

HEADLINE SUMMARY

- The **UK economy slowed more than expected** in the quarter ending September 2015, largely driven by a 2.2% decline in the construction industry. .
- The Land Registry reports that **annual House Prices are continuing to grow** but at a slower rate than in the recent past.
- The number of people in **Hertfordshire** claiming **Job Seekers allowance fell by almost 2,000** in the last 12 months.
- The county remains on track to **repeat its inward investment performance of 2015** with 12 inward investment successes being recorded and verified since April.

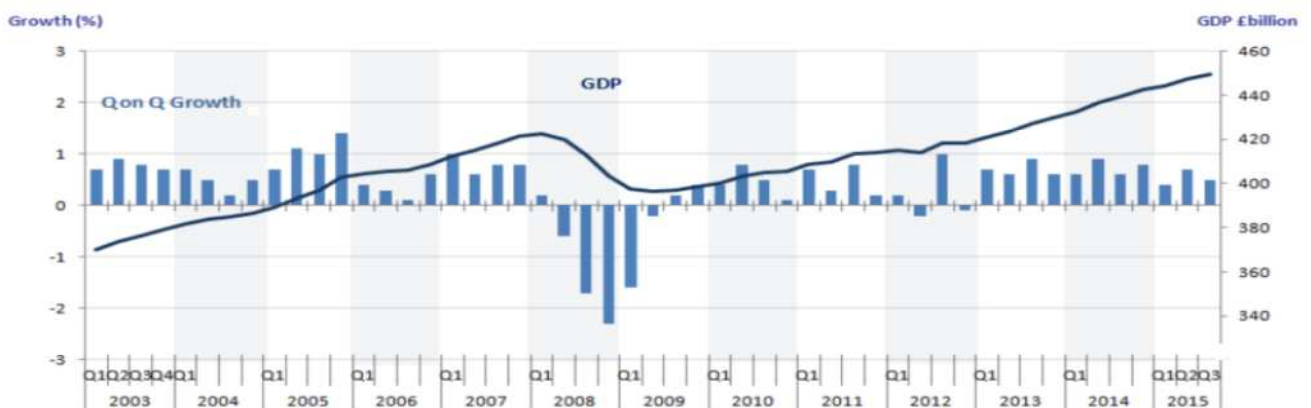
SECTION 1: UK

Economic Output ¹

- The change in gross domestic product (GDP) is the main indicator of economic growth. The Office for National Statistics estimates that GDP increased by 0.5% in the quarter July to Sept 2015. This is slightly down on growth of 0.7% in the previous quarter Apr to June 2015.
- Output increased in 3 of the main industrial groupings within the economy during the quarter. Services increased by 0.7%, production increased by 0.3% and agriculture increased by 0.5%. In contrast, construction output decreased by 2.2%.
- Within production, manufacturing fell by 0.3% but this fall was offset by a 2.4% increase in Mining and Quarrying and a 1.2% increase in water and waste management.
- Total GDP was 2.3% higher in the quarter compared with the same quarter twelve months ago

GDP (£billions) and quarter-on-quarter growth (1), Quarter 3 (July to Sept) 2015

UK, Quarter 1 Jan to Mar 2003 to Quarter 3 July to Sep 2015



¹ Source: ONS Preliminary GDP estimates July –Sep 2015: published October 27 2015

Inflation²

- The prices households pay for the goods and services they buy are very slightly lower than a year ago.
- The Consumer Prices Index (CPI) – which measures the changes in these prices – fell by 0.1% in the year to September 2015. A smaller than usual rise in clothing prices following the summer sales period, plus falls in the prices of petrol and diesel were the main contributors to the drop in inflation.
- Since the turn of 2015, the rate of inflation has been low, varying between a positive 0.3% and negative 0.1%. ONS has calculated an average inflation rate for the year to date
- 0.0%. In other words, there has been little to no inflation during 2015.

House Prices³

- The September data shows an annual price increase of 5.3 per cent which takes the average property value in England and Wales to £186,553. Monthly house prices up 1.0 per cent since August 2015.
- London experienced the most significant annual price increase with a movement of 9.6 per cent and highest monthly rise of 1.8 per cent
- In Hertfordshire, residential house prices rose by 0.8% in September. This represents an increase of 11.8% in the last twelve months and takes the average price of a house in the county to £311,247

Summary of UK Business Conditions⁴

- Economic activity had continued to grow at a solid rate on the previous year, driven by services and construction output, but the pace of growth had eased a little overall. In particular, manufacturing growth had slowed, partly reflecting the effects of sterling's earlier appreciation and subdued world demand on export supply chains.
- Housing market activity had picked up modestly, though it remained constrained by the number of properties available for sale. High levels of competition were reported among lenders, which had led to falls in mortgage rates and increased remortgaging activity.
- Employment intentions indicated continued growth in the workforce. Recruitment difficulties were reported to be contributing to rising wage pressure in the service sector, but weak consumer price inflation had reduced the pressure on some employers to raise pay rates.

SECTION 2: HERTFORDSHIRE

Labour market⁵

- 8,035 people claimed Job Seekers Allowance (JSA) in September 2015 compared to 10,071 people claiming the benefit in September 2014, a fall of 2,036 in the last twelve months.

² Sources: Consumer Price Inflation, Sep 2015 ONS – published Oct 13th 2015

³ Land Registry House Price Index Sept 2015: published 28 Oct 2015

⁴ Bank Of England: Agents summary of business conditions October 2015

⁵ ONS:Nomisweb, October 2015

- The JSA rate now stands at 1.1% of the working age population compared to 1.2% in the East of England and 1.6 % for GB.
- As previously reported, the take up of JSA continues to show month on month reductions, yet little headway is being made in reducing the number of people claiming Employment Support Allowance (ESA) and Incapacity benefits (IB). Nearly three times as many people (28,000) claim ESA and IB per month than JSA. Like other areas, Hertfordshire has yet to see any significant downward change in response to the positive economic climate.

Local Business News

Inward Investment

- In our previous report for Quarter 1 15/16, we confirmed a record number of 25 inward investment successes for the county in the FY ending March 2015. Current data from UK Trade and Investment confirms that Hertfordshire is on track to record a similar level of successes with 12 successes recorded since April 2015.
- One of the projects which has been recorded as a success received advisory support from the LEP in the development of a Regional Growth Fund bid. The bid was successful and saw an Indian company bring automotive manufacturing capability back to the UK through a Hertfordshire based company.

Business Intelligence

- Hertfordshire Growth Hub is now fully operational and providing support to Herts based SMEs. Advisors are providing face to face business support to SME clients and building a portfolio of case studies on the Herts Growth Hub website: www.hertsgrowthhub.com/
- Hertfordshire's world renowned **Building Research Establishment (BRE)** has secured a place in a consortium comprising Tsinghua University and Evergrande Group to deliver a £200m research project to further the science in sustainable urbanisation through research and development. This will provide a launch pad for British companies to promote their leading expertise and accelerate export growth potentially worth over half billion pounds (> £0.5bn) for the UK. *Source: BRE*
- **Tesco** profits more than halved in the first six months of its financial year. The UK's biggest retailer made operating profits of £354m, compared with £779m in the same year before. Sales at established stores in the UK slid by 1.1% in the six months to 29 August and the group warned that trading conditions remained challenging. Profits in the UK and Ireland dived 70%, but a 26% fall in profits at Tesco's international businesses also disappointed the City. As a result, Tesco has agreed to sell 14 development sites to property investment firm Meyer Bergman for £250m, as part of its decision to mothball a series of planned large supermarkets. The sites, which are owned by Tesco's Spenhill development arm, are located across London, the south-east and Bath and include the company's London Rd store in St Albans. *Source: BBC and Guardian*
- In a trading update for the 18 weeks to September 15, **Imagination Technologies** - Hertfordshire's world leading micro chip designer- has said that its sales are going to fall short of previous expectations because the Chinese mobile market is cooling. *Source: Daily Telegraph*

- Automobile emissions-control system makers such as Royston's **Johnson Matthey** are set to gain from the Volkswagen diesel emissions tests scandal. The scandal is likely to lead to tighter regulation for the sector as a whole which is likely to benefit manufacturers like JM whose shares have climbed 15 percent since late September. *Source: Reuters*

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