Leeds Brexit Impact Assessment

Final Report

May 2019

Leeds City Council

Hatch Regeneris

Report Contents

Summary of Assessment	3
1. Introduction	6
2. Latest Brexit Context	9
3. Current Strategic & Economic Position of Leeds	16
4. Impact of Brexit on Trade	24
5. Impact of Brexit on Regulation	38
6. Impact of Brexit on Investment	45
7. Impact of Brexit on Migration	55
8. Impact of Brexit on People & Places	63
9. Overall Assessment of the Impact of Brexit	67
Appendix	74

Summary of Assessment

The UK's exit from the EU marks a significant step-change in the country's economic relationship with the bloc. The UK is moving away from close integration and co-operation with its nearest neighbours and trading partners, towards a yet unknown destination which is expected to involve many more years of negotiation and uncertainty.

This report touches on a number of economic factors which will be impacted by any change in the relationship the UK has with the EU, primarily around trade, regulation, investment and migration. The true impact will very much depend on the deal (or no deal) that the UK makes with the EU and the success that the government has in establishing new trading relationships, which business can exploit.

Until then, there will continue to be ongoing political and economic uncertainty, that in itself will continue to have an impact on the economy's performance. The Bank of England has already estimated that this prolonged uncertainty has cost the UK economy £40bn a year, or £800m per week. Evidence in Chapter 2 shows there has already been a slow down in foreign direct investment nationally and that business confidence has dropped to levels not seen since the 2008-09 recession.

These national trends are being felt in Leeds. The local Chamber of Commerce has found business confidence and investment levels have fallen, particularly over the last six months of 2018 as a 'no deal' Brexit scenario became increasing likely. This trend will continue as the Brexit withdrawal process is prolonged through to October 2019.

Until there is more certainty about the way in which the UK will leave the EU, it is very difficult to estimate with any precision what the long-term economic impact of Brexit will be nationally, locally or by business sector.

Ongoing Risks of Uncertainty

Until there is more clarity over the UK's future relationship with the EU, there remains uncertainty within the Leeds economy. This has already reduced confidence, investment and immigration in Leeds, which looks set to continue into the future.

The longer this period of uncertainty continues, the greater the impact this will have on the Leeds economy. Particular risks associated with this include:

- Businesses putting off investment, harming their long-term potential and productivity.
- Businesses employing more people in the short-term rather than in capital investment.
- Stockpiling of supply chain products to protect against a no-deal Brexit. This ties up valuable cashflow, which could be invested and also increases business' exposure to other (unexpected) costs in the future.

This study has brought together evidence to show how Leeds' key economic sectors may be impacted by Brexit (both positively and negatively), and how this might impact on the economic ambitions of the city.

Leeds' Inclusive Growth Strategy has ambitions to target a number of growth sectors, including health & social care; finance, professional & business services; creative & digital; construction; manufacturing; and retail & visitor economy. This study has also focused on how each of these might be impacted by Brexit.

Summary of Assessment

City-Wide Impact

Evidence from the Leeds Business Survey (2019) found three times more local businesses expect Brexit to be detrimental (36%) than those that thought it would be beneficial (11%). The LSE assessed how local authorities and business sectors will be affected by Brexit using a world trade model to estimate the changes in GVA under hard and soft Brexit scenarios at a sector level compared to a status quo baseline. Leeds is estimated to be in line for one of the greatest falls in GVA, largely driven by its high proportion of activity in finance and manufacturing. Leeds is the **eighth most vulnerable urban area** outside of London. The analysis suggests there would be 1.3% fall in its GVA trajectory over a 10 year period from a soft Brexit and a 2.6% fall in its GVA trajectory under a hard Brexit scenario. This compares to a 3% fall in GVA during the previous recession (2008-09) in Leeds.

Sectoral Impact

The extent to which sectors are impacted by Brexit will depend on the amount of international trade they undertake, their reliance on migrant labour, the nature of regulation in their markets and their reliance on external sources of investment. Across Leeds' core growth sectors, analysis has been undertaken to understand the exposure of each to Brexit. Sectors where particular challenges have been identified include:

+ **Manufacturing**: the sector has a high reliance on trade with the EU for supplies and also exports, high levels of regulation which may impact on the sector in the future and a high dependency on EU workers to plug skills gaps in the workforce.
+ **Finance, Professional & Business Services**: the sector has a strong concentration of activity in Leeds. There are particular concerns about losing the UK's status as the gateway to the EU, particularly in financial, legal and business services sectors, and concerns around ability of financial services to 'passport'.
+ **Construction**: reduced investment into real estate is starting to stall larger construction projects, and there is a growing risk of Leeds losing a large part of its construction workforce to London/South East as EU workers potentially leave this area in the future

Academic research points towards a range of different sectoral GVA impacts, as shown on page 70 in this report. These range from some sectors which are expected to do well (through opportunities developed from reshoring, and easier access to migrants outside of the EU), to those which are expected to suffer from trade, migration and regulatory restrictions in the future.

Summary of Sector Impacts

Sector	Trade	Regulation	Investment	Migration
Health & Social Care	R	G	G	R
Finance, Professional & Business Services	R	R	A	A
Creative & Digital	A	A	A	A
Construction	A	G	A	R
Manufacturing	R	R	R	R
Retail & Visitor Economy	R	G	A	R
Logistics & Transport	R	A	G	R

Impact Key: **R** Significant impact expected; **A** Impact expected, but not likely to be significant; **G** No major impact is expected

Summary of Assessment

Leeds is likely to be one of the most impacted UK cities by Brexit. This, combined with regulatory changes, rising costs of living and concerns around job security have the potential to impact on Leeds' ambitions within its Inclusive Growth Strategy.

To ensure that the city is prepared for the potential consequences of Brexit and the challenges and opportunities it may bring, there are a number of areas the city must be focussed on. These centre around three areas:

+ **Areas of Concern:** there are aspects of Brexit which are likely to have a significant and adverse effect on the city and which warrant pre-emptive attention.
+ **Points to Watch:** many aspects of Brexit remain unclear however there are some key issues the city should monitor closely and be ready to act if adverse developments begin to emerge.
+ **Opportunity to Explore:** amidst the challenges, there are some elements of the Leeds economy that could secure advantage and which the city should support.

Areas of Concern	1. **Engagement** is needed **with exposed priority sectors** (i.e. finance and professional services, manufacturing and digital) to develop packages of support via Growth Hub. 2. **Awareness raising** is needed amongst **small businesses** to be better informed about the challenges ahead and the mitigations that may be required. 3. **Recruitment support** is needed within the **visitor economy, social care and construction sectors** to help local people, especially in getting people on low-incomes to access job opportunities. 4. Need to explore scope for **local public sector to reassure critical investors** affected by ongoing uncertainty.
Points to Watch	1. Most sectors will be affected in some way and as details of the final arrangements emerge, **further research and engagement with priority sectors** will help ensure better preparedness. 2. Ongoing delays and continued uncertainty could accentuate the challenges faced by businesses. **Early warning monitoring** is needed to check for businesses, sectors and projects in distress. 3. Need to **maximise Leeds' influence** over the UK government's future investment resources (e.g. Shared Prosperity Fund) to ensure it has a close focus on **Leeds' business needs**.
Opportunity to Explore	1. Manufacturing and transport focused sectors could benefit from **reshoring practices** and **exploit new international exporting opportunities**. 2. New UK immigration policies may make it easier for some Leeds businesses (in digital and manufacturing) **to attract skilled labour from outside the EU**. 3. Leeds City Region partners should **proactively identify new inward investment opportunities** and **advertise** itself as open for business.

Section 1

Introduction

Introduction & Context

Introduction

Hatch Regeneris has been commissioned by Leeds City Council to better understand how Brexit, including a *no deal* Brexit, could affect the economy of Leeds. This study is particularly interested in identifying the opportunities and challenges that face the Leeds economy, and understanding some of the specific sectors, sub-sectors and supply chains that could be impacted by Brexit (both positively and negatively) in the short, medium and long term. It also considers the wider impacts of uncertainty that has developed within the economy, which is likely to remain until there is more certainty over the UK's future relationship with the EU.

This work builds on wider national and regional research to better understand how Leeds City Council can respond to the challenges posed on its economy, and how it can support those sectors which are particularly vulnerable to Brexit.

Given that negotiations are still ongoing with the EU over the final terms on which the UK will leave the EU, this report analyses the way in which the expected Brexit scenarios may impact on the Leeds economy, especially in regard to the changes proposed around trade, regulation, investment and migration, and the impact that all of this may have on Leeds' inclusive growth aspirations.

This study comes nearly three years after the UK decided to leave the European Union, and two years since the Government triggered Article 50. Leeds was a city divided by the 2016 EU referendum. Across the city, 50.3% of the population voted to remain in the EU, compared to 49.7% who voted to leave. The proportion of those wanting to stay within the EU was much higher in Leeds than across the wider Yorkshire and Humber region, with only 42.3% voting to remain in the EU and 57.7% voting to leave.

Leeds Context

Leeds has a strong economy, with activities across a diverse range of sectors. This spread of activity enabled the city to recover well from the previous recession, despite the high presence of financial services within the city, which were most impacted during the previous recession. Leeds has grown strongly in recent years and it continues to be one of the fastest growing cities in the UK (based on recent employment growth).

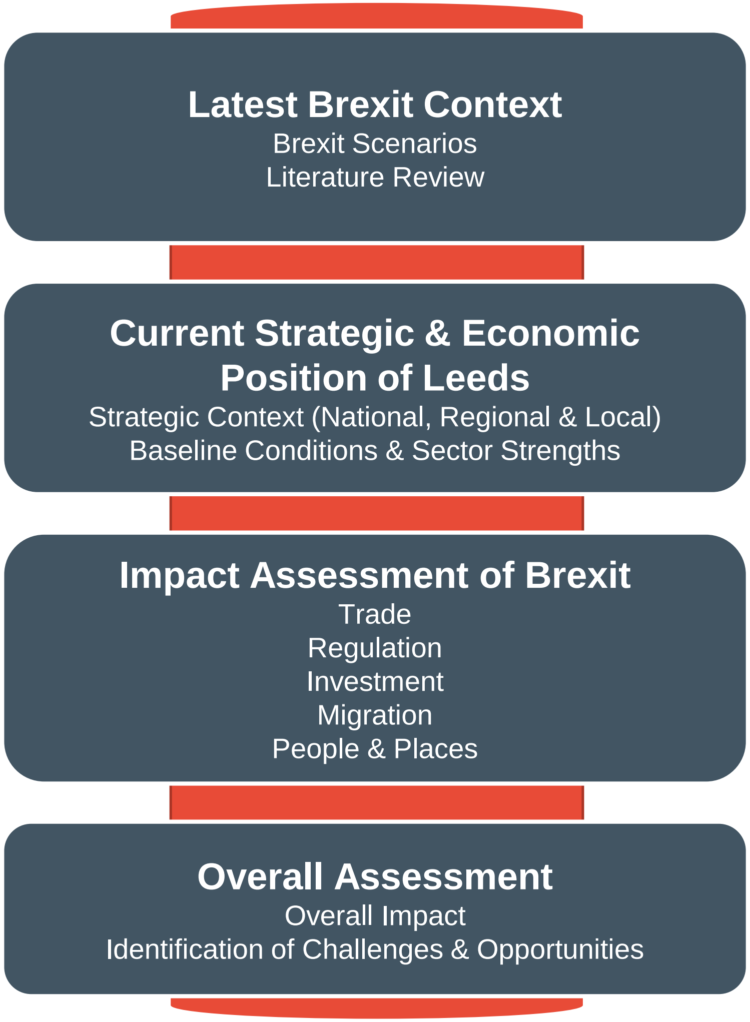
Leeds is widely recognised within the European and international context, both in terms of its strengths within the financial, professional and digital sectors, but also in its role in hosting successful sporting and cultural events, including the 2014 Tour de France, the Leeds International Film Festival (the largest film festival outside London) and the Leeds International Pianoforte Competition.

Leeds has strong ambitions in its Inclusive Growth Strategy to raise productivity, improve skill levels and ensure everyone can benefit from economic growth. Brexit presents a number of opportunities and challenges for the city in being able to build on its recent economic performance and deliver growth for all members of the local community.

Study Approach

The methodology used in this study is summarised below. The adopted approach brings together much of the primary and secondary research which exists to better understand the current Brexit and Leeds contexts, and better understand the main areas of the economy which will be impacted by Brexit. In order to set out a comprehensive review of the opportunities and challenges presented by Brexit in Leeds, the report adopts the following structure:

+ **Review of Latest Brexit Context –** understanding the current context around Brexit, potential scenarios for Brexit and a literature review of the key issues.
+ **Current Strategic & Economic Position of Leeds** – describes the prevailing national, sub-regional and local economic development policy context and the key economic characteristics of the Leeds economy which are particularly relevant in understanding the impact of Brexit.
+ **Impact Assessment of Brexit –** undertakes an impact assessment around each area of impact, to understand Leeds' current exposure to change and identify particular sectors which face opportunities and challenges as a result of Brexit. The five impact areas have been developed from the literature review:
    + **Trade**
    + **Regulation**
    + **Investment**
    + **Migration**
    + **People & Places (Social Cohesion & Inclusiveness)**
+ **Overall Assessment -** brings together the analysis to provide an overarching assessment of the impact of Brexit on the Leeds economy.



Section 2

Latest Brexit Context

Potential Scenarios for Brexit

The EU referendum held on 23rd June 2016 asked the British electorate if the country should remain a member of, or leave the EU. The referendum resulted in 51.9% of votes being in favour of leaving the EU.

Although the result of this referendum was non-binding, the government at the time promised to implement the result, and it initiated the official EU withdrawal process (Article 50) on 29th March 2017. This gave the UK two years to negotiate its exit from the EU, and develop the terms under which it would do this.

At the start of these negotiations, there were a range of different scenarios through which the UK could leave the EU. These included 'softer' scenarios (which included staying in the single market) to 'harder' scenarios (including a No Deal or Free Trade Deal). The table adjacent provides an overview of the potential scenarios through which the UK could leave the EU and the potential implications of these on the movement of goods, services, investment and people.

Soft

Hard

Scenario	Comparator Countries	Headline Changes
Remain in the EU	• EU 27	Status quo Continue to be a member of the: • EU • Single market • Customs union
Single Market	• Norway • Iceland	No longer an EU member, however signed up to the free movement of goods, services, investments and people. • Continue to accept migration from other single market countries • Pay into EU budget • Abide by European Court of Justice rulings • Some border controls, unless combined with Customs Union
Customs Union	• Turkey	Common external tariff on imports, and no tariff on goods circulating inside customs union • Cannot make bilateral free trade deals with 3rd countries • Covers goods, but not trade in services • Some border controls, unless combined with the Single Market
Free Trade Deal	• South Korea	Prioritises sovereignty and immigration control over close economic ties • May take years to negotiate all trade deals needed • Requires full border controls, including at UK/Ireland land border
No Deal	• N/A	Leave the European Union with no transition period or agreed framework in place • Revert to the base trade rules set out by the World Trade Organisation

Latest Position

Since the EU referendum was held, the UK Government has been working towards a Withdrawal Agreement with the EU, which sets out the terms of the UK's divorce from the EU. This primarily covers how much money the UK owes the EU, what happens to UK citizens living abroad (and vice versa) and a proposal for avoiding the return of a physical Northern Ireland border. Accompanying this, is a further Political Declaration on future relations (not legally binding) which sketches out the kind of long-term relationship the UK and the EU want to have across a range of areas, including trade, defence and security.

At the time of writing there is still significant uncertainty over the way forward. Parliament has rejected the Withdrawal Agreement on three different occasions. MPs have embarked on a series of indicative votes to (unsuccessfully) find a majority and the government is engaged in cross party talks with the opposition Labour Party. The UK government has now agreed a second time extension to the Article 50 process which allows the UK until October 31st 2019 to approve the Withdrawal Agreement.

The draft Withdrawal Agreement and Political Declaration could be described as a wide-ranging hybrid solution which includes a Customs Union with scope to agree a Free Trade Deal with the EU and other nations, once the Northern Ireland backstop has been resolved.

Brexit timeline so far...

June 2016	UK public vote to leave the EU
March 2017	Gov't triggers Article 50
June 2017	General Election results in Hung Parliament
	First Round of Brexit negotiations take place
Dec 2017	European Council concludes sufficient progress has been made to move onto the 2nd phase of talks
June 2018	Parliament approves the Withdrawal Act. This makes existing EU law also UK law.
July 2018	Cabinet Meeting at Chequers
Nov 2018	UK & EU reach agreement in principle on Withdrawal Agreement
Jan 2019	Gov't loses first meaningful vote on Withdrawal Agreement
March 2019	Gov't loses second meaningful vote on Withdrawal Agreement
	Parliament votes to reject leaving the EU without a deal
	EU agrees Article 50 extension to 12th April
April 2019	EU agrees extension until 31st October, with European Parliament elections scheduled for May

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Current Withdrawal Agreement

(Information correct as of April 2019)

Although the formal negotiations on the Withdrawal Agreement have been concluded the final trading and legal relationship between the UK and the EU remains unclear. Whilst progress has been made, a mutually agreeable exit agreement, a legally binding position, underpinned by political consensus, remains elusive.

The Brexit landscape is now characterized by deep political division, public apathy and frustration from large parts of the business community, who are withholding investment whilst the practical consequences of Brexit remain unclear.

It is challenging to speak with a great deal of certainty as to what the final terms of Brexit will be and, therefore, the implications for local economies. All the options are still on the table. That said, the current Brexit agreement, which has been endorsed by the EU, provides an outline for the general direction of travel. The principles of the draft exit agreement are:

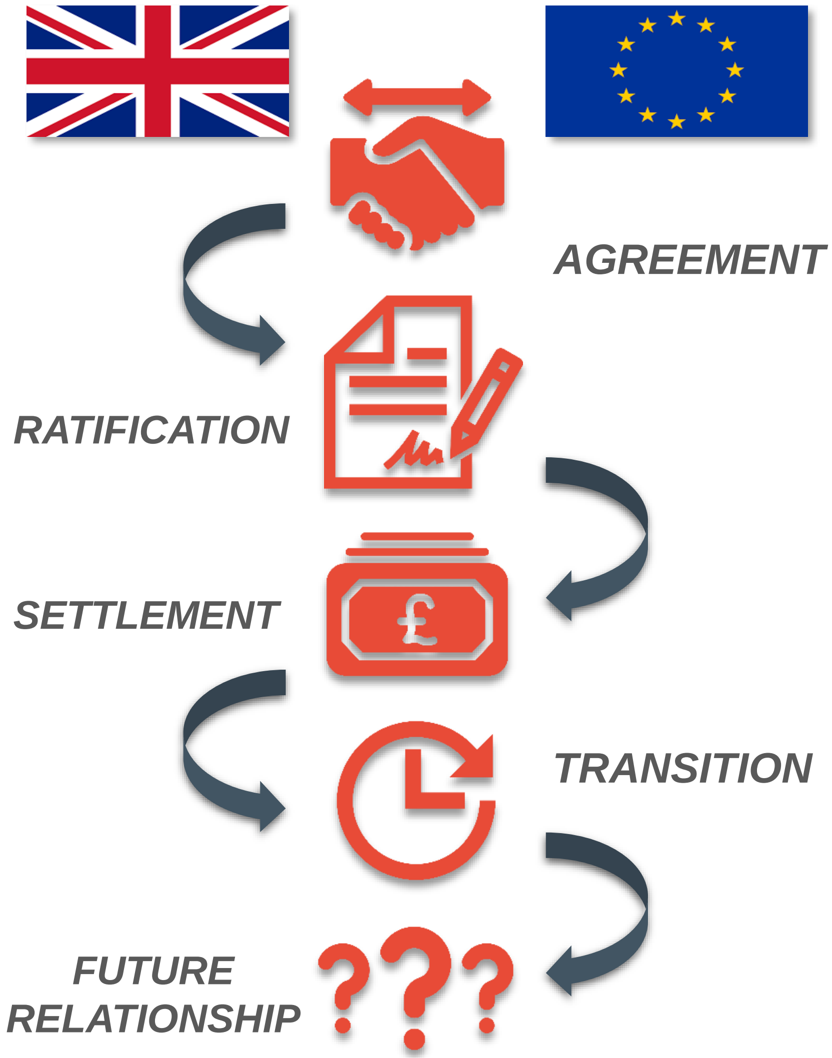
- **Transition period** – the UK to stay inside the single market and remain subject to EU laws and regulations until December 2020, subject to a new trading relationship.
- **Backstop** – a single customs territory would be established between the EU and the whole of the UK, and Northern Ireland alone will also remain aligned to some extra rules of the EU's single market. This arrangement will ensure the Northern Irish/Ireland border remains free of checks and infrastructure, while also maintaining the integrity of the UK. This arrangement will remain in place unless (and until) both the UK and the EU agree it is not necessary.
- **Citizens' rights** – protections for EU citizens in the UK and UK nationals in EU countries to continue to live, work or study as they currently do, subject to a final agreement.
- **Divorce bill** – the UK will honour all existing commitments to EU programs until 2020, expected to total £39 billion in payments.
- **Competition and State aid** – the UK will maintain commitments on competition and state aid, as well as employment and environment standards and tax.
- **Future trade agreements** – the development of a close relationship on services (including financial services) and investment as well as sectoral cooperation.
- **Governance** – the final withdrawal agreement would be policed by a structure based on a joint committee taking decisions by mutual consent and whose verdicts would be binding, including possible adjudication by the European Court of Justice.
- **Financial markets** – London's financial centre will have basic level access to the EU's markets, akin to the US and Japan.

Brexit – What Next?

Brexit – Next Steps and Moving Forward

Once the UK political deadlock is resolved the next procedural steps are reasonably well-defined:

- **UK sign-off Brexit agreement** – deal agreed in the UK through a majority parliamentary vote.
- **UK legislature sign-off** – deal is passed into UK law, with the process of enshrining this into statutory documents initiated.
- **EU approval** – EU member ratification through a parallel democratic procedure, via an EU Parliament plenary route.
- **Transition and trade talks** – subject to UK and EU parliamentary process, the next phase of the relationship will be defined and a longer-term negotiation will progress. The focus for this will be on the future trade relationship beyond the transition.
- **Backstop initiation** – should the transition period conclude with unresolved issues, backstop arrangements will be initiated. This is a highly contentious process that would see the UK remain in a permanent customs union arrangement and lies at the core of the current negotiation process.
- **Beyond Brexit** – a new era of UK-EU relations commences, establishing new norms of legislation, trade and the movement of goods and people. It is expected the UK will redefine its global trading role and agree new trade deals with key international markets, no longer bound by EU single market and customs union restrictions.

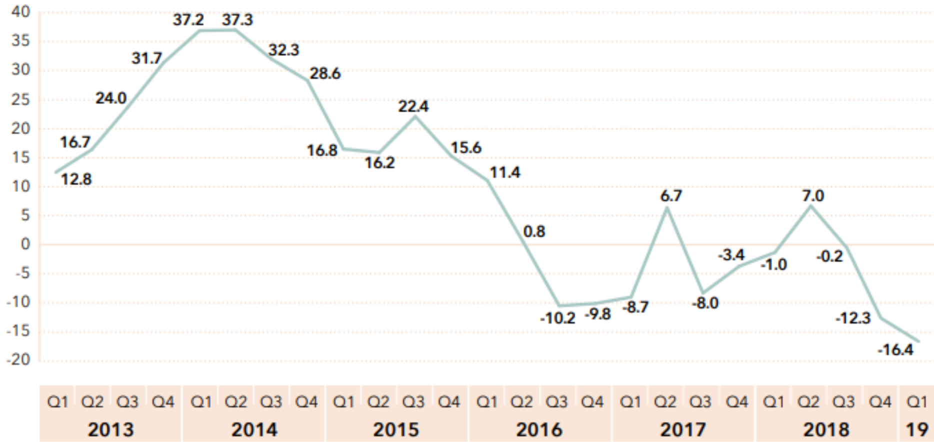


Business Confidence

The increasing level of political division and delay over the final terms of a Brexit deal is having an impact on the business community. Business confidence is currently at its lowest level since the previous recession, with many businesses withholding investment (both domestically and internationally) until there is more certainty over the practical consequences of Brexit. Across the UK, business investment has fallen by 2% over the last year, with Q1 2019 being the third consecutive quarter-on-quarter fall in business investment (the first time this has happened since the economic downturn of 2008 to 2009).

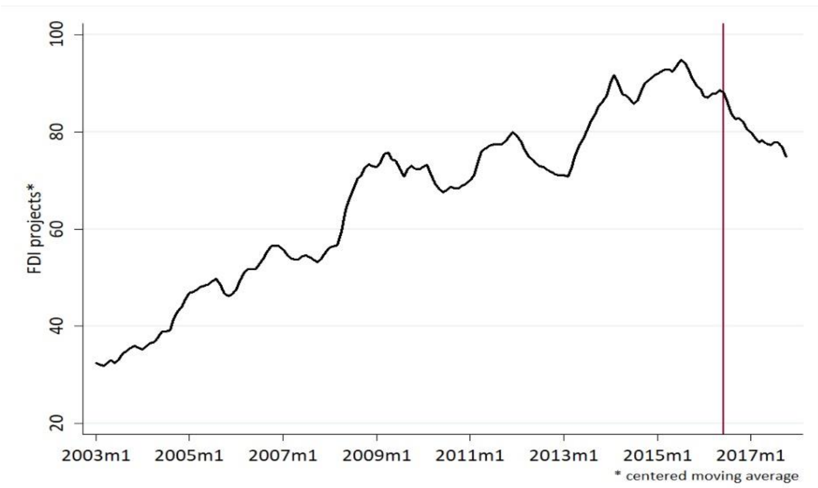
Uncertainty over the UK's future relationship with the EU is also impacting on foreign direct investment into the UK, with a significant drop-off in the number of projects since the EU referendum.

Levels of Business Confidence



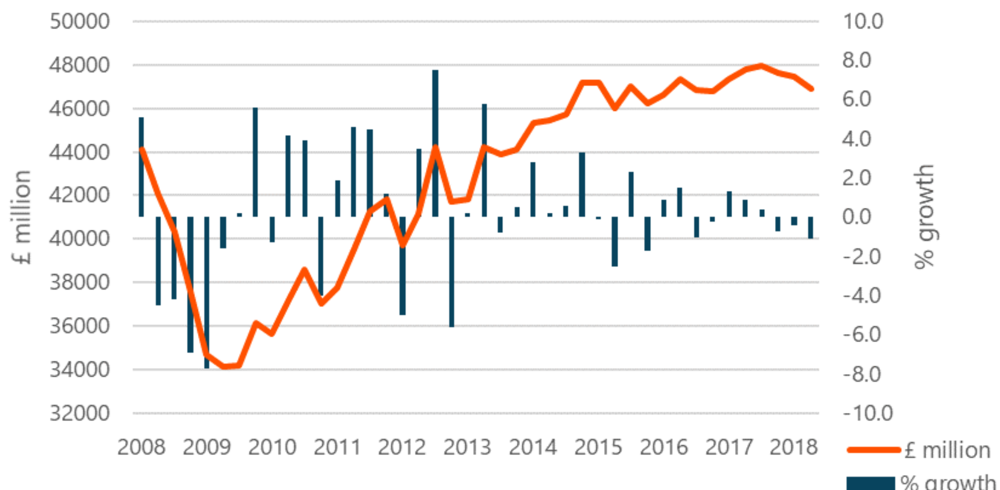
Source: ICAEW UK Business Confidence Monitor, 2019

Foreign Direct Investment into the UK



Source: Not Backing Britain: FDI Inflows Since the Brexit Referendum, Serwicka & Tamberi, 2018

Business Investment



Source: Office for National Statistics – Non Financial Assets
Note: Seasonally Adjusted, Chained Volume Measure

Literature Summary

The EU referendum triggered the start of the UK's endeavour to leave the EU. This process has generated a degree of uncertainty in the political and economic environment.

In the absence of political consensus on the final terms of the UK's withdrawal from the EU, there is a great deal of **uncertainty** amongst the business community which has started to impact on levels of investment in the UK.

There is a wide variety of published research looking at the proposed and actual consequences of the UK's Brexit vote in economic terms. These are summarised in the Appendix, including:

+ EU Exit – Long-term Economic Analysis (2018), Her Majesty's Government
+ The Local Economic Effects of Brexit (2017), London School of Economics
+ Understanding The Economic Impact Of Brexit (2018), Institute for Government
+ EEA Migration in the UK (2018), Migration Advisory Committee
+ The Continental Divide? Economic Exposure to Brexit in Regions and Countries on both Sides of the Channel (2017), University of Birmingham

Although the final settlement remains unclear, the literature points towards Brexit impacting on four aspects of the UK economy:

+ **Trade**: changes in the trading relationship between the UK and the EU will affect the way in which UK businesses import and export. This includes changes to tariff and non-tariff barriers (e.g. customs arrangements) and the operation of cross border supply chains.
+ **Regulation**: many of the UK's current regulations on workers, capital and technology are set in-line with EU standards. When the UK leaves, these regulations could change over time. This could impact upon a range of regulations including: market regulation/competition policy, state aid, workers rights, legal frameworks and data protection.
+ **Investment**: as the UK's trading relationship with the EU changes, patterns of foreign direct investment could be affected. Although some sectors may be attracted to the new regulatory environment the UK could create, others may become concerned about the UK's ability to freely trade through supply chains that cross EU borders. Europe itself has been a source of investment in programmes to deliver business support, deliver skills, new infrastructure, and R&D which would to an end as we leave the EU.
+ **Migration**: with the UK leaving the EU single market, freedom of movement for UK and EU citizens will be curtailed. Businesses that rely on EU migrants will need to implement alternative arrangements to recruit workforce needed.

In chapters four to seven, this study considers the potential impact that changes to each of these over-arching themes will have on the Leeds economy, and specifically what changes this may have on the city's sector strengths.

Section 3

Current Strategic & Economic Position of Leeds

Introduction

Summary

- The Leeds economy has performed well over the last five years, with strong growth in jobs and business numbers.
- This has created low levels of unemployment across the city, although performance has varied across sectors.
- The Leeds Inclusive Growth Strategy targets seven sectors for growth in the future.

Leeds has a strong and growing economy, with strong ambitions to deliver growth that benefits all citizens and communities. The Leeds Inclusive Growth Strategy sets out seven sectors which are fundamental to the future success of the Leeds economy. These are:

+ health, medical and the ageing population
+ financial and professional services
+ creative and digital
+ construction and infrastructure
+ manufacturing
+ retail and the visitor economy
+ social enterprise and the third sector.

Delivering sustained economic growth, which is inclusive, improves productivity and builds on the distinctiveness of places sits at the core of the prevailing economic development agenda. A number of strategies provide a focus for council decision-making and prioritising investment. These strategies are summarized in the Appendix section.

Wider Strategic Context

National

- Industrial Strategy
- Export Strategy – Supporting and Connecting Businesses to Grow on the World Stage

Regional

- Leeds City Region Strategic Economic Plan
- Regional Industrial Strategy (to be submitted by December 2019)

Leeds

- Leeds Inclusive Growth Strategy
- Best Council Plan 2018/19-2020/21
- A New Culture Strategy for Leeds 2017-2030
- Leeds Health & Wellbeing Strategy

Overview of Leeds Economy

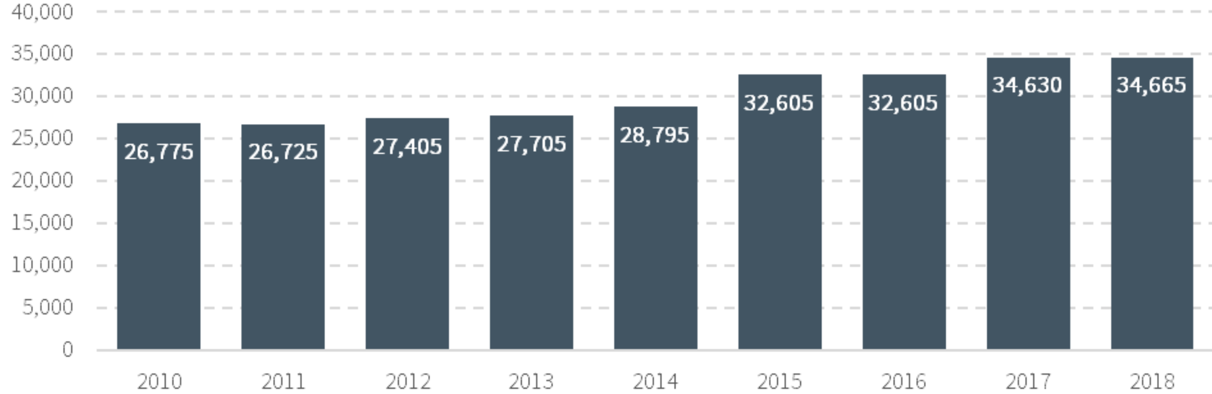
Economic performance has been particularly strong in recent years for Leeds, with the city rebounding positively from the financial crisis of 2008-10. Today there are over 34,000 businesses across the city, employing over 450,000 people.

Following a relatively stagnant period between 2010 and 2012, Leeds has experienced strong growth in the level of employment and the overall number of businesses.

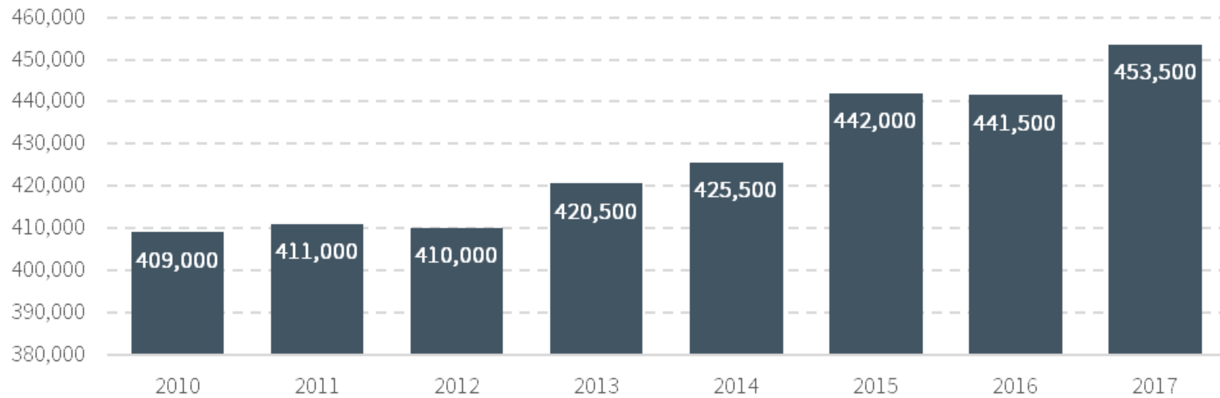
Job growth has been strong since 2012 and has been resilient since (with the exception of 2016 which saw a minor dip). Over the whole period, the number of people employed in Leeds grew by 11%, just above the growth rate for the rest of England (10%).

The number of businesses has also grown strongly, with 29% more businesses in Leeds in 2017 compared to 2012. This growth rate is seven percentage points above the England average (22%).

Businesses in Leeds, 2010-18



Employment in Leeds, 2010-17

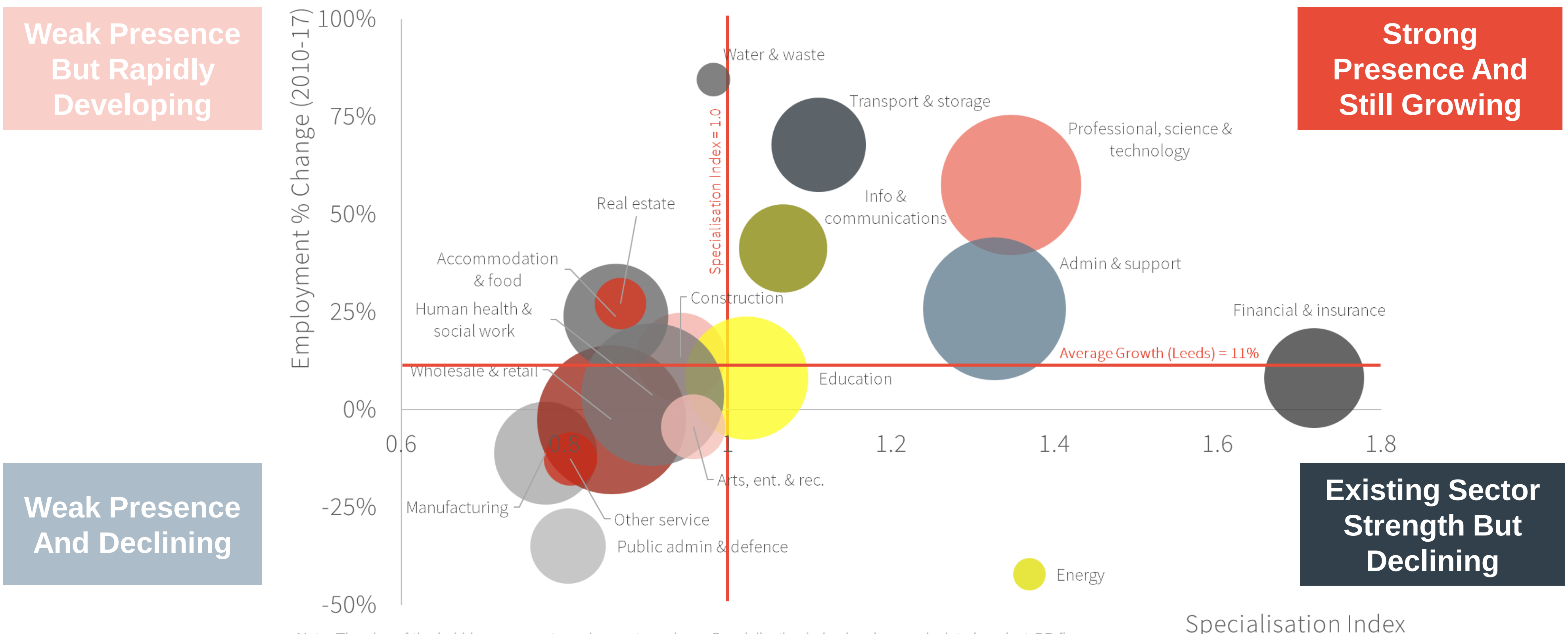


Source: ONS, UK Business Count 2018; and ONS, BRES 2018

Employment in Leeds

No single sector dominates the Leeds job market and there has **been a mixed pattern of performance** across different sectors.

+ Leeds has a strong and diverse range of sectors, in both their value and productivity, which have a strong national presence.
+ The most concentrated sector in Leeds continues to be finance and insurance (specialisation index = 1.7), but growth (8%) in the last 7 years has lagged behind the average growth rate experienced across all other sectors in Leeds (11%).
+ Several larger sectors are **shrinking or falling below the city average** in terms of job creation including wholesale and retail, manufacturing, human health and social work, and public admin and defence.



Note: The size of the bubbles represent employment numbers. Specialisation index has been calculated against GB figures.
Note: Broad level sectors with fewer than 2,000 individuals in employment have been removed (Agriculture – 1,250, and Mining – 80)
Specialisation Index (SI - also know an Location Quotient) measures the relative concentration of sectors (in this case against GB's profile). That is an SI = 1 suggests equal level of concentration; >1 more concentrated; and <1 less concentrated.

Source: ONS, BRES 2018

Sub-Sector Analysis

A deeper 2-digit SIC analysis helps identify specific sub-sector trends and emerging messages to highlight **industries of strength.**

Five sectors in Leeds account for one in three businesses (11,530) and jobs (148,500). Leeds' growth sectors are critically important in size and presence in the economy (refer to darker shading in tables):

+ **Health, medical & the ageing population** – human health sub-sector is the third largest sector by employment and has a specialisation index (SI) of 1.2
+ **Financial & professional services** – two of the top five sub-sectors by business numbers are from this sector, with many others featuring in both top 10 SI tables
+ **Creative & digital** – strong presence in Leeds most notably the printing & reproduction of recorded media sector (fourth most concentrated sub-sector)
+ **Construction & infrastructure** – there are 2,100 business working in the specialised construction sub-sector, making it the third largest by businesses
+ **Manufacturing** – there is a prominent concentration of manufacturing by employment numbers, specifically in the production of paper and paper products, and furniture (both SI=1.6)
+ **Retail and visitor economy** – includes a number of sub-sectors, with the retail sector having the second highest number of employees and businesses.

Largest Sectors in Leeds (by no. employees and share of total employment)

	...by Employment (2017)		...by Businesses (2018)	
1	Education	40,000 (9%)	Retail	3,295 (10%)
2	Retail	34,000 (7%)	Food & Drink	2,220 (6%)
3	Health	29,500 (7%)	Specialised Construction	2,100 (6%)
4	Food & Drink	24,500 (5%)	Head Offices	2,010 (6%)
5	Employment Activities	20,500 (5%)	Computer Programming & Consultancy	1,905 (5%)

Source: ONS, UK Business Count 2018; and ONS, BRES 2018

Most Concentrated Sectors in Leeds (by Specialisation Index*)

	...by Employment		...by Businesses	
1	Gambling & Betting	2.2	Postal & Courier	2.2
2	Security & Investigation	2.2	Land Transport	2.1
3	Financial Service Activities	1.9	Insurance, Reinsurance & Pension Funding	1.7
4	Air Transport	1.9	Printing & Reproduction of Recorded Media	1.6
5	Financial Services (Activities Auxiliary)	1.7	Employment Activities	1.4
6	Manufacture of Paper & Paper Products	1.6	Legal & Accounting	1.4
7	Postal & Courier Activities	1.6	Activities Auxiliary to Financial Services	1.4
8	Veterinary Activities	1.6	Gambling & Betting	1.3
9	Legal & Accounting	1.6	Advertising & Market Research	1.3
10	Manufacture of Furniture	1.6	Human Health	1.2

Note: Only sub-sectors with over 1,000 employed and 100 businesses were included.
*Specialisation Index (SI - also know an Location Quotient) measures the relative concentration of sectors (in this case against GB's profile). That is an SI = 1 suggests equal level of concentration; >1 more concentrated; and <1 less concentrated.

Sub-Sector Analysis

The majority of the fastest growing sub-sectors in Leeds belong to one of the Growth Sectors (as shaded darker in the adjacent graphs):

+ All bar one of the top ten fastest growing sub-sectors by business numbers, and six out of ten by employment growth are in one of Leeds' growth sectors.
+ Many of the top performing sub-sectors are in one of four Leeds growth sectors: **retail and visitor economy**, **health**, **construction** and **financial and professional.**
+ Of the remaining growth sectors, **manufacturing, creative and digital**, and **social enterprise** have all experienced some sub-sector growth above the city average.
+ There has also been strong growth in some typically **higher value** sub-sectors such as activities of head office (where employment grew by 9,000 accompanied with 910 more businesses) and computer programming & consultancy (6,500 and 805, respectively)
+ Within the manufacturing sector, there is anecdotal evidence that some of the recent employment loss can be attributed to a reclassification of manufacturing employment into the service sector (e.g. an outsourcing of service jobs) rather than a loss of manufacturing jobs all together.

Fastest Growing and Declining Sub-sectors (left – by businesses 2010-18; and right – by employment 2010-17)

Note: Only sub-sectors with over 1,000 employed and 100 businesses were included.
Note: Only eight sub-sectors in Leeds saw business numbers fall between 2010-18

Source: ONS, UK Business Count 2018; and ONS, BRES 2018

Sub-sector Analysis

In 2017, Leeds contributed £23bn in gross value added (GVA) to the UK economy. The city's Growth Sectors generated around 53% of Leeds' GVA (£12.3bn).

+ The largest Growth Sector by GVA is the **financial and professional services**, generating just under £1 in every £5 of total GVA for Leeds. Its most valuable sub-sectors are found in activities related to finance and insurance and legal and accounting.
+ **Retail and the visitor economy** is one of the city's larger sectors and accounts for 10% of total GVA. It is relatively broad in its nature and no single sub-sector dominates it.
+ **Manufacturing** (8% of total GVA) is still of significant importance to the local economy despite the general decline in business numbers. Manufacture of woods, petroleum, chemical and mineral are the most valuable sub-sector (£737m).
+ Over 35% of the £1.6bn of GVA generated by the **construction** sector is from specialised construction (£582m), that is special trades within demolition to completion and finishing.
+ Although typically more associated with their social returns, the **health** and **social enterprise and the third economy** sectors contribute a significant amount economically to the Leeds economy. In 2017, the two sectors generated just under £2bn in GVA, equivalent to 8% of total GVA.

Leeds' Growth Sector and Sub-sector GVA - 2017

Sector	GVA (£m-2017)	% share of Leeds total GVA
Construction	**1,631**	**7%**
Architectural and engineering activities	167	1%
Civil engineering	236	1%
Construction of buildings	508	2%
Services to buildings and landscape activities	138	1%
Specialised construction activities	582	3%
Creative and Digital	**1,473**	**6%**
Information and communication	1,473	6%
Financial and Professional Services	**4,470**	**19%**
Financial and insurance activities	2,266	10%
Head offices and management consultancy	319	1%
Legal and accounting activities	1,018	4%
Office administration and business support activities	420	2%
Other professional, scientific and technical activities	447	2%
Health and Social Care	**1,451**	**6%**
Human health and residential care activities	1,451	6%
Manufacture	**1,939**	**8%**
Manufacture of food, beverages, textiles and clothing	396	2%
Manufacture of metals, electrical products and machinery	614	3%
Manufacture of wood, petroleum, chemicals and minerals	732	3%
Other manufacturing, repair and installation	197	1%
Retail and Visitor Economy	**2,371**	**10%**
Accommodation and food service activities	482	2%
Arts, entertainment and recreation	350	2%
Land, water and air transport	708	3%
Retail trade	831	4%
Social Enterprise and the Third Economy	**477**	**2%**
Social work activities	477	2%
Growth Sector Total	**12,269**	**53%**
Leeds Total	**23,252**	**100%**

Source: ONS, Regional gross value added 2018

Current Labour Supply in Leeds

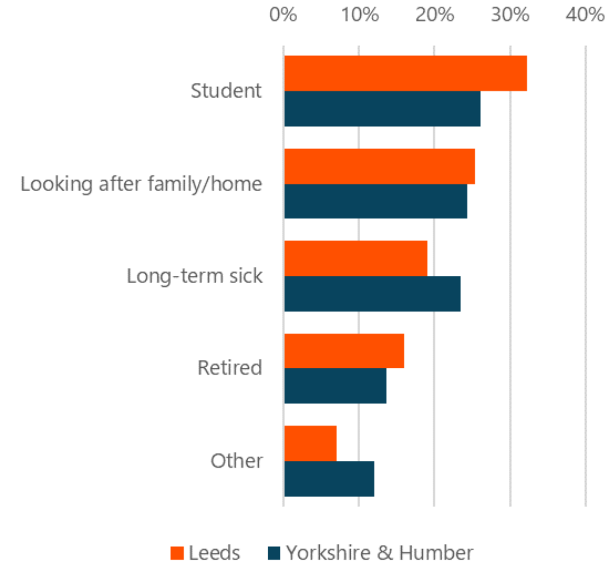
Leeds has a tight labour market at present. There is a relatively small pool of labour available for businesses looking to recruit, with low levels of unemployment and economic inactivity.

Leeds has around 13,000 people claiming either universal credit or job seekers allowance i.e. 2.6% of the overall working-age population. This number has declined from a previous peak in the aftermath of the 2008-09 recession. Although the city and its surrounding region were more adversely impacted than England as a whole, the claimant rate is now close to the national figure.

There are a further 111,000 working aged people in Leeds who are currently economically inactive. Many of these people are unlikely to change their situations, with the main reasons for people being economically inactive including studying (32%), looking after family/home (25%) and being long-term sick (19%).

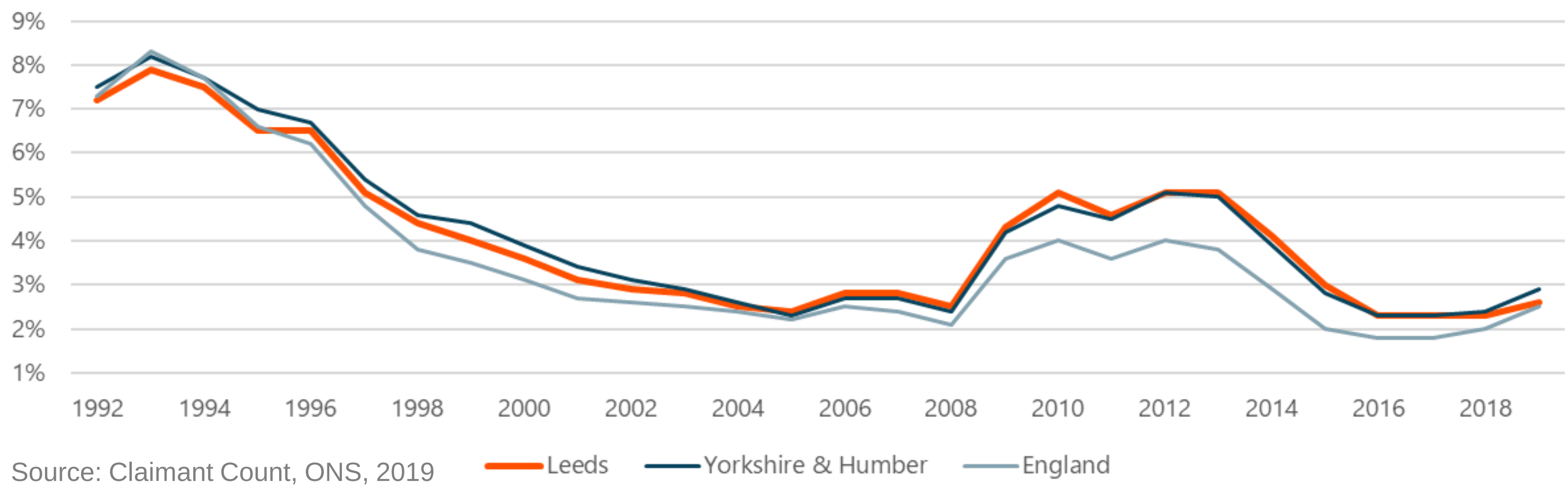
Given the lack of domestic labour available, immigration has been key in helping to expand Leeds' workforce in order to keep up with its recent economic growth. This is discussed in more detail in Chapter 8.

Reasons for being Economically Inactive



Source: Annual Population Survey, ONS, 2019

% of Working Aged Population claiming Universal Credit or Job Seekers Allowance



Source: Claimant Count, ONS, 2019

Section 4

Impact of Brexit on Trade

Introduction

Summary

- In 2017 Leeds exported a total of £1.8bn of goods; 49% of which went to the EU.
- Machinery / equipment, chemicals and manufactured goods are the largest types of goods exported from Leeds.
- Outside of the EU the USA is the country that Leeds exports the most to, accounting for 14% of total exports.
- Eight out of West Yorkshire's top-10 export destinations are in the EU
- In 2017, Leeds imported a total of £4bn goods, of which 54% came from the EU.
- Chemicals represent almost half of all goods imported to the area from the EU
- The Netherlands is the area's largest import location, accounting for 30% all imports.

Soft ↕ Hard

Remain in the EU (Status Quo) *e.g. Germany*	• The UK is a member of the EU single market which ensures the free movement of goods, services and capital which effectively eliminates non-tariff barriers between members. • As a member of the EU's Custom Union, tariffs do not apply to goods imported from fellow member states, with a set of common external tariffs negotiated with the rest of the world. • Together the Customs Union removes financial and administrative barriers between members, providing a platform for frictionless trade across borders and allowing member states to pool their leverage in negotiating trade deals with other countries.
Single Market *e.g. Norway*	• On its own, membership of the single market would allow services to trade more freely but would create potential barriers to goods travelling into the EU. This option would give the UK scope to negotiate trade deals with other countries outside the Customs Union. UK exporters would have to show that their goods qualify as having originated in the UK (rules of origin) to be eligible for tariff-free entry to EU countries.
Customs Union *e.g. Turkey*	• From within the Custom Union the UK could continue to trade goods with fellow members, as per the status quo. The UK's ability to agree preferential trade deals with the rest of the world would be severely curtailed and it would be expected to apply the common external tariff on imports without a formal negotiating role in the process. This model could also allow third countries with whom the Customs Union has established free trade deals to import to the UK without any guaranteed reciprocal arrangement.
Free Trade Deal *e.g. South Korea*	• The UK would be able to establish a trade deal with the EU, ideally eliminating all tariffs, and be free to negotiate additional trade deals with third countries. • This arrangement would create a customs border between the EU and UK, requiring border checks and controls and see the Back Stop invoked to ensure Northern Ireland remained part of the EU Customs Union and Single Market for goods.
No Deal	• With no withdrawal agreement or framework for future relations, trade between the UK and EU would default to World Trade Organisation terms. Tariffs on imports/exports between the UK and EU are expected to be low, averaging around 3%, but could be higher for some goods. • Many other legal and administrative processes upon which businesses depend for travel and legal arrangements would also be called into question.

Source: House of Commons Library (2019) What is there's no Brexit Deal?

Introduction – Services

There are a number of differences in the trading relationship between the UK and the EU in regard to goods and services. There is a slightly different set of options for trading services in the future.

The UK trades heavily in services with the EU. This is underpinned by:

+ Large national economies close to each other.
+ Single market rules which permit free movement of people (vital for services) and reciprocal regulatory standards.
+ Established patterns of trade in goods which draws complementary trade in services.

Tariffs do not affect trade in services directly, but there are other barriers that can have an impact. Service based firms are required to comply with the regulations of that country through what are known as non-tariff barriers (NTBs) or behind-the-border barriers.

Although the Single Market has not eliminated non-tariff barriers, it has established a series of rules beyond those achieved by standard or modern trade agreements.

Outside the EU, UK service sector businesses may lose ground to business operating from with member states.

Soft

Hard

Future Options for Trading Services

Remain in the EU (Status Quo) *e.g. Germany* **Single Market** *e.g. Norway*	• The UK is a member of the EU single market which effectively eliminates tariffs, quotas or taxes on trade, with each participating nation signing up to the principle of free movement of goods, services and capital. • The EU single market allows free movement of people to deliver services and has dismantled many of the regulatory barriers that companies face when trading services across borders.
Customs Union *e.g. Turkey*	• If the UK were outside the Single Market and remained in the Customs Union, its large service sector economy and favourable balance of trade in services would be at risk. It would face competitive threat from EU based operators and UK operations relocating to inside the Single Market.
Free Trade Deal *e.g. South Korea*	• **Free-trade agreements (FTAs)** can provide an exception to the general WTO General Agreement in Trade in Services (GATS) regime (set out below) and allow one country to favour another as long as a series of conditions are met. • A trade agreement of this type is unlikely to guarantee the same degree of regulatory alignment between the EU and UK for the trade of services. For instance, the recent deal between Canada and EU, includes restrictions in trade in sectors covering almost 70 per cent of the UK's services exports.
No Deal	• **Trading Services Under WTO Rules -** participating countries can include specific service sectors that they are willing to open up to foreign competition. GATS agreements can specify how the foreign supplier will be allowed to service the host country's market. • EU member states' commitments under GATS were made before trade policy became an exclusive EU competency. As a result, trading under GATS rules would mean UK service providers will have to abide by a different national trading regime in each EU member state.

Source: Institute of Global Change (2019) Brexit and the UK's Services Trade

Exports: Current Leeds Position

Leeds' reliance on the European Union for exporting goods broadly reflects the trend seen nationally and is slightly less than the proportion seen across the wider West Yorkshire area.

In 2017 Leeds exported a total of £1,812m of which:

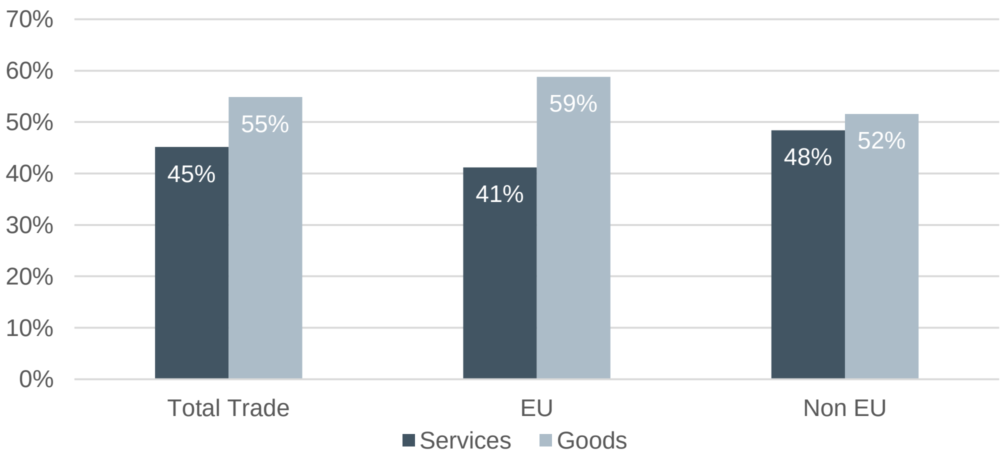
+ £894m (49%) went to the EU
+ £918m (51%) went to the rest of the world

Representative data on goods exports is available at the West Yorkshire geography, whilst for services, only national data is available.

The largest proportion of goods exported from West Yorkshire are machinery and equipment, chemicals and manufactured goods.

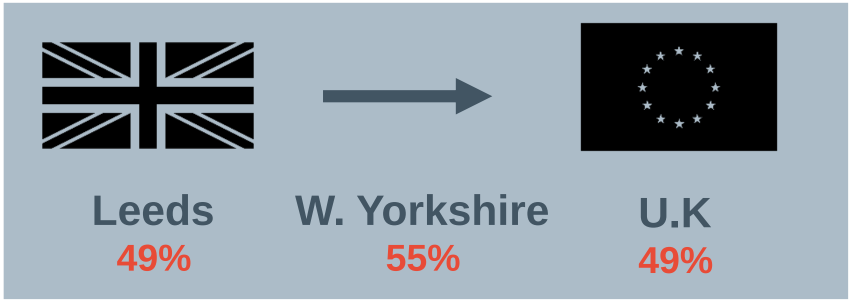
Whilst comprising a smaller proportion of total exports – services make up an important (and growing) part of the export picture. Data shows that services make up 45% of the UK's total exports, with goods making up the remaining 55%. On this basis, services make up a lesser proportion of EU trade, where they comprise 41% of total trade.

Split of Trade between Goods and Services Exports - UK

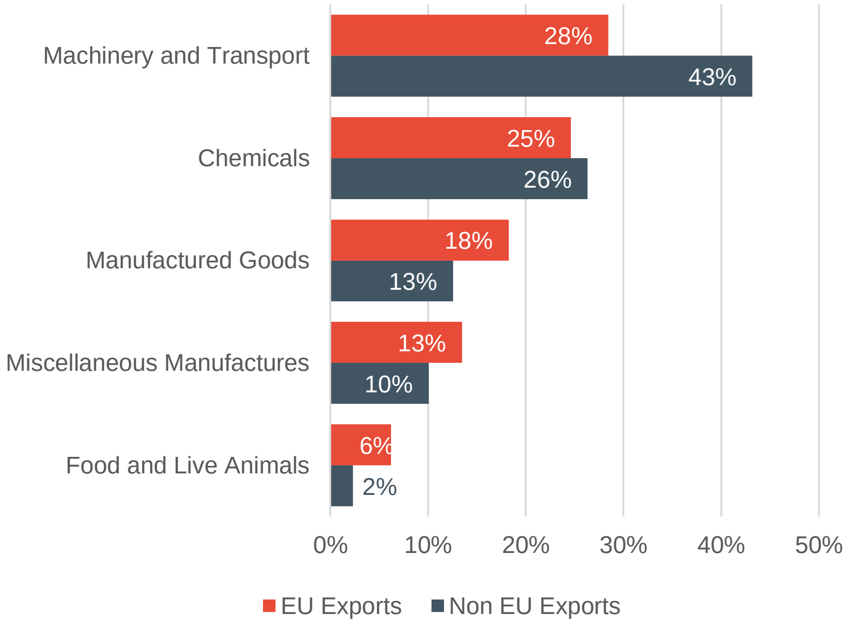


Source: ONS Trade in Goods and Services by Country, 2018

Proportion of Exports of Goods to the European Union



Key Sectors/Goods Exported – West Yorkshire



Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

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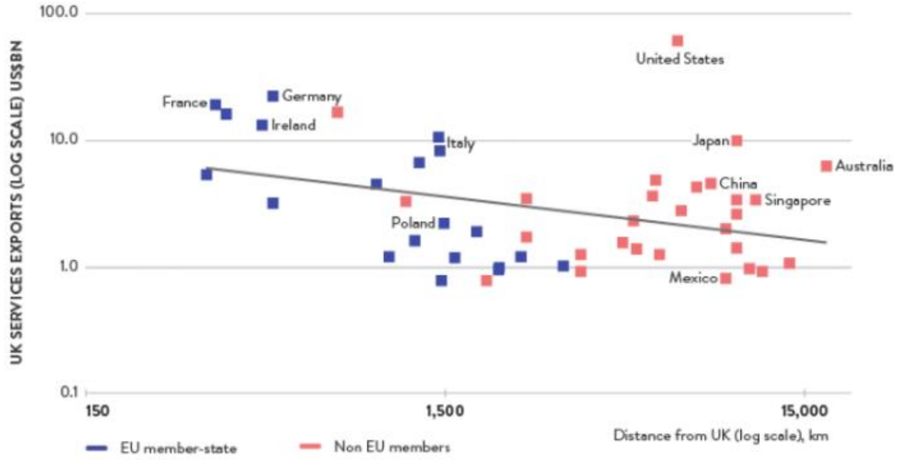
Exports: Destinations

West Yorkshire has strong trade connections with the European Union. The EU is the largest destination for West Yorkshire exports, accounting for 54% of all exports. EU countries make up 8 of the top 10 export locations. The USA is the country which West Yorkshire does the most exporting to, accounting for 14% of total exports.

Exports in services appear to broadly follow a similar pattern, with trade gravitating towards the nearby EU economies and large economic powers further afield. Work by the Institute for Global Change indicates that the effect of distance on trade in services is smaller than its effect on goods trade where transport costs are less of a factor for services than for goods.

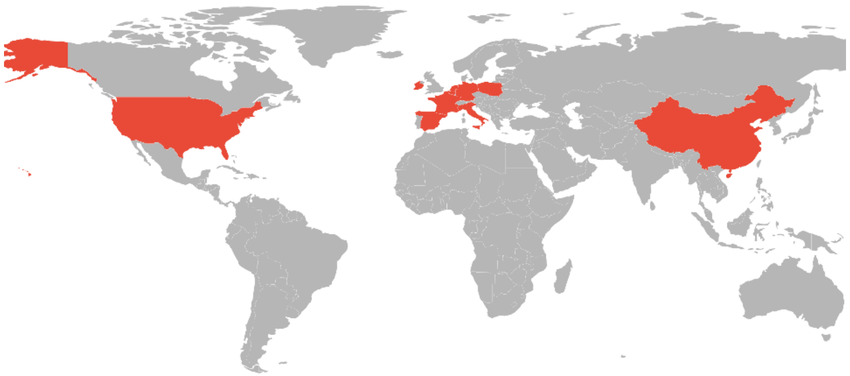
The effect of distance on services has declined in recent years owing to improvements in communications technologies and cheaper air travel, however distance is still a significant factor; a 10 per cent increase in distance between countries reduces services trade by 7 per cent (OECD, 2018).

***Services* Exports to Selected Countries, UK**



Source: Institute for Global Change (2018)

Top 10 Trade Nations – Goods Exports - West Yorkshire



Top 10 Trade Nations – Goods Exports Value - West Yorkshire

Partner Country	Value (£ Millions)	% of Total Exports
USA	£812	14%
Netherlands	£545	9%
Germany	£519	9%
France	£426	7%
Irish Republic	£392	7%
Belgium	£297	5%
Italy	£256	4%
China	£196	3%
Spain	£152	3%
Poland	£125	2%

Orange = EU Member State

Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

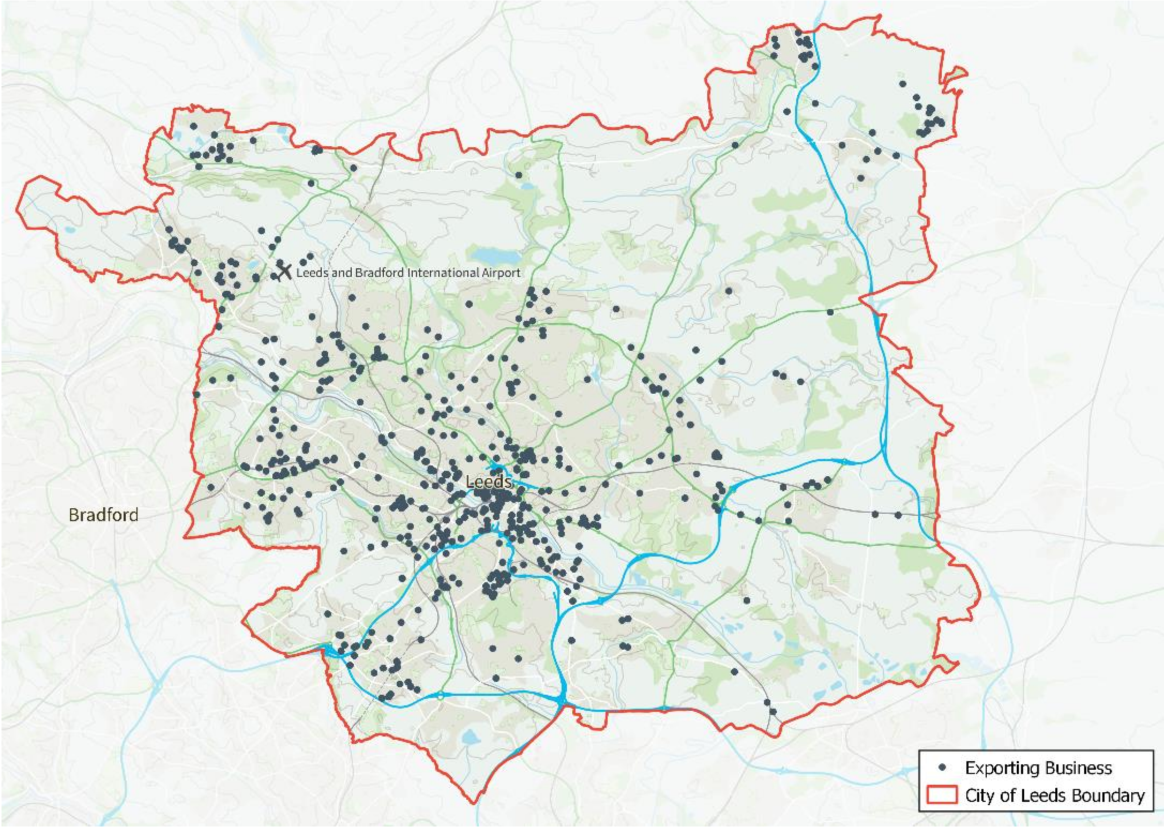
Exports: Leeds Businesses

No data on exporting at business level is available for EU trade, given the freedom of trade. Data is available for non-EU exports, which provides an indication of exporting activity by Leeds businesses. Last year nearly **800 businesses** in Leeds exported outside the EU. This trade spanned **2,300 different product types.**

The broader exporters (i.e. those supplying a wider range of products) operate within the distribution and manufacturing of electrical components, machinery repair and oil and gas exploration sectors.

These exporting businesses appear to be somewhat clustered in the centre of the city, with other concentrations present in Morley to the South, along the A647 in Stanningley, to the north adjacent to the A19(M) and to the north-west near to Leeds Bradford International Airport.

Exporting Businesses Location (2018)



Exports: Trade Deals

The EU has 36 formal full trade arrangements currently in place with around 21 currently under negotiation. The government has committed to strike new trade deals as Britain extricates itself from the EU. So far, the Department for International Trade has 9 trade agreements in place and has committed to continue to deliver agreements until Brexit is delivered.

In 2017 West Yorkshire exported around £575m worth of goods with nations covered by current EU trade deals. This represents around 10% of total exports and 21% of Non-EU exports, broadly in line with the national average.

Turkey is the largest export partner covered by EU trade arrangements representing almost £98m worth of exports trade.

Exports Covered by EU Trade Agreements (2017)

% of Total	W. Yorkshire 10%	U.K 10%
% of Non EU	W. Yorkshire 21%	U.K 20%

Top 10 Exports Trade with Nations Covered by EU Trade Agreements – West Yorkshire

Trading Nation	Value (£ Millions)	% of Total Non-EU Imports
Turkey	98	2%
South Korea	77	2%
Switzerland	77	2%
Japan	60	1%
Egypt	57	1%
Norway	57	1%
South Africa	39	1%
Mexico	34	1%
Israel	24	1%
Chile	13	0%

Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

Imports: Current Leeds Position

Leeds relies on imports from the European Union in line with the UK trade, but less so than West Yorkshire.

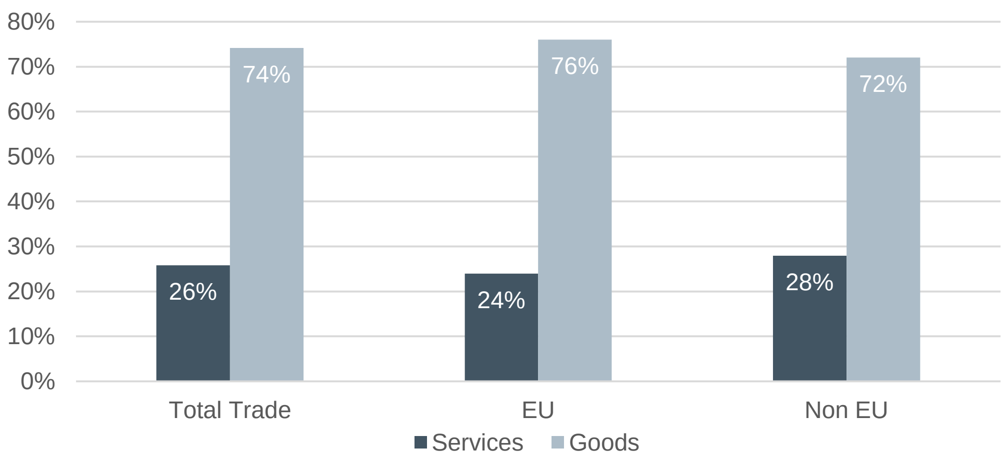
In 2017 Leeds imported a total of £4bn worth of goods of which:

+ £2.1bn (54%) came from the EU
+ £1.8 bn (46%) came from the rest of the world

Almost half of the EU imports to Leeds are chemicals, with other prominent goods imported including machinery & transport, manufactured goods and food/live animals.

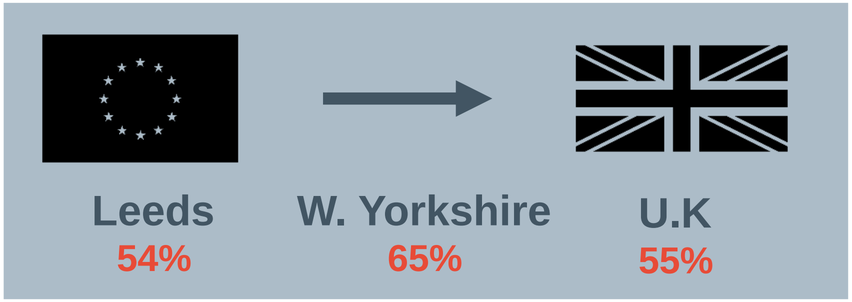
The best available data which details the breakdown in trade between goods and services is provided from the ONS at the national level. Here, it is apparent that goods make up almost three quarters of imports. There is a marginally greater degree of reliance on the rest of the world (28%) for services than from EU countries (24%). The relative lack of service imports reflects the UK's service-based economy.

Split of Trade between Goods and Services Imports - UK

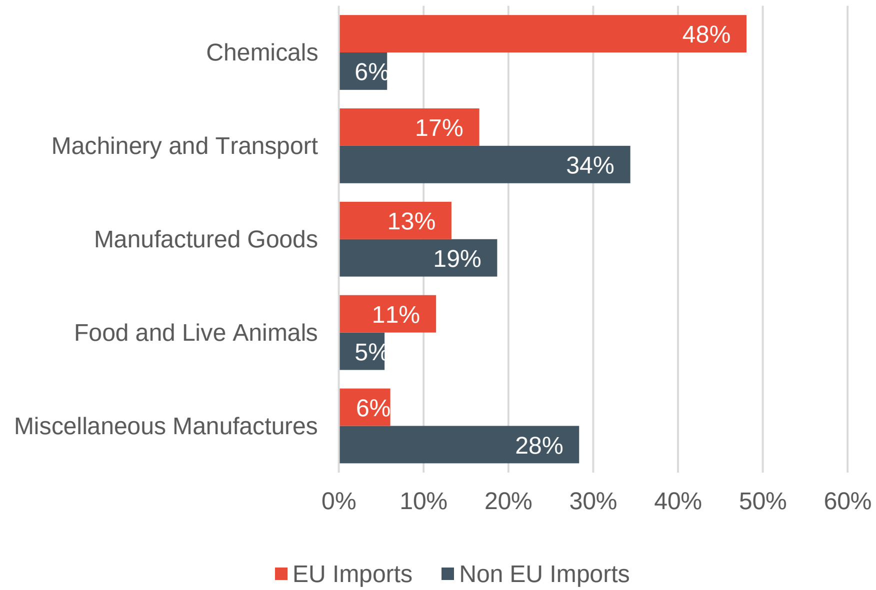


Source: ONS Trade in Goods and Services by Country, 2018

Proportion of Imports of Goods from the European Union



Key Sectors/Goods Imported – West Yorkshire



Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

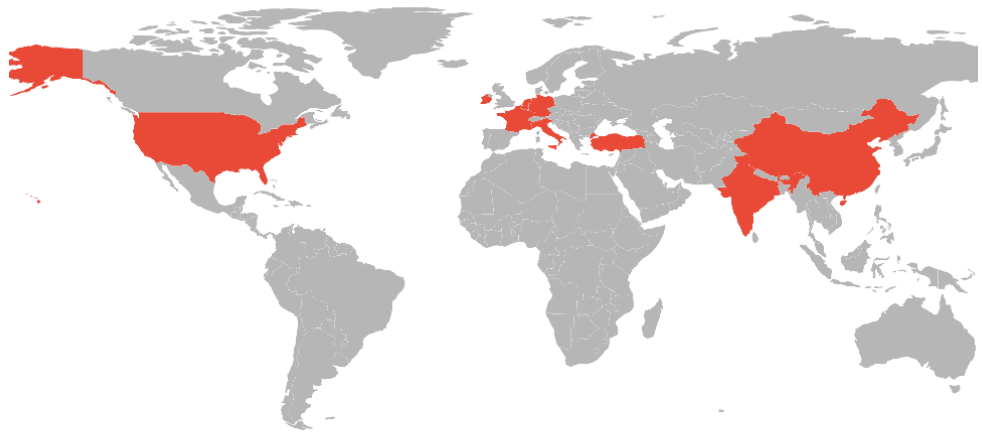
Imports: Origins

Data on goods imports is only available down to West Yorkshire level.

The area's most significant import partner is Netherlands which accounts for 30% of total imports. This may reflect Leeds' proximity to the Port of Hull but equally could be driven by the sheer scale of Port of Rotterdam to all UK regions.

EU countries make up six of the top-ten import locations for the region. That said, there are several non-EU countries which are prominent import locations for West Yorkshire: China (11%), USA (7%), India (2%) and Turkey (2%).

Top 10 Trade Nations – Goods Imports - West Yorkshire



Top 10 Trade Nations – Goods Imports Value – West Yorkshire

Partner Country	Value (£ Millions)	% of Total Imports
Netherlands	£3,785	30%
China	£1,434	11%
Germany	£1,409	11%
USA	£937	7%
France	£562	5%
Belgium	£529	4%
Italy	£404	3%
Irish Republic	£318	3%
India	£258	2%
Turkey	£226	2%

Orange = EU Member State

Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

Imports: Trade Deals

In 2017, West Yorkshire imported around £590m worth of goods with nations covered by current EU trade deals. This represents around 5% of total imports and 21% of non-EU imports. Relative to the national average West Yorkshire is less exposed to this regime of trade, where it has a lower reliance on imports from nations with EU Trade agreements than nationally.

Turkey is the largest import partner covered by EU trade arrangements, with annual imports in excess of £226m, accounting for 5% of West Yorkshire's total non-EU imports.

Imports Covered by EU Trade Agreements (2017)

	W. Yorkshire	U.K
% of Total	5%	11%
% of Non EU	21%	25%

Top 10 Imports Trade with Nations Covered by EU Trade Agreements – West Yorkshire

Trading Nation	Value (£ Millions)	% of Total Non-EU Imports
Turkey	226	5%
Norway	80	2%
South Africa	59	1%
South Korea	52	1%
Japan	47	1%
Switzerland	43	1%
Algeria	18	0%
Egypt	16	0%
Israel	16	0%
Mexico	12	0%

Source: HMRC Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas, 2017

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Sector-Specific Impact

Sector	Evidence from Literature	Impact
Health & Social Care ✚	• There are particular concerns within the health sector over the security of its supply chain, particularly in the event of a No Deal, which may create delays at the border (critical in the case of perishable items, e.g. organs, radioactive isotopes). • Leeds Teaching Hospitals Trust currently spends £300m a year on suppliers, 70% of which comes from the EU. It is expected that if there is a deal, there will be no impact on supplies, but No Deal induced delays at ports could have a significant impact on supplies coming into the UK. The Trust already has a detailed risk-management plan in place, and would work closely with the National Supply Disruption Response to ensure any gaps in supplies could be filled. • The recent fall in value of sterling may have a longer-term impact on the price of imported goods bought in by the hospital (e.g. food, medication and carbon credit payments). • Private healthcare providers, hospices and care homes may not have the same procedures in place as the NHS in preparing for Brexit. There are fears that the lack of preparedness in the private sector might increase demand for NHS services, putting the service under further strain. • The med-tech sector is also expected to face new challenges importing and exporting goods which may impact on their ability to innovate and undertake research with collaborators in the EU.	**R**
Finance, Professional & Business Services £	• The biggest risk to the finance sector is the potential loss of passporting rights for UK based firms looking to sell services into the EU. Nationally, the finance sector is the UK's biggest exporting industry, and makes a significant positive contribution to the UK balance of payments. Although there are models for operating a successful banking sector outside the EU (e.g. Switzerland) this could take time to establish. Some studies suggest that the loss of passporting rights could see financial service exports to the EU half to around £10bn in the long term. • Within **professional & business services** (PBS), both the UK and Leeds have a strong export focus. The UK has become a *come-to* international gateway for expertise within the sector. Nationally the PBS sector delivered £66 billion of exports in 2016, accounting for 27% of the UK services markets. There are concerns that if the PBS sector's ability to trade in European markets is curtailed, it will quickly begin to lose market share and staff expertise to EU-based competitors. • Within the **legal** sector, there are concerns about whether England and Wales will continue to be the jurisdiction of choice for commercial contracts as other EU countries (in particular Germany) vie to take on the UK mantle. This could put the overseas trade currently carried out by law firms in Leeds and the area's reputation under threat.	**R**

Impact Key			
	R Significant impact expected	**A** Impact expected, but not likely to be significant	**G** No major impact is expected

Sector-Specific Impact

Sector	Evidence from Literature	Impact
Creative & Digital	• Within the **creative** sector, there is expected to be an impact on those who currently trade with the EU (e.g. production companies making content for the EU market). If restrictions are put in place, this may reduce the competitiveness of UK-based firms compared to other firms in the EU. The Creative Industries Federation reports that 40% of creative business said a no-deal outcome would harm their business' ability to export. • An increasing proportion of trade within these sectors is conducted online, which is likely to have fewer trade barriers than experienced within other sectors. • Nevertheless, the **digital** sector is one of the core strengths of Leeds and there is the potential that changes to the regulatory framework (especially around data protection) may make it harder for businesses to trade with the EU. • Within the **cultural** sector, there are concern that Brexit will undermine international perceptions of the UK as a place which is open to intercultural exchange, with concerns about the reputational damage this will cause with international partners.	A
Construction	• Most Leeds-based construction businesses trade exclusively in the UK, and so there is not a significant risk of losing export activity to the EU. • Supply chains to the construction sector are however expected to be impacted. Data from the Department of Business Skills and Innovation 2010 Study for the UK, shows that the EU is the destination of 63% of exports and the origin of 64% of imports in building materials. Loss of access to the single market may impact on the building materials, increasing costs for those looking to build.	A
Manufacturing	• The manufacturing sector is heavily reliant on the EU for trade in goods and critical parts are engaged in supply chains that stretch across EU borders. The Chartered Institute of Procurement and Supply say that 11% of local manufacturers have already lost contracts since the referendum. Almost two-thirds of manufacturing companies have also had to increase prices to offset currency costs. • Just-in-time manufacturing processes would be adversely hit by increased customs checks and delays at the UK border. Just-in-time manufacturing has helped to reduce the cost of production and make firms more agile to customer demands. Extra checks and delays will make it harder for UK manufacturing firms to compete and adapt in the way that EU competitors will keep doing. • **Food manufacturing and production** is particularly exposed to just-in-time processes, particularly fresh food. Currently 30% of food in the UK is sourced from the EU. Extra tariff and non-tariff barriers would adversely impact on the cost and ease of bringing these products in. • **Chemical manufacturing** is also heavily reliant on EU trade. 60% of UK Chemical exports go to the EU and 75% of the UK's raw materials are imported from Europe (Chemical Industries Association, 2018) • Manufacturing firms could benefit from reshoring practices, in which firms look to bring their international supply chains back into the UK. Firms need to be open to these opportunities and take advantage where they exist.	R

Impact Key			
R	Significant impact expected		
A	Impact expected, but not likely to be significant		
G	No major impact is expected		

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Sector-Specific Impact

Sector	Evidence from Literature	Impact
Retail & Visitor Economy	• The biggest challenge facing the retail sector will be driven by tariff and non-tariff barrier costs imposed lower down product supply chains. The Sterling's depreciation has also pushed up the costs of imported goods for UK consumers. • In **food retail**, there are significant concerns that, in the event of a no deal, products will face delays in being imported into the UK. At present nearly 30% of the UK's food is imported from the EU, and with a no-deal Brexit there are fears that delays will impact on the sector, which relies heavily on just-in-time deliveries especially for fresh food. Many companies are already mitigating against this risk, stockpiling to ensure a smooth supply chain if needed. However in doing so, this is tying up cash reserves which might otherwise have been spent on recruiting more staff or for investing in the business. • Within the **visitor economy**, inbound tourists into the UK spent £22.5 billion in 2016, with nearly £10 billion of this coming from EU visitors. The recent depreciation of sterling relative to other currencies has helped boost foreign visitor numbers into the UK, whilst also making UK residents more likely to favour domestic breaks over international trips. In the year leading up to 2017, the number of day visitors in Leeds grew by nearly 7%, and overnight stays rose by 4%. In doing so, this benefits the local tourism sector, but impacts on those involved in international travel (e.g. airlines and travel agents).	R
Logistics & Transport	• The logistics sector underpins the UK's trade with the rest of Europe. Any additional costs and administrative burdens will either be borne by the consumer or put further pressure on the already very tight margins that many UK logistics businesses operate under (CILT, 2017). • Many logistics (and manufacturing) businesses rely on just in time (JIT) production and supply chains which could be compromised in the event of a no deal Brexit. JIT processes involve supplies being delivered in small quantities at high frequencies to maximise product and service quality, and reduce stock requirements. This relies on frictionless trade across borders (McCann and Ortega Argiles, 2018), which might be significantly impacted under a no-deal scenario. In addition to trade across national borders, there are also concerns around the impact of the Clear Air Charging Zone in Leeds, and the impact this will have on the logistics sector. The combined effect of both of these factors will have a significant impact on the sector going forward. • The logistics and transport sector could benefit from the reshoring of international supply chains back into the UK, particularly within the manufacturing sectors. Firms should be open to these opportunities within the UK market.	R

Impact Key

R	Significant impact expected
A	Impact expected, but not likely to be significant
G	No major impact is expected

Conclusions

It is expected that changes in the tariff and non-tariff rules which govern trade with the EU, will have a significant impact across a range of sectors within Leeds. The magnitude of this impact will very much depend on the scenario in which the UK leaves the EU, with a ‘softer’ Brexit less likely to impact on trade when compared to a ‘harder’ Brexit (e.g. no deal). The consequences of the UK potentially losing trading preferential trading arrangements with **with more than 70** third countries agreed via 40 separate trade deals agreed under our current EU memberships should not be under-estimated. The UK government has so far made little progress in establishing roll-over arrangements with these countries.

The uncertainty around the final trading terms with the EU is already starting to impact on deals being done with suppliers and buyers located in the EU. Although the depreciation of the sterling has made UK exports more competitive, potential buyers in the EU are concerned over the long-term impact of Brexit on the sustainability of UK supply of goods/services, and are already inserting break clauses into contracts, which can be invoked in the event of a no-deal Brexit.

Sectors of the Leeds economy which are expected to be hardest hit, especially if a no-deal Brexit occurs, are:

+ **Health & Social Care**: with strong concerns over the supplies of medication and the impact this may have on the private sector.
+ **Finance, Professional & Business Services**: the loss of passporting rights will affect the finance sector and the UK’s reputation as a global go-to centre for professional and legal services.
+ **Manufacturing**: supply chains which traverse EU borders and which rely on just-in-time deliveries such as the food sector will be disrupted. The chemicals sector is heavily reliant on EU trade, and its ability to trade may be further affected by changing regulations.
+ **Retail & Visitor Economy**: the food retail sector in particular faces significant challenges in terms of costs and reliability of supply.
+ **Logistics & Transport**: just in time production and supply chains could be severely impacted reducing the responsiveness at which goods can be transported and increasing costs.

There is the possibility that some sectors (e.g. manufacturing and logistics) may benefit from reshoring practices as businesses look to move their supply chains closer to the UK.

Many businesses will not trade directly with the EU and will not be directly affected by the changes, however the impact on their supply chains and general market conditions may have knock-on consequences for a large numbers of businesses and the jobs they sustain.

Many businesses in Leeds have already begun preparing for the worst-case scenario, with businesses analysing their supply chains to identify potential challenges should a No-Deal Brexit occur. This particularly applies to those sectors which have increasingly come to rely on just-in-time deliveries such as health supplies, food retail, food manufacturing and the logistics sector.

The preparedness of businesses in Leeds for a change in the UK’s trading relationship with the EU varies considerably according to business size and sector. Smaller businesses are typically the least prepared for the potential trading impact of Brexit as business owners lack the resources or awareness to develop appropriate plans. And, in some cases, small business owners/managers are optimistic about the future, which may reflect their personal views on Brexit rather than an assessment of the commercial implications.

Section 5

Impact of Brexit on Regulation

Introduction

Summary

- In all Brexit outcomes, the European Union (Withdrawal) Act 2018 will come into force as the UK leaves the EU. It will copy all existing legislation into UK law.
- In some cases, the UK will see relatively little change as we continue to follow EU regulation (common rulebook for goods). In others, devolving from EU law may prove more detrimental (passporting).
- The House of Commons library estimate between 1993 and 2014, 62% of law passed in the UK has been influenced by EU law. Whereas the European Law Monitor estimates there are just over 18,000 EU legal instruments which the UK has adopted, or will once the Withdrawal Act 2018 becomes active.
- Open Europe (2015) estimate deregulation could lead to a permanent 0.7% gain in GDP, coming at a cost to the environment. And, under optimistic trade outcomes, Brexit could deliver permanent change to GDP ranging from -0.8% to 0.6%.

Soft

Hard

Remain in the EU (Status Quo) *e.g. Germany*	• The European Communities Act in 1972, made the UK a member of the EU and automatically applied all EU regulations to the UK.
Single Market *e.g. Norway*	• Inside the Single Market, the UK would continue to adhere to regulations produced by the EU, but would have no formal role in amending, vetoing or agreeing EU rules and regulations.
Customs Union *e.g. Turkey* **Free Trade Deal** *e.g. South Korea*	• The European Union (Withdrawal) Act 2018 would come into force after the UK leaves the EU. Aside from repealing the European Communities Act and ending the powers of the European Court of Justice (ECJ) in the UK, all existing legislation will be copied into UK law. • During the transition period, the UK will have to abide by EU regulations but would have no role in amending or making EU rules and regulations as it would have no presence in the European Parliament, European Commission or ECJ. • Thereafter, Great Britain could choose to alter regulation away from those applied in EU countries. While in effect, the backstop would limit the ability to change regulations for the Northern Ireland.
No Deal	• The European Union (Withdrawal) Act 2018 would still come into force after the UK leaves the EU but there would be no transition period and no backstop in Northern Ireland. • The UK Government will have no obligation to implement any new or amended EU rules and regulations and the EU (Withdrawal) Act, would grant ministers the power to use statutory instruments to alter regulations which were copied over from our EU membership, without the usual degree of parliamentary scrutiny. • Under No Deal, there would be an immediate need to establish a whole series of bilateral arrangements between the EU and the rest of the world to ensure our trading partners reciprocate in recognising the standards that UK businesses operate under.

Source: Department for Exiting the European Union (2018), The future relationship between the United Kingdom and the European Union; Home Office, Immigration from 30 March 2019 if there is no deal Policy Paper; Home Office, The UK's future skills-based immigration system.

Introduction

The EU legislative system is both complex and comprehensive. It covers areas of law from fisheries to freedom and justice.

The UK is subject to the EU legislative system through **directives** and **regulations** (see box to the right). The House of Commons library believe it is impossible to accurately calculate the number of EU laws which the UK has adopted. Broadly, they state, between 1993 and 2014, 62% of law passed in the UK has been influenced by EU law (13% through directives).

Other sources like the European Law Monitor estimate there are just over 18,000 EU legal instruments which the UK has adopted, or will once the Withdrawal Act 2018 becomes active. A break down by areas is presented in the table to the right, showing the scope of regulation.

Open Europe (2015) believes the existing EU framework could benefit from deregulation. In doing so, and assuming a politically feasible deregulation agenda, they estimate the UK could achieve a permanent gain of 0.7% in GDP. This would primarily be driven from deregulating social employment and financial services laws, and eliminating environment and climate change targets.

It is worth noting, the same study finds overall, if the UK leaves the EU, GDP would be permanently settle somewhere between 0.8% less or 0.6% more than under a Remain scenario by 2030. This is all dependent on a comprehensive trade deal with the EU and the rest of the world, as well as wide-ranging deregulation.

Definitions

- A *directive* is a legislative act which individual EU countries must impose. In the UK this is done through an Act of Parliament or statutory instrument.
- A *regulation* which, once passed, automatically applies to all EU states and does not need to be separately implemented into UK law.

Total number of EU acts relating to that area of law

Area of EU Law	# EU Relevant Acts
Relations with the rest of the world	3,994
Agriculture	2,729
Environment, consumers and health protection	1,965
Fisheries	1,410
Industrial policy and internal market	1,364
Free movement of goods/customs union	1,093
Area of freedom, security and justice	705
Transport	651
Free movement of workers/employment law/social policy	646
Foreign and security policy	622
Competition	575
Economic and monetary policy/free movement of capital	527
Science, information, education and culture	424
Energy	361
Freedom to set up business in another EU country/provide services	357
Regional policy	322
Taxation	173
Law relating to undertakings (businesses)	113

Source: European Law Monitor - https://www.europeanlawmonitor.org/eu-referendum-topics/the-legislative-impact-of-brexit-on-the-uk-economy.html

Current Leeds Performance

Although EU legislation is broad in its scope, not all regulations are applicable to the UK and some have a greater impact than others. The European Union (Withdrawal) Act 2018 will ensure that all past and presently enacted legal EU instruments will remain in place after the UK leaves the EU. It is the decisions of government, using powers from the Act, which will determine regulations on businesses in Leeds thereafter. The five economic and social regulatory areas most relevant to Leeds are summarised here.

Passporting	Passporting rights enable UK firms to trade with other EEA countries without needing to gain authorisation from each member state. The Leeds economy is home to many multinational companies, particularly those in the finance and professional services sector. Although negotiations will determine the future of passporting, many financial and professional firms have already established plans to move some of their operations to Europe.
Goods & Services Standards	The common rulebook ensures goods that bought and sold in the EU meet regulatory requirements. It provides suppliers with a uniform set of regulations which then allow businesses to sell their goods to consumers in any EU member state. Consumers also benefit from a common standard and the additional competition this larger market brings. To ensure frictionless trade, the UK Government has said it will maintain the common rulebook for goods but seek to strike a special arrangement for services and digital which allow greater regulatory freedom. It is unclear how any deviation from established regulations would impact on trade negotiations.
Employment Rights	Much of the existing UK regulation on workers rights (e.g. health & safety, leave) and protection (e.g. equality & inclusiveness) derive from EU law. The current withdrawal deal commits to workers' rights not falling below EU standards during the transition period, but it is currently vague on what might happen beyond the transition period. Changes to employment rights could have an impact on Leeds' ambitions in its Inclusive Growth Strategy.
Consumer Rights	Many consumer rights are based on EU directives and the Consumer Rights Act 2015 ensures rights in the UK extend to the EU. Under the current deal, consumer rights would be unchanged until a future relationship has been agreed. A no-deal would affect: • **Flights** – until a bilateral agreement is agreed, the UK would no longer benefit from access to the Common Aviation Area including aviation safety standards and access to flight routes to and from the EU and third countries. • **Car travel** – drivers to the EU would need an International Driving Permits and a Green Card for Insurance recognition. • **Card surcharge** – purchases from the EU would no longer be exempt from retailers charging a fee to use credit or debit cards. • **Shopping** – it would become more difficult to exercise rights to return goods bought in another EU country. • **GDPR** – the Information Commissioner's Office (ICO) would no longer be able to effectively co-ordinate complaints from EU member citizens and shape future digital policy in the EU. • **Alternative-dispute resolution** – unchanged for businesses, but UK citizens would not be able to access the Online Dispute Resolution platform run by the EC and UK based ADR organisations. These will no longer be obliged to act on cross border disputes.
Intellectual Property	With or without a deal, the UK would continue to protect and preserve existing rights and laws on trademark, copyrights and patents after the UK leaves the EU. However, EU rules on recognition and enforcement of judgments across member states would cease to apply in the UK. The political declaration did not cover IP but the UK Government has signaled its intent to participate in a Unified Patent Court with the EU going forward.

Sector-Specific Impact

Sector	Evidence from Literature	Impact
Health & Social Care	• In general, there is little direct regulation from the EU which impacts on the broader sector. • It is assumed that mutual recognition of professional qualifications that fall under the automatic recognition system, such as dental practitioners and pharmacists (allowing them to practice across EU Member States without meeting additional conditions) will continue to be adhered after Brexit. • The life sciences sector is subject to a *large number of EU Directives and Regulations*, with the UK having played an important role in their development. Medicines in the EU and UK are regulated under Medicines Regulations by the European Medicines Agency (EMA). There are also regulations relative to the approval of clinical trials and inspections. There is not a significant level of pharmaceutical development in Leeds (compared to the overall size of the Health & Social Care sector), but there are a number of potential challenges for pharmaceutical firms wanting to continue trading in the EU.	**G**
Finance, Professional & Business Services £	• The removal of passporting rights may lead to firms relocating some of their activities to the EU so they can continue to trade there, or completely restructuring their operations. • Within the **insurance sector**, there are concerns around Solvency II, which is the EU directive responsible for harmonising insurance regulation across the EU. Outside the EU, the UK would struggle to influence the direction of regulation that applies to UK businesses trading in the EU. • The **legal sector** faces a number of regulatory challenges, particularly around the continued access and recognition of professional qualifications in the EU (under the Lawyers' Services Directive). Mutual recognition of judgements (both in the European and UK courts) and cross-border criminal investigations are expected to be become more difficult to deliver too.	**R**
Creative & Digital	In general, there is little regulation relating to the creative sector. Within the digital sector, there are a number of regulations which may impact on the sector, including: • **Data roaming** mobile roaming surcharges could be introduced by some operators after Britain leaves the EU and it will not be possible for the government to ensure UK mobile operators are protected by the EU cap on wholesale roaming charges. This might mean EU operators could charge higher fees to UK operators, which might then be passed onto consumers. • **Data-sharing & protection** – the success of the UK's digital economy is in part underpinned by ongoing data transfer across the globe, and particularly within the EU. Brexit poses a potential risk to the UK's ability to transfer data across borders and will restrict the UK's ability to influence EU data protection law (e.g. GDPR). Data received from the EU must comply with GDPR and it is illegal for an EU firm to export data to a so-called "third country" without specific legal safeguards in place. Since post-Brexit UK will be a third country, those companies transferring data with will continue to be subject to these safeguards. Leeds hosts more than ten data centres (one of the highest number outside London), meaning enhanced safeguarding will be needed within these.	**A**

Impact Key

R	Significant impact expected	
A	Impact expected, but not likely to be significant	
G	No major impact is expected	

Sector-Specific Impact

Sector	Evidence from Literature	Impact
Construction	• There are a number of building regulations relating to working conditions, environment and health & safety which are currently determined by the EU. A shift away from these regulations may lead to a change in the way buildings are designed, however this is not expected to have a significant impact on the sector.	G
Manufacturing	Within the manufacturing sector, the food and chemical sub-sectors are expected to be most impacted by changes in regulations. • The EU is responsible for a significant amount of legislation covering **food manufacturing** and production standards including geographical indicators and animal welfare standards. Although food manufactures already have to comply with different regulatory regimes, this may impact on their ability to import/export freely. • **Chemical** supply rules in the EU are set by Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Classification, Labelling and Packaging (CLP) regulations. Chemical manufacturers must comply with REACH legislation to trade with the EU. Additionally, the Industrial Emissions Directive means that chemical manufacturing sites across the EU need to reduce or prevent emissions to protect human health and the environment. Due to the high levels of regulation, industry bodies have argued for regulatory consistency and continuity post-Brexit (CIA, 2018).	R
Retail & Visitor Economy	• The **retail** sector must abide by consumer law (including consumer rights, misleading advertising and unfair B2C practices) and data protection (particularly around customer's data). The online retail sector is also subject to the EU's rules on minimum standards for e-commerce. Brexit is not expected to have a significant impact on these regulations in the short-term. • The **visitor economy** sector is also subject to some EU rules and regulations, including the Package Travel Directive and the Tour Operators Margin Scheme. Depending on the type of deal agreed, there may be some impacts on the aviation and coach industries if they are no longer able to serve the EU market, although these are not expected to impact significantly.	G
Logistics & Transport	• There are several EU regulations which govern the Logistics and Transport sector. This includes directives covering, dimensions for vehicles used for international transport between Member States, acceptance of driving licenses and common rules on the access to the road haulage market. Changes to transport related legislation could increase administrative burden for the sector potentially culminating in increased costs.	A

Impact Key

R	Significant impact expected
A	Impact expected, but not likely to be significant
G	No major impact is expected

Conclusions

Changes in the regulatory environment created by Brexit would impact on the ability of Leeds-based businesses to trade with European countries and create uncertainty over the future of regulations which underpin how UK businesses operate. Although the European Union (Withdrawal) Act 2018 will see EU law passed into UK law, a driving force in Brexit has been the desire in some political quarters to diverge away from the standards set by the EU. Businesses need to be ready to adapt to further regulatory changes and sectors of the Leeds economy which are expected to be particularly impacted are:

+ **Finance, Professional & Business Services**: the right of UK firms to 'passport' in EU countries may be lost, the insurance sector has concerns harmonising insurance regulation within Solvency II, and the legal sector has concerns over mutual recognition of qualifications and co-operation across the EU.
+ **Manufacturing**: food manufacturing is subject to welfare, production and packaging standards in order to trade in the EU and similar regulations apply in chemicals production sector. Changes to these regulations could impact on the ability of the sector to trade with EU countries.

Many business are already adapting to the potential impact of regulatory changes which may occur, such as setting up European subsidiaries to allow them to continue trading in the EU. However there is a limit to how prepared businesses can be in light of the current uncertainty over the final deal. Typically larger businesses in Leeds are much more prepared for regulatory changes than smaller businesses, given they have more resources to prepare (and in many cases, more to lose).

Section 6

Impact of Brexit on Investment

Introduction

Summary

There are several areas in which the uncertainty stemming from Brexit is beginning to affect the scale of investment in Leeds. These include:

- The residential property market where house price growth has reduced since the EU Referendum.
- Business confidence around profitability and turnover expectations have declined in recent months.
- Capital and training investment (in the service sector) locally has also seen a downturn.

Several aspects of the local economy are more exposed to the effects of Brexit relative to the rest of the UK:

- Yorkshire and the Humber is more reliant on FDI from EU sources relative to the rest of the UK.
- Leeds has received a large amount of EU funding/investment and is one of the leading LEP areas in securing EU investment.

Soft

Hard

	European Funding	Access to EU Market
Remain in the EU (Status Quo) *e.g. Germany*	European funding (e.g. ERDF, EIF, ESIF, EIB and Jessica) would continue as usual (albeit financial allocations were expected to drop for the UK).	Firms from outside the EU looking to invest / have a presence within the EU, would have access to the single market from the UK, making the country an attractive option for investment.
Single Market *e.g. Norway*	The majority of EU funding and investment is only available to its member states. Some funding streams are open to non-member states, such as Horizon 2020, however, participation in these schemes is considered on a case by case basis and requires countries to agree to certain conditions (e.g. Switzerland's participation in the Horizon 2020 programme was predicated on them accepting the free movement of people). If a deal is made between the UK and EU, the current EU funding/investments planned will be honoured throughout the transition period and until the next generation of EU Programmes begin in 2021. The UK will then decide on which programmes it wishes to subscribe to on a case by case basis with terms of participation agreed with the EU. The government has provided assurances around replacing EU investment funds through a Shared Prosperity Fund, but the scale of this fund and how it will be allocated is currently unclear. In the event of a no deal outcome, HM Treasury has committed to ensuring that all current EU investment projects would continue to be funded, however there is no clarification over the long-term position.	
Customs Union *e.g. Turkey*		Businesses investing into the EU market are less likely to choose the UK as a destination to invest. Some investors may be attracted to the UK market by its evolving regulatory regime, however it is unclear what changes to UK standards might be both politically acceptable and attractive to outside investors.
Free Trade Deal *e.g. South Korea*		
No Deal		

Source: Department for Exiting the European Union (2018), The future relationship between the United Kingdom and the European Union; Home Office, Immigration from 30 March 2019 if there is no deal Policy Paper; Home Office, The UK's future skills-based immigration system.

Current Leeds Performance – EU Investment

Leeds City Region has **secured £106m of European Structural and Investment funds** between 2014 and 2018 and invested it across 55 projects. This represents the 8th highest level of investment of all England's 38 LEPs.

The Joseph Rowntree Foundation has calculated that between 2014 and 2020**, Leeds City Region received £15 per head in ERDF and EU Social Funding,** the 13th highest on a per capita basis of all the LEP areas.

The level of ERDF/ESF Investment peaked in 2016 at £39m and has declined year on year since to £13m in 2018.

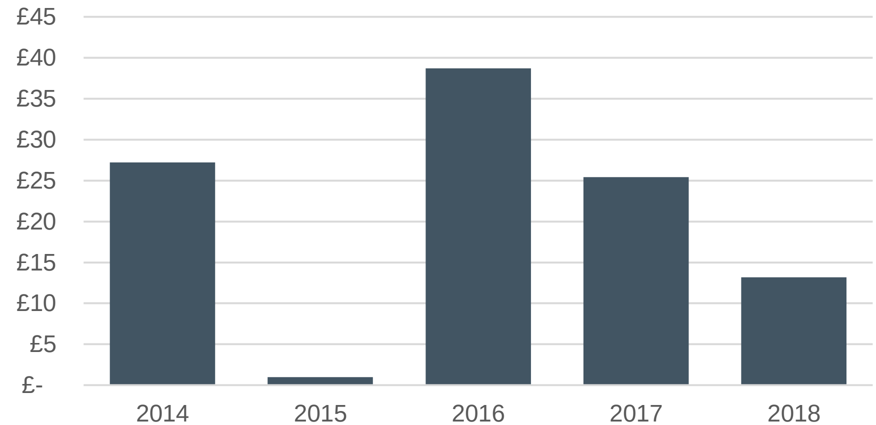
The largest types of projects supported are summarised in the table to the right. These account for over half of the total ERDF/ESF investment in Leeds City Region and include investment in **jobs support, education, training** and **business support.**

Horizon 2020 is an EU Research and Innovation programme which provides funding to university institutions to support research and innovation with a focus on excellent science, industrial leadership and tackling societal challenges. This investment is of great importance to Leeds and the wider Yorkshire and the Humber region. Since the launch of the fund in 2014, the region has drawn down €284 million of Horizon 2020 investment, across 858 projects.

The **University of Leeds** is a key recipient of Horizon 2020 funds, receiving €73 million of Horizon 2020 investment across 160 projects.

This makes the university the 11th highest recipient of Horizon 2020 investment across the UK and the 42nd highest recipient across the EU all together.

Leeds City Region ERDF/ESF Investment £m 2014-2018



Source: MHCLG (2019)

Type and focus of ERDF/ESF support 2014-2018 (Top 5)

Type	ERDF/ ESF Projects	Investment Leveraged
Access to employment for job-seekers and inactive people through local employment initiatives	5	£18.6m
Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings	5	£16.0m
Sustainable integration into the labour market of young people, in particular those not in employment, education or training	1	£10.9m
Advanced support services for SMEs and groups of SMEs	2	£8.4m
SME business development and entrepreneurship support	2	£8.2m

Source: MHCLG (2019)

Current Leeds Performance – Confidence

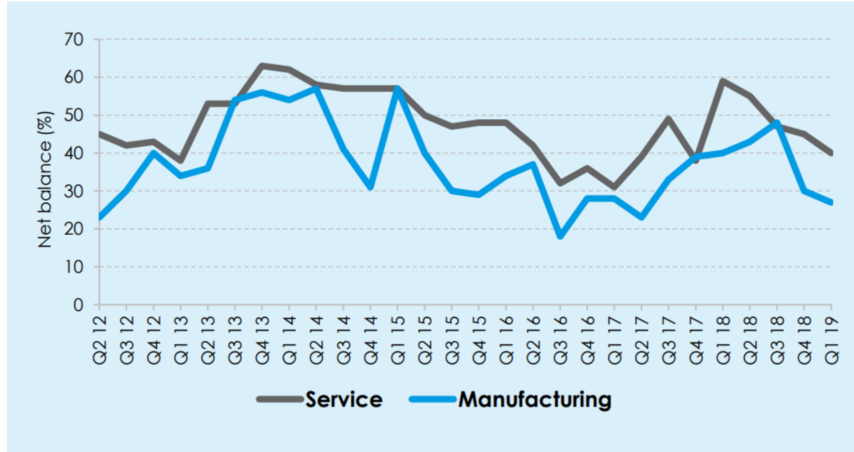
Note: Net balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

The West and North Yorkshire Chamber of Commerce surveyed 509 businesses many in the Leeds City Region. It found that although businesses **expectations of increasing turnover had grown following the referendum, they have since fallen back to 2016 levels**. This is attributed in part to the lack of certainty over Brexit.

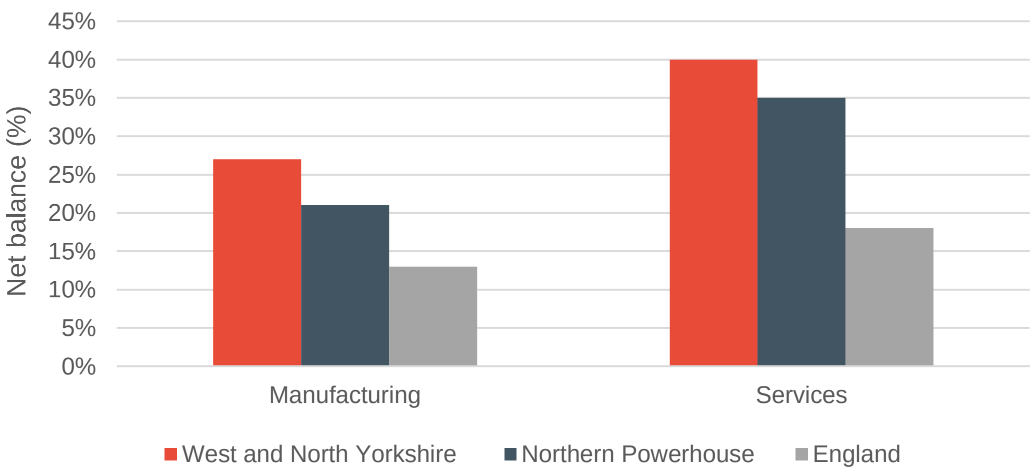
This trend has also affected profit expectations which have also fallen back to 2016 levels in both services and manufacturing sectors.

Although profitability expectations have fallen recently, West and North Yorkshire appear to be more optimistic than the rest of the Northern Powerhouse or nationally.

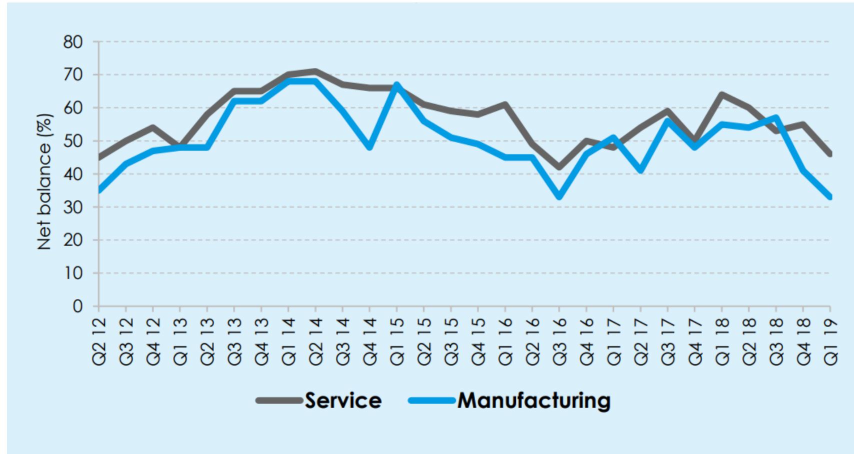
Profitability Expectations 2012-2019



Profitability Expectations Q1 2019



Turnover Expectations 2012-2019



Source: West & North Yorkshire Chamber of Commerce 2019

Current Leeds Performance – Investment

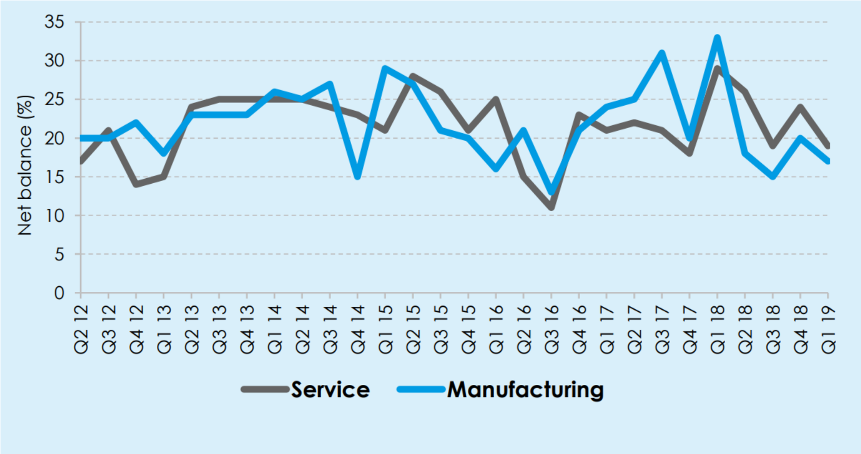
Note: Net balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

West and North Yorkshire Chamber research shows that capital investment has fallen as uncertainty looms and businesses await the outcome of the Brexit process. The net balance position is still above the trough that was hit at the time of the referendum and has been volatile quarter on quarter since, but the latest figures do show a downward trend.

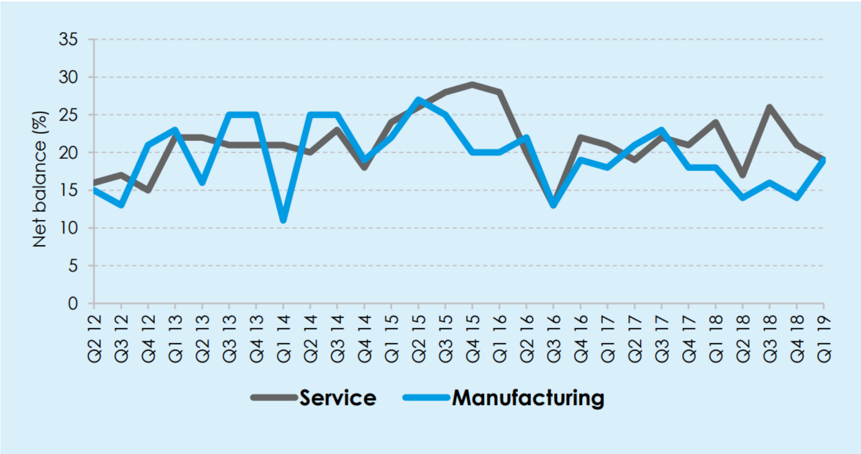
Investment in staff training has also dropped in recent quarters, although this may reflect complications around the apprenticeship levy and the lead in time for appropriate apprentice standards to come in for some sectors.

Following a year of downward trajectory, investment in training by manufacturers has ticked upwards in the most recent quarter but is still only at similar levels to the service sector, despite the need for manufacturing to embrace new solutions and replace its ageing workforce.

Capital Investment by Sector 2012-2019



Training Investment by Sector 2012-2019



Source: West & North Yorkshire Chamber of Commerce 2019

Current Leeds Performance - FDI

The Department for International Trade (DIT) provides a regional understanding of Foreign Direct Investment (FDI) and its source. Since 2013, 491 FDI projects have landed in Yorkshire and the Humber, supporting around 27,500 jobs. Of this, almost 40% has been from within the EU area. The Yorkshire and the Humber region secured a greater proportion of its FDI from the EU than the rest of the UK. Moreover, the Yorkshire and Humber region has received the **fifth largest amount of EU originated FDI projects** of the UK's 12 regions.

Any changes to the economic relationship between the UK and EU as a result of Brexit may disproportionately affect the flow of investment into the area, especially if the UK leaves the Single Market.

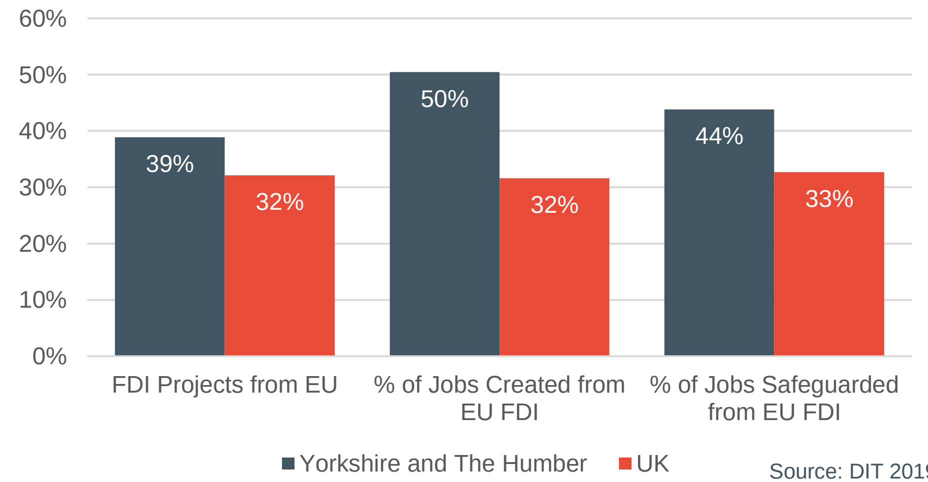
Evidence from EY's Attractiveness Survey suggests that Leeds continues to attract investment from overseas. FDI projects in the UK's 11 Core Cities outside of London fell by 10% overall in 2018, whereas Leeds performed strongly, with 21 new projects in 2018 (a rise of 11%). This makes Leeds the third best performing UK city outside of London, up from fifth in the previous year.

Foreign Direct Investment – Yorkshire and the Humber (2013-18)

Origin of FDI	Projects	New Jobs	Safeguarded Jobs	Total Jobs
EU only	191	8,294	4,876	13,170
Outside EU	300	8,137	6,241	14,378
Total FDI	**491**	**16,431**	**11,117**	**27,548**

Source: DIT 2019

EU - Foreign Direct Investment – In Context (2013-18)



Source: DIT 2019

Current Leeds Performance – Real Estate

Land Registry data suggests that Brexit has had some implications on **residential property values**. House price growth since the EU referendum has dipped.

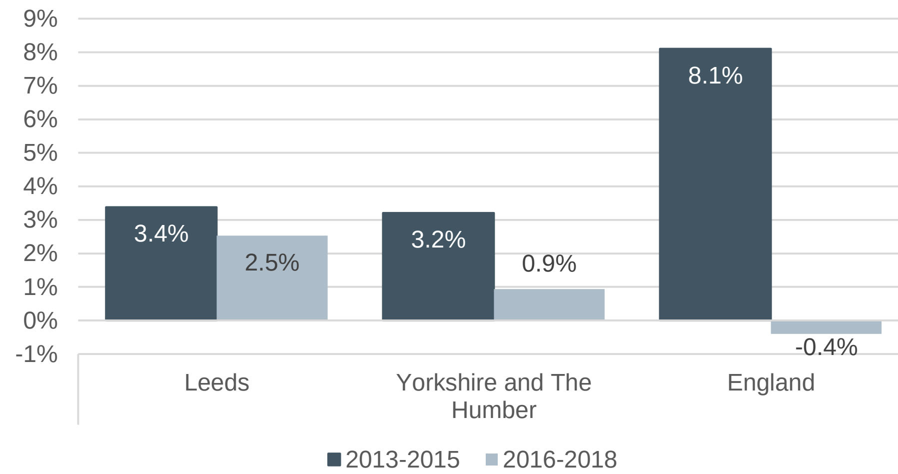
Although the Leeds residential property market appears to be more resilient to the current uncertainty compared to the wider region and national picture and there is likely to be a range of factors may be at play, such as wider economic growth.

There is no conclusive evidence to suggest that the commercial property market has been affected by the uncertainity surrounding Brexit and the array of outcomes that may transpire. The Deloitte Leeds Crane Survey again suggests that Leeds has been more resilient in terms of real estate investment compared to other places in the UK, although it is difficult to establish what the counterfactual position is. The Survey found that in 2018:

+ There were 560,000 sqft of office completions, over double the annual average. This is the second highest level of delivery since the Leeds Crane Survey began.
+ There were seven new starts of office accommodation, well above the long-term average (since 2007) of four.
+ 2,768 student accommodation bed-spaces are currently under construction, almost four times the long-term average (since 2007) of 704.

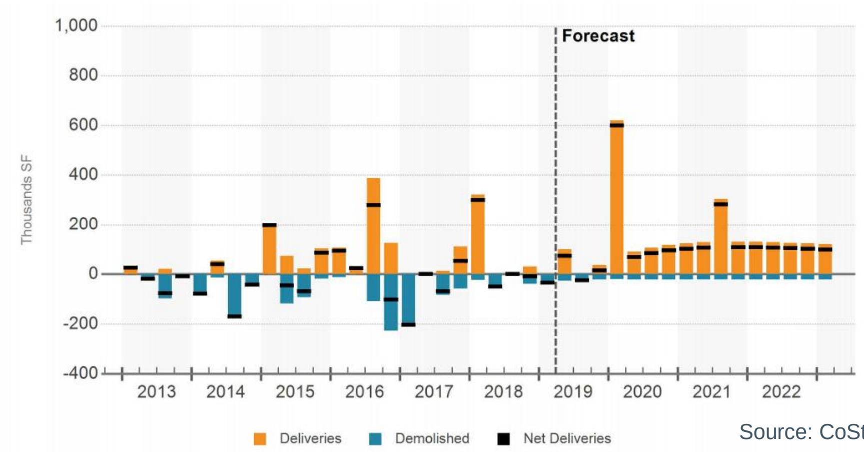
At the national level, analysis by CoStar has found that aside from three £1bn+ investment deals in London, there has been a 56% drop in foreign investment in real estate from Q1 2018 to Q1 2019. Capital inflows from China and Hong Kong have slowed the most dramatically, partly also driven by tighter Chinese regulation in addition to the uncertainty over Brexit.

Compound Annual House Price Growth - Pre and Post EU Referendum



Source: Land Registry (2013-2018)

Leeds Commercial Property Deliveries and Demolitions (2013-2022)



Source: CoStar 2019

Sector-Specific Impact

Sector	Evidence from Literature	Impact
Health & Social Care	• There is no reported change in investment levels within the health & social care sector. The Leeds Teaching Hospital Trust continues to invest in new facilities and infrastructure as previously planned. • Within the private sector, it is unknown if there has been a drop in investment as a result of Brexit, but any reduction is likely to be small-scale relative to public sector investment.	G
Finance, Professional & Business Services	• A national drop in real estate investment, may reduce demand for services such as legal, real estate and financial support in Leeds. • A sustained reduction in foreign direct investment into other sector (e.g. manufacturing), would also reduce demand for those providing advice to these sectors (e.g. legal and financial support). • The uncertainty created by Brexit has increased demand for business advisory services, so that businesses can better understand the impact of Brexit on their business and how to respond to these challenges.	A
Creative & Digital	• The reduction in European funding may impact some creative/cultural projects which currently receive support through European schemes. There is uncertainty around the funding currently received from Creative Europe UK which currently supports three cultural and two media organisations in Leeds, including the International Film Festival, Yorkshire Dance Centre Trust and East Street Arts. • A reduction in real estate investment may impact on those sectors involved in supporting developments, including architecture.	A
Construction	• Brexit could lead to a fall or delays in investment into commercial and residential development, however the most recent Leeds Crane Survey reports that Leeds has experienced the highest levels of new starts since 2007, suggesting that the market hasn't slowed down at present and investment is still taking place.	A

Impact Key

R	Significant impact expected	A	Impact expected, but not likely to be significant	G	No major impact is expected

Sector-Specific Impact

Sector	Evidence from Literature	Impact
Manufacturing	• UK manufacturing relies on long term investment and planning to ensure its progressively stays competitive and the underpinning confidence needed to unlock investment has taken a knock from the uncertainty around Brexit. • Anecdotal evidence suggests manufacturing firms are increasing labour in order to compensate for delayed capital investment in the short-term. Although this has created jobs in the short-term, it will not address the long-term productivity challenge facing the sector. • MAKE UK, a manufacturing body, has concerns about the impact of no-deal preparations on manufacturing businesses (particularly SMEs), who have had to invest heavily in building up and maintaining stockpiles of parts and materials. Given the delay to Brexit, many of these firms are now having to pay for warehousing and storage for many months to come, hindering the potential for them to invest elsewhere in boosting their productivity. • Losing access to the EU single market and investment that might otherwise have been bound for the UK, is expected to have a long-term impact on the sector locally. • Reshoring practices might increase investment by firms into the UK (instead of producing goods overseas).	**R**
Retail & Visitor Economy	• Within the **retail** sector, the uncertainty generated by Brexit (in addition to the wider challenges affecting the sector from online retailing and rising business rates) is likely to reduce investment into new and upgraded retail stores. Nationally, investment into retail property, including retail parks and shopping centres, fell by 23% in 2018 (Cushman & Wakefield, 2019). • The uncertainty generated by Brexit has also impacted on investment into the **visitor economy**, particularly new hotels. Business investment in hotels and restaurants dropped by 12% in the UK last year (Catax, 2018).	**A**
Logistics & Transport	• The EU has provided various funding pots to support the logistics and transportation sector. Investment into the sector has previously come from the Connecting Europe Facility and the Trans European Network which advances schemes which support the mobility of goods and passengers. To date, the CEF has invested €341 million in UK transport schemes which benefits the UK transport and logistics sector. • Beyond this, there is not expected to be any significant impact on the sector as a result of a reduction in investment. Uncertainty from Brexit may have impacted on investment / expansion plans (including investment into environmental sustainability) within the sector, however there is no specific evidence of this.	**G**

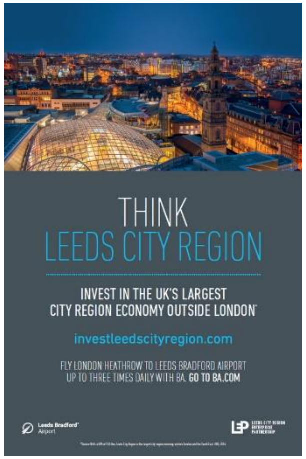
Impact Key **R** Significant impact expected **A** Impact expected, but not likely to be significant **G** No major impact is expected

Conclusions

Investment has been severely impacted by the uncertainty around the final Brexit deal. Survey and anecdotal evidence suggests that businesses are holding off their long-term investment ambitions, and are switching from investing in capital, to investing into labour (on a temporary basis). In addition, businesses across many sectors are resorting to stockpiling to ensure they are able to respond to potential disruption in their supply chains in the event of a no-deal Brexit. These stockpiles are essentially tying up businesses' cash flows instead of underpinning long term investment.

The long-term investment impact of Brexit will largely depend on the final terms on which the UK leaves the EU. Ongoing membership of the single market and customs union would maintain the UK's current attractiveness to international investors. Any move to leave these institutions would need to offset the potential losses by securing new investment deals that would not otherwise be possible. This in a large part depends on the regularly environment that the UK is able to put in place. The current evidence suggests that the realistic range of politically acceptable regulatory regimes is unlikely to create a significantly distinct additional advantage to the UK over and above the assets it already enjoys.

The Leeds economy is proportionately more reliant on EU foreign direct investment than the UK and so should be that extra bit concerned about any moves that may adversely disrupt the current pattern of investment.



Section 7

Impact of Brexit on Migration

Introduction

Summary

- The UK Government's intention is to end freedom of movement of people with the EU and adopt a skills-based immigration system. Many of Leeds' Growth Sectors currently benefit from free movement.
- Since the referendum, there has been a noticeable drop in the number immigrants moving to the UK and an even faster drop from those coming from the EU.
- The proportion of Leeds residents from the EU (6%) has grown over time marginally specifically those of working age (7%).
- Overall the sectors of Leeds are not as reliant on labour from abroad as other regions although it still comprises 12% of Leeds workforce.
- 94% of the non-UK nationals recruited to hard to fill vacancies have been EU nationals, 4pp greater than the average in England.
- 38% of businesses that employ EU citizens are concerned that Brexit will affect their ability to recruit EU workers, compared to 16% across all businesses.
- Between 2014 and 2024, Leeds is projected to need 639,000 more employees; mostly (91%) to replace those leaving the workforce.
- Local population growth and domestic migration alone will not be sufficient to meet the projected employment needs of 2024.
- A new migration policy may make it easier for some UK residents to find work but overall the economic downside of Brexit means people already struggling to engage with the world of work are not likely to benefit.

Soft ↕ Hard

Remain in the EU (Status Quo) *e.g. Germany* **Single Market** *e.g. Norway*	• Freedom of movement, one of the four economic freedoms, enables any EU citizen to move to any member state. • Accession agreements allow existing EU countries to restrict immigration from new member states for a maximum of up to seven years. Existing restrictions imposed by the UK Government have all expired. • If the UK wanted to stay in the Single Market, but have restrictions on migration, then it could agree an 'emergency brake' as part of a deal. This could allow the UK to restrict migration from the EU in the future, should levels become exceptionally high. Switzerland currently has a similar deal with the EU at present.

Customs Union *e.g. Turkey*
Free Trade Deal *e.g. South Korea*
No Deal
	• The freedom of movement with other EU countries would come to an end. In its place, an alternative migration policy would be developed which is expected to be a skills-based immigration system.
	• During the implementation of a new immigration system, the EU Settlement Scheme will be active. This will give those living in the UK settled or pre-settled status, allowing them to continue living in the UK until after 30th June 2021.
	• The system which is expected to be implemented is likely to be a skills-based system which will:
	  • enable visa-free tourism and temporary business activity for EU citizens
	  • give access to all highly skilled and skilled workers (RQF 3-5), salary of £30,000+ and will require sponsorship from a business
	  • a transitional measure for short term workers (12 month contract) of all skills
	  • Impose no limit on student numbers and improve current offer by extending stay lengths post-graduation.

Source: Department for Exiting the European Union (2018), The future relationship between the United Kingdom and the European Union; Home Office, Immigration from 30 March 2019 if there is no deal Policy Paper; Home Office, The UK's future skills-based immigration system.

Current Leeds Performance

In the absence of Leeds specific data, national and regional trends have been used as proxies to best gauge the trends of migration in Leeds.

Nationally, in 2018, net migration to/from the UK was +283,000. This net migration peaked in 2015, with 363,000 additional people coming to the UK, of which 47% were from the EU. This has since fallen in consecutive years, coinciding with the result of the EU referendum, with net migration falling by -12% and those from the EU by -65% between 2016 and 2018.

There are 780,000 people living in Leeds. EU and non-EU citizens each make up 6% of the population. Between 2012 and 2016, the number residents from the EU in Leeds has more than doubled to 50,000 and as a share of the total has increased from 3% to 6%.

Leeds currently has a high dependency ratio, with a high proportion of children and elderly residents relative to its working age population. Immigrants have been important in helping to rebalance Leeds' dependency ratio and in providing a workforce. Only 64% of the native population is of working age, whereas 76% of residents from other EU countries are aged between 16-64.

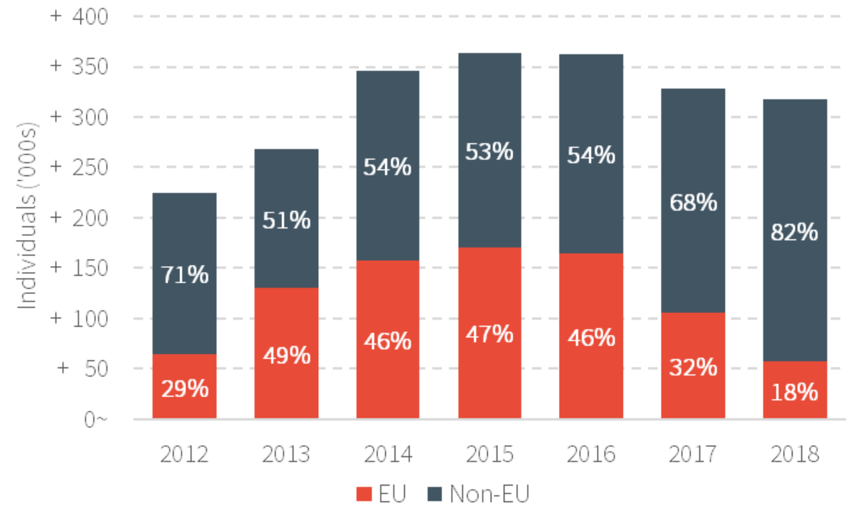
As well as helping support Leeds' dependent and ageing population, EU nationals give businesses a wider and more skilled labour pool to recruit from. Between 2012-17, the working age population of Leeds grew by 10,100. Domestic migration alone added +3,100 to the WAP whereas international migration contributed three times this, +9,700 (note this figure includes migrants from non-EEA countries).

A review of academic literature (MAC, 2018) found that higher-skilled migrants have a greater impact on both productivity and innovation. Despite concerns among voters, studies have also shown that migrants have marginal or no impact on overall employment and wage outcomes of the UK-born workforce.

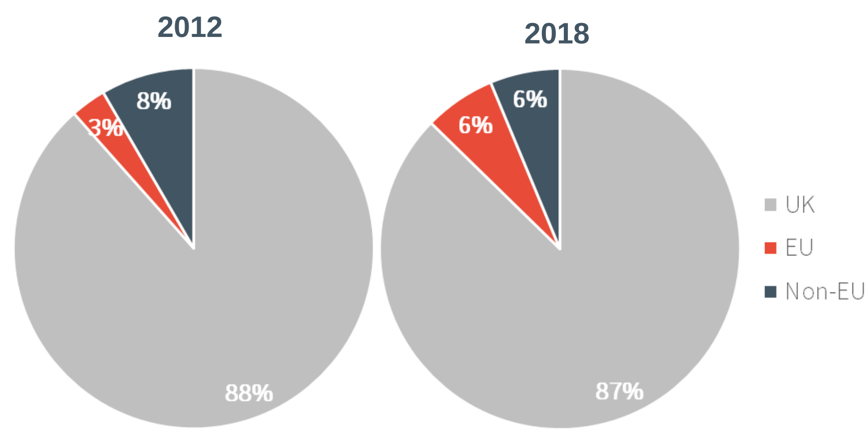
Contributors to Working Age Population Changes in Leeds, 2012-17

WAP change (2012-17)	Net domestic migration contribution	Net international migration contribution	Natural and other change contribution
+10,100	+3,100	+9,700	-2,700

Non- British Long term International Net Migration in the UK, 2012-18



Population of Leeds by Nationality, 2012 and 2018



Source: ONS, Provisional Long-Term International Migration estimates 2019; ONS, Mid-Year Population Estimates 201 BBC, EU migration: How has it changed the UK? 2018;

Current Leeds Performance

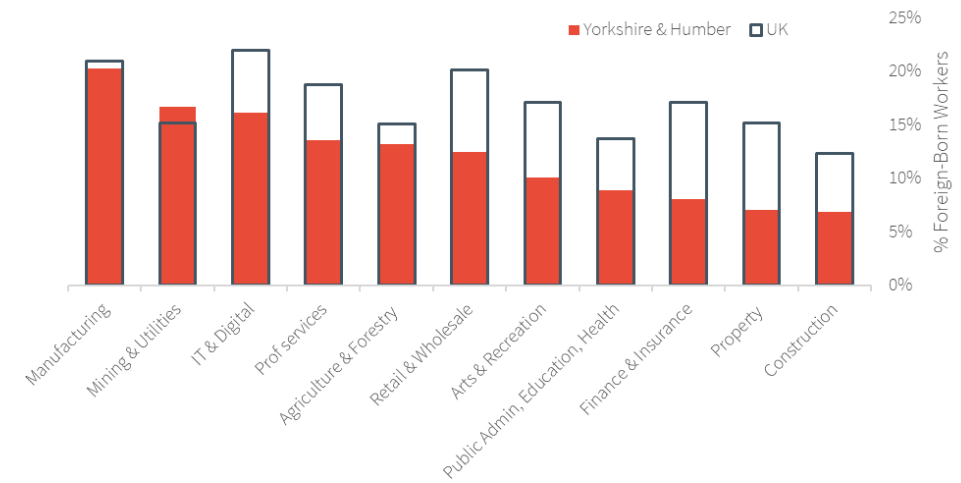
Although the region's businesses are less reliant on migrant labour than the rest of the UK, there is still a heavy dependence on it. Although data isn't available specifically on EU migrants, in 2014, 12% of the region's workforce were born outside of the UK. This follows analysis undertaken in the City Region's 2017 business survey, in which 16% of Leeds businesses employed EU migrants.

Of those most dependent on a foreign-born workforce, manufacturing, mining & utilities, and IT & digital are the most dependent on foreign-born workers. In absolute terms, it is the professional services and retail & wholesale sector which have the highest dependence on foreign-born workers, with an estimated 13,000+ workers in each of these sectors in Leeds being foreign born.

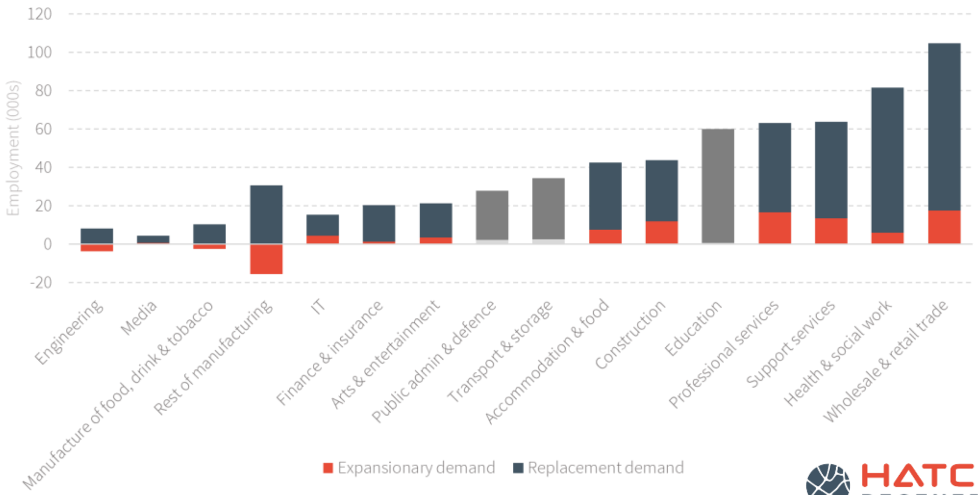
Leeds has become increasingly dependent on foreign-born workers to plug gaps within its domestic workforce. Projections for Leeds' future workforce suggest that this is going to continue into the future. Working Futures data suggests there is a need for an additional 639,000 more employees between 2014 and 2024, of which 91% are needed to replace those leaving the workforce and 9% are needed to respond to sector growth.

Sectors which are expected to require the highest number of workers in the future include, wholesale & retail, health & social work, professional services and business support services, and education.

Proportion of Yorkshire and the Humber's workforce born outside of the UK, by industry (2014)



Projected changes in Leeds workforce, by industry 2014-24



Data Source: Costas-Fernández, J., Examining the Link Between Migration and Productivity, September 2018
Data Source: Department for Education, Employer Skills Survey, 2018
Data Source: Working Futures, 2015

Current Leeds Performance

Local population growth and domestic migration will not be sufficient to meet the needs of Leeds' growing economy. A tighter immigration framework will make it more difficult for a number of sectors to sustain themselves let alone grow. Indeed, many businesses are already struggling to recruit and believe fewer EU migrant workers will lead to higher labour costs (Ecorys, 2017). Key points from the research on migration found:

- 5% of Leeds employers have a vacancy that is hard to fill, a problem most prominent in the health and social work (15% of employers in the sector) and financial services (13%) sectors
- Across Leeds, 94% of non-UK nationals recruited to hard to fill vacancies have been EU nationals, 4pp greater than the average in England
- One out of four businesses believe their long-term growth might be impacted, with a small proportion expecting to close if they could not maintain their EU workforce (Ecorys, 2017)
- Of those that do employ EU citizens, 38% are concerned if Brexit affected their ability to recruit EU workers, 16% across all businesses

Effect of Brexit on Local Universities

There are concerns that changes to immigration policy and Britain's participation in the Erasmus Programme, may reduce the number of EU students coming to study at universities in Leeds. At the University of Leeds, there are currently around 1,500 EU students, which is expected to decrease in the event of Brexit.
There are also concerns around the future of EU staff based at the University of Leeds, which account for 11% of the total workforce. Losing these researchers would impact on the university's ability to attract and undertake world-leading research.

Sector-Specific Impact

Growth Sector	Evidence from Literature	Impact
Health & Social Care	• EEA migrants are net contributors to the health service and social care in terms of their financial contribution through taxes and through work. Jobs in these sectors are increasingly being filled by workers from other EEA countries (MAC, 2018). • If migration rules are tightened, it might be tougher to find workers for hard to fill sectors and be able to respond to the demands from our ageing population. • Currently 5% of the direct workforce and 7% of the bank workforce in Leeds Teaching Hospitals Trust are from the EU. Although the EU Settlement Scheme has provided some reassurance for those looking to stay, there are concerns that anti-EU sentiment in local communities may push some of these workers back to the EU. • Many businesses in the care sector already find it difficult to recruit and expect Brexit to make things worse (Ecorys, 2017).	R
Finance, Professional & Business Services £	• EU migration is important in providing knowledge and international experience for UK firms within the finance, professional and business services sector. • Leeds faces high replacement demand in the professional and business support service sectors. Restrictions on migration and rights to work in the UK, will affect the sector's ability to recruit people with the right qualifications.	A
Creative & Digital	• Restrictions on migration will impact on the sector's ability to recruit and deploy staff flexibly. 17% of digital workforce in Yorkshire & Humber region were born outside of the country – one of the highest proportions across the economy. Publishing, architecture, advertising and design all have high numbers of EU nationals in their workforce. • The sector relies heavily on people with language skills and international knowledge to develop and sell products abroad. • For arts and culture organisations, the free movement of people provides a key mechanism for international artistic exchange, including touring, international performances and exhibitions and artist residencies. The loss of this may restrict the available talent pipeline in the UK, and potentially the creative outputs of arts and culture organisations. • New UK immigration policies may make it easier for businesses to attract skilled labour from outside the EU.	A

Impact Key

R	Significant impact expected	A	Impact expected, but not likely to be significant	G	No major impact is expected

Sector-Specific Impact

Growth Sector	Evidence from Literature	Impact
Construction	• Around 7% of the construction workforce in Yorkshire & Humber were born outside of the UK and the sector is very reliant on skilled EU workers to address the high replacement demand needed to sustain the sector in the future. Skills shortages in the sector are expected to worsen once the free movement of people stops. • Reduced supply of labour may lead to increases in the costs of construction and delays to building schedules. • There are concerns amongst local businesses that as construction workers based in London and the South East return back to their home countries, the higher wage vacancies will attract workers from Leeds and further compound the local challenge. This shift could happen very quickly given the short term nature of much the sector's employment practices.	R
Manufacturing	• Specific research targeting the Humber, Leeds City Region, York, North Yorkshire and East Riding LEPs found manufacturing businesses were more likely to say they would be affected if EU migrants left. Furthermore many in the sector are already struggling to recruit, with Brexit only making this harder (Ecorys, 2017) • Manufacturing has the highest absolute EU migrant employment of all UK sectors, with almost one in eight people working in the sector estimated to be EU migrants. The Leeds City business region survey revealed that 19% of manufacturing businesses employed migrant workers (WYCA, 2018). • New UK immigration policies may make it easier for some businesses to attract skilled labour from outside the EU.	R
Retail & Visitor Economy	• Despite challenges facing the **retail** sector, particularly in regard to its performance on the high street, there is still strong demand for employment. The wider wholesale and retail sector has the highest replacement demand of any sector in Leeds and the city's ability fill these jobs in the future will be hindered by falling levels of EU immigration. • Within the **visitor economy**, and in particular the hospitality sector, there are significant concerns regarding the sector's dependence on EU workers. Although the Yorkshire & Humber region is less dependent on foreign-born workers than nationally, still one-in-five workers within the accommodation and food sector are born outside of the UK. Falling levels of EU migration into the UK have already created labour shortages in a sector which is not seen as attractive to work in for UK residents.	R
Logistics & Transport	• The UK **logistics** sector has struggled to recruit enough workers with appropriate skills over the past decade to keep pace with the demand and growth of the sector. To date, this challenge has been somewhat mitigated by the availability of EU migrant labour (KPMG, 2018). • The sector has also an ageing workforce which will put increasing pressure on recruitment challenges over the coming years. It is estimated that just over 20% of drivers of heavy goods vehicles operating in the UK are already from the EU (Willis Towers Watson, 2017)	R

Impact Key			
	R: Significant impact expected	A: Impact expected, but not likely to be significant	G: No major impact is expected

Conclusions

Changes to UK migration policy as a result of Brexit are expected to change the dynamic of the workforce within the Leeds economy. An end to the freedom of movement within the EU will make it harder for UK businesses to recruit people from the EU. This will affect sectors which have become particularly reliant on workers from the EU (and elsewhere) to plug gaps in unattractive jobs for UK citizens, particularly those which are low paid and/or casual/short term. It is expected that many of these types of jobs will fall short of any skills/earnings requirements mooted by the government. However, there may be an opportunity (particularly in the manufacturing and digital sectors) to attract skilled labour from outside the EU.

Since the referendum, there has already been a noticeable drop in the number immigrants moving to the UK and an even faster drop in numbers coming from the EU.

Recent trends in immigration have helped to fuel Leeds' recent growth and migrant workers have helped plug skills gaps. The number of people aged over 50 in Leeds is expected to increase by 11% between 2011 and 2021 and the ageing trend is set to continue thereafter. Inward migration of working-age people has helped alleviate some of the challenges created by the city's ageing population.

The Leeds sectors most vulnerable to changes in migration policy are:

+ **Health & Social Care**: already depends heavily on EU migrants to fill in gaps in the workforce.
+ **Construction**: as well as direct effect of local migrant labour leaving, Leeds may also feel the effect of higher wage demand from London and the South East's drawing construction workers away from the city as these regions try to back-fill labour shortages created by EU workers leaving. The flexible and short-term nature of construction work means the effect of shortage could be felt quickly and this sector is very reliant on the flexibilities created by freedom of movement.
+ **Manufacturing**: the sector already struggles to recruit the skills it needs and relies on EU migrants to fill some of the gaps which the domestic workforce does not fill. The sector has the highest absolute level of EU migrant employment in the UK.
+ **Retail & Visitor Economy**: there are concerns across the visitor economy sector, and in particular in the hospitality sector, which has become dependent on EU migrants to fill the roles that the domestic workforce have been reluctant to do.
+ **Logistics & Transport:** the logistics and long-haul sector are very reliant on EU migrants to fill roles and are expected to struggle under a tighter immigration regime.

Many businesses in Leeds have already begun preparing for changes in migration patterns, with many offering advice to EU migrants on how to stay (especially following the release of the EU Settlement Scheme). Although these steps may reduce the flow of EU workers leaving, it remains extremely unclear how these sectors will easily recruit the numbers of people needed to drive growth, tackle the ageing workforce and back-fill people who do decide to leave.

Section 8

Impact of Brexit on People & Places

Introduction

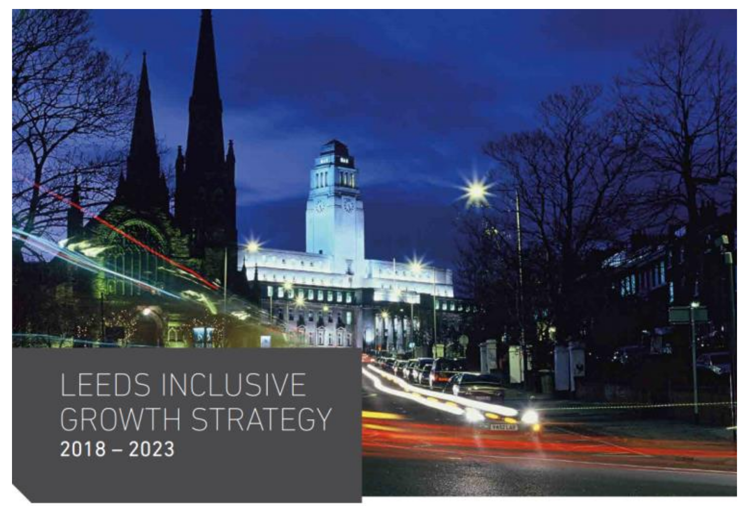
Leeds has strong ambitions within its Inclusive Growth Strategy to develop a more productive and resilient economy, to which all people and places contribute and which helps large numbers of local residents achieve their full potential. Work is currently being done in Leeds to tackle low pay, regenerate communities, improve the benefits system, and use procurement amongst the city's anchor institutions to improve access to jobs and secure better social outcomes.

To understand the impact that Brexit might have on ambitions for inclusive growth in Leeds, we have examined the:

The cost of living

Job security

Wage distribution or income inequality



Impact of Brexit on Progressing Inclusive Growth Strategy

Costs of Living

The UK experienced rising levels of inflation in 2017, primarily driven by the collapse of the Sterling following the referendum. This has led to a wage squeeze, with the purchasing power of households being reduced. The effect of this is likely to impact more heavily on lower-income households, who spend a greater proportion of their income on food and clothing.

Data from the Leeds Food Aid Network, suggests that people in Leeds are already struggling with the costs of living in the city. Around 27,000 people across Leeds accessed a foodbank in 2016/17, a 7% increase on 2015/16. In addition, 60,000 meal packs were handed out, primarily to the homelessness – an 11% increase from 2015/16.

Research from the Joseph Rowntree Foundation found that the fall in the value of sterling after the EU referendum result, pushed up inflation by 1.6%pt for households in the bottom quintile of income. This has effectively increased the cost of living for the average UK household by over £400 annually.

New barriers to trade will further push up the cost of living. Although some proponents of Brexit have claimed that food prices will ultimately fall, these projections have been challenged by other economists and/or depend upon the UK signing very favorable trade deals with third countries, and agreeing to lower standards (and the consequent implications for access to EU markets). Depending on the scenario, the cumulative impact of Brexit on overall prices could range from 0.5% to 3.0% (Joseph Rowntree Foundation, 2018). For households in the poorest fifth of the population, this is expected to increase the overall cost of living between £130 and £480 per year.

Job Security

Increased economic instability is likely to reduce job security, particularly in sectors which are more exposed to the impacts of Brexit. Some work may also become more precarious such as jobs based on zero-hour contracts, many of which pay at, or slightly above, the minimum wage. The Leeds Poverty Fact Book estimates that around 3% of employees in Leeds are on zero-hour contracts, accounting for around 11,000 people.

Surveys by the Chartered Institute of Personnel and Development found that around half of businesses (48%) have reported an increase in their EU workforce expressing concerns about security. At the same time UK citizens in more than a quarter of organisations (28%) expressed similar concerns.

Impact of Brexit on Progressing Inclusive Growth Strategy

Income Inequality

Brexit is expected to have a negative impact on real wage growth as prices across the economy rise faster than real wages (i.e. wages after inflation is taken into account). This reduces the disposable income available to households.

In Leeds, nearly 20% of workers earn below the Real Living Wage (set by the Living Wage Foundation at £8.45 in 2017), affecting 65,000 FTE residents. Low pay is a particular challenge among part-time workers, 44% of whom earn less than the Real Living Wage, compared to 12% of full-time workers.

Research by the Joseph Rowntree Foundation found that across a range of potential scenarios (including a Norway-style deal, or a no deal), real wages could fall by between 0.2% and 1.0%.

Overall Impact

The overall impact of Brexit on the number of households in poverty very much depends on the government's future economic policy. Since April 2016, most working-age benefits and tax credits have been frozen, and the increased pressure on public expenses post-Brexit (from reduced receipts and increased expenditure), might see his policy extended.

Research from the Joseph Rowntree Foundation expects that nationally, between 800,000 and 900,000 additional households might be put into poverty unless there is an uplift in benefits to offset higher inflation levels. Although no specific research has been undertaken on what this might mean locally, if the Joseph Rowntree Foundation figures were applied to Leeds, the city could see an additional **11,000 to 12,000 more households being in poverty**.

Overall Impact of Brexit on Low-Income Households

Impact Type	Norway	No Deal
Prices	+0.7%	+3.0%
Annual cost of living for low-income households	+£130	+£480
Real wages	-0.2%	-1.0%
Employment rate	-0.1pp	-0.5pp
Change in number of households in poverty (assuming benefits uprated by 1% by 2020)	800,000	900,000

Source: Joseph Rowntree Foundation, How could Brexit affect poverty in the UK?, 2018

Section 9

Overall Assessment of the Impact of Brexit

Overview

The UK's exit from the EU marks a significant step-change in the country's economic relationship with the bloc. The UK would be moving away from close integration and co-operation with its nearest neighbours and trading partner, towards a yet unknown destination which is expected to involve many more years of negotiation and uncertainty.

This report has touched on a number of economic factors which will be impacted by any change in the relationship the UK has with the EU, primarily around trade, regulation, investment and migration. The true impact will very much depend on the deal (or no deal) that the UK makes with the EU and the success the government has in establishing new trading relationships, which business can exploit.

Until then, there will continue to be ongoing political and economic uncertainty, that in itself will continue to have an impact on the economy's performance. The Bank of England has already estimated that this prolonged uncertainty has cost the UK economy £40bn a year, or £800m per week. Evidence in Chapter 2 shows there has already been a slow down in foreign direct investment nationally and that business confidence has dropped to levels not seen since the 2008-09 recession.

These national trends are being felt in Leeds. The local Chamber of Commerce has found business confidence and investment levels have fallen, particularly over the last six months of 2018 as a 'no deal' Brexit scenario became increasing likely. This trend will continue as Brexit withdrawal is prolonged through to October 2019.

Until there is more certainty around the way in which the UK will leave the EU, it is very difficult to estimate with any precision what the long-term economic impact of Brexit will be nationally, locally or by business sector.

This section provides an overview of the research that has been undertaken and gives a guide to the potential implications for Leeds and concludes by bringing together the sector-specific analysis undertaken throughout this report on trade, regulation, investment and migration, to provide an overall assessment on how Leeds' sectors are expected to perform with Brexit.

Economic Impact of Brexit

Despite the uncertainty around the outcome of UK-EU negotiations, there is agreement that Brexit, in some form, will have an impact on the UK economy. Many researchers have devoted considerable time to understanding the potential economic impacts that might be emerge under various softer/harder scenarios.

Much of the empirical economic research shows openness in terms of trade, investment and migration lead to greater economic growth, especially among nearby neighbours.

National Economic Impacts

Many researchers have attempted to estimate the potential long-term impact of Brexit on the UK economy, assessing scenarios ranging from membership of the European Economic Area to unilateral free trade.

The Institute for Government reviewed 14 of these studies conducted by academics, think tanks and governments. The majority predicted that Brexit will have a negative impact on the UK's long-term GDP trajectory (typically measured over 15 years), with only one study suggesting Brexit would boost long-term economic performance.

The extent of any fall in economic growth is expected to depend on the trading arrangement negotiated with the EU. Most studies expect trade will become more difficult with established partners and new trading arrangements will not be sufficient to offset their negative impact on economic growth. Moreover the evidence base suggests that the new trading and immigration arrangements will have a further knock on effect in terms of reduced investment and productivity.

The range of growth estimates is wide-ranging, from the EFT prediction that the UK economy's growth trajectory could be 4% higher than its current trend in 15 years' time, to Radobank's prediction that the economy's growth trajectory could be 18% below its current rate. Much of this difference can be attributed to the underlying economic models used and the assumptions fed into the model. The majority of predictions expect between a 7.5% and 1% long-term reduction in GDP relative to remaining in the EU.

Selected Forecasts showing Impact of Brexit

Source: Institute for Government analysis

CEP – Centre for Economic Performance, CPB – Netherlands Bureau for Economic Policy Analysis, EFT – Economists for Free Trade, HMG – HM Government, NIESR – National Institute of Economic and Social Research, OE – Open Europe, Oxford – Oxford Economics

Source: Institute for Government, Understanding the Economic Impact of Brexit, 2018

Economic Impact of Brexit

Local Economic Impacts

Evidence from the Leeds Business Survey (2019) found three times more local businesses expect Brexit to be detrimental (36%) than those that thought it would be beneficial (11%).

Although much of the Brexit impact research has focused on the national picture, a number of papers have studied the potential effects on local authorities or sectors.

The LSE assessed how local authorities and business sectors will be affected by Brexit using a world trade model to estimate the change in the GVA trend rate under hard and soft Brexit scenarios at a sector level compared to a status quo baseline. Local employment sector shares are applied to sector effects to estimate the impact on local authorities. The LSE researchers found that Brexit could reduce the UK's GVA trajectory over the next ten years in every UK local authority under both scenarios, with hard Brexit having a greater effect.

This paper does not consider the impact of uncertainty already experienced by the economy, which (as mentioned previously) is already impacting on the economy.

The mean fall in growth trajectory among local authorities in GVA under a soft scenario is -1.1% over the next ten years, rising to -2.1% under the hard Brexit scenario. Across the country, hard Brexit growth trajectory impacts range from -0.5% in Hounslow (cushioned by its proximity to Heathrow) through to -4.3% in the City of London. Soft Brexit growth trajectory impacts range from -0.2% in Hounslow to -2.1% in Aberdeen City. Areas with higher wages and sectors which are most exposed to the effects of Brexit are those expected to have the highest reduction in GVA trajectory.

Leeds is estimated to be in line for one of the greatest falls in its GVA growth trajectory, largely driven by its high proportion of activity vulnerable to changes in the UK's trading relationship with the EU (e.g. finance and manufacturing). **Leeds is the eighth most vulnerable urban area** outside of London. The analysis suggests there would be a 1.3% fall in Leeds' GVA trajectory over ten years from a soft Brexit and a 2.6% fall in Leeds' GVA trajectory under a hard Brexit scenario. The table presents impacts for neighbouring and competitor urban areas. As a comparison, **during the 2008-09 recession, GVA in Leeds fell by 3%** and 1% nationally.

Expected Fall in GVA over 10 Years by Primary Urban Area

Selected Primary Urban Area	Soft Brexit GVA Impact (%)	Hard Brexit GVA Impact (%)
Edinburgh	-1.4	-2.7
London	-1.3	-2.6
Leeds	**-1.3**	**-2.6**
Bristol	-1.3	-2.6
Glasgow	-1.3	-2.4
Manchester	-1.3	-2.4
Nottingham	-1.2	-2.4
Liverpool	-1.2	-2.4
York	-1.1	-2.3
Bradford	-1.2	-2.1
Sheffield	-1.2	-2.1
Huddersfield	-1.2	-2.0
Wakefield	-1.1	-1.9
Hull	-1.0	-1.8
Barnsley	-0.9	-1.7
Great Britain	-1.1	-2.1

Source: The Local Economic Effects of Brexit, Dhingra et al., 2017

Note: 'Soft Brexit' assumes free trade deal agreed, with tariffs remaining at zero and non-tariff barriers increasing. 'Hard Brexit' assumes there is no free trade agreement, with tariffs set at the rate of the WTO Most-Favoured-Nation tariffs, accompanied with non-tariff barriers.

Economic Impact of Brexit

Sectoral Estimates

The extent to which sectors are impacted by Brexit will depend on their level of international trading, their reliance on migrant labour, the nature of regulation in their markets and their reliance on external sources of investment.

The majority of the evidence suggests that Brexit will have a negative impact across the UK and its sectors, although some sectors may experience a boost.

The table shows research on the impact of Brexit on different sectors at a national level alongside employment data on the Leeds economy.

Sectors which are particularly prominent in Leeds' economy (both in terms of their employment contribution and specialisation) include financial services, post and telecommunications, wider business support services, construction, health & social work and education.

Expected Fall in GVA by Selected Sector (Nationally)

WIOD Industry	Leeds Employ	LQ	Soft Brexit (%)	Hard Brexit (%)
Air Transport	2,125	1.7	5.2	10.4
Pulp, Paper, Paper , Printing and Publishing	3,250	1.4	3.5	6.3
Food, Beverages and Tobacco	4,350	0.7	1.4	2.8
Manufacturing, nec; Recycling	3,775	0.9	0.9	2.5
Basic Metals and Fabricated Metal	5,450	1.0	0.5	5.1
Hotels and Restaurants	29,000	0.9	0	-0.2
Machinery, nec	2,750	1.0	-0.1	-0.2
Rubber and Plastics	1,750	0.7	-0.4	-0.7
Inland Transport	9,000	1.1	-0.6	-1.2
Retail Sale of Fuel; Wholesale Trade, inc Motor Vehicles & Cycles	24,000	0.9	-0.8	-1.6
Electricity, Gas and Water Supply	5,835	1.2	-1.1	-2.1
Public Admin, Defence, Soc. Security & other Public Svc	15,000	0.9	-1.1	-2.3
Retail Trade & Repair of Household Goods	34,000	0.8	-1.2	-2.3
Education	40,000	1.0	-1.2	-2.2
Supporting & Auxiliary Transport Activities and Travel Agencies	7,000	0.8	-1.3	-2.5
Health and Social Work	53,500	0.9	-1.3	-2.4
Construction	21,000	1.0	-1.4	-2.6
Real Estate Activities	7,000	0.8	-1.4	-2.6
Renting and Other Business Activities	105,500	1.3	-1.7	-4
Post and Telecommunications	10,250	1.6	-1.8	-3.9
Financial Intermediation	26,450	1.7	-2.8	-6.2
Textiles and Textile Products; Leather, Leather and Footwear	1,255	1.0	-6.8	-5.2
Chemicals and Chemical Products	1,700	0.8	-8.9	-15.1
Electrical and Optical Equipment	1,500	1.2	-9.5	-6.3
Leeds Total	***453,000***	***1.0***	***-1.3***	***-2.6***

Source: The Local Economic Effects of Brexit, Dhingra et al., 2017
Note: Sectors highlighted when they employ more than 10,000 people. This analysis does not include 38,000 jobs which could not be identified into the sectors used by Dhingra et al. Scenarios for 'Soft' and 'Hard' Brexit are the same as described previously.

Sector-Specific Impacts for Leeds

The following table provides a summary of the sector-specific analysis undertaken in Chapters 4-7.

Sector	Trade	Regulation	Investment	Migration	Overall Assessment
Health & Social Care	R	G	G	R	Particular concerns around supply chains into the health sector, particularly if there are increased delays at the border and the growing reliance on the EU for importing supplies. There are concerns about retaining EU staff, particularly given dependence within the social care and nursing homes.
Finance, Professional & Business Services	R	R	A	A	Strong concentration of activity in Leeds, in particular in financial services. Risk of losing UK's status as the gateway to the EU, particularly in financial, legal and business services sectors. Concerns around ability of financial services to 'passport' in other EU countries.
Creative & Digital	A	A	A	A	Broadly, there are expected to be less significant impacts on the creative and digital sector, although it won't be isolated from the impacts from Brexit. Changes in migration, regulation and investment from other sectors will impact on its performance, particularly given Leeds' strengths in the fin-tech sector.
Construction	A	G	A	R	Uncertainty created by Brexit is reducing investment into real estate, although Leeds is currently performing well compared to other UK cities. Growing risk of Leeds losing large part of its construction workforce to London/SE as EU workers leave this area in the future (especially given the mobility of labour in construction).
Manufacturing	R	R	R	R	Significant concerns for sector, given its reliance on trade with the EU for supplies and also exports. Regulation may have significant impact on the sector in the future, particularly around food manufacturing. Relatively high dependency on EU workers, and ageing workforce will put pressure on supply of labour in the future.
Retail & Visitor Economy	R	G	A	R	Concern around tariffs and non-tariff barriers impacting on retail sector, particularly given its growing dependency on imports for just-in-time deliveries of fresh produce. Concerns within the hospitality sector given its reliance on EU workers, and lack of supply in domestic labour.
Logistics & Transport	R	A	G	R	Increases in trade barriers and new regulations on transporting goods across the EU could impact on the logistics sector. Additional costs in transporting goods may impact on a sector, which typically operates on tight margins.

Impact Key
- R — Significant impact expected
- A — Impact expected, but not likely to be significant
- G — No major impact is expected

Key Considerations for Leeds Going Forward

Leeds has the potential to be one of the most impacted UK cities to Brexit and the city must be focused on:

+ **Areas of Concern:** there are aspects of Brexit which are likely to have a significant and adverse effect on the city and which warrant pre-emptive attention.
+ **Points to Watch:** many aspects of Brexit remain unclear however there are some key issues the city should monitor closely and be ready to act if adverse developments begin to emerge.
+ **Opportunity to Explore:** amidst the challenges, there are some elements of the Leeds economy that could secure advantage and which the city should support.

Areas of Concern	Points to Watch	Opportunity to Explore
1. Engagement is needed with exposed priority sectors (i.e. finance and professional services, manufacturing and digital) to develop packages of support via Growth Hub. 2. Awareness raising is needed amongst small businesses to be better informed about the challenges that lie ahead and the mitigations that may be required. 3. Recruitment support is needed within the visitor economy, social care and construction sectors to help local people, especially in getting people on low-incomes to access job opportunities. 4. Need to explore scope for local public sector to reassure critical investors affected by ongoing uncertainty.	1. Most sectors will be affected in some way and as details of the final arrangements emerge, further research and engagement with priority sectors will help ensure better preparedness. 2. Ongoing delays and continued uncertainty could accentuate the challenges faced by businesses. Early warning monitoring is needed to check for businesses, sectors and projects in distress. 3. Need to maximise Leeds' influence over the UK government's future investment resources (e.g. Shared Prosperity Fund) to ensure it has a close focus on Leeds' business needs.	1. Manufacturing and transport focused sectors could benefit from reshoring practices and exploit new international exporting opportunities. 2. New UK immigration policies may make it easier for some Leeds businesses (in digital and manufacturing) to attract skilled labour from outside the EU. 3. Leeds City Region partners should proactively identify new inward investment opportunities and advertise itself as open for business.

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Appendix

References

Consultations Undertaken

Brexit Literature Review

Leeds Economic Development Policy Review

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West Yorkshire Chamber of Commerce, Quarterly Economic Survey Q1 2019

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Consultations Undertaken

As part of the development of this report, a wide range of stakeholders and businesses from across the Leeds economy have been engaged with. This has aimed to include consultees from a wide range of different sectors, and includes the following organisations.

+ West & North Yorkshire Chamber of Commerce
+ Federation for Small Businesses
+ Leeds Law Society
+ Institute of Directors
+ Leeds City Region / LEP
+ Leeds City Council
+ University of Leeds
+ Leeds Beckett University
+ Leeds Teaching Hospitals NHS Trust
+ BJSS

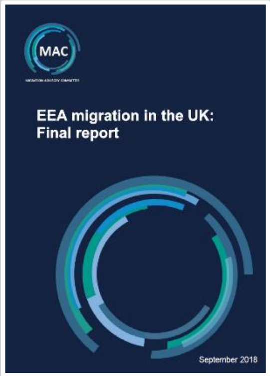
We thank all of these organisations for the insights and knowledge they have shared as part of this research.

Brexit Literature Review

There is a wide variety of published research looking at the proposed and actual consequences of the UK's Brexit vote in economic terms. This includes reports authored by global consultancies, academics, think tanks, universities and by the UK government. The veracity and relevance of the evidence base is variable, with some reports limited by their research scope, their timeliness and also the extent to which they observe localised effects. The publications referenced below are those that are most relevant to this study, provide authoritative insights and also the opportunity to consider implications at a Leeds level. That said, they are subject to caveats, particularly given the detail of a negotiated position has yet to be agreed and the reaction of industry remains dynamic.

Publication	Research Focus Summary
EU Exit – Long-term Economic Analysis (2018) Her Majesty's Government  HM Government EU Exit Long-term economic analysis November 2018	The Government produced an analysis of the impacts of **four trading relationship scenarios on long-run economic performance.** These included the position set out in the Government White Paper in July 2018; a hypothetical free trade agreement with zero tariffs and average non-tariff costs; an EEA-type scenario; and a no deal scenario based on average non-tariff barriers between countries trading on WTO terms and applying Most Favoured Nation tariffs currently applied by the EU. The trade effects were assessed measuring long term GDP impacts compared with today's arrangements and against the no deal scenario. **All modelled scenarios lead to a reduction in GDP compared to today's arrangements** and all scenarios are better than the no deal scenario. This is even the case under the White Paper scenario where there are no tariff or non-tariff barriers. **The report notes that 'higher barriers to UK-EU trade would be expected to result in greater economic costs.'** They also present an illustrative scenario with zero net inflows of EEA workers, **suggesting that GDP could fall by 1.8%** in the long run compared to today's arrangements. It shows that under all scenarios, the UK economy will be worse off compared to current trade arrangements and that the economy will be even weaker if net inflows of EEA workers are reduced. The main components of these total impact estimates are non-tariff barriers, tariffs and reduced migration.

Publication	Research Focus Summary
The Local Economic Effects of Brexit (2017) London School of Economics 	This study assesses the **local impact if an increase in trade barriers arise from Brexit**. These impacts are presented under **hard and soft Brexit scenarios**. Both scenarios are predicted to reduce GVA, with the hard Brexit scenario causing greater harm to economic performance. This means the average local authority impact is a **1.1% reduction in GVA under soft Brexit and a 2.1% reduction under hard Brexit**. More specifically the report finds that Leeds is set to be one of the most adversely affected cities in the UK in terms of percentage change in GVA. Here**, Leeds ranks 9th in terms of the most affected urban areas with GVA projected to be reduced 1.3% under a Soft Brexit scenario and 2.6% under a Hard Brexit scenario.** The report also examines the different impacts that Brexit would have under a soft and hard Brexit scenario on different sectors of the economy. There is a wide range of sector impacts, largely depending on a sector's dependence on exports and imports relative to its GVA. These range from a 16% growth in the case of wood manufacturing to a 15% fall in chemicals manufacturing. *More information on this study's findings is provided in Chapter 9.*
Understanding The Economic Impact Of Brexit (2018) Institute for Government 	The Institute for Government produced a **review of 14 studies on the potential long-term impact of Brexit**. These studies have been produced by organisations including the UK Government, Dutch Government, academic researchers and City institutions. The vast majority of these reports **expect Brexit to have a negative impact on long-term GDP across various trading scenarios**, ranging from membership of the European Economic Area to unilateral free trade. While many of these studies use similar models, the variation in predicted impacts can largely be explained by different assumptions on Brexit's effect on: • **Trade Barriers** – Most studies expect that new barriers to trade with the EU, in the form of both tariffs and non-tariff barriers, will reduce trade flows and economic growth. The extent to which these changes occur will depend on the trading arrangement. • **Foreign Direct Investment** – Evidence suggests that UK's attractiveness to foreign investors is closely tied to trade, as companies partly base their investment decisions on being close to supply chains and markets. Some studies assume a reduction in trade will reduce investment. • **Migration** – Rules affecting migration of skilled and unskilled workers can have a significant direct impact on economic growth. They will affect the number of workers, the mix of skills available and potentially affect innovation levels with the economy. • **Regulations** – These can govern how cost-effectively businesses can produce output, but also ensure certain objectives, such as around competition, health and safety and environmental protection, are achieved. Studies suggest a range of economic from this, from small to large. • **Productivity** – Economic theory suggests that trade can boost productivity growth. Some papers suggest that, if Brexit has a permanent impact on productivity growth, there would be a significant impact on UK's future growth.

Publication	Research Focus Summary
EEA Migration in the UK (2018) Migration Advisory Committee  	The Government commissioned the Migration Advisory Committee to **assess the impact of EEA migrants on the UK economy and society**. They did this by reviewing academic literature, conducting internal analysis and commissioning external research. Their key findings were that: • EEA Migrants have had limited or no impact on employment, unemployment or wages of the UK-born workforce. • Some studies found that these impacts differed depending on the skill level of the UK national, with lower skilled workers facing negative impacts. However, these findings were inconclusive. • EEA migration, particularly higher-skilled migration, has a positive impact on productivity. They also found that migration did not harm the availability of training for UK workers. • Increased migration was associated with rising house prices. However, they note that these effects are greater in areas with a more restrictive planning policy. • EEA migrants make a positive net contribution to the UK's public finances. This is particularly the case for younger migrants and for migrants from countries that joined the EU before 2004. • The household income where migrants start to make a positive net contribution is around £30,000. • EEA migrants are net contributors to the health service and provision of social care. Their report recommended that the **UK should encourage a more selective approach to EEA migration** rules with greater access for higher-skilled migrants and tighter access for lower-skilled migrants.
The Continental Divide? Economic Exposure to Brexit in Regions and Countries on both Sides of the Channel (2017) University of Birmingham  	This paper looks to quantify the **shares of regional and national GDP and labour income that are at risk due to Brexit**, taking into account the nature and scale of their trade linkages. They note that standard analysis of imports and exports does not consider the composition of supply chains. Their results show that the **UK and its regions are far more vulnerable to trade-related risks of Brexit compared to other EU member states and their regions**. They found that the UK's exposure to Brexit is 4.6 times greater than the rest of the EU's as a whole. They analyse regions at the NUTS 2 level and note that **many of the UK's economically weaker regions are especially exposed to Brexit**. They found that 12.1% of West Yorkshire's GDP is exposed to Brexit, which is slightly below the UK average of 12.2%. In terms of other EU members exposure to Brexit, they found that the Republic of Ireland was most exposed (around 10% of GDP). Other countries with exposure to Brexit are Germany, the Netherlands and Belgium, all of which have strong trade links with West Yorkshire.

Economic Development Policy Review

Delivering sustained economic growth, which is inclusive, improves productivity and builds on the distinctiveness of places sits at the core of the prevailing economic development agenda. A number of strategies provide a focus for council decision-making and prioritising investment. The strategies outlined below are of particular relevance to Leeds and Brexit.

Strategy	Summary
Industrial Strategy Her Majesty's Government 	• The Industrial Strategy is the government's flagship strategy, aimed at delivering **sustained economic growth**, closing regional performance disparities and boosting the earning power of people across the UK. • The strategy notes the importance of the UK being globally competitive as a consequence of Brexit, with **opportunities associated with economic autonomy** and showcasing the country's innovative capacity, specialisms, reinforcing EU trade relationships and developing new global export markets. • The strategy notes **the importance of retaining close ties with Europe**, the need to compete on levels of productivity and respond to the implications of shifting labour flows, through upskilling of the domestic labour force and launch of the UK Shared Prosperity Fund.

Export Strategy – Supporting and Connecting Businesses to Grow on the World Stage (2018)
Her Majesty's Government

	• The report sets out Britain's ambitions to be a global trading partner, capturing economic growth potential in rapidly growing international markets and beyond the EU.
	• The strategy pushes for the UK to grow the contribution of exports as a proportion of national GDP, pushing beyond competitors and capitalising on the growth of digitisation.
	• The strategy outlines the key factors holding back export growth and sets out the role of government in response to support businesses to develop new markets:
	    • **Finance – finance and insurance backing**
	    • **Connect – link UK businesses to overseas markets**
	    • **Inform – providing businesses with access to information, advice and assistance**
	    • **Encourage – address attitudinal and awareness barriers**
	• The strategy illustrates the role of the national Industrial Strategy in delivering growth through international trade and cites the sector deals which have been struck to develop areas where the UK has competitive advantages. This includes investment in Artificial Intelligence, Automotive, Construction, Creative Industries, Life Sciences, and Nuclear sector deals.

Economic Development Policy Review

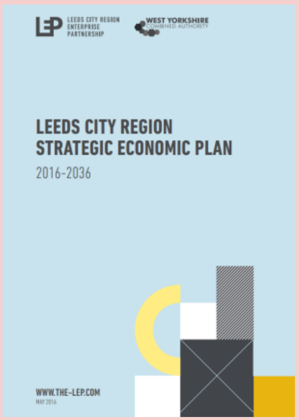
Strategy	Summary

Leeds Inclusive Growth Strategy (2018)
Leeds City Council

	• The growth strategy details the City Council's ambitions for Leeds and sets out how best to **deliver growth that is inclusive of all citizens and communities**. Leeds is a vibrant, successful and international city full of innovation and enterprise.. The Inclusive Growth Strategy will help tell Leeds' story better in order to attract retain talent, business, investment and visitors. In doing so, Leeds can build a strong economy within a compassionate city.
	• Twelve bid ideas have been identified to shape Leeds by boosting long-term productivity, competitiveness and social inclusion. Running through each of these are principles of sustainable development, which embrace the social, economic and environmental impacts of their implementation.
	• Growth sectors make up a central component of the strategy, here **seven key sectors** are identified as crucial in delivering growth. These are:
	  • Health, Medical And The Ageing Population
	  • Financial And Professional Services
	  • Creative And Digital
	  • Construction And Infrastructure
	  • Manufacturing
	  • Retail And The Visitor Economy
	  • Social Enterprise And The Third Sector
	• Three scenarios of the Leeds economy are considered for how the city may develop up until 2023. Namely in the context of this study a lower growth / recession scenario, based on an economic downturn as a result of uncertainty, Brexit, skills issues, weaknesses in infrastructure, and problems of poverty.
	• Considering the implications of this scenario the Council details a **five point plan for Brexit**, which commits to:
	  • Maintaining progress on major development and infrastructure schemes and economic growth projects
	  • Supporting business and key institutions
	  • Creating a more tolerant and united city
	  • Securing devolution
	  • Providing confident, outward-looking leadership and an image of Leeds as an international city

Economic Development Policy Review

Strategy	Summary

Leeds City Region Strategic Economic Plan
Leeds City Region Enterprise Partnership (2016)

 	
	• Led by the LEP and the Combined Authority, the Leeds City Region Strategic Economic Plan puts forward a plan which seeks to build on the progress made in the area to date and allow the area to fulfil its full potential.
	• The plan centres around **a transformative vision for the city region** to become an above average contributor to the UK economy and deliver upwards of 35,000 additional jobs and an additional £3.7 billion of annual economic output by 2036.
	• **10 headline initiatives are devised** to take the strategy from concept to delivery and enable real progress towards achieving the City Region's vision. Notably, in the context of this study and the Brexit vote that has transpired since the delivery of this strategy these initiatives are planned to be in part delivered through European funding sources. Given the changing relationship between the UK and European Union this raises important questions about how these initiatives will be funded going forward.
	• The SEP puts forward several key sector capabilities within Leeds City Region and details how these fit into the wider **sector capabilities** of the Northern Powerhouse. These are:
	    • Digital and Creative Industries
	    • Low Carbon and Environmental Industries
	    • Health and Life Sciences
	    • Innovative Manufacturing
	    • Financial and Professional Services Sector
	• Several key sectors and **assets** are also identified including the **concentration of higher education and further education institutions** as well as the area's strong links to the logistics sector through its strengths in transport, construction and food and drink.
	• The plan notes that any future economic growth is very much dependent on wider economic and political events, such as a British exit from the EU which could also have significant economic impacts for the area.

A New Culture Strategy for Leeds 2017-2030 Leeds City Council	• The strategy looks to take a broader view of culture than the arts and considers the wider application for culture across all policy areas. • The strategy recognises that with Article 50 triggered and the outcome of Brexit negotiations remaining uncertain Leeds will have to work hard to build relationships, maintain global partnerships and support all of its communities equally.

Economic Development Policy Review

<table>
<tr><th>Strategy</th><th>Summary</th></tr>
<tr><td>Best Council Plan 2018/19-2020/21
Leeds City Council

</td><td>• Details the council's vision to become the best city in the UK, where poverty is tackled and inequalities are reduced.
• The Best Council Plan update sets out seven interconnected priority areas that stem from the two core priorities of Inclusive Growth and Health and Wellbeing. These are:
    • Inclusive growth
    • Health and wellbeing
    • Child-friendly city
    • Safe, strong communities
    • Housing
    • 21st-century infrastructure
    • Culture
• As the UK navigates its way through Brexit, the plan commits to supporting the city's firms and communities, but also further strengthen the city's international profile and its attractiveness as a location for investment.</td></tr>
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