HEADLINE ECONOMIC INDICATORS BULLETIN

Our bi-annual review of the performance of Nottingham's economy and labour market based on the latest official statistics



Nottingham City Council

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Overview

SUMMARY

The Covid-19 outbreak has impacted the economy in several ways during the three lockdowns to date but broadly speaking it has reduced the economy's supply capacity on the one hand, and simultaneously lowered demand for many goods and services. As a consequence, the magnitude of the recession caused by the coronavirus outbreak is unprecedented in modern times.

In recent months, as the economy has gradually reopened, economic indicators suggest a strong recovery is underway. These include rising consumer and business confidence, an increase in consumer spending (with retail sales up sharply) and the number of online job vacancies back to pre-pandemic levels. The short-term outlook for the economy is therefore favourable although the possible emergence of new variants of the virus that are less responsive to the current vaccines is still a downside risk, albeit less severe than previously.

The official unemployment data does not show the dramatic negative impact that one might expect given the scale of the recession. This may be at least partly due to the many government support schemes, such as the Coronavirus Job Retention Scheme (the 'furlough scheme'), introduced in order to support businesses and workers during the pandemic. Nevertheless, unemployment in Nottingham City has risen sharply, although the most recent estimated figures for May 2021 show a fall of 530 people claiming unemployment benefits.

The latest data suggests there has probably been a slow-down in workplace earnings and in the proportion of working people entering self-employment. There has been an upward trend in the percentage of the adult population achieving level NVQ4 and above while the proportion of City residents without qualifications has been falling steadily over recent years. House prices have been rising quickly with the strongest rises took place after the introduction of the 'stamp duty holiday' in the 2020 Summer Statement. The next six months will see the reversal of the cut to stamp duty, which could trigger a deceleration in demand.

A more rounded assessment of the short to medium term effects of Covid-19 on local economic activity will be provided in the next Bulletin scheduled for February 2022.

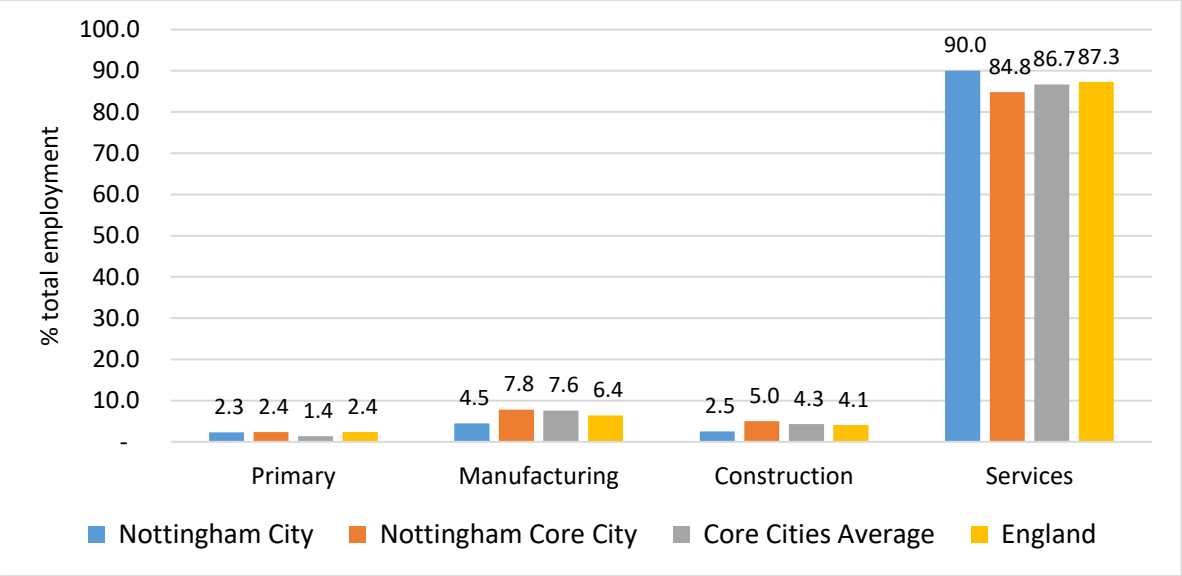
As in previous editions of this bulletin one important caveat to make is that the timings of the different data sets we refer to vary and the data are subject to different confidence limits. The full effects of Covid-19 on economic performance are not yet apparent from all the data sets. We will continue to review new data as it becomes available in order to identify clear trends rather than shorter term adjustments or 'blips' in the data.

LABOUR MARKET

Employment by Sector - the percentage of all employment in key sectors of the economy.

% of total employment in key sectors (2019)	Services	Manufacturing	Construction	Primary
Nottingham City	90.0	4.5	2.5	2.3
Nottingham Core City	87.3	6.4	4.1	2.4
Core Cities[1] Average	86.7	7.6	4.3	1.4
England	84.8	7.8	5.0	2.4

Source: Business Registration Employment Survey, ONS



The most recent data on employment by sector is availble for 2019 ie pre-pandemic. There were 201,000 people employed in Nottingham City compared with 314,000 in Nottingham Core City (*see footnote*) which is the wider urban area and functional economy of Nottingham. Employment in the City rose by 0.5% (1,000) between 2017 and 2019 which compares with job growth of 1.7% for England. Surprisingly, employment in Nottingham Core City felly by 0.3% which contrasts with a 2.6% growth for the Core Cities as a whole.

Services are the dominant source of employment in the City accounting for 90.0% of the employed workforce which is above the England average of 84.8%. Health, eductaion, retail and business services are key sub-sectors.

Manufacturing accounts for 4.5% of jobs in Nottingham City and also in the wider Core City area. Relatively important (although still small) sub-sectors are manufacturing of food products and fabricated metal products, and the printing and reproduction of recorded media. The public sector accounts for 29.1% of all Nottingham City residents in work which compares with 22.2% for England.

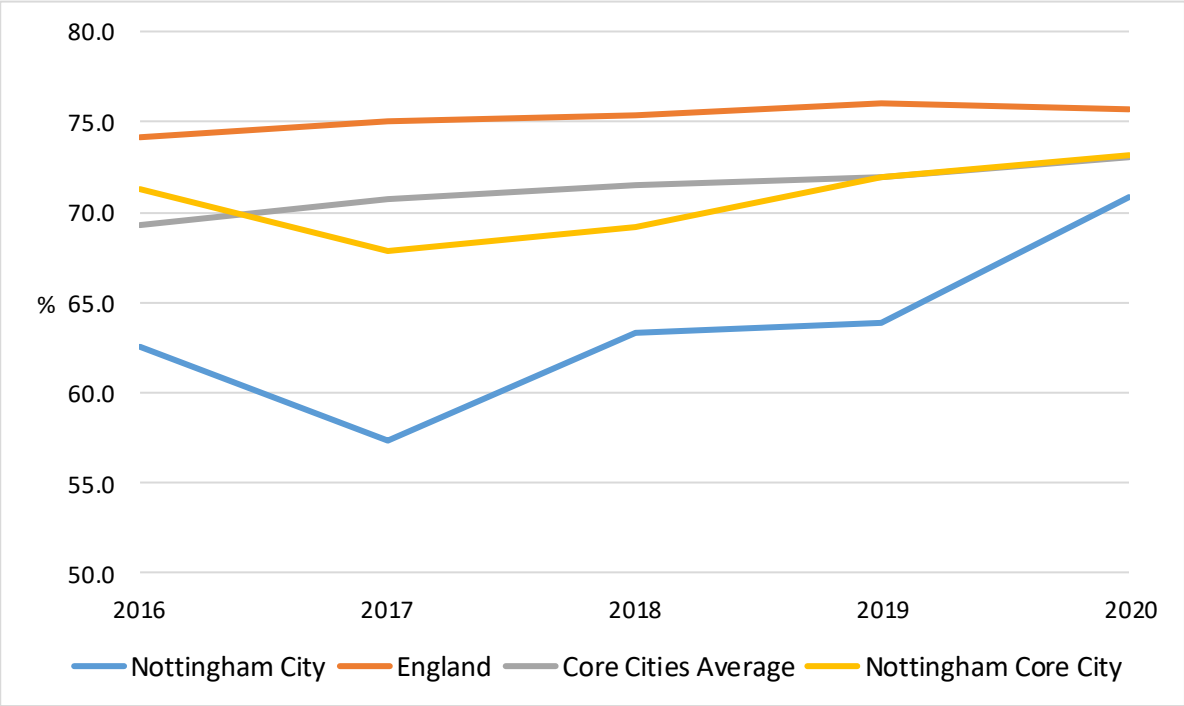
65.0% of Nottingham City's workforce are full-time compared with 68.1% across England.

[1] There are 8 Core Cities: Nottingham Core City (Nottingham City, Broxtowe, Gedling and Rushcliffe) and the Primary Urban Areas of Birmingham; Bristol; Leeds; Liverpool; Manchester; Newcastle; and Sheffield). The Core Cities are the economically most important cities in England outside of Lo

Employment Rate - the percentage of people (residents) aged 16-64 in paid employment.

Employment Rate % (Jan-Dec)	2016	2017	2018	2019	2020
Nottingham City	62.6	57.4	63.3	63.9	70.9
Nottingham Core City	71.3	67.9	69.2	71.9	73.2
Core Cities Average	69.3	70.7	71.5	71.9	73.0
England	74.2	75.1	75.4	76.0	75.7

Source: Annual Population Survey, ONS



The employment rate measures the proportion of the adult population who are in paid work.

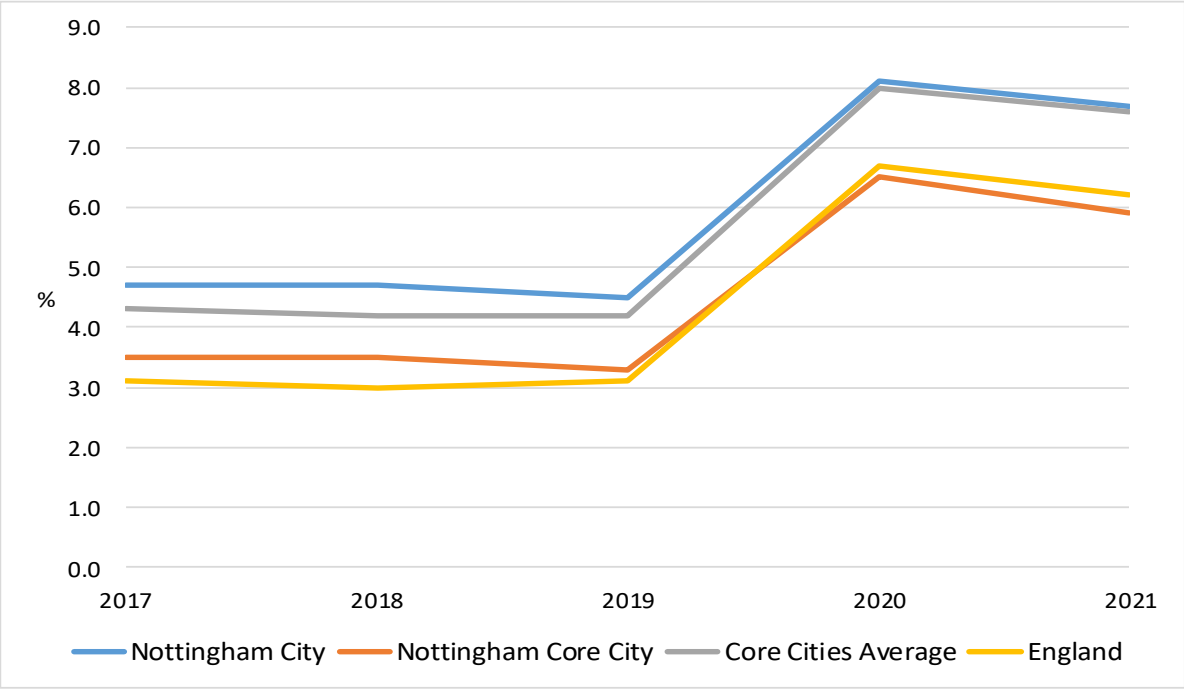
The City's employment rate (70.9%) is significantly below the England average (75.7%). The survey has picked up fewer students in Nottingham during the pandemic which partially accounts for the increase in the employment rate over 2019 and 2020. We should also note that the Annual Population Survey counts furloughed workers as employed.

In Nottingham Core City 70.9% of women aged 16 to 64 were in work in 2020 which compares with 73.0% in 2019. The increase in the employment rate for women is partly due to ongoing changes to the State Pension age for women resulting in fewer women retiring between the ages of 60 and 65. Significant growth in part-time jobs has also been a key factor.

Unemployment Rate[2] - the percentage of the population aged 16-64 who are claiming Jobseekers Allowance or out of work Universal Credit.

Alternative Claimant Count Rate % (May)	2017	2018	2019	2020	2021
Nottingham City	4.7	4.7	4.5	8.1	7.7
Nottingham Core City	3.5	3.5	3.3	6.5	5.9
Core Cities Average	4.3	4.2	4.2	8.0	7.6
England	3.1	3.0	3.1	6.7	6.2

Source: ONS, NOMIS



[2] Alternative Claimant Count - this has been created by the DWP to attempt to resolve statistical problems associated with the roll out of Universal Credit. The figures shown should be treated with caution and may be subject to revision.

The DWP's Alternative Claimant Count measure of unemployment, released for the first time in January 2019, provides data for November 2018. The alternative measure has been created to attempt to solve problems caused by the gradual roll out of Universal Credit. Under Universal Credit there is a wider definition of unemployment than under Job Seekers Allowance.

The latest official unemployment figures for February 2021 show 18,433 people in Nottingham City were out of work and claiming unemployment related benefits, 8.0% of the City's working age population. The most recent estimated figures (shown in the table and chart) for May 2021 show a fall of 530 people claiming unemployment benefits since February, giving a total of 17,903 (7.7%). It is worth noting that despite recent improvements, claimant numbers are higher than the peak of the last recession of 2008-09.

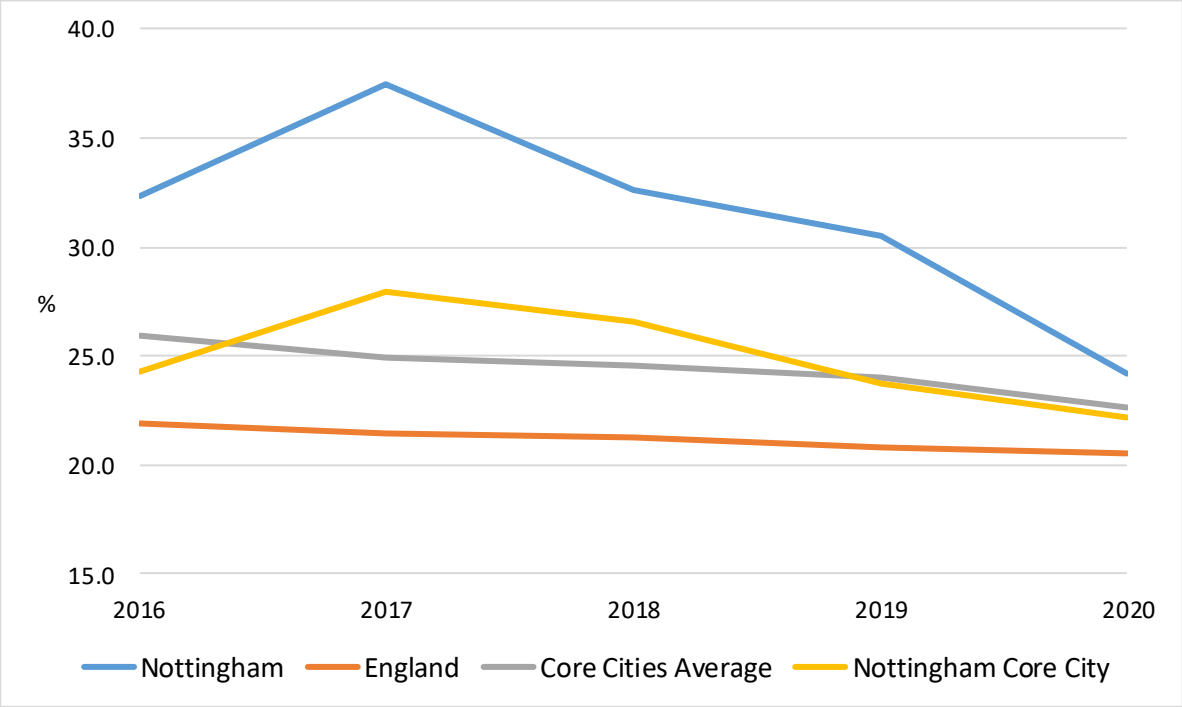
Unemployment in Nottingham increased slightly between February and March, fell slightly in April and more rapidly in May. This is broadly in line with seasonal expectations, but also is likely to reflect the impact of lockdown restrictions easing in recent months.

These recent falls in unemployment have occurred despite large recent falls in people furloughed from work, from 18,600 City residents at the end of January to 13,400 at the end of April. This is likely to represent a mixture of some furloughed workers returning to work and ending their claim, and others, who were eligible to claim both furlough and Universal Credit, losing their jobs.

Economic Inactivity Rate - the percentage of the population aged 16-64 who are neither working nor actively looking for work.

Economic Inactivity Rate % (Jan-Dec)	2016	2017	2018	2019	2020
Nottingham City	32.3	37.5	32.6	30.5	24.2
Nottingham Core City	24.3	27.9	26.6	23.7	22.2
Core Cities Average	25.9	24.9	24.6	24.0	22.6
England	21.9	21.4	21.3	20.8	20.5

Source: Annual Population Survey, NOMIS



People who are economically inactive include students, retirees, those looking after the home or family and those unable to work because of a disability or long-term sickness. Economic inactivity reflects the complex interplay of a number of supply-side, demand-side and institutional barriers.

The City's economic inactivity rate (24.2%) has been falling in recent years but remains relatively high when compared to the average for England (20.5%). Nottingham Core City's inactivity rate (22.2%) is on a par with the Core Cities average.

The relatively large number of students residing in the City is a key issue to bear in mind since the majority of students are counted as economically inactive. Almost 12% of the City's working age population are students compared with 9.3% in Nottingham Core City; this compares with 6.9% for the Core City PUAs and 5.6% across England.

We should note that the Annual Population Survey (APS) is less likely to find students during the pandemic as many stayed at home, hence the recent dramatic drop. Also, the APS is limited to people in households rather than purpose-built accommodation such as halls of residence so the increase in this type of student accommodation may explain part of the decline since 2017.

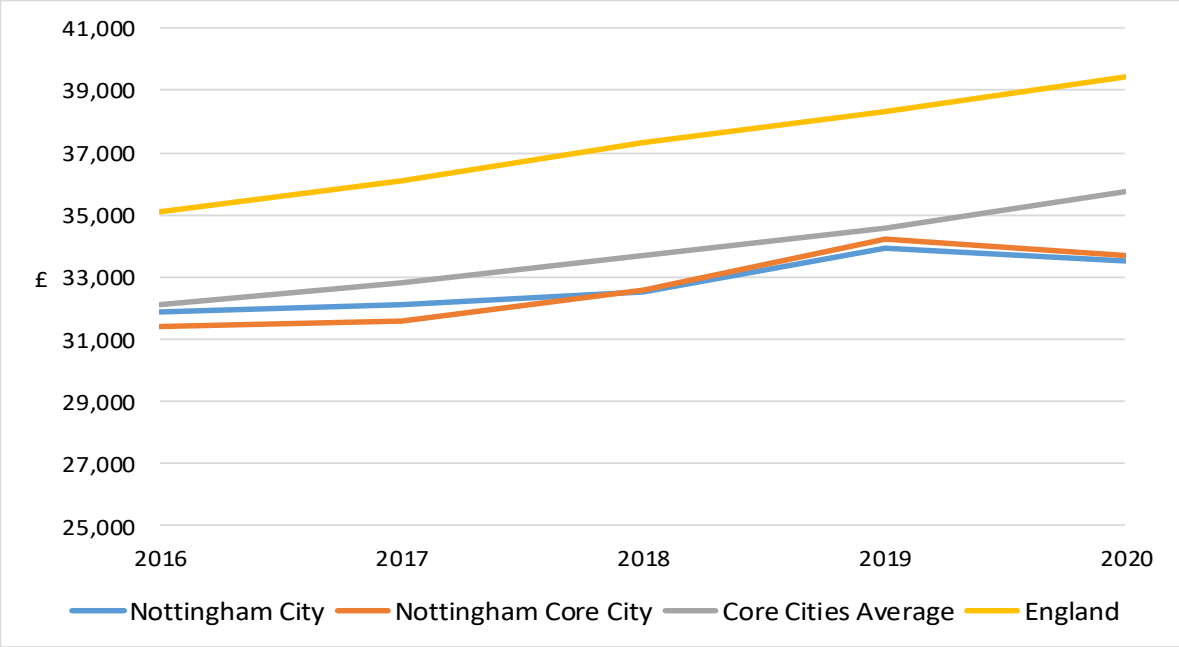
EARNINGS AND INCOME

Earnings - full-time, average (mean) annual earnings on a workplace and residence basis.

Workplace-based Earnings

Average Annual Workplace-based Earnings £	2016	2017	2018	2019	2020
Nottingham City	31,900	32,100	32,500	33,900	33,500
Nottingham Core City	31,400	31,600	32600	34,200	33,700
Core Cities Average	32,100	32,800	33,700	34,600	35,750
England	35,100	36,100	37,300	38,300	39,500

Source: Annual Survey of Hours and Earnings, NOMIS



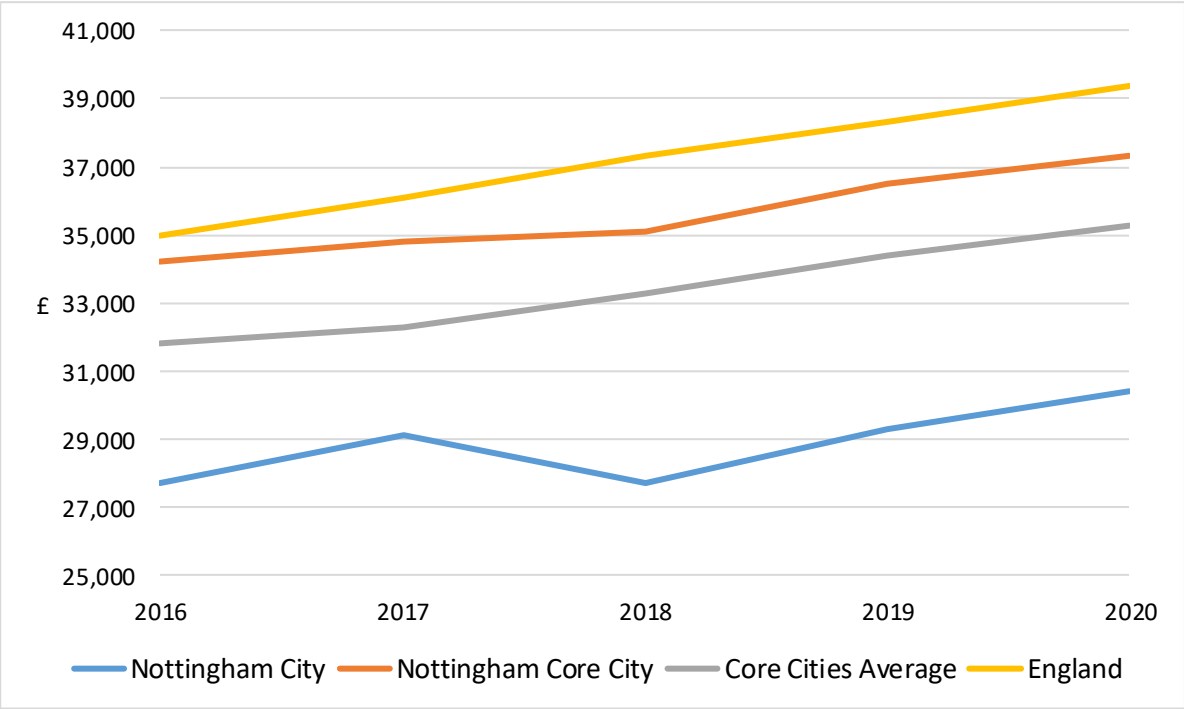
With an increasing demand for labour we would normally expect to see upward movement in wages and salaries over time. This trend has been evident in recent years although earnings fell in Nottingham City and the wider Core City between 2019 and 2020. This is in contrast to the national trend. It is too early to say, but this might in part be explained by the differential impact of Covid-19 (and possibly also Brexit) on sectoral performance and labour demand locally, when compared to the national picture as a whole.

Workplace-based average earnings levels at City (£33,500 in 2020) and Core City (£33,700) levels are below those prevailing at a national level although the national figures are heavily skewed by relatively high earnings in jobs based in London; the England average is £39,500.

Residence-based Earnings

Average Annual Residence-based Earnings £	2016	2017	2018	2019	2020
Nottingham City	27,700	29,100	27,700	29,300	30,400
Nottingham Core City	34,200	34,800	35,100	36,500	37,300
Core Cities Average	31,800	32,300	33,300	34,400	35,300
England	35,000	36,100	37,300	38,300	39,400

Source: Annual Survey of Hours and Earnings, NOMIS



Although Nottingham City is the main source of highly paid jobs (especially in services), historically the majority of those jobs are filled by people who commute in from the surrounding districts and boroughs (Rushcliffe, Gedling and Broxtowe in particular). Of Nottingham's workplace population 51% reside outside of the City whereas 38% both live and work in Nottingham. For these reasons residence-based average earnings are lower than those which are workplace-based.

Average residence-based earnings in Nottingham Core City (£37,300 in 2020) are above the Core Cities average (£35,300) but below the England average (£39,400) which includes London and the South East.

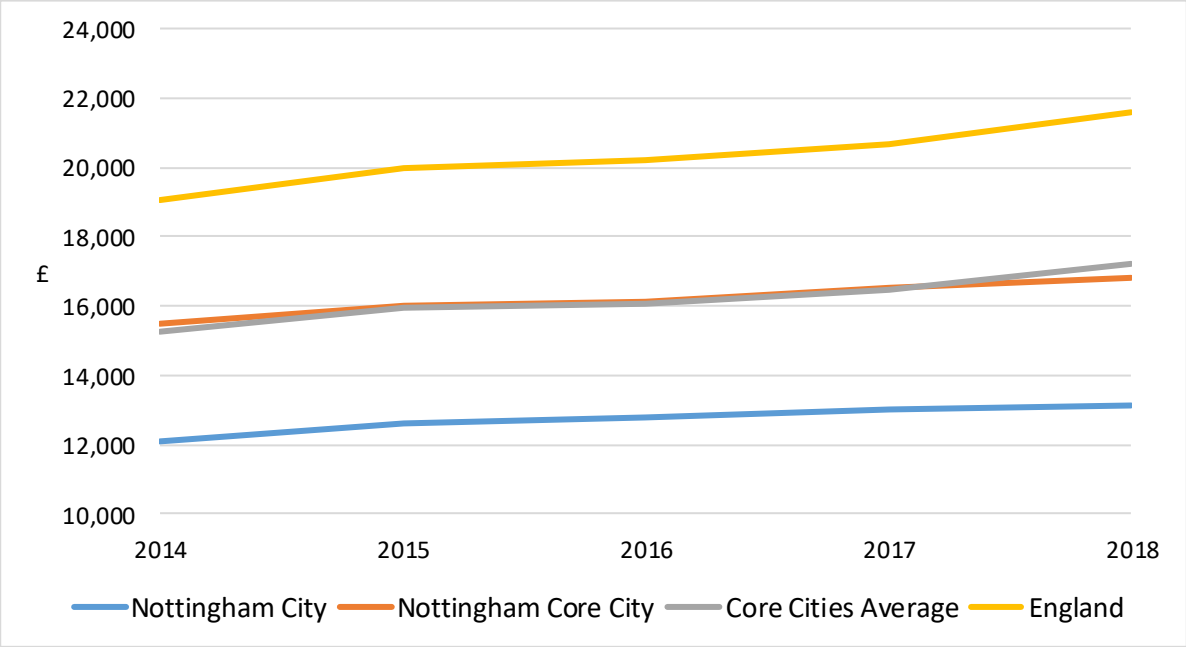
Average residence-based earnings in Nottingham City stood at £30,400 in 2020 which is 9.7% above the figure for 2016. The comparative figure for England is 12.6% which reflects a higher level of economic growth and demand for labour, especially in the South East.

When new data becomes available, it will be interesting to see the impact of increased levels of home-working on these figures. Anecdotal evidence suggests more people, particularly high earners, are moving away from working regularly in cities in which case the disparity between workplace and residence based earnings could increase as could average residence-based earnings between the City and wider Core City area.

Household Disposable Income per Head - the money left after expenditure associated with income such as taxes and social contributions, property ownership and provision for future pension income. This is a good indicator of the welfare of citizens**.**

Household disposable income per head £	2014	2015	2016	2017	2018
Nottingham City	12,100	12,600	12,800	13,000	13,100
Nottingham Core City	15,500	16,000	16,100	16,500	16,800
Core Cities Average	15,300	15,900	16,100	16,500	17,200
England	19,000	20,000	20,200	20,700	21,600

Source: ONS



Household disposable income is a crucial determinant of consumer spending. The recent increase in disposable incomes has been driven largely by increased household income from employment, due to both average earnings growing in real terms and continued growth in employment rates. The most recent data on disposable income is available for 2018 ie pre-pandemic.

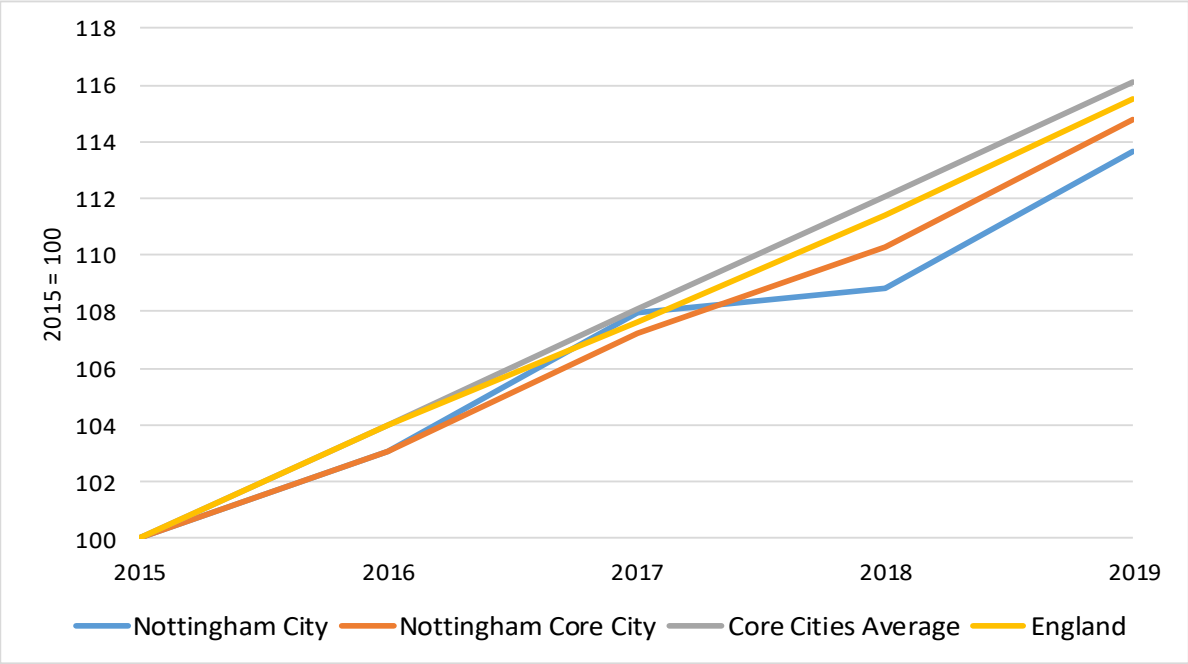
The England average (£21,600 in 2018) remains significantly above that for Nottingham City (£13,100) and Nottingham Core City (£16,800). The City's seemingly very low figure partly reflects the relatively large numbers of students who reside here, most of whom are on low incomes but it also indicates that the average earnings of a wide cross-section of employed City residents are relatively low.

OUTPUT AND PRODUCTIVITY

Gross Value Added (GVA) - measures the increase in the value (output) of the economy due to the production of goods and services ie the contribution to the economy of each individual producer, industry or sector.

Gross Value Added £	2015	2016	2017	2018	2019
Nottingham City £m	9,300	9,600	10,000	10,100	10,600
Nottingham Core City £m	14,900	15,400	16,000	16,500	17,100
Core Cities Average £m	214,800	223,400	232,100	240,800	249,400
England £bn	1,474,000	1,533,100	1,587,000	1,642,000	1,703,000

Source: ONS



The most recent data on employment by sector is availble for 2019 ie pre-pandemic. The City's GVA has continued to grow steadily in recent years but the rate of growth (14.0% between 2015 and 2019) has been below the national average of 15.5% nationally.

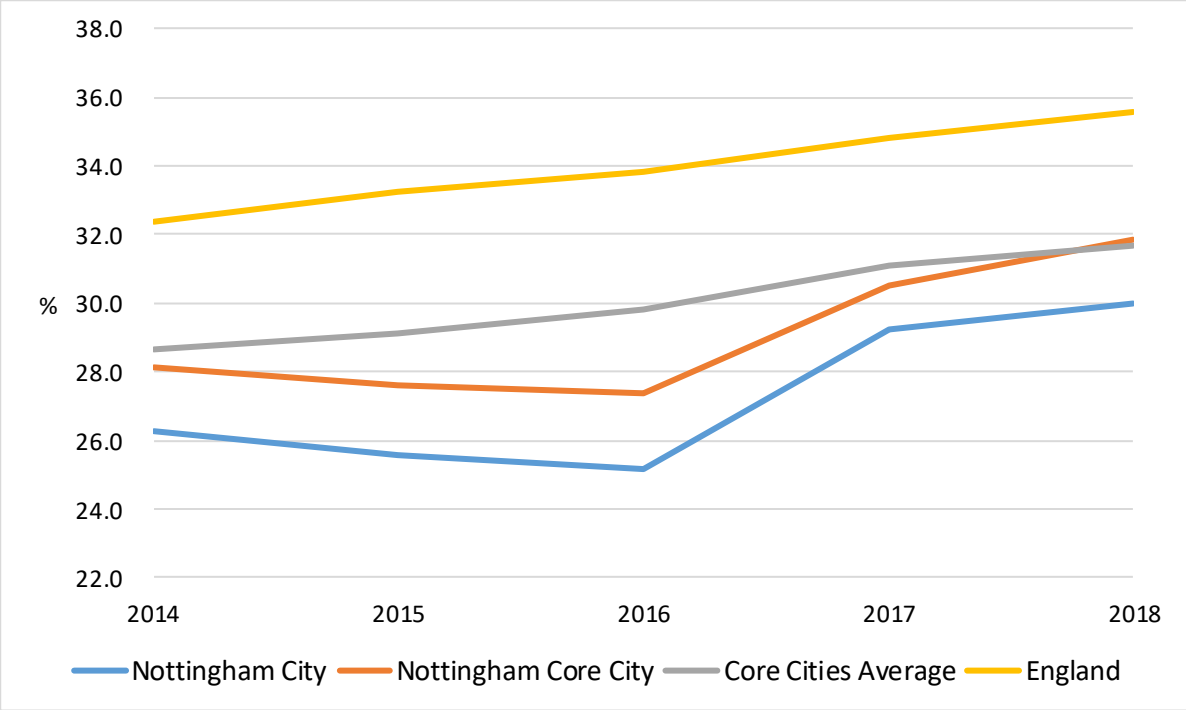
Macro-economic data at a national level is available for more recent time periods compared to the local picture. According to the ONS, over the year as a whole, GDP contracted by 9.8% in 2020 but GDP is estimated to have increased by 1.3% in Q4 (Oct to Dec) 2020 indicating that an economic recovery is now taking shape. The Bank of England forecasts that the UK economy will expand more than 7% in 2021.

In the long term, the main drivers behind growth in economic output are innovation and technological advancement; investment in physical capital and infrastructure; and the size and skills of the labour force.

GVA per Hour - GVA per hour is the amount of GVA produced per hour worked. This is the best measure of productivity (GVA figures are workplace-based).

GVA per hour £	2014	2015	2016	2017	2018
Nottingham City	26.2	25.6	25.2	29.2	30.0
Nottingham Core City	28.1	27.6	27.4	30.5	31.9
Core Cities Average	28.7	29.1	29.8	31.1	31.7
England	32.4	33.2	33.8	34.8	35.6

Source: ONS



Productivity is a measure of how efficiently we use scarce economic resources (principally labour, capital, land and technology) to produce economic outputs (goods and services). Productivity growth promotes wider economic growth in output and employment in the long term. The most recent data on employment by sector is availble for 2018 ie pre-pandemic

The main drivers of productivity are skills, innovation, investment, competition and enterprise. The first three, especially skills, have a particular bearing on labour productivity.

The best labour productivity indicator apportions GVA to the total hours worked by the workforce. The City's 2018 GVA per hour figure (£30.0) is significantly below the average for England (£35.6) while the Nottingham Core City average (£31.7) is on a par with the Core Cities average.

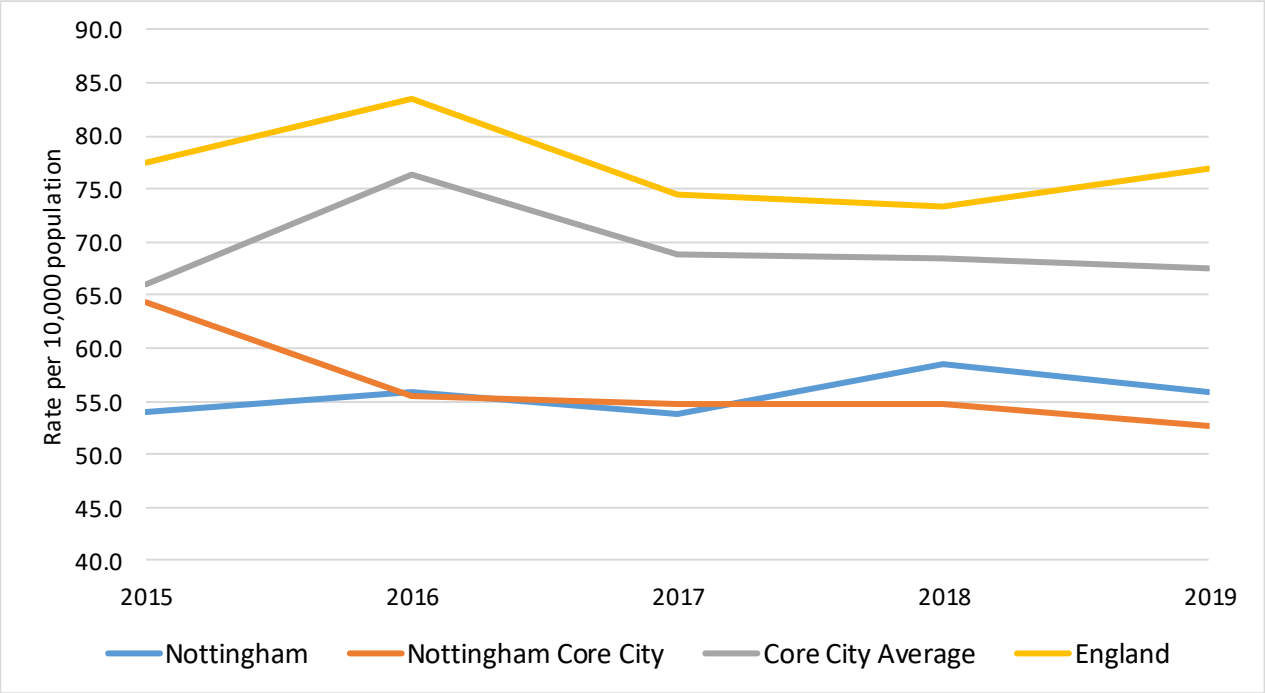
Since 2016 the productivity gap between the City and Core City of Nottingham, compared with England, has been narrowing. However, the data does not cover the period when the effects of Covid-19 on the economy emerged.

ENTERPRISE

Start-ups - the number of new businesses registering for VAT expressed as a rate per 10,000 population aged 16 and over.

Enterprise Start-ups per 10,000 Population	2015	2016	2017	2018	2019
Nottingham City	53.9	55.9	53.8	58.6	55.8
Nottingham Core City	64.3	55.5	54.8	54.7	52.7
Core Cities Average	66.0	76.3	68.7	68.4	67.6
England	77.5	83.5	74.5	73.3	76.9

Source: Business Demography, ONS



The business birth rate (starts per 10,000 population) in Nottingham was 55.8 in 2019 which is significantly below the England average (76.9). Similarly, the gap between the Nottingham Core City (52.7) and the Core Cities Average (67.6) remains sizable.

Nevertheless, it is important to acknowledge that the actual number of start-ups in the City (1,510 in 2019) is significantly higher than in 2015 (1,400).

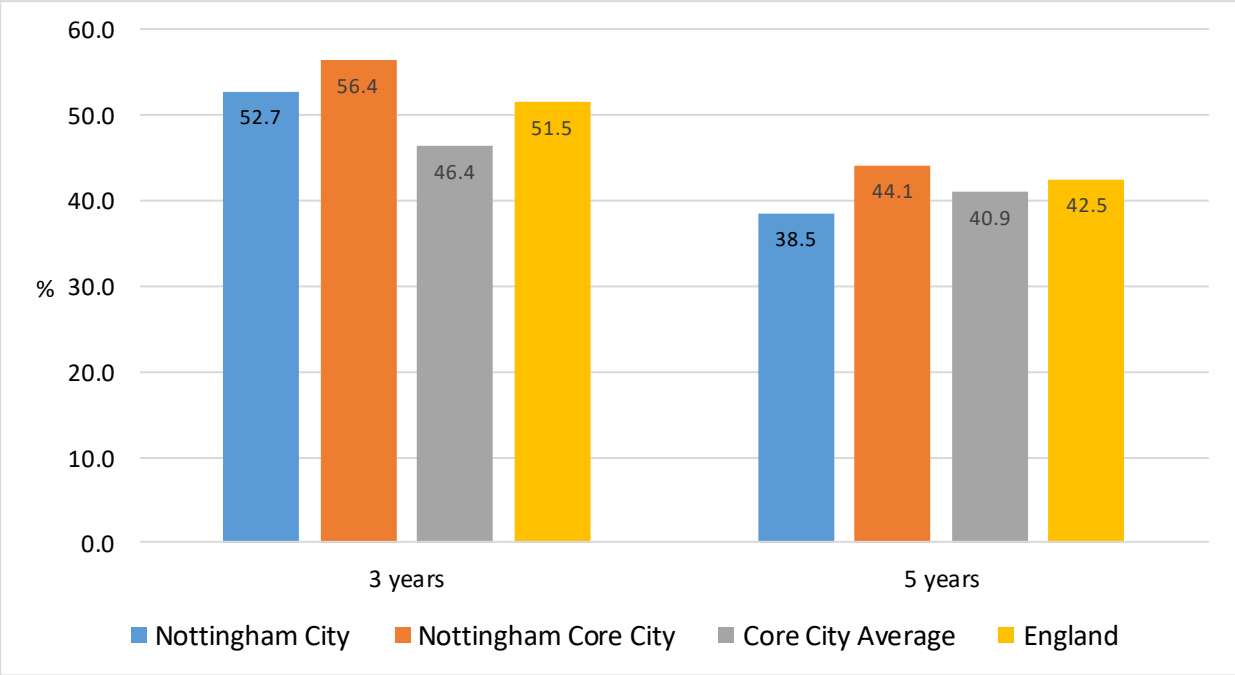
Key factors influencing start-up rates include the performance of the local and wider economy; the availability of suitable start-up finance; the availability and suitability of start-up premises; demographic factors; and the presence, size and specialisms of larger companies and universities.

But, of course, the impact of the Covid-19 on start-up and survival/failure rates is expected to have been very significant; the data for 2020 should be available later this year and we will report on it in the next Bulletin.

Survival Rates - the percentage of businesses registered for VAT and/or PAYE in 2012 which were still actively trading in 201Y (5 years) and percentage registered for VAT and/or PAYE in 2014 which were still trading in 201X (3 years).

Enterprise Start-ups Surviving 3 and 5 Years	Date Registered	
	2016	2014
Nottingham City	52.7	38.5
Nottingham Core City	56.4	44.1
Core Cities Average	46.4	40.9
England	51.5	42.5

Source: Business Demography, ONS



Although enterprise start-up rates in Nottingham tend not to be at the same level as nationally or in comparison with the Core Cities average there is evidence to suggest that the Nottingham Core City is nevertheless a good place to start a new business and this comes from data about the survival rates of new start-ups.

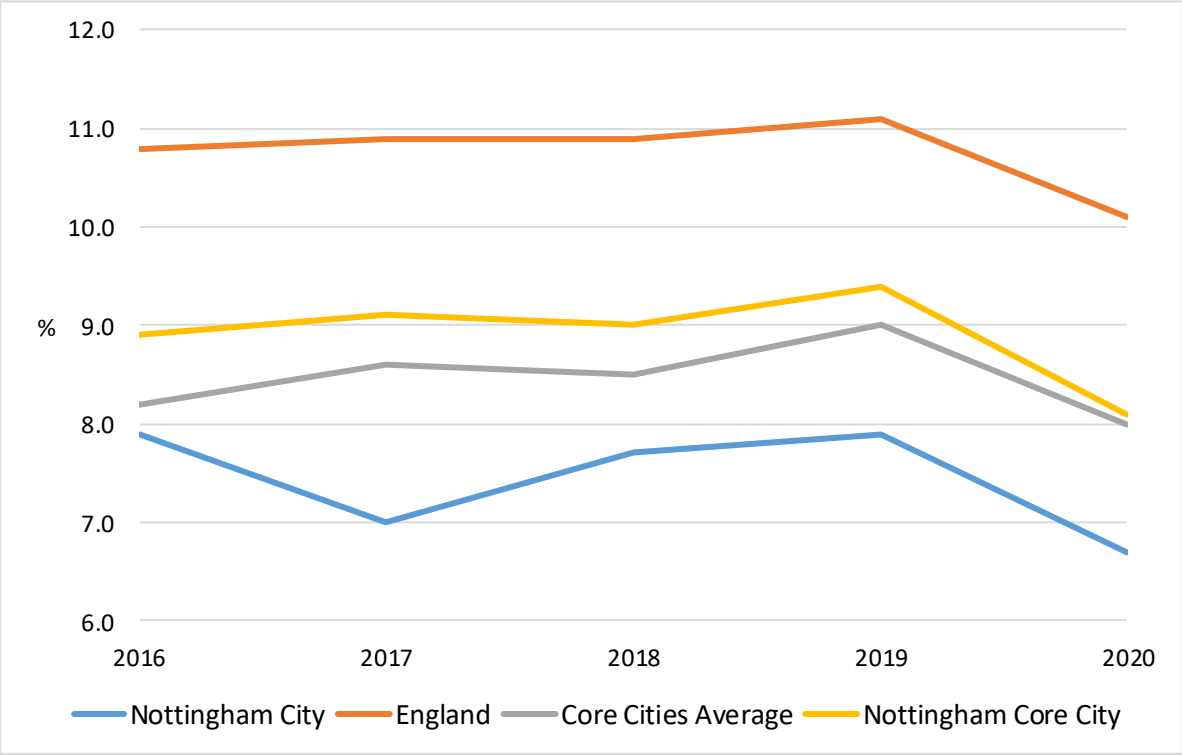
Nottingham City's three year survival rate (52.7) exceed the average for England (51.5) but this is not the case over the five year period.

However, Nottingham Core City's three and five year survival rates (38.5 and 52.7) exceed those for the Core Cities and England.

Self-Employment - the proportion of people (residents) aged 16-64 who are self-employed.

Self-Employment rate % (Jan-Dec)	2016	2017	2018	2019	2020
Nottingham City	7.9	7.0	7.7	7.9	6.7
Nottingham Core City	8.9	9.1	9.0	9.4	8.1
Core Cities Average	8.2	8.6	8.5	9.0	8.0
England	10.8	10.9	10.9	11.1	10.1

Source: Annual Population Survey, ONS



The self-employment rate for Nottingham City (6.7%) is well below the England average (10.1%). The City's employment rate fell sharply between 2019 and 2020. Covid-19 is clearly an important factor here given its wider impact on consumer demand, access to finance and overall risk. But it might also be due to an increase in insecure self-employment (ie the so-called 'gig economy').

When expressed as a percentage of 16 to 64 year olds, the City's self-employment rate (6.7 in 2020) was significantly below the England average (10.1).

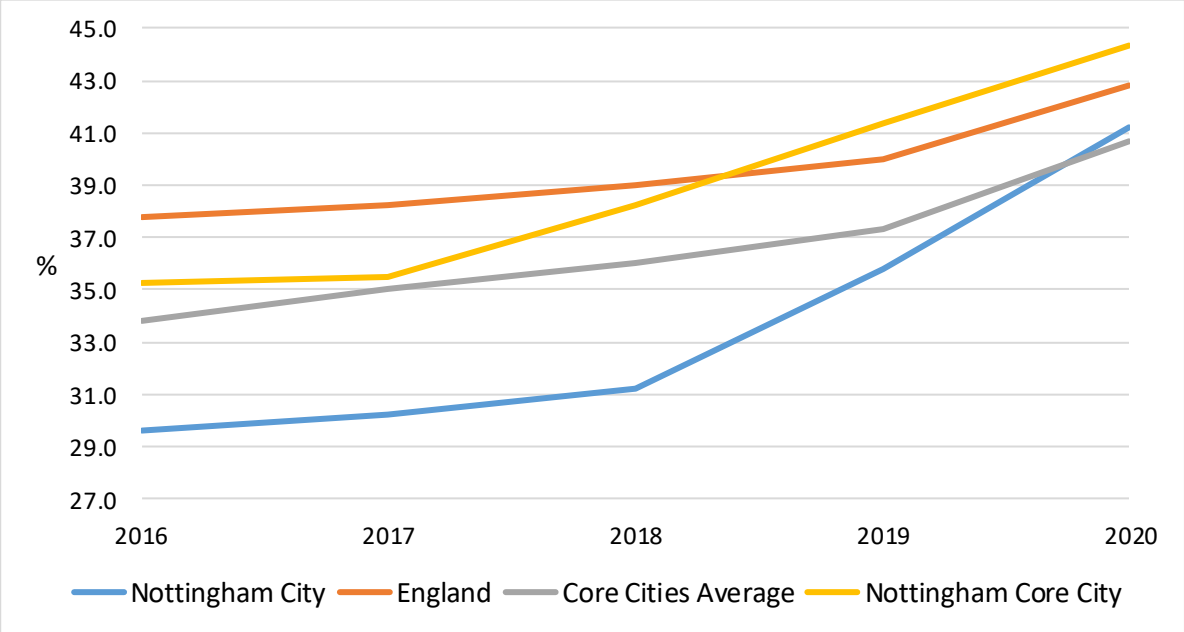
However, Nottingham Core City's self-employment rate (8.1%) is on a par with the Core Cities average (8.0%).

QUALIFICATIONS

NVQ4 or above - the percentage of the population aged 16-64 who are qualified to NVQ level 4[3] or above.

% qualified to NVQ4+ (Jan-Dec)	2016	2017	2018	2019	2020
Nottingham City	29.6	30.2	31.2	35.8	41.2
Nottingham Core City	35.3	35.5	38.2	41.4	44.3
Core Cities Average	33.8	35.0	36.0	37.3	40.7
England	37.8	38.2	39.0	40.0	42.8

Source: Annual Population Survey, ONS



[3] NVQ4 is equivalent to a degree or higher qualification

Around 41% of the City's population aged 16 to 64 are qualified to degree level or above (NVQ4+) compared to 42.8% for England. This gap (of 1.6 percentage points) is significantly smaller than five years ago (when it was 8.2 percentage points).

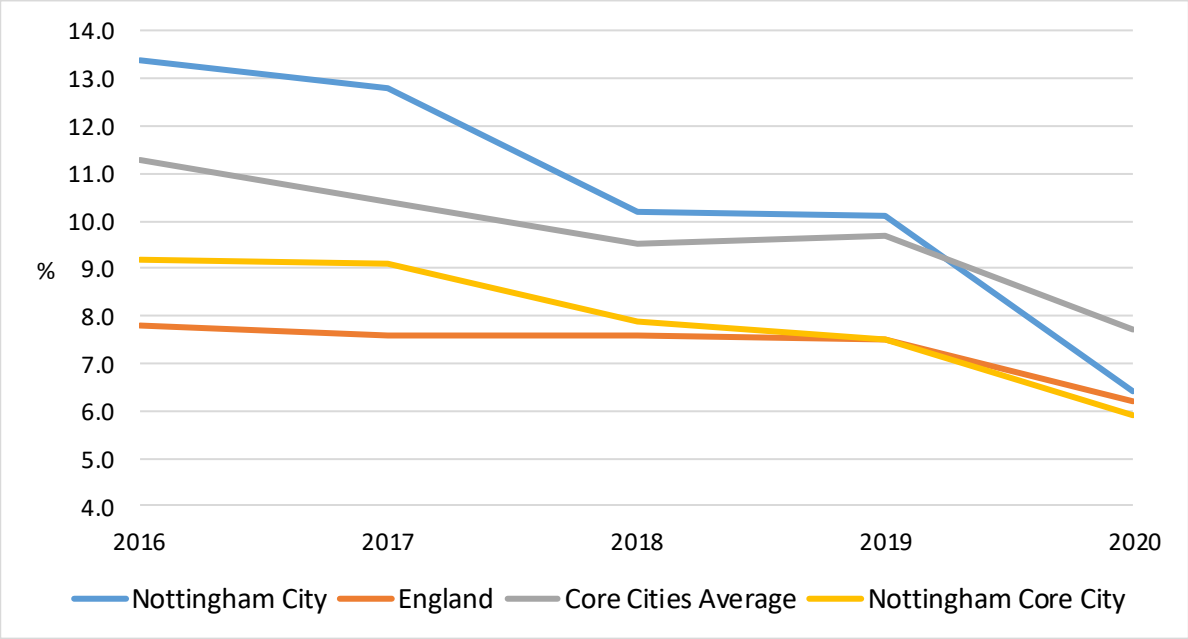
Nottingham Core City's average is above the Core Cities Average.

Overall, there has been an upward trend in the percentage of the adult population achieving level NVQ4+ (and level NVQ2+) in recent years.

No Qualifications - the percentage of the population aged 16-64 who are without qualifications.

% without Qualifications (Jan-Dec)	2016	2017	2018	2019	2020
Nottingham City	13.4	12.8	10.2	10.1	6.4
Nottingham Core City	9.2	9.1	7.9	7.5	5.9
Core Cities Average	11.3	10.4	9.5	9.7	7.7
England	7.8	7.6	7.6	7.5	6.2

Source: Annual Population Survey, ONS



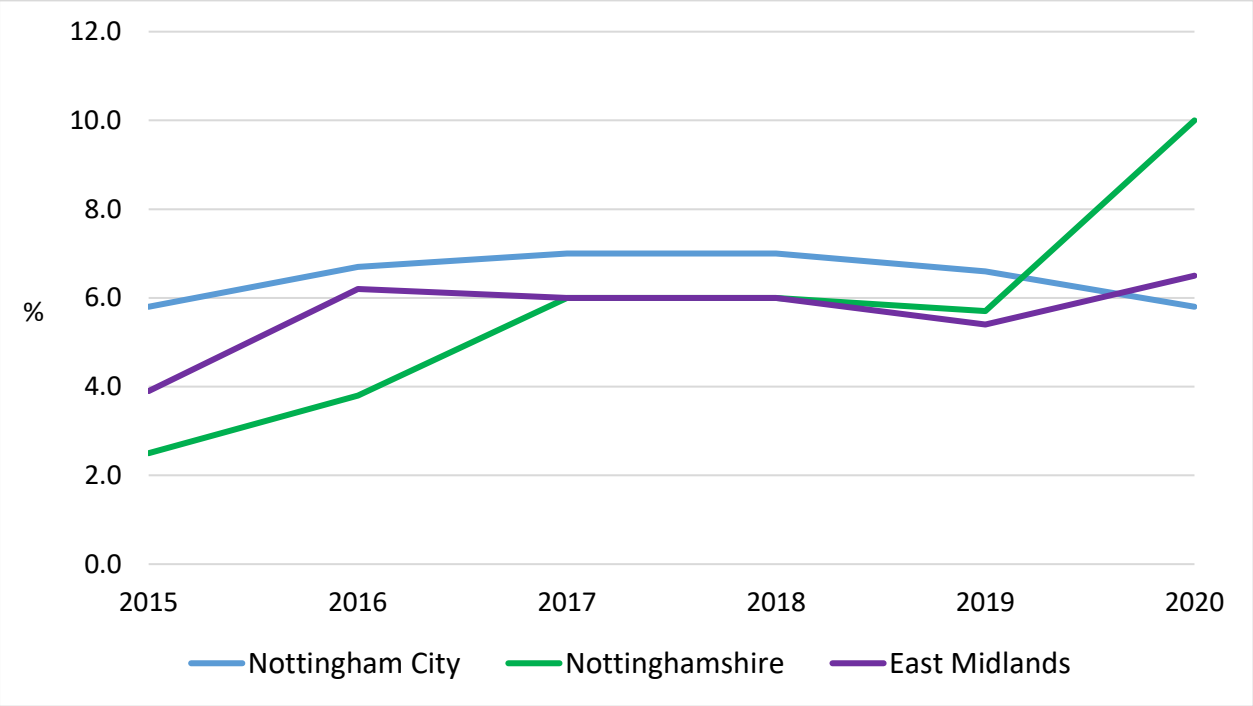
The proportion of City residents without qualifications has been falling steadily in recent years as is shown in the chart. The rate of decline across the City as a whole is faster than that for Nottingham Core City and for England.

The dramatic fall in the City's rate over 2019 and 2020 (from 10.1% to 6.4%) may subsequently be revised upwards however.

Not in Education, Employment or Training (NEET) - the percentage of 16 to 17 year olds known to be not in education, employment or training (including not known).

% NEET (incl. unknown)	2015	2016	2017	2018	2019	2020
Nottingham City	5.8	6.7	7.0	7.0	6.6	5.8
Nottinghamshire	2.5	3.8	6.0	6.0	5.7	10.0
East Midlands	3.9	6.2	6.0	6.0	5.4	6.5

Source: Dept. for Education



The proportion of people aged 16 to 17 who are NEET in Nottingham stood at 5.8% in 2020. This is on a par with the England average (5.5%) and slightly below the regional average (6.5%).

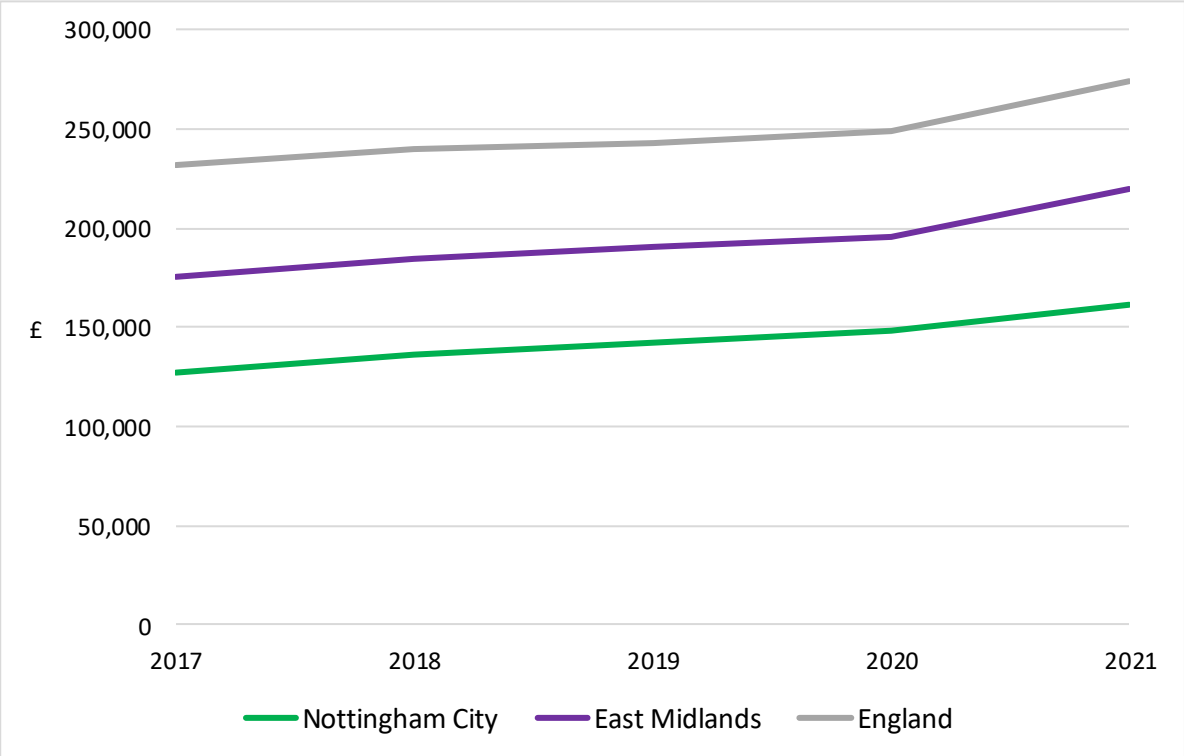
Educational qualification is the most important risk factor of becoming NEET. Other school factors are important, including time absent from school and number of exclusions. Household factors are also important. Living in a social renting household, living in a family that is not headed by a married couple, living in a household with no employed adults, and having a large number of siblings all increased the risk of becoming NEET.

HOUSING MARKET

Prices - average house prices per annum.

Average House Price £ (March)	2017	2018	2019	2020	2021
Nottingham City	127,300	136,500	141,900	148,600	161,600
East Midlands	175,000	184,900	190,600	195,700	219,950
England	231,800	240,400	243,000	249,100	274,600

Source: Land Registry



According to the Land Registry, in March 2021 the average house price in Nottingham was £161,600. This is substantially below the average across England (£274,600) and the East Midlands (219,950).

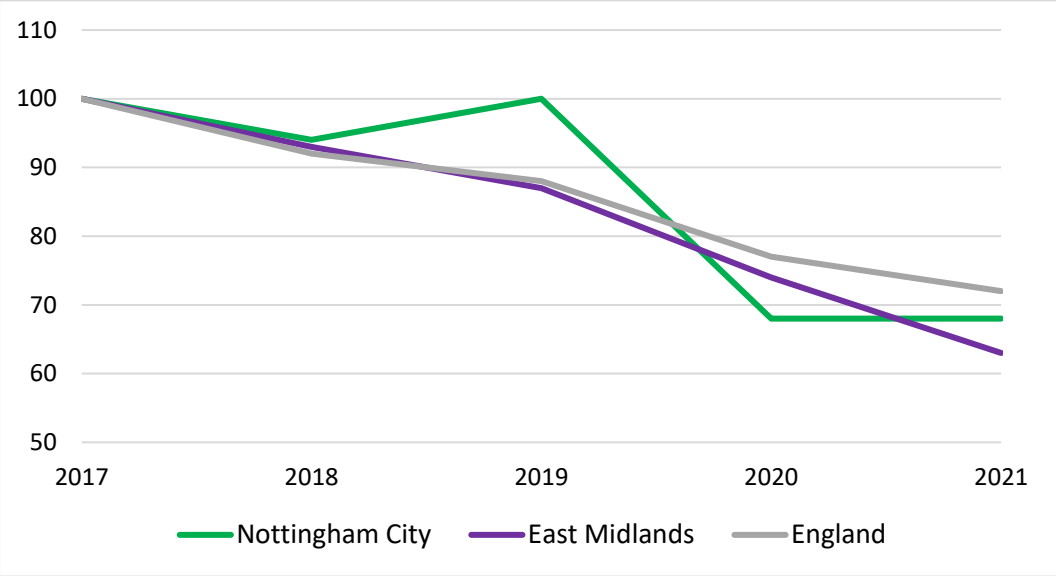
There has been very substantial house price inflation in recent years resulting in many younger people being unable to afford their first home. Average house prices in the City were 38.9% higher in 2018 compared to 2013 which compares with growth of 31.7% for the region and 32.8% for England.

At the national level, house price growth has slowed since mid-2016. Over recent years national house price rises have been driven by strong growth in London and the South East. However, house price growth in these areas, particularly London, has slowed and there is evidence of a rebalancing of the housing market as people are buying properties in other parts of the UK.

Sales Volumes - average number of house sales per month.

House Sales (Index 2017=100; Sept)	2017	2018	2019	2020	2021 (Jan)
Nottingham City	100	94	100	68	68
East Midlands	100	93	87	74	63
England	100	92	88	77	72

Source: Land Registry



House sales volumes can be affected by several factors, including mortgage rates, house prices, supply and demand as well as the overall health of the market. In the second quarter of 2020, the completed house sales volume plunged but has since recovered towards the end of 2020. Due to coronavirus restrictions, many house sales were delayed. Economic uncertainty and rising unemployment rates also affected potential buyers' intensions.

Most commentators believe that demand for homes will continue to outstrip supply for some years to come and that house price growth will continue, albeit at a lower level.

MACRO-ECONOMIC OUTLOOK

Uncertainty around the economic outlook remains considerable, with the course of the pandemic still the greatest single risk.

The short-term outlook for the economy is favourable. The vaccination programme is well underway and further easing of social distancing restrictions are expected later this month. A combination of excess savings, pent-up demand and a range of government incentives should see for a hot summer in the UK. We expect the economy to grow by 6.6% this year and by 5.4% in 2022, with a potential deceleration in growth thereafter. This will allow the economy to reach its pre-COVID level by the first quarter of next year.

The possible emergence of new variants of the virus that are less responsive to the current vaccines is still a downside risk, albeit less severe than previously, as the economy has adapted to operating under social distancing restrictions. An expected rise in the level of insolvencies, as government support programmes are withdrawn could also impact recovery.

The furlough scheme continues to support the labour market, keeping unemployment relatively low, while a fall in the participation rate also means that the labour market may be less tight at present. We expect unemployment to peak at 5.7% by the end of the year, as the furlough scheme ends and the majority of workers are reabsorbed by the labour market.

Rising cost pressures and the reversal of temporary tax cuts will cause inflation to rise this year and this may put upward pressure on interest rates in 2023. However, there is still a significant level of 'slack' (spare capacity) in the economy which should prevent higher inflation from taking hold. The Bank of England has described the expected surge in inflation to be 'transitory'.

The recovery is also likely to be uneven across the UK, with strongest growth expected in the West Midlands, London, and the East of England. Following a recovery from the pandemic, the East Midlands region should see growth spread across a diverge range of sectors.

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Nottingham **Core City Boundary**

