

June 2016 Economic Summary

July 2016

Economic conditions at a glance

Cheshire West and Chester in June 2016



Unemployment estimates remain at 4.0%.



Claimant count rates are stable at 1.4%.



Long term unemployment remains at 0.3%.



Employment estimates have declined to 72.6%.

UK in June 2016



The UK/PMI Manufacturing index has shows growth at just above the 50.0 'no change' mark at 52.4.



Consumer confidence levels are still negative at -1.0.



Consumer Price Index has risen to 0.5, up 0.2 from May 2016.

Notes

- The data is from the month of the EU referendum; and as such offers no insight into the effect of 'Brexit'. Though the spotlight this month does try to look at some post EU referendum business surveys and indicators.

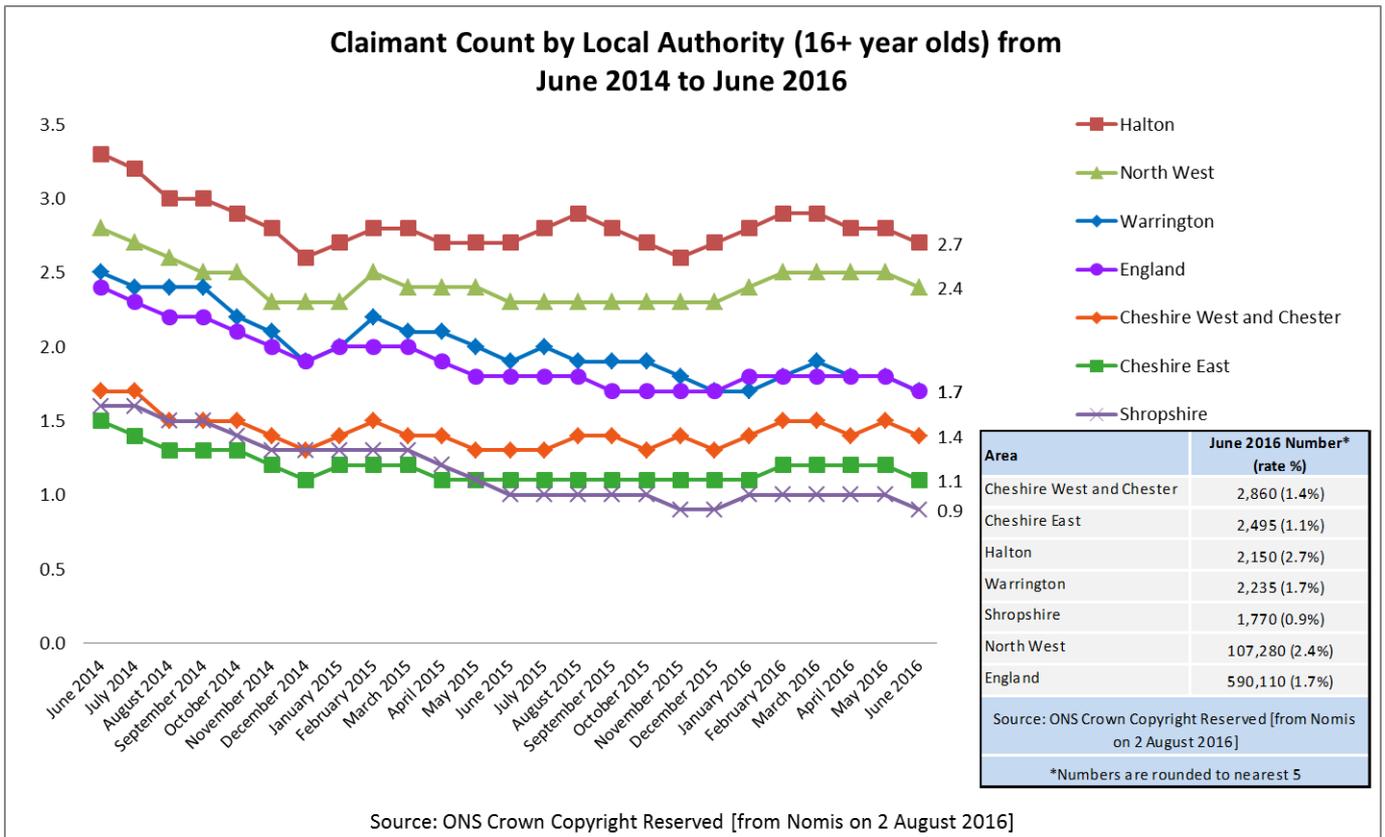


Claimant Count by Local Authority (Monthly)

The 'Claimant Count' figures in Nomis are experimental and are not considered a 'national statistic'. The figures now include both Job Seekers Allowance Claimants and those on Universal Credit that are 'out-of-work'.

There are issues with the Claimant Count data in that the coverage of the Universal Credit estimates does not precisely match the Claimant Count definition, because it includes some claimants who are not required to seek work due to illness or disability. It also includes people who claim unemployment-related benefits but who do not receive payment and those that claim JSA in order to receive National Insurance Credits.

Figure 1: Claimant Count (JSA + UC) by local authority (June 2014 to June 2016)



- Shropshire continues to be the local authority with the lowest Claimant Count rate, down to 0.9% of the resident working age population, equivalent to 1,770 people (down by around 55 people from May 2016).
- Cheshire West and Chester has the third lowest Claimant Count rates at 1.4%, or around 2,860 people, down from the revised May 2016 total of 2,995 people.
- Cheshire East is at 1.1% in June 2016; and has seen a fall of around 55 people.

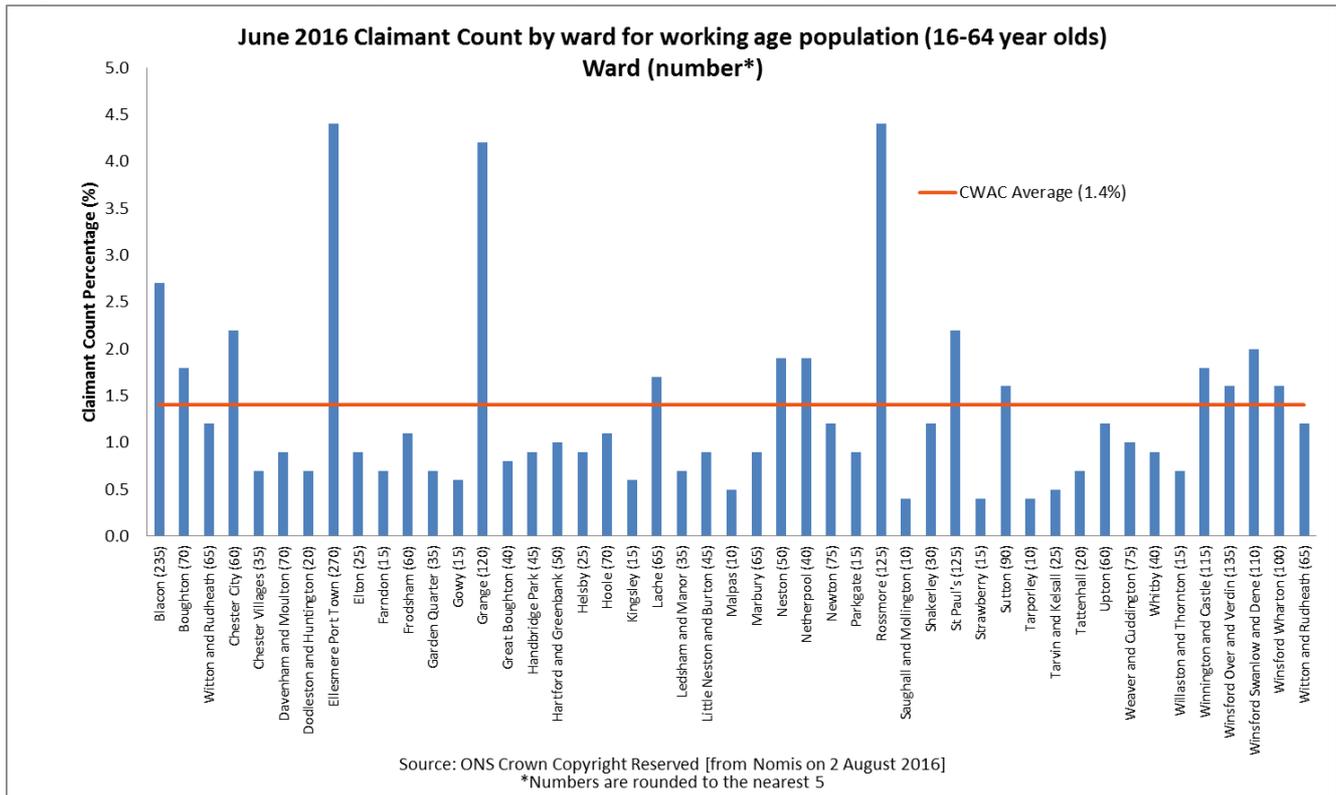


Claimant Count by Ward (Monthly)

The same issues that affect the Claimant Count for local authorities, impact on the Claimant Count by ward. That is, the Universal Credit out-of-work count includes those that may not fit the definition of being unemployed.

The following figure shows the Claimant Count numbers and rates at a ward level for Cheshire West and Chester in June 2016.

Figure 2: Claimant Count (JSA + UC) by ward (June 2016)



- The Cheshire West and Chester figure was 2,995 in May 2016; it has now fallen to 2,860 in June 2016.
- The overall Claimant Count rate for Cheshire West and Chester rate is 1.4% in June, down from the revised May rate of 1.5%.
- Rossmore (4.6% in May) and Ellesmere Port Town (4.2% in May) Wards have the highest Claimant Count rate with 4.4% followed by Grange Ward at 4.2%.
- In terms of numbers (in brackets at the end of each ward name), Ellesmere Port Town has the highest numbers at 270 (up from 255 in May 2016), followed by Blacon Ward with around 235 people (down from 255), these two wards are still significantly higher than the next highest ward of Winsford Over and Verdin with 135 people.

It must be noted again that this may not be a true reflection of those that would normally be on out-of-work benefits as some included in this measure may not be capable of working due to illness or injury, and some may not even be getting payments.

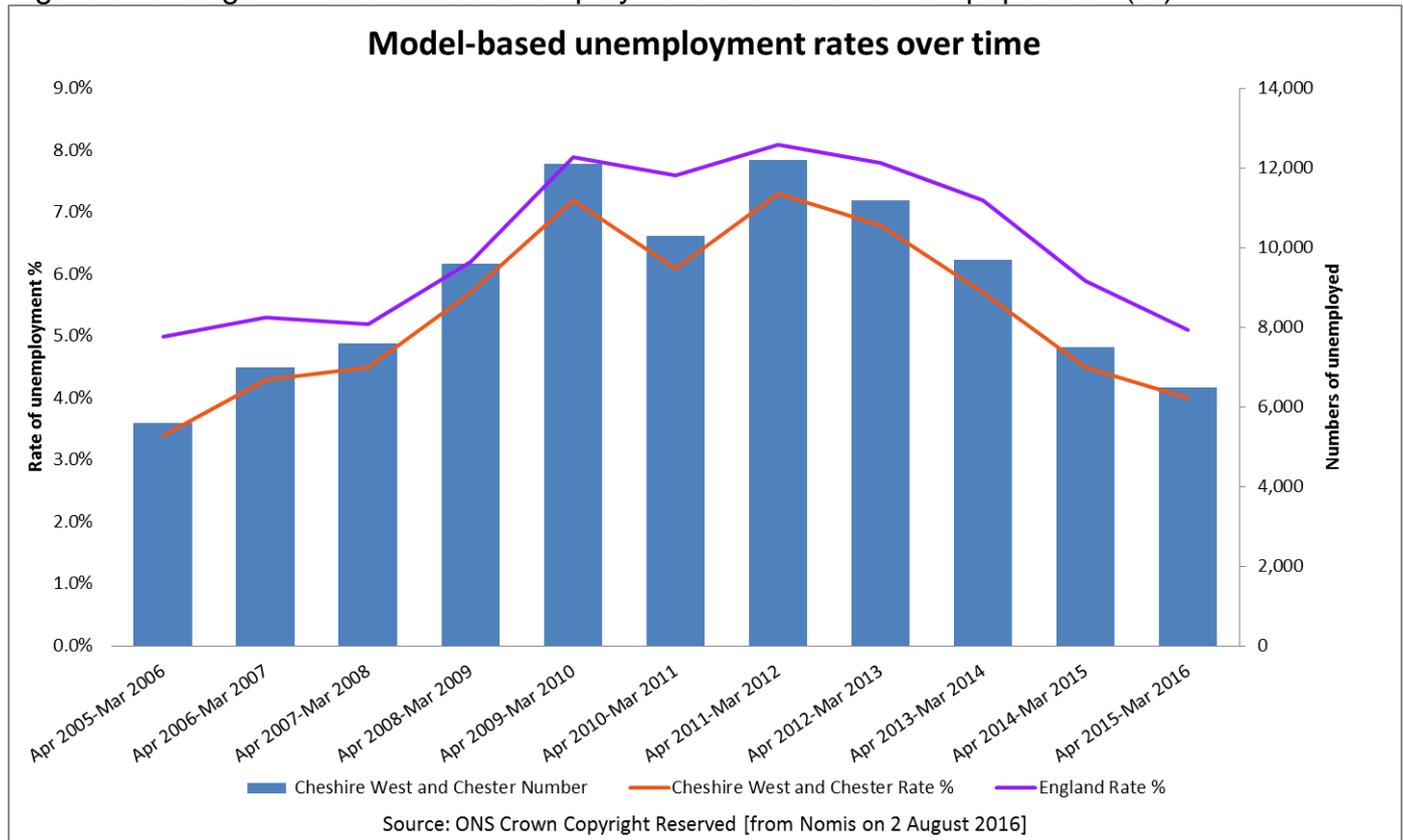


Unemployment (Quarterly)

The unemployment rates used here are the 'model-based estimates of ILO (International Labour Organisation) unemployment' from the Office of National Statistics (ONS). These estimates are now accredited as National Statistics, and are considered to be the most reliable method of calculating unemployment for an area. These are based on rolling surveys that are conducted on a quarterly basis and are calculated at local authority level.

The graph below shows change in unemployment over the last 11 years.

Figure 3: Change in model-based unemployment over time for 16+ population (%)

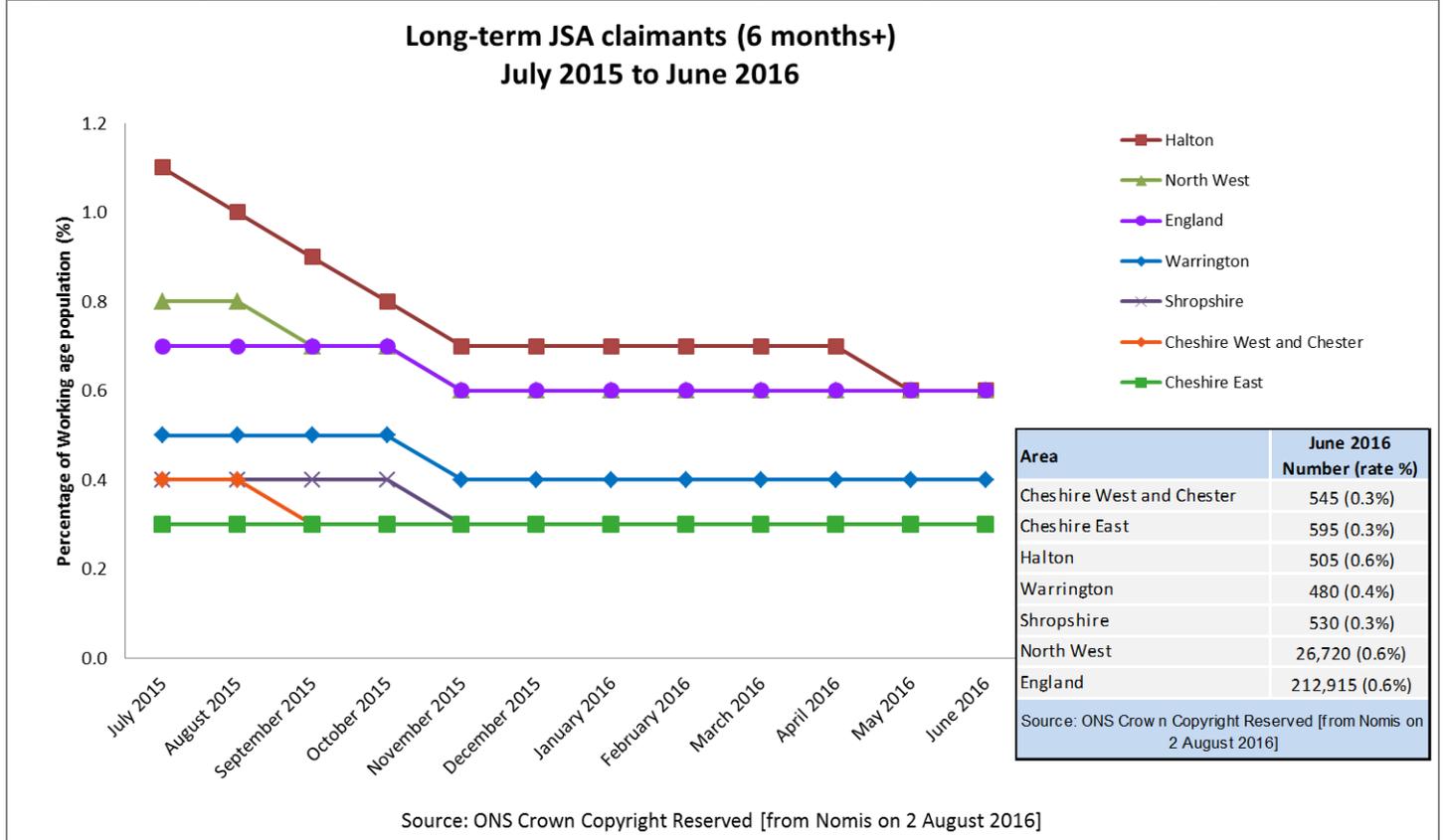


- Cheshire West and Chester unemployment rates have been dropping consistently since 2011/12 and are now close to pre-financial crisis level, from over 12,000 to around 6,500 or 4.0%.
- The rate of decline is very similar to the England rate, suggesting that unemployment rates are declining across England at a similar pace.
- Cheshire West and Chester has consistently remained below the England rates.

Long-term unemployed

Long term unemployed looks at those who have been on Job Seekers Allowance (JSA) for more than 6 months. The reason that JSA figures are looked at, is that the 'Claimant Count' statistics do not have a 'duration' breakdown.

Figure 4: Long-term (6+ months) JSA claimants' comparison (July 2015 to June 2016)



(Note that numbers in the table are rounded to the nearest 5)

- The lowest rates of people claiming JSA benefits for six months or more continues to be Cheshire East, Cheshire West and Chester and Shropshire with a rate of 0.3% of the working age population.
- The general decline in long-term JSA benefit rates have remained the same for the last six months, with only small changes in numbers for most of the local authorities and no change in any of the rates from November 2015 onwards (except for Halton which dropped by 0.1% in May).
- While the rate hasn't changed in the last 6 months, there has still been a 5% drop in the numbers from 575 in December 2015 to 545 in June 2016 in Cheshire West and Chester



Employment (Quarterly)

The annual population survey (APS) from ONS is a combined survey that provides information on key social and socio-economic variables at a local authority level and above. The survey relates to resident populations of the areas sampled. One of the indicators it provides is the employment rate of the resident population; Figure 5 over the page shows how the rate has changed over time for Cheshire West and Chester and comparison areas.

Figure 5: Change in the resident employment rates over time (%)



- As can be seen from the graph above, the employment rate for the local authorities fluctuates over time. However, most areas shown have rising resident based employment levels from 2010 onwards.
- Cheshire West and Chester's current employment rate of 72.6% represents around 148,700 residents aged 16 to 64. The rate has dropped from the previous 12 month period, this represents an decrease from the previous period in terms of numbers who are employed of around 2,000 people. The combination of the seemingly out of synch change in comparison with the rest of the comparators and no significant change in the claimant count suggests that this result may be a result of peculiarities within the surveyed population within Cheshire West and Chester area being rather than an indication of a larger issue. The next employment rate update is due in mid-October; but extra attention will be paid to measures of unemployment to see if increases are evident.

The following table shows a breakdown of the activity rate in Cheshire West and Chester.

Cheshire West and Chester for the 16-64 Population (Apr 2015 to Mar 2016)			
	numerator	denominator	percent
Economic activity rate (proportion of total 16-64 year old residents)	155,700	204,700	76.0%
Employment rate (proportion of total 16-64 year old residents)	148,700	204,700	72.6%
Unemployment rate (proportion of the economically active population)	7,000	155,700	4.5%
Economically inactive (proportion of total 16-64 year old residents)	49,000	204,700	24.0%

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- Economically active includes people who are either employed or unemployed (but have been looking for work in the last 4 weeks)
- Economically inactive people are not in employment, but do not satisfy all the criteria for unemployment; for example, students not working or seeking work and those in retirement are classed as economically inactive. This group is comprised of :
 - those who want a job but who have not been seeking work in the last 4 weeks,
 - those who want a job and are seeking work but not available to start and
 - those who do not want a job (for example those who cannot work due to illness or injury).

Benefit Data – Working age client group (Quarterly)

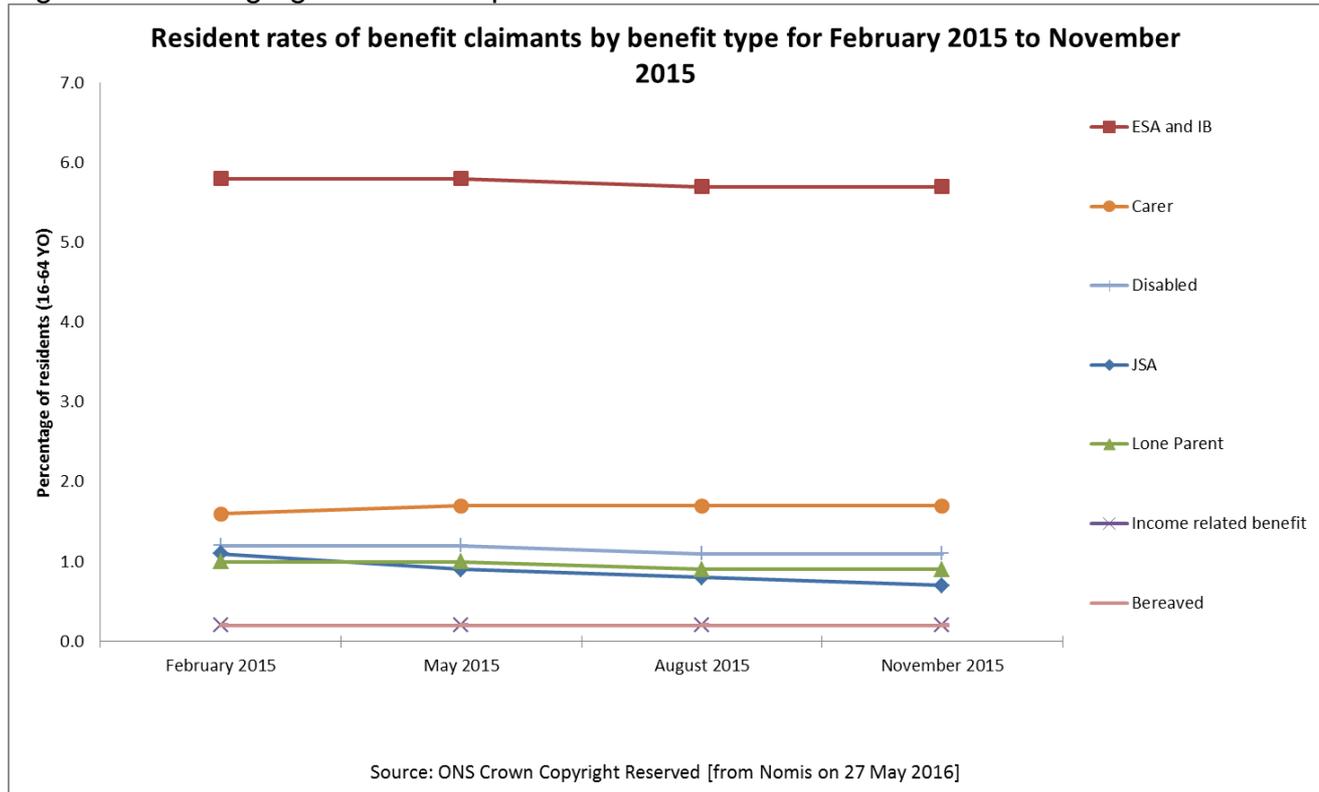
This data looks over time at those people of working age (16-64 year olds) who are on different benefit types in Cheshire West and Chester. Benefits are arranged hierarchically and claimants are assigned to the top most benefit which they receive. The groups in hierarchical order are:

- Job Seeker - claimants of JSA;
- ESA and incapacity - Employment and Support Allowance, Incapacity Benefit or Severe Disablement Allowance;
- Lone parents - single people with children on Income Support and not receiving a disability related premium;
- Carer - Carer's Allowance claimants;
- Others - Other Income Support (including IS Disability Premium) or Pension Credit
- Disabled - Disability Living Allowance, Attendance Allowance or Industrial Injuries benefits; and
- Bereaved - Widow's Benefit, Bereavement Benefit or Industrial Death Benefit.

The data is aggregated on a quarterly basis and can be used to provide an idea of those people who are currently not participating in the workforce except through a work-related activity group. This data-set is based on all claims (i.e. 100% processing of records) so is not subject to sampling error.



Figure 6: Working age benefit recipients for Cheshire West and Chester over time.



- Employment Support Allowance (ESA) and Incapacity Benefit (IB) is by far the most significant contributor to the numbers of benefit claimants in Cheshire West and Chester.
- In November 2015, ESA/IB accounted for just over 11,900 people or 5.8% of the 16-64 year old population.
- The rates of all but the JSA claimants have not changed much over the last 12 months. JSA has fallen from 1.1% in February 2015 to 0.7% in November 2015 representing a fall of over 800 people.
- The rate of Carers benefits has increased over the period from 1.6% to 1.7%, representing an increase of nearly 200 claimants.

NEET (Monthly)

The normal monthly figures are not available this month due to technical difficulties, but will be looked at next month. Sorry for any inconvenience.

Macro-economic indicators

The following section provides an overview of some macro-economic indicators and what they mean:



Consumer Price Index:

Consumer Price Index (CPI) is a 12-month measure that examines the weighted average of prices of a 'very large shopping basket' of average household goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

Consumer Price Index (CPI)		
June 2016	↑	0.5
Previous Month = 0.3		
Source: Office for National Statistics licensed under the Open Government Licence v.3.0.		

The June 2016 rate has risen to +0.5, this means that the 'very large shopping basket of goods' bought in June 2015 for £100.00 would, in June 2016, cost £100.50.

Small Business Index:

The majority of businesses in Cheshire West and Chester are small to medium size enterprises. As such, the small business index offers an insight into the confidence of these businesses looking into the future. It is a quarterly report run by the Federation of Small Businesses (FSB) and looks at capacity levels, employment, revenues and the confidence of small firms across the UK.

Small Business Index		
Q2 2016	↓	4.30
Previous Quarter = 8.6		
Source: Federation of Small Businesses		

According to the FSB report for Q2 (April, May and June) of 2016, the reasons reported for driving the continued decrease in small business confidence was a combination of higher labour costs with the roll out of the living wage and a loss of confidence in the UK economy outlook. As the Index is still a positive number, small businesses are generally positive about the outlook ahead, but only just; and it should be noted that the Q2 index of 2015 was 37.9.

UK purchasing managers' index:

In the United Kingdom, the Purchasing Managers' Index is an indicator of the health of the manufacturing sector. It is based on new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading at 50 indicates no change.

UK Purchasing Managers' Index (PMI)		
June 2016	↑	52.4
Previous Month = 50.1		
Source: Markit/CIPS UK Manufacturing PMI®		



The manufacturing PMI has continued to remain just above the critical no-change mark of 50.0 after its fall below the mark in April 2016. The fact that it's above 50 shows the sector is growing, but only just. The small increase in new business was driven by domestic clients. Manufacturing is a significant contributor to the GVA of Cheshire West and Chester, representing over 25% of the value of workplace based GVA by industry at current basic prices in 2014.

Consumer Confidence index:

In the United Kingdom, the consumer confidence survey measures the level of optimism that consumers have about the performance of the economy in the next 12 months. German market research company GfK Consumer Confidence index is derived from consumer surveys where they are asked to rate past and future economic conditions including personal finances, climate for major purchases, overall economic situation and savings level.

Consumer Confidence Index		
June 2016	➔	-1
Previous Month = -1.0		
Source: GfK NOP UK		

The report from GfK states that Consumer confidence has remained at -1.0 for June 2016. The June survey showed negative attitudes in all of the areas measured. The head economist of GfK Joe Staton said “The pessimistic outlook of the general economic situation for the next 12 months continues to be the biggest drag on the index”.

Official Bank of England Interest Rates:

The Bank of England interest rate is the rate at which the BoE lends short-term money to financial institutions. This in turns affects the range of short and longer-term interest rates set by commercial banks, building societies, etc. for their customers. The idea of rate changes is to try and keep the balance between the supply of, and demand for, goods and services.

Bank of England Interest Rate		
June 2016	➔	0.50
Previous Month = 0.50		
Source: Bank of England		

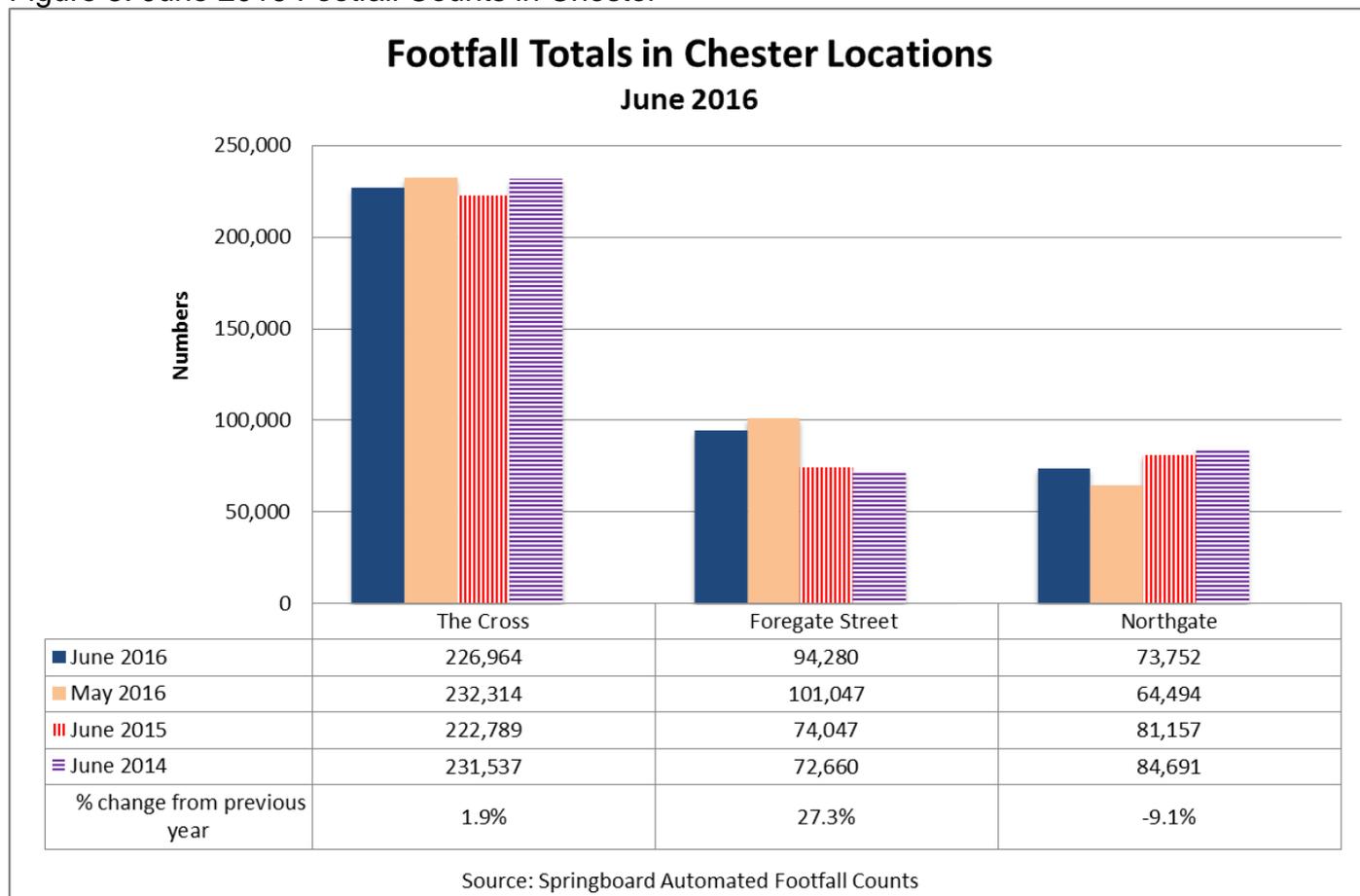
The rates have remained unchanged since April 2009. These low rates are to help drive exports of goods and services overseas, hopefully increasing the need for domestic employment. Low interest rates (if passed on at the consumer level by commercial banks and financial institutions) can also help stimulate the economy by encouraging borrowing.



Chester footfall (Monthly)

Cheshire West and Chester Council receive footfall data from Springboard Automated Footfall counting. This provides an idea of pedestrian activity in an area; however it does not necessarily translate into people spending money in shops. The following is data collected from 01/05/2016 to 28/05/2016.

Figure 8: June 2016 Footfall Counts in Chester



- The Cross saw a fall in foot traffic from the May 2016 figures; however the June 2016 figure was above the figures from 12 months ago.
- Footfall numbers in Foregate Street were lower than in May's 2016 but much higher than the same period for the previous two years.
- Northgate Street had the opposite, where the figures for June were higher than the previous month, but lower than the same period for the previous two years.
- Foregate Street saw a rise of over 25% from the same month last year; whereas Northgate Street saw a drop of 9% from May 2015.
- Peak footfall times occur around lunch time between 11.00am to 2.00pm during the week; this applies to the three areas covered by the monitoring equipment.
- From other information in the report, Saturday was the busiest day of the week, peaking just under 8,000 footfalls per hour just after 1.00pm.

Spotlight:

The following is a brief overview of some of the indicators that have been released post EU referendum. These indicators highlight the high level of uncertainty that is felt by most sectors. This will include indicators that will be included in next month's bulletin as a matter of course.

Bank of England:

On the 4th of August the Bank of England cut its Interest rate to 0.25% from 0.5%. This is the first change in its interest rates since the peak of the Global Financial Crisis (GFC) in April 2009; and it is the lowest it has ever been in its history.

According to news reports, the Bank has decided to cut rates and start a package of quantitative easing ('printing' more money) to try and stave off a recession (two consecutive quarters of economic contraction often identified by falls in GDP). While it will mean little for those with a mortgage, an estimated average saving of £22/month if the retail banks pass it on in full; it will impact those with savings including pension annuities. The aim is to stimulate the banks into lending more money to help drive growth.

There is divided opinion among economists as to how effective these measures can be.

Purchasing Managers Index

The Market/CIPS measures of various industries' expansion or contraction is called the Purchasing Managers Index and is available in the UK for construction, manufacturing, services and the whole economy. Anything above the 50.0 shows an industry that is growing; anything below 50.0 shows an industry that is contracting.

The figures released for July show that all measures have shown that contraction is occurring

- Construction PMI – 45.9 (down from 46.0 in June 2016 which was a seven year low).
- Manufacturing PMI – 48.2 (down from 52.4 in June, and is at the lowest level since February 2013).
- Services PMI – 47.7 (down in 52.3 in June, falling at their fastest rate since March 2009).

The common thread amongst these indicators is a loss of confidence and a sense of uncertainty about the future. None of the indicators are at the levels of the GFC which suggests that the underlying economic robustness is significantly better than the 2008/2009 global economic crash.

Jobs

IHS Markit (a company that specialises in market research) has also released a report on the UK job market showing that there has been a marked drop in permanent appointments due to uncertainty. Private industry has shown a stronger growth of demand for jobs than the public sector. Nursing/Medical/Care was the most in-demand category for permanent staff. Construction workers saw a decline in demand for their services.

July saw an increase in temporary employment, but due to uncertainty, this growth was the slowest in 10 months. This period also saw the slowest rise in starting salaries for permanent employees for over three years.



Retail:

On a positive note, retail sales figures in July increased by 1.9%, according to the British Retail Consortium and KPMG's latest survey. This was driven by holiday fashion spending and BBQ/Picnic food and drink sales as detailed by a BBC news article on the 8th August (<http://www.bbc.co.uk/news/business-37016123>). This news article also showed that according to a Barclaycard report, spending in restaurants, pubs and cinemas has continued to grow, but spending overall has reduced in July.

Summary

Again, it must be stressed that the key factor influencing the economy at the moment is uncertainty rather than any of the significant economic structural issues seen in the Global Financial Crisis. It is too early to tell if the general downward trend will continue over the coming months, however the size and scale of the current falls indicates that this will impact on the UK economy for some time.

As time goes on and the situation becomes clearer, it is expected that some of the negativity will ease as some of the more positive benefits become clearer; such as the weaker £ sterling helping exporters. However, economic experts expect there is at least two years of ongoing uncertainty while the UK negotiates its way out of Europe, and market volatility is likely to remain for some time.

It is reasonable to expect that the impacts on the larger economy will also be felt in the Cheshire West and Chester economy in the coming months and years. What is not clear is the scale of these impacts; and how businesses in Cheshire West and Chester will adapt to the new landscape.



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