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

Welcome to the tenth and final edition of the Headline Economic Indicators Bulletin.

The economic effects of the Covid-19 pandemic are clearly beginning to wane although other factors, including the war in Ukraine, remain significant. Although the UK economy has avoided a recession, subdued growth is expected for the next two and possibly three years.

Having fallen sharply over 2021, unemployment has been barely changed over the year to April 2023. By contrast, the economic inactivity rate in Nottingham has risen sharply over the last year as student numbers have increased; other factors include higher levels of early retirement and rising long-term sickness amongst 50 to 60 year olds.

Both residence-based and workplace-based earnings have been on the rise reflecting an upturn in the demand for labour (employment levels are increasing), coupled with rising inflation. Rising inflation is leading to increased wage demands in some key sectors. Real disposable incomes have been under considerable pressure.

The City's business start-up rate has resumed an upward trend and Nottingham Core City's rate a very strong upturn although both remain below the England and Core Cities' average. Nottingham City has also seen a marked increase in the number of people becoming self-employed which also reflects growing confidence in economic prospects.

In Nottingham, the rate of growth in higher level skills appears to have slowed but there was a sharp increase in the number of people without qualifications. The proportion of Nottingham's 16 and 17 year olds who are Not in Education, Employment or Training stood at 4.7% in 2022 which is equivalent to the England average.

I'd like to thank my colleagues Niki Kirk and Geoff Oxendale for their assistance in compiling this and previous bulletins.

All the best.

Clive La Court

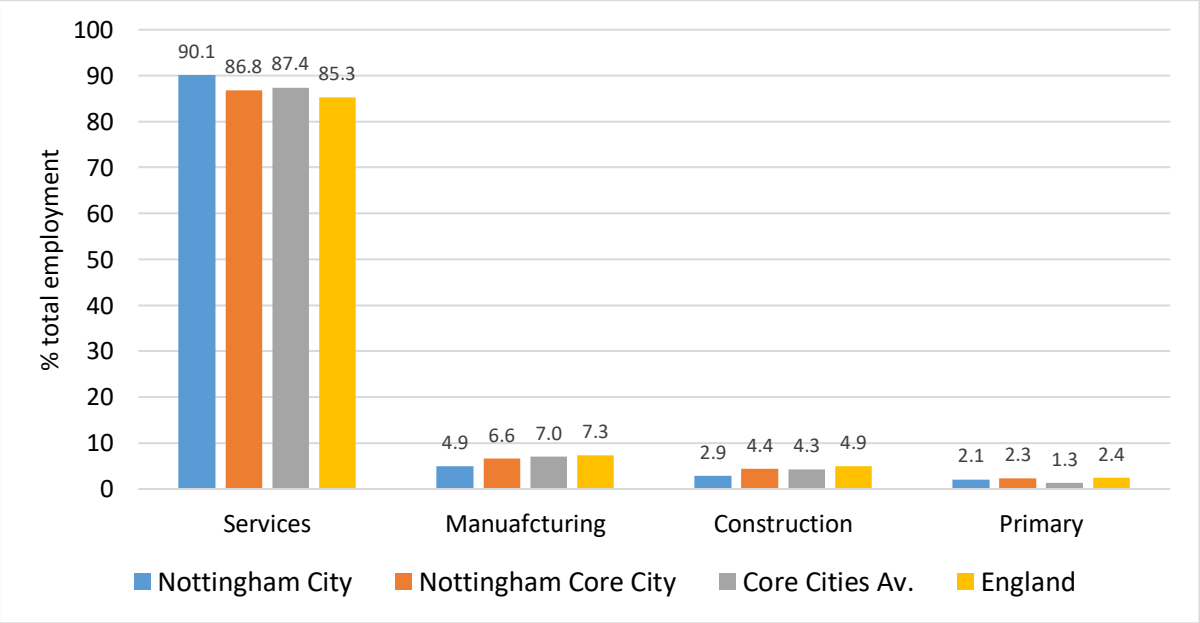
Economic Research and Evaluation Officer

LABOUR MARKET

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

% of total employment in key sectors (2021)	Services	Manufacturing	Construction	Primary
Nottingham City	90.1	4.9	2.9	2.1
Nottingham Core City	86.8	6.6	4.4	2.3
Core Cities[1] Average	87.4	7.0	4.3	1.3
England	85.3	7.3	4.9	2.4

Source: Business Registration Employment Survey, ONS



[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

The most recent data shows that employment began to recover from the Covid-19 panedemic in 2021. Within Nottingham City employment rose by 3.1% (6,000) over the year compared with 3.6% for Nottingham Core City, 4.2% for the Core Cities on average and 3.1% for England.

In 2021, there were 200,000 people employed in Nottingham City compared with 313,000 in Nottingham Core City (*see footnote*) which is the wider urban area and functional economy of Nottingham.

Services are by far the dominant source of employment in the City accounting for 90.1% of the employed workforce which is above the England average of 85.3%.

Health (32,000), Eductaion (23,500), Retail (22,000), Business Services (21,000), and Professional, Scientific and Technical Services (16,000) are key employment sub-sectors in Nottingham. Manufacturing accounts for 4.9% of jobs in Nottingham City, 6.6% in the wider Core City area and 7.3% for England.

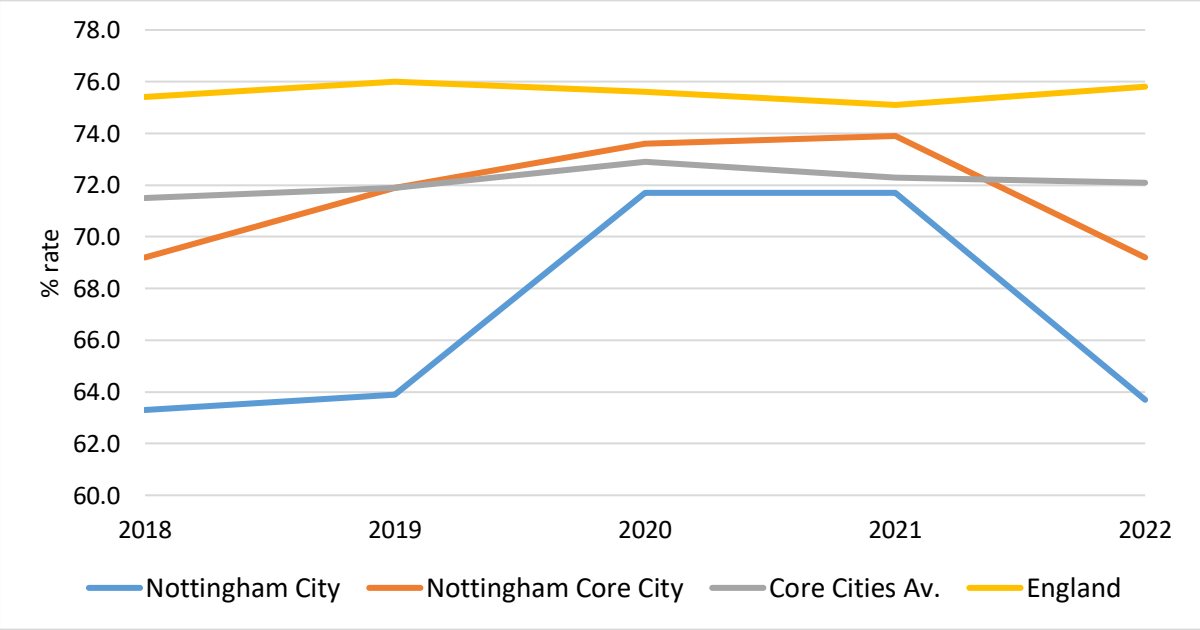
The public sector accounts for 21.5% of all Nottingham City residents in work (26.5% for Nottingham Core City) which compares with 22.6% for England.

65.6% of Nottingham City's workforce are full-time compared with 68.5% across England.

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

Employment Rate % (Jan-Dec)	2018	2019	2020	2021	2022
Nottingham City	63.3	63.9	70.9	71.7	63.7
Nottingham Core City	69.2	71.9	73.2	73.8	69.2
Core Cities Average	71.5	71.9	73.0	72.3	72.1
England	75.4	76.0	75.7	75.1	75.8

Source: Annual Population Survey, ONS



The employment rate measures the proportion of the adult population who are in paid work. Employment rates are sensitive to the economic cycle, but in the longer term they are significantly affected by governments' higher education and income support policies and by policies that facilitate employment of women and disadvantaged groups.

The City's employment rate (63.7%) is significantly below the England average (75.8%).

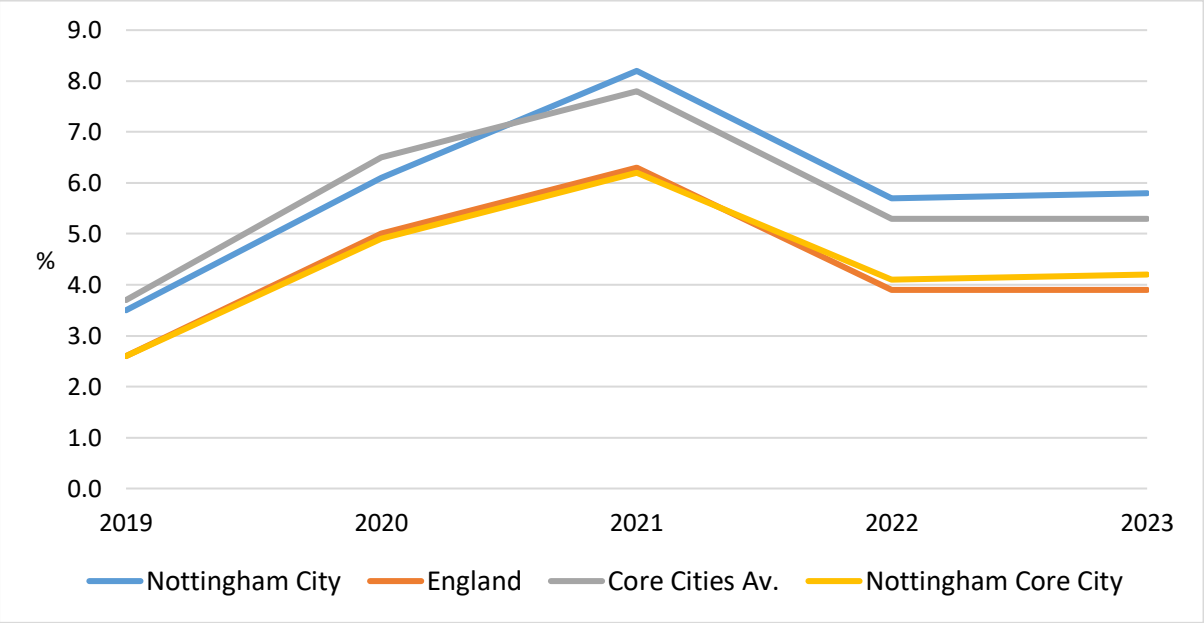
The employment rate for women in Nottingham City (55.2%) compares with 62.8% for Nottingham Core City and 72.3% for England. Part of the reason for this gap may be because the City has not experienced the same rate of growth in part-time employment compared with the wider conurbation and England as a whole. A fall in the number of part-time jobs (most of which are filled by women) within the City's retail and leisure sector over recent years may also have been a factor.

Nottingham City's employment rate for men stands at 72.6% compared with 75.8% for Nottingham Core City and 79.3% for England.

Unemployment Rate - the percentage of the population aged 16 and over who are claiming Jobseekers Allowance or out of work Universal Credit.

Claimant Count Rate % (April)	2019	2020	2021	2022	2023
Nottingham City	3.5	6.1	8.2	5.7	5.8
Nottingham Core City	2.6	4.9	6.2	4.1	4.2
Core Cities Average	3.7	6.5	7.8	5.3	5.3
England	2.6	5.0	6.3	3.9	3.9

Source: ONS



The latest official unemployment figures for April 2023 show 12,920 people in Nottingham City were out of work and claiming unemployment related benefits, 5.8% of the City's working age population. This compares with 3.9% for England. The rate for Nottingham Core City (4.2%) is below the Core Cities average (5.3%).

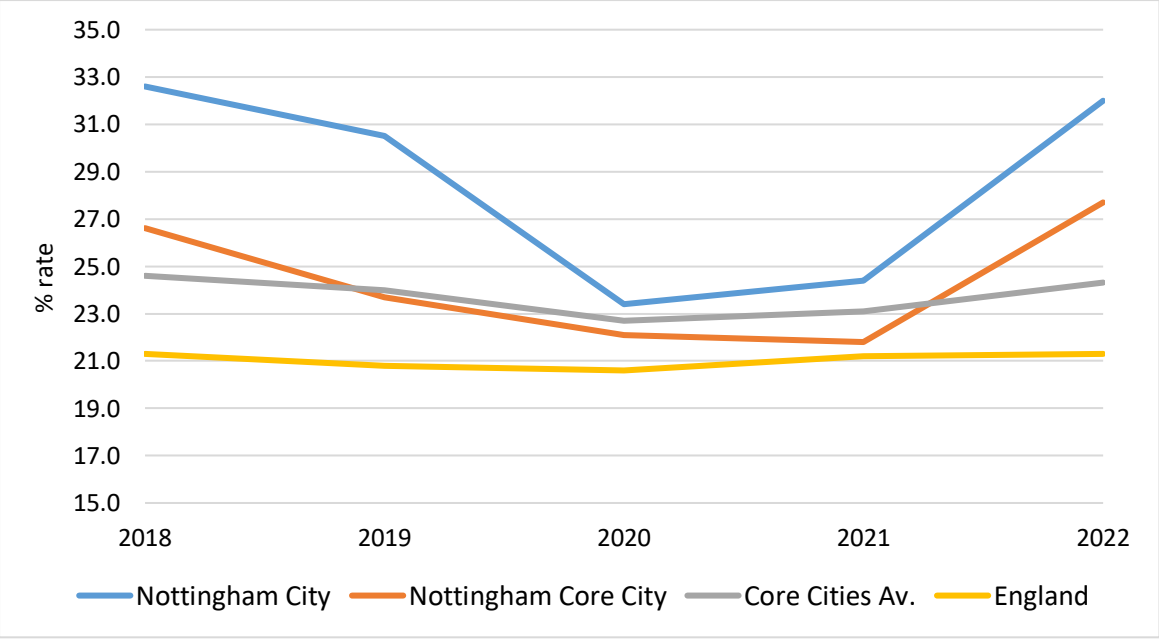
Having fallen sharply over 2021 to 2022, unemployment in Nottingham has barely changed in the past year. The same 'flat-ling' trend is evident at the other spatial levels shown in the chart.

Nottingham Core City has the second lowest unemployment rate of the Core Cities after Bristol. Nottingham Core City area had 18,330 unemployed people in April 2023.

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)	2018	2019	2020	2021	2022
Nottingham City	32.6	30.5	23.4	24.4	32.0
Nottingham Core City	26.6	23.7	22.1	21.8	27.7
Core Cities Average	24.6	24.0	22.7	23.1	24.3
England	21.3	20.8	20.6	21.2	21.3

Source: Annual Population Survey, NOMIS



The City's economic inactivity rate (32.0% in 2022) has sharply increased since 2021 and remains relatively high when compared to the average for England (21.3%). Nottingham Core City's inactivity rate (27.7%) is above the Core Cities average (24.3%).

The recent rise in economic inactivity cannot be explained by population ageing alone. Other factors include higher levels of early retirement and rising long-term sickness amongst 50 to 60 year olds.

However, over the year to December 2022 there was a relatively large fall (of 3,300) in the number of City residents who were economically inactive long-term sick which stood at 14,400. This may, at least in part, reflect the reduced impact of Covid. By contrast, there was a large increase (of 15,900) in the number of City residents looking after the family/ home over the year.

Another sign that the impact of Covid on the labour market is waning is the upturn in the number of (economically inactive) students which rose by 4,500 over 2021-22. 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.

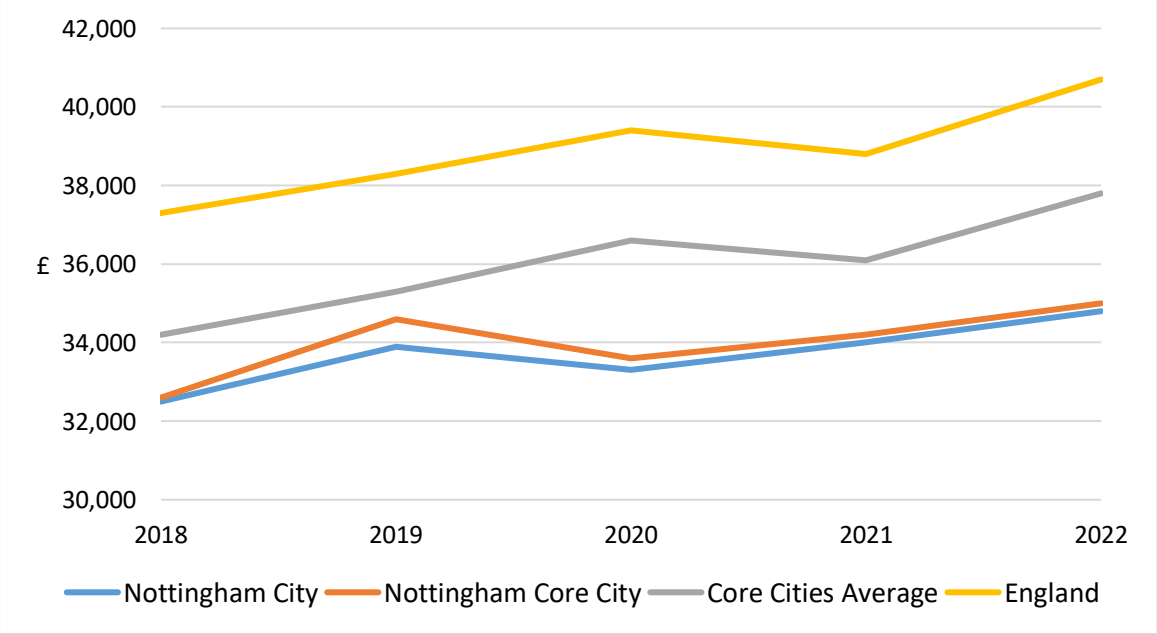
EARNINGS AND INCOME

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

Workplace-based Earnings

Average Annual Workplace-based Earnings £	2018	2019	2020	2021	2022
Nottingham City	32,500	33,900	33,300	34,000	34,800
Nottingham Core City	32600	34,200	33,700	34,200	35,000
Core Cities Average	33,700	34,600	35,750	36,100	37,800
England	37,300	38,300	39,400	38,800	40,700

Source: Annual Survey of Hours and Earnings, NOMIS



With an increasing demand for labour, coupled with rising inflation, we would normally expect to see upward movement in wages and salaries over time and this has what's been happening.

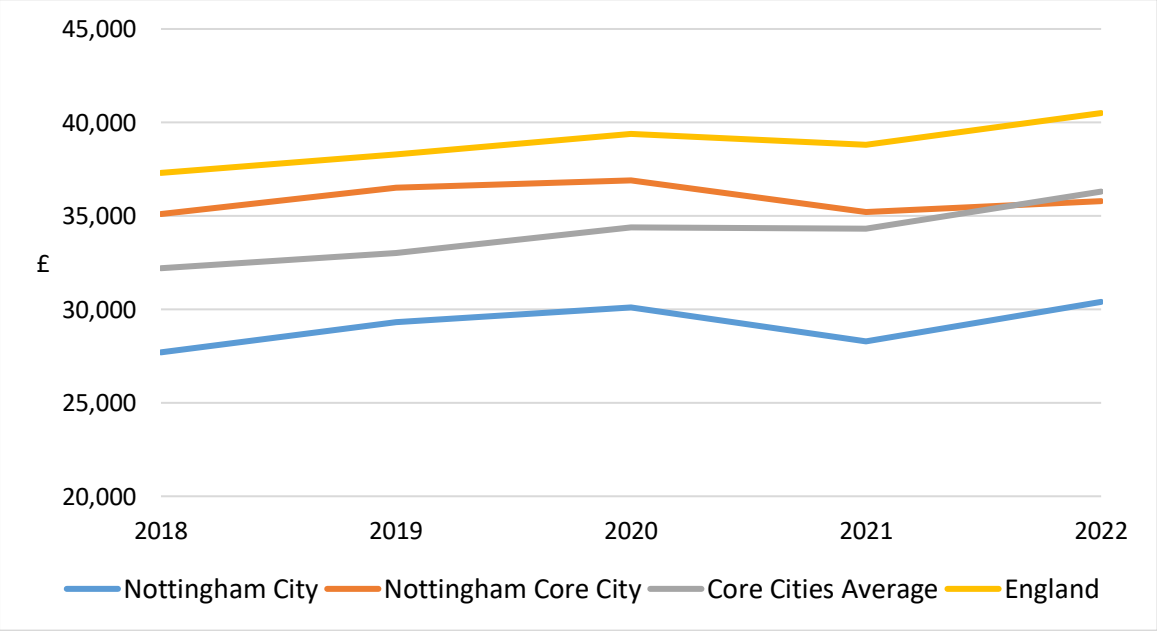
Workplace-based average earnings levels in both Nottingham City and Nottingham Core City rose by £800 (2.3%) over 2021 to 2022. The average increase for England was significantly higher at £1,900 (4.9%) although the national figures are heavily skewed by relatively high earnings in jobs based in London and the South East.

With substantial numbers of unfilled vacancies in the economy at the present time, and an increase in the rate of GDP and inflation, we would expect to see continued growth in workplace earnings in future months and years.

Residence-based Earnings

Average Annual Residence-based Earnings £	2018	2019	2020	2021	2022
Nottingham City	27,700	29,300	30,100	28,300	30,400
Nottingham Core City	35,100	36,500	37,300	35,800	35,800
Core Cities Average	33,300	34,400	35,300	34,300	36,300
England	37,300	38,300	39,400	38,800	40,500

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). A substantial number of Nottingham's workplace population reside outside of the City boundary compared to those who both live and work in Nottingham. This is the main reasons why the City's residence-based average earnings are lower than those which are workplace-based.

Average residence-based earnings in Nottingham City stood at £30,400 in 2022 which is substantially higher (by £2,100 compared with the year before. And the rate of increase (7.4%) is above the England average (4.4%).

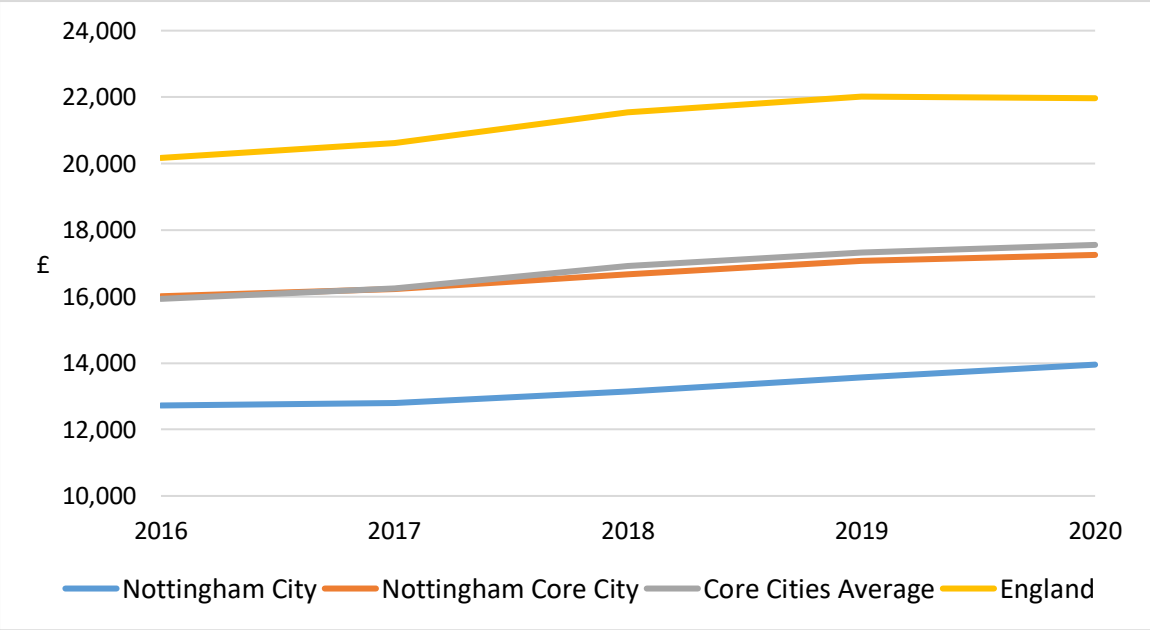
Average residence-based earnings in Nottingham Core City (£35,800 in 2022) are below the Core Cities average (£36,300) and the England average (£40,500) which includes London and the South East.

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 continue to 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 £	2016	2017	2018	2019	2020
Nottingham City	12,700	12,800	13,100	13,600	14,000
Nottingham Core City	16,100	16,500	16,800	17,000	17,300
Core Cities Average	16,100	16,500	17,200	17,200	17,600
England	20,200	20,700	21,600	22,000	22,000

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.

The England average (£22,000 in 2020) was significantly above that for Nottingham City (£14,400) and Nottingham Core City (£17,300). 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 which is partly due to the structure of the local economy and the prevalence of in-commuting to higher paid jobs.

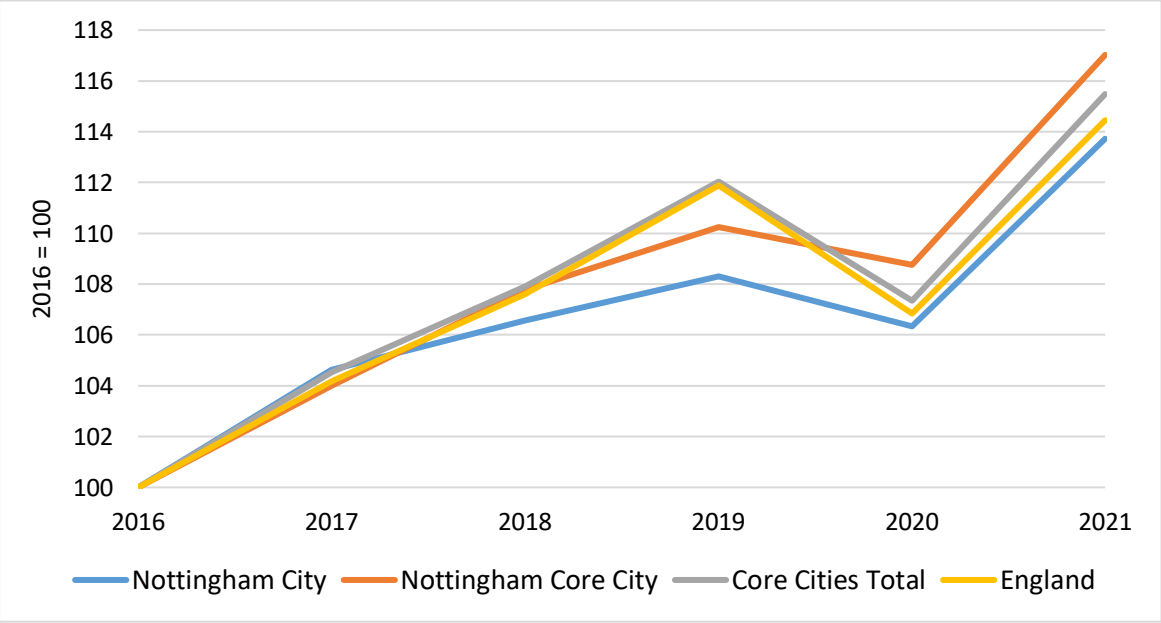
The latest data (for 2020) pre-dates the 'cost of living crisis' which refers to the fall in real disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021.

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 £	2016	2017	2018	2019	2020	2021
Nottingham City £m	9,500	9,900	10,100	10,200	10,100	10,800
Nottingham Core City £m	15,300	15,900	16,500	16,900	16,600	17,900
Core Cities Average £m	223,400	233,500	241,100	250,300	239,800	258,000
England £bn	1,538,200	1,602,300	1,655,100	1,720,800	1,643,400	1,760,400

Source: ONS



The Covid-19 pandemic had a sudden and substantial impact on economic growth in 2019 and 2020 across the whole of the UK.

At a national level, and for the Core Cities as a whole, GVA fell in 2019-20 as the economy contracted more quickly than was the case in Nottingham which may reflect the more limited exposure of Covid to Nottingham's key economic sectors, at least in the short term.

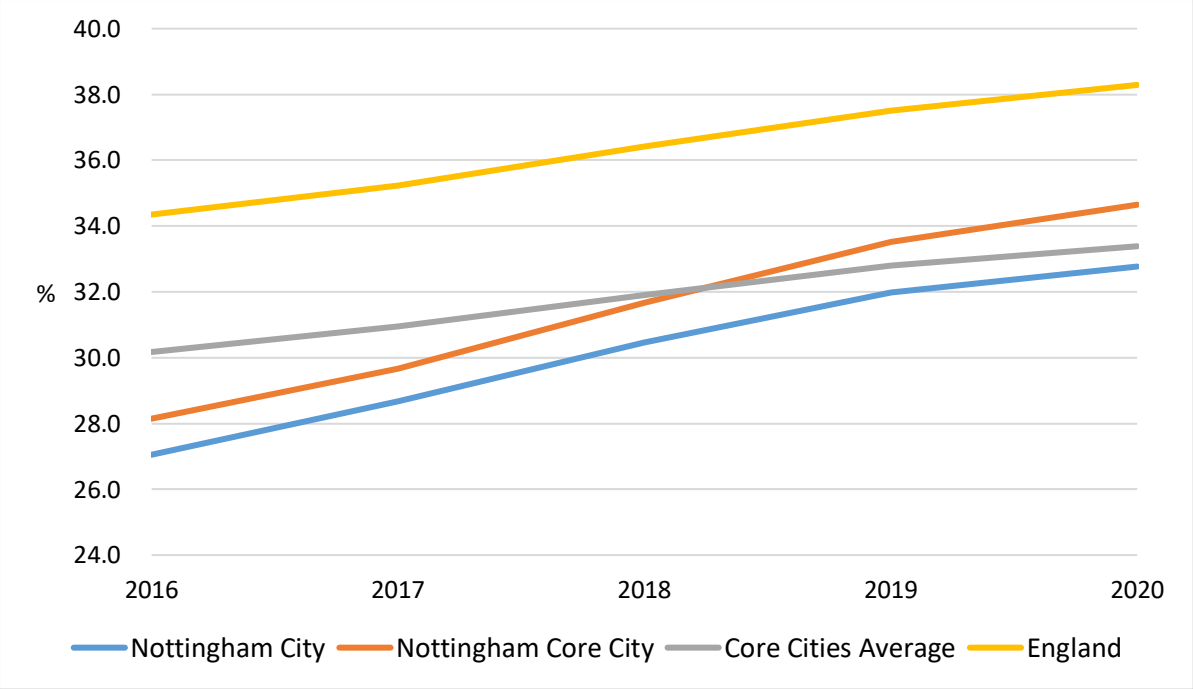
Economic growth resumed in 2020 to 2021 with Nottingham City and Nottingham Core City seeing growth of 6.9% and 7.6% respectively. This compares with an England average of 7.1%.

In terms of total GVA, Nottingham Core City is the smallest of the eight Core City Primary Urban Areas with Sheffield being the next smallest at £18.6bn. Greater Nottingham's growth of 7.6% over 2020 to 2021 was in line with the Core Cities average.

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 £	2016	2017	2018	2019	2020
Nottingham City	27.1	28.7	30.5	32.0	32.8
Nottingham Core City	28.1	29.7	31.7	33.5	34.6
Core Cities Average	30.2	30.9	31.9	32.8	33.4
England	34.4	35.2	36.4	37.5	38.1

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 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. There has been a steadily upward trend in productivity over recent years and this continued into 2020.

The City's 2020 GVA per hour figure (32.8) is significantly below the average for England (38.1) whereas the Nottingham Core City average (34.6) is above the Core Cities average (33.4) but still well below the national average.

Between 2016 and 2020 GVA per head increased by 5.7 percentage points in Nottingham City which exceeds the England average of 3.7 percentage points.

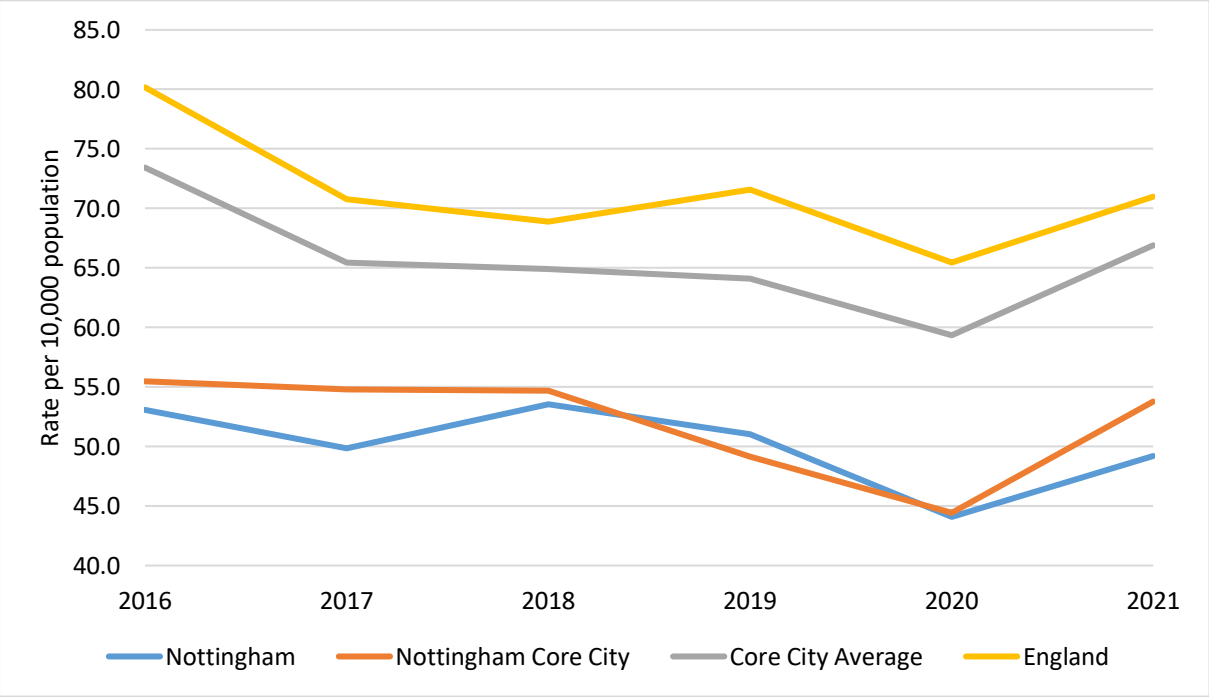
The 2023 GVA per hour data will be released by the ONS in June 2023.

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	2017	2018	2019	2020	2021
Nottingham City	49.9	53.5	51.0	44.1	49.2
Nottingham Core City	54.8	54.7	49.1	44.4	53.8
Core Cities Average	65.4	64.9	64.1	59.3	66.9
England	70.7	68.9	71.6	65.5	71.0

Source: Business Demography, ONS



In 2021, 3,045 new businesses were registered in Greater Nottingham of which 1,350 were based in Nottingham City. 2,225 businesses deregistered in that year giving a net gain of 820 businesses across Greater Nottingham.

As the economy began to gain momentum after the worst of the pandemic's effects the business birth rate (starts per 10,000 population) in Nottingham rose from 44.1 in 2020 to 49.2 in 2021. Nottingham Core City saw an even faster rate of increase, from 44.4 to 53.8.

Nevertheless, the business birth rate in both Nottingham City and its Core City is significantly below the England average (71.0) and the Core Cities average (66.9).

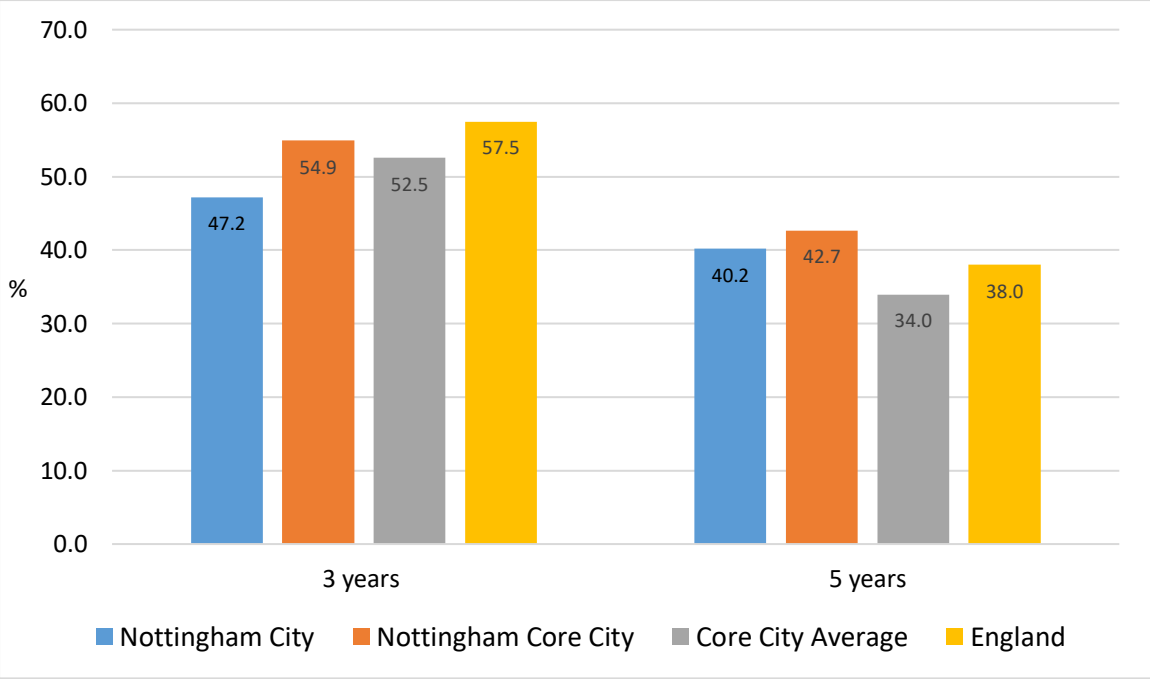
UK data shows that the sectors with relatively high birth rates in 2021 were Transport and Storage (25.9%); Accommodation and Food Services (15.8%); Retail (15.5%); and Business Administration and Support Services (15.8%).

Key factors influencing start-up rates include Covid, 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.

Survival Rates - the percentage of businesses registered for VAT and/or PAYE which still actively trading after 3 and after 5 years.

Enterprise Start-ups Surviving 3 and 5 Years	Date Registered	
	2015	2013
Nottingham City	47.2	40.2
Nottingham Core City	54.9	42.7
Core Cities Average	52.5	34.0
England	57.5	38.0

Source: Business Demography, ONS



The latest available data relating to business start-ups is for 2018 ie pre-pandemic.

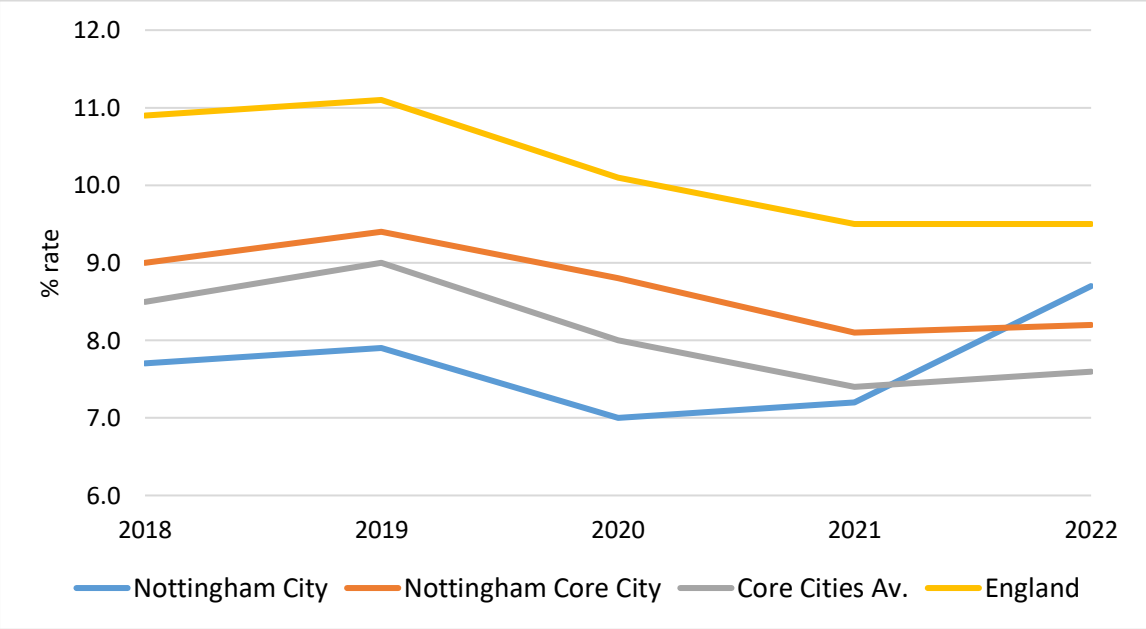
Nottingham City's three year start-up survival rate (47.2) is significantly below the England average (57.2) but its five year rate (40.2) is above the England average (38.0).

In the UK relatively high death rates have recently been recorded in Transport and Storage (21.8%); Business Administration and Support Services (14.6%); and Information and Communication (15.6%).

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

Self-Employment rate % (Jan-Dec)	2018	2019	2020	2021	2022
Nottingham City	7.7	7.9	7.0	7.2	8.7
Nottingham Core City	9.0	9.4	8.8	8.1	8.2
Core Cities Average	8.5	9.0	8.0	7.4	7.6
England	10.9	11.1	10.1	9.5	9.5

Source: Annual Population Survey, ONS



In another sign that the economic impact of Covid is diminishing, the City's self-employment rate has risen sharply from 7.2% in 2021 to 8.7% a year later. Much of the impetus appears to be coming from the personal and consumer services sectors.

Nevertheless, the City's 2022 self-employment rate remains below the England average (9.5%). Nottingham Core City's rate is above the Core Cities Average.

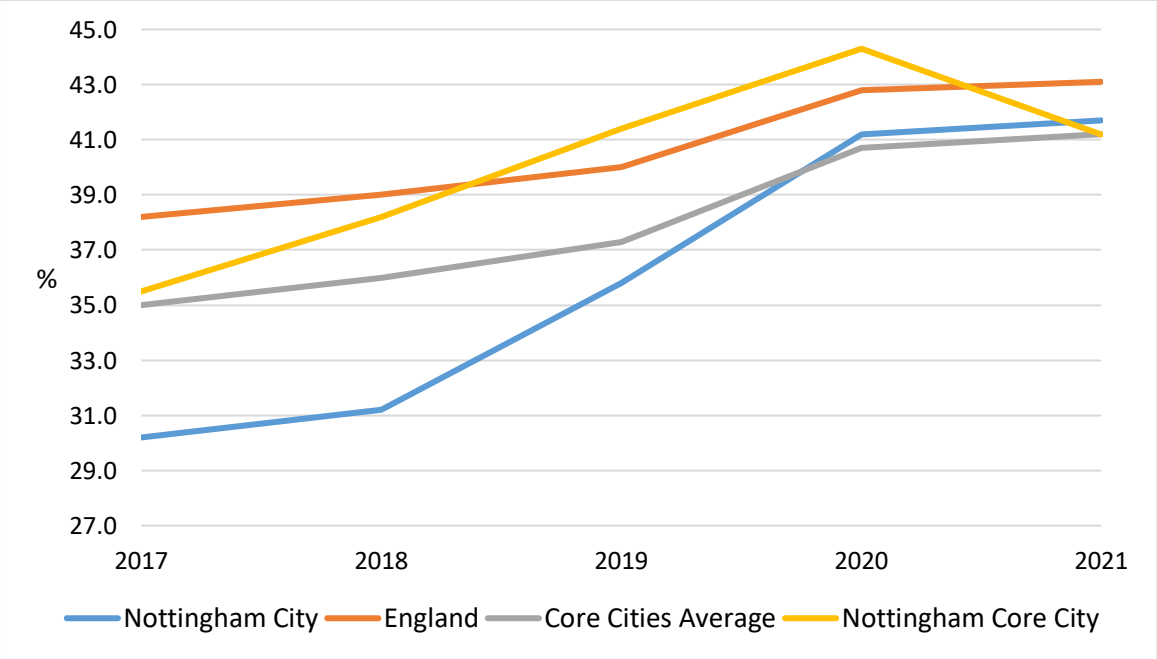
While self-employed individuals work in a broad range of roles, most fall within just four industries, namely Construction; Transport and Storage; Arts and Entertainment; and Personal Services

QUALIFICATIONS

NVQ4 or above - the percentage of the population aged 16-64 who are qualified to NVQ level 4[2] or above.

% qualified to NVQ4+ (Jan-Dec)	2017	2018	2019	2020	2021
Nottingham City	30.2	31.2	35.8	41.2	41.7
Nottingham Core City	35.5	38.2	41.4	44.3	41.2
Core Cities Average	35.0	36.0	37.3	40.7	41.2
England	38.2	39.0	40.0	42.8	43.1

Source: Annual Population Survey, ONS



According to the latest available data 41.7% of the City's population aged 16 to 64 are qualified to degree level or above (NVQ4+) compared to 43.1% for England. This gap (of 1.4 percentage points) is significantly smaller than four years ago (when it was 8.0 percentage points).

Nottingham Core City's average (41.2) is on a par with the Core Cities Average despite falling over 2020 to 2022.

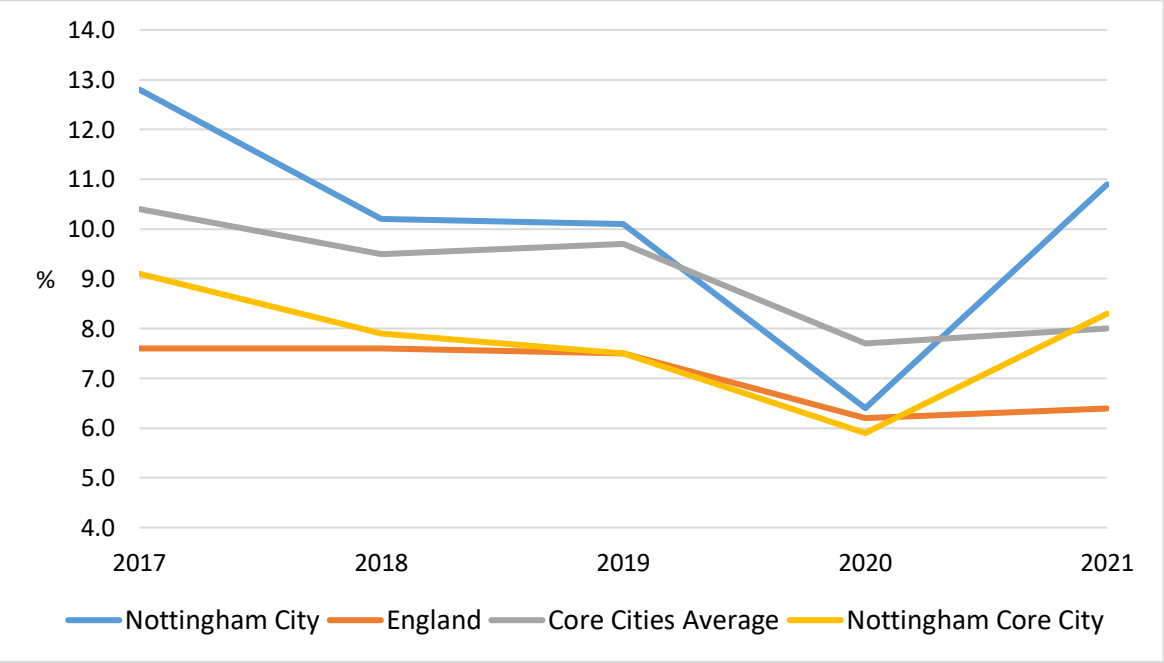
Overall, there has been a significant upward trend in the percentage of Nottingham's adult population achieving level NVQ4+ (and level NVQ2+) in recent

[2] NVQ4 is equivalent to a degree or higher qualification.

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

% without Qualifications (Jan-Dec)	2017	2018	2019	2020	2021
Nottingham City	12.8	10.2	10.1	6.4	10.9
Nottingham Core City	9.1	7.9	7.5	5.9	8.3
Core Cities Average	10.4	9.5	9.7	7.8	8.0
England	7.6	7.6	7.5	6.2	6.4

Source: Annual Population Survey, ONS



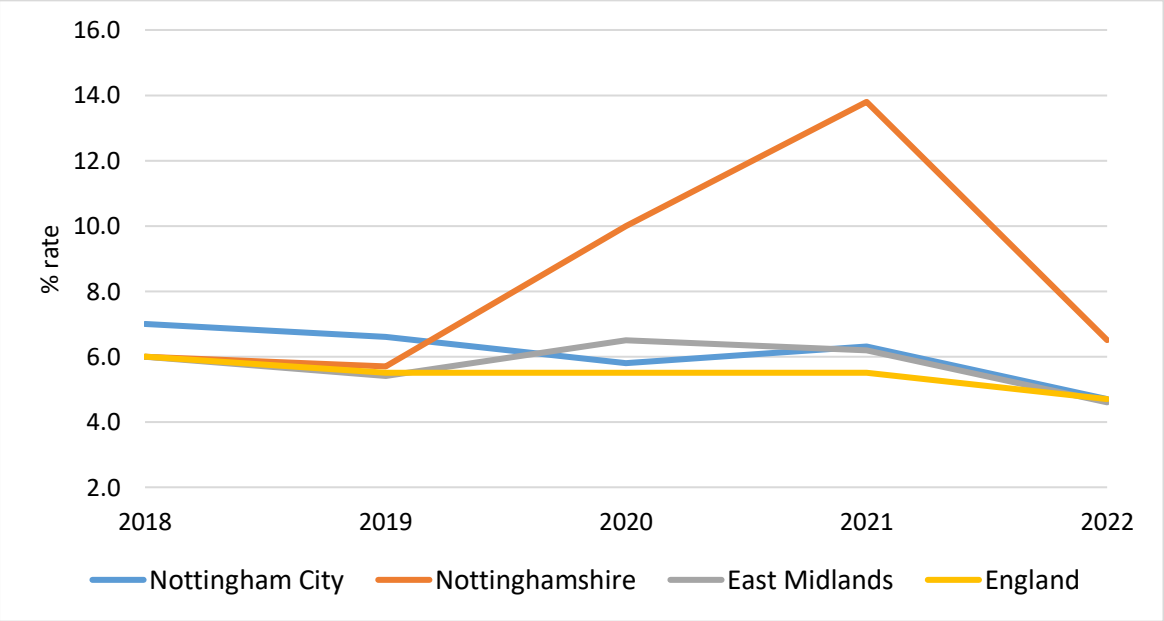
The proportion of City residents without qualifications had been falling steadily in recent years (2017-2020) as is shown in the chart.

However, the latest data for 2021 shows a rise in the proportion of adults without qualifications over 2020-21 at all spatial levels, national as well as local. However, the increase from 6.4% to 10.9% in Nottingham City is a marked increase the key reasons for which are not yet apparent.

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)	2018	2019	2020	2021	2022
Nottingham City	7.0	6.6	5.8	6.3	4.7
Nottinghamshire	6.0	5.7	10.0	13.8	6.5
East Midlands	6.0	5.4	6.5	6.2	4.6
England	6.0	5.5	5.5	5.5	4.7

Source: Dept. for Education



The proportion of people aged 16 to 17 who are NEET in Nottingham stood at 4.7% in 2022. This is equivalent to the England average (4.7%) and the regional average (4.6%).

The City's NEET rate of 4.7% is significantly below that in 2018 (when it was 7.0%).

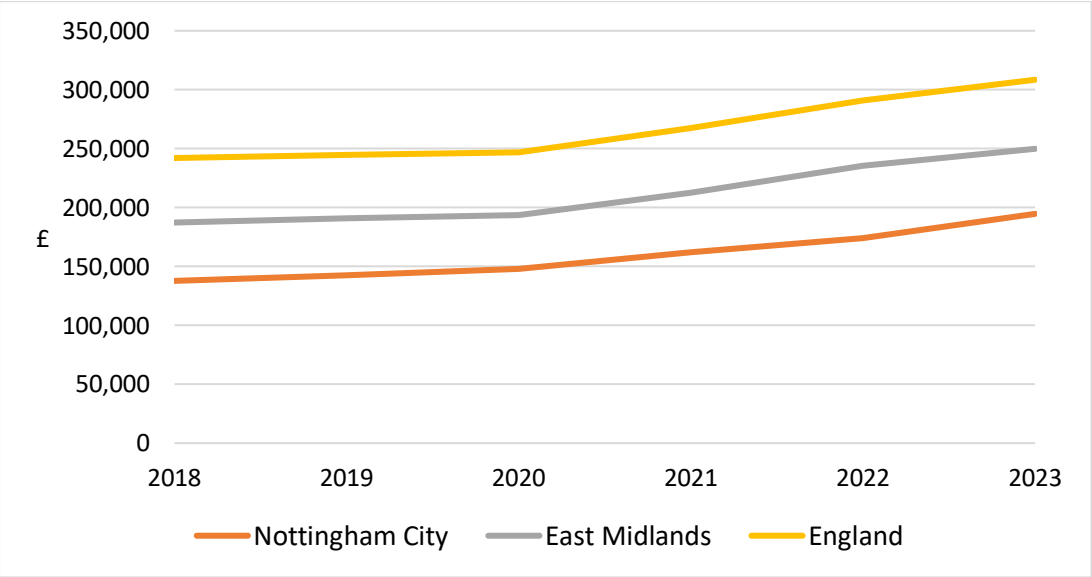
Educational qualification is the most important risk factor of becoming NEET. Other school factors are important, including time absent from school and number of exclusions. Household factors are also important. Living in a social renting household, living in a family that is not headed by a married 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

Average House Price £ (February)	2018	2019	2020	2021	2022	2023
Nottingham City	137,700	142,700	148,000	162,200	174,100	194,600
East Midlands	187,200	191,000	193,500	212,800	235,600	249,800
England	242,000	244,400	246,700	267,200	290,800	308,400

Source: Land Registry



According to the Land Registry, in February 2023 the average house price in Nottingham was £194,600. Nevertheless, Nottingham's figure is well below the average across England (£308,400) and the East Midlands (249,800).

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.

The rate of house price inflation in recent years has been higher in Nottingham when compared to the region and to the England average. The average price of a house in the City was 41.3% higher in 2023 compared to 2018 which compares with growth of 33.4% for the region and 27.4% for England.

ECONOMIC OUTLOOK

The macroeconomic climate has improved significantly since our last HEIB in June 2022. The UK economy is starting to turn a corner, albeit very slowly. Nevertheless, the risk of recession is now fast receding. Economic performance of late has been more resilient than expected and despite significant challenges in the latter half of 2022. Most economic commentators are now slightly more optimistic about future prospects than six months ago and expect the economy to return to expansion in the coming months.

Across a range of indicators, the economy's performance in 2023 so far has largely beaten expectations. GDP saw a healthy rise in January, retail sales have rebounded, and tax receipts have come in stronger than anticipated. Job creation has continued at a solid pace, and consumer confidence has picked up and wholesale energy prices have continued to decline.

Three key factors have contributed to the improved economic outlook for the UK: sustainably lower natural gas spot and future prices, a stronger Sterling and the better-than-expected managed re-opening of the Chinese economy coupled with EU growth.

Although economic growth is likely to be fairly subdued in the first half of 2023 the outlook is set to improve from the summer onwards as the fall in wholesale energy prices helps push down inflation and lessens the squeeze on households, while the fiscal loosening from the Spring Budget should start to take effect. However, UK economic performance continues to lag behind G7 competitors and is expected to continue to do so.

The economic outlook is still subject to some big uncertainties though. Domestically, these include whether recent signs of economic inactivity (reversing some of its pandemic-era rises) will persist and the extent to which households continue to draw on 'excess' savings to support spending. With job creation remaining reasonably solid, there may be a modest rise in unemployment, creating less of a disincentive for the currently inactive to enter the workforce, whilst improved sentiment should leave consumers more confident about spending rather than saving but this is by no means certain.

The outlook for house prices divides opinion. Some commentators continue to expect a sustained fall in house prices while others are far more optimistic. We should expect significant regional and local differences.

Nottingham

Core City Boundary

