



# The State of the Region: Falling behind not catching up

Annual Economic Monitor

November 2023

*“Be Part of the Region”*

**A Unifying Vision for the East of England**

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## FOREWORD

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This report highlights the considerable challenges which the regional economy is facing. The East is still dealing with the aftershock of macro events including the Covid-19 pandemic and the war in Ukraine while adjusting to the post-Brexit settlement and new trade agreements.

The region remains one of the largest and most productive economies in the UK but there are worrying signs that the East of England has slipped relative to other regions and nations – with negative wage growth, falling vacancies, fewer new enterprises and rising business closures, decreasing levels of Foreign Direct Investment, as well as an increasing trade deficit.

There are, however, huge opportunities to be realised across the East that can help drive productive growth in the UK. The region has significant advantages in knowledge-based industries and world class research institutions. Growing and scaling businesses in these high value sectors is vital to the regional and national economy. Widening access and opportunity to these industries is also vital to levelling up and ensuring that all parts of the region benefit from good growth.

The ambitions of the Eastern Powerhouse cannot be achieved without a coherent strategy for the whole of the East and policies that can unlock the region's potential. Investment in infrastructure is essential. The rail network in particular is in urgent need of upgrading. New homes in Norfolk, Suffolk and Cambridgeshire built around railway stations and along transport corridors will help achieve housing targets and extend the benefits of growth beyond Greater Cambridge.

A vision for Silicon East should be centred around a network of connected clusters in Peterborough, Ipswich, Norwich, Cambridge, Chelmsford, Stevenage, and places in between. By creating better linkages across the region and delivering specific regional policies in life science, technology, energy and agritech, the government can supercharge the East and distribute the benefits of growth more evenly across the region.

Growing the innovation ecosystem is important and a strategic priority for the East. However, a prosperous economy is really only possible if all businesses, large and small, can thrive. This means creating an environment in which new businesses can start and grow in all parts of the region. This will require appropriate levels of support to embed businesses in local, and where appropriate, global supply chains as well as affordable office space and incubator facilities in cities, towns and villages.

James Palmer, Chair of the Eastern Powerhouse

## 1 INTRODUCTION

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This report provides analysis of the economy in the East of England and its performance in relation to other regions and nations in the UK. It is the Eastern Powerhouse's first annual economic monitor for the region and provides a baseline for future assessment.

### 1.1 The global outlook

The global economy has slowed since the financial crisis and has been further impacted in recent years by a series of unprecedented shocks, including the Covid-19 pandemic, the war in Ukraine, and extreme climate-related events, which have disrupted economic growth and contributed to a worldwide cost of living crisis.

The latest World Economic Outlook update from the International Monetary Fund forecasts a projected fall in global growth from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024.<sup>1</sup> This is persistently weak growth by historical standards.

Rising inflation and central bank policy rates continue to weigh on economic activity. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for 2024 have been revised upward.

Risks to global growth remain. Financial sector turbulence could resume as markets adjust to world events and further policy tightening by central banks, with sovereign debt distress spreading to a wider group of economies.

In most economies, the priority remains achieving sustained reductions in inflation while ensuring financial stability. The IMF is therefore recommending that central banks remain focused on restoring price stability and strengthening financial supervision while countries should build fiscal buffers ensuring targeted support for the most vulnerable.

### 1.2 The national outlook

It has long been acknowledged that the UK economy is suffering from a productivity problem in terms of slow growth and a substantial productivity gap (output per hour worked) with a number of other leading countries. Growth has slowed across all G7 nations since the financial crisis but more so in the UK.

The IMF have recently upgraded the outlook for the UK economy, having previously forecast a recession in 2023. However, it is clear that having recovered better than competitor nations coming out of the pandemic, growth in the UK's economy has fallen and is predicted to remain low in 2024.

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<sup>1</sup> [World Economic Outlook Update, July 2023: Near-Term Resilience, Persistent Challenges \(imf.org\)](https://www.imf.org/en/Publications/WEO/Issues/2023/07/27/world-economic-outlook-update-july-2023)

**Table 1: World growth projections**

GDP – Annual % change	2022	2023	2024
World output	3.5	3.0	3.0
Advanced economies	2.7	1.5	1.4
Euro area	3.5	0.9	1.5
UK	4.1	0.4	1.0

Source: IMF, World Economic Outlook, July 2023

Levels of inflation in the UK have been higher and more protracted than other advanced economies and business conditions continue to remain challenging. Brexit is a likely part of this. Research has found that businesses have struggled to adapt to the new Trade and Cooperation Agreement (TCA), with the largest impacts being increased costs, increased red tape and bureaucracy and shipping and transport delays.<sup>2</sup> Businesses are also suffering competitive disadvantages and loss of trade with the EU, three times more in 2022 than in 2021. Just over 35% of firms identify Brexit as the cause of their supply chain issues in 2022, compared with 31% for Covid-19. When surveying business on the TCA the British Chambers of Commerce (2022) found:

- 52% of firms were experiencing shortages of goods and services, rising to 70% for manufacturers,
- 8 in 10 (80%) of firms experience increased costs since the TCA,
- 53% had experienced an overall decrease in their sales margins.

However, some estimates show signs of improvement for some measures with fewer businesses (9%) reporting energy prices as their main concern. More commonly reported concerns included falling demand of goods and services (16%) and inflation of goods and services prices (16%). A tightening labour market remains a key concern for all employers. Around 13% of all businesses were experiencing worker shortages in mid-July 2023, although this rises to 29% for businesses with 10 or more employees.<sup>3</sup>

*“While aggregate levels of immigration into the UK remain elevated...post-Brexit immigration has proved less effective in addressing labour market mismatches and more costly for employers,”* Huw Pill, Chief Economist for the Bank of England.<sup>4</sup>

The longer-term challenges facing the national economy are considerable, with a pressing need to address:

- The highest rate of public spending and tax burden, as a percentage of GDP, since the 1940’s
- Real wage growth, which has been declining since 2007
- FDI inflows that are at their lowest levels since the 1980s

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<sup>2</sup> Clarke, S., Gasiorek, M., and Sandoval Hernandez, A. (2023) The challenges facing UK firms: trade and supply chains. University of Sussex.

<sup>3</sup> ONS Business insights and impact

<sup>4</sup> Hickey, S., 2023. UK faces more challenges than most countries with high inflation

- Falling levels of business investment
- Exports that are struggling to recover to where they were before Brexit and Covid.

### 1.3 The regional outlook

It is in this context that we consider the performance of the regional economy. There are clearly risks and challenges for the East in relation to global and national macro-economic performance. There are some negative indications that the region is falling behind in relation to other regions and nations as the UK adjusts to a post-Brexit settlement and new trade arrangements. From 2008 to 2019 the East of England was the third highest performing region in the UK. Since 2019 the region has fallen to 10<sup>th</sup> among all regions and nations. By comparison, Northern Ireland has risen from the lowest performing area in the UK to the second highest performing, behind London, in the same period since 2019.

However, some projections for the region are more optimistic. According to EY's latest Regional Economic forecast, the East of England is set to be one of the country's best performing regions for economic growth between 2024-26, with 2.1% growth per year, on a par with the UK over the same period. Peterborough is forecast to be the fastest growing location in the East of England over 2024-26, with forecast annual average growth of 2.2%, closely followed by Cambridge at 2.0%. Bedford (1.7%) and Luton (1.7%) are forecast to be the slowest growing areas in the region.

The East of England's economic performance is set to be boosted by the strength of its knowledge-based sectors, including professional services, and the information and communications sectors (discussed below at 3.2). EY are also predicting that growth will have a positive impact on employment levels, with the region forecast to see average annualised employment growth of 1.4%, above the UK average of 1.3%. This would represent a turnaround on the East of England's forecast for 2023 – GVA is expected to contract 0.7% this year, which is slightly deeper than the 0.6% GVA contraction expected for the whole country.

## 2 PUBLIC FINANCES

Until the outbreak of the Covid-19 pandemic the East of England was one of only three regions and nations in the UK with a net fiscal balance. The others being London and the South East. In 2019 the East had a total public expenditure of £73bn and total tax revenues of £77bn.

Public expenditure rose sharply during the pandemic and although expenditure has since fallen across the UK it remains higher than pre-pandemic levels (for the year ending 2020). In 2022 total public expenditure was £89bn and total tax revenue was £87bn.<sup>5</sup>

**Table 2: Country and regional public sector expenditure and revenue 2019 and 2022 (£ Billions)**

Country or Region	2019			2022		
	Expenditure	Revenue	Net	Expenditure	Revenue	Net
London	127	167	40	156	194	38
South East	110	131	21	135	149	14
East of England	73	77	4	89	87	-2
South West	69	64	-5	83	71	-12
East Midlands	56	50	-6	68	55	-13
Northern Ireland	27	17	-10	33	19	-14
North East	35	25	-11	41	27	-15
Yorkshire and The Humber	67	55	-11	80	62	-18
Wales	43	29	-14	52	32	-20
Scotland	80	66	-14	97	73	-24
West Midlands	75	58	-16	90	64	-26
North West	96	74	-22	116	85	-30

Source: Country and Regional Public Sector Finances from the Office for National Statistics

The East currently has the lowest public expenditure per head (£14,043) among all regions and nations in the UK, except for the East Midlands (£13,859) and the third largest tax revenue contributions per head (£13,665) behind London (£22,093) and the South East (£16,005).

<sup>5</sup> Country and Regional Public Sector Finances from the Office for National Statistics

### 3 PRODUCTIVITY

Before the impact of the Covid-19 pandemic, Brexit and the cost-of-living crisis, the East of England was one of the leading areas for a revival in Gross Domestic Product (GDP), with an increase of 45.1% between 2009 and 2019 - above the national average (44.2%) and all English regions except London and the West Midlands.

However, between 2019 and 2020, GDP in the UK decreased dramatically across all regions, with a decrease of 6.4% in the East of England (compared with a 5.8% decrease in the UK). Thereafter, between 2020 and 2021, GDP increased by approximately 8% in the East and the UK.<sup>6</sup>

In terms of GDP the East of England is currently the fourth largest economy among the UK's regions and nations with a value of £193.25 billion. However, if the East were to match the South East's GDP per head this would provide a potential uplift of over £36 billion to the UK economy.

#### 3.1 GVA

From 2019 to 2021, the Gross Value Added (GVA) produced by the East of England is middling, compared to other UK regions and nations. The latest figures show that in 2021, the GVA produced by East of England accounted for 8.5% of the England total, with the value of £171.4bn. GVA in the East decreased by 5.5% between 2019 and 2020, and increased by 7.3% between 2020 and 2021, compared to a decrease of 4.6% and an increase of 7.2% UK-wide for the same time period.<sup>7</sup>

**Figure 1: Gross value added by East of England and other regions (2019-2021)**



Source: ONS, Regional Gross Value Added by region, April 2023

<sup>6</sup>ONS, Regional gross domestic product (GDP): all International Territorial Level (ITL) regions.

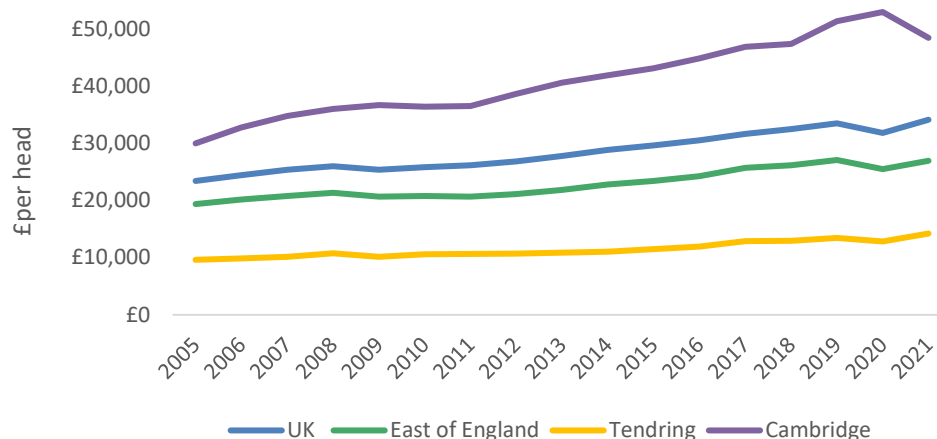
<sup>7</sup>ONS, Regional gross value added (balanced) by industry: all International Territorial Level (ITL) regions.



Following national trends, GVA per head in the East of England decreased by 6% between 2019 and 2020 to £25,485 and increased 7.3% between 2020 and 2021 to £26,995. This compares with a decrease of 5% (2019 to 2020) and increase of 7.2% (2020 to 2021) in the UK.<sup>8</sup>

Among all districts in the East of England, we can see that Cambridge has the highest value of GVA per head (purple line), while Tendring (yellow line) has the smallest across the time period.

**Figure 2: Gross value added per head (2021)**



Source: ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, April 2023 and ONS, Population Estimates, May 2023)

GVA per hour worked is widely used as an indicator for productivity and by this measure the East is the fourth most productive among all regions and nations in the UK, although the region is performing at -6 per cent below the UK average (see Table 3).

**Table 3: GVA per hour worked percentage difference from UK average, 2021**

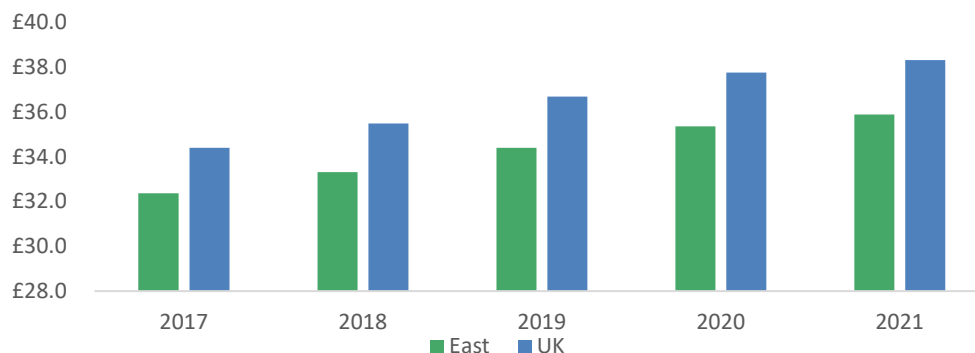
Region	Output per hour (percent)
London	33.2
South East	9.9
Scotland	-4.7
East of England	-6.0
North West	-9.2
South West	-10.2
Northern Ireland	-10.6
East Midlands	-12.9
West Midlands	-13.1
Yorkshire and the Humber	-15.0
Wales	-15.9
North East	-17.4

Source: Office for National Statistics - Regional Labour productivity, 2023

<sup>8</sup>ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, April 2023 and ONS, Population Estimates, May 2023)

Both the East and the UK has maintained a growing trend, even in 2020. However, the gap between the East and UK average has gradually widened in recent years, from £2.03 in 2017 to £2.43 in 2021 (see Figure 3).

**Figure 3: Gross value added per hour worked**

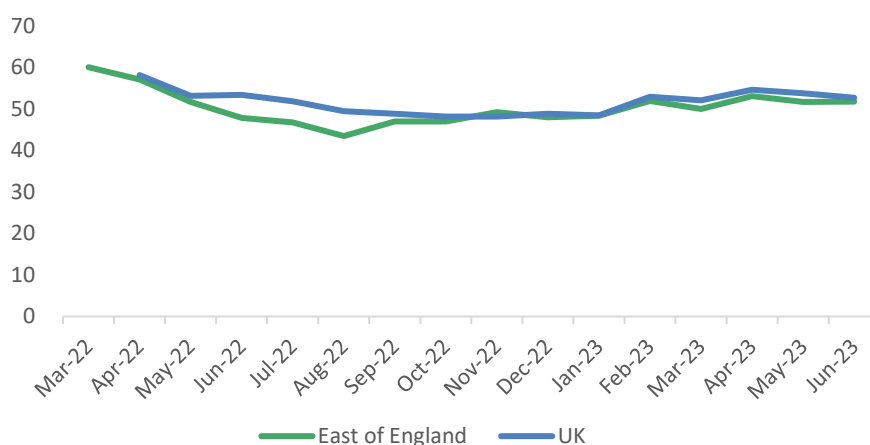


Source: ONS, Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions

The NatWest Business Activity Index is the first fact-based indicator of regional economic health published each month, tracking the monthly change in the output of goods and services across the private sector. This index has a value range from 0 to 100. If a value above 50, then signals growth, and the further above the 50 level, the faster the expansion signalled.

It is no surprise that the business activity index fluctuates and generally decreases for both the East and the UK over the year. As of June 2023 (most recent data), business activity UK-wide and for the East were above the 50-growth mark, where the UK was at 52.7, East of England was at 51.8. This decreasing trend might be due to consumers reducing expenditure, customers shrinking demand and trading market uncertainty.<sup>9</sup>

**Figure 4: Business activity index**



Source: NatWest, UK regional PMI report (2022, 2023)

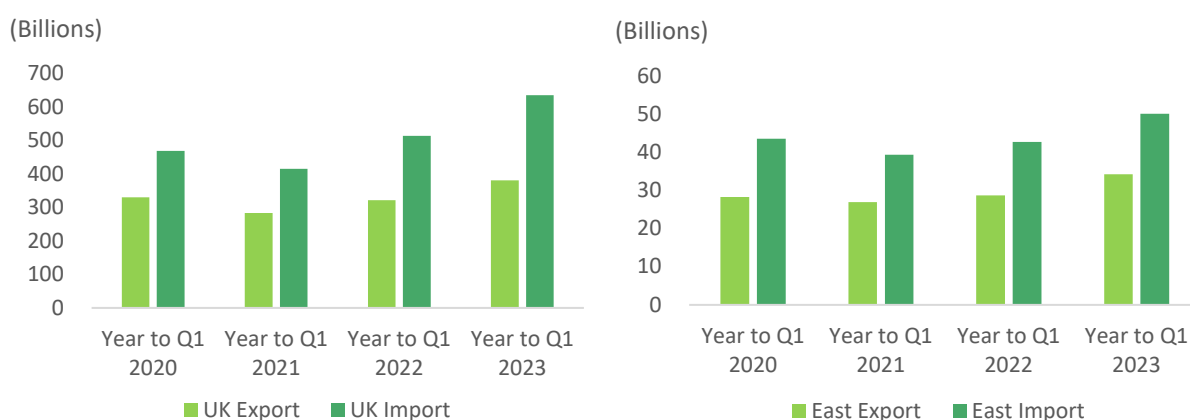
<sup>9</sup>NatWest, UK regional PMI report (2022,2023)

## 3.2 Trade

All regions and nations in the UK saw substantial decreases in annual value of exports and imports in the year to Q1 2021, with substantial increases thereafter. In the year ending Q1 2023, the overall value of UK and East of England trade in goods increased 18.5% and 19.4% for exports and by 23.5% and 17.2% for imports, respectively.

Looking into the values, we can see that the East of England exported £34.24 bn worth of goods and imported £50.05 bn during the year ending Q1 2023 (Figure 5). This represents a widening trade in goods deficit of £15.81 bn, an increase from the trade deficit of £14.03 bn (export £28.69 bn, import £42.72 bn) in the year ending Q1 2022.

**Figure 5: Value of Exports and Imports in the UK and the East of England**



Source: National statistics, UK Regional Trade in Goods Statistics (2019-2023)

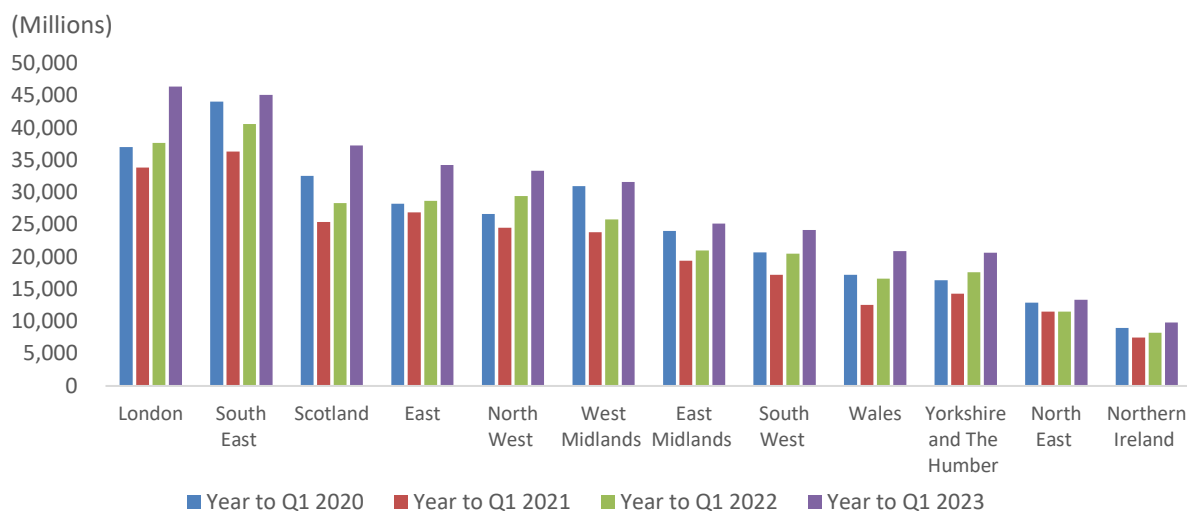
The current economic performance follows the problems brought on by the initial shocks of the pandemic and a global cost of living crisis which have overshadowed the impacts of Brexit. However, there are still some damaging after-effects. Firstly, trading with EU has more difficulties and challenges, including VAT requirements and additional service procedures. Secondly, combined with Covid-19 impactions, labour shortages further complicate trade across all sectors and all locations, which has been particularly evident in occupations such as HGV drivers, and healthcare workers.

### 3.2.1 Export

The latest data (Year to Q1 2023) shows that the East of England accounted for 12.5% of England's goods exports and 9.0% of UK's goods exports, above all regions and nations except London (16.9% of England, 12.2% of UK) the South East (16.5% of England, 11.9% of UK) and Scotland (9.8% of UK).

The annual data reflects a sustained fall in exports between 2019 and 2020 across all regions and nations, although the fall is proportionally less in the East, exporting £26.7 bn in 2020, approximately £2.2 bn lower compared to 2019. After some recovery, the total value of export increases to £28.7 bn in 2021, and £33.3 bn in 2022, which is £4.4 bn higher than that in 2019.

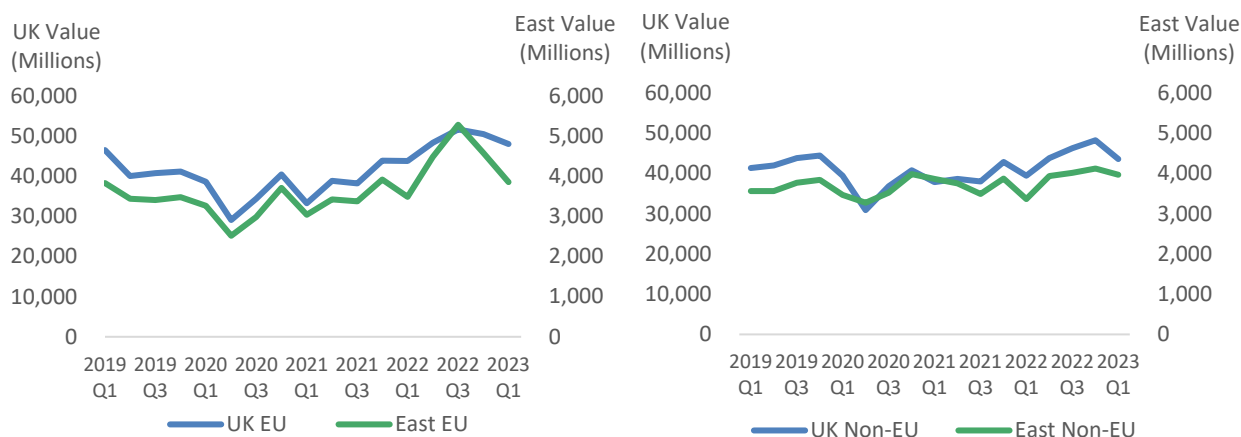
**Figure 6: UK Exports by Regions and Nations**



Source: National statistics, UK regional trade in goods statistics (2019-2023)

The highest value of goods exports from the East was to the EU at £18.2 bn (53.2% of total exports). The value of exports to the EU has increased by £4 bn (+28.1%) from the year ending Q1 2022, more than that of non-EU exports (+£1.6 bn and +10.7%). Figure 7 below shows a slight increase in both EU and non-EU exports from the East by quarter since the first quarter of 2019.

**Figure 7: EU Exports and Non-EU Exports in the East of England and the UK**



Source: National statistics, UK regional trade in goods statistics (2019-2023)

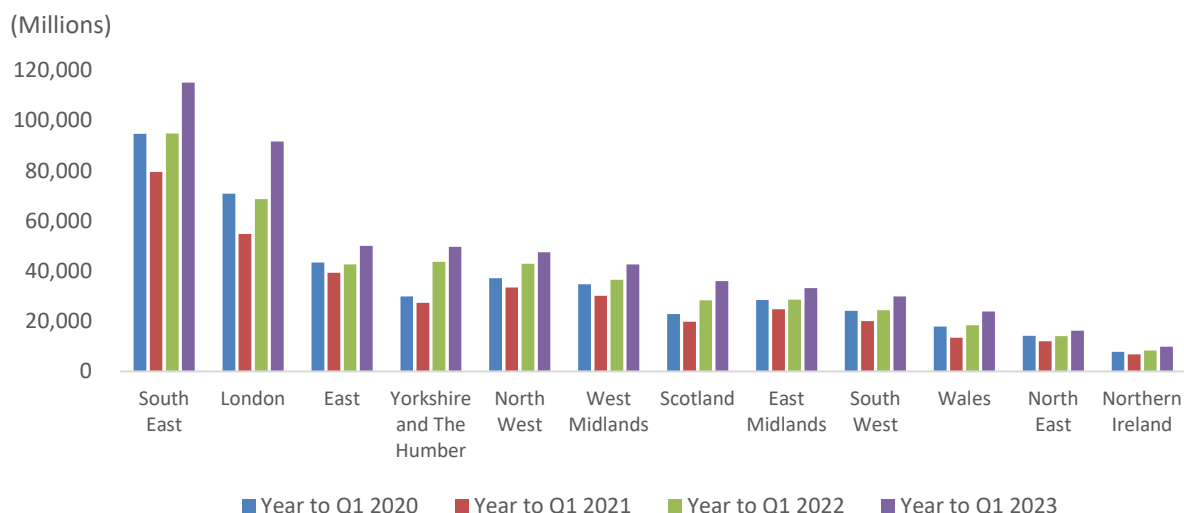
### 3.2.2 Import

The latest data (Year to Q1 2023) shows that the East of England accounted for 12.5% of England’s goods imports, above all regions except London (16.9%) and the South East (16.5%).

The annual data reflects a sustained fall for all regions and nations between 2019 and 2021: the East imported £40.4 bn and £40.0 bn each respectively in 2020 and 2021, approximately

£5 bn lower each year compared to 2019. After some recovery, the total value of imports increases to £49.4 bn in 2022, which is £4 bn higher than that in 2019.

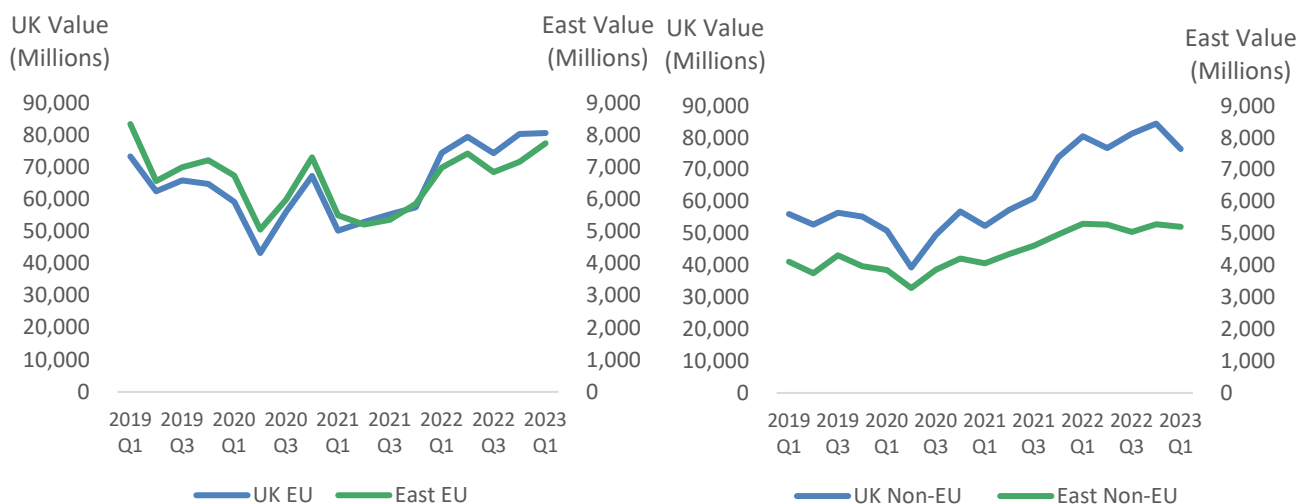
**Figure 8: UK Imports by Regions and Nations**



Source: National statistics, UK regional trade in goods statistics (2019-2023)

The highest value of imports to the East was also from the EU at £29.2 bn (58.4% of total imports). The value of imports from the EU has increased by £5.8 bn (+24.6%) from the year ending Q1 2022, more than that of non-EU imports (+£1.6 bn and +8.2%), although the trend since 2019 indicates a rise in non-EU imports compared to a fall in EU imports.

**Figure 9: EU Imports and Non-EU Imports in the East of England and the UK**



Source: National statistics, UK regional trade in goods statistics (2019-2023)

## 4 BUSINESS COMPOSITION

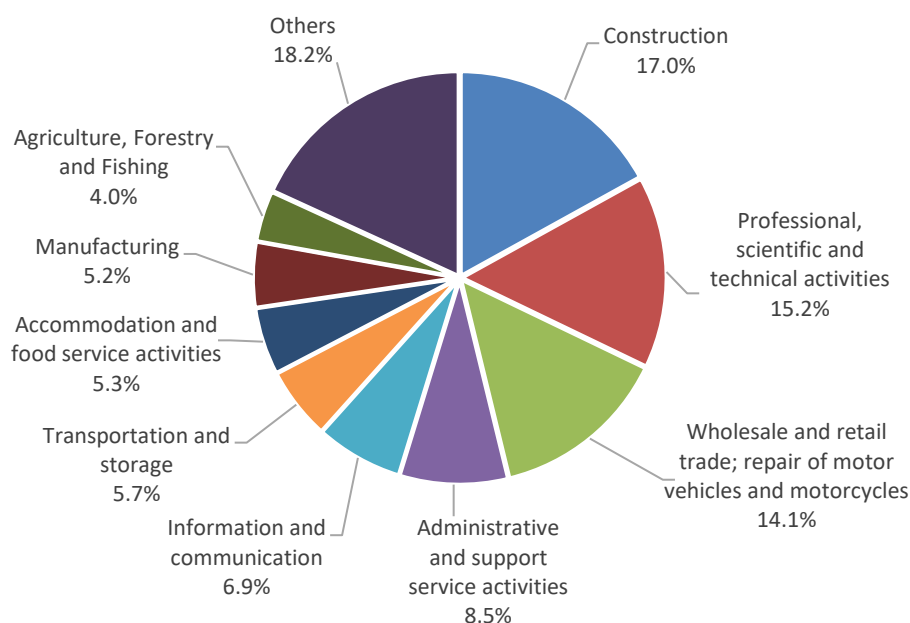
### 4.1 Sector profile for the East

Sector composition is key for regional economic performance. Regions need their own strengths and specialisms in key innovation sectors to drive productivity and growth.

#### 4.1.1 Sector profile

Across all business sectors, the top 3 sectors by number in the East are Construction (17.0%), Professional, scientific and technical activities (15.2%) and Wholesale and retail trade (14.1%).

**Figure 10: Ratio of business counts in the East of England for all sectors**



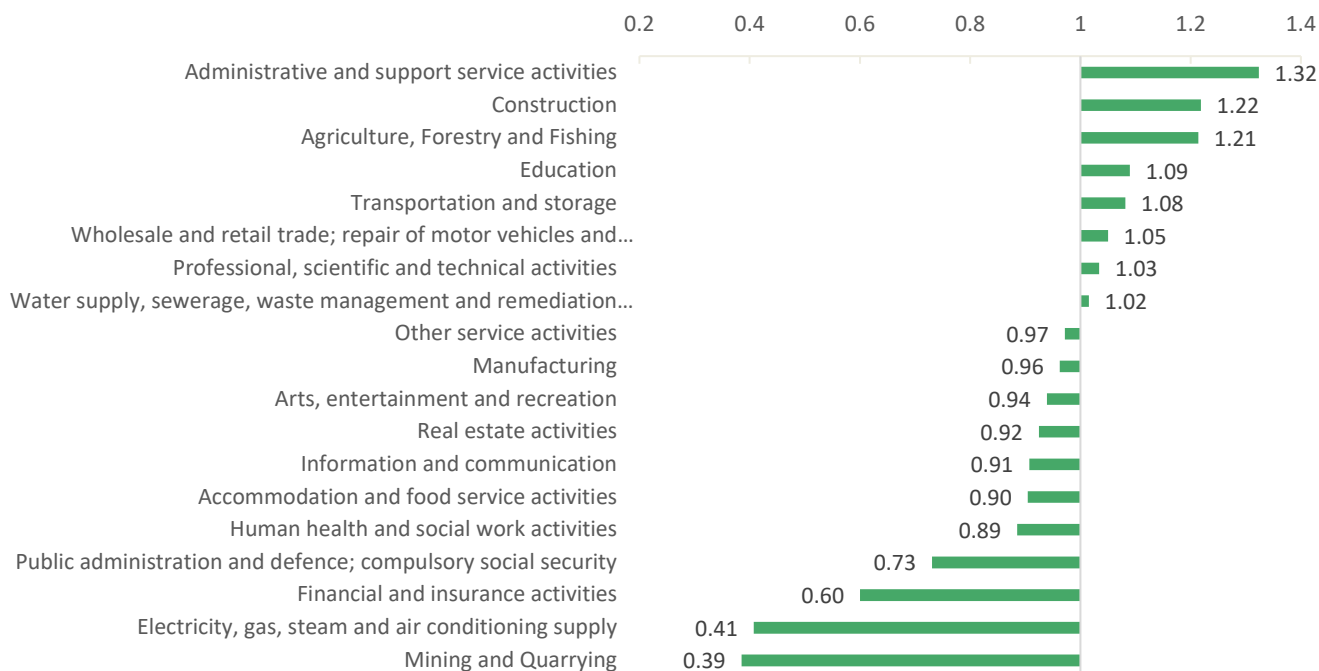
Source: Inter Departmental Businesses Register (IDBR), NOMIS, 2022<sup>10</sup>

<sup>10</sup> Note: "Others" includes the following sectors: Real estate activities, Other service activities, Human health and social work activities, Arts, entertainment and recreation, Financial and insurance activities, Education, Public administration and defence; compulsory social security, Water supply, sewerage, waste management and remediation activities, Electricity, gas, steam and air conditioning supply, Mining and Quarrying.

### 4.1.2 Specialisation

In the East of England, there are 8 sectors in total that have a relatively high level of specialisation, with Administrative and support service activities as the most specialised sector, and Mining and Quarrying as the least specialised sector compared to the UK level.

Figure 11: East of England Location Quotient (All sectors)



Source: Inter Departmental Businesses Register (IDBR), nomis, 2022

## 4.2 Knowledge intensive businesses<sup>11</sup>

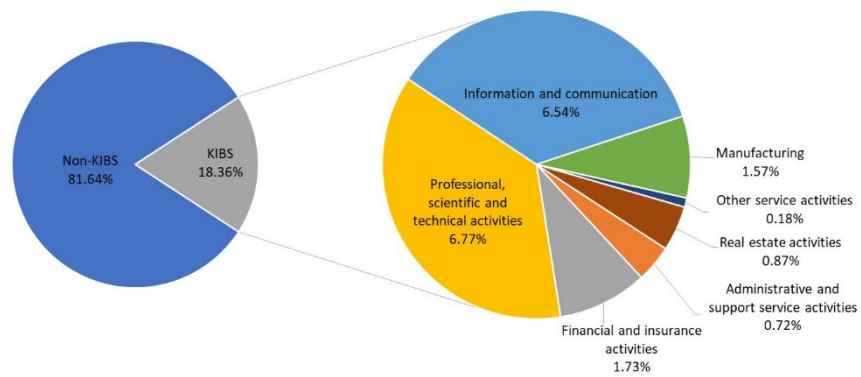
Knowledge intensive businesses (KIBs) occupy a central position in the innovation ecosystem, interacting with research institutions, and other organisations to drive technological and service innovations. They are strongly connected to productivity growth through their advances in research and development.

### 4.2.1 Sector profile

The East of England is a region with a high proportion of knowledge intensive businesses in a wide range of industries and sectors. As figure 12 below illustrates 18.36% of all businesses in the East are knowledge intensive. This compares with 18.78% nationally.

<sup>11</sup> Analysis is based on the definition of KIBs (selected SIC codes) applied by the Centre for Business Research, University of Cambridge, in their longitudinal analysis of the Cambridge economy. KIBs have been analysed at 5 digit level SIC codes and aggregated to 2 digits for representation in graphs.

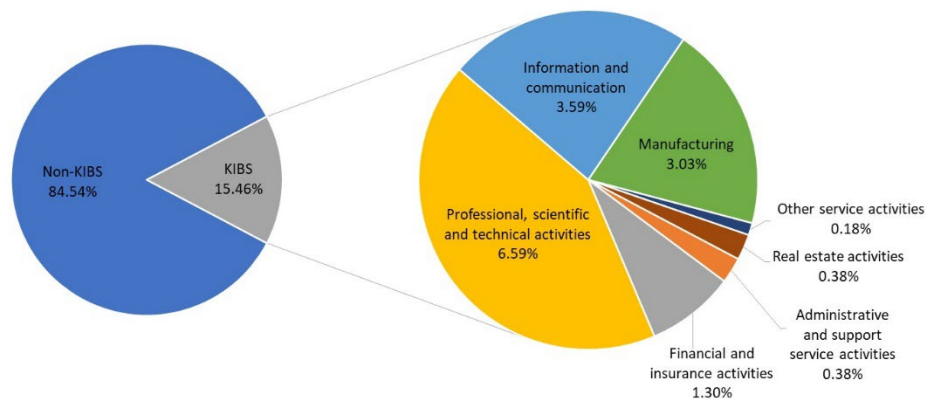
**Figure 12: Proportion of KIBs in East of England**



Source: Inter Departmental Businesses Register (IDBR), nomis, 2022

The East has a slightly lower proportion of employees in knowledge-intensive businesses, (15.46%) compared with 15.62% nationally.

**Figure 13: Proportion of employees in KIBs in East of England**



Source: Businesses Register and Employment Survey, nomis, 2021

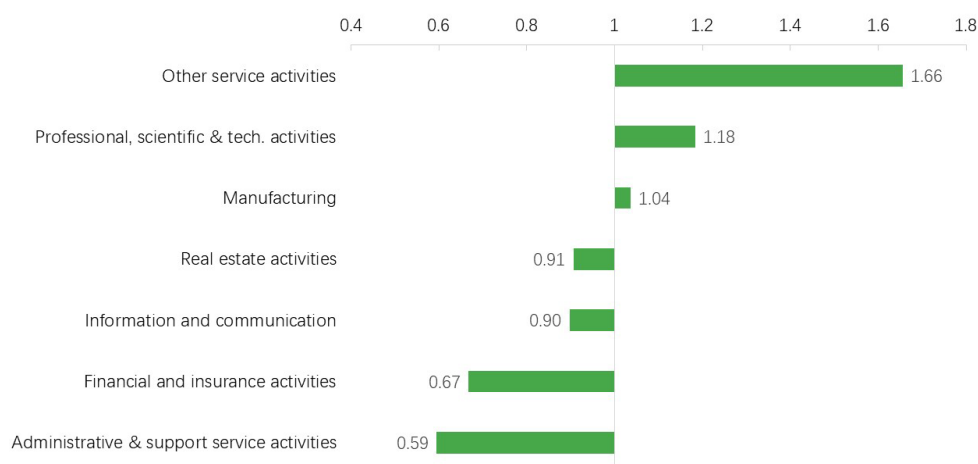
#### 4.2.2 Specialisation

The East has a relatively high level of specialisation in the following knowledge intensive sectors:

- Professional, Scientific and Technical
- Manufacturing
- Other service activities.



**Figure 14: Location quotients for KIBs in East of England**



Source: Inter Departmental Businesses Register (IDBR), nomis, 2022

KIBs are not evenly distributed across the region, with the highest concentration clustered in and around Cambridge. However, most districts in the region can evidence at least one area of specialisation, relative to the national average.

*“The key to nurturing a strong sector composition is investment in high value-added sectors, like advanced manufacturing and information and communication. The transition to Net Zero, for example, represents a generational opportunity to rebuild the manufacturing base, upskilling workers in new energy generation and operation capabilities across the value chain from construction of solar farms, heat networks and hydrogen pipelines to electric vehicles and charging infrastructure. A one-size fits all approach won’t work though, and regions need to understand their own strengths, weaknesses, and sub-sector opportunities.*

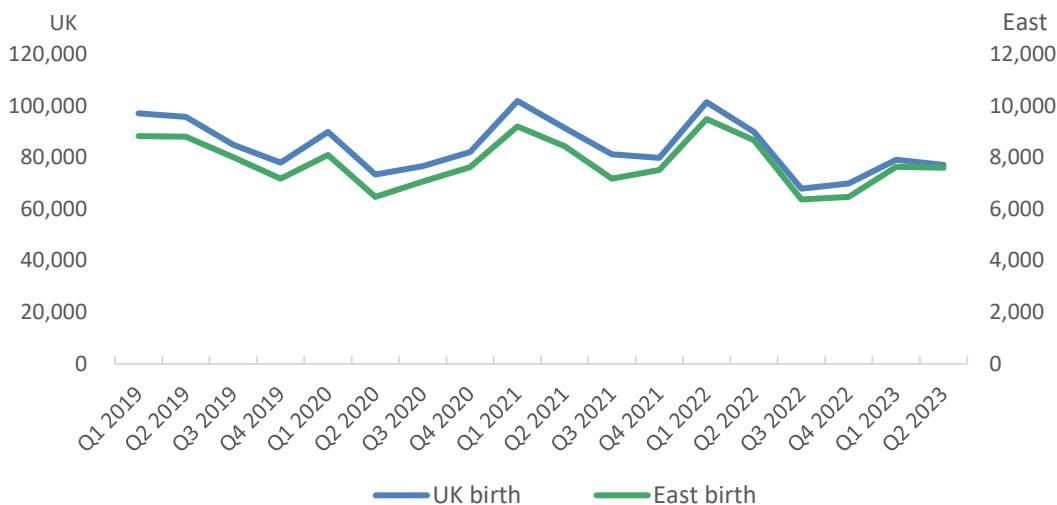
*“High value sectors won’t function without a high value workforce and, too often, regions struggle to retain and uplift their skill bases. Fixing this needs to be approached from several angles: graduate and skills retention relies not just on the development of well-paid jobs, but strategic planning on the broader set of social, environmental and structural components that determine the quality of life in a given region too.” EY<sup>12</sup>*

### 4.3 Business formation

There were 7,595 enterprise births in the East of England in 2023 Q2. This was a decrease of 13.9% (-1,225) since 2019 Q1. This compares with a decrease of 20.6% UK-wide during the same period. As shown in Figure 14, below, the number of business births for both the East and the UK are fluctuating and slightly decreasing in general.

<sup>12</sup> <https://www.cambridgenetwork.co.uk/news/east-england-set-be-one-uks-fastest-growing-regions-next-few-years-finds-latest-ey-report>

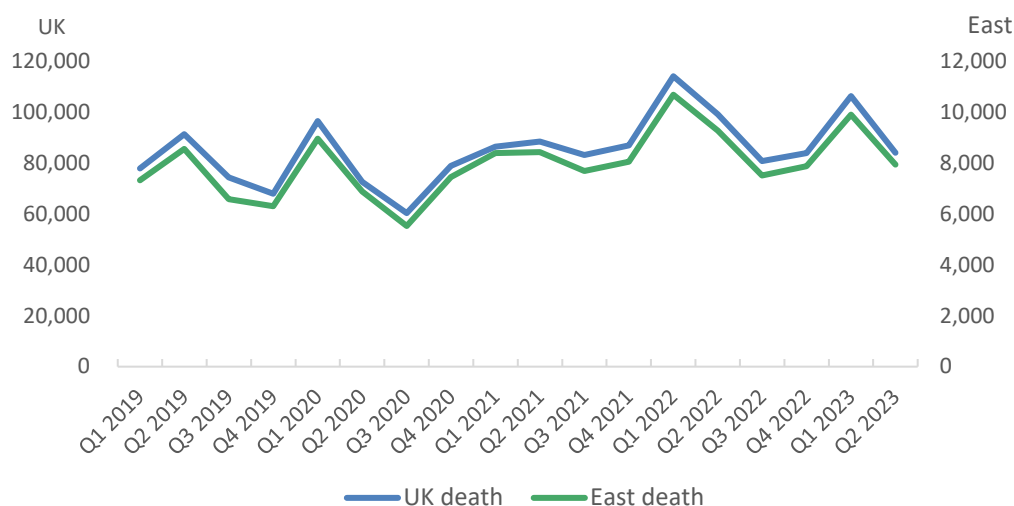
**Figure 15: Count of business births**



Source: ONS, Business demography, quarterly experimental statistics, low-level geographic breakdown, UK, July 2023

Many businesses and households were fighting against a succession of economic shocks. Inevitable financial pressure is, unfortunately, leading to some closure of business. There were 7,955 enterprise deaths in the East in 2023 Q2. This was an increase 8.5% (620) compared to an increase 7.9% UK-wide since 2019 Q1. This is consistent with the national trend, but the East of England has fared worse. Moreover, as shown in Figure 16, the number of business deaths for both the East and the UK are fluctuating and slightly decreasing in general comparing Q2 2023 with Q1 2019.

**Figure 16: Count of business deaths**

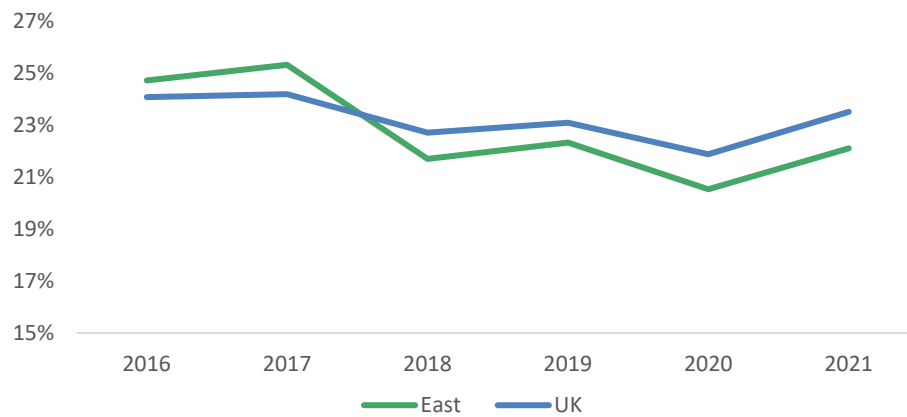


Source: ONS, Business demography, quarterly experimental statistics, low-level geographic breakdown, UK, July 2023

The figures above show a decline in business births and a rise in death for the East and the UK between 2019 and 2023 with more closures than new start-ups for most of the time.

Another useful indicator is the churn rate, which is equivalent to the birth rate plus death rate. This serves as a valuable metric for gauging the dynamism of a business environment. This dynamism is closely linked to productivity, as the presence of heightened competition often catalyses innovation, subsequently driving productivity gains. Consequently, an uptick in birth and death rates can be interpreted as indicative of a scenario where new, more efficient firms are replacing less productive ones.

**Figure 17: Business churn rates in the East and the UK (2016-2021)**



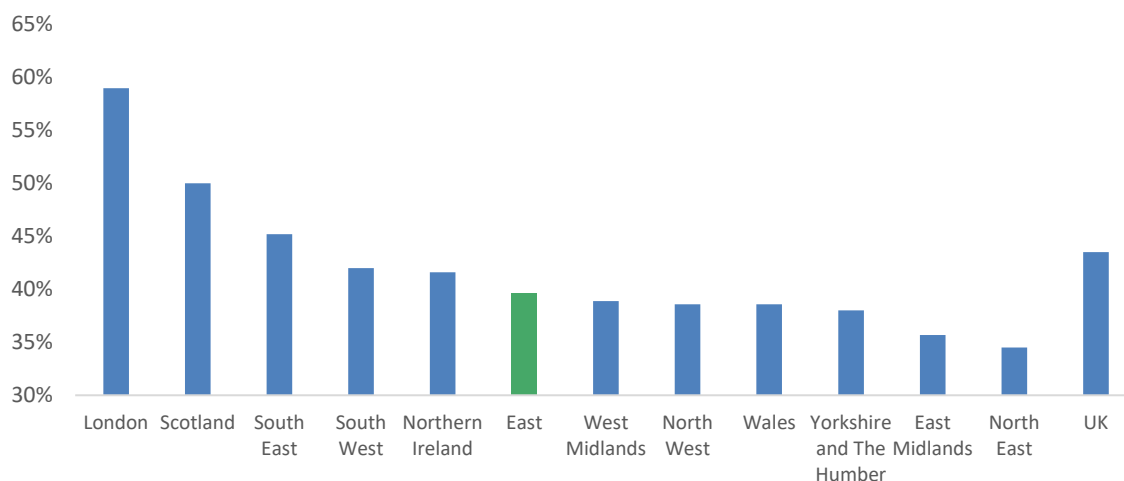
Source: ONS, Business demography, UK, 2022

## 5 EDUCATION AND SKILLS

### 5.1 High level qualifications (NVQ4+)

Approximately 40% of the population in the East of England are educated to NVQ 4+ against the UK average of 43.5%. This places the East as a middling region for higher level skills.

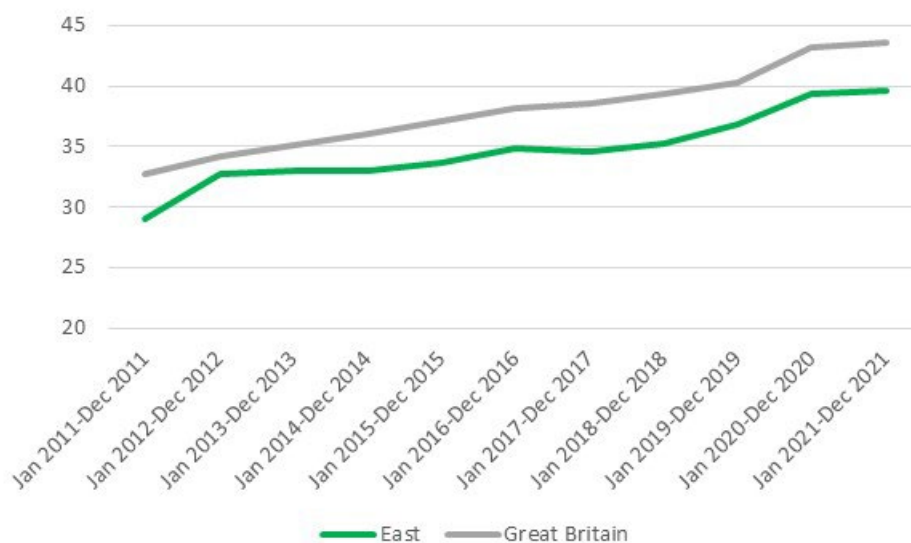
**Figure 18: Percentage of people in the regions of England with NVQ Level 4+ qualifications (2021)**



Source: ONS, Highest level of qualification, Mar 2023

The proportion of the population educated to NVQ4+ continues to rise in the East of England, although it also continues to lag the national average, without narrowing the gap. In 2021, the proportion of the working age population (aged 16-64) with NVQ 4+ qualifications increased in the East of England by 0.85% (approximately £1.50 m, from £1.48m in 2020). This compared to a UK increase of 1.2%.

**Figure 19: Percentage of 16-64s with NVQ 4+**



Source: Nomis, May 2023

## 5.2 Qualifications and school leaver destinations

Educational performance at GCSE continues to outperform the national average, although lagging behind in the achievement of higher-grade A-levels.

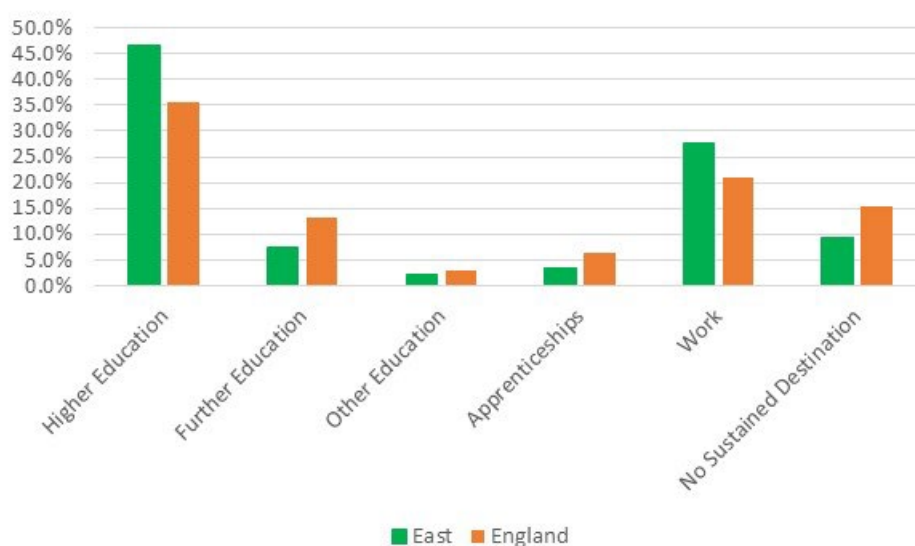
**Table 4: Secondary education outcomes**

% pupils achieving 9-5 pass in English and Maths									
	2015	2016	2017	2018	2019	2020	2021	2022	% Change
East of England	-	-	43.70	43.90	43.20	50.10	51.90	50.00	6.30
England	-	-	39.60	40.20	40.10	46.30	48.40	46.80	7.20
% students achieving grades AAB or better at A level, of which at least two are in facilitating subjects									
	2015	2016	2017	2018	2019	2020	2021	2022	% Change
East of England	12.60	14.20	14.40	14.10	13.70	21.20	25.00	20.30	7.70
England	14.70	17.00	17.00	15.90	15.80	24.20	28.60	23.00	8.30

Source: Local Authority Information Tool, DfE, 2023

However, the most recent data indicates that school leavers in the East of England are more likely to enter higher education (46.7%) than the national average (35.7%) with more school leavers also progressing directly into work, despite a significant drop-off in the numbers of young people progressing into apprenticeships, both locally and nationally. See figure 20, below.

**Figure 20: Destinations for 16-18-year-olds, 2020/21**



Source: DfE Destination Dataset<sup>13</sup>

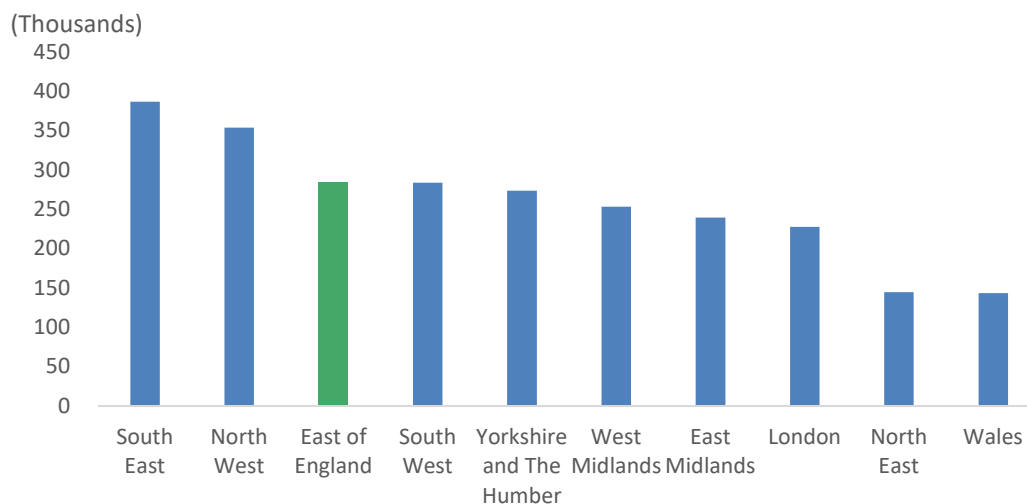
## 5.3 Apprenticeships

There were 110,300 apprenticeship starts (aged 16-64) in the East in the year 2021, a decrease of 0.45% (-500) since 2020. Similar patterns were observed nationally with a drop

<sup>13</sup> <https://explore-education-statistics.service.gov.uk/find-statistics/16-18-destination-measures/2020-21#releaseHeadlines-summary>

of 1.25% (14,500). The proportion of the working age population (aged 16-64) educated to Apprenticeship qualifications in the East is 2.9%, against the UK average of 2.8% in 2021.

**Figure 21: Number of people with Apprenticeship qualifications in all England regions and Wales (2021)**



Source: ONS, Highest level of qualification, March 2023

There has been a substantial fall in the total number of all apprenticeships since 2017/18. When examining the number of apprenticeships at "Advanced," "Higher," and "Intermediate" levels in the East and England, we can observe consistent trends at each level in both the East and the England.

From 2017/18 to 2022/23, there is a notable 87.2% increase in higher-level apprenticeships in the East (94.5% in England). These include degree apprenticeships that are more commonly taken by adults already employed in the workforce. Conversely, there is a significant decrease in advanced-level apprenticeships, and intermediate-level apprenticeships. Moreover, the number of intermediate-level apprenticeships (those likely to be taken up by school leavers aged 16+) has the most substantial decline with a 62.9% reduction in the East (61.1% in England). These are illustrated in Figure 22 below.

**Figure 22: Apprenticeship starts in England and in the East (2017/18-2022/23)**

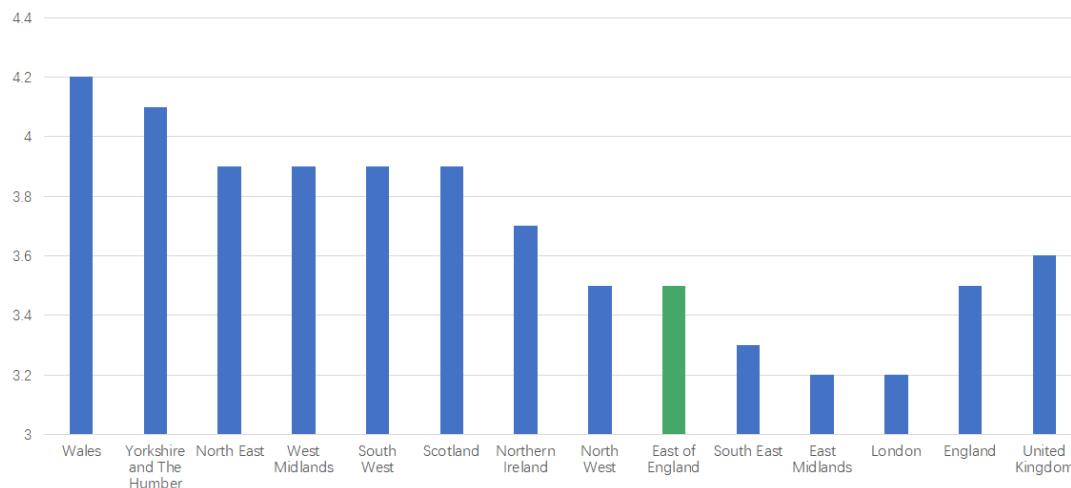


Source: GOV UK, Apprenticeships and traineeships, 2023

## 5.4 Work-based training

In terms of training among the exist workforce, the East is among the lowest performing regions and nations in the UK with an average of 3.5 training days per employee per year, just in line with the English average.

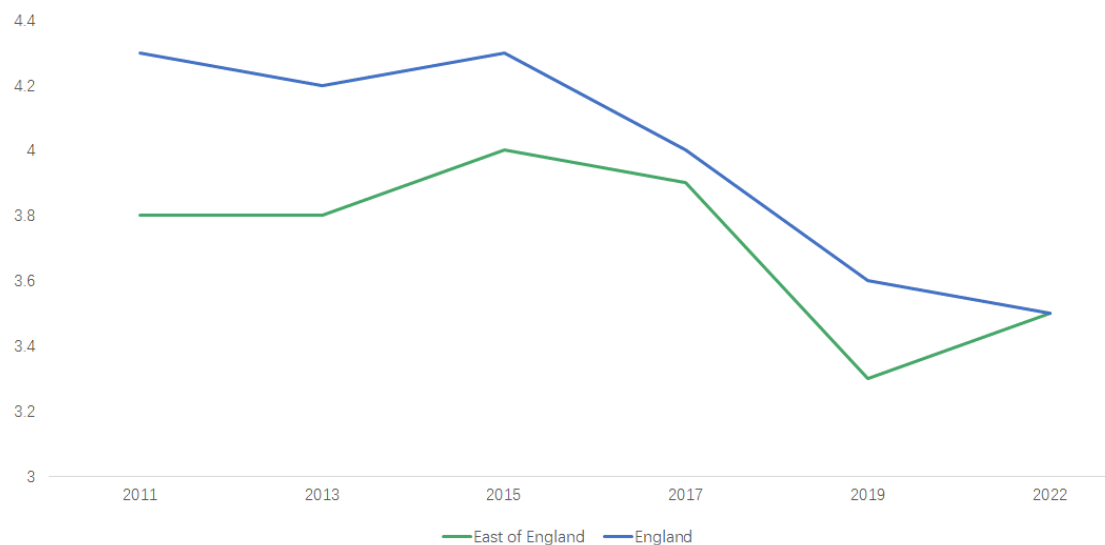
**Figure 23: Average number of days training per employee in all regions and nations in 2022**



Source: Employer Skills Survey 2002, DfE 2023

Over the past decade the level of training among employees has fallen slightly, both nationally and regionally (see Figure 24). This is from a relatively low base, reflecting low levels of investment in work-based training (see Figure 27).

**Figure 24: Trend of the average number of days training per employee from 2011 to 2022**

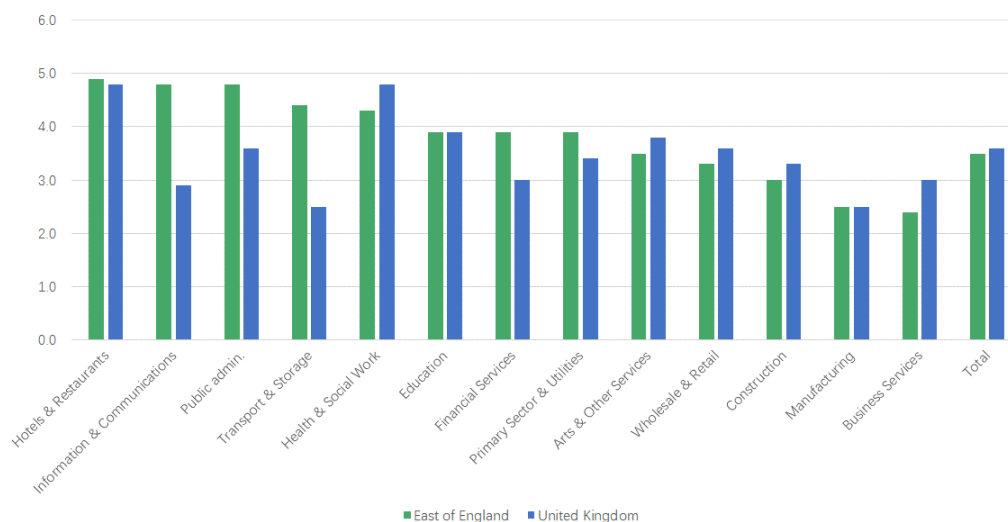


Source: Employer Skills Survey 2002, DfE 2023

Low levels of training by employees are widespread across all industries, with employees in manufacturing (2.5 days) and business services (2.4 days) having the least number of training days among employees in the East.



**Figure 25: Average number of days training per employee by sector in 2022**

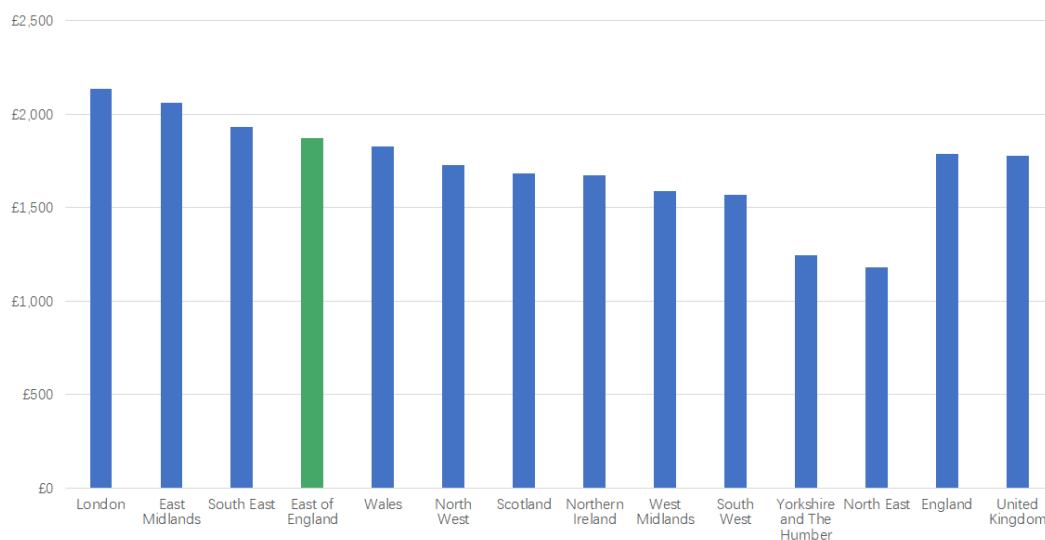


Source: Employer Skills Survey 2002, DfE 2023

## 5.5 Investment in training

Investment in training per employee is £1,870 in the East. This is broadly in line with the national average and higher than most other regions and nations, except for London, East Midlands and the South East.

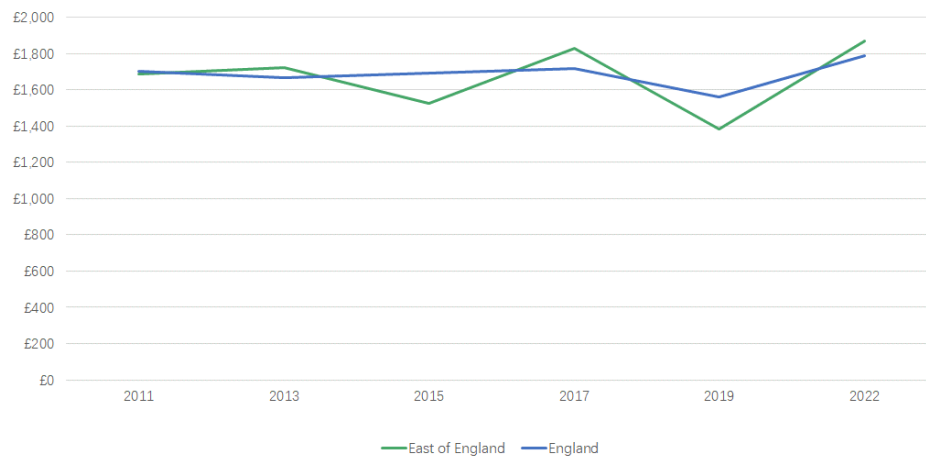
**Figure 26: Investment in training per employee in all regions and nations in the UK in 2022**



Source: Employer Skills Survey 2002, DfE 2023

Investment in training per employee has remained relatively flat over the past decade.

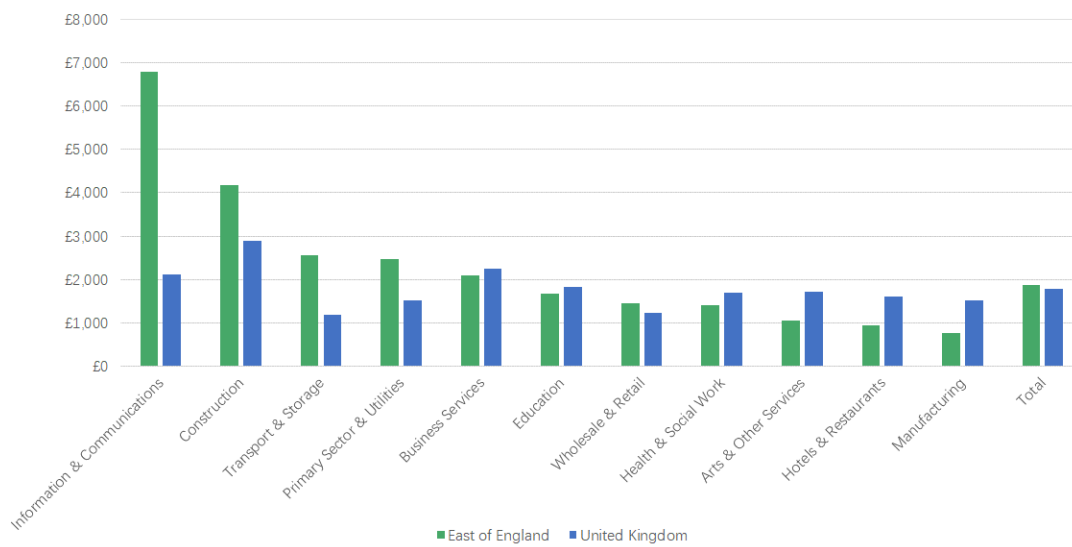
**Figure 27: Investment in training per employee from 2011 to 2022**



Source: Employer Skills Survey 2002, DfE 2023

Investment is relatively low across all industries (with an average £1,870 per employee), except for Information and Communications (£6,797 per employee) and Construction (£4,185 per employee).

**Figure 28: Investment in training per employee by sector in 2022**



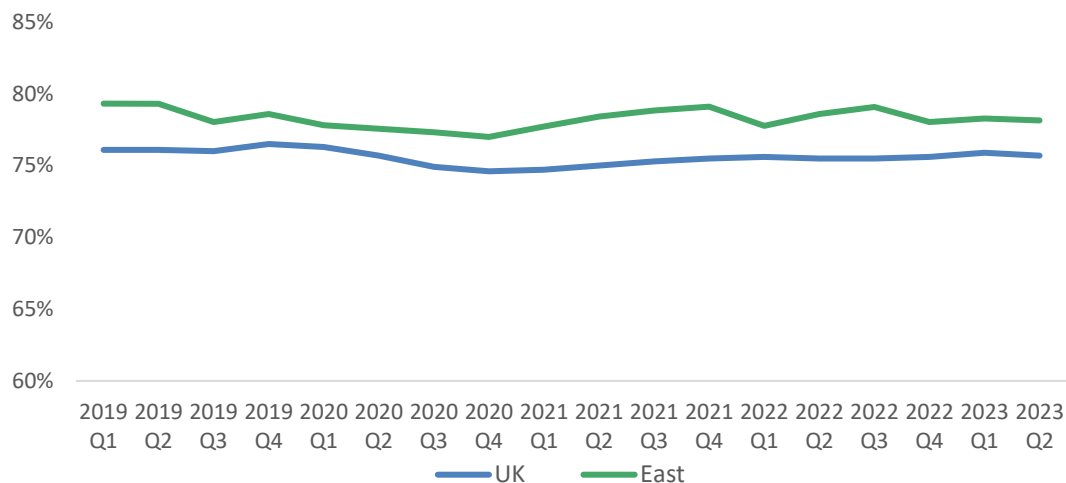
Source: Employer Skills Survey 2002, DfE 2023

## 6 LABOUR MARKET

### 6.1 Employment

The employment rate in the East has remained at a level (approximately 78%) above the UK average (approximately 75%) for last four years.

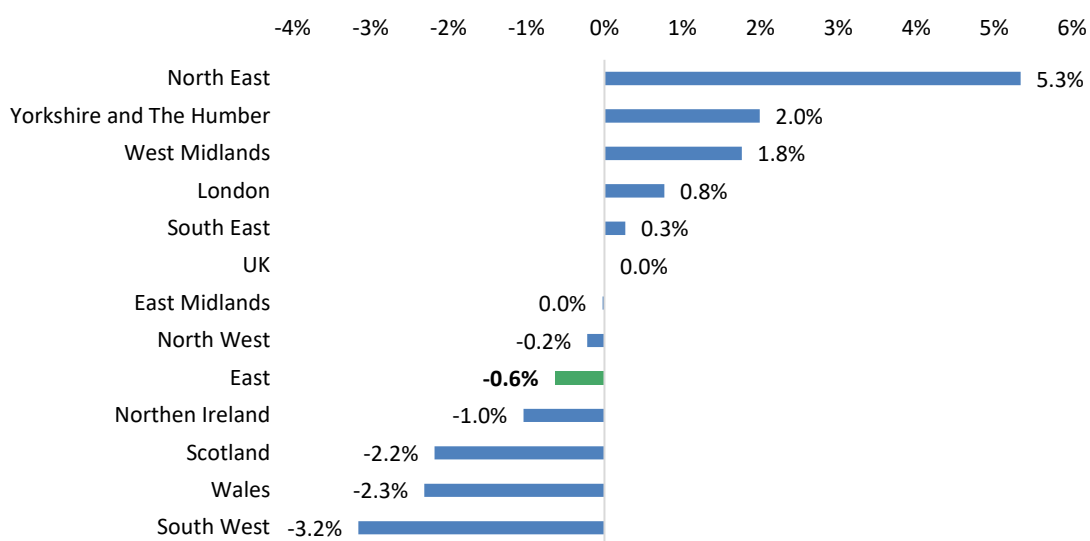
**Figure 29: Employment rate for aged 16 to 64 (2019 Q1-2023 Q2)**



Source: ONS, Labour Force Survey, Aug 2023

However, considering the employment growth over the same period, the East shows a slightly lower level (-0.6%) compared to the UK average growth.

**Figure 30: Employment growth over the last four years (Deviation of employment change from UK, 2019 Q2 to 2023 Q2 in percentage points)**

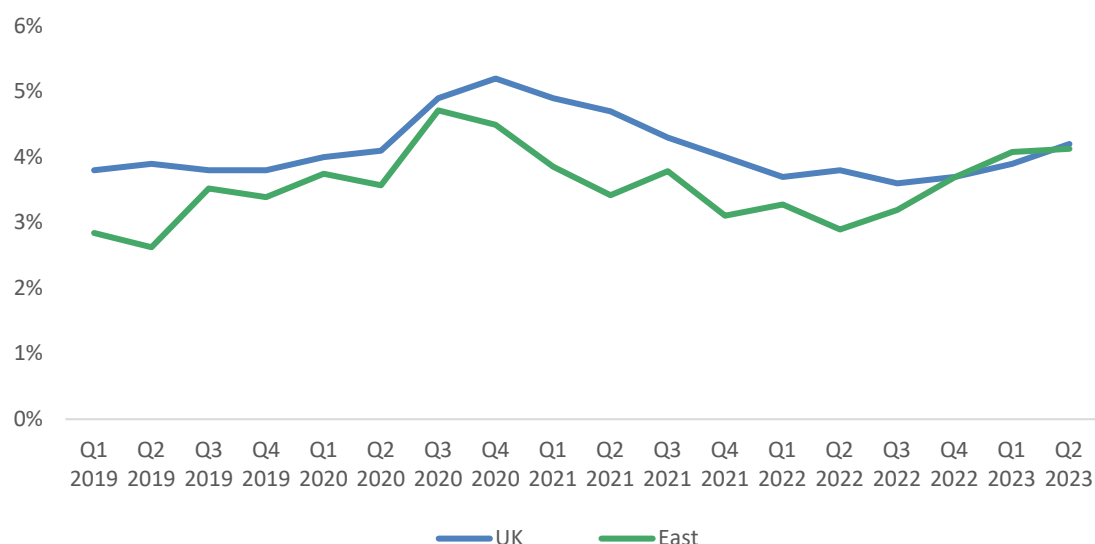


Source: ONS, Labour Force Survey, Aug 2023

## 6.2 Unemployment rates

For Q2 2023, the unemployment rate (aged 16 and over) is 4.13% in the East, which has increased by 1.23% from the previous year. The UK unemployment rate is 4.2% and has increased by 0.3% from the previous quarter and increased by 0.4% from the previous year. Unemployment in the East has been rising at a faster rate than the national average since Q2 2022.<sup>14</sup>

**Figure 31: Unemployment rate for aged 16+ (2019 Q1-2023 Q2)**



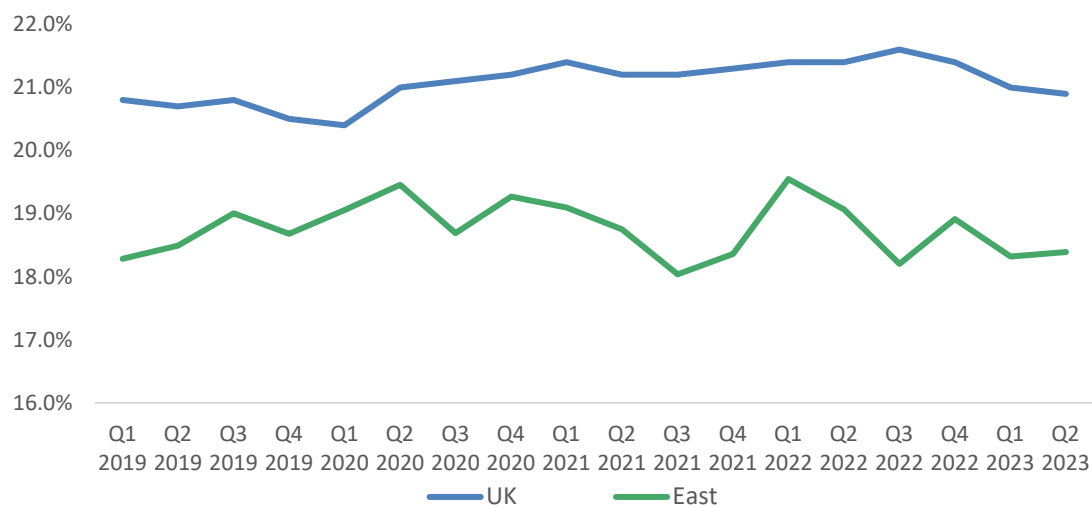
Source: ONS, Labour Force Survey, Aug 2023

## 6.3 Economic inactivity

In Q2 2023, the East of England economic inactivity rate (aged 16-64 years) was 18.4%, a decrease of 0.7% when compared to the same quarter in the previous year. The UK economic inactivity rate was 20.9%, a decrease of 0.1% from previous quarter and a decrease of 0.5% from previous year.

<sup>14</sup> Note that, the denominator used to calculate this unemployment rate is not the number of all people in this age interval, but the number of total economically active people, which equals Employment plus Unemployment.

**Figure 32: Economically Inactivity rate for aged 16 to 64 (2019 Q1-2023 Q2)**

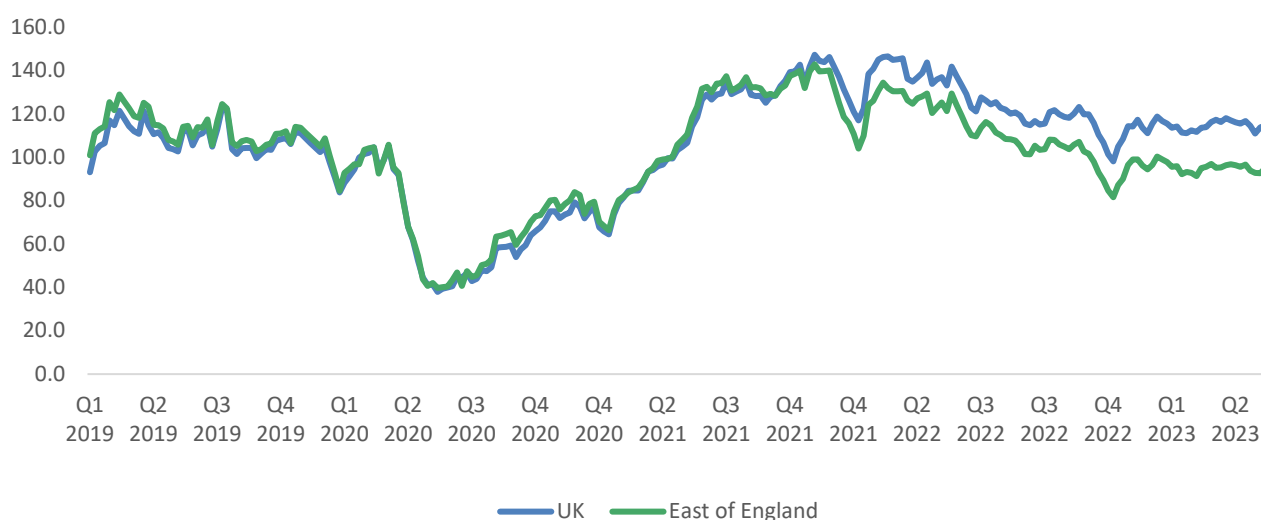


Source: ONS, Labour Force Survey, Aug 2023

## 6.4 Vacancies

The number of job vacancies in the UK as of Q2 2023 was 1,034,000, a decrease of 85,000 (7.6%) from the Q1 2023. Vacancies were already falling from Q1 2019 but decreased sharply from Q1 2020 following the national lockdown. This trend also can be seen from the Figure 33 below, where vacancies are represented by the number of adverts treating average level in February 2020 as index 100. East of England has a similar trend with the UK in last four years, but a more significant decrease in vacancies since Q2 2022.

**Figure 33: All vacancies (adverts measure indexed with February 2020) in the East and the UK**

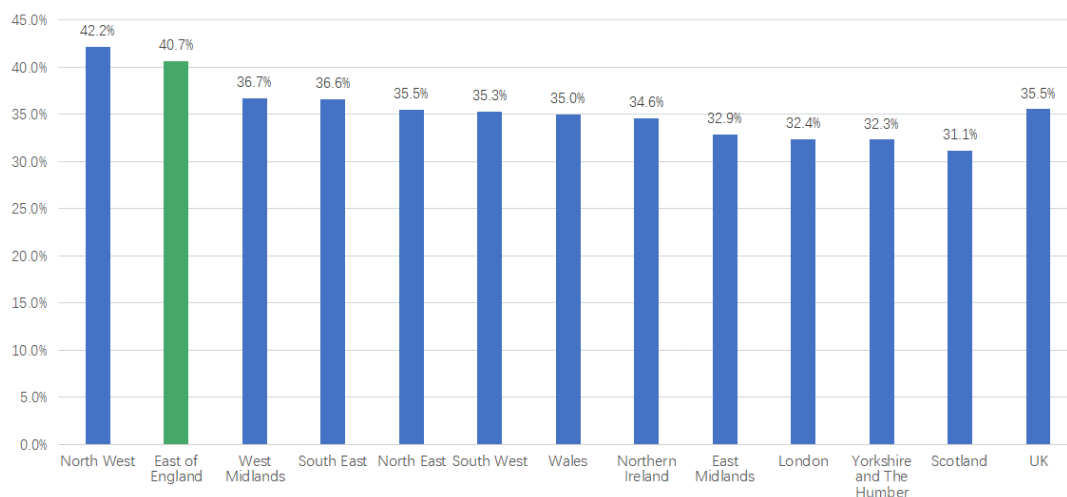


Source: ONS, Online job advert estimates, 2023

## 6.5 Skill shortages (2022)

Among all regions and nations in the UK, the East of England has the second highest levels of vacancies relating to skill-shortages, with 40.7% (i.e. 55,911) of all vacancies relating to skill-shortages, compared to the UK average of 35.5%.

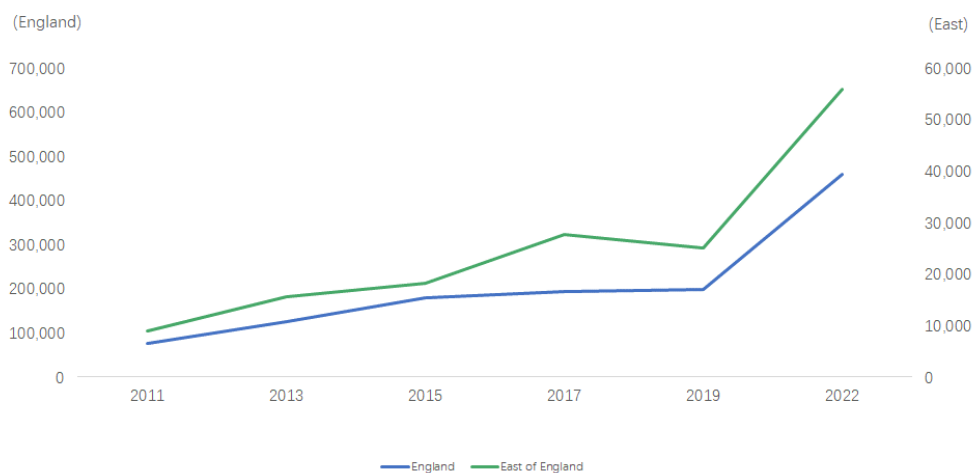
**Figure 34: The proportion of skill-shortage vacancies in all vacancies in the UK (2022)**



Source: Employer Skills Survey 2002, DfE, 2003

The number of skill shortage vacancies in the East has risen over the past decade, with a steep increase since 2019.

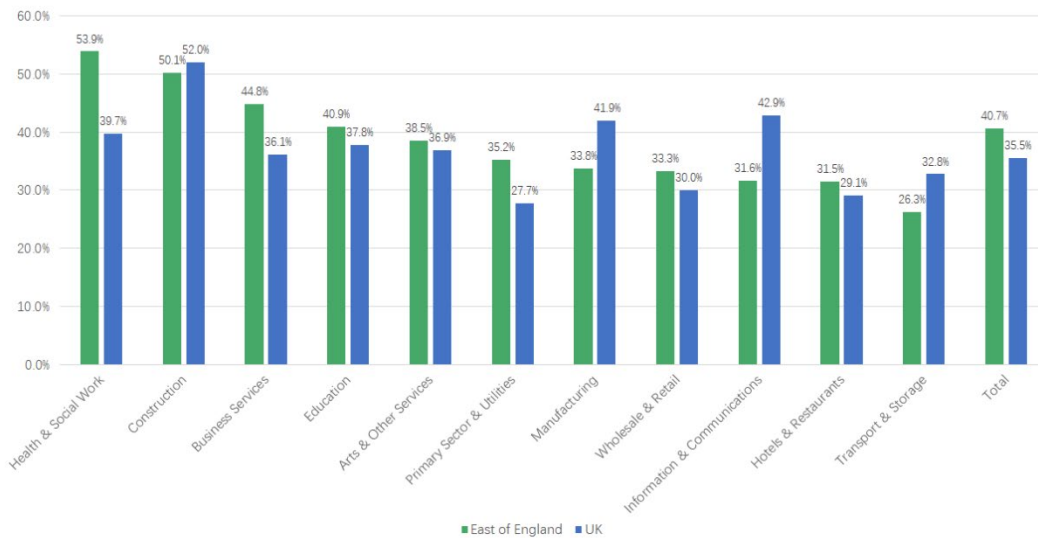
**Figure 35: Numbers of skill shortage vacancies for the East and England from 2011 to 2022**



Source: Employer Skills Survey 2002, DfE, 2003

All industries across the East are experiencing skill shortages with Health and Social Care (53.9%), Construction (50.1%) and Business Services (44.8) among the highest.

**Figure 36: The proportion of skill shortage vacancies to all vacancies by sector in 2022**



Source: Employer Skills Survey 2002, DfE, 2003

## 6.6 Skill gaps

Skill gaps relate to the skill deficiencies within the existing workforce. The East of England has the second highest proportion of skill gaps among all regions and nations with 6.35% of the workforce (180,269 employees) evidencing a skill requirement compared to 5.25% nationally.

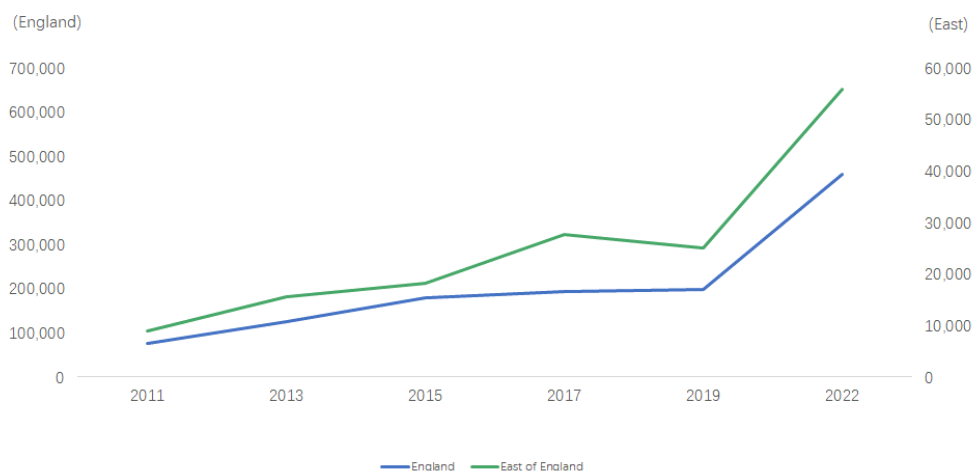
**Figure 37: The proportion of skill gaps in the UK (2022)**



Source: Employer Skills Survey 2002, DfE, 2003

The number of employees skill gaps has risen sharply since 2019, by over 50,000 in the East of England.

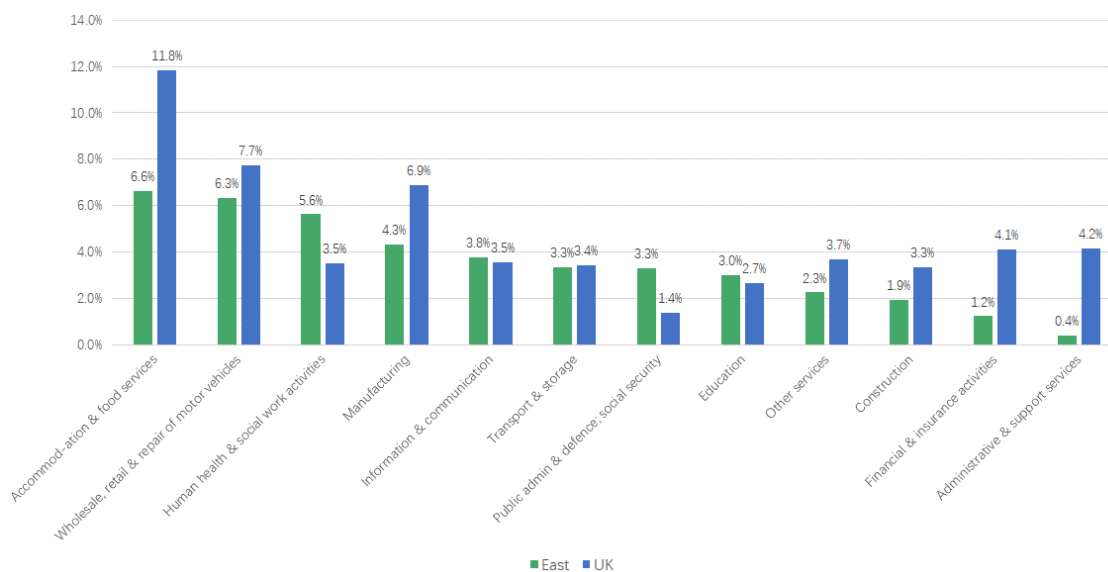
**Figure 38: Skill gaps for the East and England from 2011 to 2022**



Source: Employer Skills Survey 2002, DfE, 2003

All industries across the East are experiencing skill gaps with Accommodation and food services (6.6%), Wholesale and retail (6.3%) and Health and social care (5.6) among the highest.

**Figure 39: The proportion of skill gaps by sector in 2022**



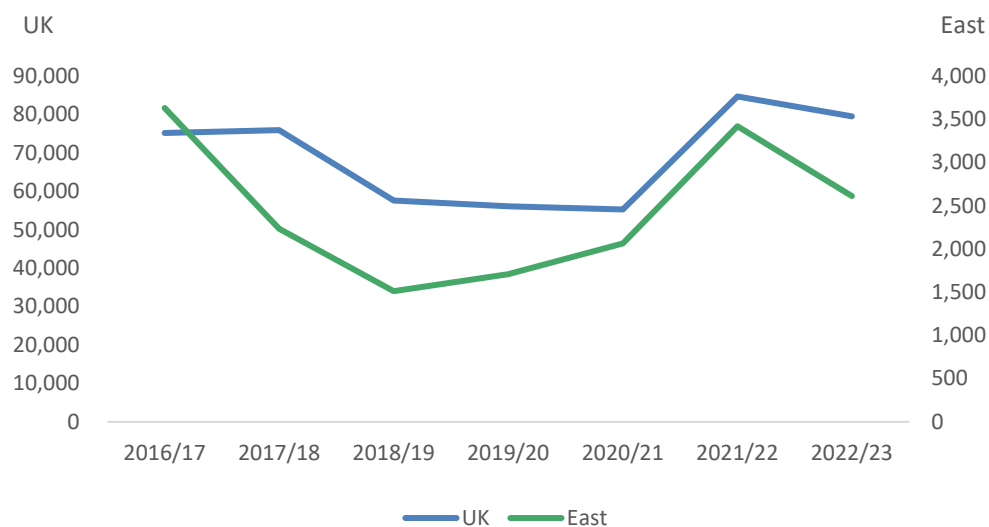
Source: Employer Skills Survey 2002, DfE, 2003

## 6.7 Job creation from Foreign Direct Investment (FDI)

There were 75 Foreign Direct Investment (FDI) projects creating 2,613 new jobs in the East of England in 2022/23. Compared to 2021/22, there was a decrease of 7.4% (-6) in projects and 23.6% (-808) in new jobs, while the UK increased by 4.1% and decreased by 6.1% respectively. During the 2022 to 2023 financial year, the East accounted for nearly 3.3% of all new jobs were created in the UK through FDI, and nearly 4.5% of FDI projects landed in the UK.



**Figure 40: Number of Jobs created from FDI in the East and UK**

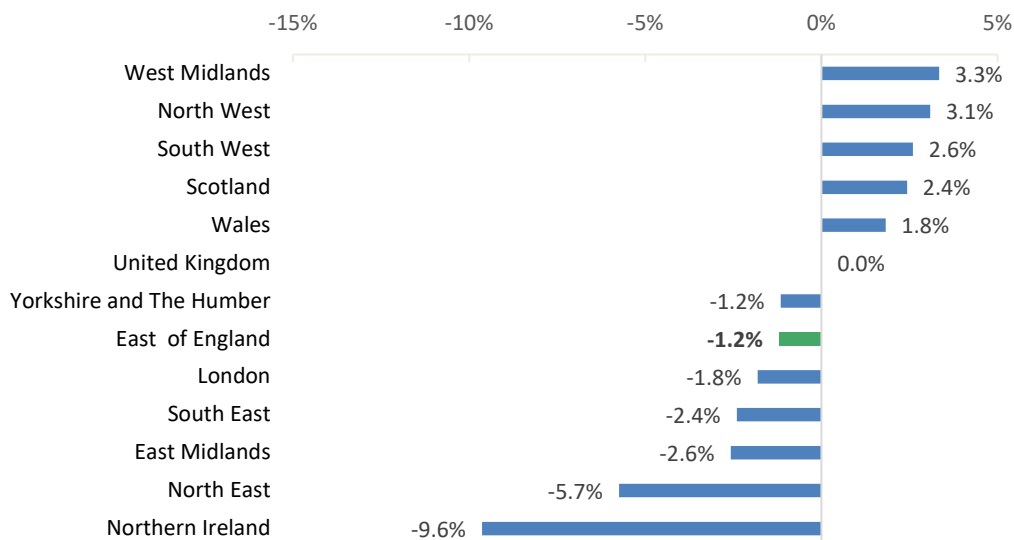


Source: Department for Business & Trade Inward Investment Results 2022-23.

## 6.8 Earnings

Although the average full-time annual earnings in the East have increased substantially from £653 to £789 per week, taking the change earnings in the UK over the last four years as a benchmark, earnings in the East have regressed during this period (-1.2%).

**Figure 41: Average (mean) gross weekly earnings of full-time employees by region (change in percentage of UK, 2019 Q2 to 2023 Q2)**



Source: ONS, Labour Force Survey, Aug 2023

## 7 SUMMARY

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The East of England has one of the largest and highest performing regional economies in the UK. In terms of Gross Domestic Product (GDP) the East of England is the fourth largest among all regions and nations. The region represents 8.5% of England's total GDP, amounting to £193bn. If the East were to match the South East's GDP per head this would provide a potential uplift of over £36 billion to the UK economy.

In terms of Gross Value Added (GVA) the East is the fourth most productive among all regions and nations in the UK, measured by both output per job and hour worked. Prior to the Covid 19 pandemic the East was one of only three regions to make a positive contribution to the national economy in terms of the balance of tax receipts to public spending.

The East has a relatively high level of specialisation across a number of key sectors with Construction (17.0%), Professional, scientific and technical activities (15.2%) and Wholesale and retail trade (14.1%) representing the three largest industries.

In addition, the region has a comparative advantage over other parts of the UK with a substantial proportion of businesses and employees in knowledge-based industries (e.g. scientific and technical activities, and advanced manufacturing) compared to the national average. It also has important assets for innovation and growth in high value sectors, including world class universities and research institutions.

The labour market has consistently performed above the national average with high levels of employment and economic activity - employment rates (78%) have remained above the UK average (75%) for the last four years.

The East is middling among all regions and nations for the proportion of adults with a higher-level qualification (NVQ level 4+), this continues to rise, although it still lags the national average, without signs of narrowing the gap. The East also has a higher proportion of school leavers entering higher education (46.7%) compared to England as a whole (35.7%).

However, despite some relative advantages the East has been negatively impacted by the aftershock of macro events (Covid-19, Brexit, the war in Ukraine) which have significantly hampered economic growth and contributed to a cost-of-living crisis.

There are signs that the region has begun to fall behind over the past four years – with negative wage growth, falling vacancies, poor business formation – fewer new enterprises and rising business closures, decreasing levels of Foreign Direct Investment, as well as an increasing trade deficit.

- GVA per hour worked is widely used as an indicator for productivity. Both the East and the UK have maintained low levels of growth but the gap between the East and UK average has gradually widened in recent years, from £2.03 in 2017 to £2.43 in 2021.
- The East shows a slightly lower level of employment growth (-0.6%) since 2019 compared to the UK average growth.

- Unemployment has started to rise while the number of job vacancies have decreased since 2019. The East of England has a similar trend to the UK over the last four years but a more significant decline in vacancies.
- Since 2019 there has been a sharp increase in the proportion of vacancies relating to skill shortages as well as skill gaps among the existing workforce, while levels of investment in work-based training have remained flat as participation rates in training have fallen.
- There has been a decrease (7.4%) in the number of FDI projects and a fall in FDI jobs (23.6%), while the UK increased by 4.1% and decreased by 6.1% respectively.
- Full-time annual earnings in the East have increased substantially from £653 to £789 per week, but compared to the change in earnings in the UK over the last four years the East has regressed during this period (-1.2%).
- The annual values of both exports and imports experienced a significant decline in 2020. While this has swiftly rebounded with more substantial growth in non-EU trades compared to trade within the EU, a widening trade in goods deficit has emerged (£15.81 bn, an increase from the trade deficit of £14.03 bn in the year ending Q1 2022).
- The East, like the UK, has experienced a decline in new business establishments (a decrease of 13.9%) paralleled by an upward trend in business closures (an increase of 8.5%) since 2019.



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