DORSET ECONOMIC PROJECTIONS 2017: BACKGROUND - PURBECK

1. Why do we need economic projections?

At national, regional and local level, economic projections are important for long term policy making and planning, particularly where large investment programmes in terms of either physical or human capital may be involved. For local authorities, it is important to have a picture of the future to anticipate forthcoming needs in terms of services and infrastructure provision.

Projections can also assist individuals in their own decision making, for example, in career planning.

The main role of the projections is to identify key trends and highlight the main issues that will be important for the future. The key thing is to have an indication of the scale, pace and direction of change.

2. How do we get them?

As the demand for more information at local level has grown, so has the availability and complexity of the projections produced. It is, therefore, very easy to be overwhelmed by the huge amount of data available. A number of forecasting houses (consultancy bodies) now provide local level projections, but these can be extremely costly.

The Local Economy Forecast Model (LEFM) for Dorset is produced by Cambridge Econometrics and includes district and borough projections. This model has been used for a number of years by Dorset County Council. Cambridge Econometrics is a reputable forecasting house which works closely with the Institute for Employment Research (IER) and is one of the bodies included by HM Treasury in its monthly publication 'Forecasts for the UK Economy'. However, none of the forecasting bodies can foresee the future precisely. What they aim to do is map out the likely consequences of a series of assumptions about patterns of behaviour and policy stances for potential future developments.

A distinction is often drawn between 'projections' and 'forecasts'. A projection has been defined as a conditional statement about the future ie 'if X then Y'. In contrast, a forecast attaches to this statement a likelihood or probability of this actually happening. Given the range of economic variables and the factors that can impact upon them, this is, to say the least, a complex process. For this reason, a range of scenarios is usually presented to embrace the most likely outcomes.

Examples of change that can affect labour market trends include:

- Changes in the economy: global, national, regional, local
    - Gradual eg shifting of production and services to lower cost locations; energy costs; government spending cuts;
    - Shocks eg oil crisis; terrorism; stock market crash.
- Technological change eg need for faster broadband technologies; production methods.
- Legislation eg health and safety; pensions; working hours; minimum wage.
- Population change
    - Workforce structure: eg ageing of workforce; availability of young people to replace them.
    - Demand for goods/services: eg to support an ageing population we need more care, health and leisure goods and services.
- Expectations: eg longer working lives; women returning to work; flexibility; leisure changes such as holidays abroad; healthier lifestyles.
- Skills and qualifications: attainment of and demand for higher qualifications in the workforce.
- Infrastructure and housing eg transport and communications links; affordable housing.

The limitations of forecasting should also be considered, for example:

- Data problems – current data at local level can lag behind and is often survey based.
- Limits to understanding – although there has been great progress in the social sciences, there are still gaps in understanding about how systems and individuals behave.
- Past trends and behaviours may not always be a pattern for the future, for example, changing technologies may influence events.
- Economic or other shocks can also change behaviours eg spending, saving and investment patterns.

3. How should they be used?

Forecasts and projections are a broad brush picture of how the future might look and any precise point forecast should be treated with caution. Nevertheless, the use of a set of economic projections based on the best estimates available as one of a set of tools to improve understanding and aid decision making has to be better than guesswork. The projections can provide a focus for discussion and partnership working and enable a strategic approach to problems rather than fire-fighting.

Local level projections can be quite mechanistic, drawing on national and regional data (including projections) in order to supplement the limited local data available. However, local sensitivities can mean a projected national trend may not come to pass, and changes that have taken place or are expected locally may not have been taken into account by modellers at a national level. For this reason, local knowledge of business trends and change should be taken into account in building scenarios for consideration.

The LEFM package is designed to combine projections from CE/IER's national and regional forecasts with detailed information from the Department for Education and Skills (DfES) and the Office for National Statistics (ONS). The focus is on employment but the model also includes many other labour market indicators such as population, activity rates and unemployment as well as producing estimates of key economic indicators such as local output, consumers expenditure and gross fixed capital formation.
The economic prospects in any particular local area will however, depend on a whole host of local factors which only those 'close to the ground' will know about. The aim of the LEFM package is to provide a set of benchmark projections, based initially on the assumption that the local area performs in line with national or regional trends. Past relationships between local and national or regional performance are used to produce this initial projection. This basic benchmark can then be supplemented by local level information, often of a qualitative nature.

4. What was the baseline projection from the Dorset model?

Looking at headline results from the new 2016/17 LEFM[1] model, growth in total employment in the Dorset LEP area for the 2013-33 period is much in line with the average for the UK as a whole.

Over 2013-33, job creation in Purbeck is expected to be much as projected for the South West region as a whole ie marginally above the UK projection.

[1] Cambridge Econometrics for Dorset County Council

Summary: Original baseline Scenario 2016/2017 model: TOTAL employment				
	000s change 2013-23	*000s change 2023-33*	**000s change 2013-33**	**%change pa 2013-33**
Purbeck	***1.9***	***1.2***	**3.1**	**0.7%**
Eastern Dorset[2]	*19.5*	*21.1*	40.6	0.6%
DCC Dorset	*13.3*	*15.4*	28.7	0.7%
Dorset LEP area	***25.6***	***26.4***	**52.0**	**0.6%**
South West	*250.5*	*168.6*	419.1	0.7%
UK	*2,705.6*	*1,394.2*	4,099.8	0.6%

However, differences become evident if we look in more detail at the sectors that make up the headline data, as shown in the following table:

LEFM 2016/17 model Total emp – ANNUAL AVERAGE GROWTH 2013-33	UK (% growth pa)	South West (% growth pa)	**Purbeck** (% growth pa)
Agriculture forestry & fishing	1.1%	1.1%	1.5%
Mining & quarrying	-0.8%	-2.7%	-5.2%
Manufacturing	-0.7%	-0.7%	-0.3%
Utilities	0.8%	0.3%	2.5%
Construction	1.2%	1.7%	1.9%
Wholesale & retail	0.4%	0.1%	-0.1%
Transport, storage, postal	0.1%	-0.7%	-0.8%
Accommodation & food servs	1.0%	1.3%	0.9%
Media & IT	1.4%	1.6%	2.7%
Financial & insurance	0.2%	0.0%	0.0%
Real Estate	1.3%	1.4%	1.4%
Business/prof servs	1.0%	1.7%	1.2%
Public Administration & Defence	0.0%	-0.7%	0.1%
Education	0.3%	0.4%	1.3%
Health	0.8%	0.9%	1.6%
Residential & social	0.8%	1.1%	-0.5%
Arts & recreation	0.8%	1.6%	2.5%
Other services	0.6%	0.0%	0.8%
All industries	**0.6%**	**0.7%**	**0.7%**

This led to discussions to gather local expertise and knowledge of business developments and likely impacts that might lead to adjustment of this baseline position – the starting point.

5. How was this developed to give a Trend scenario?

Following discussions, the following revisions were made to the baseline position to give a Trend scenario – a picture of the future incorporating local knowledge:

[2] Eastern Dorset comprises: Bournemouth, Poole, Christchurch, East Dorset, North Dorset, Purbeck

LEFM 2016/17 model Total emp – ANNUAL AVERAGE GROWTH 2013-33 (% growth pa)	UK (% growth pa)	South West (% growth pa)	Purbeck (% growth pa)	Comments and revisions made to Purbeck baseline
Agriculture forestry & fishing	1.1%	1.1%	1.5%	Revised to national average as no change above the average expected
Mining & quarrying	-0.8%	-2.7%	-5.2%	Revised to SW average as projection seems too low
Food drink & tobacco	-0.6%	-3.3%	-2.9%	Inconsistent with expectations re tourism and impact of diversification in farming. Revised to show slight growth 0.1%pa
Textiles etc	-1.8%	2.3%	3.1%	No evidence for change – revised to zero growth
Wood & paper	-1.8%	-2.1%	0.3%	Revised to SW average in view of local knowledge
Printing & recording	0.4%	0.6%	2.4%	No evidence for above average growth – revised to SW average
Coke & petroleum	1.8%	-0.6%	0.0%	No change
Chemicals	-2.0%	-0.9%	0.5%	No evidence for growth – revised to zero growth
Pharmaceuticals	-1.3%	-3.3%	-2.3%	No change
Non-metallic mineral products	-2.2%	-0.6%	-0.4%	No change
Metals & metal products	-1.5%	-3.4%	-4.8%	No evidence for above average growth – revised to SW average
Electronics	-0.6%	-3.4%	-2.3%	Some growth expected with advanced engineering promotion at Dorset Innovation Park - revised to 1%pa growth
Electrical equipment	-1.2%	-0.6%	1.3%	No change – potential growth re DIP development
Machinery	-3.2%	-4.4%	-4.4%	No change – in line with regional decline
Motor vehicles	2.4%	1.7%	2.8%	No basis for this level of growth -reduced to zero growth
Other transport equipment	-0.1%	0.8%	2.0%	Higher growth expected – increased to 2.5%pa
Other manufacturing & repair	0.6%	3.1%	6.2%	No evidence for growth above national/regional average but some growth due to DIP development – aligned with SW trend
Electricity & gas	0.2%	-4.6%	-100.0%	Revised to SW average
Water sewerage & waste	1.2%	2.0%	2.6%	Revised to UK average
Construction	1.2%	1.7%	1.9%	No evidence for significant growth - reduced to 0.5% per annum
Motor vehicles trade	0.2%	0.0%	0.8%	No evidence for above average growth - reduced to regional average of 0%
Wholesale trade	0.3%	0.0%	-0.3%	No change
Retail trade	0.5%	0.1%	-0.3%	No change
Land transport	0.1%	-0.4%	-0.3%	No change
Water transport	-0.5%	-5.9%	-4.1%	No change

Air transport	1.2%	2.1%	1.3%	No change
Warehousing & postal	0.1%	-1.0%	-0.6%	No change
Accommodation	1.0%	2.0%	1.0%	Reduced to 0.5% ie growth expected to be below national average
Food & beverage services	1.0%	1.1%	0.8%	No change
Media	0.4%	1.0%	0.3%	No change
IT services	1.7%	1.8%	3.1%	Revised to regional average ie no evidence for above average growth
Financial & insurance	0.2%	0.0%	0.0%	No change
Real Estate	1.3%	1.4%	1.4%	No evidence for this level of growth – reduced to 0.8%
Legal & accounting	0.3%	0.2%	-1.1%	No evidence for below average growth - revised to regional average
HOs & management consultancies	2.0%	3.4%	2.2%	No change
Architectural & eng services	0.9%	2.2%	0.5%	No change
Other professional services	1.7%	2.7%	1.3%	No change
Business support services	0.7%	1.3%	2.0%	No evidence for growth above national/regional average: aligned with SW trend
Public Administration & Defence	0.0%	-0.7%	0.1%	No change
Education	0.3%	0.4%	1.3%	No evidence for growth above national/regional average: revised to zero growth
Health	0.8%	0.9%	1.6%	No change
Residential & social	0.8%	1.1%	-0.5%	No evidence for decline – revised to 0.5% pa ie just under average growth
Arts	0.9%	0.1%	0.4%	No change
Recreational services	0.7%	2.3%	3.8%	No evidence for growth above national/regional average: revised to national average
Other services	0.6%	0.0%	0.8%	No change
All industries	**0.6%**	**0.7%**	**0.7%**	

These changes gave the following results:

LEFM 2016/17 model Total emp – ANNUAL AVERAGE GROWTH 2013-33	UK (% growth pa)	South West (% growth pa)	Purbeck: original baseline (% growth pa)	Purbeck: original baseline (actual change)	Purbeck: revised=Trend (growth pa)	Purbeck: revised=Trend (actual change)
Agriculture for & fishing	1.1%	1.1%	1.5%	100	1.1%	100
Mining & quarrying	-0.8%	-2.7%	-5.2%	-200	-2.7%	-100
Manufacturing	-0.7%	-0.7%	-0.3%	-100	-0.5%	-200
Utilities	0.8%	0.3%	2.5%	200	1.1%	100
Construction	1.2%	1.7%	1.9%	700	0.5%	200
Wholesale & retail	0.4%	0.1%	-0.1%	0	-0.2%	-100
Transport, storage, postal	0.1%	-0.7%	-0.8%	-100	-0.8%	-100
Accomm & food servs	1.0%	1.3%	0.9%	500	0.7%	400
Media & IT	1.4%	1.6%	2.7%	200	1.6%	200
Financial & insurance	0.2%	0.0%	0.0%	0	0.0%	0
Real Estate	1.3%	1.4%	1.4%	100	0.8%	0
Business/prof servs	1.0%	1.7%	1.2%	600	1.1%	600
Public Admin & Defence	0.0%	-0.7%	0.1%	0	0.1%	0
Education	0.3%	0.4%	1.3%	400	0.0%	0
Health	0.8%	0.9%	1.6%	300	1.6%	300
Residential & social	0.8%	1.1%	-0.5%	-100	0.5%	100
Arts & recreation	0.8%	1.6%	2.5%	500	0.6%	100
Other services	0.6%	0.0%	0.8%	200	0.8%	200
All industries	**0.6%**	**0.7%**	**0.7%**	**3,100**	**0.4%**	**1,700**

6. How was this further developed to give a Strategy scenario?

Local authorities were also asked to consider what, if any, planned strategies/interventions might affect the growth trend in any sector.

For Purbeck, no further adjustments were made to give a 'strategy' scenario as it was considered that all policies were in place with no plans for further strategic change likely to impact on employment numbers or business trends.

7. How do the 2017 projections differ from the projections used for Purbeck in the 2015 Eastern Dorset Strategic Housing Market Assessment (SHMA)?

As set out in the table above, the 2017 baseline projections suggest an increase of 3,100 additional jobs in Purbeck over the period 2013 to 2033, whilst the 2017 'trend' projections, which take account of local knowledge, suggest a much lower increase in job numbers, with 1,700 additional jobs projected over the same period.

The 2015 Eastern Dorset SHMA identified the objectively assessed housing need for Purbeck based on projected jobs growth of 3,870 jobs (2013 to 2033). The 2017 baseline and trend scenarios both show a lower level of job growth than that which was considered in the 2015 Eastern Dorset SHMA, with the 2017 trend projections being significantly lower.

The main reason for the differences between the projections which informed the 2015 SHMA and the 2017 trend projections is that there have been significant changes in circumstance since 2015 at the district's two largest employment sites, (Dorset Innovation Park and Holton Heath). These changes in circumstance are summarised below.

Holton Heath

The levels of growth anticipated at Holton Heath Trading Park in 2015 are now not likely to come to fruition for the following reasons:

- The designation of a scheduled ancient monument and revised landowner aspirations have reduced the size of a potential future employment allocation at the site.
- The inability to address electricity (HV) supply at Holton Heath will significantly limit the potential to relocate companies to the site, (enquiries were being handled in 2014 anticipating relocation of 800 jobs).
- Oil price collapse has had a major impact on a heat exchanger company which had significant growth aspirations (subject to improved power supply). The oil price drop resulted in a loss of 250 jobs, rather than a growth of 450 jobs as previously anticipated.

Dorset Innovation Park

Jobs growth is still anticipated at the Dorset Innovation Park Enterprise Zone, but this is now projected to take place over a longer time period than previously envisaged. The Enterprise Zone will take some time to achieve momentum and has an end date of 2042, thus extending significantly beyond the period considered by the 2017 economic projections (which cover the period up to 2033).

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