



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



Summary

- **Economy Outlook:** The outlook for the UK economy remains challenging. Inflation in June increased to 9.4% and the IMF has said that the UK economy is set to have the slowest growth of the G7 economies next year.
- **Labour Market:** There is some positive news in the labour market - with employment and unemployment rates recovering to pre-pandemic levels. Moreover, the number of mothers at work has reached the highest level for 20 years, as a result of both more flexible ways of working but also increasing financial pressures.

SPOTLIGHT ON

This month's spotlight is on the *cost of living crisis*. The key points are:

- The ongoing cost of living crisis continues to worsen across the UK as a result of high prices for food, energy, and fuel. Emerging evidence suggests that young people have been more negatively affected as they spend a higher proportion of their income on these goods.
- Workers in the Foundational Economy are seeing significant decreases in their disposable income.
- City Regions across the UK are scoping both the long-term route out of this crisis as well as the immediate support that they can offer. Many mention developing skills pathways, retrofitting, and good jobs/living wage initiatives.



Economy Outlook

According to the IMF the global economy has shrunk for the first time since 2020 - hit by the Ukraine war and COVID-19. The UK is set for the slowest growth of the G7's richest economies next year.

- The IMF is predicting UK growth will fall to just 0.5% in 2023, much lower than its forecast in April of 1.2%.
- The Fraser of Allander Institute has also revised down its growth forecast for the Scottish Economy for 2023 from 1.5% (March 2022) to 0.5%.

GDP

- UK GDP grew by 0.5% in May after a decline of 0.2% in April

Inflation

- In June, UK Consumer Price Inflation rose to 9.4%
- It is expected to hit 11% in Autumn

Pay

- Real pay fell 2.8% between March and May 2022

Sources: [BBC](#), ONS, FAI



Headline Labour Market Statistics

The employment rate in Scotland was 75.4% and the unemployment rate 3.5%. On these headline metrics, the labour market is back to where it was pre-pandemic. However, there's less positive data regarding the outlook for economic inactivity.

Table 1: Labour Force Survey estimates for March to May 2022

	Unemployment (%) Mar-May 2022	Unemployment (ppts) Quarter Change	Employment (%) Mar-May 2022	Employment (ppts) Quarter Change	Economic Inactivity (%) Mar-May 2022	Economic Inactivity (ppts) Quarter Change
Scotland	3.5	+0.1	75.4	0.6	21.8	-0.8
UK	3.8	-0.2	75.9	0.4	21.1	-0.4

Source: Scottish Government, Labour Market Statistics July 2022

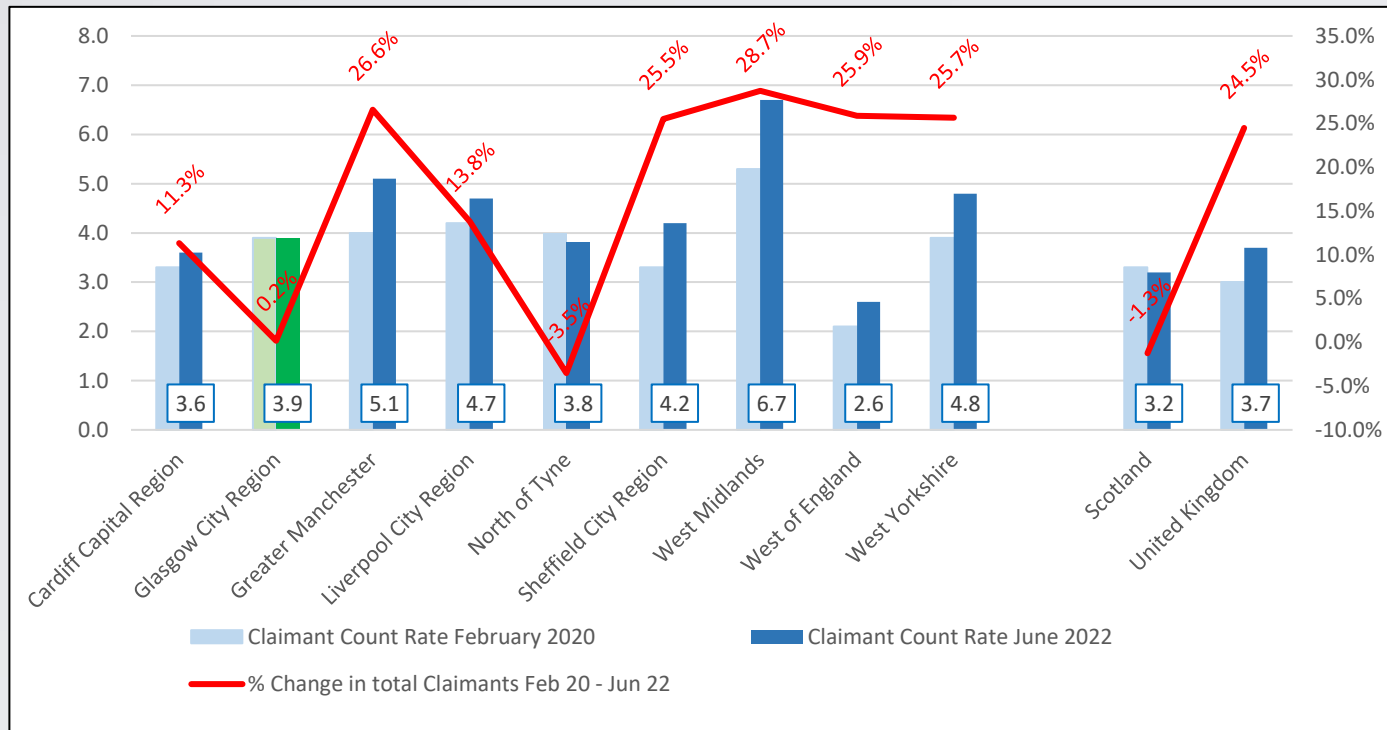
Long covid and the labour market

- Research from the Institute of Fiscal Studies (IFS) suggests that about one in ten long Covid sufferers stopped working while they had the condition - most of them taking sick leave, rather than losing their job altogether.
- As a result, it is estimated that hours worked on average reduce by about 2½ hours per week and earnings by £65 per month (6%).
- Long Covid was more prevalent among people who were claiming benefits, in poverty, having health conditions, and living in social housing before the pandemic. ***The impact is long-lasting with people still off work three months after having the infection.***

Source: IFS, Long COVID and the labour market, July 2022

GCR Claimant Count

In June 2022, GCR's Claimant Count Rate was 3.9 (46,765 residents), 0.2% higher than pre-pandemic levels (February 2020). Scotland's recovery has been faster than the UK.



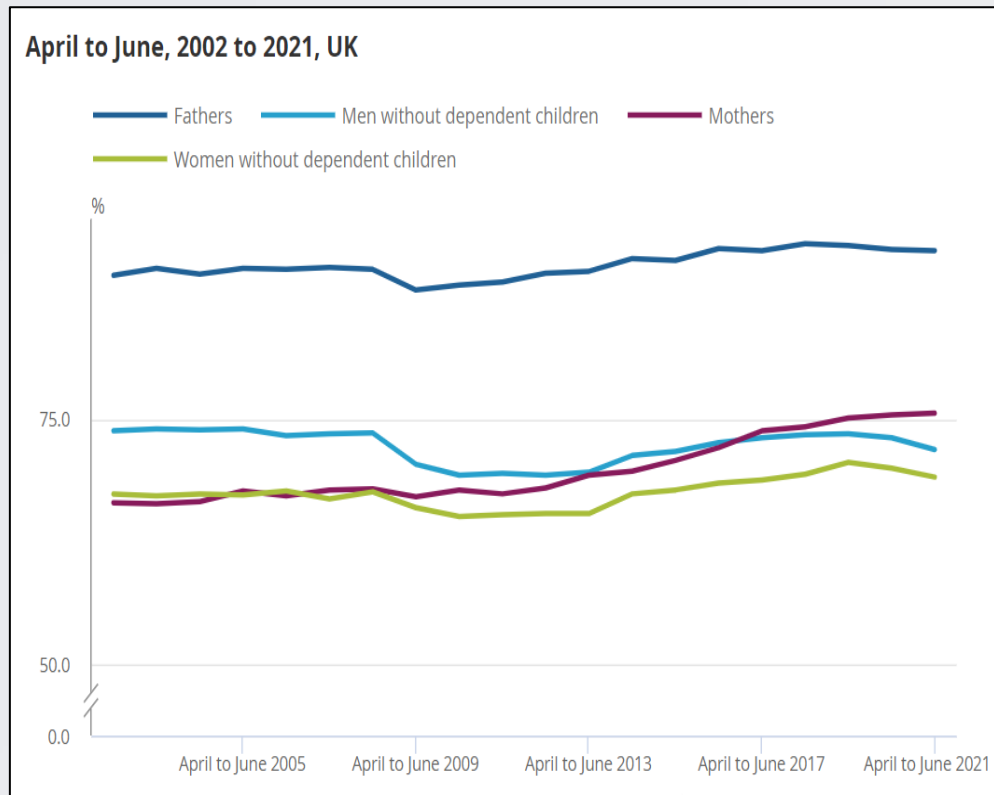
Source: NOMIS

Women in the Labour Market

The number of UK mothers in work has reached the highest level for 20 years. Emerging evidence suggests that labour shortages combined with the shift to remote working could be helping more women negotiate flexible working arrangements.

- **Mother's employment rate:** According to the ONS, in April to June 2021, three in four mothers with dependent children (75.6%) were in work in the UK, reaching its highest level over the last 20 years.
- **Rise of dual-earner couples:** Also, families where both parents work full-time have become increasingly common.
- **Drivers:** There are good and bad reasons for the rise in dual-earner couples:
 - *Long-term trend towards smaller family size*
 - *Also, survey evidence shows that raising a family has become financially harder*
 - *Rise of homeworking allowing women to enter employment and negotiate more flexible working arrangements*
- Although the division of unpaid childcare has changed overtime, women continue to bear most of the burden .

The employment rate for mothers is higher than either rate for women or men without dependent children.



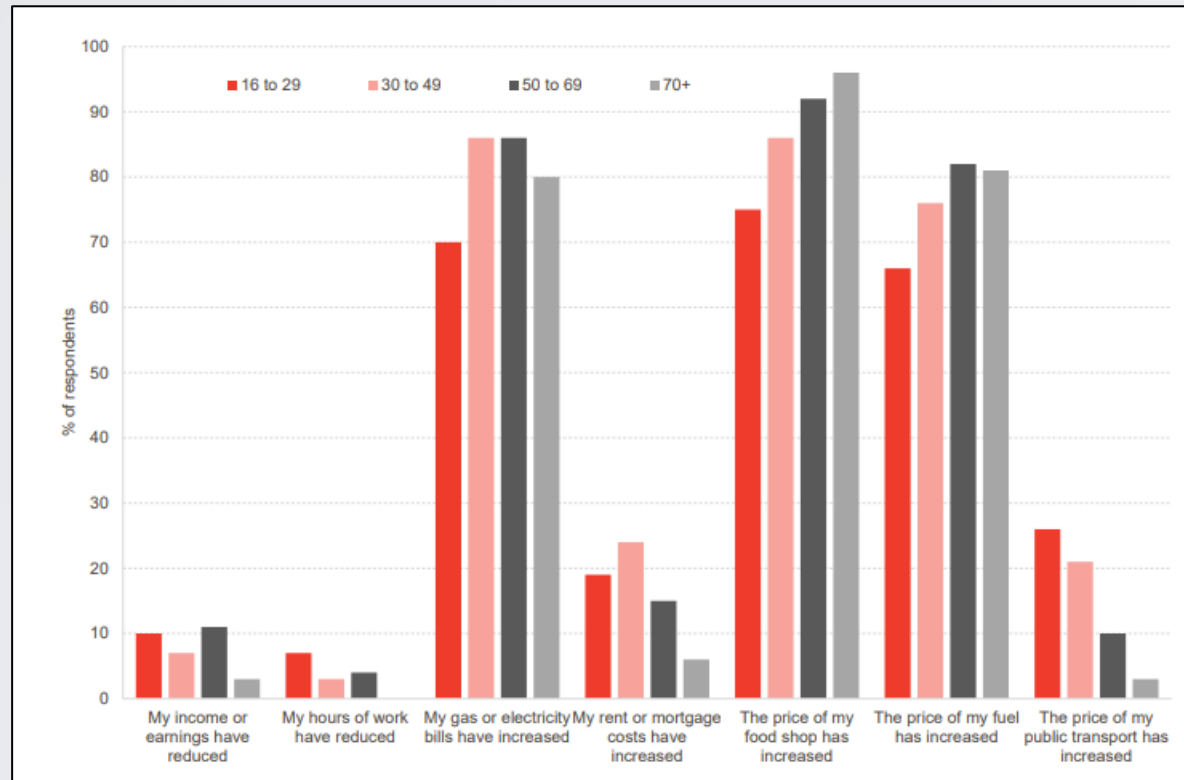
Source: ONS

UK Cost of Living Crisis

The ongoing cost of living crisis continues to worsen across the UK as a result of high prices for food, energy, and fuel. The energy price cap is on track to rise to £3,244 a year in October, as wholesale prices continue to soar.

- Food Insecurity:** According to the latest food bank data, between April 2021 and March 2022 130,836 emergency food parcels were distributed in GCR (Source: [The Trussell Trust](#)).
- Disposable income:** data shows that a fifth of UK households had average weekly shortfall of £60 between earnings and money needed to pay for essentials such as food and rent (Source: *Cber*).
- Young people are adversely affected:** individuals under the age of 30 spend around 26% of their income on housing, fuel, and power - compared to 12.5%, on average, for those over the age of 30.
- This suggests that young people have been more affected by the cost of living crisis.

Cost of living crisis by age band, 16 March 2022- 27 March 2022



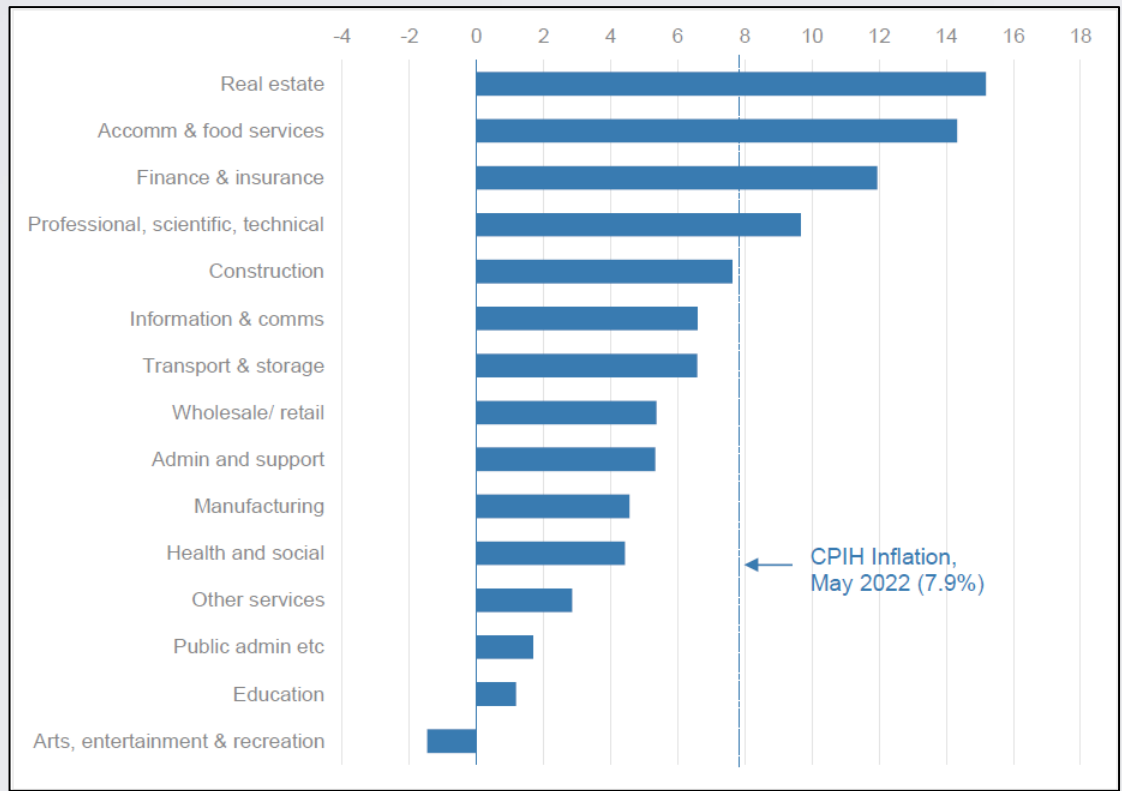
Source: FAI, Economic Commentary July 2022

Cost of living Crisis - Pay

Nominal pay growth remains strong in the private sector, but inflation is pushing 'real' pay into the negative. Workers in Foundational Economy sectors are seeing significant decreases in their disposable income.

- The latest wage data shows strong nominal pay growth in the private sector (up by 5.3%) and weak growth in public sector pay (up by just 1.9%).
- As shown in the chart, these impacts are also being felt unevenly across industries.
- There are signs that higher wages in the private sector are being driven by continued labour shortages.
- There are risks that if firms cannot meet higher wages through profits or higher productivity, they will be passed on through higher prices.

Year-on-year change in total pay by industry, nominal terms

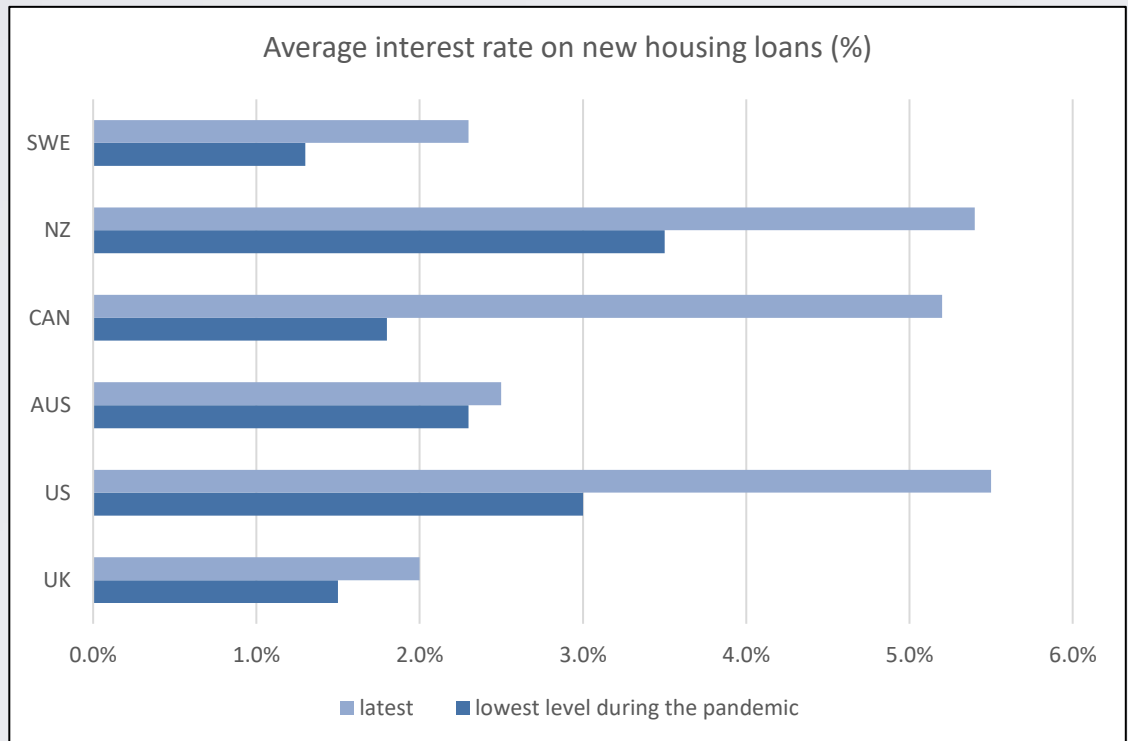


Source: Institute for Employment Studies, July 2022

Cost of living Crisis - Housing

Higher mortgage rates and the cost of living crisis are starting to put a break on soaring house prices.

- Markets with high level of homeownership and use of adjustable-rate mortgages are prone to price falls.
- The UK has a low rate of adjustable-rate mortgages compared to other advanced economies. However, the average term of a fixed term mortgage is relatively short.
- Mortgage rates on new loans are beginning to rise. In the UK, the average interest rate is 2%.
- Glasgow City Region remains the most affordable city region, with average house prices 4.5 times the average annual earnings.



Source: [Financial Times](#)

UK Core City Regions' Responses to the Cost of Living Crisis

Places are scoping both the long-term route out of this crisis as well as the short-term immediate support that they can offer. Many mention long-term strategies, developing skills pathways, retrofitting, and good jobs/living wage initiatives.

Short-Term Measures

- **Greater Manchester is introducing affordable bus fares.** From September 2022, the Mayor plans to cap single journey fares at £1 for children and £2 for adults. In addition, there will be a new £5 daily ticket on all operators.
- **Innovation in delivering support services:** Leeds City Council is piloting a 'cash-first' scheme, offering cash rather than food and fuel vouchers, and North of Tyne Combined Authority is running a pilot of delivering community and welfare services through schools.
- **Supporting low-income families:** Bristol has introduced the [Council Tax Reduction Scheme](#) and the [Local Crisis Prevention Fund](#), to help residents access welfare support.

Long-term Measures

- **Creating more jobs that are good, high-paying and secure, remains the key long-term focus of many local and combined authorities** – programmes in place to encourage the creation of good jobs come from Bristol, North of Tyne Combined Authority, and Greater Manchester Combined Authority. Efforts to spread living wage accreditation were also seen as central to achieving this ambition.
- **Retrofitting:** in addition to creating more good jobs and improving skills, retrofitting was also seen as another highly important element of the long-term route out of this crisis.
- GCR's Housing Energy Retrofit Programme has the potential to create new high value jobs, improve housing quality across the Region and reduce fuel poverty.

Sources: IGN Cost of Living Roundtable, Bristol City Council, [Greater Manchester Combined Authority](#)

