

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	18 April 2023
Title:	Driving Towards Economic Strength
Report From:	Director of 2050 and Assistant Chief Executive

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Purpose of this Report

1. Economic outlook has improved slightly over the short-term, but irrespective of whether or not we enter a technical recession this year, the economy will be very weak and economic growth over the medium-term will be subdued compared to past trend. The focus for this and future reports is the required actions for working towards retaining the 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 prolonged economic slowdown 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 and a new Strategic Asset Management Plan.

4. Notes the March-23 budget statement in which Government have stated the intention for the functions of Local Enterprise Partnerships (LEPs) to be delivered by Local Government in the future. The County Council will feed into the consultation, and continues work constructively with all stakeholders during a transitional period, and continue to develop governance proposals for the future including a Hampshire Skills and Growth Board and Business Forum, aligned to the County Deal devolution proposals as well as wider pan-regional collaboration with Surrey County Council
5. 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, and notes the early engagement with Government Officials. 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

6. The economy was widely expected to be in recession by Christmas, but the UK economy avoided recession by the tiniest of margins. Our preliminary estimate suggests that Hampshire's growth was slightly faster than the UK average in the final quarter of last year, but the economy contracted faster than the UK average in December.
7. Economic outlook over the short-term has improved but irrespective of whether or not we enter a technical recession this year economy will be very weak. Over the medium-term economic growth is expected to remain well below pre-pandemic rates which will affect the levels of economic prosperity (household incomes and GDP per head) across the UK and Hampshire.
8. Despite the adverse economic conditions, the labour market in Hampshire remains tight and labour demand has strengthened in January but there are already increasing signs that level of Hampshire's workforce is likely to peak in the near future.
9. 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 the shrinking labour supply, dwindling investment and sluggish and uneven productivity growth.
10. This report provides the most recent overview of the impact of the slowdown on Hampshire's economy 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. This includes consideration of the

development of governance to now develop and implement the Economic Strategy, and alongside the updated Government's position on LEP integration, the opportunity to develop an Economic Growth and Skills Board across Hampshire.

11. 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

12. The second half of last year was characterised by skyrocketing energy prices with resulting inflation and labour shortages with the economy therefore widely expected to be in recession by Christmas. The first estimate from the Office for National Statistics (ONS) suggests that the UK economy narrowly avoided entering a technical recession of two successive quarters of decline in the final quarter of last year.
13. Our preliminary estimate of economic growth suggests that Hampshire's economy expanded by 0.1% in the final quarter of last year but more worryingly output is estimated to have fallen by 0.6% in December. This is slightly faster than the UK average (0.5%). The fall in December was in part driven by the decline in activity caused by the ongoing industrial action.
14. Economic growth in the final quarter of last year was driven by household consumption and investment. The stock of savings built up during the pandemic has supported real spending and growth. Households have largely exhausted their stock of savings which implies that the growth in real spending will be more in line with the growth in real incomes this year.
15. The slowdown in spending is shown in the latest official growth estimates which suggest that output in the service sector fell by 0.8% in December, with a larger fall in consumer facing services, reflecting reduced demand as the cost-of-living crisis increasingly takes hold.
16. Exports fell sharply but business investment recovered in the fourth quarter of last year. Business investment increased by almost 10% in 2022 compared to the previous year.
17. Total demand for commercial floorspace (commercial take-up) in Hampshire & Isle of Wight stood at 248,900 sq ft in December 2022, 2% lower than in November but some 20% higher than in October. General industry continues to remain the largest market accounting for 55% of total demand in Hampshire in December.

18. Anecdotal intelligence from Hampshire suggests that there is strong demand for sub 5,000 sq. ft offices and this demand is reflected in the latest take-up data with the share of offices in total take-up increasing from 22% in October to 40% by December 2022. As the cost-of-living crisis took hold it affected demand for retail and leisure with take-up falling sharply in December to 20,400 sq, over 50% lower than in October.
19. 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 private investment was relatively subdued in the first quarter of this year.
20. Recent investments include Frasers Property UK securing two new leases at Chineham Park, Turtle Beach Europe Limited, a leading gaming accessory provider, and a tech communications company. Totaljobs (recruitment firm) has taken more than 10,000 sq ft to accommodate 150 staff at Lakeside North Harbour (Portsmouth) and Vision Logistics, which required a new site to support its growth in the South East, taking 28,187 sq ft of space at Fareham Reach Business Park.
21. Acquisition market activity was stronger, with recent acquisitions including Associated British Ports (ABP) acquiring Solent Gateway which has run the Marchwood Military Port for the Ministry of Defense and Farnborough based games company NDREAMS acquiring games developer Near Light.
22. Southampton-backed Hydrogen Shipping Consortium has won more than £3.8m of government funding but Hampshire has lost out in the distribution of funds from the second round of the Levelling Up Fund (LUF) allocations with just one successful bid.
23. The Department for Levelling Up Housing and Communities (DLUHC) announced that Rushmoor Borough Council has been awarded £20 million in funding from the LUF for the development of a new Leisure and Cultural Hub (LCH) in Farnborough. The funding will be used for the construction of a new library, swimming pool, and leisure centre, as well as cultural and community spaces.
24. Timely data from surveys of purchasing managers (PMI) suggests that business activity in the region fell in January 2023 but at a slower pace than in December. Business sentiment in the region reached an eight-month high in January and improved sentiment is reflected in the volume of new orders, a leading indicator of business activity, which increased for the first time in four months in January.
25. Anecdotal evidence suggests that trading conditions remain difficult for tourism and hospitality operators in Hampshire. 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).

26. A sharp slowdown in activity or an outright recession will lead to a sharp increase in business insolvencies according to Capital Economics, a London based consultancy. It argues that business insolvencies may double to around 8,400 per quarter by the second quarter of next year. In Hampshire's case this could amount to over 250 business insolvencies per quarter or over 1,000 insolvencies over the next 12 months.
27. Consumer sentiment remains subdued and near historic lows, but retail sales volumes increased by 0.5% in January which was better than expected. Sales volumes were still 1.4% below their pre-coronavirus levels. Inflation, the strength of the labour market and housing market all weigh heavily on consumer sentiment and spending.
28. Recovery in house prices in February has added to optimism about the outlook for spending and growth. Halifax house price data suggests that house prices jumped by 1.1% in February following a 0.2% growth in January. The slight improvement most likely reflects some easing in the mortgage market, a better outlook for the economy and the strength of the labour market.
29. So far, we have seen minimal price falls in Hampshire and the UK but a large fall in transactions. House sales volumes in Hampshire & Isle of Wight fell by 9.3% in October compared to the previous month. Once buyer volumes recover the amount that can be spent on a new home will be reduced by higher mortgage rates and the squeeze on disposable incomes from relatively high inflation. This will exert downward pressure on prices.
30. The current year will most likely be the most difficult year for the housing market since the financial crisis of 2008/9. Mortgage rates are high and will remain high for at least another year which will weigh down on buyer demand.
31. Headline (CPI) inflation fell from 10.5% in December to 10.1% in January but the drop in the core rate (excluding energy and food) was greater as it fell from 6.3% to 5.8%. January saw another sharp easing in the pace of the increase in business costs which alongside easing in services inflation will reassure the Bank of England that inflation is moderating as it hoped.
32. In its latest forecast, published in February 2023, the Bank of England is expecting a shallow recession, and for output to fall by 0.5% in 2023. This is a better outlook than in their November forecast. The economy is expected to fare better thanks to an improved outlook for consumption in the light of the strength of the labour market, as well as a sharp decline in wholesale energy prices.
33. Business investment is sensitive to interest rate rises and it 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. Net trade is expected to make a major contribution to economic growth this year. Hampshire is the most export intensive county in England according to Oxford Economics. 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 as the United States. Thus, net trade should to some degree limit the extent of the downturn in Hampshire.
35. The International Monetary Fund (IMF) also expects the UK economy to shrink by 0.6% in 2023 but the National Institute for Social and Economic Research (NIESR) is expecting a 0.2% growth in 2023.
36. What is more concerning is that the latest forecasts from the Bank of England and the Office for Budget Responsibility (OBR) suggest that in the medium-term, growth is expected to remain well below pre-pandemic rates which will affect the levels of economic prosperity (household incomes and GDP per head) across the UK and Hampshire.
37. Interest rates have reached 4% with the recent resilience of economic activity suggesting that the rates will most likely peak at 4.5% later this year. However, resurgence of strong pay growth implies that the rates will stay at their peak levels until next year.
38. Despite the adverse economic conditions there is little evidence that would suggest that Hampshire's labour market is loosening. Economic activity rate in Hampshire and the Isle of Wight stood at 79.3% for the year to September 2022, similar to the South East average with the County rate above the UK average.
39. The employment rate stood at 76.5% with around 14,000 fewer working age residents in employment than at the same time in the previous year. The fall was almost entirely explained by falling numbers of self-employed residents.
40. The labour market has got tighter since September. Timelier payrolled (PAYE) employment data shows that the number of PAYE employees in Hampshire reached 908,000 in January or 6,500 additional residents in payrolled employment over the quarter. Employee growth over the quarter was 0.7%, slightly slower than the regional average. Over the year growth was 2.2% and below both the regional and UK averages.
41. Unemployment on the headline (survey-based) measure stands at around 3.5%, below the UK rate but above the South East rate. Timely data suggests that claimant count remained broadly unchanged in January but there was a small increase in youth unemployment.
42. Forward looking data suggests that labour demand as measured by growth in online job postings rebounded strongly in Hampshire in January following a sharp fall in December. The tightness of the labour market in Hampshire means that wages will remain a source of inflationary pressure.

43. Early payroll estimate suggests that median PAYE wage growth in Hampshire increased by 7.4% in the quarter to January compared to the same quarter a year ago. The Bank of England will be increasingly concerned about the persistence of domestic inflationary pressures as wage growth exceeded its forecast and it is likely to keep the rates at their peak levels until next year.
44. The UK Trade Skills Index shows that we are facing an 'urgent and alarming' shortage of skilled labourers in construction sector with demand for skills outstripping supply, wage hikes for hard-to-find tradespeople, higher household costs for repairs, and Government housebuilding targets missed. The projected fall in Hampshire's workforce suggests that this issue could soon engulf several other sectors in Hampshire.
45. The latest official data showed that there were around 20,000 fewer economically active working age residents in Hampshire in the year to September 2022 than in the previous year. The decrease was driven by people looking after the family/home and long-term sick. Lack of affordable childcare is one area impacting on rising economic inactivity with the UK having among the highest childcare costs in the OECD according to research by the Confederation of British Industry (CBI).
46. A slight decrease in Hampshire's workforce comes at a time when official population projections suggest that labour supply in Hampshire will peak in the near future. In the County area the working age population could peak in as early as 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.
47. 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. Thus, the long-term funding issue of health & social care remains one of the biggest challenges faced by local government.
48. The peak and subsequent decline in working age population implies that Hampshire will have to rely more on productivity growth to drive the overall growth in the economy and economic prosperity of its residents but there are substantial differences in productivity levels within Hampshire.
49. With labour productivity (output per hour worked) of around 54% above the national average North Hampshire is the most productive sub-area outside of 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.

50. The Energy Price Guarantee (EPG) Scheme which has benefited some 841,000 Hampshire households (588,000 of which are in the County Area) will have saved on average at least £1,000 a year. The scheme was due to end in April but has now been extended until the end of June.
51. The impact of higher prices is that seven million UK households (one in four) may face energy and food bills that exceed their disposable income in 2023/24, up from around 1 in 5 in 2022/23 according to the National Institute for Social and Economic Research (NIESR). The Chancellor is therefore likely to provide more targeted support for lower income households and possibly some businesses.
52. Household disposable incomes have fallen sharply since the beginning of the pandemic, but the fall was twice as large among the lower income households than higher income households (-18% and -9% respectively). The biggest falls in real incomes are now behind us.
53. Economic Intelligence Dashboard (Annex 1) produced in late-February contains additional information on the current economic trends and business intelligence.

County Deal

54. As has been previously reported, a County Deal has the potential to both strengthen economic recovery across Hampshire and deliver major strategic economic initiatives to drive 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.
55. 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.
56. 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.

57. 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.

58. The Prospectus was shared alongside a letter to the Secretary of State in November 2022, with a clear message that the County Council and its Partners stand ready to engage with Government.

59. Within the White Paper the Government announced 9 Wave 1 areas, which have been explored over the past 12 months. These are:

- Cornwall;
- Derby and Derbyshire;
- Devon, Plymouth and Torbay;
- Durham;
- Hull and East Yorkshire;
- Leicestershire;
- Norfolk;
- Nottinghamshire and Nottingham; and
- Suffolk.

60. 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. Only Leicestershire, Devon/Plymouth/Torbay and Hull/East Yorkshire now remain unagreed.

61. In January 2023, the Levelling Up Minister responded positively to the County Council's letter sent in November 2022. The letter stated that Minister welcomed the ambition demonstrated in the Prospectus, and wanted Officials to meet with Officers from the upper tier and Unitary Councils across Hampshire and the Isle of Wight, to collectively explore the opportunity for the Prospectus to be taken forward as part of the next Wave of negotiations.
62. These meetings have now taken place and have been an opportunity for Officials to understand the position and priorities of the County Council and the respective Unitary Authorities. Importantly these discussions highlighted the importance of District Council engagement, and Officials welcomed the governance principles that have already detailed in the Prospectus, setting out a commitment to respect sovereignty across our current functions, reflect sub-geography and ensure all organisations are appropriately represented. Helpfully, as these informal conversations progress, Officials indicated they would also welcome and value District Council engagement.

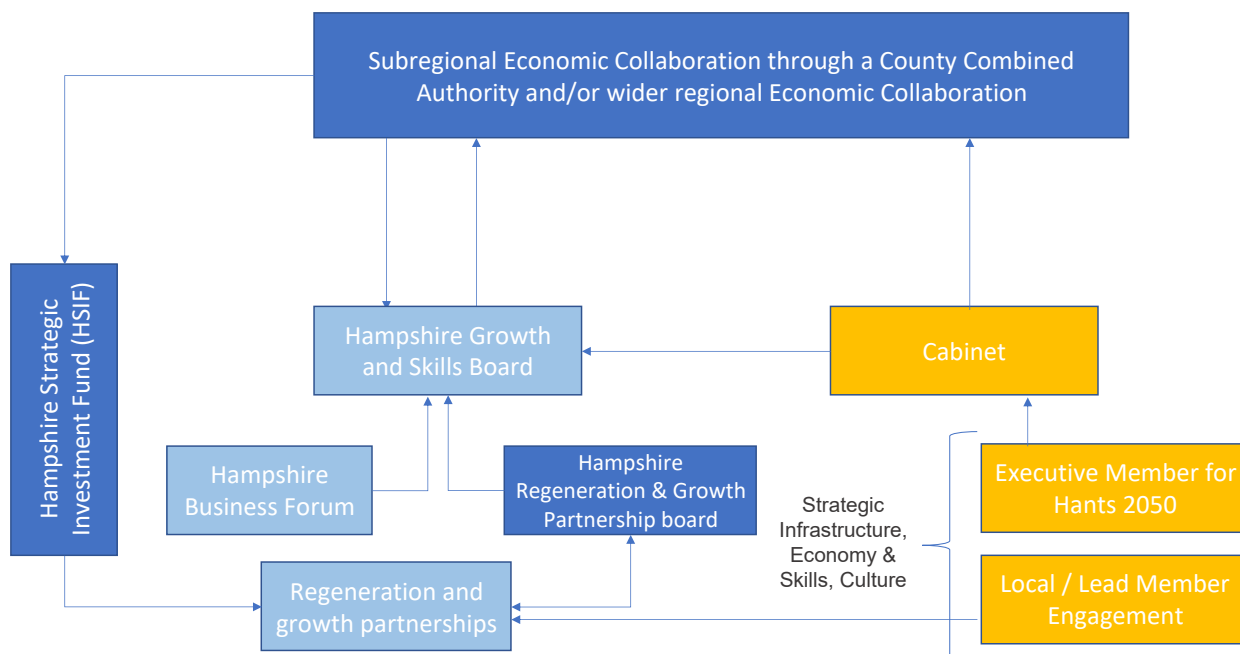
Hampshire Economic Strategy and Local Enterprise Partnership (LEP) Integration

63. 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>
64. As noted at February 2023 Cabinet, following the finalisation of the strategy the next steps are to develop the strategic action plans to best enable the prioritisation and delivery of the ambitions as set out in the strategy. This includes the development of the 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.
65. Alongside the actions noted above, the Government have confirmed in the March Budget announcements the continued intention to transition and integrate LEPs into local democratic institutions by April 2024. The Budget stated:

“The government is committed to empowering democratically elected local leaders at every opportunity. To this end, the government intends for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future. Therefore, the government is minded to withdraw central government support for LEPs from April 2024. DLUHC and the Department for Business and Trade will now consult on these proposals,

before confirming a decision. The government will publish an updated policy position to confirm next steps by the summer.”

66. In accordance with the Government’s position and as the County Council has stated previously, the County Council remains committed to working constructively with the LEPs and relevant stakeholders during both the consultation and any potential transitional period. This includes those Authorities where the County Council currently shares a LEP geography; notably Surrey County Council (Enterprise M3 LEP) and Southampton City Council, Portsmouth City Council and Isle of Wight Council (Solent LEP).
67. Following the March Budget announcement the County Council continues to engage with Enterprise M3 LEP and Solent LEP, reaffirming its commitment to developing and delivering the Pan-Hampshire County Deal proposals, and remaining supportive of the policy direction from Government to integrate LEP functions into a democratically accountable County Combined Authority for the wider Hampshire area. As previously reported to Cabinet, this creates significant opportunity to better join up and simplify the regional economic development ambitions and the associated governance across the County’s nationally and internationally significant economic geography.
68. With the timeline of April 2024 now confirmed, this will require early consideration of how to effectively align structures with the requirements of any potential devolution deal; the action planning of the Economic Strategy; embedding local Regeneration and Growth Partnerships and the business engagement forums used for Hampshire Story and the Skills and Apprenticeships work. The diagram below outlines the early thinking of how this could be structured and will be a starting point to be used for early engagement with key partners, stakeholders and businesses. The rationale of the governance structure is to ensure strategic discussions are held at the right level between the key organisations and relevant representatives.
69. A key component of this governance will be a single Hampshire Growth and Skills Board, bringing together a single economic and skills governance forum for the County as a whole, linking to existing arrangements (such as Local Skills Improvement Plans – LSIP) and the transition planning with both Solent and Enterprise M3 LEPs.



70. The early thinking is also mindful of the wider regional economic collaboration that would be required irrespective of potential devolution arrangements over the next 12-18 months. The County Council is therefore exploring opportunities with Surrey County Council to better collaborate across the wider economic region, recognising both significant sectoral alignment and interdependencies but also the combined strategic voice of a wider region of 2.6m people with the highest economic output of any city regions or Mayoral Combined Authorities outside of London.

71. A key enabler of the Economic Strategy also continues to 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

72. In December 2022, Cabinet approved a new 5-year Strategic Asset Management Plan (SAMP) for the County Council's property and land assets.

73. The first actions from the plan are now being implemented in relation to the rationalisation of the County Council's corporate office estate. This included an exempt decision taken at the Leader and Executive Member for Hampshire 2060 and Corporate Services & Deputy Leader and Executive

Member for Hampshire 2050 and Corporate Services Decision Day in March 2023 focussing on the Winchester corporate office portfolio.

74. The focus continues to be on rationalising the estate to address low utilisation levels that have arisen and been sustained following the Covid-19 pandemic, and the opportunity to secure revenue cost savings alongside a financial return for the disposal of surplus assets.
75. Alongside the office portfolio, the County Council continues to recognise the broader opportunities to support, enable and contribute to economic regeneration and growth through the County Council's assets, particularly in our town centres.
76. 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

77. 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.
78. 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.
79. Following the commencement of the new Directorate structure implemented in January 2023, actions have been undertaken 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.

Conclusion

80. 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

February 2023

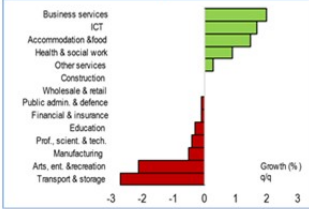
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Hampshire 2050



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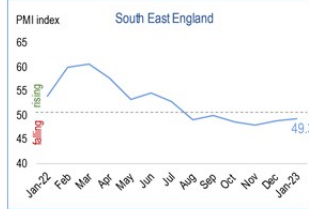
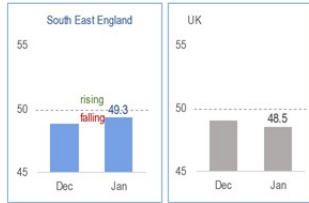
Theme	Indicators	
Business Activity	<ul style="list-style-type: none"> Economic Growth Business Activity Business Prices Inflation 	Page 1
Jobs and Earnings	<ul style="list-style-type: none"> PAYE Employees PAYE Earnings Labour Demand Demand by Occupation 	Page 2
Unemployment	<ul style="list-style-type: none"> Claimant Unemployment Local Claimants Youth Unemployment Local Young Claimants 	Page 3
Sentiment and Investment	<ul style="list-style-type: none"> Business Investment Retail Sales Consumer Confidence House Sales 	Page 4

Economic Growth ↑



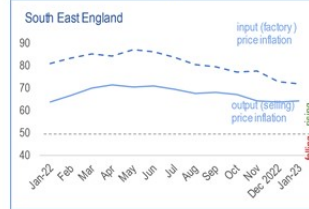
- Our preliminary estimate suggests that Hampshire & the Isle of Wight economy expanded by 0.1% in the final quarter of last year, thus avoiding a technical recession.
- Growth in private consumption and investment was largely offset by net trade - export volumes fell by 1.0% in the final quarter of last year.

Business Activity ↓



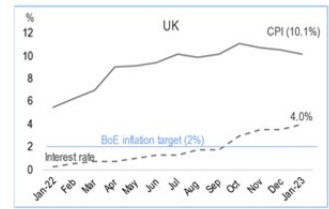
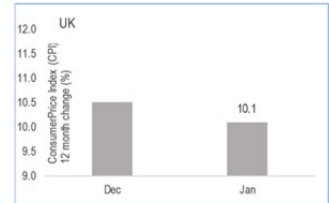
- Estimated fall in Hampshire's monthly GVA of around 0.6% in December (UK -0.5%) suggests that avoiding a recession may prove harder.
- Survey data points to a small fall in output in January but the volume of new orders in the region increased for the first time in four months.

Business Prices ↓



- January saw another sharp increase in business costs but the pace of the increase eased to a 20-month low. Energy prices and lower transportation fees have helped to contain business costs last month.
- Prices charged for goods and services increased at a faster pace than in December.

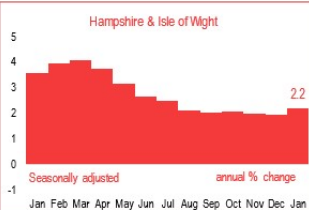
Inflation ↓



- Growth in consumer prices eased to 10.1% in January. The easing in services inflation and the drop in the core rate from 6.3% to 5.8% suggest that inflation will continue to moderate.
- The Bank of England raised the rates to 4% in December and implied that rates are close to their peak.

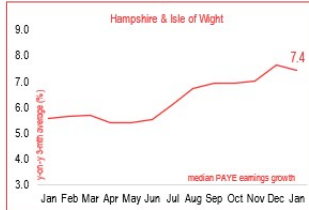
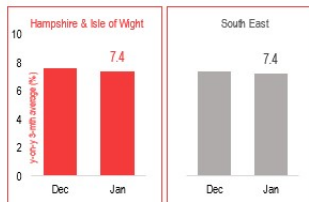
Jobs and Earnings

PAYE Employees ↑



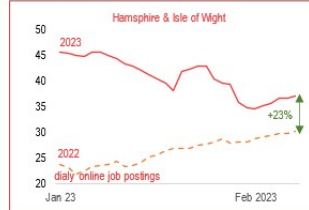
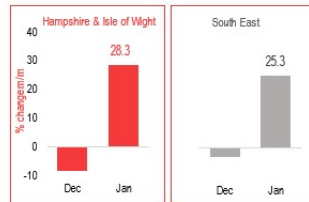
- PAYE employment in Hampshire and the Isle of Wight saw growth in January to reach a record high of 907,900 payrolled employees.
- Growth on revised monthly payrolled employment was much stronger with 3,700 additional employees. Annual and monthly employee growth (2.2%) was weaker than in the region/UK.

PAYE Earnings ↑



- Early payroll estimate for Hampshire & Isle of Wight points to a strong increase in median monthly PAYE pay growth at 7.4% in the quarter to January compared to January 2022, but at a slower pace than last month.
- The Bank of England will be increasingly concerned about the strong growth of PAYE wage growth

Labour Demand ↑



- December's vacancy data pointed to some easing in labour demand in Hampshire but online job postings rebounded strongly in January, up 28% and faster than the regional average.
- The tight labour market conditions continue to support strong wage growth in Hampshire & Isle of Wight.

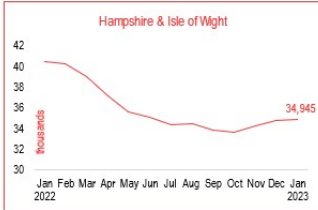
Demand by Occupation

Unique jobs postings by Occupation (SOC)	Jan	% of total
Care Workers and Home Carers	3,567	7.3
Sales Related Occupations n.e.c.	2,745	5.6
Other Administrative Occupations n.e.c.	2,845	5.8
Nurses	2,260	4.6
Programmers & Software Development Professionals	2,133	4.4
Customer Service Occupations n.e.c.	1,892	3.9
Kitchen and Catering Assistants	1,708	3.5
Cleaners and Domestic	1,409	2.9
Managers and Proprietors in Other Services n.e.c.	1,237	2.5
Van Drivers	1,188	2.4

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

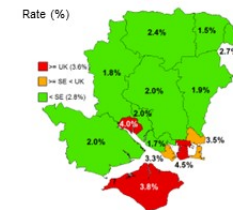
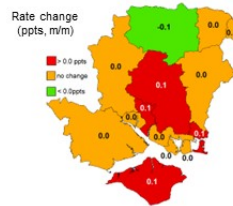
- Top in-demand jobs in Hampshire & Isle of Wight in January were in health and care such as care-workers and nurses, sales, IT and several lower-skilled occupations such as cleaners and van drivers.
- The top five in-demand specialised skills were in finance and business (auditing, marketing, performance).

Claimant Unemployment



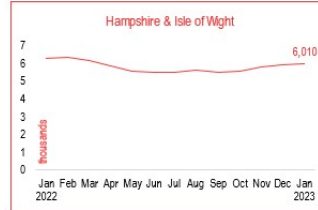
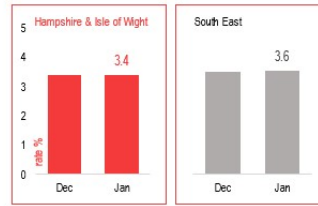
- The number of working age unemployed claimants (not adjusted for seasonal factors) in Hampshire & Isle of Wight increased by 115 to 34,945 in January. Growth was driven by young people (18–24-year-olds).
- The unemployed claimant count rate was unchanged at 2.8%. The count is 36% higher than pre-pandemic levels.

Local Claimants



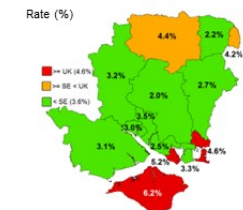
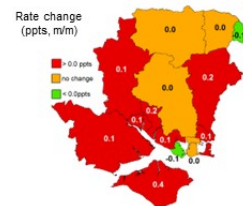
- A mixed picture across the 14 local authorities in Hampshire & Isle of Wight; most seeing no change, four increasing, and one a decrease.
- The Isle of Wight, accounted for nearly around three quarters of the increase in January.
- The two cities and IoW rates remain above the SE and UK averages.

Youth Unemployment



- The number of young unemployed claimants aged 18–24-year-olds in Hampshire & Isle of Wight increased more slowly (+105 to 6,010 claimants) in January than in December.
- The youth claimant unemployment rate was up 0.1 ppts to 3.4% in Jan, below both the South East (3.6%) and UK (4.6%) averages.

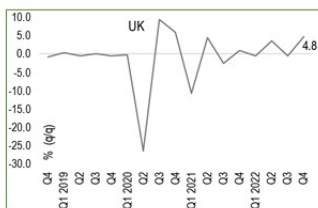
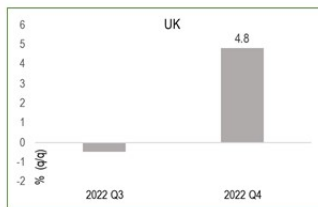
Local Young Claimants



- A mix picture at local level with seven Hampshire & Isle of Wight local authorities seeing an increase, four no change, and two a decrease in their youth unemployment rates.
- Most Hampshire & Isle of Wight districts had rates below the SE and UK rates, while Havant, Gosport and IoW are equal or above the UK rate.

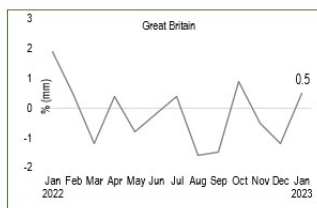
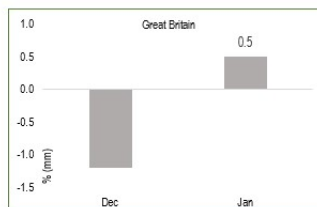
Sentiment and Investment

Business Investment



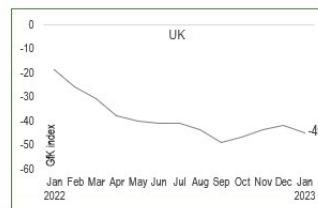
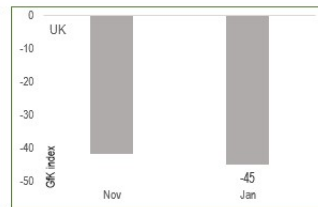
- Business investment increased by 4.8% in the final quarter of last year.
- It has taken business investment three years to return to its pre-Covid19 level.
- Business sentiment in the region reached an eight-month high in January, in part driven by expected recovery in demand.

Retail Sales



- Retail sales volumes increased by 0.5% in January which was better than expected. Sales volumes were still 1.4% below their pre-coronavirus (February 2020) levels.
- The sharpest falls in real household incomes are behind us but the outlook for retail sales is subdued for at least another six months.

Consumer Confidence



- Following a three point drop in January consumer sentiment returned to near historic lows.
- The major purchases index fell which doesn't bode well for growth outlook but the outlook for personal financial situation improved slightly.
- There were high levels of pessimism over the state of the wider economy.

House Sales



- House sales in Hampshire & Isle of Wight decreased sharply in Oct (-9.3%) with 213 fewer sales as the housing market continues to cool.
- Timely data suggests buyer demand at lowest since 2009 (RICS).
- House prices fell in early 2023 according to Rightmove/Nationwide or stalled according to Halifax.

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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