Greater Manchester Local Enterprise Partnership

Item No. 8

GREATER MANCHESTER LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Greater Manchester Brexit Monitor, October 2016

DATE: 10 November 2016

FROM: Simon Nokes

PURPOSE OF REPORT

This report updates LEP Members on progress with work to understand the full implications of Brexit on Greater Manchester and develop an appropriate policy response. The latest edition of the monthly Greater Manchester Brexit Monitor is attached to provide a real-time snap shot of the economic and policy impact of Brexit.

RECOMMENDATIONS:

LEP Members are asked to:

- note the contents of the latest Greater Manchester Brexit Monitor;
- note the updated review of risks and opportunities by sector summarised this report;
- confirm the three principles for withdrawal from the EU which have been identified and that these should form the basis of future discussions with Government.

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1. BACKGROUND AND KEY MESSAGES

1.1 New Economy is monitoring economic and social trends and policy developments arising from the decision to leave the EU on a monthly basis. The latest iteration of the Greater Manchester Brexit Monitor is attached, which summarises the latest intelligence released in the period 15 September to 15 October 2016.

1.2 The main economic messages from the October monitor are that both ONS and Markit data show rising production in both UK manufacturing and services, and rising consumer / retail spending. Construction output in contrast showed a fall in output compared with levels seen the same time (end July 2015 vs 2016 last year). The MGC Post-Referendum Survey of clients (374) highlights that over two-thirds (69%) of firms expect to keep their investment plans the same, whereas just under one-in-ten (8%) said that they had put their investment plans on hold.

1.3 While this gives grounds for cautious optimism it is clear that the full impact of the decision to leave the EU is yet to be felt and it is still the case that no firm decisions have been made in relation to future terms of trade with the EU. However, at the Conservative Party conference Prime Minister Theresa May announced:

- A "Great Repeal Bill" in the next Queen's Speech, expected next April. The Great Repeal Bill will repeal the European Communities Act 1972 and give Parliament the power to absorb parts of EU legislation into UK law and scrap elements it does not want to keep.
- A deadline for invoking Article 50. This will be done, the PM said, before the end of March next year. Unless there is some agreement to extend time, this would mean that the UK would cease to be an EU member by 2019.

1.4 The clarification of the timeline for triggering Article 50 and the development work which will now begin on the Great Repeal Bill reiterate the importance of both the GMCA and the LEP having a full understanding of the implications of Brexit on Greater Manchester, as the framework for Britain's withdrawal from the EU begins to be established.

1.5 Since the EU referendum, officers from the GMCA, New Economy and MGC have spoken to businesses and business representatives across all key sectors of Greater Manchester's economy – from local SMEs to national sectoral organisations – to gather their views on what the future trading relationship should be with the UK and the opportunities and challenges the different options would create. The remainder of this document sets out the results of the consultation and analysis undertaken and identifies principles which it is suggested should underpin the UK's negotiation of the terms of withdrawal from the EU.

2. CROSS CUTTING ISSUES

2.1 At a headline level, the consultation work has found that, while there are differences in views from businesses on the merits of remaining in the European Economic Area (EEA) compared to different "third country" options, there is broad consensus across firms of all sizes and sectors that EU regulations and standards should, with a number of specific exceptions, be translated wholesale into UK law ahead of Brexit.

2.2 This would provide businesses with certainty in the short-term, reduce the disruption to trading patterns, and avoid businesses being burdened with having to adapt to new regulations and standards. This would include directives and regulations covering employment, social security, consumer policy and environment, and other regulations which tend to be more sector-specific. The Great Repeal Bill will provide the legislative tool to do this.

2.3 If these regulations and standards are transplanted into UK law, then there will be a differential sectoral, and hence spatial, which will be driven by:

- Changes to trading relations and access to overseas markets for goods and services (mainly, but not exclusively, to EU markets); and
- Any restrictions to the other two fundamental freedoms – of movement of labour and capital.

2.4 While these fundamental freedoms and trade rules apply to all or most parts of the economy, their significance varies greatly by sector and locality.

2.5 A further cross-cutting issue for sector and place is ensuring that investment supported by the EU in GM and the North is continued. Investment provided through the ESF and ERDF has helped support jobs and productivity growth in GM and it will be important to the future growth potential of GM that successor programmes are put in place at an adequate scale and the opportunity is taken to remove burdensome restrictions and focus more on monitoring the outcomes of this investment.

2.6 The European Investment Bank (EIB) is playing an increasingly important role in supporting growth, both through loans and guarantees for firms and infrastructure projects and, although leaving the EU does not necessarily reduce access to EIB support, agreeing certainty over future access should be a priority. Finally, EU state aid rules currently seek to encourage economic growth in less developed parts of the UK through regional aid rules and certainty about future arrangements will be important to promote business investment.

3. SECTOR BY SECTOR ANALYSIS

3.1 In general, levels of direct exporting from GM are low (only around one in ten GM firms exports goods or services, around half of the national average) which is a function of services generally serving regional and national markets and a lack of prime or tier 1 manufacturers in the city region.

3.2 GM firms are reliant on access to key export markets through their participation in major exporters' supply chains and EU rules and regulations impact all firms in all sectors. It is also the case that our key growth sectors (such as digital, health innovation, financial and professional services, and advanced manufacturing) are those that are the most engaged with, and reliant on, international markets.

3.3 The remainder of this section sets out the key issues identified for GM's key growth sectors and major employment sectors

3.4 **Business, financial & professional services**, has driven employment and GVA growth over the last decade in GM and the city region has particular strengths in legal services, accounting and insurance. Over 260,000 people are now employed in the sector in GM and this is forecast to increase by more than 40,000 over the next decade. Key issues identified by the sector include:

- **Passporting of financial services,** so that UK regulated firms can sell to markets in the EU without needing to get authorisations from other EU states;
- **'Equivalence' of regulatory standards,** as a fall-back if passporting is impossible, it will be essential that UK regulation is deemed to be equivalent to that inside the single market; and
- **Ability to bring skilled workers to the UK,** wherever they are based in the world.

3.5 **Manufacturing,** despite decline in employment over the past three decades, is still a major employment sector for GM (employing around 110,000 people) and is a growing contributor to GVA. GM has particular concentrations of expertise in advanced materials, textiles, chemicals, and food & drink. As a key export sector in GM (27% of GM manufacturers export, more than twice the all industry GM average) issues identified by the sector include:

- **The tariffs applying to goods traded between the UK and EU,** there is concern about the potential imposition of tariffs but also the risk of agreeing common external tariffs with the EU as part of a Customs Union which would significantly limit the scope for the UK to negotiate separate trade deals and could restrict manufacturers ability to grow into new markets; and
- **Rules of origin,** – linked to tariffs – which would apply if the common external tariff is not applied and means determining where the parts making up a good originated, and is a complex process where supply chains are global.

3.6 **Digital,** is a high growth sector in GM and is also one of the city region's most international sectors (over 40% of digital firms in GM have dealings with international markets, twice the all industry average). Key issues identified by the sector include:

- **Ensuring access to the Digital Single Market,** set out in the May 2015 Digital Single Market Strategy;
- **Updating of copyrighting rules** (currently underway) which widens access to content across the EU, creates a fair marketplace and strengthens enforcement;
- **Equivalence on data protection with UK standards** being treated as equivalent to EU standards; and
- **Replacing EU frameworks which prohibit investment in urban broadband** even where there have been market failures.

3.7 **Higher education** is an important sector for Greater Manchester and the city region's four universities are heavily engaged with international markets. The sector has been successful in recent years in growing the number of overseas students (18,270 non-UK students now study at GM's universities, up from 17,460 (or 5%) on 12/13 figures), attracting world-class researchers from across the world, and securing funding from European programmes. Key issues include:

- **Access to collaborative funding streams,** particularly Horizon 2020 and its successor. UK researchers should not be discriminated against by the formal rules but also by informal barriers such as it being seen as a disadvantage to partner with UK researchers in bidding processes;
- **Mobility of researchers,** where a general easing of visa requirements for researchers from all parts of the world is essential for UK science and innovation;
- **Intellectual property and commercialisation,** because withdrawal from the future Unitary Patent and Unified Patent Court would add to the burden for companies and universities seeking to secure IP;
- **Replacing inhibitory legislation and regulatory procedures**, for example the Clinical Trials Directive; and
- **Continuing to grow HE as a key export market,** an important revenue source for the sector and major avenue for developing international business links through UK alumni.

3.8 **Health and social care.** Across GM, the health and social care sector employs 157,400 people, accounting for 13% of the total workforce. While the majority of employment is in delivering services to the local population, GM has a strong health innovation sector which has considerable potential for growth linked to new products and treatments (with potential for manufacturing businesses) and new service delivery (with implications for digital and technology companies). Key issues identified by the sector include:

- **Access to large numbers of workers,** from other countries who currently fill gaps in the UK workforce at all skill levels and the recognition of qualifications from other countries; and
- **Access to the European Medicines Agency**, so that pharmaceutical innovation and associated investment are not inhibited by having to duplicate approvals.

3.9 **Retail and hospitality & tourism** are critical sectors for employment in Greater Manchester, employing 197,700 and 99,100 people respectively. They both have a strong offer that serves Greater Manchester's large and growing population, while also acting as attractors for regional, national and international visitors. Key issues identified by the sector include:

- **New tariffs applying,** particularly to food imports – which could be up to 50 per cent if the UK did not have a free-trade agreement with the EU and fell back on WTO rules;
- **Access to a sufficiently large workforce,** although the needs differ by region and by different types of businesses. Although requirements are often in low-skill occupations, there are also some high-skill needs in some parts of the sector which are currently being met with EU nationals; and
- **Maintaining the UK's reputation as an open and outward facing country**, and GM's reputation as an international city, to attract conferences and tourists.

3.10 **Construction, Transport and Storage** are also key employment sectors (employing a total of 135,000 people) and underpin economic growth and trade across the city region. Key issues identified by these sectors include:

- **Investment in infrastructure** underpins both these sectors, and needs to continue and be increased as ERDF funding comes to an end and the continued involvement of the European Investment Bank is determined;
- **The volume of trade in goods between the UK, EU and the rest of the world** which determines the transport and logistics support. Increasing trade and reducing border controls would grow the sector and vice versa;
- **Access to the single aviation market** which has reduced fares in the sector and facilitated greater international trading links; and
- **Access to skilled workers** (particularly in construction) from other countries that currently fill gaps in the UK's workforce.

4. PRINCIPLES FOR THE FRAMEWORK FOR THE UK'S WITHDRAWAL FROM THE EU

4.1 Taken in the round, the sector analysis points to three principles which should underpin the UK's negotiation of the terms of withdrawal from the EU to support continued growth and prosperity in GM. These three principles also reflect the place-based approach required if we are to drive inclusive growth for the UK during this period of transition:

Industry and Trade: we must continue to promote growth in trade.

- Through the Great Repeal Bill, regulations and standards currently applied through the EU need to be reflected in UK law to the extent needed to facilitate trade, while removing any unnecessary restrictions. This would give export sectors such as manufacturing some short-term certainty and mean that regulatory standards, which are vital for GM sectors such as health innovation and digital, can be continued. However, restrictions in areas such as broadband investment, clinical trials and the transfer of the Apprenticeship Levy could be removed;
- Negotiations with the EU need to result in no new tariffs on GM exporters or importers on EU trade. This will prevent sharp increases in prices for consumers or significant barriers to GM's exports of goods from the direct payment of tariffs and the time and cost burden of having to go through new bureaucratic processes; and
- Negotiations with the EU need to result in continued access to key service export markets in the EU. This is a particular priority for financial & business services and digital firms. Should the UK not stay in the single market, this would require a negotiated position with the EU whereby our equivalence, once agreed, would need to be ongoing and not easily revoked (as it can be at present) so that businesses have the certainty to invest.

Infrastructure and Place: we must continue to invest in sub-national growth and regeneration.

- Investment in economic growth and regeneration projects needs to be at a level which can drive the economy, raising productivity and living standards. The regional dimension of that investment – which is currently predominantly driven through ESF and ERDF, but also access to EIB funding, transnational funds, and assisted areas status – needs to be retained and developed. Devolved regions and cities in the UK should be allowed the flexibility to invest with fewer restrictions than currently is the case with EU funding.

People and Skills: we must raise the skills of the workforce.

- GM's sectors need to be able to continue to get access to both the high-skilled and low-skilled workers they need. There will always be a benefit to importing those with the highest skills and knowledge, and to import labour to compensate for an ageing population. Withdrawal negotiations must recognise this on-going requirement. Further, any restrictions on migration must to be implemented alongside a transition to a reformed skills infrastructure which achieves more efficiency from current spend, a greater level of investment from individuals and employers, and more seamless local integration. A win-win situation can then be created where businesses are able to access the skills they need and move to higher-skill, higher productivity business models.

4.2 The analysis we have produced to date suggests that there is a need for Government, in partnership with Core Cities, London and others, to produce a clear, detailed and objective analysis of the options for forging new trading relationships as part of the withdrawal strategy. The analysis would provide an economic assessment of the impacts on business and productivity, sectors of employment, and a spatial analysis of where the impacts will be greatest, which could then be used to inform the development of Government's Industrial Strategy.

5. RECOMMENDATIONS

5.1 Recommendations are set out at the front of the report.

Greater Manchester Brexit Monitor

Key economic and policy developments

October 2016

GMCA BOLTON BURY MANCHESTER OLDHAM ROCHDALE SALFORD STOCKPORT TAMESIDE TRAFFORD WIGAN

Executive Summary

While national industry indicators continue to improve, **Lloyds Regional Purchasing Managers Index shows business activity falling in September in the NW after two consecutive months of growth.** Significant depreciation of Sterling against both the Euro and the Dollar is now beginning to factor in to the real economy, with exporters receiving a boost to competitiveness while effective importers (including retailers, holiday-makers and overseas pensioners) see costs rise.

This briefing monitors the economy post the EU Referendum, assessing the impact of this decision on GM. It will be used to inform GM's Brexit response, including relationships with key Central Government departments.

The following section sets out the headline findings. More detail and all sources used are shown in the main section.

Macro economy:

- **Lloyds Bank's Regional PMI suggests business activity in the NW fell in September**, in contrast to more positive national PMIs, which indicate growth in both manufacturing and services. Retail spending continued to grow in September, though increased input prices are driving upward inflationary pressures.
- **Inflation is expected to increase noticeably in the medium-term**, with the dispute between Tescos and Unilever shining a light on supply chain battles to factor in new costs. **Drivers are likely to see sharp increases in the price of petrol** as a rise in the global price of crude is compounded by Sterling's depreciation against the Dollar.
- **HM Treasury remains silent ahead of the Autumn Statement**, though Phillip Hammond has announced £220m of funding for tech innovation and £5bn of support to housing developers.

Sectors & business investment:

- **Greater Manchester Chamber of Commerce's Quarterly Economic Survey suggests manufacturing output in the city-region fell in Q3 2016**. Nationally the picture is mixed with the manufacturing sector seeing a small increase in activity, as measured by Markit PMI data, though ONS Index of Production data shows the sector alternating between expansion and contraction. **Conversely, GM services reported expansion in contrast to national Markit PMI which recorded a fall in September.**
- MGC's ongoing survey of clients shows **the majority of firms intend to continue investing and recruiting at the same pace as before the referendum**. However, the majority of FDI investors consulted by MGC claim it is too soon to know the full impact of the referendum on their long-term investment plans.

Executive summary

Terms of trade, regulation & access to European funding:

- To date there have been no decisions related to terms of trade and rules and regulations, though **talk of a 'hard Brexit' preoccupied much of the Conservative Party Conference and subsequent national debate**.
- Government has stated that all ESIF (ERDF & ESF) projects securing funding before the point at which the UK leaves the EU will have their funding guaranteed. The statement means that **any project which is contracted before leaving the EU will be funded either from EU resources or from domestic resources if the project continues beyond the point of the UK's departure from the EU**.

Property investment, housing and planning:

- To date, **there have been no announced changes to local or national planning policy,** though Phillip Hammond announced £5bn to support new housebuilding at the Conservative Party Conference.
- Official Housing Index **data from the Land Registry suggests Brexit has had little impact on house prices**, with continued moderate growth in average sales this period.
- **There is evidence of significant property deals still being made in GM**, with Deka Immobilien acquiring One St Peter's Square in Manchester for £164m.

Economic inclusion:

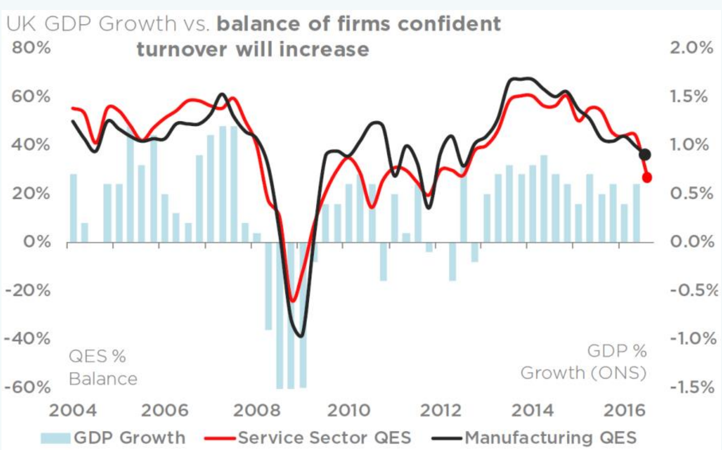
- Government has announced a new Inclusive Economy Unit, which will 'focus on **expanding opportunities for those who are struggling** to cope; **harnessing the power of private investment and business for the advantage of everyone** as well as **improving delivery of public services**'. The unit will utilise existing resource in DCMS.
- There has been a marginal increase in unemployment in GM since the referendum but **it is too early to assess the longer-term impact of Brexit**. **Inflation remained at 0.6% in August**, against BoE predictions for the rate to rise to 0.8% in 2016. However, input price rises across import-price sensitive components of the CPI, and recent disputes between producers such as Tesco's and Unilever, point to **increasing inflationary pressures in the medium-term.**

Macro-economic trends and developments

Macro-economy

- **GDP growth for Q2 2016 was revised up by 0.1pp to 0.7%.**[1] Growth in manufacturing output, however, was revised down to 1.6% from 1.8%; it still stands at a six-year high. Gross fixed capital formation showed stronger growth than estimated, up by 0.2pp to 1.6%, reflecting upward revisions to business investment. In particular, investment by the manufacturing sector increased by 0.8% in Q2 2016. Employment in the manufacturing sector posted positive growth for the third quarter in a row, increasing by 0.5% on the previous quarter.[2]
- The **MPC announces their next interest rate decision on 3rd November**, though the broad consensus is that, at 0.25% rates, orthodox monetary policy is nearing the limits of effectiveness. Speaking in Manchester, MPC member Michael Saunders suggested that, while the bank wasn't too concerned about volatility in Sterling which has led significant depreciation against the Dollar and Euro, this **could lead to import price increases of 12%-13%, leading to consumer inflation of around 3%-4% over the next three or four years**[3].
- Sterling depreciation has been of short-term benefit to the FTSE100, which has approached near record highs in recent days – in large part due to the significant proportion of total revenue generated in Dollars[4]. The FTSE 250, meanwhile, has been supported by M&A activity and the underlying economic resilience of the UK, though remains vulnerable to domestic economic developments as a result.
- Treasury remains largely silent ahead of the Autumn Statement. However, speaking at the Conservative Party Conference, Phillip Hammond announced **£220m to support tech innovation** and highlighted **£5bn funding to the housing sector** announced earlier by DCLG minister Sajid Javid[5].

British Chamber - Quarterly Economic Survey, Q3 2016 (1)



Business and consumer sentiment

Following two consecutive months of growth, Lloyds Bank's Regional PMI suggests **business activity in the NW fell in September** from 55.7 to 53.8, below a England average of 54.0, up from 53.7 in August[6].

The NW results move against Markit's national PMIs, which records that **firms are bouncing back from the immediate shock of the referendum vote**, with new business and activity in Services and output, new orders and employment in Manufacturing all growing[7].

British Retail Consortium/KPMG research shows **growth in retail spending, focusing on food, big-ticket items and back-to-school purchases**, resulting in September sales up 1.3% on the previous year[8].

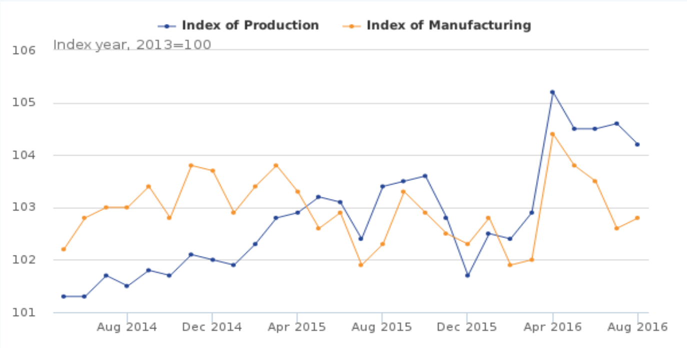
However, BRS and IHS Global Insight economists highlight medium-term risks to consumers of input prices putting pressure on inflation and a weakening of economic fundamentals[9].

Key sectors & business investment

Key development in Manufacturing – Government provides assurances to Nissan

It has been reported that Theresa May has apparently assured Nissan that trading conditions for its Sunderland plant will not change after Britain exits the EU[10], in the first suggestion that **Government could pick favoured sectors to shield from the impact of Brexit**. Nissan has previously said it will not invest any further unless the government offered assurances that it would not face greater tariffs, or that it be compensated. **The carmaker's decision on whether to build its new Qashqai SUV in Sunderland is reported to be within the next 2-3 months**[11]**.** The UK automotive sector has been one of the UK's manufacturing success stories in recent years, and its **supply chains extend to several sectors, including firms located in GM**.

ONS - UK Seasonally adjusted production & manufacturing



Manufacturing - enjoys its strongest quarter this year (6)

- This monitor includes the second release of Index of Production (IoP) covering data post EU referendum, released 7 October.[12]
- Since early 2014, manufacturing – the largest component of production – has experienced alternating periods of expansion and contraction, remaining broadly flat over this period.
- In August 2016, manufacturing grew by 0.2% compared with July 2016, with output at roughly the same level as the average in 2015.
- The manufacturing of transport equipment provided the largest contribution to growth, increasing by 2.5%.

Markit/CIPS - Survey of manufacturing purchasing managers

Growing domestic orders and increasing demand from overseas

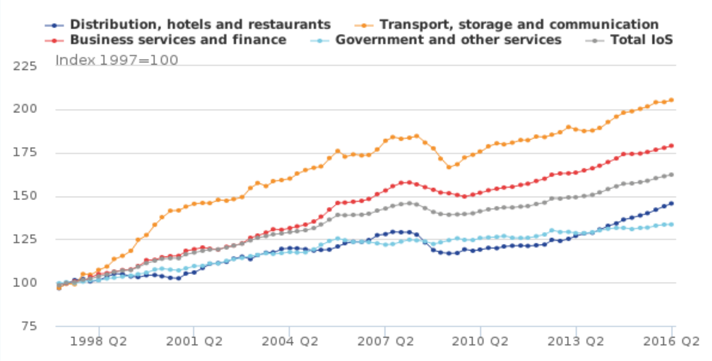
- UK manufacturing activity expanded again in September as new domestic orders and increasing demand from overseas helped the sector achieve its strongest quarter of growth this year.
- The Markit/CIPS survey of manufacturing purchasing managers rose to a 27-month high of 55.4 in September, up from 53.4 in August and following a sharp fall to 48.3 in July. This is the highest level the index has reached since June 2014. Any result above 50 signals an expansion in activity.[13]

Key sectors & business investment

Greater Manchester Chamber of Commerce – Quarterly Economic Survey in GM, Q3 2016

- The latest data from the QES shows continued but weaker growth in the third quarter of 2016. Manufacturers reported a contraction in output for the first time since Q1 2013, after sustained growth. The service sector reported a slow-down in growth, but continued expansion; and construction remaining confident in local development growth. Employment levels continue to remain positive across all sectors of the economy, though manufacturing's rate of job growth has been slowing in the latter part of this year. For both service sector and construction, job growth remains strong. More positively, manufacturers have seen strong growth in international sales this quarter.

ONS - Index of services and sub-components



Services – No post-referendum impact evident

- The first release of Index of Services (IoS) covering a full month of data following the EU referendum shows no evidence of any significant impact from the outcome.[14]
- Services output increased by 0.4% between June 2016 and July 2016, and have increased by 2.9% in July 2016 compared with July 2015. In order of their contribution to growth:
  - business services and finance increased by 2.6%
  - distribution, hotels and restaurants increased by 4.5%
  - transport, storage and communication increased by 4.1%
  - government and other services increased by 1.9%.

Markit/CIPS - Survey of services purchasing managers

Service sector business activity and employment continues to rise

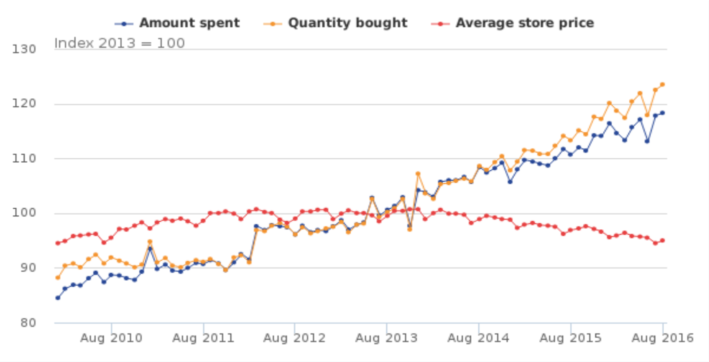
- The Markit/CIPS UK Services PMI decreased slightly to 52.6 in September of 2016 from 52.9 in August, but beating market expectations of 52. Business activity rose for the second month, new business increased the most since February, job creation picked up while input prices rose the most since February of 2013.[15]
- Services PMI in the United Kingdom averaged 53.94 Index Points from 2007 until 2016, reaching an all time high of 62.50 Index Points in October of 2013 and record low of 40.10 Index Points - November 2008.

Key sectors & business investment

The Manchester Growth Company Post-Referendum - survey of clients

- 69% of respondents (total 374) expect that the investment plans will remain the same – following the EU referendum. No change on the previous monitor. Only 8% said that they had put their existing investment plans on hold.[16]
- 69% of clients said that the EU referendum result had not made any difference to their recruitment intentions – hiring at the same rate as before. 15% said they did not now, little difference to the previous Monitor.
- 45% of surveyed companies say the single market is either 'vital' or 'somewhat important' to their businesses, with 40% saying the market was unimportant, little change from the previous monitor.

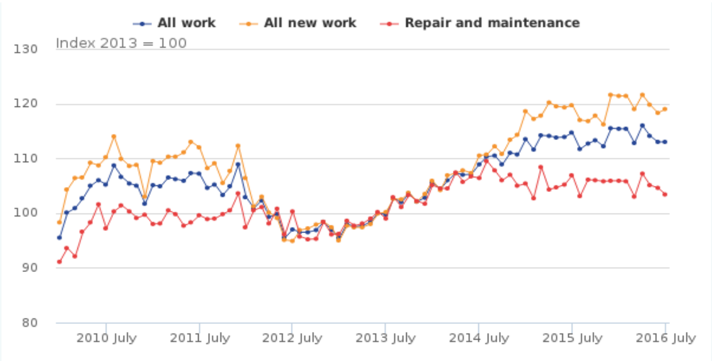
UK Retail quantity, spending and average store prices



Retail growth year on year, but spending mix changes…

- In August 2016 the quantity bought (volume) of retail sales is estimated to have increased by 6.2% compared to August 2015; all store types except clothing and footwear, and household goods showed growth with the main contribution coming from food stores.
- The amount spent in the retail industry increased by 4.1% compared with August 2015 and decreased by 0.5% compared with July 2016.
- The amount spent online increased by 18.5% compared with August 2015 and increased by 0.4% compared with July 2016. Non-seasonally adjusted average store prices (including petrol stations) fell by 1.9% in August 2016 compared with August 2015.[17]

UK Construction: All work, July 2016



Construction output shows little month on month, year on year growth

- In July 2016, construction output was estimated to have shown no growth compared with June 2016. All new work increased by 0.5% while all repair and maintenance decreased by 1.1%.
- Compared with July 2015, construction output decreased by 1.5%. All new work, and repair and maintenance fell by 0.6% and 3.2%.
- New orders for the construction industry in Q2 (Apr to June) 2016 were estimated to have increased by 8.6% compared with Q1 (Jan to Mar) 2016 and increased by 7.5% compared with Q2 2015. New housing increased by 25.0%, but there was a fall of 17.4% in infrastructure.[18]

Trade, regulation and access to funding

Terms of trade, rules and regulatory developments

- Recent speeches by Liam Fox hint at a 'hard Brexit' stance, with the suggestion that this was **a ‘golden chance’ for trade with other markets.** Speaking in Manchester, Fox said the UK had played a large role in ensuring the single market remained open to trade and would continue to encourage this liberalisation. But, he added: “through the WTO the UK has helped pushed through the trade facilitation agreement which, once implemented, could add over £70bn to the global economy annually, of which £1bn will come to the UK.”[19]
- Having previously indicated that Government would seek to deliver on the result of the referendum without extensive parliamentary debate, **Theresa May and other senior cabinet members have endorsed a concession requiring “full and transparent” parliamentary scrutiny before triggering Brexit**. [20]
- The Bank of England confirmed that **on Tuesday 11 October that Sterling fell to its lowest level against the currencies of the UK’s main trading partners since the BoE started measuring in 1990**. It was 31 per cent lower than at its peak in January 2007. Sterling’s fall, could increase demand for British exports and lead to some shift of consumption towards domestic production, but as it increases inflation through higher import prices, it could also reduce consumer spending. [21]
- Delivering her keynote speech to the Conservative Party Conference, **Theresa May announced a ‘Great Repeal Bill’ which will be included in the next Queen’s Speech**, expected next April, with the bill designed to repeal the European Communities Act 1972 as and when the UK leaves the European Union. **The Prime Minister also set the deadline for invoking Article 50 by the end of March 2017.**[22]

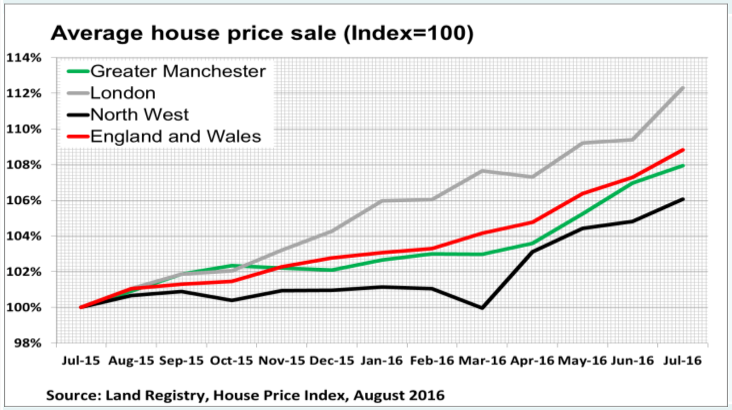
Access to European funding

- On 13th August, the Chancellor of the Exchequer released a statement setting out Government’s intention that in the short term all ESIF projects that are contracted by the 2016 Autumn Statement (23rd November 2016) will be funded. This has since been updated in an announcement on the 3rd October that all projects securing funding before the point at which the UK leaves the EU will have their funding guaranteed.[23]
- These announcements apply, not only to ESIF projects, but to all EU funded activity and so also encompasses EAFRD (rural), Erasmus+, Horizon 2020, Interreg, URBACT and so on. The statement means that **any project which is contracted before leaving the EU will be funded either from EU resources or from domestic resources if the project continues beyond the point of the UK’s departure from the EU**.
- Should this guarantee be as comprehensive as it appears, it potentially amounts to a major protection against the chief danger for partners in getting involved in trans-national projects: namely, that the UK might exit the EU part way through the project and funding for involvement in the project would cease.

Property investment, housing and planning

The Prime Minister has already stated that infrastructure, energy and housing policy will play a major part in her economic strategy to tackle Britain's low productivity. Housing remains high on the political agenda; and support for construction of infrastructure and housing will have the potential to provide employment to mitigate any risks that could emerge, if the UK sees slower economic growth. New homes sales across the UK are slower, but so far there has been no real impact on pricing outside London. However, it is too early to draw any conclusions as to the impact of 'Brexit' but activity across the UK over the last few weeks is encouraging.

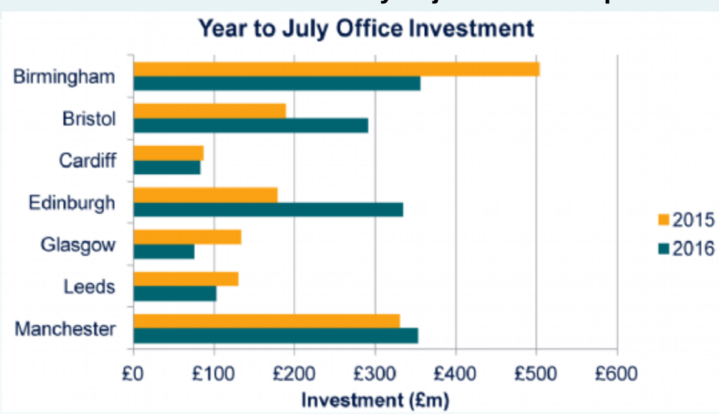
Average House Prices Sales



UK Housing Markets

- Official Housing Index data from the Land Registry suggests Brexit has had little impact on house prices, with continued moderate growth in average sales this period.[24]
- The Nationwide Housing Price Index shoes that house prices increased by 0.3% in September, however year-on-year house price growth slowed to 5.3% from 5.6% in August. [25]
- There were tentative signs of a convergence in house price growth amongst the English regions (year to date). Most southern regions saw a slowing in price growth, whilst the North West saw a pick-up in growth.

Nationwide – Seasonally adjusted house prices



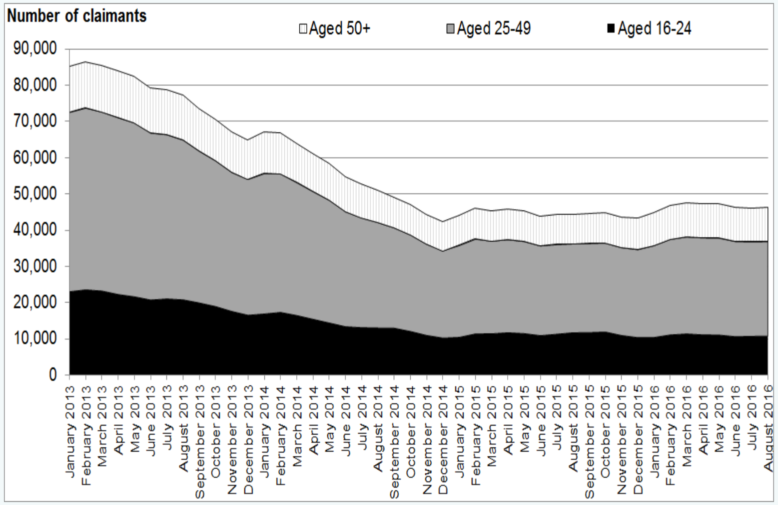
GM Property Investments

- According to Savills - despite pre-referendum concerns, the M25 and regional office investment volumes remained strong as at the end of July 2016 (£3.7bn) 37% above the long term average for this period.[26]
- Bristol, Edinburgh and Manchester have all seen higher investment levels in 2016 than the same period in 2015.
- Post-Brexit, encouragingly, there is evidence of significant deals still being done. For example, Deka Immobilien has acquired One St Peter's Square in Manchester for £164m via the owning joint venture vehicle from Argent and the Greater Manchester Property Venture Fund. [27]

Economic Inclusion

- **GM is committed to delivering inclusive economic growth** and this is at the heart of the Greater Manchester Strategy currently being refreshed. Key indicators of inclusive growth are being identified by GM as part of the submission to the RSA Inclusive Growth Commission and further detail will be included in subsequent editions of the Monitor.
- Delivering her keynote address to the Conservative Party Conference, **Theresa May reiterated her commitment to worker representation on company boards and prioritised the protection and enhancement of employee rights in the UK outside of the EU**. Noting the 'quiet revolution' of the referendum result, the Prime Minister emphasised the need for society, the economy and democracy that "truly works for everyone, not just a privileged few".[28]
- Separately, government has announced a new Inclusive Economy Unit to be based in DCMS. Building on the work of the work of the Social Investment and Finance Team, **the unit aims to encourage better use of private investment to deliver social impact, improve delivery of public services and encourage responsible business**.[29]
- REC **research continues to position the North above the UK average in terms of placements, with increased client confidence reported**. However, a drop in permanent candidates and a narrowing of pay growth may threaten sustainable economic growth.[30]

Claimant count (JSA and UC) unemployed by age group



Monthly Claimant Count Unemployment by age of resident

- **While GM claimant count unemployment is slightly higher than the UK average there has been little change in rates and volumes since the EU referendum vote**, with a 0.4% increase in August. ILO unemployment rose in the NW, from 4.9% to 5.1% - moving it above the national level, which remained at 4.9%.[31]
- **GM 16-24 unemployment in August is down** 7.8% on August 2015, though **this is offset by a greater increase in unemployment amongst 25-49 and 50+ year olds**, resulting in a net increase of almost 2,000 claimants.
- Inflation remained at 0.6% in the year to August – well below the BoE 2% target. However, **underlying components of the CPI are starting to see upward pressure as input prices rise**, with Tesco's recent dispute with Unilever over supplier prices highlighting the battle over who should carry the cost of price increases.[32]

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