



Economic Update

Thomas Purvis, January 2023

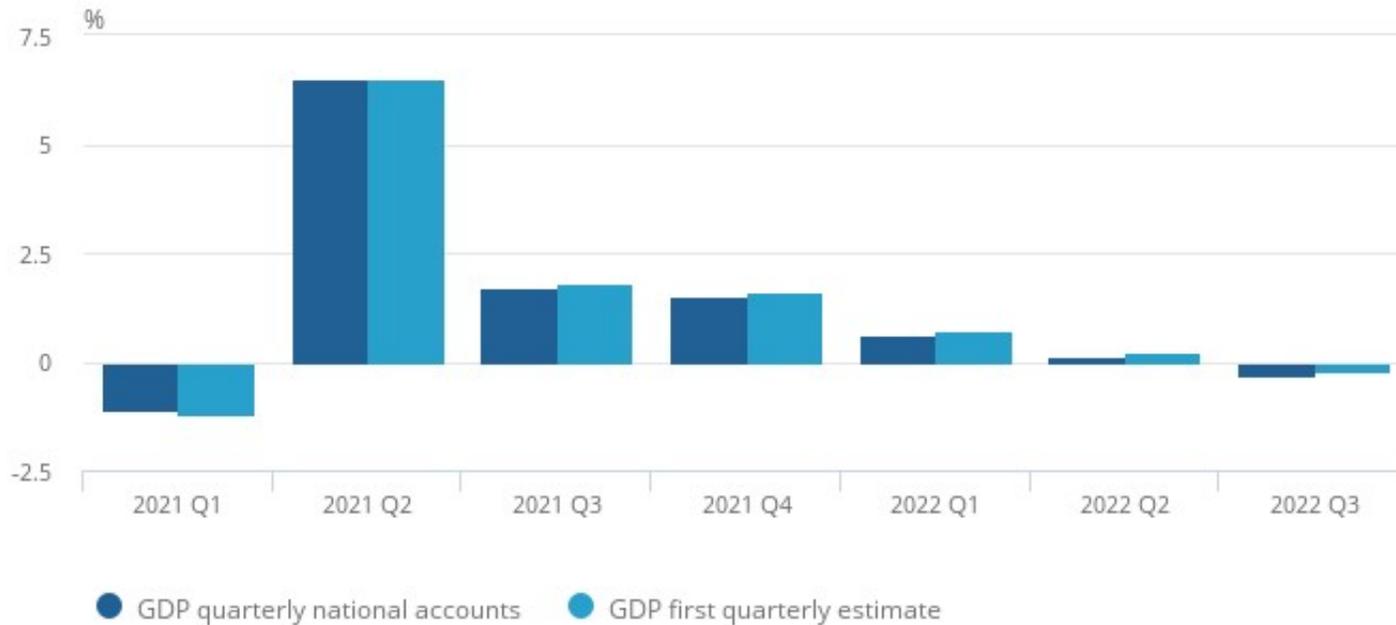
Macroeconomy

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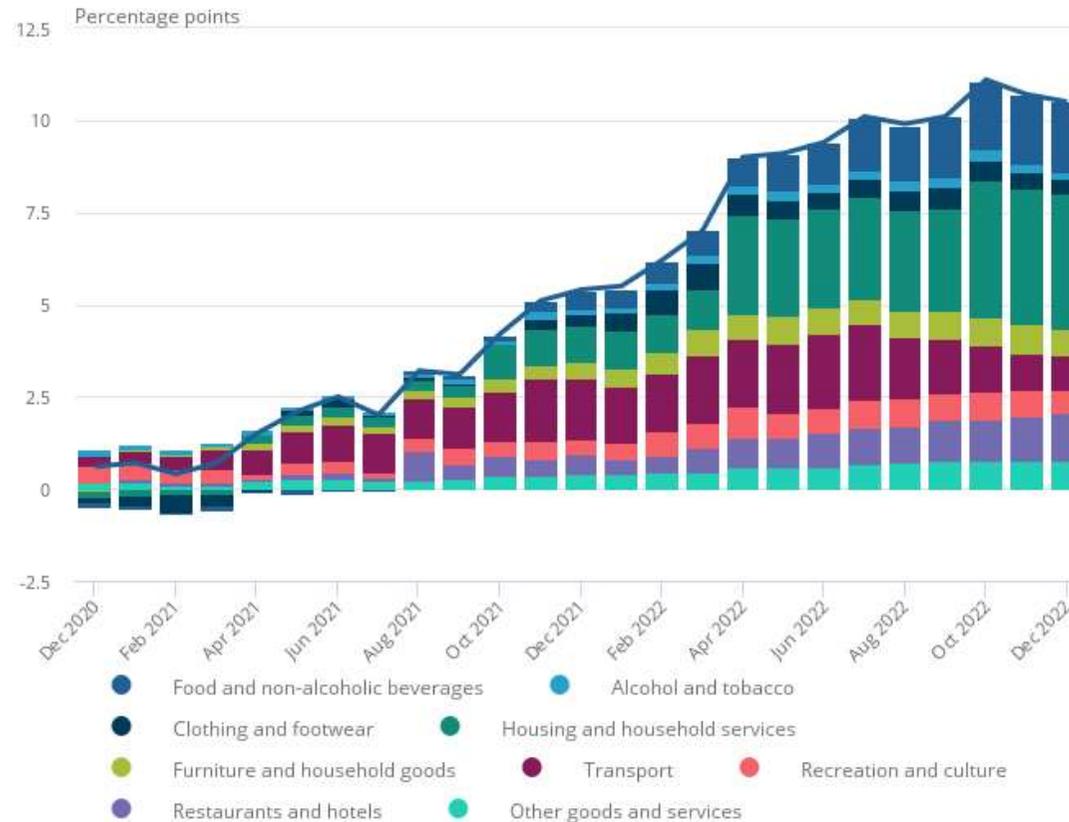
Tracy Brabin
Mayor
of West Yorkshire

The UK economy shrank by 0.3% in Q3 2022, primarily due to lower output in the production sector



Source: *GDP Quarterly National Accounts, UK: July to September 2022;*

Inflation rose by 10.5% in the year to December, down from a 40-year high 11.1% in the year to October



Source: Consumer price inflation, UK: December 2022

Energy

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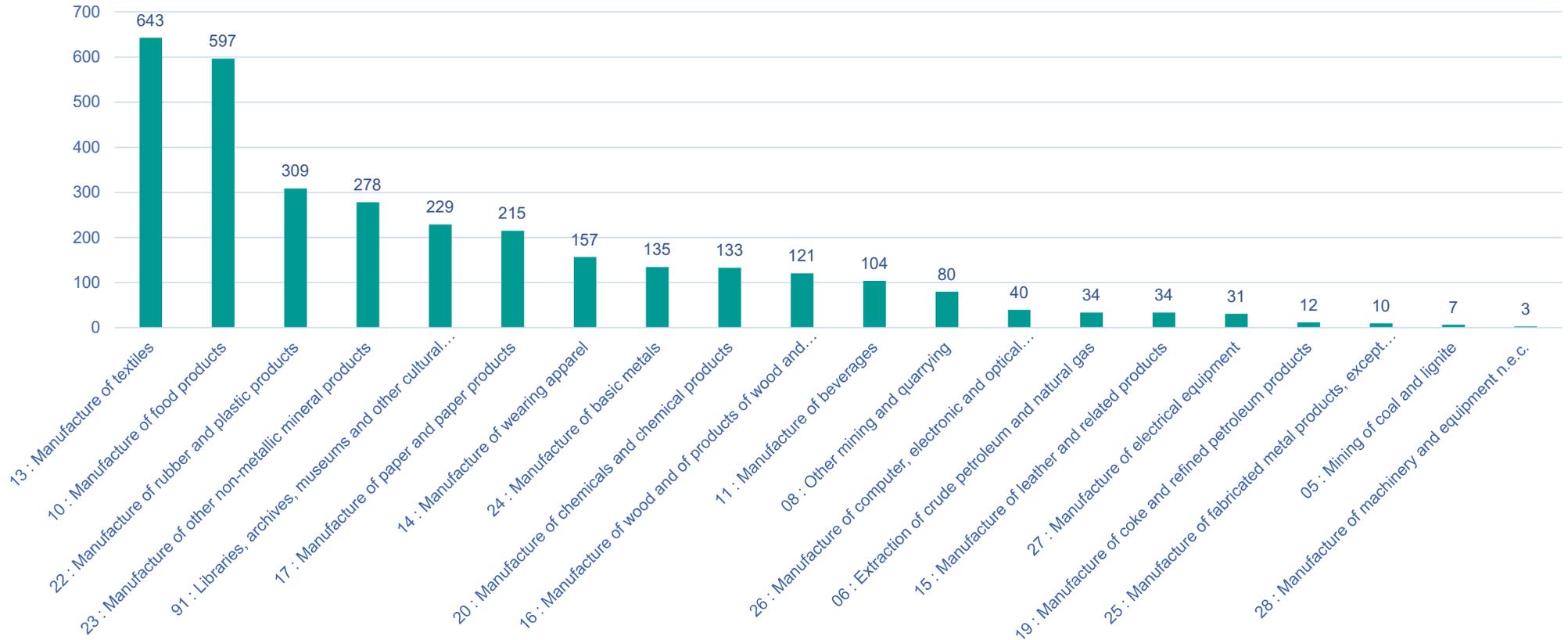
A greater share of West Yorkshire firms to receive support from enhanced EBDS, but some key industries will miss out

In October 2022, we calculated the number of West Yorkshire businesses that were likely to be disproportionately exposed to the impacts of high energy bills to be around 8,000. This week's announcement places 3,000 in the Energy and Trade Intensive Industries, which will receive greater discounts that kick in at lower price thresholds, leaving more than 5,000 West Yorkshire businesses exposed.



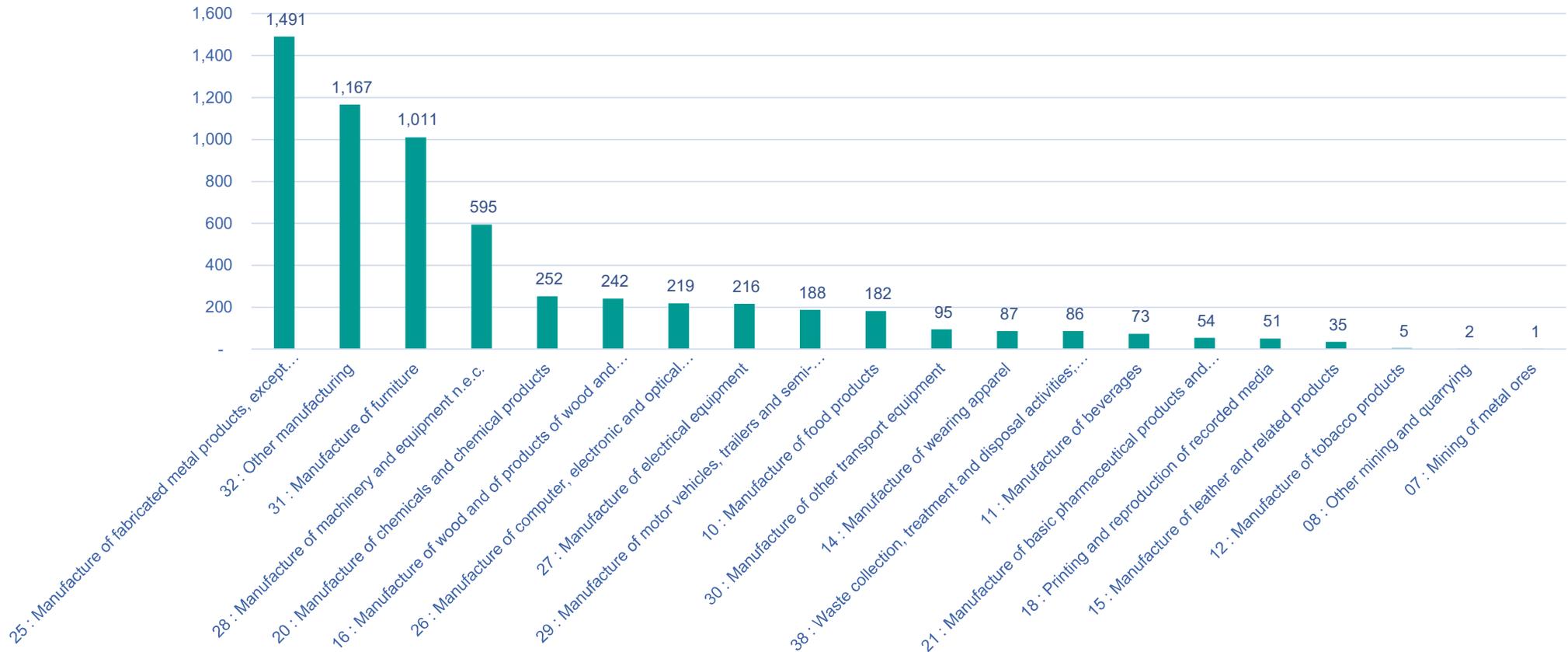
Source: FAME, Bureau van Dijk

Manufacturers of textiles and food products sectors will be receiving the greatest level of support in West Yorkshire



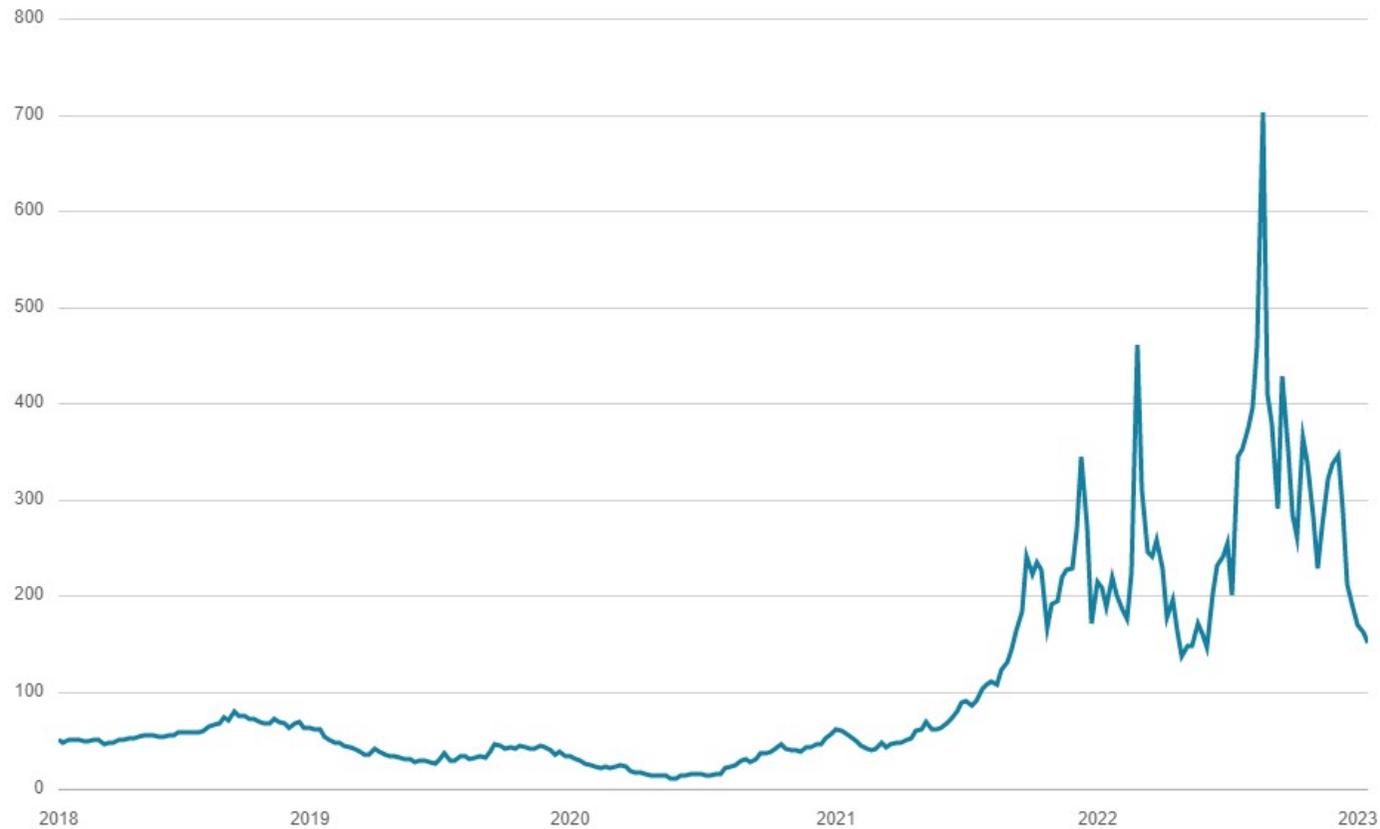
Source: FAME, Bureau van Dijk

BUT the majority of those firms in need who will miss out are also in the manufacturing sector



Source: FAME, Bureau van Dijk

Gas futures prices have fallen to 147.5p per therm (as of 18th Jan), down from a peak of 702.95p in August 2022



Source: BBC

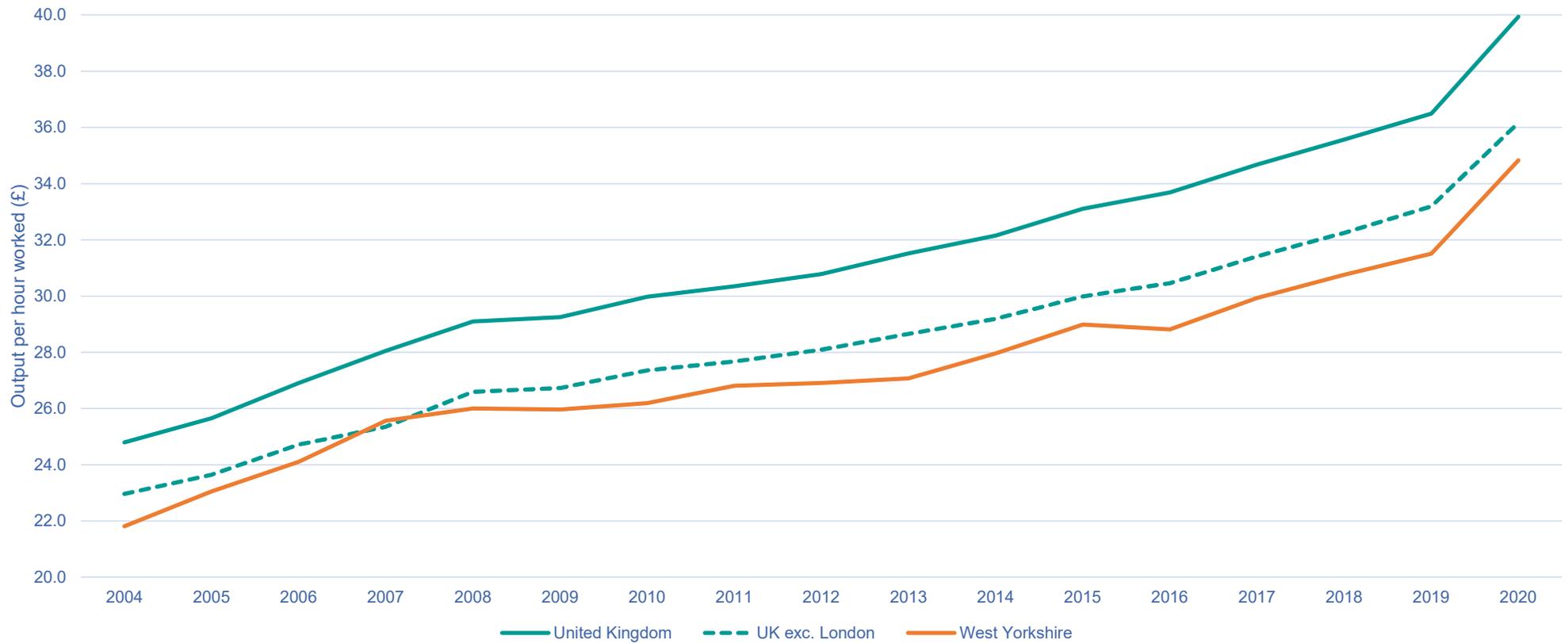
Skills

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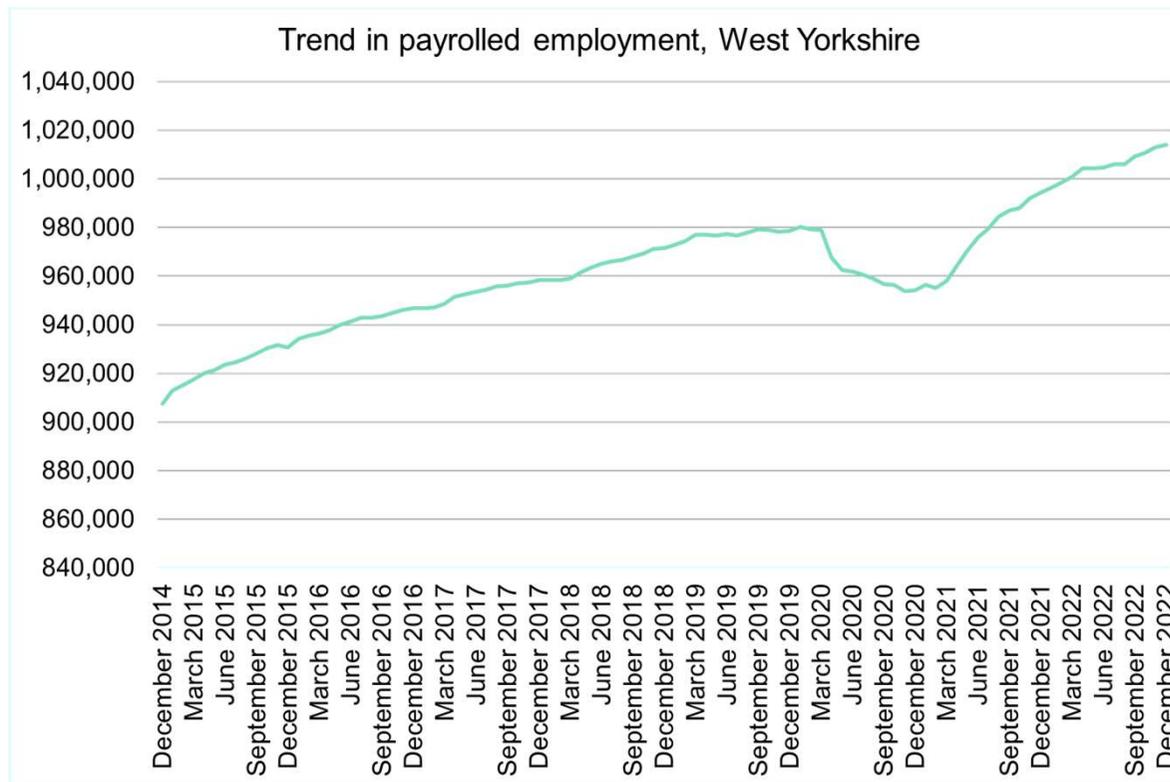
West Yorkshire's productivity has failed to recover from the 2008 financial crisis, and the output gap continues to grow



Source: *Sub-regional productivity*, Office for National Statistics, 2022

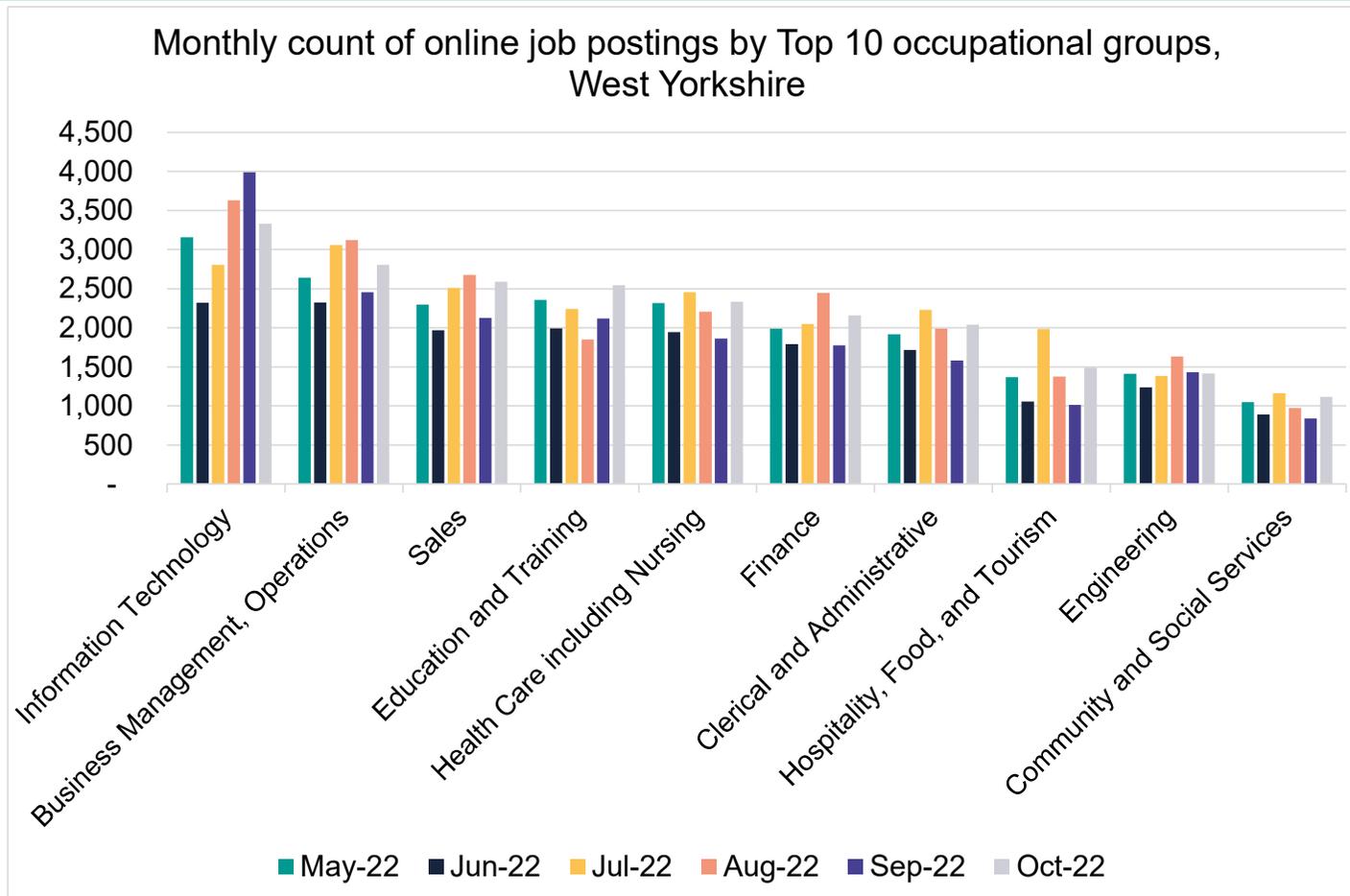
West Yorkshire's employee count continues on upward trend

The seasonally adjusted number of payrolled employees in West Yorkshire increased by around 1,000 (0.1%) between November and December 2022, similar to the national growth rate. The employee count is now 35,000 (4%) above pre-pandemic levels (Feb 2020), in line with the national position



Source: HMRC

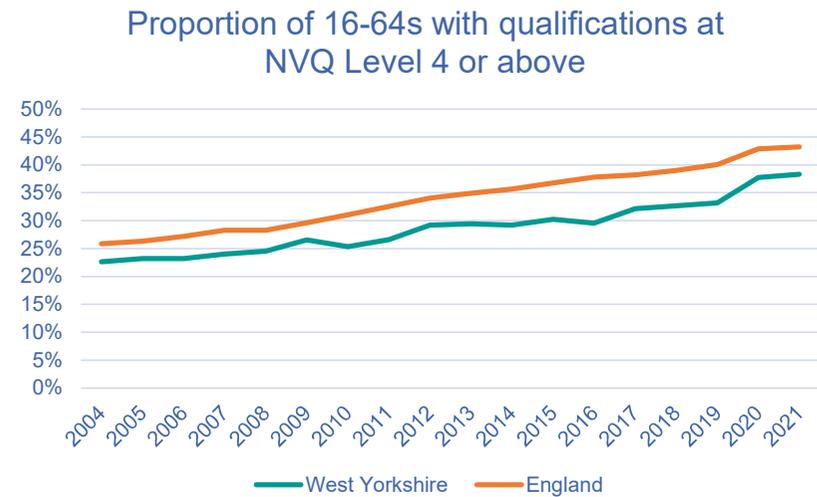
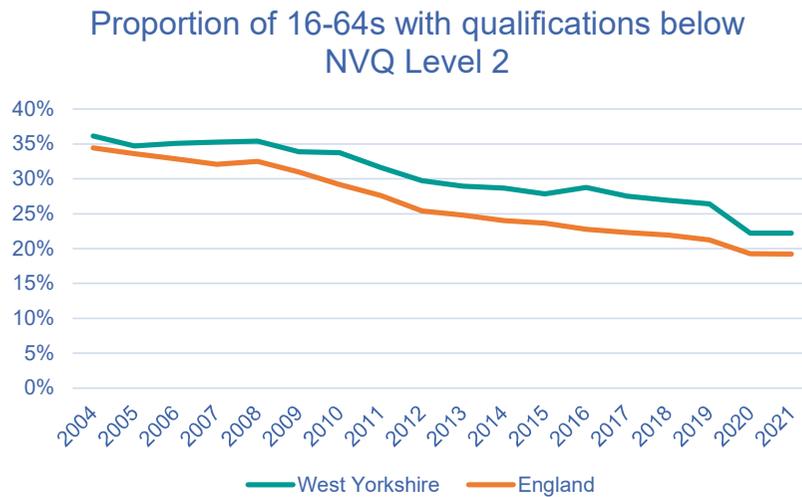
Vacancy rates are still high across occupations with the largest gaps being in IT, business management/operations and sales



Source: Lightast

West Yorkshire's relative skills gap persists, but has shrunk in recent years

The long-term trends across West Yorkshire have been broadly in line with the England average across the two metrics. However, the increase in highly qualified adults, and the decrease in lowly qualified adults, have been much more consistent and faster than at the West Yorkshire level.



Source: Annual Population Survey

Conclusion

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Where next?

- **Forecasters expect the UK economy to remain sluggish over the next 12 months as consumption is cut further**
- **More questions over whether to continue increasing interest rates (not just in the UK)**
- **There is light at the end of the tunnel on energy prices, but that's highly volatile and doesn't mean energy will be cheap by the end of 2023**
- **One of the biggest challenges outside of the cost of living/doing business is staffing and finding the right skills for the jobs**