

HAMPSHIRE COUNTY COUNCIL

Decision Report

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

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Purpose of this Report

1. The economy weathered the cost-of-living crisis much better than most expected but the full force of inflationary pressures and associated increases in interest rates has yet to be felt. Therefore, the economic outlook continues to be challenging for both businesses and residents across Hampshire. 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 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. Continues to note the steps the County Council is taking to engage in the national Local Enterprise Partnership (LEP) disaggregation exercise by April 2024, following the budget statement earlier this year. In particular, the County Council is now taking steps to develop a Hampshire Skills and Growth Board and Business Forum during this timeframe.
5. Continues to endorse the County Council's commitment to engage with Government for a Pan-Hampshire County Deal, and notes the positive progress to get clarity on Ministerial expectations on a single Pan-Hampshire geography for any devolution Deal for Hampshire County Council, Southampton City Council, Portsmouth City Council and Isle of Wight Council.

Executive Summary

6. The economic picture at the end of June 2023 continues to mirror the national economic outlook reflecting on-going economic challenges, fuelled by the strength of domestic inflation, rising interest rates and labour market shortages.
7. The recent growth in business activity and economic output will further raise hopes that the economy will escape recession this year but the full force of the increase in interest rates has yet to be felt and there is still a possibility that the economy might find itself in recession in the second half of the year.
8. The report does make reference to a number of positive examples of inward investment, major contracts and mergers and acquisitions, which continue to demonstrate that despite the challenging economic picture, Hampshire continues to be an attractive place for inward investment and business growth.
9. As has been noted previously, the County Council has continued its ambition to increase Hampshire's 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. This is mirrored in relatively strong employment and labour market figures in comparison to national averages, and particularly workforce productivity measures.
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 national guidance issued on LEP integration, the opportunity to develop an Economic Growth and Skills Board across Hampshire.

11. The report also outlines the positive progress being made on the Devolution ambition for the wider Hampshire region in the form of a Pan-Hampshire County Deal. The report outlines the clear steer provided by Government on geography for any Deal, and continues to reflect on the significant opportunity a Deal could make for residents, businesses and communities.

The current economic challenge and our response

12. The economy was widely expected to be in recession by Christmas 2022, but Hampshire weathered the cost-of-living crisis better than most expected. Our preliminary growth estimate suggests that Hampshire & Isle of Wight economy expanded by 0.1% in Q1 2023, comparable to the UK average but growth in Q4 2022 was faster than previously thought and above the national average.
13. The start to the second quarter was again better than expected. Estimated growth in Hampshire was 0.3% in April and slightly faster than the UK average. This is corroborated by the most recent regional data from business surveys of purchasing managers (PMI) which suggests that May marked the second strongest growth in business activity in the region in almost a year, with gains registered in sales and new orders as business price pressures recede. Growth in business activity and new orders in May will further raise hopes that the economy will escape recession this year.
14. Survey data suggests that business confidence in the region remains historically high. High business sentiment in May was linked to new product releases, positive demand trends, workforce investment and expected softer business cost pressures. The South East had the third highest business sentiment in the country.
15. Business investment increased in the first quarter following a decrease in the final quarter of last year, but business investment is sensitive to interest rate rises and it is expected to fall over the next 12 months as the combination of high business costs and rising interest rates reduce corporate profits.
16. Another factor that is likely to impede business investment and growth this year is a tightening of global credit conditions driven by the failure of the Silicon Valley Bank and several other US banks and the takeover of Credit Suisse by UBS.
17. Total demand for commercial floorspace (commercial take-up) in Hampshire & Isle of Wight stood at 454,000 sq. ft in the second quarter of 2023. This was just 2.3% below the first quarter but data for the second quarter covers the period up to the 19th of June. Total demand in the second quarter was therefore similar to the first quarter and close to a third lower than in the final quarter of last year. General industry continues to remain the largest market accounting for 71% of total demand in Hampshire in the second quarter, followed by offices at 24%.

18. The second quarter saw a quarterly increase in commercial take-up of around 14% in industry and offices respectively, retail was down 74% and there were no new take-ups among hotels. The increase in offices comes on the back of a 40% decrease in the first quarter. The demand for offices will continue to be affected by firms adopting to new ways of flexible and remote working.
19. Business intelligence from Hampshire's Economic Development team suggests that Hampshire continues to receive a steady flow of inward investment enquiries from the Department for Business and Trade, but private investment continues to be relatively subdued in the first half of this year.
20. Alongside the take up of commercial space, a number of recent investments and new contract awards have been made over the past quarter including:
- The development at Nelson Gate in Southampton which received £3.5 million investment from FI Real Estate Management to transform the site into a STEM-led community workspace named 'The Bulb'.
 - Lidl have announced locations for five new stores in Southampton (forming part of the chain's huge expansion plans for the upcoming two to three years).
 - British Ocean Sediment Core Research Facility (BOSCORF), based at the National Oceanography Centre in Southampton is to receive £594,000 in funding for X-ray fluorescence sediment core scanner.
 - Hampshire based Chemring Energetics has won a £43m contract to produce anti-tank weapon parts for the Next Generation Light Anti-Tank Weapon system (NLAW). Chemring Energetics UK forms part of the global Chemring Group, headquartered in Romsey.
 - French winemaker Vranken-Pommery Monopole has given planning permission for a new winery at its Pinglestone estate in Alresford, capable of producing around 200,000 bottles of English sparkling wine per year.
21. Trading conditions remain difficult for tourism and hospitality operators in Hampshire, but we have seen some improvement as reflected in the latest growth estimates. Hotel demand has been hit but financially stretched households are increasingly more likely to take a domestic holiday instead of a foreign one.
22. Hampshire's important cruise sector has rebounded strongly post pandemic. Seven new cruise ships will make their first visits to Southampton in 2023 amongst an estimated 2 million passengers on nearly 500 vessels. Portsmouth is looking to triple the number of passengers welcomed on cruise calls from 35,000 in 2022 to 97,000 on 83 ships in 2023. Southampton port estimates that on average each cruise call is worth £2.7m to the local economy.

23. Retail sales volumes increased in April following a poor weather-related decrease in March. In the three months to April sales volumes increased at the fastest pace since August 2021.
24. As reported in June, house prices in the UK increased in April according to HM Land Registry data. The pause in house price falls reflects recent improvements in consumer sentiment and incomes and some reversal of the spike in mortgage rates after the peak reached in the autumn. Further rises in interest rates and stubbornly high inflation will continue to exert downward pressure on prices across the country however.
25. With the average house price at £383,200 in April or about a third above the national average, affordability in the County area is stretched by historic standards. 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 is set to continue to exert downward pressure on house prices across much of Hampshire & Isle of Wight.
26. Local data from HM Land Registry suggests that alongside falling house sales, prices have now started to fall across much of Hampshire. House prices in the County area fell by 0.4% in April compared to March, smaller than in Southampton (-1.6) but above Portsmouth (-0.1). On the Isle of Wight prices increased by 1.3% following a sharp fall in March.
27. The consumer price inflation stood at 8.7% in May, unchanged on the previous month and above expectations. Core inflation, which strips out volatile components like food and energy prices, increased to 7.1%, the highest level since 1992. The rise in core inflation alongside the strong growth in wages suggests that domestic inflationary pressures are getting stronger and that the rates may have to rise faster and further than previously thought to contain inflation.
28. Survey evidence suggest that May saw the slowest increase in business costs (input prices) in over two years, but business costs in the region remain historically elevated. Upward cost pressures stemmed from higher salary and insurance while businesses faced lower energy, transportation, and raw material costs. Falling energy price inflation implies that the energy supply shock should fade fast, but a tight labour market will probably mean that core inflation remains relatively high for longer than previously thought.
29. Prices charged for goods and services remain elevated but the increase in the overall rate of output price inflation in the region in May was the second slowest in almost two years. Nevertheless, the increase in prices charged for goods and services in the region was the highest in the country in May.
30. Labour demand in Hampshire & Isle of Wight was broadly unchanged in April compared to March but resilience returned in May with a small increase in PAYE employment and a large seasonal jump in labour demand in Hampshire.

31. Self-employment continues to bear the brunt of both the impact of the pandemic and the cost-of-living crisis. Official data from ONS suggests that self-employment in Hampshire and Isle of Wight decreased by 18,000 in the year to December 2022 compared to the previous year. Overall employment decreased by 12,000 last year and the fall was driven entirely by a reduction in self-employment.
32. Unemployment on the headline (survey-based) measure decreased by almost 11,000 in 2022 with some of the decrease accounted for by the increase in economic inactivity. Timely data suggests that the proportion of people and young people claiming unemployment related benefits (not adjusted for seasonal factors) in Hampshire and the Isle of Wight decreased to 2.8% and 3.7% respectively in May with most local authorities in Hampshire seeing lower rates in May.
33. Early payroll estimate suggests that median PAYE wage growth in Hampshire increased by 7.3% in May from 7% in April. Pay growth in Hampshire was elevated by historical standards and above the regional average. The recent increase in the number of job vacancies suggests that the upward pressure on wage growth from labour shortages in Hampshire is probably not past its peak.
34. Unexpected rise in pay suggests that the Bank of England is likely to raise interest rates in June and with wages remaining a key source of inflationary pressure markets expect that the rates may have to rise to 6% by the end of the year to quash inflation.
35. The main labour market outcomes in Hampshire compare favourably with the national average. Economic activity stands at 79%, the employment rate at 76.4% and unemployment on the headline (survey-based measure) at just 3.2%. The County area headlines are similar or better than the South-East average.
36. A large fall in the number of economically active residents of working age, down 23,000 in 2022, has made the labour market in Hampshire somewhat tighter. The decrease was driven by people looking after the family/home and the long-term sick.
37. The sub-national productivity estimates published on 20 June 2023 showed that labour productivity in Hampshire and Isle of Wight stood at 10.5% above the national average in 2021, in relative terms slightly lower than in 2020 and 2019. A slight weakening in relative productivity is mostly explained by a further decline in labour productivity in Southampton.

The latest *Economic Intelligence Dashboard* (Annex 1) produced in late-June contains additional information on the current economic trends and business intelligence.

County Deal

38. 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.
39. 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.
40. 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.
41. Over the past 18 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 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.
43. 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.
44. 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. More recently there has also been positive statements of intent for Leicestershire, Hull/East Yorkshire and also Lancashire.
45. 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.
46. During these early meetings with Officials, the Leaders of Southampton City Council, Portsmouth City Council and Isle of Wight Council wrote to the Levelling Up Minister, proposing a 2 Deal approach for the Pan-Hampshire region i.e. One Deal for the County Council and a separate Deal for the 3 Unitary Authorities (Southampton, Portsmouth and Isle of Wight).
47. The County Council, alongside Southampton City Council, Portsmouth City Council and the Isle of Wight, have now received a clear letter from the Minister setting out a strong Ministerial steer that the only Deal that will be considered is on a single Pan-Hampshire geography. This broadly aligns to the geography set out in the Prospectus (less Bournemouth, Christchurch and Poole), and is a Deal that would operate at significant economic scale

across the broader Pan-Hampshire region, whilst retaining the integrity of current local government boundaries.

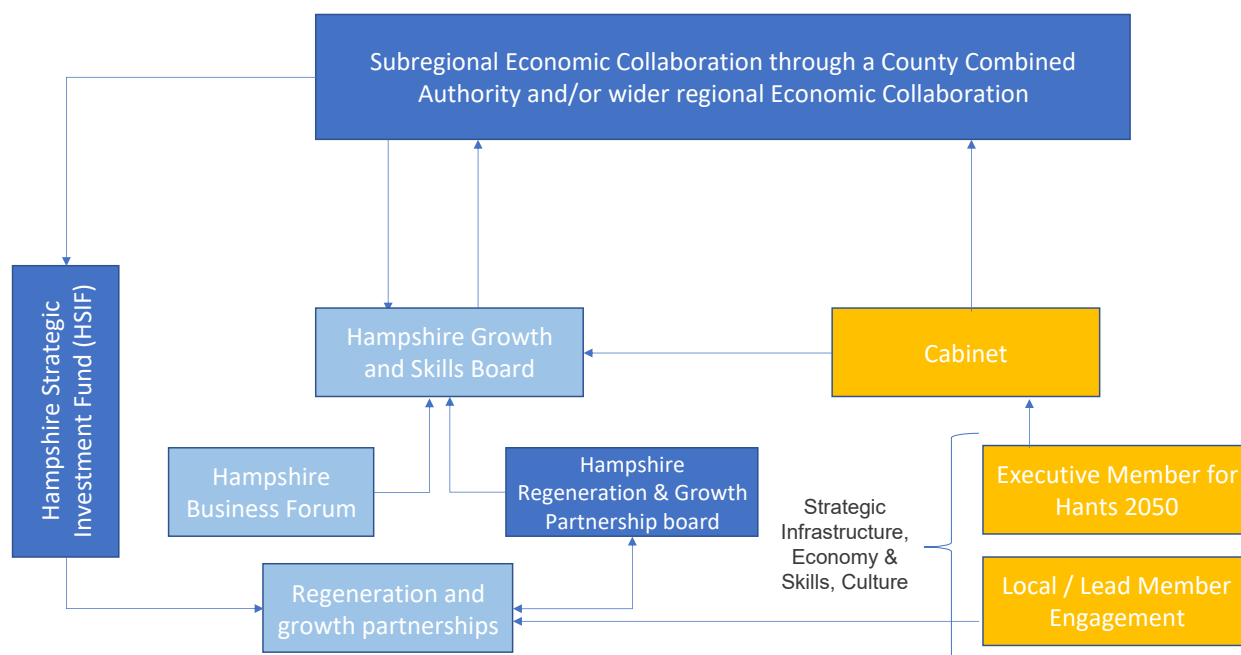
48. Discussions with Officials have also importantly highlighted District Council engagement, and Officials welcomed the governance principles that have already detailed in the Prospectus, setting out a commitment to respect sovereignty across our current functions, reflect sub-geography and ensure all 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

49. 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>
50. 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.
51. Alongside the development of this thinking, the Government confirmed in the March 2023 budget statement the continued intention to transition and integrated LEPs into local democratic institutions by April 2024.
52. Following this announcement, the Department for Levelling Up, Housing and Communities (DLUHC) launched a “*Local Enterprise Partnerships (LEPs) Future Funding Information Gathering Exercise*”, including questionnaires LEPs, Local Authorities and other stakeholders to understanding the implications of the end to Government core funding and how the activities currently carried out by the LEPs might change, cease or be transferred.
53. The County Council responded to this exercise in April 2023 through the completion of separate questionnaires in relation to the two LEPs, Enterprise M3 LEP and Solent LEP, operating within the County geography. In doing so, the County Council has been clear on its position to work constructively with all stakeholders during a transitional period, particularly in the context of neighbouring Local Authorities, District and Borough Councils and the previously stated Devolution ambitions. This reflects the

County Council's commitment to prioritise the delivery of the recently published Economic Strategy and recognised the valuable role LEPs have played in driving investment, economic growth and bringing businesses, education and Local Authorities together over the past decade. It also recognised the potentially different role the County Council may need to fulfil for the Enterprise M3 LEP in its current formal role as the Accountable Body.

54. As noted in both this paper and previous Cabinet updates, the County Council remains committed to developing and delivering the Pan-Hampshire County Deal proposals, and is supportive of the policy direction from Government to integrate LEP functions into a County Combined Authority for the wider Hampshire area. This creates a significant opportunity to better join up and simplify economic development ambitions and the associated governance at scale across the wider regional geography, and can begin to bring together and incorporate previous place based initiatives such as the *Hampshire Story*.
55. With the timeline of April 2024 now confirmed for the integration of the LEPs, this requires 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.
56. At the April 2023 meeting of Cabinet the development of a single Hampshire Growth and Skills Board was explained, which would bring 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. Importantly, this could also form the basis of a direction of travel towards wider sub-regional economic collaboration through a future County Deal.



57. This early thinking continues to be developed and needs to be done in conjunction with wider regional economic collaboration that would be required irrespective of potential devolution arrangements over the next 12-18 months, as well as future Governance direction following the outcome of the current DLUHC engagement exercise, which is expected in advance of the Summer recess.

HCC's Strategic Asset Management Plan

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

59. 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 the recently announced sale of a surplus building, Capital House, in Winchester as part of an exempt decision taken at the Leader and Executive Member for Hampshire 2050 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.

60. 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.

61. 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.

Regeneration and Growth Partnerships

62. 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.
63. 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.
64. Following the commencement of the new Directorate structure implemented in January 2023, actions continue 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

65. The County Council continues to maintain a focus on driving towards economic strength for Hampshire. Steps continue in the context of the national policy position on Devolution and LEPs to now progress the leadership, governance, and implementation of recently approved Economic Strategy. Many of the next steps will be dependent on Government policy and appetite in relation to a devolution ambition for the area and the associated approach to LEP integration.

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:

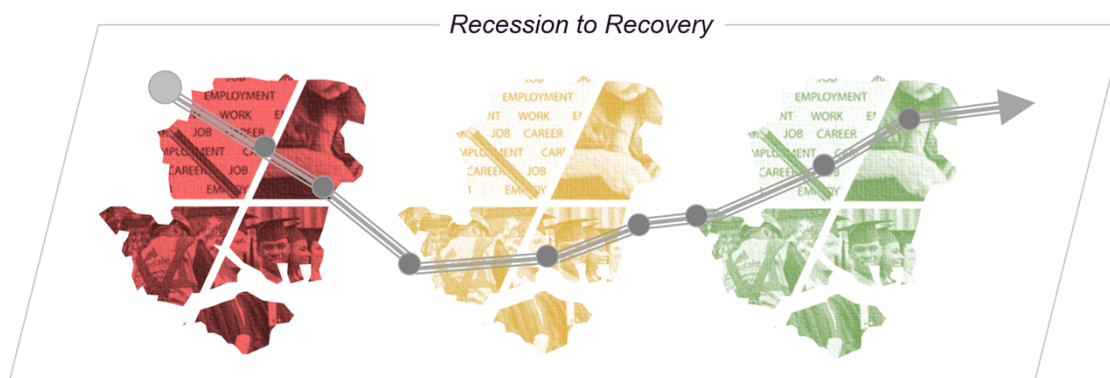
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion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

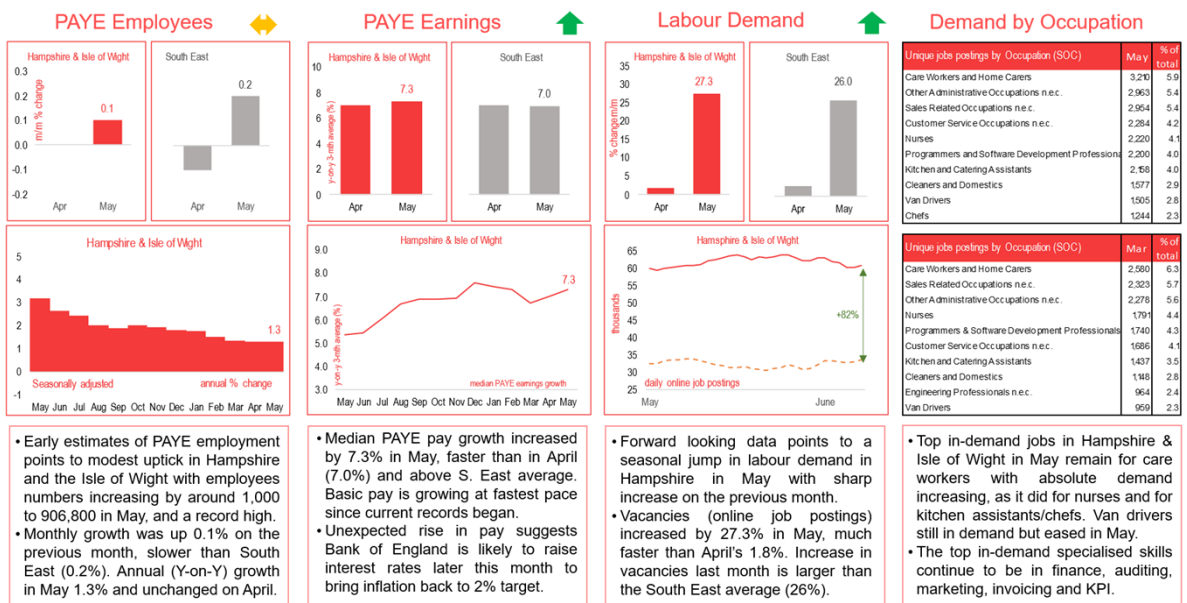
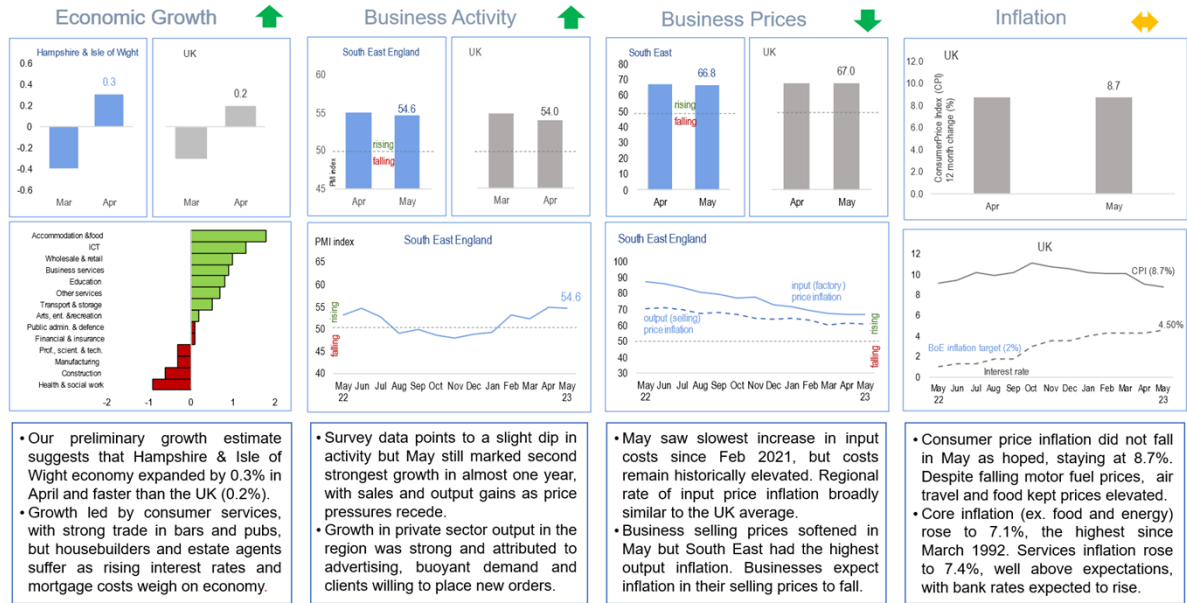
June 2023

Hampshire County Council
Hampshire 2050

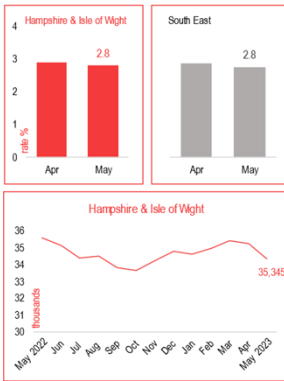


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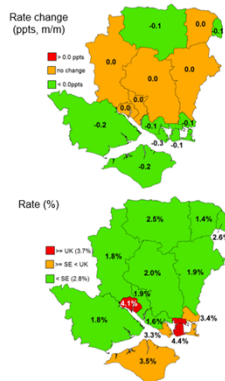


Claimant Unemployment



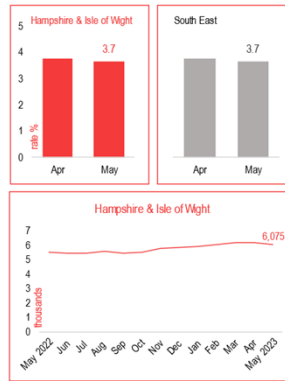
- The number of working age unemployed claimants (not adjusted for seasonal factors) in Hampshire & Isle of Wight saw seasonal decrease of 945 to 35,345 in May. Falls across all ages but driven by under 25s.
- The unemployed claimant count rate was down to 2.8%. The number was 34% above pre-pandemic levels.

Local Claimants



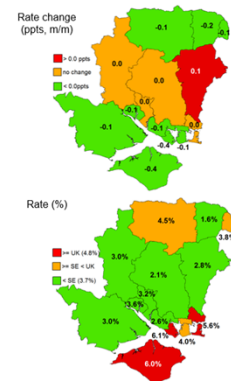
- Most Hampshire & Isle of Wight authorities saw their working age unemployment rate decrease, while six saw no change.
- Unemployment rates in most Hampshire & Isle of Wight authorities are below the two benchmark areas, with only the two cities above the UK rate in June.

Youth Unemployment



- The number of young unemployed claimants aged 18–24-year-olds in Hampshire & Isle of Wight decreased by 155 claimants in May to stand at 6,075, but higher on the year.
- The youth claimant unemployment rate was down to 3.7% in May, mirroring the South East average and below the UK (4.8%).

Local Young Claimants



- Most Hampshire & Isle of Wight local authorities (nine) saw their youth unemployment rate decrease, four saw no change, and only East Hampshire saw an increase.
- Most Hampshire & Isle of Wight districts had rates below the SE and UK rates, while Havant, Gosport and IoW remain above the UK rate.

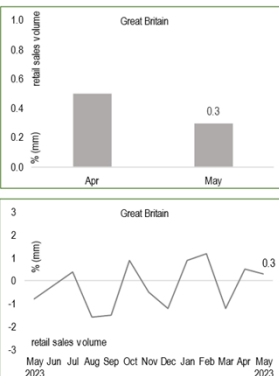
Sentiment and Investment

Business Investment



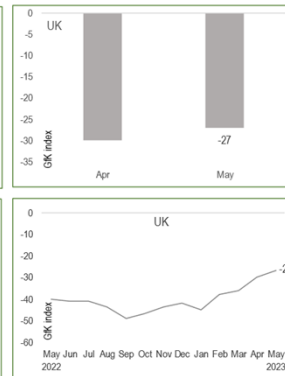
- UK business investment increased by 0.7% in Q1 2023 following a fall of 0.2% in Q4 2022. Investment stood 3.2% higher than a year ago but it remained below pre-pandemic level.
- Business investment set to rise, reaching pre-crisis levels by end of 2024 (growing by 1.9%) according to latest CBI forecasts.

Retail Sales



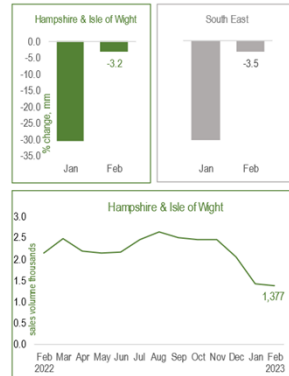
- Retail sales volumes continue to grow in May (0.3%), albeit at slower pace than April, and led by non-store retailing (outdoor goods & summer clothing), and automotive fuel as prices drop, but food sales down.
- Divergence between quantity bought and amount spent has widened as prices continue to increase.

Consumer Confidence



- Consumer confidence continues to recover with May index at -27, up 3 points on April and the fourth monthly increase in a row since January.
- Despite cost-of-living pressures, UK consumers optimistic going forward possibly reflecting stronger than expected financial picture but rising interest rates will dent sentiment.

House Sales



- House sales in Hampshire & Isle of Wight continue to fall but at a slower pace with 46 fewer sales in Feb 2023 as the housing market cools.
- House prices eased in Hampshire in Jan and Feb 2023. Timelier national surveys also point to falling house prices as higher borrowing costs hit confidence and dampens 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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