



enterprise**m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

THEME: EXPORTS

EM3 SAP and EM3 Board Meetings – November/December 2023

HEADLINES

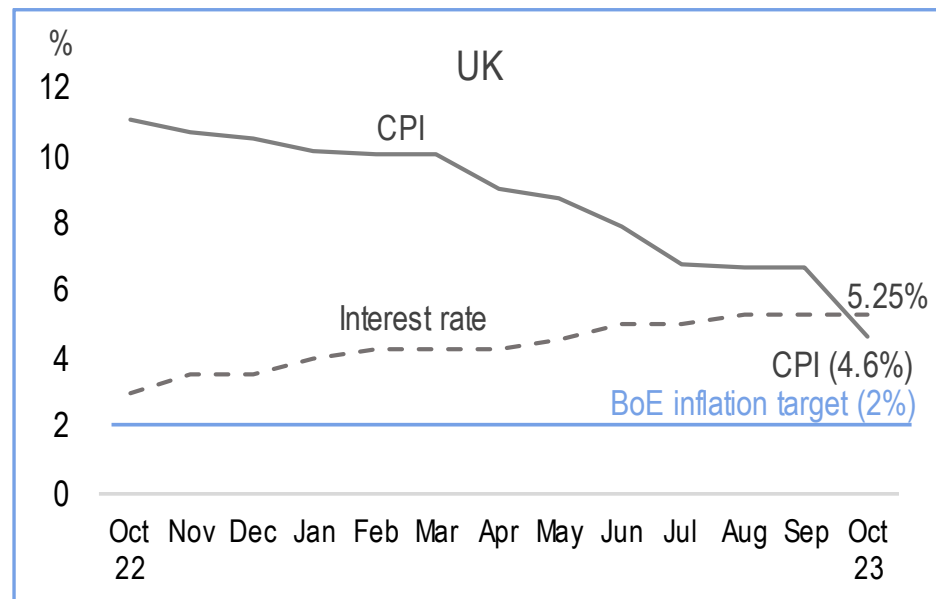
- Inflation slows sharply but high interest rate rises have started to weigh more heavily on the economy.
- Leading indicators point to a sharp slowdown in business activity, inflation and wage growth in coming months with the chances of recession/no recession in 2024 equally balanced.
- Enterprise M3 PAYE employment growth proving to be resilient going into the fourth calendar quarter, but there are signs of softening demand.
- Forward looking data points to some easing in demand for labour in Enterprise M3, although signs of pre-Christmas demand in sales and warehousing.
- Easing in labour demand among higher skilled accompanied by seasonal uplift for lower skilled labour.
- Enterprise M3 area is major exporter of goods and services, worth £23bn and some 25% of the value for South-East exports.
- Exporting businesses 'using existing contacts/networks' as the primary source of business support.
- Around half of businesses surveyed would consider support from local/regional government to export, but less than a third had done so, suggesting that the local 'offer' needs improving.



ECONOMY

A SHARP SLOWDOWN IN INFLATION AND WAGE GROWTH IS EXPECTED

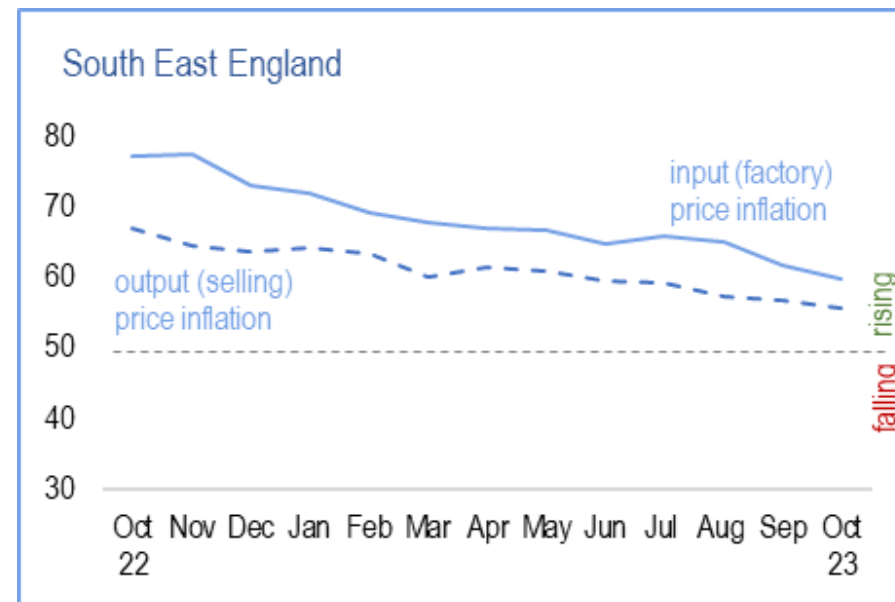
UK inflation and interest rates



Source: ONS (2023) and BoE (2023)

- Annual consumer price inflation fell to 4.6% in October. This is below the Bank of England rate and faster than expected, which has enabled the Government to meet its pledge to halve inflation.
- Bank of England (Nov forecast) expects 3.25% inflation in 2024 and 2% in 2025.

Business costs and prices charged: South-East England

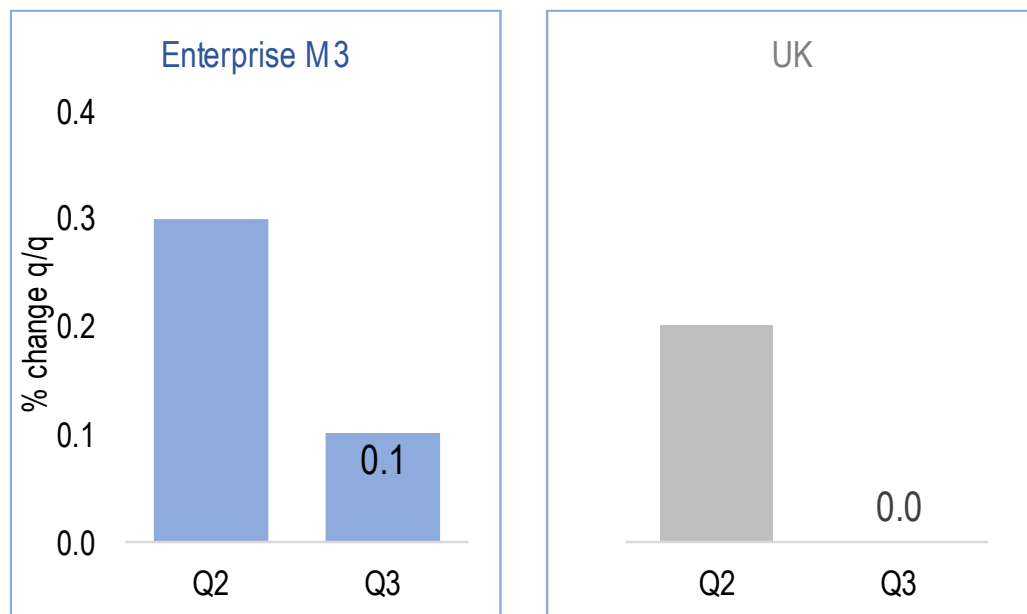


Source: Markit (2023)

- Business costs remain elevated, but survey evidence continues to point to falling costs.
- Upside risk to inflation remains due to events in the Middle East.

HIGH INTEREST RATE RISES BEGINNING TO HAVE AN IMPACT ON THE ECONOMY

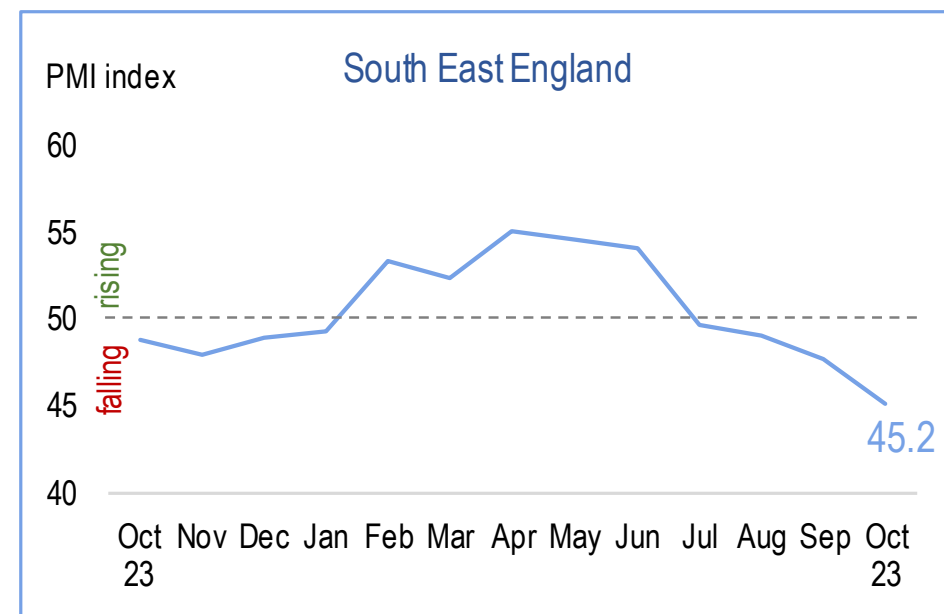
Quarterly GVA growth, %
Enterprise M3* and UK



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

- High interest rates grind UK economy to a halt - falling service activities.
- Preliminary estimate by the EBIS team points to marginal growth in Enterprise M3.

Business activity (survey data)
South-East England

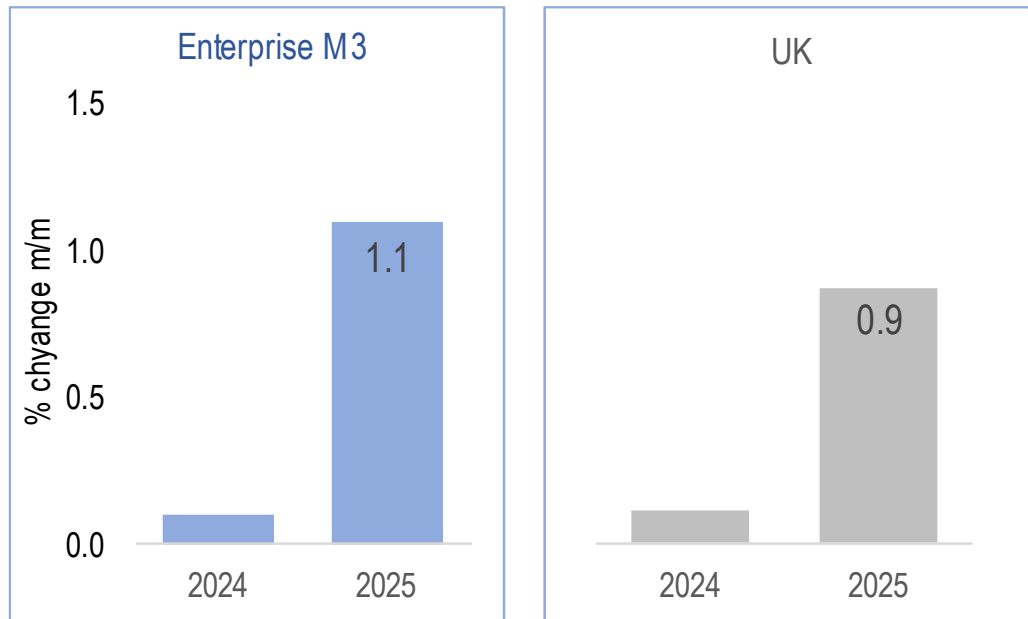


Source: Markit (2023)

- Marked falls in business activity and volume of new orders in October (PMI business survey).
- Full force of interest rate hikes yet to be felt, according to the Bank of England.

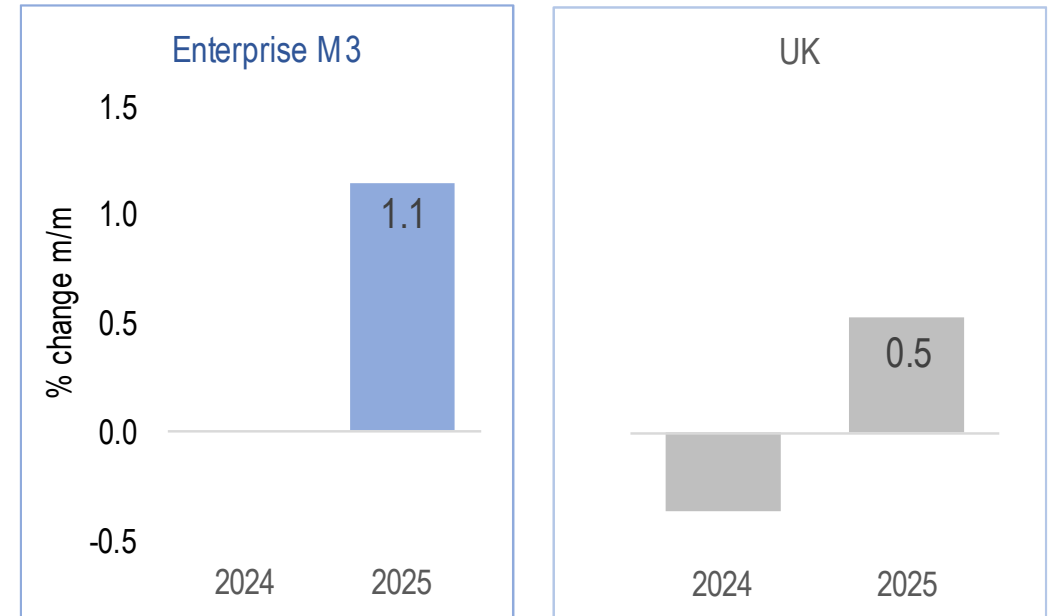
CHANCES OF A RECESSION IN 2024 REMAIN UNCLEAR

Projected economic growth in 2024 and 2025



Source: Experian, September 2023

Projected jobs growth in 2024 and 2025



Source: Experian, September 2023

- Bank of England's growth forecast cut from 0.5% to zero in 2024, unchanged at 0.25% in 2025.
- Experian forecasts (September forecast) point to little-to-no growth in Enterprise M3 in 2024.
- Stronger jobs and economic growth projected for 2025.

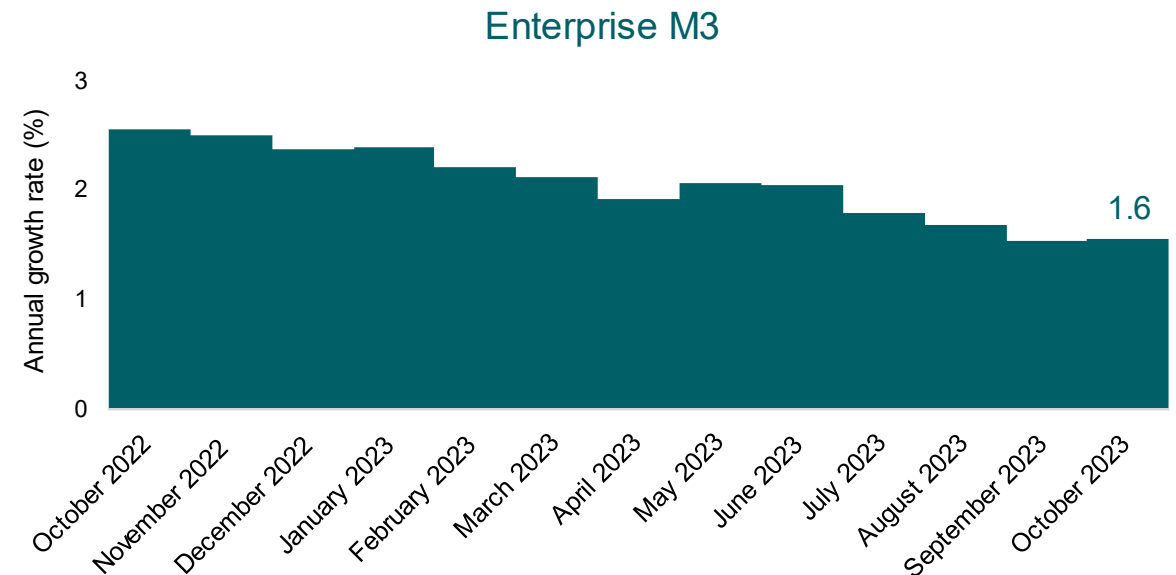


LABOUR MARKET & SKILLS

ENTERPRISE M3 PAYE EMPLOYMENT PROVES RESILIENT GOING IN TO THE FOURTH CALENDAR QUARTER BUT SIGNS OF SOFTENING NATIONALLY

- High employment rate in Enterprise M3.
- Resident PAYE employment increased by approximately 3,200 over the last quarter (subject to revision) and still 11,400 higher than a year ago.
- Monthly PAYE employment growth of 0.2% but slower than quarterly employment growth (0.4%).
- Nationally, latest quarter-on-quarter data points to little change in the UK labour market, with marginal decrease in employment but no change in unemployment and inactivity levels. BUT job vacancies continue to fall.
- Labour Supply and persistent Skills-Mismatch over medium-to-long term is a major policy issue for the economy.

PAYE employee growth (annual % change)



Source: HMRC (2023)

- 1.6% annual PAYE growth
- 0.4% quarterly growth
- 0.2% monthly growth

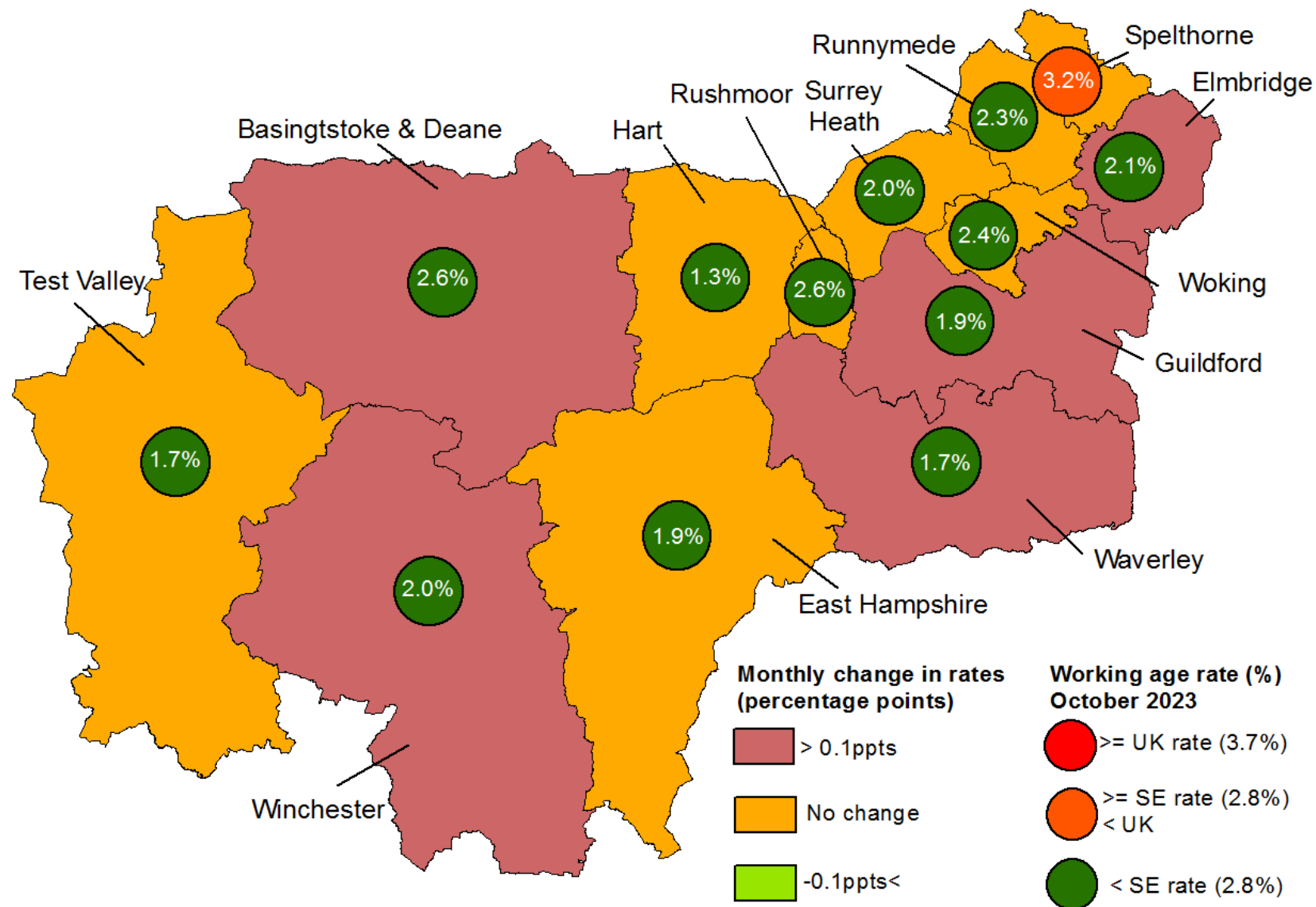
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY – OCT 2023 (2.1%)

Shaded Districts areas

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

Coloured Circles

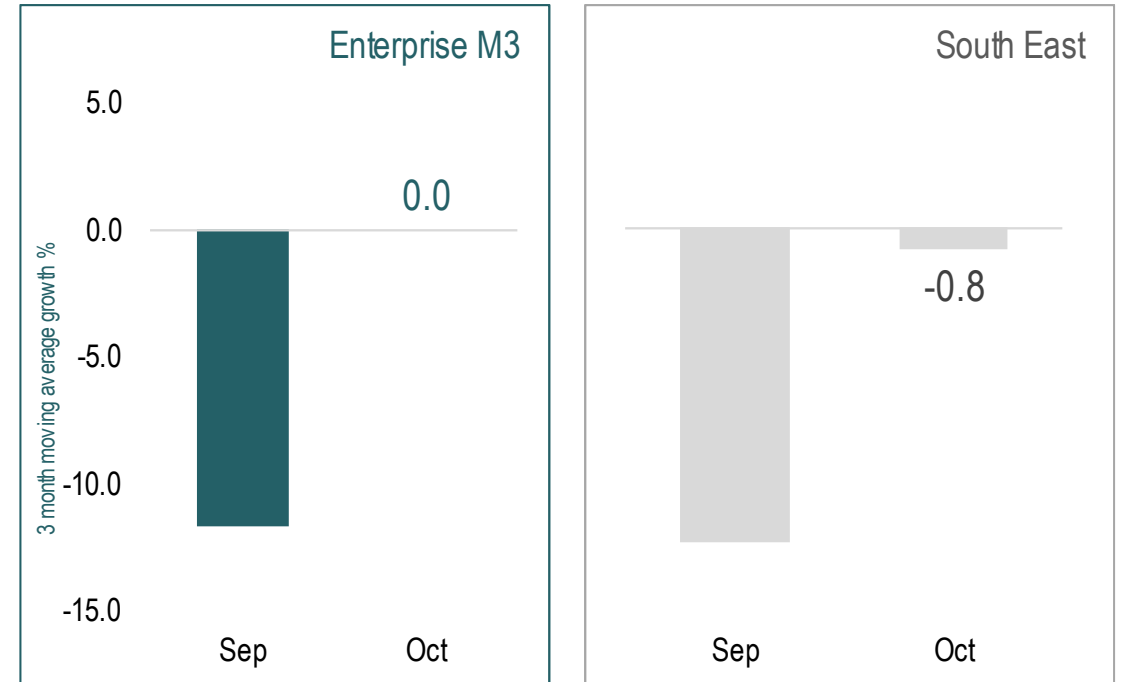
- **Green** = October 2023 rate below UK and South-East rates.
- **Orange** = October 2023 rate above or equal to South-East rate but below UK rate.
- **Red** – October rate above or equal to UK rate (no red circles in EM3 area).



SLOWING DEMAND FOR LABOUR ACCOMPANIED BY SEASONAL GROWTH (TEMPORARY CHRISTMAS DEMAND) IN SALES AND WAREHOUSING

- Over the three-months to October* there was no change in demand compared to 3-months to Sep (which saw a large fall against Aug) – but marginally stronger than job postings across the South East.
- However, month of October saw an uplift, most likely in anticipation of short-term seasonal demand.
- Strong sectoral demand > strong (seasonal) demand for sales related occupations, domestic cleaners, and customers services at lower end of the skills range.
- Demand also strong for software development and programmers, and retail managers at the higher end of the skills range.
- Demand for care workers remains high due to staff turnover and shortages in this sector.

% change in online job postings
(3-month moving average Aug-Oct 2023)



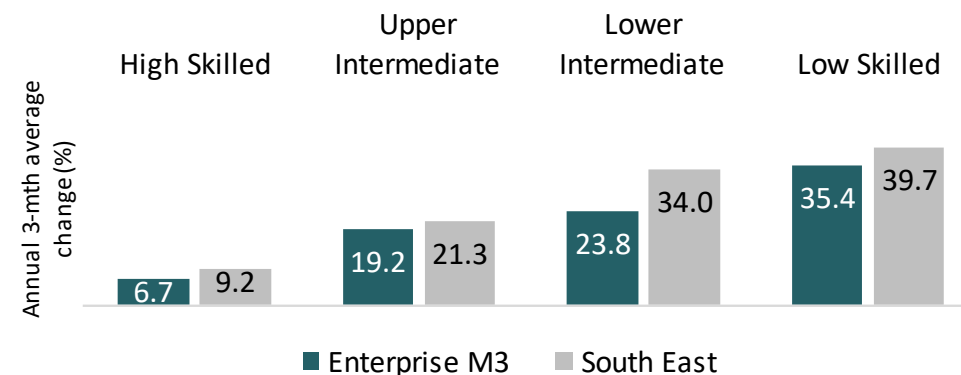
Source: Lightcast (2023), all unique job postings

*Moving average August-October compared to previous 3-month moving average (July-September to smooth out volatility in the data).

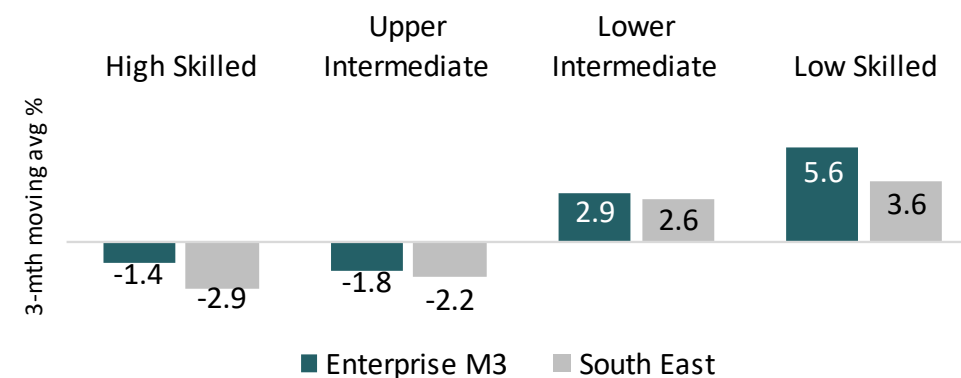
DEMAND ACROSS ALL SKILL LEVELS BUT EASING AMONG HIGHER SKILLED, WHILE LOWER SKILLED SEE (SEASONAL) UPLIFT

- Three-month average growth in job vacancy postings for EM3 is lower compared to a year ago than the South-East across all broad skills levels.
- Latest 3-month average change still reporting strong demand but easing for high and upper intermediate skills while lower skills seeing a seasonal up-tick.
- For the latest single month (Oct) labour demand in Enterprise M3 in high-and upper intermediate-skilled equate to nearly 68%. Of which:
 - Just over one third (34%) in high-skilled occupations, and...
 - Just over one third (34%) in upper-intermediate occupations.
- Low skilled seen stronger pick-up in EM3 (+5.6%) and above the South-East > low skills demand is largely consumer driven with seasonal boost.

Annual 3-month Moving Average Growth by Occupational Skill Level Oct 2022 - Oct 2023



Latest 3-Month Moving Average Growth by Occupational Skill Level Sep - Oct 2023





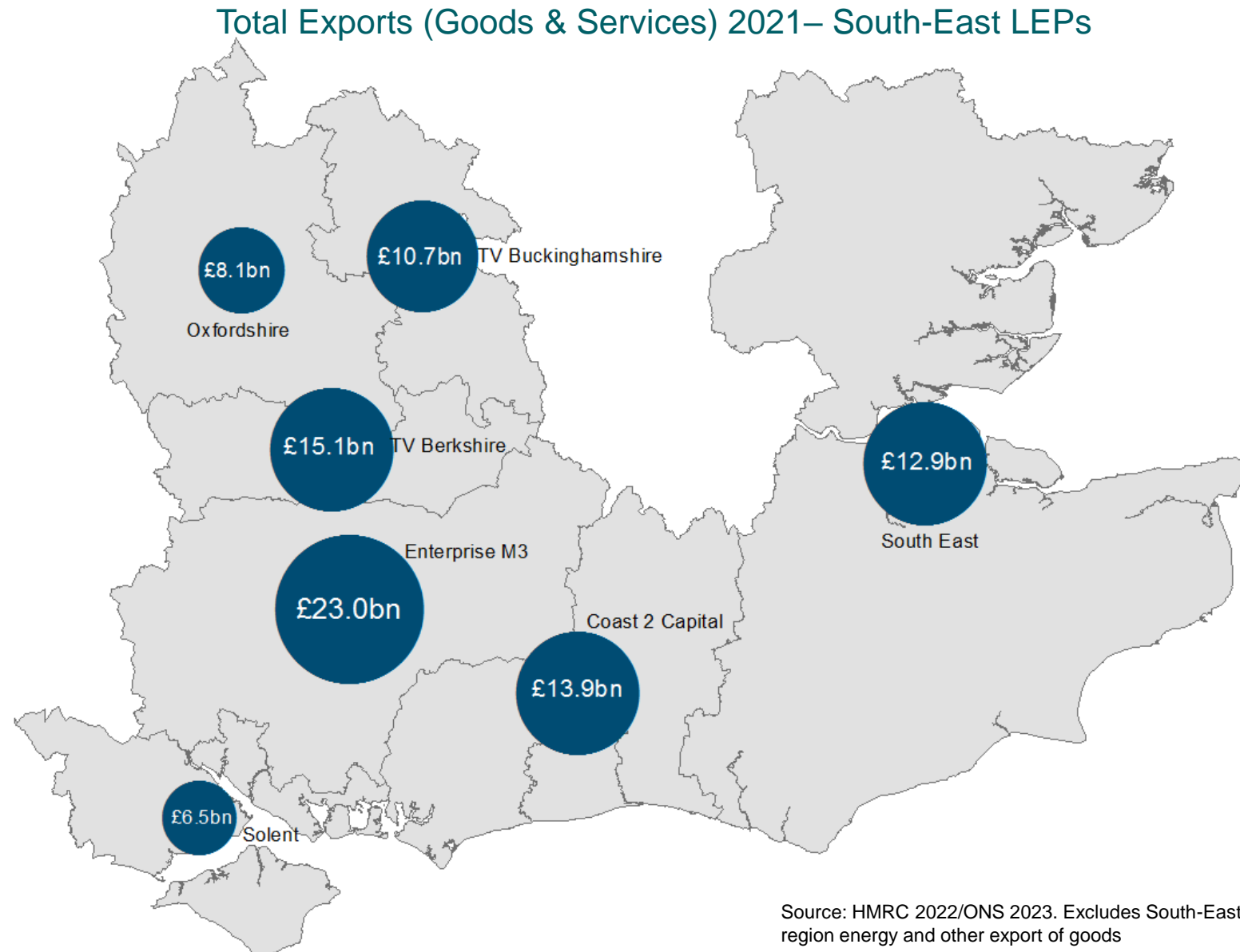
SOUTH-EAST REGION AND ENTERPRISE M3 EXPORTS

EXPORT HEADLINES

- Enterprise M3 area is a major exporter and with £23 billion (bn) of goods and services, contributing 25% of the South-East region total exports.
- Enterprise M3 area share of the South-East region export of goods is higher at 27% (£12.1bn) and split evenly between European Union (EU) and non-EU markets.
- Enterprise M3 accounts for 23% (£10.9bn) of the South-East region's export of services but with two thirds of exports from the Enterprise M3 area going to non-EU markets – notably United States.
- The EU (£21bn) is the largest market for South-East businesses exporting goods in 2021. For services, the United States is the largest export market for South-East businesses (worth £11.6bn) in 2021.
- According to survey data, increasing revenues and building a larger market were the primary reasons for businesses exporting, while associated costs and tariffs reported as the main barriers to exporting.
- In terms of support for exporting, businesses cited 'using existing contacts/networks' as the primary source for business support, followed by business associations.
- Around half of businesses surveyed would consider support from local/regional government to export, but less than a third had done so. This suggests the local 'offer' needs improving.

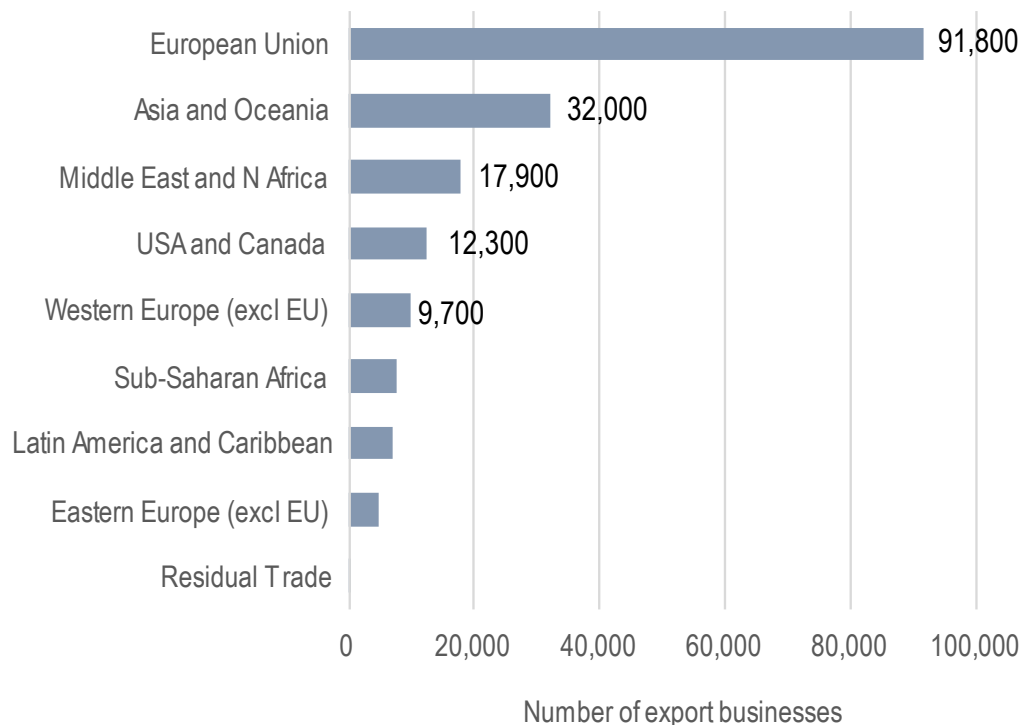
ENTERPRISE M3 IS THE LARGEST EXPORTER IN SOUTH-EAST REGION

- The Enterprise M3 area by far the largest exporter of goods and services in the South-East region.
- Enterprise M3 area contributed one quarter of total South-East regional exports in 2021 worth £23 billion.
- Over half (57%) and worth £13bn, were from Enterprise M3 area to non-EU markets – and much higher than TV Buckinghamshire (47%).



EU IS THE LARGEST MARKET FOR SOUTH-EAST BUSINESSES EXPORTING GOODS IN 2021

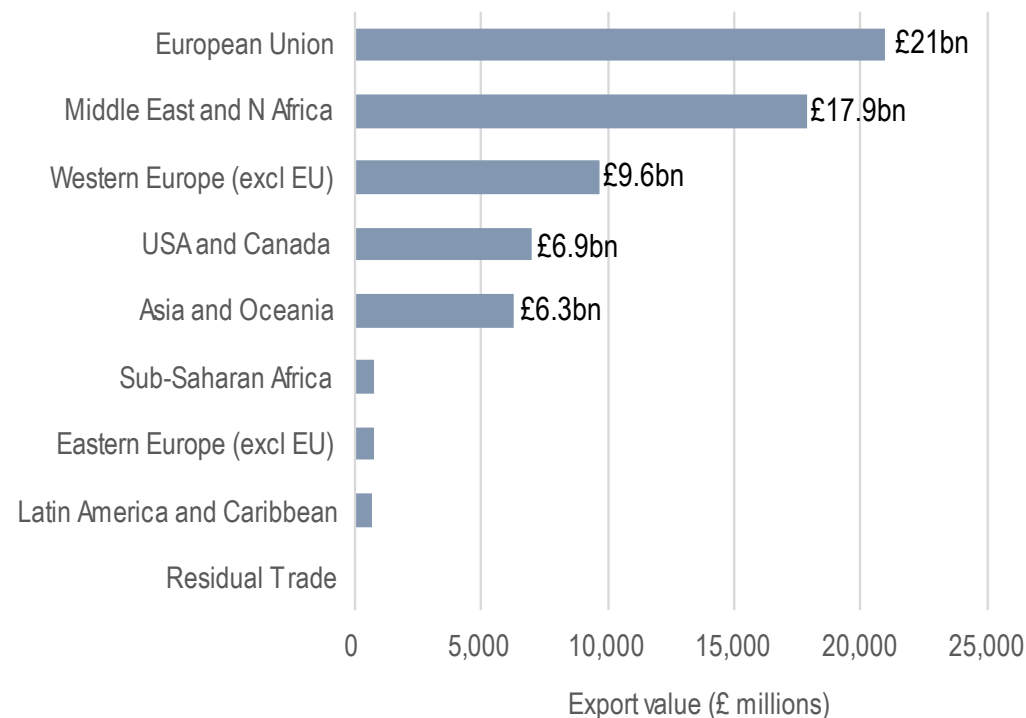
South-East Export of Goods 2021– Number of Businesses



Source: HMRC Export of Goods (2022)

- Half (50%) of the 183,000 South East exporting businesses of goods traded with the EU in 2021, nearly three times the number with the next largest market: Asia & Oceania.

South-East Export of Goods 2021– Value of Exports



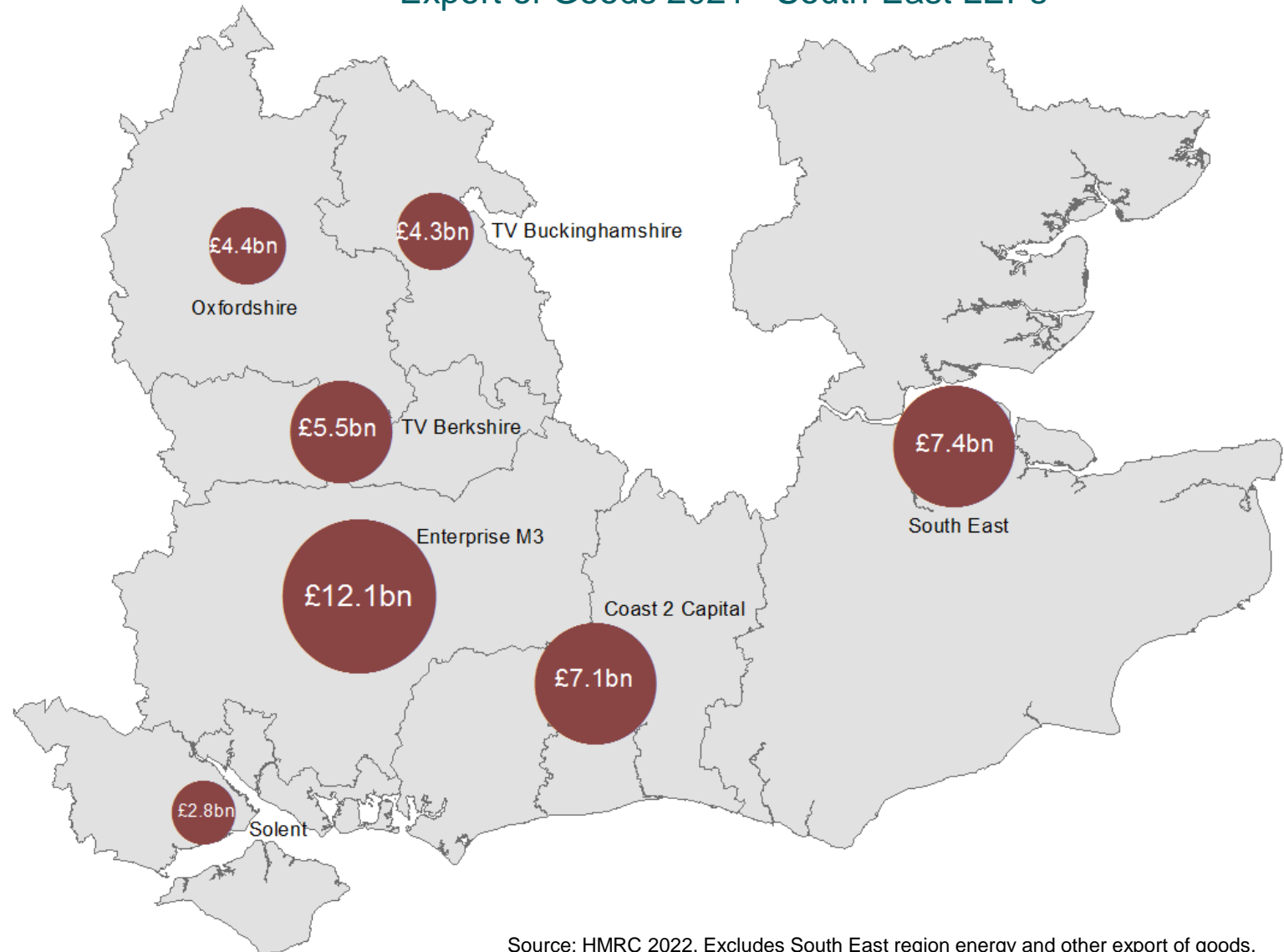
Source: HMRC Export of Goods (2022)

- Goods worth £21bn were traded by South-East exporting businesses within EU (32% of South-East total), followed by Middle East and North Africa. But only £6.9bn goods exported to USA and Canada.

ENTERPRISE M3 IS THE LARGEST EXPORTER OF GOODS IN SOUTH-EAST

- The Enterprise M3 area is the largest exporter of goods in the South-East region (2021).
- Enterprise M3 area accounted for over one quarter (27%) of regional exports of goods worth £12.1 billion.
- Exports of goods from Enterprise M3 area is broadly equally split: 51% to EU and 49% to non-EU markets.
- In contrast to TV Buckinghamshire, where 68% of goods were exported to the EU.

Export of Goods 2021– South-East LEPs

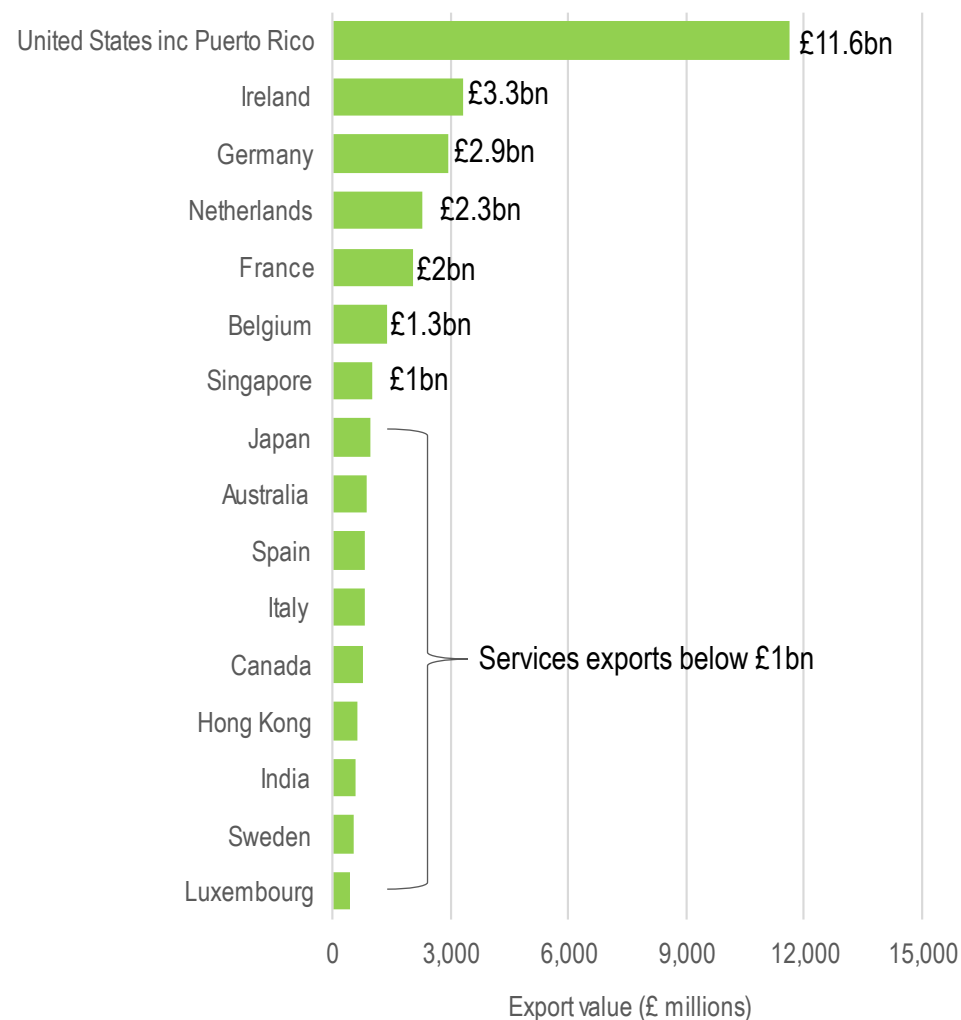


Source: HMRC 2022. Excludes South East region energy and other export of goods.

THE US IS THE LARGEST PARTNER FOR THE EXPORT OF SERVICES FROM SOUTH-EAST BUSINESSES IN 2021.

- The UK is the second biggest services exporter in the world – behind only the United States (US).
- ONS data¹ shows UK services exports totalled £330 billion in 2021.
- For South-East businesses exporting services, the US is the primary market (unlike goods):
 - South-East services exports to US worth £11.6bn (nearly two-fifths (38%) of all services exports from South-East.)
 - Ireland, the next largest market, is much lower, at £3.3bn (11%) .

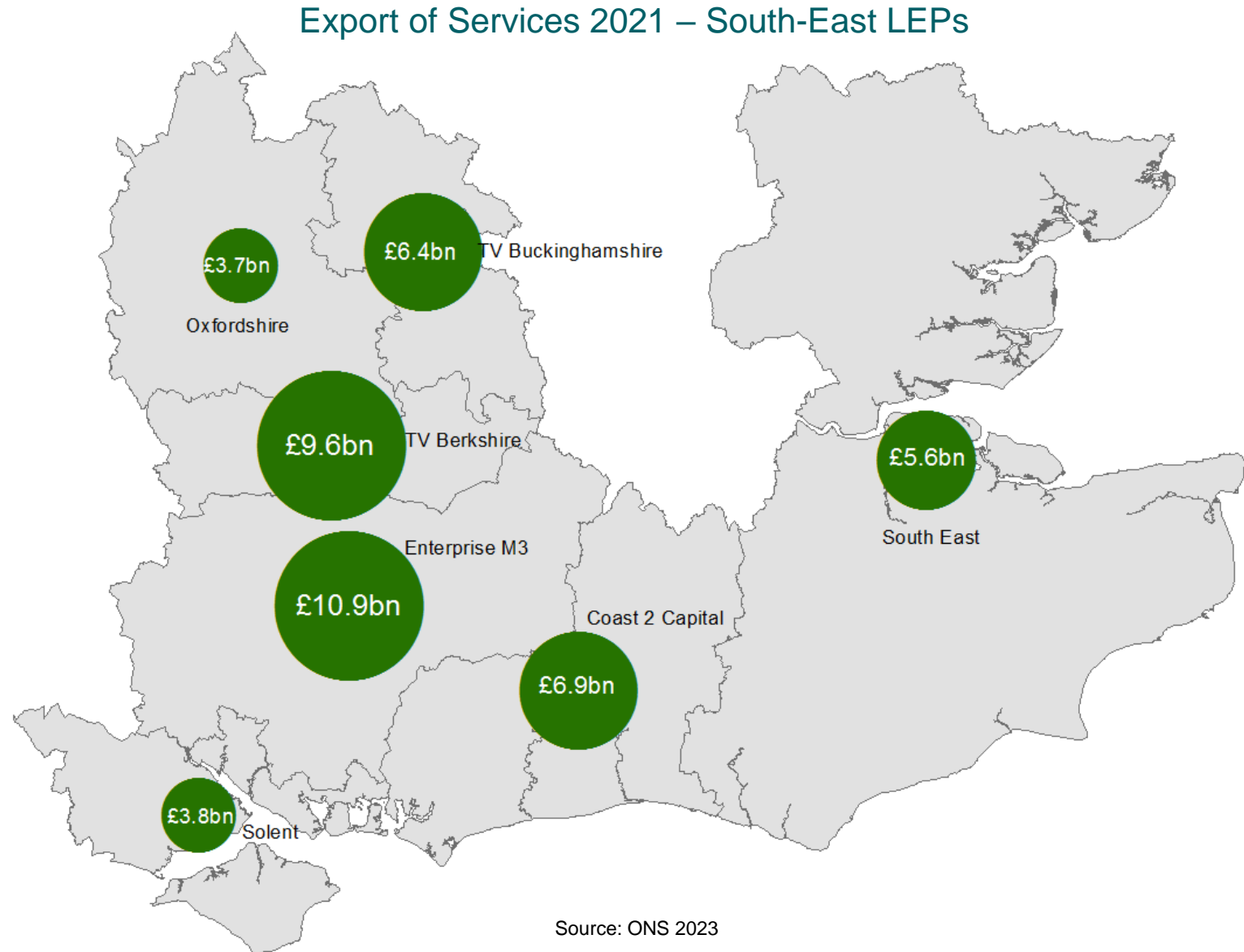
South-East Export of Services 2021– Value of Exports



¹ ONS International trade in UK nations, regions and cities 2021

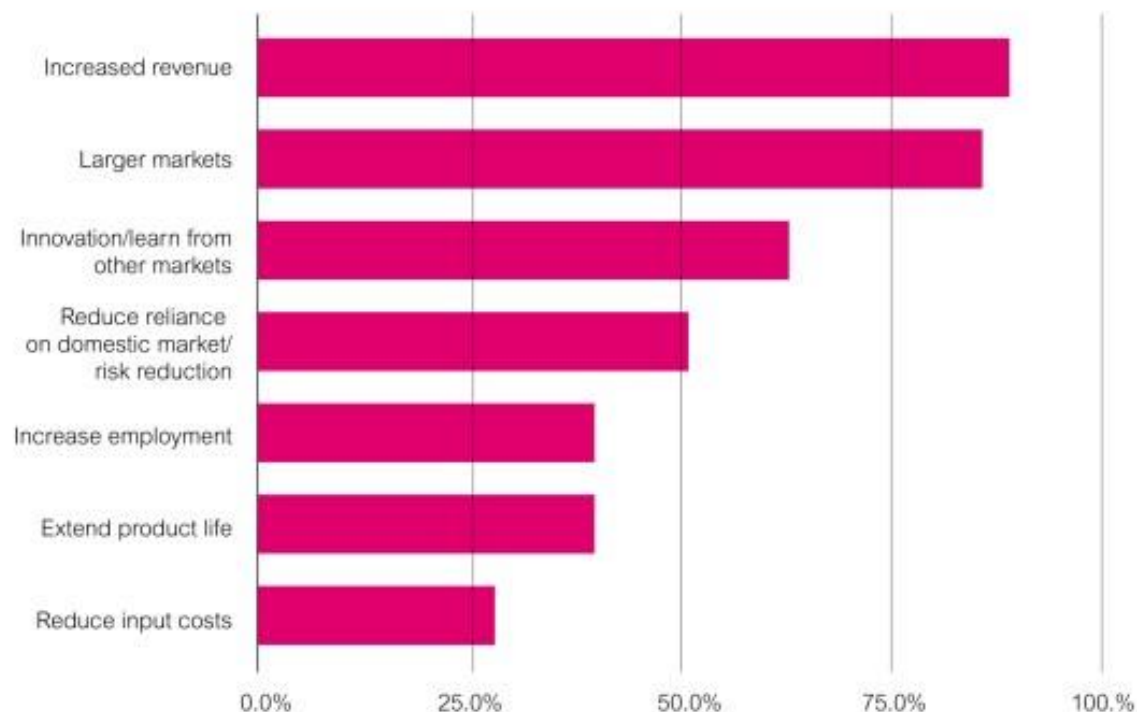
ENTERPRISE M3 IS LARGEST EXPORTER OF SERVICES IN SOUTH-EAST

- The Enterprise M3 area is the largest exporter of services in the South-East region, closely followed by TV Berkshire (EM3's main competitor on export of services).
- Worth £10.9bn, Enterprise M3 area accounted for nearly one quarter (23%) of South-East regional services exports.
- Around two thirds (65%) of Enterprise M3 services exports in 2021 were to non-EU markets. Joint highest share along with Solent and South-East LEPs.
- All LEPs in the South-East have an export market share to non-EU-market above 50%, but TV Berkshire has the lowest at 55%.



MAIN BENEFITS AND BARRIERS FOR EXPORTING BUSINESSES

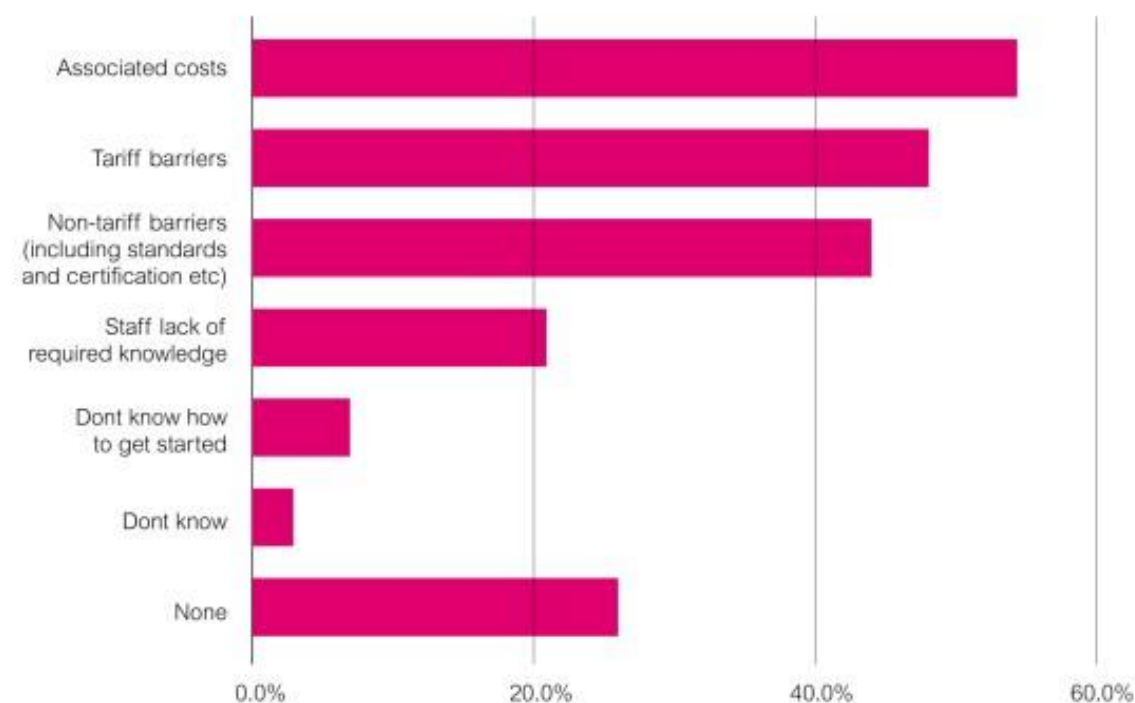
What do you see as the main benefits of exporting?



Source: Local Government Association (2021)

- 85% state increased revenue
- 80% larger markets
- 60% innovation

The main barriers to stop you exporting more in the medium term



Source: Local Government Association Survey of Exporters (2021)

- LGA survey found 80% reported costs as a barrier.
- The Government also identified **seven key barriers**: access to finance; limited networks; trade barriers; capacity; lack of knowledge; attitudinal barriers; and limited global awareness of UK strengths.

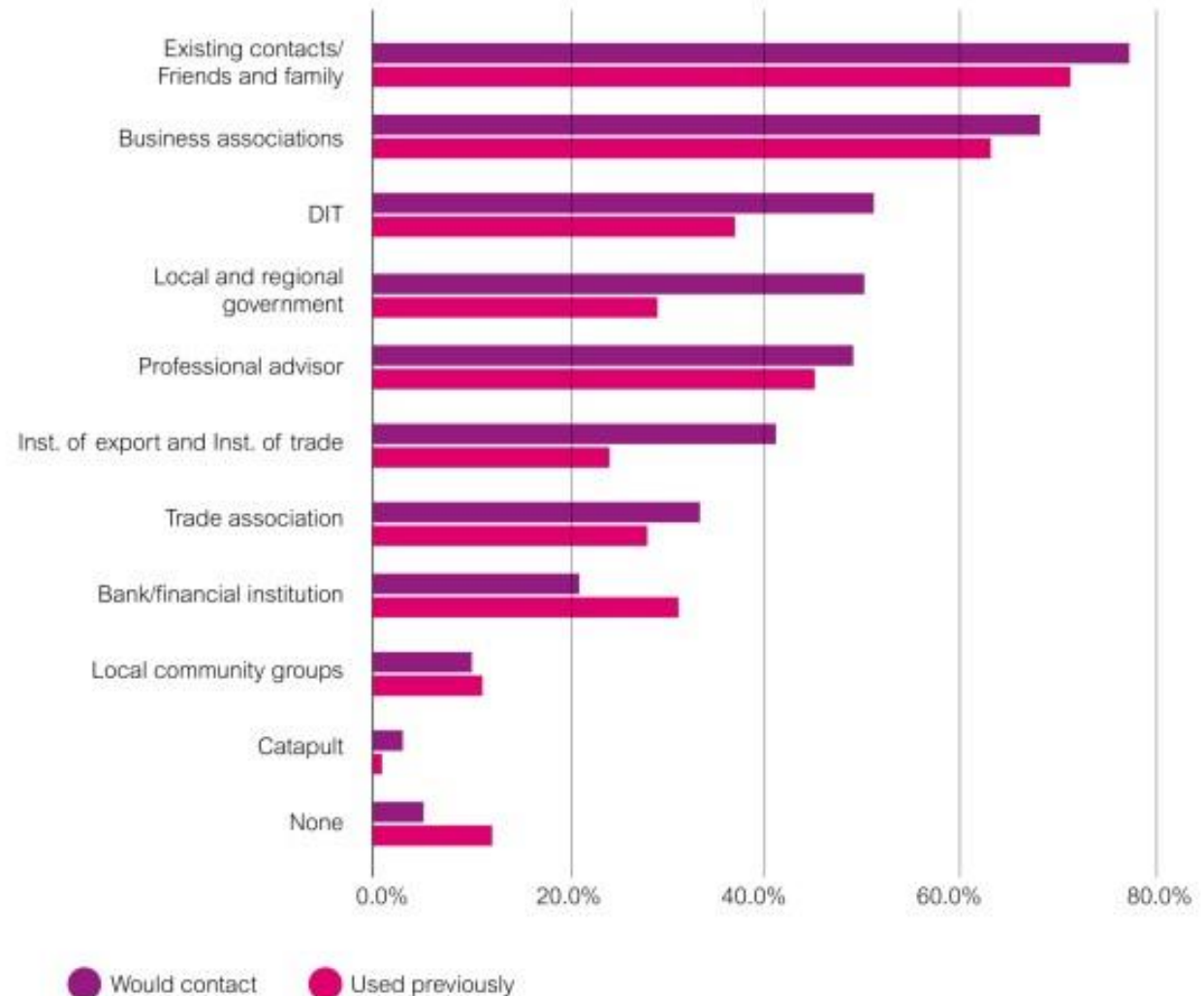
THE ROLE OF LOCAL GOVERNMENT IN SUPPORT SERVICES TO EXPORTERS

- Existing contacts/networks primary source for business support followed by business associations.
- Strong local role: around half would look to DIT (now DBT) and local government.

BUT...

- Historically only around 30% of businesses have 'Used previously' local/regional government...
- ...representing the largest gap between 'used' and 'would contact'. This suggests underutilisation of support services that may need further investigation e.g., capacity/offer, experience & skills, communication/presence.

Providers of support





BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Farnborough Airport has submitted plans to increase its flight limit from 50,000 to 70,000 per year. Its plans would create up to 950 jobs in the South-East and add £220m to the UK economy.

Aldi looking to create new stores in Hampshire as it plans to invest £1.4bn over the next two years, with two sites of interest in Aldershot and Winchester.

Longparish-based River Test Distillery established in 2017 gets approval for expansion to build a new purpose-built distillery and associated parking.

ACQUISITIONS AND MERGERS

Basingstoke-based Volex, a leading integrated manufacturing specialist for performance-critical applications has acquired Turkish wire harnessing company Murat Ticaret.

Dutch marTech group Spotler has acquired Really Simple Systems, a Guildford-headquartered CRM specialist in a transaction originated by CapEQ. Really Simple Systems customers include the British Museum, Royal Academy of Arts, and British Red Cross among others.

CLOSURES-ADMINISTRATION

No major closures announced

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

