

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	7 February 2023
Title:	Driving Towards Economic Strength
Report From:	Director of 2050 and Assistant Chief Executive

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Purpose of this Report

1. As reported in December 2022, the economic picture continues to be extremely challenging, with the Bank of England still forecasting a long and far-reaching recession which they suggest 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, recognising the importance of a strong and prosperous economy as a critical enabler of wider long-term outcomes across the County.

Recommendations

It is recommended that Cabinet:

2. Continues to 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.
3. 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, through shaping and influencing the key priorities set out in the Economic Strategy approved by Cabinet in December 2022. This also includes the County Council's role in promoting place-based regeneration and growth partnerships, the integration of the LEP's and a new Strategic Asset Management Plan approved by Cabinet in December 2022.

4. Continues to endorse the County Council's commitment to engage with Government for a Pan-Hampshire County Deal as part of the next Wave of national negotiations. This recognises 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

5. The most recent data from official sources and business and consumer surveys continues to suggest that the economy has already entered a recession and is expected to last until mid-2024. 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 others.
6. 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.
7. 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, particularly in the context of the recently approved Economic Strategy and Strategic Asset Management Plan.
8. The report also outlines the position on the continued aspiration to negotiate greater levels of devolved funding and powers through a County Deal, recognising the significant contribution a Deal could make to both economic recovery and also the longer-term economic ambition for our area.

The current economic challenge and our response

9. The recent downward economic 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.
10. 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.

11. In its November Monetary Policy Committee (MPC) report the Bank of England expects the UK economy to be in recession with GDP expected to have contracted by around 0.75% in the second half of 2022 followed by further falls throughout 2023 and in the first half of 2024. This is expected to be the longest recession since the records began but the recession is expected to be shallow. The Bank's central projection for calendar year growth points to a 1.5% contraction in 2023 followed by a 1% contraction in 2024. At the December MPC meeting the Bank expects GDP to have declined by 0.1% in 2022 Q4, 0.2 percentage points stronger than expected in the November Report. The December meeting also saw the Bank Rate raised by 0.5 percentage points, to 3.5%, the highest level since 2008.
12. The Office for Budget Responsibility is more optimistic than the Bank of England and expects a shorter recession lasting from Q3 2022 to Q3 2023. The squeeze on real incomes, the rise in interest rates, and fall in house prices will all weigh on consumption and investment, tipping the economy into a recession lasting just over a year from the third quarter of 2022, before returning to growth in 2024.
13. The impact of the last two recession 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.
14. 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. 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.
15. Timely data from surveys of purchasing managers (PMI) suggests that business activity in the region fell in Q4 2022 and dipping below the national average. The volume of new orders, a leading indicator of growth in the region fell for the third successive month, and largest drop since Jan 2021, with sharper decline than the UK.
16. Consumer surveys and retail sales are equally downbeat. Consumers struggle with a cost-of-living crisis driven by rapidly rising food prices, utility bills and mortgage payments. Black Friday sales failed to boost retail sales volumes in November (-0.4%) with weaker figures than expected following on from October's bounce back (0.9%) following the State Funeral in September.
17. October saw a 27% rise in utility bills due to the increase in the Ofgem price cap. The Ofgem energy cap was to increase further but it has been 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. In January 2023 arrangements beyond April 2023 have been clarified by Government, including the removal of the energy grant for all households, but more targeted support for lower income households. Alongside this it was also announced that the Energy Bill Relief Scheme for businesses will also end on 31st March 2023.

18. 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.
19. 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 this year.
20. High inflation and rising interest rates continue to weigh down on the housing market in the UK, where prices fell by 1.4% in November, the third monthly decline in a row (Nationwide). Although the volume of sales in Hampshire has begun to stall house price inflation in Hampshire was still rising. Residential investment is sensitive to interest rate rises and as such more cyclical and therefore prone to greater falls than consumer spending. A 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 the Land Registry the average price of a property in the Hampshire County Council area was close to a third above the England average.
21. 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.
22. Business intelligence from Hampshire's Economic Development team suggests that Hampshire continues to receive a steady flow of inward investment enquiries from Department for International Trade (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.

23. 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.
24. 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.
25. Visitor attractions, particularly in rural locations, may decide to completely close over this 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.
26. 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.
27. 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 10.7% in the 12 months to November 2022 but the introduction of the Energy Price Guarantee (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% according to the Bank of England.
28. The tightness of the labour market in Hampshire means that wages will remain a source of inflationary pressure. 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. This is expected to keep inflation at around 5.2% in Q2 2023 after which inflation is expected to come down sharply.
29. Hampshire is the most export intensive county in England according to Oxford Economics, 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.
30. 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).

31. Growth in PAYE employment has eased on an annual basis and only slightly on a monthly basis. The monthly payroll still increased by over 3,000 employees in November (2.3%) to a new record high of 905,800. The latest data suggests that the number of online job postings in Hampshire not adjusted for seasonal factors continues to defy expectations of a sharp slowdown.
32. 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. 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 to 6.5% in 2025.
33. 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.
34. 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. The strong growth in older population will lead to a sharp increase in demand for care that is already heavily constrained.
35. The long-term funding issue of 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.
36. 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. On 22 November, the government announced that the £500 Adult Social Care Discharge Fund will be pooled into the Better Care Fund (BCF). This will be divided between Integrated Care Boards (ICB) with £300 million allocated and £200 million to local authorities based on the Adult Social Care Relative Needs Formula. Pan-Hampshire has been allocated around £6.27 million, with Hampshire (County area) allocated £3,962,081, the Isle of Wight £638,679, Portsmouth £742,014, and Southampton £924,488.

37. 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 Camden & 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.
38. Businesses will only invest here in Hampshire 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.
39. Economic Intelligence Dashboard (Annex 1) produced in late-December contains additional information on the current economic trends and business intelligence (the most up to date at the time of writing).

County Deal

40. 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.
41. Over the past 12 months the County Council has worked collaboratively with all Local Authorities to agree a Statement of Common Ground, as well as a Pan-Hampshire County Deal Prospectus which was shared with Government in November 2022. This document sets out an independent Functional Economic Market Assessment (FEMA) for the Pan-Hampshire Area, as well as identifying a range of agreed opportunities for new powers and funding to explore with Government as part of Deal negotiations in the following thematic areas:
 - Supporting Sector Growth and Skills
 - Place Strategy
 - Net Zero and Net Environmental Gain
 - Integrated and Sustainable Transport.
42. The national agenda continues to be underpinned by the Government White Paper, Levelling Up the United Kingdom, which was published in February 2022 and 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.

43. On the back of the White Paper, legislation has also been developed to establish a new form of County Combined 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.
44. 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.
45. The majority of the Wave 1 Deals have now been agreed, following recent announcements in December 2022 for Deals in Suffolk, Norfolk, Durham, and Cornwall.
46. As the Wave 1 now turns to implementation, the Secretary of State confirmed that Wave 2 Deals will commence in early 2023, and the County Council has continued to engage actively with officials in preparation for these announcements and agreed across the Pan-Hampshire Authorities that Partners now stand ready to get to the negotiating table with Government.

Hampshire Economic Strategy

47. At the Cabinet meeting in December 2022, Cabinet received and approved the Economic Strategy reflecting the comments and changes from stakeholder consultation. The final approved version of the strategy has subsequently been published in January 2023: <https://www.hants.gov.uk/business/economic-strategy>
48. As noted in December, following the finalisation of the strategy the next steps are to develop the strategic action plans to best enable the delivery of the ambitions as set out in the strategy. This will include developing the associated partnership governance to develop, shape and deliver the economic strategy, recognising the key role of stakeholders including business representatives, Local Enterprise Partnerships, the Solent Freeport, Local Authorities and Education and Skills providers across the wider Pan-Hampshire functional economic area.
49. A key enabler of the Economic Strategy will be the recently announced Solent Freeport, as one of the first UK Freeports to be fully approved by Government. This is a significant opportunity to drive significant investment and growth, both within the designated tax site areas located within the County boundaries, but also the wider regional economic impact across the wider Hampshire area. In particular, the Freeport is anticipated to create approximately 15,000 jobs and attract £1.35bn of private investment for the area.

HCC's Strategic Asset Management Plan

50. In December 2022, Cabinet approved a new 5-year Strategic Asset Management Plan (SAMP) for the County Council's property and land assets.
51. 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.
52. Steps are now underway to develop key strategic actions within the plan to stimulate and support economic regeneration and growth and contribute to the shaping of Hampshire as a place. 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.

Regeneration and Growth Partnerships

53. 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.

54. In December 2022, Cabinet received the summary findings and recommendations of the externally commissioned work to engage with Districts and Unitary Councils to advise on the design principles for effective future arrangements in Hampshire. This was a collaborative exercise involving the consultants interviewing 10 District Councils and 2 Unitary Authorities as part of the commission, and their feedback has helped to inform the emerging conclusions of the work.
55. Following the commencement of the new Directorate structure implemented in January 2023, work is now underway to engage with District Councils to establish priorities and the bi-lateral approach for more effective and joined up place shaping. In doing so the County Council will 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 Hampshire 2050 vision and the more recently developed Hampshire Economic Strategy.

LEP Integration

56. 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.
57. 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.
58. 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.

59. 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 continues to take the position previously shared with Cabinet:

- 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, subject to progressing devolution negotiations with Central Government and;
- explore the opportunities for the development of a Member-led Hampshire Business Engagement Forum in accordance with establishing leadership and governance for the recently approved Economic Strategy; 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

60. The County Council continues to maintain a focus on driving towards economic strength for Hampshire. Following the implementation of the new Directorate structure in January 2023, steps are now underway to progress the leadership, governance, and implementation of recently approved Economic Strategy. This will be enabled through the continued development of key strategic enablers such as Regeneration and Growth Partnerships, the integration of LEPs, the County Deal and the introduction of the 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	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
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:

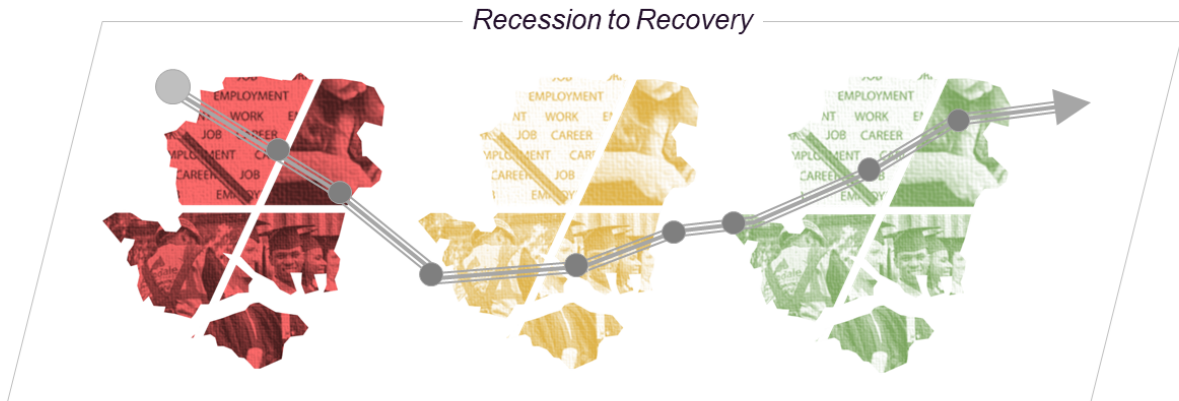
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion 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 disproportionately low.

2. Equalities Impact Assessment:

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



Hampshire Monthly Intelligence Dashboard

December 2022

Hampshire County Council
Economy, Transport and Environment



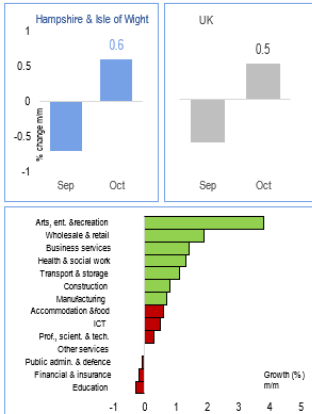
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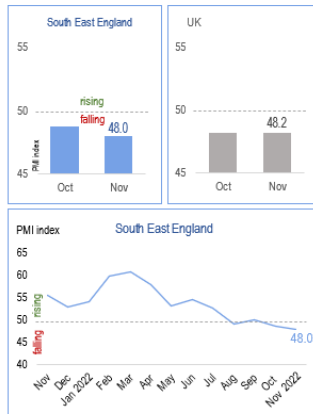
Business Activity

1

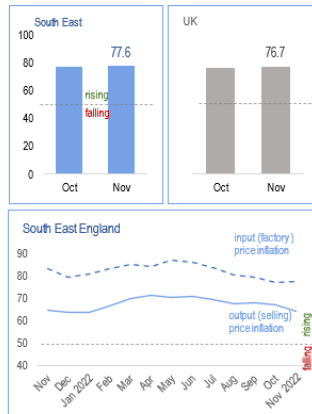
Economic Growth



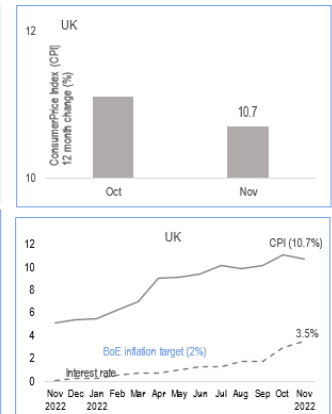
Business Activity



Business Prices



Inflation



- Hampshire & Isle of Wight economy expanded by 0.6% in October but growth was mostly due to the rebound following September's extra bank holiday. UK growth was 0.5% and -0.3% over the quarter to Oct.
- October's growth was driven by several large service sectors, construction and manufacturing.

- Survey evidence suggests business activity fell in the region in November dipping below the national average. The PMI survey excludes retail, a sector which will continue to weigh on growth.
- Third successive monthly fall in new orders, and largest drop since Jan 2021, with sharper decline than UK.

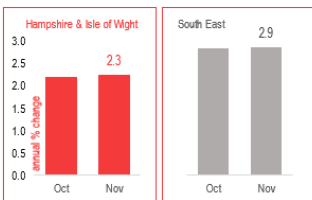
- Business prices remain elevated, and following modest easing in growth November saw an upturn in costs.
- Weaker pound and energy, material, transportation, utility and wage costs cited as primary drivers for rising costs. Output costs at 9-month low with competitive pressures forcing some businesses to absorb costs.

- Lower fuel prices helped price rises slow to 10.7% in November but cost of living remains close to 40-year highs.
- Inflation may have peaked but it will remain elevated in the short-term. The BoE increased the base rate by 50bps to 3.5% in December, the highest rate since 2008.

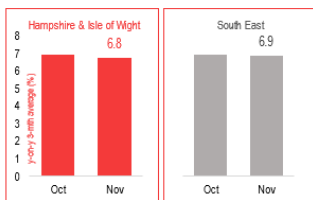
Jobs and Earnings

2

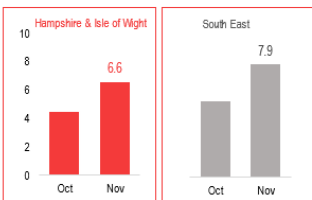
PAYE Employees



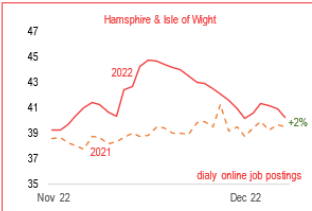
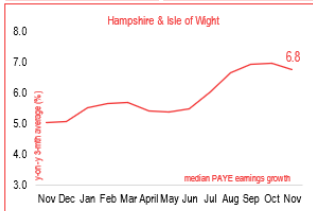
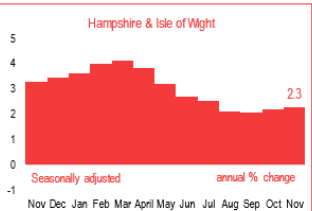
PAYE Earnings



Labour Demand



Demand by Occupation



Unique jobs postings by Occupation (SOC)	Nov	% of total
Programmers & Software Development Professionals	3,147	7.3
Care Workers and Home Carers	2,569	6.0
Other Administrative Occupations n.e.c.	2,259	5.3
Sales Related Occupations n.e.c.	2,253	5.2
Nurses	1,973	4.6
Customer Service Occupations n.e.c.	1,767	4.1
IT Business Analysts, Architects & Systems Designers	1,437	3.3
Kitchen and Catering Assistants	1,373	3.2
Managers and Proprietors in Other Services n.e.c.	1,071	2.5
Chefs	1,061	2.5

- PAYE employment in Hampshire and the Isle of Wight continues to rise, hitting a new record high of 905,800 payrolled employees in November.
- Growth on revised monthly payrolled employment was 0.3% (+3,100 employees). Annual and monthly growth both increased in November, but at a slower pace than SE or UK.

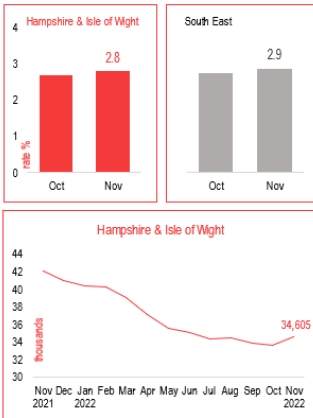
- Early payroll estimate for Hampshire & Isle of Wight points to a small decrease in median monthly PAYE pay growth at 6.8% in the quarter to November compared to Nov 2021.
- Real earnings (adjusted for inflation) continue to be eroded by inflation. The gap in public and private sector wage growth is near a record high.

- Job vacancies (the number of online job postings) in Hampshire & Isle of Wight grew by 6.6% in November, improving on October's 4.5%.
- Demand for labour continues to defy expectations of a sharp slowdown but the uptick could be driven by seasonal demand (shown in daily trends) or simply reflect shortages.

- Top in-demand jobs in Hampshire & Isle of Wight continue to be IT, care and business services (sales, admin).
- Demand for nursing and care increased but IT and customer services eased.
- The top five in-demand specialised skills were in business (finance, auditing, marketing, performance).

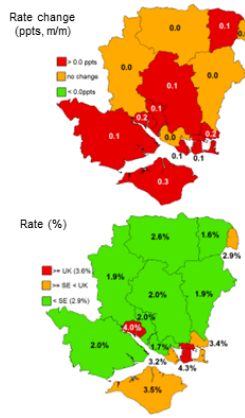
Unemployment

Claimant Unemployment



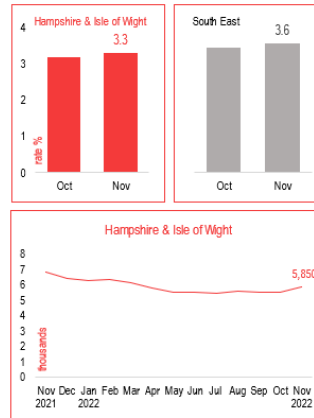
- Working age unemployed claimant counts in Hampshire & Isle of Wight (not adjusted for seasonal factors) saw a sharp increase (940) to 34,605, rising across all broad age groups but disproportionately for the 18-24s.
- The unemployed claimant count rate rose to 2.8% in Nov. The count is 35% higher than pre-pandemic levels.

Local Claimants



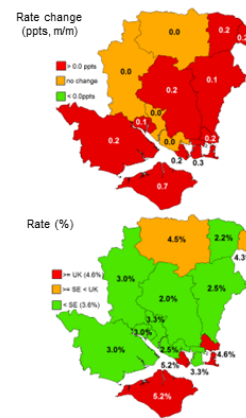
- Nine of the 14 local authorities in Hampshire & Isle of Wight saw a monthly increase in their claimant count rates; five saw no change.
- The two cities and Isle of Wight, accounted for two thirds of the increase in November.
- The two cities' working age rates are above the SE and UK averages.

Youth Unemployment



- The number of young unemployed claimants aged 18-24-year-olds in Hampshire & Isle of Wight also increased sharply (305) in November to 5,850 claimants.
- The youth claimant unemployment rate increased to 3.3% in November. Hampshire rate below both the South East (3.6%) and UK (4.6%) averages.

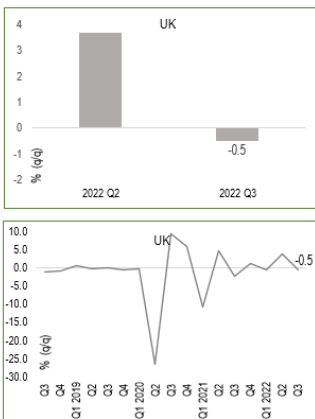
Local Young Claimants



- Ten of the 14 Hampshire & Isle of Wight local authorities saw an increase, and four no change in their monthly rates.
- Eight Hampshire & Isle of Wight districts had rates below the SE and UK rates, while Gosport (5.2%), Havant (4.6%), and IOW (5.2%) are above or equal to the UK rate.

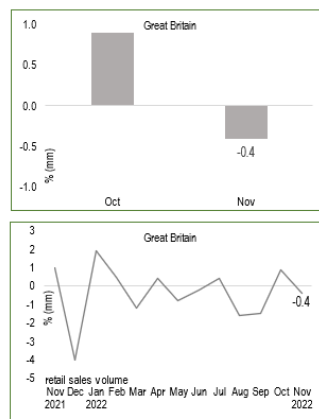
Sentiment and Investment

Business Investment



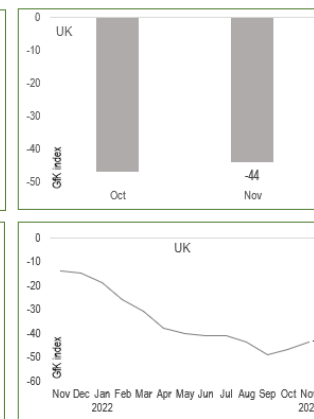
- Business investment fell in Q3 (ONS) with weak demand, tighter financial conditions and uncertainty contributing to reduced investment in Q4 according to BoE.
- Business investment is pro-cyclical and is forecast to be 9% below pre-pandemic levels in 2023 (CBI), with subdued outlook until in 2024.

Retail Sales



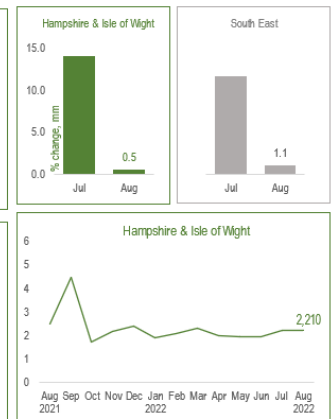
- Black Friday failed to boost retail sales volumes in November (-0.4%) with weaker figures than expected following on from October's bounce back (0.9%).
- High inflation and interest rates will continue to squeeze real spending and keep retail sales volumes subdued in the coming months.

Consumer Confidence



- Consumer confidence fell to its lowest level since July 2008 in April with consumer outlook for personal finances and the general economy being worse than in 2008.
- Preliminary data for May showed that consumer sentiment dropped to its lowest level for nearly 50 years amid the cost-of-living crisis.

House Sales



- House sales in Hampshire & Isle of Wight saw little movement in Aug (0.5%, +12), following robust growth in July, as the housing market cools.
- High inflation and rising interest rates continue to weigh down on the housing market in the UK. Prices fell by 1.4% in November, the third monthly decline in a row.

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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