

## Hampshire innovation, investment and productivity



**41%**

of businesses are  
innovation active



**£11.9 billion**

Total investment  
(private and public)



**-10.6%**

All services funding per  
person relative to the  
England average

Investment lies at the root of economic growth and prosperity, while innovation is arguably the most important driver of productivity, business competitiveness and long-term growth.

The UK economy has suffered from chronic levels of underinvestment by both the private and the public sectors compared with other major European economies.

Experimental estimates from the UK Office for National Statistics suggest that total (private and public) investment in Hampshire stood at £11.9bn or 17.9% of its GDP in 2020, similar to the South East average. Total investment relative to Hampshire's GDP has been in decline since the 2008/9 recession.

### All services funding per person - Hampshire County Council Area, 2022/23

Service	Relative to national average
All services	-10.6%
All services excluding schools*	-9.6%
NHS	-8%
Schools	-13.9%
Local govt.	-8.1%
Police	-24.3%
Public health	-35.9%

Source: IFS 2023

Funding for the NHS, schools, local government, the police and public health averaged £3,854 per person across the Hampshire County Council area in 2022/23, or 10.6% below the England average. Funding across all the main public services functions stood below the national average.

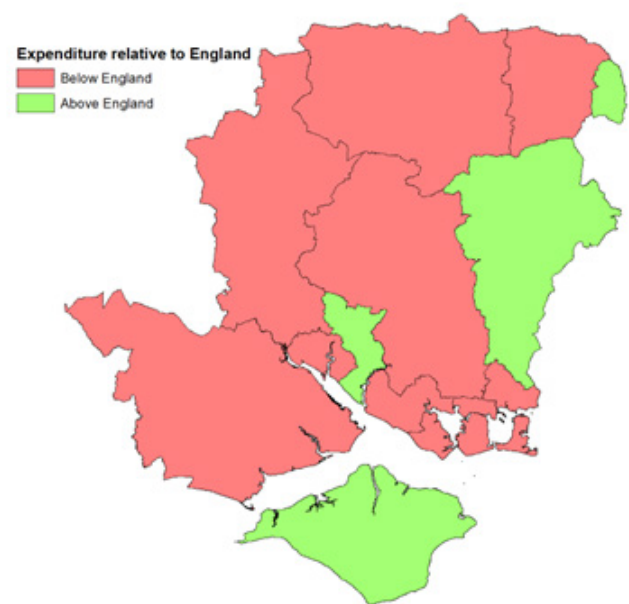
There are significant disparities in local authority expenditure across Hampshire, with per head expenditure in all but four districts below the England average.

Survey data suggests two-fifths of businesses in Hampshire are innovation active, above the England average. However, Hampshire has a lower percentage of innovation active firms than several regions in London, the South East and the South West. Hampshire also has a relatively low share of product innovators and businesses introducing new products to the market.

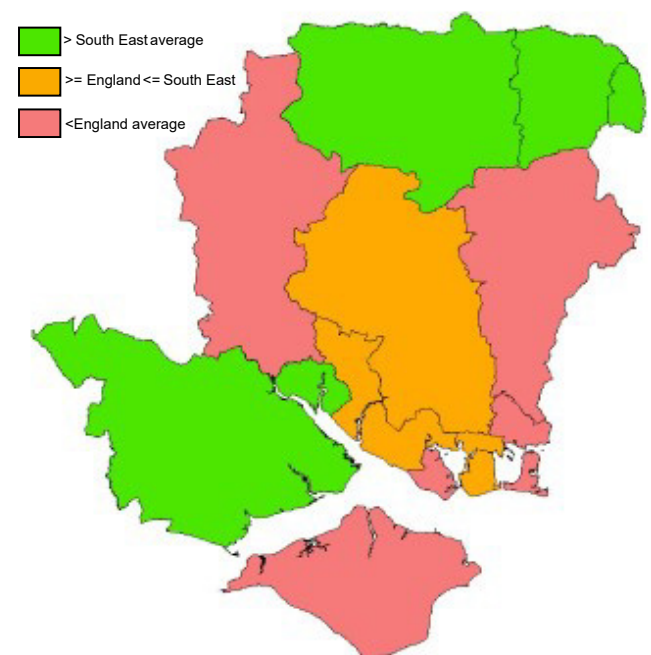
Large businesses are more likely to be innovation active than small and medium enterprises (SMEs). Data from the UK Innovation Survey still point to finance being one of the most common barriers to innovation investment, with SMEs more likely to face financial barriers than larger firms.

Technological innovation will play a crucial role in making the economy more competitive and driving future growth. In a large service sector economy, such as Hampshire, non-technological innovation will also be an important factor that could significantly boost the rate of economic growth and economic prosperity.

## Local authority expenditure, 2018/19 per head relative to England



## Labour productivity levels per hour relative to regional and national average (2022)



**£67,800**

Productivity per job per annum

In its simplest form, economic growth is driven by two factors; how many people are in work and their productivity. Several other factors highlight why productivity is of crucial importance to economic policymaking.

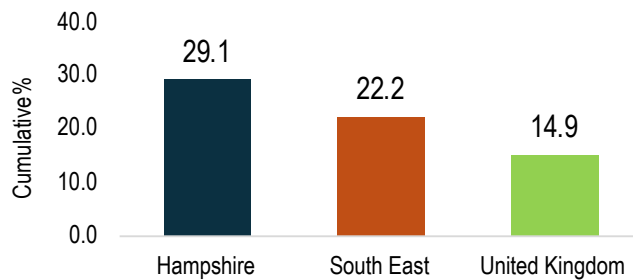
Higher productivity leads to increased output and economic growth, as businesses can generate more goods and services efficiently. An increase in productivity often translates to higher profits and wages and better living standards. Additionally, productivity enhances business competitiveness in the global market through efficient production processes and innovative practices.

Public investment also plays an important role in ensuring high levels of productivity, as can devolution and decentralising economic policy and funding that can specifically target some productivity drivers at a regional level.

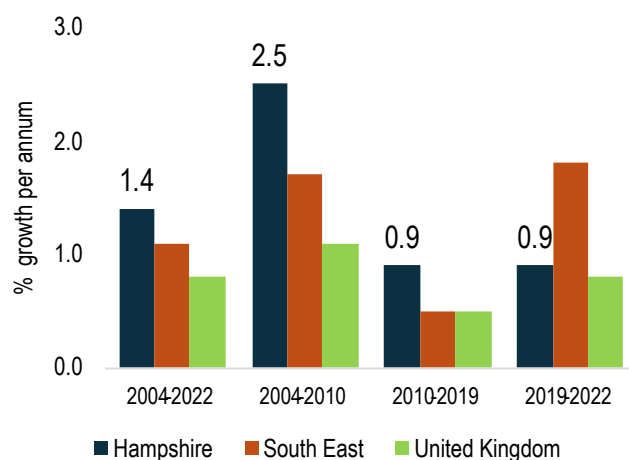
Official estimates suggest that the headline measure of labour productivity in Hampshire stood at £45.6 per hour worked in 2022, 14.8% more productive than the UK average and more productive than the regional average. On the alternative, output per job measure, productivity in Hampshire stood at £67,800 per job in 2022, 9.1% higher than the national average but slightly below the regional average.

There are significant disparities in productivity across the Hampshire sub-areas and districts. North Hampshire and Southampton have productivity levels above the regional and well above the UK average. North Hampshire is the most productive sub-area outside London, ranked 4th in the UK. While Rushmoor is second most productive local authority in the country just behind the City of London.

## Real productivity growth, % 2004-2022



## Real productivity growth, % per annum





North Hampshire is about 54% more productive than the UK average with Rushmoor about 90% more productive than the average. Most districts in Central and South Hampshire/Solent have productivity levels below the regional or national average.

In 2022 labour productivity in Hampshire was 29% higher than in 2004 and over this time Hampshire's growth outperformed the regional and national averages.

Hampshire and the UK have experienced significantly slower productivity growth than comparable regions and countries over the decade and a half since the global financial crisis.

Between 2010 and 2019 productivity growth in Hampshire was sluggish but better than the regional or national average. However, since 2019 growth on average lagged the regional average. The majority of Hampshire districts have been converging to a point close to the UK average.