



enterprise**m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – May 2023

HEADLINES

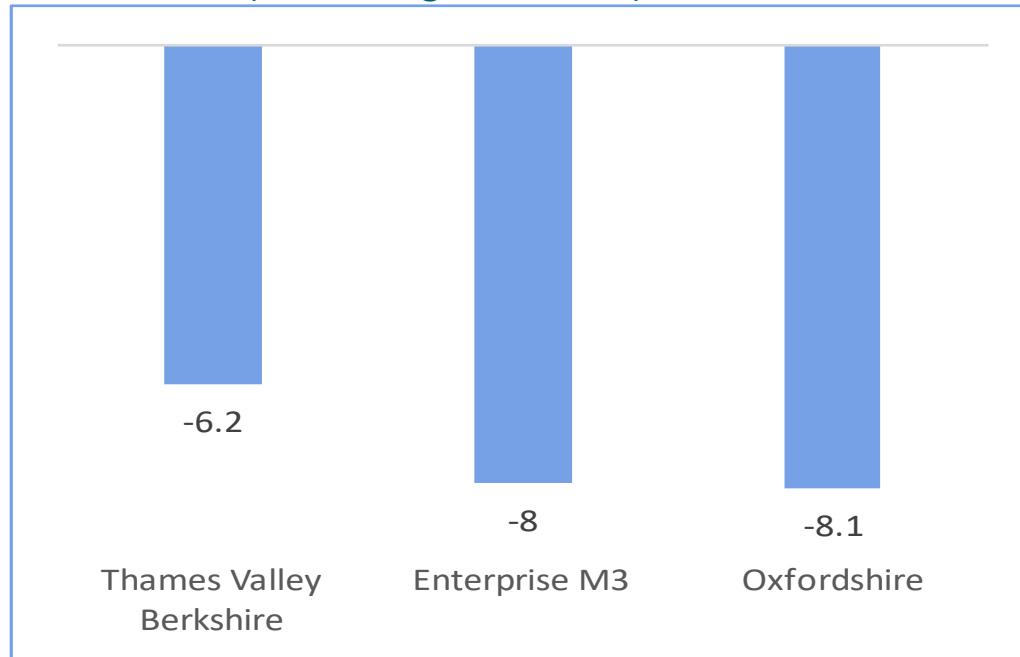
- Enterprise M3 economy more resilient than previously thought - official data suggests recovery in 2021 'sluggish' but not dissimilar from other advanced economies in the area.
- Resilience to economic downturns and ability to sustain growth over the long term is what matters – Enterprise M3 ranked 2nd among all economic areas (LEPs and Combined Authorities) in the country → the role of knowledge intensive sectors and skills.
- Enterprise M3 economy avoids technical recession → growth slows in the first quarter but economic resilience returns at the start of the second quarter.
- Business costs continue to fall but inflation persistence remains a challenge to the Bank of England → the rates to rise further.
- Further emerging signs of weakness in Enterprise M3 labour market → PAYE jobs decreased over the quarter and job vacancies fall for the second consecutive month in April. Demand for high and upper-intermediate skills persists in Enterprise M3 but there are early signs of easing.
- Sickness absence rates seen sharp increase on pre-pandemic levels; South East highest rates in 13 years.
- Rise of automation and AI increasing threat to high-valued added jobs potentially affecting 1-in-5 employees, but equally may ease skills shortages in certain high-demand sectors e.g. health.



ECONOMY

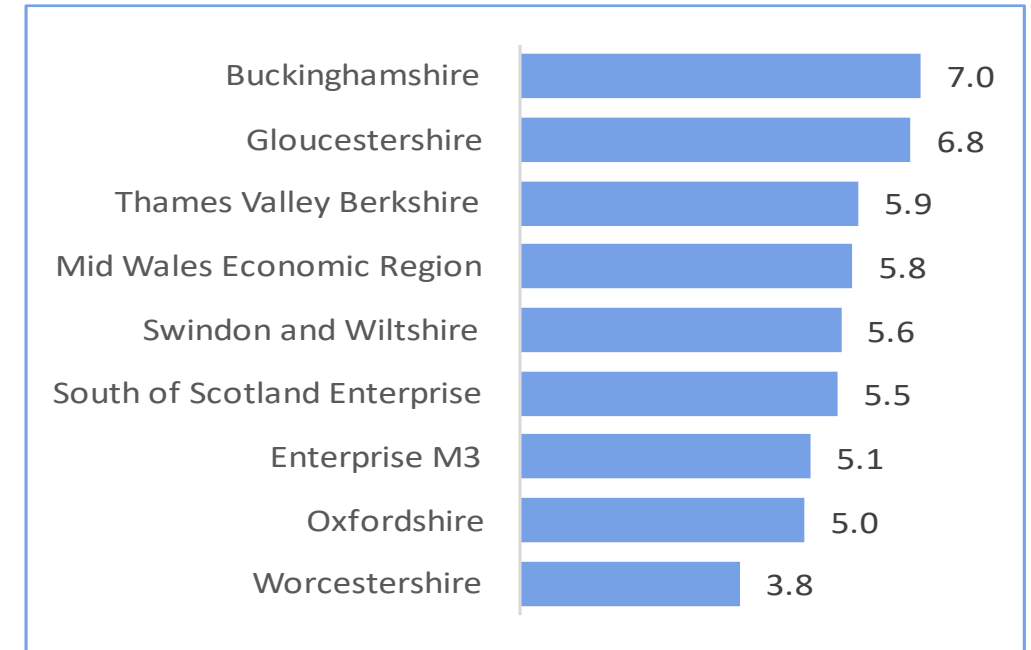
ENTERPRISE M3 ECONOMY 2ND MOST RESILIENT ECONOMY IN 2020 BUT 'SLUGGISH' RECOVERY IN 2021

Most resilient economies in 2020
(% change in GVA)



Source: ONS (2023)

Slowest growth in 2021
(% change in GVA)



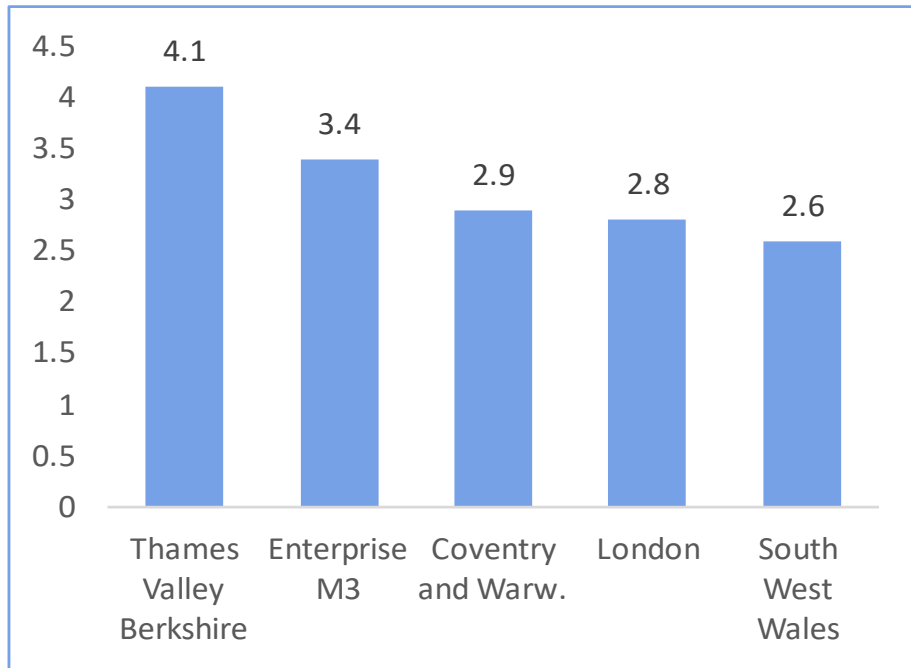
Source: ONS (2023)

- Enterprise M3 more resilient than previously thought.
- 2nd most resilient economy in the country – among LEP and other enterprise areas.

- 3rd slowest growth in GVA in 2021 but relatively sluggish growth was to be expected.
- Sluggish recovery in North Hants but strong in Central Hampshire.

ECONOMY'S ABILITY TO SUSTAIN GROWTH OVER THE LONG-TERM IS WHAT MATTERS

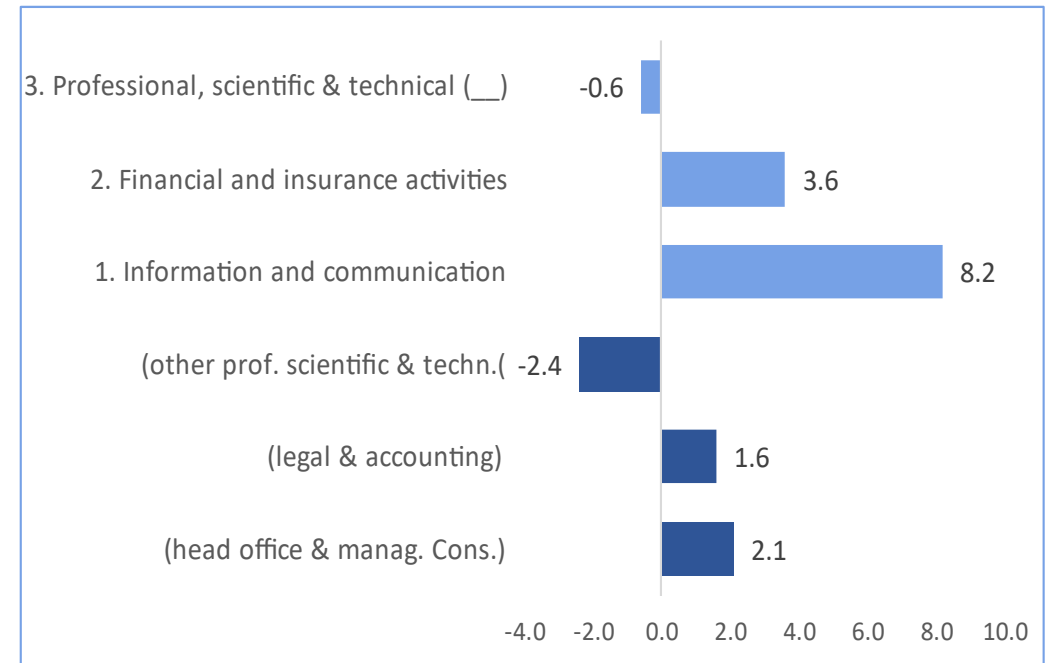
Economic growth over the long-run
(2009-2019, % p.a.)



Source: ONS (2023)

- Short-term fluctuations vs. ability to generate growth over long-term.
- 2nd fastest growth in GVA between 2009 and 2019.

Sectoral growth over the long-run
(2009-2019, % p.a.)



Source: ONS (2023)

- Strong growth in most knowledge intensive sectors.
- Growth in 2/3 of professional, scientific & technical sectors.

GROWTH IN ENTERPRISE M3 SLOWS IN THE FIRST QUARTER BUT ECONOMIC RESILIENCE RETURNS AT THE START OF THE SECOND QUARTER

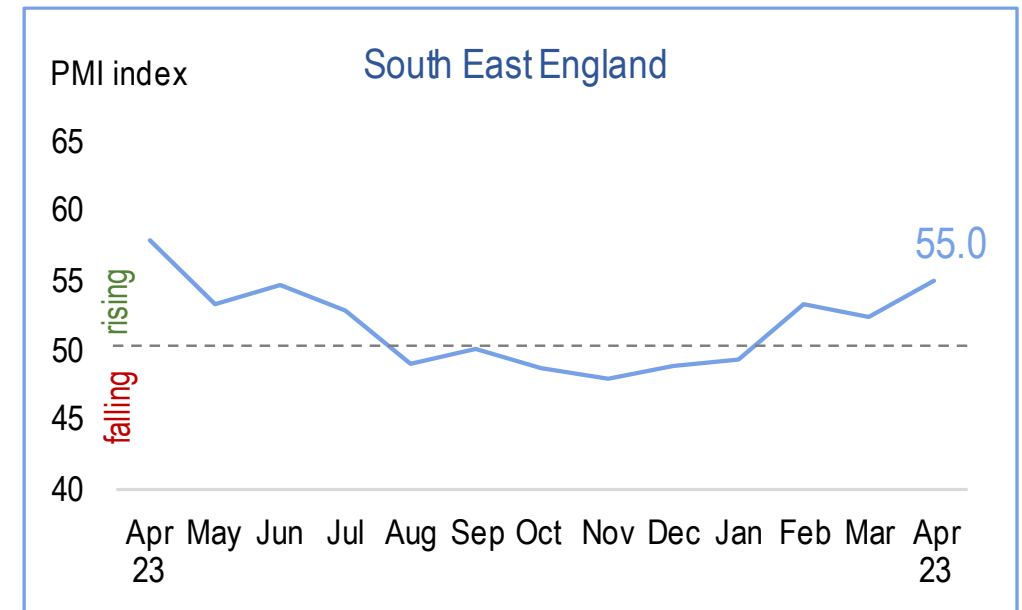
Monthly GVA growth, %
UK and Enterprise M3*



Source: ONS (2023) and EBIS (2023)

- Slower growth in Q1 but Q4 faster than previously thought and faster than UK.
- Enterprise M3 economy likely to have contracted in March.

Business activity (survey data)
South East England

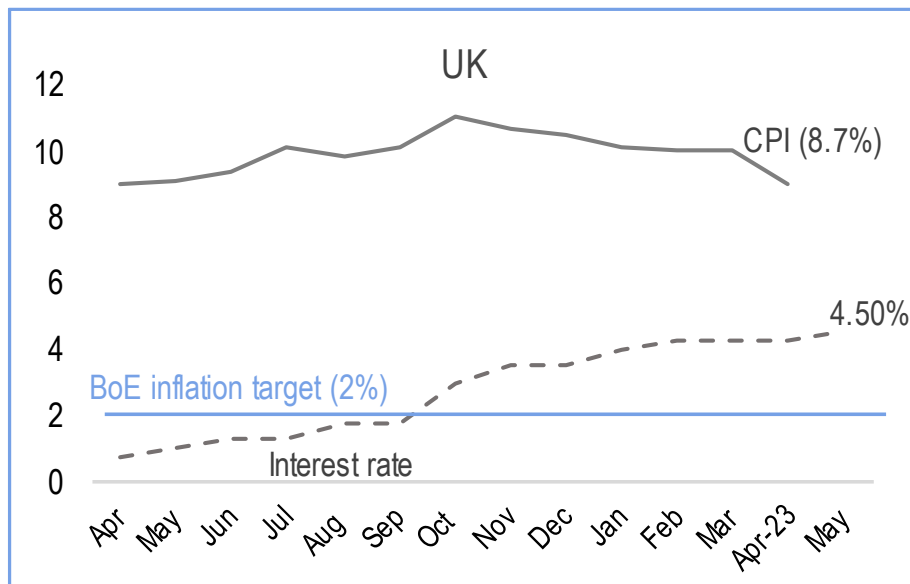


Source: Markit (2023)

- Growth in private sector output in April was better than expected and fastest in a year.
- Volume of new orders reached a 13-month high in April.

BUSINESS COSTS CONTINUE TO FALL BUT INFLATION PERSISTENCE REMAINS A CHALLENGE TO THE BANK OF ENGLAND

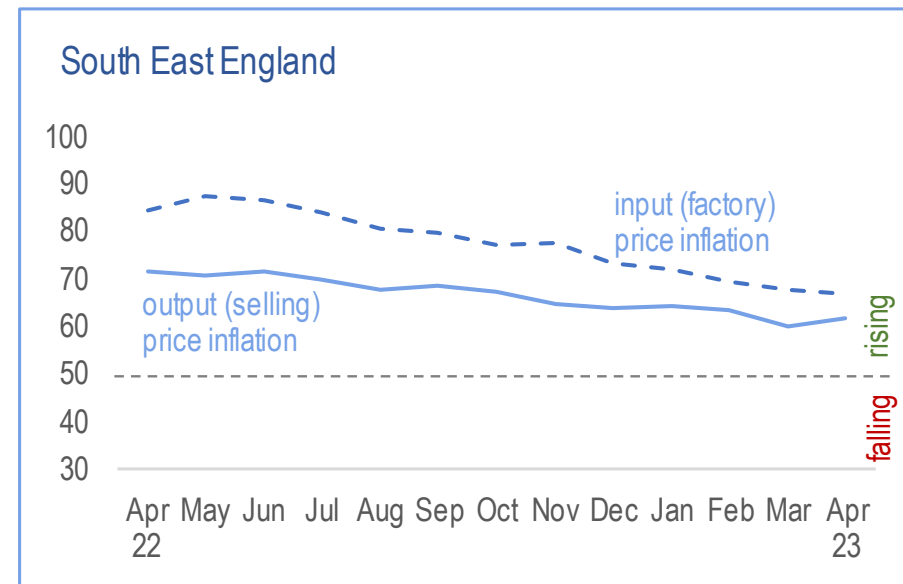
UK inflation and interest rates



Source: ONS (2023) and BoE (2023)

- Headline inflation falls from 10.1% in March to 8.7% in April.
- Food inflation at 19% and core inflation jumped from 6.2% to 6.8%.

Business costs and prices charged South East England



Source: Markit (2023)

- April saw slowest rise in costs in over two years but strong growth in prices charged → businesses passing on costs to consumers.
- Interest rates to rise further.



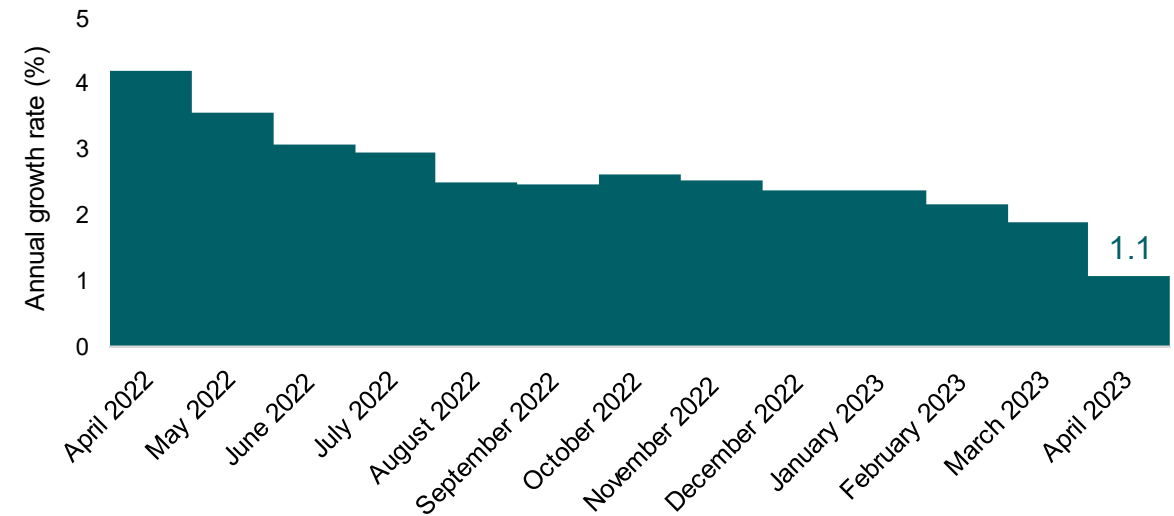
LABOUR MARKET & SKILLS

ENTERPRISE M3 LABOUR MARKET LOOSENS AS JOBS DECREASE IN THE FIRST QUARTER

- Evidence of falling employment in latest data.
- Resident PAYE employment decreased by approximately 4,400 over the last quarter but still 7,600 higher than a year ago.
- Some growth in labour market participation.
- Labour market outcomes still strong but higher incidence of part-time work.

PAYE employee growth (annual % change)

Enterprise M3



Source: HMRC (2023)

- 1.1% (annual PAYE growth)
- -0.6% (quarterly growth)
- -0.7% (monthly growth)

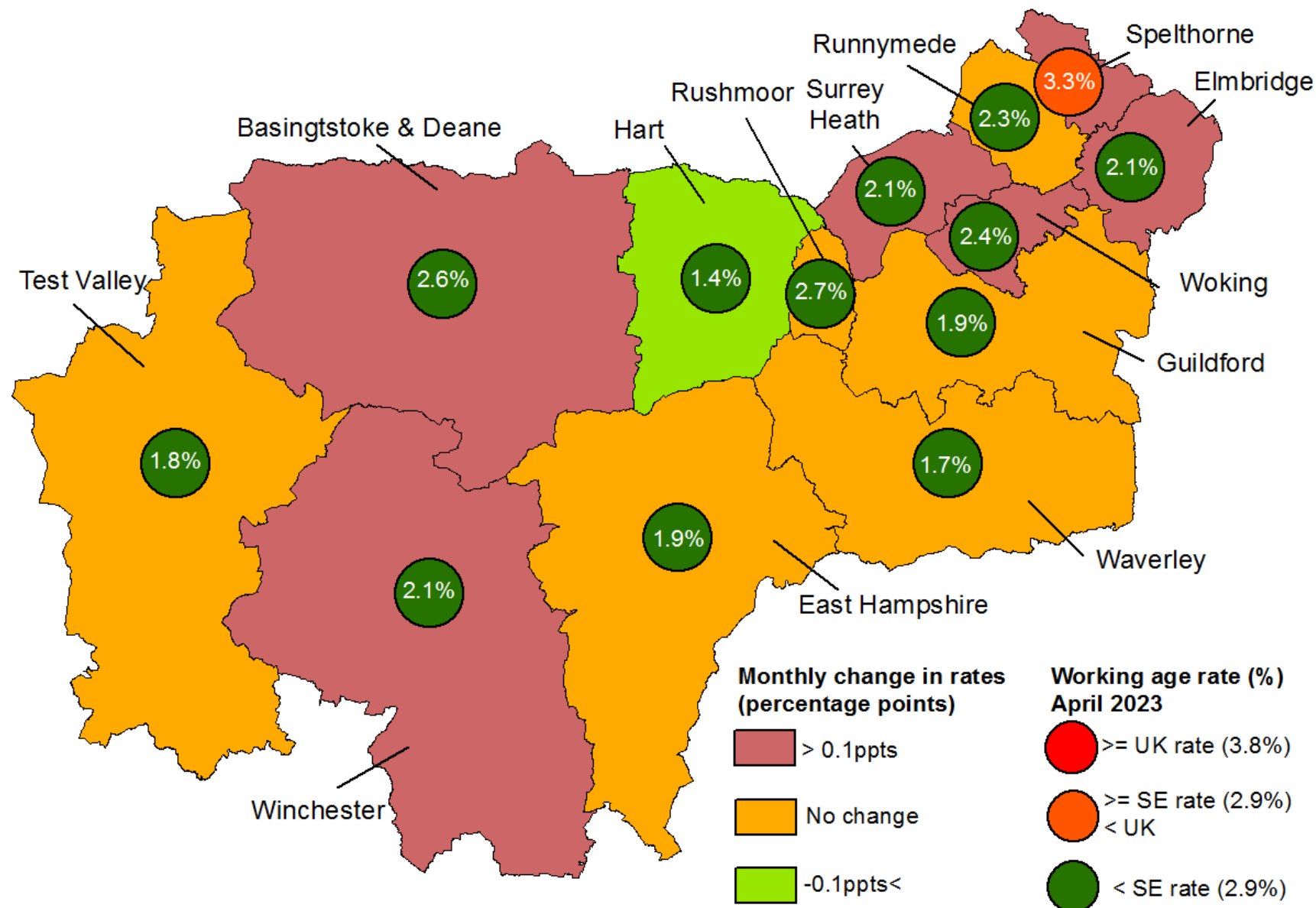
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY - APRIL 2023 (2.2%)

Shaded Districts areas

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

Coloured Circles

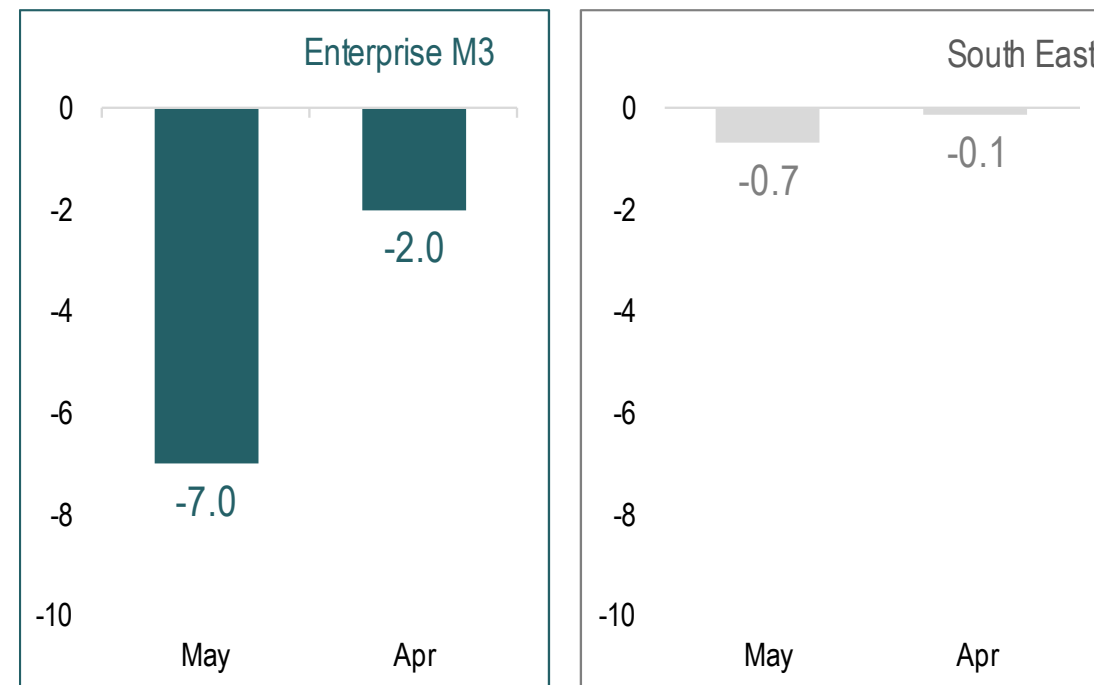
- **Green** = April 2023 rate below UK and South East rates.
- **Orange** = April 2023 rate above or equal to South East rate but below UK rate.
- **Red** – April rate above or equal to UK rate (no red circles in EM3 area).



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

- Slowdown in demand is underway – vacancies decrease for second consecutive month and faster than in the region.
- Wage growth impacts on labour demand and business competitiveness while structural challenges remain.
- Close to 1-in-5 EM3* working age residents inactive (close to ½ are students or retired). Increase in long-term sick nationally but EM3 seen little change in levels.

% change in online job postings
(March and April 2023)



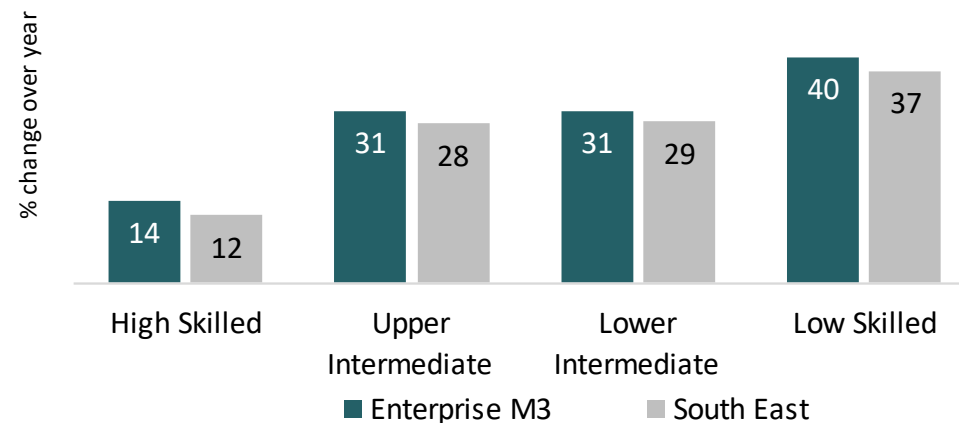
Source: Lightcast (2023), all job postings

*19% for 12 months to December 2022. Largest increase in students and retired.

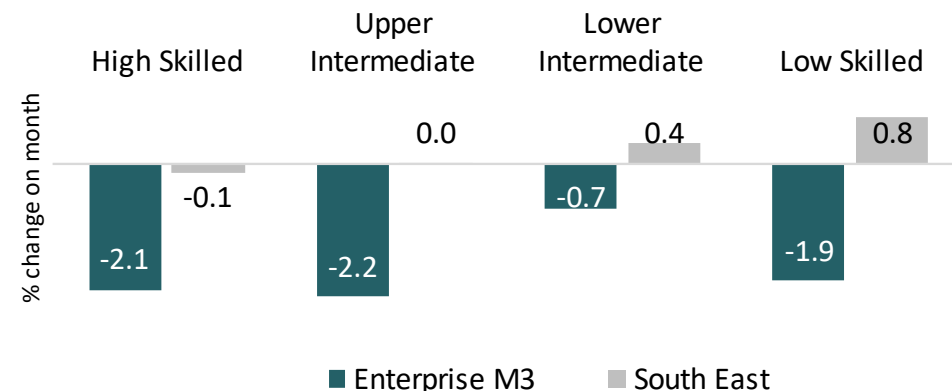
DESPITE DIP IN OVERALL DEMAND, DEMAND FOR HIGH AND UPPER-INTERMEDIATE SKILLS PERSISTS IN ENTERPRISE M3 BUT EASING

- Annual growth in Enterprise M3 outperformed the South East across all skills levels.
- Latest monthly change has seen an easing in demand and at faster pace than the South East.
- April's labour demand in Enterprise M3 in high-and upper intermediate-skilled equate to 41,800 vacancies (68%). Of which:
 - One third in high-skilled occupations (20,400 vacancies), and...
 - ...and over one third in upper-intermediate occupations (21,400)
- In contrast to South East, EM3 has subdued demand for low-skilled (less than 10%) – 5,400 vacancies > reflects seasonal factors and a slowdown in demand in consumer-facing services.

Annual Growth by Occupational Skill Level
April 2022 - April 2023



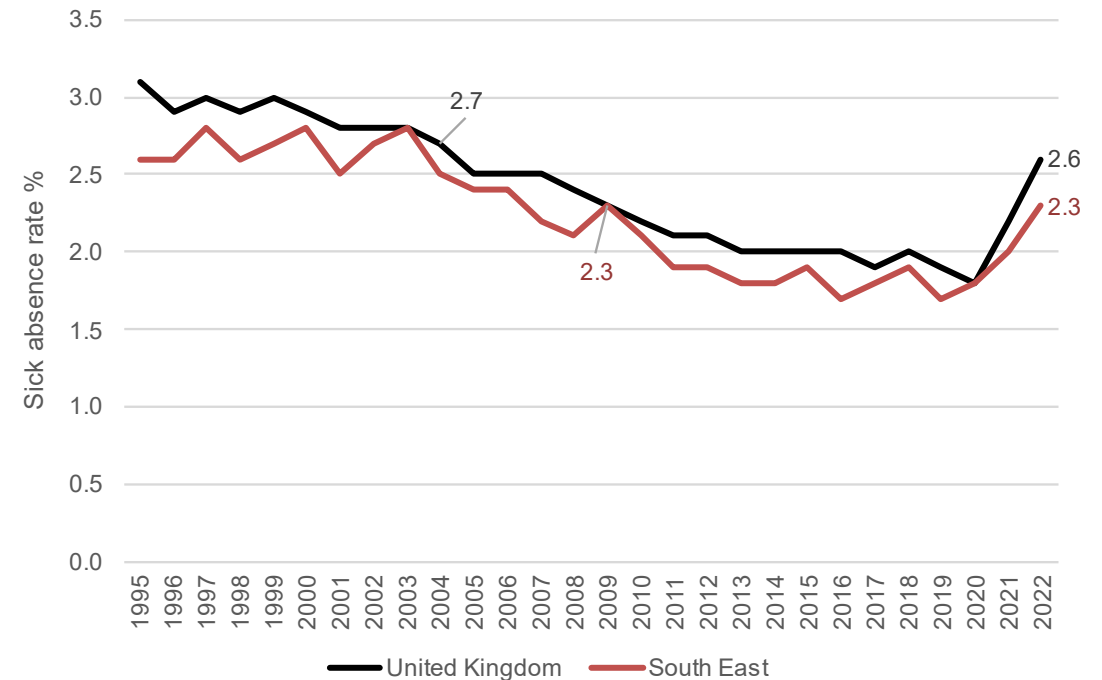
Latest Monthly Growth by Occupational Skill Level
March - April 2023



SHARP RISE IN SICKNESS-RELATED ABSENCES FROM WORK

- Sickness absence rates have seen a sharp upturn since the pandemic, and highest in UK since 2004.
- South East sick-absence rates below the UK average, and South East rates highest since the Great Recession (2009).
- Enterprise M3 sick absence rates are likely to be close to the South East trendline.
- Respiratory conditions doubled on pre-pandemic levels and linked to Covid. This has overtaken mental illness as a reason for sick absence.
- 1-in-10 workers cite musculoskeletal* problems for sick absence. According to ONS a rise in back pain and long-term sickness has been linked to home working and poor ergonomics.

Sick absence rates over time, %
(UK and South East England)

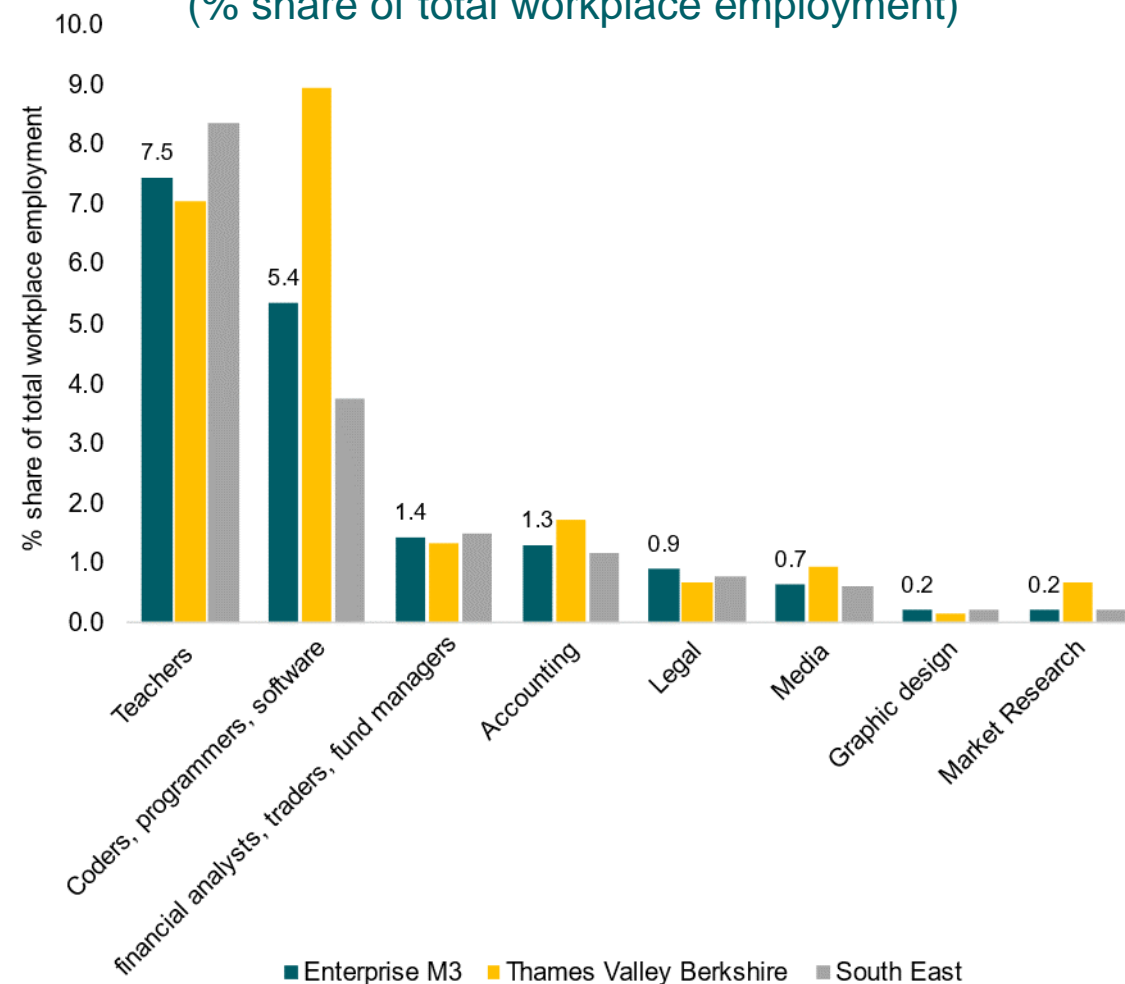


*includes back pain, neck and upper limb problems, and other musculoskeletal problems.

ARE JOBS IN ENTERPRISE M3 INCREASINGLY AT RISK FROM AI / AUTOMATION?

- Warnings from tech industry gurus and tech business talk of jobs losses led to recent media headline of “AI jobs bloodbath”.
- AI and automation not new but previously affected lower-valued added manufacturing and services...
...but rapid advances in AI now seen as a real risk to higher value-added/higher paid services jobs.
- Around 1-in-5 high-skilled workers* in Enterprise M3 employed in jobs identified as potentially at risk from AI.
- Threat of AI could see large scale job losses (productivity effect) but also opportunities in new jobs > reskilling will be key.
- AI benefits sectors with persistent skills shortages e.g. health and social care where EM3 has above regional average for job postings** and hard-to-fill vacancies.

High-Skilled Workplace Employment Potentially at Risk from AI
(% share of total workplace employment)



Source: ONS (2022).

*135,000 jobs in industries listed in the graphic. ** 6,000+ online postings per month.



BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

West Surrey-based Nurture Landscapes Group (located in Windlesham, providing grounds maintenance services, landscape construction and plant display) has **secured £57 million** from a pan-European private capital fund (All Seas Capital) **to back its five-year growth plan**. The group has grown since it was founded in 2008 to employ almost 2,000 staff directly, with sales this year predicted to be in excess of £140m and part of the Gold Medal award winning show garden at Chelsea flower show 2023 – Nurture & Crocus, designed by Sarah Price.

Oxford-based **accountancy firm Shaw Gibbs has opened an office in Basingstoke** with a team comprised of recruits joining from UK top 10 adviser RSM. Their office is located in Belvedere House, Basing View.

The Anvil and The Haymarket have been awarded £2.9m from Basingstoke and Deane Borough Council to allow for upgrades to take place.

BR Saunders, a Walton on Thames-based haulage company, received a seven-figure funding package from HSBC UK to expand its fleet of lorry loader cranes.

ACQUISITIONS AND MERGERS

Accountancy firm Langdowns DFK has acquired the Park Gate practice of Parry Hancock, **adding to its existing offices in Andover and Basingstoke**.

CLOSURES-ADMINISTRATION

Restaurant chain **Prezzo to close 46 stores** due to high ingredient and energy costs. Sites earmarked for closure in Hampshire include **Fleet, and Winchester**.

Barclays Bank will be closing down its **Fleet** branch in **July**. **NatWest closed** its branch there **in April**.

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

