

IN BRIEF: Devon's labour market continues to perform strongly

- Global growth forecasts revised down despite the short term boost expected from low oil prices.
- Consumer spending is still driving the economic recovery in the UK. This has been given further stimulus by very low—and for a time negative—inflation.
- Devon's economy is expected to have grown in 2014. The labour market continues to outperform the national average.
- Research shows that export activity in the South West increased in Q1 2015.
- Heart of the South West LEP secures an additional £65.2m expansion of its Local Growth Deal.

Global & UK Economy

Drop in world oil price boosts global growth expectations

Growth remains uneven in advanced economies

China's growth slows

UK economic growth disappointing in late 2014 and early 2015

Growth expectations raised on the back of strong consumer spending

OBR expects the trade deficit to widen in 2015

Global trends and outlook

Source: IMF (Jan 14) World Economic Outlook

There have been some key developments since the International Monetary Fund's (IMF) October 2014 World Economic Outlook. It now expects global growth to be 3.5% in 2015 and 3.7% in 2016, downward revisions of 0.3 percentage points respectively.

The major development has been the decline in the price of oil. Having fallen 55% between September 2014 and January 2015 (in US \$), it is expected to give a significant short term boost to global growth. Advanced economies, reliant on oil imports, are expected to benefit.

This is more than offset however by a greater divergence in growth expectations for advanced economies. Growth forecasts for Japan and the eurozone have been revised downwards (prior to the Greek anti-austerity referendum). The US is the only major economy for which growth projections have been raised. In the emerging markets, China's growth is expected to continue slowing, dampened by lower investment and the need to reduce credit risk arising from rapid growth.



UK trends and outlook

Source: OBR (March 2015 Economic & Fiscal Outlook ; ONS GDP Q1 2015; ONS UK Trade

UK quarterly economic growth increased by 0.5% in the final quarter of 2014, weaker than expected by the Office for Budget Responsibility (OBR), in December 2014. Preliminary estimates by ONS also suggest Q1 2015 growth was disappointing at just 0.3% - the slowest quarterly growth since Q4 2012. Longer working hours in Q4 2014 also drove down productivity growth (on an hourly basis) during this period.

Despite this, the OBR's forecast for UK GDP growth has been revised up to 2.5% in 2015 and 2.3% in 2016. The positive outlook is a result of higher than expected consumer spending over the forecast period. This is driven by low expected inflation, which fell to 0% in February 2015 (and was negative in April 2015), giving a boost to real take-home pay. Consumer spending is expected to be the anchor of short term economic growth in the UK.

The UK's trade deficit (imports less exports) widened in February 2015 to £2.9bn, largely thanks to weaker sales to the US. Strong expected domestic consumer spending (part of which is on imports) means OBR now expects the trade deficit to widen throughout 2015.

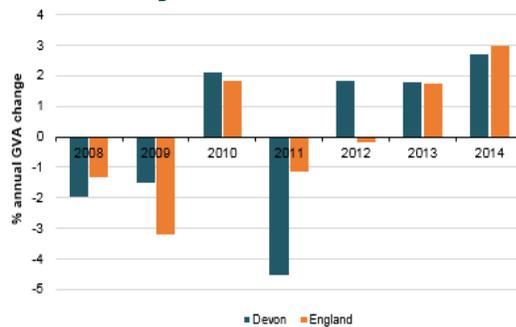


Devon Economic Bulletin

Devon at a glance: Economic & Labour Market trends

Devon's economy expected to have grown in 2014

Economy



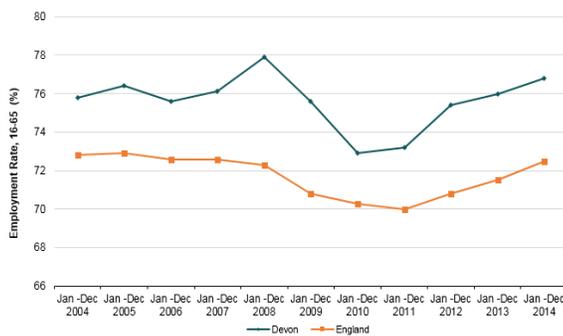
Source: Cambridge Econometrics LEFM (2010 prices), 2014 baseline

The labour market is performing strongly

Fewer people work full time in Devon than the national average (as a proportion of those in employment)

Employment

The employment rate (% of people aged 16-64 in employment) in Devon increased to **77%** in the year to Dec 2014. Since 2010, it has grown at a faster rate than the national average.



Source: ONS Annual Population Survey Dec 2014

Workplace employee weekly earnings in Devon rose in 2014—but remain well below the national average

People who work full time in Devon work longer hours than the national average

Unemployment

The unemployment rate (% of people aged 16-64 unemployed) in Devon fell to **4.3%** in the year to Dec 2014. It remains well below the national average of 6.4%.

[ONS Annual Population Survey Dec 2014, ILO definition]

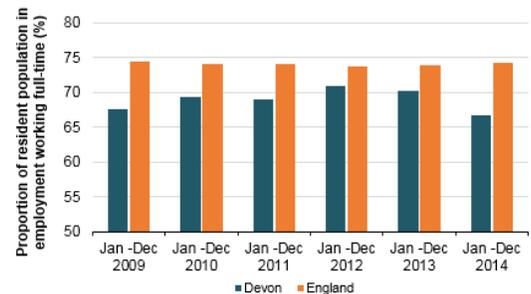
The claimant count (% of people aged 16-64 claiming unemployment benefit) remained at its 14 year low in April 2015 of **0.9%**. The national average fell in April to 1.8%.

[ONS Claimant Count Apr-15, NB the "claimant count" captures only those unemployed people who are eligible for, and claim, benefits]

Devon's economy is estimated to have grown by **2.7%** in 2014, generating **£3.5bn** of GVA. This is lower than growth in England, but the fastest annual growth rate in Devon since 2007.

Devon's GVA per job - a basic measure of productivity - is estimated to have increased marginally to **£34,600** in the year to 2014. Despite this, it remains significantly below the national average (£39,200 in 2014).

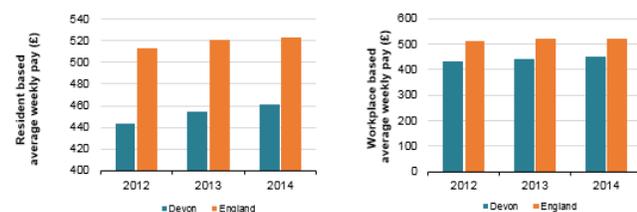
The proportion of those in employment who work full-time in Devon fell to **67%** in the year to Dec 2014. It still remains substantially below the national average (74% in 2014).



The proportion of the economically active population (aged 16-64) who are self-employed in Devon remained at **18%** in 2014, above the national average (14%).

Earnings & Hours

Workplace based average weekly employee (full time) wages in Devon rose to £450 in 2014. This is below the national average (£520).



In 2014, full-time employees in Devon worked **39hrs** each week; 1.5hrs more than the national figure. The hours worked increased in the year.

Devon Perspectives - Topical Focus

South West performs relatively poorly in terms of the value of exports—but it may be improving

South West exports are low—but rising in 2015

For the year to March 2015, HM Revenue and Customs' Regional Trade Statistics indicate that the South West exported less (by value) than all English regions other than the North East.

However the British Chambers of Commerce (BCC) Quarterly International Trade Outlook points to an improving performance across the South West. On a quarterly basis, export activity increased by 11%, meaning that the South West saw the third fastest growth (behind East Midlands (21%) and the West Midlands (16%)). This is good news given the challenging export climate resulting from high exchange rates with the UK's major trading partners, and poor growth in the euro area.

UK-wide, the BCC is more optimistic than OBR looking ahead. It expects the value of UK exports to increase by 3.7% in 2015, outpacing the rate of import growth (+2.3%).



Respondents to a telephone survey—conducted as part of a new study of farming in Exmoor—were “largely optimistic” about the future for farming on Exmoor

The state of farming in Exmoor

A study of farming in Exmoor has been completed by the Countryside and Community Research Institute. It examined changes in Exmoor's farming community over the last 10 years as well as likely trends over the next decade. Key findings included:

- a decline in the number of cattle and an increase in the number of sheep—but also an overall increase in diversification
- an expectation of greater future diversification, with a particular focus on renewable energy
- concerns about low stock prices, Bovine TB, and upward pressure on the price of housing and land as a result of in-movers
- recognition of the valuable role of the Exmoor Hill Farming Network.

More information is available at <http://www.ccri.ac.uk/exmoorstudy/>

Centre of excellence for biomedical research boosts the University of Exeter's credentials

£3m new Biomedical Research Centre announced

The research centre - based on the University of Exeter campus - will bring together experts in a range of fields to push the boundaries of bioscience and medical research. By uniting disciplines spanning computer science to biomedicine, the research centre will develop understanding of the root causes of diseases such as dementia, diabetes and epilepsy. It will also lead to the development of new tools for diagnosing and treating these disorders.



The centre is funded by £1m from the Wellcome Trust, combined with £2.2m from the University. The funding will pay for leading experts in their respective fields to collaborate, and to forge partnerships with organisations such as NHS Trusts and research networks.

Heart of the South West LEP secures an additional £65.2m as part of its Growth Deal.

New £5m Unlocking Business Investment fund was launched by Heart of the South West LEP in February 2015.

Numerous digital skills workshops offered across Devon in the coming months

News from Heart of the Southwest (HotSW) LEP



The LEP has secured and agreed an expansion to its Growth Deal with Government which will see an extra £65.2m invested in Heart of the South West between 2016 and 2021. This is in addition to the £130.3m of funding committed by the Government on 7th July 2014.

In addition to various transport packages, proposed projects in the Growth Deal expansion include:

- universal superfast broadband coverage by tackling the next 5% of premises in hard to reach areas (mostly in rural areas);
- an Electronics and Photonics Centre based at the White Rock Business Centre in Paignton providing incubation for start-up businesses and specialised equipment;
- the creation of a collaboration centre at the heart of the Met Office Environmental Futures Campus at Exeter Science Park; and
- the delivery of phase 2 of the Exeter Science Park Centre.

National and local business support programmes

- Nationally, the Business Growth Service is available to firms in England with fewer than 250 staff and turnover of less than £40m. It incorporates previously separate strands (e.g. GrowthAccelerator and the Manufacturing Advisory Service). It offers support in accessing finance; developing new ideas; leadership and management skills; manufacturing; exporting; and building networks.
- A new £5m Unlocking Business Investment fund has been launched by HotSW LEP. Businesses from across Devon (and the rest of the LEP area) can apply for grants of between £25,000 and £499,000 to invest in capital projects (e.g. relating to plant machinery and premises) with the aim of unlocking investment opportunities and developing new markets.

**BUSINESS
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Upcoming Events visit <http://www.business-supportsw.com/>

- 21/07/15—Exeter Business Support: Start up Successful (Exeter)
- 29/07/15 and 19/08/15—Women led enterprise—Getting down to business (Exeter)
- 01/10/15—Rural Futures Conference (Exeter)
- 25/10/15—North Devon FoodFest 2015 (Barnstaple)