

# Policy and Research - Commissioning, Communities and Policy

## Derbyshire Economic Review - June 2018

### Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire<sup>1</sup> economy both in a national and local context. The report provides a 'snapshot' of the Derbyshire economy, to help inform the development and delivery of economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an 'in focus' topic, in this edition: 'Supply Chains in Transport Equipment Manufacturing and the Visitor Economy'.

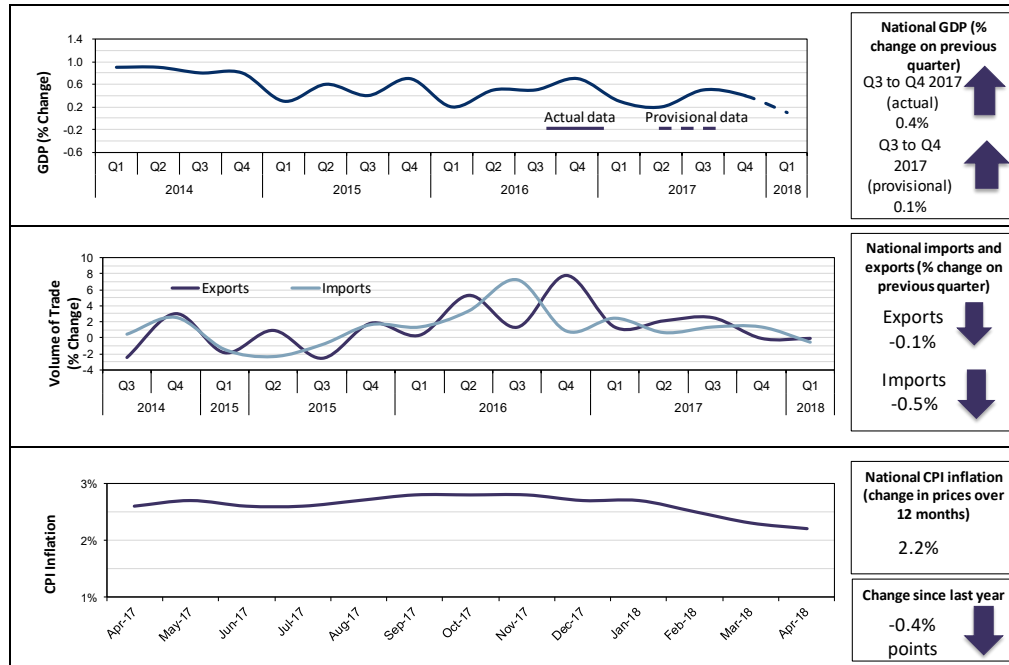
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### Overview

- The UK economy grew by 0.1% in the first quarter of 2018 with the bad weather a factor alongside relatively weak household spending and falling levels of business investment. However, some recovery is anticipated in quarter two and the rest of 2018 with GDP growth for the year projected to be 1.4%.
- The annual Consumer Prices Inflation (CPI) rate (including housing costs) currently stands at 2.2% for the 12 months to April 2018, down 0.1% on the previous month, having gradually fallen back from a recent high of 2.8% during autumn 2017.
- The Derbyshire economy has dipped during quarter one of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey, compared with a slight rise across the region. However, the Derbyshire figure is relatively unchanged on a year ago and the fall may reflect the county's businesses being more affected by the winter weather during quarter one of 2018 than their counterparts in Nottinghamshire and Leicestershire.
- The employment rate locally dipped slightly from 78.1% to 77.9% in quarter four of 2018, although the rate is still relatively high and is still 2.8% higher than for England.
- The overall claimant count unemployment rate in Derbyshire is currently 1.7%, remaining 0.5% points lower than the England rate. However, levels have risen slightly during the quarter and there has been an increase in the number of wards locally where the rate is at or above 3.0% from eight to 15. This is likely to reflect in part the transition of people from Jobseekers Allowance to Universal Credit.
- The proportion of Derbyshire's JSA unemployment claimants who have been out of work for more than a year is 31.5%, or 1,220 residents, 3.5% points lower than the England figure.
- The youth unemployment rate in Derbyshire is 2.4%, the same as the England rate. However, as with overall unemployment there has been a rise over the last quarter. The number of wards where the rate of youth unemployment is more than double the national rate has increased this quarter from six to 11. This includes four that have a rate above 6.0%. These are Rother and St Helens in Chesterfield and Cotmanhay and Aysworth Road in Erewash. Again the transition to Universal Credit is likely to be a factor.
- The average price of a house in Derbyshire is £171,200, nearly £70,000 lower than the England average. However, over the last 12 months the gap has closed slightly with annual house price growth in the county standing at 5.7%, some 1.8% points higher than for England.

## National Performance Indicators



UK gross domestic product (GDP) was estimated to have increased by 0.1% during the first quarter of 2018<sup>2</sup>. Over the last year annual GDP growth has slowed from 2.0% to 1.2% with only Japan having a lower figure amongst the G7 nations. The bad weather is thought to have had some impact on the low growth in quarter one, particularly in construction and some areas of retail, but weak household spending and falling levels of business investment are also thought to be factors.

The service sector made the largest contribution to GDP growth in the first quarter of 2018, at 0.2% points, although the increase of 0.3% for the sector is a decline on the same quarter a year ago. The production sector was estimated to have increased by 0.6% in quarter one, making a 0.1% points contribution to GDP growth. However, construction, where output decreased by 2.7%, showed it's weakest figure in over five years and made a negative contribution to GDP due in part to the bad weather. Agriculture also made a negative contribution, decreasing by 1.4%. Although this quarter's figures show some weakness in the UK economy some recovery is expected in the second quarter with GDP growth projected to be around 1.4% for 2018 as a whole.

In the first quarter of 2018, the total UK trade deficit (exports minus imports) narrowed by £0.7 billion to £6.9 billion due to the fall in exports (-0.1%) being exceeded by the decline in imports (-0.5%)<sup>3</sup>. Falling goods imports from non-EU countries was the main factor in the narrowing with volumes declining as import prices rose in quarter one 2018. Encouragingly, in the 12 months to March 2018, the total trade deficit narrowed by £13.3 billion to £26.6 billion due to the 9.2% export growth exceeding the 6.4% growth for imports. The trade balance will be an important element of the UK economy to monitor in the months ahead given the USA's recent decision to impose levies on aluminium and steel from Europe and the potential for counter-measures from the UK and its EU partners.

The annual Consumer Prices Inflation rate (including housing costs) currently stands at 2.2% for the 12 months to April 2018<sup>4</sup>, down from 2.3% in March. The rate has fallen back from a recent high of 2.8% during autumn 2017 resulting in the April 2018 figure being the lowest observed since January 2017. This is due in part to the rise in prices following a weakening in sterling as a result of the Brexit vote having now largely taken effect. The largest negative impact in the change in the rate came from air fares, which were influenced by the earlier timing of Easter in 2018 compared with the year before. Clothing and footwear also had a downward effect as did the contribution from food and non-alcoholic beverages. However, rising prices for motor fuels provided the largest contribution to the CPI rate.

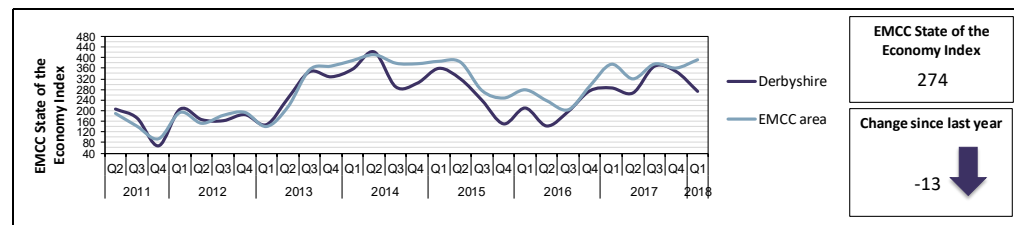
The Bank of England's (BoE) Monetary Policy Committee voted 7-2 in favour of keeping the UK interest rate unchanged at 0.5% in May<sup>5</sup>. Although global economic demand is relatively robust, the share of people out of work is at its lowest level for over 40 years. With signs that wage rates are beginning to exceed inflation, the Bank has resisted raising interest rates this time. However, if economic growth picks up during the year, then it is likely the rate will rise gradually over the coming years to prevent inflation rising too much. The Bank is keen that any increase in the interest rate is done in small steps to spread the impact on households of mortgage rises that may result.

The BoE also highlighted the following national trends as at May 2018<sup>6</sup>:

- Consumer spending growth slowed markedly, in part due to the adverse weather.
- Business services growth remained moderate.
- Domestic manufacturing output growth had been affected by the weather and weaker activity in the construction and automotive sectors.
- Investment intentions remained modest, reflecting uncertainty around Brexit.
- Recruitment difficulties had broadened across skills and sectors.

## Local Economic Context

### Business Conditions



The Derbyshire economy has dipped during quarter one of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey<sup>7</sup>. This compares with a slight rise across the region. There has been a mixed picture for the county across the indicators in the survey although overall performance is relatively unchanged on a year ago. The fall this quarter may reflect Derbyshire businesses being more affected by the winter weather during quarter one of 2018 than their counterparts in Nottinghamshire and Leicestershire. Although more firms have reported an improving rather than worsening picture for sales and orders this quarter, the picture is not as positive as it was in the last quarter of 2017, particularly for domestic markets. Local firms have been less active in recruitment this quarter too and cashflow appears to have been an issue for local businesses in quarter one. There has also been a slight rise in the number of firms expecting prices to rise over the next few months. This is despite the improving exchange rate picture for firms importing from overseas and may reflect other factors identified by local firms recently such as wages, energy and packaging costs.

These results have fed through to business confidence with a reduction in the number of firms optimistic about future profitability and turnover. However, there were also some positives, with firms more upbeat about investment in plant and machinery, a quarter of firms reporting that they have revised their investment plans upwards in this area. Also there was an increase in firms who are planning future recruitment.

## Local Economic Context

### Investment

There were 11 enquiries from firms seriously looking to invest in the county<sup>8</sup> received between February and April 2018 by Invest in Derbyshire, higher than the seven in the corresponding quarter a year ago. Two of these enquiries came via the Department for International Trade and the remaining nine were direct enquiries. The enquiries covered the aerospace, rail, advanced manufacturing, life sciences, office, leisure and retail sectors.

The Markham Vale regeneration site continues to grow with the addition of new companies to the business community. On Markham Vale North, the Bilstein Group, a German automotive parts company became fully operational as did the chilled food distribution company Gist Ltd. On Markham Vale West, legal agreements were completed for the construction of a 43,000 sq. ft. manufacturing and distribution unit for Grangers International manufacturers of protection and cleaning products for clothing and footwear. Construction is planned to start during May 2018.

On Markham Vale East, three new occupants have been secured for Wilson Business Park, a speculatively developed 13-unit scheme at Markham Vale. New occupant Direct Track Solutions (DTS) has agreed a long-term lease on a 1,450 sq. ft. unit after the building was purchased 'off plan' by an investor; DTS manufacture products for the rail sector. Shotblast Solutions, the second new occupant on the estate, has purchased a 1,250 sq ft, unit; the company provide parts to the surface preparation industry. Magpie Beauty, an online retailer of beauty products, will occupy a 2,300 sq ft unit.

A number of initial enquiries for potential developments across Markham Vale were also received during the quarter, one of which is progressing to more detailed discussions. During the quarter, the annual Markham Vale Jobs Survey was completed showing that a total of 1,628 people are employed in full time posts; this is a significant increase on last year's total of 1,076.

### Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between February and April 2018.

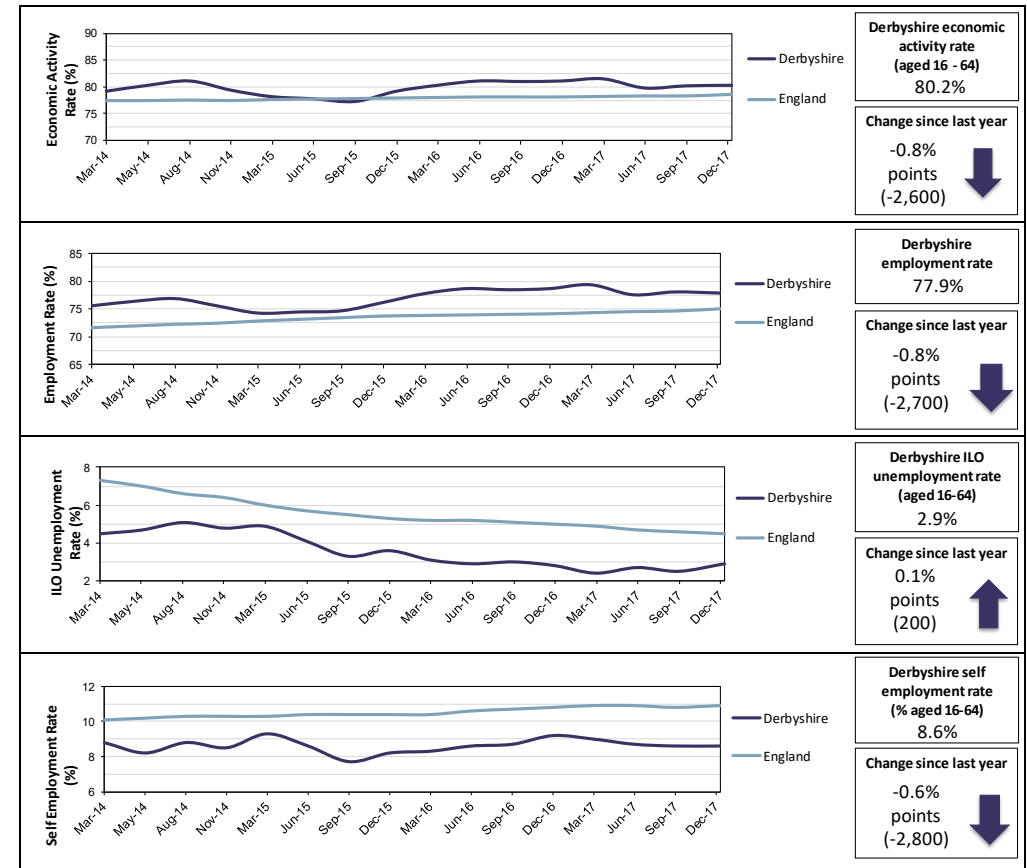
#### Job Losses

- In February meat supplier Russell Hume, whose head office is in Derby, went in to administration, affecting 266 jobs across all its processing sites.
- Derby engineering firm TFS (Derby) went in to administration in February putting 20 jobs at risk.
- At the end of April Heanor based car parts firm Earlpart went into formal liquidation with the loss of 11 jobs.

#### Job Gains

- Toyota announced at the end of February that building the new generation Auris at Burnaston will secure 3,000 jobs across its Derbyshire and Deeside sites.
- At the beginning of April North East Derbyshire District Council gave developer St Modwen planning permission to deliver its Egstow Park masterplan, which could create up to 680 jobs.
- In April Ilkeston engineering company Rayden Engineering revealed that it had won its biggest ever order and will take on 50 extra staff.
- Work started at the beginning of March on a multi-million pound care home in Heanor, which once completed will create up to 50 jobs.
- At the beginning of March Berkeley Inns revealed that it is to refurbish and extend The Bluebell Inn near Kirk Langley, increasing staff numbers from 8 to 30.
- Derby recruitment firm Smart Recruitment, which has rebranded to Workchain, moved to Wyvern Business Park in March, creating an extra 30 jobs.
- It was announced at the end of February that work on a new Premier Inn hotel in Bakewell will start later this year and will create 30 jobs.
- Derby based digital agency Frogspark announced in February that its plans for expansion would lead to the creation of 16 jobs over the next year.
- In February cosmetics firm Lush advertised for up to 15 new members of staff at its Derby branch.

### Labour Market Participation



Source: Annual Population Survey, Jan 2017-Dec 2017, ONS (Nomis) © Crown Copyright.

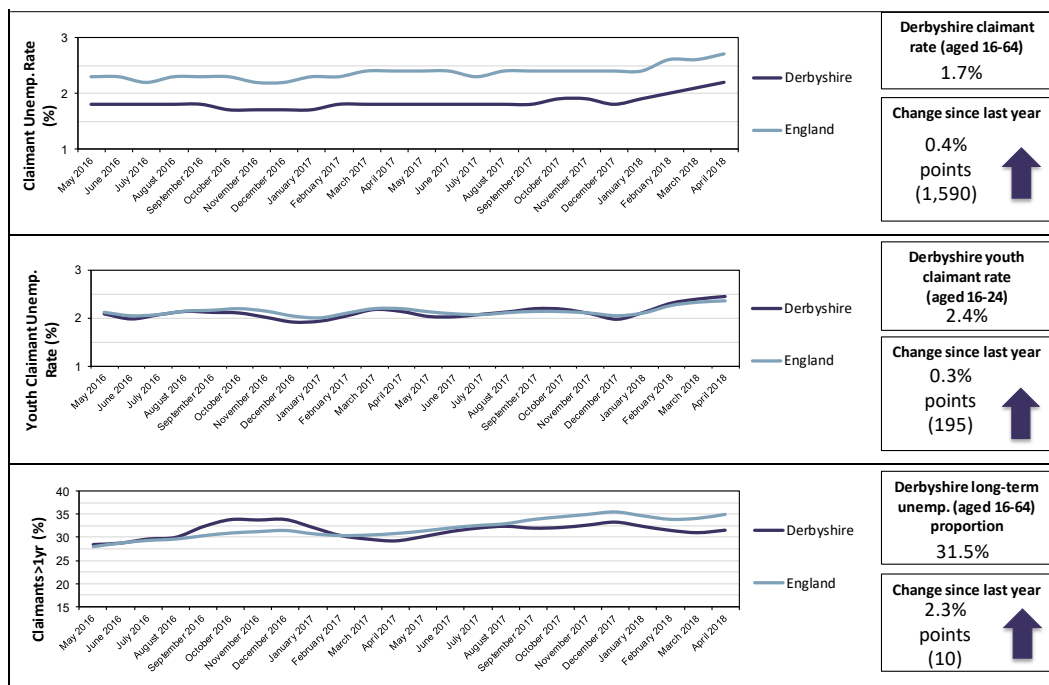
The employment rate<sup>9</sup> locally dipped slightly from 78.1% to 77.9% in quarter four of 2018, although the rate is still 2.8% higher than for England. However, compared to last year, there were 0.8% (-2,700) fewer people in work than a year ago. Over the last year, Erewash and Chesterfield have seen the biggest decline and High Peak the biggest rise. There are 2,600 fewer people in the labour market locally than a year ago with a dip in the economic activity rate from 81.0% to 80.2% in Derbyshire over the last year<sup>10</sup>.

International Labour Organisation (ILO)<sup>11</sup> unemployment is regarded as the official measure of unemployment. This has risen slightly this quarter and stands at 2.9%,



## Labour Market

with 200 more people unemployed than a year ago, although the level is 1.6% points lower than nationally. Self-employment levels have fallen this quarter, being -0.6% points lower than a year ago, resulting in the gap with England widening slightly.

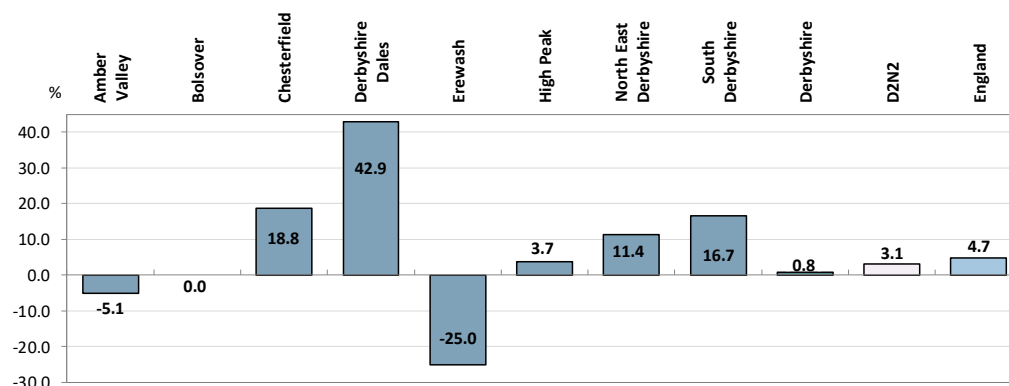


The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) and out of work Universal Credit (UC), is currently 1.7% (8,130 residents), remaining 0.5% points lower than the England rate<sup>12</sup>. Following nearly three years of relatively stable unemployment levels, over the last quarter the rate has started to rise slightly. This mirrors the increase nationally and is likely to reflect in part the transfer of people from JSA onto UC, as under UC a broader span of claimants are required to look for work than under JSA. There has also been an increase from eight to 15 this quarter in the number of wards locally where the rate is at or above 3.0%. Seven of these have a rate at or above 4.0%. These are Cotmanhay, Awsorth Road, Larklands and Derby Road East in Erewash and Rother, Loundsley Green and St Helens in Chesterfield.

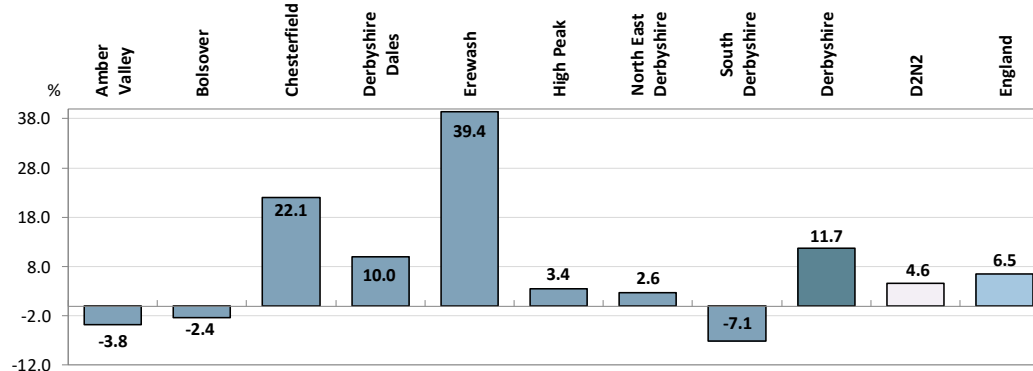
## Labour Market

Almost one third of Derbyshire's JSA unemployment claimants have been out of work for more than a year (31.5% or 1,220 residents). This has increased by 2.3% points over the last year although this is lower than the national increase so the gap with England has widened slightly, with the county figure now 3.5% points below the England average. Long-term unemployment has risen in five of the districts, the largest increase shown by Derbyshire Dales (42.9%). Whereas Erewash has seen the greatest decline in long-term unemployment, by -25.0%.

Annual % change in long-term unemployment (April 2017 to April 2018)



Annual % change in youth unemployment (April 2017 to April 2018)



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

Source: JSA (long-term) and claimant count (youth), April 2018, ONS (NOMIS) © Crown Copyright

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

## Labour Market

The youth unemployment rate<sup>13</sup> in Derbyshire stood at 2.4% (1,860 people aged 16-24) in April 2018, the same as the England rate. Having been relatively stable since Spring 2015, the youth unemployment rate in the county has increased slightly over the last quarter. As with overall unemployment this pattern is the same as that nationally and is likely to be linked to the transfer of people from Jobseekers Allowance to Universal Credit.

There are nearly 200 more young people registered on the claimant count than a year ago representing a 11.7% increase. Across the districts, five have seen an increase, the greatest shown by Erewash (39.4%) and Chesterfield (22.1%). This is notable given that Erewash has seen the greatest decline in long-term employment over the last year. The number of wards where the rate of youth unemployment is more than double the national rate has increased this quarter from six to 11. This includes four that have a rate above 6.0%. These are Rother and St Helens in Chesterfield and Cotmanhay and Awsorth Road in Erewash. Encouragingly though the proportion of young unemployed people who have been out of work more than a year has dropped 6.4% points over the last year and is now just 1.2% points above the figure for England.

Despite the relatively low levels of unemployment, more than 1,000 residents have been out of work more than a year and there are parts of the county where overall and youth unemployment remains an issue. However, the data from East Midlands Chamber of Commerce's Quarterly Economic Survey for quarter one 2018 shows that 61% of Derbyshire firms attempted to recruit in the previous three months and that 57% experienced recruitment difficulties, the highest level in three years.

Ensuring that people both in and out of work have the skills to match those required by employers needs ongoing focus. The Employment and Skills Board at Derbyshire County Council has commissioned officers to write an Employment and Skills Strategy that has the aim of bringing together the vast amount of activity the Council is involved in in this area into a single document, whilst establishing a framework within which it can work with partners to deliver the skills and employment required by Derbyshire's businesses and residents. The timetable is to have a draft strategy completed by September, to be approved by the Council towards the end of 2018.

## Labour Market

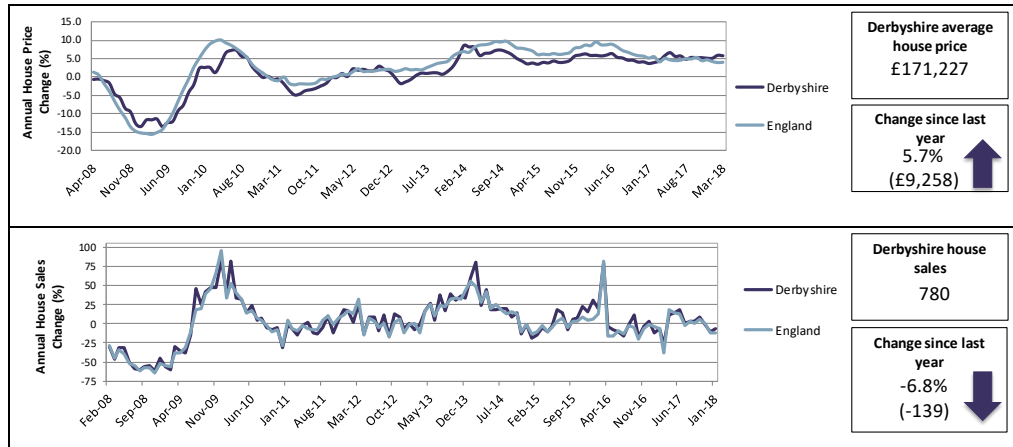
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (November 2017 except UC and JSA/sanctions*)						
Employment Support Allowance (ESA)	29,400	6.1	5.5	-820	-2.7	↓
- Long term claimants (1yr or more)	24,850	84.5	83.3	400	1.6	↑
- 18 to 24 year old claimants	2,300	7.8	7.1	-230	-9.1	↓
Lone Parent Income Support (LPIS)	3,820	0.8	0.9	-340	-8.2	↓
- Long term claimants (1yr or more)	2,820	73.8	72.8	-150	-5.1	↓
- 18 to 24 year old claimants	930	24.3	21.9	-170	-15.5	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	51,120	7.9	6.9	-178	-0.3	↓
Universal Credit (UC)	8,001	1.6	2.2	4,422	123.6	↑
JSA/UC sanctions	226	0.0	0.1	-92	-28.9	↓
Carers allowance - working age group	10,550	2.2	2.0	480	4.8	↑
Household benefits (February 2018 except benefit cap**)						
Housing Benefit claimants	44,146	13.0	16.0	-2,936	-6.2	↓
Households affected by removal of Spare Room Subsidy	4,711	10.7	8.1	-247	-5.0	↓
- 1 Bedroom	3,920	83.2	82.4	-210	-5.1	↓
- 2 or more bedrooms	788	16.7	17.6	-36	-4.4	↓
Benefit Cap	498	0.1	0.1	-41	-7.6	↓

**Source:** Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.

**Notes:** \* UC April 2018 and JSA/UC sanctions January 2018, \*\* benefit cap January 2018.

In the county, 6.1% of working age respondents are claiming ESA, slightly above that for England. Of these, 84.5% have been claiming ESA for over 12 months. Lone parents claiming income support make up 0.8% of the working age population, with nearly a quarter being aged 18-24 and over 70% having claimed for more than a year. The proportion of residents 16+ claiming a PIP/DLA stands at 7.9%. The number of UC claimants in the county has risen to 8,001, increasing by 4,422 over the last year as claimants are transferred across from other benefits. However, over the last 12 months there has been a reduction in the number of people claiming JSA/UC who have had their benefit stopped or reduced through sanctions. There are 10,550 people locally claiming working age carers allowance, a slight increase on the year before. Nearly 45,000 (13.0%) Derbyshire households are claiming housing benefit, with around 4,700 affected by removal of the spare room subsidy<sup>14</sup>. There has been a decrease in the number of households affected by the benefit cap from 539 to 498 over the last year.



Source: UK House Price Index, ONS and Land Registry, March 2018, © Crown Copyright

In March 2018, the average price of a house in Derbyshire was £171,200. Whilst this is nearly £70,000 lower than across England, the gap has closed slightly over the last year. Annual house price growth in the county stands at 5.7%, some 1.8% points higher than England. Five districts locally have seen an above average rise with Bolsover leading the way at 10.2%. Chesterfield has seen a small drop of -0.5% whilst South Derbyshire and Amber Valley have seen rises of 1.0% and 2.1%.

Nationally house price growth has been slowing since the summer of 2016, with the reduced levels of growth being driven by a slowdown in London which has seen a fall of -0.7% over the last year. However, over the last 12 months the East Midlands has consistently been one of the regions seeing the largest price rises.

Despite the increase in prices locally, there has been a fall in the number of house sales. However, the annual decline in sales of -6.8% in Derbyshire is significantly less than the national fall of -12.0%. Housing market activity nationally is relatively low with constraints on purchasing power and concerns about possible Bank of England interest rate rises possible factors. Reduced demand is thought to be dampening house price growth and across the country relatively modest growth is forecast over the coming year. This however may make properties more affordable and enable more people to enter the housing market. Owner-occupation rates nationally have fallen from a peak of just under 70% to less than 64% in the past 15 years.

## Supply chains in transport equipment manufacturing and the visitor economy

The transport equipment manufacturing (TEM) sector and visitor economy are two important employment sectors for the county. This 'in-focus' explores elements of some of the supply chains in these two contrasting industries and looks at some of the key issues.

### Transport Equipment Manufacturing sector

The aerospace, rail and automotive sector is of crucial significance to Derby and the local area, contributing £13.8 billion to the Derby economy and nearly £3.0 billion more across the wider East Midlands, based around the three world renowned original equipment manufacturers (OEM) Rolls-Royce, Bombardier and Toyota<sup>15</sup>.

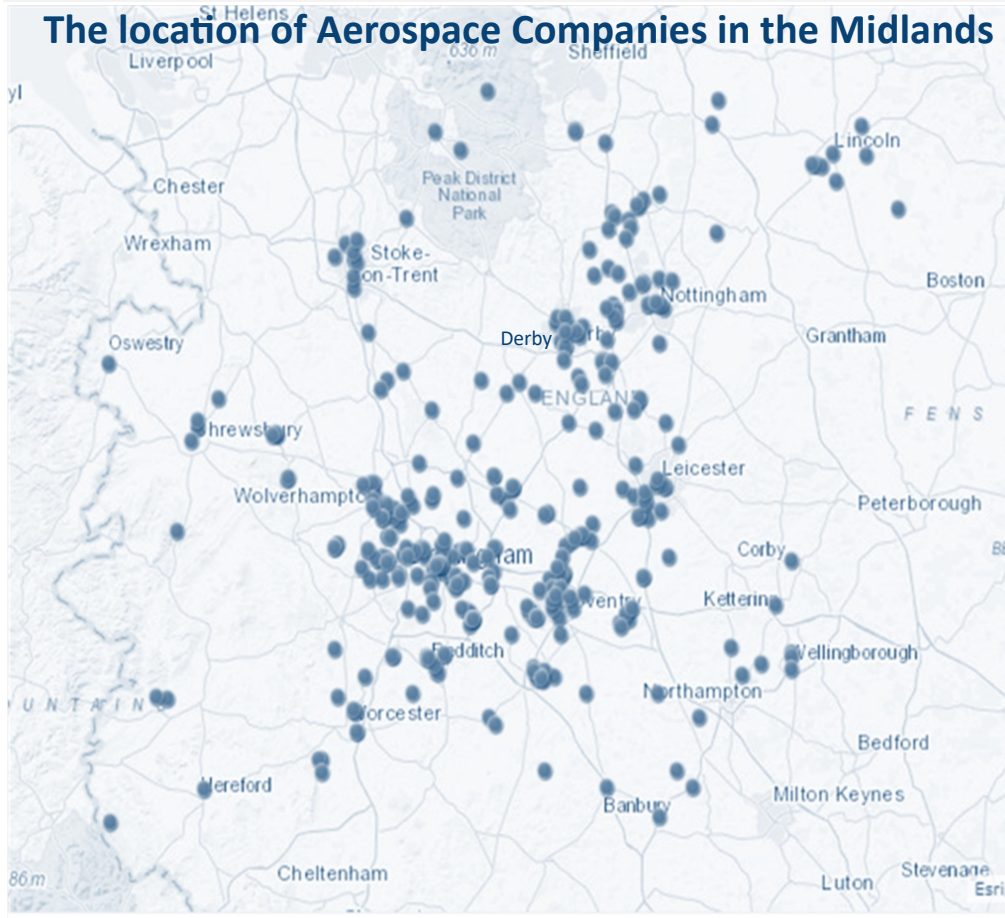
### Aerospace

The UK aerospace sector is the second biggest in the world with the Midlands bringing together one quarter of this through the cluster built around Rolls Royce's assembly plant in Derby. The sector employs nearly 17,000 staff in Derby generating £6.7 billion of economic output as well as a further £1.3 billion of output across the East Midlands. Around 40,000 jobs in the East Midlands are sustained by Rolls-Royce, with the firm accounting for 2.0% of all UK goods exports<sup>16</sup>.

There are a significant number of firms operating in the aerospace sector in or near the county as shown on the map on the next page. The local supply chain is important to Rolls-Royce, with the firm currently working with over 40 based Derbyshire firms<sup>17</sup>. Specifically there are two tier one<sup>18</sup> Derbyshire based businesses supplying the firm. Bulwell Precision Engineering based in Pinxton makes precision parts and airframe assemblies and is one of the 64 aerospace suppliers nationally in the £250M Sharing in Growth programme<sup>19</sup>. Cullum Detuners Ltd in Heanor specialises in the design and manufacture of noise control equipment.

There are however, quite a number of companies further down the sector supply chain in Derbyshire involved in the Rolls-Royce supply chain. These include the tier two suppliers Acres Engineering Ltd in Melbourne which supplies product support equipment, C&H Precision Finishers in Sandiacre which specialises in finishes on a wide range of components including turbines and engine casings, and Manthorpe Engineering in Ripley which specialises in precision machining and fabrication.

## The location of Aerospace Companies in the Midlands



Source: ENSCITE, based on information from the Midlands Aerospace Alliance, 2018

Also Gould Alloys is an important tier three supplier based at Markham Vale providing high quality metals to the company. Although not a Rolls Royce supplier, Heanor firm Advanced Composites Group has been involved in the UK's Next Generation Composite Wing research programme.

Productivity in the UK aerospace sector has grown by over 30% in the last five years<sup>20</sup> and Rolls-Royce is looking to play its part in continued productivity growth. It has recently announced a £150m investment in new and existing civil aerospace facilities in the UK, of which the majority relates to a new large test-bed facility and investment in the Maintenance Repair & Overhaul Facility in Derby. The company is

also working hard to help local suppliers make productivity improvements. Whilst Rolls-Royce is a great asset for Derby and Derbyshire, any changes can have an impact on the local economy as a number of supply chain firms in the region are more than 50.0% dependent on the aerospace sector<sup>21</sup>. Additionally, nearly 90% of the industry's turnover is from exports so any dip in trade conditions can have an effect. Firms down the supply chain face ongoing challenges to deliver orders against fierce international competition and the consolidation of the aerospace supply chain is expected to continue. The recent announcement of significant UK job losses as part of plans to improve competitiveness is also likely to have a significant impact on the workforce in Derby and Derbyshire.

### Rail

The East Midlands is a hub of the UK's rail sector with around 600 businesses across the supply chain and Bombardier in Derby at the centre. The sector employs around 5,900 staff within the city generating £2.7billion of output<sup>15</sup>. Additionally, the sector supports an estimated 1,000 jobs across the East Midlands, contributing around £0.5 billion to the wider regional economy. Derby has a reputation as a rail centre of excellence. Bombardier, which produces a large proportion of the UK's most advanced rolling stock, directly employs around 1,600 staff in the city. A significant proportion of its content is sourced from within the UK and many local companies supply the firm. With the government keen to increase the UK content of the rail sector, Bombardier is actively looking to identify more potential suppliers locally. Additionally, two of the three major rolling stock leasing companies also have bases in Derby.

However there is also a diverse range of firms playing an important role in the sector more widely in the county. This includes infrastructure companies such as Progress Rail Services in Sandiacre which provides track related products, Direct Track Solutions which has recently taken premises at Markham Vale or The Signal House Group in Alfreton working in rail signal engineering. There are also firms involved in rolling stock manufacturing such as AB Hoses and Fittings Ltd in Chesterfield which manufactures and installs hydrostatic and fluid systems; Dellner Ltd in Swadlincote that makes train connection systems, and WG Specialist Coatings in Foston providing coatings for rolling stock. There are also Derbyshire based firms involved in technological developments, measurement and track testing. These include Pearson Engineering Services Ltd based in Heanor that perform track testing



and maintenance; Donfabs and Consillia, whose remit includes track geometry and ride comfort measurement, and Balfour Beattie in Matlock that provide software solutions for maintaining and upgrading rail networks<sup>22</sup>.

The Government investment of £88 billion in the UK rail infrastructure in future years provides opportunity for the sector locally, not least through HS2. It will be vital that local firms are proactive in linking in with firms higher up the supply chain as contracts are awarded on this. The advent of the digital railway will require Industry 4.0<sup>23</sup> technologies such as in the development of digital signalling will also open up possibilities for local companies. The sector is quite fragmented locally and characterised by bigger firms such as Bombardier and SNC Lavalin as well as a large number of micro-firms. The relatively small number of medium sized scale up firms though is potentially a barrier to smaller firms accessing global supply chains, and Rail Forum Midlands is to provide support to help smaller firms work collaboratively to provide a collective offer. Other issues are the relatively limited investment in research and development, the ageing workforce, the growing skills gap at advanced technical level, and increased domestic competition. However, the major upgrade of track and signalling at Derby Station over the summer is positive and will support better journeys between Sheffield, Derby, Nottingham and London.

### Automotive

The automotive industry is a vital part of the UK economy contributing £22 billion, and accounting for 13.0% of UK exports<sup>24</sup>. The sector is doing well although Brexit uncertainty and confusion over diesel taxation has led to the first dip in eight years. The East Midlands has a significant automotive sector with Toyota at its heart. The sector employs 14,300 staff directly or in the supply chain in Derby, generating £4.4 billion in direct economic output to Derby's economy and a further £1.0 billion in indirect output<sup>15</sup>. Additionally, outside of Derby the sector supports an estimated 3,300 jobs across the East Midlands generating £1.0 billion in output.

Toyota's Burnaston plant sources 80% of its supply needs from within the UK and is a key part of the Derbyshire economy, employing more than 2,500 people. The firm works with the following tier one 'sequence suppliers'<sup>25</sup> in or close to Derbyshire<sup>26</sup>.

- Futaba Industries UK in Foston which provides welded components
- Adient Seating UK Ltd in Burton on Trent, a leader in automotive seating
- Gruppo Antolin in Barton-under-Needwood which makes door trims and consoles

- FECT UK Ltd near Lichfield which makes exhaust systems
- TT Assembly Systems in Castle Donington that supplies tyre and wheel assemblies
- TI Automotive supplies brake and fuel tube assemblies to the plant

In addition there are many other firms in Derbyshire heavily involved in the sector; for example there is a cluster of firms in the Alfreton area involved in seating production. Also in Amber Valley, Lubrizol has its UK base where it develops fuel additives. Elsewhere, LEONI supplies electrical distribution systems in Chesterfield whilst Otter Controls in Buxton has expertise in motor protectors. Also in High Peak, Federal-Mogul produces high performance brakes. At Markham Vale, Ferdinand Bilstein is a specialist in the automotive aftercare market. In addition to the range of firms in the supply chain for passenger vehicles there are firms involved in motorsport including Gibson Technology in Repton which make engines for F1 and Bowler Motorsport in Belper which produces all-terrain vehicles.

Toyota has invested significantly over recent years including a £100 million investment in tooling and equipment and £240 million early in 2017 to support the production of the next generation of its Auris car at the Burnaston plant. Additionally, the government is supporting the sector's ambition to increase the value of UK content in domestically produced vehicles to 50% by 2022 compared with the 36% in 2011. However, whilst the sector has a strong local presence with Toyota exporting nearly 90% of its vehicles volatility in trading conditions can have a potential negative impact.

### Overarching issues for Transport Equipment Manufacturing

The rise of digital technologies has led to the development of Industry 4.0 with factories expected to be increasingly automated. The factory of the future is anticipated to be characterised by flatter management structures, more product design and development roles but fewer skilled trades and process, plant and machine roles. This offers great opportunities but also creates uncertainty for firms.

Whilst the OEMs locally recognise the importance of investing in skills, e.g. the Toyota academy, Rolls-Royce's learning and development centre and the proposed Rail Skills and Employment Academy locally, the firms are often competing for the same talent pool of skilled engineers. The advent of Industry 4.0 will also create new skills pressures locally with plastic electronic skills and advanced materials capability



potential concerns. There is also a need to retain graduates within the local area with Derby retaining only just over half of its new graduates. However, there are opportunities for synergy across the three sectors through the growing number of digital companies in the area, for example Resonate in Derby who develop world leading traffic management systems.

The presence of the three OEMs provides significant benefits to local suppliers. However, the relatively low number of tier one suppliers locally is thought to be holding back the supply chain. It is hoped that the development of Infinity Park to the south of Derby can be a catalyst to attract tier one investment into the area. The centre-piece of the site is the iHub which provides flexible workspace for start-ups, early and established high-growth SMEs in the TEM sector. It is also the home of ENSCITE, which is offering business support to companies in the transport equipment manufacturing supply chain.

### Visitor Economy

Over recent years, tourism has been the UK's fastest growing employment sector. It supports 2.6 million jobs, is worth £106 billion or 9% of economic output, and its value is projected to double by 2025<sup>27</sup>. The sector is a vital and growing part of the local economy with an impact beyond the direct spending of visitors to an area, and is a key sector for the D2N2 Local Enterprise Partnership as well as Derbyshire County Council and local partners. The sector contributes more than £1.6 billion to the local economy with the direct impact accounting for nearly 75% of all money generated locally by the sector<sup>28</sup>. It includes spending by visitors on accommodation and food and drink but also things such as transport and shopping. However, a quarter of the economic value from the sector, over £400 million, arises from indirect impact which includes spending by businesses in the supply chain.

The visitor economy in the county is diverse and there is an interconnecting network of links between firms within the sector but also those supporting the industry more indirectly in the supply chain. Case studies recently produced by Marketing Peak District and Derbyshire with two contrasting visitor economy businesses in Derbyshire demonstrate the wide range of disciplines that are required to run a successful business. The **Heights of Abraham** in Matlock Bath is one of the Peak District's most popular destinations with a range of attractions for visitors including cable cars, caverns, fossil factory, adventure playgrounds, heritage estate walks,

restaurant, café and gift shop. The day to day running of the business draws on local firms across the spectrum of the economy including:

- Waste disposal and recycling firms
- Mechanics to maintain and repair equipment and vehicles
- Food and drink wholesalers and local food suppliers, e.g. farmers, bakers, ice cream makers and butchers
- Jewellery producers
- Cleaners
- Health and safety consultancy and first aid suppliers
- Staff trainers
- Media and advertisers
- Firms such as landscapers and tree surgeons involved in grounds maintenance
- Maintenance companies including decorators, carpet fitters and builders
- Facilities firms, e.g. telecommunications, gas and electrics suppliers, engineering and IT support
- Professional services, e.g. banking, accountancy, legal and insurance advice, marketing and project management

**Peak Venues** is a luxury self-catering holiday cottage provider in the Peak District and again draws on a significant range of local suppliers. These include:

- Cleaners
- Laundry companies
- Maintenance companies, e.g. builders, electricians, plumbers etc.
- Utility companies
- Gardeners/landscapers
- Car leasing company
- TV service company
- Professional services, e.g. architects, accountants, marketing and web consultants
- PA and IT support
- Outside caterers and wine merchants
- Peak District activity and cycle hire companies

Not only does Peak Venues spend money on its locally based supply chain, the company also plays an important role in steering business towards other firms in the local visitor economy. This includes providing guests with a wide range of information about local services such as local farm shops and butchers, outside caterers, places to eat and drink, as well as a wide range of information on visitor attractions across Derbyshire.

Raising the profile of firms in the visitor economy is important in ensuring new and returning visitors come to Derbyshire and spend money with local businesses. The Peak District and Derbyshire website is the main source of tourist information about the area but other sites also help to generate revenue. These include Made in Derbyshire, which helps visitors to discover more about the cultural life and diversity of Derbyshire; Inspired by the Peak District which helps build on the strong brand that characterises the area and helps local businesses strengthen their own product, and Sourced Here, which provides visitors with a full basket of produce sourced from the area's top purveyors.

## Conclusion

The transport equipment manufacturing sector has a significant presence in the region, centred on the three major OEMs Rolls-Royce, Bombardier and Toyota, alongside the many firms in Derby and Derbyshire in the supply chain. Overall the sector is performing well and with key economic drivers such as Brexit, Industry 4.0 and HS2 there will be opportunities to progress but also challenges. Ensuring firms are well positioned to play a role in helping the sector thrive is important for business support partnerships locally.

Tourism is also booming in the UK and the visitor economy makes a significant contribution to the county's economic prosperity. The area has great potential and the promotion of Derbyshire as a global cultural and tourist destination is a priority for Derbyshire County Council, Marketing Peak District and Derbyshire and other partners. Supporting firms working both directly and indirectly in the visitor economy will continue to be an important strand in this.

<sup>1</sup>Data for Derbyshire in the review does not include Derby City unless otherwise stated.

<sup>2</sup>Gross Domestic Product (GDP) Preliminary and Second Estimates, Quarter 1 2018, Office for National Statistics (ONS) © Crown Copyright.

<sup>3</sup>Statistical Bulletin, UK Trade, March 2018, ONS © Crown Copyright.

<sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), April 2018, ONS © Crown Copyright.

<sup>5</sup>Monetary Policy Committee Decision, May 2018, Bank of England.

<sup>6</sup>Agents' Summary of Business Conditions, May 2018, Bank of England.

<sup>7</sup>Quarterly Economic Survey, Q1 2018., East Midlands Chamber of Commerce.

<sup>8</sup>Derbyshire Economic Partnership, 2017-2018.

<sup>9</sup>The employment rate is the percentage of the working age population (age 16-64) who are employed.

<sup>10</sup>The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

<sup>11</sup>ILO 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.

<sup>12</sup>Claimant 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.

<sup>13</sup>Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2015 Mid-Year Population Estimates.

<sup>14</sup>Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

<sup>15</sup>Planes, Trains and Automobiles Part 2, March 2017, AECOM, commissioned by Derby City Council.

<sup>16</sup>The Contribution of Rolls Royce to the UK Economy in 2015, Oxford Economics.

<sup>17</sup>Rolls-Royce PLC, 2016.

<sup>18</sup>A tier one company supplies components directly to the original equipment manufacturer that set up the chain. The tier one supplier gets its parts from a tier two supplier whilst the tier two supplier will source its parts from a tier three supplier which is often supplying the raw materials.

<sup>19</sup>The Sharing in Growth Fund is to deliver a £250 million programme of intensive support to 64 UK suppliers.

<sup>20</sup>UK Aerospace Outlook 2016, ADS.

<sup>21</sup>Mobilising the Midlands Aerospace Cluster, Midlands Aerospace Alliance.

<sup>22</sup>Midlands Rail Forum, 2018.

<sup>23</sup>Industry 4.0 is a name for the current trend of automation and data exchange in manufacturing technologies.

<sup>24</sup>The Society of Motor Manufacturers and Traders, Motor Industry Facts, 2018.

<sup>25</sup>A sequence supplier delivers parts to the manufacturer just in time and also in the proper build sequence.

<sup>26</sup>Toyota Manufacturing UK, 2018.

<sup>27</sup>The Institute of Customer Service, and Tourism: Jobs and Growth, Deloitte via Visit Britain.

<sup>28</sup>STEAM data for Derbyshire, 2016, Global Tourism Solutions (UK) Ltd. Marketing Peak District and Derbyshire, 2018.

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