

OXFORD ECONOMICS

Nuneaton & Bedworth Forecast Model (NBFM) report

October 2011

A report for Nuneaton & Bedworth Council



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Contents

| | |
|---|-----------|
| Executive summary | 1 |
| A different macro environment | 1 |
| Implications for Nuneaton & Bedworth | 2 |
| Recent growth faster than the regional average | 2 |
| Relatively subdued baseline outlook | 2 |
| Scenario modelling and alternate futures | 4 |
| Concluding thoughts | 7 |
| | |
| 1 Introduction | 9 |
| 1.1 Purpose of the report | 9 |
| 1.2 Approach | 9 |
| 1.3 Report structure | 11 |
| 1.4 Forecast background | 12 |
| | |
| 2 Macro overview | 13 |
| 2.1 Overview | 13 |
| 2.2 Quarter 1 GDP growth unrevised | 14 |
| 2.3 Q2 GDP growth looks likely to be weak | 15 |
| 2.4 Labour market may be on the turn | 16 |
| 2.5 Recovery will remain slow and patchy | 17 |
| 2.6 Monetary Policy Committee (MPC) to hold fire until November | 18 |
| 2.7 Many micro policy changes in the budget | 19 |
| 2.8 Public spending cuts continue to put pressure on jobs growth | 20 |
| 2.9 Implications for Nuneaton & Bedworth | 21 |
| | |
| 3 Nuneaton & Bedworth baseline outlook | 22 |
| 3.1 Overview | 22 |
| 3.2 Population: official projections versus Oxford Economics' | 22 |
| 3.3 Population and migration | 24 |
| 3.4 Labour market – workplace jobs | 26 |
| 3.5 Resident employment | 28 |
| 3.6 Unemployment | 29 |
| 3.7 GVA and productivity | 30 |
| 3.8 Housing | 32 |
| 3.9 Summary | 36 |
| | |
| 4 Scenario sectoral assumptions | 38 |

| | | |
|----------|---|-----------|
| 4.1 | Setting an overall aspiration | 38 |
| 4.2 | Selecting potential growth sectors..... | 38 |
| 4.2.1 | The future vision of Nuneaton & Bedworth | 38 |
| 4.2.2 | Strategic sectors | 40 |
| 4.2.3 | Specialisms and niche sectors in Nuneaton & Bedworth | 41 |
| 4.2.4 | UK fastest growing sectors | 45 |
| 4.2.5 | Sectors of macroeconomic significance..... | 47 |
| 4.3 | Summary of selected sectors | 48 |
| 5 | Scenario results..... | 68 |
| 5.1 | Overview..... | 68 |
| 5.2 | Summary of scenario assumptions | 68 |
| 5.3 | Labour market impacts | 72 |
| 5.4 | Population and migration impacts | 76 |
| 5.5 | Housing impacts..... | 78 |
| 5.6 | GVA impacts..... | 80 |
| 6 | Concluding thoughts | 81 |
| 6.1 | A different macro environment | 81 |
| 6.2 | Relatively subdued baseline outlook | 81 |
| 6.3 | Aspirational targets..... | 81 |
| 6.4 | Concluding thoughts..... | 82 |
| | Glossary..... | 84 |
| | Annex A: Understanding location quotients | 86 |

Executive summary

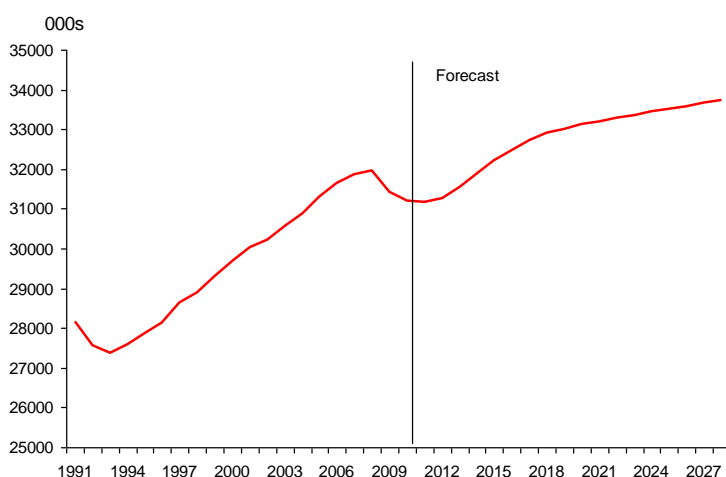
E.1 Nuneaton & Bedworth Council commissioned Oxford Economics to provide an analysis of the baseline outlook of the local economy, and to develop two alternative scenarios based on faster employment growth in selected sectors. This report sets out our detailed forecasts and implications, while an economic model and associated technical report were provided separately.

A different macro environment

E.2 The Nuneaton & Bedworth economy finds itself in a significantly different macro economic environment. At the time of writing, the economy has been characterised by increasing uncertainty over the strength of the UK recovery. Since the onset of recession in 2007/2008, the economic landscape in the UK has changed dramatically. Public and consumer spending which drove consistent growth and provided record low rates of unemployment in many parts of the country, will no longer provide the stimulus they did pre-recession. Instead recovery will be led by the private sector, in particular those firms competing in export markets.

E.3 The recovery is expected to be subdued in the short-term and relatively jobless (figure 1). As in the decade up to 2007, business services are expected to provide the bulk of UK jobs growth going forward; however manufacturing could enjoy more focus from policy as the UK tries to rebalance its economy.

Figure 1: Employment (workplace based jobs) growth in UK



Source: Oxford Economics, ONS

Implications for Nuneaton & Bedworth

- E.4 The risks over the short term for Nuneaton & Bedworth are certainly on the downside. The public sector accounted for most of the growth over the past decade, and the current public spending reductions are likely to dampen prospects for growth in this sector going forward. In addition, high commodity prices have squeezed disposable incomes. As such, spending on non-essential goods in retail, along with spending on hospitality and other personal services is likely to be lower and thus put pressure on current jobs and future growth. As retail is the largest sector in the local economy, this is a loss in a major source of growth.
- E.5 Despite the general uncertainty, what is clear is that any reaction at the local level will have to be different. **The Council will have to do more with less as they try to stimulate their economy and encourage growth in the private sector.** Consequently future policy decisions by Nuneaton & Bedworth Council will have to be designed to facilitate private sector growth and encourage penetration into international export markets.

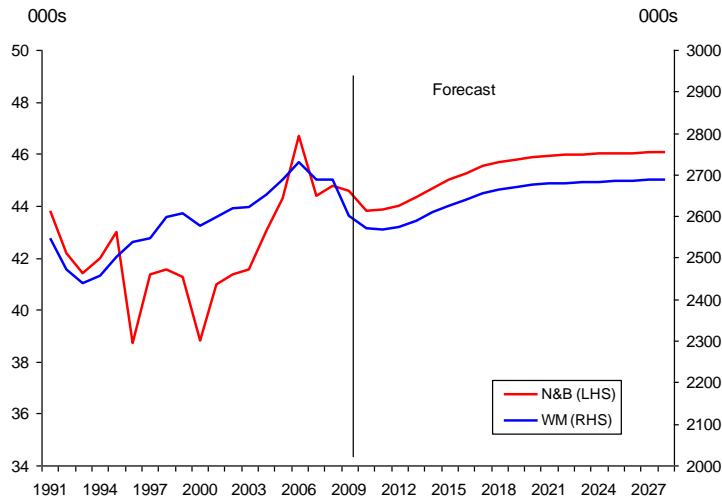
Recent growth faster than the regional average

- E.6 Nuneaton & Bedworth recorded faster employment growth than the wider West Midlands region over the period 1998 to 2008. In net terms the employment level in Nuneaton & Bedworth grew by 7.8% over the period, equating to 3,220 additional jobs compared to only 3.4% in the region.
- E.7 The majority of growth over the past decade was within the business services, education, distribution and health sectors accounting for a combined 6,050 additional jobs. Though, job gains were partially offset by losses elsewhere in the economy (concentrated in the manufacturing sector).
- E.8 The local economy is also estimated to have out performed the region over the recession, with only a 2.1% contraction in jobs over the period 2008-10 compared with 4.4% in the region.

Relatively subdued baseline outlook

- E.9 **Our baseline outlook for Nuneaton & Bedworth is relatively subdued,** though recovery in the local economy should be slightly faster than the regional average, with employment growth of 5.1% compared to 4.6% in the region over the period 2010 to 2028 (figure 2). Discussion of performance at a sectoral level is provided in the main body of the report.

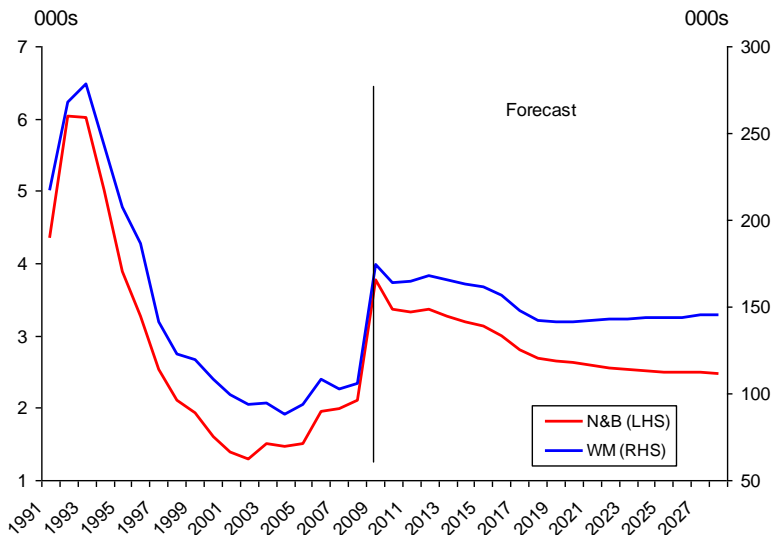
Figure 2: Total employment (workplace based jobs), Nuneaton & Bedworth and West Midlands



Source: Oxford Economics, BRES, ABI

E.10 Given the pace of employment growth we do not expect resident employment rates to be regained during the forecast period. Against that backdrop, and with the expectation that many in the ranks of the unemployed are likely to struggle to re-enter the labour market, we expect unemployment levels to remain persistently high (figure 3).

Figure 3: Unemployment levels



Source: Oxford Economics, Claimant Count

E.11 Furthermore, firms appear to have hoarded labour during the recession to avoid the expense of re-hiring and retraining workers, so job creation over the recovery is likely to be slow. Public spending cuts and welfare reforms are also likely to provide upward pressure on unemployment numbers.

E.12 Looking ahead, our outlooks for Nuneaton & Bedworth and West Midlands GVA growth are similar with annual average growth forecast at 2.2% per annum for both over the period 2010-28, compared with 2.4% per annum growth forecast for the UK. This is despite having a large manufacturing base which tends to be high value added.

Table 1: Summary indicators for Nuneaton & Bedworth

| | 1998 | 2008 | 2010 | 2028 | 2010 - 2028 growth |
|--|-------|-------|-------|-------|--------------------|
| Population (000s) | 118 | 122 | 122 | 131 | 6.7 (%) |
| Working age population (000s) | 73 | 74 | 74 | 76 | 1.9 (%) |
| Migration (000s) | 0.0 | 0.4 | 0.0 | 0.0 | 0 (avg ann) |
| Employees - total (000s) | 36 | 39 | 38 | 39 | 5.2 (%) |
| Self employed jobs - total (000s) | 5 | 6 | 6 | 6 | 4.9 (%) |
| Workplace employment, jobs (000s) | 42 | 45 | 44 | 46 | 5.1 (%) |
| Workplace employment, people (000s) | 38 | 41 | 40 | 41 | 3.1 (%) |
| Unemployment (000s) | 2 | 2 | 3 | 2 | -25.6 (%) |
| Unemployment rate (%) | 2.9 | 2.8 | 4.5 | 3.3 | -0.3 (pp) |
| GVA - total (£m, 2006 prices) | 1,016 | 1,371 | 1,350 | 2,013 | 2.2 (% pa) |
| Resident employment, people (000s) | 54 | 59 | 57 | 59 | 4.0 (%) |
| Resident employment rate (%) | 74 | 79 | 76 | 78 | 0.0 (pp) |
| Net commuting (000s) | -16 | -18 | -17 | -18 | -17.7 (avg ann) |
| Occupied dwelling stock (000s) | - | 53.2 | 53.8 | 60.3 | 0.1 (%) |
| Total households (000s) | - | 50.9 | 51.6 | 57.8 | 0.1 (%) |
| One person households (000s) | - | 15.5 | 16.1 | 21.0 | 0.3 (%) |
| Couple and no other adult (000s) | - | 24.2 | 24.4 | 25.8 | 0.1 (%) |
| Couple and one or more adult (000s) | - | 5.2 | 5.0 | 3.2 | -0.4 (%) |
| Lone parent with or without adult (000s) | - | 3.9 | 4.1 | 5.9 | 0.4 (%) |
| Other (000s) | - | 2.0 | 2.0 | 2.0 | 0 (%) |

Source: Oxford Economics

Scenario modelling and alternate futures

E.13 Two faster employment scenarios were developed for Nuneaton & Bedworth. The sectoral impacts of the scenarios were driven by a number of factors including the Council's "Draft Spatial Vision" document. Its draft objectives were aimed at ensuring Nuneaton & Bedworth would have a 'strong, diverse and growing economy that redresses the imbalance of poorly paid low skilled jobs and high levels of out commuting in particular'. These objectives provided an overarching framework for the sectoral selection process:

1. To protect and enhance existing good quality employment sites releasing for other uses sites that are no longer suitable for employment (though land use is not explicitly modelled by the NBFM);
2. Provide opportunities that will allow the economy to diversify and offer well paid skilled jobs; and
3. Use growth to enable training and educational opportunities and facilities, which will improve the qualifications and skills of the current and future workforce, especially in the west of the Borough.

E.14 In identifying the potential growth sectors we undertook four strands of work:

1. **Strategic sectors:** mapping the core, key strength and aspirational sectors set out in the sub-regional Economic Assessment to the 59 sub-sectors included in the NBFM;
2. **Specialisms and niche sectors:** analysed the employment concentration in 59 sub-sectors of the economy to determine which sectors have the capacity for faster growth;
3. **UK fastest growing sectors:** consideration of strong growth sectors at a UK and Nuneaton & Bedworth level; and
4. **Sectors of macroeconomic significance:** consideration of wider trends in the UK and activities that are likely to grow in importance.

E.15 Based on the analysis, sectors were identified as potential growth areas of the economy and therefore activities that could be targeted for improved employment growth under the two scenarios (see table 2).

Table 2: Potential growth sectors

| Sector | Strategic | Niche | UK fastest | Macro significant |
|-------------------------------|-----------|-------|------------|-------------------|
| Other transport equipment | ✗ | ✓ | ✓ | ✗ |
| Machinery & equipment | ✓ | ✓ | ✗ | ✗ |
| Retail | ✓ | ✓ | ✗ | ✗ |
| Aerospace | ✗ | ✓ | ✗ | ✗ |
| Distribution | ✓ | ✓ | ✓ | ✗ |
| Manufacturing of metal goods | ✗ | ✓ | ✗ | ✗ |
| Insurance | ✗ | ✓ | ✗ | ✗ |
| Electrical machinery | ✓ | ✓ | ✗ | ✗ |
| Electronics | ✓ | ✗ | ✗ | ✗ |
| Legal & accounting | ✓ | ✗ | ✓ | ✗ |
| Computer related activities | ✓ | ✓ | ✓ | ✗ |
| Architectural and engineering | ✓ | ✗ | ✓ | ✗ |
| Labour recruitment | ✓ | ✗ | ✓ | ✗ |
| Other business services | | | ✓ | |
| Construction | ✓ | ✗ | ✓ | ✗ |
| Health | ✓ | ✗ | ✓ | ✓ |
| Miscellaneous services | ✓ | ✗ | ✗ | ✓ |

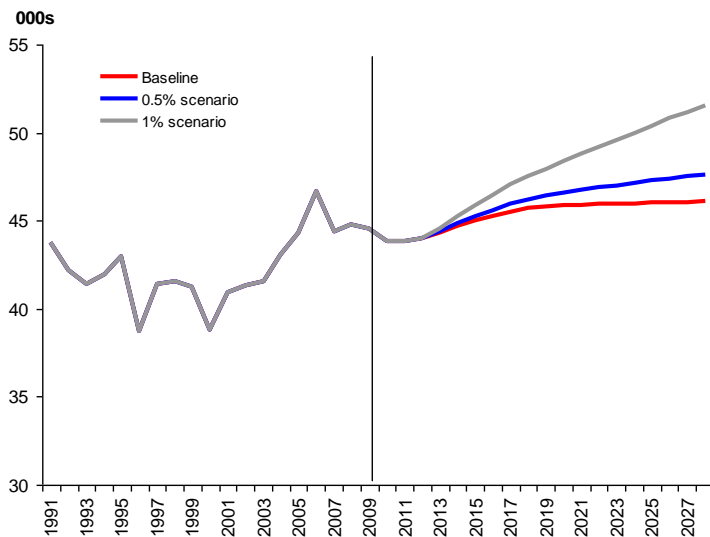
Key: ✓ = refers to potential growth sectors of the economy given the categories at the top of the table. ✗ = denotes which sectors were not flagged as potential growth areas of the economy given the categories at the top of the table.

E.16 In agreement with Nuneaton and Bedworth Council, two scenarios were developed:

- **0.5% per annum:** this scenario uplifts annual average employment growth to 0.5% over the period 2013 to 2028 to mirror the faster rate of growth expected in the wider sub-region. This has the affect of creating an additional 1,560 workplace jobs over the baseline; and

- **1% per annum:** the second scenario is more in line with historic growth and assumes employment growth of 1% per annum over the same period. This faster scenario results in an additional 5,490 workplace jobs over the baseline (see figure 4).

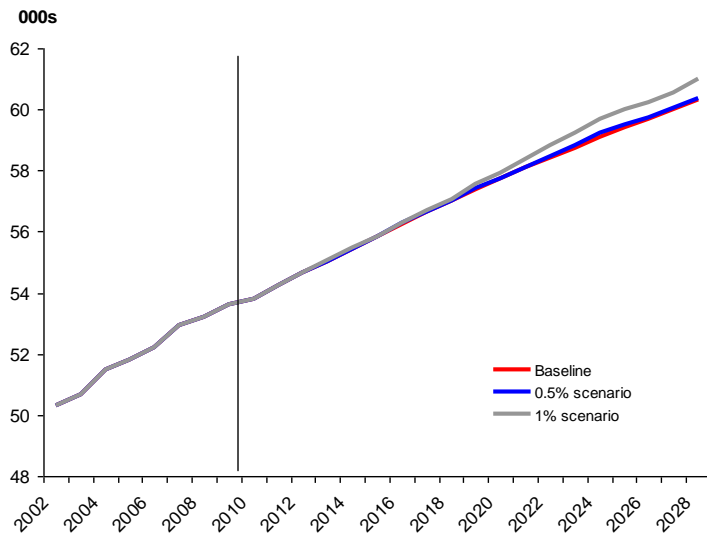
Figure 4: Total workplace jobs in Nuneaton & Bedworth, baseline and scenario (000s)



Source: Oxford Economics

- E.17 Resident employment is expected to rise by 970 under the 0.5% growth per annum scenario pushing the resident employment rate up to 79.3%, and under the faster employment growth scenario (1% per annum) an additional 3,400 resident jobs could be generated, pushing the resident employment rate up to 81.1% by 2028.
- E.18 Unemployment is expected to fall by 330 people if employment growth was increased to 0.5% per annum, pushing the unemployment rate down to 4.4%. Under the 1% employment growth per annum scenario, unemployment is expected to fall by 600 people leading to an unemployment rate of 3.5%.
- E.19 With resident employment rising and unemployment falling, labour market conditions should attract additional migrants to the area. Under the 0.5% per annum employment growth scenario, Nuneaton & Bedworth receives an estimated 100 additional migrants to the area – pushing up demand for housing by 50 dwellings. Under the faster 1% per annum scenario with its tighter labour market, there are 1,590 additional migrants by 2028, pushing demand for housing up by 710 dwellings (see figure 5).

Figure 5: Total dwelling stock in Nuneaton & Bedworth, baseline & scenario (000s)



Source: Oxford Economics

Note: Figure may not add due to rounding

E.20 Under the baseline outlook, annual average GVA growth is expected to grow by 2.2% per annum over the period 2013-28 which is lower than the national growth forecast of 2.4% per annum during the same period. As a result of the 0.5% employment growth scenario which is spread across a mix of low and high productivity sectors, average annual GVA growth has been uplifted to match the UK's 2.4% per annum. This results in an estimated additional £71.0 million of output (in 2006 prices) in Nuneaton & Bedworth by 2028. The 1% employment growth scenario, which is based on a similar sectoral profile will lead to GVA growth of 3.0% per annum and £249.3m of output (in 2006 prices) by 2028.

Concluding thoughts

E.21 The target of 1% per annum employment growth from 2013 to 2028 is aspirational and will require effective input from the Council. Although faster growth under the scenarios would help to tackle persistently high unemployment, they will have implications for demand for infrastructure, office accommodations, public services, training and education, and planning services.

E.22 We are aware that the Council will be working on an Economic Development Plan for the future of the local economy. In our view it is important that the Council has a good understanding of the issues facing local business, for example:

- What is stopping firms from growing?
- Do they have access to good supplies of skills?

- Are the current office facilities adequate?
- Do they export or simply service local, regional and national markets?
- What is stopping export activities and can the Council help through trade missions and guidance?

E.23 In doing so, the Council will need to engage with local business leaders, business bodies, Chamber of Commerce, skills agencies, education and training providers, etc. It will also need a good understanding of available development land, available funding, and what neighbouring areas are doing which may conflict or complement the plans in Nuneaton & Bedworth.

E.24 Once agreed, the aims of the development plan should be widely circulated and known, so that the Council, residents and business sector are bought into the vision and have a shared objective for the future of Nuneaton & Bedworth.

1 Introduction

1.1 Purpose of the report

- 1.1 Oxford Economics were commissioned by Nuneaton & Bedworth Council to provide commentary on the baseline outlook for the local economy, along with two faster employment scenarios. As part of the study, Oxford Economics were also tasked with provision of a bespoke forecasting model that could be used by the Council to test alternate outcomes for the economy.
- 1.2 The results of this study will help the Council to develop a new economic development strategy for the economy and to inform the development of the Borough Plan. Our baseline forecasts have been provided from 2010 to 2028. The scenarios included in this report (and pre-coded into the model) run from 2013 to 2028, thus building in the time required to develop a future strategy and for it to feed through and impact the local economy.

1.2 Approach

- 1.3 The starting point in this analysis is to take baseline forecasts from the Oxford Economics suite of economic models, for the UK (which are consistent with wider global patterns), its regions and local authorities. Whilst global and macroeconomic indicators such as oil prices, exchange rates, interest rates, public sector debt levels, etc are important to the outlook, the core indicators for the Borough are more refined in terms of the level of detail covered. The data coverage in the model is as follows:

- **Demographic indicators**
 - Population (total and working age)
 - Migration
- **Labour market**
 - Employment (workplace jobs, by 59 sectors)
 - Workplace people in employment (total only)
 - Resident people in employment (level and rate)
 - Unemployment (claimant – level and rate)
 - Net commuting levels
- **Economy**
 - Gross Value Added (2006 prices, by 26 sectors)
 - Productivity (2006 prices, by 26 sectors)

- **Housing**

- Dwelling stock (total, occupied and vacant)
- Households (total)
- Household type
 - One person household
 - Couple and no other adult
 - Couple and one or more adult
 - Lone parent with or without adult
 - Other

- 1.4 Oxford Economics have constructed an input-output based econometric model (incorporating the baseline data above) from which the Council can test alternate outlooks for the local economy. This is the Nuneaton & Bedworth Forecast Model (NBFM) which will be delivered to the Council along with this report. A detailed technical report will also be provided setting out in detail the model framework and linkages. However a high level summary of how the model works, is set out below.
- 1.5 An input-output model includes details on which sectors provide materials to other sectors, using data provided by the Office of National Statistics (ONS). Using this framework, the model will estimate the impact of a **direct** uplift in employment in a particular sector on the wider economy.
- 1.6 For example, if a scenario was tested whereby employment in the manufacturing of motor vehicles was increased, then the input-output framework would estimate how many additional jobs will be created in those sectors which supply goods and services to the motor vehicles manufacturing industry. We refer to these additional jobs as **indirect** effects of a scenario. In this example, manufacturing of metals, distribution, banking & finance and plastic products would all enjoy jobs growth to meet the additional demand in the motor vehicle industry.
- 1.7 Finally, we estimate how much additional income will be generated for households as a result of the additional jobs. Typically a proportion of this income will be spent on goods and services elsewhere in the economy creating additional demand for jobs in the retail, hotels & restaurants and other personal services sectors. We refer to this additional employment as the **induced** effect.
- 1.8 The model then estimates where the additional labour is sourced from – i.e. whether the additional jobs are taken by residents currently living in Nuneaton & Bedworth, if they are filled by commuters from outside the Borough, or whether the jobs are taken by new people moving into the region (i.e. migrants). This process obviously has implications for unemployment and population growth.

- 1.9 For any change in population, the model also estimates the impact of this on the level of housing in the local borough. It is important to note that Oxford Economics' housing forecasts whether from our local models or the be-spoke Nuneaton & Bedworth Forecasting Model (NBFM) are demand based. As such, an increase in population will mean there will be greater demand for houses for the people to live in. We do not account for any supply constraints (e.g. the availability of land) in this model.

Box 1: Handling of churn and leakage in the NBFM

Every economy will have some degree of churn and leakage as new firms replace old and existing firms move from one premise to another. The NBFM does not explicitly model churn and leakage or indeed land use. Rather it is a demand driven model based on economic trends. If for example employment was estimated to increase in a given sector, the model does not consider the additional accommodation required to house these extra workers. It is assumed that the market within Nuneaton & Bedworth will react and supply what is needed. This is similar to our treatment of the supply for housing for example.

Consequently if a company were to move to new premises due to an increased workforce, to avail of faster broadband or to take advantage of a better location, they leave behind the existing premise which can then accommodate further expansion in the sector / economy. Alternatively, if a company or sector contracts and existing land use is no longer required, our treatment of the supply side assumes that eventually the market will react and transform existing land use into that demanded by other sectors.

- 1.10 A detailed technical annex is provided in a separate report.

1.3 Report structure

- 1.11 This report is structured as follows:

- **Executive summary:** a summary of the outlook for the Nuneaton & Bedworth economy including details of the results of the scenario analysis.
- **Section 2 – Macro overview:** an outline of the underlying UK and global assumptions underpinning the baseline outlook.
- **Section 3 – Nuneaton & Bedworth baseline outlook:** a detailed account of the historical trends in Nuneaton & Bedworth, and forecasted baseline outlook for the Borough.
- **Section 4 – Scenario sectoral assumptions:** an outline of the rationale for the selected sectors which will drive the scenario outlooks
- **Section 5 – Scenario results:** a detailed account of the implications of each of the scenarios in this assignment.

- **Section 6 – Concluding thoughts:** a summary of the results of the overall analysis
- **Section 7 – Glossary:** a summary of the key variable names and definitions
- **Annex A – Understanding location quotients:** a definition of location quotients

1.4 Forecast background

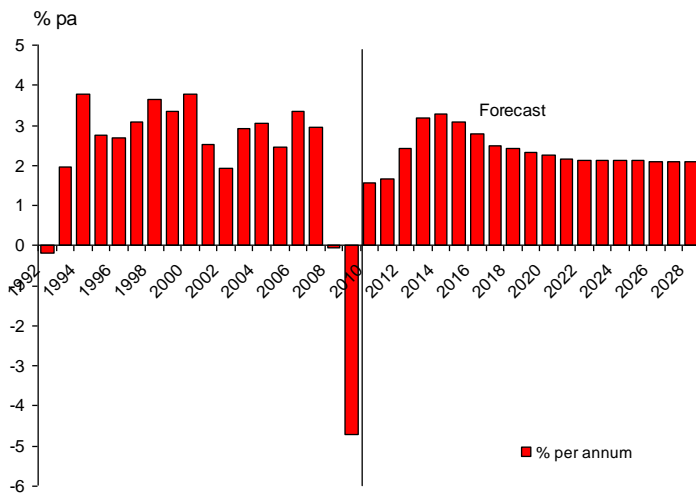
- 1.12 The nature of forecasting is such that outlooks can vary each time new data is published. As data publication dates are staggered throughout the year, this can have the effect of outlooks changing from month to month, although the magnitude of change ultimately depends on what the new data shows. To counteract this, Oxford Economics carry out 6 monthly updates of its Regional Model with interim quarterly updates to take into account new data published by the ONS.
- 1.13 The forecasts provided in this report are consistent with Oxford Economics April 2011 Regional Economic Outlook. The cut-off point beyond which new data published has not been incorporated was mid-June.

2 Macro overview

2.1 Overview

- 2.1 Having enjoyed its longest period of economic growth (60 quarters) since records began, the UK economy suffered its longest and deepest recession, over the period 2008-10. GVA contracted by 1.6% per annum and jobs levels are estimated to have fallen by around 771,450 jobs over the period.
- 2.2 During the recession, the government injected money into the economy to mute its devastating impacts, which saw unemployment increase to levels not last seen since 1997. Consequently, government debt levels escalated and we are now in a period of austerity with the government slashing budgets to bring the government balance back to a manageable level.
- 2.3 This has led to sluggish growth in the UK economy, as consumer confidence remains fragile. Although the latest data suggests that business investment is on the increase. We expect economic growth in the UK to be 1.7% in 2011 followed by 2.4% growth in 2012. Average annual GVA growth over the period 2013-28 is expected to be around 2.4% per annum (see figure 2.1 below).

Figure 2.1: UK annual GVA growth, 1992-2028



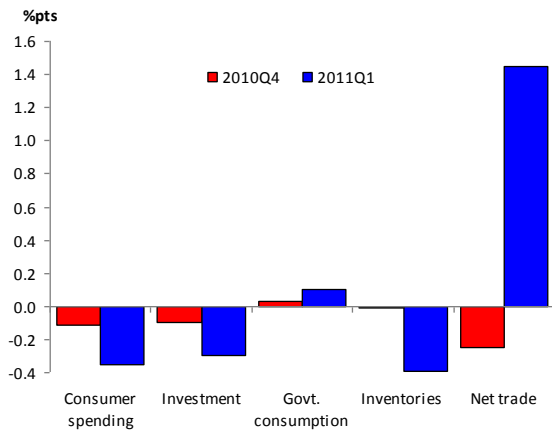
Source: Oxford Economics

- 2.4 The remainder of this section sets out the latest UK macroeconomic data and the impacts this will have on the short term outlook for the economy.

2.2 Quarter 1 GDP growth unrevised

2.5 UK GDP data is released quarterly and provides a timely insight into the shape of the UK economy. The factors which contribute to GDP growth (see figure 2.2) do not necessarily get published at the same time as the initial estimates, thus making revisions likely. The latest GDP release indicates that GDP growth in Q1 2011 was unrevised at 0.5%, but question marks over data quality remain unresolved. This is due to some odd movements and apparent inconsistencies in both the output and expenditure components.

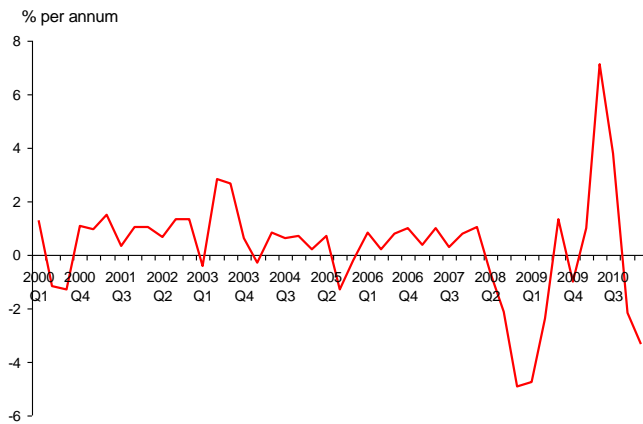
Figure 2.2: Quarterly contributions to GDP growth in the UK



Source: Oxford Economics

2.6 Despite a modest upward revision, construction output is still estimated to have fallen by 3.4% in Q1 (see figure 2.3), wiping 0.2 percentage points off of GDP growth. In our opinion the construction figures are unreliable, given their sudden extreme volatility and lack of consistency with any other evidence from the sector, and we fear that they could continue to unduly influence the GDP data unless the ONS gets to the bottom of the problems.

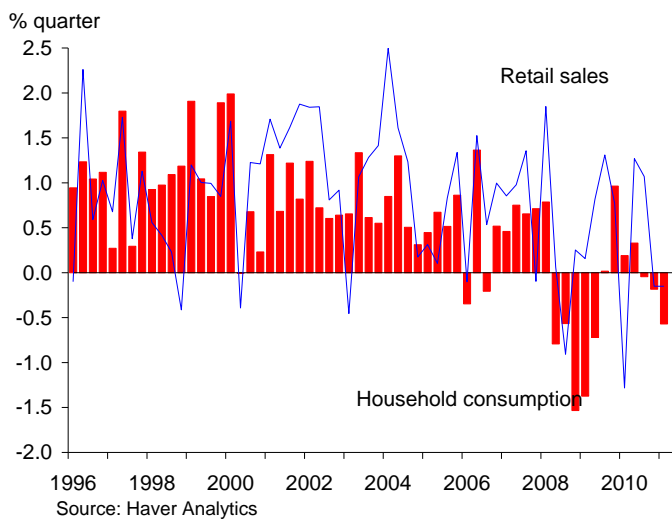
Figure 2.3: Construction output growth in the UK



Source: ONS

2.7 On the expenditure side, the sharp decline in consumer spending (-0.6% on the quarter) was particularly surprising coming on the back of the snow-related decline in 2010Q4 (see figure 2.4), but it looks even more odd in the context of a much smaller drop in retail sales (-0.1%) in Q1 and a strong rebound in distribution output (+0.8%).

Figure 2.4: Consumer spending in the UK



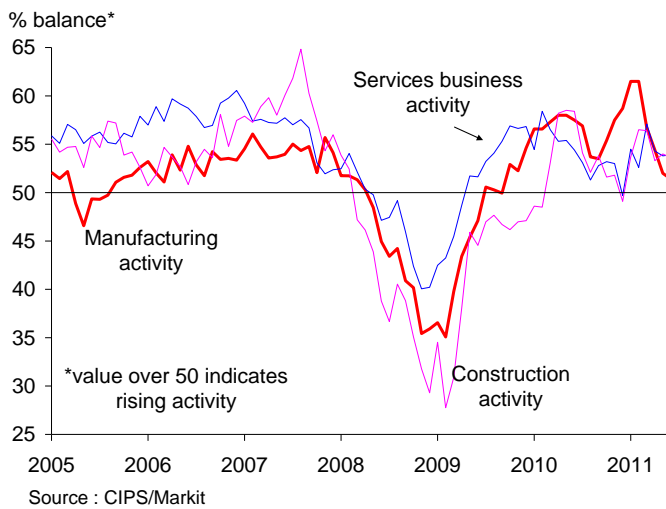
Source: Haver Analytics

2.8 Business investment fell in the first quarter of 2010 by 3.2% and was one of the contributing factors to sluggish overall economic growth during the same period (see figure 2.2). Similar to consumer spending, this steep fall also looks particularly odd at a time when most business surveys are reporting an encouraging strengthening of investment intentions. The ONS have suggested that some of the Q1 weakness in business investment and imports can be explained by the 1st January change to the zero-rating of VAT on certain aircraft purchases.

2.3 Q2 GDP growth looks likely to be weak

- 2.9 The GDP outturn for Q2 looks likely to be weak. Though the April retail figures -were boosted by the extra Bank Holiday, this strength was reversed in May and activity in other sectors have been hit by workers taking more holiday than they would typically take at that time of year.
- 2.10 Furthermore, some manufacturing sectors appear to have been hindered by supply chain disruptions arising from the Japanese disaster, with manufacturing output falling by 1.5% in April. With the Purchasing Managers Index¹ (PMI) surveys also having slowed in recent months, we expect to see Q2 GDP growth come in weaker than Q1 (see figure 2.5).

Figure 2.5: Purchasing manager surveys in UK

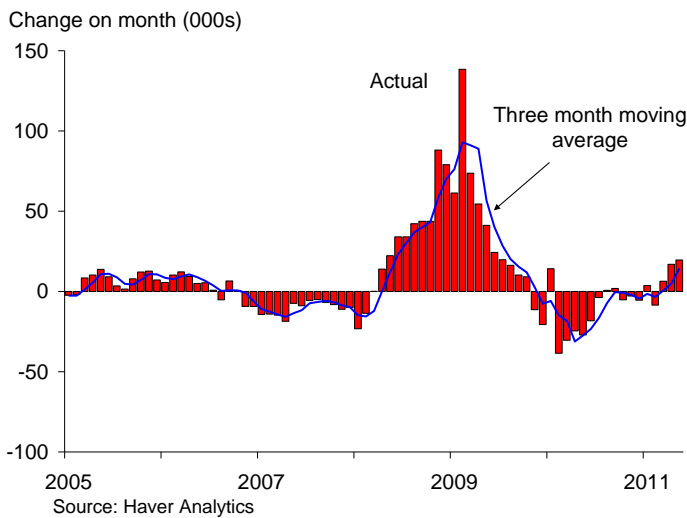


2.4 Labour market may be on the turn

- 2.11 The past few months have seen sizeable revisions to the employment data which paint the recent labour market performance in a better light. It is now estimated that 213,000 net private sector jobs were created in 2010, more than offsetting the 52,000 job losses in the public sector.

¹ PMI surveys monitoring activity in the UK economy. A figure of 50 indicates no change from the previous month. A figure over 50 signals growth, while a figure below 50 signals contraction.

Figure 2.6: Claimant count unemployment in UK



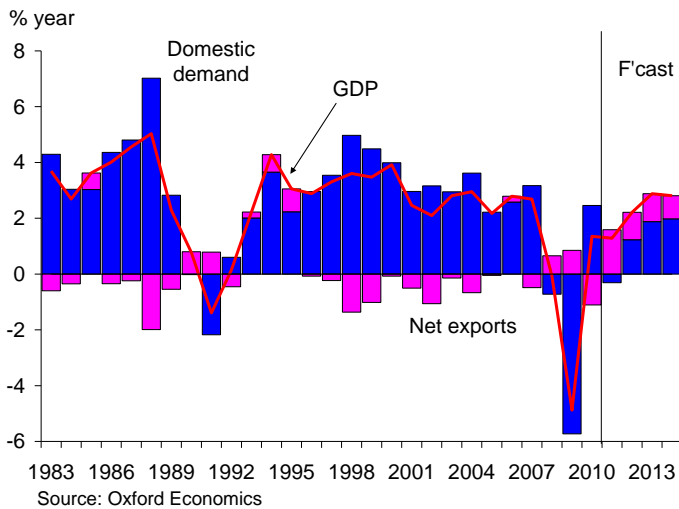
2.12 However, while the ILO data has continued to improve in the early part of this year, the more timely claimant count measure of unemployment has begun to increase once more, rising in three successive months (see figure 2.6). Though the rises have been small and may in part reflect technical factors (such as some groups moving from other benefits to the Job Seekers' Allowance), they could also reflect a labour market on the turn, as the pace of public sector job cuts steps up.

2.13 We expect unemployment to edge up during the rest of the year and, with earnings growth set to continue to lag well behind inflation as well, the weak labour market outlook is the main factor behind our forecast of a fall in consumer spending of 0.3% in 2011, followed by only a modest recovery of 1.2% in 2012.

2.5 Recovery will remain slow and patchy

2.14 Though the consumer and government sectors will represent a drag on growth this year, we remain upbeat about prospects for exports and business investment. Exports surged by 2.4% in Q1 and, while we don't expect this rapid pace to be sustained, the persistent weakness of the pound and relative strength of key UK export markets should deliver a strong export performance (see figure 2.7). We are also confident that the surprise Q1 fall in business investment will be reversed and that capital spending will become an increasingly important contributor to the recovery.

Figure 2.7: Contributions to UK growth in the UK

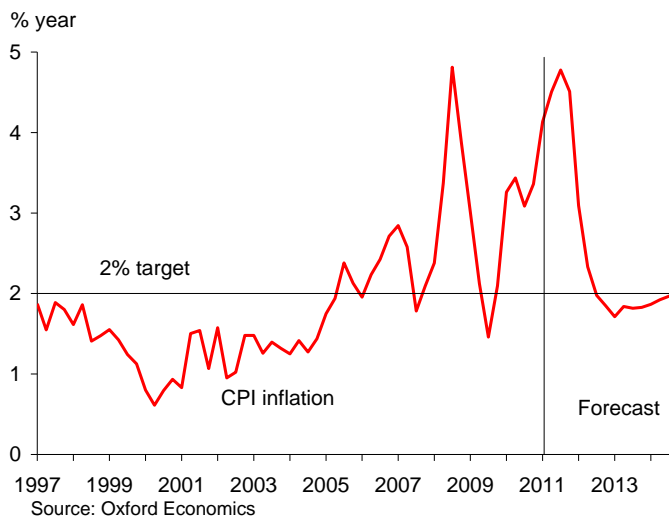


2.15 Firms have the resources to invest, having built up strong financial surpluses in recent years, and the recovery in capital spending should gain momentum as firms eat into the spare capacity left by the recession and business confidence strengthens. Nevertheless, the drag from the consumer and government sectors is expected to limit GDP growth to just 1.7% in 2011 and 2.4% in 2012.

2.6 Monetary Policy Committee (MPC) to hold fire until November

2.16 Inflation rose sharply in April, with CPI inflation accelerating from 4.0% to 4.5%, in large part due to the effects of the later Easter on air fares (see figure 2.8).

Figure 2.8: Inflation relative to target, UK



2.17 In May, however, the inflation rate was steady and there was some easing in core inflation from 3.7% to 3.3%. We expect inflation to move higher in the summer, as commodity price rises continue to feed through the supply

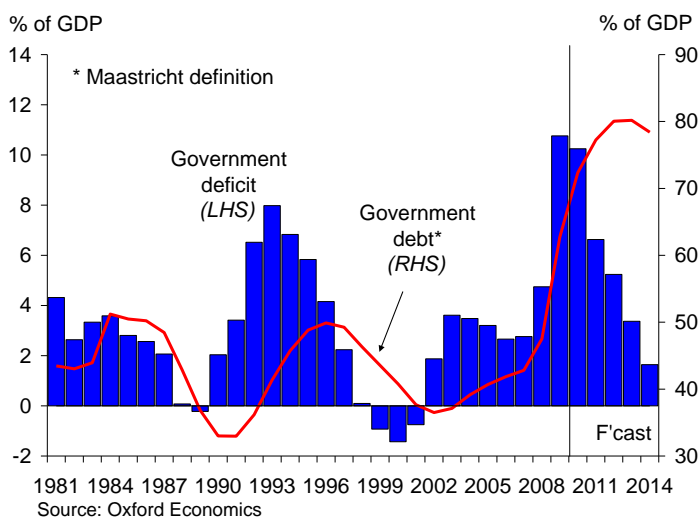
chain, but given the absence of any second round effects on wages, inflation should slow sharply next year as the VAT rise falls out of the calculation.

2.18 Given the fragility of the growth outlook, the first rise in interest rates is still likely to be some way off, with last month's Inflation Report implying that November was the most likely month.

2.7 Many micro policy changes in the budget

2.19 In presenting his Budget on 23rd March the Chancellor had little room for manoeuvre (figure 2.9 shows how government debt has soared as a percent of GDP), yet he still managed to make 57 changes to tax and spending policy while ensuring that the Budget was 'fiscally neutral'. The measures were largely aimed at helping consumers and supporting business. The headline measure was a 1p cut in fuel duty and the scrapping of the fuel duty escalator. The escalator would have increased fuel duty by almost 5p from April, so this should provide some assistance for consumers while also acting as a downward pressure on the inflation rate.

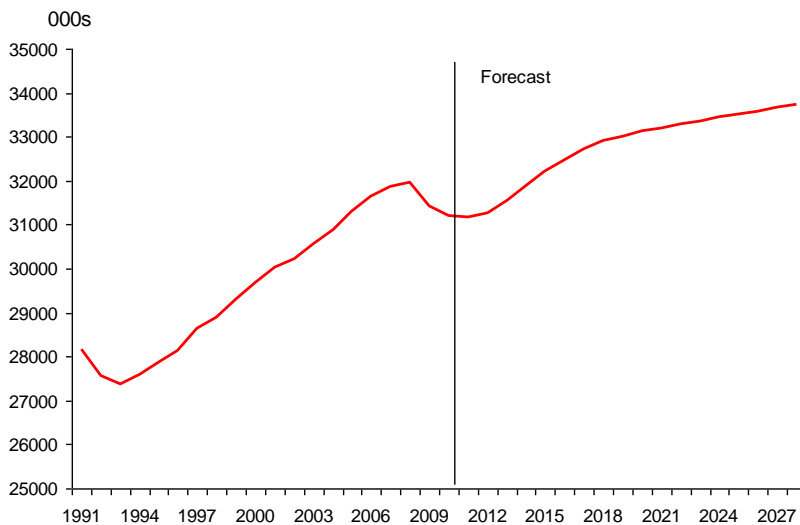
Figure 2.9: Public sector finances, UK



2.8 Public spending cuts continue to put pressure on jobs growth

2.20 The latest employment data suggests that the UK economy saw a contraction of 771,450 jobs over the period 2008-10, and despite some tax cuts in the latest budget, the Chancellor has not reined back on the overall spending cuts policy. As a result, we expect the labour market to contract by a further 24,010 jobs in 2011 (see figure 2.10).

Figure 2.10: Employment growth in UK



Source: Oxford Economics, ONS

2.21 The published data suggests that the recent recession led to a contraction in GDP levels in 2009. However in 2010, the economy moved back into positive growth. This is despite continued falling employment levels as the legacy of the recession remains.

2.22 Consequently, we expect the UK economy to have a 'jobless recovery'. During the recession, many firms retained profit levels (or stayed in balance) by implementing pay cuts of existing workers via reduced working hours. As the economy begins to recover in output terms, we expect that firms will increase productivity by moving workers back onto full time contracts, and increasing wage levels.

2.23 Indeed, we expect employment levels to continue to fall in 2011 as a result of the public spending cuts and it will be 2015 before the UK recovers the jobs lost over the period 2008-11. Much of the growth over the decade ahead is forecast to be mainly concentrated within the professional services and distribution sectors.

2.9 Implications for Nuneaton & Bedworth

- 2.24 The risks over the short term for Nuneaton & Bedworth are certainly on the downside.
- 2.25 The public sector accounted for most of the growth over the past decade, and the current public spending reductions are likely to dampen prospects for growth in this sector going forward. As such, any reaction at the local government level will have to be different to the past decade as **more will need to be done with less money.**
- 2.26 In addition, high commodity prices have squeezed disposable incomes. As such, spending on non-essential goods in retail, along with spending on hospitality and other personal services is likely to be lower and thus put pressure on current jobs and future growth. As retail is the largest sector in the local economy, this is a loss in a major source of growth.
- 2.27 **The UK outlook is founded on export-led private sector growth.** This must play a key role in the Council strategy as the domestic markets are not as likely to bring a significant amount of fortune to drive the local economy.
- 2.28 The manufacturing sector will also be important, given its dominance in the local economy. Although manufacturing activity does not tend to be labour intensive, it is high value added and could be key to future growth. The wider national rebalancing agenda should prove helpful to the local economy, although local strategy should also target this sector.

3 Nuneaton & Bedworth baseline outlook

3.1 Overview

3.1 This section sets out in detail the historical trends in Nuneaton & Bedworth over the past two decades, and discusses our baseline projections for the local economy.

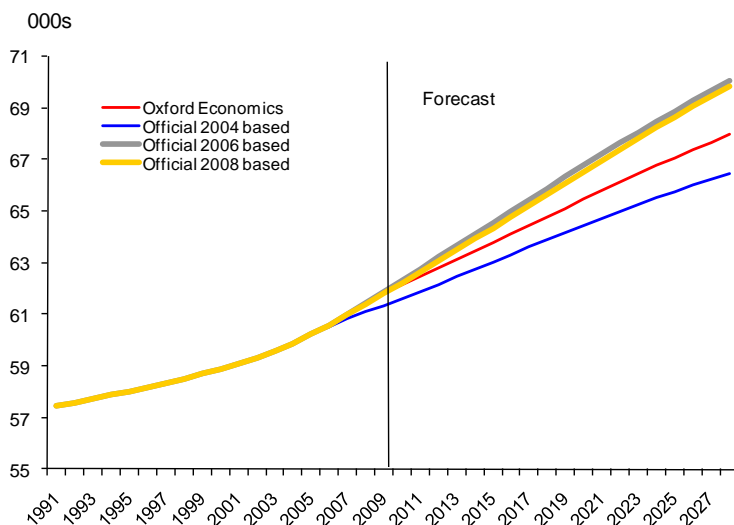
3.2 Before we introduce our analysis on the local economy, we set an important underlying assumption of our modelling, namely how our models treat migration.

3.2 Population: official projections versus Oxford Economics'

3.3 Oxford Economics population projections are produced independently of the ONS official population projections. Official projections are generally produced by trending on the growth in existing data on population by age and making assumptions around migration patterns over time. By comparison, Oxford Economics forecasts are economically driven and take into account the pressures population growth can put on the labour and housing markets. As such, we believe our population forecast to be more realistic.

3.4 Comparing the Oxford population projections (which have remained relatively unchanged over the past few years) with the last three official population projections releases is useful to help illustrate this point (see figure 3.1).

Figure 3.1: UK population: Oxford versus Official projections



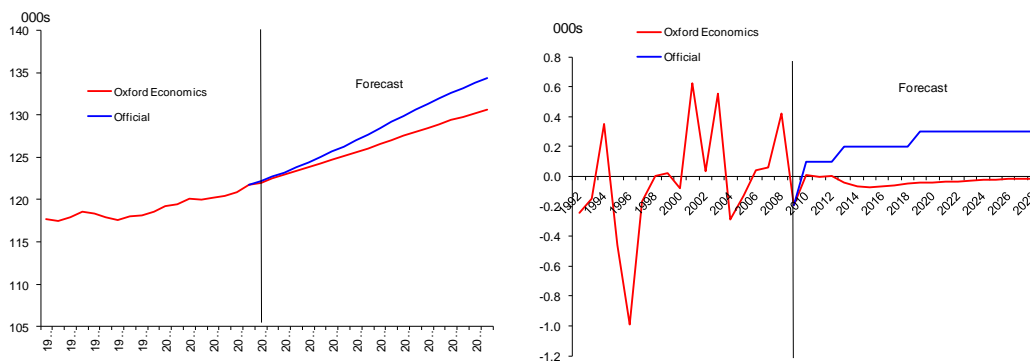
Source: Oxford Economics, ONS

- 3.5 In 2004, official projections suggested that the UK population would reach 66.4m people by 2028. However this was prior to the large influxes of migrants from Eastern Europe. Consequently there was a large upward revision in the 2006 based projections which estimated that the UK population would be closer to 70m people by 2028 and the 2008 based projections were broadly similar.
- 3.6 Oxford estimate of UK population over the future lies somewhat lower than the official projections on account of a lower migration assumption, reasons for this are set out below. The other component which makes up population is natural increase. Given that we don't project birth and death rates separately, we are happy to accept the official natural increase projections.
- 3.7 The official projections estimate that the net inflow of migrants (inflows minus outflows) in the long run will be in the region of 180,000 per annum. However Oxford Economics do not agree with this assumption and expect migration to be closer to 80,000 net inflows per annum. The reasons for this are as follows:
- Migrant inflows into the UK in recent years have been strong, peaking at 263,000 in 2005. This has been as a result of lax migration regulations and greater proportions of people coming from Eastern Europe. The official projections suggest that net migration from Eastern European countries will be zero from 2015 onwards and we concur with this view. However prior to the migrant boom, migration levels never reached 100,000 and we believe that a level of 180,000 net inflows per annum would be unsustainable;
 - Looking into the official projections in more detail, it appears that 130,000 of the net inflows will come from the New Commonwealth. Again, this has never happened before and we believe that this is unlikely to become a reality;
 - In addition, migration has become a politically sensitive topic in recent years, particularly due to the lack of job opportunities following the recession. We expect migration regulation policy to tighten in the coming years and thus making such high levels of migration inflows unlikely; and
 - Furthermore, the official projections are 2008 based meaning that the latest year of data available at the time of publishing these projections was 2008. However, 2009 data has since been published and was lower than the official estimates. This over-estimation of population in 2009 supports our view that the long run trends are perhaps too strong and a lower assumption feels more likely.
- 3.8 This has clear implications for policy makers, particularly those involved in planning, however it does not seem plausible that such high levels of population growth are viable in the context of the wider economy.

3.3 Population and migration

3.9 Over the past 10 years, population in Nuneaton & Bedworth grew by 3,870 people to a level of 122,000 in 2009 according to published data from the ONS (see figure 3.2). The data shows that the biggest contribution to population growth over the past decade has come from the natural increase with 72% of the overall increase attributable to this, whilst only 28% of the increase came from migration.

Figure 3.2: Population and migration projections for Nuneaton and Bedworth

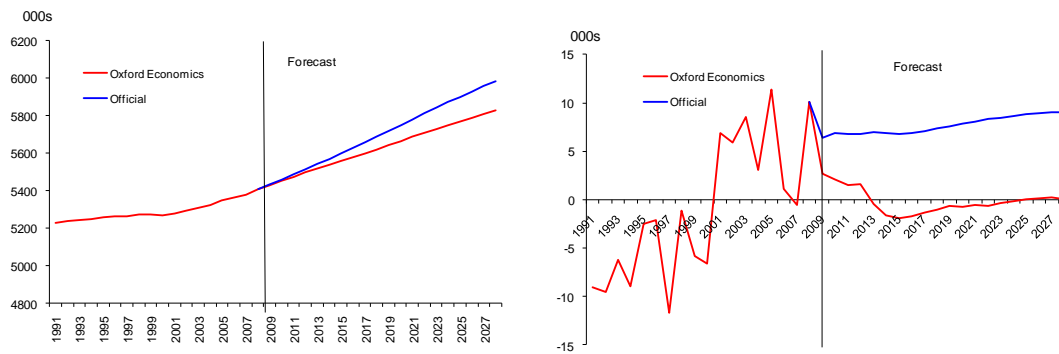


Source: Oxford Economics, ONS

3.10 Our forecast for population growth in the Borough is for an additional 8,160 by 2028, led by natural increase. Average annual net migration over the forecast period is effectively zero (more accurately annual average outflow of 34 people), compared with 200 additional people per annum in the official projections. Consequently, this results in 3,770 less people by 2028 compared to the official population projections.

3.11 Similarly, the West Midlands population grew by 159,100 people over the past decade with 76% of the total change coming from natural increase (see figure 3.3). Average annual migration in the West Midlands between 1999 and 2009 was 3,340 people, although this was due to large inflows of migrants from Eastern Europe. In tandem with our national migration assumptions, we forecast a lower level of migration over the future. We have estimated an annual average out flow of migrants of 290 people per annum. This is much lower than the official annual average inflow of nearly 7,800 people per annum and as such results in 158,620 people less by 2028 in comparison to the official estimates.

Figure 3.3: Population and migration projections for West Midlands

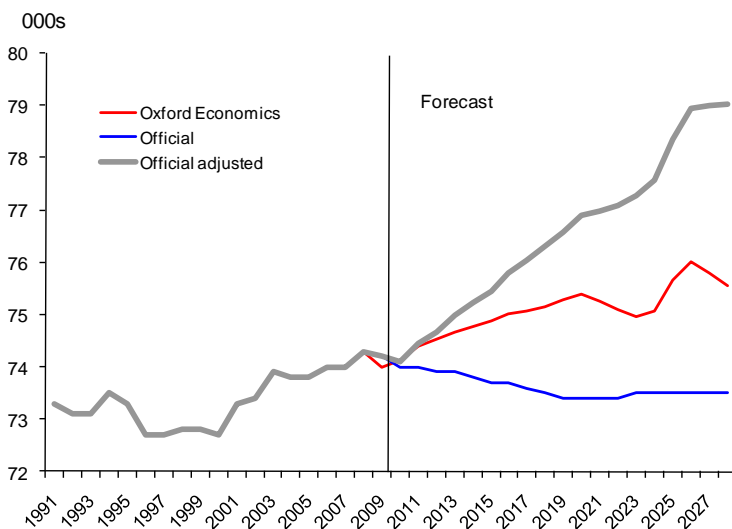


Source: Oxford Economics, ONS

3.12 Working age population is defined as all males aged 16-64 and females aged 16-59 in the NBFM, but is forecast to change over time in line with the planned changes to the retirement age.

3.13 The sub-national projections do not account for the changes to the retirement age over time. For this reason, the sub-national projections suggest that working age population will fall by 500 people over the period 2010-28. We have adjusted the sub-national projections to bring in the retirement age changes and the figure 3.4 below compares the Oxford working age population forecast with the published sub-national projections and the adjusted series.

Figure 3.4: Working age population in Nuneaton and Bedworth



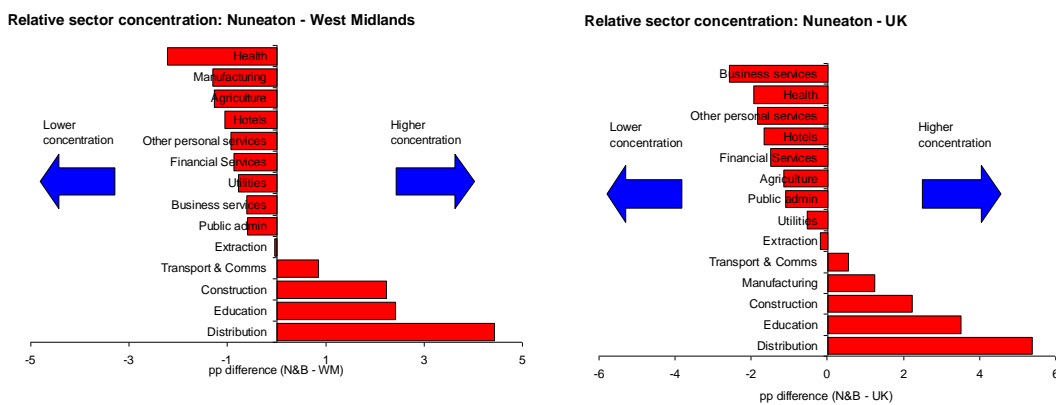
Source: Oxford Economics, ONS

3.14 Oxford Economics' forecast of Nuneaton & Bedworth working age population lies slightly below the adjusted official series given our lower net in-migration projections. We estimate working age population growth of 1,440 people over the period 2010-28, which is lower than the adjusted official series by 3,460 people by 2028.

3.4 Labour market – workplace jobs

3.15 When carrying out analysis of the labour market, it is useful to look at the sectoral structure of an area. We have done this in figure 3.5 below by estimating the sectoral share of total employment in the local borough, and measuring it against the sectoral share in another area. In this case we measure this against both the West Midlands (the chart on the left hand side) and the UK (the chart on the right hand side). Given that the West Midlands is a dominated by manufacturing activity, it makes sense to compare the Borough against the UK as well.

Figure 3.5: Relative sector concentrations, 2009

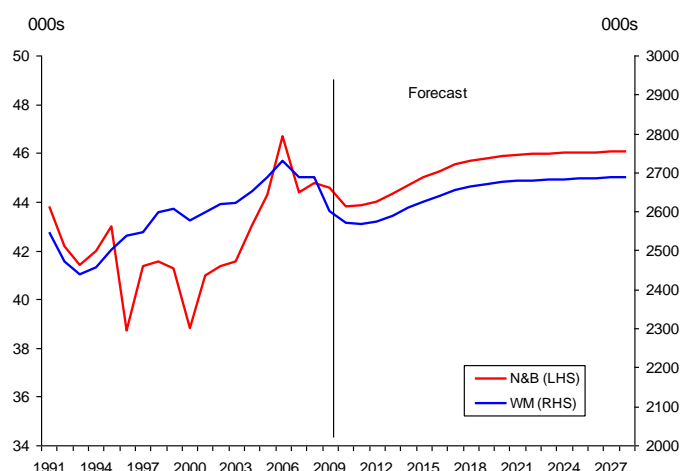


Source: Oxford Economics, ONS

3.16 Relative to the West Midlands region, Nuneaton & Bedworth is an economy largely dominated by the distribution, education and construction sectors and less dependent upon the health and manufacturing sectors. Although in comparison to the UK, Nuneaton & Bedworth has a large dependence on the manufacturing sector for employment.

3.17 Over the past two decades, the level of jobs in Nuneaton & Bedworth (see figure 3.6) has been volatile, although this is mostly to do with the quality of the data series used which is prone to reporting inaccuracies (the ABI).

Figure 3.6: Total employment



Source: Oxford Economics, BRES, ABI

3.18 In net terms however the employment level in Nuneaton & Bedworth grew by 7.8% over the period 1998-2008, equating to 3,220 additional jobs (see table 3.1). During the same period the West Midlands enjoyed growth of 3.4%, equating to 88,830 jobs. Despite questions around the quality of data, the margins of differences between the Council and wider region suggest that Nuneaton & Bedworth has performed better than the region over the past decade.

Table 3.1: Historical and projected sectoral employment growth in Nuneaton & Bedworth and West Midlands, 000s

| | Nuneaton and Bedworth (000s) | | | West Midlands (000s) | | |
|--------------------------------------|------------------------------|-------------|------------|----------------------|---------------|--------------|
| | 1998-08 | 2008-10 | 2010-28 | 1998-08 | 2008-10 | 2010-28 |
| Agriculture | 0.1 | 0.1 | 0.0 | -4.9 | 11.0 | -16.1 |
| Extraction | 0.0 | 0.0 | 0.0 | -1.6 | -0.8 | -0.9 |
| Manufacturing | -4.9 | -1.2 | -1.3 | -243.2 | -54.1 | -92.3 |
| Utilities | -0.1 | 0.0 | 0.0 | -2.5 | 6.2 | -4.2 |
| Construction | 0.7 | 0.0 | 0.7 | 38.2 | -20.8 | 28.8 |
| Distribution | 1.5 | -0.6 | 0.8 | 1.4 | -25.5 | 41.3 |
| Hotels | -0.2 | -0.2 | -0.1 | 10.4 | -9.5 | 10.2 |
| Transport & Comms | 0.8 | -0.9 | 0.3 | 38.5 | -21.0 | 20.1 |
| Financial Services | 0.1 | -0.2 | 0.1 | 0.6 | -1.3 | 1.0 |
| Business services | 1.8 | 1.0 | 2.3 | 107.9 | -25.6 | 148.3 |
| Public admin | 0.4 | 0.0 | -0.3 | 21.5 | -13.4 | -19.5 |
| Education | 1.6 | 0.0 | -0.1 | 45.3 | 5.9 | -18.7 |
| Health | 1.2 | 1.4 | -0.1 | 59.1 | 46.5 | 2.2 |
| Other personal services | 0.5 | -0.2 | 0.0 | 25.3 | -15.9 | 18.8 |
| Gov supported trainees & land forces | -0.1 | 0.0 | 0.0 | -7.1 | 0.8 | 0.3 |
| Total | 3.2 | -0.9 | 2.3 | 88.8 | -117.5 | 119.4 |

Source: Oxford Economics, ABI, BRES

3.19 The majority of the growth over the past decade was within the business services, education, distribution and health sectors accounting for a combined 6,050 additional jobs.

3.20 The job gains however, were partially offset by losses elsewhere in the economy. Most of the losses were concentrated in the manufacturing sector, as production has generally become less labour intensive across the UK due to technological advances.

- 3.21 The losses suffered during the recession years are not estimated to have been as severe as in the wider region with a 2.1% contraction in jobs over the period 2008-10 compared with 4.4% in the region.
- 3.22 Nuneaton and Bedworth outperformed the region in 7 of the 13 broad sectors shown in the table above during the recession. Despite recording a loss in employment levels in the wider region, the business services sector grew by 950 jobs during the downturn in the local economy. The health sector also recorded an increase with 1,360 additional jobs. Although it is worth noting that the public sector continued to grow from 2008 to 2010 as the government injected money into the economy to limit the impact of the recession.
- 3.23 Transport & communications, financial services and manufacturing all performed worse than the regional average over the period 2008 to 2010.

Table 3.2: Historical and projected sectoral employment growth in Nuneaton & Bedworth and West Midlands, %

| | Nuneaton and Bedworth (%) | | | West Midlands (%) | | |
|--------------------------------------|---------------------------|-------------|------------|-------------------|-------------|------------|
| | 1998-08 | 2008-10 | 2010-28 | 1998-08 | 2008-10 | 2010-28 |
| Agriculture | 82.4 | 30.5 | -6.7 | -10.7 | 26.6 | -30.8 |
| Extraction | -74.7 | -23.9 | -57.2 | -38.6 | -34.2 | -57.9 |
| Manufacturing | -46.9 | -21.0 | -29.6 | -41.2 | -15.6 | -31.6 |
| Utilities | - | - | - | -16.2 | 47.6 | -21.5 |
| Construction | 22.9 | 0.8 | 17.4 | 25.9 | -11.2 | 17.5 |
| Distribution | 17.4 | -6.4 | 8.7 | 0.3 | -5.6 | 9.7 |
| Hotels | -7.3 | -9.9 | -3.6 | 7.3 | -6.2 | 7.2 |
| Transport & Comms | 25.8 | -25.6 | 12.4 | 31.9 | -13.2 | 14.6 |
| Financial Services | 7.6 | -17.8 | 5.7 | 0.8 | -1.7 | 1.3 |
| Business services | 46.0 | 16.5 | 34.4 | 33.0 | -5.9 | 36.3 |
| Public admin | 30.3 | 0.2 | -19.5 | 20.7 | -10.7 | -17.4 |
| Education | 43.1 | -0.5 | -2.7 | 23.4 | 2.5 | -7.6 |
| Health | 49.9 | 37.8 | -1.4 | 24.2 | 15.3 | 0.6 |
| Other personal services | 29.9 | -9.2 | 1.7 | 21.2 | -11.0 | 14.6 |
| Gov supported trainees & land forces | -57.1 | 19.7 | 9.8 | -38.6 | 7.1 | 2.6 |
| Total | 7.8 | -2.1 | 5.1 | 3.4 | -4.4 | 4.6 |

Source: Oxford Economics, ABI, BRES

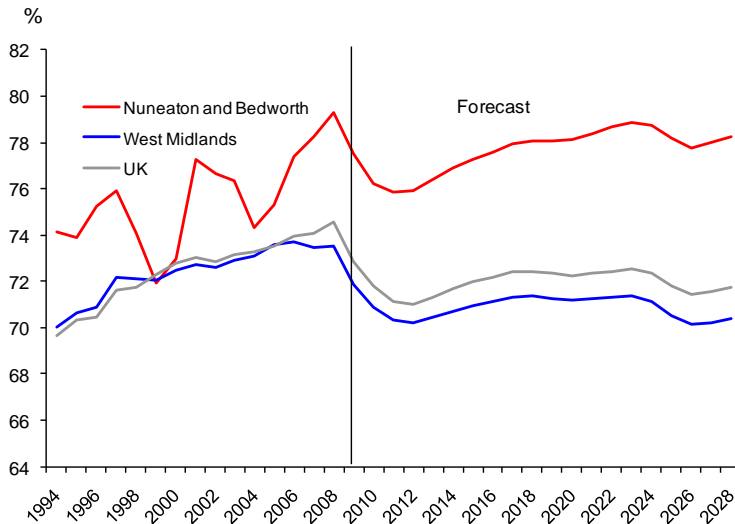
- 3.24 The baseline forecasts suggest that recovery in Nuneaton & Bedworth will be slightly faster than the regional average, with employment growth of 5.1% compared to 4.6% in the region over the period 2010 to 2028 (see table 3.2).
- 3.25 Nuneaton and Bedworth is estimated to experience a faster rate of growth in the business services sector at 34.4% growth equating to 2,310 additional jobs in the area by 2028. Other sectors which are forecast to do well are construction, distribution, financial services, transport & communications and other personal services.
- 3.26 The forecast for manufacturing and agriculture are downbeat though they are not forecast to fare as bad as the region as a whole.

3.5 Resident employment

- 3.27 Similar to the workplace based employment, the resident employment series in Nuneaton & Bedworth has been relatively volatile during the past two decades (see figure 3.7). In net terms the resident employment rate

(the proportion of working age residents which are employed) increased by around 5.2 percentage points over the period 1998-2008. This compares with growth in the West Midlands and the UK of 1.4 percentage points and 2.8 percentage points respectively during the same period. It is worth noting that the fall in resident employment rate fall between 1997 and 1999 is questionable.

Figure 3.7: Resident employment rate



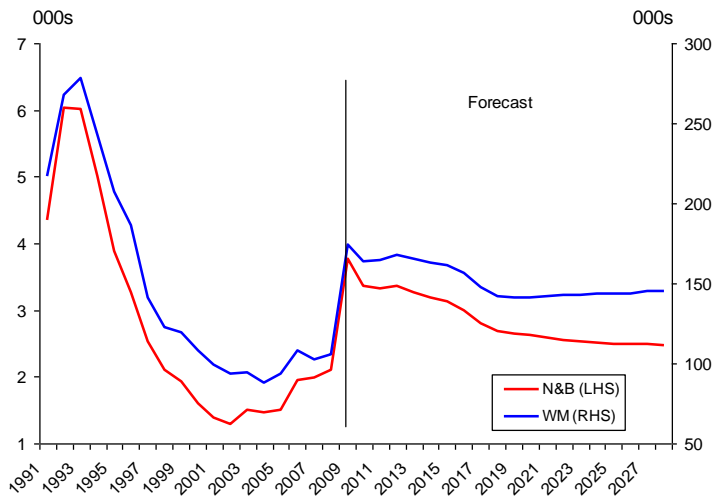
Source: Annual Population Survey

- 3.28 The recession brought about a fall in resident employment rates across the UK and our forecast suggest that these are not likely to be regained during the forecast period.
- 3.29 Notably, the resident employment rate in Nuneaton & Bedworth has historically been above the West Midlands and UK rates. In 2009 there was an employment rate gap of 5.6 percentage points (pp) between the Borough and the region, and a gap of 4.7pp with the UK. We forecast these gaps to widen over the future and by 2028 the difference between the region and UK is estimated to be 7.8pp and 6.4pp respectively.

3.6 Unemployment

- 3.30 Resident employment rates are forecast to remain low over the future and as such we believe that unemployment rates will remain persistently high throughout the forecast. Since the early 1990s, unemployment has been on a steep downward trend (see figure 3.8). Indeed, prior to the recession, the UK economy had enjoyed 60 quarters of successive economic growth which is longest period of economic growth since records began. This is clearly demonstrated by the trend in unemployment levels which reached record lows across the country by 2003.

Figure 3.8 Unemployment levels



Source: Oxford Economics, Claimant Count

- 3.31 As migrant levels began to rise, unemployment levels began to creep up, however it was the recession which brought about significant increases in those claiming unemployment benefits. This had the effect of unemployment rising to levels last seen in 1997 in the UK.
- 3.32 We expect unemployment to remain high in the medium term, as many people who lost their jobs during the recession struggle to re-enter the labour market. Firms appear to some extent to have hoarded labour during the recession to avoid the expense of re-hiring and retraining workers, so a recovery in output may be slow to lead to a recovery in jobs. In addition, the public spending cuts are likely to keep unemployment high over the next 3-4 years, as jobs are likely to be cut in the public sector and those sectors which are dependent upon public investment. Furthermore welfare reforms could add to the upward pressure on unemployment levels as they are aimed at encouraging individuals to move from inactivity back into the labour market. Those who have moved from inactivity into the labour market are expected to experience the most difficulty finding employment and will hence swell the number unemployed.

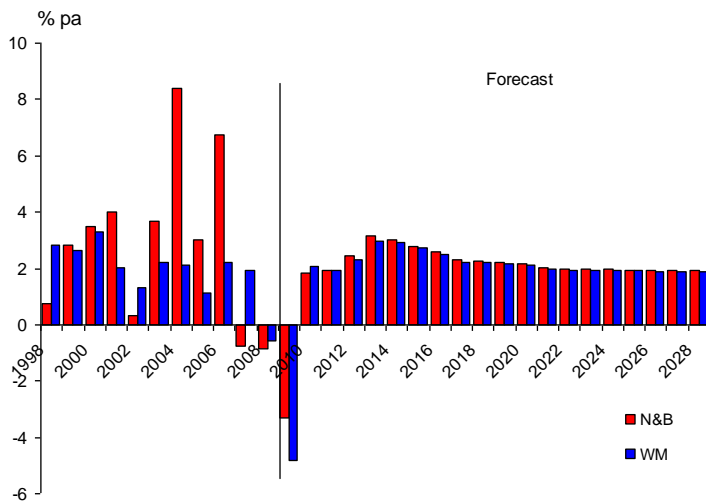
3.7 GVA and productivity

- 3.33 Gross Domestic Product (GDP) is the traditional measure of economic output of an economy. Gross Value Added (GVA) has replaced GDP as the primary method of measuring output for the UK and its regions. In simplistic terms GVA is the sum of profits and wages. In other words it is the total amount of output produced within the economy minus production costs. GVA is published by the ONS for the UK and its regions, but it is not published at a local authority level. Therefore Oxford Economics have to estimate this series and we do so using regional productivity (output

per worker) by sector and applying this to local sectoral employment. Since GVA is the sum of profits and wages we apply a relative wage adjustment and a final 'scaling' adjustment which insures that the local data, aggregates to NUTS3 level data which is published within Regional Accounts.

3.34 Given that GVA is estimated based on available data, it is unwise to accept the value of GVA as given. Rather, we advise the use of GVA annual growth rates as being of more value. Historically, the growth rates have been volatile (see figure 3.9) although this is due to the volatile employment series.

Figure 3.9: GVA growth



Source: Oxford Economics, Regional Accounts, ASHE

Note: we quote GVA in 2006 prices therefore eliminating any inflation effects so the data will only match Regional Accounts (which includes inflation) in one year – 2006.

3.35 Whilst the West Midlands suffered a contraction in GVA in 2009 due to the downturn, Nuneaton & Bedworth had already been in a period of contraction since 2007.

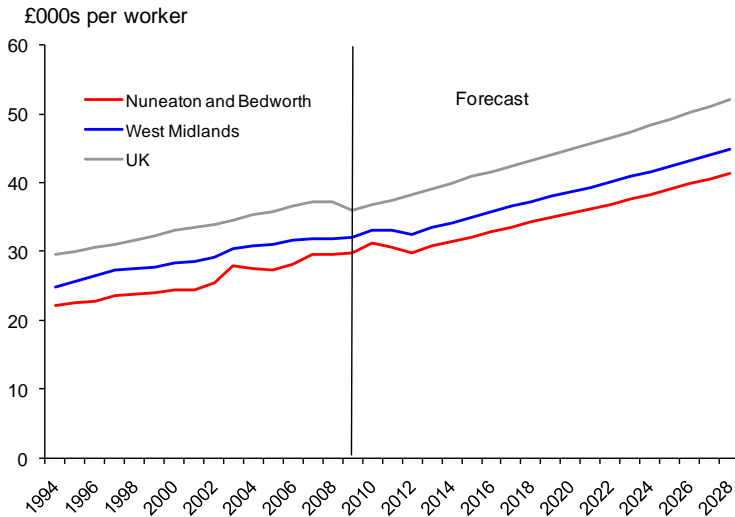
3.36 In 2009, GVA in the West Midlands economy shrank by 4.8%, whilst Nuneaton & Bedworth recorded a contraction of only 3.3% in the same year. This is in part a reflection of the latest labour market data which suggested that the level of jobs contracted by 0.4% compared with a 3.3% fall in employment level in the wider region in 2009.

3.37 Looking ahead, our outlooks for Nuneaton & Bedworth and West Midlands GVA growth are similar with annual average growth forecast at 2.2% per annum for both over the period 2010-28, compared with 2.4% pa growth forecast for the UK. This is despite having a large manufacturing base which tends to be high value added.

3.38 Productivity in Nuneaton & Bedworth (calculated as the total amount of GVA divided by the total number of jobs) is below both the regional and

national average (see figure 3.10). In 2009, productivity was estimated at £29,860 per worker compared with £32,030 per worker in the region and £36,030 per worker in the UK.

Figure 3.10: Productivity



Source: Oxford Economics

3.39 Despite having relatively strong outlooks for GVA and employment, the composition of growth does not currently suggest a narrowing of the gap between Nuneaton & Bedworth and the region or the UK.

3.8 Housing

3.40 Housing projections in Oxford models are based on population growth. As such, they are best described as demand based forecasts, i.e. where there is population growth, there will be dwelling stock growth to meet the needs of the new people.

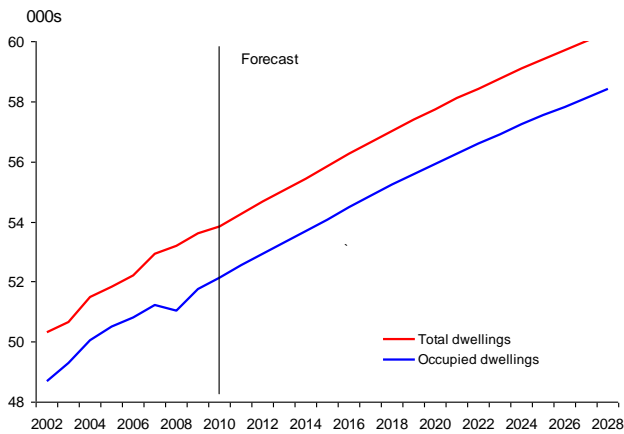
3.41 In this study we have provided data and forecasts for dwelling stock, broken down by occupied and vacant dwellings. We have also provided household data which is broken down by household type (e.g. one person households, couple and no other adult, etc), and is consistent with the official household projections by DCLG.

3.42 Dwelling stock data comes from the HSSA (Housing Strategy Statistical Appendix), published by DCLG. This data is based on local authority return forms which provide information on dwellings by local authority housing, registered social landlords (RSL), private rented and other. In addition, the HSSA provides an estimate of the number of vacant dwellings in each district. As some of the local authority, RSL, private rented or other dwelling stock could be vacant it is better to estimate occupied stock in the Borough by subtracting vacant dwellings from total dwelling stock. Although a proportion of these occupied dwellings will be classified as second homes (e.g. holiday homes, temporary residences,

etc). More information with regards to this can be found in the technical report (see NBFM Technical Report, page 27).

3.43 The total number of dwellings in Nuneaton & Bedworth has grown by around 3,530 over the period 2002-2010, 3,450 of which were identified as 'occupied' (see figure 3.11). During this same period the private population increased by 2,980 people. The private population is estimated as total population less those living in large institutions such as care homes, student halls, etc. Further information of why we use private population can be found in the technical report (see NBFM Technical Report, page 28).

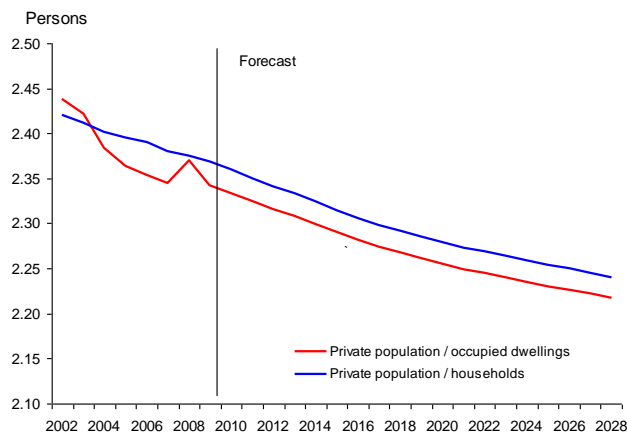
Figure 3.11: Total and occupied dwelling stock in Nuneaton & Bedworth (000s)



Source: DCLG

3.44 In 2010, the number of persons per occupied dwelling in Nuneaton was 2.33 persons per dwelling, down from 2.44 in 2002 (see figure 3.12). A similar downward trend is apparent in persons per household in the Borough during the same period.

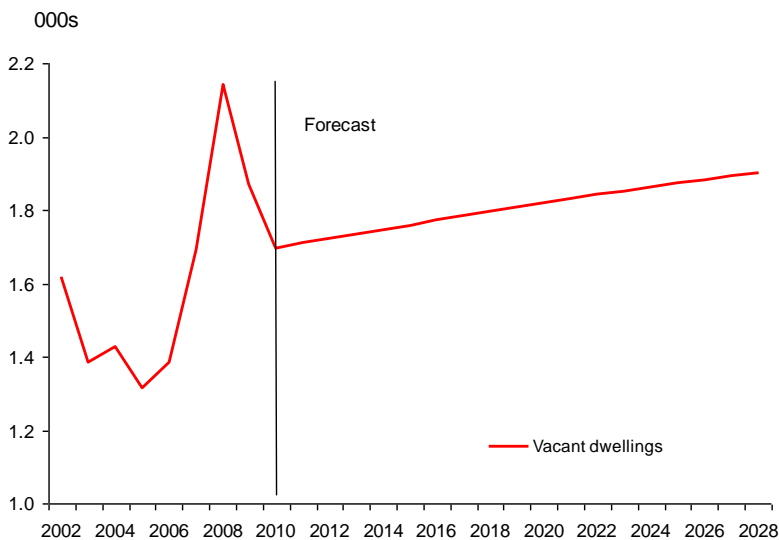
Figure 3.12: Occupancy ratios in Nuneaton & Bedworth (persons per household / occupied dwelling)



Source: Oxford Economics, DCLG, ONS

- 3.45 This suggests that one of the following things could have been happening in recent years; a) either there has been an increase in the proportion of dwellings with fewer people living in them, b) there has been an increase in smaller dwelling types (e.g. apartments), or c) there has been an increase in the proportion of second homes during the past decade.
- 3.46 We project the dwellings based occupancy rates to grow at the same rate of growth in the official projections from DCLG, more information relating to this can be found in the technical report (see NBFM Technical Report, page 28). The official household projections use the official population projections, whereas the housing projections in our models use the Oxford population forecast. As discussed earlier, population is lower over the outlook in Oxford models. Consequently, we project occupancy rates to continue to fall over the future. This leads to growth in the occupied dwelling stock of 6,280 dwellings over the period 2010-28.

Figure 3.13: Vacant dwelling stock in Nuneaton & Bedworth

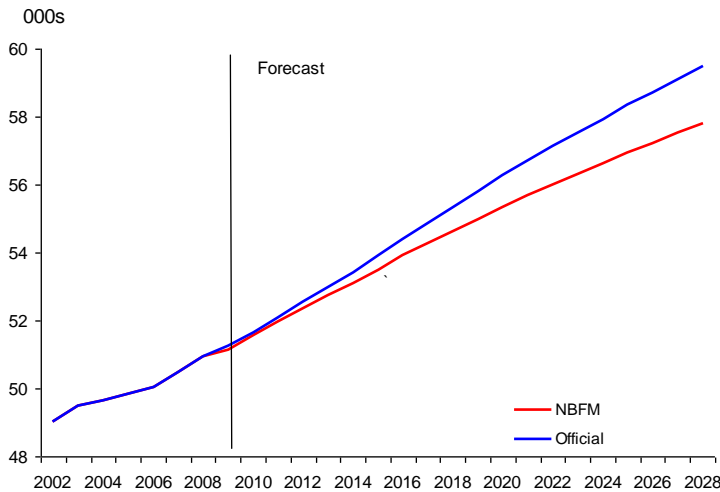


Source: Oxford Economics, DCLG

- 3.47 Over the period 2002-2010, the ratio of vacant stock to occupied dwelling stock averaged 3.2%. Vacant stock is forecast by applying this ratio to the projected occupied dwelling stock. Consequently we expect an additional 210 vacant dwellings in Nuneaton & Bedworth over the period 2010-28 (see figure 3.13). Taking into consideration the growth in occupied dwelling stock, total dwelling stock is forecast to grow by 6,490 dwellings over the period 2010-28.
- 3.48 Households data is sourced from DCLG in the NBFM and is available up to 2008. Over the period 2002-2008, the number of households in Nuneaton & Bedworth grew by 1,900 (see figure 3.14). Household numbers tend to be lower than dwelling numbers for definitional reasons and also due to vacancy rates. This is because large institutional dwellings such as care homes, student halls and army installations are counted as one dwelling according to official definitions. The data

suggests that there was a higher level of dwellings growth during this period, due to a higher proportion of second homes. This is discussed in more detail in the technical report (see NBFM Technical Report, page 27).

Figure 3.14: Total households in Nuneaton & Bedworth (000s)



Source: Oxford Economics, DCLG

3.49 Households are projected using the official occupancy rates which are then applied to our (lower) population forecast in NBFM. Consequently, the NBFM estimates that there will be 6,240 additional households over the period 2010-28, lower than the official projections which suggest that households will increase by 7,810.

3.50 One person households accounts for the largest proportion of growth over the forecast with an additional 4,930 households of this type over the forecast period² (see table 3.3).

Table 3.3: Summary of households by type in Nuneaton & Bedworth

| | 2002 shares | 2008 shares | 2010-28 (000s) | 2010-28 (%) |
|--|---------------|---------------|----------------|-------------|
| One person households (000s) | 27.7% | 30.5% | 4.93 | 30.6 |
| Couple and no other adult (000s) | 48.4% | 47.6% | 1.34 | 5.5 |
| Couple and one or more adult (000s) | 12.5% | 10.3% | -1.84 | -36.8 |
| Lone parent with or without adult (000s) | 6.9% | 7.6% | 1.80 | 44.3 |
| Other (000s) | 4.6% | 4.0% | 0.01 | 0.7 |
| Total households (000s) | 100.0% | 100.0% | 6.24 | 12.1 |

Source: DCLG, Oxford Economics

3.51 All other types of households are expected to grow, albeit to a lesser extent, with the exception of couple and one or more adult households which are expected to decline by 1,840 over the period 2010-28. This

² Household projections by type are based on the official projections of household type from DCLG. This is set out in more detail in the technical annex (page 31).

supports the trend in occupancy ratio which is forecast to fall over the future.

3.9 Summary

3.52 Table 3.4 below shows a summary of the headline indicators in the baseline outlook for Nuneaton & Bedworth. This suggests that the economy will enjoy modest growth over period 2010-28. We project jobs growth of 2,260 alongside average annual average GVA growth of 2.2% per annum, which is below the UK average annual growth of 2.4% per annum during the same period.

Table 3.4: Summary of growth in headline indicators in Nuneaton & Bedworth, 2010-28

| | 2010-28 |
|-------------------------------------|----------------|
| Population * | 8160 |
| Working age population * | 1430 |
| Migration (cumulative) * | -840 |
| Workplace based jobs * | 2260 |
| Workplace people employed * | 1230 |
| Resident people employed * | 2270 |
| Resident employment rate (pp) | 1.7 |
| Net commuting (average per annum) * | -17740 |
| Unemployment (people) * | -860 |
| Unemployment rate (pp) | -1.2 |
| GVA (% per annum) | 2.2 |
| Productivity (£000s per worker) | 12.9 |
| Total dwelling stock * | 6490 |
| Total households * | 6240 |

Source: Oxford Economics

Note: * denotes where figures have been rounded to the nearest 10

3.53 In order to better understand the forecasts in the model, and the linkages between the various indicators, it is useful to step through the results presented in the table above and we have summarised this as follows:

- The total number of additional workplace jobs over the period 2010-28 suggests that there will be an additional 2,260 jobs located within the Borough. This is estimated by projecting the historical trend in each sector and aggregating this to calculate total jobs.
- The model then considers who takes the jobs, either
 - residents (the unemployed, the economically inactive or those that commute out to work),
 - new migrants, or
 - commuters from elsewhere.
- The performance of the labour market (along with unemployment and resident employment rates) determines the change in migration which is

then used to drive our population forecasts. We forecast that population in Nuneaton & Bedworth will grow by 8,160 people, 1,430 of which are of working age who will take a proportion of the additional jobs. The remainder of the growth is accounted for by natural increase and migrants of working age.

- The net impact is a reduction in the unemployed of 860 people.
- Resident employment is forecast to grow by 2,270 jobs. A proportion of these will be based in Nuneaton & Bedworth, and the remaining jobs will be located outside the area.
- The additional workplace jobs will translate through to GVA, which we forecast to grow by 2.2% per annum.
- Similarly, the additional population will feed through to dwelling stock and households which are demand based. As such, we forecast total dwelling stock to grow by 6,490, and households are expected to increase by 6,240 during the same period.

3.54 Table 3.5 includes a more detailed assessment of the baseline outlook for the Nuneaton & Bedworth economy.

Table 3.5: Summary indicators for Nuneaton & Bedworth

| | 1998 | 2008 | 2010 | 2028 | 2010 - 2028 growth |
|--|-------|-------|-------|-------|--------------------|
| Population (000s) | 118 | 122 | 122 | 131 | 6.7 (%) |
| Working age population (000s) | 73 | 74 | 74 | 76 | 1.9 (%) |
| Migration (000s) | 0.0 | 0.4 | 0.0 | 0.0 | 0 (avg ann) |
| Employees - total (000s) | 36 | 39 | 38 | 39 | 5.2 (%) |
| Self employed jobs - total (000s) | 5 | 6 | 6 | 6 | 4.9 (%) |
| Workplace employment, jobs (000s) | 42 | 45 | 44 | 46 | 5.1 (%) |
| Workplace employment, people (000s) | 38 | 41 | 40 | 41 | 3.1 (%) |
| Unemployment (000s) | 2 | 2 | 3 | 2 | -25.6 (%) |
| Unemployment rate (%) | 2.9 | 2.8 | 4.5 | 3.3 | -0.3 (pp) |
| GVA - total (£m, 2006 prices) | 1,016 | 1,371 | 1,350 | 2,013 | 2.2 (% pa) |
| Resident employment, people (000s) | 54 | 59 | 57 | 59 | 4.0 (%) |
| Resident employment rate (%) | 74 | 79 | 76 | 78 | 0.0 (pp) |
| Net commuting (000s) | -16 | -18 | -17 | -18 | -17.7 (avg ann) |
| Occupied dwelling stock (000s) | - | 53.2 | 53.8 | 60.3 | 0.1 (%) |
| Total households (000s) | - | 50.9 | 51.6 | 57.8 | 0.1 (%) |
| One person households (000s) | - | 15.5 | 16.1 | 21.0 | 0.3 (%) |
| Couple and no other adult (000s) | - | 24.2 | 24.4 | 25.8 | 0.1 (%) |
| Couple and one or more adult (000s) | - | 5.2 | 5.0 | 3.2 | -0.4 (%) |
| Lone parent with or without adult (000s) | - | 3.9 | 4.1 | 5.9 | 0.4 (%) |
| Other (000s) | - | 2.0 | 2.0 | 2.0 | 0 (%) |

Source: Oxford Economics

4 Scenario sectoral assumptions

4.1 This section provides a discussion of how the two scenarios were agreed. In doing so, we explain the rationale for the overall targets and the more detailed sectoral assumptions.

4.1 Setting an overall aspiration

4.2 In generating employment scenarios³ for the study the first step was to agree a target rate of growth. At present, Nuneaton & Bedworth is forecast to have employment growth of 0.3% per annum between 2013 and 2028, generating an additional 1,760 jobs during the period. In agreement with Nuneaton and Bedworth Council, we ran two scenarios:

- **0.5% per annum:** this scenario uplifts annual average employment growth to 0.5% over the period 2013 to 2028 to mirror the faster rate of growth expected in the wider sub-region. This has the affect of creating an additional 1,560 jobs over the baseline; and
- **1% per annum:** the second scenario is more in line with historic growth and assumes employment growth of 1% per annum over the same period. This faster scenario results in an additional 5,490 jobs over the baseline.

4.2 Selecting potential growth sectors

4.2.1 The future vision of Nuneaton & Bedworth

4.3 The next step was to allocate the additional jobs across sectors of the economy. At the time of writing the Council did not have an economic strategy to help inform the sectoral distribution of the additional jobs. However the Council did have a set of aims for the area set out in their “Draft Spatial Vision” document which would form part of a future strategy for the local economy. They include aspirations to improve the quality of life, narrow the gap in the north/south divide, move towards affordable housing, uplift the skills profile of the Borough and enhance accessibility to a wide range of services.

4.4 In addition to these aims, three draft objectives had been set out by the Council which were aimed at ensuring Nuneaton & Bedworth would have a ‘strong, diverse and growing economy that redresses the imbalance of poorly paid low skilled jobs and high levels of out commuting in particular’.

³ Note a number of different types of scenarios could have been developed including upper and lower macro scenarios. However it was agreed with the Council that the two scenarios should be employment based, locally focused, and reflect areas that the Council could influence.

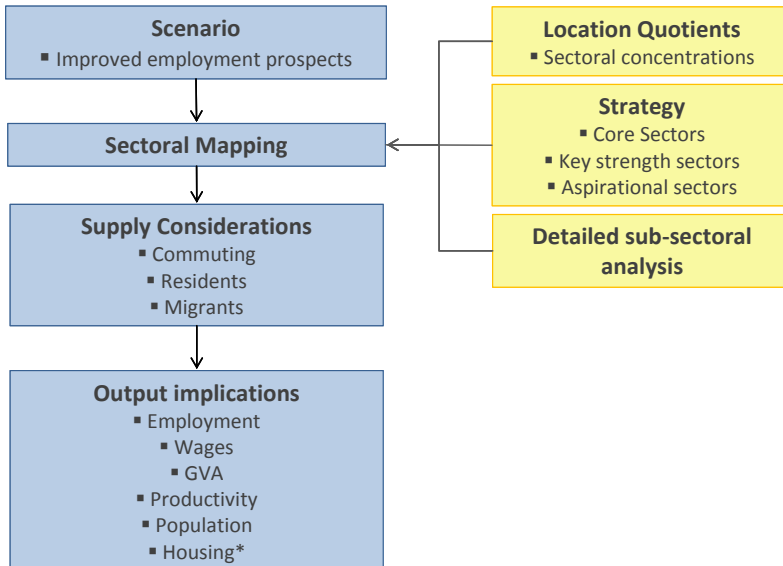
These objectives provided an overarching framework for the sectoral selection process. They include:

1. To protect and enhance existing good quality employment sites (such as Bermuda Industrial Estate and Prologis) while releasing for other uses sites that are no longer suitable for employment⁴;
 2. Provide opportunities that will allow the economy to diversify and offer well paid skilled jobs via the provision of high quality, accessible and marketable sites at Griff, Bermuda, Attleborough and land close to the M6; and
 3. Use growth to enable training and educational opportunities and facilities, which will improve the qualifications and skills of the current and future workforce, especially in the west of the Borough.
- 4.5 It is outside the scope of this analysis to consider employment sites, however in selecting sectors we considered the desire to diversify the economy and offer higher paid jobs which could feed through into improved skills of the workforce. As noted above, these objectives provided an overarching vision of the economy to work with. In identifying the potential growth sectors we undertook four strands of work
1. **Strategic sectors:** mapping the core, key strength and aspirational sectors set out in the sub-regional Economic Assessment to the 59 sub-sectors included in the NBFM;
 2. **Specialisms and niche sectors:** analysed the employment concentration in 59 sub-sectors of the economy to determine which sectors have the capacity for faster growth. In undertaking the LQ analysis, we also looked at more detailed sub-sectors to determine if there were any additional sectors (outside of the strategic few) where Nuneaton & Bedworth is especially strong;
 3. **UK fastest growing sectors:** consideration of strong growth sectors at a UK and Nuneaton & Bedworth level;
 4. **Sectors of macroeconomic significance:** consideration of wider trends in the UK (e.g. a growing population and reduced public spending) and activities that are likely to grow in importance in the economy.
- 4.6 The following sub-sections describe how the final list of growth sectors was identified and agreed with the Council.

⁴ The NBFM is not built specifically to measure the impact of specific employment sites and how these are developed. However, planners can assess the impact of a specific development separately to estimate employment growth as a result and input this into the model to estimate the additional impacts in the wider jobs market, overall economic growth, people and housing.

4.7 Figure 4.1 below summarises the main stages of the modelling, which are discussed in the remainder of this section.

Figure 4.1: A conceptual overview of the modelling stages



4.8 The sectoral growth is determined through three different types of sectoral analysis (shown in the yellow shaded boxes in the diagram).

4.2.2 Strategic sectors

4.9 As noted above there is no local economic development strategy, however the topic paper ‘Understanding *future sectoral growth in the Coventry, Solihull and Warwickshire Sub-Region*’, sets out three types of sectors that will be important for future growth in the wider sub-region (including Nuneaton and Bedworth) and likely to receive particular attention in policy documents:

- **Core sectors:** defined as sectors currently considerably strong within the sub-region and likely to remain key to future growth;
- **Key strength sectors:** defined as those in which the sub-region has specific specialisms, and in many cases already has a strong presence;
- **Aspirational sectors:** defined as sectors as ‘opportunity’ sectors (i.e. sectors which are most likely to grow over the future at national level), which the sub-region could capitalise on.

4.10 Unfortunately the sectors identified in the paper do not fully line up with the sectors modelled in the NBFM. Consequently the sectors identified in the sub-regional Economic Assessment had to be mapped to the NBFM definitions. Table 4.1 sets out the results.

Table 4.1: Mapping of sub-region strategic sectors to NBFM sectors

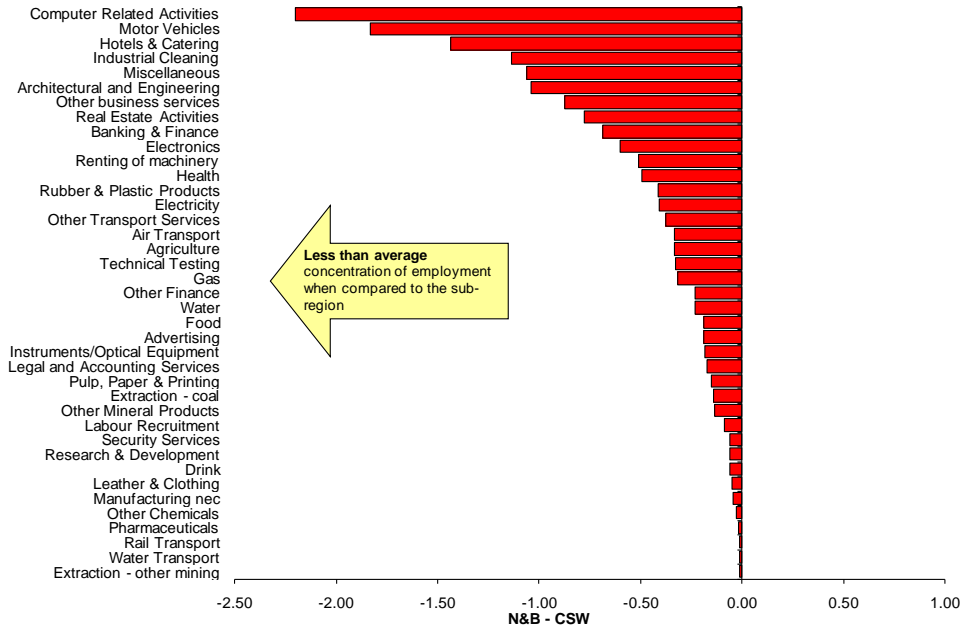
| Core sectors | OE sectors | SIC 2003 | NBFM coverage |
|---|---|----------------------------|---|
| Care sector | NN - health | Parts of 85 | All of health covered in NBFM - care sector not stripped out as its own sector |
| Construction | FF - construction | Parts of 45 | All of construction covered in NBFM - specialist construction sectors not separated out from overall sector |
| Distribution & storage | GG_DIS - distribution | 50-51 | Covered as a separate sector in NBFM |
| Retail | GG_RE - retailing | 52 | Covered as a separate sector in NBFM |
| Key strength sectors | OE sectors | SIC 2003 | NBFM coverage |
| Automotive manuf | DM_MV - motor vehicles | 34 | Covered as a separate sector in NBFM |
| Computing & software | KK_CS - computer & software; DL_E - electronics | 30, 32, 72 | Covered as a separate sectors in NBFM |
| Creative & cultural | DB - textiles & apparel; KK_AD - advertising; DE - publishing & printing; parts of OO - motion pictures and arts, tv, radio, etc; HH - hotels, restaurants (representing tourism) | 19, 74.4, 22, 92, 55 | All of textiles treated as its own sector, as is advertising, publishing & printing and hotels. However motion pictures, arts, tv, radio, etc are not treated as separate sub-sector and included in the 'other personal services - miscellaneous' sector |
| Specialist business services | KK_RE - renting; KK_LG - legal & accounting (incl. head offices and management consultancy); KK_AR - architecture; KK - advertising; KK_LR - labour recruitment | 71, 74.1, 74.2, 74.4, 74.5 | All specialist business services sectors here are separated out as individual sectors in NBFM |
| Aspirational | OE sectors | SIC 2003 | NBFM coverage |
| Ultra-low carbon vehicles | Parts of DN - other manufacturing nec; parts of EE - utilities; parts of OO - other personal services | 36-37, 40-41, 90-99 | Low carbon sectors are difficult to identify, but we would see these comprising parts of recycling and energy based sectors, though these sectors are covered in their entirety in NBFM |
| Sustainable construction | Parts of FF - construction, parts of KK_RD - research & development | Parts of 45 and 73 | Again this is difficult to identify but we have defined as parts of construction and R&D sectors, though in NBFM both sectors are covered in their entirety |
| Advanced manufacturing (elements) | DF - coke, oil & nuclear; DG - chemicals & pharmaceuticals; DK - machinery & equipment; DL - electrical equipment; DM - transport equipment | 23, 24, 29, 30-33, 34-35 | All sectors defined separately in NBFM |
| Applied design & engineering (elements) | | | These sectors are largely covered within the key strength and core sectors and therefore have not been defined separately |

4.11 The table shows how the core, key strength and aspirational sectors map across to firstly the broad sectors included in Oxford Economics models, secondly their definition under SIC03, and finally their sectoral coverage in the NBFM. In carrying out the mapping exercise of the core, key strength and aspirational growth sectors, to the Oxford 59 employment sectors, 30 of the 59 defined sectors included either all or at least part of these strategic sectors. Given the inclusion of these sectors in the policy documentation for the wider sub-region, each sector was considered a potential growth sector for Nuneaton & Bedworth.

4.2.3 Specialisms and niche sectors in Nuneaton & Bedworth

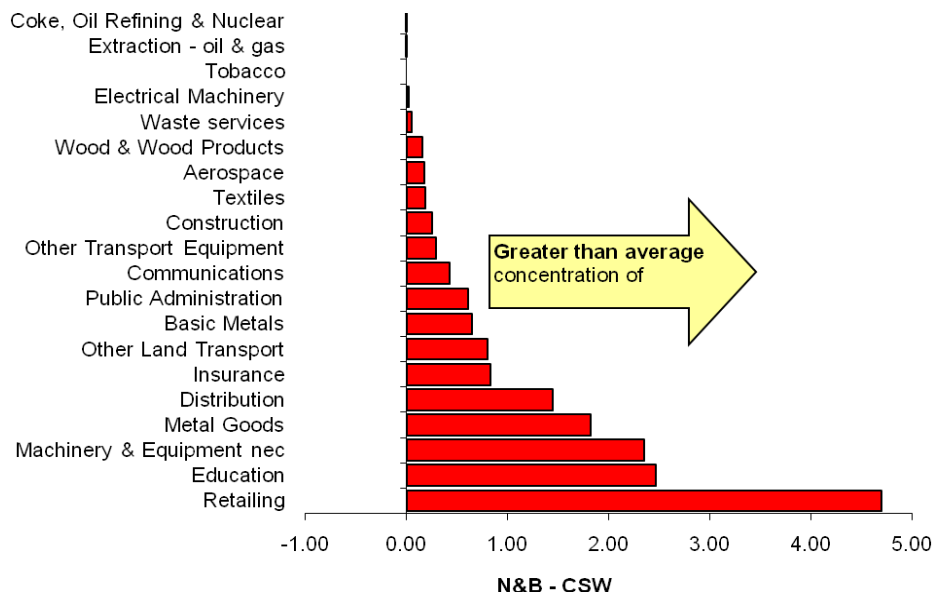
4.12 Moving on from the mapping exercise above, it was important to consider the structure of the local economy and determine whether these sectors were important to Nuneaton & Bedworth. Figure 4.2 and 4.3 below show sectoral employment concentrations in Nuneaton & Bedworth against those for the wider sub-region. The sectors with a positive number (and hence to the right of zero) represent those where the local economy has a higher concentration of employment. Those with a negative number therefore represent sectors with a lower concentration of employment than the sub-region.

Figure 4.2: Employment concentrations of strategic sectors which are under represented in Nuneaton & Bedworth, 2008



Source: Business Register Employment Survey (BRES)

Figure 4.3: Employment concentrations of strategic sectors which are over represented in Nuneaton & Bedworth, 2008



Source: Business Register Employment Survey (BRES)

4.13 The published data shows that Nuneaton & Bedworth has a higher dependence on several of the strategic sectors including retailing, machinery & equipment, distribution, and other transport equipment. The figure also shows that it lags the sub-region in employment in computer related services, manufacturing of motor vehicles, health, and electronics.

4.14 Table 4.2 analyses these sectors differently. It provides a rank order of the strategic sectors using Location Quotient analysis (relative to the sub-region)⁵. The table also provides the percent share of total employment in Nuneaton & Bedworth and the sub-region. For ease of reading, we have shaded any sector which is 'under-represented' (where under-representation is defined as having a smaller share of total employment relative to the sub-region).

Table 4.2: Location quotients of strategic sectors in Nuneaton & Bedworth, 2008

| | LQ (relative to CSW) 2008 | N&B % of total employment | CSW % of total employment |
|-----------------------------------|---------------------------|---------------------------|---------------------------|
| 1: Other Transport Equipment | 4.45 | 0.4 | 0.1 |
| 3: Textiles | 3.28 | 0.3 | 0.1 |
| 4: Machinery & Equipment nec | 2.79 | 3.7 | 1.3 |
| 8: Retailing | 1.49 | 14.2 | 9.5 |
| 9: Aerospace | 1.45 | 0.6 | 0.4 |
| 11: Waste services | 1.33 | 0.2 | 0.2 |
| 13: Distribution | 1.20 | 8.5 | 7.1 |
| 16: Electrical Machinery | 1.06 | 0.3 | 0.3 |
| 17: Construction | 1.05 | 5.4 | 5.2 |
| 18: Labour Recruitment | 0.97 | 3.3 | 3.4 |
| 19: Legal and Accounting Services | 0.95 | 3.6 | 3.8 |
| 20: Health | 0.95 | 8.4 | 8.9 |
| 21: Manufacturing nec | 0.88 | 0.3 | 0.4 |
| 24: Other Chemicals | 0.84 | 0.1 | 0.2 |
| 26: Hotels & Catering | 0.79 | 5.3 | 6.7 |
| 27: Miscellaneous | 0.76 | 3.4 | 4.4 |
| 28: Pulp, Paper & Printing | 0.74 | 0.4 | 0.6 |
| 36: Architectural and Engineering | 0.53 | 1.1 | 2.2 |
| 37: Motor Vehicles | 0.49 | 1.7 | 3.6 |
| 38: Renting of machinery | 0.45 | 0.4 | 0.9 |
| 42: Computer Related Activities | 0.26 | 0.8 | 3.0 |
| 43: Electronics | 0.26 | 0.2 | 0.8 |
| 44: Instruments/Optical Equipment | 0.24 | 0.1 | 0.2 |
| 46: Advertising | 0.17 | 0.0 | 0.2 |
| 48: Research & Development | 0.08 | 0.0 | 0.1 |
| 55: Coke, Oil Refining & Nuclear | 0.00 | 0.0 | 0.0 |
| 56: Pharmaceuticals | 0.00 | 0.0 | 0.0 |
| 57: Electricity | 0.00 | 0.0 | 0.4 |
| 58: Gas | 0.00 | 0.0 | 0.3 |
| 59: Water | 0.00 | 0.0 | 0.2 |

Source: Annual Business Inquiry (ABI), Oxford Economics

Note 1: The sectors covered in this table are strategic sectors only, i.e. it excludes any sectors which weren't identified as strategic

Note 2: The numbers in the first column of the table before the sector name refer to the rank order of the location quotients from higher to lowest. For example, other transport equipment is the largest sector in Nuneaton & Bedworth, Construction is the 17th largest and Electronics is the 43rd largest and so forth

4.15 Location quotients allow us to measure the relative share of employment in any one sector to the share in another area. For example, retail

⁵ A definition of location quotients can be found in Annex A

employment in Nuneaton & Bedworth accounted for 14.2% of total employment in 2008, whilst retail in the CSW sub-region only accounted for 9.5% of its total employment in the same year. Based on these proportions, we can assume that Nuneaton & Bedworth has a higher concentration of retail employment. LQs go one step further by quantifying the balance of sectoral shares, and we do this by dividing the Nuneaton & Bedworth share of employment in retail by the wider sub-region comparator figure, and this gives us a figure of 1.49. This suggests that Nuneaton has 1.5 times more employment in retail compared with the wider sub-region.

4.16 To identify sectors with potential to grow the table was divided into three categories. This allowed us to immediately rule out sectors that were not already in the local economy and those that were perhaps too small to expect any significant growth. It also allowed us to identify Nuneaton & Bedworth's specialisms and niche sectors. So for example:

1. Sectors with an **LQ of 0.8 and above** were considered as niche and specialisms for Nuneaton & Bedworth;
2. Sectors with an **LQ between 0.2 and 0.8** were considered as having a smaller presence but with potential to grow and perhaps match that of the wider sub-region;
3. Sectors with an **LQ of less than 0.2** were considered as being too small to have significant capacity to grow and materially contribute to an employment growth scenario.

4.17 Before arriving at a final list of growth sectors to be used in the scenarios, we took a more detailed look at the employment sectors, using 4-digit SIC codes. Looking at 4 digit data provides a more accurate assessment of the economy. Table 4.3 below presents the top 20 4 digit sectors in terms of relative employment concentrations compared to the sub-region.

Table 4.3: 4 digit location quotients in Nuneaton & Bedworth relative to the sub-region, 2008

| | LQ 2008 | % of total employment in N&B | % of total employment in CSW |
|---|---------|------------------------------|------------------------------|
| 2417 : Manufacture of synthetic rubber in primary forms | 12.7 | 0.1 | 0.0 |
| 2733 : Cold forming or folding | 12.7 | 0.3 | 0.0 |
| 2971 : Manufacture of electric domestic appliances | 12.7 | 1.9 | 0.2 |
| 2754 : Casting of other non-ferrous metals | 11.4 | 0.4 | 0.0 |
| 1772 : Manufacture of knitted and crocheted pullovers, cardigans and similar articles | 11.4 | 0.0 | 0.0 |
| 4524 : Construction of water projects | 10.2 | 0.1 | 0.0 |
| 3520 : Manufacture of railway and tramway locomotives and rolling stock | 9.7 | 0.3 | 0.0 |
| 2830 : Manufacture of steam generators, except central heating hot water boilers | 9.5 | 0.0 | 0.0 |
| 1572 : Manufacture of prepared pet foods | 9.1 | 0.0 | 0.0 |
| 7530 : Compulsory social security activities | 8.6 | 0.8 | 0.1 |
| 6322 : Other supporting water transport activities | 7.6 | 0.2 | 0.0 |
| 4532 : Insulation work activities | 7.4 | 0.3 | 0.0 |
| 2451 : Manufacture of soap and detergents, cleaning and polishing preparations | 7.3 | 0.1 | 0.0 |
| 5273 : Repair of watches, clocks and jewellery | 7.1 | 0.0 | 0.0 |
| 2943 : Manufacture of other machine tools not elsewhere classified | 6.9 | 0.5 | 0.1 |
| 5145 : Wholesale of perfume and cosmetics | 5.7 | 0.5 | 0.1 |
| 5186 : Wholesale of other electronic parts and equipment | 5.6 | 1.1 | 0.2 |
| 1754 : Manufacture of other textiles not elsewhere classified | 5.4 | 0.2 | 0.0 |
| 2040 : Manufacture of wooden containers | 5.2 | 0.0 | 0.0 |
| 5272 : Repair of electrical household goods | 5.1 | 0.1 | 0.0 |

Source: Annual Business Inquiry (ABI), Oxford Economics

4.18 "Manufacturing of electric domestic appliances" and "wholesale of other electronic parts and equipment" are two sectors that jump out given their

share of total employment in the local economy. These are examples of 'niche' sectors which the council may be able to encourage further growth through spin-offs, and increased support.

4.19 Based on the above analysis we have identified nine potential growth sectors. These are areas of the economy where Nuneaton & Bedworth already specialise, having an LQ greater than 1. Selection of these sectors would suit a future strategy that is aimed at making Nuneaton & Bedworth the best at what it currently does. As such, any faster employment scenario would involve a combination of faster growth or constrained decline (depending on the sector). For the majority of the sectors on this list, they are also highlighted in the wider sub-region strategy document. The sectors include:

- Other transport equipment;
- Machinery & equipment;
- Retail;
- Aerospace;
- Distribution;
- Manufacturing of metal goods;
- Electronics;
- Insurance; and
- Electrical machinery.

4.20 Also included are manufacturing of metal goods, insurance and other transport to this list. Whilst these are not defined as key markets under the CSW strategy they have a strong presence in the N&B economy and therefore worth considering under this scenario.

4.2.4 UK fastest growing sectors

4.21 The third strand of identifying growth sectors focused on the national economy and examined which sectors were most likely to lead future growth. Table 4.4 below shows the 25 fastest growing sectors in the UK from Oxford Economics' Industry Model forecasts. It is clear from this table that the outlook for the UK is very business services intensive. It is worth noting that we expect future UK growth to be driven by export focused activities. Indeed, in an environment of public spending cuts and tax increases, the scope for domestic growth is limited.

Table 4.4: UK's 25 fastest growing sectors

| | Rank | Change 2010-28 (%) | Change 2010-28 (000s) |
|-------------------------------|------|--------------------|-----------------------|
| Architectural and Engineering | 1 | 60.2 | 234.0 |
| Security Services | 2 | 57.9 | 106.9 |
| Legal and Accounting Services | 3 | 57.8 | 604.9 |
| Other business services | 4 | 56.7 | 268.9 |
| Technical Testing | 5 | 52.2 | 20.6 |
| Real Estate Activities | 6 | 43.8 | 239.9 |
| Labour Recruitment | 7 | 34.9 | 268.4 |
| Computer Related Activities | 8 | 33.9 | 177.4 |
| Research & Development | 9 | 32.7 | 37.4 |
| Waste services | 10 | 29.9 | 34.0 |
| Renting of machinery | 11 | 29.2 | 39.0 |
| Advertising | 12 | 23.6 | 17.3 |
| Construction | 13 | 22.8 | 267.3 |
| Rail Transport | 14 | 20.7 | 11.6 |
| Industrial Cleaning | 15 | 20.5 | 85.3 |
| Water Transport | 16 | 19.4 | 3.0 |
| Miscellaneous services | 17 | 18.4 | 231.6 |
| Other Transport Services | 18 | 17.5 | 75.3 |
| Other Finance | 19 | 16.9 | 61.9 |
| Hotels & Catering | 20 | 13.2 | 231.1 |
| Retailing | 21 | 9.8 | 269.4 |
| Communications | 22 | 8.9 | 40.6 |
| Distribution | 23 | 6.3 | 101.7 |
| Health | 24 | 5.6 | 211.6 |
| Other Land Transport | 25 | 3.3 | 14.4 |

Source: Oxford Economics

Note: Sectors shaded in pink are those with LQs of 1 or more, sectors shaded in yellow are those with LQs lower than 1, and sectors which are unshaded are those with LQs lower than 0.2

- 4.22 For ease of reading, we have colour coded the above table to clearly show where Nuneaton & Bedworth's sectoral strengths lie in the context of the UK top growth sectors. Sectors which N&B are over-represented in are shaded in pink (i.e. sectors which have an LQ of 1 or more), and sectors which N&B are under-represented in are shaded in yellow (i.e. sectors with LQs lower than 1). Unshaded sectors are those which are virtually non-existent in N&B (i.e. sectors which have LQs lower than 0.2).
- 4.23 Notably, Nuneaton & Bedworth has proportionately fewer jobs in 17 of the 25 UK fastest growing sectors, and 2 of these sectors are virtually non-existent. Only 6 of the fastest growing sectors have an above average presence in the local Borough, making the case for a diversification strategy even stronger.
- 4.24 It is worth noting that manufacturing does not feature on this list given its historical declining nature where technological improvements have reshaped the manufacturing workforce. However it is still an extremely important sector to the overall economy as it tends to be very high value added with higher levels of productivity. Indeed, there is much focus in the media in the last year on the need for rebalancing the UK economy to ensure a healthy balance between services and production.

4.25 From this analysis eight sectors were earmarked as potential growth sectors:

- Computer related activities;
- Legal & accounting;
- Architectural and engineering;
- Labour recruitment;
- Construction;
- Other business services;
- Health; and
- Miscellaneous services.

4.2.5 Sectors of macroeconomic significance

4.26 In addition to those in table 4.4 above, there are a number of sectors that Oxford Economics feel have the potential for significant growth across the UK. We have identified these in table 4.5 below.

Table 4.5: UK's 25 fastest growing sectors

| Sector | Rationale |
|--|---|
| Elderly care | In the UK there is expected to be 4.95 million additional 65+ year olds by 2028 according to 2008 based projections and 1.275 million additional 85+ year olds. |
| Pharma sectors | GDP in pharma is already up by £3.1bn in the UK from 10 years ago and is expected to grow by £3.7bn in the UK over next 10 year. |
| Health care in general | There are 836,300 more jobs in the last 10 years with a further 665,800 expected over the next 10 years (although private provision is more likely). |
| Tourism sector | World travel (international overnight trips) grew by 50% in the 10 years to 2008 and is expected to grow by 40% over the next 10 years. |
| Specific elements of professional services offer opportunities | <ul style="list-style-type: none"> • risk management; • change management; • restructuring advice; and • Marketing & advertising advice |
| Environmental sector offers possibilities | <ul style="list-style-type: none"> • Green New Deal; • Research & Technology; and • Contraction & Retrofit. |
| Training and education provision | As the economy becomes increasingly skills hungry there is likely to be more private provision. |
| Agriculture | Prospects for the sector are relatively strong as a growing world population, geopolitical shocks, unreliable weather, etc combine to increase general demand. |

4.27 From this two additional sectors were identified as areas of the economy with opportunities for future growth. In addition our earlier analysis in Table 4.2 showed that in all three activities, the local economy had capacity to grow and match that of the wider sub-region.

- Health (care for the elderly); and
- Miscellaneous services (tourism).

4.3 Summary of selected sectors

4.28 Based on the analysis, 17 sectors were identified as potential growth areas of the economy and therefore activities that could be targeted for improved employment growth under the two scenarios (see table 4.6).

Table 4.6: Potential growth sectors

| Sector | Strategic | Niche | UK fastest | Macro significant |
|-------------------------------|-----------|-------|------------|-------------------|
| Other transport equipment | ✗ | ✓ | ✓ | ✗ |
| Machinery & equipment | ✓ | ✓ | ✗ | ✗ |
| Retail | ✓ | ✓ | ✗ | ✗ |
| Aerospace | ✗ | ✓ | ✗ | ✗ |
| Distribution | ✓ | ✓ | ✓ | ✗ |
| Manufacturing of metal goods | ✗ | ✓ | ✗ | ✗ |
| Insurance | ✗ | ✓ | ✗ | ✗ |
| Electrical machinery | ✓ | ✓ | ✗ | ✗ |
| Electronics | ✓ | ✗ | ✗ | ✗ |
| Legal & accounting | ✓ | ✗ | ✓ | ✗ |
| Computer related activities | ✓ | ✓ | ✓ | ✗ |
| Architectural and engineering | ✓ | ✗ | ✓ | ✗ |
| Labour recruitment | ✓ | ✗ | ✓ | ✗ |
| Other business services | | | ✓ | |
| Construction | ✓ | ✗ | ✓ | ✗ |
| Health | ✓ | ✗ | ✓ | ✓ |
| Miscellaneous services | ✓ | ✗ | ✗ | ✓ |

4.29 The remainder of this section sets out a more detailed rationale for including the sectors, and the reasoning behind the uplift applied to each of their rates of growth. We have also included charts showing the baseline employment growth and the scenario employment growth under the 1% growth scenario for illustrative purposes.

4.30 **Note: this section discusses the allocation of direct jobs in the scenarios and does not include the additional jobs which are created indirectly through the supply chain and the additional induced jobs generated as a result of additional spending in the local economy.**

Sector: Aerospace

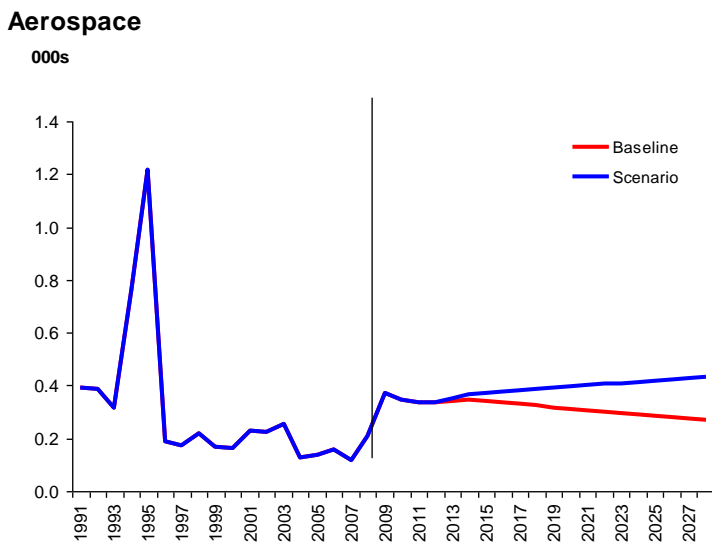
% allocation of direct jobs: 5%

Additional direct jobs by 2028: 170

4.31 **Rationale:** Aerospace has been identified as a niche sector in our analysis with an LQ of 1.5 in 2009, indicating that there was 1.5 times as many jobs in Nuneaton & Bedworth as there was in the sub-region.

4.32 Figure 4.4 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in aerospace and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.4: Employment in aerospace, baseline and scenario



Source: Oxford Economics

4.33 Despite the general trend of employment loss, the aerospace sector enjoyed employment growth over the recession. Our baseline forecast is for a gradual decline in the sector mirroring the general contraction in the rest of manufacturing. Though like the rest of manufacturing we expect output levels to grow.

4.34 We have allocated 5% of the additional direct jobs growth to aerospace. Growth in the sector is in line with the wider diversification agenda in the UK which seeks to 'rebalance' the economy and increase its manufacturing base. It also fits with the draft objectives of the Council which are to secure and grow high value added employment. This in itself will help to achieve higher level skills in the local economy.

4.35 The sector also has an export potential, making it an ideal sector to drive growth. Though it can be specialist, and difficult to secure adequately skilled individuals. If the Council were to include this in a future development strategy it would be wise to open dialogue with the

appropriate local companies to understand the scope for future growth and any potential barriers such as skills.

Sector: Construction

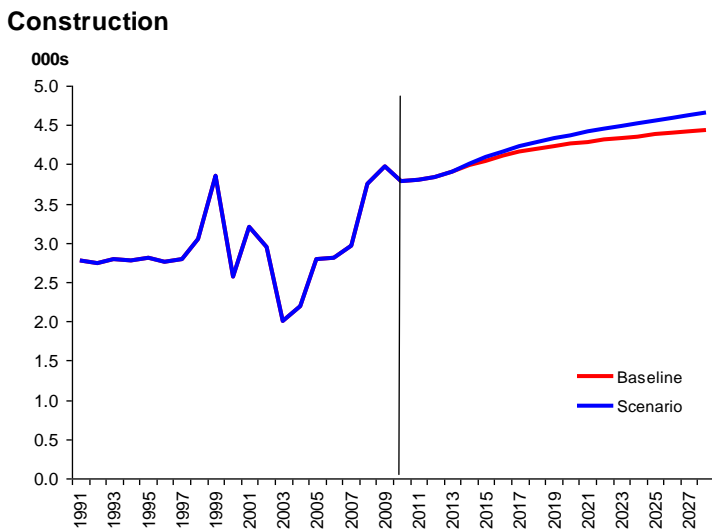
% allocation of direct jobs: 5%

Additional direct jobs by 2028: 170

4.36 **Rationale:** Construction has been identified as a strategic sector in the wider sub-region, and is expected to be one of the top growing sectors in the UK. It has an LQ of 1.1 in 2009, indicating that there were 1.1 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.37 Figure 4.5 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in construction and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.5: Employment in construction, baseline and scenario



Source: Oxford Economics

4.38 The current public spending cuts are likely to have an adverse impact on the construction sector due to lower public sector investment in infrastructure related projects. However we expect this to be offset by a gradual pick up in the housing market and private sector investment in construction services (building new workspaces, renovations, etc) which will create additional jobs over the forecast. It has also been identified as a strategic sector and as such it could enjoy additional growth.

4.39 Construction is one of the largest sectors in Nuneaton & Bedworth accounting for 8.9% of overall employment. Despite a national contraction in employment levels in 2009, the construction sector grew in Nuneaton & Bedworth. However in 2010, employment levels fell as a result of fewer businesses and households spending on construction services.

4.40 Our baseline forecast however suggests that the sector will return to growth over the period 2010-28, albeit at a slower pace than over the past decade.

4.41 Assuming the strategy is effective, as more businesses locate to the Borough, there will be increased demand for new offices, warehouses, factories, etc and for the renovation of existing workspaces. This is partly built into the model in the form of indirect impacts were additional construction employment is generated through the supply chain. We have allocated 5% of the additional direct jobs growth to the construction sector.

Sector: Health

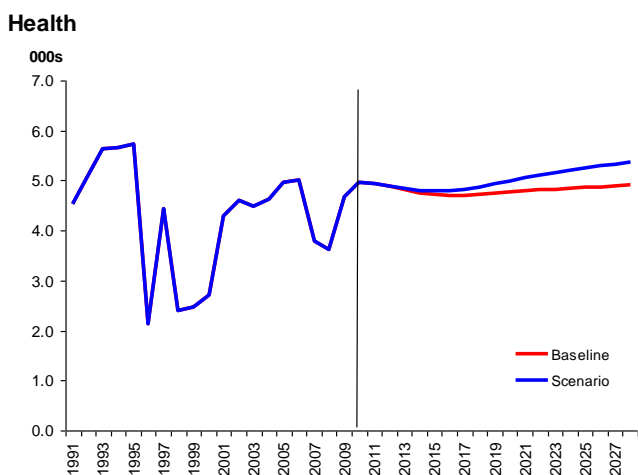
% allocation of direct jobs: 12%

Additional direct jobs by 2028: 410

4.42 **Rationale:** This sector is amongst the UK's fastest growing, and has been earmarked as a strategic sector in the wider sub-region. In addition, elderly care is expected to grow in line with the aging population. The sector had an LQ of 1 in 2009, indicating that the concentration of employment in Nuneaton & Bedworth was the same as that in the wider sub-region.

4.43 Figure 4.6 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in health and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.6: Employment in health, baseline and scenario



Source: Oxford Economics

4.44 The health sector is one of the largest in Nuneaton & Bedworth accounting for around 10.5% of overall employment in 2009. However its employment to population location quotient is 1 suggesting that the Borough enjoys the same level of employment per head in the sector as the regional average. Despite general spending cuts across the public

sector, there is a willingness to protect the health sector and its front line services. In addition rising population levels will put pressure on health services going forward. Oxford Economics forecast that the combined impact will be relatively unchanged levels of employment in health over the forecast period in both the region and Nuneaton & Bedworth.

- 4.45 We have allocated 12% of the additional direct jobs to the health sector. It is expected to be one of the top 25 fastest growing sectors at UK level over the period 2010-28. In addition, the care sector (which is part of the health sector) was identified as a strategic sector within the Coventry, Warwickshire & Solihull sub-region and it is also one of the sectors of macroeconomic significance identified in section 4.2.5. The faster growth in the local economy will also lead to more migrants moving to the area and a subsequent increase in demand for services.
- 4.46 Despite pressures on public spending, health will be largely protected from the severity of the cuts. In addition, we expect to see an increase in private health care. Furthermore the aging population will put pressure on health services and offer opportunities for the private sector to deliver elderly care. In Nuneaton & Bedworth, 17% of its population are aged 65 and over and this will only grow as a proportion.
- 4.47 Finally, as noted above the sector has been identified as a strategic sector in the wider sub-region which should lead to an improved outlook if policy is effective.
- 4.48 The allocation of 12% of the direct jobs under the 1% scenario still leads to an outlook for the sector that is below the peak experienced in the early to mid 1990s.

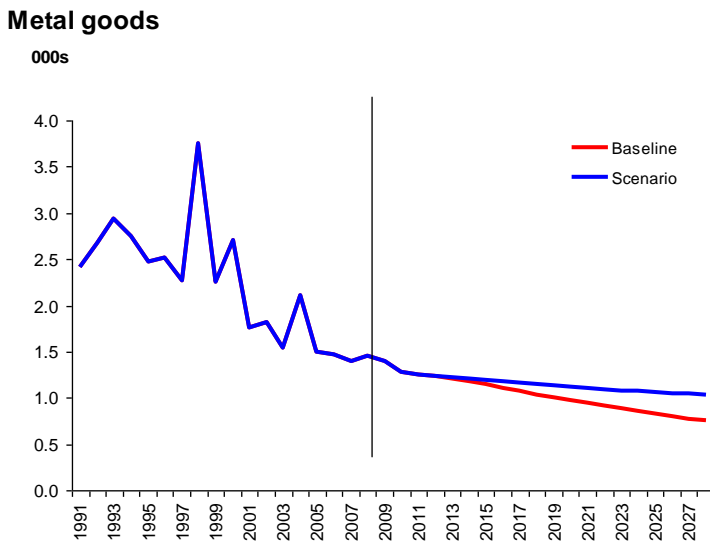
Sector: Metal goods

% allocation of direct jobs: 5%

Additional direct jobs by 2028: 170

- 4.49 **Rationale:** Metal goods has been identified as a niche sector in Nuneaton & Bedworth with an LQ of 2.2 in 2009, indicating that there was 2.2 times as many jobs in this sector in Nuneaton & Bedworth as there was in the CSW sub-region.
- 4.50 Figure 4.7 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in metal goods and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.7: Employment in metal goods, baseline and scenario



Source: Oxford Economics

- 4.51 We have allocated 5% of the total additional jobs under the scenario. This effectively slows the rate of decline in the sector relative to the baseline outlook. We have assumed that UK diversification agenda which is aimed at rebalancing the UK economy results in more demand for the sector's output. It is feasible that under this agenda, companies in manufacturing will be provided with more support and guidance on how to operate efficiently and open up new markets.
- 4.52 As a niche sector in Nuneaton & Bedworth and accounting for 3.1% of overall employment, we have also assumed that a future local strategy will include support for the sector from the Council and its partners.

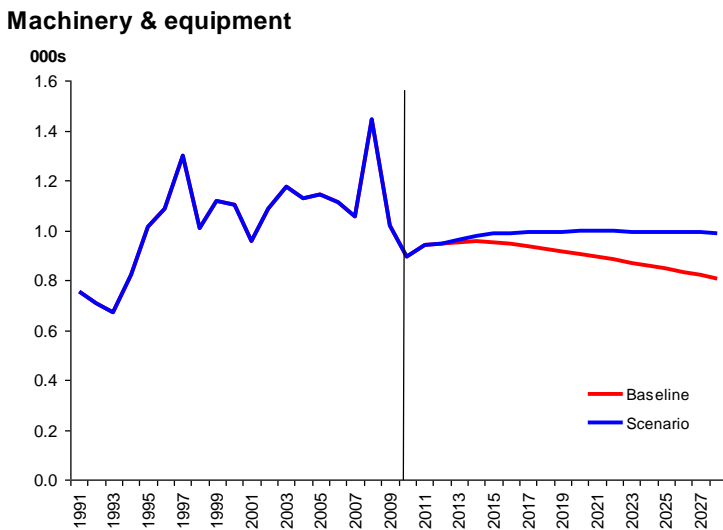
Sector: Machinery & equipment nec

% allocation of direct jobs: 5%

Additional direct jobs by 2028: 170

- 4.53 **Rationale:** Machinery & equipment nec has been identified as both a niche and strategic sector in Nuneaton & Bedworth according to our analysis. It had an LQ of 2.8 in 2009 indicating that there were 2.8 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.
- 4.54 Figure 4.8 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in machinery & equipment and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.8: Employment in machinery & equipment, baseline and scenario



Source: Oxford Economics

- 4.55 Again we have allocated 5% of the additional direct jobs based on the potential benefits that could arise from the UK diversification agenda and rebalancing the UK economy. Given Nuneaton & Bedworth has a strong local concentration in the sector and that over the past two decades it has not exhibited consistent job loss, it is reasonable to assume there is strong and healthy local businesses (though the Council should test this assumption prior to developing an economic development strategy that considers improved employment forecasts for the sector).
- 4.56 The sector has also received support from the sub-regional strategy and it is again reasonable to assume that the sector would enjoy improved support and guidance from the public sector.
- 4.57 An improved outlook for the sector would sit well with the Council’s draft objectives of securing higher productive and higher skilled activity. It also offers export potential for the local economy, a key driver of growth in the wider UK economy over the next two decades. To facilitate this, the Council could consider offering trade missions and workshops on how to unlock export markets.
- 4.58 The 1% employment growth scenario effectively maintains employment levels over the forecast period.

Sector: Other transport equipment

% allocation of direct jobs: 1.0%

Additional direct jobs by 2028: 30

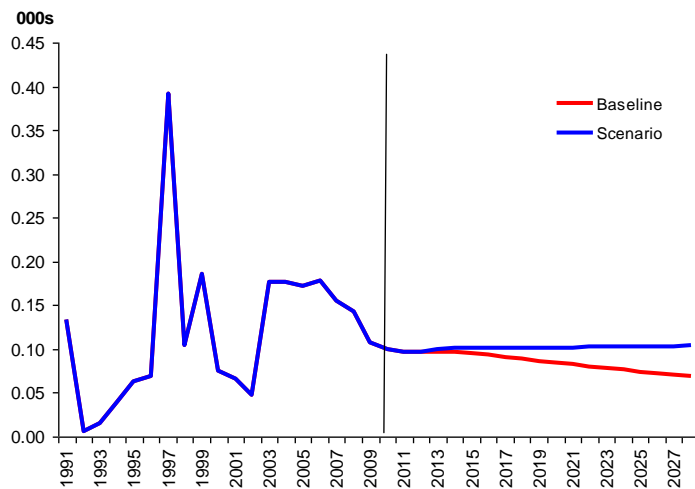
- 4.59 Rationale: Other transport equipment has been identified as a niche sector in our analysis with an LQ of 4.5 in 2009, indicating that there was

4.5 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.60 Figure 4.9 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in other transport equipment and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.9: Employment in other transport equipment, baseline and scenario

Other transport equipment



Source: Oxford Economics

4.61 This sector has been in a period of contraction in jobs terms since 2006. Our baseline outlook suggests that this sector will continue to decline slowly in employment levels in line with the overall manufacturing trend. Although in output terms, the sector continues to grow.

4.62 Again the UK diversification agenda combined with obvious strengths of the sector in the local economy are reasons to believe the outlook could be more positive than that in our baseline forecasts.

4.63 Its high productivity levels and export potential are a reason to support activity in the sector. Any future economic development strategy that focuses on other transport equipment should be based on a sound understanding of the sector. It is unclear why the sector has been so volatile over the past two decades, though survey inaccuracies in the published data could be likely.

4.64 The sector is small in employment terms and is unlikely to provide notable jobs growth in the future. Under the 1% employment growth scenario we effectively maintain employment levels in the sector.

Sector: Distribution

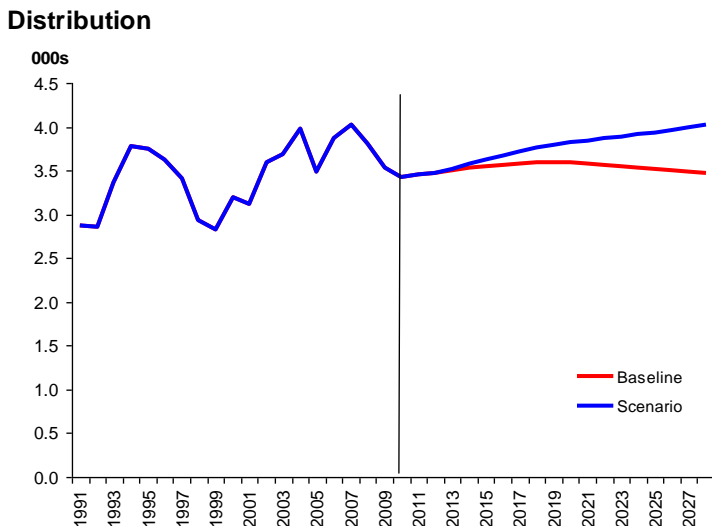
% allocation of direct jobs: 6%

Additional direct jobs by 2028: 200

4.65 **Rationale:** The distribution sector has been identified as a strategic sector and one of the fastest growing in the UK. It has an LQ of 1.2 in 2009, indicating that there was 1.2 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.66 Figure 4.10 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in distribution and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.10: Employment in distribution, baseline and scenario



Source: Oxford Economics

4.67 We have allocated 6% of the additional jobs growth to the distribution sector. Given its performance at a national level and identification in the sub-regional strategy, it is reasonable to assume the sector in Nuneaton & Bedworth could enjoy a more optimistic outlook.

4.68 The 1% employment growth scenario provides a gradual increase in employment levels over the forecast period. Though it only reaches the 2007 peak employment level by 2028.

Sector: Retailing

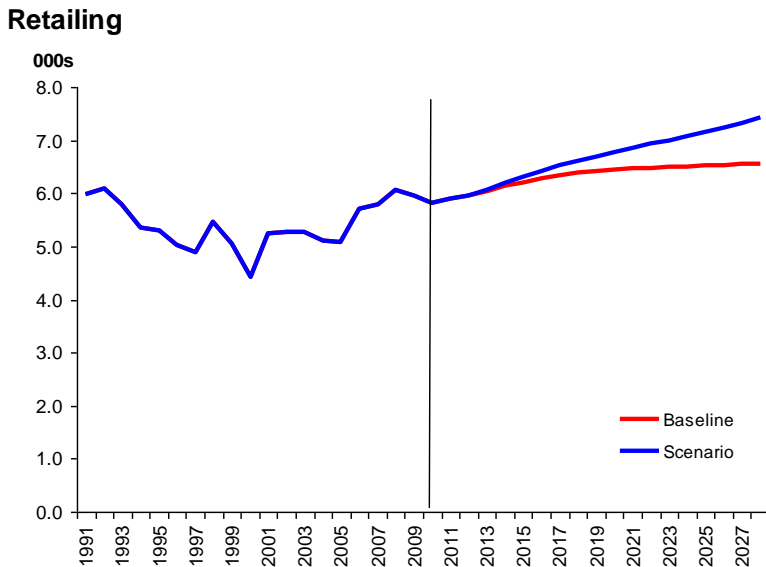
% allocation of direct jobs: 6%

Additional direct jobs by 2028: 200

4.69 **Rationale:** This sector has been identified as a strategic sector in our analysis. It has an LQ of 1.5 in 2009, indicating that there was 1.5 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.70 Figure 4.11 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in retailing and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.11: Employment in retailing, baseline and scenario



Source: Oxford Economics

4.71 This sector is the largest employer in Nuneaton & Bedworth accounting for 13.4% of overall employment in 2009. Our outlook suggests that this sector will continue to grow over the next decade but we anticipate that growth will become subdued by 2018. Given its importance we have assumed that a future economic development strategy by the Council will include measures to support the sector.

4.72 We have allocated 6% of the additional jobs growth to the retail sector. Again it is earmarked in the sub-regional strategy and is likely to enjoy focused policy. It will also enjoy any general improvements in the economy of Nuneaton & Bedworth. Under the scenario, the local economy experiences increased employment, increased wages, a faster growing population and increased housing demand, all of which will have positive impacts on the retail sector.

4.73 Though retail is already quite large in Nuneaton & Bedworth and consumer spending is being squeezed by rising inflation and energy prices. In addition online shopping has been capturing a growing share of the market and will put downward pressure on the potential for growth in high-street retail. Consequently, the Council will need to understand the types of retail offered in the local economy, and how vulnerable it is to future trends.

Sector: Insurance

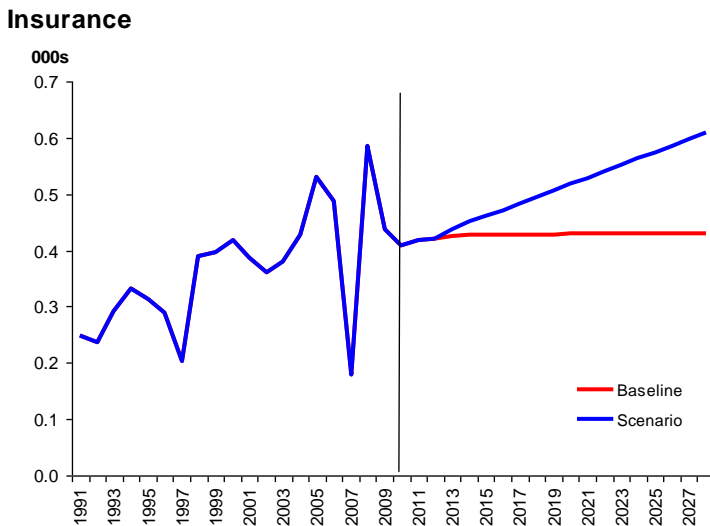
% allocation of direct jobs: 5%

Additional direct jobs by 2028: 170

4.74 **Rationale:** This sector has been identified as a niche sector in our analysis with an LQ of 2.6 in 2009, indicating that there was 2.6 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.75 Figure 4.12 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in insurance and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.12: Employment in insurance, baseline and scenario



Source: Oxford Economics

4.76 This sector is particularly strong in Nuneaton & Bedworth as indicated by its LQ. However there is scope for future growth. In 2008 employment peaked at around 600 employees, some 200 above the figure in 2009. In our 1% scenario our faster employment growth outlook only reaches this peak by 2027.

4.77 It is an attractive sector for the local economy offering high levels of productivity and therefore wages. It also fits with the desire to improve the

skills profile of the labour force. Furthermore, it is a sector with export potential.

- 4.78 In designing a development strategy, the Council should meet with the sector to understand if it has been volatile recently or if the published data has been inaccurate. It would also be important to understand where the sector currently provides services to and if there are any barriers to future growth.

Sector: Electronics

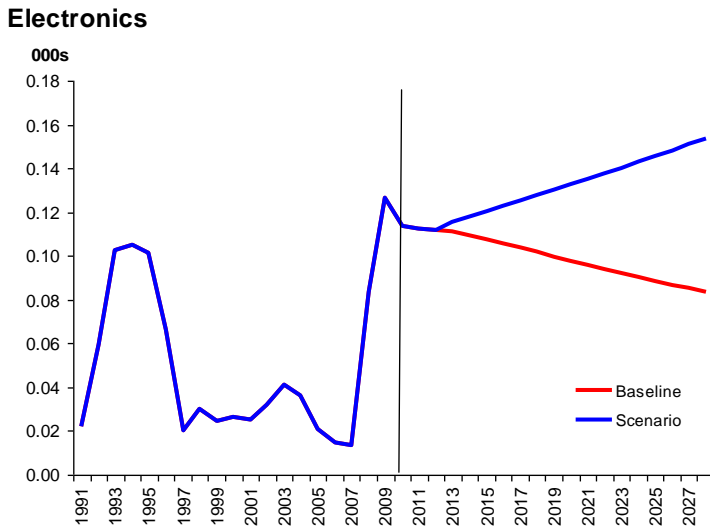
% allocation of direct jobs: 2.0%

Additional direct jobs by 2028: 70

- 4.79 **Rationale:** This sector has been identified as strategic sector in the sub-regional strategy. It has a relatively low LQ of 0.3 in 2009, indicating that it is under-represented in Nuneaton & Bedworth relative to the wider sub-region. Although this isn't a core market in the Borough, there is capacity for growth, albeit to a limited degree.

- 4.80 Figure 4.13 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in electronics and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.13: Employment in electronics, baseline and scenario



Source: Oxford Economics

- 4.81 This is a relatively small sector in Nuneaton & Bedworth, accounting for only 0.3% of total employment. There was a significant increase in employment level in 2008, suggesting the opening of a new firm. Our baseline forecast suggests that this sector will gradually fall in line with the national outlook. Our forecasts at the UK level are based on the experience of large-scale manufacturing plants – often supported initially by regional grants – closing during the recession. The smaller scale

operations which remain are typically focussed on mostly less labour intensive processes.

4.82 We have allocated 2.0% of the additional direct jobs given the sector has been included in the sub-regional strategy under advanced manufacturing. Again it is also likely to benefit from the UK diversification agenda and desire to rebalance the economy. The presence of a strong electrical machinery sector in the local economy could also exert upward pressure on employment levels if both are targeting together and effectively.

4.83 The sector also fits with the Council's desire to diversify, secure higher productive jobs and skills in the economy. Finally, it offers the export potential (though it will be sensitive to price competition).

Sector: Electrical machinery

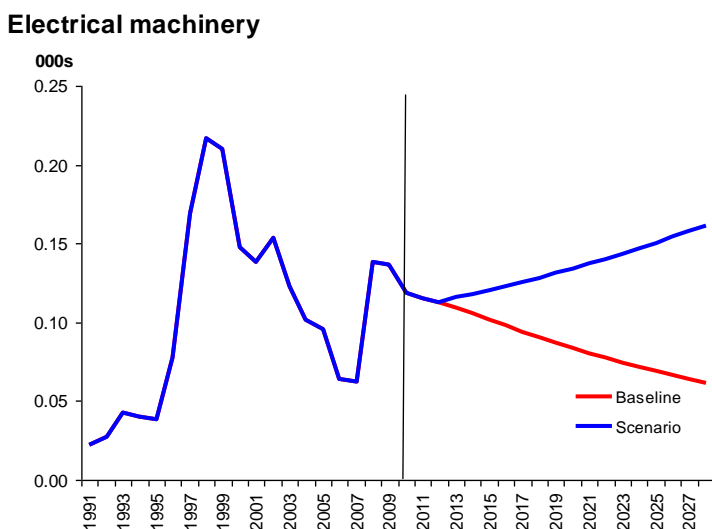
% allocation of direct jobs: 3%

Additional direct jobs by 2028: 100

4.84 **Rationale:** This sector has been identified as a niche sector in our analysis with an LQ of 1.5 in 2009, indicating that there were 1.5 times as many jobs in this sector in Nuneaton & Bedworth as there was in the sub-region.

4.85 Figure 4.14 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in electrical machinery and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.14: Employment in electrical machinery, baseline and scenario



Source: Oxford Economics

4.86 Like the electronics sector, it experienced a notable increase in employment levels in 2008. We have allocated 3% of the additional direct

jobs to the sector, for the same reasons as those given in electronics. By way of summary, the sector is included under advanced manufacturing in the sub-regional strategy. It is likely to benefit from any effort to rebalance the UK economy, and it fits with the Council's draft objectives of achieving a higher productive and more skilled economy with greater potential to export.

Sector: Legal & accounting services

% allocation of direct jobs: 10%

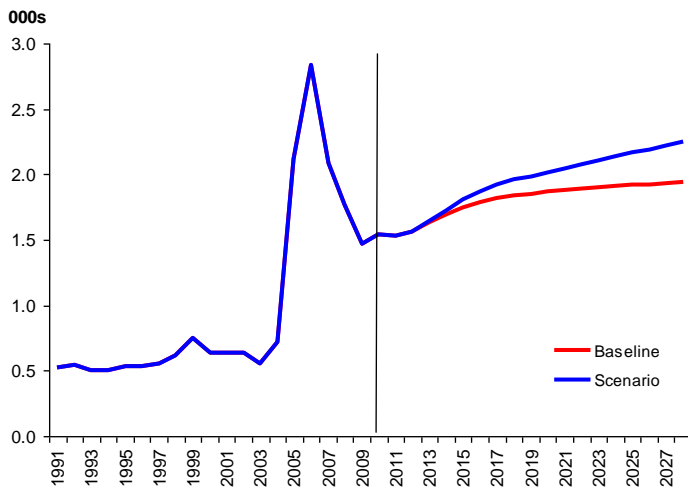
Additional direct jobs by 2028: 340

4.87 **Rationale:** Legal & accounting is expected to be amongst the fastest growth sectors in the UK. It has also been earmarked as a strategic sector in the wider sub-region. In 2009, its LQ was 1.0 in 2009, indicating that the concentration of employment in Nuneaton & Bedworth was the same as that in the wider sub-region.

4.88 Figure 4.15 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in accounting services and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.15: Employment in accounting services, baseline and scenario

Legal and accounting services



Source: Oxford Economics

4.89 The legal & accounting sector includes legal firms, accounting firms, general consultancies, etc and accounted for 3.3% of overall employment in 2009. It is one of the fastest growing sectors in the UK in the Oxford baseline which suggests there is potential capacity to grow the sector further if a local strategy can help current businesses to service the growing needs of the UK market. In addition, the sector has the potential to export and service overseas markets.

- 4.90 It is also identified in the sub-regional strategy as a strategic sector. Consequently there is likely to be benefits from any wider policy treatment.
- 4.91 Despite the spikes in employment level in 2005 and 2006, the sector has enjoyed substantial growth between 2003 and 2007. Under the 1% employment growth scenario, the sector still remains under the peak level of employment experienced in the mid 2000s (though this may have been an error in the data).
- 4.92 However for this to be achieved, the Council will need to ensure there is an adequate supply of skilled labour. Currently, 18.8% of the Nuneaton & Bedworth working age population are graduates, compared with 31.2% of the UK workforce.

Sector: Architectural & engineering

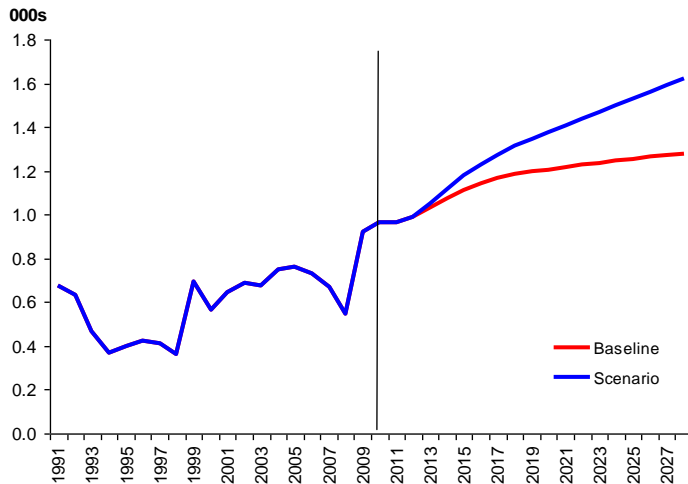
% allocation of direct jobs: 9%

Additional direct jobs by 2028: 310

- 4.93 **Rationale:** The architectural & engineering sector has also been identified as one of the fastest growing sectors of the UK economy. It has an LQ of 0.5 in 2009, indicating that there is an under-representation of employment in this sector in Nuneaton & Bedworth relative to the wider sub-region. However this also indicates that there is capacity for growth in this sector.
- 4.94 Figure 4.16 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in architectural & engineering and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.16: Employment in architectural & engineering, baseline and scenario

Architectural and engineering



Source: Oxford Economics

- 4.95 We expect architectural and engineering activities to be the fastest growing sector in the UK. Since 1997, employment in architecture & engineering has been growing fairly steadily (not considering the spikes in 1999 and 2008). As such, we have allocated jobs in the scenario which continue the growth of the past decade.
- 4.96 With an LQ of 0.5, there is capacity for growth. We do not know of any reason why Nuneaton & Bedworth would not enjoy similar levels of employment in the sector as those in the wider sub-region.
- 4.97 Faster growth however will rely on the Council gaining a better insight to the issues facing local businesses and formulating appropriate policy responses. Like many of the business services activities, this sub-sector is skills hungry and will require a good supply of skilled labour going forward. At present, the local economy lags behind the national average in terms of graduate proportions and as such, the Council will need to generate a strategy which creates an economy which is appealing to both graduates and businesses operating in this sector.

Sector: Labour recruitment

% allocation of direct jobs: 7%

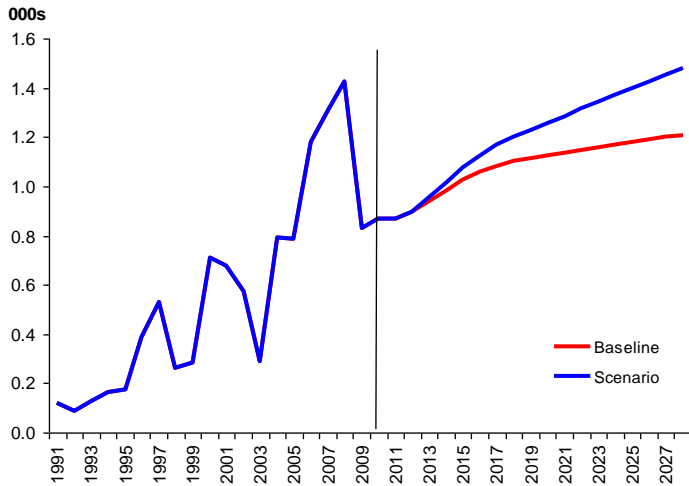
Additional direct jobs by 2028: 240

- 4.98 **Rationale:** Labour recruitment has been identified as a national growth sector and a strategic sector in our analysis with an LQ of 1.0 in 2009, indicating that the concentration of employment in Nuneaton & Bedworth was the same as that in the wider sub-region.
- 4.99 Figure 4.17 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in labour recruitment and the direct jobs growth as a result of

the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.17: Employment in labour recruitment, baseline and scenario

Labour recruitment



Source: Oxford Economics

4.100 The labour recruitment sector includes activities of employment agencies and head offices. It has been growing rapidly in the UK over the past 2 decades, with a similar pattern in Nuneaton & Bedworth despite the volatility in the published data.

4.101 It is one of the fastest growing sectors in the UK providing labour services across all sectors of the economy. For example a significant amount of labour in manufacturing is outsourced from employment agencies. As such, the wider UK diversification agenda could further enhance growth in labour recruitment.

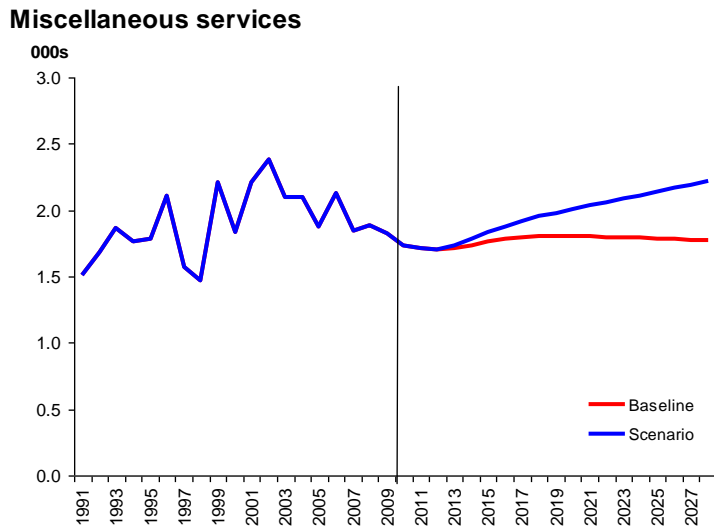
4.102 The nature of labour recruitment will also lead to a diversified workforce in terms of skills as it can range from graduate level workers, to skilled trades workers, and could even include administrative workers.

Sector: Miscellaneous services
% allocation of jobs: 9%
Additional direct jobs by 2028: 210

4.103 **Rationale:** This sector has been identified as a national growth sector and a strategic sector in our analysis with an LQ of 0.8 in 2009, indicating that there was 0.8 times as many jobs in Nuneaton & Bedworth as there was in the wider sub-region.

4.104 Figure 4.18 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in miscellaneous services and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.18: Employment in miscellaneous services, baseline and scenario



Source: Oxford Economics

4.105 The miscellaneous services sector includes a wide range of activities including activities of membership organisations such as trade unions, however it is the creative component that defines it as a strategic sector with culture, sports & media activities included.

4.106 This sector is one of the fastest growing sectors in the UK based on a country-wide agenda to inspire growth in the creative sectors. Indeed, the City of Culture campaign has encouraged numerous cities across the country to regenerate and encourage the creative sector to grow. This is something which Nuneaton & Bedworth could embrace under its local strategy which would have the additional impact of creating a more attractive urban area for people to live and work. Moreover, it could prove effective in diversifying the skills profile of the local economy as creative industries span across a wide range of society. It can also help to support a strong night-time economy.

4.107 This is also recognised as a strategic sector in the wider sub-region. As such, the local borough is likely to benefit from this sub-regional strategy.

Sector: Other business services

% allocation: 6%

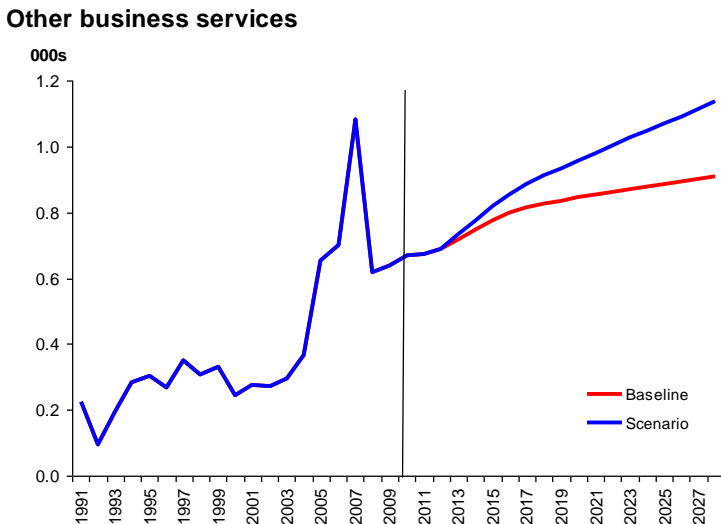
Additional direct jobs by 2028: 200

4.108 **Rationale:** Other business services has been identified as a national growth sector in our analysis with an LQ of 0.6 in 2009, indicating that there was 0.6 times as many jobs in Nuneaton & Bedworth as there was in the wider sub-region.

4.109 Figure 4.19 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in other business services and the direct jobs growth as a result

of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.19: Employment in other business services, baseline and scenario



Source: Oxford Economics

4.110 The other business services sector includes photographic activities, packaging activities and call centres. It is one of the fastest growing sectors in the UK on account of high levels of growth over the past decade. With an LQ of 0.6 there is capacity for this to grow in the local economy. In particular, some elements of this sector have export potential and looking to overseas markets could be key to achieving the additional growth in this sector.

4.111 In addition, the skills requirement from these sectors aren't as specialised as other parts of business services. Consequently, this will cater to the needs of a diversified skill profile whereby there is a healthy mix of graduate jobs, skilled trades and low skilled jobs.

Sector: Computer related activities

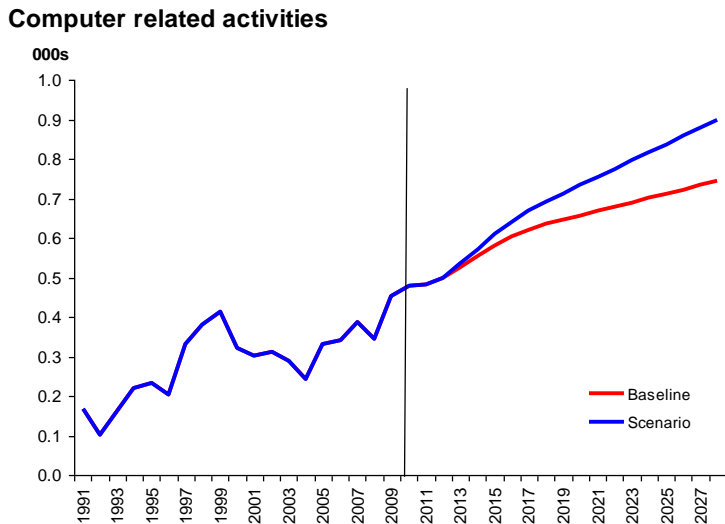
% allocation: 4%

Additional direct jobs by 2028: 140

4.112 **Rationale:** Computer related activities has been identified as a national growth sector in our analysis with an LQ of 0.3 in 2009, indicating that there was 0.3 times as many jobs in Nuneaton & Bedworth as there was in the wider sub-region.

4.113 Figure 4.20 below illustrates the baseline growth in jobs in Nuneaton & Bedworth in computer related activities and the direct jobs growth as a result of the scenario (note the 1% growth scenario is used for illustrative purposes).

Figure 4.20: Employment in computer related activities, baseline and scenario



Source: Oxford Economics

4.114 The computer related activities sector includes hardware and software consultancy as well as data processing and database activities. This is expected to be one of the fastest growing sectors in the UK on account of its potential to grow into export markets. Over the past two decades this sector has been growing consistently (with the exception 2000 and 2001 when the dot-com bubble burst). We have applied an uplift to this sector which is broadly in line with the growing trend enjoyed in this sector historically.

4.115 In addition, this sector was identified as one of the strategic sectors by the sub-region and we anticipate that a sub-regional strategy will benefit growth in the Borough.

4.116 Furthermore, this sector is highly productive and commands a highly skilled workforce. As mentioned earlier, the need for the Council Strategy to address the under-representation of graduates in the local economy will be greater than before if it wishes to attract businesses operating in this field. With an LQ of 0.3, there is capacity to grow this sector further, and existing firms could be engaged in a consultation process by the Council to fully understand the needs of the sector and counteract any potential barriers to growth.

5 Scenario results

5.1 Overview

- 5.1 As already discussed, two faster employment growth scenarios have been produced as part of this assignment. The first scenario was one of convergence with the wider sub-region, where employment growth was uplifted to 0.5% per annum over the period 2013-28. The impact of this scenario means that a little over 100 additional jobs per annum (relative to the baseline) would be generated in Nuneaton & Bedworth.
- 5.2 While this is obviously a better outcome than the baseline outlook for the local economy, the Council also wanted to model a faster rate of growth. Consequently the second scenario was set at 1.0% employment growth per annum. This would result in the creation of an additional 370 jobs per annum in the local economy.
- 5.3 The remainder of this section sets the results in both scenarios including comparisons with the baseline outlook.

5.2 Summary of scenario assumptions

- 5.4 Table 5.1 below shows a summary of the assumptions under both scenarios and the resulting job creation for each.

Table 5.1: Summary of scenario assumptions – impact by 2028

| | 0.5% growth scenario | 1% growth scenario |
|---------------------------------------|----------------------|--------------------|
| Direct jobs | 990 | 3380 |
| Resulting indirect & induced jobs | 580 | 2110 |
| Total direct, indirect & induced jobs | 1560 | 5490 |

Source: Oxford Economics

Note: Figures may not add due to rounding

- 5.5 The sectoral assumptions applied in both scenarios have already been discussed in detail in section 4 of this report. By way of summary, tables 5.2 and 5.3 below outline the sectoral assumptions in both scenarios and the associated jobs change in each.

Table 5.2: Sectoral assumptions under 0.5% growth scenario

| | Proportion of jobs change (%) | Direct jobs by 2028 | Baseline job growth 2013 to 2028 | Scenario job creation 2013 to 2028 |
|-------------------------------|-------------------------------|---------------------|----------------------------------|------------------------------------|
| Metal Goods | 5.0 | 50 | -3.0 | -2.4 |
| Machinery & Equipment nec | 5.0 | 50 | -1.0 | -0.6 |
| Electronics | 2.0 | 20 | -1.8 | -0.4 |
| Electrical Machinery | 3.0 | 30 | -3.7 | -1.3 |
| Aerospace | 5.0 | 50 | -1.4 | -0.4 |
| Other Transport Equipment | 1.0 | 10 | -2.1 | -1.3 |
| Construction | 5.0 | 50 | 0.9 | 1.0 |
| Distribution | 6.0 | 60 | 0.0 | 0.3 |
| Retailing | 6.0 | 60 | 0.6 | 0.8 |
| Insurance | 5.0 | 50 | 0.2 | 0.9 |
| Computer Related Activities | 4.0 | 40 | 2.5 | 2.9 |
| Legal and Accounting Services | 10.0 | 100 | 1.4 | 1.7 |
| Architectural and Engineering | 9.0 | 90 | 1.6 | 2.1 |
| Labour Recruitment | 7.0 | 70 | 1.9 | 2.3 |
| Other business services | 6.0 | 60 | 1.8 | 2.2 |
| Health | 12.0 | 120 | 0.0 | 0.2 |
| Miscellaneous | 9.0 | 90 | 0.2 | 0.7 |
| Total | 100.0 | 990 | 0.3 | 0.5 |

Source: Oxford Economics

Table 5.3: Sectoral assumptions under 1% growth scenario

| | Proportion of jobs change (%) | Direct jobs by 2028 | Baseline job growth 2013 to 2028 | Scenario job creation 2013 to 2028 |
|-------------------------------|-------------------------------|---------------------|----------------------------------|------------------------------------|
| Metal Goods | 5.0 | 170 | -3.0 | -1.1 |
| Machinery & Equipment nec | 5.0 | 170 | -1.0 | 0.3 |
| Electronics | 2.0 | 70 | -1.8 | 2.1 |
| Electrical Machinery | 3.0 | 100 | -3.7 | 2.5 |
| Aerospace | 5.0 | 170 | -1.4 | 1.7 |
| Other Transport Equipment | 1.0 | 30 | -2.1 | 0.5 |
| Construction | 5.0 | 170 | 0.9 | 1.3 |
| Distribution | 6.0 | 200 | 0.0 | 0.9 |
| Retailing | 6.0 | 200 | 0.6 | 1.4 |
| Insurance | 5.0 | 170 | 0.2 | 2.3 |
| Computer Related Activities | 4.0 | 140 | 2.5 | 3.8 |
| Legal and Accounting Services | 10.0 | 340 | 1.4 | 2.5 |
| Architectural and Engineering | 9.0 | 300 | 1.6 | 3.1 |
| Labour Recruitment | 7.0 | 240 | 1.9 | 3.2 |
| Other business services | 6.0 | 200 | 1.8 | 3.2 |
| Health | 12.0 | 410 | 0.0 | 0.6 |
| Miscellaneous | 9.0 | 300 | 0.2 | 1.7 |
| Total | 100.0 | 3380 | 0.3 | 1.0 |

Source: Oxford Economics

5.6 The majority of jobs are concentrated within the sectors which are assumed to lead the growth (i.e. the direct impacts as shown in tables 5.2 and 5.3). There will be an additional indirect and induced job creation as a result of supply chain linkages, additional consumer spending and demand for public services from additional population. These changes are set out in table 5.4 below.

Table 5.4: Summary of total jobs change by sector in Nuneaton & Bedworth in both scenarios, 2013-28

| | Baseline (000s) | 0.5% scenario | | 1% scenario | |
|---|--------------------|-----------------|----------------------|-----------------|----------------------|
| | | Level (000s) | Difference (000s) | Level (000s) | Difference (000s) |
| Agriculture | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Extraction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of food, drink & tobacco | -0.1 | -0.1 | 0.0 | -0.1 | 0.0 |
| Manufacturing of textiles, clothing & leather | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of wood & wood products | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 |
| Manufacturing of pulp, paper & printing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of coke, oil & nuclear | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of chemicals & pharmaceuticals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of rubber & plastic products | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of other non-metals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing of metals | -0.5 | -0.4 | 0.1 | -0.2 | 0.3 |
| Manufacturing of machinery & equipment | -0.1 | -0.1 | 0.1 | 0.0 | 0.2 |
| Manufacturing of electrical & optical equipment | -0.1 | 0.0 | 0.1 | 0.1 | 0.2 |
| Manufacturing of transport equipment | -0.4 | -0.3 | 0.1 | -0.1 | 0.2 |
| Other manufacturing nec | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Electricity, gas & water | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Construction | 0.5 | 0.6 | 0.1 | 0.8 | 0.2 |
| Distribution & retail | 0.5 | 0.9 | 0.4 | 1.9 | 1.4 |
| Hotels & restaurants | -0.1 | 0.0 | 0.0 | 0.1 | 0.2 |
| Transport & communications | 0.2 | 0.3 | 0.0 | 0.4 | 0.1 |
| Financial services | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 |
| Business services | 1.8 | 2.3 | 0.4 | 3.3 | 1.5 |
| Public administration & defence | -0.1 | -0.1 | 0.0 | -0.1 | 0.0 |
| Education | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Health | 0.1 | 0.2 | 0.1 | 0.6 | 0.5 |
| Other personal services | 0.1 | 0.2 | 0.1 | 0.5 | 0.4 |
| Government supported trainees & land forces | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 1.8 | 3.3 | 1.6 | 7.3 | 5.5 |

Source: Oxford Economics

Note: Includes direct, indirect and induced jobs change

- 5.7 The output of each scenario shows what could happen to the Nuneaton & Bedworth economy under a strategy that achieves the assumed economic diversification. The majority of jobs growth is likely to be focussed within the business services sector given the sectoral distribution of the additional direct jobs. This fits with the overall national economic outlook which is founded upon the premise that the UK economy will grow in export markets.
- 5.8 Given the size of the distribution & retail sector, the policy attention it will receive in the wider sub-region and the general improvements in the local economy, we also expect it be a key source of job growth. Again, the rationale for these selections has been set out in section 4.
- 5.9 A summary of how the scenario impacts on the headline economic indicators for Nuneaton & Bedworth are provided in table 5.5. It sets out the baseline position of the economy in 2028, the 2028 position under the two scenarios and the associated difference with the baseline.

Table 5.5: Headline results in both scenarios in Nuneaton & Bedworth by 2028

| | Baseline | 0.5% scenario | | 1% scenario | |
|----------------------------------|----------|---------------|------------|-------------|------------|
| | | Level | Difference | Level | Difference |
| Total population (000s) | 130.6 | 130.7 | 0.10 | 132.2 | 1.59 |
| Working age population (000s) | 75.6 | 75.7 | 0.09 | 77.0 | 1.44 |
| Migration cumulative (000s) | -0.8 | -0.7 | 0.10 | 0.7 | 1.59 |
| Workplace based jobs (000s) | 46.1 | 47.6 | 1.56 | 51.6 | 5.49 |
| Workplace people employed (000s) | 40.6 | 42.0 | 1.38 | 45.4 | 4.84 |
| Residence people employed (000s) | 59.0 | 60.0 | 0.97 | 62.4 | 3.40 |
| Residence employment rate (%) | 78.1 | 79.3 | 1.2 | 81.1 | 2.9 |
| Net commuting (000s) | -18.4 | -18.0 | 0.41 | -17.0 | 1.44 |
| Unemployment (000's) | 2.5 | 2.2 | -0.33 | 1.9 | -0.60 |
| Unemployment rate (%) | 5.1 | 4.4 | -0.8 | 3.5 | -1.6 |
| GVA (£2006m) | 2013.4 | 2084.5 | 71.0 | 2262.7 | 249.3 |
| Productivity (£000s per worker) | 43.7 | 43.8 | 0.1 | 43.9 | 0.2 |
| Total dwellings (000s) | 60.3 | 60.4 | 0.05 | 61.0 | 0.71 |
| Households (000s) | 57.8 | 57.9 | 0.05 | 58.5 | 0.70 |

Source: Oxford Economics

5.10 Table 5.6 presents the change in the headline indicators over the forecast period 2010 to 2028 under the three alternate futures for the local economy.

Table 5.6: Change in headline indicators in baseline and both scenarios in Nuneaton & Bedworth, 2010-2028

| | Baseline | 0.5% scenario | 1% scenario |
|----------------------------------|----------|---------------|-------------|
| Total population (000s) | 8.2 | 8.3 | 9.8 |
| Working age population (000s) | 1.4 | 1.5 | 2.9 |
| Migration cumulative (000s) | -0.8 | -0.7 | 0.7 |
| Workplace based jobs (000s) | 2.3 | 3.8 | 7.8 |
| Workplace people employed (000s) | 1.1 | 2.5 | 5.9 |
| Residence people employed (000s) | 2.5 | 3.5 | 5.9 |
| Residence employment rate (pp) | 1.9 | 3.1 | 4.8 |
| Net commuting (000s) | -1.4 | -1.0 | 0.0 |
| Unemployment (000's) | -0.9 | -1.2 | -1.5 |
| Unemployment rate (pp) | -2.0 | -2.8 | -3.6 |
| GVA (£2006m) | 663 | 734 | 913 |
| Productivity (£000s per worker) | 12.9 | 12.9 | 13.1 |
| Total dwellings (000s) | 6.5 | 6.5 | 7.2 |
| Households (000s) | 6.2 | 6.3 | 6.9 |

Source: Oxford Economics

5.11 A more detailed assessment of the impact on each aspect of the economy is outlined in the remainder of this section, but the headline changes over the period 2010-2028 are summarised as follows:

- Nuneaton & Bedworth enjoys 1,560 additional workplace based jobs compared to the baseline by 2028 under the 0.5% growth per annum scenario (see Table 5.5), and 5,490 additional jobs under the 1% growth scenario;
- By 2028 resident employment is expected to be 970 higher in the 0.5% growth per annum scenario pushing the resident employment rate up to 79.3% (see Table 5.5), and under the faster employment growth scenario (1% per annum) an additional 3,400 resident jobs could be generated, pushing the resident employment rate up to 81.1% by 2028;
- Unemployment is expected to be 330 people lower in 2028 if employment growth was increased to 0.5% per annum, pushing the

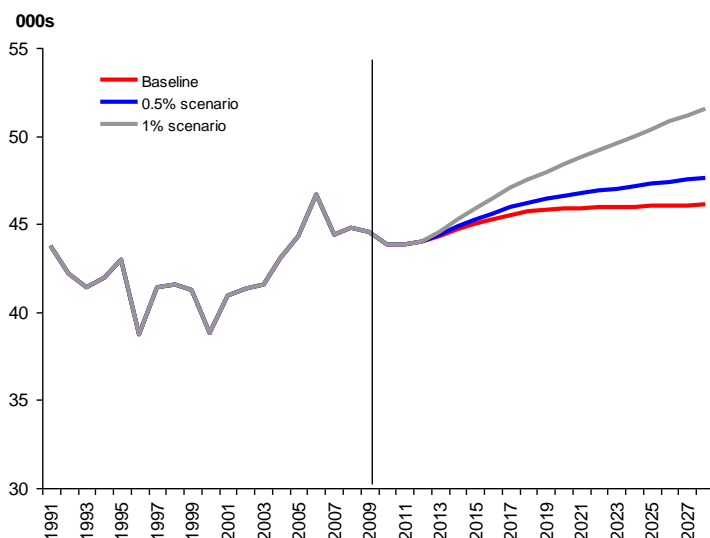
unemployment rate down to 4.4%, and at 1% employment growth per annum unemployment is expected to fall by 600 people leading to an unemployment rate of 3.5%;

- Tight labour market conditions and job creation combine to attract 100 additional migrants to the area – pushing up demand for housing by 50 dwellings and households under the 0.5% per annum employment growth scenario (see Table 5.5), and if employment growth was faster at 1% per annum this would attract 1,590 additional migrants by 2028, pushing demand for housing up by 710 dwellings and 700 households;
- Given the sectoral mix of faster employment growth, N&B is estimated to enjoy some £71.0 million and £249.3 million of additional GVA by 2028 under the 0.5% per annum and 1% per annum employment growth scenarios respectively (see Table 5.5).

5.3 Labour market impacts

5.12 Prior to the recession, the total level of workplace jobs peaked at 46,680 jobs in 2006. The baseline forecast suggests that this peak will never be recovered during the period 2010-28. However the faster employment growth scenarios suggest that that the economy will return to its peak level of employment sooner (see figure 5.1). Under the 0.5% per annum employment growth scenario the total level of employment in Nuneaton & Bedworth is expected to return to its 2006 peak by 2021. Under the 1% per annum employment growth scenario this is expected to occur earlier in 2017.

Figure 5.1: Total workplace jobs in Nuneaton & Bedworth, baseline and scenario (000s)

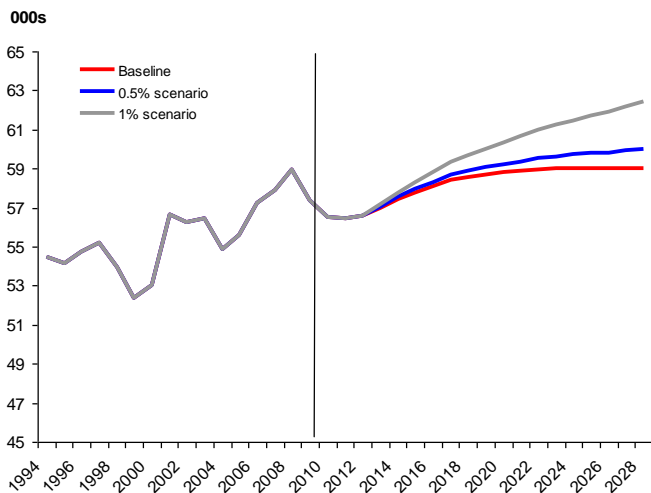


Source: Oxford Economics

5.13 By 2028, the 0.5% growth scenario suggests that there would be 1,560 additional workplace based jobs in Nuneaton & Bedworth based on higher growth in key strategic, niche and national growth sectors, including additional employment created through the supply chain. Since the 1% employment growth scenario focuses on the same sectors but at a faster pace, a further 5,490 jobs are expected to be generated over and above the baseline.

5.14 Compared to historical trends, these growth levels have been enjoyed before, albeit over a shorter time period (2001-06). It is therefore not unreasonable to expect the economy to grow at this rate.

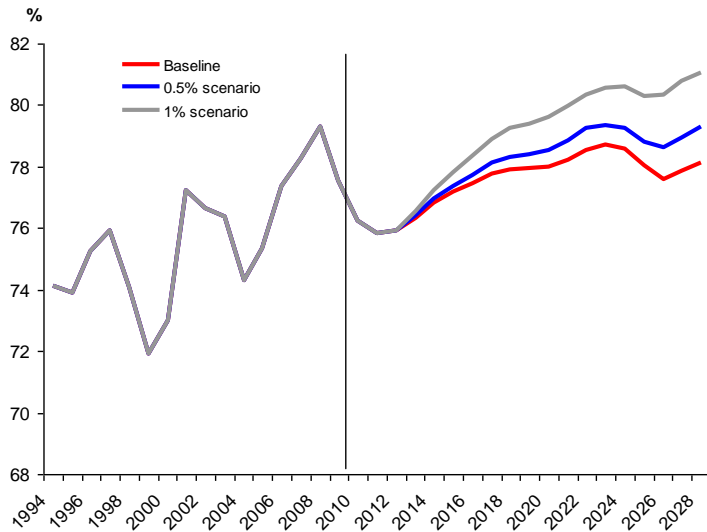
Figure 5.2: Resident employment in Nuneaton & Bedworth, baseline & scenario (000s)



Source: Oxford Economics

5.15 Of the additional workplace jobs, a proportion of Nuneaton & Bedworth's residents will benefit from the additional employment. This is illustrated in figure 5.2 above. The 0.5% growth scenario suggests that the residents in the Borough could enjoy 970 additional jobs, pushing the employment rate up to 79.3% by 2028 (from 78.1% in the baseline). The 1% growth scenario suggests a more amplified trend where resident jobs increase by 3,400 by 2028, pushing the employment rate up to 81.1%.

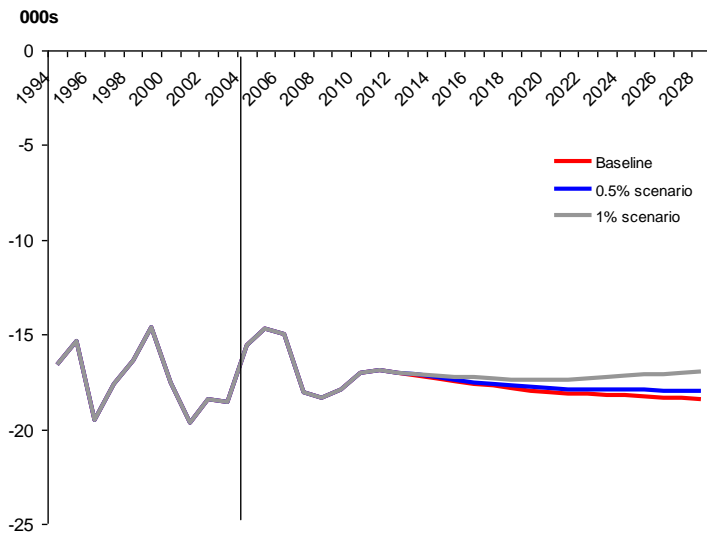
Figure 5.3: Resident employment rate in Nuneaton & Bedworth, baseline & scenario (% of working age population)



Source: Oxford Economics

- 5.16 As a result, the resident employment rate returns to its 2008 peak level by 2018 (see figure 5.3), despite never returning to this level under the baseline. In the longer run, the resident employment rate drops due to changes in the retirement age which leads to an increase in the working age population in those years. However the resident employment rate still remains above recent peaks highlighting the impact of the faster employment growth in both scenarios and the resulting tightness of the labour market. The resident employment rate is notably high beyond 2018, and consequently the performance of the economy will attract in significant numbers of migrants.
- 5.17 The residents who benefit from the additional jobs will come from a number of sources. A proportion will come from the inactive, and some of the jobs are taken from the unemployed. A further proportion of the jobs will be taken by migrants who move into the region and effectively become residents.
- 5.18 Given the increase in employment creation in Nuneaton & Bedworth, there is more opportunity for residents to be employed in the Borough. As a result we have assumed that net commuting will have changed from a net outflow of 18,429 people in 2028 in the baseline to 18,010 in the 0.5% scenario and 16,980 in the 1% scenario (figure 5.4).

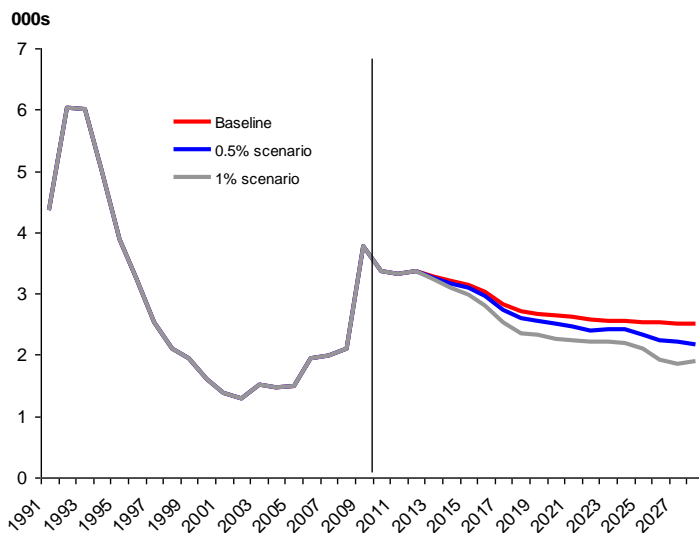
Figure 5.4: Net commuting in Nuneaton & Bedworth



Source: Oxford Economics

5.19 By 2028, we estimate that there will be 330 fewer people as a result of the 0.5% employment growth and 600 fewer people unemployed as a result of the 1% employment growth scenario (see figure 5.5). This level of unemployment remains above the low levels of the early 2000s (in part due to the mismatch between skill levels of the unemployed, and those demanded by business).

Figure 5.5: Unemployment level in Nuneaton & Bedworth, baseline & scenario (000s)

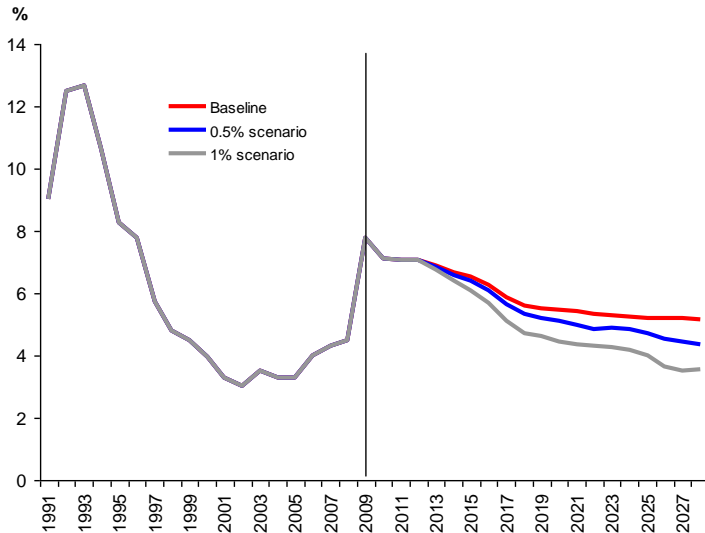


Source: Oxford Economics

5.20 The unemployment rate in Nuneaton & Bedworth by 2028 under the baseline was 5.1%, which is above the UK rate of 3.6% in the same year. The impact of the 0.5% growth scenario means that the unemployment

rate has been pushed down to 4.4% by 2028. The 1% growth scenario pushes this down further still to 3.5% by 2028 (see figure 5.6).

Figure 5.6: Unemployment rate in Nuneaton & Bedworth, baseline & scenario

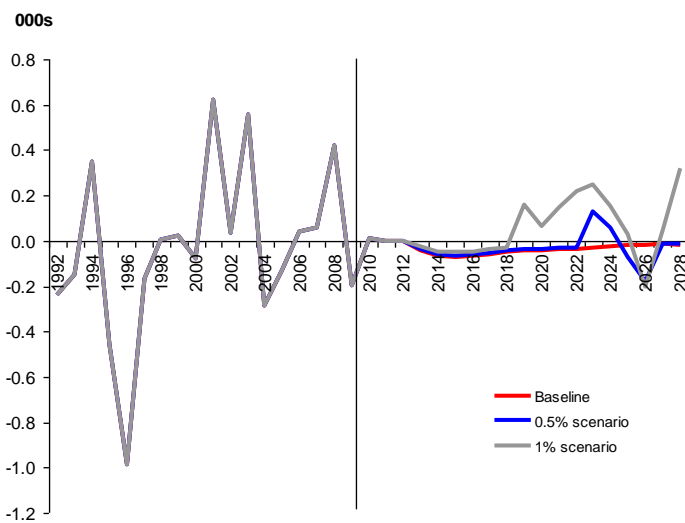


Source: Oxford Economics

5.4 Population and migration impacts

5.21 As the number of jobs increases under the scenario, the model estimates what proportion of the additional jobs are taken by residents, commuters and migrants.

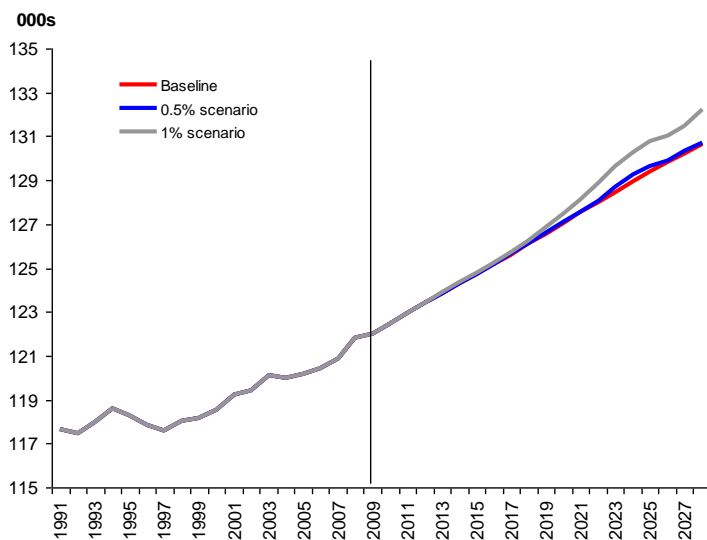
Figure 5.7: Net migration in Nuneaton & Bedworth, baseline & scenario (000s)



Source: Oxford Economics

- 5.22 Migrants tend to move to areas when the labour market growth is strong – i.e. when job opportunities are abundant. However it can take time for this message to filter outside an area. For this reason, it takes a number of years before migrants react to the local market demand. Over the period 2013-18, the change in the annual level of migration is marginal (see figure 5.7). Indeed, the trend suggests that there are fewer outflows during these years as more residents stay in Nuneaton & Bedworth to take up some of the additional jobs.
- 5.23 As job opportunities continue to be created and the resident employment rate rises above recent peak levels, the existing pool of available and appropriately skilled labour in Nuneaton & Bedworth becomes depleted. Therefore, companies increasingly look for skills outside the area, and migration becomes a net inflow.
- 5.24 Under the scenario, the level of migration begins to fluctuate towards the end of the forecast period (such as the outflow of 180 people and 200 people in 2026 in the 0.5% growth and 1% growth scenarios respectively). This occurs because of the changes in retirement age (making more residents available for work) and an economy that is otherwise at full employment.

Figure 5.8: Total population in Nuneaton & Bedworth, baseline & scenario (000s)



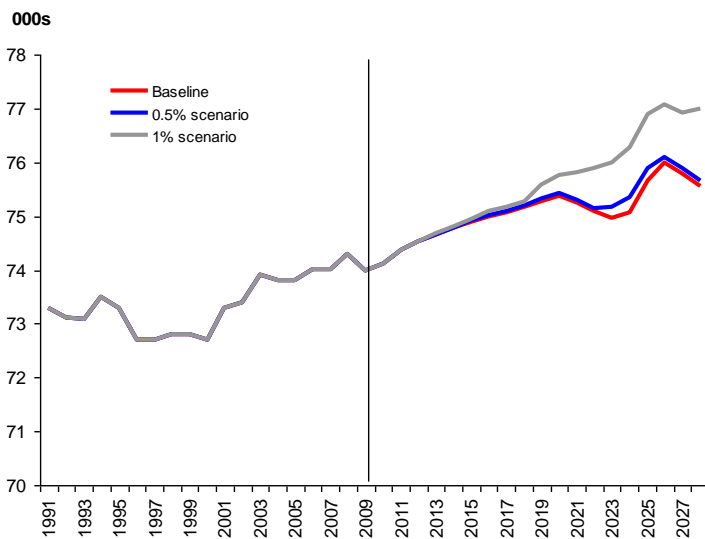
Source: Oxford Economics

- 5.25 These migration impacts translate to a population change of 100 people by 2028 under the 0.5% growth scenario and 1,590 people under the 1% growth scenario by 2028 (see figure 5.8). Of this, 90 people and 1,440 people are estimated to be of working age in the 0.5% and 1% employment growth scenarios respectively. Effectively, the population change is derived from changes in the labour market – i.e. more jobs are created in the Borough, so more people move there to be closer to work. The total population change is higher than this, as we assume that people

who move to the Borough will bring families with them. Note that under both scenarios, we have assumed no change in natural increase. In reality, we may see population rise slightly faster. However the impact is likely to be marginal and will not materially impact the forecasts.

5.26 Figure 5.9 below shows what proportion of the total population increase is accounted for by those people that are of working age.

Figure 5.9: Working age population in Nuneaton & Bedworth, baseline and scenario (000s)

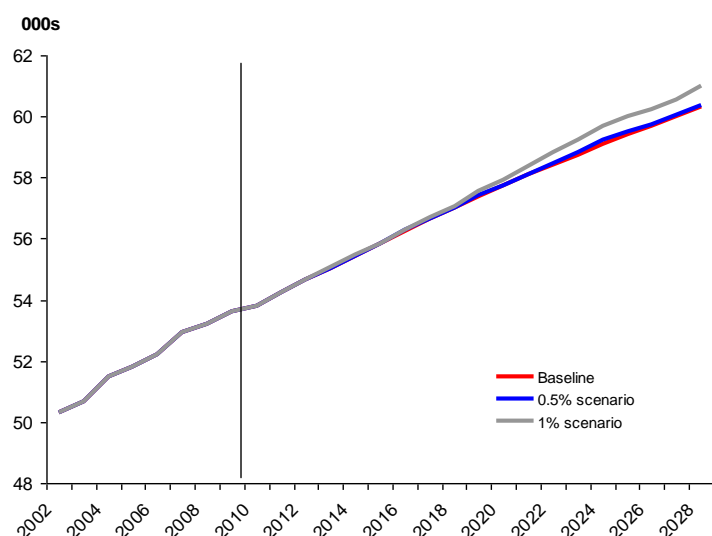


Source: Oxford Economics

5.5 Housing impacts

5.27 Housing projections in the model are demand based, i.e. the growth in housing stock is based upon the additional amount of people moving to the area that require housing. Consequently, the additional population in the scenarios puts pressure on the level of housing stock within the Borough.

Figure 5.10: Total dwelling stock in Nuneaton & Bedworth, baseline & scenario (000s)



Source: Oxford Economics

5.28 As the population changes are based upon changes in the labour market, we assume that any additional houses will be occupied. Consequently, the vacant stock forecast under the scenario will be the same as in the baseline.

5.29 By 2028, we estimate that dwelling stock will increase by around 50 dwellings over and above the baseline in the 0.5% growth scenario, and 710 additional dwellings will be required over and above the baseline under the 1% growth scenario (see figure 5.10). As vacant dwellings are unchanged under the scenario, these additional dwellings are assumed to be occupied.

5.30 As the difference between dwellings and households is that dwellings include larger institutions such as care homes, and it also includes second homes, we make no explicit additional assumption about second homes in the scenario. Consequently, we estimate that there will be around 40 additional households by 2028 under the 0.5% growth scenario and 690 additional households by 2028 under the 1% growth scenario as shown in table 5.7 below.

Table 5.7: Summary change in households in Nuneaton & Bedworth, 2013-28

| | Baseline | 0.5% scenario | | 1% scenario | |
|-----------------------------------|-------------|---------------|------------|-------------|------------|
| | | Level | Difference | Level | Difference |
| One person households | 4000 | 4010 | 10 | 4250 | 250 |
| Couple and no other adult | 1000 | 1020 | 20 | 1310 | 310 |
| Couple and one or more adult | -1490 | -1480 | 10 | -1450 | 40 |
| Lone parent with or without adult | 1480 | 1490 | 10 | 1550 | 70 |
| Other | 80 | 80 | 0 | 110 | 30 |
| Total | 5080 | 5120 | 40 | 5770 | 690 |

Source: Oxford Economics

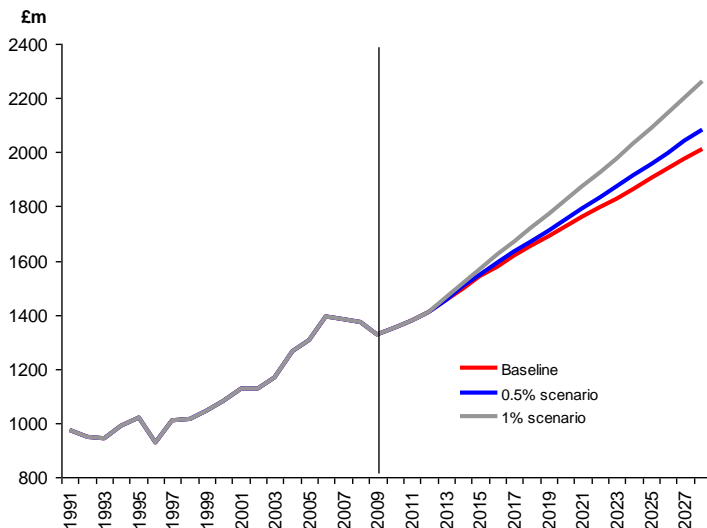
Note: Figure may not add due to rounding

5.31 The majority of increase in households under the scenario is expected to be concentrated within couple and no other adult households. In the 0.5% growth scenario, this accounts for 20 of the additional projected households, whilst one person households are expected to increase by 10. Under the 1% growth scenario, couple and no other adult households are expected to account for 310 of the additional houses, whilst 250 of these are expected to be one person households.

5.6 GVA impacts

5.32 The higher level of jobs growth in this scenario leads to higher levels of GVA. The change in GVA ultimately depends on which sectors are expected to grow as some are considered to be more productive than others.

Figure 5.11: Total GVA in Nuneaton & Bedworth, baseline & scenario (£m, 2006 prices)



Source: Oxford Economics

5.33 Under the baseline outlook, annual average GVA growth is expected to grow by 2.2% per annum over the period 2013-28 which is lower than the national growth forecast of 2.4% per annum during the same period. As a result of the 0.5% employment growth scenario which is spread across a mix of low and high productivity sectors, average annual GVA growth has been uplifted to 2.4% per annum (see figure 5.11). This results in an estimated additional £71.0 million of output (in 2006 prices) in Nuneaton & Bedworth by 2028. The 1% employment growth scenario, which is based on a similar sectoral profile will lead to GVA growth of 3.0% per annum and £249.3m of output (in 2006 prices) by 2028.

6 Concluding thoughts

6.1 A different macro environment

- 6.1 Since the onset of recession in 2007/2008, the economic landscape in the UK has changed. Public and consumer spending will no longer provide the stimulus they did pre-recession. Instead recovery will be led by the private sector, in particular those firms competing in export markets.
- 6.2 The recovery is expected to be subdued in the short-term and relatively jobless. Once again business services are expected to provide the bulk of jobs growth, however manufacturing could enjoy more focus from policy as the UK tries to rebalance its economy.
- 6.3 What is clear is that any reaction at the local level will have to be different. Councils will have to do more with less as they try to stimulate their economy and encourage growth.

6.2 Relatively subdued baseline outlook

- 6.4 Our baseline outlook for Nuneaton & Bedworth is relatively subdued. Over the period 2008-10 jobs levels in the Borough contracted by 930 jobs equating to a 2.1% decrease during this time. This was less severe than in the wider West Midlands region where employment levels contracted by 117,490 – a decrease of 4.4% over the period 2008-10.
- 6.5 Despite an overall contraction, jobs growth was recorded in the local economy during the recession period, notably in the health sector. In the current environment of public spending reductions this is not likely to continue. Our outlook suggests that the Borough will never regain its 2006 peak level of employment over the forecast period to 2028.
- 6.6 This is mostly due to the economic structure of the local economy. It has a relatively small professional services base, which is expected to drive economic growth over in the UK economy.
- 6.7 In addition, Nuneaton & Bedworth has a relatively large manufacturing base. The manufacturing industry has become increasingly less labour intensive over the past two decades in line with technological advances. However, a national rebalancing agenda could result in a more favourable outlook.
- 6.8 Consequently our economic growth forecast suggests that Nuneaton & Bedworth will grow at 2.2% per annum over the period 2010-28 in Gross Value Added terms. This is below the UK average of 2.4%.

6.3 Aspirational targets

6.9 The faster employment scenario set out in the previous section provides a set of aspirational targets for the local economy, and the local Council. The benefits of such an outlook are clear. Job creation is enough to tackle the high and persistent unemployment levels over the baseline. The mix of sectoral job growth diversifies the economy and results in higher levels of GVA. Table 6.1 below illustrates the growth in jobs by sector between 2010 and 2028 in terms of its share of total employment.

Table 6.1: % of total employment by sector in Nuneaton & Bedworth, 2010 and 2028

| | 2010 | 2028 |
|--------------------------------------|--------------|--------------|
| Agriculture | 0.8 | 0.7 |
| Extraction | 0.0 | 0.0 |
| Manufacturing | 10.1 | 7.1 |
| Utilities | 0.0 | 0.0 |
| Construction | 8.6 | 9.5 |
| Distribution | 21.1 | 21.9 |
| Hotels | 4.5 | 4.1 |
| Transport & Comms | 6.2 | 6.5 |
| Financial Services | 2.0 | 2.1 |
| Business services | 15.3 | 19.8 |
| Public admin | 3.8 | 2.8 |
| Education | 11.8 | 10.6 |
| Health | 11.3 | 10.6 |
| Other personal services | 4.1 | 4.1 |
| Gov supported trainees & land forces | 0.2 | 0.2 |
| Total | 100.0 | 100.0 |

Source: Oxford Economics

6.10 However growth on this scale will result in full employment by 2018 / 2019 and as a result firms will face the challenge of finding suitably qualified or skilled labour. This will therefore result in net in-migration and push up demand for housing.

6.11 Growth on scale will have implications for demand for infrastructure, office accommodations, public services, training and education, and planning services.

6.4 Concluding thoughts

6.12 The target of 1% per annum employment growth from 2013 to 2028 is aspirational and will require effective input from the Council. We are aware that Council will be working on an Economic Development Plan for the future of the local economy. In our view it is important that the Council has a good understanding of the issues facing local business, for example:

- What is stopping firms from growing?
- Do they have access to good supplies of skills?
- Are the current office facilities adequate?
- Do they export or simply service local, regional and national markets?

- What is stopping export activities and can the Council help through trade missions and guidance?
- 6.13 In doing so, the Council will need to engage with local business leaders, business bodies, Chamber of Commerce, skills agencies, education and training providers, etc. It will also need a good understanding of available development land, available funding, and what neighbouring areas are doing which may conflict or complement the plans in Nuneaton & Bedworth.
- 6.14 Once agreed, the aims of the development plan should be widely circulated and known, so that the Council, residents and business sector are bought into the vision and have a shared objective for the future of Nuneaton & Bedworth.

Glossary

Below is a list of definitions relating to the key variables used in the model. Note that a more detailed outline of the variable names, sources and definitions can be found in the accompanying technical annex.

1. 'Population' is the total number of people living in Nuneaton & Bedworth, 'working age population' is the count of males aged 16-64 plus females aged 16-59.
2. 'Net migration' is the annual 'flow' of people into and out of Nuneaton & Bedworth. This includes both inter-regional and international migrant flows. A positive figure represents an inflow of people and a negative figure represents an outflow of people.
3. 'Employee jobs' is the total number of full time and part time jobs in the area. It is a workplace measure and therefore includes commuters from outside Nuneaton & Bedworth.
4. 'Self employed jobs' is the total number of people that are self employed working in Nuneaton & Bedworth.
5. 'Employment' also referred to as 'workplace based jobs' is the sum of 'employees' and 'self employed jobs'. It is also a count of jobs and not people – i.e. the sum of full time and part time jobs.
6. 'Employment – people based' also referred to as 'workplace people employed' is the number of people in employment. This is a count of the total number of people that are employed.
7. 'Unemployment' is based on the claimant register and counts all people claiming unemployment benefits in the area. The 'unemployment rate' is expressed as a % of the labour force (total employment plus unemployment).
8. 'GVA' is the gross value added of the area. It is a workplace based measure and is essentially the sum of profits and wages in Nuneaton & Bedworth. Note that data for this is not published and it is therefore estimated by Oxford Economics, as such we would strongly recommend that users refrain from dwelling on the actual values of GVA but to refer to growth rates instead.
9. 'Resident employment' also referred to 'resident people employed' is the total number of people living in the area that are employed. Note that this includes people who commute to a place of work outside the area. 'Resident employment rate' is expressed as a % of the working age population.
10. 'Net commuting' is the difference between the number of people working in the area ('employment – people based') and the number of people who live in the area that are employed ('resident employment'). The difference between these two series is essentially the net level of commuting. A negative figure suggests that the area has a large volume

of people commuting outside the area, and a positive figures suggests an area with a large volume of in-commuters. It is often the case that more urban areas – particularly cities – that have large proportions of in-commuting, whilst less urban areas have large volumes of out-commuting.

11. 'Total dwelling stock' is the total number of dwellings in the area and consistent with the census definition. This states that large institutional dwellings such as care homes, student halls, army installations, etc are counted as a single dwelling. This is calculated as the sum of occupied dwellings and vacant dwellings.
12. 'Vacant dwelling stock' is the total number of dwellings which are classified as being vacant for 6 months or longer.
13. 'Occupied dwelling stock' is the total number of dwellings which are classified as occupied. Second homes are included in this category. Second homes includes holiday accommodation, temporary residences owned by people who work in the Borough but their primary residence is elsewhere, residences owned by employers for visiting workers, or temporary residences used by people who are in the middle of moving to a new home.
14. 'Households' is the total number of households in a given area and is consistent with the census definition. The census defines a household as a residential unit under which economic production, consumption, child-rearing, etc takes place.

Annex A: Understanding location quotients

- A.1 A location quotient (LQ) is a method of measuring the relative share of employment in any one sector to the share in another area.
- A.2 For example, retail employment in Nuneaton & Bedworth accounted for 14.2% of total employment in 2008, whilst retail in the CSW sub-region only accounted for 9.5% of its total employment in the same year. Based on these proportions, we can assume that Nuneaton & Bedworth has a higher concentration of retail employment.
- A.3 LQs go one step further by quantifying the balance of sectoral shares, and we do this by dividing the Nuneaton & Bedworth share of employment in retail by the wider sub-region comparator figure, and this gives us a figure of 1.5. This suggests that Nuneaton has 1.5 times more employment in retail compared with the wider sub-region.

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