Economic Assessment

Summary of Findings – June 2024

Data, Intelligence & Insight Team

Index of key topics covered:

Background

Background to the assessment

- Extended the JSNA model to economic development
    - Ensure decisions and strategic intent are based on the best available evidence
    - Use of appropriate analytical methods and statistics to turn data into intelligence
        - Benchmarking – ONS Statistical Neighbours
        - Trend analysis – pre and post recession periods
        - Deep dive analysis – demographics / industry / geography
    - ONS – primary data source; time lag limitations, therefore some datasets represent the period before covid and the Ukraine war. However, we have attempted to analyse the impact of COVID-19 and economic instability caused by the Ukraine war on different aspects of the Southampton economy wherever possible
    - Baseline assessment based on available data

Economic Geography

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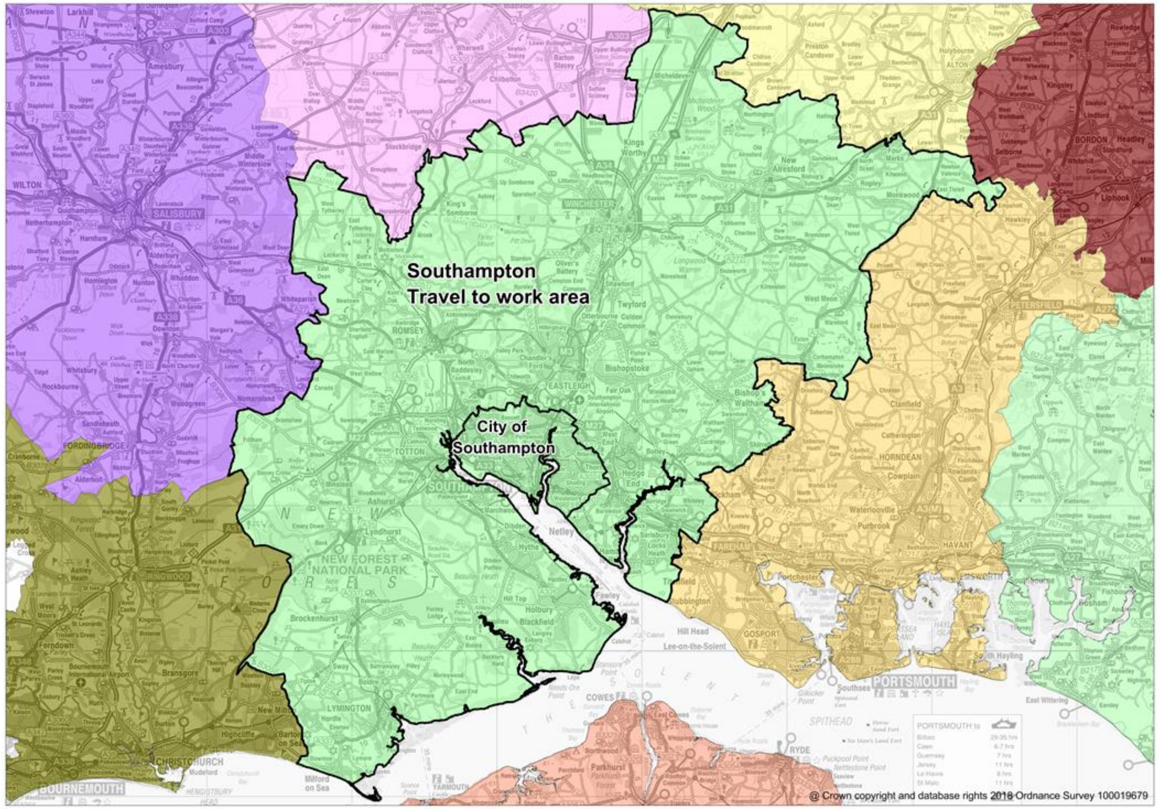
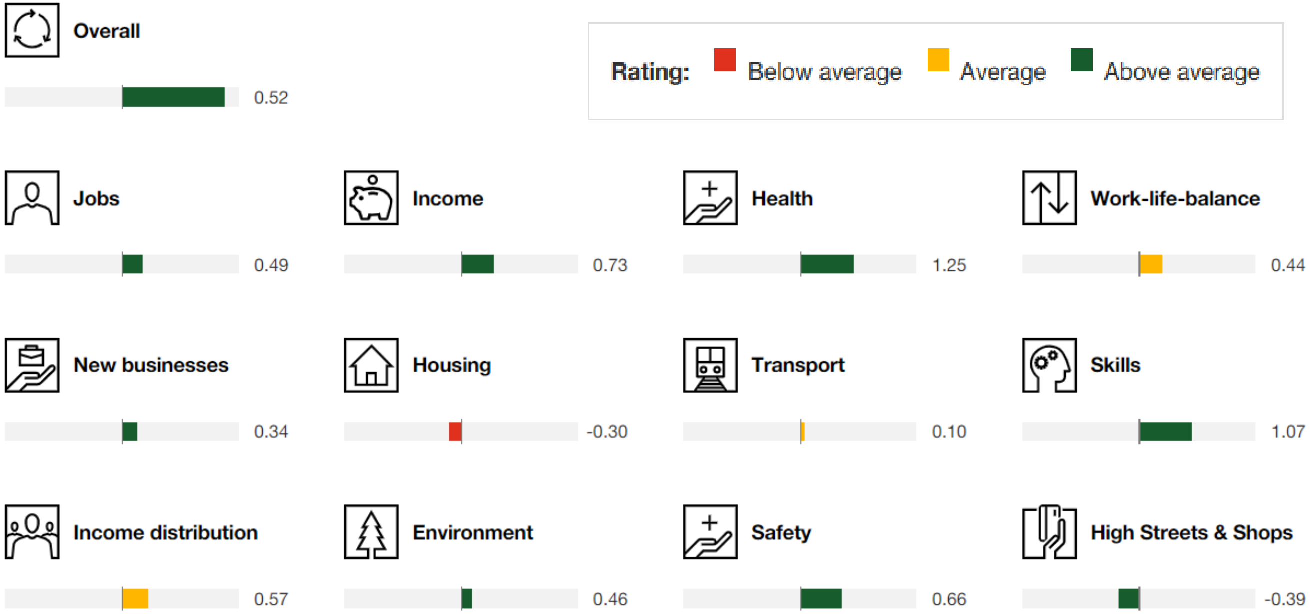


- There are a number of reports on the local economy, but most focus on the Hampshire Economic Area or the Southampton Travel to Work Area (TTWA)
- Although the findings of these reports provide an indication of the direction of travel and the economic impact of coronavirus, they are not specific to Southampton;
- Therefore there continues to be a need for specific intelligence on the Southampton (LA boundary) economy, which is the focus of this presentation
- Due to methodology changes, comparison with PwC Good Growth rankings prior to 2022 are not possible

- Good growth report in 2023 highlights that **households are struggling with the soaring cost of living**, with the people placing more importance on **income**, **jobs**, **fair distribution of wealth** and **work-life balance**
- **The gap between highest and lowest ranked cities has continued to narrow**, although progress is slow and there is little evidence of regional disparities declining
- **Southampton** ranks **5th** (out of 50) in the latest **Good Growth Cities Index**, having previously ranked **10th in 2022**
- Despite this, **low economic growth has been forecast** over the next year for **Southampton** and the rest of the top 5 (**Oxford**, **Bristol**, **Exeter** and **Swindon**)
- Southampton has an **above average overall rating** and for jobs, income, health, new businesses, skills, environment, safety and high streets & shops;
- Work-life balance, transport and income distribution all have an **average rating**;
- Housing is the only indicator with a **below average rating**



Source: [PwC good growth for cities report 2023]

Productivity and Growth

Productivity and Growth – GVA revisions

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- The ONS publish GVA estimates annually, with data for the **latest year being provisional**. Therefore, previous years are subject to **revisions and rebalancing** in each release
- In the latest release (up to 2022), the ONS identified a change in the UK National Accounts that resulted in a long-term revision to the **manufacturing of food, beverages and tobacco industry**
- This change happened to be concentrated in Southampton. This is evident in the value of the **manufacturing sector in 2021** being revised from **£265 million** to **£2.1 billion**, therefore making **manufacturing** the **most prominent industry** in Southampton (21% share of total GVA in 2022)
- Whilst Southampton is not a traditional manufacturing city, any multi-national businesses in the city with **economic ownership of overseas manufacturing operations** are counted as such in GVA estimates
- Overall, the ONS had **previously valued** the Southampton economy at **£6.8 billion in 2021**, however the latest **revised estimates** suggest that the Southampton economy was worth **£8.9 billion in 2021**
- Revisions have also affected long-term trends in Southampton, as well as estimates of GVA per head and GVA by industry. Therefore, it is not advised to compare to previously published estimates
- Furthermore, this is a real economic effect concentrated in Southampton, which has provided a considerable uplift over a number of years. The revisions are a result of the ONS' measurements catching up with reality

Source: Office for National Statistics

Productivity and Growth – GVA (B)

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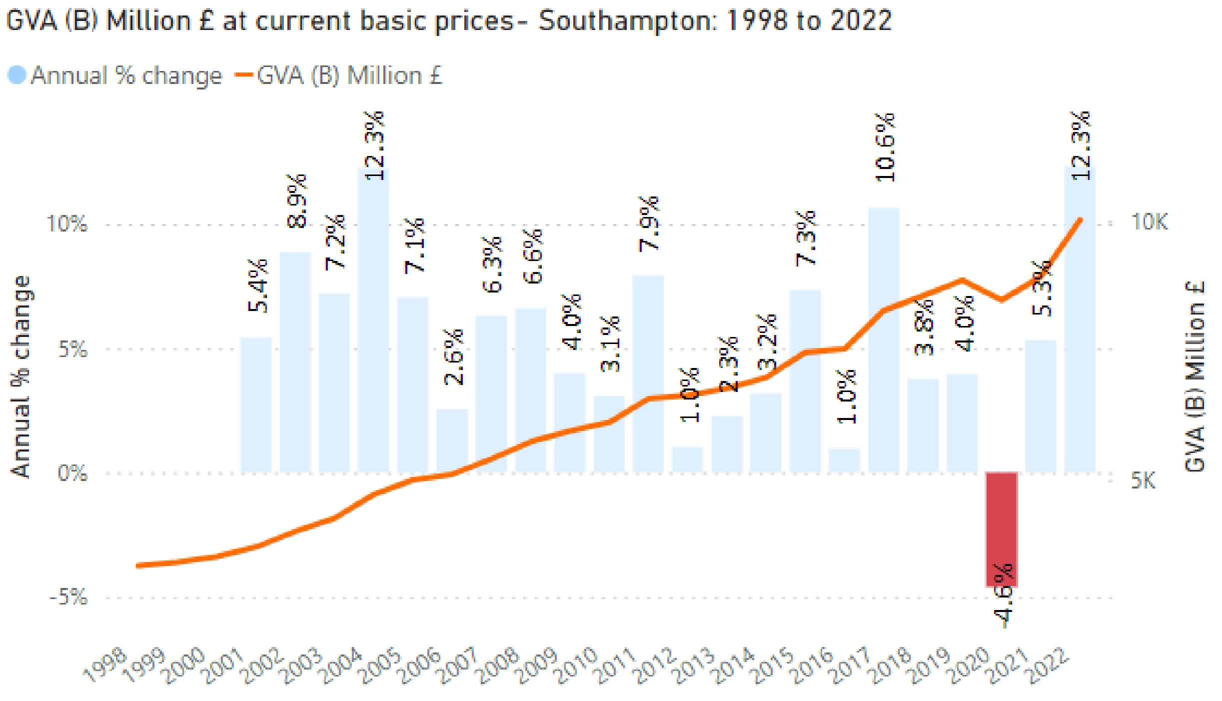
Southampton's Economy in 2022

10 billion

- **Gross Value Added (GVA)** is a **key** economic indicator
- **Southampton represents 3%** of **South East** economy
- The **Southampton economy** declined by **-4.3%** between **2019 and 2020**, followed by increases of **+5.4% in 2021** and **+12.2% in 2022**
- Since 2019, this represents an increase of **+£1.2 billion (+13.2%)**
- The **England** (+13.0%) and **South East** (+13.5%) economies have also experienced growth in the last three years
- Overall, this highlights the positive economic recovery and subsequent growth since the COVID-19 pandemic



Change since 2019:

+13% England

+13.2% Southampton

+13.5% South East

Source: Office for National Statistics – GVA. GVA rounded to nearest hundred million.

Productivity and Growth – GVA (B) per head

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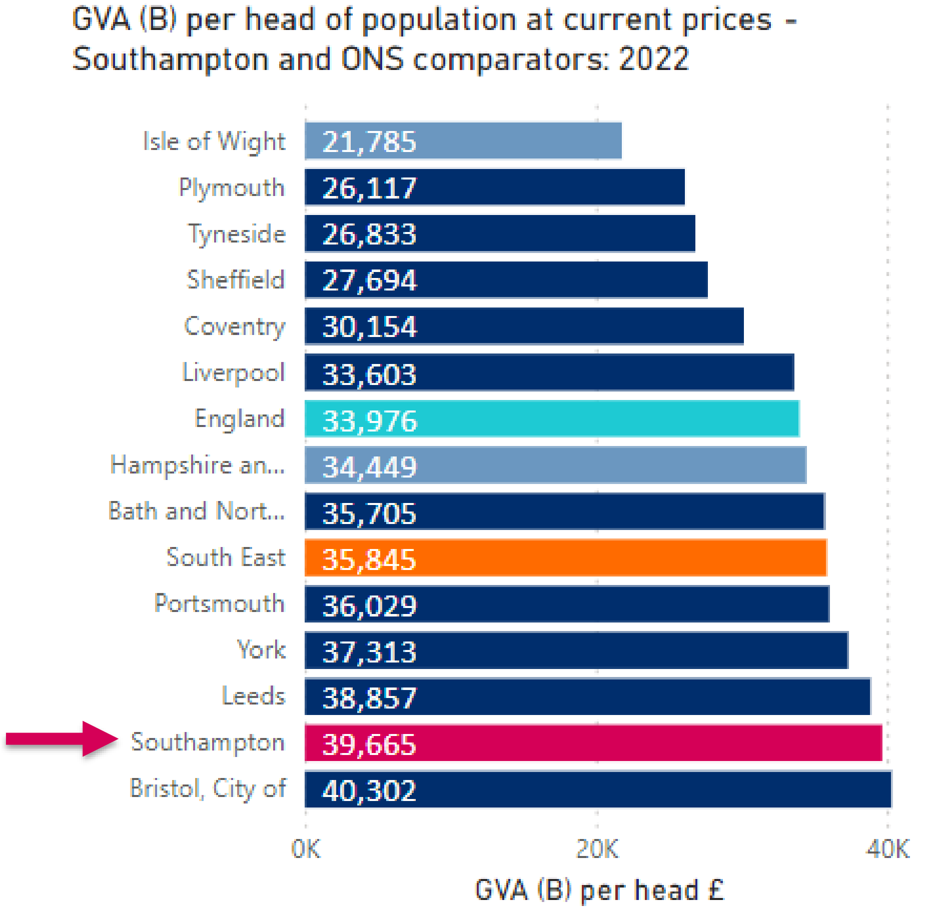
- GVA (B) per head in **Southampton** is **higher** than **England** and the **South East**
- **Southampton** experienced a **+11.7% increase** in GVA (B) per head, with **England** and the **South East** also seeing increases of **+11.3%** and **+11.3%** respectively since 2019
- Southampton has the **second highest** GVA per head amongst ONS comparators, therefore highlighting the relatively **high productivity of the local economy**

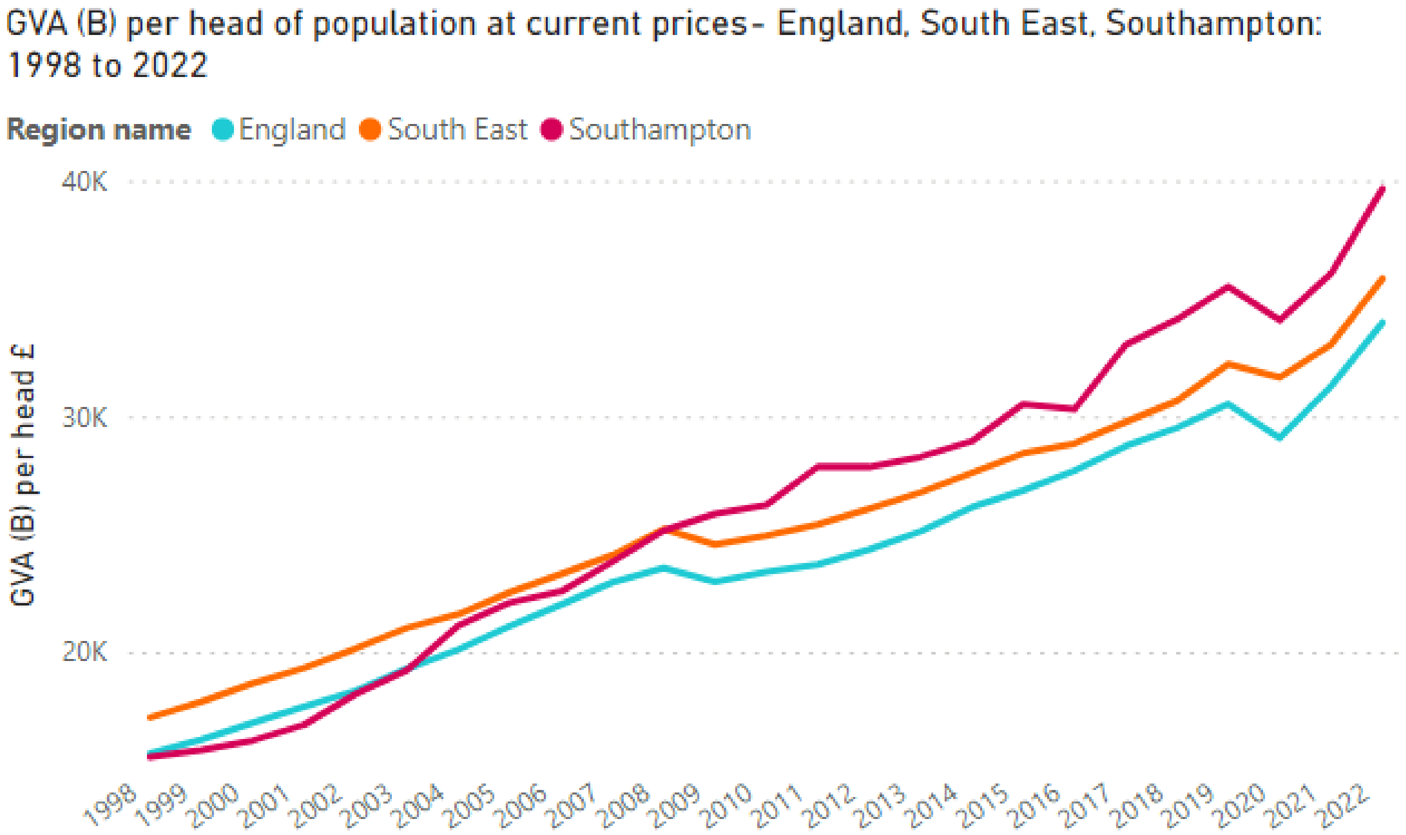
Change since 2019:

+11.3% South East

+11.3% England

+11.7% Southampton





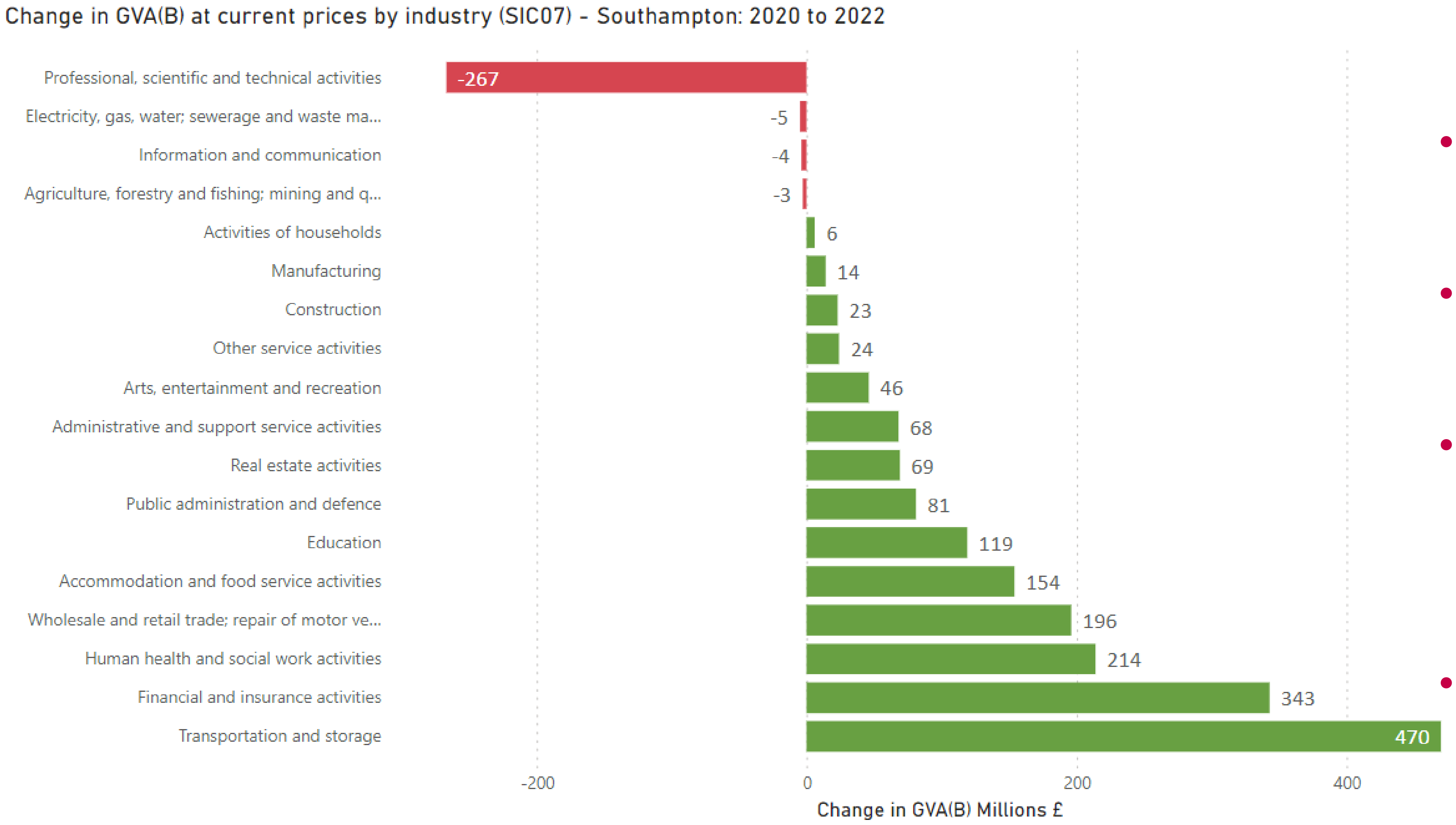
Source: Office for National Statistics – GVA

Productivity and Growth – GVA (B) by Industry

Source: Office for National Statistics – GVA

- The chart to the left compares the share (%) of GVA that each industry in Southampton and England accounts for in 2022
- **21%** of **Southampton's** GVA comes from the **manufacturing** industry a **significantly** higher proportion compared to England (9%). Manufacturing has been the **most prominent industry since 2020** (25%), again this is likely influenced by economic ownership of overseas manufacturing operations
- **Transportation and storage** industries also account for a **significantly** higher proportion of GVA locally (**13%**) compared to nationally (4%)
- '**Public sector**' industries (public administration & defence, education and health sector) account for **24%** of the **Southampton economy;** compared to 18% nationally
- Compared to England, Southampton has a notably **lower** percentage share of **information and communication**, **real estate activities** and **professional, scientific and technical activities** industries

Productivity and Growth – GVA (B) by Industry



Source: Office for National Statistics – GVA

- **Transportation and storage** saw significant recovery between 2020 and 2022 (**+£470 million**) in Southampton; although this remains **-£356 million** lower than in 2019
- **Financial and insurance activities** saw the second highest increase locally in the last two years (**+£343 million**)
- Overall, **14 of the 18** industries analysed experienced an **increase** in GVA between 2020 and 2022, yet **5 remain below 2019**
- **Professional, scientific and technical activities** was the only sector to see a significant decline in GVA from 2020 and 2022 (**-£267 million**), returning to levels seen in the last decade (£343 mn in 2012)
- **Manufacturing** experienced the largest increase during the pandemic (**+£614 million** between 2019 and 2020) and has maintained this elevated level since (+£14 million in the last two years)**;** this is likely driven by economic ownership of overseas operations, particularly in the **manufacture of food, beverages and tobacco**

Productivity and Growth – GVA (B) by Industry

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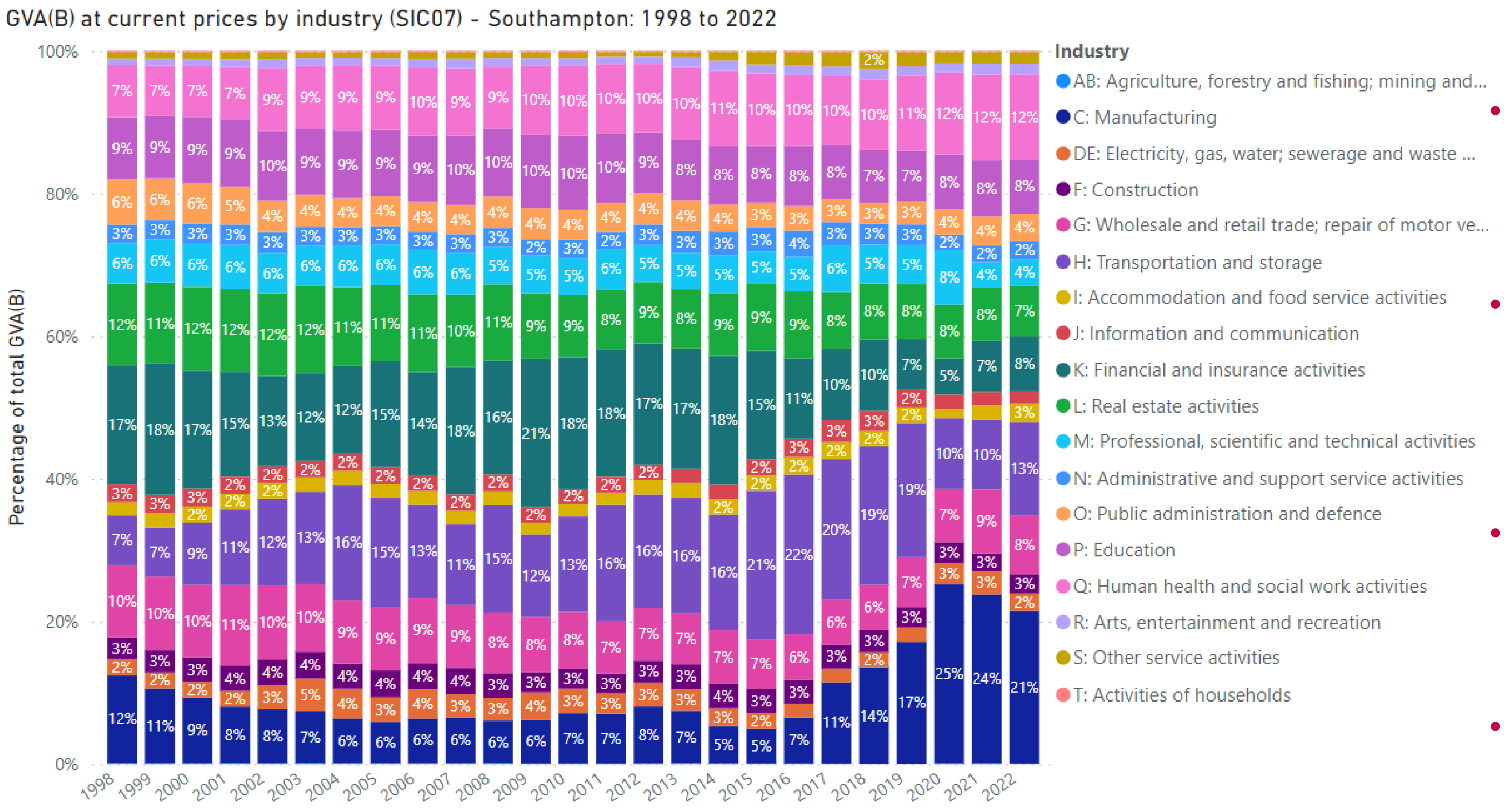

- The chart to the left shows the percentage share of total GVA (B) by industry from 1998 to 2022 in Southampton
- **Manufacturing** has experienced the most growth in the last decade, **increasing 5X** from a share of **5%** total GVA (B) in **2015** to a peak of **25% in 2020**
- **Transportation and storage** also saw significant growth over the last two decades, from **7%** of total GVA (B) in 1998 to **19% in 2019**; however this fell significantly to **10% in 2021** following the pandemic
- **Human health and social work activities** have seen gradual but consistent growth, rising from a share of **7%** in 2000 to **12%** in the latest three years
- **Financial and insurance activities** experienced a notable decline in recent years, halving from **18% of total GVA (B) in 2014 to 5% in 2020**, but grew in **2022 to 8% (+£343 million)**

Source: Office for National Statistics – GVA

Business and Enterprise

Business Growth and Density

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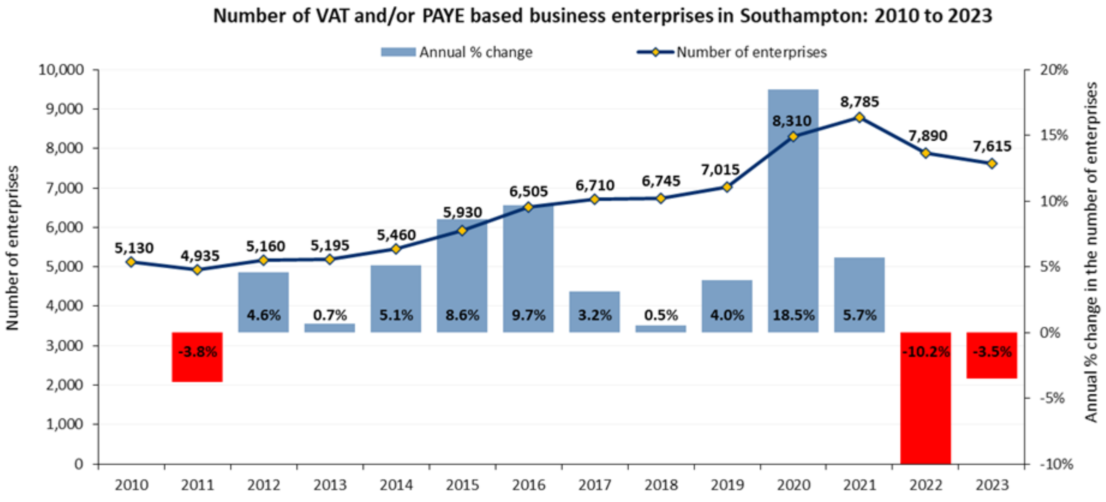
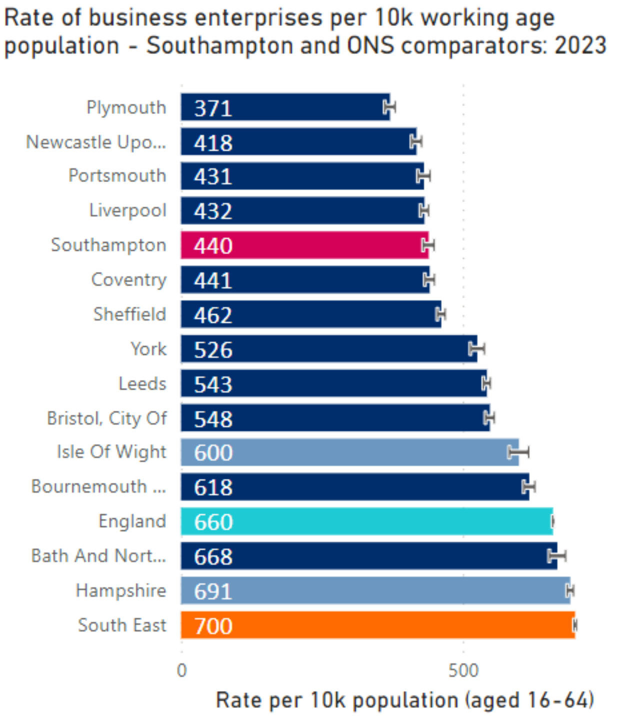


Source: UK Businesses, Office for National Statistics



- **Southampton** experienced a **-3.5%** (**-275**) decrease in the number of business enterprises over the last year. Compared to a **-1.9% decline** across the **South East** and a **-1.6% decrease** across **England**
- **Almost all** the **declines** in the **total number** of enterprises over the last year in Southampton was **driven by declines** of **micro enterprises** (less than 10 employees) (**-290** enterprises). **The transport and storage** sector saw the largest decline (**-115** enterprises) by industry, followed by **professional, scientific and technical** (**-50** enterprises) **and information and communication** (**-40** enterprises)
- The decrease may be affected by **multiple business registrations** at a single postcode in Southampton in 2019 and 2020. **670** (**37%**) of the **1,820** births in **Southampton** were at **postcodes** with **multiple registrations** in **2020**. More information on this issue has been published by the ONS
- **Southampton** (**440 per 10,000** working age population) still has a **significantly lower rate** of business enterprises **compared** to **England** (660) and the **South East** (700) averages

Change since 2022:

-1.6% England

-1.9% South East

-3.5% Southampton

Source: Office for National Statistics - UK business: activity, size and location

Enterprises by industry

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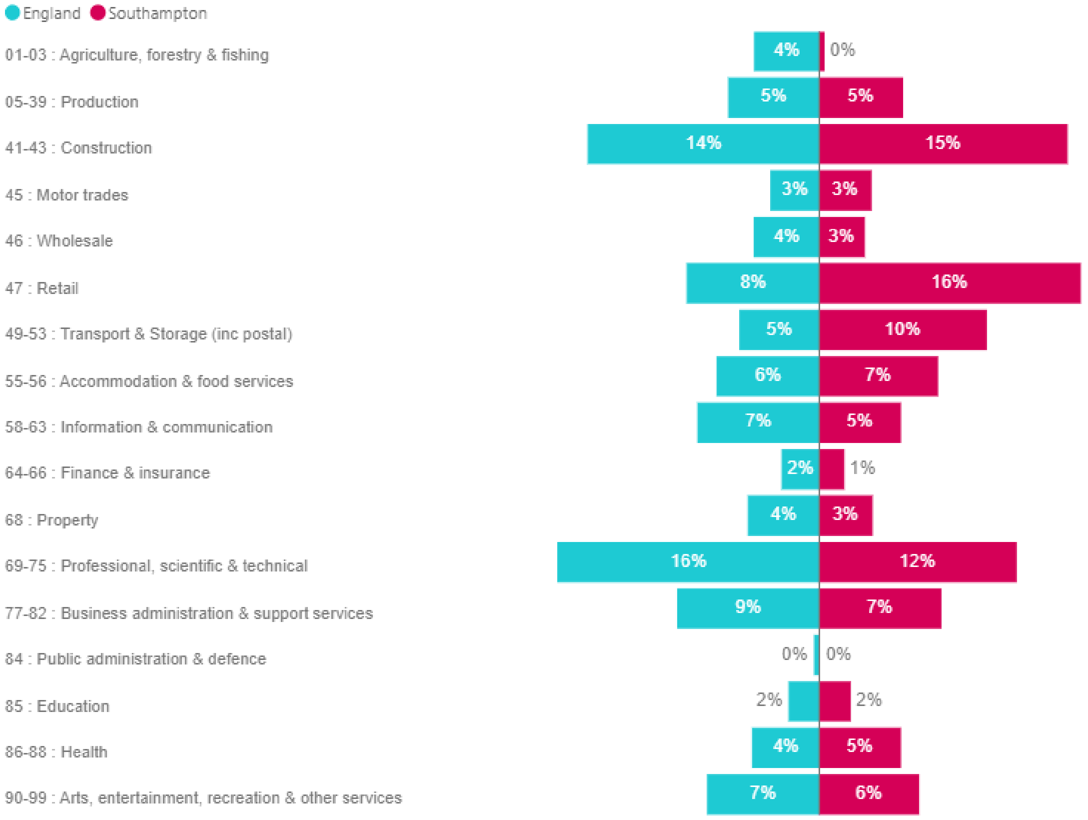
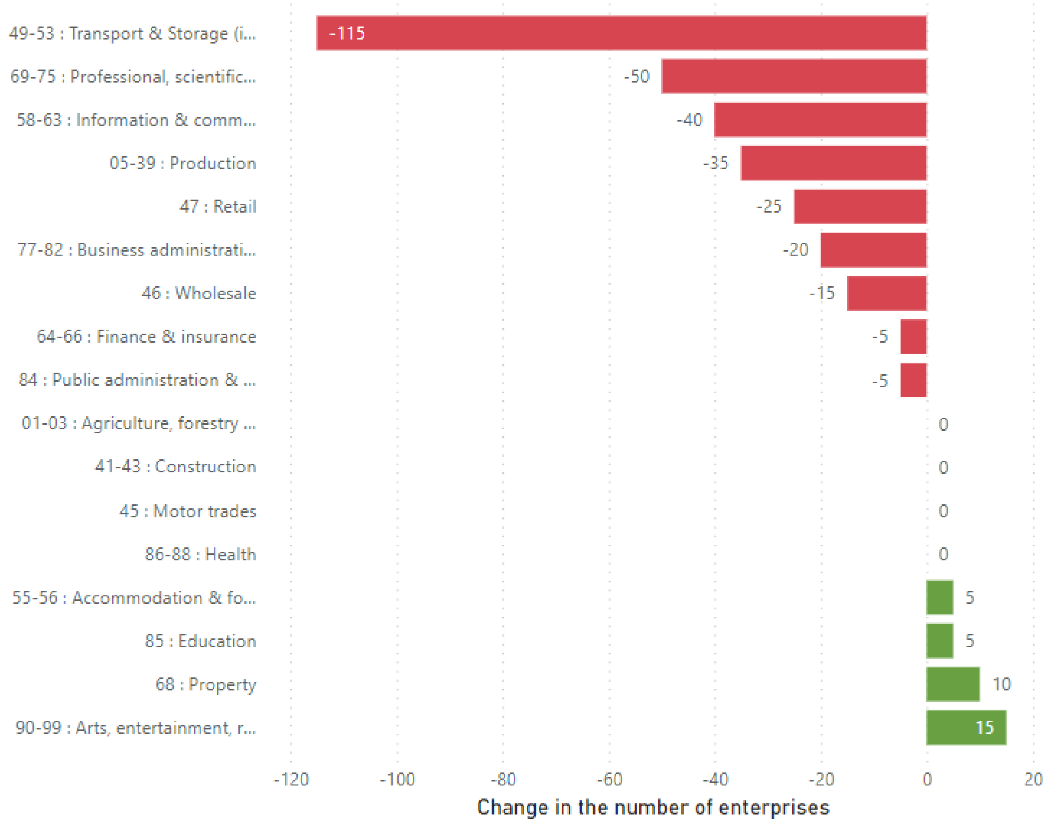
Percentage share of enterprises by industrial group (SIC07) - Southampton and England: 2023



Change in the number of enterprises by industrial group (SIC07) - Southampton: 2022 to 2023

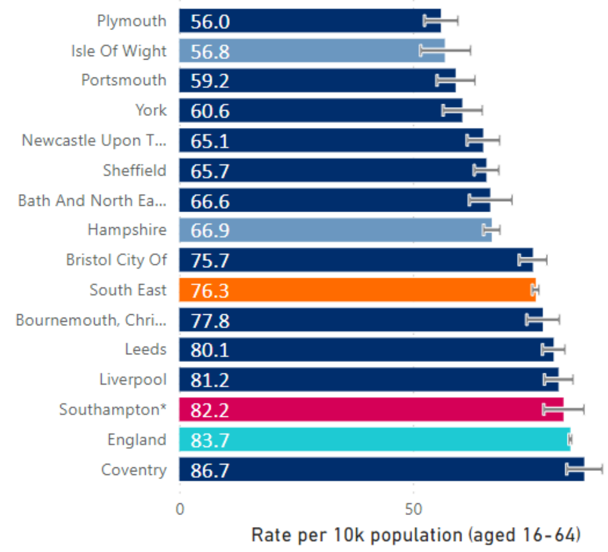


- **Retail** accounted for **16%** of enterprises in Southampton during 2023, compared to **8% nationally**
- **Transport and storage** (**10%**) also have **double the share** of enterprises compared to nationally (5%), whereas the proportion of **professional, scientific and technical enterprises** is notably **smaller** (12%, compared to 16%)
- **Transport and storage** (**-115** enterprises) saw the largest **decline** by industry, followed by **professional, scientific and technical** (**-50**) and **information and communication** (**-40**). On the other hand, any **increases were limited**

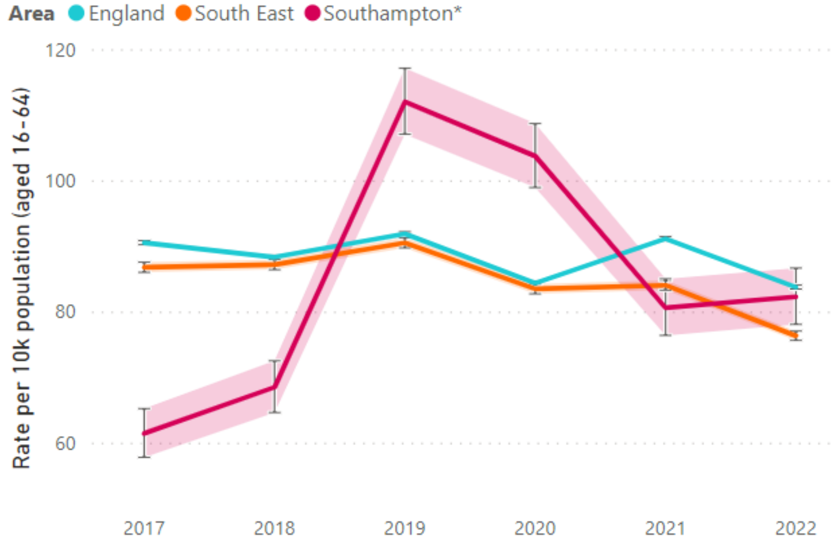
Source: Office for National Statistics - UK business: activity, size and location

Business Start-ups & Deaths

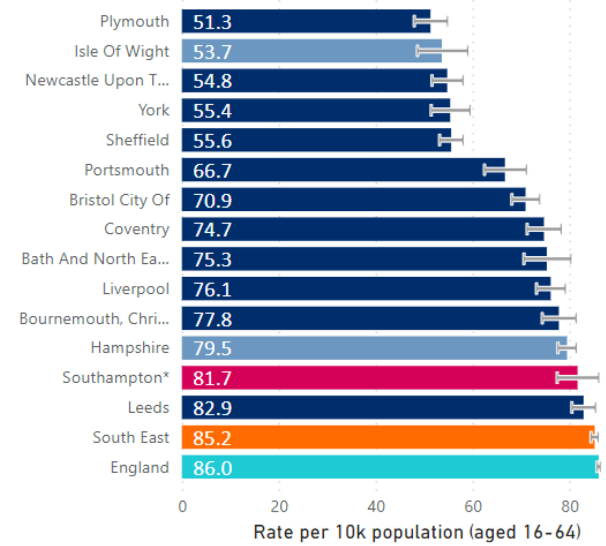
Births of new enterprises - crude rate per 10k working age population - Southampton and ONS comparators: 2022



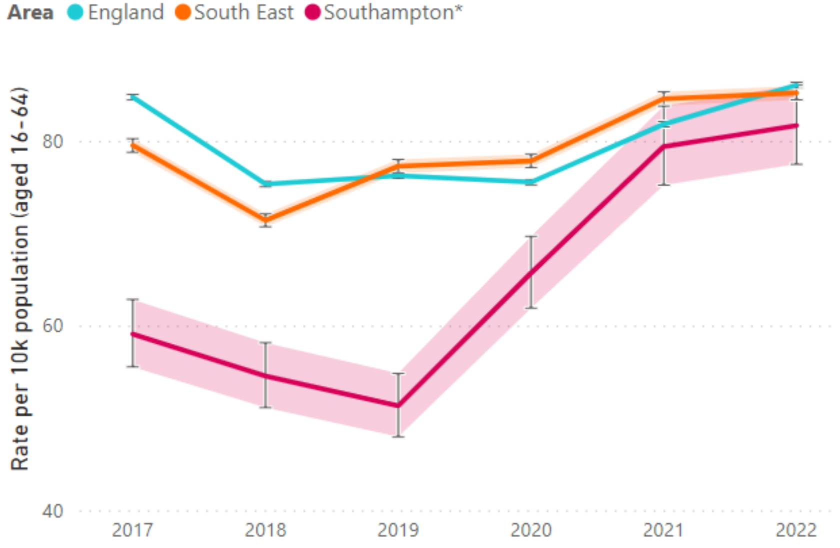
Births of new enterprises - crude rate per 10k working aged population England, South East, Southampton*: 2017 to 2022



Deaths of enterprises - rate per 10k working aged population - Southampton and ONS comparators: 2022



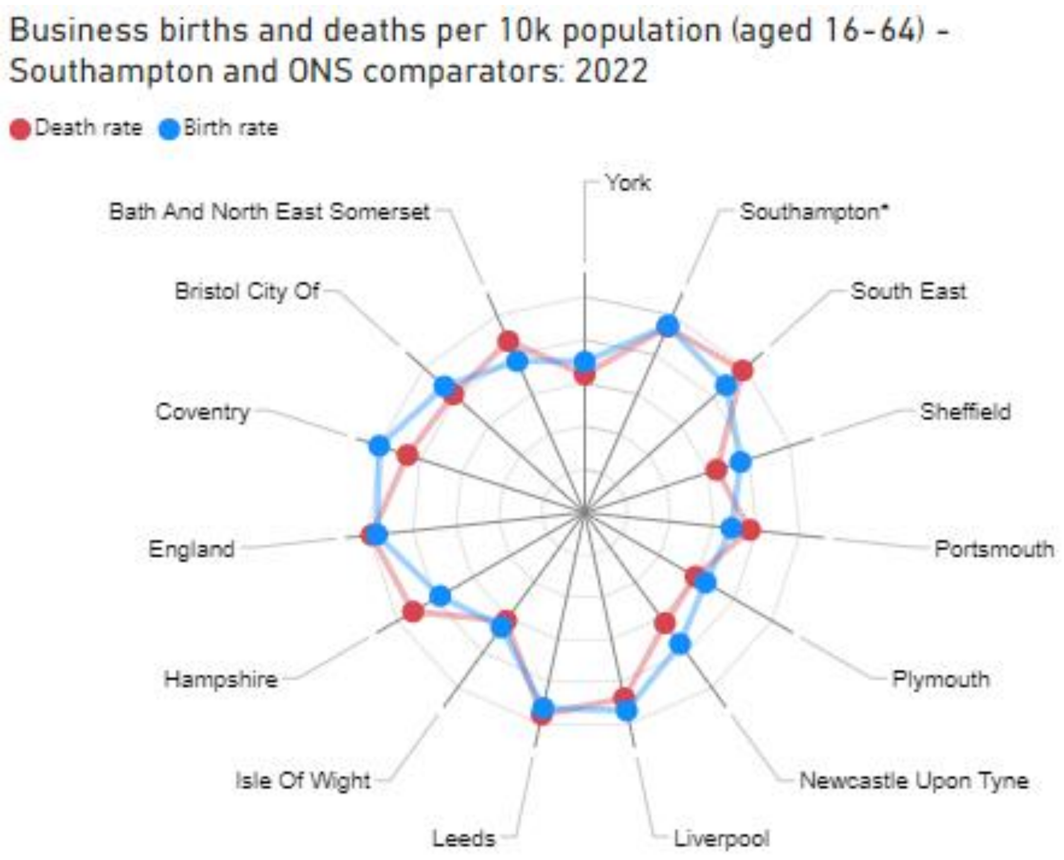
Deaths of enterprises - rate per 10k working aged population - England, South East, Southampton*: 2017 to 2022

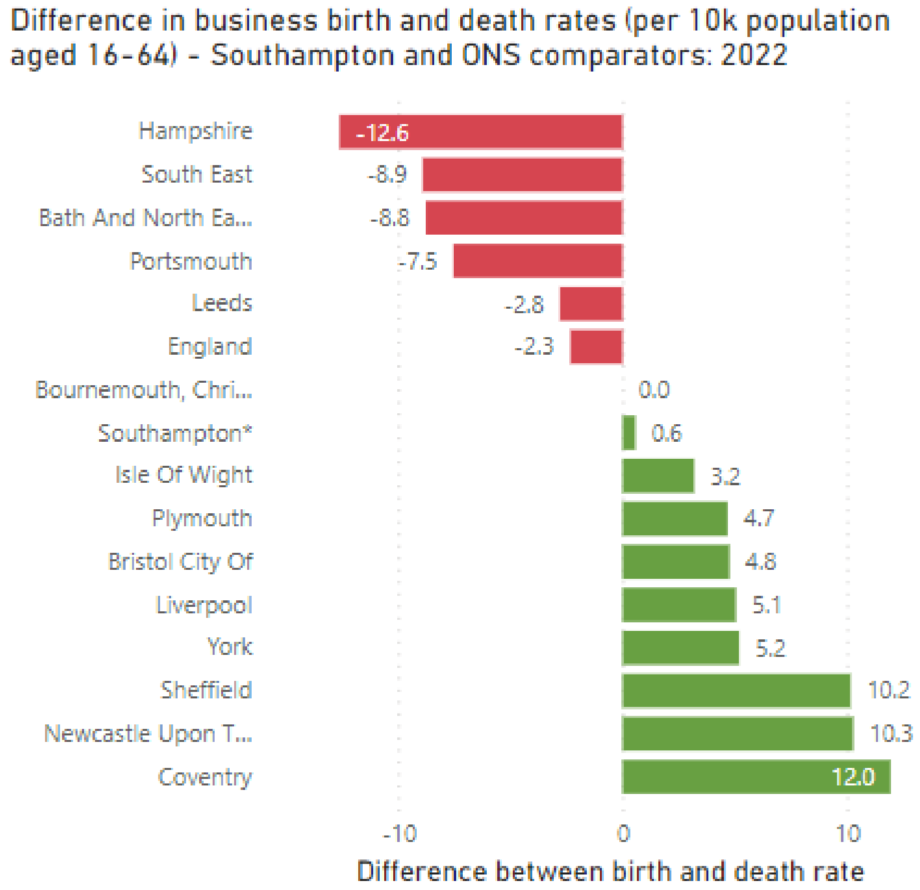


- There were **1,425** business start ups (**births**) in Southampton during **2022**, a growth of **+4.8%** (**+65**) compared to the previous year.
- Although, the birth rate in 2022 remains lower but not significantly than the national average
- There were **1,415** business **deaths** in **2022**, a year on year increase of **+5.6%** (**+75**)
- The business death rate for Southampton is statistically similar to the national average
- Despite a **significant increase** in business deaths between 2019 and 2022, Southampton had seen a consistent decline in business death rates from 2016 to 2019;
- However, increase in death rates for Southampton in recent years is likely impacted by multiple registrations, as multiple registrations also impact on business deaths and survival rates

Source: Office for National Statistics – Business Demography

Business Start-ups & Deaths

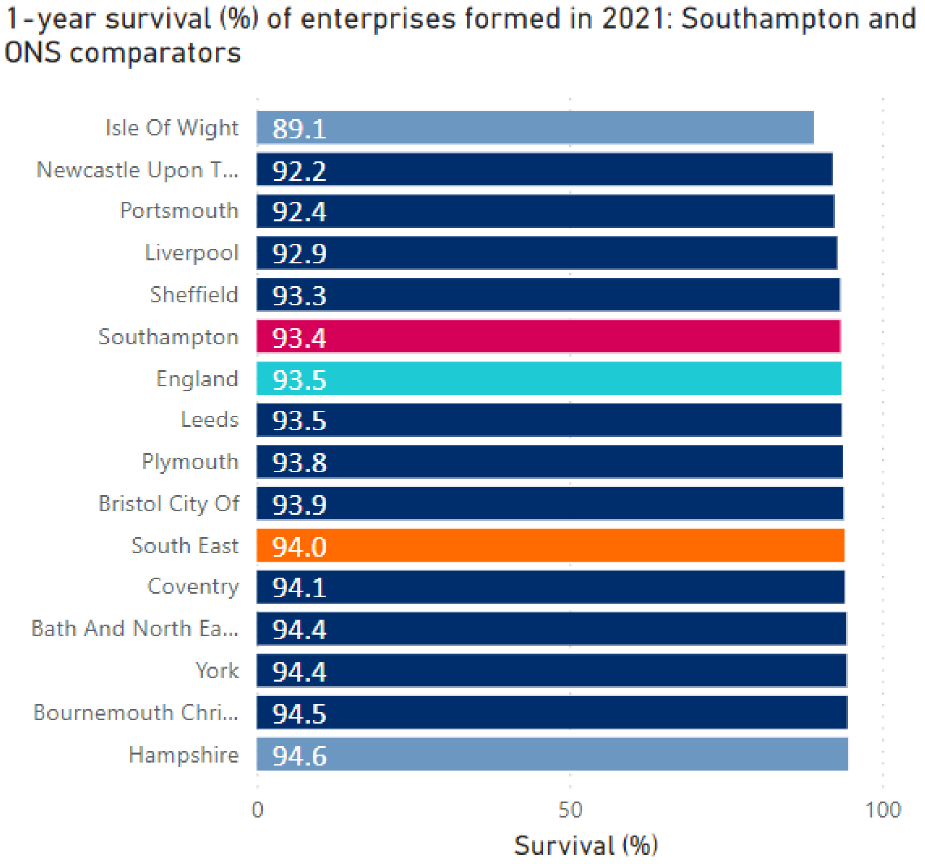


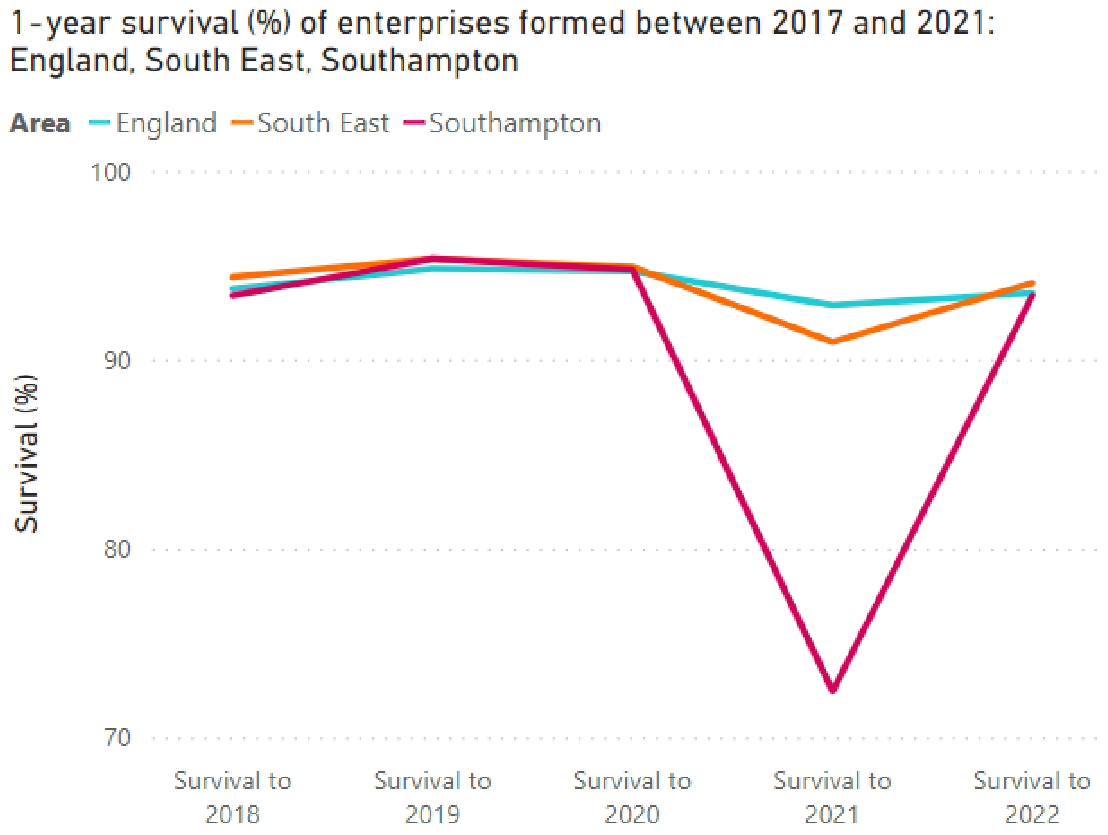


- Southampton had a net growth rate of **+0.6 business per 10k working age population** in 2022
- Due to **multiple business registrations in 2020**, the difference between business birth and death rates in 2020 was inflated to +40.7 businesses per 10.k population – substantially higher than the rate in 2021 and 2022;
- After **adjusting the 2020 birth rate** for multiple registrations, Southampton had a net growth rate of **+1.7 business per 10k – higher than** the net growth rate recorded in **2022** (+0.6)

Source: Office for National Statistics – Business Demography

Business Survival in the 1st year

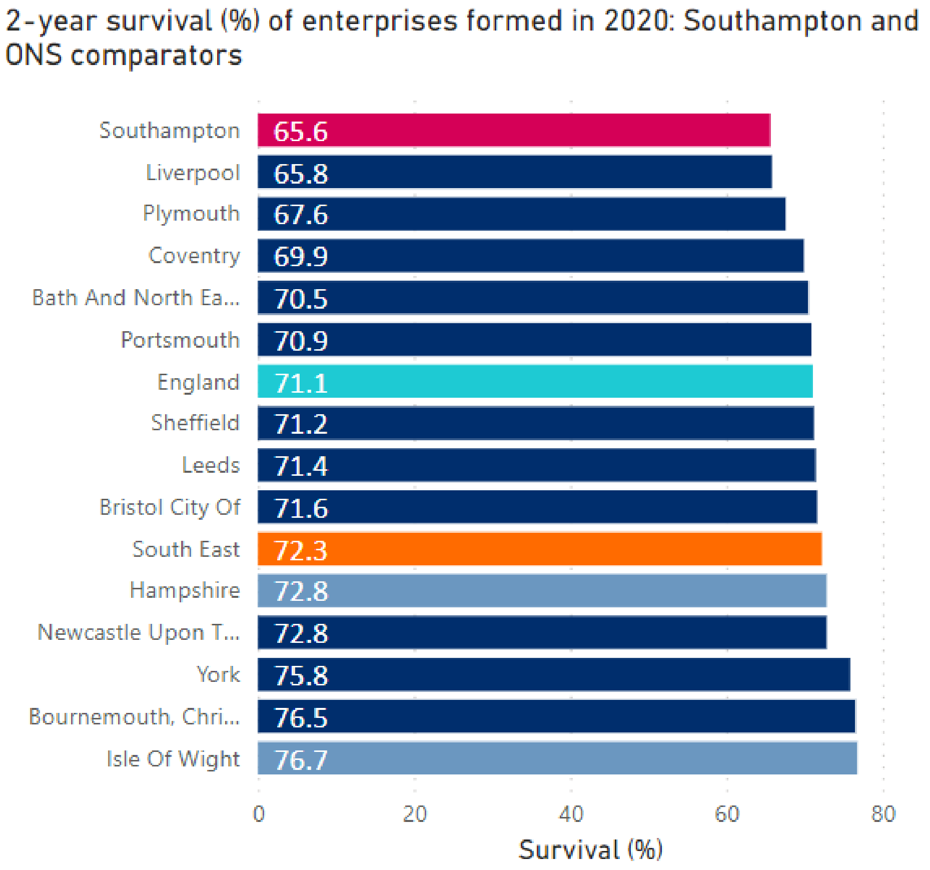


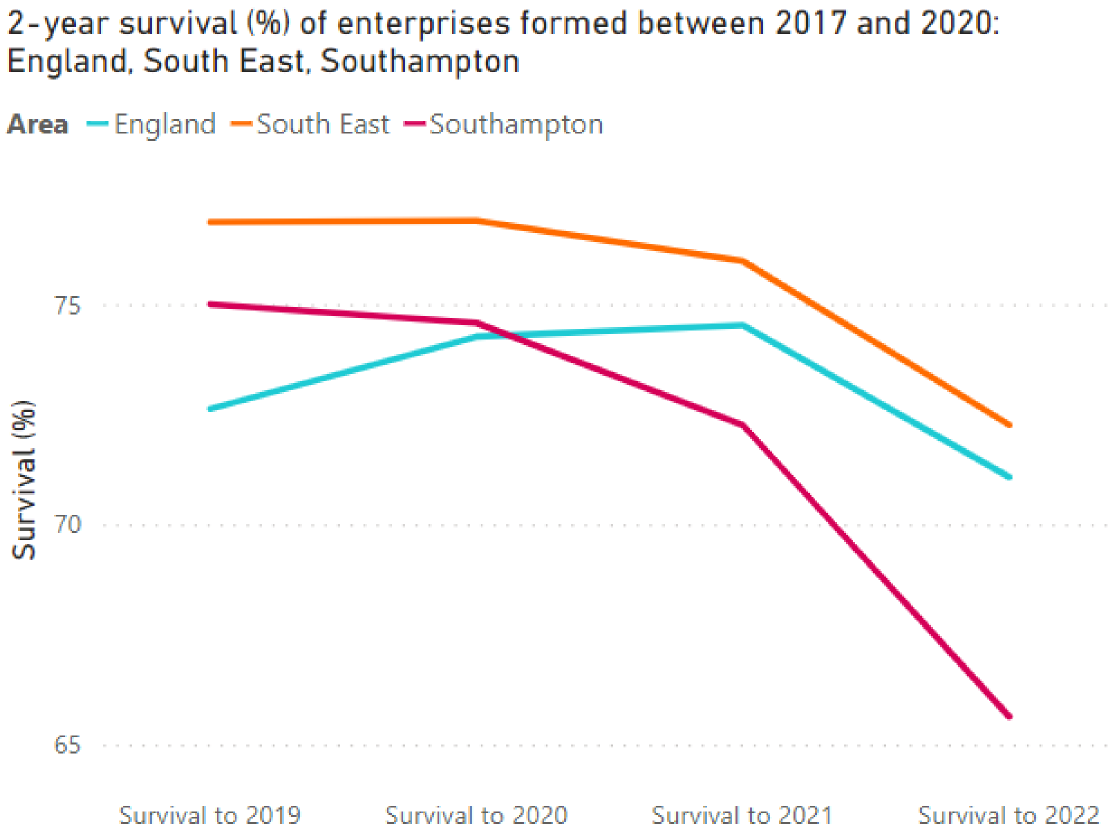


- Southampton is the 5th lowest among comparators for 1-year survival of enterprises formed in 2021
- 1-year survival in Southampton increased from **72.4%** in 2020 to **93.4%** in 2022, similar to the national average **(93.5%)**
- 1-year survival rates may have been impacted by multiple registrations in Southampton during 2020 as we have seen an increase in business deaths during the same period
- Given the reduction of multiple business registrations, this may have contributed to the decline in 1-year survival to 2021

Source: Office for National Statistics – Business Demography

Business Survival – first 2 years



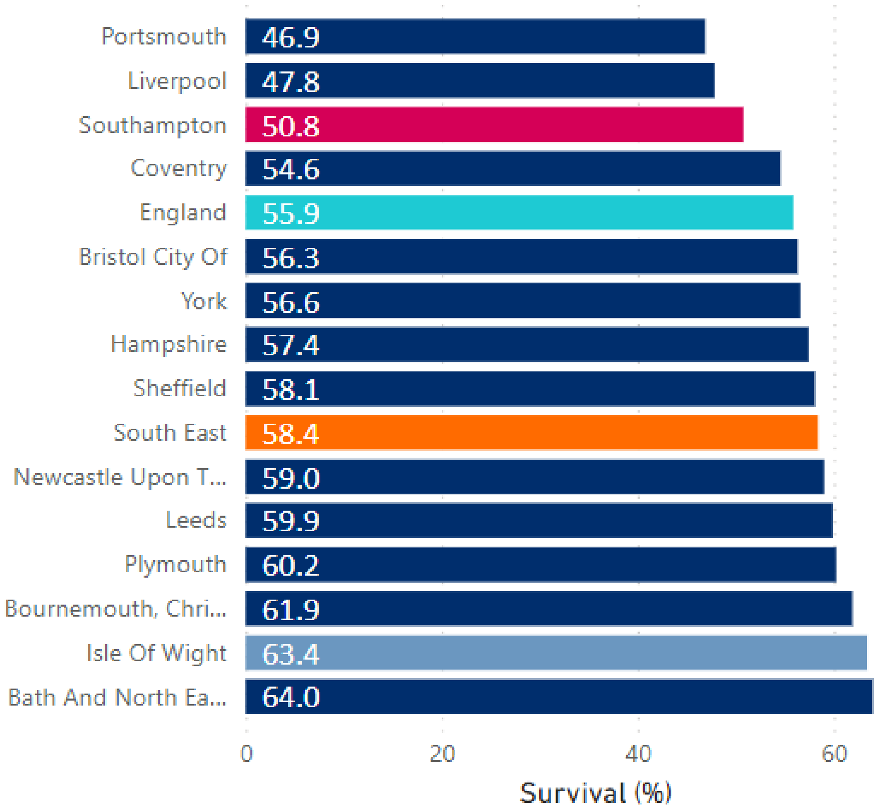


- **65.6%** of businesses formed in Southampton during 2020 **survived at least 2-years** (survived to 2022)
- 2-year survival had been increasing up to business survival in 2019, however progress appears to have stagnated since with a decline seen in survival to 2022
- The Southampton 2-year survival rate has now fallen below the national average (71.1%). However, this is likely skewed by multiple business registrations to a single postcode and subsequent deaths of these businesses

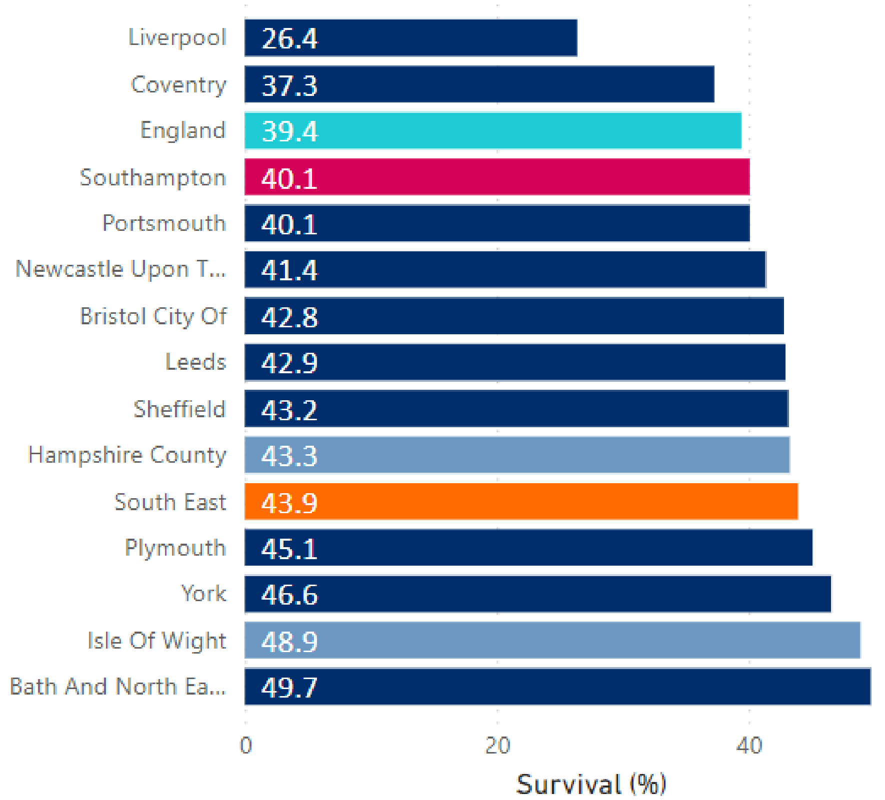
Source: Office for National Statistics – Business Demography

Business Survival – longer term

3-year survival (%) of enterprises formed in 2019: Southampton and ONS comparators



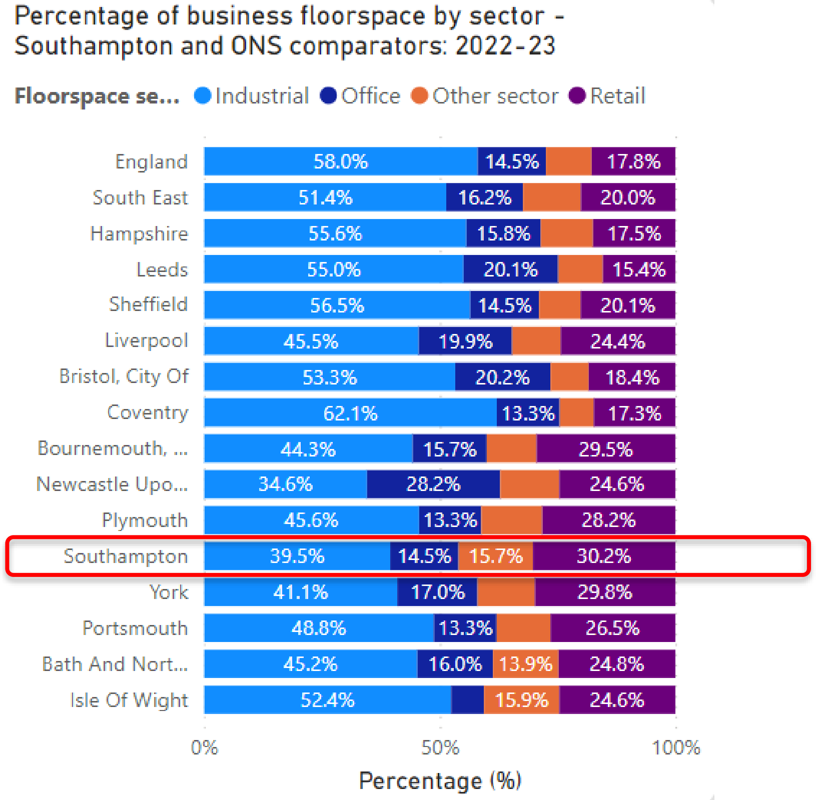
5-year survival (%) of enterprises formed in 2017: Southampton and ONS comparators

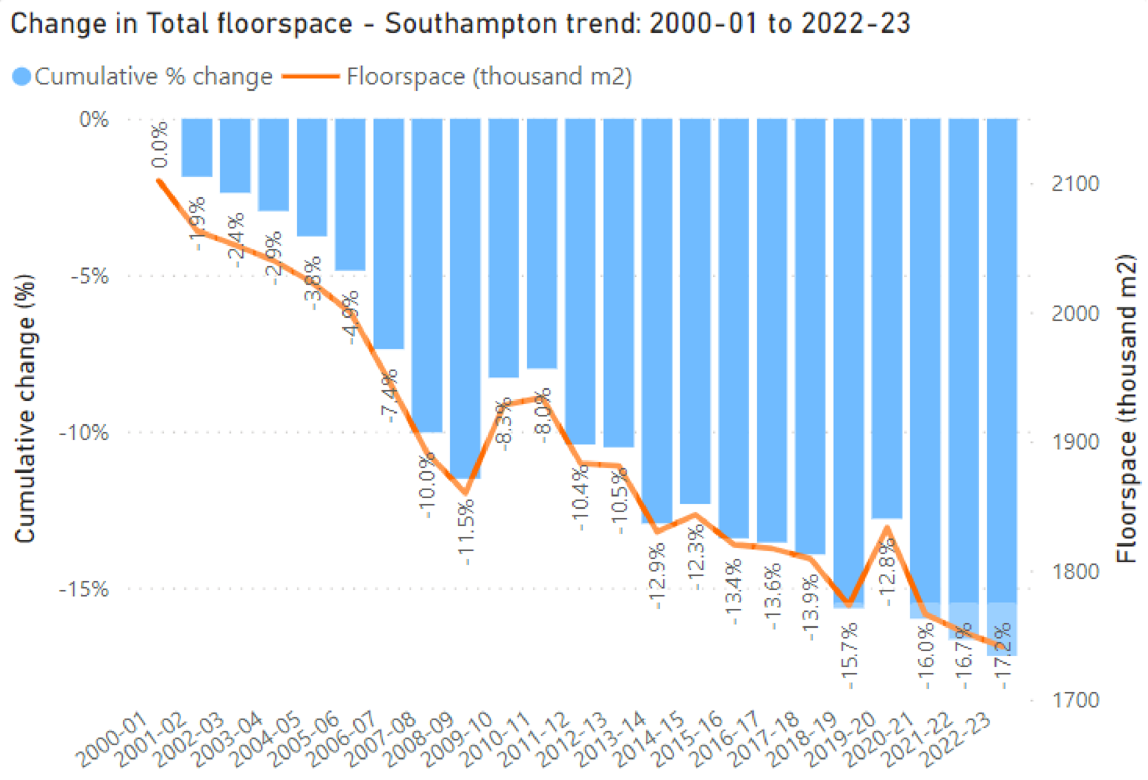


- Business survival over 3-years in Southampton is **50.8%**, lower than the national average (55.9%);
- However, 5-year survival is the above the England average (39.4%), with **40.1%** of businesses in Southampton surviving
- Challenges brought about by Brexit, the coronavirus pandemic and recent economic uncertainty could continue to create obstacles for longer term business survival going forwards

Source: Office for National Statistics – Business Demography

Business Floorspace





- In 2022/23, there was **1,741 m²** of available business floorspace in Southampton
- Since 2000/01, **Southampton** has seen a **reduction** in total floorspace by **-17.2%,** compared to **increases** of **1.7%** across **England** and **4.6%** in the **South East**
- **Office** (**-40.2%**) and **industrial** (**-24.6%**) floorspace has reduced the most in Southampton since 2000/01
- The **majority** of **floorspace in Southampton** is still classed as **industrial (39.5%),** although this is much **lower** than the **England** average **(58.0%)** and the **second lowest** amongst comparator cities
- **30.2%** of floorspace in Southampton is classified as **retail**, the **largest amongst comparator cities**

Source: Valuation Office Agency – Business Floorspace

Employee Jobs

Job Postings

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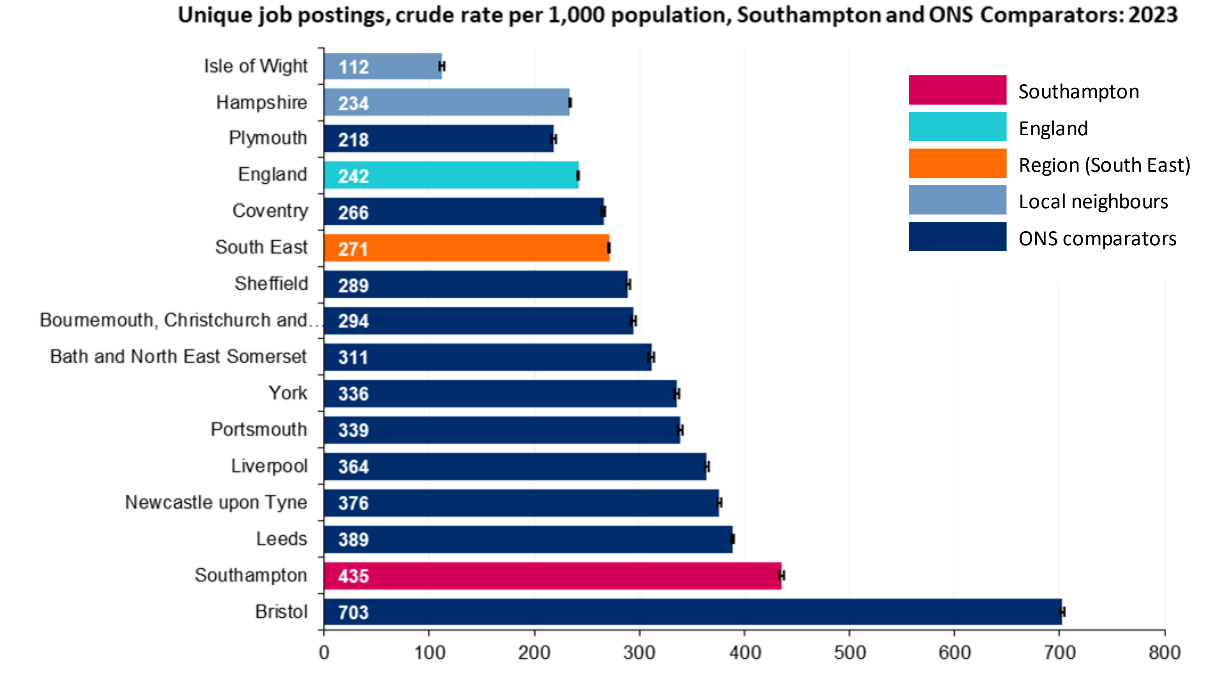
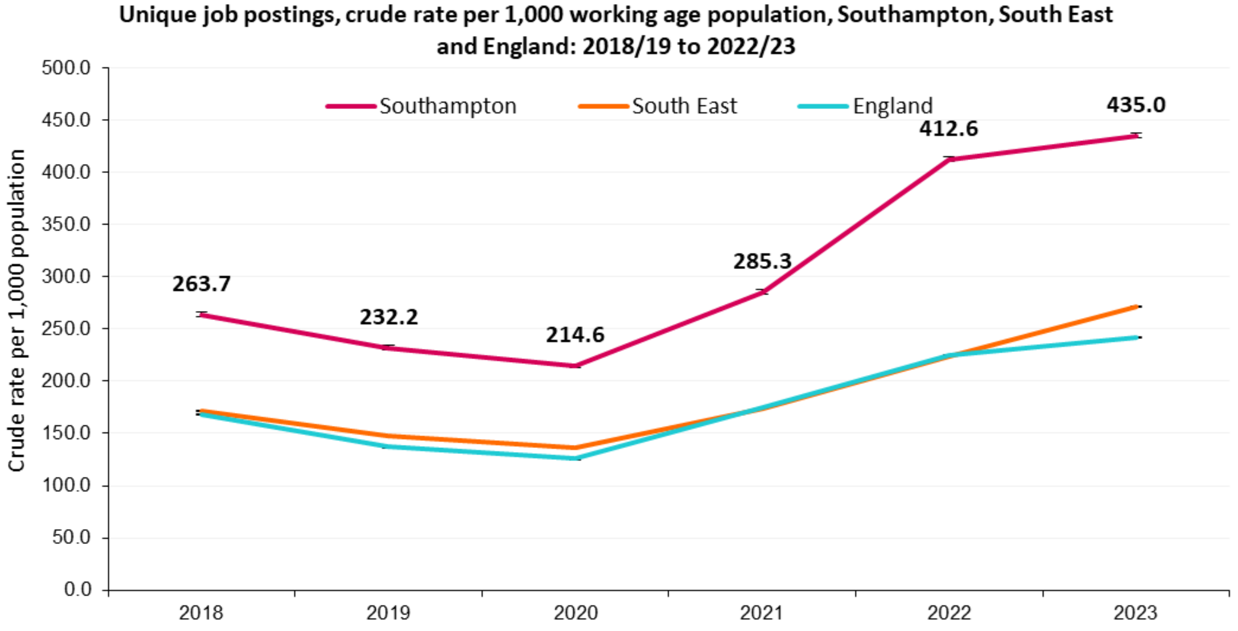


Source: Lightcast (February 2024) and ONS MYE 2022

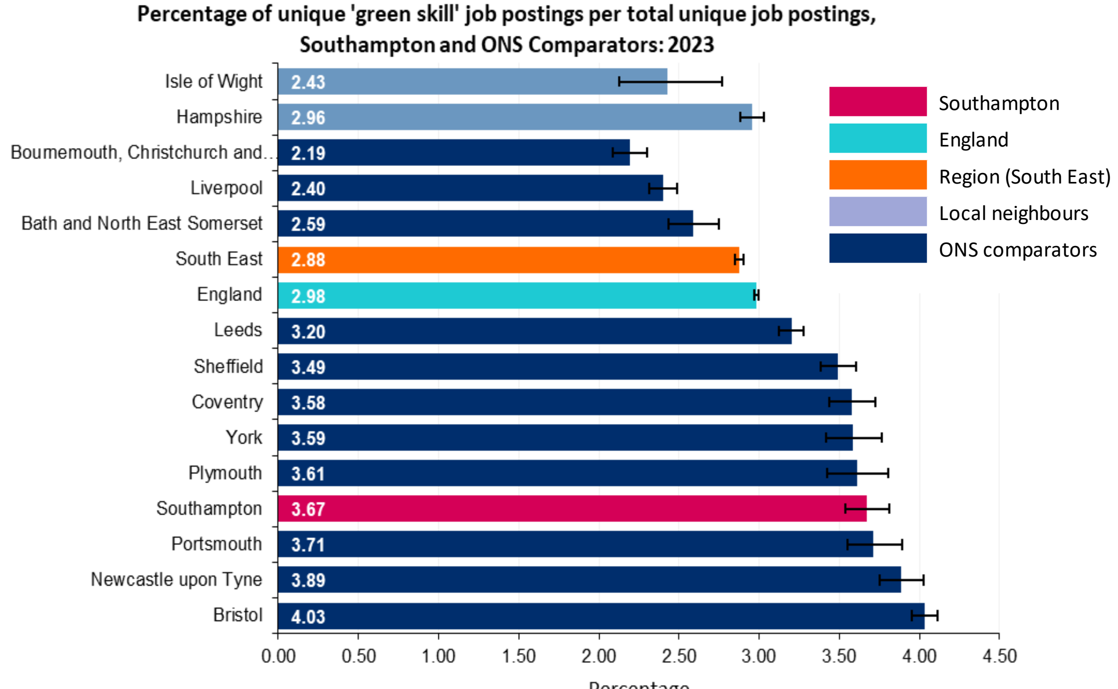


Source: Lightcast (February 2024) and ONS Mid-Year Population Estimates

- In 2023, **Southampton** had a crude rate of **435 unique job postings per 1,000 working age population** (aged 16 to 64), **significantly higher** than the national (242 per 1,000) and regional (271 per 1,000) averages
- The crude rate of unique job postings has been on an **increasing trend** since 2020 for Southampton and all comparators
- **Southampton ranks second highest** amongst ONS comparators in 2023 for the rate of job postings. This is consistent with previous years, which indicates that **Southampton remains a major area for employment opportunities** in the region
- **Median advertised wages** continue to remain higher than the long-term average (£30k per year), having **averaged £32.3k per year** in 2023
- The above evidence suggests that Southampton remains a major centre for employment in the region, but it is **important to attract higher value businesses and more skilled jobs**, which our residents can benefit from

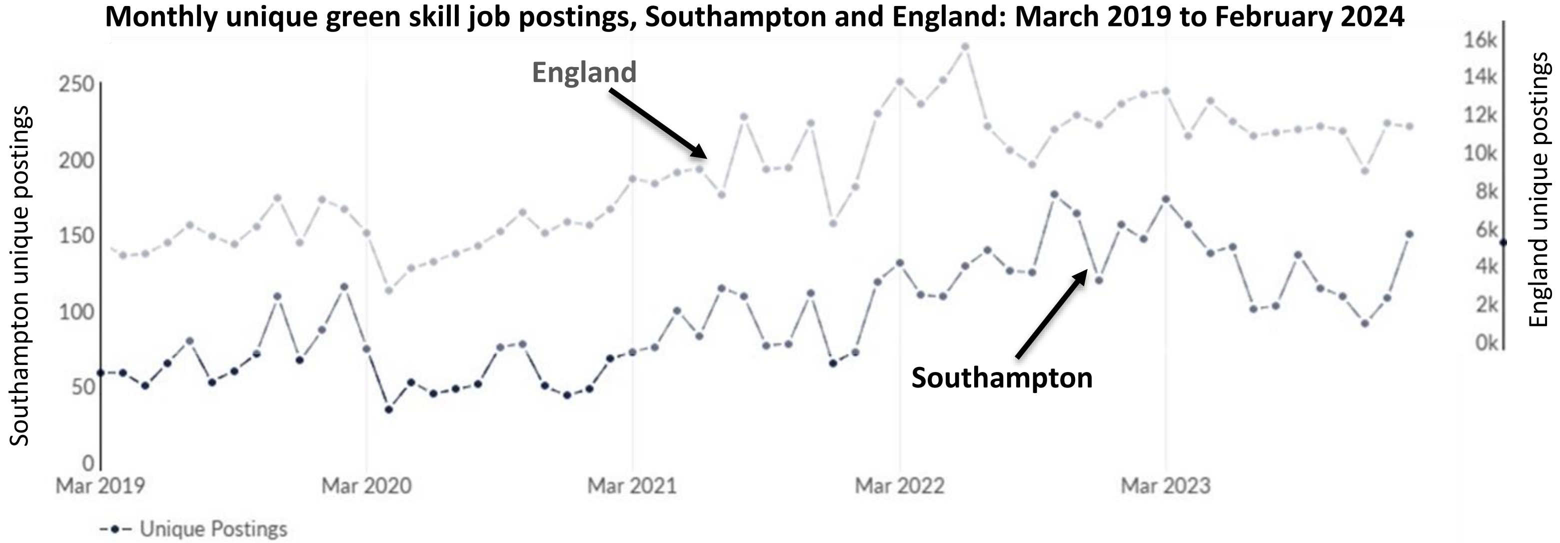
Source: Lightcast (February 2024) – Job Posting Analytics

Green Job Postings



Source: Lightcast (February 2024)

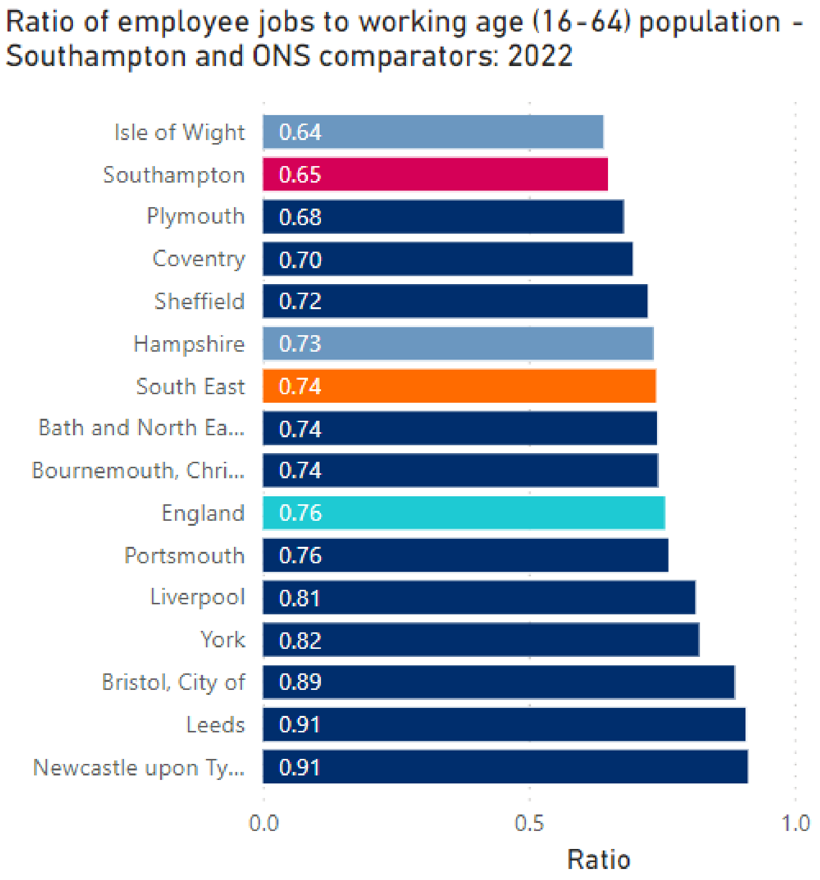
- Currently there is no universally agreed definition of ***green jobs***, making analysis of this emerging field challenging as highlighted by ONS
- Several studies have started to analyse ***green economies***, including PwC's Green Jobs Barometer and the Sydney Green Economy Study, with data from Lightcast to assess ***green job creation***
- Data from Lightcast was used to filter unique job postings by those including ***green skills*** – a grouping defined by Lightcast relating to sustainability and the environment (including conservation, environmental sciences, renewable energy, waste management, etc.)
- In **2023**, the proportion of unique **job postings** including ***green skills*** in **Southampton** was **3.7%**, **significantly higher** than the national average of 3.0% but lower than several comparators

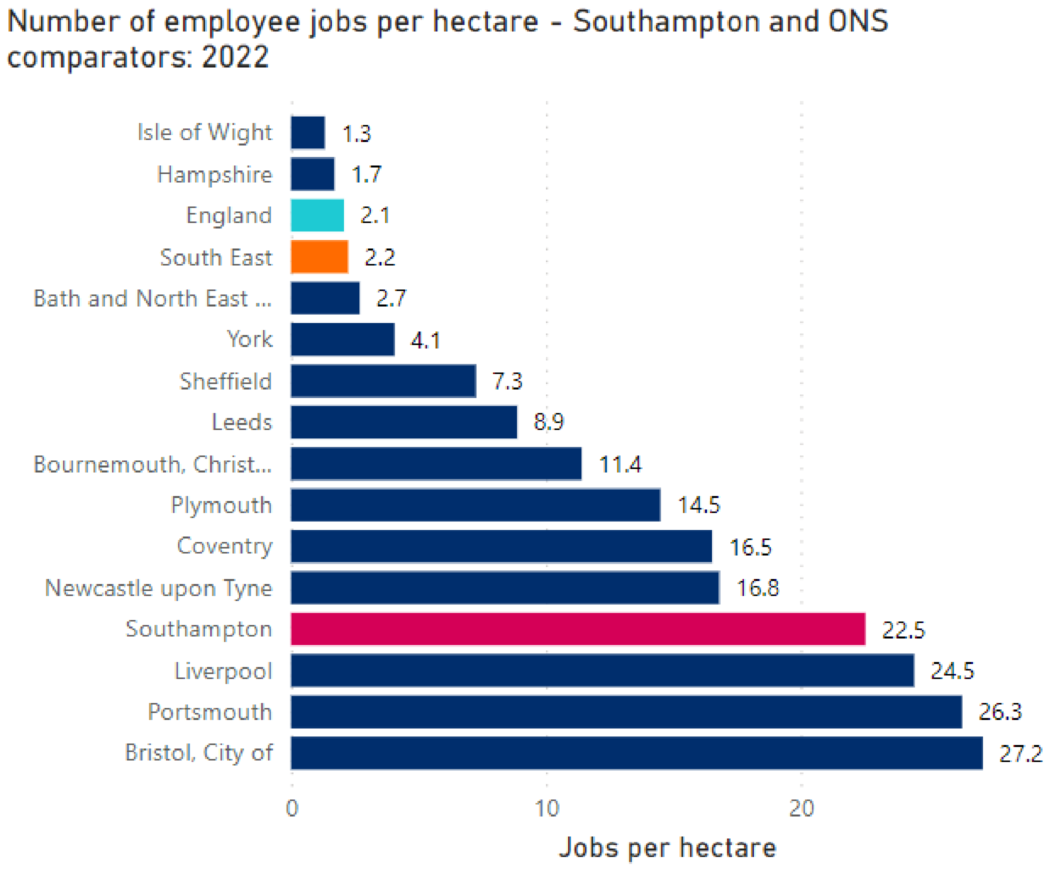


- As shown in the trend chart, the number of unique job postings including ***green skills*** began to increase both locally and nationally in **2021** but has **stagnated since mid-2022**
- Given increases in the total number of unique job postings, the relative proportion of green job postings may not increase at the same rate

Source: Lightcast (February 2024) – Job Posting Analytics

Employee Job Density





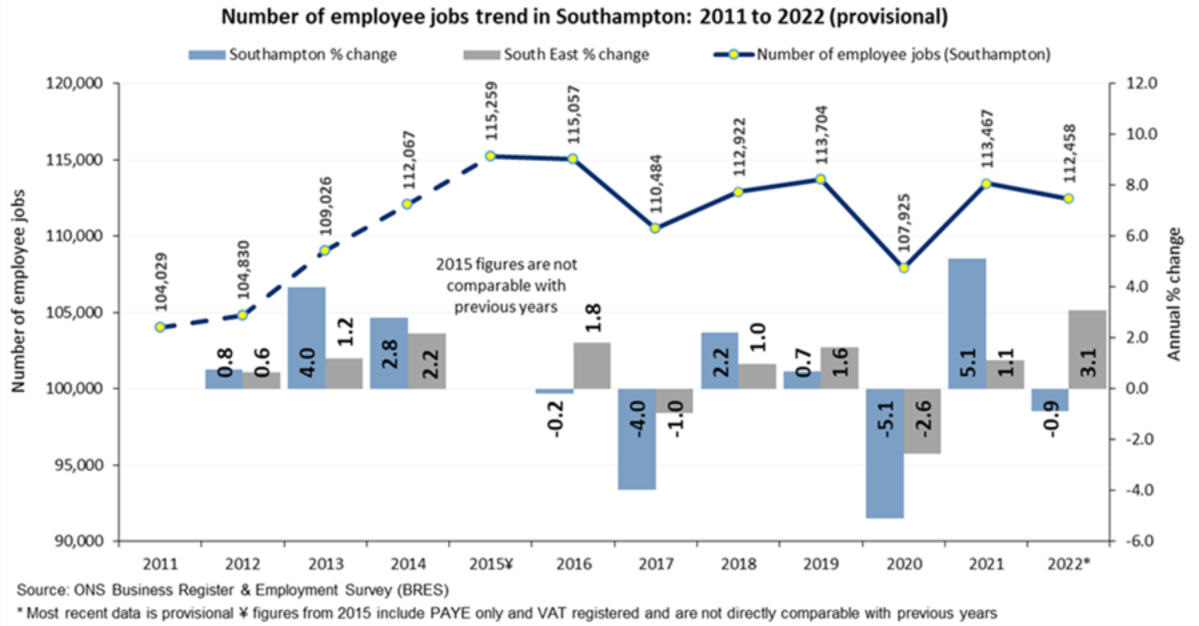
- The **ratio of jobs to working age population** in Southampton is **0.65**; **second lowest** among comparator areas
- However, Southampton has a **job density of 22.5 jobs per hectare**, the **fourth highest** among comparators

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Employee Jobs

southampton dataobservatory

- There were **112,458** employee jobs in Southampton in 2022, which is a **decline** of -**0.9%** (**-1,009**) compared to 2021
- The number of employee jobs in Southampton **remains lower than in 2015**, with a net loss of **-2,801** (**-2.4%**) jobs; with England (+8.4%) and the South East (+5.1%) experiencing an increase in jobs during the same period
- Employee jobs can be broken down into more detail; by sector of employment (public and private) and employment status (all employees, full-time and part-time)
- Whilst Southampton experienced an overall decline of **-0.9%** in the number of employee jobs since 2021, **changes vary** depending on **sector** and **employment status**;
    - The number of **private sector** employees remained similar (**-198, -0.2%**), with a decline in the number of **full-time** employees (**-795, -1.4%**) negated by an increase in **part-time** employees (**+2.1%, +597**)
    - The number of **public sector** employees declined by **-2.9%** (**-811**), which was driven by losses of **part-time** employees (**-1,045, -10.5%**)
- The changes observed in employee jobs over the last three years are likely linked to the coronavirus pandemic and subsequent recovery



Data prior to 2015 is not comparable with recent years. Between 2011 and 2014 there was a net increase of 8,038 jobs (+7.7%)

Change since 2015:

-2.4% Southampton

5.1% South East

8.4% England

Change since 2021:

-0.9% Southampton

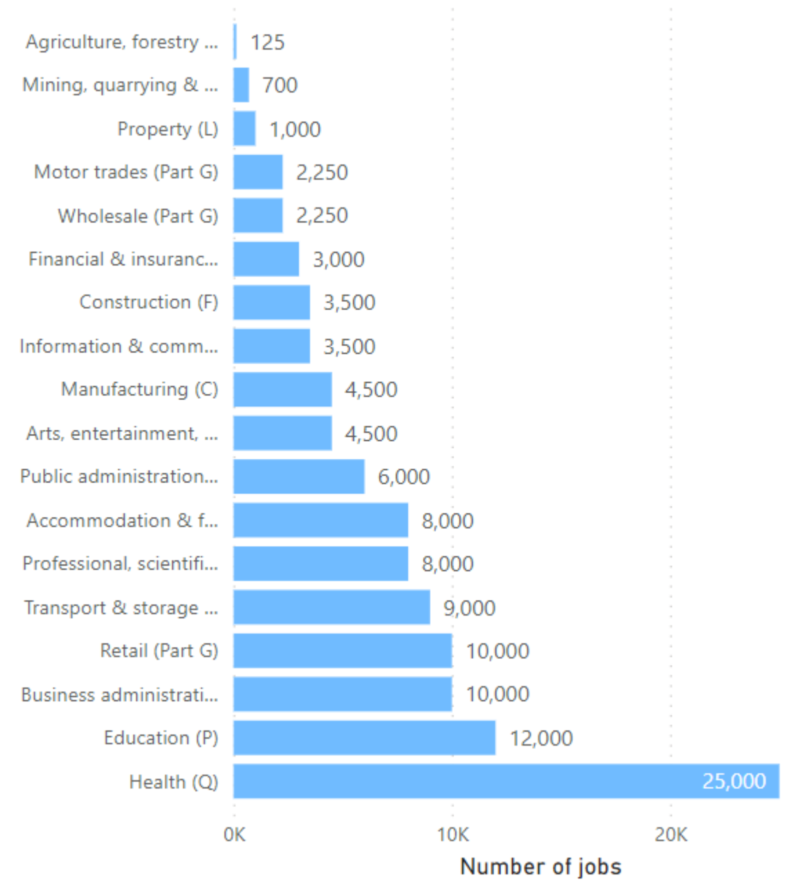
3.1% South East

2.4% England

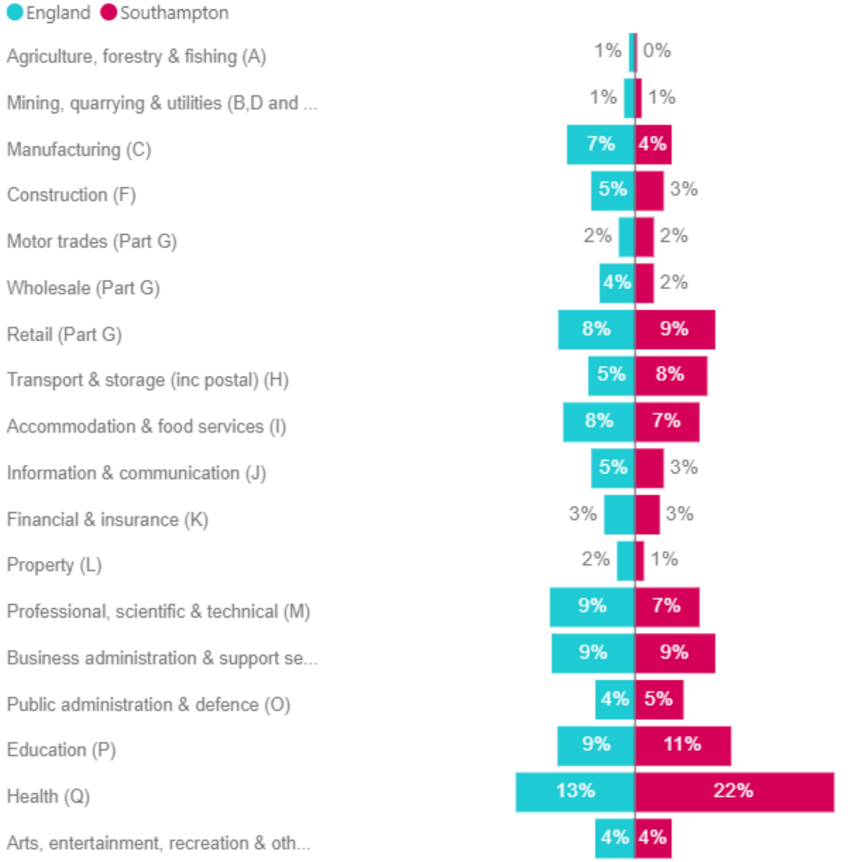
Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Employee Jobs by Industry

Number of jobs by industrial group (SIC07) - (Employees)
Southampton: 2022



Percentage share of jobs by industrial group (SIC07) - (Employees)
Southampton and England: 2022

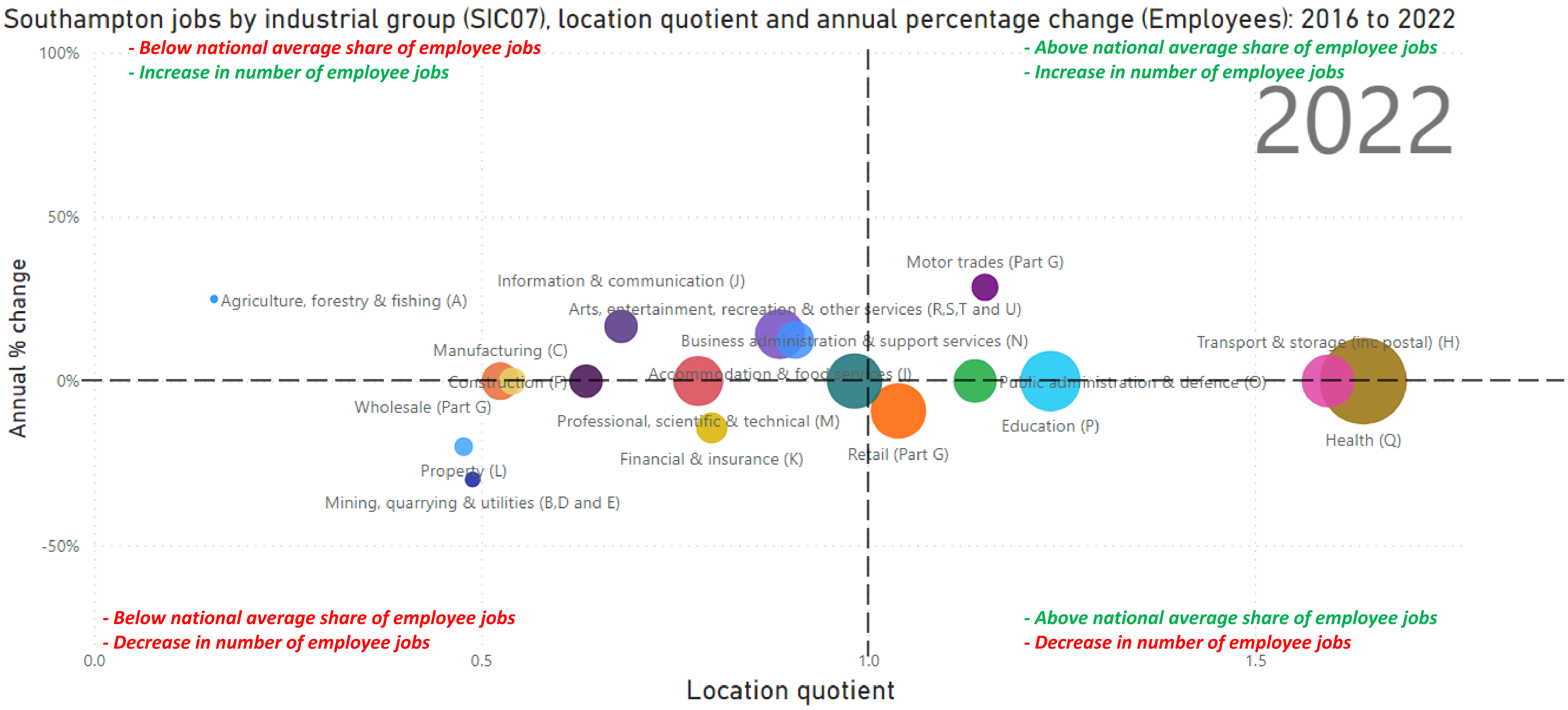


- **Health, education, retail** and **business administration & support services** are the industries that are the **largest employers** in Southampton – combined these industries account for **over half** of the jobs in Southampton
- **Public sector** industries (health, education and public administration & defence) are large employers in Southampton, providing **38%** of jobs locally in 2022 (compared to 26% nationally)
- **Over 1 in 5** (22% , 25,000) jobs in Southampton are within the **health sector**, a significantly higher proportion compared to England (13%) (2022)

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Employee Jobs by Industry 2021

southampton dataobservatory

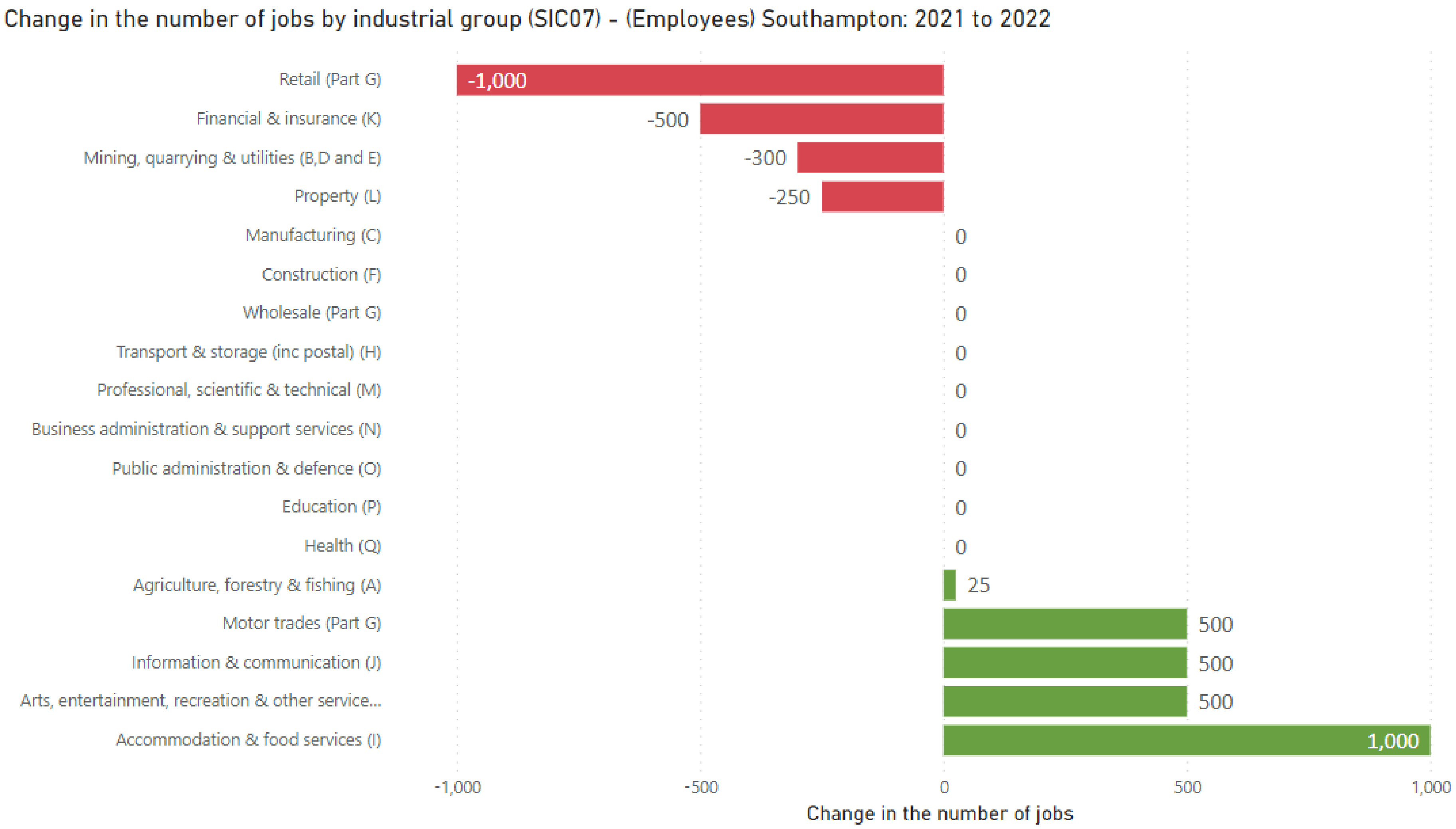


- The chart above shows the number of jobs by industry (bubble size), location quotient (bottom axis) and annual percentage change (left axis). Location quotient is a local measure of the concentration of industries, a value greater than 1 indicates that the local area has a higher share of employee jobs in a particular industry than its share of national employee jobs
- **Health** continues to be the **largest employer** in Southampton (**25,000 jobs**), with a **location quotient above 1**; indicating a **higher share of jobs** in the city when compared nationally
- **Education** (12,000 jobs), **retail** (10,000), **transportation and storage** (9,000 jobs), **public administration & defence** (6,000) and **motor trades** (2,250) also have a **higher share** locally

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional

Change in Employee Jobs by Industry

southampton dataobservatory



Job losses:

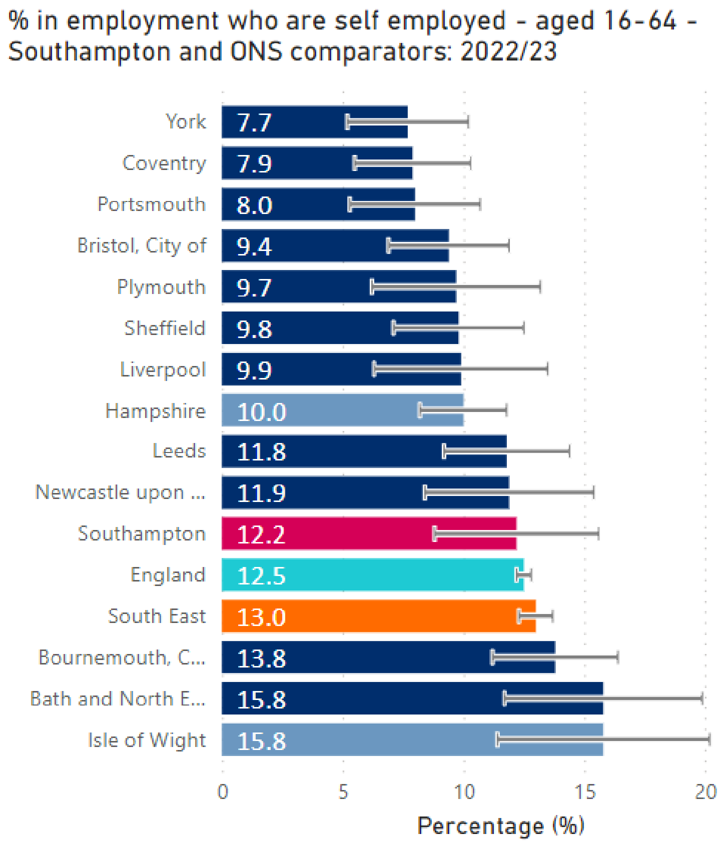
- **Retail** – driven by losses in Bargate ward, mostly in *non-specialised stores* and *sales via mail order or internet*
- **Financial and insurance** – notable losses in Bevois ward
- **Mining, quarrying and utilities** – substantial losses seen in Bargate ward
- **Property** – losses focussed in Bevois ward, particularly in *real estate agencies*

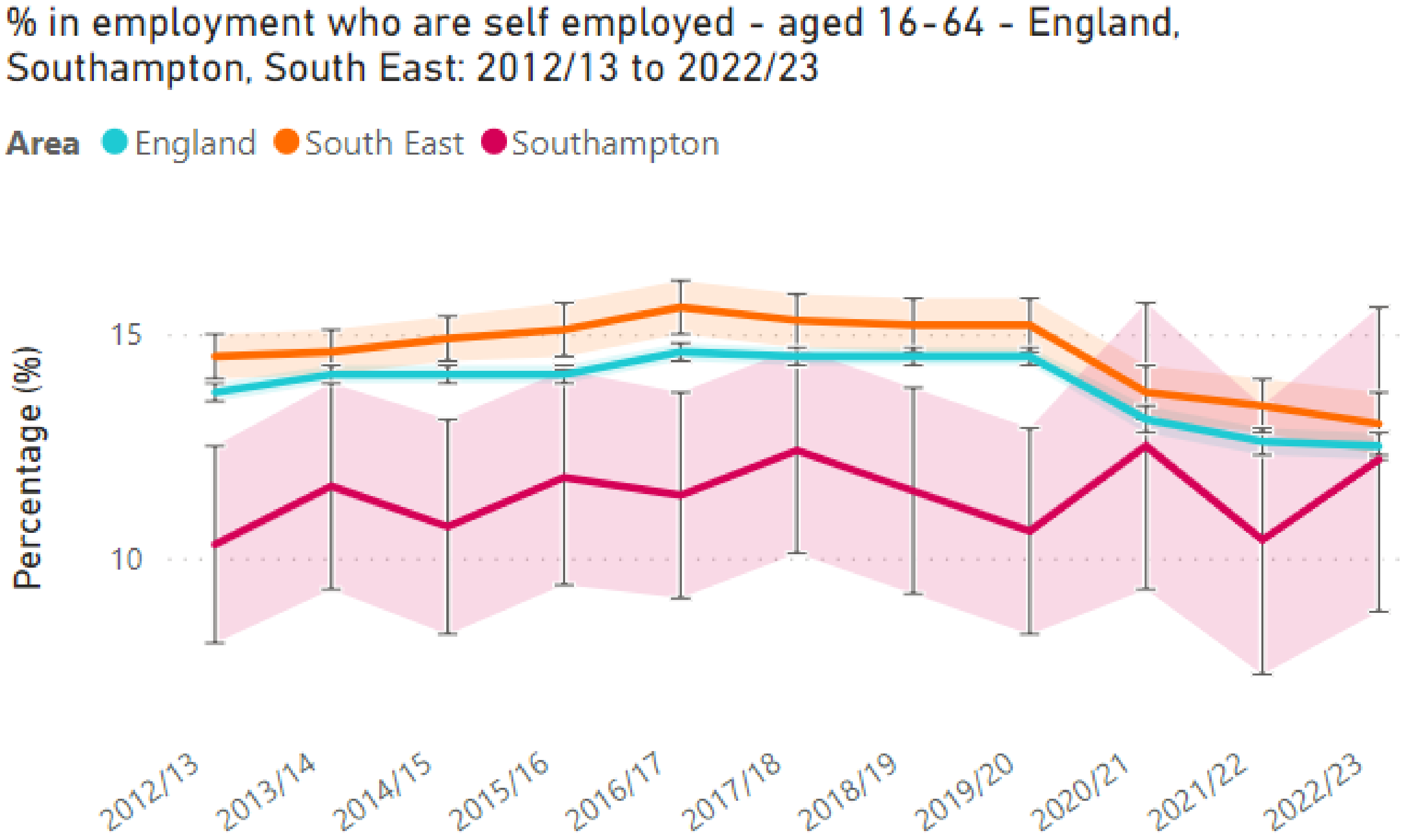
Job creation:

- **Accommodation and food** – driven by more part-time employment in the city centre, especially Bevois ward, especially in *beverage serving activities* and *hotels*
- **Arts, entertainment, recreation** – analysis by 4-digit SIC codes highlights the *operation of sports facilities* across the city
- **Information & communication** – substantial growth in Bargate negating losses in Redbridge
- **Motor trades** - more full-time employees across the city, mostly in *sales of cars and light motor vehicles* but also *sales of machinery, industrial equipment, ships and aircraft*
- ***Health*** – closer analysis suggests a return from part-time to full-time focussed in Shirley, but this is not clear at sector level

Source: Office for National Statistics – Business Register and Employment Survey – data for most recent year is provisional. Please note that ward commentary refers to old ward boundaries (pre-2023)

Self-employed



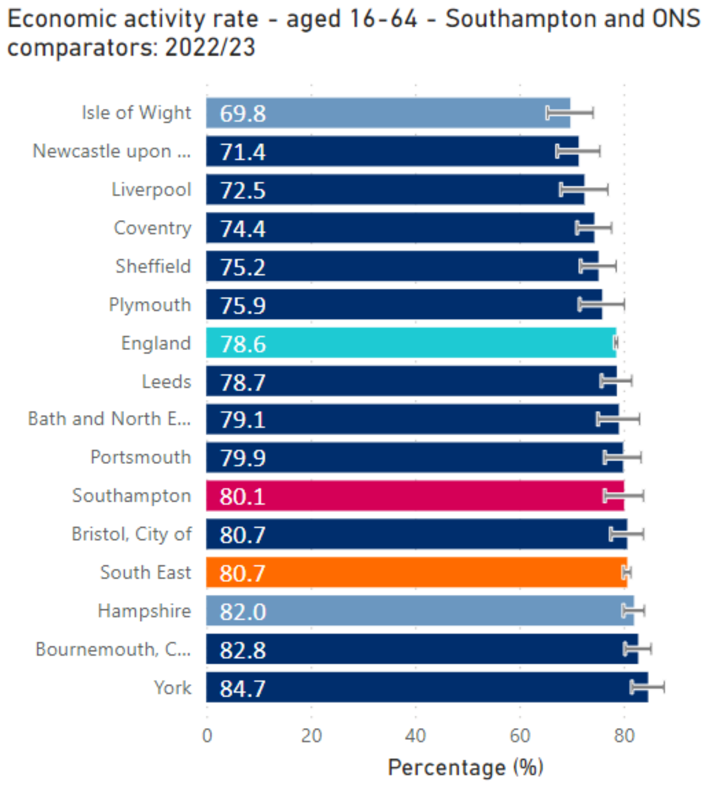


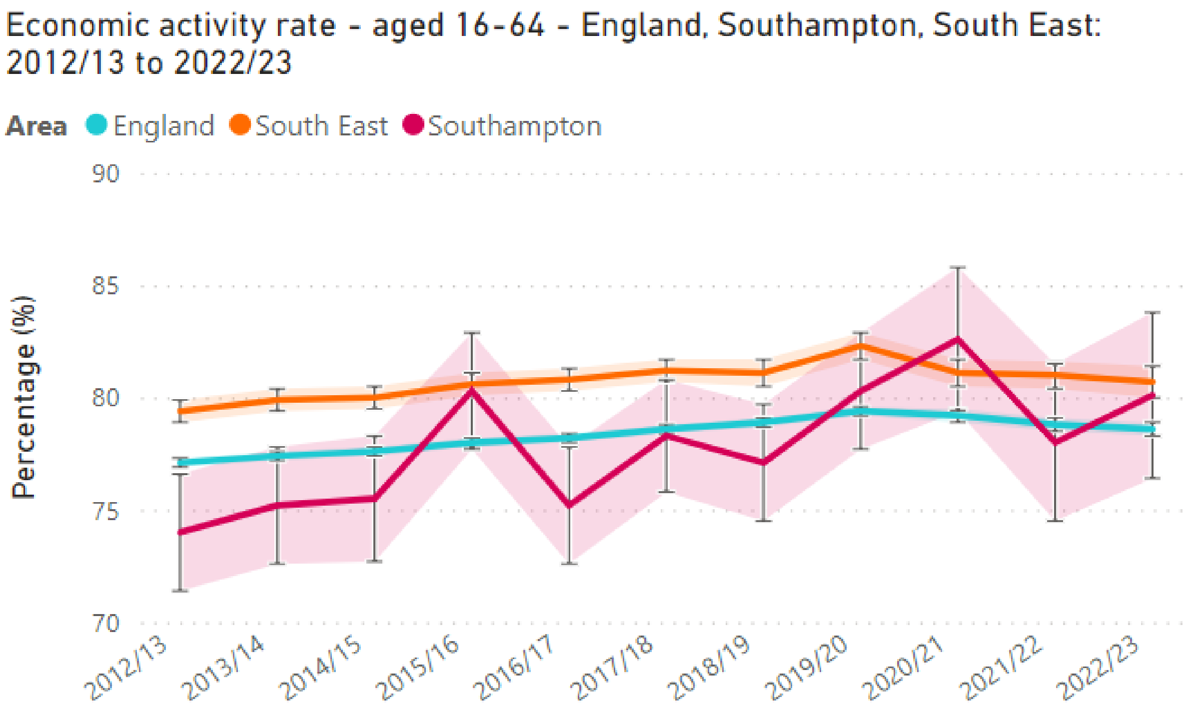
- **12.2%** (16,200) of those who are in **employment** in Southampton are **self-employed** ; statistically similar to both the England and South East averages of **12.5%** and **13.0%** respectively
- Southampton has experienced an increase from **10.4%** in 2021/22 to **12.2%** in 2022/23
- The England and South East averages for the percentage who are self-employed have both continued to decline since 2019/20

Source: Office for National Statistics – Annual Population Survey

Labour Market

Economic Activity





- In 2022/23, **80.1%** (**139,300**) of the working age population in **Southampton** were **economically active**; similar to both the England average (**78.6%**) and the South East average (**80.7%**)
- The proportion of **economically active** people in **Southampton increased by +2.1** percentage points (**+3,700**) in the last year, compared to declines of **-0.5** across England and **-0.3** across the South East
- The large student population has traditionally impacted local economic activity/inactivity rates; **33.6%** in **Southampton** reported the **main reason** for **inactivity** as being a **student** in 2022/23, **statistically similar to** the England average (26.7%). Whilst this remains the **most frequent** reason for economic inactivity in Southampton, the proportion has **previously been significantly higher** than the national average. **Looking after family/home** (**24.0%**) and **long-term sick** (**22.4%**) are the next most common reasons

Source: Office for National Statistics – Annual Population Survey

Employment

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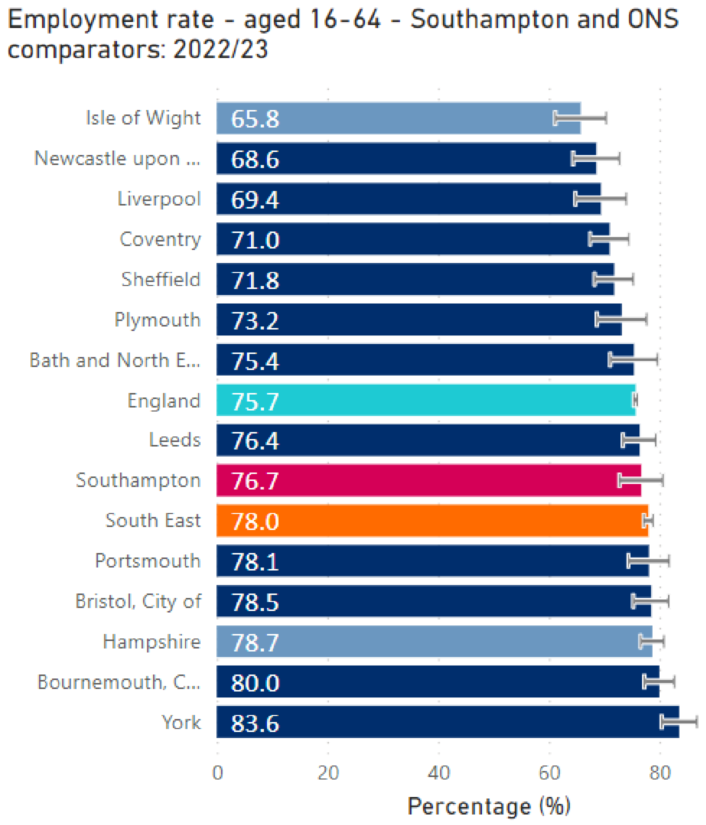
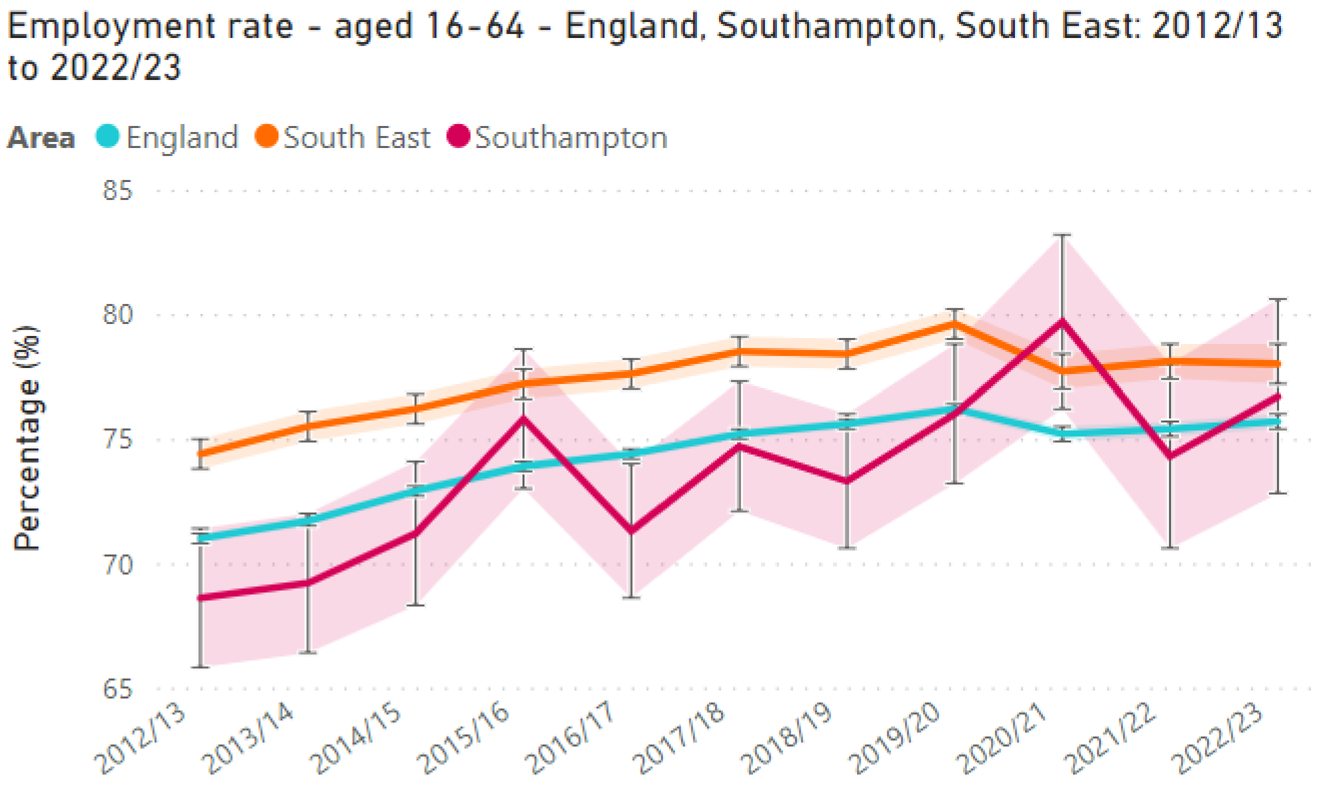


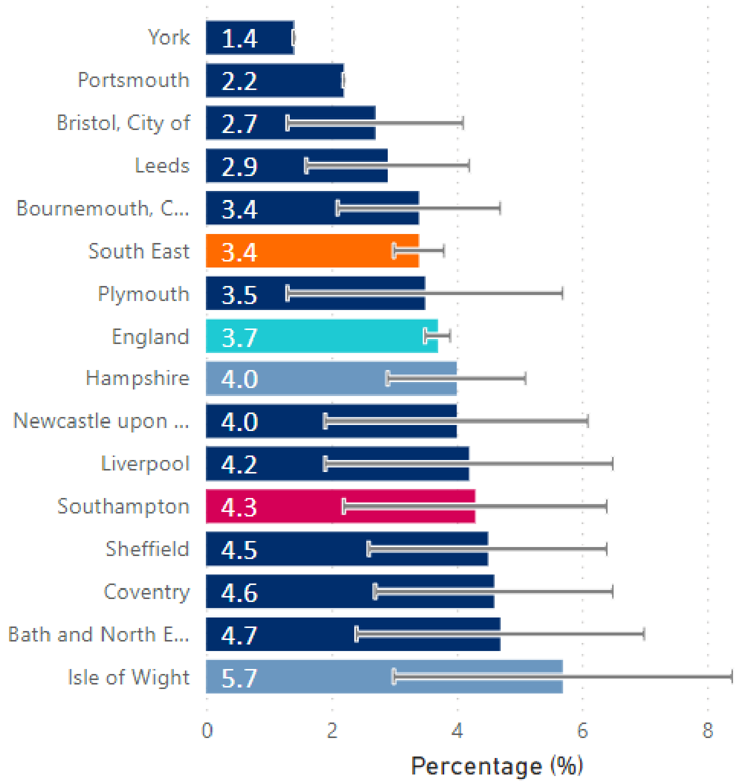


- The **recession impacted employment rates** in the city, falling to a low of **68.1%** in 2009/10
- **Post recession** saw **a recovery in employment**, both locally and nationally
- The employment rate in Southampton as of 2022/23 was **76.7%** (133,300); similar to the national (**75.7%**) and South East (**78.0%**) averages
- Any recent changes in employment rate in Southampton **do not represent statistically significant changes**

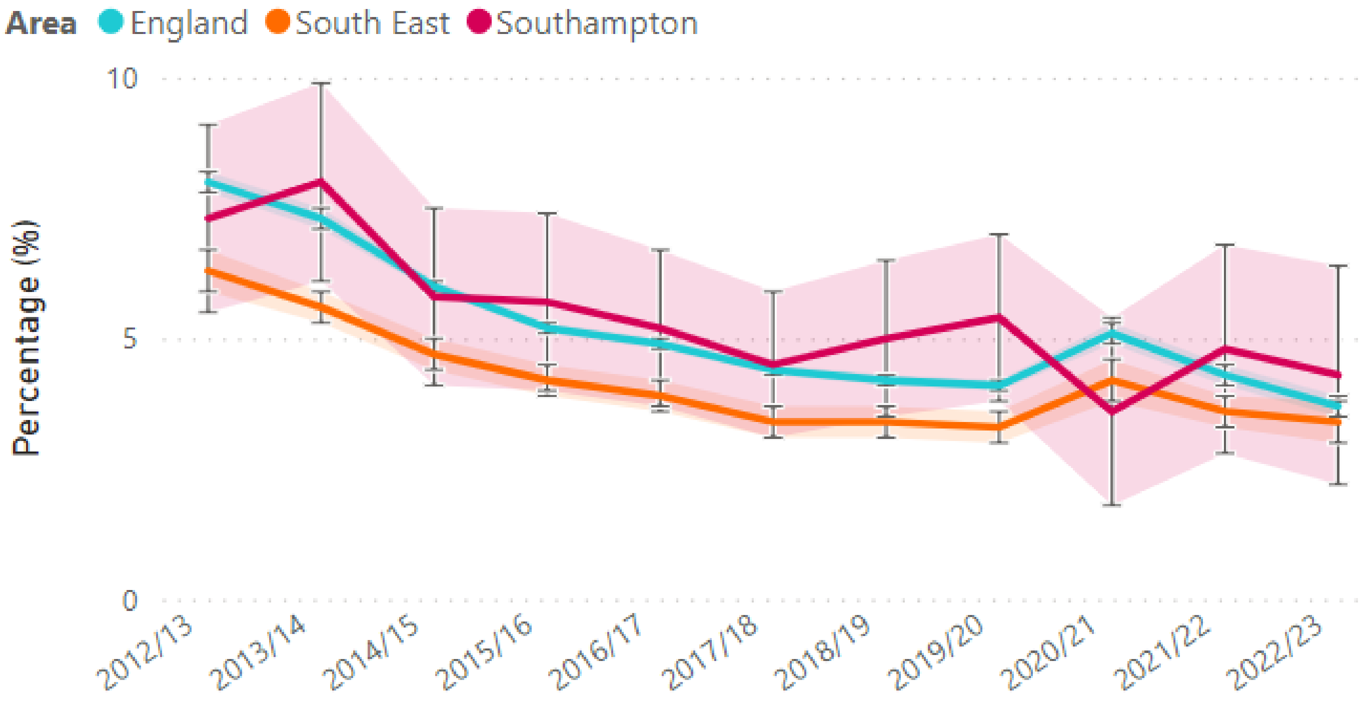
Source: Office for National Statistics – Annual Population Survey

Unemployment

Unemployment rate - aged 16-64 - Southampton and ONS comparators: 2022/23



Unemployment rate - aged 16-64 - England, Southampton, South East: 2012/13 to 2022/23

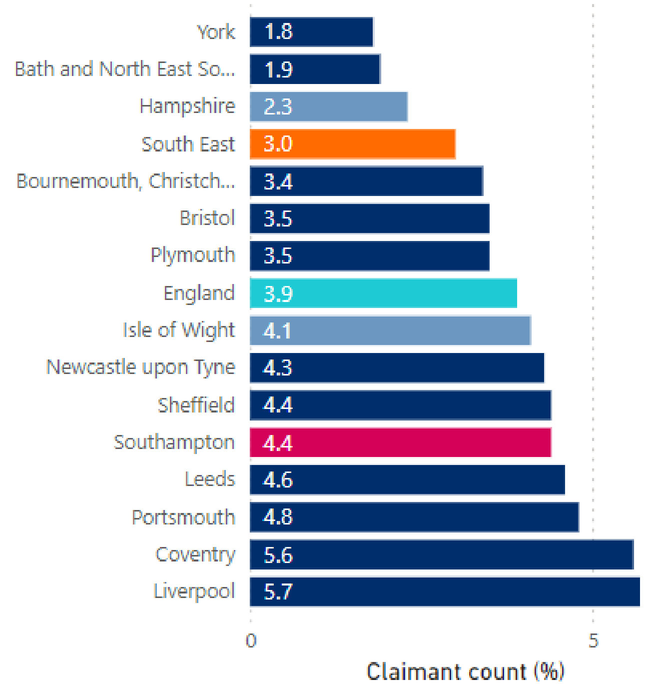


- **6,000** people were **unemployed** in Southampton; **4.3%** of the working age population (2022/23)
- With the increase in employment, the unemployment rate has **declined** in Southampton over the last year from **4.8%** (2021/22) to **4.3%** (2022/23) (**-500** fewer unemployed)
- It is important to emphasise that **recent changes are not statistically significant**

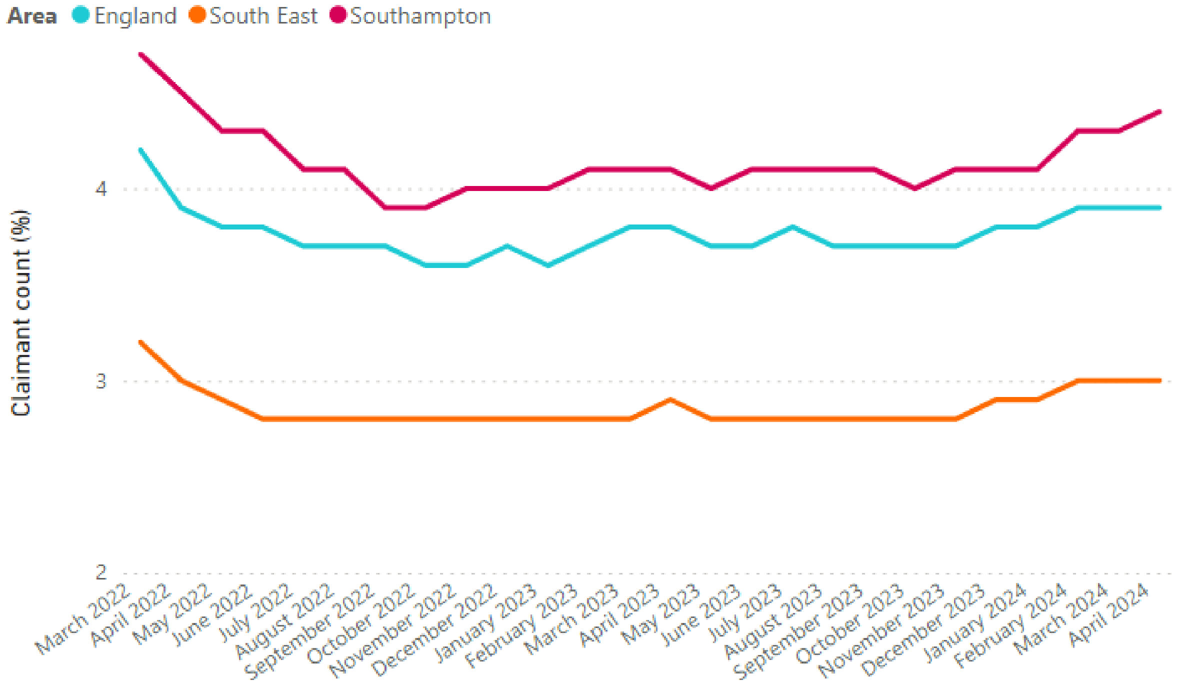
Source: Office for National Statistics – Annual Population Survey

Claimant Count

Claimants as a proportion of residents aged 16-64 (Total) - Southampton and ONS comparators: April-2024



Claimants as a proportion of residents aged 16-64 (Total) - Southampton, England, South East: March-2022 to April-2024



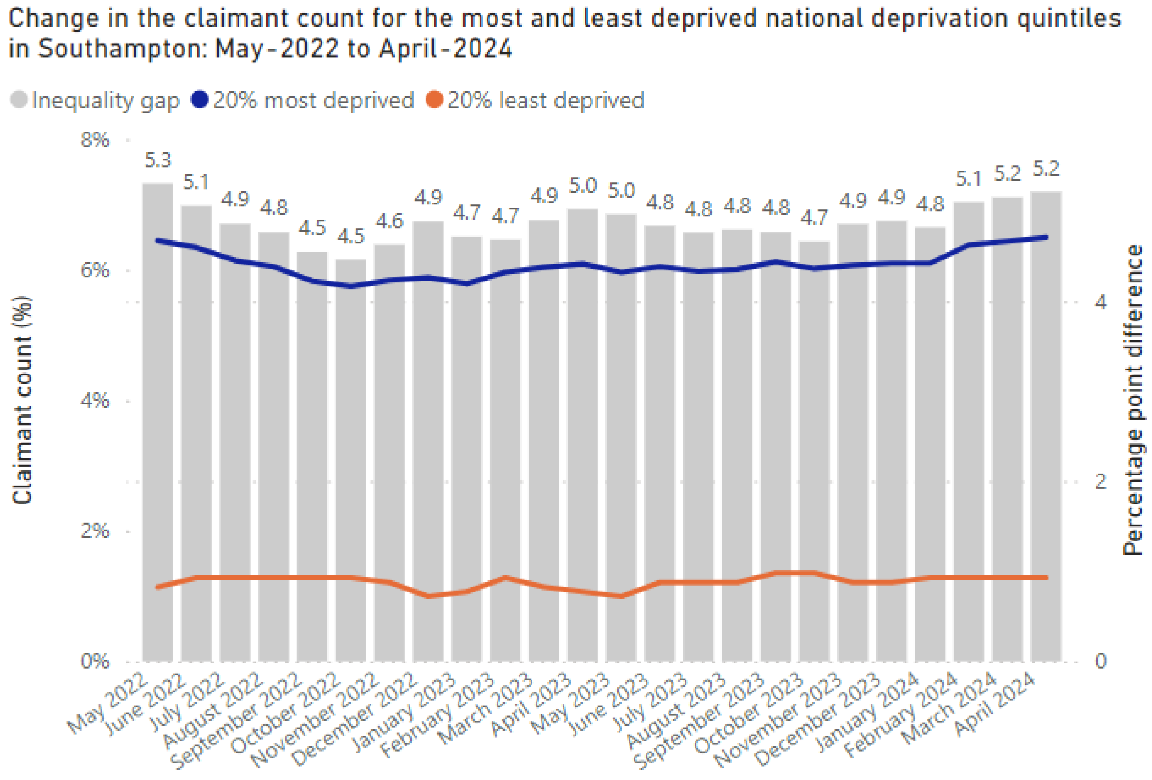
- Overall, the number of adults claiming out of work benefits has **significantly decreased** locally and nationally over the years since the end of COVID-19 restrictions. However, there has been a slight **increase** over the last few months
- **4.4%** (7,395) of the working aged population in Southampton were claiming out of work benefits in **April 2024**; an increase of +470 (+6.8%) since April 2023 (4.1%)
- Southampton is **yet to return to the pre-pandemic baseline** (< 3.5% in Jan to Mar'20)
- Claimant count appears to have **slowly increased in recent months**, possibly a result of recent **financial pressures** and **economic uncertainty**, therefore it will be important to monitor this trend

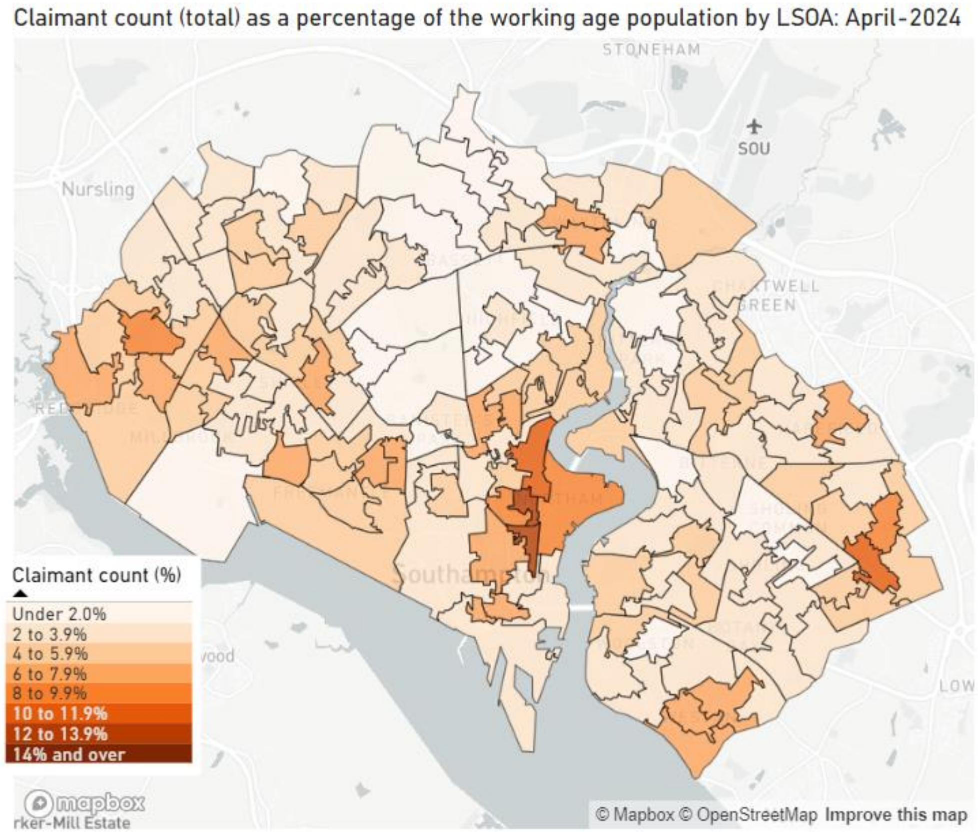
Change April 2023 to April 2024

+2.9%	**+4.4%**	**+6.8%**
England	**South East**	**Southampton**

Source: Department for Work and Pensions

- The **map below** shows the latest **claimant count (%)** by Southampton neighbourhoods – **April 2024**
- Higher claimant counts are seen across neighbourhoods in **Thornhill, Woolston**, **Bevois** and **Redbridge** wards, which is where some of the **most deprived neighbourhoods** in the city are located
- The chart below shows the **inequality gap** in the claimant count between the **most** and **least deprived neighbourhoods** over time, which has **decreased** from **a peak percentage point gap** of **8.1** in **April 2021** to **5.2** in **April 2024**, whilst the inequality gap **briefly returned to pre-pandemic levels** (average 4.6 percentage point gap throughout 2019), it appears to be **widening again**

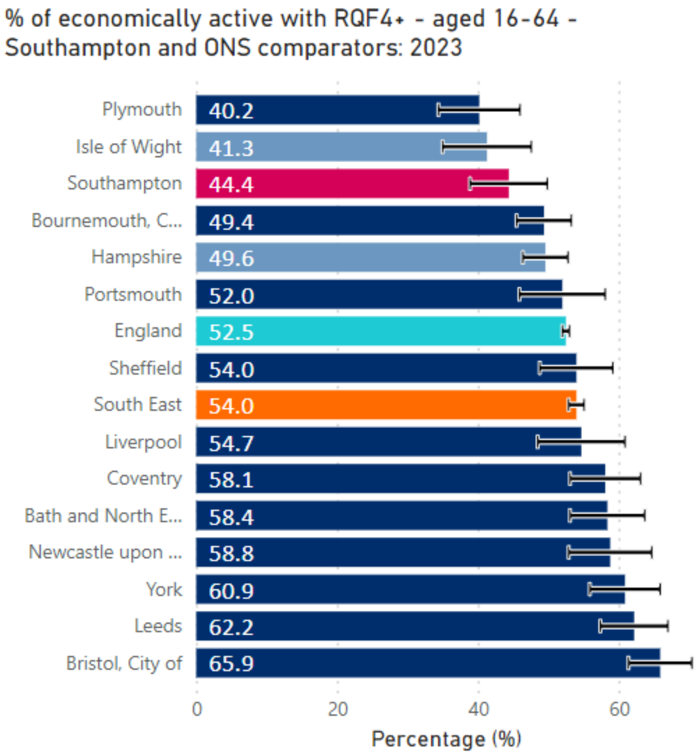


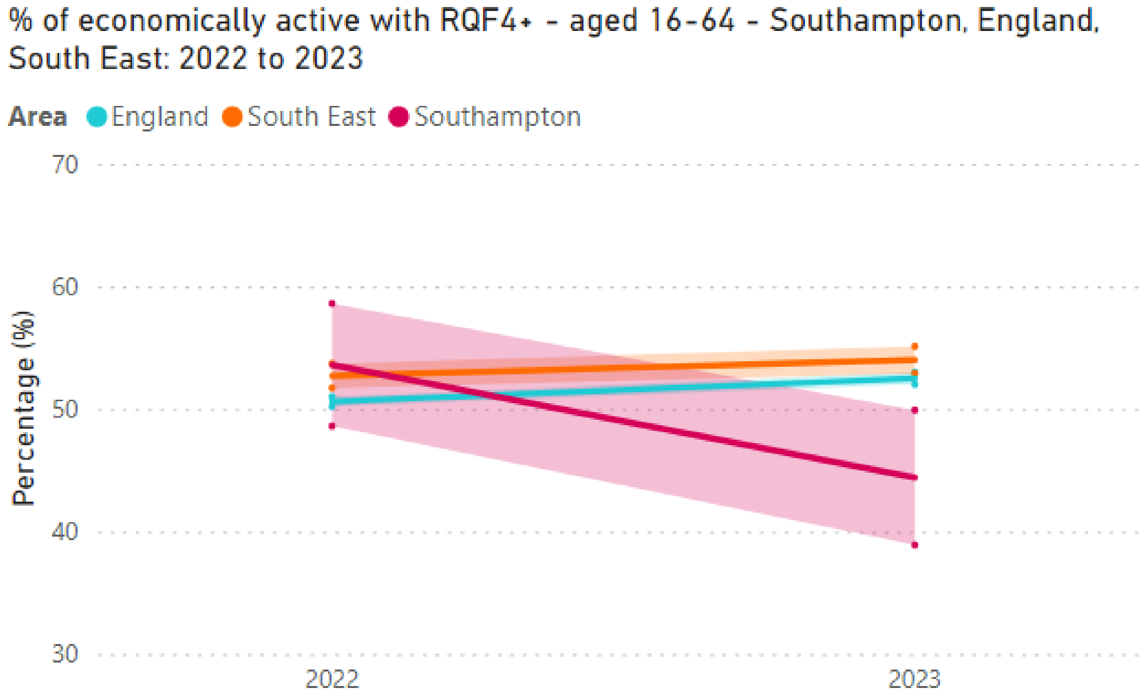


Source: Department for Work and Pensions

Skills and Qualifications

Skills and Qualifications – Degrees

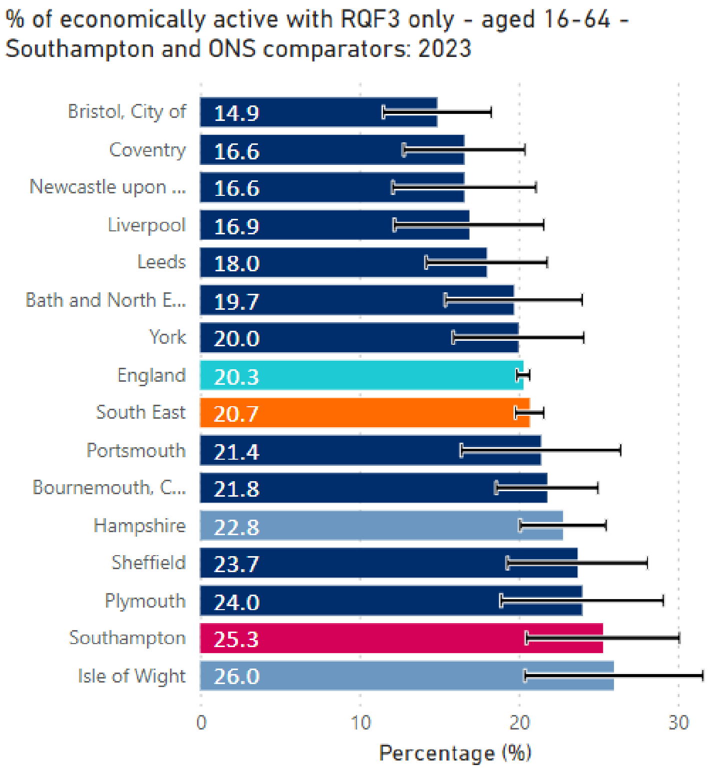


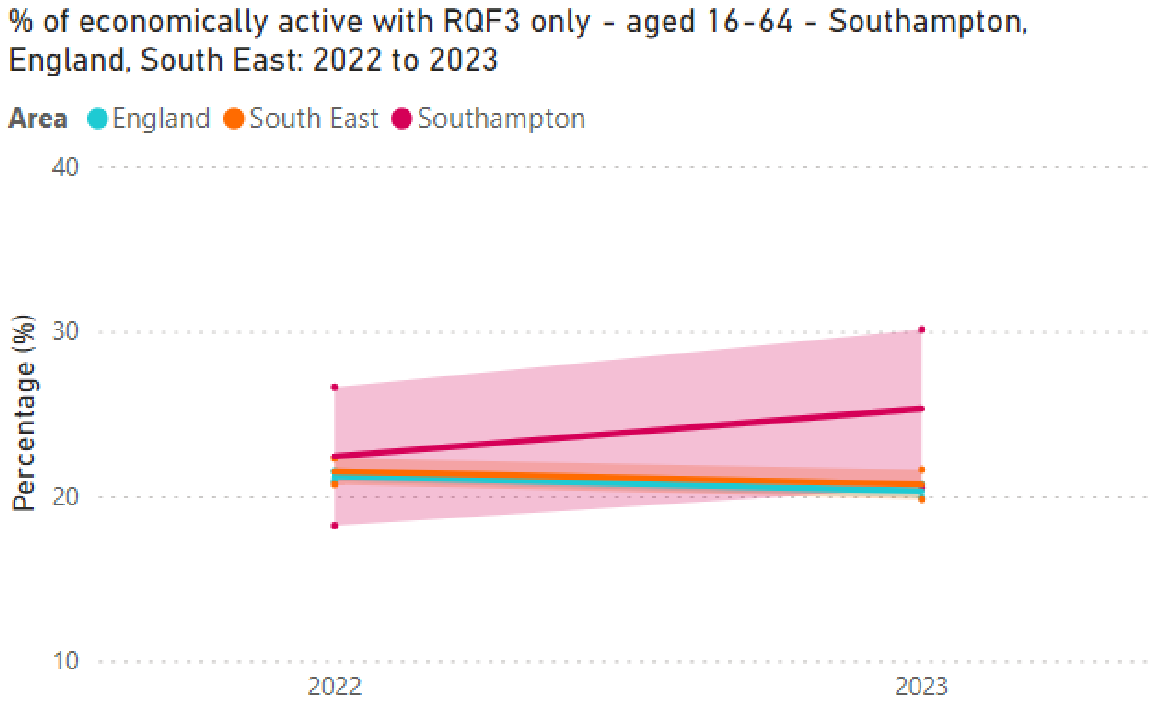


- The Annual Population Survey (APS) records the qualifications of working age residents classified into the Regulated Qualifications Framework (RQF); this replaced the previous National Vocational Qualification (NVQ) and equivalent levels classification
- RQF Level 4 + (degree level) qualifications often taken as a prerequisite for participation in the high value-added knowledge economy
- **44.4%** (**59,900**) of the economically active resident population in Southampton were qualified to **RQF4+** (degree level) in 2023; **significantly lower** than both the **England** (**52.5%**) and **South East** averages (**54.0%**)
- RQF4+ qualifications in **Southampton** experienced a **non-significant decline** from **53.6%** in 2022 to **44.4%** in 2023 (**-12,400**), degree level qualifications are often used as a proxy to understand graduate retention. However, there is currently only two data points on this measure therefore, it will be important to measure this trend moving forward

Source: Office for National Statistics – Annual Population Survey

Skills and Qualifications – A-Levels or equivalent





- **25.3%** (**34,200**) of the economically active resident population in Southampton were qualified to **RQF3** in 2023; **higher but not significantly** than the England (**20.3%**) and South East (**20.7%**) averages; and highest among comparators;
- This is likely because of the large student population, who require RQF3 qualifications (A-Levels or equivalent) as a gateway into university
- RQF3 qualifications in **Southampton** have **increased over the last year** from **22.4%** in 2022 to **25.3%** in 2023 (**+4,000**);

Source: Office for National Statistics – Annual Population Survey

Higher Education

University	Category	2011/12	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22	
		No.	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change	No.	% change
University of Southampton	Postgraduate	7,325	7,060	-3.6%	7,840	11.0%	7,645	-2.5%	7,390	-3.3%	7,650	3.5%	7,620	-0.4%	6,925	-9.1%	7,960	14.9%	7,070	-11.2%	8,685	22.8%
	Undergraduate	16,805	16,055	-4.5%	16,195	0.9%	16,150	-0.3%	17,485	8.3%	17,530	0.3%	17,000	-3.0%	15,790	-7.1%	14,705	-6.9%	14,325	-2.6%	15,110	5.5%
	Total	24,135	23,115	-4.2%	24,040	4.0%	23,795	-1.0%	24,875	4.5%	25,180	1.2%	24,625	-2.2%	22,715	-7.8%	22,665	-0.2%	21,395	-5.6%	23,795	11.2%
Southampton Solent University	Postgraduate	665	575	-13.5%	440	-23.5%	355	-19.3%	405	14.1%	515	27.2%	560	8.7%	650	16.1%	745	14.6%	1,265	69.8%	1,070	-15.4%
	Undergraduate	11,865	11,515	-2.9%	11,285	-2.0%	10,950	-3.0%	10,885	-0.6%	10,545	-3.1%	10,015	-5.0%	9,260	-7.5%	9,765	5.5%	10,075	3.2%	9,000	-10.7%
	Total	12,530	12,090	-3.5%	11,725	-3.0%	11,305	-3.6%	11,285	-0.2%	11,060	-2.0%	10,575	-4.4%	9,910	-6.3%	10,510	6.1%	11,340	7.9%	10,700	-5.6%
Southampton Total	Postgraduate	7,990	7,635	-4.4%	8,280	8.4%	8,000	-3.4%	7,795	-2.6%	8,165	4.7%	8,180	0.2%	7,575	-7.4%	8,705	14.9%	8,335	-4.3%	9,755	17.0%
	Undergraduate	28,670	27,570	-3.8%	27,480	-0.3%	27,100	-1.4%	28,370	4.7%	28,075	-1.0%	27,015	-3.8%	25,050	-7.3%	24,470	-2.3%	24,400	-0.3%	24,110	-1.2%
	Total	36,665	35,205	-4.0%	35,765	1.6%	35,100	-1.9%	36,160	3.0%	36,240	0.2%	35,195	-2.9%	32,625	-7.3%	33,175	1.7%	32,735	-1.3%	34,495	5.4%

- In 2021/22 there were **34,495** higher education students in Southampton, with **69%** (**23,795**) of them studying at the University of Southampton
- There was a **+5.4%** (**+1,760**) increase in the number of higher education students in the city over the last year, although the number of students in 2021/22 remains **-5.9% lower than the peak** in 2011/12 (36,665)
- Southampton has seen an increase in the number of **postgraduate** students (**+17.0%**, **1,420**) over the last year, whilst the number of **undergraduate** students declined overall (**-1.2%, -290**);
- This varies by university, with the total number of students at the **University of Southampton** increasing by **+11.2%** (**+2,400**), whereas the total number of students at **Southampton Solent University** has decreased by **-5.6%** (**-640**) over the last year
- The two universities in Southampton are valuable assets in terms of employment, improving workforce skills and supporting knowledge based industries in the city
- It is important the city makes the most of these institutions and aims to improve graduate retention

Source: Higher Education Statistics Agency – numbers and totals rounded to nearest 5

Residents who attended Southampton Universities

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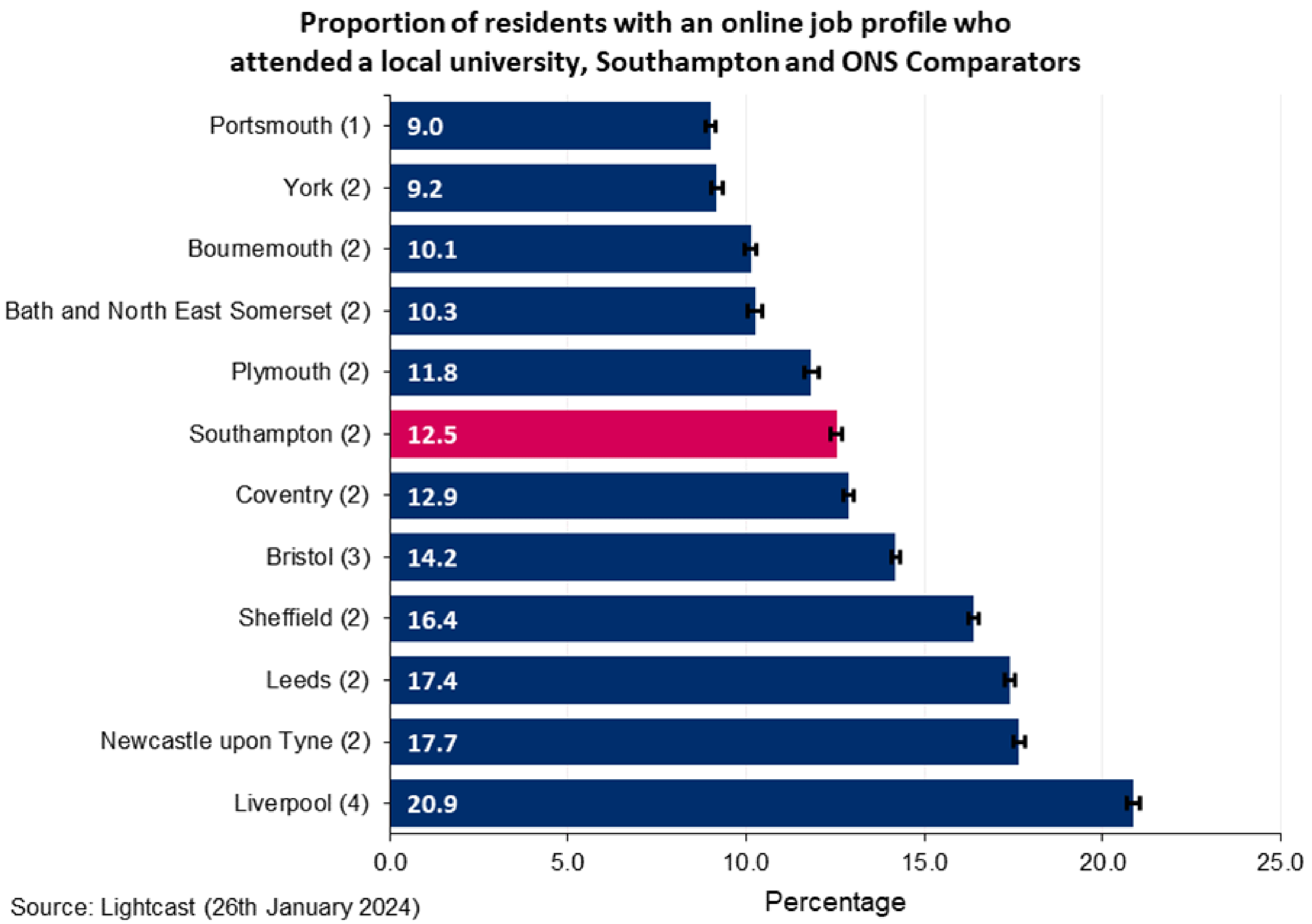
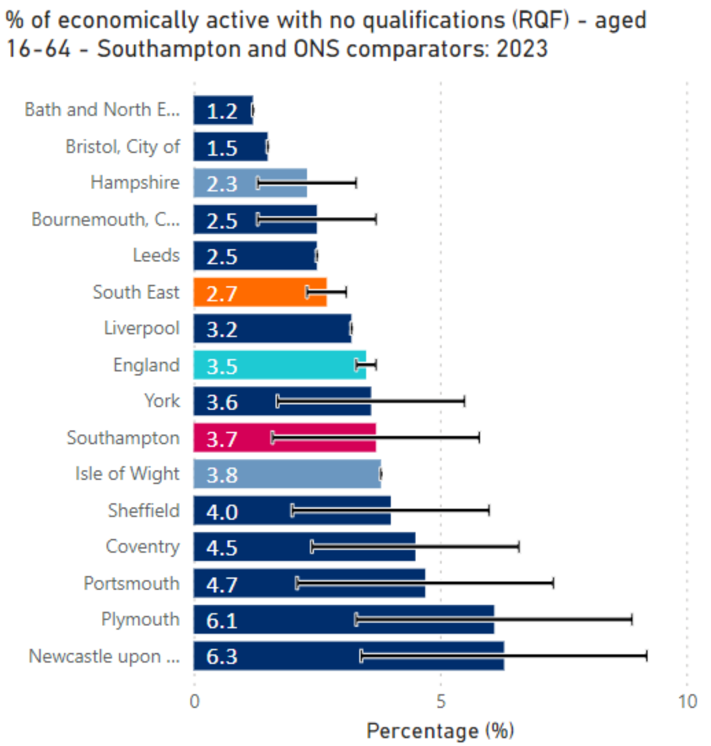
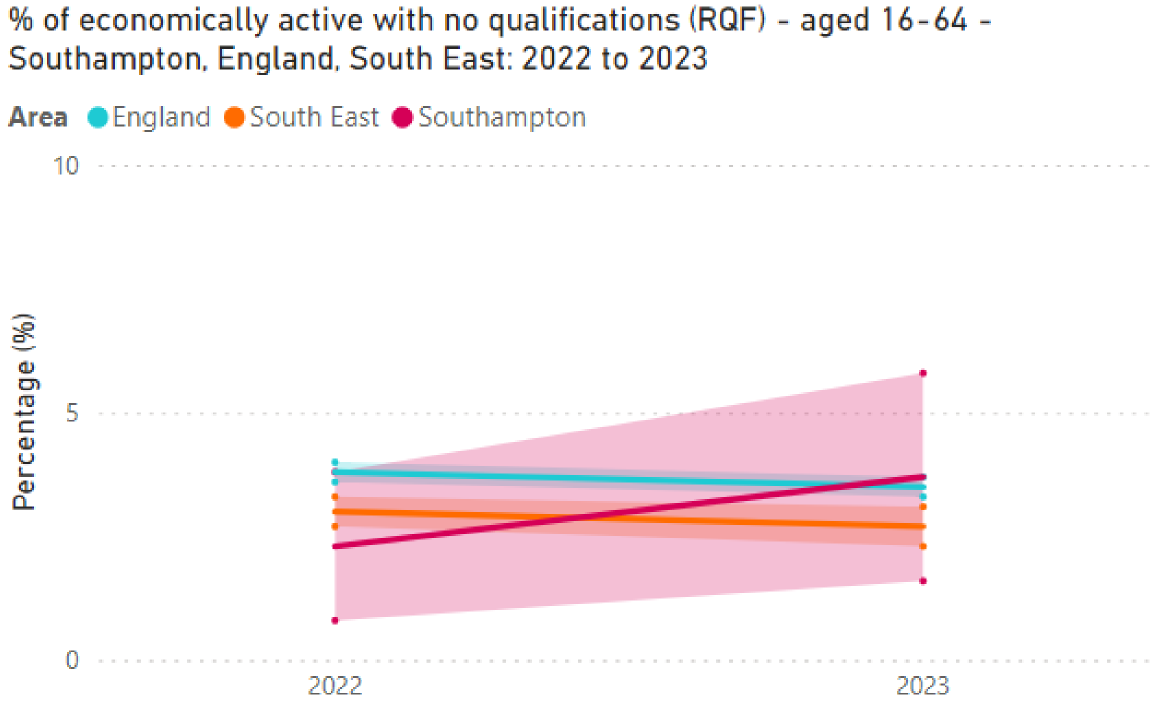


- **12.5%** of residents in Southampton with online job profiles attended either the University of Southampton (**6.7%**) or Southampton Solent University (**5.8%**)
- The chart on the left shows how Southampton ranks against ONS comparators;
- Number in brackets shows the number of universities considered within each local authority
- **Southampton is mid-rank**, higher than other southern comparators and York, but lower than northern comparators and Bristol
- 19,760 profiles were considered within Southampton, from a database built over the last couple of years

Source: Lightcast (26th January 2024) – Profile Analytics

Skills and Qualifications – No qualifications

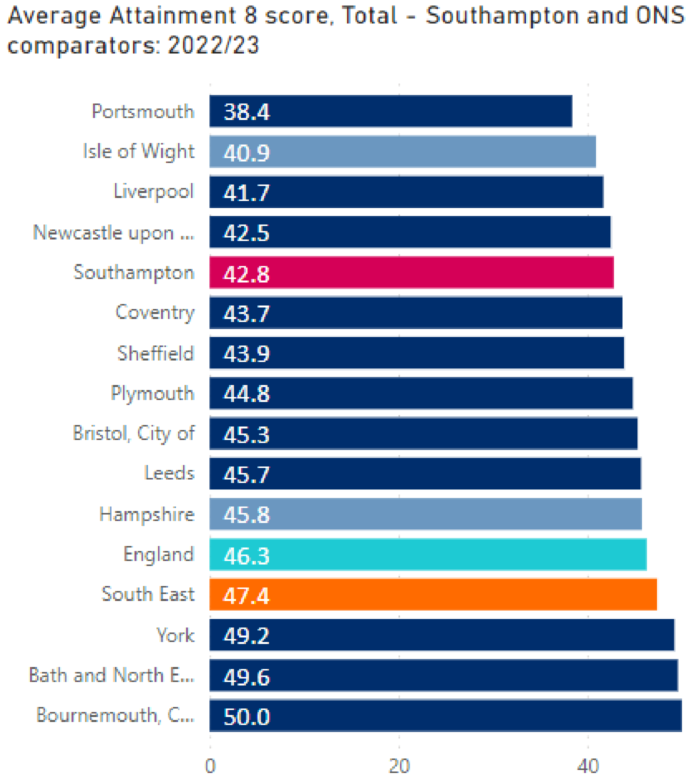


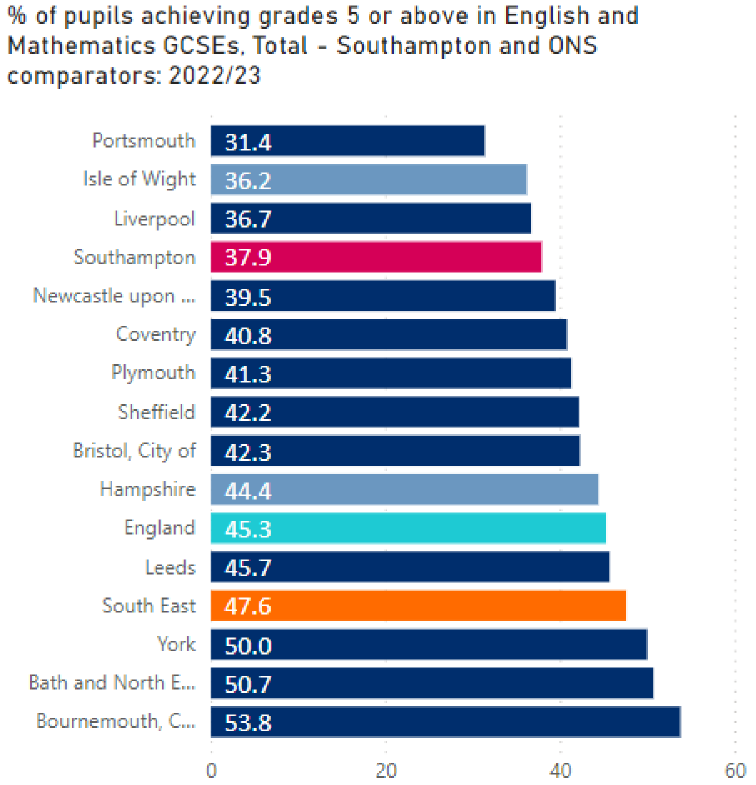


- At the other end of the spectrum **7.7%** (**10,400**) of Southampton's economically active resident population have **no qualifications** or **RQF1** only (GCSE grades 3 to 1; previously D to G or equivalent)
- The proportion of economically active residents in Southampton that have no qualifications or NVQ1 only has **increased over the last** year from **5.0%** in 2022 to **7.7%** in 2023;
  - The proportion with no qualifications increased from **2.3%** in 2022 to **3.7%** in 2023
  - RQF1 only also increased from **2.7%** in 2022 to **4.0%** in 2023
- Whilst it is not advised to compare RQF to the historic NVQ classification, the proportion of economically active residents with low or no qualifications in Southampton had declined between 2011 and 2021, which suggests that the level of qualifications among residents was improving, however trends under the RQF classification will continue to be monitored

Source: Office for National Statistics – Annual Population Survey

Skills and Qualifications – School Attainment





- Southampton had the **fifth lowest** pupil attainment 8 score among comparators in 2022/23, with an average score of **42.8**
- Only **37.9%** of pupils in Southampton achieved a **grade 5 or above** in **English** and **Maths**; this is the **fourth lowest** among comparators and below the national average of **45.3%**
- Raising school attainment is important to improve life chances of young people in the city, particularly with regards to finding skilled employment on leaving school, especially for children from the most deprived areas of the city, where school attainment is poor and unemployment and benefit claimant rates high
- The 2022 summer exam period was the first without major interference from the COVID-19 pandemic in three years, this should be considered when analysing trends in school attainment over the last three years

Source: Department for Education (pupils in state funded schools)

Earnings and Economic Flows

Earnings – Benchmarking

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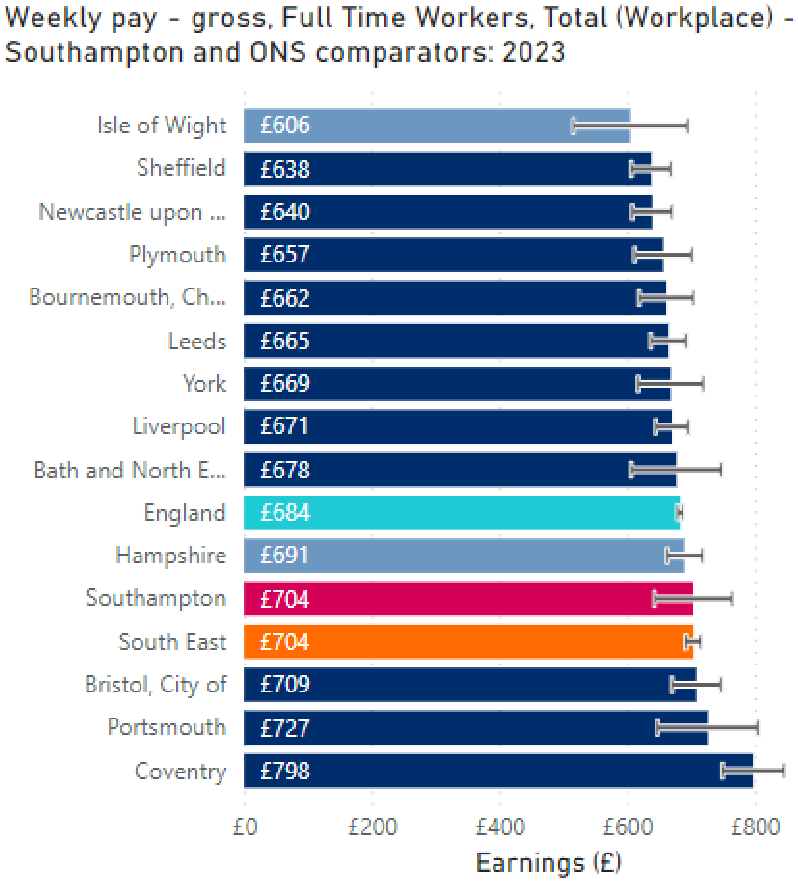
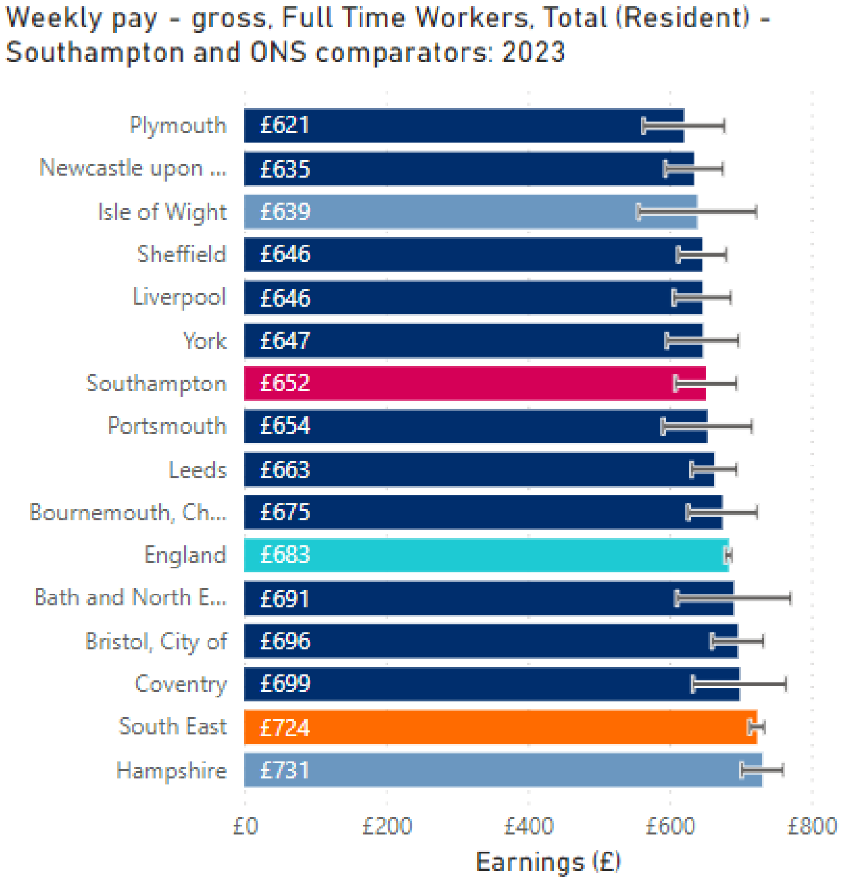




- Weekly pay for full time workers who **work** in Southampton was **£704** in 2023; **fifth highest** among comparators
- However, pay for those **resident** in Southampton is **£652;** lower than the England and South East averages
- For part time workers, Southampton also has the highest weekly earnings among comparators for those who **work** (**£280**) in the city, compared to those who are **resident** (**£240**)

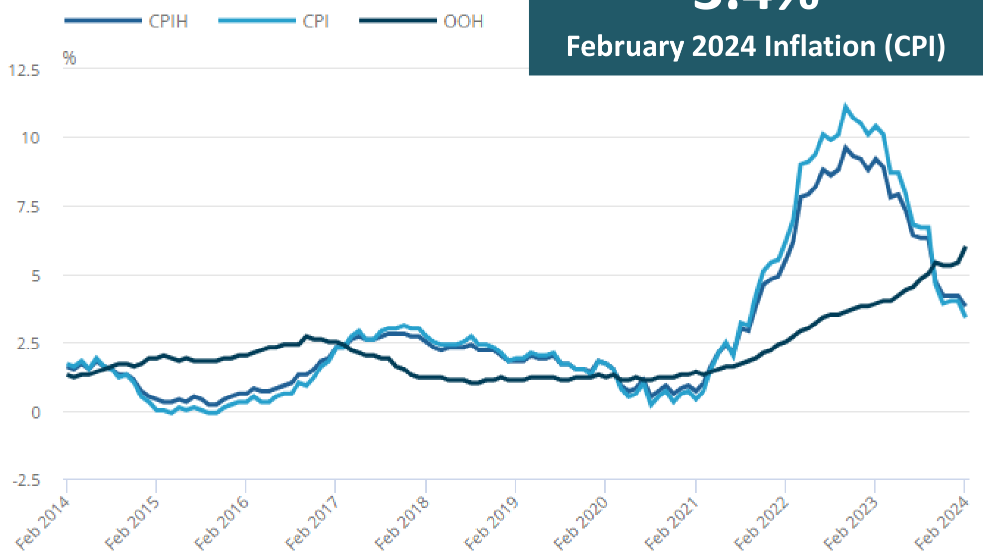
Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Inflation

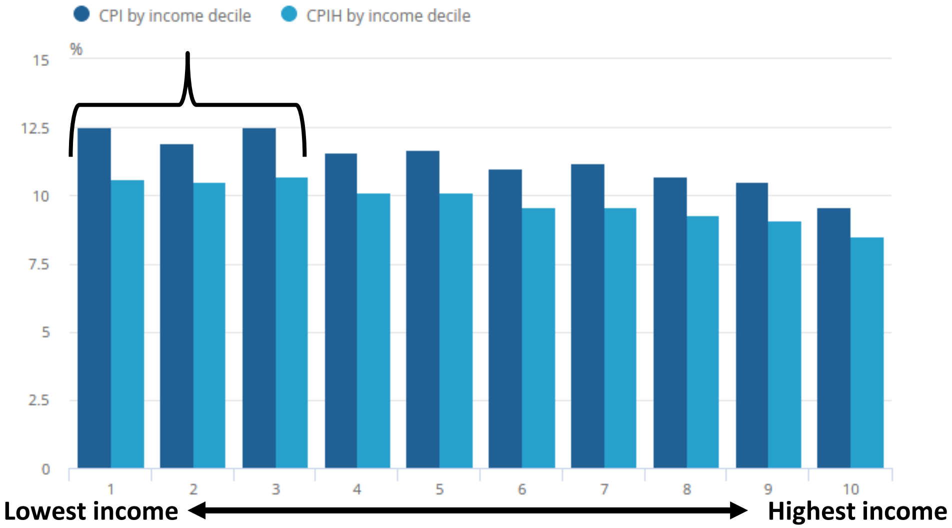
- The '**cost of living crisis**' refers to a decline in 'real' income (adjusted for inflation) experienced in the UK since late 2021
- The consumer price index (CPI) inflation rate increased exponentially from 2.0% in July 2021 to a **peak of 11.1% in October 2022**, the highest annual CPI inflation rate in the National Statistic Series (began 1997)
- Whilst this figure has declined in recent months, falling to **3.4% as of February 2024**, inflation remains above the **long-term target of 2%**;
- The Office for Budget Responsibility forecast that quarterly inflation will **return to this target in the second quarter of 2024** (OBR – Economic and fiscal outlook March 2024)
- Although this will affect all, it is expected that **more deprived households** are experiencing **poorer outcomes**
- This is because lower income households have to spend a **greater proportion of their income on necessities**;
- The chart on the right shows that CPI inflation is higher in poorer income deciles, with the highest 12-month inflation rate (CPI and CPIH) was recorded among the bottom three income deciles in October 2022

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, February 2014 to February 2024

3.4%
February 2024 Inflation (CPI)

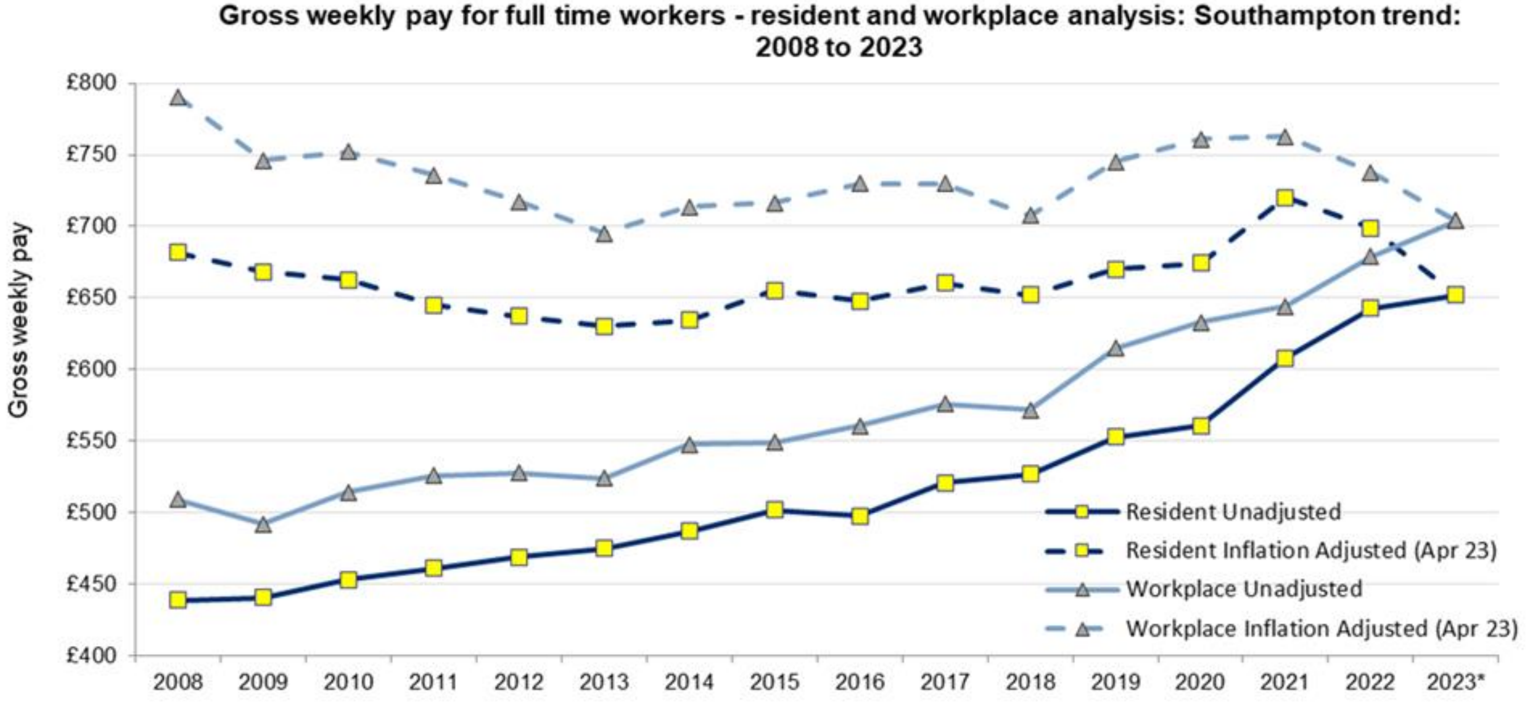


Inflation rates for equivalised disposable income deciles, Consumer Prices Index (CPI) and Consumer Prices Index including owner occupiers' housing costs (CPIH), UK, October 2022



Sources: ONS – Consumer price inflation and ONS – Inflation and the Cost of Living for household groups

Earnings – Trends



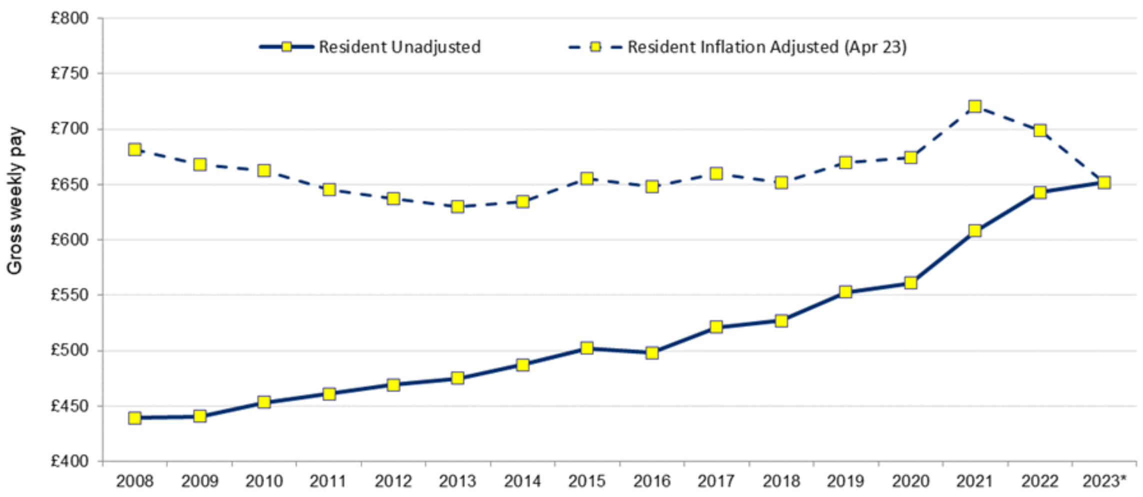
Source: ONS - Annual Survey of Hours and Earnings & Consumer Price Inflation. *Data for the latest year is provisional.

- Both resident and workplace earnings for full time workers in Southampton experienced an overall increase post recession (unadjusted)
- After adjusting for inflation, pay declined in 'real' terms between 2008 and 2013. Yet since 2013, weekly pay has generally increased in 'real' terms for both residents and workers in Southampton
- **Adjusted for inflation**, both resident (-£47, -6.7%) and workplace (-£34, -4.6%) **earnings declined between 2022 and 2023**
- This is a result of wages being unable to keep up with **unprecedented inflation** since late 2021

Source: Office for National Statistics – Consumer Price Inflation & Annual Survey of Hours and Earnings – data for the most recent year (2022) is provisional

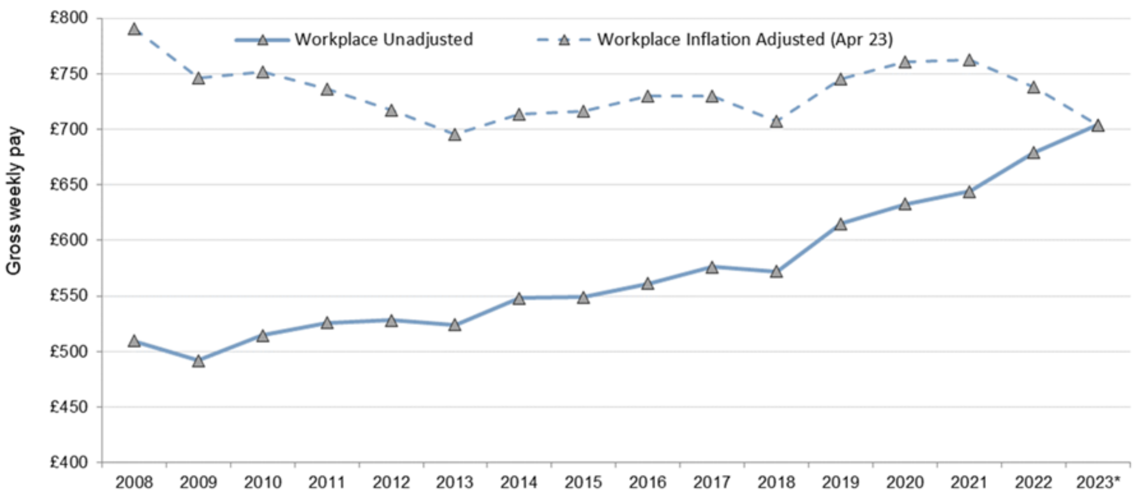
Earnings – Inflation

Gross weekly pay for full time workers - residents: Southampton trend: 2008 to 2023



Source: ONS - Annual Survey of Hours and Earnings & Consumer Price Inflation. *Data for the latest year is provisional.

Gross weekly pay for full time workers - workplace: Southampton trend: 2008 to 2023



Source: ONS - Annual Survey of Hours and Earnings & Consumer Price Inflation. *Data for the latest year is provisional.

▲ **108.5 to 130.4** *2021 to 2023*

Consumer Price Index (all items April)

▼ **£68** *Resident*

▼ **£59** *Worker*

Adjusted earnings 2021 to 2023

- After adjusting for inflation, pay declined in ‘real’ terms between 2008 and 2013. From 2013 to 2021, weekly pay had generally increased in ‘real’ terms for both residents and workers in Southampton
- However, any growth since has been stunted by unprecedented high inflation since late 2021;
- The PwC estimate **real earnings** to be lower than they were in 2006, which is equivalent to **almost two decades of no net growth** in earnings
- After adjusting for inflation, as of April 2023 (130.4 CPI all items), both resident (**-£68, -9.5%**) and workplace (**-£59, -7.7%**) declined between 2021 and 2023 in Southampton
- Given continued high inflation, unadjusted weekly earnings would **need to increase** by at least a **further £9 for residents** and **£10 for workers** to negate the inflation as of December 2023 (132.2 CPI all items)

Source: Office for National Statistics – Consumer Price Inflation & Annual Survey of Hours and Earnings

Inequalities – Workplace vs Resident

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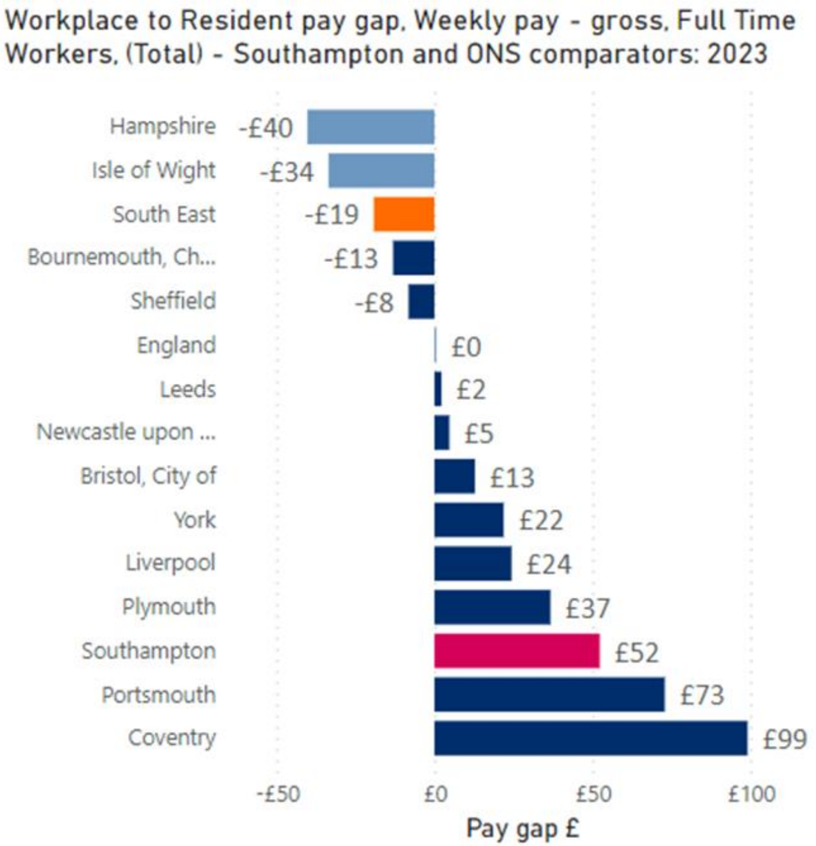
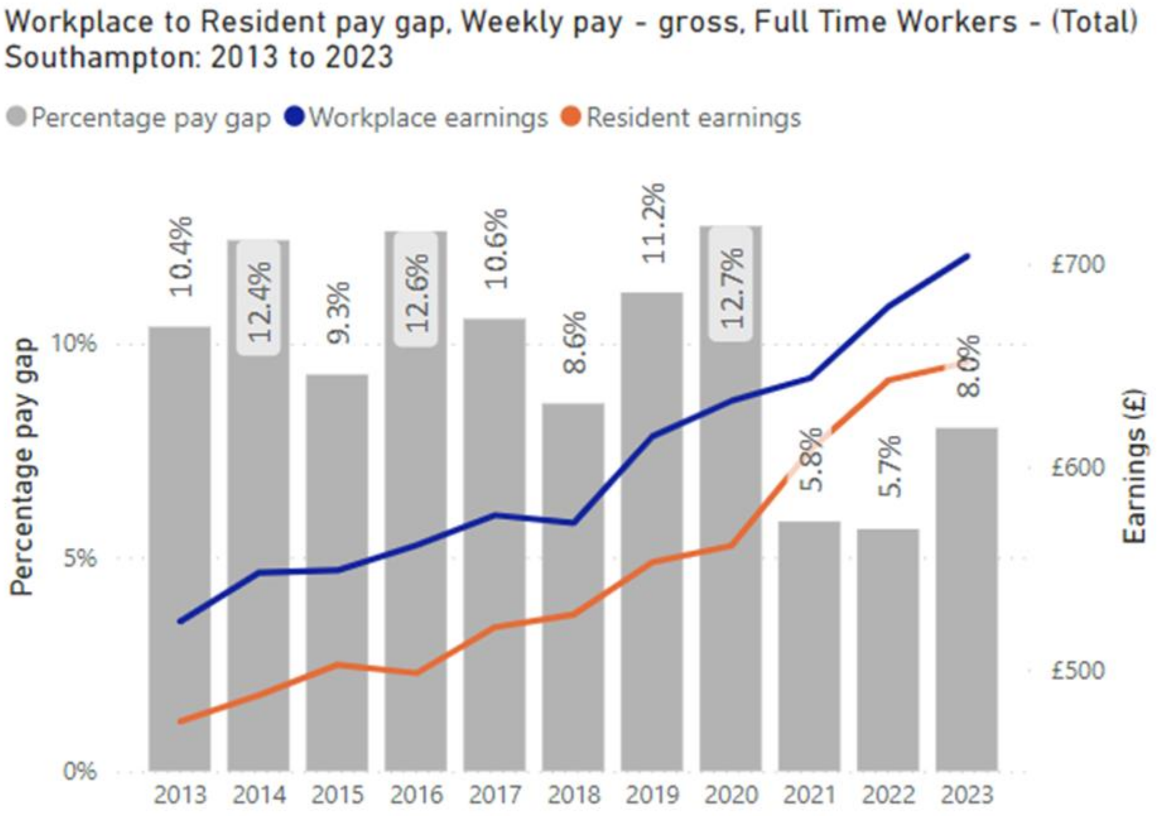
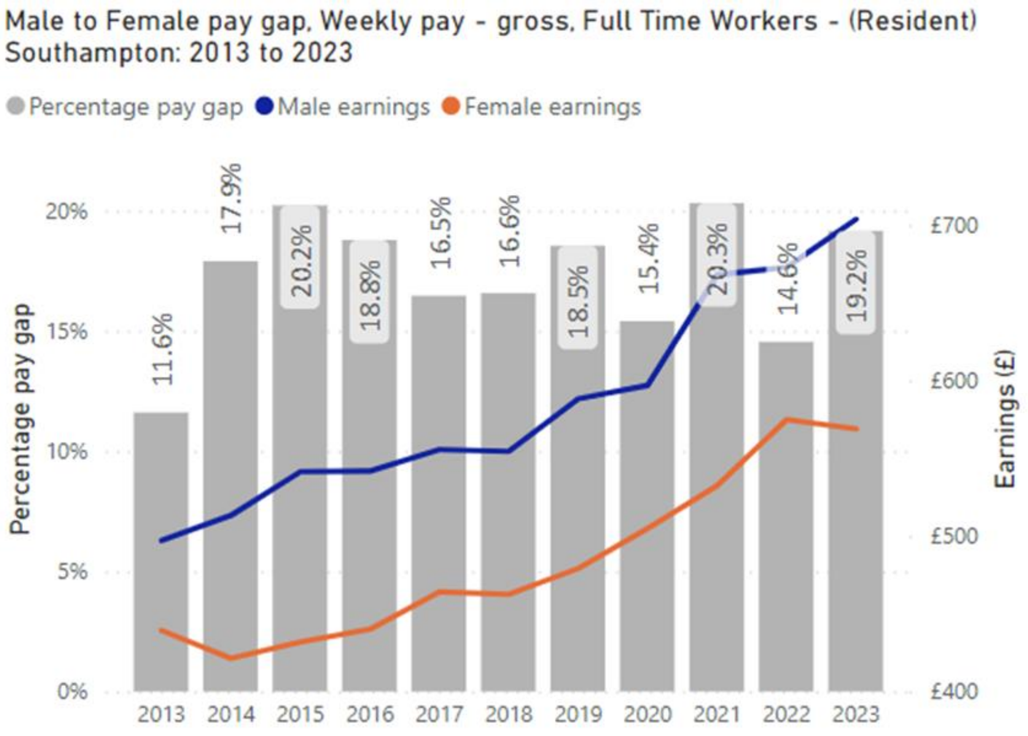


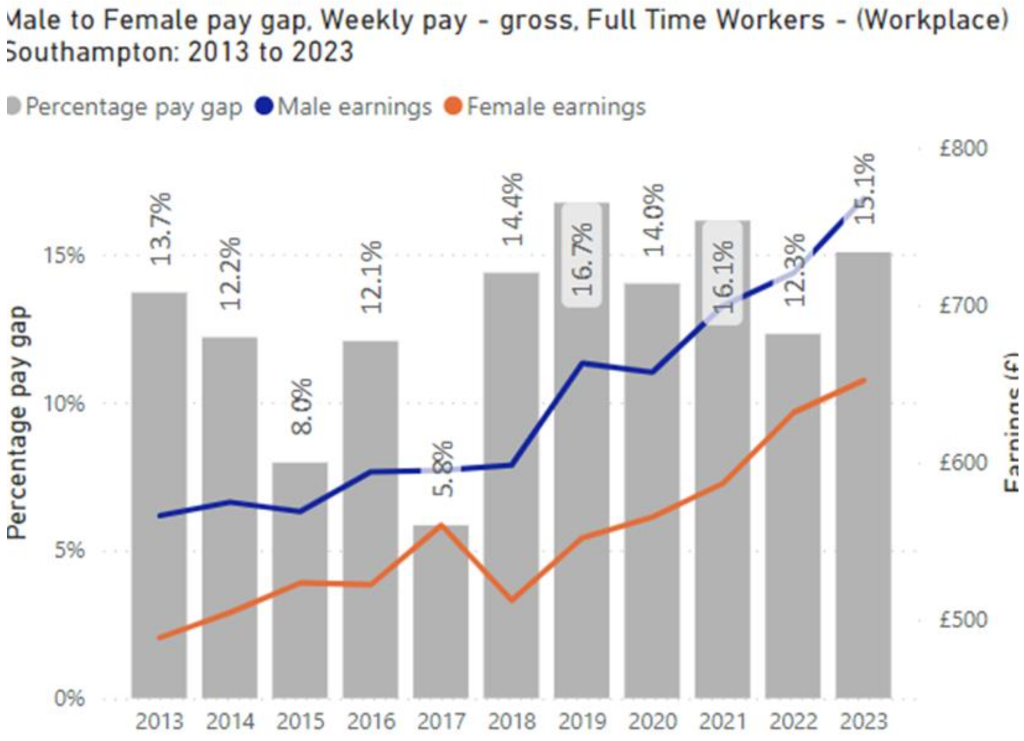


- **Workplace earnings** are **£52 (7.3%)** more per week than **resident earnings** for full time workers in Southampton in 2023
- Whilst the **inequality gap** between workplace and resident earnings appears to have **narrowed** in recent years, the gap is still the **third largest among comparators**
- High workplace earnings suggests that good skilled employment opportunities exist in the city. However, lower resident earnings suggests that commuters into the city have those high skilled jobs, which residents are not benefitting from

Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Inequalities – Male vs Female



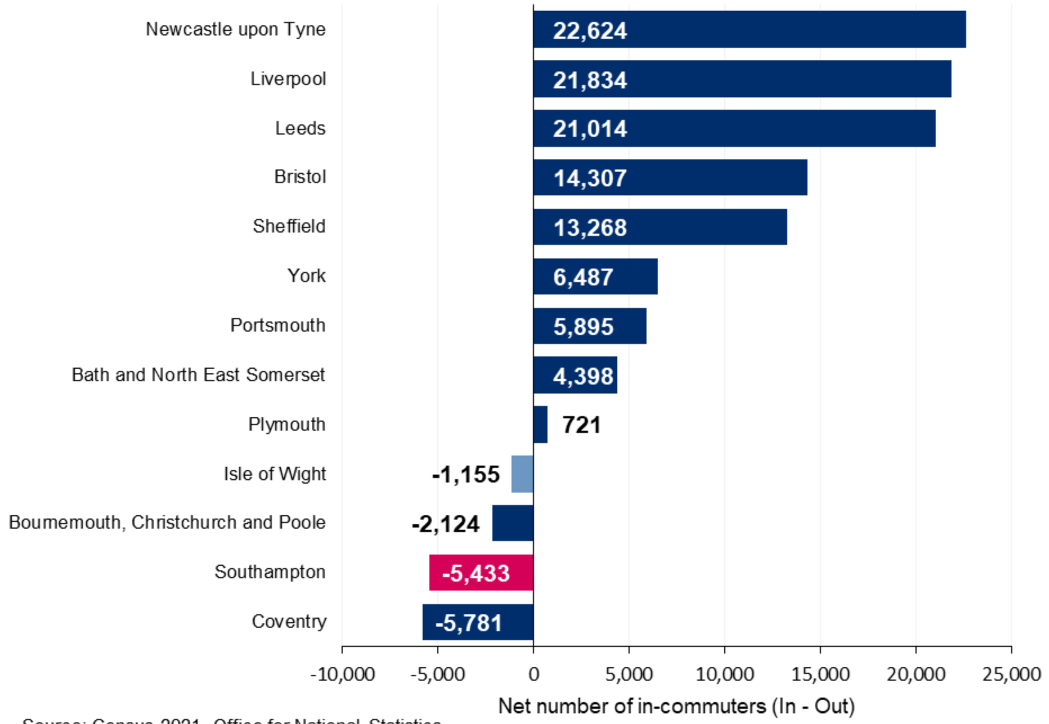


- There is also a pay **gap between male and female pay** in Southampton, with this gap also experienced nationally
- In 2023, the full time **resident** weekly gender pay gap was **19.2%** (**£135**) in Southampton, this compares to a gap of £105 (14.4%) nationally
- The full time **workplace** gender weekly pay gap in Southampton was similar at **15.1%** (**£116**) in 2023
- There is no evidence that gap is narrowing – for either workplace and resident

Source: Office for National Statistics – Annual Survey of Hours and Earnings – data for the most recent year is provisional

Earnings Inequalities – Economic Flows

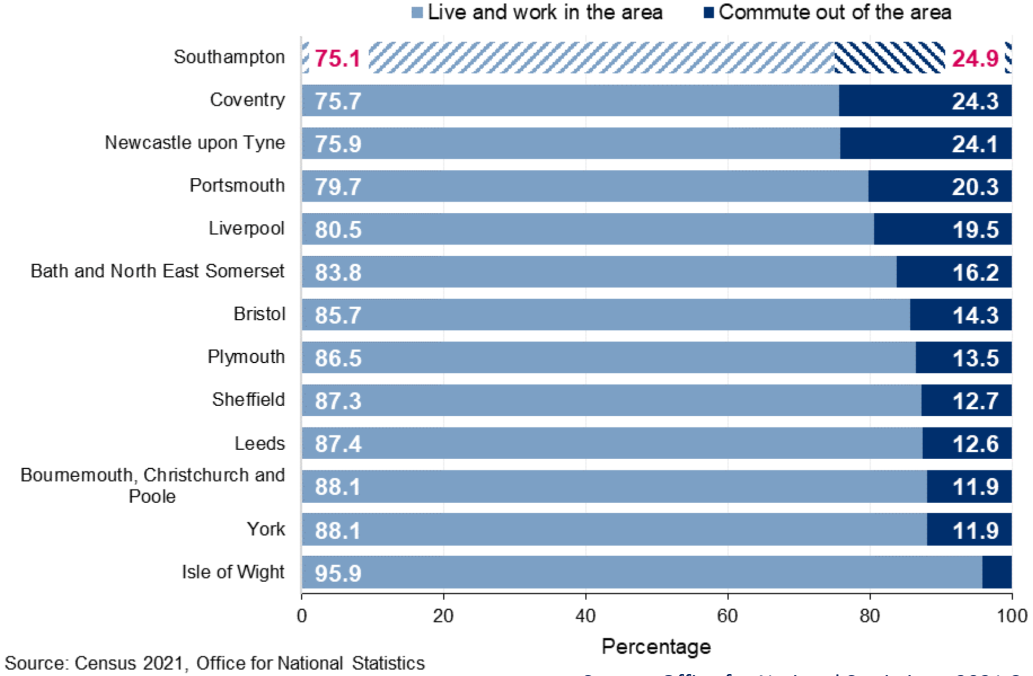
Net number of in-commuters, Southampton and ONS Comparators: Census 2021



Source: Census 2021, Office for National Statistics

- Based on 2021 Census data, over **24,000 people commute into** Southampton for work, whilst almost **29,500 commute out** of the city;
- With significant numbers commuting in both directions between Eastleigh, the New Forest, Test Valley and Winchester
- Southampton has a **substantial negative net in-commute of workers** (**-5,433**), second lowest among ONS comparators
- Additionally, Southampton has the **lowest proportion of people who both live and work within their local area** (75.1%), lowest among comparator cities

Percentage of working residents by location of workplace, Southampton and ONS Comparators: Census 2021



Source: Census 2021, Office for National Statistics

- Given the difference between resident and workplace earnings, it is possible that some lower skilled **residents are being displaced into lower paid employment outside of the city** by skilled workers commuting into the city
- As 2021 Census data was collected during the COVID-19 pandemic, it is likely that lockdowns and furlough impact travel to work data. Therefore, it is not advised to compare to previously published data
- Additionally, **hybrid and homeworking** have remained more common post-pandemic (ONS – Is hybrid working here to stay?)

Source: Office for National Statistics – 2021 Census

Summary of Findings

Summary of findings

- The most recent data (2022) estimates the Southampton economy to be worth £10 billion; an increase of +£1.2 billion (+13.2%) compared to 2019 – highlighting the economic recovery and subsequent growth since the COVID-19 pandemic
- In the latest release the ONS identified a change to the UK National Accounts that resulted in a long-term revision to the manufacturing of food, beverages and tobacco industry. This changes happened to be concentrated in Southampton, evident in the revisions to long-term trends in local GVA estimates, especially with the manufacturing industry which now appears as the most prominent industry in the city
- Many industries have experienced growth in Southampton in the last year, with 14 of the 18 analysed seeing an increase in GVA between 2020 and 2022. Although, 5 industries remain below the 2019 level, most notably transportation and storage (-£356 million since 2019)
- Manufacturing experienced the largest increase during the pandemic (+£628 million between 2019 and 2020) and has maintained this elevated level since (+£14 million in the last two years); driven by the manufacture of food, beverages and tobacco
- Southampton experienced a -3.5% decline in the number of businesses in the last year. Almost all the decline in the number of enterprises in the last year was driven by declines of micro enterprises. With the transport and storage, professional, scientific and technical and information and communication sectors experiencing the largest declines by industry. However, this may be affected by multiple business registrations to a single postcode in Southampton in 2019 and 2020
- Retail enterprises continue to be the most common in Southampton (16% of enterprises, compared to 8% nationally)
- There has been a -0.9% decline in the number of employee jobs between 2021 and 2022 in Southampton. However, this varies depending on work status and sector. The number of private sector employees remained similar (-198, -0.2%), with a decline in the number of full-time employees (-795, -1.4%) negated by an increase in part-time employees (+2.1%, +597). Whereas the number of public sector employees declined by -2.9% (-811); driven by losses of part-time employees (-1,045, -10.5%)

Summary of findings

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- Southampton remains a major centre for employment in the region, but it is important to attract higher value businesses and more skilled jobs, which our residents can benefit from, as a gap between resident and workplace earnings remains (£52 per week for full time workers)
- Locally and nationally the number of adults claiming out of work benefits has significantly decreased over the last three years; given the end of COVID-19 restrictions. However, the claimant count is yet to meet the pre-pandemic baseline (less than 3.5% of the working age population) and appears to be slowly increasing more recently; possibly linked to recent economic uncertainty in the UK
- Unemployment is not evenly distributed across the city. There was a 5.2 percentage point inequality gap in the proportion of adults claiming out of work benefits between the most and least deprived neighbourhoods in February 2024; which appears to be widening again
- The proportion of residents qualified to RQF4+ declined from 53.6% in 2022 to 44.4% in 2023, now significantly lower than the national average (52.5%). Whilst the proportion of residents with RQF3 only has increased (22.4% in 2022 to 25.3% in 2023). Whilst degree level qualifications can be used as a proxy for graduate retention, there are currently only two data points in the RQF series. Therefore, it will be important to monitor this trend going forwards.
- The proportion of residents with only low end skills (no qualifications or RQF1 only) increased in the last year, however the long-term historic trend in NVQ would suggest that the level of qualifications among residents was improving; again trends in RQF will be monitored
- The performance of KS4 pupils in Southampton ranks low against ONS comparators for the 2022/23 academic year
- Adjusted for inflation, both resident (-£47, -6.7%) and workplace (-£34, -4.6%) earnings continued to decline between 2022 and 2023. Given continued high inflation, unadjusted weekly earnings would need to increase by at least a further +£9 for residents and +£10 for workers to negate inflation as of December 2023
- Based on 2021 Census data, Southampton has the second lowest net in-commute of workers (-5,433) among ONS comparators. Additionally, Southampton has the lowest proportion of people who both live and work within their local area (75.1%) among comparator cities. This again suggests that residents are being displaced into lower paid employment outside of the city by skilled workers commuting into the city

More Information

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

Southampton Data Observatory contains a large range of data, intelligence and insight on a range of topics:

- **Economic Assessment**
- *[Neighbourhood, ward and locality (geographical) profiles]()*
- *[Inequality profiles]()*
- *Community Safety Assessment*
- *VAWG Profile*
- Research
- Population
- Health and Wellbeing (JSNA)
- Profiles
- Needs assessments
- Key facts, datasets and dashboards
- Signpost to externally published resources