

Policy and Research

Commissioning, Communities and Policy

Derbyshire Economic Review - Winter 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.

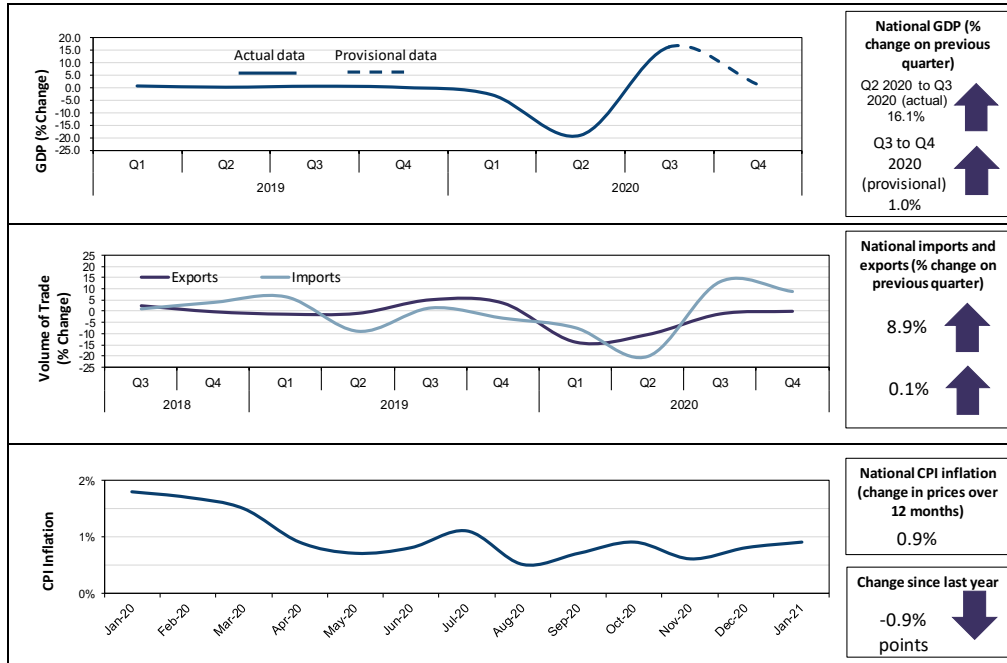
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Overview

- UK Gross Domestic Product (GDP) is estimated to have risen by 1.0% in quarter four of 2020. Although this follows a rise in output of 16.1% in the previous quarter, the UK economy contracted by 9.9% during 2020 overall, the largest annual fall on record, reflecting the impact that COVID-19 has had on businesses and the wider labour market.
- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose 0.9% in the 12 months to January 2021, up from 0.8% to December 2020
- The East Midlands Chamber of Commerce's (EMCC) Quarterly Economic Survey (QES) shows that both the Derbyshire and East Midlands economies showed very little change in quarter four of 2020 compared with the previous quarter. However, economic performance is still relatively low and well below the pre-pandemic figure.
- The employment rate in Derbyshire increased from 76.7% to 77.7% in the third quarter of 2020.
- 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 4.7% (22,905 residents) in February 2021, 1.9% points lower than nationally. April 2020 saw a sharp rise as a result of the coronavirus pandemic, partly as a result 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.
- Youth unemployment in Derbyshire stood at 6.6% (4,740 people aged 16-24) in February 2021, lower than the England rate (7.3%). The last year has seen the number of young people out of work in the county nearly double (98.7% or 2,355 people).
- The average price of a house in Derbyshire was £198,694 in December 2020, an above average increase of 10.3% over the last 12 months, but still 26.2% below that across England.

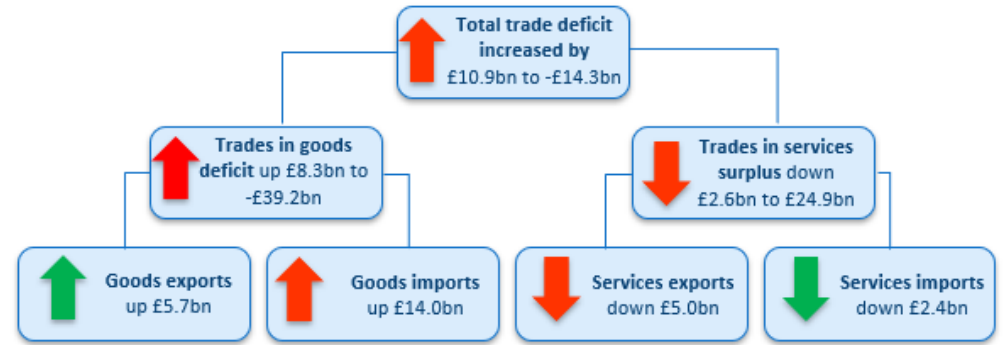
National Performance Indicators



UK Gross Domestic Product (GDP) is estimated to have grown by 1.0% in quarter four of 2020, following a rise of 16.1% in quarter three². Despite two quarters of growth, output fell by 9.9% during 2020 overall, the biggest annual decline on record. Services (0.6%), production (1.8%) and construction (4.6%) output all increased in the final quarter of the year although levels in each were still lower than before the pandemic, at 7.3%, 4.2% and 2.8% lower respectively. Levels of business investment and household consumption were 10.3% and 8.4% below their pre-pandemic levels.

The impact of different restrictions in place over the Autumn is reflected in the path of monthly GDP. Economic output grew by 0.6% in October, declined by 2.3% in November as a result of the second national lockdown, before growing by 1.2% in December in the run-up to Christmas. Growth in December may have also been impacted by manufacturers buying in supplies in advance of potential trade difficulties associated with the end of the UK-EU transition period.

Total UK Trade Balance



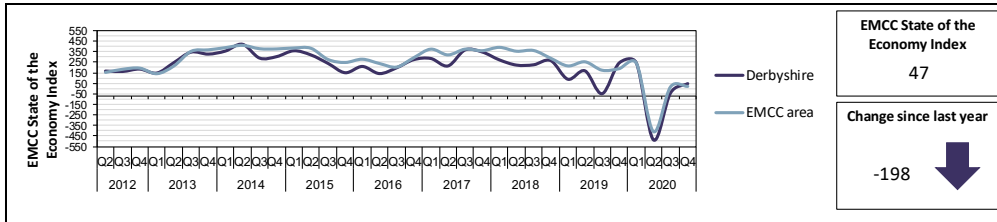
Note: the arrow direction indicates whether a component has increased or decreased, while the colour denotes the impact the direction of a movement has on the trade balance. For example, an increase in imports is denoted by an upward red (darker) arrow, as a rise in imports has a negative impact on the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

Quarter four of 2020 has seen a widening of the trade deficit. Although exports have risen in the last three months by £0.7bn, this increase has been exceeded by the £11.6bn rise in imports³. This has seen the UK trade deficit increase by £10.9bn to -£14.3bn. UK manufacturers saw imports rise by £8.3bn more than exports. This is likely to be due to stockpiling of some goods whilst still within the UK-EU transition period. The UK service sector saw a fall of -£5.0bn in exports and a drop in imports of -£2.4bn leading to its trade surplus narrowing by -£2.6bn.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose 0.9% in the 12 months to January 2021, up from 0.8% to December 2020⁴. Furniture and household goods, restaurants and hotels, food and non-alcoholic beverages, and transport had the largest upward contributions to the change in January 2021, whilst falling clothing and footwear prices had a downward effect.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously to maintain the UK interest rate at 0.1% in February 2021⁵. COVID-19 vaccination in the UK is progressing well and has improved economic outlook, however the economic picture remains uncertain, being dependent on the evolution of the pandemic, measures taken to protect public health around the world, and the responses of households and businesses to these developments. Although inflation is currently below the Bank's 2% target it is projected to rise to close to 2% during 2021 as the reduction in VAT for some services comes to an end and with the rise in oil prices.

Business Conditions



Quarterly Economic Survey, Quarter 4 2020, East Midlands Chamber of Commerce.

The East Midlands Chamber of Commerce’s (EMCC) Quarterly Economic Survey (QES) shows that both the Derbyshire and East Midlands economies showed very little change in quarter four of 2020 compared with the previous quarter. Quarter four included the second national lockdown in November 2020. Commentators have suggested that the impact of the second lockdown will not have been as severe as the first one in the Spring of 2020 with firms having been able to adjust to restrictions and the new ways of working.

However, the Chamber’s State of the Economy Index for Derbyshire is still relatively low and well below the pre-pandemic figure. There were some positives though. There was some improvement in sales from within the UK and also, to a lesser extent, those from overseas, and there has been a slight rise in the percentage of firms working at full capacity. There was also an increase in the number of firms looking to invest in both infrastructure and training. Business investment has been hit hard over the last year so this is encouraging. There are also more firms looking to recruit than lay off staff too. These improvements are feeding through to business confidence to a degree, with more firms expecting their turnover to increase rather than decrease.

However, there are some negatives. Confidence about future profitability has dropped this quarter. This may reflect a drop in future orders for both UK and overseas sales. This itself may relate to stockpiling by firms in the run-up to the end of the UK-EU transition period or general uncertainty about the future. Reduced confidence about profitability may also link to concerns about prices. A net 32% of businesses expect to see price increases in the coming quarter with rising oil prices a possible factor. Cashflow is also a concern for Derbyshire firms.

Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received 12 investment enquiries between November 2020 and January 2021⁷, eight more than the same period a year ago. Nine of these were in innovation and advanced manufacturing, two in retail and leisure and one in capital investment. It is an encouraging sign that firms are looking to invest despite the ongoing challenges.

The latest business investment data from the Office for National Statistics which covers the fourth quarter of 2020 showed that business investment across the UK increased by 1.3% between quarter three and quarter four. However, the level of business investment is still 10.3% below where it was at the end of 2019, reflecting the impact of the pandemic on firms’ ability to allocate resource to their future development⁸.

Very good progress continues to be made on developing the Markham Vale regeneration site. On Markham Vale North, construction of the £25mn Orion 1 and 2 buildings for Aver is scheduled for practical completion before the end of March 2021; marketing of the two large industrial buildings totalling 297,000 sq. ft is underway. On Markham Vale West, planning permission has been secured for Chesters, a local and popular fast food restaurant. On the opposite side of the motorway on Markham Vale East, Blue Whale Spa acquired a 15,000 sq. ft unit and became operational during the quarter. Additionally, discussions are at a detailed stage with a new occupier with the aim of them taking up occupation of the speculatively built MV55 industrial building before the end of March 2021.

Job Losses and Gains

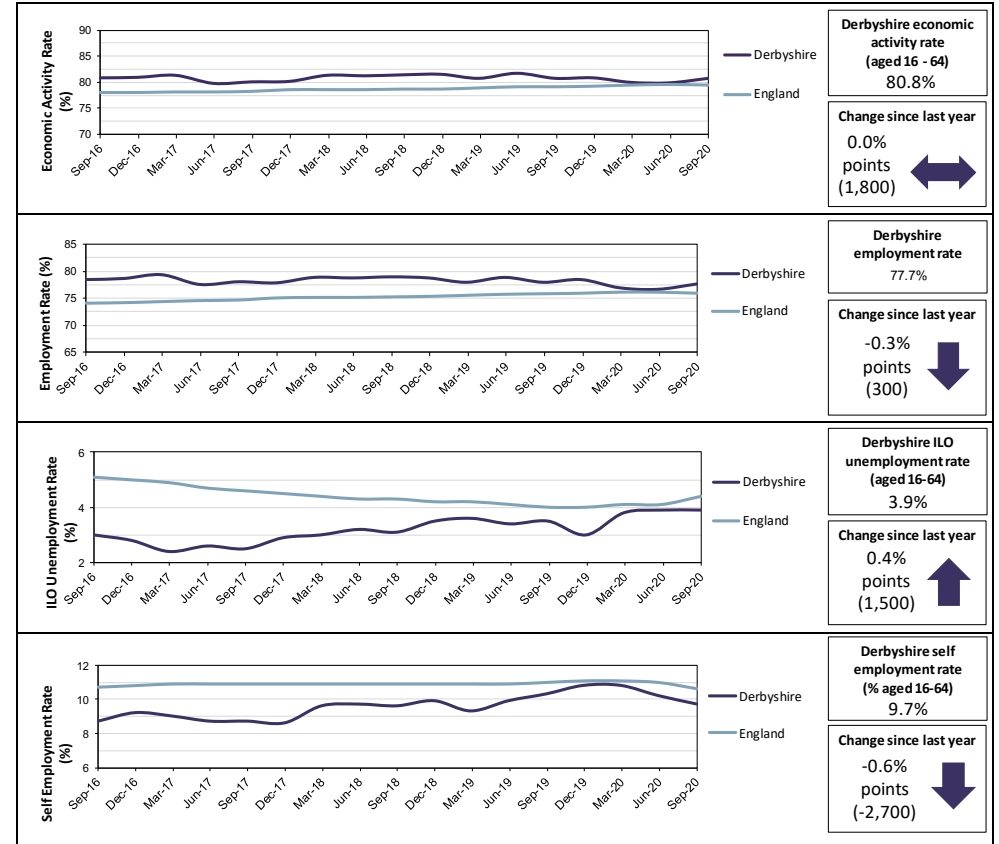
The following job losses and gains information relates to Derbyshire (including Derby City) and is drawn from articles from digital sources and online local press between November 2020 to January 2021.

Job Losses

- In November, Rolls-Royce announced it would be shedding 9,000 jobs from its global workforce, affecting over 3,000 jobs in the UK with around half of these being in Derby.
- At the beginning of December, Debenhams announced the closure of all its stores, including Chesterfield and Derby, putting a total of 12,000 jobs at risk nationally.

Job Gains

- In January, communications technology provider EVAD announced its move from Staffordshire to Derby. Initially 40 staff would move on flexible working conditions and additional people would be recruited.
- Businessman Sanj Kumar announced in December a new Indian tapas bar and grill called Nicco Restaurant and Bar, at Derby's Pride Park, creating more than 20 jobs.
- East Midlands Trains in Derby announced at the beginning of December that investment in enhanced cleaning and safety measures means it employs 577 cleaning staff, with many redeployed from other areas of the business. The company has nearly a third more cleaners than before the pandemic.



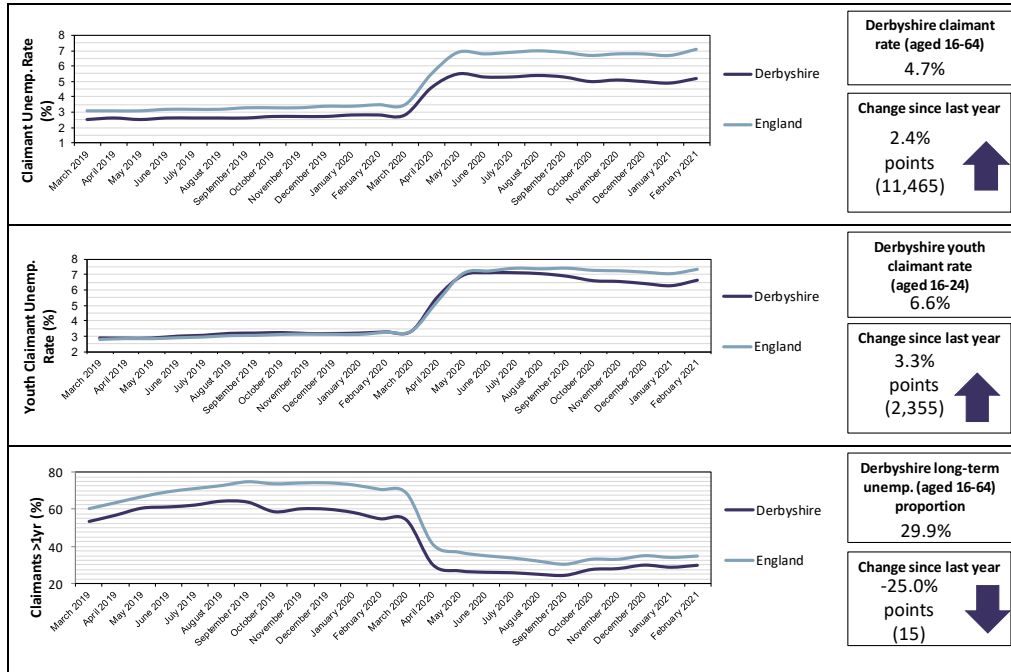
Source: Annual Population Survey, October 2019-September 2020, ONS (Nomis) © Crown Copyright.

Labour Market Participation

The employment rate⁹ in Derbyshire increased from 76.7% to 77.7% in the third quarter of 2020 and is 0.3% points lower than a year ago. Although the county's employment rate is 1.7% points above the England level, the gap has closed over the past few quarters. This quarter's data includes part of the pandemic recovery from the first national lockdown. Only three of Derbyshire's eight districts have seen a drop in employment rate over the last year, the largest fall was seen in South Derbyshire (-7.4% points). Chesterfield has seen the greatest increase of 7.2% points. Economic activity levels¹⁰ for the county have not changed from 80.8%. However, there has been a fall in self-employment, where the level has dropped by -0.6% points over the last year to stand at 9.7%.

Labour Market

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. The Derbyshire rate has increased marginally (0.4% points) since last year to 3.9%.



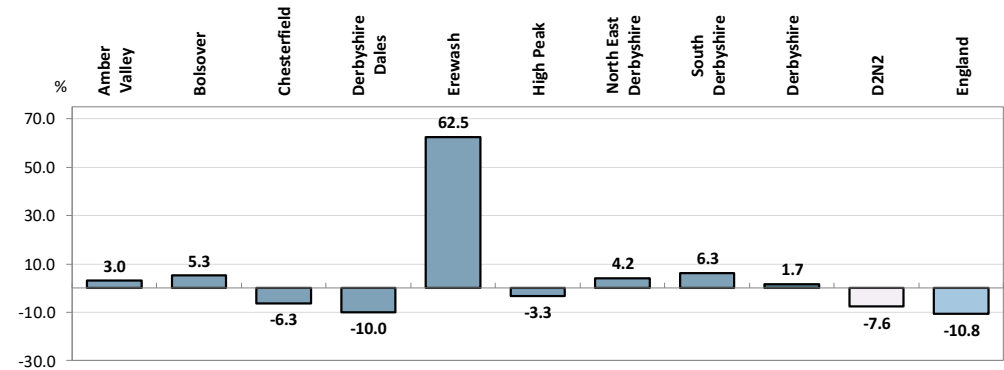
Source: Claimant count (overall and youth) and JSA (long-term), February 2021, ONS (NOMIS) © Crown Copyright.

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 4.7% (22,905 residents), 1.9% points lower than nationally¹². April 2020 saw a sharp rise as a result of the coronavirus pandemic, partly as a result 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. However, there is uncertainty as to what will happen when the scheme ends. Currently it is in place until the end of September so there may be some fallout at this point. In February 2021 Gamesley (10.1%) in High Peak and Cotmanhay (9.4%) in Erewash were the wards locally with the highest unemployment rates.

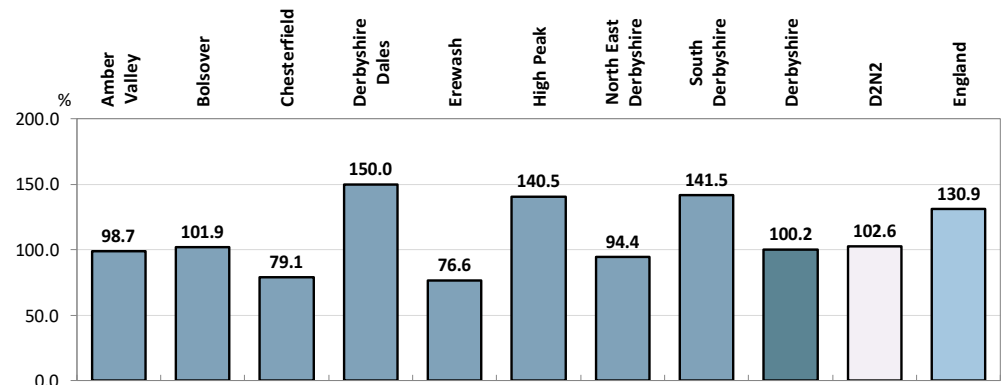
Labour Market

Of Derbyshire's JSA unemployment claimants, 29.9%, 880 residents, have been out of work for more than a year, lower than the 34.9% across England. However, over the last year the county's figure for the number of JSA long-term unemployed claimants has risen by 1.7% compared with a -10.8% fall nationally. The number of JSA long-term unemployed residents has risen in five out of the eight districts. Erewash (62.5% or 25 residents) saw the largest increase although this was from a relatively low base. Derbyshire Dales (-10.0%) saw the greatest fall although, again, this was from a low base.

Annual % change in long-term unemployment (February 2020 to February 2021)



Annual % change in youth unemployment (February 2020 to February 2021)



Source: JSA (long-term) and claimant count (youth), February 2021, ONS (NOMIS) © Crown Copyright

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

Labour Market

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

Youth unemployment in Derbyshire stood at 6.6% (4,740 people aged 16-24) in February 2021¹³, lower than the England rate (7.3%). The last year has seen the number of young people out of work in the county nearly double (98.7% or 2,355 people). Although less than the 123.2% 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 High Peak (161.9% or 340 residents) followed by Derbyshire Dales (157.1% or 165 residents). Erewash has seen the smallest rise (67.7% or 325 residents) followed by Chesterfield (78.2% or 340 residents).

Cotmanhay (15.0%) in Erewash has the highest youth unemployment rate out of all Derbyshire wards. Across the county there are 17 wards experiencing levels of youth unemployment at 10.0% or above. High Peak (five) and Chesterfield (four) have the highest numbers.

The effect on the economy of measures to reduce the spread of the coronavirus is leading to redundancies in some workplaces, reduced hours, a hold on recruitment and apprenticeship places, as well as the closure of some businesses. Derbyshire's economy has a strong visitor economy and hospitality sector, employing a large number of young people, and these areas are amongst the hardest being hit. The districts of Derbyshire heavily involved in these sectors have seen some of the greatest increases in youth unemployment. Although some of the increases reflect the broader support put in place by the Government, the latest unemployment figures indicate the stress being placed on the economy due to the pandemic. The furlough scheme has moderated the impact but there is concern over what will happen when this comes to an end at the end of September.

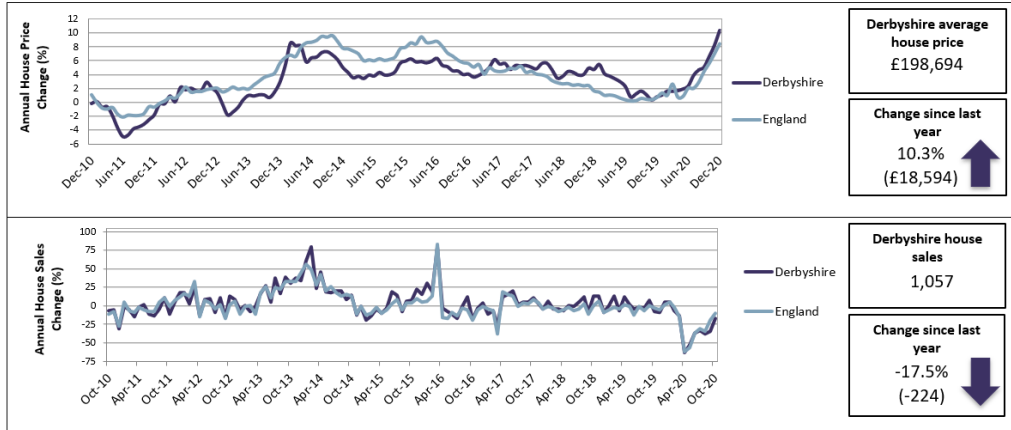
Labour Market

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

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (August 2020 except UC)						
Employment Support Allowance (ESA)/ Incapacity Benefit (IB)	25,054	5.1	4.5	-1031	-4.0	↓
Long term claimants (1yr or more)	23,619	94.3	94.8	-1255	-5.0	↓
18 to 24 year old claimants (ESA only)	946	3.9	3.5	-394	-29.4	↓
Income Support (IS)	2,963	0.6	0.7	-1055	-26.3	↓
Lone Parent Income Support (LPIS)	1,499	0.3	0.4	-753	-33.4	↓
Long term claimants (1yr or more)	1,499	100.0	99.8	-648	-30.2	↓
18 to 24 year old claimants	164	10.9	9.4	-183	-52.7	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	53,668	8.1	7.1	1283	2.4	↑
Universal Credit (UC) (January 2021)*	59,903	12.2	14.8	31,801	113.2	↑
Jobseekers Allowance (JSA)	3,437	0.7	0.8	1,865	118.6	↑
Carers allowance	12,094	2.5	2.3	600	5.2	↑
State Pension	164,539	24.7	21.1	-2461	-1.5	↓
Pension Credits	18,107	11.0	13.1	-912	-4.8	↓
Household benefits (November 2020 except Benefit Cap)						
Housing Benefit claimants	30,723	8.8	10.8	-3,359	-9.9	↓
Households affected by removal of Spare Room Subsidy	3,084	10.0	7.4	-370	-10.7	↓
1 Bedroom	2,498	81.0	81.1	-334	-11.8	↓
2 or more bedrooms	591	19.2	18.9	-36	-5.7	↓
Benefit Cap (August 2020)*	204	0.1	0.1	-104	-33.8	↓

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

In Derbyshire, 5.1% of working age (16-64) people are claiming ESA. Of these, 94.3% have been claiming ESA for over 12 months and 3.9% are aged 18-24. Almost 3,000 residents (0.6%) are claiming Income Support, with 1,499 being lone parents. There are 53,688 (8.1%) 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 as a result of the economic impact of the coronavirus pandemic. There are 12,094 (2.5%) people locally claiming Carers Allowance, a rise on the last year. 164,539 (24.7%) residents are receiving a State Pension with 18,107 of these claiming Pension Credits. There are 30,723 (8.8%) Derbyshire households claiming Housing Benefit, with 10.0% affected by the removal of the spare room subsidy¹⁴ and 204 households have had a Benefit Cap applied.



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

The average price of a house in Derbyshire was £198,694 in December 2020, an increase of 10.3% over the last 12 months, a larger increase than that nationally (8.5%). The average price of a house in the county is currently 26.2% below the England average, the smallest gap in nearly six years. All districts in the county have seen house prices rise over the past year, the largest increase being in Derbyshire Dales (16.1%).

However, house sales in Derbyshire have experienced a fall of -17.5% over the last 12 months, greater than the drop in sales nationally of -10.7%. Typically, a house purchase can take six to eight weeks to reach completion. Therefore, sales data will reflect agreements that occurred around the beginning of the Government's measures to reduce the spread of Covid-19 in lockdown 2.0.

House prices for the year to December 2020 have seen increases in all regions of England. The highest annual growth was in the North West (11.2%). Pent-up demand is likely to have contributed towards an increase in house prices. The Bank of England has reported that mortgage approvals for house purchases, an indicator of future lending, were 103,400 in December 2020 nationally. This is well above the February 2020 level of 73,400 prior to the onset of the pandemic. The pandemic may have also caused house buyers to reassess their housing preferences, with the price of detached properties across the country increasing by 10.0% in the year to December 2020, in comparison with flats and maisonettes which increased by 5.0% over the same period. The stamp duty holiday, which is due to end at end of the financial year is also likely to be a factor.

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

²GDP, First quarterly estimate UK: October to December 2020, Office for National Statistics (ONS) © Crown Copyright.

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

⁴Statistical Bulletin, Consumer Price Inflation (CPI), January 2021, ONS © Crown Copyright.

⁵Bank of England Agents' Summary of Business Conditions, February 2021; BoE Monetary Policy Report, February 2021

⁶Quarterly Economic Survey, quarter 4 2020, East Midlands Chamber of Commerce.

⁷Derbyshire Economic Partnership, 2020-2021.

⁸Business Investment in the UK: October to December 2021 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 comparable 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.

Version	Author	Date	Contact
2.0 Public	Policy and Research, Commissioning, Communities and Policy	26/03/2021	research@derbyshire.gov.uk
Source	Geography		
Various, see End Notes	Derbyshire, England		



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