

## Local Enterprise Partnership

12 May 2022

### State of the South Yorkshire Economy

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**Is the paper exempt from the press and public?** No

**Purpose of this report:** Governance

**Funding Stream:** Not applicable

**Is this a Key Decision?** No

**Has it been included on the Forward Plan?** Not applicable

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**Director Approving Submission of the Report:**  
Dave Smith, Chief Executive/Head of Paid Service

**Report Author(s):**  
Jonathan Guest, Head of Policy

#### **Executive Summary:**

South Yorkshire was hit severely by the COVID-19 outbreak. Necessary lockdowns contained the pandemic but halted activity in many key sectors. As restrictions have eased, the economy has roared back; South Yorkshire's economic growth has some underlying issues and faces further challenges on its path towards a stronger, fairer and greener economy.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Click or tap here to enter text. The full economic and social effects of the pandemic are still unfolding. The Board presentation and discussion should enable the LEP and MCA refine its focus and target interventions as these continue to be developed.

#### **Recommendations:**

That the board discusses the key issues raised by the presentation and considers what actions may be necessary to grow an economy that works for everyone

#### **Consideration by any other Board, Committee, Assurance or Advisory Panel**

None

## Background

- 1.1 Last year was a record-breaking year for the economy. The UK experienced some of the fastest economic growth since the end of the World War 2. However, towards the end of the 2021 and in 2022 (so far) the impacts of the omicron variant, geopolitical tensions, supply issues, higher taxes, rising energy bills, increased borrowing costs and a squeeze on incomes have shaped some economic turbulence which could unfurl into a major economic shock for the UK and South Yorkshire.
- 1.2 At the meeting, a presentation will be provided which will set out the state of the South Yorkshire economy. This cover paper provides the context for the presentation and discussion during the meeting.

## 2. Key Issues

### 2.1 The shadow of the Covid-19 Pandemic remains

The pandemic led to a global health crisis with no parallel in living memory. The impact on the economy and societies around the world has been both deep and widespread. While restrictions have now eased, South Yorkshire now faces a prolonged period of disruption to economic activity and jobs, which risks exacerbating pre-existing weak productivity growth, inequalities, child poverty and regional disparities

The impact from the pandemic has also been varied geographically. Some of our most deprived areas have faced a “double whammy”, they faced a big levelling up challenge before the pandemic and are among the hardest hit by the pandemic. Recovering for them is likely to take longer than in other places. Even then, they will need support to fix their underlying economic conditions that meant they entered the pandemic in a weaker economic position.

### 2.2 Economic recovery continues but appears stifled.

As the UK economy roared back after successive lockdowns, businesses welcomed customers back through their doors and job vacancies hit record levels. However, growth was constrained by labour market “bottlenecks” which emerged in parts of the economy where that reopened from almost complete closure during lockdown and rely heavily on migrant labour or younger workers.

The economic recovery has been stifled by labour supply (and sometimes supply chain) constraints continued. Evidence in South Yorkshire appears to reflect the labour market bottlenecks as skills shortages have appeared for growing sectors (e.g. Software engineering) and existing skills shortages have got worse (e.g. HGV drivers). There is growing evidence that many sectors have continued to struggle to hire workers for several months.

### 2.3 The rationale for Levelling up remains important

Since last year, more clarity on the Government’s ‘Levelling up’ agenda is available. The Levelling up White Paper is broadly correct in its assessment of spatial inequalities in the UK and the need for South

Yorkshire (and other Northern areas) to “level up”. It is also reassuring that the MCA’s case to Government has been heard, and there is an overdue acceptance that fundamental change is required to make a difference in economies like South Yorkshire. Data is central to understanding the levelling up challenge and a series of levelling indicators show the challenge for South Yorkshire. Particular issues are identified around business density, health inequalities and skills supply and demand.

#### 2.4 **Cost of living crisis is starting to bite**

A multitude of factors (including Covid, Brexit, energy, and climate change, war in Europe etc) are combining to deliver an economic shock not seen for decades. The Bank of England has warned the population to prepare for the steepest drop in living standards for 30 years as the cost of living crisis sets in. Inflation is now at 7.2% and this is affecting many residents’ ability to pay bills and put food on the table. For an area like South Yorkshire, with entrenched inequalities, the implications could be devastating.

#### 2.5 **Economic turbulence predicted**

As we look to the future, many analysts have identified further economic challenges. It is expected by some commentators that inflation will rise further (or continue at higher levels), there will be falls in retail sales and geopolitical tensions and particularly the war in Ukraine threaten could push the economy into “reverse”.

#### 2.6 **Continued relevance of the SEP**

The fundamental challenges identified as part of the development of the Strategic Economic Plan remain important. The need to focus on and invest to build a stronger innovation ecosystem for businesses remains important. Likewise, the need to develop human capital and equip people with the relevant skills to contribute to and benefit from economic activities continues to be a central aspect of ensuring inclusive economic growth.

Specifically, the past year has shown the continued importance of maximising our skills system to improve progression, educational attainment and ambition of our residents. There is also increased recognition that health is a key part of prosperity. Good health is not just personal, but an asset that improves wellbeing, productivity and the ability of individuals to contribute to their families, communities, wider society and the economy.

### 3. **Options Considered and Recommended Proposal**

3.1 An options assessment is not applicable to this paper. The conclusions from the discussion that ensues, and the actions that arise, if there are any, will be considered in greater detail. An options assessment may then be worthwhile at that stage.

#### 3.2 **Option 1 Risks and Mitigations**

Not applicable at this stage

**3.3 Recommended Option**

Not applicable

**4. Consultation on Proposal**

4.1 Not applicable

**5. Timetable and Accountability for Implementing this Decision:**

5.1 Not applicable

**6. Financial and Procurement Implications and Advice**

6.1 Not applicable

**7. Legal Implications and Advice**

7.1 Not applicable

**8. Human Resources Implications and Advice**

8.1 Not applicable

**9. Equality and Diversity Implications and Advice**

9.1 Not applicable

**10. Climate Change Implications and Advice**

10.1 Not applicable

**11. Information and Communication Technology Implications and Advice**

11.1 Not applicable

**12. Communications and Marketing Implications and Advice.**

12.1 Not applicable

**List of Appendices Included**

None

**Background Papers:**

None