

Local Enterprise Partnership

08 September 2022

State of the South Yorkshire Economy

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

Director Approving Submission of the Report:

Ruth Adams, Deputy Chief Executive

Report Author(s):

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Executive Summary:

South Yorkshire is facing some major economic challenges with a squeeze on incomes due to soaring energy prices and higher interest rates likely to affect economic growth prospects. A recession or a period of low growth would undermine efforts to create a sustainable and inclusive future economy. Evidence is mounting of a worsening outlook for the economy and past recessions have not been kind to South Yorkshire's residents and businesses.

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

Future economic disruptions and the worsening outlook will adversely affect businesses, people, and place in South Yorkshire. The only question is "how much". 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 Residents and businesses in South Yorkshire are facing price increases not seen for more than a generation. The cost-of-living crisis is particularly challenging because it comes against a backdrop of low-income growth, high inequality, and the shadow of a pandemic.
- 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 Inflation

The Bank of England expect inflation to rise to 13% this year. This will affect many residents' ability to pay bills and put food on the table. Inflation is being driven by rising energy bills as well as higher food and fuel costs. The gap between pay growth and inflation is the biggest since records began more than 20 years ago. The extremity of inflation now means that average pay rises are still not enough to keep up with price rises. The widening gap between prices and wages is likely to lead to a sharp fall in consumer spending power.

2.2 Drop in living standards

Inflation, rises in interest rates and other economic challenges are predicted to cause what the Bank of England has described as "the steepest decline in living standards on record, with household disposable income forecast to fall by 3.7% over the next two years".

The Resolution Foundation describe how "Too many people do not have reliable access to the resources they need to meet the day-to-day costs for a decent quality of life". Price rises hit those on low and middle incomes hardest. Those in this group have fewer, if any, ways to cut back on spending without impacting living standards significantly; the average inflation rate they face is higher; and they have fewer financial resources to fall back on.

2.3 Recession on the cards

The UK's recovery from the pandemic stalled in the three months to June when the economy contracted by 0.1%, according to the ONS. This reflects a weakening outlook for the UK economy, which means that many forecasters expect the UK to enter into a recession in the last months of this year. Worryingly still, many forecasters expect it turn into the longest downturn since 2008 with The Bank of England expecting the economy to "keep shrinking until the end of 2023".

2.6 Potential impacts are concerning

For an area like South Yorkshire, with economic development challenges and entrenched inequalities, the implications of a recession, periods of high inflation or low economic growth could be devastating.

Areas with higher levels of deprivation are usually the worst hit by recessions. The poorest communities struggle to recover from economic downturns even in periods of wider prosperity. The impact of the Covid pandemic has largely confirmed this assertion.

Sadly, previous recessions show us that we should expect the hardest-hit areas of the pandemic to experience the harshest impacts of this recession.

Residents and businesses across South Yorkshire face tough decisions over the next few months. Turning these worrying economic trends around is a key task for all stakeholders the 2020s. and in South Yorkshire, this must be done against the backdrop of long term structural weaknesses in the economy. However, there will also be significant opportunities to exploit, not least in the “green sector” and in the development of new digital and technology led solutions in health, education, mobility and construction.

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