



enterprise **m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – July 2023



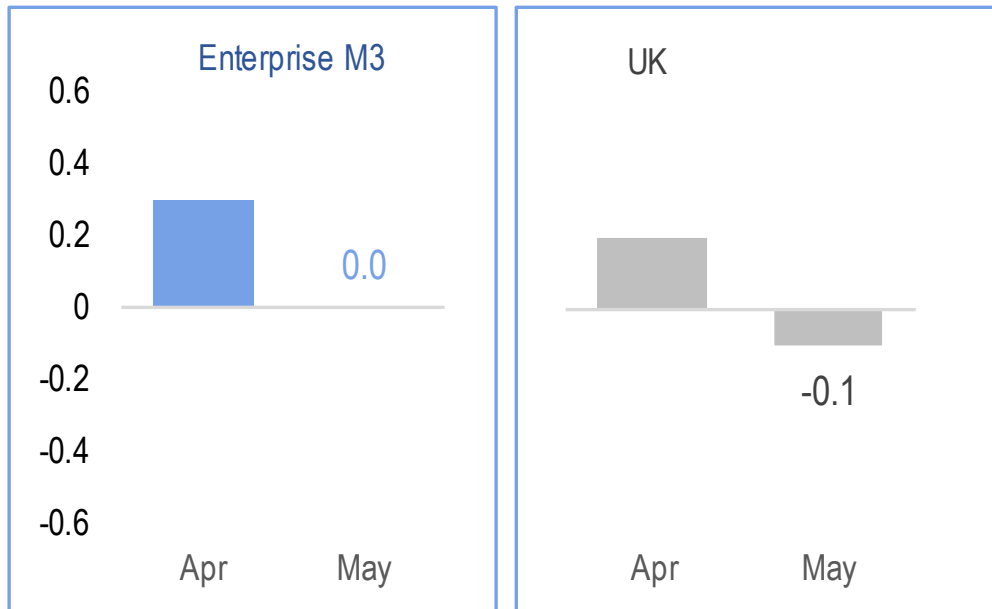
ECONOMY

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

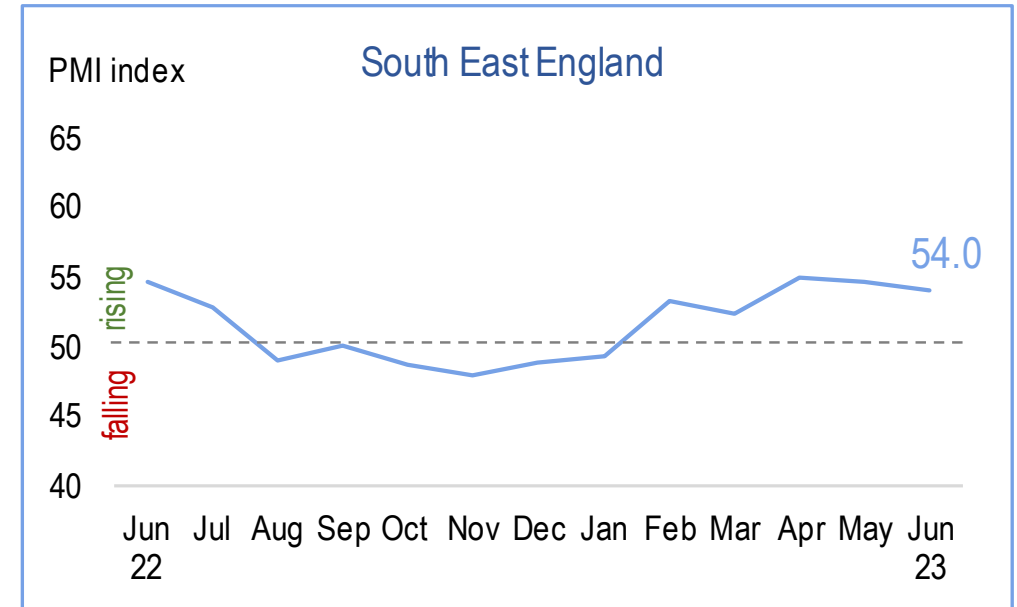
Monthly GVA growth, %
UK and Enterprise M3*



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

- 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.

Business activity (survey data)
South East England

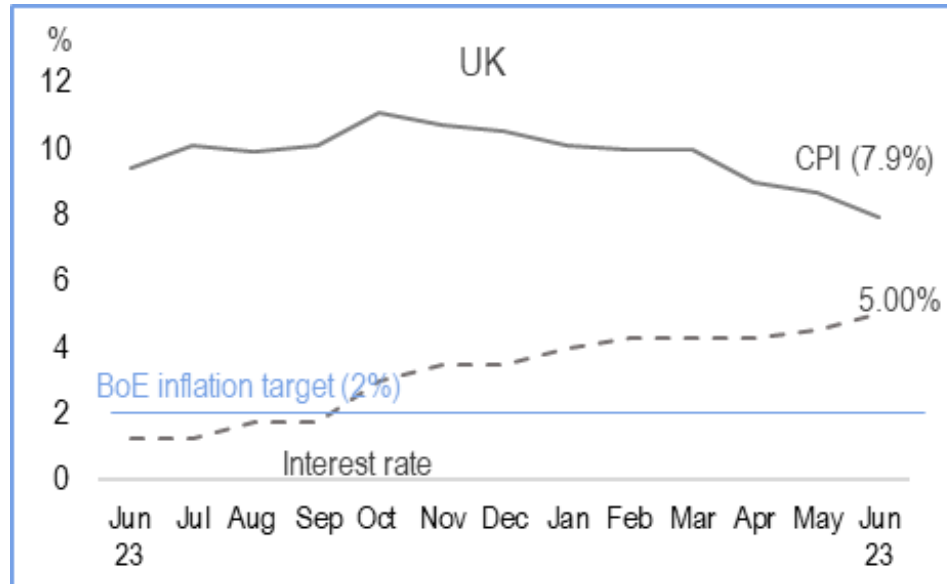


Source: Markit (2023)

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

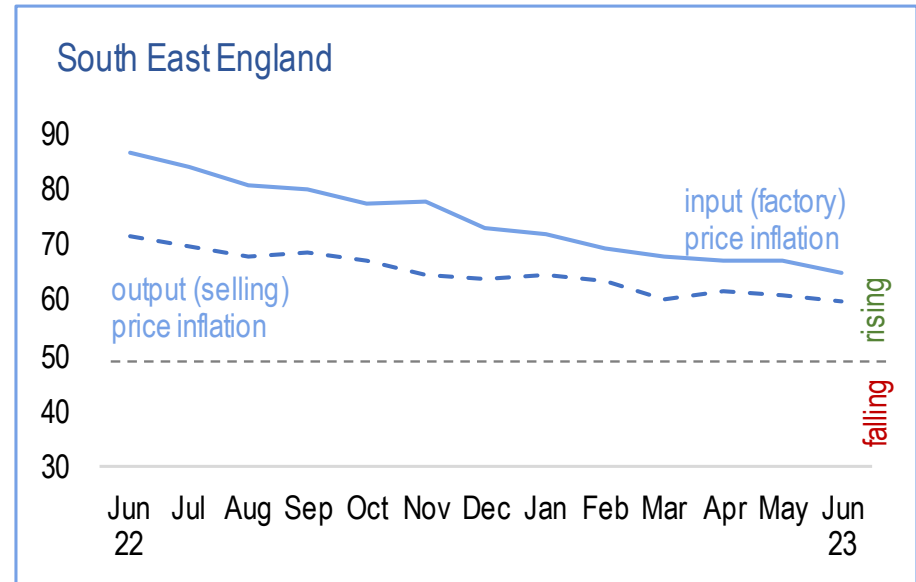
SMALLER THAN EXPECTED RISE IN INFLATION WILL NOT PREVENT FURTHER INCREASES IN INTEREST RATES

UK inflation and interest rates



Source: ONS (2023) and BoE (2023)

Business costs and prices charged South East England



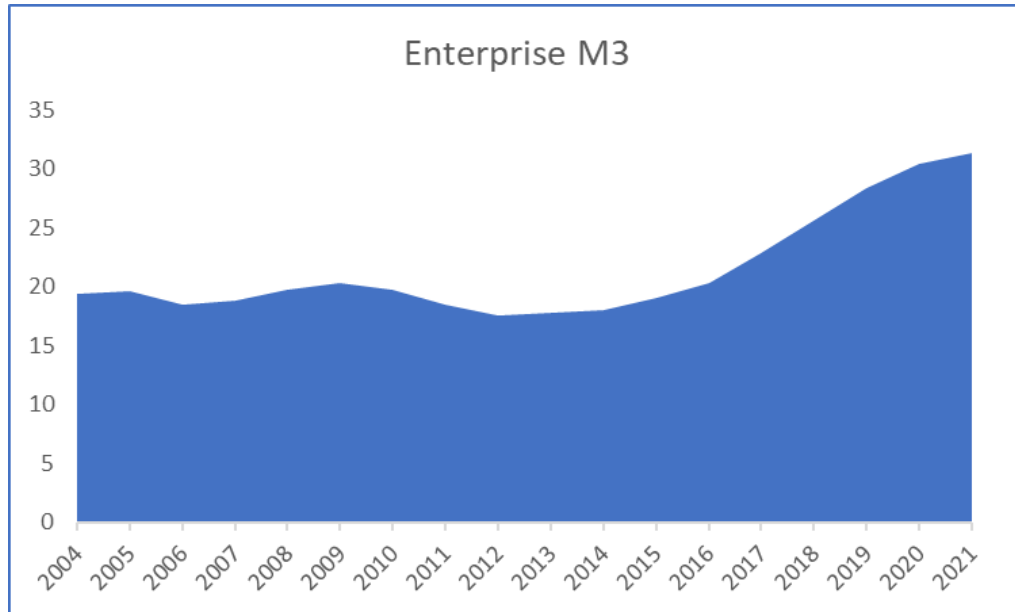
Source: Markit (2023)

- 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

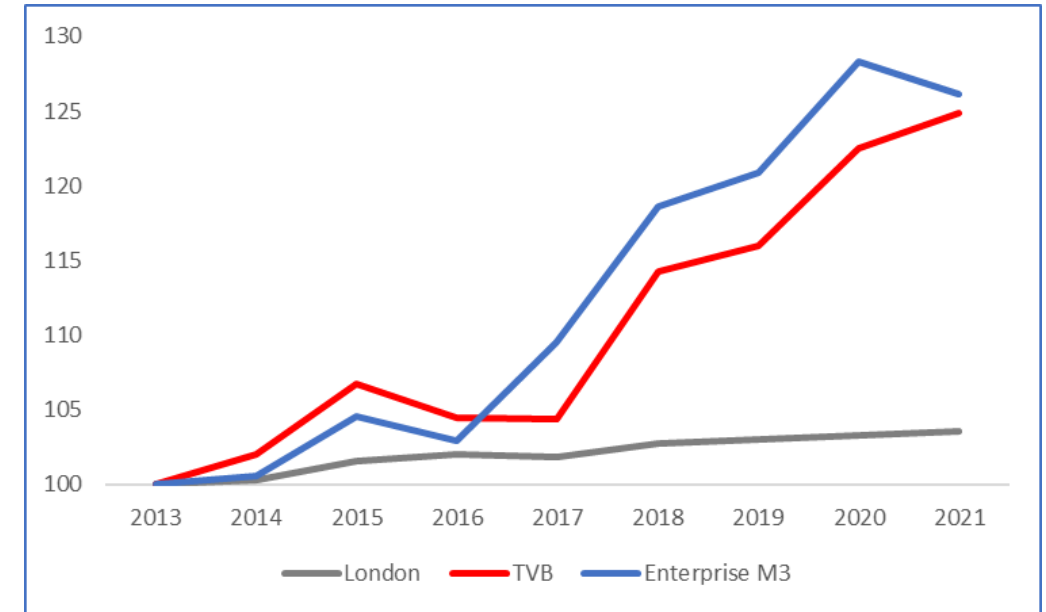
Headline productivity level relative to UK average, %



Source: ONS (2023)

- 3rd 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

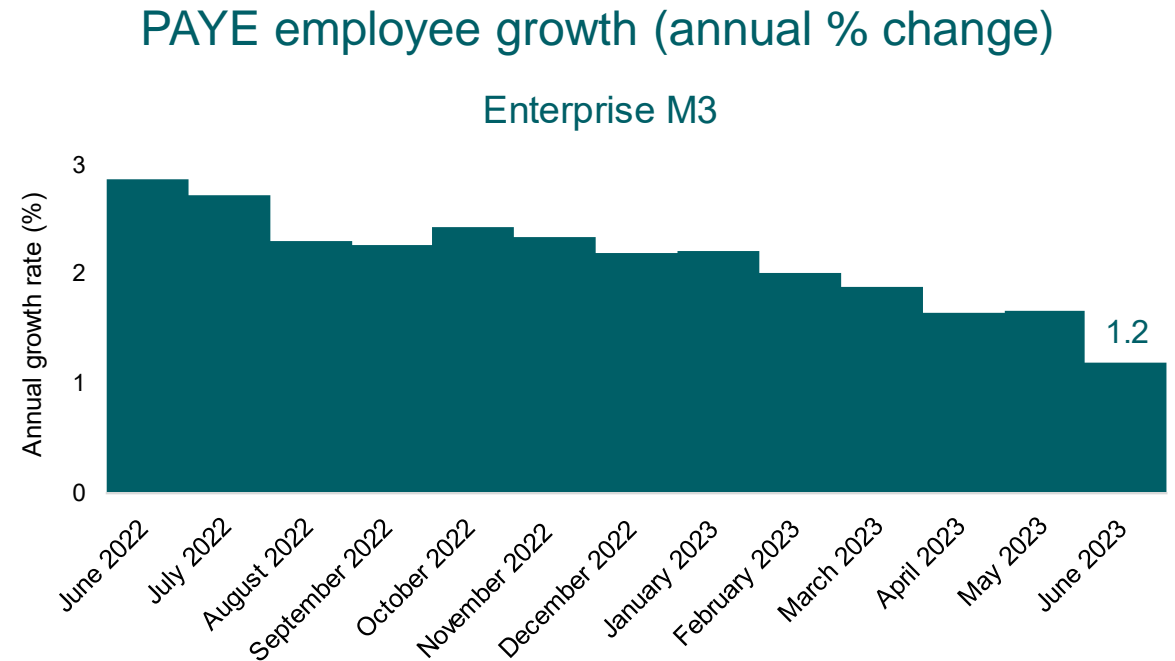
- Adjusted for inflation productivity fell by 1.7% in 2021, it expanded in London and TVB, BUT Faster growth in Enterprise M3 since 2013.
- → smaller productivity gap with London and Thames Valley Berkshire (TVB).



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.



Source: HMRC (2023)

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

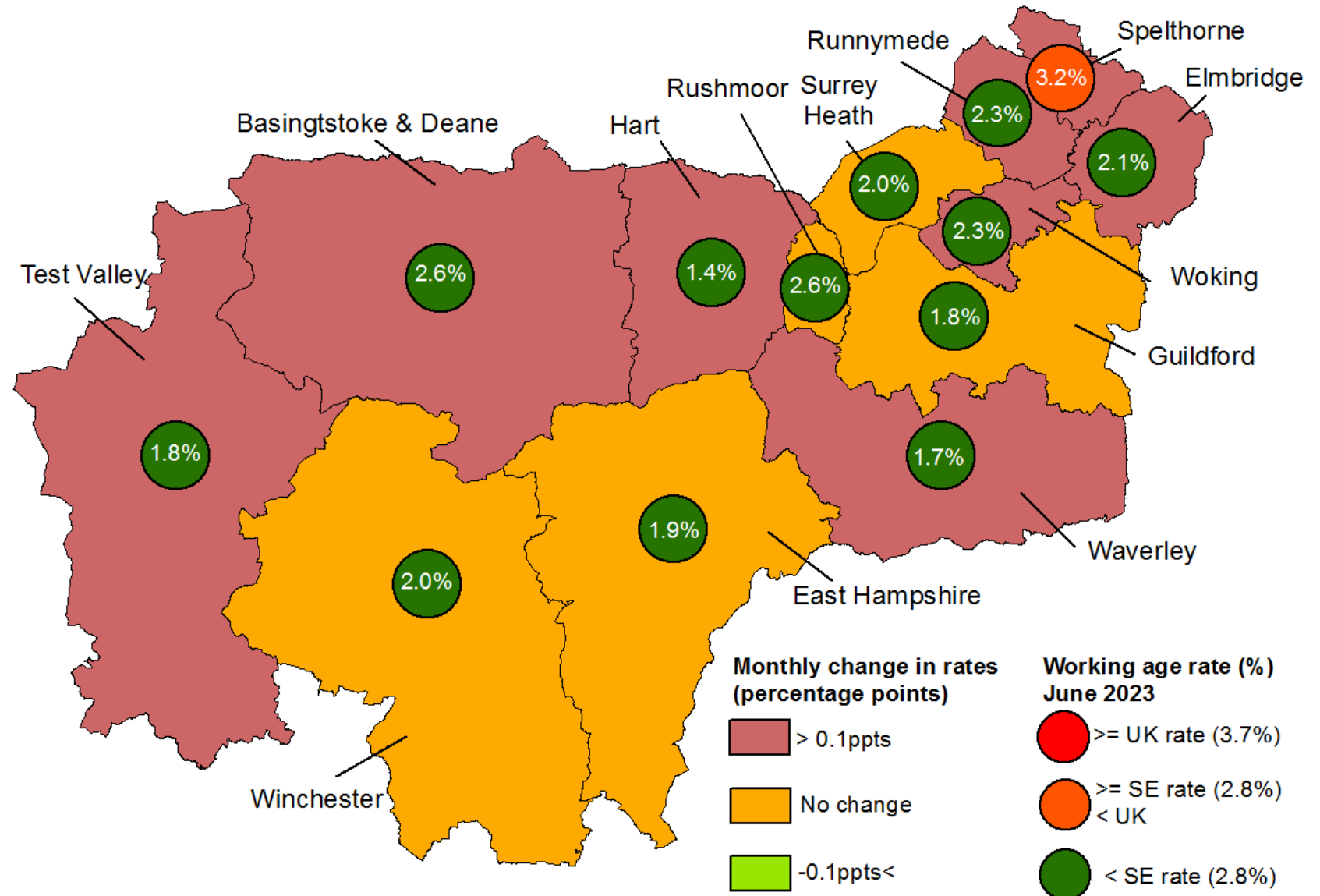
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY - JUNE 2023 (2.1%)

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

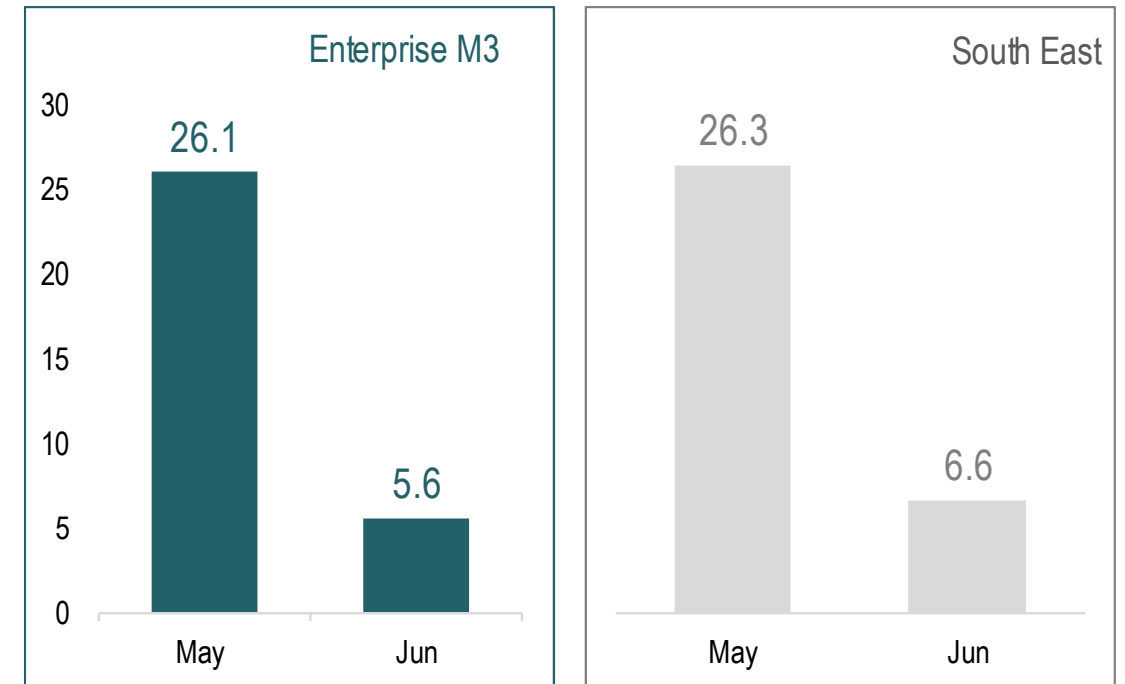
- **Green** = June 2023 rate below UK and South East rates.
- **Orange** = June 2023 rate above or equal to South East rate but below UK rate.
- **Red** – June rate above or equal to UK rate (no red circles in EM3 area).



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)

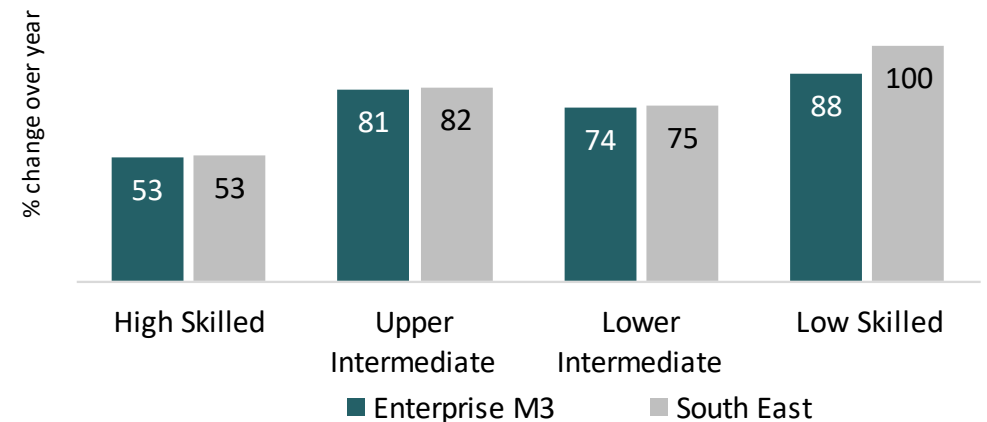


Source: Lightcast (2023), all job postings

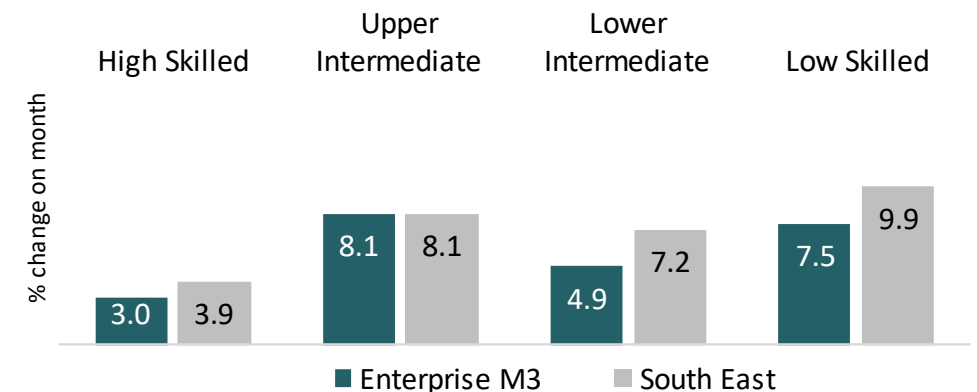
OVERALL DEMAND RISING IN HIGH & UPPER-INTERMEDIATE, BUT ALSO STRONG SEASONAL DEMAND FOR LOW SKILLS

- 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





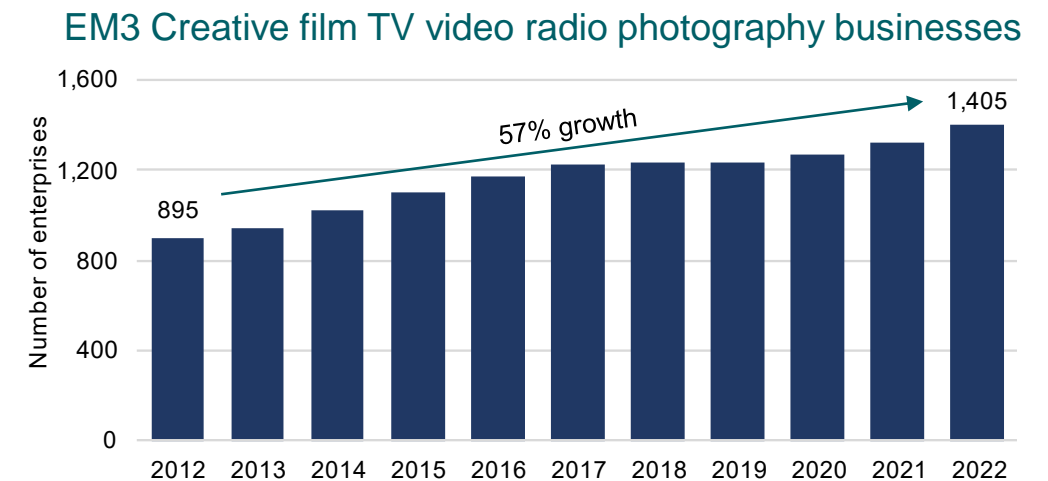
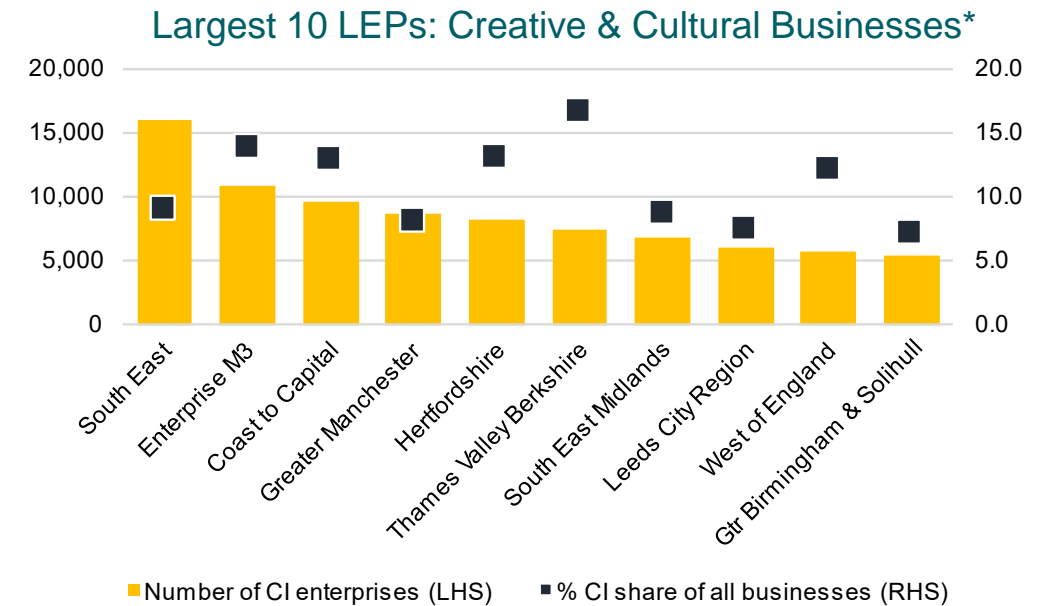
CREATIVE AND CULTURAL SECTOR

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 University of Surrey is one of the CoSTAR partners (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 3rd by proportion of all businesses.
- Enterprise M3 business concentration one third above England average.
- 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 Royal Holloway UoL CoSTAR partner.

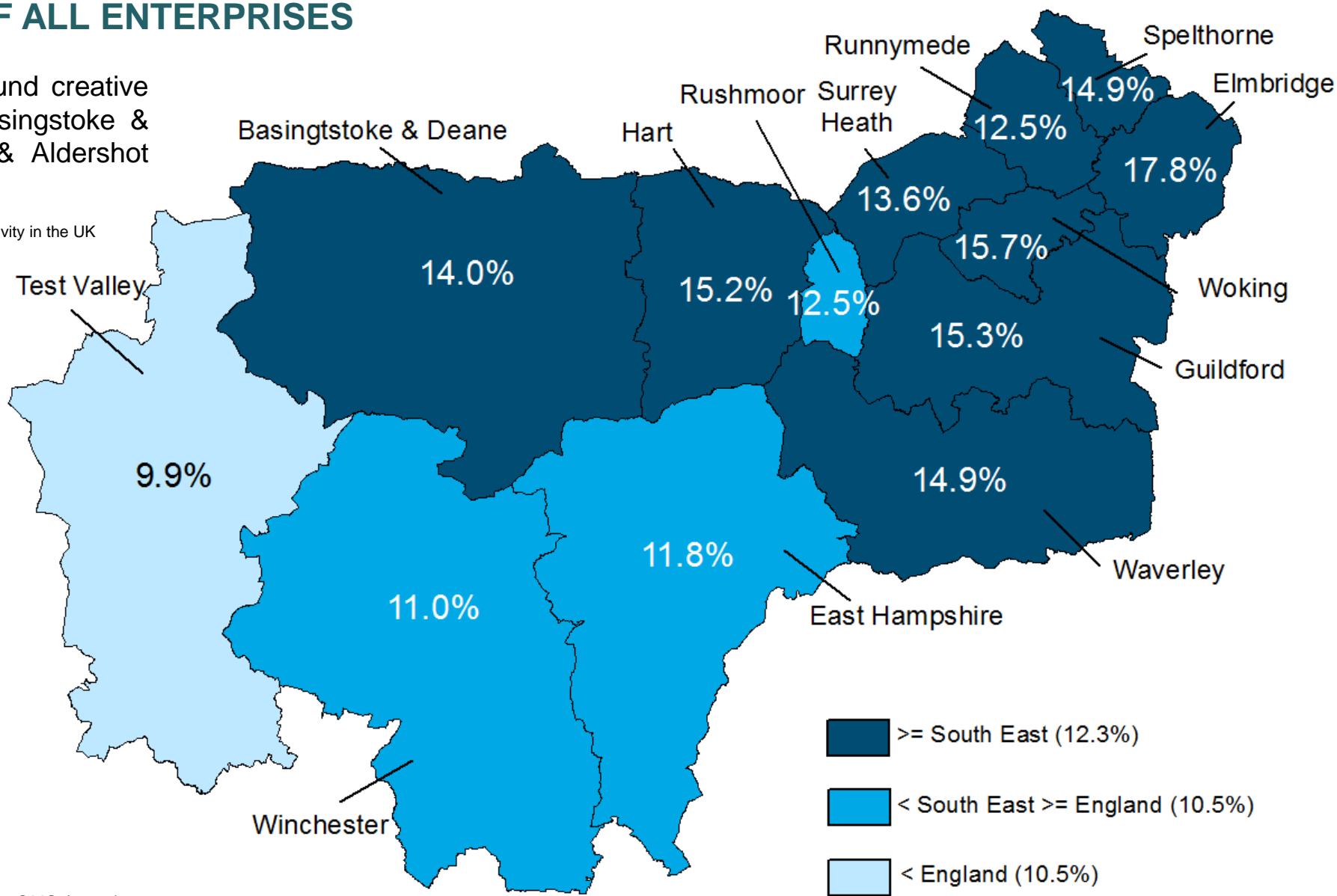


Source: ONS (2022). *excludes London LEP with 90,000 businesses

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

NESTA¹ report also found creative business cluster in Basingstoke & Deane and Guildford & Aldershot TTWAs.

¹NESTA (2016). The Geography of Creativity in the UK

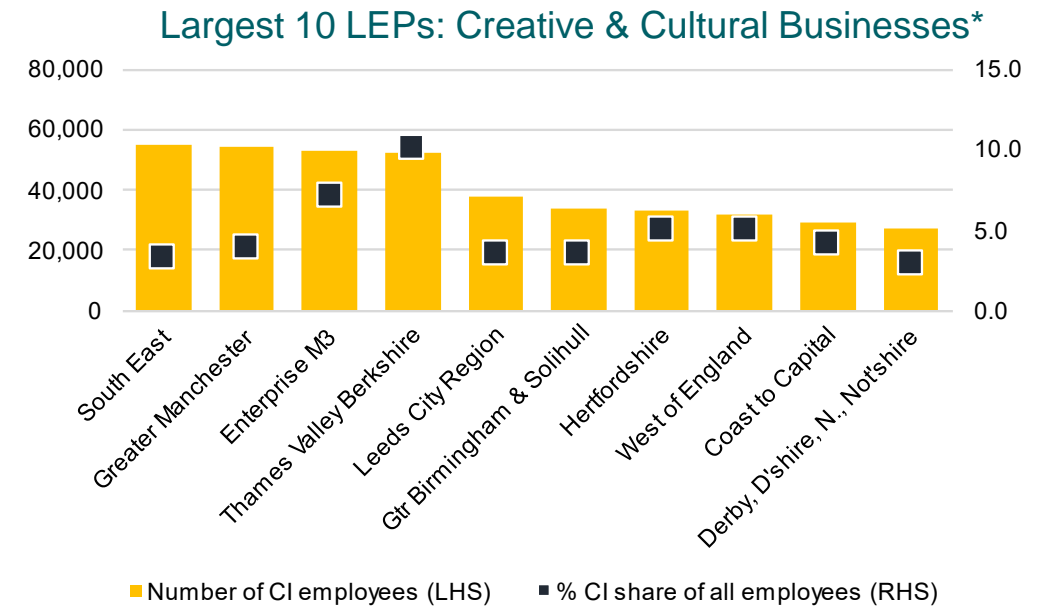


Source: ONS (2022)

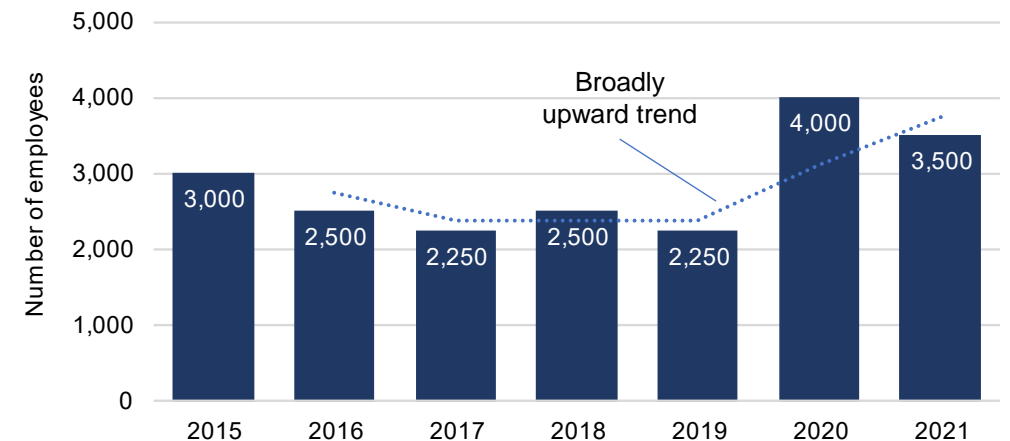
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CREATIVE & CULTURAL EMPLOYMENT CONCENTRATION IN ENTERPRISE M3

- Outside London, 3rd largest creative & cultural employer (53,000 employees) and 3rd 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).

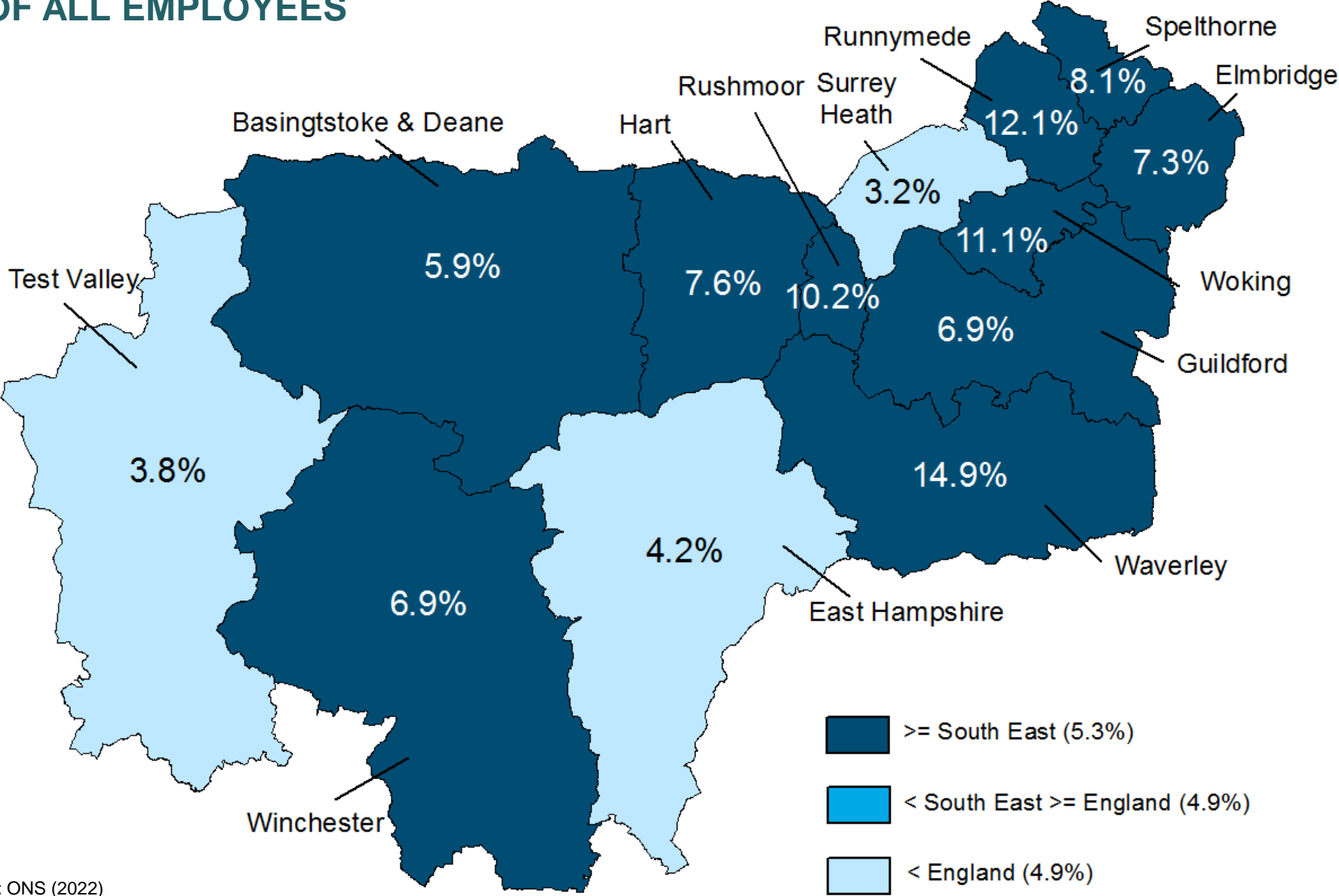


EM3 Creative film TV video radio photography employees



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

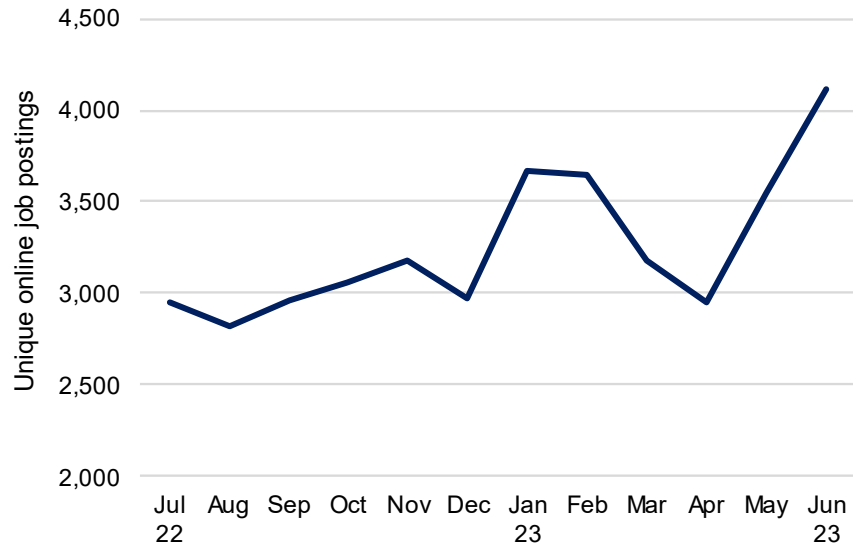
LOCAL CREATIVE AND CULTURAL EMPLOYEE CONCENTRATIONS: % SHARE OF ALL EMPLOYEES



Source: ONS (2022)

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

Online Job Postings for Creative* Occupations

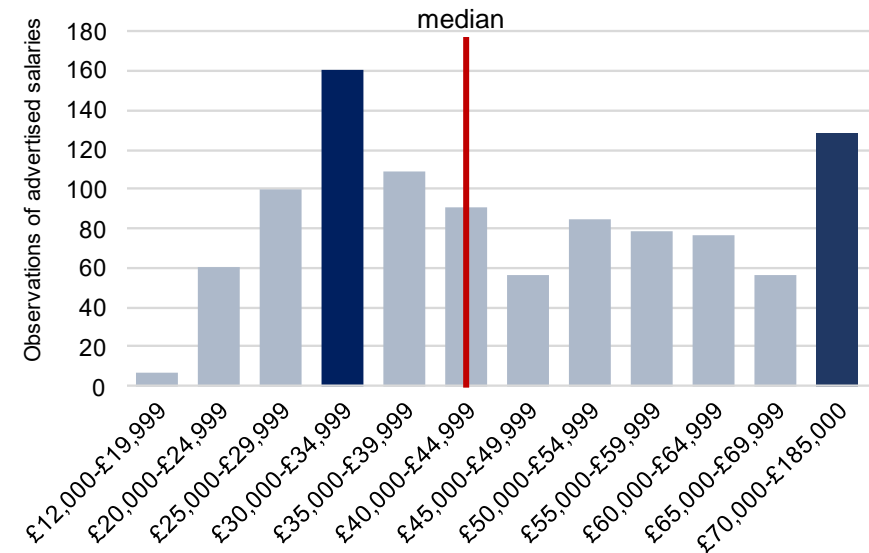


*based on SOC codes, not directly comparable to DCMS definition.

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.

A SELECTION OF CREATIVE AND CULTURAL BUSINESSES HEADQUARTERED* IN EM3

arqiva



Polystream



nDreams®



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



BUSINESS UPDATES IN ENTERPRISE M3

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.

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

