

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.¹
- 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.

¹ For further information see *Labour Market Update – April 2013* (forthcoming)