

Economic Intelligence Wales

Quarterly report

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Executive Summary

The COVID-19 pandemic and resulting lockdown policies led to poor economic growth in 2020. The IMF predicts a 4.4% global economy contraction in 2020, much worse than during the 2008/09 financial crisis. The Organisation for Economic Cooperation and Development (OECD) expects an increase in unemployment in the 37 OECD countries from 5.3% in 2019 to 7.2% in 2020.

While the UK economy saw growth in 2020Q3, this was not enough to counterbalance the reduction in economic growth that occurred in 2020Q2. The turbulent economic environment has been accompanied by increases in unemployment despite many workers having support from the UK government-funded furlough schemes. The uncertain conditions resulting from COVID-19 coincided with further uncertainty around the UK's future trade relationship with the European Union. In a positive development, and after a long period of negotiation, the UK and EU agreed a future trade relationship in December that maintains 'relatively' frictionless trade of manufacturing products.

There was a strong quarterly increase in UK GDP in 2020Q3 (15.5%), following the ease of lockdown restrictions from July, however UK GDP fell by 9.6% in the year to 2020Q3. The Bank of England has revised its growth forecast for the UK economy in 2020 from a decline of 9.5% (August forecast) to a contraction of 11% (November forecast). The Bank of England predicted an increase in unemployment from 4% in 2019 to 6.3% in 2020.

The latest quarterly experimental GDP estimates for Wales for 2020Q1 captured the very initial impact of the pandemic (the first few weeks). GDP in Wales recorded a 2.4% quarterly decline in 2020Q1, following a 1.1% contraction in the quarter to 2019Q4, with the economy already slowing down prior to the pandemic. The decline in Welsh GDP was driven by poor performances in education, transport and storage, as well as accommodation and food services.

Wales had the least confident SMEs in 2020Q3

While confidence plummeted across all the UK regions in 2020Q3, Wales had the least confident small firms, with the Welsh SME confidence index at -72.

The UK labour market saw large numbers of redundancies prior to the announcement of an extension of the job furlough scheme in the final quarter of 2020. **The UK unemployment rate increased from 3.9% in 2020Q2 to 4.8% in 2020Q3. The number of redundancies increased by 138% in the quarter to 2020Q3, rising from 132,000 in 2020Q2 to 314,000 in 2020Q3. Contributing to poor Welsh small firm confidence levels, Wales recorded the greatest quarterly increase in unemployment across the UK, reaching 4.6% in 2020Q3.**

Output in all sectors has tended to trend down with GDP. The Welsh index of production output fell from 91.1 in 2020Q1 to 78.7 in 2020Q2. The construction index was particularly affected by lockdown restrictions, falling from 121.7 in 2020Q1 to 83.7 in 2020Q2, the lowest index value since 2010Q1. The market services index in Wales dropped for a fourth consecutive quarter, declining from 102.2 in 2020Q1 to 87.1 in 2020Q2.

According to the *ONS Business Impact of COVID-19 Survey*, the majority of Welsh businesses were trading after the easing of the original lockdown measures. **Around 97% of businesses continued to trade in the survey period from 10th - 23rd August, with this rate being similar across the whole of the UK.** While the vast majority of firms have continued to trade, the Survey suggests that the turnover of companies has been badly affected. For example, **in the Survey period 10th - 23rd August, around half of the firms surveyed in Wales (48.5%) reported a decline in turnover, with 7% reporting a more than 50% fall.**

Executive Summary

SME demand for credit has been strong, with small firms in Wales seeking credit to fund working capital and cash-flow needs. **Some 40% of UK micro and small companies surveyed in the ONS Business Impact of COVID-19 Survey, October 19 – November 1, had either no cash reserves or cash flow remaining for up to 3 months of operations.** The SME Finance Monitor 2020Q3 reported that 11% of SMEs surveyed had stated that they had a need for finance in 2020Q3, up from 6% in 2020Q2. This funding was needed in large measure to finance cash flow (91% of SMEs surveyed in 2020Q3 up from 51% in 2020Q2). **According to the SME Finance Monitor 2020Q3, 73% of SMEs used business funding, up from 63% in 2020Q2 and 61% in 2020Q1.**

A strong rise in business borrowing is verified by the findings from the SME Finance Monitor 2020Q3 indicating that the proportion of permanent non-borrowers declined from 51% of SMEs surveyed in 2020Q1 to 41% in 2020Q2 and fell further to 39% in 2020Q3.

Some growth in SME borrowing is linked to the UK government and Welsh Government schemes to support businesses during the COVID-19 crisis. For example, SMEs located in Wales received loans worth a total value of £92m from the *COVID-19 Wales Business Loan Scheme*, and in the period to 4th October 2020, £374m worth of loans were received from the Coronavirus Business Interruption Loan Scheme, and £1.35bn from the Bounce Back Loan Scheme. In addition to loans, the Welsh Government's Economic Resilience Fund (Phases 1 and 2) approved grants to Welsh firms of £203m.

The marginal improvement in business conditions in the third quarter has seen credit risk ratings improved for Welsh SMEs. **The proportion of Welsh SMEs in the Caution category has declined from 63% in July to 55%**

in November 2020. A gradual increase in the proportion of Welsh SMEs in the Normal, Stable and Secure SMEs categories was recorded in the second half of 2020. Hospitality sectors as well as transport and telecommunications had the highest share of SMEs in the High risk and Cautious groups. Manufacturing enterprises had the highest proportion of SMEs falling in the Secure and Stable categories.

In the second quarter of 2020/21, the Development Bank of Wales made a total of 222 investments. This was lower than the 1,434 investment transactions in 2020/21Q1 (largely associated with the *COVID-19 Wales Business Loan Scheme*) and the 256 in 2019/20Q4, but slightly higher than the 203 in 2019/20Q3. **The value of new investments made by the Bank during the second quarter of the financial year 2020/21 summed to nearly £29m,** down from £108.5m in 2020/21Q1 (the latter an all-time record in a quarter) and £33.6m in 2019/20Q4, but up from £26.9m in 2019/20Q3. The 222 investments in 2020/21Q2 created 180 new jobs and safeguarded 1,159 jobs.

In the final quarter of 2020 it is expected that better economic conditions are ahead. Indeed, this report has revealed that in 2020Q3 the UK economy did expand, and with signs of improvement in business prospects visible as far back as July 2020 with the lifting of lockdown measures. **While economic prospects may improve in 2021, particularly as COVID-19 vaccines roll out, it is expected that further UK government and Welsh Government interventions will be needed to assist businesses in Wales.** Many of the changes that have occurred during 2020 in terms of how SMEs both transact and operate are expected to become 'normal', particularly around more intensive use of digital resources to support activity, with this resulting in new needs for financial support to develop businesses.

This is the second EIW Quarterly Report (QR) for the 2020/21 financial year. In the midst of the COVID-19 pandemic, associated mitigation policies, and the subsequent global economic crisis, assessing the status of Welsh SMEs and their access to finance is crucial. While there is now room for greater optimism, with the arrival of effective vaccines, and with some recovery in economic growth, there are still many challenges for Welsh SMEs in 2021. A positive development has been the agreement of a future trade relationship between the UK and the EU. This ends a period of uncertainty and maintains the 'relatively' frictionless trade of manufacturing products. The final quarter of 2020 saw continued job losses in many industries and with very large numbers of workers still supported by the UK government employment and self-employment support schemes.

The EIW QR1 for 2020/21 in September 2020,¹ provided commentary on the economic downturn, the contraction in household expenditure and business investment. It was also possible to reveal the number of Welsh jobs being furloughed at the height of the crisis, and the resulting financial hardship for Welsh SMEs. This QR expands that analysis, incorporating additional data. Sections 2-4 of this report provide the UK and Welsh macroeconomic context within which Welsh SMEs operate and analyses the influence of government support to businesses and factors relating to demand for, and supply and cost of, SME finance.

These sections have the objectives of understanding:

- Macro-economic factors shaping the demand for SME finance in Wales.
- Trends in SME growth, start-ups, and business survival prospects in Wales.
- The supply of finance to SMEs in Wales.
- The amounts and types of lending/ investment into SMEs in Wales, particularly in the context of COVID-19.

Section 5 summarises the activities of the Development Bank of Wales in the context of factors affecting the demand for, and supply of, finance to SMEs in Wales. In summary, the QR identifies:

- The use of Development Bank funds in financing Welsh SMEs, and what types of enterprises and industries are being supported.
- The geographical distribution of SME investment around Wales.

This report is largely based on publicly available data (generally reported in calendar years) together with a special analysis of data provided by the Development Bank of Wales (mostly reported in financial years). Due to differences in reporting periods, there will be some slight temporal mismatch of data within this report. Economic data relating to COVID-19 effects and interventions can change quickly. Hence establishing a timely economic picture of impacts across the Welsh SME landscape is particularly challenging.

¹ See developmentbank.wales/sites/default/files/2020-09/EIW%20Quarterly%20report%20Q4%20ENG_FINAL.pdf

The disruption to UK and Welsh economic activity during 2020 was unprecedented, with sharp falls in household and business consumption.

The IMF forecasted a 3% decline in 2020 global economic growth in June, but with this revised to a 4.4% contraction in their October forecast² and with this more serious than the global economic

contraction that occurred in the 2008/09 financial crisis. The IMF view is close to that of the OECD, which predicts a 4.2% contraction of global GDP in 2020 and an increase of the unemployment rate in the 37 OECD countries from an average of 5.3% in 2019 to 7.2% in 2020.³ This is an improved forecast compared to the previous OECD economic outlook, as published in QR1 (9.4%).

UK economy recorded some improvement in growth, but from a low base.

In 2020Q2, UK GDP declined by 20.4%, the largest quarterly contraction since Office for National Statistics (ONS) quarterly records began. This GDP contraction was larger than the quarterly GDP declines in the US, France, Germany, and Italy. Following the sharp contraction in the UK economy during the first half of 2020, GDP increased in 2020Q3 by 15.5%.⁴ While this appears a significant increase, it is important to recognise that this is from a very low base.

The 15.5% increase was much greater than that forecasted by the Bank of England (a prediction of a 4.5% increase)⁵, and followed the easing of lockdown restrictions from July onwards. However, despite the improvements in 2020Q3, UK GDP was still down by 9.6% in the year to 2020Q3. The new nationwide lockdown restrictions implemented during 2020Q4 will create further downward pressure on the speed of the recovery. The final quarter of 2020 saw large job losses reported in many parts of the retail sector despite the provisions of the extended furlough scheme.

In line with GDP, UK household expenditure increased by 18.3% in the quarter to 2020Q3 following a contraction in 2020Q2. However, restrictions and continued uncertainty over employment affected private consumption in the run up to Christmas 2020, with some increase in the proportion of the UK population living in poverty⁶. In Wales, the income of around a quarter of households has fallen since the beginning of the pandemic, while more than 20% of the poorest households had to cut back on basic needs (food, heating, water).⁷

The easing of the original lockdown resulted in output increases in all the industries in the quarter to end 2020Q3 (Figure 1). These strong increases also reflect the low levels to which indices of output fell in 2020Q2. Notwithstanding industry output levels are still below those prevailing before the pandemic.

² IMF (2020) World Economic Outlook, October 2020: A Long and Difficult Ascent www.imf.org/-/media/Files/Publications/WEO/2020/October/English/ExecSum.aspx

³ www.oecd.org/economic-outlook

⁴ www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/latest

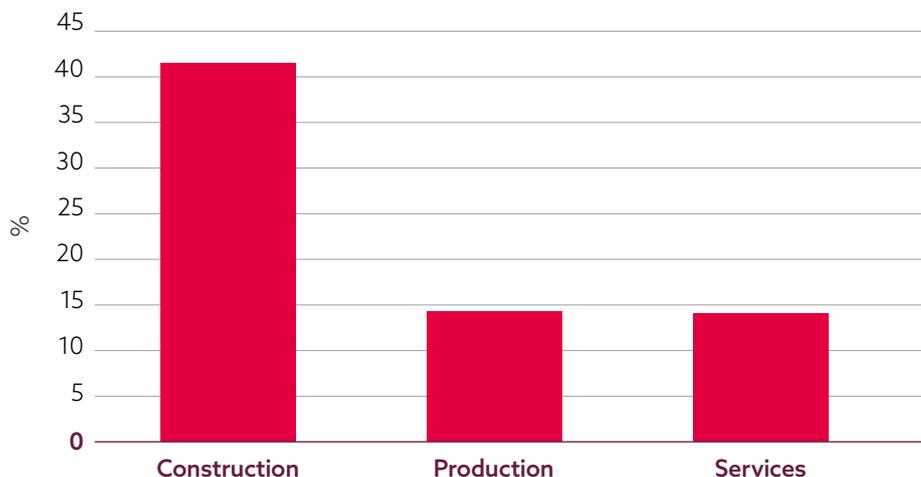
⁵ www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf

⁶ li.com/reports/poverty-during-the-covid-19-crisis

⁷ Bevan Foundation (2020) Devastating impact of Covid 19 on Wales' poorest households laid bare by new Bevan Foundation report. Available at: www.bevanfoundation.org/publications/poverty-in-winter-2020/

Figure 1.

UK quarterly growth in output, by industry, 2020Q3



Source: [ONS GDP first quarterly estimate, UK: July to February 2021](#)

Some recovery in UK industry output.

Each main branch of the UK economy expanded in the quarter to 2020Q3. Industries that were most exposed to the first lockdown restrictions experienced the sharpest increases in output, particularly the Construction sector. Wholesale and retail output increased by 30% in the quarter to 2020Q3, despite car sales experiencing the worst September in recent

times,⁸ while manufacturing output expanded by 18%, this is still 8% below the 2019Q4 output level. Accommodation and Food Service activities, among the sectors hardest hit in 2020Q2, recovered due to the opening of the hospitality industry and recorded a significant quarterly increase in 2020Q3 (385%).

Further labour market fallout from COVID-19 pandemic.

Extensive public support, primarily through the Coronavirus Job Retention Scheme failed to remedy the full labour market impacts of COVID-19. For example, the UK unemployment rate increased from 3.9% in 2020Q2 to 4.8% in 2020Q3. Youth unemployment reached

14.6% by 2020Q3. The number of redundancies increased by 138% in the quarter to 2020Q3, rising from 132,000 in 2020Q2 to 314,000 in 2020Q3. Unemployment rates increased despite the easing of restrictions and with more businesses operating 'normally'.

⁸ <https://www.smmmt.co.uk/2020/10/uk-new-van-market-accelerates-26-4-in-september-but-uncertainty-ahead/>

The COVID-19 crisis has shown how Wales' economic structure is particularly vulnerable to economic shocks. In Wales, the unemployment rate in 2020Q3 was 4.6%. This meant that there were 28,000 more unemployed persons than in 2020Q2 (i.e. a 1.4% quarterly increase, the greatest among the UK regions). Wales also had the largest fall in the employment rate (this capturing more than just changes in unemployment), falling from 74.6% in 2020Q2 to 72.1% in 2020Q3, with 42,000 fewer individuals working in Wales. Over the whole year to 2020Q3 the Welsh employment rate dropped from 73.9% to 72.1%.

Quite how bad these labour market indicators would have been without the presence of the furlough scheme is open to question.⁹ From the beginning of the pandemic to December 2020, more than 260,000 redundancies have

been announced in the UK.¹⁰ While the UK economy benefits from the extension to the furlough scheme, unemployment figures are still expected to trend upwards. For example, in November and December large numbers of job losses are expected to result from recent announcements made at Arcadia Group and Debenhams. Around 11,000 UK chain store outlets closed during the first half of 2020, with Bridgend, Bangor and Newport in Wales being among the worst affected areas across the UK. For example, the Rhiw Shopping Centre in Bridgend recorded 20% fewer shops in August compared to April 2020, Deiniol Shopping Centre in Bangor 17.4% fewer stores and Friars Walk Shopping Centre in Newport 14% fewer units.¹¹ In this period, Wales as a whole saw 3.2% fewer units in retail parks and 1.6% fewer shops in high streets.

A fall in the number of unemployment benefit claimants in October 2020.

Other indicators of the health of the UK labour market can be found in numbers on unemployment-related benefits. In October 2020 around 2.63m people claimed unemployment-related benefits in the UK (down by 30,000 since September).¹² In the same month, around 114,000 people in Wales claimed unemployment-related benefits (7.5% of the workforce)¹³, down from 120,000 in July 2020. On October 1 2020, the Welsh areas with the highest

proportion of working age people claiming either job seeker's allowance or universal credit were Newport (7.6%) and Blaenau Gwent (6.8%), and with the lowest proportion, Monmouth (4%) and Ceredigion (4.2%) (Figure 2). Caution is needed in any interpretations here, as the 'true' underlying trend cannot yet be established with the furlough scheme still in operation.

⁹ Due to the furlough scheme, the figures on unemployment are volatile and should be treated with caution.

¹⁰ www.theguardian.com/world/2020/jul/31/uk-coronavirus-job-losses-the-latest-data-on-redundancies-and-furloughs

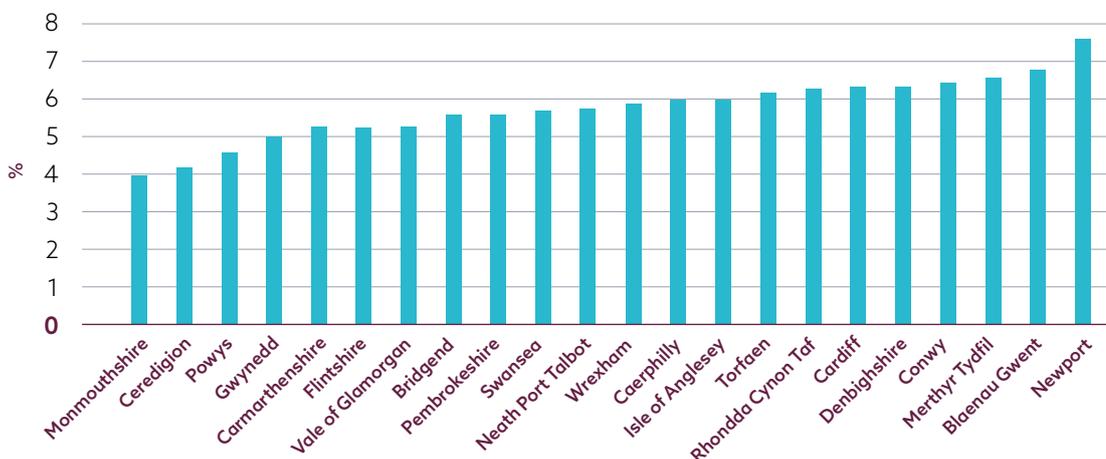
¹¹ www.localdatacompany.com/download-report-h1-2020

¹² stats.wales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Unemployment/Claimant-Count/seasonallyadjustedclaimantcount-by-ukcountry-englishregion-variable-month

¹³ Experimental statistics. Data for October 2020 is provisional.

Figure 2.

Proportion of working age people claiming either job seeker's allowance or universal credit by Welsh local authority area



Source: [Data Cymru](#)

More than 9.6m UK jobs have been furloughed, although the number has been falling since early July.¹⁴ The total value of furlough claims in the UK was £43bn by the middle of November 2020, up from £35.4bn at the end of August 2020. In February 2021 around 550,000 employers were still in the scheme, of which 99.1% were SMEs.¹⁵ UK employers

making the greatest use of the scheme in September were in sectors such as professional, scientific and technical services (86,000 businesses), wholesale and retail (84,000) and construction (62,000). In Wales, as of 30th September, 95,700 jobs were still in furlough which was around 7% of total employment.

Summary of the forecasts.

The Bank of England has revised its forecast for the UK economy in 2020 from a decline of 9.5% (August) to a decline of 11% (November) and then with a rebound of 7.25% forecast for 2021.¹⁶ The IMF economic outlook forecasts that the UK economy will have contracted by

9.8% in 2020. The OECD in December gave a more pessimistic projection of an 11.2% decline in UK GDP for 2020. The Bank of England reveals an increase of UK unemployment from 4% in 2019 to 6.3% in 2020 (compared to the 7.5% prediction for 2020, made in August).

¹⁴ www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics

¹⁵ www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-november-2020/coronavirus-job-retention-scheme-statistics-november-2020

¹⁶ www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/november/monetary-policy-report-nov-2020.pdf

The very early impacts of the pandemic are now captured by the quarterly (experimental) GDP estimates for Wales. The latest available figures, for 2020Q1 (Figure 3), show a quarterly decline of 2.4% (similar to England and Scotland)¹⁷, capturing the initial effects of the lockdown in March 2020. However, there was strong evidence Wales was entering a period of

slower growth prior to COVID-19. For example, Welsh GDP is estimated to have contracted by 1.1% in the quarter to 2019Q4 following a 0.1% increase in the quarter to 2019Q3. Overall GDP in Wales fell by 3.8% in the year to 2020Q1. These figures should be treated with caution, due to the volatility in these data.

UK business investment increased in 2020Q3.

UK business investment increased by 15.1% in the quarter to 2020Q3. This followed a 31.4% decline in 2020Q2, the sharpest quarterly fall on record. Business investment is expected to contract again following the new lockdown measures imposed in 2020Q4. The Bank of England forecasts that, under its basic scenario, the UK will have seen business investment declining by around 19% in 2020 but rising by

5.75% in 2021 and by 13.25% in 2022. This is an improved forecast compared to the Bank of England view in May 2020, when it predicted a 26% decline of business investment for 2020.¹⁸ The gap between early forecasts of the impact of the pandemic and outturn are noticeable and evidence the problems of forecasting in the presence of such severe shocks.

Figure 3.

% quarterly change of GDP, Wales



Source: [Quarterly country and regional GDP](#), ONS

¹⁷ www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpukregionsandcountries/januarytomarch2020

¹⁸ www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020

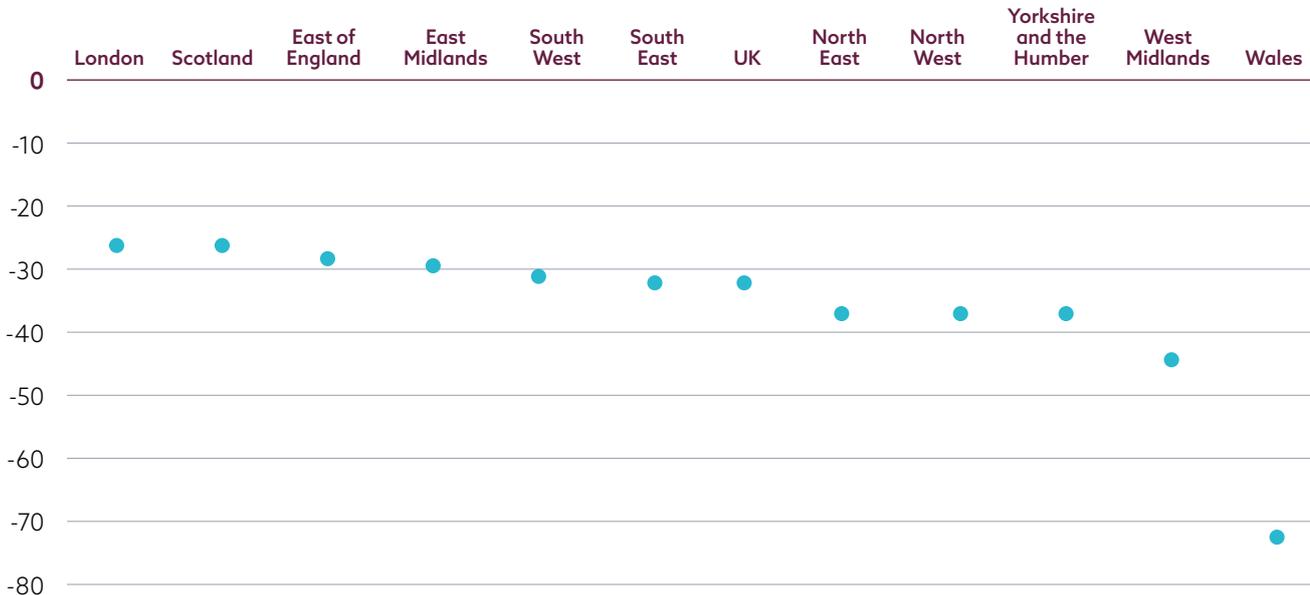
Small firms' confidence remains very low in 2020Q3.

The *UK Small Business Index*¹⁹ crashed to an all-time low in 2020Q1 and this was before the worst effects of the pandemic. The index remained in negative territory in both 2020Q2 and 2020Q3. The *UK Small Business Index* declined to -32.6 in 2020Q3.²⁰ Around 25% of UK SMEs were found to have reduced staff headcount in 2020Q3, up from 23% in 2020Q2. More than 55% of small companies reported falling revenue in 2020Q3, with 50% expecting another quarter of decline for 2020Q4.

UK small business confidence index is still very low in hospitality and leisure in 2020Q3

The lowest confidence was recorded in sectors that have faced severe lockdown restrictions and severe falls in demand, including hospitality (an index fall of -127), leisure (-58) and retail (-43).

Figure 4.
Small Business Index, UK regions, 2020Q3



Source: FSB Voice of Small Business Index 2020Q3

¹⁹ "The Small Business Index is a weighted index of the responses to the question: 'Considering your overall business performance, and ignoring any normal seasonal variations at this time of the year, how do you view business prospects over the next three months, compared with the previous three months?' The share of firms reporting 'much improved' are given the following weightings: +2, slightly improved +1, approximately the same 0, slightly worse -1 and much worse -2; the Small Business Index is derived from the sum of these factors" (FSB, 2020).

²⁰ FSB (2020). FSB voice of small business index, Quarter 3 2020. Available at: www.fsb.org.uk/static/528fb693-ad22-46fb-9cc0164dde4cdbaa/FSB-SBI-Q3-2020.pdf

Wales had the least confident SMEs in 2020Q3.

Although SME confidence plummeted across all the UK regions in 2020Q3, Wales was the region

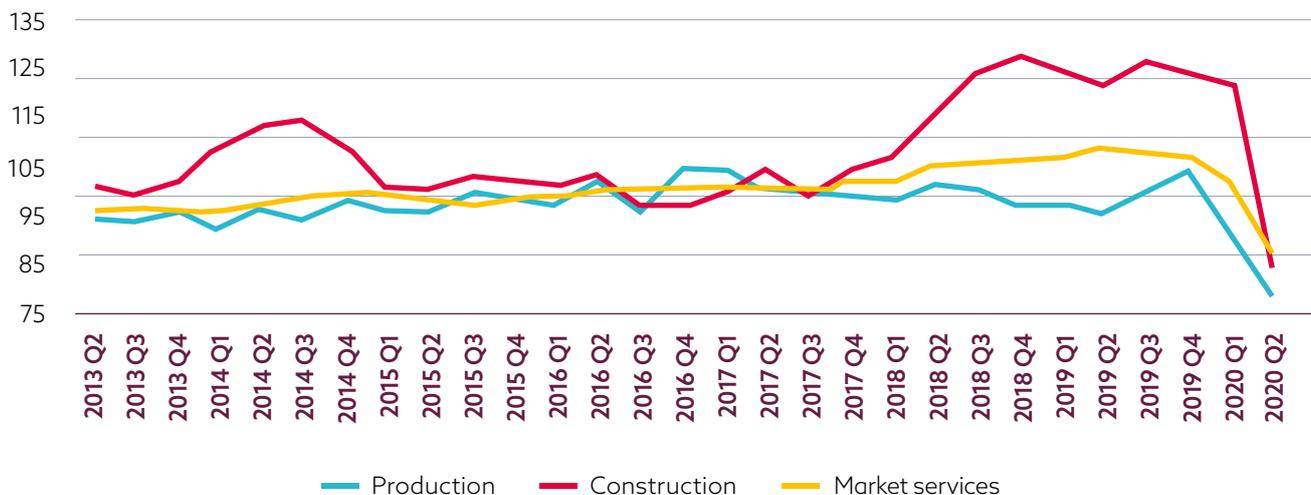
with the least confident small firms. In 2020Q3, the Welsh SME confidence index was -72.

Output growth across production, construction and market services sectors plunged in 2020Q2.

Figure 5 indicates the quarterly movement in the Welsh indices of output in production, construction and market services from 2013Q2 to 2020Q2. The index of production output records the greatest recent fall, dropping from 91.1 in 2020Q1 to 78.7 in 2020Q2, being almost 22% below its 2016 base year index value. Within the production sector, industries severely impacted included transport equipment (from 83.6 in 2020Q1 to 48.9 in 2020Q2), coke and refined petroleum products (from 87.8 in 2020Q1 to 52.3 in 2020Q2) and textiles, wearing

apparel and leather (from 90.1 in 2020Q1 to 56.7 in 2020Q2). The construction index was impacted by forced halts made in large projects due to lockdown restrictions. The construction index plunged from 121.7 in 2020Q1 to 83.7 in 2020Q2, the lowest since 2010Q1. The market services index in Wales dropped for a fourth consecutive quarter, following six consecutive quarters of positive growth, declining from 102.2 in 2020Q1 to 87.1 in 2020Q2. Note there is the prospect that these indices will have improved in 2020Q3 in line with overall economic growth.

Figure 5.
Welsh output indices: trends 2013Q2 - 2020Q2 (2016 =100)



Source: Stats Wales, Welsh Indices of Production and Construction (2016=100) by section and year and Index of Market Services (2016=100) by year and area

The effects of the COVID-19 pandemic and subsequent mitigation policies on Welsh businesses.

According to the *ONS Business Impact of COVID-19 Survey*,²¹ around 97% of Welsh businesses were trading in the period from 10th to 23rd August, with this rate being similar across the whole UK. However, while UK government and Welsh Government supports have enabled many companies to survive, the number of company dissolutions has increased in Wales. According to data from business database FAME,²² the number of dissolutions and liquidations of SMEs in Wales, in the period between January and November 2020, was higher than in the period between January and November 2019 (1,527 compared to 1,250). Once again some caution is required in interpreting the scale of these numbers with so many government interventions to support firms still in operation and with the prospect of liquidations stepping up again at the end of the furlough period.

While the vast majority of businesses have continued to trade, the *ONS Business Impact of COVID-19 Survey* suggests that the turnover of companies has been badly affected. From 10th to 23rd August, around half of the businesses surveyed in Wales (48.5%) reported a decline in turnover, with 7% reporting a more than 50% contraction.

In the Survey referring to the period between September 21 and October 4, the most affected sectors in terms of turnover impacts included wholesale and retail, accommodation and food services.

Comparisons of the findings from the different rounds of the *ONS Business Impact of COVID-19* should be treated with caution as the samples in each wave of the survey are not the same. However, there is a persistence in the findings about the most affected sectors. The surveys tend to highlight that leisure, hospitality and education have been the sectors experiencing the greatest impact from the COVID-19 pandemic and the subsequent lockdown measures. This is a particular issue for Wales with relatively high amounts of employment in tourism-facing and leisure sectors.

The *BVA BDRC SME Finance Monitor 2020Q3*²³ reported that around 75% of UK SMEs surveyed have been negatively affected by the pandemic and the subsequent economic crisis, with effects more acute for the smallest businesses. Around 10% of UK SMEs surveyed in the Monitor 2020Q3 have made redundancies, while 30% of the UK businesses expected turnover to be down by more than 50% or expected no income at all.

Leisure, education and hospitality have been the most affected UK industries

According to the *ONS Business Impact of COVID-19 Survey*, the most COVID-19 affected industries between 10th and 23rd August were leisure (74% of surveyed businesses in the UK reported a fall in turnover), education (59%), and accommodation and food services (58%).

²¹ www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults

²² www.bvdinfo.com/en-gb/our-products/data/national/fame?qclid=CjwKCAjw19z6BRAYEiwAmo64LYRBg1gDNQYKMizK80lbP17gVZYUgVdUsU9lga0CpdprZZAhAxOTpxoCsXsQAvD_BwE

²³ www.bva-bdrc.com/wp-content/uploads/2020/11/SME-charts-Q3-2020-presentation-pack-FINAL-website.pdf

The *Monitor* reports that the proportion of the UK SMEs that were concerned about the current economic climate declined from 47% in 2020Q2 to 41% in 2020Q3. Political uncertainty concerns increased slightly from 24% in 2020Q2 to 25% in 2020Q3. Almost 46% of the UK SMEs surveyed recorded economic decline in 2020Q3, up from 21% in 2020Q1 and 22% in 2020Q2, with hospitality, health, and transportation being the sectors most likely to report a decline. The same report indicated that around 79% of the UK SMEs surveyed reported a profit, the lowest rate since 2014.

Moreover, according to a survey presented in the report *Entrepreneurship and COVID-19: Challenges and opportunities*,²⁴ conducted between 6th May and 13th July, around 60% of UK SME owners reported that their business existence was under threat because of reduced trade. The most commonly faced issues included cancelled or postponed orders, running costs, unpaid transactions and challenges to pay suppliers. Around 50% of the entrepreneurs surveyed had fears that they might run out of cash reserves in the next 12 months. Against this, most of the business owners interviewed applied for government support (75%), while many entrepreneurs developed new services, particularly in the digital space, or boosted existing online capabilities.

²⁴ [kclpure.kcl.ac.uk/portal/en/publications/entrepreneurship-and-covid19-challenges-and-opportunities\(6273a6d3-f655-4f20-8fd4-ef808b198f08\).html](https://kclpure.kcl.ac.uk/portal/en/publications/entrepreneurship-and-covid19-challenges-and-opportunities(6273a6d3-f655-4f20-8fd4-ef808b198f08).html)

The conditions for Welsh SME finance and funding have been rapidly changing during the last 10 months, as a result of the COVID-19 pandemic and the UK government and Welsh Government policy response. Further details

of the COVID-19 business finance interventions are found in the Economic Intelligence Wales December 2020 report examining the scale of the Welsh Government response and Welsh beneficiaries of these interventions.²⁵

Demand for cash flow and credit remains strong.

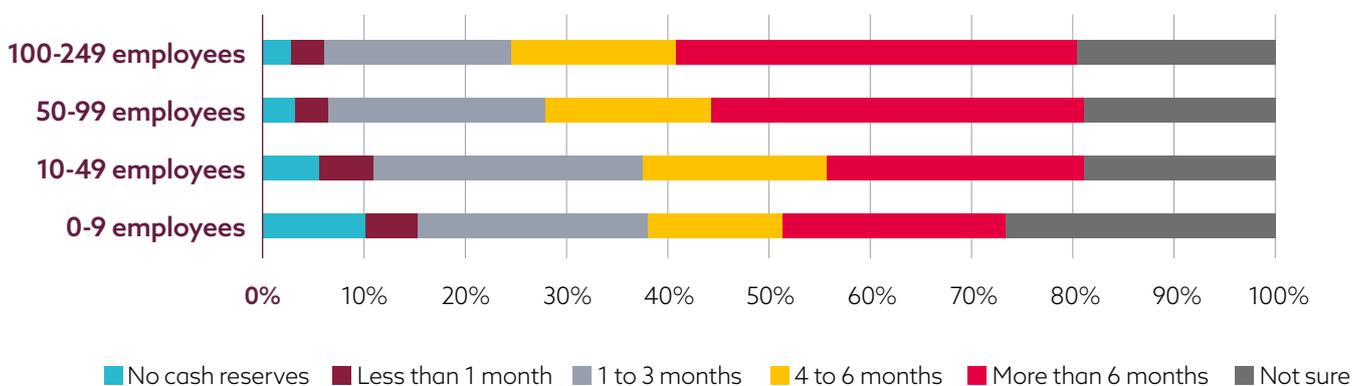
According to the Bank of England *Agents' summary of business conditions*,²⁶ while the SME demand for credit has eased, after the initial rise in applications for government-backed loans, it remains strong since the reopening of business activity, with small businesses seeking credit to cover working capital and cash-flow needs. SMEs' concerns about their ability to repay debts are declining, with businesses rescheduling their debt after the end of repayment holidays. According to the *BVA BDRC SME Finance Monitor 2020Q3*, the proportion of SMEs using finance which were concerned about their ability to repay debts declined from 29% in 2020Q2 to 21% in 2020Q3, after doubling between 2020Q1 and 2020Q2 (from 14% to 29%).

Businesses in construction and retail appeared to be the least concerned about their future ability to repay their debts (17% of surveyed SMEs in 2020Q3).

Figure 6 shows that four out of ten UK micro and small companies surveyed in the latest wave of the *ONS Business Impact of COVID-19 Survey*, with a reference period from October 19 to November 1, had either no cash reserves or cash flow remaining for up to 3 months of operations. UK medium-sized businesses were better placed in this respect, with 25% reporting a major cash flow issue. However, the *BVA BDRC SME Finance Monitor 2020Q3* indicated declining cash flow/late payment concerns (from 19% of the UK SMEs surveyed in 2020Q2 to 14% in 2020Q3).

Figure 6.

How long do you think your enterprise's cash reserves will last? Response of firms surveyed between October 19 and November 1, % of surveyed firms



Source: [ONS Business Impact of COVID-19 Survey](#)

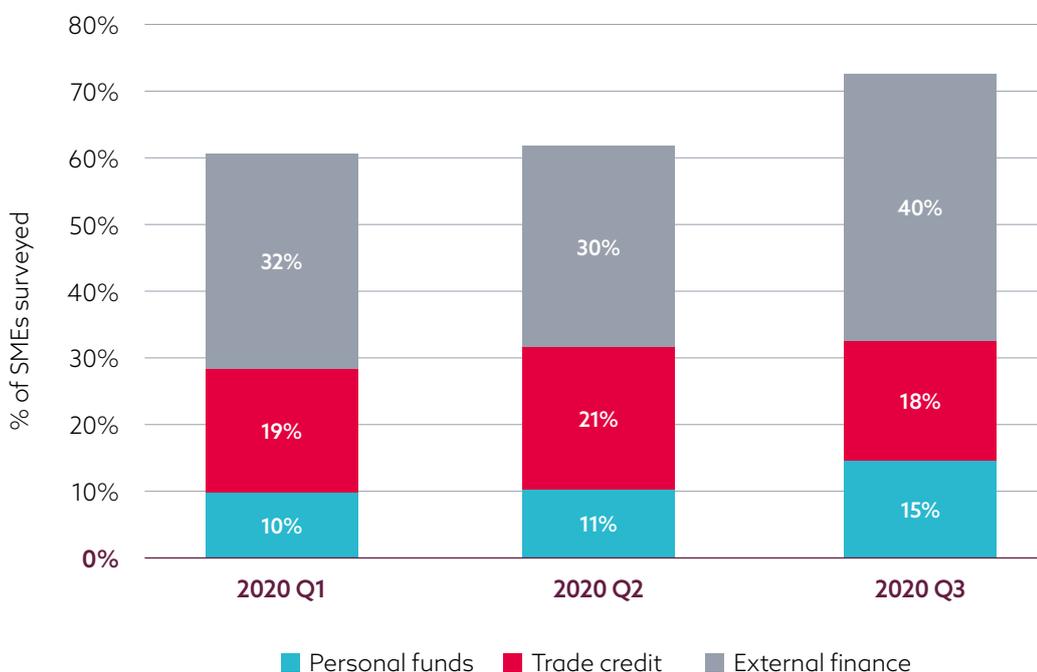
²⁵ [EIW bespoke report on COVID-19 interventions_ENG.pdf \(developmentbank.wales\)](#)

²⁶ www.bankofengland.co.uk/agents-summary/2020/2020-q3

The *BVA BDRC SME Finance Monitor 2020Q3* reported that the appetite for future finance has increased across all SME size bands. Around 11% of UK SMEs surveyed stated that they had a need for finance in 2020Q3, up from 6% in 2020Q2, with this funding oriented mainly towards financing cash flow (91% of SMEs interviewed in 2020Q3 up from 51% in 2020Q2). This could be an implication of the reopening of the economy. Moreover, the percentage of UK SMEs interviewed that agreed with the statement 'As a business we are happy to use external finance to help the business grow and develop' increased from 29% in 2020Q1 to 31% in 2020Q2, and further to 34% in 2020Q3 (this latter figure being equal to the 2017 rate).

The use of business funding has increased markedly in 2020Q3. According to the *BVA BDRC SME Finance Monitor 2020Q3*, 73% of SMEs used some type of business funding, up from 63% in 2020Q2 and 61% in 2020Q1 (Figure 7). The most noticeable increases were recorded in construction, manufacturing and retail. The percentage of UK SMEs that were found to use external finance increased from 30% in 2020Q2 to 40% in 2020Q3, with bank loans being the most common finance tool (15%), followed by overdraft (13%) and credit cards (13%). The users of trade credit dropped from 21% to 18%, while amid the tightening business conditions, the proportion of the UK SMEs surveyed that had injected personal funds (internal finance) increased from 11% in 2020Q2 to 15% in 2020Q3.

Figure 7.
Use of business funding from SMEs, by type of funding



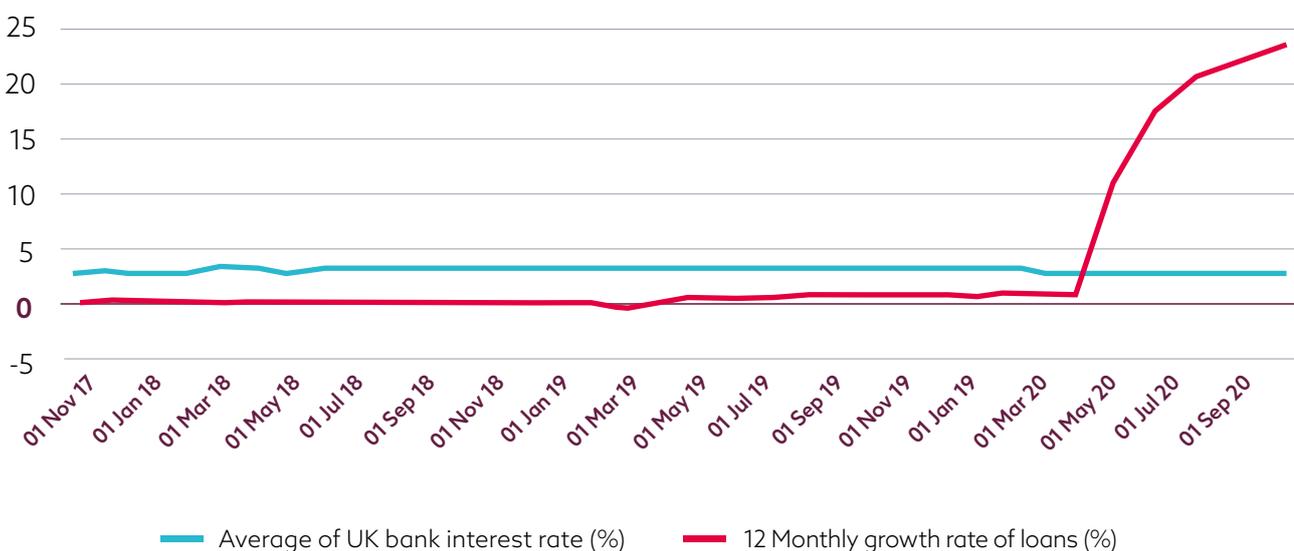
Source: *BVA BDRC SME Finance Monitor 2020Q3*

Interest rates on UK SME loans remain low, and annual growth rate of loans increases.

Figure 8 shows that the average interest rates on UK SME loans marginally declined in recent months to 2.81% at the end of October 2020. The low levels in the period to October have been influenced by the stabilisation of the Bank of England's interest rate to 0.1% since March 2020. This aimed to reduce the cost of business borrowing that had increased due to the rising risk of defaults. The reduction of business borrowing costs is expected to be facilitated by the decision of the Bank of England to increase its quantitative easing programme by a further £150bn, reaching £895bn in total.

The gradual decline in interest rates is partly linked to the increasing trends in the annual growth rate of loans to UK SMEs from 17.4% in June to 24.2% in October 2020. This rise in the annual growth rate of loans to UK SMEs is mainly related to the UK government schemes to support UK businesses during the COVID-19 crisis. The important increase in borrowing is verified by the findings from the *BVA BDRC SME Finance Monitor 2020Q3* indicating that the proportion of permanent non-borrowers declined, from 51% of SME surveyed in 2020Q1 to 41% in 2020Q2 and further to 39% in 2020Q3, with sole traders remaining the only SME group inclined towards being 'permanent non-borrowers' rather than users of external finance (42% to 36% of SMEs surveyed).

Figure 8.
Interest rate on UK SME loans, and growth rates of loans



Source: Bank of England

UK Finance figures for 2020Q2 show that business borrowing has significantly increased. The number of businesses in Wales supported by lenders in 2020Q2 increased six-fold compared to the businesses supported by lenders during the whole of 2019.²⁷ The total value of gross lending to GB SMEs

jumped from £5.6bn in 2020Q1 to £34.5bn in 2020Q2, which is 50% more than annual total for 2019. In Wales, the value of gross financial support, through commercial lending and government-backed loan schemes to businesses was £2bn in 2020Q2.

Policy interventions by the UK government and Welsh Government to support businesses continue.

The UK government and Welsh Government schemes established in spring 2020 have facilitated the supply of credit to UK businesses. The Coronavirus Business Interruption Loan Scheme (CBILS) administered by the British Business Bank, was launched on 23rd March 2020, and is available to SMEs for loans of up to £5m. As of 15th November, 77,909 loans were approved across the UK with a total value of £18.46bn.²⁸ In the period to 4th October, SMEs located in Wales received funds of £374m through CBILS, linked to 1,691 approved applications, equal to 3% of total UK offered facilities, while the share of Wales in the UK business population is slightly higher (4%).²⁹ UK SMEs that received funds from CBILS were primarily in wholesale and retail, construction, and manufacturing.

The demand for the Bounce Back Loan Scheme (BBLs)³⁰ across the UK has been even stronger. By 15th November, £1.4m BBLs loans were approved with a total value of £42.2bn. In the period to 4th October, Wales' SMEs received BBLs loans with a value of £1.35bn, linked to 48,893 approved applications (equal to 4% of total UK offered facilities of BBLs). Most businesses in the UK receiving funds through the BBLs were in construction, wholesale and retail, and professional, scientific and technical activities.

Figure 9 shows the geographical distribution of the value of UK government loan support schemes (CBILS and BBLs) to businesses across the 40 Welsh constituencies in the period to 4th October 2020. Cardiff south and Penarth had the largest share with 5.3% of the total value (£91m and 2,239 loans), followed by Cardiff Central with 4.2% (£72m with 1,733 loans) and Carmarthen West and south Pembrokeshire with 3.9% (£68m with 1,921 loans). Rhondda had the lowest share with 1% of the total value (£17.5m with 659 loans), below Cynon Valley with 1.3% (£22.6 with 809 loans) and Blaenau Gwent with 1.4% (£23.5m with 641 loans). In terms of average value of loans per application, Alyn and Deeside was ranked at the top with an average value of £42,300, above Wrexham (£42,000) and Cardiff Central (£41,800). At the bottom of the table, Rhondda had the lowest average value (£26,580), below Cynon Valley (£28,020) and Aberconwy (£28,670).

The Future Fund, also delivered by the British Business Bank, provides convertible government loans ranging from £125,000 to £5m to innovative businesses that are affected by COVID-19. In the period to 15th November 2020, 874 convertible loans were approved in the UK, with a total value of £876m. In Wales, 14 loans were approved over the same period, with a total value of £7m.³¹

²⁷ www.ukfinance.org.uk/system/files/Business%20Finance%20Review%20-%20%20Wales%20-%2020201008.pdf

²⁸ www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics

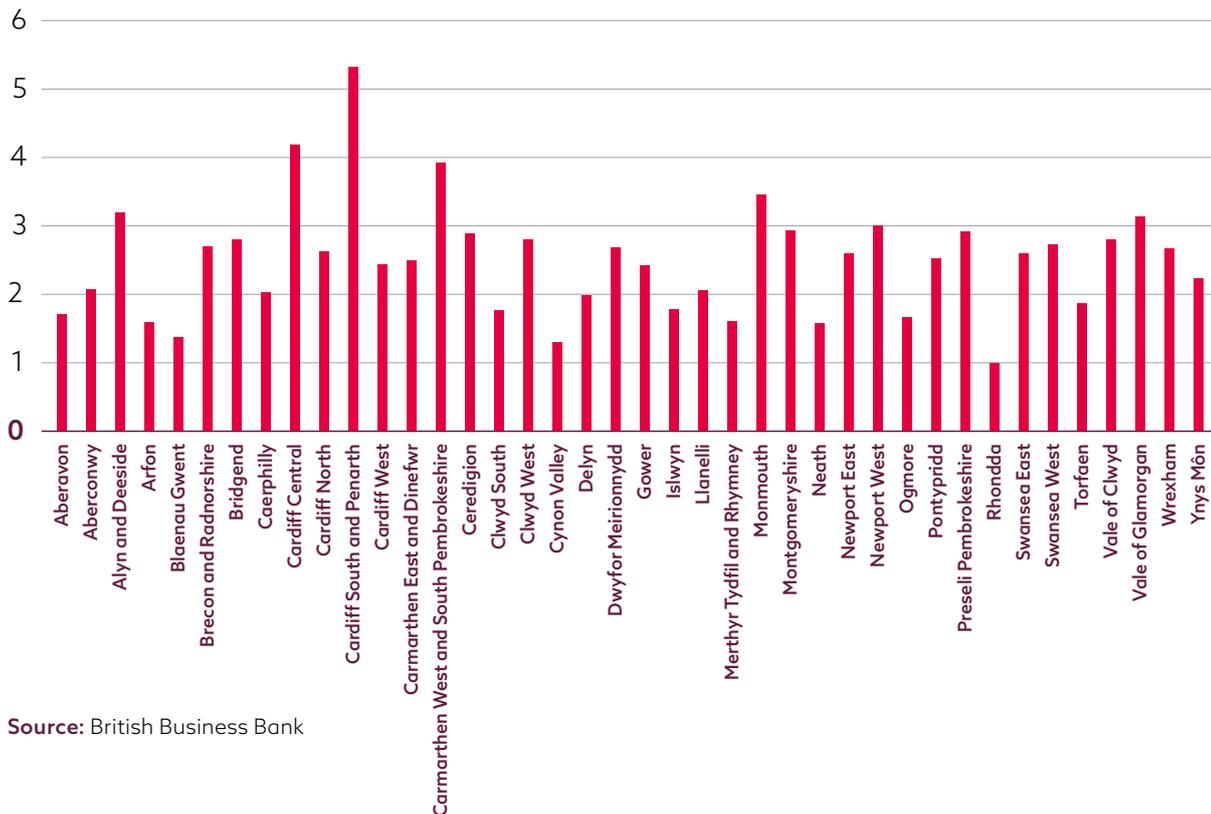
²⁹ www.british-business-bank.co.uk/coronavirus-loan-schemes-benefiting-businesses-in-all-corners-of-uk-reveals-new-analysis-from-british-business-bank

³⁰ Under the BBLs, SMEs can borrow from £2,000 up to 25% of their turnover, with the maximum loan available at £50,000. The UK government provides lenders with a 100% guarantee and covers the first 12 months of interest payments. Thereupon, the interest rate is set at 2.5% per annum.

³¹ www.british-business-bank.co.uk/future-fund-publishes-diversity-data-of-companies-receiving-convertible-loan-agreements-5

Figure 9.

Welsh constituencies' share (%) of total value of UK government business support via CBILS and BBLs



Source: British Business Bank

The UK government launched the first tranche of the Self-Employment Income Support Scheme (SEISS) on 13th May 2020. This scheme closed on 13th July, having a total of 2.7m claims in the UK, with a value of £7.8bn.³² The second tranche opened on 17th August, and as of 15th November there have been 2.4m claims with a total value of £5.9bn. In Wales, the value of claims during the first tranche was £295m, with £228m of claims under the second tranche in the period up to the end of October 2020. Around 32% of the total number of claims for the second grant (and 38% by value of claims) in Wales were by the self-employed in construction, while 72% of all claims from Wales to SEISS were made by males.

The total value of all the UK government interventions, to support the healthcare services, businesses and workers, is now over £280bn³³, with important consequences for the UK's public finances. Borrowing in October 2020 was £22.3bn, the sixth highest borrowing in any month since records began.³⁴ Public debt increased by £276bn in the first seven months of the 2020/21 financial year, reaching a total value of £2,076bn at the end of October 2020, equal to 100.8% of GDP, 0.3% higher than in July 2020.

³² www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics#self-employment-income-support-scheme

³³ assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938054/SR20_print.pdf

³⁴ www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/october2020

The Welsh Government has also intervened to help businesses impacted by the pandemic and the lockdowns. The Welsh Government's Economic Resilience Fund (ERF) second phase included 4,771 grants approved to micro firms and SMEs, with a total value of £57.9m, following the first phase with 6,946 grants approved and a total value of £124.4m.³⁵ In the second phase, SMEs located in South East Wales received grants with a value of £28m (48% of the value of grants approved in Wales).³⁶ The Welsh construction sector had the highest number of grants approved

(almost 1,450, equal to 30% of all grants), with a total value of £16m in phase 2, followed by financial and professional services and creative industries.³⁷ In addition, £770m of payments were made to businesses in Wales under the ERFs Non-domestic Rates grants, whilst the *COVID-19 Wales Business Loan Scheme (CWBLS)* supported businesses with £92m of loan finance (see Section 5).³⁸ The Welsh Government opened a third phase of ERF with a total value of £300m, to support businesses amid the lockdown measures imposed in October/November 2020.

UK equity markets are at risk.

The effects of the COVID-19 pandemic and subsequent economic turbulence on investment capital are increasingly visible. According to Beauhurst,³⁹ around £12bn of UK equity investments, equal to 15% of the total equity market, remain at moderate to critical risk. The proportion of high growth businesses being at risk from the pandemic was around 30% in September, down from 53% in April 2020, while almost 40% of scale-ups remain in at-risk categories.

According to the *UK Venture Capital Financial Returns 2020 report*,⁴⁰ the turbulence in the equity market follows a period when UK venture capital funds delivered good performance. The report found that venture capitalists outside the Golden Triangle (London, Oxford and Cambridge) offer a potential for high returns. According to the *UK Business Angels Report*

2020,⁴¹ 1% of business angels were located in Wales in 2020, in a market that is heavily concentrated in London and South East (home location for 57% of the UK business angels). Despite the economic crisis, around 57% of business angels surveyed in the *UK Business Angels Report 2020* made an investment from April to July 2020, and 46% of them expect to make new investments during the rest of 2020/21 financial year. Economic uncertainty (stated by 45% of the business angels interviewed) and the impact of COVID-19 (32% of the respondents) were the top challenges and barriers that business angels are currently facing. Since the onset of the pandemic, almost 33% of business angel investments located in Wales were found to have performed worse than in the pre-COVID-19 period, recording the 7th highest rate across the UK regions.

³⁵ gov.wales/sites/default/files/statistics-and-research/2020-08/summary-data-about-coronavirus-covid-19-and-the-response-to-it-10-august-2020-283.pdf

³⁶ businesswales.gov.wales/sites/business-wales/files/Phase%20%20ERF%20Regional%20updated.pdf

³⁷ businesswales.gov.wales/sites/business-wales/files/ERF%20Phase%20%20Sector%20updated%20English.pdf

³⁸ EIW (2020) COVID-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries. Available at: developmentbank.wales/sites/default/files/2020-12/EIW%20bespoke%20report%20on%20COVID-19%20interventions_ENG.pdf

³⁹ www.beauhurst.com/research/covid19

⁴⁰ www.british-business-bank.co.uk/wp-content/uploads/2020/11/BBB-VC>Returns-Report-2020-FINAL-1.pdf

⁴¹ www.british-business-bank.co.uk/wp-content/uploads/2020/10/20201008-BBB-Business-Angels-Report-Final.pdf?dm_t=0,0,0,0

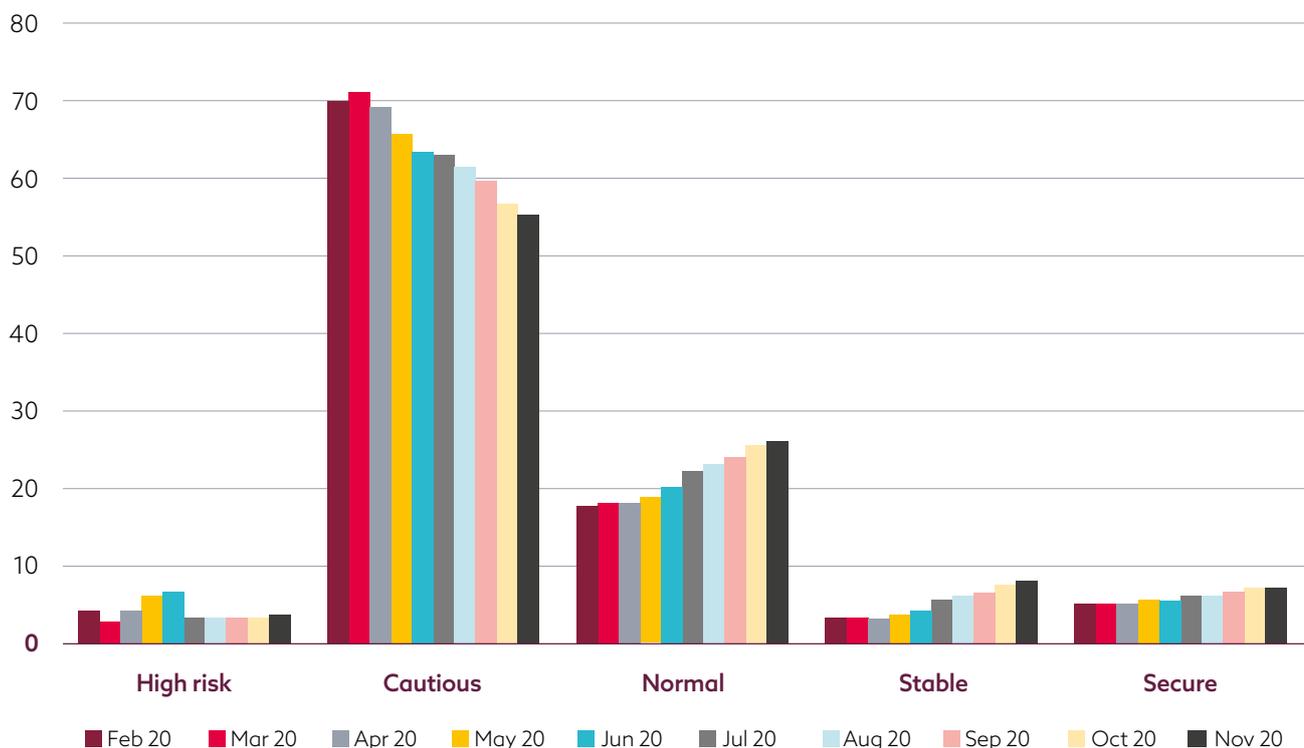
Significant improvement in SME credit risk ratings in the second half of 2020.

The effects of the pandemic have been reflected in SME credit risk ratings. Since the reopening of the economy, in July 2020, the proportion of Welsh SMEs in the High risk group has remained relatively stable ranging from 3% to 3.5% between August and November 2020. The proportion of SMEs in the Caution category has declined from 63% in July to 55% in November 2020. A gradual increase in the proportion of SMEs in the Normal, Stable

and Secure SMEs categories was recorded in the second half of 2020. Although care is needed in interpreting monthly movements in the credit risk ratings, with a possible time lag between the October restrictions and their impact on Welsh SMEs, government policies protecting firms and jobs and the reopening of the economy during the summer months could be important for the reduction in credit risk.

Figure 10.

Proportion of SMEs by Credit Risk in Wales (%), February 2020 - November 2020

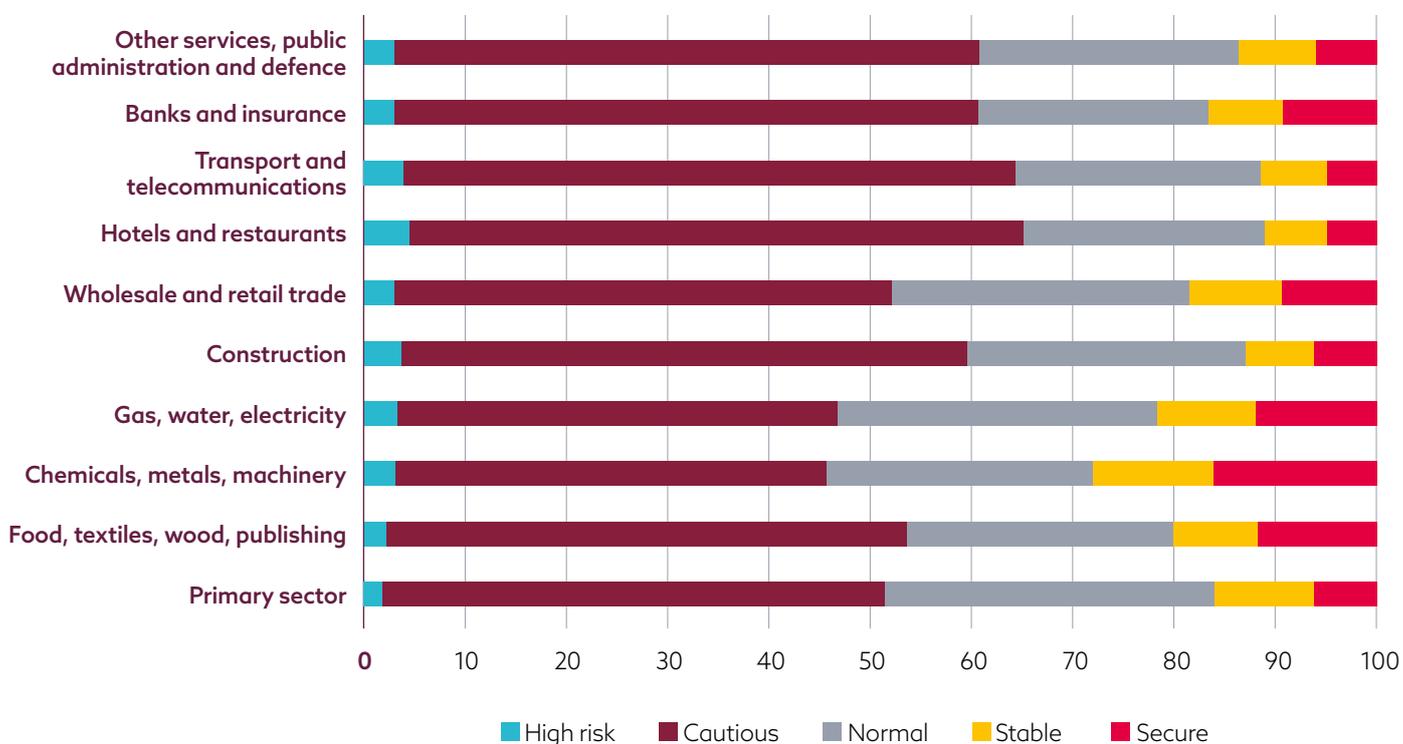


Source: FAME, Bureau van Dijk

Figure 11 shows data for the Welsh SME credit risk by sector in November 2020. Hospitality as well as transport and telecommunications had the highest share of SMEs in the High risk and Cautious groups. Branches of

manufacturing, such as food, textiles, wood and publishing, as well as chemicals, metals and machinery, had the highest share of SMEs in the Secure and Stable categories.

Figure 11.
Welsh SMEs Credit Risk by Sector, November 2020



Source: FAME, Bureau van Dijk

This section summarises Development Bank of Wales' investments in 2020/21Q2. All the

data in this section has been derived from the Development Bank of Wales' database.

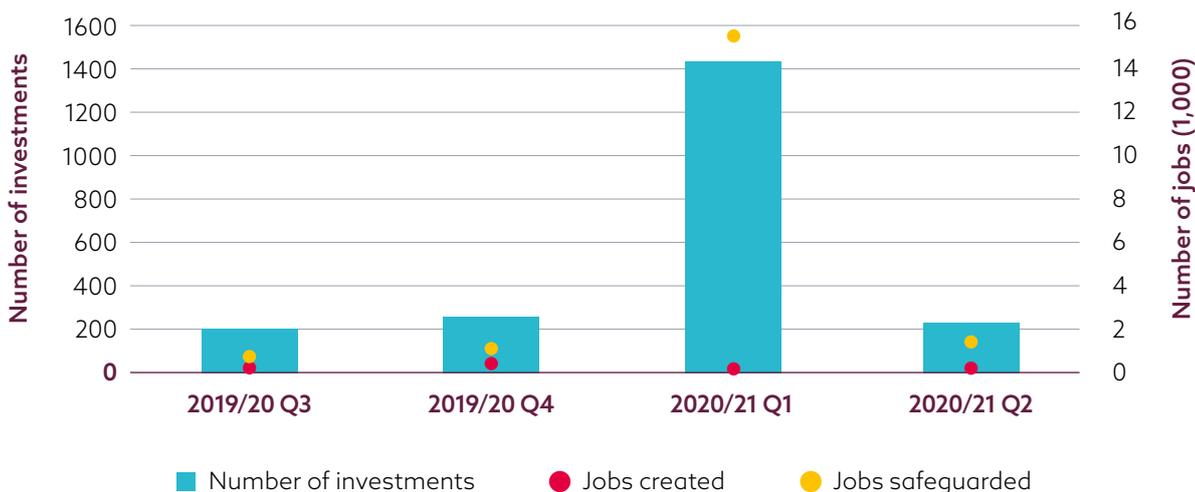
A drop in investment transactions in 2020/21Q2.

The quarter-by-quarter comparisons of Development Bank activity are complicated this year by the unusually large scale of activity during 2020/21Q1, particularly relating to the significant uptake of finance by Welsh SMEs to cope with the pandemic. The *COVID-19 Wales Business Loan Scheme (CWBLS)*, launched by the Development Bank, allocated around £92 million to more than 1,330 businesses from April to July 2020.⁴² The Development Bank made 222 investment transactions in 2020/21Q2, lower than the 1,434 investments in 2020/21Q1, and the 256 in 2019/20Q4, but slightly higher than the 203 in 2019/20Q3 (Figure 12).

The Development Bank invested £28.8m in 2020/21Q2, down from £108.5m in 2020/21Q1 (an all-time record in a quarter due to CWBLS investments). The average investment amount was £130,000, much higher than in 2020/21Q1 (£75,000). The average investment amount has returned to levels experienced before the Development Bank's delivery of CWBLS. The 222 investments in 2020/21Q2 created 181 jobs and safeguarded 1,160 jobs, compared with 15,493 created or safeguarded jobs in 2020/21Q1.

Figure 12.

Investment transactions and jobs created and safeguarded, 2019/20Q3 – 2020/21Q2



⁴² EIW (2020) COVID-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries. Available at: developmentbank.wales/sites/default/files/2020-12/EIW%20bespoke%20report%20on%20COVID-19%20interventions_ENG.pdf

Significant fall in loan investment and a drop in equity investment.

New loan investment was £27.4m in 2020/21Q2, lower than £101.5m in 2020/21Q1 and £29.7m in 2019/20Q4, but higher than £23.3m in 2019/20Q3 (Figure 13). Equity investment was £1.3m in 2020/21Q2, down from £7m in 2020/21Q1, £3.8m in 2019/20Q4, and £3.7m in 2019/20Q3. Six investments above £0.5m from the Wales Business Fund in manufacturing, financial

and insurance activities and information and communication businesses were key in increasing the equity investments in 2020/21Q1. This is not consistent with the findings of *BVA BDRC SME Finance Monitor 2020Q3* indicating that the UK SMEs surveyed using of alternative finance means has increased from 13% in 2020Q2 to 21% in 2020Q3.

Figure 13.

New Investment by Investment Type (£m), 2019/20Q3 – 2020/21Q2



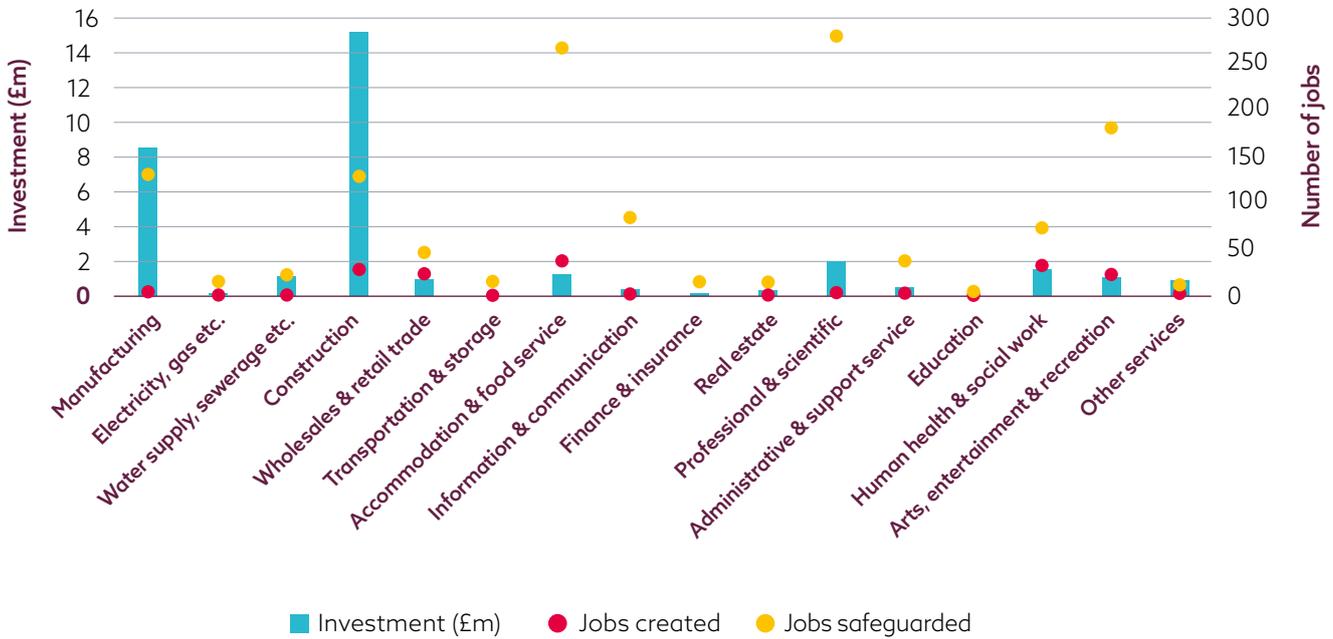
The construction sector had the largest share of new investment for another quarter.

In 2020/21Q2, the construction sector received the largest share of new investment (£15.2m), creating or safeguarding 129 jobs. Investments in professional & scientific

activities (£2.1m) created or safeguarded 282 jobs. Other sectors with high levels of investment included manufacturing (£1.9m) and human health & social work (£1.45m).

Figure 14.

New investment and jobs created and safeguarded by sector (£ million), 2020/21Q1



The sectoral distribution of DBW investment has not changed significantly compared to 2019/20Q2, when construction (£8.3m), manufacturing (£3m), information & communication (£3m) and professional & scientific activities (£2.7) received the lion's share of investment. DBW investments

have safeguarded high numbers of jobs in sectors significantly hit by the pandemic and the subsequent restrictions, including professional & scientific activities (279 jobs), accommodation and food services (229 jobs) and arts, entertainment & recreation (161 jobs).

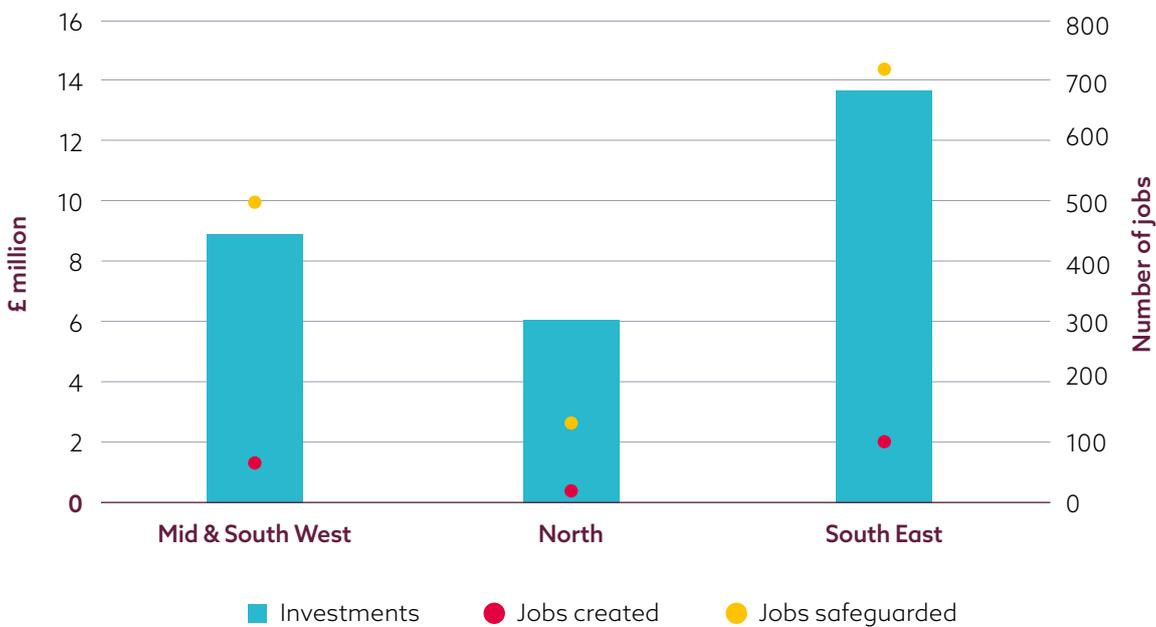
South East Wales attracted the majority of new investment in 2020/21Q2.

In 2020/21Q2, the majority of Development Bank investments were made to firms located in South East Wales. The new investment in South East Wales amounted to £13.7m in 2020/21Q2, creating 98 jobs and safeguarding 619 jobs. New investment in Mid and South

West Wales was £8.9m in 2020/21Q1, with North Wales' investment totalling £6.1m. This is a similar picture to 2019/20Q2, when South East Wales attracted £9m investments, followed by Mid and South West Wales (£6.5m) and North Wales (£6.3m).

Figure 15.

Investment and jobs created and safeguarded by location (£m), 2020/21Q2



Wales Business Fund makes the majority of investment in 2020/21Q2.

In terms of amounts invested in 2020/21Q2 there was a strong performance from the Wales Business Fund (£6.6m of new investment). Other funds with significant

activity include the Stalled Sites Fund (£6.4m of new investment), COVID-19 Wales Business Loan Scheme (£5.9m of new investment) and Property Fund 2 (£5.4m of new investment).

In the final quarter of 2020 it is expected that better economic times are ahead. Indeed, this report has revealed that in 2020Q3 the UK economy did expand, and with signs of improvement in business prospects visible as far back as July 2020 with the lifting of the original lockdown measures. It remains to be seen how this bounce back was affected by the additional lockdown measures imposed during the last quarter of 2020, increases to unemployment and the pressure of the EU transition deadline.

The report reveals concerns on the low confidence of SMEs in Wales. In future editions of the QR there will be a need to carefully track trends in business start-up and business failures into the first half of 2021, and to track the changes in credit ratings of Welsh SMEs.

In a positive development for the business environment, the agreement on the future trade relationship between the UK and the EU ends a period of uncertainty and maintains some element of frictionless trade of manufacturing products between the two partners. Furthermore, while economic prospects may improve next year, particularly as the COVID-19 vaccines are rolled out, it is expected that further UK government and Welsh Government interventions will be needed to assist firms in Wales. Many of the changes that have occurred during 2020 in terms of how SMEs both transact and operate are expected to become 'normal', particularly around more intensive use of digital resources to support activity, and this resulting in new needs for financial support to develop firms.

The COVID-19 crisis has shown how Wales' economic structure is particularly vulnerable to economic shocks. The QR2 report has revealed that those SME sectors worst affected by the crisis are those where Wales has relatively large numbers employed, including tourism-facing sectors and accommodation and food services. Wales' relatively strong representation in these types of sectors, characterised by poor productivity growth at international level, has made it vulnerable and will continue to do so. While longer term labour market opportunities are bleak in these sectors, it is vital that there is an element of retraining and reskilling at the earliest time.

The Development Bank of Wales has played an important role in supporting Welsh SMEs in 2020. The Development Bank made £109m of investments in 2020/21Q1, mainly CWBLS. The value of some 222 investments made in 2020/21Q2 was around £29m. These investments created an estimated 180 jobs and safeguarded around 1,160, mainly in construction and professional & scientific activities.

Finally, a persistent theme in the QR2 report has been the difficulty of organisations, ranging from the IMF, Bank of England and OECD, to accurately gauge the depth of the recession and the speed with which the UK and global economy will recover. For these reasons, caution is needed in reading too much into either surveys of business confidence undertaken in the second half of 2020, or the forecasts that are undertaken in respect of short term GDP growth. Considerable uncertainty remains on economic prospects in 2021-2022.

Appendix:

Selected frequently updated resources

Some figures reported in QR2 change quite rapidly. For the reader this appendix provides web links to the statistics that are frequently updated such that updates can be gained prior to the next Quarterly Report.

UK GDP updates:

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/latest

UK labour market analysis:

www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2020

UK regional labour market data:

www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/nationallabourmarketsummarybyregions01

stats.wales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work

UK coronavirus schemes updates:

www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics

ONS Business Impact of COVID-19 Survey:

www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults

Welsh Government Business Support data:

gov.wales/coronavirus-covid-19-related-statistics-and-research#Business,economyandinnovation

Dirnad Economi Cymru
Economic Intelligence Wales



bancdatblygu.cymru
developmentbank.wales

Development Bank of Wales Plc (Banc Datblygu Cymru ccc) is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales (Banc Datblygu Cymru ccc) has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc (Banc Datblygu Cymru ccc) nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at [developmentbank.wales](https://www.developmentbank.wales).