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Expect the unexpected



Professor Frank Peck of the University of Cumbria's Centre for Regional Economic Development writes for in-Cumbria on the big issues of the day and the economic data behind them. This month, what we learn from 2016, and what lies ahead in 2017

In this first issue of 2017, it seems appropriate to consider events that have had an impact on the Cumbrian economy in the past 12 months. Readers will no doubt recall vividly the continuing trauma of flood impacts on Cumbrian households and businesses at the start of 2016. The scale of the impact is now documented. We know that over 5,300 households were directly affected by flooding as well as over a thousand business premises.

The indirect impacts of the flood on businesses both operationally and psychologically were, however, spread much wider. In a survey commissioned by the Cumbrian Intelligence Observatory, while 13 percent stated they had been flooded, two-thirds of respondents claimed that the storms had had some impact on their operations including disruption to supplies, access to markets and clients or ongoing additional travel-to-work costs. While some businesses actually benefited from the floods, particularly those in construction and skilled trades, these are a minority affecting only 11 percent of respondents.

As the weeks passed, anxieties about the economy heightened, fed by continued disruption to transport infrastructure and media images of the county that conveyed impressions of "inaccessibility". A survey aimed at tourism businesses in March 2016 reported a decline in bookings, most worryingly from "repeat bookings". There was clearly a worry that regular visitors were either changing their habits or delaying decisions until the situation in Cumbria became clearer. As a consequence, business confidence at the start of the season was quite low – over half of respondents ticked the box to say "prospects not great".

On June 23 2016, as many businesses are still trying to come to terms with the flood impacts, the nation voted for Brexit. A new geography of voting behaviour emerged that continues to tax the minds of political analysts. In Cumbria, there was majority support for Brexit in Copeland (62%), Barrow (61%), Carlisle (60%),

Allerdale (59%) and Eden (53%). South Lakes alone had a majority for remain (53%) though nowhere near as emphatic as the Brexit vote elsewhere in the county.

Despite warnings about the negative implications of a Brexit vote, the aftermath of the Referendum was muted as households and businesses took time to absorb the possible consequences of the decision. As reported in the July issue of in-Cumbria, consumer confidence was undiminished and retail sales remained strong through the summer months. The visitor economy also appeared unfazed by Brexit and indeed some suggest that the fall in the value of the pound (which makes overseas holidays more expensive and the UK a competitive destination for overseas visitors) actually boosted

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tourism in Cumbria. Data reported in the Research Newsletter of Cumbria Tourism in August 2016 indicated that serviced occupancy rates in June were the highest recorded for 10 years while self-catering was only 3 percent down on 2015. It appears that wider economic circumstance, some discounting in a competitive market as well as hard work combined to dispel the worst-case scenarios that had been anticipated earlier in the season.

Cumbria is not immune to the effects of economic and political volatility on the international stage. While domestic politics have had their impact, events of 2016 culminated in the election in November of Donald Trump as the 45th President of the United States, the first person in US history to be elected with no prior experience of public office.

Elected on the basis of commitments to control borders and stimulate domestic industrial revival, we have yet to see how these policy shifts will interface with measures that will need to be taken in the UK to implement Brexit in Europe.

Shifting away from the global scale, early December brought many down to earth in Cumbria as we remembered the anniversary of Storm Desmond. One year on, significant public expenditure (estimated at around £500m) and the support provided by public and voluntary sector in the form of community grants and business resilience funding have certainly had beneficial outcomes. It is estimated that 87% of households and 81% of businesses have returned to their premises, many with improved property protection and resilience measures. Records indicated, however, that over 800 flood-affected businesses had still not returned to their premises after 12 months while eight roads and 12 bridges remained closed. There is still work to do for full recovery.

So what lessons can the business community take from 2016? If anything, it is to expect the unexpected.

As we look ahead to the coming year, we know that Donald Trump takes office formally on January 10. We also know that it is the UK Prime Minister's intention to begin to implement Brexit by triggering Article 50 of the EU Constitution by the end of March 2017. Beyond this we have a lot to debate about Brexit and beyond and its implications for Cumbria – the impacts on our industries, the visitor economy, agriculture, labour supply, the availability of skills, higher education, research, regional policy and relationships across the border with the south of Scotland. The list goes on. 

The Centre for Regional Economic Development at the University of Cumbria is planning a day conference to debate these issues on March 10 at Fusehill Street Campus, Carlisle with panelists from academia, policy and industry. Anyone interested in attending this event should contact carol.milnes@cumbria.ac.uk.