



**Glasgow City Region
Economic Briefing April 2022
Intelligence Hub**



Summary

Despite a strong recovery at the end of 2021, record levels of inflation in Q1 2022 have already had a significant impact on the economy. This month's economic briefing note provides the usual overview of the economy plus a review of the cost of living crisis, how the construction sector is faring, and some Place factors which are being impacted by / impacting the economy .

- **Growth Forecasts:** According to forecasts from the Office of Budgetary Responsibility (OBR), the UK economy is expected to grow by 3.8% this year. The Fraser of Allander Institute forecasts that the Scottish economy will grow by 3.5%, lower than their December 2021 forecast (4.7%).
- **Record high inflation expected in 2022:** UK Inflation hit 7% in March 2022. The OBR expects inflation to reach 8.7% this year. Higher prices have hit poor households the hardest and present significant challenges for businesses. The hardest hit sector is Food and Beverage Services.
- **Labour Market Outlook:** Scotland's estimated employment rate fell to 74.5% in January 2022. Economic inactivity increased further from last quarter. The OBR's projection is for unemployment to remain low, peaking at 4.2% in 2023.
- **Rising Housing Costs:** New evidence suggests that private sector rents in Glasgow have increased to record high levels. Experts warn that the lack of investment in housing risks making the current housing crisis worse.
- **Good Growth Index:** The Good Growth for Cities Index 2022 shows the extent to which cities have recovered from the pandemic. Although Glasgow performs well (above the national average) in work-life balance, it underperforms in health and entrepreneurship.



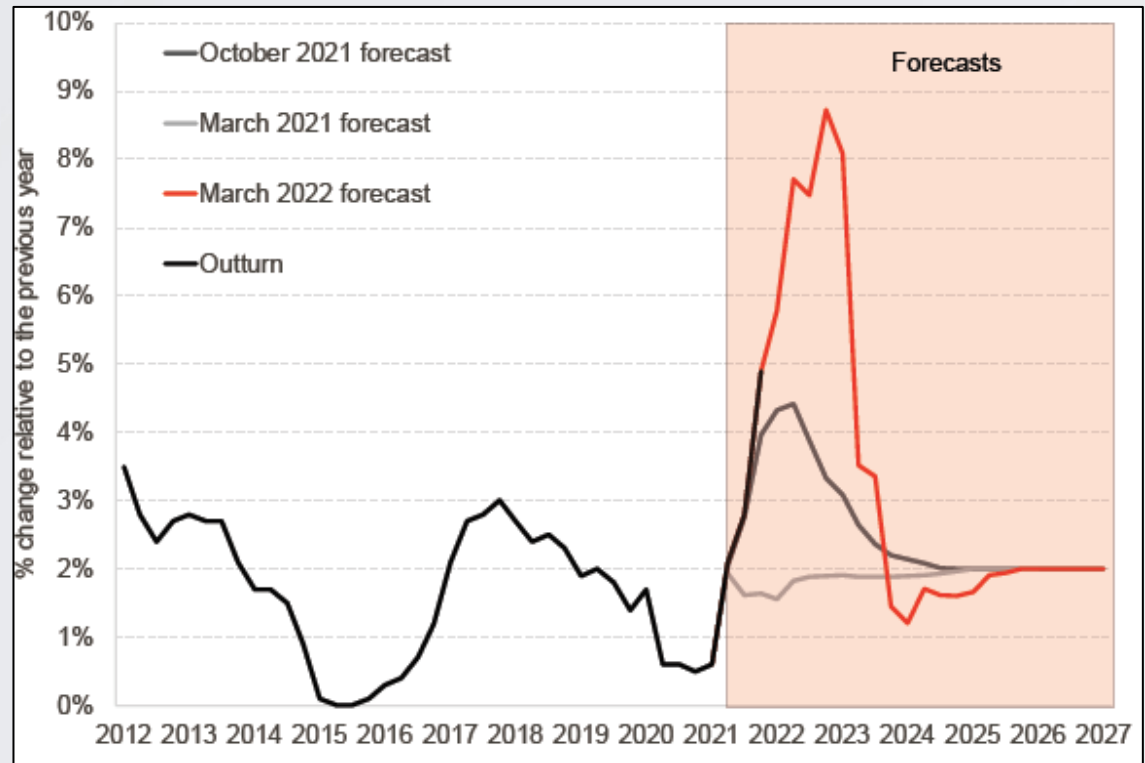
The UK Economy

UK inflation hit 7% in March 2022. The OBR expects inflation to peak at 8.7% this year, with high inflation expected to persist for the next couple of years. Growth for 2022 for the UK Economy has been revised down from 6% to 3.8% due to rising costs for firms and falling incomes.

Major Inflation drivers

- **Energy Prices:** The Ofgem price cap rose again on the 1st of April by 54%. This will push up a typical annual dual fuel bill by £693 to £1,971 a year. Another increase is anticipated in October.
- **Transport Prices:** Due to changes in the price of motor fuels, transport prices are a significant driver of inflationary pressure.
- **Household and Housing Services:** contributed 1.39 percentage points to the Consumer Price Index (CPIH) – the largest contribution from these services since February 2009.

Chart 1: UK Economy, Inflation Forecasts



Source: OBR, FAI

UK GDP and Unemployment Forecasts

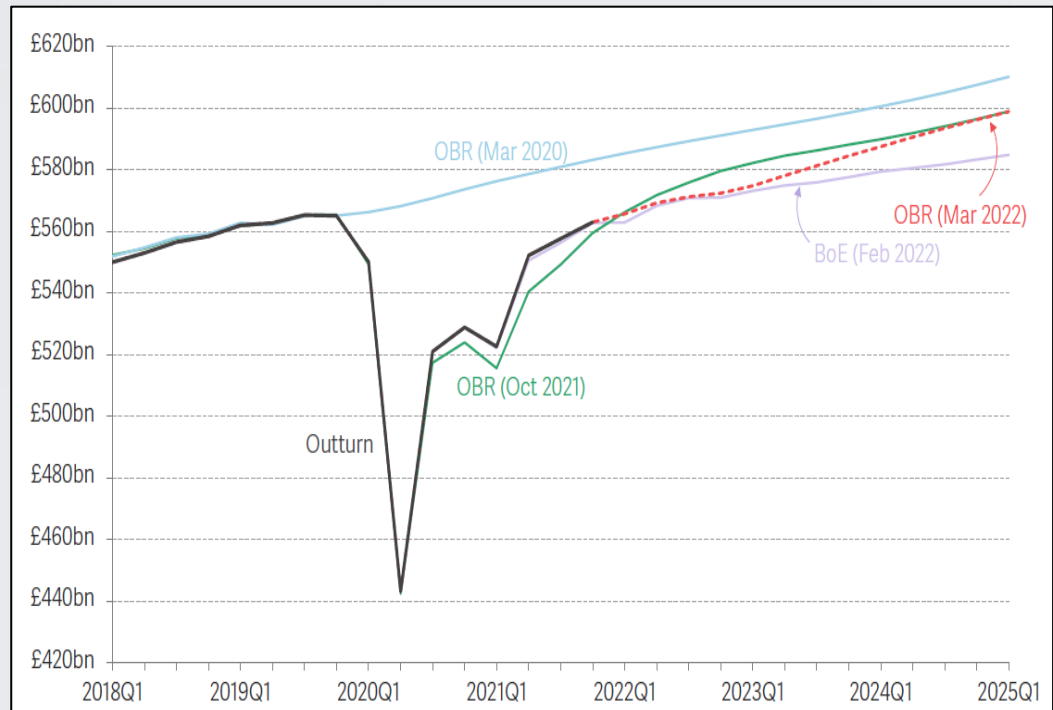
According to the ONS, UK GDP rose by 0.1% in February, down from 0.8% in January. Economists had forecast a growth rate of 0.3%. Moreover, OBR's and the Bank of England's economic outlook for the UK is weaker in the near term.

OBR and BoE forecasts: The OBR forecasts for GDP are stronger than those from the Bank of England despite a much bigger rise in inflation.

- OBR's forecast is based on future prices for oil and gas which imply that prices will fall back from their current elevated levels (the BoE forecast assumes constant wholesale energy prices beyond six months).

Unemployment forecast: the OBR's projection is for *unemployment to remain low, peaking at 4.2% in 2023*.

Chart 2: Quarterly real GDP, outturn and select forecasts: UK



Source: [Resolution Foundation](#), March 2022

Outlook for the Scottish Economy

According to the Fraser of Allander Institute (FAI), the Scottish Economy is expected to grow by 3.5% this year. This is lower than the growth forecasted for the UK Economy (3.8%).

- **GDP Growth Q4 2021:** The Scottish economy expanded by 1.3% in the final quarter of 2021, bringing annual growth to 6.9% (UK, 7.5%).
- **Business activity:** also appears to have rebounded following the Omicron outbreak and easing of restrictions, but at a more modest pace than elsewhere in the UK.
- **Growth Forecasts:** FAI has downgraded its growth forecast in 2022 for the Scottish Economy from 4.7% in December to 3.5%.
- The growth forecast for Scotland is slightly lower than the UK as a whole because of the demographic challenges and lower economic participation in Scotland.

Table 1: GDP Growth Forecasts, Scotland and UK

	2022	2023	2024
FAI Scotland Forecast	3.5%	1.5%	1.4%
OBR UK Forecast	3.8%	1.8%	2.1%

Source: FAI, Economic Commentary Q1 2022

Labour Market Outlook

Employment, unemployment and economic inactivity estimates are presented for the 3 months to January 2022, compared with the quarter before (August to October 2021) and compared with a year before (November 2020 to January 2021).

	Employment Rate (16-64) (%)	Employment Rate Quarterly Change (ppts)	Annual Change (ppts)	Unemployment Rate (16-64) (%)	Unemployment Rate Quarterly change (ppts)	Annual Change (ppts)	Economic Inactivity (16-64) (%)	Economic Inactivity Quarterly Change (ppts)	Annual Change (ppts)
<i>Scotland</i>	74.5	-0.1	+0.6	3.8	-0.3	-0.5	22.4	+0.3	-0.3
<i>United Kingdom</i>	75.6	0.1	+0.9	3.9	-0.2	-1.2	21.3	+0.1	0.0

Source: Scottish Government, January 2022

Scotland

- **Employment:** Scotland's estimated employment rate fell to 74.5 in January 2022.
- **Unemployment:** The estimated unemployment rate for the working-age population in Scotland was 3.8 per cent in November 2021 to January 2022. This is up slightly on December 2019 - February 2020 (pre-pandemic) but down 0.3 percentage points over the quarter.
- **Economic Inactivity:** Economic inactivity increased to 22.4 but fell by - 0.3 percentage points from this period last year.

UK

- Across the UK, employment rates rose from 75.5% to 75.6% in the last quarter - and economic inactivity increased by 0.1 percentage points to 21.3%.

Annual Population Survey- Headline Labour Market Indicators

The ONS has published the Annual Population Survey (APS) for January to December 2021 covering the latest employment, unemployment and economic inactivity and qualifications data for Glasgow City Region and its member authorities.

Employment Rate: The Region's employment rate was estimated at 71.6% in 2021, a decrease of -0.6 percentage points from 2020.

Unemployment Rate: GCR's unemployment rate improved from 4.6% in 2020 to 3.8% in 2021

Economic Inactivity: GCR's economic inactivity rate increased from 24.3% to 25.6%

Qualifications: GCR increased its rate of degree-level qualifications from 47.1% to 47.8%.

The Intelligence Hub will produce a bespoke briefing note on the APS which will be circulated soon

Table 2: Headline Labour Market Indicators, UK Core City Regions.

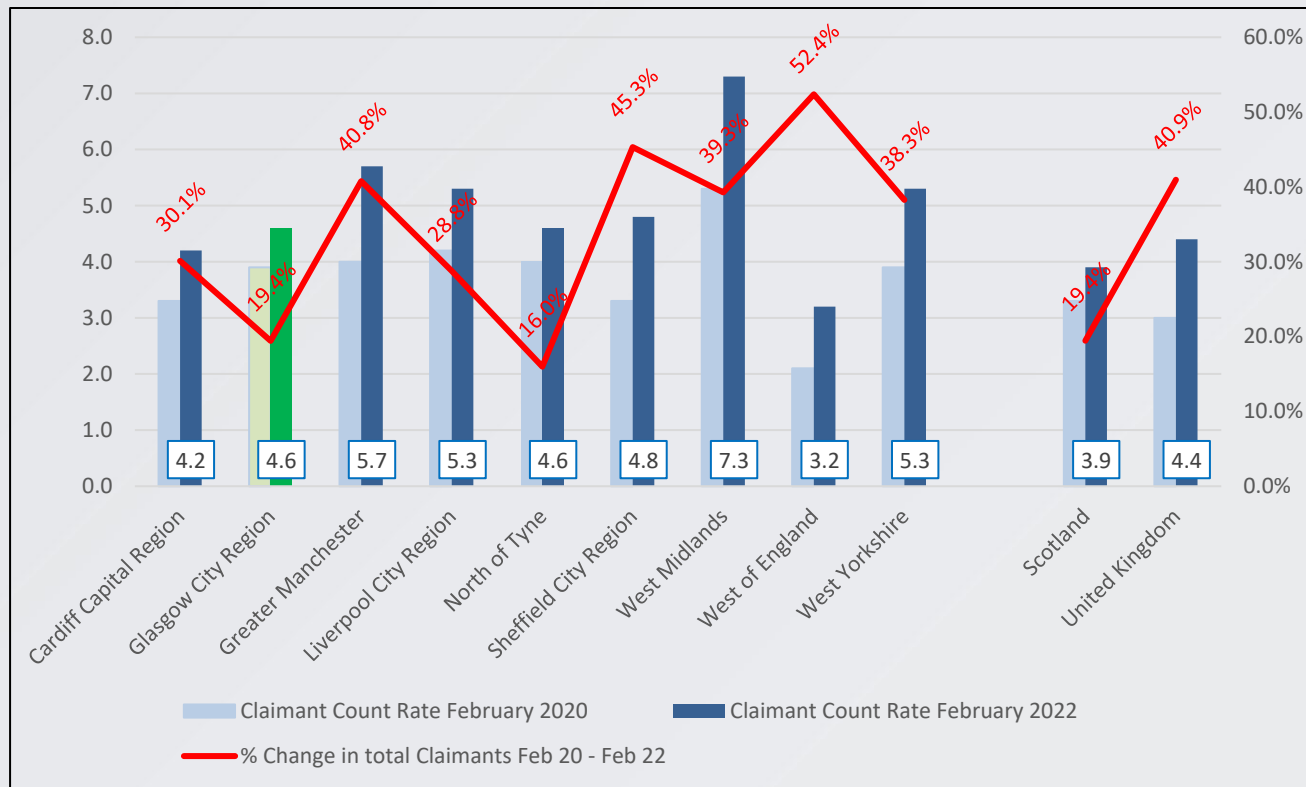
UK Core City Region	Employment Rate (%)	Unemployment Rate (%)	Economic Inactivity Rate (%)	Degree-level qualifications Rate (%)	No Qualifications Rate (%)
Glasgow City Region	71.6	3.8	25.6	47.1	10.7
Top Performing Core City Region	79.3	2.7	18.5	52.4	4.7
GCR Core City Region Position	6/9	2/9	9/9	2/9	9/9
Scotland	73.1	4	23.8	50.1	7.7
United Kingdom	74.7	4.5	21.8	43.5	6.7

Source: APS, Nomis

GCR Claimant Count

The Claimant Count Rate in February 2022 remained at 4.6% (55,750 residents). However, the number of claimants is still 19.4% higher than February 2020. Compared to other UK Core Cities, GCR has the 3rd lowest Claimant Count Rate, although higher than the national average (3.9%).

Chart 3: Claimant Count Rate, February 2022



Source: NOMIS

Fair Work

With working patterns changing as a result of the pandemic, employers argue that a shorter work week could help attract and retain staff. Moreover, new research finds that job quality matters for employee mental health.

Job quality and mental health: A new study which explores the relationship between job quantity, job quality and employees' mental health finds that job quality matters more than its quantity as measured in hours per week.

Underemployment: Although working less than one prefers (under-employment) has negative effects, these negative effects become much smaller in size and non-significant in good quality jobs, especially in jobs with skill discretion and good job prospects.

Policy considerations: attention needs to be paid to job quality in order to address labour shortages across sectors.

Source: [Wang et al \(2022\), Cambridge Journal of Economics](#)

UK-Wide Four-day Workweek Pilot Programme

More than 3,000 workers at 60 companies across Britain will trial a four-day working week, in what is thought to be the biggest pilot scheme to take place anywhere in the world. This pilot is run by the universities of Oxford and Cambridge.

Pilot programs run by in countries such as Iceland, New Zealand, Spain and Japan reported very promising results. According to pilot studies, workers reported:

- a 25% to 40% increase in productivity
- improved work/life balance and less need to take sick days
- more time to spend with family and children, and less money spent on childcare

Source: [The Guardian](#), 4 April 2022



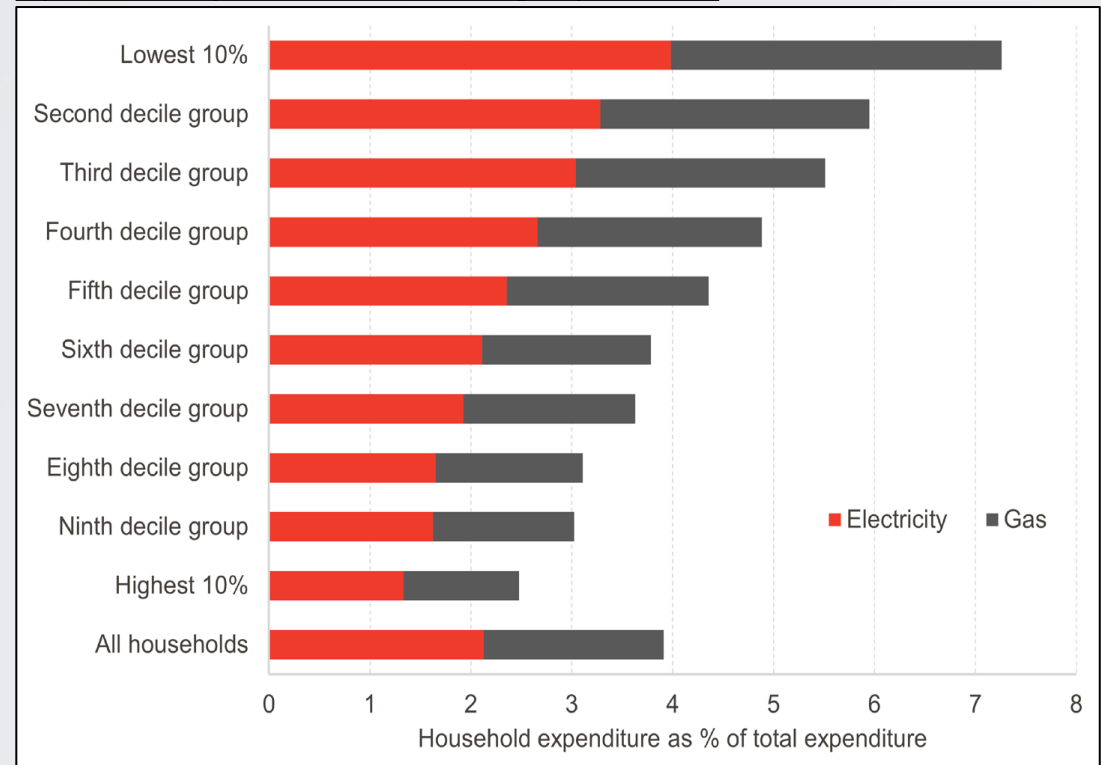
Cost of Living Crisis

The New Economics Foundation found that approximately a third of all households in the UK may have to cut back on some basics like food or heating as their incomes fall short of what is required to provide a decent minimum standard of living.

Rising bills affect those on the lowest incomes

- In January, 9 in 10 people in the UK reported that the price of their groceries had increased since the end of last year, and 8 in 10 people said their gas or electricity bills had risen.
- In 2020, the poorest 10% of households spent more than half of their average weekly expenditure (£300) on essentials such as housing (including energy bills), food, and transport.
- On the other hand, the top 10% spent just over 40% of their weekly budget on the same essentials.

Chart 4: Household expenditure as a percentage of total expenditure by equivalised disposable income decile group, UK 2020



Source: [FAI](#)

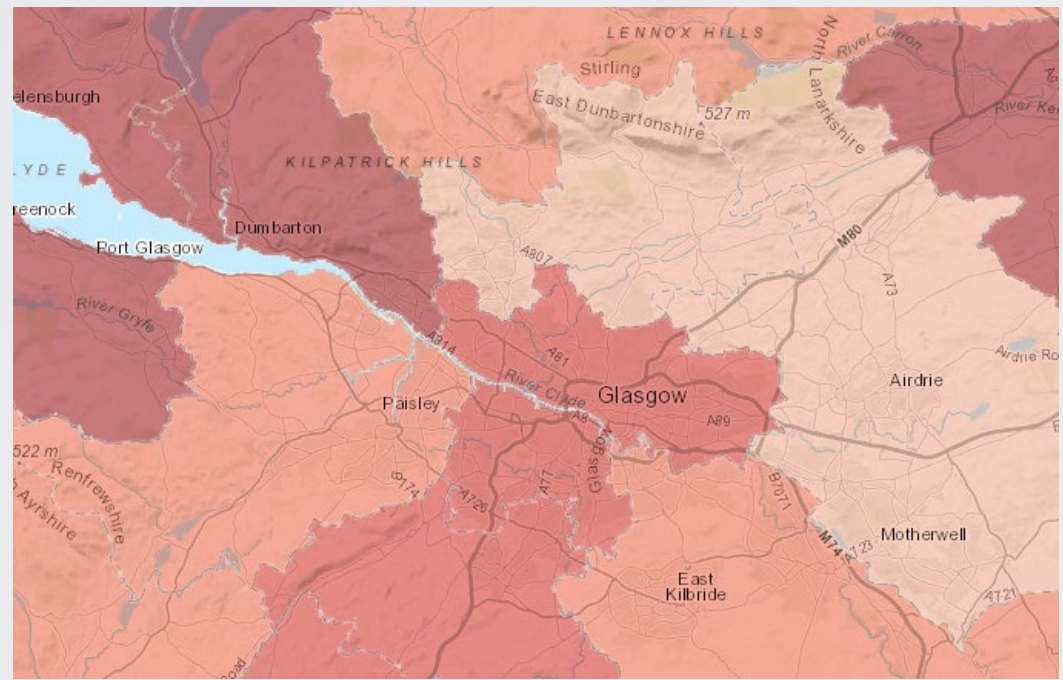
Food Insecurity in Glasgow City Region

New research from Sheffield University and the Food Foundation shows the percentage of adults experiencing food insecurity across the UK. The most affected areas in Glasgow City Region are Inverclyde, West Dunbartonshire and Glasgow City.

Food insecurity

- The University of Sheffield in partnership with the Food Foundation have produced estimates of three different types of food insecurity- hungry, struggle, worried- across the UK.
- Within GCR, the most affected local authorities are Inverclyde, West Dunbartonshire and Glasgow City. The map shows incidence of hunger within the Region*.
- In Inverclyde, it is estimated that 10.28% of adults experience hunger, the highest of all local authorities in the Region.
- The interactive map can be accessed [here](#)

Chart 5 : Percentage of adults experiencing hunger because they did not have enough to eat.



**Darker colours indicate higher percentage of adults experiencing hunger*

Source: [Sheffield University](#)

Risk of Rising Child Poverty

Absolute poverty is rising to levels not seen outside a recession. According to the Resolution Foundation (RF), the poorest households in the UK are set to see their real incomes drop by 6%, as benefits fail to keep pace with the rising prices.

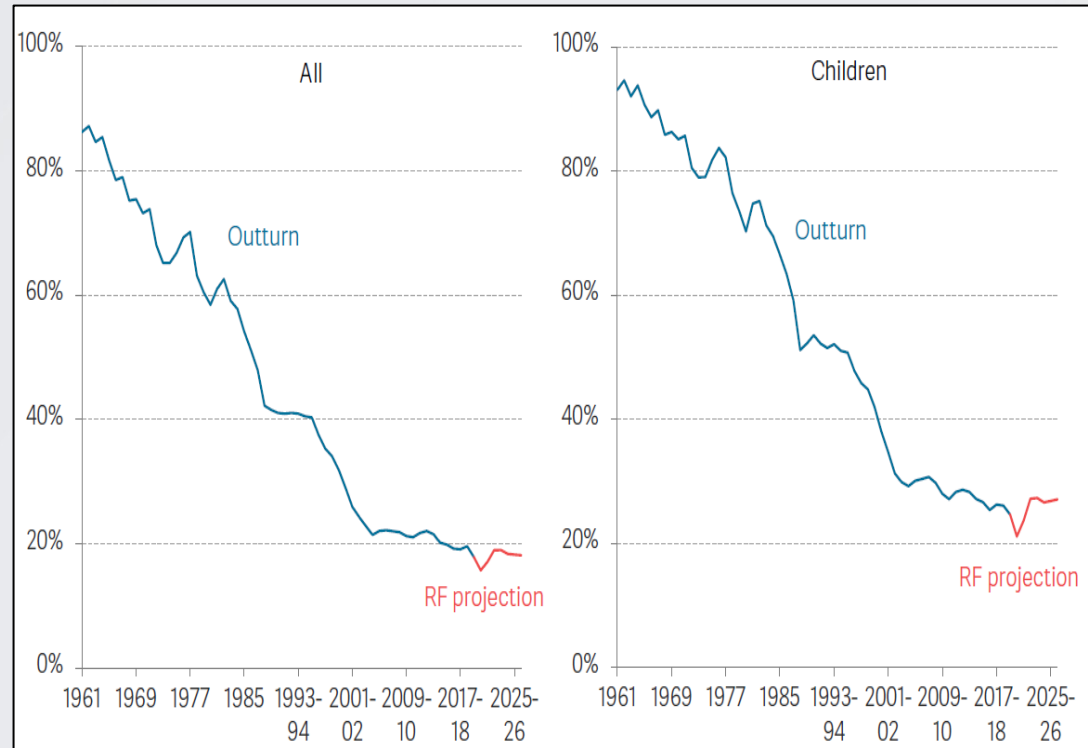
Rise in absolute poverty*

The weak income forecast is also reflected in the projections for absolute poverty. RF modelling points to an increase in 2021-2022 and a significant rise in 2022-23.

- As benefits have not increased this year, the proportion of children living in poverty is expected to rise above 20%.
- Small falls are projected after 2023-24, but this would still leave the share of people and children in absolute poverty higher in 2026-27 than in 2019-20.

*An individual is in absolute poverty if they are living in households with income below 60% of the median in the base year (usually 2010/11)

Chart 6: Proportion of people/children living in absolute poverty, after housing costs: UK



Source: Resolution Foundation

Sectoral Insights - Spotlight on the Construction Sector

Cost and price pressures for the Construction sector risks activity growth weakening over the medium-term. This is likely to have a negative impact on the progress of key construction projects in Glasgow City Region such as the Housing Retrofit Programme.

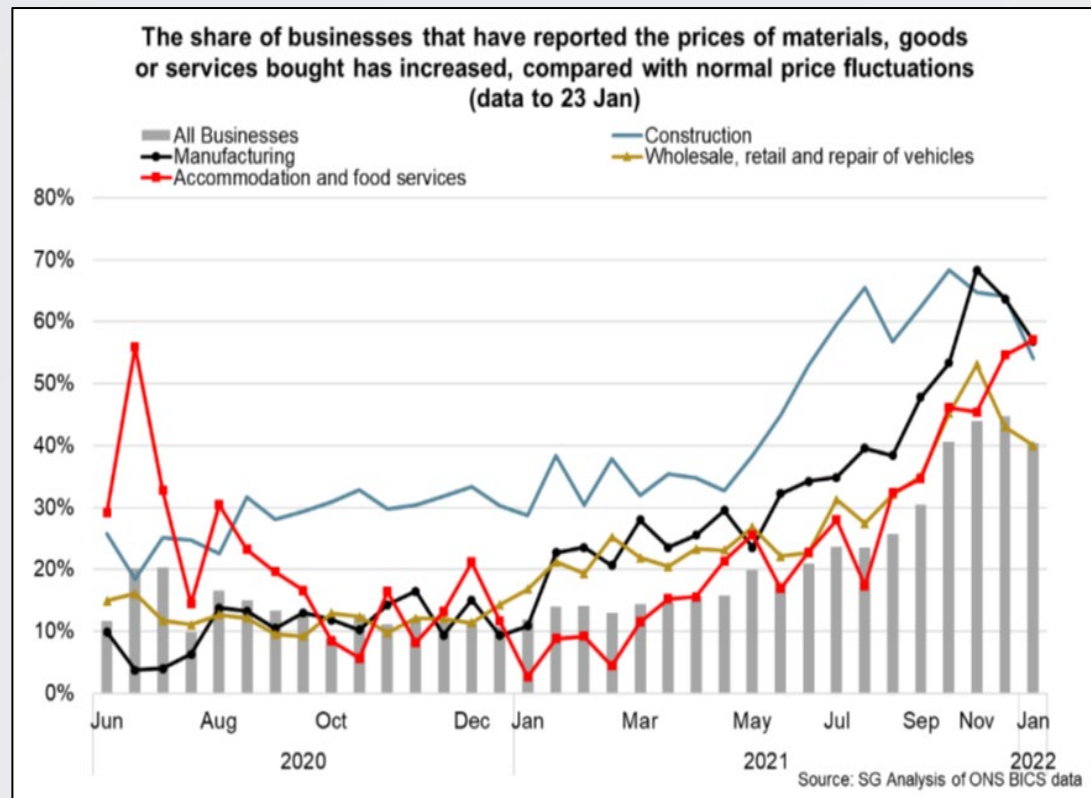
Construction Output: 2020 was a challenging year for construction in Scotland, with annual output dropping by around 13% when compared to 2019. However, recent data highlights the strong pick-up of construction work in the second half of 2021

Supply Chain Disruption: BICS data show that 40% of all applicable businesses in the construction reported that their business had experienced supply chain disruption over the previous month.

Rising Material Costs: more than 50% of Scottish businesses in construction have reported that the prices of materials have increased above what is normally expected.

The Intelligence Hub has conducted further research on the Construction Sector which will be circulated soon.

Chart 8: Share of Businesses that are experiences rising material costs, Scotland



Source: Scottish Government, February 2022

Rising Housing Costs

Rising rents in the private sector continue to put pressure on renters, a double burden for many who are still struggling with the impact of the pandemic.

Rent Increases: Monthly rents in Glasgow have increased approximately 15% since Q4 2020 to an average of £974 per month. Monthly rents have increased faster for 2 bedroom and 3 bedroom flats.

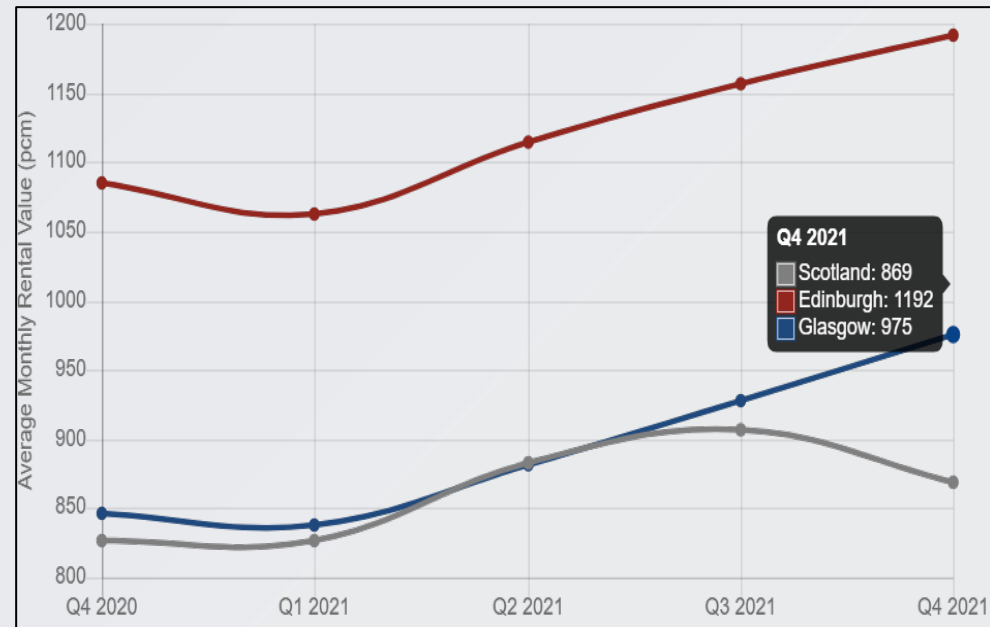
Key Drivers: According to Indigo Square, the biggest issue affecting Glasgow's rental market has been stock availability.

- This shortage has been compounded by the impact of COVID-19 and the lack of people moving. Private sector rent statistics show that Greater Glasgow has seen average rents increase above the rate of inflation over the last decade across all property sizes.

Impacts: Tenants who cannot access the private sector will add pressure on already strained social housing services.

- Experts warn that 2022 will see a further increase in house and rental prices and without investment in the sector, the current housing crisis will get worse.

Chart 9: Average monthly rental value, Scottish cities, Q4 2021



Source: Citylets, Q4 2021 report

Public Transport Infrastructure

A lack of public transport infrastructure has been identified as one of the main causes of regional inequality across the UK. Research from Centre for Cities analyses the weaknesses of Glasgow* compared to a European counterpart - Lyon.

- **Access to public transport:** The case study compared Glasgow with Lyon. It is estimated that **just 53% of Glasgow's population** can reach the city centre by public transport in 30 minutes or less, **compared to 74% in Lyon.**
- **Area coverage:** The area covered by the public transport network that can get commuters into the centre of Glasgow in under 30 minutes is actually larger than that of Lyon's.
- The problem is that fewer people live within this catchment area or close to Glasgow's stations.
- When compared with the French city, Glasgow is not as dense in its core where the public transport network is particularly good.
- **Socio-economic impact:** This reduces the effective size of Glasgow, making the city less attractive to businesses and limiting people's access to job opportunities.

Policy Considerations

- **Place development:** Expanding public transport systems alongside making it easier for people to live near public transport networks
- **Planning reforms:** Shift urban planning from low-rise to mid-rise residential buildings
- **Bus network:** Taking control of the bus network and run it in a way that is good for the wider urban economy

*Centre for Cities use Primary Urban Areas for their analyses – the definition of Glasgow's PUA is the aggregate of: East Dunbartonshire, East Renfrewshire, Glasgow City, and Renfrewshire.

Source: [Centre for Cities](#)



Good Growth for Cities Index

The Demos-PwC Good Growth for Cities report looks at how well positioned UK cities are for a recovery from the pandemic and what steps local leaders can take to drive growth.

- The Good Growth for Cities Index measures the performance of cities and region across the UK focusing on a variety of socio-economic indicators such as health, jobs, skills, transport and safety.
- Scotland's cities are emerging from the pandemic with renewed priorities, largely focused on fairness, the environment and an improved work-life balance. Edinburgh is placed in the first half of the index, at 19th, while Aberdeen and Glasgow are 37th and 42nd respectively.
- In 2022, The biggest driver of improvement in Glasgow was work-life balance but significantly underperformed in health.

Chart 10: Good Growth for Cities Index- Overall rating Glasgow, 2022



Source: [PwC, 2022](#)

The background features a white central area surrounded by several overlapping, semi-transparent geometric shapes in various colors: yellow, orange, red, pink, purple, blue, teal, and green. These shapes are arranged in a circular pattern, creating a dynamic and modern aesthetic.

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