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

**Date:** 25 September 2019

**Subject:** **Economic Reporting and Brexit Assessment**

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## 1 Purpose of this report

- 1.1 To provide the latest economic and business intelligence to the Board, in the context of the UK's upcoming exit from the European Union.

## 2 Information

- 2.1 This report presents recent global, national and local economic developments.

Appendix 1 presents the quarterly Leeds City Region Economic & Brexit Monitor for August 2019, which provides a summary of the latest national and international economic developments, before presenting a detailed look at the latest economic data for Leeds City Region with sections focused on business performance and trade, the labour market and housing, property and investment. Appendix 2 summarises the Monitor into a single page dashboard.

The 2019 Leeds City Region Business Survey has now been published. The now annual survey is a key source of information on business views and activity in the region. It provides insight on a range of topical issues such as Brexit, plugs evidence gaps on issues such as barriers to growth, skills and innovation and provides a deeper understanding of the climate in which businesses in Leeds City Region are operating.

The survey findings have been used to inform the development of projects and policies for the Growth Service and other areas of the organisation. The headlines are summarised in section 2.4 below. The survey report can be accessed via the LEP website:

<https://www.the-lep.com/media/2876/leeds-city-region-business-survey-2019.pdf>

### Main national and international headlines

- 2.2 The main national and international headlines this quarter include:

- Global growth has been subdued in recent months as range of geopolitical tensions show signs of taking effect on investment, trade and demand, increasing fears of recession.
- UK GDP decreased by 0.2% in Q2 2019, the first quarterly contraction since 2012. Brexit-related stockpiling was a factor – this contributed to stronger than predicted growth in Q1 which tailed off thereafter. The UK employment rate picture remains strong however.
- Given these issues many forecasters have revised down their outlook with markets concerned about the risk of recession in some countries.

### 2.3 Leeds City Region economic headlines

For Leeds City Region, the latest headlines include:

- The City Region employment rate increased to 73.8% in Q1 2019 – the highest on record. There are 6,100 (0.4%) more people in work than the previous quarter – a faster increase than many other comparator LEPs.
- Businesses reported a slowdown in domestic and export activity in the Q2 Quarterly Economic Survey (QES) with the Chambers of Commerce, with many businesses holding stock following the Brexit preparations in Q1.
- The service sector exports net balance turned negative for the first time in a decade, signalling declining activity according to the QES.
- Yorkshire & Humber businesses exported goods worth £4.46bn in Q1 2019, a fall of 4.8% from the record high of Q4 2018 though exports remain higher than a year ago.
- The value of goods imported into the region increased by 5.5% between Q4 2018 and Q1 2019, significantly exceeding the 0.4% national increase.

### 2.4 Leeds City Region Business Survey, 2019

BMG Research were commissioned to carry out the survey of a representative sample of 2,000 businesses across Leeds City Region in early 2019. The key findings from the latest survey include:

- Business performance has held up compared to the last survey in 2017. Businesses are less confident about the coming year, however. This mirrors other business surveys showing less certainty for the year ahead.
- Generally speaking businesses report lower levels of investment than previous years, again confirming other survey findings. Despite this, investment in ICT infrastructure is increasing, emphasising the importance of Digital to our economy.

- Brexit has become the most frequently mentioned barrier to growth – mentioned by 17% of businesses in 2019, compared to 5% in 2017.
- 15% of businesses identified opportunities offered by Brexit, such as increased demand, less regulation and more domestic investment. 60% mention a risk, most commonly higher costs, general uncertainty/lack of confidence and losing customers/business.
- On balance, a third of businesses think Brexit will be detrimental to their business, up from 28% in 2017. The proportion seeing it as beneficial is largely unchanged at 11%.
- Whilst a quarter of businesses will consider moving premises in the next five years, the vast majority will look to stay within their local area or the wider region. Very few are considering moving overseas.
- Overall, satisfaction with the region as a place to do business is very high – 88% of businesses are either satisfied or very satisfied with their current location as a place to operate.

## 2.5 **Brexit commentary and assessment**

The slowdown seen in Q2 is an added layer of uncertainty for those businesses who have put in place provision for the initial Brexit deadline and who may face cash flow challenges, particularly when potentially faced with a similar set of circumstances in October. Implementing similar plans for a second time may pose practical and financial challenges for many businesses.

The devaluation of sterling coupled with increased demand for (and cost of) warehousing space, would suggest that the challenges posed by a second round of no deal planning could potentially prove more complex than the last.

Our work continues to monitor the impact Brexit is already having ahead of the exit date. This includes further additional monitoring via the Quarterly Economic Survey with the Chambers of Commerce in the run up to October. An update on any new intelligence from this work will be reported to the Board verbally.

Additionally, the Combined Authority has been undertaking work to assess the potential impact of Brexit in the region. The conclusions of this work are being used to form a series of recommendations to guide further work and develop an action plan ahead of the UK's exit. This is reported to the Board elsewhere on the agenda under the Brexit Update item.

## **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 the Business Survey, 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