Southampton's Economy – July 2020

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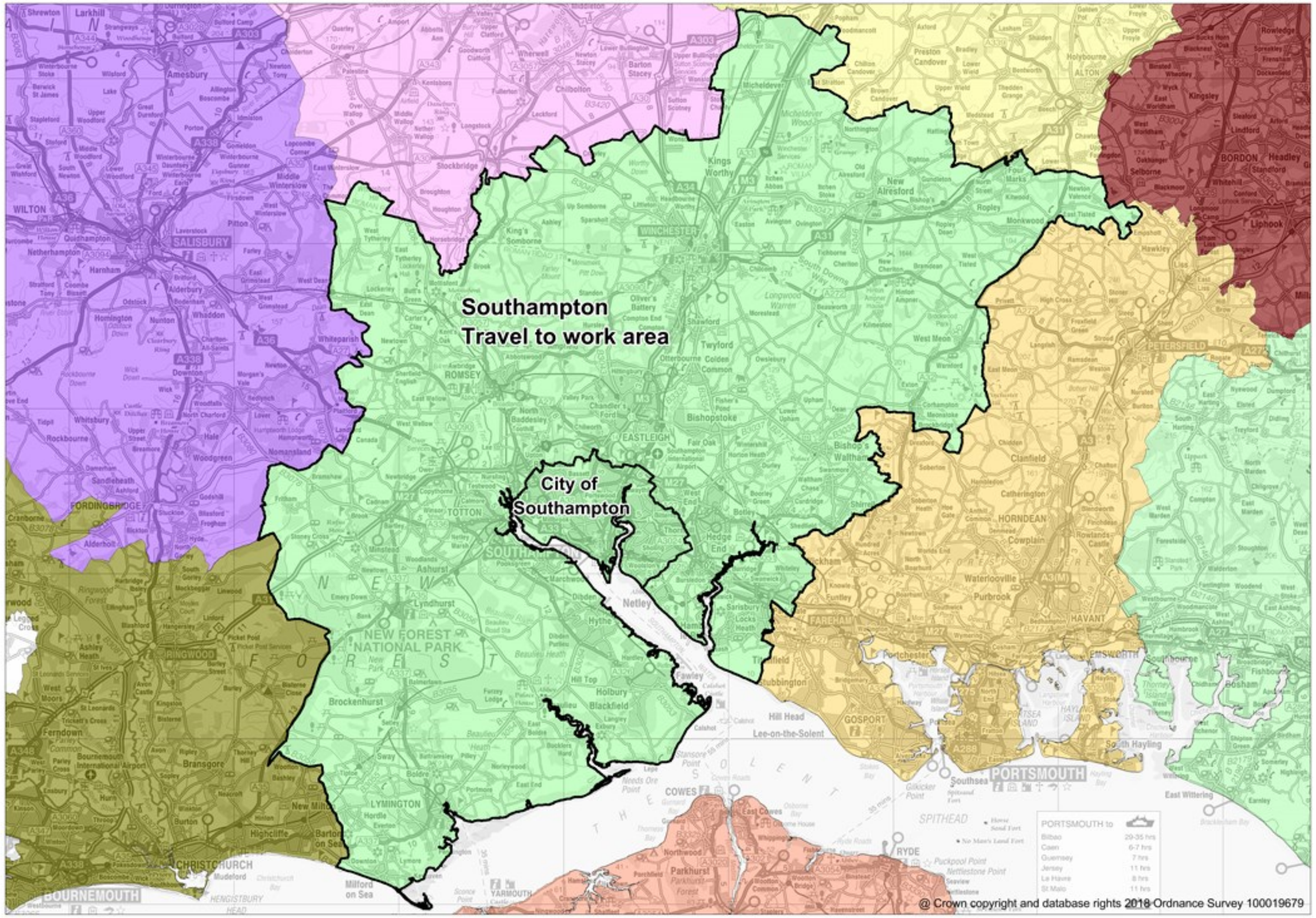
SOUTHAMPTON CITY COUNCIL

Facts and Figures on Southampton’s Economy……

Baseline pre-COVID-19

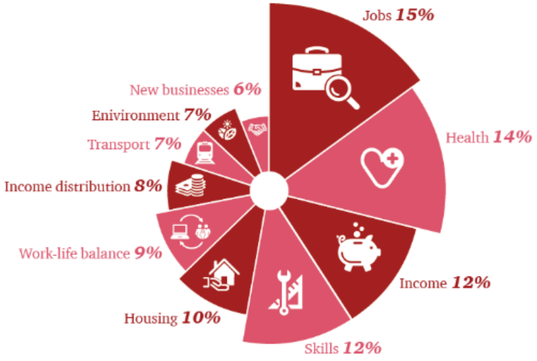
Economic Geography



https://www.pwc.co.uk/government-public-sector/good-growth/assets/pdf/good-growth-for-cities-2019.pdf

PWC Good Growth for Cities 2019

Highest ranking cities	Index score
Oxford	1.09
Reading	0.95
Southampton	0.79
Bristol	0.75
Milton Keynes	0.73
Aberdeen	0.72
Edinburgh	0.72
Swindon	0.66
Cambridge	0.64
Leicester	0.61



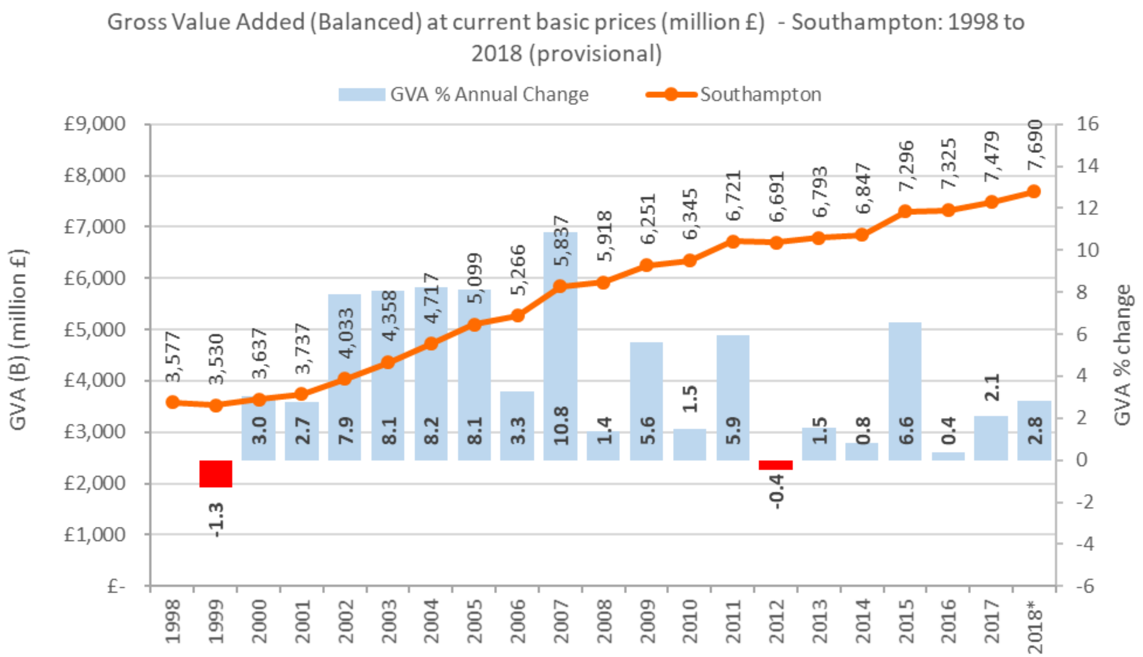
Headline Productivity & Growth

Productivity and Growth – GVA(B)

Southampton economy in 2018

7.7 billion

- Gross Value Added (GVA) is one of the key economic indicators
- **13.6%** of Hampshire Economic Area economy
- **2.8%** of the overall South East economy
- Overall economic growth before COVID-19 pandemic was healthy



Source: Office for National Statistics

Since 2017

2.3% South East

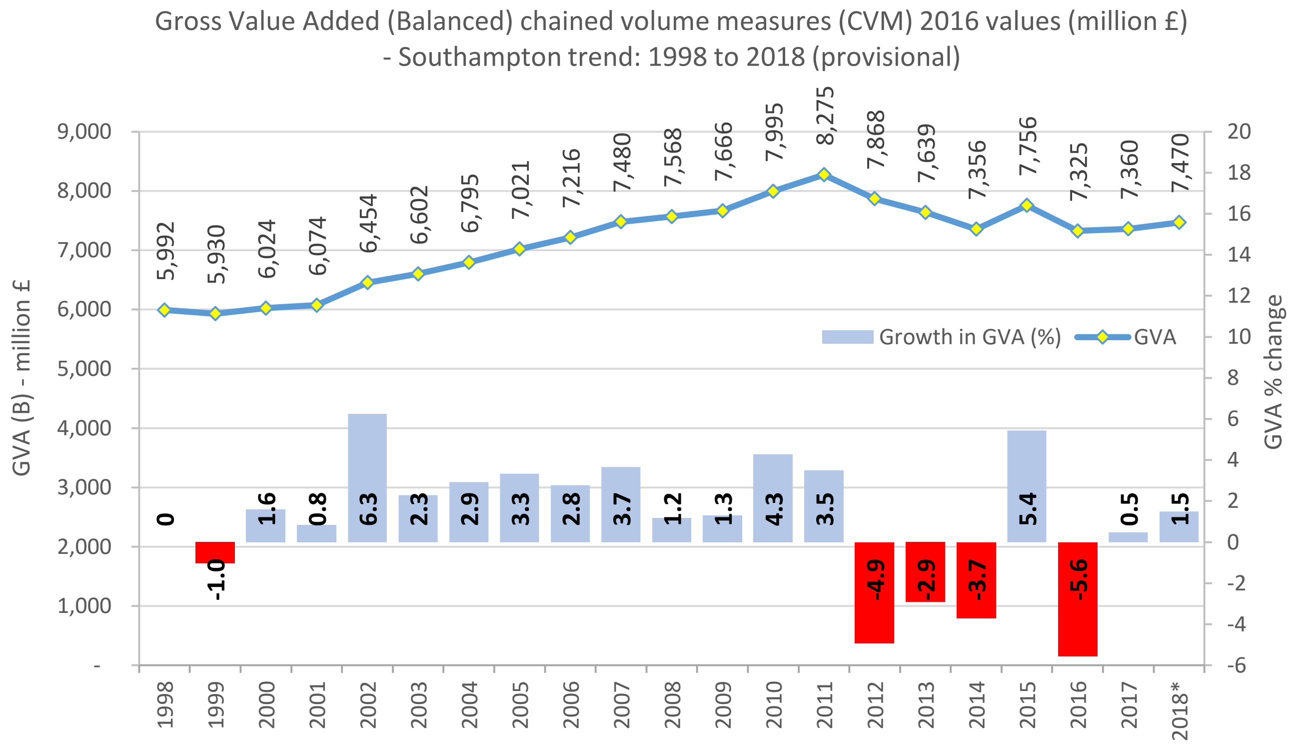
3.1% England

2.8% Southampton

Productivity and Growth – GVA(B)

Southampton economy in 2018: adjusted for inflation

- However, when adjusted for inflation GVA(b) is down compared to 2011
- Between 2010 and 2018 GVA **fell in real terms by -0.8%** in Southampton compared to a +1.1% growth in Hampshire & IoW overall
- Last two years have suggested a return to positive growth with a **1.5% increase** recorded in 2018 compared to 0.7% for Hampshire & IoW overall
- In addition, GVA(b) per head continues to be above average and compares favourably with many comparator cities……



Source: Office for National Statistics. * Data for 2018 is provisional

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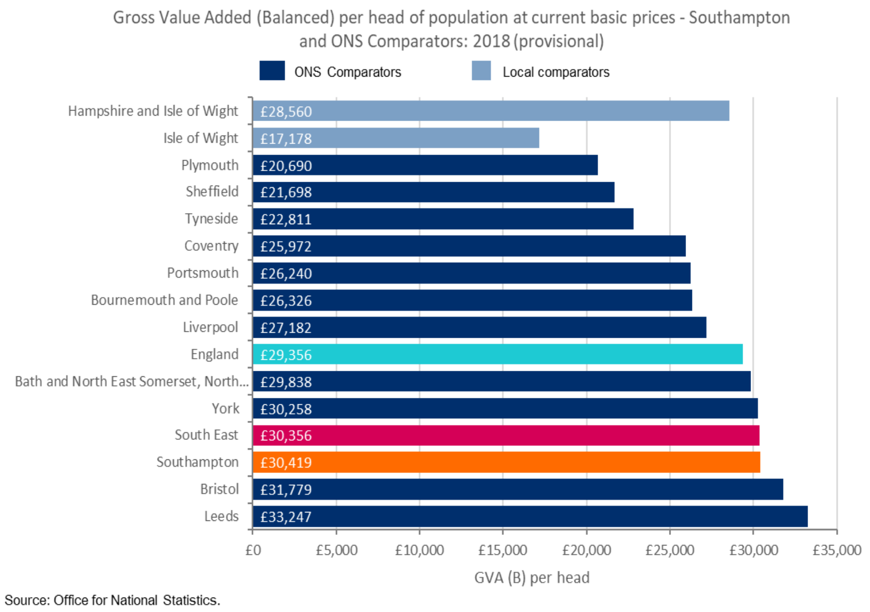
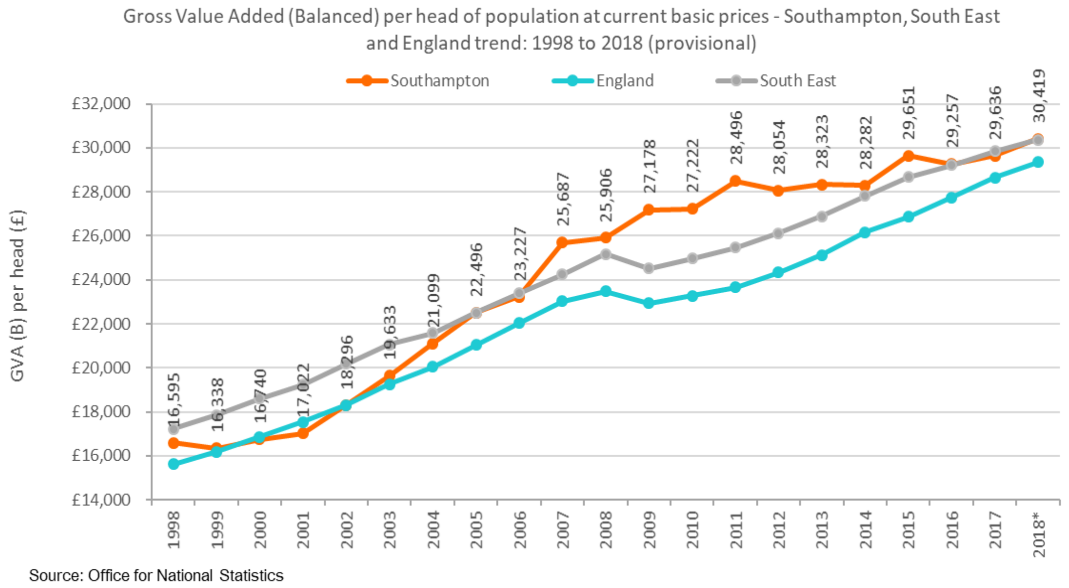
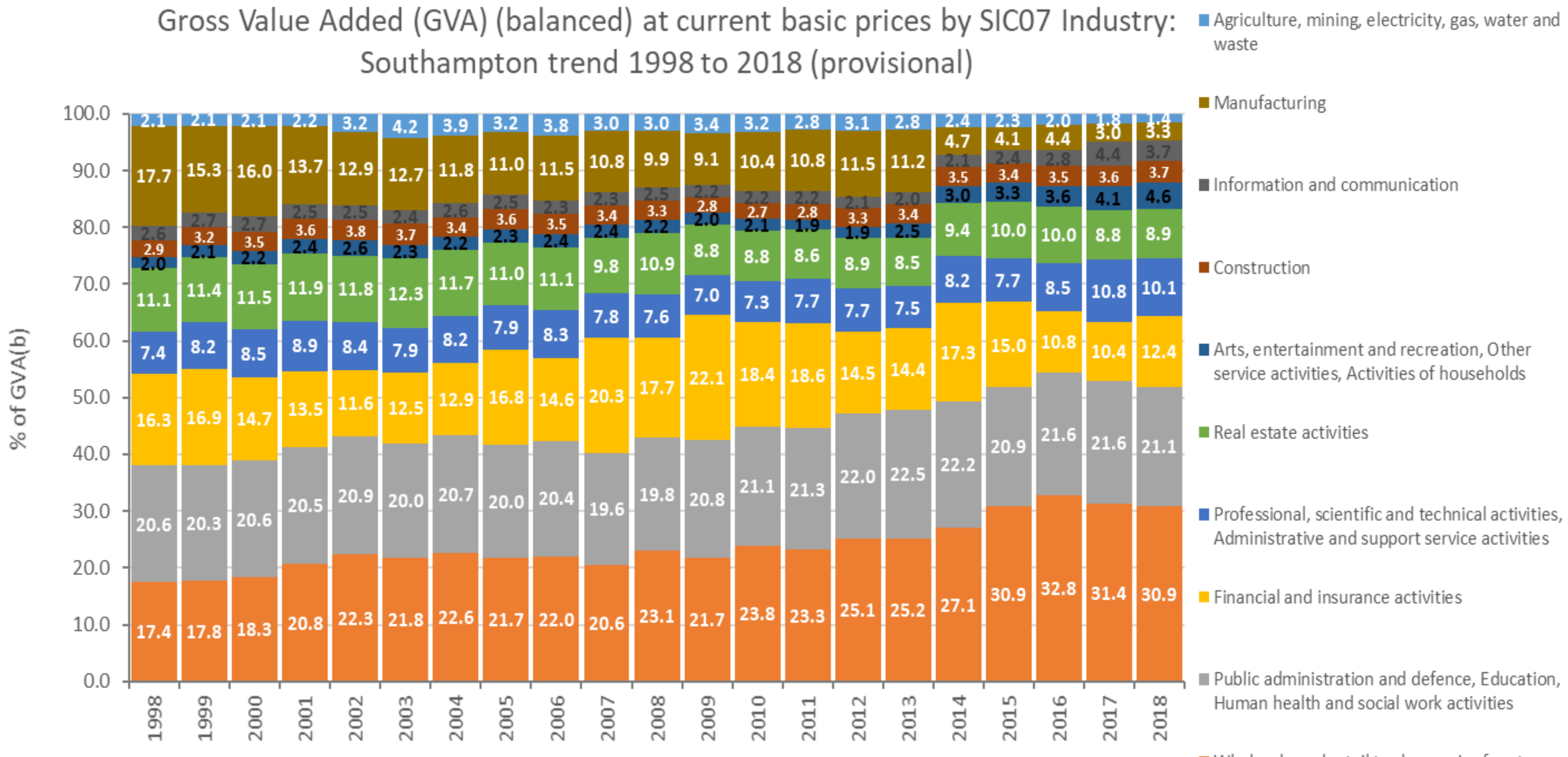
Benchmarking - GVA(B) per head





- GVA(B) per head (£30.4k) is higher than England (£29.3k) and the South East (£30.3k)
- 3rd highest amongst comparator areas
- GVA (b) grew by 2.6% between 2017 and 2018 in Southampton, which is similar to England (2.5%) and greater than the South East average (1.7%)
- The *wholesale/retail, transportation, accommodation and food service* is the largest industrial sectors (£2.4 billion), followed by the *public admin, education, health/social work* sectors (£1.6 billion)

Changes in GVA(B) by industry



Source: ONS. Data for 2018 is provisional

Business & Enterprise

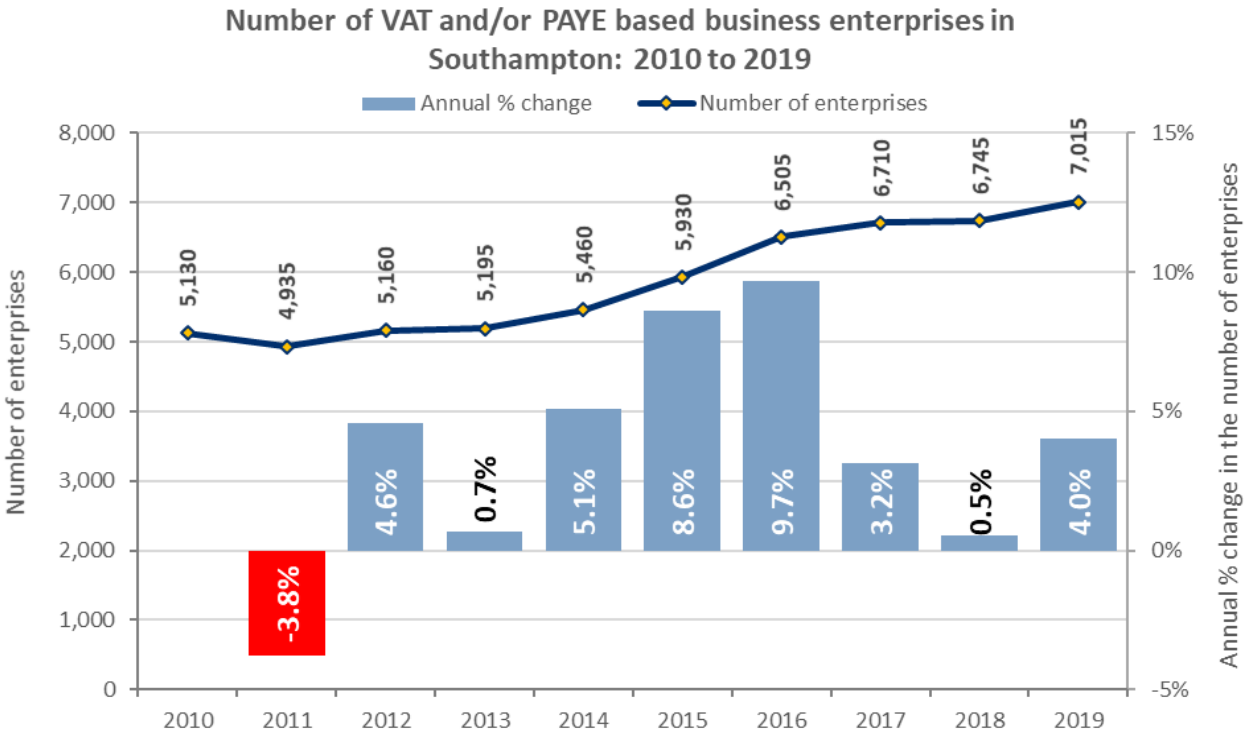
Business growth and density

- In 2019, there were **7,015** businesses in Southampton

Since 2011…. **+2,080 net**

42%	33%	27%
Southampton	England	South East

- There was a 4% net growth in businesses in 2019
- This growth is primarily in micro enterprises (0-9 employees)



Source: UK Businesses, Office for National Statistics

Business Start-ups & Entrepreneurialism

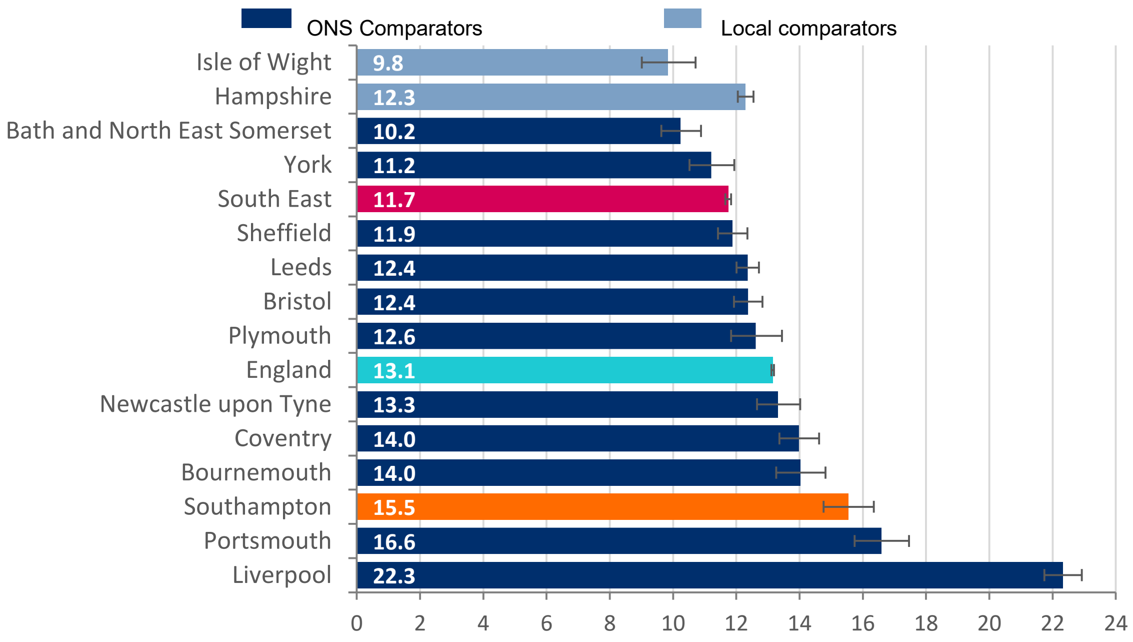
Annual percentage change in the number of micro and small enterprises

Region name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2019 cumulative change	2010-2019 annual rate of change
Micro Enterprises (0 to 9) employees											
England	-0.8	3.3	0.6	4.8	9.1	5.1	5.2	-0.2	2.0	32.5	3.6
South East	-0.5	2.9	0.2	3.8	7.3	4.3	3.2	0.1	2.8	26.6	3.0
Southampton	-3.5	5.1	-0.4	5.6	9.1	11.5	3.1	1.2	4.4	41.3	4.6
Small Enterprises (10 to 49) employees											
England	-2.5	5.4	4.9	4.1	4.6	-0.1	1.8	0.6	0.5	20.6	2.3
South East	-2.6	4.1	4.9	3.7	4.6	-0.6	0.6	0.6	0.3	16.3	1.8
Southampton	-4.5	-1.9	9.6	1.8	7.8	-3.2	1.7	-4.9	0.9	6.3	0.7

- Recent growth dominated by micro-businesses (<9 employees); increased by 4.6% per year since 2010 (SE average = 3%). Sign of increased entrepreneurship?
- However, growth in small and medium businesses is lower than average – may suggest micro-businesses are not expanding or surviving?
- The number of large enterprises has generally remained stable since 2010.

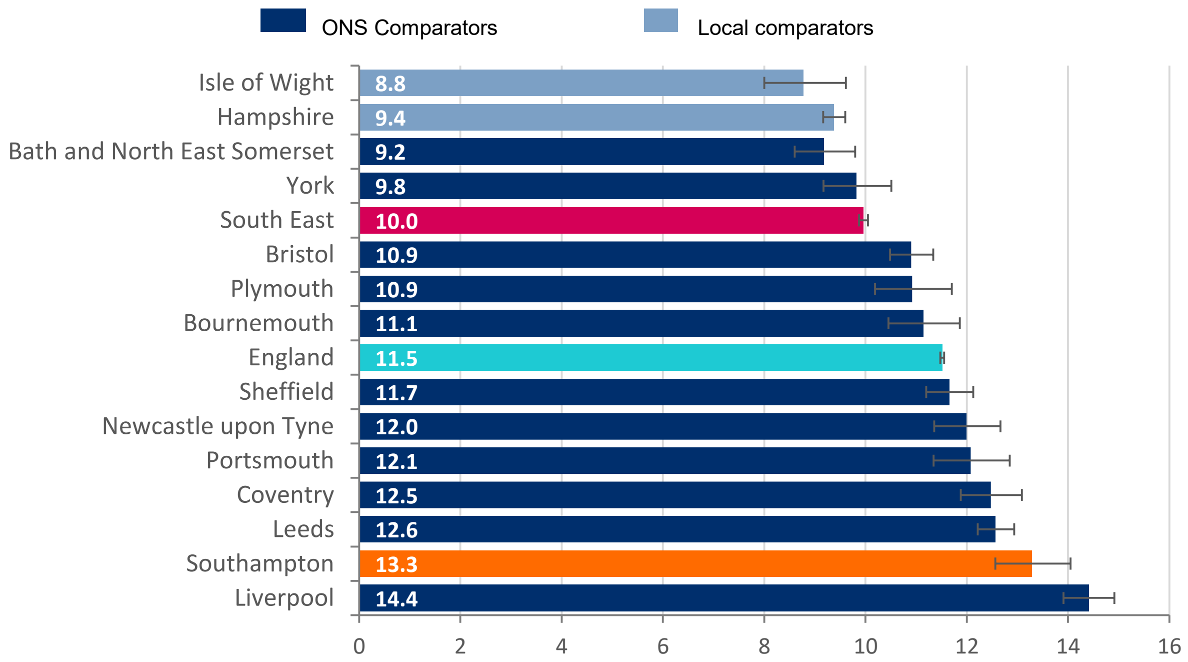
Business Start-ups & Closures

Newly registered businesses for VAT and PAYE (births) as a percentage of active enterprises - Southampton and ONS Comparators: 2018



Source: ONS Business Demography 2018.

Closure of enterprises as a percentage of active enterprises - Southampton and ONS Comparators: 2018

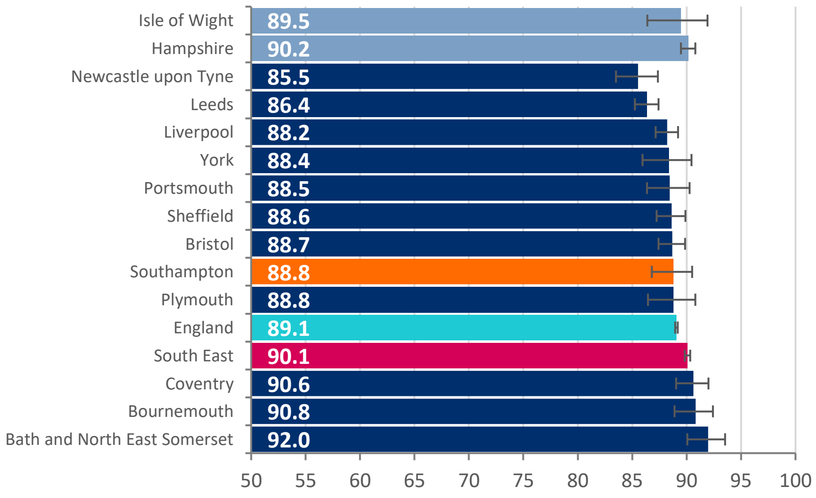


Source: ONS Business Demography

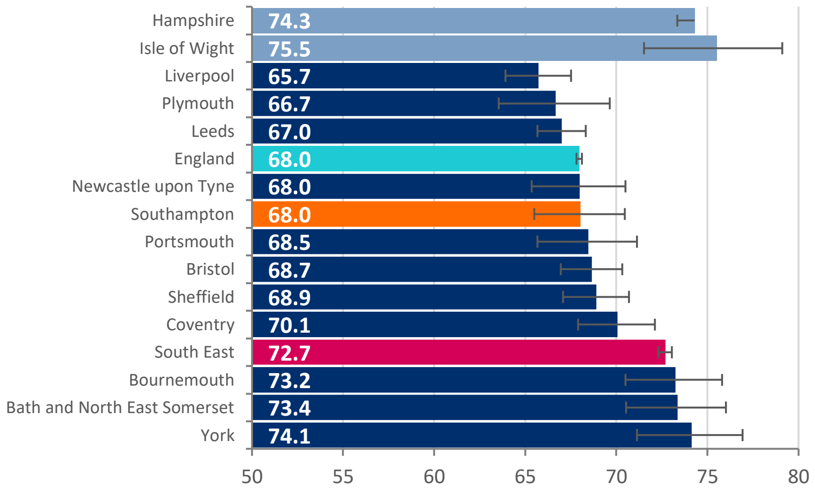
- In 2018, business births increased by **+11.7%** (+0.2% nationally), whilst closures fell by **-12.3%** (-8.5% nationally)
- The city has a high proportion of business births and closures compared to average, suggesting healthy levels of entrepreneurialism but potential issues with business survival

Business survival in Southampton

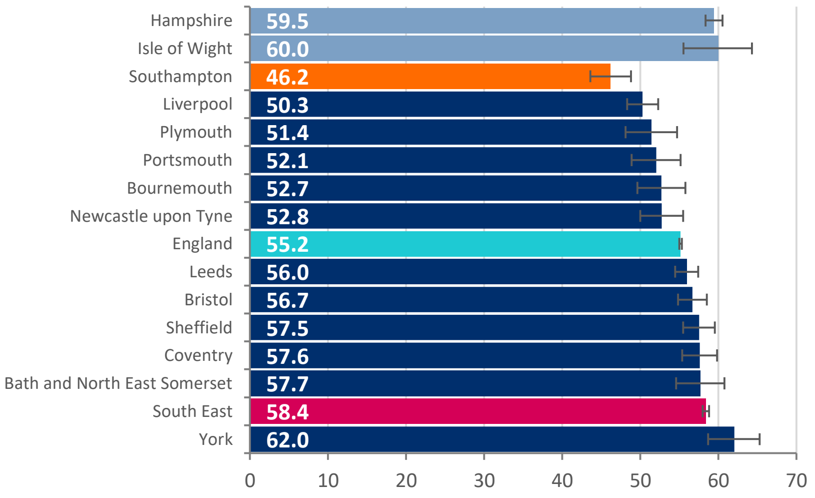
Survivability of new enterprises, in 2017, over 1 year (2018): Southampton and ONS Comparators



Survivability of new enterprises, in 2016, over 2 years (2018): Southampton and ONS Comparators



Survivability of new enterprises, in 2015, over 3 years (2018): Southampton and ONS Comparators



- Approx. **89%** of businesses in Southampton survive over the **first year** – similar to average
- Approx. **68%** of businesses in Southampton survive over **two years** – similar to average, but lower than Hampshire
- However, only **46%** survive over **three years**, which is the lowest amongst comparator areas
- In addition, survival rates in the first year are falling (as they are nationally), suggesting businesses are increasingly vulnerable in their first year

Employee Jobs

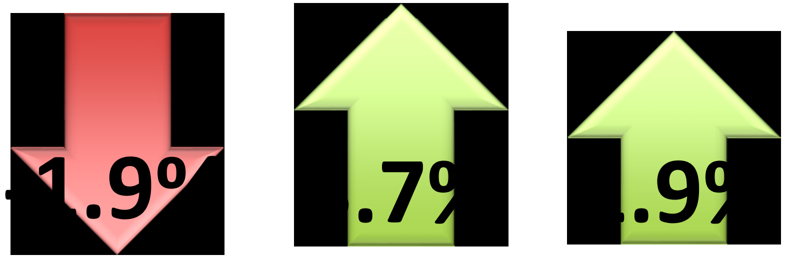
Employee Jobs

- In 2018, there were just over 113k workers employed in Southampton
- Between 2011 and 2015….

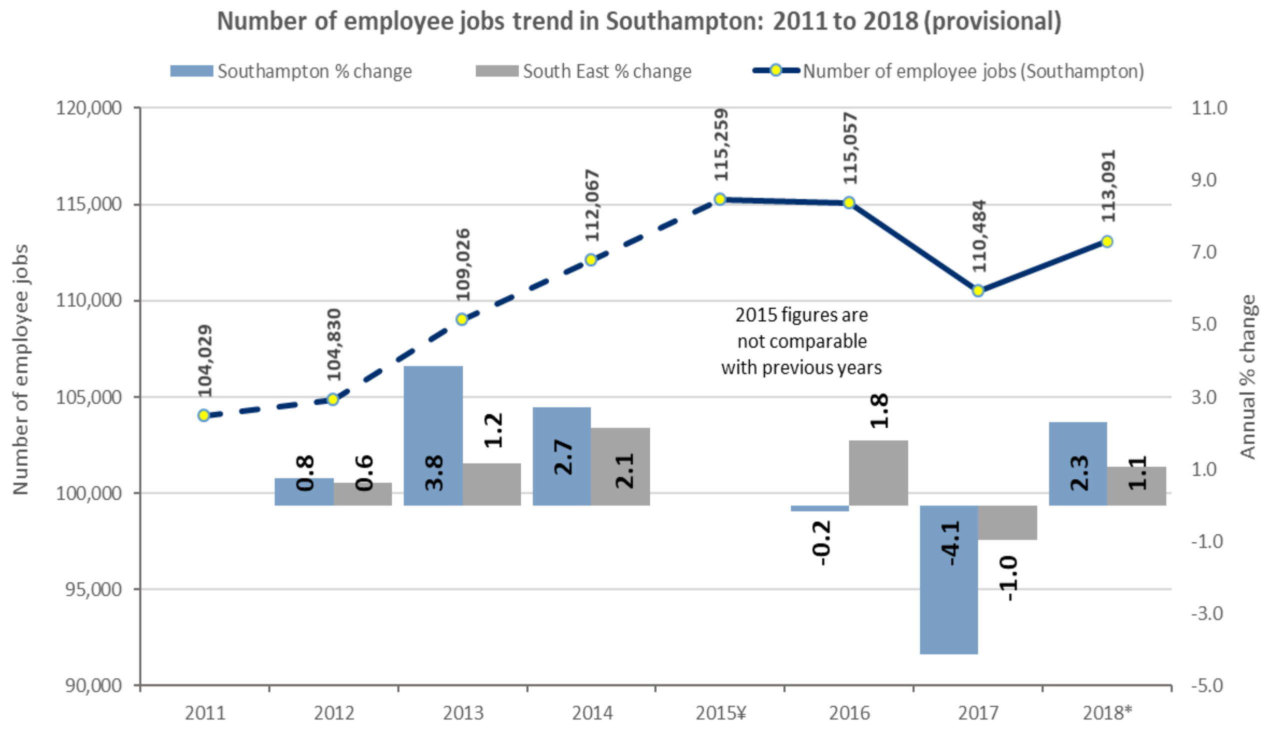
+11,230 net

- Between 2015 and 2018….

-2,168 net



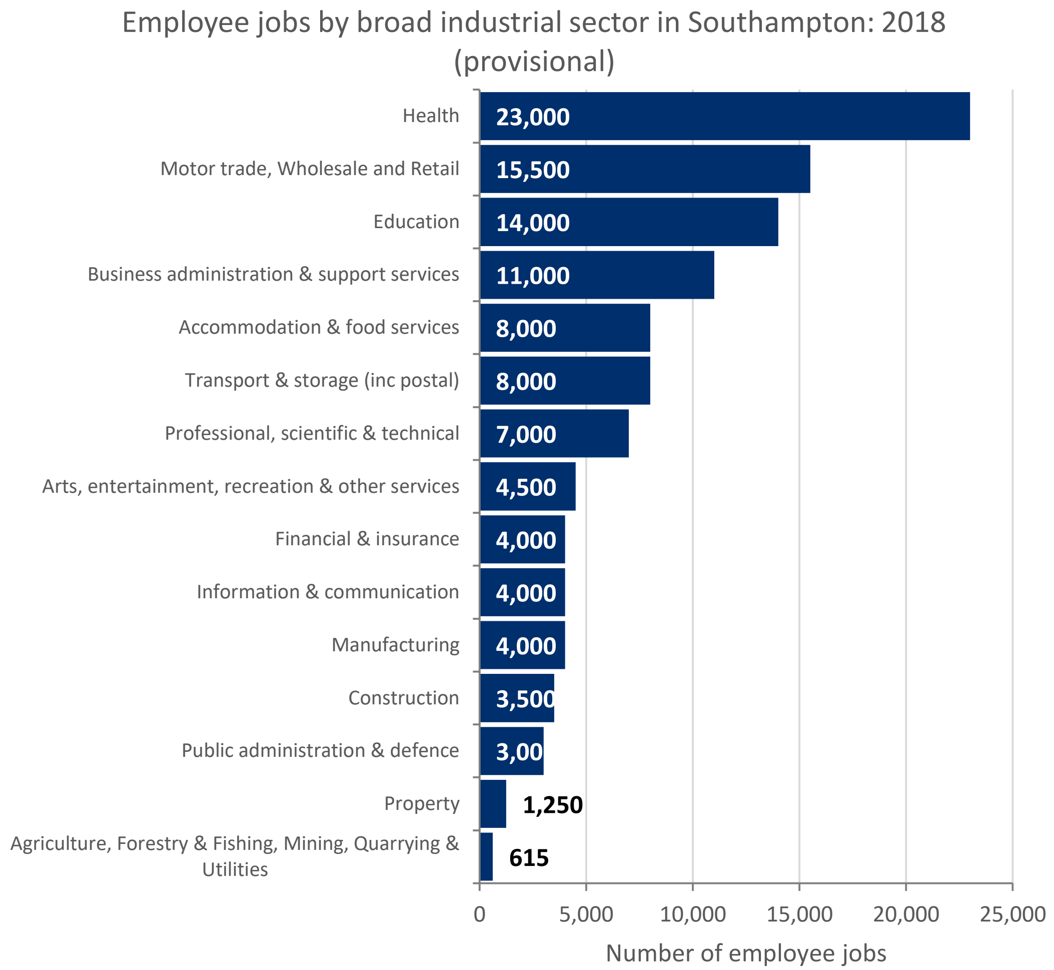
Southampton **England** **South East**



Source: ONS Business Register & Employment Survey (BRES)

* 2018 data is provisional ¥ figures from 2015 include PAYE only and VAT registered and are not directly comparable with previous years

Employee Jobs by Industry

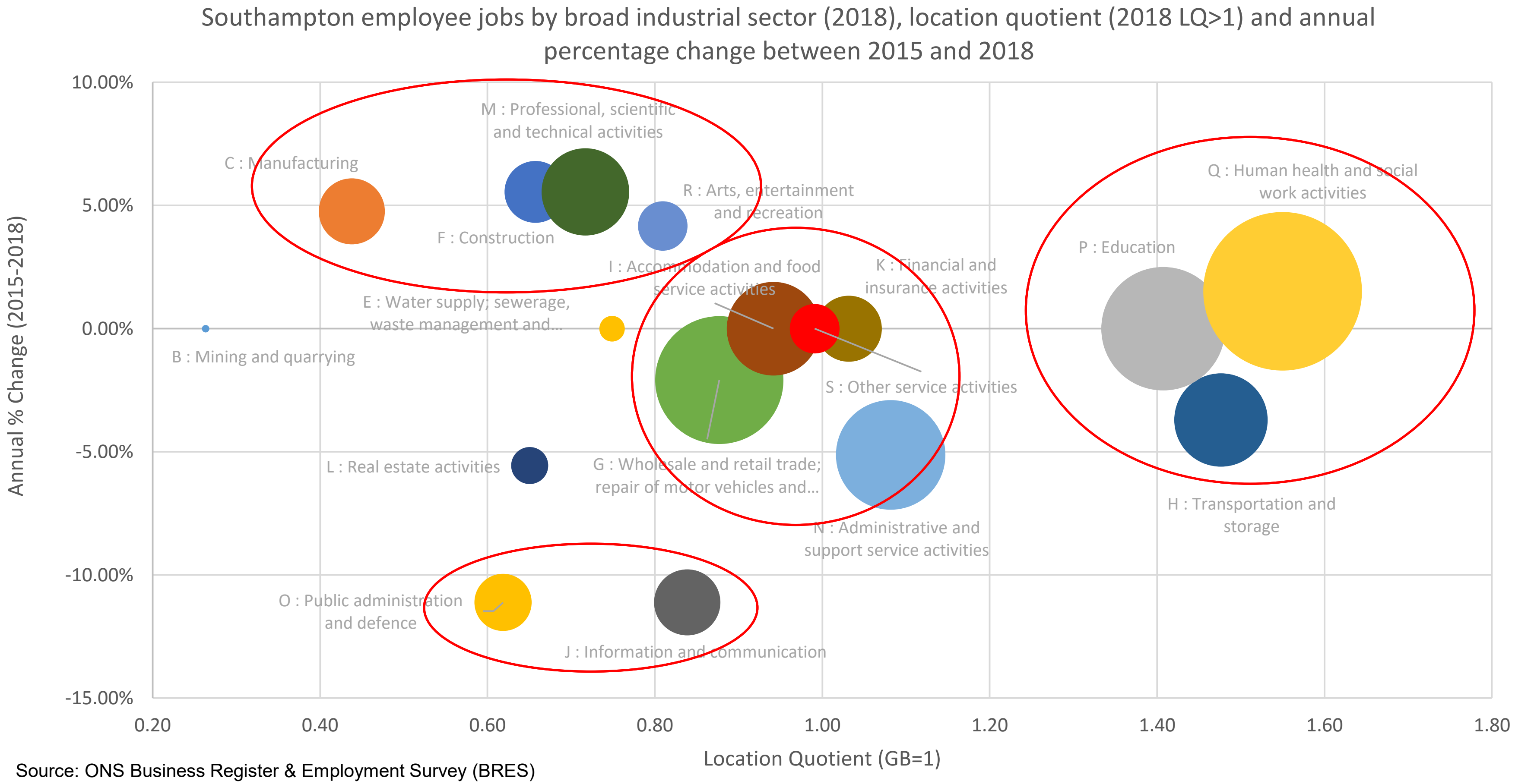


Source: Business Register and Employment Survey (BRES)

- Health, retail and education sectors are the largest employers in Southampton
- Health and education employers account for almost a third (32.7%) of jobs in the city
- Predominantly public sector

Employer	Activity	Approx. no of employees
University Hospital Southampton	Healthcare	11,500
University of Southampton	Education	5,000
Southampton City Council	Local government	3,000
Old Mutual Wealth	Life insurance	1,500
Southampton Solent University	Education	1,400
Carnival UK	Cruises	1,200
British American Tobacco (BAT)	Tobacco industry	1,200
DP World	Container handling services	570
Lidl	Supermarket distribution	500
John Lewis Partnership	Retail	500
J Sainsbury	Retail	500
Southampton Football Club	Sports	429

Employee Jobs by Industry 2018



Source: ONS Business Register & Employment Survey (BRES)

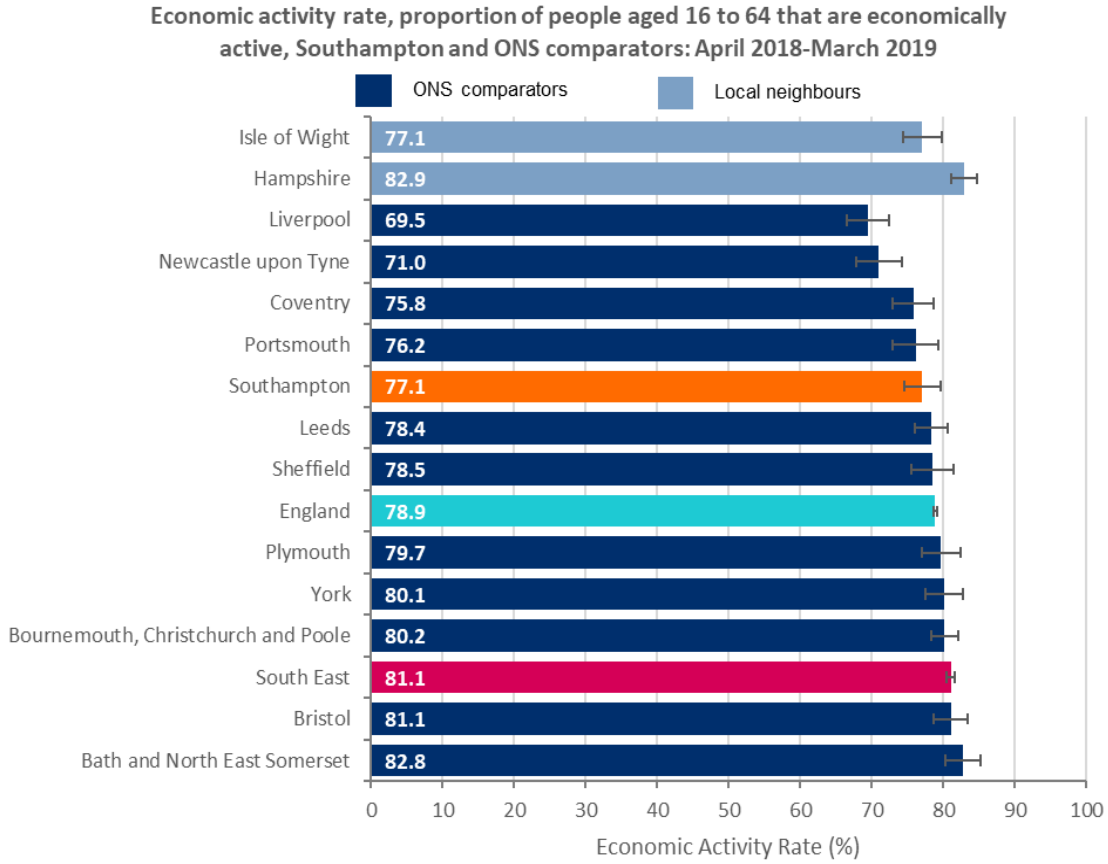
Labour Market & Earnings

Economically Active / Inactive

- In 2018/19, over three quarters (**77.1%**) of the working age population in Southampton were estimated to be **economically active**; similar to England average although lower than South East (81.1%)

- Large student population in the city may be one reason why this rate is still comparatively low; 40.6% reported the main reason for inactivity as being a student in 2018/19

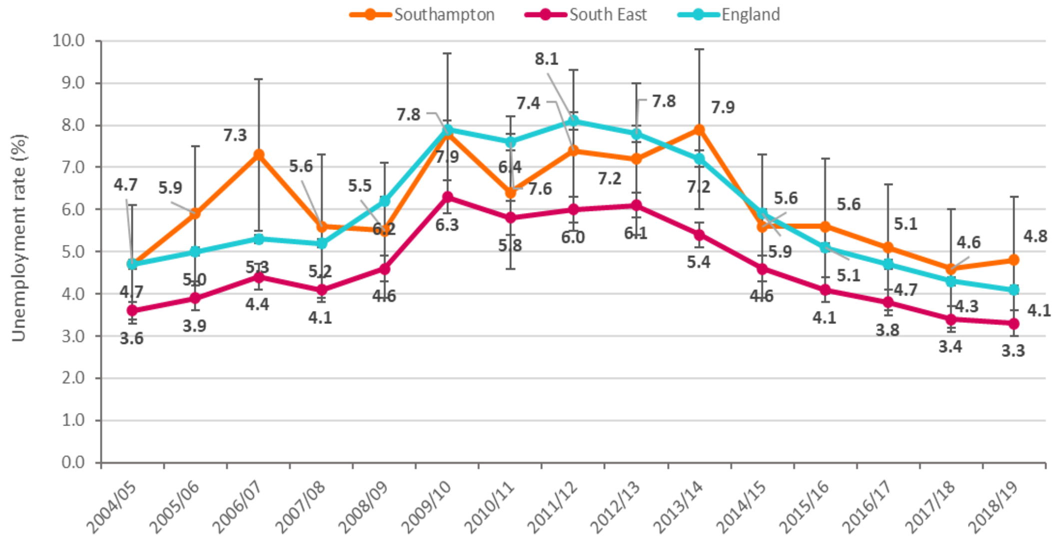
- Following a low in 2011, economic activity rates have generally gradually increased in the city



Source: Annual Population Survey, Office for National Statistics

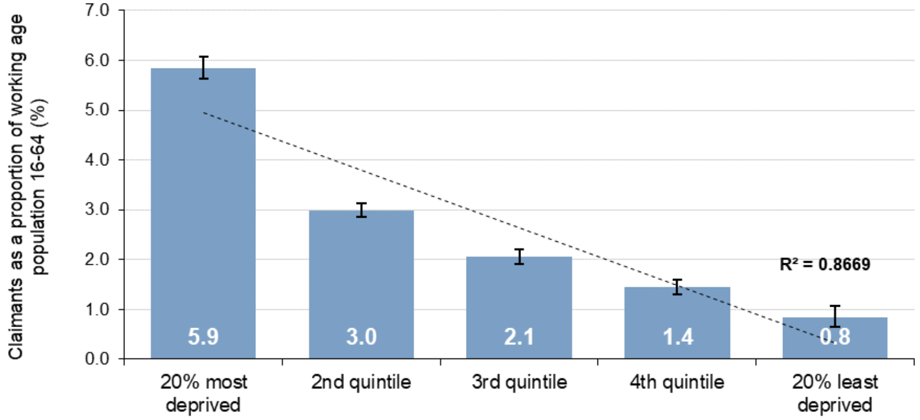
Unemployment

Unemployment rate (ILO measure), people aged 16+, Southampton, England and South East trend: April 2004-March 2005 to April 2018-March 2019



Source: Annual Population Survey, Office for National Statistics

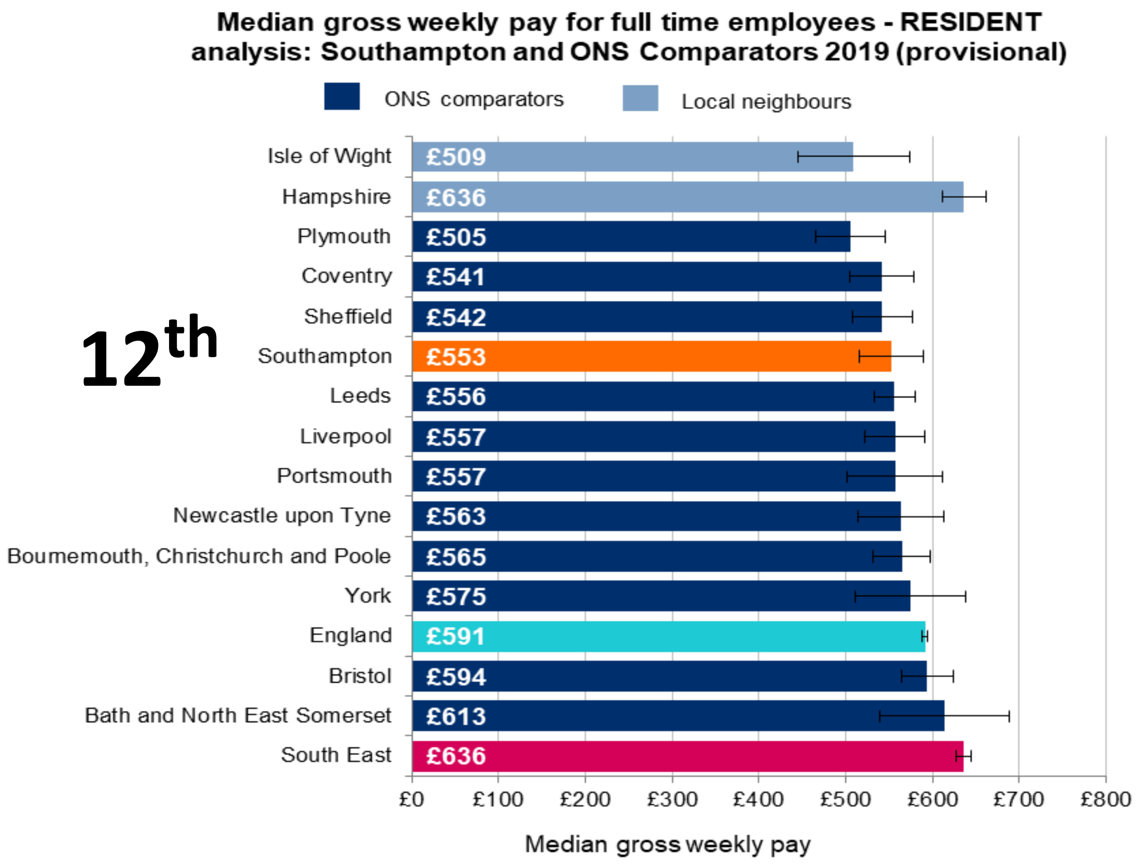
Claimant count, percentage of population aged 16 to 64 by England Deprivation Quintile (2019): February 2020



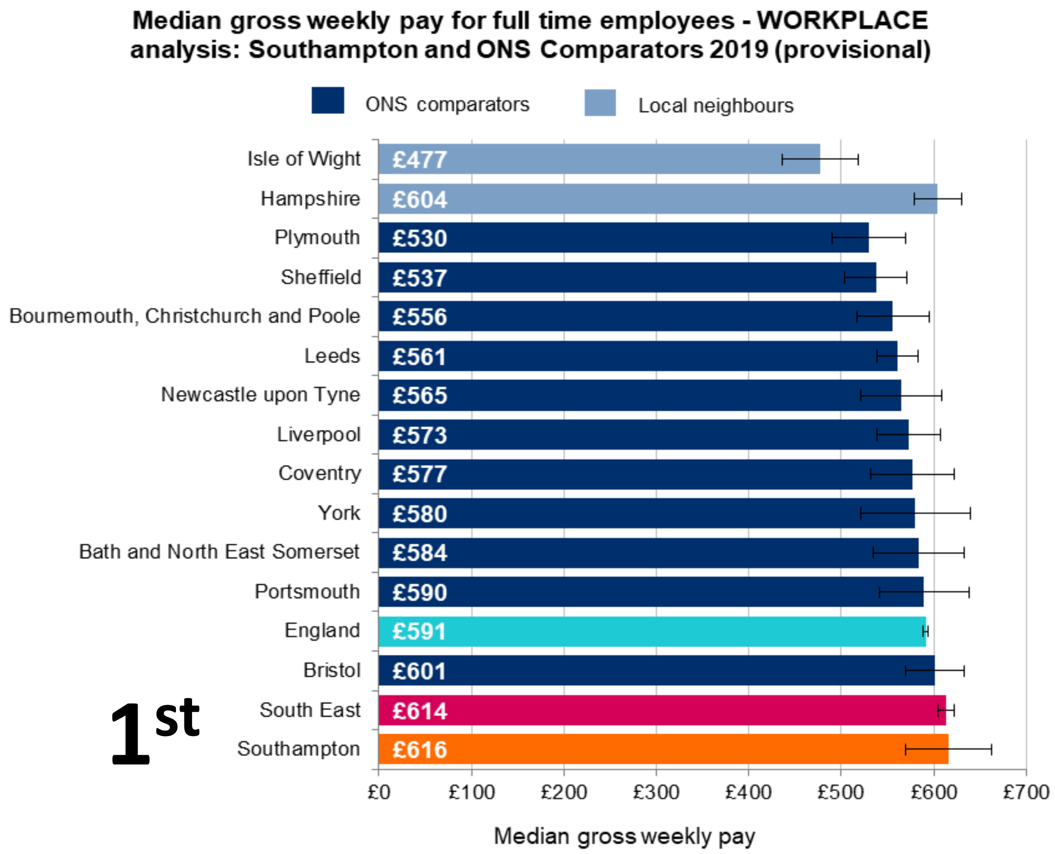
Sources: DWP via Nomis

- Following changes to the benefits system, the **Labour Force Survey (LFS)** is the most reliable source of unemployment data.
- Following a period of fairly high unemployment (between 2010 and 2014), unemployment in the city has improved in line with the national trend.
- In March 2019, 6,700 people were estimated to be unemployed in Southampton, 4.8% of the economically active population - higher than England (4.1%) and South East (3.3%), but statistically similar to comparator cities.
- Unsurprisingly, the rates are clearly higher in wards and neighbourhoods in the city with higher levels of deprivation

Earnings



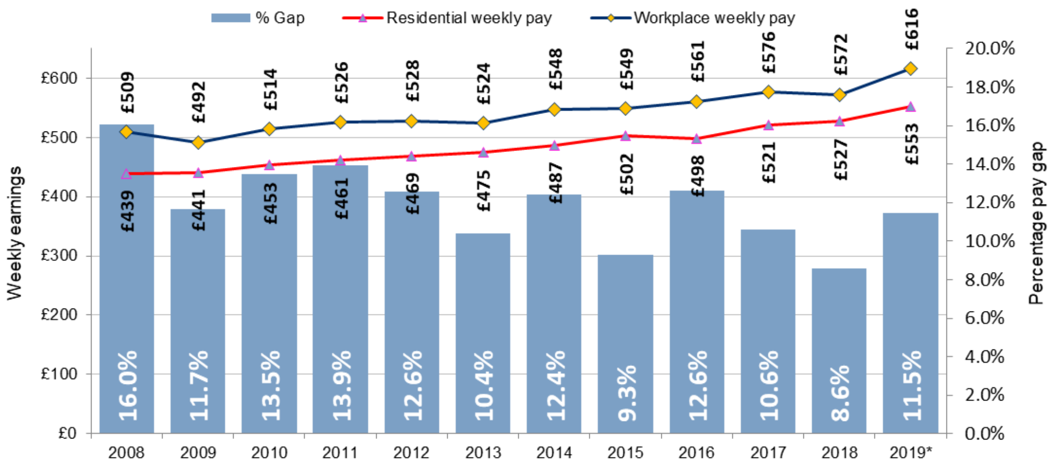
Source: Annual Survey of Hours and Earnings, ONS Crown Copyright



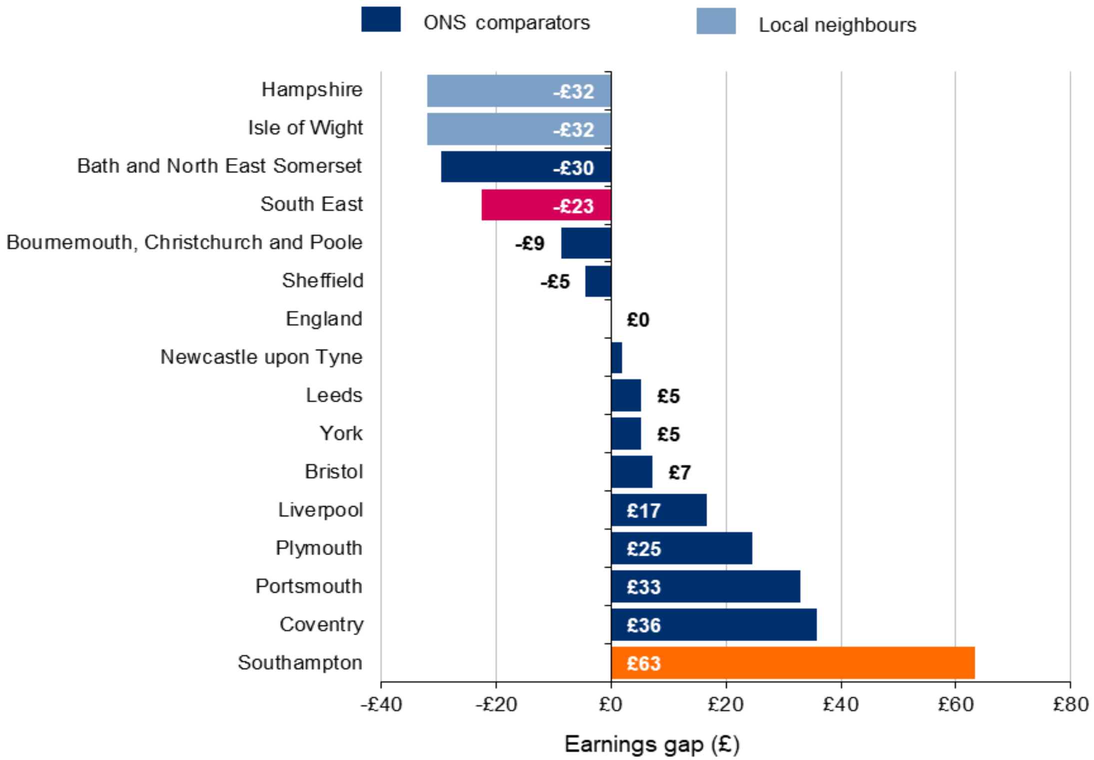
Source: Annual Survey of Hours and Earnings, ONS Crown Copyright

Earnings Inequalities – Resident vs Workplace

- *Workplace* earnings in Southampton are £63 (11.5%) more per week than the *resident* earnings
- This 'inequality' gap is the largest amongst comparator cities
- There was some evidence that the gap was beginning to narrow; reduced from 12.6% in 2016 to 8.6% in 2018, although in 2019 the gap is has gone back up to 11.5%.



Source: Annual Survey of Hours and Earnings, ONS Crown Copyright



Source: Annual Survey of Hours and Earnings, ONS Crown Copyright

Impacts of COVID-19

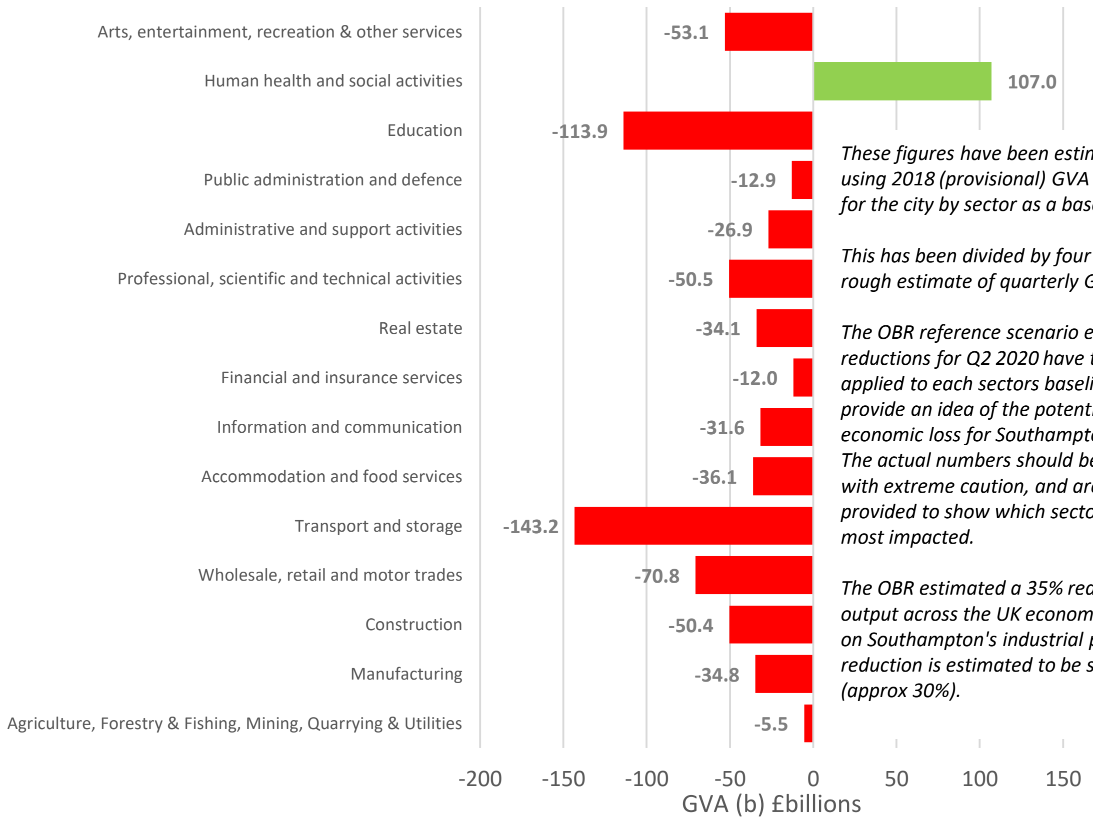
Industrial sectors most at risk in Southampton

Office for Budget Responsibility - COVID-19 reference scenario

Table 1.2: Output losses by sector in the second quarter of 2020

Sector	Per cent: Weight in whole economy value added	Per cent: Effect on output relative to baseline
Agriculture	0.7	0
Mining, energy and water supply	3.4	-20
Manufacturing	10.2	-55
Construction	6.1	-70
Wholesale, retail and motor trades	10.5	-50
Transport and storage	4.2	-35
Accommodation and food services	2.8	-85
Information and communication	6.6	-45
Financial and insurance services	7.2	-5
Real estate	14.0	-20
Professional, scientific and technical activities	7.6	-40
Administrative and support activities	5.1	-40
Public administration and defence	4.9	-20
Education	5.8	-90
Human health and social activities	7.5	50
Other services	3.5	-60
Whole economy	**100.0**	**-35**

Crude Estimate of reduction in GVA(b) in Q2 2020: Southampton LA by Industrial Sector



These figures have been estimated using 2018 (provisional) GVA (b) data for the city by sector as a baseline.

This has been divided by four to get a rough estimate of quarterly GVA (b).

The OBR reference scenario estimated reductions for Q2 2020 have then been applied to each sectors baseline to provide an idea of the potential scale of economic loss for Southampton in Q2. The actual numbers should be treated with extreme caution, and are only provided to show which sectors may be most impacted.

The OBR estimated a 35% reduction in output across the UK economy. Based on Southampton's industrial profile, the reduction is estimated to be slightly less (approx 30%).

The OBR Reference Scenario estimates the potential impact of COVID-19 on economic output nationally for quarter 2 of 2020 (see table above).

The chart opposite illustrates the potential impact of applying these figures to Southampton's economy by industrial sector…..

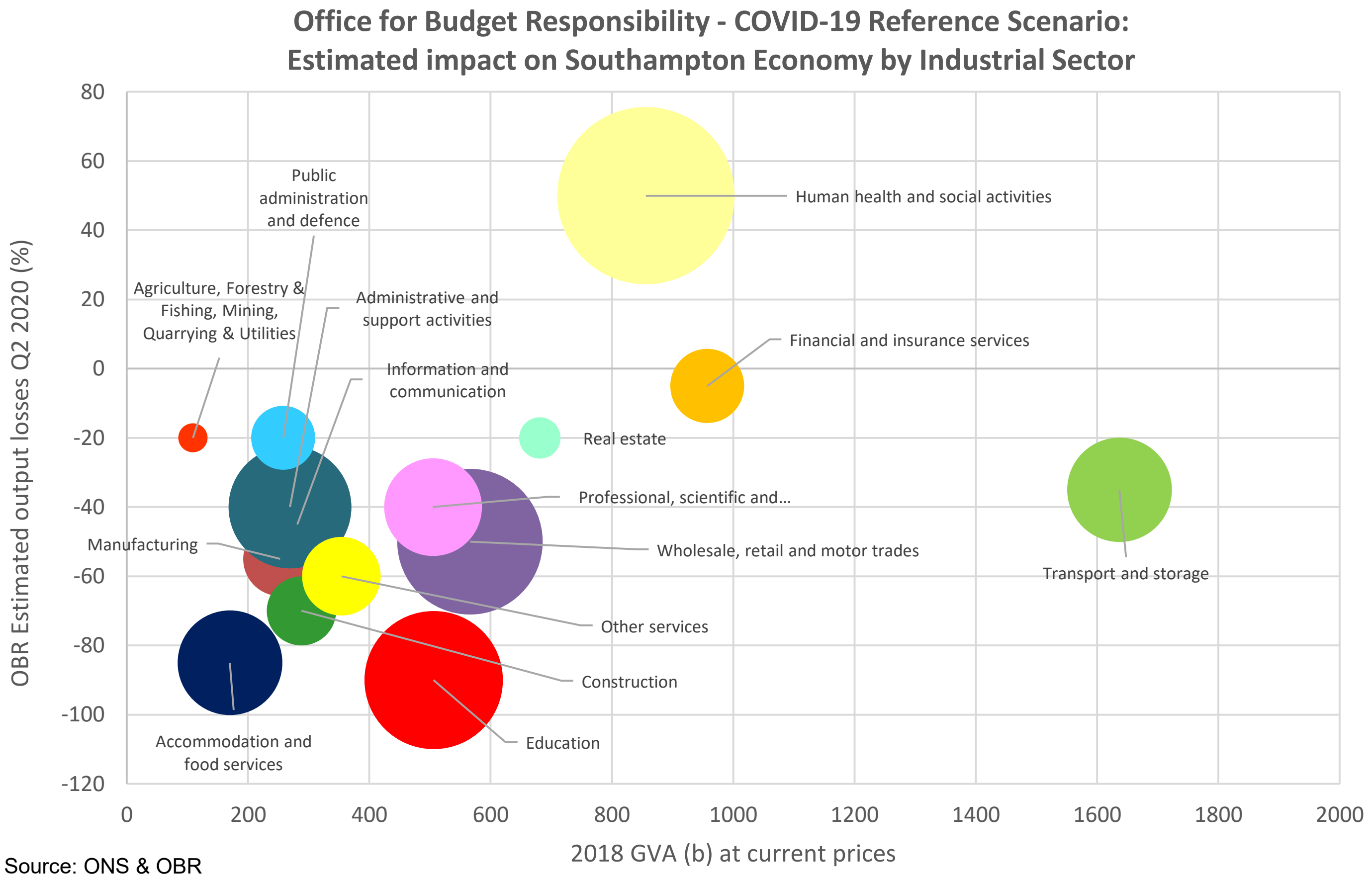
- *These figures have been estimated using 2018 (provisional) GVA (b) data as a baseline.*
- *Annual figures were divided by four to get a rough estimate of quarterly GVA (b).*
- *The OBR reference scenario estimated reductions were applied to each sectors baseline to provide an idea of the potential scale of economic loss for Q2.*
- *The numbers should be treated with extreme caution, and are only provided to show which sectors may be most impacted in the city.*
- *The OBR estimated a 35% reduction in output across the UK economy. Based on Southampton's industrial profile, the reduction is estimated to be slightly less (approx 30%).*

Industrial sectors most at risk in Southampton

The bubble chart opposite considers the OBR figures for reduced output in Q2 2020 alongside how much GVA(b) and how many jobs each sectors contributes to Southampton's economy. This helps us to better understand potential impacts and areas of risk for the city.

Interpretation:

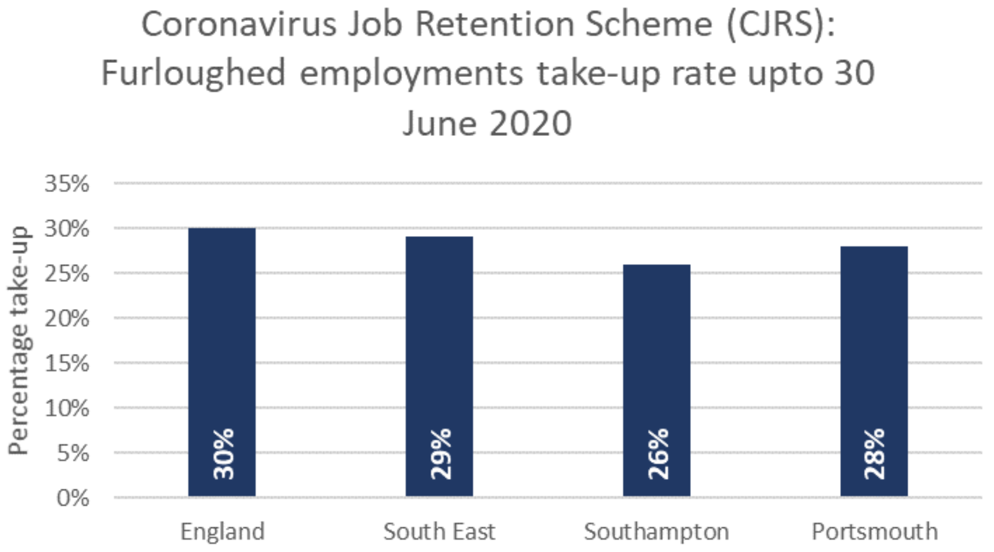
- The **further right a bubble**, the **greater the GVA(b) it contributes** to the local economy
- The **lower the bubble**, the **greater reduction in estimated output** for Q2 2020
- The **size of the bubble** illustrates the number of **employee jobs** in that sector
- Therefore, the **bottom right** of the chart represents **sectors posing the greatest risk** to Southampton's economy from a ***productivity*** perspective e.g. the *Transport and storage* sector.
- However, **large bubbles towards the bottom** of the chart must also be considered as they **pose the greatest risk** to Southampton's economy from an ***employment*** **perspective** e.g. *education*, *retail*, *accommodation & food services*, and *administrative and support services*.



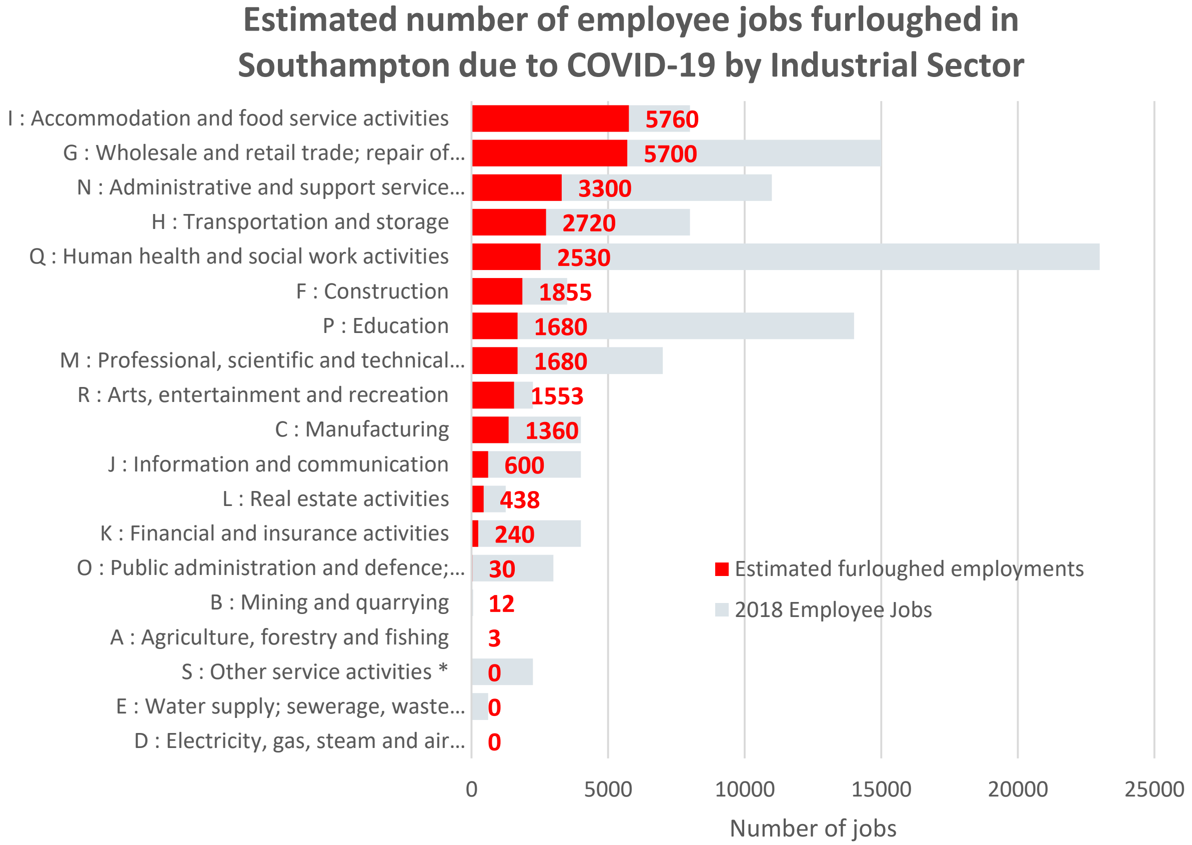
Source: ONS & OBR

Employee jobs most at risk in Southampton

- HMRC report **31,400** employee jobs in Southampton furloughed up to 30th June
- **26%** of employee jobs – slightly lower than England
- **Accommodation & food service** jobs most affected (**72%** furloughed in the SE)



Source: HMRC



These figures have been estimated based on HMRC Coronavirus Job Retention Scheme registrations for the South East up to 30th June. These figures have been applied to the local industrial profile to estimate the number of jobs at risk due to COVID-19.
** Data not available*

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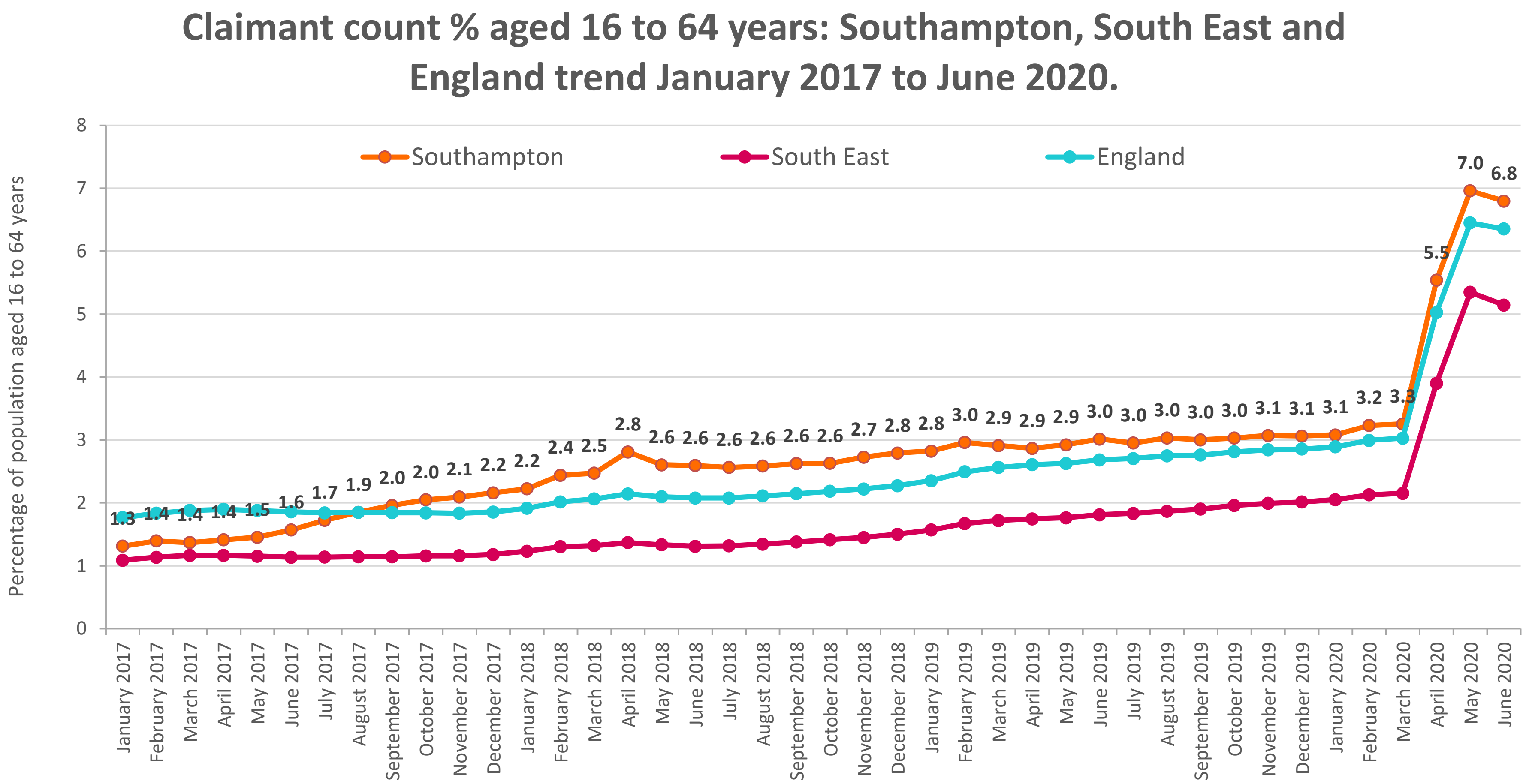
Changes to out of work benefit claims

Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years) January 2017 to June 2020

Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants



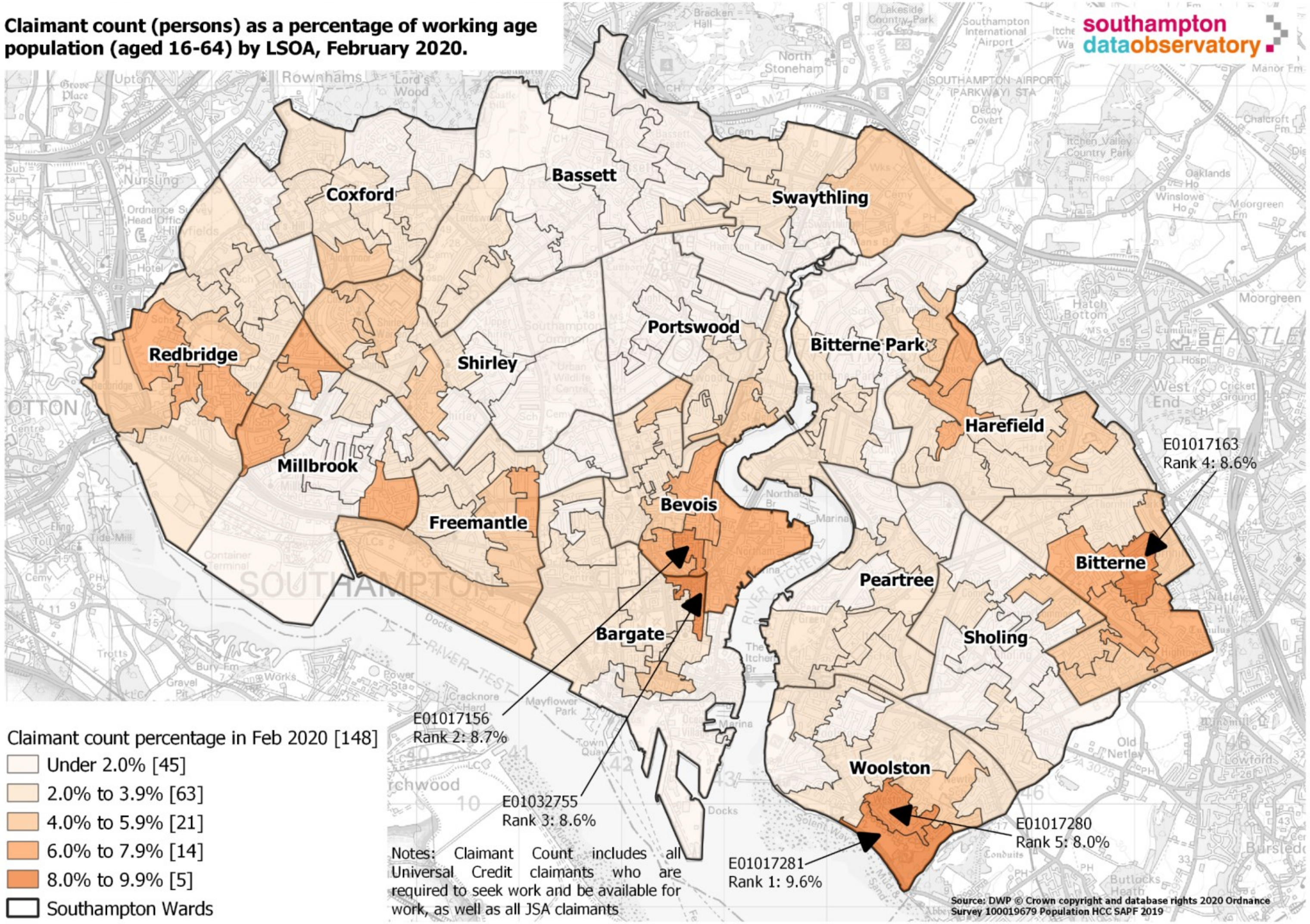
Source: DWP via Nomis and MYE 2017,2018 and 2019 (ONS)

Changes to out of work benefit claims

FEBRUARY 2020

Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years)

Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants

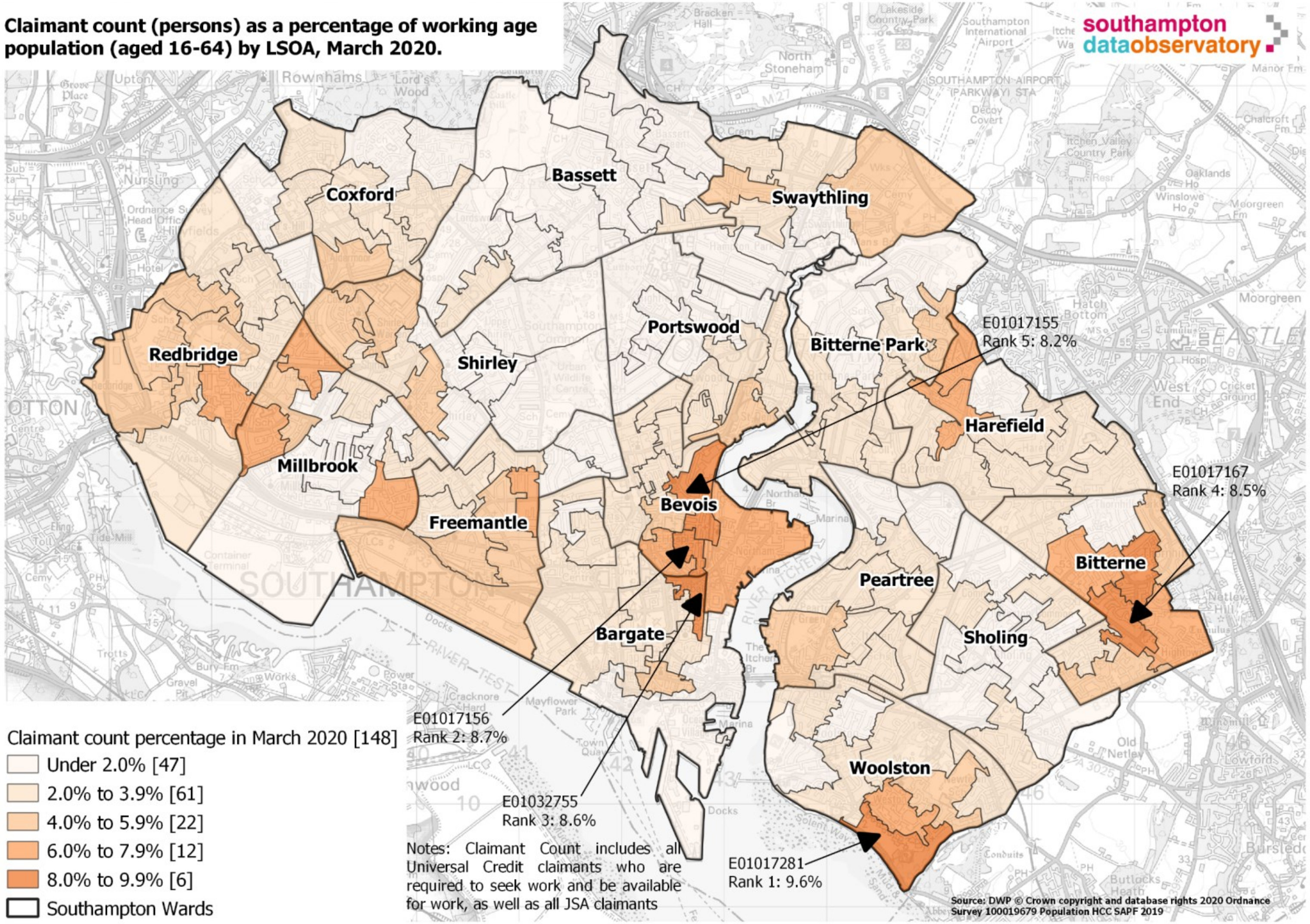


Changes to out of work benefit claims

MARCH 2020

Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years)

Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants

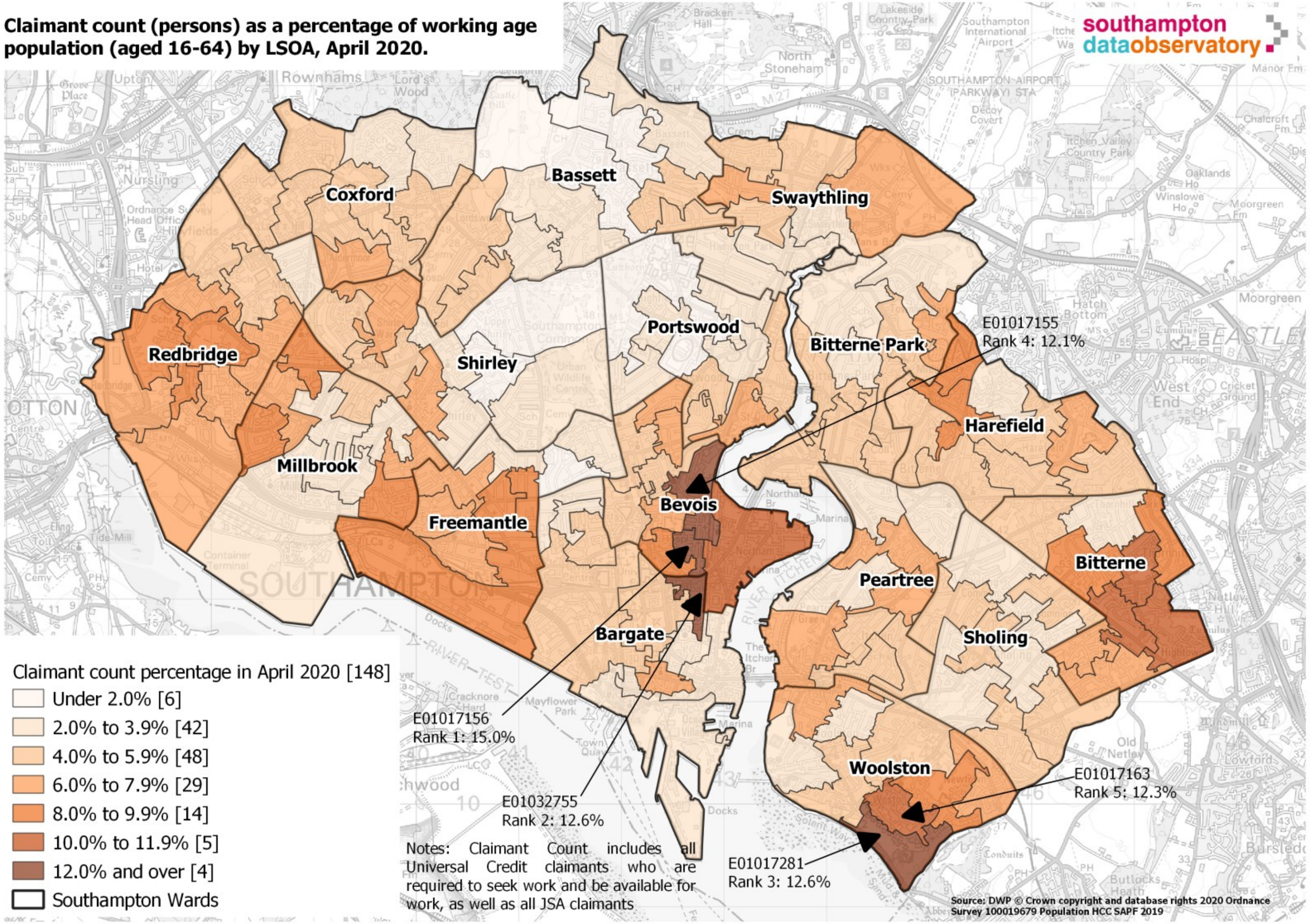


Changes to out of work benefit claims

APRIL 2020

Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years)

Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants

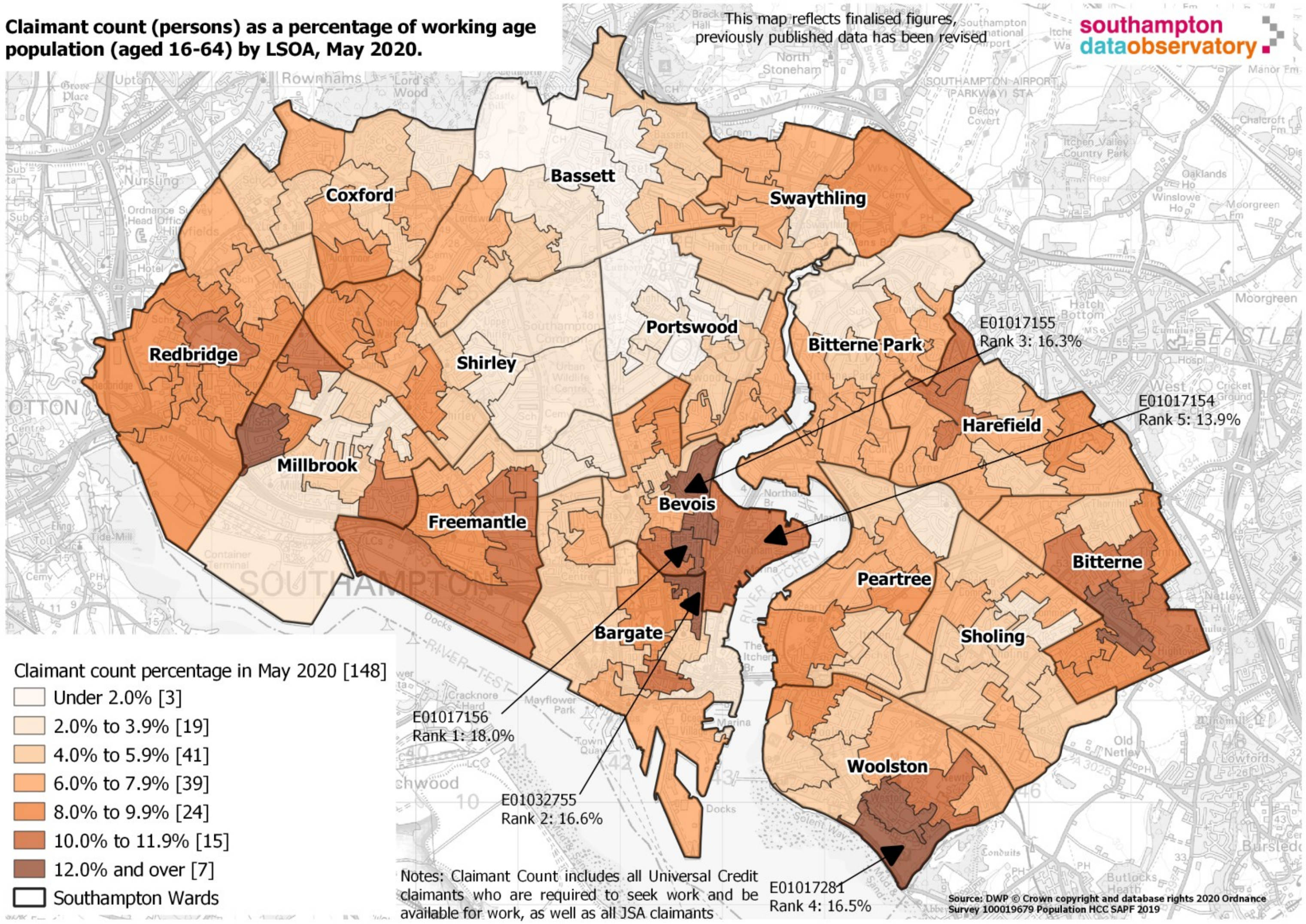


Changes to out of work benefit claims

MAY 2020

Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years)

Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants

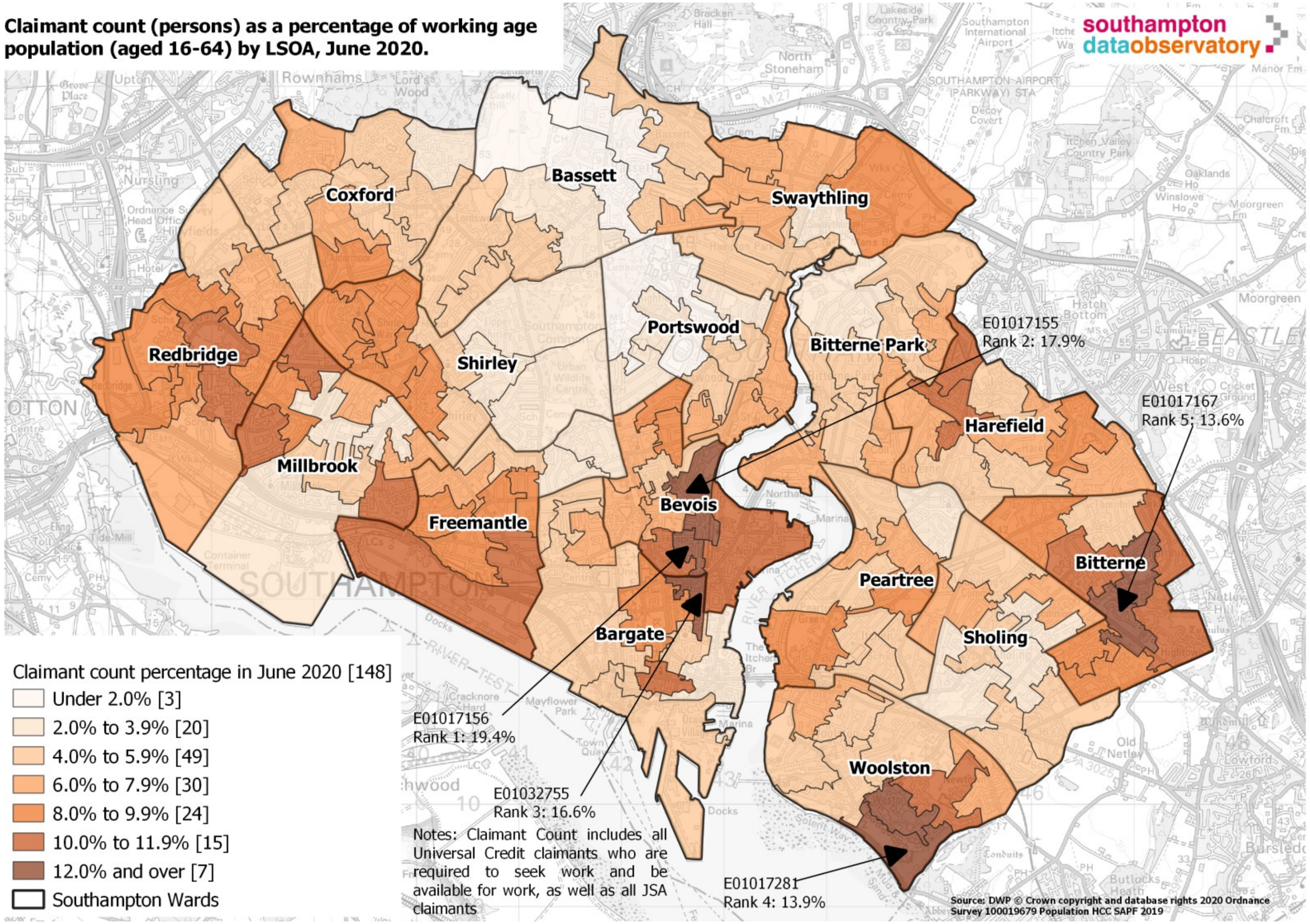


Changes to out of work benefit claims

JUNE 2020

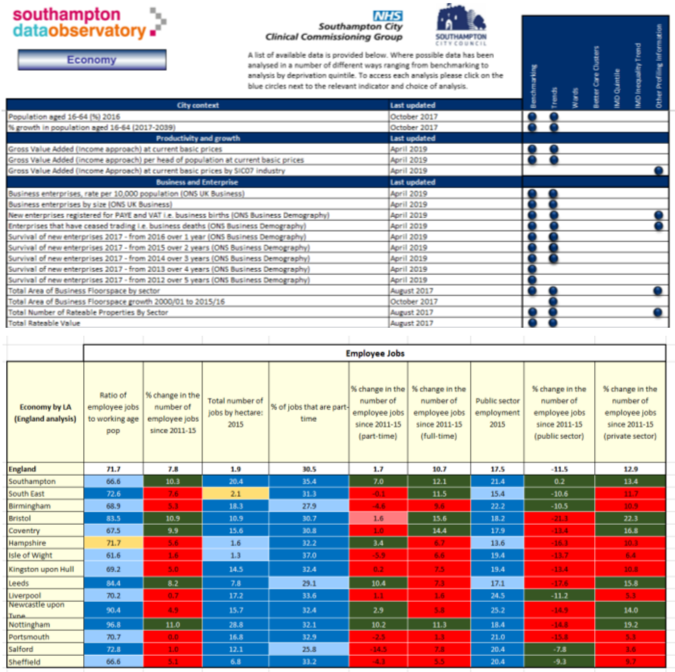
Percentage of (work eligible) Claimants of LSOA working age population (16 to 64 years)

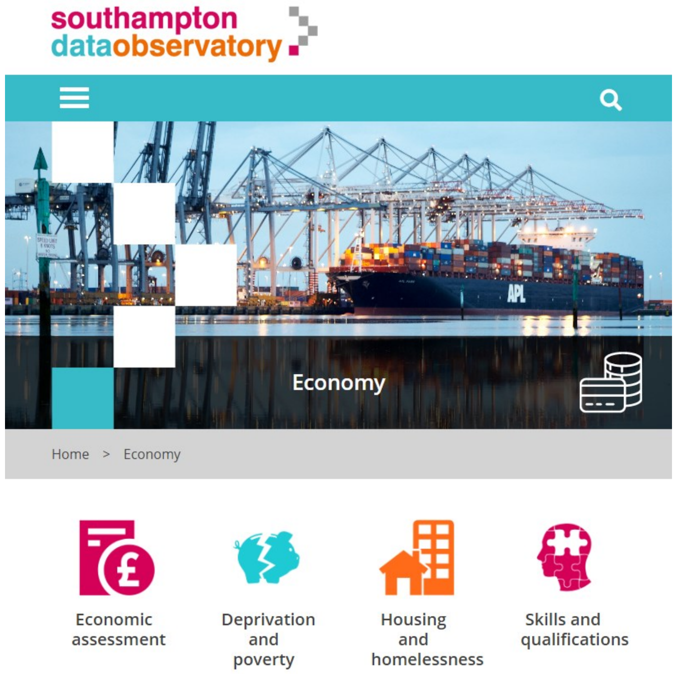
Claimant Count includes all Universal Credit claimants who are required to seek work and be available for work, as well as all Job Seekers Allowance claimants

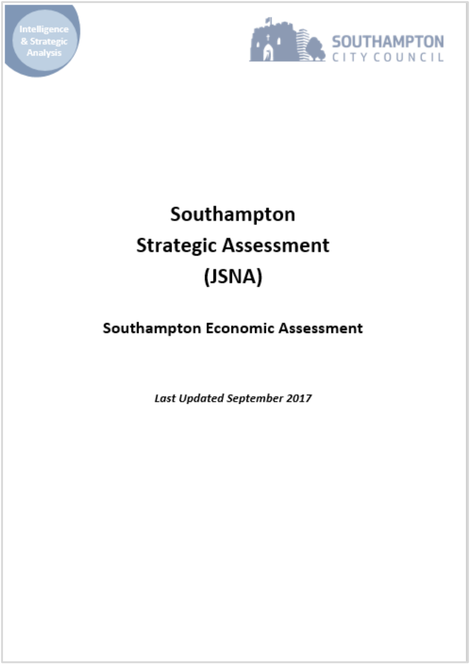


For more information….

- Assessment and data compendium available as part of the Southampton Data Observatory website







https://data.southampton.gov.uk/

Questions & Discussion

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