National & Regional Perspective

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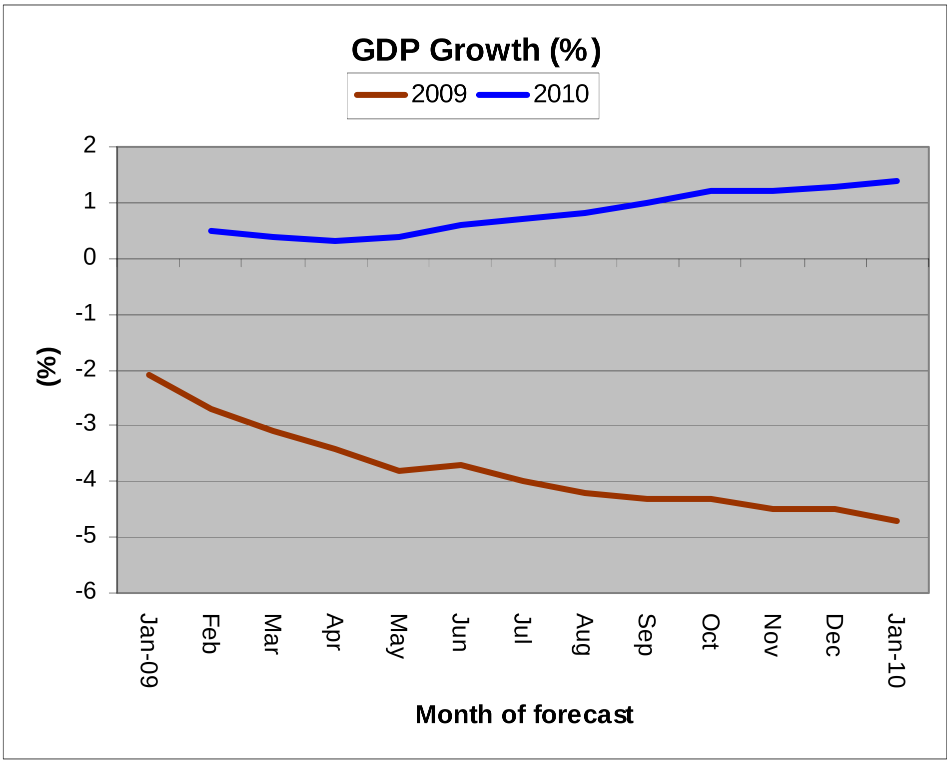
The National Economy

Each month the Treasury compiles a summary of independent forecasts of the UK economy. The analysis below tracks the average of these forecasts for 2009 and 2010.

GDP

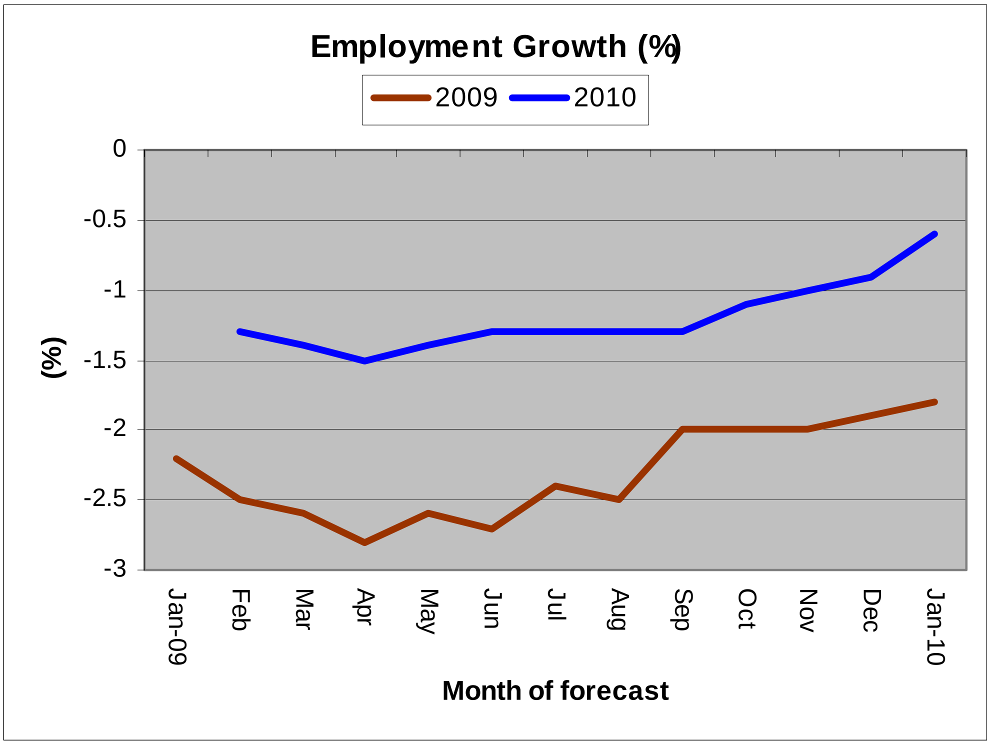
It shows that in early 2009 forecasters envisaged a “mild” recession in 2009, which deepened as the year progressed. Prospects for 2010 have improved.

- In January 2009, it was envisages that the UK economy would shrink by 2.1% in 2009. By January 2010 it was expected to decline by 4.7%
- Forecasters have become slightly more optimistic about growth in 2010 – rising from 0.5% in February to 1.4% in January 2010. However, this is still below the long term growth trend.
- November forecasts expect the economy to grow by 2.0% in 2011, 2.3% in 2012 and 2.7% in 2013.



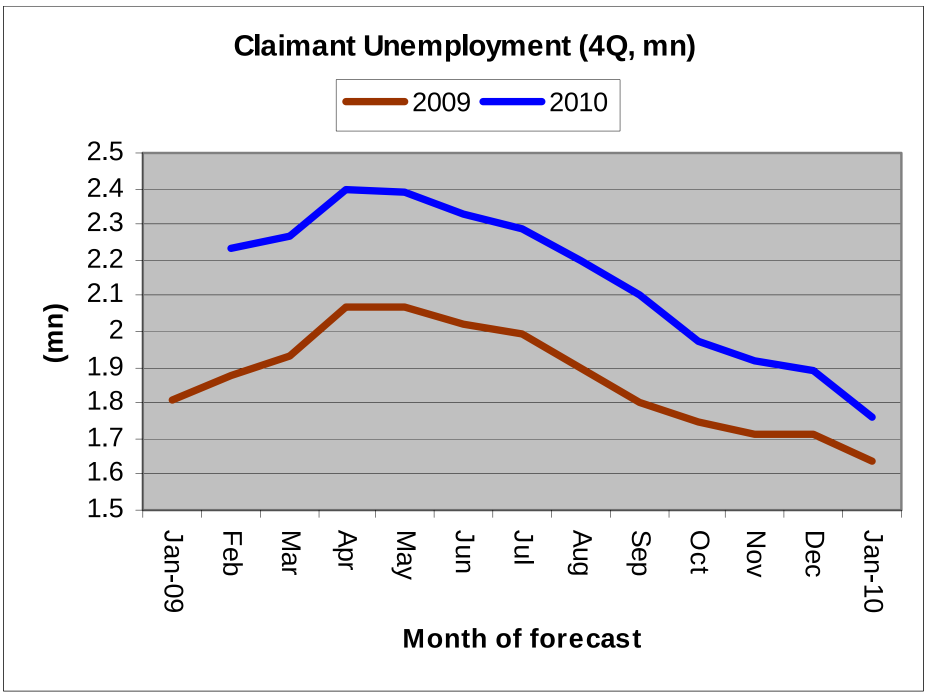
Employment Growth

- The latest forecast in January 2010 shows a decline in employment of 1.8% in 2009. In April the forecasters were expecting a 2.8% decline.
- For 2010 they are still forecasting a decline, but at a much lower level as the economy comes out of recession.



The Claimant Count

- The latest forecasts suggest that the 4th quarter claimant count will be around 1.64m in 2009.
- As the economy picks up and employment prospects become less severe, the count for 2010 is expected to be around the 1.76m mark.

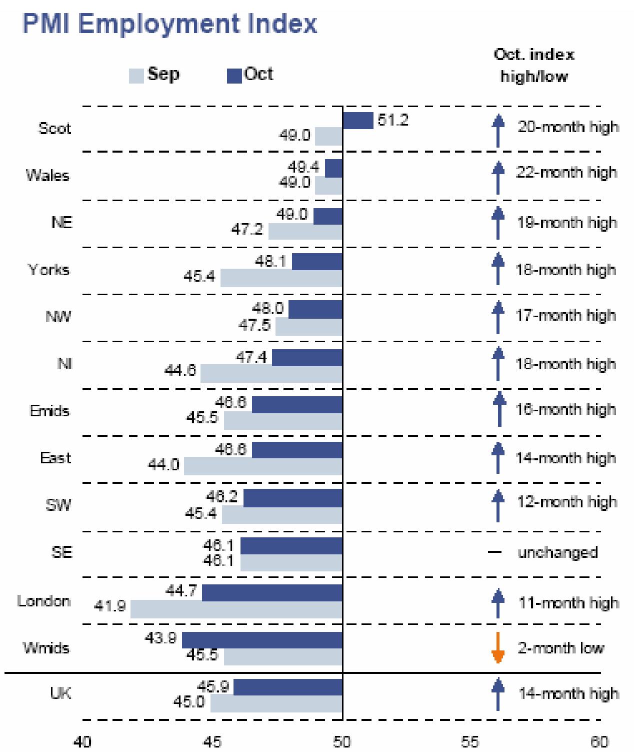


PMI Markit Index

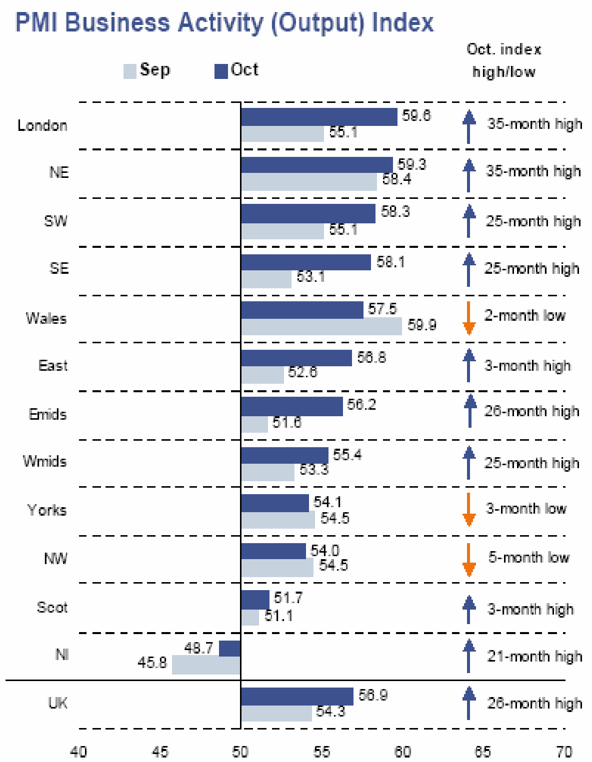
Markit undertakes a monthly Purchasing Managers' Index (PMI) survey of over 1,300 private manufacturing and service sector companies to provide an up-to-date possible indication of what is really happening in the private sector economy.

The key points from the October survey were:

- Stronger activity growth in majority of UK regions.
- Broad-based rebound in new business, with the exception of Northern Ireland.
- Labour market weakness continued.
- Input costs increased in all twelve UK regions.



Numbers relate to monthly seasonally adjusted diffusion indexes. An index reading above 50 signals an increase on the previous month. A reading below 50 signals a decline. The greater the divergence from 50, the greater the rate of change indicated.



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Visit www.markiteconomics.com/MarkitFiles/Pages/PressCenter.aspx to access market reports.

Yorkshire and Humber Economy

The region covers 15,512 sq km, has a population of just over 5 million and is characterised by a remarkable diversity of topography, landscape, culture and economic structure. The M1 and M62 motorways cross the region, as does the A1, much of which is motorway standard. There are over 3,700 km of motorways and major roads, five ports, high speed railways and easy access to six airports.

The region has the major advantage of being at a crossroads of communications where north-south London to Edinburgh road and rail routes intersect with the developing east-west Trans-Pennine and international sea links. The Trans-Pennine corridor has a major role to play in the economy of the north as a whole and will become increasingly important in a wider European context as the EU develops. The Humber ports are of strategic importance to the whole region, handling around 22% of England's sea freight, employing 47,000 people and directly contributing over £250 million to the regional economy.

South and West Yorkshire and parts of the Humber form part of the UK's industrial heartland and are among the traditional industrial regions of Europe whose economies have undergone massive change through de-industrialisation and restructuring. Unemployment levels have remained higher in some parts of South Yorkshire and the Humber, whilst other parts of the region are driving forward employment growth, especially in the services sector and undergoing large-scale regeneration and renewal.

The Regional Economy

(Source: Chief Economist, Yorkshire Forward: August 2009)

- The Yorkshire and Humber economy will contract by 4.5% in 2009, returning to net (but discreet) growth in output in 2010.
- Between 2008-2010 the economy could contract by £3.2 billions.
- Up to 180,000 jobs are at risk in the period 2008-2010 – with relative impacts greatest in the manufacturing sector.
- Manufacturing output is forecast to contract in 2009 by 11%, with employment contracting by 10%.
- Service sector output contraction is less severe at 3.1% in 2009.
- Financial Services sector output will contract by 3% in 2009 – we also estimate employment will contract by 6% this year.
- Prospects for this sector in the short-term suggest comparatively weak growth in 2010 – with output growth lagging the services sector.
- Business sentiment and confidence are improving – but from low bases. Improving activity and sentiment is unlikely to contribute to output growth until mid 2010 (because of spare capacity) and employment until 2011.

The region's labour market

- Total employment will contract by 4.3% in 2009 (employment contracted by 1.3% in 2008), by 3.8% in 2010 and 0.4% in 2011 – no net growth until 2012.
- ILO unemployment rose to 8.8% in Yorkshire above the UK rate of 7.6% (although the UK rate is somewhat lower than the US and Euro-zone) – male unemployment is somewhat higher than female unemployment (10.6% and 6.7% respectively).
- JSA levels continue to rise, but at a much slower rate. It currently stands at 5.9% (July 2009), up 0.1 percentage points since June. The net increase in July (at 1,900) was the lowest since May last year. However, concerns about 2nd round job effects and the influx of graduates onto the labour market are likely to drive JSA higher in the short-term.
- Job Centre Plus vacancy levels have been very stable since the start of year – currently around 23,500 per month.
- At risk jobs – JC+ notifications have started to rise again, climbing back towards their December 2008 high.

- Consumer and housing market data suggest little underlying cause for sustained improvement in growth until the jobs market stabilises. Whilst mortgage approvals have been rising, they have been rising slowly (Yorkshire share is small).

Purchasing Managers' Index (PMI)

See the previous section for the regional picture.

Quarterly Economic Survey

Turnover: Pick up in turnover expectations in Q2 2009 QES for Yorkshire and Humber driven by service sector buoyancy; but expectations are also stabilising for manufacturing

Employment: Whilst traditionally employment expectations have been more optimistic than actual employment (contrast expectations in the next 3 months versus employment in the past 3 months) , the QES for Yorkshire and Humber shows the first signs that employment expectations might be positive in the next quarter in the services sector, though employment in Manufacturing is clearly still in actual and anticipated contraction.

(Detailed results for Leeds are available in the Leeds Economy chapter)

National Business Survey (Autumn 2008)

- Businesses in the region have had a tough year - with the majority (55%) reporting that their business performance has deteriorated over the past 12 months – the Construction industry has been particularly affected with 71% of businesses citing deterioration in business performance.
- The proportion of businesses reporting higher domestic orders decreased from 23% in June 2008 to 14% in June 2009, while those reporting higher profit margins fell from 15% to 8% in June 2009 – leading to us reporting substantial negative net balances here.
- However, the future is looking more optimistic. The proportion expecting conditions to improve has increased by 12 percentage points between November 2008 and June 2009. Firms expect to see a small improvement in domestics orders and outputs going forward, however profit margins and cash-flow are expected to remain at a similar level.
- Investment levels remain muted, especially capital investment, but those that feel more optimistic, are more likely to be investing in their business, and this is paying back onto the bottom line.
- However, investment in marketing and sales is showing a significant net positive balance across almost all sectors.
- 71% of businesses in the region feel that they are well placed to weather any downturn in the next 12 months. The Hotels/ Catering and Construction sectors feel least confident about the future, along with smaller businesses.
- 70% of firms across the region are currently operating below capacity.

Regional Competitiveness Indicators

The DTI publishes a combined regional indicators set, which is an amalgamation of the Regional Competitiveness Indicators and the Regional Development Agency 'State of the Region' Core Indicators.

A selection of the indicators listed in the table below show that the Yorkshire and Humber region is a poor performer in relation to the other eight Government Office regions in England. In the past few years 12 rankings have improved, 8 deteriorated and 11 remained the same.

Regional Competitiveness Indicators – Yorkshire and the Humber (May 2009)					
Indicator	**Years**	**Initial Year**		**End Year**	
		Value	**Rank**	**Value**	**Rank**
GVA per head (workplace) (UK=100)	1989, 2007	90	8	85	8
GVA per hour worked (UK=100)	1996, 2007	93	6	89	9
Disposable income per head (UK=100)	1995, 2007	92	8	90	8
Mfrg GVA per employee (£'000)	1997, 2007	29	6=	42	7
Services GVA per employee (£'000)	1997, 2007	21	7	31	8
Other inds GVA per employee(£'000)	1997, 2007	35	5	47	9
Foreign Mfrg Investment (£m)	1998/2006 Ave	369	6		
Foreign Mfrg GVA (£m)	1998, 2006	1809	8	4485	6
UK Mfrg investment (£m)	1998/2006 Ave	999	3		
UK Mfrg GVA (£m)	1998, 2006	11363	4	9368	4
Export of Goods (£/employee job)	2001, 2008	4302	8	6254	7
Median FT hourly earnings (£/hour)	1998, 2008	7.6	7	11.0	6
Resident based employment ('000)	1999, 2009 Q1	2170	7	2320	6
% in Employment	1999, 2009 Q1	73	6	72	5
% of total UK employee jobs	2001, 2008 Q4	8.2	6	8.1	7
ILO Unemployment rate (low to high)	1999, 2009 Q1	6.8	6	8.0	6
Claimant count rate (low to high)	1999, 2009 Q4	5.4	8	2.9	7
% workforce with at least NVQ level 2	1999, 2008 Q4	62	6	70	7=
% workforce with at least NVQ level 3	1999, 2008 Q4	41	6	49	5
% workforce with at least NVQ level 4	1999, 2008 Q4	21	7	28	4=
% working age population - no qualifications (low to high)	1999, 2008 Q4	17	6	11	5
Total income support claimants (%)	2003/2008 Nov	6.6	4=	5.8	5
VAT registrations as % of stock	1998, 2007	9.6	8	10.3	4=
Registrations per 10,000 adult pop'n	1998, 2007	30	8	35	8
% surviving three years	1993, 2002	61	7	72	5
Total enterprise activity (% adult pop')	2002, 2008	3.9	8	5.3	7
R&D as % of GVA	1998, 2007	0.5	8	0.5	8
% employment in High/Medium Tech	1998, 2007	5.6	8	3.6	8
Mean traffic speed on roads (kph)	2005, 2007	56	3	56	3
Vehicle flows ('000/day)	1998, 2007	3.3	6	3.7	6=
Industrial capital value (UK=100)	Apr98 Jul08	98	6	90	6
Office rental costs (UK=100)	Apr98 Jul08	91	5	82	8
Previously developed vacant land and buildings(%) (low to high)	1998, 2007	3.1	9	2.8	9
The rankings are for Yorkshire and the Humber compared with the nine Government Office Regions.					

National, Regional and Sub-regional Employment Forecasts

In 2010, there are expected to be approximately 2.4m people employed in the region. Of these, 41% worked in West Yorkshire, 24% in South Yorkshire, 18% in North Yorkshire and 17% in Humberside.

All sectors of the economy			
	2010 ('000)	% change 2000-2010	% change 2010-2020
Humberside	403	-1%	-
North Yorkshire	422	+12%	-
South Yorkshire	581	+2%	+4%
West Yorkshire	991	-5%	+9%
Y & H Region	2,397	-	+5%
UK	29,800	+2%	+7%
Source: Yorkshire Futures/Experian Businesses Strategies, Summer 2009			

Of these 2.13m were employees and approximately 0.3m self-employed. Over the next decade, total employment in the region is forecast to increase by 118,000 (+5%), with full-time employment up 36,000 (3%), part-time employment up 63,400 (9%) and self-employment up 18,500 (6%).

Manufacturing

Manufacturing accounts for 359,000 employees, 11% of total employment. Of these 41% work in West Yorkshire, 23% in South Yorkshire, 15% in North Yorkshire, and 22% in Humberside.

Manufacturing employees			
	2010 ('000)	% change 2000-2010	% change 2010-2020
Humberside	56	-37%	-16%
North Yorkshire	38	-17%	-15%
South Yorkshire	60	-40%	-16%
West Yorkshire	106	-42%	-14%
Y & H Region	259	-38%	-15%
UK	2,684	-36%	-5%
Source: Yorkshire Futures/Experian Businesses Strategies, Summer 2009			

The forecasts suggest that 157,000 manufacturing jobs could be lost in the period 2000-2010, with an expected further fall of 40,000 jobs over the next decade. At the end of the decade, the region could have total employment of 220,000.

Finance and Business Services

Around 394,000 people worked in the financial and business services sector in 2010, 16% of total employment. Of these, 49% worked in West Yorkshire, 23% in South Yorkshire, 16% in North Yorkshire and 12% in Humberside.

Finance & business service employees			
	2010 ('000)	% change 2000-2010	% change 2010-2020
Humberside	47	-	+40%
North Yorkshire	63	+18%	+38%
South Yorkshire	90	+15%	+41%
West Yorkshire	195	+1%	+49%
Y & H Region	394	+6%	+44%
UK	6,115	+10%	+13%
Source: Yorkshire Futures/Experian Businesses Strategies, Summer 2009			

The West Yorkshire Economy

The sub-region of West Yorkshire comprises five district authorities. The following table outlines some of the key economic characteristics of the sub-region in comparison with the Yorkshire and Humber Region.

West Yorkshire Key Characteristics				
			West Yorkshire	**% Y&H [or comparator indicator]**
Area	(sq km)		2,029	13.2%
Population	(mn)	2010	2.252	42.3%
Population change	(%)	2010-2020	+10%	[+9%]
GVA	(mn)	2006	£37,600	45.4%
GVA per employee	(‘000)	2006	£39,300	[£37,100]
Labour force		2010**	1,123	43%
Labour force % change		2010-2020**	+0.8	[-2.1]
Employment		2010**	991,000	41%
Employment % change		2010-2020**	9.5	[4.9]
VAT: Active enterprises		2007	68,520	41.2%
VAT 5-year survival rates	(%)		44.0	[45.8]
Unemployment		Mar 2009	79,600	43%
% rate		Mar 2009	7.1	[7.3]
Earnings (Male Median Gross Weekly)		2008	£449	[£455]
% Pupils 5 or More GCSEs A*-C		2008	63.5	62.1
** Yorkshire Futures/ Experian Business Strategies Summer 2009 Population: 2006-based subnational population projections VAT: ONS business demography – new series Unemployment: Y&H – Annual Population Survey; sub-regional – ONS experimental statistics				

Except for earnings, West Yorkshire is performing better than the region as a whole.

Subregional Indicators

Sub-regional averages mask variations between local authorities.

Key Characteristics						
	Bradford	**Calderdale**	**Kirklees**	**Wakefield**	**Leeds**	**West Yorkshire**
Area in sq. km	366 (18%)	364 (18%)	409 (20%)	339 (17%)	552 (27%)	2,029
Population (000s): 2010 Population change: 2010-2020	520 (23%) 13%	206 (9%) 10%	409 (18%) 8%	328 (15%) 7%	790 (35%) 12%	2,252 10%
GVA: 2006 GVA per employee: 2006	£7,300m (19%) £38,000	(with Kirklees)	£14,000m (37%) £37,700	(with Kirklees)	£16,300m (43%) £38,900	£37,600m (100%) £39,000
Labour force (‘000) (% change)	250 2.0	100 -0.6	205 -1.3	166 -1.8	403 2.4	1,123 0.8
Employment (% change 2010-2020)	12.3	8.3	4.8	4.4	12.3	9.5
VAT active enterprises 2007 VAT: 5-years survival rates	14,450 (21%) 45.3%	7,675 (11%) 47.0%	13,615 (20%) 45.5%	8,885 (13%) 45.0%	23,895 (35%) 41.2%	68,520 44.0%
Unemployment (‘000) % rate	19 (24%) 7.6	7 (9%) 6.7	14 (17%) 6.8	11 (14%) 6.9	29 (36%) 7.2	80 7.1
Earnings (Male median)	£393	£476	£461	£452	£470	£449
% Pupils with 5 or more GCSEs, A*-C	56.7	66.4	61.5	70.7	62.4	63.5
See previous table for the reference periods for these indicators						

The table above reveals several key differences within the sub-region:

- Bradford has the highest population growth; equal highest forecast employment growth, but 24% of the unemployed. Gross weekly median male earnings are the lowest of the five districts.
- Calderdale has 11% of the sub-regions VAT registered businesses and the highest 5-year survival rate, but only 9% of the population. It has the second highest GCSE attainment rate
- Wakefield has the lowest population and employment growth of Wakefield, but has the highest GCSE attainment
- Leeds stands out with 43% of sub-regional GVA; largest increase in the labour force, equal fastest employment growth and 35% of VAT enterprises.