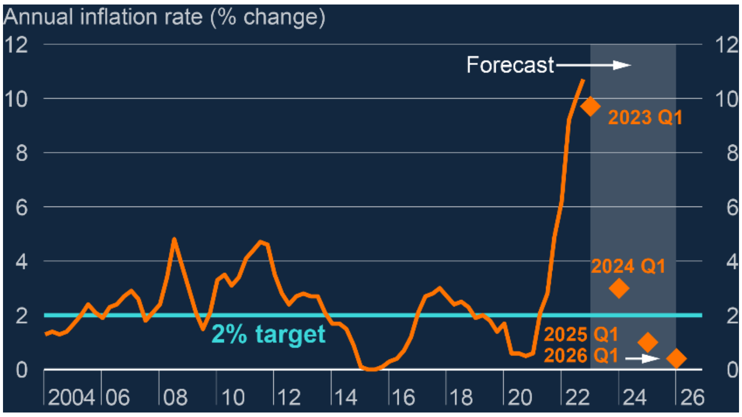
Welcome to the latest edition of the D2N2 Economic Update. This report pulls together information from across the region to understand the impacts of recent events on our economy. For more information, please visit here.

D2N2 ECONOMIC RISK & RECOVERY

National Economic Outlook

Since the Bank of England's previous forecast in November, wholesale energy prices have fallen significantly, but domestic inflationary pressures have been stronger than anticipated. Services CPI inflation rose to a 30-year high of 6.8% in December, while nominal annual private sector regular pay growth increased to 7.2% in the three months to November. Output is now expected to decline by less than previously thought over the coming year. Despite a projected margin of slack in the economy, uncertainties remain regarding the timing and extent of the expected reduction in domestic inflationary pressures. The Bank of England's central projections indicate a decline in CPI inflation below target in the medium term, but significant upside risks persist.



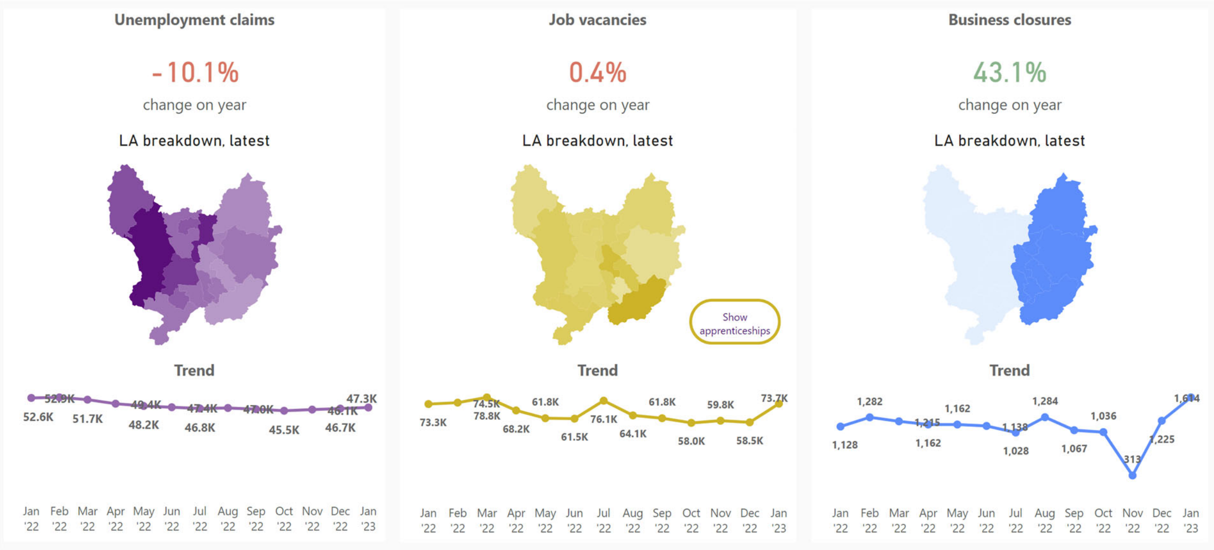
Source: Bank of England

GDP is projected to fall slightly throughout 2023 and 2024 Q1, reflecting the impact of high energy prices and market interest rates. This forecast is consistent with the technical definition of a recession (at least two consecutive quarters of falling output). However, the decline in output is expected to be shallower than previously thought due to a reassessment of the outlook for consumption in light of recent strength in the labour market and declining wholesale energy prices. GDP growth is expected to remain below pre-pandemic rates.

The labour market has begun to loosen, but the UK economy is still experiencing excess demand. Economic slack is expected to emerge from 2023 Q2 as continued headwinds to demand persist, and the unemployment rate is projected to rise to around 5.25% in the medium term.

Local Trends

An overview of indicators available at the local level.



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

Unemployment and work-related benefit claims have been increasing over the last quarter but remain below last year's levels. There were 47,300 claimants in January 2022, 10.1% less than in January 2022. Nationally, the claimant count has decreased by 14.4% over the same period. The slowest reduction in unemployment claims is taking place in Derbyshire Dales, Bolsover, Amber Valley, High Peak, Chesterfield, and Derby.

Claimants make up 3.4% of the working age population in D2N2, compared to 3.6% nationally. Nottingham, Derby, Ashfield and Mansfield record an above average claimant percentage.

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

The number of job vacancies have increased from October to January, but the on-year growth remained significantly lower than nationally. In D2N2 the number of vacancies has grown by only 0.4% over the last year compared to 26.6% growth nationally over the same period. Rushcliffe, Ashfield and Gedling have seen the highest positive year-on-year growth, while Nottingham, and Newark and Sherwood were contributing to the decline in job vacancies.

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

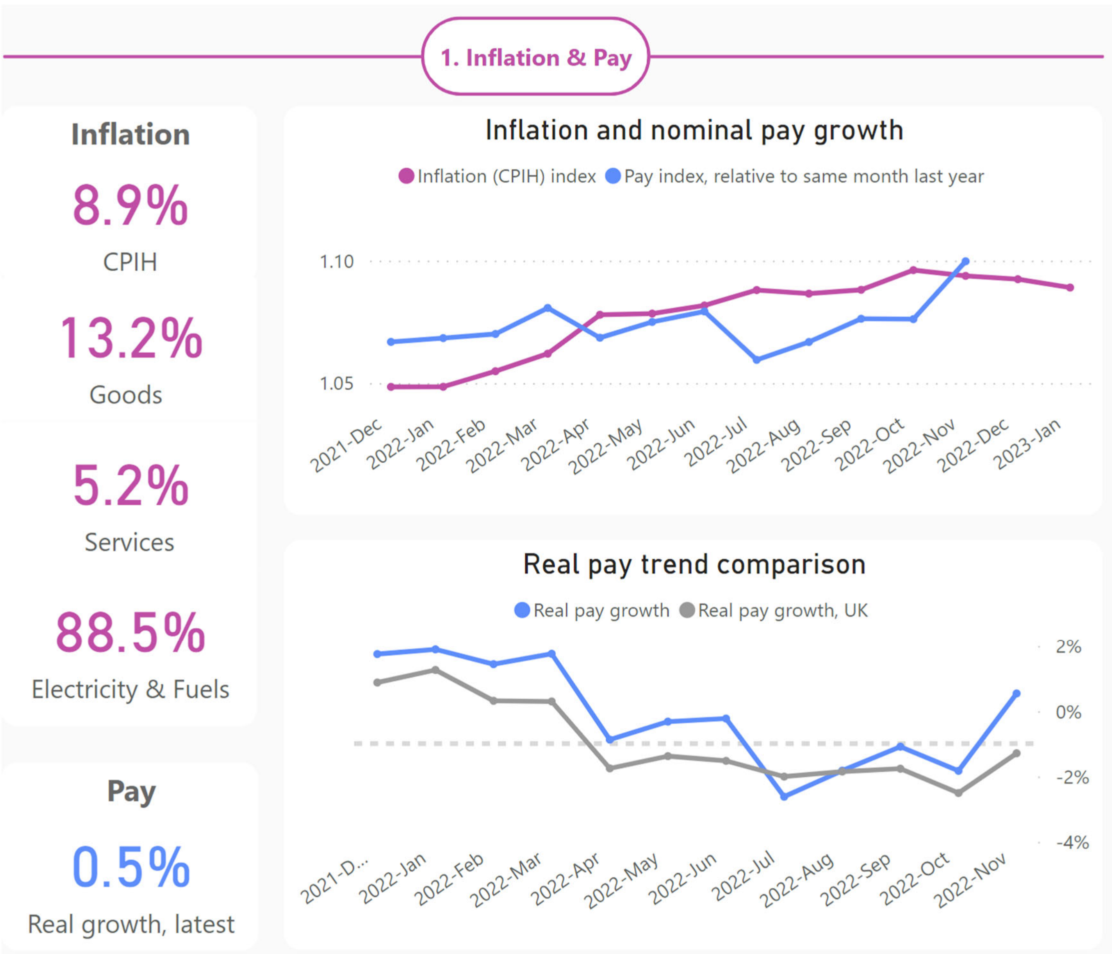
Business closures, which show the number of liquidated or dissolved companies each month, are tracked to monitor the potential adverse effects of economic conditions on our business base. There were 1,600 liquidations and dissolutions in January, a 43% increase year-on-year. Nationally, business closures have increased by 45% over the same period. Despite the considerable increase in business closures compared to last year's figures, the increase is slightly lower than nationally.

Cost of Living

D2N2 continue to monitor the cost of living crisis and the challenges facing different places. We track monthly national inflation, its major components, nominal wages, and estimate changes in 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 8.9% in January 2023 down from 9.6% in October 2022. On a monthly basis, CPIH fell by 0.4% in January 2023. The largest downward contribution to the annual inflation rates came from transport (passenger transport and motor fuels), and restaurants and hotels, with rising prices in alcoholic beverages and tobacco making the largest upward contribution to the change.

The CPIH annual inflation rate for goods has eased slightly to 13.2%, while CPIH for services fell to 5.2%. CPIH for electricity, gas and fuel prices was 88.5% in January. The combination of slightly lower inflation and increasing nominal pay pushed real pay growth into positive territory for the first time since June 2022.



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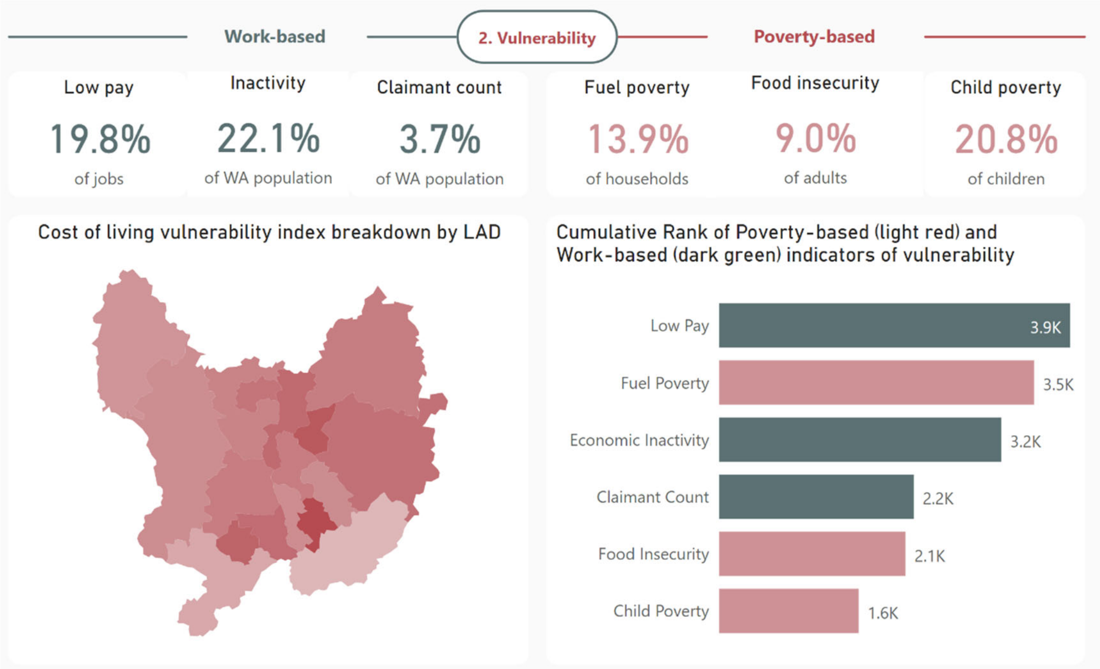
To assess vulnerability of D2N2 residents to the impact of rising prices, we used Vulnerability Index and its underlying data compiled by the Centre for Progressive Policy[1]. Within the Index, vulnerability to the cost of living crisis is measured with poverty-based and work-based indicators. Poverty-based 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.



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.

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

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
- Inflation, pay and cost of living vulnerability

Historic dashboards – no updates planned:

- 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