



enterprise **m3**

Delivering prosperity through innovation

Enterprise M3 Economy, Labour Market and Skills Dashboard

EM3 SAP and EM3 Board Meetings – April 2023

HEADLINES

- Enterprise M3 economy avoided technical recession at the end of 2022 and starts the new year on a relatively strong footing.
- Inflation edged higher to 10.4% in February and Bank of England raised base rate to 4.25%. Business costs continue to moderate this year and inflation expected to fall below 3% later this year.
- Economic outlook over both the short and medium term has improved substantially in the Spring Budget.
- Fiscal outlook somewhat better than in November but still much worse than expected a year ago.
- The outlook for Enterprise M3 much stronger than indicated in the latest outdated set of independent forecasts but the recent turmoil in the financial markets a major threat to financial stability and growth.
- The labour market in Enterprise M3 got tighter in the last quarter but there are signs of weakness in forward looking data.
- Despite dip in overall demand for skills, high and upper-intermediate skills remain in high demand by Enterprise M3 employers.
- Forecast of employment demand in Enterprise M3 to 2035 driven by higher value-added services but strong replacement demand across all sectors/occupations.

SPRING BUDGET HEADLINES

- **Energy support** – the energy price guarantee will remain at its current level until the end of June. The Energy Bills Relief Scheme, which supports businesses and other non-domestic energy users, is to be replaced by the Energy Bills Discount Scheme through to 31 March 2024.
- **Defence** – the Government will spend an additional £2 billion per year between 2023/24 and 2027/28 (£3 billion in 2024/25) on defence and national security priorities.
- **Capital allowances** – from April, and for the next three years, businesses will be able to deduct 100% of all plant and machinery investment spending immediately when calculating taxable profits.
- **Support for R&D** – research intensive small and medium enterprises (SMEs) will be through an enhanced rate of tax relief for loss-making firms. Those eligible will be able to claim a credit of £27 for every £100 of research and development expenditure.
- **Labour market participation** - funded childcare provision will be expanded from April 2024. Working parents in England will be able to access 30 hours of free childcare per week, for 38 weeks of the year, for children aged 9 months to 3 years.
 - to encourage older people to return to work, current skills programmes will be expanded to provide support for people aged over 50 (“returnerships”).
 - Changes to pension annual and lifetime allowances to encourage older workers to remain in work.
- **Sector skills shortages** - Five construction occupations added to the Shortage Occupation List (SOL) making it easier for employers to hire construction workers from abroad.



ECONOMY

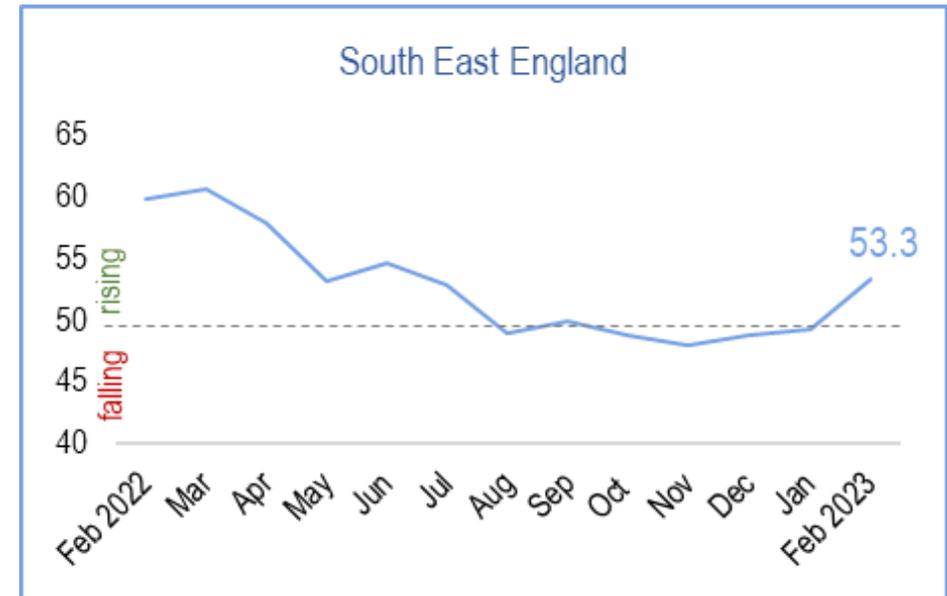
ENTERPRISE M3 ECONOMY AVOIDS RECESSION AND STARTS THE YEAR ON A RELATIVELY STRONG FOOTING

Monthly GVA growth, %
UK and Enterprise M3*



Source: ONS (2023) and EBIS (2023)

Business activity (survey data)
South East England



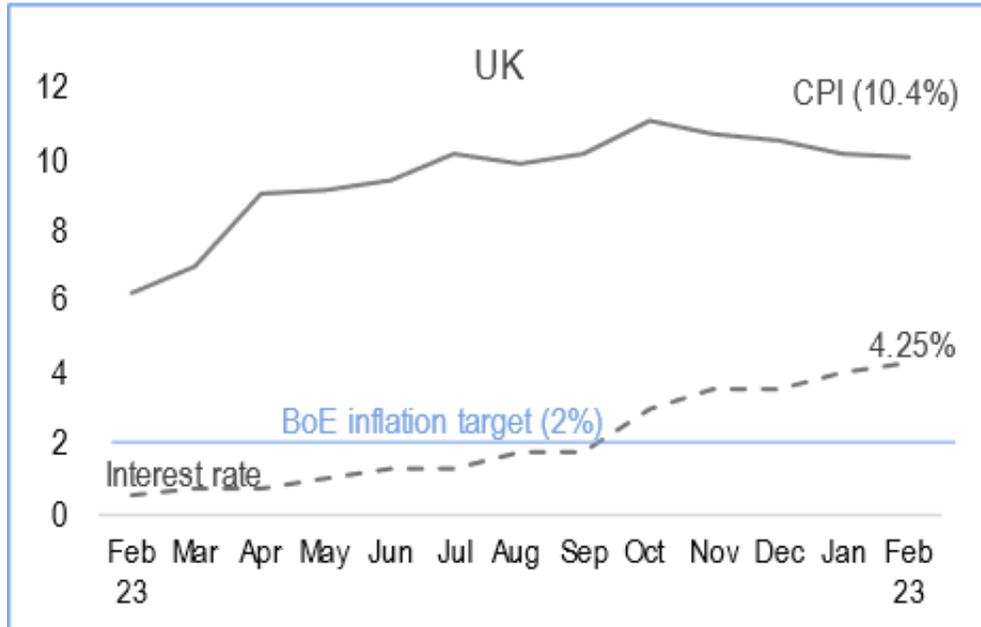
Source: Markit (2023)

- Recession avoided in the final calendar quarter of last year.
- Economy contracts in December but unexpectedly expands in January.

- Private sector output in the region expands for first time in seven months in February.
- Back-to-back increases in new orders and at strongest pace in nine months.

INFLATION EDGED HIGHER IN FEBRUARY BUT BUSINESS COSTS HAVE CONTINUED TO MODERATE THIS YEAR

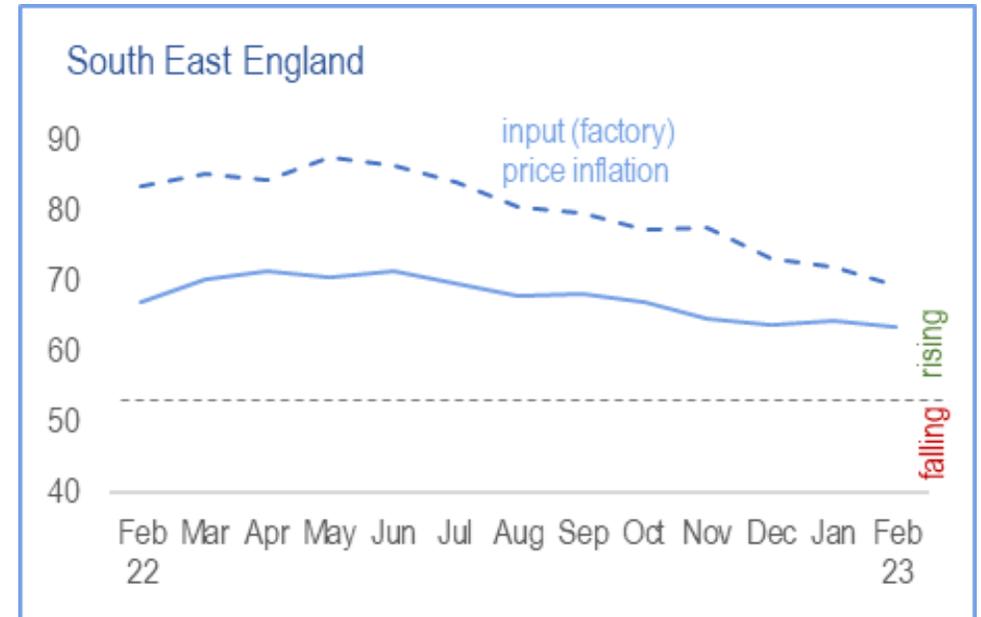
UK inflation and interest rates



Source: ONS (2023) and BoE (2023)

- Headline inflation increased to 10.4% in February from 10.1% in January prompting Bank of England to increase the rates to 4.25%.
- UK and global inflationary pressures continue to ease.

Business costs and prices South East England

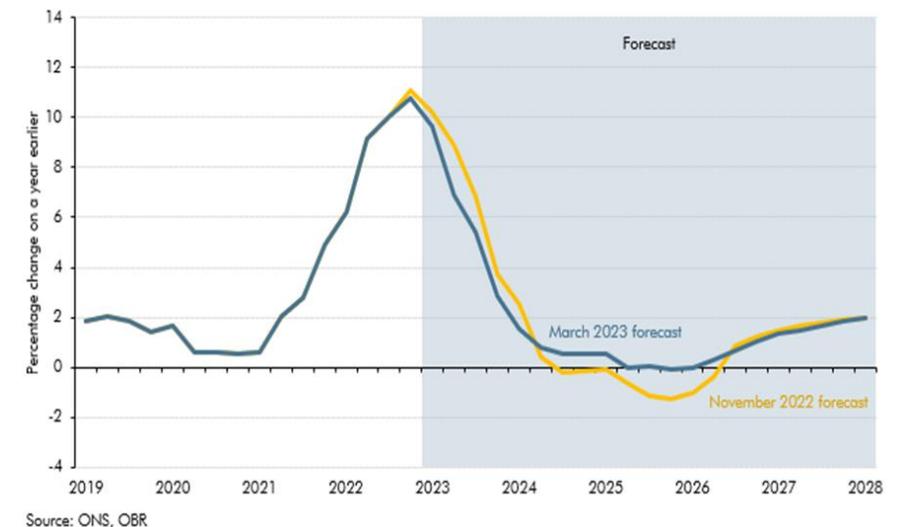


Source: Markit (2023)

- Survey data for February points to the slowest increase in business costs since April 2021.
- Output price inflation in the region eases to 17-month low in February.

ECONOMIC OUTLOOK HAS IMPROVED SUBSTANTIALLY IN THE SPRING BUDGET

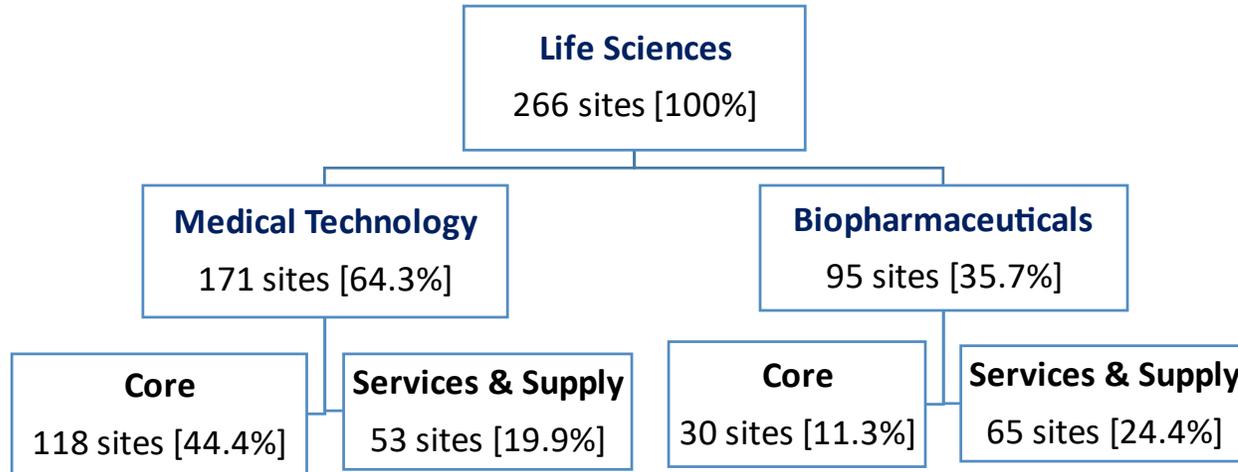
- Office for Budget Responsibility (OBR) predicts the UK will avoid recession in 2023, but the economy will shrink by 0.2%.
- Improved outlook for economic growth over the medium term.
- OBR far more optimistic than in November and more optimistic than Bank of England.
- Forecasts by Experian expected Enterprise M3 economy to contract by 1.9% this year followed by 0.7% growth in 2024.
- An improved UK outlook will lead to a better forecast for the Enterprise M3 economy which may see expansion in 2023.
- However, recent turmoil in the financial markets poses a major threat to this outlook.



Source: OBR (2023)

INSTABILITY IN FINANCIAL MARKETS IS A THREAT TO HIGH-TECH FIRMS

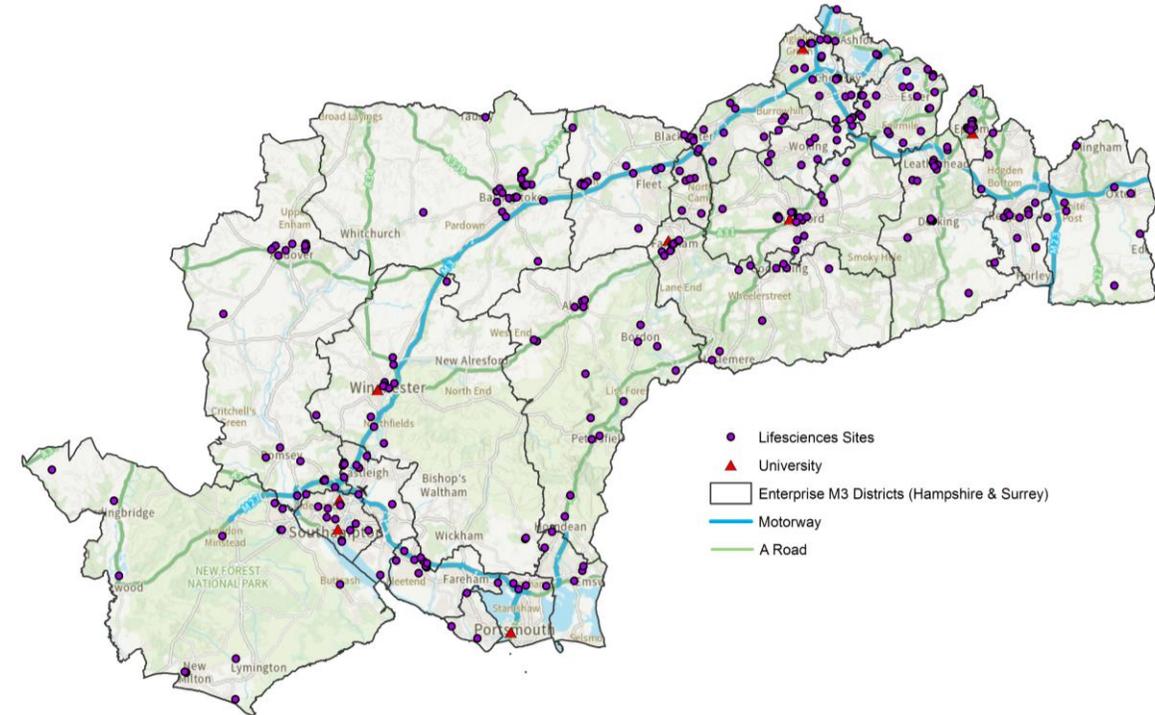
Lifesciences in Enterprise M3



Source: OLS (2023) and Enterprise M3/EBIS (forthcoming)

- Failure of SVB > focused on tech startups.
- Concentration of ICT and other technology firms in the area e.g. life sciences.
- SVB and Credit Suisse contagion fears affecting global markets.

Lifesciences across Hampshire and Surrey



- Threat to investment, employment and commuter incomes in Enterprise M3.
- Business insolvency expected to double this year (Capital Economics).

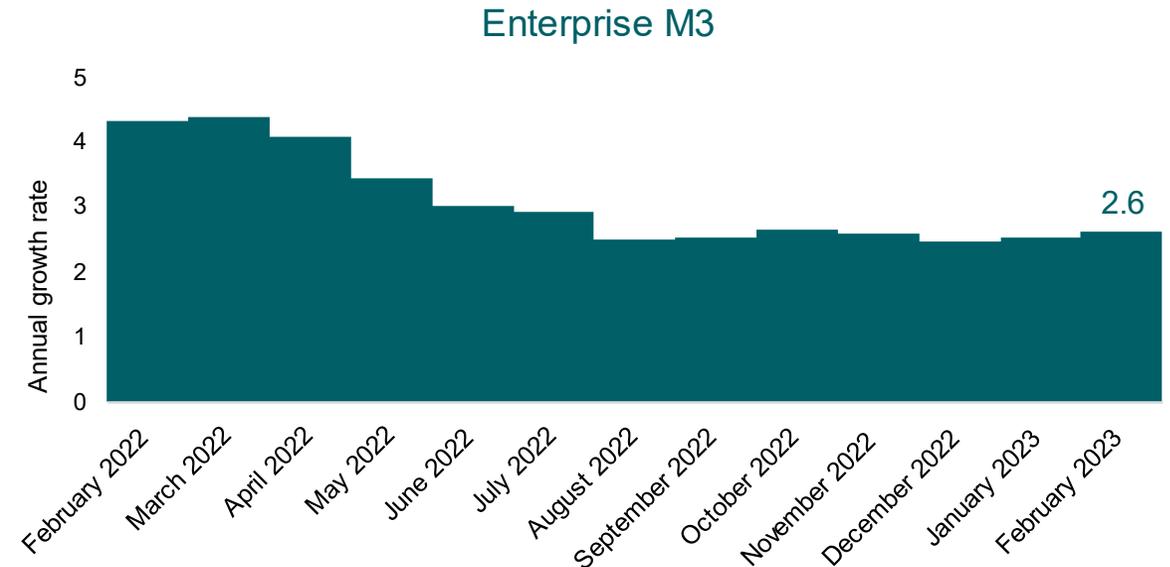


LABOUR MARKET & SKILLS

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

- PAYE employment – quarterly growth holding up and faster growth in February than a year ago.
- Resident PAYE employment increased by nearly 5,000 over the last quarter and by 18,900 over the past year.
- Rising headline employment and some easing in labour market non-participation.
- Latest headline data suggests growth driven by part-time work and self-employment. Enterprise M3 employment rate is 78.1%*.

PAYE employee growth (annual % change)



Source: HMRC (2023)

- 2.6% (annual PAYE growth)
- 0.7% (quarterly growth)
- 0.5% (monthly growth)

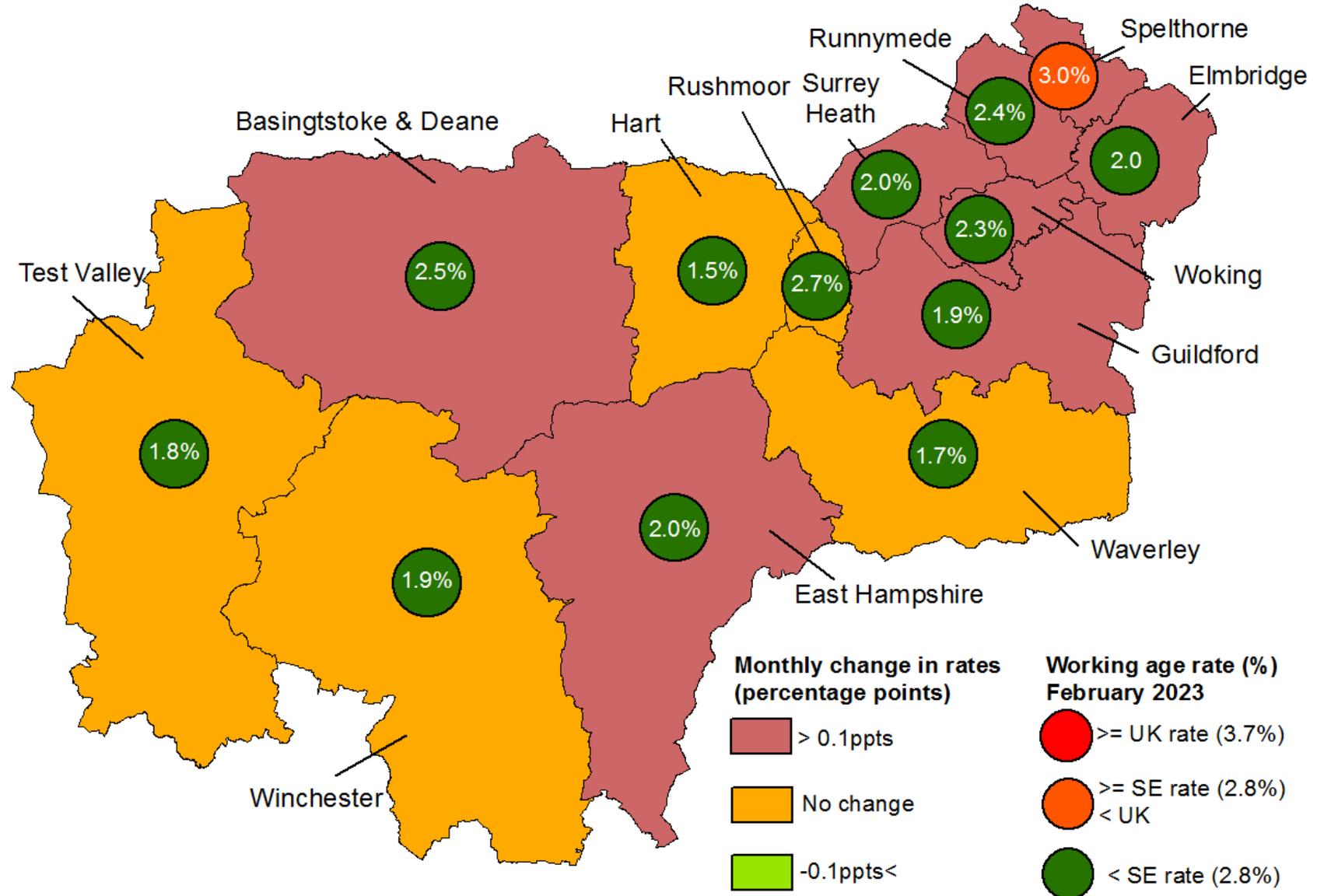
UNEMPLOYED CLAIMANT RATE BY LOCAL AUTHORITY - FEB 2023 (2.1%)

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

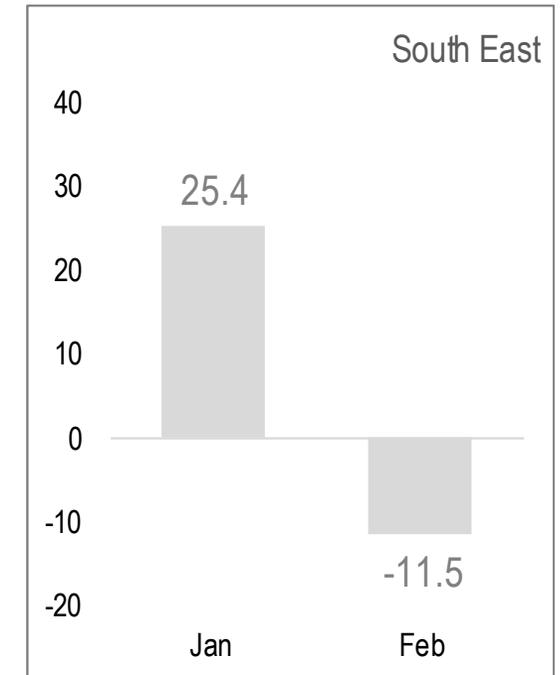
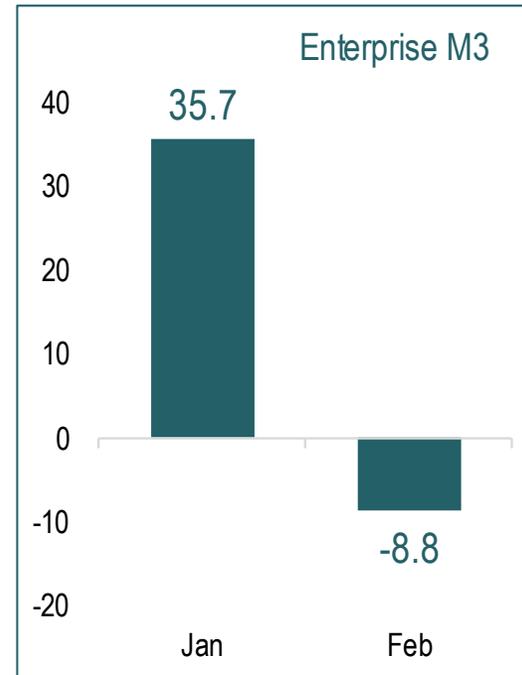
- **Green** = February 2023 rate below UK and South East rates.
- **Orange** = February 2023 rate above or equal to South East rate but below UK rate.
- **Red** – February rate above or equal to UK rate (no red circles in EM3 area).



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

- Slowdown in vacancies continues as businesses still cautious about recruitment in the current economic climate.
- Labour market holding up for now. Pay levels still rising, albeit eroded by inflation.
- Inactivity still high and employment recovery for older people has been weak. The Budget announced measures to facilitate parents and older people back into work.

% change in online job postings
(Jan and Feb 2023)

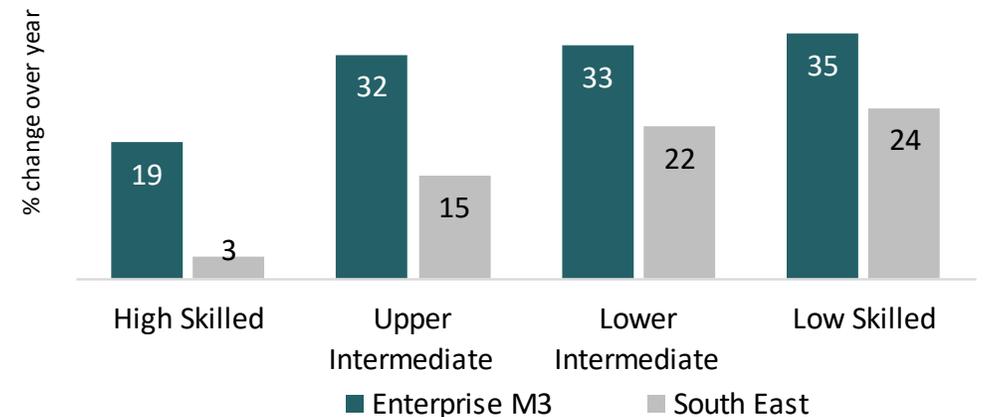


Source: Lightcast (2023), all job postings

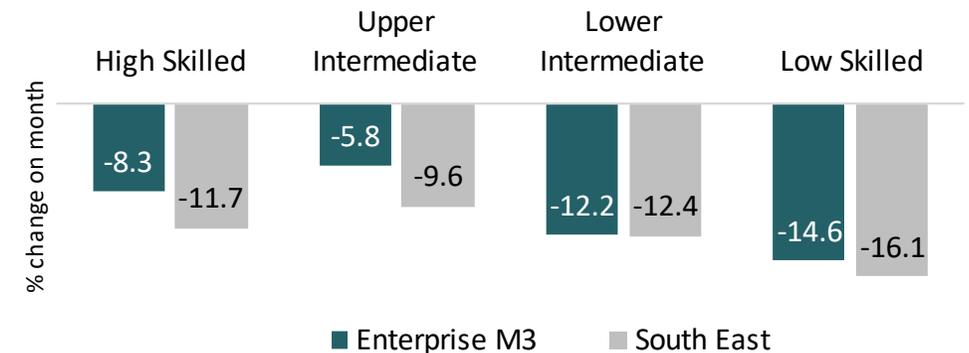
DESPITE DIP IN OVERALL DEMAND, DEMAND FOR HIGH AND UPPER-INTERMEDIATE SKILLS PERSISTS IN ENTERPRISE M3

- Annual growth in Enterprise M3 outperformed the South East across all skills levels – notably in high and upper intermediate skilled occupations.
- Latest monthly change has seen an easing in demand but at a slower pace than the South East.
- February’s labour demand in Enterprise M3 in high- and upper intermediate-skilled equates to 45,700 vacancies (69%). Of which:
 - Just over one third in high-skilled occupations (22,500 vacancies), and...
 - over one third in upper-intermediate occupations (23,200).
- Subdued demand for low-skilled roles (less than 10% or 5,500 vacancies), a reflection of seasonal factors and a slowdown in consumer-facing services.

Annual Growth by Occupational Skill Level
March 2022 - Feb 2023

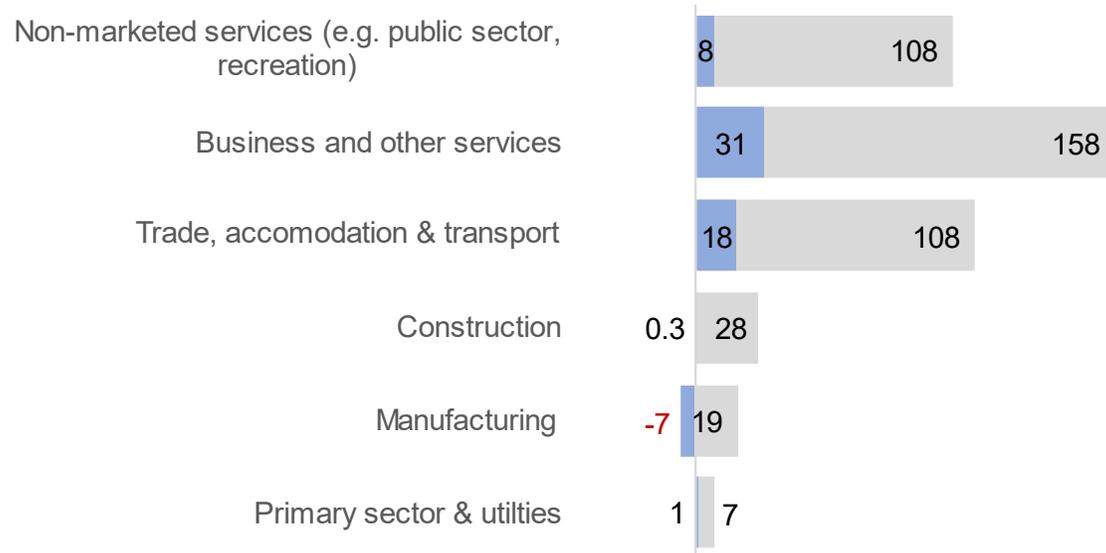


Latest Monthly Growth by Occupational Skill Level
Jan - Feb 2023



FUTURE EMPLOYMENT DEMAND IN ENTERPRISE M3 DRIVEN BY HIGHER VALUE-ADDED SERVICES BUT STRONG REPLACEMENT DEMAND ACROSS ALL SECTORS/OCCUPATIONS

Enterprise M3 - projected employment demand in thousands by industry (2020-2035)



■ Expansion demand (new jobs created from growth) Source: DfE (2023)
 ■ Replacement demand (existing openings created by people leaving)

- Total demand: 489,000, of which expansion demand = 61,000.
- Total demand driven by business services.
- Strong replacement demand (100% of demand in manufacturing).

Enterprise M3 - projected employment demand in thousands by occupation (2020-2035)



■ Expansion demand (new jobs created from growth)
 ■ Replacement demand (existing openings created by people leaving)

- Strong demand for professional and related occupations.
- Falling expansion demand for admin and secretarial and elementary but strong replacement demand.



BUSINESS UPDATES IN ENTERPRISE M3

BUSINESS NEWS HEADLINES

EXPANSION & JOB CREATION

Proposed Great Wolf indoor water park resort in Basingstoke would bring **£275 million of investment and potentially over 600 jobs**. The resort would be expected to attract up to 600,000 extra visitors a year to Basingstoke & Deane Borough.

Four additional operators have signed up to Festival Place in Basingstoke. Enterprise Rent-A-Car, Wenzel's and Kushti Comics have taken space, while existing occupier Festival Street Kitchen is relocating and re-investing as part of its expansion plans.

Poundland has unveiled plans to open and relocate at least 50 new stores over the next nine months in a move set to create up to 800 jobs. One of the five stores opening in the next few weeks will be at the **High Walk in the Wellington Centre, Aldershot, Hampshire**.

ACQUISITIONS AND MERGERS

Snows Motor Group has expanded its business portfolio after agreeing a deal to take over two sites in Basingstoke. The south coast-based car dealer group takes over the additional sites from local dealer group J Davy.

Orange Chemicals a Winchester-headquartered distributor of performance chemicals has been acquired by the UK arm of an international group IMCD UK – part of IMCD NV.

CLOSURES-ADMINISTRATION

NatWest is to shut another 23 branches in England and Wales, which includes branches in Southampton and Fleet. The sites will close in the first half of this year.

Lloyd's Pharmacy closing 237 stores in the UK in 2023 putting an estimated 2,000 jobs at risk. Sites in Enterprise M3 area include Basingstoke (Kempshott), Cobham, Farnborough, and Godalming.

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

