The strength of the local economy is based upon high productivity, a diverse and mixed economy, high levels of enterprise and an excellent local higher education sector.
Leader’s Foreword

Despite the recession, Bristol remains one of the power-houses of the national economy. Its natural vigour is helping drive Britain’s recovery.

There are many reasons to hope for a prosperous future as a highly successful European city and green capital, showing how a dynamic economy can also be a sustainable one and how the threat of climate change can speed innovation.

This report, the Local Economic Assessment, sets out the strengths of Bristol as a key player and the challenges the city faces.

With business leaders and our neighbours - North Somerset, Bath and North-East Somerset and South Gloucestershire councils - we have recently formed a Local Economic Partnership to provide strategic leadership for the economic development of the area.

We expect Bristol to be the driving force behind this new partnership and this document will help determine our contribution to the area’s sustainable economic development.

The report shows that Bristol’s economy is strong, diverse and resilient. There is significant potential for growth. The local conditions position Bristol well for the future.

However, there are also a number of challenges facing Bristol and our neighbours. How are we to balance the competing demands for employment, housing and open space?

How do we ensure that economic growth is not at the expense of Bristol’s quality of life and does not worsen climate change? How do we rebalance our economy following the shock of recession and ahead of the impact of ‘peak oil’?

This document, and the extensive data behind it, will be an invaluable resource as we come to determine policies for our sustainable economic growth.

Barbara Janke
Leader of the Council

To view the full report: www.bristol.gov.uk/lea

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Introduction

Bristol's Local Economic Assessment (LEA) will contribute towards to the delivery of sustainable economic growth for the city. It is not a strategy or policy document in its own right, but will provide the comprehensive, shared understanding of the local economy to aid strategy and policy decisions.

Throughout the LEA, comparisons are made with other large urban areas in England, along with Bristol’s geographic neighbours. This allows for the identification of relative strengths, competitive advantage and areas for improvement.

Overview

Bristol is a major UK City, with a growing international and global profile. Its contribution to the national economy outweighs its population size – it “punches above its weight” – and is forecast to continue to grow at a rate faster than the UK as a whole.

The strength of the local economy is based upon high productivity, a diverse and mixed economy, high levels of enterprise and an excellent local higher education sector.

Recent economic growth has been driven by business services, banking, insurance and professional services. Prospects for future growth are bolstered by the presence of well-established creative, environmental technology and other knowledge based industries.

Significant features of Bristol’s economic growth include its location, connections to London and elsewhere, the skills of its resident workforce and the quality of life.

Tensions created by growth, providing challenges for the future, include a potential shortage of jobs and houses, together with concerns around transport infrastructure and environmental sustainability.

Bristol’s local economy is not restricted to the local authority area, with significant linkages with the neighbouring local authorities of North Somerset, South Gloucestershire and Bath & North East Somerset. The four local authorities form the West of England Partnership; the area covered constitutes an effective functional economic market area and is the basis for a Local Economic Partnership.
Main Findings

In 2008, Bristol generated £11.5 billion of wealth (measured by gross value added, GVA). This was almost 12% of the wealth generated in the whole of the South West; as Bristol contains just 8% of the South West population, it can be fairly said that Bristol “punches above its weight”.

The significance of this wealth generation comes not just from the scale of Bristol’s output, but from the productivity of Bristol’s workforce – measured by GVA per full-time worker; it is significantly higher than the regional or national averages. The relatively high productivity is driven by Bristol’s skilled workforce and the presence of large numbers of knowledge intensive businesses.

The largest single contributor to GVA in Bristol is the banking and insurance sector, but the real feature of the local economy is diversity – Bristol is not overly dependent upon any one sector for output or employment, making it resistant to ‘shocks’ and well placed to foster growth.

Bristol’s GVA is forecast to rise at a rate faster than the national average over the next ten years, enhancing Bristol’s residents’ individual prosperity and quality of life. However, GVA growth is not forecast to be strong enough to return employment levels to pre-recession levels in the next ten years.

Bristol’s positive track record of private sector growth, innovation, inward investment and enterprise could position it well to resist the impact of reduced public sector expenditure.

Innovation and enterprise are particular features of Bristol’s economy, with high business formation rates, a world-class University active in knowledge transfer and spin-off businesses, and a creative industries sector promoting the development of ideas in all aspects of the city’s life. Bristol has been identified as an “innovation hub” by McKinsey and the World Economic Forum.

A survey of Bristol firms has indicated that a majority are expecting to grow moderately over the next two years, while a further 12% are expecting to grow substantially.

For a large city, Bristol’s labour market functions well and performs well in many important measures – economic activity and employment rates, occupational mix, qualification levels and ‘gap’ between resident and workplace earnings – indicating a largely successful local economy.

These same measures indicate that Bristol has neither been as affected by the recent recession to the same extent as other Core Cities, nor to the extent experienced locally during the recessions of the early 1980s and 1990s.

Unemployment and worklessness in Bristol do not match the scale or rate to be found in other major cities in England. However, there are ‘pockets’ of unemployment and worklessness affecting some neighbourhoods, young people and those without adequate qualifications. These groups will continue to be most vulnerable to persistent worklessness in the face of an overall jobs shortage in the city.
There are opportunities for the development of Bristol's labour market to be found in the surplus capacity indicated by persistent worklessness, but there may need to be significant interventions to realise that opportunity and address the attendant inequalities.

Jobs growth could be hampered by constraints upon land availability for new industrial and commercial developments, by skills shortages and by insufficient transport infrastructure.

Bristol’s population grew significantly over the last ten years and, based on that trend, future growth is projected at a faster rate than nationally or amongst other large cities.

Projecting or forecasting population changes can be inexact science, but suggest that numbers of young people and working age adults in Bristol could increase by between 10 and 20% over the next ten years, well above the forecast for England. Along with this trend towards a ‘younger’ city, it is likely that there will also be a significant increase in the proportion of Bristol’s population coming from Black and Minority Ethnic (BME) groups.

An increasing working age population will open up opportunities for increasing prosperity, while increased diversity will aid creativity and innovation. However, there could be a downside for the labour market, if too few jobs are created, and for the housing market, if too few homes are built.

The City of Bristol local authority district is part of a wider functional economic market area, contained within the established West of England sub-region. Its economy dominates this area and is the most productive of England’s large cities (excluding London).

Achieving sustainable economic growth is essential for both the health of the local economy and the wellbeing of residents. Green transport initiatives in Bristol will help to reduce pollution and traffic congestion. However, further transport investment will also be needed, to bring the supply of transport provision closer to demand and ensure that Bristol remains competitive with other cities in the UK.

Historically, energy use and carbon emissions have risen with population and economic growth. The challenge is for Bristol to substantially increase the carbon efficiency and energy security of its economy. This presents great challenges and opportunities for the city – creating new low carbon business opportunities, sustainable employment, improving quality of life and making Bristol more resilient.

Significant issues for local firms are traffic congestion, recruitment of experienced staff, the affordability and availability of land or premises and obtaining finance.

Knowledge of Bristol’s local economy is patchy amongst some investment intermediaries, but many recognise its strengths in terms of quality of life, skills base, innovation, geographic location and having a broad business base.
Key Opportunities

- Bristol's skilled workforce and diversity of knowledge intensive businesses position it well for economic growth.

- Specific strengths in the green and digital economy could be crucial to both growth and environmental sustainability.

- A flourishing cultural sector is driving strong and developing creative industries, adding to innovation and enterprise.

- Bristol's track record in generating private sector employment growth increases its resistance to the impact of reduced public sector expenditure.

- Bristol's geographic location, size, connectivity and quality of life continue to make it attractive to business relocation and migration.

- Increasing prosperity, driven by sustainable economic and employment growth, will contribute to advances in overall health and wellbeing for Bristol residents.

Specific strengths in the green and digital economy could be crucial to both growth and environmental sustainability.
Key Challenges

- Reducing carbon emissions and dependence upon oil resulting from economic activity to promote longer-term sustainability.
- Developing sufficient and appropriate skills provision to enable employer demand to be met by local supply and enable economic growth to tackle persistent worklessness in some communities.
- Identifying sufficient and appropriate industrial and commercial employment land to meet demand and retain local jobs.
- Increasing the supply of new homes and associated infrastructure in line with a rising population.
- Enhancing the transport infrastructure, including increasing the supply of public transport to match demand.
- Expanding Bristol’s digital connectivity to increase business competitiveness and productivity, whilst also addressing ‘digital exclusion’ amongst residents.
- Retaining “quality of life” amidst physical development of the city, to preserve Bristol’s character and attractiveness to investors.
- Maintaining Bristol’s ‘geographic advantage’ by enhancing connectivity to London, the UK and worldwide, through, for example, high-speed rail links, developing the Port of Bristol and enlarging Bristol Airport.

Retaining “quality of life” amidst physical development of the city, to preserve Bristol’s character and attractiveness to investors.
Bristol’s economy functions well, producing levels of economic output greater than its physical size.

The workforce in Bristol has high levels of productivity, relative to other Core Cities and the national average. This labour productivity advantage is forecast to increase over the next ten years.

Bristol’s rate of private sector jobs growth (1998-2008) was 15.4%, significantly above other Core Cities and adding to Bristol’s resilience and growth prospects.

Bristol’s economy is diverse without an overdependence on any one sector.

Bristol’s economy has a high proportion of knowledge intensive businesses, supporting creativity and innovation.

Key sectors well represented in Bristol include environmental technologies, creative industries and business services. All are forecast to grow, in output and employment, over the next ten years.

A high proportion of Bristol’s residents are qualified to degree level or higher compared with other Core Cities and the national average.

Bristol is well connected with easy access to London, the rest of the UK and worldwide.

Bristol’s population, especially its working age population, is forecast to increase by 10% over the next ten years.

Bristol has an attractive environment, with a good quality of life including cultural vibrancy and diversity.

There is limited new land available for new employment use in Bristol, taking into account issues around developing Avonmouth/Severnside.

There are pockets of persistent worklessness in the City.

A large proportion of Bristol’s residents are employed in the public sector; while not as dependent upon the public sector as other cities, Bristol is still vulnerable to the impact of public expenditure cuts.

Current internal transport infrastructure is inadequate to meet demand.

Housing supply may not keep pace with the rising population, exacerbating already high average house prices and issues around affordability.

The claimant count rate (JSA) in Bristol is relatively low when compared with other Core Cities. However, the Jobseekers Allowance claimant rate in Bristol is not forecast to return to pre recession levels before 2020.

There is a relatively high proportion of Bristol’s residents who have low qualification levels or no qualifications.

Improvements in connectivity between other UK cities and London may reduce or remove this element of Bristol’s competitive advantage.

To view the full report: www.bristol.gov.uk/lea
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