














## Bristol Economic Briefing December 2018

### Headlines

-  UK economic growth picks up for the second quarter.
-  Inflation has fallen.
-  Wage growth continues to be sluggish.
-  Employment rates for Bristol remain at record highs.
-  The Bristol economy continues to attract investment.

### Summary

-  The most recent figures<sup>1</sup> from the ONS<sup>2</sup> indicated that the UK economy grew by 0.6% in the 3<sup>rd</sup> quarter of 2018 up from 0.4% in the 2<sup>nd</sup>, and the fastest third quarter growth since 2016.
-  Manufacturing grew for the first time since the the last quarter of 2017 and Construction grew at its fastest since the fourth quarter of 2016.
-  In absolute terms, growth in Services accounted for 58% of the growth of the UK economy and still dominates it.
-  The ONS reported that, having increased from 2.4% in June to 2.7% in August, inflation<sup>3</sup> fell to 2.4% in September and was unchanged in October.
-  The UK unemployment rate has continued to decrease<sup>4</sup> and as of June 2018 stood at 4.2%. However, the Claimant Count has increased<sup>5</sup> (19.5%)<sup>6</sup> over the last 12 months and as a result in October 2018 the claimant rate stood at 2.3%, up from 1.9% in October 2017.
-  Employment in Bristol remains at record levels. As of June 2018 the employment rate for Bristol was 78.9%, that is equivalent to just under a quarter of a million (246,100) Bristol residents having jobs.
-  The unemployment rate for Bristol has continued to decrease (was 2.8% in June 2018), but the Claimant Rate hasn't changed significantly<sup>7</sup> for 3 years.
-  The redevelopment of parts of Bristol's central area continue and the city continues to attract both private and public investment.

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

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

<sup>3</sup> Consumer Price Index (CPI): <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/july2018>

<sup>4</sup> about 0.1 percentage point per quarter since June 2015

<sup>5</sup> with a couple of small downward excursions

<sup>6</sup> As of October 2018 there were 941,110 claimants in the UK.

<sup>7</sup> with a value of 1.7±0.1% and a count that hasn't fallen below 5,000

# BRISTOL Economic Briefing

## Bristol Economic Briefing December 2018

### 1 Overview

The most recent figures from the ONS indicated that the UK economy grew by 0.6% in the third quarter of 2018, up from 0.4% in the second, and the fastest 3<sup>rd</sup> quarter growth since 2016. The UK Services sector grew by 0.4%; the Construction sector by 2.1% and Manufacturing sector by 0.6%. The lower level aggregates<sup>8</sup> show the value<sup>9</sup> of the Services sector grew by £1,521m that is 58% of the total growth (£2,624m). Thus in absolute terms Services was still the fastest growing part of the economy. The rebalancing of the UK economy, away from services, that was discussed as long ago as 2010 is still looks a long way off. On a positive note the Manufacturing sector is no longer in recession; UK inflation fell from 2.7% in August to 2.4% in September; the unemployment rate (4.3%) remained at a historic low and employment remained in excess of 30m. However, BRES data shows that two-thirds<sup>10</sup> of the jobs growth in the period 2015 to 2017 was in part-time (less than 30 hours per week) work. Nationally (GB) the Claimant Count increased (1.7%) between September and October, something that has only happened twice before<sup>11</sup> and on both occasions a recession followed. Average wages are still below the levels of pre-recession 2008 and at least one commentator has said "the current squeeze on spending power is unlikely to ease". The comments in the previous briefing<sup>12</sup> are still germane. Salaries of the CEOs of the UK's largest companies (FTSE 100) increased excessively in 2017. Whilst historic studies<sup>13</sup> have shown quite clearly that "The link between executive pay and company performance is negligible." Over a year ago the CIPD<sup>14</sup> pointed out<sup>15</sup> that the UK ranks in the bottom four OECD countries for literacy and numeracy among 16-24 year olds. This coupled with the fact that UK employers invest less in training and skills than most other EU countries prompted the CIPD to suggest that the UK is "sleepwalking into a low-value, low-skills economy post-Brexit".

While there is little official data to describe the current local economic conditions, what there is suggests that conditions have remained unchanged. In June 2018 the employment rate (78.9%) of 16 to 64 year old residents of Bristol was not significantly different from the rate for June 2017 (77.2%). The Claimant Count and Rate have remained largely unchanged<sup>16</sup> since January 2016. Bristol continues to attract business. Channel 4 is to locate a creative hub in Bristol, The Watershed has submitted proposals for an expansion that will add nearly 2,000sq.ft of floor space and City Centre Office development continues to move forward. A survey in late October placed Bristol ahead of London as the best place for start-ups in the UK.

<sup>8</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

<sup>9</sup> Gross Value Added (GVA)

<sup>10</sup> Trend growth for part time jobs was 270,500 per year whilst that for full time jobs was 135,250 per year

<sup>11</sup> since the beginning of the times series in January 1996 (over 30 years)

<sup>12</sup> <https://www.bristol.gov.uk/documents/20182/33191/Bristol+Economic+Briefing+September+2018.pdf/b0b51d65-69e5-cea6-8aca-247a697bdd15>

<sup>13</sup> <https://www.theguardian.com/business/2016/dec/27/negligible-link-between-executive-pay-and-firms-performance-says-study>

<sup>14</sup> Chartered Institute of Personnel and Development

<sup>15</sup> <https://www.cipd.co.uk/about/media/press/170419-uk-skills-crisis>

<sup>16</sup> with a value of 1.7±0.1% and a count that hasn't fallen below 5,000

## 2 Labour Market

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### Employment Rates

Disregarding intermediate dates, the employment rate for Bristol increased<sup>17</sup> 10.4 percentage points between June 2014 and June 2018. Employment rates for the UK and 8<sup>18</sup> of the other 9 British core cities also increased in this period. In June 2018 the employment rate for Bristol (78.9%) was higher than that of the UK (74.9%).

**Table 1: Employment Rates for the UK and the Core Cities (CCs), December 2018**

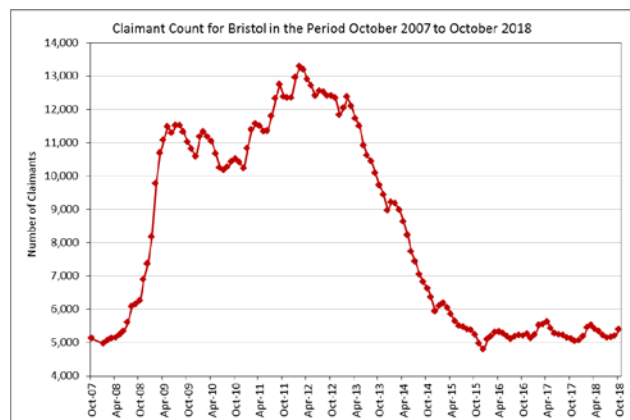
As can be seen from the table opposite, amongst the British Core Cities, Bristol has the best<sup>21</sup> employment rate. The employment rate for the UK has increased over the last three years and in June 2018 was higher, by a significant margin, than in June 2006. Whether or not they have varied in the meantime, in

Area	Employment Rate <sup>19,20</sup> : Jun of yr				Change Between Years		
	2006	2014	2017	2018	2006-14	2014-18	2006-18
Bristol	74.0	68.5	77.2	78.9	-5.5	10.4	4.9
Birmingham	62.2	61.3	64.9	64.5	-0.9	3.2	2.3
Cardiff	69.0	68.9	68.6	70.6	-0.1	1.7	1.6
Glasgow	61.8	64.5	67.0	66.0	2.7	1.5	4.2
Leeds	74.8	68.2	75.7	77.1	-6.6	8.9	2.3
Liverpool	60.1	59.4	65.6	67.6	-0.7	8.2	7.5
Manchester	62.7	62.3	64.9	69.1	-0.4	6.8	6.4
Newcastle	64.2	62.2	65.9	67.3	-2.0	5.1	3.1
Nottingham	64.1	61.5	58.8	60.3	-2.6	-1.2	-3.8
Sheffield	67.1	70.0	68.8	71.7	2.9	1.7	4.6
UK	72.4	71.7	74.2	74.9	-0.7	3.2	2.5

June 2018 the employment rates for eight of the British CCs, including Bristol, were the same<sup>22</sup> as pre-recession June 2006.

### Unemployment (Claimant Count)

The Claimant<sup>23</sup> Rate<sup>24</sup> for Bristol in October 2018 was 1.7%. This compares to 1.6% in October 2017 and 1.7% in October 2016 and was 0.6 percentage points below that for the UK (2.3%). Bristol's claimant rate remains the lowest of the British Core Cities, but has been consistently higher than the rest of the West of England and areas like Guildford (0.6%); Cambridge, Exeter, and Warwick (0.8%) and Stafford (1.0%). The chart



opposite shows that the number of Bristol residents that were unemployed and claiming Universal Credit hasn't changed significantly since Oct-16. The number ranged from a minimum of 5,025 (Nov. 2017) to a maximum of 5,610 (April 2017) with an average of 5,271. The nationally recognised<sup>25</sup> measure of unemployment indicates that there were 9,100 unemployed people resident in Bristol in June 2018. Data from the Annual Population Survey indicated that the actual unemployment rate for Bristol residents (aged 16 plus) was 2.8% in June 2018 and that the number of Bristol residents that want work<sup>26</sup> has not fallen below 20,000.

<sup>17</sup> Note that for any particular year, except for Jun-14 to Jun-15 and Sep-14 to Sep-15, there was no significant change

<sup>18</sup> Leeds, Liverpool, Manchester and Newcastle that all had increase of 6.4 percentage points or more.

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

<sup>20</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>21</sup> Since December 2004 this has been true for 80% of the time

<sup>22</sup> Not statistically different.

<sup>23</sup> On Nomis "Claimant Count": now the number of people claiming JSA plus those who claim Universal Credit who are out of work

<sup>24</sup> Proportion of the Working Age Population (WAP) - all people aged 16 to 64.

<sup>25</sup> "Model Based Unemployment" see: Annual Population Survey, 2018, Nomis®, O.N.S., ©Crown Copyright

<sup>26</sup> Number unemployed plus the economically inactive "who want a job"

## Claimant Count by Gender

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As of October 2018 there were 3,315 male and 2,055 female JSA/Universal Credit claimants resident in Bristol. These numbers are 63.9% and 50.7% below the maxima of 2011 to 2012 respectively<sup>27</sup>. Thus whereas prior to the 2008 recession about 26% of claimants were female, over the last 5 years it has averaged<sup>28</sup> about 35% and as of October was at an all time<sup>29</sup> high of 38.2%. The female population of Bristol has fared worse than males during the post-recession period 2009 to date. As of October 2018 the number of male and female claimants was 28.6% below and 27.2% above the level of pre-recession October 2008, respectively.

## Claimant Count by Age

In October 2018 the number of young<sup>30</sup> claimants resident in Bristol (875) was 72% down on that for October 2011 (3,120) and 3.3% down on January 2018. The proportion (16.3%) of claimants aged 18 to 24 years is the lowest on record<sup>31</sup>. The number of young claimants resident in Bristol hasn't changed significantly<sup>32</sup> since December 2015. Although the number (1,410) of claimants aged 50 to 64 years is 19.4% below the level (1,750) of October 2012 it is 20.0% above that (1,175) of October 2016 and is still over twice the number (655) of pre-recession October 2007. The proportion of claimants aged 50 to 64 has been increasing<sup>33</sup> since the end of 2011 and as of October 2018 the proportion (26.2%) was close to the highest (26.9%) on record<sup>34</sup>, which occurred in June 2018. Prior to 2011 the highest proportion had been 15.1% in January 1994 and the proportion remained below 14% throughout the period 2000 to 2010.

## JSA Claimants by Duration<sup>35</sup>

The numbers of long-term,<sup>36</sup> very long term<sup>37</sup> and extremely long term<sup>38</sup> claimants had been falling more or less steadily since some time in 2012-13 but by Dec. 2015 when the fall was halted all three were still well above the pre-recession levels of early 2008. As of October 2018 there were 1,810 long term; 1,135 very long term and 620 extremely long term claimants resident in Bristol. All three numbers were up on those (1,650, 1,100 and 575 respectively) of January 2018 and remain much higher than pre-recession levels with numbers of long term, very long term and extremely long term claimants 1.4, 2.2 and 6.2 times those of the pre-recession levels<sup>39</sup>, respectively. Further, since 2017, the numbers of extremely long term claimants grew at a solid trend rate of 78 per year. It should also be noted that these numbers are lower limits and the actual numbers are very likely to be higher, because JSA claimants only account for a proportion (about 50%) of the "Claimant Count".

<sup>27</sup> September 2011 for female claimants and February 2012 for male claimants

<sup>28</sup> Ranging from 33.2% (Jun-15) to 38.2% (Oct-18)

<sup>29</sup> Since the start of the time series in January 1996

<sup>30</sup> People aged 18 years to 24 years

<sup>31</sup> Since 1986 - the 7 lowest were recorded in the last year and ranged from 16.9% to 17.5%

<sup>32</sup> Ranged from 865 (Aug and Sep 2018) to 1,040 (August 2016) with an average of 946

<sup>33</sup> In the 15 years Prior to 2012 the proportion ranged from 11.4% to 14.9% with an average of 13.1%

<sup>34</sup> Since 1986

<sup>35</sup> These are JSA only because the Claimant Count (see footnote 17 above) is not separated by duration or occupation

<sup>36</sup> Claiming for over 6 months

<sup>37</sup> Claiming over 1 year

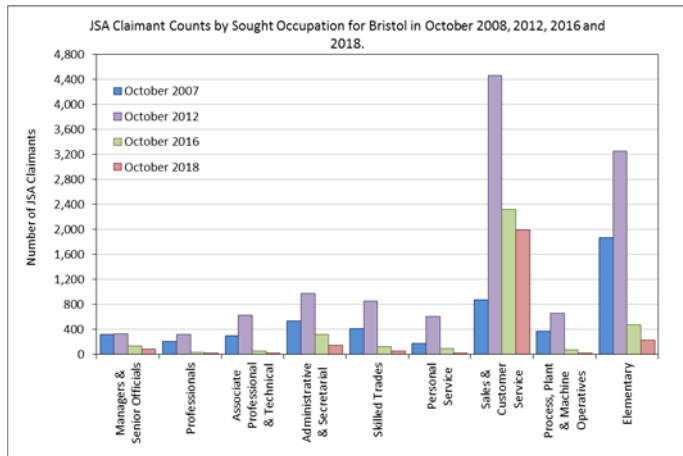
<sup>38</sup> Claiming over 2 years

<sup>39</sup> of April 2008.

## JSA Claimants by Sought Occupation<sup>23</sup>

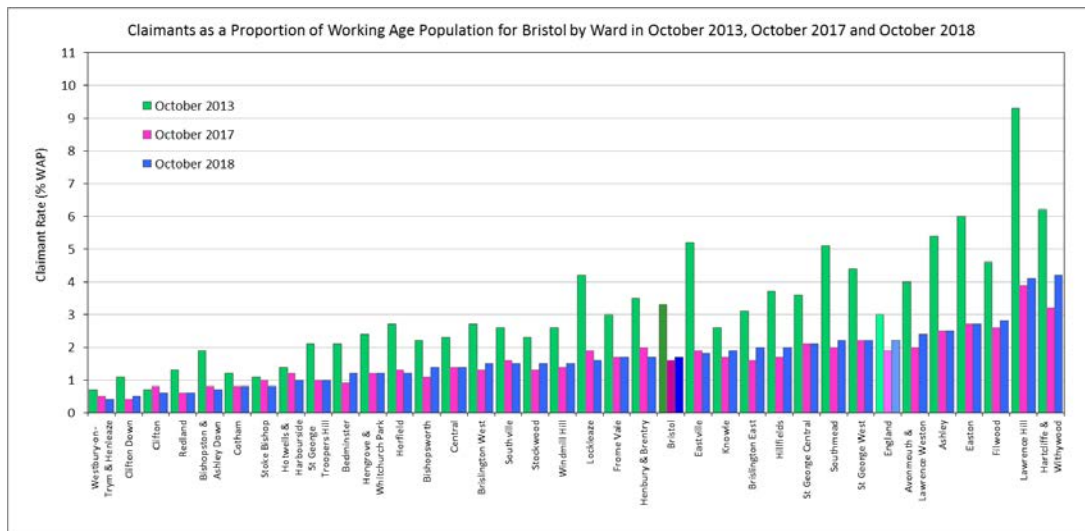
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The chart below shows clearly that in October 2018 the numbers of JSA claimants for eight of the nine major occupational groups were below the pre-recession levels of October 2007. The exception Sales and Customer Services occupations<sup>40</sup> fell by 44% (from 4,460 to 1,990) between October 2012 and October 2018 but remained well above its pre-recession level of October 2008 (870). However numbers seeking work in Sales and Customers Services have fallen to their lowest level since 2010. Still as of October 2018 about 74% (74.1%) of JSA claimants resident in Bristol were seeking work in this occupational group. This compares to 16% in October 2008 when Elementary Occupation had the largest proportion (35.5%) of claimants.



## Claimant Count by Ward<sup>41</sup> for Bristol

Year on year, the claimant count for Bristol has increased by 5.4% from 5,100 in October 2017 to 5,375 in October 2018. The increase left the claimant rate at the same level as October 2016 and 0.1 percentage points above that of October 2017 level, at 1.7%. As is evidenced by the chart below, claimant rates for all the wards are well below the highs of October 2013. Between October 2017 and October 2018 rates for 20 of the



34 wards<sup>42</sup> in Bristol decreased or were unchanged. Of the 14 wards where claimant rates increased 6 had claimant rates below the Bristol average. The largest increases were in Hartcliffe & Withywood (1 percentage points); Avonmouth & Lawrence Weston and Brislington East (0.4 percentage points) and Hillfields (0.3 percentage points). The increase in the numbers of claimants in these 4 wards accounts for over 80% of the increase for the whole of Bristol. The five worst performing wards are Hartcliffe and Withywood (4.2%), Lawrence Hill (4.1%), Filwood (2.8%), Easton (2.7%) and Ashley (2.4%).

<sup>40</sup> Note that the sought occupation for over 99% of these was: 711 : Sales Assistants & Retail Cashiers

<sup>41</sup> Boundary changes restrict the time series for this data set.

<sup>42</sup> May 2016 electoral wards

### 3 Retail and Commercial Property

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#### Retail

In September 2018 Bristol's citywide retail property vacancy rate<sup>43</sup> was 7.2%. In the year to September 2018 there were 253 new retail business start-ups in Bristol (source Bank Search<sup>44</sup>). This is 34.5% below the record high (386) of September 2013 and 10% below the lowest level reported<sup>45</sup>.

#### Office<sup>46</sup>

According to the Bristol Office Agents, the level of take-up in Bristol's centre office market for the third quarter of 2018 (166,829sq.ft.) was 3.6% down on the level for 2017 (173,022sq.ft) but well above (36%) the average (122,661sq.ft.) for the third quarter of the last 10 years. Take-up for the third quarter, in the out of town market was 166,629sq.ft up 13.3% on the second quarter and well above (64%) the average (71,044sq.ft) for the third quarter of the ten previous years. Thus during the first three quarters of 2018 the City Centre and Out of Town Office Markets of Bristol performed reasonably well.

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

In the year to September 2018 Bank Search<sup>36</sup> data indicate that there were 3,088 new business starts in Bristol, down 11.0% on the year to September 2017 (3,470) and the lowest number for September on record. Annual totals of new business start-ups have been falling more or less steadily since the May 2016. The Just over 85% of these were

Industrial Sector	Number of New Business Start-ups in the Year to Sep			% Change 2016-18	% Change 2017-18
	2016	2017	2018		
Manufacturing	209	162	137	-34.4	-15.4
Construction	392	375	310	-20.9	-17.3
Wholesale, retail trade, repair of motor vehicles & motorcycles	67	93	68	1.5	-26.9
Retail trade and repair	316	339	253	-19.9	-25.4
Accommodation & food service	225	248	277	23.1	11.7
Transportation & storage	157	151	154	-1.9	2.0
Information & communication	185	250	224	21.1	-10.4
Professional, scientific & technical activities	564	518	425	-24.6	-18.0
Administrative & support services	295	255	236	-20.0	-7.5
Human health & social work	288	210	219	-24.0	4.3
Personal & community service activities	294	280	202	-31.3	-27.9
Recreational, cultural & sporting activities	151	170	180	19.2	5.9
All Industry	3522	3470	3088	-12.3	-11.0

in the sectors shown in the table above. Numbers of new business start-ups fell by between 7.5% and 27.9% in all but four of the sectors. The four exceptions were Accommodation & food services; Transport & storage; Human health & social work and Recreational, cultural & sporting activities for which the numbers of new start-up grew by 11.7%, 2.0%, 4.3% and 5.9%, respectively.

<sup>43</sup> In hind site the estimates (9.4%) for Jul-18, published in the September briefing looks erroneous.

<sup>44</sup> Data base that counts new "business" bank accounts. Source: Start-ups department - BankSearch Information Consultancy Ltd.

<sup>45</sup> In the year to September 2009 there were 281 new retail businesses starts ups

<sup>46</sup> Data supplied by Bristol Office Agents Society

## 5 Selected Business News October and November 2018

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### Aerospace, Defence and Advanced Engineering

#### Rolls-Royce Invests at Filton

Rolls-Royce, has opened its new £20m "Liftworks" facility at Filton. The new facility will enable Rolls-Royce to "continue to produce cutting edge (vertical take off) technology to our customer while also ensuring that we are reducing their costs."

#### Science Park

In a joint venture South Gloucestershire Council and the University of Bath have bought the Bristol & Bath Science Park. The move should allow growth, which has been severely lacking under the previous owners, at the site to move forward.

#### Robotics Firm Move Into Future Space

Service Robotics is to move into UWE's Future Space. The Bristol start-up is developing robotics technology to provide "companion services for the elderly". One of its founders said of Future Space "It's professional and hi-tech, and the perfect innovation centre for start-ups like us."

### Business Services

#### Bristol is the UK's Best Place for Start-ups

The results of a new private research<sup>47</sup> place Bristol at the top of the pile, ahead of London, as the best place for business start-ups in the UK. A spokesman for the business that did the research said "Starting out as an entrepreneur is both daunting and exciting" and "location is a key decision".

#### Bristol Water Launches Business Incubator

Bristol Water has officially launched "The Workshop" a new business incubator. The company said the incubator is unique in that the firm will ultimately become a customer of the emerging businesses it supports.

#### Wapping Wharf gets Go-ahead

Continuing the theme of shipping containers (at Cargo) the developers of Wapping Wharf have been given approval to place and convert a further 90 (or thereabouts) containers to form "Cargo Work". The new scheme, the second in the city after the Boxworks, will utilize shipping containers to provide flexible office space to business.

#### EY Plans Major Growth

EY, the international accountancy group that has offices in The Paragon building, has revealed plans to double (to 100) the size of Bristol-based advisory team by November 2019 and increase the total workforce at its Bristol Office from 350 to 500 by 2020.

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<sup>47</sup> price comparison website MoneySuperMarket

## **Creative Industries**

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### **Channel 4 Creative Hub**

Channel 4 has selected Bristol as the base for one of its two new creative hubs. The hub's arrival should deliver a boost to the city's creative sector. The Mayor of Bristol said "This move will help to build on our existing thriving media industry and wealth of local talent. We look forward to welcoming Channel 4 to the city."

### **University Collaboration to Support Creative Tech**

The University of Bristol and UWE are to collaborate in an AHRC<sup>48</sup> council funded creative tech programme. The Bristol & Bath Creative R&D programme, which will back collaborative research that harnesses cutting-edge technology, is set to strengthen the micro business creative sector in the region, creating jobs in a new cohort of start-ups.

### **Bottle Yard Studios Expansion**

Bristol City Council has agreed to purchase Hawkfield Business Park. The purchase is likely to facilitate the development of the Bottle Yard Studios. After the Studios would move some of its operation (four studios) to the park.

## **Development**

### **Two New Offices Schemes to Go Ahead**

Work is to start on two new office schemes in the centre of Bristol. The "Distillery" part of Glass Wharf and "Building 1" of Assembly Bristol on the opposite side of Temple Way will provide nearly 300,000sq.ft of new Grade A office space for the city.

## **Environmental**

### **Bristol Green Leap Attracts Global Interest**

Bristol's pioneering City Leap project, which aims to encourage new ways of helping the city become carbon neutral by 2050 has got off to a great start attracting contributions globally as well as from Bristol's own thriving community energy sector. Bristol's Mayor said, "The high level of interest is a testament to our city's proven track record of delivering ambitious and innovative energy projects".

## **Financial Services**

### **Triodos Targets Ethical SME Market**

The Bristol Based Triodos Bank has appointed a head of small business lending. The ethical bank provides loans and overdrafts of up to businesses and charities that are creating positive social, cultural or environmental impact. Head of UK business at the bank said the new appointee "is the perfect person to implement our goals of supporting sustainable SMEs which are the lifeblood of the UK economy."

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<sup>48</sup> Arts and Humanities Research Council's



## **Bristol Tech Cluster "sixth biggest in Europe"**

Research from CBRE ranks Bristol sixth amongst Europe's tech 'super clusters'. Bristol is described as a centre for software development and engineering talent. A spokesman from the CBRE Bristol office said "It's no surprise that Bristol has been included in the 'super cluster' ranking. Bristol a magnet for young development talent and the city is attracting tech companies of all sizes."

## **Leisure and Tourism**

### **Bristol Earns Place on Global Tourism Map**

Bristol has won a top award as the 'Rising Star' of the international tourism industry. The prize, given by the National Geographic Traveller Reader Awards, that are widely regarded "as the definitive word" was collected by the head of tourism at Destination Bristol who said: "This is some achievement for the whole of the Bristol region".

## **Transport**

### **Bristol Airport "New Destination"**

New routes to Larnaca, Ostersund in Sweden and the Bulgarian capital Sofia among other are expected to boost passenger numbers for Bristol Airport. Bristol is England's third largest regional airport and was named 'Best Airport in Europe' in the 5-10m passenger category in June. The airport expects a record 3.5m passengers to pass through the terminal over the winter.

### **Road Maintenance and Waste Business Continues to Grow**

EMT the Bristol firm based at Ashton Vale in South Bristol that has interests in highway maintenance and recycling has invested £4m in a new recycling facility. The plant is due to come on line next spring. The company's recycling director said: "£4m is a huge investment, but it will place us very much at the forefront of the recycling industry."

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

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