enterprise M3
Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 Board Meeting – July 2022

HEADLINES

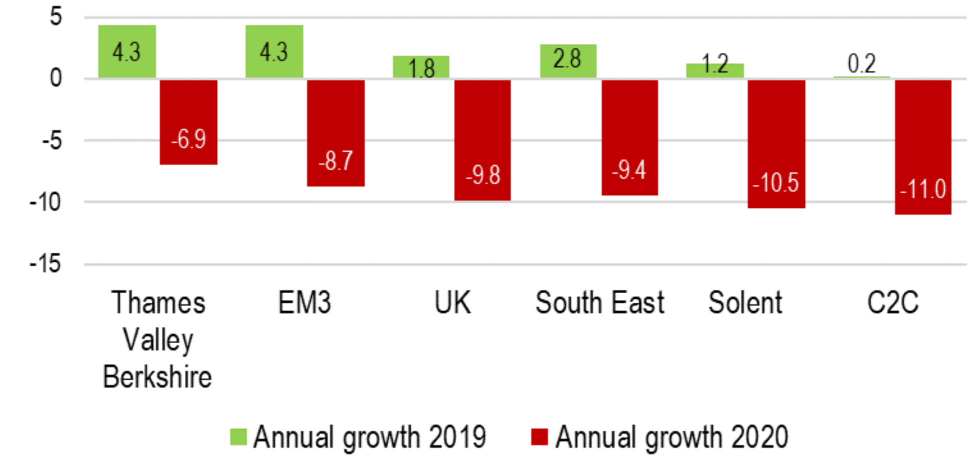
- Official estimates from ONS confirmed that the Enterprise M3 economy was more resilient in 2020 than the UK average and most LEP economies in England.
- Strong growth in knowledge-intensive traded services in the pre-pandemic decade.
- Knowledge intensive services in EM3 far more resilient than the UK average but greater impact on consumer-facing services.
- Revised official estimates indicate that Enterprise M3 economy saw the 2nd fastest growth among all LEP economies in both 2019 and on average between 2009 and 2019.
- Data for 2020 points to EM3 as the 3rd most productive LEP economy in England and closing productivity gap with London and Thames Valley Berkshire LEP areas.
- The tailwinds from the post-lockdown reopening of the economy have now faded but now see rising economic headwinds and increasingly gloomy outlook for the economy.
- The labour market continues to defy expectations but there is some evidence of a slowdown in employment growth and jobs demand.

ECONOMY & BUSINESS

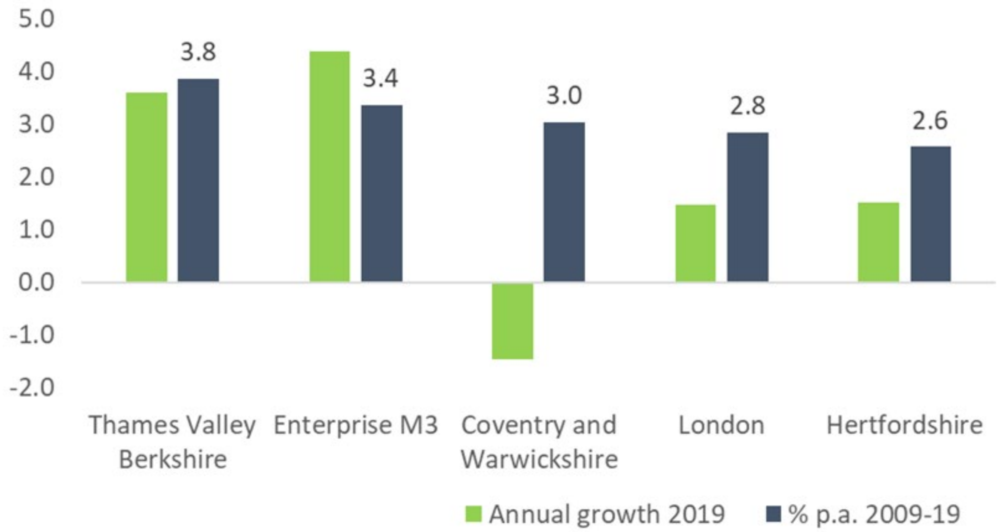
OFFICIAL DATA CONFIRMS RESILIENCE OF ENTERPRISE M3 ECONOMY IN PANDEMIC

- Large economy, worth £65bn in GDP terms in 2020.
- In 2020 EM3 economy contracted by 8.7% in GVA terms but more resilient than most LEP economies.
- Economic contraction came on the back of 2nd fastest LEP growth in 2019.
- Over the decade pre-pandemic, EM3 economy had the 2nd fastest rate of GVA growth of all LEPs in England.

Impact on GVA growth (2020, %)



Trend rate of GVA growth (%) – top 5 LEPs



Source: ONS (2022)

KNOWLEDGE INTENSIVE SERVICE SECTORS IN EM3 PROVE MORE RESILIENT THAN NATIONALLY

- The broad service sector more resilient than nationally.
- Indeed, financial and insurance services bucked the trend and grew through the pandemic.
- But consumer-facing services (accommodation & food/arts, entertainment & recreation) hardest hit in 2020 pandemic year.
- Knowledge intensive services (particularly B2B services) far more resilient in EM3 than for the UK as a whole and strong growth between 2009 and 2019.
- Fall in professional, scientific & technical sectors driven by contraction in head office & management consultancy as well as architectural and engineering activities.

Impact of the pandemic by sector (GVA, %)
(2020 and trend growth, 2009-2019)

	UK (%)	Enterprise M	Trend % p.a.
Agriculture, forestry and fishing	-9.7	-13.1	21
Manufacturing	-9.4	-6.9	0.5
Construction	-16.7	-20.7	3.9
Wholesale and retail trade	-7.4	-10.9	4.5
Transportation and storage	-17.1	-6.8	-0.2
Real estate activities	-1.5	-0.5	2.6
Accommodation and food	-42.3	-39.2	2.3
Arts, entertainment and recreation	-28.8	-36	2.3
Administrative and support services	-18.5	-15.4	5.1
Information and communication	-5.8	-1.6	7.8
Financial and insurance activities	-4.2	16.5	2.6
Professional, scientific and technical	-6.1	-10.1	-0.7
Public administration and defence	1.9	-1.4	0.3
Education	-18	-17.3	0.6
Human health and social work	-6.8	-6.9	0

Source: ONS (2022)

ENTERPRISE M3 ECONOMY SHOWS STRONG RELATIVE PRODUCTIVITY PERFORMANCE

- Resilience and growth in large part explained by strong productivity performance.
- Data for 2020 indicate EM3 was 3rd most productive LEP economy in England with £48 in GVA per hour worked or £70,500 in GVA per job.
- Enterprise M3 is catching up with Thames Valley Berkshire and London areas.
- If this trend continues, the productivity gap could close in about 5 to 6 years (subject to investment in physical and human capital and innovation).
- Strong relative performance vs UK regions but less impressive against global competitors.

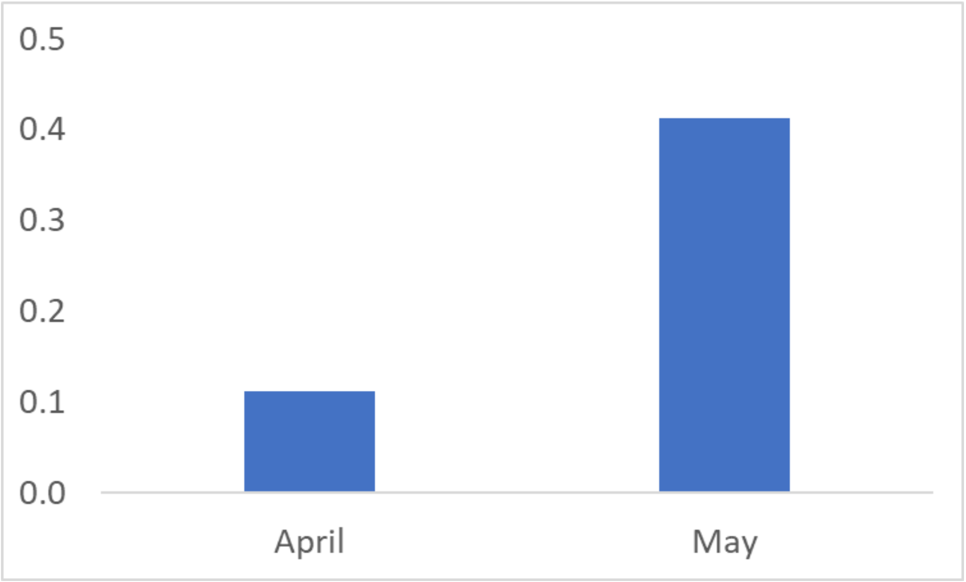
Enterprise M3 Productivity Gap with UK, London and Thames Valley Berkshire, %

	2013	2014	2015	2016	2017	2018	2019	2020
UK	16.7	17.0	18.1	19.4	21.7	23.9	25.6	26.5
London	-13.6	-13.5	-12.8	-11.8	-9.8	-7.9	-6.5	-5.9
TVB	-15.7	-14.9	-13.2	-11.3	-9.1	-8.1	-7.3	-7.0

Source: ONS (2022)

CURRENT ECONOMIC HEADWINDS IMPACTING ON BUSINESS ACTIVITY AND GROWTH

Estimated GVA growth in Enterprise M3 (%)

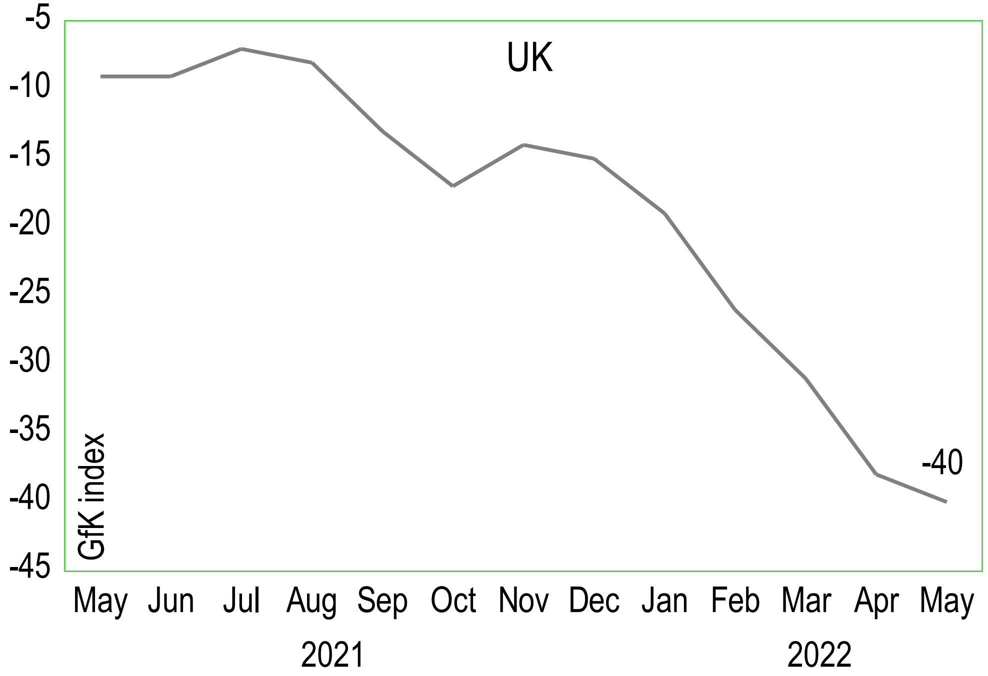


Source: HCC estimate (2022)

- GVA growth driven by health, transport, production but constrained by retail, ICT and finance & insurance.

- Business activity holding up a little better that initially forecast.

Sharp falls in consumer sentiment



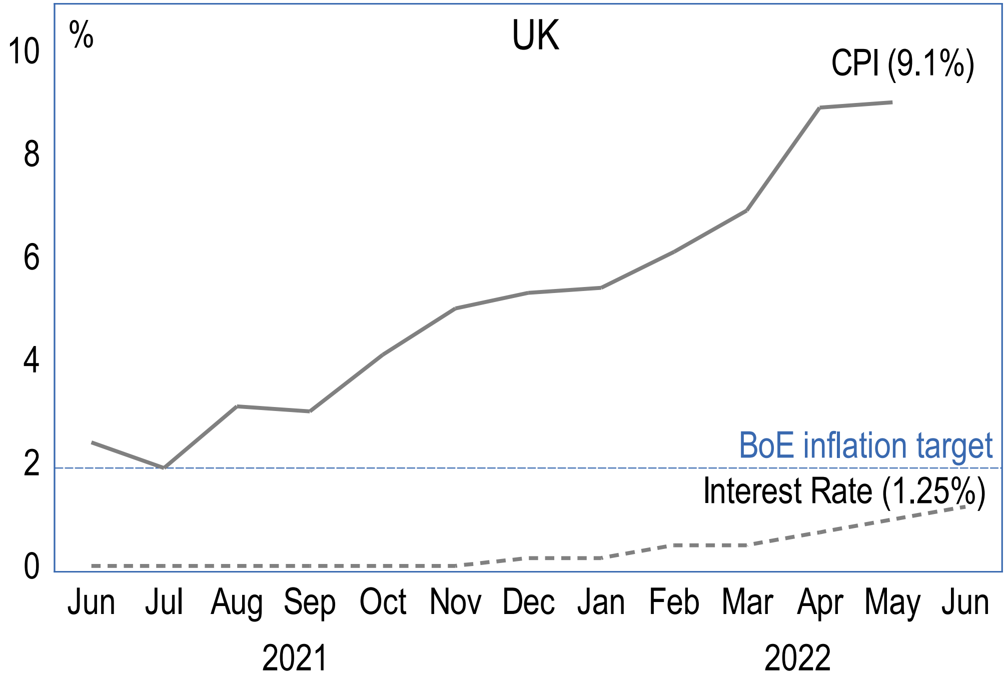
Source: Markit (2022)

- Sharp fall in disposable incomes and consumer sentiment.

- Retail sales fell in May and June but consumer spending has not sunk.

RISING INFLATION AND INCREASING FEARS OF WAGE PRICE SPIRAL

UK Inflation

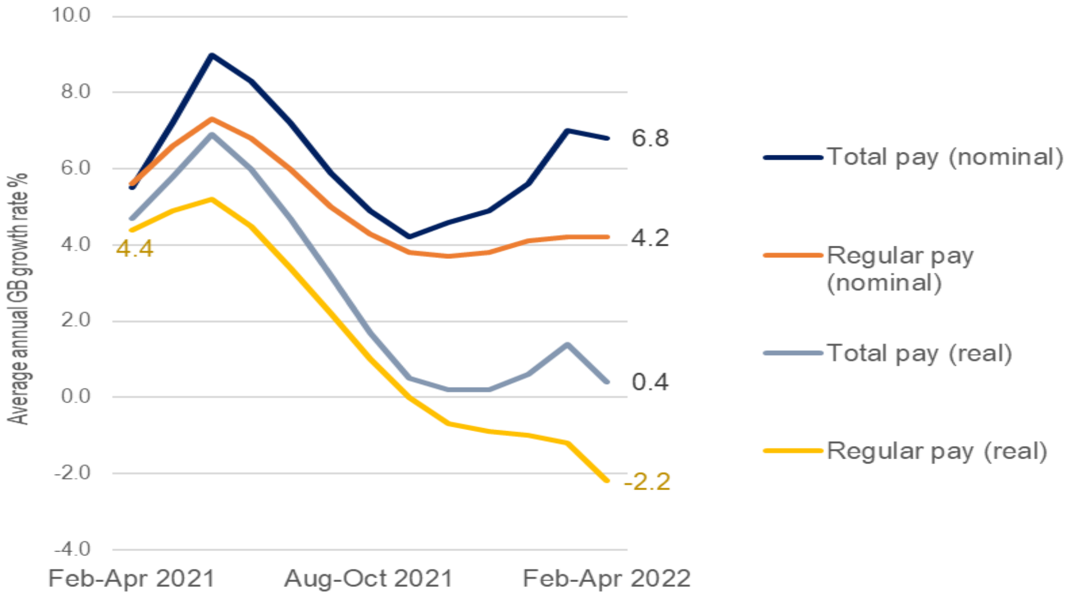


Source: ONS (2022)

- Inflation reached a 40-year high and forecast to reach about 11% later this year according to Bank of England.

- The question is whether inflation is will be transitory or not?

Annual wage growth (GB)



Source: ONS (2022)

- Wage spiral less likely now - Government and Bank of England call for wage restraint.

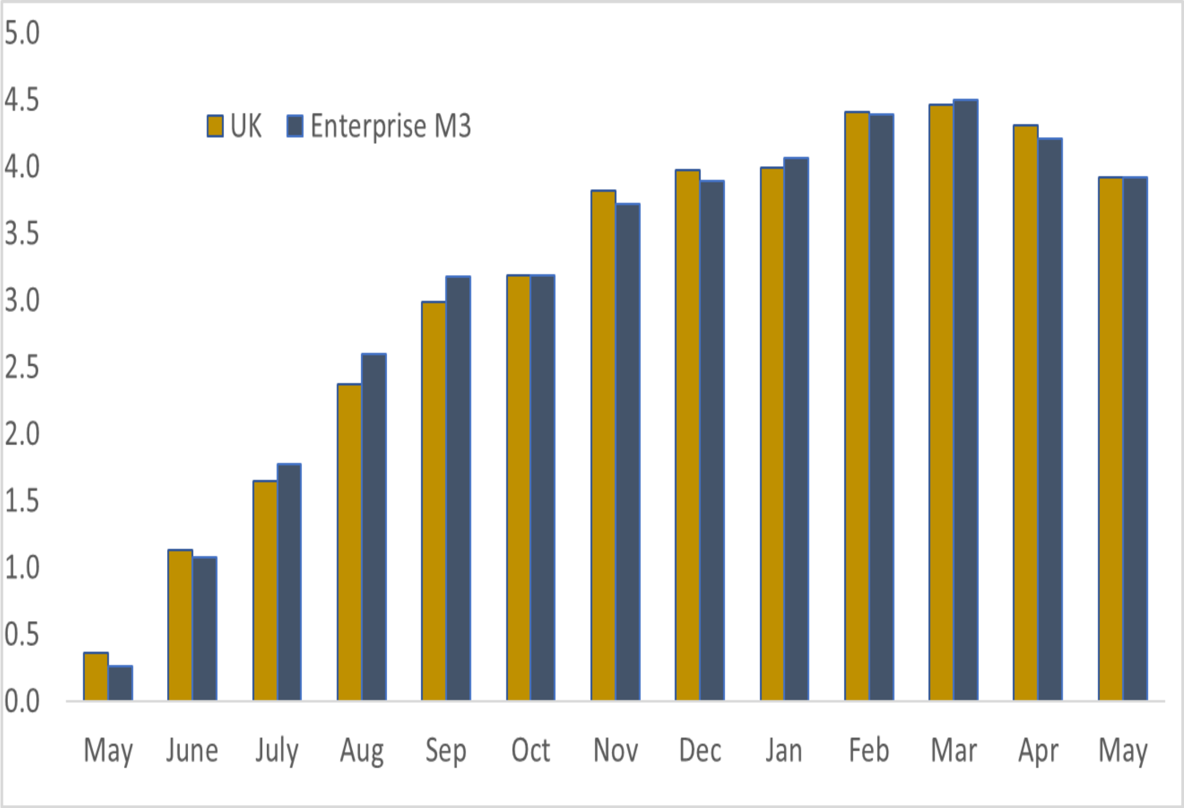
- Tight labour market and rising inflation may lead to further industrial action over summer months.

LABOUR MARKET & SKILLS

THE ENTERPRISE M3 LABOUR MARKET CONTINUES TO DEFY EXPECTATIONS

- EM3 is one of the best performing labour markets in the country but it is becoming increasingly tighter.
- Strong growth in PAYE employment over the past 12 months but some evidence of a slowdown.
- Sluggish growth in PAYE employees in April but growth returned in May with 3,000 additional employees taken on by EM3 businesses.
- The labour market tightness together with an ageing population have implications for EM3 labour supply.

PAYE employee growth: May 2021-May 2022
(% change compared to same month a year ago)

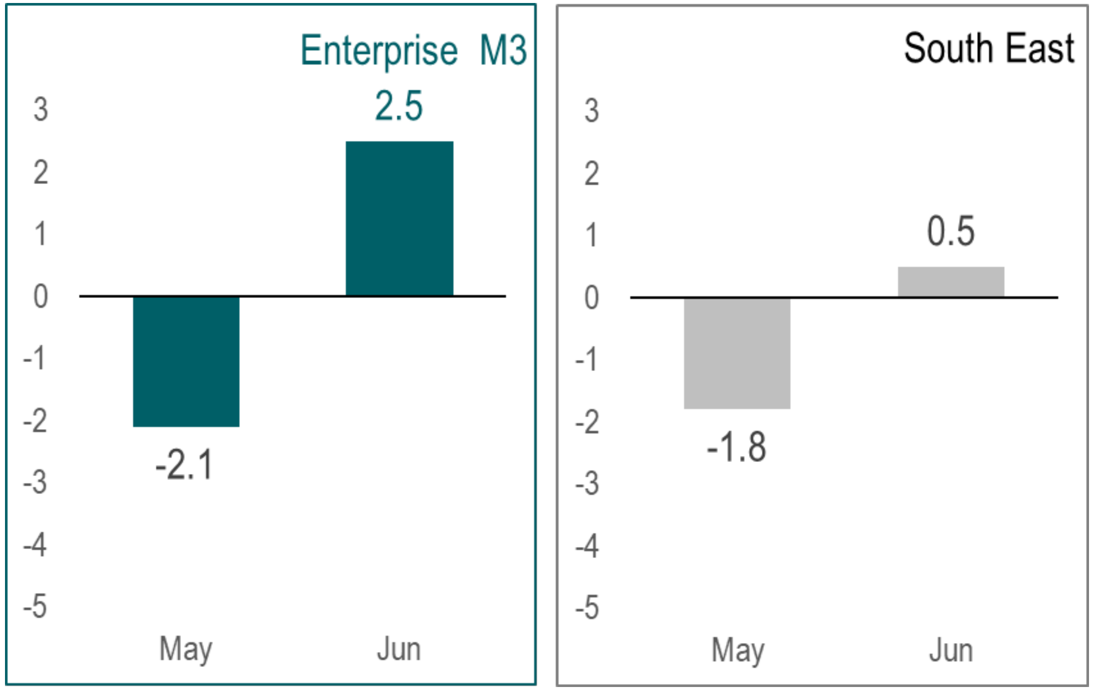


Source: HMRC (2022)

JUNE SEES A REBOUND IN VACANCIES IN ENTERPRISE M3

- After two consecutive monthly falls in online vacancies growth returned in June.
- Enterprise M3 rebound stronger than that seen for the South East region.
- Overall picture confounded by seasonal factors such as rising demand from construction and hospitality and leisure.
- ONS data suggests the overall vacancy growth rate has been slowing in 2022.

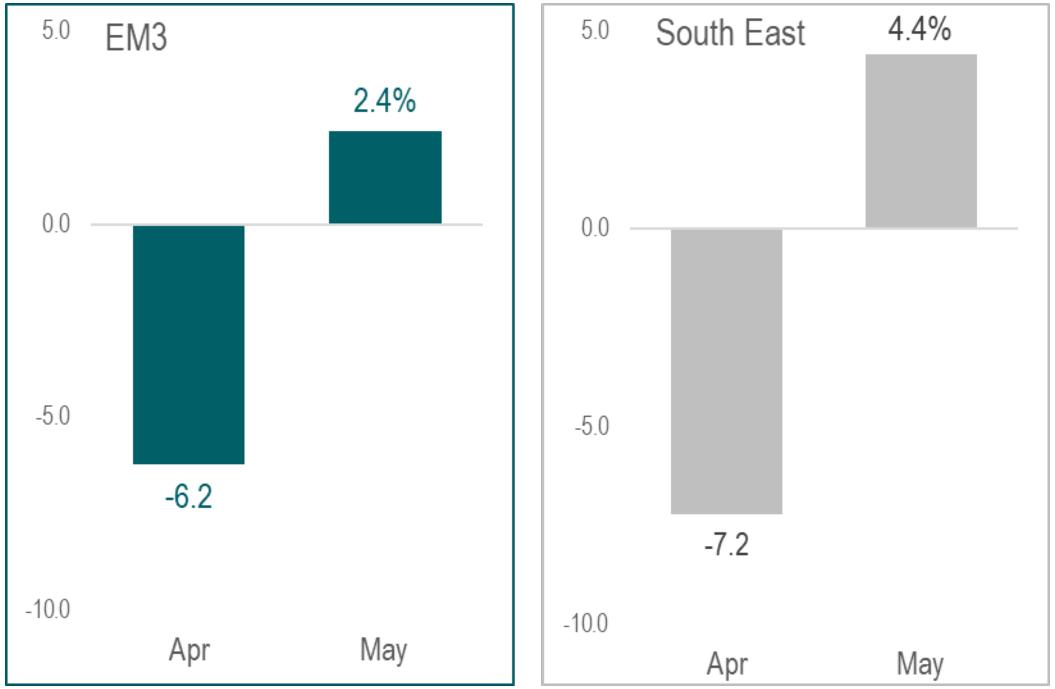
% change in online job postings (May to June 2022)



Source: Lightcast (2022), all job postings. Note: May data revised by Lightcast

DEMAND FOR HIGH-SKILLED OCCUPATIONS IN EM3 RETURNS IN MAY

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



Source: Lightcast(2022)

- Vacancies for high-skilled Enterprise M3 based occupations return to positive in May 2022 but at a lower level than that seen for South East.

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

High Skilled Occupations May 2022	Unique Postings	%
Registered Nurses	299	8.5
Project Managers	226	6.5
Quantity Surveyors	170	4.9
Staff Nurses	149	4.3
Deputy Managers	131	3.7
Registered General Nurses	130	3.7
Software Engineers	119	3.4
Physiotherapists	118	3.4
Management Accountants	89	2.5
Occupational Therapists	84	2.4

- Health professionals, Management occupations and IT specialists most in demand in Enterprise M3 – top 10.

- These occupations account for just over two fifths of high-skilled demand from employers.

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

Top hard skills in Enterprise M3 – March 2022 and May 2022

Top Specialised Skills - March 2022
Marketing
Agile Methodology
Finance
Auditing
Accounting
Nursing
JavaScript (Programming Language)
Key Performance Indicators (KPIs)
Procurement
Project Management

Top Specialised Skills - May 2022
Agile Methodology
Marketing
Auditing
Finance
Nursing
Accounting
Cascading Style Sheets (CSS)
JavaScript (Programming Language)
Key Performance Indicators (KPIs)
Project Management

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

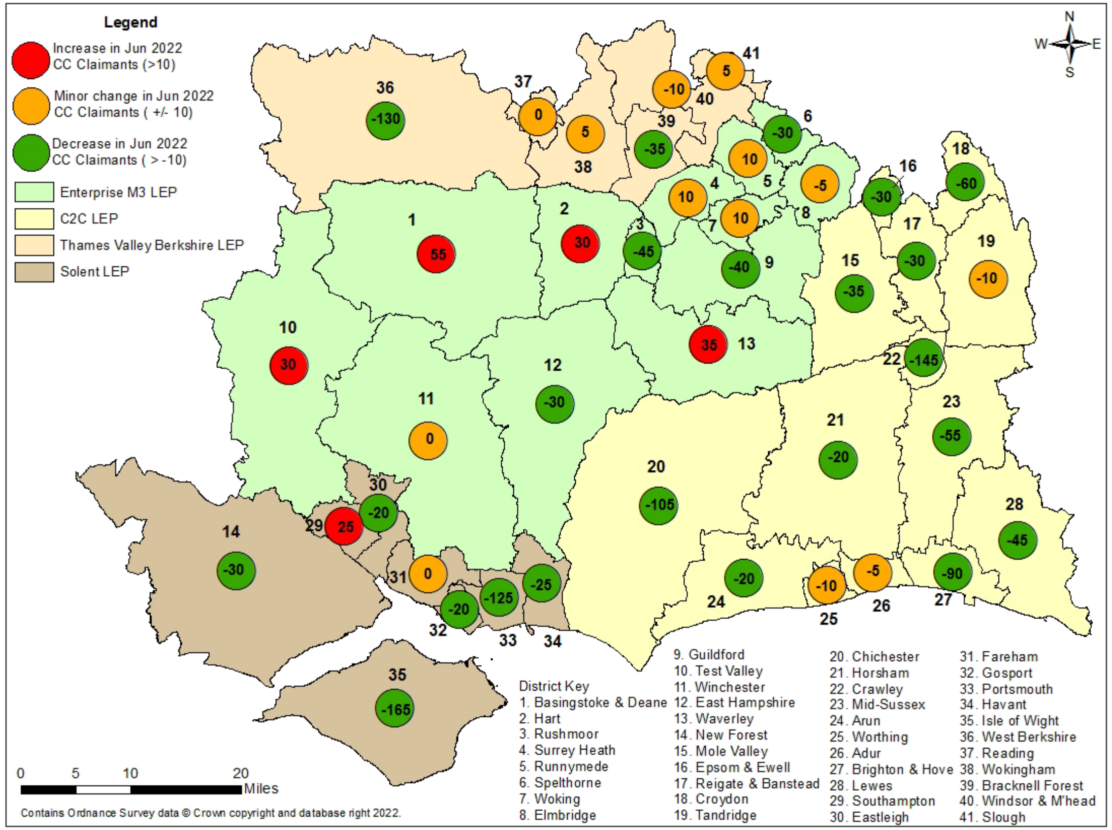
Green indicate new entrants to the top 10 list compared to previous month.

Source: Lightcast (2022)

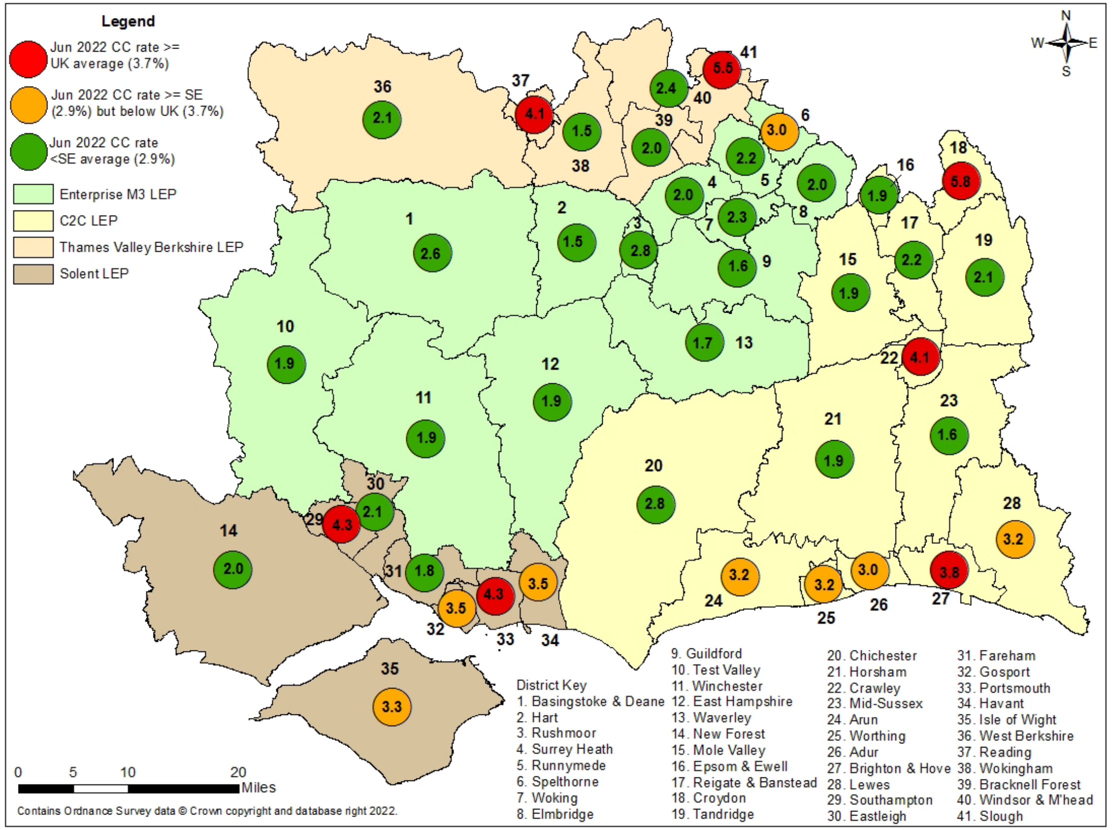
- Demand for marketing and project management (agile methodology) remains strong, as well as finance and a range of technical and IT skills.
- Increase in IT related specialisms with Cascading Style Sheets (web design) new into the Top 10 for May.

JUNE SEES EFFECTIVELY NO MONTHLY CHANGE IN UNEMPLOYMENT

Monthly change in unemployment – May to June 2022 (Claimant Count Unemployment)



Unemployment rates – June 2022 (Claimant Count Unemployment)



- 19,680 unemployed claimants in June 2022, effectively unchanged (+20) but 10,620 fewer than seen in June 2021. EM3 rate of 2.1% is lowest in South Central LEP cluster.

- 2,790 young claimants (18-24 year olds) in June 2022, 20 more on May 2022 but 2,680 fewer on June 2021.
- Rate for young EM3 at 2.4% - well below UK average (4.3%).

BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Inclusion Hampshire, which specialises in mental health and wellbeing support to young people aged 16+ throughout North Hampshire, has **agreed a 15-year lease on Unit 5 Meridian Office Parkin Hook** as part of its expansion plans.

Protega Global Ltd to move to a new 88,000 sq ft site in Andover, which includes new offices, extra manufacturing space and a significant uplift in storage capacity. The additional space enables Protega to produce Hexcel Wrap in-house instead of importing materials from the USA and will **create more jobs at the plant.**

Work begins on **new Sainsbury's supermarket in Hook** bringing **over 100 new jobs** when open in spring 2023.

Proposals for a new Cobbs Farm Shop and Café just off the Kingsclere Road near Basingstoke. Alongside the regeneration of redundant farm buildings at Woodgarston with a new Cobbs Farm Shop, will be **proposals for some small rural business units** on another farm complex.

Bridge Industrial, the US-based industrial real estate that acquired Weybridge Business Park earlier this year released **plans to redevelop the current seven units** and replaced by **three storage and distribution buildings park** with additional 15 HGV loading bays and 180 car parking spaces created.

Stannah Stairlifts at Andover are about to start work on new factory premises which will create 90,000 sq feet of manufacturing space and will deliver 23,000 sq feet of solar panels to provide more eco-friendly power for the site.

BUSINESS NEWS HEADLINES

ACQUISITIONS AND MERGERS

Portchester Equity – which also owns the Welborne Garden Village development company has brought the Denmead based Brymor Group, which includes Brymor Construction Ltd, one of the region's biggest contractors.

Cardinality, a Guildford-based supplier of cloud-native data management (DataOps) and customer experience analytics has been **bought by Elisa Polystar,** which expects to have a stronger data management, AI-driven analytics and automation portfolio.

Anton Vets who serves the town and its surrounding villages in Andover, Hampshire, **acquired by AIM-listed veterinary outfit CVS.**

OTHER NEWS

Farnborough International Airshow took place 18-22 July, with over 1,500 exhibitors from 48 countries. For the first time in four years, exhibitors and visitors will be able to mix face-to-face. Members of EM3 Team took part in the Airshow.

The **UK Cyber Cluster Collaboration** (UKC3) officially **recognised** the county of **Surrey as a cluster within the cyber security sector.**

Whitehill & Bordon's Green Loop win the Planning Award in best use of arts culture or sport in placemaking category. The Green Loop is a 7km network of walking and cycling paths that encircle and criss-cross the town.

Test drilling for shale gas at **Dunsfold** was given the go ahead by Government – after Surrey County Council had refused it twice.

Brooklands College is to sell off land and the historic mansion, worth approximately £45 millio, as part of its plans to improve the College's financial stability and revitalise remaining teaching spaces.

Portals Paper, Overton announced 300 jobs at risk after De La Rue ended a major contract for paper production at their site.

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