Exeter Area Profile

Produced for Devon County Council

February 2014

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Exeter in Summary

CONTRIBUTION TO THE DEVON ECONOMY

Exeter plays a central role in the county's economy, making contributions to total employment and real value added significantly above its share of population. The district is the administrative centre of Devon, with the County Council based here, and is home to a number of major employers in both the public and private sectors. This is reflected in the district's specialisms in sectors such as public administration and education. The district is also an important retail location, serving a catchment area that extends well beyond the city's boundaries. These factors mean that Exeter attracts a large number of commuters, who contribute to the city's particularly high employment density, spanning a range of occupations.

Indicator	2012	% of Devon
Employment	83,255	28%
Businesses	4,060	13%
Real Value Added	£3,679m	31%
Population	119,400	16%

LABOUR MARKET

Indicator	Key Points	Latest Position
Employment Rate	• Exceeds the national average • Lowest resident employment rate in Devon (linked to inactivity)	72.0%
Unemployment Rate	• Below the national average • Third lowest unemployment rate in Devon	4.9%
Inactivity Rate	• Higher than the national average • Highest resident inactivity rate in Devon (linked to large student population)	24.2%
NVQ L2+	• Skills profile exceeds the national average at all levels (particularly at NVQ L4+) • Third highest resident proportion qualified to NVQ4+ in Devon	79.1%
NVQ L4+		38.8%

CURRENT ECONOMIC PERFORMANCE

Indicator	Key Points	Latest Position
Employment Density	• Large employment base relative to size of the working age population – density exceeds national average • Highest in Devon	102,279 per 100,000 working age residents
Business Density	• Business density lower than national average • Lowest business density in Devon (in part due to large employers) • Average 3 year survival rates and average start up rate	50 businesses per 1,000 working age residents
Productivity	• Equivalent to 93% of the national average • Highest productivity levels in Devon	£35,479 per employee
Highly Skilled Occupations	• Over-represented due to high numbers of associate professionals and particularly professionals • Sales and customer service and elementary occupations are also highly represented	46%
Average Annual Workplace Earnings	• Workplace earnings exceed national average, while resident based earnings fall short of it	£22,765

ECONOMIC FORECASTS

Indicator	Key Points	% Change 2013-2025
Employment	• Third highest proportionate increase in Devon exceeding national average • Driven by construction, business and finance and public sector	+9,100 / 8.7%
Real Value Added	• Lowest proportionate increase in Devon, falling short of national average • Driven by business and finance and the public sector	+ £876m / 23.6%
Productivity	• One of two districts where relative productivity is forecast to fall • Forecast to be equivalent to 88% of national average by 2025	+13.8%

See Annex 1 for data sources

1 Introduction

1.1 In both the UK and the wider global economy, there are signs of economic recovery and a renewed focus on growth is beginning to emerge. Across England, new plans for economic and social development are taking shape in local areas to help secure funding and/or inform how it will be deployed (for example through the 2014-2020 European Structural and Investment Funds and Strategic Economic Plans, both of which are being planned at a Local Enterprise Partnership level). Understanding current economic conditions and the future prospects of local economies can support this process.

The Exeter Area Profile

1.2 This report provides a profile of Exeter, which has been produced on behalf of Devon County Council as part of their function to provide economic intelligence across the county, to inform local economic development plans. The report draws upon standard datasets and Cambridge Econometrics' Local Economy Forecasts Model (LEFM) to set out the district's contribution to the Devon economy, how the economy currently performs and headline economic forecasts relating to employment, added value and productivity.

Introducing Exeter

1.3 Located in south east Devon, between Teignbridge to the south and East Devon to the east, the county town of Exeter is Devon's administrative and employment centre. Whilst Exeter has the third largest population amongst Devon's eight districts, it covers the smallest geographical area – 47,877 m^2. Exeter has a significant retail offer, drawing expenditure of £710 million (CACI 2011 Retail Footprint), whilst the historic cathedral provides a focal point to the commercially and culturally vibrant city centre, surrounded by numerous cafes and restaurants.

An Urban District

1.4 Exeter is an urban district with a population density of 26 people per hectare, considerably above the English average of 4.1. Just under 4% of its population live in a rural area or market town, meaning that it is an 'Other Urban' local authority district based on Defra's classification of rural and urban areas[1]. Despite its urban nature, the largest proportion of land in Exeter is classified as green space, accounting for 24,738 m^2, or 51% of its total area. However, this is significantly lower than the county average of 92% and the regional average of 91%.

1.5 Distinctive areas within the city include the University of Exeter's Streatham Campus in the north, its retail and administrative centre, and numerous industrial and science parks to the east and south.

- **University of Exeter Streatham Campus:** With over 18,000 students, the University makes a considerable contribution to the district's population and economy. Its international student population alone has been estimated to contribute over £88 million to Exeter's GDP (Oxford Economics, 2012). As a member of the Russell Group, it is one of the UK's leading universities. Based in the north of the district, the campus is located near to Exeter St David's railway station which provides a connection to the mainline network. The campus has recently benefitted from a £275 million investment programme, which includes a new hub, Business School building and student accommodation. The campus is also home to the district's Innovation Centre, which provides office, laboratory and business unit accommodation.

[1] Defra (2011). Local Authority Rural-Urban Classification (based on 2001 Census data).

- **Retail and Administrative Centre:** The Princesshay shopping precinct provides a central point for retail activity, and was built in 1950 after significant damage to Exeter's historic city centre in the Second World War. Following an investment of £230 million, Princesshay's post-war buildings have been replaced with an award winning modern shopping centre which opened in September 2007 and is now home to over 60 shops and 120 apartments. Further strengthening Exeter's significance as a retail hub, it is expected that a £7 million development of the Guildhall shopping centre will take place in 2014.
- **Industrial Estates, Business Parks, and Business Centres:** Exeter is home to a number of key employment sites including: Sowton Industrial Estate, Pynes Hill Business Park, Matford Business Park, Marsh Barton, and Exeter Business Park. Of these, Marsh Barton is the largest trading estate with over 500 businesses located here, including car dealerships and builders' merchants. The development of Exeter Science Park, part of the Exeter and East Devon Growth Point Initiative, is underway and further development is planned at Pynes Hill, close to the Met Office.

A Well Connected District

1.6 Exeter has excellent transport links, particularly when compared with the rest of Devon. The M5, connecting the South West with the Midlands, ends south of Exeter, where strategic transport links westbound to Cornwall via the A30 and A38 continue. In addition, the A380 runs south of Exeter to Torbay and the A303 to the east of the county. Exeter's rail network provides regular trains to London Waterloo and Paddington, Bristol and beyond. It also benefits from branch line connections to Exmouth in the east and Barnstaple in the north. Exeter International Airport, located in neighbouring East Devon, provides a further route out of the city to both UK (including Edinburgh, Belfast and Manchester) and European destinations (including Paris, Geneva, and Amsterdam).

1.7 According to the 2011 Annual Population Survey, there was an outflow of 10,223 commuters from Exeter and inflow of 43,816 – providing a net flow of workers into the city of 33,593. These commuters were predominantly drawn from the surrounding districts of East Devon, Mid Devon, and Teignbridge.

1.8 Exeter and adjoining areas in East Devon and Teignbridge have been identified as a Growth Point – a public and private sector partnership to support sustainable economic growth over the next 20 years. The development programme will result in additional jobs and the diversification of the local employment base, as well as new homes and the creation of new communities.

Report Structure

1.8 The remainder of the report is structured as follows:

- **Chapter 2** sets out the current structure and activity of Exeter's labour market.
- **Chapter 3** sets out the current economic performance of the Exeter business and employment base.
- **Chapter 4** sets out economic forecasts for the district.
- **Chapter 5** summarises the key messages and implications of current and future trends for economic development in Exeter.

2 The Exeter Labour Market

Key Messages

Exeter is a predominantly urban area, making it unusual in a Devon context. It is the third largest district in Devon in population terms and is home to a larger than average working age population. The large student population means that levels of economic inactivity are higher than average..

Exeter's working age residents have a strong skills base. Almost four in ten are qualified to NVQ Level 4+; a proportion that exceeds both county and national averages. The proportion of residents with no qualifications is very low at just 3% (compared to 6% Devon wide and 10% nationally).

Exeter's performance against each of the key indicators covered in this chapter is summarised in the table below.

	Indicator	Exeter	Devon	England	Performance against national average
Employment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	72.0%	75.9%	71.4%	
Unemployment Rate Source: Annual Population Survey, Mid-year Population Estimates	% of economically active population	4.9%	4.5%	7.9%	
Inactivity Rate Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	24.2%	21.0%	22.4%	
NVQ L2+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	79.1%	77.3%	71.8%	
NVQ L4+ Source: Annual Population Survey, Mid-year Population Estimates	% of working age population	38.8%	34.9%	34.2%	

Population

2.1 Exeter was home to 119,400 people in 2012, accounting for 16% of Devon's population. This makes Exeter the third largest Devon district. Almost all (99.5%) of Exeter's population were classified under the Census as living in an urban city or town, with the remainder living in rural villages. This profile contrasts with the county, where the split between residents living in an urban city or town, and those living in rural areas is equally balanced. As a further comparator, England reported a smaller proportion (43%) of residents living in an urban city or town than Exeter and has a greater percentage (5%) residing in rural villages.

Age Profile

2.2 Exeter is home to a large working age population. More than two thirds of residents (68%) are aged 16-64 years; a significantly higher proportion than the Devon (60%) and England (64%) averages. Exeter's large student population contributes to this figure. The district has a smaller proportion of both under 16s and over 65s are smaller than Devon and England.

Age Profile of the Population, 2012				
	No.	%	Devon (%)	England (%)
Under 16s	19,000	15.9	16.4	18.9
Age 16-64	81,400	68.2	60.1	64.1
Over 65+	19,000	15.9	23.4	16.9
Source: Mid Year Population Survey				

Economic Activity

2.3 The most recent Annual Population Survey[2] data shows that Exeter has an employment rate of 72%, slightly higher than the national average but falling short of the Devon-wide figure of 76% and the lowest rate in the county. This relatively low figure is due to high inactivity rates relative to Devon, at 24% compared to 21%, and a slightly higher unemployment rate.

2.4 Exeter's university city status is an important contributor to this picture. Just over half of the economically inactive population are students, and over one-fifth are inactive due to looking after a family or home. There is also a significant proportion (18%) who are inactive due to long-term illness.

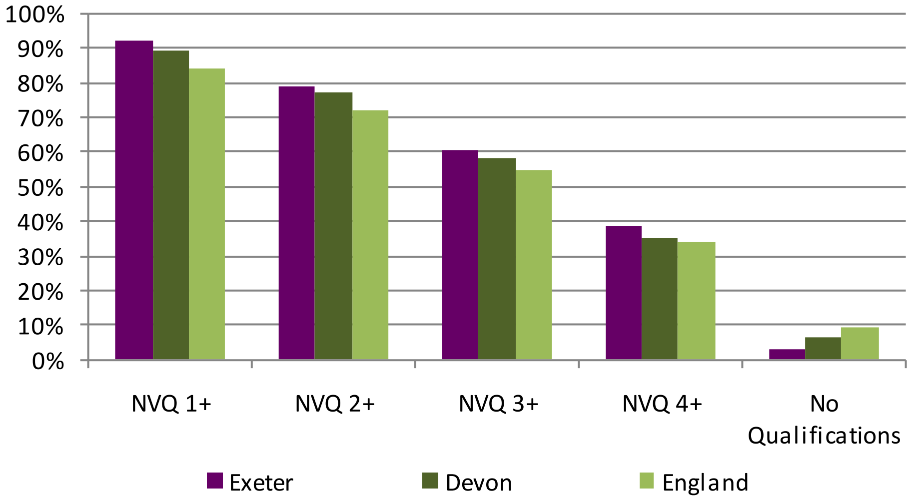
Profile of the Working Age Population, 2012				
	No.	%	Devon (%)	England (%)
Employment rate	57,100	72.0	75.9	71.4
Unemployment rate	3,000	4.9	4.3	7.9
Inactivity rate	19,200	24.2	21.0	22.4
Source: Annual Population Survey				

Skills

2.5 Exeter is home to a highly skilled population. The skills profile of the working age population is more highly qualified than either Devon or England wide. Exeter has higher proportions of working age residents qualified to each level, with the biggest gap in residents qualified to NVQ 4 or above with Exeter's figure at 39%, compared to 35% in Devon and 34% in England. Exeter's is the third best performance on this indicator in Devon. In contrast, the proportion of people with no qualifications is significantly below the county and England average.

[2] Data covers period October 2012 to September 2013

Qualifications of the Working Age Population, 2012



Source: Annual Population Survey

3 Current Economic Performance

Key Messages

Exeter is Devon's main employment centre, accounting for more than a quarter of employment in the county and reporting an employment density above the national average. It attracts a workforce that extends beyond the district boundary to take advantage of the large number and diversity of employment opportunities available.

The district is home to a number of major employers, including the county Council, university and police headquarters, and has varied sectoral strengths including utilities, public administration and health and social work. The dominance of large employers means that the district's business density is the lowest of the districts.

Exeter's performance against each of the key indicators covered in this chapter is summarised in the table below.

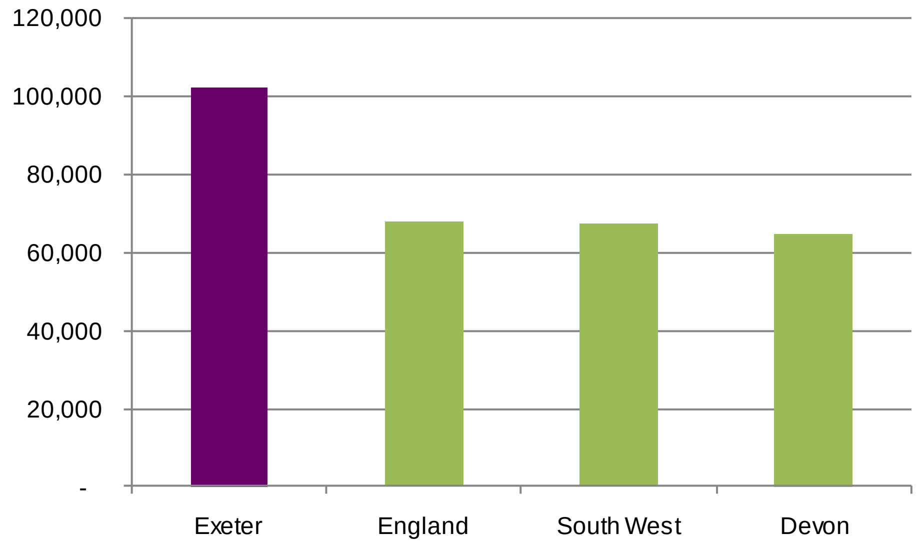
	Indicator	Exeter	Devon	England/UK	Performance against national average
Employment density Source: BRES, Mid-year Population Estimates	Employees per 100,000 working age residents	102,279	64,799	67,699	151%
Business density Source: Business Demography, Mid-year Population Estimates	Businesses per 1,000 working age residents	50	67	60	83%
Productivity Source: LEFM	Real Value Added per Employee	£35,479	£31,897	£38,293	93%
Highly Skilled Occupations Source: Annual Population Survey	Top 3 occupational groups as % of all occupations	46%	38%	45%	
Average workplace earnings Source: ASHE	Average gross annual earnings	£22,765	£19,091	£22,199	103%

Employment

3.1 Exeter is Devon's primary employment centre. In 2012, there were over 83,200 employees in Exeter, accounting for 28% of total employment in the county. Exeter had the highest number of jobs for every 100,000 working age residents (approximately 103,000) in Devon and also significantly exceeded both the regional and national average. This reflects Exeter's role as Devon's economic core and major city economy.

3.2 In comparison to other Devon districts and the national average, Exeter's rate of self-employment at just 5% is particularly low, less than half of the England figure of 14% and even lower compared to the county-wide average of 17%.

Employment Density 2012 – employees per 100,000 working age residents



Source: Business Register and Employment Survey, Mid-year Population Estimates

3.3 Mirroring the employment profile of the county, the largest employment sectors in Exeter are health and social work and wholesale and retail which each have over 14,000 employees and collectively account for 35% of total employment. Contributors to this include the presence of the Royal Devon and Exeter NHS Trust and Exeter's large retail offer.

3.4 While Exeter contributes 28% to total employment in Devon, its contribution to ten sectors is much higher. Devon's electric and gas utilities sector is focused in Exeter (accounting for 85% of the sector's employment in Devon), as well as accounting for half of all employment in finance and insurance and almost half in public administration (48%). Other sectors with a higher representation relative to share of total employment are the information and communication, professional scientific and technical, water services, health and social work, real estate, education and administration sectors. These figures demonstrate Exeter's central role in the county's public services sectors and strong office based employment offer.

3.5 A location quotient (LQ) provides an indication of how highly represented a sector is within the employment base of a geographic area compared to the national level. A LQ of one indicates that employment in the sector is equivalent to the national level, while a sector with an LQ of more than one denotes a high level of representation and specialisation and a LQ of less than one highlights that a sector is under-represented.

3.6 In 2012, Exeter had a location quotient of one or higher in nine of the nineteen broad sectors, with very strong representation in utilities and public administration. This reflects the presence of employers including the EDF customer service centre and South West Water on the utilities side and Exeter's role as the administrative centre for Devon County Council, as well as being home to the NHS Foundation Trust, the Met Office and the regional police headquarters, contributing to strengths across the public sector.

3.7 The district was ranked the 30th biggest retail centre in the UK by CACI in 2011 with an expenditure of £710m, and the second largest primary retail centre in the South West. This position leads to the wholesale and retail sector being the second highest employment sector in the district, accounting for 17% of all employment. The significant representation of education, accounting for 10% of the district's employment, reflects the presence of Exeter University, which has almost 18,000 students.

Employment by Sector, 2012				
	Size		Concentration	
Sector	**No.**	**%**	**Sector**	**LQ**
Health & social work	14,800	18%	Utilities: electric & gas	5.00
Wholesale & retail	14,200	17%	Utilities: water	1.90
Education	8,500	10%	Public admin	1.86
Public admin	7,400	9%	Health & social work	1.36
Prof., scientific & tech.	6,000	7%	Other services	1.09
Accommodation & food	4,900	6%	Education	1.07
Admin & support	4,900	6%	Wholesale & retail	1.06
Info. & comms.	3,400	4%	Real estate	1.03
Construction	3,300	4%	Info & comms	1.00
Transport & storage	2,900	4%	Prof. scientific & tech.	0.93
Manufacturing	2,900	3%	Construction	0.91
Finance & insurance	2,700	3%	Accommodation & food	0.88
Other services	1,800	2%	Finance & insurance	0.83
Utilities: electric & gas	1,600	2%	Transport & storage	0.76
Arts & entertainment	1,400	2%	Arts & entertainment	0.70
Real estate	1,400	2%	Admin & support	0.69
Utilities: water	1,000	1%	Manufacturing	0.41
Agriculture	<100	0%	Mining	0.04
Mining	<100	0%	Agriculture	0.01
Source: Business Register and Employment Survey				

3.8 When a more detailed sector definition is used (2 Digit Standard Industrial Classification), the concentrations and specialisms within Exeter become more apparent. The analysis shows over-representation in:

- Water collection, treatment and supply where employment levels are almost eight times the national average. This in part reflects South West Water's head office being based in Exeter.

- The health sector, which includes hospital activities and medical and dental practices, is contributing to the high representation of health and social care in the district, rather than residential care activities which is driving high levels of employment in the sector in other districts.

- Information & communication and professional, scientific and technical sectors – despite average levels of employment (compared to other sectors in the area), the telecommunications and the other professional, scientific & technical sectors (which includes design activities and translation and interpretation services) are highly represented compared to the national average.

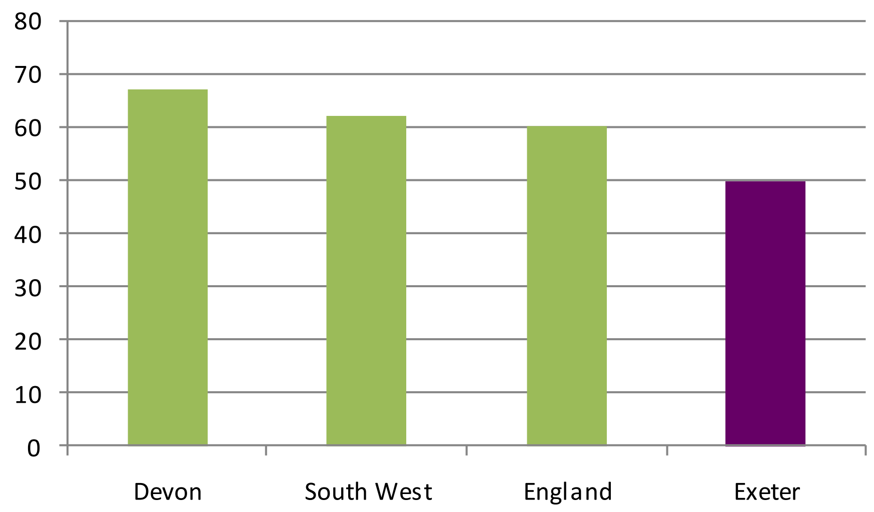
Employment Specialisms, 2012		
Sector	**No.**	**LQ**
Water collection, treatment & supply	700	7.85
Utilities: electric & gas	1,600	5.00
Other prof., scientific & tech	1,700	3.39
Telecommunications	1,800	2.96
Public admin	7,400	1.86
Health	10,600	1.75
Postal and courier	1,200	1.72
Activities of membership organisations	1,000	1.49
Rental & leasing activities	600	1.33
Wholesale & retail	1,900	1.31
Source: Business Register and Employment Survey		

3.9 Despite being the main location for business and professional services within the county, a number of Exeter's sectors are under-represented relative to the national average, such as finance and insurance and administration and support services. Employment levels in the latter are equivalent to just 69% of the national average.

The Business Base

3.10 With approximately 4,060 active businesses in 2012, Exeter has a small business base relative to the size of its working age population. In 2012, the business density was below the county-wide, regional and national averages, with 50 businesses for every 1,000 working age residents. This was the lowest density of all of the Devon districts. To close the gap with the national average, Exeter would require an additional 852 businesses– an increase of 21%.

Business Density, 2012 – businesses per 1,000 working age residents

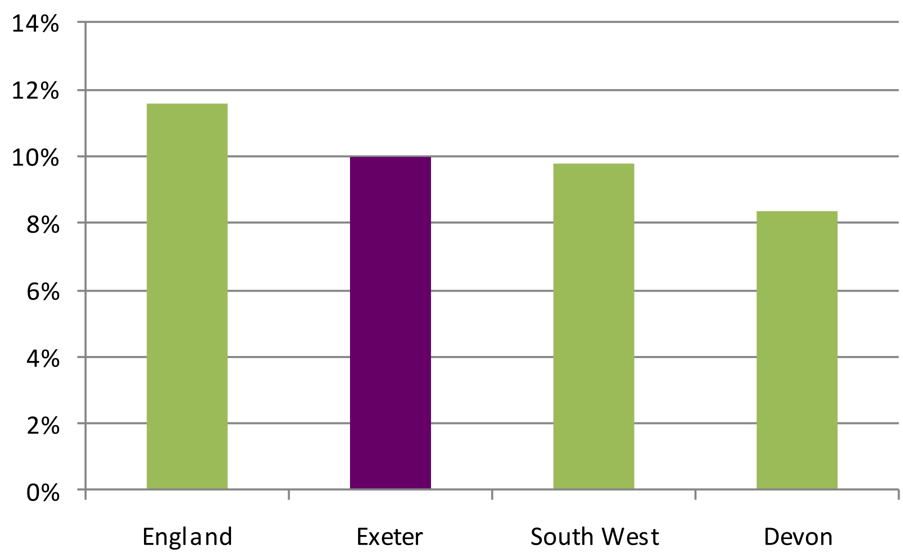


Source: Business Demography

3.11 This low business density figure reflects the number of large employers in the district. For example, Exeter City Council data suggests that organisations including the university, the NHS Foundation Trust, the police and the County Council, as well as EDF in the private sector, each employ more than 1,000 people. Exeter has the highest proportion of medium-sized business (with between 50 and 249 employees) of all of the districts at 5% in 2012, exceeding the Devon, South West and England averages. In contrast, it reports the lowest proportion of businesses employing fewer than ten employees in the county, at 74% in 2012.

3.12 In 2012, Exeter's business start-up rate was 10.0%, with 405 business births recorded. This was the highest start up rate in the county, exceeding regional figures, though falling short of the national average. For Exeter to reach national levels, an additional 65 business births would have been required (an uplift of 16%).

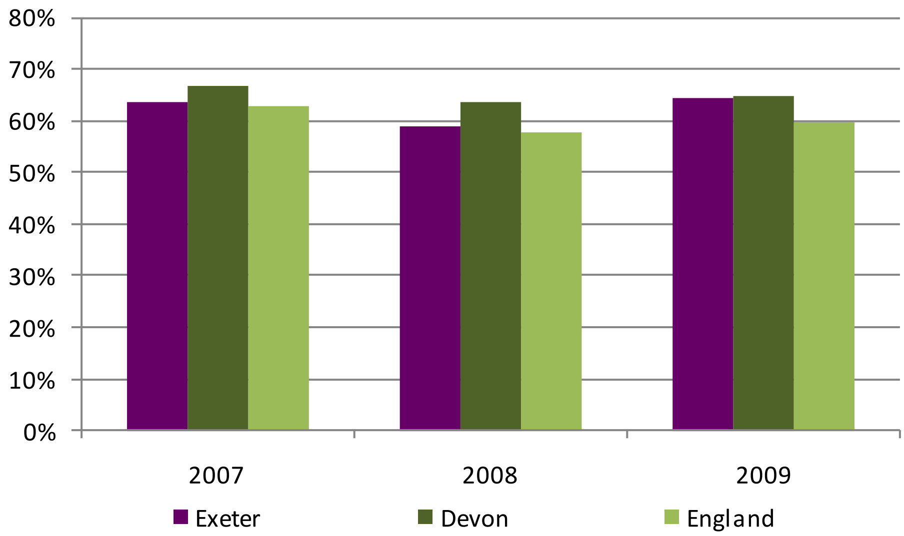
Business Start Up Rate, 2012 – births as % of active businesses



Source: Business Demography

3.13 In terms of survival rates, almost a third (up to 64%) of Exeter's businesses that were set up between 2007 and 2009 have survived for three years. This figure is similar to proportions reported nationally (63%) and across the county (67%). Data for 2009 suggests that survival rates are recovering, following challenging trading conditions caused by the recession and a slow economic recovery.

Three Year Business Survival Rates by Business Birth Year



Source: Business Demography

Real Value Added

3.14 Value added is typically used to provide a measure of an area or sector's economic contribution. It can be measured in gross or real terms, with the latter eliminating the effects of inflation and basing the value of output on the prices of a fixed year[3].

[3] In the case of the LEFM, data on real value added is based on 2009 prices

3.15 While data is not available at the district level through the Regional Accounts produced by the Office for National Statistics (ONS)[4], estimates produced by the Cambridge Econometrics' Local Economic Forecasting Model provide an indication of district level performance. This section draws upon the model's 2012 data to ensure consistency with the employment and business data. It should be noted that the sector definitions in the model vary from those used in standard datasets.

3.16 Exeter's contribution is clearly shown in the resulting figures. The model estimates that Exeter generated £3,679m of real added value in 2012, accounting for 31% of total added value in Devon. This is slightly higher than Exeter's employment contribution to the county.

Productivity

3.17 For the purpose of this report, productivity is measured as the level of real value added generated per employee. As with many parts of the South West, productivity has been a long term challenge for the Devon economy. This is also evident in Exeter, where £35,479 of added value was generated per employee in 2012, equivalent to 93% of the national average. Despite performing below the UK average, Exeter is still the most productive district in the county, and outperforms both Devon and regional figures.

3.18 The productivity challenge which Exeter faces is clearly highlighted by sectoral productivity levels. Overall, there are two main ways in which sector performance currently contributes to the below average levels of productivity in Exeter.

- **Sector performance:** In 2012, the productivity levels of nine sectors in Exeter were below the national average. The extent of the disparity varied significantly by sector, ranging from the productivity of the information and communication sector being equivalent to just 65% of the national average to the other services sector reaching 96%. The relative productivity levels of the business and finance and manufacturing sectors (which make a strong contribution to the national economy) were also particularly low.
- **Sector mix:** Several of the sectors which are highly represented in Exeter in employment terms typically generate lower than average levels of value added, including distribution and hospitality and accommodation and food. In 2012, the productivity levels of each of these sectors were below the district-wide average.

Productivity By Sector (value added per employee) 2012

Sector*	£	Sector	% of UK
Utilities	£124,360	Public sector	122%
Info & comms	£44,893	Utilities	121%
Manufacturing	£43,576	Other services	96%
Public sector	£38,922	Exeter sector average	93%
Business & finance	£38,911	Distribution, hospitality	89%
Construction	£38,536	South West sector average	88%
Exeter sector average	£35,479	Construction	85%
South West sector average	£33,696	Accommodation & food	83%
Devon sector average	£31,897	Devon sector average	83%
Transport & storage	£31,545	Agriculture	80%
Distribution, hospitality	£28,635	Transport & storage	78%
Other services	£27,133	Manufacturing	72%
Accommodation & food	£17,228	Business & finance	71%
Agriculture	£13,000	Info & comms	65%

* Excludes mining because employment=0
Source: Cambridge Econometrics LEFM

[4] This smallest geography for which this is available is NUTS3 (i.e. Devon)

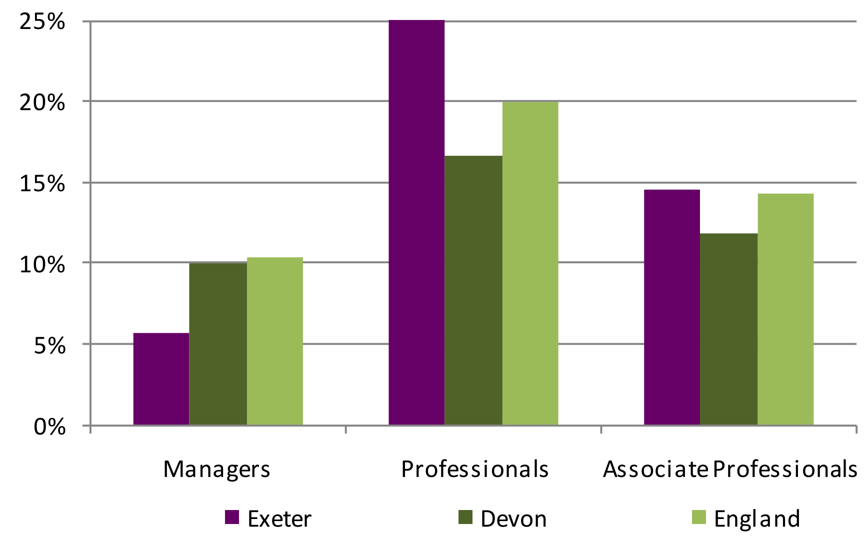
Occupational Profile

3.19 Highly skilled occupations are commonly defined as the top three occupational groups – managers and senior officials; professional occupations; and associate professional and technical occupations.

3.20 In 2012/13[5], highly skilled occupations accounted for 46% of all occupations in Exeter, exceeding the county wide average of 38% and the national average of 45%. On this indicator, Exeter is the second highest performer in the county, and one of only two districts in Devon to out-perform the national average (the other being East Devon).

3.21 This strong performance is due to high levels of professional and associate professional occupations relative to the county wide and national position. This compensates for the shortfall of managerial occupations when compared to the county and England.

% of Highly Skilled Occupations, 2012 (as a proportion of all occupations)

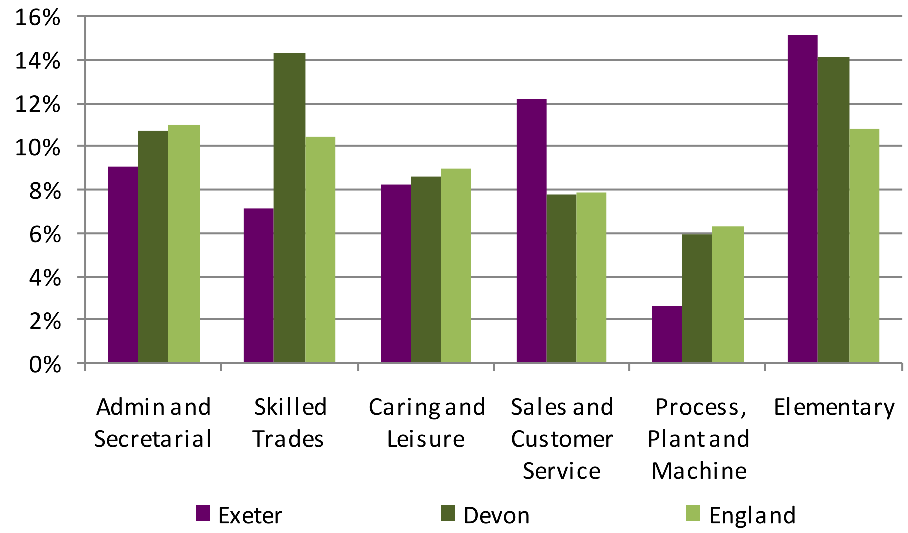


Source: Annual Population Survey

3.22 When considering other occupational categories, Exeter has a larger than average proportion of employment in sales and customer service positions (reflecting the strength of the wholesale and retail sector), at 12%, compared to 8% in both Devon and England, as well as in elementary occupations (typically the lowest skilled occupations). Administrative and skilled trade positions are both under-represented, accounting collectively for 16% of Exeter's occupations, compared to one-quarter in Devon and 22% in England. The latter reflects low levels of employment in the manufacturing sector.

[5] Data covers the period October 2012 to September 2013

% of Employment by Occupation, 2012/13 (as a proportion of all occupations)



Source: Annual Population Survey

Average Earnings

3.23 Exeter has the highest workplace wages in Devon, exceeding the county average significantly, and in line with the national average. The figure for part-time workers exceeds both Devon and England levels, while the average for full-time workers falls slightly short of the national average.

3.24 There is however a significant difference between workplace and residence based average wages in Exeter, with annual resident based wages more than £3,000 below the workplace based average. This will in part be driven by the high proportions of professional and associate professional occupations in the district, which attract highly skilled in-commuters.

3.25 The district's resident based earnings are in line with the Devon average but are just 88% of the national level. The average wage for full-time workers is higher than both England and Devon, while the earnings of part-time workers are slightly lower than both. This suggests that some of the higher-paying jobs within the district are being taken up by in-commuters, reflecting that Exeter's employee catchment area extends beyond the district.

Average Gross Annual Earnings 2012			
	Exeter	**% of Devon**	**% England**
Workplace based	22,765	119%	103%
Resident based	19,610	103%	88%
Source: Annual Survey of Hours and Earnings			

4 Economic Forecasts

Key Messages

Employment growth forecasts are very positive. Exeter's rate of growth is forecast to outpace the regional and national average resulting in the district having the largest net employment increase of Devon's districts and the third highest increase in proportionate terms.

Employment growth is forecast to be particularly strong in the business and finance and construction sectors while real value added gains are forecast to be greatest in the business and finance and public sectors.

Despite the forecast growth in employment and real value added, Devon-wide productivity challenges are forecast to continue in Exeter. Although productivity is forecast to increase, this will be at a lower rate than nationally. The forecasts therefore indicate that Exeter's overall productivity level will decline to 88% of the national average by 2025, down from 93% in 2013.

Exeter's performance against each of the key indicators covered in this chapter is summarised in the table below.

Exeter	Change 2013 - 2020	Change 2020 - 2025	Overall Change 2013 - 2025	UK Comparison 2013 - 2025
Employment Source: LEFM	4.7%	3.8%	8.7%	6.9%
Real Value Added Source: LEFM	12.1%	10.3%	23.6%	27.1%
Productivity Source: LEFM	7.1%	6.2%	13.8%	18.9%

The Local Economic Forecasting Model

4.1 This section of the profile summarises the economic forecasts for Exeter as set out in the latest version (November 2013) of the Cambridge Econometrics' Local Economy Forecasting Model (LEFM). The model provides locally tailored projections across a wide range of indicators, including added value and employment and allows district level forecasts to be benchmarked against those of Devon, the South West and the UK. The forecasts are updated on a quarterly basis.

4.2 While economic forecasts provide a useful indication of the future prospects of local areas, it is important to recognise that they are projections and that they are subject to change based on the range and complexity of the underpinning assumptions.

4.3 Further, the forecasts do not take account of the impact of new policy interventions that may be implemented over the forecast period, such as the development of new employment sites and delivery of business support and skills programmes, which have the potential to alter the scale and nature of economic growth. As such, they largely present the 'policy off' situation. However, as the forecasts take account of historic performance, including policy at the time, it is not possible to generate a truly policy off scenario.

4.4 It should also be noted that the modelled numbers produced can vary from those produced through standard datasets and that data may not be directly comparable (e.g. employment in the LEFM includes self employment, while this is excluded in the Business Register and Employment Survey). However, headline trends and relative performance remain consistent.

The Outlook for the UK and Devon

4.5 Forecasts for the UK are positive and suggest that the economic recovery is beginning to gather pace, with particular improvements forecast from 2015 onwards, when the average annual growth rates for both employment and value added will increase from the 0.5% and 1.5% forecast for 2013-2015, to 0.6% and 2.2% respectively.

4.6 While these increases are good news for the UK economy, it is important to note that even the higher growth forecasts from 2015 onwards will remain below peak levels of growth witnessed pre-recession (1.2% per annum for employment between 2000 and 2005, and 3.2% per annum for GVA between 2005 and 2011).

4.7 The headline message for Devon mirrors that of the UK, with growth forecast across a number of indicators, particularly from 2015 onwards. Again, growth will not reach the peak levels witnessed previously and, unlike in the last growth cycle, Devon's growth is not forecast to significantly outpace the national average.

Employment

4.8 Between 2013 and 2025, employment in Exeter is forecast to increase by 9%, creating an additional 9,100 jobs. This is the largest net increase forecast across Devon's districts - reflecting the scale of the employment base - and the third highest in proportionate terms. Overall, Exeter's share of total employment in Devon is expected to remain static between 2013 and 2025 at 28%.

Employment Change, 2013-2025							
	Employment			Net Change		% Change	
Area	2013	2020	2025	2013-2020	2020-2025	2013-2020	2020-2025
Exeter	104,800	109,700	113,900	4,900	4,200	4%	5%
Devon	375,400	394,100	408,600	18,700	14,500	5%	4%
SW	2,795,500	2,897,600	2,983,400	102,100	85,800	4%	3%
UK	32,332,200	33,503,600	34,565,900	1,171,400	1,062,300	4%	3%
Source: Cambridge Econometrics LEFM							

4.9 Employment growth is expected to outpace the regional and national average (as is the case across all Devon's districts) as a result of higher levels of growth in the later part of the forecast period (i.e. between 2020 and 2025).

Real Value Added

4.10 Unlike employment however, growth in Exeter's real value added is forecast to be slower than both the regional and national average in both the earlier and later parts of the forecast period. While the district is forecast to experience the county's highest net increase in value added (£876m), the proportionate increase of 24% is expected to be the lowest of the Devon districts. The dynamics driving these trends are explored within the sectoral analysis in the following sections.

Real Value Added, 2013-2025							
	Real Value Added (£m)			Net Change		% Change	
Area	2013	2020	2025	2013-2020	2020-2025	2013-2020	2020-2025
Exeter	3,706	4,154	4,582	448	428	12%	10%
Devon	12,005	13,789	15,308	1,785	1,518	15%	11%
SW	94,861	108,672	120,451	13,810	11,7789	15%	11%
UK	1,238,540	1,417,753	1,573,965	179,213	156,212	14%	11%
Source: Cambridge Econometrics LEFM							

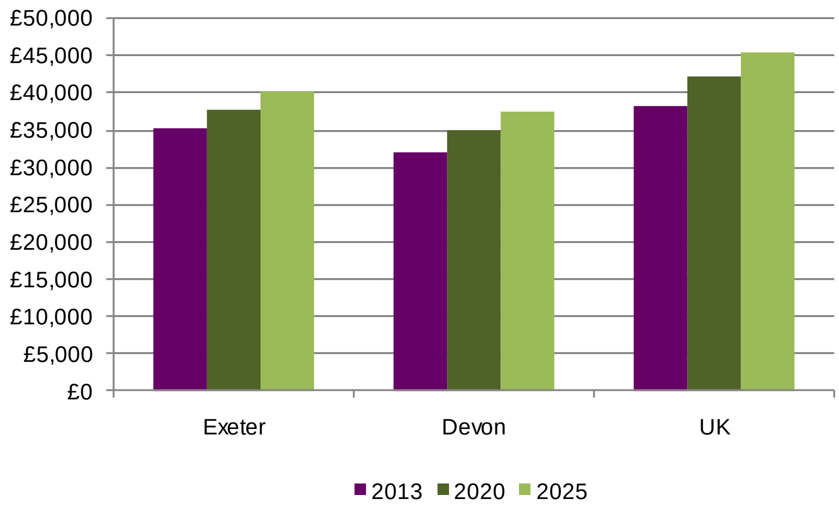
4.11 Overall, Exeter's contribution to Devon's total value added is expected to fall slightly between 2013 and 2025 from 31% to 30%.

Productivity

4.12 Devon's long term challenge of productivity is evident within each of the districts and this is forecast to continue between 2013 and 2025. While productivity is forecast to rise across all districts and reach £40,224 of value added generated per employee in Exeter by 2025, performance relative to the national average is forecast to be less positive.

4.13 Exeter is one of two districts where the relative position is forecast to deteriorate with real value added growth forecast to be below the national average, despite above average levels of employment growth. By 2025, it is expected that Exeter's productivity levels will be just 88% of the national average (compared to 92% in 2013). Despite this decline and continued under-performance, Exeter is expected to continue to have the highest productivity level of the Devon districts and correspondingly the smallest gap with the national average.

Productivity levels 2013-2025 (value added per employee)



Source: Cambridge Econometrics LEFM

Sectors – Forecast Absolute Growth

4.14 All of the sectors in Exeter's economy are forecast to either grow or remain relatively static in both employment and real value added terms between 2013 and 2025. The business and finance sector is expected to make the largest contribution to growth, accounting for 47% of additional jobs and 43% of the real value added uplift. On both indicators, the actual increase will be approximately three times higher than the increase of any other sector.

Net Change in Employment and Real Value Added, 2013-2025 – ranked by greatest level of change

Employment				Real Value Added (£m)			
Sector	**2013-2020**	**2020-2025**	**2013-2025**	**Sector**	**2013-2020**	**2020-2025**	**2013-2025**
Business & finance	2,500	1,800	4,300	Business & finance	193.5	179.7	373.2
Construction	1,000	400	1,400	Public sector	50.3	94.8	145.1
Public sector	-100	900	800	Info. & comms.	47.2	38.9	86.1
Accommodation & food	200	500	700	Construction	49.4	26.9	76.3
Info. & comms.	500	100	600	Distribution, hospitality	38.9	28.4	67.3
Transport & storage	300	200	500	Transport & storage	18.7	17.1	35.8
Distribution ,hospitality	200	200	400	Manufacturing	14.3	9.8	24.1
Utilities	200	100	300	Other services	13.5	10.5	24.0
Other services	200	100	300	Accommodation & food	12.8	9.9	22.7
Agriculture	0	0	0	Utilities	9.7	11.4	21.1
Mining	0	0	0	Agriculture	0.1	0.1	0.2
Manufacturing	-100	-100	-200	Mining	-0.1	0.1	0

Source: Cambridge Econometrics LEFM

Other key points to note include:

- **The Public Sector is forecast to continue to play an important role in both employment and real value added growth**, although overall levels of growth are unlikely to reach the levels witnessed in previous years.
- **The role which sectors play in driving growth will vary:** There are a number of key differences between the sectors which will drive job creation and those which will make a greater contribution in value added terms reflecting varying productivity levels. In particular, accommodation and food will be a key employment creation sector (with low levels of value added growth), while information and communication will make a more significant contribution to added value growth than employment growth. The manufacturing sector will also make a modest contribution to real value added growth despite forecast reductions in employment.
- **The timing of employment growth will vary by sector:** Construction and information and communications are forecast to make a more significant contribution to employment growth between 2013 and 2020, while accommodation and food and the public sector are expected to play a greater role between 2020 and 2025. The growth in the remaining sectors is expected to be broadly similar in both periods. While the differences in the timings of employment growth also apply to value added growth in some sectors, the difference is often not as stark, with forecast productivity gains helping to balance growth.

Sectors – Forecast Growth Rates

4.15 The above average levels of employment growth forecast for Exeter are driven by two main factors: (i) the growth level in three sectors (construction, business and finance and transport and storage), outpacing the national average and compensating for lower levels of growth in four of the twelve sectors; and (ii) the very small and consolidated manufacturing base, which is forecast to experience much lower levels of decline than the national manufacturing base.

4.16 While real added value growth in Exeter is forecast to exceed the national average in five of the twelve sectors (business and finance, construction, transport and storage, agriculture and distribution and hospitality), these sectors typically generate a lower level of value added per employee than sectors where Exeter's value added growth is expected to lag behind the national average. This is particularly true in the case of the agriculture and distribution sectors. This results in the overall value added forecasts for the Exeter economy being much lower than the national average.

Growth Rates, 2013-2025 – ranked by fastest growing					
Employment			Real Value Added		
Sector	Exeter	UK	Sector	Exeter	UK
Construction	24%	19%	Business & finance	51%	38%
Business & finance	20%	12%	Info. & comms.	42%	46%
Utilities	13%	13%	Construction	35%	33%
Accommodation & food	13%	16%	Transport & storage	30%	21%
Transport & storage	12%	9%	Accommodation & food	27%	30%
Info. & comms.	12%	17%	Other services	22%	24%
Other services	7%	9%	Manufacturing	19%	22%
Distribution, hospitality	3%	3%	Agriculture	17%	12%
Public sector	2%	4%	Distribution, hospitality	16%	15%
Agriculture	0%	-5%	Public sector	10%	20%
Manufacturing	-6%	-11%	Utilities	7%	9%
Mining	0%	-7%	Mining	0%	8%
Source: Cambridge Econometrics LEFM					

Sectoral Productivity

4.17 While productivity levels are expected to increase across all but one of Exeter's sectors (the exception being the utilities sector) between 2013 and 2025, the change in the relative position of each sector against the UK will vary. Specifically the productivity gap is forecast to:

- **Reduce in three sectors:** (distribution and hospitality, transport and storage and business and finance) by up to 3 percentage points;
- **Increase in four sectors:** (public sector, utilities, construction and manufacturing) by up to 8 percentage points;
- **Remain static in the remaining four sectors:** (other services, accommodation and food, information and communication and agriculture);

4.18 While the productivity levels of the public sector and utilities are expected to continue to outperform the national average by 2025, the deterioration of their relative position is one of the main factors contributing to the projections that overall productivity levels in Exeter will fall to just 88% of the national average.

Productivity By Sector, 2013-2025

	2013		2020		2025	
Sector*	**£**	**% UK**	**£**	**% UK**	**£**	**% UK**
Public sector	37,465	123%	38,922	118%	40,495	115%
Utilities	130,957	119%	124,360	117%	123,962	117%
Other services	25,256	96%	27,133	96%	28,826	96%
Exeter Total	**35,361**	**92%**	**37,867**	**89%**	**40,224**	**88%**
Distribution, hospitality	26,522	88%	28,635	89%	30,043	89%
Construction	36,695	85%	38,536	84%	40,110	84%
Accommodation & food	15,527	83%	17,228	84%	17,435	83%
Transport & storage	29,293	78%	31,545	78%	33,891	81%
Manufacturing	38,088	73%	43,576	69%	48,000	67%
Business and finance	34,373	71%	38,911	71%	43,212	72%
Info. & comms.	40,039	65%	44,893	65%	50,930	65%
Agriculture	12,000	59%	13,000	59%	14,000	59%
South West	**33,934**	**89%**	**37,504**	**89%**	**40,734**	**89%**

* Mining excluded because employment=0
Source: Cambridge Econometrics LEFM

Sectoral Profile

4.19 Despite the changes outlined above, the sector profile of the Exeter economy is forecast to remain largely unchanged in both employment and real value added terms. The high levels of growth forecast for business and finance are however expected to slightly increase the sector's share of total employment and real value added, whilst the public sector's share will decrease slightly.

5 Key Messages and Implications

Key Strengths

Devon's Main Employment Centre

5.1 Exeter sits at the heart of the Devon economy. Accounting for more than 28% of employees in the county and reporting the highest employment density, it punches above the weight of its resident population. It provides the core of retail activity, office based and public sector employment, offering a wide range of employment opportunities for Exeter residents as well as in-commuters from surrounding districts, supported by strong transport links. Ensuring the ongoing success of the Exeter economy will therefore generate benefits beyond the district's boundaries.

A Large Working Age Population and a Strong Skills Base

5.2 Exeter's larger than average working age population presents an important economic asset that can continue to support growth. It is home to a higher proportion of people qualified at each skills level than the Devon and national average, including almost four in ten working age residents holding a qualification at NVQ Level 4 or above. Employers across the county are forecast to increasingly demand higher skills levels, meaning Exeter residents are well placed to benefit from new employment opportunities and progression in the workplace. The presence of the University of Exeter is a further strength, producing large numbers of graduates and therefore a potential local workforce each year.

A Diverse and Growing Employment Offer

5.3 Employment specialisms show the diversity of Exeter's employment offer and the area's appeal to a wide range of employers. Public sector strengths include public administration, health and education (reflecting the presence of large public sector bases in the district) while private sector specialisms include wholesale and retail, utilities and telecommunications. The breadth of the employment offer ensures job opportunities are available in a range of disciplines and at all skills levels.

5.4 Employment levels are forecast to continue to grow at rates exceeding the regional and national average. An additional 9,100 jobs are forecast to be created in Exeter between 2013 and 2025, with almost half of all posts expected to be created in the business and finance sector and 15% in the construction sector, further increasing employment choice. Development of new accommodation options, for example at the Science Park, also present opportunities to attract new businesses, and therefore employment opportunities, into Exeter.

High Quality Employment Opportunities

5.5 Highly skilled occupations are concentrated in Exeter where, as a proportion of all occupations, they also exceed the national average. This results in workplace based earnings exceeding both Devon and England averages. Capturing a high proportion of spend within the local economy (for example, through spend in Exeter's extensive range of shops and restaurants) will also help to generate wider benefits.

Making the Most of Growth Point Opportunities

5.6 Growth Point funding presents an important opportunity for Exeter. The scale of resource is considerable and provides opportunities to create modern business premises and generate thousands of jobs to boost the local economy. Ensuring the conditions are created to take full advantage of this opportunity will be key, including providing deliverable sites, a construction workforce of sufficient scale and working to secure occupiers in the medium term. Delivering Growth Point Initiatives has the potential to increase overall employment numbers as well as support the growth of existing key sectors and the diversification of the economic base through private sector employment.

Key Challenges

Reducing Levels of Unemployment and Inactivity

5.7 Exeter does not currently perform to its full potential due to unemployment and inactivity levels exceeding the county-wide and national average. A large student population contributes to high inactivity levels but there are opportunities to support more residents to make an economic contribution and to assist the unemployed to secure the skills required to fulfil the needs of both replacement demand and growing employment sectors. Such steps would ensure that growth can benefit all residents in the district.

Low Business Density and Enterprise Levels

5.8 Reliance on large employers is greater in Exeter than other parts of the county. Despite high employment levels, Exeter's business density is below the county and national average. Whilst the start-up rate is higher than the Devon average it remains below the national level, self-employment is less than a third of the county average and three year survival rates in recent years have fallen below the average for Devon. A reliance on large businesses can make the economy vulnerable to changes in trading conditions or location decisions, as well as having a knock on effect throughout supply chains. Providing support for new start-ups and business expansion could help to address this issue.

A High Reliance on Public Sector Employment

5.9 Many of Exeter's major employers are within the public sector or may be impacted by changing levels of Government expenditure, for example Devon county Council, the Met Office, Royal Devon and Exeter NHS Trust and the University of Exeter. Although forecasts suggest that the sector will grow between 2020 and 2025 (following a small decline in 2013-2020), it remains vulnerable to further public sector funding cuts which are expected to continue for the foreseeable future. Growing the private sector economy will be important to help provide stability in the event of further economic shocks.

Supporting Local Residents to Access Highly Skilled and Growing Occupations

5.10 The differential between workplace based and resident based earnings suggest that many of Exeter's higher paid posts are held by in-commuters. Equipping residents with the skills they need to access and progress in employment, including by recognising the specific needs of growth sectors – for example particularly strong growth forecasts in the business and finance and construction sectors – would help to enhance the employment prospects of residents, deliver overall growth opportunities and support the retention of a higher level of expenditure within the local economy.

Addressing the Productivity Gap

5.11 At present, Exeter is the most productive district in Devon but value added per employee is just 93% of the national average and forecasts suggest this position will deteriorate over time. As one of only two districts forecast to see a deterioration in relative productivity levels (forecast to fall to 88% of the national average by 2025), its under-performance is becoming more evident. The scale of Exeter's contribution to the Devon economy makes this position particularly challenging, impacting on performance at a county as well as district level. Active measures could be taken to help reduce the gap, including a focus on attracting and growing high productivity sectors and increasing productivity within the workforce.

Annex 1: Summary Table Data Sources

Indicator	Source	Date
Employment	BRES	2012
Businesses	Business Demography	2012
Real Value Added	LEFM	2012
Population	Mid-year Population Estimates	2012
Employment Rate	BRES Mid-year Population Estimates	 2012
Unemployment Rate	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
Inactivity Rate	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
NVQ L2+	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
NVQ L4+	Annual Population Survey Mid-year Population Estimates	Oct 2012-Sep 2013 2012
Employment Density	BRES Mid-year Population Estimates	2012 2012
Business Density	Business Demography Mid-year Population Estimates	2012 2012
Productivity	LEFM	2012
Highly Skilled Occupations	Annual Population Survey	Oct 2012-Sep 2013
Average Annual Workplace Earnings	Annual Survey of Hours and Earnings	2012
Employment Forecasts	LEFM	-
Real Value Added Forecasts	LEFM	-
Productivity Forecasts	LEFM	-