

DERBYSHIRE COUNTY COUNCIL

CABINET

12 July 2016

REPORT OF THE CHIEF EXECUTIVE

**DERBYSHIRE ECONOMIC REVIEW – JUNE 2016
(Strategic Policy, Economic Development and Budget)**

1. Purpose of the Report

To present the latest Quarterly Economic Review – June 2016 to Cabinet.

2. Information and Analysis

Background

The Derbyshire Economic Review is a quarterly economic update produced by the Council. The update, which is attached at Appendix A for consideration, provides an overview of the current economic conditions in Derbyshire and summarises key economic trends to support broader discussions and policy developments across the Authority. The Review also supports and facilitates the delivery of partnership activity, most notably through the Derbyshire Economic Partnership, the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP), and the D2N2 Infrastructure and Investment Board. The Economic Review is available electronically on the Derbyshire Observatory at the following link <http://observatory.derbyshire.gov.uk/IAS/lea/>

Summary of Key Findings

The key findings for the latest quarterly review are outlined below:

- The first quarter of 2016 saw an upturn in the level of economic growth in the county. This is encouraging given that the previous three quarters had shown a downward trend. Although Derbyshire's economic performance remains below that for the East Midlands Chamber of Commerce area (Derbyshire, Leicestershire and Nottinghamshire), the gap has closed this quarter.
- Despite the uncertain business climate, e.g. the slowdown in China and the EU referendum in June, firms have made a strong start to 2016, with a rise in both UK orders and in export markets. Encouragingly, manufacturing firms across the region saw similar levels of improvement to the service sector. However, there still remains a gap in performance between the two sectors. It

is important that this differential reduces, with improvements in international markets being a key component. Firms in the county anticipate that they will be expanding their workforces over the next quarter and they have also increased their investment in training, which is important in the context of the ongoing national debate about productivity. However, despite the improvements, firms locally are slightly less optimistic about future profitability.

- The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) as well as out of work Universal Credit (UC) claimants, is currently 1.3%, lower than the England rate of 1.8%. The rate has been on a downward path for around four years, however over the past few months the trend has levelled out, possibly reflecting the recent inclusion of UC claimants in the data. There are areas in the county where the rate remains stubbornly high including parts of Ilkeston, Chesterfield, Gamesley and Buxton.
- Over a quarter (27.4%) of Derbyshire's JSA unemployment claimants have been out of work for more than a year, on a par with the England rate of 27.3%. Although this represents 370 fewer long term claimants than this time last year, the proportion has increased from the 24.4% a year ago. This is because total claimant unemployment has fallen at a faster rate than long-term unemployment.
- The youth unemployment rate in the county appears to have stabilised over the last six months, having been through a long period of decline post-recession, with the rate now being 1.9%. The level of youth unemployment also appears to have returned to a level below that for England's, as for much of the period since 2008-09, the local rate has been above that for England.
- The proportion of residents claiming an Out-of-Work Benefit (OoWB) continues to fall as the economy continues to pick up. In November 2015, there were 2,060 fewer county residents (8.4%) claiming an OoWB than the year before, lower than the England average of 8.7%. Despite this, in three wards more than 20.0% of 16-64 year olds are claiming an OoWB. These wards are Middlecroft and Poolsbrook in Chesterfield, Gamesley in High Peak, and Shirebrook North West in Bolsover, and also had high levels in the previous Derbyshire Economic Review.
- There has been generally positive news on jobs this quarter, with a range of sectors recruiting. These include car parts company Ferdinand Bilstein UK announcing it is to move its distribution centre to Markham Vale which could lead to 400 new jobs, the arrival of fashion label Ted Baker at Derby Commercial Park in May, which will create 250 jobs, and the expansion of the Post Office in Chesterfield, who announced that they are bringing more than 160 jobs to the town in March. Additionally, Airline Jet2 stated at the beginning of February that expansion of its activities at East Midlands Airport will create 100 jobs. Although there has been progress on jobs this quarter, there have been some job losses too. These include 50 managers who are to lose their jobs at Rolls Royce, with some of them from the sites in Derby, and the decision by composites manufacturer Cytec in Heanor to cut 30 jobs from its site.
- The economic activity rate in Derbyshire has risen this quarter and nearly four-

fifths of the working age population is economically active. Economic activity has been historically higher than the England rate and this situation has once again been restored, following the reversal of the previous quarter. The number of people who are an active part of the labour market has increased by nearly 3% over the last three months. There are 382,900 people in the county who are now part of the labour market, which is a return to the level of the previous year. This is due to the flow of a significant number of people from economic inactivity into active job seeking and then into employment. Bolsover and Erewash have contributed most to the improved picture this quarter. The level of self-employment has also increased, although it remains over 2% points lower than the national figure.

- The average price of a house in Derbyshire in March 2016 was £132k, more than 30% lower than the national average of £190k across England and Wales. House prices have been on the rise for nearly three years, however, the level of national growth is greater leading to a widening gap with the county. Whereas the average house price is 5.1% above its pre-recession peak nationwide, in Derbyshire it is more than 5% below.

‘In focus’ topic – ‘The Manufacturing Sector in Derbyshire’

The UK manufacturing sector has been through a long period of decline, but despite this the sector remains a crucial part of the economy, comprising 11% of UK GVA, 54% of UK exports and employing 2.6million people, making the country the 11th largest manufacturer in the world. However, a recent dip in manufacturing output and drop in steel production has raised concerns that the economy is becoming increasingly unbalanced in favour of the service sector. Whilst the service sector is now well above its pre-recession output level, industrial output remains below its 2008 peak. Despite this, the Annual Manufacturing Report for 2016, published by The Manufacturer states that manufacturers are broadly confident about the future, with the analysis reporting the second-most positive outlook for the manufacturing sector since 2008.

At a Derbyshire level the sector also remains a fundamental part of the economy. It provides jobs for nearly 50,000 employees, 17.9% of Derbyshire’s employment, more than double that of England’s; in South Derbyshire and Amber Valley nearly a quarter of employees over 16 work in the sector. Manufacturing is also crucial for local economic output, with the sector’s 17.9% share of total employment generating 23.3% of the county’s economic output, representing £3.6billion of the money generated by the Derbyshire economy. Derbyshire’s manufacturing sector is diverse, but by far the most significant sub-sectors are food and drink and metals and metal products, employing nearly a third of the county’s manufacturing workers. Derbyshire has strength in medium to high technology manufacturing, with almost 10,000 people working in such firms, proportionately nearly double that of the national average. Many of these firms feed into supply chains locally, and further field, providing parts such as electric motors and electronic accessories to the likes of Toyota, Rolls Royce, Bombardier and JCB.

However, since 2008/09, nearly 3,000 jobs have been lost, a decline of 5.3% and a rate of decrease greater than the 1.8% for England. The greatest losses have been in Amber Valley and Erewash, which have both seen losses of 1,000 or more. However, there has been positive news in some areas, with High Peak and South Derbyshire seeing growth. There is also evidence that the productivity of local manufacturers is improving. The Derbyshire Economic Strategy Statement outlines the need for the sector to diversify into higher value activities and improving productivity may be evidence of this happening. However, manufacturers across the UK have expressed concerns about skills and, particularly the preparedness for work of school and college leavers. It is important that any drive to higher grade manufacturing is underpinned by the right skills base being in place.

3. Equality and Diversity Considerations

Overall and youth unemployment levels are at relatively low levels, but there remain pockets of unemployment where levels remain stubbornly high, for example youth unemployment in Ilkeston North is 5.7%, well above the national rate of 1.4%. The Council has recently agreed that it will be submitting two bids into the D2N2 European Social Fund (ESF) 2014 – 2017 Operational Programme. Both of these will offer scope to tackle unemployment inequalities across the county. The first, Employ Local, will support the delivery of the five key objectives contained in the Council's Youth Employment Strategy, whilst the second, the Youth Engagement project, will help to narrow the gap in opportunities and target resources to vulnerable cohorts.

An Area Based Review of post-16 learning provision across the D2N2 Local Enterprise Partnership is to be carried out by the Department for Business, Innovation and Skills. This will provide opportunity for Derbyshire County Council to specify current skills needs in the economy and identify any future skills gaps. It will be important that the needs of learners from different backgrounds are included in the Review, as well as those of Derbyshire's firms.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, human resources, social value, environmental, health, property and transport considerations.

5. Key Decision

No

6. Call-in

Is it required that call-in be waived in respect of the decisions proposed in this report? No.

7. Background Papers

Files and supporting papers are held in the Policy and Research Division, Chief Executive's Office.

8. Officer's Recommendation

That Cabinet note the information presented within the Derbyshire Economic Review – June 2016 and that the findings be used to support future service planning and policy development.

Ian Stephenson
Chief Executive

Policy and Research, Chief Executive's

Derbyshire Economic Review - June 2016

Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire¹ economy both in a national and local context. The report provides a “snapshot” of the Derbyshire economy, to help inform the development and delivery of future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: ‘The Manufacturing Sector in Derbyshire’.

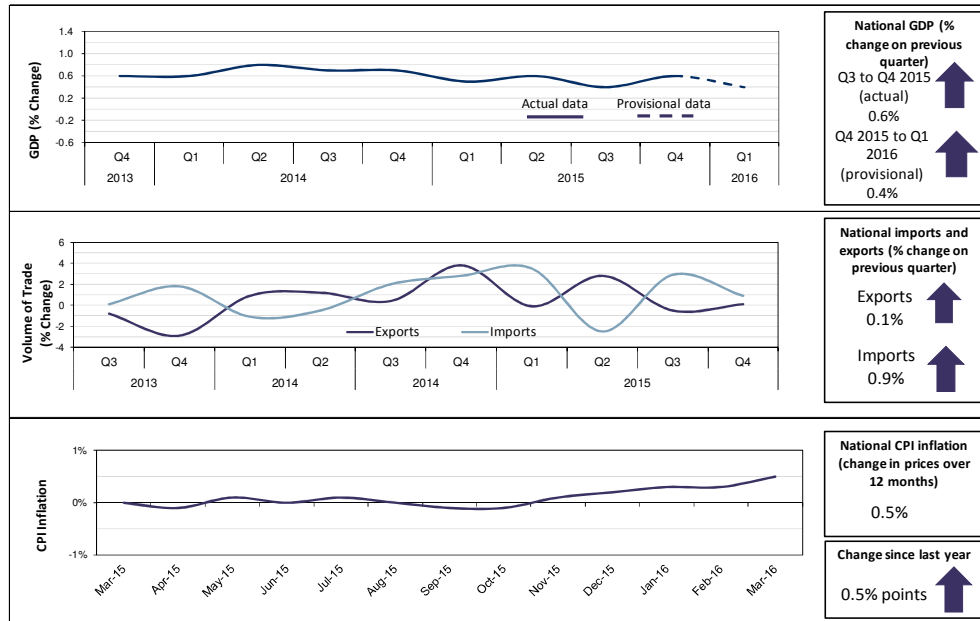
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Overview

- The UK economy expanded by 0.4% in the first quarter of 2016, boosted by growth in the service sector. However, this was offset by falls in construction, production and agriculture, meaning that the level of growth was down on the 0.6% in the final quarter of 2015. Despite this, the UK has the strongest growth of the G7 nations, although concerns remain about its exposure to global economic headwinds such as slower growth in China.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate was 0.5% for the 12 months to March 2016, continuing the slight upward trend since October 2015. The rate is at its highest since December 2014 but is still low in historical terms and below the Bank of England's target of 2.0%.
- There has been an upturn in the level of economic growth in Derbyshire in the first quarter of 2016 according to the East Midlands Chamber of Commerce's State of the Economy Index. This follows three consecutive quarters where the rate of growth had slowed in the county and sees the gap with the region narrow.
- The employment rate in the county has risen to 76.2%, which has seen the gap with the England figure (73.9%) widen this quarter.
- The overall claimant unemployment rate in Derbyshire stands at 1.3%, below the 1.8% for England. However, hotspots still exist across the county where unemployment levels are relatively high e.g. Ilkeston North (3.9%), and Cotmanhay (3.3%) in Erewash; Rother (3.4%) and St Helen's (2.8%) in Chesterfield; and Barms (3.0%) and Gamesley (2.9%) in High Peak.
- 27.4% of all Jobseeker's Allowance claimants in Derbyshire have been out of work for more than a year, similar to the national average (27.3%).
- Over the past six months, the county's youth unemployment rate has stabilised following a long period of decline post-recession. Hotspots remain, but there are now only three wards where youth unemployment is more than double the national rate, Ilkeston North, Elmtown-with-Cresswell, and Rother.
- Houses prices in Derbyshire are increasing but at 4.0%, the level continues to be below that for England and Wales (6.7%).

National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), the main national indicator of economic growth, is estimated to have increased by 0.4% in the first quarter of 2016², a decrease on the 0.6% in the fourth quarter of 2015. Of the four main industrial groupings, growth was confined to services, which increased by 0.6%, whilst output declined in construction, production and agriculture by 0.9%, 0.4% and 0.1% respectively. The service sector was the only one to show a net positive contribution (+0.5% points) to GDP this quarter. Production and construction both contributed -0.05% points whilst for agriculture the result was net zero. The figures indicate that consumer spending remains at the forefront of UK growth, but the continued weakness in manufacturing, it was down 1.3 percent on a year ago, suggests that export growth remained weak in Q1.

In the final quarter of 2015, the UK's trade balance widened from -£15.1bn to -£16.4bn, the second largest it has been in over three years. Although exports increased marginally this quarter (+0.1%), the value of imports into the country rose by a greater margin (+0.9%) so trade made a negative contribution to GDP.

There is much debate about the UK's export performance at the moment, centred on the difficulties being experienced by the steel sector. The latest figures show that while the export of services increased this quarter, export of goods declined, albeit by a small amount (-0.3%). This will be an important indicator to watch in 2016.

The annual CPI inflation rate currently stands at 0.5% for the 12 months to March 2016⁴. This is a small increase compared with February, when the rate was 0.3%, but continues the upward trend of the past few months, although the rate remains low historically. Rises in air fares and clothing prices were the main contributors to the increase, however these upward pressures were partially offset by a fall in food prices and a smaller rise in petrol prices than a year ago.

The Bank of England (BoE) has signaled that weaker UK growth and an unforgiving global environment will keep interest rates on hold for at least another year⁵. The most recent decision from the BoE's Monetary Policy Committee was unanimous in keeping interest rates at 0.5%, where they have been since March 2009. In addition to concerns over global growth, low inflation and weaker than expected wage growth were behind the latest decision.

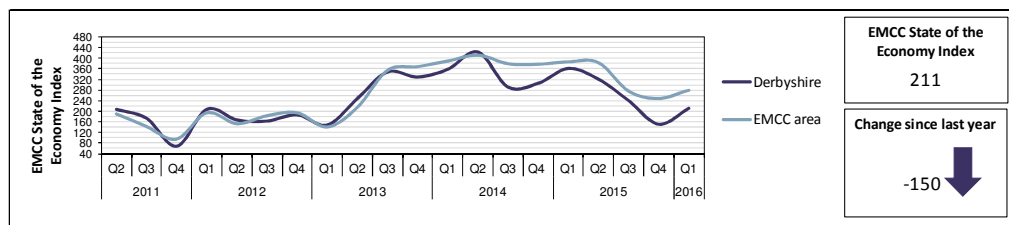
The BoE highlighted the following national trends as at April 2016⁶:

- Annual growth in consumer spending has been resilient.
- Business services turnover growth has eased a little, with some increase in uncertainty about the future.
- Manufacturing output for the domestic market was the same as a year earlier but manufacturing exports were lower.
- Construction output has risen steadily on the previous year.
- Credit remained readily available for most companies.
- Investment intentions were unchanged in manufacturing but in the service sector intentions for investment growth were positive.
- Activity in the housing market has increased.
- Employment intentions were consistent with muted employment growth.

More information can be found at:

<http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx>

Business Conditions



The first quarter of 2016 saw an upturn in the level of economic growth in the county, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷. This is encouraging given that the previous three quarters had shown a downward trend. Although Derbyshire's economic performance remains below that for the EMCC area, the gap has closed this quarter.

Despite the uncertain business climate, e.g. the slowdown in China, and the EU referendum in June, firms have made a strong start to 2016, with rises in UK orders and export markets. Encouragingly, manufacturing firms across the region saw similar levels of improvement to the service sector. However, there still remains a gap in performance between the two. It is important that this differential reduces, with improvements in international markets being a key component. Firms in the county anticipate that they will be expanding their workforces over the next quarter, and they have also increased their investment in training, which is important in the context of the debate about productivity. Despite the improvements, firms locally are slightly less optimistic about future profitability.

Investment

The Derbyshire Economic Partnership received five enquiries from firms seriously looking to invest in the county⁸ between February and April 2016. The enquiries related to a number of sectors including transport, construction and wholesale and retail. This brings the annual figure to 42 enquiries, down on the 69 for 2014-15.

Over the past three months, construction has progressed on a £36m 420,000 sq. ft. distribution centre for Great Bear Ltd at Markham Vale, and when fully operational some 400 jobs will be created. Construction is progressing on the £7.6m Seymour Link Road which, when complete in October 2016, will bring forward a further 70 acres of fully serviced development land on Markham Vale North. Agreement has been reached with a German car parts company, Ferdinand Bilstein Ltd, for a 220,000 sq. ft. distribution facility which when constructed will be the first occupier

on this part of Markham Vale. Detailed negotiations are progressing with three new occupiers for a 30,000 sq. ft. warehouse, a 480,000 sq.ft logistics centre and a speculative development comprising 15 workshops and office suites. A further seven new enquiries were received by the Markham Vale team.

Job Losses and Gains

The following job losses and gains information relates to organisations in Derbyshire (including Derby City), and is drawn from articles in the local press between February and April 2016.

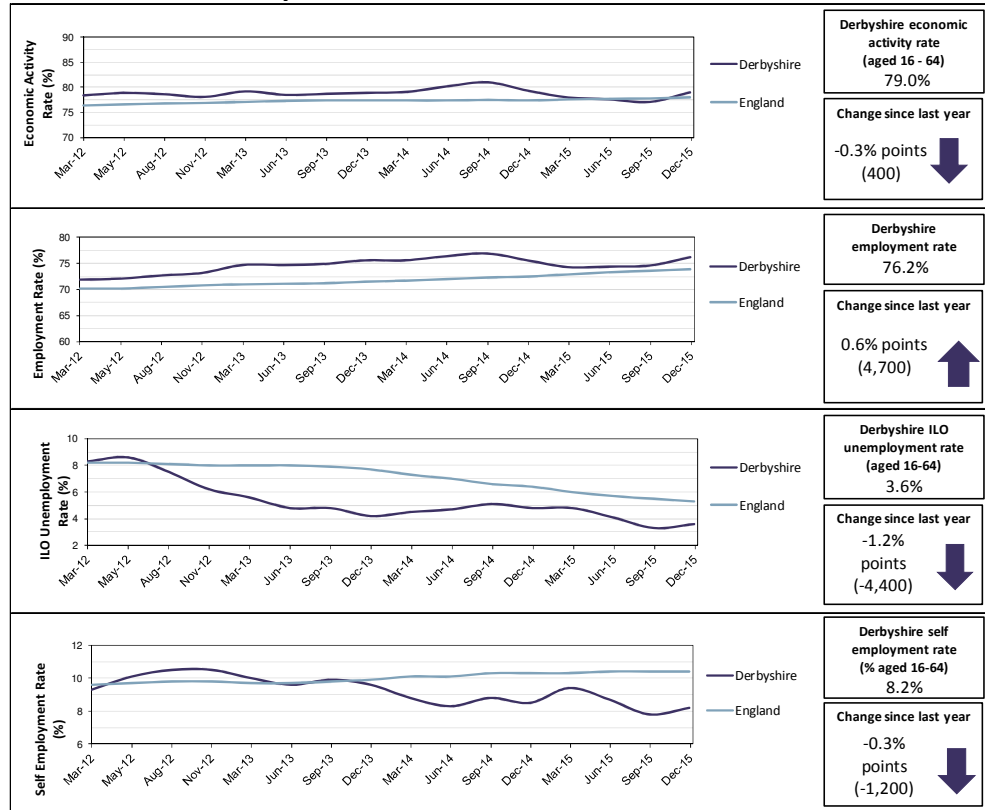
Job Losses

- It was announced in February that 50 managers are to lose their jobs at Rolls Royce some of whom are from the sites in Derby.
- In February it was announced that 30 jobs would be cut from Cytec in Heanor, a composites manufacturer.
- It was reported in February that job cuts for seven teachers from Belper Secondary School will take place over the year due to falling pupil numbers.

Job Gains

- The agreement by car parts company Ferdinand Bilstein UK to move its distribution centre to Markham Vale could lead to 400 new jobs.
- The arrival of fashion label Ted Baker in Derby in May will create 250 jobs.
- The Post Office announced in March that it is to expand its base in Chesterfield, bringing more than 160 jobs to the town.
- Airline Jet2 announced at the beginning of February that expansion of its activities at East Midlands Airport will create 100 jobs.
- In February B&M Bargains opened its biggest store in Derby creating 54 jobs.
- The opening of two new Premier Inn hotels in Derby at the end of February has resulted in 59 jobs and 12 apprenticeships.
- A job fair held at the East Midlands Designer Outlet in March aimed to recruit 25 full and part time staff for a number of brands sited there.
- In April a new Dominos at Hilton opened creating up to 25 new jobs.
- Expansion plans announced in April by Thornbridge Brewery are expected to result in 11 new staff being employed.
- The opening of a branch of Screwfix in Chesterfield in February has led to 14 jobs.

Labour Market Participation



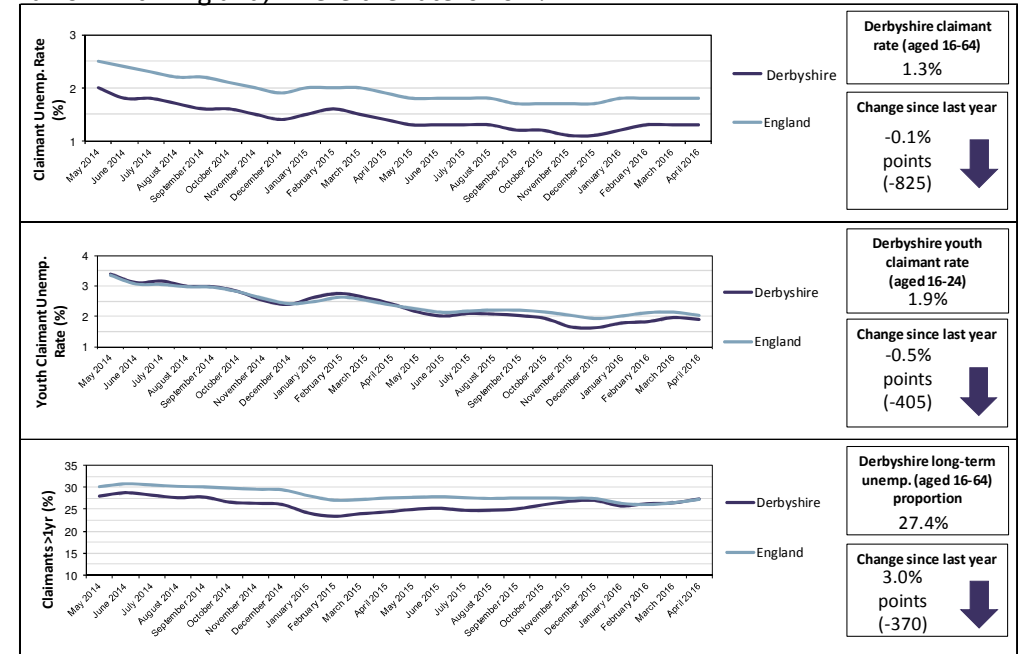
Source: Annual Population Survey, March 2014-December 2015, ONS (Nomis) © Crown Copyright.

The economic activity rate⁹ in Derbyshire has risen this quarter, following four quarters of decline, to stand at 79.0%. Economic activity has been historically higher than the England rate, and this situation has once again been restored, following the reversal of the previous quarter. The improvement in economic activity is reflected in the employment rate¹⁰, which has risen from 74.6% to 76.2% this quarter.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance (JSA) or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

ILO unemployment remains on a general downward trend, although there has been a slight rise in the county in the most recent quarter, which has seen the gap with the national figure narrow. The latest results for Derbyshire and England are 3.6% and 5.3% respectively.

Although the self-employment rate has declined locally over the last year, there has been an upturn this quarter, with the level rising to 8.2%. This has seen the gap narrow with England, where the rate is 10.4%.

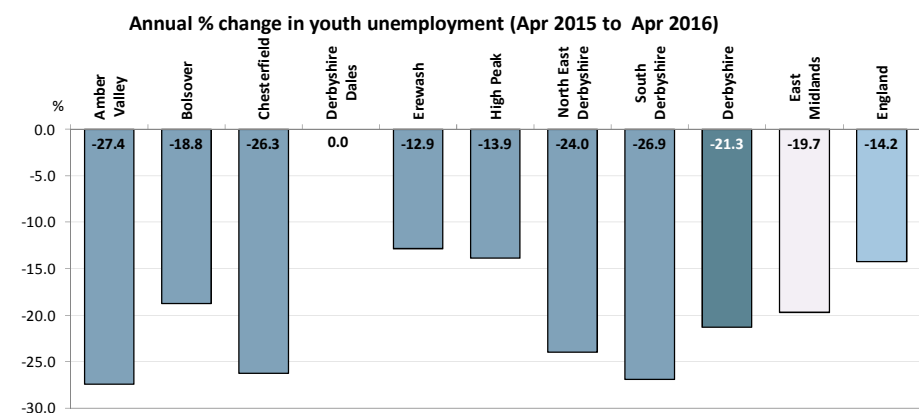
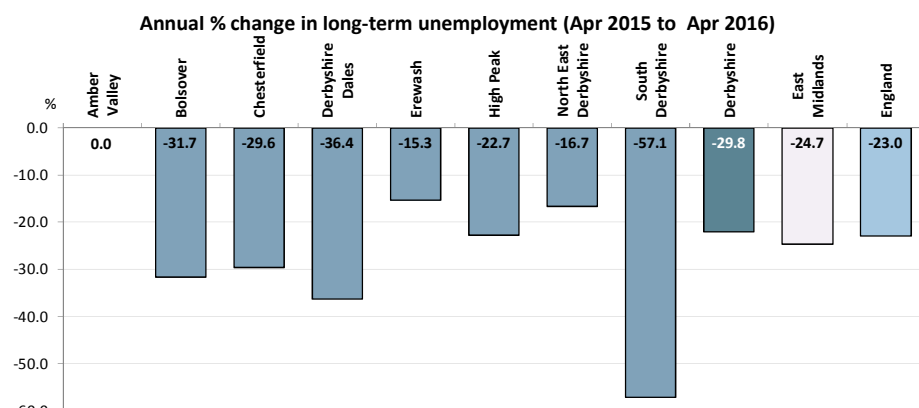


Source: Claimant Count, April 2016, ONS (Nomis) © Crown Copyright.

The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance as well as out of work UC claimants, is currently 1.3%, lower than the England rate of 1.8%¹². The rate has been on a downward path for around four years, however over the past few months the trend has levelled out, possibly reflecting the recent inclusion of UC claimants in the data. There are areas in the county where the rate remains stubbornly high including the wards of Ilkeston North and Cotmanhay in Erewash; Rother and St Helen's in Chesterfield; and Gamesley and Barms in High Peak.

Labour Market

Over a quarter (27.4%) of Derbyshire's JSA unemployment claimants have been out of work for more than a year, on a par with the England rate of 27.3%. Although this represents 370 fewer long term claimants than this time last year, the proportion has increased from the 24.4% a year ago. This is because total unemployment has fallen at a faster rate than long-term unemployment. Analysis by district can highlight which areas are contributing most to the changes county-wide. All districts except Amber Valley, which shows no change, have shown a decrease in the number of people who have been unemployed for over a year in the last 12 months. The greatest annual decline is once again shown by South Derbyshire (-57.1%).



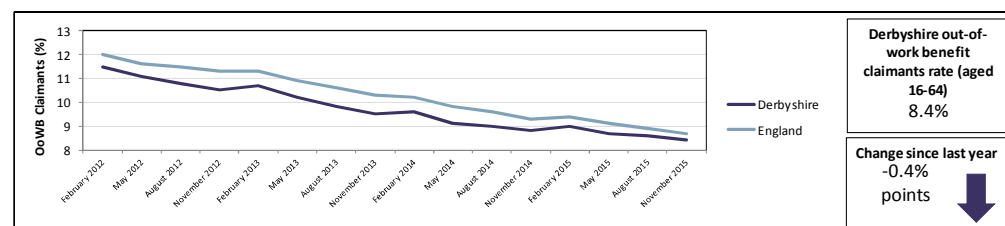
Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

Source: JSA Claimant Unemployment, April 2016, ONS (Nomis) © Crown Copyright.

Labour Market

The youth unemployment rate¹³ in the county appears to have stabilised over the last six months having been through a long period of decline post-recession, with the rate now being 1.9%. The level of youth unemployment also appears to have returned to a level below that for England's. For much of the period since 2008-09, the local rate has been above that for England. All districts have shown a decline in youth unemployment over the last year, except Derbyshire Dales, which shows no change. The greatest annual percentage decline is in Amber Valley (-27.4%). Although the county's youth unemployment rate is relatively low, the proportion of young claimants who are long-term unemployed has been creeping up over the last year, and is currently 20.0%, approaching the peak of 21.0% in November 2013.

The Council has recently agreed that it will be submitting two bids into the D2N2 European Social Fund (ESF) 2014 – 2017 Operational Programme. Both of these will offer scope to tackle unemployment inequalities across the county. The first, Employ Local, will support the delivery of the five key objectives contained in the Council's Youth Employment Strategy whilst the second, the Youth Engagement project will help to narrow the gap in opportunities and target resources to vulnerable cohorts.



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-oowbc>

The proportion of residents claiming an Out-of-Work Benefit (OoWB) continues to fall as the economy continues to pick up. In November 2015, there were 2,060 fewer county residents (8.4%) claiming an OoWB¹⁴ than the year before, lower than the England average of 8.7%¹⁵. Despite this, in three wards more than 20.0% of 16-64 year olds are claiming an OoWB. These wards are Middlecroft and Poolsbrook in Chesterfield, Gamesley in High Peak, and Shirebrook North West in Bolsover, and also had high levels in the previous Derbyshire Economic Review.

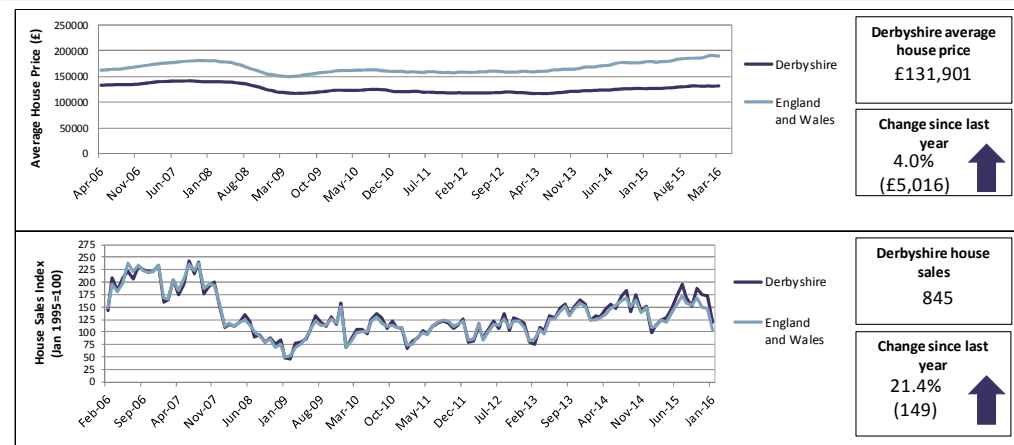
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (Nov 2015 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	55,430	11.4	11.4	-2,410	-4.2	↓
Out-of-Work Benefit Claimants	40,630	8.4	8.7	-2,060	-4.8	↓
Employment Support Allowance (ESA)	29,090	6.0	5.6	1,890	6.9	↑
- Long term claimants (1yr or more)	22,700	78.0	76.7	60	0.3	↑
- 18 to 24 year old claimants	2,570	8.8	8.0	250	10.8	↑
Lone Parent Income Support (LPIS)	4,280	0.9	1.1	-450	-9.5	↓
- 18 to 24 year old claimants	1,250	29.2	26.1	-230	-15.5	↓
Personal Independence Payments (PIP)	10,005	2.1	1.6	4,833	93.4	↑
Universal Credit (UC)	2230	0.5	0.6	2,181	Too soon for a meaningful figure	
JSA sanctions	270	Numbers too small		-491	-64.5	↓
Household benefits (Feb 2016)						
Housing Benefit claimants	48,719	14.1	17.4	-1,291	-2.6	↓
Households affected by removal of Spare Room Subsidy	5,077	10.4	8.4	-118	-2.3	↓
- 1 Bedroom	4,232	83.4	82.9	-36	-0.8	↓
- 2 or more bedrooms	845	16.6	17.1	-82	-8.8	↓
Benefit Cap	97	Numbers too small		-11	-10.2	↓

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.,

Notes: * PIP January 2016, UC April 2016 and JSA sanctions September 2015 (JSA data has not been updated by the DWP for this Quarterly Economic Review so the data from the March Economic Review has been used).

11.4% of the county's residents are claiming benefits, including 6.0% ESA and 0.9% LPIS, similar to England. However, the proportion of residents aged 18-24 claiming LPIS and long-term ESA claimants are higher in Derbyshire. There are a lower proportion of households claiming housing benefit (14.1%) than England (17.4%) but a higher proportion of claimants have been affected by removal of the spare room subsidy¹⁶. PIPs are in the process of replacing Disability Living Allowance, so the rates are currently low. This is also the case for Universal Credit, with the number of UC claimants having increased steadily each month over the last year as claimants are transferred on to this benefit. The majority of benefits in Derbyshire have seen a reduction in claimants, the exception being ESA which has seen an increase, in part reflecting that ESA is in the process of replacing Incapacity Benefit. The benefit showing the greatest decline (-64.5%) is for people who have had their benefit stopped or reduced through sanctions. This is linked to the downward trend in JSA claimants.



Source: House Price Index, Land Registry, March 2016, © Crown Copyright

The average price of a house in Derbyshire in March 2016 was £131,901, more than 30% lower than the £189,901 across England and Wales¹⁷. House prices have been on the rise for nearly three years, however, the level of national growth is greater leading to a widening gap with the county. Whereas the average house price is 5.1% above its pre-recession peak nationwide, in Derbyshire it is more than 5% below. However, compared with the previous month, the national average dipped by -0.5%, whereas the Derbyshire trend continued to be up, by 0.4%.

In March 2016, monthly house prices dipped in eight out of the ten regions in England and Wales, with affordability for first time buyers and the uncertainty surrounding the EU referendum thought to be leading to less demand for new homes. London and the East were the only regions which saw a rise, reflecting the shortage of supply, reaffirming the UK housing divide. However, the luxury end of the London market fell by 10.0% in March, which some commentators have suggested could lead to a slowing in house price growth in other areas of the UK.

The latest house sales data shows a difference in completions between the local and national picture. In January 2016 there were 845 house sales in the county, 21.4% higher than a year earlier. However, nationally there was a fall of 4.7%. A decline in the number of transactions is seen as a concern by some indicating that people aren't able to move in and out of the market when they want to, potentially impacting on the rest of the economy, for example in terms of people accessing employment opportunities.

The Manufacturing Sector in Derbyshire

This In-Focus looks at the contribution being made by manufacturing to the UK and local economies, how manufacturing firms are faring as the economic recovery continues, and how the sector in Derbyshire compares with the sector nationally. The UK manufacturing sector has been through a long period of decline, but despite this the sector remains a crucial part of the economy, comprising 11% of UK GVA, 54% of UK exports and employing 2.6million people, making the country the 11th largest manufacturer in the world¹⁸.

However, a recent dip in manufacturing output and drop in steel production has raised concerns that the economy is becoming increasingly unbalanced in favour of the service sector. While the service sector is now well above its pre-recession output level, industrial output remains below its 2008 peak¹⁹. Despite this, the Annual Manufacturing Report for 2016 published by The Manufacturer states that manufacturers are broadly confident about the future, with the analysis reporting the second-most positive outlook for the sector since 2008. It also outlines that manufacturers are investing, seeking to develop new products, and upgrading their systems and automating processes. The Government has also pledged to boost manufacturing and the wider industrial sector to help reduce the overreliance of the UK economy on consumer spending.

What does the local manufacturing picture look like? Despite the well documented decline over recent decades, the sector remains a fundamental part of the county's economy. The latest figures show that the sector provides jobs for nearly 50,000 employees, 17.9% of Derbyshire's employment, more than double England's proportion²⁰. All eight districts have a higher level of manufacturing employment than England, but the level is greatest in South Derbyshire and Amber Valley where nearly a quarter of employees over 16 work in the sector. Manufacturing is also crucial for local economic output, with the sector's 17.9% share of total employment generating 23.3% of the county's economic output, representing £3.6 bn²¹.

The manufacturing sector in the county covers a wide range of activity, ranging from the production of textiles to transport equipment. By far the most significant sub-sectors are food and drink and metals and metal products, employing nearly a third of the county's manufacturing workers. The sector is also diverse in terms of the knowledge and technical requirements, ranging from low level manufacturing such as the production of concrete, to high end products, for example the manufacturing

of electronic measurement instruments. Derbyshire has strength in medium to high technology manufacturing, with almost 10,000 people working in such firms, proportionately nearly double that of the national average. Many of these firms feed into supply chains locally, and further field, providing parts such as electric motors and electronic accessories to the likes of Toyota, Rolls Royce, Bombardier and JCB.

However, since 2008/09, nearly 3,000 jobs have been lost, a decline of 5.3% and an attrition rate greater than the 1.8% for England. The greatest losses have been in Amber Valley and Erewash, which have both seen losses of 1,000 or more. However, there has been positive news in some areas, with High Peak and South Derbyshire seeing growth. At the sub-sector level, the biggest decline has been in metals and metal products, where 1,800 jobs have been lost since 2009. However, food and drink manufacturing has expanded by some 1,400 jobs.

The fluctuations across the global economy are reflected in Derbyshire's manufacturing sector, with some districts and sub-sectors growing and some contracting. Exporting is a fundamental aspect of trading by manufacturers and the stalling economic growth in some parts of the world may have a knock-on effect. It is widely reported that China has been experiencing a slow-down, and this may have impact locally. Certainly, across the East Midlands, exports to China, which have been increasing year on year since 2010, declined by 15.3% in 2015, although they still represent a significant £0.8bn, the fifth greatest figure of the English regions²².

There is, however, evidence that the productivity of local manufacturers is improving. Although the share of employment has dropped since 2008/09, the contribution to the county's output has increased. The Derbyshire Economic Strategy Statement outlines the need for the sector to diversify into higher value activities and this may be evidence of this happening. However, manufacturers across the UK have expressed concerns about skills and, particularly the preparedness for work of school and college leavers.

It is important that any drive to higher grade manufacturing is underpinned by the right skills base being in place. An Area Based Review of post-16 learning provision across the D2N2 Local Enterprise Partnership is to be carried out by the Department for Business, Innovation and Skills. This will provide opportunity for Derbyshire County Council to specify current skills needs in the economy and identify any future skills gaps. It will be important that the needs of the manufacturers are included in the Review.

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

²Gross Domestic Product (GDP) Preliminary Estimate, Quarter 1 2016, ONS © Crown Copyright. Published April 2016.

³Statistical Bulletin, Quarterly National Accounts, Quarter 4 2015, ONS © Crown Copyright. Published March 2016.

⁴Statistical Bulletin, Consumer Price Inflation (CPI), March 2016, ONS © Crown Copyright. April 2016.

⁵Bank of England, Monetary Policy Committee Decisions, May 2016. Published May 2016. Note, this indicator is known as 'the bank rate'.

⁶Bank of England Agents' Summary of Business Conditions, April 2016. Published April 2016.

⁷East Midlands Chamber of Commerce, Quarterly Economic Survey, Q1 2016. Published May 2016.

⁸Derbyshire Economic Partnership, 2015-2016. Published May 2016.

⁹The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

¹⁰The employment rate is the percentage of the working age population (age 16-64) who are employed including the self employed.

¹¹The 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 the claimant count unemployment noted below.

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 Office for National Statistics now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data 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 2014 Mid-Year Population Estimates.

¹⁴Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.

¹⁵DWP Benefits, November 2015, ONS (Nomis) © Crown Copyright. Published April 2016.

¹⁶Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

¹⁷House Price Index, Land Registry, March 2016, © Crown Copyright. Published April 2016.

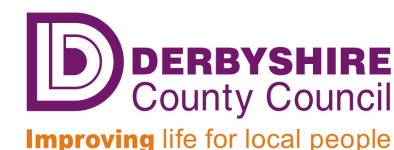
¹⁸Annual Manufacturing Report for 2016, The Manufacturer. Published 2016.

¹⁹Gross Domestic Product (GDP) Preliminary Estimate, Quarter 1 2016, ONS © Crown Copyright. Published April 2016

²⁰Business Register and Employment Survey, 2014, ONS © Crown Copyright, Published 2015.

²¹Regional Gross Value Added (Income Approach), 2014, ONS © Crown Copyright, Published 2015.

²²East Midlands Chamber of Commerce, 2015, East Midlands Trade. Published 2016.



Policy and Research Division
Chief Executive's Office
Derbyshire County Council
County Hall
Matlock
Derbyshire
DE4 3AG
Email: research@derbyshire.gov.uk

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