

Appendix 3

County Durham Inclusive Economic Strategy  
**Economic Review Update**

November 2024



Better for everyone

# Overview

- Main economic trends
- Economic review 2021
- People & demographics
- Business & innovation
- Education, training & skills
- Communities
- Connectivity & infrastructure
- IES performance framework



# Summary of economic trends

- **More jobs:** Growth in employment and fall in unemployment but these levels can be improved and need to be sustained. The county has a shrinking workforce due to an aging population, and early retirement, and long-term sickness amongst the workforce. A recent fall in working age people (aged 16 to 64) classed as students in the county needs to be monitored and may need targeted action.
- **Better jobs:** There are more people in better jobs, a growth in the productivity of jobs, and improving education levels but still large gaps with national rates.
- **Inclusive growth:** There are differences in employment levels across the county – data suggest losses in some communities and growth in others, but the data is volatile so we need to monitor changes. Communities in the North, East and South of the county have suffered long-term deprivation and need targeted support.
- **Green growth:** Only one year of data is available, but CO2 emissions in the county have fallen by 125kt between 2021 and 2022.

# Review of 2021 forecasts

	Forecast	Commentary
1	<p><b>Increased unemployment</b>, particularly for young people, and fewer job opportunities as companies adopt a cautious approach to new recruitment</p>	<p><b>TRUE:</b> The overall unemployment (including all age groups) remained high until early 2022 and has since fallen considerably and remained low – and similar to national levels - since 2022. However, the unemployment rate amongst 18-24 year olds has remained high as unemployment amongst older age groups has fallen. Economic inactivity rates amongst 18-24 year olds increased from 2021 and stayed high until 2023 but have fallen below 2021 levels in the last 6 months.</p>
2	<p>The <b>educational damage to a generation of school students</b> and the challenge of making up lost ground, particularly for pupils from low income households</p>	<p><b>TRUE:</b> Covid-19 led to the quality of education that children received and required additional mental health support. This was exacerbated by teacher's strikes and schools which have been closed or partially closed due to RAAC. Schools and colleges and their partners have offered additional support, but the impacts are yet to be fully understood. The UK Covid-19 Inquiry has been investigating the impacts on children and young people during 2024 and is due to report before the end of the year.</p>

# Review of 2021 forecasts

	Forecast	Commentary
3	The <b>medium-term effect of Brexit on the county's large manufacturing sector</b> , including recruitment difficulties and increased friction for companies importing and exporting	<b>TRUE:</b> In recent years the manufacturing sector has grown in the county in terms of productivity and the number of businesses, but employment has fallen and manufacturers have been reporting recruitment problems for a number of years. Manufacturing businesses have adapted to post-Brexit rules, but in general terms it is cheaper for multinational manufacturers trading in Europe to be based in Europe, than in the UK.
4	The <b>challenge to the NHS and care sector with regards to international recruitment</b> at a time when the sector is under intense pressure	<b>TRUE:</b> The recruitment challenges of the NHS have been covered extensively by the media and exacerbated by wage disputes. There is mixed evidence on the impacts of Brexit, but certainly a strong perception that Brexit has made this more difficult for the NHS to recruit and people to move to the UK for work, which may be exacerbating the problems.
5	The levels of <b>GVA will not recover to pre-COVID-19 levels until 2027</b> , while the country as whole will make a faster recovery with GVA above 2019 levels by 2025.	<b>UNTRUE:</b> The complex economic challenges of the last few years and ongoing cost of living crisis has affected different sectors in different ways (see slide 16). The latest GVA data we for County Durham is for 2022 and shows strong growth in the last 2 years and no overall decline due to Covid-19 or Brexit.

# Economic Review 2021

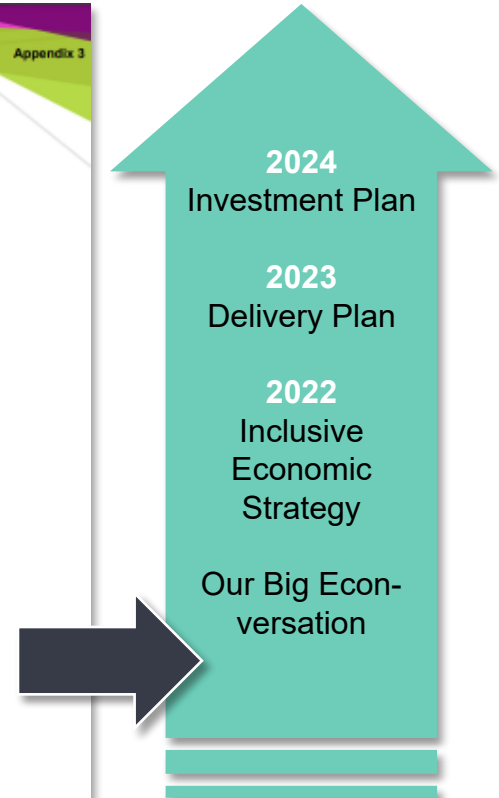
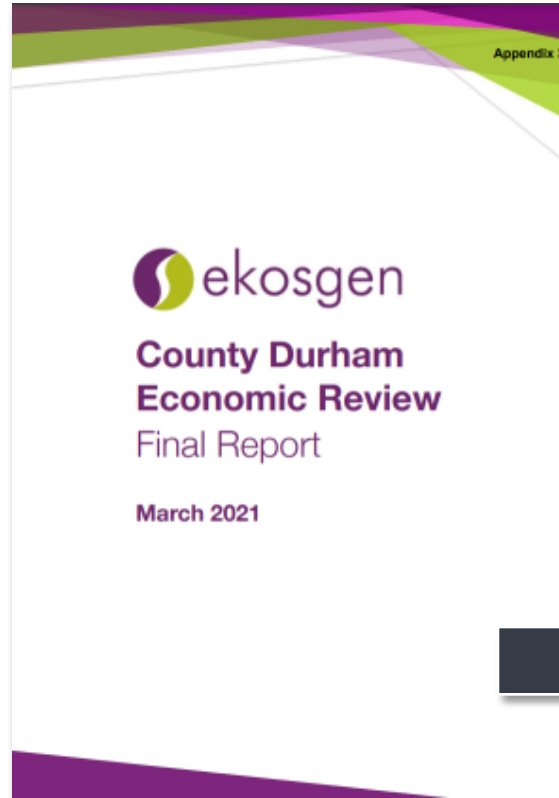


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# 2021 Economic Review

- Commissioned in 2021 to consider the impacts and opportunities associated with Covid and Brexit
- Updated in late 2021
- Used as the main evidence base for the IES

This analysis reviews the forecasts and recommendations from the 2021 Economic Review, setting out changes in the economy since 2019.



# Recommended priorities

- Rebuilding a powerful economy
- Developing the Pipeline for New Investment
- Growth sectors:
  - Advanced manufacturing & engineering
  - Logistics & distribution
  - Digital industries & business services
  - Tourism & leisure
  - Health & care economy
- Start-ups
- Place, investment & employment
- Rural communities & economy
- Skills, learning & communities
- Schools
- Communities & towns
- Maximising local opportunities – the role of anchor institutions
- Delivering new investment & jobs

...Economic Review recommendations formed the basis for the IES themes and priorities...





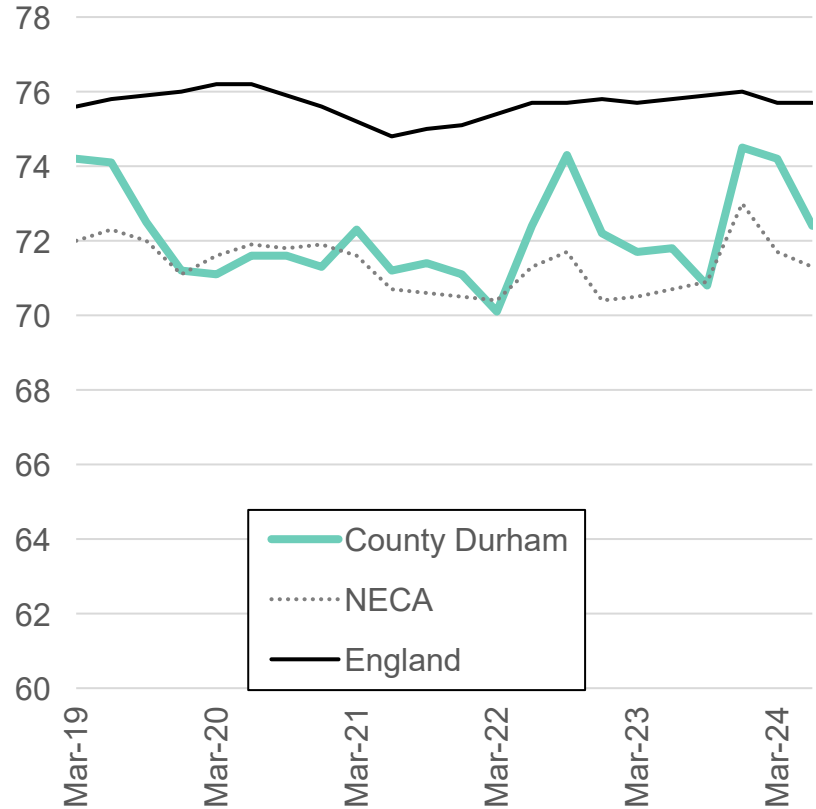
# People & demographics



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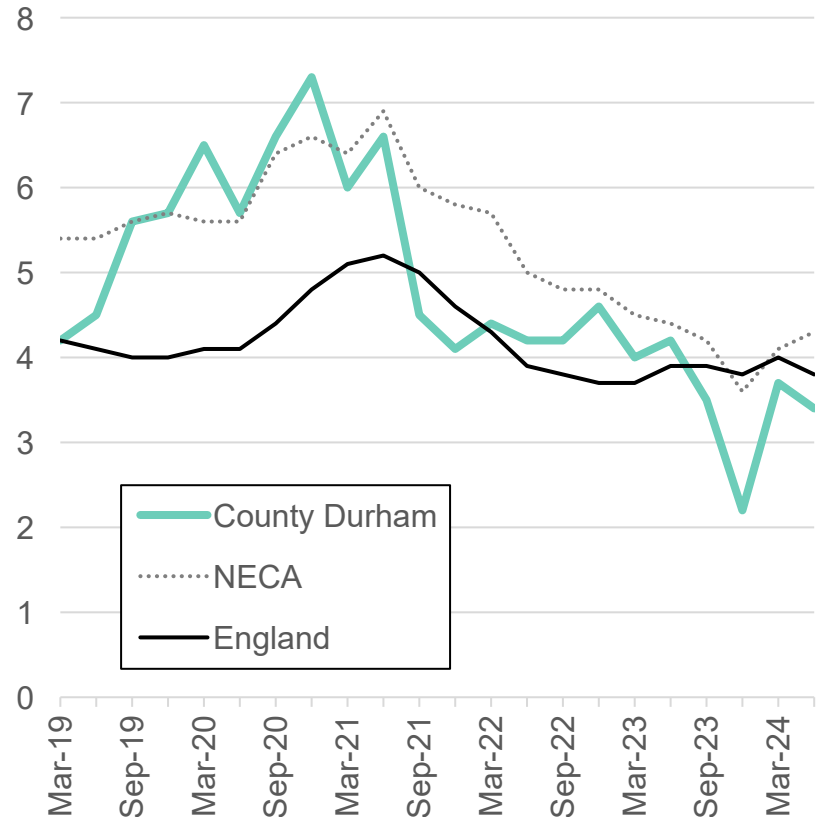
# Employment

- **Post COVID-19:** Data for County Durham shows a fall in employment from high rate in 2019 which lasted until 2022 when rates recovered.
- **2021 onwards:** There have been significant fluctuations in the data for County Durham since 2022, but a general direction of improvement.
- **Outlook:** We need to see whether the gap to the national average can be closed and sustained.



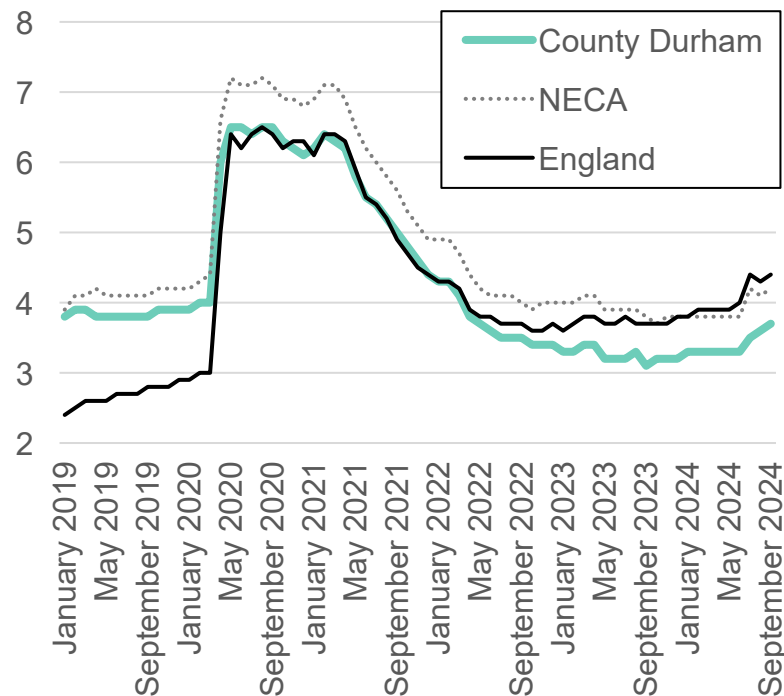
# Unemployment

- **Post COVID-19:** The county saw an increase in unemployment from low rate in 2019 until 2021.
- **2021 onwards:** Since 2021 there has been a relatively consistent fall in unemployment. Data suggests that County Durham's rate is now below the England average.
- **Outlook:** Data shows small increase in unemployment in the first half of 2024 which we need to monitor and address as necessary.



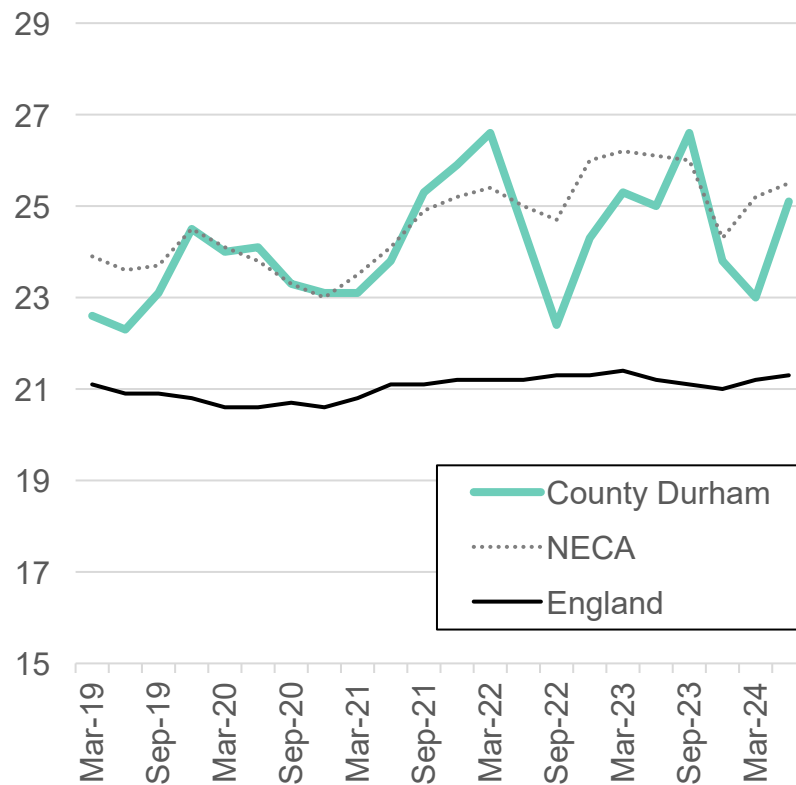
# Employment support claimants

- **Post COVID-19:** There was a significant increase in employment support claimants between 2019 to 2020 which was sustained into Spring 2021
- **2021 onwards:** There was a fall between spring 2021 and summer 2022, and the rate has stabilised since.
- **Outlook:** There was a small increase in 2024 – as with unemployment – which we need to monitor and respond to as necessary.



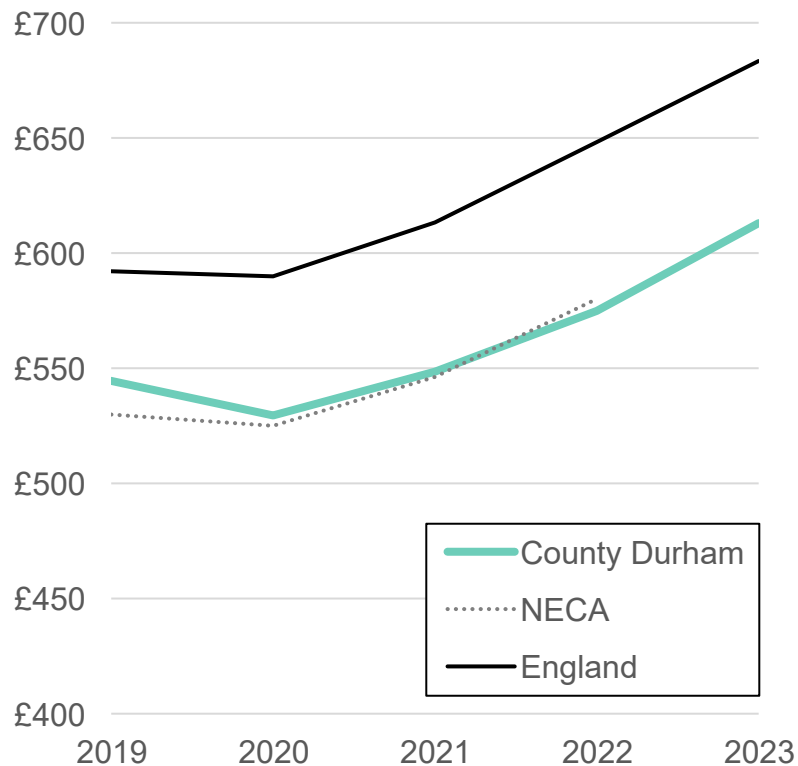
# Economic inactivity

- **Post COVID-19:** There was a growth in economic inactivity (people of working age who are not seeking work) between 2019 and early 2022.
- **2021 onwards:** There has been significant fluctuations since 2022.
- **Outlook:** The increase in economic inactivity has been predominantly driven by long-term sickness and early retirement, whereas the proportion of students, those looking after home / family, have fallen. The growth in long-term sickness is also seen as a regional and national issue.



# Wages

- **Post COVID-19:** There was a fall in wages between 2019 and 2020
- **2021 onwards:** There has been a consistent increase in wages up to 2023 (latest data). The gap has closed with regional average (including Tees Valley) but the gap with GB rate has increased slightly.
- **Outlook:** We need to monitor the data to see whether we close the gap with national averages over the lifetime of the IES.



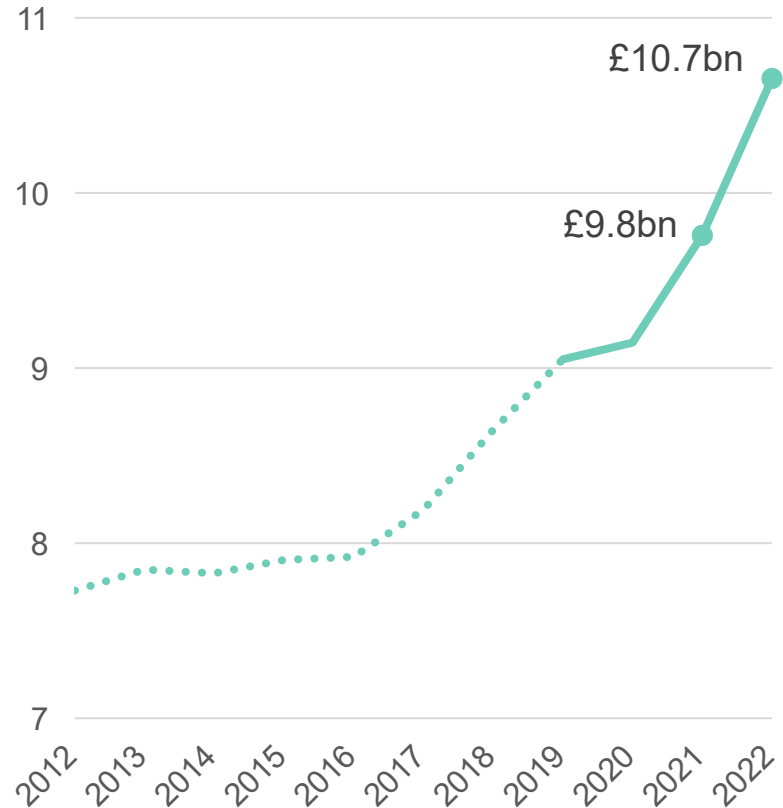
# Business & innovation



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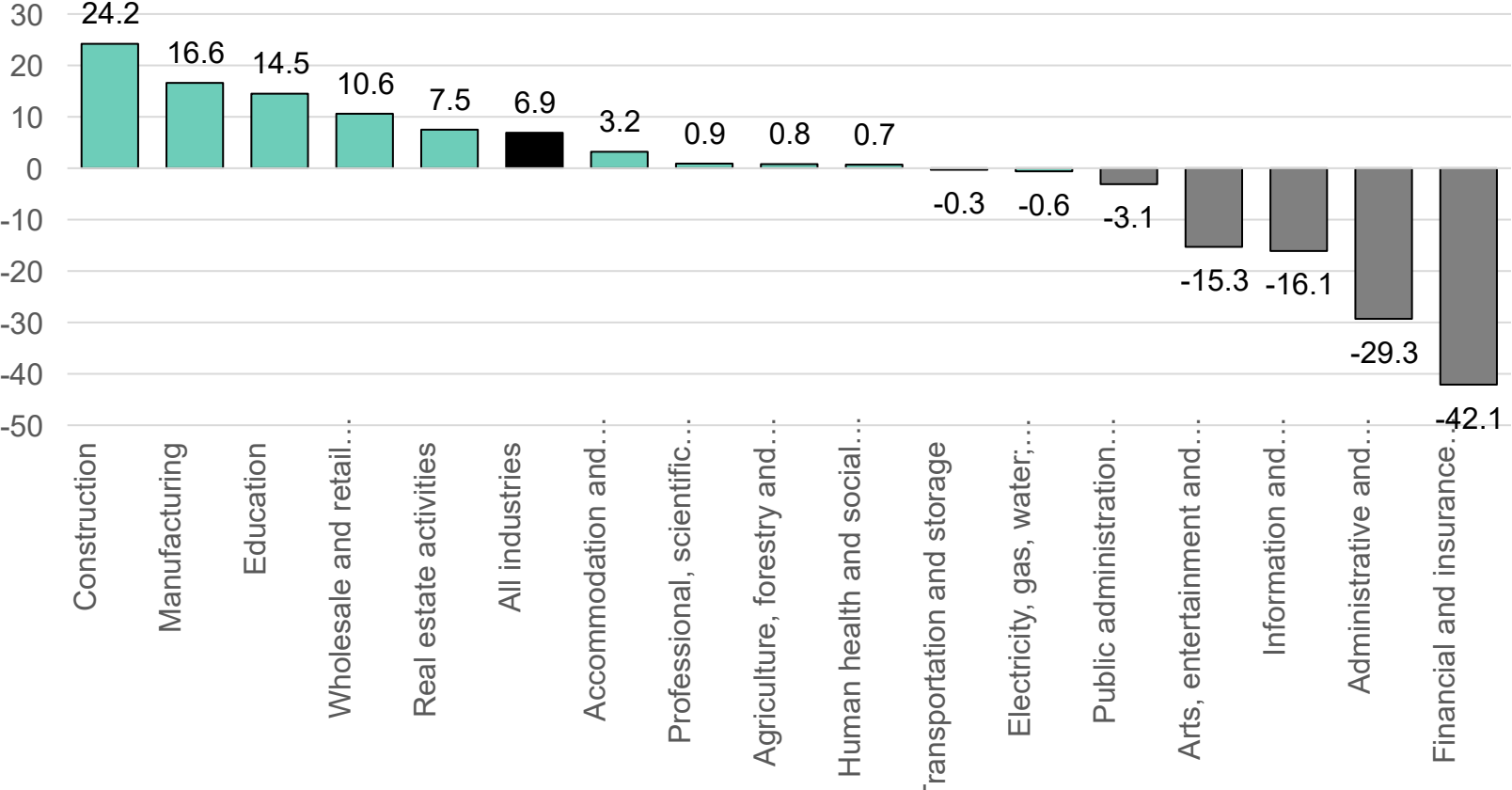
# Productivity

- **Post Covid-19:** Between 2019 and 2020 the overall GVA of the county avoided a decline but grew at a slower rate than the previous 3 years. Between 2020 and 2021 GVA grew strongly.
- **2021 onwards:** Between 2021 and 2022 GVA continued the strong growth from the previous year.
- **Outlook:** We need to continue to support local businesses and attract more businesses to the county whilst raising education and skills levels, and the quality of jobs in the county.





# Sector productivity



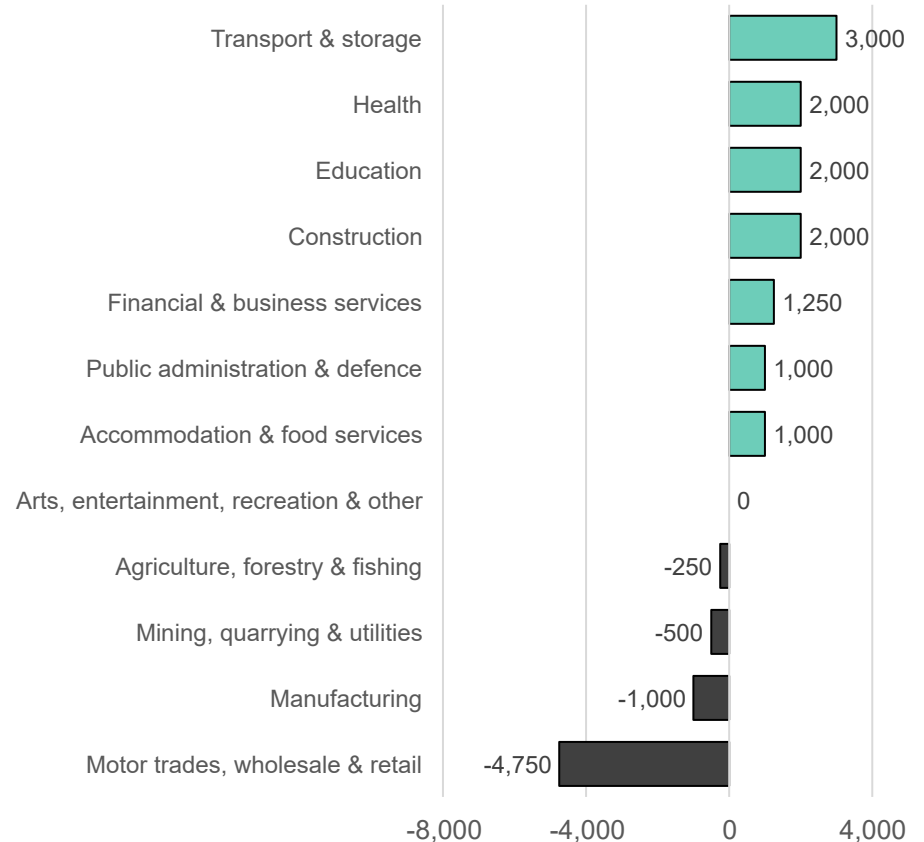
# Sector productivity

- Between 2019 and 2022, the GVA growth in County Durham has been driven by the construction, manufacturing, education sectors. The wholesale and vehicle repairs sub-sectors have also seen growth, although within the broader sector shown in the chart, the retail sector (not shown in the chart) has contracted by 10%.
- In contrast, the latest estimates suggest decline in a number of sectors including entertainment, ICT, and administrative services.
- The data also shows significant decline in the financial and insurance services sector which may be is a relatively small sector in the county which has been in decline, in terms of its GVA contribution in the county, since the 2008 recession. This may be explained by the loss of national and multinational chains of local banks and insurance companies from high streets across the county and shift towards online services.

# Jobs

- **Post COVID-19:** There was an overall increase of 5,750 jobs in the county between 2019 and 2023, with growth in transport & storage, healthcare, education, construction, business services, public sector and the hospitality sectors. In comparison, there has been a significant loss of jobs in the motor trades, wholesale and retail sectors, and smaller losses in manufacturing, mining and agriculture.
- **2021 onwards:** Between 2021 and 2023, the trends were a little different, with 3,000 additional healthcare growth, 2,000 additional manufacturing jobs, and 2,000 additional jobs in the arts and entertainment sector. In contrast 3,000 jobs were lost from the retail sector and 2,000 from the hospitality sector.
- **Outlook:** Economic uncertainty and high costs are impacting on business growth but County Durham's economy has grown since Covid-19 and is attracting new businesses, so is likely to see steady job growth continue.

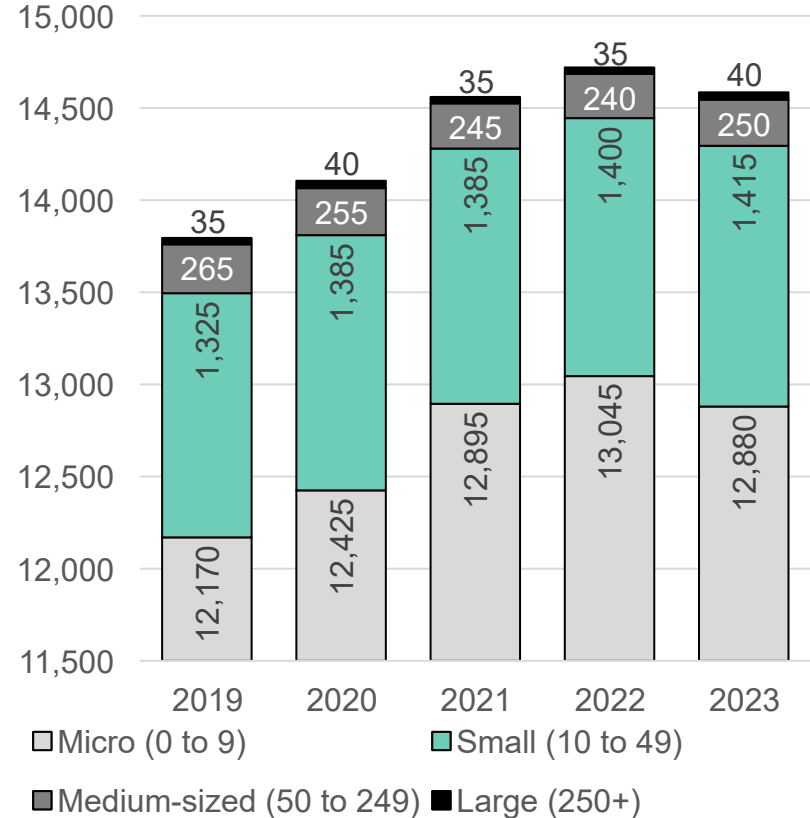
## Change in number of jobs (2019 – 2023)



# Business base

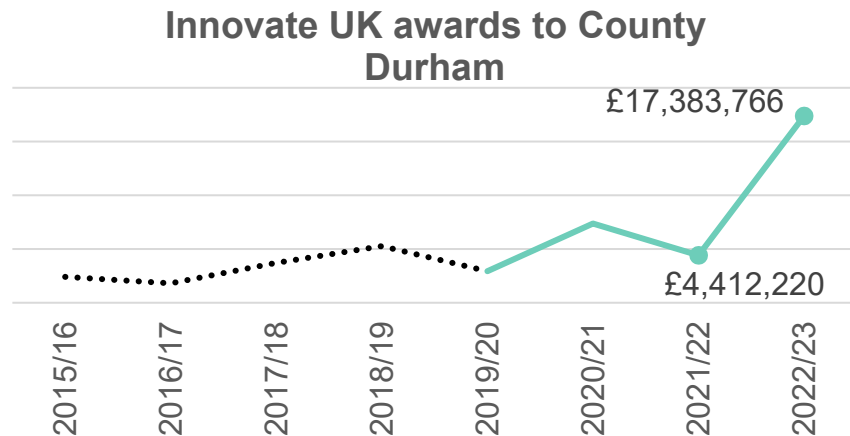
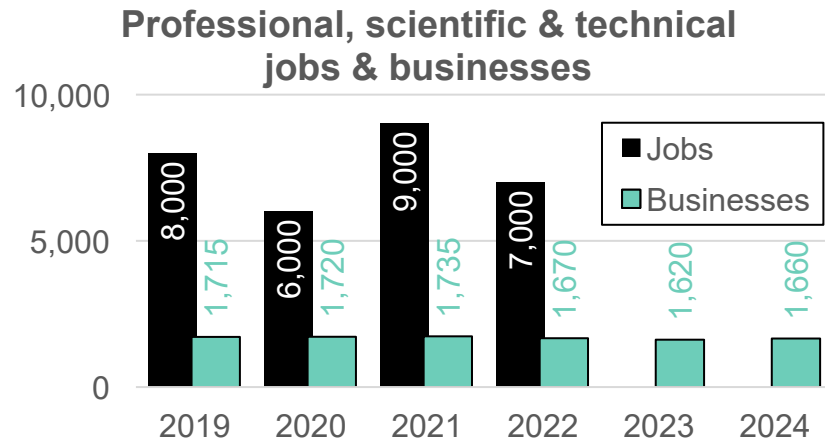
- **Post COVID-19:** There has been strong growth in the overall number of businesses in the county from 13,795 in 2019 to 14,580, mainly driven by a growth in micro and small businesses. During this period there has been a decline in medium-sized businesses in the county.
- **2021 onwards:** Between 2021 and 2022 there was growth in the number of businesses in the county, but 2023 saw a similar rate of decline, which was driven by a loss of micro businesses. In contrast, between 2022 and 2023 there was a growth in small, medium-sized, and large businesses.
- **Outlook:** The recent loss of micro businesses may reflect the difficult trading conditions and is reflected in self-employment data. However, the growth in small, medium, and large businesses is positive and may reflect business confidence in the county.

## Change in number of businesses



# Innovation

- **Post COVID-19:** The number of professional, scientific and technical jobs and businesses in the county grew between 2019 and 2021.
- **2021 onwards:** Since 2021 the number of professional, scientific and technical jobs in the county has fallen. Innovate UK's investment in the county has typically been low until 2022/23 when there was a substantial increase in investment in the county.
- **Outlook:** Innovate UK's increase in investment in the county may suggest the county has been recognised as having innovation strengths and opportunities which could help to drive job and business growth in the future.



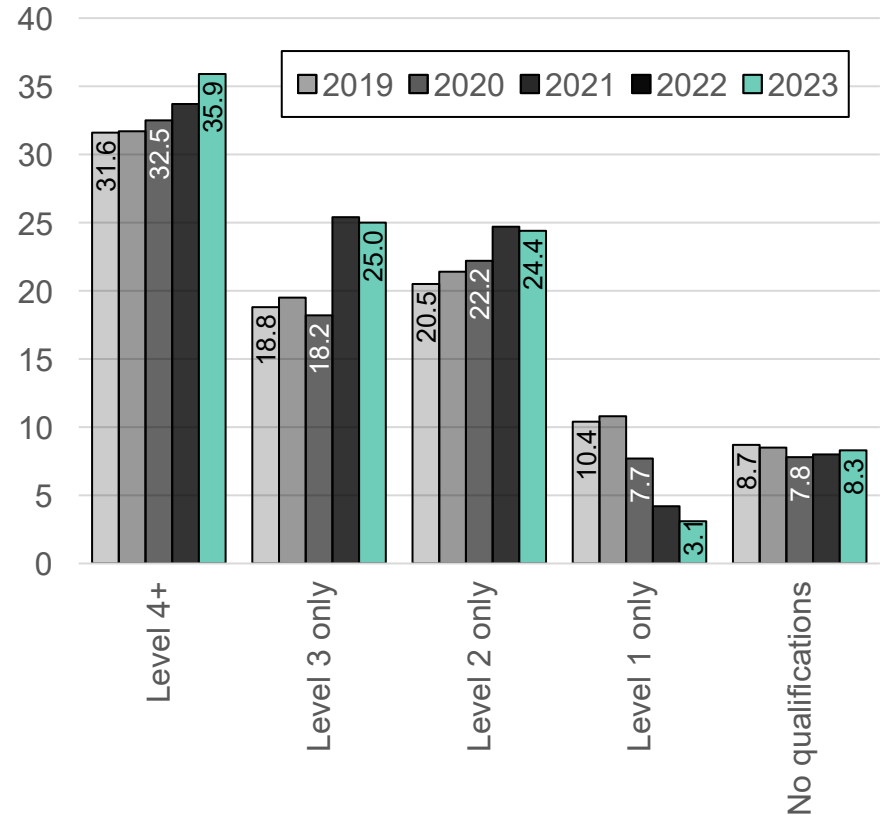
# Education, training & skills



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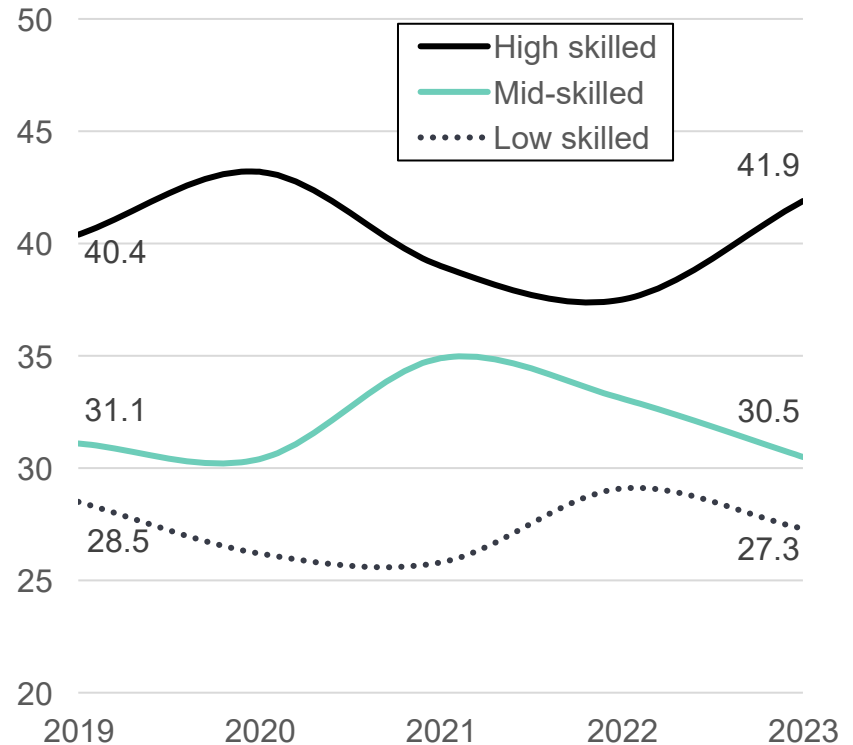
# Education

- **Post Covid-19:** Between 2019 and 2021 the proportion of 16-64 year olds in the county with level 4+ (e.g. degree) and level 2 (e.g. GCSE) qualifications increased. The data suggests a small fall in those with level 3 (e.g. a-level) qualifications and falls in the proportion of residents with level 1 (e.g. entry) and no qualifications.
- **2021 onwards:** Since 2021 there has been significant growth in those with level 2, 3 and 4 qualifications and a small increase in those with no qualifications.
- **Outlook:** Although this data can be volatile the general trends are towards a better skilled workforce. However, significant growth is needed over the longer-term to bridge the gap with average national levels of education at levels 3 and 4.



# Occupations

- **Post Covid-19:** Between 2019 and 2021 the data suggest a fall in the number of residents in high and low skilled jobs, compared to an increase in mid-level jobs (e.g. skilled trades, administrative jobs, sales)
- **2021 onwards:** Between 2021 and 2023 there was an increase in residents in in high skilled jobs and low skilled jobs and a fall in those in mid-level jobs.
- **Outlook:** This data is volatile from one period to the next so we need to monitor changes over a longer time period. Whilst the aim is to improve the quality of jobs in the county, there will always need to be a mix and choice of jobs demanding different levels of education, experience, and skill.





# Communities

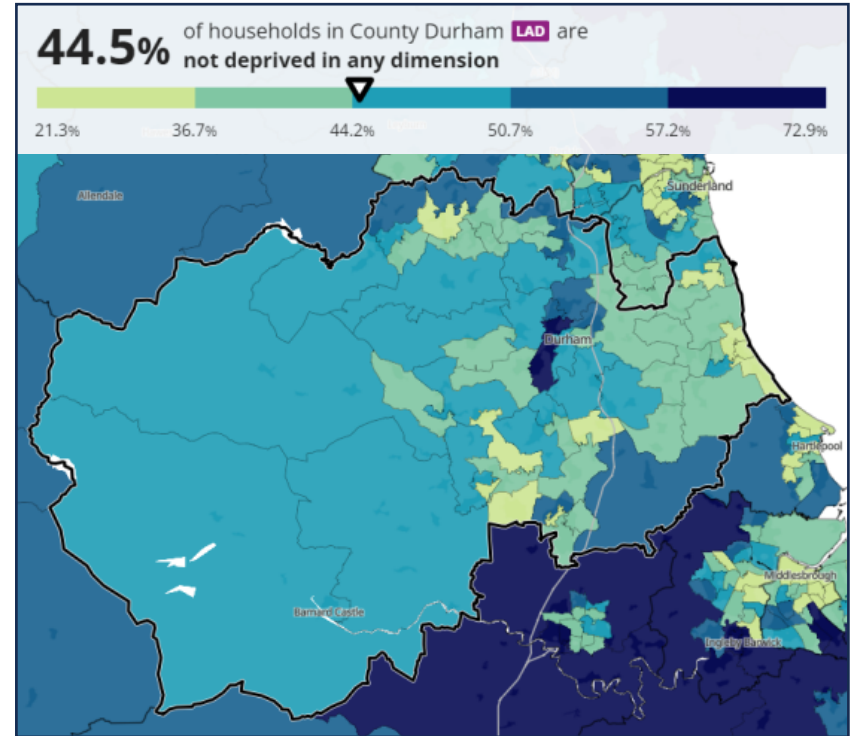


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# Deprivation

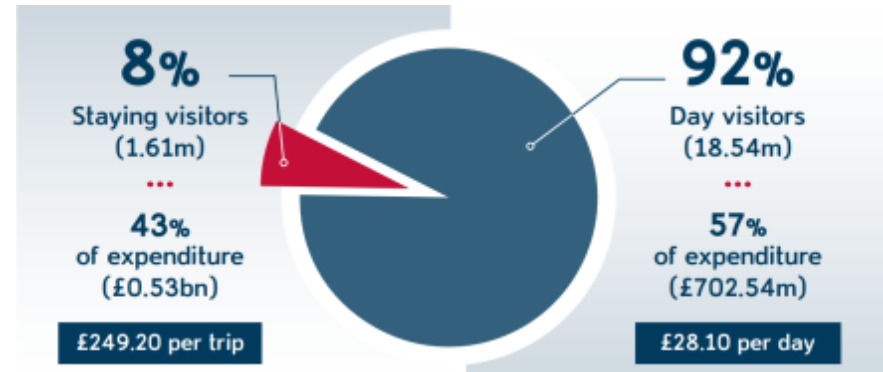
The 2021 Census includes an analysis of deprivation but is not comparable to previous deprivation analysis (IMD). It shows that 55.5% of households in the county were deprived under one or more of the four Census deprivation measures and also highlights areas that have previously been identified as being deprived under the IMD as still suffering from some level of deprivation. These include eastern, southern and northern parts of the county which have previously been identified as being deprived or 'left behind'.

The most deprived communities include Murton, Peterlee East, Horden, Blackhall, Ferryhill East, Cornforth, Shildon, Newton Aycliffe North, Bishop Auckland South, Coundon North, Catchgate, and Dipton.



# Tourism & culture

- 20.15 million people visited in 2023, up 12.5% on 2022.
- Overall visitor expenditure was £1.23 billion, up by 18.8% on 2022 .
- The number of FTE jobs supported by tourism is 13,178, up by 12.4% on 2022.
- There are continuing challenges for the hospitality sector, with costs having risen substantially in recent years.
- Town centres are an important part of the visitor offer but many are struggling with high vacancy rates and lack distinctiveness.
- The Durham 2025 cultural programme will celebrate local railway heritage and see the opening of several improved visitor destinations including Raby Castle, Beamish, and Bishop Auckland.

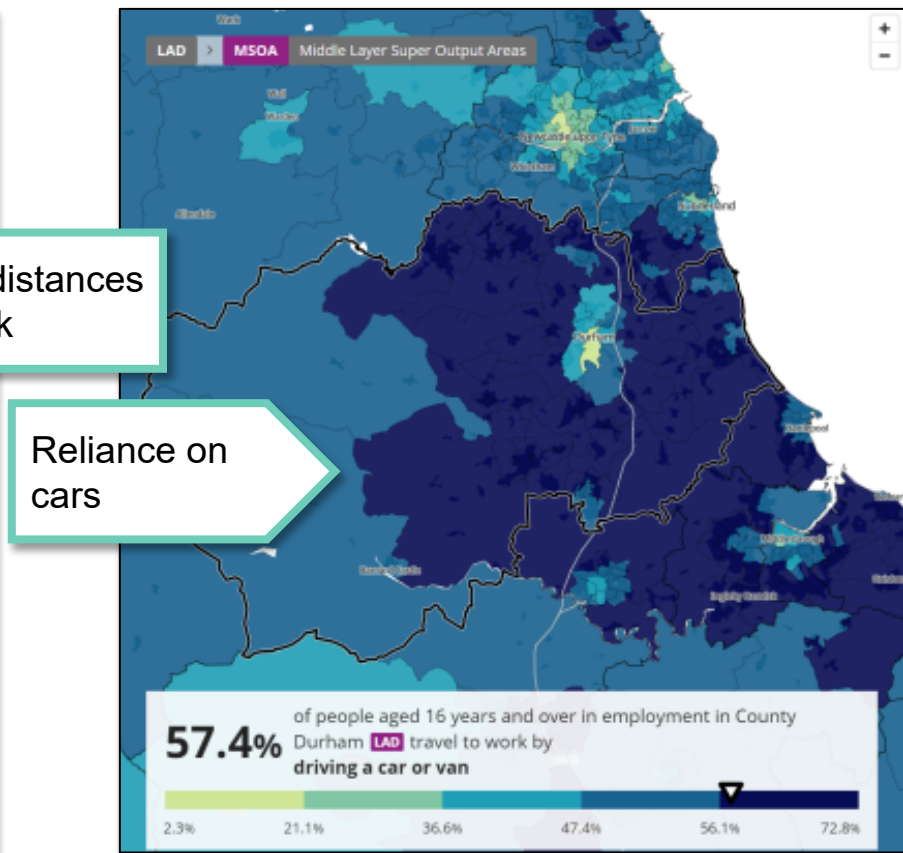
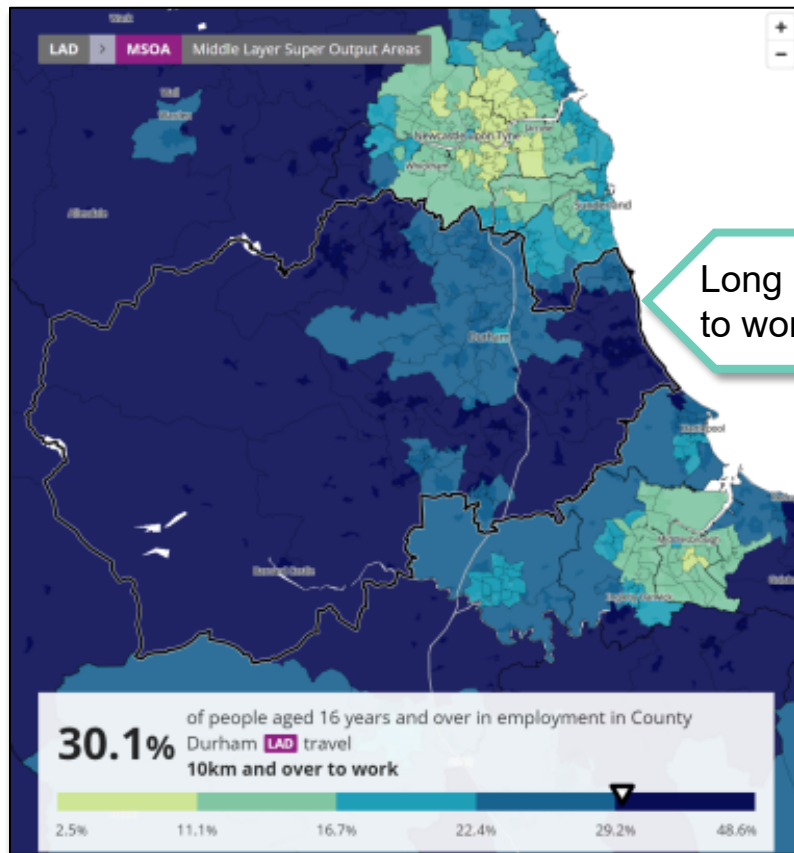


# Connectivity & infrastructure

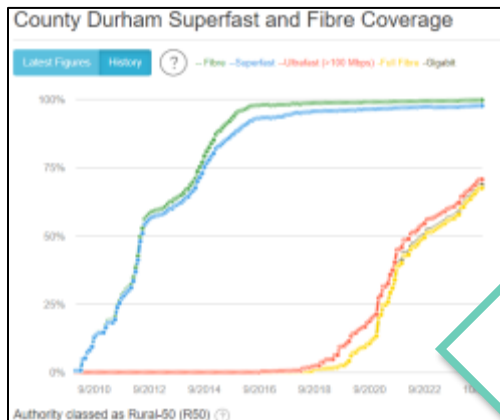


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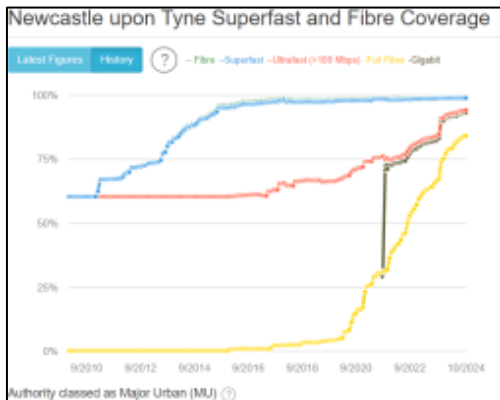
# Transport & labour mobility



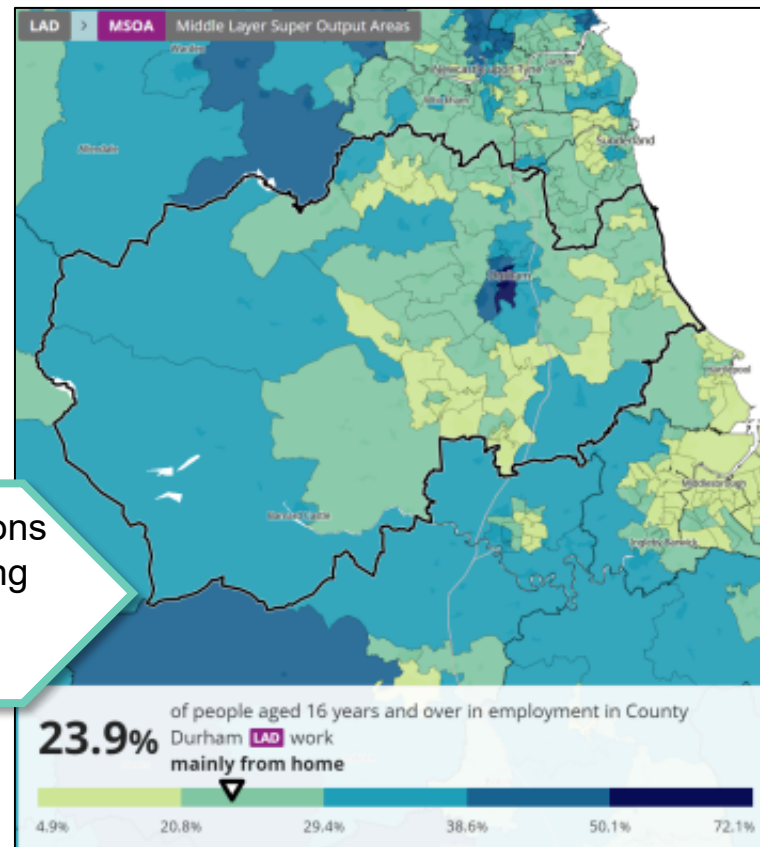
# Digital connectivity



Slower broadband roll-out than urban areas



Similar proportions of people working from home as urban areas



# Performance framework

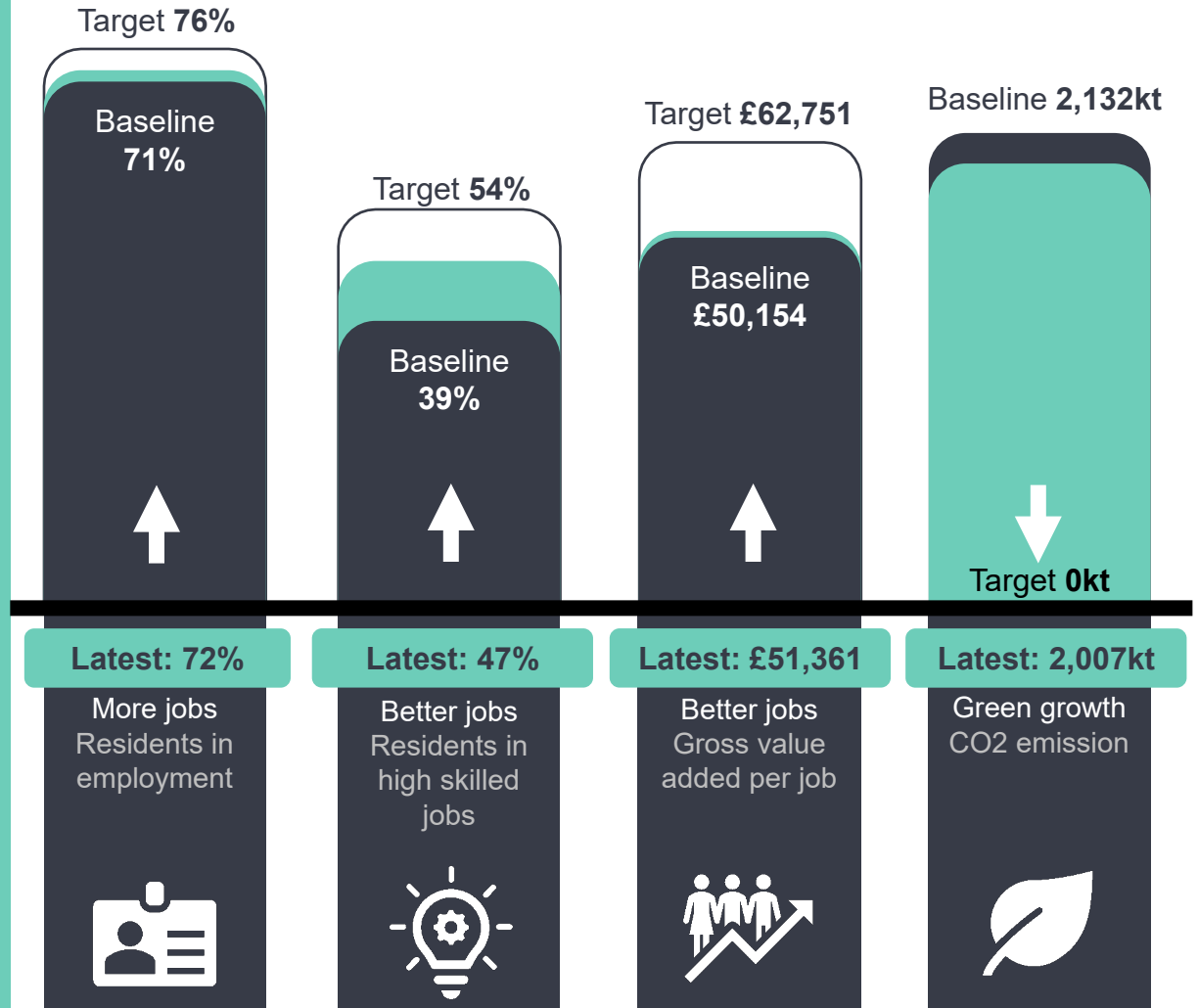


Better for everyone

County Durham  
**Inclusive  
Economic  
Strategy**

# TARGETS

More and better jobs  
in an inclusive,  
green economy





# Inclusive Growth Snapshot

County / Parliamentary Constituency	Economically active residents	Employment	Full-time employment	Self-employment	Unemployment	Claimant count	Econ. Inactive: Long-term sick	Highest skilled jobs	Lowest skilled jobs	Level 4+ qualifications	Level 3+ qualifications	No qualifications
County Durham	75%	72%	69%	10%	3%	4%	34%	47%	25%	36%	61%	8%
Bishop Auckland												
Blaydon & Consett												
Durham City												
Easington												
Newton Aycliffe & Spennymoor												
North Durham												

- **County Durham** is out-performing England on self-employment, unemployment and employment support claimants; on all other measures it is behind the England averages.
- **Easington** is behind County Durham on 11 of the 12 measures, suggesting there are a range of economic challenges in the parliamentary constituency.
- Most constituencies have a number of economic challenges except for **Durham City** which is behind the county average on just one indicator – economic inactivity due to long-term sickness.
- The **Bishop Auckland, Consett, and Newton Aycliffe & Spennymoor** constituencies have low proportions of residents in higher skilled work.
- **North Durham** has challenges relating to educational attainment and employment.