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

**Date:** 26 January 2022

**Subject:** **Economic Update**

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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, and to update the Board on the latest activity and intelligence around understanding the impact of COVID-19 and EU Exit. The data used in this report primarily relates to time periods before Plan B was introduced.

## 2. Information

- 2.1 The **employment** situation in the region continued to improve prior to the introduction of Plan B. The number of payrolled employees in West Yorkshire recorded on PAYE Real Time Information systems, increased by around 1% between October and November 2021 to 1,003,500. Employment in the region is now 3% above the pre-pandemic level seen in February 2020 and 5% higher than its lowest point in the pandemic in November 2020. This means that the number of payrolled employees has increased by 50,000 between November 2020 and November 2021. All local authorities in West Yorkshire have returned to their pre-crisis levels of employment. Bradford, Leeds and Kirklees have seen the strongest growth in their payrolled employee counts. The re-imposition of restrictions will have an impact on the economic and labour market recovery.
- 2.2 The **claimant count** has continued to fall but there is still a very large number of people on out-of-work benefits. The latest figures show a 2% fall in the count between October and November 2021 to 83,000 in West Yorkshire. The claimant count is now 24% lower than its peak in March 2021, but it is still 47% higher than pre-pandemic figures in February 2020. There are variations at local authority level. For example, the claimant count remains 54% higher than its pre-pandemic level in Bradford, compared to 35% in Calderdale. The claimant count unemployment rate for West Yorkshire is 5.6%, higher than the national average of 4.7%.

- 2.3 **Recruitment activity** weakened throughout December 2021 and the start of January 2022, but it is still significantly above pre-pandemic levels. The data shows a steep fall in the count of vacancies across all five local authorities in West Yorkshire, following the peak in November. Kirklees suffered the sharpest fall in month-on-month vacancies, declining by 54%, whilst vacancy levels in Leeds fell by 22%. The sector that has experienced the sharpest fall in recruitment activity is Hospitality, Food and Tourism which suggests that the introduction of Plan B has had a clear impact on economic activity over the festive period. It is not clear at this stage whether the Omicron variant will have a lasting impact on recruitment intentions.
- 2.4 The latest data shows that **business liquidations** have climbed in recent weeks. There was an average of 407 business liquidations per week in the most recent four-week period up to the 7 December, an increase of 10% from the previous four-week period. All local authorities in West Yorkshire have seen an increase in business liquidations from the previous four-week period. In the first quarter of 2020, business liquidations averaged 328 per week.
- 2.5 The Bank of England has increased the **base rate** to 0.25% from 0.1%. This follows an upward revision of inflation expectations. CPI rose to 5.1% in November 2021 and it is expected to continue to rise to 6% by April 2022. This is considerably higher than the 2% target. The main drivers for the increase in the inflation forecast are labour costs and energy prices.
- 2.6 **Leading indicator** data from the Q4 West and North Yorkshire Chamber of Commerce Quarterly Economic Survey highlights the cost pressures that businesses are facing. Raw material prices, labour costs and energy costs are cited alongside previous challenges, such as shipping, as the main drivers of cost increases. This is feeding through into expected price increases with 76% of manufacturers and 47% of service sector businesses anticipating price rises to preserve margins.
- 2.7 The **Covid-19 Economic & Transport Recovery Monitor** will be published ahead of the LEP Board meeting and will highlight some of the economic impacts of the Omicron variant. This data will continue to be monitored closely so that we can understand the impact it is having on the West Yorkshire economy.

### 3. Tackling the Climate Emergency Implications

- 3.1 There are no tackling the climate emergency implications directly arising from this report.

### 4. Inclusive Growth Implications

- 4.1 The number of people claiming out of work benefits in West Yorkshire remains very high relative to the pre-pandemic position. There is a risk that labour

market inequality within West Yorkshire could grow, although there have been reductions in claimant counts across all districts. There is a further risk that long-term unemployment could grow due to scarring, although national data suggests that this risk is receding.

- 4.2 National data shows that economic inactivity has increased during the pandemic. The main causes for this are health-related (temporary sickness or long-term sickness) and early retirement amongst older people. This creates a risk of greater economic exclusion for this group.
- 4.3 Energy prices have increased dramatically throughout the pandemic, particularly natural gas. There is a risk that this could further exacerbate fuel poverty in West Yorkshire, which already sits at a higher rate than the national average (17% versus 13%).

## **5. Equality and Diversity Implications**

- 5.1 Nationally, the share of people in temporary or part-time jobs because they cannot find a permanent or full-time job has increased throughout the pandemic. Both are trending downwards since restrictions were lifted but there is a risk that a significant number of workers may find themselves in insecure work or 'second choice jobs'. Overall, part-time working remains below its pre-pandemic level which disproportionately impacts women, who account for over 70% of the part-time workers population. From June 2020 onwards, the number of women workers with second jobs has increased significantly, which could be due to the ongoing pressures on employment or the cost of living.

## **6. Financial Implications**

- 6.1 There are no financial implications directly arising from this report.

## **7. Legal Implications**

- 7.1 There are no legal implications directly arising from this report.

## **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

## **9. External Consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

- 10.1 The Board are asked to note the latest intelligence around the economic impacts of COVID-19 and EU Exit and consider how this relates to their work and future work plans.

**11. Background Documents**

Covid-19 Economic & Transport Recovery Monitor

**12. Appendices**

None.