

Appendix 3b

County Durham Economic Review Update



**Economic Review Update Report for
County Durham**

December 2021

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1 Introduction and Context

Purpose of the Report

This report provides an overview of County Durham's latest economic conditions against a series of key indicators. The analysis considers the latest position relative to that reported at the time the County Durham Economic Review was completed in March 2021 with consideration also given to how changes compare to change reported England wide.

Published data sets under the themes of People and Economy & Enterprise have been considered to provide the most up-to-date picture of the resident population, labour market, employment trends, sector performance, business base, economic output and productivity.

In addition, a review of the impacts of Covid-19 and Brexit is also set out, considering what has happened since the Economic Review was prepared compared to expected trends at the time of its completion. The section provides an updated analysis for the County, drawing on recently published insights and forecasts to consider the future outlook in relation to key expected challenges and impacts.

In all cases, the updated analysis is intended to provide stakeholders with an up to date understanding of the latest circumstances evident in County Durham and provide the basis for development of the Economic Strategy.

The Latest Context

There have been several changes in the political and economic context over the past 8 months which will – directly or indirectly – have played a role in shaping County Durham's economic performance and outlook. The primary factors to acknowledge are:

New local political leadership and opportunities

- County Durham has seen a change in political leadership since the Economic Review was prepared. The arrival of a new Council Leader – Amanda Hopgood – in May 2021 reflects the introduction of a coalition of Liberal Democrats, Conservatives, and independents, replacing long term Labour leadership in the County. Political priorities will evolve in response.
- Discussions around a potential County Durham devolution deal have continued, providing scope for the County to secure new powers, as part of the Levelling Up agenda (considered further below).

A changing economic outlook

- The UK economy contracted sharply in 2020 by 9.8% but has shown signs of a strong recovery in 2021¹, with insights suggesting the UK will have grown by 7.3% in 2021². Both sectoral and regional imbalances are however anticipated. Forecasts for the North East are included within Section 3.
- The strength of the rebound in demand in the UK in 2021 has led to supply constraints in several markets with the supply bottlenecks exacerbated by changes in the migration and trading regimes following Brexit.³
- While emerging data looks promising, there are fears that the outlook remains uncertain. For example, the Institute of Fiscal Studies (October 2021)⁴ expect “a combination of lingering public health concerns, income losses and supply impairments to all drive a further fading of growth momentum over the winter”. In addition, the Omicron coronavirus variant might dampen the expected rebound in growth, even if new restrictions are not imposed, in response to heightened uncertainty.
- The latest insights from the House of Commons suggest the labour market is continuing to recover. Nationally employment levels have risen as of September 2021 while unemployment

¹ House of Commons, Coronavirus: Economic Impact, September 2021

² House of Commons Research Briefing: Regional and National Economic Indicators, November 2021, Oxford Economics.

³ <https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/>

⁴ <https://ifs.org.uk/uploads/2-UK-economic-outlook-the-future-isn%E2%80%99t-what-it-used-to-be-.pdf>

levels have been falling, although the publication notes, increases in unemployment are forecast for late 2021.⁵ The PwC UK Economic Outlook for December 2021 suggests that although the short-term outlook for the labour market is cautiously optimistic, there may be a rise in the inactivity rate as workers are discouraged from entering the workforce after so long out of work.

A strengthening Levelling Up narrative

- The Levelling Up agenda has remained a priority for Government. A £4.8bn Levelling Up Fund was launched in March 2021 investing in town centre and high street regeneration, upgrading local transport, and investing in cultural and heritage assets, with £1.7bn allocated to places in the first round. Round one allocations suggest ambitions are broader than closing the productivity gap between the North and South, with activity supported across the country. Timescales for Round two bids remain to be confirmed.
- County Durham were successful in securing £20m in the first round of the Levelling Up Fund to reopen Whorlton Bridge, deliver the A68 Toft Hill bypass and to create a heritage corridor along the Stockton and Darlington Railway line. These investments support the priority identified in the Economic Review to secure further investment in culture and heritage assets to strengthen the leisure economy.
- The rebranding of the Ministry for Housing, Communities and Local Government to the Department for Levelling Up, Housing and Communities and the appointment of Michael Gove MP as Secretary of State for Levelling Up, Housing and Communities in September 2021 has been seen by many as an indication that a refreshed approach is coming. The impacts are, however, yet to be realised.
- The Autumn Budget and Spending Review 2021 launched the UK Shared Prosperity Fund (UKSPF), worth over £2.6 billion, to help people access new opportunities in places of need. Detailed proposals for the coverage and administration of the UKSPF still remain to be disclosed. While Community Renewal Fund (UKSPF's predecessor) allocations have provided some short-term support to pilot projects, a clearer strategic focus around future funding streams is required.
- The long-awaited Levelling Up White Paper was expected before the end of the year but has been delayed until 2022 with ongoing speculation about the scope of proposals. This will remain a publication to keep under review over the coming year.

The continued impacts of Covid-19

- During the first part of 2021, restrictions caused some sectors of the economy, including hospitality, tourism and leisure, to be severely impacted. Easing of some restrictions on 12th April allowed non-essential retail, hairdressers, public buildings and outdoor venues (including food & drink) to open, further easing on 17th May allowed indoor venues to open, and the 19st July saw all legal limits on social distancing removed allowing all sections of the economy to fully open up.
- The Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) ended on 30th September 2021.
- The anticipated sudden rise in unemployment as the furlough scheme concluded has not yet materialised, although the true impacts on unemployment may not be seen until 2022. This may in part be due to those who have been made redundant being included in the payroll data whilst serving notice periods. Demand for labour does, however, remain strong.
- Impacts and the speed of recovery have, however, been inconsistent across the economy. For example, some leisure and hospitality focused businesses are yet to see trade return to pre-pandemic levels (e.g. town and city centre businesses who are dependent on office worker footfall at a time when working from home or hybrid working has remained popular) and it is these sectors of the economy that are also expected to experience the greatest impacts of current high and rising infection levels and the scope for further restrictions in later months (although the impact of this will not be evident in data for some time).

⁵ House of Commons, Coronavirus: Impact on the labour market, October 2021

Growing understanding of the impacts of Brexit

- The transition period ended on 31st December 2020 and the UK left the EU single market and customs union with the EU-UK Trade and Cooperation Agreement (TCA). This has increased the bureaucratic burden on importers and exporters including as a result of checks on UK exports on the EU side, while implementing full checks on imports from the EU have been delayed in the UK for much of 2021. Therefore in 2022 the impact of these checks on imports is expected to be fully understood.
- While some businesses have begun adapting to the new trading arrangements with the EU, for others the longer-term impacts in competitiveness are yet to be felt.
- Early implications of changes to labour supply are already being experienced in some sectors of the UK economy which disproportionately rely on EU workers including transportation, hospitality, and food-processing.
- In 2020, the first net outflow of EU migrants in three decades was recorded for the UK.

2 Updated Statistical Position

Introduction

The latest data for indicators under the themes People and Economy and Enterprise have been explored in this section. When selecting indicators, a focus has been placed on those measures where changes may have been expected to occur over a relatively short period of time. In many cases, change will only be evident over a longer period. Data for comparator geographies have also been presented to consider County Durham's relative performance compared to the North East and England.

The data presented in the March report for County Durham has also been presented for each indicator, while the column titled 'change since March review' indicates whether there has been an increase (\uparrow), decrease (\downarrow) or no change (-) in the measure. Change in County Durham's performance relative to the national indicator is also considered in the tables below. Colour coding has been used to show both the direction of travel within County Durham over the period and the current position relative to the national average and is represented as follows:

Key	
Improved	
No change	
Worse	
Not applicable	

It is worth noting some changes in economic circumstances are also captured under section 3 of this report, which looks specifically at data and insights relating to the impacts of Covid-19 and Brexit.

Core People Statistics

People							
Indicator and period covered	March report position	Latest position			County Durham direction of travel		Commentary
	County Durham	County Durham	North East	England	Change since March review	Change in CD ⁶ position relative to national since the March review	
Unemployment Rate (year ending June 2021) ⁷	6.5% (year ending, September 2020)	6.6%	6.8%	5.2%		Improved	The unemployment rate in County Durham (CD) remains above the national average, and marginally below the regional rate. However, since the year ending September 2020, the unemployment rate has remained broadly consistent (+0.1%) for CD, while both regionally and nationally it has increased (by 0.5 and 0.8 percentage points – p.p., respectively) causing the performance gap to reduce.
Youth unemployment, aged 16-24 (year ending June 2021) ⁸	22.2% (year ending, September 2020)	14.0%	16.9%	15.1%		Improved	Youth unemployment in County Durham has fallen from an average of 22.2% in the year ending September 2020 to 14.0% in the year to June 2021, a drop of 8.2 p.p., while nationally youth unemployment has risen from 12.9% to 15.1%, (+ 2.2 p.p.), over this period. County Durham's youth unemployment rate is now below both the regional and national rates.
Claimant Count, total claimants (November 2021) ⁹	20,790 (December 2020)	14,950	87,780	1,650,840		Improved	In County Durham, the number of claimants has fallen from 20,790 in December 2020 to 14,950 in November 2021, a fall of 28%, compared to a 25% decline in the North East and 26% nationally.

⁶ County Durham

⁷ ONS Annual Population Survey via Nomis on 06/12/21

⁸ Ibid, via Nomis on 06/12/21

⁹ ONS Claimant Count by sex and age via Nomis on 14/12/21

Claimant Count as a % of working age adults (November 2021 ¹⁰)	6.1% (December 2020)	4.5%	5.3%	4.7%		Unchanged	Claimant Count, as a proportion of the working age population, has fallen by 1.6 p.p. since December 2020, to 4.5% in CD in November 2021. The change is in line with rate reductions both regionally and nationally (where the rate fell by the same amount).
Economic Inactivity (year ending June 2021 ¹¹)	75,400 (year ending September 2020)	76,200	395,300	7,382,400		Improved	There are 800 more residents classed as economically inactive in CD than at the time of preparing the Economic Review, an uplift of 1.1%. This is marginally below the upward trend in inactivity in the North East (+1.9%) and nationally (+2.4%).
Economic Inactivity as a % of working age residents (year ending June 2021 ¹²)	23.1% (year ending September 2020)	23.7%	24.3%	21.2%		Unchanged	Economic inactivity has risen by 0.6 p.p. in CD, and is marginally below the North East rate, whilst remaining consistently higher than the national rate.
Employment rate as a % of the working age (year ending June 2021 ¹³)	71.9% (year ending 2020)	71.3%	70.5%	74.7%		Worsened	In line with an increase in economic inactivity and unemployment, the employment rate has fallen by 0.6 p.p. since the March report. County Durham has maintained the trend of performing below the national average (with the national rate remaining at a similar level) although the employment rate is marginally above the regional average.
No. residents on furlough (September 2021 ¹⁴)	12,500 (October 2020)	7,600	38,100	964,000		Not Applicable	The number of residents claiming furlough fell from 12,500 at the end of October 2020 to 7,600 at the end of September 2021, as the scheme came to a close. Of those furloughed in CD, 29% were in the manufacturing sector (compared to 10% nationally and 23% in the region) highlighting the dominance of the sector.

¹⁰ *Ibid*, via Nomis on 14/12/21.

¹¹ ONS Claimant Count Survey via Nomis on 14/12/21.

¹² *Ibid*, via Nomis 06/12/21

¹³ *Ibid*, via Nomis 06/12/21

¹⁴ HM Revenue and Customs Coronavirus Job Retention Scheme statistics, on 06/12/21

Take-up rate of furlough ¹⁵ (September 2021 ¹⁶)	6.0% (October 2020)	3.7%	3.6%	4.0%		Worsened	The take-up rate of furlough fell from 6.0% in October 2020 to 3.7% in September 2021 (-2.3 p.p.) a smaller decline than seen across the North East (-2.9 p.p.) and nationally (-3.7 p.p.)
Median Annual Resident Earnings Full-time (2021 ¹⁷)	£28,002 (2020)	£28,259	£27,646	£31,490		Improved	The median resident earnings have increased marginally since the March report, from £28,002 to £28,259, while regionally and nationally they have fallen, marginally reducing the gap with the national average.
Median Annual Workplace Earnings Full-time (2021 ¹⁸)	£26,495 (2020)	£26,354	£27,515	£31,480		Improved	The median workplace earnings have decreased marginally since the March report, from £26,495 to £26,354 in CD, a fall of 0.5% compared to a decrease of 1.3% in the North East and 0.9% nationally.

¹⁵ Of eligible employments

¹⁶ HM Revenue and Customs Coronavirus Job Retention Scheme statistics, on 06/12/21

¹⁷ ONS Annual Survey of Hours and Earnings via Nomis on 06/12/21

¹⁸ *Ibid*, via Nomis 06/12/21

Core Economy and Enterprise Statistics

Economy and Enterprise							
Indicator and period covered	March report position	Latest position			County Durham direction of travel		Commentary
	County Durham	County Durham	North East	England	Change since March review	Change in CD position relative to national since the March review	
Total employment (2020 ¹⁹)	183,000 (2019)	177,000	1,074,500	26,671,500	↓	Worsened	Between 2019 and 2020 total employment in CD declined by 6,000 jobs or 3.3%, compared to a fall of 2.5% across the North East and 1.8% nationally. CD's employment accounts for 16.5% of total employment in the region, which is a marginal decrease of 0.5 p.p. since the March report.
Top 3 sectoral employment gains (absolute terms) (2019-2020 ²⁰)	-	Accom. & food: +2,000 Education: +1,000. Admin. & support: +500.	Accom. & food: +9,500. Human health & social work: +5,500. Education: +2,500.	Human health & social work: +70,000. Education: +34,500. Transport & storage: +24,500.	↑	Not Applicable	Since 2019 the accommodation and food service activities sector has grown considerably by 15% with an additional 2,000 jobs in 2020 in CD. In comparison, nationally this sector saw the largest overall decline in employment. Education has maintained an upward trend since the March report, with an additional 1,000 jobs (+5%), in line with growth in education across the region (+3%) and nationally (+2%).
Top 3 sectoral employment losses (absolute terms) (2019-2020 ²¹)	-	Manufacturing: -2,500. Wholesale & retail: -2,000. Construction: -1,500.	Wholesale & retail: -15,000. Profess., scientific & technical: -12,000. Construction: -7,000.	Accom. & food: -141,500. Wholesale & retail: -107,000. Manufacturing: -89,000.	↓	Not Applicable	In CD, employment in manufacturing (previously the largest sector in the local authority) has fallen by 2,500 jobs, representing a significant 10% fall, consistent with the national picture although to a greater extent (-4% nationally). Employment in wholesale and retail trade has declined by 2,000 jobs since 2019 in CD, representing a 7% fall, consistent with regional and national losses within the sector, (-9% and -3%,

¹⁹ ONS Business Register and Employment Survey via Nomis, 06/12/21

²⁰ *Ibid*, via Nomis 06/12/21

²¹ *Ibid*, via Nomis 06/12/21

							respectively). Employment in the construction sector declined by 14%, a similar scale of decline seen across the North East (-13%).
Latest business counts (2021 ²²)	14,105 (2020)	14,565	72,525	2,405,965		Improved	Between 2020 and 2021 there has been a 3.3% uplift in the number of businesses in CD, a greater rate of growth than reported across the North East (+0.6%) and nationally (+1.5%).
Business density (per 10,000 working age population, 2021 ²³)	430 (2020)	441	435	683		Improved	Business density in County Durham has increased since the March report from 430 to 441, marginally above the North East average. While the gap between County Durham's business density and national business density has fallen marginally, the difference is still substantial, if CD matched the national business density rate it would have almost 8,000 additional businesses – a 54.9% uplift on the business count outlined above.
Business start-ups as a % of business base (2020 ²⁴)	12.4% (2019)	12.6%	12.3%	12.1%		Improved	The number of start-ups has increased from 1,710 in 2019 to 1,840 in 2020, an uplift of 7.6%. Business start-ups as a proportion of the business base increased by 0.2 p.p. between 2019 and 2020. The rate is above both the North East, and national average. This reflects an improvement in the relative position since 2019, in which County Durham was below both the North East and national business start-up rate.
Business survival rate (five years from 2015 - 2020 ²⁵)	43.1% (five years from 2014)	40.9%	38.3%	39.5%		Improved	The five-year business survival rate in County Durham has fallen by 2.2 p.p. This is, however, a smaller reduction than reported nationally (-3 p.p.).

²² ONS UK Business Counts via Nomis, 06/12/21

²³ *Ibid*, via Nomis 06/12/21

²⁴ *Ibid*, via Nomis 06/12/21.

²⁵ ONS UK Business Counts - enterprises by industry and turnover size band via Nomis, 06/12/21

Business survival rate (one year from 2019 ²⁶)	91.9% (one year from 2018)	92.1%	91.0%	88.2%		Improved	County Durham, as with the five-year rate, remains above the North East and national rates for business survival after a year and had risen marginally, while nationally the one-year survival rate has fallen.
Business deaths as a % of the business base (2020 ²⁷)	10.1% (2019)	9.2%	10.1%	10.7%		Improved	Business deaths as a proportion of the business base have fallen in CD between 2019 and 2020. Consistent with 2019 data, CD has a lower rate of business deaths than the North East and nationally.
Total GVA (2019 ²⁸)	£8,834 (2018)	£8,972	£55,339	£1,702,078		Worsened	Between 2018 and 2019 total GVA for County Durham has increased by 3.2%, marginally above the rate of growth in the North East as a whole (+3.0%) but below the national growth rate (+3.7%). GVA data is not yet available for 2020 to understand the full impact of Covid-19 on economic output for County Durham.
GVA per capita (2019 ²⁹)	£16,763 (2018)	£16,925	£20,727	£30,239		Worsened	GVA per capita in 2019 has increased by 1.0% since 2018 in County Durham, compared to growth of 0.8% in the North East and 3.0% nationally. It remains considerably below the rate for both the North East and England.
GVA per job (2019 ³⁰)	£45,259 (2018)	£45,602	£47,504	£57,583		Worsened	The 2019 GVA per job has increased marginally by 0.8% since, similar to North East growth rate (0.7%) and marginally below the national level (1.0%). The figure remains marginally below the average for the North East and significantly below the rate for England.

²⁶ *Ibid*, via Nomis 06/12/21.

²⁷ *Ibid*, via Nomis 06/12/21.

²⁸ ONS Subregional Productivity July 2021, via Nomis 06/12/21

²⁹ ONS Subregional Productivity July 2021, via Nomis 06/12/21

³⁰ *Ibid*, via Nomis 06/12/21

GVA per hour worked (2019 ³¹)	£28.8 ³² (2018)	£29.0	£30.3	£35.7		Worsened	GVA per hour worked has risen marginally in County Durham between 2018 and 2019, slightly below the increase recorded across the North East (+0.8%) and England (+1.0%) during this time. GVA per hour worked remains below the North East level (by £1.3 per hour), and nationally (by £6.7). The performance gap between County Durham and nationally has increased from a £6.5 per hour gap in 2018 to a £6.7 per hour gap in the latest available data.
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³¹ *Ibid*, 06/12/21

³² Due to updates in the most recent sub-regional productivity dataset the 2018 GVA per hour worked has fallen marginally from £30.0 (the value reported in the March report) to £28.8

Overarching Observations

On balance, there appears to be an improving picture for the key economic indicators considered above. Statistics for County Durham show small improvements locally across 15 indicators compared to seven which have displayed a deteriorating position and two showing no change since the Economic Review report was produced. In a series of instances, the County has out-performed the trends reported regionally and nationally, helping to close the performance gap.

Key points of note are:

Positive changes:

- A reduction in claimant unemployment levels and the youth unemployment rate, during a period of great economic uncertainty.
- Small increases in resident earnings, with a marginal reduction in the gap with earnings nationally reported in both resident and workplace statistics.
- A small rise in business start-ups with the rate now exceeding the regional and national averages and business survival and death rates moving in a positive direction, relative to the national picture.

Continued need for attention:

- Overall employment losses have exceeded the rate of change reported regionally and nationally.
- Monitoring the continued level of manufacturing job losses and the implications this has for County Durham, a key sector of the local economy and a source of higher than average GVA.
- Further growth in the productivity gap relative to the national average, exacerbated by further manufacturing job losses, despite a positive change in the GVA figures reported locally.

3 Impact of Covid-19 and Brexit Review

Introduction

As reported at the time of the March review, Covid-19 and Brexit remain important challenges facing the UK as a whole which are likely to continue to have a significant impact upon County Durham's economy in the short and medium term. This section – which draws on published statistics and research papers produced in recent months – considers trends that have been reported since the Economic Review was prepared relative those anticipated at the time of its production. A colour coding approach has been applied as follows in the right-hand column of the table:

Key	
The current position/forecasts are an improvement on the anticipated position	
The reported position is in line with expectations	
The current position/forecasts are worse than anticipated at the time of the March report	
Not applicable/no data available	

The findings are presented overleaf.

The Impacts of Covid-19

The key themes relating to the economic impact of Covid-19 as set out in the March report, have been revisited, considering whether predictions have been realised and/or whether forecasts suggest a continuation of the anticipated position.

	Anticipated impact at the time of the March review	Updated position / reported trends	Summary finding/direction of travel
Economic Output	GVA would decline by 11.4% in 2020 across the country and fall by 12.2% in the North East ³³	While published 2020 GVA data for England and the North East is not yet available, a House of Commons Briefing Paper suggests GDP ³⁴ for the UK declined by 9.8% in 2020 ³⁵ , a lesser rate than first forecast although still representing a sharp contraction. The latest national and regional forecasts published in a House of Commons Briefing Paper suggest that GVA for England in 2021 will increase by 7.2% and by 8.6% in the North East, a greater rate of growth than previously anticipated for the year. The Institute of Fiscal Studies had forecast GDP growth of 4.4% in 2022 in the UK.	Although the measures used are not directly comparable, the impact on economic output appears to have been slightly better than anticipated with future forecasts also appearing positive.
	Between 2019 and 2030 the average compound annual growth rate (CAGR) will be 1.1% nationally and 0.6% in the North East	From 2020-2030 the latest forecast CAGR is 1.4% nationally and 1.2% for the North East, ³⁶ up from previous forecasts. The UK's recovery in 2021 was stronger than anticipated, supported by a better public health outlook, easing restrictions and the extension of fiscal support. ³⁷	The CAGR forecasts have increased since the Economic Review was prepared.
Redundancies and Unemployment	Unemployment is expected to increase in Summer/ Autumn 2021, particularly as furlough ends	Contrary to the expected trend, since the first quarter of the year (when claimant count as a proportion of the working age population averaged 6.1% in CD) the claimant count has continued to fall month on month. As of November 2021, there were 14,950 claimants of unemployment related benefits, equating to 4.5% of the working age population, compared to 5.3% in the North East and 4.7% nationally ³⁸ . As the furlough scheme was ending at the end of September 2021, the number of residents claiming furlough in CD was 7,600, a take-up rate of 3.7% of eligible employment, compared to 4% nationally. Recent data and surveys suggest that many workers who were still furloughed in September remain in employment. Although there is expected to be a lag before the full impact is understood, due to furloughed employees that have been made redundant still being included in payroll data whilst serving notice periods. ³⁹ However, record high vacancy rates	Unemployment rates have not recorded the significant uplift anticipated at the end of the furlough scheme. Ongoing review of this indicator is however recommended as the future position remains uncertain.

³³ House of Commons Briefing Paper: Regional and Country Economic Indicators, December 2020, Oxford Economics

³⁴ In the absence of a reliable and up to date GVA figure, GDP has been used (with GVA being a good proxy for GDP)

³⁵ House of Commons Briefing Paper: Coronavirus: Economic Impact, September 2021

³⁶ House of Commons Research Briefing: Regional and National Economic Indicators, November 2021, Oxford Economics.

³⁷ <https://ifs.org.uk/publications/15691>

³⁸ ONS Claimant count by sex and age via Nomis on 14/12/21

³⁹ PwC UK Economic Outlook December 2021

		might minimise the number of people registered as unemployed after being made redundant. ⁴⁰ Unemployment could still increase at the start of 2022 as more people return to the labour market and the effects of the end of furlough are felt, according to recent Institute of Fiscal Studies insights. ⁴¹	
	Redundancy level expected to increase, Summer/ Autumn 2021	While in September to November 2020 the recorded level of redundancies in the UK was at the highest since records began at 402,000, data for June-August 2021 suggests there were 99,000 redundancies, below pre-pandemic levels. In the North East from September to November 2020, redundancies peaked at 14,000 whereas the most recent figures for August-October 2021 are 4,000 redundancies.	The anticipated uplift in redundancies has not materialised. There does, however, remain scope for figures to rise over coming months as redundancies work through the data.
Business Base	Many hospitality and leisure related business were anticipated not to reopen due to Covid-19 impacts	Hospitality has been one of the sectors most affected by lockdowns and government restrictions throughout the coronavirus pandemic. The hospitality sector adapted to the changing restrictions, with the proportion of businesses temporarily closed in the UK falling from 81% in the spring 2020 lockdown to 54% in the early 2021 lockdown ⁴² . Across the UK the restaurant net openings/closures per year for 2019 was -4.5% (-273 units net change), while in 2020 the net change was -11.2% (-670 units net change) ⁴³ . Between March 2020 and the end of May 2021, Britain had 9,379 fewer licensed premises, representing a decline of 8.1% compared to the pre-COVID total. ⁴⁴ Despite the challenges faced, between 2019 and 2021 the number of businesses in the accommodation and food and arts, entertainment and recreation sectors, has continued to grow in County Durham, with business counts up by 155, an uplift of 10.3%, above the growth in businesses seen across the region (+6.1%) and nationally (+5.1%). This is in line with employment data between 2019 and 2020 for County Durham where employment in accommodation and food service activities sector saw an uplift of 2,000 job, while nationally the sector declined by 7%.	While data on the number of business closures for CD is not available, data on both business counts and employment show a positive picture for the sector, with a growing number of businesses and employment compared to the pre-pandemic level. Keeping a check on trends as trading conditions continue to present a challenge for the sector will however remain prudent.
	An increase in new starts and re-configured businesses anticipated	In County Durham, the number of start-ups has increased from 1,710 in 2019 to 1,840 in 2020 while business start-ups as a proportion of the business base has increased from 12.4% to 12.6% (above the regional and national rate, of 12.3% and 12.1% respectively) in line with the prediction of an increase in new starts.	An increase in start-ups has been recorded, as anticipated.
Tourism, hospitality, and culture	Expected to recover strongly in 2022, and possibly the second half of 2021	The sector has begun to recover from Spring 2021 as restrictions have eased, although the sector is still performing below pre-Covid-19 levels. ⁴⁵ UKHospitality's chief executive states " <i>The anticipation was that the recovery would have been stronger than it has been</i> ", " <i>It underlines the fragility of the sector. Businesses are not operating at full capacity and full strength.</i> " ⁴⁶	Sector forecasts remain positive for 2022, although recent developments with the Omicron coronavirus variant might yet impact upon the sector's recovery.

⁴⁰ Commons Library Briefing Paper: Coronavirus: Impact on the labour market, October 2021

⁴¹ <https://ifs.org.uk/publications/15691>

⁴² ONS, Coronavirus and its impact on UK hospitality: January 2020 to June 2021

⁴³ PwC Store openings and closures: hospitality and leisure commentary.

⁴⁴ UKHospitality & CGA Future Shock Report - Issue Nine - Hospitality: COVID and beyond, July 2021

⁴⁵ <https://www.ft.com/content/ac6266ed-3977-4d51-88bf-d60768ee8c7a>

⁴⁶ <https://www.ft.com/content/ac6266ed-3977-4d51-88bf-d60768ee8c7a>

		<p>Recent PWC insights from December 2021 suggests that growth in the hospitality sector is projected to continue accelerating in a fully opened economy, forecasting growth of between 16% to 20% in 2022.⁴⁷</p> <p>The tourism sector is forecast to rebound in 2022, with VisitBritain forecasting visits and spend to have recovered to around 68% of pre-COVID levels by the end of 2022, although forecasts are contingent on travel restrictions not being tightened significantly, as well as a gradual return of traveller confidence.⁴⁸</p> <p>Growing recruitment challenges are evident in the hospitality sector, with a rapid increase in job vacancies recorded throughout 2021. There were an estimated 165,000 job vacancies recorded in the UK in the sector in September to November 2021, with the highest ratio of vacancies to 100 employee jobs across all sectors, around twice the pre-pandemic number of vacancies and around 5.7 times the number recorded in the same period a year prior.⁴⁹</p>	
<p>Health and Care</p>	<p>Recruitment challenges anticipated within the sector</p>	<p>In the UK there has been a persistent shortfall of around 100,000 health workers for several years across NHS trusts. Over the past year the number of vacancies has in human health and social work sector has risen persistently to 198,000 in the UK in September to November 2021, up from 123,000 in the same period in 2020.⁵⁰</p> <p>A thinktank predicts that vacancies in the sector could hit 350,000 by 2030 – leaving one in six posts unfilled.⁵¹</p> <p>During lockdowns new people were attracted to the sector as unemployment rose in the hospitality sectors, however this did not continue as restrictions were eased in spring/summer 2021 there has been an exodus away from healthcare again, and a return to pre-pandemic shortage levels.⁵²</p> <p>Skills for Care (an independent charity partnered with the Department of Health and Social Care in England) report that vacancies for adult social care roles in England had risen above pre-pandemic levels since March 2021 and are anticipated to reach an all time high.⁵³</p> <p>The requirement for health and care staff to be vaccinated has generated additional staff recruitment and retention challenges.</p>	<p>Recruitment challenges have been reported and are expected to persist, exacerbated by demands placed on the system by Covid-19 and workers leaving the sector due to the pressures being placed on them.</p>

⁴⁷ PwC UK Economic Outlook December 2021

⁴⁸ <https://www.visitbritain.org/2022-tourism-forecast>

⁴⁹ ONS Vacancies by industry

⁵⁰ *Ibid.*

⁵¹ <https://www.kingsfund.org.uk/publications/health-care-workforce-england>

⁵² <https://tribepad.com/article/the-6-biggest-challenges-healthcare-recruitment-faces-in-2021/>

⁵³ <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx>

The Impacts of Brexit

The key impacts of Brexit as considered in the March report have been revisited below, providing an updated position and considering whether predictions have been realised and/or whether forecasts remain consistent with the anticipated position at the time the previous report was produced.

	Anticipated impact at the time of the March review	Updated position / reported trend	Summary finding/direction of travel
Economic Output	Brexit anticipated to reduce growth by 1 – 2% by 2022	Recently published insights are consistent with predictions that Brexit will lead to a reduction in growth although data is not available for a comparable period. The OBR latest forecasts (October 2021) suggest leaving the European Union will reduce GDP by around 4% in the long run.	Recent insights are consistent in suggesting that growth will be restricted although comparable data is not available to allow for an updated assessment.
Manufacturing	Manufacturing sector at risk and recruitment difficulties anticipated	Brexit has resulted in significant disruption to supply chains for manufacturers during 2021, impacting upon the sector. In addition, recruitment challenges in the sector have been recorded. There were 93,000 vacancies recorded in the UK in September to November 2021, up from 43,000 in the same period a year ago, with 3.8 vacancies for every 100 employee jobs. In 2019, 11% of workers in the sector were EU nationals, with 19% overall born outside the UK, presenting a risk. In County Durham between 2019 and 2020, there were 2,500 less people employed in manufacturing, representing a decline of 10.0%, compared to 3.6% across the North East and 4.2% nationally. However, between 2020 and 2021 the manufacturing business base in CD has grown by 5% - an additional 40 businesses.	Recruitment challenges are impacting the manufacturing sector with a notable rise in vacancies over the past year across the UK. Job losses in the sector in County Durham suggest that wider challenges are also being faced.
	Increased friction for companies importing and exporting	Increased trade barriers as a result of leaving the single market and customs union at the start of 2021 have resulted in disruptions to both the import and export of goods between the UK and the EU, as well as issues around rules of origin which have all impacted upon the sector. ⁵⁴ Insights suggest larger firms have found it easier to adjust and cushion themselves against disruption, while small and medium sized enterprises are more likely to have struggled. CEO of Make UK, a body that represents manufacturers from the country, outlines how British businesses have been coping since Brexit came into play. “[British manufacturers] are falling into two groups at the moment,” he says. “Larger companies are generally coping with the impact because they have got the resources to be able to work through it. Smaller companies, and supply chain companies in particular, don’t have the same resources.” ⁵⁵ Estimates suggest the additional costs of non-tariff barriers such as filling out import and export declarations range from £7.5 billion to £15 billion per year. ⁵⁶	Businesses are reporting barriers to trade with a clear impact evident on trade statistics to date.

⁵⁴ <https://www.makeuk.org/insights/reports/trade-and-cooperation-with-the-eu-six-months-on>

⁵⁵ <https://www.investmentmonitor.ai/business-activities/manufacturing/brexit-continues-its-assault-on-uk-manufacturing>

⁵⁶ <https://ukandeu.ac.uk/manufacturing-in-the-post-brexit-world/>

		<p>Survey data reported British manufacturers' export sales declined, with respondents commenting on <i>"difficulties fulfilling orders to existing clients in the EU due to higher costs and transportation delays"</i>⁵⁷</p> <p>Office for National Statistics (ONS) data reported in January 2021, goods exported between the UK and the EU fell by 40.7% while imports also fell by 28.8%.</p>	
<p>Health and Care</p>	<p>Problems with recruitment as flexible labour movements across the EU come to an end</p>	<p>The shortfall of health workers has persisted in 2021, with ONS data as presented above recording 198,000 vacancies in health and social work sector September to November 2021, up 61% on the year before. The Health and Care Visa, a fast-track visa scheme with a reduced visa fee for health and care worker, has helped to minimise impacts of new immigration system. However this has not benefitted the social care sector where the majority of social care workers are not eligible for the Health and Care Visa and many will fail to meet the salary and skill level thresholds put in place under the new rules. Data published in September 2021⁵⁸ shows that 5.4% of NHS staff in England are NHS nationals, a proportion that has continued to decline since the 2016 EU referendum. In June 2021 there were around 110,000 job vacancies in care in England and more than 3 in 10 staff are leaving each year⁵⁹. The care sector continues to have a reliance on EU nationals, accounting for more than 104,000 care jobs with fears that staff will continue to leave the sector.</p> <p>Outside the health and care sector, the challenges Brexit has presented for the food production sector and transportation has become increasingly evident since the Evidence Review was prepared.</p>	<p>A series of labour supply challenges are now evident in health and care as well as wider sectors of the economy.</p> <p>Although exact figures for the number of EU nationals leaving professions are not known in many instances, there is a concern about the impact to date and potential for it to continue to grow.</p>

⁵⁷ <https://www.ft.com/content/e1a526ba-f1c8-45df-88f1-9aa32fa4af3e>

⁵⁸ <https://commonslibrary.parliament.uk/research-briefings/cbp-7783/>

⁵⁹ <https://www.careindustrynews.co.uk/2021/06/what-brex-it-means-for-our-valuable-eu-care-workers/>

4 Implications for the March Report Recommendations

While data presented in this report suggests the impacts on the economy and unemployment in 2021 may not be as severe as initially feared as a result of the Covid-19 pandemic and Brexit, and in some cases County Durham has reported improved performance, the short term outlook for the economy suggests challenges still lie ahead. County Durham has successfully supported communities and businesses, as well as securing new investment over the past year, helping to facilitate its economic recovery. Long term trends including automation and digitisation, the costs of supporting an ageing population and the move to a low carbon economy, do however remain creating both challenges and new economic and employment opportunities.

The recommendations set out in the Economic Review in March 2021 remain valid in light of the assessment outlined in the sections above. While limited progress has been made in some areas, the overarching priorities for intervention remain unaltered and can be further summarised as follows:

1. Develop a pipeline of new investment and compete for external funding to deliver new investment and jobs
2. Seek to improve productivity and jobs in key sectors including:
 - Advanced manufacturing and engineering;
 - Logistics and distribution;
 - Digital industries and business services; and
 - Tourism and leisure
3. Support start-ups as a route into employment and to expand the business base
4. Enhance connectivity to support places, investments, and employment
5. Support the rural economy with improvements to connectivity and local services
6. Use skills, learning and school services to support people of all ages into work
7. Tackle the multiple determinants of deprivation to support communities and towns
8. Harness the powers of large anchor institutions to maximise local opportunities
9. Explore local opportunities in the move to clean energy and zero carbon

Further consideration of how these points may be actioned will be explored through the Economic Strategy development process, including by securing the perspectives of local stakeholders.