

Sheffield Economic Bulletin

August 2017

Latest Sheffield data releases at a glance



69.0%

4,700 more than last quarter
2,600 more than last year

Latest data March 2017

+ Employment Rate



6.0%

1,100 less than last quarter
8,000 less than last year

Latest data March 2017

+ Unemployment Rate



26.6%

4,300 less than last quarter
5,900 more than last year

Latest data March 2017

+ Economic Inactivity Rate



72,500 sq ft

10.5% higher than Q2 2016

Latest data Q2 2017

+ Office Take Up



£11,100m

Up from £11,082 last quarter

Latest data Q1 2017

+ GVA Estimate



£151,948

1.34% higher than last month
2.28% higher than last year

Latest data June 2017

+ House Prices



9,315

25 less than last month
65 less than last year

Latest data July 2017

+ Claimant Count



24,510

20 less than last quarter
20 less than last year

Latest data November 2016

+ ESA Benefits



8.7%

3,800 less than last quarter
1,200 less than last year

Latest data March 2017

+ Self-employment

Headlines

Nationally the economy slowed in the first half of 2017. Low levels of unemployment finally began to impact on wage growth which showed signs of picking up, but with inflation continuing to outpace wage growth real wages fell again. In Sheffield rising inactivity levels finally stalled and employment grew while unemployment fell. Office take up remained strong, despite the fall from the last quarter and strong growth in jobs was predicted for 2017. Business outlook remains positive although the effects of Brexit and the rising cost of materials continue to be of concern to employers.

The direction of the arrows in the above infographic refers to changes from the previous quarter with a '+' denoting a positive change and a '-' a negative change. Annual data is also included in order to give a better understanding of trends over time.

Creative Sheffield

Transforming Sheffield's Economy

UK Economic Output

Britain's economy grew by 0.3% in Q2 2017, driven by the service sector which saw output rise by 0.5%. Industrial output shrank by 0.3% and construction contracted by 1.3%.

UK growth was also the slowest growth among the G7 economies.

Data shows that the UK economy has expanded by 1.7% over the last 12 months, down from 2% three months ago—demonstrating a notable slowdown in the first half of this year.

0.3%
GDP growth
Q2 2017

UK Inflation

CPI Inflation reached a four-year high of 2.9% in May, before falling unexpectedly in June to 2.6% where it remained in July. 2.6% is still well above the Bank of England's 2% target and higher than the annual earnings growth of 2.1%. The fall in June was the first time inflation has fallen in months. Increasing inflation is a concern for an economy dominated by the service sector, as the squeeze on household incomes due to higher cost of living means households are cutting back on spending.

2.6%
Inflation

UK Wages

UK average earnings rose by 2.1% year on year in the quarter to June, exceeding the forecasted 1.8%. Excluding bonuses wages also grew by 2.1%. With inflation remaining at 2.6% this means that real earnings are down 0.5% on the year both including and excluding bonuses.

0.25%
Interest rates

UK Interest Rates

The Bank of England's Monetary Policy Committee (MPC) voted to maintain interest rates at 0.25% in August. However the bank hinted that interest rates would rise in the future if the economic picture evolved as the Bank predicted, those expectations are for two rises to 0.5% and then 0.75% over the next three years.

UK Employment and Unemployment

Employment increased while unemployment and economic inactivity decreased in April to June 2017 according to the Office for National Statistics (ONS). The number of people on zero-hour contracts also fell slightly by 20,000 compared to a year earlier. The unemployment rate of 4.4% is the lowest since 1975 and the employment rate of 75.1% is the highest employment rate on record. Combined with better than expected wage increases this suggests that the low unemployment rate may be boosting the bargaining power of workers and leading to a recovery in wage growth.

UK House Prices

UK house prices rose by £2,000 in June to £223,000 compared with the previous month, almost £10,000 higher than a year ago, according to the ONS. The annual growth rate has slowed since the EU referendum last year, but prices are still outstripping increases in inflation and wages, with growth of 4.9% in the year to June, down slightly from 5% in the year to May. The slowest increases came from London and the north-east.

UK Economic Forecast

IHS Markit's Purchasing Managers Index (PMI) asks private sector businesses in the services, manufacturing and construction sectors to report on improvement, deterioration or no change from the previous month. PMI data is then used to estimate how GDP may behave in the following quarter. PMI data released for August showed a slowdown Services sector activity from 53.8 in July to 53.2 in August with survey respondents reporting that heightened economic uncertainty and fragile confidence among clients were holding back growth. The Construction sector also recorded a slowdown in growth citing a decline in new orders and softer job creation (Construction PMI fell from 51.9 to 51.1). However in the Manufacturing sector growth picked up, rising to 56.9 from 55.3 last month, boosted by strong inflows of new work. Taken together the three PMI surveys are broadly consistent with economic growth of just over 0.3% in the third quarter of 2017.

In August the Bank of England revised its forecasts for economic growth in 2017 down from 1.9% to 1.7% and 2018 from 1.7% to 1.6% stating that the uncertainty created by Brexit is weighing on growth.

Sheffield Economic Output

Irwin Mitchell's City Growth Tracker estimates current economic activity across key UK cities, providing a more timely estimate of GVA than the official data which is released only annually and relates to the previous year. The latest report for Q1 2017 estimates Sheffield's GVA at £11,100m with a year on year growth rate of 2% (the same as last quarter). The report ranks Sheffield at 31 out of 45 UK towns and cities for GVA growth.

In the employment section of the report Sheffield's employment in Q1 2017 is estimated at 277,835, a slight increase from 277,320 the previous quarter. This growth of 1.1% ranks Sheffield 29/45. The report predicts strong job creation for Sheffield in 2017, naming Sheffield as one of the cities which saw the largest monthly increases in job postings in May, according to CV-Library.

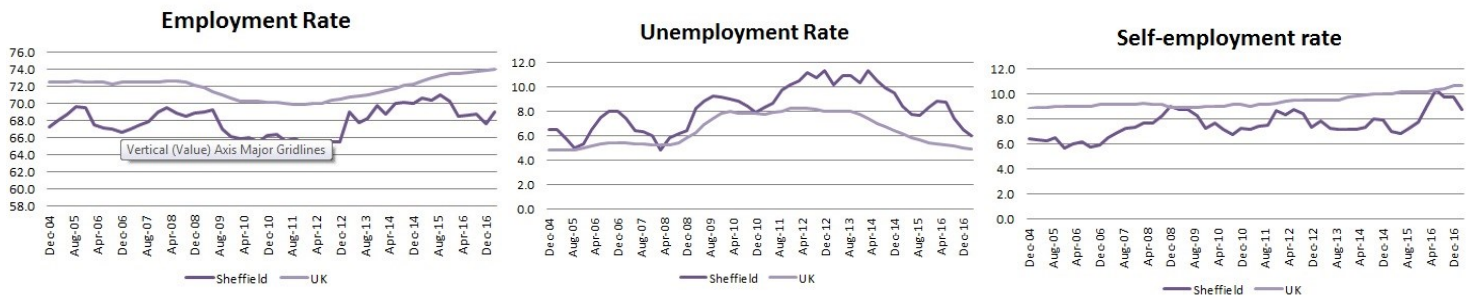
Sheffield Office Take Up

Sheffield's office take up in Q1 2017 was at a record high following a slower year in 2016. Q1 take up of 170,000 sq ft was triple that of Q4 2016 and nearing the total take up from 2016 of 200,800 sq ft. In Quarter 2 take up remained solid. Although lower than Q1 at 72,500 sq ft, Sheffield's take up in the first half of 2017 has now surpassed the total take up during the previous year. With new grade A office space at Acero now completed, Sheffield's office supply has received a boost which, according to Lambert Smith Hampton, could take overall take-up to well in excess of the 10 year average.

Sheffield Employment and Unemployment

Over the last year the number of Sheffield residents in employment has been falling, with the number of people economically inactive growing—meaning that people were no longer seeking work. Unemployment figures were also falling, but this was due to people leaving the labour market rather than because they found work.

This quarter however saw a change; whilst unemployment continued to fall, employment began to rise and economic inactivity fell. Although the numbers inactive remained high (26.6% in Sheffield compared to 22.2% nationally) Self employment has also fallen this quarter and is now below national levels (8.7% in Sheffield compared to 10.6% nationally).



Claimant count

Sheffield's claimant count remains stable, having fallen slightly over the last few months from 9,575 in April 2017 to 9,315 in July. The claimant count remains similar to July 2016 when there were 9,380 claimants. Sheffield's rate remains low at 2.5% but is still higher than the national rate of 1.9% of the working age population. 16-24 year olds make up the largest proportion of claimants, with 22% being under the age of 25. 66% of claimants are male.

Sheffield House Prices

The average house price in Sheffield is £151,948 according to latest data for June 2017, this is 1.34% higher than last month and 2.28% higher than last year, and compares to 4.87% annual growth nationally.

Sheffield Economic Forecast

The results of Sheffield City Region's Quarterly Economic Survey for Q2 2017 showed that business sales have continued to grow and the outlook over the next three months is still positive for both domestic and international trade. The North American continent showed the most growth over the last quarter for exporters, with the EU, Asia and the Middle East close behind.

Both the manufacturing and service sectors expect to increase their workforces in the next quarter and have tried to do so in the last quarter. Access to skilled labour remains an issue for SCR businesses, with 46% reporting that they had failed to recruit in the last 12 months due to candidates lacking the necessary skills, particularly for skilled manual and technical jobs and managerial and professional roles.

The effects of Brexit and raw material costs and exchange rates are still the biggest concern for manufacturing companies.

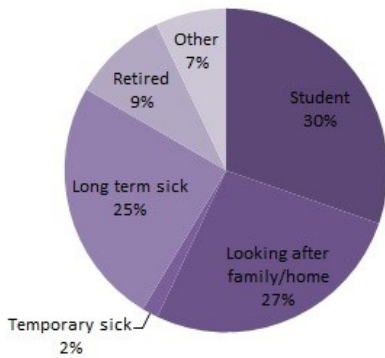
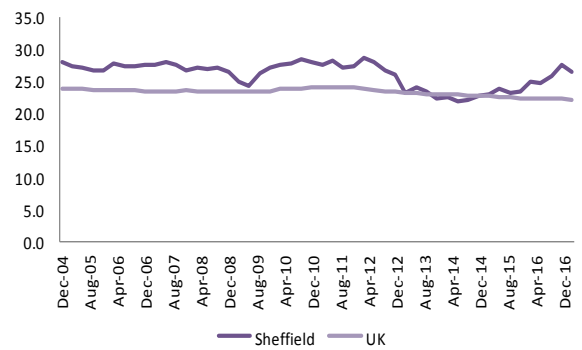
Analysis in depth—Economic Inactivity

In Sheffield there are 99,000 people of working age who are classed as economically inactive. By this we mean people of working age who are no longer seeking work or not available for work. This equals 26.6% of the working age population, higher than the UK rate of 22.2%, but the third lowest among the English core cities.

The percentage of working age people in Sheffield who are classed as economically inactive has been on the increase since reaching a low of 21.8% in June 2014. But although the recent increases have appeared dramatic, especially considering the UK rate has continually fallen during the same period, inactivity in Sheffield is in fact returning to similar levels experienced prior to March 2012. In other words, it was the low levels of inactivity that were the anomaly rather than the recent increases, with figures in from 2012-2014 at their lowest rates in a decade.

In the first quarter of 2017 the number of people economically inactive fell from 103,300 in December 2016 to 99,000, hopefully signalling a reversal of the recent trajectory.

Sheffield—UK Economic Inactivity Rate 2004-2017



Why are people economically inactive?

The largest percentage of people making up the economically inactive population are students (30%) reflecting the size of Sheffield’s student population. The next largest group is of people who are looking after the family/home (27%) - the vast majority of whom are female. 9% are retired (mostly consisting of women over the age of 60).

27% of people who are currently economically inactive state that they would work should the right job came up, while the majority, 73% do not want a job.

What has driven the recent increases?

The chart shows changes from the lowest levels of inactivity in June 2014 to the peak in numbers at the end of 2016, showing what has driven the increase in numbers. This data shows the increases were largely the result of more people looking after family/home and increasing numbers of students classified as economically inactive.

Looking back further to the period prior to this shows the wider picture. When inactivity levels were falling there was a decrease in the number of people looking after family/home—were economic conditions forcing people to seek work and these people are now returning to looking after the home? Interestingly, the number of people economically inactive due to looking after the family/home fell by 6,200 during 2012-2014 when economic inactivity was at its lowest, and has since risen by a similar number, 6,400, cancelling out the labour market gains of the previous period. Also the numbers economically inactive classed as students also fell, though this does not necessarily mean there were less students during this time, it may have meant that more students were working along-

side studying and therefore classed as economically active.

Recent changes

The changes in the last quarter were driven by a fall in the number of people who said they were economically inactive because they were students (-6,400) and a decline in the number of those classed as retired (-800), while the number of people economically inactive because they are looking after family/home continues to increase (by 2,500 people). The number of people economically inactive due to looking after family/home is now at it’s highest level for over a decade. The number of people classified as long term sick has also continued to increase (1,400) , although this number remains lower than at its 2012 peak.

Reason	Numbers (2016)	Change since June 2014
Student	36,200	35%
Male	19,400	34%
Female	16,800	35%
Looking after family/home	23,400	38%
Male	2,000	14%
Female	21,000	41%
Long term sick	22,800	25%
Male	12,900	57%
Female	9,900	-1%
Retired	10,100	0%
Male	4,400	29%
Female	5,700	-15%
Other	7,900	3%
Male	3,400	6%
Female	4,500	0%