D2N2 Economic Recovery Report

EDITION 14: OCTOBER 2022

Welcome to the latest edition of the D2N2 Economic Update. This report pulls together information from across the region to understand the impacts of recent events on our economy. For more information, please visit our [Data Centre](#).

National Context

The Bank of England's latest projections describe a challenging outlook for the UK economy. It is expected to be in recession for a prolonged period. CPI inflation remains elevated at over 10% in the near term and is projected to pick up to around 11% in 2022 Q4, lower than was expected in August, reflecting the impact of the Energy Price Guarantee. If market interest rates continue to increase, inflation is expected to fall sharply from mid-2023.

GDP is expected to decline by around 0.75% during the second half of 2022, in part reflecting the squeeze on real incomes from higher global energy and tradable goods prices. GDP is projected to continue to fall throughout 2023 and 2024 H1. Output growth picks up by the end of the projection period. Business investment is expected to fall by 3.5% in 2023 and by 6.5% in 2024.
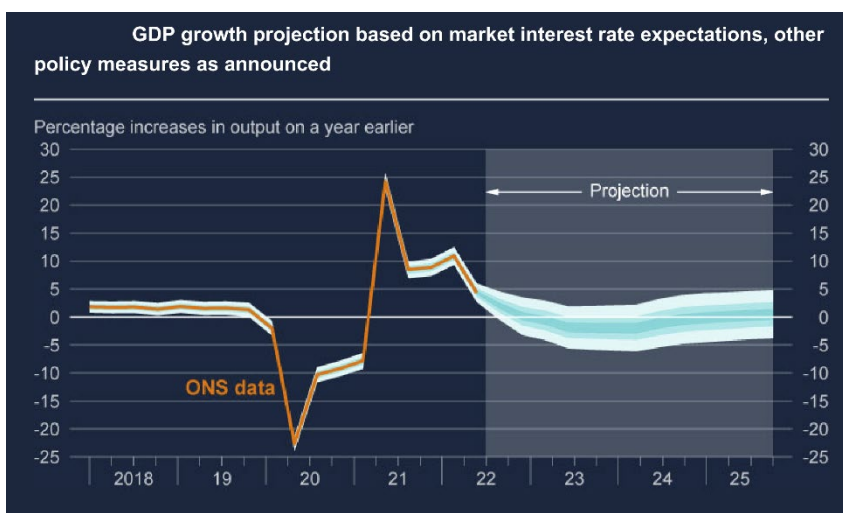
The labour market has remained tight, with an unemployment rate of 3.5% in the three months to August, its lowest level since 1974. A key reason why the labour market has tightened since the pandemic is a considerable increase in the number of people inactive in the labour market. The labour market is expected to remain relatively tight over
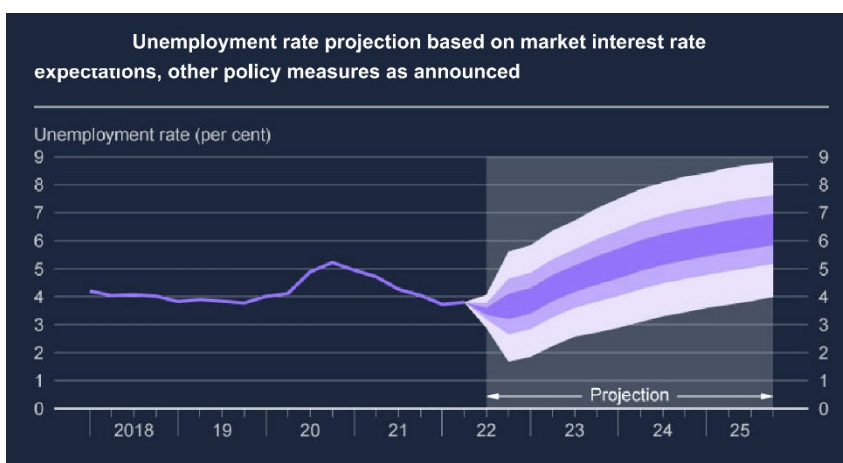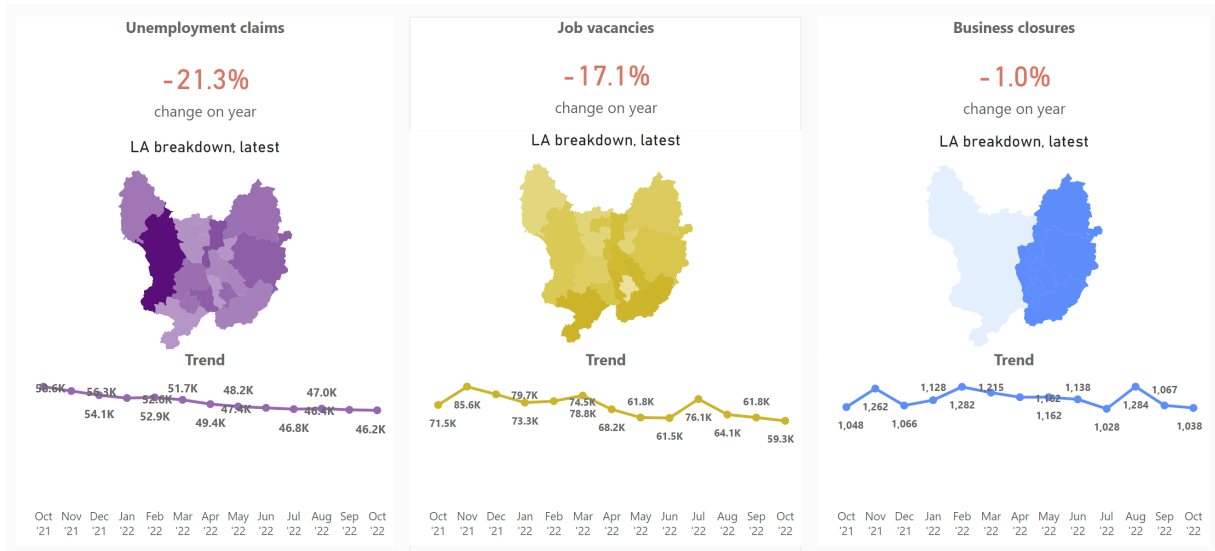

Source: Bank of England

the next few quarters. Nevertheless, the unemployment rate is expected to rise to just under 6.6% by the end of the current forecast period.

Local Trends

An overview of indicators available at the local level is below.

Green colour on the key metrics shows better outcomes compared to the national average; red shows worse outcomes.

Unemployment and work-related benefit claims remained relatively flat over the last quarter. There were 46,155 claimants in October 2022, 21.3% less than in October 2021. Nationally, the claimant count has decreased by 23% over the same period. The slowest reduction in unemployment claims is taking place in Derbyshire Dales, Bolsover, Newark & Sherwood, Erewash, and Nottingham.

Claimants make up 3.3% of the working age population in D2N2, compared to 3.6% nationally. Nottingham and Derby record an above average claimant percentage.

A more detailed analysis of the latest claimant count data, including breakdowns by age and gender groups, are available here.

The number of job vacancies stayed below 60,000 in October, 17.1% lower compared to last year's figures. Nationally, the number of job vacancies decreased by 9.5% over the same period. South Derbyshire, Derby, and Rushcliffe have seen the highest positive year-on-year growth, while Nottingham, Mansfield, High Peak and North East Derbyshire have recorded a significant decrease.

Top posted occupations in D2N2 over the last three months remain Care Workers, Nurses, Administrative Occupations, Sales Occupations, and Programmers & Software Developers.

Business closures, which show the number of liquidated or dissolved companies each month, are tracked to monitor the potential adverse effects of economic conditions on our

business base. There were 1,038 liquidations and dissolutions in October, a 1% decrease year-on-year. Nationally, business closures have increased by 1.6% over the same period.

D2N2 workplace activity for the week ending November 15th is persisting at around 21% below the pre-pandemic baseline[1], according to Google mobility data for D2N2. The most affected areas were Nottingham, Amber Valley, Derby and High Peak. Nationally, workplace activity was at even lower, at 24% below the baseline, for the same period.

Workplace mobility trends in D2N2, Google
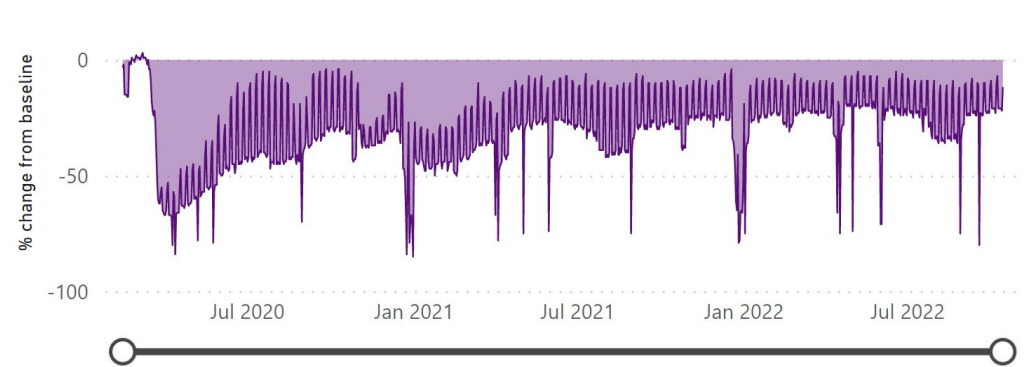
Visits to Retail and Recreation locations were 3% below the baseline over the week ending November 15th. Nottingham, Chesterfield and Derby recorded the lowest levels (15-19% below the baseline) while North East Derbyshire, Derbyshire Dales, and South Derbyshire were above the baseline. Nationally, visits to retail and recreation locations was 10% below the baseline.

Retail and Recreation mobility trends in D2N2, Google
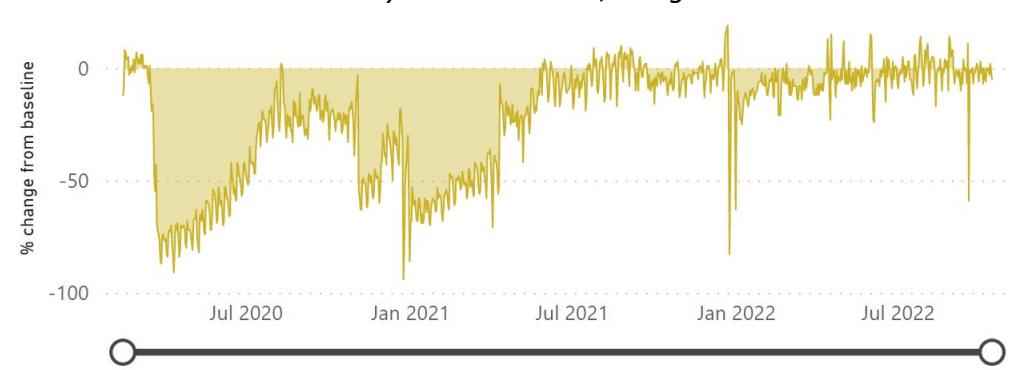
Cost of Living Crisis

According to the ONS[2], the cost of living is the most important issue facing the UK today (followed by the NHS, the economy, and climate change and the environment). D2N2 LEP has started to monitor the cost of living crisis and challenges facing different places. We track monthly national inflation, its major components, nominal wages, and estimate changes in

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[1] The baseline is the median value, for the corresponding day of the week, during the five week period 3 Jan − 6 Feb 2020. The reported figures are measured as a 7-day average.
[2] Opinions and Lifestyle Survey, 26 October to 6 November

real wages. In addition, we use data compiled by the Centre of Progressive Policy from several sources to better understand where residents are most vulnerable to the impact of rising prices.

The Consumer Prices Index including owner occupiers' housing costs (CPIH), the most comprehensive measure of inflation, has reached 9.6% in October 2022. The largest contributions to the increased annual CPIH inflation rate in October came from housing and household services (mainly from electricity, gas, and other fuels), food and non-alcoholic beverages, and transport (predominantly motor fuels). The CPIH annual inflation rate for goods has increased to 14.8%, the highest rate on record, while CPIH for services has risen to 5.4%, the highest rate since 1993. CPIH for electricity, gas and fuel prices has soared to 88.9%, the highest rate on record as well. The combination of high inflation and relatively flat nominal pay pushed real pay growth into negative territory in April this year.

Rising energy and food costs are driving higher inflation for low-income households, because a greater proportion of their expenditure is spent on essentials. The exact decline in real pay would differ depending on the measures used. Our conservative estimates suggest that real pay in D2N2 has declined by over 2% compared to last year. Centre for Cities analysis using adjusted city level CPI index and average earnings show higher real pay decline of 5.6% in Derby, 4.6% in Nottingham, 4.2% in Mansfield.
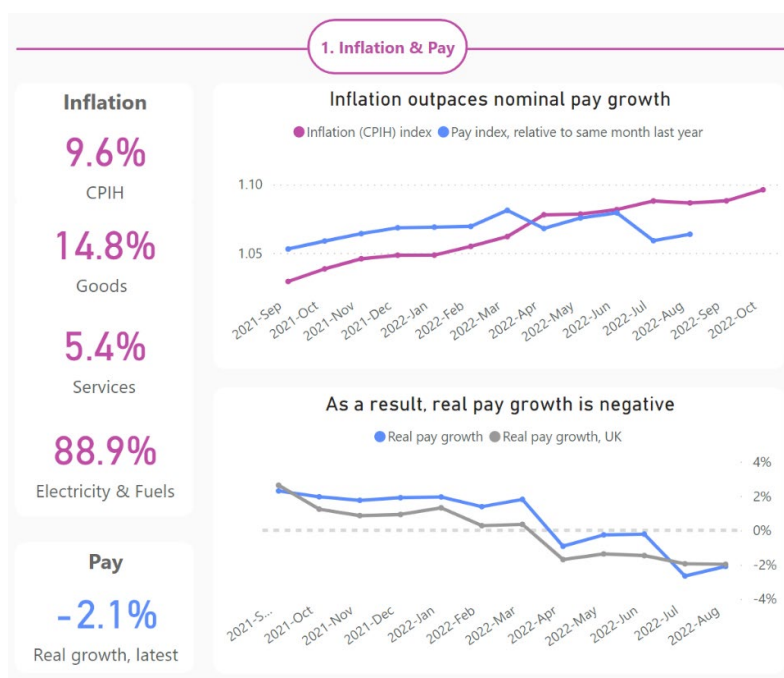
To assess vulnerability of D2N2 residents to the impact of rising prices, we used Vulnerability Index and its underlying data compiled by the Centre for Progressive Policy[3]. Within the Index, vulnerability to the cost of living crisis is measured with poverty-based and work-based indicators. Poverty-based indicators tell us more about the proportion of residents who are already living in poverty and are most vulnerable to the rising prices while work-based indicators highlight the proportion of the residents who risk being pushed into poverty due to low-paying jobs, inactivity or joblessness.

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[3] CPP, How rising Prices are hitting different places and how they can respond, 21 September 2022

The headline figures show that Nottingham and Mansfield residents are comparatively more vulnerable, followed by Derby, Bolsover, Erewash, Newark and Sherwood and Chesterfield. Low pay, fuel poverty and economic inactivity are driving the vulnerability index in D2N2 due to higher ranking of local authority districts/boroughs on these measures.
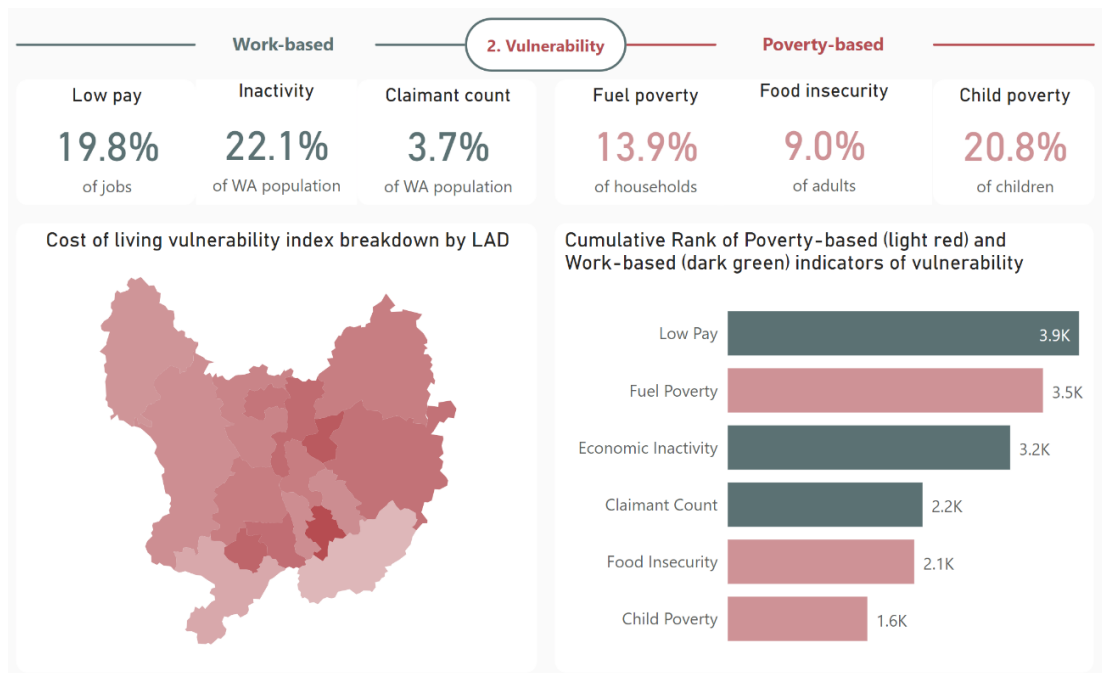
The ranking of underlying indicators differs among local areas. In Nottingham and Derby, for example, fuel poverty is the highest contributor to vulnerability. Fuel poverty is the condition by which a household is unable to afford to heat (or cool) their home to an adequate temperature. Doing so would push such households below the poverty line. In Mansfield, Broxtowe, Erewash and Derbyshire Dales, economic inactivity and low pay are the main contributors to vulnerability.

Interactive analysis at local authority level is available here.

LINKS TO DATA ON D2N2

D2N2 maintains a number of datasets to help inform decision making.

Our D2N2 Economy Dashboard summarises key monthly and medium term trends from official data, together with mobility data from Google. Each page shows a D2N2 perspective and can be filtered down to district level.

Other dashboards and analytical tools which are regularly maintained include:

- Claimant count tracker
- Analysis of occupations and vacancies
- Government funding tracker
- Business Growth and Innovation indicators
- People and Skills indicators
- Inclusion indicators
- Apprenticeship starts
- Baseline Economic Forecast

Historic dashboards – no updates planned:

- Inflation, pay and cost of living vulnerability
- Economic Impact of Covid-19 on Local Authorities
- Labour Market Dashboard
- Growth Hub survey data 2020
- Jobs regarded as teleworkable during Covid-19 lockdown
- Furlough tracker
- Key data on Towns Fund areas 2020
- Place indicators

Data on D2N2

- Updates on projects funded by D2N2
- ONS D2N2 profile

Midlands Engine Observatory

- Regional Economic Impact Monitor