



enterprise**m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – Jan/Feb 2023

HEADLINES

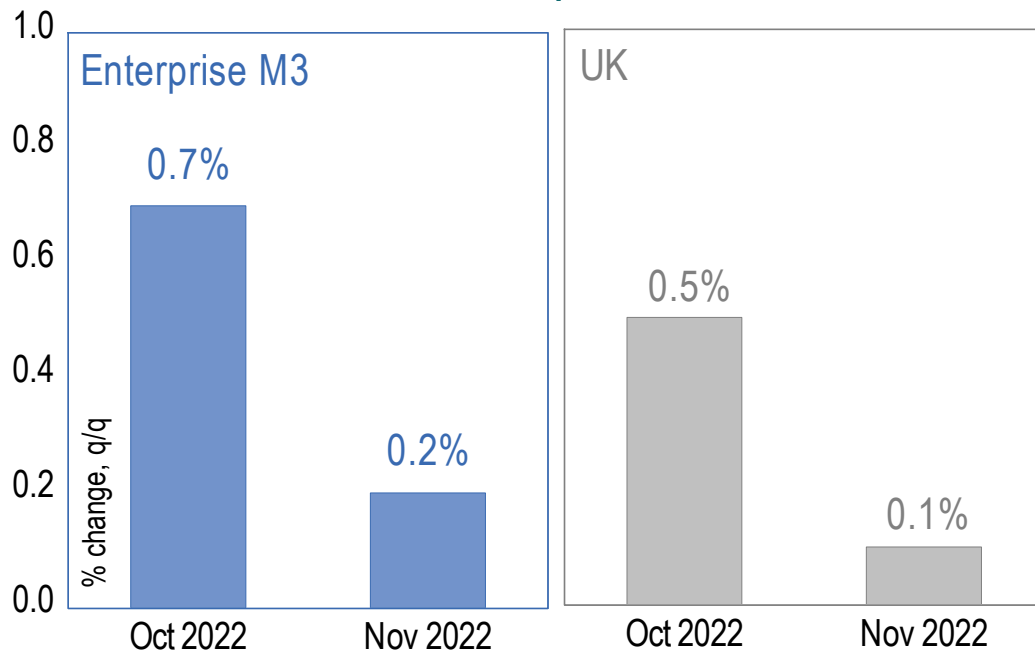
- Technical recession in Enterprise M3 likely to be avoided in last quarter but may be postponement as UK recession forecast for 2023 and the first half of 2024.
- UK wide recession to be shallow and longer-lasting than previous recessions but sluggish recovery thereafter according to Bank of England forecast.
- Enterprise M3 likely to be more resilient to UK/Global downturn next year than most LEP economies.
- Inflation lower in December and may have peaked, but a high degree of uncertainty in terms of how far or quickly it will fall.
- Strong growth in employee jobs in Enterprise M3 but self-employment continues to fall.
- Labour supply and persistent skills mismatch one of the main policy challenges over medium-to-long term.



ECONOMY

RECESSION IN ENTERPRISE M3 AVOIDED BUT NOT CANCELLED

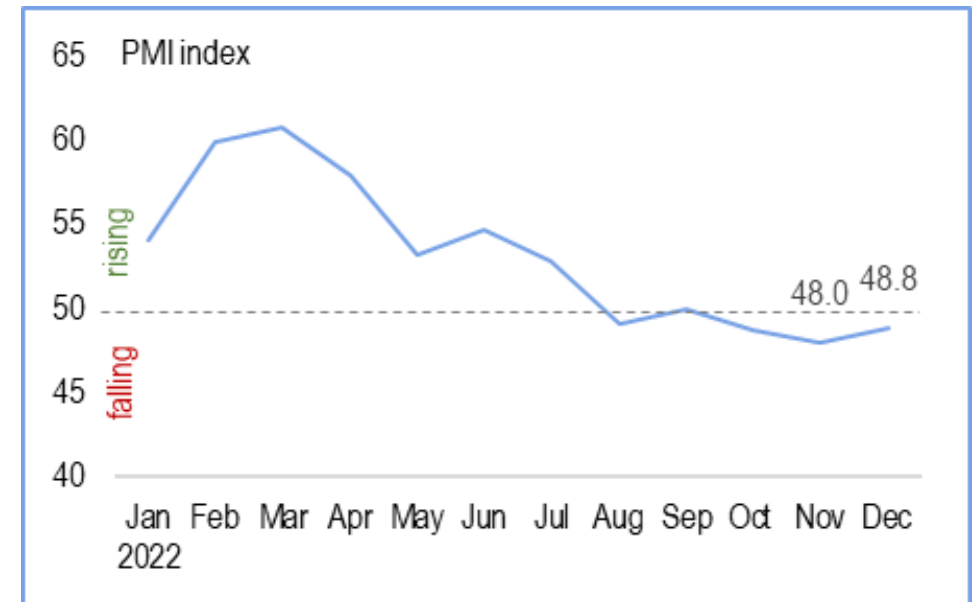
Monthly GVA growth, %
UK and Enterprise M3*



Source: ONS (2022) and EBIS (2022)

- UK economy contracted in Q3 but resilience returns in both October and November.
- Estimated growth in Enterprise M3 was 40% higher in October and double the November level compared to UK average.

Business activity (survey data)
South East England

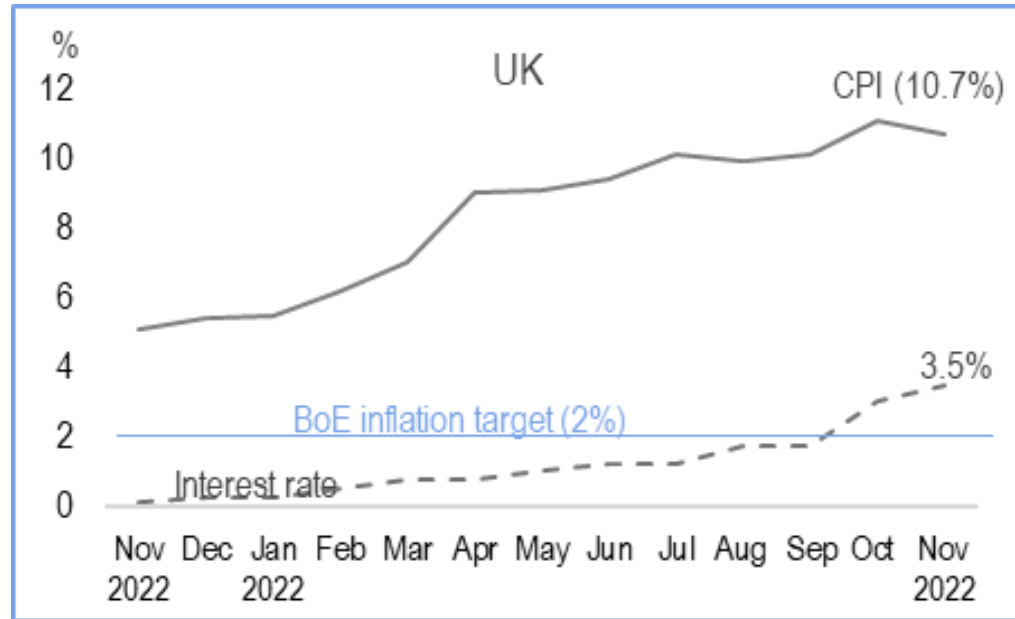


Source: Markit (2022)

- Softer decline in business activity and volume of new business in December.
- Enterprise M3 economy to avoid technical recession in Q4.

INFLATION HAS MOST LIKELY PEAKED AND HOW FAR AND FAST WILL IT FALL?

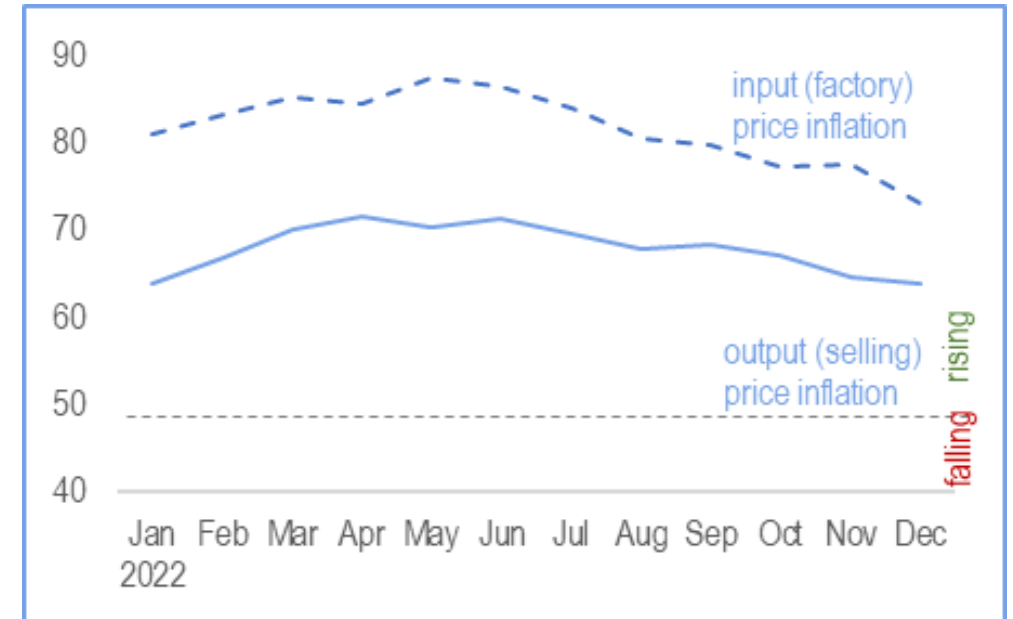
UK inflation and interest rates



Source: ONS (2022) and BoE (2022)

- Global inflationary pressures continue to ease.
- Headline (CPI) inflation eases in November and December but core inflation (which excludes oil & gas prices) unchanged in December at 6.3%.

Business costs and prices South East England



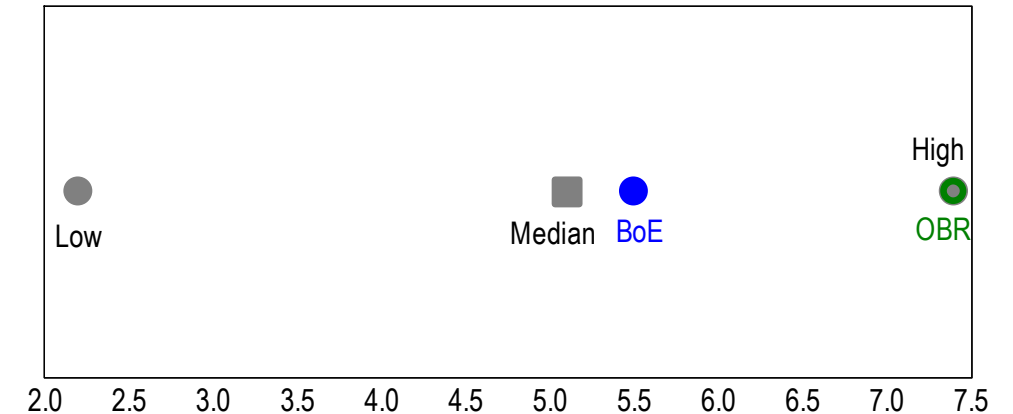
Source: Markit (2022)

- Recent plunge in wholesale gas prices to aid the economy.
- Interest rates expected to climb further in coming months.

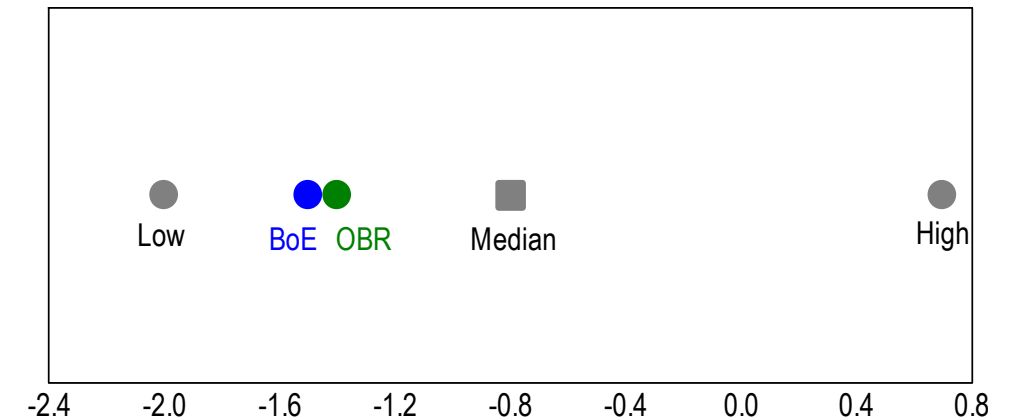
ECONOMIC FORECASTS INDICATE SHARP FALL IN SPENDING AND RECESSION ON THE HORIZON

- Inflation will fall back but the speed remains highly uncertain.
- Office for Budget Responsibility (OBR) expects the worst contraction of real incomes since records began (-7% over two years).
- UK economy on the brink of the longest recession since records began according to Bank of England forecast (BoE).
- Relatively shallow impact but sluggish recovery.
- Given the resilience of the Enterprise M3 economy in terms of consumer spending and business investment, can it avoid another recession?

CPI inflation forecast, 2023



GDP growth forecast, 2023



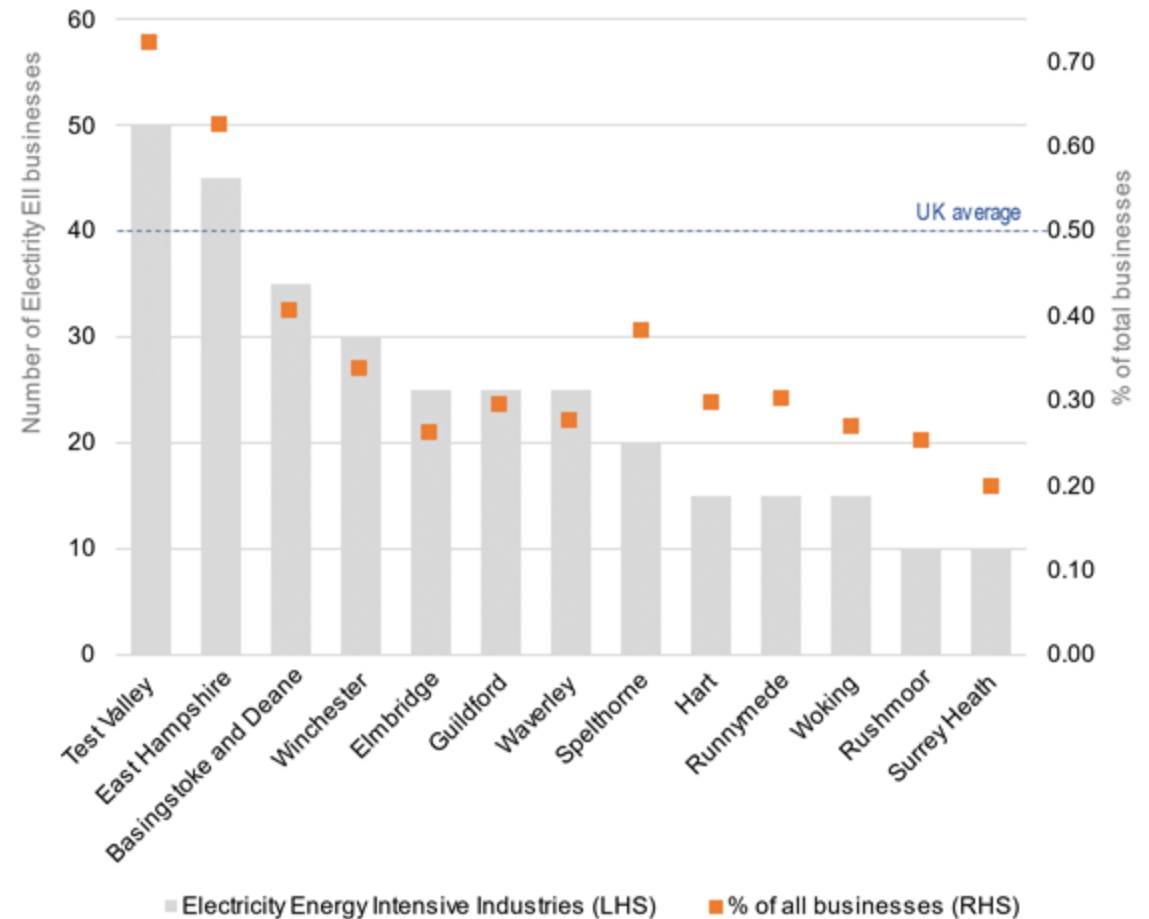
Source: OBR (2022) and BoE, (December 2022)

BUSINESSES FACE SHARP INCREASE IN ENERGY BILLS FROM APRIL

- Six months of energy bill support for firms (Autumns Statement).
- New Energy Bill Relief Scheme from April 2023 but targeted relief expected for energy-intensive industries (EII).
 - 320 electricity EII businesses** in Enterprise M3, 0.4% of all business, 4th lowest across the LEPs.
 - But local variation with higher numbers in Test Valley and East Hampshire.
- Growing trend in business rationalisation to mitigate against rising costs.
- Rising number of business failures.

*Local units. **Based on BEIS definition of electricity intensive industries in production.

Electricity Energy Intensive Industries: Number of Businesses and Share (%) of all businesses



Source: ONS (2022) Electricity Energy Intensive Industries Eligible activities defined by BEIS on sector level test only.

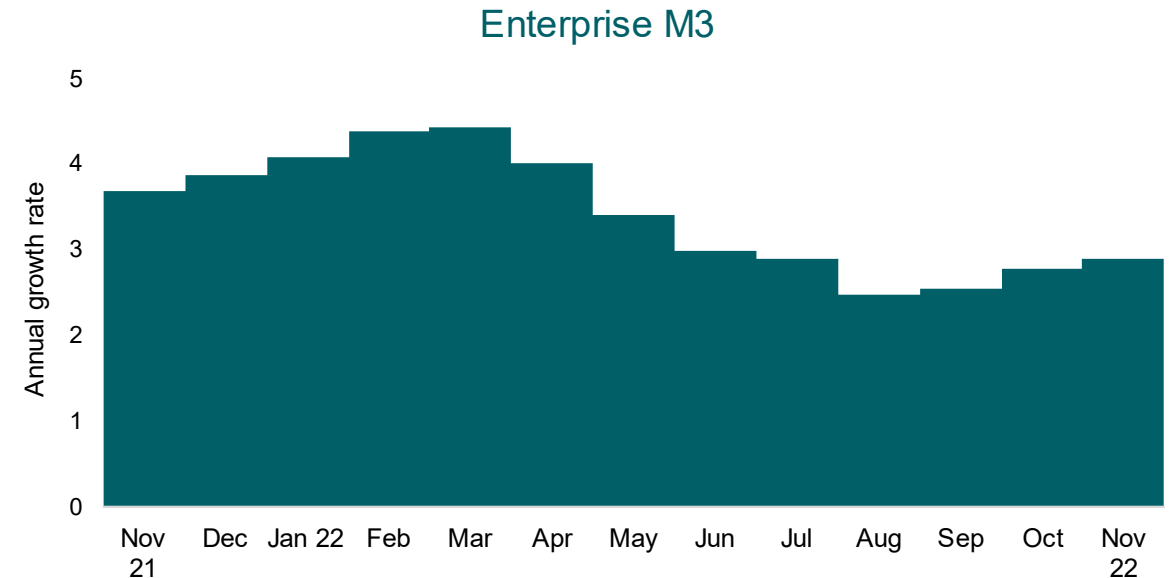


LABOUR MARKET & SKILLS

THE LABOUR MARKET IN ENTERPRISE M3 GOT TIGHTER IN THE LAST QUARTER

- PAYE employment – strong quarterly growth and faster growth in November than a year ago.
- Resident PAYE employment increased by 18,300 to November of this year (+7,700 since August).
- Rising headline employment and growing labour market non-participation means a tighter labour market.
- Some weakness below the headline numbers - two decades of self-employment growth peaked in 2019. (see next slide)

PAYE employee growth (annual % change)



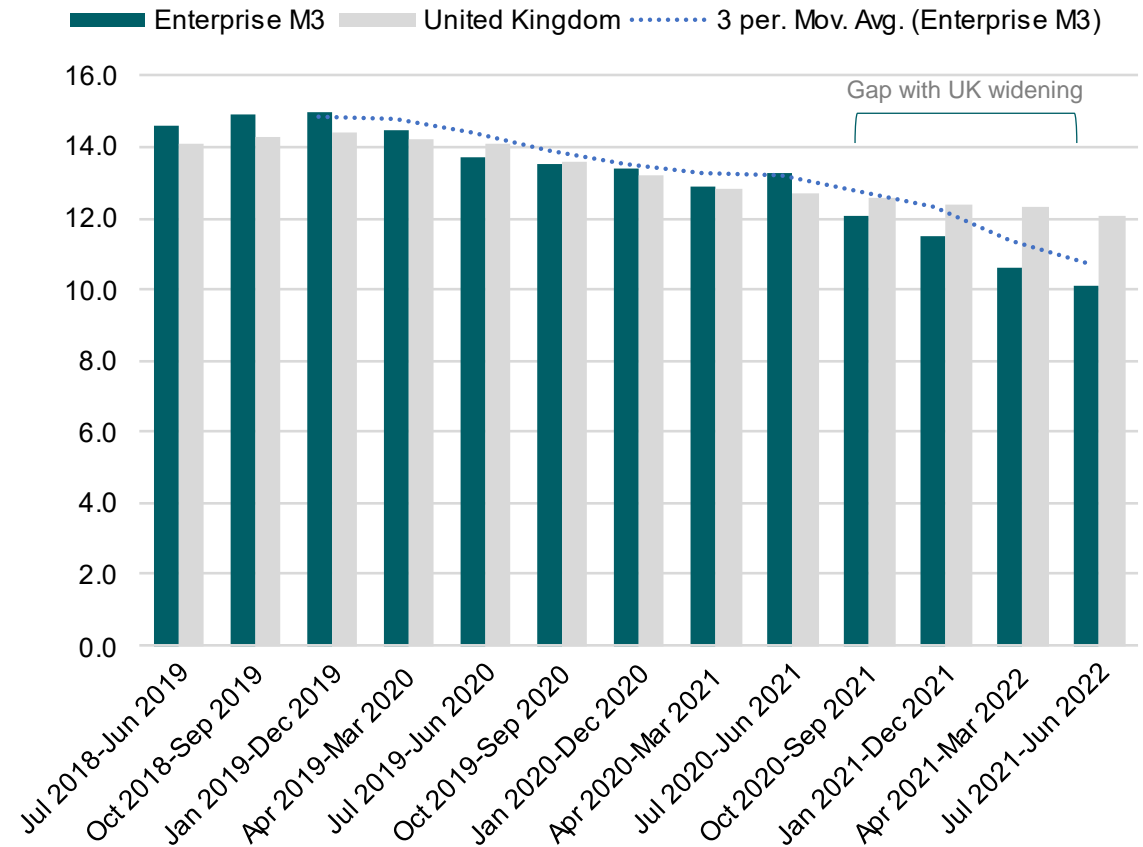
Source: HMRC (2022)

- 2.9% (annual PAYE growth)
- 1.1% (quarterly growth)
- 0.4% (monthly growth)

SELF-EMPLOYMENT CONTINUES TO FALL IN ENTERPRISE M3

- Large fall in self-employment partially down to reclassified job status but no sign of recovery.*
- Key losses of self-employed workers in construction sector and the most highly skilled occupations (partly reclassified).
- Downward trend in Enterprise M3 - the gap with UK has inverted and got wider in recent quarters.
- Cost-of-living, cooling housing market and likely recession impact self-employed more due to falls in discretionary spending.

Enterprise M3 Self-employment Rates



*More workers flowing out of self-employment into employee status stayed in the same job ("reclassified") than changed job.

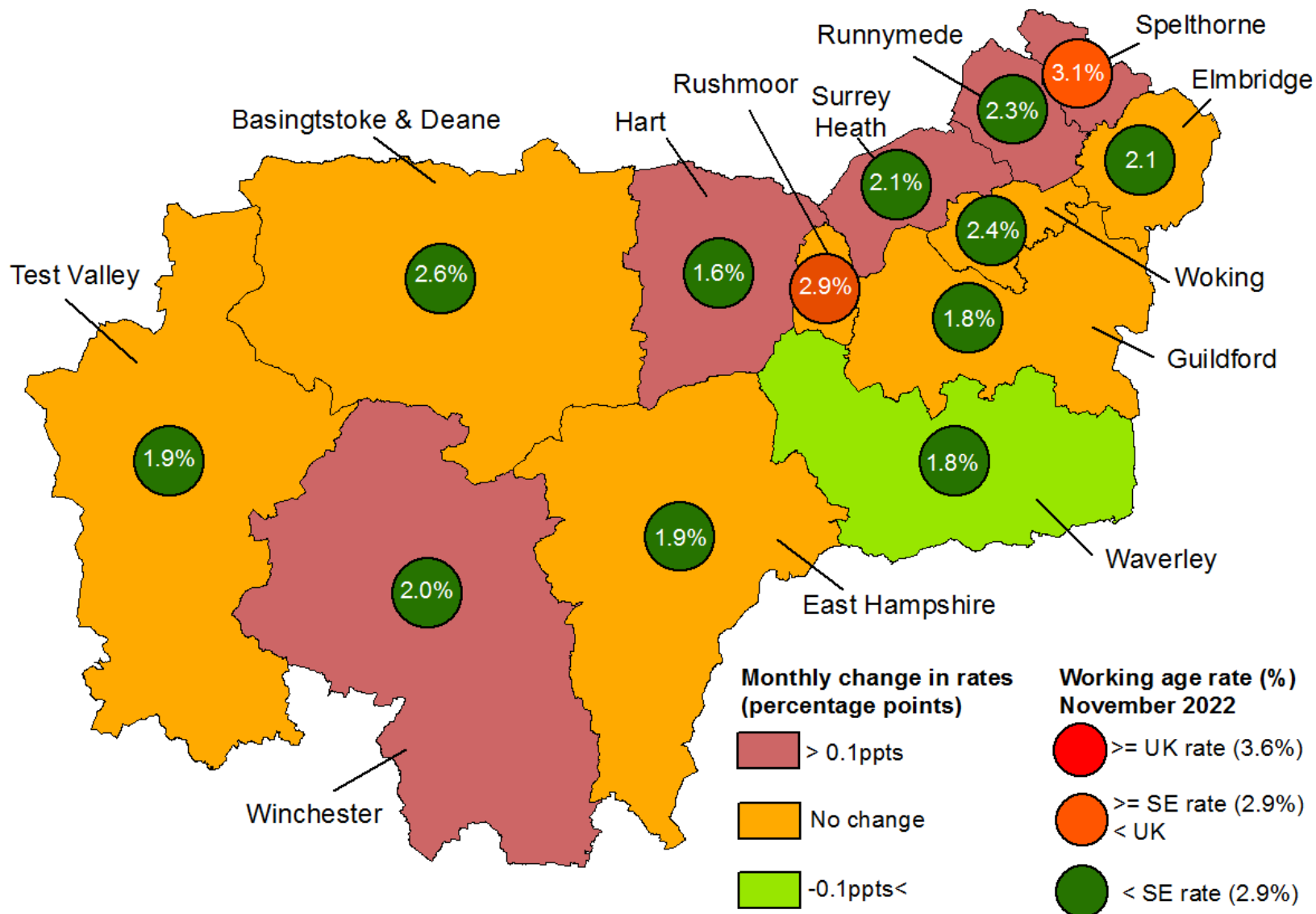
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY - NOV 2022 (2.2%)

Shaded Districts areas

- **Green** = decrease in working age rates between Oct-Nov
- **Orange** = no change in working age rates between Oct-Nov.
- **Pink** = increase in working age rates between Oct-Nov.

Coloured Circles

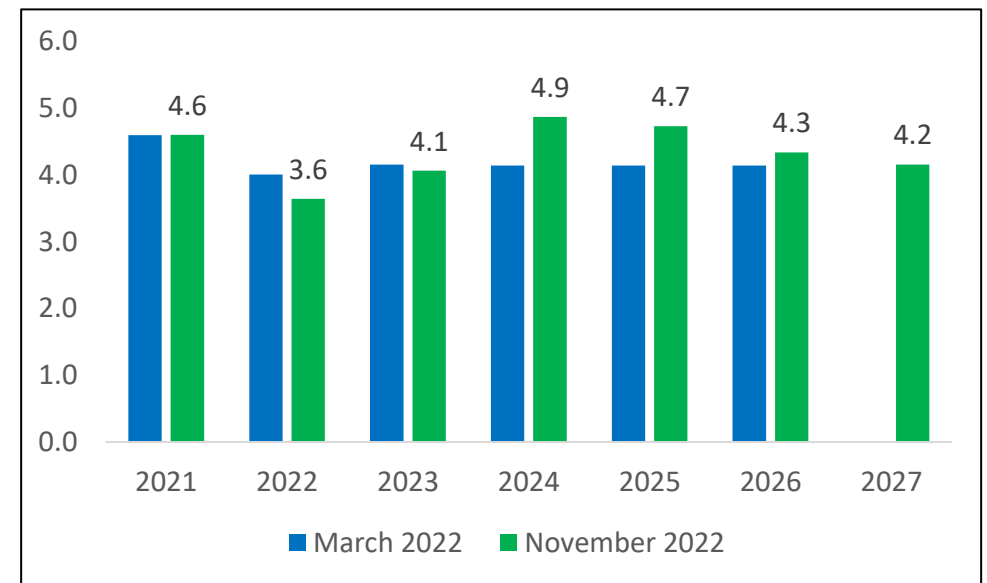
- **Green** = November rate below UK and South East rates.
- **Orange** = November rate above or equal to South East rate but below UK rate.
- **Red** – November rate above or equal to UK rate (no red circles in EM3 area).



UNEMPLOYMENT FORECAST TO INCREASE BUT ENTERPRISE M3 MORE RESILIENT THAN MOST AREAS

- Exceptionally low unemployment but early signs of small upturn with further rises forecast in 2023.
- Unemployment outcome in 2022 better than forecast but unemployment to increase in 2023 and 2024.
- If all other factors remain as forecast unemployment levels in Enterprise M3 area could increase to between 3.8% and 4.3% by 2024/5 from 3% in 2022 (or a rise of between 6,100 - 9,600 in unemployed residents).
- Enterprise M3 labour market more tight and resilient than nationally – outcome likely to be closer to the lower forecast.
- Major policy issue for the EM3 economy is increasing labour supply and persistent skills mismatch over medium-to-long term.

UK unemployment forecast, OBR
(Spring 2022 and Autumn 2022)

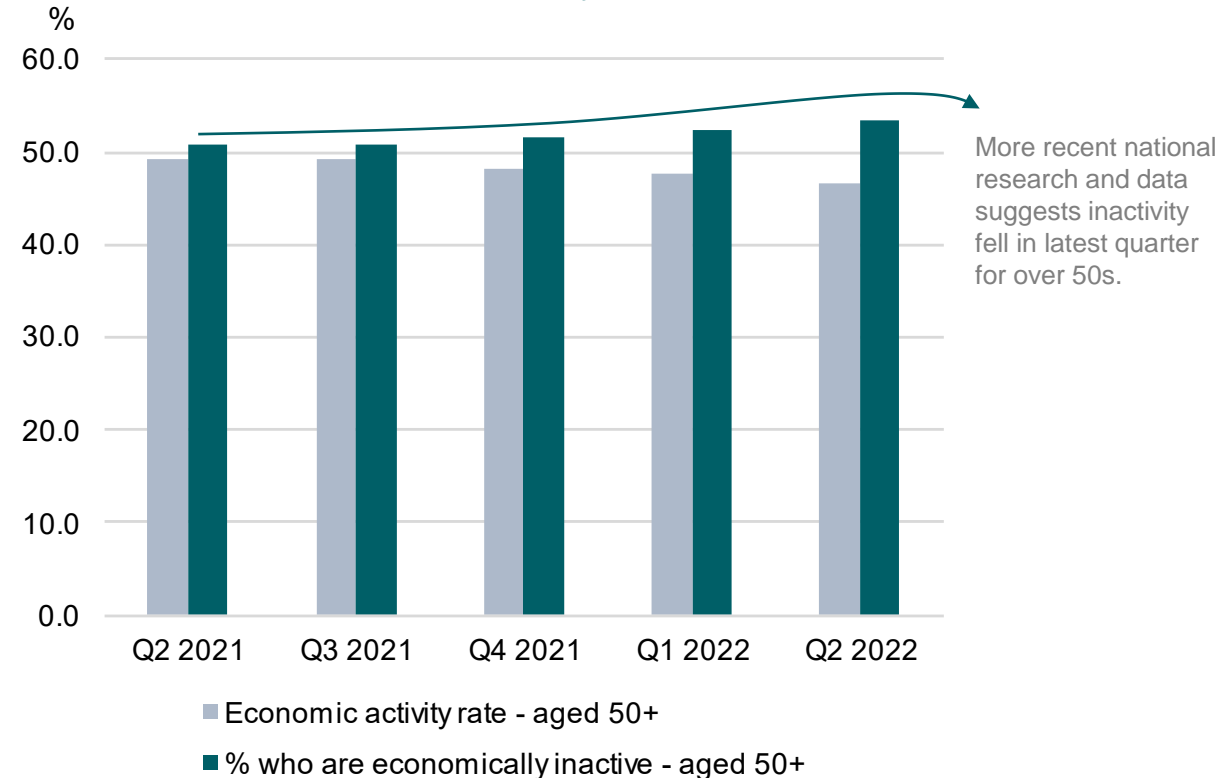


Source: OBR (2022)

POLICY RESPONSE TO TARGET MORE OVER 50S IN RETURNING TO WORK

- Shortage of workers aged 50+ with high numbers of people who left the workforce for various reasons (retirement, redundancy, ill-health).
- Enterprise M3 had an estimated 320,000 inactive residents aged 50+ compared to 279,000 active residents.
- The number of inactive residents aged 50 to 64 in Enterprise M3 was 68,000, a significant potential labour pool.
- Recent reversal in trend, with money an important motivation for over 50s returning to employment.
- Government has put in place measures to encourage more over 50s back to work with potential addition of incentives and support.
- Might ease the pain in some sectors but not a long-term fix.

Enterprise M3 Over 50s Economic Activity & Inactivity Rates

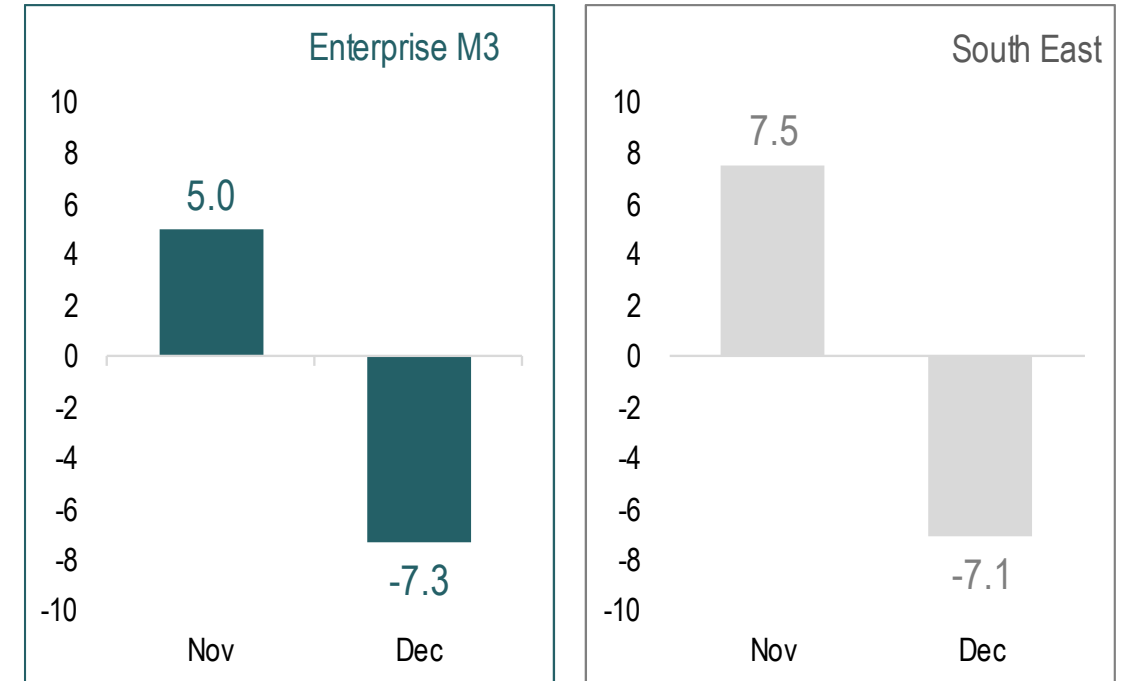


Source: ONS (2022)

SIGNS OF WEAKNESS IN FORWARD LOOKING LABOUR MARKET DATA IN ENTERPRISE M3

- Slowdown in vacancies as businesses become more cautious about recruitment in current economic climate.
- This is in part due to seasonal factors.
- Flat labour market but signs of slowdown may be starting to emerge. However, pay still rising albeit eroded by inflation.
- Past recruitment difficulties may mean employers less likely to layoff staff.

% change in online job postings
(Nov and Dec 2022)

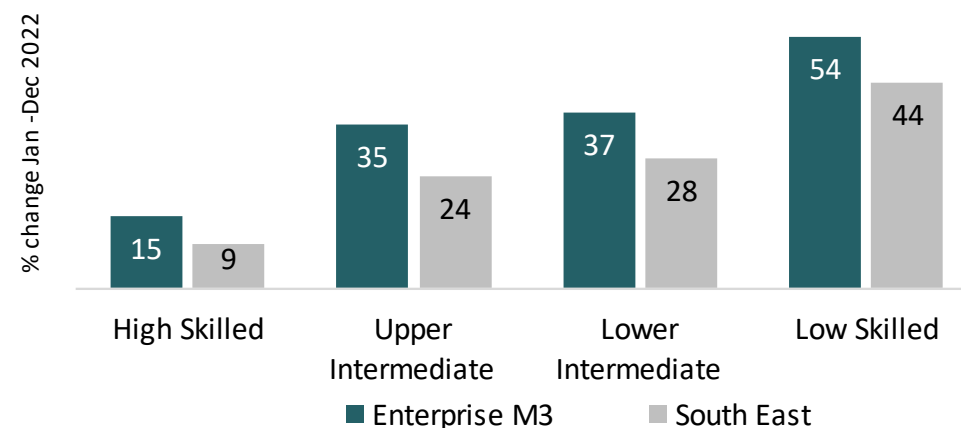


Source: Lightcast (2023), all job postings

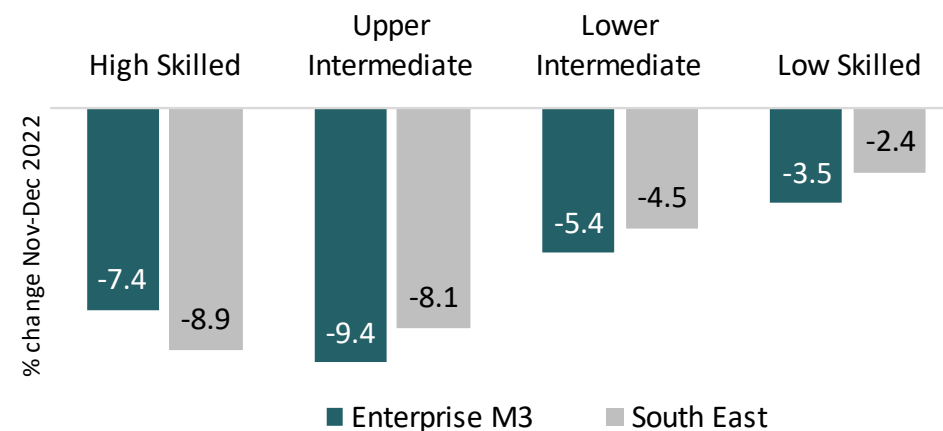
DESPITE DIP IN OVERALL DEMAND, DEMAND FOR HIGH AND UPPER-INTERMEDIATE SKILLS PERSISTS IN ENTERPRISE M3

- Over two thirds (67%) of December's labour demand in Enterprise M3 was in high-skilled and upper intermediate-skilled roles – equating to 34,300 vacancies. Of which:
 - Just over one third in high-skilled occupations (17,400 vacancies), and...
 - one third in upper-intermediate occupations (16,900).
- Less demand for low-skilled roles (less than 10 vacancies) but fastest growth rate (+54%) in 2022, in part driven by seasonal factors.
- Enterprise M3 has seen stronger job postings than South East since start of the year, but monthly demand by occupation is lower across all occupational groups except high skilled.

Growth by Occupational Skill Level Jan-Dec 2022



Latest Monthly Growth by Occupational Skill Level Nov-Dec 2022





BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Frasers Property UK has secured two new leases at Chineham Park - Turtle Beach Europe Limited, a leading gaming accessory provider has relocated from Basingstoke town centre to a 7,000 sq ft office Chineham Park. In addition, a tech communications company took a new lease at the Rosewood Building with almost 14,000 sq ft of office space. In 2022 Chineham Park completed new lettings and renewals on 125,000 sq ft.

Market research company **Danebury Research opens in Stockbridge**.

Lidl supermarket opened in **Tadley in December**, creating around **40 jobs**.

Fact360, a Guildford based cyber-security business receives **investment from Henley Business Angels**.

ACQUISITIONS AND MERGERS

Farnborough based games company **NDREAMS** acquires games developer Near Light which is located in Brighton.

Basingstoke-headquartered EC Electronics, has acquired Welsh based Swan Electronics Manufacturing Solutions (EMS)

BUSINESS NEWS HEADLINES

Closures-Administration

None reported from sources

OTHER NEWS

Rushmoor Borough Council to benefit from £20 million in Levelling Up funding to contribute to the development of a cultural and leisure hub at Farnborough.

University of Surrey's 5G/6G Innovation Centre has been awarded a £12m research grant to improve the UK telecomms network through the UK government-funded TUDOR (Towards Ubiquitous 3D Open Resilient) Network project. This will research and create technologies that might be utilised in a future mobile network that is more open, adaptable and scalable than 5G and 6G as well as how developing intellectual property might support global standards and the development of skills in the UK.

Clutch Space, based at Surrey Research Park signed a letter of intent to participate in the demonstration and evaluation of the AnyTime Ground Station network.

Energy Bill Relief Scheme - under existing support, the government has capped gas and electricity bills that runs October 2022 to March 2023 costs £18bn over the six months. In contrast, the new scheme will apply a discount to wholesale energy prices and run for a year at estimated cost £5.5bn. Energy-intensive businesses, such as manufacturers, expected to get more support.

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

