

West of England Economic Briefing

18 May 2022

Executive Summary

This briefing summarises the current state of the economy in the West of England, giving an indication of the key issues facing workers and businesses. This analysis draws on regional and national data, and uses faster indicators where possible to illuminate current conditions.

Section	Updates	Pages
A- Economic context	<ul style="list-style-type: none">UK GDP fell by 0.1% in March 2022.The Bank of England projects GDP to fall in Q4 2022.The Bank also projects unemployment to fall in the near term and then rise at the end of 2022.In March 2022, all but two of the main sectors were at or above pre-pandemic levels of output.	3-6
B- Business and consumer activity	<ul style="list-style-type: none">Google mobility data shows that activity in the region dipped temporarily during the Easter holiday, particularly in the workplace. Activity in each of three areas is still below pre-pandemic levels.Businesses continue to report increases in prices, which are having an impact on both businesses and consumers.Business confidence in the South West is down slightly compared to Q4 2021.	7- 9
C- Labour market	<ul style="list-style-type: none">Regional unemployment in April was down compared to March, with 2.8% of people claiming out of work benefits.More people are economically inactive in Bristol than the average for England, whereas the other three local authorities have low economic inactivity.Recruitment and vacancies remain high.	10-11
D- Cost of Living	<ul style="list-style-type: none">Nationally, inflation continues to rise. The Consumer Prices Index (CPI) rose by 9.0% in the 12 months to April 2022, up from 7.0% in March.The Bank of England expects CPI inflation to rise further to a peak of slightly over 10% in Q4 2022.The Bank also forecasts the fall in average real post-tax labour income in 2022 to be the steepest on record at 3.3%.	12-13

A. Economic context: GDP fell by 0.1% in March

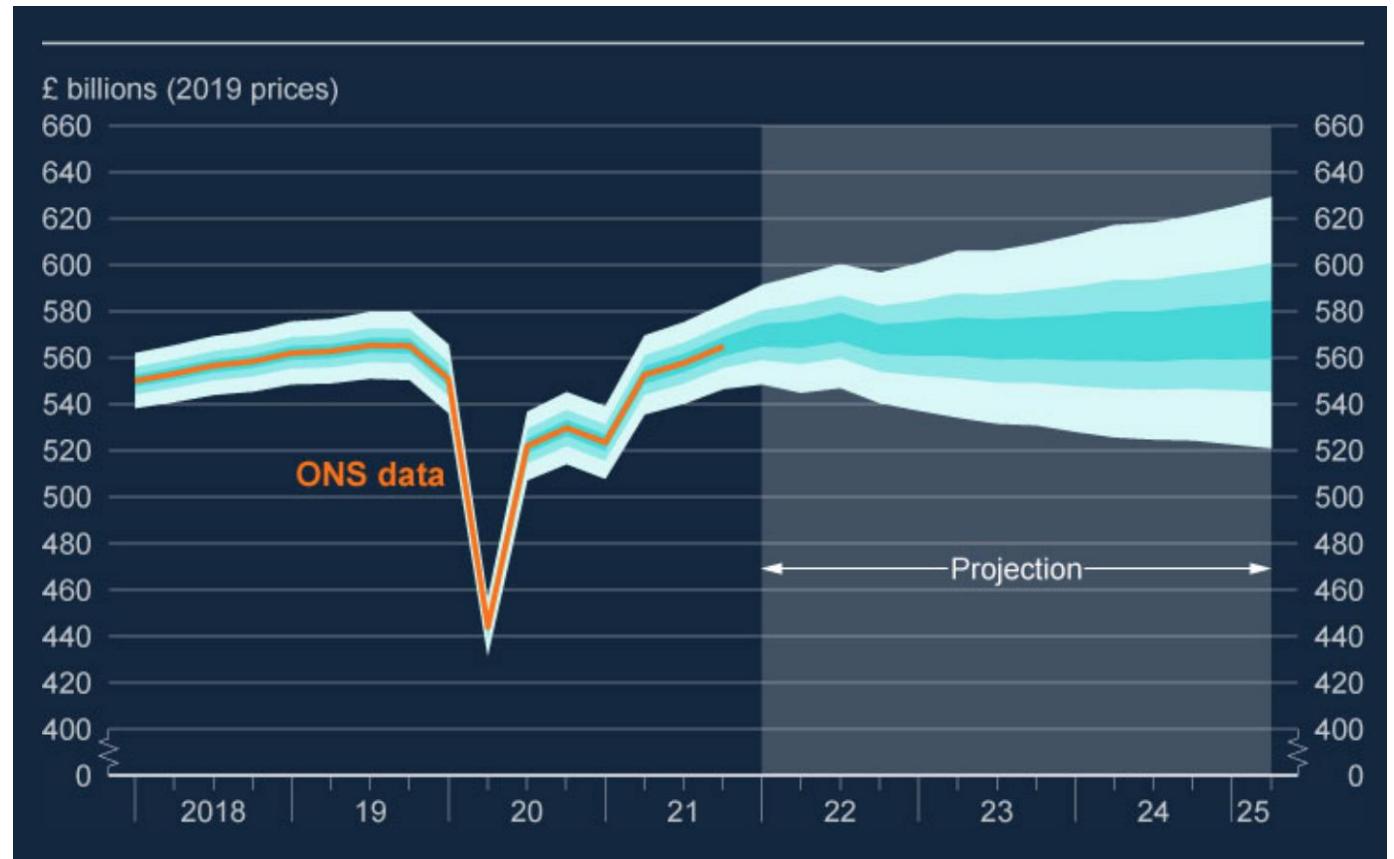
- UK monthly Gross Domestic Product (GDP) was estimated to have fallen by 0.1% in March 2022, after no growth in February 2022 (revised down from 0.1% growth).
- However, monthly GDP was still 1.2% above its pre-pandemic level (February 2020).



A. Economic context: GDP growth is expected to slow in the first half of 2022 and then fall at the end of the year

- The Bank of England estimates that quarterly UK GDP growth was 0.9% in 2022 Q1.
- However, the Bank also projects GDP growth to slow sharply over the first half of 2022 reflecting the significant adverse impact of higher global commodity and tradable goods prices on UK demand.
- Thereafter, GDP is projected to fall in Q4 2022, driven largely by the decline in households' real incomes.
- Growth is forecast to be slow for several years: 0% for the year up to Q2 2023; 0.2% for the year up to Q2 2024; and 0.7% for the year up to Q2 2025.

Bank of England chart: GDP projection based on market interest rate expectations, other policy measures as announced.



Note: There remains considerable uncertainty in these forecasts. Bank of England fan charts show the projections based on the probability that it thinks they will occur, reflecting the degree of uncertainty.

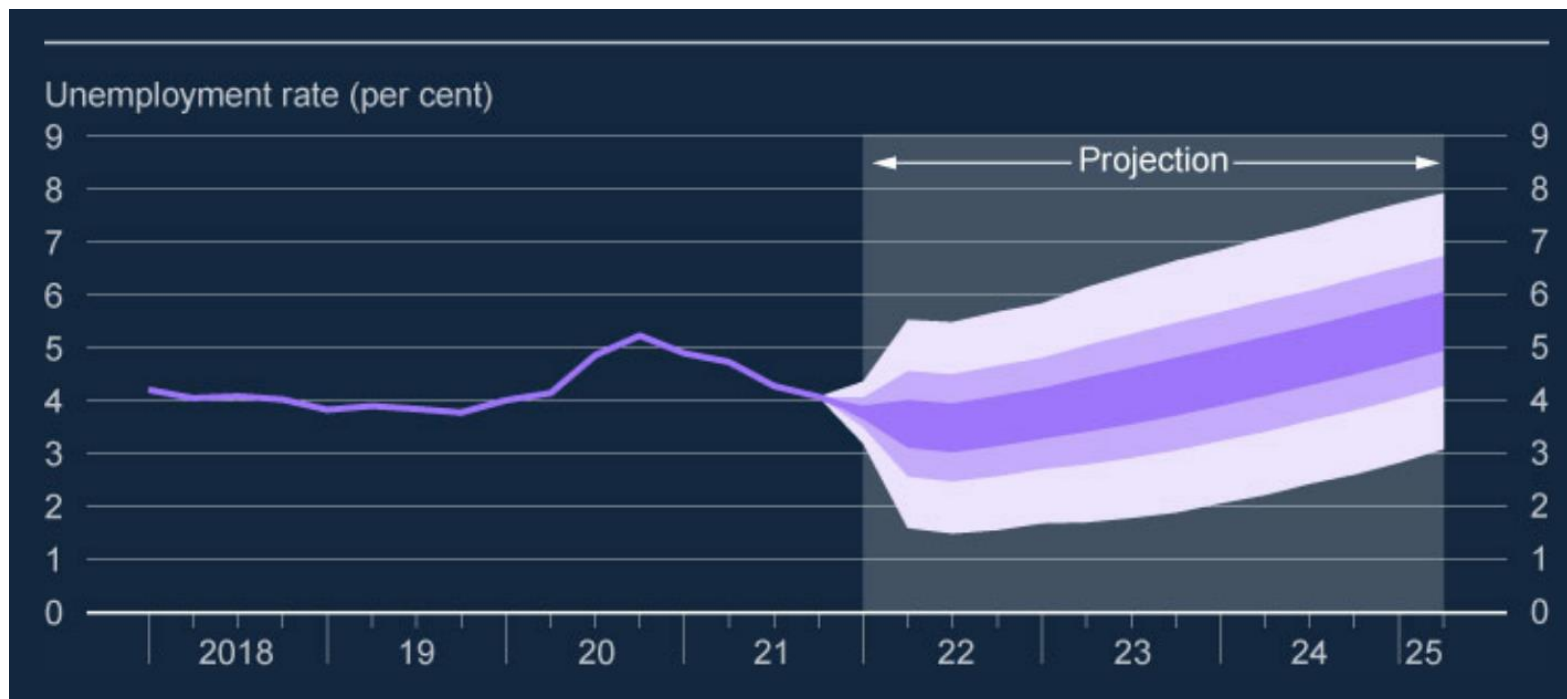
Source: [Bank of England Monetary Policy Report, May 2022](#)

A. Economic context: Unemployment is expected to fall in the near term and then rise at the end of 2022

- The Bank of England expects unemployment to fall further in the near term, reflecting the recent strength of activity and business optimism.
- However, the Bank expects unemployment to start to rise in Q4 2022 as it is expected that demand will grow more slowly than supply leading to the emergence of a margin of excess supply.

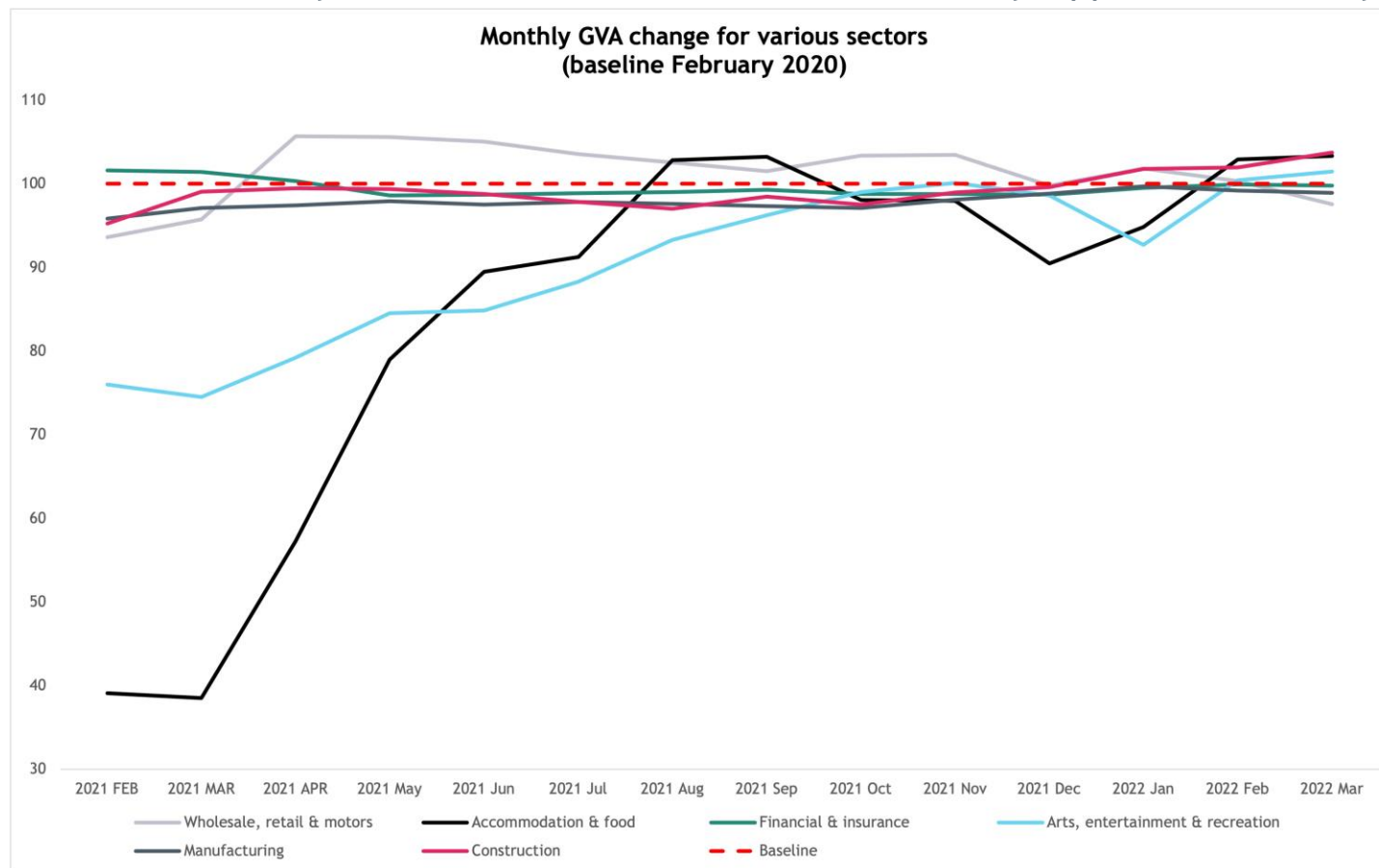
Note: There remains considerable uncertainty in these forecasts. Bank of England fan charts show the projections based on the probability that it thinks they will occur, reflecting the degree of uncertainty.

Bank of England chart: Unemployment projection based on market interest rate expectations, other policy measures as announced.



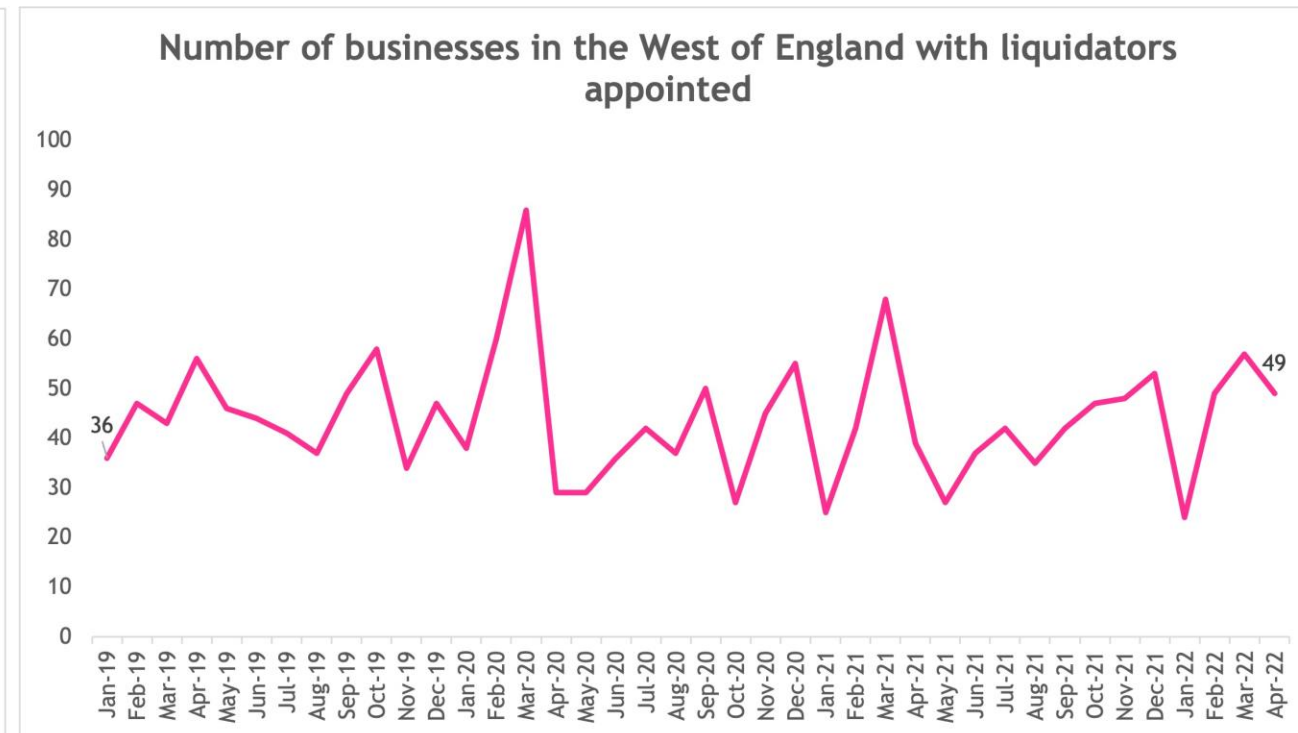
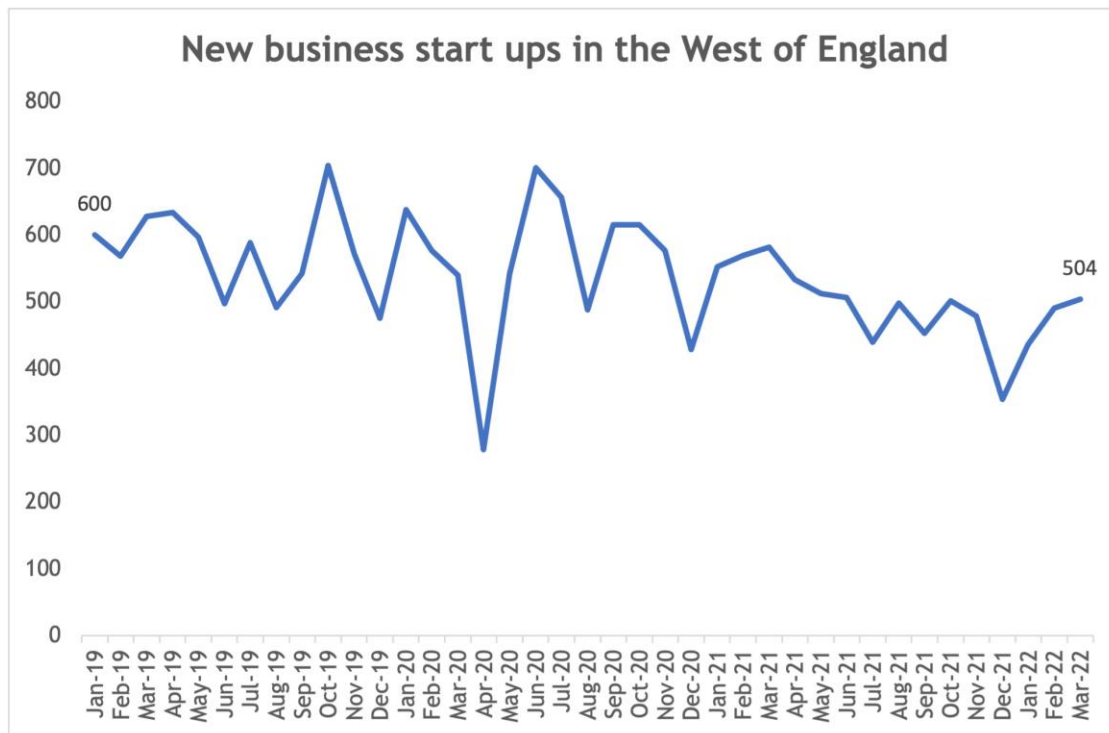
A. Economic context: All but two of the main sectors were at or above pre-pandemic levels of output in March 2022

The chart below shows the impact on Gross Value Added (GVA) in certain sectors of the economy at a UK level. Many sectors experienced a drop in economic output after February 2020, but some were more adversely impacted than others. In March 2022, most of the main sectors were at or above pre-pandemic levels. The Manufacturing and Wholesale, retail and motors sectors were slightly below pre-pandemic levels. Activity in the Wholesale, retail and motors fell by 2 ppts from February 2022.



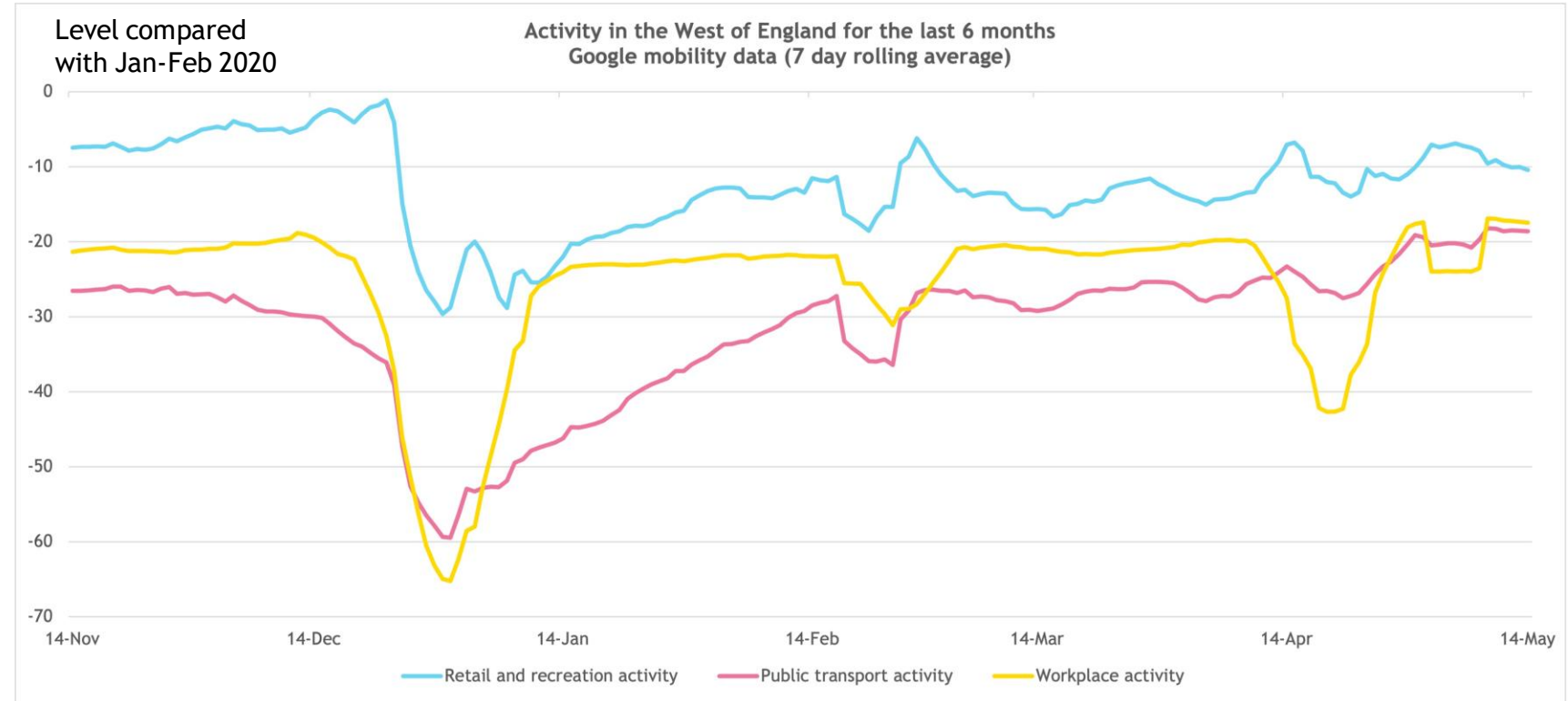
B. Business and consumer activity: New business start-ups slightly low, and appointment of liquidators around average

- On average there were 477 new business start-ups per month in the West of England for the January 2022 to March 2022 period. This is down compared to a monthly average of 575 new business start-ups in 2019. (Bank Search Consultancy data)
- On average there were 52 companies per month in the West of England which had liquidators appointed in the February 2022 to April 2022 period. This is similar to a monthly average of 45 companies per month in 2019, and has not risen despite the end of the pandemic rule which limited the ability of creditors to collect debts. (The Gazette)



B. Business and consumer activity: activity was quite stable up to Easter and then dipped temporarily during the holiday

- Google mobility data shows that activity in the region dipped temporarily during the Easter holiday and bank holidays, particularly in the workplace. Activity in each of three areas is still below pre-pandemic levels.
- Footfall for Broadmead BID for the month up to 14 May was only 1% higher than in the previous month.



Daily activity average for the West of England	Retail and recreation activity	Public transport activity	Workplace activity
In the last month	10% down (on pre-pandemic)	22% down	27% down
In the month before last	13% down	26% down	21% down

B. Business and consumer activity: Businesses continue to report increases in prices, with an impact on both businesses and consumers

- National retail sales volumes fell by 1.4% in March 2022 following a fall of 0.5% in February 2022. Sales volumes were 2.2% above February 2020 pre-pandemic levels. ([ONS estimates of retail sales](#))
- The proportion of retail sales online fell to 26.0% in March 2022, its lowest proportion since February 2020 (22.7%), continuing a broad downward trend since its peak in February 2021 (37.1%). ([ONS estimates of retail sales](#))
- Half (50%) of active businesses nationally reported an increase in the prices of materials, goods or services bought in March 2022, up from 39% in February 2022. ([ONS Business insights and impact on the UK economy](#))
- In late April 2022, having to absorb costs (38%) and having to pass on price increases to customers (27%) were reported as the biggest impacts on businesses because of general price rises; these percentages have increased slightly since early March 2022 from 35% and 24%, respectively. ([ONS Business insights and impact on the UK economy](#))
- One fifth (20%) of active businesses reported that their turnover decreased in March 2022 compared with February 2022, in contrast 14% reported turnover had increased. ([ONS Business insights and impact on the UK economy](#))
- A survey of the South West by Business West reports that general economic conditions and inflation are the two main concerns worrying respondents; 63% and 60% respectively. The same survey also found a majority of businesses (60%) were confident or very confident about the prospects for their own business performance for the next 12 months, which compared to 15% that were negative or very negative. This compares to 62% and 12% respectively for the Q4 2021 Survey. ([Business West's Quarterly Economic Survey Q1 2022](#))

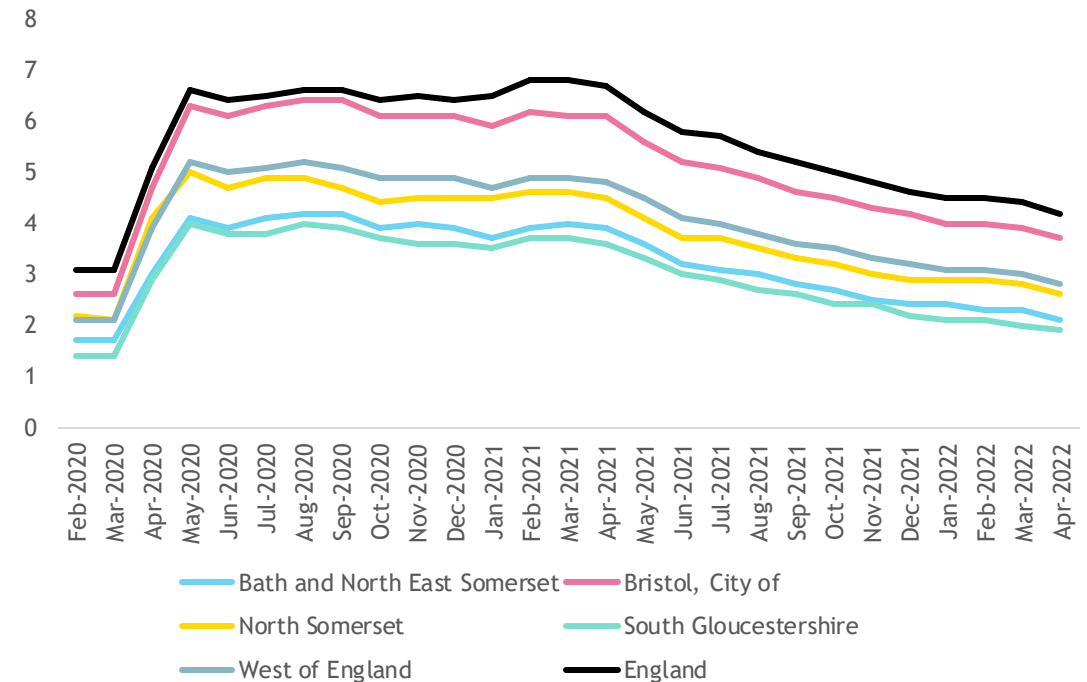
C. Labour market: April unemployment benefit claims were lower than March



- Approximately 2.8% of the region’s workforce claimed unemployment benefits in April 2022 (21,175 people). The percentage of people claiming out of work benefits in April was 0.2 pts less (1,210) than March.
- The claimant count for England in April was 4.2%, 0.2 pts less than March.
- Even with record high job vacancies, nationally there are concerns about the increase in economic inactivity, especially amongst those aged 50 to 64.
- Analysis by the Institute for Employment (IES) shows how the four local authorities in the West of England compare to the average in England for economic inactivity and vacancies:
 - B&NES - low economic inactivity and high vacancies;
 - Bristol - high economic inactivity and high vacancies;
 - North Somerset and South Gloucestershire - low economic inactivity and low vacancies.

Unemployment benefit claimants	Mar 2022 number	Mar 2022 % of workforce	Apr 2022 number	Apr 2022 % of workforce
Bath and North East Somerset (BANES)	2,860	2.3	2,705	2.1
Bristol City	12,445	3.9	11,910	3.7
North Somerset	3,435	2.8	3,180	2.6
South Gloucestershire	3,645	2.0	3,380	1.9
West of England Total	22,385	3.0	21,175	2.8

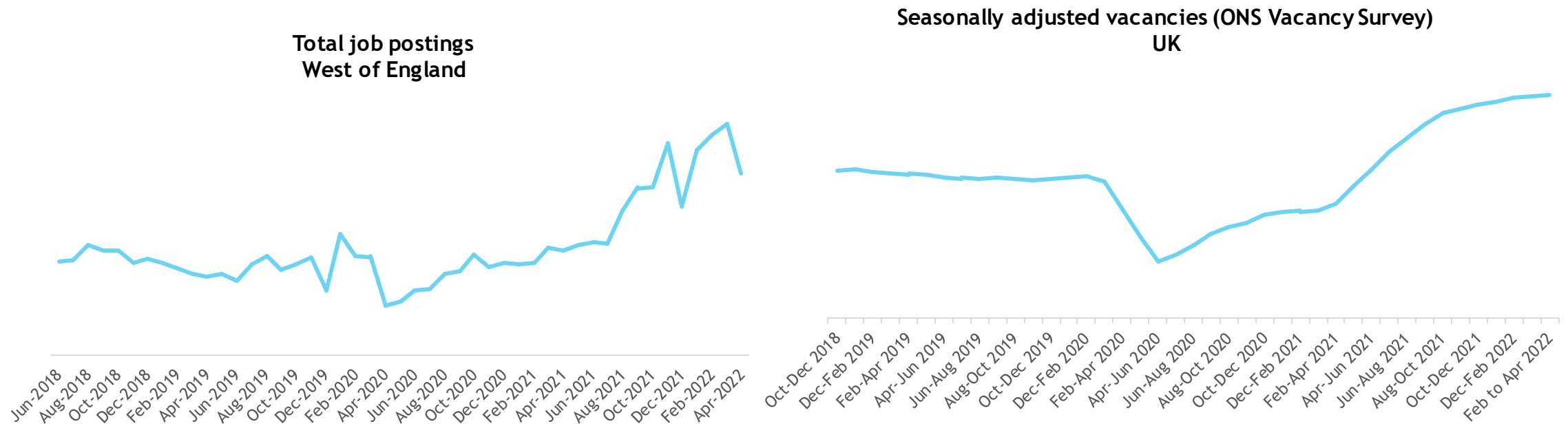
Working age residents claiming unemployment related benefits (%)



C. Labour market: Vacancies continue at a high level

- Job posting in the region fell by 22% in April compared to March. However, average monthly job postings in the region over the past 3 months have been 148% higher than average monthly vacancies in 2019.
- The number of job vacancies in the UK rose to a record 1,295,000 in February to April 2022. Vacancies rose by 7,000 (0.5%) compared to the previous quarter.

Note: Job postings levels and associated analytics are highly sensitive to the web-scraping tool used. Analysing trends rather than totals is therefore advised.
 Note: Any differences between the two datasets is likely in part due to different data collection methods and the type of data (total job postings is a “flow” of new job postings, whilst the survey data is a “stocktake” of open vacancies).

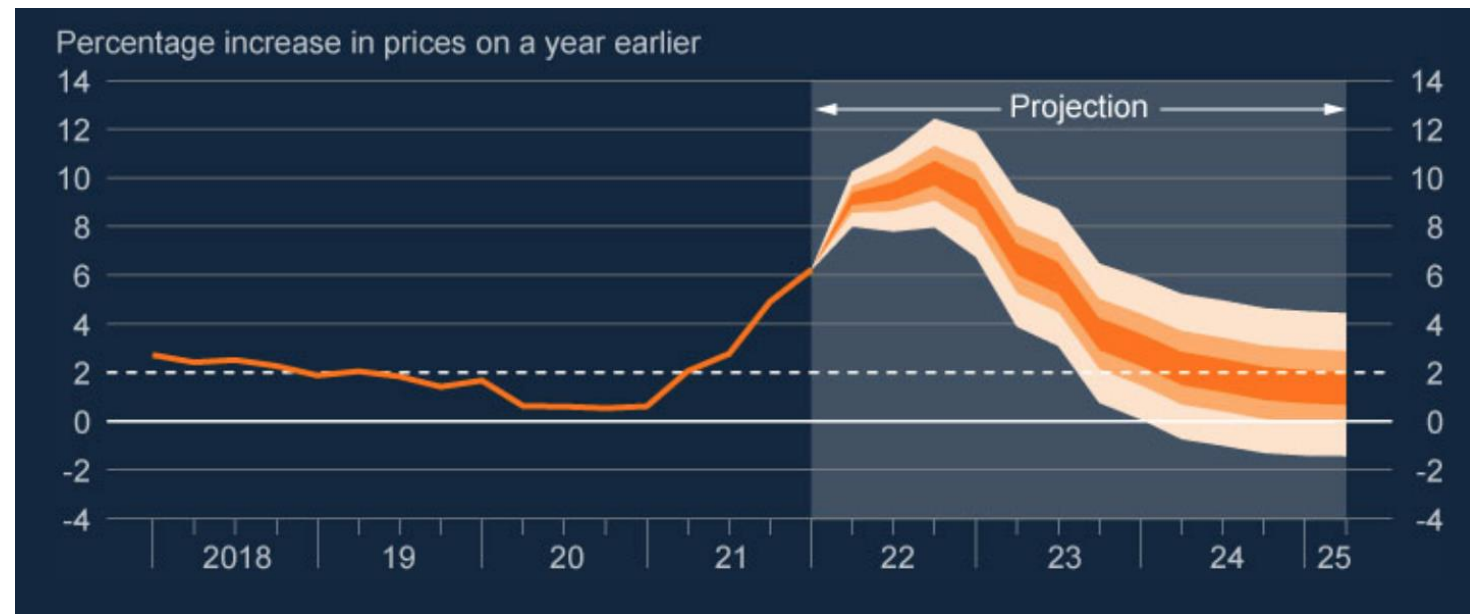


D. Cost of living: Inflation is continuing to rise and is expected to peak at the end of the year

- The Consumer Prices Index (CPI) rose by 9.0% in the 12 months to April 2022, up from 7.0% in March.
- In response to increasing inflation, the Bank of England increased the base rate from 0.75% to 1% on the 5th May.
- The Bank expects CPI inflation to rise further to a peak of slightly over 10% in Q4 2022. The significant majority of this rise reflects the rise of 54% in household energy prices in April and the projected increase of around 40% when the Ofgem price is next reset in October.
- Services price inflation is also expected to rise a little further in the next few months as underlying wage growth is projected to pick up. Wage growth reflects the tightening in the labour market and further upward pressure from the rise in CPI inflation, as firms seek to retain and recruit staff.

Note: There remains considerable uncertainty in these forecasts. Bank of England fan charts show the projections based on the probability that it thinks they will occur, reflecting the degree of uncertainty.

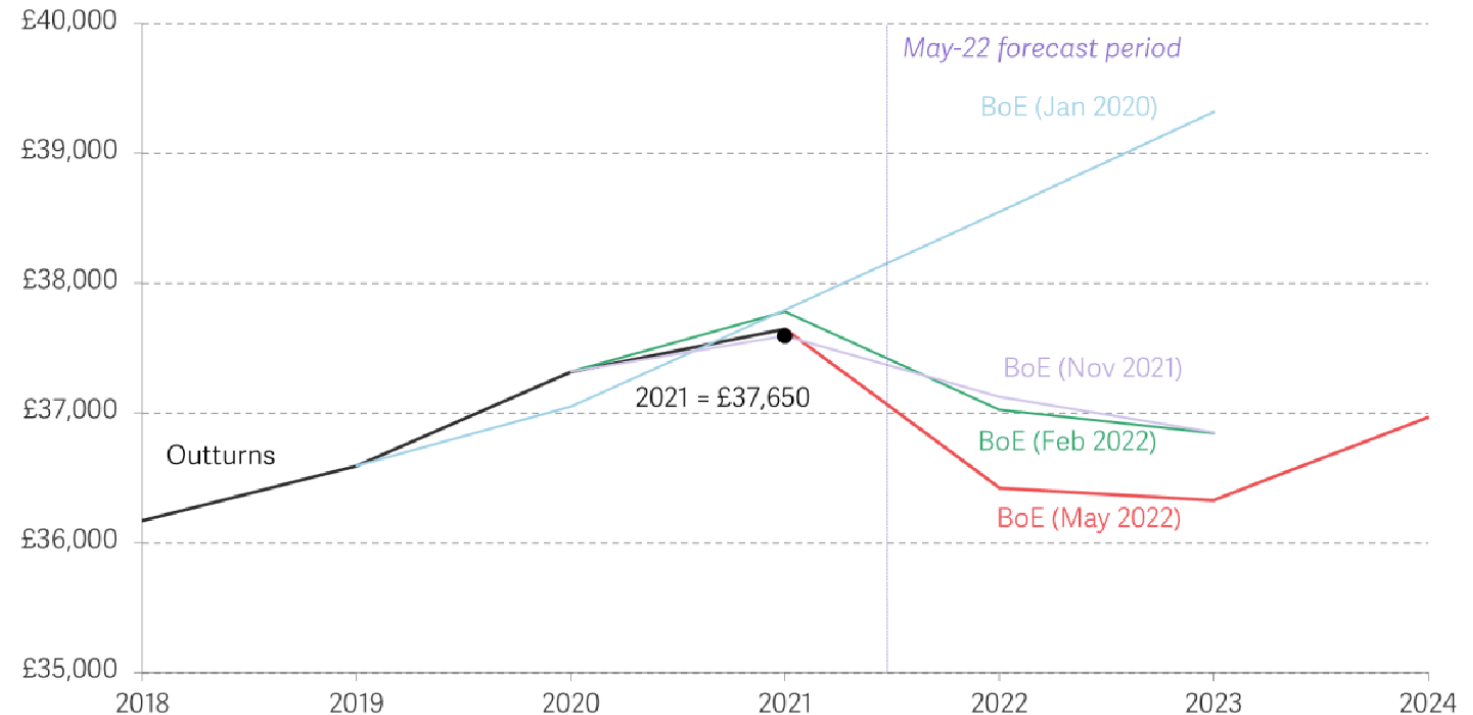
Bank of England chart: CPI Inflation projection based on market interest rate expectations, other policy measures as announced.



D. Cost of Living: Real pay is falling and households are feeling the cost of living impacts

- In Great Britain, annual growth in regular pay was 4.2% in January to March 2022. In real terms (adjusted for inflation), this regular pay fell on the year by 1.2%.
- The cost of living is expected to continue to rise. In the case of energy, the Bank of England expects the Ofgem price cap to rise to £2,750 in October, up £779 compared to the April price cap.
- Overall, the Bank forecasts the fall in average real post-tax labour income in 2022 to be the steepest on record at 3.3%, equivalent to a fall of £1,200 to households on average. See the May 2022 forecast in the graph on the right hand side.
- For 2022-23, the National Institute of Economic and Social Research (NIESR) estimates 5% of UK households will face food and energy bills greater than their disposable income.
- A survey by the consultancy BritainThinks also found the cost of living was now the dominant concern for UK households, with 90% worried about the effects of rising prices.

Bank of England projects for real disposable income per UK household



Contact us

-  westofengland-ca.gov.uk
-  economicanalysis@WestOfEngland-CA.gov.uk
-  [WestofEnglandCA](https://twitter.com/WestofEnglandCA)
-  [West-of-England-Combined-Authority](https://www.linkedin.com/company/West-of-England-Combined-Authority)

For further information on support available to businesses, visit the West of England Growth Hub: wearegrowth.co.uk