



enterprise**m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – May 2022

HEADLINES

- Economic growth comes to a standstill at the end of the first quarter (March) – we may see a decline in Q2 (Apr-June) and/or later in the year.
- Inflation returns with a vengeance leading to rapid increase in business costs, business failure, falling consumer spending and confidence.
- Bank of England under pressure to increase interest rates when economy is experiencing stagflation.
- Signs of a slowdown in employment growth and vacancies.
- Relatively high proportion of highly skilled residents but little-to-no-growth between 2019 and 2021 and widening gap with Thames Valley Berkshire.
- Occupations requiring high skills still in demand but EM3 losing its competitive strength to Thames Valley Berkshire. Is little-to-no-growth in high skills supply to blame?

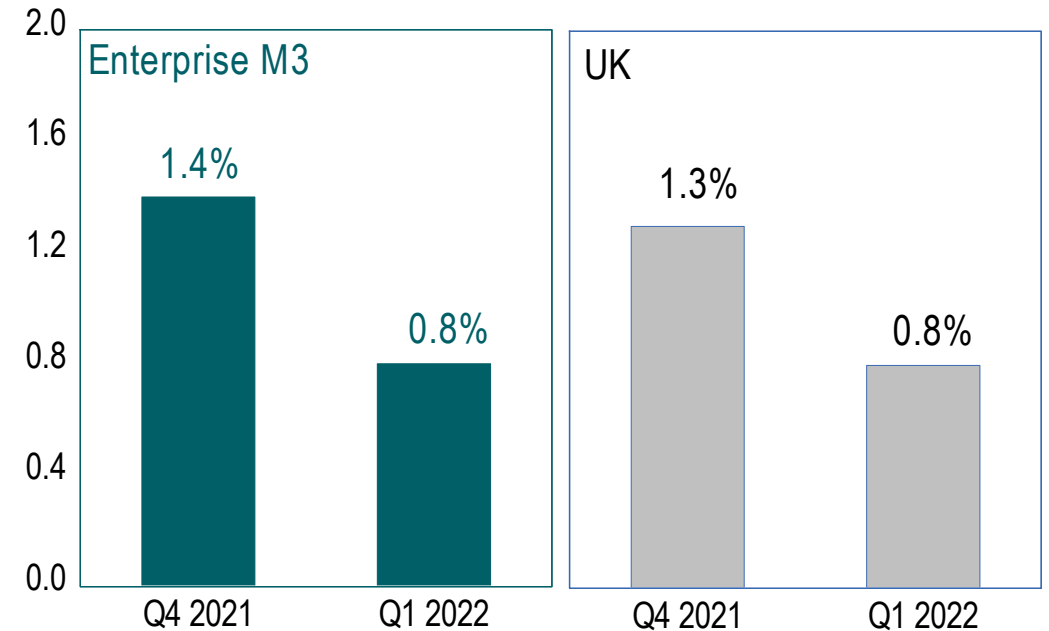


ECONOMY & BUSINESS

ECONOMIC RECOVERY SLOWING AND AT RISK OF STALLING

- Economic growth slows down over Q1 (Jan to Mar).
- Strong growth at the start of the year but March sees a small contraction in economic growth.
- Sharp fall in wholesale & retail output in March.
- Economic output decreased in ICT and finance & insurance.
- Evidence from business surveys was still relatively strong in April but increasing evidence of stagflation if not recession later this year.

Estimated growth in GVA
Q4 2021 and Q1 2022 (calendar quarters)

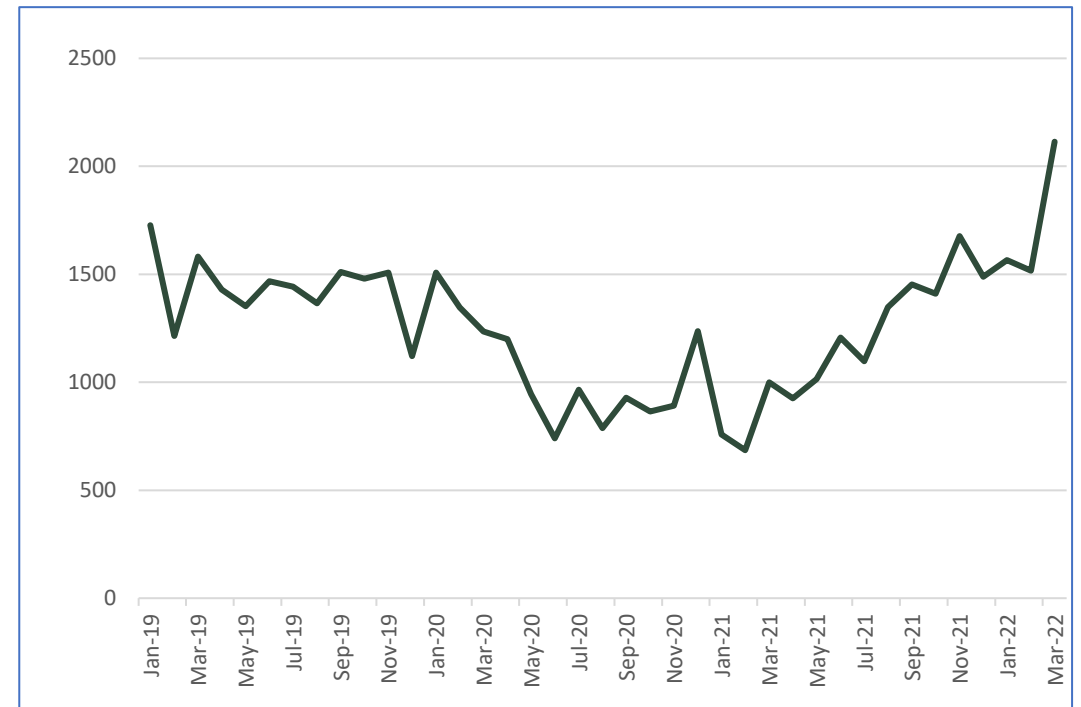


Source: ONS and HCC (2022)

BUSINESS INSOLVENCIES AT A 10-YEAR HIGH

- Survey evidence from purchasing managers was relatively strong but April saw a general loss of momentum.
- Business sentiment in the South East falls to lowest in a year-and-a-half.
- Business insolvencies in England and Wales reach a 10-year high in the first quarter (Jan to Mar).
- Withdrawal of Covid-19 business support.

Company insolvencies
England & Wales

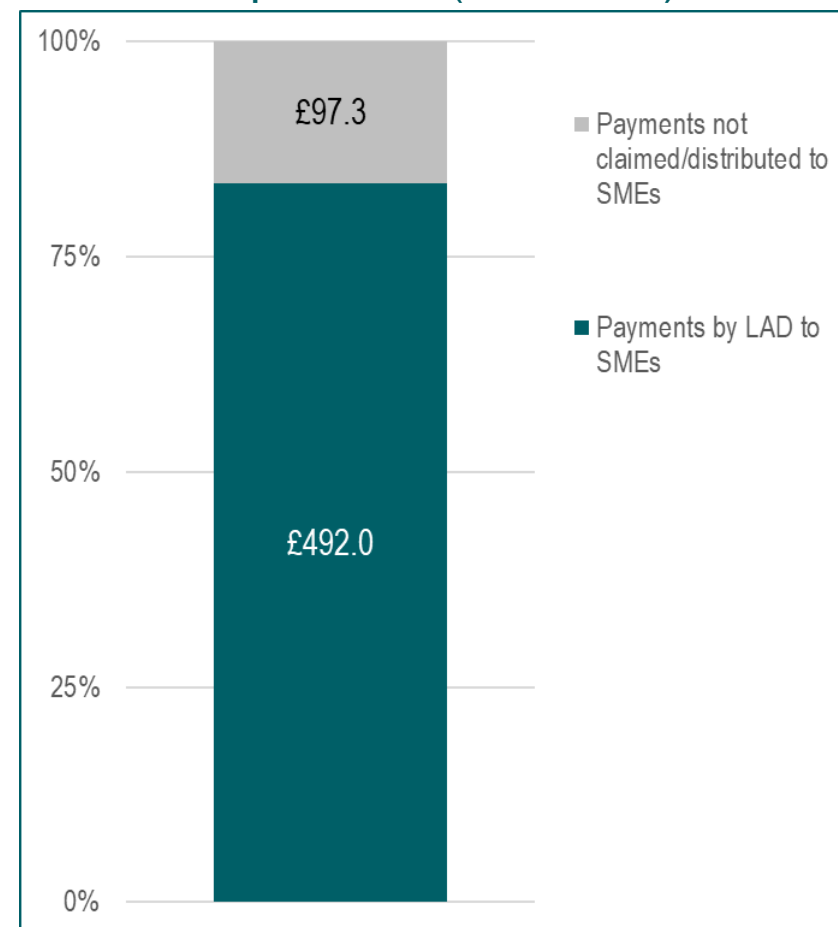


Source: UK Insolvency Service (2022)

MORE THAN HALF A BILLION POUNDS IN SME COVID GRANTS EARMARKED FOR EM3 BUSINESSES

- Unprecedented support to SMEs during pandemic arguably prevented massive business failure.
- Local authority districts in EM3 area collectively received almost £600 million from central government across six funds to support SMEs.
- Nearly £500 million (80%) distributed; just under £100 million (20%) remained provisionally unallocated by end of February.
- Most funds closed in 2021 but Omicron Hospitality & Leisure Grant (OHLG) and Additional Restrictions Grant (ARG) closed end of March 2022.
- End of support comes just as businesses face a slowdown in sales and increase in costs (borrowing, inputs, labour).

Covid19 SME business grants in Enterprise M3 (£ millions)



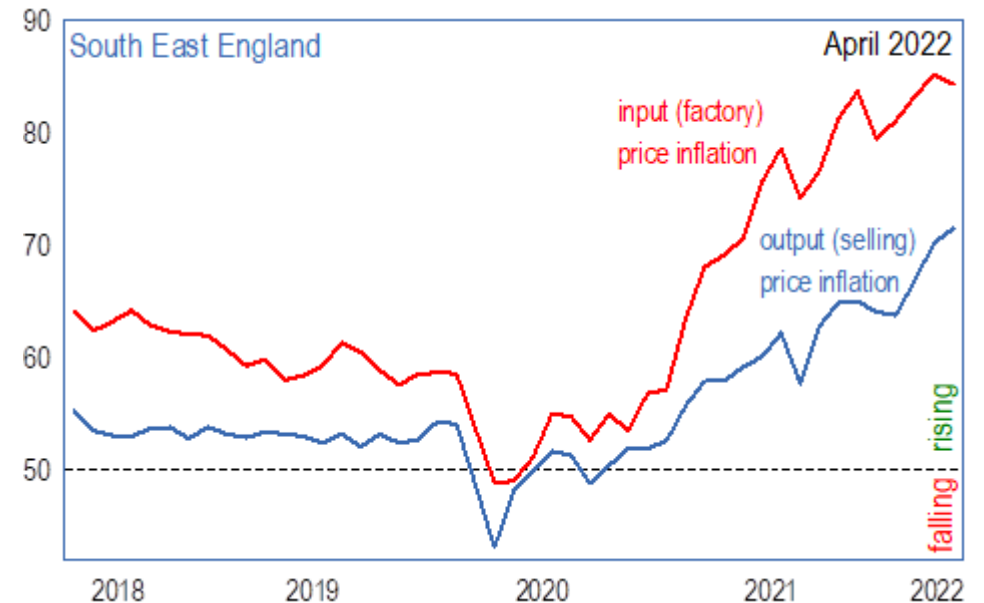
Source: BEIS (2022)

*All closed. OHLG and ARG were closed in March but not all data from LADs submitted so payment may change.

SHARP INCREASE IN INFLATION AND BUSINESS COSTS

- Inflation at a 30-year high in March with BoE expecting inflation to increase to over 10% in the final quarter (Sep-Dec) of this year.
- Inflation more likely to be long term.
- April saw another sharp increase in business costs.
- South East saw a near-record increase in factory/business costs.
- Strong evidence of business costs being passed on to consumers (output price inflation accelerated to a new record in the region).

Business prices
South East England



Source: Markit/NatWest (2022)

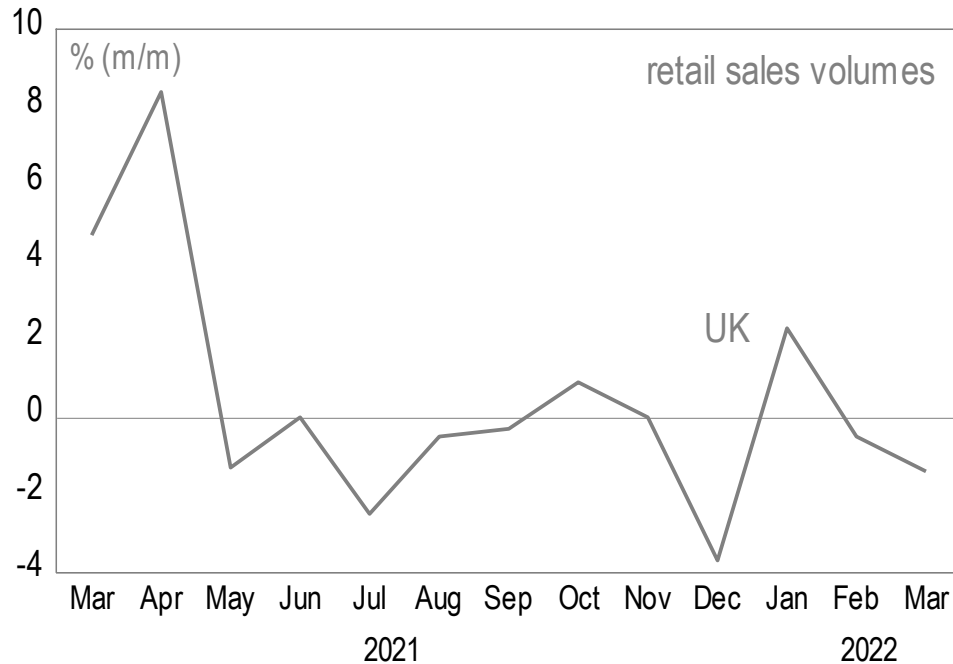
Note:

Input prices include costs to business such as materials, fuel, staff wages.

Output prices are what businesses charge their customers.

FALLING SALES AND CONSUMER SENTIMENT

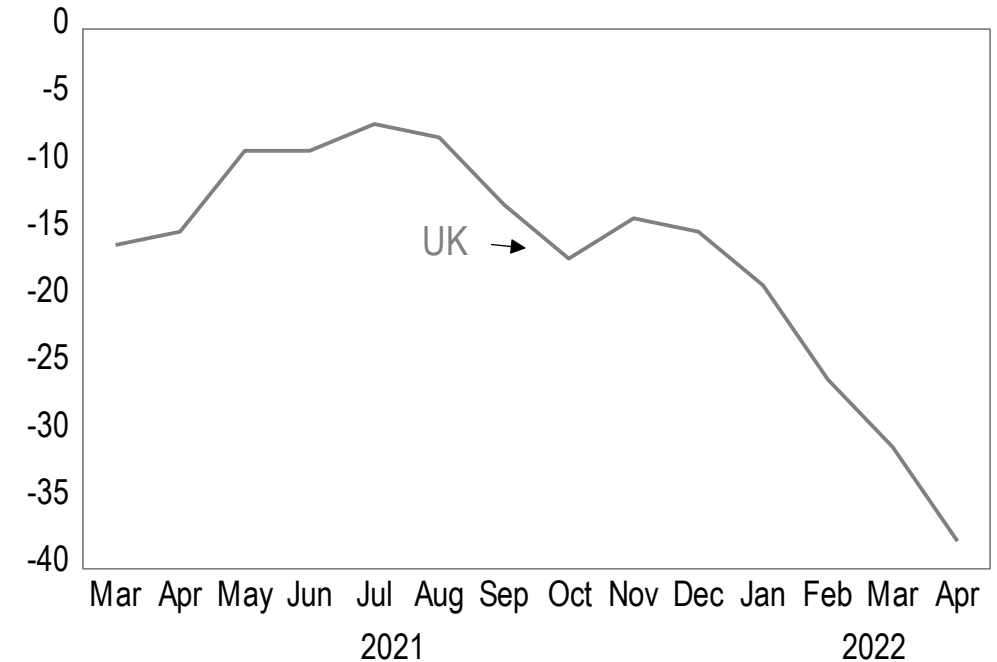
Retail sales growth, % (m/m)
United Kingdom



Source: ONS (2022)

- 2nd consecutive monthly fall in retail sales in March.
- OBR projected sharpest fall in real household incomes since 1960s.

Consumer sentiment (index)
United Kingdom



- Consumer sentiment back to pre-2008 level in April.
- Economy is experiencing stagflation i.e. low growth high inflation.

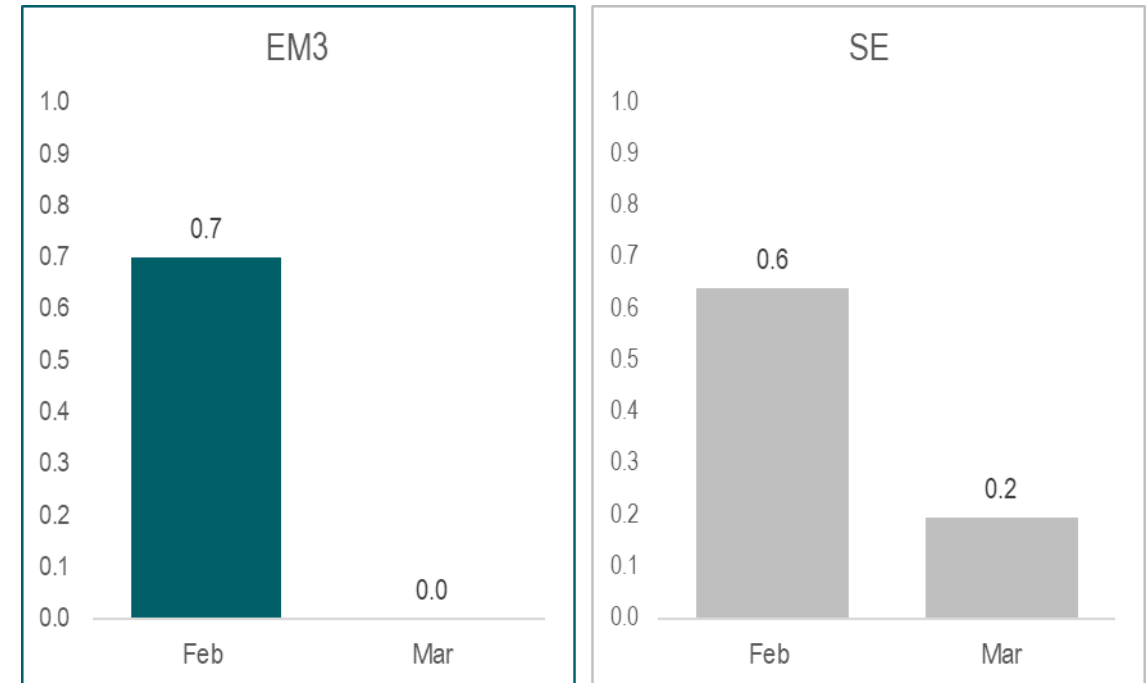


LABOUR MARKET & SKILLS

PAYE EMPLOYMENT GROWTH IN ENTERPRISE M3 STALLS IN MARCH

- Strong growth in PAYE employment in 2021.
- Compared to February 2022, PAYE employment growth rates in EM3 stalled in March.
- In February 2022, EM3 saw over 5,000 additional employees compared to around 300 more in March.
- Temporary seasonal dip in employment growth or early signs of a broader slowdown?

PAYE employee growth in Enterprise M3
(monthly % change)

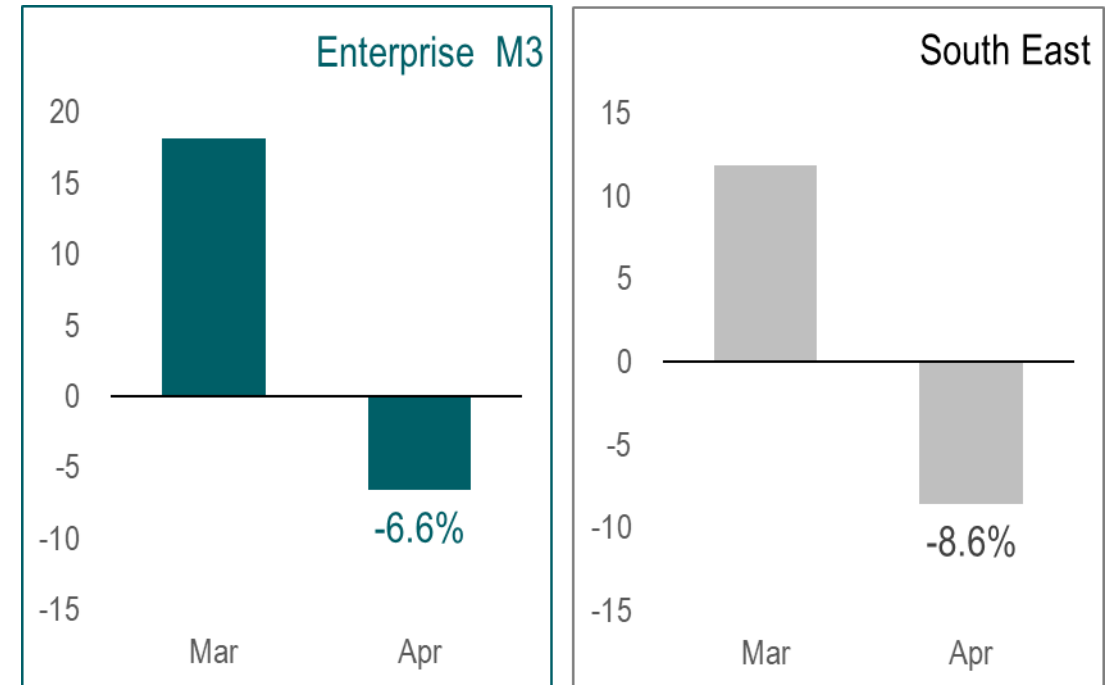


Source: HMRC (2022)

APRIL SEES FURTHER EVIDENCE OF SLOWING DEMAND FOR LABOUR IN ENTERPRISE M3

- Hiring activity slows as economic uncertainty grows and labour supply shrinks.
- Demand down in April compared to March.
- Enterprise M3 slightly more resilient than the South East.
- Demand for labour expected to slow going into the second calendar quarter.

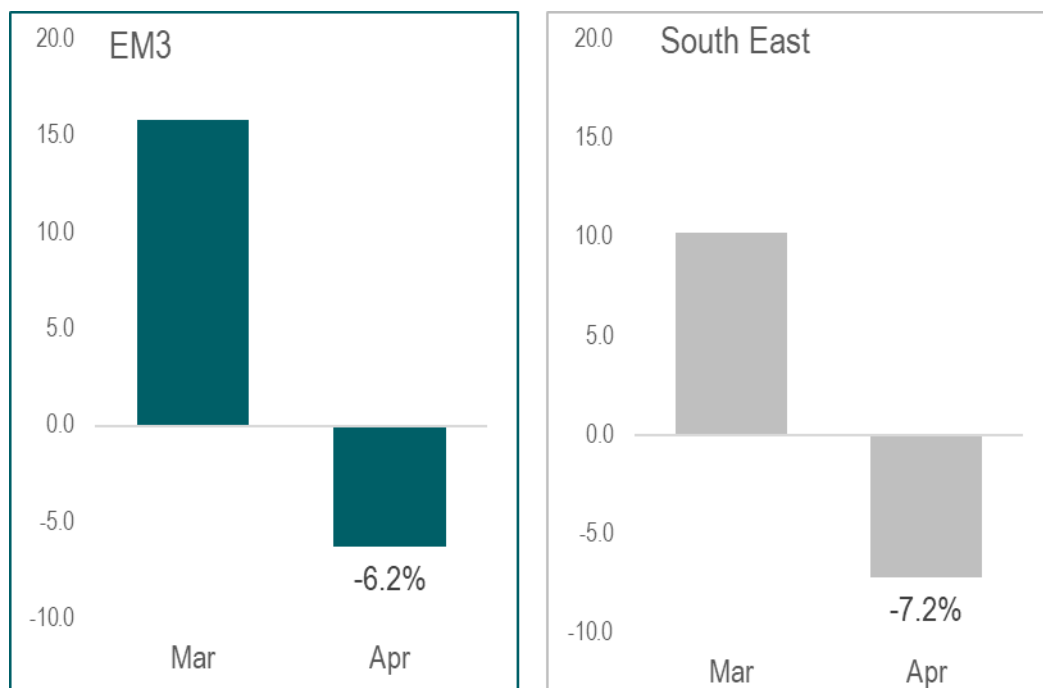
% change in online job postings
(Mar to Apr 2022)



Source: Emsi (2022), all job postings

DEMAND FOR HIGH-SKILLED OCCUPATIONS SLOWS DOWN IN APRIL

Demand for High-Skilled Occupations
(Mar-Apr 2022)



Top 10 High-Skilled Occupations in
Demand (April 2022)

High-Skilled Occupation (SOC10) April 2022	Unique Postings	%
Nurses	1,733	11.3
Programmers and Software Development Professionals	1,606	10.4
IT Business Analysts, Architects and Systems Designers	867	5.6
Managers and Proprietors in Other Services n.e.c.	799	5.2
Marketing and Sales Directors	751	4.9
Chartered and Certified Accountants	614	4.0
Management Consultants and Business Analysts	496	3.2
Information Technology and Telecommunications Professionals n	452	2.9
Teaching and Other Educational Professionals n.e.c.	451	2.9
Business and Financial Project Management Professionals	437	2.8

Source: Emsi (2022)

- Although above pre-pandemic levels, demand for high-skilled Enterprise M3 based occupations in April 2022 down on March levels.
- Nurses top, but also demand for technical and IT, Marketing & Sales, and Management roles in Enterprise M3.

SPECIALISED SKILLS IN DEMAND IN HIGH-SKILLED OCCUPATIONS IN ENTERPRISE M3

Top hard skills in Enterprise M3 – February 2022 and April 2022

Top specialized skill - February 2022
Agile Methodology
<u>Auditing</u>
Nursing
Finance
Accounting
JavaScript (Programming Language)
Procurement
Midwifery
Key Performance Indicators (KPIs)
Microsoft Azure

Top specialized skill - April 2022
Agile Methodology
Finance
Auditing
<u>Nursing</u>
Accounting
JavaScript (Programming Language)
<u>Project Management</u>
Key Performance Indicators (KPIs)
Automation
Microsoft Azure

Underlined occupations move up the list in April compared to previous month.

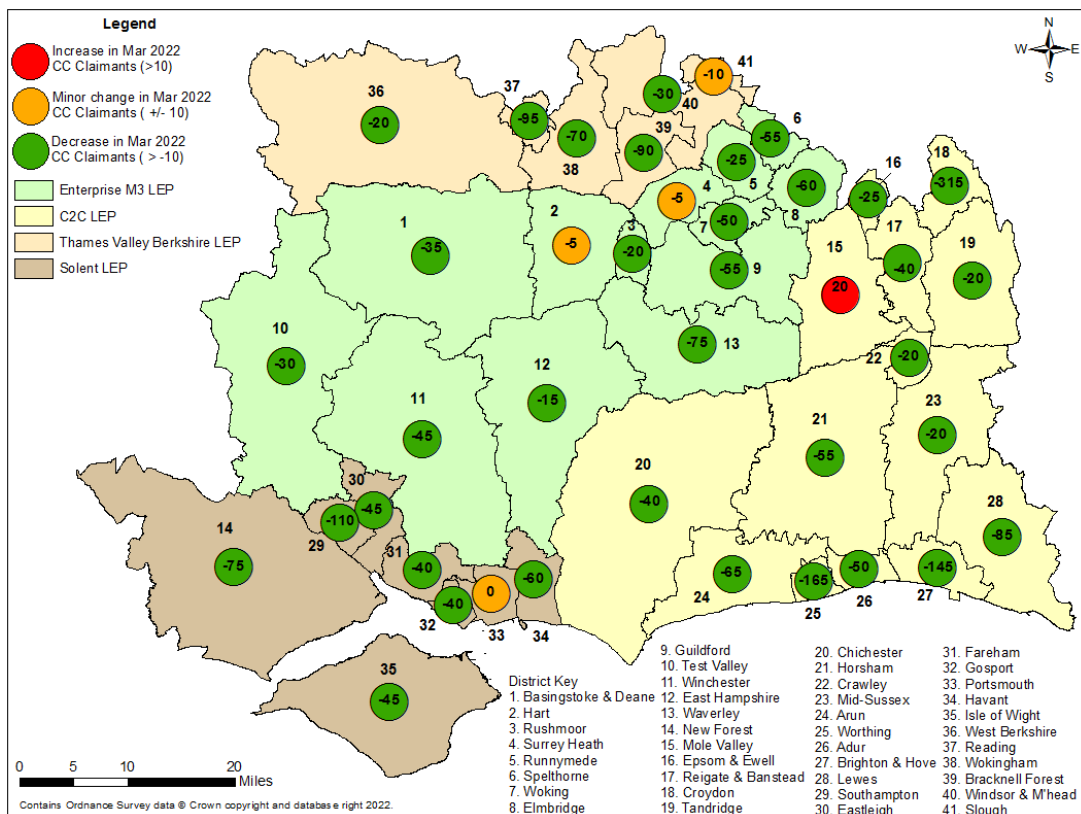
Green indicate new entrants to the top 10 list.

Source: Emsi (2022)

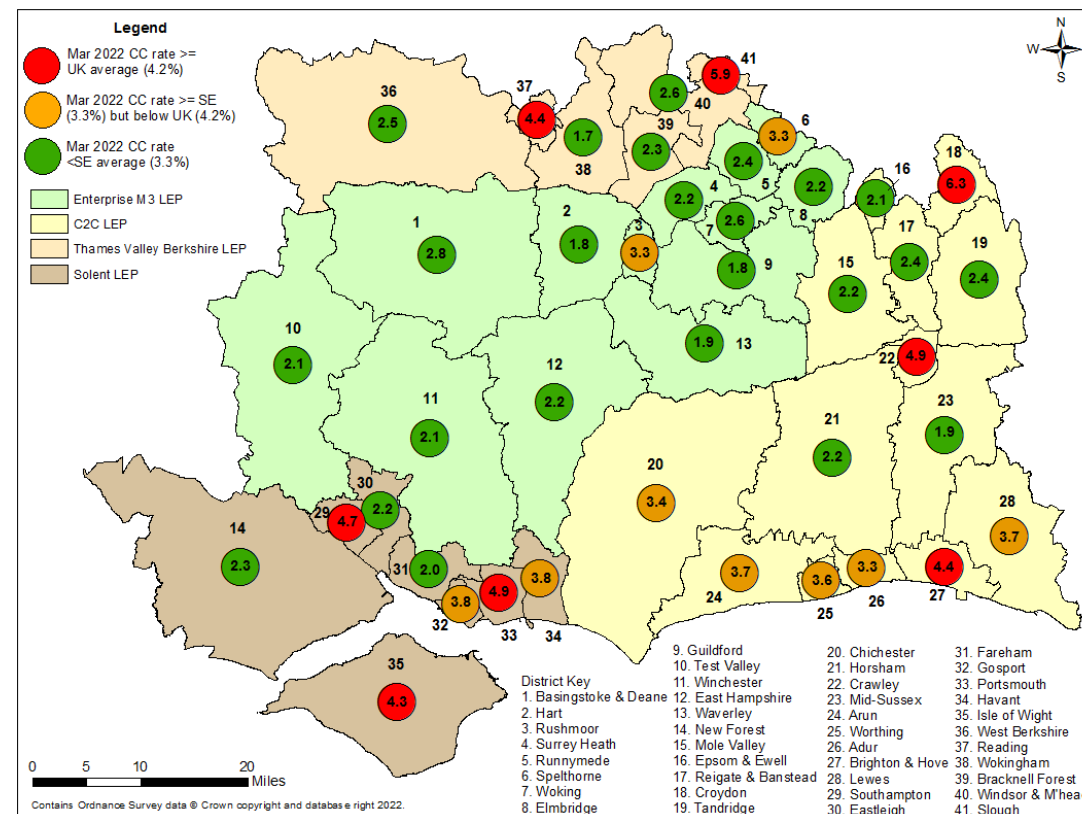
- Project management skills (agile methodology) top specialised skills, but demand strong in accounting and finance and a range of technical and IT skills.
- Automation new to top 10 in April 2022. It may be related to slowing skills supply and recruitment difficulties.

MARCH SEES A SMALL DECREASE IN UNEMPLOYMENT DRIVEN BY SEASONAL FACTORS

Monthly change in unemployment – Feb to Mar 2022 (Claimant Count Unemployment)



Unemployment rates – March 2022 (Claimant Count Unemployment)

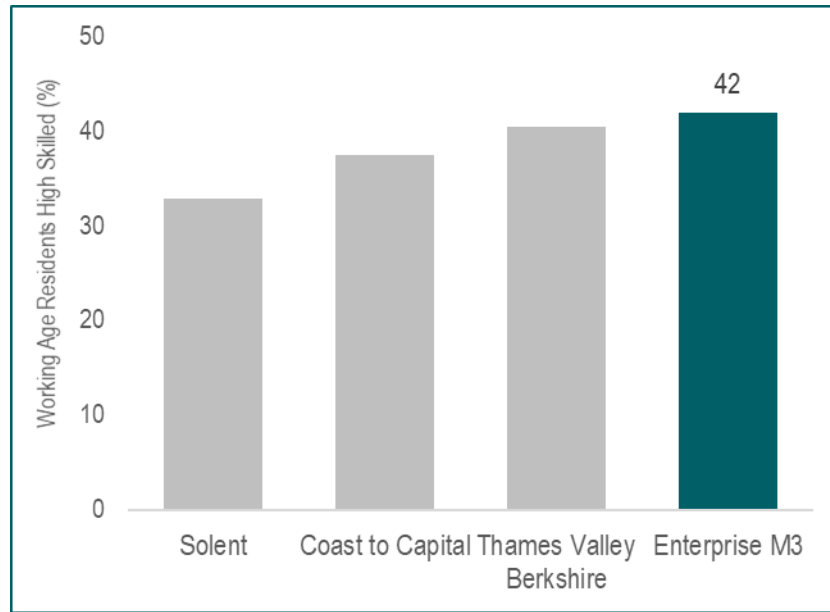


- 22,055 unemployed claimants in Mar 2022, 470 fewer on Feb 2022 and 16,155 fewer on Mar 2021
- 2.4% EM3 rate (lowest in the LEP areas shown).

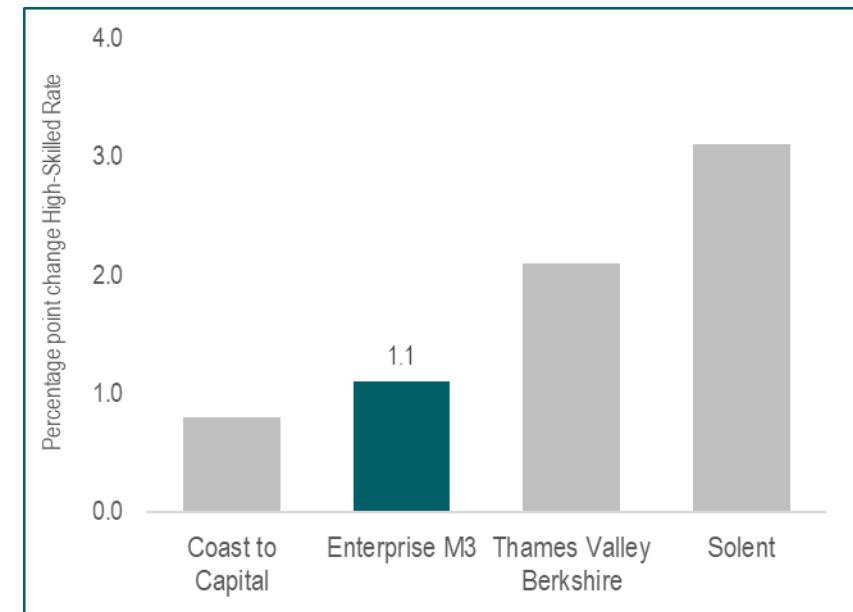
- 3,220 young claimants (18-24 year olds) in Mar 2022, 90 fewer on Feb 2022 and 3,930 fewer on Mar 2021.
- Young EM3 unemployment rate 2.7%.

IN SOUTH CENTRAL, EM3 LEADS ON RESIDENTS EMPLOYED IN HIGH-SKILLED OCCUPATIONS BUT THAMES VALLEY BERKSHIRE CLOSING GAP

Percentage of Working Age Residents in High-Skilled Occupations (2021)



Percentage Point Change Residents High-Skilled 2019-2021 (ppts)



Source: ONS (2022).

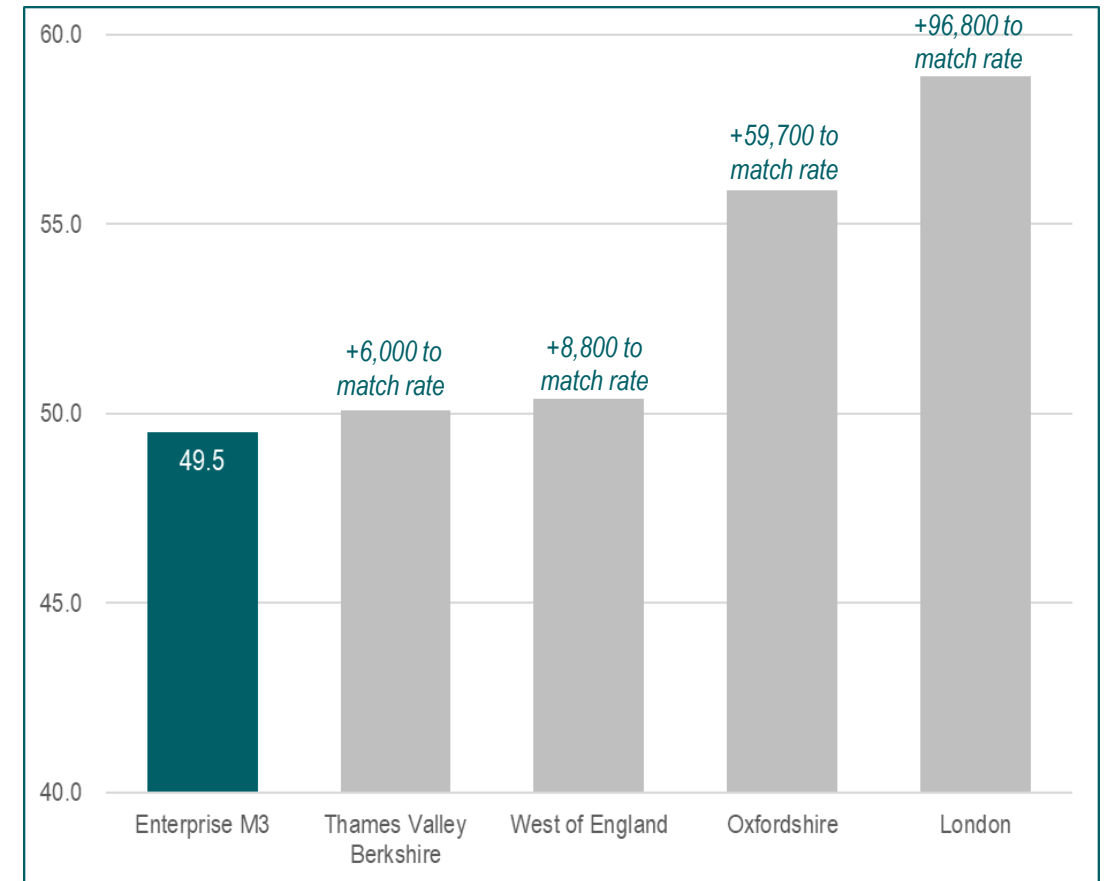
- Just over two fifths (42%) of EM3 residents in high-skilled occupations, third highest of all England LEPs.
- Reflects strong local demand in EM3 and demand from London

- TVB LEP closing the gap with stronger growth on pre-pandemic share (2.1ppts) than EM3.
- Solent performs strongly albeit from a much lower base.

HIGH PERCENTAGE OF HIGHLY QUALIFIED RESIDENTS BUT LAGS BEHIND THAMES VALLEY BERKSHIRE WITH GAP GETTING WIDER

- Just under half of Enterprise M3 residents have a qualification above A-level but behind TVB and Oxfordshire.
- Around half a million residents with advanced skills – that's 6,000 fewer than TVB and almost 60,000 fewer than Oxfordshire.
- Proportion of highly skilled residents in Enterprise M3 broadly unchanged between 2019 and 2021 but strong growth in TVB (+2.4ppts)
- The gap is getting wider and this evidence supports previous data showing growth in TVB's high-skilled occupations.

Top Five LEP Working Age Residents
Above A-level (%)



Source: ONS 2022)



BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Independent video game developer Supermassive Games has signed a lease for 17,382 sq ft of office space across the ground and second floors of a site in Guildford.

NDreams, A Hampshire-headquartered developer and publisher of virtual reality (VR) games has **secured £20.1m from Aonic AB**; a Stockholm-based video game investor. NDream has a strong pipeline of projects already in development, including games for the PlayStation VR2, and also recently expanded its capabilities by announcing two new studios: nDreams Studio Orbital and nDreams Studio Elevation.

ACQUISITIONS AND MERGERS

Boots partners with Sapphire Eye Care in Romsey. A new opticians celebrated the opening of its newest branch in Romsey town centre. Sapphire Eye Care has partnered with Boots in Romsey.

OTHER NEWS

Grade II-listed Mountbatten House (160,000 sq ft 1970s building in Basing View), acquired by a joint venture between Mactaggart Family & Partners and Longstock Capital. The plan is to turn the office complex into a modern multi-let, energy-efficient building.

158-bed block of student accommodation proposed for a Winchester estate, spanning 2,100sqm. Would mean clearance of two business sites to make way for new housing and office space on the corner of Winnall Manor Road and Winnall Valley Road.

A project led by the University of Surrey has won first prize at the 14th China-UK Entrepreneurship Competition Final, hosted in Guildford, UK. The Ai4SPACE project is building artificial intelligence systems to help to avoid space debris.

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

