

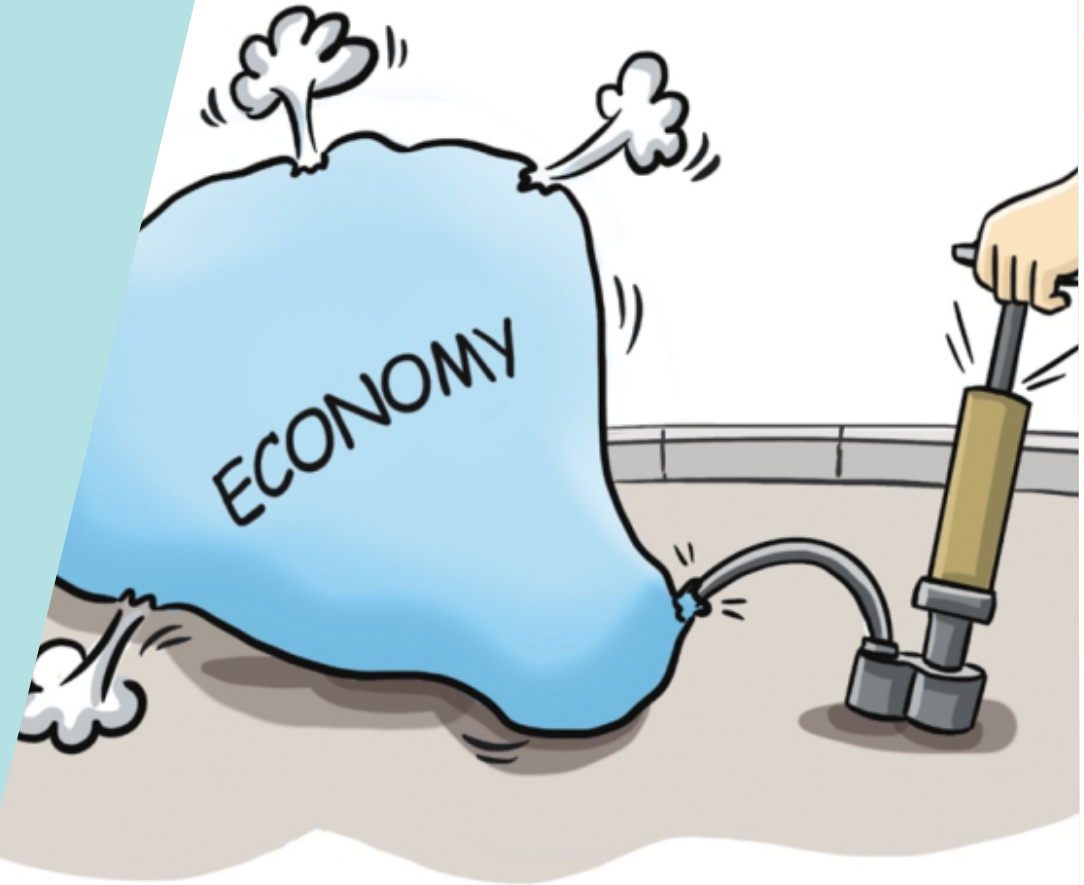
Economic Update

MCA Board 5th June 2023

Corporate Policy Directorate, SYMCA



Macroeconomic Trends

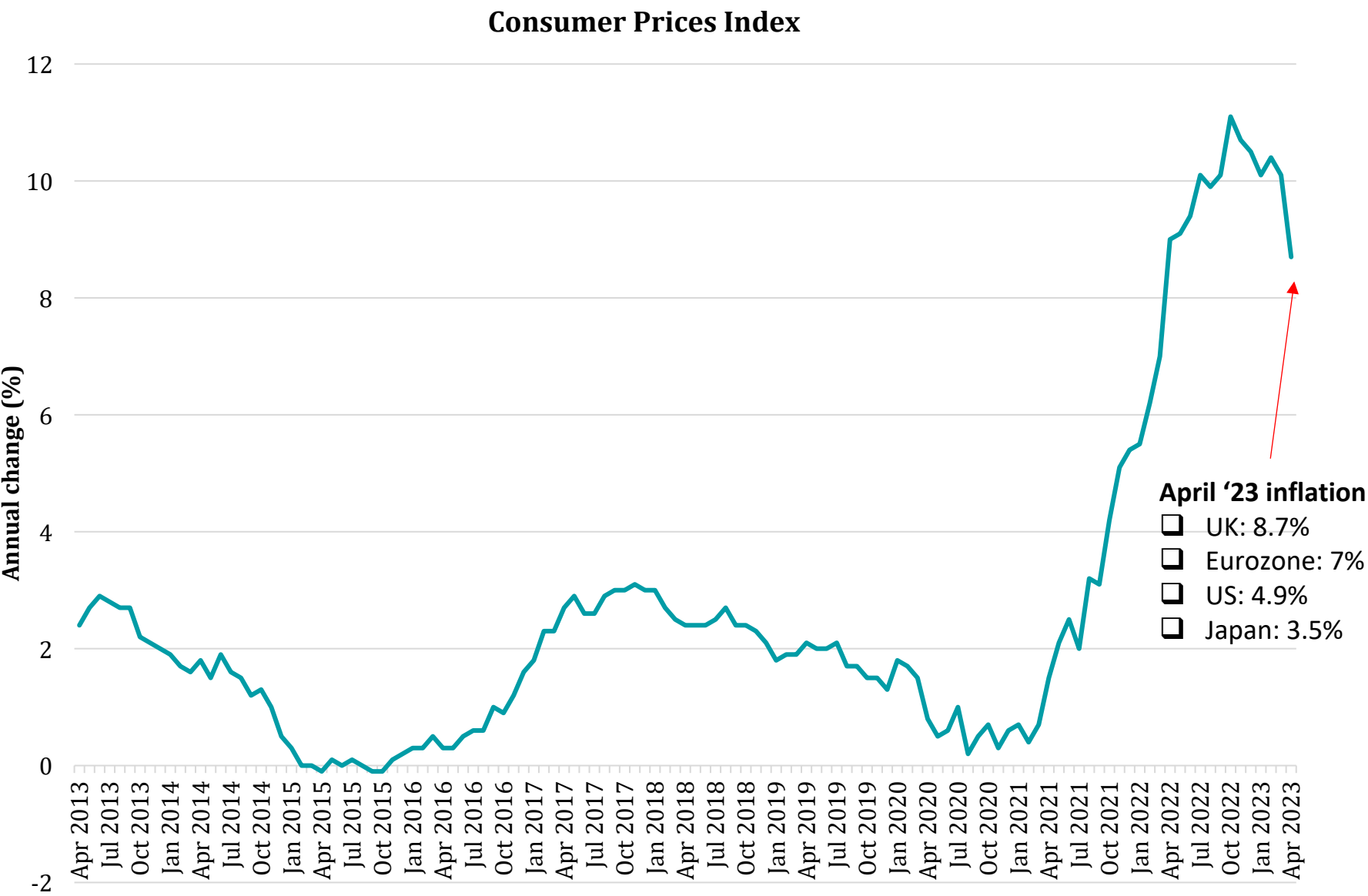


Inflation

Overall price inflation remains high but is now falling.

This is a global issue, but **the UK has fared worse than the Eurozone average and the US**, driven by energy and commodity prices.

Official forecasts expect inflation to remain above 3% for 2023. The Bank of England’s remit is to target 2% inflation.

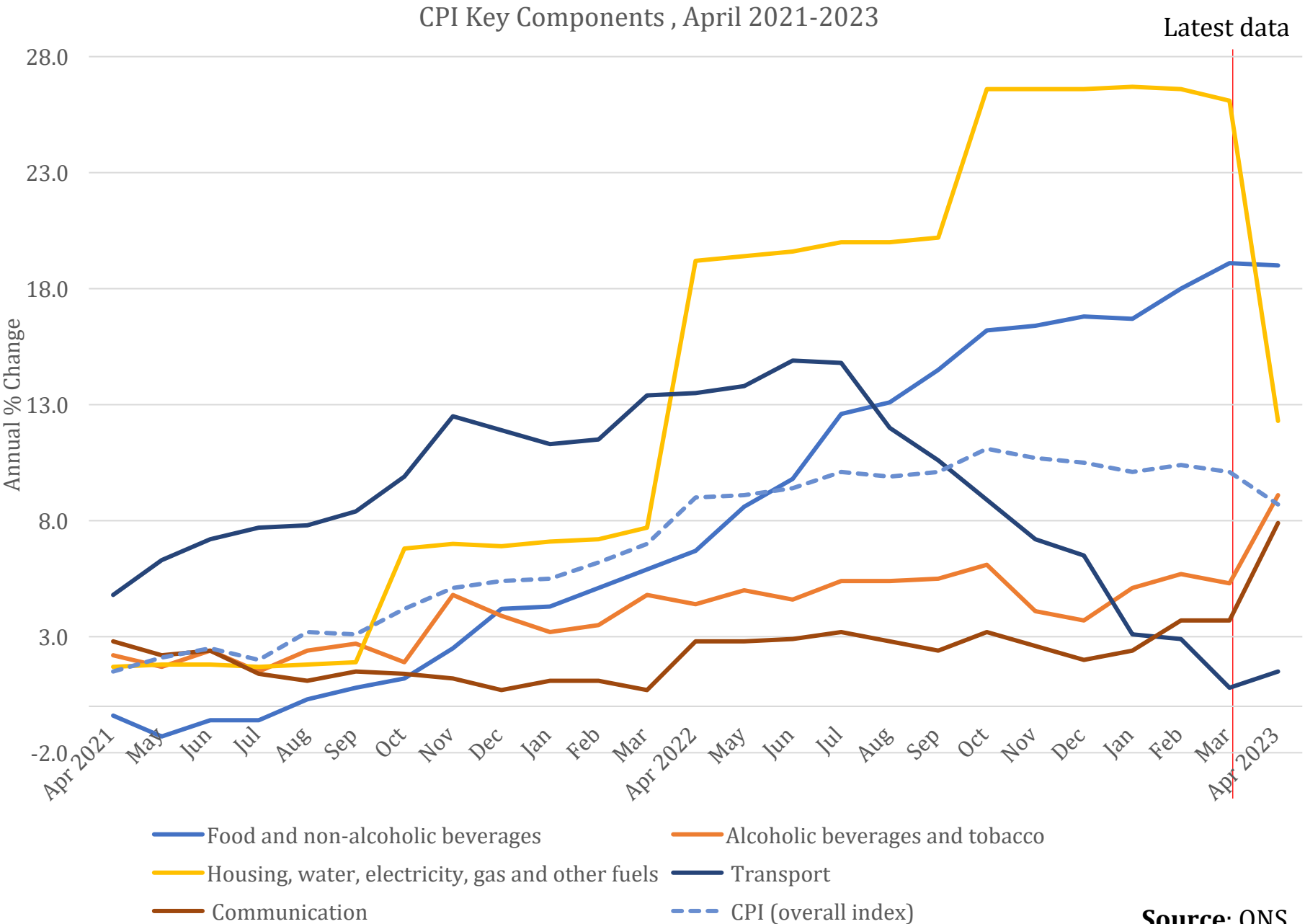


Inflation II

Key components of inflation have seen dramatic shifts in recent months.

Housing and energy prices have more halved to 12.3% in the year to April. **Transport inflation has fallen from 14.8% in July 2022 to 1.5% in April 2023.**

However, food, alcoholic beverages and communications have seen prices spike to their highest level in the past two years.

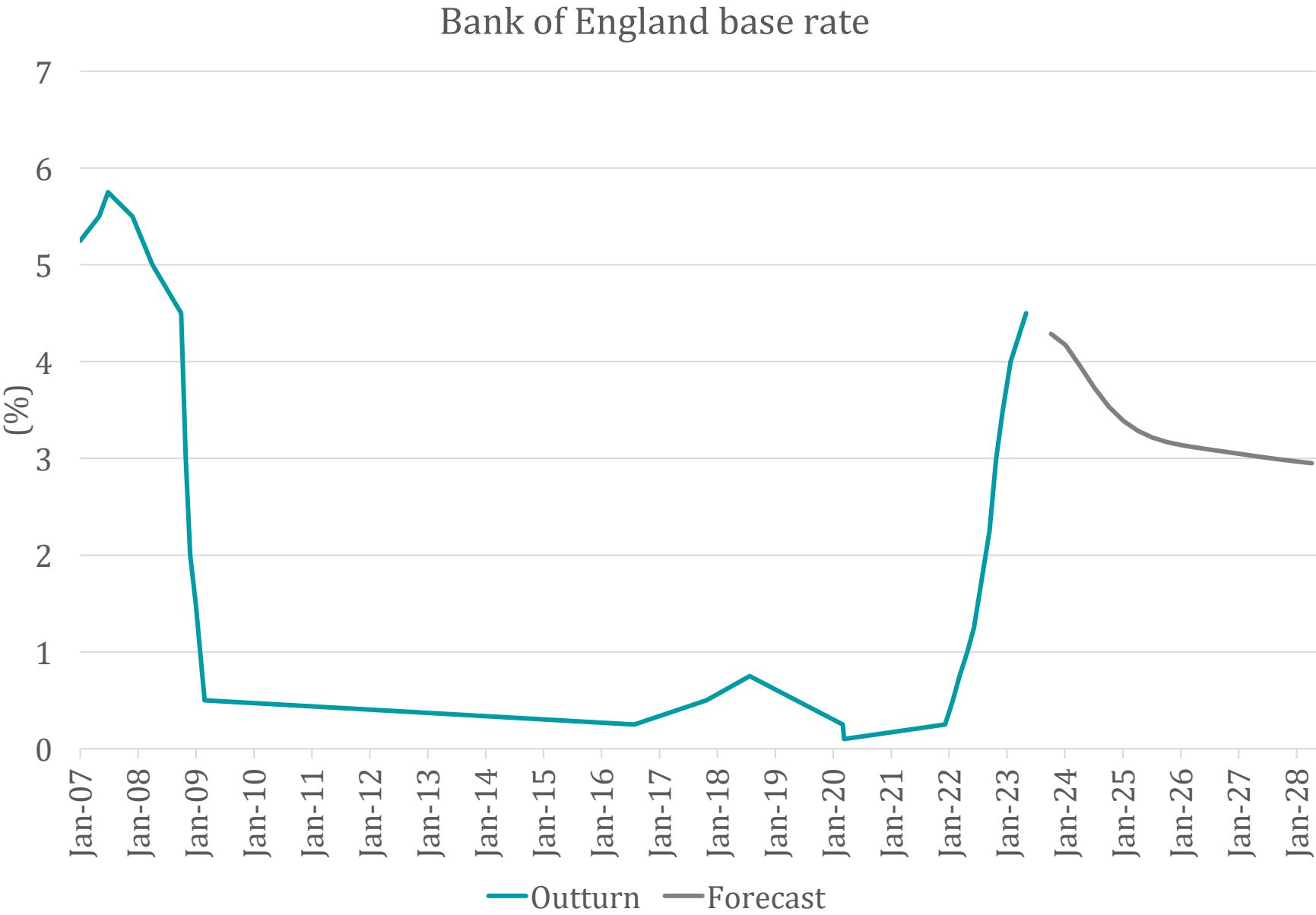


Interest rates

The Bank of England has continued to increase its base rate to influence retail banks and raise the cost of borrowing.

Mortgage markets are reportedly ‘pricing in’ a further rate increase to 5% on 22nd June.

Office for Budget Responsibility forecasts assume this to gradually fall over years to come, but some analysts expect it to rise further in the short term.

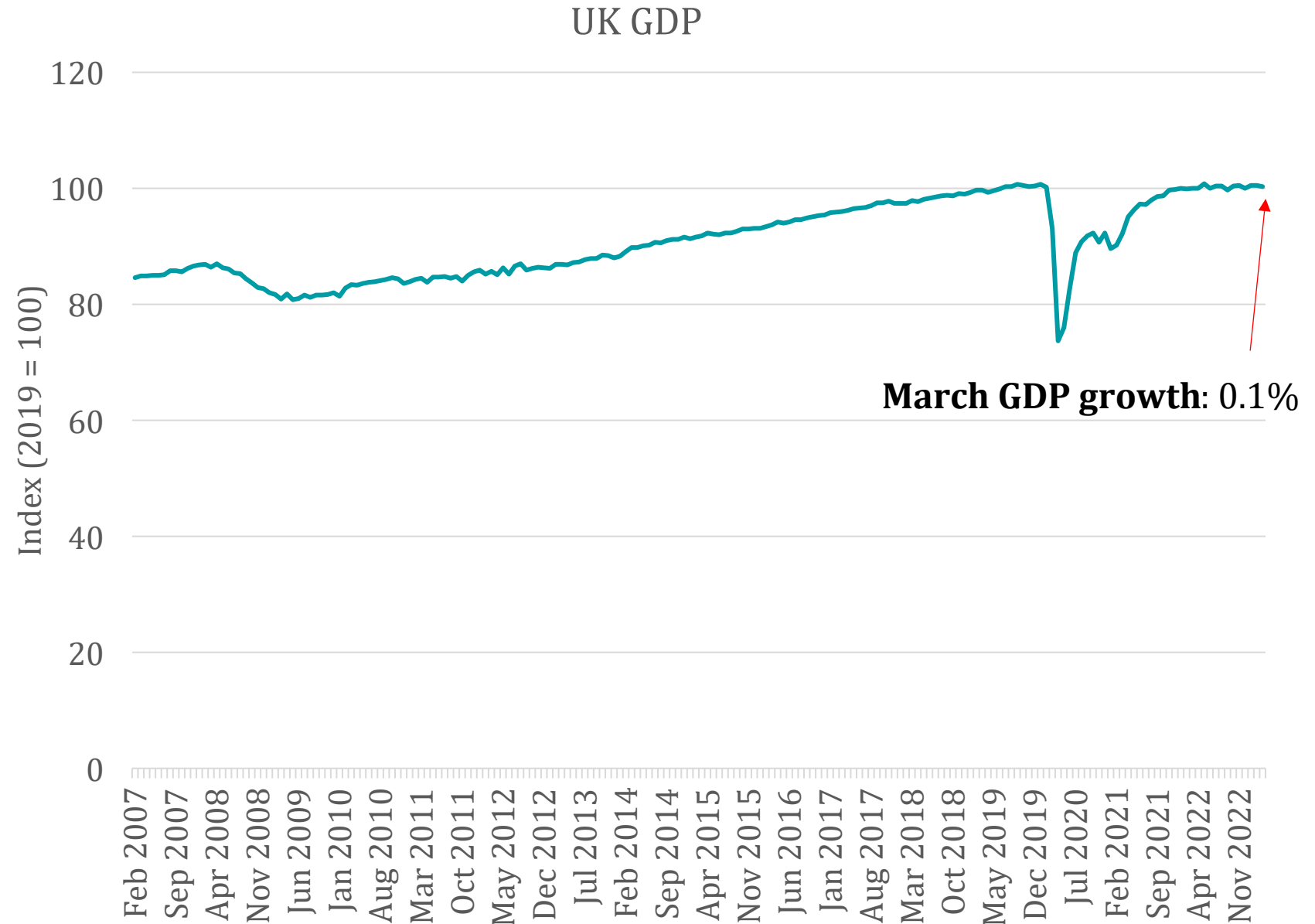


Economic growth

By the start of 2022, UK economic output had recovered from the pandemic, but has since flatlined. Sluggish growth expected to continue through 2023 and 2024, albeit technically avoiding a recession.

Three overarching drivers continue to weigh on the economy:

- energy price uncertainty
- enduring impacts of the pandemic, and
- Brexit (affecting recruitment in sectors like



Labour Market



Employment (Ages 16-64)

Employment rate seems to have levelled out at 74.8% in March, the highest since the pandemic.

Unemployment fell to a regional low of 3.2% last November, but this rose to 4% in February following lower job vacancies.

Economic inactivity fell to 22.2% in March from 23% in Q4 2022, but it remains roughly similar to last year because of declining vacancies and more people reporting long-term health conditions.

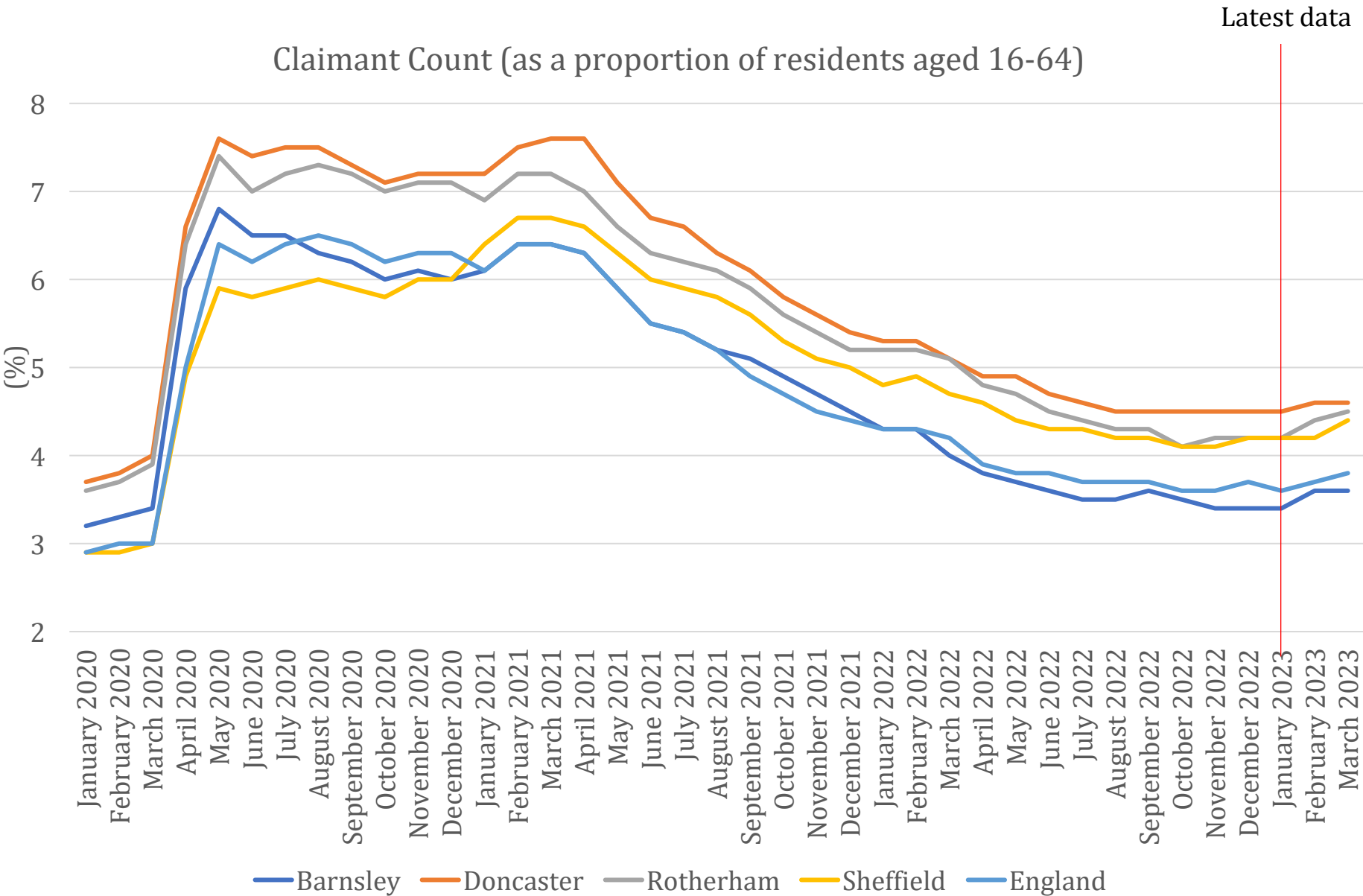
Source: ONS



Claimant Count

Unemployment benefit claims largely stabilised after a gradual post-pandemic fall.

However, this has risen slightly in recent months. **Barnsley continues to outperform the national average.**



Cost of Living

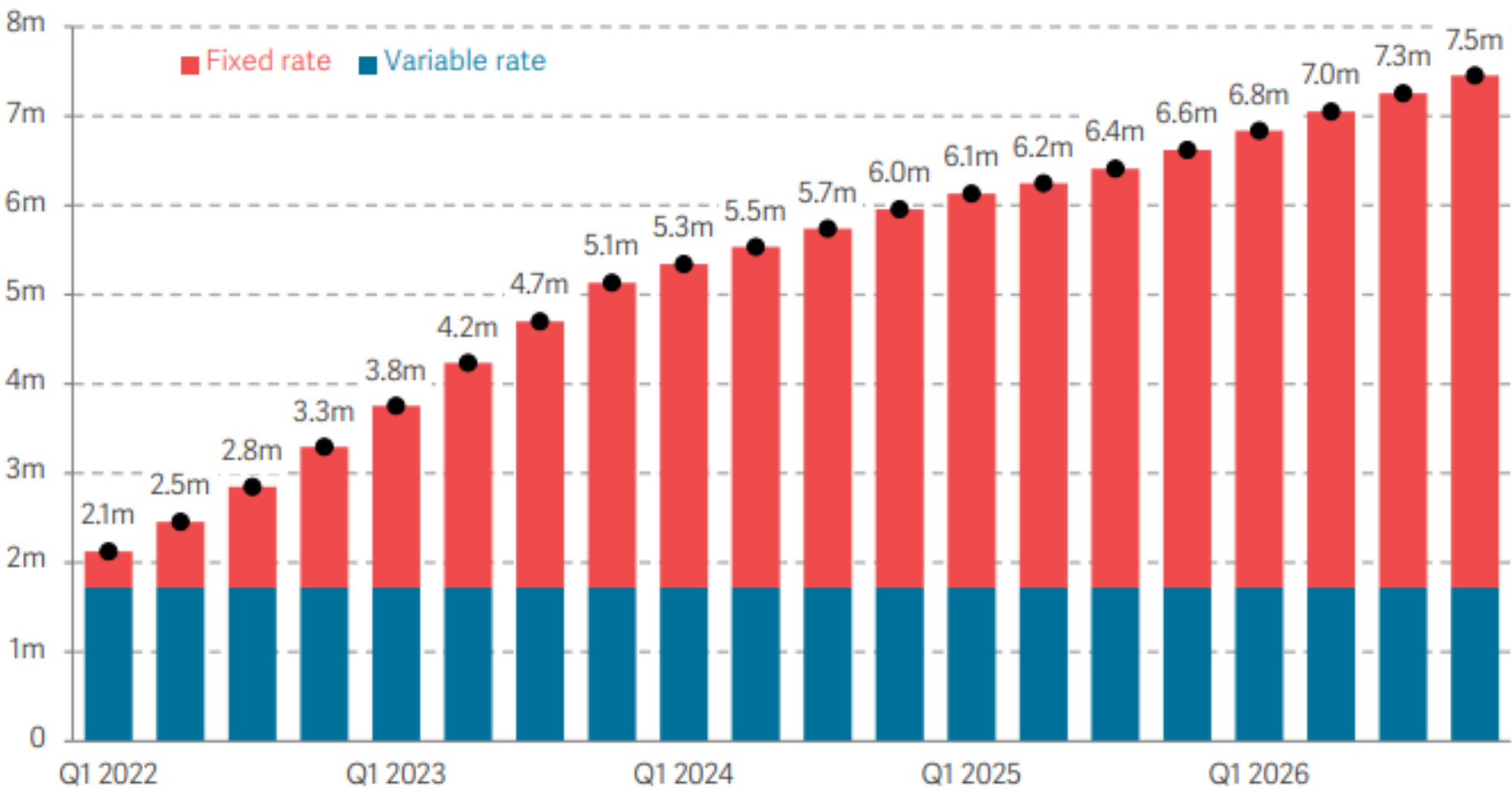


Rising cost of mortgages

With interest rate policy acting to slowdown or reduce inflation, the effect on the cost of mortgages (and therefore spending) will feed through over years as fixed rate deals become due for remortgaging.

Mortgage payments will now take up over 50% of an average UK monthly income (£2,560).

Estimated cumulative number of households facing a change in mortgage rate since Q1 Q4 2021: UK



Rising cost of essentials

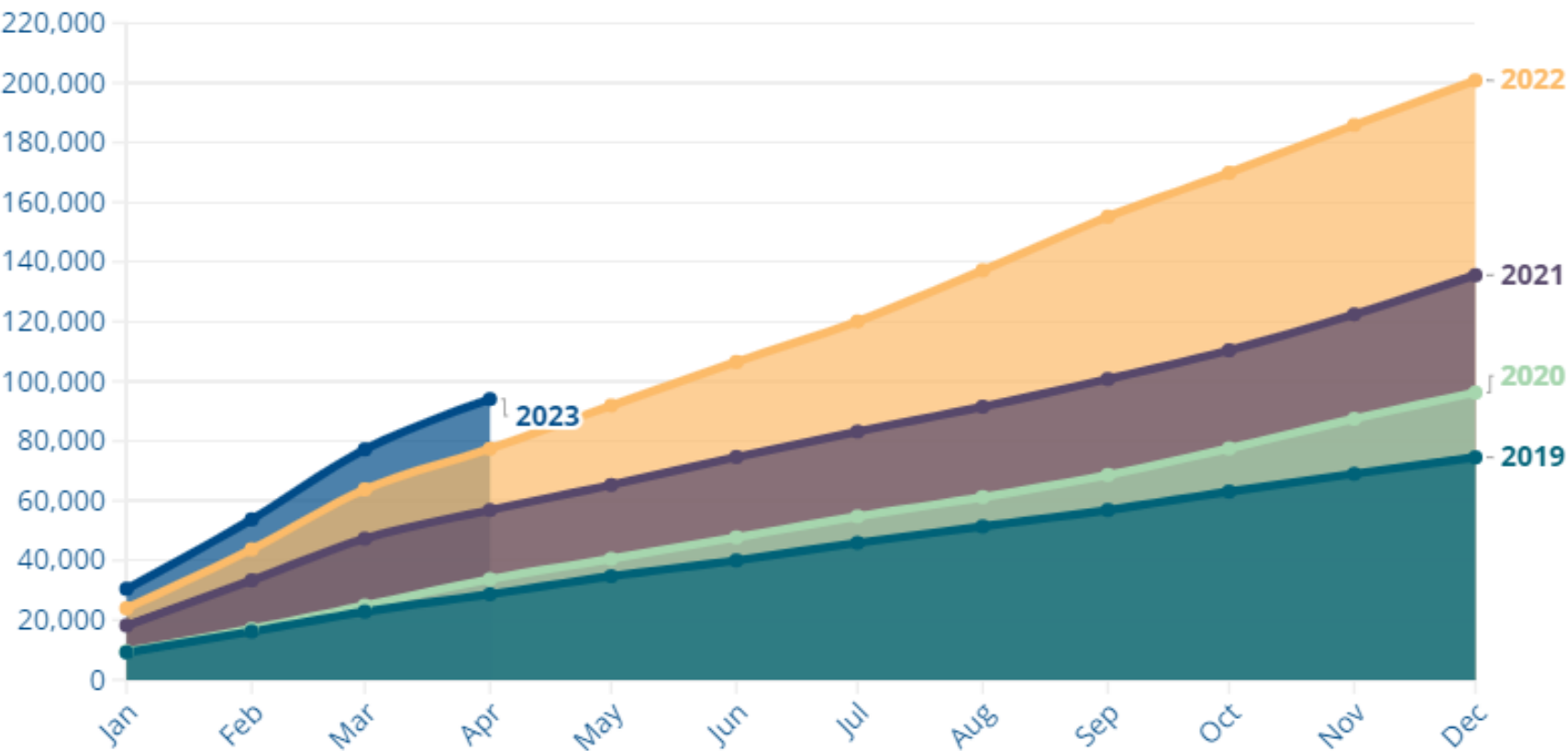
Support from charities like Trussel Trust and Citizens Advice has reached record-breaking levels.

This has included a surge in demand for help paying energy bills.

Cumulative number of people we've helped with crisis support each year

The crisis shows little sign of slowing down, as the gap between 2023 and 2022 grew in April.

Crisis support includes food bank referrals and emergency charitable support.



You can access this visualisation directly [here](#).

Figures for crisis support represent the number of people Citizens Advice helps with either referrals to food banks or other charitable support (covers any emergency financial support or support in kind people need to make ends meet). Data for England and Wales.

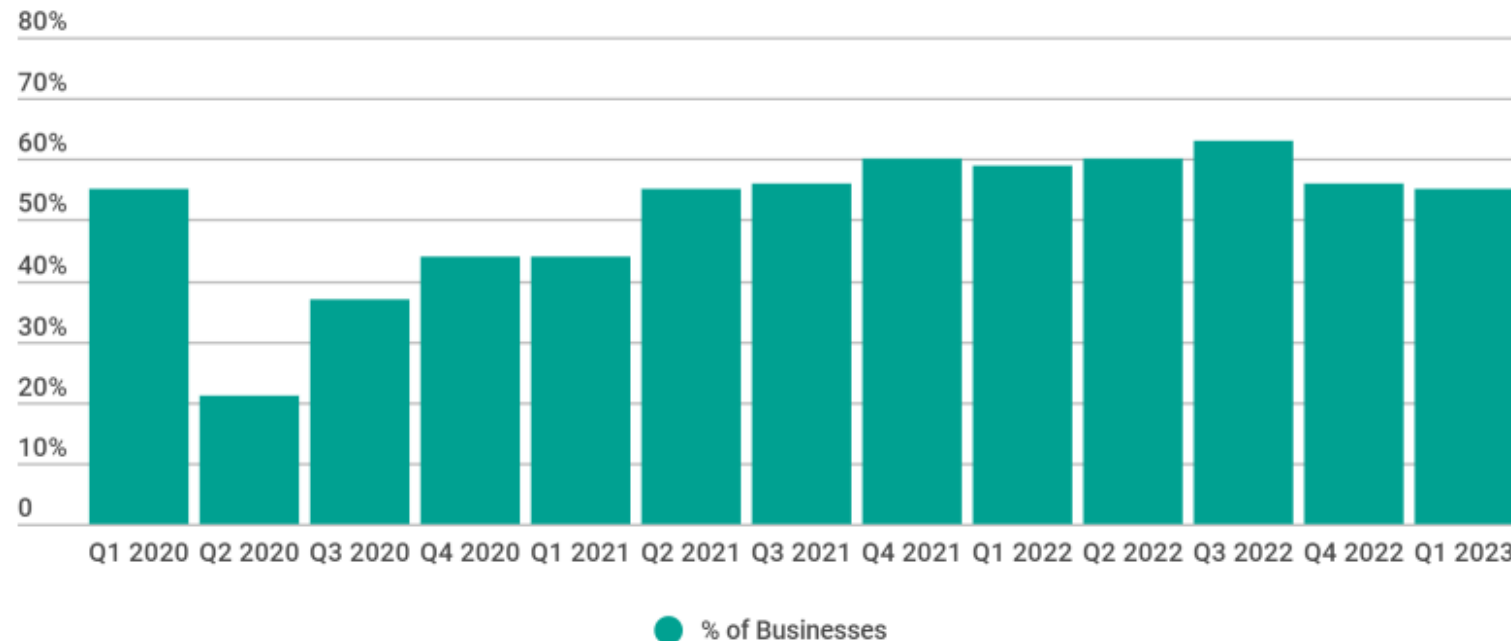
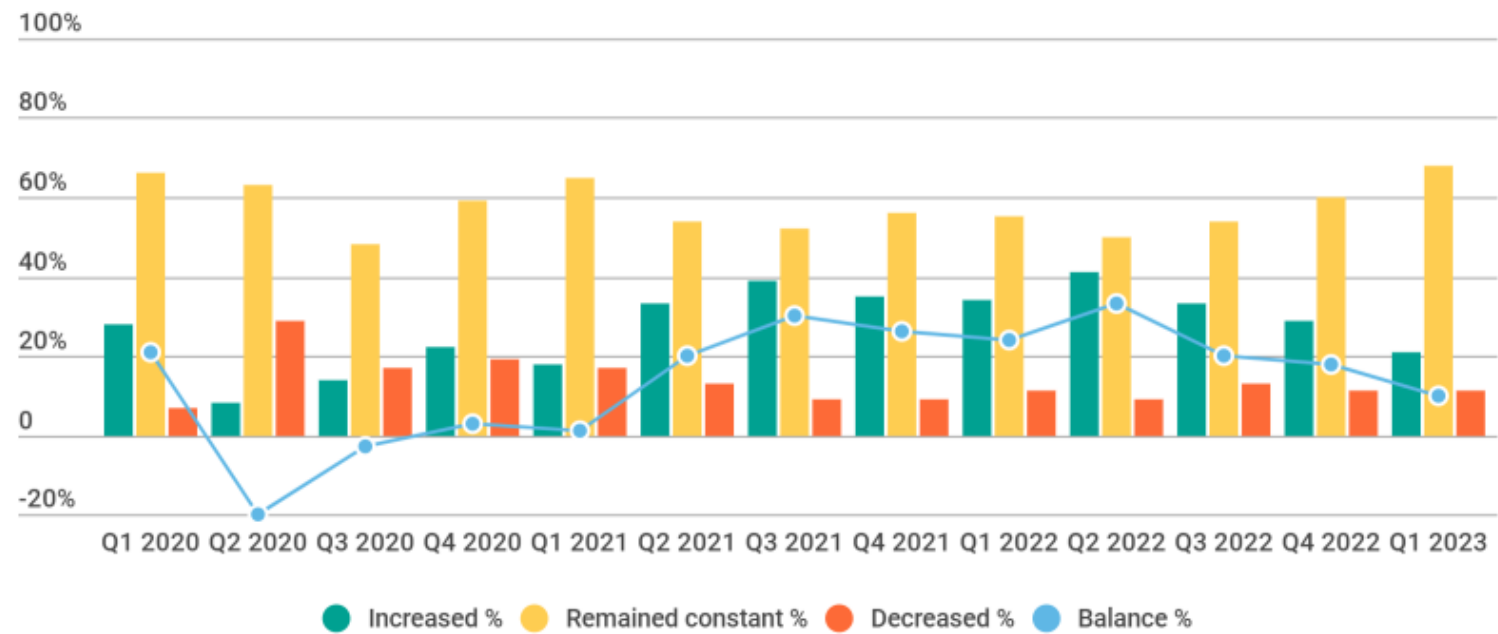


Local Insights

**South Yorkshire Chambers of
Commerce**
Quarterly Policy Briefing
2023 Q1

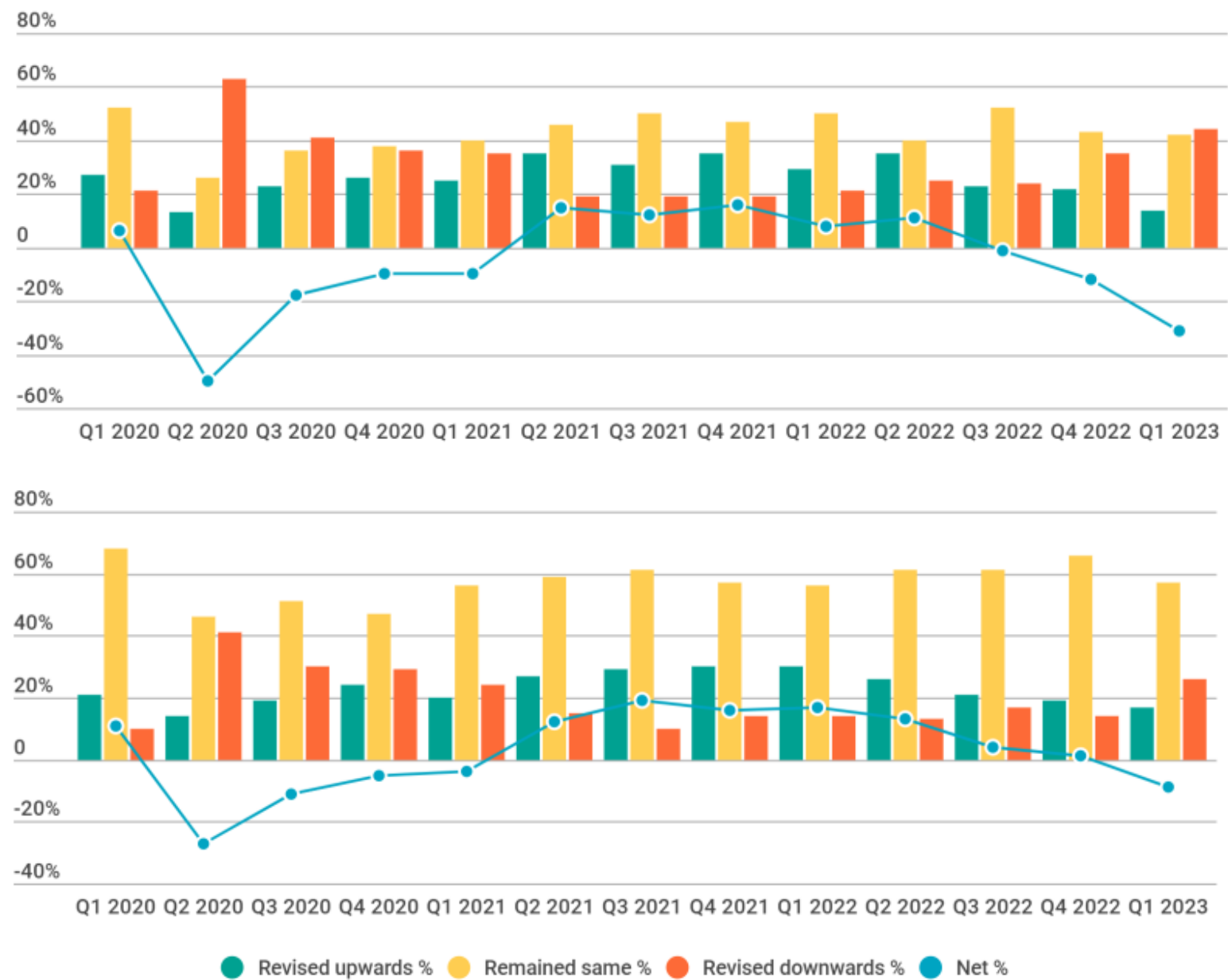
Workforce growth fell by 8% in Q1 2023 compared to last quarter, with the latest balance at its lowest level since Q1 2021.

This is because businesses are choosing to recruit fewer staff, with the post-pandemic peak surpassed last Autumn.



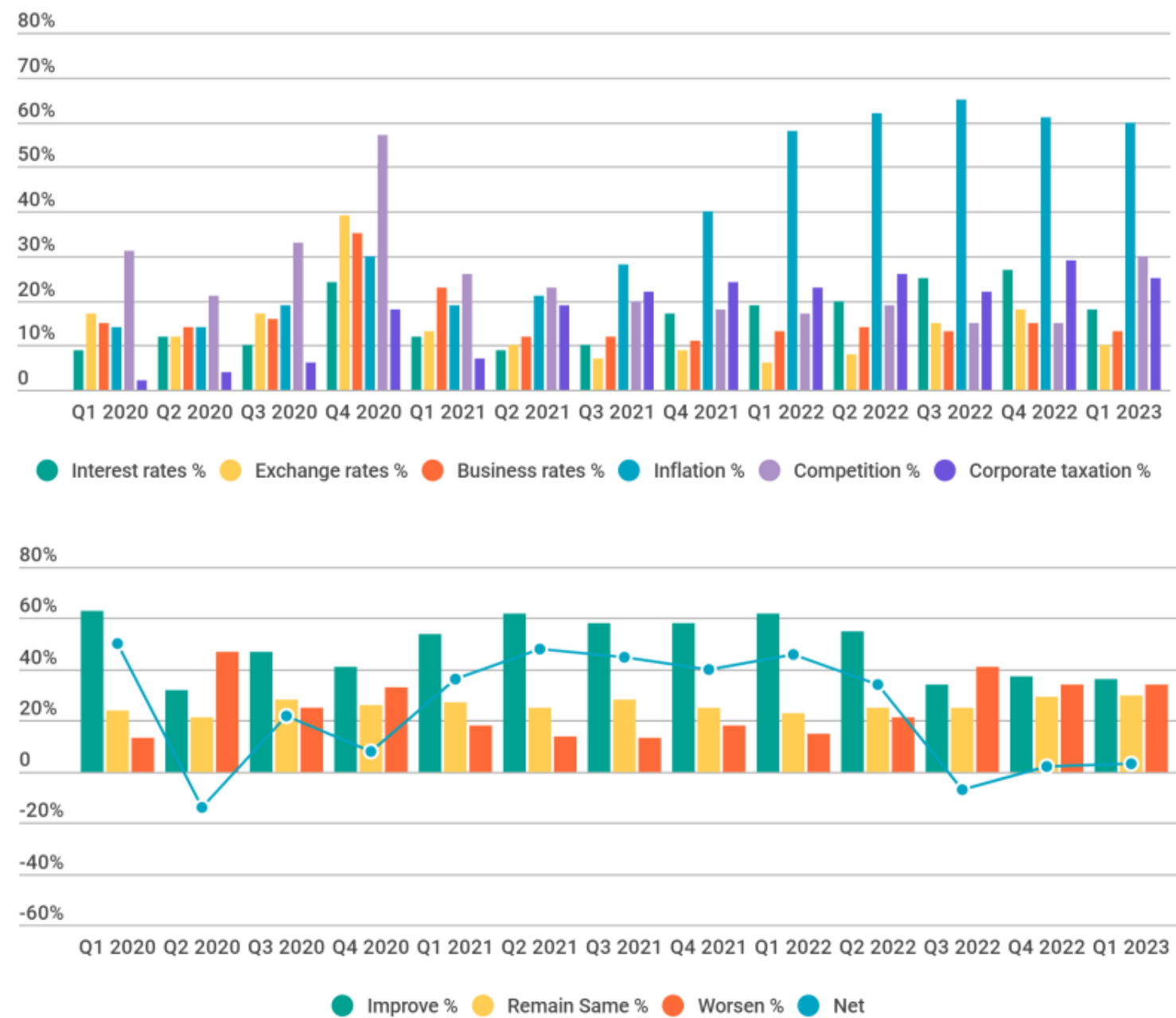
Net cashflow has fallen further since last year, reaching lows last seen during the height of the pandemic. This implies that persistent inflation is eroding profitability.

As such, businesses have been forced to cut back their investment plans further, with survival becoming more important than expansion.



60% of businesses continue to cite inflation as their greatest concern, down from 65% last Autumn. ‘Competition’ has risen as a concern – over double that seen last quarter.

Confidence in profitability remains mildly positive, in line with the previous quarter. However, this figure is still 43% lower than it was just a year ago.

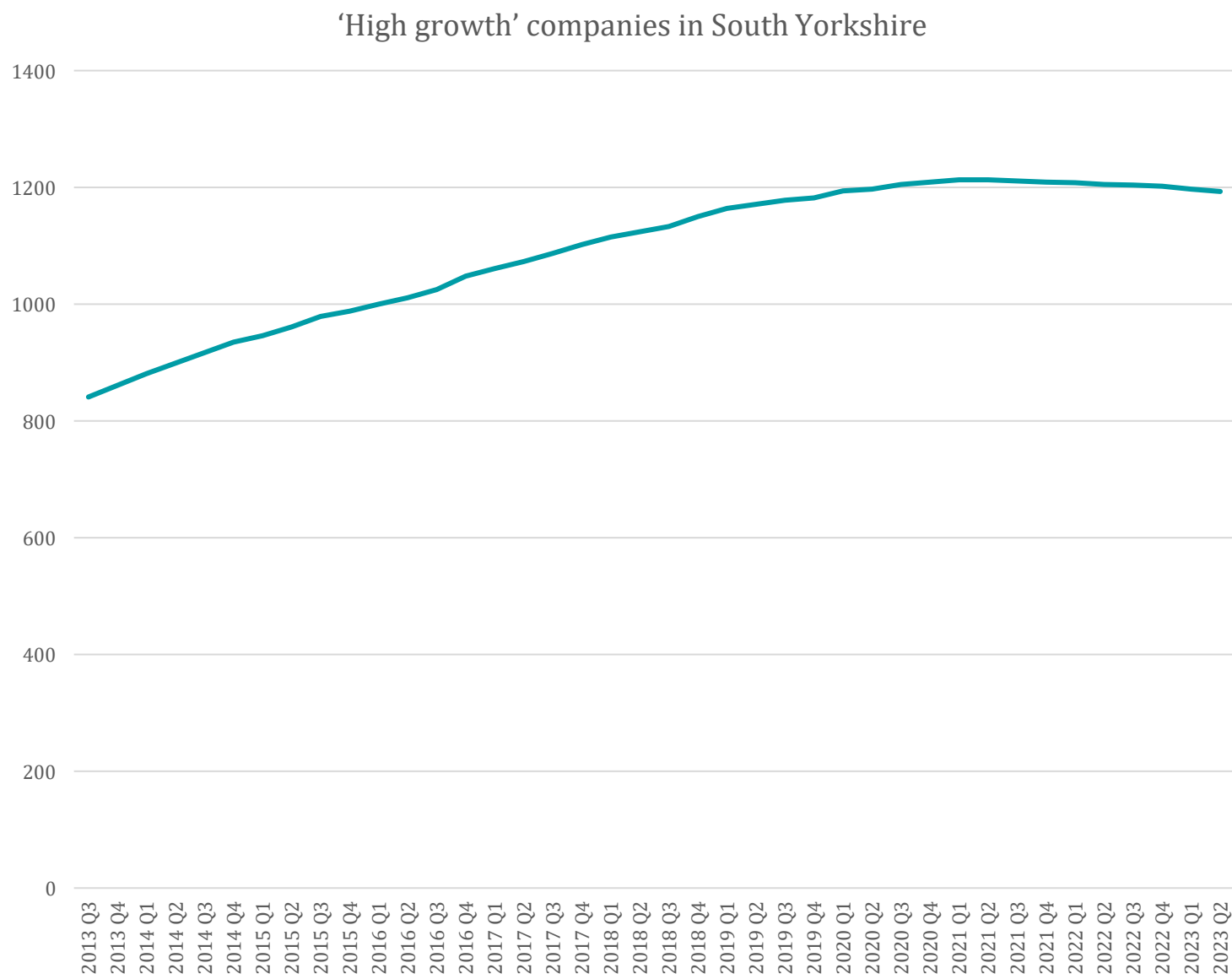


Trends in business growth across South Yorkshire

The number of ‘high growth’ companies in South Yorkshire was increasing before the pandemic, but has stagnated at approximately 1,200 since 2021.

This ‘high-growth’ measure is based on characteristics like accessing innovation grants, securing equity or venture investment, and links with academia.

This trend is not unique to South Yorkshire but business density is a key issue here, making this a potentially more significant issue.



Source: Beauhurst
Note: analysis excludes companies with fewer than 5 employees

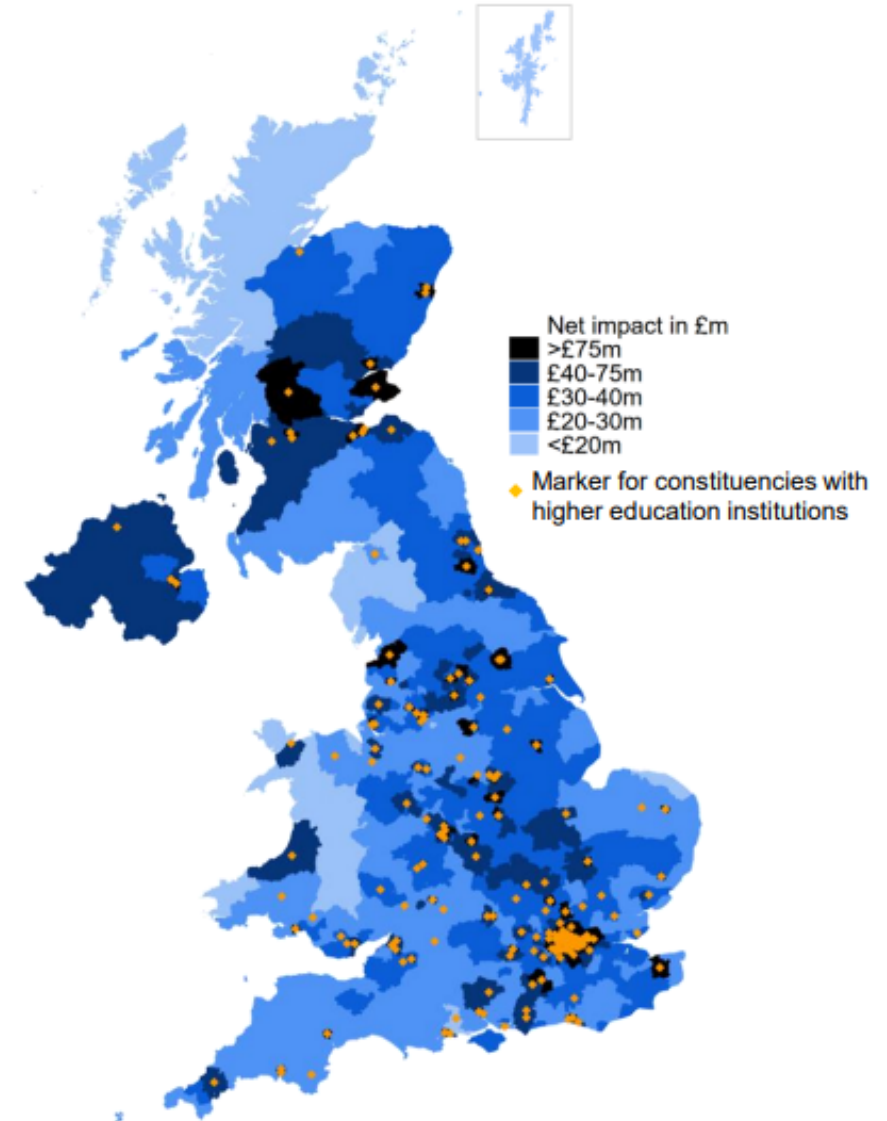
Economic impact of international students

A recent research collaboration [assessing the economic impact of international students](#) has estimated that **out of all 650 UK electoral constituencies, Sheffield Central ranks 3rd in terms of net economic impact**, bringing in £273m in 2021/22. Overall, Yorkshire and Humber had the 3rd highest of any region.

Each non-EU domiciled student has a net impact of £96,000 on average.

The number of international students from outside the EU rose by 68% between 2015/16 and 2021/22.









Figure 9 Net impact associated with the 2021/22 cohort, by parliamentary constituency











Source: Higher Education Policy Institute

Summary Statistics for South Yorkshire

March

Indicator	Trend in SY
Employment	
Unemployment	
Economic inactivity	
Job postings	
Poverty	
Business density	
Healthy life expectancy	
Wages	

Latest data

Indicator	Trend in SY
Employment	
Unemployment	
Economic inactivity	
Job postings	
Poverty	
Business density	
Healthy life expectancy	
Wages	

Summary

- ❑ Overall price inflation is easing off, but the price of essentials has continued to rise significantly over the past year. Interest rate hikes to control inflation will feed through into borrowing for years to come.
- ❑ Economic growth remains stagnant, with overall economic output now finally up to the pre-pandemic level.
- ❑ The rate of people claiming unemployment-related benefits has fallen over the past two years but remains higher than the pre-pandemic rate.
- ❑ Local business sentiment is relatively subdued, reflected in recruitment, cashflow, and investment. This appears to be largely in response to cost pressures.

Thank you

South Yorkshire Mayoral Combined Authority
11 Broad Street West
Sheffield
United Kingdom
S1 2BQ

