

The Annual State of the Economy Report 2017

Or

10 things we have learnt about the Greater Lincolnshire economy during 2016

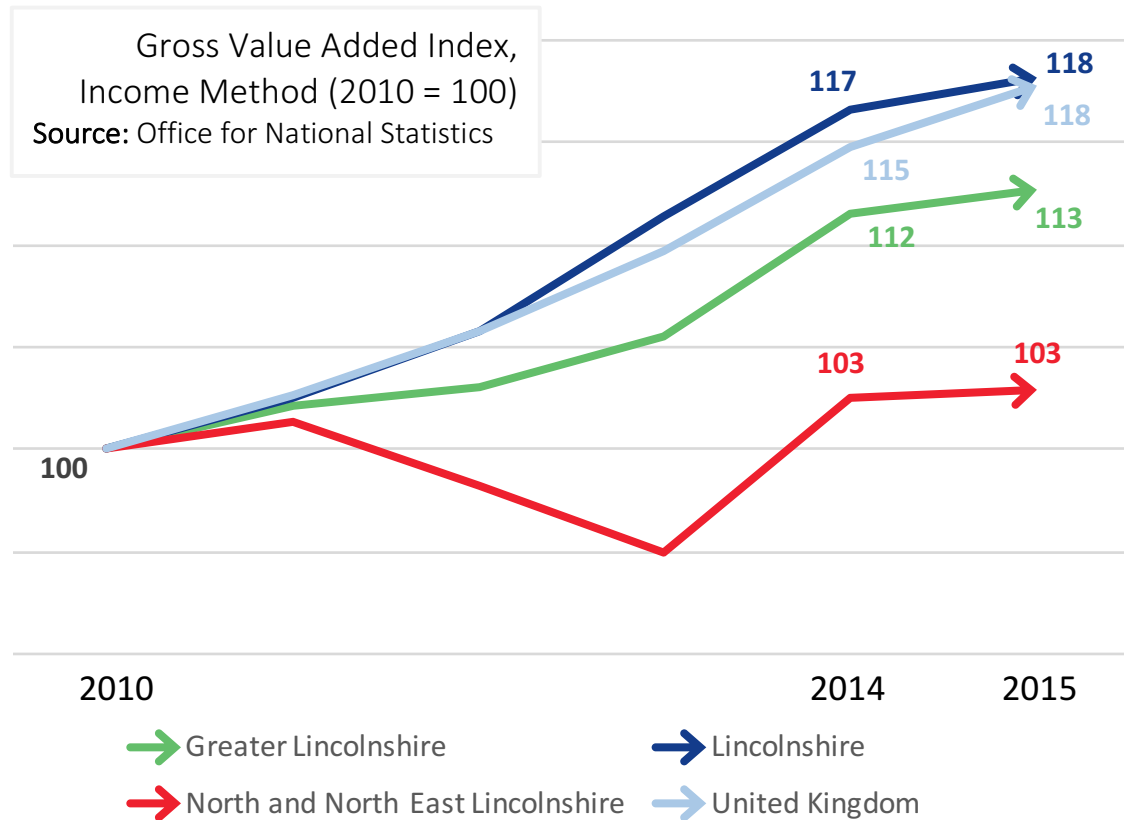
1/ Lincolnshire's economy has outperformed the UK over the last five years.....

.....in terms of growth in its GVA or Gross Value Added (the sum total of the value of its outputs less the cost of inputs), but only just. Growth in North and North East Lincolnshire has been much lower (even contracting during the period 2011 to 2013, but bouncing back in 2014), the net result being that overall the Greater Lincolnshire economy has performed slightly below the national average.

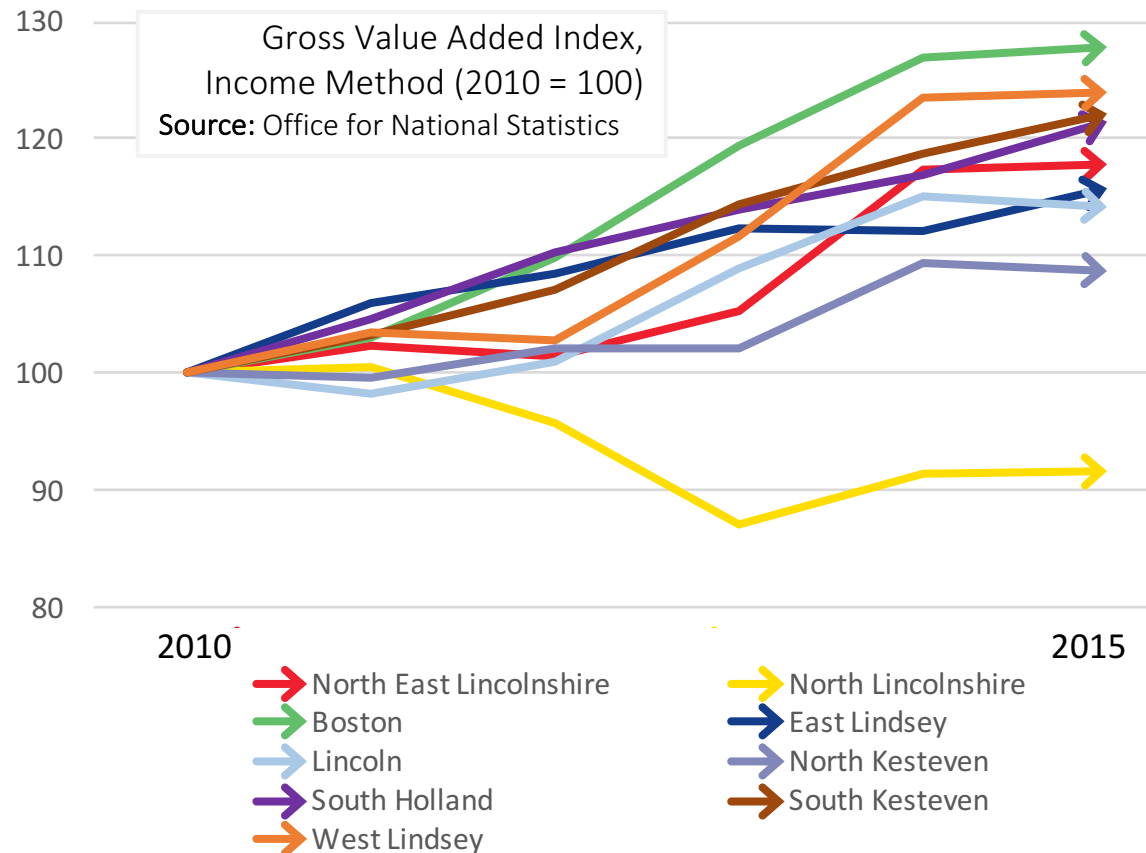
These results for GVA are largely mirrored in the latest productivity figures.

GVA per hour worked is the preferred measure of labour productivity and based on this Lincolnshire's increased by 2.3 per cent between 2014 and 2015, marginally above the 1.2 per cent increase nationally. Labour productivity in North and North East Lincolnshire increased by 1.6 per cent.

It is when we look at the results for change in labour productivity over the last five years that the big changes appear. Since 2010, Lincolnshire's GVA per hour worked has increased by 17 per cent, compared to only nine per cent nationally, whilst growth in North and North East Lincolnshire was only 1.8 per cent.



If we go below the NUTS (Nomenclature of Territorial Units for Statistics) county and conjoined unitary authority areas, and look at local authority level GVA, then the results reveal yet further differences in performance across the Greater Lincolnshire area.



Areas in the south of Greater Lincolnshire i.e. Boston, South Holland, and South Kesteven, have all experienced levels of growth in GVA above that seen nationally between 2010 and 2015. West Lindsey can also be added to this list of high performers.

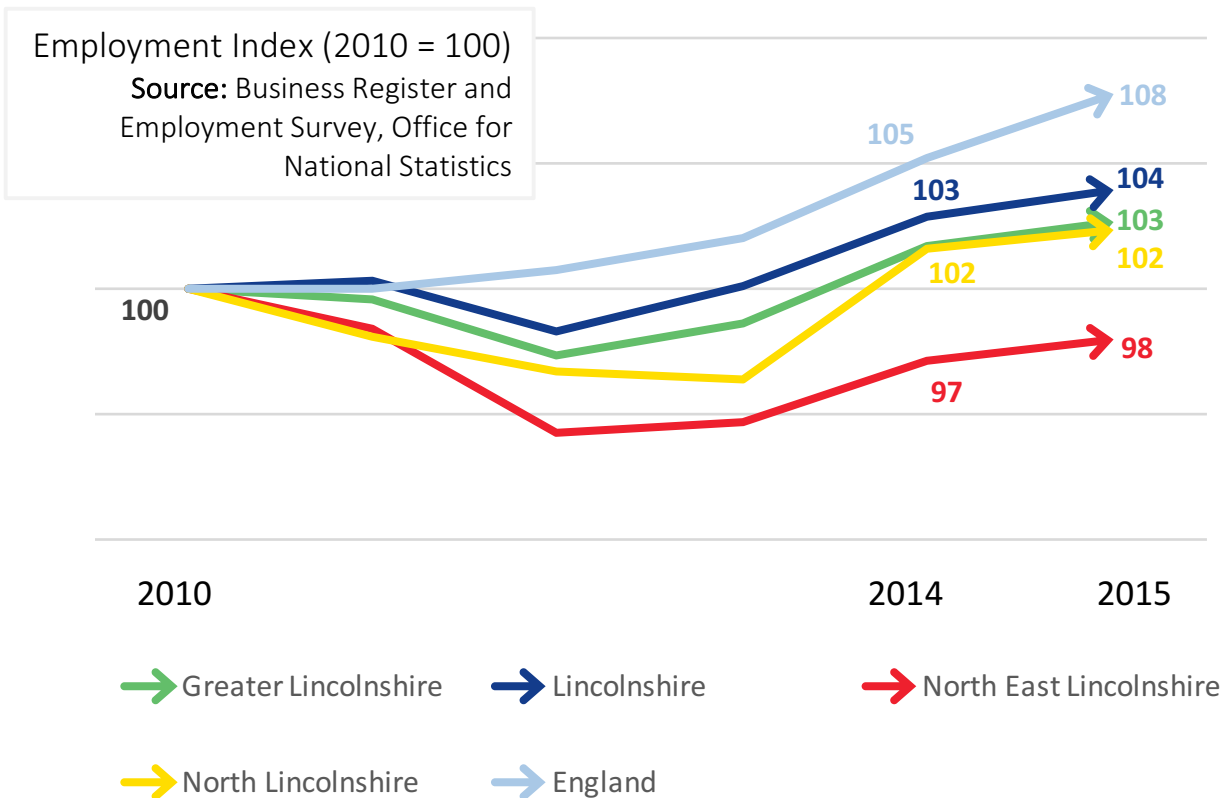
Looking to the north then North East Lincolnshire has experienced growth levels on a par with nationally whilst North Lincolnshire's economy has contracted.

However, we need to bear in mind when interpreting these figures that they are experimental in nature and do not tell us everything about what is happening in the local economy as further analysis will show.

2/ Levels of employment in North East Lincolnshire are still below pre-recession levels.....

.....and employment growth, both over the last year and five years, across Greater Lincolnshire has been below the national average.

In the past, labour market changes have not normally been particularly worrisome as Greater Lincolnshire has a great track record of finding jobs for people who want to work, as the statistics for high population growth and low unemployment levels over the years bear out.

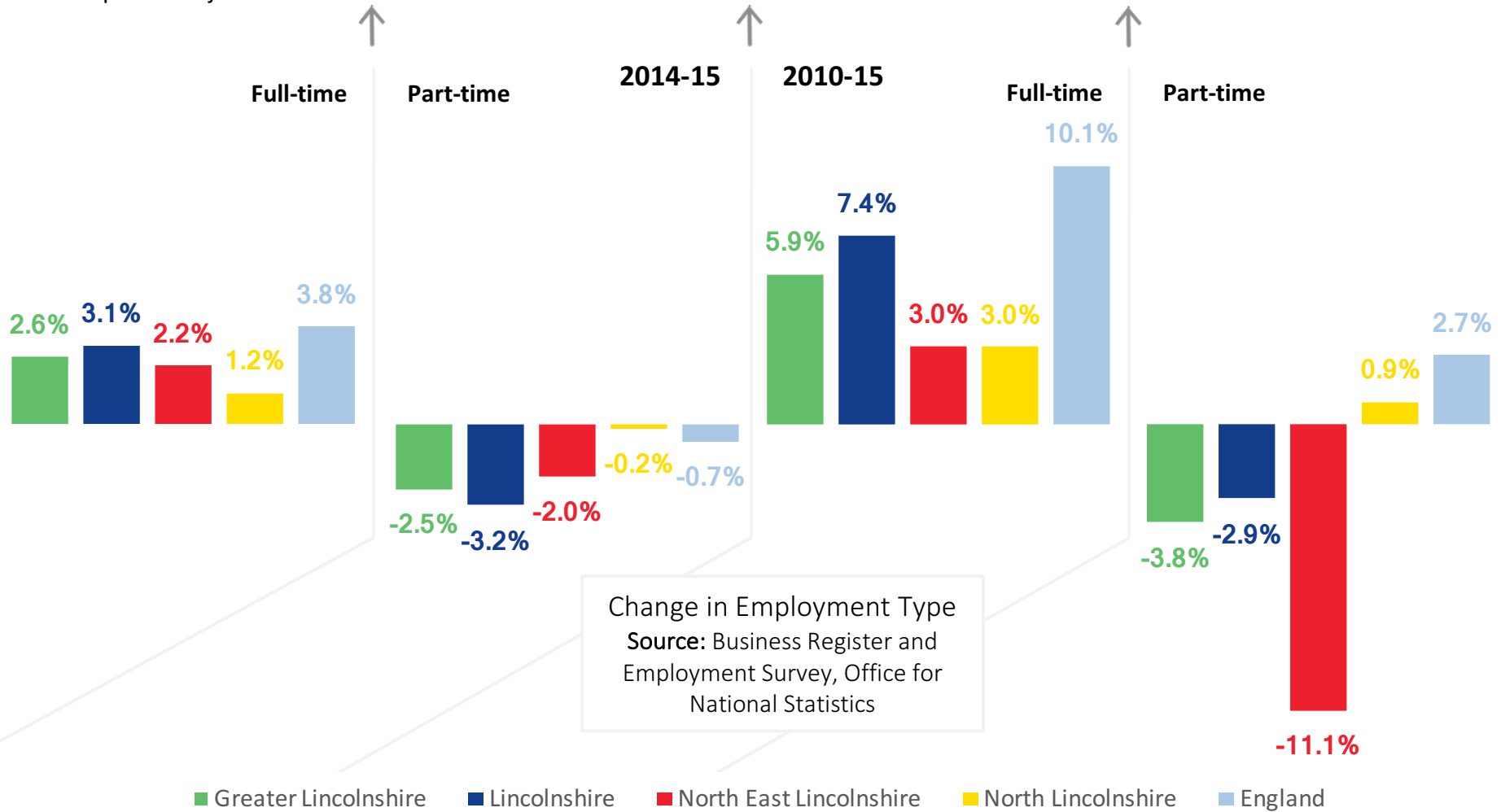


What matters now is that increasingly we are seeing the “baby boomer” generation retiring and this will put an increasing strain on both the labour market and economy over the next decade.

Please note that these figures do not include results for the agricultural sector. Latest figures for agriculture from the Department for Environment, Food, and Rural Affairs (Defra) are for 2013, with figures released only every three years. Latest trends suggest that employment in the sector is fairly flat and therefore will have had little impact if any on the trends shown here.

3/ Full-time jobs are replacing part-time jobs

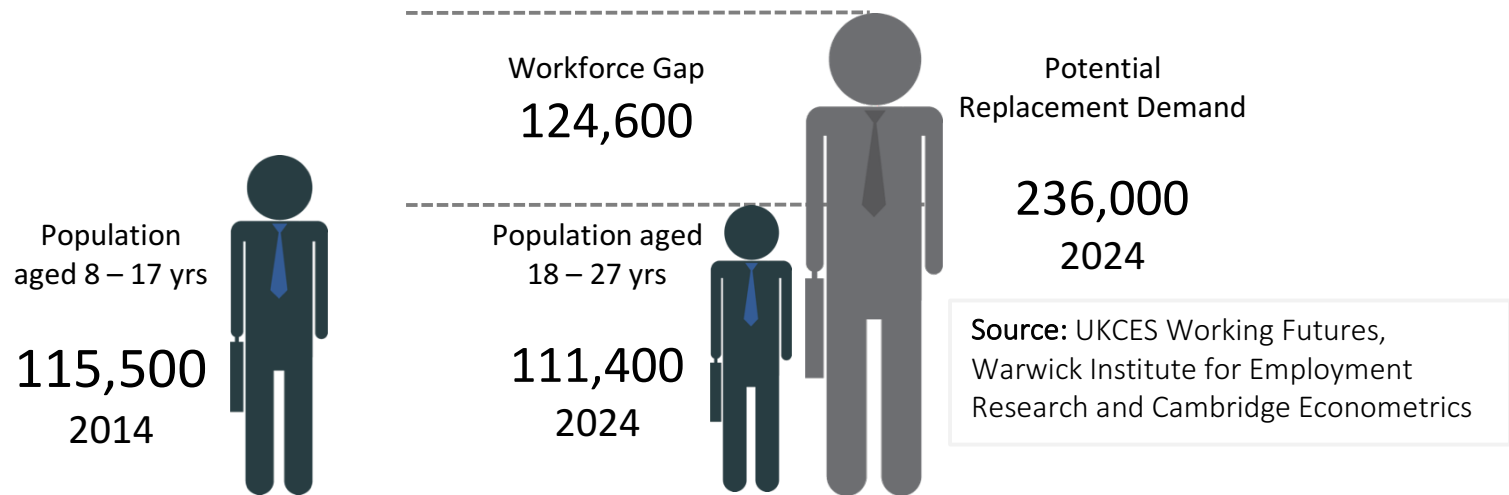
Despite the aforementioned lower levels of employment growth, what we have seen locally is a strong swing away from part-time jobs towards full-time working. This is particularly the case in North East Lincolnshire albeit that full-time opportunities are yet to make up for those part-time jobs lost.



4/ By 2024 there is a potential gap in the local workforce of 125,000 people

Previous research has shown that the effects of retirement, migration, and expansion in the workforce over the period 2012 – 2022 would mean around 200,000 jobs would need to be filled. Latest research (covering the period 2014 – 2024) shows that this figure has grown to around 207,000 (made up of 186,000 retirements and 21,000 new jobs). If we include the Greater Lincolnshire LEPs target of 29,000 new jobs created over the life of the growth deal projects then this level of replacement demand hits 236,000.

The replacement supply of labour by 2024 is projected to be around 111,000 people (based on Office for National Statistics 2014 based sub-national population projections, and therefore take into account the effects of current migration levels) which means that there will be a sizeable gap in the workforce of approximately 125,000 people.



These figures are purely illustrative of the issue given the caveats that one person may have multiple jobs, and that we are only considering people who live in Greater Lincolnshire coming into the workforce i.e. people living outside of Greater Lincolnshire will invariably find jobs and work here over the next decade. However, this should not lessen the nature of the challenge ahead. One way of reducing this potential gap in the workforce would be to increase housebuilding. Greater Lincolnshire has shown through its population growth over time that it is a big draw for people wanting a better quality of life through access to relatively cheaper housing, low crime rates, good schools, and a cleaner environment.

5/ Housebuilding fell during 2015/16 for the first time in three years.....

.....and there is growing gap between housebuilding and the Greater Lincolnshire LEPs overall target for housing supply.

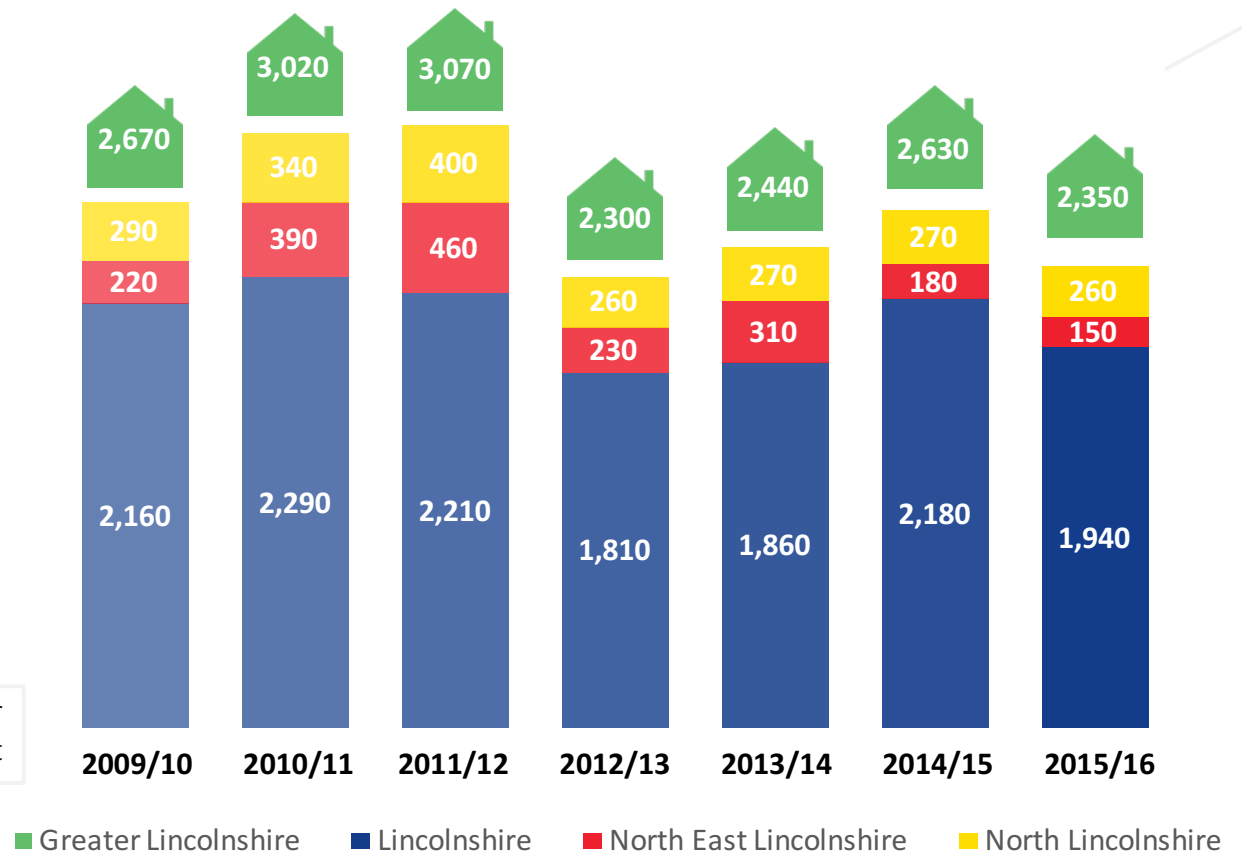
The number of houses built in 2015/16 fell from 2,630 to 2,350, the lowest level of housebuilding in the last four years.

The average number of houses built per year between 2009/10 and 2015/16 now stands at 2,640 and this is falling over time. Even if housebuilding remains at this rate then the gap between housing completions and the Greater Lincolnshire's LEPs housing target in 2030 will be 45,600.

Continued shortfalls in housing supply not only impacts on those already resident in the area. The supply of housing has a key role to play in helping to plug the projected gap in the workforce.

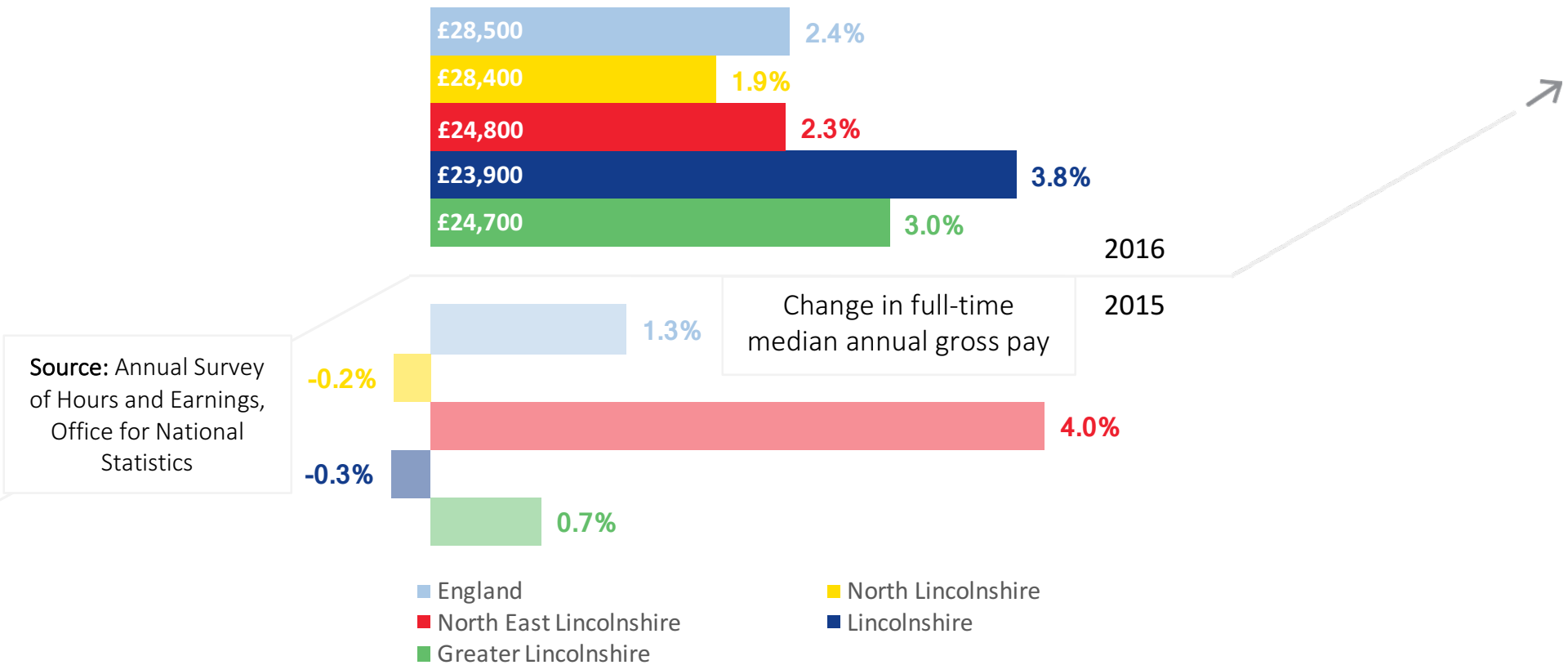
Latest figures from UCAS show that applications for university are down by around five per cent nationally. This will mean over time a growth in numbers of those moving into the resident workforce, and potentially higher demand for local housing.

Source: Department for Communities and Local Government



6/ Wage growth for full time workers has been stronger than nationally over the last year

It is also worth noting the level of growth in wages in North East Lincolnshire between 2014 and 2015, at a time when wage levels in both Lincolnshire and North Lincolnshire contracted. Despite this the full-time median annual gross pay in Greater Lincolnshire is currently £24,700, some £3,800 less per year than the national average.

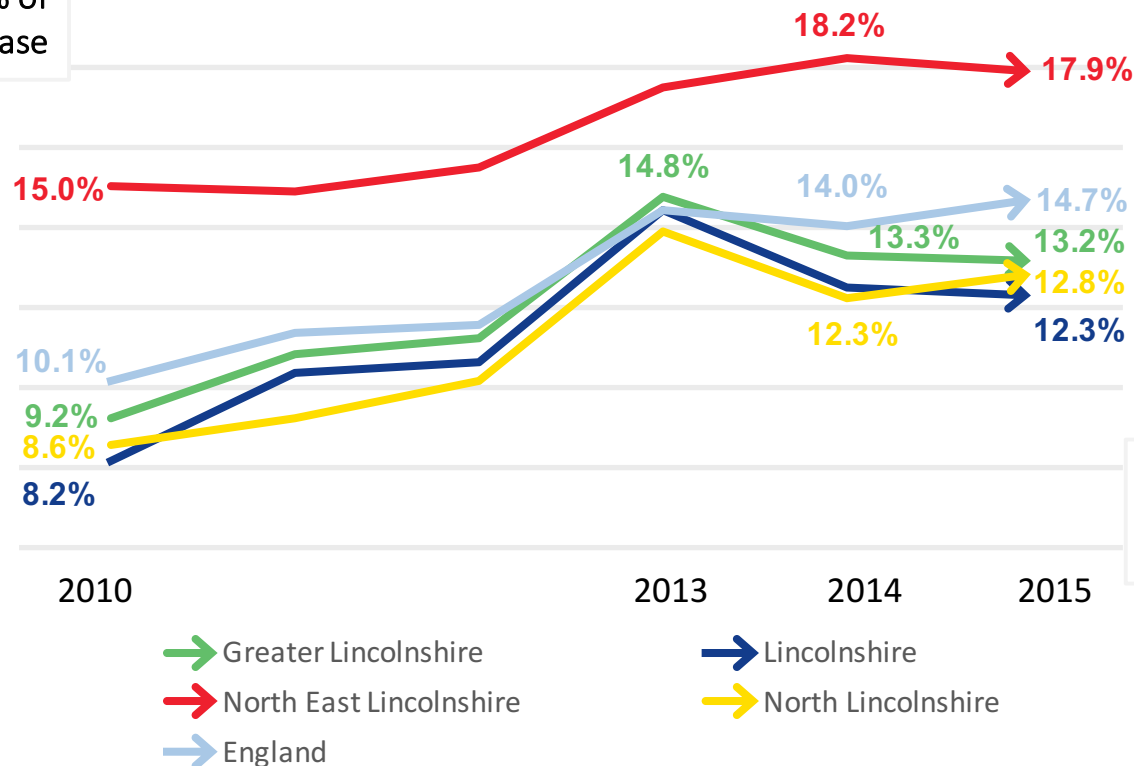


7/ Greater Lincolnshire's business birth rate has continued to slow

In 2013, business births as a percentage of the total business count hit just under 15 per cent, which for that year was higher than the national average. Since that point the rate has dropped below the national average and fell again slightly between 2014 and 2015.

Whilst new business growth has stalled, business unit numbers have increased (1.6 percent between 2014 and 2015, lower than the national average of 3.8 per cent) suggesting that established businesses (both locally and nationally) are continuing to grow. Levels of self-employment too have risen to their highest level (9.7 per cent, around 64,200 people) since 2011 when it was 9.9 per cent. This level of self-employment is around one percentage point below the national rate, with this being the case certainly for the last five years.

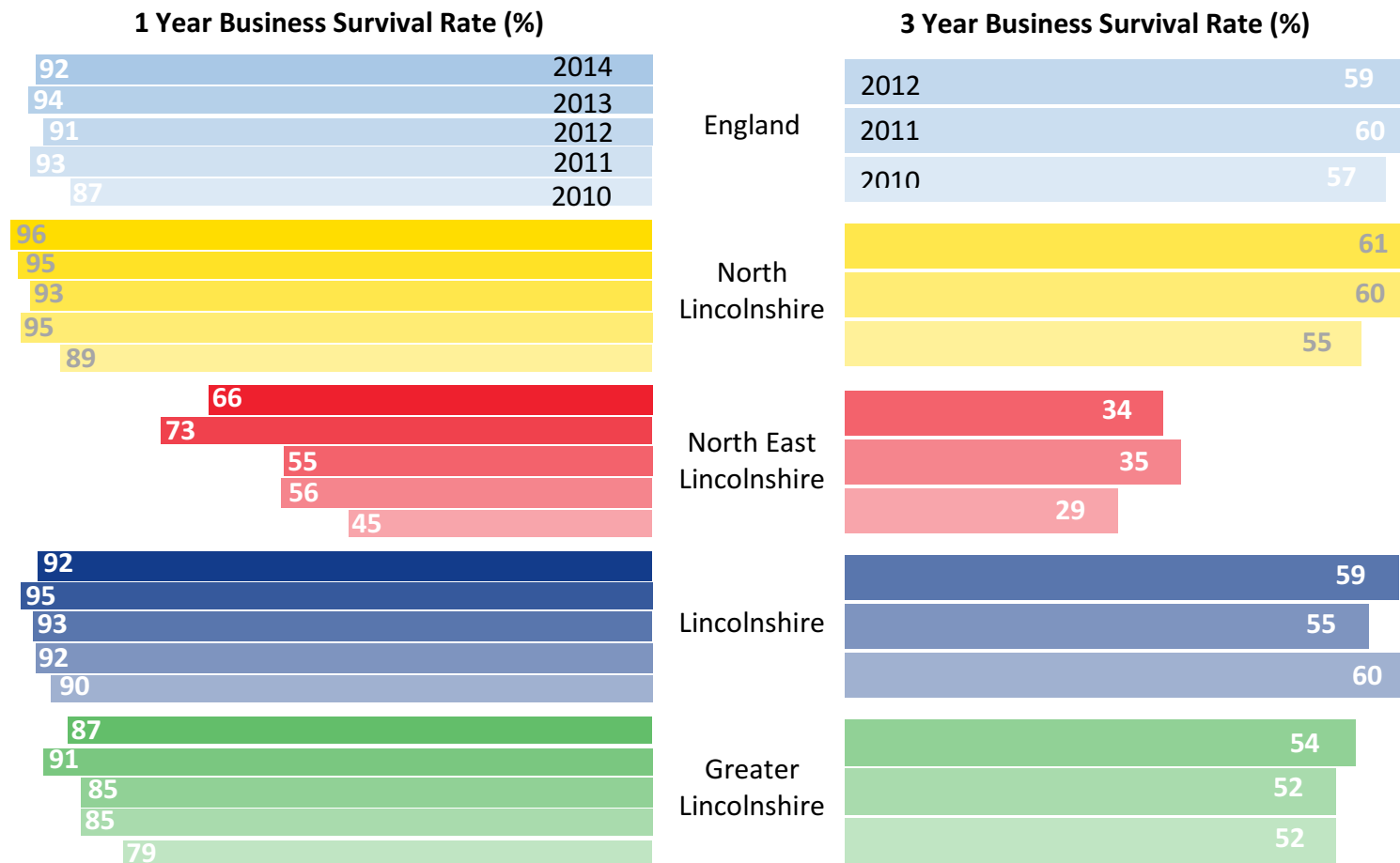
Business Births as a % of total business base



Source: Business Demography 2015, Office for National Statistics

8/ Business survival rates are generally improving over the longer term

This is despite a dip in the 1 year survival rate in 2014 (all apart from North Lincolnshire), in line with the national average. Turning to 3 year business survival rates then Greater Lincolnshire has actually bucked the national trend in the last year.

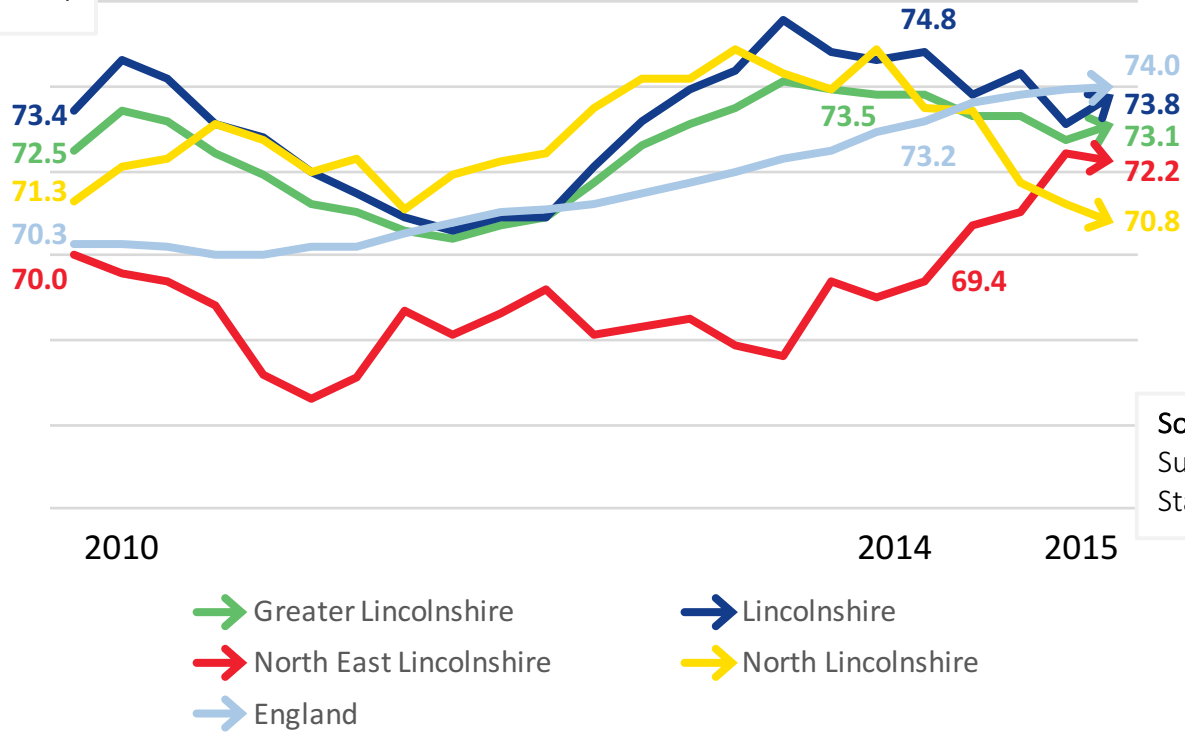


Source: Business Demography 2015, Office for National Statistics

9/ Greater Lincolnshire's employment rate has fallen below the national average but is back on the rise in 2016

The employment rate in Greater Lincolnshire has been, for the best part of the last five years, above that of the national average. However, the last two years has seen it on a downward trend (driven by changes in Lincolnshire and North Lincolnshire) and in the last year it has dropped below the national rate. Positively, latest figures show that this decline has been halted.

Employment Rate (% of population aged 16-64)



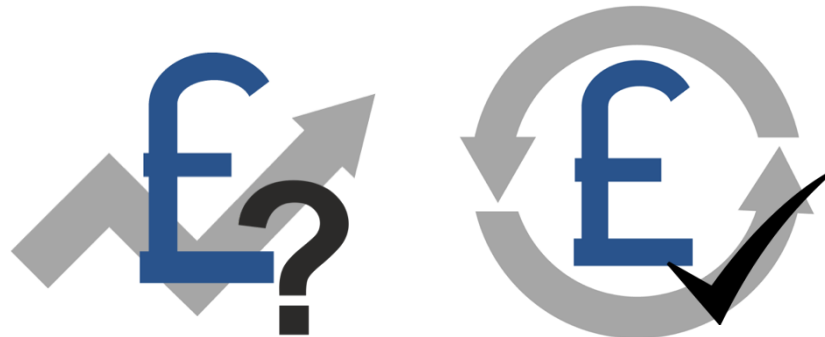
Source: Annual Population Survey, Office for National Statistics

10/ Local businesses been both positive and pensive about 2016, but appear in the main to be both robust and ready for 2017

Results from the final quarterly survey of local businesses in 2016 saw a marked improvement in conditions for exporters with both manufacturing and services enjoying the upturn. Domestic sales and orders also continued to steadily improve though manufacturing businesses have been finding the going much harder at home than abroad.

What is concerning businesses as we head into 2017 are the inflationary pressures they are currently under with nearly one in four businesses now stating this as a concern, up from around one in eight last quarter.

Digging into this issue a bit deeper we find that the proportion of businesses expecting to increase the prices of their goods/services over the next three months rose from 30 per cent to 38 per cent. No businesses reported this quarter that they expect their prices to decrease.



The main reasons given locally for this pressure to increase prices were overwhelmingly 'Other overheads' (40 per cent) and 'Raw material prices' (38 per cent). We are already starting to see the effects of inflation on the local business outlook for 2017 as, whilst increases in turnover are expected, they are not necessarily expected to translate into increased profit levels.

Overall, businesses appear bullish about their prospects in 2017 but we cannot ignore that the pressure on businesses to raise prices on their goods and services is increasing, and that inflation and its overall effects on the economy is a growing concern.

This state of the economy report has been written and produced by Codename Consulting Ltd on behalf of the Lincolnshire County Council Economy and Environment Research Team for the Greater Lincolnshire Local Enterprise Partnership (GLLEP).

The GLLEP evidence base on the Lincolnshire Research Observatory is the key source of analysis and intelligence for the GLLEP.
www.research-lincs.org.uk/lep-home.aspx

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