

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

Date: 27 March 2018

Subject: **Economic reporting**

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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.

2 Information

- 2.1 This report and the attached economic update are based on the latest available economic and business intelligence information at the time of writing. The report and dashboard cover the main local, national and international economic developments since the last Board meeting.

New data available for Leeds City Region includes the headline results from the Quarterly Economic Survey with the Chambers of Commerce for Leeds City Region for Q4 2017. New data on the performance of the City Region labour market for Q3 2017 and regional goods exports data from HMRC for the same period, along with data from Banksearch on the number of new business bank accounts for the City Region through to the end of 2017 is also available. The latest updates from the Office for National Statistics are also included, along with updated global economic forecasts from the IMF.

Main national and international headlines

- 2.2 The main national and international headlines include:

- There was a **broad based upturn in global growth in 2017**, with the IMF estimating total output increased by 3.7%, up from 3.2% in 2016, contributing to the broadest upturn since 2010.
- The **IMF expect this momentum to continue to strengthen** over the next two years. However, higher inflation, the removal of quantitative easing and ultra-low interest rates could pose risks to this momentum if not handled carefully.
- **UK GDP maintained the growth rate seen in Q3** in the final quarter of 2017. The UK economy grew by 1.7% across 2017 as a whole, down

slightly on the 1.9% growth recorded in 2016 and lowest among G7 nations.

- The **number of people in work in the UK increased** by 88,000 in Q4 2017, though **unemployment also increased** over the same period, resulting in the first rise in the unemployment rate in almost two years. Employment rates remain high by historic standards, however.
- **Inflation held steady at 3% in January.** Whilst average weekly earnings growth picked up slightly to 2.5% in the three months to December, **wages continue to lag behind inflation.**
- Overall, whilst the UK economy has performed better than many expected since the EU referendum, there are signs that growth has slowed since June 2016 compared to other nations whilst recent strong employment growth may have peaked.

Leeds City Region headlines

2.3 For Leeds City Region, the key headlines include:

- **Businesses in Leeds City Region ended 2017 in relatively confident mood**, with expectations of profitability increasing among manufacturers. Confidence on this measure dipped among service sector firms in Q4, but remains above the level seen at the start of the year and is now similar to manufacturing.
- The **number of Leeds City Region residents in work has remained relatively stable** in the first three quarters of 2017. There are around 11,500 more people in work as of September 2017 than there were in September 2016.
- **The Leeds City Region unemployment rate dropped from 4.8% in Q2 to 4.6% in Q3**, taking it back to the joint-lowest level seen since 2005. The unemployment rate is now in line with the rate for the UK as a whole.
- The pace of export growth slowed in both services and manufacturing in Q4 2017, according to the QES with the Chambers of Commerce in Leeds City Region. Nonetheless, export activity remains high by recent standards.
- The value of goods exported from the Yorkshire & Humber fell by 2.9% in Q2, similar to the 2.2% fall seen nationally. **The value of goods exports from the region is 11% higher than in Q3 2016.**
- House prices in Yorkshire & Humber grew by 2.8% between December 2016 and December 2017, a slower pace of growth than the 5.2% seen across the UK as a whole.
- **Office market fundamentals in West Yorkshire remain relatively strong**, according to the latest analysis from real estate information company CoStar.
- The same trends evident nationally are evident in Leeds City Region, with business performance and exporting generally positive since the EU referendum, though signs that this growth, and strong labour market performance, may have peaked. Despite some challenges, businesses in our region retain a positive outlook for 2018.

3 Financial Implications

3.1 There are no financial implications directly arising from this report.

4 Legal Implications

4.1 There are no legal implications directly arising from this report.

5 External Consultees

5.1 No external consultations have been undertaken.

6 Recommendations

6.1 The LEP Board is asked to note the analysis presented in the economic update and dashboard and consider how this relates to the work of the LEP and its strategy.

7 Background Documents

None.

8 Appendices

Appendix 1 – Leeds City Region Economic Update Report – March 2018

Appendix 2 – Leeds City Region Economic Dashboard – March 2018