

Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 26 March 2019

Subject: **Economic reporting**

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1 Purpose of this report

- 1.1 To provide an update on the latest economic and business intelligence for the Board.

2 Information

- 2.1 This report presents recent developments in the global, national and local economies. The report is now produced on a regular, quarterly basis. As such the latest available version will be presented to the Board for each of its meetings. When no new report is available from the previous meeting, a brief update will be provided to the Board covering any recent major developments.

The version presented here is the February 2019 Economic Update.

Main national and international headlines

- 2.2 The main national and international headlines include:

- UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.
- The Eurozone economy also grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. This is predicated on an orderly Brexit, however.
- The UK labour market remains strong – the employment rate returned to a joint record high of 75.8% in December.

2.3 Leeds City Region economic headlines

For Leeds City Region, the key headlines include:

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Activity in the service sector was more buoyant, but profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence.
- 61% of respondents to the QES said they have devoted management time to considering potential impacts from Brexit.
- 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.
- The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600. The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3.
- Fieldwork for the 2019 Leeds City Region Business Survey recently concluded. The survey spoke to a representative sample of 2,000 business across Leeds City Region between January and March 2019. Full results will be available from April and will be reported to the Board’s next meeting. However, early analysis of headline findings around Brexit have been provided.
- 33% of businesses said they felt Brexit would have a detrimental impact, compared to 11% saying it would be beneficial. This compares to 28% and 10% in the 2017 survey respectively.
- Companies in manufacturing, construction and other production industries are more likely to say Brexit will be beneficial, whereas those in logistics and financial services are more concerned about the implications.
- 15% of respondents identified opportunities in Brexit, with an increase in customers/demand, less restrictive regulation and more investment in UK or home grown products all mentioned by 2% of respondents.
- 60% of businesses identified some risk from Brexit, with higher costs (identified by 10% of respondents) general uncertainty / lack of confidence (8%) and the loss of customers (7%) the most frequently mentioned.
- 82% of respondents said they were not at all reliant on EU migrant workers, with 8% saying they were quite or heavily reliant. However,

among medium and larger companies, 18% are either quite or heavily reliant on EU workers. The hospitality sector has the highest reliance, with 13% of companies either quite or heavily reliant.

2.4 Brexit commentary and assessment

The ongoing uncertainty associated with Brexit appears to be a factor influencing decision making.

Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions.

Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.

3 Financial Implications

3.1 There are no financial implications directly arising from this report.

4 Legal Implications

4.1 There are no legal implications directly arising from this report.

5 External Consultees

5.1 No external consultations have been undertaken.

6 Recommendations

6.1 The LEP Board is asked to note the analysis presented in the economic update and dashboard.

7 Background Documents

None.

8 Appendices

Appendix 1 – Leeds City Region Economic Update Report

Appendix 2 – Leeds City Region Economic Dashboard