













Bristol Economic Briefing September 2019

Headlines

-  UK economy shrank in the second quarter of 2019.
-  UK productivity fell for the third quarter running.
-  Employment rates for Bristol remain high.
-  The Bristol economy looks quite stable.

Summary

-  The most recent figures¹ from the ONS² indicated that the UK economy contracted by 0.2% in the 2nd quarter of 2019. This compares to positive growth³ of 0.20% for the EU 28; 0.37% for the G7 and 0.51% for the USA.
-  Measured by output per hour worked, UK productivity (that has been largely stagnant over the last few years) fell for the third quarter running at the beginning of 2019.
-  At the beginning of August the Bank of England revised its growth forecast for 2019 and 2020 down from 1.5% and 1.6% respectively to 1.3% for both years. Others have suggested even lower growth.
-  The ONS reported that inflation⁴ was 2.0% in July unchanged from March. CPI inflation has been quite stable (1.8% to 2.1%) since the beginning of the year.
-  The UK employment rate has continued to rise. As of March 2019 the rate was at a record (since 2004) high of 75.2%.
-  The UK unemployment rate has continued to fall. As of March 2019 the rate was at a record (since 2004) low of 4.2%.
-  The employment rate (77.6%) for Bristol remains the highest of the British Core Cities and is above the national average.
-  Overall the economy of Bristol looks in reasonable condition but is unlikely to be immune to external factors. The city continues to attract investment and business in a variety of sectors including Construction. Local businesses, in the services sectors, continue to grow.

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

² Office of National Statistics

³ OECD Data: Quarterly GDP

⁴ Consumer Price Index (CPI): <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/july2019>

BRISTOL Economic Briefing

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1 Overview

The most recent figures from the ONS indicated that the UK economy contracted by 0.2% in the second quarter of 2019 for the first time since 2012. This compares to positive growth³ of 0.20% for the EU 28; 0.37% for the G7 and 0.51% for the USA. The only part of the UK economy that grew was the Services sector and this at the lowest rate (0.1%) since the second quarter⁵ of 2016. Manufacturing saw exceptional⁶ growth in the first quarter of 2019, but contracted by over 2% in the second quarter. Manufacturing output remains below the level⁷ of pre-recession 2007. Construction contracted by 1.3%. Productivity remains a problem. The latest data from the ONS⁸ indicates that, "Labour productivity for Quarter 1 (Jan to Mar) 2019, as measured by output per hour, decreased by 0.2% compared with the same quarter in the previous year ...the third consecutive quarter of contraction". In the long-term post-recession and adverse economic conditions that persisted for several years, productivity has grown at a definite⁹ trend rate of 0.74 percentage points per annum. This compares to 1.73 percentage points per year pre-recession¹⁰.

The UK employment rate (75.2%) remains at a record high, although, as of June 2019, real earnings remain¹¹ below (0.9%) the pre-recession high of July 2007. Various commentators have expressed concern about the state of the global economy. One said,¹² "Every central bank around the world is trying to prop up economies and every politician around the world is trying to destroy economies." The latest forecasts¹³ for the UK economy estimate, under the most favorable circumstances, growth of 1.2% in 2019 and 1.1% in 2020. The Bank of England¹⁴ and others¹⁵ have forecast higher growth.

While there is little official data to describe current local economic conditions, what there is suggests that conditions have plateaued. In March 2019 the employment rate (77.6%) in Bristol was not significantly different from the rate (78.1%) for March 2018. The Claimant Count for Bristol has risen and as of July 2019 stood at 7,855, largely caused by changes¹⁶ in the benefits system. There are still over 20,000 Bristol residents who want to work. Having started the year poorly the City Centre Office market recovered in the second quarter with serviced office space leading the way. Bristol continues to attract investment and customers. The Creative sector has seen positive signs with the Bottle Yard studios attracting work and other Bristol businesses attracting high profile customers.

⁵ Outside recessions 2nd quarter growth of 0.1% or less is relatively unusual for the services sector; about 1 in 8 quarters since 1990

⁶ First quarter growth in manufacturing has only reached the level of first quarter 2019 on one occasion since 1990

⁷ 3% below the level of the 2nd quarter of 2017

⁸ [Labour productivity, UK: January to March 2019](#) -

⁹ for the years 2013 to 2018 inclusive with a trend quality metric $R^2 = 0.9922$ i.e. a definite trend

¹⁰ for the years 2002 to 2007 inclusive with a trend quality metric $R^2 = 0.9900$ i.e. a definite trend

¹¹ [Average weekly earnings in Great Britain: August 2019](#)

¹² <https://www.bbc.co.uk/news/business-49352760>

¹³ <https://www.independent.co.uk/news/business/news/uk-economy-brexite-niesr-forecasts-latest-a9015646.html>

¹⁴ <https://www.bbc.co.uk/news/business-49189376>

¹⁵ <https://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook.html>

¹⁶ As the changes are rolled out the number of people recorded as being on the Claimant Count is therefore likely to rise.

2 Labour Market

Employment Rates

Regardless of what happened at intermediate dates, the employment rate for Bristol increased¹⁷ (7.7 percentage points) between Mar-14 and Mar-19. Employment rates for the other nine British core cities and the UK also increased in this period. In Mar-19 the employment rate for Bristol (77.6%) was higher than that (75.2%) for the UK.

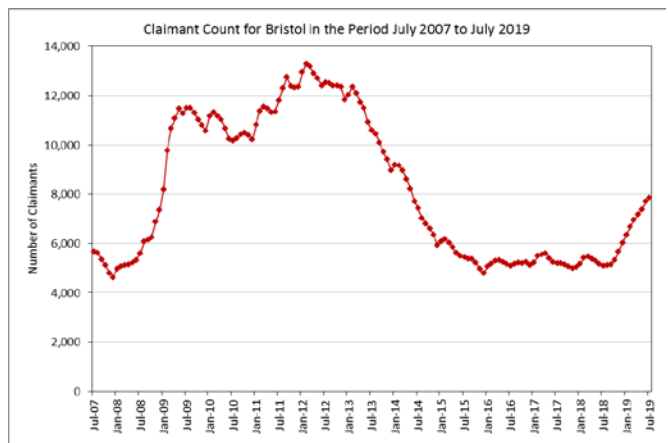
Table 1: Employment Rates for the UK and the Core Cities

As can be seen from the table opposite, amongst the British Core Cities, Bristol has the best¹⁸ employment rate. The employment rate for the UK has increased over the last three years and in Mar-19 was higher, by a significant margin, than in Mar-06. Whether they have varied in the meantime, in Mar-19 the employment rates for six of the British Core Cities, including Bristol, were the same¹⁹ as they were in pre-recession Mar-06. Employment rates in the other four (Liverpool, Manchester, Cardiff and Sheffield) were significantly higher than in 2006.

Area	Employment Rate ^{20,21} : Mar of yr.				Change Between Years		
	2006	2014	2018	2019	2006-14	2014-19	2006-19
Bristol	73.8	69.9	78.1	77.6	-3.9	7.7	3.8
Birmingham	61.5	60.1	64.3	65.5	-1.4	5.4	4.0
Cardiff	67.7	69.4	71.9	75.6	1.7	6.2	7.9
Glasgow	62.7	64.0	66.5	65.8	1.3	1.8	3.1
Leeds	73.2	69.0	76.9	75.5	-4.2	6.5	2.3
Liverpool	60.9	61.2	67.5	66.6	0.3	5.4	5.7
Manchester	61.2	62.1	68.9	68.8	0.9	6.7	7.6
Newcastle	65.2	60.3	68.5	67.8	-4.9	7.5	2.6
Nottingham	64.8	59.8	58.7	64.1	-5.0	4.3	-0.7
Sheffield	67.5	68.7	70.4	74.6	1.2	5.9	7.1
UK	72.4	71.4	74.8	75.2	-1.0	3.8	2.8

Unemployment (Claimant Count)

The Claimant²² Rate²³ for Bristol (2.5%) in Jul-19, was 0.3 percentage points below that for the UK (2.8%). Claimant counts for Bristol have increased steadily since Sep-18, because of changes in the benefits system²⁴. The same is true of the UK and the vast majority of local authorities in the UK. Bristol still has the lowest claimant rate of the British Core Cities, however it remains the higher than the rest of the West of England (WoE) and other areas such as Guildford (0.8%); Stroud and Warwick (1.3%), Exeter (1.5%), and Edinburgh (1.7%). The nationally recognised²⁵ measure of unemployment indicates that there were 9,900 unemployed people resident in Bristol in Mar-19. Data from the Annual Population Survey indicated that the actual unemployment rate for Bristol residents (aged 16 plus) was 3.8% in March 2019 and that the number of Bristol residents that want work²⁶ remains in excess²⁷ of 20,000.



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

¹⁸ Since December 2004 this has been true for 80% of the time

¹⁹ Not statistically different.

²⁰ Source: [Annual Population Survey, 2014, Nomis®, O.N.S., ©Crown Copyright](#)

²¹ The 95% confidence limits for this Core Cities data vary from 2.2% to 3.3% and that for the UK has always been 0.2%

²² On Nomis "Claimant Count": now the number of people claiming JSA plus those who claim Universal Credit who are out of work

²³ Proportion of the Working Age Population (WAP) - all people aged 16 to 64.

²⁴ Under Universal Credit a broader span of claimants are required to look for work than under JSA, hence the increase.

²⁵ "Model Based Unemployment" see: [Annual Population Survey, 2019, Nomis®, O.N.S., ©Crown Copyright](#)

²⁶ Number unemployed plus the economically inactive "who want a job"

²⁷ 23,400

Claimant Count by Gender

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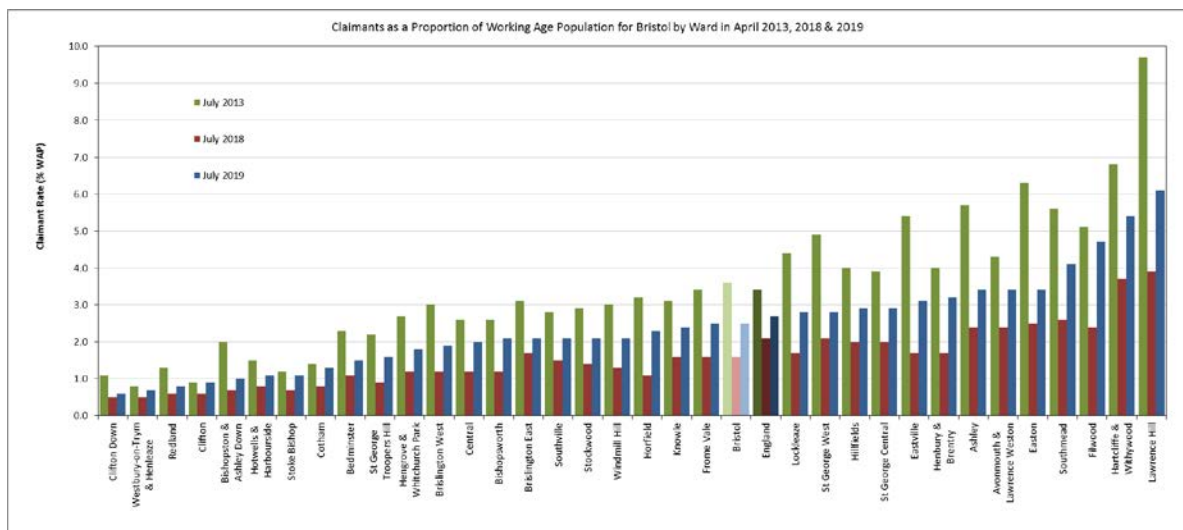
As of July 2019 there were 4,805 male and 3,045 female JSA/Universal Credit claimants resident in Bristol. These numbers are 47.6% and 26.9% below the maxima of 2011 to 2012 respectively²⁸. Thus whereas prior to the 2008 recession about 26% of claimants were female, over the last five years it has averaged²⁹ about 36%. The female population of Bristol has fared worse than males during the post-recession period 2009 to date.

Claimant Count by Age

In July 2019 the number (1,355) of young³⁰ claimants resident in Bristol was 57% down on that (3,165) for July 2012 but has risen¹⁷ in recent months. The proportion (17.3%) of claimants aged 18 to 24 years is close to the lowest on record³¹. The number (1,925) of claimants aged 50 years remains relatively high. The proportion of claimants aged 50 and over has fallen slightly over the last year and as of July 2019 stood at 24.5%. However this is still over 10 percentage points above the pre-recession levels that had persisted for over 10 years.

Claimant Count by Ward³² for Bristol

Claimant counts for Bristol have increased steadily since Sep-18, because of changes in the benefits system. The increase has been distributed throughout the wards of the city. The annual increase, July 2018 to July 2019, for Bristol was 54.2%. Increases at ward level ranged from 25% (Stoke Bishop) to 100% (Horfield). For the most part in absolute terms the



worse performing wards were the worst affected. Thus the worst performing wards haven't changed. Claimant rates for the five worst performing wards were Hartcliffe (4.0%); Southmead (4.1%); Whitchurch Park (4.3%); Filwood (4.8%) and Lawrence Hill (6.0%). Kingsweston, Ashley and Easton follow in 6th, 7th and 8th position. It should be noted however that Ashley has twice as many claimants as Kingsweston and that in absolute terms the seven worst performing wards were Hartcliffe and Whitchurch Park (295); Southmead (305); Easton (340); Filwood (385); Ashley (480) and Lawrence Hill (920). These seven wards have 38.4% of all claimants resident in Bristol.

²⁸ September 2011 for female claimants and February 2012 for male claimants

²⁹ Ranging from 33.8% (Feb-16) to 39.3% (Dec-18)

³⁰ People aged 18 years to 24 years

³¹ Since 1986 - the 8 lowest were recorded in the last year and ranged from 16.1% to 16.6%

³² Boundary changes restrict the time series for this data set.

3 Retail and Commercial Property

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Retail

In July 2019 Bristol's citywide retail property vacancy rate³³ was 6.9%. Over the four quarters to July 2019 the retail vacancy rate for Bristol ranged from 6.9% to 7.4% averaging 7.2%. In the year to June 2019 there were 270 new retail business start-ups³⁴ in Bristol. This is 6% above the level (255) for the previous year. For the last two years new business start-ups in retail have been significantly lower than the average for the previous five years³⁵.

Industrial³⁶

In the first six months of 2019 take up of industrial space was about 770,000 sq.ft. less than 20% of that for the first half of 2018. Take up of industrial space in the area³⁷ has fallen for the last four years at a definite trend rate of 890,000 sq.ft. per year. Annual data for 2016, 2017 and 2018 also shows a definite downward trend.

Office³⁸

According to the Bristol Office Agents, the level of take-up in Bristol's centre office (177,633sq.ft.) market for the second quarter of 2019 was over three times the level of the first quarter and 23% above the level for 2018 (143,904sq.ft.). Take up in the Out of Town market was 35,342 sq.ft. less than 40% the level (95,864 sq.ft.) of the first quarter and 75% below the same quarter for 2018. Markets are showing some volatility, but some preference for city-centre locations.

4 New Business Start-ups (BankSearch data³⁴)

In the year to June 2019 Bank Search data indicate that there were 2,857 new business start-ups in Bristol. The annual total to June each year fell, between 2016 and 2019, at a definite³⁹ trend rate of 250 per year. The table opposite that includes over 80% of all new start-ups summarises the data. As can be seen from the table most industrial sectors followed the trend.

Industrial Sector	Number of New Business Start-ups in the Year to June				% Change 2016-19
	2016	2017	2018	2019	
Manufacturing	202	180	133	122	-39.6
Construction	400	375	305	301	-24.8
Retail trade and repair	345	344	255	270	-21.7
Accommodation & food service	235	238	285	274	16.6
Transportation & storage	150	163	149	192	28.0
Information & communication	174	248	237	180	3.4
Professional, scientific & technical act's	556	552	448	366	-34.2
Administrative & support services	316	257	243	177	-44.0
Human health & social work	293	235	215	224	-23.5
Personal & community service act's	300	282	208	208	-30.7
Recreational, cultural & sporting act's	170	157	176	153	-10.0
All Industry	3,637	3,527	3,149	2,857	-21.4

The exceptions were Accommodation and Food Services; Transport & Storage and Information and Communications. New business start-ups in these three sectors grew by 16.6%, 38% and 3.4%, respectively, between 2016 and 2019.

³³ Due to changes in methodology this estimate is not comparable with those published in briefings prior to 2019.

³⁴ Source BankSearch Information Consultancy Ltd, Start-ups department. Data base that counts new "business" bank accounts.

³⁵ Between 2013 and 2017 the five year average ranged from 335.5 to 354.9.

³⁶ Source: Industrial Agents Society - Western Branch Take-Up Statistics

³⁷ Here the area is the West of England including BANES, Bristol, North Somerset and S Glouc's

³⁸ Data supplied by Bristol Office Agents Society

³⁹ the value of the measure of trend quality was 0.8670

5 Selected Business News July 2019 – August 2019

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Aerospace, Defence and Advanced Engineering

Key Milestone for Bristol & Bath Science Parks IAAPS

A commemorative plaque has been unveiled at the Bristol & Bath Science Park. This marks a milestone in the development of the Institute for Advanced Automotive Propulsion Systems (IAAPS). The £70m global centre of excellence for ultra-low emission vehicles is due to open in 2021 and will put the West of England at the forefront of research and development into the car engine of the future. The centre when open will provide about 100 jobs at the science park and support nearly 2,000 jobs besides.

Business Services

Method Consulting Moves to Accommodate More Growth

Method Consulting, the firm that specialises in sustainability in the construction industry has moved into larger offices. A senior associate of the business said, "Having outgrown our previous space, this move to our new office in a great location in the heart of Bristol will give us the space we need to continue our plans for expansion over the coming months and years". In the two years since it opened offices in Bristol staffing levels have increased seven fold. The firm said the newly refurbished offices at Queens Quay will not only provide additional space but also improved working conditions.

Construction

Welsh Construction Group Opens Offices in Bristol

The Jehu construction group has established a base in Bristol. The move follows the firm securing projects in the region, including the contract to build a boutique hotel in Bristol. The hotel development on Newfoundland Street will play a key part in the continued regeneration of a high-profile gateway site close to the city centre.

Construction Starts on New Industrial Space at Avonmouth

Work has started on a speculative development at Avonmouth which will bring more than 150,000 sq.ft. of industrial space to the area. The development at Portside Park, planned to be completed without delay, will provide "much-needed" additional industrial space to the area and create around 400 jobs. Spaces will range from 12,500 sq.ft. to nearly 90,000 sq.ft. The developers said, "Avonmouth is a key distribution location for the South West and the site is located in Bristol's most established industrial area. Portside Park has great prominence and connectivity. We are delighted to see construction underway and progressing well".

Development

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Master Planning Team Moves Closer to Reality

A master planning team has been appointed for a development, proposed for the high-profile city centre entrance site, at the Frome Gateway. The site had been identified by Bristol City Council in its emerging Local Plan. The plan identifies the so-called Frome Gateway as having potential to accommodate up to 1,500 new homes, commercial space, community amenities and public realm improvements for the city. The developers said, "There's a huge opportunity to completely transform this important area of Bristol to create a healthy new neighbourhood for Bristol, one that is balanced, inclusive and works for everyone".

Environmental

Environmental Sustainability Board

Bristol has appointed 18 people to the Environmental Sustainability Board that was established by the City Office to help accelerate progress towards environmental sustainability. It will be supported by Bristol Green Capital Partnership and the City Office. The board will support Bristol's ambition to become a fair, healthy and sustainable city. A similar board for the economy, which will be led by Bristol City Council and Business West, is also being established.

Leisure and Tourism

More Hotels for Bristol

Bristol's hotel market looks set to continue its growth despite the unregulated activities of Airbnb that the Bristol Hoteliers Association claimed, "were putting many businesses at risk". At least one is due to open this year and there are up to half dozen more in the pipeline. These hotels will bring several hundred more rooms to the city centre.

Professional Services

ForrestBrown Moves into Larger Offices

The 100-strong team of the R&D tax credit consultancy ForrestBrown has relocated to showpiece offices at 10 Temple Back, close to the city centre. The business has more than doubled its size since 2017 and the new offices have sufficient space for the size of the current team to be doubled again. The firm's managing director said, "We certainly have aspirations to grow further, and the new office space provides us room to not only offer a welcoming environment for clients, but we also hope that it will attract the very best talent."

Bevan Britton Continues to Grow

National law firm Bevan Brittan maintained its growth in 2018/19. Its Bristol office that employs around 230 legal professionals and support staff, including 28 partners, has achieved organic growth of 40% over the past six years. The head of the Bristol office said, "Bristol is a fast-developing and dynamic city where a spirit of innovation and forward thinking is driving business confidence and growth. We are committed to playing an active role in the business life of the city and are delighted to be supporting a number of key business events and networks." Last October the firm supported the Bristol Housing Festival.

Transport

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Bristol Airport Brings Forward Decarbonisation Target Date

Bristol Airport has brought forward its target date for carbon neutrality by 5 years from 2030 to 2025. This brings the airport in line with Bristol City Council and the West of England Combined Authority. The airport's chief executive said, "Decarbonising aviation will not be easy, but this plan shows we are serious about reducing our emissions so we can all continue to enjoy the benefits of air travel in a low carbon future."

Sustainable Commuting at Engineering Group

International engineering group Babcock has joined a growing number of businesses by providing a dedicated bus services to its North Bristol Office. Babcock joins a growing list of Bristol firms and organisations including Amazon, Atkins, Lidl, Tesco and North Bristol NHS to introduce 'green' travel policies for their staff. The move could open work opportunities at the company for those without access to a car.

General News Items

Bristol Bucks National Trend

Venture capital investments made in the Bristol area have, according to new research into the UK funding market, bucked the national trend. Over the 2nd quarter of 2019 more than 70% of the venture capital deals in the city were so called "angel" or early-stage investments. This is in contrast to the national trend of investment in larger businesses. A partner at KPMG who produced the research said, "I believe it's indicative of the quality of earlier stage businesses in our region. Clearly the investment the Bristol community has made into cultivating and supporting start-ups and scale-ups is paying off."

Temple Quarter Enterprise Zone

SETsquared Innovative Breakthrough Bursary Scheme

The Breakthrough Bursary scheme, set up by SETsquared Bristol on the recommendations of a report it funded in 2018 to support ethnic minority entrepreneurs, has awarded its first three bursaries. SETsquared Bristol's centre director said, "The Breakthrough Bursary is part of our commitment to supporting tech businesses from all backgrounds and communities, and we understand this is essential if our region is to thrive economically." The bursary will offer access to business support to other under-represented groups in the future.

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

Phone: 0117 9222925