Somerset Economic Bulletin

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1. Introduction

Welcome to the first edition of the Somerset Economic Bulletin. The Economic Bulletin is a new initiative by Somerset County Council and is designed to be a key information resource about the performance and trends in Somerset's economy. The Bulletin will be updated on a quarterly basis, ensuring that there is a regularly updated supply of economic data and intelligence about the county. In addition, each edition of the Bulletin will highlight recent published research and new knowledge about specific issues relating to Somerset's economy. Initially this includes summaries of research into the extent of dependency within Somerset on public sector employment and the prospects for private sector job creation - timely issues given the Government's drive for private sector led growth and its expectations for the newly established Local Enterprise Partnerships to drive this agenda forward.

Improving economic prosperity is a key priority for Somerset County Council and the Bulletin will help to ensure that everyone – businesses, investors, policy makers and the general public alike – is better informed about local economic trends and prospects. All the signs are that 2012 will be a challenging year for the UK economy, with the ongoing turbulence in the Eurozone making the short term economic prospects very uncertain. Inevitably, the immediate outlook for Somerset's economy is heavily influenced by these realities. Somerset County Council is committed to ensuring that Somerset can rise above these challenges and that the full economic potential of the county can be realised. Our ambitious plan for the early roll-out of superfast broadband infrastructure across Somerset, developed in partnership with Devon County Council, North Somerset Council and the Government agency BDUK, is just one example of this.

The Economic Bulletin has been prepared by the County Council's Economy Group and led by our Senior Economist, Carrie-Anne Hiscock. Team members including Carrie-Anne will seek to identify any detailed questions about the contents of the document. Any comments about the document including suggestions for improvements are very welcome too.

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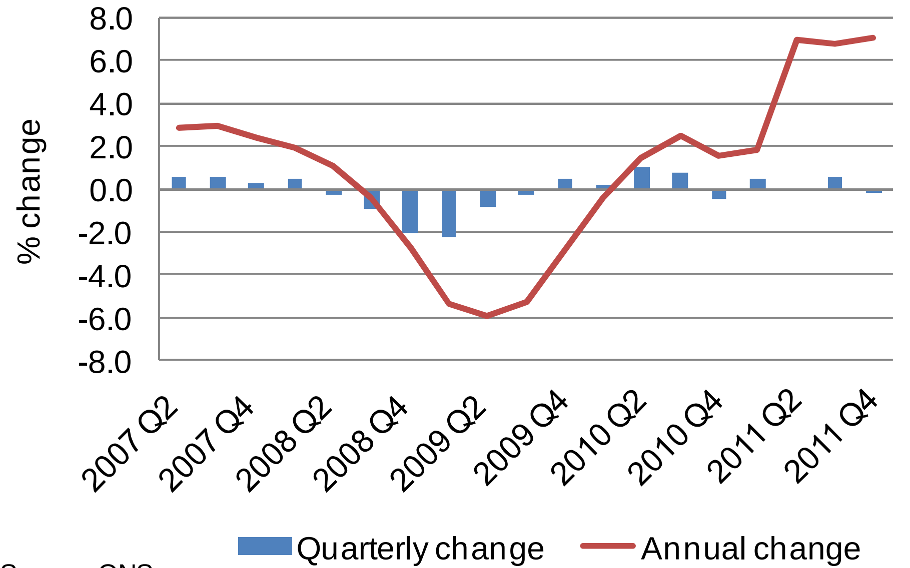
2. Somerset Trends

2.1 Productivity

UK gross domestic product (GDP) fell by 0.2% in the fourth quarter of 2011. Output of the production industries decreased by 1.2% compared with an increase of 0.2% in the previous quarter. Construction sector output also decreased in the fourth quarter, by 0.5%, compared with an increase of 0.3% in the previous quarter. The figures indicate that the UK could be heading back into recession as the recovery has failed to take hold. With the continuing turmoil in the Eurozone, high levels of inflation and wage stagnation, the economic recovery in 2012 remains uncertain.

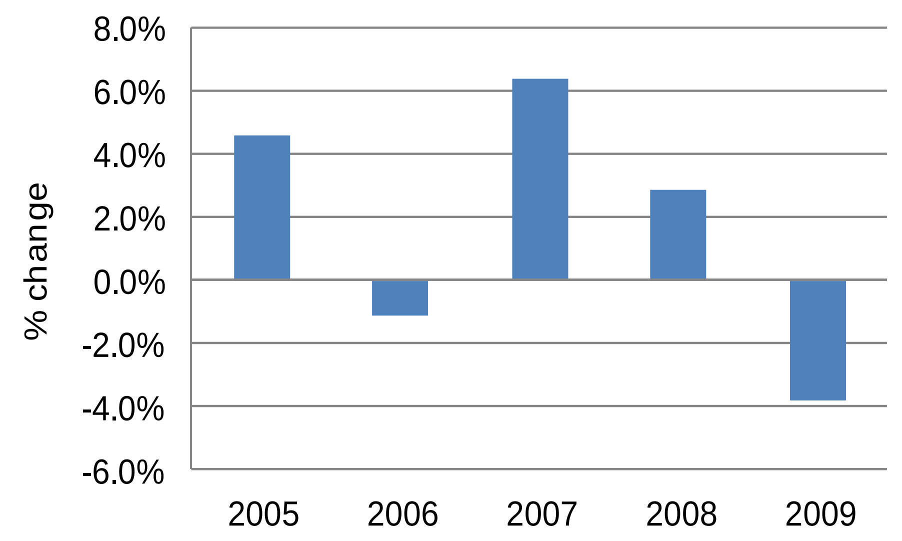
Productivity data at local authority level is currently only available up to 2009. Somerset's total gross value added (GVA) decreased by 3.8% between 2008 and 2009 as the impact of the global recession was felt. The manufacturing and construction sectors grew during this period, by 3.6% and 0.6% respectively, whilst the other sectors contracted. Given the more recent UK GDP data it remains to be seen whether the manufacturing industry in Somerset has continued to grow. This sector is key to the Government's goal of 'rebalancing' the economy, shifting from a service to production led economy.

Figure 1: UK GDP



Source: ONS

Figure 2: Annual change in Somerset's GVA



Source: ONS Regional Accounts

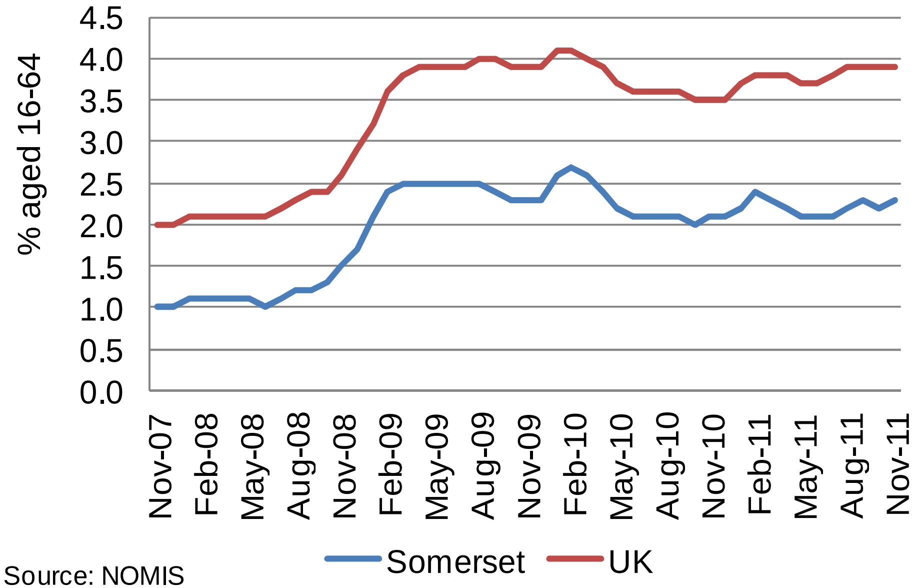
2. Somerset Trends

2.2 Unemployment

Levels of unemployment have risen both nationally and locally in the wake of the recession. Unemployment increased sharply in late 2008 and has since levelled off at around twice its previous rate. In November 2011, 2.3% of Somerset's working age population were claiming Jobseekers Allowance (JSA), compared with 3.9% in the UK as a whole. Unemployment amongst young people is of particular concern. 4.7% of Somerset's young people (aged 16-24) are claiming JSA; more than double the County's overall claimant rate. Long term unemployment rates (those claiming JSA for 12 months or more) remain relatively stable in Somerset and nationally, with the majority of people currently claiming JSA doing so for up to 6 months.

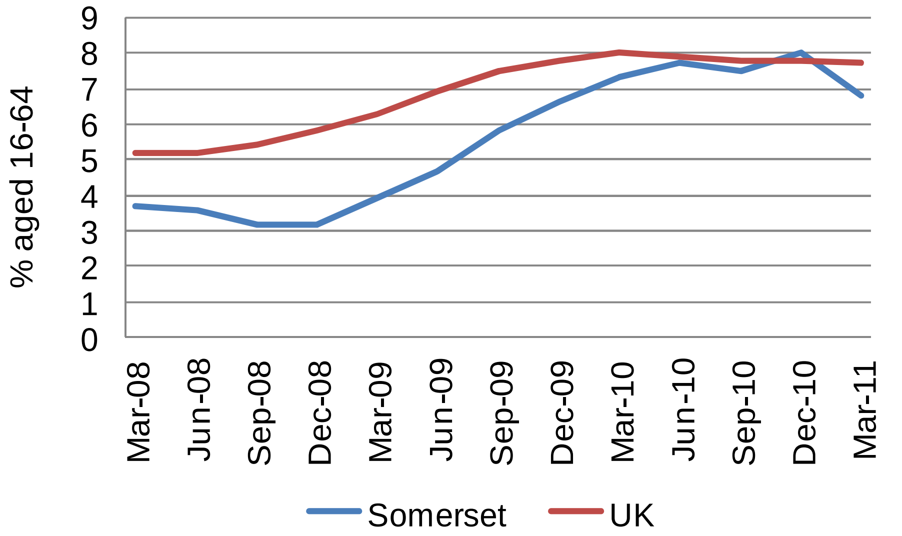
Claimant rates are lower than the 'real' (ILO) rate of unemployment, which shows all those seeking work, whether they are claiming JSA or not. In Somerset, the unemployment rate has risen sharply since December 2008, at a much faster pace than in the UK as whole. In March 2011 unemployment in Somerset stood at 6.8%, compared to 7.7% in the UK.

Figure 3: Claimant rate for Somerset and the UK



Source: NOMIS

Figure 4: Unemployment rate for Somerset and the UK



Source: Annual Population Survey

2. Somerset Trends

2.3 Local Unemployment

Levels of unemployment differ across Somerset and there are parts of the County with high concentrations of people claiming Jobseekers Allowance (JSA).

Figure 6 overleaf shows the proportion of the working age population claiming JSA by ward as at November 2011 (NOMIS). Figure 5 shows that Bridgwater has the highest proportion of people claiming JSA, with 4 of its wards at the top of the list for Somerset: Bridgwater Hamp (6%), Bridgwater Eastover (5.7%), Bridgwater Sydenham (5.4%) and Bridgwater Victoria (5.3%).

There are concentrations of unemployment in Somerset's other urban areas, e.g. Frome, Taunton and Glastonbury, but Williton and its surrounding area in West Somerset also show high levels. This indicates that the problem of unemployment is also affecting the County's market towns and rural hinterlands. The lowest claimant rate is in Bradford-on-Tone ward (0.4%).

Figure 7 (page 6) shows the quarterly change in unemployment by ward across the County (August to November 2011). Williton has seen the greatest in increase over the quarter (+1 percentage point) with claimant rates in the majority of wards in West Somerset also irising. The greatest decrease in claimant rate was in Curry Rivel (-1.3 percentage points) with parts of Chard, Frome and Taunton also seeing a decrease. Overall, the claimant rate increased in 63 of Somerset's 142 wards over the quarter, decreased in 63 wards and remained the same in 16.

Figure 5: Top 10 wards in Somerset - Claimant rate and change in claimant rate

Ward Name	Claimant Rate (%) Nov 2011	Ward Name	Change in Claimant Rate Aug-Nov 2011
Bridgwater Hamp	6.0	Williton	1.0
Bridgwater Eastover	5.7	Rodney and Westbury	0.9
Bridgwater Sydenham	5.4	Berrow	0.8
Bridgwater Victoria	5.3	Bridgwater Hamp	0.7
Frome Market	5.0	Wells Central	0.7
Highbridge	4.4	Burnham South	0.7
Taunton Eastgate	4.2	Carhampton and Withycombe	0.7
Wells Central	3.9	Watchet	0.7
Glastonbury St. Benedict's	3.9	Old Cleeve	0.7
Taunton Halcon	3.9	Crowcombe and Stogumber	0.7

Source: Claimant count, NOMIS

Figure 6: Unemployment by Ward in Somerset (November 2011)

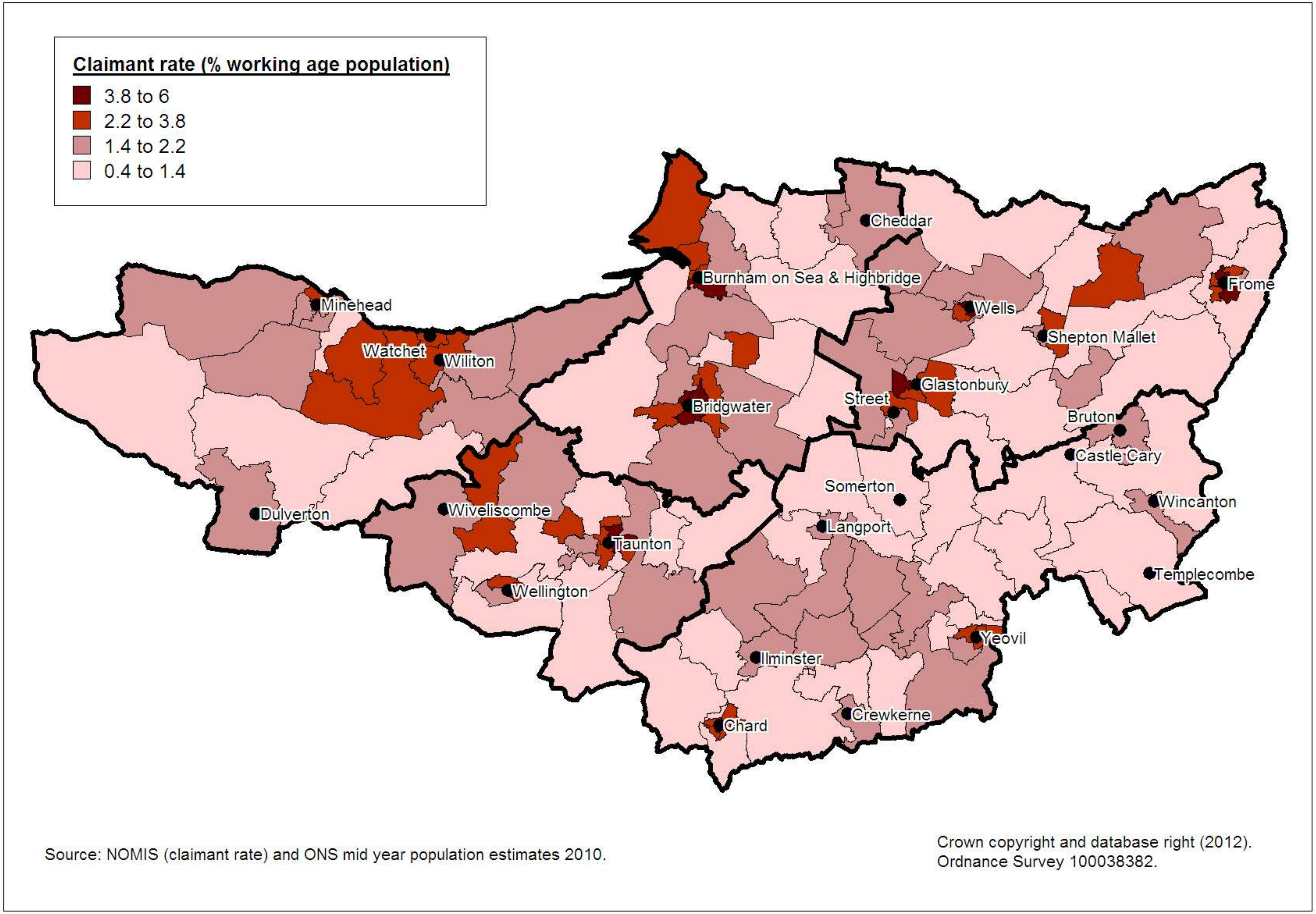
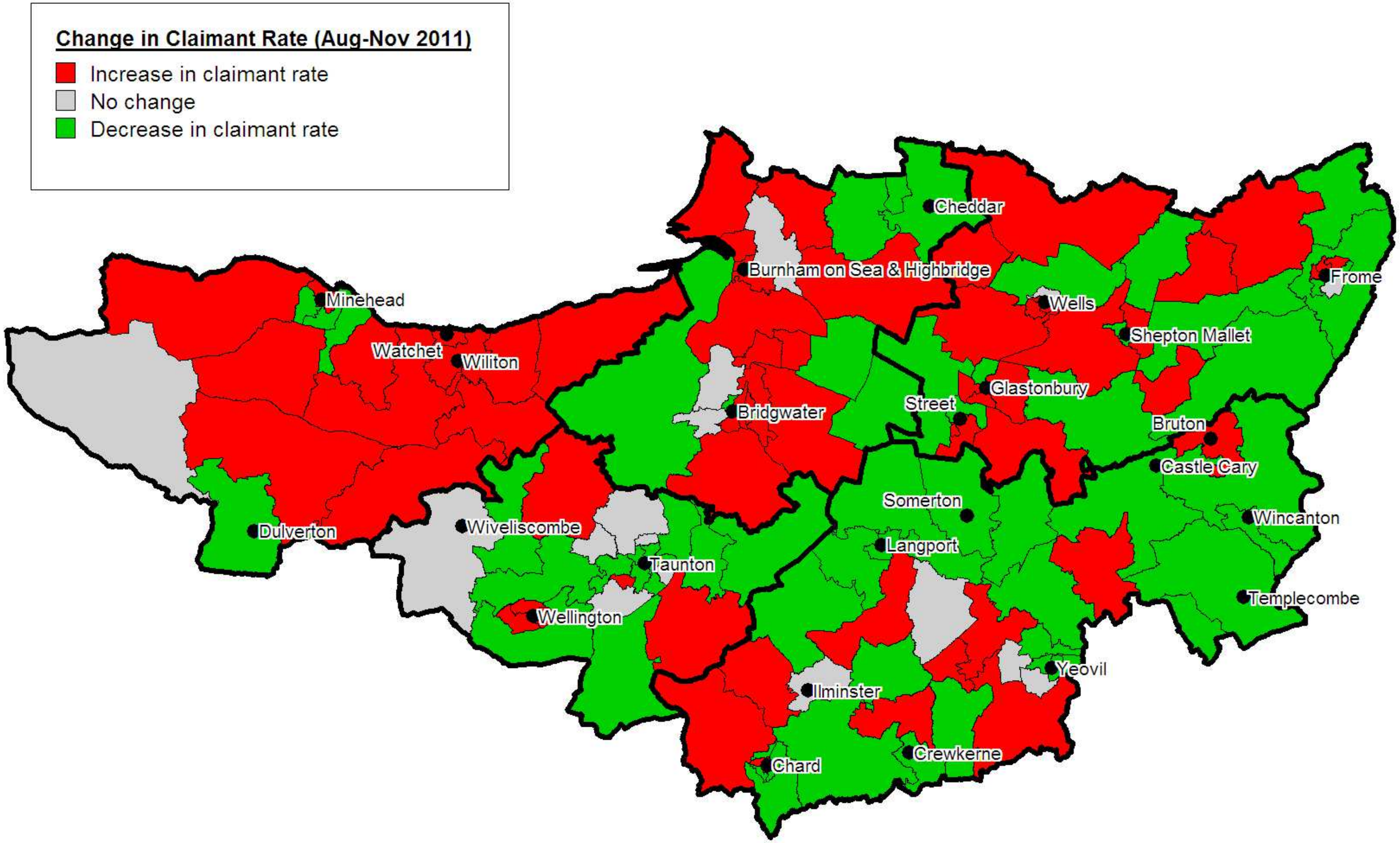


Figure 7: Quarterly change in unemployment by Ward in Somerset



Source: NOMIS (claimant rate) and ONS mid year population estimates 2010.

2. Somerset Trends

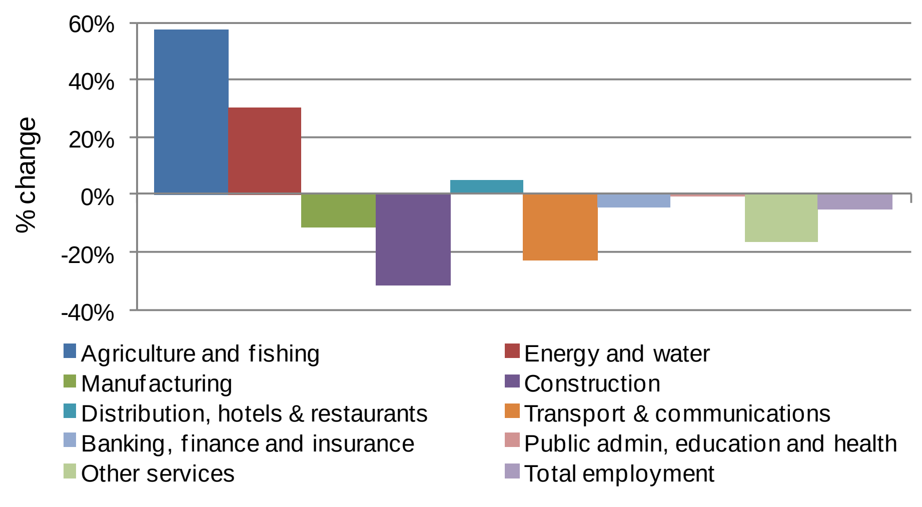
2.4 Employment

Total employment in Somerset fell by 4.9% between March 2008 and March 2011, a greater decrease than in the UK as a whole (-1.3%). Some sectors experienced an increase in employment whereas others saw decreases. Employment in agriculture and fishing in Somerset increased by 57.8% and the energy and water sector grew by 30.3%. The construction and transport and communications sectors fared worst in the county, with decreases in employment of 31.9% and 22.7% respectively. In the UK as a whole, employment in manufacturing fell the most sharply of all the sectors (-19%). This is a concern given the need to rebalance the economy towards production and facilitate economic growth.

Somerset also saw shrinkage in the public sector of 0.3%, compared to growth of 7.6% in the UK as whole. Cuts in public sector spending and jobs are likely to show in subsequent data.

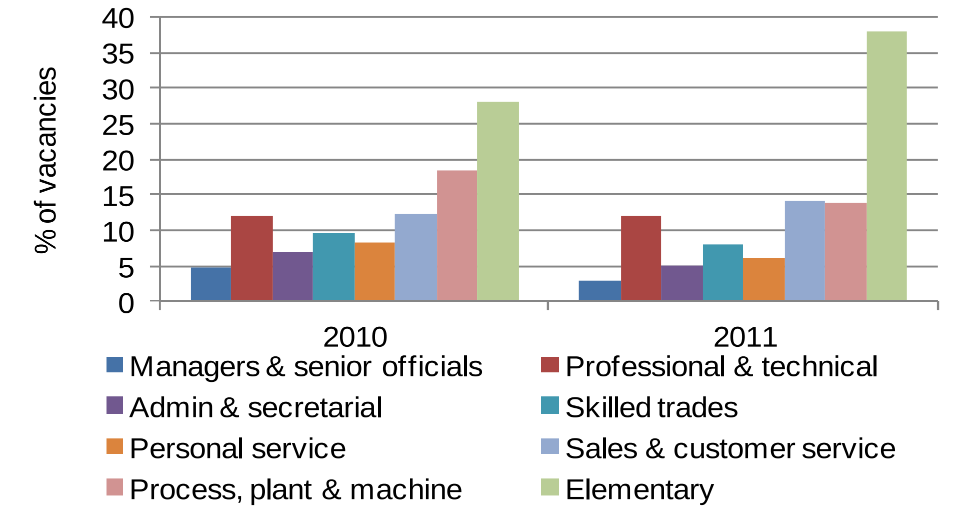
The majority of job vacancies in the Somerset economy in 2011 were for 'elementary' roles (38.1%, up from 28% in 2010). Sales and customer services vacancies have also increased, from 12.2% to 14.1%. The proportion of vacancies in management, professional roles and skilled trades decreased. Somerset historically has a lower skilled economy compared to the UK and the downturn appears to have further affected this balance.

Figure 8: Change in Somerset employment by sector (March 2008 to March 2011)



Source: Annual Population Survey

Figure 9: Somerset job vacancies by occupation type (2010 and 2011)



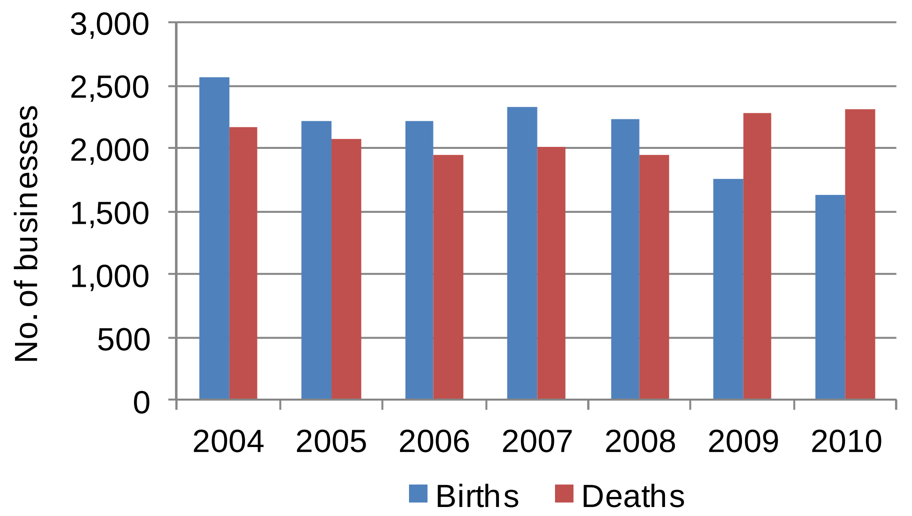
Source: Jobcentre Plus vacancies, NOMIS

2. Somerset Trends

2.5 Somerset Businesses

In 2010 there were 21,050 active enterprises in Somerset, down from 21,210 in 2004 (-3.4%) (ONS Business Demography). Until 2008, the number of new businesses created (‘births’) exceeded the number which closed (‘deaths’). In 2010, there were 1,635 business births in the county compared to 2,320 business deaths. This pattern is likely to continue into 2012 given the continuing tough economic climate. New businesses are also at high risk of failure in their early life. Survival rates of new businesses have fallen since the recession of 2008-9. 96.9% of businesses set up in Somerset in 2006 survived their first year of trading, whereas this fell to 93.1% in 2009.

Figure 10: Number of business births and deaths in Somerset



Source: ONS Business Demography

Somerset’s town centres are also showing the impact of the downturn and constrained consumer spending. Vacancy rates provide an indicator of the health of a town centre and a high rate can mean a town is struggling. Wellington has the highest vacancy rate of retail premises (19.2%), followed by Yeovil (14%) and Bridgwater (12.8%). Taunton’s vacancy rate has recently shown encouraging improvement with a decrease from 11.6% to 7.7%.

Figure 11: Town centre vacancy rates (Red = higher than Somerset average, Green = lower)

Town	Dec-09	Jun-10	Dec-10	Jun-11
Bridgwater	8.9%	14.0%	15.9%	12.8%
Burnham-on-Sea	5.7%	8.1%	5.1%	6.6%
Chard	6.4%	10.5%	10.7%	13.6%
Cheddar	N/A	N/A	N/A	11.3%
Crewkerne	N/A	N/A	12.4%	12.4%
Frome	N/A	11.3%	11.6%	13.4%
Glastonbury	6.3%	5.8%	5.6%	8.2%
Ilminster	N/A	N/A	7.0%	7.0%
Somerton	N/A	N/A	N/A	7.3%
Street	3.0%	4.3%	4.5%	4.1%
Taunton	8.0%	10.1%	11.6%	7.7%
Wellington	N/A	N/A	N/A	19.2%
Wincanton	N/A	N/A	N/A	3.8%
Yeovil	11.3%	14.5%	15.9%	14.0%
Somerset Average	7.1%	9.8%	10.0%	10.1%

Source: Local Data Company

3. Projects and Research

3.1 Prospects for Private Sector Growth

In October 2011, the South West Observatory published 2 reports looking at the prospects for private sector jobs growth in the South West of England. The 2 reports examine the area's labour market and the implications for employment and skills.

Evidence from the labour market report[1] indicates that the significant growth in employment in the South West over the last decade has been largely driven by an expansion of the public sector. With many local authorities and other public bodies shedding jobs, the spotlight is on the private sector to create jobs to fill this gap. The evidence so far suggests that this is not happening quickly enough to offset public sector employment reductions. The report argues that there is a strong need to rebalance the economy, shifting away from services and building construction, but this is not necessarily complementary to an objective of job creation. Economic growth can come in the form of increased productivity as well as new jobs.

The employment and skills report[2] notes the challenges of matching job seekers with job vacancies. Highly skilled individuals leaving jobs in the public sector are a mismatch for the predominantly lower skilled vacancies available, such as care assistants, HGV drivers and sales representatives. There is also emerging evidence that private sector employers may be reluctant to employ public sector staff, and public sector staff lack confidence in the transferability of their skills.

The report also notes that it is more difficult than ever for young people to enter the labour market and, with increased tuition fees for University courses, Apprenticeships are becoming a preferred route for many.

3.2 Public Sector Employment

Around 20,300 people in Somerset work for Local Authorities (County and District), 10,200 in the NHS and 6,900 in the civil service and armed forces combined.[3] Local authority employment per 10,000 population is higher in many other parts of the South West than it is in Somerset, but there are concentrations in areas such as Taunton which means job losses in that sector will be keenly felt. Those local authority areas with a lower concentration of council employment, such as Bournemouth and South Gloucestershire, are closer to larger conurbations which may offer other employment opportunities.

3.3 Broadband Monitoring and Evaluation

After a successful bid to Government in May 2011, the Connecting Devon and Somerset Broadband Project was awarded £31 million to roll out superfast broadband. Preparations for procuring a broadband supplier are well underway and work has begun to maximise and measure the economic impact of the project. The project aims to generate an additional £0.75 billion in GVA across Devon and Somerset and has wider potential benefits for businesses and residents. A monitoring and evaluation framework is being devised to capture the outcomes of the project and a survey will be undertaken to understand the demand for improved broadband across the area.

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[1] 'Prospects for Private Sector Growth in SW England', SW Observatory Economy Module, October 2011
[2] 'Private Sector Jobs Growth: Implications for Employment and Skills', SLIM, October 2011
[3] 'Public Sector Employment Briefing 2: Regional and Sub-regional Data', SW Observatory, August 2010

4. Somerset's Economy at a glance

Indicator		Source	Date	Number	Rate (%)	Quarterly change	Annual change
Gross Value Added (GVA)	Total	Office for National Statistics (ONS)	2009	£8,371m	N/A		-3.8%
	Per full time equivalent (FTE) worker		2009	£37,072	N/A		-3.5%
Unemployment rate (aged 16-64)	Total	Annual Population Survey, NOMIS	Mar-11	16,600	6.8	-1.2	-0.5
	Men		Mar-11	8,700	6.8	-0.9	-2.0
	Women		Mar-11	7,900	6.8	-1.6	+1.1
Jobseekers Allowance Claimants	Total (aged 16-64)	NOMIS (Department for Work and Pensions)	Nov-11	7,200	2.3	+0.1	+0.2
	Men (aged 16-64)		Nov-11	4,883	3.1	0.0	+0.2
	Women (Aged 16-64)		Nov-11	2,317	1.4	0.0	+0.1
	Aged 16-24		Nov-11	2,425	4.7	0.0	+0.8
	Aged 50-64		Nov-11	1,215	1.1	0.0	+0.1
	Claiming 1 year + (aged 16-64)		Nov-11	670	0.2	0.0	0.0
Benefit Claimants	Claimants of out of work benefits (aged 16-64)		May-11	29,800	9.4	-0.1	-0.3
Economic Activity (aged 16-64)	Total	Annual Population Survey, NOMIS	Mar-11	243,600	77.4	-2.3	-2.4
	Men		Mar-11	127,200	82.7	-2.2	-1.2
	Women		Mar-11	116,400	72.3	-2.4	-3.4
	Employed full-time		Mar-11	163,700	72.1	+1.2	+2.6
	Employed part-time		Mar-11	62,800	27.7	-1.3	-2.8
Public Sector Employment	Total		Mar-11	56,700	23.6	+0.5	+1.1
	Men		Mar-11	15,900	12.6	+0.3	-1.5
	Women		Mar-11	40,800	35.9	+0.7	+4.4
Income	Average (median) weekly earnings (gross)	Annual Survey of Hours and Earnings	2010	£472	N/A		+3.5%
Businesses	Births (no. and % of active enterprises)	ONS Business Demography	2010	1,635	7.8		-7.1%
	Deaths (no. and % of active enterprises)		2010	2,320	11.0		+1.3%
House prices	Average (mean)	Communities and Local Government	Jun-11	£203,341	N/A	+2.1%	-4.1%
	Lower quartile house price to earnings ratio		2010	7.8	N/A		+1.9%

5. Useful Links

- Somerset Intelligence Network

  http://inform.sine.org.uk/

- NOMIS

  https://www.nomisweb.co.uk

- South West Observatory

  http://www.swo.org.uk

- Office for National Statistics

  http://www.statistics.gov.uk

This document is available in alternative formats.

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If you would like any further information on economic statistics for Somerset, please contact:

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