















## Bristol Economic Briefing September 2018

### Headlines

-  UK economic growth picks up.
-  UK manufacturing falls into recession.
-  Inflation rises and interest rates are increased.
-  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 0.4% in the 2<sup>nd</sup> quarter of 2018 up from 0.2% in the 1<sup>st</sup>, but was still only 5<sup>th</sup> fastest growing of the G7 with a growth rate less than half the top two (USA and Canada).
-  Despite the increase in overall growth, having contracted for two consecutive quarters, Manufacturing has fallen into recession. The sector contracted by 0.9% in the second quarter of 2018.
-  The Bank of England raised interest rates by one quarter of one percent from 0.5% to 0.75%.
-  The ONS reported that inflation<sup>3</sup> was 2.5% in July up from 2.4% in June and back to the level of March this year.
-  The UK unemployment rate has continued to decrease and as of April 2018 stood at 4.3%. However, the Claimant Count has increased<sup>4</sup> (13.5%) over the last 12 months and in July stood at 903,955 the highest it has been in July since 2015.
-  Having increased for the fourth consecutive quarter in 2017, reaching a record high in December 2017, the employment rate for Bristol remained unchanged at 78.2% for the first quarter of 2018.
-  The unemployment rate for Bristol has continued to decrease, but the Claimant Count, that remains above 5,000, hasn't changed significantly 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> with the a few small downward excursions

## Bristol Economic Briefing September 2018

### 1 Overview

The most recent figures from the ONS indicated that the UK economy grew by 0.4% in the second quarter of 2018 up from 0.2% in the first. Data published by the OECD<sup>5</sup> indicates that the UK was the fifth amongst the G7 with the top two (USA and Canada) growing at least twice as fast. UK growth was dominated by the Services sector that grew by £1,900m (0.5%). Construction grew by £250m (0.9%) and having contracted for the second successive quarter (0.1% in Q1-18 and 0.9% in Q2-18) manufacturing fell into recession. The rebalancing of the UK economy, away from services, that was voiced as long ago as 2010 is still looking like a long-term project. The boost to UK manufacturing, with the fall in sterling following the 2016 referendum, appears to have eased. UK inflation increases from 2.4% in June to 2.5% in July and the Bank of England increased interest rates from 0.5% to 0.75%. The rise in interest rates provoked argument with some in the business community describing the decision as "ill judged" and others disparaging the Bank of England's approach. At least one commentator has suggested that "The era of low interest rates will last another 20 years". Despite businesses warning about recruitment problems, including skill shortages, the traditional inflationary pressures that result from low unemployment have not materialised. In fact wage growth has for the most part lagged behind price inflation and most people remain worse off than they were before the recession. Despite this, the salaries of CEOs of the FTSE 100 increased by an average of 11% in 2017. The raise alone represents nearly half a lifetime's (18+ years) earnings for more than half of the UK's working population. In respect of the skills shortages the CIPD<sup>6</sup> pointed, out<sup>7</sup> over a year ago, that the UK ranks in the bottom four OECD countries for literacy and numeracy among 16-24 year olds and employers train less and invest less in skills than most other EU countries and suggested 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 reached a plateau. In April 2018 the employment rate (78.2%) of 16 to 64 year old residents of Bristol was not significantly different from the rate for April 2017 (76.2%) and the Claimant Count remains at just over 5,000 (5,140) largely unchanged since July 2016.

Bristol continues to attract both private and public investment. The National Composite Centre is to receive a £65m government investment and Bristol businesses continue to attract local and global investors. The most notable was the purchase of the University of Bristol spin-out, Ziylo, by Novo Nordisk, the Danish based multi-national health care giant, for £800m.

<sup>5</sup> <https://data.oecd.org/gdp/quarterly-gdp.htm#indicator-chart>

<sup>6</sup> Chartered Institute of Personnel and Development

<sup>7</sup> <https://www.cipd.co.uk/about/media/press/170419-uk-skills-crisis>

## 2 Labour Market

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### Employment Rates

Disregarding intermediate dates, the employment rate for Bristol increased<sup>8</sup> 8.3 percentage points between March 2014 and March 2018. Employment rates for the UK and four<sup>9</sup> of the other 9 British core cities also increased in this period. In March 2018 the employment rate for Bristol (78.2%) was higher than that of the UK (74.8%).

**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

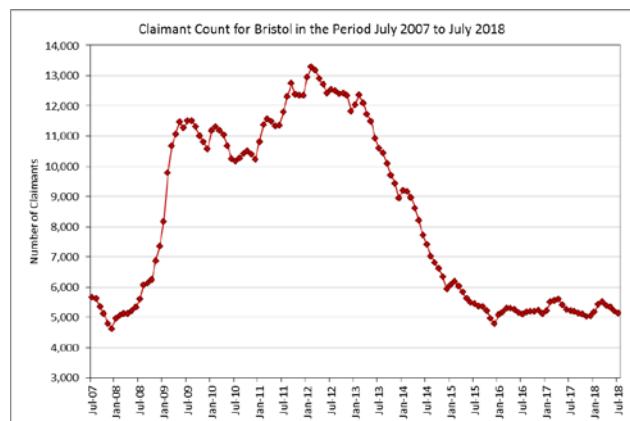
best<sup>12</sup> employment rate. The employment rate for the UK has increased over the last three years and in March 2018 was higher, by a significant margin, than in March 2006. Whether they have varied in the meantime, in March 2018 the employment rates for seven of the British Core Cities were the same<sup>13</sup> as pre-recession March 2006.

Area	Employment Rate <sup>10,11</sup> : Mar of yr.				Change Between Years		
	2006	2014	2017	2018	2006-14	2014-18	2006-18
Bristol	73.8	69.9	76.2	78.2	-3.9	8.3	4.4
Birmingham	61.5	60.1	64.5	64.4	-1.4	4.3	2.9
Cardiff	67.7	69.4	69.1	72.0	1.7	2.6	4.3
Glasgow	62.7	64.0	67.4	66.5	1.3	2.5	3.8
Leeds	73.2	69.0	74.8	76.8	-4.2	7.8	3.6
Liverpool	60.9	61.2	65.0	67.6	0.3	6.4	6.7
Manchester	61.2	62.1	63.0	68.9	0.9	6.8	7.7
Newcastle	65.2	60.3	65.7	68.4	-4.9	8.1	3.2
Nottingham	64.8	59.8	60.9	58.6	-5.0	-1.2	-6.2
Sheffield	67.5	68.7	69.0	70.4	1.2	1.7	2.9
UK	72.4	71.4	74.0	74.8	-1.0	3.4	2.4

### Unemployment (Claimant Count)

The Claimant<sup>14</sup> Rate<sup>15</sup> for Bristol (1.6%) in July 18, unchanged from Jan.20 18 and just below the level (1.7%) of April 2018, was 0.6 percentage points below that for the UK (2.2%).

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 Cambridge and Warwick (0.8%). The chart opposite shows that the number of Bristol residents that were unemployed and claiming Universal Credit hasn't changed significantly since Jan. 2017. The number ranged from a minimum of 5,025 (Nov. 2017) to a maximum of 5,610 (April 2017) with an average of 5,251.



The nationally recognised<sup>16</sup> measure of unemployment indicates that there were 9,800 unemployed people resident in Bristol in March 2018. Data from the Annual Population Survey indicated that the actual unemployment rate for Bristol residents (aged 16 plus) was 3.8% in March 2018 and that the number of Bristol residents that want work<sup>17</sup> remains in excess<sup>18</sup> of 20,000.

<sup>8</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>9</sup> Leeds, Liverpool, Manchester and Newcastle that all had increase of 6.4 percentage points or more.

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

<sup>11</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>12</sup> Since December 2004 this has been true for 80% of the time

<sup>13</sup> Not statistically different.

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

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

<sup>16</sup> "Model Based Unemployment" see: Annual Population Survey, 2018, Nomis®, O.N.S., ©Crown Copyright

<sup>17</sup> Number unemployed plus the economically inactive "who want a job"

<sup>18</sup> 22,800

## Claimant Count by Gender

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As of July 2018 there were 3,260 male and 1,880 female JSA/Universal Credit claimants resident in Bristol. These numbers are 64.5% and 54.9% below the maxima of 2011 to 2012 respectively<sup>19</sup>. Thus whereas prior to the 2008 recession about 26% of claimants were female, over the last 5 years it has averaged<sup>20</sup> about 35%. The female population of Bristol has fared worse than males during the post-recession period 2009 to date. Further, since March 2018, the number of female and male claimants has fallen by 1.1% and 9.6% respectively. Thus the number of male and female claimants is 22.3% below and 28.32% above the level of pre-recession April 2008, respectively.

## Claimant Count by Age

In July 2018 the number of young<sup>21</sup> claimants resident in Bristol (885) was 72% down on that for July 2012 (3,165) and 2.2% down on January 2018. The proportion (17.2%) of claimants aged 18 to 24 years is close to the lowest on record<sup>22</sup>. The number of young claimants hasn't changed significantly<sup>23</sup> over the since December 2015. Although the number (1,370) of claimants aged 50 to 64 years is 21.9% below the level (1,755) of July 2012 it is 19.1% above that (1,150) of July 2016 and is still over twice the number (675) of pre-recession July 2008. The proportion of claimants aged 50 to 64 has been increasing<sup>24</sup> since 2012 and since 2013 at a definite trend rate of 2.1% per year. Thus, as of July 2018 the proportion (26.7%) was the second highest on record<sup>25</sup>, the highest (26.9%) having occurred a month earlier.

## JSA Claimants by Duration<sup>26</sup>

The numbers of long-term,<sup>27</sup>very long term<sup>28</sup> and extremely long term<sup>29</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 July 2018 there were 1,795 long term; 1,105 very long term and 605 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 6.1 times those of the pre-recession levels<sup>30</sup>, respectively. Further, since 2017, the numbers of extremely long term claimants grew at a solid trend rate of 84 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".

<sup>19</sup> September 2011 for female claimants and February 2012 for male claimants

<sup>20</sup> Ranging from 33.2% (Jun-15) to 36.9% (Sep-17)

<sup>21</sup> People aged 18 years to 24 years

<sup>22</sup> Since 1986 - the 7 lowest were recorded in the last year and ranged from 16.9% to 17.5%

<sup>23</sup> Ranged from 885 (multiple times) to 1,040 (August 2016) with an average of 953

<sup>24</sup> In the 15 years Prior to 2012 the proportion ranged from 11.4% to 14.9% with an average of 13.1%

<sup>25</sup> Since 1986

<sup>26</sup> These are JSA only because the Claimant Count (see footnote 17 above) is not separated by duration or occupation

<sup>27</sup> Claiming for over 6 months

<sup>28</sup> Claiming over 1 year

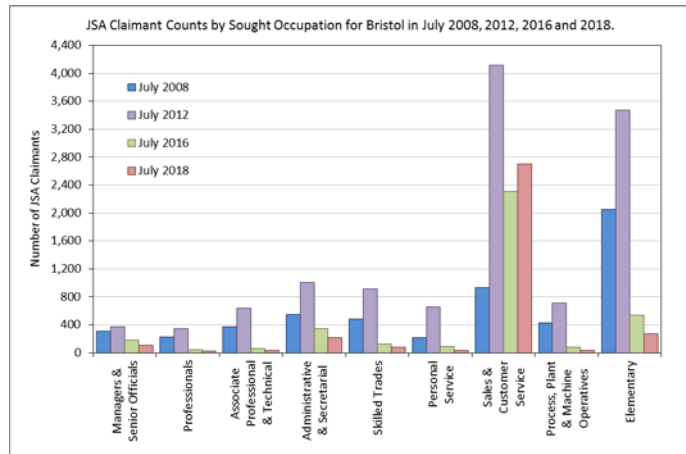
<sup>29</sup> Claiming over 2 years

<sup>30</sup> of April 2008.

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

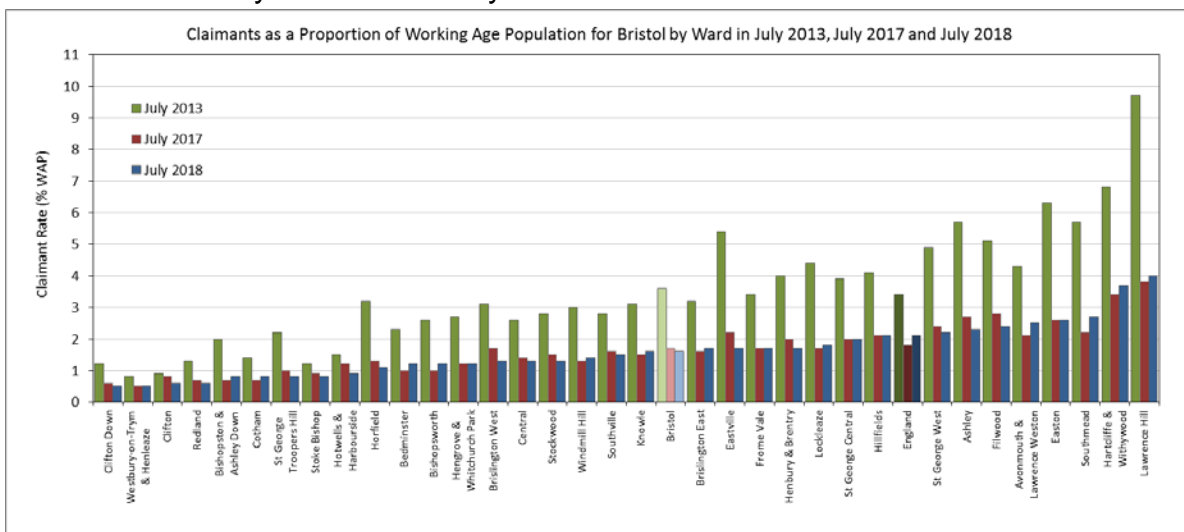
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The chart below shows clearly that in July 2018 the numbers of JSA claimants for eight of the nine major occupational groups were below the pre-recession levels of April 2008. The exception, Sales and Customer Services occupations<sup>31</sup>, fell by 44% (from 4,515 to 2,310) between July 2012 and July 2016 but remained well above its pre-recession level of July 2008 (930). Further, whilst numbers seeking work all of the other occupational groups<sup>32</sup> decreased over the last 2 years, numbers seeking work in Sales and Customers Services have increased. As of July 2018 nearly 75% (74.7%) of JSA claimants resident in Bristol were seeking work in this occupational group. This compares to 17% in July 2008 when Elementary Occupation had the largest proportion (37.9%) of claimants.



## Claimant Count by Ward<sup>33</sup> for Bristol

Year on year, the claimant count for Bristol has decreased by 1.6% from 5,225 in July 2017 to 5,140 in July 2018. The decrease left the claimant rate at the same level as July 2016 and 0.1 percentage points below that of July 2017 level, at 1.6%. As is evidenced by the chart below, claimant rates for all the wards are well below the highs of July 2013. Between July 2017 and July 2018 rates for 22 of the 34 wards<sup>34</sup> in Bristol



decreased or were unchanged. Of the 12 wards where claimant rates increased 8 had increases of 0.2 percentage points or less and claimant rates below the English average. The largest increases were in Southmead (0.5 percentage points); Avonmouth & Lawrence Weston (0.4 percentage points) and Hartcliffe & Withywood (0.3 percentage points). The four worst performing wards are Lawrence Hill (4.0%); Hartcliffe & Withywood (3.7%); Southmead (2.7%) and Avonmouth and Kingsweston (2.5%). However, Ashley with a claimant rate of 2.3% has more claimants (335) than Southmead (210) and Avonmouth and Kingsweston (325).

<sup>31</sup> Note that the sought occupation for over 99% of these was: 711 : Sales Assistants & Retail Cashiers

<sup>32</sup> Numbers seeking work in Skilled Trades increased from 105 to 120.

<sup>33</sup> Boundary changes restrict the time series for this data set.

<sup>34</sup> May 2016 electoral wards

### 3 Retail and Commercial Property

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#### Retail

In July 2018 Bristol's citywide retail property vacancy rate<sup>35</sup> was 9.4%. In the year to June 2018 there were 255 new retail business start-ups in Bristol (source Bank Search<sup>36</sup>). This is about 37% below the record high (402) of June 2013 and just below (1.5%) the lowest June level reported<sup>37</sup>.

#### Office<sup>38</sup>

According to the Bristol Office Agents, the level of take-up in Bristol's centre office market for the second quarter of 2018 (143,904sq.ft.) was 1.6% up on the level for 2017 (141,670sq.ft) and 11.3% below the average (162,171sq.ft.) for the second quarter of the 5 years previous. Take-up for the second quarter, in the out of town market was 139,000sq.ft over double the first quarter (58,999sq.ft) of 2017 and the average (68,817sq.ft) for the second quarter of the 5 previous years. Thus during the first half of 2018 the City Centre and Out of Town Office Markets of Bristol performed reasonably well. The half year report from CBRE<sup>39</sup> indicates that 30% of take-up was in the Creative industries sector; 36% in Business Services and 8% in both Banking and Finance and Professional Services and 6% in Manufacturing, Industrial & Energy

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

In the year to June 2018 Bank Search<sup>36</sup> data indicate that there were 3,149 new business starts in Bristol, down 10.7% on the year to June 2017 (3,527) and the lowest

Industrial Sector	Number of New Business Start-ups in the Year to June			% Change 2016-18	% Change 2017-18
	2016	2017	2018		
Manufacturing	202	180	133	-34.2	-26.1
Construction	400	375	305	-23.8	-18.7
Wholesale, retail trade, repair of motors & motorcycles	69	83	78	13.0	-6.0
Retail trade and repair	345	344	255	-26.1	-25.9
Accommodation & food service	235	238	285	21.3	19.7
Transportation & storage	150	163	149	-0.7	-8.6
Information & communication	174	248	237	36.2	-4.4
Professional, scientific & technical activities	556	552	448	-19.4	-18.8
Administrative & support services	316	257	243	-23.1	-5.4
Human health & social work	293	235	215	-26.6	-8.5
Personal & community service activities	300	282	208	-30.7	-26.2
Recreational, cultural & sporting activities	170	157	176	3.5	12.1
All Industry	3637	3527	3149	-13.4	-10.7

number for June on record. Just over 85% of these were in the sectors shown in the table above. Numbers of new business start-ups fell by between 4.4% and 26% in all but two of the sectors. The two exceptions were Accommodation and Food Services and Recreational, cultural & sporting activities for which the numbers of new start-up grew by 19.7% and 12.1%, respectively.

<sup>35</sup> Due to changes in methodology this estimates is not comparable with those published in previous briefings.

<sup>36</sup> Data base that counts new "business" bank accounts. Source: Start-ups department - BankSearch Information Consultancy Ltd.

<sup>37</sup> In the year to June 2009 there were 259 new retail businesses starts ups

<sup>38</sup> Data supplied by Bristol Office Agents Society

<sup>39</sup> <https://www.cbre.co.uk/research-results?k=Bristol>

## 5 Selected Business News July 2018 – August 2018

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

#### **Rolls-Royce Jobs Under Threat**

Rolls-Royce, the world renowned aero-engine manufacturer, announced 4,600 redundancies in mid June, saying that although their Derby site would be hit the worst some corporate and support jobs would go at its Filton plant which currently employs about 3,000 people manufacturing and assembling engine parts.

#### **Airbus Voices Concerns Over Brexit**

Airbus has warned that, should the negotiations between the UK and the EU to settle the terms on which the UK will leave the EU conclude without a deal, its site at Filton would be at risk. About 4,000 people work at the site. The chief executive of the Bristol Chamber of Commerce said Airbus's warning had to be taken very seriously and added "The role of Airbus as an employer and as an anchor firm for our hi-tech, advanced manufacturing and aerospace sectors is hard to overstate". The message from Airbus is quite clear "no deal" may result in the business moving elsewhere.

### **Creative Industries**

#### **Channel 4 Decision**

Despite being seen by many as one of the front runners, Bristol has failed to reach the final stages of the competition to be the home of Channel 4's new national headquarters. Bristol will continue to compete for the "creative hubs" and will find out whether it has been successful in securing one of them in October.

### **Development**

#### **Iconic Generator Building to be Transformed**

One of the city's most iconic former industrial buildings is to be redeveloped. Plans to convert the building to high quality office space have been given the go-ahead. The £12m renovation and conversion of the Generator Building will create 28,300 sq ft of work space, for up to 300 people.

#### **Mixed Development for Former Avon Fire & Rescue Headquarters**

The Bristol based developer Cubex and its partner Palmer Capital have purchased the former Avon Fire & Rescue Headquarters. Cubex propose to redevelop the site as a mixed scheme with a 100,000 sq.ft. office building and 300 plus homes.

#### **Redcliffe Quarter Development Based on Indie Food & Culture**

The 3.3 acre, derelict site, between St Thomas Street and Redcliffe Street is set to be transformed into a "vibrant area with homes, bars, restaurants, a European-style food hall, upmarket hotel and co-working space".

## **Cargo Continues**

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CARGO, the flourishing business community, at Wapping Wharf is set to expand further. The original CARGO 1 was completed in October 2016 and followed by CARGO 2 about six months later. This extension will add "new units and more al fresco dining".

## **Education**

### **University of the West of England (UWE) Gains "Gold Standard"**

The latest assessment of higher education providers has resulted in UWE being awarded "gold status" in the Teaching Excellence and Student Outcomes Framework (TEF). UWE was praised by assessors for its outstanding graduate employability outcomes and successful approaches to personalised learning.

## **Energy**

### **Two Bristol Businesses Combine to Supply Renewable Energy**

Bristol Energy has teamed up with Bristol based Thrive Renewables to provide clean renewable energy for the city. The deal in which Bristol Energy is to purchase wind farm generated electricity from Thrive will power 564 homes in Bristol.

## **Environmental**

### **Bristol consultancy takes lead role in Europe-wide Research**

Eunomia, which was founded in Bristol in 2001 and employs more than 70 people in Bristol and its satellite offices has been chosen to lead an EU wide project to research how a broad range of products (from toys to cars and furniture) can be utilised more sustainably. The firm is heading a consortium of six European consultancies which will study how the products fit into the "circular economy" addressing questions of sustainable manufacture, transport and disposal.

## **Food and Drink**

### **Difficulties in the Restaurant Business**

The number of restaurants in the UK has fallen for the first time in eight years as sales stagnate and costs rise. In Bristol there have been a number of new restaurants opening already this year, but there have been an alarming number of closures, including restaurants in Clifton, Old Market, Montpellier, Totterdown and Central Bristol.

## **ICT**

### **Bristol Firm Launches Software for Small Builders**

Based at Future Space, the software business HBXL launched its subscription based software "BuildingWorks" in mid June. The software is designed to streamline aspects of the development and building process, including estimating, design and management and should be of use to businesses involved in small scale construction.



## **Star of Bristol Tech Sector, Brightpearl, Secures £11.4m Investment**

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Brightpearl, which was founded in Bristol's highly successful SETsquared innovation incubator in 2007 and has grown its customer base to nearly 1,500, has received £11.4m. The investment will be used by the firm to introduce machine learning capabilities into their software and support continued expansion.

## **European Trade Certificate Utilises Blockchain Technology**

Blockchain technology has come to Bristol. The pilot project involved Business West, Renishaw and IT business i2i Infinity. Business West and its IT partner i2i Infinity issued a "European Certificate of Origin" to Renishaw using secure Blockchain technology.

## **Medical**

### **Bristol's Private Equity Club Funds Development of a Pioneering Early Warning System for Skin Cancer**

The Cities Private Equity Club has provided Skin Analytics with a £300,000 boost. The Bristol based business has developed an early diagnosis tool using AI that could revolutionise diagnosis of skin cancer.

### **Bristol Firm Bought By Global Giant Novo Nordisk**

The University of Bristol spin-out company Ziylo that is based at the Unit DX science incubator has been bought by Novo Nordisk, the Danish based multi-national health care giant. Ziylo has been at the forefront in the development of innovative treatments for diabetes and will use the funds provided by the acquisition to continue this work.

## **Professional Services**

### **Law Firms Grow but Profit Margins are Becoming Slimmer**

Accountancy group Smith Williamson have reported, following in depth analysis, that although law firms have been reporting record revenues over the last few years, the same cannot be said for profit margins. The research found that operating profit margins have fallen by 1% each year, this despite many firms investing to improve efficiency.

## **Transport**

### **Bristol Airport lands it title of 'best in Europe'.**

Bristol Airport, which handled 8.1m passengers last year, has been voted the best airport of its size in Europe in one of the industry's top awards schemes. The judges said they selected Bristol for its continued investment in infrastructure, its staff training and increased public transport links.

## General News Items

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### Inclusive Growth

#### Pioneering Partnership Should Contribute to Inclusive Growth

The Engine Shed is to extend its reach to provide access to its expertise to a broader spectrum of the population. The one-year pilot which started in June, aims to provide more inclusive business support for businesses and entrepreneurs from under represented areas.

### Temple Quarter Enterprise Zone

#### Dedicated Website Launched

Bristol's Engine Shed and the West of England Growth Hub launched a new website in August. The site provides a one stop shop for growing businesses. The so-called "scale up generator" website includes maps of scale-up support and insights into the challenges of growing a business at pace in the region. The resource was created by the Engine Shed's scale-up enabler and aims to invigorate the investment ecosystem in the region and improve access to finance and build the profile of the region as a home for successful scale up companies.

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

Stephen Usmar,  
Economic Intelligence Officer,  
Policy and Research Team,  
Policy Research & Communications,  
Bristol City Council.

email: [stephen.usmar@bristol.gov.uk](mailto:stephen.usmar@bristol.gov.uk)

Phone: 0117 9222925