



South Hampshire Economic Review

February 2010

South East England Development Agency (SEEDA)
Research & Economics

Summary

Past trends – PUSH broadly in line with the South East average

- Output in Hampshire grew from £17 billion in 1995 to nearly £35 billion in 2007, at an average rate of growth of 6.3% per year. (Note: this figure incorporates the effects of inflation so is significantly higher than inflation-adjusted estimates from Experian). In 2007 Hampshire accounted for 14.5% of regional GVA.
- GVA per head in Portsmouth and Southampton remained above the South East average for most of the period 1995-2007, while in Hampshire county GVA per head was below the regional average (although the gap has been narrowing since 2003).
- There are significant disparities in skills within the PUSH area, with the populations of Test Valley and Winchester being amongst the most highly qualified in the South East, while areas such as Fareham and the New Forest significantly under-perform the regional average. This is borne out by data on earnings, which shows that in areas with a larger proportion of highly qualified residents average residence-based earnings are higher, and people are more likely to commute out of their local area to work.

Recessionary impacts – PUSH economy under-performs the South East, but labour market performance in line with regional average

- Experian forecasts suggest that the South Hampshire economy shrank by -4.4% between 2008 and 2009 (slightly faster than the -4.2% in the South East) though there were significant differences across the sub-region. The decline in output was greatest in the manufacturing and construction industries, in line with regional and national trends.
- Business conditions in the South East improved over the 3 months to October 2009, but Hampshire was the only South East county where a greater proportion of businesses reported worsening performance than reported an improvement. (Note: county level figures are based on small sample sizes, so can be unreliable).
- The labour market within the PUSH area has not been as badly affected by the recession as might have been expected, with the decline in economic activity and employment being broadly in line with the South East average. However, there are significant disparities in performance across the sub- region, with Portsmouth and Southampton performing more poorly than areas such as Gosport and Test Valley.
- The number of people in South Hampshire claiming Job Seekers Allowance increased significantly in the early months of 2009, but began to level off from the middle of the year. The claimant count unemployment rate of 3% in December 2009 is in line with the South East average. The highest unemployment rates and fastest increases in unemployment have tended to be in the cities and coastal areas, due to greater concentrations of lower skilled residents and seasonal employment.

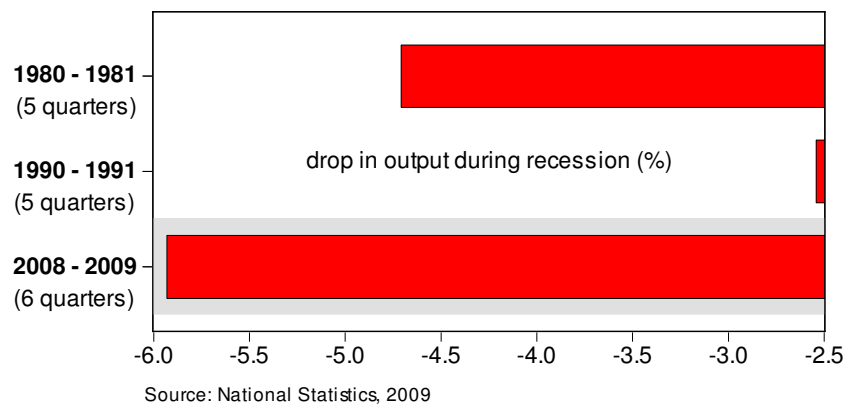
Future prospects – PUSH projected to under-perform the regional average

- The South Hampshire economy is forecast to return to growth in 2010, though at a rate of just 1.3%. Growth is projected to be driven largely by the financial and business services sector.
- Experian forecasts suggest that employment in the PUSH area in 2009 fell at a faster rate than in the South East (-2.5% compared to -1.9%) and is expected to take longer to recover. Forecasts for 2010 suggest that employment in the PUSH area will continue to decline, by -0.4%, compared to just -0.1% in the South East. Employment is expected to return to growth in 2011, although it could take some years to recover to its pre-recession levels.

Strong recession with weak economic recovery in the UK

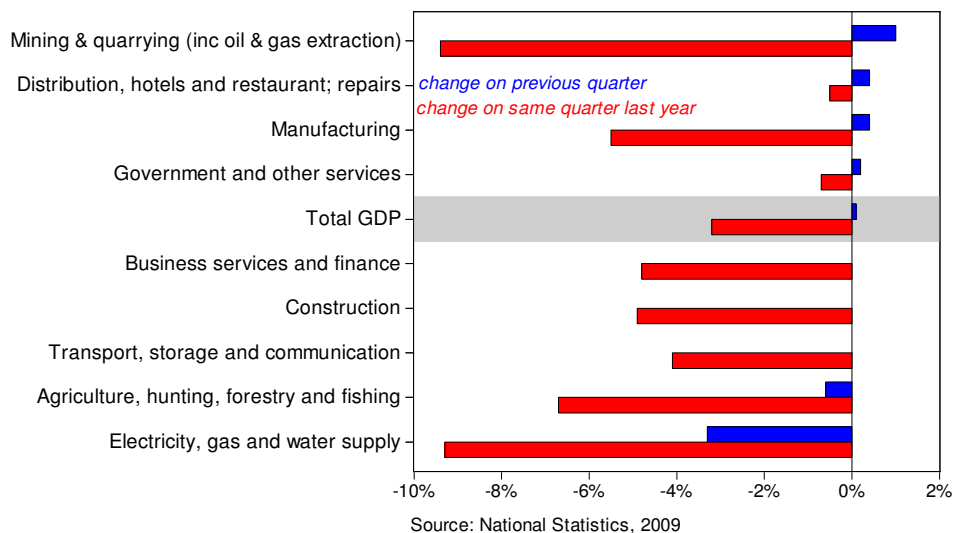
The GDP drop in the third quarter 2009 made the current recession the deepest and longest one since quarterly figures were first compiled in the 1950s. The difference with previous recessions is that, on this occasion, the extent of the downturn has clearly been worse (Figure 1). In terms of speed, during the current downturn GDP dropped at a quarterly rate of 1% while in the recessions of 1980-1981 and 1990-1991 output fell at a quarterly rate of 0.8% and 0.4%, respectively. Indeed, the UK GDP fell dramatically by 2.5% in the first quarter of 2009, which was as much as the entire contraction in output in the 1990-1991 recession that lasted for five quarters. In terms of length, in the previous post war recessions GDP returned to positive quarterly growth in the sixth quarter following the onset of the downturn. By contrast, in the sixth quarter of the current recession GDP has continued to fall, although the rate of decline has decreased. In terms of scale, Figure 1 shows that the accumulated GDP drop in the current recession was 5.9 percentage points below its pre-recession level in 2008. This compares to equivalent figures of 4.7 percentage points for the same period in the 1980-1981 recession and 2.5 percentage points in the 1990-1991 recession.

Figure 1: Current and previous UK recessions compared



However, the latest figures from the Office for National Statistics show that the **UK officially came out of recession in the last quarter of 2009, although at a marginal growth rate.** The UK GDP recorded a positive growth rate of 0.1% in the last quarter of 2009, after 6 consecutive quarters of negative growth.

Figure 2: UK economic recovery by sector (fourth quarter 2009)



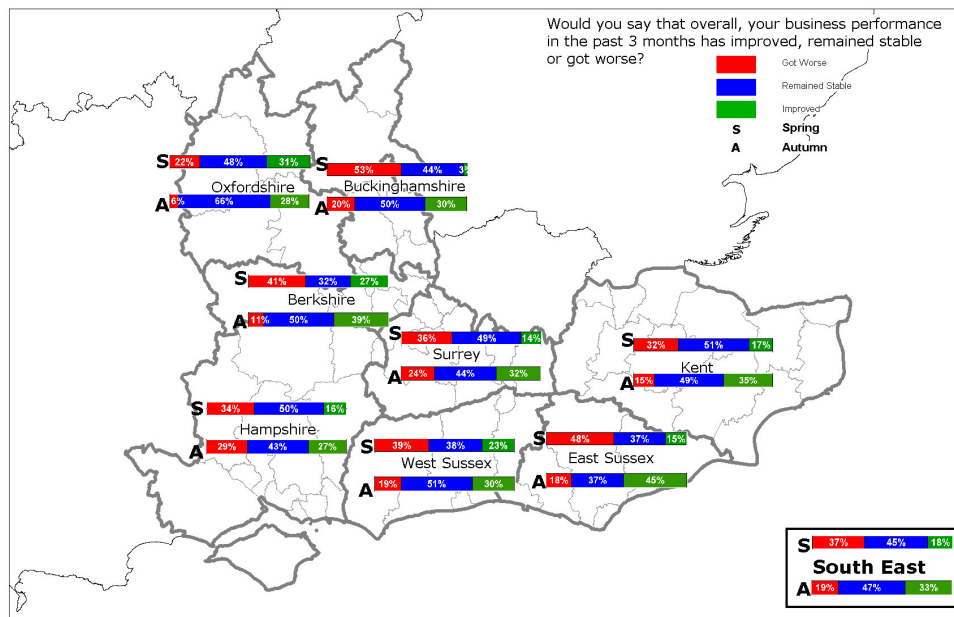
As Figure 2 shows, mining & quarrying recorded the largest quarterly growth (1%), presumably due to seasonal factors in the oil & gas extraction industry, although it contributed only marginally to the overall growth in output. Output in the Distribution, hotels & restaurants sector (including retail) grew by 0.4% in

the last quarter 2009, compared to the previous one, but became the largest contributor to the GDP growth. Growth in this sector was due mainly to the increase in output in the motor trade and retail activities, which were boosted by the combined effect of Christmas sales in December 2009 and the imminent VAT increase in January 2010. Additionally, distribution, hotels & restaurants showed the smallest annual fall in output (-0.5%) compared to any other sector of the UK economy. Manufacturing output also increased by 0.4% for the same period and was driven mostly by the car scrappage scheme and the current depreciation of sterling, which boosted exports. The largest output drop in the last quarter of this year has been recorded in the electricity, gas and water supply sector, where output fell by -3.3% quarter-on-quarter and -9.3% year-on-year, as shown in Figure 2.

Improving business performance in the South East across most counties

SEEDA’s business survey¹ of some 600 businesses across the region shows that business conditions improved over the 3 months to October 2009 (Figure 3). The proportion of firms in the South East reporting that the business climate deteriorated fell from 37% in spring to 19% in autumn 2009. One third (33%) of businesses reported improved performance, up from 18% for the previous survey. Overall, the net balance² for business performance in the South East was positive (14%) for the autumn, compared to a negative score (-19%) in the spring. However, **Hampshire was the only county in which firms reporting worsening business performance (29%) still outnumbered those reporting improving business performance (27%) in Autumn 2009.** In part this could be related to the concentration of employment in sectors such as manufacturing and transport in Hampshire – both of which were hit hard in the earlier stages of the recession.

Figure 3: Business Performance by County, over previous 3 months



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Source: Business Survey Quarterly Snapshot, SEEDA (October 2009)

The differences in performance seen across the region are largely driven by differences in industrial structure as well as average business size. Manufacturing and construction related activities in the South East were affected by the economic downturn to a greater extent than service activities during the spring of 2009. Moreover, smaller companies have been more severely affected by the sharp fall in demand and liquidity squeeze during the economic downturn than larger companies. This is perhaps less surprising knowing that they form the supply chains for larger businesses and that smaller companies in the region are largely dependent on wholesale markets for funding.

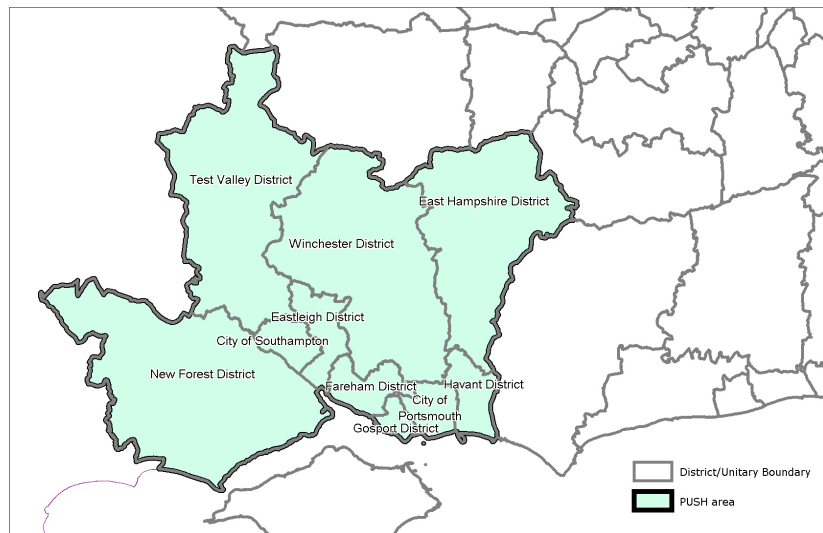
¹ Business Survey Quarterly Snapshot, October 2009.

² The difference between the percentage of companies reporting improvement and the percentage reporting deterioration.

Steady economic growth in South Hampshire in the past decade though with disparities in performance

South Hampshire³ refers to the metropolitan area covered by the cities of Portsmouth and Southampton, plus the surrounding local authorities of East Hampshire, Eastleigh, Fareham, Gosport, Havant, New Forest, Test Valley and Winchester (Figure 4). In some cases, it was not possible to provide an analysis for the South Hampshire area given that data were not available at district level. In such circumstances, trends related to the whole of Hampshire, which includes Hampshire County Council (CC)⁴ and the unitary authorities of Portsmouth and Southampton, are presented.

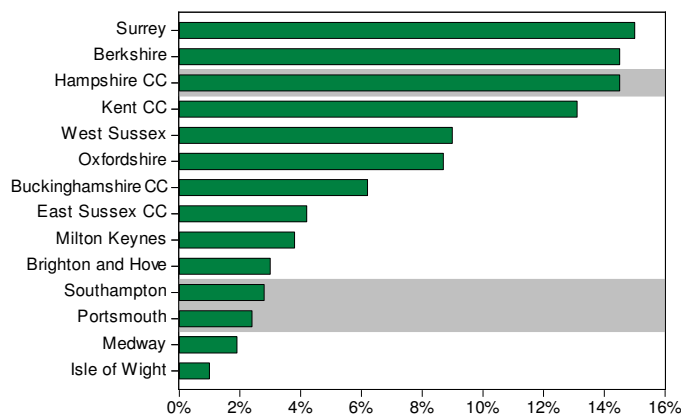
Figure 4: South Hampshire area



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In terms of economic size, Hampshire CC is the second largest county (along with Berkshire) within the South East, slightly behind Surrey. Indeed, Hampshire CC and Berkshire each accounted for 14.5% of regional GVA in 2007, while output in Surrey equated to 15% of South East GVA. The urban unitary authorities of Southampton and Portsmouth accounted for 2.8% and 2.4% of regional output, respectively, in the same year (Figure 5).

Figure 5: Share of South East GVA by County - 2007



Source: National Statistics, 2009

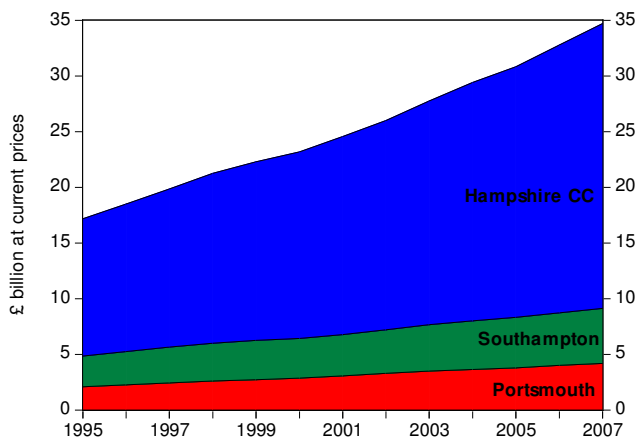
Over the last 12 years output in Hampshire as a whole has been steadily growing from £17 billion in 1995 to nearly £35 billion in 2007. However, the pace of growth has differed slightly

³ In this document the terms South Hampshire and PUSH are used interchangeably.

⁴ Hampshire CC (County Council) includes all Hampshire districts except the cities of Portsmouth and Southampton.

across the county (Figure 6). Gross Value Added (GVA) in Hampshire CC doubled from £12.3 billion in 1995 to £25.5 billion in 2007, at an average growth rate of 6.3% per year. Similarly, Portsmouth's economy grew from £2.1 billion to £4.1 billion, at an average rate of 5.9% per year over the same period of time. Meanwhile, output in Southampton increased from £2.7 billion in 1995 to nearly £5 billion in 2007, although at a slightly slower average growth rate of 5% per year. [Note: these growth rates incorporate the effects of inflation, so are significantly higher than the 'real' or inflation-adjusted estimates from Experian.]

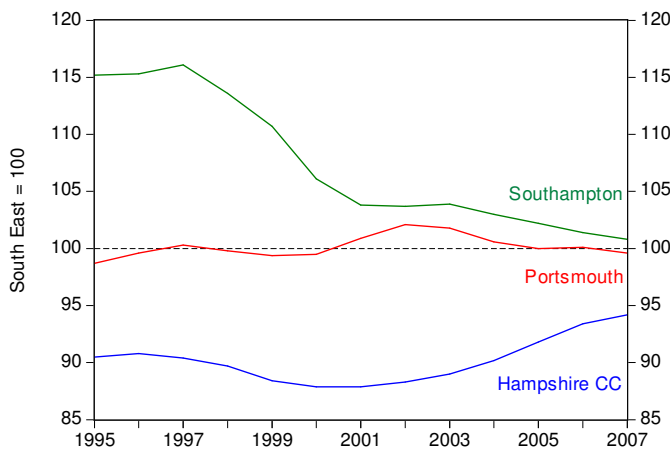
Figure 6: Gross Value Added (GVA) in Hampshire by Sub-region



Source: National Statistics, 2009

Despite the relatively small size of the Southampton and Portsmouth economies, compared to Hampshire CC, they are still the most prosperous local authorities within the Hampshire area, as measured by GVA per head. **Over the period 1995-2007, GVA per head in both Southampton and Portsmouth has been, on average, above the South East figure, while GVA per head in Hampshire CC has been consistently below the regional level.** However, Figure 7 shows that GVA per head in Southampton has shrunk significantly from 15.2% to 0.8% above the South East level, between 1995 and 2007. Conversely, Hampshire CC has narrowed the gap with the South East on GVA per head. Using an index measure where the South East figure is 100, Hampshire CC has moved from 90.5 points in 1995 to 94.2 points in 2007. Meanwhile, GVA per head in Portsmouth has remained relatively stable around the regional level over the same period.

Figure 7: GVA per head in Hampshire by Sub-region



Source: National Statistics, 2009

The impact of the economic downturn in South Hampshire has been relatively uneven across counties and sectors

According to Experian forecasts, **the South Hampshire economy shrank by -4.4% between 2008 and 2009, which is slightly below the UK output drop and above the South East fall (-4.2%)** for the same period. However, Table 1 illustrates the presence of some sub-regional disparities in output performance at local authority level. During 2009, the economic contraction ranged from -2% and -2.1% in Gosport and Winchester, respectively, to -5.4% and -6% in Fareham and Havant, respectively, compared to 2008. The two largest local economies recorded a drop in GVA of -4.6% (Southampton) and -5.1% (Portsmouth), for the same period. Despite the fact that these urban areas showed a slower rate of decline, compared to some other local authorities, the relatively large size of their economies meant that their contribution to the overall decline in output in South Hampshire was considerable. Overall, **Southampton (18.8%) and Portsmouth (17.5%) accounted for more than one third of the sub-regional decline of -4.4% between 2008 and 2009** (Table 1).

Experian forecasts for the coming years indicate that the **South Hampshire economy will return to growth in 2010, although at a marginal annual rate of 1.3%**. Winchester, Gosport, and New Forest are expected to show faster growth rates (around 2%), while Fareham, Portsmouth, Southampton and Havant are expected to record slower growth rates (around 1%) in 2010. Likewise, the former group of local authorities are projected to reach the pre-recession level of GVA (2008) in 2010/2011, while the latter ones are projected to reach that output level in 2013/2014 (Table 1).

Table 1: Total Output (GVA) in South Hampshire by Local Authority

Local Authority	Level	Annual Growth		Contribution	Full Recovery Year
	(£m 2005)	2009	2010	to Decline	
	2008	2009	2010	2008/2009	
Winchester	2,789	-2.1%	2.0%	5.1%	2010
Gosport	948	-2.0%	1.7%	1.7%	2011
New Forest	2,918	-3.5%	1.7%	9.2%	2011
Test Valley	2,242	-4.7%	1.3%	9.3%	2012
East Hampshire	1,922	-5.3%	1.3%	9.1%	2012
Eastleigh	2,611	-4.5%	1.5%	10.5%	2012
Fareham	1,985	-5.4%	0.9%	9.5%	2013
Portsmouth	3,891	-5.1%	1.0%	17.5%	2013
Southampton	4,574	-4.6%	1.0%	18.8%	2013
Havant	1,736	-6.0%	1.0%	9.3%	2014
South Hampshire	25,616	-4.4%	1.3%	100%	2012

Source: Experian forecasts, 2010

In line with sectoral trends at national level, **production and construction industries were harder hit by the economic downturn in South Hampshire than service industries**. Table 2 shows that engineering and construction output fell by 14.6% and 11.4%, respectively, between 2008 and 2009. By contrast, GVA in other (mainly public) services and financial & business services dropped by 0.6% and 7.9%, respectively, over the same period. In terms of scale, these two sectors accounted for nearly half the total GVA in South Hampshire in 2008. This explains why financial & business services alone contributed to more than one third (35.3%) of the economic decline, which is even larger than the overall contribution made by engineering (16.6%) and construction (14%) for the period 2008-2009 (Table 2). **In the near future, however, economic growth in the South Hampshire sub-region is projected to be driven mainly by financial & business services**, according to the Experian forecast for 2010. Key sectors for South Hampshire, such as engineering and construction, are expected to face serious difficulties in the future given the high replacement demand and loss of skilled staff, as union Unite recently warned in National Apprenticeship week.

To sum up, the South Hampshire economy has been affected to the same extent as the South East and UK as a whole by the strongest post-war economic recession. Additionally, manufacturing (engineering) and construction were the hardest hit sectors in South Hampshire, in line with regional and national trends. However, some performance disparities are evident at intra-regional and sub-regional level. In the first case, Hampshire as a whole has the largest proportion of firms of any South East county still reporting worsening business performance due to the downturn. In the second case, Southampton and

Portsmouth clearly stand out from the rest of the local authorities in Hampshire. GVA per head in the cities (particularly in Southampton) has been falling over the past 12 years, although these two urban areas are still the most prosperous local authorities within South Hampshire and Hampshire as a whole as measured by GVA per head. Furthermore, the fall in output in South Hampshire during the economic downturn was largely driven by the performance of the Southampton and Portsmouth economies. They are also projected to recover more slowly than other local authorities such as Winchester, Gosport, and New Forest.

In terms of policy implications, it would be **worth paying attention to business performance in Southampton and Portsmouth, especially in the engineering and construction sectors, given their strong potential to drive the South Hampshire region towards a faster economic recovery.**

Table 2: Total Output (GVA) in South Hampshire by Sector

Sector	Level	Annual Growth		Contribution
	(£m 2005)	2008	2009	to Decline
Agriculture, Forestry & Fishing	78	-9.9%	-0.8%	0.5%
Mining & Utilities	276	-7.7%	-2.5%	1.5%
Metals, Minerals & Chemicals	656	-9.8%	1.6%	4.5%
Engineering	1,609	-14.6%	0.0%	16.6%
Other Manufacturing	968	-4.7%	0.3%	3.2%
Construction	1,738	-11.4%	-0.3%	14.0%
Distribution, Hotels & Catering	3,697	-5.3%	1.4%	13.7%
Transport & Communications	1,837	-6.1%	-0.5%	7.9%
Financial & Business Services	6,305	-7.9%	1.3%	35.3%
Other (mainly public) Services	6,114	-0.6%	0.0%	2.6%
Total Output South Hampshire¹	25,616	-4.4%	1.3%	100%

(1) The sum of sectoral GVA might not be equal to Total Output given that components are not additive
Source: Experian forecasts, 2010

The South Hampshire labour market has been affected to varying degrees by the recession

The **labour market within the PUSH area has not been as badly affected by the recession as might have been expected** and its overall performance on a range of labour market and skills measures has stayed broadly in line with, or in some cases slightly below, the South East average. **However, there are significant disparities in performance within the sub-region.** In addition, it is important to note that the labour market is a lagging indicator of economic activity and therefore we often do not see the true impact of the recession reflected in labour market statistics until later months. **It is likely that we will continue to see a fall in employment even once the economy has returned to growth.**

At the year ending June 2009, the economic activity rate within South Hampshire stood at 80.7%, around 1.6 percentage points below the rate for Hampshire⁵ and 0.3 percentage points below the economic activity rate a year earlier, in June 2008. However within South Hampshire there are considerable disparities in economic activity, with areas such as Portsmouth (77.6%) and Southampton (77.2%) recording considerably lower activity rates in comparison to local authorities such as Gosport (88.1%) and Eastleigh (84.7%).

A similar trend can be seen for the employment rate within South Hampshire: once again the urban areas of Portsmouth (71.7%) and Southampton (72%) have considerably lower employment rates compared to districts such as Gosport (83.8%) and Test Valley (83.5%). Looking at absolute change in the number of people employed within the PUSH region, there was a drop of 5,400 (1%) between June 2008 and June 2009. Over the same period, the employment rate in South Hampshire fell by 1.1 percentage points, while the South East saw a decrease of 0.5 percentage points. This indicates that **employment in the PUSH region was affected to a greater extent than the South East average during the first year of the recession.** One explanation for this could be that earlier in the recession it was the manufacturing

⁵ Note that references to Hampshire in this section refer to the shire county as well as the unitary authorities of Portsmouth and Southampton.

and construction industries that were most affected, and there is a greater concentration of employment in these industries in the PUSH area compared to the South East as a whole.

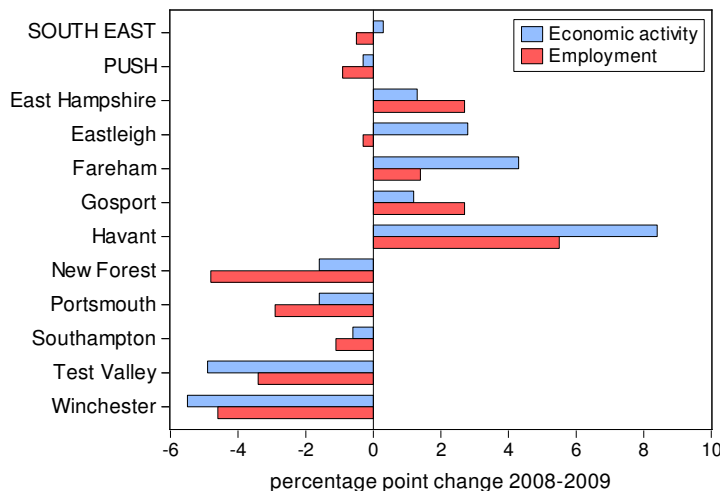
Table 3: Economic activity and employment rates, July 2008-June 2009

	Economic activity rate	Employment rate
SOUTH EAST	82.4	78.1
PUSH	80.7	76.8
East Hampshire	80.7	80.1
Eastleigh	84.7	80.5
Fareham	84.5	78.7
Gosport	88.1	83.8
Havant	82.7	78.1
New Forest	80.0	74.6
Portsmouth	77.6	71.7
Southampton	77.2	72.0
Test Valley	84.7	83.5
Winchester	80.7	78.6

Source: ONS Annual Population Survey, July 2008-June 2009

Within the PUSH area there were a total of 158,900 people who were economically inactive at the year ending June 2009, with an economic inactivity rate of 19%. There was a 0.1% increase in the number of people moving into economic inactivity at the year ending June 2009. **The economic inactivity rate of 19% within the South Hampshire area is considerably higher than the rate seen in Hampshire (17.7%) and the South East (17.6%).** This may be due to a number of factors including the relatively large number of students in Portsmouth and Southampton (who are classed as inactive) as well as larger numbers of retirees in coastal areas.

Figure 8: Change in economic activity and employment rates, 2008-09



Source: ONS 2010

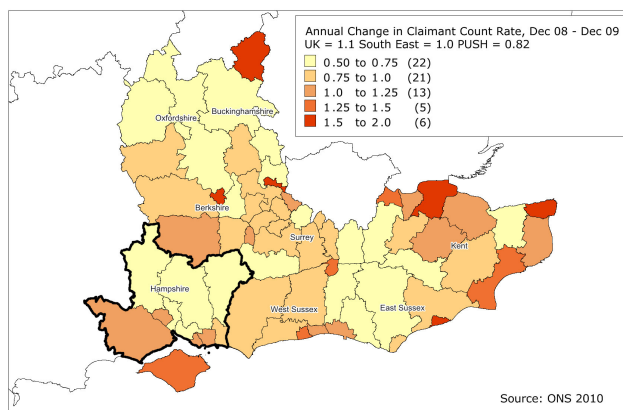
Claimant count unemployment rate in South Hampshire is in line with the South East average

The recession has had a significant impact on the claimant count within the PUSH area, especially towards the beginning of 2009. **Between January and February 2009 there was an increase of 14% or 2,933 in the number of JSA claimants in the PUSH area.** However the greater Hampshire county fared worse during this period, experiencing an increase of 4,131 in absolute terms or an increase of 17% month-on-month. The sharp increases can mostly be attributed to a combination of increases in redundancies, especially in the manufacturing and construction sectors, and also seasonal factors.

However, analysis of more recent claimant count data for the PUSH area suggests that **the number of individuals claiming JSA is in fact leveling off**. In December 2009 there were a total of 25,893 individuals within South Hampshire claiming Job Seekers Allowance - an increase of 7,571 over the year. The proportion of people claiming JSA in the PUSH area was 3% - an increase of 0.9 percentage points since December 2008; however during the final two quarters of 2009 the rate remained stable, suggesting that the claimant count may be leveling off. The **unemployment rate in South Hampshire in December 2009 was in line with the South East and Hampshire average of 3% and considerably lower than the overall UK average of 4.1%**.

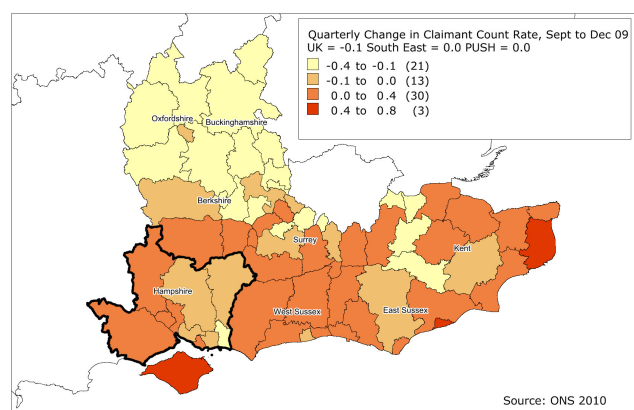
As Figures 9 and 10 demonstrate, **throughout the recession there have been notable disparities in the number of JSA claimants within the PUSH area**, with pockets of high unemployment, considerably above the South East average. The **highest unemployment rates are in Portsmouth and Southampton** - at 3.9% and 4.2% respectively. In general it is to be expected that unemployment will increase fastest in coastal areas and cities, due to the fact that there tend to be larger concentrations of lower skilled people in these parts. It is also partly due to seasonal factors such as a decline in employment in tourism and other seasonal industries during the winter months. The highest unemployment rate in the PUSH area is 3.7% in Havant; in comparison the rates in Test Valley and Winchester are 1.9% and 1.8% respectively - well below the South East and overall Hampshire averages.

Figure 9: Annual change in claimant count rate, Dec 2008-Dec 2009



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Figure 10: Quarterly change in claimant count rate, Sept-Dec 2009



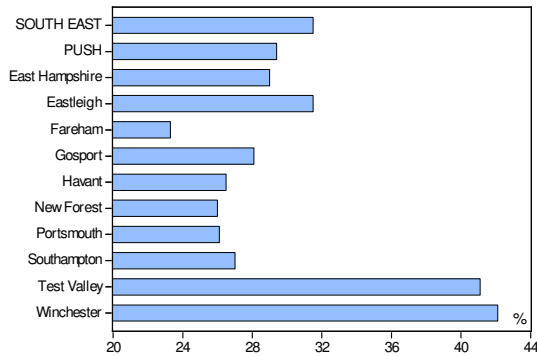
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Skills levels within Test Valley and Winchester are amongst the highest in the South East

The level of skills, as measured by qualifications, of the resident population within the PUSH area further highlights the extent of the disparities seen across Urban South Hampshire. Test Valley and Winchester have some of the most highly skilled residents of any local authority area in the South East, while areas such as Fareham and New Forest perform significantly below the regional average on qualification measures. In total **the number of individuals within the PUSH region who are qualified to NVQ Level 4+ increased by 7,000 between 2007 and 2008**. In 2008 the proportion of residents with a Level 4 or higher qualification ranged from just 23.3% in Fareham to 42.1% in Winchester. For comparison the South East figure is 31.5% (Figure 11). The **number of individuals with NVQ Level 2 or above within the PUSH area also increased between 2007 and 2008, by 9,200**; the proportion holding a Level 2 or higher qualification varies from 64.2% in Havant to 80.1% in Test Valley. In the South East as a whole, 68.9% of the working age population are qualified to Level 2 or above (Figure 12).

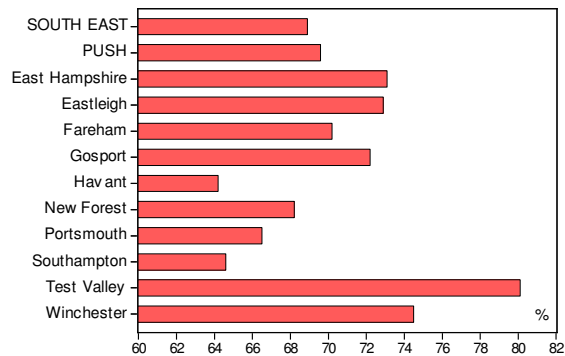
Despite the high skills base within districts such as Test Valley and Winchester, such areas do not always demonstrate highly productive economies. This is often due to out-commuting. Large urban areas such as Portsmouth and Southampton tend to attract large volumes of in-commuters and also tend to have higher levels of GVA. This is because GVA data is calculated on a workplace basis, while labour market data is usually based on residence; this means that in some areas, high levels of GVA can mask significant concentrations of residents with low skills.

Figure 11: Percentage of working age population with NVQ 4+ 2008



Source: ONS 2010

Figure 12: Percentage of working age population with NVQ 2+ 2008



Source: ONS 2010

This idea is further reinforced by examining disparities between the earnings of those who live and those who work in a particular area. **Within the urban areas of Portsmouth and Southampton, the average earnings of residents are significantly lower than those of the workforce.** In 2009, workers in Portsmouth earned on average £3,100 per year more than the residents of Portsmouth, while in Southampton the disparity was around £4,900. In all other local authorities in South Hampshire, residents' average earnings are higher than those of workers. In East Hampshire for example, residents earn on average £6,800 per year more than workers, while in Winchester the disparity is £5,500.⁶ This suggests that higher-paid residents, often with higher skills, tend to work outside the areas in which they live.

Short term employment forecast – employment to return to growth only in 2011

According to the latest forecast by Experian (November 2009), **employment in the PUSH area in 2009 declined at a faster rate than the South East, and indeed the UK as a whole** (though only slightly): employment in the PUSH area in 2009 is expected to have declined by -2.5%, or by 14,300.⁷ In the South East employment declined by around -1.9%, in the UK by -2.4%.

It is largely expected that the labour market will continue to show the effects of the recession in 2010, though to a much smaller extent than in 2009. However, **in the PUSH area, employment is forecast to recover at a slower pace than in the South East as a whole.** According to Experian, employment in the PUSH area will decline by -0.4%, or by as much as 2,100 in 2010. In the South East as a whole, employment could decline by -0.1%. However, this still compares comparatively well to the expected decline for the UK as a whole, at -1.5%.

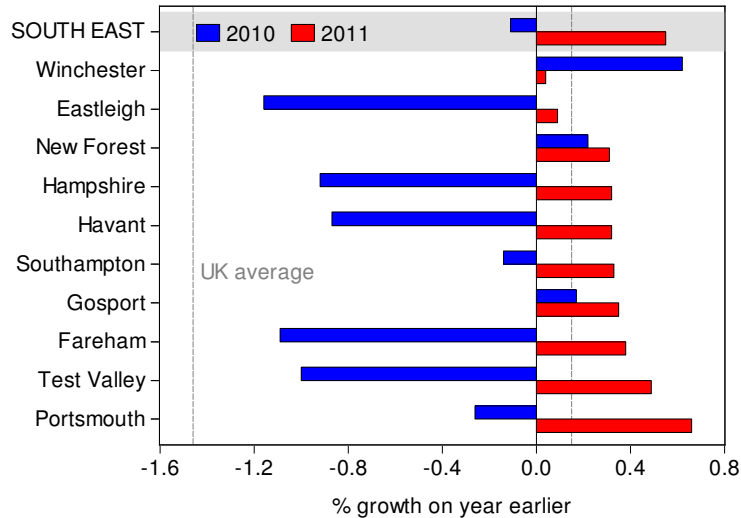
As from 2011, employment is likely to return to growth, though marginally. According to the latest Experian forecast, employment in the PUSH area may increase by 0.3% in 2011, below the overall rate for the South East, at 0.6%. In absolute numbers, employment in 2010 in the PUSH area is likely to grow by around 1,920.

Looking at the individual authorities comprising the PUSH area, some districts are forecast to recover faster than others: Winchester, New Forest and Gosport are projected to return to growth in 2010, ahead of the other districts (Figure 13).

⁶ ONS Annual Survey of Hours and Earnings, 2009.

⁷ Full Time Equivalent employment (FTE), workplace based

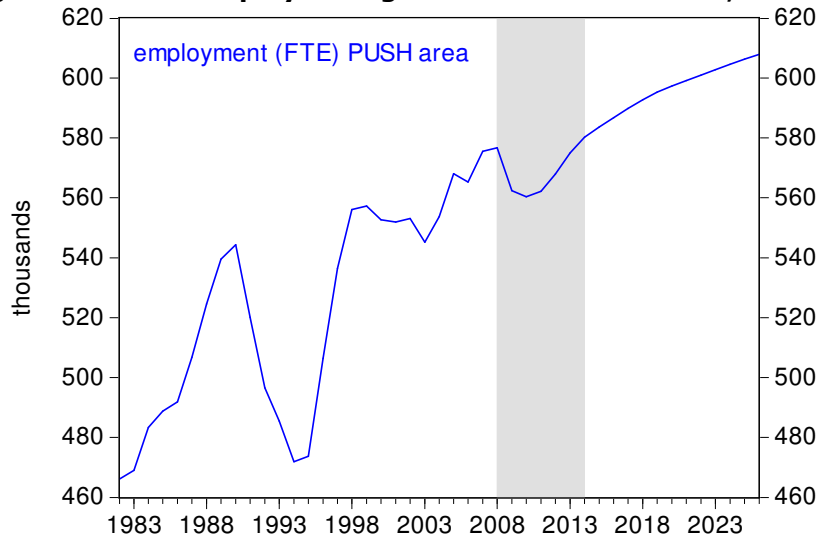
Figure 13: Forecast employment growth, PUSH districts



Source: Experian, Autumn 2009 forecast

According to Experian, employment will take some time to reach pre-recession levels, probably up to 2013/2014 (Figure 14). On the other hand, **compared to the last recession in the early 1990s, employment in the PUSH area has held up relatively well, and even now employment is higher than in the early years of the decade** (Figure 14).

Figure 14: Total employment growth in the PUSH area, forecast



Source: Experian, Autumn 2009 forecast

Looking at the sectoral dimension, the **forecasts suggest that employment growth in 2011 is likely to be driven by other (mainly public) services, financial and business services, distribution, hotels & catering and manufacturing**. Employment in construction, engineering, metals, minerals and chemicals and in mining and utilities is likely to decline further in 2011 (Figure 15). However, the likely cuts in public spending could have a significant impact on public sector employment, which may mean that the forecasts for this sector need to be revised downwards. In addition it is worth noting that even though employment is expected to fall in the manufacturing and engineering sectors, there is likely to be

significant 'replacement demand' in these industries – that is, new employees needed to replace those who retire or move away. This means that total employment demand in these sectors is likely to be substantially greater than the forecasts suggest.

**Figure 15: Employment forecast in the PUSH area by sector, 2011
(numbers and percentage change)**

