

Policy and Research

Commissioning, Communities and Policy

Derbyshire Economic Review - Autumn 2020

Introduction

This document gives a brief overview of the latest information on the Derbyshire¹ economy both in a national and local context. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for organisations across the county. The data in the document mainly relates to **quarter three of 2020**. This means that the information is prior to the third national lockdown announced at the end of December 2020.

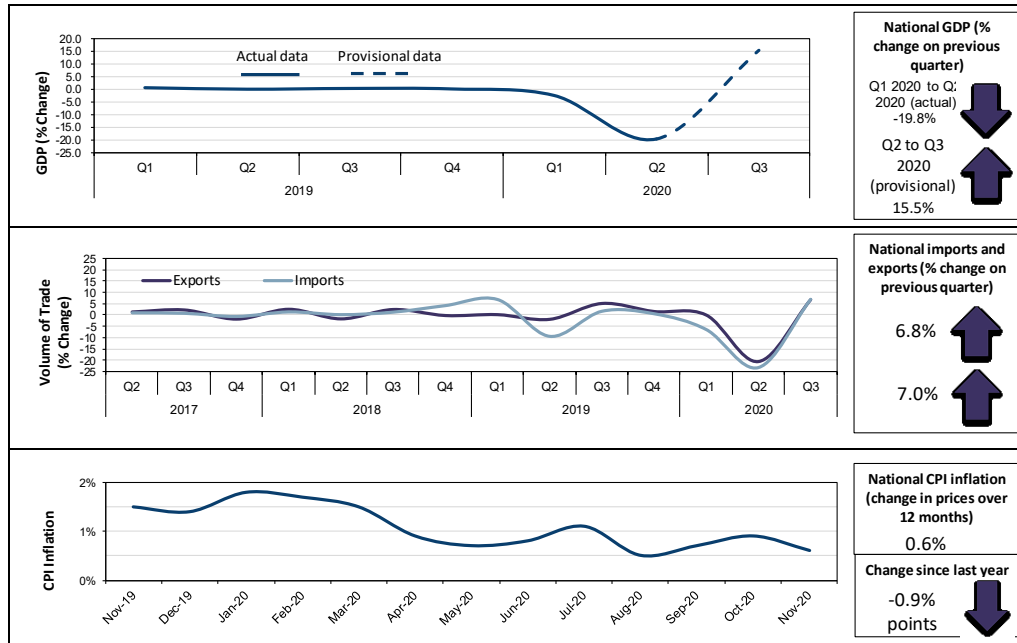
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Overview

- UK Gross Domestic Product (GDP) is estimated to have risen by 15.5% in quarter three of 2020², following the record fall in quarter two of -19.8%. The UK's recovery in the third quarter is due to the easing of lockdown restrictions associated with the crisis. The positive result for quarter three lifted the economy out of the recession that resulted from the negative values in the first two quarters of 2020.
- The annual Consumer Prices Inflation (CPIH) for November 2020 was 0.6%, decreasing from 0.9% the previous month.
- Following historic lows in the second quarter of the year, the East Midlands Chamber of Commerce's Quarterly Economic Survey (QES) shows that both the Derbyshire and East Midlands economies showed some signs of recovery in quarter three.
- The employment rate in Derbyshire decreased from 77.0% to 76.7% in the second quarter of 2020, the first quarter's employment data that has included part of the pandemic.
- Derbyshire's claimant count unemployment rate is currently 4.5%, 1.7% points lower than England. The unemployment rate locally has been rising slowly for more than two and half years, partly reflecting that UC requires a broader group of claimants to look for work than under JSA. However, April 2020 saw a sharp rise which is likely to be linked to the coronavirus pandemic.
- In October 2020, the youth unemployment rate (aged 16-24) in Derbyshire stands at to 6.6% (4,715), but lower than the England rate of 7.3%. Rates locally and nationally have more than doubled over the last year. This sharp upsurge is again due to the increasing inclusion of young people on Universal Credit due to the pandemic.
- The average price of a house in Derbyshire was £187,326 in September 2020, an increase of 4.1% over the last 12 months, but 28.4% below the England average.

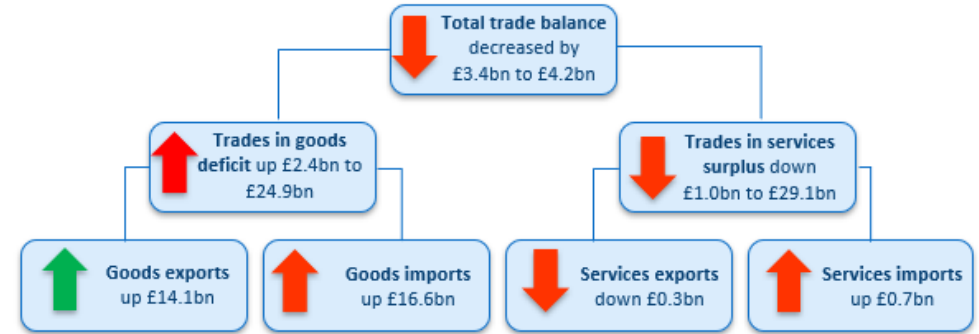
National Performance Indicators



UK Gross Domestic Product (GDP) is estimated to have grown by 15.5% in quarter three, after falling by 19.8% in quarter two². These extreme numbers are linked to the ongoing COVID-19 crisis and have been the largest rises and falls on record. The UK's recovery in the third quarter is due to the easing of lockdown restrictions associated with the crisis, notably the reopening of nonessential businesses and the Eat Out to Help Out Scheme which offered to support the hospitality sector. The positive result for quarter three lifted the economy out of the recession that resulted from the negative values in the first two quarters of 2020. Although the UK has seen an increase in GDP in quarter three it is 9.7% lower than where it was at the end of 2019 and 9.6% lower than the same quarter during the previous year.

All the headline sectors provided a positive contribution to GDP growth in quarter three after a significant fall during quarter two. Services output grew by 14.2%, production output grew by 14.3%, manufacturing output grew by 18.7% and construction output increased by 41.7%. However, despite this growth, these sectors still remain below the output level reached before the pandemic.

Total UK Trade Balance



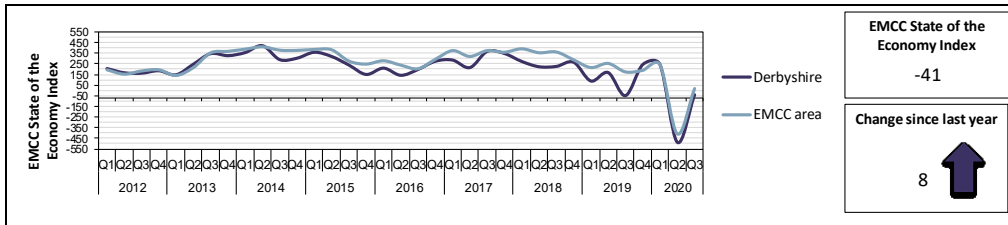
Note: the arrow direction indicates whether a component has increased or decreased, while the colour denotes the impact the direction of a movement has on the trade balance. For example, an increase in imports is denoted by an upward red (darker) arrow, as a rise in imports has a negative impact on the trade balance, while an increase in exports is denoted by an upward green (lighter) arrow, as a rise in exports has a positive impact on trade.

Quarter three of 2020 has seen a measure of recovery in UK trade due to the easing of lockdown measures nationally and internationally. Both exports and imports have risen in the last three months following falls in quarter two³. However, with the rise in imports of £17.3bn exceeding the £13.8bn increase in exports, the UK trade surplus has narrowed to £4.2bn. A breakdown by goods and services shows that UK manufacturers saw imports rise by £2.4bn more than exports. The UK service sector saw a fall of £-0.3bn in exports whilst imports rose by £0.7bn leading to its trade surplus narrowing by £1.0bn.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.6% in November 2020⁴, decreasing from 0.9% in October 2020. The largest contribution to the inflation rate in November came from recreation and culture. This was offset slightly by falling clothing, food and non-alcoholic beverages prices. Games, toys and hobbies, and accommodation services made upward contributions to the change in the inflation rate between October and November 2020.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to maintain the UK interest rate at 0.1% in November 2020⁵. The outlook for the economy continues to remain uncertain, being dependent on the evolution of the coronavirus pandemic, as well as the outcome of trade talks with the European Union. It will also depend on the responses of households and businesses to these developments. Inflation is expected to remain below 1% until early 2021, and only be back to the Bank's 2% inflation target in two years' time.

Business Conditions



Quarterly Economic Survey, Quarter 3 2020, East Midlands Chamber of Commerce.

Following historic lows in the second quarter of the year, the East Midlands Chamber of Commerce’s (EMCC) Quarterly Economic Survey (QES) shows that both the Derbyshire and East Midlands economies showed some signs of recovery in quarter three, albeit more slowly in the county⁵. This is likely to reflect the significance of the manufacturing sector locally, which has been slower to recover across the East Midlands.

Domestic markets have fared slightly better than export markets and orders for the coming three months were slightly better than sales over the past three months, although all showed a net decline.

Investment in plant/machinery and also training has seen some improvement, showing that businesses are starting to plan for recovery and future growth, but there are still more local firms revising investment plans downwards than upwards. The same applies to cashflow, an important indicator, which is in a better position than in quarter two, but there are still more firms seeing a worsening picture than improvement.

In quarter three, more firms have decreased the size of their employee base than increased it. However, looking to quarter four, greater numbers of local firms are looking to expand than contract. This sentiment reflects a more positive tone set by Derbyshire firms when looking at future prices and future turnover and profitability. A third of firms felt that turnover would improve over the next three months rising to nearly half for profitability. It will be important to see how these measures progress in quarter four, which will include the introduction of the original tier system and the period of the second lockdown.

Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received nine investment enquiries between August and October 2020⁷, three more than the same period a year ago. Four of these were in innovation and advanced manufacturing, four in retail and leisure and one in the office based sector.

The latest business investment data from the Office for National Statistics which covers the third quarter of 2020 showed that business investment across the UK increased by 9.4% between quarter two and quarter three. However, the level of business investment is still 19.0% below where it was at the end of 2019, reflecting the impact of the pandemic on firms’ ability to allocate resource to their future development⁸.

Good progress on developing the Markham Vale regeneration site continues to be made. On Markham Vale North, construction of the £25mn Orion 1 and 2 buildings for Aver is slightly ahead of programme and scheduled for a Spring 2021 completion date. Marketing of the two large industrial buildings totalling 297,000 sq. ft has recently started. On Markham Vale West, a planning application has been submitted for a fast food restaurant. On Markham Vale East, construction of a 9,100 sq. ft unit for Transcare Ltd is complete and the Derbyshire based fleet management and maintenance company has commenced operational services from their new premises. In addition, X-Bite, an internet retail company are now fully operational in the 100,000 sq. ft building previously occupied by Andrew Page Ltd.

Local Economic Context

Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City) and is drawn from articles from digital sources and online local press between July and September 2020.

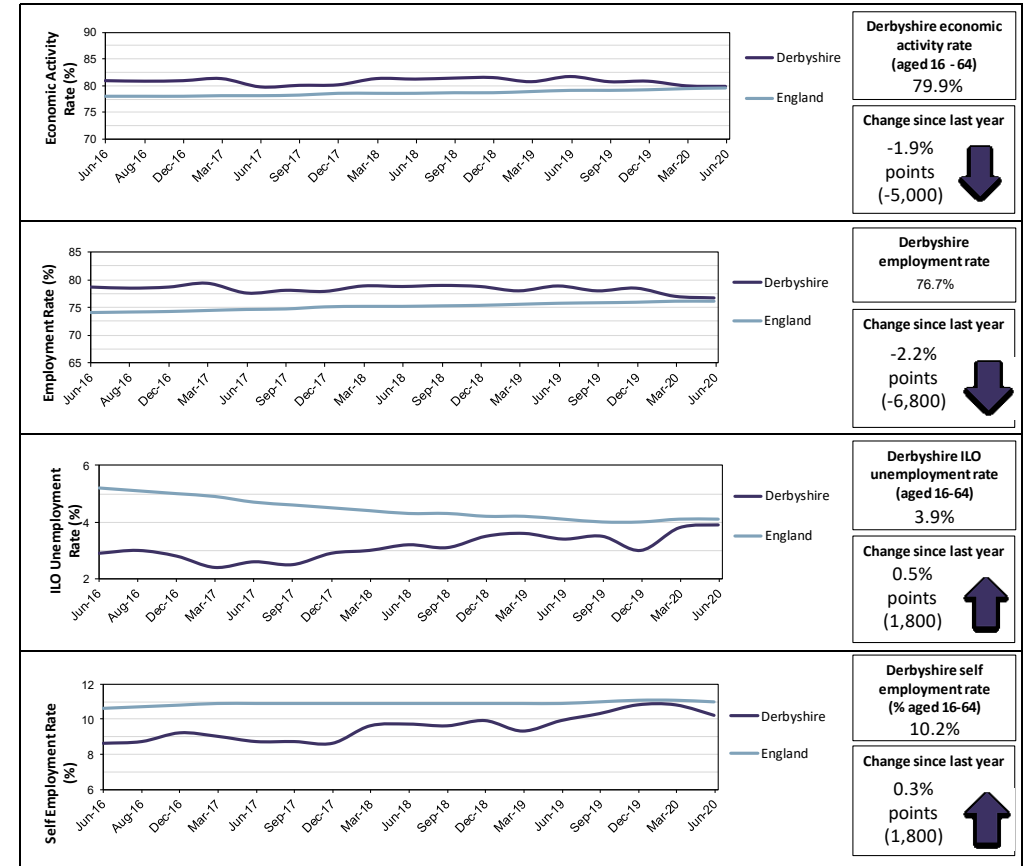
Job Losses

- Rolls-Royce has introduced a number of measures to stop the business losing cash. This includes shedding 9,000 jobs from its global workforce of 52,000 in a bid to save the business £1.3 billion. Just over 3,000 of these jobs are going in the UK and around half of these will be in Derby where Rolls-Royce is the city's largest private sector employer.
- Aerospace component manufacturer Trelleborg Sealing Solutions in South Derbyshire is to make 60 of 137 workers redundant due to the impact of Coronavirus.

Job Gains

- Plans have been revealed for a £300 million high-tech food manufacturing research campus in Derby which would create up to 4,500 new jobs.
- The Midlands Industrial Ceramics Group (MICG) has secured up to £50,000 of Government funding to help unlock plans to put the Midlands on the map as the global centre for advanced technical ceramics. The project could lead to the creation of more than 4,200 jobs in the Midlands over the next 10 years.
- The Horizon29 scheme located in Markham Vale, which has the potential to create more than 2,000 jobs, has been granted planning consent for its second phase.
- A planned industrial development in Amber Valley could provide 780 jobs by extending Denby Hall Business Park onto former mining land.
- By the end of 2020, Amazon's fulfilment centre in Chesterfield plans to employ a further 100 permanent staff and 300 seasonal workers.
- A care home developer has put forward plans for a new site in Derby which would create 42 full-time jobs and 20 part-time roles.
- App4, a Derby app development company, whose technology is used by hundreds of companies to enable customers to order food and drink remotely, has expanded its team to meet demand.

Labour Market



Source: Annual Population Survey, July 2019-June 2020, ONS (Nomis) © Crown Copyright.

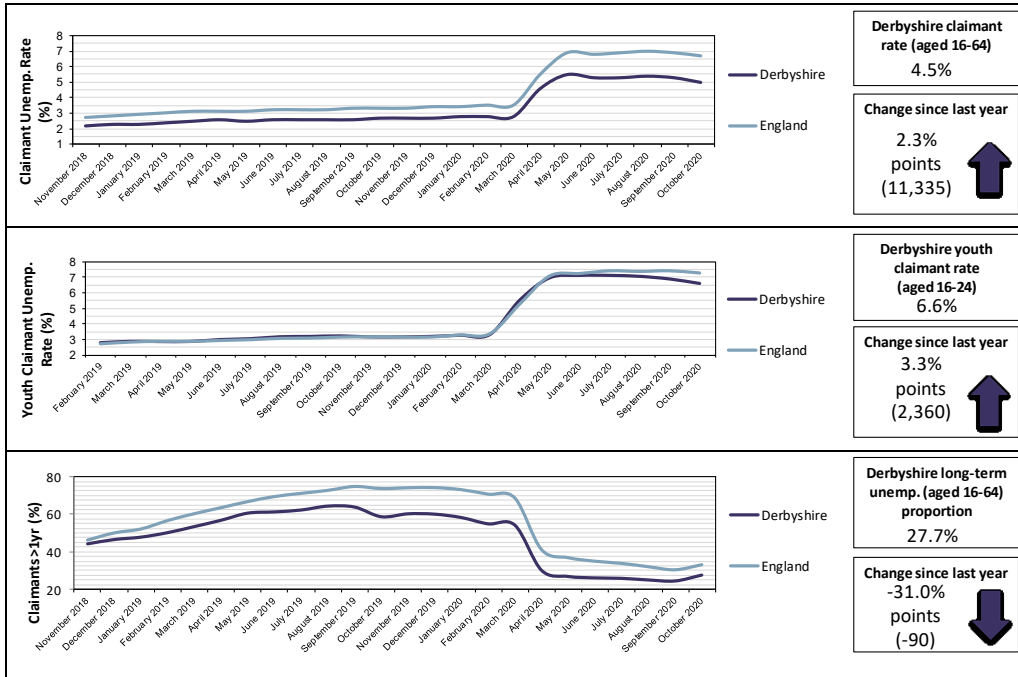
Labour Market Participation

The employment rate⁹ in Derbyshire dipped from 77.0% to 76.7% in the second quarter of 2020 and is 2.2% points lower than a year ago. Although the county's employment rate is 0.5% points above the England level, the gap has closed over the past few quarters. This quarter's data is the first to include part of the pandemic and shows some signs of impact on employment rates across the county. Seven of Derbyshire's eight districts have seen a drop in employment rate over the last year, with only Erewash seeing a rise (+3.2% points). Bolsover and Amber Valley have seen the greatest falls at 8.5% and 7.1% points respectively. Economic activity levels¹⁰ for the county have also fallen from the previous year, from 81.8% to 79.9%. However,

Labour Market

there has been a rise in self-employment, where the level has risen by 0.2% points over the last year to stand at 10.2%.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. The Derbyshire rate has increased marginally (0.5% points) since last year to 3.9%.



Source: Claimant count (overall and youth) and JSA (long-term), October 2020, ONS (NOMIS) © Crown Copyright.

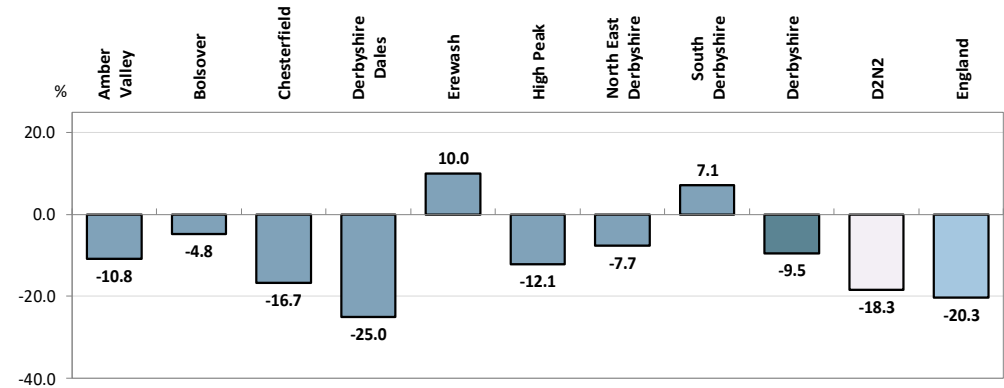
The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) or unemployment related Universal Credit (UC), is currently 4.5% (22,085 residents), 1.7% points lower than nationally¹². The unemployment rate locally has been rising slowly for more than two and half years, partly reflecting that UC requires a broader group of claimants to look for work than under JSA. However, April 2020 saw a sharp rise which is likely to be linked to the coronavirus pandemic. The range of support measures put in place by the Government to mitigate the impact has meant that more people are eligible to claim unemployment related support than before. It is not as yet clear how much of the increase in the last few months relates to this and how much relates directly to the effects of Covid-19.

Labour Market

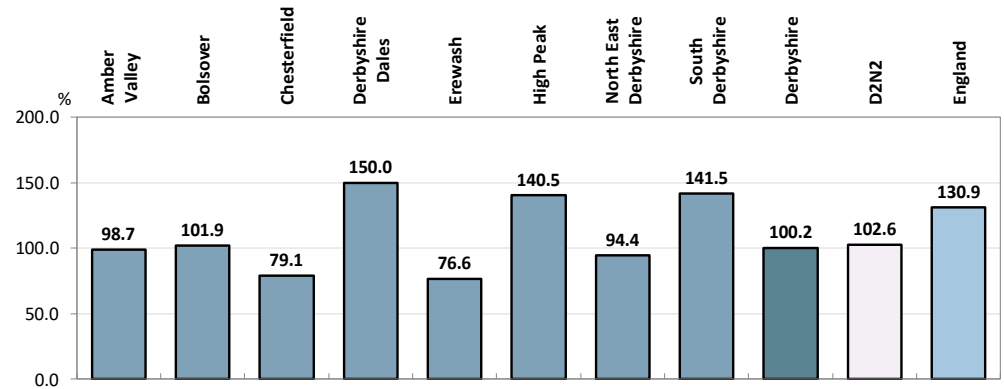
In October 2020 Gamesley (10.7%) in High Peak and Cotmanhay (9.7%) in Erewash are the wards locally with the highest unemployment rates.

It is important to note that the introduction of UC and ongoing transfer of JSA claimants onto the new benefit, as well as the different pace of roll-out in different parts of the country, mean that time-series and geographical comparisons for JSA long-term unemployment should be treated with caution.

Annual % change in long-term unemployment (October 2019 to October 2020)



Annual % change in youth unemployment (October 2019 to October 2020)



Source: JSA (long-term) and claimant count (youth), October 2020, ONS (NOMIS) © Crown Copyright

Note: D2N2 is the Local Enterprise Partnership covering Derby, Derbyshire, Nottingham and Nottinghamshire

Labour Market

Of Derbyshire's JSA unemployment claimants 27.7%, 855 residents, have been out of work for more than a year, lower than the 33.2% across England. Over the last year the county's figure for the number of JSA long-term unemployment claimants has fallen by 9.5%, less than the 20.3% nationally. The number of JSA long-term unemployed residents has decreased in six out of the eight districts. Derbyshire Dales saw the greatest decline (-25.0%) and Erewash (10.0%) and South Derbyshire (7.1%) both saw rises, although the bases for all three were relatively low.

The sharp decline in the proportion of long-term unemployed residents since March 2020, shown in the chart on page nine, reflects the fact that more new claimants have been able to claim JSA as a result of losing their jobs during the pandemic.

Youth unemployment in Derbyshire stands at 6.6% (4,715 people aged 16-24) in October 2020¹³, lower than the England rate (7.3%). The last year has seen the number of young people out of work in the county more than double (100.2% or 2,360 people). Although less than the 130.9% nationally it is still very significant. There has been an increase in the number of young people unemployed in all Derbyshire districts over the last year, with the greatest increase being in Derbyshire Dales (150.0% or 165 residents) followed by South Derbyshire (141.5% or 290 residents) and High Peak (140.5% or 295 residents). Erewash has seen the smallest rise (76.6% or 360 residents) followed by Chesterfield (79.1% or 360 residents).

Cotmanhay (16.0%) in Erewash has the highest youth unemployment rate out of all of the Derbyshire wards. Across Derbyshire 13 wards are experiencing levels of youth unemployment at 10.0% or above. Chesterfield borough, with five wards, has the highest number.

The effect on the economy of measures to reduce the spread of the coronavirus, is leading to redundancies in some workplaces, reduced hours, a hold on recruitment and apprenticeship places, as well as the closure of some businesses. Derbyshire's economy has a strong visitor economy and hospitality sector, employing a large number of young people, and these areas are amongst the hardest being hit. The districts of Derbyshire heavily involved in these sectors have seen some of the greatest increases in youth unemployment. Although some of the increases in unemployment reflect the broader eligibility criteria for support put in place by the Government, the latest unemployment figures indicate the stress being placed on the economy due to the pandemic.

Labour Market

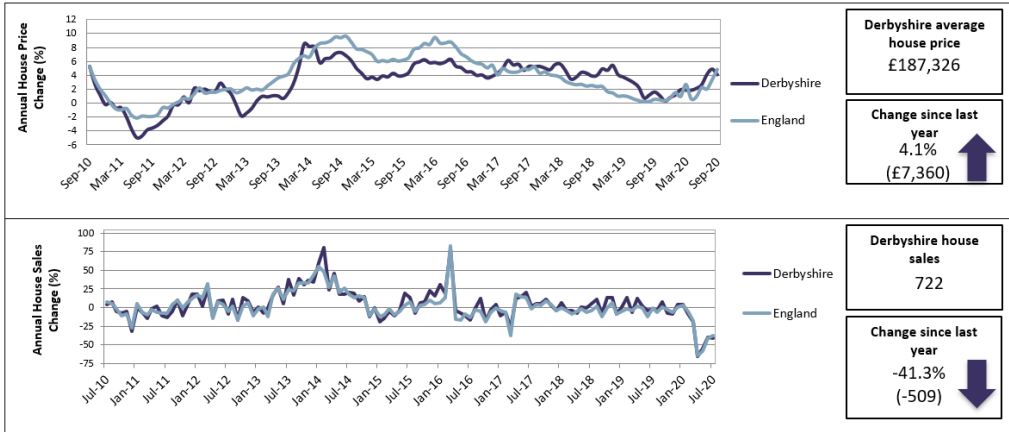
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits May 2020 except UC and JSA/UC sanctions)						
Employment Support Allowance (ESA)/ Incapacity Benefit (IB)	25,234	5.2	4.5	-1288	-4.9	↓
Long term claimants (1yr or more)	23,814	94.4	95.0	-1239	-4.9	↓
18 to 24 year old claimants (ESA only)	1,032	4.2	3.8	-447	-30.2	↓
Income Support (IS)	3,156	0.6	0.7	-1207	-27.7	↓
Lone Parent Income Support (LPIS)	1,637	0.3	0.4	-881	-35.0	↓
Long term claimants (1yr or more)	1,633	99.8	99.8	-656	-28.7	↓
18 to 24 year old claimants	213	13.0	10.5	-204	-48.9	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	52,992	8.0	7.1	1235	2.4	↑
Universal Credit (UC) (October 2020)*	57,624	11.8	14.2	31,617	121.6	↑
Jobseekers Allowance (JSA)	3,173	0.7	0.7	1,444	83.5	↑
JSA/UC sanctions (July 2020)*	N/A	N/A	N/A	N/A	N/A	N/A
Carers allowance	11,812	2.4	2.2	483	4.3	↑
State Pension	165,270	25.1	21.5	-2184	-1.3	↓
Pension Credits	18,152	11.0	13.1	-1043	-5.4	↓
Household benefits (July 2020)						
Housing Benefit claimants	31,799	9.1	11.2	-4,143	-11.5	↓
Households affected by removal of Spare Room Subsidy	3,159	9.9	7.5	-425	-11.9	↓
1 Bedroom	2,568	81.3	81.3	-370	-12.6	↓
2 or more bedrooms	592	18.7	18.7	-58	-8.9	↓
Benefit Cap	178	0.1	0.1	-138	-43.7	↓

Source: Department for Work and Pensions (DWP)/ONS (Stat-Xplore) © Crown Copyright.

Notes: * UC October 2020 and JSA/UC sanctions July 2020

In Derbyshire, 5.2% of working age (16-64) people are claiming ESA. Of these, 94.4% have been claiming ESA for over 12 months and 4.1% are aged 18-24. There are over 3,100 residents (0.6%) claiming Income Support, with 1,637 being lone parents. Almost 53,000 (8.0%) people aged 16+ are claiming PIP/DLA, an increase on the previous year. The number of UC claimants in the county has risen to over 57,600, largely due to the effects of the coronavirus pandemic on the economy. There are 11,800 (2.4%) people locally claiming Carers Allowance, a rise on the last year. Over 165,000 (25.1%) residents are receiving a State Pension with over 18,100 of these claiming Pension Credits. Over 35,900 (10.3%) Derbyshire households are claiming Housing Benefit, with 8.8% affected by the removal of the spare room subsidy¹⁴ and 178 households have had a Benefit Cap applied.



Source: UK House Price Index, ONS and Land Registry, September 2020, © Crown Copyright.

The average price of a house in Derbyshire was £187,326 in September 2020, an increase of 4.1% over the last 12 months, a smaller increase than that nationally (4.9%). The average price of a house in the county is currently 28.4% below the England average. All districts in the county other than South Derbyshire have seen house prices rise over the past year, the largest increase being in Erewash (7.6%).

Overall, house sales in Derbyshire have experienced a fall of -41.3% over the last 12 months, slightly greater than the drop in sales nationally of -37.5%. Typically, a house purchase can take six to eight weeks to reach completion. Therefore, sales data will reflect agreements that occurred as the sector emerged from the government's measures to reduce the spread of Covid-19 in lockdown 1.0.

House prices for the year to September 2020 have seen increases in all regions of England. The highest annual growth was in the South West (6.4%). The UK housing market has been experiencing a mini-boom since the easing of measures following the first lockdown. The pent-up demand, stamp duty holiday, need from some for more inside and outside space and increased desire to move from urban to rural locations have underpinned this. The Halifax reported that mortgage approvals in November were at a 13 year high and HMRC said the number of transactions in October was the highest since 2016. However, there is uncertainty about how the housing market will fare in 2021. Most commentators expect there to be a dampening in the year ahead once the furlough scheme ends and stamp duty kicks in again. There is also not a clear picture of how Brexit will impact on house sales and prices in the months ahead.

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End Notes

- ¹Data for Derbyshire in the review does not include Derby City unless otherwise stated.
- ²GDP, first quarterly estimate, UK: July to September 2020, Office for National Statistics (ONS) © Crown Copyright.
- ³Statistical Bulletin, UK Trade, September 2020, ONS © Crown Copyright.
- ⁴Statistical Bulletin, Consumer Price Inflation (CPI), November 2020, ONS © Crown Copyright.
- ⁵Bank of England Agents' Summary of Business Conditions, September 2020; BoE Monetary Policy Report, November 2020.
- ⁶Quarterly Economic Survey, quarter three 2020, East Midlands Chamber of Commerce.
- ⁷Derbyshire Economic Partnership, 2019-2020.
- ⁸Business Investment in the UK: July to September 2020 revised results, Office for National Statistics (ONS) © Crown Copyright.
- ⁹The employment rate is the percentage of the working age population (age 16-64) who are employed.
- ¹⁰The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.
- ¹¹ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with claimant count unemployment.
- ¹²Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.
- ¹³Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the Mid-Year Population Estimates published by ONS.
- ¹⁴Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.



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