

# Sheffield Economic Bulletin

February 2018

Latest Sheffield data releases at a glance



**68.3%**

800 less than last quarter  
400 less than last year

Latest data Sept 2017

- Employment Rate



**6.8%**

3000 more than last quarter  
1,600 less than last year

Latest data Sept 2017

- Unemployment Rate



**26.7%**

800 less than last quarter  
3,800 more than last year

Latest data Sept 2017

+ Economic Inactivity Rate



**78,715sqft**

8% higher than last quarter  
41% higher than last year

Latest data Q4 2017

+ Office Take Up



**£11.9bn**

3.2% higher than last year

Latest data 2016

+ Gross Value Added (GVA)



**£27,234**

1.6% higher than last year

Latest data 2017

+ Average Salaries



**8,970**

105 less than last quarter  
75 less than last year

Latest data January 2018

+ Claimant Count



**£160,974**

1.9% more than last quarter  
8.1% more than last year

Latest data November 2017

+ House Prices



**8.2%**

1,000 more than last quarter  
5,400 less than last year

Latest data Sep 2017

Self-employment

## Headlines

The UK economy demonstrated solid expansion towards the end of 2017, but indicators show a slower start to 2018 so far. In Sheffield unemployment grew but due to people who were previously classified as economically inactive returning to the labour market to seek work but not yet securing employment. Employment numbers fell also but by lesser numbers. Sheffield's GVA grew but more slowly than UK averages and productivity remains weak compared to other core cities.

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.

## UK Economic Output

The British economy grew at a faster rate than expected in the final three months of 2017. GDP grew by 0.5% in Q4 after expansion of 0.4% in Q3. City economists had forecast growth of 0.4%. However, the rate of expansion for the year as a whole was the slowest since 2012, having falling from 1.9% in 2016 to 1.8%.

The boost to the economy came from recruitment agencies, letting agents and office management, with slower and unsteady growth elsewhere, particularly in consumer-facing sectors. Manufacturing rose by 1.3%

**0.5%**  
GDP growth  
Q4 2017

## UK Inflation

Inflation fell in December for the first time in six months, from a five year high of 3.1% in November to 3%. It remained at 3% in January, raising the prospect that inflation may have peaked and easing some of the pressure on UK consumers. The Office for National Statistics (ONS) has warned that it is too early to tell if the drop was the start of any longer-term reduction in the rate of inflation.

**3%**  
Inflation

## UK Wages

Wage growth picked up slightly from 2.4% in November to 2.5% in the three months to December, this remains below the rate of inflation at 3.0% meaning real wages are still falling and could remain below the rate of inflation this year. Average wages rose by 2.5% not including bonuses and 2.5% including, meaning in practice wages are shrinking by around 0.5%.

**0.50%**  
Interest rates

## UK Interest Rates

The Bank of England voted to leave interest rates at 0.5% in February, but has warned that with inflation sticking at 3% in January, interest rates may need to rise as early as May to tackle high inflation.

## UK Employment and Unemployment

Latest data from the ONS shows that in the quarter to December 2017 the number of people in work and the number of people unemployed both increased, but the number of people not working and not seeking or available to working (economically inactive) decreased. The increase in unemployment was the first in almost two years. The employment rate is now 75.2%, higher than 74.6% a year earlier. While the unemployment rate was 4.4%, down from 4.8% a year earlier.

## UK House Prices

According to the ONS UK house prices grew by 5.2% in the year to December, up from 5.0% a month earlier. The average UK house price in December was £227,000, £12,000 higher than in December 2016 and £1,000 higher than the previous month.

London was the region with the highest average house price, but the lowest annual growth. The South West experienced the highest annual growth with Yorkshire and the Humber the second lowest after London.

## UK Economic Forecast

According to PMI surveys the UK economy has got off to a slow start in 2018 with growth slowing across all three sectors surveyed. Manufacturing PMI fell from 56.5 to 55.3, Construction fell to 50.2 (close to the 50 point mark that separates expansion from contraction), and the dominant service sector fell from 54.2 to 53.0, it's weakest since September 2016. Despite the weaker expansion than seen in 2017, companies continued to hire staff and remained positive in their outlook for their businesses.

The surveys were consistent with the economy growing at 0.3% in the first three months of 2018, down from 0.5% in the final quarter of 2017.

The International Monetary Fund forecasts growth rate of 1.5% for the UK this year, compared with 2.7% for the US and 2.2% for the Eurozone. More optimistically, the National Institute of Economic and Social Research (NIESR) had predicted GDP growth of 1.9% this year and next, based on the strength of the growing world economy and the benefit of the weak pound for British exporters

## 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 official data which is only released annually and relates to the previous year. The latest report estimates that year on year growth has slowed in 39 of the 45 cities between Q2 and Q3 of 2017, reflecting changing economic conditions such as high inflation, the weak pound and low wage growth. Rotherham rose 18 places on the GVA growth table to rank 8th, with the advanced manufacturing sector named as the reason for this performance. Sheffield ranks 36th in terms of growth with GVA standing at £11,188m, up 1.4% on last year—slightly slower than the 1.5% year on year growth last quarter.

The report predicts that GVA in Sheffield will grow by 0.91% between 2017 and 2018—which would rank us 41 out of the 45 cities in terms of annual growth. Rotherham by comparison is predicted to grow by 1.4% and ranks 14th.

## Sheffield Office Take Up

Office take up in Quarter 4 of 2017 was 78,715 sq ft, 8% higher than Q3 take up of 72,550 sq ft. Following exceptional take up in Q1 of 170,000 sq ft this brings the 2017 total to 393,712, significantly higher than 2016's subdued take up of 200,839 and well above the ten year average. Completion of new grade A space at Digital Campus was a catalyst for activity, as a result of its success a new phase is planned for construction in H1 2018.

## Sheffield Employment and Unemployment

As employment continues to edge upwards nationally, in Sheffield numbers fell for the second consecutive quarter, continuing a general downward trend that began in September 2015. The employment rate currently stands at 68.3% but despite falling remains the third highest among the English core cities.

Unemployment increased this quarter by 3,000 people but remains lower than the same time last year. But this increase was not entirely created by people losing work. Economic Inactivity levels, which have been increasing recently fell this quarter, therefore some of the increase in unemployment can be accounted for by people who were previously inactive re-joining the work force to look for work.

### Claimant count

The claimant count in Sheffield rose slightly in January after falling for 8th consecutive months, with the claimant count rate now at 2.4% or 8,970 people, 245 more than the previous month and 75 less than the same time last year. Nationally the rate is 2.0% and increased slightly from the previous month.

## Sheffield Average Salaries

The average annual salary in Sheffield is now £27,234, 1.6% higher than last year. This is lower than the UK average of £28,758 and 6th highest among the 8 English core cities. Wage growth has slowed from the last two years when wages grew by 2.5% and 2.7% but was the 4th fastest growth of the core cities. Part time salaries grew faster than full time salaries and are 3% higher than last year at £10,223, higher than the UK average of £9,867.

The average salary for full time male workers is £29,722 compared to £25,095 for women, but the gap is closing. Men's salaries have now increased by 11% since 2011, compared to a 21% increase for women.

## Sheffield House Prices

According to HM Land Registry the average house price in Sheffield in November 2017 was £160,974, 8.1% higher than in November 2016 but down 0.5% from October 2017. Annually house price growth in Sheffield outpaced the England average where house prices grew by 5.3%.

## Sheffield Economic Forecast

The Sheffield City Region Quarterly Economic Survey paints a subdued picture of the local economy compared to last quarter and longer term trends, but despite this business confidence is strong. During Q4 2017, both manufacturing and service sector businesses reported positive balances on sales and orders but at levels lower than in Q3.

Firms reported that they expected to see an increase in turnover and profitability over the next year with business confidence indicators slightly higher than at this time last year.

The reported revealed a positive outlook for the export market in particular with both sectors reporting increases. Although down compared to Q4 in 2016, exports remain high.

# Analysis in depth—Regional GVA

## Headlines

- Sheffield's GVA in 2016 was estimated at £11,954m
- GVA between 2015 and 2016 increased by 3.2% - slightly slower than national growth of 4% and the core city average of 4%. Growth has slowed slightly from the previous year when GVA grew by 3.9%
- Sheffield's GVA per head now stands at £20,744 and remains the lowest of the core cities.

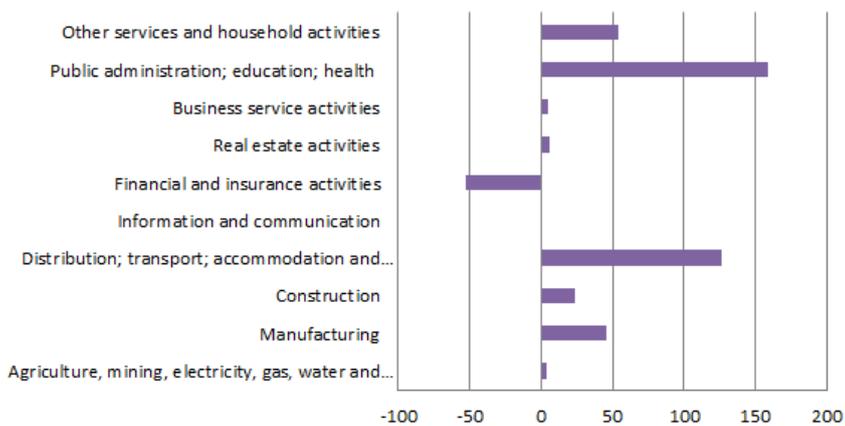
## Where did growth come from (2015-2016)?

The Public admin; education and health sector contributed the most toward Sheffield's GVA growth between 2015 and 2016 adding an additional £159m to Sheffield's GVA than in the previous year. This was followed by Distribution; transport; accommodation and food which contributed an extra £126m than in 2015.

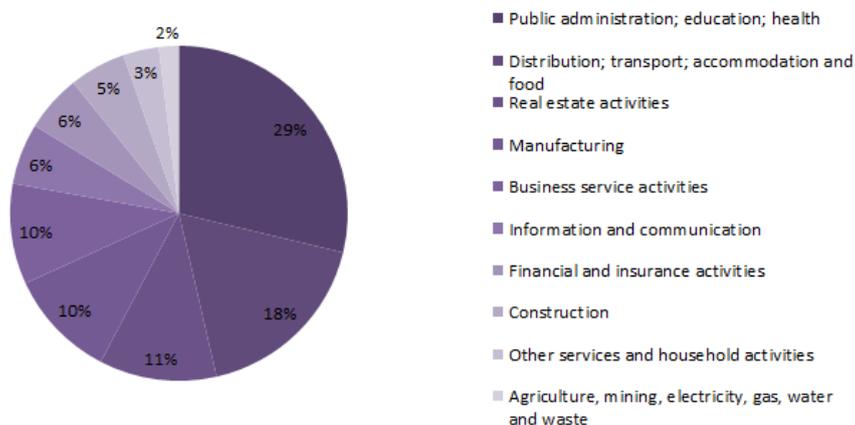
The two sectors are also Sheffield's largest overall in terms of GVA contribution.

The previous year, between 2014 and 2015 Financial and Insurance activities experienced strong growth adding an additional £155m to the economy, however between 2015 and 2016 it's GVA contribution fell by £53m—the only sector to experience a fall.

## GVA change (£m) 2015-2016



## Sheffield's largest industries by GVA contribution



## GVA per head—core city comparison

Sheffield's GVA per head has grown by 2% between 2015 and 2016, and by 10% since 2011. It currently stands at £20,774. Our annual growth matched that of Leeds and Newcastle and out paced Liverpool which didn't grow between 2015-2016.

ONS data goes back to 1997 and in that time Sheffield's GVA per head is consistently in the bottom three of the core cities, and since 2010 has remained at the bottom.

Related data for GVA per job filled (productivity) shows Sheffield in a marginally better position with the second lowest of the cities at £41,991, up from £41,241 the previous year. Our ranking remains unchanged.

## GVA per head - Core city comparison

