Manchester City Council
Report for Resolution

Report to: Economy Scrutiny Committee – 19 July 2017

Subject: The Queen's Speech 2017 and Brexit Implications

Report of: Deputy Chief Executive, People, Policy and Reform

Summary

This report sets out the potential impact of the Queen's Speech on the economy of the city.

Recommendations

Economy Scrutiny Committee are invited to:

Note and comment on the contents of this report.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1.0 Introduction

1.1 The Queen made her speech to the Lords and Members of Commons on 21 June 2017, during the state opening of Parliament, following June's General Election.

1.2 The speech outlines the Government's legislative agenda for the forthcoming parliamentary session which the Government has announced will span two years, thereby ensuring that there will not be another planned Queen's Speech until 2019.

1.3 The speech outlines 27 bills and draft bills, of which eight are Brexit focused. This report will consider the content of the speech of most direct relevance to the remit of the Committee, including those issues which were omitted from the Speech. It will draw out issues of particular relevance for the city.

1.4 The report also provides an assessment of the impact of the Brexit process on the city to date. The latest edition of the monthly Brexit Monitor produced by New Economy is attached as an appendix to the report.

2.0 Queen's Speech Content

Brexit

2.1 The speech contained 8 bills focused on Brexit. The Repeal Bill is intended to allow for a smooth and orderly transition as the UK leaves the EU, ensuring that, wherever practical, the same rules and laws will apply after exit and therefore maximising certainty for individuals and businesses. The Bill will:

- Repeal the European Communities Act 1972
- Convert EU law into UK law as we leave the EU
- Create temporary powers for Parliament to make secondary legislation

2.2 The Leader of the City Council and the Mayor of the Greater Manchester Combined Authority have both publicly stressed the importance of Greater Manchester and other English Regions being given a prominent voice in the Brexit negotiations which have now formally commenced. They have stressed, in particular, the need to ensure that Greater Manchester's interests are protected in these negotiations and that throughout the process European citizens continue to be made to feel welcome here. The LGA has also stressed the importance of local government playing a central role in deciding whether to keep, amend or scrap the EU laws, which impact on council services, once they are converted into domestic law. The Government for its part has suggested that Brexit could lead to new legislative freedoms and flexibilities for local communities and councils and benefits to businesses.

2.3 The Customs Bill aims to ensure that the UK has a standalone customs regime on exit from the EU, as well as flexibility to accommodate future trade agreements with the EU and others and that necessary changes can be made to the UK's VAT and excise regimes. A standalone UK customs regime will require greater regulatory capacity, for example trading standards and environmental health, at a local authority level in order to manage imports and exports. Reductions in funding for local government have led to a significant reduction in local regulatory capacity. The Queen's Speech did not however contain any detail on this issue.

2.4 The Trade Bill will put in place the necessary legislative framework to allow the UK to operate its own independent trade policy upon exit from the EU. Securing international trade and investment is a vital part of the strength of Manchester's economy. The Core Cities UK Network and the LGA have noted that in order to deliver the best trading outcome the UK needs a trade policy that draws on the strengths and expertise of core cities.

2.5 The Immigration Bill will allow for the repeal of EU law on immigration, primarily free movement. The bill will make the migration of EU nationals subject to relevant UK law once the UK has left the EU.

2.6 The remaining Brexit related bills cover fisheries, agriculture, nuclear safeguards and non-UN sanctions.

Draft Tenants' Fees Bill

2.7 This draft Bill brings forward proposals to ban landlords and agents from requiring tenants to make any payments as a condition of their tenancy with the exception of the rent, a capped refundable security deposit, a capped refundable holding deposit and tenant default fees. It will cap holding deposits at no more than one week's rent and security deposits at no more than one month's rent.

2.8 Research by Capital Economics has indicated that letting agents and landlords stand to lose c£500m in turnover from these changes, and that these losses could be covered by increasing rents to tenants.

2.9 The proposed ban on letting agent fees for tenants could bring clarity to a sector that has a powerful influence on the cost of renting. The enforcement of the ban on fees for tenants will need to be properly resourced and as this is currently a draft bill there is uncertainty about how quickly it can be passed into statute.

High Speed 2 Phase 2A Bill

2.10 The next phase of the HS2 project will be set out in this Bill. The Bill will provide the powers to build and operate the next stage of the HS2 network between Birmingham and Crewe. HS2 have a current timetable looking to submit the Phase 2B Hybrid Bill legislation, authorising the final legs of HS2 to Manchester and Leeds by October 2019 at the earliest. This is therefore expected to be a feature of the next Queen's Speech in two years' time. The Phase 2A Bill and the infrastructure that it will deliver will provide some important benefits to Manchester in terms of improved journey times but the full benefits of HS2 will of course not come before the system is extended to Manchester Airport and Manchester Piccadilly.

Financial Guidance and Claims Bill

2.11 The Bill will combine three financial advice bodies into one, ensuring that people across the UK are able to seek the help and advice they need to manage their finances. The Bill will establish a new statutory body, accountable to Parliament, with responsibility for coordinating the provision of debt advice, money guidance, and pension guidance.

Automated and Electric Vehicles Bill

2.12 This Bill will allow for a regulatory framework, installation of charging points and motor insurance requirements to be implemented. For Manchester this provision is welcome, with a suitable framework enabling this technological innovation to progress. In particular increasing network capacity for electric vehicles could have significant environmental and health benefits.

Smart Meter Bill

2.13 This Bill extends by five years the powers to make changes to smart meter regulations to enable more transparent energy bills, allowing households to monitor their usage more effectively.

Other bills included in the Queen's Speech

2.14 Other bills included in the speech are as follows:

- Draft Patient Safety Bill – to improve patient safety in the NHS by establishing a Health Service Safety Investigation Body
- Data Protection Bill – to strengthen the rights of individuals, giving them more control over their personal data, including the right to be forgotten
- Armed Forces Bill – to provide more flexible working arrangements to service personnel
- Goods Mortgage Bill - to increase protections to borrowers and ensuring borrowers are better informed

- Draft Domestic Violence and Abuse Bill – The draft Bill will bring forward proposals to establish a Domestic Violence and Abuse Commissioner. It will define domestic abuse and create a consolidated new domestic abuse, civil prevention and protection order.
- Courts Bill - This Bill is designed to reform the courts system to ensure it is more efficient and accessible.
- Civil Liability Bill – to crack down on fraudulent whiplash claims and is expected to reduce motor insurance premiums by £35 per year
- National Insurance Contributions Bill – to allow the NICs changes, announced in the 2016 Budget and Autumn Statement, to be implemented.
- Three other Finance Bills will allow Government to implement budget decisions and a technical Bill to ratify several EU agreements

3.0 Issues omitted from the Queen's Speech

Local Government Finance

3.1 The Local Government Finance Bill had been progressing through Parliament before the June General Election and provided the legislative framework for the introduction of 100% Business Rates Retention and other rates policy and regulation, and included a review of funding distribution. The Bill was omitted from the Queen's Speech, leaving outstanding many issues relating to Local Government finance.

3.2 DCLG, in communication with the Special Interests Group of Metropolitan Authorities (SIGOMA), have confirmed that Ministers remain committed to Local Government taking greater control of their income.

3.3 DCLG are engaging with Ministers on the options for future reform without an immediate Bill and they will contact local authorities once they are in a position to resume working on the future of Local Government finance reform.

3.4 Ministers have expressed determination to address concerns about the fairness of current funding distributions and have reaffirmed their commitment to a thorough, evidence-based review. However the omission of the Local Government Finance Bill from the speech highlights the uncertainty from Central Government for Local Government priorities.

Adult Social Care

3.5 Although the Queen's Speech outlined a consultation on proposals to improve social care, the lack of legislative capacity on this issue undermines the potential for substantive change and makes a proposed Green Paper more unlikely.

3.6 A key issue in the election campaign, the Government is likely to come under increasing pressure to provide more detail on proposals to close the £2.3 billion funding gap by 2020. Manchester and Greater Manchester have been proactively developing potential options for a fair and sustainable funding solution for Adult Social Care, but the lack of legislative capacity, at least in the short term, will limit the range of proposals that can be considered.

3.7 The Government has already backed away from controversial proposals to reform the way social care is funded including the introduction of a single capital floor of £100,000, which critics had dubbed a ‘dementia tax.’

3.8 The Government has also backed away from the proposals in the Conservative Party Manifesto to means test the Winter Fuel Payment to pensioners.

Education, Work and Skills

3.9 The speech made only passing reference to education. Manifesto commitments to new grammar schools and 100 new free schools were notably absent. In addition plans to remove free meals for the first three years of primary school were dropped.

3.10 A national fair funding system for schools was briefly mentioned, however the lack of a legislative agenda could mean a ‘softer’ formula than was originally planned as this would not require legislation. The key issue for schools is not the formula, but the amount of funding and as such we may have to wait for the budget in the autumn for clarity on the volume of funding.

3.11 Although the speech did contain a commitment to increasing the National Living Wage, there is very little on how the Government plans to respond to the challenges faced by workers in the gig economy, their rights and pay and the speech does not mention the role of Trade Unions, employers and businesses in this. In addition, an amendment to lift the pay cap on public sector wages was defeated.

3.12 It is notable that none of the recommendations of the Women and Equalities Select Committee in 2016 were taken on board in this speech. There is no mention of financial penalties for employers who don’t publish their gender pay gap data, a change to the parental leave system so more fathers take on an equal responsibility for childcare, or steps to make work more flexible for everyone.

3.13 It remains to be seen whether some of the other family-friendly pledges in the Conservative Manifesto have now been officially dropped, such as:

- A statutory right to carer's leave
- A statutory right to bereavement leave for parents who lose a baby
- Improving the take-up of shared parental leave and helping companies provide more flexible work environments that help mothers and fathers to share parenting
- Supporting employers to take on parents and carers returning to work after long periods of absence

4.0 Brexit Impacts

4.1 The Committee has asked for this report to also contain an update on the emerging evidence on the impact of the vote to leave the EU on the city. New Economy produce a monthly Brexit Monitor which is available on line and which tracks a series of key indicators as well as reporting on any qualitative information that is available. A copy of the most version of the monitor is attached at appendix 1 along with the covering report that was submitted to the Combined Authority at the end of June.

4.2 The monitor and the attached report highlight some increasing evidence of a sharp rise in living costs coupled with low or stagnant wage growth. At a wider level the pace of growth in the economy slowed in the last quarter and for the first time in a year growth in the UK failed to outperform the position in the Euro area. It is however too early to say whether this is part of a longer term trend.

4.3 The data presented in the attached reports is at the national and/or Greater Manchester level. The performance of the city economy terms over the last year has broadly mirrored the national and GM position albeit with some slight differences. Our claimant count remained steady at 2.8% - with the number of claimants at 10,335. This was a slight fall from the count in June 2016, which was 10,540. At 2.8% the proportion of working age people claiming benefits is higher than in GM as a whole (2.7%) but we haven't seen the 0.1% increase since Brexit. In terms of house prices, the average went up in Manchester at a slightly higher rate than in the UK as a whole (albeit from a lower base) – between June 2016 and April 2017 average prices increased by 8.37% compared to 5.59% for the UK as a whole. The average increase in Greater Manchester was 6.56%.In terms of the claimant count, Manchester also fared (slightly) better than GM as a whole.

5.0 Conclusion

5.1 For Manchester, the Queen's Speech was more notable for what it omitted than what it contained. It set out no plans for further devolution and made no reference to new transport investment in the region, such as the Northern Powerhouse Rail proposals. Of even greater concern is that there are no firm proposals on social care funding reform or further detail on the road map towards 100% business rate retention.

5.2 The uncertainty about local government finance, the lack of progress on the future funding of Adult Social Care and the lack of legislation to remove barriers to integration are all linked. The uncertainty about our biggest controllable budget and about how we move to more financial self-reliance makes planning more difficult than it needs to be.

5.3 The draft Tenant Fees Bill and Domestic Violence and Abuse Bill could have a positive impact on our priority to address homelessness in the city. Much of the increase in homelessness has come from people evicted from the private rented sector and from victims of domestic violence. Measures to address these issues are welcome.

5.4 It is important that Manchester continues to work with Greater Manchester and Core Cities to press for progress in relation to our priorities for future legislation.

GMCA & AGMA WIDER LEADERSHIP TEAM

Date: 20th June 2017

Subject: Brexit Monitor – Monthly Update

Report of: Eamonn Boylan

PURPOSE OF REPORT

This report updates members on the key economic and policy developments in relation to the UK's decision to leave the European Union (EU). The latest edition of the monthly Greater Manchester Brexit Monitor is attached to provide a real-time view of the economic and policy impact of Brexit.

RECOMMENDATIONS:

Members are asked to:

- Note the contents of the June Brexit Monitor (appendix 1)
- Agree that the Brexit Monitor report should go to the June GMCA meeting

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1. INTRODUCTION

1.1 Following the vote to leave the EU, the GMCA has been monitoring the economic and social trends and policy developments to develop an appropriate policy response. The impact of Brexit is being tracked across the following themes:

- Macro-economy trends and developments;
- Key sectors and business investment;
- Trade, regulation, and access to European Funding;
- Property investment, housing, and planning; and
- Economic inclusion.

2. KEY MESSAGES FROM THE BREXIT MONITOR

2.1 The key messages from the June Brexit Monitor include:

- The recent gap seen between buoyant economic surveys and weak official data on the UK economy appears to be starting to close. Economic growth for Quarter 1 (Jan to Mar) 2017 was revised down from 0.3% to 0.2%, while both the services and manufacturing purchasing managers' indexes - despite still indicating growth – also fell in May 2017. The slower economic growth marked the first time in a year that UK growth failed to outpace that of the Euro area and was driven by a bigger than expected slowdown in consumer services, largely as a result of the weaker pound. However, the timing of Easter may also have been a factor in the slowdown.

- Housing data from the Land Registry continues to suggest the vote to leave the EU has had little impact on house prices and indeed it will take time for the housing market to react.

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate climbed to 2.7% in May 2017, its highest level since June 2013, up from 2.6% in April. Rising prices for recreational and cultural goods and services (particularly games, toys and hobbies) was the main contributor to the increase in the rate.

- The total claimant count unemployment in GM has continued to increase in April 2017 (latest), and is higher than that observed prior to the referendum result in June 2016 – increasing from just over 46,000 to just over 47,500; as a proportion of the working age population, this represents a percentage point increase of 0.1%. This, however, comes against a backdrop of high employment.

- The Household Finance Index for April 2017, compiled by Markit Economics, signalled that UK households experienced sharply rising living costs against a backdrop of subdued pay growth in May, which contributed to a sustained squeeze on financial wellbeing. Recent pressures on UK consumer finances have been the sharpest for almost three years.

- Research with MGC Business Growth Hub clients between Mar-May 2017 highlights that 74% of firms generally expect their investment plans to remain the same following the EU referendum result. Of the remaining 26%, 9% said they were likely to increase investment, 1% envisaged decreasing investment, 7% said investment plans were on hold, and 9% were unsure. The period saw a decline in the proportion of businesses expecting investment plans to remain the same compared with previous three rolling quarters.

- Against the backdrop of the general election and purdah restrictions, there has been little activity in advancing negotiations regarding trade rules and regulations. However, it has emerged that when Britain leaves the EU in 2019 it will not only be direct arrangements with the EU that cease to be valid - by law, Britain will also be excluded from EU arrangements with “third countries”. According to Financial Times analysis of the EU treaty database, this amounts to 759 separate EU bilateral agreements spanning 168 non-EU countries with potential relevance to Britain, covering trade in nuclear goods, customs, fisheries, trade, transport and regulatory co-operation in areas such as antitrust or financial services.

- The General Election on 8th June resulted in a hung parliament. At the time of writing, it is unknown what approach the new Government will take to negotiations with the EU and the form of Brexit that will result. However, in a snap poll of 700 of its members following the general election the IoD found that the uncertainty caused by the general election had led to a sharp fall in business confidence. The poll also found that businesses wanted a rapid agreement with the European Union on transitional arrangements for Brexit, along with clarity on the status of EU workers in the UK

3 RECOMMENDATIONS

3.1 Members are asked to:

- Note the contents of the June Brexit Monitor (appendix 1)
- Agree that the Brexit Monitor report should go to the June GMCA meeting

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Greater Manchester Brexit Monitor

Key economic and policy developments

June 2017

GMCA

Headlines

- **The recent gap seen between buoyant economic surveys and weak official data on the UK economy appears to be starting to close**. Economic growth for Quarter 1 (Jan to Mar) 2017 was revised down from 0.3% to 0.2%, while both the services and manufacturing purchasing managers' indexes - despite still indicating growth - fell in May 2017.
- **Housing data from the Land Registry continues to suggest the vote to leave the EU has had little impact on house prices** and indeed it will take time for the housing market to react.
- **The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate climbed to 2.7% in May 2017, its highest level since June 2013, up from 2.6% in April**. Rising prices for recreational and cultural goods and services (particularly games, toys and hobbies) was the main contributor to the increase in the rate.
- **The General Election resulted in a hung parliament. At the time of writing, it is unknown what approach the new Government will take to negotiations with the EU and the form of Brexit that will result.**

Key sectors & business investment

- **Research with MGC Business Growth Hub clients over Mar-May 2017 highlights that 74% of firms generally expect their investment plans to remain the same following the EU referendum result**. Of the remaining 26%, 9% said they were likely to increase investment, 1% envisaged decreasing investment, 7% said investment plans were on hold, and 9% were unsure. The Mar-May 2017 period saw a decline in the proportion of businesses expecting investment plans to remain the same compared with previous three rolling quarters.
- **In terms of employment , 73% of firms said they envisaged they would continue to recruit at the same pace following the EU referendum result**. Of the remaining 27%, 4% would increase hiring, 9% would recruit but at a slower pace, and 1% put a freeze on hiring. The remaining 13% declined to answer or don't know. The Mar-May 2017 period saw a decline in the proportion of businesses indicating they are unlikely to expect changes in recruitment intentions compared with previous three quarters. The downturn in sentiment from firms regarding both investment and recruitment comes in line with weaker macroeconomic surveys at the UK level.
- **The IHS Markit/CIPS Manufacturing Purchasing Managers Index (PMI)** – a leading indicator of sentiment, based on questionnaire responses **– came in at 56.7 in May 2017**, below April's three-year high of 57.3, (an Index of 50+ equals growth). Output and new order growth remained solid and the rate of job creation rose to the highest since June 2014. **The headline IHS Markit/CIPS Services PMI Business Activity Index fell to 53.8 in May 2017** from a four-month high of 55.8 in April.

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Terms of trade, regulation & access to funding

- When Britain formally leaves the EU in 2019, it will not only be direct arrangements with the EU that cease to be valid - by law, Britain will also be excluded from EU arrangements with “third countries”. According to Financial Times research of the EU treaty database, this amounts to 759 separate EU bilateral agreements spanning 168 non-EU countries with potential relevance to Britain, covering trade in nuclear goods, customs, fisheries, trade, transport and regulatory co-operation in areas such as antitrust or financial services. Whilst there have been no details of Brexit negotiations published this month, the monitor looks at these EU bilateral agreements, as well as non-tariff ‘barriers’ to trade.

Property investment, housing and planning

- **Housing Index** data from the Land Registry suggest the vote to leave the EU has had little impact on house prices, with moderate growth in average residential prices this period. The latest house price data (March 2017) for GM reveals an average price of £154,037, an increase of 0.2% from the previous month, and growth of 7.3% compared with the level in February 2016.
- **Commercial property:** This month’s Monitor focuses on supply of land for industrial development. Research by **Savills** highlights that a total of 1,400 acres of land that could accommodate new industrial units of more than 100,000 sq ft is currently being promoted for development in the North West. 41% (570 acres) of the total is on what are classified as prime logistics sites and 22% (306 acres) of the total is located in Greater Manchester, mostly in Manchester, Bolton and Rochdale.
- **The total claimant count unemployment in GM has continued to increase in April 2017 (latest), and is higher than that observed prior to the referendum result in June 2016 – increasing from just over 46,000 to just over 47,500**; as a proportion of the working age population, this represents a percentage point increase of 0.1%. This, however, comes against a backdrop of high employment.
- **Household Finance: The Household Finance Index for April 2017**, compiled by Markit Economics, **signalled that UK households experienced sharply rising living costs against a backdrop of subdued pay growth in May**, which contributed to a sustained squeeze on financial wellbeing. Recent pressures on UK consumer finances have been the sharpest for almost three years.

More information

- For more information on the data and sources used in the Brexit Monitor please refer to the annex, or contact:
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Macro-economy

- **Macro: Economic growth for Quarter 1 (Jan to Mar) 2017 was revised down from 0.3% to 0.2%. This marked the first time in a year that UK growth failed to outpace that of the euro area**. Slower growth was driven by a bigger than expected slowdown in consumer services, largely as a result of the weaker pound. However, the timing of Easter may also have been a factor in the slowdown, with official data showing a rebound in consumer activity during April. (1)
- **Trade: Quarter 1 (Jan to Mar) 2017 saw the deficit on trade in goods and services widen by £5.7 billion compared to the Quarter 4 (Oct to Dec) 2016, to £10.5 billion**. Between February and March 2017, the UK's total trade deficit widened by £2.3 billion to £4.9 billion, contributing nearly half of the quarterly deficit. The main causes of the widening deficit were increased imports of machinery and transport equipment (mainly mechanical machinery and cars), oil and chemicals. These commodities also contributed the most to the increase in imports in March 2017.(2)
- **EU trade: The UK was a net importer in March 2017 from the EU, with imports exceeding exports by £9.0 billion**. EU Exports for March 2017 were £15.3 billion, an increase of £2.5 billion (19 per cent) compared with February 2017, and an increase of £3.2 billion (26 per cent) compared with 12 months ago. EU Imports for March 2017 were £24.3 billion, an increase of £3.6 billion (17 per cent) compared with February 2017, and an increase of £4.0 billion (20 per cent) compared with a year ago.
- **Non-EU trade: The UK was a net importer in March 2017, with imports exceeding exports by £5.3 billion**. Non-EU Exports for March 2017 were £16.1 billion, an increase of £1.8 billion (13 per cent) compared with February 2017, and an increase of £3.6 billion (28 per cent) compared with a year ago. Non-EU Imports for March 2017 were £21.4 billion, an increase of £4.0 billion (23 per cent) compared with February 2017, and an increase of £1.8 billion (9.4 per cent) compared with a year ago.(3)

Consumer sentiment

- **Prices: The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate climbed to 2.7% in May 2017, its highest level since June 2013, up from 2.6% in April**. Rising prices for recreational and cultural goods and services (particularly games, toys and hobbies) was the main contributor to the increase in the rate. There were also smaller upward contributions from increased electricity and food prices. These upward contributions were partially offset, however, by falls in motor fuel prices, and air and sea fares, the latter two influenced by the timing of Easter in April this year.(4)
- **Retail Sales: The 3 months to April 2017 showed a slight uptick in retail sales of 0.3%. This marked the first increase for the underlying 3 month-on-month pattern in four months**. In April 2017, the volume of retail sales rose by 2.3% compared with March 2017, and by 4.0% compared to the same time last year. Anecdotal evidence from retailers suggests that good weather contributed to growth, but the timing of Easter may also have been a factor.(5)

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Business Investment

- **Research with MGC Business Growth Hub clients in the 3 months to May 2017 highlights that 74% of firms generally expect their investment plans to remain the same following the EU referendum result**. Of the remaining 26%: 9% said they were likely to increase investment, 1% envisaged decreasing investment, 7% said investment plans were on hold, and 9% were unsure. The survey period also saw a slight decline in the proportion of businesses expecting investment plans to remain the same compared with previous three rolling quarters: (77%: Feb/Apr17; 78%: Jan/Mar17; 75%: Dec/Feb17).
- In terms of employment, 73% of firms said they envisaged they would continue to recruit at the same pace following the referendum result. Of the remaining 27%, 4% would increase hiring, 9% would recruit but at a slower pace, and 1% put a freeze on hiring. The remaining 13% declined to answer or don't know. The Mar-May 2017 period saw a decline in the proportion of businesses indicating they are unlikely to expect changes in recruitment intentions compared with previous three quarters: (80%: Feb/Apr17; 76%: Jan/Mar17; 77%: Dec/Feb17).[6]

CIPS Manufacturing PMI – May 2007 to 2017

Manufacturing

- **The seasonally adjusted IHS Markit/CIPS Manufacturing PMI came in at 56.7 in May 2017**, below April's three-year high of 57.3. Output and new order growth remained solid and the rate of job creation rose to the highest since June 2014.
- Manufacturers raised capacity in response to increased backlogs of work and outstanding business expanded at the fastest rate in over six years. Optimism regarding the outlook for production levels over the next 12 months improved to a 20-month high.[7]

CIPS Services PMI – May 2007 to 2017

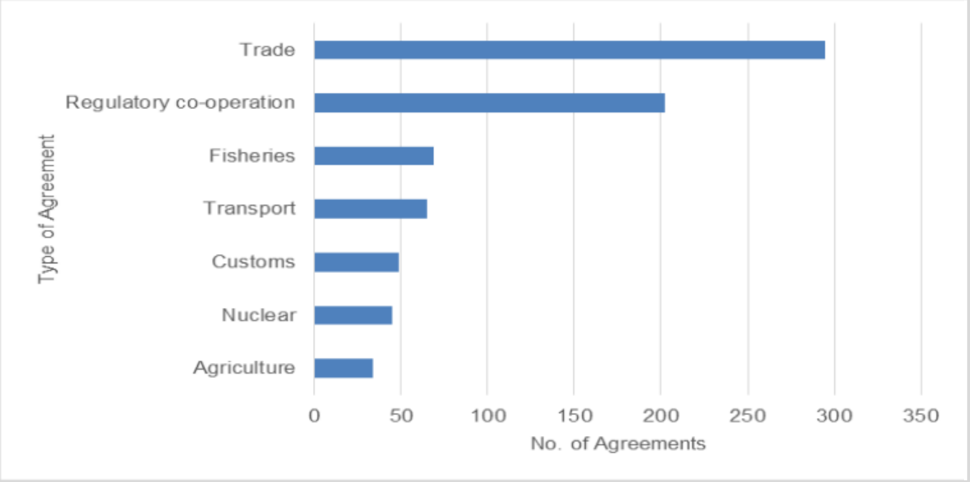
Services

- **The headline IHS Markit/CIPS Services PMI Business Activity Index fell to 53.8 in May 2017** from a four-month high of 55.8 in April and below market expectations of 55.0.
- The index for the last month points to the slowest expansion of service sector output since February, mainly due to weaker new business growth amid squeezed household budgets and delays with decision making ahead of the General Election.[8]

Trade, rules and regulatory developments

- **The General Election resulted in a hung parliament. At the time of writing, it is unknown what approach the new Government will take to negotiations with the EU and the form of Brexit that will result.**
- Against the backdrop of the general election and purdah restrictions, there has been little activity in advancing negotiations regarding trade rules and regulations. As such, this month's Monitor focuses on wider trade negotiations. When Britain formally leaves the EU in 2019, it will not only be direct arrangements with the EU that cease to be valid - by law, Britain will also be excluded from EU arrangements with "third countries".
- According to Financial Times research of the EU treaty database, this amounts to 759 separate EU bilateral agreements spanning 168 non-EU countries with potential relevance to Britain, covering trade in nuclear goods, customs, fisheries, trade, transport and regulatory co-operation in areas such as antitrust or financial services. This, however, provides an opportunity for the UK to negotiate new and potentially better and/or more ambitious deals with its trading partners, and the importance of each of these agreements to the UK varies widely. That said, many countries will likely want to know the outcome of EU-UK talks before making their own commitments.[9]

Bilateral agreements by theme



- It is also important to consider 'non-tariff barriers' to trade. The EU's average external tariff on industrial goods is just over 2%, although it is much larger in sectors such as motor vehicles. However, academic studies generally show the cost of the bloc's other barriers to trade is two or three times as large.
- The potential impact of regulatory divergence differs between sectors and firms; for some the impact could be limited, while others could benefit from better tailored rules. However, particularly for some companies in competitive export sectors and with low margins, separate EU and UK standards could require costly duplication of production lines.[10]

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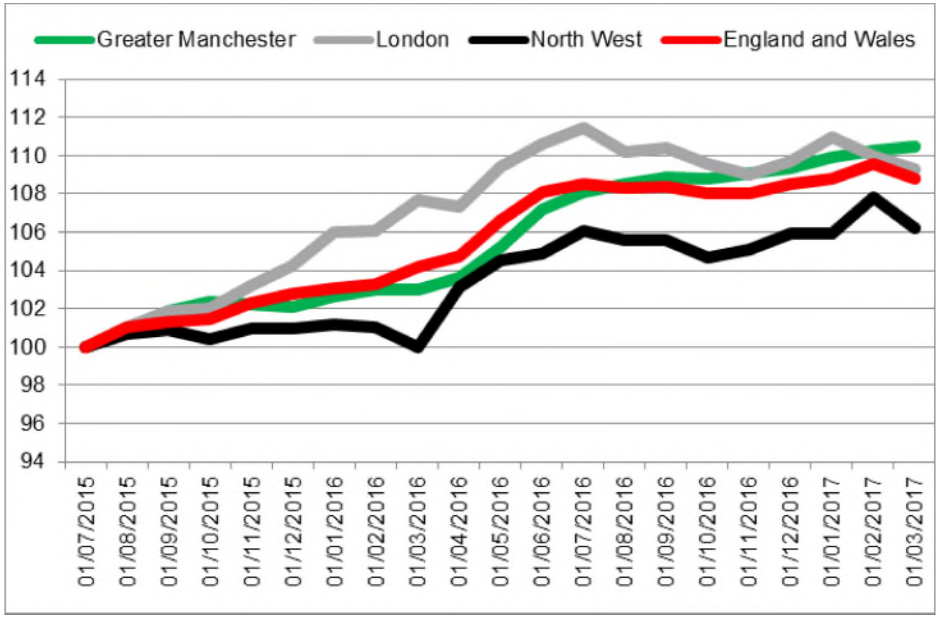
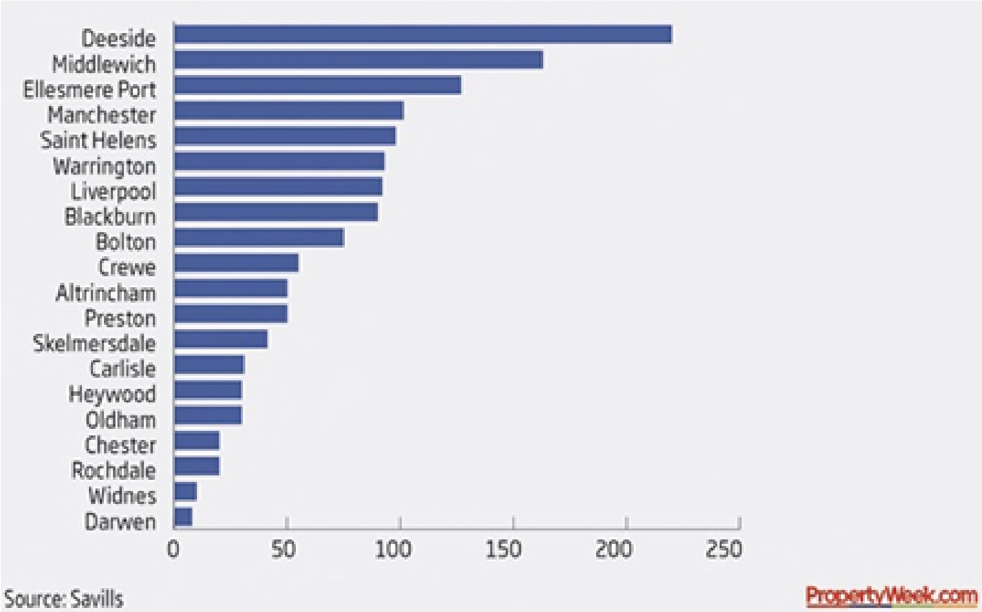
- **Housing data from the Land Registry continues to show that the vote to leave the EU has had little impact on house prices** and indeed it will take time for the housing market to react.
- **Commercial property:** This month's Monitor focuses on supply of land for industrial development in the North West and GM. Research by **Savills** highlights that a total of 1,400 acres of land that could accommodate new industrial units of more than 100,000 sq ft is currently being promoted for development in the North West. 41% (570 acres) of the total is on what are classified as prime logistics sites and 22% (306 acres) of the total is located in Greater Manchester, mostly in Manchester, Bolton and Rochdale.(11)

Average House Prices Sales (Index July 2015=100)



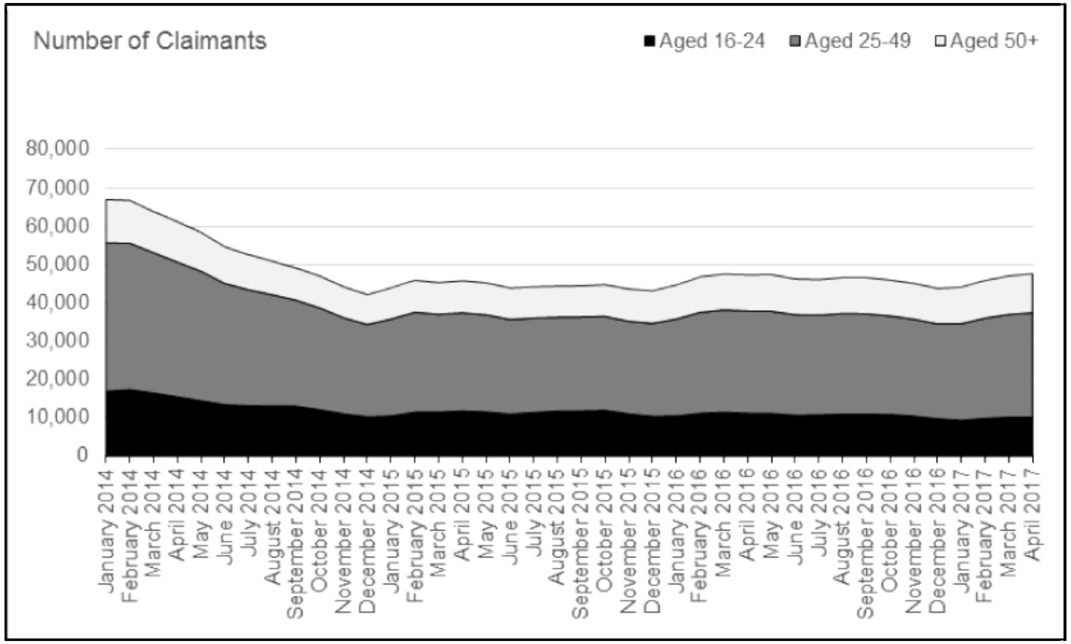
Commercial Property – NW logistics land supply (acres)



- **Housing Index** data from the Land Registry suggest the vote to leave the EU continues to have little impact on house prices, with moderate growth in average residential prices this period.
- The latest house price data (March 2017) for GM reveals an average price of £154,037, an increase of 0.2% from the previous month, and growth of 7.3% from February 2016.(12)
- Occupier demand for large industrial and warehousing sites in the region remains strong. However, research by **Savills** suggests that there are only seven suitable sites in the North West which could accommodate new industrial units of over 300,000 sq ft, of which five are in Greater Manchester.(11)

- **Unemployment: The total claimant count unemployment in GM continued to increase in April 2017 (latest), and is higher than that seen prior to the referendum result in June 2016 – increasing from just over 46,000 to just over 47,500.** As a proportion of the working age population, this represents a percentage point increase of 0.1. This compares to a percentage point increase of 0.2 in the North West rate, and an increase of 0.1 in the UK rate, for the same period - June 2016 to April 2017.(13)
- **Household Finance: The Household Finance Index for April 2017**, compiled by Markit Economics, **signalled that UK households experienced sharply rising living costs against a backdrop of subdued pay growth in May**, which contributed to a sustained squeeze on financial wellbeing. Recent pressures on consumer finances have been the sharpest for almost three years.(14)

Claimant count (JSA and UC) unemployed by age



Monthly Unemployment by age of resident

- As a proportion of working age residents, the **GM claimant rate (2.7%) remains just above that of the North West (2.5%) and the UK (2.0%)**.
- **The total claimant count increased for all age groups in April 2017**. The number of GM claimants aged 16-24 was up 0.2% (25) in April 2017, and up 1.6% (425) for claimants aged 25-49.
- **The number of claimants aged 50+ continues to increase**, up 8.2% since the referendum result in June, and up 1.2% (120) from March 2017.(13)

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