

Bristol Economic Briefing June 2018

Headlines

-  UK economic growth slows and forecasts are cut.
-  UK inflation falls- lowest in over a year.
-  Record employment rate for Bristol.
-  More accolades and investment for the Bristol economy.

Summary

-  The most recent figures¹ from ONS² indicated that the UK economy grew by 1.4% in 2017. UK growth was only half that of Canada (2.9%) and Germany (2.8%) and more than a percentage point below the average (2.5%) for the G7.
-  The ONS estimates³ that the UK economy grew by 0.1% in the first quarter of 2018 down from 0.4% in the last quarter of 2017. This compares to 0.3% for France, Germany and Italy and 0.6% for the USA.
-  In May the Bank of England revised their growth forecast for 2018. In The Bank slashed its growth forecast (of Feb-18) for 2018 from 1.8% to 1.4%.
-  The ONS reported that inflation⁴ was 2.4% in April down from 2.5% in March and the lowest it has been for over a year.
-  The UK unemployment rate has continued to decrease. However, the Claimant Count has increased (12.7%) over the last 5 months and in April was at its highest level (925,450) for nearly 4 years.
-  In December 2017, having increased for the fourth consecutive quarter, the employment rate for Bristol (78.2%) reached the highest level on record.
-  The unemployment rate for Bristol has continued to decrease, but the Claimant Count hasn't changed significantly for 3 years.
-  Bristol continues to attract investment and was rated first amongst the English Core Cities in the Work and Local Economy Domain of Thriving Places Index⁵. Further, the 2018 Tech Nation⁶ report found Bristol's Tech Sector to be the most productive of the thirty "Local Tech Ecosystems" included.

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

² Office of National Statistics

³ <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/secondestimateofgdp/Januarytomarch2018>

⁴ Consumer Price Index (CPI): <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2018>

⁵ <http://www.thrivingplacesindex.org/results>

⁶ <https://technation.io/insights/report-2018/>

BRISTOL Economic Briefing

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1 Overview

The most recent figures from the ONS indicated that the UK economy grew by 1.4% in 2017. UK growth was only half that of Canada (2.9%) and Germany (2.8%) and more than a percentage point below the average (2.5%) for the G7. Further, the ONS reported that the UK economy grew by 0.1% in the first quarter of 2018 compared to 0.3% for France and Germany and 0.6% for the USA. The ONS rejected suggestions that poor weather caused the quarter one slowdown. As a result of the poor first quarter growth, in May the Bank slashed its growth forecast (of Feb-18) for 2018 from 1.8% to 1.4%. On the positive side, in April, inflation fell to its lowest level (2.4%) in over a year and interest rates have remained unchanged. Further, the UK employment rate has continued to rise and unemployment rate has continued, albeit more slowly, to fall. As of Dec-17 the UK employment rate stood at 74.7%, 2.3 percentage points above the level of Dec 2007. Still compared to other national economies the UK is performing poorly. The ONS said⁷ the productivity of British workers still remains well below the rates that could have been achieved had productivity growth continued at its pre-downturn rate. The UK lags much of continental Europe and many other major economic rivals, with labour productivity about 16.3% below the average for the other G7 economies. Further, the vast majority of economists expect the decision to leave the EU to hit growth in the medium to longer term. The Purchasing Managers Indexes for April suggest subdued growth in both services and construction and slower growth in manufacturing and uncertainties about the UK's relationship with Europe are definitely not helping business confidence.

While there is little official data to describe the current local economic conditions, what there is suggests that conditions have plateaued. Although, in December 2017, the employment rate rose to the highest level on record, the Claimant Count hasn't change significantly since April 2015.

Bristol's city centre office property market remains reasonably healthy with take-up in the first quarter of 2017 only 10% below the five year first quarter average. In contrast, with take-up 62.3% below the first quarter average for the previous 5 years, the Out of Town market performed poorly. Bristol continues to attract investment. WECA launched the £4m Future Bright scheme that was developed and will be run by the WECA local authorities. Several schemes aimed at helping businesses expand out of incubator space have been launched and the city continues to attract new businesses. Bristol was first amongst the English Core Cities in the Work and Local Economy Domain of Thriving Places Index and the 2018 Tech Nation report found Bristol's Tech Sector to be the most productive of the thirty "Local Tech Ecosystems" included.

⁷ <https://www.theguardian.com/business/2018/apr/06/uk-labour-productivity-increase-at-fastest-rate-since-financial-crisis>

2 Labour Market

Employment Rates

Having increased significantly (6.1 percentage points) between Dec-13 and Dec-15 the employment rate⁸ in Bristol hasn't changed significantly since. Employment rates for three⁹ of the other 9 British core cities and the UK also increased significantly between Dec-13 and Dec15 but, as in Bristol, employment rates in the British Core and the UK didn't changed significantly between Dec15 and Dec17. In December the employment rate for Bristol (78.2%) was significantly higher than that (74.7%) for the UK.

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

As can be seen from the table opposite, amongst the British Core Cities, Bristol has the highest employment rate.

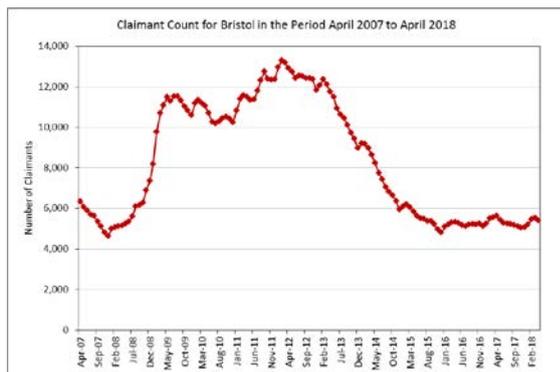
The employment rate for the UK has increased over the last three years and in Dec-17 was higher, by a significant margin, than in Dec-06. Whether they have varied significantly or not in the mean-time, in December 2017 the employment rates for nine of the British Core Cities were

Area	Employment Rate ^{10,11} : Dec of yr.				Change Between Years		
	2006	2013	2016	2017	2006-13	2013-16	2006-17
Bristol	74.5	70.2	75.6	78.2	-4.3	5.4	3.7
Birmingham	62.5	59.0	63.4	63.6	-3.5	4.4	1.1
Cardiff	67.4	68.3	67.6	69.9	0.9	-0.7	2.5
Glasgow	62.7	62.5	67.5	66.0	-0.2	5.0	3.3
Leeds	76.0	68.2	74.0	76.6	-7.8	5.8	0.6
Liverpool	62.6	61.0	64.3	67.1	-1.6	3.3	4.5
Manchester	64.9	61.6	63.4	67.5	-3.3	1.8	2.6
Newcastle	64.4	59.1	67.7	66.6	-5.3	8.6	2.2
Nottingham	64.0	58.1	62.6	57.4	-5.9	4.5	-6.6
Sheffield	66.6	69.7	67.6	70.7	3.1	-2.1	4.1
United Kingdom	72.4	71.2	73.8	74.7	-1.2	2.6	2.3

the same¹² as they were in pre-recession December 2006. In December 2017 the employment rate for Nottingham was lower than in December 2006.

Bristol's Quality of Life Survey¹³ indicates that, in 2017-18, about 3% (7,000) Bristol residents in paid work were employed on Zero Hours Contracts.

Unemployment (Claimant Count)



The Claimant¹⁴ Rate¹⁵ for Bristol (1.7%) in Apr-18, unchanged from Jan-18 and above the level (1.6%) of Dec-17, was 0.5 percentage points below that for the UK (2.2%). Bristol still has the lowest claimant rate of the British Core Cities, however it has been consistently higher than the rest of the West of England (WoE). In April 2018 the number (5,400) of Bristol claimants was higher than that in January 2018 (5,180) and above the level (5,305) of April

2016. Data from the Annual Population Survey indicated that the actual unemployment rate for Bristol residents (aged 16 plus) was 4.2% in December 2017 and that the number of Bristol residents that want work¹⁶ remains in excess of 20,000.

⁸ The percentage of all people aged 16 to 64 (working age population) who are in employment.

⁹ Leeds, Newcastle and Nottingham that all had increase of 6 percentage points or more.

¹⁰ Source: Annual Population Survey, 2014, Nomis®, O.N.S., ©Crown Copyright

¹¹ 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%

¹² Not statistically different.

¹³ <https://www.bristol.gov.uk/statistics-census-information/the-quality-of-life-in-bristol>

¹⁴ On Nomis "Claimant Count": now the number of people claiming JSA plus those who claim Universal Credit who are out of work

¹⁵ Proportion of the Working Age Population (WAP) - all people aged 16 to 64.

¹⁶ Number unemployed plus the economically inactive "who want a job"

Claimant Count by Gender

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As of April 2018 there were 3,505 male and 1,900 female JSA/Universal Credit claimants resident in Bristol. These numbers are 61.8% and 54.4% below the maxima of 2011 to 2012 respectively¹⁷. Thus whereas prior to the 2008 recession about 26% of claimant were female, over the last 3 years it has averaged¹⁸ about 35%. The female population of Bristol has fared worse than males during the post-recession period 2009 to date but since Dec-17 the number of male and female claimants has increased by 9.0% and 3.5% respectively. Still the number of male and female claimants is 8.5% below and 46.2% above the level of pre-recession April 2008, respectively.

Claimant Count by Age

In April 2018 the number (920) of young¹⁹ claimants resident in Bristol was 52% down on that (1,910) for April 2014 just 1.8% up on January 2018. The proportion (17.0%) of claimants aged 18 to 24 years is the lowest on record²⁰. Although the number (1,350) of claimants aged 50 to 64 years is 9.7% below the level (1,495) of April 2014 it is 21.6% above that (1,110) of April 2016 and is still over twice the number (665) of pre-recession April 2008. The proportion of claimants aged 50 to 64 has been increasing at a definite trend rate of 2.1% per year since 2013 and although the proportion (25.0%) fell in the first three moths of 2018 it years remains close to the historic²¹ high²².

JSA Claimants by Duration²³

The numbers of long-term,²⁴very long term²⁵ and extremely long term²⁶ claimants had been falling more or less steadily since some time in 2012-13 but by Dec-15 when the fall was halted all three were still well above the pre-recession levels of early 2008. As of April 2018 there were 1,715 long term; 1,105 very long term and 585 extremely long term claimants resident in Bristol. All three numbers were up on those (1,605, 1,015 and 480 respectively) of January 2017 and remain much higher than pre-recession levels with numbers of long term, very long term and extremely long term claimants 1.4, 2.1 and 5.9 times those of the pre-recession levels²⁷, respectively. Further, in 2017, the numbers of extremely long term claimants grew at a solid trend rate of 87 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 75%) of the "Claimant Count".

¹⁷ September 2011 for female claimants and February 2012 for male claimants

¹⁸ Ranging from 33.2% (Jun-15) to 36.9% (Sep-17)

¹⁹ People aged 18 years to 24 years

²⁰ Since 1986 - the lowest, 2nd, 3rd, 4th 5th and 6th lowest were 17.3% and 17.5% were recorded in the last year.

²¹ Since 1986

²² 26.0% in January 2018 - since June 1985

²³ These are JSA only because the Claimant Count (see footnote 17 above) is not separated by duration or occupation

²⁴ Claiming for over 6 months

²⁵ Claiming over 1 year

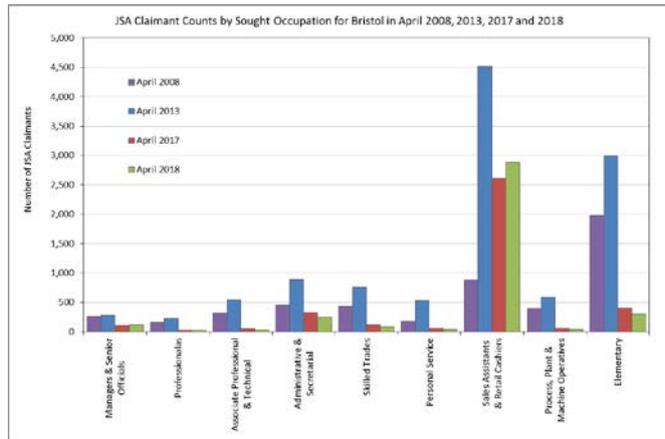
²⁶ Claiming over 2 years

²⁷ of April 2008.

JSA Claimants by Sought Occupation²³

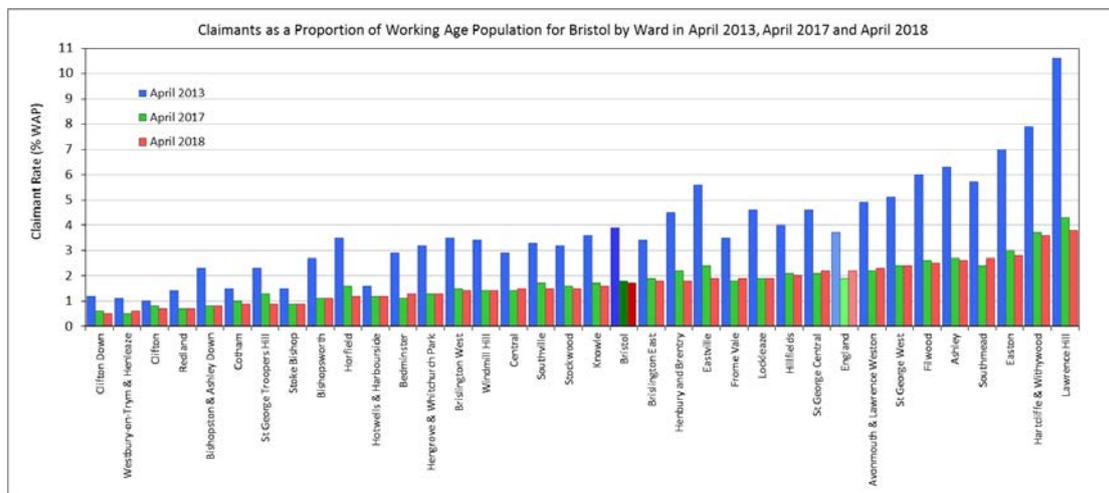
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The chart below shows clearly that in April 2018 the numbers of JSA claimants for eight of the nine major occupational groups were below the pre-recession levels of April 2008. The exception, Sales and Customer Services occupations²⁸, fell by 73% (from 4,515 to 2,600) between April 2013 and April 2016 but remains well above its pre-recession level (890) of April 2008. Further, whilst numbers seeking work all of the other occupational groups²⁹ decreased over the last 2 years, numbers seeking work in Sales and Customers Services have increased. As of April 2018 the over 70% (73.1%) of JSA claimants resident in Bristol were seeking work in this occupational group. This compares to 17.5% in April 2008 when Elementary Occupation had the largest proportion(38.9%) of claimants.



Claimant Count by Ward³⁰ for Bristol

Year on year, the claimant count for Bristol has decreased by 3.7% from 5,610 in April 2017 to 5,400 in April 2018. The decrease left the claimant rate 0.1 percentage points below the April 2017 level, at 1.7%. As is evidenced by the chart below, claimant rates



for 27 of the 34 wards³¹ in Bristol decreased or were unchanged between April 2017 and April 2018. The largest increases were in Southmead (0.3 percentage points) and Bedminster (0.2 percentage points). The largest decrease (0.5 percentage points) was in Lawrence Hill. Still Lawrence Hill (3.8%) remains the worst performing ward with Hartcliffe and Withywood (3.6%) a close second and both with clamant rates over twice the Bristol (1.7%) average. The five worst performing wards are completed by Easton (2.8%); Southmead (2.7%) and Ashley (2.6%). However, it should be noted that Avonmouth and Kingsweston which has a clamant rate of 2.3% and is ranked 8th worst has 51% more claimants (310) than Southmead (205).

²⁸ Note that the sought occupation for over 99% of these was: 711 : Sales Assistants & Retail Cashiers

²⁹ Numbers seeking work in Skilled Trades increased from 105 to 120.

³⁰ Boundary changes restrict the time series for this data set.

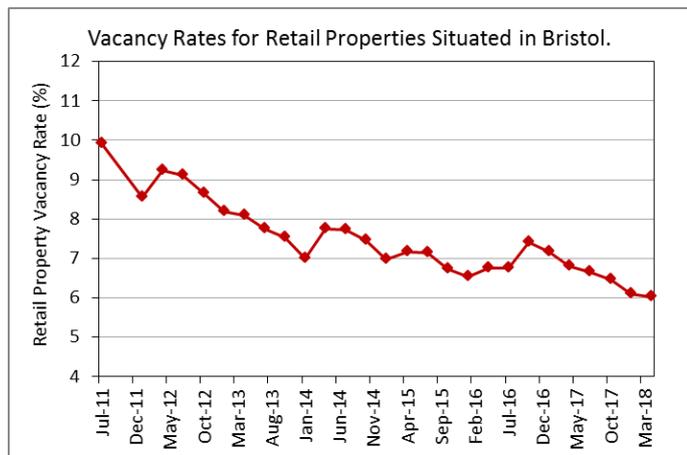
³¹ May 2016 electoral wards

3 Retail and Commercial Property

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Retail

In April 2018 Bristol's citywide retail property vacancy rate was 6.0%, down from 6.8% in April 2017. As is evidenced by the chart opposite the citywide retail vacancy rate for Bristol has been falling more or less steadily since October 2016. In the year to March 2018 there were 291 (source Bank Search³²) new retail business start-ups in Bristol. This is about 25% below the record high (389) of 2013 and only 8.2% above the lowest level reported³³.



Office³⁴

According to the Bristol Office Agents, the level of take-up in Bristol's centre office (124,080sq.ft.) market for the first quarter of 2018 was 1.8% down on the level for 2017 (126,319sq.ft) and 10% below the average (137,852sq.ft.) for the first quarter of the 5 years previous. Take-up, for the quarter, in the out of town market was 31,833 well down (64.5%) on the first quarter (89,774sq.ft) of 2017. Thus during the first quarter of 2018 the City Centre Office Market performed reasonably but not so the Out of Town market. The first quarter report from CBRE³⁵ indicates that 45% of take-up was in the Creative industries sector; 27% in Business Services and 9% in both Manufacturing, Industrial and Energy and Professional Services.

4 New Business Start-ups (BankSearch data)

In the year to March 2018 Bank Search¹⁶ data indicate that there were 3,271 new business starts in Bristol, down 8.5% on the year (3,575) to March 2017.

Over 75% of these were in the sectors shown in the table opposite. Numbers of new business start-ups fell by between 8.8% and 22% in all but two of the sectors. The two exceptions were Accommodation and Food

Industrial Sector	Year to March			% Change 2016-17
	2017	2018		
	count	count	%	
Construction	400	334	10.2	-16.5
Retail trade and repair	319	291	8.9	-8.8
Accommodation & food service	229	287	8.8	25.3
Information & communication	224	239	7.3	6.7
Professional, scientific & technical activities	582	454	13.9	-22.0
Administrative & support services	286	243	7.4	-15.0
Human health & social work	255	209	6.4	-18.0
Recreational, personal & community service	453	398	12.2	-12.1
All Industry	3,575	3,271	100	-8.5

Services and Information & Communication for which the numbers of new start-up grew by 25.3% and 6.7%, respectively.

³² Data base that counts new "business" bank accounts. Source: Start-ups department - BankSearch Information Consultancy Ltd.

³³ In the year to March 2009 there were 269 new retail businesses starts ups

³⁴ Data supplied by Bristol Office Agents Society

³⁵ <https://www.cbre.co.uk/research-results?k=Bristol>

5 Selected Business News April 2018 – May 2018

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Aerospace, Defence and Advanced Engineering

GKN Takeover - Hostile Takeover Succeeds

The Melrose group has succeeded in its hostile takeover bid for GKN, which had invested heavily in its facilities at Filton and Avonmouth. Many fear that even though Melrose has pledged to "keep ownership of GKN's aerospace division" and to "maintain spending on research & development" the facilities will go the same way as the Cadburys' Keynsham plant. Some have condemned central government for allowing the takeover to proceed.

First 3D Printed Bionic Arm for Children and Young People

Open Bionics, the Bristol robotics firm that was founded in 2014, has launched the world's first medically certified 3D-printed artificial arms for child and young, amputees. Having worked with NHS England to obtain certification, the firm, based at UWE's Future Space innovation hub, is to now launch the device commercially in the UK. A US launch is planned for the end of the year.

Creative Industries

£3m Investment for 3radical

3radical, the Bristol-based social media platform developer, whose core product, Voco, that enables brands to connect with on-line audiences has announced further expansion. After obtaining a £3m investment the firm has recruited new senior staff and expects to continue its expansion. The firm's CEO said "he was excited to be building another leading UK-headquartered technology player".

Mr B & Friends and Noble Join

Bristol based Mr B and Friends has launched a joint venture with US based Noble Studios that opened an office in Bristol in 2017. Noble Digital Marketing, which is based at Temple Quay, will bring together "British creativity with American technological expertise" and concentrate on the digital side of marketing.

Kingsdown Printers Enter Administration

The print firm, Kingsdown, that has been operating in Bristol for over 30 years has called in the receivers. All 60 of its employees have been made redundant. Paragon, a printer based at Bradley Stoke has offered anyone who has lost their job at Kingsdown a "guaranteed... a telephone interview".

Channel 4 Shortlist

Bristol has been included in the shortlist of areas to house the new national headquarters of Channel 4. Others on the shortlist include Birmingham, Manchester, Nottingham and Sheffield. The winning location will be announced later in the year.

Bristol Pioneer e3 Merges with London Consultancy

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Trailblazing Bristol digital agency e3 has merged with strategy consultancy London Strategy Unit (LSU) to form Great State. The CEO of the new business said "the merged agency brought "something fresh" to the market.

Education

Future Bright Launched by WECA

WECA launched the £4m Future Bright scheme that was developed and will be run by the WECA local authorities in their own areas. The scheme aims to help people receiving in-work benefits to boost their skills and improve their job opportunities.

Food and Drink

Turtle Bay in the UK's 100 Fastest Growing Businesses

The Bristol based restaurant chain Turtle Bay has seen its annual profits rise at an average of 70% per annum of the last 3 years, putting it amongst the UK's 100 fastest growing businesses.

ICT

5G Demonstrated as Bristol Demonstrates its Leadership

In March Bristol's Millennium square was the venue for the first demonstration of 5G in a public urban area. The demonstration of the next generation wireless technology was the first of its kind globally. Also, in April, research engineers from the University of Bristol attended a 3 day "Future Zone" meeting in Manchester that discussed cyber security in which the University is a leader.

West of England Creative Tech Network Launched

A new £6.5m Creative Technology Network has been launched in the west of England. The network aims to boost the area's creative, health and manufacturing sectors by utilising the power of innovative digital technologies and is supported by a consortium that includes UWE and the Watershed media hub.

Cloud Savings Company Bought by Groupon

The Chicago-based global e-commerce giant Groupon has bought Bristol's Cloud Savings Company in a deal worth £47.2m. Cloud Savings has pioneered web based gift services (Vouchercloud and Giftcloud). Groupon's CEO said: "We're pleased to add two great, profitable brands and very talented teams to the Groupon family.

6 Figure Investment for Revco

Bristol's Private Equity Club has provided a £400k investment for Rovco, the hi tech firm that is developing 3D vision and Artificial Intelligence for sub-sea environments. The business, that launched in autumn 2016, was initially financed (70%) by InnovateUK as part of the UK's robotics and AI in extreme environments programme. The new investment should allow the company to triple its workforce (10 to 30) over the next year whilst developing its technologies.

Leisure and Tourism

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Being Brunel Museum Opens

The Being Brunel museum was opened in March. The museum, that is the first to be dedicated to engineering and is adjacent to the world famous SS Great Britain, is expected to boost Bristol's visitor economy. The new £7.2m museum has already been placed among the Top 10 new attractions opening across the UK this year.

Manufacturing

A-Gas Buys German Firm

Bristol-based international firm A-Gas has bought German refrigerant business Arthur Friedrichs Kältemittel, its second European acquisition in a year. The A-Gas managing director for Europe said: "This investment is a good fit for us."

Professional Services

Canadian Engineering Firm Opens Office in Bristol

Global design and engineering company Stantec UK has opened an office on the second floor of PS21 in Prince Street. Stantec's procurement manager said: "PS21 suits us perfectly because of its location in the heart of Bristol. It's a very good quality space with all the amenities we need and the transport links are ideal."

Gender Balance at Barcan-Kirby

The appointment of three new partners at Bristol law firm Barcan+Kirby has pushed the gender balance (53%) partners in favour of women. The firm's managing partner said: "we are delighted to push the female partnership share of the firm to 53%."

Another Law Firm Opens Offices in Bristol

International law firm Clyde & Co officially opened its Bristol office this week with the aim of making it a 'platform for growth' in the region. The new office, based at the Omega Centre on Victoria Street will, initially, have 3 new partners.

ForrestBrown Acquired by US Group

US based Alliantgroup has bought ForrestBrown the Bristol based R&D tax credit consultancy. The ForrestBrown brand, all employees and its Bristol headquarters will be retained.

Retail Distribution

Irish Group Takeover Matthew Clark

Matthew Clark, the Bristol based distributor of drinks, has been bought by the Irish group C&C that owns the Magners cider maker. C&C said the firm, which employs about 250 people at its Whitchurch headquarters would be run as an independent business.

General News Items

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Various Accelerator Hubs Launched

Bristol and the West of England has seen the inception of several "Accelerator" hubs over the last year or so. These include the Sustainable Technologies Acceleration Hub and digital and advanced engineering hub at the University of Bath and programs at the Universities of Bristol (The Connecting Capability Fund) and The West of England. The UK Business Angels Association has also launched an accelerator hub in partnership with the Engine Shed.

CARGO Work Planned for Wapping Wharf

The concept of Cargo is to be extended to Office Space at Whapping Wharf. Plans have been unveiled that would see 90 shipping containers stacked within the disused J S Fry warehouse on the corner of Wapping Road and Cumberland Road providing "co-working" office space at the site.

Queen's Award Given to Four Bristol Businesses

In April four Bristol firms celebrated winning the Queen's Award for Enterprise. The four businesses were Ultrahaptics that won for its unique technology; Ndemie Creations that won for innovation; Thomas Ware & Sons that won for international trade and Census Group that won for promoting opportunity through social mobility.

Temple Quarter Enterprise Zone

Engine Shed on the Road

Engine Shed on Tour will visit 16 schools and businesses across Bristol, South Gloucestershire, Bath & North East Somerset and North Somerset between March and July. It is hoped that the tour will encourage more young people to get into careers in the tech, digital and low carbon sectors of the region.

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

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