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

**Date:** 31 March 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.

## **2. Information**

- 2.1 The **employment** situation in the region continues to improve. Between January and February 2022, there was a net increase in payrolled employees in West Yorkshire of 9,000 (+0.9%). Employment is now 31,000 (+3%) above pre-pandemic levels. Between January and February 2022, employment increased most in Bradford (+1.06%), followed by Leeds (+1.03%), Wakefield (+0.78%), Calderdale and Kirklees (+0.71%).
- 2.2 The **claimant count** for out of work benefits has increased for the first time since March 2021. The latest figures show an increase of 1,100 (+1.5%) out of work benefit claims across West Yorkshire between January and February 2022. Leeds experienced the largest increase in out of work benefit claims (+1.75%), followed by Bradford (+1.63%), Kirklees (+1.36%), Wakefield (+1.12%) and Calderdale (0.58%). Overall, out of work benefit claims are still 38% above pre-pandemic levels, which may be due to the increased cost of living and more people wanting to enter the labour force to help supplement household incomes.
- 2.3 The **in-work claimant count** has declined across West Yorkshire and all local authorities within it. Between December 2021 and January 2022, in-work benefit claims declined by 3,286 (-4%). Claims fell most in Kirklees (-4.6%), followed by Calderdale (-4.1%), Leeds (-3.8%), Wakefield (-3.2%) and Bradford (-3%). Compared with pre-pandemic levels, in-work claims have increased by 127% across West Yorkshire, so whilst it is good that more people are in work, a lot of those jobs are not paying enough to avoid claiming Universal Credit.

- 2.4 **Recruitment activity** continues to rebound following Omicron. The four-week moving average ending 12 March 2022, shows an increase of 298 job postings (+3%) across West Yorkshire. All West Yorkshire districts experienced a sharp decline in job postings in December 2021, but all have seen a recovery in January and February 2022. The industry which has recovered most is the Hospitality, Food and Tourism sector which was badly hit as a result of the Omicron variant.
- 2.5 **Median pay** across West Yorkshire increased from £1,819 to £1,915 (+5.3%) from January 2021 to January 2022. However, inflation over the same period was 5.5% so overall, it was a wage reduction in real terms. Workers in Wakefield experienced a 6.7% wage increase during this time, the largest of the local authorities. In Bradford, wages went up by 5.4%, in Leeds 5.3%, in Calderdale and Kirklees 4.6%.
- 2.6 Growth in **business bank account openings** remains but has been trending downwards. In December 2021, 745 new business bank accounts were opened in West Yorkshire, which is a 16% decrease compared to the previous month. Calderdale and Leeds experienced the sharpest fall in growth as openings declined by 26% and 23% respectively. In Wakefield, growth in new accounts declined by just 6% relative to the previous month. The sectors experiencing the sharpest decline in business bank accounts include Accommodation & Food Services (-25%) and Construction (-24%). With these figures being from December, the Accommodation & Food Sector decline can likely be explained by concerns around Omicron. The Construction decline may be due to increased input costs putting pressure on business plans.
- 2.7 The impact of the Russia-Ukraine War will take time to fully understand, particularly the humanitarian impacts but there are some indications as to what impact it may have on the economy:
- Inflation was forecast to hit 7% in April 2022 before trending towards the 2% target. New forecasts suggest inflation will hit at least 8% in April with a delay in returning to the 2% target.
  - Commodity prices are proving to be highly volatile, which could have an impact on business confidence, as well as the general cost of living. For example, natural gas futures were around 160p in mid-February, as of 16 March 2022, they are 270p, but were as high as 540p on the 7 March. Similar volatility can be seen in the markets for oil, wheat and nickel.
  - The increased price of food stuff commodities will be felt by the consumer as prices are passed on by businesses. The global wheat market is heavily reliant on Russia and Ukraine. Corn, barley and cooking oils will also face upward price pressures. As will general farming due to the importance of Belarus in the fertilizer market.
  - The price consumers pay at the pumps for petrol and diesel have increased significantly. According to the RAC, the average petrol price is 163.71 per litre and diesel is 173.68 per litre. These prices are important for both drivers of cars and public transport users as it will place upward pressure on costs.

2.8 For regular updates on the Covid situation and available economic data, the Research & Intelligence Team publish a regular monitor and dashboard, which can be found [here](#).

2.9 **What does this mean?** It is likely that the economy is heading through a very challenging patch with inflation being the main cause. Inflation in the UK has been relatively low since around 2012 and the recent, sharp increases in inflation look likely to push central banks towards increasing interest rates quicker than expected. **Businesses that are energy intensive, or are in the food industry, are likely to be impacted significantly from the rising input costs.** Whilst it is good that more people across West Yorkshire are in work, it is important that options are available to increase earnings or increase hours, so that the workforce isn't reliant on in-work benefit claims to support them. **The inflation is likely to hit these lowest earners the hardest as they typically spend a larger proportion of their income on energy and food, compared with higher earners.**

### 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, as is the share of the workforce claiming in-work benefits. These people on lower incomes will be disproportionately hit by the increase in the cost of living, so it is important that these people are able to find jobs that offer higher salaries or increased hours, or there are training opportunities available to increase potential future earnings.

4.2 Energy prices have increased dramatically throughout the pandemic, particularly natural gas. The Russia-Ukraine War has put increased pressure on energy prices, as well as food stuffs due to the importance of those countries in the wheat and fertiliser market. 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 National data shows that there has been an increase in the likelihood of over 50s becoming economically inactive throughout the pandemic. This reversed the trend of the previous decade. Reasons for becoming economically inactive were wide-ranging from retiring early to needing to take up additional caring responsibilities. There is a risk that this economic inactivity will remain putting additional pressure on the cost of living for this age group.

5.2 The number of part-time jobs fell significantly during the pandemic but numbers have been increasing since April to June 2021. Whilst numbers have

been increasing, they have not returned to pre-pandemic levels. Women are more likely than men to be in part-time work, so this sluggish recovery will disproportionately impact them.

**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.