



enterprise **m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – March 2021

HEADLINES

- High business density in Enterprise M3 but sluggish business growth - business activity above the average in late December but business financial performance and the economy affected severely last year.
- Strong performing labour market in Enterprise M3 takes the hit but the impact on the labour market relatively subdued - largely thanks to government policy (job support schemes).
- Labour intensive consumer services and construction in Enterprise M3 affected the most – decrease in demand for upper intermediate skills accompanied by the increase in demand for lower intermediate skills and higher skills (professional occupations).
- The greatest impact to date has been on self-employed and non-permanent work and young people.
- 3rd lockdown led to a sharp fall in output but businesses have become better at adapting to lockdowns – the impact on GVA in Q1 2021 much smaller than in Q2 2020; released pent-up demand and government spending to drive economic growth this year.
- Jobs demand heavily subdued at the start of 2021 - the strongest skills demand in nursing and care and several professional occupations and the weakest in hospitality, retail and elementary occupations.



BUSINESS & ECONOMY

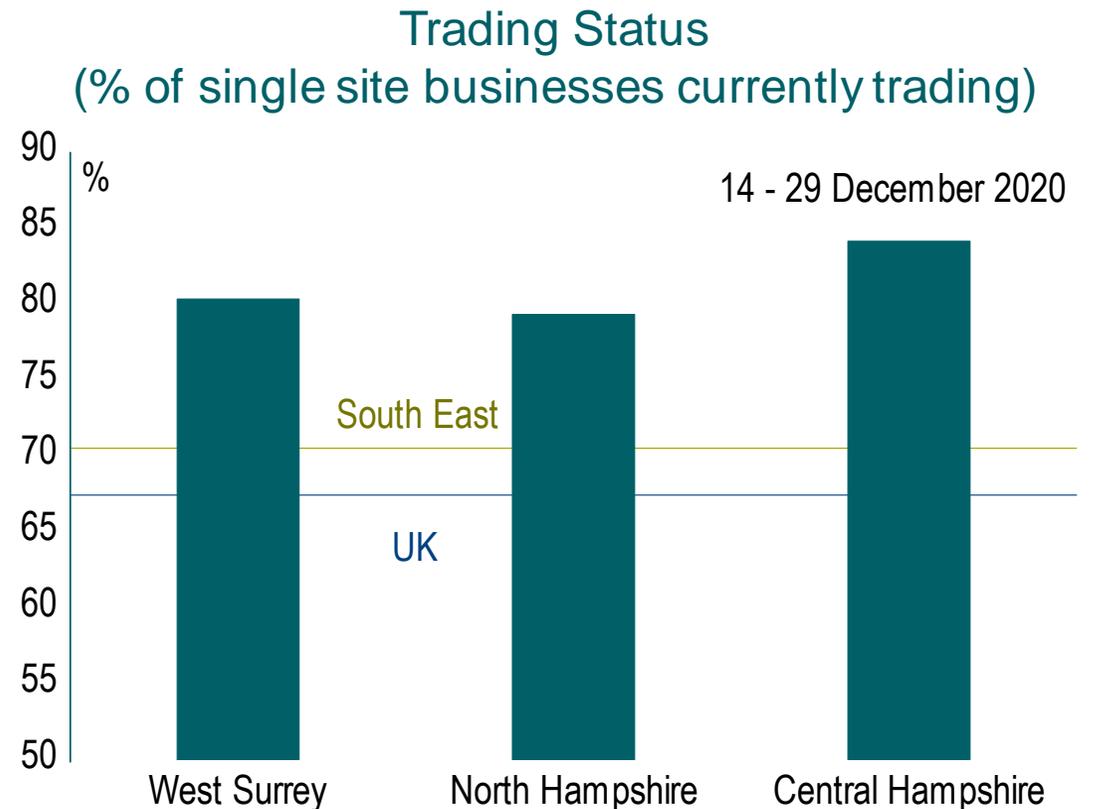
BUSINESS ACTIVITY IN ENTERPRISE M3 ABOVE THE AVERAGE IN LATE DECEMBER

Survey evidence suggests that about 3 in every 4 business in Enterprise M3 were trading in mid-to-late December 2020.

Enterprise M3 had a higher proportion of businesses trading than the South East or the UK.

The economy seems to have become better at adjusting to periods of lockdown

- some 74% of UK businesses were trading in early March 2021



Source: ONS BICS Survey (2021)

West Surrey (Surrey Heath, Woking, Guildford, Waverley, Spelthorne, Runnymede Elmbridge); North Hampshire (Basingstoke & Deane, Hart, Rushmoor); Central Hampshire (Test Valley, Winchester, East Hampshire, New Forest*).

UNPRECEDENTED IMPACT ON FINANCIAL PERFORMANCE OF ENTERPRISE M3 BUSINESSES

A large proportion of businesses in Enterprise M3 experienced a decrease in turnover (sales) in mid-to-late December.

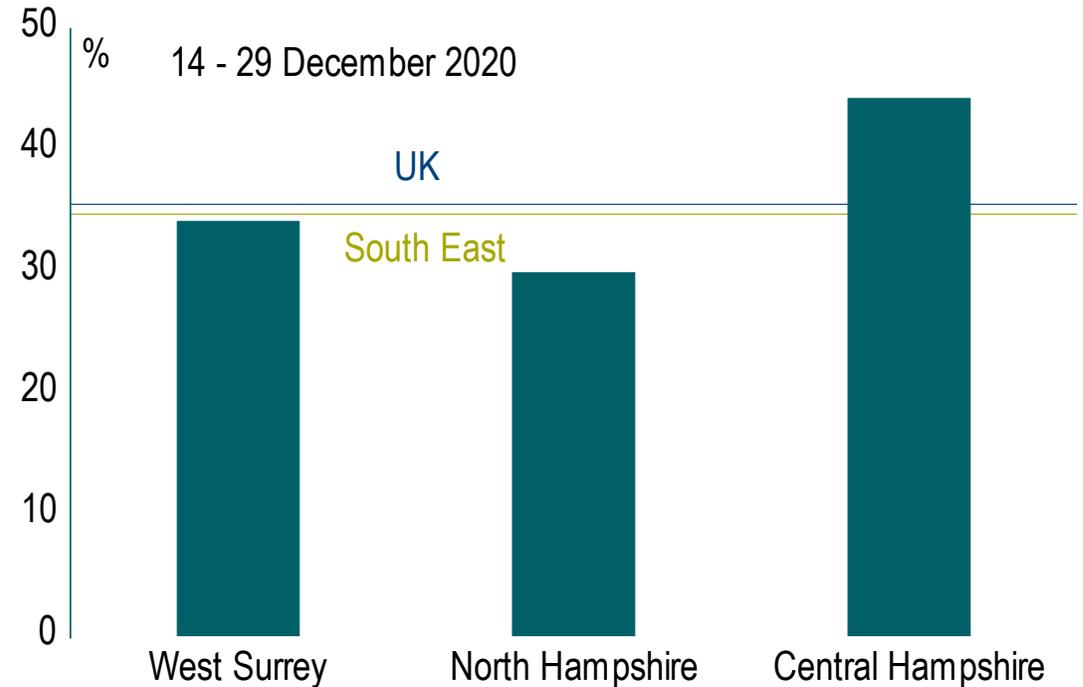
Falling sales had a significant impact on the financial performance of businesses in Enterprise M3.

- Over a third of Enterprise M3 businesses had less than three months cash reserves in mid-to-late December.

The 3rd national lockdown is likely to worsen cashflow position which could impact on business investment.

A range of Business Support measures announced in March 2021 Budget.

Business resilience – cash reserves (% with no or < 3 months cash reserves*)



Source: ONS BICS Survey (2021); *% of single site businesses

West Surrey (Surrey Heath, Woking, Guildford, Waverley, Spelthorne, Runnymede Elmbridge); North Hampshire (Basingstoke & Deane, Hart, Rushmoor); Central Hampshire (Test Valley, Winchester, East Hampshire, New Forest*).

SLUGGISH BUSINESS GROWTH IN ENTERPRISE M3 PRE-PANDEMIC – BUT HIGH BUSINESS DENSITY MATTERS

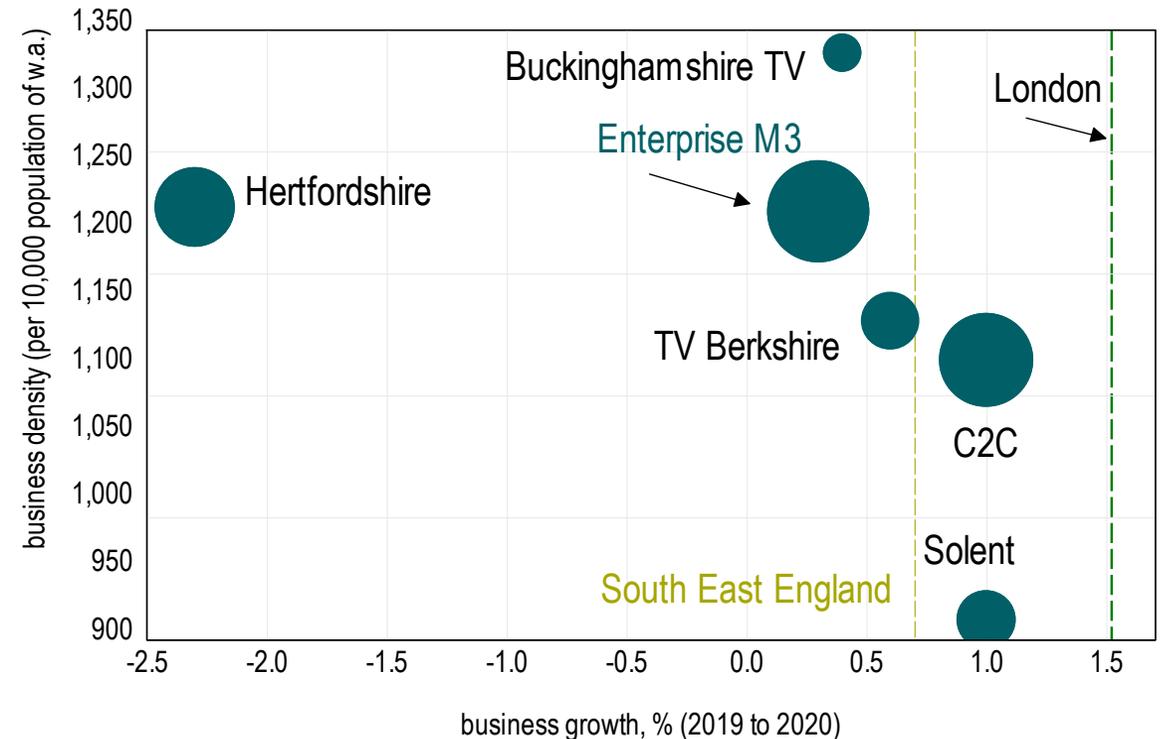
Enterprise M3 has a large number of businesses and one of the highest business densities in the country.

Business growth was sluggish in the year before the start of the pandemic but similar to several other LEPs in the area.

- Enterprise M3 saw a decrease in higher-value added services and an increase in consumer services.

A high business density and favourable industry mix (high concentration of professional services) should make Enterprise M3 economy more resilient relative to most LEPs.

Business stock, density and growth in 2020
(as of mid March 2020)



Source: ONS (2020)

West Surrey (Surrey Heath, Woking, Guildford, Waverley, Spelthorne, Runnymede Elmbridge); North Hampshire (Basingstoke & Deane, Hart, Rushmoor); Central Hampshire (Test Valley, Winchester, East Hampshire, New Forest*).

UNPRECEDENT CONTRACTION IN ECONOMIC OUTPUT IN 2020

2020 saw the sharpest economic contraction in over 300 years.

- UK economy contracted by 9.1% in GVA terms.

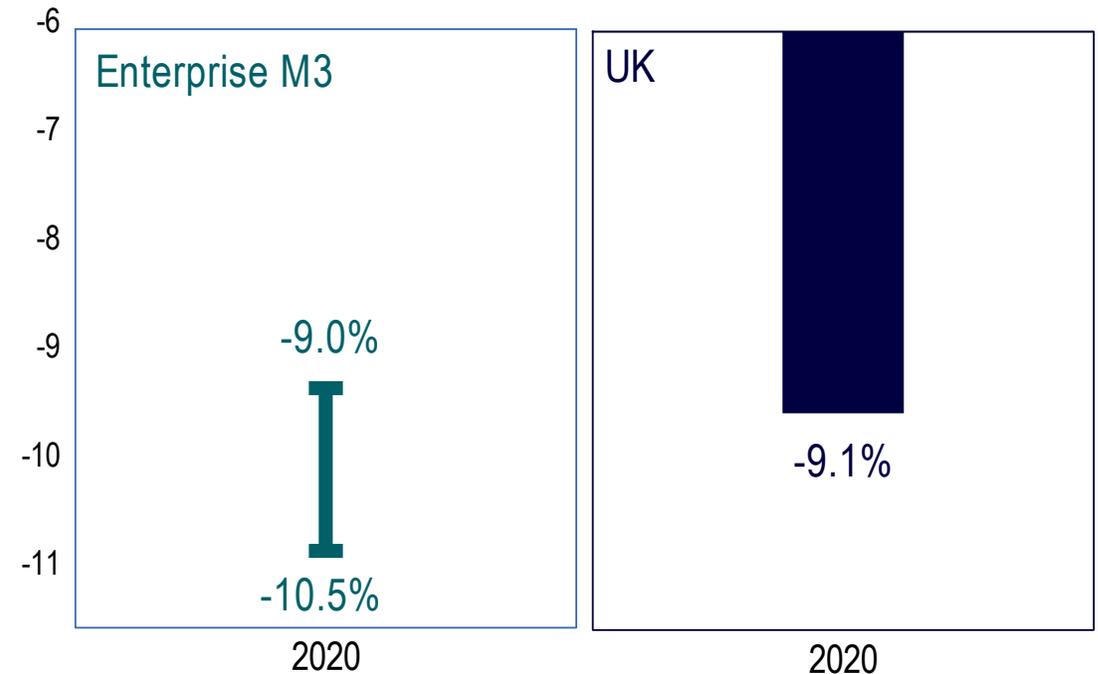
Official estimates for Enterprise M3 are not available - preliminary estimates for 2019 from ONS due in May.

A local estimate of the impact on EM3 ranges from:

- -9% (based on UK sectoral growth)
- To
- -10.5% based on (regional sectoral growth in Q1 and Q2 and national growth in Q3 and Q4)

Does not factor-in likely greater resilience in Enterprise M3 as seen during the 2008/9 recession.

Estimated growth in GVA in 2020



Source: ONS (2021) and EBIS 2021 estimate for Em3 economy

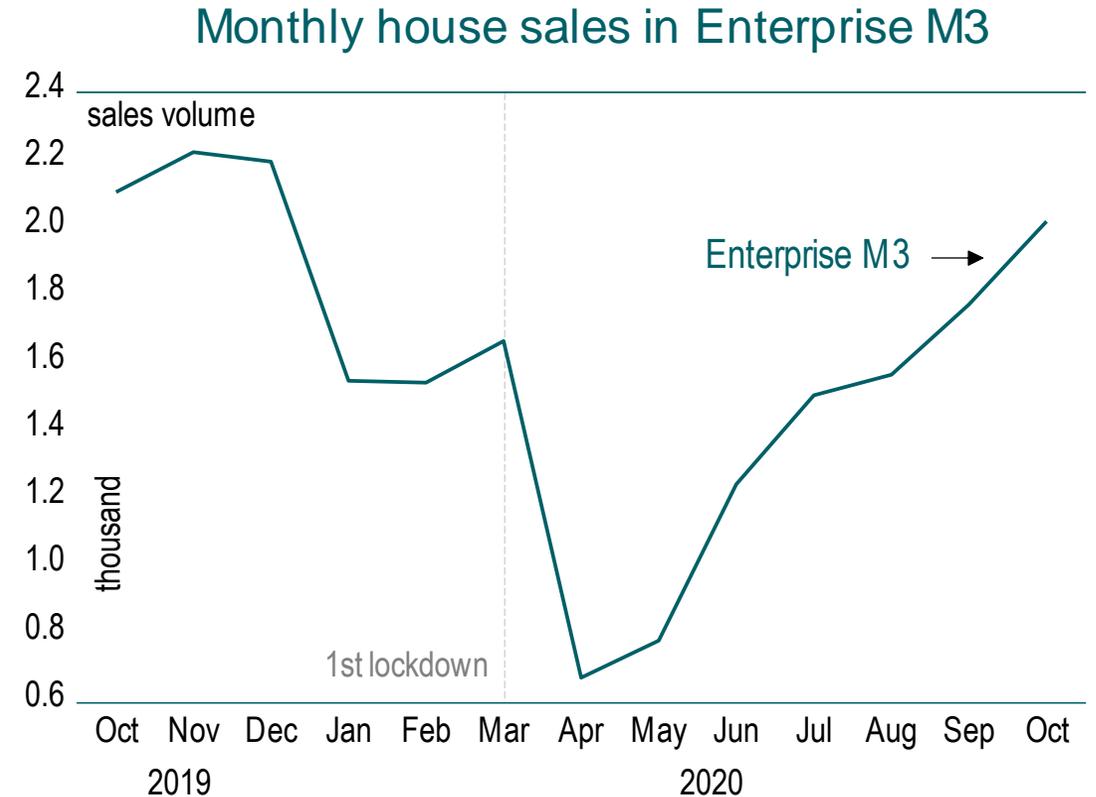
CONSUMER SENTIMENT STARTED TO IMPROVE LATE LAST YEAR

Consumer sentiment in Enterprise M3 recovered in the Autumn judging by the number of residential property transactions.

Consumer sentiment in the UK improved at the strongest pace in eight years in early December before decreasing in January following the introduction of 3rd national lockdown.

We have seen a sharp increase in savings and the consumer appears to be in very good shape in early 2021.

Consumers ready to release their pent-up demand for goods and services as soon as the economy reopens.



Source: ONS (2021)



LABOUR MARKET & SKILLS

HEADLINE EMPLOYMENT TAKES THE HIT BUT THE IMPACT TO DATE HAS BEEN FAR MORE MUTED THAN ON ECONOMIC OUTPUT

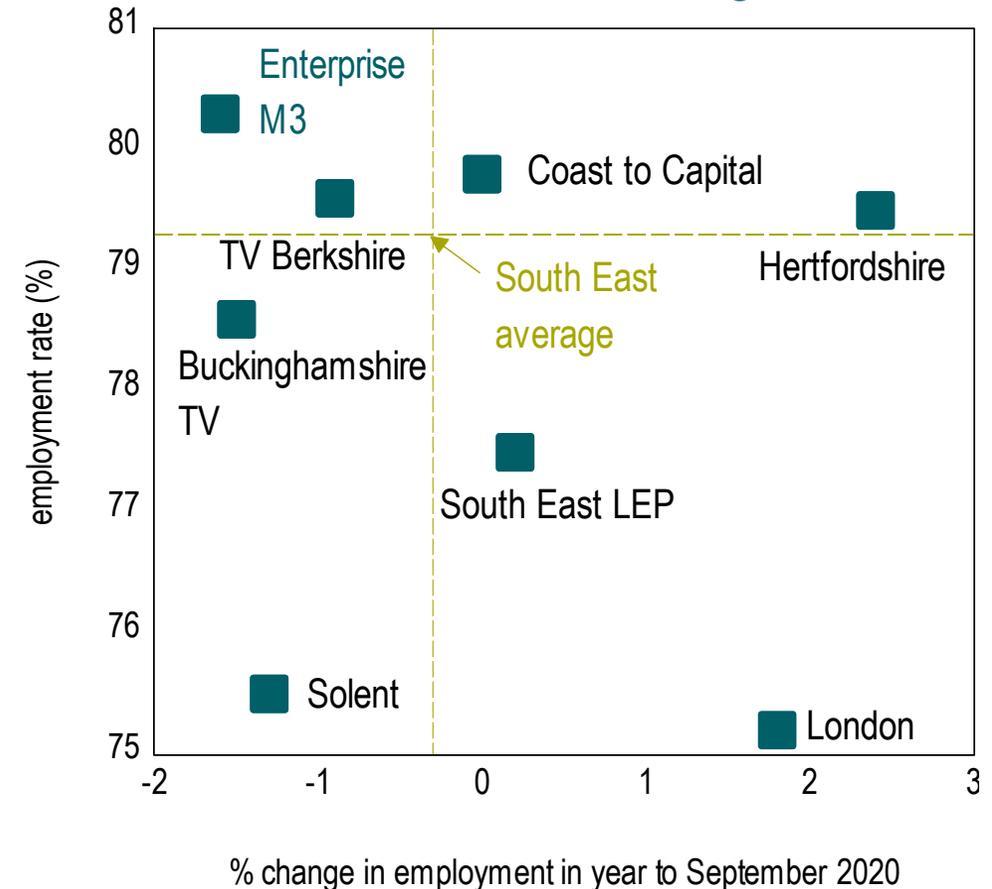
Enterprise M3 has one of the strongest labour markets in the country – employment rate at around 80% in the year to September 2020.

In terms of the impact on the economy this was the worst recession in over 300 years but the impact on the labour market has been more muted.

On the surface it appears that Enterprise M3 residents have been affected to a greater extent by the pandemic than in most other LEPs in the area.

Annual data masks the true impact - apparent strength/weaknesses might also reflect the strength/weakness in the six-month before the pandemic.

Employment rate in the year to 2020 and annual % change



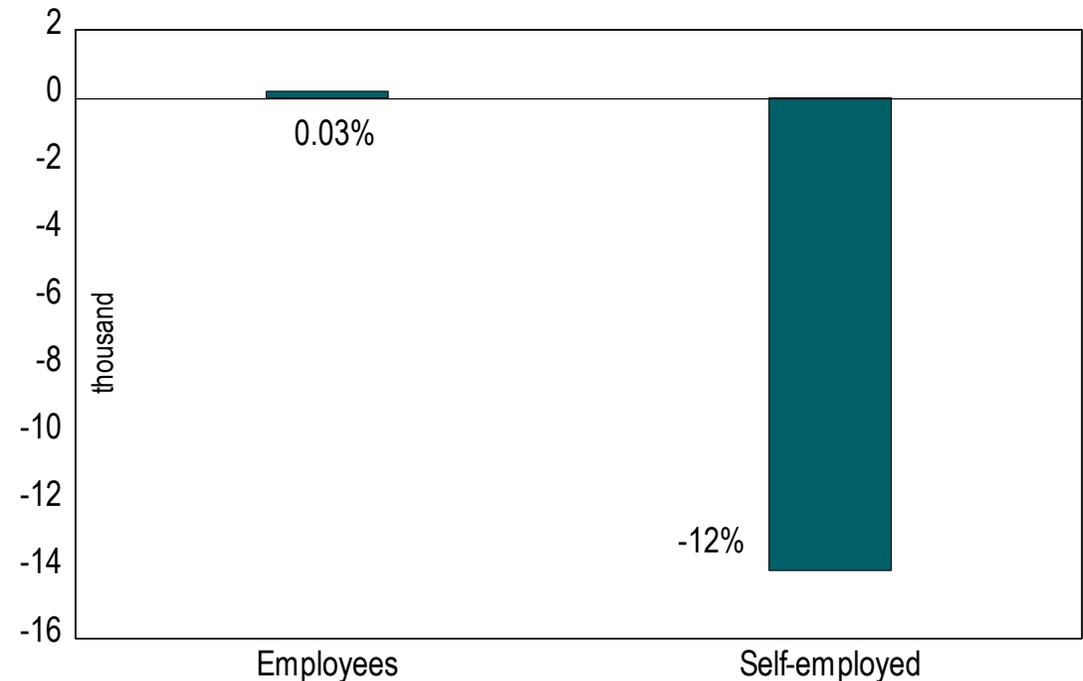
SHARP FALL IN SELF-EMPLOYMENT AND NON-PERMANENT EMPLOYMENT IN ENTERPRISE M3

The fall in overall resident employment in Enterprise M3 to date has been driven entirely by the fall in self-employment.

- Males accounted for close to 90% of the fall in self-employment in Enterprise M3 (concentrations of males in some sectors like construction).
- The number of employee females decreased on the year (concentrations of females in labour intensive consumer services).

The fall in non-permanent employment in Enterprise M3 has been about twice as fast as the fall in the overall employment (typically happens in recessions)

Change in employment in Enterprise M3
(year to September 2020 working-age)



Source: ONS (2021)

ENTERPRISE M3 SEES A RELATIVELY SHARP DECREASE IN EMPLOYMENT AMONG YOUNG PEOPLE

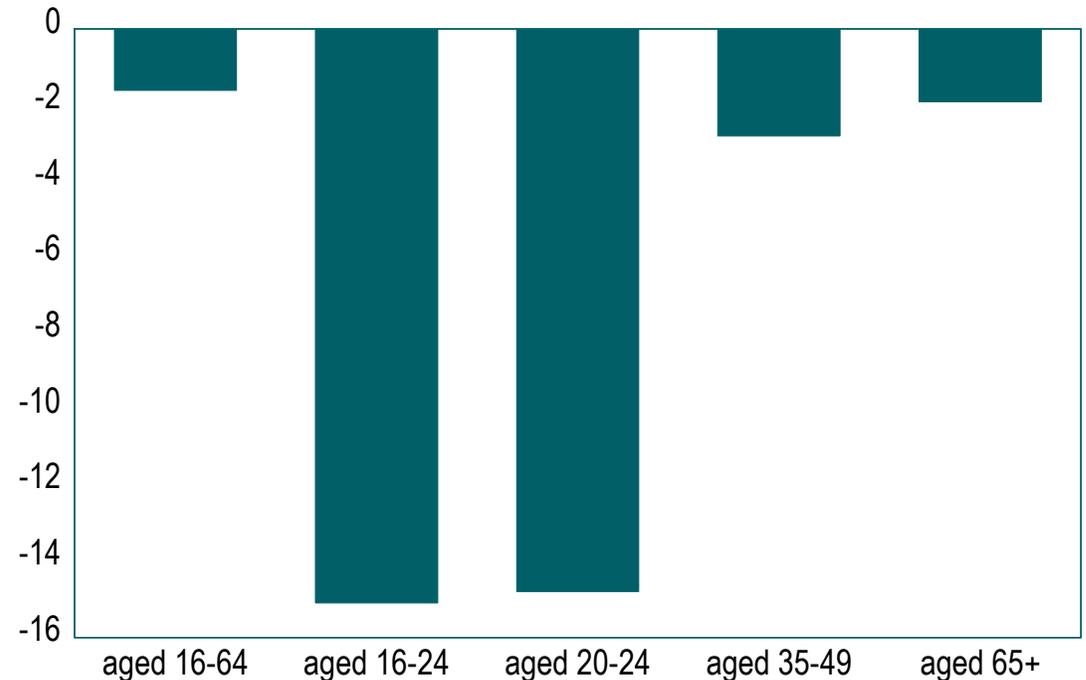
Young people in Enterprise M3 and across the country tend to be disproportionately affected in recessions.

This recession is no different – employment among young people in Enterprise M3 decreased by about 9 times faster than the average employment.

Impact to date largely explained by concentrations of young people employed in labour intensive consumer facing sectors (hospitality, non-essential retail, accommodation etc.).

Young people often have less security at work e.g. non-permanent (temporary) contracts, work fewer hours etc.

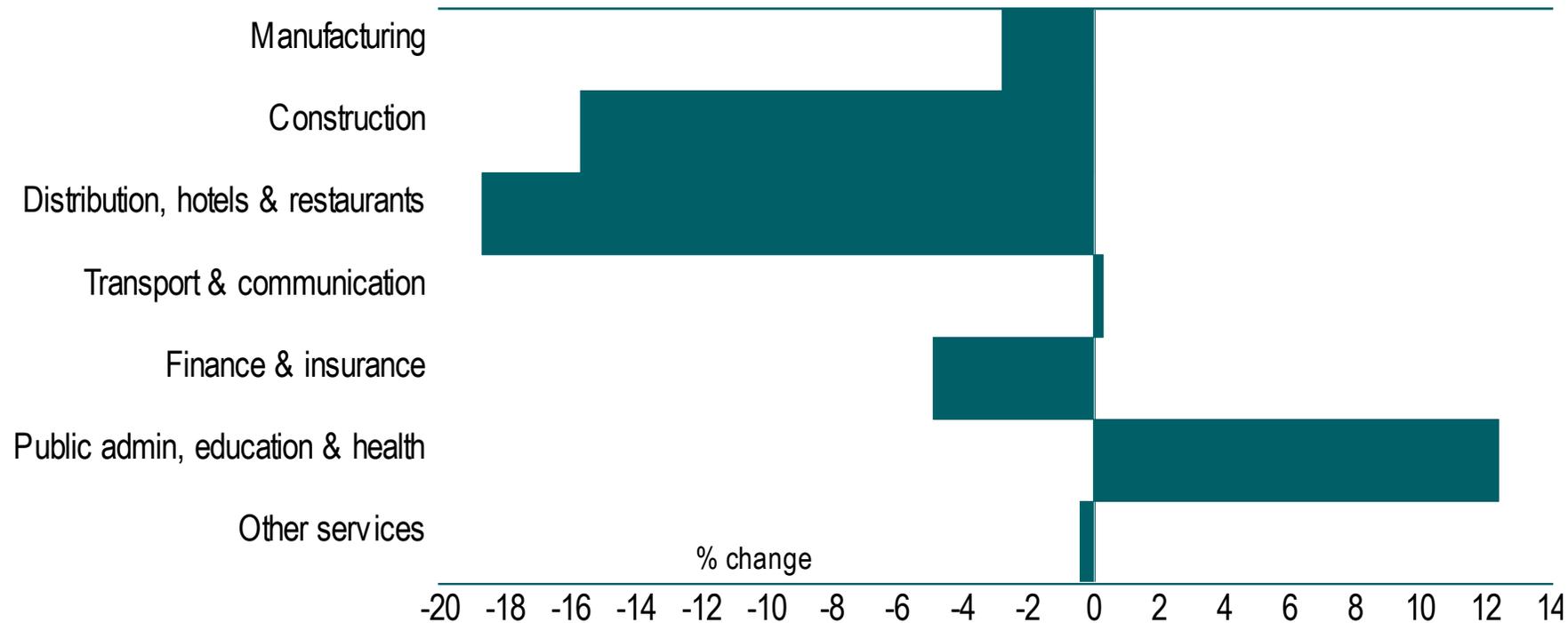
% change in employment by age
(year to September 2020)



Source: ONS (2021)

EMPLOYMENT IN LABOUR INTENSIVE CONSUMER FACING SECTORS AFFECTED THE MOST

Annual growth in resident employment by broad industry – Enterprise M3
(year to September 2020, %)

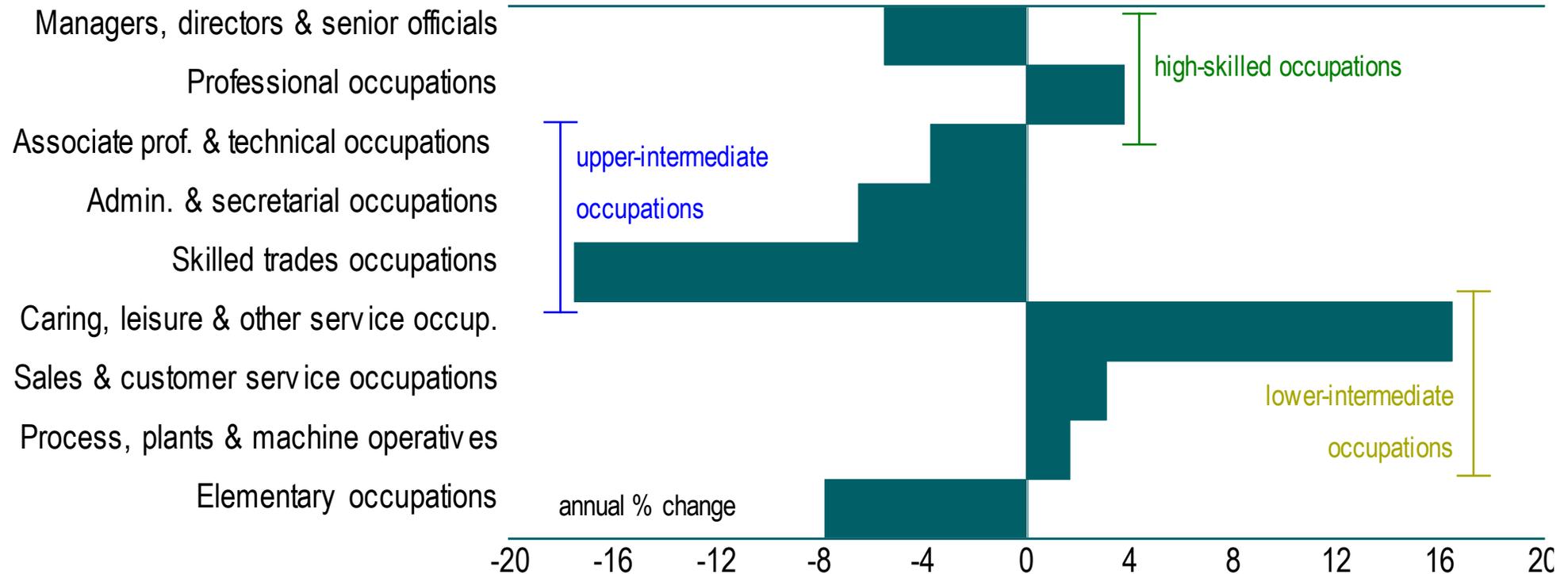


Source: ONS (2021)

- -22,800 in distribution, hotels & restaurants
- -7,500 in construction
- + 26,200 in broad public sector

SHARP FALL IN DEMAND FOR UPPER-INTERMEDIATE AND ELEMENTARY SKILLS, RISE OF LOWER-INTERMEDIATE AND PROFESSIONALS

Annual growth in resident employment by major occupational group – Enterprise M3
(year to September 2020, %)



Source: ONS (2021)

- Upper intermediate: -22,300
- Lower intermediate: +11,700
- Professional: +7,700
- Professional occupations: science, research, engineering & technology (+), health (+), teaching & education (+), business, media & public service (-)

SHARP INCREASE IN UNEMPLOYMENT BUT THE LOWEST LEP UNEMPLOYMENT RATE IN THE AREA

Sharp increase in unemployment in Enterprise M3 area over the past 12 months.

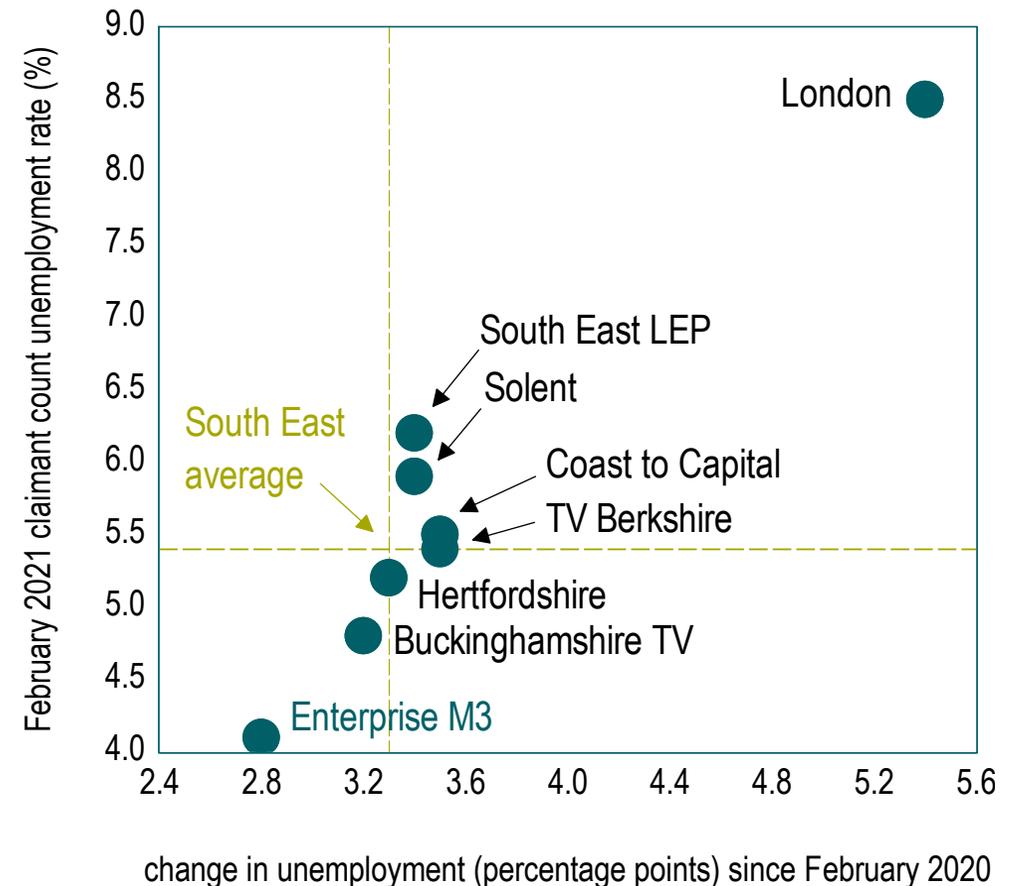
The number of claimants increased by 220% to about 39,000 over the past 12 months.

The increase in the rate was significant, up 2.8 percentage points to 4.1% but smaller than in other LEPs in the area.

Administrative claimant count measure of unemployment will not include all people that are unemployed.

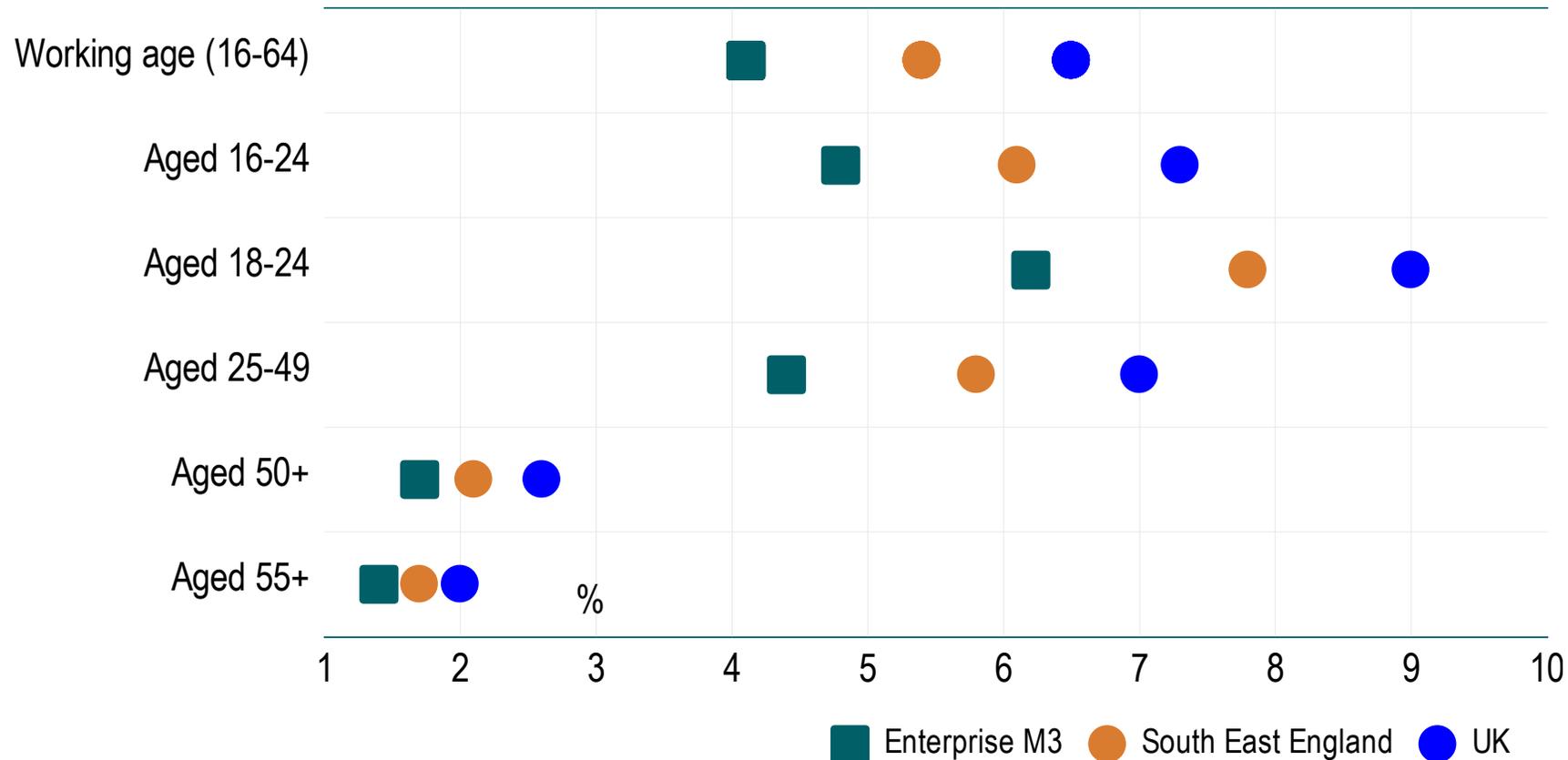
Some will not be eligible for unemployment-related benefits and some will drop-out of the labour market (become economically inactive).

Unemployment rates - February 2021 and annual pp change in the rate



SHARP INCREASE IN YOUTH UNEMPLOYMENT

Unemployment rates by age group – February 2021
(Claimant Count Unemployment)

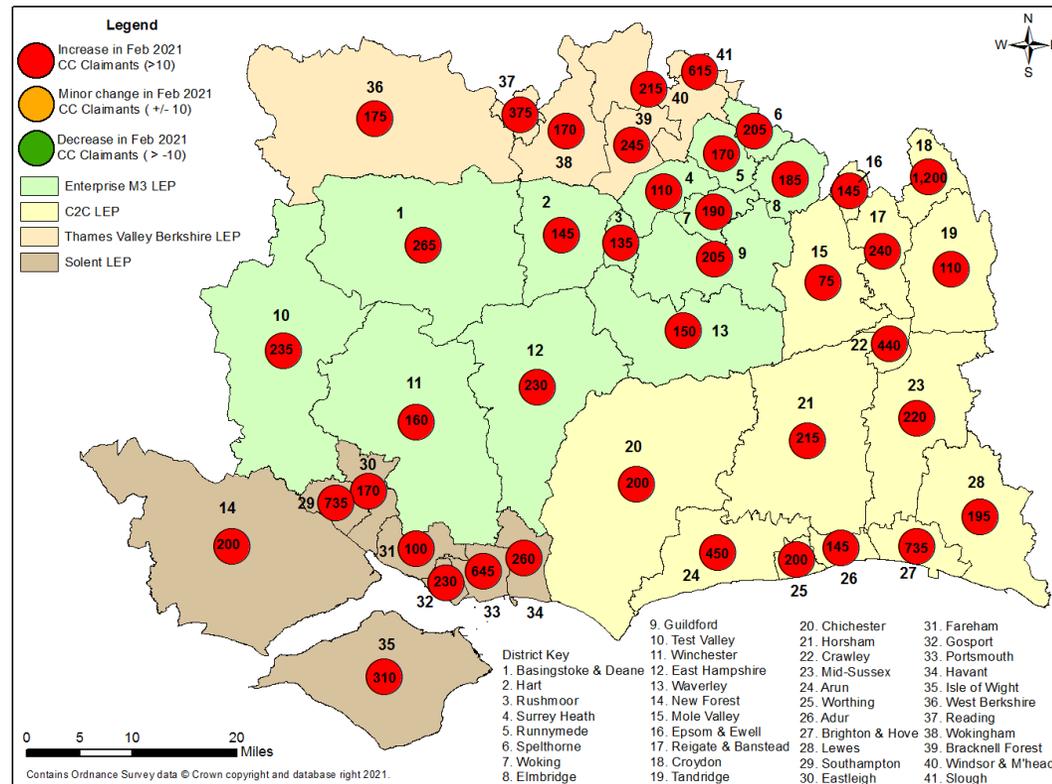


Source: ONS (2021)

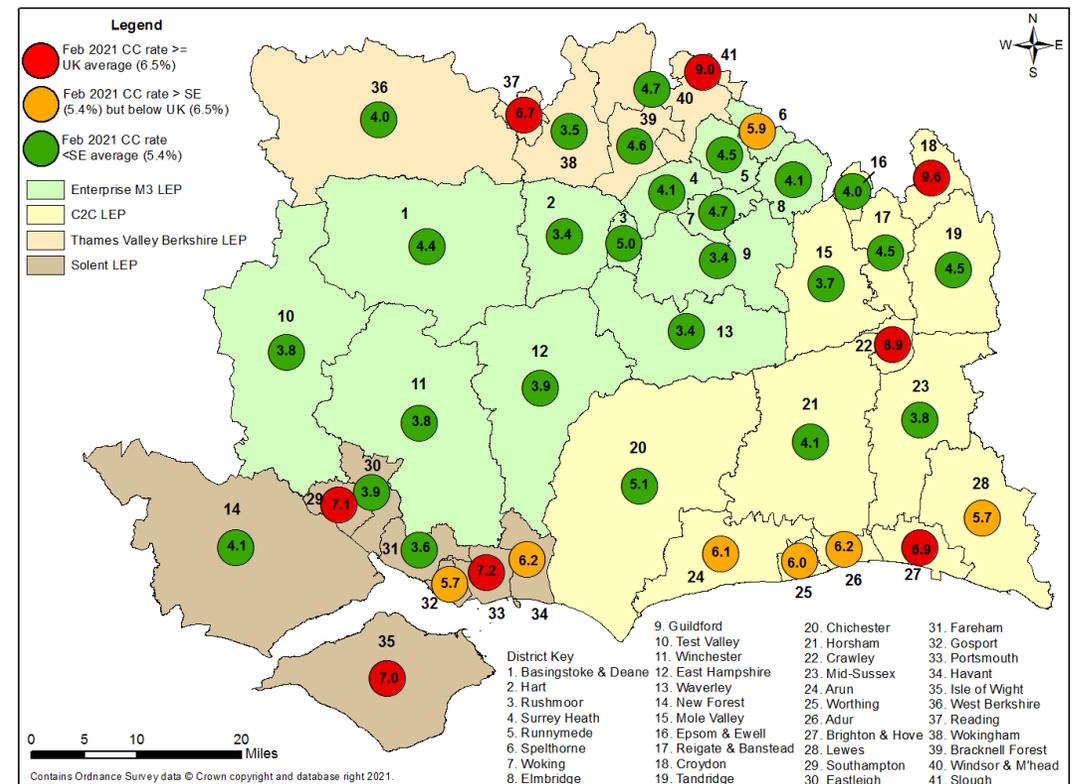
- Unemployment among young people increased by about 4.4 percentage points (pp.) to 6.2% in February 2021
- Increase in all age unemployment was 2.8 pp. to 4.1%
- Unemployment across all age groups below regional and national averages.

UNEMPLOYMENT ACROSS ENTERPRISE M3 WELL BELOW REGIONAL AND NATIONAL AVERAGES

Monthly change in unemployment – February 2021
(Claimant Count Unemployment)



Unemployment rates – February 2021
(Claimant Count Unemployment)



- Unemployment in February increased in all local authorities in Enterprise M3 but the numbers are not adjusted for seasonal factors.

- Unemployment on this measure across all but one local authority district in Enterprise M3 stand below both, the UK and South East averages.

LARGE NUMBER OF JOBS IN ENTERPRISE M3 DIRECTLY SUPPORTED BY GOVERNMENT

Relatively muted impact on the labour market is explained by an unprecedented government intervention in the labour market.

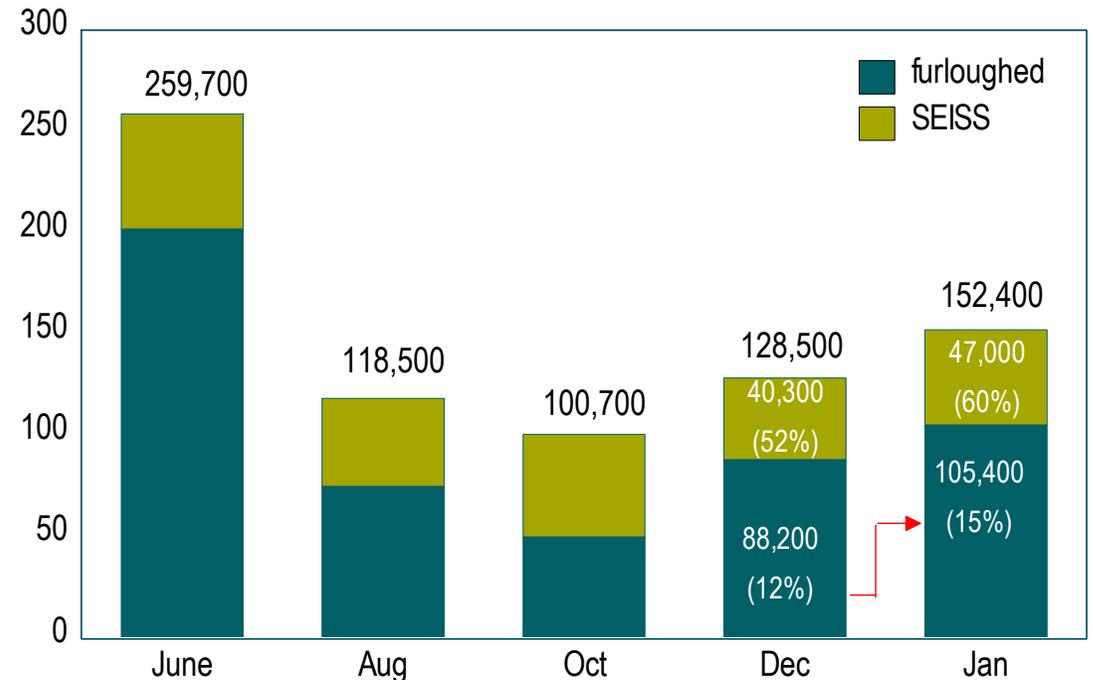
Large numbers of jobs in Enterprise M3 directly supported by government (about 20% more in January 2021 than in December 2020).

Young and older workers (55+) more likely to be furloughed than other age groups.

People in labour intensive consumer services (hospitality, arts etc.) more likely to be furloughed than people employed in professional services.

Job Support Schemes have been extended until the end of September 2021 (March 2021 Budget).

Jobs directly supported by the Government
(Enterprise M3 – June 2020 to Jan 2021)



Source: HMRC (2021)



DEMAND FOR LABOUR AND SKILLS AT THE START OF 2021

SHARP FALL IN BUSINESS ACTIVITY (OUTPUT) AT THE START OF 2021 BUT BUSINESSES HAVE BECOME BETTER AT ADAPTING TO LOCKDOWNS

The 3rd national lockdown led to a sharp fall in business activity (output) in the South East in January 2021 and the sharpest contraction in the volume of new orders since May 2020.

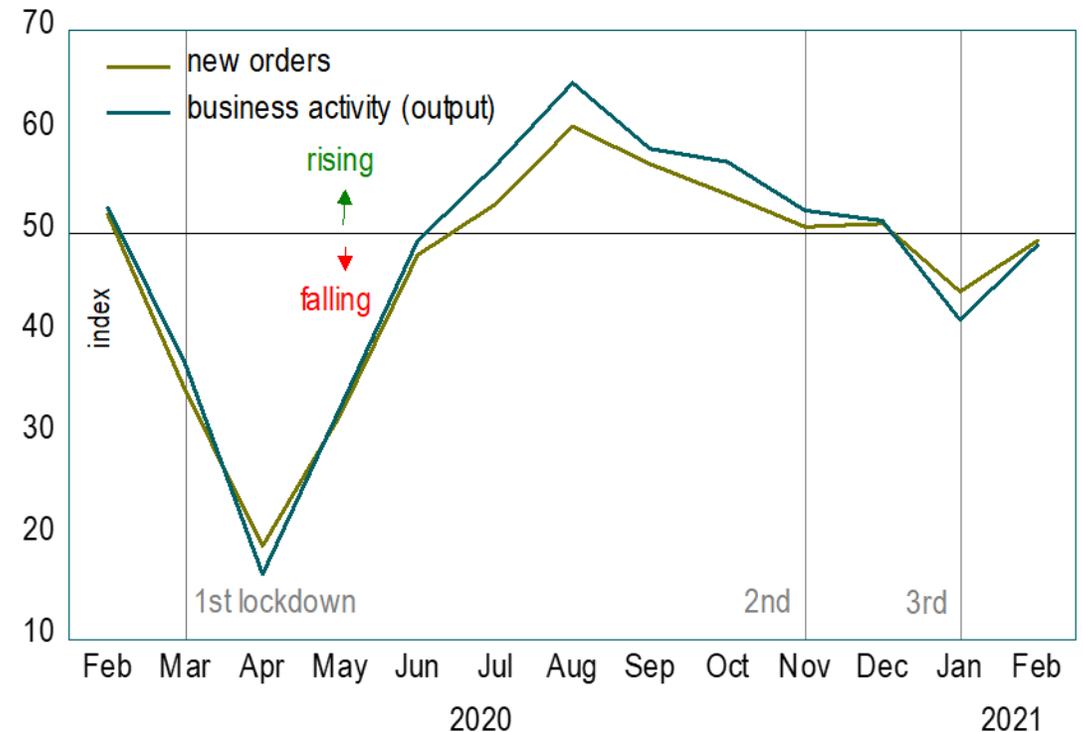
Most businesses have been allowed to operate and the economy seems to have become better at adjusting to periods of lockdowns

- Output and New Orders fell in February but at a much slower pace than in January.

The impact on economic growth in the 1st quarter of 2021 is going to be much smaller than in the 2nd quarter of last year.

Released pent-up demand and government spending to drive economic growth this year.

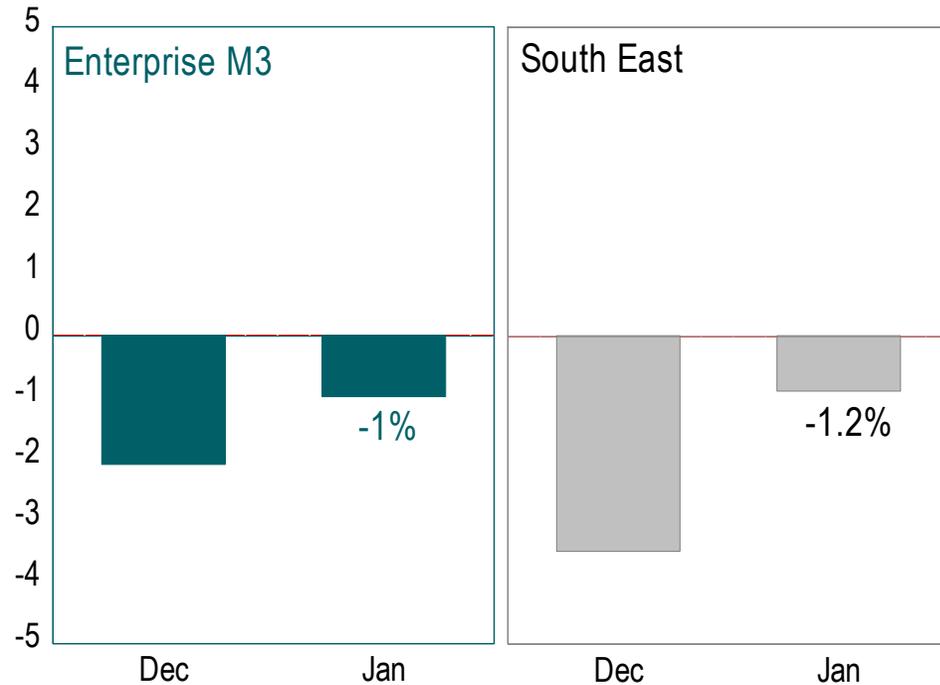
Business activity (output) and new orders (South East England)



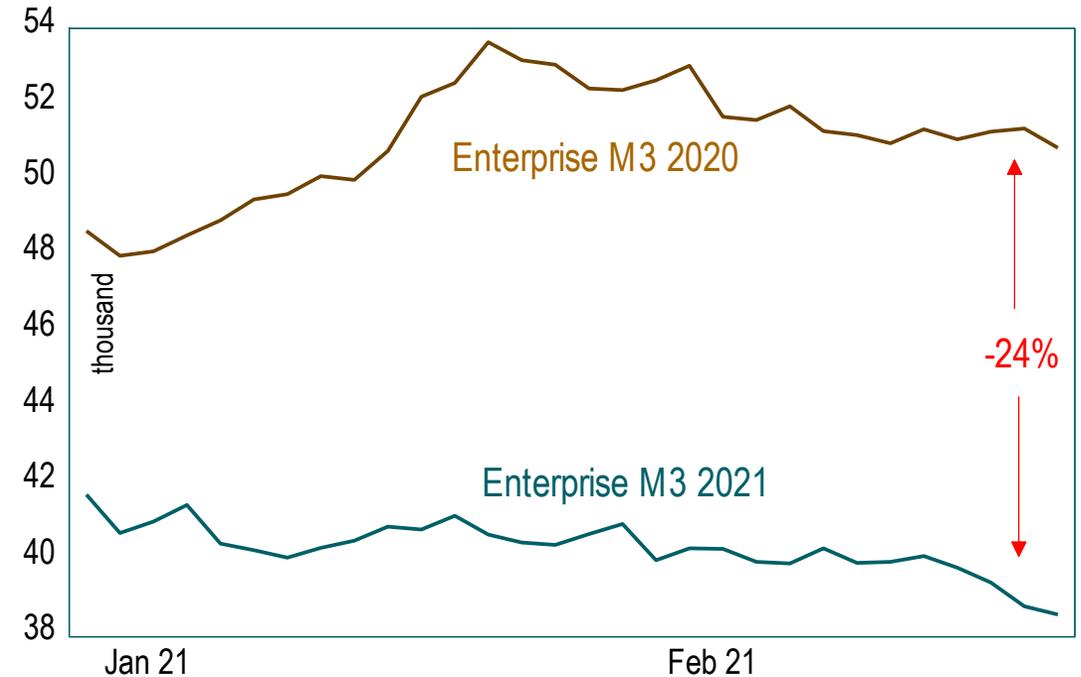
Source: Markit (2021)

RENEWED DOWNTURN IN HIRING ACTIVITY IN ENTERPRISE M3 AT THE START OF 2021

% change in online job postings
(December to January)



Online job postings relative to last year
(30 days to 24th February)



Source: HMRC (2021)

- Jobs demand in Enterprise M3 weakened further in January.
- A large gap in demand for labour relative to last year's levels.

THE FALL IN JOB DEMAND IN ENTERPRISE M3 SIMILAR TO OTHER LEPs IN THE AREA

Jobs demand in the area was substantially weaker in late February 2021 than at the same time last year.

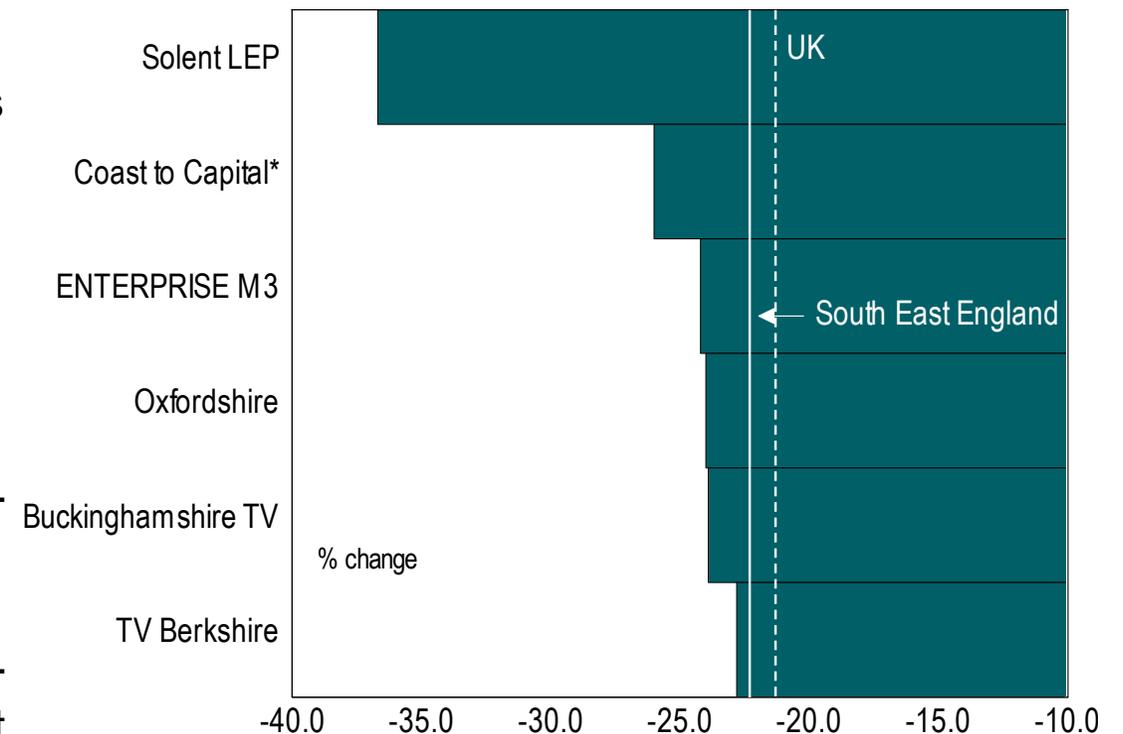
The gap in jobs demand relative to last year's levels above regional and UK average.

- Close to a fifth (24%) weaker in Enterprise M3 than at this time last year.
- Over a third weaker in Solent (about 37%).

In part explained by the relative strength pre-pandemic.

In part explained by concentrations of consumer-facing sectors that have been affected the most by the pandemic.

Online job postings relative to last year
(30 days to 24th February)



Source: Emsi (2021)

SKILLS THAT ARE IN DEMAND AT THE START OF 2021

Jobs demand in Enterprise M3 in January – Top 10 Occupations

Occupation (SOC)	Unique Postings (Jan 2021)	%
Nurses	3,740	8.2
Programmers and software development professionals	2,877	6.3
Sales accounts and business development managers	2,673	5.9
Care workers and home carers	2,294	5.0
Book-keepers, payroll managers and wages clerks	1,469	3.2
Information technology and telecommunications professionals n.e.c.	1,466	3.2
Finance and investment analysts and advisers	1,408	3.1
Business sales executives	1,255	2.8
Primary and nursery education teaching professionals	1,247	2.7
Business and financial project management professionals	1,073	2.4

Source: Emsi (2021)

- Demand for upper-skill occupations in Enterprise M3 area
- Demand for intermediate occupations (nursing and care related)

SKILLS IN LOW DEMAND

Jobs demand in Enterprise M3 in January – Top 10 Occupations

Occupation (SOC)	Unique Postings (Jan 2021)	(%)
Property, housing and estate managers	511	1.1
Kitchen and catering assistants	502	1.1
Sales and retail assistants	499	1.1
Teaching assistants	470	1.0
Production managers and directors in construction	466	1.0
Residential, day and domiciliary care managers and proprietors	465	1.0
Quantity surveyors	465	1.0
Elementary construction occupations	444	1.0
Records clerks and assistants	441	1.0
Financial and accounting technicians	439	1.0

Source: Emsi (2021)

- Low demand for elementary occupations in sectors most affected by Covid19
- Hospitality, retail, education, construction
- Technology affecting demand in some occ. (record clerks, some technical occ. etc.)?

BUSINESS NEWS HEADLINES

Marlowe has acquired Dundee-based HR software firm Youmanage for £1.2m, as well as **Woking-based ESPHR** for £3.2m, WPL, the Hampshire based wastewater treatment firm for £10m, and Horsham-based HRSP for £0.7m. Marlowe, 20 Grosvenor Place, London, SW1X 7HN

Instem has acquired **The Edge, the Guildford-based software firm**, for £8.5m. Instem, Diamond Way, Stone, Staffordshire, ST15 0SD

Waitrose is to replace its dairy unit on the **Leckford Estate in Hampshire** with a new beef production facility. Waitrose, Doncastle Road, Bracknell, Berkshire, RG12 8YA

Ocado is looking to open smaller automated online grocery warehouses across the country. Ocado, Titan Court, 3 Bishop Square, Hatfield, AL10 9NE

Flavour Warehouse has acquired **Vapouriz, the Guildford-based chain** of seven vaping stores. Flavour Warehouse, Lower Eccleshill Road, Darwin, Lancs, BB3 0RW.

Morrison Utility Services is to create an unspecified number of jobs to work on a new £50m gas pipe maintenance contract for SGN in **southern England**. Gunnels Wood Rd, Stevenage, Herts, SG1 2ST. [15-Feb-2021]

Be Wiser is to shed an unspecified number of the 280 jobs at its motor insurance offices in **Andover** and Swindon. Barrett Hse, Savoy Cl, Andover, Hampshire, SP10 2HZ. [15-Feb-2021]

Vintage Wealth Management has acquired **Surrey-based Corfe Wealth Management** for undisclosed terms. [01-Feb-2021]

BUSINESS NEWS HEADLINES

Dentons Pension Management of Surrey has acquired Brown Shipley's pensions administration business, with the transfer of 16 staff. [13-Jan-2021]

Sanderson Solutions Group has acquired **Surrey-based Highams** from Nakama Group for undisclosed terms, taking the workforce at its Bristol-based recruitment business to 250. [06-Jan-2021]

Hermes is to set up a 78,000 sq ft parcel delivery depot at West Park Industrial Estate in **Weybridge**, Surrey. Capitol House, 1 Capitol Close, Morley, Leeds, LS27 0WH. [21-Dec-2020]

ABL 1Touch, the **Surrey-based automotive accident repair group** with 13 sites, has undergone a management buy-out backed by Mobeus. [21-Dec-2020]

Stannah has won planning approval to build a new 90,000 sq ft stairlifts factory in **Andover**. [17-Dec-2020]

Discover Financial Services is to create 100 new software engineering jobs at its digital bank and payments business in **Farnborough**. PO Box 30943, Salt Lake City, UT 84130 0943, USA. [07-Dec-2020]

PRODUCED BY ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIPS IN PARTNERSHIP WITH THE ECONOMIC & BUSINESS INTELLIGENCE SERVICE (EBIS)

