

Title

The geography of post COVID-19 shutdown recovery risk in UK economic activity. Implications for recovery inequality and targeted stimulus

Authors

Gianni De Fraja, University of Nottingham, Gianni.Defraja@nottingham.ac.uk

Jesse Matheson, University of Sheffield, j.matheson@sheffield.ac.uk

James Rockey, University of Leicester, jcr12@leicester.ac.uk

Abstract

The COVID-19 shutdown is not affecting all parts of the UK equally. Economic activity in local consumer service industries (LCSI), such as retail outlets, restaurants, hairdressers, or gardeners has all but stopped; other industries are less affected. These differences among industries and their varying importance across local economies means recovery will be sensitive to local economic conditions and will not be geographically uniform: some neighbourhoods face a higher recovery risk of not being able, and/or a longer time, to return to pre-shutdown levels of economic activity.

This recovery risk is the product of two variables. The first is the *shock*, the effect of the shutdown on local household incomes. The second is the *multiplier*, the effect on LCSI economic activity following a negative shock to household incomes. In neighbourhoods where many households rely on the LCSI sector as a primary source of income the multiplier may be particularly large, and these neighbourhoods are vulnerable to a vicious circle of reduced spending and reduced incomes.

This project will produce data measuring the shock, the multiplier, and the COVID-19 shutdown recovery risk for UK neighbourhoods. These variables will be estimated using a wealth of individual and firm level information from national survey and administrative data. Recovery inequality is likely to be substantial: absent intervention, existing regional inequalities may be exacerbated. This research will provide a timely and necessary input into designing appropriate recovery policy.

Data description

Local multipliers will be estimated using historical data on economic activity (turnover, employment, entry and exit of firms). The primary data source for this analysis will be the 2002 to 2019 waves of the *Business Structure Database* (BSD). These data provide detailed information on the location and sector of firms and the nature of the occupations of their employees to estimate area and sector specific multipliers.

The distribution of employment status by neighbourhood and sector using two data sources. Recent waves of the *UK Labour Force Survey*, which contains detailed information on the employment for a large representative sample. Importantly, it includes all employment statuses: employed, self-employed and unemployed. The second source is the *Annual Survey of Hours and Earnings*, which reports on a random 1% sample of all UK employees.

JEL Codes

H12 (Crisis Management);

J08 (Labor Economics Policies);

R11 (Regional Economic Activity: Growth, Development, Environmental Issues, and Changes)

Keywords

COVID-19 economic recovery; geographic inequality; local economic activity