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 UK economy clearly changed down into a lower gear in 2018. Rising inflation has reduced consumer spending and the housing market has cooled. The concern that Brexit uncertainty may be weighing on sentiment and spending has become all too familiar and wider concerns have also emerged about the slowdown in global economic growth, largely due to falling consumer spending in China. The UK isn't the only country being affected of course with Germany, France, Spain and Italy also seeing sluggish growth.

The local economic picture is mixed but broadly positive. Unemployment and economic inactivity have fallen and the employment rate for the wider Nottingham economy is relatively high. Workplace earnings may now be levelling out however with signs that household disposable income may be doing likewise. Coupled with rising inflation this might feed into lower levels of consumer spending going forward especially if interest rates were to rise again and, as seems likely, house price growth weakens further.

The latest data signifies a slowdown in new business start-ups and in the self-employment rate. The weakening domestic economy and the rise in business rates must surely be factors having a negative impact on entrepreneurs although there is evidence nationally that high-tech and creative start-up rates remain quite robust.

The UK and local economy has faired reasonably well since the result of the Brexit referendum, especially in terms of employment growth, but increasingly companies are dealing with a significant Brexit headwind, with heightened levels of uncertainty putting business off investment and reducing consumer confidence. Major uncertainty would likely be fuelled by a 'no-deal' Brexit, negatively impacting business sentiment and investment, as well as affecting consumers. On the other hand, a modest pick-up in growth could result if a 'no-deal' Brexit is avoided. It's simply too close to call at this historic moment.

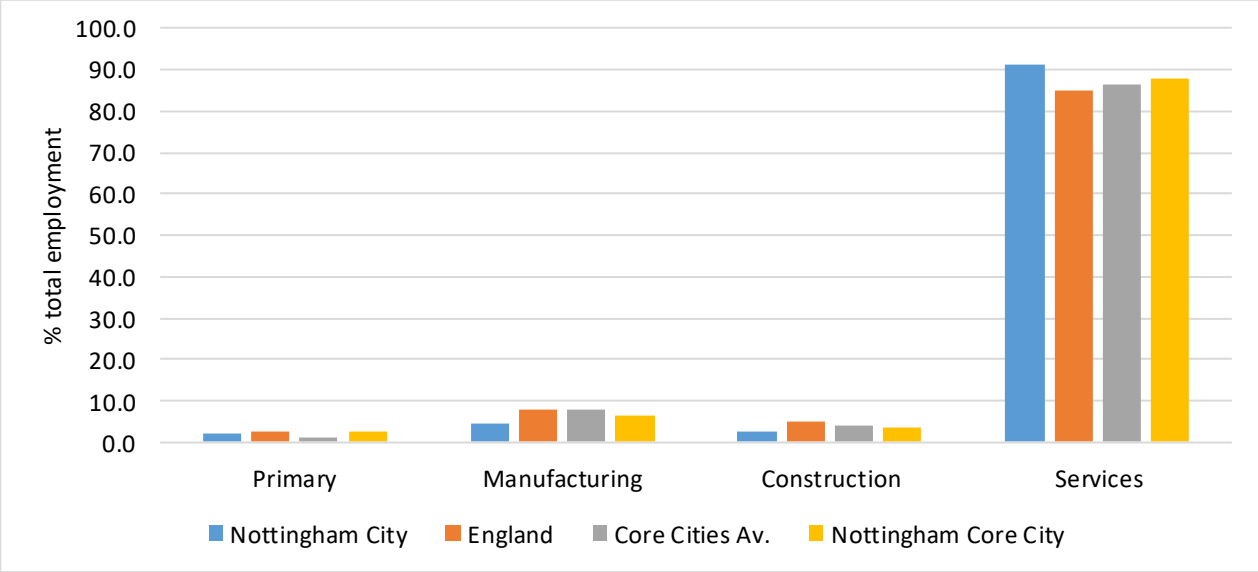
As in previous editions of this bulletin one important caveat to make is that the timings of the different data sets we refer to vary and the data are subject to different confidence limits. And, of course, we need to continue to review new data as it becomes available in order to identify clear trends 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 (2016)	Services	Manufacturing	Construction	Primary
Nottingham City	91.3	4.4	2.6	2.0
Nottingham Core City	87.8	6.4	3.8	2.6
Core Cities[1] PUAs Average	86.4	8.0	4.2	1.3
England	84.8	7.9	4.9	2.4

Source: Business Registration Employment Survey, ONS



There are 229,000 people employed in Nottingham City compared with 344,000 in Nottingham Core City (*see footnote*) which is the wider urban area and functional economy of Nottingham. Employment in the City rose by 3.6% (8,000) between 2015 and 2017 which compares with job growth of 2.9% for England. The rate of job growth in Nottingham Core City (3.9%) matched the the Core Cities Average (3.8%).

Services are the dominant source of employment in the City accounting for 91.2% of the employed workforce which is above the England average of 84.8%. Manufacturing accounts for less than 5% of jobs in Nottingham City and 6.4% of all jobs in the wider Core City area. Important sub-sectors are manufacturing of food products and fabricated metal products, and the printing and reproduction of recorded media.

The public sector accounts for 23.0% of all Nottingham Core City residents in work which compares with 26.9% a decade earlier.

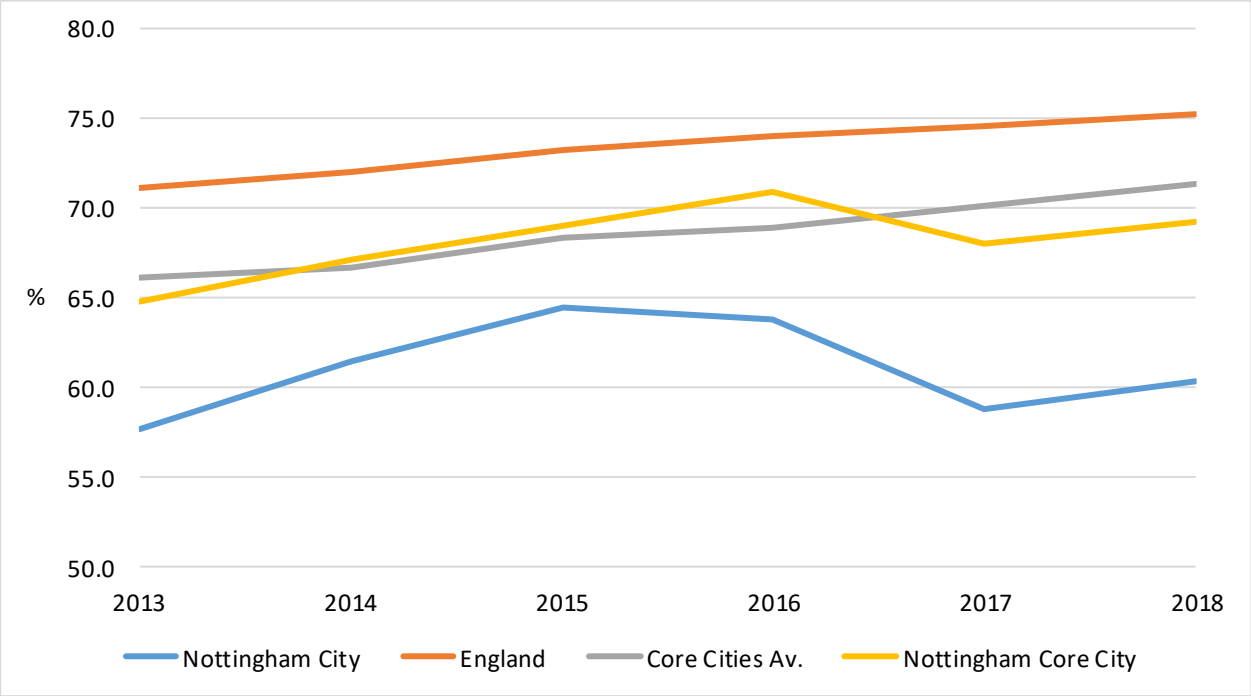
66.2% of Nottingham Core City's workforce are full-time compared with 67.8% in England.

[1] There are 8 Core Cities: Nottingham Core City (Nottingham City, Broxtowe, Gedling & 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 London.

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

Employment Rate % (July-June)	2013	2014	2015	2016	2017	2018
Nottingham City	57.7	61.5	64.5	63.8	58.8	60.3
Nottingham Core City	64.8	67.1	69.0	70.9	68.0	69.2
Core Cities PUAs Average	66.1	66.7	68.4	68.9	70.1	71.4
England	71.1	72.0	73.2	74.0	74.6	75.2

Source: Annual Population Survey, ONS



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

Although the City's employment rate (60.3%) is significantly below the England average (75.2%) we should bear in mind that some of the difference is accounted for the Nottingham's relatively large student population. Nottingham Core City's rate is 69.2%.

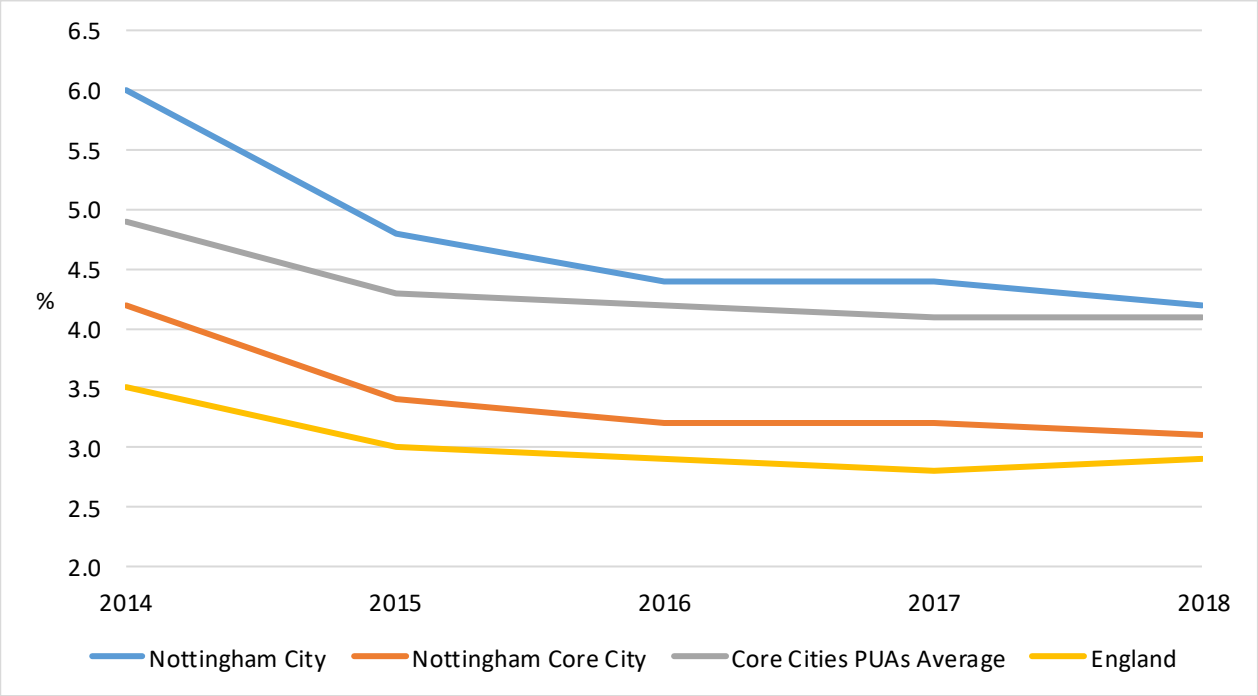
The proportion of residents in work was higher in 2018 than a year earlier in both Nottingham City and the wider Core City. A trend that was also evident for England and the Core Cities as a whole.

In Nottingham Core City 64.9% of women aged 16 to 64 were in work in 2018 which compares with 57.9% in 2013. 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 % (Jan)	2014	2015	2016	2017	2018
Nottingham City	6.0	4.8	4.4	4.4	4.2
Nottingham Core City	4.2	3.4	3.2	3.2	3.1
Core Cities PUAs Average	4.9	4.3	4.2	4.1	4.1
England	3.5	3.0	2.9	2.8	2.9

Source: ONS, NOMIS



Supporting Nottingham residents back into work not only boosts the local economy but also improves the life chances and health outcomes for individuals and their families. nottinghamjobs.com is playing a key role in helping Nottingham citizens find paid employment in a variety of occupations and sectors.

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.

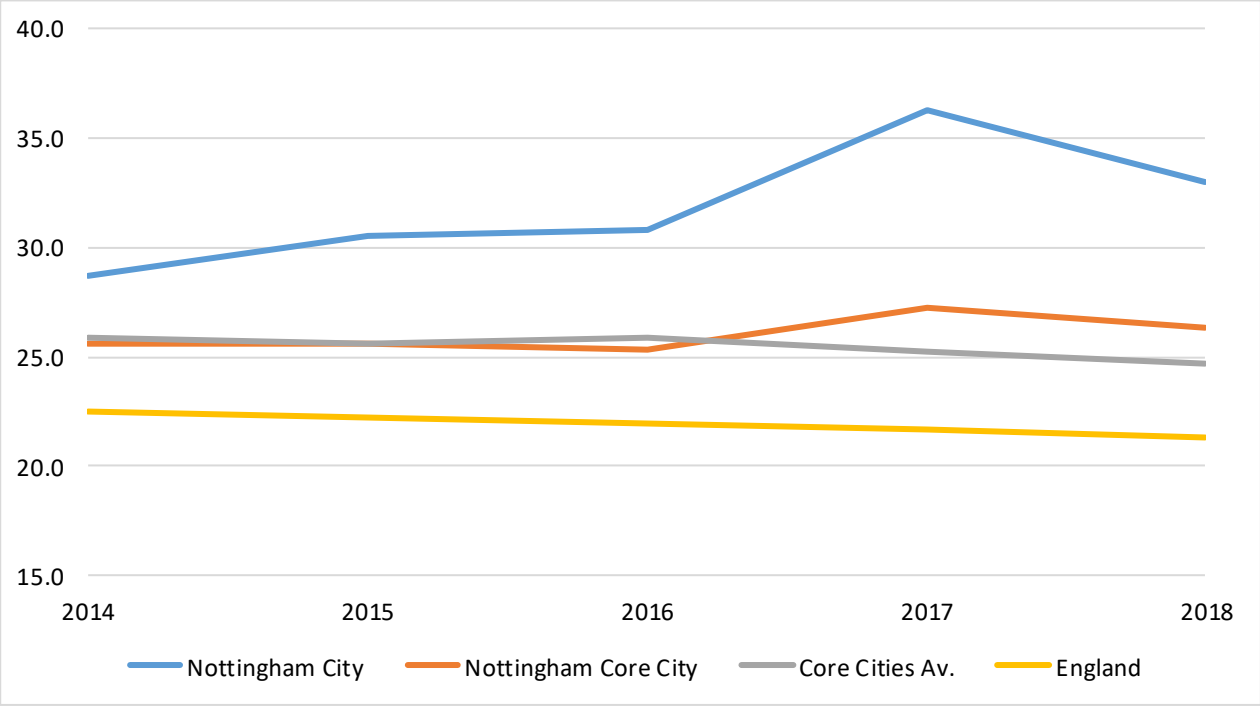
The City's unemployment count stands at 6,900 and the rate 3.2%. The claimant rate across Nottingham Core City is lower at 3.1% which is broadly in line with the national rate. Unemployment in Nottingham fell by 119 claimants in the last month and by 522 claimants over the last year. This is an annual fall of 5.1% in Nottingham compared to a 3.2% increase nationally. There has been a narrowing of the gap between the Nottingham and national unemployment rates from 1.8 percentage points in November 2015 to 1.3 percentage points in November 2018.

[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.

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

Economic Inactivity Rate % (Oct-Sep)	2014	2015	2016	2017	2018
Nottingham City	28.7	30.5	30.8	36.3	33.0
Nottingham Core City	25.6	25.6	25.3	27.2	26.3
Core Cities PUAs Average	25.9	25.6	25.9	25.2	24.7
England	22.5	22.2	31.9	21.7	21.3

Source: Annual Population Survey, NOMIS



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

The City's 2018 economic inactivity rate (33.0%) is relatively high when compared to the average for England (21.3%). Nottingham Core City's inactivity rate (26.3%) is above the average for the eight English Core Cities and above that for England.

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 8.8% in Nottingham Core City; this compares with 7.3% for the Core City PUAs and 5.8% across England.

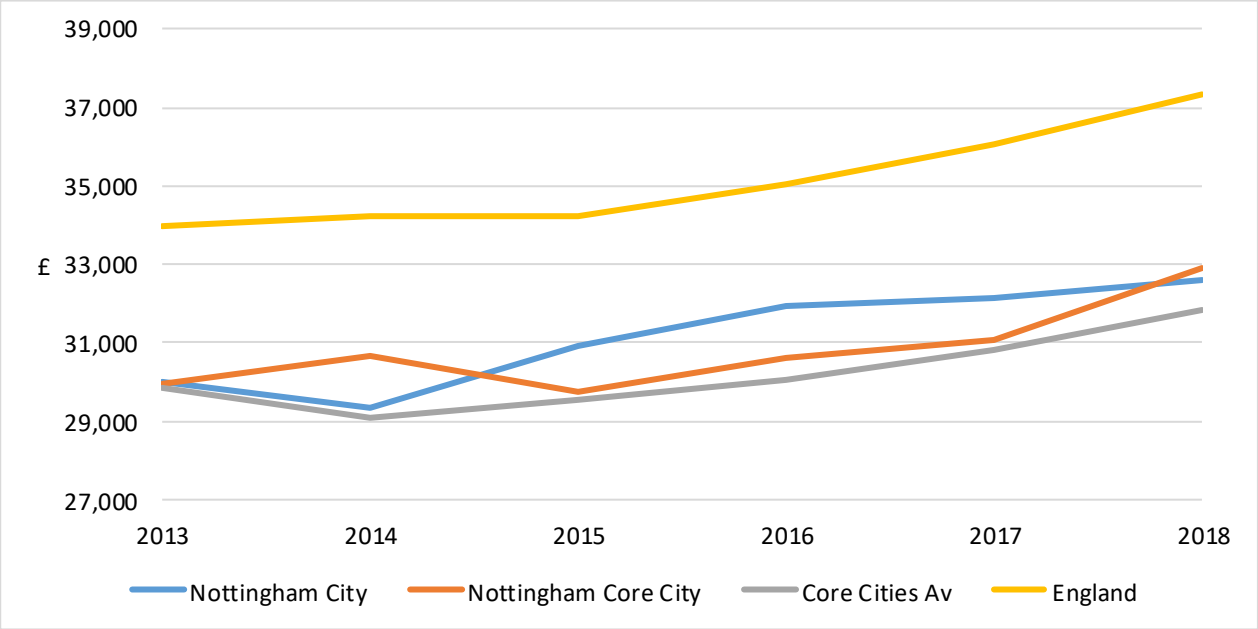
EARNINGS AND INCOME

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

Workplace-based Earnings

Average Annual Workplace-based Earnings £	2013	2014	2015	2016	2017	2018
Nottingham City	30,000	29,300	30,900	31,900	32,100	32,600
Nottingham Core City	29,900	30,600	29,700	30,600	31,100	32,900
Core Cities PUAs Average	29,800	29,100	29,500	30,100	30,800	31,800
England	33,500	34,000	34,200	34,200	35,100	36,100

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.

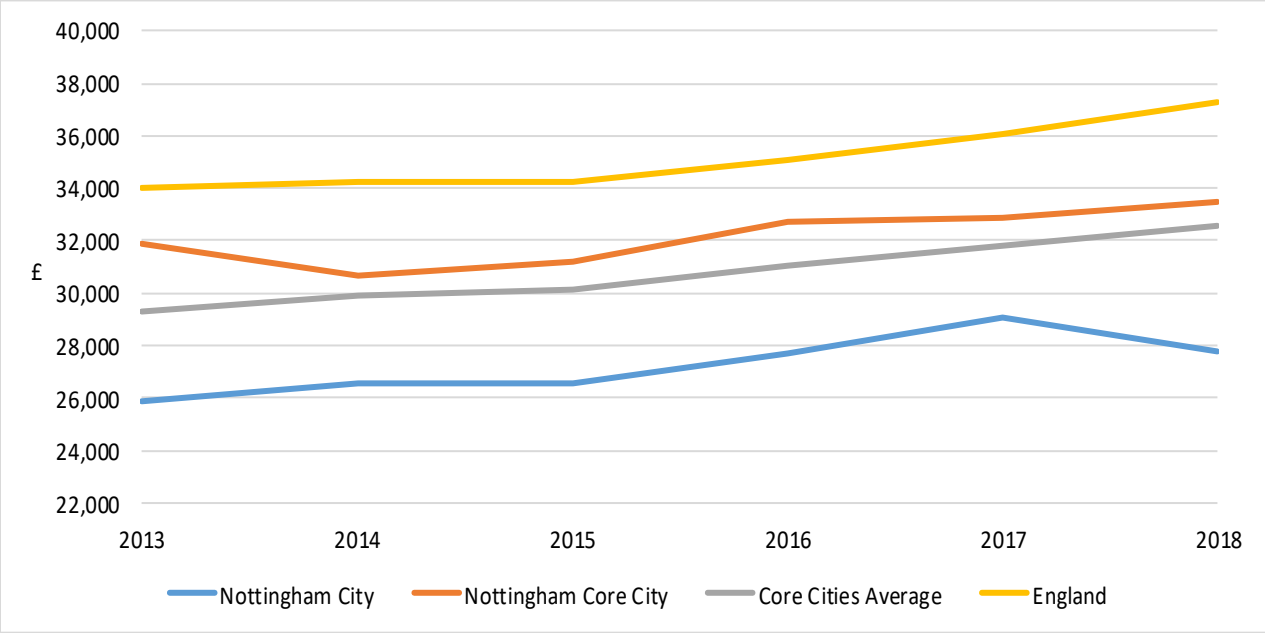
Workplace-based average earnings levels at City (£32,600 in 2018) and Core City (£32,900) levels are below those prevailing at a national level although the national figures are heavily skewed by relatively high earnings in jobs based in London; the England average is £36,100.

Nottingham Core City's average earnings are above the average figure for the Core Cities as a whole.

Residence-based Earnings

Average Annual Residence-based Earnings £	2013	2014	2015	2016	2017	2018
Nottingham City	25,900	26,600	26,600	27,700	29,100	27,700
Nottingham Core City	31,900	32,100	31,200	32,700	32,900	33,500
Core Cities PUAs Average	29,300	29,900	30,100	31,000	31,800	32,600
England	34,000	34,200	34,200	35,000	36,100	37,300

Source: Annual Survey of Hours and Earnings, NOMIS



Although Nottingham City is the main source of highly paid jobs (especially in services), 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.

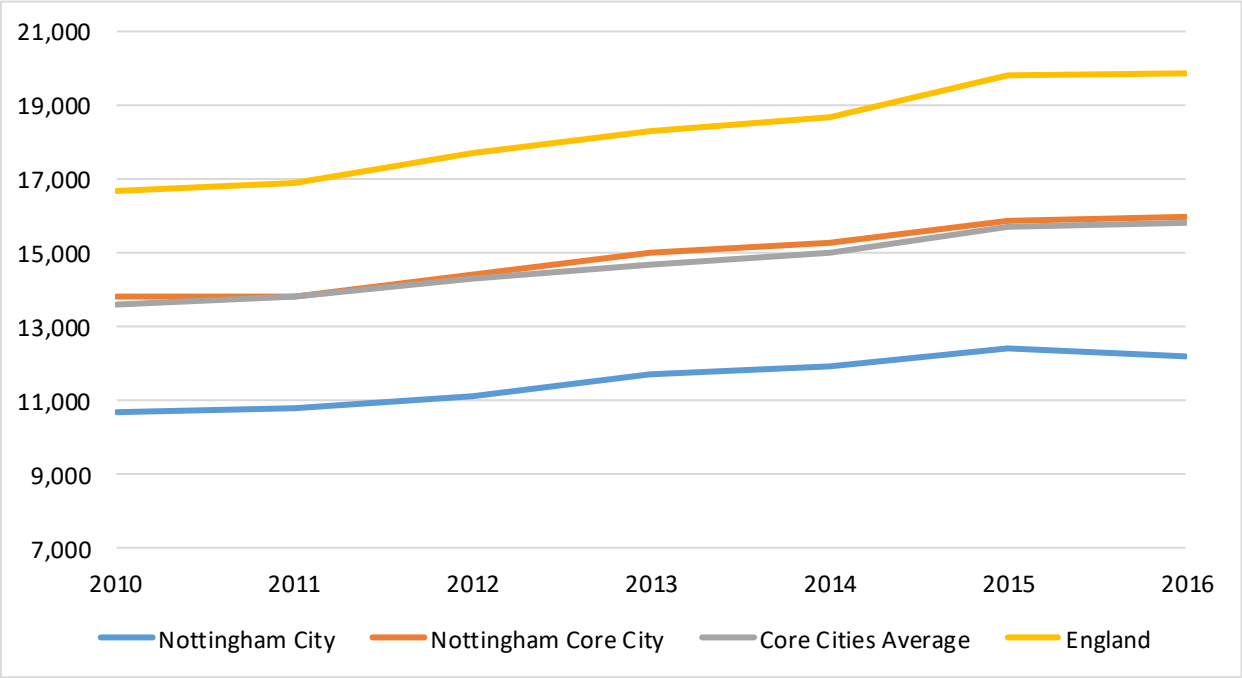
Average residence-based earnings in Nottingham Core City (£33,500 in 2018) are above the Core Cities average (£32,600) but below the England average (£37,300) which includes London and the South East.

Average earnings in Nottingham City stood at £27,700 in 2018 which is 6.9% above the figure for 2013. The comparative figure for England is 9.7% which reflects a higher level of economic growth and demand for labour, especially in the South East.

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 £	2011	2012	2013	2014	2015	2016
Nottingham City	10,800	11,100	11,700	11,900	12,400	12,200
Nottingham Core City	13,800	14,400	15,000	15,300	15,900	16,000
Core Cities PUAs Average	13,800	14,300	14,700	15,000	15,700	15,900
England	16,900	17,700	18,300	18,700	19,800	19,900

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 England average (£19,900 in 2016) remains significantly above that for Nottingham City (£12,200) although Nottingham Core City is on a par with the Core Cities average. 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.

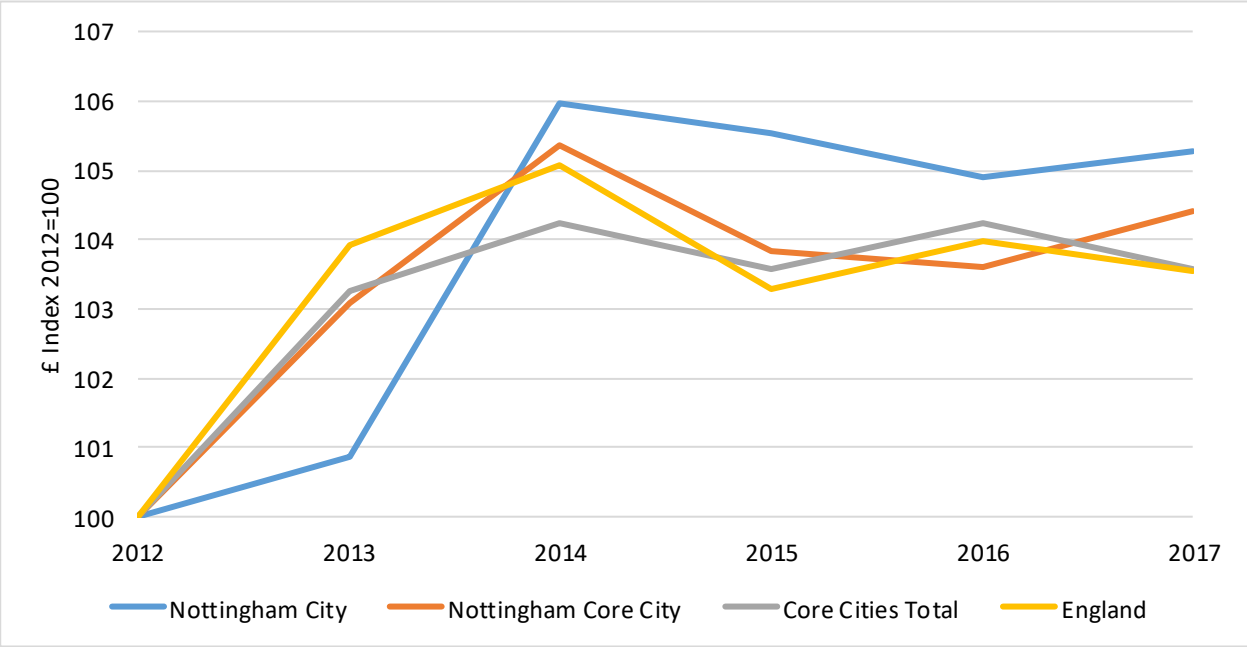
Increasing household income levels have been providing a much needed boost to consumer expenditure in recent years but the latest data suggests that the rate of growth may be slowing. If inflation resumes an upward trend in the coming months, as is expected, then this may negatively impact on consumer spending and therefore output and employment going forward.

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 £	2012	2013	2014	2015	2016	2017
Nottingham City £m	7,800	7,800	8,300	8,700	9,200	9,700
Nottingham Core City £m	12,800	13,200	13,900	14,500	15,000	15,700
Core Cities PUAs Average £m	189,400	195,600	203,900	211,100	220,100	227,900
England £bn	1,287,200	1,337,500	1,404,300	1,451,400	1,509,300	1,562,700

Source: ONS



The City's GVA was 24.3% higher in 2017 compared with 2012 which compares with an increase of 21.4% for England. The comparable figure for Nottingham Core City (22.6%) is above the Core City Average (20.3%).

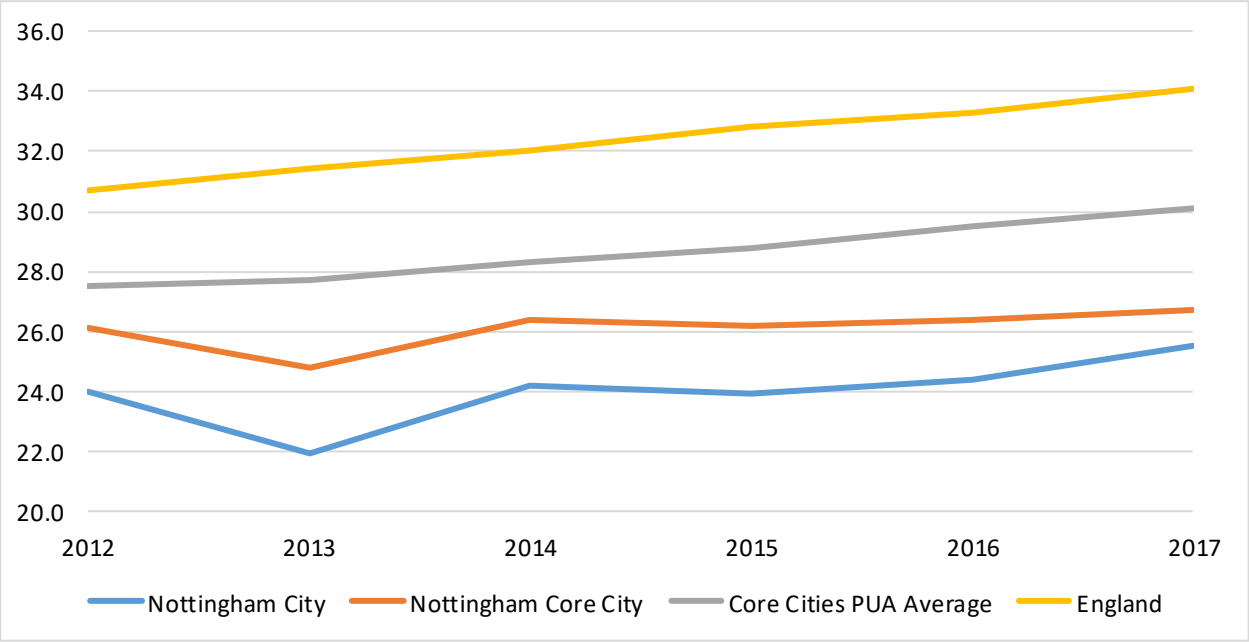
Macro-economic data at a national level is available for more recent time periods compared to the local picture. The British economy turned in a steady performance in 2016 but growth in 2017-18 has slowed since and has depended on getting more people into work rather than rising productivity.

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 £	2012	2013	2014	2015	2016	2017
Nottingham City	24.0	21.9	24.2	23.9	24.4	25.5
Nottingham Core City	26.1	24.8	26.4	26.2	26.4	26.7
Core Cities PUAs Average	27.5	27.7	28.3	28.8	29.5	30.1
England	30.7	31.4	32.0	32.8	33.3	34.1

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. The City's 2017 GVA per hour figure (£25.5) is significantly below the average for England (£34.1) while the Nottingham Core City average (£26.7) is below the Core Cities average (£30.1).

Recent years have seen a consistent upward trend in productivity at a national level while the City's growth path has been less consistent.

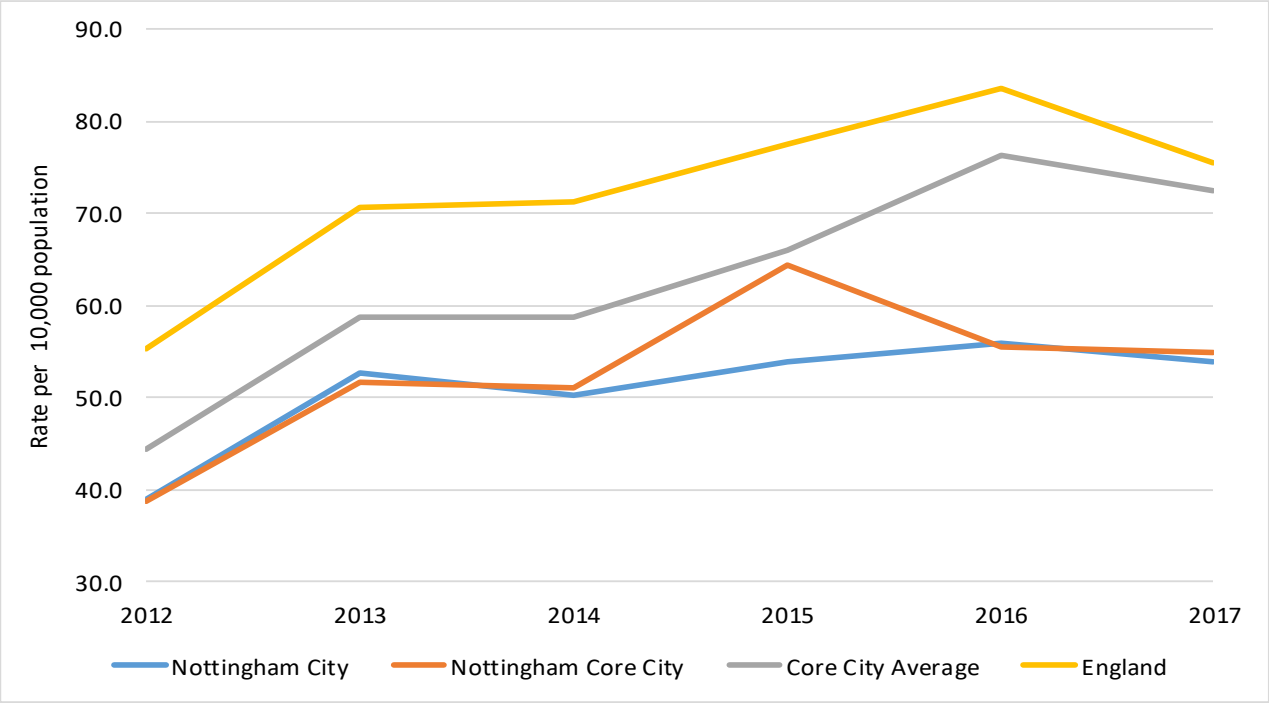
Stimulating increases in productivity and closing the productivity gap is an important policy priority for Nottingham City Council and our partners. Boosting productivity is expected to be a core priority within the new Industrial Strategy for Nottinghamshire and Derbyshire which is under development.

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	2012	2013	2014	2015	2016	2017
Nottingham City	38.8	52.6	50.2	53.9	55.9	53.8
Nottingham Core City	38.8	51.6	51.0	64.3	55.5	54.8
Core Cities PUAs Average	44.4	58.7	58.8	66.0	76.3	72.6
England	53.3	70.7	71.2	77.6	83.6	75.4

Source: Business Demography, ONS



The business birth rate (starts per 10,000 population) in Nottingham was 53.8 in 2017 which is significantly below the England average (75.4) and the England average excluding London (65.1).

Similarly, the gap between the Nottingham Core City and the Core Cities Average remains sizable.

Nevertheless, it is important to acknowledge that the actual number of start-ups in the City (1,440 in 2017) is significantly higher than in 2012 (980).

In 2017, the highest rates of business births were in Transport and Storage; Business Administration and Support Services; Retail; and Accommodation and Food Services.

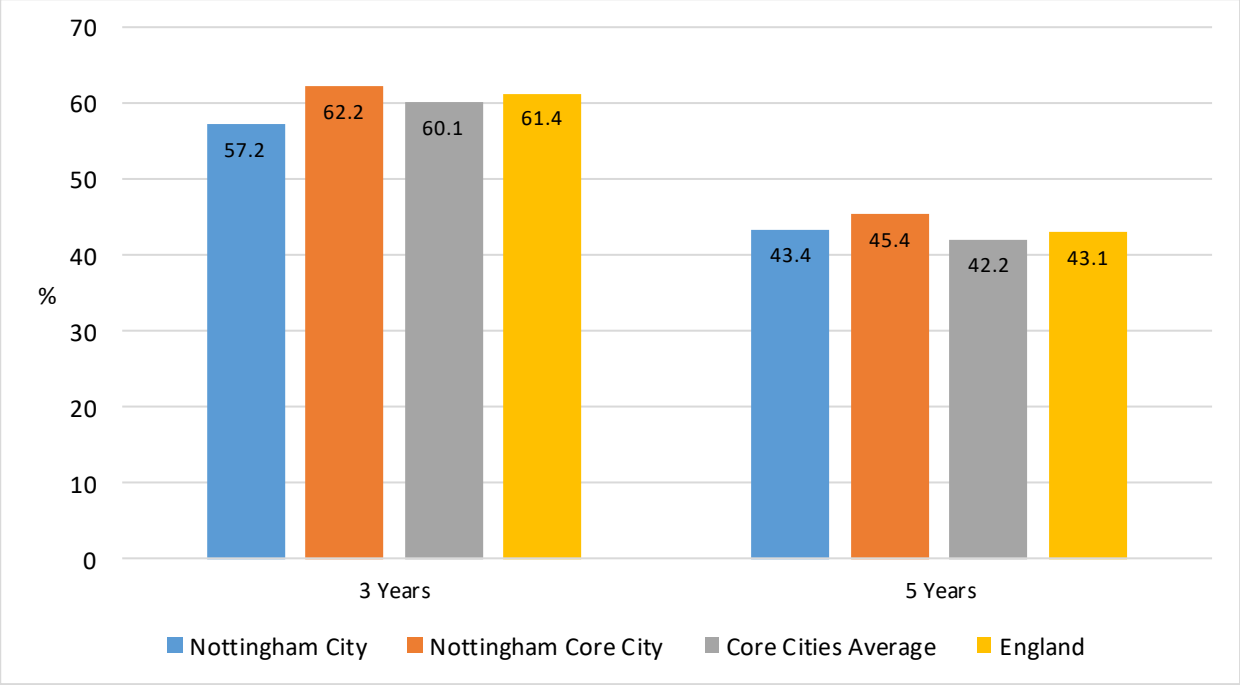
Business death rate rates were highest in Education; Business Administration and Support Services; and Transportation and Storage.

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.

Survival Rates - the percentage of businesses registered for VAT and/or PAYE in 2010 which were still actively trading in 2015 (5 years) and percentage registered for VAT and/or PAYE in 2012 which were still trading in 2015 (3 years).

Enterprise Start-ups Surviving 3 and 5 Years	Date Registered	
	2012	2010
Nottingham City	57.2	43.4
Nottingham Core City	62.2	45.4
Core Cities PUAs Average	60.1	42.2
England	61.4	43.1

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 Core City's three and five year survival rates (62.2 and 45.4) are higher than the Core Cities average. Nottingham City's five year survival rate is on a par with the national average.

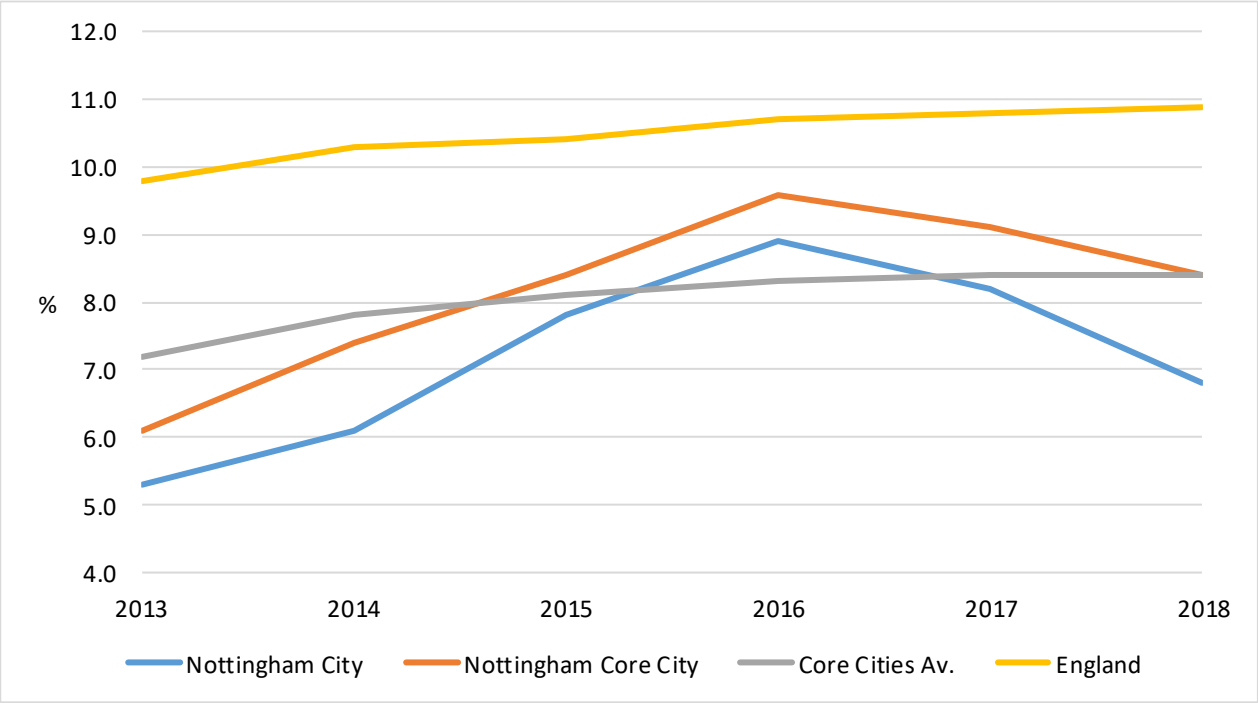
The sectors with the highest five year survival rates are Health; Education; Information and Communication; and Professional, Scientific and Technical.

The sectors with the lowest five year survival rates were Accommodation and Food Services; Wholesale; and Business Administration and Support Services.

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

Self-Employment rate % (Oct-Sep)	2013	2014	2015	2016	2017	2018
Nottingham City	5.3	6.1	7.8	8.9	8.2	6.8
Nottingham Core City	6.1	7.4	8.4	9.6	9.1	8.4
Core Cities PUAs Average	7.2	7.8	8.1	8.3	8.4	8.4
England	9.8	10.3	10.4	10.7	10.8	10.9

Source: Annual Population Survey, ONS



There was a marked increase in the self-employment rate over 2013 to 2017 within both Nottingham City and Nottingham Core City although the increase was consistent with the national trend. The recent fall in the rate (between 2016 and 2017) may be revised upwards or it might be due to an increase in insecure self-employment) ie the so-called 'gig economy') or a continued slow-down in wider economic activity.

When expressed as a percentage of 16 to 64 year olds, the City's self-employment rate (6.8 in 2018) was significantly below the England average (10.9).

However, Nottingham Core City's self-employment rate (9.1%) was above the Core Cities average (8.4%).

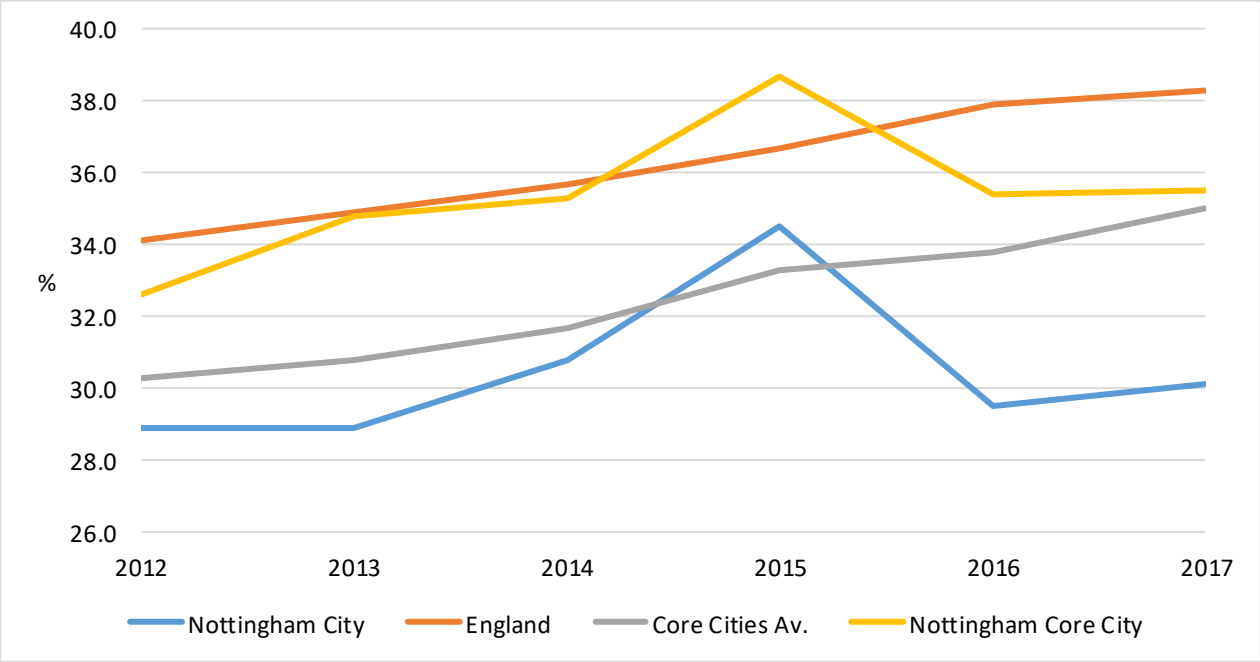
Although it rose steadily, the self-employment rate for Nottingham City and Core City have been in decline since 2016 in contrast to the national trend.

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)	2012	2013	2014	2015	2016	2017
Nottingham City	28.9	28.9	30.8	34.5	29.5	30.1
Nottingham Core City	32.6	34.8	35.3	38.7	35.4	35.5
Core Cities PUAs Average	30.3	30.8	31.7	33.3	33.8	35.0
England	34.1	34.9	35.7	36.7	37.9	38.3

Source: Annual Population Survey, ONS



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

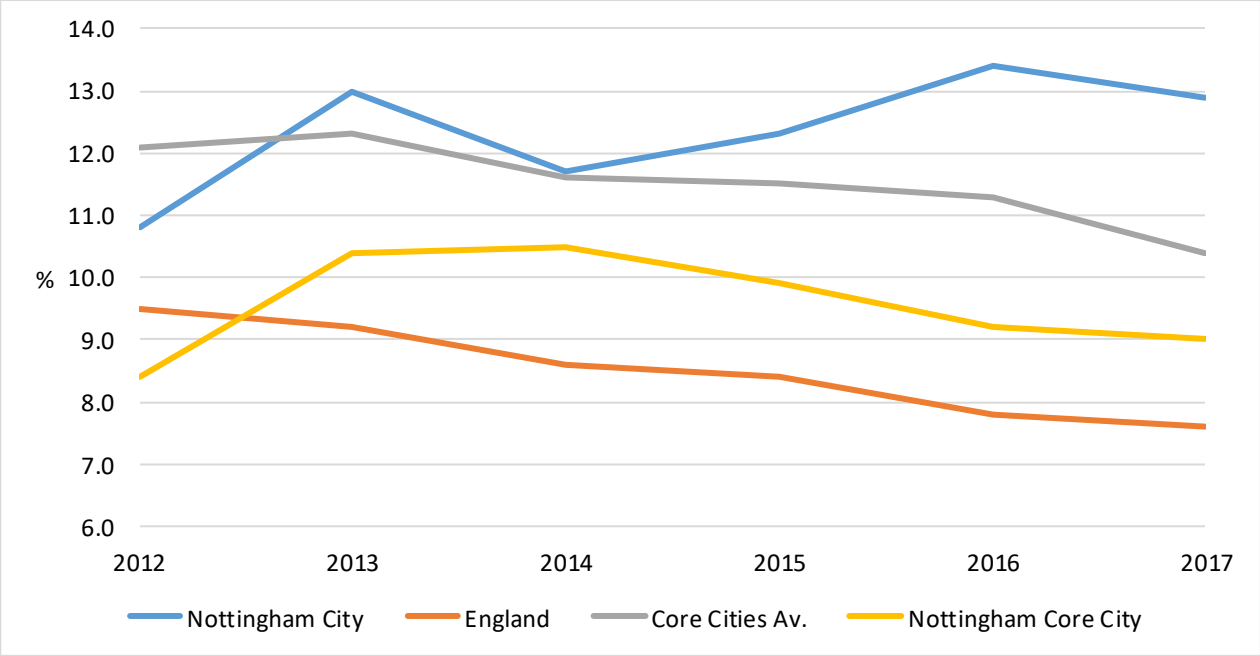
Around 30% of the City's population aged 16 to 64 are qualified to degree level or above (NVQ4+) compared to 38.3% for England. Nottingham Core City's average is equivalent to the Core Cities Average however.

Overall, there has been an upward trend in the percentage of the adult population achieving level NVQ4+ in the past five years and earlier which partly reflects the growth in student numbers at the City's two universities.

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

% without Qualifications (Jan-Dec)	2012	2013	2014	2015	2016	2017
Nottingham City	10.8	13.0	11.7	12.3	13.4	12.9
Nottingham Core City	8.4	10.4	10.5	9.9	9.2	9.0
Core Cities PUAs Average	12.1	12.3	11.6	11.5	11.3	10.4
England	9.5	9.2	8.6	8.4	7.8	7.6

Source: Annual Population Survey, ONS



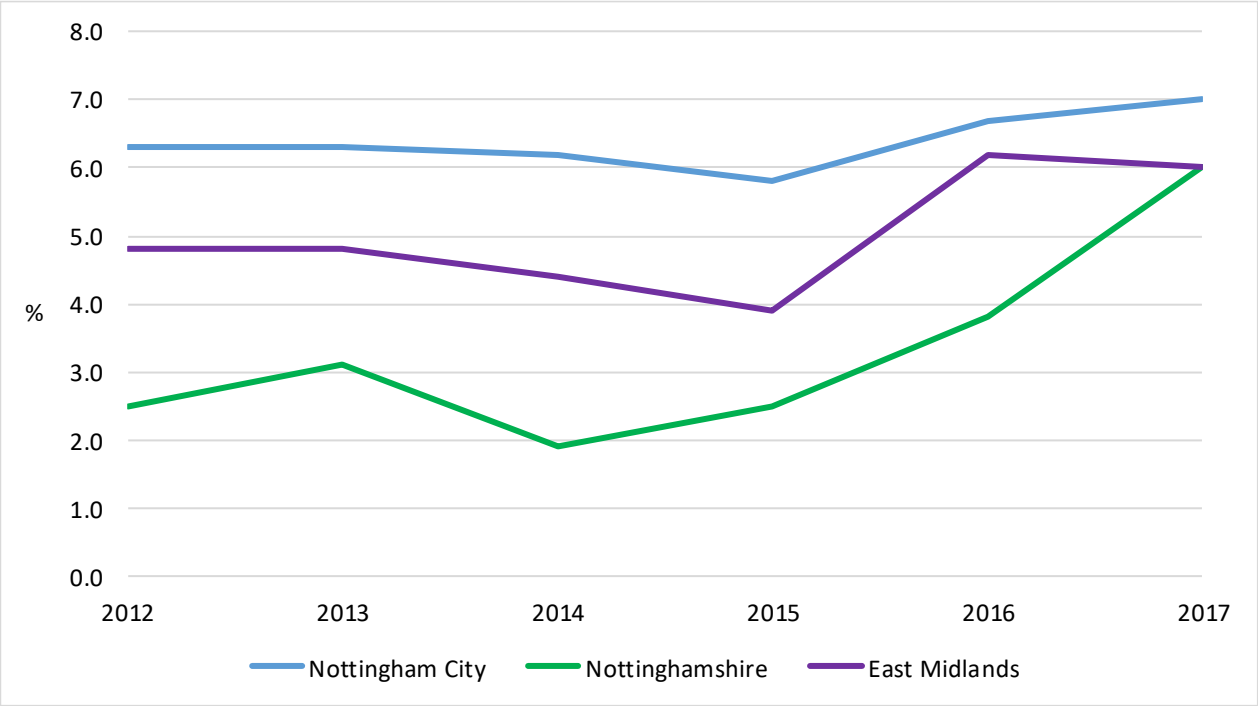
The proportion of City residents without qualifications stood at 12.9% in 2017 which is significantly above the England average (7.6%). The proportion of City-based adults without qualifications fell in the year to 2017 but we will need to wait for more data to see whether this is merely a blip or not.

National research has shown a strong positive correlation between the percentage of adults without qualifications and the degree of poverty and disadvantage which exist in the areas they live in. In some areas, a third of 16 to 64 year-olds are without qualifications, while in others the proportion is as low as two per cent.

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)	2012	2013	2014	2015	2016	2017
Nottingham City	6.3	6.3	6.2	5.8	6.7	7.0
Nottinghamshire	2.5	3.1	1.9	2.5	3.8	6.0
East Midlands	4.8	4.8	4.4	3.9	6.2	6.0

Source: Dept. for Education



The proportion of people aged 16 to 17 who are NEET in Nottingham stood at 7.0% in 2017, up from a year earlier and slightly above the average for Nottinghamshire and the East Midlands region (both at 6.0%). The rates for the City and County have risen since 2015.

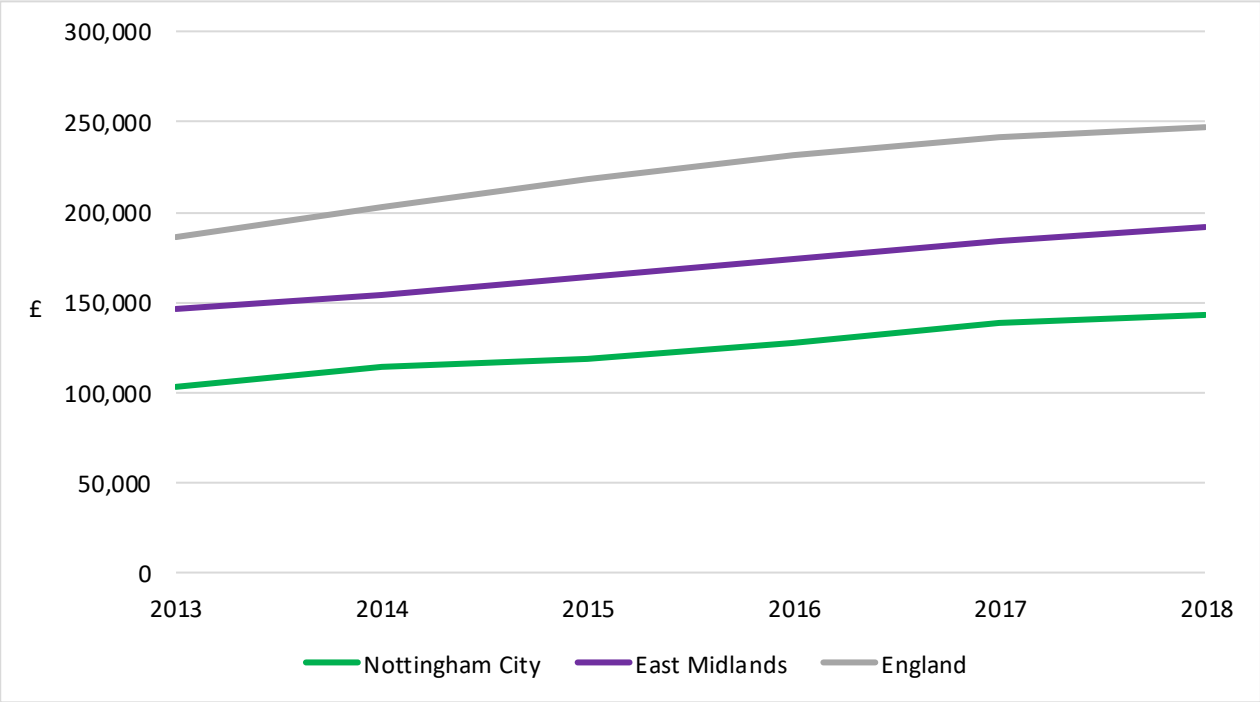
Educational qualification is the most important risk factor of becoming NEET. Other school factors are important, including time absent from school and number of exclusions. Household factors are also important. Living in a social renting household, living in a family that is not headed by a married 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 £ (Nov)	2013	2014	2015	2016	2017	2018
Nottingham City	103,100	114,400	119,100	127,000	138,700	143,200
East Midlands	145,900	154,000	164,500	173,900	184,000	192,100
England	186,300	202,700	218,500	231,100	241,300	247,400

Source: Land Registry



According to the Land Registry, in November 2018 the average house price in Nottingham was £143,200. This is £104,200 below the average across England and £55,300 below the regional average.

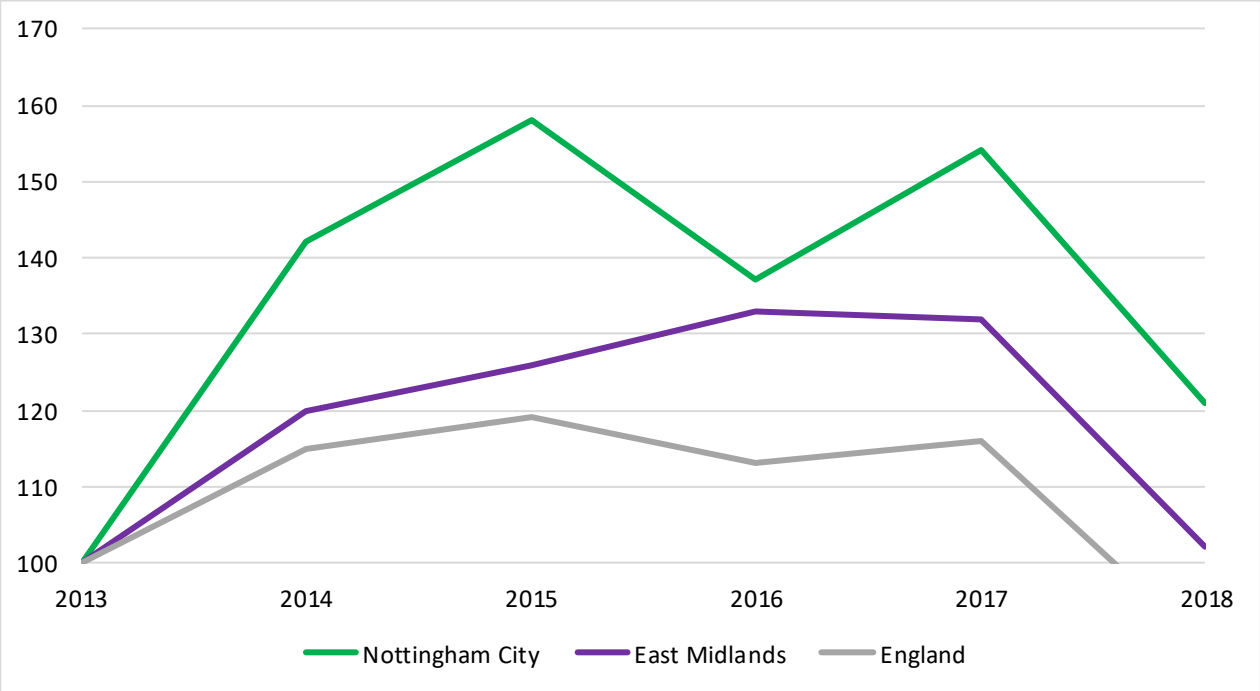
There has been very substantial house price inflation in recent years resulting in many younger people being unable to afford their first home. Average house prices in the City were 38.9% higher in 2018 compared to 2013 which compares with growth of 31.7% for the region and 32.8% for England.

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 2013=100; Sept)	2013	2014	2015	2016	2017	2018
Nottingham City	100	142	158	137	154	121
East Midlands	100	120	126	133	132	102
England	100	115	119	113	116	89

Source: Land Registry



Despite the increase in prices, the last year saw a marked decline in house sales at a national, regional and local level. This is likely to reflect the increasing pressure on spending power and consumers being less willing to engage in a major transactions. The increase in interest rates may also have dampened demand but 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

Private investment and household consumption will likely remain subdued over the next few months due to the lack of clarity over Brexit. However, company stockpiling in preparation for a 'no-deal' scenario could provide temporary support to GDP growth. However, the capacity of the economy to continue to grow without generating inflation is diminishing as firms invest less, the number of EU migrants coming to the UK for work declines, and the growth of output per worker (productivity) remains low.

Consumer spending growth is set to be limited early on in 2019 by heightened concerns over the economic outlook amid Brexit uncertainties. Business investment is anticipated to be subdued in the first half of the year amid those same uncertainties, but to improve later on as they wane.

Against this background, it seems inevitable that recent good fortune in regard to employment growth will be short-lived. A rise in unemployment is almost certainly on the cards although other factors such as the roll out of Universal Credit are also feeding into this trend already. Higher level skill shortages may still remain in evidence given fewer EU workers and persistent structural problems with the UK's skills and education system and finances.

A great deal (but not everything) hinges on the outcome of Brexit; leaving the EU with a deal, or remaining in the EU, would likely unleash pent-up investment and boost consumer sentiment, while leaving with no deal could cause a serious economic shock. Different economic sectors will be affected differently by Brexit of course, depending on the new barriers they face. And the same is true of different regions and cities across the country, including the East Midlands and, of course, Nottingham.

Brexit will no doubt continue to dominate a big part of the economic and political agenda but we should remember that Nottingham's economic challenges go beyond Brexit. In particular, we should also strive to tackle two main stumbling blocks for a prosperous future: improving productivity (and hence our long-term growth potential) and promoting greater economic and social inclusion. These are strategic priorities which lie at the heart of the City Council's Growth Plan and they are likely to continue to do so for as long as, if not even beyond, that fall-out of Brexit.

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Nottingham Core City Boundary

