



enterprise **m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – November 2022

HEADLINES

- UK economy contracts in Q3 (June-Sep) and activity falls sharply at the start of Q4 (Oct-Dec).
- Falling demand and rapidly rising costs (energy, labour, finance) continue to pose an existential threat to a range of (mostly micro and small) businesses in Enterprise M3.
- Bank of England forecast that the UK economy on the brink of the longest recession on record but expected to be shallow followed by a sluggish recovery.
- Enterprise M3 likely to be more resilient but exposed to falls to consumption/cuts to discretionary spending and investment (business and government).
- Inflation reaches double digits (11.1%) and expected to continue into first half of 2023.
- Bank of England suggests interest rates will peak at around 4 % (currently 3%).
- Strong employment growth in Enterprise M3 accompanied by falling economic activity and possible signs of some early retirees returning to the labour market.
- Some early signs of falling demand for labour in Enterprise M3 towards the end of Q3 (Aug-Sep).

MAJOR POLICY ANNOUNCEMENTS FROM THE SUNAK GOVERNMENT

- The 'Energy Price Guarantee', introduced by the Truss government will be retained but for six months instead of two years with consequent implications for growth and inflation.
- The 'Energy Bill Relief Scheme' that freezes business utility bills for six months to be retained and be reviewed in 2023.
- The reversal of a 1.25 percentage point rise in National Insurance Contributions (NICs) will go ahead as planned as well as the abolition of the Health and Social Care Levy planned for April 2023.
- National Living and National Minimum Wages levels increased from April 2023.
- Proposed tax cuts, especially for high earners **not** going ahead.
- Changes to Stamp Duty tax to be retained until March 2025. (Properties up to a value of £250k zero %/first time buyers benefit from zero % for properties valued up to £450k. From March 2025 the threshold will .
- Removal of limitations to Bankers' bonuses is retained.
- Dividend allowance reduced to £1,000 earnings from April 2023 and reduced again to £500 after April 2024. Tax rates on dividend income above these levels remain the same.
- Capital Gains Tax threshold falls to £6,000 in April 2023 and then £3,000 from April 2023.

OTHER CHANGES WITHIN AUTUMN STATEMENT

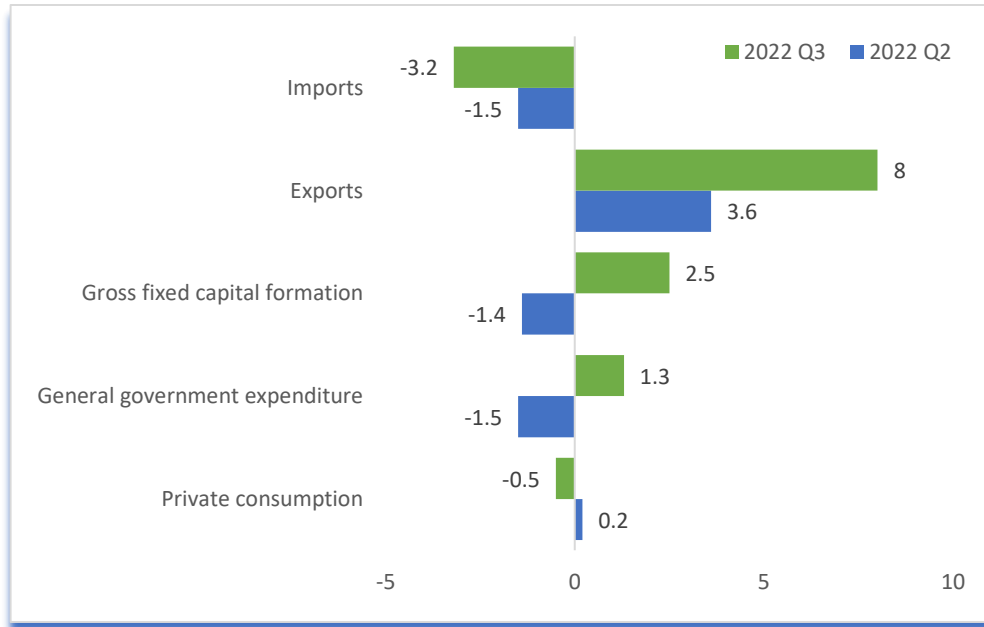
- The plans for the Investment Zones not going ahead with Government to develop cluster led innovation areas with Universities.
- Fracking remains banned.
- Business Rates - additional reliefs for retail, hospitality and leisure businesses and a cap on the level of increase that can be charged in April 2023 to counter the rise expected through 2023 revaluation. The business rates multiplier frozen at 49.9p and 51.2p (so not providing for inflation).
- Local authorities will have greater flexibility to set Council Tax levels from April 2023, enabling them to increase Council Tax up to +3% before a referendum is needed. Also, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.
- VAT threshold of £85,000 before being able to reclaim costs remains until 2026.
- Import tariffs on 100 goods used in production processes removed from 2023.



ECONOMY

SHARP SLOWDOWN IN BUSINESS ACTIVITY

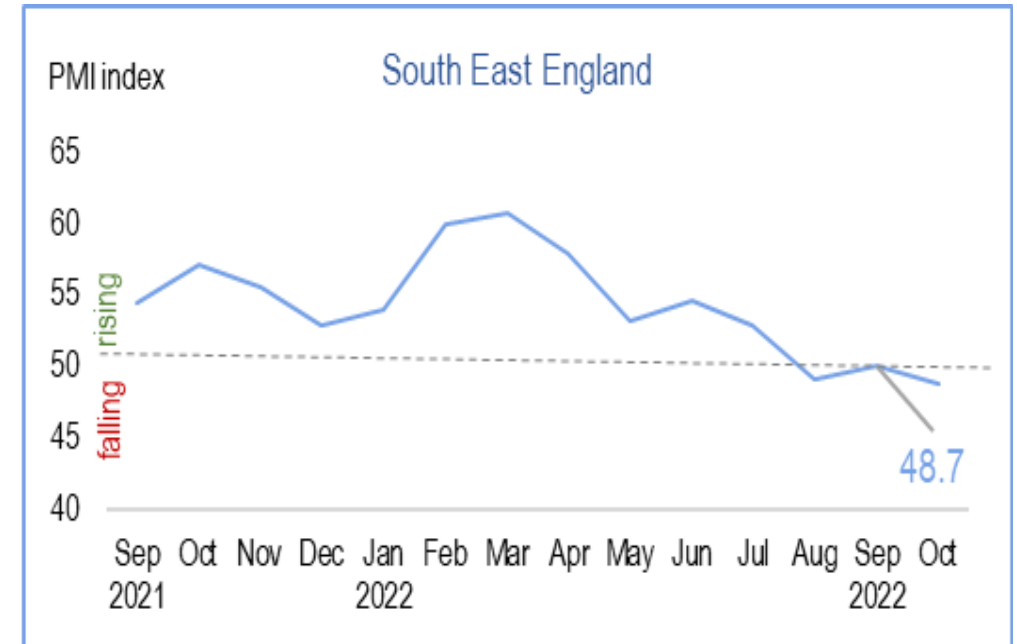
UK economy contracts in Q3 (July-Sept) Expenditure components, % q/q



Source: ONS (2022) and EBIS (2022)

- UK economy contracts in Q3 (-0.2%) - driven by falling consumption.
- Exports, total investment and gov. consumption expanded but expected to contract in Q4.

Business activity falls in October South East England



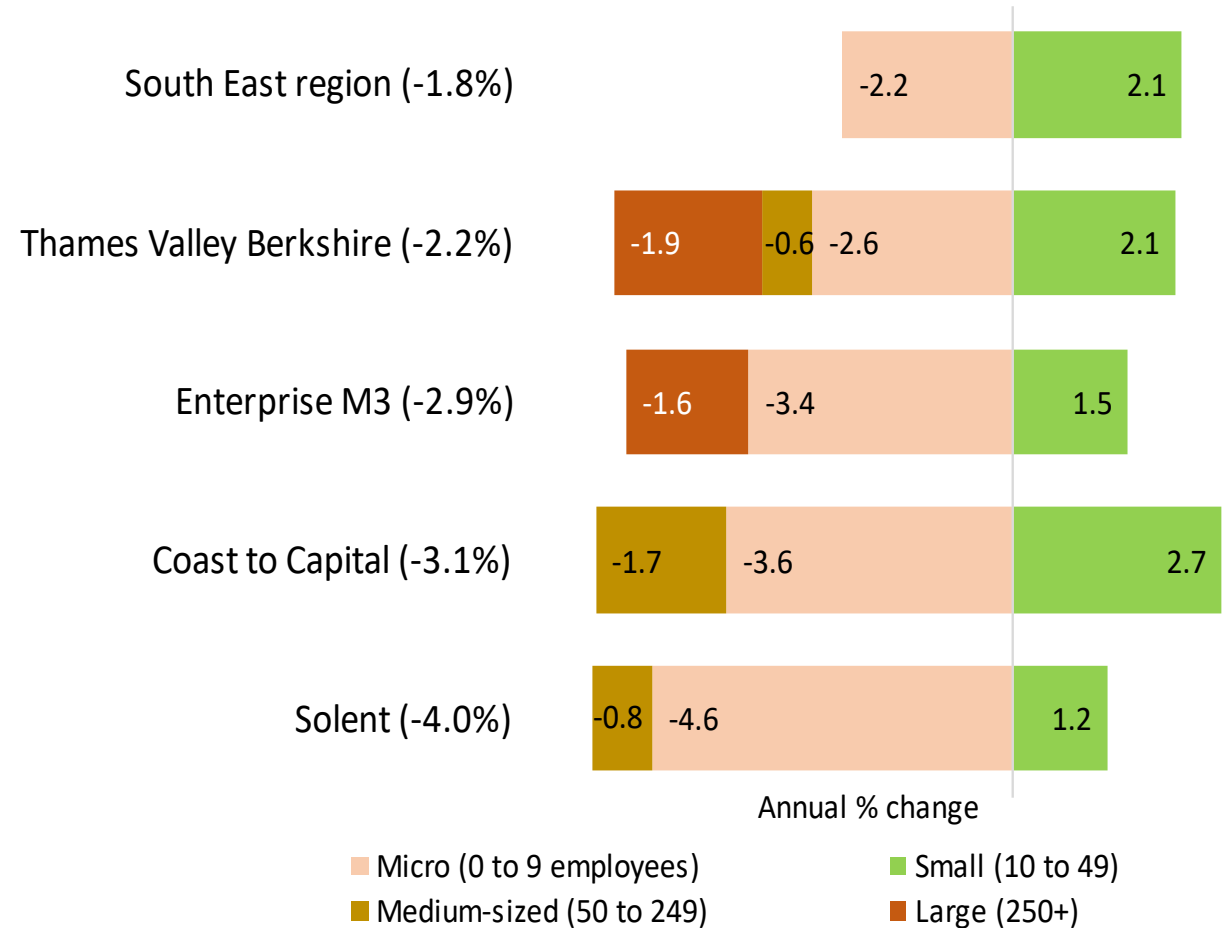
Source: Markit (2022)

- Most B2B services more resilient to date.
- Business activity in the SE region fell in October; UK activity at the lowest level since 2008/9, if lockdowns are excluded.

CHALLENGING ENVIRONMENT AS BUSINESS NUMBERS CONTINUE TO FALL IN EARLY 2022

- Enterprise M3 has around 2,370 fewer businesses in 2022 than in 2021, and close to 2,900 fewer since March 2020.
- Most losses have been micro-businesses, employing fewer than 10 workers.
- Small businesses, more established and resilient than micro-businesses, saw growth of nearly 100 but rate slower in Enterprise M3 (+1.5%) and Solent (+1.2%).
- Enterprise M3 and Berks LEPs each lost five large businesses employing 250+ workers in 2022.
- Falling demand and rising costs (energy, labour, finance) likely to impact on future survival and growth.

Annual change (%) in number of businesses 2021-2022
(total business change in brackets)

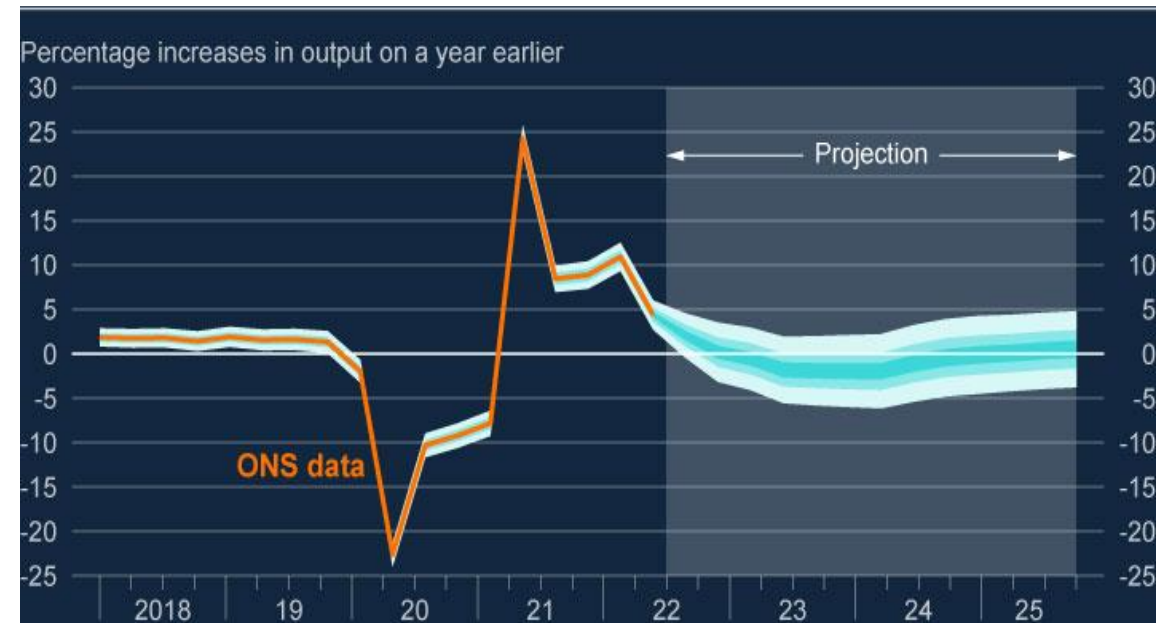


Source: ONS (2022) - Enterprises. Data a snapshot in March 2021 and March 2022. If there is no business change shown by size then there was no change.

BANK OF ENGLAND FORECAST UK ECONOMY ON THE BRINK OF THE LONGEST RECESSION SINCE RECORDS BEGAN

- Economy to enter into a technical recession in 2022 H2 (July-Dec) and to remain in recession throughout 2023 and 2024 H1 (Jan – June).
- The recession is expected to be shallow but sluggish recovery thereafter.
- Concentration of B2B knowledge intensive services, tight labour market and higher household incomes in Enterprise M3 means it may be more resilient.
- But some sectors and groups such as hospitality and young people or self-employed more exposed to the downturn than others.

UK GDP growth projection

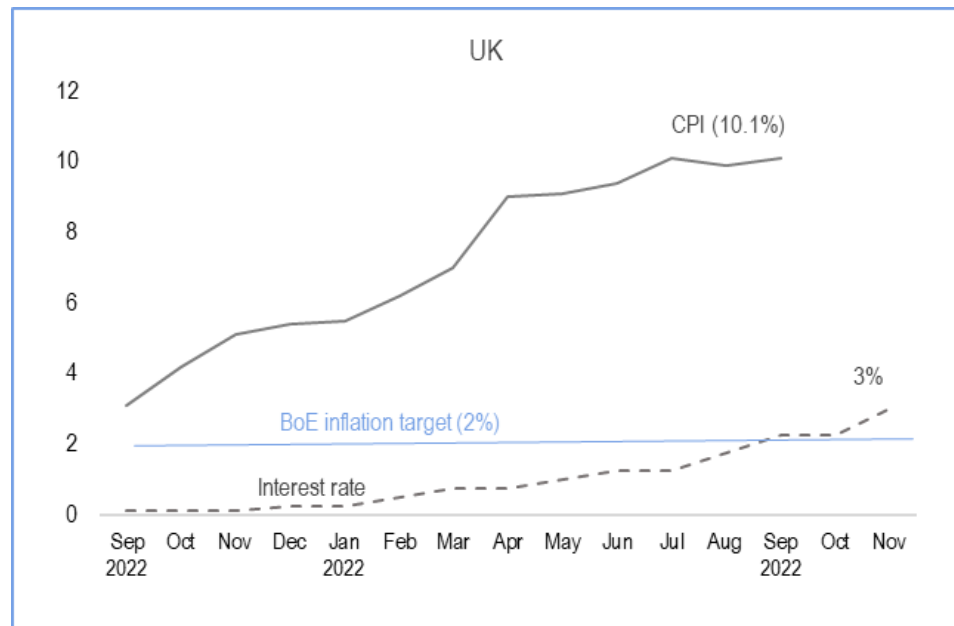


Source: BoE (2022)

- GDP to contract by 1.5% in 2023 calendar year
- GDP to contract by 0.25% in 2024 calendar year

HEADLINE INFLATION ABOUT TO PEAK WITH PROJECTED INTEREST RATES LOWER THAN ANTICIPATED

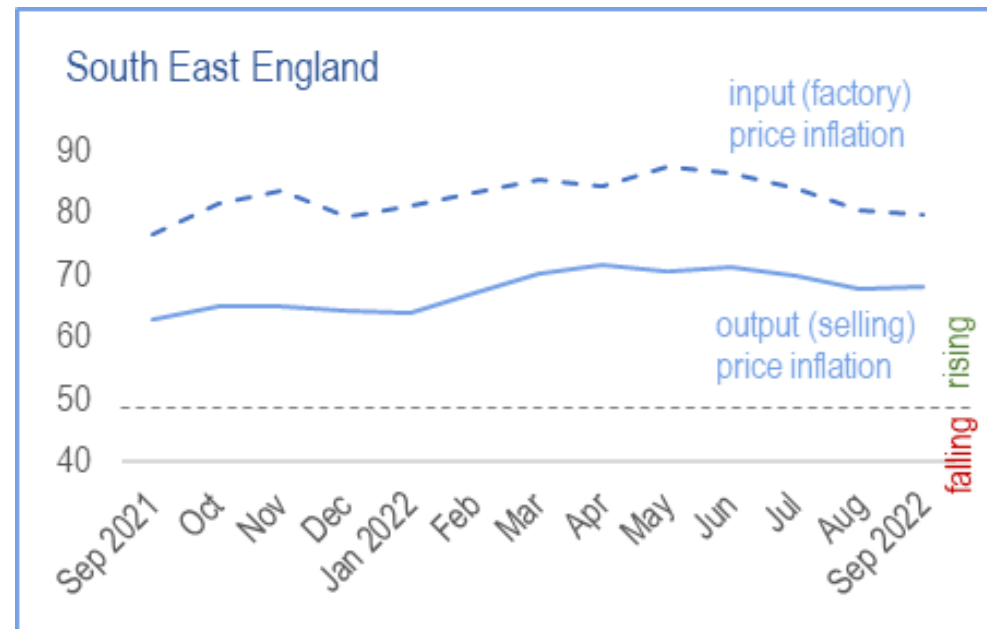
UK inflation back to double digits and near projected peak



Source: ONS (2022) and BoE (2022)

- Headline (CPI) inflation back at just over 11% in October.
- Bank of England forecast inflation to peak at 11%-12% by end of year.
- Global inflationary pressures continue to ease.

Business selling prices rise sharply but Input Prices at nine-month low



Source: Markit (2022)

- Inflation much higher than anticipated in 2023 but to fall sharply from 2023 H2.
- Bank of England suggest that interest rates may peak at around 4%.

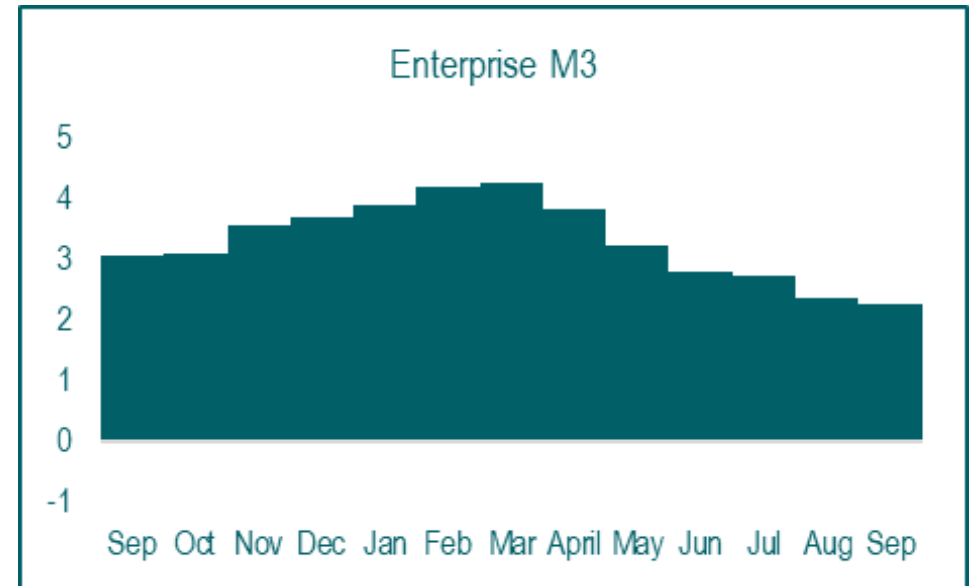


LABOUR MARKET & SKILLS

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

- PAYE employment in EM3 showed strong quarterly growth but a slowdown on an annual basis.
- Resident PAYE employment increased by 14,700 in the first 9 months of this year (+6,000 since June).
- Rising employment and growing labour market non-participation means a tighter labour market in EM3.
- Exceptionally low unemployment continues.

PAYE employee growth
(annual % change)



Source: HMRC (2022)

- 2.3% (annual PAYE growth)
- 0.8% (quarterly growth)
- 0.2% (monthly growth)

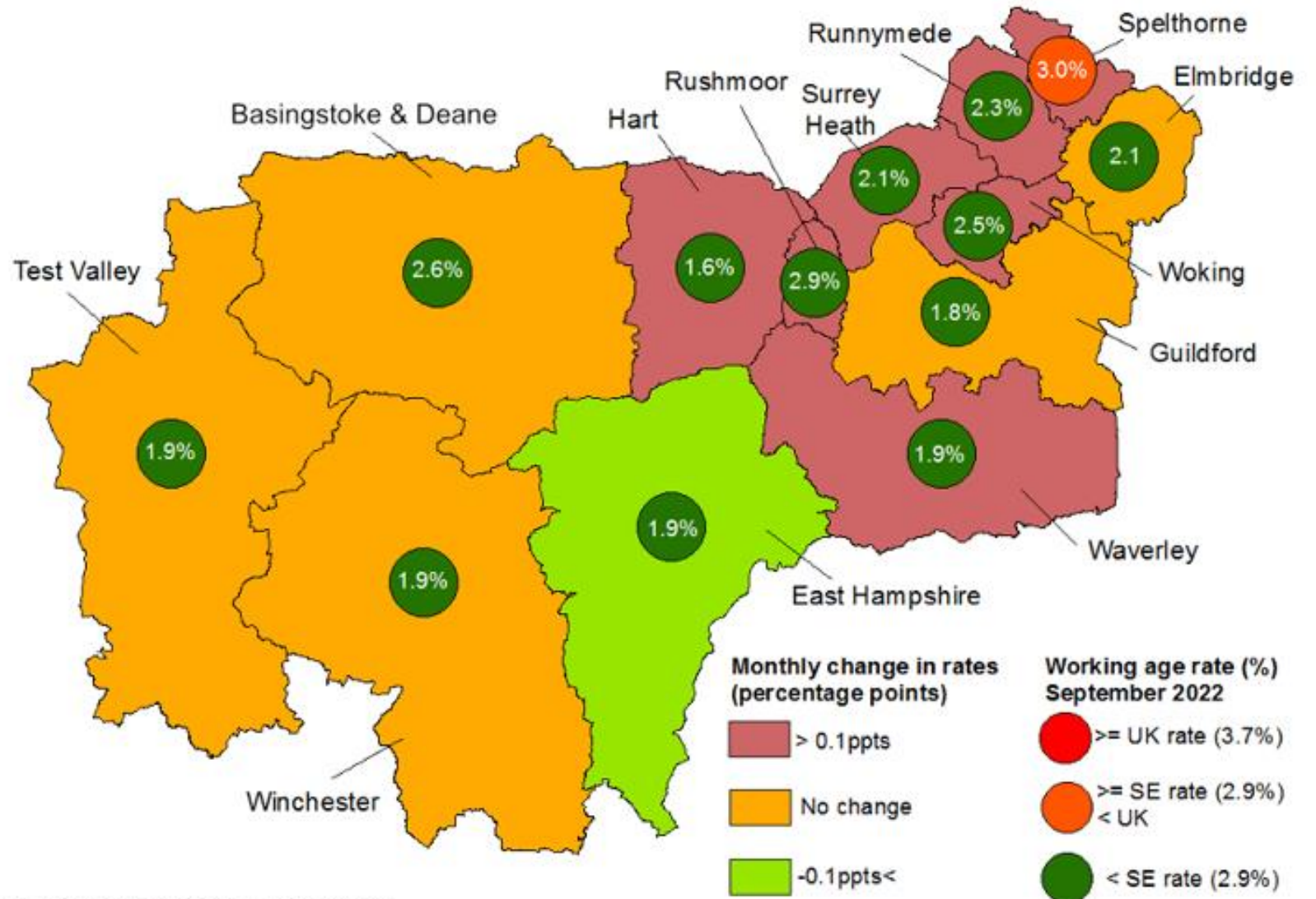
ENTERPRISE M3'S UNEMPLOYED CLAIMANT RATE UNCHANGED SEPT 2022 (2.2%)

Shaded Districts areas

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

Coloured Circles

- **Green** = September rate below UK and South East rates.
- **Orange** = September rate above South East rate but below UK rate (only Spelthorne).
- **Red** – September rate above UK rate (no red circles in EM3 area).

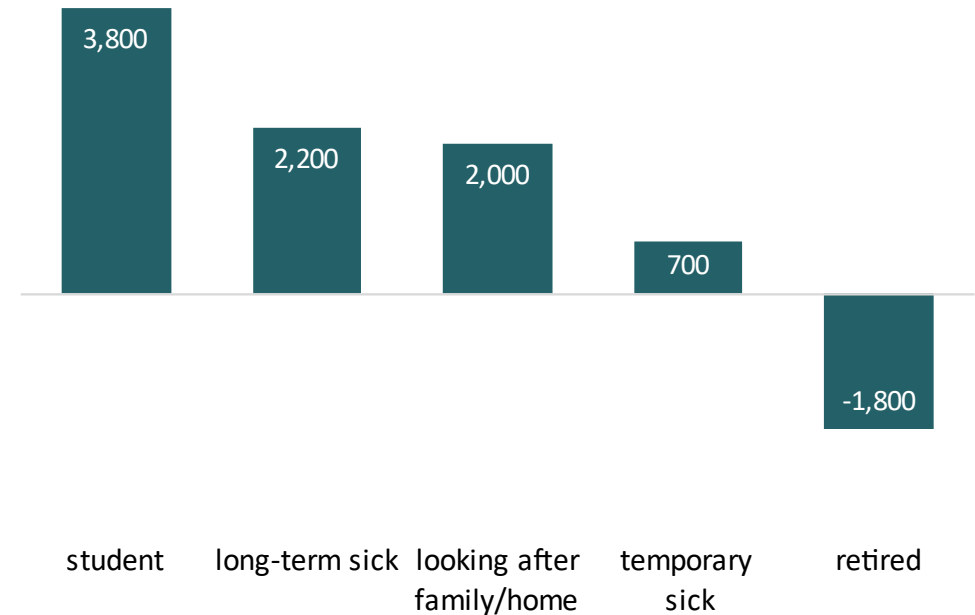


EM3 SEES GROWTH IN NON-PARTICIPATION IN LABOUR MARKET.

IS COST-OF-LIVING DRIVING RETIREES BACK INTO THE LABOUR MARKET?

- Economic inactivity on the rise with over 9,000 more Enterprise M3 residents than in the previous quarter (+1%).
- Largest increases, where known, are:
 - students (+3,800, 8.3%)
 - long term sick (+2,200, 7.2%)*
 - looking after home/family (+2,000, 5.9%)
- All reasons for inactivity grew on the quarter except for...
 - Retired which is down by 1,800 (-7.5%).

Change in reason* for non-participation in labour market
(12-months March 2022 to 12-months June 2022)



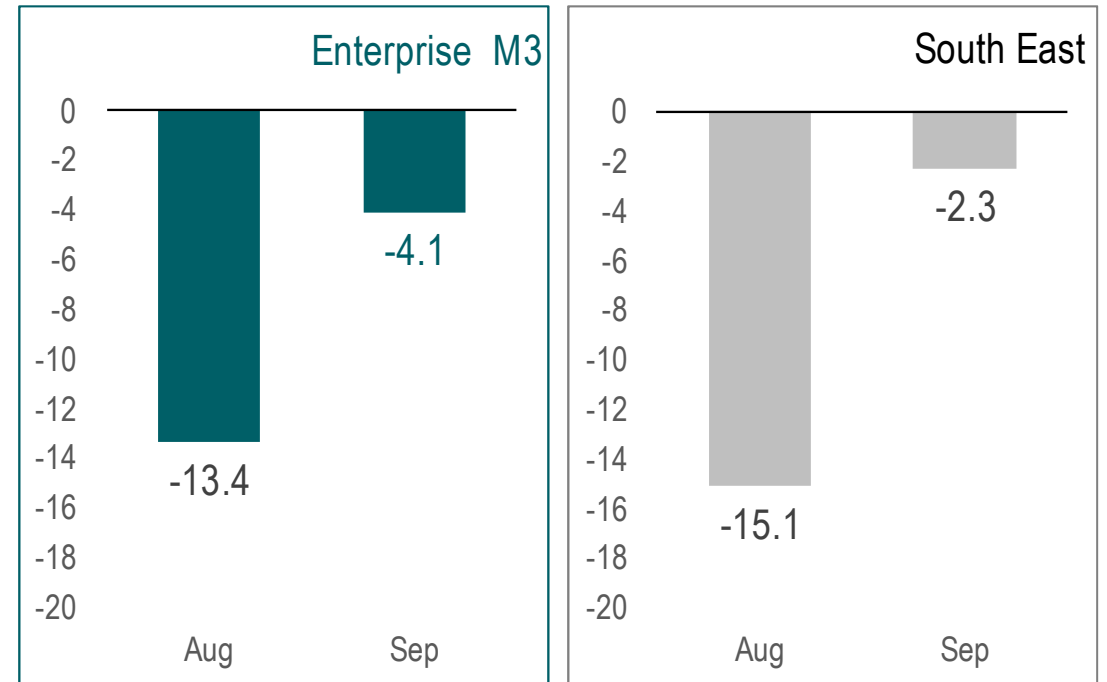
*temporary-ill up 16.7%, but a lower number (+700)

Source: ONS (2022). *excludes 'discouraged' due to too small a sample, and also 'other'.

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

- In a typical recession unemployment starts to increase and vacancies start falling before the economy enters recession.
- Stable unemployment but sharp fall in demand for labour in August and September.
- Past recruitment difficulties may mean employers less likely to lay off staff.
- Are we going to see a 'soft landing' in Enterprise M3 labour market? The Bank of England expects the unemployment rate to approx. double by 2025 (UK).

% change in online job postings
(Aug and Sep 2022)

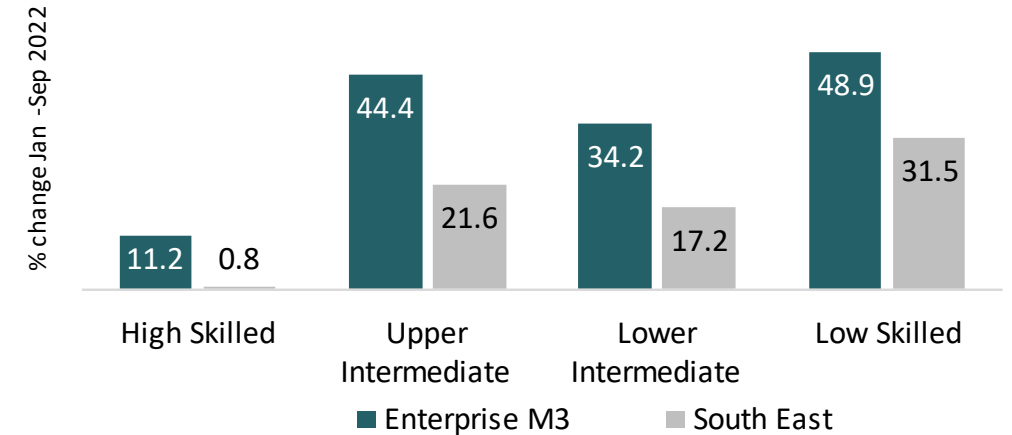


Source: Lightcast (2022), all job postings

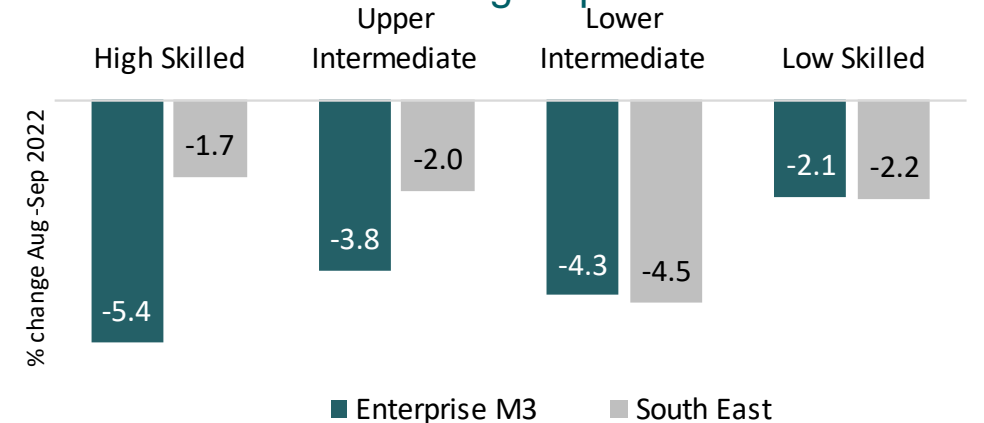
DESPITE DIP IN JOB VACANCY LEVELS IN SEPTEMBER, HIGH AND UPPER-INTERMEDIATE SKILLED STAFF REMAIN IN DEMAND FOR ENTERPRISE M3 EMPLOYERS

- Over two thirds (68%) of September's labour demand in Enterprise M3 in high-skilled and upper intermediate-skilled – equating to 33,700 vacancies. Of which:
 - One third in high-skilled occupations (16,200 vacancies), and,
 - Just over one third (35%) in upper-intermediate occupations (17,500).
- Low-skilled has less demand (nearly one in 10 vacancies) but fastest growth rate (+49%) in 2022, in part driven by seasonal factors.
- Enterprise M3 seen stronger job postings than South East since start of the year, but monthly demand by occupation is lower across all occupational groups.

Job Vacancy Growth by Occupational Skill Level Since Start of Year (Jan-Sep 2022)



Monthly Change in Vacancies posted by Occupational Skill Level Aug-Sep 2022





BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Aldi to recruit around **260 new jobs** in Hampshire this Christmas.

Berry Bros & Rudd, wine merchants move from Basingstoke to **open new warehouse in Andover**, investing £4.5m and storage for 14 million bottles.

TrustQuay (Fleet) has secured a new majority investor. Software and services investor Hg has backed TrustQuay, with former majority owner Silverfleet Capital fully exiting its position.

ACQUISITIONS AND MERGERS

Petersfield-based Aspire Pharma bought **East Midlands medicines manufacturer Morningside Pharmaceuticals**. The deal also includes Morningside Healthcare – a £24 million sister business involved in the research, development and licensing of new products – and Morningside Healthcare (India).

Welsh insurance broker F R Ball has **merged with Wessex Insurance Services, a Basingstoke-based** counterpart offering a range of specialist insurance schemes for niche industry sectors.

WSW Consultancy Limited a Fleet headquartered building surveying and architecture consultancy firm has **merged with Stiles Harold Williams Partnership LLP (trading as SHW)** which act as commercial agents and property services provider in London and South of England. WSW to be rebranded as part of SHW LLP.

Intec, a Hampshire-headquartered (Fleet) IT consultancy has moved to an Employee Ownership Trust (EOT) structure in a deal advised on by Quantuma.

BUSINESS NEWS HEADLINES

OTHER NEWS

British Business Bank expands Start Up Loans programme in the South East. The programme provided finance to start ups with two years of trading, but it now includes businesses trading for up to three years and second Start Up Loans available to eligible businesses trading for up to five years.

Vodafone to offer free business broadband for a year to help small businesses mitigate rising business costs and stay connected to customers. Available from 19th October to 24th November, offers business grade broadband free for 12-months on a 24-month plan and is available to all small businesses as well as existing Vodafone Business customers who are eligible to upgrade.

Festival Place, Basingstoke shortlisted for top shopping centre awards led by Sceptre Awards.

Whitchurch Silk Mill is celebrating after receiving a **Visit England visitor attraction award in the best-told story category.**

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