



enterprise**m3**

Delivering prosperity through innovation

# Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – July 2023



# ECONOMY

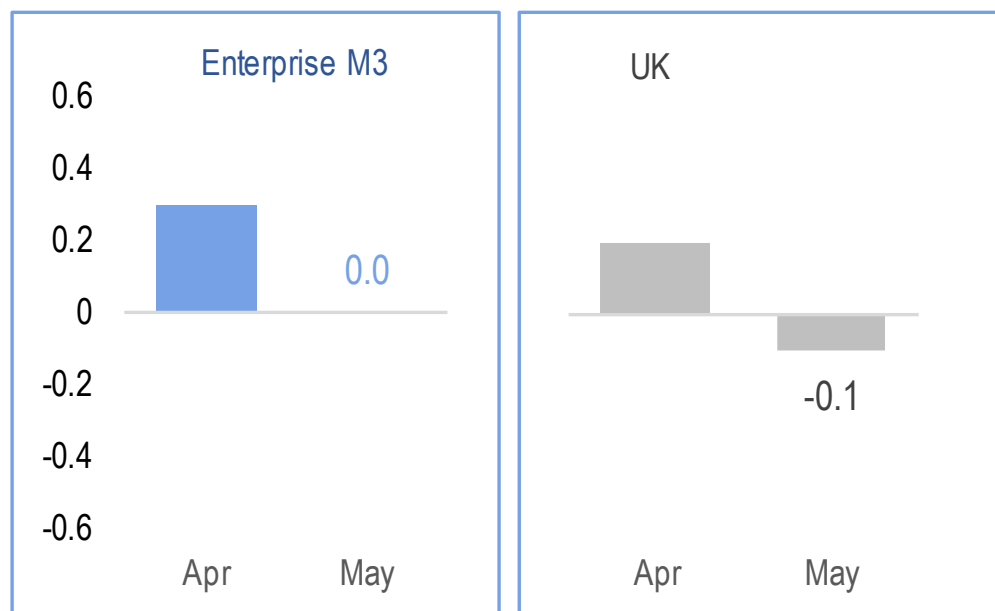
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## HEADLINES

- The first half of this year has been a mixed bag for the Enterprise M3 economy → the good news is that growth has held up despite high inflation and rising borrowing costs.
- Business costs continue to ease with inflation outcome in June better than expected → UK recession is still possible later this year or in early 2024.
- Interest rates now expected to peak at 5.75% and fall sooner than expected → implication for business activity and growth in the Enterprise M3 area in 2024/25.
- Further evidence of labour market softening in Enterprise M3 and the UK → unemployment likely to increase but labour supply remains one of the most pressing challenges for economic policy in the Enterprise M3 area.
- Labour productivity in Enterprise M3 fell in 2021 but robust productivity growth since 2013 and faster than in London or Thames Valley Berkshire → Enterprise M3 narrows productivity gap with London/TVB.
- Enterprise M3 has one of the largest creative & cultural clusters outside of London in terms of both business and employee numbers.
- Sluggish pre-pandemic growth suggests that investment is needed to boost competitiveness and growth.

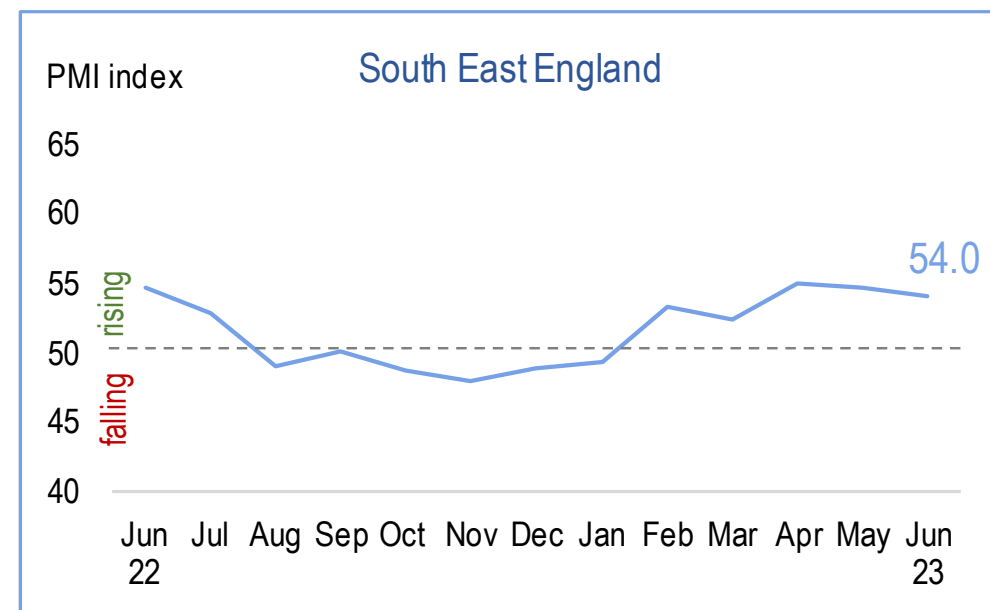
## FLAT GROWTH IN ENTERPRISE M3 IN MAY BUT ECONOMY ON TRACK TO EXPAND IN THE SECOND QUARTER

Monthly GVA growth, %  
UK and Enterprise M3\*



Source: ONS (2023) and \*EBIS (2023) estimate

Business activity (survey data)  
South East England



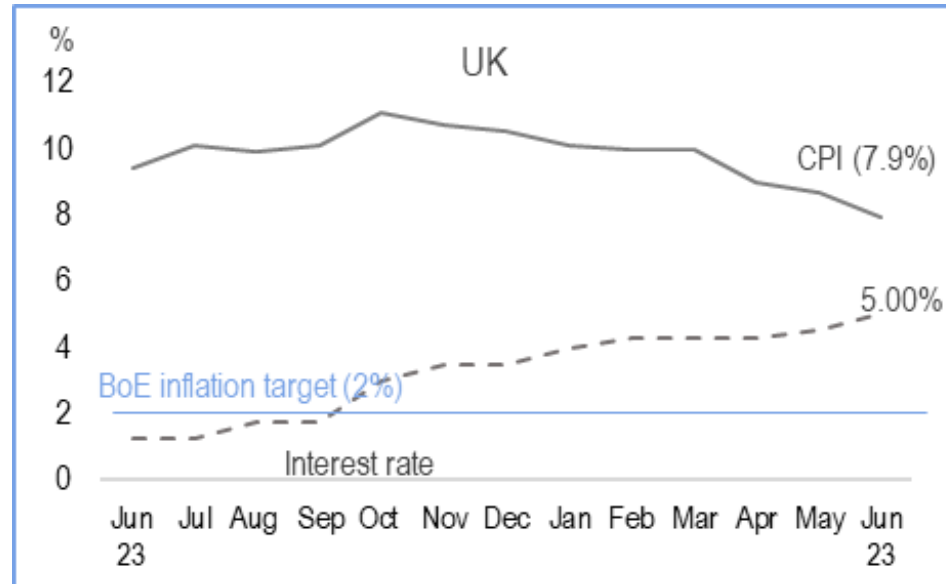
Source: Markit (2023)

- Flat growth in GVA in May > the extra bank holiday impacts on business activity.
- Business activity and new orders in the business-orientated PMI survey increase in June but at a slightly slower pace than in May.

- Rise in new orders > improved tourism, proactive marketing and greater client bases.
- Enterprise M3 economy is on track to grow in the second quarter.

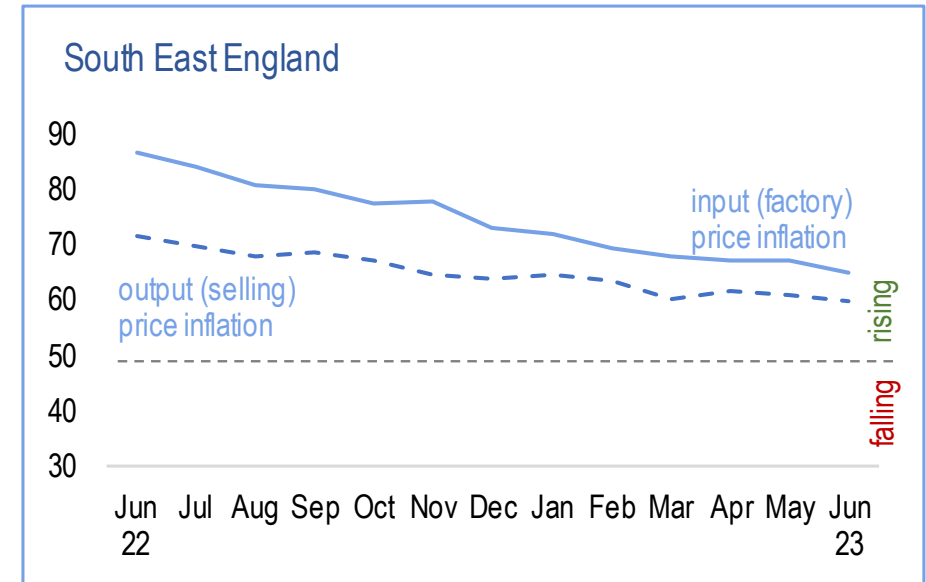
# SMALLER THAN EXPECTED RISE IN INFLATION WILL NOT PREVENT FURTHER INCREASES IN INTEREST RATES

## UK inflation and interest rates



Source: ONS (2023) and BoE (2023)

## Business costs and prices charged South East England



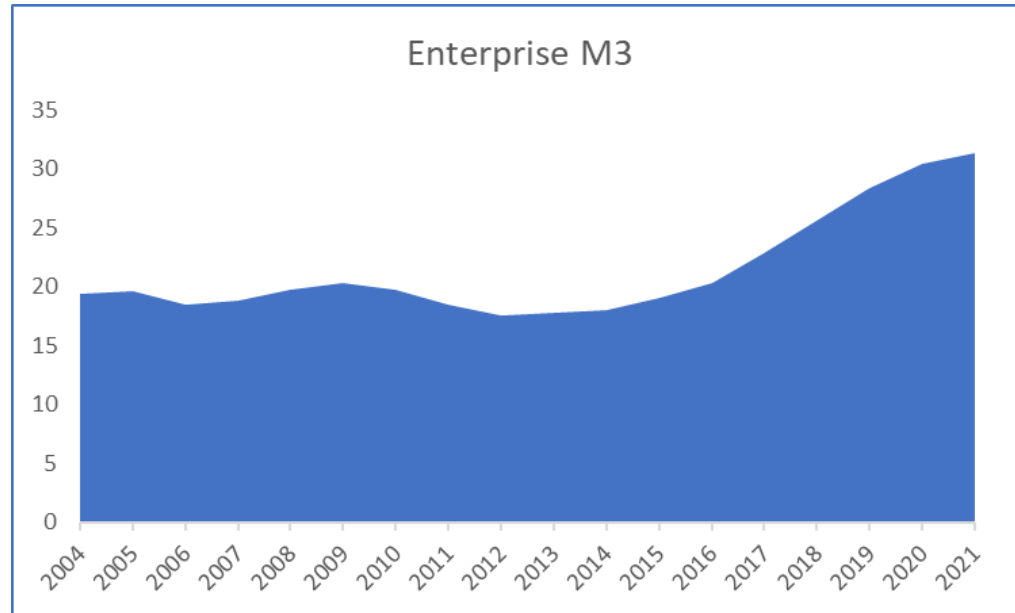
Source: Markit (2023)

- Headline inflation falls to a 16-month low in June (ONS).
- Business costs rise at slowest pace since February 2021 with selling (output) prices at a 22-month low (PMI survey).

- Interest rate expected to peak at 5.75% this year and fall sooner than expected.
- Over 50% of the drag from higher interest rates yet to be felt > recession risks later this year > implication for GDP growth in 2024/25.

# LABOUR PRODUCTIVITY IN ENTERPRISE M3 FELL IN 2021 BUT STRONG GROWTH SINCE 2013

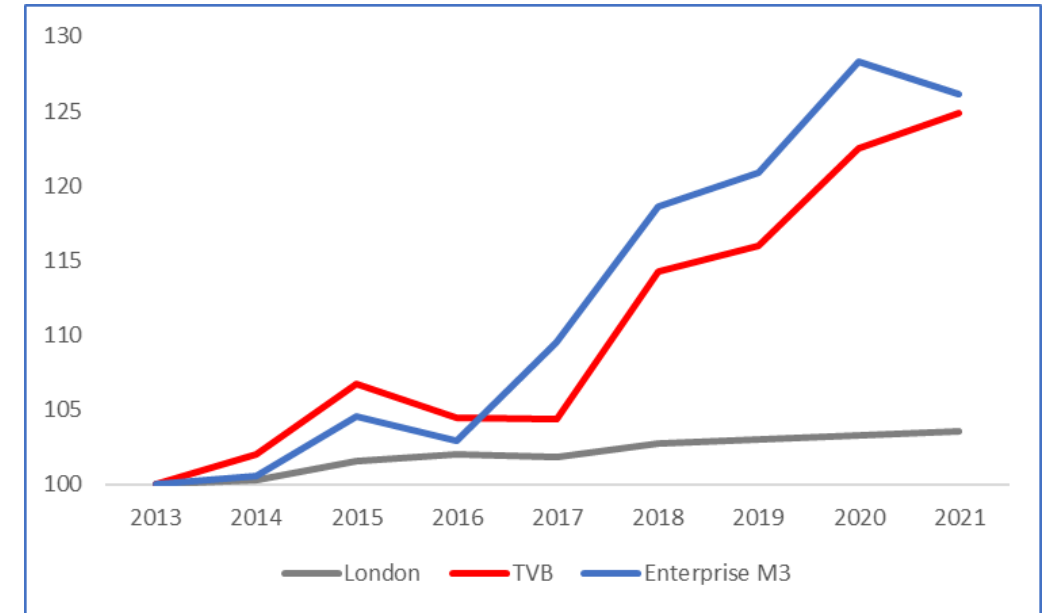
Headline productivity level relative to UK average, %



Source: ONS (2023)

- 3<sup>rd</sup> most productive LEP in England – N. Hampshire is most productive sub-area outside London.
- Since 2013 strong growth relative to UK.

Inflation adjusted productivity growth (2013=100)



Source: EBIS (2023) derived from ONS data

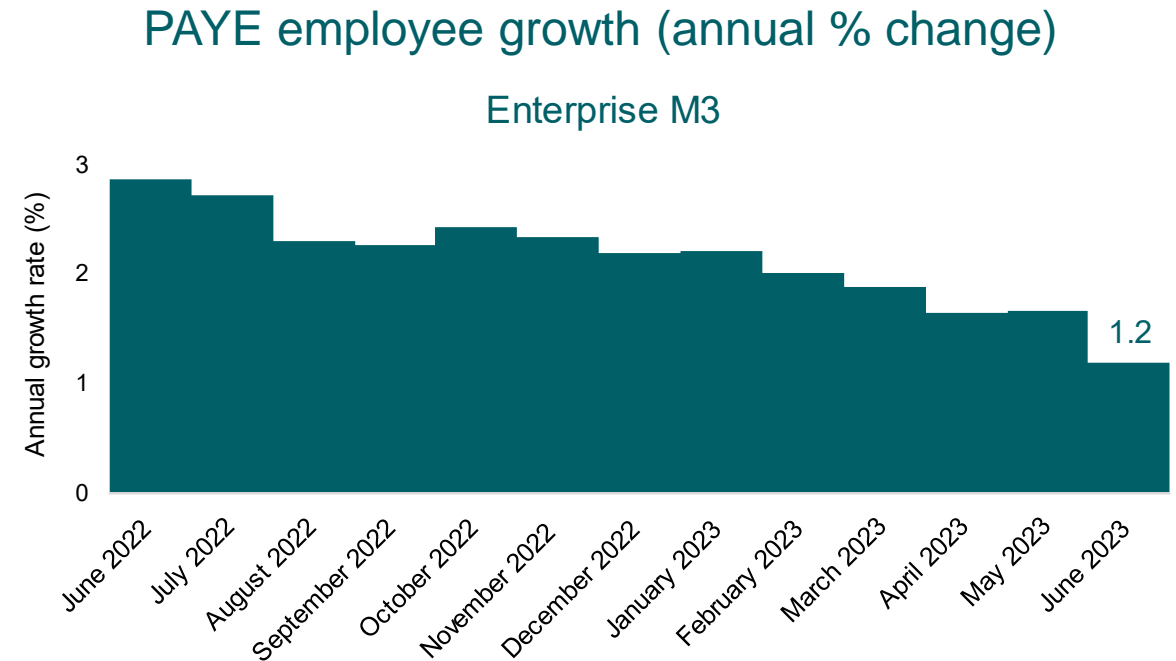
- Adjusted for inflation productivity fell by 1.7% in 2021, it expanded in London and TVB, BUT Faster growth in Enterprise M3 since 2013.
- → smaller productivity gap with London and Thames Valley Berkshire (TVB).



# **LABOUR MARKET & SKILLS**

## ENTERPRISE M3 LABOUR MARKET CONTINUES TO SOFTEN AS JOBS DECREASE IN THE SECOND CALENDAR QUARTER

- High employment but evidence of the labour market becoming less tight.
- Resident PAYE employment decreased by approximately 1,700 over the last quarter (subject to revision) but still 3,300 higher than a year ago.
- Faster decrease in monthly PAYE employment growth than in quarterly employment growth.
- Nationally, latest quarter data points to labour force growing, while vacancies edging down although remain high, suggesting some slack in the economy.
- Major policy issue for the economy > Labour Supply and persistent Skills-Mismatch over medium-to-long term.



Source: HMRC (2023)

- 1.2% (annual PAYE growth)
- -0.2% (quarterly growth)
- -0.3% (monthly growth)



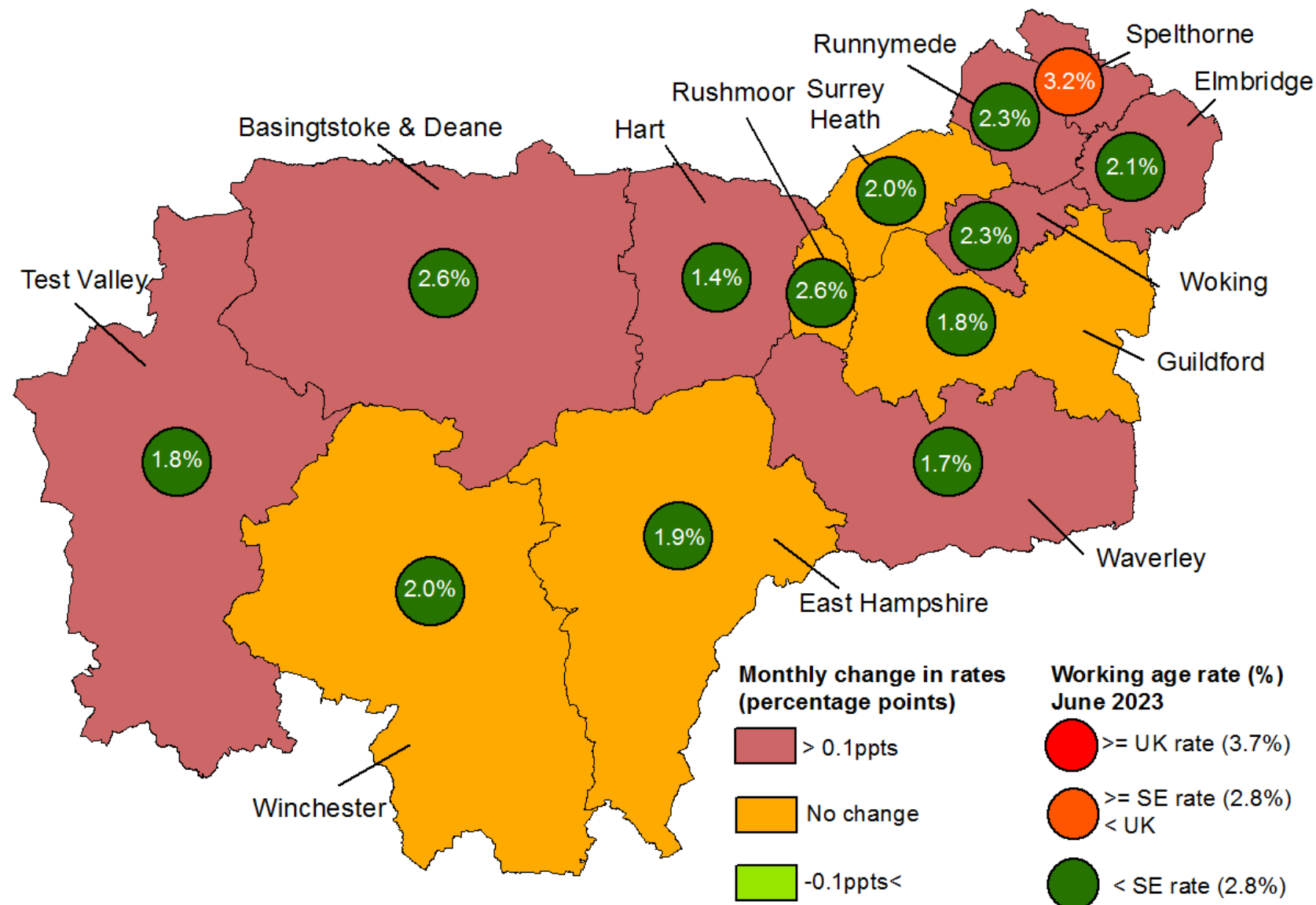
# UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY - JUNE 2023 (2.1%)

## Shaded Districts areas

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

## Coloured Circles

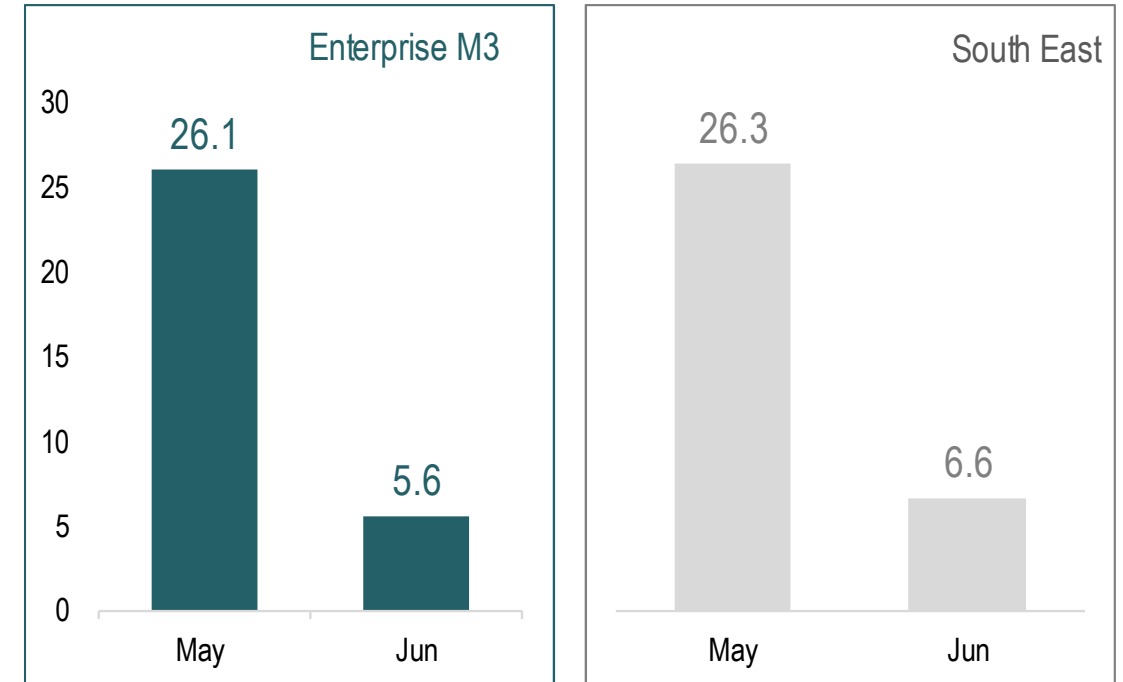
- **Green** = June 2023 rate below UK and South East rates.
- **Orange** = June 2023 rate above or equal to South East rate but below UK rate.
- **Red** – June rate above or equal to UK rate (no red circles in EM3 area).



## FORWARD LOOKING LABOUR MARKET DATA IN ENTERPRISE M3 POINTS TO CONTINUED DEMAND, ALTHOUGH EASING ON MAY'S SEASONAL SPIKE

- May saw a sharp seasonal uptick in demand and while June eased back – vacancies increased for third consecutive\* month although slower than in the region.
- Labour shortages in tourism & hospitality with particularly strong seasonal demand in EM3 – 48% higher postings in past 3-months compared to 34% all occupation average.
- Although early days, going forwards higher interest rates and prolonged inflation is likely to dampen demand which could lead to a period of higher unemployment.

% change in online job postings  
(May and June 2023)

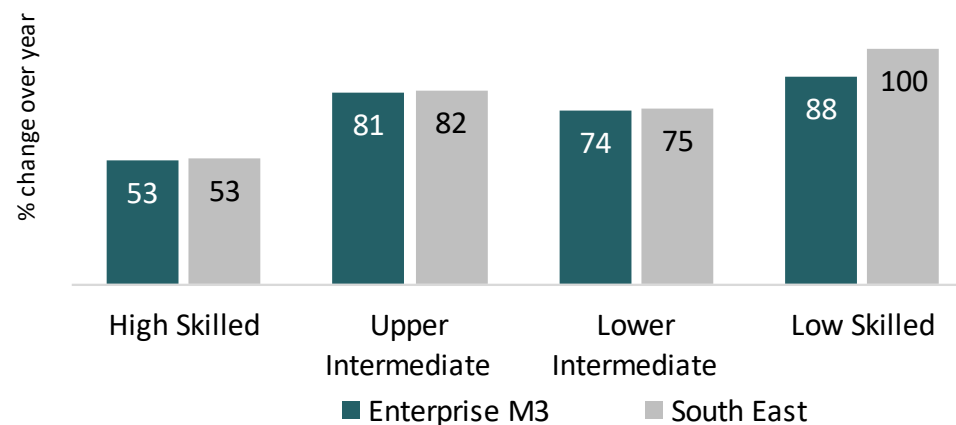


Source: Lightcast (2023), all job postings

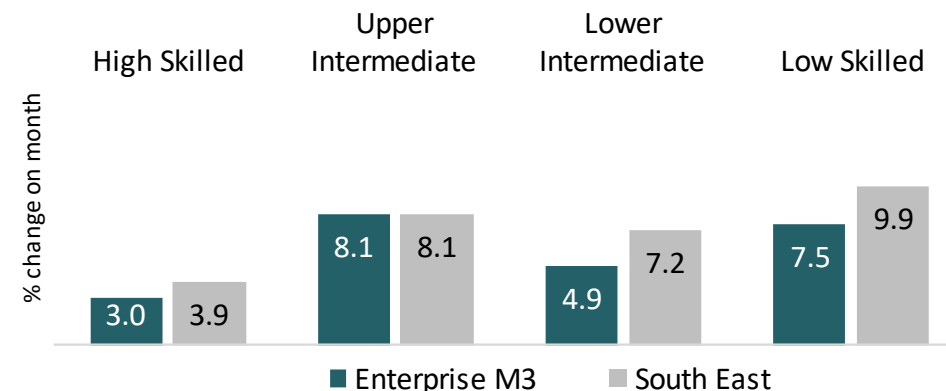
## OVERALL DEMAND RISING IN HIGH & UPPER-INTERMEDIATE, BUT ALSO STRONG SEASONAL DEMAND FOR LOW SKILLS

- Annual growth in Enterprise M3 broadly aligned to the South East across most skills levels but fewer low skilled demand.
- Latest monthly change has seen solid demand but at same or slower pace than the South East.
- June's labour demand in Enterprise M3 in high-and upper intermediate-skilled equate to nearly 57,000 vacancies (68%). Of which:
  - Nearly one third in high-skilled occupations (26,600 vacancies), and...
  - ...and over one third in upper-intermediate occupations (30,300)
- Low skilled seen seasonal pick up in EM3 but still less than 10% and slower pace than South East (7,800 vacancies > reflects seasonal factors).

Annual Growth by Occupational Skill Level  
June 2022 - June 2023



Latest Monthly Growth by Occupational Skill Level  
May - June 2023





# **CREATIVE AND CULTURAL SECTOR**

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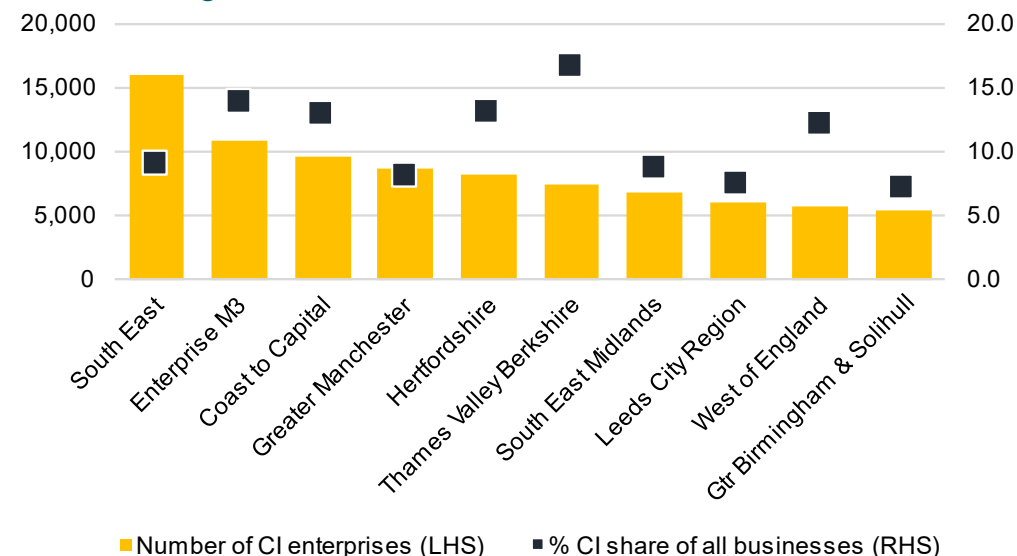
## HEADLINES

- Enterprise M3 has one of the largest creative & cultural presences outside of London in terms of both business and employee numbers.
- Creative & cultural business and employee concentrations above the national average – notably in upper M3/M25 corridor.
- Enterprise M3 has experienced slower pre-pandemic business growth than national and South East regional averages. Like most sectors, creative and culture hit by pandemic and yet to return to pre-Covid business levels > so investment and business needed to maintain competitive edge.
- Creative IT software & computer services the largest sub-sector but...
- ...creative film TV video radio photography experience consistent and robust business growth over past decade...that links with
- ....Enterprise M3 partner in Creative Industries Clusters Programme: StoryFutures (support: innovation, economic growth, enhanced clustering, talent development, networking), while Royal Holloway (UoL) lead on CoSTAR with University of Surrey a partner (regional lab for virtual production techniques in film, TV and live events).

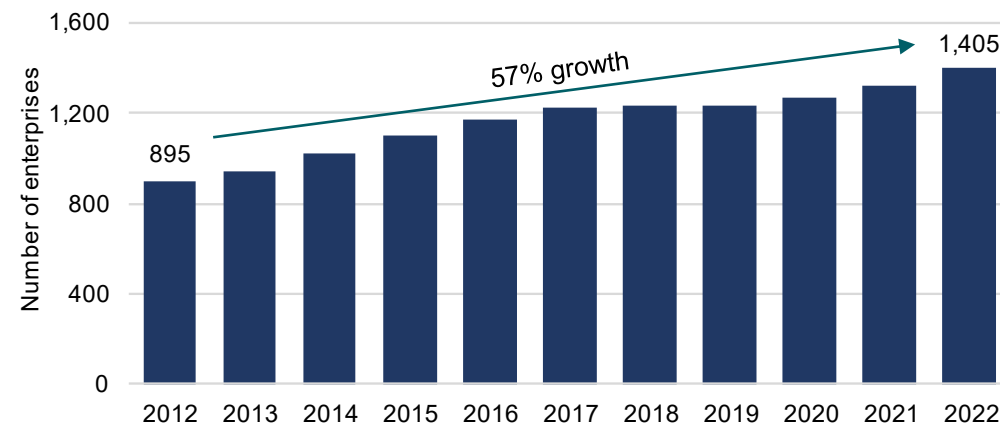
## FAR MORE CONCENTRATED SECTOR IN ENTERPRISE M3 THAN NATIONALLY BUT SLUGGISH GROWTH

- Outside London, 2nd largest number of creative & cultural businesses (10,890 enterprises) and joint 3<sup>rd</sup> by proportion of all businesses. Enterprise M3 business concentration one third above England average.
- Creative & culture worth an estimated £4.5bn (2020), 8% of total EM3 economy, close in size to EM3 financial sector (£4.6bn), but larger than EM3 manufacturing (£3.7bn).
- 1-in-7 businesses in Enterprise M3 in creative & cultural industries > 95% are micro-businesses (<10 employees).
- However, EM3 creative & cultural slower pre-pandemic growth against national and SE region > also hit by pandemic and yet to return to pre-pandemic levels.
- Creative IT software & computer services largest sub-sector (51% of all creative businesses).
- Creative film TV video radio photography sub-sector smaller (13% of sector) but robust growth (57%, 2012-22): EM3 Creative Industries Clusters Programme: StoryFutures and CoSTAR (led by Royal Holloway, and Uni. of Surrey a partner).

Largest 10 LEPs: Creative & Cultural Businesses\*



EM3 Creative film TV video radio photography businesses

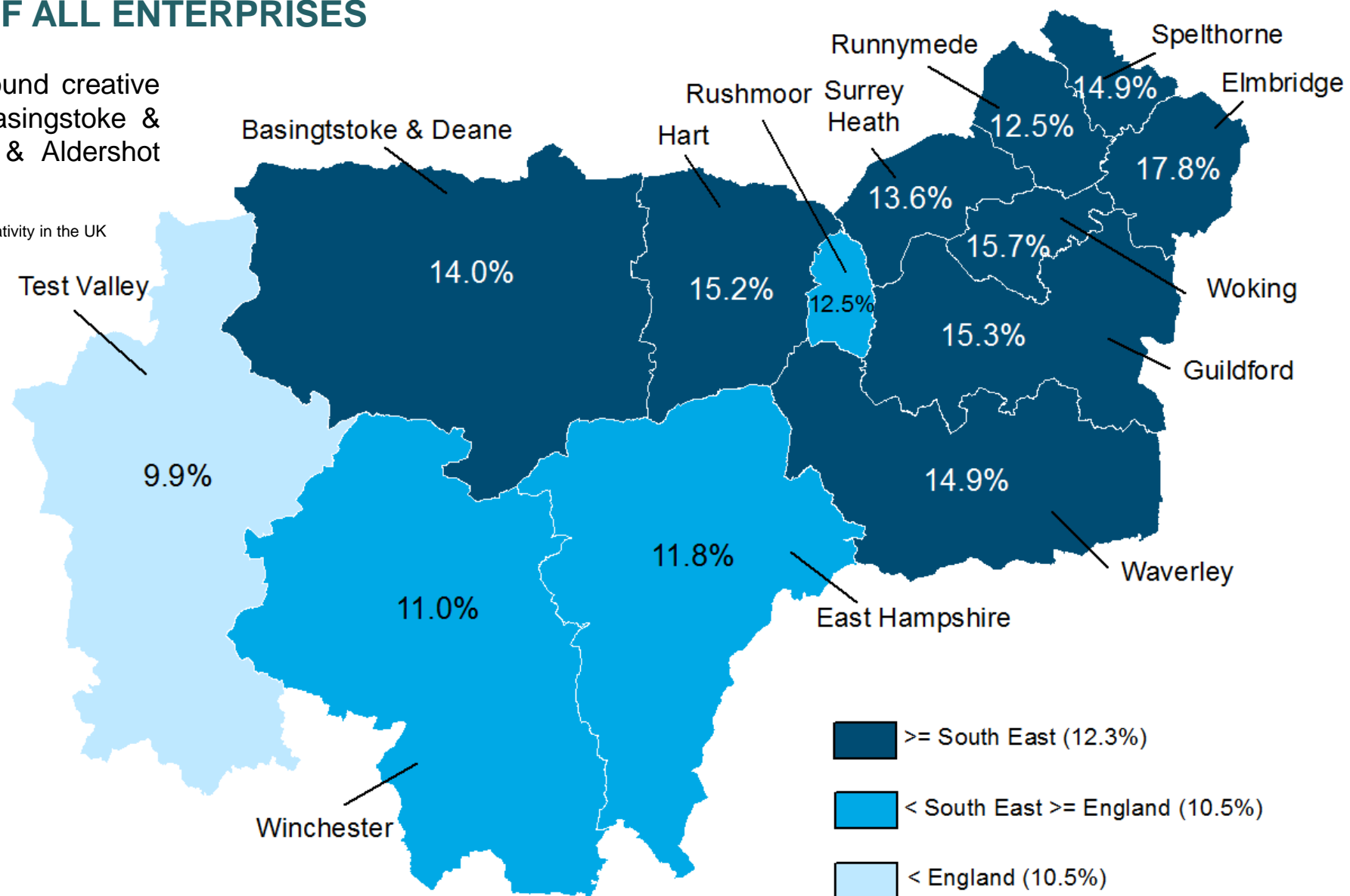


Source: ONS (2022). \*excludes London LEP with 90,000 businesses

## LOCAL CREATIVE AND CULTURAL BUSINESS CONCENTRATIONS: % SHARE OF ALL ENTERPRISES

NESTA<sup>1</sup> report also found creative business cluster in Basingstoke & Deane and Guildford & Aldershot TTWAs.

<sup>1</sup>NESTA (2016). The Geography of Creativity in the UK

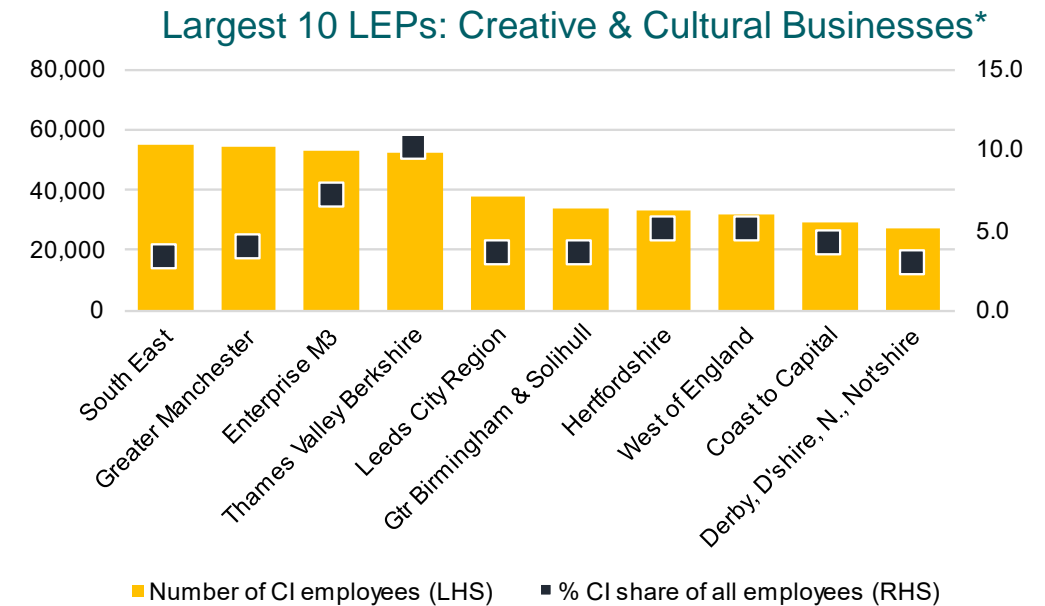


Source: ONS (2022)

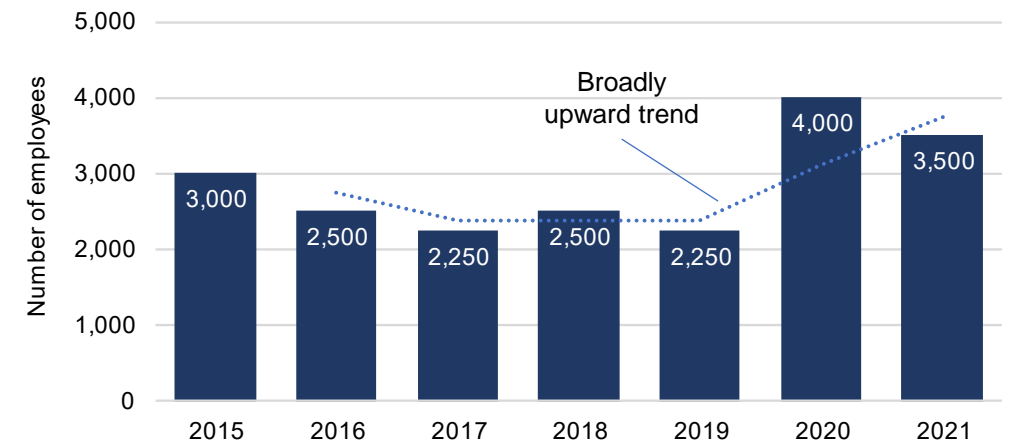
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## CREATIVE & CULTURAL EMPLOYMENT CONCENTRATION IN ENTERPRISE M3

- Outside London, 3rd largest creative & cultural employer (53,000 employees) and 2nd by proportion of all employees.
- Around 1-in-14 employees in Enterprise M3 works in the creative and cultural sector.
- Employee concentration 47% above England average.
- However, EM3 creative & cultural seen slower pre-pandemic growth against national and SE region – employee dip in 2021 but above pre-pandemic levels.
- 35,000 EM3 workers in creative IT software and computer services, two thirds (67%) of all creative employment.
- Creative film TV video radio photography sub-sector smaller, employing 3,500 workers (7% of all creative employment).



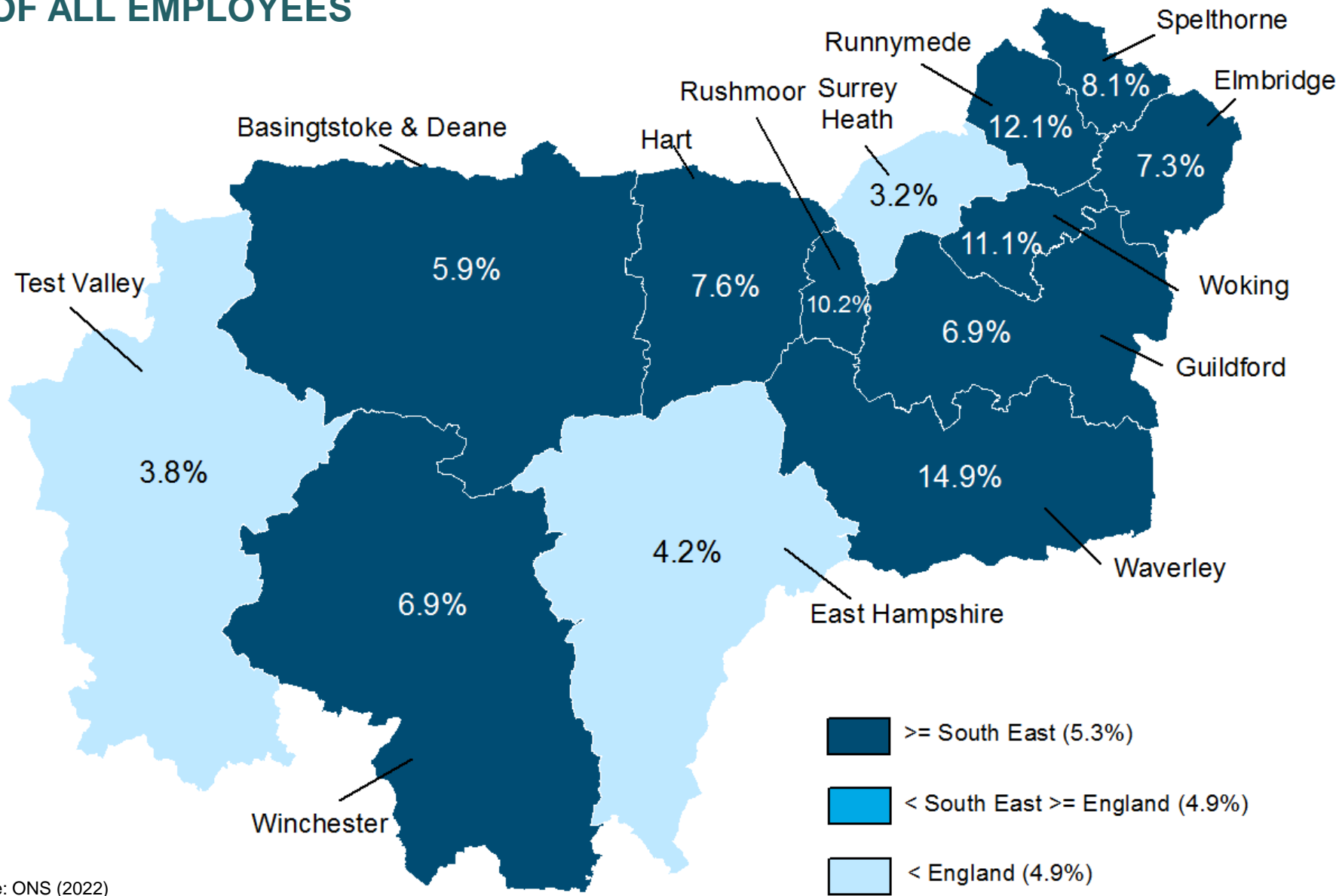
### EM3 Creative film TV video radio photography employees



Source: ONS (2022). \*excludes London LEP with 1.29 million employees



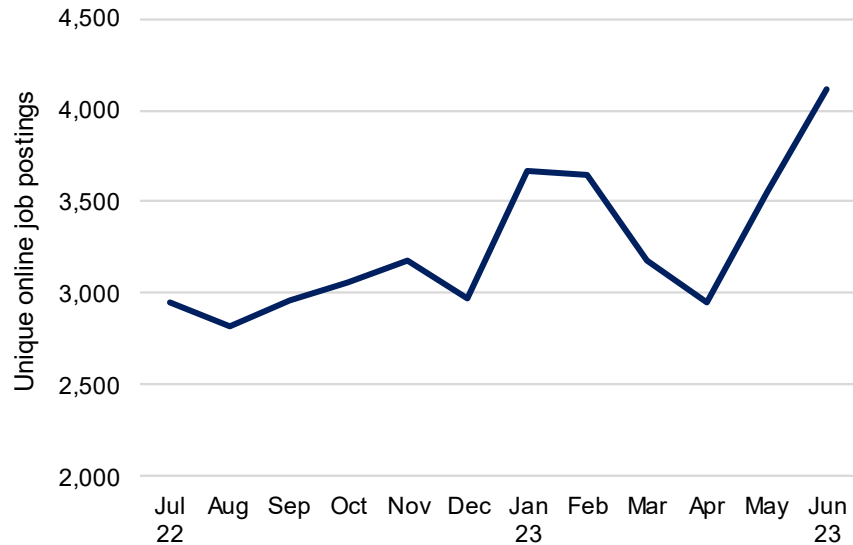
# LOCAL CREATIVE AND CULTURAL EMPLOYEE CONCENTRATIONS: % SHARE OF ALL EMPLOYEES



Source: ONS (2022)

# STRONG DEMAND FOR CREATIVE WORKERS AND ABOVE AVERAGE SALARIES IN ENTERPRISE M3 THIS YEAR

## Online Job Postings for Creative\* Occupations

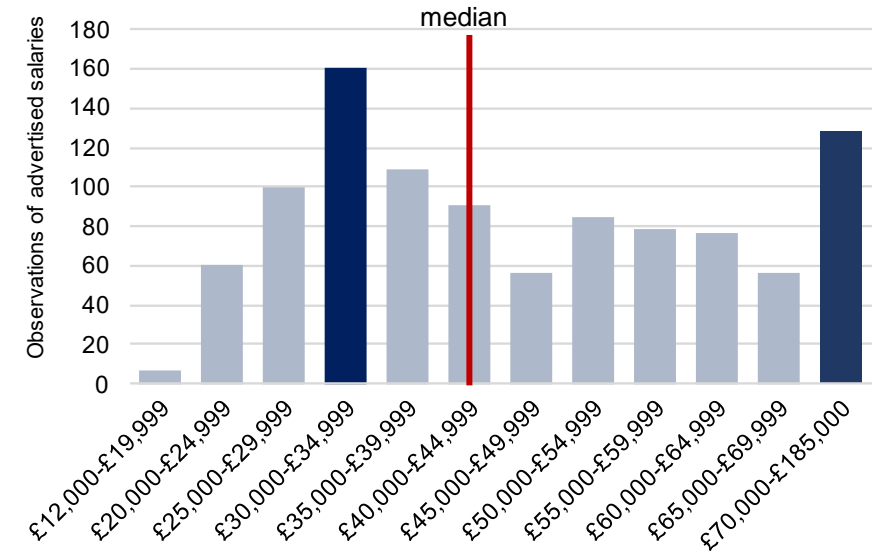


\*based on SOC codes, not directly comparable to DCMS definition.

Source: Lightcast (2023)

- Increasing demand in 2023 for creative & cultural workers.
- Guildford, Rushmoor, and Basingstoke and Deane generally see highest demand for creative and cultural jobs.

## Advertised salary distribution for Creative Occupations



- Creative & cultural median advertised salary (£42.5K) one third above overall median (32.1K) > bi-modal distribution with second peak advertising salaries £70K+.
- However, median advertised salaries down 14% on the year.

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A SELECTION OF CREATIVE AND CULTURAL BUSINESSES HEADQUARTERED\* IN EM3

arqiva



Polystream



nDreams®



Glowmade 



\*According Beauhurst.  
Note: Guildford-based Supermassive  
Games brought out by Nordisk Games



# **BUSINESS UPDATES IN ENTERPRISE M3**

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# BUSINESS NEWS HEADLINES

## EXPANSION & JOB CREATION

**Plans for a controversial 'ultra-green' service station** and hotel in the South Downs National Park have been given the go-ahead. The site off the A3 near Buriton, Hampshire featured 120 electric vehicle charging points, a cycling track and 60 solar powered 'eco- lodges'. The estimated £10m to £12m project will also house a farm shop selling local produce and an electric car showroom.

**Grosvenor House, in Basing View, will open in October.** The redevelopment will offer office space designed for entrepreneurs, small to medium enterprises (SMEs) and corporate companies.

**Romsey based software company Steadfast Collective** has bought design agency Lobo Creative of Wimborne to further expand the business and creative capabilities.

**£250,000 of government funding** has enabled the **University of Surrey** to begin developing a new type of electric space propulsion system.

## ACQUISITIONS AND MERGERS

**Rushmoor Borough Council** has acquired the Meads and Kingsmead shopping centre in Farnborough town centre. The council has appointed the property management team of Eddisons to run operations at the centre on a three-year contract.

## CLOSURES-ADMINISTRATION

**Thames Water** has issued a statement addressing the rumours of its collapse with debts of £14billion, however shareholders agreed to provide a further £750 million of equity funding.

