Hope on the horizon

UK Economic Outlook

September 2020

As many of us return from a summer holiday, even if it wasn't spent where we had planned to go, it feels like the worst of the COVID-induced economic crisis is behind us.

Of course, there are still many challenges ahead. There could be a second wave of infection this winter, although we expect any future lockdown to be less severe. Unemployment is expected to rise too, as the Job Retention Scheme ends. And for those who lose their job, it would seem like things are getting worse, not better.

The government has an important role to play, not just in continuing to provide short-term support to the economy, but also in readying the UK for a more productive future. Among other initiatives, this will require upskilling a significant part of the workforce and upgrading the UK's telecommunication network. Let's hope we come out of this crisis with a better economy.

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— Advancement in vaccine developments for COVID-19 imply there is a high chance that the pandemic will be overcome by mid-2021. This will allow the economy to resume normal operations, after contracting by 10.3% this year.

— While the recession will generate permanent change in some sectors, as on-line and e-commerce are embraced for good, overall the economy could grow by up to 8.4% next year.

— The risks are skewed to the downside and include the resurgence of a second wave this year, no deal with the EU next year and limited progress in eradicating the pandemic. If these play out, growth in 2021 could oscillate between 8.4 and 4%.

— The government's Job Retention Scheme has been greatly effective in keeping **unemployment** down during the peak of the crisis but as the scheme unwinds, and the economy continues to operate below capacity, unemployment could rise to just over 9% in the fourth quarter of 2020.

— On the other hand, a combination of lower oil prices, temporary tax cuts and weaker demand will keep **inflation** well below the Bank of England's 2% target.

— That should help keep base **interest rate** at 0.1% or below until at least the end of 2021.

— The pandemic will exercise a heavy toll on **public finances**, with the deficit remaining above pre-COVID levels in the medium term.

Table 1: KPMG forecasts

(Scenario assumes a vaccine is approved in Jan 2021 and the UK agrees a deal with the EU)

	2019	2020	2021
GDP	**1.5**	-10.3	8.4
Consumer spending	**1.0**	-12.9	8.4
Investment	**0.7**	-15.7	7.8
Unemployment rate	**3.8**	5.9	8.2
Inflation	**1.8**	1.0	1.1
Base interest rate	**0.75**	0.1	0.1

Source: ONS, KPMG forecasts. Average % change on previous calendar year except for unemployment rate, which is average annual rate. Investment represents Gross Fixed Capital Formation, inflation measure used is the CPI and the unemployment measure is LFS. Interest rate represents level at the end of calendar year.

Progress in vaccine development brings hope for economic recovery

The UK has made some good progress in both vaccine development and the planning of its roll-out.

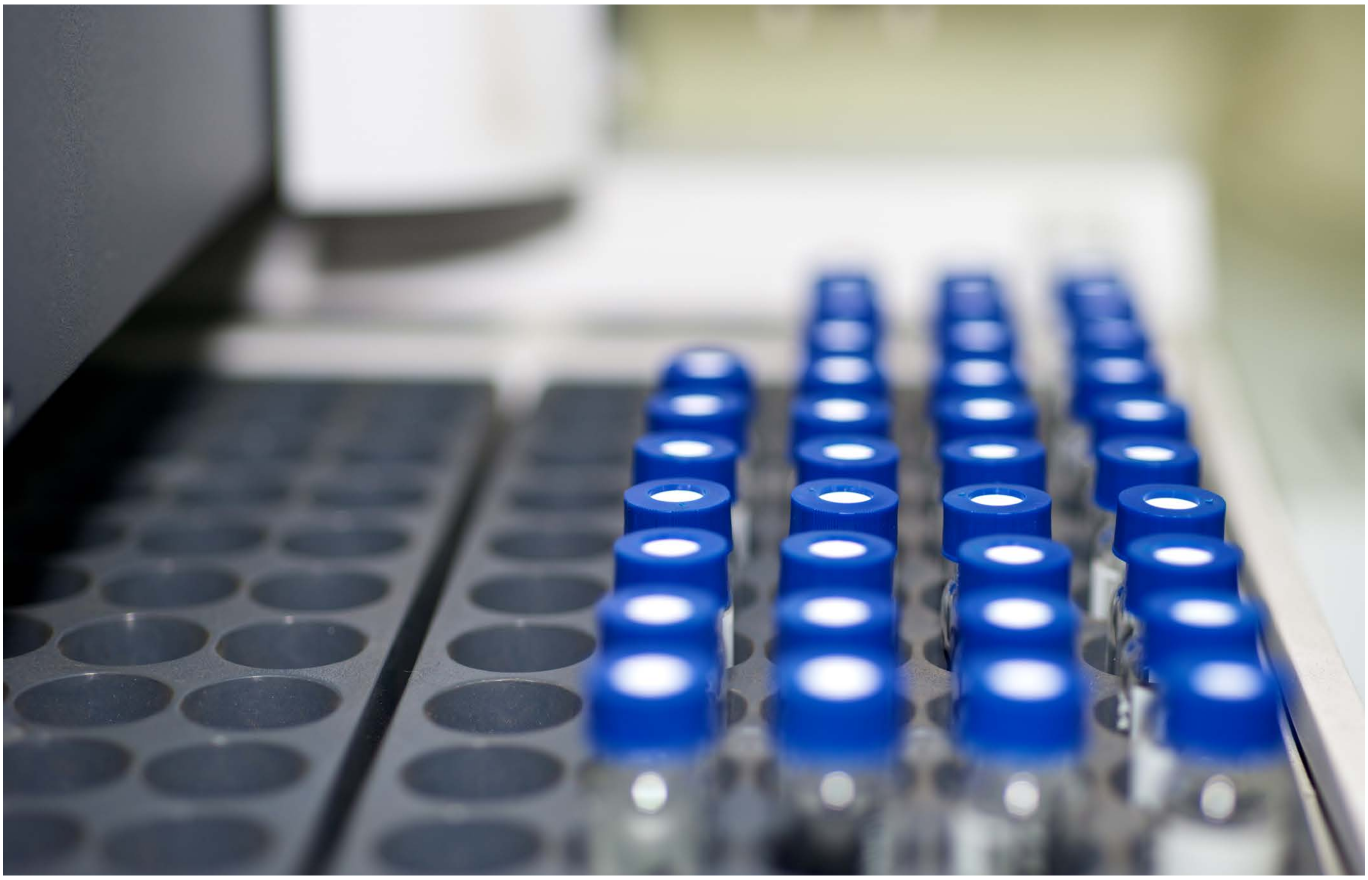
The Oxford vaccine, AZD1222, is leading in the research timeline. On 20 July, *The Lancet* reported promising results for its Phase II clinical trial. Large-scale Phase III trials have begun in the UK, Brazil and South Africa so we are well on track to see some conclusive results about its applicability by the end of this year. In the meantime, AstraZeneca has already started the mass-production of AZD1222 and has pledged to supply 100 million doses of AZD1222 to the UK market by September this year. Existing manufacturing capacity is in a good position to meet the demand of a mass vaccination programme as soon as the Oxford vaccine receives the regulatory go-ahead. If the Oxford vaccine proves successful, mass vaccination could begin by the start of next year.

If the Oxford vaccine fails, there are some close followers to fall back on. To boost the profile of vaccine candidates, the government reached an agreement with GSK and Sanofi Pasteur to supply the UK with 60 million doses of their candidate vaccine. An international biotech firm, Valneva, which also has an agreement with the government in place to supply its version of the vaccine, launched a joint investment project with the UK government to expand its Livingston manufacturing facility. Although clinical trials of the GSK and the Valneva vaccines lag slightly behind the Oxford one, they serve as important back-up options. There may be more deals with other vaccine developers forthcoming.

Given the latest developments, we have adjusted the scenarios we use for the possible path of the pandemic:

- **Vaccine approved at the start of 2021** – this scenario assumes that mass vaccination starts at the beginning of next year. This will immediately reduce uncertainty and will allow households and businesses to better prepare and resume investment plans. We expect the vaccine will take four months to roll out, meaning by the end of April a significant proportion of the UK population could become immune to COVID-19. This will allow social distancing measures to be removed.
- **Vaccine approved in April 2021** – this scenario assumes that the UK will have access to an effective vaccine and/or treatment by the end of April, allowing social distancing measures to be removed by the end of August.
- **No effective vaccine or treatment found by the end of 2021** – even given the extraordinary efforts of governments and the international scientific community, this scenario is still possible.

We consider the probability of the first two scenarios quite high, with each having around a 40% chance of becoming a reality. However, we still see a 20% likelihood of no vaccine available by the end of next year.



A gradual economic recovery hinges on a viable resolution to COVID-19

The gradual reopening of the economy in the third quarter led to a sharp uptick in activity and signalled the end of a short, yet severe, technical recession in the first half of the year due to the nationwide lockdown. Continued uncertainty about the pandemic's evolution and the winding down of HM Treasury's generous Job Retention Scheme will mean more muted growth in the fourth quarter.

In our **base scenario** a vaccine is approved in January 2021, which leads to a full roll-out four months later. We also assume that the UK and the EU reach at least an outline agreement on their future relationship before the end of the transition period this year, with a 'skinny deal' that leaves significant parts of the relationship to be worked out after the transition period ends.

A 'skinny deal' is likely to include zero tariffs and zero quotas, with only a very limited focus on services (and significantly short of the market access UK currently has). We expect there would nonetheless be extra trade frictions, as both sides adapt to new customs arrangements and face non-tariff barriers, though some of the disruption on trade moving from the EU to UK will be mitigated for the first six months as a result of UK government easements.

Overall GDP could fall by 10.3% in 2020, leaving the economy about 6.4% smaller by the end of this year than before the pandemic struck.

An approval of a vaccine in January 2021 could lift a large part of the uncertainty that is holding back growth. Once a vaccine has been rolled out, the government will be able to remove social distancing restrictions completely.

Growth is expected to pick up to 8.4% next year if a vaccine is approved in January, with the economy reaching pre-COVID levels by the start of 2023.

Consumer spending saw a major fall this year as the effect of COVID-related restrictions were magnified by rising uncertainty and falls in income. Uncertain employment prospects could nudge many households to save more, as a precaution. Our base scenario sees household consumption falling by nearly 13% in 2020, before an 8.4% recovery in 2021.

Investment is also expected to see a major contraction, falling by 15.7% in 2020. Firms are seeking to conserve cash and increased uncertainty means they have put many projects on hold during the pandemic. A partial recovery of 7.8% could take place in 2021.

Outlook risks skewed to the downside

In our base scenario we expect to see only a modest growth slowdown due to Brexit in the first quarter of 2021 as businesses adapt to new procedures, however a **no-deal scenario** carries bigger risks for the UK.

A disruptive switch to trade on World Trade Organization-based rules, for example, could bring about a small contraction in GDP in the first quarter of 2021, with growth for the full year down to 6.7%.

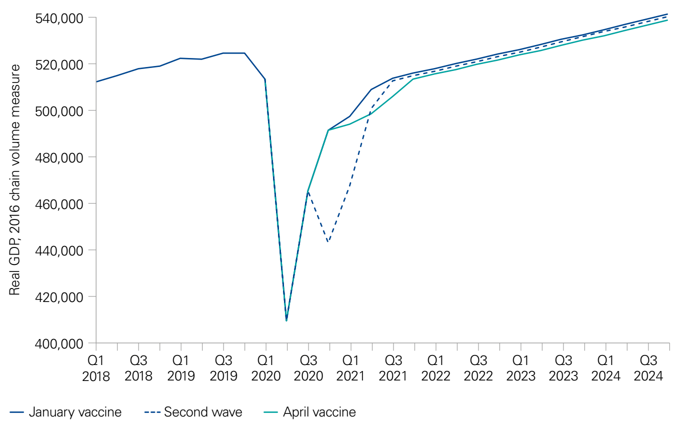
Further risks associated with a no-deal include quotas being placed on UK goods exported to the EU, while UK service providers would be treated as third country providers and would have significantly reduced access. A no deal scenario would also likely harm the relationship between the UK and the EU, at least in the short term, with potential negative impact on other aspects (e.g. security co-operation) and on market sentiment. We expect there would be some mitigations introduced by both sides to manage the disruption at least for the first year – similar to what was proposed prior to the Withdrawal Agreement being agreed in 2019 – but these will be unilateral and would not cover all areas of disruption.

We place a significant likelihood that **a vaccine will become available only from April 2021**. While in this scenario the economy continues to partially recover until then, business closures and redundancies will also continue to rise.

A delay in rolling out the vaccine of just three months could therefore mean that GDP growth next year could fall to 7.1%, even with a Brexit deal.

However, the main risk to the short-term outlook comes from the possibility of a second wave of infections and any subsequent lockdown to contain the disease across much of the UK. *Even if a second lockdown is shorter than the one that started in March – lasting just four weeks – it could exacerbate the drop in GDP to -12.6% in 2020.* Chart 1 highlights the potential paths of the different scenarios compared to our January 2021 vaccine baseline.

Chart 1: GDP growth in two vaccine scenarios

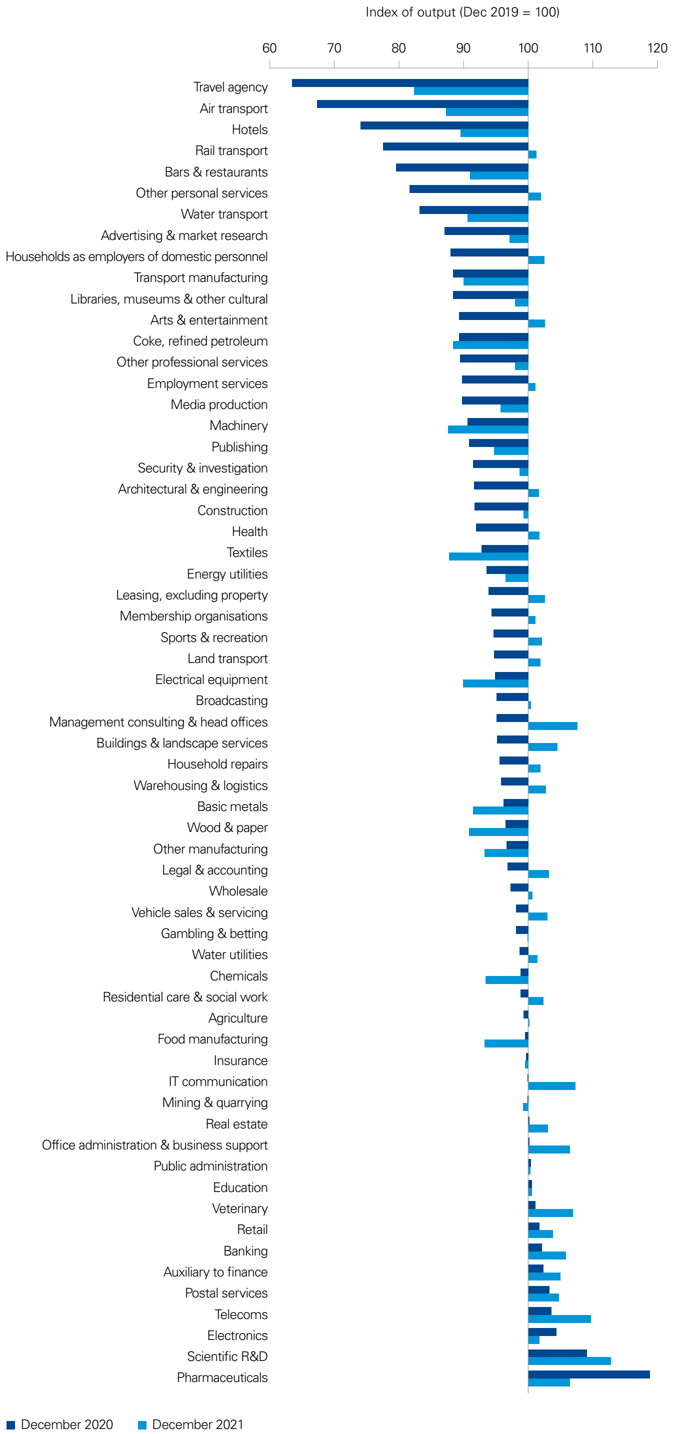


Source: ONS, KPMG forecasts

Performance by sector

The impact of the COVID-19 recession is strongly sector biased, with the greatest damage falling on the travel, hospitality and recreation sectors. The staggered pattern of reopening has provided some sectors with a boost over the summer months and is driving economic recovery in the third quarter. That said, continued social distancing restrictions will mean that for the majority of sectors, output will be below that at the end of last year.

Chart 2: Sector output at the end of 2020 and 2021 compared to December 2019



Source: ONS, KPMG analysis

The pandemic has hit the travel sector hardest

Sectors that are linked to travel are expected to see significant weakness throughout this year, even as the overall economy begins to recover. International travel will continue to experience disruptions from quarantine restrictions around the world. While pressure on cashflow and a more permanent shift to online meetings could see business travel adjust to lower demand well beyond the current crisis.

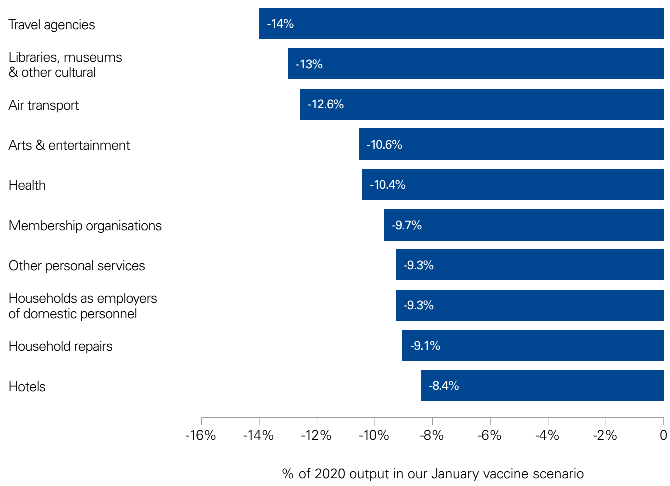
Output in travel agencies and the air transport sector is expected to be more than 57% down this year. If a vaccine becomes available at the start of 2021, a recovery over the course of next year could bring these sectors to within 18% and 13% of the output before the pandemic.

A second wave could bring further misery to the hardest hit sectors

In the event of a second wave of infections, requiring a second lockdown, we expect that restrictions will align with those seen in May 2020, the second full month of lockdown. While most workplaces and manufacturing facilities could stay open, there will be renewed closures of consumer-facing businesses, including non-essential retail, bars and restaurants. We also expect to see a further reduction in output from the health and household sectors.

Chart 3 shows the ten sectors that would be most heavily impacted by a second lockdown and the extent of further reduction in output that they could suffer. Again, travel agencies stand out with an additional 14% loss of output, followed by libraries, museums and other cultural attractions, which could lose a further 13% of output in 2020.

Chart 3: Potential additional output reduction due to second wave of COVID-19



Source: ONS, KPMG analysis

Regional vulnerabilities

The highly uneven sectoral nature of the crisis has highlighted vulnerabilities across different UK regions. Localised lockdowns create more uncertainty for businesses. So far, Aberdeen, Leicester and areas in the North of England have all been affected as case numbers increased. As the pandemic evolves, we expect to see more localised restrictions, before the disease can finally be brought under control.

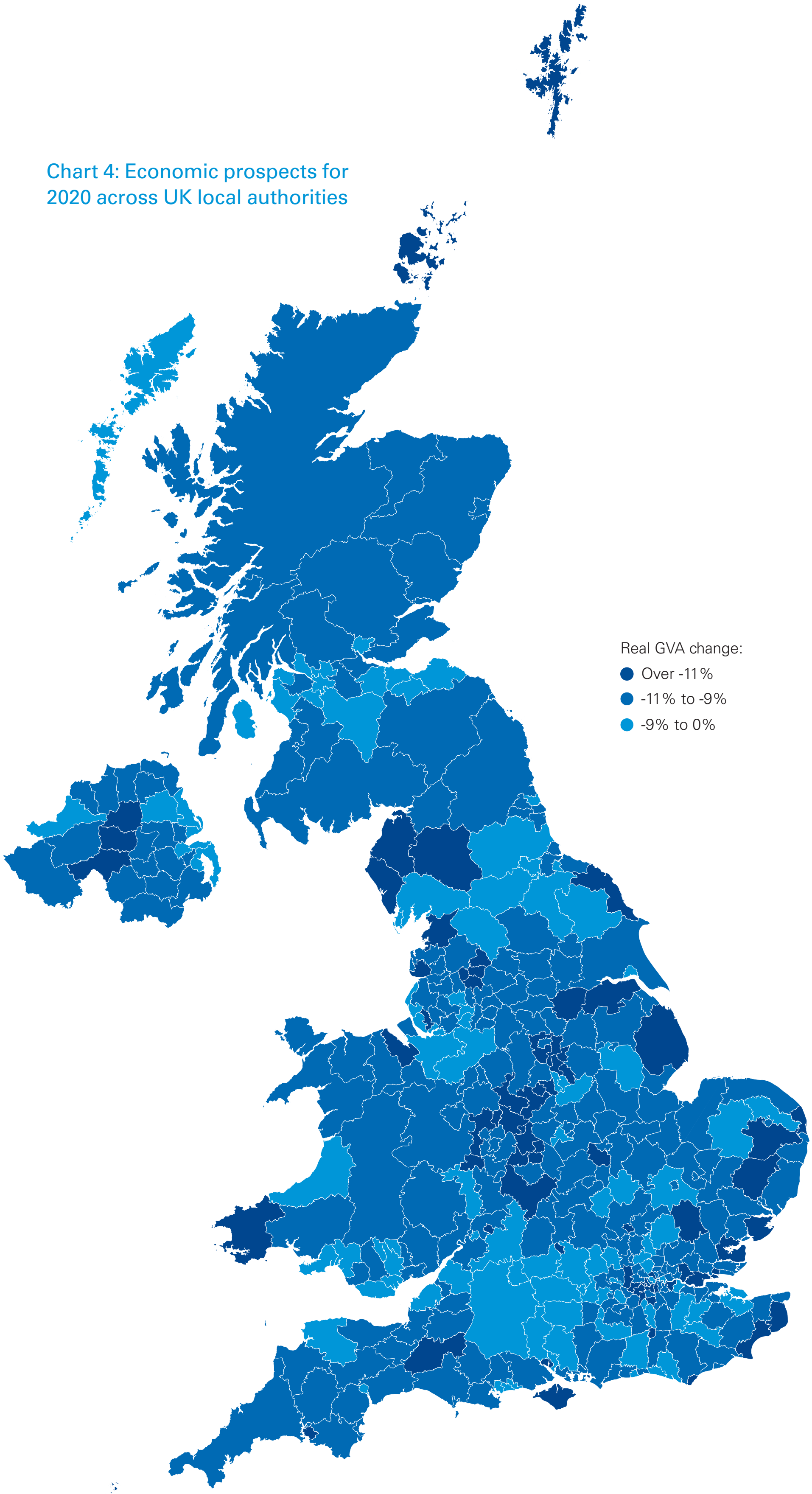
Areas linked to air travel are particularly exposed, with high geographical concentration of employment around large airports. Our estimates show Crawley, Hounslow, Luton and Uttlesford are among the five most heavily impacted areas this year. They could see their GVA fall by between 13.8% and 16.6% in 2020. These four areas are home to major international airports.

Traditional UK holiday destinations may see a boom in the third quarter owing to 'staycations'. This may help offset the downturn in the first half of the year and soften the blow of the recession on these areas. A lack of capacity would be the main factor holding back a more robust recovery and the boost is likely to be limited to the high season.

A two-speed recovery is emerging

Meanwhile, local retail is also coming under stress as the fall in bricks and mortar retail is offset by a substantial increase in online shopping. July figures from the BRC-KPMG retail sales monitor show a 41% increase in the volume of online retail sales compared to a year ago, while overall sector activity appears unchanged. Retailers based in city centres are losing out as office workers continue to work from home.

Chart 4: Economic prospects for 2020 across UK local authorities



Source: ONS, KPMG analysis

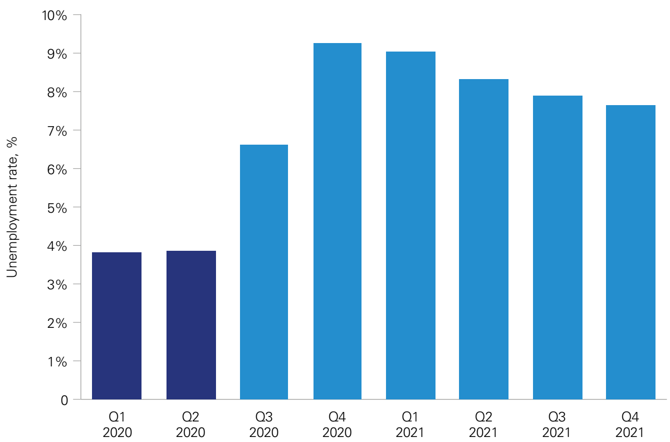
The impact on the labour market will become clearer this winter

While the economy continues to be hampered by the effects of the pandemic the headline rate of unemployment remained low over the summer. It's been kept in place by the government's Job Retention Scheme. As the scheme comes to an end, the UK economy faces considerable job loses this winter.

The pandemic has had a more signification impact on sectors that are more labour-intensive. This means there will be a bigger effect on the labour market than the fall in GDP would imply.

Already between March and July, the claimant count rose by 1.4 million and the number of employees on payroll fell by nearly 730,000. Similarly, the number of self-employed workers fell by 238,000 between the first and second quarters of the year.

Chart 5: Unemployment rate forecast



Source: ONS, KPMG analysis

Chart 5 shows our forecast for the unemployment rate: it could peak at just over 9% in the fourth quarter of this year, before gradually falling back. Historically, unemployment tended to be relatively persistent: after reaching a peak of 8.5% in 2011, it took nearly five years for the unemployment rate to fall below 5%.

We expect unemployment to fall very gradually this time as well because of the intertwining of structural changes and the economic shock created by the pandemic. *Jobs in some sectors will become obsolete and will require concrete efforts by the government to upskill workers for new jobs in new areas of the economy.* Over time this could help accelerate the recovery in jobs and revitalise the UK's productivity growth.

The recession keeps inflation below target

The economic downturn is expected to keep inflation down until at least the middle of 2021, as weaker spending puts a brake on price rises. For most sectors, overall demand at the end of this year will fall short of pre-pandemic levels. Until the recovery is more established, we are unlikely to see prices gather pace.

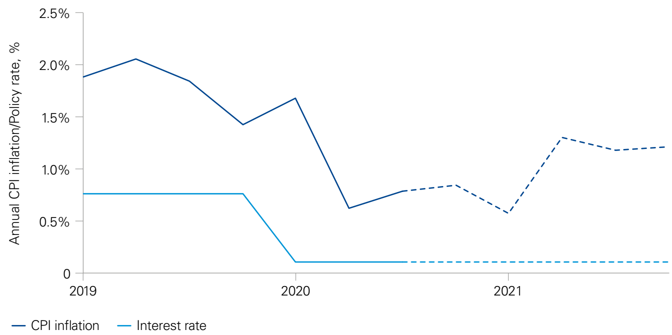
A no deal Brexit could see a sharper increase in prices due to tariffs imposed on EU goods, with the overall impact depending on the UK's choice of tariff regime. While goods imported to the UK from the EU may be more expensive, those from elsewhere may not. It depends on how UK tariffs compare to EU ones.

Temporary factors, such as the cut to VAT for retail and hospitality and the 'Eat Out to Help Out' scheme will push inflation down in 2020. (As these measures are gradually lifted, the effect will play out in reverse.)

Looking ahead to next year we could see the gap between demand and supply beginning to narrow, bringing inflation more in line with the 2% target for the Bank of England. In addition, the recovery of the global economy could lead to higher oil prices and these will push up consumer prices.

As chart 6 shows, we expect CPI inflation to climb above 1% from Q2 onwards next year. Altogether, we expect inflation to average 1% in 2020 and 1.1% in 2021.

Chart 6: Outlook for inflation and base interest rate



Source: ONS, Bank of England, KPMG analysis
Inflation figures represent quarterly averages, interest rates are shown at end of quarter.

Base rate to remain on hold with limited scope for further BoE support

We expect the Bank of England's base interest rate to remain around its current low level in the medium term due to the absence of inflationary threats, while the need to support the economic recovery means there is an overwhelming case for loose monetary policy.

A deterioration in the outlook, due to a significant second wave or a failure to agree a deal with the EU for example, could see the BoE increasing its Quantitative Easing (QE) programme. It is unlikely to lead to a significantly lower base rate, though: pushing base interest rates to negative levels could have the opposite effect on the economy through the impact on bank lending and long-term saving income.

The pandemic will have a lasting impact on the state of UK public finances

The high economic cost of the pandemic is stretching the budget deficit to levels unseen since the Second World War. In all three scenarios, the budget deficit for FY 2020-21 is expected to run over £360 billion, compared to just £54.8 billion in the OBR's March forecast. This reflects a hit to HMRC receipts, in particular VAT, and a jump in government expenditure, covering programmes such as the Job Retention Scheme.

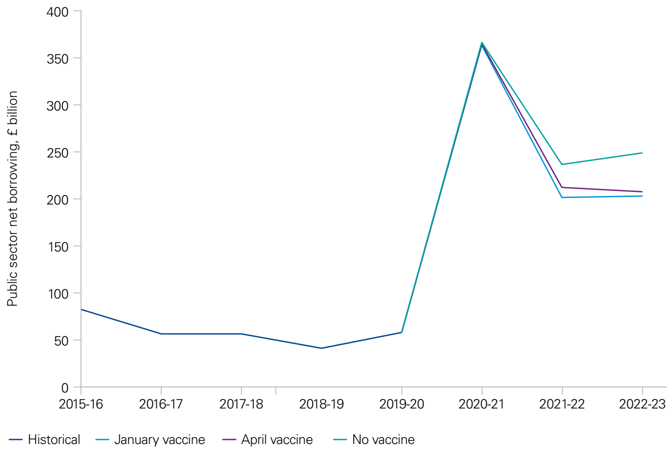
The deficit should come down in the next two years as tax receipts gradually recover in line with economic growth. The rate at which government finances improves depends on how the pandemic evolves. Our analysis suggests that in our base scenario, if a vaccine is approved in January, tax receipts could return to pre-pandemic levels as early as FY 2021-22. A delay in the rollout of the vaccine from Q1 to Q2 2021 could push back the recovery of tax receipts to pre-crisis levels to FY 2022-23. Whereas in a scenario where a vaccine isn't found by the end of 2021, the pandemic will have a more long-lasting negative impact on public finances.

Public expenditure unlikely to fall back as quickly as tax receipts recover.

While tax receipts could recover relatively quickly, it may prove difficult to bring expenditure down to pre-pandemic levels. Our forecasts suggest it could take two to three years for unemployment to return to pre-pandemic levels. The government may wish to focus on supporting an accelerated pace of job creation as well as investment in its levelling-up ambitions and improvements to productivity. This could see the level of government spending as a proportion of GDP remaining relatively high in the medium term.

As illustrated in chart 7, while the biggest damage to public finance is expected this year, the effects of the pandemic could persist for at least the next two years, as expenditure plateaus at a higher level.

Chart 7: The budget deficit is expected to plateau at a higher level than the pre-pandemic years after the peak in 2020-21



Source: OBR, ONS, KPMG analysis

Downside risks to public finance will stay elevated beyond this year.

We expect any additional bond issuance to finance increased government spending will be absorbed by the Bank of England's expanded QE programme. While this helps bring down the cost of borrowing for the government, the debt interest burden will go up as soon as the Bank of England raises interest rate again, which it is expected to do eventually.

There are other hidden risks to public finances which are not captured by our forecast. While a decade of tightened regulation has helped the financial sector stay more resilient compared to the previous recession in 2008-09, HM Treasury may still be called upon to bail out key public service providers, such as local authorities and universities, if they fall in trouble. The size of the liabilities incurred by the government's loan guarantee programme to companies can also deviate considerably from ex ante estimates, with further assistance for failing companies not ruled out. The challenge of maintaining budget sustainability beyond the pandemic will be significant.

Appendix: Local authority forecasts

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
East Midlands				
Derby	7,209	0.2%	-12.4%	9.5%
Leicester	8,216	1.6%	-10.2%	9.1%
Nottingham	11,278	1.7%	-8.2%	8.3%
Rutland	738	1.3%	-10.3%	9.4%
Amber Valley	2,688	1.1%	-9.8%	7.6%
Bolsover	1,442	1.0%	-11.3%	9.4%
Chesterfield	2,546	1.2%	-11.0%	10.2%
Derbyshire Dales	1,798	1.2%	-9.3%	7.7%
Erewash	2,005	1.1%	-11.7%	9.3%
High Peak	1,721	0.9%	-10.0%	8.1%
North East Derbyshire	1,472	1.3%	-11.5%	8.4%
South Derbyshire	1,727	0.5%	-11.3%	8.1%
Blaby	3,171	1.1%	-7.8%	6.9%
Charnwood	3,283	1.7%	-9.8%	8.9%
Harborough	2,050	1.4%	-10.3%	9.4%
Hinckley and Bosworth	2,393	1.3%	-9.4%	7.9%
Melton	1,270	0.8%	-9.1%	6.8%
North West Leicestershire	3,470	1.2%	-10.7%	8.3%
Oadby and Wigston	951	1.5%	-9.4%	7.8%
Boston	1,549	1.6%	-11.0%	8.8%
East Lindsey	2,245	0.7%	-11.7%	10.1%
Lincoln	2,758	1.2%	-10.4%	9.6%
North Kesteven	2,714	1.5%	-7.6%	6.5%
South Holland	2,006	1.6%	-9.2%	6.1%
South Kesteven	2,900	1.2%	-10.7%	9.0%
West Lindsey	1,515	0.9%	-9.2%	7.7%
Corby	1,707	1.4%	-9.9%	7.2%
Daventry	2,237	1.8%	-10.0%	8.8%
East Northamptonshire	1,579	1.5%	-9.9%	8.7%
Kettering	2,258	1.3%	-11.8%	9.9%
Northampton	7,034	1.3%	-9.5%	8.9%
South Northamptonshire	1,925	1.5%	-10.2%	9.3%
Wellingborough	1,756	1.3%	-10.6%	8.5%
Ashfield	2,664	1.0%	-12.4%	10.0%
Bassetlaw	2,557	1.3%	-10.4%	8.2%
Broxtowe	2,019	1.3%	-8.0%	6.6%
Gedling	1,570	1.2%	-11.1%	9.3%
Mansfield	1,900	1.6%	-10.6%	9.4%
Newark and Sherwood	2,470	1.1%	-10.3%	9.1%
Rushcliffe	2,174	2.2%	-8.2%	8.8%
East Midlands	**108,963**	**1.3%**	**-10.0%**	**8.6%**

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
East of England				
Bedford	5,122	1.2%	-8.5%	8.1%
Central Bedfordshire	6,508	1.2%	-10.2%	9.0%
Luton	5,678	0.9%	-13.8%	10.1%
Peterborough	6,524	1.3%	-9.8%	8.7%
Southend-on-Sea	3,682	1.4%	-9.7%	9.4%
Thurrock	3,696	1.7%	-11.1%	10.2%
Cambridge	5,566	1.6%	-11.0%	11.4%
East Cambridgeshire	1,862	1.0%	-10.3%	8.8%
Fenland	2,091	1.1%	-9.9%	7.4%
Huntingdonshire	4,786	1.0%	-9.3%	7.9%
South Cambridgeshire	4,843	1.3%	-9.0%	7.4%
Basildon	5,083	1.0%	-10.2%	9.2%
Braintree	3,426	1.1%	-10.1%	8.5%
Brentwood	2,180	1.0%	-9.9%	9.7%
Castle Point	1,146	1.3%	-11.0%	10.3%
Chelmsford	5,061	1.4%	-9.4%	9.1%
Colchester	4,967	1.2%	-10.5%	9.8%
Epping Forest	3,669	1.3%	-9.3%	8.9%
Harlow	2,036	1.5%	-10.7%	9.8%
Maldon	1,362	1.1%	-11.2%	9.1%
Rochford	1,623	1.2%	-9.6%	8.7%
Tendring	2,314	1.2%	-11.6%	10.0%
Uttlesford	2,391	1.3%	-15.4%	11.6%
Broxbourne	2,081	1.6%	-9.7%	8.9%
Dacorum	3,917	2.2%	-9.0%	9.1%
East Hertfordshire	5,399	1.8%	-7.0%	6.4%
Hertsmere	3,549	1.5%	-9.0%	8.7%
North Hertfordshire	3,418	0.7%	-9.3%	7.5%
St Albans	3,771	1.6%	-10.0%	9.9%
Stevenage	2,462	1.1%	-10.7%	8.8%
Three Rivers	2,860	1.5%	-9.6%	9.6%
Watford	4,936	3.3%	-10.0%	9.5%
Welwyn Hatfield	5,308	1.3%	-8.3%	8.9%
Breckland	3,051	1.2%	-7.8%	5.7%
Broadland	3,627	0.0%	-7.6%	6.2%
Great Yarmouth	1,941	0.8%	-12.7%	11.7%
King's Lynn and West Norfolk	3,363	0.9%	-10.6%	8.4%
North Norfolk	2,042	1.0%	-10.5%	9.3%
Norwich	5,238	1.6%	-9.2%	8.7%
South Norfolk	3,187	0.9%	-11.9%	10.5%
Babergh	1,817	0.8%	-10.9%	8.4%
Ipswich	4,046	1.0%	-10.1%	9.5%
East Suffolk	5,405	0.8%	-10.0%	9.1%
Mid Suffolk	2,262	1.0%	-11.1%	8.6%
West Suffolk	5,282	1.0%	-9.5%	8.0%
East of England	**164,576**	**1.3%**	**-10.0%**	**8.9%**

Appendix: Local authority forecasts (continued)

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
London				
Camden	31,520	2.6%	-11.7%	10.9%
City of London	64,327	-0.3%	-4.4%	5.8%
Hackney	10,616	2.3%	-10.1%	9.8%
Hammersmith and Fulham	11,292	3.4%	-11.9%	11.3%
Haringey	5,419	1.8%	-9.8%	9.5%
Islington	19,955	2.2%	-10.3%	9.7%
Kensington and Chelsea	10,997	2.3%	-10.9%	10.0%
Lambeth	10,121	2.2%	-12.5%	11.9%
Lewisham	4,710	2.1%	-10.4%	10.5%
Newham	8,091	2.0%	-10.0%	9.7%
Southwark	20,489	2.2%	-9.9%	9.7%
Tower Hamlets	32,331	0.2%	-5.9%	7.2%
Wandsworth	8,560	1.9%	-11.6%	11.3%
Westminster	70,229	1.8%	-8.7%	8.3%
Barking and Dagenham	4,935	1.3%	-10.0%	8.8%
Barnet	11,061	1.8%	-9.0%	9.4%
Bexley	6,038	1.8%	-8.9%	8.7%
Brent	9,401	2.0%	-10.5%	9.9%
Bromley	7,738	1.5%	-10.5%	10.6%
Croydon	8,725	1.8%	-9.4%	9.4%
Ealing	10,235	2.1%	-10.6%	9.6%
Enfield	7,342	1.9%	-10.5%	10.2%
Greenwich	5,460	2.1%	-11.9%	11.7%
Harrow	5,746	2.0%	-9.5%	9.7%
Havering	5,603	1.7%	-11.8%	11.4%
Hillingdon	12,751	2.3%	-13.0%	11.2%
Hounslow	13,744	2.2%	-14.6%	11.1%
Kingston upon Thames	5,492	2.5%	-12.4%	11.2%
Merton	6,011	2.1%	-10.7%	10.3%
Redbridge	5,788	2.2%	-9.7%	10.0%
Richmond upon Thames	6,051	2.4%	-11.1%	11.1%
Sutton	4,589	2.0%	-11.4%	11.3%
Waltham Forest	4,911	2.0%	-10.9%	10.7%
London	**450,278**	**1.6%**	**-9.3%**	**9.1%**
North East				
Darlington	2,586	1.0%	-8.6%	8.1%
County Durham	8,992	1.0%	-8.5%	6.7%
Hartlepool	1,388	0.9%	-10.1%	8.2%
Middlesbrough	2,987	1.5%	-8.8%	8.8%
Northumberland	5,336	1.0%	-9.0%	7.7%
Redcar and Cleveland	2,059	1.2%	-9.5%	7.7%
Stockton-on-Tees	4,484	1.0%	-9.0%	8.0%
Gateshead	4,668	1.2%	-9.3%	7.6%
Newcastle upon Tyne	9,082	1.4%	-10.0%	9.4%
North Tyneside	4,851	1.1%	-7.4%	7.9%
South Tyneside	2,052	1.1%	-10.4%	9.0%
Sunderland	6,146	0.0%	-10.3%	7.6%
North East	**54,631**	**1.0%**	**-9.2%**	**8.0%**

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
North West				
Blackburn with Darwen	3,679	1.3%	-9.5%	7.5%
Blackpool	2,831	1.7%	-10.9%	10.4%
Cheshire East	11,540	1.6%	-8.0%	7.3%
Cheshire West and Chester	9,878	1.0%	-8.7%	7.7%
Halton	4,450	1.7%	-4.4%	3.6%
Warrington	7,041	1.7%	-9.6%	8.9%
Allerdale	1,837	1.1%	-11.2%	9.8%
Barrow-in-Furness	1,942	0.7%	-8.7%	6.4%
Carlisle	2,875	1.5%	-10.4%	9.1%
Copeland	1,603	0.6%	-11.3%	7.0%
Eden	1,241	1.5%	-11.2%	10.0%
South Lakeland	2,943	1.6%	-7.8%	6.8%
Bolton	6,365	1.3%	-8.5%	7.4%
Bury	3,885	1.2%	-9.4%	8.3%
Manchester	21,193	1.7%	-9.9%	9.3%
Oldham	4,256	1.4%	-10.2%	8.5%
Rochdale	4,231	1.3%	-10.1%	8.1%
Salford	7,662	1.1%	-8.4%	7.8%
Stockport	7,495	1.1%	-9.2%	8.1%
Tameside	3,828	1.0%	-9.4%	7.3%
Trafford	8,929	1.5%	-8.5%	8.1%
Wigan	5,411	1.4%	-10.5%	8.8%
Burnley	2,141	0.6%	-11.4%	8.6%
Chorley	1,962	1.7%	-10.8%	10.0%
Fylde	2,389	-0.5%	-13.6%	8.4%
Hyndburn	1,415	0.3%	-11.3%	8.3%
Lancaster	2,705	1.5%	-11.2%	10.5%
Pendle	1,840	0.2%	-11.3%	7.4%
Preston	4,489	1.7%	-9.9%	9.2%
Ribble Valley	1,904	-0.2%	-10.5%	6.4%
Rossendale	1,148	0.8%	-11.2%	8.4%
South Ribble	3,292	0.9%	-10.8%	8.8%
West Lancashire	2,528	1.1%	-10.9%	8.6%
Wyre	1,654	1.0%	-10.2%	8.3%
Knowsley	3,429	-0.1%	-13.1%	9.3%
Liverpool	14,294	1.7%	-7.3%	7.1%
Sefton	4,668	1.3%	-8.6%	8.2%
St. Helens	3,038	1.5%	-9.9%	8.9%
Wirral	5,156	1.2%	-10.8%	9.6%
North West	**183,165**	**1.3%**	**-9.4%**	**8.2%**
Northern Ireland				
Belfast	13,532	1.7%	-7.7%	7.6%
Armagh City, Banbridge & Craigavon	3,797	1.3%	-9.7%	7.9%
Newry, Mourne and Down	2,840	1.4%	-9.6%	8.2%
Ards and North Down	2,013	1.1%	-8.1%	7.4%
Derry City and Strabane	2,710	1.4%	-8.8%	7.9%
Mid Ulster	3,240	0.3%	-11.4%	7.4%
Causeway Coast and Glens	2,165	1.6%	-9.5%	7.8%
Antrim and Newtownabbey	3,062	1.5%	-10.9%	9.7%
Lisburn and Castlereagh	3,382	0.8%	-10.7%	8.5%
Mid and East Antrim	3,310	1.3%	-7.8%	3.4%
Fermanagh and Omagh	2,150	1.4%	-9.2%	7.8%
Northern Ireland	**42,201**	**1.3%**	**-9.0%**	**7.6%**

Appendix: Local authority forecasts (continued)

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
Scotland				
Aberdeen City	9,022	1.2%	-10.4%	9.0%
Aberdeenshire	5,794	0.8%	-9.7%	7.4%
Angus	1,905	0.9%	-9.7%	7.3%
Argyll and Bute	1,951	1.2%	-9.9%	8.8%
Clackmannanshire	797	1.5%	-8.2%	6.8%
Dumfries and Galloway	3,412	1.2%	-9.7%	8.1%
Dundee City	4,043	1.6%	-9.2%	8.7%
East Ayrshire	2,057	1.1%	-10.4%	9.2%
East Dunbartonshire	1,568	1.6%	-8.2%	7.9%
East Lothian	1,676	2.2%	-8.7%	8.6%
East Renfrewshire	1,516	1.6%	-7.4%	7.6%
City of Edinburgh	21,173	1.1%	-7.7%	7.7%
Na h-Eileanan Siar	758	1.3%	-8.7%	7.5%
Falkirk	3,500	1.2%	-11.0%	8.7%
Fife	7,190	1.0%	-10.0%	8.5%
Glasgow City	23,360	1.3%	-8.6%	8.4%
Highland	6,400	1.3%	-9.6%	8.7%
Inverclyde	1,841	0.8%	-7.8%	7.6%
Midlothian	1,745	2.5%	-7.6%	8.0%
Moray	2,077	1.2%	-9.8%	7.0%
North Ayrshire	2,380	1.2%	-8.2%	6.5%
North Lanarkshire	7,578	1.2%	-9.8%	8.5%
Orkney Islands	636	1.2%	-11.4%	9.5%
Perth and Kinross	3,604	1.2%	-9.4%	8.6%
Renfrewshire	4,980	1.3%	-10.0%	8.2%
Scottish Borders	2,421	1.3%	-9.6%	8.1%
Shetland Islands	736	1.3%	-11.1%	9.2%
South Ayrshire	2,404	1.1%	-10.7%	9.4%
South Lanarkshire	6,507	1.1%	-9.0%	7.5%
Stirling	2,750	1.4%	-9.1%	8.0%
West Dunbartonshire	1,771	0.8%	-9.0%	8.1%
West Lothian	4,567	1.7%	-7.5%	7.4%
Scotland	**142,121**	**1.2%**	**-9.1%**	**8.2%**
South East				
Bracknell Forest	4,687	2.9%	-6.3%	8.2%
Brighton and Hove	9,404	1.1%	-9.0%	9.0%
Isle of Wight	3,130	0.9%	-12.0%	10.5%
Medway	6,043	1.2%	-9.5%	8.9%
Milton Keynes	11,655	1.8%	-8.6%	9.0%
Portsmouth	6,930	1.6%	-9.8%	9.1%
Reading	7,341	2.6%	-7.0%	8.4%
Slough	5,442	2.4%	-7.6%	7.9%
Southampton	8,384	1.2%	-11.2%	10.2%
West Berkshire	7,406	1.4%	-7.7%	8.1%
Windsor and Maidenhead	5,982	2.2%	-9.2%	9.6%
Wokingham	5,519	3.1%	-8.4%	9.4%
Aylesbury Vale	4,975	1.7%	-9.8%	9.1%
Chiltern	2,389	1.9%	-8.4%	8.6%
South Bucks	2,543	1.8%	-10.1%	9.6%
Wycombe	5,848	1.8%	-8.7%	8.7%
Eastbourne	2,124	1.6%	-11.3%	11.3%
Hastings	1,988	1.3%	-9.2%	8.4%
Lewes	2,484	1.5%	-8.1%	7.8%

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
South East (continued)				
Rother	1,668	1.2%	-10.1%	10.2%
Wealden	3,189	1.5%	-10.4%	9.9%
Basingstoke and Deane	5,937	1.9%	-7.3%	7.4%
East Hampshire	3,023	1.0%	-9.2%	7.7%
Eastleigh	4,609	1.2%	-8.5%	7.9%
Fareham	3,099	1.3%	-9.8%	8.9%
Gosport	1,181	1.6%	-9.4%	8.5%
Hart	2,549	1.7%	-9.4%	10.2%
Havant	2,803	1.1%	-9.9%	8.9%
New Forest	4,941	1.3%	-10.3%	9.1%
Rushmoor	3,779	2.5%	-7.7%	8.5%
Test Valley	4,183	1.2%	-8.1%	7.5%
Winchester	5,508	1.8%	-7.8%	8.5%
Ashford	3,559	1.3%	-10.2%	8.9%
Canterbury	3,675	1.6%	-10.6%	10.8%
Dartford	3,521	1.6%	-10.4%	9.7%
Dover	2,537	1.4%	-11.5%	9.9%
Gravesham	1,899	1.8%	-10.5%	9.7%
Maidstone	4,792	1.6%	-9.8%	9.1%
Sevenoaks	3,717	1.4%	-8.8%	8.8%
Folkestone and Hythe	2,265	1.1%	-12.3%	9.8%
Swale	3,416	1.5%	-8.1%	6.9%
Thanet	2,413	1.3%	-10.4%	10.0%
Tonbridge and Malling	4,244	1.3%	-8.6%	8.3%
Tunbridge Wells	3,526	1.1%	-8.5%	8.0%
Cherwell	5,063	1.6%	-9.1%	8.2%
Oxford	6,848	2.0%	-11.5%	11.3%
South Oxfordshire	4,152	2.0%	-8.8%	8.8%
Vale of White Horse	5,041	3.2%	-5.5%	7.7%
West Oxfordshire	3,335	1.2%	-9.9%	8.8%
Elmbridge	4,103	1.8%	-9.5%	9.2%
Epsom and Ewell	2,359	1.7%	-8.3%	8.9%
Guildford	5,138	2.0%	-9.4%	9.6%
Mole Valley	3,126	1.1%	-9.3%	8.6%
Reigate and Banstead	4,897	1.3%	-8.1%	8.0%
Runnymede	3,967	2.7%	-8.1%	9.5%
Spelthorne	2,759	2.0%	-9.7%	9.3%
Surrey Heath	3,248	2.0%	-10.0%	9.4%
Tandridge	1,937	1.6%	-10.3%	10.2%
Waverley	3,381	1.9%	-8.9%	9.1%
Woking	2,935	2.0%	-10.7%	9.9%
Adur	1,305	0.8%	-10.6%	9.5%
Arun	2,740	1.6%	-10.4%	9.7%
Chichester	4,063	1.2%	-9.5%	8.6%
Crawley	5,373	1.2%	-16.6%	11.6%
Horsham	3,991	1.6%	-8.1%	8.2%
Mid Sussex	3,669	1.4%	-9.5%	9.2%
Worthing	3,517	2.5%	-5.9%	6.6%
South East	**277,255**	**1.7%**	**-9.2%**	**8.9%**

Appendix: Local authority forecasts (continued)

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
South West				
Bath and North East Somerset	4,538	1.3%	-10.6%	9.9%
Bournemouth, Christchurch & Poole	10,731	0.7%	-8.8%	8.5%
Bristol, City of	14,620	1.3%	-9.2%	9.2%
Cornwall	11,367	1.3%	-10.5%	9.9%
Isles of Scilly	66	1.4%	-12.8%	10.6%
North Somerset	5,217	1.3%	-8.8%	8.1%
Plymouth	5,985	0.7%	-11.3%	9.5%
South Gloucestershire	9,201	0.9%	-8.8%	7.9%
Swindon	7,017	0.9%	-7.3%	7.2%
Torbay	2,273	1.4%	-10.9%	10.9%
Wiltshire	12,258	2.0%	-7.8%	7.9%
East Devon	2,863	1.3%	-10.2%	9.5%
Exeter	5,455	1.3%	-8.5%	8.7%
Mid Devon	1,465	1.1%	-10.4%	8.1%
North Devon	2,490	1.4%	-8.1%	6.8%
South Hams	2,157	0.8%	-9.4%	8.5%
Teignbridge	2,472	1.3%	-10.5%	9.5%
Torridge	1,105	0.9%	-10.1%	9.0%
West Devon	960	1.3%	-9.1%	8.8%
Dorset	8,325	1.3%	-9.5%	9.0%
Cheltenham	3,112	1.1%	-11.3%	10.3%
Cotswold	2,640	1.2%	-8.8%	8.6%
Forest of Dean	1,418	1.0%	-10.0%	8.3%
Gloucester	3,478	1.0%	-8.4%	8.1%
Stroud	2,862	0.9%	-9.7%	7.7%
Tewkesbury	3,030	0.4%	-10.6%	8.0%
Mendip	2,452	1.5%	-10.1%	9.4%
Sedgemoor	2,427	1.2%	-11.0%	8.9%
South Somerset	3,851	0.7%	-11.3%	8.6%
Somerset West and Taunton	3,551	1.2%	-9.9%	9.5%
South West	**139,384**	**1.2%**	**-9.4%**	**8.7%**

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
Wales				
Isle of Anglesey	1,437	0.8%	-9.8%	8.2%
Gwynedd	2,741	1.5%	-9.1%	8.8%
Conwy	2,116	1.5%	-10.0%	9.8%
Denbighshire	2,186	1.1%	-9.9%	8.5%
Flintshire	4,004	0.0%	-11.7%	6.3%
Wrexham	2,837	1.0%	-9.2%	6.4%
Powys	2,474	1.1%	-9.8%	7.7%
Ceredigion	1,346	1.6%	-8.9%	8.9%
Pembrokeshire	2,055	1.4%	-11.5%	10.1%
Carmarthenshire	3,189	1.0%	-11.0%	8.9%
Swansea	5,410	1.0%	-8.6%	8.2%
Neath Port Talbot	2,453	1.0%	-9.0%	6.7%
Bridgend	2,913	0.7%	-10.4%	7.8%
Vale of Glamorgan	2,110	0.9%	-8.8%	7.6%
Cardiff	10,871	1.1%	-8.0%	7.7%
Rhondda Cynon Taff	3,762	1.0%	-9.9%	8.2%
Merthyr Tydfil	1,182	0.8%	-8.6%	7.9%
Caerphilly	2,806	0.6%	-8.9%	5.9%
Blaenau Gwent	1,012	0.6%	-8.6%	5.7%
Torfaen	1,978	0.4%	-9.6%	6.9%
Monmouthshire	1,952	1.2%	-9.7%	8.5%
Newport	4,253	1.0%	-9.1%	7.7%
Wales	**65,087**	**1.0%**	**-9.4%**	**7.8%**

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
West Midlands				
Herefordshire, County of	4,334	1.0%	-10.3%	8.5%
Shropshire	6,880	1.2%	-10.2%	9.0%
Stoke-on-Trent	6,324	1.1%	-10.4%	9.3%
Telford and Wrekin	4,950	0.7%	-10.0%	7.4%
Cannock Chase	2,166	1.5%	-11.4%	9.6%
East Staffordshire	3,320	1.0%	-11.5%	8.9%
Lichfield	2,392	0.9%	-11.3%	9.5%
Newcastle-under-Lyme	2,364	1.6%	-10.5%	9.7%
South Staffordshire	2,078	0.4%	-12.1%	9.1%
Stafford	3,038	1.4%	-10.2%	8.7%
Staffordshire Moorlands	1,724	0.4%	-10.8%	8.0%
Tamworth	1,510	1.1%	-11.1%	9.3%
North Warwickshire	2,557	0.9%	-12.7%	10.0%
Nuneaton and Bedworth	2,688	0.7%	-11.2%	9.1%
Rugby	2,490	1.5%	-10.3%	9.4%
Stratford-on-Avon	4,650	-0.8%	-14.4%	9.3%
Warwick	4,763	1.5%	-9.8%	8.8%
Birmingham	27,266	1.1%	-9.9%	9.2%
Coventry	8,979	0.4%	-11.8%	9.6%
Dudley	6,066	0.9%	-10.4%	8.6%
Sandwell	6,729	0.9%	-10.4%	8.3%
Solihull	7,529	0.3%	-11.7%	9.2%
Walsall	5,742	1.1%	-9.9%	8.4%
Wolverhampton	6,075	1.0%	-9.6%	8.3%
Bromsgrove	2,551	0.9%	-10.9%	10.0%
Malvern Hills	1,675	1.8%	-8.3%	8.2%
Redditch	2,199	0.8%	-10.7%	8.1%
Worcester	3,102	1.3%	-9.6%	8.5%
Wychavon	3,504	1.0%	-9.1%	7.3%
Wyre Forest	1,759	1.0%	-11.0%	9.3%
West Midlands	**141,404**	**0.9%**	**-10.6%**	**8.9%**

Local authority	2018 GVA, £ million (nominal)	2019	2020	2021
Yorkshire & The Humber				
East Riding of Yorkshire	6,412	1.1%	-10.0%	7.8%
Kingston upon Hull, City of	6,771	1.3%	-8.5%	6.9%
North East Lincolnshire	3,399	1.1%	-10.2%	8.0%
North Lincolnshire	3,841	1.2%	-11.5%	8.5%
York	5,361	1.4%	-9.7%	9.1%
Craven	1,705	1.0%	-6.4%	6.1%
Hambleton	2,469	1.3%	-7.7%	6.7%
Harrogate	4,047	1.9%	-9.4%	9.1%
Richmondshire	1,063	1.7%	-8.7%	8.9%
Ryedale	1,482	1.6%	-7.9%	7.2%
Scarborough	2,051	1.2%	-11.2%	10.0%
Selby	1,881	1.3%	-10.1%	7.8%
Barnsley	4,119	1.1%	-10.3%	8.6%
Doncaster	5,558	1.4%	-11.1%	10.2%
Rotherham	4,838	1.3%	-10.3%	8.6%
Sheffield	13,432	1.2%	-9.3%	9.0%
Bradford	10,359	0.9%	-9.5%	8.0%
Calderdale	4,907	0.4%	-10.0%	8.0%
Kirklees	8,322	1.1%	-10.1%	8.0%
Leeds	23,722	1.3%	-9.2%	8.8%
Wakefield	7,873	1.5%	-9.9%	8.7%
Yorkshire & The Humber	**123,612**	**1.2%**	**-9.6%**	**8.4%**

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