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

Date: 6 June 2019

Subject: **Economic and Brexit monitoring**

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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. It presents the latest economic data for Leeds City Region, and where possible, its constituent local authorities and appropriate comparator areas.

The report is produced on a regular, quarterly basis. As such the latest available version will be presented to the Board for each of its meetings.

The version presented here is the May 2019 Economic Update.

Main national and international headlines

- 2.2 The main national and international headlines include:

- **GDP in the Eurozone increased by 0.4% in Q1 2019, double the rate of growth seen at the end of 2018.** Unemployment in the single market area also fell to its lowest level since 2008.
- **The US recorded GDP growth of 0.8% in Q1, up from 0.5% in Q4 2018.** Business investment in inventories and a decrease in imports were key contributors to growth.
- **Many leading forecasters expect global growth to slow in 2019** – partly as a result of a cyclical slowdown, but also as a consequence of a less certain global trading environment. The IMF expect global growth to slow from 3.6% in 2018 to 3.3% this year, before recovering in 2020.

- **The IMF have also revised their forecasts for the UK economy**, with a more pessimistic outlook now anticipating growth of 1.2% this year, and 1.4% next year.
- **The UK employment rate is at a record high of 76.1%**, and stable inflation combined with solid wage growth is helping incomes to grow in real terms.

2.3 Leeds City Region economic headlines

For Leeds City Region, the key headlines include:

- **The number of Leeds City Region residents in work increased by 3,200 (0.2%)** between Q3 and Q4 2018. The City Region employment rate increased from 73.1% in Q3 to 73.3% in Q4, but remains slightly below the record high of 73.7% recorded earlier in 2018.
- **The proportion of 16-24 year olds out of work in Leeds City Region has fallen to 9.7%** at the end of 2018, making Leeds City Region the only core city LEP area where the rate is below 10%. The comparable UK rate is 11.6%.
- **Manufacturers in Leeds City Region saw an increase in sales both domestically and internationally** in Q1 2019, according to the latest Chambers of Commerce Quarterly Economic Survey (QES).
- **Conversely, service sector companies saw both domestic sales and exports slow last quarter**, though both maintained growth.
- **Goods exports from the region increased by 7.8% to £18.1bn in 2018.** This increase is three times the 2.6% increase seen nationally with only the East Midlands seeing a similar growth rate over the year. The EU accounted for 60% of goods exports from the region in 2018, compared to 50% nationally.
- **3.7% more businesses started up in Leeds City Region during the first three months of this year** compared with the corresponding period of last year. This growth rate ranks Leeds City Region LEP at 14 out of the 39 LEPs.

2.4 Brexit commentary and assessment

Some Brexit-related issues appear to have given a short-term boost to national and local economies of late, with stockpiling helping to drive business activity, particularly in the manufacturing sector. There are however signs that the stockpiling-driven momentum may be tailing off now that the UK's departure from the EU is less imminent than had appeared in late Q1.

More broadly, businesses appear to be increasingly looking to focus on domestic markets to improve their Brexit resilience, with some evidence that many are seeking more UK-based customers and suppliers. This may be prudent in the short-term and offers potential reshoring opportunities, but this should be balanced against a need to build on the region's recent strong export performance, and the potential for businesses to explore opportunities in new markets.

Whilst the recent trend towards growth in full-time permanent employment is undoubtedly positive, it is also clear that there has been a persistent lull in capital investment. Given the critical role that investment plays in productivity growth, this could have longer term implications for economic competitiveness.

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. Staffing Implications

5.1 There are no staffing implication directly arising from this report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 The LEP Board is asked to note the analysis presented in the economic update and dashboard and consider how this relates to the work of the LEP and its strategy.

8. Background Documents

8.1 None

9. Appendices

Appendix 1 – Leeds City Region Economic Update Report
Appendix 2 – Leeds City Region Economic Dashboard