# D2N2 Economic Recovery Report

EDITION 17: August 2023

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 data and information, please visit our Data Centre.

National Economic Outlook

CPI inflation remains well above the 2% target, having fallen back to 6.8% in June in line with expectations. Even though both services and core goods CPI inflation have been stronger than anticipated, the Bank of England's Monetary Policy Committee (MPC) expects CPI inflation to continue to fall, to around 5% by the end of the year, owing to lower energy, and to a lesser extent, food and core goods price inflation. Annual private sector regular pay growth has increased further, to 7.7% in the three months to May, but the MPC expects it to decline to around 6% by the end of this year.
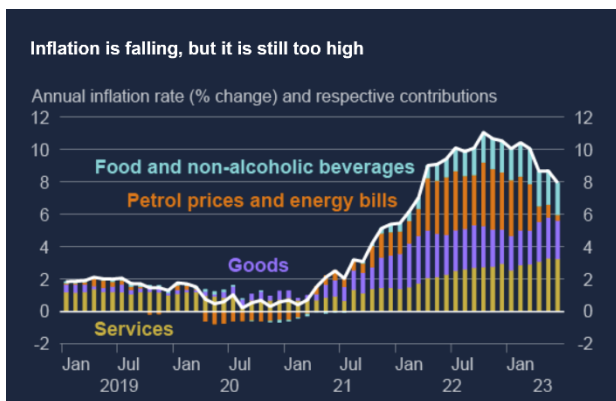
Source: Bank of England

Significant increases in energy, food and other import prices over the past two years have had second-round effects on domestic prices and wages. The MPC has factored in the possibility of these effects persisting. Assuming the current conditions continue, CPI is predicted to reach the 2% target by the second quarter of 2025, with the mean CPI inflation of 1.9% over three-year horizon.

Previous hikes in the Bank Rate and the elevated trajectory of market interest rates will exert a growing influence on economic activity in the forthcoming quarters as well. Underlying quarterly GDP growth has been around 0.2% during the first half of this year. GDP growth is projected to remain below pre-pandemic rates over the medium term reflecting the relatively subdued potential supply and a diminishing boost from fiscal policy.

While the labour market has been relatively tight, there are indications that it is beginning to ease. The unemployment rate according to the Labour Force Survey rose to 4.0% during the three months leading up to May. Additionally, the ratio of job vacancies to unemployment has been decreasing since mid-2022. The less robust trajectory of GDP is likely to result in higher spare capacity and unemployment. In the latest MPC projection, the unemployment rate is expected to climb to slightly below 5% by the third quarter of 2026.

Summary: The local labour market remains tight despite the short-term dip in unemployment benefit claimants. The number of available jobs has increased in the past quarter leading to an increased ratio of job vacancies to unemployment claims. The slight reduction in business closures over the past quarter suggest no major shifts in business survival. Notwithstanding the significant nominal wage growth and reduced inflation, growth in real earnings remains negative.

An overview of indicators we track at the local level is below.
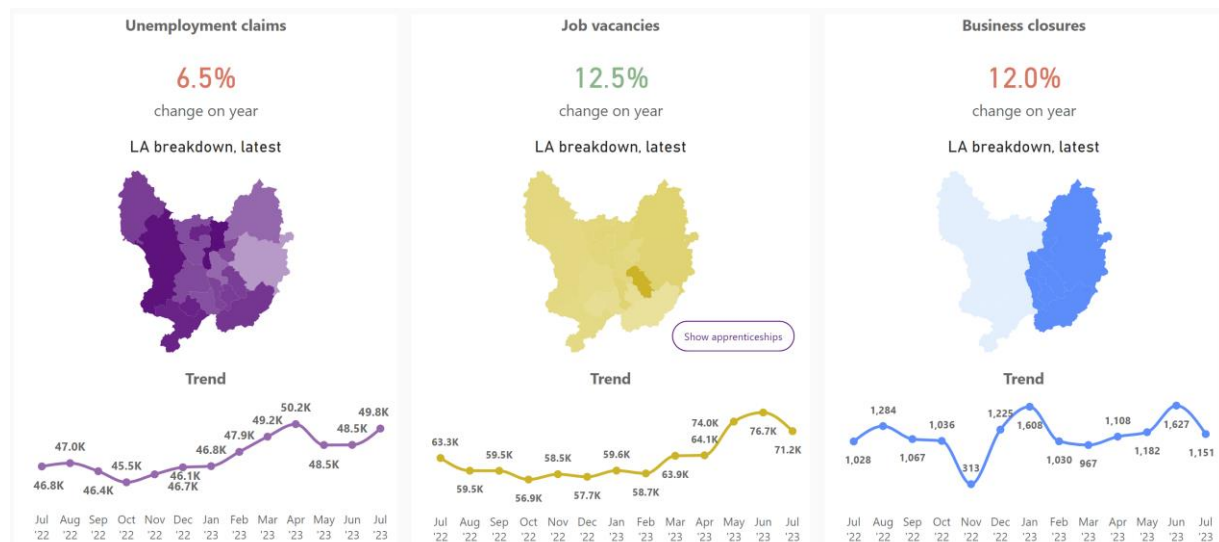
Green colour on the key metrics shows better outcomes compared to the national average; red shows worse outcomes.

Unemployment and work-related benefit claims have decreased over the last quarter but are above last year's levels. There were 49,820 claimants in August 2023, which represents a 6.5% increase from August 2022. Nationally, the claimant count has increased by 2.7% over the same period. Derbyshire Dales, Bolsover, Derby, South Derbyshire and Chesterfield have experienced an above average increase in the number of claimants in the same time frame.

Claimants make up 3.6% of the working age population in D2N2, compared to 3.7% 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 April to July with the on-year higher than nationally. In D2N2 the number of vacancies has increased by 12.5% over the last year compared to 1.5% growth across the UK over the same period. Gedling, Bassetlaw and Newark & Sherwood have seen the highest positive year-on-year growth, while Rushcliffe, Nottingham and Derby recorded the lowest growth in job vacancies.

Top occupations receiving job postings in D2N2 over the last three months were Care Workers, Nurses, Administrative Occupations, 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 1,150 liquidations and dissolutions in July, a 12.9% decline year-on-year. Nationally, business closures increased by 8.7% over the same period.

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, rose by 6.4% in July 2023 compared to 7.3% in June. The largest upward contributions to the annual CPIH inflation rate came from falling gas and electricity prices; food prices rose in July 2023 but by less than in July 2022, contributing to an easing in the annual inflation rates. Hotels and passenger transport by air were the categories that provided the largest upward contributions to the change in the annual rate.
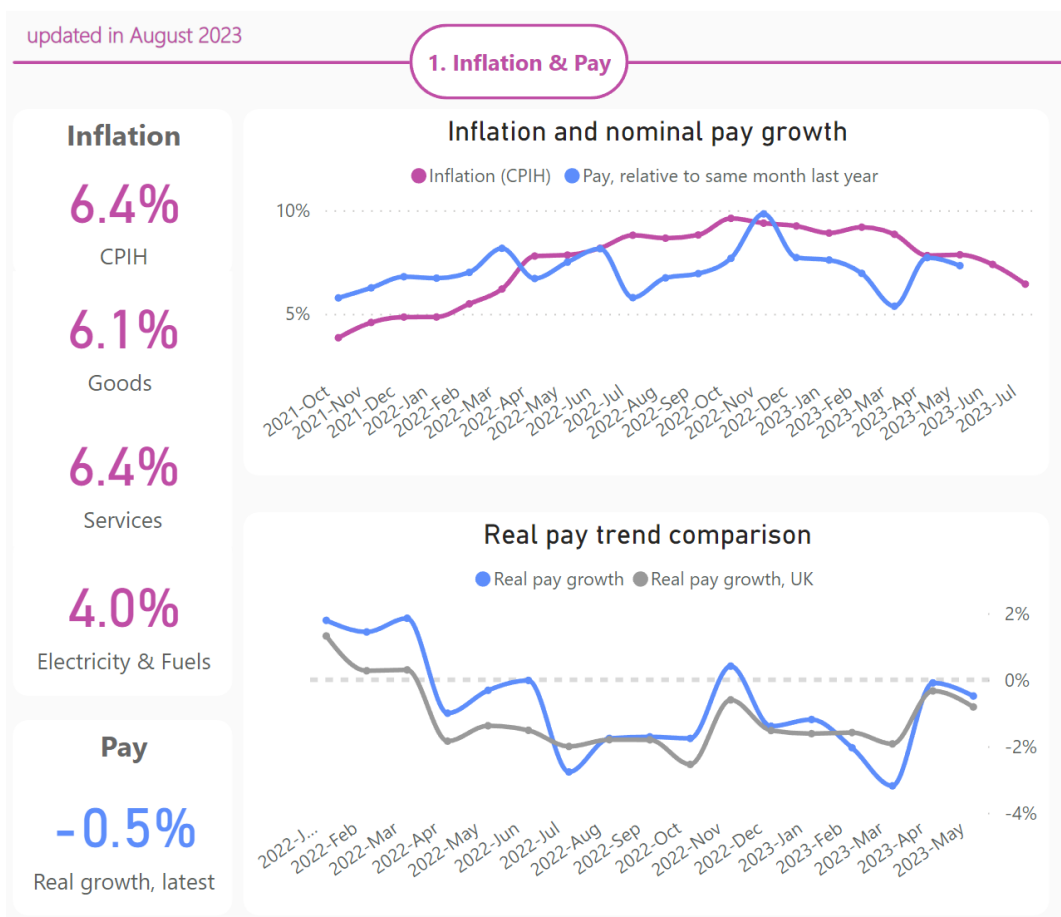
The CPIH annual inflation rate for goods has eased to 6.1%, while CPIH for services increased to 6.4%. CPIH for electricity, gas and fuel prices was 4% in July. The combination of slightly lower inflation and fluctuating nominal pay resulted in the real pay decline estimate of 0.5% in D2N2 compared to 0.8% decline nationally.

The most recent figures on monthly inflation and earnings, as well as the analysis of vulnerability of D2N2 residents to the impact of rising prices ability at local authority level is available here.

LINKS TO DATA ON D2N2

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

Our D2N2 Economy Dashboard summarises key monthly and medium term trends from official data and economic analysis.

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
- Analysis of Identifiable Public Sector Expenditure in East Midlands

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

More data on D2N2
- Updates on projects funded by D2N2
- D2N2 profile on NOMIS

Midlands Engine Observatory
- ME Observatory Intelligence Hub