

# West Berkshire

# “Open for Business”

## West Berkshire Council's Annual Economic Review for 2017/18

### 1. Purpose of Overview

West Berkshire Council has delivered a programme of economic development activity in 2017/18 with the aim of supporting local business growth, sustaining existing jobs, new job creation, supporting investment and development opportunities and promoting West Berkshire as a good location to do business.

The purpose of this report is to highlight key examples and opportunities from the last year.

The West Berkshire Economic Development Strategy 2013-2018 provides the focus for all Economic Development activities under the 4 key priorities that are intended to help grow our economy:

1. Work with partners to ensure that local skills meet the needs of today's business and work environments
2. Promote West Berkshire as a good location for business, leisure, learning and life.
3. Become more business friendly and encourage new investment and business retention across all sectors
4. Actively support sustainable rejuvenation and regeneration projects in key locations.

### 2. Executive Summary

This report provides a review of the national, regional, sub-regional and local economy and provides snapshot of activity undertaken. It is not intended to include all examples of the Economic Development and partnership work that has been undertaken and that is currently underway.

The report is divided into sections, providing highlights of the economic landscape, as follows:

- UK Economy
- Berkshire Economy
- West Berkshire Economy



### 3. UK Economy Highlights 2017/18

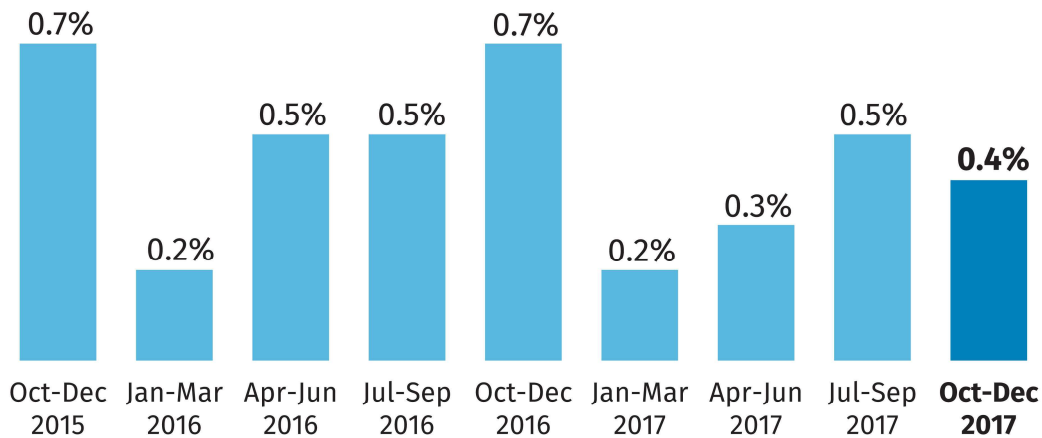
Britain's economy grew faster than expected in the last three months of 2017, although its annual growth was still the lowest in five years. Growth was driven by the dominant services sector, with business services and finance helping to boost the sector by 0.6pc compared to the third quarter. Industry recorded 0.6pc growth thanks to another strong quarterly showing by the manufacturing sector. Growth could have been higher but for a "significant fall" in oil and gas extraction due to an outage in supply from the Forties pipeline from the North Sea. Across the year, industry grew 2pc. The construction sector did not do as well, contracting for the third quarter in a row with a 1pc dip. For the full year it grew 5.1pc compared to 2016, boosted by a strong start to 2017. Financial and business services showed growth in the sector of 0.9%.

Household spending remained fairly flat, notching up a 0.3% expansion in the final three months of 2017. It also struggled on an annual basis, growing at the lowest rate since 2012 at 1.8%. On net trade, the deficit widened by £2.5 billion to £12.2 billion quarter on quarter following a big rise in the cost of imported fuels.

- **Economic Growth**

The economy picked up a little momentum in Q3, with growth of 0.4% (0.1 percentage point higher than each of the previous two quarters). Within this, the broad pattern of growth tilting from services toward manufacturing continued. Retail sales expanded at a rate which is slower by more than half a percentage point than the quarterly average through 2016. Manufacturing output, though, spurred by the weaker pound, rose by 1%, the best performance since Q4 of last year.

## UK economic growth (GDP)



Source: ONS



In Q4 of 2017 monthly data<sup>1</sup> suggested that the services sector gathered some momentum in October. Meanwhile, although retail sales volumes in October fell versus a year earlier (the first such occasion for over four years), this largely reflects the 2% month-on-month jump in October 2016, rather than especially weak monthly data in October 2017 itself. Nevertheless, with inflation edging up to 3% in September and October, consumer spending growth will remain constrained.

Business investment growth was flat in the fourth quarter of 2017, although it rose by 2.1 per cent over the year.

- **Productivity constrained by weak investment intentions.**

Output per hour grew in Q3 2017 at the fastest rate since 2011, but this was entirely driven by a reduction in hours worked, rather than an improvement in productivity. Measures set out in the Autumn Statement could yield longer-term productivity gains, but the ongoing uncertainty over Brexit will constrain business investment again in 2018.

One of the most visible impacts of the result of the Brexit referendum was the depreciation of the pound – sterling lost 6% versus the euro overnight, and 8% versus the US dollar. Exchange rates have fluctuated over the intervening period, but overall the pound is now 10% weaker versus the dollar, and 14% weaker against the euro.

More recent data<sup>2</sup> suggests a weaker pound is now starting to yield more substantial gains for exporting businesses. The three months prior to September 2017 saw exports of goods growing at the fastest rate since 2011. The improved contribution of the trading sector to the economy is also being aided by the services sector. According to Visit Britain, the number of overseas visitors to the UK in the first seven months of 2017 was up 8% on the same period a year before.

- **Slower jobs growth means unemployment rate stabilises.**

After a solid first half of 2017, the rate of job creation slowed markedly in the third quarter, with total employment down modestly, but the unemployment rate remaining at a 42-year low. The unemployment rate and pace of nominal wage growth are both forecast to be relatively stable over the coming year.

Evidence from the Business Confidence Monitor (BCM)<sup>3</sup> suggests businesses continue to hire at a modest rate despite of increasingly running into constraints on the availability of skilled labour – especially in sectors where overseas workers make up a large part of the workforce.

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<sup>1</sup> Q4 2017 Institute of Chartered Accountants in England and Wales (ICAEW) Economic Forecast

<sup>2</sup> Q4 2017 ICAEW Economic Forecast

<sup>3</sup> ICAEW Business Confidence Monitor

- **Apprenticeships**

The government officially launched its Apprenticeship Levy in early April 2017 in a move it has hailed as the greatest shake-up of the UK skills landscape in a generation. All employers with an annual wage bill of over £3m will have to pay 0.5% of it towards funding apprenticeships, a figure which the government claims will double annual apprenticeship spending to £2.5bn by 2019 to 2020. However, the new initiative has drawn criticism from those who view it as yet more red tape which could potentially draw resources and funds away from training and apprenticeship schemes already in place.

#### **4. Berkshire Economy Highlights for 2017-2018**

The main points are:

- The Berkshire economy remained strong
- Berkshire was ranked second only to London in terms of economic output and productivity<sup>4</sup>
- Five-year moving average growth rates suggested that growth in economic output and in productivity has been relatively stable since 2009
- Berkshire continued to perform well in terms of private-sector jobs and relatively well in terms of unemployment
- Berkshire performed less well in terms of the pace of housebuilding

Berkshire contributes over £35 billion Gross Value Added (GVA – the value of goods and services produced in an area), or £40,248 GVA per head, to the UK economy and its GVA growth is ranked an impressive fourth out of 38 when compared with the other LEP areas in the country.

In terms of employment, private-sector employment s reached its highest level since 2011, with 88% of total employment coming from the private sector. The overall unemployment rate fell to just 3.6%.

#### **Superfast Berkshire**

Superfast Berkshire entered its final phase, aiming to bring high speed broadband infrastructure across the area close to 100% by the end of 2019. The investment into the programme, alongside other partners, helped to bring broadband solutions to residents and businesses that would otherwise have been left behind.

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<sup>4</sup> ONS

## **5. West Berkshire Economy Highlights for 2017-2018**

Once again it has been a busy year for Economic Development, with increasing focus on business support to our many pre-start and small businesses. Some highlights are shown below:

A workshop, delivered by The Carbon Trust, was held in May which outlined energy efficiency measures for SMEs and also promoted the Carbon Trust Green Business Fund. The event was well-attended.

In July, EnterpriseRed, a local cybersecurity company, gave a workshop of Cyber Security for Businesses in West Berkshire. Although attendance was less than expected, those that did come found it very useful and informative.

Adult Community Learning funded and commissioned a series of training workshops for business owners in October, November and December which were held in Thatcham. Topics covered included Websites and Social Media, Using Customer Information Effectively and Planning a Sales Strategy.

### **Skills and Employment**

The **Elevate** programme has now been running for about two years. However, the targets and numbers of young people are not being achieved. There have been 80 young people over the two years in West Berkshire who have progressed onto something else but once this happens, they cannot be funded again if they subsequently require our support. The funding for the initiative is being reduced. Because there is a low number of young people engaging with Elevate, some co-funding was made available to look at behavioural insights through stakeholder interviews for those who work with young people.

### **Planning**

A call for sites, Housing and Economic Land Availability Assessment (HEELA), was issued in December 2017 and ran until March 2018. Around 230 responses have been received which is a good number of sites and work is now ongoing to assess suitability.

## **6. Summary**

Overall it has been another busy and exciting year for Economic Development in West Berkshire and the Thames Valley LEP area. Personal Networks and contacts have been developed considerably over the last 12 months and enquiries for support continue to come into the Council. Combining Economic Development with Planning Policy has been a positive step forward and has helped to develop a more collaborative approach to economic growth.

2018/19 promises to build on the work already undertaken over the last year with involvement in the Smart City Cluster project, the Market Street redevelopment moving forward and business support will continue to grow through networks and other programmes.