

Enterprise m3 Joint Leaders Board

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# Enterprise M3 Economic Update

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## Overview of Enterprise m3 economy

- Output (GVA), economic prosperity, drivers of growth
- Industrial sectors

## Recent economic performance

- Output growth
- Employment growth

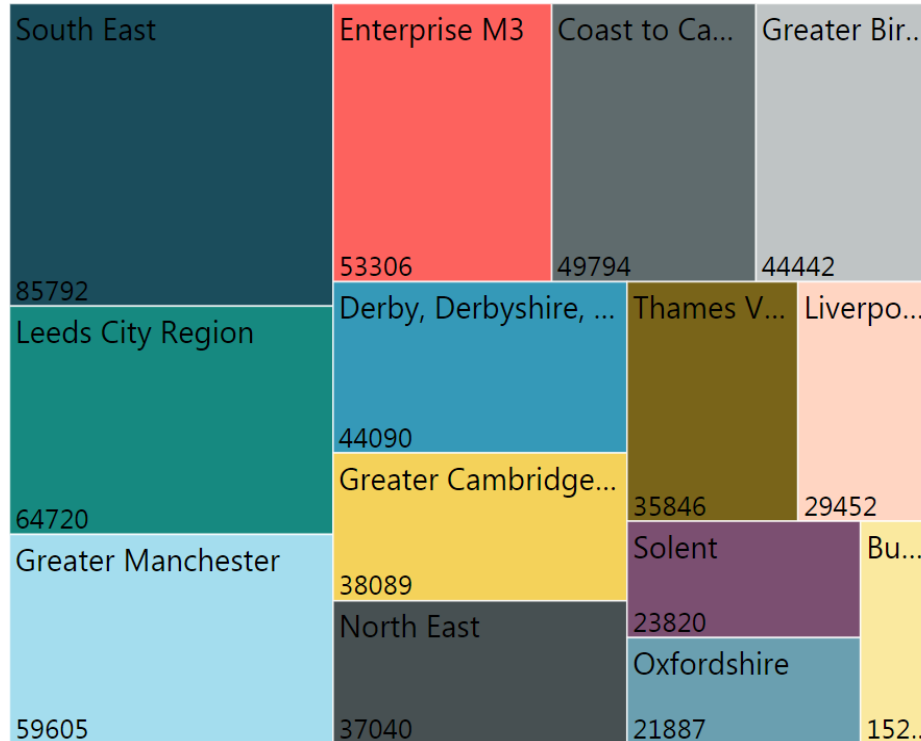
## The outlook

- Short and medium-term
- Brexit

What the future might look like – output (GVA) ‘fan chart’

# Important contributor to national economy

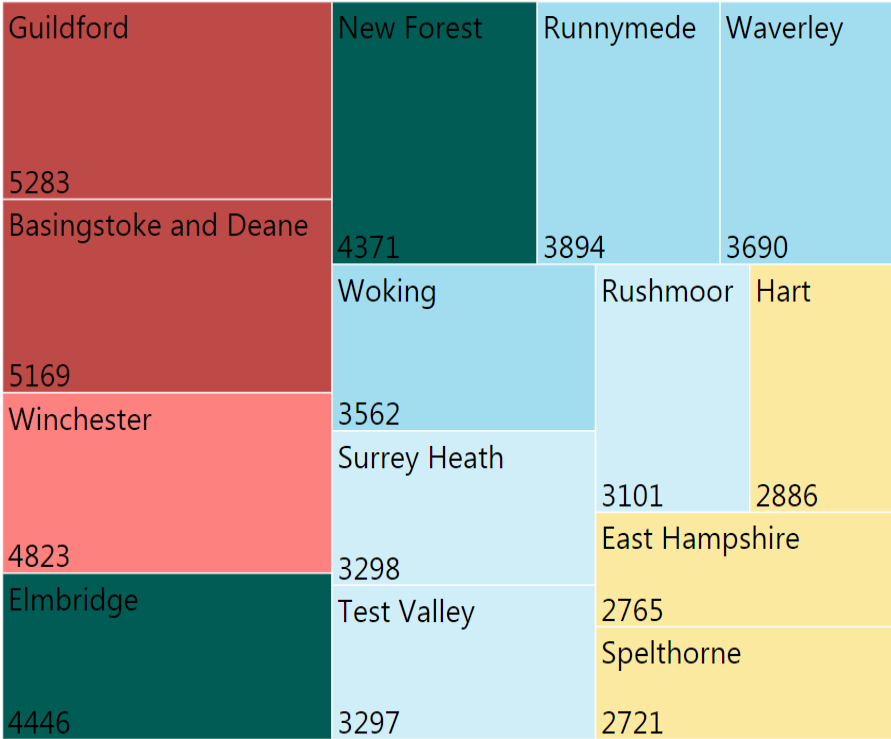
Economic output – selected LEPs  
£m, 2015



- 5th largest LEP in terms of economic output (GVA) in 2015
- Higher GVA than in most UK city regions
- Rising contribution to the UK economy

# Local economies punching above their weight

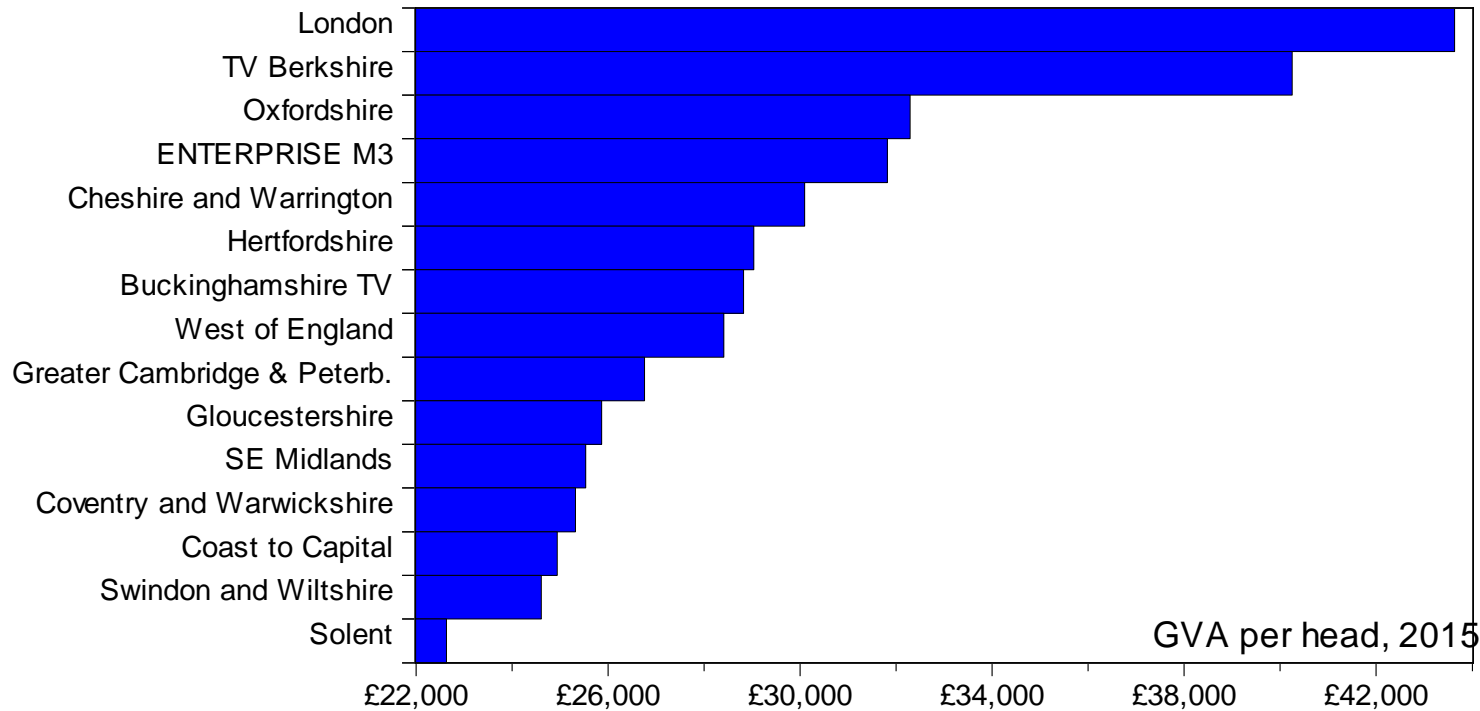
Economic output by Local Authority District  
£m, 2015



- A lack of a large dominant city in the area
- Large output relative to size
- Economically prosperous relative to other areas in the UK

# Economically prosperous

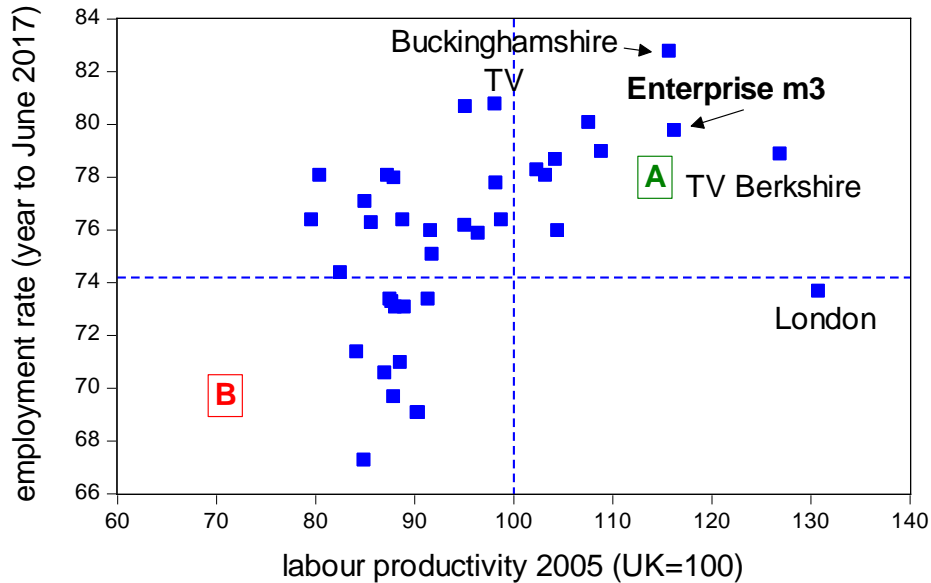
GVA per head, 2015



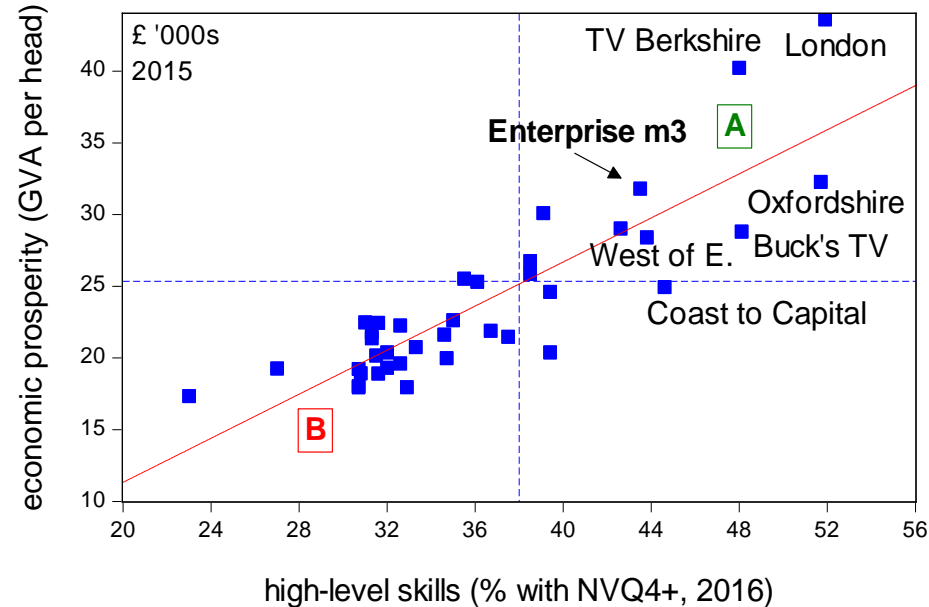
- Output per head as a measure of economic prosperity and economic performance
- More than a quarter more prosperous than the UK average

# Drivers of economic performance

## Productivity and employment



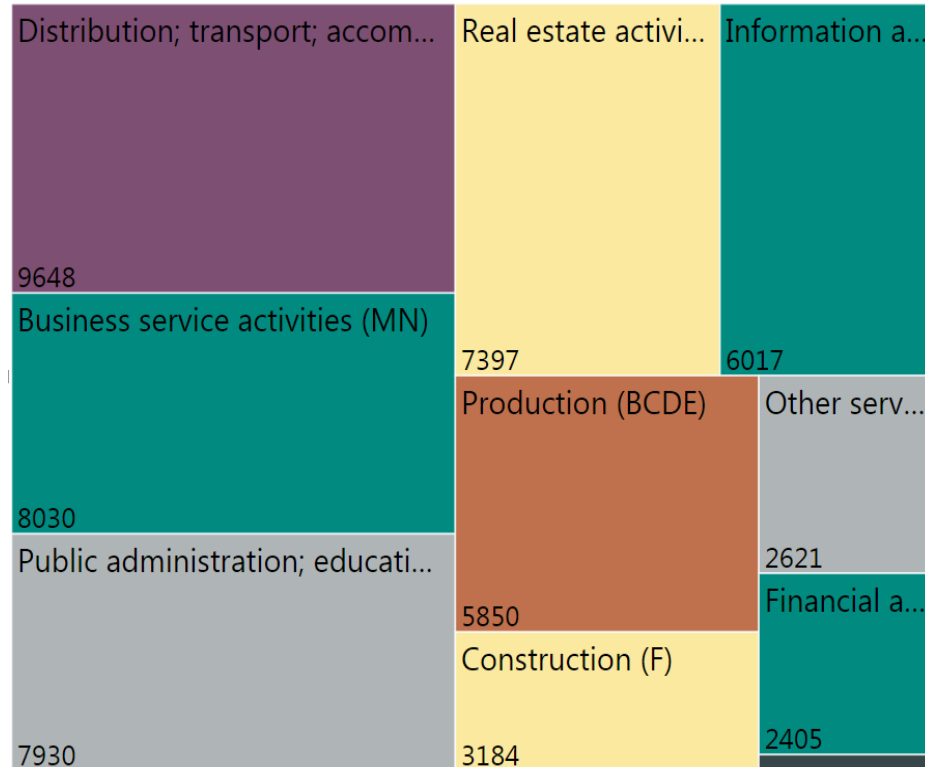
## Skills



- Relatively high levels of productivity and employment
- Rising relative productivity but lags global competitors
- Skills as the main driver of economic prosperity

# Drivers of economic performance

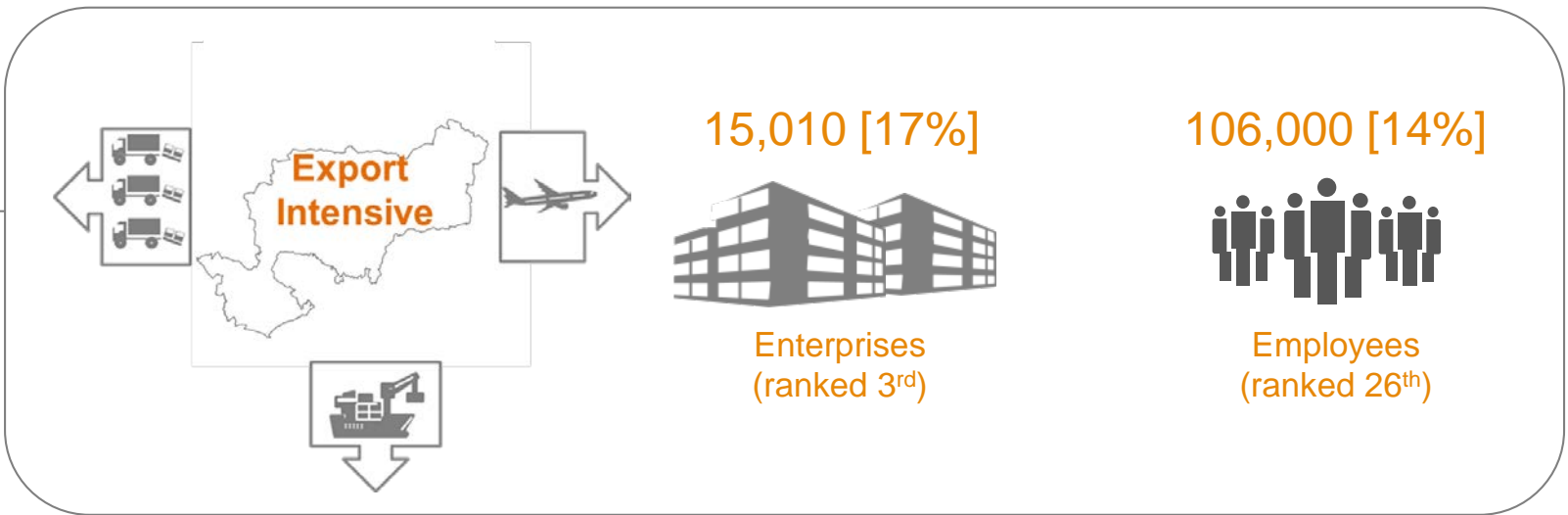
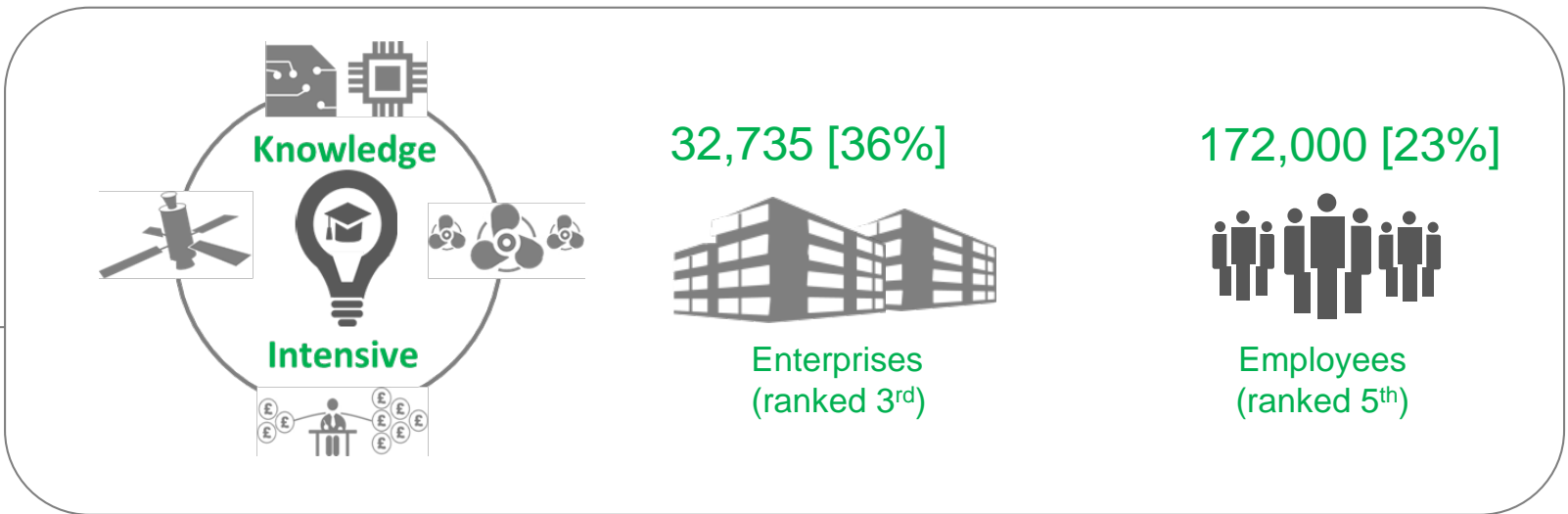
Industrial sectors, GVA 2015 £m



- Relatively diverse industrial structure
- Little traditional manufacturing – more resilient to shocks
- Above average concentration of firms in private KI industries

# Another look at sectors

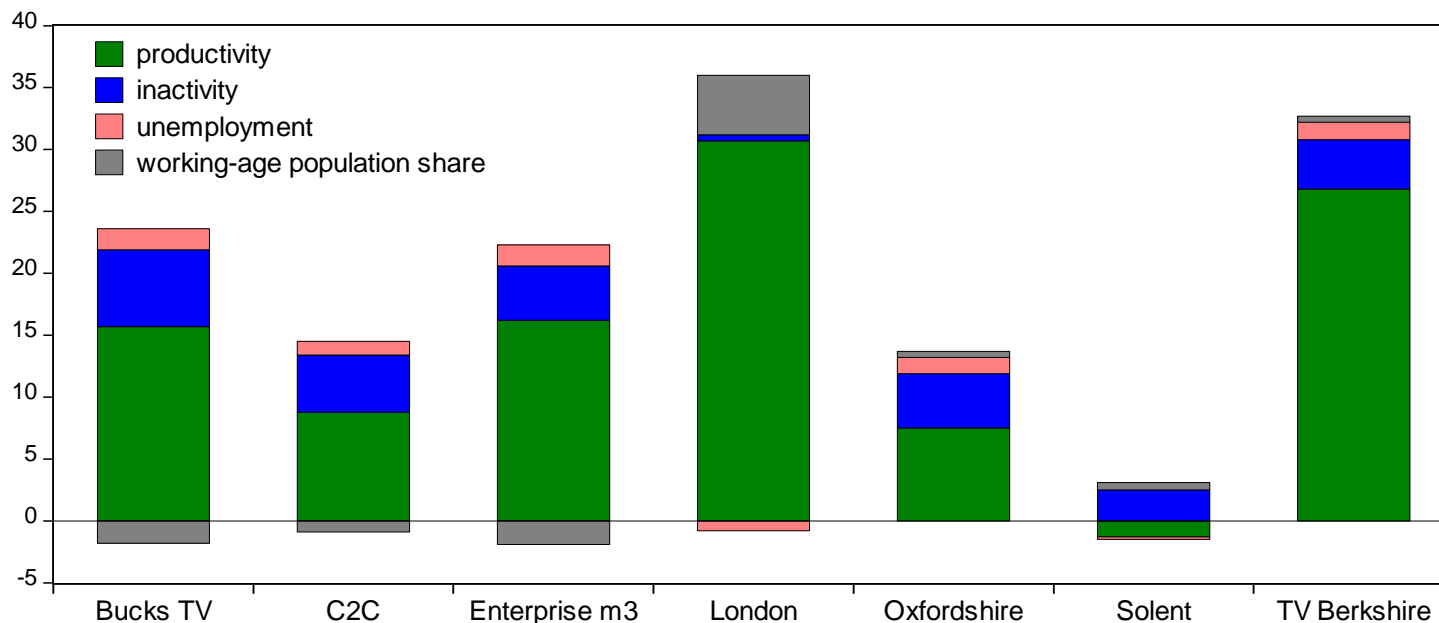
Em3





# Another look at economic prosperity

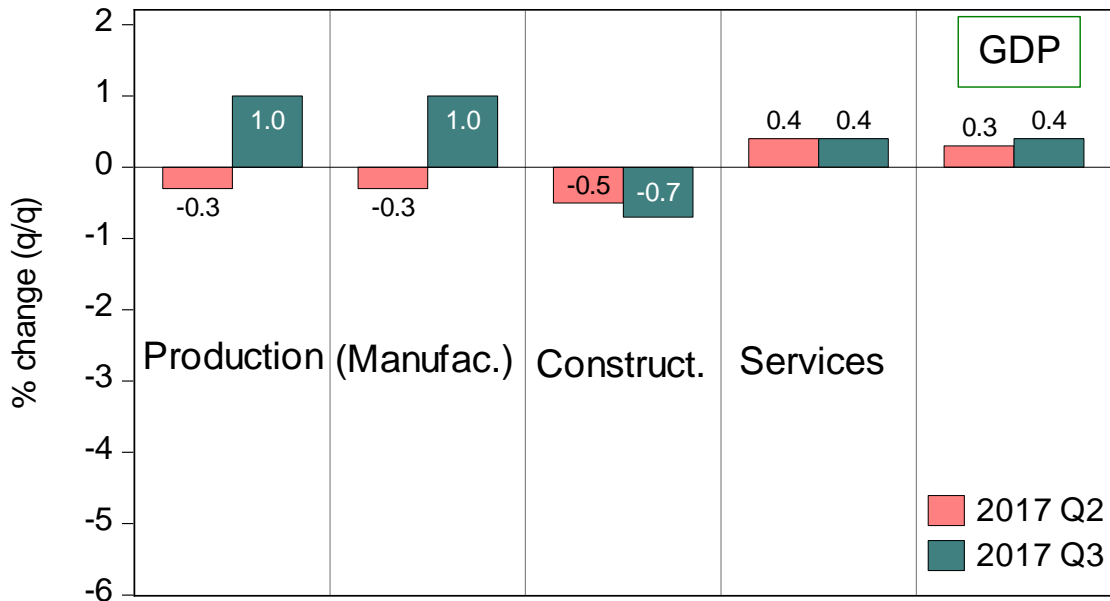
Differences in productivity, labour market outcomes and demographics  
– selected LEPs



- Productivity - the most important driver of competitiveness and economic prosperity
- Lower productivity partially offset by better labour market outcomes
- Demographics - weighs down GVA per head in several LEPs

# Recent economic performance

Economic growth – Q2 and Q3 2017 UK

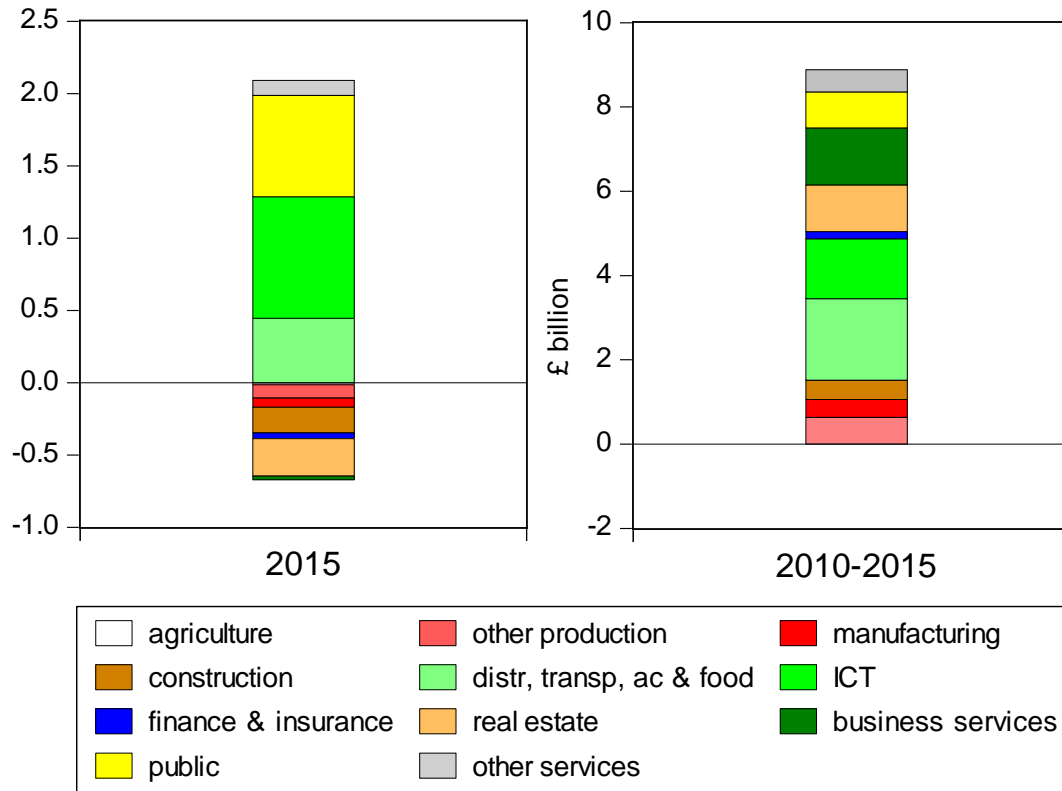


Source: ONS 2017

- Growth has slowed down but Q3 better than expected
- Strong growth in the private KI services sector
- The labour market remains strong but loses some momentum - productivity improves

# Recent economic performance

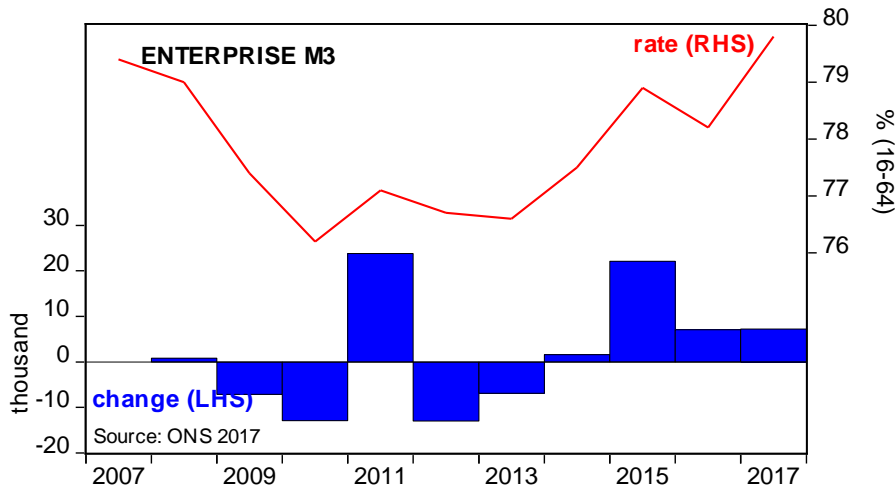
Contribution to GVA growth (Em3)



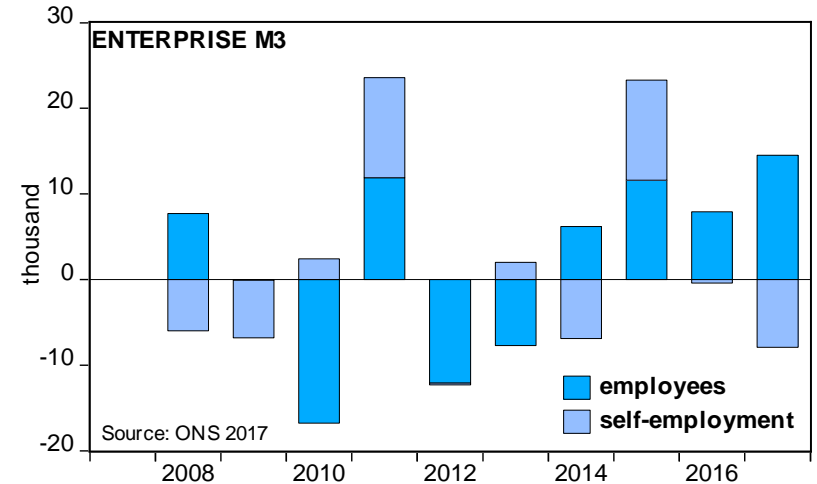
- Nominal economic growth 2.7% in 2015, similar to the UK average but “slower” than 4.6% in 2014? Real growth in GVA is what matters
- Private services drive growth in output (GVA)

# Recent economic performance

## Employment



## Change in employees and self-employment



- The labour market remains in good shape
- Employment growth in Enterprise m3 faster than elsewhere
- Employment growth driven by employee numbers (firms recruiting staff)

# Economic outlook: the short-term

Sluggish domestic demand expected to persist longer than expected

- Wages and inflation
- A slowdown in the housing market
- Manufacturing growth was strong in Q3 but will it persist?

The domestic and external demand likely to improve in 2018

- Inflation
- Stronger external demand – manufacturing vs. service exports

Wages and productivity expected to constrain growth

- Productivity growth in Q3 fastest since 2011
- Wages?

Monetary policy likely to remain loose for longer

# Economic outlook: the medium-term

## Global factors

- Interest rates returning to 'normal' levels
- Impact on asset prices and the stock market in particular

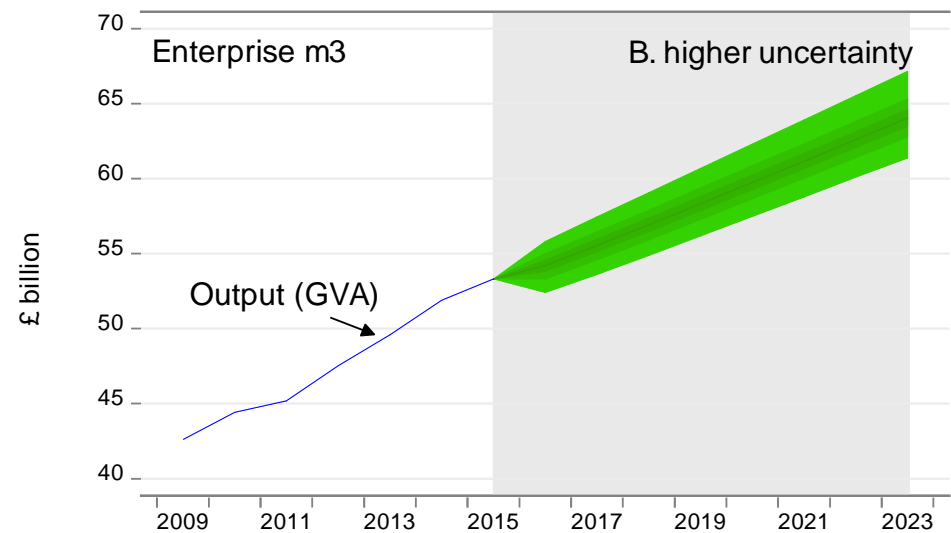
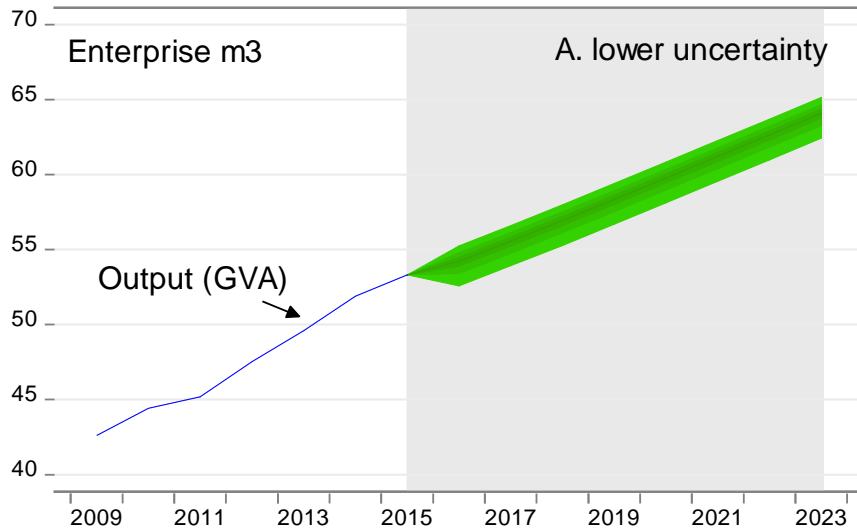
## Domestic factors

- Inflation and interest rates
- Housing market

## Brexit

- Trade
- Industrial policy – local industrial strategy
- Investment
- Commercial Property Investment
- Funding
- Migration and Labour market

# What the future might look like



Source: ONS (2016) and HCC (2017)

- Assume that future will look similar to the recent past
- Allow for uncertainty
- Indicative level of output over medium-term

# Thank you

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