

THE NEW FOREST ECONOMIC PROFILE 2022

1. RECOMMENDATIONS

1.1 That the Panel note the contents of the report.

2. INTRODUCTION

2.1 In 2018 the Council commissioned the Economic & Business Intelligence Service (EBIS) at Hampshire County Council to compile an economic profile of the district.

2.2 In 2022 the Council commissioned EBIS to update and expand on this economic profile of the district. The profile was completed at the end of September 2022.

2.3 The profile will form part of an evidence base that will be used by the Council to inform strategies, plans and help shape priorities for the district.

3. BACKGROUND

3.1 The evidence base (Economic Profile) focusses on New Forest District and its five sub areas. From an economic perspective the district can be broadly defined by five sub-areas: Core New Forest; New Forest Avon Valley; New Forest Coastal; New Forest Waterside; and Totton.

3.2 The profile covers a number of important policy areas in some detail grouped under three broad themes: economy & business, population & labour market, and skills & occupations.

3.3 The profile contains no New Forest economic projections as this was outside the scope of this work.

3.4 Most data used in the report comes from the UK Office for National Statistics – Regional Accounts, Annual Population Survey (APS), Business Register and Employment Survey (BRES), RTI Pay-rolled Employment, Claimant Counts, UK Business Counts, Mid-year Population Estimates and Census 2021 and 2011.

3.5 Strategically important sectors (knowledge intensive, marine, advanced manufacturing, care, hospitality and leisure, and land-based) are highlighted in the profile given their present and future importance to the local economy in terms of jobs and business growth.

4. THE NEW FOREST ECONOMIC PROFILE 2022

4.1 The New Forest Economic Profile 2022 is available in its entirety at www.newforest.gov.uk/localeconomydata however key points are as follows:

4.2 In relation to Economy & Business:

- **The New Forest is the fourth largest economy in the Hampshire County Council Area.** In 2020 the New Forest economy generated some £4.4bn (GVA). Including VAT and other indirect taxes on products (minus subsidies) this rises to nominal GDP of £5.1 billion to the economy. Thus, in terms of VAT and other indirect taxes on products, the New Forest contributes more to the exchequer

than the Hampshire average, although this is in part explained by the presence of Fawley Oil Refinery.

- **The New Forest still lags behind Hampshire on the output per head measure of economic prosperity but is as prosperous as Hampshire on the alternative measure based on average disposable household income per head.** Output (GVA) per head in the New Forest is about 18% below the Hampshire average but comparable to the Solent average. However, this measure of economic prosperity in the New Forest is reflective of the fact there is a high percentage of residents over retirement age in the New Forest. The alternative based on household incomes points to similar levels of prosperity as in Hampshire and is around a fifth above the Solent average.
- **The New Forest has a productivity gap with Hampshire average. Based on GVA (output) per hours worked,** productivity will be affected by type of business (capital/knowledge intensive, high value-added and high-paid versus low-value lower paid services), by type of jobs (employed or self-employed, full-time versus part-time), and individuals (skills/qualification levels). The New Forest has a smaller high valued-added sector base and a relatively higher share of workers in lower value occupations, such as local consumer-facing service industries that would lower overall productivity and make it harder for local higher productivity businesses to access local high-skilled workers, or to attract new high-tech businesses to the New Forest. Furthermore, demographics implies the New Forest will have to rely more on productivity growth than other districts in Hampshire.
- **Doing more with less working age people (productivity)** will be key to sustained economic growth over the medium and long term in the New Forest.
- **Economic growth was on average subdued in the period leading up to the pandemic (2015-2019),** and growth in real output has on average lagged both Hampshire and the UK. The New Forest experienced an above average impact of the pandemic with economic output (GVA) and overall economy (GDP) down 11% and 12% respectively in 2020.
- **Timelier national data saw the economy rebounding in 2021, with estimated Hampshire growth above the national average and the New Forest possibly even faster due to the recovery of consumer-facing services sectors.** However, the UK economy is showing signs of stalling in 2022 amidst geopolitical tensions and with rising inflation and low growth (stagflation) there is an increasing likelihood of recession in late 2022 and throughout 2023. Forecast growth is therefore subdued in the short-term.
- **Most broad sectors in the New Forest saw real growth in economic output (GVA) between 2015-2019 (pre-pandemic),** driven by business & admin support (local services) but also with solid growth in arts, entertainment & recreation, and in accommodation & food. Higher value-added traded services (HVATS) sector growth was led by professional, scientific & technical, and in ICT, while manufacturing drove growth in primary & secondary industries.
- **The impact of pandemic on the New Forest saw an unprecedented contraction in output across almost all broad sectors in 2020;** the exception being public admin & defence and to a lesser extent in retail.

- **Those sectors more reliant on social contact, including hospitality and leisure, were impacted most by national lockdowns.** As such, the New Forest saw accommodation & food output down 43%, while arts were down by one third. In contrast, essential public services and sectors that could adapt to home working and access IT and broadband were less impacted and generally fared better.
- **The New Forest has relatively high business concentrations, but low start-up rates and sluggish business growth.** With a smaller working age population the New Forest has more businesses per head than both Hampshire and the UK, and while its short-term survival rates (1, 3 and 5-years) are higher than the national average, start-up rates are relatively low and business growth generally lags both Hampshire and the UK. Lower start up rates will be influenced by location (rural areas are generally less dynamic than cities) and industrial mix (certain sectors have higher start-up rates than others).
- **Overall, the New Forest had 35 more businesses in 2021 than 2017 but gains made between 2017-2019 were largely lost between 2019-2021.** Businesses were supported through various Covid-19 grants during the pandemic to help mitigate against significant business closures.
- **However, spikes in cost prices (notably energy) in 2022 represents an existential threat to businesses** and entrepreneurship in 2022. Hospitality & leisure businesses, a key New Forest sector, are particularly vulnerable to the dangers of soaring costs and falling discretionary spending.

4.3 In relation to the Population & Labour Market:

- **The New Forest has a stable but an increasingly aging population at the expense of a shrinking working age population that is projected to contract.** This will affect demand and investment over the medium term and beyond. Furthermore, differences in population between the latest Census and estimates may have implications for policy and local government funding formulas.
- **Overall, labour market participation in the New Forest is similar to the Hampshire average.** Employment and unemployment in the New Forest are similar to the Hampshire average and they compare favourably with the national average, although some ground has been lost due to the greater relative impact of pandemic on the New Forest's labour market.
- **The pandemic saw workplace employment numbers in the New Forest fall by 4,000 in 2020.** The structure of the economy and jobs (especially customer-facing services) meant the impact of pandemic on the New Forest was greater than for Hampshire or Great Britain.
- **However, timelier 2022 payrolled data for resident employment suggests a near return to pre-pandemic employee levels.** However, self-employment in the New Forest has been recovering at a quicker rate than benchmarks. Demand for labour also saw a sharp upturn from March 2021 onwards as the economy largely reopened with released pent up demand for jobs, especially in transport and hospitality characterised by shortages.

- **Climate change and commitments to net-zero by 2050 has focused the spotlight on green jobs.** Targeted green jobs in areas such as low carbon heat generation or alternative fuels could see the New Forest have the largest share of green jobs across Hampshire districts based on independent projections to 2030 and 2050. Likewise, the New Forest's concentration in manufacturing and construction will see those sectors become increasingly more in demand to help achieve the transition to net zero.
- **The New Forest remains one of the least deprived districts in the country, but its economic inactivity is above the Hampshire average,** and the impact of pandemic was greater for the New Forest than either Hampshire or UK. Furthermore, a shrinking workforce and greater dependency on household spending presents a challenge for recovery and growth.
- **The Pandemic saw a sharp increase in New Forest residents on main out-of-work benefits and those on in-work Universal Credit** and has yet to see any significant reversal. If economic conditions deteriorate as expected then the New Forest may see further increases in economic disadvantages as the cost-of-living impacts more on lower income households.

4.4 In relation to Skills & Occupations:

- **The gap with Hampshire and UK in advanced skills has narrowed over the medium term but the latest data is less encouraging.** Gains made pre-pandemic slipped back in 2020, possibly as a combination of Brexit and Covid. Nonetheless, the New Forest has a comparatively smaller high-skilled workforce.
- **Almost twice as many people in the New Forest work in low-skilled occupations compared to Hampshire average.** However, the number of low skilled workers in 2021 is lower than in 2016.
- **The New Forest outperforms Hampshire and UK for the provision of on job-the-training.**

5. CONCLUSIONS

- 5.1 The economic profile will form part of an evidence base that will be used by the Council to inform strategies, plans and help shape priorities for the district. The evidence will be used to inform decisions within and outside of the Council.
- 5.2 It is recognised that some of the issues identified will be in part addressed by the future employment and housing growth, the Freeport will create further accelerated economic growth.
- 5.3 The Economic Development team are delivering a number of initiatives to support growth and productivity in the New Forest's businesses. This includes training and mentoring through the ERDF funded Hub & Spokes 'Business Boost' programme.
- 5.4 In addition the 'New Forest Business Start Up Campaign' will help address the low start-up rates identified in the economic profile by encouraging entrepreneurship and providing mentoring and advice to help new businesses survive and grow. This will be delivered through an external supplier and the procurement exercise for this is already underway.

6. FINANCIAL IMPLICATIONS

6.1 The cost of the Economic Profile (£9,500) was met from the Economic Development Initiatives budget. It will be used by other parts of the Council as well as by external partners to inform policy and decision making.

7. CRIME & DISORDER IMPLICATIONS

7.1 None

8. ENVIRONMENTAL IMPLICATIONS

8.1 No direct impact as this is an profile of the economy.

9. EQUALITY & DIVERSITY IMPLICATIONS

9.1 The evidence recognises disparity between different parts of the district.

10. DATA PROTECTION IMPLICATIONS

10.1 None; there is no personal data contained in the economic profile and no individuals can be identified from data sources.

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Background Papers:

The New Forest Economic Profile 2022
www.newforest.gov.uk/localeconomydata