

# Policy and Research - Commissioning, Communities and Policy

## Derbyshire Economic Review - Spring 2020

### Introduction

This document gives a brief overview of the latest information on the Derbyshire<sup>1</sup> 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 one of 2020 so does not reflect the emerging economic impact of the coronavirus pandemic. More data on how the economy is being affected will be coming out in the weeks and months ahead and we will look to incorporate this into our future reporting. Also, as from this edition of the economic review the 'in-focus' analysis will be published separately so there is no 'in-focus' at the end of the document.

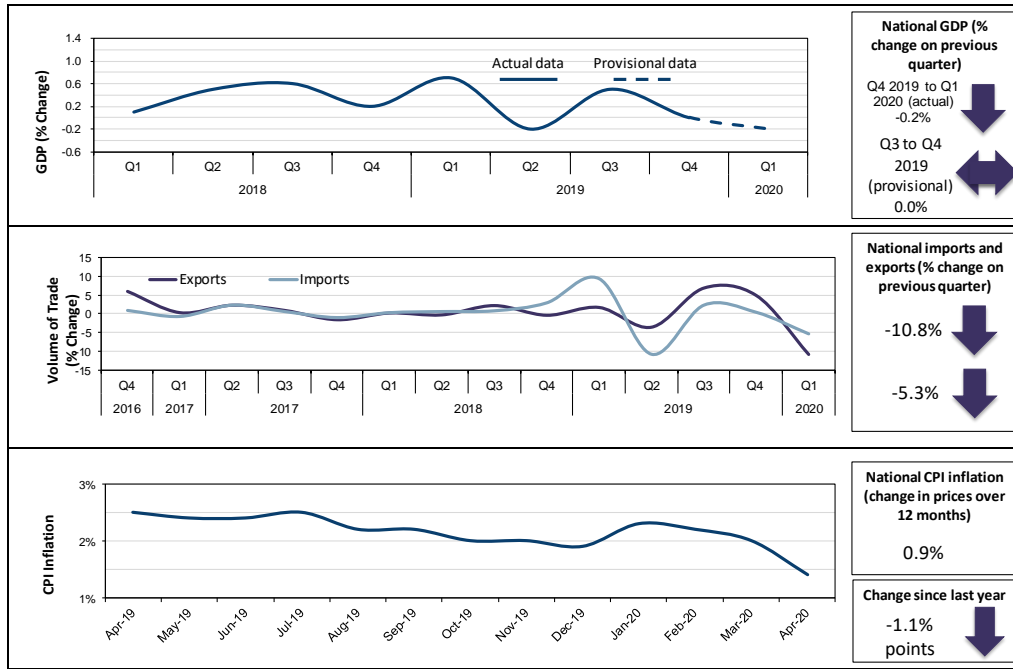
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### Overview

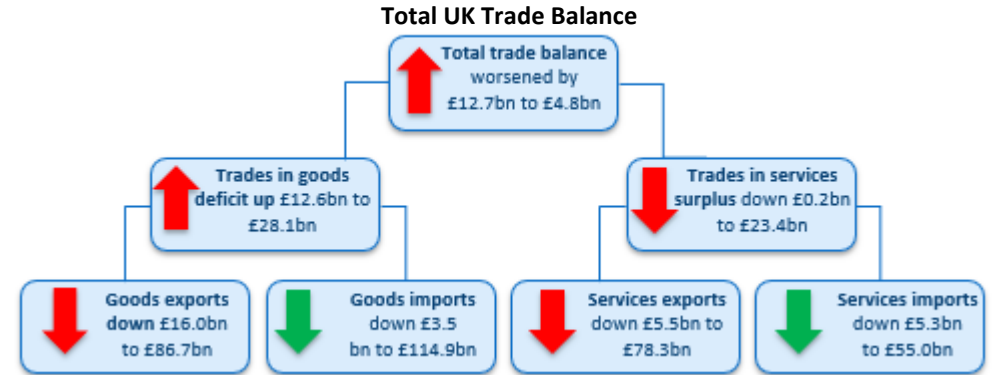
- UK Gross Domestic Product (GDP) is estimated to have fallen by 2.0% in quarter one of 2020<sup>2</sup>, linked to the ongoing coronavirus pandemic and associated measures to mitigate the spread and impact of the disease.
- The annual Consumer Prices Inflation (CPI) for April 2020 was 0.9%, decreasing from 1.5% the previous month.
- The quarter one 2020 data from the East Midlands Chamber of Commerce's Quarterly Economic Survey for Derbyshire saw a stabilising picture for firms following a year of fluctuating results for both the county and the wider region.
- The employment rate in Derbyshire has fallen slightly from 78.8% to 78.5% within the last year yet remains one of the highest recorded rates over the past 15 years.
- Derbyshire's claimant count unemployment rate is currently 4.2%, 0.8% points lower than England. Levels are rising both locally and nationally as the economic effects of the coronavirus pandemic are now being exhibited in redundancy and unemployment figures. However, it is likely to be partially due to the range of measures put in place by the Government which has meant that more people are eligible to claim than before.
- In April 2020, the youth unemployment rate (aged 16-24) in Derbyshire rose to 5.6% (4,050), slightly higher than the England rate (5.3%). This sharp upsurge is likely again due to the increasing inclusion of young people on UC due to the pandemic.
- The average price of a house in Derbyshire was £180,444 in February 2020, an increase of 1.5% over the last 12 months yet remaining well below the national average, currently 26.8% lower.

## National Performance Indicators



As anticipated by many commentators, UK Gross Domestic Product (GDP) is estimated to have fallen by 2.0% in quarter one of 2020<sup>2</sup>, linked to the ongoing COVID-19 crisis and associated measures to mitigate the spread and impact of the disease. During March, the month during which lockdown was imposed, GDP saw a fall of 6.0% with the quarterly decline being the largest since quarter four of 2008.

The pandemic has seen widespread disruption to economic activity across the UK, with services output falling by a record 1.9% caused by business shutdowns and cancelled orders across most of the sector. Crucially, given the significance of the visitor economy in Derbyshire, the greatest decline has been in accommodation and food services at -9.5%. There were also significant contractions in construction (-2.6%) and production (-2.1%), which saw the fourth consecutive quarterly fall in output, reflecting difficulties being experienced by firms in the months prior to the pandemic. Additionally, household consumption fell by 1.7% in quarter one, again the largest contraction since the 2008-09 financial crisis, reflecting the uncertainty of households over future income levels and also restrictions on the high street.



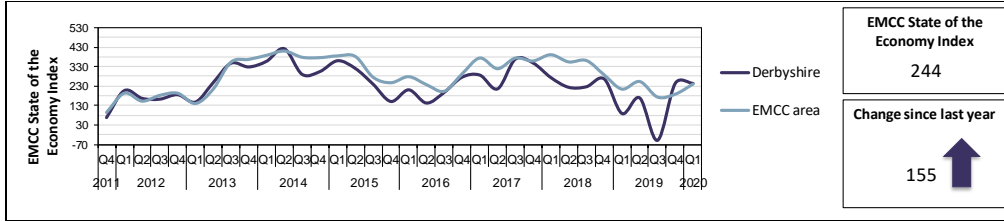
**Note:** the arrow direction indicates whether a component has increased or decreased, while the colour denotes the impact the direction of a movement has on the trade balance. For example, an increase in imports is denoted by an upward red (darker) arrow, as a rise in imports has a negative impact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

The net difference between exports and imports dropped from an excess of +£8.0 billion in quarter four of 2019 to a deficit of -£4.8 billion in quarter one of 2020<sup>3</sup>, due largely to a widening in the trade deficit for goods. Whilst goods imports dropped by -£3.5 billion, this was exceeded by the £16 billion fall in goods exports. It is likely the falls in both exports and imports reflect the impact of coronavirus measures on international trade.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.9% in April 2020<sup>4</sup>, decreasing from 1.5% in March 2020. The largest upward contribution to the rate in April was the rising prices for recreational goods. However, this has been more than offset by falling energy prices. These points reflect the onset of the coronavirus pandemic and the increase in demand for recreational goods during the lockdown as well as reduction in demand for energy and fuel from industry.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to keep the UK interest rate unchanged at 0.1% in May 2020<sup>5</sup>. This follows the successive reductions in the rate from 0.75% to 0.25% and 0.25% to 0.1% during March 2020, as part of actions to mitigate the economic shock resulting from the coronavirus outbreak. The outlook for the UK and global economies is unusually uncertain and it is suggested that 2020 will see a marked decline in GDP. Longer term, however, there is consensus that the UK economy will return to growth in 2021, although there is uncertainty over the pace and the scale of this.

## Business Conditions



Quarterly Economic Survey, Quarter 1 2020, East Midlands Chamber of Commerce.

The latest data for Derbyshire from the East Midlands Chamber of Commerce’s (EMCC) Quarterly Economic Survey (QES) relates to quarter one of 2020. It is important to note that the fieldwork for this was undertaken before the full extent of the potential impact for businesses from Covid-19 was beginning to be understood.

It appears that following a year of fluctuating results for Derbyshire and the wider region, the first quarter of 2020 saw a more stable picture for firms<sup>6</sup>. The county’s economic output as measured on the Chamber’s State of the Economy measure was 244 points, very similar to the picture for the final quarter of 2019. It’s likely that the election of a new parliament in December and decision to begin the formal process of leaving the EU from the end of January had put firms on a more certain footing.

Notwithstanding the onset of the Covid-19 pandemic, firms were relatively positive about sales over the last three months, future orders, and levels of investment in capital projects and training. There was also growth in employment levels. These figures translated into reasonable levels of confidence about future turnover and to a lesser degree future profitability. However, there was concern over cashflow, with more firms reporting a worsening financial position than those reporting an improving one. This is probably linked to the stockpiling done by businesses to mitigate against a potential no-deal Brexit impact on supply chains.

The results for quarter two and beyond will show how the impact of the pandemic has begun to affect Derbyshire’s economy, however the findings for the first three months of the year showed that businesses were performing fairly solidly and showing a degree of resilience.

## Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received 12 investment enquiries between November 2019 and April 2020<sup>7</sup>, four less than the same period a year ago. The majority of the enquires (eight) were in Advanced Manufacturing. Two were in Finance/Business, one was in Retail and one was for an office-based investment. The total number of business enquiries during 2019/20 was 27, less than the 34 received the previous year.

The latest business investment data from the Office for National Statistics which covers the final quarter of 2019 showed a 0.5% decline across the UK in business investment. The analysis highlights that slowing global growth and political uncertainty towards the end of the year were factors. Business investment has also been suppressed in the early part of 2020 too with the onset of the coronavirus pandemic<sup>8</sup>.

The Markham Vale regeneration site continues to grow with the ongoing addition of new companies to the business community. On Markham Vale North, Protec International completed the fit-out stage of their new building. A further enquiry for a speculative development of two large industrial buildings is progressing towards legal completion with the aim of construction commencing in the first quarter of 2020/2021. On Markham Vale West, three enquiries for further new developments on this phase of the site are progressing, one of which will see construction commencing in the Autumn subject to securing planning approval. On Markham Vale East, construction is progressing on a 9,100 sq. ft unit for Transcare Ltd, a Derbyshire based fleet management and maintenance company.

## Job Losses and Gains

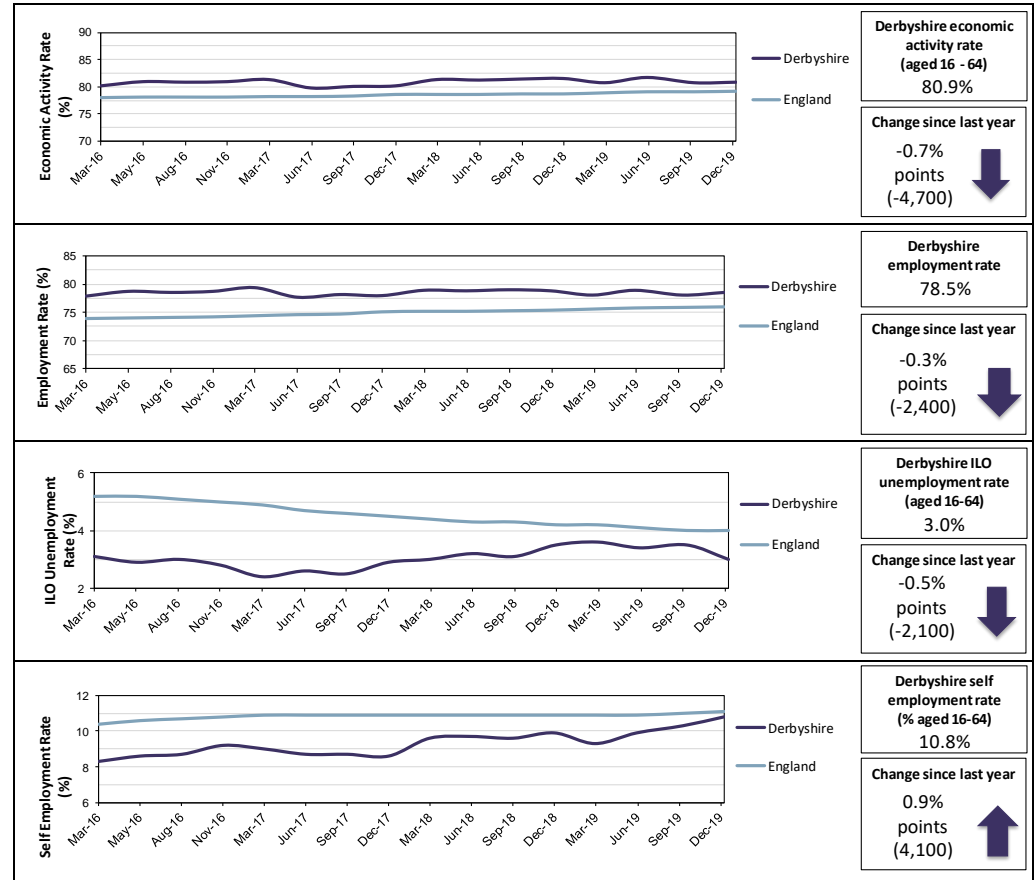
The following job losses and gains information relates to Derbyshire (including Derby City) and is drawn from articles in the local press between November 2019 and February 2020.

### Job Losses

- At the beginning of February M&S confirmed the closure of its Long Eaton distribution centre, putting over 300 jobs at risk.

### Job Gains

- In February, 2,000 jobs were secured when EV Cargo Logistics bought Alfreton based NFT Distribution out of administration.
- Plans for the final phase of the retail and industrial scheme, Park 38, in South Normanton were approved at the beginning of December. The scheme is expected to create more than 1,000 jobs.
- Plans to extend the Denby Hall Business Park, near Ripley, were announced in January, potentially bringing 940 new jobs to the area.
- At the beginning of February Aldi supermarket opened an East Midlands distribution centre at Sawley, creating 400 jobs.
- Plans were approved in December for a new bottling plant at Dove Valley Park, South Derbyshire, predicted to bring over 150 jobs to the area.
- National care provider Agincare announced in February that its takeover of three former Derby City Council care homes could create more than 100 new jobs.
- At the end of December plans were submitted to keep Whitwell Lime Works open until 2043, protecting 65 jobs.
- In February Hubaco, the parent firm of Terra Nova Equipment, the company that makes some of the world's lightest tents, relocated from Alfreton to larger premises in Clay Cross to meet future growth. The move has brought nearly 50 full and part-time jobs to the area.
- The rescue of Derby manufacturer EPM Technologies in December saved 41 jobs.
- Global Brands announced in December that expansion of its Clay Cross warehouse will bring 40 jobs online within the distribution centre.
- At the end of November 200 Degrees opened a new coffee shop at the East Midlands Outlet, creating 16 new jobs.



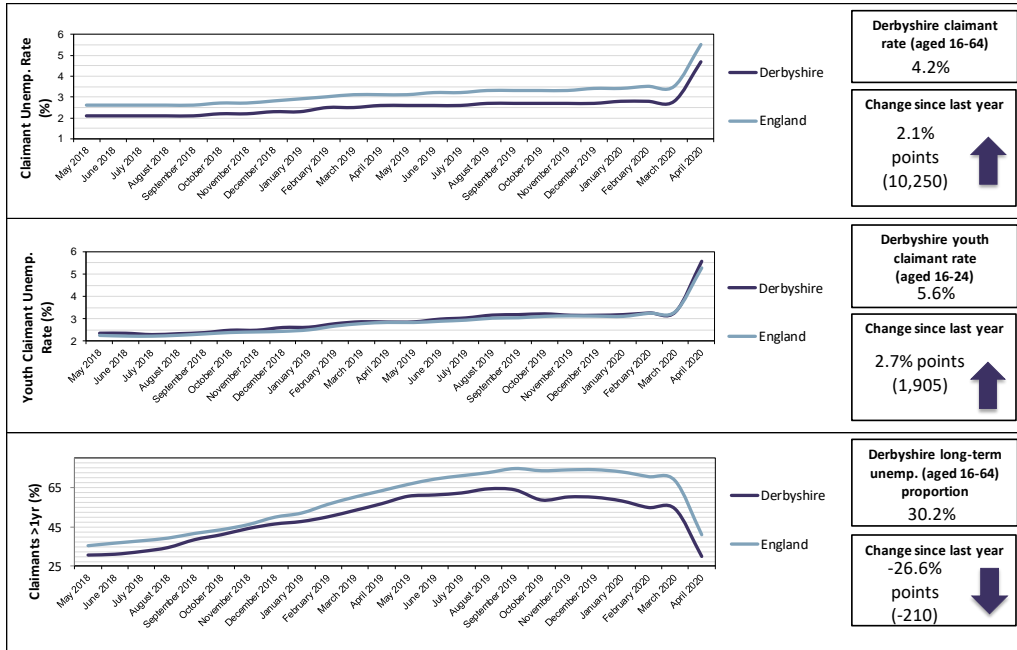
Source: Annual Population Survey, January 2019-December 2019, ONS (Nomis) © Crown Copyright.

## Labour Market Participation

The employment rate<sup>9</sup> in Derbyshire rose slightly from 78.0 to 78.5% in the final quarter of 2019, although it is 0.3% points lower than a year ago. However, despite this, the rate remains one of the highest recorded in the last 15 years and is 2.5% points above the England rate. Over the last year, it has been a mixed picture across the districts. South Derbyshire (+5.4% points) and Erewash (+4.7% points) have seen the largest increases in employment levels and Chesterfield (-5.4%), Derbyshire Dales (-4.6%) and High Peak (-4.3%) the biggest falls. Economic activity levels<sup>10</sup> for the county have also fallen slightly over the year, from 81.6 to 80.9%. However there has been a rise in self-employment, where the level has risen from 9.9% to 10.8%.

## Labour Market

International Labour Organisation (ILO)<sup>11</sup> unemployment is regarded as the official measure of unemployment. The Derbyshire rate has fallen marginally (-0.5% points) since last year to 3.0%. This is partly due to an increase in the number of people who have become inactive in the labour market, through either wanting a job but not actively looking for one or not wanting a job at all.



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

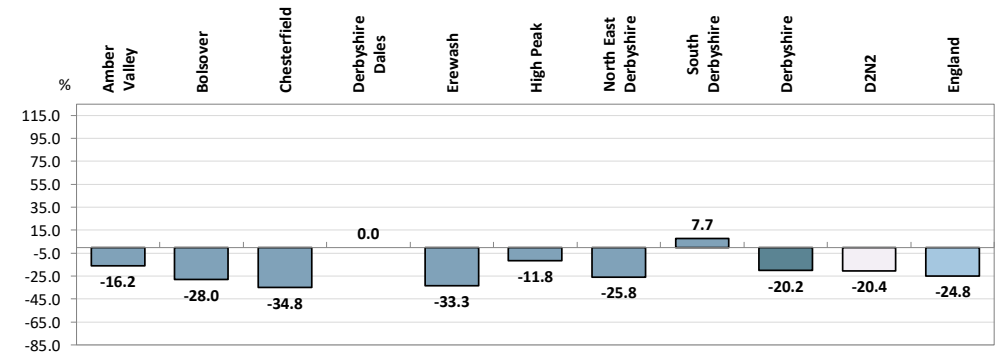
The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) or unemployment related Universal Credit (UC), is currently 4.2% (20,305 residents), 0.8% points lower than nationally<sup>12</sup>. The unemployment rate locally has been rising slowly for more than two 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. In the main this is likely to be linked to the coronavirus pandemic, however, the range of support measures put in place by the Government has meant that more people are eligible to claim unemployment related support than before. It is not clear though how much of the increase in April relates to this and how much relates directly to the Covid-19 impact.

## Labour Market

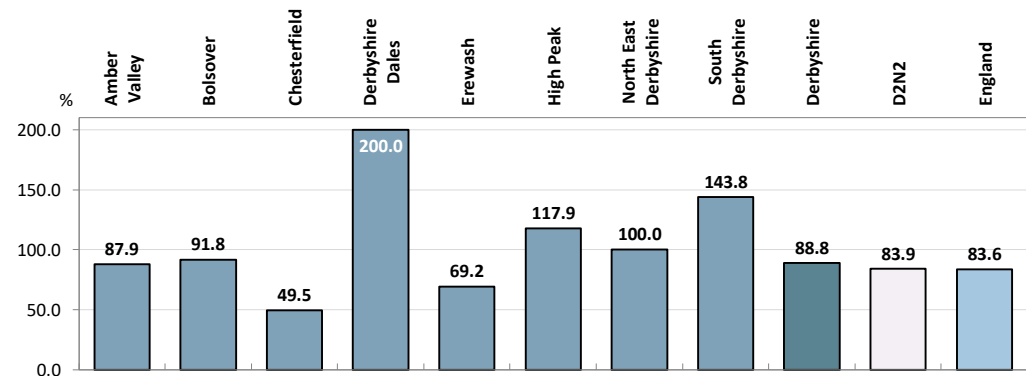
Looking at the unemployment rate at ward level, only Gamesley in High Peak has a rate of unemployment double the national average at 10.1%.

Of Derbyshire's JSA unemployment claimants 30.2%, 830 residents, have been out of work for more than a year, lower than the 41.2% across England. Over the last year the county's figure has fallen by -26.6% points, more than the -22.3% points nationally. The number of JSA long-term unemployed residents has decreased in six out of the eight districts. South Derbyshire is the only district to see a rise (7.7%), although this is from a low base of 65 rising to 70 claimants. There has been no change to the claimant rate in the remaining district, Derbyshire Dales. It is important to note that the introduction of UC and ongoing transfer of JSA claimants

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



### Annual % change in youth unemployment (April 2019 to April 2020)



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

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

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.

Youth unemployment in Derbyshire has risen sharply with 5.6% (4,050) of people aged 16-24<sup>13</sup> in April 2020 being unemployed, which is higher than the England rate (5.3%). This level of youth unemployment in the county has not been seen in nearly seven years when there were 4,165 young people unemployed locally. Having been relatively stable since spring 2015, the youth unemployment rate in the county has edged up slightly since early 2018 as has overall unemployment. As with overall unemployment the latest figures reflect the current stress being placed on the economy due to the coronavirus pandemic. However, the increase in the youth unemployment rate has been greater in Derbyshire than the England average. A similar situation arose in the county in the aftermath of the 2008-09 financial crisis so it will be important to see if this pattern continues in the months ahead.

There has been an increase in the number of young people unemployed in all of the Derbyshire districts over the last year, with the greatest increase being in Derbyshire Dales (200.0% or 160 residents) followed by South Derbyshire (143.8% or 230 residents) and High Peak (117.9% or 230 residents). Chesterfield has seen the smallest rise (49.5% or 225 residents) followed by Erewash (69.2% or 315 residents). The coronavirus effect on the economy, leading to redundancies in some workplaces, reduced hours, hold on recruitment and apprenticeship places, as well as the closure of some businesses is a significant factor in the increases across the districts. 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 there are only three wards where the rate of youth unemployment is more than double the national rate, the youth unemployment rates in these wards is very high this month. The wards are Cotmanhay (14.0%) in Erewash, and St Helen's (11.8%) and Old Whittington (10.7%) in Chesterfield.

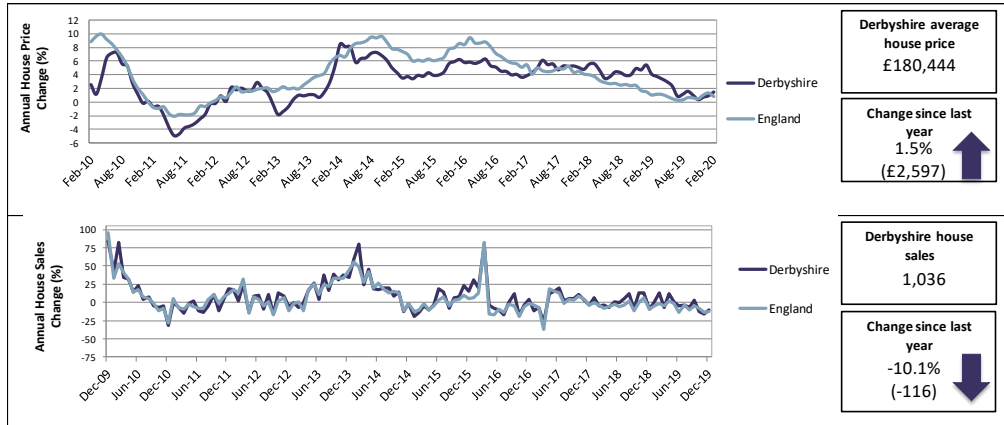
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
<b>Individual benefits Nov 2019 except UC and JSA/UC sanctions)</b>						
<b>Employment Support Allowance (ESA)/ Incapacity Benefit (IB)</b>	25,626	5.3	4.6	-2363	-8.4	↓
Long term claimants (1yr or more)	24,511	95.6	96.2	-986	-3.9	↓
18 to 24 year old claimants (ESA only)	1,205	4.7	4.2	-565	-31.9	↓
<b>Income Support (IS)</b>	3,675	0.8	0.8	-1527	-29.4	↓
<b>Lone Parent Income Support (LPIS)</b>	1,990	0.4	0.5	-1151	-36.6	↓
Long term claimants (1yr or more)	1,969	98.9	98.7	-588	-23.0	↓
18 to 24 year old claimants	282	14.2	12.6	-334	-54.2	↓
<b>Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)</b>	52,816	8.0	7.0	1773	3.5	↑
<b>Universal Credit (UC) (April 2020)*</b>	44,336	9.1	10.3	24,636	125.1	↑
<b>Jobseekers Allowance (JSA)</b>	1,521	0.3	0.4	-690	-31.2	↓
<b>JSA/UC sanctions (October 2019)*</b>	0	0.0	0.0	-40	-100.0	↓
<b>Carers allowance</b>	11,485	2.4	2.1	395	3.6	↑
<b>State Pension</b>	167,066	25.3	21.6	-1986	-1.2	↓
<b>Pension Credits</b>	18,764	2.8	2.9	-1061	-5.4	↓
<b>Household benefits (February 2020)</b>						
<b>Housing Benefit claimants</b>	33,171	9.6	11.9	-5,188	-13.5	↓
<b>Households affected by removal of Spare Room Subsidy</b>	3,367	10.2	7.6	-556	-14.2	↓
1 Bedroom	2,754	81.8	81.3	-474	-14.7	↓
2 or more bedrooms	611	18.1	18.7	-83	-12.0	↓
<b>Benefit Cap</b>	259	0.1	0.1	-116	-30.9	↓

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

Notes: \* UC April 2020 and JSA/UC sanctions October 2019

In Derbyshire, 5.3% of working age people are claiming ESA. Of these, 95.6% have been claiming ESA for over 12 months and 4.7% are aged 18-24. There are over 3,600 residents (0.8%) claiming Income Support, with nearly 2,000 being lone parents. Over 52,800 (8.0%) people are claiming PIP/DLA. The number of UC claimants in the county has risen to over 44,300, largely due to the effects of the coronavirus pandemic on the economy. There has been a reduction in people claiming JSA/UC who have had their benefit stopped or reduced through sanctions. There are 11,485 (2.4%) people locally claiming Carers Allowance, an increase on the previous year. Over 167,500 (25.3%) residents are receiving a State Pension with over 18,700 of these claiming Pension Credits. Over 33,000 (9.6%) Derbyshire households are claiming Housing Benefit, with 10.2% affected by the removal of the spare room subsidy<sup>14</sup> and 259 households have had a Benefit Cap applied.



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

The average price of a house in Derbyshire was £180,444 in February 2020, an increase of 1.5% over the last 12 months. Up to November 2019 annual house price growth locally had been above the England level for around two years. However, in three of the last four months annual growth was lower than for England. The average price of a house in the county is currently 26.8% below the England average. Four districts, Amber Valley (6.1%), Chesterfield (4.0%), North East Derbyshire (3.4%) and Bolsover (0.8%), have seen house prices rise over the past year. Overall, house sales in Derbyshire have experienced a fall of -10.1% over the last 12 months, slightly lower than the drop in sales nationally at -12.4%.

House prices continued to rise in the build-up to the coronavirus lockdown. House prices for the year to February 2020 have seen increases in all regions of England. However, house prices are now expected to fall in 2020, as people delay house moves and house viewings have been put on hold or can only be accessed remotely. A recent Royal Institution of Chartered Surveyors report said that 80.0% of its member estate agents had seen previously agreed sales fall through during lockdown<sup>15</sup>. Many buyers who are going ahead with purchases agreed before coronavirus are now looking to renegotiate the price to reflect the effect on their personal finances and prospects, and on the economy. Internal research by the Nationwide Building Society has found that some families are looking to move to larger homes post lockdown, with a garden or extra space for a home office being popular requirements. Some also wanted to buy properties closer to the high street<sup>16</sup>.

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- <sup>1</sup>Data for Derbyshire in the review does not include Derby City unless otherwise stated.
- <sup>2</sup>GDP, first quarterly estimate, UK: January to March 2020, Office for National Statistics (ONS) © Crown Copyright.
- <sup>3</sup>Statistical Bulletin, UK Trade, May 2020, ONS © Crown Copyright.
- <sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), April 2020, ONS © Crown Copyright.
- <sup>5</sup>Monetary Policy Committee Decision, May 2020, Bank of England and BoE Monetary Policy Report, May 2020.
- <sup>6</sup>Quarterly Economic Survey, quarter one 2020, East Midlands Chamber of Commerce.
- <sup>7</sup>Derbyshire Economic Partnership, 2019-2020.
- <sup>8</sup>Business Investment in the UK: October to December 2019 revised results, Office for National Statistics (ONS) © Crown Copyright.
- <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 Mid-Year Population Estimates published by ONS.
- <sup>14</sup>Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.



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Version	Author	Date	Contact
1.0 Public	Policy and Research, Commissioning, Communities and Policy	22/06/2020	<a href="mailto:research@derbyshire.gov.uk">research@derbyshire.gov.uk</a>
Source	Geography		
Various, see End Notes	Derbyshire, England		