase.

Temporary business closures			
Sector	Number of businesses (Chesterfield)	% businesses temporarily closed (national)	Chesterfield businesses temporarily closed
Utilities and waste	65	2%	1
Manufacturing	345	3%	10
Construction	435	12%	52
Retail/wholesale/vehicles	950	7%	67
Accommodation and food	315	53%	167
Transport and logistics	160	6%	10
ICT	195	11%	21
Financial and professional services	670	8%	54
Admin and support services	280	12%	34
Education	120	11%	7
Health and social services	300	4%	6
Public administration	55	-	-
Leisure, recreation and other services	240	59%	142
All Sectors	4130	14%	571

It is estimated that approximately 570 businesses in the borough are temporarily closed (out of a total of 4,130 local business units), with the two sectors which are the subject of on-going lockdown – hospitality and leisure – accounting for over half (54%) of all closures. Whilst still a large number of businesses, the situation has improved significantly since the beginning of April, when it is estimated there were almost 1,000 businesses in Chesterfield which had temporarily closed.

Employees on Furlough

Employees on furlough provides a wider view of the local economic impact of Covid-19, as the furloughing of staff can be undertaken by all businesses within a sector, not just those which are temporarily closed.

Employees on Furlough			
Sector	Sector employment (Chesterfield)	% workforce on furlough (national)	Employees on furlough (Chesterfield)
Utilities and waste	450	7%	30
Manufacturing	4,500	20%	900
Construction	2,250	27%	610
Retail/wholesale/vehicles	11,000	13%	1,430
Accommodation and food	2,500	67%	1,675
Transport and logistics	3,000	32%	960
ICT	1,500	12%	180
Financial and professional services	4,100	12%	490
Admin and support services	3,500	31%	1,085
Education	5,000	10%	500
Health and social services	11,000	8%	880
Public administration	1,750	-	-
Leisure, recreation and other services	1,600	70%	1,120
All Sectors	52,150	23%	9,860 (19%)

It is estimated that there are around 9,850 employees of Chesterfield businesses currently on furlough, equating to 19% of the total workforce. Whilst it is difficult to make a direct comparison to the national figure of 23% (as this does not take account of public sector employment in the health and education sectors), at the end of June there were 9.3m employees on furlough in the UK. Based on a total UK workforce of approximately 36m, that would broadly equate to 26% of all employees on furlough, compared to 19% in Chesterfield. The difference between these figures does point to a higher degree of employment resilience in Chesterfield, particularly linked to the high level of public sector employment.

At the local level, it is worth highlighting that the total number of furloughed workers in the two sectors currently subject to lockdown (hospitality and leisure) equates to 31% of the total, whereas businesses on temporary closure in these 2 sectors equates to 54% of the total. This illustrates that the business impact of Covid-19, in terms of temporarily closed businesses, has been more concentrated on specific sectors, whereas staff on furlough has been more widely distributed across sectors.

Key Sector Prospects

Taking account of the sector resilience ranking, temporary business closures, and the proportion of employees on furlough, the following section seeks to give a flavour of the recovery prospects for key local business sectors in Chesterfield.

Manufacturing

Sector ranking – 4 'Middle Resilience'	Businesses – 345 Temporary closures – 10 3%	Employment – 4,500 On furlough – 900 20%

Manufacturing presently accounts for just under 9% of total employment in the borough. Although the manufacturing sector has been in long-term decline, Chesterfield retains a number of manufacturing specialisms particularly in relation to the production of basic metals, fabricated metal products and machinery, and the manufacture of paper, packaging and plastic products.

At the beginning of the Covid-19 outbreak, the first ONS survey identified that 23% of manufacturing businesses nationally had temporarily closed. The active encouragement for these businesses to reopen, as part of the first stage of the Government's recovery road map, has seen 97% of manufacturers now back in operation. However, 20% of employees in the sector remain on furlough, equating to 900 employees in Chesterfield.

Anecdotal evidence from the Chesterfield Manufacturing Forum, and responses to the D2N2 Business Survey, suggest that there have been few local redundancies in the sector so far, although there have been a number of recent announcements about the impact that Covid-19 is having on the manufacturing sector nationally. For example, the Covid-19 related decline in air travel is already having significant repercussions in the manufacturing sector, with both Boeing and Airbus reducing aircraft production (and laying off staff) to reflect current market conditions. This in turn will have implications across the global supply chain with Rolls Royce announcing 8,000 redundancies in its aero-engine manufacture and maintenance division. Elsewhere investment in a number of other sectors such as oil and gas (hit by reduced demand and over-supply), automotive, mining and construction equipment (900 redundancies recently announced at JCB) is coming under increasing pressure with the risk of a world-wide recession.

Around half of Chesterfield's manufacturing businesses are engaged in the metal products and machinery related sectors, with these activities orientated towards national and international markets, either directly or through supply chain relationships. So, whilst local manufacturing could be considered to have weathered Covid-19 reasonably well so far, there is a clear risk that that the sector could be adversely impacted through any wider downturn in the outlook for the global economy.

Construction

Sector ranking – 10 'Lower Resilience'	Businesses – 435 Temporary closures – 52 12%	Employment – 2,250 On furlough – 610 27%

Whilst not directly subject to lockdown measures, there was significant public and media pressure to close construction sites because of concerns around social distancing. Construction has seen a clear impact from Covid-19 with the sector ranked 10 out of 12 on the overall resilience measure. Like manufacturing, the sector was actively encouraged to reopen as part of stage 1 of the national recovery plan and whilst this has happened (with the % of temporarily closed businesses decreasing from 29% to 12%), it has not been to the same extent as seen with the manufacturing sector.

Evidence from the D2N2 Business Survey shows that 4 out of 5 construction firms in Chesterfield have placed staff on furlough, with one company making redundancies. In addition, construction related activity accounts for almost a quarter of all self-employed people in Chesterfield and it is anticipated that this group will have been particularly hit through the lockdown of domestic scale activity (although this type of work has since been given the green-light, with trades now permitted to enter residential properties to undertake work).

All of Chesterfield's larger scale residential construction sites have been subject to temporary closure, although there is now evidence of a return to activity on sites including William Davis and Strata Homes at Dunston, and Harron Homes at Heritage Green. On the commercial front, site works have also commenced on the Adrenaline World development at PEAK and the Council's enterprise centre in the town centre.

A wider pick-up of construction activity will be dependent on the reactivation of the residential property market, which also acts as a key driver of economic activity at the local scale (estate agents, solicitors, removals, household improvements and purchases etc). As part of Step-1, the Government has sought to kick-start the market by allowing estate agents to undertake property viewings and take forward transactions. The property agents Zoopla estimate that 370,000 property transactions have been put on-hold as a result of Covid-19 and getting as many of these to completion as possible should provide a boost for the market in the immediate term. However, notwithstanding any short term boost, the overall impact of Covid-19 is likely to act to moderate demand in the market, with uncertainty around the economic outlook, confidence over personal finances and the future direction of house prices.

At the local scale, the opening up of the housing market and the restart of activity on some of the larger housing sites gives some grounds for cautious optimism about the future. However, this needs to be balanced with the scale of impact that Covid-19

has had on the sector, with around 27% of the workforce remaining on furlough and uncertain prospects for an even greater number (1,240) of self-employed workers.

Transport and Logistics

Sector Ranking – 8 'Middle Resilience'	Businesses – 160 Temporary closures – 10 6%	Employment – 3,000 On furlough – 960 32%

The transport and logistics sector has proved to be relatively resilient in the face of the Covid-19, with almost 95% of businesses nationally continuing to trade during the outbreak (equating to only 10 temporary closures in Chesterfield). The level of activity in the sector has clearly been impacted by reduced demand for the movement of goods in the wider economy, with almost a third of staff put on furlough (and this figure has remained fairly constant throughout the outbreak period). However, it is assumed that the sector has received some under-pinning support from the large increase in on-line activity during the period. Overall it is considered that the level of activity in the sector should increase as the wider economy opens up, particularly with the emergence of non-essential retail from lockdown.

At the local scale, almost half of total employment in the sector is in 'postal services' which have continued to operate throughout the outbreak. Whilst this will have given some protection, notably to front-line services, Royal Mail has since announced (June 2020) that up to 2,000 management jobs will go on a national basis, as Covid-19 has accelerated the trend towards more parcels being delivered and fewer letters. This could impact on Chesterfield, given the large number of jobs located in the town.

Retail, Wholesale and Vehicles

Sector ranking - 7 'Middle Resilience'	Businesses – 950 Temporary closures – 67 7%	Employment – 11,000 On furlough – 1,430 13%

The retail, wholesale and vehicles sector is the largest private business sector in Chesterfield employing 11,000 people in 950 businesses. The sector is ranked 7 out of 12 on the resilience measure, although this ranking potentially acts to mask the divergent performance of the component sub-sectors (unfortunately the ONS survey sample size is not sufficiently large to identify the performance of the individual sub-sectors). The classification of retail activities as either essential (predominantly convenience) or non-essential (comparison) and the subsequent lockdown (and re-opening) of non-essential activities suggests that the key impacts in terms of business closures and furloughed staff will relate specifically to this sub-sector. The position has improved significantly since the Step-2 reopening, with the % of temporarily closed businesses (on a national basis) reducing from 27% to only 7%.

At the local level, a recent survey (last week in June) of the town centre has highlighted that whilst the level of retail activity has increased, over 50 premises (excluding actual vacancies) that could have reopened as part of Step-2 remain closed. This suggests a more gradual re-opening of retail activity, although this should be given a further footfall boost with the Step-3 reopening of the hospitality sector (and hairdressers) from the 4th July.

So, whilst non-essential retail has theoretically emerged from lockdown, it appears there will not be an immediate return of all retailers to the high street. The key issue will be the extent to which consumers are confident enough to return to the high street whilst social distancing measures remain in place and whether the level of demand generated by these consumers will be sufficient to make it commercially viable for stores to operate (for example, how viable is a small retail unit if it can only permit one customer at a time). Equally this is something of a chicken and egg situation, with stores needing to re-open in the first instance, in order to attract footfall.

High streets were already facing significant challenges prior to lockdown, with the switch to on-line retailing and an increasing retailer focus on the largest destinations. Out of necessity on-line sales have accelerated during lockdown (now accounting for 31% of all retail sales) and the question is whether this behaviour is now the 'new normal' for many consumers, or will people revert back to previous shopping habits? Rising unemployment and uncertainty over future employment prospects (with 9.3 million people on furlough) can only act to reduce consumer confidence and therefore consumer spend on the high street.

On balance, activity on the high street is likely to be subdued as long as social distancing measures remain in place. Even following the lifting of these measures, it seems unlikely that the high street will return to the place it was before, with Covid-19 acting to accelerate the changes that were already taking place, but possibly tempered by an increasing 'shop local' focus. As such it is anticipated that the sector will be negatively impacted by permanent store closures and loss of jobs.

Financial and Professional Services

Sector Ranking – 4 'Middle Resilience'	Businesses – 670 Temporary closures – 54 8%	Employment – 4,100 On furlough – 490 12%

ICT

Sector Ranking – 3 'Higher Resilience'	Businesses – 195 Temporary closures – 21 11%	Employment – 1,500 On furlough – 180 12%

Financial and professional services and ICT had proved to be two of the most resilient sectors with at least 95% of businesses continuing to trade throughout the

Covid-19 outbreak. This position has changed more recently with an increase in both sectors of businesses seeing temporary closure (a reversal of the trend seen in other sectors). However, both sectors continue to perform well on other aspects of scorecard performance and have therefore been able to maintain high sector rankings. This performance has been greatly facilitated by remote working, with 87% of the ICT workforce (77% professional services) able to work away from the office and both sectors seeing a relatively small proportion (12%) of staff placed on furlough.

Both sectors have been key growth sectors at the national scale and this will continue to be the case in future. Chesterfield has a lower level of employment representation in professional services than nationally (8% compared to 14%), but has seen a good level of growth in the business base over the last 5 years (+65 businesses). Although there has been some consolidation in employment in Chesterfield's ICT sector in recent years, the business base has continued to expand, adding a further 40 businesses between 2014-19. Both sectors are identified as being amongst the main beneficiaries of high speed rail services, so this should act to underpin the local growth of these sectors in the longer term.

Whilst the pandemic has highlighted the importance of a high quality broadband network to facilitate remote working, it has also raised a question mark about the future role, and demand for, physical office space. The trend towards greater office employment densities and hot-desking was already well established prior to Covid-19 (and has actually highlighted this as a physical limitation when it comes to putting in place social distancing measures), however experience during the outbreak could lead many businesses to look at the future balance between office and home working. As an established office location, this could have implications for Chesterfield in future, particularly in relation to demand for larger office floorplates (this is something that will need to be monitored). Equally, Chesterfield, with its good communication links, could be a potential beneficiary from any restructuring of the office market in the primary office centres.

Administration and Support Services

Sector ranking – 9 'Lower Resilience'	Businesses – 280 Temporary closures – 34 12%	Employment – 3,500 On furlough – 1,085 31%

'Admin and support' comprises a diverse range of 'lower-value' service activities (relative to professional and ICT services) such as employment agencies, travel agents, call centres, cleaning, security and landscaping services. The sector ranked 9 out of 12 on the resilience scorecard, placing it in the lower resilience category. This lower ranking is likely to reflect the reduced demand for services provided by businesses in the sector (for example employment agencies, travel agents and building related services), alongside fewer opportunities for home working (39%).

Whilst it is anticipated there will be recovery in the sector as the wider economy returns to work, the relatively high level of furloughed staff could be a risk factor in future.

Accommodation and Food

Sector Ranking – 12 'Lower Resilience'	Businesses – 315 Temporary closures – 167 53%	Employment – 2,500 On furlough – 1,675 67%

The accommodation and food sector has been identified as the single most vulnerable sector to the economic impact of Covid-19 (ranking 12 out of 12 on the resilience measure). Whilst Chesterfield has a lower level of sector employment than the national average (4.8% compared to 7.6%), this still potentially amounts to over 160 temporarily closed businesses and almost 1,700 staff on furlough. On a positive note, the number of temporarily closed businesses has been decreasing, with the ONS survey identifying that 19% of businesses in the sector had reopened in the two weeks prior to the survey (assume this will have been for take-away or delivery of food and drink).

The gradual re-opening of the hospitality sector forms part of Step-3 of the Government's road map, with premises able to begin trading from the 4th July. Despite a reduction in the social distancing requirements (from a minimum of 2 metres to 1 metre), this is still likely to present a real viability challenge for many businesses. A recent survey of visitor economy businesses by the Peak District and Derbyshire Destination Management Organisation found that 32% of businesses would not be able to reopen until all social distancing restrictions had been lifted (for example, a pub/restaurant might be able to operate at 40% capacity with 2 metre social distancing, which increases to 70% capacity with 1 metre distancing, however that still leaves a 30% capacity shortfall).

Based on the findings of the survey it is clear that the longer social distancing measures are maintained, the greater the risk that a number of businesses in the sector will never actually re-open, or those that do, will do so on a reduced staffing basis. Although the furlough scheme has been extended to the end of October, this will require businesses to contribute towards salary costs from the beginning of August, which could present a real challenge for many businesses.

Approximately half of all businesses in the sector are located in the wider Chesterfield town centre area, creating an additional challenge to social distancing compared to more dispersed hospitality provision across the borough as a whole. Even after measures have been eased, it is likely that many people will maintain voluntary (cautionary) social distancing for some time to come, adversely impacting footfall in the town centre. As with retail, if households are not feeling confident about the economic outlook then this will weigh on the level of discretionary spend on food and drink. Visitor spend (directly supporting 1,750 jobs in Chesterfield in 2018) is also likely to be curtailed at least for the remainder of the year. Reduced numbers of

office workers will also limit lunch-time demand in the town centre. All these factors point towards a potentially difficult transition phase in the next few months and the realistic expectation must be that there will be business closures and job losses in the sector.

Leisure, Recreation and Other Services

Sector Ranking – 11 'Lower Resilience'	Businesses – 240 Temporary closures – 142 59%	Employment – 1,600 On furlough – 1,120 70%

The sector has a lower level of employment representation in Chesterfield than nationally (3% compared to 4.5%), although there is also a large component of self-employed (450 people) in 'other services' which is additional to this figure. The sector has seen the highest percentage of temporary business closures (59%) and staff on furlough (70%).

As with hospitality, this broad based sector (covering theatres, cinemas, gyms, sports clubs, visitor attractions and retail services such as hair and beauty) has been directly subject to lockdown measures and will form part of a more limited Step-3 reopening from 4th July. Whilst activities such as hairdressers are permitted to reopen, other personal service activities such as beauty salons, nail bars and tattoo shops are to remain closed and this is also the case for fitness centres and other indoor leisure activities such as soft-play centres, bowling alleys and swimming pools. As previously noted, the longer restrictions are in place, the greater the risk that a larger proportion of businesses will permanently cease trading, particularly as the key support mechanism (CJRS) starts to be withdrawn. Given that many of these businesses are also dependent on discretionary consumer spend, it is only realistic to assume that there will be business closures and job losses in the sector.