Report to:	Leeds City Region Enterprise Partnership Board (LEP Board)
Date:	15 June 2022
Subject:	**Economic Update**
Director:	Alan Reiss, Director of Strategy, Communications and Policing
Author:	Tom Purvis, Economic and Transport Analysis Manager

1. Purpose of this report

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

2. Information

Macroeconomy

2.1. **The Bank of England released new forecasts in May, which show the challenges the UK economy faces.** The headlines are:

- Total real household disposable income is set to fall by 1.75% across 2022, one of the largest contractions since the 1960s.
- CPI inflation is expected to peak above 10% in Q4 2022, reflecting the increase in the energy price cap.
- Growth is expected to decline in Q4 2022 as household consumption falls due to budget pressures. Growth is then expected to return, but to remain sluggish for the next three years.
- Interest rates look set to continue increasing to at least 2%.

2.2. **CPI inflation rose by 9% in the 12 months to April 2022.** The 12-month inflation rate for electricity was 53.5% and 95.5% for gas. Average petrol prices have increased by approximately 35p a litre and diesel prices have increased by 45p a litre, compared to April 2021. Between April 2020 and 2022, restaurant and cafe prices have increased by 8.4%. This is due to a combination of increased demand, due to lifted restrictions, but also the increasing of VAT from 5% to 20%.

2.3. **Input prices for manufacturers increased by 18.6% in the 12 months to April 2022.** This is the highest increase since records began. The energy price cap does not apply to businesses, so many have seen their energy costs double over the last 12 months. Food manufacturers have faced a particular challenge

with imported food materials increasing in price by 15.6%, with wheat prices having doubled over the last 12 months. Across West Yorkshire, there are 5,580 manufacturers, 285 of which manufacture food products. Cash flow in these businesses will be under significant pressure. The upcoming Chambers Quarterly Economic Survey research will highlight the ongoing pressures that businesses are facing across the region.

Businesses

2.4. **Business start-up rates have shown increased growth in Q1 2022.** 3,107 businesses were started in West Yorkshire in Q1 2022, up from 2,777 in Q4 2021. 36% of these businesses are in Leeds, 24% in Bradford, 20% in Kirklees, 12% in Wakefield and 8% in Calderdale. Start-up rates had been declining since peaking in Q1 2021 as the labour market settled and government programmes were reduced/removed. The increase in Q1 2022 could be due to the ongoing cost of living crisis leading to people looking at extra ways to make money to support their household. This is quite common when there is an economic shock.

2.5. **Business liquidations have ticked up but remain flat relative to pre-Covid figures.** The four-week moving average for business liquidations up to 15 March 2022 was 284. That figure is now 377 in the four weeks to 19 April 2022. This upward spike is seen across the country. In the four-weeks to 19 April 2022, liquidations averaged 158 in Leeds, 82 in Bradford, 74 in Kirklees, 41 in Wakefield and 23 in Calderdale. As interest rates increase, it is likely that more businesses will liquidate, as it is an extra cost of business on top of the large increases in input costs that many businesses are dealing with.

2.6. **Equity deals across West Yorkshire have grown since 2021.** There were 34 equity deals in Q1 2022, compared with 28 in Q1 2021 and 26 in Q4 2021. £80m of investment was made into West Yorkshire businesses in Q1 2022, compared with £69m in Q4 2021 and £28m in Q1 2021. 67% of all equity deals in West Yorkshire since the pandemic began have been to Leeds-based businesses, with 11% going to Bradford, 8% to Kirklees, 7% to Calderdale and 7% to Wakefield.

Labour market

2.7. **The region continues to perform well on employment metrics.** Between January 2022 and April 2022, the number of employees in West Yorkshire increased by 1% from 995,444 to 1,005,887. Employment levels are now 3% above pre-pandemic levels, a difference of 26,642 employees. Since January 2022, Leeds has seen the greatest increase in employees (+1.4%), followed by Bradford (+1.1%), Wakefield (+0.9%), Calderdale (+0.6%) and Kirklees (+0.6%).

2.8. **Median pay levels have increased, but not as quickly as inflation.** Between April 2021 and April 2022, median pay levels in West Yorkshire increased from £1,846 to £1,938 per month (+5%). Wakefield experienced the largest increase in median pay (+5.9%), followed by Bradford (+4.9%), Calderdale (+4.9%), Kirklees (+4.9%) and Leeds (+4.4%). Pay levels lagging inflation has been

compounded by the increase in National Insurance Contributions. This pressure on earnings is why the Bank of England is expecting growth to slow, as households cut back on non-essential spending.

2.9. **Out-of-work benefit claimants have declined in number**. Between January 2022 and April 2022, the out-of-work claimant count declined by 4% from 76,945 to 74,160. The claimant count is still 31% higher than pre-pandemic levels, in part due to the ongoing cost of living crisis and reduced earnings during the pandemic which put pressure on households. Since January 2022, the claimant count has declined most in Wakefield (-7%), followed by Calderdale (-6%), Leeds (-4%), Kirklees (-4%) and Bradford (-2%).

2.10. **In-work benefit claims have continued to increase.** Between January 2022 and March 2022, in-work Universal Credit claims increased by 1% from 85,617 to 86,139. In-work claims are up over 125% since before the pandemic. Only Wakefield experienced a decline in-work Universal Credit claims since January 2022. Claims went up by 3% in Calderdale, 1% in Kirklees, 1% in Leeds and 0.3% in Bradford. Whilst it is good that the labour market has tightened, the next step is making sure that the jobs pay well enough, so that in-work benefit claims reduce in number.

2.11. **Online vacancies declined across all local authorities**. Between March and April 2022, all five local authorities in West Yorkshire experienced a decline in online job postings. In Calderdale and Leeds, vacancies fell by 27%, in Wakefield they declined by 4% and in Bradford and Kirklees, they declined by 1%. The hospitality sector experienced the sharpest decline with online job postings falling by 30%. Manufacturing also experienced a sharp decline with 29% fewer online vacancies in April, compared with March.

Footfall

2.12. West Yorkshire Combined Authority has been working with Citi Logik to analyse footfall trends across 13 zones within the region. The data provided will cover periods which include Covid-related restrictions, as well as after restrictions were lifted. Alongside journey numbers, the data will cover journey times, distance travelled and travel purpose.

2.13. Monthly journey numbers in December 2021 were 31% greater than they were in March 2021 (7.1m vs 5.4m). Monthly home-work, work-home journeys were 11% higher in December, compared with March (863k vs 780k). Journey numbers declined from September to December, which could be explained by seasonal effects or concerns over the Omicron Variant. Overall visits declined between September and December from 7.4m to 7.1m and home-work, work-home visits declined from 950k to 863k.

2.14. The footfall data shows different levels of recovery and resilience across West Yorkshire. Below is a table showing how monthly footfall levels changed across seven locations with March 2021 as the baseline.

	March	June	September	December

Crown Point	100	143	176	101
White Rose	100	190	182	219
Bradford	100	129	123	110
Halifax	100	109	114	113
Huddersfield	100	128	126	124
Leeds	100	180	206	192
Wakefield	100	118	124	118

Conclusion

2.15. The economy is going through a particularly challenging patch, with many potential risks. Inflation has been increasing at a quick rate, forcing the Bank of England to raise interest rates, with some members of the Monetary Policy Committee pushing for an increased pace in rate hikes. Businesses across both the production and service sectors are dealing with cost pressures, and households are finding their budgets squeezed which will likely put downward pressure on overall demand in the economy. Those on the lowest incomes are set to be hit hardest due to inflation being considerably higher than benefit increases, and inflation being highest in goods that need to be bought (such as food).

2.16. 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.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

4.1. According to research by the Institute for Fiscal Studies, inflation for the poorest 10% of households is 10.9%, whilst state benefits increased by 3.1% in April 2022. One of the main drivers of this inflation is energy prices, which have increased most for those on pre-payment meters, who are more likely to be poorer households. Fuel poverty in West Yorkshire is already above the national average, so this could widen that gap.

4.2. Another item that has put pressure on inflation is the increasing cost of food. Wheat prices have increased significantly, which has caused prices to increase. There are also ongoing supply chain problems, which have contributed to price increases for food. In January 2021, research was done by the University of Sheffield which showed the level of potential food poverty (these figures will likely be worse now). In Bradford, Calderdale and Kirklees, 12% of people were worried about having enough food. 10% of people in Wakefield thought this, and 8% in Leeds.

4.3. Whilst it is good news that equity deals are increasing in the region, it is important that businesses outside of Leeds can access this type of finance.

Equity finance is a very useful tool for high growth potential companies to grow. These companies often provide high quality jobs, which are incredibly important with the ongoing cost of living crisis.

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. 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, especially those on fixed incomes.

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 West Yorkshire economy and how it relates to ongoing or future work plans.

11. Background Documents

Covid-19 Economic & Transport Recovery Monitor

12. Appendices

None.