



## Hampshire Economic Recovery Dashboard

July 2021

Hampshire County Council  
Economy, Transport and Environment



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## Summary of Economic Conditions



- Hampshire's economy returned to growth in the second quarter. The economy is estimated to have expanded by about 5% in the second quarter compared to the third quarter and faster than the UK average. The bounce back in activity was highlighted by the latest Business Insights and Conditions Survey from the ONS which found that in the two weeks to 2 May 2021 92% of Hampshire businesses were trading compared to 77% in late March. Sales increased but over a third of Hampshire businesses continue to experience difficulties with cashflow.
- The recovery in Hampshire continues to be accompanied by a relatively strong demand for labour. Hiring intentions in June stood about a third higher than last year but still about 8% below pre-pandemic levels. However, by mid July the number of online job postings was about 8% above last year's level. In-demand jobs in June were associated with nursing and care, logistics, hospitality and programming & software development occupations.
- Preliminary data from HMRC points to strong growth in the number of payrolled employees in Hampshire in the second quarter. Employment increased by 14,600 between March and June (+1.7%). Employee numbers were up 1.8% on the year, comparable to the regional average. Payrolled employee numbers were still about 11,500 lower than before the outbreak of the pandemic (February 2020).
- The claimant count unemployment rate not adjusted for seasonal factors in Hampshire peaked at 5.3% before falling to 4.3% by June 2021. Low paid workers and young people have benefited the most from the reopening of hospitality and leisure. June saw a sharp fall in youth unemployment but government job support schemes continue to support 120,000 residents jobs in Hampshire. The proportion of Hampshire's workforce that were furloughed dropped from 11% in April to 7% in late May.
- There have been signs of labour shortages in certain sectors of the economy such as hospitality, retail and logistics as the economy reopened from lockdown. Strong demand, Brexit (barriers within the UK's new immigration rules), pandemic-related uncertainty and the furlough scheme all blamed by recruiters for labour shortages.
- With significant government support continuing concerns have been raised about the impact this may have on inflation. Survey evidence from purchasing managers shows that private sector firms in the region raised their selling charges at the sharpest pace in nearly 25 years in June. CPI inflation reached 2.5% in June, inflation is now set to peak well above 3% and maybe nearer to 4% this year.
- Government borrowing in June 2021 decreased by over 19% from last year but the government faces an 'increasingly risky' situation from rising costs of servicing debt and ongoing pandemic-related costs according to the 'Fiscal Risk Report (July 2021) from OBR. Addressing these spending pressures could require cuts to other government departments, tax rises or looser rules on government borrowing.

### Government Funding

- Businesses across the South East received a total of over £10bn in funding under the government's two largest Covid-19 loan schemes, the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLs). Local data is not available but if distributed in line with the relative size of business population, the Hampshire share would be around 20%.
- The Welcome Back Fund is providing councils across England a share of £56 million from the European Regional Development Fund (ERDF) to support the safe return to high streets and help build back better from the pandemic. Some £1.55m of the Welcome Back Funding has been allocated to Hampshire district and borough councils to enhance the look and feel of high streets. When added to the 2020 Reopening the High Street Safely Fund, a total of £2.77m has been allocated to both schemes.
- HM Treasury announced a further £1.4bn in catch-up funding for schools, adding up to a total of £3.1bn to help pupils in England make up for lost school time. The sum was well below the Education Recovery Commissioner recommending £15bn.
- Hampshire County Council received 19 bids for the Community Renewal Fund, totalling £9.6 million and following internal assessment process a shortlist of eight bids totalling £3.3 million was submitted to Government for assessment.
- Hampshire County Council has submitted a bid for the Levelling Up Fund. The aim of the bid is to improve accessibility from Leigh Park to education and employment opportunities in Havant through improvements to active travel infrastructure including new cycle routes and a replacement footbridge at Havant station. There are also active travel improvements planned in Gosport Town Centre along with enhancements to the new bus station which is being delivered under the Portsmouth TCF programme.

### Satellite Office Campaign – Make Hampshire work for you

- Marketing campaign to promote the Hampshire office market to a new audience, thereby capitalising on the many businesses with a high number of employees based in Hampshire that would normally commute to the company office in London but are now working locally. The Economic Development campaign, supported by Districts, has been via: Sponsored social media adverts, Digital Mailshots and Google Pay-Per-Click.

- In terms of impact, the mailshot was received by 5,223 targeted London business recipients, with 282,798 impressions received (total tally of all the times the advert/post has been seen) across social media alone. There has been a 41% increase in overall Business Hampshire website sessions (compared to same period last year), 108% increase in visitors coming from organic searches (compared to same period last year) – all resulting in a significant increase in brand/place awareness for Hampshire.
- Whilst the short and medium term aim has been increased brand/place awareness for Hampshire, the longer term goal is for this to translate into business space enquiries, when companies are in a position to make property decisions and we have already seen an increase in enquiries for space through the website.

### Brexit related issues

- Gulfstream is an American aircraft company located at Farnborough airport that offers maintenance, repair and overhaul services, as well as interior refurbishments and after-market modifications of business aircrafts. A significant part of Gulfstream's business involves their flying technicians, called 'Field & Airport Support Teams' (FAST) and supporting Aircraft-on-Ground (AOG) emergency events in mainland Europe. The approvals parts and tooling are held (and therefore the revenue is recognised) at their Farnborough location.
- The Brexit agreement has severely and negatively impacted Gulfstream's ability namely: Import of parts and tools within the EU cannot be performed under Free circulation; Importer of Records capability and VAT obligation are a challenge based on destination; Speed of support / logistics activities are impacted and VAT bill-back to customers add administrative burden on both parties.
- As a result of the above Gulfstream are reluctantly having to consider if the UK is now the best option to provide this FAST service to European operators, and will have to consider moving this support function (and revenue) out of the UK to mainland Europe.
- Economic Development have discussed the issues at length with Gulfstream, flagged the issue with the LEP and DIT. Economic Development has facilitated a meeting with BEIS and HMRC Officials to ensure the issues are understood and lessons from HMRC working with other companies in a similar position are applied.
- Elsewhere, changes to new product markings and conformity regulations, currently known as CE markings come into force 1st July 2021 and this could lead to further disruptions in trade according to business representative organisations in Hampshire.

- Transportation delays have resulted in shortages of some items, according to the Bank of England Agents' summary of business conditions but in some sectors the Brexit-related issues that had previously impacted on exports are starting to abate (Sectoral Overview, page 5).

### Skills and Labour Shortages

- Businesses in Hampshire are increasingly reporting skills and labour shortages and rising wages in hard-to-fill occupations and this is causing increased pressures on supply chains in several sectors. Sectors most affected are hospitality, logistics and agriculture (harvesters, and packers). There has been a 45% fall in jobs searches from EU workers compared with 2016 according to data from Indeed employment website. There were 1,600 online jobs postings for van drivers in Hampshire in June, 5<sup>th</sup> largest source of occupational demand in June.

### Aerospace and Space

- The space sector is thriving across Hampshire. In-Space Missions has moved to a new headquarters for its space satellites business at Alton in Hampshire with a large number of new jobs. Enterprise M3 LEP have secured government funds to work with partners and set a strategy for the growth of the sector.
- Currently there are no FDI enquiries from European aerospace companies for Hampshire; there are three enquiries in total – two space and one defence that are currently live.

### Green Economy

- By 2030 there could be as many as 20,000 additional green jobs in Hampshire and 33,000 by 2050, representing one in five additional green jobs in the South East in 2030 according to a research by Ecuity Consulting and the Local Government Association (LGA).
- Research by the Place-based Climate Action Network (PCAN) shows that roughly one in ten (90,000) existing jobs in Hampshire are expected to be in high demand due to their important role in the transition to a net-zero economy. An additional 91,000 jobs in Hampshire will need significant upskilling to meet the transition to net zero. Which means about 4 in 5 existing jobs will not be significantly affected by the transition.
- Economic Development were part of a consortium (Farnborough Airport, Gulfstream and University of Southampton) that submitted an Expression of Interest to Department for Transport's Zero Emission Flight Infrastructure Programme.



## Marine and Maritime

- Investment into the marine and maritime sector has been buoyant in recent months with Oyster Yachts and Armada making significant investments (Business Specific Intelligence, page 11).
- The Horizon Cruise Terminal is expected to open this month (July) and represents a £55m investment into the cruise terminal in Southampton.

## Lifesciences

- The Hampshire Life Science Sector Proposition was published by Economic Development in June 2021 and has been shared with partners and DIT – the proposition has created some new opportunities to promote Hampshire to a wider audience
- The number of life science enquires has increased significantly, there are currently eight live FDI enquiries.

## Commercial Property

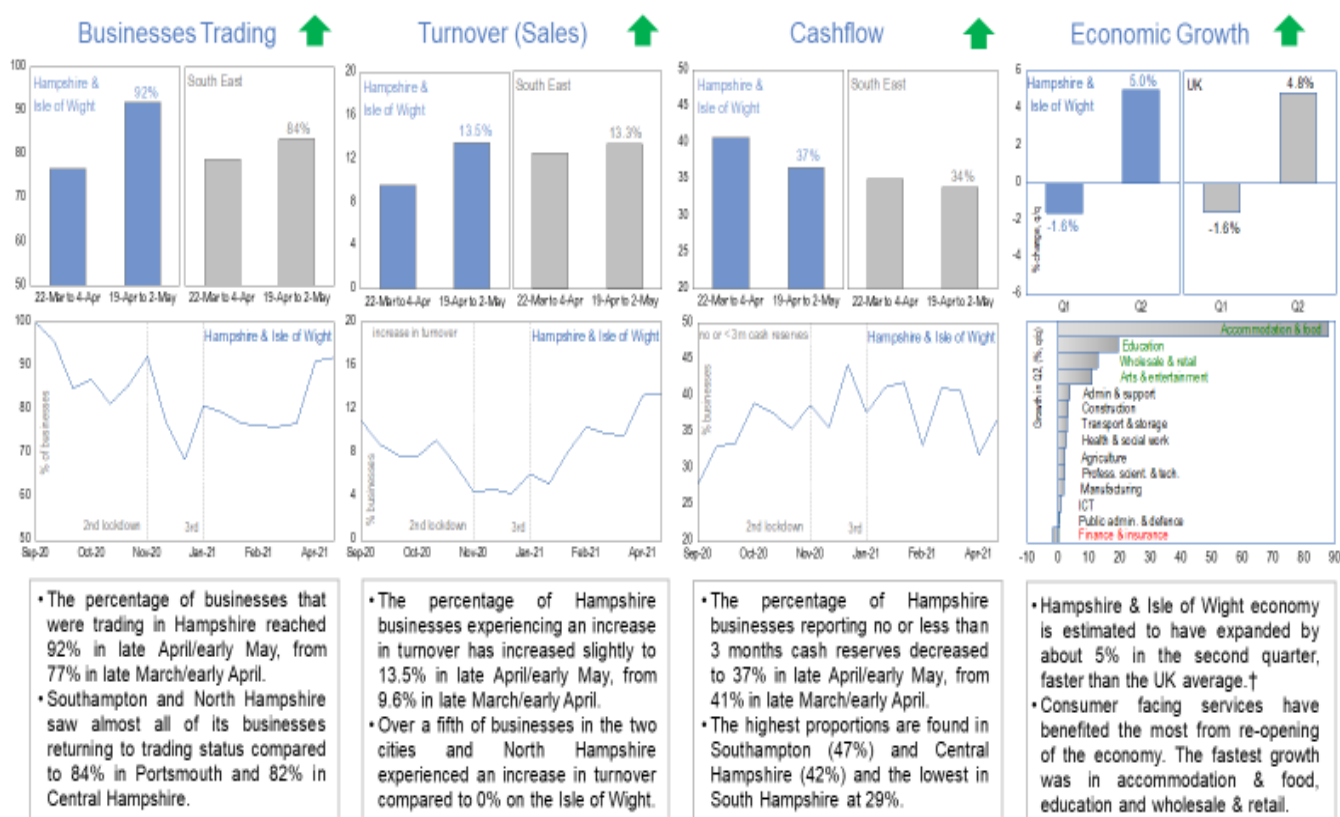
- Investor demand for commercial property in Hampshire remains mixed. The June data was weaker than in May with demand centred on prime office and industrial properties and shifting away from retail and non-prime office premises (page 4 and Business Specific Intelligence - page 10). We are seeing falling demand for high-street retail premises and shopping centres with declining values.

## Tourism and Hospitality

- Bookings for Hampshire's self-catering providers and rural luxury hotels over the summer is strong, but less so for city centre hotels. Operator confidence is projected to improve from autumn 2021 into 2022 as business tourism and events return. Some city centre attractions such as Winchester Cathedral are suffering from a combination of fewer international visitors and domestic traveller preferences for rural and coastal destinations.
- Domestic cruising restarted on 20 May at 50% capacity with the first sailing in over a year from Southampton Port. Cowes Week Regatta 2021 one of the UK's longest running sporting events, will take place this year as planned. An investment of £825,000 from the Department of Culture Media and Sport (DCMS) will enable the regatta to offer a virtual, immersive experience for spectators across the globe.

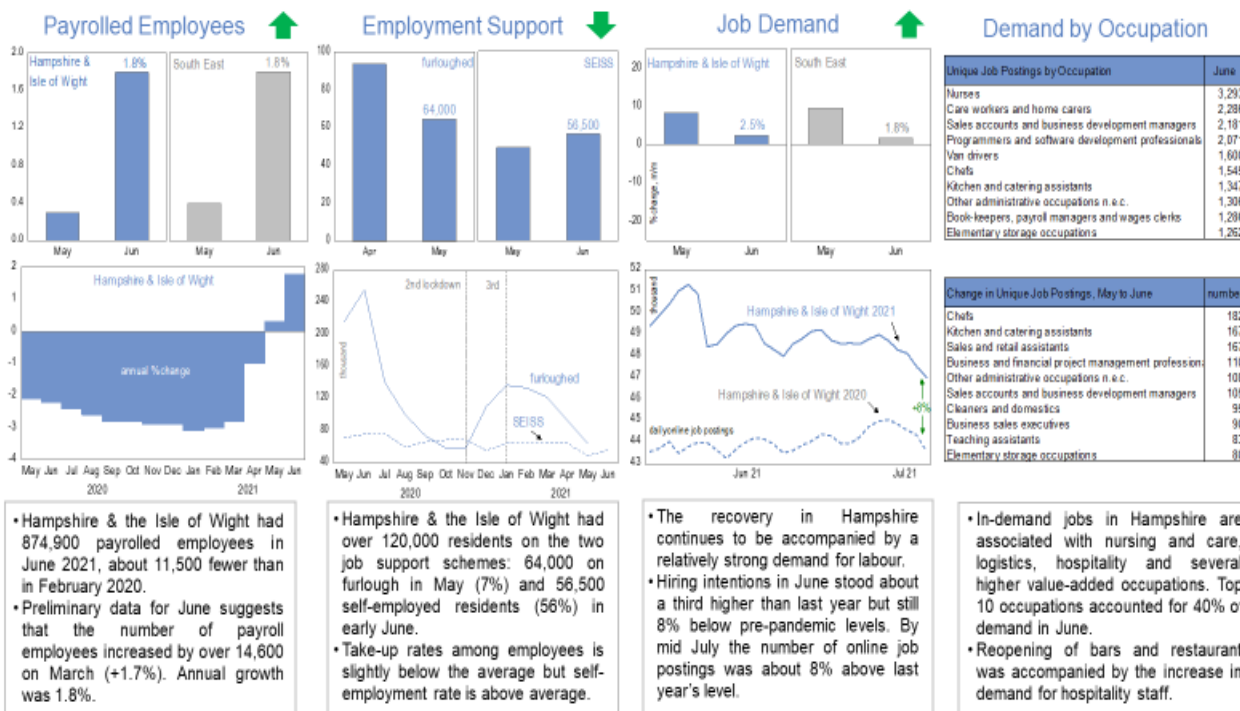
## Business Activity and Growth in Hampshire

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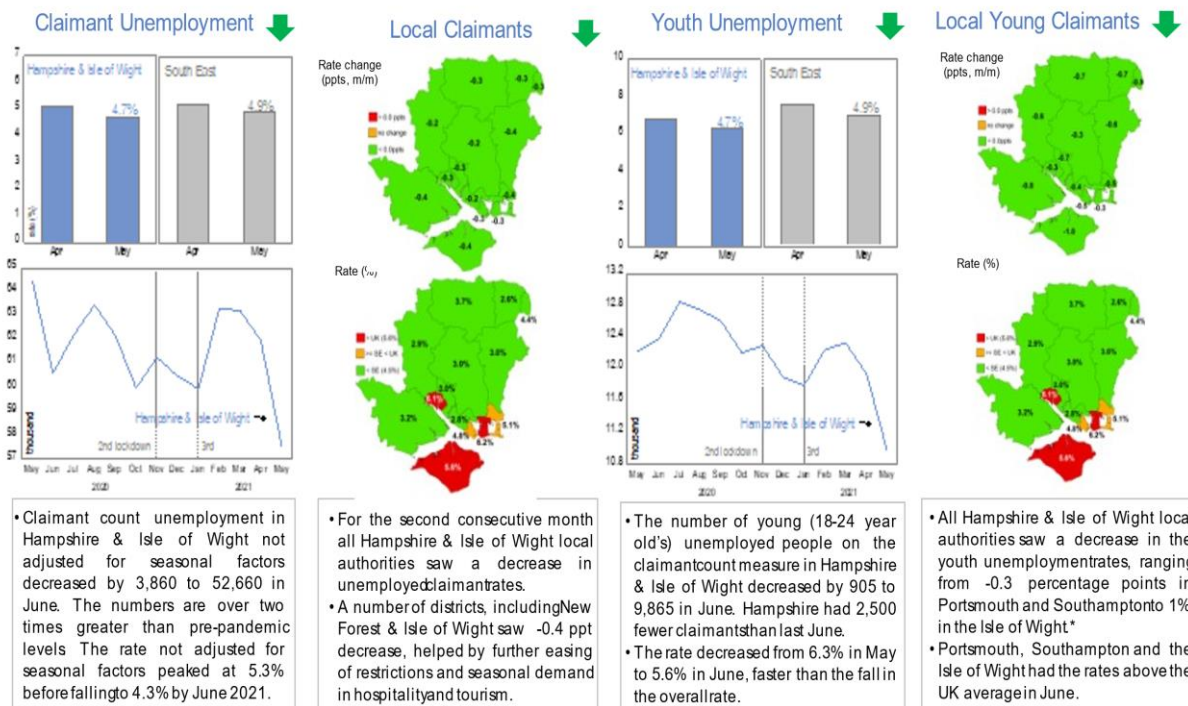
## Employment and Jobs in Hampshire

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## Unemployment in Hampshire

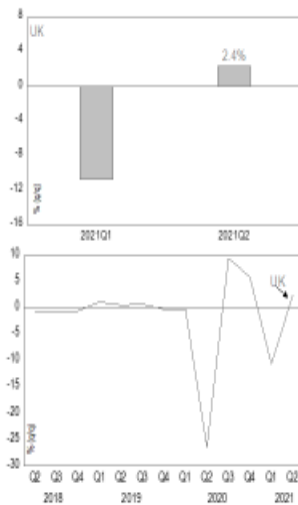
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## Sentiment and Investment in Hampshire

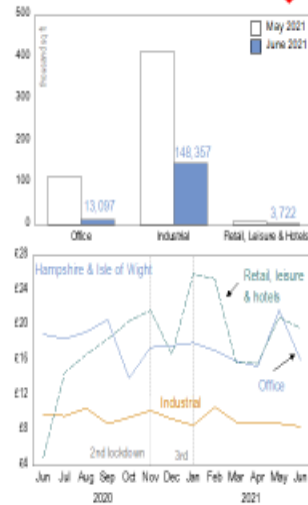
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### Business Investment ↑



- Business investment increased by 2.4% in the second quarter of this year. Investment in Information & communication technology (ICT) equipment contributed positively to growth in business investment.
- There were falls in fixed investment – other buildings and structures and transport equipment.

### Commercial Property ↓



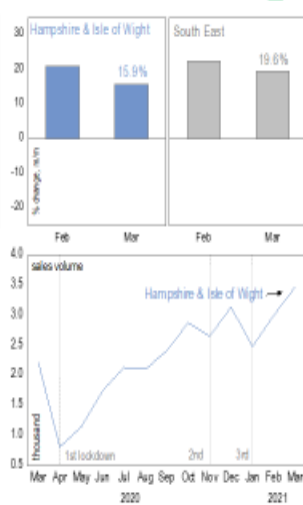
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight totaled 165,176 sq ft in mid-June 2021. About 80% is accounted by industrial, 8% by office and about 2% by retail, leisure and hotels.
- Office rents were on average about 20% lower than in the South East.

### Consumer Confidence ↑



- Lifting of Covid-19 restrictions and growing optimism about the economy have pushed the UK consumer sentiment in June to March 2020 levels.
- The volume of retail sales in the second quarter was 12.2% higher than in Q2, reflecting the re-opening of all non-essential retail.

### House Sales ↑



- Home sales, not adjusted for seasonal factors, in Hampshire & Isle of Wight increased sharply in March.
- About 3,500 residential property transactions took place in March, almost 16% higher than in February and about 60% higher than in March last year.

## Manufacturing

- Manufacturing output increased by 1.8% in the second quarter with manufacturing output returning to close to pre-Covid levels. Businesses are reporting that supply bottlenecks constrained production in several sectors according to the Bank of England.
- The cost and availability of materials and components are of concern for the industry and manufacturing lead times are increasing. In some sub-sectors businesses are stockpiling materials and components in anticipation of continued supply-chain disruption.
- Brexit-related issues that had previously impacted on exports – such as customs declarations, rules of origin and product-labelling – were starting to abate as businesses adapted to the new requirements. Demand from the EU for UK goods was reported to have returned. More businesses said they were setting up hubs in the EU in order to continue selling to customers in the region.

## Aerospace, defence, and space

- It could take between two and four years for the aerospace sector to recover from Covid. The drive towards the net zero carbon agenda could also see a shift in investment as businesses look to alternative fuels, electric aircraft, and propulsion technology. Hampshire based Britten-Norman is playing a key role in two government-backed technology initiatives to develop greener aircraft.
- Farnborough International has hosted a second Farnborough Connect in July 2021; a digital conference which brought the aerospace industry together.
- The space sector is thriving across Hampshire and its contributing towards the government's target of 10% of the global market by 2030. Business specific intelligence (page 10) shows that In-Space Missions has moved to a new headquarters for its space satellites business at Alton in Hampshire with a large number of new jobs. Enterprise M3 LEP have secured government funds to work with partners and set a strategy for the growth of the sector.
- The defence sector has proved relatively resilient, mainly due to long-term government contracts. The future of the sector looks positive with the Government announcement in November 2020 of £16.6bn new investment going into the sector.
- Currently there are no FDI enquiries from European aerospace companies for Hampshire; there are three enquiries in total – two space and one defence that are currently live.

## Green Economy

- UK Government's Energy White Paper (December 2020) and Industrial Decarbonisation Strategy (March 2021) set out the transition to net zero and clean energy by 2050, relying on significant investment. In line with national government, Hampshire County Council Climate Change Strategy 2020-2025 set a target to be carbon neutral by 2050.
- The Social Market Foundation (2020) estimate "net zero" industries could help provide new jobs for many of the 1.4 million people expected to be left unemployed following the pandemic but requiring significant reskilling and upskilling.
- By 2030 there could be as many as 20,000 additional green jobs in Hampshire and 33,000 by 2050, representing one in five additional green jobs in the South East in 2030 according to a research by Ecuity Consulting and the Local Government Association (LGA).
- Research by the Place-based Climate Action Network (PCAN) shows that roughly one in ten (90,000) existing jobs in Hampshire are expected to be in high demand due to their important role in the transition to a net-zero economy. An additional 91,000 jobs in Hampshire will need significant upskilling to meet the transition to net zero. Which means about 4 in 5 existing jobs will not be significantly affected by the transition.
- Economic Development were part of a consortium (Farnborough Airport, Gulfstream and University of Southampton) that submitted an Expression of Interest to Department for Transport's Zero Emission Flight Infrastructure Programme aimed at developing technology in a number of areas such as hydrogen storage and electric charging.
- At the International Net Zero Local Leadership Conference there was a call by local leaders for new powers to be devolved from Whitehall, including shaping local energy markets, decarbonising transport and tackling emissions from homes and offices.

## Marine &amp; Maritime

- Investment into the marine and maritime sector has been buoyant in recent months with Oyster Yachts and Armada making significant investments (Business Specific Intelligence, page 11).
- The Horizon Cruise Terminal is expected to open this month (July) and represents a £55m investment into the cruise terminal in Southampton.



## Sectoral Overview

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- Economic Development is currently working on a significant FDI project (Aluminium Hulls) which has the potential to create 450 jobs within 3 years.

### Lifesciences

- The Hampshire Life Science Sector Proposition was published by Economic Development in June 2021 and has been shared with partners and DIT – the proposition has created some new opportunities to promote Hampshire to a wider audience.
- The number of life science enquires has increased significantly, there are currently eight live FDI enquiries.

### Construction

- Construction output picked up sharply from earlier in the year, driven by housebuilding and public infrastructure projects but concerns with materials shortages limiting output, as well as potential labour shortages. Construction of new homes continued to be strong.
- Public infrastructure projects notably schools and transport a key driver behind output. Healthy pipeline of publicly funded work and expected green energy projects to support future growth. However reflecting the pandemic, private commercial work remained substantially weaker than a year ago in retail, hospitality, higher education and office developments, but construction of logistics, warehousing and technology premises remained strong.
- The recent boom in house prices is believed to be driven by the unusual event of the pandemic rather than more systemic structural issues. A record build-up of household savings, amassed during the lockdowns and supported by the government's furlough scheme, has led to people buying larger homes or moving out of cities.
- The introduction of the stamp duty holiday by the government and growth in mortgage credit at record rates helped ramped up demand for such purchases. Earlier this year Hampshire saw the strong growth in sales (page 4).
- According to Nationwide, prices in the Outer South East region, which includes cities such as Winchester and Southampton, increased by 10.9%, the first time the region has seen double digit growth since 2014. The latest data from Halifax suggests that house prices in the UK fell in June as full stamp duty holiday ended.

## Sectoral Overview

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### Commercial Property

- Investor demand for commercial property mixed, with investor sentiment just below pre-pandemic levels according to Bank of England, with demand centred on prime office and industrial properties and shifting away from retail and non-prime office premises. Demand from overseas investors was reported to be strong.
- Tenant demand for newer office premises is robust, especially for buildings with good ESG (environmental, social and governance), but acceleration of flexible working going forward likely to see downsizing of office space posing a downside risk to investors.
- Tenant and investor demand for industrial, logistic and science-related properties remains above pre-pandemic levels, but falling demand for high-street retail premises and shopping centres with declining values, and increasing rent arrears (*Business Specific Intelligence*, page 10).

### Retail

- According to the latest statistics from the ONS the service sector in the UK grew by 5.7% in the second quarter 2021, with consumer facing services growing significantly faster than other services as coronavirus restrictions eased throughout the quarter. The volume of retail sales for the three months to June was 12.2% higher than in the previous three months, reflecting the re-opening of all non-essential retail.
- Retailing is one of the largest economic sectors and an important source of employment opportunities of our young, elderly and people with lower skills. The high street and the retail sector are facing a period of flux with tremendous pressures on town centres, and those who operate in and manage them, are having to adapt to rapidly changing local and global factors.
- Already under intense pressure from rising costs and enduring store closures and lower footfall the pandemic has impacted the high street – notably modal shift to online. According to the Deloitte's Global Consumer Tracker the 2020 shift to online is now consolidating, with 'Click and collect' and mobile phone shopping becoming a popular method of sales.
- The value of total online UK retail sales in May 2021 was 58.8% higher, whereas in-store sales were 1.3% lower than in February 2020. The proportion of retail sales conducted online remains substantially higher than before the pandemic although ONS data shows that we are seeing gradual return to physical stores with reopening of the economy.

- The government's flagship Towns Fund worth £3.6bn will benefit 100 places but towns in Hampshire will not benefit from it. Portsmouth is the only place in Hampshire that is benefiting from the £830 million the Future High Streets Fund.

### Tourism and Hospitality

- According to the latest statistics from the ONS the service sector in the UK grew by 5.7% in the second quarter 2021, with consumer facing services growing significantly faster than other services
- Output in accommodation service activities grew by 88% in the second quarter, followed by 11% growth in arts, entertainment & recreation.
- Visit Britain are forecasting gradual recovery in domestic tourism in 2021 with spend up 51% up on 2020, but still only 56% of 2019 level. Oxford Economics forecast that international travel may not recover until 2025 and UK Hospitality claims businesses will take 3 years to recover lost revenues
- Some 62% of UK adults plan on taking an overnight domestic trip in 2021 compared to 23% heading overseas. Visit Britain expects recovery for business trips to lag the recovery in holiday visits.
- Bookings for Hampshire's catering providers and rural luxury hotels over the summer is strong, but less so for city centre hotels. Operator confidence is projected to improve from autumn 2021 into 2022 as business tourism and events return.
- Some city centre attractions such as Winchester Cathedral are suffering from a combination of fewer international visitors & domestic traveller preferences for rural and coastal destinations.
- Domestic cruising restarted on 20 May at 50% capacity with the first sailing in over a year from Southampton Port. B&O international cruises will be lifted from August. Hampshire's tourism sector is currently forecast to lose £2.85bn in spend across 2021 based on extrapolated national data.
- Cowes Week Regatta 2021 (31 July - 7 August), one of the UK's longest running sporting events, will take place this year as usual. An investment of £825,000 from the Department of Culture Media and Sport (DCMS) will enable the regatta to offer a virtual, inclusive experience for spectators across the globe for the first time.

## Commercial Property

- Twenty3 Brunswick Refurbishment - Twenty3 Brunswick Place is being comprehensively reconfigured and refurbished to provide 64,422 sq ft of office space across five floors of which 13,067 sq ft will be new (additional top floor).
- Quilter Plc signs new 15-year lease on Southampton head office - FTSE-250 listed Quilter Plc committed to 108,856 sq ft Quilter House at Portland Terrace.
- Planning permission granted for a £10m nature-based redevelopment in Romsey.

## Significant Occupier Transactions

Sector	Property	Size (sq ft)	Vendor/ Landlord	Tenant
Industrial	Unit 22, Oriana Way, Southampton	101,299	Aviva Investors	Formation Freight Services Ltd
Industrial	Unit 4 Reliant, Chandlers Ford	39,320	Store Property Investments Ltd	Argos Distributors Ltd
Industrial	Unit 4 & 5 Building D, Adanac Park, Southampton	24,843	Oceanic Estates Ltd	ERIKS UK Ltd
Office	Pinehurst II, Farnborough Business Park	29,831	Frasers	Siemens
Office	South Building, Chilcomb Park, Winchester	20,862	Chilcomb Ltd	NNS Leasing Ltd
Office	Form Two Bartley Wood Business Park, Hook	24,808	Kennedy Wilson	BCA

## Mergers and Acquisitions

- Keyloop has acquired MotorDocs, the Hampshire-based provider of automotive digital document management solutions.
- Premier Marinas has acquired Universal Marina, the 240-berth marina on the River Hamble in Hampshire.
- Precision Technologies has acquired Langstone Group, the Portsmouth-based precision engineering firm with 45 staff.

## Investment and Job Creation

- In-Space Missions has moved to a new headquarters for its space satellites business at Alton in Hampshire, with the creation of 200 jobs.
- Oyster Yachts have increased their facility at Hythe Marine Park, Southampton, and plan to increase their workforce by 70.
- Armada have set up a new HQ and operations centre in Southampton and is expected to create 100 high value jobs. Armada is the largest fleet of unmanned ocean robots and is the most environmentally sustainable company in the industry.
- Newlands Developments has won planning permission for a £120m 2.4m warehouse in Basingstoke, and the site is expected to involve Amazon creating up to 1,400 jobs.
- Touchdown PR is to create a further 20 jobs at its new headquarters in Basingstoke over the next 18 months.
- Home Instead Central Hampshire is creating 50 new jobs at its care operations in Southampton and Winchester.
- Retailer Flooring Superstore has invested £150,000 in its Basingstoke store as well as creating new jobs in its 5,622 sq ft outlet in Basingstoke Trade Park.
- National property specialist Centrick will open its first Southampton branch in July based at Ocean Village.
- Edale is to create a further 20 jobs at its Hampshire-based printing machinery factory this year.
- Giganethas secured funding of £250m to expand its Hampshire-based fibre broadband business, with the creation of 200 jobs.
- Green Biofuels is seeking permission to relocate the headquarters of its biofuels business from London to Nether Wallop in Hampshire.

## Closures, Administration and Job Losses

- The insurer Ageas has said a "very small" number of jobs are at risk at its UK head office in Eastleigh.

## Guidance and Sources

### How to read 'traffic lights':



Refers to decline or growth relative to the previous period (business activity indicators, PMI employment, job postings and business investment).

In the case of business and consumer sentiment it refers to the direction of travel relative to the previous period.

For labour market indicators the change refers to the rate not the level. For example, a rise in the employment rate would see an upward green arrow, while a decrease in 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), HMRC and the Bank of England while additional data comes from several commercial sources such as IHS Markit, Emsi, G Radius Data, CBI and BCC.

Fortnightly data for Trading Status, Turnover and Cashflow.

Monthly data for Payrolled Employment, Government Job Support Schemes, Job Demand, Demand by Occupation, Unemployment, Consumer Sentiment, House Sales, Commercial Property, UK GVA and a proxy estimate for Hampshire.†

Quarterly data for business investment.

\*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>