

Report to: Place, Regeneration and Housing Committee

Date: 03 November 2022

Subject: **Economic Update**

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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 type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide an update on the relevant economic indicators and report on their performance to support the work of the Committee.

2. Information

State of the Region

- 2.1. At the Place, Regeneration and Housing Committee meeting on 20 April 2022, it was agreed that the Research and Intelligence team would provide ongoing updates to the Committee on the relevant indicators from the State of the Region report. State of the Region 2022 will assess performance against around 40 indicators linked to the Mayor's seven strategic priorities. However, since the last update to the Committee in September, none of the indicators have been updated. This report instead draws attention to the current cost of living and doing business crisis, the Leeds City Region Business Survey conducted by the Combined Authority, and the Index of Multiple Deprivation.

Cost of Living and Doing Business

- 2.2. Fuel poverty in West Yorkshire was greater than the national average prior to the pandemic (18% of West Yorkshire households, compared with 13% nationally). The Energy Price Guarantee, which caps average energy bills at

£2,500 still represents a doubling of household energy bills since Winter 2021. With standing charges in Yorkshire among the highest in the UK, simply using less power will not solve the problem for many. West Yorkshire households are in a worse position to deal with these increased costs for two reasons. Firstly, dwellings with an EPC rating of C or above are lower in West Yorkshire than nationwide (46.9% compared with 53.8%). Secondly, around 33% of the West Yorkshire population fall within the poorest 20% of neighbourhoods in England.

- 2.3. Forecasts from the End Fuel Poverty Coalition estimate that the fuel poverty rate in West Yorkshire is currently 30% and will rise to 33% in April 2023 unless the £400 Energy Bill Support Scheme is renewed from March onwards.
- 2.4. Businesses also face similarly uncertain futures. Current policy caps the unit cost of energy for businesses at the same rate as that for households, but that is currently set to end in March 2023, with only the most vulnerable sectors to be supported thereafter. Analysis shows that West Yorkshire has a greater proportion of energy intensive firms than England, meaning that West Yorkshire businesses are more likely to be exposed to higher energy bills from April 2023.

LCR Business Survey

- 2.5. The Research and Intelligence Team has recently surveyed 1,000 West Yorkshire-based businesses with BMG Research to understand business sentiment in the current economic climate. The key results are:
 - 41% of businesses believe that their performance has improved over the past 12 months.
 - 43% of businesses expect the business climate to remain as it currently is, whilst 30% expect it to worsen. This outlook is more negative than the sentiment expressed during the pandemic.
 - The two main barriers to growth cited by businesses were decline in demand (17%) and availability of skilled labour (16%).
 - **30% expect to increase employment levels**, whilst only 5% expect employment levels to decrease. This expectation aligns with job vacancy data, with strong vacancy growth across all local authorities and key occupations within West Yorkshire over the previous months.
 - **30% of respondents expect their wage bill to remain the same over the next 12 months.** Of the 66% that expect their wage bill to increase, over half anticipate wage increases of less than 10%.
 - **69% expect the prices they charge to customers to increase over the next 12 months.** Over half (51%) expect that price increase to be between 5 and 10%.

Footfall Data

2.6. The Combined Authority have commissioned Citi Logik to provide data on footfall across the region. The key findings are as follows:

- The average number of daily visits in West Yorkshire has not recovered to March 2019 levels on any day of the week. Fridays in June 2022 saw just 62% of the visits, whilst Tuesdays received 80% of the previous visits.
- The proportion of visits to West Yorkshire that are from Home to Work has fallen from 17% in March 2019 to 11% in June 2022. Current Home to Work levels are the lowest that the Combined Authority has data for

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. Analysis from the Bank of England showed that those in the lowest earnings decile in the UK were, in July, spending over 90% of their gross income on essential goods and services such as food and energy. As these items are among the key drivers of inflation, it is likely that the 'real' inflation rate for those towards the bottom of the income distribution is higher than the CPI inflation rate, as a greater proportion of their income is spent on goods with above-average rates of inflation.

4.2. This issue becomes even more pronounced when observing data on the Indices of Multiple Deprivation, which shows that 18.0% of West Yorkshire residents fall within the 10% lowest income group. This means that almost one in five West Yorkshire residents are spending over 90% of their gross income on essential goods and services before the October price cap comes into force. On top of this, another 14.6% of West Yorkshire residents fall into the second-lowest decile, and face being squeezed further by rising fuel costs. As West Yorkshire has a greater share of people living in the most income-deprived neighbourhoods, **the cost of living crisis is likely to have a greater impact locally.**

5. Equality and Diversity Implications

5.1. As the Energy Price Guarantee caps unit costs of energy rather than household bills, those who spend a greater proportion of their time in their homes are likely to feel the greatest impact this winter. This could either be in the form of annual energy bills greater than the average £2,500 or being unable to afford to heat their home. The elderly and those with disabilities are likely to be disproportionately affected.

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. That the Place, Regeneration and Housing Committee notes the evidence presented within this report and considers it as part of the decision making process.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

APPENDIX 1 – Economic Update PowerPoint Slides