












## Bristol Economic Briefing June 2019

### Headlines

-  UK economic growth faster than expected.
-  UK productivity falls for the third consecutive quarter.
-  Employment rate for Bristol remains well above average.
-  More accolades and investment for the Bristol economy.

### Summary

-  The most recent figures<sup>1</sup> from ONS<sup>2</sup> indicated that the UK economy grew by 0.5%, much faster than expected, in the first quarter of 2019. Objective commentators have concluded that the unexpectedly high growth is due businesses stockpiling because of the political uncertainties pertaining to the UK's departure from the EU. At least one economist has suggested that the figures are “a flash in the pan”.
-  The productivity of the UK economy fell for the third consecutive quarter. Compared to the OECD average UK productivity<sup>3</sup> has gone from being about 2.2 points above in 2006-08 to 4.0 points below in 2017 and the gap looks set to get wider. In 2017 the UK was ranked 32<sup>nd</sup> out of 36 OECD countries.
-  In May the Bank of England revised its growth forecast for 2019. The forecast was increased to 1.5% largely due to the unexpected Q1 growth. In March the OBR<sup>4</sup> forecast growth of 1.2% in 2019.
-  In December 2018, the employment rate for Bristol (77.1%) was below that of a year before (78.2%) but remains well above the average for December (2004-08: 73.5%).
-  The unemployment rate for Bristol was 3.8% in December 2018 down from 8% in December 2013 and a record low for that time of the year.
-  The first quarter performance of Bristol's City Centre Office Market was its poorest since recession-affected 2009. Total transactions amounted to 58,141 squ.ft. less than half (45%) of the long term (10 years) average (129,057squ.ft) for the first quarter of the year.
-  Bristol is still attracting investment. New developments have been proposed for amongst other sites the Frome Gateway. The Professional services sector continues to expand and attract new businesses.

<sup>1</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmi/pn2>

<sup>2</sup> Office of National Statistics

<sup>3</sup> GDP per Hour Worked - Index to 100 in 2010

<sup>4</sup> Office of Budget Responsibility

# BRISTOL Economic Briefing

## Bristol Economic Briefing June 2019

### 1 Overview

The most recent figures from the ONS indicated that the UK economy grew by 0.5% in first quarter of 2019. Objective commentators, including the Bank of England, have concluded that the unexpectedly high growth is due in a large part to businesses stockpiling because of the political uncertainties pertaining to the UK's departure from the EU. At least one senior economist<sup>5</sup> has suggested that the figures are “a flash in the pan”. Further, the ONS reported that the UK productivity<sup>6</sup> fell (0.2%) for the third consecutive quarter. On the plus side, the UK employment rate has continued to rise and the unemployment rate remains at historically low levels. As of Dec 2018 the UK employment rate stood at 75%, 2.6 percentage points above the level of Dec 2007. Still historic comparisons suggest that the UK economy has performed comparatively badly over the last couple of years. Prior to the recession (1998-07) UK GDP<sup>7</sup> grew at an average of 0.72% per quarter, compared to the OECD average of 0.67%. Over the last couple of years (2017-18) average quarterly growth for the UK was 0.37% compared 0.57% for the OECD. The productivity<sup>8</sup> of the British economy fell behind the average for the OECD in 2011 and has been losing ground ever since. In the period immediately prior to the recession (2006-08) UK productivity was over 2 points above the OECD average. In the latest year for which data was available the gap was over 4 points below said average, a swing of 6 points in the wrong direction.

While there is little official data to describe the current local economic conditions, what there is suggests that conditions have plateaued. The value and productivity of the Bristol economy have not kept up with the performance nationally<sup>9</sup> and that has, as is evident from the above, not been performing particularly well. Bristol's city centre office property market had its worst first quarter for a decade. Total transactions amounted to 58,141 sq.ft. less than half (45%) of the long term (10 years) average (129,057sq.ft) for the first quarter of the year. In 2018 the annual total of new business start-ups<sup>10</sup> fell to the lowest level (just over 3,000) since 2008.

Bristol continues to attract investment. The Paintworks development is to be completed and the University of Bristol has announced plans to extend its Enterprise Campus at Temple Quarter. The creative sector continues to prosper with Channel 4 and others taking space at Finzels Reach. New jobs are being created in manufacturing and the businesses in the professional services sector are still being attracted to the city. Most notably one of the top 50 national law firms has opened offices at Temple Quay.

<sup>5</sup> <https://www.theguardian.com/business/2019/may/10/uk-economic-growth-picks-up-as-stockpiling-boosts-manufacturing>

<sup>6</sup> ONS - UK productivity - Output per hour

<sup>7</sup> <https://data.oecd.org/gdp/quarterly-gdp.htm>

<sup>8</sup> <https://data.oecd.org/lprdy/gdp-per-hour-worked.htm>

<sup>9</sup> Quarterly briefing March 2019

<sup>10</sup> [New Business Starts in Bristol for the period 2008 to 2018.](#)

## 2 Labour Market

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### Employment Rates

Having increased significantly (6 percentage points) between Dec 13 and Dec 15 the employment rate<sup>11</sup> in Bristol hasn't changed significantly since. Employment rates for three<sup>12</sup> of the other 9 British core cities also increased significantly between Dec 13 and Dec 15 but none have changed significantly over the last 3 or 4 years. In December the rate for Bristol (77.1%) was not significantly different to that (75.0%) for the UK.

**Table 1: Employment Rates for the UK and the Core Cities, December 2016**

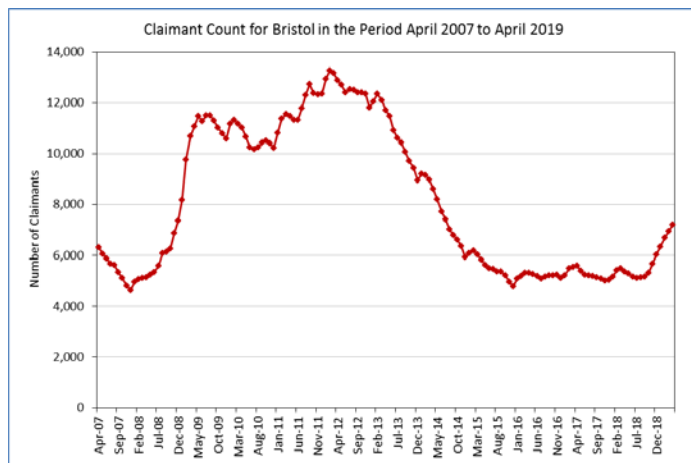
As can be seen from the table below, amongst the British Core Cities, Bristol has the highest employment rate. The employment rate for the UK has increased over the last

three years and in Dec 17 was higher, by a significant margin, than in Dec 06. Whether or not they have varied significantly or not in the meantime, in December 2017 the employment rates for all ten of the British Core Cities were the same<sup>15</sup> as they were in pre-recession Dec 06.

Area Name	Employment Rate <sup>13,14</sup> : Dec of yr				Change Between Years		
	2006	2013	2017	2018	2006-13	2013-18	2006-18
Bristol	74.5	70.2	78.2	77.1	-4.3	6.9	2.6
Birmingham	62.5	59.0	63.5	65.3	-3.5	6.3	2.8
Cardiff	67.4	68.3	69.8	73.9	0.9	5.6	6.5
Glasgow	62.7	62.5	65.9	64.3	-0.2	1.8	1.6
Leeds	76.0	68.2	76.6	75.0	-7.8	6.8	-1.0
Liverpool	62.6	61.0	67.0	68.2	-1.6	7.2	5.6
Manchester	64.9	61.6	67.4	69.4	-3.3	7.8	4.5
Newcastle	64.4	59.1	66.7	68.4	-5.3	9.3	4.0
Nottingham	64.0	58.1	57.4	63.3	-5.9	5.2	-0.7
Sheffield	66.6	69.7	70.7	73.0	3.1	3.3	6.4
United Kingdom	72.4	71.2	74.7	75.0	-1.2	3.8	2.6

### Unemployment (Claimant Count)

The Claimant<sup>16</sup> Rate<sup>17</sup> for Bristol in Apr 19 (2.3%) was 0.4 percentage points below that for the UK (2.7%). Claimant counts for Bristol have increased more or less steadily since Sep 18, because of changes in the benefits system<sup>18</sup>. The same is true of the UK and the vast majority of local authorities within the UK. Bristol still has the lowest claimant rate of the British Core Cities, however it remains the higher than the rest of the West of



England (WoE) and other areas such as Guildford (0.8%); Sevenoaks (1.0%); Cambridge (1.2%), Warwick, Exeter, Stroud (1.3%), St Albans (1.4%) and Chelmsford (1.5%). The unemployment<sup>19</sup> rate for Bristol residents (aged 16 plus) was 3.8% in December 2018 and there were still about 20,000 Bristol residents that want work<sup>20</sup>, a number that hasn't changed significantly for the last eighteen months.

<sup>11</sup> The percentage of all people aged 16 to 64 (working age population) who are in employment.

<sup>12</sup> Leeds, Newcastle and Nottingham that all had increase of 6 percentage points or more.

<sup>13</sup> Source: Annual Population Survey, 2014, Nomis®, O.N.S., ©Crown Copyright

<sup>14</sup> The 95% confidence limits for this Core Cities data vary from 2.1% to 3.3% and that for the UK has always been 0.2%

<sup>15</sup> Not statistically different.

<sup>16</sup> On Nomis "Claimant Count": now the number of people claiming JSA plus those who claim Universal Credit who are out of work

<sup>17</sup> Proportion of the Working Age Population (WAP) - all people aged 16 to 64.

<sup>18</sup> Under Universal Credit a broader span of claimants are required to look for work than under JSA, hence the increase.

<sup>19</sup> Source: Annual Population Survey, 2014, Nomis®, O.N.S., ©Crown Copyright - model-based estimates

<sup>20</sup> Number unemployed plus the economically inactive "who want a job"

## Claimant Count by Gender

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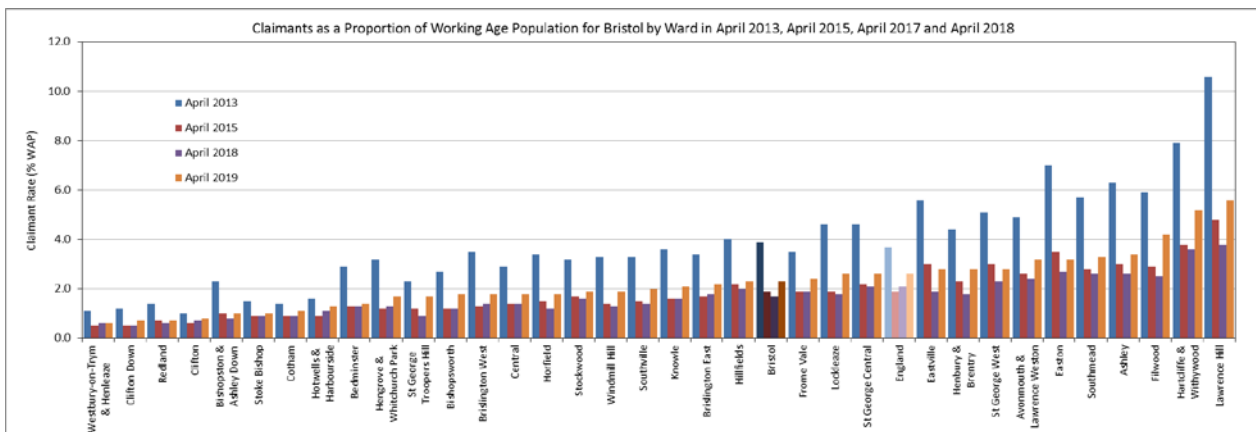
As of April 2019 there were 4,455 male and 2,740 female JSA/Universal Credit claimants resident in Bristol. These numbers are 51.4% and 34.2% below the maxima of 2011 to 2012 respectively<sup>21</sup>. Thus whereas prior to the 2008 recession about 26% of claimant were female, over the last 3 years it has averaged<sup>22</sup> about 37%. The female population of Bristol has fared worse than males during the post-recession period 2009 to date. Total numbers for Bristol<sup>23</sup> have risen above the pre-recession levels of April 2008 but this is likely to be a result of the changes in the benefits system. Still the number of female claimants is over double the pre-recession level in contrast to male numbers that were only 16% higher.

## Claimant Count by Age

In April 2019 the number of young<sup>24</sup> claimants resident in Bristol (1,210) was 37% below the level of April 2014 (1,910) but up<sup>15</sup> 32% on April 2018. The proportion of claimants aged 18 to 24 years (17.0%) is one the lowest on record<sup>25</sup>. The number of claimants aged 50 to 64 years (1,780) is 19% above the level of April 2014 (1,495) and is still well over twice the number of pre-recession April 2008 (665). This is in part due to the changes in the benefits system; however the proportion (25%) remains close to the historic<sup>26</sup> high<sup>27</sup> nearly twice the proportion of pre-recession April 2008 (13%).

## Claimant Count by Ward<sup>28</sup> for Bristol

Year on year, the claimant count for Bristol has increased by 34% from 5,360 in April 2018 to 7,195 in April 2019. The major part of the increase was probably due to the changes in the rules of the benefits system. Regardless of the reasons the claimant counts are all higher than they were in 2018. For the most part, the worst performing wards are those that have been worst affected. The seven worst performing wards all have claimant rates in excess of 3% and account for over 40% (43.8%) of claimants



resident in Bristol whilst the nine best performing wards have claimant rates below 1.5% and only account for 10% (10.4%) of the claimants. Lawrence Hill (5.6%) remains the worst performing ward with Hartcliffe and Withywood (5.2%) a close second. Both have claimant rates over twice the Bristol average (2.4%).

<sup>21</sup> September 2011 for female claimants and February 2012 for male claimants

<sup>22</sup> Ranging from 34.6% (Apr-17) to 39.3% (Jan-19)

<sup>23</sup> This is also true nationally, for the UK

<sup>24</sup> People aged 18 years to 24 years

<sup>25</sup> Over the last year there have been occasions when it has fallen below 17%.

<sup>26</sup> Since 1986

<sup>27</sup> 27.0% in August 2018 - since June 1985

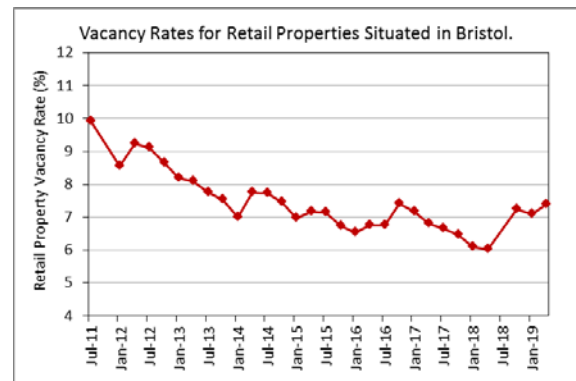
<sup>28</sup> Boundary changes restrict the time series for this data set.

### 3 Retail and Commercial Property

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#### Retail

In April 2019 Bristol's citywide retail property vacancy rate was 7.4%, up from 6.0% in April 2018. At least part of the increase was due to a change in methodology. The change in methodology occurred between April and October. In the year to March 2019 there were 283 (source Bank Search<sup>29</sup>) new retail business start-ups in Bristol. This is about 27% below the record high (389) of 2013 and only 5.2% above the lowest level reported<sup>30</sup>.



#### Office<sup>31</sup>

According to the Bristol Office Agents, the level of take-up in Bristol's city centre office (58,141sq.ft.) market for the first quarter of 2019 was less than half the level for 2018 (124,080sq.ft) and a factor of 2.3 below the average for the first quarter of the 5 years previous (133,557sq.ft.). Take-up for the quarter in the out of town market was 95,864, over 3 times the level of the first quarter of 2018 (31,833sq.ft) and nearly 30% (28.7%) above the average for the first quarter of the 5 years previous (74,477sq.ft.). Thus during the first quarter of 2018 the Out of Town Centre Office Market performed well but not so the City Centre market. The poor performance is likely due to the short supply of space<sup>32</sup>. The first quarter report from CBRE<sup>30</sup> indicates that 49% of take-up was in the Professional Services, 29% in Banking & Insurance and 14 % in the Creative industries.

#### 4 New Business Start-ups (BankSearch data)

In the year to March 2019 Bank Search<sup>16</sup> data show that there were 2,953 new business starts in Bristol, down 10.8% on the year to March 2018 (3,271). Over 80% of these were in the 9 sectors shown in the table opposite. Numbers of new business start-ups fell in all of the sectors. The largest falls were in the Manufacturing and Administrative support sectors. Four other sectors (Construction, Information and communications, Professional, scientific & technical activities and Recreational, personal and community services) had falls in excess of 10%. Overall start-ups have fall at a definite trend rate 311 per year since 2016.

Industrial Sector	Year to March			% Change 2018-19
	2018	2019		
	count	count	%	
Manufacturing	152	122	4.1	-24.6
Construction	334	298	10.1	-12.1
Retail trade and repair	291	283	9.6	-2.8
Accommodation & food service	287	269	9.1	-6.7
Information & communication	239	207	7.0	-15.5
Professional, scientific & technical act's	454	403	13.6	-12.7
Administrative & support services	243	192	6.5	-26.6
Human health & social work	209	222	7.5	5.9
Recreational, personal & community service	435	371	12.6	-17.3
All Industry	3,271	2,953	100.0	-10.8

<sup>29</sup> Data base that counts new "business" bank accounts. Source: Start-ups department - BankSearch Information Consultancy Ltd.

<sup>30</sup> In the year to March 2009 there were 269 new retail businesses starts ups

<sup>31</sup> Data supplied by Bristol Office Agents Society

<sup>32</sup> <https://www.cbre.co.uk/research-and-reports/Bristol-Office-Quarterly-Market-Update-Q1-2019>

## **5 Selected Business News April 2019 – May 2019**

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### **Aerospace, Defence and Advanced Engineering**

#### **GenieConnect Raises Money Through Crowdfunding**

The Bristol start-up Services Robotics has raised more than £214,000 through crowdfunding. The start up is based at UWE's Future Space that is co-located with the Bristol Robotics Laboratory and Health Technology Hub. Crowdfunding is one of the new funding streams that businesses can utilise and is being explored, with support from the hub, by various science and technology businesses that are residents of said hub.

#### **Ultrahaptics Continues to Target Global Growth**

Ultrahaptics has appointed a veteran of Silicon Valley to lead its international expansion. The University of Bristol spin-out has raised over £85m since it was founded in 2013 and with its unique world leading haptics technology that allows users to receive bare handed midair tactile feedback is set for further growth. The new appointment will lead the expansion of the business into international markets.

### **Biotech**

#### **Pilot Trials for New Bio-adhesive**

University of Bristol biotech spin-out Zentraxa that is currently based at Bristol's pioneering Unit DX biotech hub in Temple Meads, has raised £500,000 to start trials of its biological adhesives. Zentraxa chief technology officer said: "We're developing both a manufacturing process and our own bio-materials that are highly effective adhesives." and continued, "Both these technologies are based on processes found in the natural environment, making it more environmentally-friendly and sustainable than other petrochemical derived products currently being used."

### **Creative Industries**

#### **Channel 4 Creative Hub to be based at Finzels Reach**

The new Channel 4 creative hub, that was announced last autumn and is likely to open this autumn, is to be sited in the Bristol's Finzels Reach development. Channel 4 announced that it will lease just over 3,000 sq.ft of space in the historic Fermentation Building opposite Castle Park. The hub will employ about 50 people and be "a base for key creative decision makers supporting Channel 4's relationship with the production sector in the South West, Wales and Midlands."

#### **BDH Relocates to Finzels Reach**

BDH has relocated from its historic (20 years) home in Clifton to new space in the Finzels Reach development. The BAFTA award-winning creative film and digital production company has taken over the ground floor studios in the Malt House building. The firm's production manager said: "We began looking for a new location and immediately fell in love with the space in the Malt House and the vibe of Finzels Reach. There is a really lovely buzz about the area and its closeness to the beautiful waterfront and the city centre make it a fantastic place to work."

## **Channel 4 Invests in Local Documentary Maker**

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Five Mile Films, a new Bristol based independent television company committed to making "popular, high quality and innovative television" has attracted investment from Channel 4. The investment comes from Channel 4's Indie Growth Fund which will take a minority stake in the new company.

## **Education**

### **Private College Campus Opens**

The first phase of Bristol's £5m city centre Access Creative College games and media campus opened in March. The private 12,000 sq.ft college campus is inside Programme, a new development and home to a number of digital and arts businesses on All Saints Street. Access Creative College centre manager said: "We've been in Bristol for 20 years but we re-branded from Access to Music to Access Creative College in 2017 to reflect our growing offer. This new site perfectly embodies our vision for what the new proposition is all about."

## **Environmental**

### **New, State of the art, Recycling Plant**

Bristol-based firm ETM Recycling has opened a new Materials Recovering Facility (MRF) at its South Bristol site at Ashton Vale. The new facility will be the most efficient and effective plant in the South West, double the capacity of the original plant. ETM's Recycling director said, "thanks to the increased efficiency, we will be able to allow more of the local community and businesses to dispose of their waste here."

### **City's Green Credential Bolstered**

The Festival of Sustainable Business will be held in Bristol in mid September this year. Organisers anticipate some 2000 attendees across the festival with over 60 exhibitors at We The Curious, a Food Zone on Millennium Square and 10 seminars in various city-centre locations.

## **ICT**

### **Green Power firm, Good Energy, Invests in Zap-Map**

Chippenham-headquartered Good Energy has acquired a 12.9% share in Next Green Car Ltd, the Bristol based firm behind the Zap-Map app that helps owners of rechargeable electric vehicles to locate charging points. The stake amounts to a £1m investment in the firm. One of Zap-Map co-founders said, "As Good Energy leads in genuinely renewable energy supply, Zap-Map has the UK's largest EV online community. Together we can lead in the emerging energy sharing economy in which homes, businesses and EV owners will trade and exchange power using the energy grids of the not too distant future."

## **Avonline Networks Acquisition**

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Bristol-based privately owned telecoms provider Avonline Networks that has been operating for 35 years plus has been taken over by Hertfordshire based M Group Services, one of the UK's largest infrastructure services groups. Avonline Networks director said: "This acquisition marks an exciting new chapter in our growth and, as a part of M Group Services, we are now ideally placed to benefit from the financial scale of the group and the growth opportunities this will bring."

## **Manufacturing**

### **Global Design Solutions Expansion**

Global Design Solutions (GDS), the Bristol based business that has until very recently specialised in providing bespoke lighting and control systems for heritage buildings, theatres and universities, is branching out into the automobile sector. The business has won a £500,000 contract with South Korean car manufacturers and as a result is to create 100 new jobs, at least some of which will be at the firm's Bristol base on the Riverside Business Park in St Annes.

## **Professional Services**

### **Bristol Legal Sector Gains Another "National" Participant**

Bristol's reputation as having one of the strongest legal sectors outside London has been given another boost with Freeths opening an office here. The top 50 firm has opened an office at Temple Quay. The firm's chairman admitted that Bristol was a competitive legal market, but said, "We believe this opening offers a real opportunity for Freeths and we are confident that we will quickly win market share to make the office a success."

## **ForrestBrown**

The rapidly expanded Bristol-based specialist R&D tax credit consultancy ForrestBrown has recruited its 100<sup>th</sup> employee. The firm has more than doubled its size over the last couple of years and having outgrown Clifton base, is planning to move to offices in city centre at Templeback. The founder and managing director said: "Celebrating the arrival of our 100<sup>th</sup> employee is a fantastic milestone. It marks the start of our next phase of development and continued growth plans."

## **Retail Distribution**

### **Problems for Retail**

There are continued problems reported for the retail sector. It was reported that a fashion chain with stores in Bristol (Broadmead and Broadwalk) went into administration at the beginning of May. Further it has been reported that, nationally, 1 in 10 shops are empty.



## Transport

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### **Success and Continued Expansion for Bristol Airport**

The frequency of easyJet flights from Bristol to several destinations has increased. These include additional flights to Belfast and Glasgow. EasyJet has been expanding its services from Bristol over the last few years and now flies to 70 destinations from the airport. Further customer satisfaction at the airport has been reported as "soaring".

### **General News Items**

#### **Plans for Frome Gateway**

Plans have been unveiled for the Frome Gateway scheme. A Bristol developer has submitted the proposals that include home and workspace. The developer's executive director said: "These will be complemented by significant infrastructure enhancements particularly around the River Frome and the M32. Emphasis is being placed on delivery, sustainability and the quality of the place making."

#### **Paintworks to be Completed**

The Paintworks development in Bristol is set to be completed. Phase four of the development has been made possible following a deal between its owners and a South West Property firm. Rengen Developments CEO said: "The Paintworks has a far-reaching reputation as a business and community hub, a creative quarter and a fantastic place to work and live. As a company we are committed to delivering housing and business space which complements and enhances the unique identity of the area."

### **Temple Quarter Enterprise Zone**

#### **Enterprise Campus to be Extended**

The University of Bristol is partnering with property developers to create more employment and research on a major high-profile development site alongside its planned Temple Quarter Enterprise Campus.

#### **Questions about the contents of this briefing should be addressed to:**

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