

## Summary

- According to the latest quarterly business survey Hampshire & the Isle of Wight and Enterprise M3 were the strongest performing areas for output in this part of the South East in the final quarter of 2012. The performance of Oxfordshire improved and reached the South East average at the end of 2012. The level of business activity in Surrey and Sussex eased at the end of last year to below the South East average. Coast to Capital recorded the weakest level of business activity in this part of the South East.
- Looking ahead the level of business activity in this part of the South East is expected to remain subdued in the first quarter. Business activity in Coast to Capital is expected to recover. Alongside Hampshire and Surrey & Sussex, Coast to Capital is expected to outperform the national average. Business activity in Oxfordshire and Enterprise M3 is expected to ease on Q4 and remain broadly flat in the first quarter of 2013.
- The timelier regional data from purchasing managers shows that the level of business activity (output) in the region expanded in March but at a slower pace than in the previous two months. The good news is that the volume of new business (a leading indicator of short-run growth in the economy) remained relatively robust.
- The construction sector acted as a drag on the economy throughout 2012 and the latest official and survey data shows that this sector has continued to underperform in the first quarter of this year. A downturn in the construction sector has highlighted the risk of the economy slipping back into recession.
- Given the relative weakness in construction and manufacturing, and weak overseas demand reflected in higher than expected trade deficit, which is continuing to hold back economic growth in the UK any upturn in the first quarter is likely to have been modest at best. According to the National Institute of Economic and Social Research (NIESR) the UK economy grew by 0.1 per cent in the three months ending in March.
- Given the relative weakness in the economy in the first quarter, higher than expected inflation and weaker global outlook it is hardly surprising that the outlook for the UK economy has been revised down by the Office for Budget Responsibility (OBR). According to the OBR's latest economic and fiscal outlook the UK economy is expected to expand by 0.6 per cent in 2013 followed by 1.8 per cent in 2014. The OBR forecast are similar to the latest forecasts produced by several independent forecasters.
- The latest sub-regional projections for this part of the region from Experian are on average 0.5 percentage points lower than six months ago. West Sussex is now projected to expand by 1.4 per cent this year, faster than any county or LEP in this part of the South East. Total output of Enterprise M3 and the Hampshire Economic Area is projected to expand by 1.3 per cent respectively, faster than the regional average.
- The economies of Oxfordshire and Surrey are projected to expand by 1.1 per cent, marginally slower than the regional average. Coast to Capital is projected to expand by 1 per cent, faster than the national average but below the average rate of growth of other LEPs in this part of the region.

## ***Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)***

- The growth in Coast to capital is projected to be held back by the relative underperformance of Brighton & Hove and Croydon. The recession and sovereign debt and banking crisis in the euro area, somewhat less supportive global backdrop and higher than expected inflation continue to be the most significant risks to the outlook.
- According to the latest quarterly business survey employment remained relatively stable in this part of the region in the final quarter of last year. Hampshire and Enterprise M3 were the strongest performing areas for employment and Coast to Capital the weakest.
- The outlook for employment growth in this part of the South East has weakened compared to the final quarter of last year. Coast to Capital is the only area where the outlook for Q1 has improved compared to Q4 2012. The outlook for Surrey & Sussex and Oxfordshire has remained similar to Q4. Businesses in Enterprise M3 and Hampshire & the Isle of Wight reported the weakest expectations for employment growth in this part of the region for the first quarter of this year.
- In the final quarter of last year the number of jobs located in the South East fell by 31,000. Most sectors registered lower number of workforce jobs in the fourth quarter compared to the previous quarter. The fall in the number of jobs in the region is consistent with the fall in GDP at the end of last year.
- The fall in the number of jobs in the region is at odds with strong growth in the number of people in employment registered in Q4. The discrepancy between the figures suggests that the strong growth in employment in the South East in the final quarter of 2012 was mainly driven by the increase in demand from outside the region.
- The timelier regional data from purchasing managers shows that employment growth in the region slowed sharply at the end of the first quarter. The region registered no change in private sector employment in March according to the latest PMI survey.
- The official labour market data add to recent signs from business surveys that growing uncertainty about the economic outlook is starting to impact on labour market performance across much of the country. The number of people in employment in the region and the UK remained broadly unchanged and unemployment on the broader measure increased sharply in the three months to February.<sup>1</sup>
- The good news is still found in the timelier claimant count measure of unemployment. The latest sub-regional claimant count data not adjusted for seasonal factors shows falling numbers of claimants and young claimants across all counties and LEPs in this part of the South East in March.
- The unemployment rate remained unchanged across all counties and most LEPs in the area. Coast to Capital was the only LEP in the area to register a small fall in the unemployment rate between February and March. Oxfordshire was the only LEP/county in this part of the region not to register a small fall in the youth unemployment rate.
- Coast to Capital and West Sussex registered the fastest annual falls in unemployment and youth unemployment in March. The annual fall in youth unemployment in Oxfordshire was relatively modest.

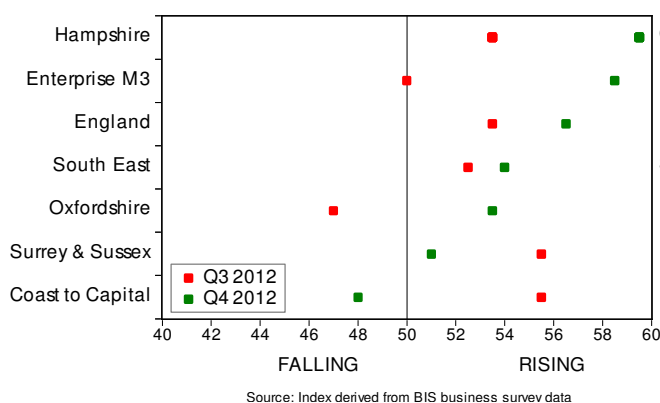
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<sup>1</sup> For further information see *Labour Market Update – April 2013* (forthcoming)

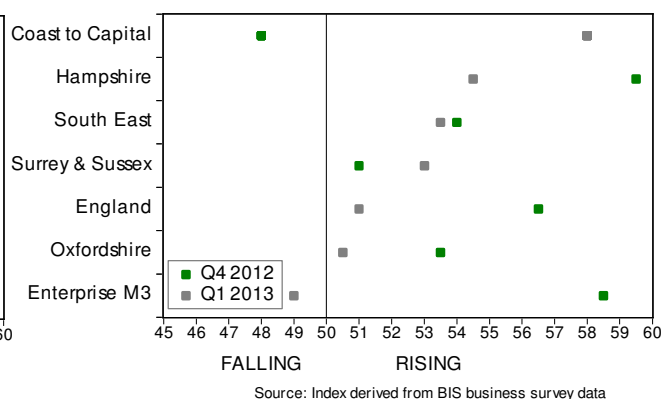
### Sub-regional economic growth

- According to the latest quarterly business survey Hampshire & the Isle of Wight and Enterprise M3 were the strongest performing areas for output in this part of the South East in the final quarter of 2012 (Figure 1).
- Economic output in Hampshire remained weak with 21 per cent of businesses reporting a decline and 33 per cent reporting that it had stayed the same between September and December 2012. The balance for output was +22%, higher than the national average and above other counties/LEPs in this part of the South East.<sup>2</sup>
- The performance of Enterprise M3 was similar to Hampshire. One in five businesses reported a decline in output and 37 per cent reported that it had stayed the same at the end of last year. The balance of output was +19%, above the English average and other LEPs in the area but below Hampshire & Isle of Wight.
- With 26 per cent of businesses reporting a decline and 29 per cent reporting that the level of business activity stayed the same in the final quarter of 2012 the performance of Oxfordshire was similar to the regional average. The balance of output improved from -3% in Q3 to +13% in Q4.

**Figure 1: Business Activity 2012 Q3 & Q4 Selected Counties and LEPs**



**Figure 2: Business Activity in Q4 2012 and expected activity in Q1 2013**



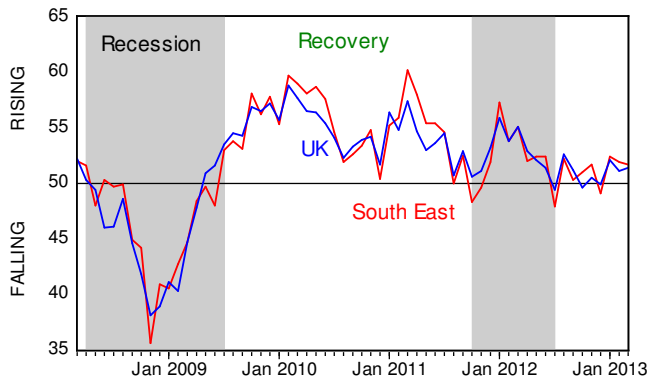
- The level of business activity in Surrey and Sussex eased at the end of last year. Some 29 per cent of businesses reported a decline and 32 per cent reported that the level of business activity stayed the same between September and December. The balance of output deteriorated from +14% in Q3 but remained positive at +6% in Q4.
- Coast to Capital recorded the weakest level of business activity at the end of last year in this part of the South East. Some 34 per cent of businesses in this LEP recorded a decline and 28 per cent reported no change in the level of business activity in Q4. The balance of output fell from +13% in Q3 to 0% in Q4.
- Looking ahead the level of business activity in this part of the South East is expected to remain subdued in the first quarter of this year. Coast to Capital is expected to see a strong bounce back in the level of business activity in the first quarter.

<sup>2</sup> Net balance: determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

## Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)

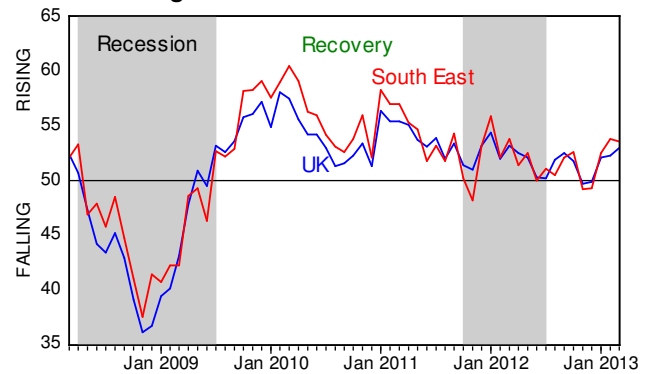
- Alongside Hampshire and Surrey & Sussex, Coast to Capital is expected to outperform the national average in Q1 (Figure 2). Business activity in Oxfordshire and Enterprise M3 is expected to remain broadly flat in the first quarter of 2013.
- After a strong relative performance in Q4 slower growth in activity in Enterprise M3 was always expected in the first quarter of this year. The outlook for Enterprise M3 probably reflects the uncertain outlook for the United States and several large economies in the eurozone. Oxfordshire remains exposed to the UK consumer and its relatively large public sector.

Figure 3: Business Activity (Output)



Source: Markit/Lloyds TSB 2013

Figure 4: Volume of New Orders



Source: Markit/Lloyds TSB 2013

- The timelier regional data from purchasing managers shows that the level of business activity (output) in the region expanded in March but the pace of growth continues to ease. According to the latest Markit/Lloyds TSB survey the South East Index stood at 51.7 in March, which was lower than the values recorded in February and January (51.9 and 52.4 respectively). The South East still managed to outperform the UK average in the first quarter of this year (Figure 3).
- The good news is that the volume of new business (a leading indicator of short-run growth in the economy) remained robust in the region in March. The rate of new business growth in the South East eased slightly but remained above the UK average and the second strongest over the past year according to Markit (Figure 4).
- The construction sector acted as a drag on the economy throughout 2012 and the latest official and survey data shows that this sector has continued to underperform in the first quarter of this year.<sup>3</sup> Total output in this sector fell by 7 per cent on a year ago in February, which was worse than the 5.5 per cent decline recorded in January according to the latest official data from ONS. The fall in the new construction work and the bad weather were the main factors behind the underperformance of this sector.
- The weakness seem to have persisted throughout the first quarter with PMI index for construction falling in March according to the Markit business survey. A downturn in the construction sector has highlighted the risk of the economy slipping back into recession in the first quarter. The overall negative impact on the economy has probably been offset by stronger growth in services and industrial production.

<sup>3</sup> For further information on the construction sector see *Economy & Business Snapshot*, February 2013.

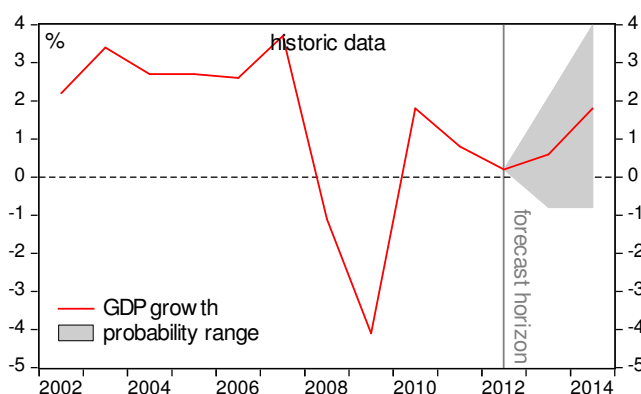
## Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)

- The growth in business activity in March reported by purchasing managers was driven by services which represent by far the largest sector of the economy. According to ONS industrial production increased by 1 per cent in February following a 1.3 per cent fall in January. Manufacturing expanded by 0.8 per cent following a 1.9 per cent fall registered in January.
- However, given the weakness in construction and manufacturing in the first quarter, and weak overseas demand reflected in higher than expected trade deficit, which is continuing to hold back economic growth in the UK any upturn in the first quarter is likely to have been modest at best.
- According to the National Institute of Economic and Social Research (NIESR) the UK economy grew by 0.1 per cent in the three months ending in March after growth of 0.1 per cent in the three months ending in February. The NIESR projection for the most recent three-month period has a standard error of 0.1-0.2 percentage points when compared to the first estimate produced by the Office for National Statistics.

### Sub-regional forecasts/projections

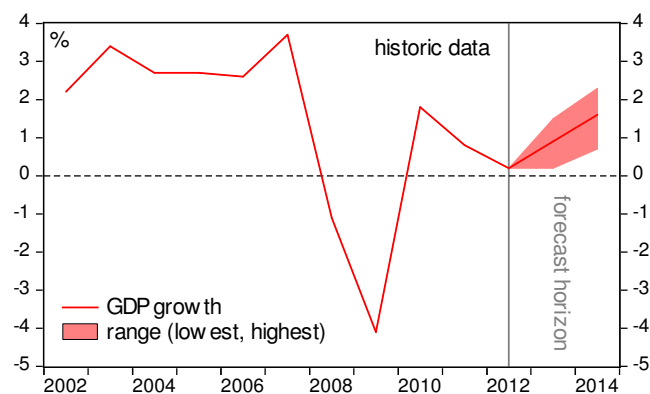
- Given the weakness in the economy in the first quarter, higher than expected inflation and weaker global outlook it is hardly surprising that the outlook for the UK economy has been revised down by the Office for Budget Responsibility (OBR) and several leading independent forecasters.
- According to the OBR's latest economic and fiscal outlook the UK economy is expected to expand by 0.6 per cent in 2013 followed by 1.8 per cent in 2014 (Figure 5). The 2013 forecast represents a significant revision from the Autumn economic and fiscal outlook forecasts published in December when the economy was expected to expand by 1.2 per cent.

**Figure 5: Office for Budget Responsibility  
GDP growth forecasts, 2013 - 2017**



Source: OBR, March 2013

**Figure 6: Independent GDP growth  
forecasts, 2013 and 2014**



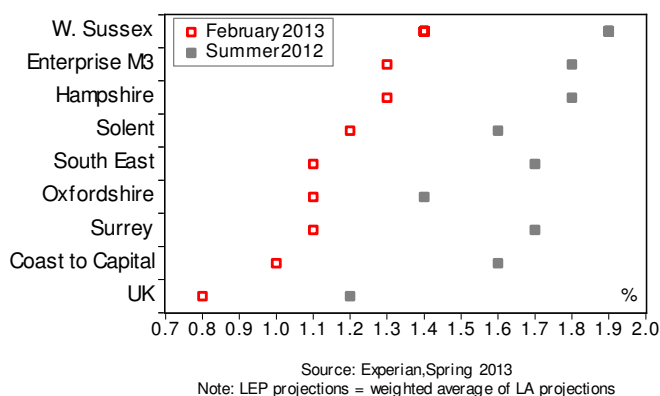
Source: HMT, March 2013 (City of London and non-city forecasts)

- The latest OBR forecasts are broadly in line with a range of independent forecasts. The latest summary of published independent forecasts compiled by the Treasury (March 2013) shows that the economy is expected to expand by 0.9 per cent this year followed by 1.6 per cent growth in 2013 (Figure 6).

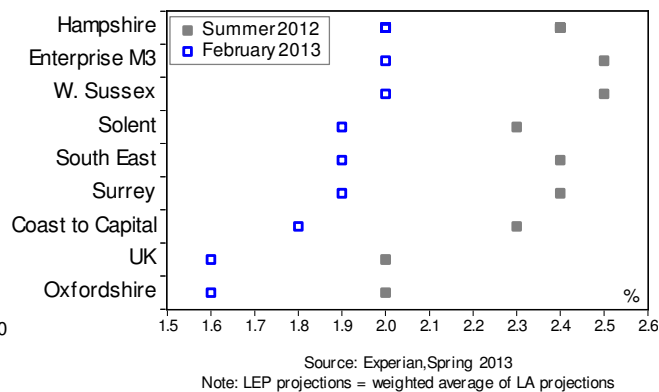
## Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)

- There is a significant degree of uncertainty in the average independent forecast compiled in March reflected in a 0.2 per cent to 1.5 per cent range for 2013 (shaded area in Figure 6). The NIESR and IMF expect the UK economy to expand by 0.7 per cent and 1.5 per cent respectively in 2013 and 2014. The latest CBI forecast is slightly more optimistic with the economy expected to expand by 1 per cent this year followed by 2 per cent growth in 2014.
- Experian have revised down the outlook for output growth for the UK, the South East and its counties and Local Enterprise Partnerships (LEPs). The Experian forecast of 0.8 per cent and 1.6 per cent growth this year and in 2014 is broadly in line with the latest OBR forecasts. Its sub-regional projections for this part of the region are on average 0.5 percentage points lower than six months ago (Figure 7). The lowest downward revision was made for Oxfordshire (-0.4 percentage points) and the highest for Surrey, Enterprise M3 and Coast to Capital (-0.6 percentage points respectively).
- West Sussex is now projected to expand by 1.4 per cent this year, faster than any county or LEP in this part of the South East (Figure 8). Total output of Enterprise M3 and the Hampshire Economic Area is projected to expand by 1.3 per cent respectively, faster than the national and regional average (0.8 and 1.1 per cent respectively).<sup>4</sup>
- The economies of Oxfordshire and Surrey are projected to expand by 1.1 per cent, marginally slower than the regional average. Coast to Capital is projected to expand by 1 per cent, faster than the national average but below the average rate of growth of other LEPs in this part of the region (Figure 7). The growth in Coast to capital is projected to be held back by the relative underperformance of Brighton & Hove and Croydon.

**Figure 7: Independent forecasts/projections  
GVA growth, 2013 (selected counties/LEPs)**



**Figure 8: Independent forecasts/projections  
GVA growth, 2014 (selected counties/LEPs)**



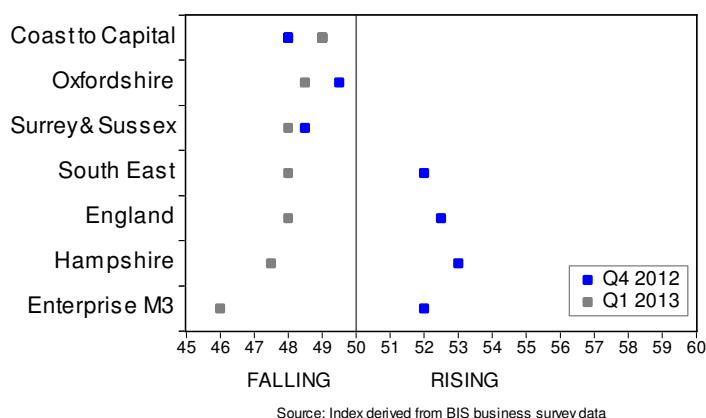
- All counties and LEPs in this part of the region are projected to expand at least as fast as the UK average in 2014. The fastest growth is projected in the Hampshire Economic Area, Enterprise M3 and West Sussex (2 per cent) and the slowest in Oxfordshire (1.6 per cent). Stronger growth in Oxfordshire is likely to be held back by its large public sector and its relatively large exposure to domestic demand (Figure 8).
- The recession and sovereign debt and banking crisis in the euro area, somewhat less supportive global backdrop and higher than expected inflation continue to be the most significant risk to the outlook this year and in 2014.

<sup>4</sup> Hampshire Economic Area = Hampshire County Council + Portsmouth and Southampton.

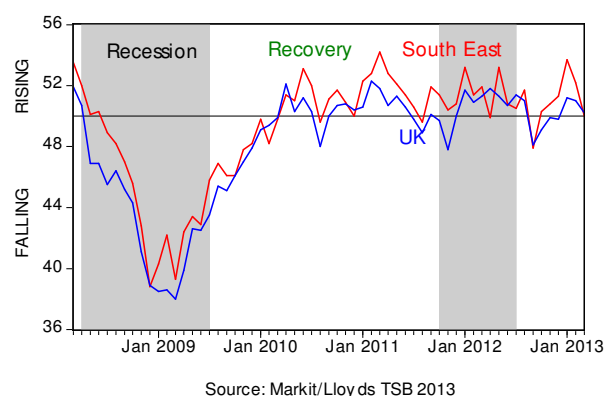
**Sub-regional labour market**

- According to the latest quarterly business survey employment remained relatively stable in this part of the region in the final quarter of last year. Hampshire & the Isle of Wight and Enterprise M3 were the strongest performing areas for employment and Coast to Capital the weakest (Figure 9).
- The outlook for employment growth in this part of the South East has weakened compared to the final quarter of last year. Coast to Capital is the only area where the outlook for Q1 has improved compared to Q4 2012 (Figure 9). The outlook for Surrey & Sussex and Oxfordshire has remained similar to Q4 2012. Businesses in Enterprise M3 and Hampshire & the Isle of Wight reported the weakest expectations for employment growth in the first quarter of this year.

**Figure 9: Number in employment in Q4 2012 and expectations for Q1 2013**

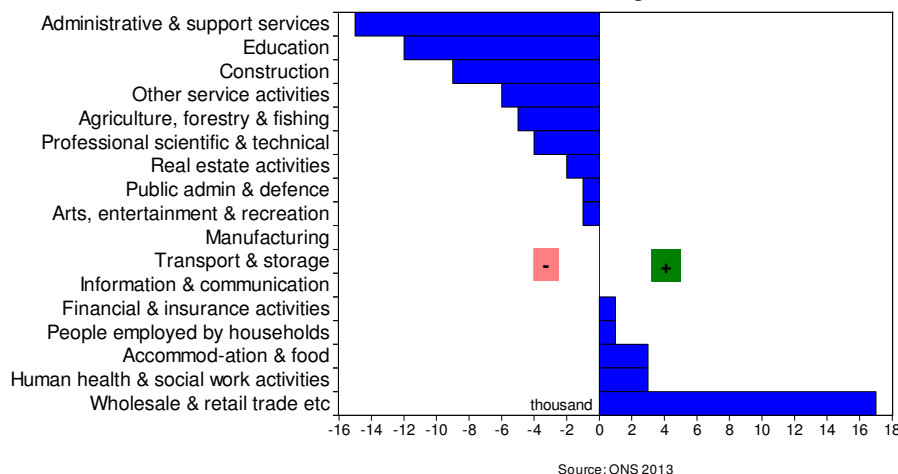


**Figure 10: Private sector employment growth South East and United Kingdom**



- In the final quarter of last year the number of jobs located in the South East fell by 31,000. The entire fall in the number of workforce jobs in the region was driven by the fall in self-employment jobs (the number of employee jobs remained unchanged). The fall in this area suggests that the strong growth in employment in the South East in the final quarter of 2012 was mainly driven by the increase in demand from outside the region. Over the same period the number of workforce jobs in London increased by 27,000.

**Figure 11: Change in workforce jobs by industry (Q3 to Q4) South East region**



## Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)

- The wholesale and retail sector registered the largest increase in the number of jobs in Q4 followed by small increases in accommodation & food, human health & social work and finance & insurance (Figure 11). The largest decreases in the number of jobs in the region were recorded in administration & support services, education and construction.
- The timelier regional data from purchasing managers shows that employment growth in the region slowed sharply at the end of the first quarter. Alongside East of England the South East was the best performing UK region for private sector employment growth in January and February. However, the region registered no change in private sector employment in March according to the latest PMI survey from Markit (Figure 10).
- The official labour market data add to recent signs from business surveys that growing uncertainty about the economic outlook is starting to impact on labour market performance across much of the country. Employment growth in the region and the UK remained broadly unchanged in the three months to February. The number of people in employment in the UK fell by 2,000 and in the region it increased by 2,000 on the previous three months.
- The number of people out of work on the broader measure increased for second consecutive month. Unemployment in the UK and the South East increased by 70,000 and 15,000 respectively. The main reason behind the discrepancy between unemployment and the number of people in employment is found in larger workforce.
- The good news is found in the timelier claimant count measure of unemployment adjusted for seasonal factors. On this measure the number of unemployed people in the region and the UK fell by 1,200 and 7,000 respectively. The latest fall in claimant count unemployment in the UK is below the average fall recorded over the previous three months. The latest monthly fall in the number of claimants in the South East is comparable to last month and the quarterly average.
- The latest sub-regional claimant count data not adjusted for seasonal factors shows falling numbers of claimants across all counties and LEPs in this part of the South East in March. The unemployment rate remained unchanged across all counties and most LEPs in the area. Coast to Capital was the only LEP in the area to register a small fall in the unemployment rate between February and March (Table 2). Coast to Capital and West Sussex registered the fastest annual falls in unemployment.

**Table 2: Unemployment and youth unemployment – March 2013\***

Unemployment	Mar-13		Change (absolute and % point)			Youth unemployment			Change (absolute and % point)		
	Number	%	absolute	monthly	annual		Number	%	absolute	monthly	annual
United Kingdom	1,584,468	3.9	-29321	0.0	-0.2	428,575	5.7	-9640	-0.1	-1.0	
S. East region	138,029	2.5	-3502	-0.1	-0.2	35,360	3.6	-915	-0.1	-0.8	
Hampshire	16,291	2.0	-610	0.0	-0.2	4,660	3.4	-125	-0.1	-0.7	
Surrey	11,508	1.6	-271	0.0	-0.2	2,480	2.1	-115	-0.1	-0.7	
West Sussex	10,781	2.2	-355	0.0	-0.3	2,595	3.3	-125	-0.2	-1.0	
Oxfordshire	7,090	1.7	-135	0.0	-0.2	1,595	2.0	-45	0.0	-0.5	
Enterprise M3	17,110	1.7	-614	0.0	-0.1	4,180	2.5	-195	-0.1	-0.6	
Coast to Capital	32,180	2.6	-813	-0.1	-0.3	7,655	3.7	-250	-0.1	-0.9	

Legend:

>region<UK	<region	increase	decrease	no change
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Source: ONS 2013 \*claimant count (NSA data)

***Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)***

- The number of young unemployed claimants (16-24 year olds) fell across all counties and LEAs in this part of the South East in March. Oxfordshire was the only LEA/county in this part of the region not to register a small fall in the claimant count youth unemployment rate in March (Table 2). West Sussex and Coast to Capital registered the fastest annual falls in youth unemployment in this part of the South East.
- The annual fall in youth unemployment in Oxfordshire (0.5 percentage points) was relatively modest compared to the national average and other LEAs/counties in this part of the region (Table 2). Oxfordshire experience relatively sharp fall in unemployment in the early phases of the recovery and given its low youth unemployment (2 per cent, the lowest in the South East) a slower annual decline in youth unemployment in Oxfordshire was always expected.<sup>5</sup>

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<sup>5</sup> For further information see the latest *Labour Market Update – April 2013* (forthcoming).

## Business specific intelligence

The latest business specific intelligence for Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital Local Enterprise Partnership Areas includes the news that:

- **Cherwell District Council** has approved plans for a Ministry of Defence distribution centre in Upper Arccott, including a 750,000 sq ft warehouse and up to 2,000 jobs.
- **Lucketts Travel** is to create 25 new driving jobs at **Farham-based** coach travel business.
- **Wellness Foods** has appointed Rothschild to conduct a strategic review of its **Oxfordshire-based** Rowse Honey business, which could lead to a £50m sale.
- **Tesco** is said to be considering plans to set up an online groceries fulfilment centre at **Didcot in Oxfordshire**.
- **NewRiver Retail** is to submit plans to extend The Martlets shopping centre in **Burgess Hill**, including retail units totalling 51,000 sq ft and a 50,000 sq ft food store.
- **All Leisure Group** is to relocate the headquarters of its travel business and up to 50 jobs from **West Sussex** to the Page & Moy site in Market Harborough.
- **Weald & Downland Open Air Museum** near **Chichester** is seeking £4m of lottery funding for a new visitor centre.
- **Lombard Medical Technologies** is looking to expand the production of its medical devices in Ayrshire and **Oxfordshire**, in preparation for the US launch of its Aorfix stent.
- **Hammerson** has submitted outline plans for the £70m Watermark WestQuay development in **Southampton**, including a cinema, restaurants and up to 500 jobs.
- **Travelodge** has signed new operators and franchises for 38 of its budget hotels, as part of a series of deals with Moto, Best Western, Ibis, Metro Inns and others.
- **Innovation Group** the **Whitley based** global provider of business process services and software solutions has acquired Gemini Vehicle Solutions, the Kidderminster-based provider of accident management services with 45 staff, for £4.5m.
- **Science Oxford** has submitted plans to build a £38m science exhibition centre in **Oxford** by 2015, including a planetarium, laboratory and up to 150 jobs.
- **CooperVision** has submitted plans to expand its contact lens factory at **Hamble in Hampshire** by about 10,000 sq ft.
- **Southampton City Council** is seeking bids from the private sector to build and operate a new distribution centre to cut the number of commercial vehicles entering the city.
- **Minoan Group** the **Croydon-based** travel and leisure group is looking to open new travel outlets in Edinburgh, Aberdeen and Glasgow, and is rebranding its sites under the Stewart Travel name.
- **Condor Office Solutions** is to relocate its **Southampton-based** photocopier business to Cando House in Chandler's Ford in 2014.

## ***Economy & Business Snapshot – Hampshire, Surrey, Oxfordshire, Enterprise M3 and Coast to Capital (cont'd)***

- **Quindell Portfolio** the **Fareham-based** consultancy has acquired Compass Costs Consultants, the Merseyside-based legal costs consultancy, for £14m.
- **Fishawack**, the healthcare communications firm with offices in Knutsford and **Oxford**, has been acquired by Growth Capital Partners for £13m.
- **KFC** the **Woking-based** fast-food supplier is planning to open 40 new fast food outlets this year, with the creation of 1,600 jobs.
- **Chandlers BMW** is looking to build a new car dealership at Angmering in **West Sussex**, with the relocation of up to 88 staff from existing sites.
- **Bicester Heritage** is planning to develop a heritage business park at the former RAF Bicester airfield, in order to provide space for motoring and aviation companies.
- **Holloid Plastics** has gone into administration through Smith & Williamson with the loss of 38 jobs at its **Basingstoke-based** injection moulding business.
- **Nestle** the **Croydon-based** food manufacturer is planning to close its Jenny Craig weight-loss business in the UK.
- **Smiths Bletchington** has submitted plans to extend the Gill Mill sand and gravel quarry in **Oxfordshire** by 239 acres, securing 100 jobs for 14 years.
- **Grafton Merchanting** the **Oxford-based** builders and plumbers has bought Sunderland-based Thompson Building Centres and sister company TAPS plumbers merchants out of administration, saving 20 jobs.
- **EasyJet** is looking to recruit 200 additional pilots to work from its 11 UK airports by 2014.
- **Bristow Helicopters** the **Redhill-based** provider of helicopter services is to set up a new base at Inverness Airport, having won a ten-year contract to operate search and rescue operations from ten sites nationwide.
- **Smiths Bletchington** has submitted plans to extend the Gill Mill sand and gravel quarry in **Oxfordshire** by 239 acres, securing 100 jobs for 14 years.
- **Sainsbury's** is planning to open a further 50 Local convenience stores in London and the **South East** over the next year, with the creation of 1,000 jobs.
- **Whiteley Shopping Centre** is looking to recruit more than 1,000 staff for its new £84m retail centre due to open in **Hampshire** in May.
- **Surrey County Council** has approved plans from Bio Group to develop a 25,000 tonne-a-year capacity anaerobic digestion plant at Dunsfold Park.
- **MEPC** has announced plans for a new £15m office development at Milton Park in **Oxfordshire**, providing space for 500 staff.