



enterprise **m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – March 2024

HEADLINES

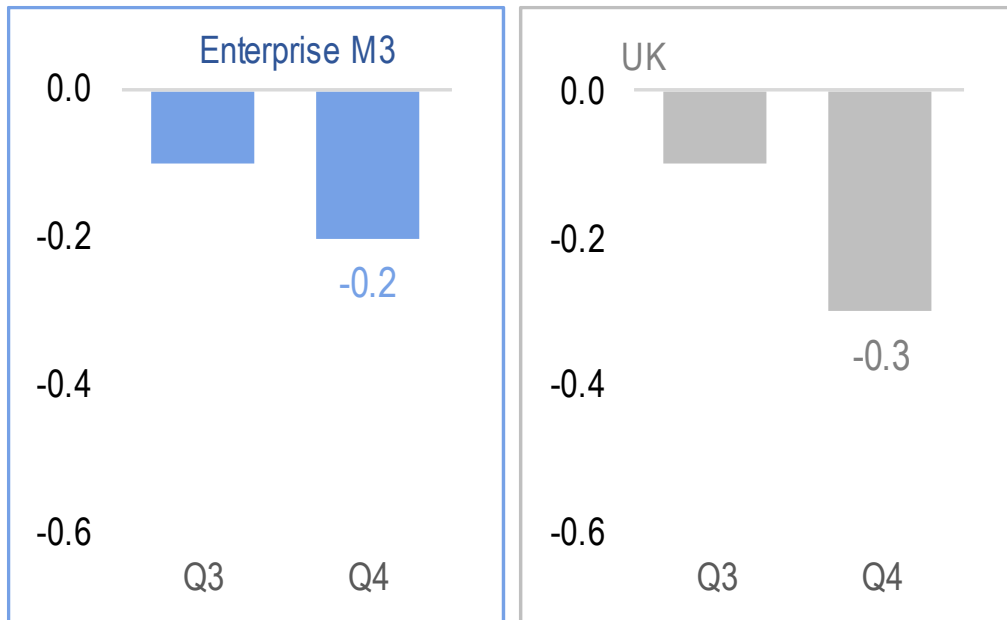
- It is likely that Enterprise M3 economy entered a technical recession at the end of last year, but recovery appears to be already underway.
- Leading indicators point to a strong growth in business activity and the volume of new orders, consumer spending is up, and business sentiment and investment are also on the increase.
- Inflation is expected to fall below the Bank of England target in the summer before increasing again later this year.
- Headline labour market indicators among the strongest in the country – robust PAYE employment growth in Q4 and January but weakness in the national data.
- Forward looking data suggests that demand for labour in Enterprise M3 continues to soften going into 2024, although at slower pace than in Q4 2023.
- Demand for staff fell across all broad skills groups over the quarter but some recovery for higher skilled roles in January 2024
- Economic Inactivity due to long-term sickness has increased but the rate in Enterprise M3 remains well below the regional or national averages.
- Subdued economic outlook for 2024 but slightly better than back in November last year.



ECONOMY

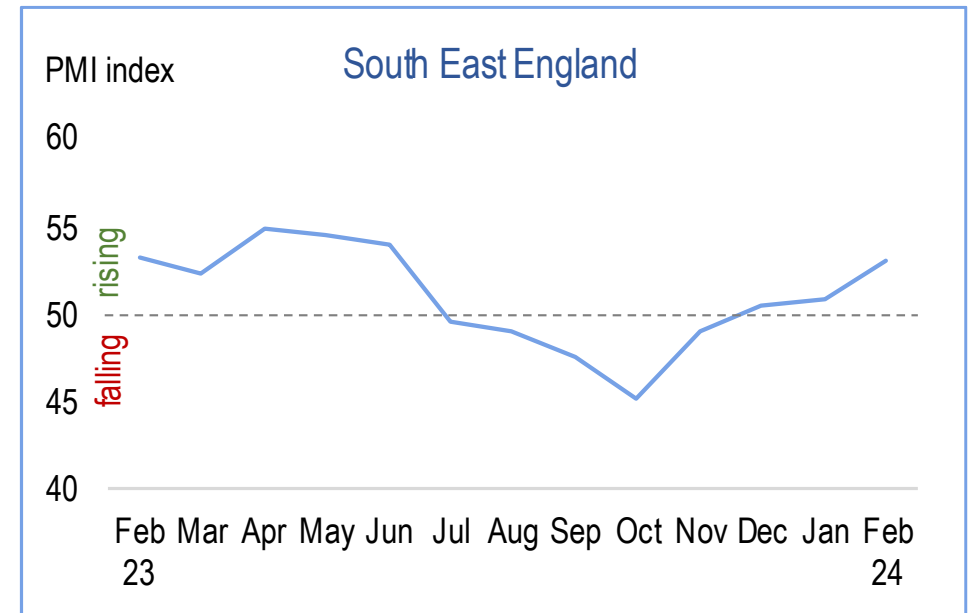
ECONOMY SLIPPED INTO TECHNICAL RECESSION, BUT RECOVERY IS IN SIGHT

Quarterly GVA growth, %
Enterprise M3* and UK



Source: ONS (2023) and *EBIS (2024) estimate

Business activity (survey data)
South-East England

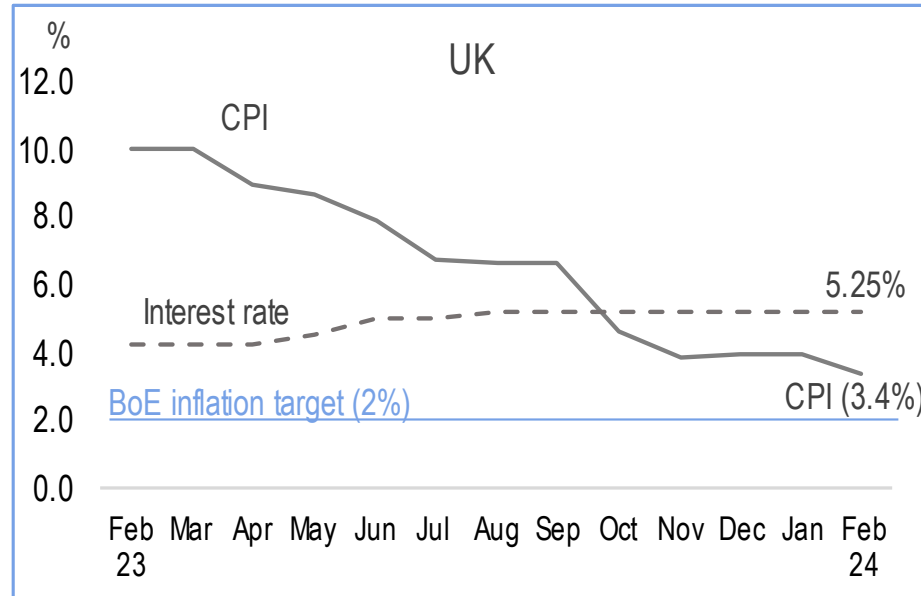


Source: Markit (2024)

- Mildest of the recessions recorded in the second half of 2023.
- Falls in consumer spending, government consumption and net trade were key reasons behind this.
- Survey data suggests that a sluggish recovery is underway.
- Short-term outlook has improved but risks are on the upside.

INFLATION PROJECTED TO FALL BELOW THE TARGET BEFORE INCREASING AGAIN LATER THIS YEAR

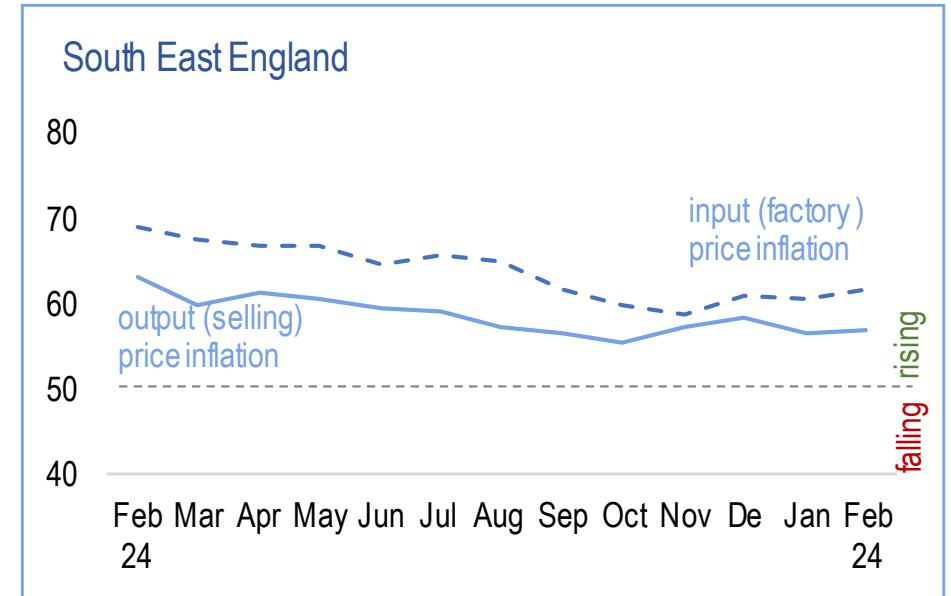
UK inflation and interest rates



Source: ONS (2024) and BoE (2024)

- Annual consumer price inflation eased to 3.4% in February, faster than expected.
- Price pressures eased in food, and for restaurants.
- Core and services inflation remain uncomfortably high.

Business costs and prices charged South-East England



Source: Markit (2024)

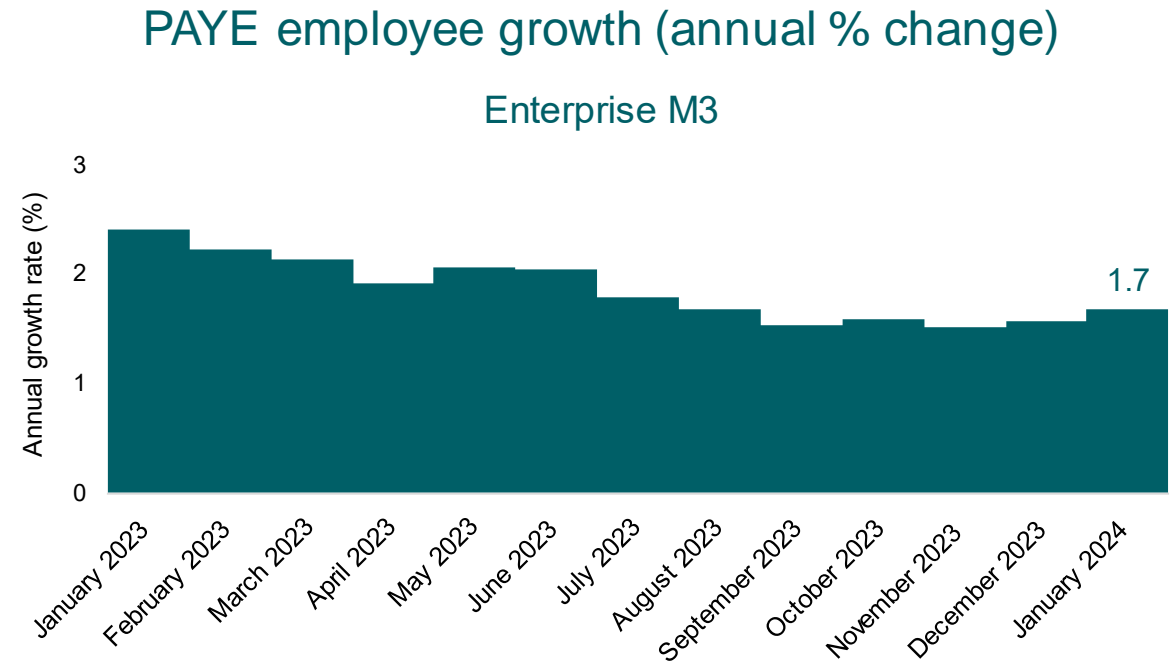
- Inflation is projected to fall to below the BoE target in the summer.
- Business input prices in the region rise at the fastest pace for six months.



LABOUR MARKET & SKILLS

ENTERPRISE M3 PAYE EMPLOYMENT GROWTH PERSISTS BUT SOME SIGNS OF SOFTENING NATIONALLY

- High employment rate in Enterprise M3.
- Resident PAYE employment increased by approximately 4,100 over the last quarter and 12,300 higher than a year ago.
- Monthly PAYE employment growth of 0.3% slower than quarterly employment growth (0.6%). Slight uptick in the January data.
- Nationally, latest quarter-on-quarter data suggests the labour market remains tight and only showing signs of slowly loosening. The market is partly tight because of fewer workers caused by long term ill-health.
- Major policy issue for the both the EM3 and national economies > Labour Supply and persistent Skills-Mismatch over medium-to-long term.



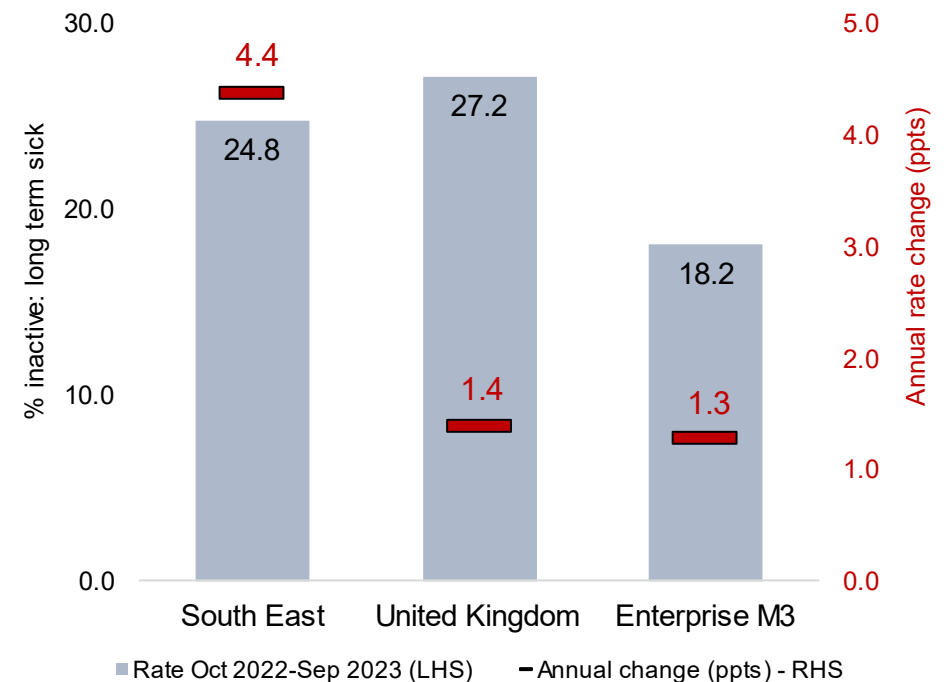
Source: HMRC (2023)

- 1.7% annual PAYE growth
- 0.6% quarterly growth
- 0.3% monthly growth

INCREASE IN WORKING AGE INACTIVE RESIDENTS DUE TO LONG-TERM SICKNESS. BUT ENTERPRISE M3 IMPACTED LESS THAN UK AND SOUTH EAST REGION

- Economic Inactivity due to long-term sick has been rising
- Proportion of long-term sick much lower in Enterprise M3 (18.2%) than UK or South East.
- Growth in long-term sickness rates in Enterprise M3 (1.3ppts) marginally lower than national average (1.4ppts) but much lower than South East average (4.4ppts).
- Spring 2023 Budget and Autumn Statement both announced measures for addressing inactivity in the labour market focused on the long-term sick and disabled.
- No further measures announced in the Spring 2024 Budget.

Economic Inactivity Due to Long-term Sickness (ranked by annual change)



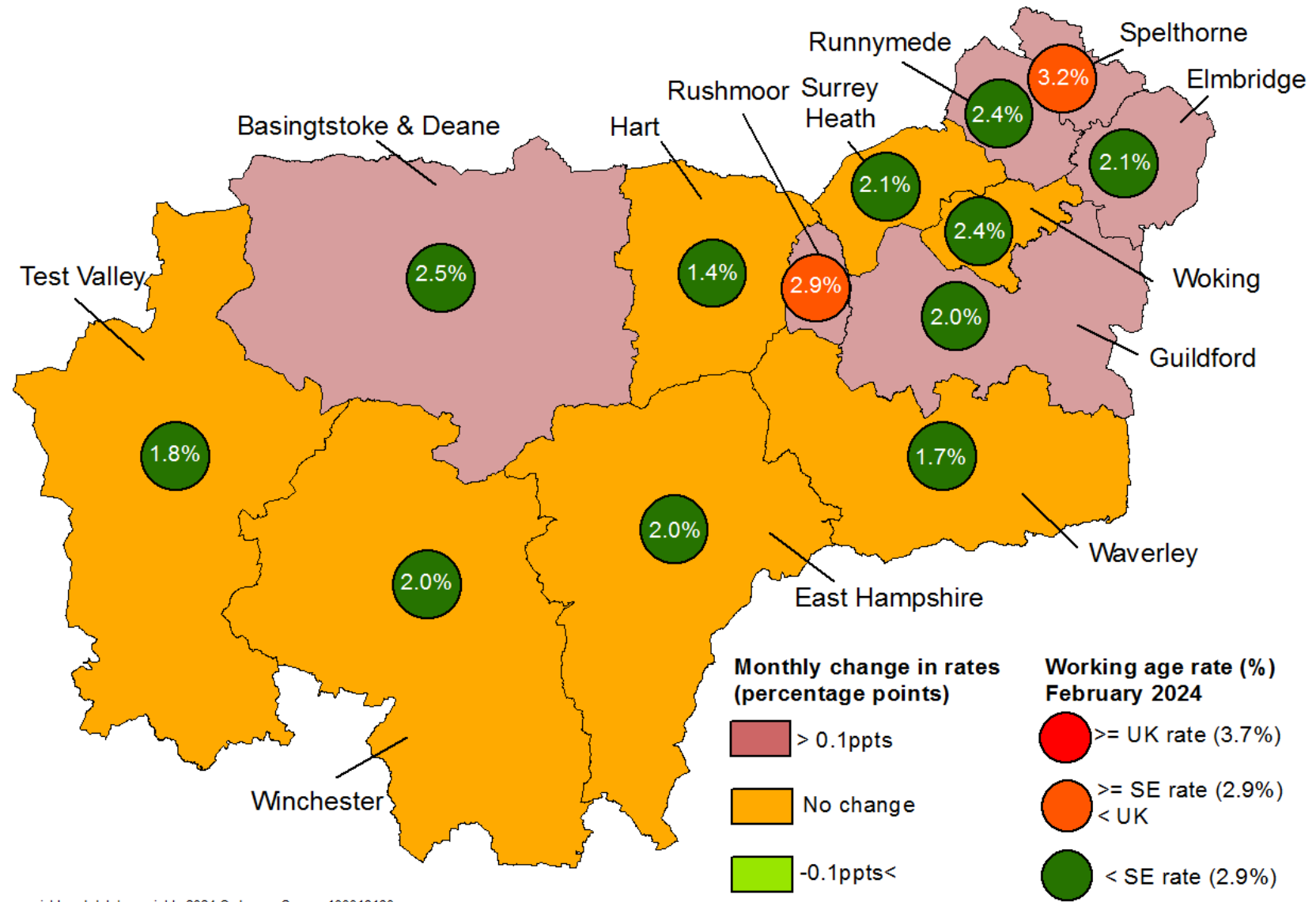
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY – FEB 2024 (2.2% +0.1PPTS)

Shaded Districts areas

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

Coloured Circles

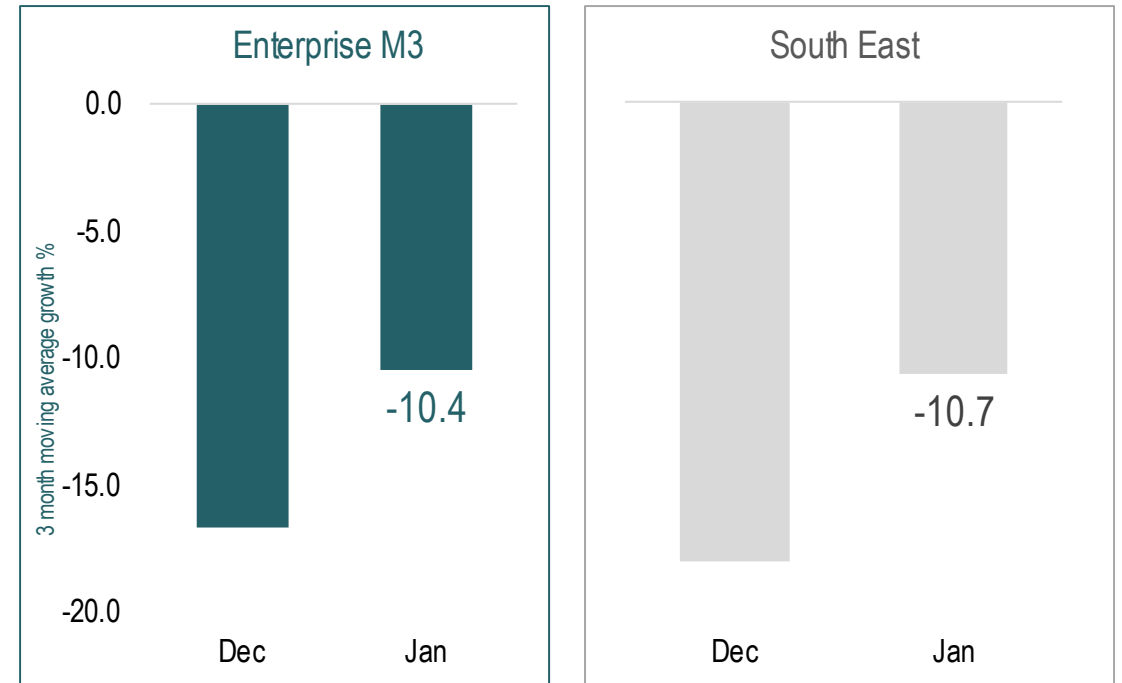
- **Green** = February 2024 rate below UK and South-East rates.
- **Orange** = February 2024 rate above or equal to South-East rate but below UK rate.
- **Red** – February 2024 above or equal to UK rate (no red circles in EM3 area).



DEMAND FOR LABOUR IN ENTERPRISE M3 CONTINUES TO SOFTEN AT START OF 2024, ALTHOUGH AT SLOWEST PACE SINCE SEPT 2023.

- Over the three-months to January 2024 demand for staff continues to soften although at a slower pace than compared to 3-months to December and slowest change in demand since September 2023.
- Number of employers reporting recruitment difficulties has fallen significantly over the past year, but job vacancies expected to fall further.
- Reflecting concentrations of digital in Enterprise M3 there is consistent demand for software development and programmers, and retail managers at the higher end.
- Strong sectoral demand at the lower end of the skills range in care and support workers, and for teaching assistants as shortages in the sector persist.

% change in online job postings
(3-month moving average Dec 2023-Jan 2024)

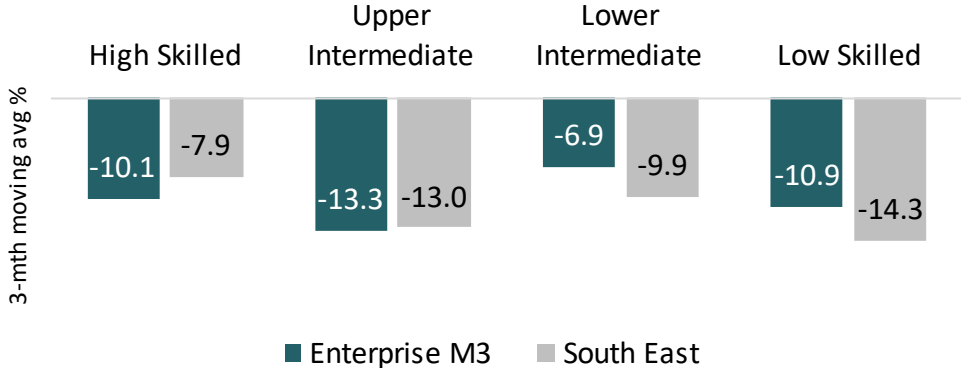


Source: Lightcast (2024), all unique job postings

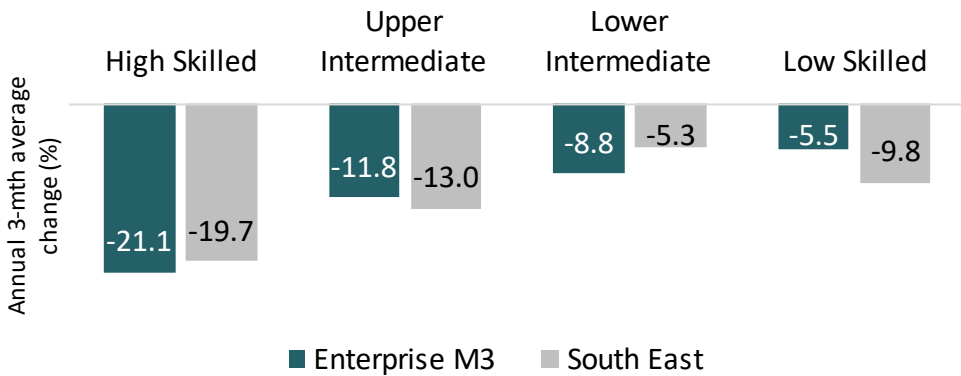
FALLING DEMAND ACROSS ALL SKILL LEVELS BUT EASING AMONG HIGHER SKILLED WHILE LOWER SKILLED SEE (SEASONAL) UPLIFT

- Three-month average growth compared to a year ago in Enterprise M3 and South East has softened across all four broad skill groups.
- The latest 3-month average shows further slowdown in demand. This is likely to reflect a greater concentration of high-skilled jobs, with EM3 experiencing a faster decline in demand relative to the South East – both on the year and latest month.
- Nonetheless, for the latest single month (Jan 2024) labour demand in Enterprise M3 for high-skilled and upper intermediate-skilled jobs accounted for two thirds of job postings (68% approximately one third for each category).

Latest 3-Month Moving Average Growth by Occupational Skill Level (3-mths Dec 2023 – 3-mths Jan 2024)



Annual 3-month Moving Average Growth by Occupational Skill Level Jan 2023 - Jan 2024



Source: Lightcast (2024).



BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Aldi looks to recruit more than 500 new apprentices across the UK in 2024, including in Hampshire, with roles in store, buying, logistics and HGV drivers.

Alresford-based Hattingley Valley is the first English winery to secure a set listing with Sweden's state-run alcohol monopoly, Systembolaget.

AA signs contract on new Basingstoke HQ at Mountbatten House to remain in Basingstoke with a 15-year lease.

Britain's Got Startups have opened applications for founders based in Surrey, providing start-up and scale-up businesses with access to investments of up to £10m.

Barratt David Wilson housing developers unveiled plans for more than 460 new homes on former green belt land in West Byfleet, Surrey situated within Woking Borough Council area.

ACQUISITIONS AND MERGERS

A deal between McLaren, Surrey County Council, and Woking Borough Council could potentially pave the way for the authority to sell its headquarters. McLaren is to end its leasehold interests in Victoria Gate, Chobham Road, allowing Woking to turn the freehold over to Surrey County Council who may move 600 staff into its latest acquisition.

CLOSURES-ADMINISTRATION

No major closures announced

PRODUCED BY ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIPS IN PARTNERSHIP WITH THE ECONOMIC & BUSINESS INTELLIGENCE TEAM

