

Policy and Research

Commissioning, Communities and Policy

Derbyshire Economic Review - Summer 2020

Introduction

This document gives a brief overview of the latest information on the Derbyshire¹ economy both in a national and local context. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for organisations across the county. The data in the document mainly relates to **quarter two of 2020** and is now starting to reflect the emerging economic impact of the coronavirus pandemic.

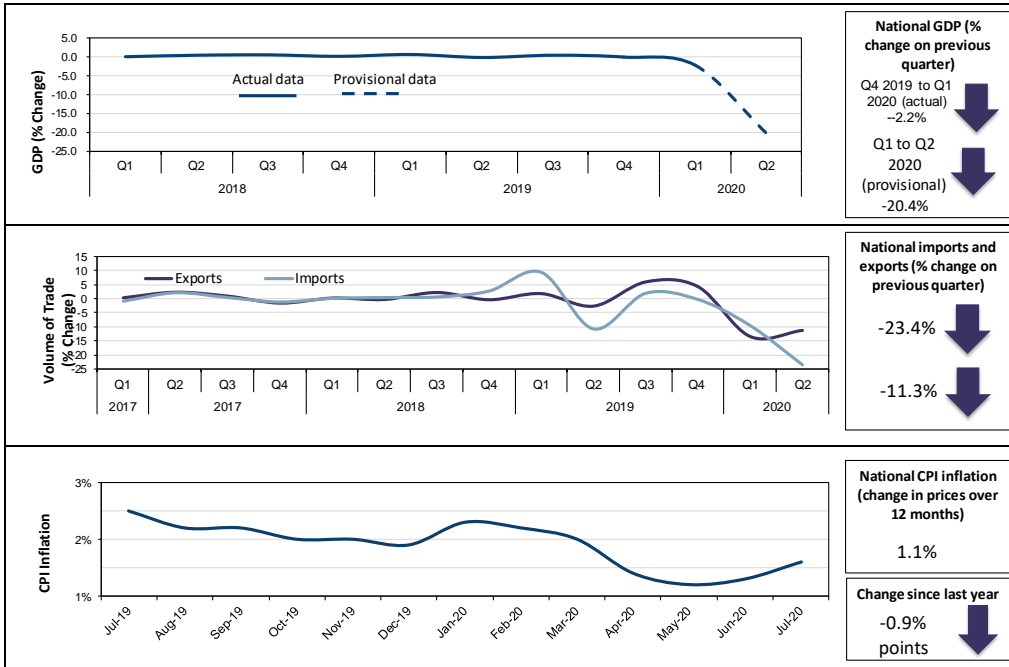
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Overview

- UK Gross Domestic Product (GDP) is estimated to have fallen by 20.4% in quarter two of 2020², 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 July 2020 was 1.1%, increasing from 0.8% the previous month.
- The quarter two 2020 data from the East Midlands Chamber of Commerce's Quarterly Economic Survey shows the scale of the impact of the coronavirus pandemic with both Derbyshire and the wider East Midlands having seen their biggest yearly falls on record for the Chamber's State of the Economy Measure.
- The employment rate in Derbyshire fell from 78.0% to 77.0% in the first quarter of 2020.
- Derbyshire's claimant count unemployment rate is currently 4.9%, 1.6% 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.
- In July 2020, the youth unemployment rate (aged 16-24) in Derbyshire stands at 7.2% (5,220), but lower than the England rate of 7.5%. Rates locally and nationally have more than doubled over the last year. This sharp upsurge is again due to the increasing inclusion of young people on Universal Credit due to the pandemic.
- The average price of a house in Derbyshire was £179,506 in April 2020, an increase of 1.0% over the last 12 months, but 28.4% below the England average.

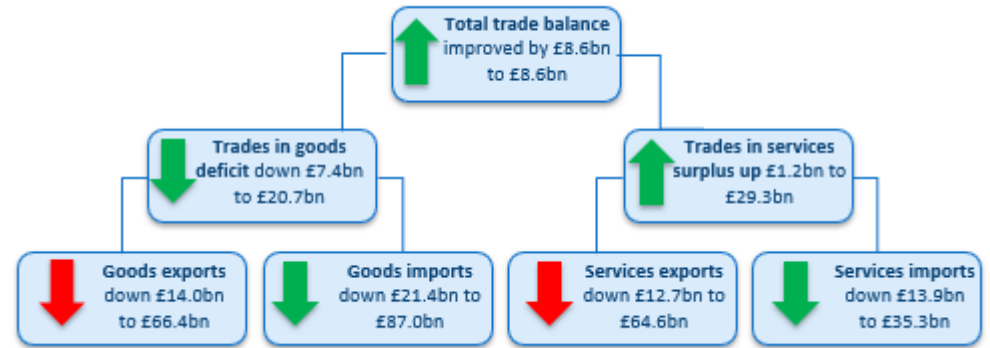
National Performance Indicators



UK Gross Domestic Product (GDP) is estimated to have fallen by 20.4% in quarter two of 2020², linked to the ongoing COVID-19 crisis and associated measures to mitigate the spread and impact of the disease, and is quoted as being the biggest fall in quarterly GDP on record. Latest estimates show that the UK economy showed some bounce back in June, however, it is now 17.2% smaller than it was in February, with the impact being most felt in those industries facing public health restrictions and the effects of social distancing.

All the headline sectors provided a negative contribution to GDP growth in the three months to June 2020. The services sector fell by 19.9%, with food and beverage service activities and wholesale and retail trade, two important sectors for Derbyshire, falling by 84.7% and 63.0% respectively. Production dropped by 16.9%, driven by manufacturing, which declined by 20.2% as a result of widespread falls with 12 out of 13 sub-sectors contracting, most notably in transport equipment manufacture, which fell by 49.1%. Construction decreased by 35.0% with Agriculture doing so by 4.8%.

Total UK Trade Balance



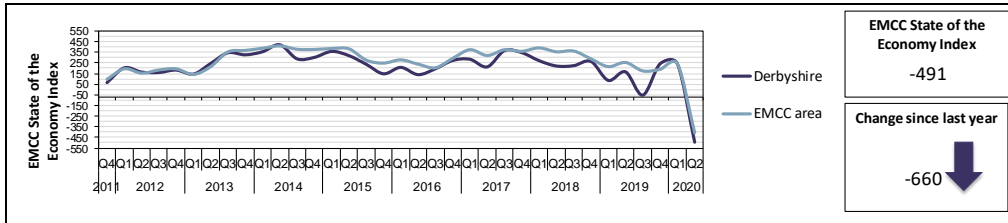
Note: the arrow direction indicates whether a component has increased or decreased, while the colour denotes the impact the direction of a movement has on the trade balance. For example, an increase in imports is denoted by an upward red (darker) arrow, as a rise in imports has a negative impact on the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

The pandemic has led to a marked fall in global trade with restrictions disrupting international supply chains. However, imports have fallen to a greater degree (-£35.2bn) than exports (-£26.7bn) meaning that the UK had a trade surplus of £8.6bn in quarter two, the greatest surplus in over 20 years³.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.1% in July 2020⁴, increasing from 0.8% in June 2020. The largest contribution to the inflation rate in July came from recreation and culture. This was offset slightly by falling food prices. Clothing, rising prices at the petrol pump, and furniture and household goods made large upward contributions to the change in the inflation rate between June and July 2020.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to maintain the UK interest rate unchanged at 0.1% in August 2020⁵. The outlook for the UK and global economies remains uncertain and is dependent on the evolution of the coronavirus pandemic, measures taken to protect public health, and how governments, businesses and households respond to these factors. There are some early signs that global activity is beginning to strengthen. In the UK, GDP is forecast to recover as consumer spending picks up and to a lesser extent business investment. However, UK GDP is not projected to exceed its level in quarter four of 2019 until the end of 2021.

Business Conditions



Quarterly Economic Survey, Quarter 2 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 two of 2020. The fieldwork for this was undertaken as the very first steps were being taken by the Government to ease the lockdown and get the economy moving again.

The data reflects the unprecedented economic conditions that have arisen since the onset of the pandemic, with Derbyshire and the wider East Midlands having seen their biggest falls on record for the Chamber’s State of the Economy Measure⁶. Only 11.0% of firms in the county had seen their UK sales improve whilst 83.0% had seen them get worse over the last three months. Cashflow is also a major concern with a net -58.0% of respondents reporting a worsening position. Businesses have also scaled back on the size of their workforce with a net -40.0% seeing a decline in employee numbers. In addition only 12% of respondents reported they were working at full capacity.

When asked about expected activity levels at the end of 2020, just 19.8% of businesses expect to fully return to pre-lockdown activity levels by this date, increasing to 44.9% by the end of 2021.

The only positives to take at the moment are that around a quarter of firms feel that turnover will improve in the next three months and that future investment and employment plans appear to be slightly less of an issue. These areas are all in net negative territory though with more firms seeing a worse picture than a better one. Firms are also less concerned about the prices being paid for goods and services.

Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received 10 investment enquiries between May and July 2020⁷, one more than the same period a year ago. As in the previous three months the majority, seven, were in innovation and advanced manufacturing. The other three related to residential and development, investment and development, and retail and leisure.

The latest business investment data from the Office for National Statistics which covers the first quarter of 2020 showed a 0.3% decline across the UK in business investment. This is the fourth consecutive quarter when there has been a decline or no change in business investment nationally. The quarter one figures are likely to reflect concerns that businesses were having as a result of the onset of the coronavirus pandemic⁸.

The Markham Vale regeneration site continues to grow with the ongoing addition of new companies to the business community. On Markham Vale North, a £25m deal was completed with Aver for the speculative development of two large industrial buildings totalling 297,000 sq. ft of employment space. Local contractor Bowmer and Kirkland was awarded the construction contract which commenced in June. On Markham Vale West, two enquiries for further new developments on this phase of the site are progressing, one of which will see a planning application submitted in the coming weeks. On Markham Vale East, construction is nearing completion on a 9,100 sq. ft unit for Transcare Ltd, a Derbyshire based fleet management and maintenance company. In addition, negotiations are close to concluding for a new tenant to move in to the vacant 100,000 sq. ft building previously occupied by Andrew Page Ltd.

Local Economic Context

Job Losses and Gains

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

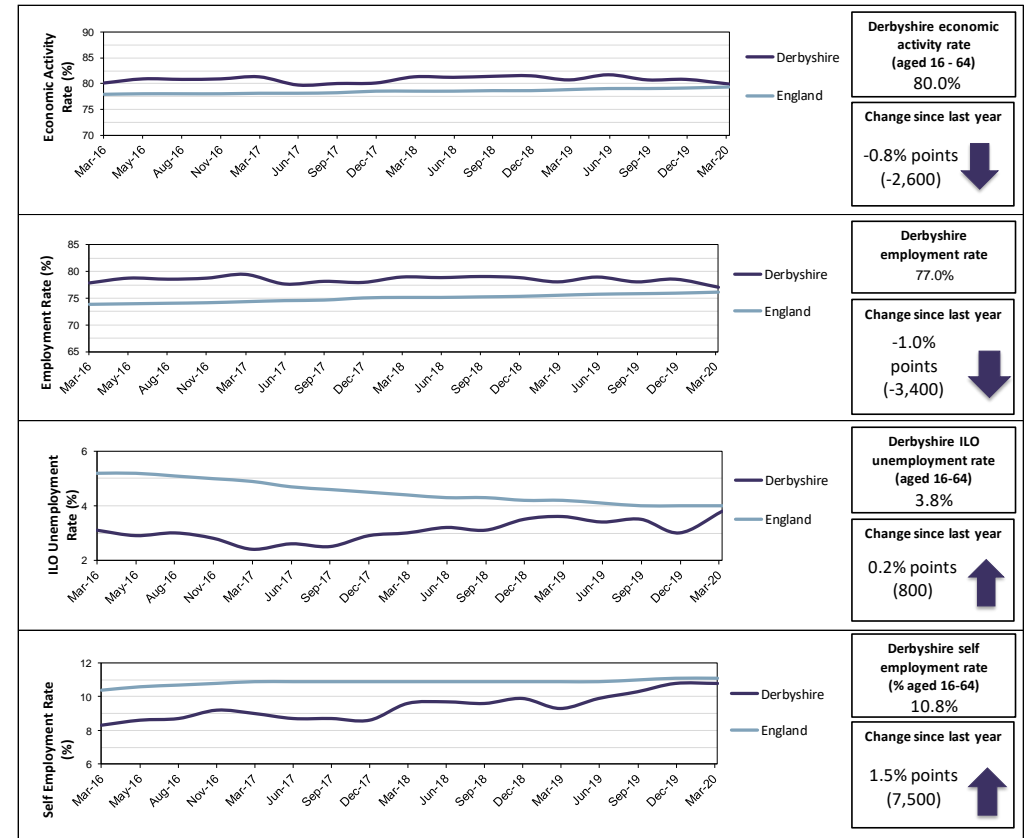
Job Losses

- Engineering giant Rolls-Royce has confirmed that around 1,500 jobs will go this year at its civil aerospace site in Derby as part of a major reduction of its global workforce.
- Derby-based provider of photography services, Picsolve, entered into administration at the beginning of May with the loss of 160 permanent jobs and around 450 seasonal and casual workers, many of whom had already been furloughed.
- At the beginning of April, Long Eaton based JDP Furniture entered into administration with the loss of 300 jobs.
- It was announced in June that a downturn in the need for bricks has led Forterra to restructure plans that could lead to the loss of around 225 jobs, primarily at its Swadlincote plant
- Derby aerospace firm Gardner announced in June it is set to lay off up to 70 employees as it faces the effects of the coronavirus pandemic on its business.

Job Gains

- During May it was reported that 950 jobs were at risk across JCB sites, including Derbyshire. However, agreement on new flexible working arrangements over the next 12 months could save 915 shop floor jobs across the UK.
- It was announced in March that the former Walton Hotel site, Chesterfield, is to be a 64 bed care home, creating 70 jobs.
- In May, the mattress and bedding division of Breasley Pillows, based at Water Lane, Wirksworth was sold out of administration, saving 60 jobs.
- Home care provider Healthnet Homecare (UK) took units at the Orbit Business Park, Swadlincote, at the beginning of April, creating 30 skilled jobs.
- At the end of May, Long Eaton based accident repair specialist WG Newman (Garage) was sold out of administration, saving 27 jobs.
- Valez Managed Services, Derby, has added a dozen staff due to an increase in firms wanting IT maintenance and support it was reported in June.

Labour Market



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

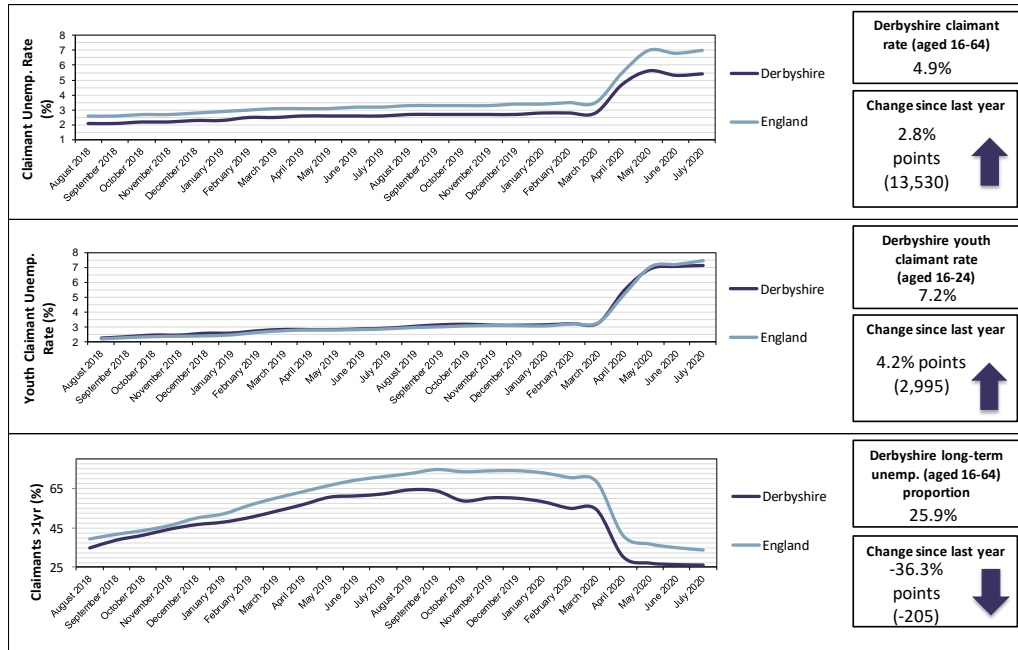
Labour Market Participation

The employment rate⁹ in Derbyshire fell from 78.0% to 77.0% in the first quarter of 2020, and it is 1.0% points lower than a year ago. However, despite this, the rate remains 0.8% points above the England rate. From the previous year, it has been a mixed picture across the districts. Erewash (7.5% points) and South Derbyshire (5.8% points) have seen the largest increases in employment rate and Bolsover (-5.8%) and Chesterfield (-5.6%) have seen the biggest decreases. The other four districts have also seen a decline. Economic activity levels¹⁰ for the county have also fallen slightly from the previous year, from 80.8% to 80.0%. However, overall for Derbyshire, there has been a rise in self-employment, where the level has risen from 9.3% to 10.8%,

Labour Market

the joint highest rate in over 15 years. The largest increases have been in Derbyshire Dales (10.2% points) and High Peak (6.6% points).

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. The Derbyshire rate has increased marginally (0.2% points) since last year to 3.8%.



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

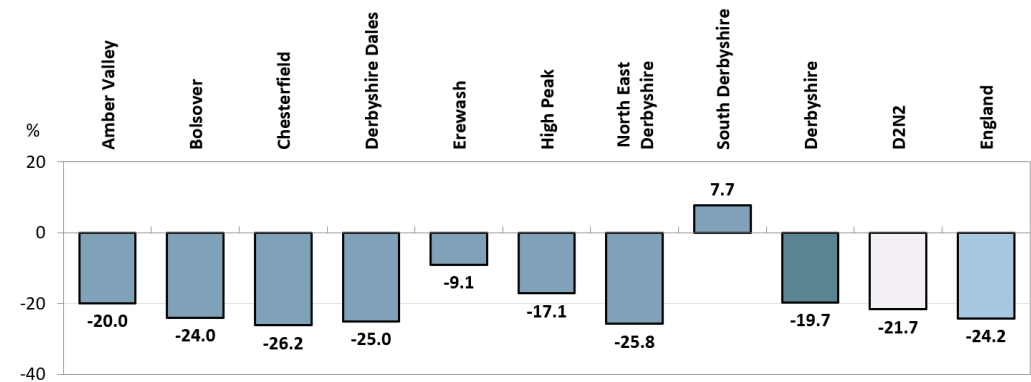
The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) or unemployment related Universal Credit (UC), is currently 4.9% (23,930 residents), 1.6% points lower than nationally¹². The unemployment rate locally has been rising slowly for around two and half years, partly reflecting that UC requires a broader group of claimants to look for work than under JSA. However, April 2020 saw a sharp rise which is likely to be linked to the coronavirus pandemic. The range of support measures put in place by the Government to mitigate the impact has meant that more people are eligible to claim unemployment related support than before. It is not clear how much of the increase in the last few months relates to this and how much relates directly to the effects of Covid-19.

Labour Market

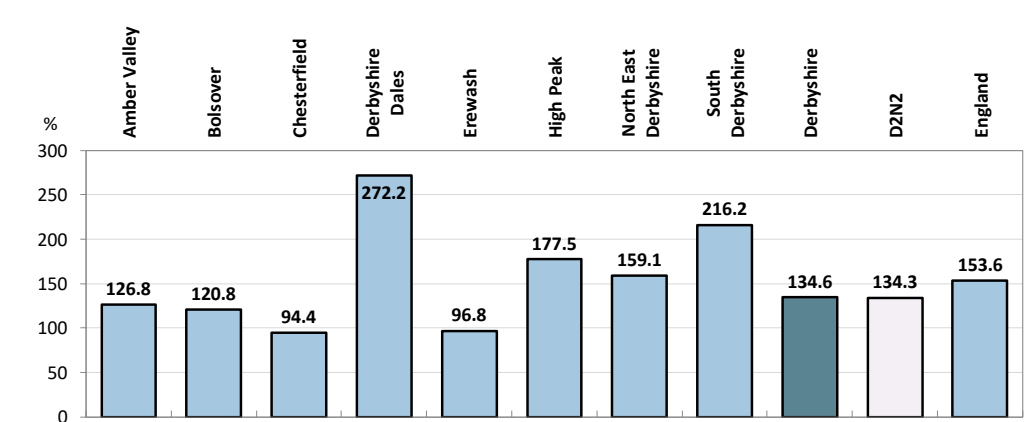
In July 2020 Gamesley (10.1%) in High Peak and Cotmanhay (9.9%) in Erewash are the wards locally with the highest unemployment rates.

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

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



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



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

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

Labour Market

Of Derbyshire's JSA unemployment claimants 25.9%, 835 residents, have been out of work for more than a year, lower than the 33.9% across England. Over the last year the county's figure for the number of JSA unemployment claimants has fallen by 19.7%, less than the 24.2% nationally. The number of JSA long-term unemployed residents has decreased in seven 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.

It is important to note the sharp decline in the proportion of long-term unemployed residents since March 2020 shown in the chart on page nine. This reflects the fact that some new claimants have been able to claim JSA as a result of the Government's package of measures to deal with the effects of the pandemic.

Youth unemployment in Derbyshire stands at 7.2% (5,220 people aged 16-24) in July 2020¹³, slightly lower than the England rate (7.5%). The last year has seen the number of young people out of work in the county more than double (134.6% or 2,995 people). Although less than the 153.6% nationally it is still very significant. There has been an increase in the number of young people unemployed in all Derbyshire districts over the last year, with the greatest increase being in Derbyshire Dales (272.2% or 245 residents) followed by South Derbyshire (216.2% or 400 residents) and High Peak (177.5% or 355 residents). Chesterfield has seen the smallest rise (94.4% or 420 residents) followed by Erewash (96.8% or 455 residents).

Cotmanhay (17.0%) in Erewash is the only ward locally where the rate of youth unemployment is more than double the national rate. However, across Derbyshire 21 wards are experiencing levels of youth unemployment at 10.0% or above. Chesterfield borough, with seven wards, has the highest proportion.

The coronavirus effect on the economy, leading to redundancies in some workplaces, reduced hours, a hold on recruitment and apprenticeship places, as well as the closure of some businesses is now 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 some of the increases in unemployment reflect the broader eligibility criteria for support put in place by the Government, the latest unemployment figures indicate the stress being placed on the economy due to the pandemic.

Labour Market

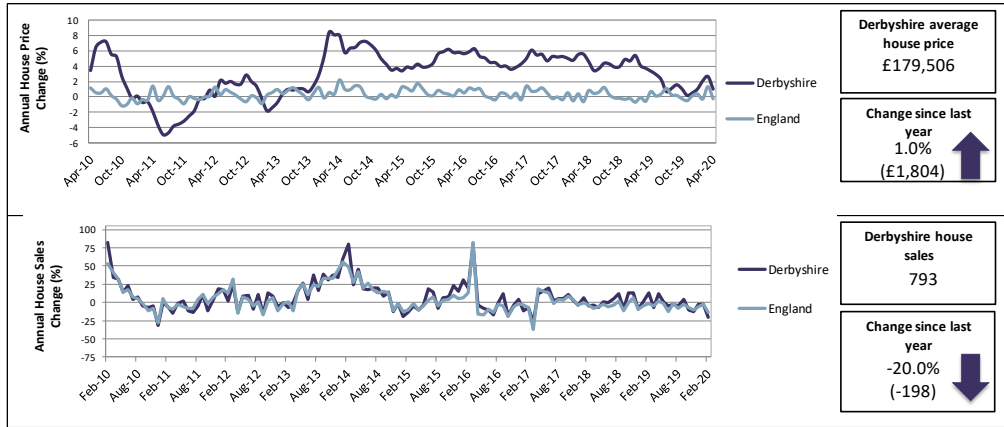
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits Feb 2020 except UC and JSA/UC sanctions)						
Employment Support Allowance (ESA)/ Incapacity Benefit (IB)	25,343	5.2	4.5	-1911	-7.0	↓
Long term claimants (1yr or more)	24,177	95.4	96.2	-1110	-4.4	↓
18 to 24 year old claimants (ESA only)	1,097	4.3	3.9	-499	-31.3	↓
Income Support (IS)	3,387	0.7	0.8	-1409	-29.4	↓
Lone Parent Income Support (LPIS)	1,789	0.4	0.5	-1044	-36.9	↓
Long term claimants (1yr or more)	1,784	99.7	99.8	-625	-25.9	↓
18 to 24 year old claimants	253	14.1	11.5	-254	-50.1	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	52,614	8.0	7.0	1141	2.2	↑
Universal Credit (UC) (July 2020)*	55,731	11.4	13.7	32,964	144.8	↑
Jobseekers Allowance (JSA)	1,637	0.3	0.4	-348	-17.5	↓
JSA/UC sanctions (April 2020)*	-	N/A	0.0	N/A	N/A	N/A
Carers allowance	11,600	2.4	2.2	365	3.2	↑
State Pension	166,058	25.2	21.5	-1403	-0.8	↓
Pension Credits	18,464	11.1	13.3	-994	-5.1	↓
Household benefits (May 2020)						
Housing Benefit claimants	32,253	9.2	11.4	-4,655	-12.6	↓
Households affected by removal of Spare Room Subsidy	3,218	10.0	7.4	-491	-13.2	↓
1 Bedroom	2,618	81.4	81.3	-434	-14.2	↓
2 or more bedrooms	597	18.6	18.7	-61	-9.3	↓
Benefit Cap	235	0.1	0.1	-113	-32.5	↓

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

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

In Derbyshire, 5.2% of working age (16-64) people are claiming ESA. Of these, 95.4% have been claiming ESA for over 12 months and 4.3% are aged 18-24. There are over 3,300 residents (0.7%) claiming Income Support, with 1,789 being lone parents. Over 52,600 (8.0%) people aged 16+ are claiming PIP/DLA, an increase on the previous year. The number of UC claimants in the county has risen to over 55,700, largely due to the effects of the coronavirus pandemic on the economy. There are 11,600 (2.4%) people locally claiming Carers Allowance, a rise on the last year. Over 166,000 (25.2%) residents are receiving a State Pension with over 18,400 of these claiming Pension Credits. Over 32,250 (9.2%) Derbyshire households are claiming Housing Benefit, with 10.0% affected by the removal of the spare room subsidy¹⁴ and 235 households have had a Benefit Cap applied.



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

The average price of a house in Derbyshire was £179,506 in April 2020, an increase of 1.0% over the last 12 months. Up to and including October 2019 annual house price growth locally had been above the England level for around two years. However, in four of the last five months annual growth has been lower than nationally. The average price of a house in the county is currently 28.4% below the England average. Four districts, South Derbyshire (6.8%), Erewash (5.5%), Bolsover (3.0%) and Chesterfield (0.7%), have seen house prices rise over the past year. Overall, house sales in Derbyshire have experienced a fall of -20.0% over the last 12 months, greater than the drop in sales nationally of -14.2%. Typically, a house purchase can take six to eight weeks to reach completion. Therefore, price data feeding into the April 2020 UK House Price Index (UK HPI) will reflect agreements that occurred before the government measures to reduce the spread of Covid-19.

House prices for the year to April 2020 have seen increases in all regions of England, except the North East. The highest annual growth was in the East Midlands, (4.7%). The Royal Institution of Chartered Surveyors (RICS)¹⁵ reports that mixed housing market activity is expected for the next few months, fuelled by pent up demand during “lockdown”. The Bank of England (BoE) Agents’ Summary of Business Conditions quarter one report for 2020 stated that some sellers took their homes off the market in order to avoid holding viewings and buyers stayed away for the same reason. However, the BoE quarter two report says that the market is now showing early signs of demand, especially for out of city locations and properties with home offices. It warns the market may stall again with the end of the furlough scheme.

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

²GDP, first quarterly estimate, UK: April to June 2020, Office for National Statistics (ONS) © Crown Copyright.

³Statistical Bulletin, UK Trade, June 2020, ONS © Crown Copyright.

⁴Statistical Bulletin, Consumer Price Inflation (CPI), July 2020, ONS © Crown Copyright.

⁵Bank of England Agents' Summary of Business Conditions, June 2020; BoE Monetary Policy Report, August 2020.

⁶Quarterly Economic Survey, quarter two 2020, East Midlands Chamber of Commerce.

⁷Derbyshire Economic Partnership, 2019-2020.

⁸Business Investment in the UK: January to March 2020 revised results, Office for National Statistics (ONS) © Crown Copyright.

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

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

¹¹ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with claimant count unemployment.

¹²Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.

¹³Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the Mid-Year Population Estimates published by ONS.

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

¹⁵RICS, UK Residential Market Survey, July 2020 .



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