

Sheffield Economic Bulletin

May 2018

Latest Sheffield data releases at a glance



70.7%

9,600 more than last quarter
12,800 more than last year

Latest data Dec 17

Employment Rate



6.5%

400 less than last quarter
700 more than last year

Latest data Dec 17

Unemployment Rate



24.4%

8,500 less than last quarter
11,900 less than last year

Latest data Dec 17

Economic Inactivity Rate

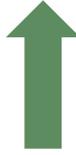


93,951 sqft

25% higher than last quarter

Latest data Q1 2018

Office Take Up



£11,600m

1.1% higher than last year

Latest data Q4 2017

Gross Value Added (GVA)



41.7%

13,700 more than last year

Latest data Dec 17

High level Skills (NVQ 4+)

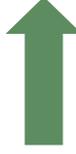


9,560

835 more than last quarter
85 more than last year

Latest data March 2018

Claimant Count



£158,175

2% more than last month
5% more than last year

Latest data Feb 18

House Prices



75.6%

9,300 more than last quarter
13,600 more than last year

Latest data Dec 17

Economic Activity Rate

Headlines

National economic growth has slowed in the first quarter of 2018 but the labour market continues to perform strongly with employment rising to new record levels. Real wages have grown faster than inflation for the first time in a year, easing pressures on household finances.

GVA growth has slowed in Sheffield also, however high level skills have increased as have employment rates, there are more people actively engaged in Sheffield's economy now than a year ago. Office take up continues to be strong with Q1 2018 activity up by 25% on the previous quarter.

The direction of the arrows in the above infographic refers to changes from the previous data release, with the colour green denoting a positive change and red a negative change. Annual data is also included in order to give a better understanding of trends over time.

UK Economic Output

The first 3 months of 2018 saw the weakest period of activity in more than five years, with the UK economy growing by 0.1%. A sharp contraction in the construction sector and weaker manufacturing growth were behind the slowdown.

Annually the economy grew by 1.2%, well below its five year average of 2.2% and the slowest annual rate since Spring 2012. However the growth rate is expected to be revised slightly upwards when the second estimate is released later.

0.1%
GDP growth
Q1 2018

UK Inflation

Britain's inflation rate fell to 2.4% in April, down from 2.5% in March and continuing its downward trajectory since hitting a high of 3.1% in November 2017. The latest fall signalled the cost of living crisis is finally easing as wages are now rising faster than inflation.

2.4%
Inflation

UK Wages

Regular earnings for employees increased by 2.9% from a year ago, up from 2.8% last month, while pay including bonuses increased by 2.6%, a slowdown from 2.8% recorded last month. This means that once inflation is taken into account, regular pay was up by 0.5% from last year.

Real pay is finally growing again after a 12 month pay squeeze during which inflation outpaced pay growth.

Wages however remain almost £800 a year lower than they were a decade ago.

0.5%
Interest rates

UK Interest Rates

The Bank of England voted to hold interest rates at 0.5% this month, following weaker than expected GDP growth in the first quarter of 2018. The Bank had been widely expected to raise interest rates this month but there is still speculation that a quarter point increase is possible when the next inflation report is released in August.

UK Employment and Unemployment

Despite slowing economic growth, the job market continued to perform well with the UK's employment rate rising by 0.4 points to 75.6% in the latest quarter and creating a new record high since modern records began in 1971. Positively, the majority of posts created were full time positions. Unemployment fell by 46,000, with the unemployment rate of 4.2% the joint lowest since 1975.

UK House Prices

According to Halifax's House Price Index, prices in April 2018 were 2.2% higher than a year earlier with the average house price in the UK now £220,962. However monthly prices fell by 3.1% —the biggest monthly decline since September 2010. The Index notes that housing demand has softened in the first quarter of 2018, with housing supply also low, but with the UK labour market performing strongly and real wages finally increasing, the pressure on household finance is set to ease and house prices are expected to grow by a modest 2% this year.

UK Economic Forecast

According to PMI surveys the slowdown in the UK economy in the first quarter of 2018 has continued into the second quarter also. Although construction activity picked up sharply following snow disruptions in March, manufacturing growth slowed and the service sector results remained one of the weakest readings in the last two years.

The three surveys combined suggest 0.2% quarterly GDP growth at the start of Q2 2018

The Bank of England has cut its growth forecasts for 2018, from 1.8% to 1.4% following the slow GDP growth reported in the first quarter. Growth in 2019 and 2020 has also been cut from 1.8% to 1.7%. Elsewhere the National Institute for Economic and Social Research (NIESR) said it expected expansion of 1.4% in 2018, down from the 1.9% it had previously reported. They predict that growth this year will pick up to average around 0.4% in each of the next three quarters.

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 for Spring 2018 relates to Q4 2017 and ranks cities by year on year GVA growth. According to the report Sheffield's GVA growth has slowed throughout 2017, with growth of 1.1% in the year to Q4 2017, a slowdown from 1.4% in Q3 and 1.5% in Q2. Sheffield now ranks 38 out of the 45 cities surveyed in terms of growth. However average growth across all the cities during the quarter was estimated at 1.2% only marginally above Sheffield. Sheffield's GVA is estimated to be £11,600m.

Sheffield Office Take Up

According to Lambert Smith Hampton Sheffield's property market made a strong start to 2018, with Q1 take up 25% higher than the previous quarter and 7% above the five year quarter average. This follows on from strong take up throughout 2017 after a subdued 2016. Total take up was 93,951 sq ft in Q1 2018.

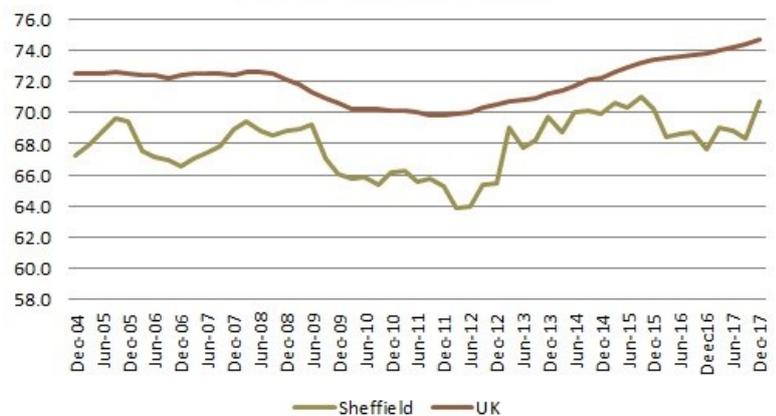
Sheffield Employment and Unemployment

After falling for two consecutive quarters Sheffield's employment rate increased in the final quarter of 2017 by 9,600 people to 70.7%, the third highest rate among the core cities. Both part time and full time employment increased, but full time employment grew at a slightly faster rate.

Sheffield's unemployment rate fell by 400 people to 6.5%, but the increase in employment was largely boosted by people previously classed as economically inactive.

The economic inactivity rate now stands at 24.4%, higher than the UK average of 21.8% but third lowest of the core cities. With 8,400 fewer people inactive than from the previous quarter and 11,900 fewer than in December last year, the largest decreases came from those categorised as students or retired.

Sheffield - UK Employment Rate



Claimant count

After reaching a low of 8,725 people in December 2017, Sheffield's claimant count has increased slightly during the first quarter of 2018 by 835, standing at 9,560 people in March 2018. However this is only 85 people more than a year earlier in March 2017. Nationally the claimant count has also begun to rise, growing by 11% in the first quarter of 2018 compared to 10% in Sheffield.

Sheffield House Prices

Latest data for February 2018 shows that the average property price in Sheffield increased by 2% from the previous month, with the average house price now standing at £158,175. This increase followed three consecutive months of falling property prices, despite which prices remain 5% higher than the same time last year. Although house prices are lower than the national average of £225,047, Sheffield's annual growth of 5% exceeds the UK growth of 4.41% with national prices falling for the last two consecutive months.

Elsewhere the Sheffield Property Blog has reported that the average asking price of property has fallen by 5.7% or £10,000 compared to a year ago. The drop in asking prices doesn't necessarily mean the value of property is going down by the same amount, but may be due to more realistic asking prices.

Sheffield Economic Forecast

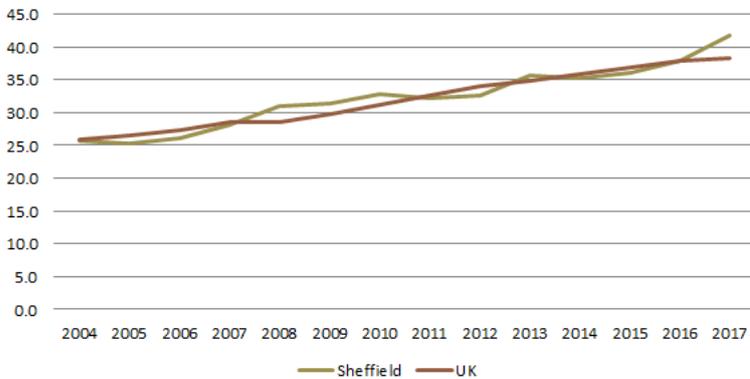
The Sheffield City Region Quarterly Economic Survey has reported a largely positive picture in the region for the first quarter of 2018, with both service and manufacturing firms reporting an increase in sales over the last three months. Business confidence for the coming year remains strong and expectations of prices increases has declined from the previous quarter, but remained high.

Domestic focused firms from both sectors reported growing competition as a current challenge, while exporters identified Brexit and political uncertainties as their most significant concerns.

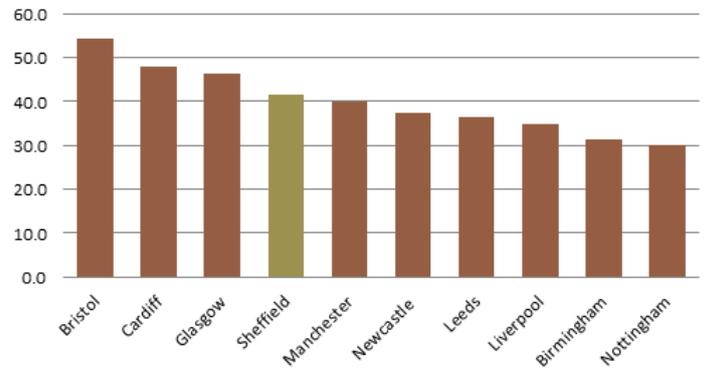
Headlines

- The number of people educated to degree level and above has increased by 10% from last year, an increase of 13,700 people.
- 155,200 people are now educated to NVQ level 4 and above, or 41.7% of the working age population, up from 38% last year. This is higher than the UK rate of 38.4%.
- The percentage of working age population in Sheffield educated to NVQ level 4 and above is the 4th highest of the core cities

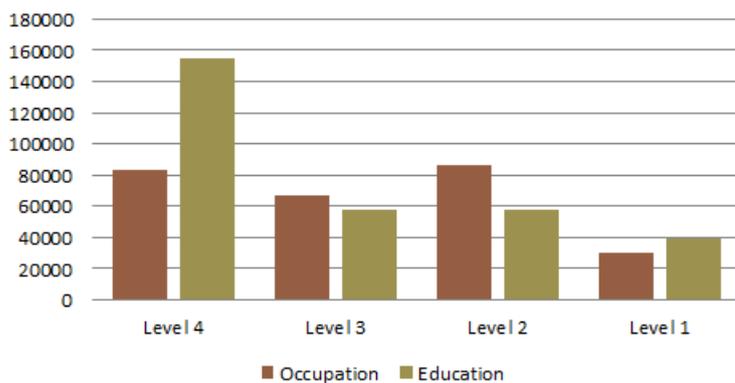
% with NVQ 4+ in Sheffield - UK



NVQ 4+ Core city comparison



Occupation level vs education level



Occupation level versus education level

There remains a large gap between the number of people educated to level 4 and above and the number of people working at this level.

155,200 people in Sheffield are now educated to degree level and above, compared to 82,900 people in employment requiring this level of skill. In the last year the number of people educated to NVQ 4+ increased by 13,700, and employment at this level increased by 9,900 people. Therefore the rate of employment growth is not keeping pace with the rate of educational attainment growth.

This implies that highly skilled workers in Sheffield may be underemployed or seek higher skilled jobs outside of the city.

Students and Graduates in Sheffield

According to data by the Higher Education Statistics Agency (HESA), in the 2016/17 academic year Sheffield had 59,530 students with 20,275 people graduating.

Student numbers increased slightly from the previous year by 120 and the number of graduates declined by 850. Of the 10 core cities, Sheffield has the 7th largest student population and produces the 5th highest number of graduates.

The number of students in Sheffield peaked at 63,500 in 2011 and declined thereafter, along with most other core cities. After declining for four consecutive years numbers have started to grow again over the last two academic years.

Sheffield's retention rate, according to Centre for Cities, is 30.6%. This is mid-pack among the core cities.

Sheffield students and graduates by subject

	Students	Graduates
Medicine and dentistry	2,110	580
Subjects allied to medicine	7,905	2,290
Biological sciences	6,300	1,980
Veterinary science	0	0
Agriculture and related subjects	240	100
Physical sciences	2,360	740
Mathematical sciences	1,245	370
Computer science	2,630	800
Engineering and technology	7,590	2,515
Architecture, building and planning	2,650	945
Social studies	5,105	1,615
Law	1,835	660
Business and administrative studies	7,520	3,040
Mass communications and documentation	1,625	790
Languages	2,915	855
Historical and philosophical studies	1,930	670
Creative arts and design	2,235	685
Education	3,320	1,635
Combined	20	0
Total	59,530	20,275