

Report to: Business, Economy and Innovation Committee

Date: 12 July 2022

Subject: **Economic Reporting**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1. This report provides an update on the latest economic and business intelligence to the Business, Economy and Innovation Committee.

2. Information

Macroeconomy

- 2.1. **The Bank of England's Monetary Policy Committee (MPC) voted in June to increase the interest rate from 1% to 1.25%.** Members voted 6-3 in favour of the 0.25 percentage-point increase, though it is worth noting that those who voted against did so because they preferred to increase the bank rate to 1.5%. The Bank of England's interest rate has now reached its highest point since January 2009.

- The MPC sets the UK's monetary policy to meet their inflation target of 2%. **Twelve-month CPI inflation reached 9.1% May**, a forty-year high, leading to the Bank of England taking direct action to try and cool price rises across the economy.
- The biggest drivers of inflation are external to the UK economy. The conflict in Ukraine, and supply-side problems such as reduced energy output, has caused a 53.5% rise in electricity prices and a 95.5% increase in gas prices in the past year. There are also some internal

factors driving inflation, such as the tightening of the labour market and firms' pricing strategies in response to rising input prices.

- 2.2. **Producer input prices rose by 22.1% in the twelve months to May 2022**, up from 20.9% in the year to April. **This is the highest rate since records began in January 1985.** Producer output prices rose by 15.7% in the year to May 2022, showing that, whilst firms are passing on the majority of the price rises they are experiencing onto consumers, there is scope for cost-push inflationary prices to hike prices even further across the economy.
- The key drivers of the input price inflation were metals and non-metallic minerals, up 24.1% over the past 12 months, and crude oil prices, which have increased by 84.6% in the last year. Manufacturing industries are therefore more likely to feel the effects of rising inputs.
 - The impact of output prices, however, are likely to be further reaching. Food products were the greatest contributor to rising output prices, leaving consumers vulnerable to retailers passing on these rising costs in the coming months. This will have a particularly strong impact on low earners, who spend a greater proportion of their income on essentials such as food and energy.

Labour Market

- 2.3. **The region continues to perform well on employment metrics.** Between January 2022 and May 2022, the number of payrolled employees in West Yorkshire increased by 1.1% from 995,630 to 1,006,906. The number of payrolled employees is now 2.8% above pre-pandemic levels, a difference of 27,447 employees. Since January 2022, Leeds has seen the largest increase in payrolled employees (+1.6%), followed by Bradford (+1.1%), Kirklees (+0.9%), Wakefield (+0.7%) and Calderdale (+0.5%).
- 2.4. **Median pay levels have increased, but not as quickly as inflation.** Between May 2021 and May 2022, median pay levels in West Yorkshire increased from £1,837 to £1,932 per month (+5.2%). Wakefield experienced the largest increase in median pay (+5.9%), followed by Bradford (+5.7%), Calderdale (+5.4%), Kirklees (+4.8%) and Leeds (+4.2%). 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.
- 2.5. **Out-of-work benefit claimants have continued to fall into May 2022.** Since January 2022, the number of out-of-work benefit claimants have fallen by 4,275 (-5.6%) across West Yorkshire. The largest change has been seen in Wakefield (-10.6%), followed by Calderdale (-9.8%), Leeds (-5.7%), Kirklees (-5.5%) and Bradford (-2.6%). Despite this, the total number of out-of-work benefit claimants across West Yorkshire has increased by 28.7% since the start of the pandemic, in part due to the ongoing cost of living crisis.
- 2.6. **In-work benefit claims continued to rise into April 2022.** The number of in-work claims across West Yorkshire rose by 1% from January 2022 to April 2022,

with all local authorities except Wakefield (-0.3%) seeing an increase in in-work benefit claims. Calderdale (+2.1%) saw the largest rise, followed by Leeds (+1.7%), Kirklees (+1.1%) and Bradford (+0.1%). Part of this increase is because policy changes have allowed people with higher earnings than previously to be eligible for Universal Credit, however, this does show that despite improved employment figures, the labour market still has fragilities.

- 2.7. **Online vacancies across West Yorkshire rebounded in all five local authorities during May, following declines in April.** Calderdale (+19%) saw the largest rise in job postings, followed by Bradford (+8%), Leeds and Wakefield (both +6%), and Kirklees (+3%). Programmers and software development professionals were the most in-demand employees in West Yorkshire during May, seeing an increase in demand of 15% on April.

Footfall

- 2.8. West Yorkshire Combined Authority has been working with Citi Logik to analyse footfall trends across 13 zones within the region¹. 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.
- 2.9. 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.
- 2.10. 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

Culture

¹ Bradford; Crown Point Retail Park; Dewsbury; Halifax; Hebden Bridge; Keighley; Huddersfield; Ilkley; Leeds; Pontefract; Wakefield; Wetherby; White Rose Shopping Centre

- 2.11. Seasonally adjusted employment in the *Arts, entertainment and recreation* sector saw little change between December 2021 and March 2022. As of March 2022, it remains 59,000 or 7% lower than in March 2020.
- 2.12. According to ONS' flash estimate, productivity in *Arts, entertainment and recreation* was 4% in Q1 2022 than Q1 2020. This compares with growth of 2% across the whole economy for the same period.
- 2.13. Average weekly earnings in *Arts, entertainment and recreation* fell by 7.4% year-on-year in nominal terms in April 2022. Average weekly earnings for *Arts, entertainment and recreation* are, at £430, 29% lower than the *Whole Economy* average.

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.

- 5.2. A recent survey conducted by the Office for National Statistics showed that 77% of people in Great Britain are worried about the rising cost of living. In Yorkshire and the Humber, this figure was slightly higher at 80%, and women (81%), disabled people (82%) and Asian people (90%) are all relatively more worried than the average person in Great Britain. This could hint at their relative economic insecurity. Unsurprisingly, worries about the cost of living also increase as you move down the income distribution. 69% of those earning £50,000 or more expressed worry, compared with 81% of those earning £10,000 - £15,000. Renters (84%) are also more likely than homeowners currently paying off a mortgage (78%) to be worried about cost of living increases, highlighting a relative volatility in rent costs compared to mortgage costs.

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 Committee are asked to note the latest intelligence around the West Yorkshire economy and how it relates to ongoing future work plans.

11. Background Documents

[Covid-19 Economic and Transport Recovery Monitor.](#)

12. Appendices

None.