

Derbyshire Economic Update June 2021

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.

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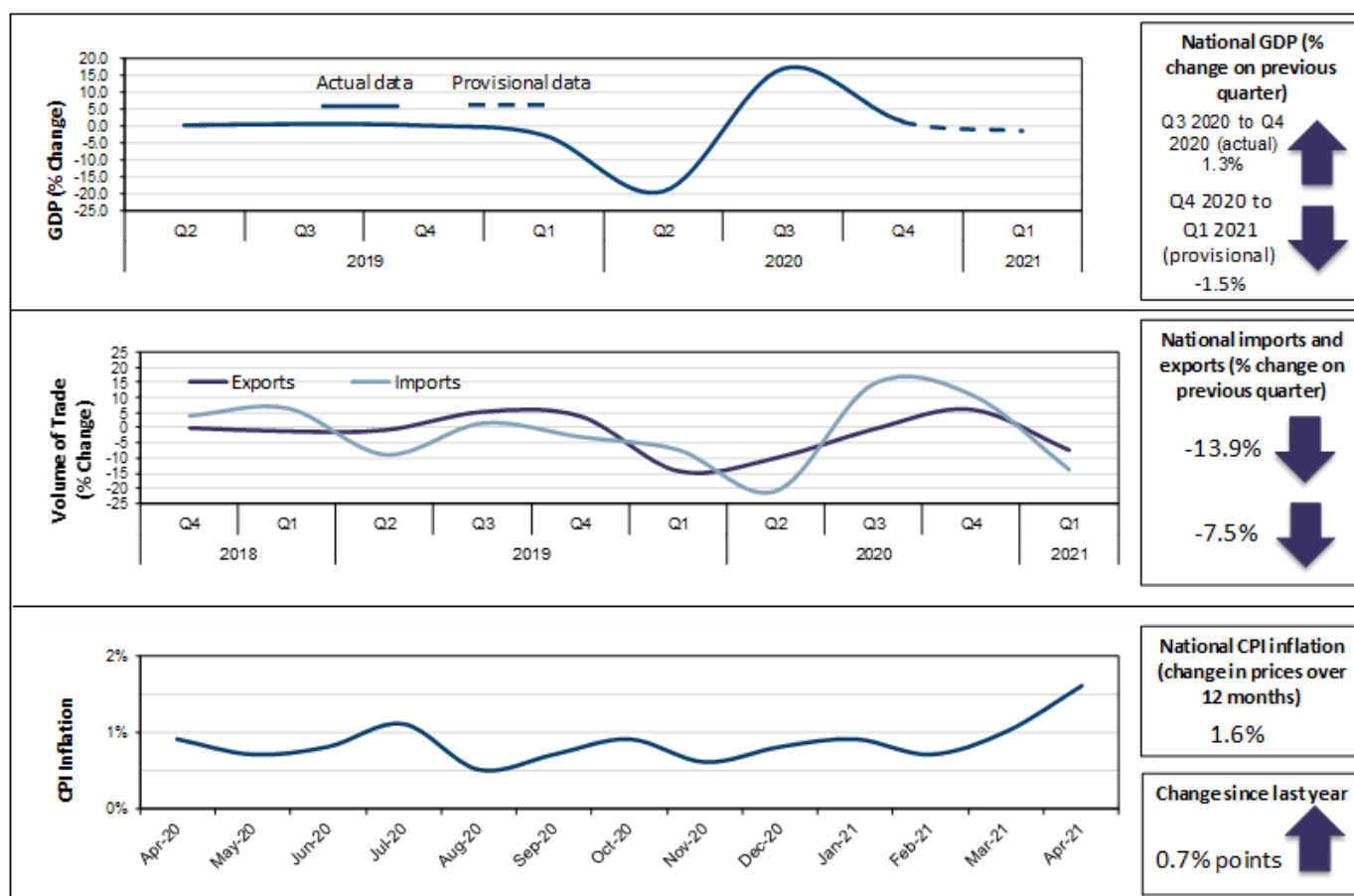
Overview

- UK Gross Domestic Product (GDP) is estimated to have decreased by 1.5% in quarter one of 2021, reflecting the restrictions related to the third UK lockdown during the quarter. The level is now 8.7% below where it was before the pandemic at quarter four of 2019. However, GDP is expected to rise sharply in the second quarter of 2021, although activity in that quarter is likely to remain on average around 5% below its pre-pandemic level.
- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose 1.6% in the 12 months to April 2021, up from 1.0% to March 2021, meaning that goods and services are getting more expensive.
- The East Midlands Chamber of Commerce's (EMCC) Quarterly Economic Survey (QES) shows that for both the Derbyshire and East Midlands economies the improvement that was shown in quarter one of 2021 has been continued into the second quarter of 2021. Business confidence in the county is now well ahead of the pre-pandemic position and is the highest it has been in nearly four years.
- The employment rate in Derbyshire decreased marginally from 77.7% to 77.3% in the fourth quarter of 2020 and is 1.2% points lower than a year ago.
- The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) or unemployment related Universal Credit (UC), was 4.2% (20,650 residents) in May 2021, 1.9% points lower than nationally. April 2020 saw a sharp rise because of the coronavirus pandemic, partly because of the broader range of people able to claim UC due to the support put in place by the Government. However, easing of restrictions has meant more areas of the economy are now opening up with people coming off furlough and returning to work.
- Youth unemployment in Derbyshire stood at 5.9% (4,225 people aged 16-24) in May 2021, lower than the England rate (6.7%). The last year has seen the number of young people out of work in the county decrease by -16.6% (or 840 people).
- The average price of a house in Derbyshire was £203,555 in March 2021, an increase of 13.2% over the last 12 months, a larger increase than that nationally (10.2%).

National Economic Context

National Performance Indicators

Trends in UK Gross Domestic Product, trade and inflation



Source: Gross Domestic Product (GDP), First quarterly estimate UK: January to March 2021, Office for National Statistics (ONS) © Crown Copyright; and Consumer Price Inflation, UK: April 2021, ONS, © Crown Copyright.

UK Gross Domestic Product (GDP) is estimated to have decreased by 1.5% in quarter one of 2021². The level is now 8.7% below where it was before the pandemic. There have been contractions in services and production output, due to the impact of COVID-19 restrictions, however, construction output grew over the quarter.

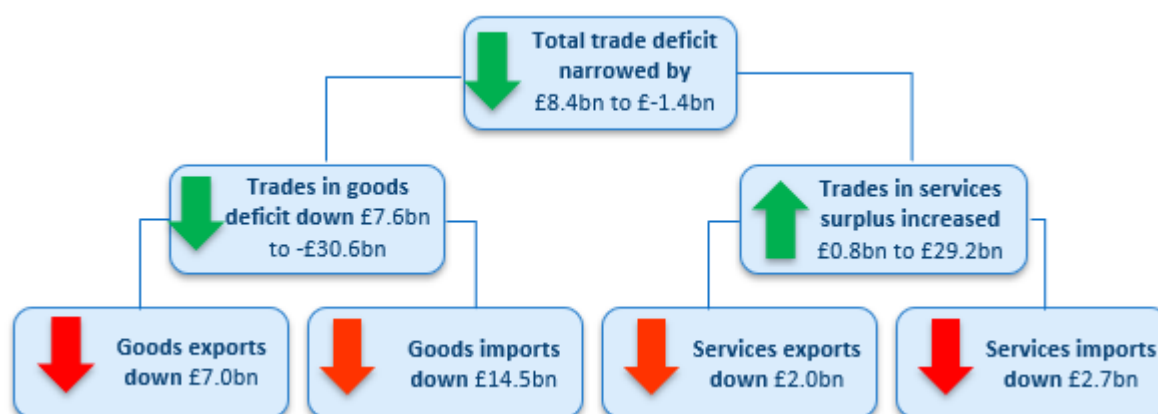
Services output decreased by 2.0% and is now 8.7% below pre-pandemic levels. The largest contributor to this fall was from the education sector, with also large contributions from accommodation and food services (which fell by 18.2%) and the wholesale and retail sector (which fell by 5.9%), both important sectors for Derbyshire. Production output decreased by 0.4% in quarter one, mainly because of a 0.7% fall in manufacturing, which is now 3.4% lower than before the pandemic. The fall in manufacturing output was driven by an 8.5% decrease in the manufacturing of transport equipment, again an important sector for the county. Construction output increased by 2.6% during the quarter, although output in the sector is still 3.4% below the levels before the pandemic.

The UK is not alone in having seen a fall in GDP in the first quarter of 2021. GDP is estimated to have decreased in Germany Spain and Italy. GDP rose by 1.6% in the US

and 0.4% in France during the quarter. Additionally, levels of business investment and household consumption in the UK are now 18.4% and 12.8% below their pre-pandemic levels.

GDP is expected to rise sharply in the second quarter of 2021, although activity in that quarter is likely to remain on average around 5% below its pre-pandemic level.

Changes in UK trade between quarter four 2020 and quarter one 2021



Source: UK Trade, March 2021 ONS, © Crown Copyright.

Note: the arrow direction indicates whether a component has increased or decreased, while the colour denotes the impact the direction of a movement has had on the trade balance and whether it is better (green) or red (worse).

Quarter one of 2021 has seen a narrowing of the trade deficit³. Although exports have fallen by £8.9bn over the last three months, imports have fallen by a greater amount, £17.3bn. The trade deficit has therefore narrowed by £8.4bn and now stands at -£1.4bn. The decline in trade in quarter one of 2021 is likely a consequence of previous stockpiling in preparation for the end of the EU exit transition period, as well as the ongoing impact of the coronavirus pandemic. UK manufacturers saw exports fall by £7.0bn and imports fall by £14.5bn leading to a narrowing of the trade deficit for goods of £7.6bn. The UK service sector saw a fall of £2.7bn in exports and a drop in imports of £2.0bn leading to its trade surplus increasing by £0.8bn.

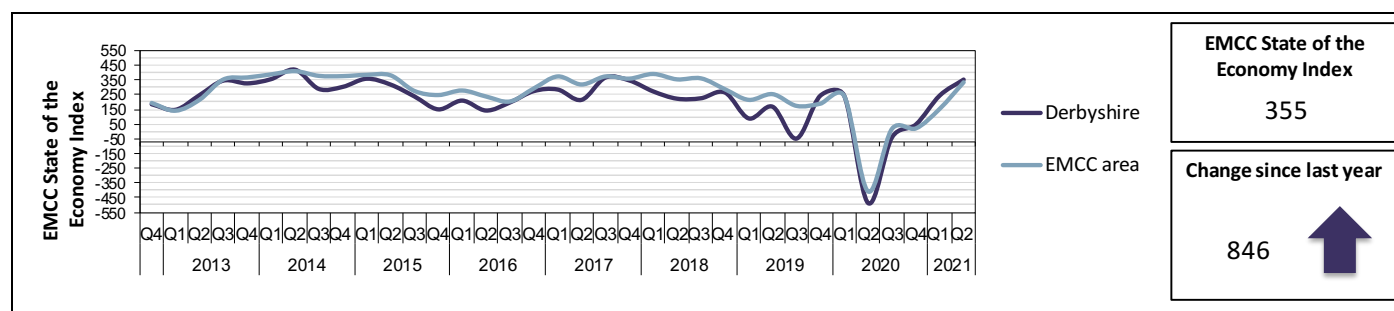
The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 1.6% in the 12 months to April 2021, up from 1.0% to March 2021⁴, meaning that goods and services are getting more expensive. Rising household utility, clothing, and motor fuel prices made the largest upward contributions to CPIH growth in April 2021. These were partially offset by a large downward contribution from recreation and culture.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to maintain the UK interest rate at 0.1% in May 2021⁵. COVID-19 and the actions to contain it have continued to have a dramatic and rapidly changing impact on the UK and countries around the world. The economic outlook will continue to depend on the evolution of the pandemic and measures taken to protect public health globally. It will also depend on the responses of households, businesses, and financial markets to those developments. The BoE's latest forecasts suggest that UK GDP will recover strongly over 2021 to pre-COVID levels as restrictions are eased, the health risk declines and uncertainty falls.

Local Economic Context

Business Conditions

State of the Economy Index for Derbyshire and the East Midlands



Source: Quarterly Economic Survey, Quarter one 2021, East Midlands Chamber of Commerce.

The East Midlands Chamber of Commerce's (EMCC) Quarterly Economic Survey (QES) shows that for both the Derbyshire and East Midlands economies the improvement that was shown in quarter one of 2021 has been continued into the second quarter of 2021⁶. Business confidence in the county is now well ahead of the pre-pandemic position and is the highest it has been in nearly four years.

The survey was carried out between the end of May and early June and coincided with a period where many of the restrictions from the third lockdown had been easing, including the partial reopening of indoor hospitality venues. The quarter one results showed many firms had shown adaptability in being able to respond and trade effectively during the restrictions in the early part of the year and this appears to have continued into quarter two. Businesses have been able to learn lessons over the past year and apply these operationally. It is important to note that for some sectors, such as hospitality and retail, it has proved more difficult though.

Improvement in quarter two has been seen in 10 of the 12 indicators that comprise the Chamber's State of the Economy Index. The exceptions are confidence about future profitability, which has seen a slight dip, and export orders for the next three months, which have shown a greater fall. However, in both, more firms had a positive view than a negative one, although in the case of export orders it was only very marginally. Export sales over the past three months have only shown a very slight improvement. It appears that Derbyshire firms selling goods and services overseas are still experiencing some challenges and it shows that there remain stresses in the economy despite the improvements. This includes the price pressures from the cost of raw materials which remain an issue for some firms, particularly for manufacturing which is a key sector for the county.

The positives do outweigh the negatives though. The number of firms running at full capacity has risen from 30% to 43% in quarter two, and the UK market is doing well. Both UK based orders and in particular UK based sales have shown marked improvement this quarter. Encouragingly and importantly, cashflow has gone into positive territory for the first time since before the pandemic, with more firms locally seeing better rather than worse figures.

These results have fed through to the wider labour market with more businesses recruiting than laying people off over the last quarter, and with further improvement anticipated in the quarter ahead. Encouragingly, investment in both training and particularly infrastructure has improved for the third quarter in a row. Infrastructure investment is very important if productivity in the county is to continue to make progress. Businesses are also optimistic about prospects for turnover in the next quarter. In summary, some uncertainties do remain, but the county's businesses are appearing confident about their prospects going into the second half of the year. The views of businesses in the third quarter will depend on the speed with which the economy reopens and the ability of businesses to manage a different set of pressures that can arise from growth such as price pressures, recruitment difficulties and competition.

Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received 22 investment enquiries between February and May 2021⁷. This means that over the last year there have been more inquiries than the year before. Encouragingly, 16 of these were in innovation and advanced manufacturing, alongside three in investment and development, two in retail and leisure and one in the office sector.

The latest business investment data from the Office for National Statistics, which covers the first quarter of 2021, showed that business investment across the UK was 10.7% lower than the previous quarter, leaving it 17.3% lower than the pre-pandemic level⁸. The Derbyshire investment inquiry figures cover a slightly different timeframe, including the start of easing of lockdown measures, but nonetheless it is an encouraging sign that firms are looking to invest locally despite the ongoing challenges.

Markham Vale continues to grow and develop through this very challenging time with Daher Aerospace Limited the latest business to join. The aircraft manufacturer and industry and service equipment supplier has been awarded a new contract to provide logistic services from its base at Markham Vale for Alstom in Derby, which is building new monorail lines in Cairo. The business has moved into MV55, a pre-built 55,000 square foot industrial warehouse at the site located at Junction 29A of the M1 in Derbyshire.

Additionally, Ergo Real Estate, together with NFU Mutual, have concluded their development at Markham Vale North delivering logistics space to meet the growing demand in the sector. The development known as Orion offers Orion One at 224,424 sq ft and Orion Two at 75,958 sq ft with both having office accommodation with dedicated parking and secure loading facilities. The development has been constructed to carbon zero building specification.

Two further businesses have moved onto the Markham Vale Environment Centre. Kranlee Logistics, working within the freight forwarding industry, and UK fashion brand, JungleClub.

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 February and May 2021. Whilst it is encouraging to see a number of local companies making positive announcements about recruitment over the Spring, it is likely that the

end of the furlough scheme in September will bring challenges for firms that could result in job losses in the coming months.

Job losses

- In March, confectionery manufacturer Thorntons announced the closure of all of its 61 shops putting more than 600 jobs at risk nationally.

Job gains

February

- Lidl announced it has taken on 40 jobs at each of its new stores at Raynesway, Derby and in Glossop.
- Rail engineering firm, F Brazil Reinforcements, said it is looking to create up to 30 jobs at a site at Woodville.

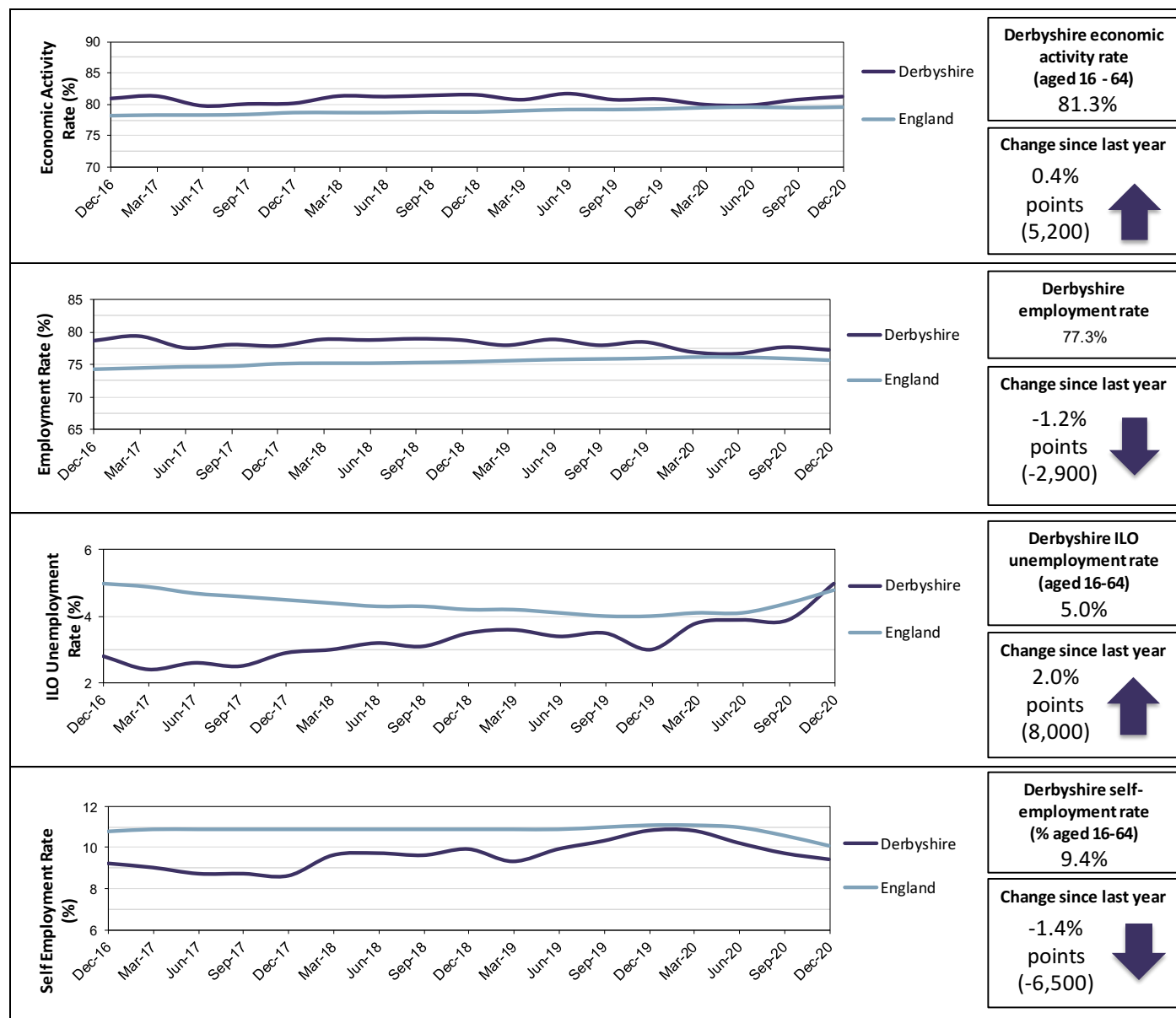
March

- It was reported that the development of the SmartParc food production campus could bring 5,000 jobs to Derby.
- It was announced that the construction of a giant warehouse by developer Panattoni at Raynesway in Derby could create up to 500 new jobs.
- Manufacturer JCB launched a recruitment drive for 450 agency employees to work on the shop floor at its factories in Staffordshire, Derbyshire and Wrexham after seeing a sharp rebound in business following the COVID-19 pandemic. At the same time, the company is offering permanent contracts to an additional 400 agency staff that have completed more than one year's service at the company.
- Manufacturer SureScreen Diagnostics announced the creation of 200 jobs after securing £6m deal to supply the Government with lateral flow antigen tests.
- It was reported that the £35m restoration and transformation of Elvaston Castle near Derby is to create more than 170 new jobs it was reported.
- It was announced that plans to create a classic car visitor centre in a former Rolls Royce factory in Derby could lead to around 120 jobs.
- Derby based Project D, a luxury doughnut manufacturer, which recently took on 100 more staff is about to start selling its products across England and Wales.
- It was reported that more than 65 roles for teachers and teaching assistants are currently available after schools across the county reopened.
- Under the Kickstart Programme, it was reported that the scheme is to create 50 new jobs for young people in Derby.

Labour Market

Labour Market Participation

Trends in economic activity, employment, ILO unemployment and self-employment for Derbyshire and the East Midlands



Source: Annual Population Survey, January 2020 to December 2020, ONS (Nomis) © Crown Copyright.

Economic activity rates⁹ for the county have increased from 80.8% to 81.3% over the last year. This is mainly due to an increased flow of residents from being economically inactive to now being available and looking for work.

However, the employment rate¹⁰ in Derbyshire decreased marginally from 77.7% to 77.3% in the fourth quarter of 2020 and is 1.2% points lower than a year ago. Although the county's employment rate is 1.6% points above the England level, the gap has closed over the past year. The fall in employment levels reflects the range of lockdown measures that have been introduced to reduce the spread of the virus. Five of Derbyshire's eight districts have seen a drop-in employment rate over the last year, the

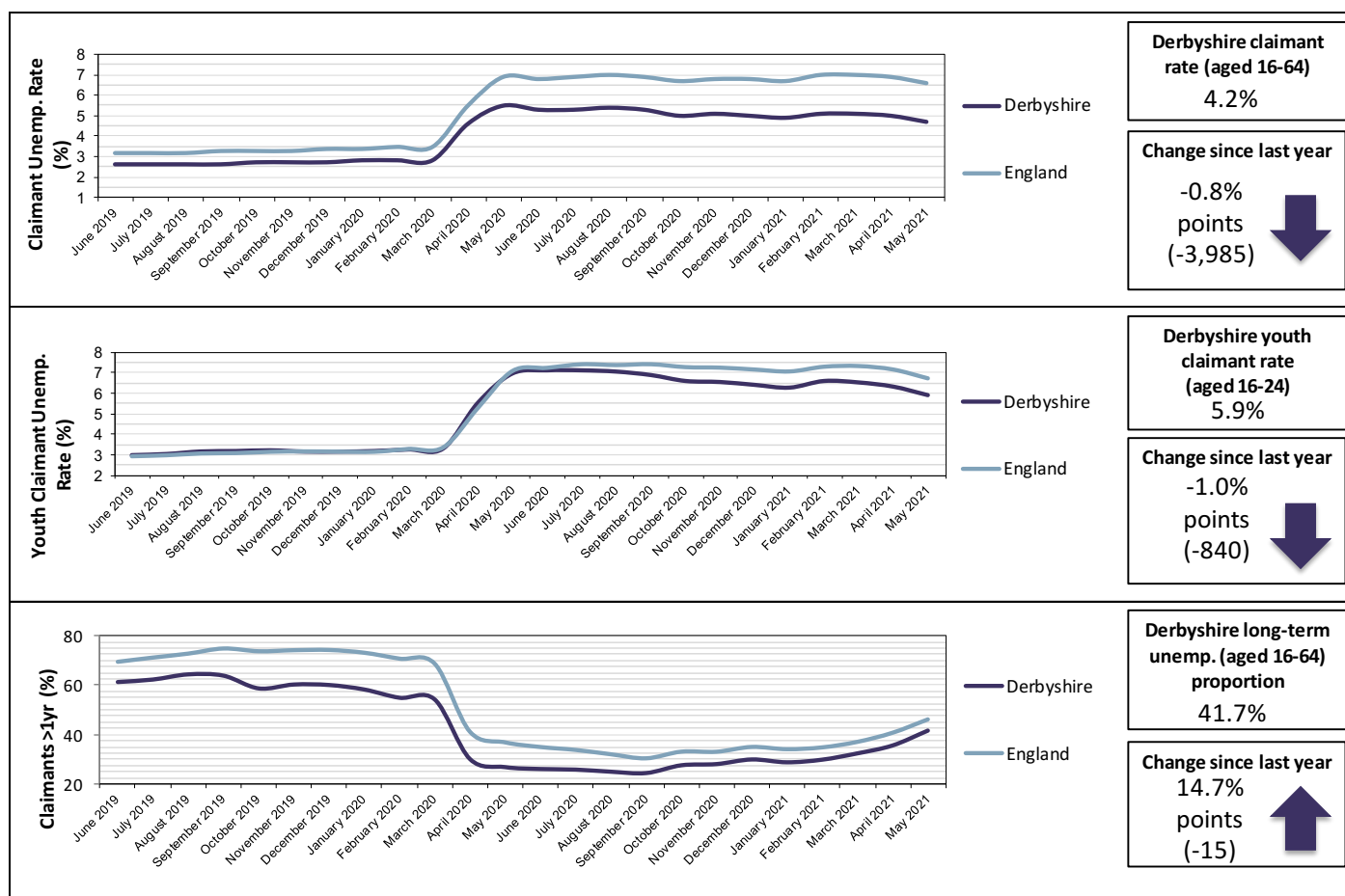
largest falls being seen in Bolsover (-11.3% points) and South Derbyshire (-8.7% points). Chesterfield has seen the greatest increase of 7.1% points.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. The Derbyshire rate has increased (2.0% points) since last year to 5.0%, taking ILO unemployment above the national picture (4.8%) for the first time in more than eight years.

The self-employed appear to have been particularly affected where the level has dropped by 1.4% points over the last year locally.

Unemployment in Derbyshire

Trends in claimant count unemployment for Derbyshire and the East Midlands



Source: Claimant count (overall and youth) and JSA (long-term), May 2021, 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 4.2% (20,650 residents), 1.9% points lower than nationally¹². The county's unemployment rate is now 0.8% points lower than it was a year ago.

April 2020 saw a sharp rise in unemployment levels because of the coronavirus pandemic, partly because of the broader range of people able to claim UC due to the support put in place by the Government. However, since then the level has been relatively stable with the furlough scheme having a moderating impact. As measures eased on 12th April 2021 and also 17th May 2021 under the Government's roadmap,

more businesses have been able to open and this is reflected in the downward movement in the unemployment figures.

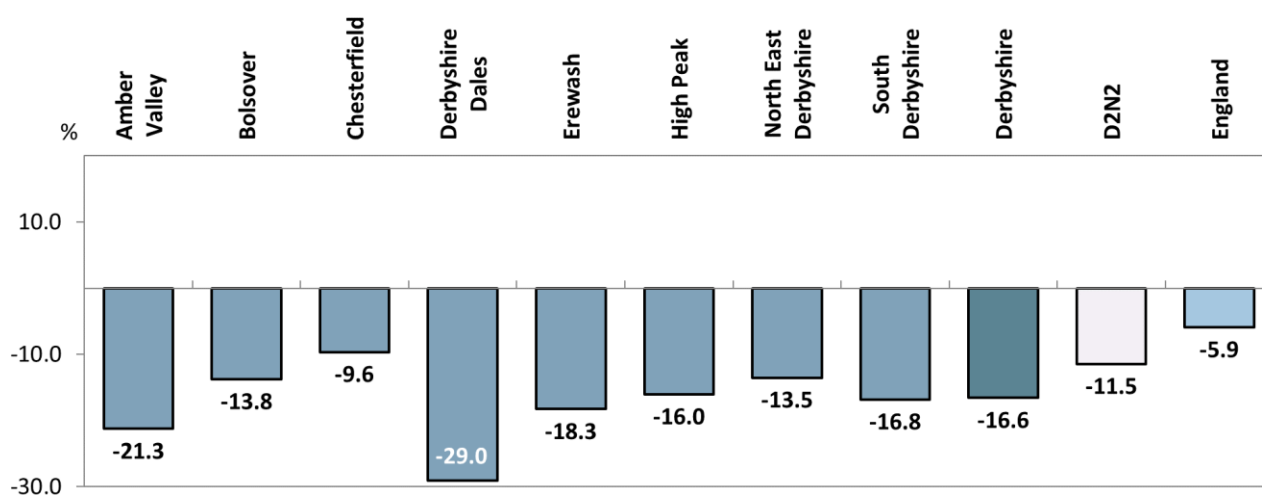
However, there is uncertainty as to what will happen when the furlough scheme ends and other measures to help businesses come to an end, such as PAYE and business rate holidays. Currently the furlough scheme is in place until the end of September, but employers' contributions will start from the beginning of July 2021, so there may be some impact from this point.

In May 2021 Gamesley (8.9%) in High Peak and Cotmanhay (8.7%) in Erewash were the wards locally with the highest unemployment rates, alongside Rother (8.4%) in Chesterfield and Awworth Road (8.2%) also in Erewash.

Youth Unemployment

Youth unemployment in Derbyshire stood at 5.9% (4,225 people aged 16-24) in May 2021¹³, lower than the England rate (6.7%). Cotmanhay (14.3%) in Erewash has the highest youth unemployment rate out of all Derbyshire wards followed by St Helen's (13.1%) and Rother (12.8%) in Chesterfield. Across the county there are 59 wards experiencing levels of youth unemployment more than the England rate of 6.7%. Erewash and Chesterfield (both 10 wards) have the highest numbers.

Annual percentage change in youth unemployment (May 2020 to May 2021)



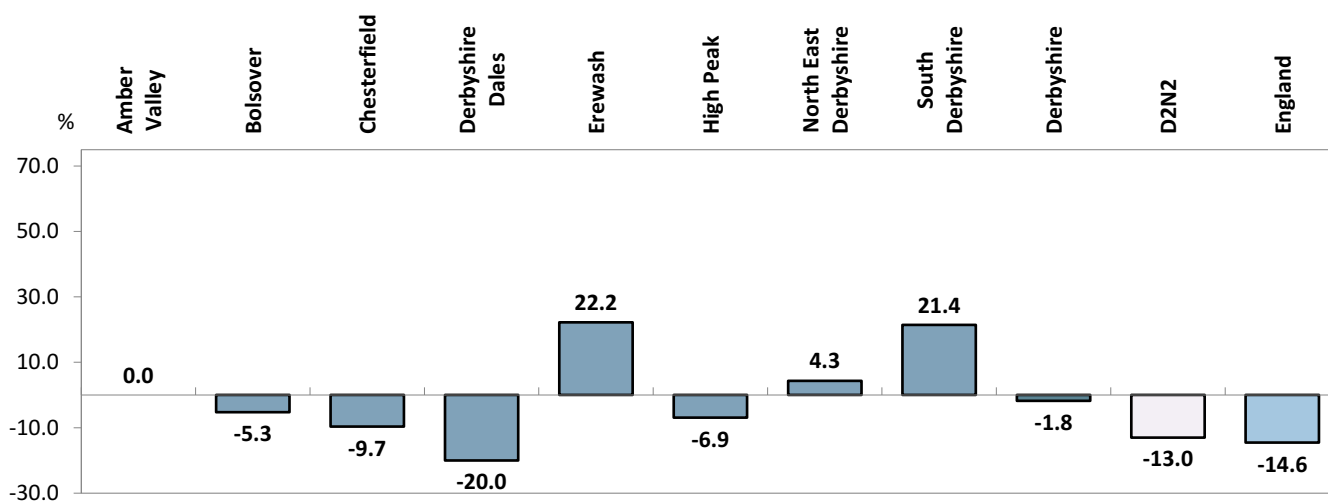
Source: Claimant count, May 2021, ONS (NOMIS) © Crown Copyright

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

The last year has seen the number of young people out of work in the county decrease by -16.6% (840 people). The overall percentage decrease in youth unemployment for Derbyshire is significantly more than that for England, -5.9%. All Derbyshire districts experienced a decrease in the number of young people unemployed, with the greatest decrease being in Derbyshire Dales (-29.0% or 90 residents) followed by Amber Valley (-21.3% or 170 residents).

Long-term Unemployment

Annual percentage change in long term unemployment (May 2020 to May 2021)



Source: JSA, May 2021, ONS (NOMIS) © Crown Copyright

Of Derbyshire's JSA unemployment claimants, 41.7%, 825 residents, have been out of work for more than a year, lower than the 46.2% across England. Over the last year the county's figure for the number of JSA long-term unemployment claimants has declined by -1.8%, lower than the -14.6% fall nationally. The sharp decline in the proportion of long-term unemployed residents in April 2020, shown in the chart above, reflects the fact that more new claimants have been able to claim JSA because of losing their jobs during the pandemic. It is also 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.

The number of JSA long-term unemployed residents has fallen in six of the eight districts over the last year. Derbyshire Dales (-20.0%) saw the greatest decline. The two districts seeing an increase were Erewash (22.2%) and South Derbyshire (21.4%).

The phased relaxation of COVID-19 restrictions in the economy over the Spring has started to have a positive impact on unemployment trends locally. However, there is still uncertainty for many businesses with some employees still on fewer hours and reduced recruitment in some sectors. Derbyshire's has a strong visitor economy and hospitality sector, employing a large number of young people, and these areas are amongst the hardest that have been hit, although it is hoped that there are opportunities over the coming months as greater numbers of people look to take holidays at home.

Key Benefits

Table of key benefits available

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (November 2020 except UC)						
Employment Support Allowance (ESA)/ Incapacity Benefit (IB)	24,855	5.1	4.4	-771	-3.0	↓
Long term claimants (1yr or more)	23,309	93.8	94.3	-1202	-4.9	↓
18 to 24 year old claimants (ESA only)	856	3.5	3.3	-349	-29.0	↓
Income Support (IS)	2,741	0.6	0.6	-934	-25.4	↓
Lone Parent Income Support (LPIS)	1,338	0.3	0.4	-652	-32.8	↓
Long term claimants (1yr or more)	1,338	100.0	99.9	-631	-32.0	↓
18 to 24 year old claimants	120	9.0	8.3	-162	-57.4	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	54,201	8.2	7.2	1382	2.6	↑
Universal Credit (UC) (April 2021)*	59,131	12.1	15.0	14,744	33.2	↑
Jobseekers Allowance (JSA)	3,055	0.6	0.7	1,534	100.9	↑
Carers allowance	12,033	2.5	2.3	548	4.8	↑
State Pension	164,125	24.7	21.1	-2941	-1.8	↓
Pension Credits	17,910	10.9	13.0	-854	-4.6	↓
Household benefits (February 2021 except Benefit Cap)						
Housing Benefit claimants	30,103	8.6	10.6	-3,068	-9.2	↓
Households affected by removal of Spare Room Subsidy	2,995	9.9	7.3	-372	-11.0	↓
1 Bedroom	2,418	80.7	81.1	-336	-12.2	↓
2 or more bedrooms	581	19.4	18.9	-30	-4.9	↓
Benefit Cap (November 2020)*	187	0.1	0.1	-49	-20.8	↓

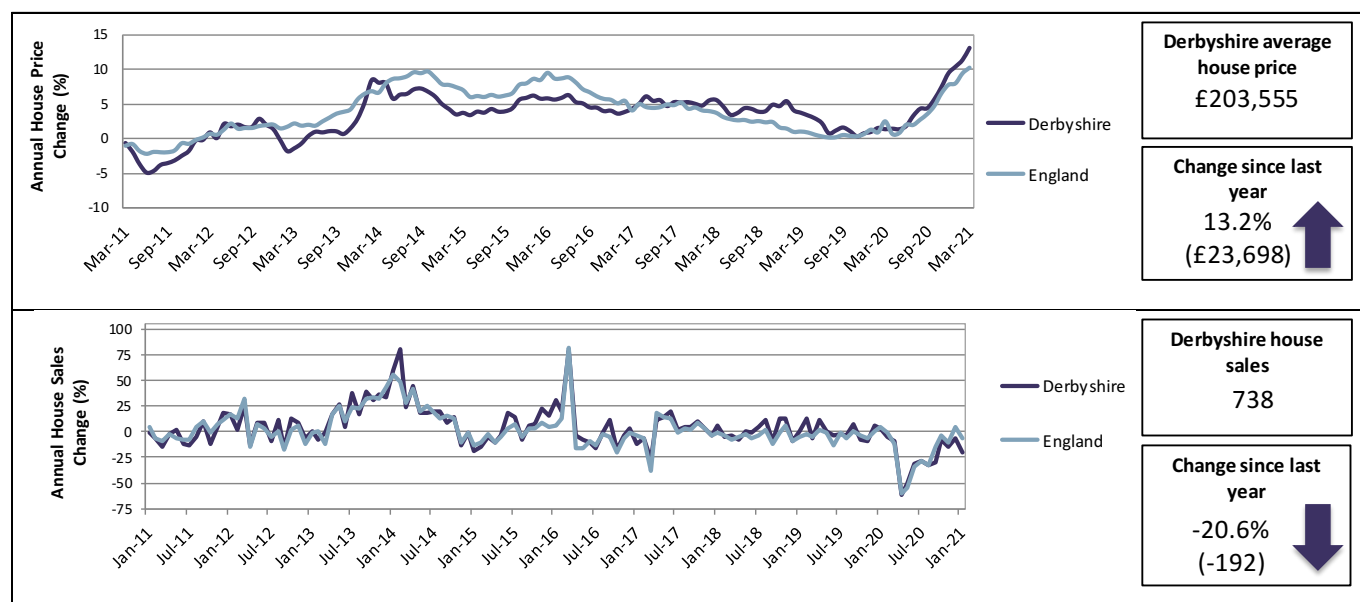
Source: Department for Work and Pensions (DWP) (Stat-Xplore), November 2020, February 2021 and April 2021/2019 Mid-year population estimates and 2018 based household projections, ONS © Crown Copyright

In Derbyshire, 5.1% of working age (16-64) people are claiming ESA. Of these, 93.8% have been claiming ESA for over 12 months and 3.5% are aged 18-24. There are 2,741 residents (0.6%) claiming Income Support, with 1,338 being lone parents. More than 54,000 (8.2%) people aged 16+ are claiming PIP/DLA, an increase on the previous year. The number of UC claimants in the county is just under 60,000, with more people claiming it because of the economic impact of the coronavirus pandemic. There has also been an increase in JSA claimants as a result of this too. There are 12,033 (2.5%) people locally claiming Carers Allowance, a rise on the last year. 164,125 (24.7%) residents are receiving a State Pension with 17,910 of these claiming Pension Credits. There are over 30,000 (8.6%) Derbyshire households claiming Housing Benefit, with 9.9% of these affected by the removal of the spare room subsidy¹⁴ and 187 households have had a Benefit Cap applied.

Housing

House Prices and Sales

Trends in house prices and house sales for Derbyshire and England



Source: UK House Price Index, ONS and Land Registry, March 2021, © Crown Copyright.

Average house prices for the year to March 2021 increased in all nine regions in England, with the national average being £274,600, an annual increase of 10.2%, its highest in more than ten years. Locally, in March 2021 the average price of a house in Derbyshire was £203,600, an increase of 13.2% over the last 12 months, a larger increase than nationally. Despite this, the average price of a house in the county is currently 25.9% below the England average. All districts in Derbyshire have seen house prices rise over the past year, the largest increase being in High Peak (20.0%), closely followed by South Derbyshire (18.4%).

Several factors are behind the continued house price growth, including pent-up demand built up during the periods of lockdown, increased levels of savings that some people have accumulated during the pandemic, rising confidence about an improving economic picture as lockdown restrictions are eased, and the extension of the stamp duty holiday until 30th June 2021, with a threshold decrease until 30th September 2021. This is likely to have stimulated demand for properties and maybe allowed sellers to request higher prices, especially given the relative shortage of properties for sale.

The pandemic has also caused house buyers to reassess their housing preferences, with the price of detached properties across the country increasing by 11.7% in the year to March 2021, in comparison with flats and maisonettes which increased by 5.0% over the same period. This reflects the rising appetite for people to seek larger, rural properties away from the large conurbations.

The Bank of England has reported that mortgage approvals for house purchases, an indicator of future lending, were 82,700 in March 2021 nationally. This is well below the recent peak of 103,100 in November 2020, but higher than the February 2020 level of 73,000 prior to the onset of the pandemic. House sales across the county have provisionally experienced a fall of -20.6% over the last 12 months, greater than the estimated drop in sales nationally of -5.8%.

End Notes

- ¹ Data for Derbyshire in the review does not include Derby City unless otherwise stated.
- ² Gross Domestic Product (GDP), First quarterly estimate UK: January to March 2021, Office for National Statistics (ONS) © Crown Copyright.
- ³ UK Trade, March 2021, ONS © Crown Copyright.
- ⁴ Consumer Price Inflation, UK: April 2021, ONS, © Crown Copyright.
- ⁵ Bank of England Agents' Summary of Business Conditions, May 2021; BoE Monetary Policy Report, May 2021.
- ⁶ Derbyshire Economic Partnership, 2020-21.
- ⁷ Derbyshire Economic Partnership, 2020-21.
- ⁸ Business Investment in the UK: January to March 2021, Office for National Statistics (ONS) © Crown Copyright.
- ⁹ The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.
- ¹⁰ The employment rate is the percentage of the working age population (age 16-64) who are employed.
- ¹¹ ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count and includes people who are out of work and claiming Job Seekers Allowance or Universal Credit as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO measure 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.
- ¹² 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.
- ¹³ Youth 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.
- ¹⁴ Housing benefit spare room subsidy is shown as a percentage of those households claiming housing benefit.



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