HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	13 December 2022
Title:	Driving Towards Economic Strength
Report From:	Chief Executive

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Purpose of this Report

1. As can be seen in the report the economic cycle is now predicted to enter a very challenging downturn, with the Bank of England now forecasting a much longer recession which they suggest may have already started and could last until mid-2024. This would make it the longest recession since records began. The focus for this and future reports is working towards economic strength for Hampshire.

2. The Cabinet Agenda also includes two further significant economic development related items, the final sign off for the Hampshire Economic Strategy and a report recommending approval of a five-year Strategic Asset Management Plan for the County Council which is intended to further support economic growth in Hampshire.

Recommendations

It is recommended that Cabinet:

3. Note the potential impacts of the forecast prolonged Economic Recession and confirm that supporting the Hampshire Economy remains a top priority for the County Council, including continuing to invest in infrastructure and support businesses, during an extremely challenging time in which unemployment is expected to rise, business failures increase and living standards are expected to fall nationally.

4. Note the analysis of the economic impact and issues highlighted which emphasises that the County Council continues to use its scale and influence to drive towards long term economic strength in Hampshire, including bringing forward a new Economic Strategy, promoting devolution through the continued promotion to Government of a Pan-Hampshire County Deal, the consolidation

of regeneration and growth partnerships, and integration of the LEP's going forward alongside a new Strategic Asset Management Plan and a major capital investment programme to support business and the economy .

5. Continues to endorse the County Council's continued ambition and commitment to engage with Government for a Pan-Hampshire County Deal, recognising the significant opportunity for a Deal to enable the County Council's economic ambition, catalyse significant investment and benefit the lives of residents and communities.

Executive Summary

6. The most recent data from official sources and business and consumer surveys suggest that the economy has already entered a recession. This is expected to be the longest recession since records began but relatively shallow recession according to the Bank of England. Hampshire's above average household incomes, a tight labour market and its exports should cushion the impact of the recession to some degree, but the impact is going to be uneven across Hampshire with some areas more resilient to the impact of the downturn than other.

7. To increase its competitiveness and ensure sustainable rates of economic growth that would lead to increases in wages, living standards and economic prosperity over the medium-to-long term Hampshire will need to address some major challenges associated with shrinking labour supply, dwindling investment and sluggish and uneven productivity growth.

8. This report provides an analysis of the economic impact and outlines those issues that the County Council continues to use its scale and influence to contribute to economic recovery going forward.

9. The Leadership restructure being implemented from January 2023 will ensure a new focus on our Hampshire 2050 vision. Working towards that vision the Pan-Hampshire County Deal is now with Government and the County Council stands ready to negotiate a Deal. The next item on the agenda sees a new Economic Strategy being launched with the following item introducing a new Strategic Asset Management Plan. Moving forward will see progression with the Regeneration and Growth Partnerships initiative which was approved by Cabinet in February 2022 and will streamline, and better co-ordinate initiatives aimed at supporting local economic growth and physical regeneration of town centres and other economically important areas and the integration work continue regarding the LEP's.

10. The report outlines the position on economic recovery and action taken alongside the continued development of the opportunities that arise from the devolution of powers, resources and funding through a County Deal, and the potentially significant contribution a Deal could make to both economic recovery, but also the longer-term economic ambition for our area. A County Deal prospectus has now been formally shared with Government following

Cabinet in October and the County Council now stands ready to negotiate a Deal with Government. As with all negotiations, any final proposal will be considered in line with the County Council's governance requirements.

The current economic challenge and our response

11. Hampshire's economy contracted by 9.3% in 2020 faster than both the regional and national average according to a preliminary official estimate. The recent downward revisions to the UK estimate by the Office for National Statistics (ONS) suggests that the worst recession in living memory was even deeper than previously thought and that the economy is still smaller than its pre-pandemic size.

12. The recovery was strong in 2021, and the economy did better in the second calendar quarter of 2022 than previously thought. However, the tailwinds from the reopening of the economy have now faded, having been overtaken by the headwinds of rising geopolitical tensions, sky rocketing energy prices and inflation, supply delays, labour shortages and an increasingly gloomy outlook for the economy.

13. In its most recent Monetary Policy Report (November 2022) the Bank of England expects the UK economy to be in a technical recession (two consecutive quarters of negative growth) by the end of this calendar year. GDP is expected to contract by around 0.75% in the second half of 2022 followed by further falls throughout 2023 and in the first half of 2024. The Bank's central projection for calendar year growth points to a 1.5% contraction in 2023 followed by a 0.25% contraction in 2024. The Bank has projected the longest recession since records began but the recession is expected to be shallow. The recovery that is expected to take place from the second half of 2024 is expected to be sluggish.

14. The impact of the last two recessions on Hampshire was mixed if compared to the national average. Hampshire was more resilient during the 2008/9 recession but the impact of the pandemic in 2020 was greater than the UK average. Since households are expected to rein-in on discretionary expenditure Hampshire's accommodation & food and arts & entertainment, the sectors that have not fully recovered from the pandemic, are likely to be affected the most. The same is true of local authorities that are heavily dependent on discretionary consumer-facing service activities.

15. The Bank's expectation of a UK wide recession in the second half of 2022 is corroborated by the most recent evidence from official data and business surveys. For example, the official growth estimates from ONS suggest that the economy contracted by 0.3% in the three months to August. Local estimates from ONS are not available but our preliminary estimates suggest that Hampshire's (Hampshire & Isle of Wight) economy contracted by about -0.3%, comparable to the UK average.

16. Timelier data from surveys of purchasing managers (PMI) suggests that business activity in the region was broadly flat in September but since the PMI survey excludes retail, a sector which continues to weigh on economic growth

it is likely that business activity contracted in September. The volume of new orders, a leading indicator of growth in the region fell in September and the overall level of business activity in the UK in October fell to the lowest level since the financial crisis of 2008/9, if lockdowns are excluded.

17. Consumer surveys and retail sales are equally downbeat. For example, consumer confidence in September fell to the lowest level since records began in 1974 as consumers struggle with a cost-of-living crisis driven by rapidly rising food prices, utility bills and mortgage payments. The weakness in consumer sentiments is reflected in another sharp fall in retail sales in September. Retail sales volumes in the third quarter fell by 1.2% and 5.1% since January.

18. October saw a 27% rise in utility bills due to the increase in the Ofgem price cap. The Ofgem energy cap was due to increase further but superseded by the Energy Price Guarantee (EPG) introduced by the former Prime Minister Liz Truss. The new Government will honour that commitment but the guarantee of no further rises in utility bills for households has been shortened from October 2024 to April 2023. The new Chancellor Jeremy Hunt has announced a Treasury-led review into how the Government supports energy bills beyond April next year.

19. Some 841,000 Hampshire households (588,000 of which are in the County Area) stand to benefit from the freeze of domestic gas and electricity prices. This policy is expected to save the average household at least £1,000 a year based on current energy prices from October but households across Hampshire will still face energy bills that are about double what they were last winter. Nevertheless, they will be little more than half of what they would have been without the guarantee.

20. As stated in ‘A Green Economic Recovery for Hampshire’, a key element of Hampshire’s strategy is the retrofit of privately owned housing. This would improve energy efficiency of our housing stock and lower household bills, but this requires significant resources and time to implement. In the near term it was necessary for government to intervene.

21. Household disposable incomes across Hampshire stood at just 4.5% above the UK average in 2020 but with significant variation within Hampshire. For example, Central and North Hampshire have per head household incomes of around a fifth above the national average, but Portsmouth and Southampton are around a fifth below the national average, the lowest gross household incomes of all 64 local authority districts/UAs in the South East. Gosport and the Isle of Wight are ranked the 4th and the 6th lowest in the region in terms of household incomes.

22. The hit to household incomes from energy prices will remains significant even after the introduction of the Energy Price Guarantee. The Bank of England expects household incomes to fall by about 0.25% this year and -1.5% in 2023. A fall of this magnitude over two years for a typical Hampshire household would imply a reduction of around £600 in real (inflation adjusted) terms.

23. Relatively high household savings rate (7.6% of GDP in the second quarter) imply that household spending should not fall as far as household incomes. In particular, higher-income households are likely to be less affected by the energy price shock and to have the highest savings. The Bank of England survey (Bank/NMG survey) suggests that these households were more likely to be maintaining, or even increasing, spending volumes.

24. Rising interest rates represent another headwind to consumer spending and growth in Hampshire but the latest signals from the Bank of England suggest that the rates are expected to peak at around 4% instead of 5% and that they could start falling later next year.

25. Household debt relative to income is much lower than during the 2008/9 global financial crisis which implies that over the short-term households might be in a better position to withstand higher rates than in the past but house prices in Hampshire will come under strain this year and in 2023 which will in turn weigh on consumer sentiment and household spending.

26. As at the time of writing there was no evidence of a slowdown in house price inflation in Hampshire. For example, the monthly growth in August was faster than the national average but there was evidence of a slowdown in transactions in Hampshire, down 6.5% in June and faster than the South East average.

27. Timely national data from Nationwide and Halifax suggests that house prices fell in October and that a house price correction may be underway. The consensus of independent forecasts is for a relatively modest correction in house prices in the UK in 2023. For example, HSBC expects average UK house prices to fall by 7.5% outside London, Lloyds Banking Group expects a fall of around 7.9% but its worst-case scenario assumes a fall of almost 18%. Capital Economics expects house prices to fall between 10% and 15%.

28. Mortgages rates have already increased to between 5% and 6% by the end of October and this will dampen demand for residential property in Hampshire which will in turn affect residential investment. Residential investment is sensitive to interest rate rises and as such more cyclical and prone to greater falls than consumer spending.

29. Residential investment in the UK fell by 20% in the second quarter of 2022 according to CBRE, a global real estate advisor with Capital Economics expecting residential investment to decline by about 30%. The fall in residential investment would further constrain the supply of housing in Hampshire and affect housing affordability over the medium-to-long term. According to HM Land Registry the average price of a property in the Hampshire County Council area was close to a third above the England average.

30. Total demand for commercial floorspace (commercial take-up) in Hampshire & Isle of Wight rebounded in the second quarter of this year with take-up increasing by about 65% over the quarter to 978,452 sq. ft. There was growth in the three main markets with strong demand for industry space in the second quarter.

31. Anecdotal intelligence from Hampshire points to the low supply of new office stock and strong demand for sub 5,000 sq. ft offices. Recent trends in industrial and logistics also point to strong demand fuelled by ecommerce. Recent significant occupier transactions in Hampshire include Tech Data (51,764 sq. ft) in Basingstoke, Lloyds Register EMEA (20,000 sq. ft) and Greentech Plastics (46,556 sq. ft) in Eastleigh, and ParcelJet Technology Limited (71,797 sq. ft) in Gosport.

32. The cost-of-living crisis and the sharp slowdown in business activity will affect demand for all commercial property sectors in Hampshire, but consumer-facing sectors such as hotels & leisure are particularly exposed. Structural change is likely to weigh on the office markets over the short-to-medium term.

33. Business intelligence from Hampshire's Economic Development team suggests that Hampshire continues to receive a steady flow of inward investment enquiries from DIT, but business investment is just as cyclical as residential investment and as such this is unlikely to last. Business investment is expected to fall sharply over the next 12 months as higher costs and interest rates reduce corporate profits, but the fall is likely to be smaller than residential investment.

34. Falling demand and spiralling business costs could lead to a sharp increase in business failures among micro businesses (businesses with between 0 and 9 employees). The most exposed businesses are likely to be businesses that depend on discretionary spending - independent pubs, chains that charge low prices, independent coffee shops and small retail outlets. In 2021 Hampshire had 10,655 micro enterprises (6,330 of which were in the County area), in retail and food & beverages sector which represents about 1 in 8 of all enterprises in Hampshire.

35. The effect of soaring cost pressures and in particular energy bills could mean many Hampshire businesses become uneconomical to operate and this would be felt across Hampshire and especially in rural villages and small towns. Anecdotal evidence suggests that trading conditions remain difficult for tourism and hospitality operators in Hampshire with reports of reduced opening hours and increased risk of permanent closures.

36. Visitor attractions, particularly in rural locations, may decide to completely close over the winter if they are unable to remain profitable given this is their quietest period. There are estimated to be around 41,700 'direct' hospitality and tourism jobs in Hampshire, potentially rising to 96,900 jobs when industries associated with tourism are taken as a whole.

37. Faced with the prospect of a large number of businesses failing due to the sharp increases in utility bills the Truss government introduced an 'Energy Bill Relief Scheme' for businesses on 8 September. This policy has been retained by the new Chancellor Jeremy Hunt. Some 81,900 Hampshire businesses (62,000 of which are in the County area) will benefit from the energy freeze for at least six months.

38. The cost of the ‘Energy Price Guarantee’ this financial year is expected to be about £31bn with £29bn set aside to cover the cost of the ‘Energy Bill Relief Scheme’. The government spent almost £100 billion in total on the Coronavirus Job Retention Scheme for furloughed employees and associated support for the self-employed (SEISS) over 18 months during the pandemic.

39. To accelerate domestic energy supply, the previous administration was going to launch a new oil and gas licensing round and lift the moratorium on fracking for shale gas. The ban on fracking in England has been reinstated by the new government.

40. On 3 September 2022 Rural England Prosperity Fund (REPF) was launched. Rural businesses such as farms, wedding venues and pubs will benefit from up to £110 million of funding available through the fund. The funding is aimed at projects that will boost productivity and create rural job opportunities. The fund is integrated into the UK Shared Prosperity Fund (UKSPF), and it succeeded EU funding from the LEADER and Growth Programme that were part of the Rural Development Programme for England.

41. The fund allocations are for the financial years 2023-2024 and 2024-2025 with indicative allocations for eligible local authorities suggesting that Hampshire & Isle of Wight could receive just about £3.26 million, of which £2.7 million would be allocated to the five eligible Hampshire County area districts (Basingstoke and Deane, East Hampshire, New Forest, Test Valley and Winchester).

42. The new Chancellor has reversed scrapping the proposed cut in corporation tax from April next year (from 25% to 19%) and the cancellation of the scheduled cut to the Annual Investment Allowance (the amount of spending on plant and machinery that businesses can deduct from their taxable profits) that were introduced by the previous administration.

43. The Truss government’s plan was to set up new Investment Zones across the country which would benefit from special treatment for tax, regulation and local governance. Working in partnership with Hampshire’s local authorities and Local Enterprise Partnerships (LEPs) on 14 October 2022 the County Council submitted the EOI for two investment zones in Hampshire - Whitehill & Bordon Investment Zone and Daedalus & Welborne Investment Zone. The plans for the investment zones appear to be on hold following the change of government with press reports that the new administration is considering scrapping the investment zones plan as well as the proposed Infrastructure and Planning Bill.

44. The previous Truss government was committed to accelerate some infrastructure projects in Hampshire such as the M27 junction 8, A2047 Portsmouth Safer Road Scheme and A3025 Southampton Safer Road Scheme. With Jeremy Hunt’s budget now delayed to 17 November, there is now even greater uncertainty as to whether there will be appropriate funding to carry out the acceleration of infrastructure projects in Hampshire.

45. Higher energy, material, transportation, and wage costs for businesses imply that Hampshire businesses have been forced to pass on rising costs to

consumers. The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022 but the introduction of the EPG for consumers and businesses alongside growing signs of easing in business costs and global inflationary pressures imply that inflation is now expected to peak at between 11% and 12% later this year according to the Bank of England.

46. The tightness of the labour market in Hampshire means that wages will remain a source of inflationary pressure. Preliminary HMRC data showed that median PAYE pay in Hampshire continues to increase as it reached 6.8% in September. The ending of the EPG scheme in April 2023 and the 'second-round effects' from businesses passing their energy costs onto consumers will feed into higher price and wage expectations this year and in 2023. This is expected to keep inflation at around 9.5% in the second quarter of next year after which inflation is expected to come down sharply, to 5.2% by the end of the calendar year and just 1.2% by the middle of 2024.

47. Hampshire is the most export intensive county in England according to Oxford Economics, a consultancy and Hampshire's net trade should benefit from the weakening in domestic demand (imports) and recovery in external demand from some of its largest trading partners such the United States. Thus, net trade should to some degree limit the extent of the downturn in Hampshire.

48. The main downside risks to exports are found in the possible collapse of external demand from Hampshire's main European trading partners (Germany and France) or deterioration in post-Brexit trading arrangements, like scraping the Northern Ireland Protocol, a key part of the post-Brexit withdrawal agreement between the UK and the EU, a move likely to prompt retaliation from the EU.

49. The collapse in demand from the EU would have a greater impact on exports demand from Central Hampshire and the Isle of Wight than for example on North Hampshire and South Hampshire. The least exposed area to EU trade is Southampton but total exports from Southampton are modest, several times smaller than in Portsmouth and below the Isle of Wight. As such the external (trade) sector is likely to provide limited support to Southampton's economy.

50. In 2022 we have seen a sharp currency depreciation against the US dollar which could restore the competitiveness of Hampshire's exports. This could boost sales and improve net trade with services benefiting more than goods exporters. The global supply chain in production can be so lengthy that Hampshire might contribute only a portion of the total goods value at a lower exchange rate. The downside of depreciation is the increase in the cost of imported goods that would further fuel inflation.

51. Anecdotal intelligence suggests that weak sterling against the dollar is leading to an increase in visits to the UK from the United States, but whilst this is Hampshire's most important overseas market by value annually (£50m) it is still dwarfed by domestic overnight tourism (£500m).

52. Hampshire has one of the tightest labour markets in the country characterised by high economic activity and employment rates and low unemployment rates

but there are significant disparities within Hampshire. The latest official and survey data points to a slowdown in labour demand and employment growth but Hampshire's labour market continues to defy expectations of a sharp slowdown.

53. For example, growth in PAYE employment has eased on an annual basis and only slightly on a monthly basis. The monthly payroll still increased by 1,800 employees in September (0.2%) to a new record high of 900,400. The latest data suggests that the number of online job postings in Hampshire not adjusted for seasonal factors remained broadly unchanged in September, following a large (revised downwards) fall in August. In the South East the number of online job postings fell by -2.4% and nationally the number of job vacancies registered the fourth consecutive fall in September.

54. Unemployment on the broader headline (survey-based) measure in Hampshire stands at 3.9%, comparable to the England average. In the County area unemployment stands at just 3.3% and comparable to the South East average. Unemployment decreased on the broad measure in the year to June 2022 and on the narrower, administrative measure unemployment and youth unemployment remained unchanged at 2.8% and 3.2% respectively in September and below the regional average.

55. In a typical recession unemployment rate starts to increase before the economy enters recession. For example, during the financial crisis of 2008/9 unemployment in Hampshire increased from 4.1% in 2007 peaking at 6.5% in 2010. There is no evidence in the latest data that would suggest that unemployment is rising but sharp downturns in economic activity in Hampshire and elsewhere in the UK tend to be accompanied by increases in unemployment.

56. It is tempting to conclude that history is about to repeat itself, but it is possible that we may see a 'soft landing' in the labour market i.e., unemployment not increasing by that much. The tight labour market in Hampshire implies that businesses have struggled to fill their vacant positions and thus may be reluctant to lay off staff providing the downturn is relatively short. However, the latest national forecasts from the Bank of England point to a sharp increase in unemployment in the UK. The Bank expects unemployment to increase from 3.5% in the three months to August 2022 to 6.5% in 2025.

57. Some groups are more exposed to the downturn than others. People employed in discretionary consumer facing services, such as Hampshire's large accommodation & food or non-food retail are more exposed. These are primarily the young people and to a lesser degree the elderly. Self-employment has not recovered from the impact of the pandemic and due to its dependency on discretionary spending self-employed are more exposed to the impact of the downturn than employees.

58. Hampshire is facing some substantial challenges over the medium-to-long term. It has seen a slow recovery in the size of its labour force since the pandemic and over the longer-term labour supply could constrain economic growth in Hampshire. The weakness in labour supply in Hampshire has been

caused by slower population growth driven by ageing and lower migration (Brexit and the pandemic).

59. Between 2011 and 2021 Hampshire’s (Hampshire & the Isle of Wight) population increased by 5.3%, slower than the England average (6.6%). The composition of Hampshire’s population has changed with strong growth in the older population and sluggish growth in the working age population.

60. The latest population projections suggest that in the County area the working age population could peak in 2024 and begin to decline from 2025 onwards. The increase in state pension age might soften the impact by increasing working age, but it will not offset the long-term trend.

61. The older population in the County area is forecast to grow over the long term, with those aged 65 or over increasing by over 60,000 by 2030, and by over 111,000 by 2043. Around 1 in 10 residents were aged 75 or over in 2021 but potentially rising to 1 in 8 by 2030 and to 1 in 6 by 2043. Strong growth in the older population will lead to a sharp increase in demand for care that is already heavily constrained.

62. The fall in real incomes driven by the cost-of-living crisis implies that some people in Hampshire have been forced back into the labour market. For example, economic inactivity in Hampshire decreased by 9,000 in the year to June 2022. The fall in Hampshire was greater than in the South East or the UK. Despite the recent decrease in economic inactivity, we are unlikely to see a strong rebound since the pool of available labour is smaller in Hampshire than elsewhere.

63. Hampshire businesses have struggled to fill their vacant positions in several sectors such as accommodation & food and health & social care. A mismatch between demand for care-workers and its supply in Hampshire is on the increase. For example, the County area had around 3,400 unique job postings in August 2022, up by 49% on the previous August and 122% higher compared to pre-pandemic (Feb 2020) level.

64. The most recent regional data suggests that there was a decrease in the number of filled posts in adult social care sector in recent months with the decrease being higher in care homes than in domiciliary care. The high vacancy rates in the sector suggest that there are recruitment and retention difficulties for the sector with employers not being able to find and recruit the staff they need.

65. The sector used to be heavily reliant on the EU workers with 1 in 8 of all workers in the sector having an EU nationality as at 2020/21. However, the supply has been constrained by the pandemic and Brexit. The new immigration rules that came into place on 1 January 2021 effectively makes it less straightforward for people to come into the UK to take up care worker roles (people can still arrive to take up some regulated professional roles).

66. With this route of labour supply no longer available for front line workers, employers are increasingly dependent on constrained supply from the

domestic labour market. The Adult Social Care White Paper announced in December 2021 sets out a 10-year vision for social care based on three principles: choice, control, and support to lead independent lives; access to outstanding and tailored care and support; and fair and accessible care.

67. The social care sector is thus struggling under multiple pressures, including the challenges of an ageing population and staff recruitment and retention issues. One of the policies that could help with staff retention will be the introduction of a brand-new Care Certificate qualification, ending the need for care workers to repeat this training when they move roles. The government will fund more than 100,000 training places for new care workers to complete this new qualification. Apprenticeship training will receive up to £3,000 per head, the maximum amount government will fund.

68. The previous administration's policy was to allocate £1.7bn to improve social care in England from 2022-25, in addition to £3.6bn to reform the funding system announced in September 2021. This included £500m to improve the training, qualifications, and recognition of the social care workforce announced in April. At least £70m will go on helping councils improve services.

69. The long-term funding issue of the health & social care remains one of the biggest challenges faced by local government. The Health and Social Care Levy was effectively introduced via a 1.25 percentage point rise in National Insurance Contributions (NICs) that took effect from April 2022. The new administration has confirmed that it will proceed with the scrapping of the rise from 6 November and that it will continue with the abolition of the Health and Social Care Levy as planned by the previous administration.

70. At the time of writing, it is not clear whether new funding will be made available for health and social care or whether funding will be made available to a new £500 million Adult Social Care Discharge Fund announced on 22 September to support the discharge of hospital patients into their own homes or community settings.

71. As stated by Paul Krugman, Nobel laureate in economics, "productivity isn't everything, but in the long run, it's almost everything". Productivity is the main driver of competitiveness, growth, and the living standards over the long-term. Given that Hampshire's workforce is expected to shrink over the medium-term its productivity will have to increase to maintain and raise the living standards of its residents.

72. Productivity levels in Hampshire relative to the national average have increased from 5% above the average in 2004 to 10% above the average by 2020 but Hampshire is far less productive than Berkshire and Hampshire has also lost ground relative to its major competitors outside the UK.

73. There are substantial differences in productivity levels within Hampshire. For example, with labour productivity (output per hour worked) of around 54% above the national average North Hampshire is the most productive sub-area outside London and the third most productive area in the country after Tower Hamlets and Campden & City of London. On the other hand, labour

productivity on the Isle of Wight is about 15% below the national average with even relatively prosperous Central Hampshire having productivity levels below the national average. Portsmouth also stands below the average while Southampton has been losing ground relative to the national average.

74. Business response to the pandemic and the rise in geopolitical tensions has seen a steady rise in 'nearshoring'. Nearshoring, or producing items closer to home, has seen an uptick due to the supply chain delays caused by the pandemic, Brexit and the rise in geopolitical tensions. Through the Solent Freeport and other locations Hampshire should benefit from this new trend but to remain competitive Hampshire needs investment in transport, commercial property, and the skills of its population as well as energy security.

75. As shown by the Six Capitals Framework that underpins the forthcoming Hampshire Economic Strategy, Hampshire will need investment in physical capital, human (skills) capital and knowledge capital, the three capitals that are the main drivers of productivity. Hampshire will also need to grow its institutional, social and natural capitals.

76. To maintain the economic prosperity of Hampshire residents and competitiveness of its business environment Hampshire will need energy security at reasonable prices. The new Chancellor Jeremy Hunt has announced a Treasury-led review into how the Government supports energy bills beyond April next year.

77. The new government will no longer be proceeding with a cut to the basic rate of income tax to 19% from April 2023, a cut to dividend tax rates, a cut to the 45% tax rate, the introduction of the new VAT-free shopping scheme for non-UK visitors and a freeze on alcohol duty rates, the fiscal measures introduced by the previous administration.

78. Fiscal tightening by the new administration could raise around £32 billion every year which alongside the intervention by the Bank of England has helped to calm the financial markets. In the Autumn Statement on 17 November the Chancellor will most likely further underline his fiscal restraint by introducing new policies that will be aimed at closing the £50bn fiscal hole left over from retention of the energy price guarantees, the weaker economy and higher debt interest payments.

79. The impact on the economy in Hampshire will depend on the balance between tax rises and spending cuts and their timing with spending cuts having larger downward impact on economic growth than tax rises. The new Chancellor has indicated that departmental cash spending plans that run to 2024-25 will be left unchanged, which amounts to a cut in real (inflation adjusted) terms and this measure will squeeze public services provided by the County Council.

80. The short-term economic recovery action planning continues to be undertaken by the County Council. The County Council understands that the recovery from Covid has been uneven at local level and that the sharp slowdown in economic activity that is currently underway is equally going to be unevenly distributed across Hampshire. It is in these difficult times that the County Council cannot

afford any complacency and working with its partners will have to deal with its own diminishing resources to support its most vulnerable people and communities and continue to provide wider public services.

81. This places greater emphasis on place-based strategies and major regeneration initiatives, including breathing new life into our towns, city centres and high streets. The Council seeks to work on a collaborative basis with individual local authorities to develop bespoke place-based strategies and initiatives for faster recovery from Covid and the stronger development and growth of Hampshire.

82. It is proposed that the foundation for this collaborative approach would be a stronger focus on co-production and co-delivery and a governance model that would involve senior politicians and senior officers representing the County Council on strategic governance on delivery arrangements.

83. Regardless of the underlying realities of ‘levelling up’ and the scale and scope of poverty and deprivation that continues to prevail in some of Hampshire’s towns, cities and estates, it will increasingly be down to fiscal freedoms and flexibilities to enable places like Hampshire to leverage its economy to both fund its future and reduce demand on highly complex and complicated public services, especially those targeted on vulnerable communities as well the day to day universal services everyone relies on whether it is to get to work, succeed at school, or care for children and the elderly.

84. Businesses will only invest here if they have confidence in the investment framework, that infrastructure will be built, that the skilled workforce will be accessible, flexible and in place, that their homes will be affordable and their schools, colleges, universities, places of leisure, culture, and sport, will thrive.

85. Replicating this model across all Local Authorities that share our aspirations for a collaborative approach to place-based initiatives through the development of local regeneration and growth partnerships and that are able to demonstrate how to accelerate economic recovery, is an emergent opportunity. This approach will bring consistency and coherence and allow for deeper insight into prioritisation as well as secure good practice and recovery from Covid. More detail is provided in the forthcoming March Cabinet Report.

86. The wider pan-Hampshire area is a major net contributor to the exchequer, and it is essential that it continues to make substantial regional and national contribution to economic growth and public finances. However, to optimise it Hampshire needs a full recognition by Government. This is why, as set out in this report, the County Council is continuing to push for a bold and ambitious County Deal. It is only by altering the relationship and strength of the collaboration with Central Government that a new transformational Deal for Hampshire residents, communities and businesses can be secured. This is why the County Council is so actively supporting the pan-Hampshire area in putting a credible offer to Government for such a Deal.

87. *Economic Intelligence Dashboard* (Annex 1) produced in late-October contains additional information on the current economic trends and business intelligence (the most up to date at the time of writing).

County Deal

88. As has been previously reported, a County Deal has the potential to both strengthen economic recovery across Hampshire and deliver major strategic economic initiatives enabling the future economic potential of the region. This would be achieved through securing substantial new functions, powers, and resources to enhance place-based leadership at regional, sub-regional and local levels for the benefit of local residents, including leveraging significant investment funding from Government and the private sector.

89. In November 2021, a Statement of Common Ground, was agreed by all Leaders, setting out the ambition to explore opportunities for a potential County Deal. It was agreed by:

Hampshire County Council – Cllr Keith Mans
Basingstoke and Deane Borough Council – Cllr Ken Rhatigan
Bournemouth Christchurch and Poole Council – Cllr Drew Mellor
East Hampshire District Council – Cllr Richard Millard
Eastleigh Borough Council – Cllr Keith House
Fareham Borough Council – Cllr Seán Woodward
Gosport Borough Council – Cllr Graham Burgess
Hart District Council – Cllr David Neighbour
Havant Borough Council – Cllr Alex Rennie
Isle of Wight Council – Cllr Lora Peacey-Wilcox
New Forest District Council – Cllr Edward Heron
Portsmouth City Council – Cllr Gerald Vernon-Jackson
Rushmoor Borough Council – Cllr David Clifford
Southampton City Council – Cllr Dan Fitzhenry
Test Valley Borough Council – Cllr Phil North
Winchester City Council – Cllr Lucille Thompson

90. In December 2021, a draft County Deal prospectus was endorsed by Cabinet. Using an independent Functional Economic Market Assessment (FEMA), this evidenced a clear functional socio-economic geography of the Pan-Hampshire region and its strong economic foundation as a net contributor to the UK economy. The draft prospectus outlined a range of opportunities and associated strategic proposals that would have a measurable positive impact on the lives of residents and would form the basis for further discussions with stakeholders and Government.

91. In February 2022, the much-awaited government White Paper, Levelling Up the United Kingdom, was published. This set out an ambition to extend, deepen and simplify devolution across the country, and commits to establishing a new model of Combined Authority that would enable devolution deals to be agreed by County Councils and/or Unitary Councils, encouraging collaboration where relevant with District Councils.

92. Within the White Paper the Government announced 9 Wave 1 areas which are being negotiated first. These are:
- Cornwall;
- Derby and Derbyshire;
- Devon, Plymouth and Torbay;
- Durham;
- Hull and East Yorkshire;
- Leicestershire;
- Norfolk;
- Nottinghamshire and Nottingham; and
- Suffolk.

93. The White Paper also set out the governance framework for devolution against a range of potential functions, with Level 3 being the most powerful and Level 1 being the least powerful but noting that there will be scope to negotiate further powers, on a case-by-case basis, and an opportunity to adopt innovative local proposals to address specific challenges and opportunities.

- **Level 3**: A single institution or County Council with a directly elected Mayor (DEM), across a Functional Economic Area (FEA) or whole county area.

- **Level 2**: A single institution or county council without a DEM, across a FEA or whole county area.

- **Level 1**: Local authorities working together across a FEA or whole county area e.g., through a joint committee.

94. Although no potential Deals in the South East were immediately progressed in the Wave 1 pilots, there has continued to be an active dialogue and engagement with officials and Ministers. These meetings strongly encouraged the continued work and development of the proposals outlined in the draft prospectus shared with Cabinet in December. This was mirrored by Cabinet endorsing the continuation of the work and direction of travel for a Hampshire County Deal at its meetings in February and March 2022, including the development of aligned Regeneration and Growth Partnerships at a District Council level.

95. In March 2022, a final round of collaborative workshops was completed with Partners, building on the initial collaborative work performed in November and December 2021 and importantly finalising the scope of opportunities to explore and form the basis of starting any negotiation with Government in the context of the now published White Paper. The draft December prospectus for change has therefore now been updated to reflect this and was shared with Cabinet in October 2022 and also formally with the Secretary of State for Levelling Up Housing and Communities.

96. In April 2022, the 5 County / Unitary Leaders met with the Parliamentary Under Secretary of State as a continuation of the collective engagement with Government. This meeting was extremely constructive, and the Minister was

complementary of the emerging ambition of the proposals and the professionalism of the work that has been performed so far. The Minister clarified that County Deals are expected to include whole County areas and was not aware of any Deal that would split a County between two or more separate Deals. As expected, and in accordance with the White Paper, the Minister was clear that with the level of ambition in the Pan-Hampshire proposal, there would be new governance requirements including a requirement for some form of Directly Elected Leader.

97. In May 2022, the Levelling Up and Regeneration Bill was published, setting out further clarity on the expected governance of a County Deal through a Combined County Authority (CCA). Key points of clarity in the Bill are:

a. There cannot be 2 or more CCA's across a single County Area.
b. The previous language of a "Mayor" will not be prescribed.
c. Public Consultation would be required as part of finalising proposals for a CCA.
d. The Secretary of State may make regulations establishing a CCA for an area only if:

    - The Secretary of State considers that to do so is likely to improve the economic, social, and environmental well-being of some or all of the people who live or work in the area.
    - The Secretary of State considers that to do so is appropriate having regard to the need:
    - To secure effective and convenient local government, and
    - To reflect the identities and interests of local communities
    - The Secretary of State is satisfied that the proposal will achieve the stated purpose of establishing a CCA.
    - The constituent councils' consent, and
    - Any public consultation required has been carried out.

98. During the summer period, two Wave 1 Deals have now been successfully negotiated, demonstrating the continuing pace, commitment and focus of the devolution agenda in Government:

- York and North Yorkshire;
- East Midlands (Derby, Derbyshire, Nottingham and Nottinghamshire).

These Deals, operating at significant economic regional scale, include substantial devolved powers and funding under the future Governance of newly formed Combined Authorities. Both Deals include:

- Significant new investment funding (proportionally commensurate with Pan Hampshire's proposed £1.14bn ask of Government);
- Devolution of Adult Education functions and the core Adult Education Budget;
- Powers to establish Development Corporations and strategic partnerships with Homes England;
- New transport powers including bus franchising and new integrated transport settlements;

- New net zero capital investment.

99. Following a period of political uncertainty over the summer, including the appointments of 2 new Prime Ministers and Cabinets, during which engagement with Government was paused, the County Council now stands ready to formally engage with Government to negotiate a devolution Deal. The latest County Deal prospectus was shared at October Cabinet and has now been formally shared with Government in a letter to the Secretary of State for Levelling Up Housing and Communities.

100. The prospectus sets out four areas of priority aligned to the Levelling Up missions under the Governance of a newly created Combined Authority.

- Supporting Sector Growth and Skills
- Place Strategy
- Net Zero and Net Environmental Gain
- Integrated and Sustainable Transport.

101. These ambitions would be unlocked through devolution of specific new powers, alongside a commitment to develop a multi-billion-pound revolving investment fund with Government, leveraging significant investment from business and importantly securing the retention of Business Rates to catalyse, incentivise and re-invest in further economic development.

102. The prospectus highlights that decisions on the detail of governance arrangements will be taken in due course during a negotiation itself, but importantly references a series of important governance principles that have been developed collaboratively and in accordance with Statement of Common Ground. Any governance would therefore need to build on existing place-based partnerships and will ensure important sub-regional geographies across the region are included in the structure of the Deal. The County Council is also committed to working constructively with District Councils, maintaining a principle that devolution is not Local Government reorganisation and therefore each organisation’s current sovereign statutory powers across the 2-tier system is respected and those organisations who choose to engage are appropriately represented at the table.

Hampshire Economic Strategy

103. The Cabinet agenda for this meeting includes a report recommending approval of the Hampshire Economic Strategy, following a consultation exercise on the draft strategy, which was undertaken following Cabinet approval in July 2022. The Economic Strategy forms the critical strategic framework for economic development in the context of the Hampshire 2050 over-arching vision, and will be a crucial reference point for the prioritisation of economic development activity and initiatives and the management and support for future growth, including areas such as skills and infrastructure, as well as inward investment, business support, regeneration and growth initiatives and development opportunities.

HCC’s Strategic Asset Management Plan

104. The Cabinet agenda also includes a report recommending the approval of a new 5-year Strategic Asset Management Plan (SAMP) for the County Council’s property and land assets.

105. The County Council has a good record of enabling development of its strategic land holdings to meet the demand for new housing in Hampshire. However, it is recognised that there are broader opportunities to support, enable and contribute to economic regeneration and growth through the County Council’s assets, particularly in our town centres.

106. This ambition to use the County Council’s assets to stimulate and support economic regeneration and growth and contribute to the shaping of Hampshire as a place, is reflected in the new SAMP. Specific opportunities will be explored and taken forward as part of the Hampshire 2050 agenda, within the framework of the Economic Strategy and in consultation with District Councils through the Regeneration and Growth Partnerships.

Growth and Regeneration Partnerships

107. The County Council Cabinet approved a new approach to partnership working on growth and regeneration across Hampshire at its meeting in March 2022. The aims of the new approach will streamline, and better co-ordinate initiatives aimed at supporting local economic growth and physical regeneration of town centres and other economically important areas. It was intended to promote effective partnership working through mutually established bi-lateral arrangements with Districts and Boroughs, and with neighbouring Unitary Authorities where desired. The intention was to establish a mutual understanding of local growth and regeneration priorities and to help co-ordinate work at all stages from high level plans and strategies through to project delivery, whilst recognising and respecting the different and sovereign roles of the partner organisations. The County Council would clearly also be expected to maintain an overall Hampshire wide perspective, ensuring appropriate strategic interdependencies are effectively overseen and maintaining the focus on the place-based ambitions set out in the ~~of~~ Hampshire 2050 vision and the more recently developed Hampshire Economic Strategy.

108. In order to inform the detailed development of this approach, work was commissioned from independent consultants, who were tasked with mapping existing engagement and partnership bodies, and also, drawing on best practice nationally, to advise on design principles for effective future arrangements in Hampshire. The consultants interviewed 10 District Councils and 2 Unitary Authorities as part of their commission, and their feedback has helped to inform the emerging conclusions of the work. Following further engagement with partners, it is intended to bring a further report forward with recommendations on approach to be adopted. These initial findings are summarised in Annex B, developing the principles of how the County Council can more effectively interact on placed based strategic priorities and ensure

better internal join up under the leadership of the newly appointed Director of 2050.

109. The initial findings have now been shared with Partners, and activity will be taken forward in early 2023 to begin developing specific bi-lateral arrangements for individual areas.

LEP Integration

110. On 31 March 2022, a joint letter was issued by the Parliamentary Under Secretaries of State for the Departments of Levelling Up, Housing and Communities and for Business, Energy and Industrial Strategy outlining guidance to Local Enterprise Partnerships (LEP) integration. The letter was addressed to LEP Chairs, Combined Authority Mayors and the Mayor of London. Along with the Levelling Up White Paper this letter concluded the LEP review undertaken by Government.

111. It was acknowledged by Government that LEPs have played and continue to play a valuable role in supporting local economic growth from their inception in 2011. LEPs have brought businesses, education, and local government together, delivered large capital investment schemes, provided vital support to businesses during COVID-19, hosted impactful programmes on behalf of government departments and developed economic strategies for their areas. Government has reinforced that it values the contribution LEPs have made and continue to make to their local economies.

112. Central Government has indicated that it will support the integration of LEP functions and roles into the institutions that sit at Levels 2 and 3 of the devolution framework as set out in the Levelling Up White Paper 2021. These Levels 2 and 3 bodies are single institutions such as a (Mayoral) Combined Authority ((M)CA), a county council and a unitary authority or another County Council across a functional economic area with (Level 3) a directly elected mayor or without a directly elected mayor (Level 2). The guidance is now determining that LEP functions and roles will be integrated into institutions with devolved powers for the purpose of hosting a County Deal.

113. The letter and guidance outlines that where devolution deals are set to be negotiated, the integration of LEP functions, roles and boundaries will be considered as part of those negotiations. LEPs are asked to support local leaders, where requested, in embedding a private sector perspective into that conversation. Once a future devolution deal is agreed and implemented, or where an institution progresses to at least Level 2 of the devolution framework, LEP functions and roles will then be integrated.

114. Where no devolution deal is in place, LEPs will be maintained until a devolution deal is agreed, subject to future funding decisions via the annual business case route. In these circumstances it will be important to maintain current engagement arrangements. Where a devolution deal geography cuts across a current LEP geography (as could potentially happen with Enterprise M3 LEP)

Government has indicated that they will engage with local partners and consider the best outcome for local businesses on a case-by-case basis guided by local preferences. It is also very clear that democratically accountable local leaders will lead the integration of LEP functions and roles into their respective institutions, working jointly with LEPs and, where necessary, other local stakeholders.

115. The future role of individual LEPs will differ depending on local circumstances and the status of devolution locally. With regard to the two LEPS in the Hampshire area namely Enterprise M3 and Solent, this is extremely evident. With Enterprise M3, its boundaries including Hampshire and Surrey will mean that its integration will need to reflect the devolution timescales within both counties. For Solent, a pan-Hampshire devolution geography is simpler, but the emergence of the Solent Freeport and its Government backed governance may have a distinct impact.

With this context of national government guidance, the County Council took the decision to:

- continue to engage with neighbouring areas concerning their devolution ambitions and programmes in the context of LEP integration;
- progress the ongoing discussions with the two LEPs in the Hampshire area, regarding their short-term business case submissions to Government and their proposals in light of the revised Government guidance for LEP integration;
- prepare the ground for a pan-Hampshire LEP Integration Plan for January 2023, subject to progressing devolution negotiations with Central Government and;
- explore the opportunities for the development of a Member-led Hampshire Business Engagement Forum; a revision of the Place Leadership Group to integrate into the Forum; and
- promote greater collaboration on Economic Development activities across the economic geographies covered by the existing LEPs.

Conclusion

116. The County Council is clearly and significantly focussed upon driving towards economic strength for Hampshire. This includes the adoption of a new Economic Strategy, the development of an ambitious County Deal prospectus as a negotiating position with Government to secure devolution as well as the ongoing development of Regeneration and Growth Partnerships and the integration of the LEPs moving forward, coupled with the introduction of a new Strategic Asset Management Strategy.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes/no
People in Hampshire live safe, healthy, and independent lives:	yes/no
People in Hampshire enjoy a rich and diverse environment:	yes/no
People in Hampshire enjoy being part of strong, inclusive communities:	yes/no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 (‘the Act’) to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation).
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation) and those who do not share it.
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

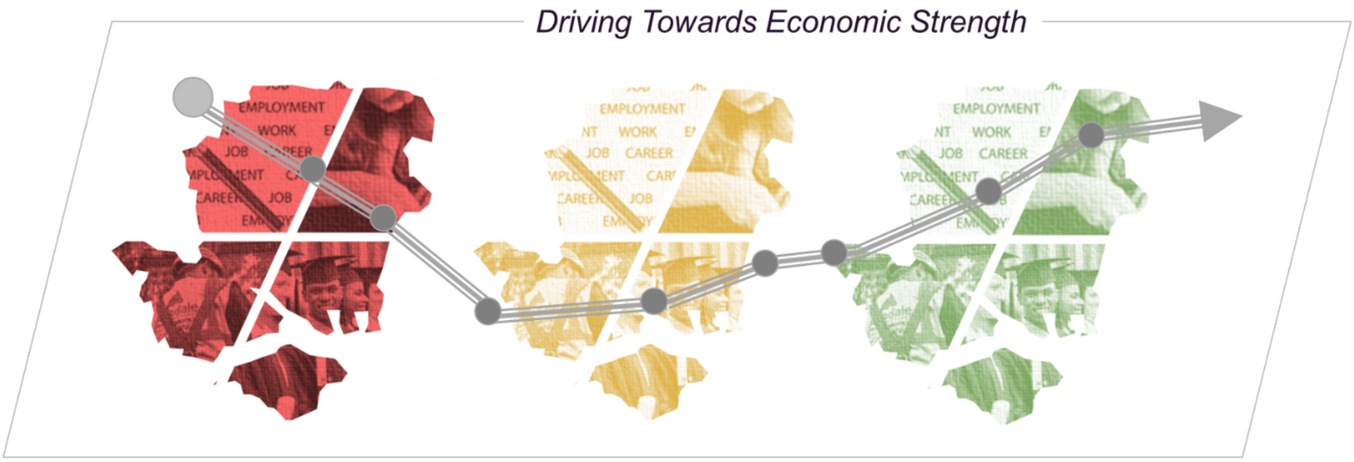
Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionally low.

2. **Equalities Impact Assessment:**

(a) No equality impacts have been identified arising from this Report

ANNEX 1



Hampshire Monthly Intelligence Dashboard

October 2022

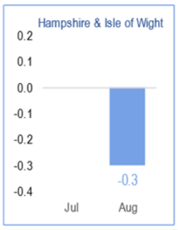
Hampshire County Council
Economy, Transport and Environment

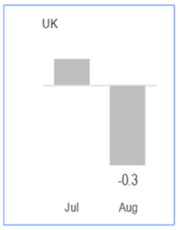
Hampshire County Council

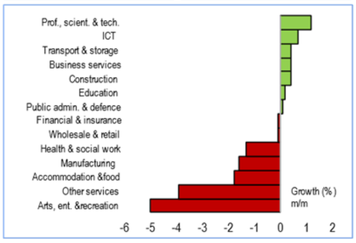
Contents

Business Activity

Economic Growth

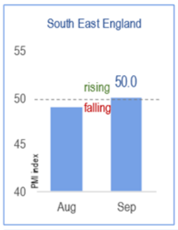


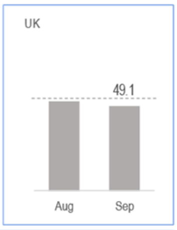


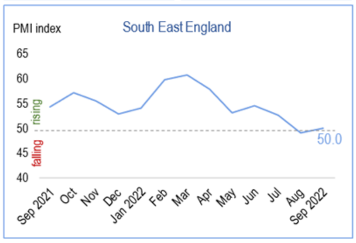


- Hampshire & Isle of Wight economy is estimated to have contracted in August on the back of no growth (revised downwards) in July.
- The contraction in GVA was driven by manufacturing and households reining in spending. Knowledge intensive services like ICT and professional & scientific expanded.

Business Activity

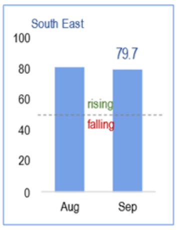


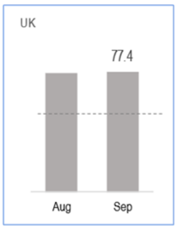


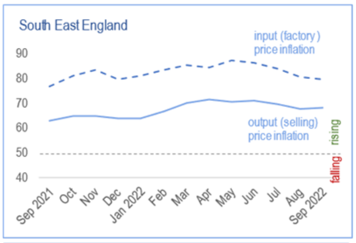


- Survey evidence suggests business activity was broadly flat in the region in September, slightly better than the national average. The PMI survey excludes retail, a sector which will continue to weigh on growth.
- The volume of new orders, a leading indicator of economic growth, fell for the first time since February 2021.

Business Prices

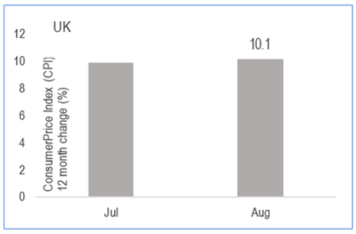


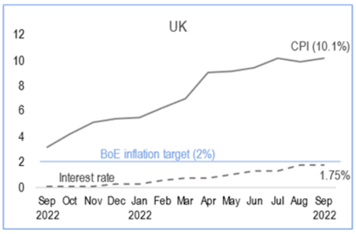




- Business prices remain elevated, but there are signs that business costs are beginning to ease. The rate of input price inflation faced by region's businesses eased in September to nine month low, but costs in the region are above the UK average.
- Higher commodity, energy, transport and metal costs behind the increase.

Inflation

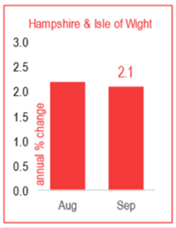


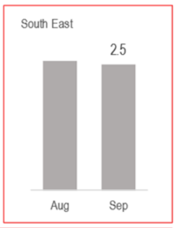


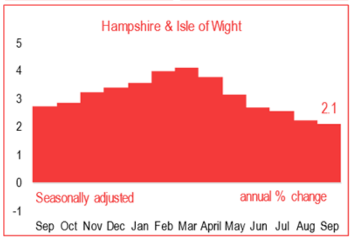
- Inflation edged higher to 10.1% in September, the month that can be used to inflation index state pensions and benefits. Core inflation rose from 6.3% to a new high of 6.5%.
- Recent market turmoil and inflation means BoE widely expected to raise rates on 3 November, possibly by a full one percentage point to 3.25%.

Jobs and Earnings

PAYE Employees

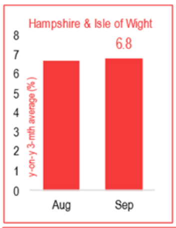


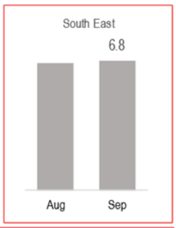


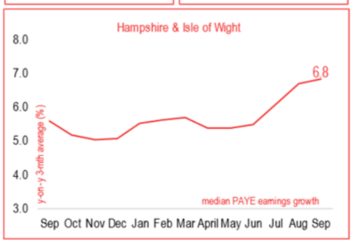


- PAYE employment in Hampshire and the Isle of Wight continues to rise, hitting a new record high of 900,400 payrolled employees in September.
- Growth on revised monthly payrolled employment was 0.2% (+1,800 employees). Annual growth slowed marginally to 2.1% (Sept) from 2.2% in the previous month, lower than SE.

PAYE Earnings

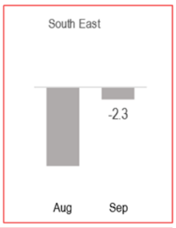


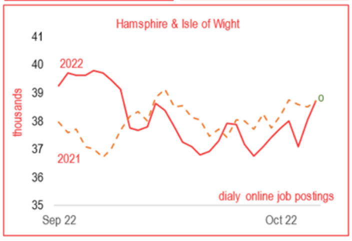




- Early payroll estimate for Hampshire & Isle of Wight indicates an increase in median monthly PAYE earnings of 6.8% in the quarter to Sept against the same period a year ago. Growth in median nominal pay was faster than August's 6.7%.
- Real earnings (adjusted for inflation) continue to be eroded by price rises.

Labour Demand





- Hiring intentions (the number of online job postings) in Hampshire & Isle of Wight saw (seasonal) demand broadly unchanged (+0.5%) in September, following a large (revised downwards) fall in August.
- Despite vacancies slowing the data continues to point to a tight labour market in Hampshire in September.

Demand by Occupation

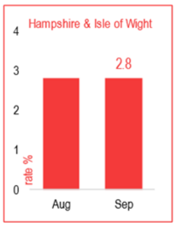
Unique jobs postings by Occupation (SOC)	Sep	% of total
Care Workers and Home Carers	2,352	6.1
Programmers & Software Development Professionals	2,350	6.1
Other Administrative Occupations n.e.c.	2,085	5.4
Customer Service Occupations n.e.c.	1,914	5.0
Sales Related Occupations n.e.c.	1,854	4.8
Nurses	1,516	3.9
Kitchen and Catering Assistants	1,477	3.8
IT Business Analysts, Architects & Systems Designers	1,118	2.9
Human Resources and Industrial Relations Officers	1,017	2.6
Cleaners and Domestics	1,002	2.6

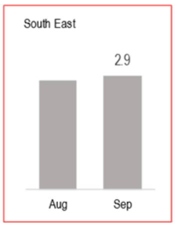
Unique jobs postings by Occupation (SOC)	Jul	% of total
Care Workers and Home Carers	3,208	7.2
Other Administrative Occupations n.e.c.	2,515	5.7
Nurses	2,480	5.6
Sales Related Occupations n.e.c.	2,179	4.9
Customer Service Occupations n.e.c.	2,085	4.7
Programmers & Software Development Professionals	1,981	4.5
Kitchen and Catering Assistants	1,828	4.1
Chefs	1,178	2.6
Cleaners and Domestics	1,178	2.6
Human Resources and Industrial Relations Officers	1,147	2.6

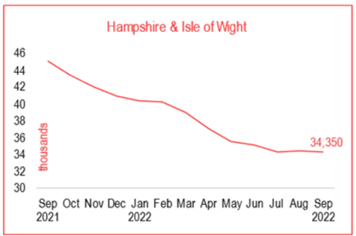
- Top in-demand jobs in Hampshire & Isle of Wight were in care while nursing demand eased.
- There was growth in IT, and businesses services (admin, sales and customer services).
- The top five in-demand specialized skills were in business (finance, auditing, marketing, performance).

Unemployment 3

Claimant Unemployment

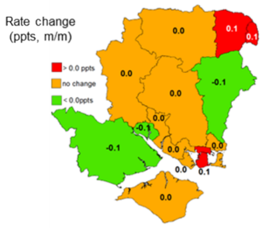


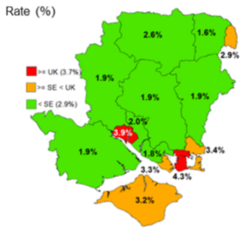




- Working age unemployed claimant counts in Hampshire & Isle of Wight (not adjusted for seasonal factors) decreased by 165 to 34,350, with decreases mostly in 25-49 age group.
- The unemployed claimant count rate was unchanged at 2.8% in Sept. The claimant count remains 34% higher than pre-pandemic levels.

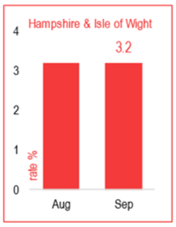
Local Claimants

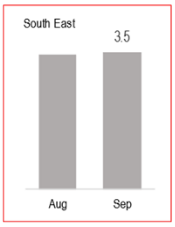


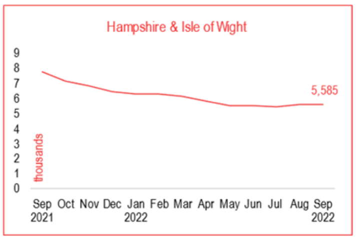


- Just over half of the 14 local authorities in Hampshire & Isle of Wight saw no monthly change in their claimant count rates; three saw an increase, and three a decrease.
- Around a half of the total decrease in claimants was in Southampton (-155). The two cities had rates above UK average in September.

Youth Unemployment

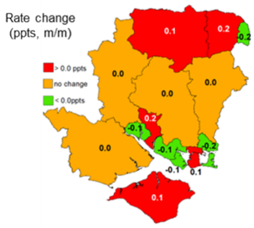


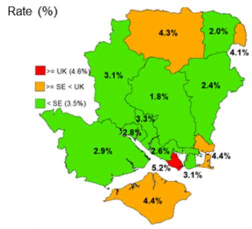




- The number of young unemployed claimants aged 18–24-year-olds in Hampshire & Isle of Wight increased by 20 to 5,585 in September.
- The youth claimant unemployment rate was unchanged at 3.2% in September. The Hampshire rates was below both the South East (3.5%) and UK (4.6%) averages.

Local Young Claimants

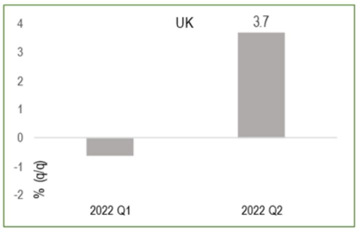


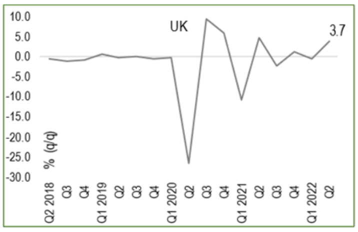


- The picture is mixed for Hampshire & Isle of Wight, with similar numbers of districts with a decrease (5 districts), increase (5 districts), or no change in their monthly rates (4 districts).
- Almost all Hampshire & Isle of Wight districts were below the South East and UK rates, while only Gosport (5.2%) is above the UK rate.

Sentiment and Investment 4

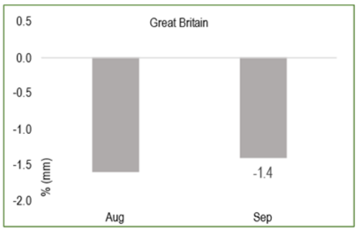
Business Investment

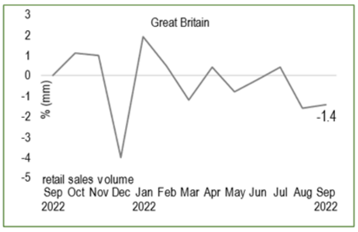




- Business investment increased in the second quarter but business sentiment remains historically weak.
- Investment intentions positive in Q3 2022, but eased due to uncertainty about the economic outlook, rising costs and softer demand. High materials costs also continue to be a factor in delaying investment plans.

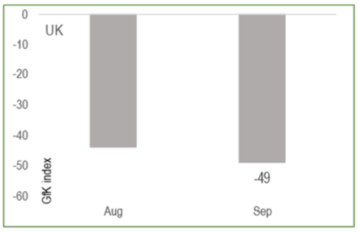
Retail Sales

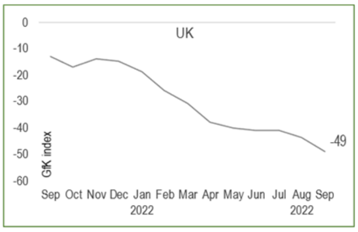




- Rising prices are weighing heavily on household incomes and spending with retail sales volumes down by 1.2% in Q3 and 5.1% since January.
- Retail sales fell by 1.4% in September, in part due to stores being closed for the State Funeral. Spending in food stores fell again, the 9th fall in 10 months.

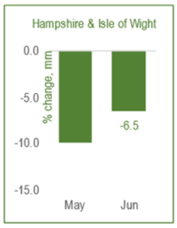
Consumer Confidence

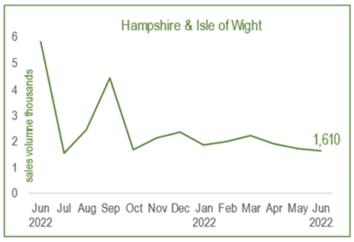




- UK consumer confidence tumbles to new low of -49 in September, the worst overall Index score since records began in 1974 as consumers struggle with cost-of-living crisis driven by rapidly rising food prices, utility bills and mortgage payments.
- Rising concerns about personal finances and economic outlook.

House Sales





- House sales in Hampshire & Isle of Wight decreased by 6.5% in June, registering around 1,610 sales, 26% below pre-pandemic levels.
- Timelier data has UK property price growth flatlining. Further cooling is expected as cost-of-living, the rise in interest rates, and cost of borrowing dampens buyer demand.

How to read 'traffic lights':

Refers to decline or growth relative to the previous period (GVA, PMI business activity and business prices indicators, job postings, business investment, retail and house sales).

In the case of inflation, PAYE employment & earnings and consumer sentiment it refers to the direction of travel relative to the previous period.

For claimant count unemployment indicators the change refers to the rate not the level. For example, a decrease in youth unemployment would see a downward green arrow.

Little or no change on previous period.

* The local estimate is preliminary and it needs to be treated with a high degree of caution since it is based on the sectoral mix of Hampshire and the Isle of Wight and the national sectoral impacts.

Sources:

The primary data sources are the Office for National Statistics (ONS) and HMRC, while additional data comes from several commercial sources such as S&P Global, Lightcast, CBI, BCC, HM Land Registry and the Bank of England.

Monthly/Quarterly data for Business Activity, Jobs & Earnings, Unemployment and Sentiment & Investment.

In the case of several monthly indicators, the South East is used as a proxy geography for Hampshire.

Estimates of payrolled employees and their pay from HMRC Pay As You Earn (PAYE) Real Time Information are preliminary but seasonally adjusted. Employment figures differ from the ONS Labour Force Survey (LFS) data. Median pay figures differ from the ONS estimates, and are based on gross PAYE earnings which do not cover other sources of income, such as self-employment.

For further information on Hampshire's labour market see Quarterly Labour Market Updates and Monthly Ward Claimant Count Reports available at:
https://www.hants.gov.uk/business/ebis/reports

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Hampshire County Council

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