

**FOREST OF DEAN DISTRICT COUNCIL
REVIEW OF ECONOMIC FORECASTS
EXECUTIVE SUMMARY
JUNE 2015**

EXECUTIVE SUMMARY

The Forest of Dean is a rural district and is characterised by more than 110 square kilometres (42.5 sq miles) of mixed woodland and four towns and many smaller, rural settlements. The M48 and the M50 both cross the district and it is served by the Cardiff – Birmingham Railway line. The Forest of Dean is heavily influenced by both Wales and the West Midlands and some parts are very close to Gloucester, whilst others look to Bristol, Newport and Hereford.

INDUSTRY/SECTOR PERFORMANCE REVIEW

It is estimated that Forest of Dean's economy generated between £1.02 billion and £1.17 billion in economic output in 2011. Forecasters predict that this could grow to between £1.37 billion to £1.53 billion by 2026 and to between £1.49 billion to £1.68 billion by 2031. However, historically GVA in the Forest of Dean has been significantly below average, at between -1.7 per cent and +0.8 per cent per annum.

The number of jobs in the Forest of Dean has fallen since the recession, and has not yet recovered to the pre-2009 position, contrasting with county and national employment growth. This compared to slight growth across Gloucestershire (+0.2 per cent) and solid growth across England (+2.0 per cent). However, Monmouthshire experienced a similar fall (-6.7 per cent).

The fall in jobs has been driven by a decline in Professional, Scientific and Technical Activities together with Transportation & Storage and Wholesale & Retail. However, there have been some notable **job increases in the Manufacturing and Education sectors.**

REVIEW OF CAMBRIDGE ECONOMETRICS AUGUST 2014 (CE) AND OXFORD ECONOMICS FORECASTS AUGUST 2014M (OE)

Between 2011 and 2031, both OE and CE forecasts anticipate jobs in the Forest of Dean to increase by 2,500. However, the increases are heavily weighted in the first 3 years of the period 2011 to 2014. The analysis confirms the OAN report argument that the best approach when looking at the forecasts is to focus on the economic forecasters' assessments of the likely changes once the economy has emerged from the economic downturn (i.e. from 2014 onwards). This is particularly relevant as the current level of employment in this District would not appear to have recovered to its pre-recession position.

The scale of job growth forecasts range between 1,220 jobs and 2,260 jobs for the period 2014-2031. There are key differences in forecast sectoral performance.

From 2014 to 2031 CE is forecasting stronger growth than OE, driven largely by stronger job forecasts for the Public Administration, Education & Health sector. OE forecasts stronger job growth in Financial and Business Services.

Table 1: Forecast change in jobs, 2014-31

2014-31 forecasts	CHANGE IN JOBS		% CHANGE IN JOBS	
	CE	OE	CE	OE
Total Jobs	2,260	1,220	7	4
Agriculture, Forestry & Fishing	-92	-298	-9	-18
Mining & Quarrying	-14	-18	-27	-39
Manufacturing	-772	-1092	-19	-26
Utilities	8	-24	3	-9
Construction	534	540	17	19
Wholesale & Retail	353	137	9	4
Transport & Storage	62	201	4	15
Accommodation & Food	103	109	6	7
Information & Communications	18	117	2	19
Financial & Business Services	303	936	6	20
Public Admin, Education, Health	1527	331	17	5
Other Services	231	283	12	14

Source: Census of Employment/Annual Employment Survey; Cambridge Econometrics August 2014 and Oxford Economics August 2014

CE forecasts assume a lower increase in growth in all sectors compared to its national assumptions with the exception of Distribution, Government Services and Other Services. It anticipates a less steep decline in Manufacturing jobs which may reflect a competitive advantage in niche products. However, it is the Government Services figure which has the greatest impact upon job numbers. An assumed job growth increase in line with its national assumptions would bring its job growth forecasts in line with OE forecasts over the period 2014 to 2031.

Broadly, OE assumes that job growth in the Forest of Dean will be marginally lower than it anticipates for the UK (2-3 percentage points below its anticipated growth to 2031 for the UK). OE expects greater losses in Manufacturing and greater gains in Government Services than it assumes for the UK. OE anticipates that the greatest percentage increases will be in Financial and Business Services and Information and Communications, sectors in which the Forest of Dean has lower representation than nationally and has seen job losses through the recession. This would suggest that the delivery of growth in these sectors will be significantly challenging.

A sensitivity test is constructed below to illustrate the impact of the adjustment to the forecasts to reflect:

- Percentage decrease in Financial and Business Services for OE is amended to reflect the percentage increase forecast in this sector by CE

- Percentage decrease in Government Services for CE is align with its views on the national percentage increase forecast in this sector by CE

Table 2: Sensitivity Tests for Financial and Business and Government Services Sectors

2014-31 forecasts	CHANGE IN JOBS		% CHANGE IN JOBS	
	CE adjusted	OE adjusted	CE adjusted	OE adjusted
Total Jobs	1,205	573	4	2
Agriculture, Forestry & Fishing	-92	-298	-9	-18
Mining & Quarrying	-14	-18	-27	-39
Manufacturing	-772	-1092	-19	-26
Utilities	8	-24	3	-9
Construction	534	540	17	19
Wholesale & Retail	353	137	9	4
Transport & Storage	62	201	4	15
Accommodation & Food	103	109	6	7
Information & Communications	18	117	2	19
Financial & Business Services	303	287	6	6
Public Admin, Education, Health	471	331	5.3	5
Other Services	231	283	12	14

Source: Census of Employment/Annual Employment Survey; Cambridge Econometrics August 2014 and Oxford Economics August 2014

It is recommended that these sensitivity tests together with the OE and CE forecasts 2014 to 2031 are used to inform the further work on the Objectively Assessed Housing Need for Forest of Dean.

STRATEGIC ECONOMIC PLAN

The Strategic Economic Plan (SEP) was submitted to Government by GFirst in March 2014, supported by the local authorities of Gloucestershire. The SEP includes wide ranging ambitions and includes commitments to deliver 33,900 jobs between 2015 and 2021 across the County, grow the economy by £493 million and a GVA average annual increase of 4.8 per cent.

Forest of Dean forecast GVA output and forecast jobs growth is higher than historic levels but significantly below the Strategic Economic Plan aspirations to 2021

The analysis shows that economic output (Gross Value Added or GVA) is forecast to grow by 2.0 per cent per annum in the Forest of Dean between 2015 and 2021. This is higher than historic economic growth rates (estimated to be between -1.7 per cent to +0.8 per cent per annum between 1997 and

2011) but is significantly lower than the Strategic Economic Plan annual growth rate target of 3.2 per cent to 4.8 per cent.

This analysis also shows that jobs in the Forest of Dean are forecast to grow by 600 jobs (2 per cent) between 2015 and 2021 and by 2,500 jobs (8 per cent) between 2011 and 2031. The forecast job growth rates are therefore below the 10 per cent increase in jobs advocated in the Strategic Economic Plan in the short term to 2021.

CONCLUSIONS

The forecasts predict both a distinct and positive shift in both GVA and job growth over the period to 2031 with estimates of an economy with a value of between £1.37 billion to £1.53 billion by 2026 and to between £1.49 billion to £1.68 billion by 2031. However, the number of jobs in the Forest of Dean has fallen since the recession, and has not yet recovered to the pre-2009 position, contrasting with county and national employment growth. This compared to slight growth across Gloucestershire (+0.2 per cent) and solid growth across England (+2.0 per cent). However, Monmouthshire experienced a similar fall (-6.7 per cent). The fall in jobs has been driven by a decline in Professional, Scientific and Technical Activities together with Transportation & Storage and Wholesale & Retail.

Between 2011 and 2031, both OE and CE forecasts anticipate jobs in the Forest of Dean to increase by 2,500. However, the increases are heavily weighted in the first 3 years of the period 2011 to 2014. The analysis confirms the OAN report argument that the best approach when looking at the forecasts is to focus on the economic forecasters' assessments of the likely changes once the economy has emerged from the economic downturn (i.e. from 2014 onwards). This is particularly relevant as the current level of employment in this District would not appear to have recovered to its pre-recession position.

From 2014 to 2031 CE is forecasting stronger growth than OE, driven largely by stronger job forecasts for the Public Administration, Education & Health sector. OE forecasts stronger job growth in Financial and Business Services.

Using the Industry and Business sector assessment, the intelligence and policy analysis and the forecast performance in the two economic models the prospects for growth for each key growth sector has been assessed. This would suggest that in each case the forecast jobs growth represent distinct and challenging aspirations which would require clear and transformational economic interventions to secure that scale of growth. The job growth in Government Services forecast by CE and the job growth in Financial and Business Services forecast by OE have a significant impact upon the total job growth and sensitivity tests detail an alternative position to examine as part of the Objectively Assessed Need for Housing.

The relationship between the Strategic Economic Plan and the economic and jobs growth forecasts is clear. Forest of Dean forecast GVA output and forecast jobs growth is higher than recent historic levels but significantly below the Strategic Economic Plan aspirations to 2021. The analysis shows that economic output (Gross Value Added or GVA) is forecast to grow by 2.0 per cent per annum in the Forest of Dean between 2015 and 2021. This is higher than historic economic growth rates (estimated to be between -1.7 per cent to +0.8 per cent per annum between 1997 and 2011) but is

significantly lower than the Strategic Economic Plan annual growth rate target of 3.2 per cent to 4.8 per cent.

The proposed Local Plan strategy builds upon existing strengths in the economy, exploiting its competitive advantage of its key businesses and seeking sustainable economic growth to maintain and support its current place in the market. It includes the significant economic regeneration site at Cinderford to support a Northern Quarter securing commercial and educational floor space with the potential for £100 million of private investment. Transport Schemes on the A40 (West) Corridor are seen by the LEP as interventions which support the Forest of Dean as a location to meet business needs. However, the scale of ambition is high and there are significant risks associated with implementation of large scale sites within the Forest of Dean and its competitive position as investment sites on the M5 corridor are delivered.

Notwithstanding the consideration of the economic forecasts there are some key questions for Forest of Dean in responding to the issues raised in the Industry and Business Sector Analysis and supporting the Growth Prospects for each sector:

- How best to support key Forest of Dean growth sectors including manufacturing and education
- How to give Forest businesses a voice within the Gloucestershire LEP and help update the Strategic Economic Plan?
- How best to support vulnerable sectors like Retail/Wholesale and Professional and Technical Services?
- How to encourage more business start-up and support packages for new start-ups through their first 1-3 years of life?
- How to identify and support the growing homeworking business community?
- What additional business monitoring local intelligence is required to tackle the economic development and growth agenda in Forest of Dean?