

Cheshire & Warrington LEP
Report: Covid-19 Response
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Chapter 1 – Executive Summary



Those industries that endured enforced closure employ circa 100,000 people in Cheshire & Warrington – in May the area had 109,000 people on furlough

Introduction

The report was commissioned to examine some of the economic impacts on Cheshire & Warrington emerging from the Covid-19 pandemic response and the likely future impacts – and what might be done to mitigate problems or build on opportunities. In particular the work focused on the supply chains and major drivers in the local economy.

Impact

The impact of the crisis is now becoming clear to everyone. Every sector of the economy has suffered some damage and in terms of manufacturing, the only industry not recording a year-on-year fall in output in March was pharmaceutical products – and this was only at the very beginning of the UK's lock down.

ONS initial figures show that the UK declined 20.4% in April. The industries most impacted were those that suffered an enforced closure. Non-essential retail; hospitality, leisure & travel; some personal services; and sport & entertainment effectively closed for 3 months.

These sectors account for 100,000 jobs in Cheshire & Warrington.

Beyond this the picture is more complicated. The position in manufacturing, construction and business services tended to depend on the product / project or end customer.

Aerospace and automotive are likely to be the hardest hit productive sectors and any professional services reliant on property transactions were immediately impacted. In the first two weeks of May 109,300 people were on furlough in the area.

Whilst almost no-one will have been immune from the impacts of Covid-19, a disproportionate impact is likely to have been felt by those informally employed – and this is likely to include younger, lower skilled and part-time (and therefore probably female) members of the workforce.

Acceleration of Existing Trends

Nobody is able to fully identify the trends arising from Covid-19 but there is a reasonable

Executive Summary



There are some industries with an uncertain outlook but Cheshire & Warrington also has a number of clear opportunities for the future despite the economic damage of the last 4 months

Acceleration of Existing Trends cont/...

projection that forecasts the acceleration of the existing trends below:

- Digital service provision (from medical diagnostics to grocery delivery)
- Digitisation of manufacturing – so called Industry 4.0
- Low carbon solutions

If this is the case, the position of Cheshire & Warrington with a leading position in: health tech / pharma; low carbon energy (especially for industry); advanced manufacturing (and Industry 4.0); and the step change likely to be adopted by logistics; is likely to be a clear differentiator.

There are clearly future opportunities from innovation and supply chain modification that could be leveraged from the local strengths and knowledge networks of the area.

Supply Chains

The OEMs (Vauxhall and Bentley) in the automotive sector (and aerospace with Airbus

just outside the LEP boundary) employ large numbers of people and each plant has some local supply relationships, but for the most part the supply chains are international. The immediate outlook for these plants is poor, redundancies have already been announced, and each plant will also face Brexit issues later in 2020.

This is contrasted by a more UK and local embedded supply chain for organisations such as Sellafield Ltd (and associated nuclear activity) in Warrington; United Utilities also headquartered in Warrington; and Barclays IT activity focused at Radbroke Park. Each have focused on innovation within their supply chains in recent years and it is this activity that may point the way for wider scale supplier initiatives in the future.

Issues & Opportunities

In common with the national commentary, the report highlights the issues on towns and cities because of the concentration of those activities facing the largest challenge – of all the locations across the area Chester city centre is considered to be particularly exposed.

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The UK leading position of C&W in sectors such as life sciences / health tech and energy can provide an opportunity for the economy to show resilience

Issues & Opportunities cont/...

There are other clear issues – Chester Zoo and other large attractions; those involved in the supply chain for Manchester Airport; and the widespread dairy sector which has faced price & demand reductions. This is in addition to the manufacturing related issues referred to earlier.

In other respects, the business-to-business nature of the Cheshire & Warrington economy; the skills of the workforce and the number of primes (or the determining companies in the supply chain) are all likely to provide some resilience to the immediate economic headwinds.

There are in contrast to some other locations, many opportunities to build on. The first, and most obvious, is pharmaceutical and health-tech with the existing concentration of activity in Cheshire East – AstraZeneca, Recipharm, Thermo Fisher Scientific, the testing facility and wider life science community at Alderley Park all represent opportunities for the future - in virus testing and treatment but more widely in the future.

Beyond health-tech and pharmaceuticals, Cheshire & Warrington continues to lead in many aspects of decarbonising major industry – with the Protos Energy Park; the work on green hydrogen by Essar and the development of nuclear Advanced Modular Reactors – with much of the UK's nuclear capability located in the area.

The third broad area of opportunity – though more detailed potential is identified throughout the report – is digitisation. Cheshire & Warrington has significant strengths in both software and engineering and Covid-19 is likely to result in an acceleration in change towards digital solutions – be they in digital medicine, logistics, utilities, manufacturing, retail or business services.

There is the opportunity to create the interface between the IT businesses within the area and those businesses seeking to adapt.

Building a Future

There is specific and current programme of work to coordinate with Local Authorities and businesses to safely open town centres and broader visitor amenities and create confidence.

Executive Summary



At the heart of any response is business engagement and the importance of the relationships with the primes (tier one organisations) who can effect local change – but also benefit from the work undertaken. There are already good examples of such initiatives in the area

Building a future cont/...

As the economy starts to operate more normally there is an opportunity to work with businesses on issues such as:

- **Product** – changes might involve company identification to allow shorter supply chains / dual suppliers or changing stock management and the approach to logistics. Longer term more activity may be digitised.
- **Markets** – changes might be to diversify the product into new segments of the market or consider different export markets.
- **Skills** – changes may include, although not exclusively, new digital skills for the changing economy – but with the opportunity to pivot the provision of local providers.
- **Capital** – As changes are identified there may be a need to consider the access that businesses have to different types of capital and ensure that these requirements are met.

Above all, however, the basis for seizing the opportunities, and to mitigate damage as far as possible, is a business engagement approach –

but an approach which works on the broad value of adding supply chains across the area and starts with the primes / tier one players that drive the activity.

The LEP is in the ideal position to lead on this work but it is considered to be an area for a coalition of organisations – and ideally with the largest companies playing a significant role in sharing their future supply ideals and working with SMEs to solve some of their future technology needs.

The LEP can help establish this interface and the future environment where these supply chains can flourish.