WEST OF ENGLAND Combined Authority

WEST OF ENGLAND QUARTERLY ECONOMIC BULLETIN

December 2019

Introduction

This quarterly bulletin uses a range of indicators to provide an overview of the economic health of the West of England Local Enterprise Partnership area. It contains an introductory economic overview and five other sections reflecting the foundations of productivity set out in our recently-published Local Industrial Strategy:

1. Economic Overview
2. Ideas
3. People
4. Infrastructure
5. Business Environment
6. Places

This December 2019 bulletin displays the most recent available data, which primarily relates to 2019 Quarter 3.

The Local Enterprise Partnership area covers the West of England Combined Authority (Bath & North East Somerset, Bristol and South Gloucestershire) area and North Somerset.

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ECONOMIC OVERVIEW

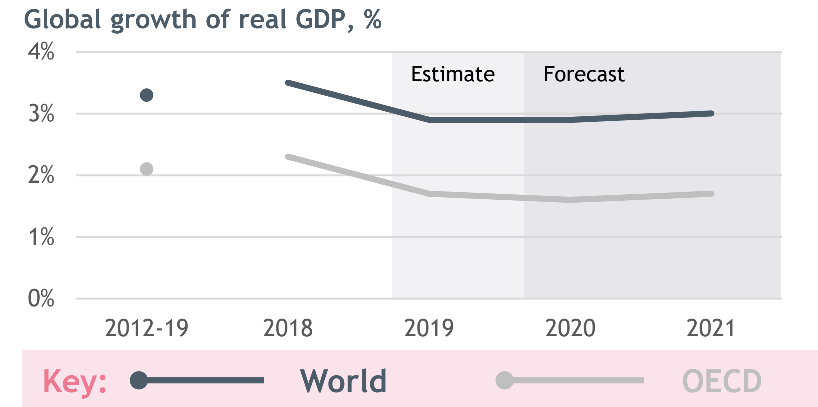
International Context

Global growth slowed further to **2.9%** in 2019, according to OECD estimates, and is likely to remain around 3% for the next two years. In OECD countries growth is estimated at 1.7% in 2019, down from 2.3% in 2018.

Growth has slowed in both advanced and emerging economies. Factors contributing to this include:

- **Economic uncertainty has risen,** and businesses and households are becoming increasingly concerned. Investment growth in G20 countries (except China) has fallen to 1% in the first half of 2019.
- **Global trade has remained weak,** growing at just 1.2% in 2019. Trade disputes, particularly between the US and China, are raising costs and creating uncertainty and volatility. Manufacturing export orders have fallen sharply.

Global growth has moderated



In response, **monetary policy** has eased in several major economies, including the US, Euro-zone, and China, but fiscal policy is projected to remain neutral in most places.

Source: [OECD Economic Outlook, November 2019]

National Context

The UK economy avoided entering a recession as **growth** recovered in Quarter 3 after a volatile first half of the year. (ONS)

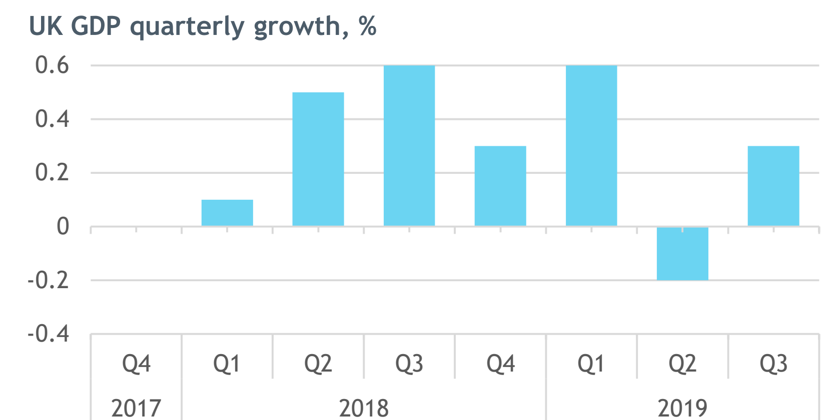
- Services and construction picked up, while "manufacturing failed to grow as falls in many industries were offset by car production bouncing back following April shutdowns"
- However, GDP growth in the year to September 2019 was 1.0%, the slowest since Q1 2010, and is predicted to remain slow, at around 1% in 2020 and 2021. (OECD)

UK employment has remained steady, at 76%, near its record-high level (ONS). Similarly, unemployment remained at 3.8% in Q3.

Real earnings rose (after inflation) by 1.8% in the year to September 2019. Nominal weekly earnings were £508 per week in September, rising in all sectors but most slowly in manufacturing. (ONS)

Inflation remains on target, at 1.8% in Q3 (Bank of England)

UK growth has recovered slightly



Real pay is rising but remains below 2009 peak

Note: Quarters are defined in the Bulletin as: Q1 (Jan-Mar), Q2 (Apr-Jun), Q3 (Jul-Sep), Q4 (Oct-Dec).

Sources: ONS

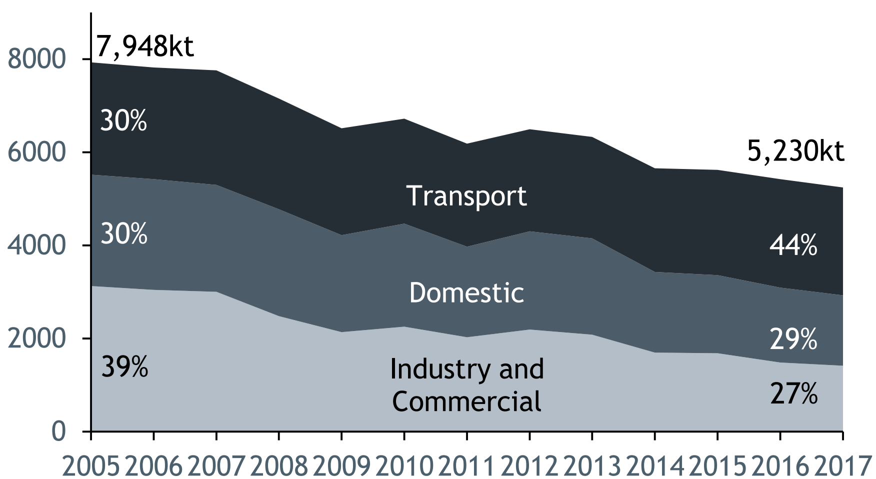
Climate emergency

In 2017, the region produced 5,230kt of CO_2, down 34% from 2005:

- This represents 4.6 tonnes of CO_2 per person, compared with 5.3 tonnes per person across the UK
- Only CO2 is included because data on other greenhouse gasses (approx. 20% of total UK emissions) are not available. Similarly emissions ‘imported’ with the goods we consume are not included
- We will include more data in future editions of the Bulletin.

A significant emissions challenge remains

CO_2 emissions (kt), West of England[1,2]

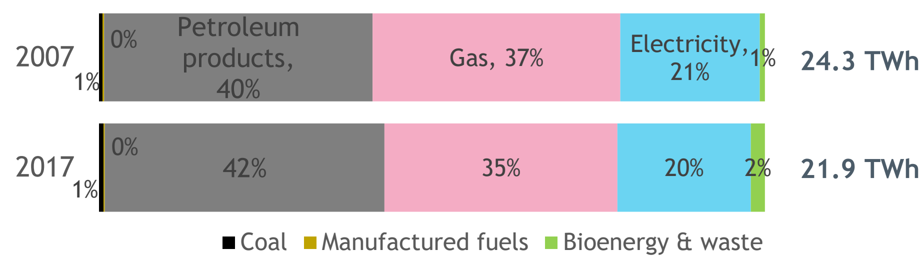


As an indicator of some of the areas where progress is needed:

- 883 domestic and 167 non-domestic renewable heat schemes have completed under the government’s incentive, from 2014 (dom.) / 2011 (non.dom.) to Oct 19
- 4,595 electric vehicles are licenced in the region (2019 Q2), up from 56 in 2011 – but only 0.5% of all vehicles

Energy consumption relies on fossil fuels

Energy consumption by fuel, % of total, West of England[1]



Renewable electricity generation

Renewable electricity generation (MWh), West of England[1]

1. These data are only updated **annually**.
2. Includes emissions outside scope of local authorities eg large industry, motorways & rail, & land-use

Sources: BEIS (emissions), (renewables), (energy consumption), (heat), DfT (vehicles)

IDEAS

Innovate UK Grants

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121
grants awarded in 2018/19
+2.5% since 2017/18

£106.3 million
total value of grants offered in 2018/19
+66.8% since 2017/18

Innovate UK is a non-departmental public body. It funds business and research collaborations to accelerate innovation and drive business investment into research and development.

Value of Grants Offered over Time

These data are updated monthly but are only partially complete for the current year. Therefore, to ensure accurate reporting, this slide will only be updated **annually**.

Source: Innovate UK

PEOPLE

Employment and Earnings

79.4%

employment rate in Jul ‘18 to Jun ‘19

Remaining unchanged on the previous year

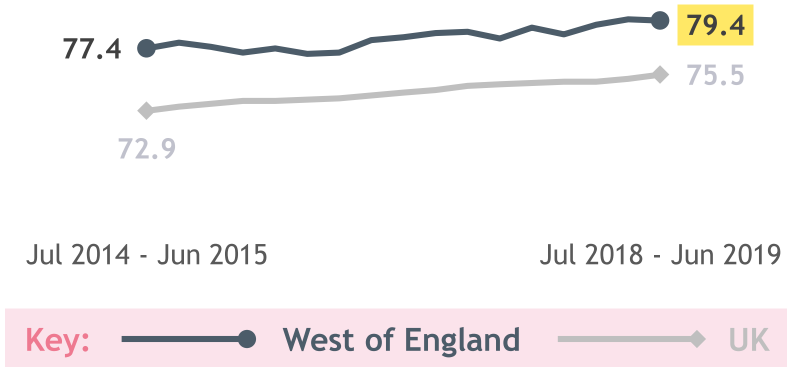
£31,183

Average annual earnings in 2019[1]

Employment is:

- Higher than the rate for the UK (75.8%)
- Higher than the rate for Core City LEP areas (72.9%)[2]
- Lower than our Southern LEP comparator areas (80.1%)[3]

Employment over Time



Earnings over Time

1. These data are updated **annually**.
2. Derby, Derbyshire, Nottingham and Nottinghamshire; Greater Birmingham and Solihull; Greater Manchester; Leeds City Region; Liverpool City Region; North East; Sheffield City Region
3. Gloucestershire; Greater Cambridge and Greater Peterborough; Oxfordshire; Swindon and Wiltshire; Thames Valley Berkshire

Source: ONS via [NOMIS]

Vacancies

38,369

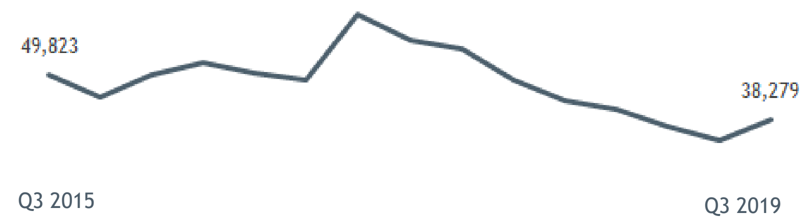
vacancies advertised in 2019 Q3

-11 % since 2018 Q3

The number of vacancies advertised has decreased in almost all quarters since 2017 Q2, although employment has increased in this time.

Nationally, the number of vacancies has increased since 2012, but has been falling since early 2019.

Vacancies over Time



Top Occupations Advertised in 2019 Q3

- Programmers and software development professionals (**1,465**)
- Nurses (**1,408**)
- Sales related occupations (**1,244**)
- Other administrative occupations (**1,084**)
- Managers and proprietors in other services (**956)**

Source: Labour Insight/Burning Glass (West of England), ONS (UK)

INFRASTRUCTURE

Broadband Coverage

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Superfast broadband is defined as speeds of **30Mbit/s** or more. As of 2018, the percentage of premises with access to superfast broadband was:

91.2% Bath and North East Somerset	**91.6%** North Somerset
97.1% Bristol	**97.6%** South Gloucestershire
95.2% West of England	**95%** United Kingdom

These data are only updated **three times a year**.

Source: Ofcom Connected Nations Summer 2019 Update

BUSINESS ENVIRONMENT

Economy

£33.5 billion

Gross Value Added in 2017

+2.0% since 2016

£33.12

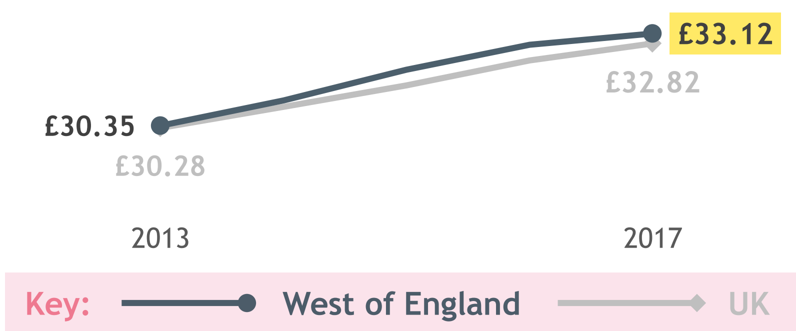
Productivity (GVA per hour worked) in 2017

+1.0% since 2016

GVA equates to **£29,352** per head, which is above the UK overall at **£27,555**.

Overall GVA growth in the region is slower than in the wider UK.

Productivity: GVA per Hour Worked (£)



Productivity has increased at a similar rate to the UK in recent years.

Although productivity is rising, it is still at a lower rate than it was before 2008. Therefore, the region is also subject to the 'productivity puzzle'.

These data are only updated **annually**. Figures used are nominal, (not adjusted for inflation).

Source: ONS (GVA and Productivity)

Start-Up Businesses

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1594

start-ups[1] in 2019 Q3

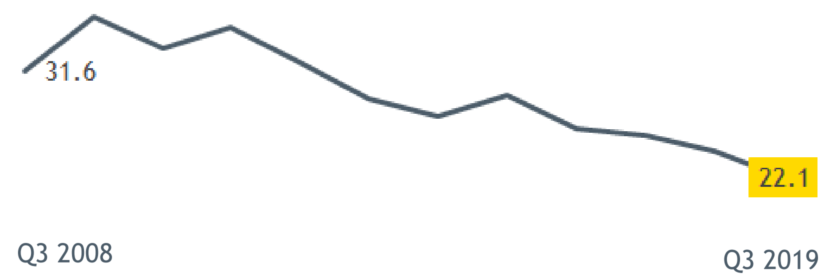
-9.7% since 2018 Q3

This equates to **22.1** start-ups per 10,000 people, a rate which has fallen in recent years.

The top start-up sectors in 2019 Q3 were:

- Real estate, professional services & support activities (**446** start-ups)
- Recreational, personal & community service (**213**)
- Transport, storage & communication (**178**)

Start-Up Rate per 10,000 People[2]



Survival Rates[3]

Area	% of businesses that survived after:	
	1 year[4]	5 years[5]
West of England	90%	46%
UK	92%	43%

1. Openings of first current accounts from banks' small business product range.
2. Only Q3 is plotted on this chart for each year.
3. Survival rates data are only updated **annually**.
4. Based on businesses that started in 2016.
5. Based on businesses that started in 2012.

Source: Banksearch

High-Growth Companies

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666
active high-growth businesses[1]
as of December 2019

Beauhurst track high-growth businesses according to a range of triggers. The data also identify 'buzzwords' associated with high-growth businesses. The most common are:

- Artificial Intelligence (**17**)
- Internet of Things (**11**)
- FinTech (**10**)
- EdTech (**10**)

Top High-Level Sectors[2] for High-Growth Business

- Business and Professional Services (**290**)
- Technology/IP-based businesses (**221**)
- Industrials (**186**)
- Leisure and Entertainment (**68**)
- Personal Services (**57**)

Top Detailed Sectors[2] for High-Growth Business

- Other business and professional services for businesses (86)
- Other manufacturing and engineering (61)
- Software-as-a-service (SaaS) (55)
- Marketing Services (43)
- Food and drink processors (41)

1. The triggers used by Beauhurst to identify high-growth companies are detailed online.
2. These sectors are defined by Beauhurst. They are not SIC classifications.

Source: Beauhurst

Business Support

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88

businesses supported between July 2019 and September 2019

The West of England Growth Hub supports businesses throughout the area to innovate, grow and thrive. Businesses can access this support via the website (www.wearegrowth.co.uk) or by contacting the Growth Hub team.

The connections we make through the Growth Hub provide us with information about the issues that concern businesses and the areas they would like support with.

Top Business Sectors Supported

Creative and Digital (**25**)

High Tech (**11**)

Hospitality (**10**)

Retail (**10**)

Construction and Development (**9**)

Most Common Support Required (Where Known)

- Skills and Training
- Strengthening Network
- Mentoring
- Productivity - Leadership

Source: West of England Growth Hub

PLACES

Housing Purchases

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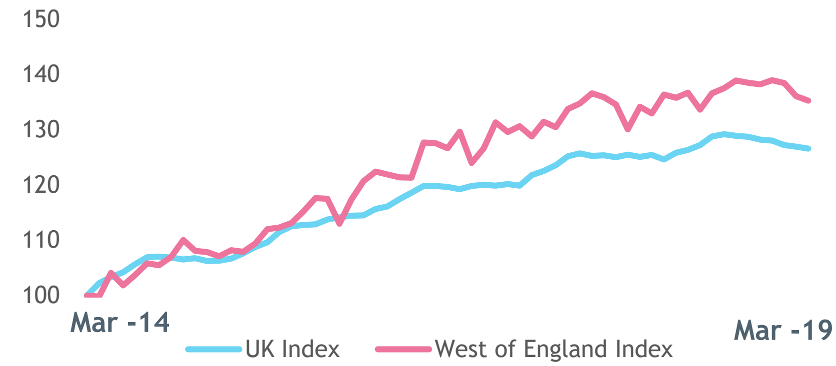
£274,000

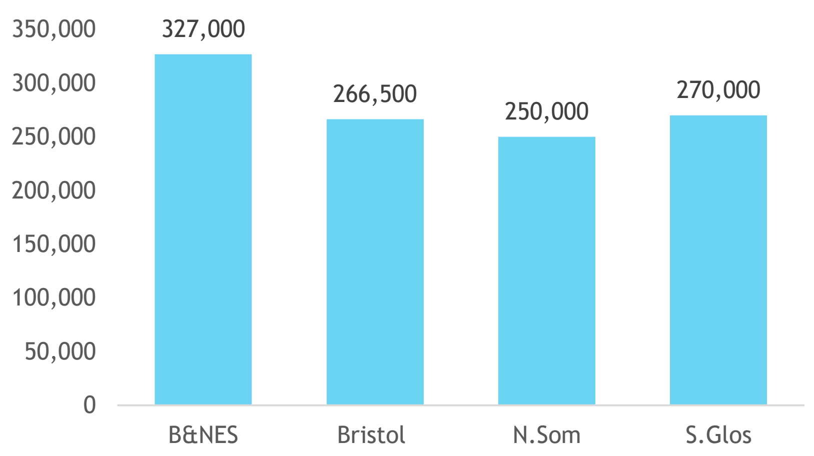
average house price in March 2019
+3.2% since March 2018

House prices have risen faster in the West of England than the UK average.

Monthly Average House Price Index



House Prices by Unitary Authority (March 2019)



Monthly Number of House Sales

Source: HPSSA, ONS
HPI, Land Registry

Housing Rentals

£885

average monthly rental price in 2018/19

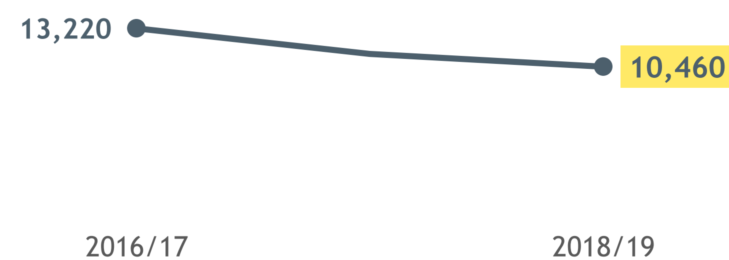
-2.3% since 2017/18

Rental prices decreased slightly in the last year, but remain significantly higher than in the wider UK.

Average Monthly Rental Prices

Average Monthly Rental Prices by Unitary Authority

Number of Rentals



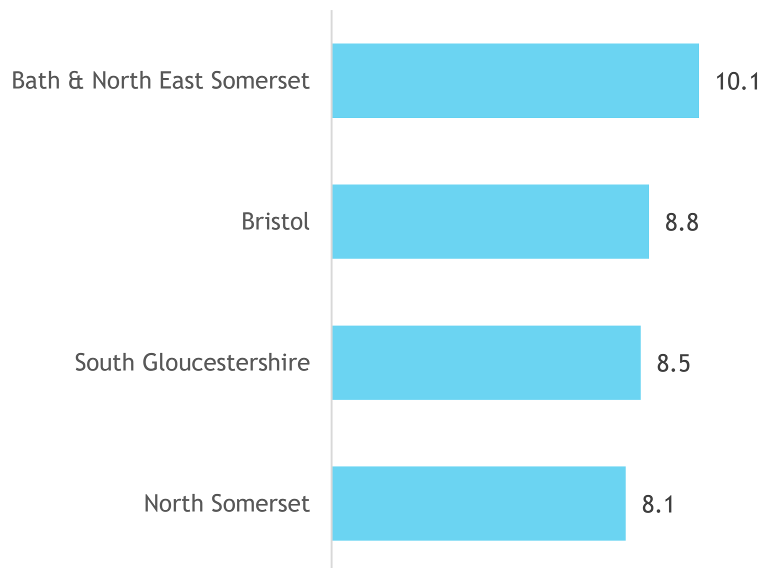
These data are updated **annually**.

Source: [Valuation Office Agency]

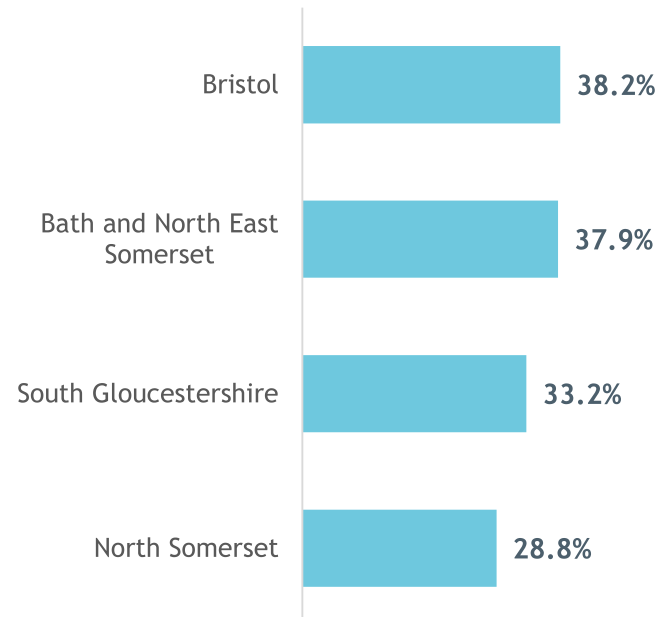
Housing Affordability

- Houses cost between **8.1** and **10.1** times annual average earnings.
- Rentals cost between **28.8%** and **38.2%** of monthly average earnings.

Ratio of House Prices to Annual Earnings



Monthly Rent as a Percentage of Monthly Earnings



These data all refer to 2018, with the exception of rental prices which refer to 2018/19. These data are updated **annually**.

Sources: HM Land Registry (House Prices), Valuation Office Agency (Rental Prices), ONS via NOMIS (Earnings)

Office Space

City-Centre Take-Up	Out-of-Town Take-Up
125,697 square foot Bristol city centre office take-up in 2019 Q2	**58,514 square foot** Bristol out-of-town office take-up in 2019 Q2
£35.00 Bristol city centre rent per square foot in 2019 Q1	**£23.50** Bristol out-of-town rent per square foot in 2019 Q1

1. **Take-up** refers to the amount of gross leasable space added to the market in the period.
2. **Bristol Out-of-Town** covers the outer areas of Bristol, and may include offices outside of the Bristol Unitary Authority.

Source: GVA The Big Nine

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