

Hackney - local economy update

Background:

- The short-term economic impact of the COVID pandemic was highly visible and significant
- The availability of robust and up-to-date “trustworthy” economic data hindered a data-driven approach to understanding the impact of the pandemic on the local economy
- SEG has specifically requested a pre and post pandemic economic data comparison with initial commentary on the cost-crisis impact on businesses
- This information will need to be understood then maintained to support the Economic Development Plan and our response to the cost-crisis on the economy and local businesses

Purpose and context of this presentation:

- Reminder of the pre-pandemic Hackney economy (summary based on data and reports from pre-2020)
- Show economic data through the pandemic and post-pandemic period (dependent on data availability)
- Show available information on business sentiment and economic forecasts (where available)
- Highlight data gaps and data challenges
- Summarise what this means for Hackney
- Set out key issues to consider over the next four months to produce the Economic Development Plan

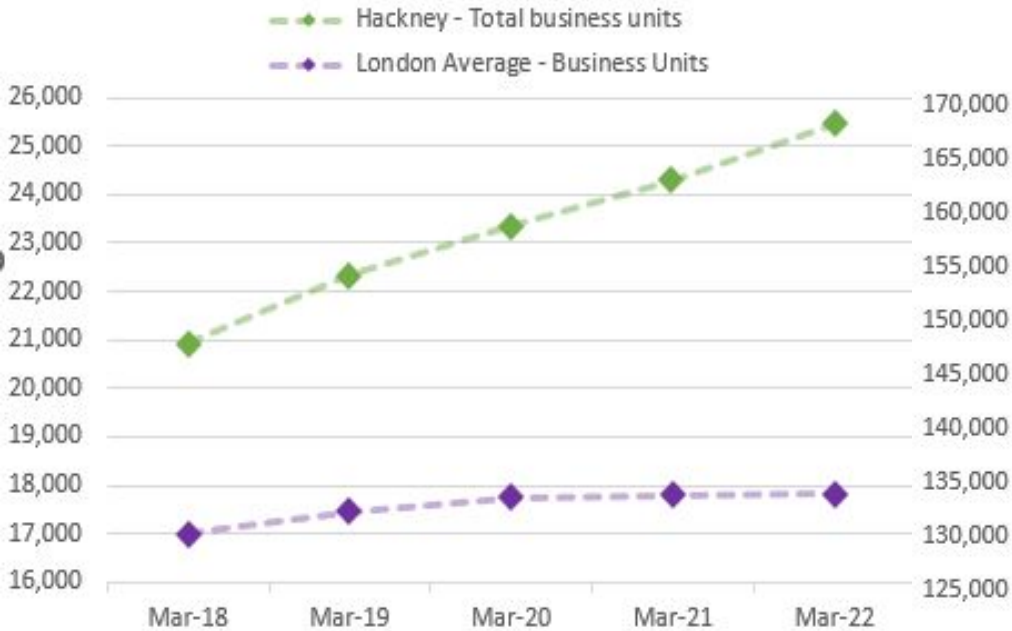
Pre-pandemic economic data

The Inclusive Economy Strategy painted the following economic picture:

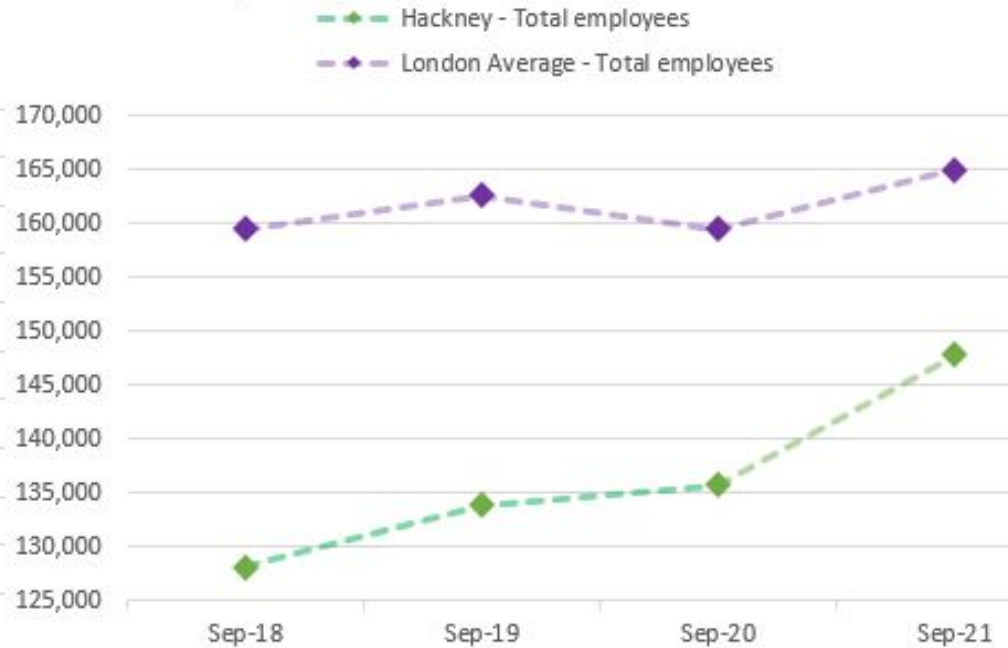
- A global and diverse borough with a history of progressive thinking and social reformers
- Open, creative and inclusive communities is an important asset and attraction
- 40% growth in businesses (2010 to 2019) - driven by high-skilled tech, creative and business professions
- Hospitality sector is also a driver - has moved beyond Shoreditch to grow in Dalston, Hackney Wick and Hackney Central
- Strong place brand based on broadest definition of “creatives” with a mutually reinforcing link with entertainment and hospitality
- Businesses face challenges from high and increasing commercial rents plus business rates
- Residents face challenges in terms of housing affordability
- Systemic exclusion, long-term poverty and growing inequality remain a challenge for many long-term residents whilst others, such as home-owners, have benefitted massively from the increasing popularity of the borough
- Differences between “haves” and “have-nots” has broadened off the back of economic growth of tech and creative sectors and increasing residential property prices

Headline business and employee data

Hackney - Total business units (private sector)



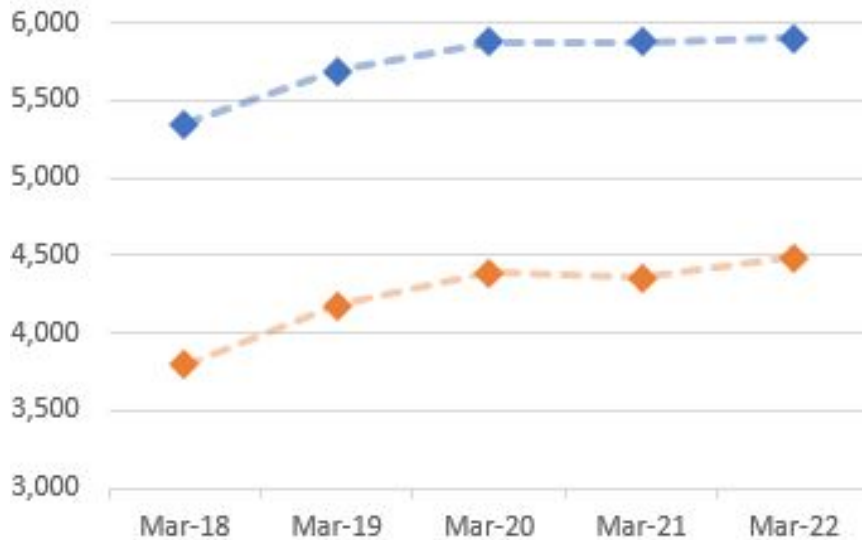
Hackney - Employees in borough-based businesses



Headline business data

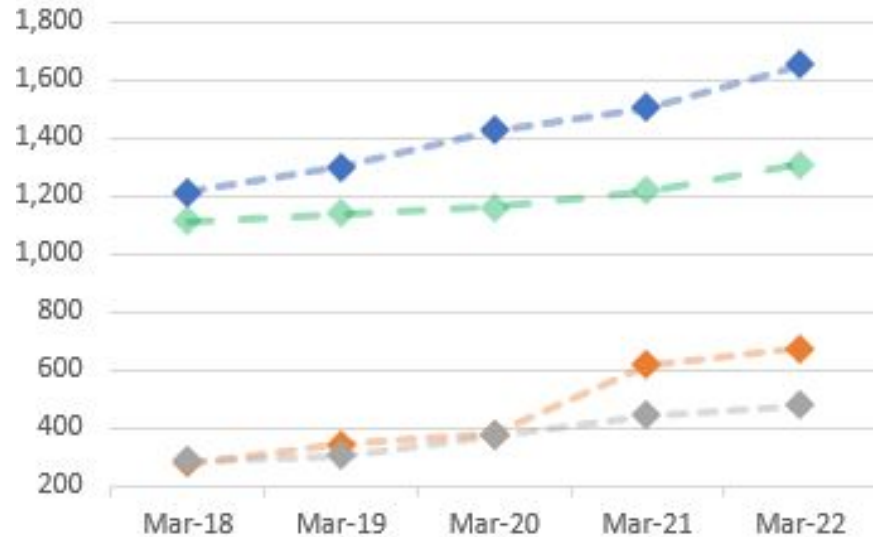
Hackney - Main sectors

- Professional, scientific and technical
- Information and communication



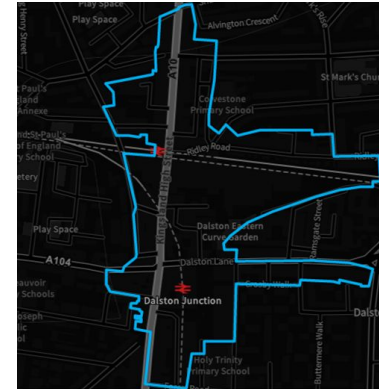
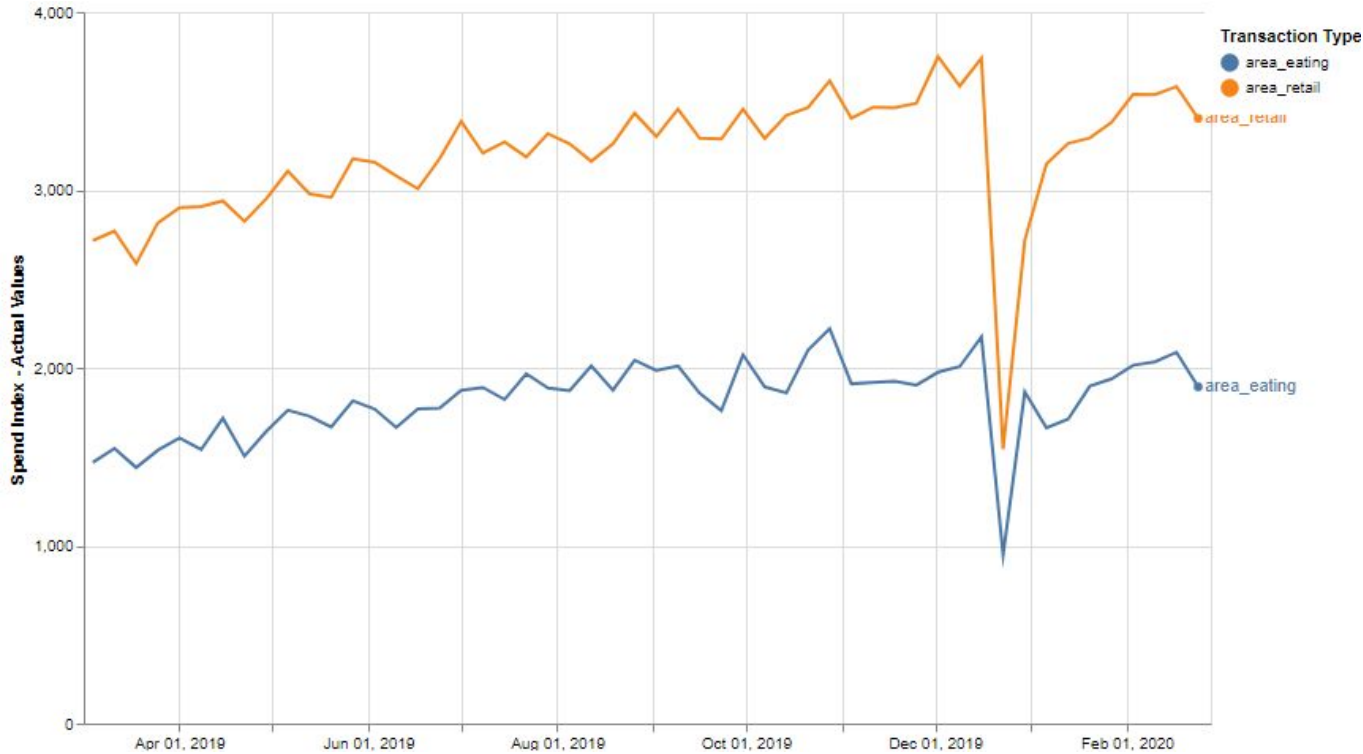
Hackney - Other sector change of note

- Construction
- Transportation and storage
- Online retail
- In-store retail



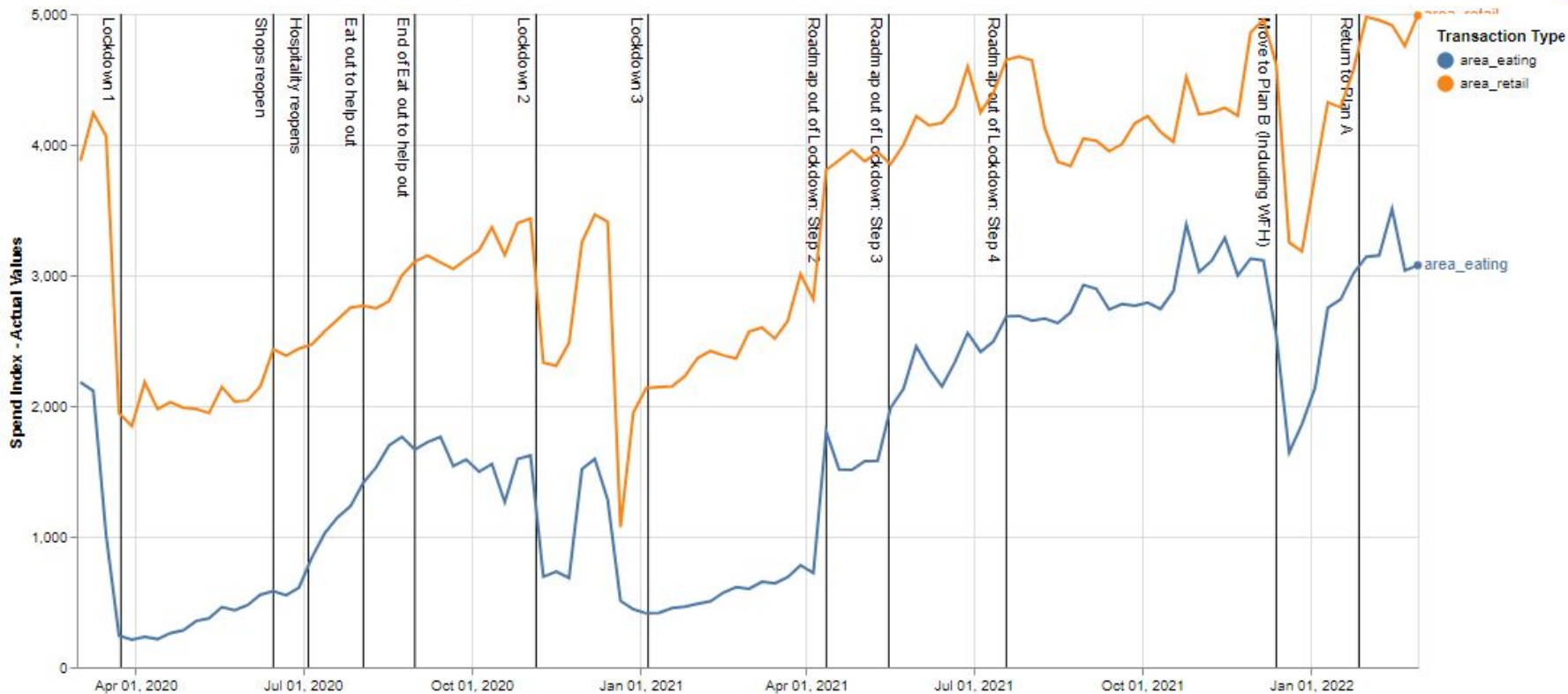
Main town centres - consumer spend

Dalston area



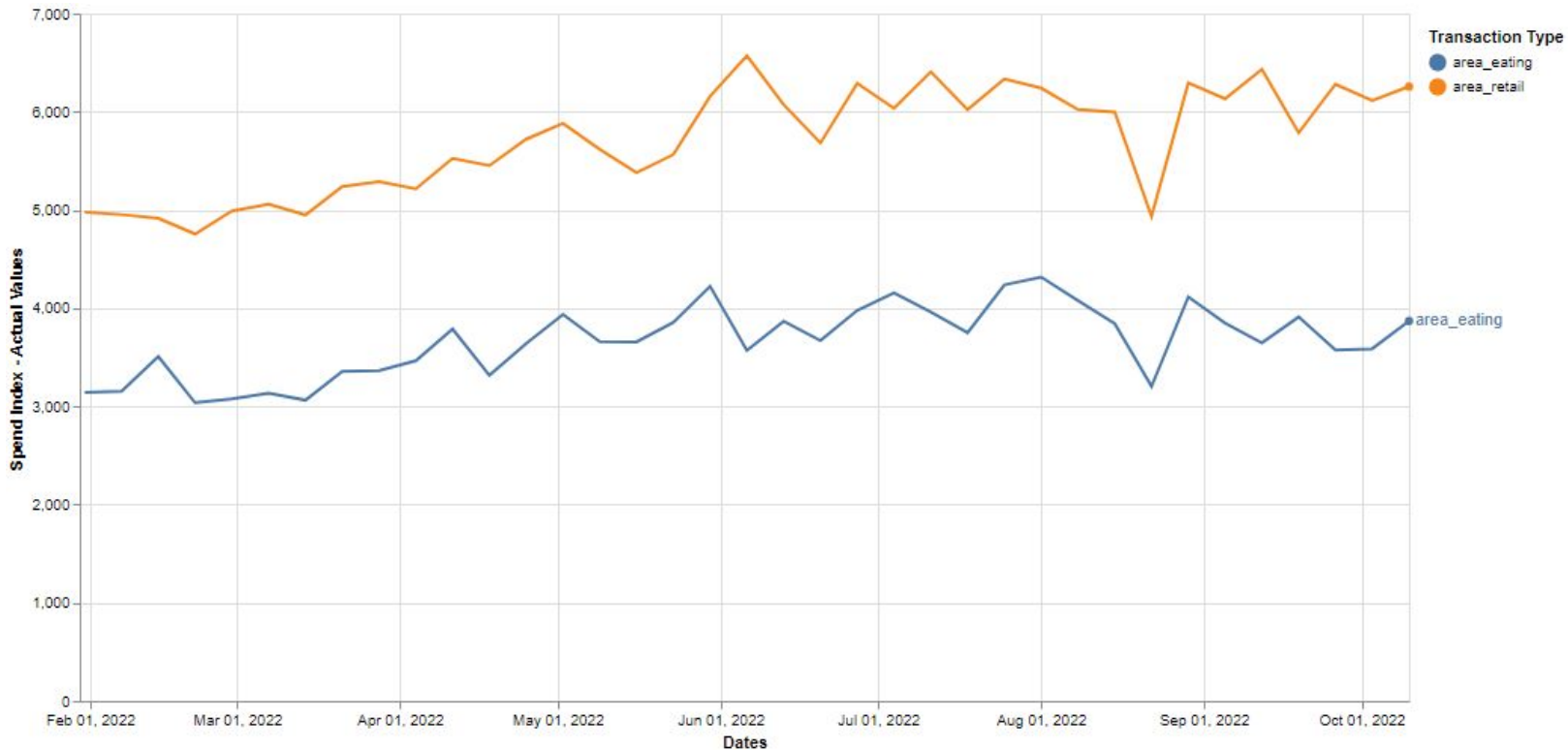
Main town centres - consumer spend

Dalston area



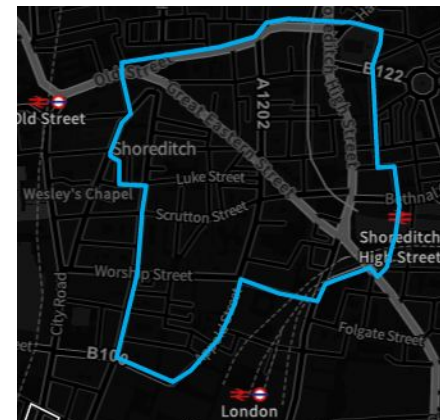
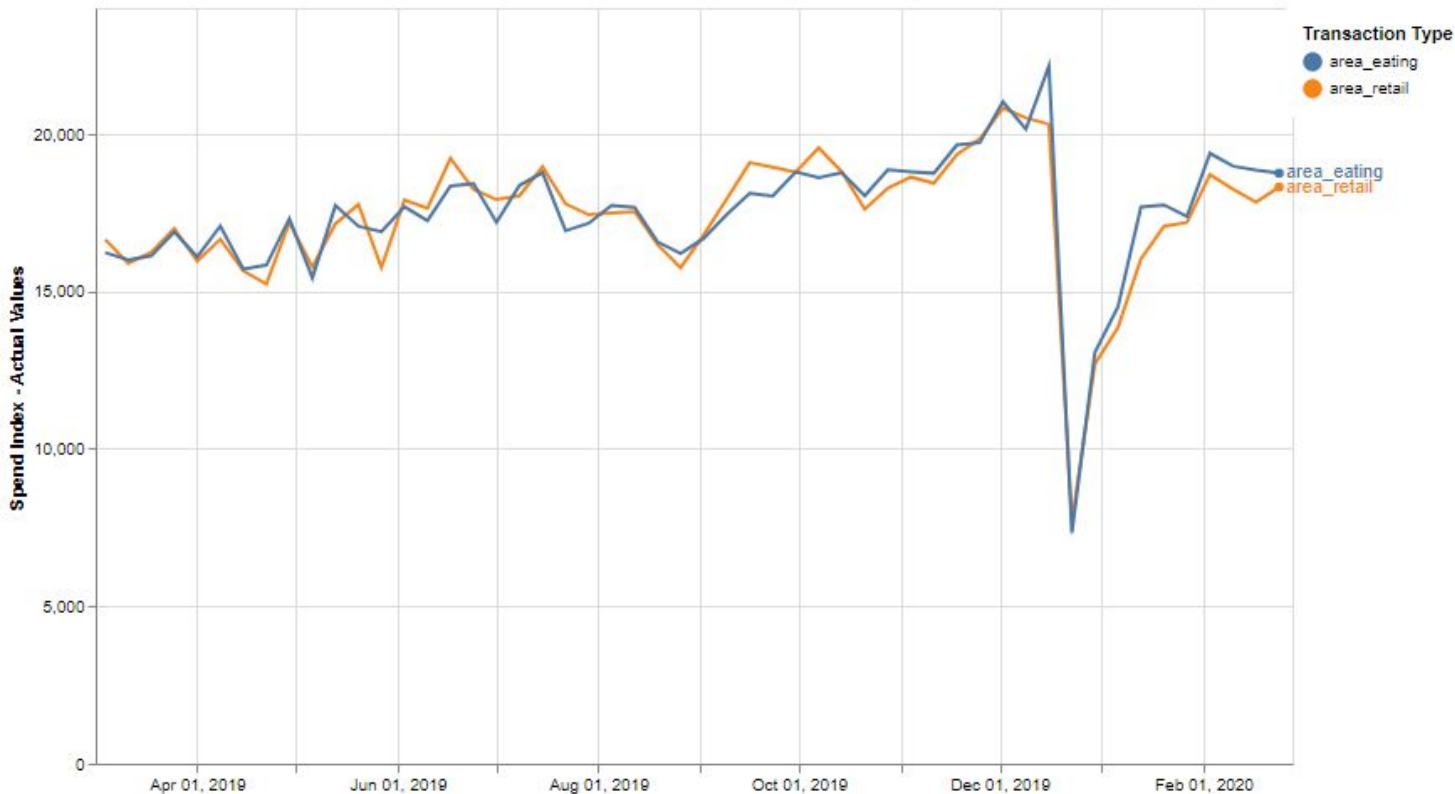
Main town centres - consumer spend

Dalston area - post cost crisis



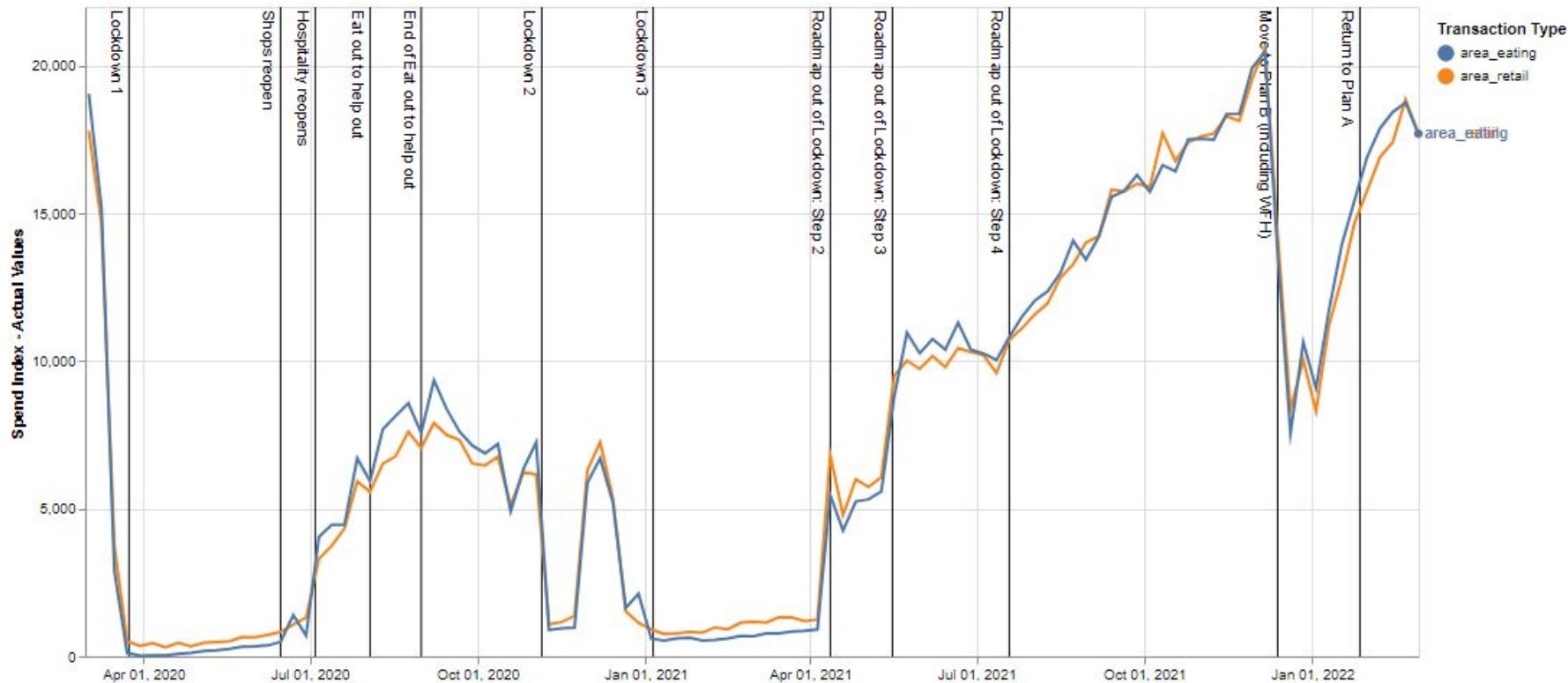
Main town centres - consumer spend

Shoreditch area



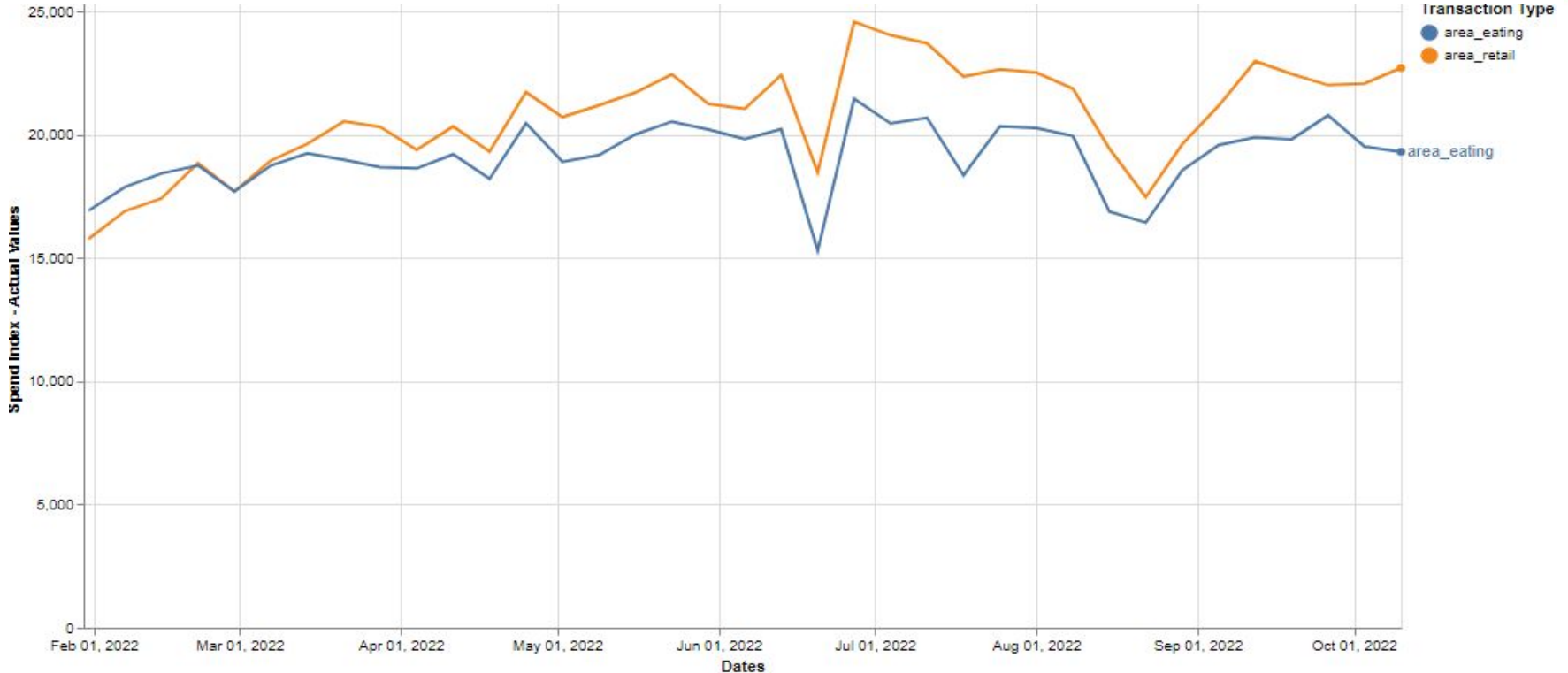
Main town centres - consumer spend

Shoreditch area



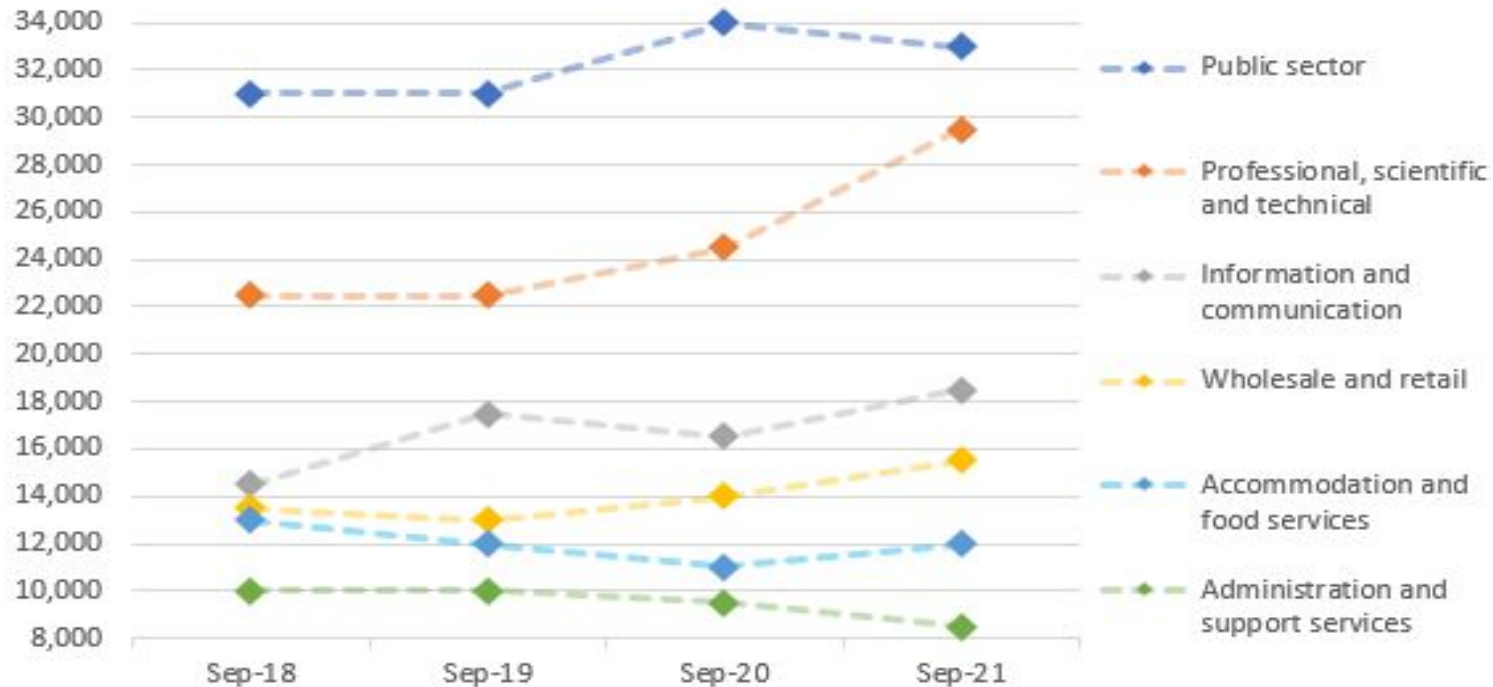
Main town centres - consumer spend

Shoreditch area - post cost-crisis



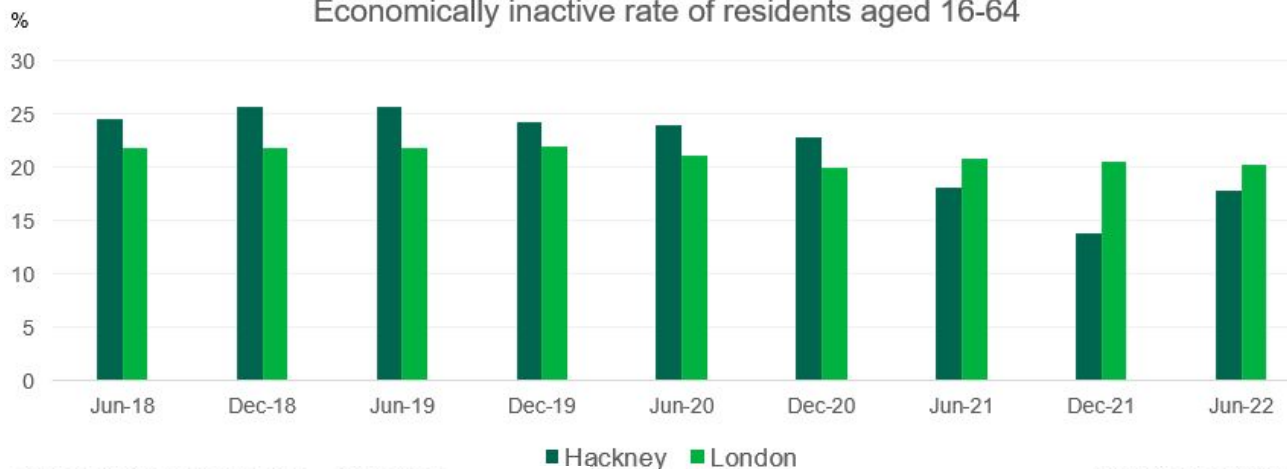
Headline employee data

Hackney - Main employment sectors

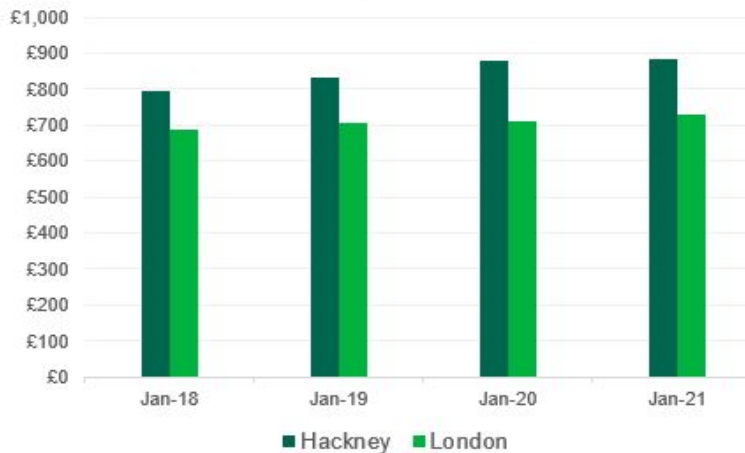


Headline resident employment data

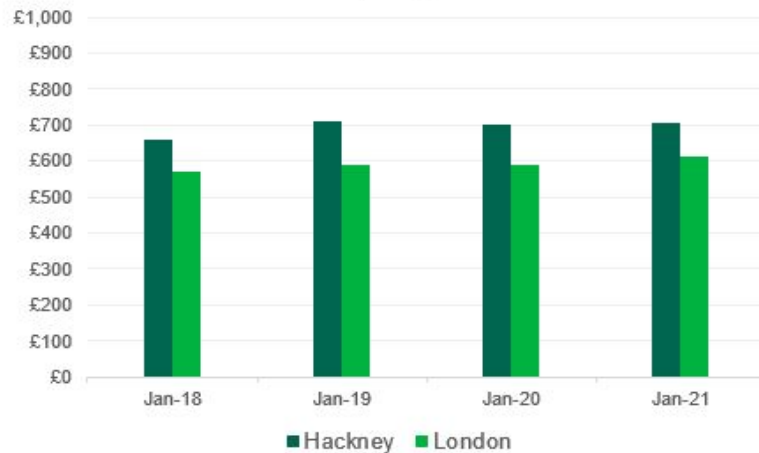
Economically inactive rate of residents aged 16-64



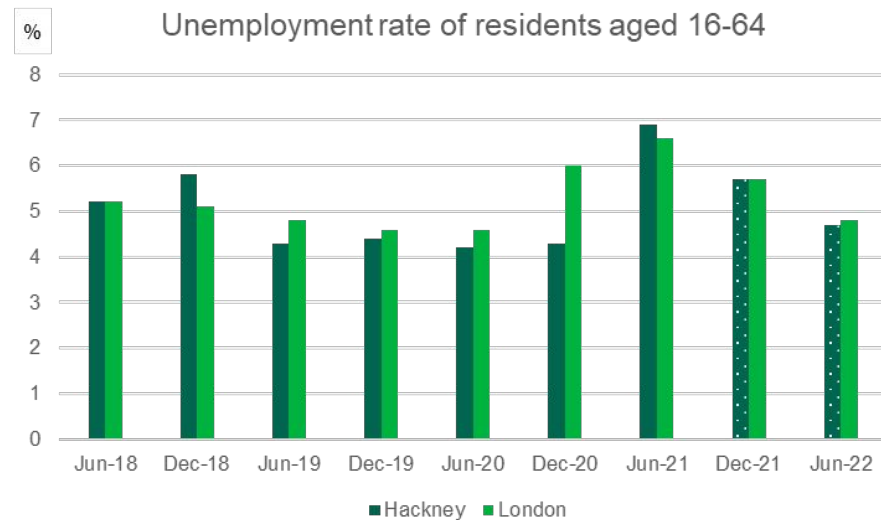
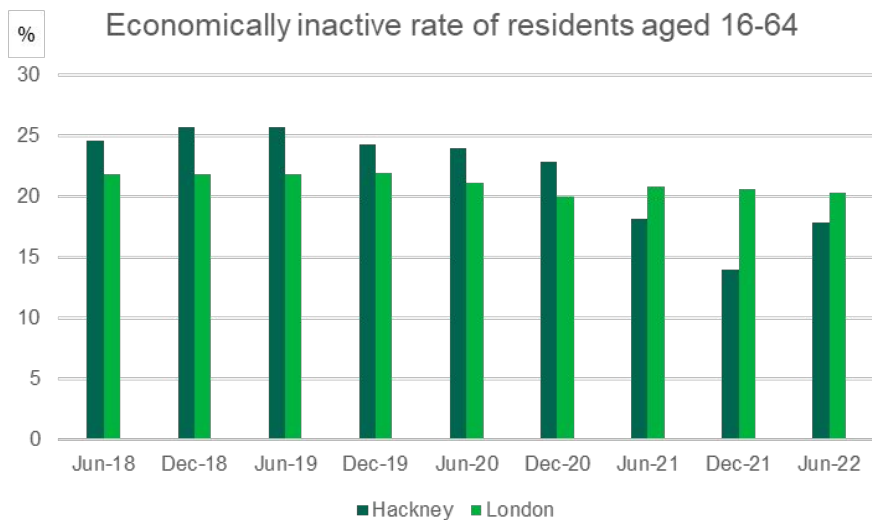
Average weekly wages - residents



Median weekly wages - residents



Headline resident employment data



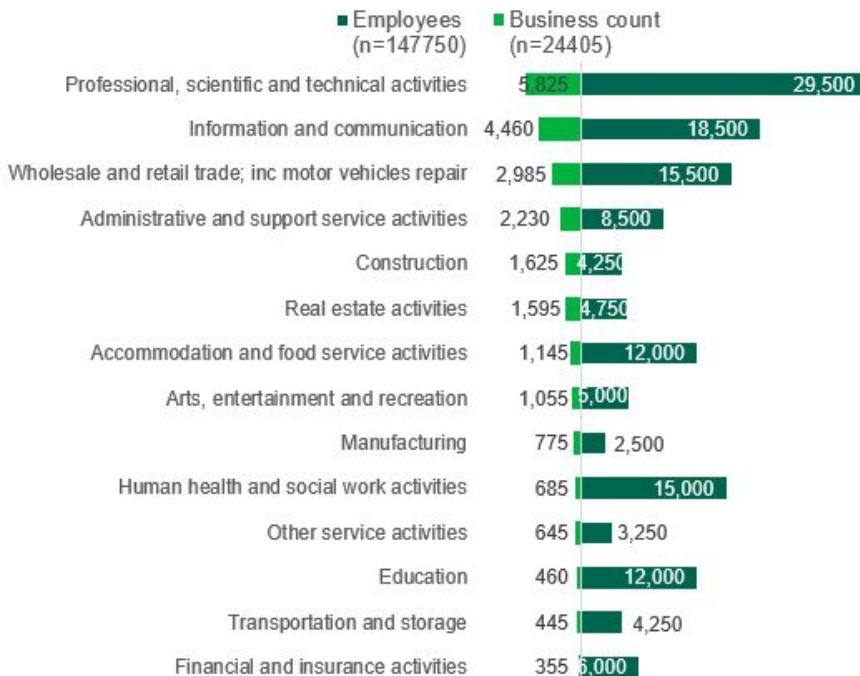
Bars with white dots are statistically unreliable

Hackney key sectors remain the same

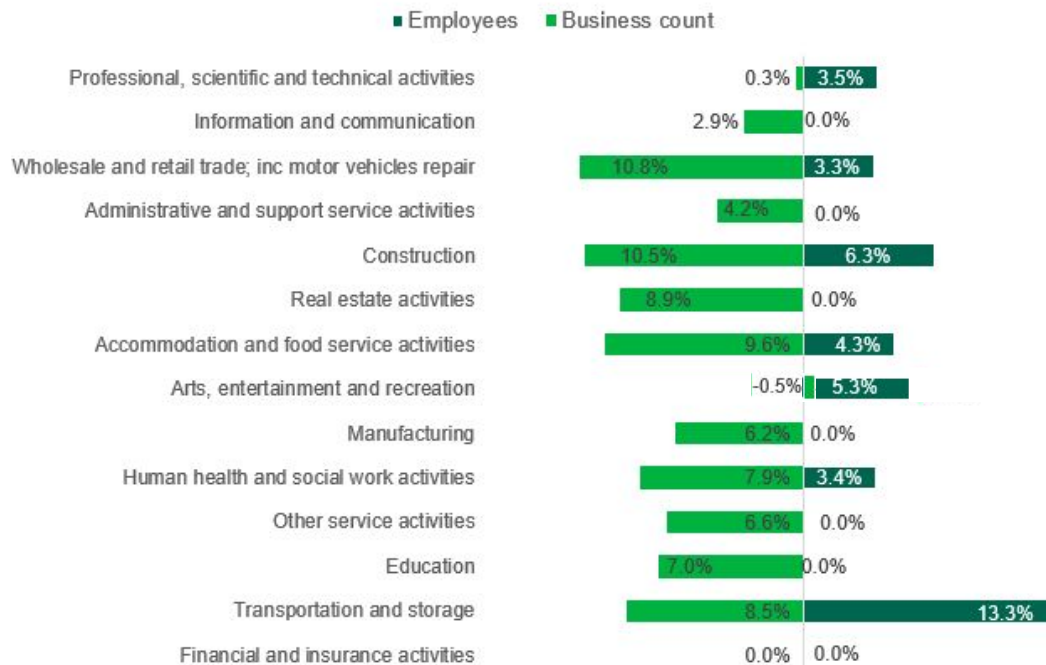
Key Sectors	Business Count (Mar 2022)	Employee Count (Sep 2021)	Comments
Professional, scientific and technical	5,825	29,500	Mainly head offices, consultancy, other
Information and communication	4,460	18,500	Mainly movies/TV and IT tech/consulting
Wholesale	2,985	15,500	Very high employment ratio
Admin and support services	2,230	8,500	General admin and business support
Retail	2,020	12,000	Mixed but online has increased
Construction	1,625	4,250	
Real Estate	1,595	4,750	
Food and beverage services	1,090	10,000	Mainly restaurants
Arts, entertainment and recreation	1,055	5,000	A defining sector for the borough
Transportation and storage	445	4,250	

Hackney key sectors remain the same

Employment (2021) and business (2022) count by key industry



Employment (2021-2020) and business (2022-2021) change by key industry



Headlines from this data

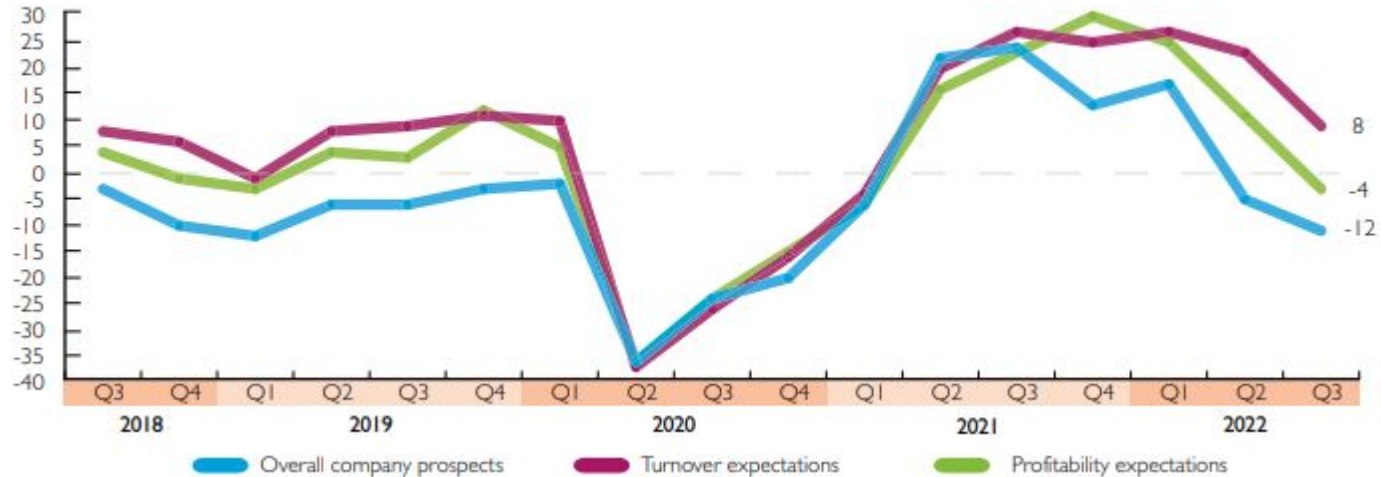
- Overall the Hackney economy came through Covid unscathed in terms of business counts and levels of employment. However, some nuances can't yet be assessed due to data lag
- There were some impacts on business sub-sectors, ie hospitality was under pressure but online retail businesses and transport/logistics grew
- Spend on retail and food in main centres bounced back well but was much more sluggish in Shoreditch
- Recent spend (post February 2022) has held up in real terms but is lower once inflation is taken into account
- Employment levels and resident economic activity is strong but resident wages still lag behind the London average and median
- We have just received the data about the number of business formations and closures up to December 2021 - need to analysis to see info on the dynamics of change within the whole
- We do not currently know enough about the number, sectors or perspectives of sole traders/ "unregistered" businesses in the borough



Questions and discussion

Business confidence

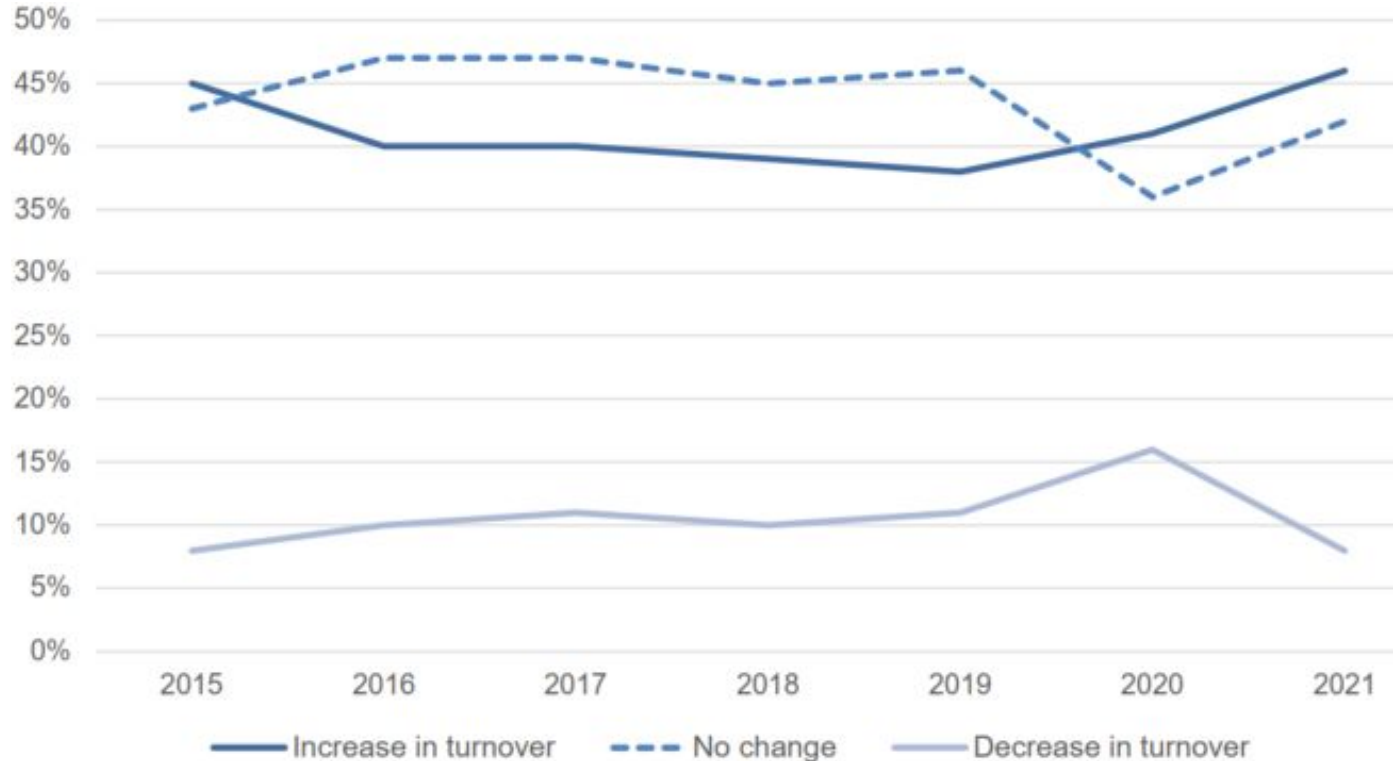
London Chamber of Commerce 500 Survey - Quarter 3 2022
Net difference between positive and negative business sentiment



Business confidence

BEIS National Small Business Survey 2021: Oct 21 to Mar 22

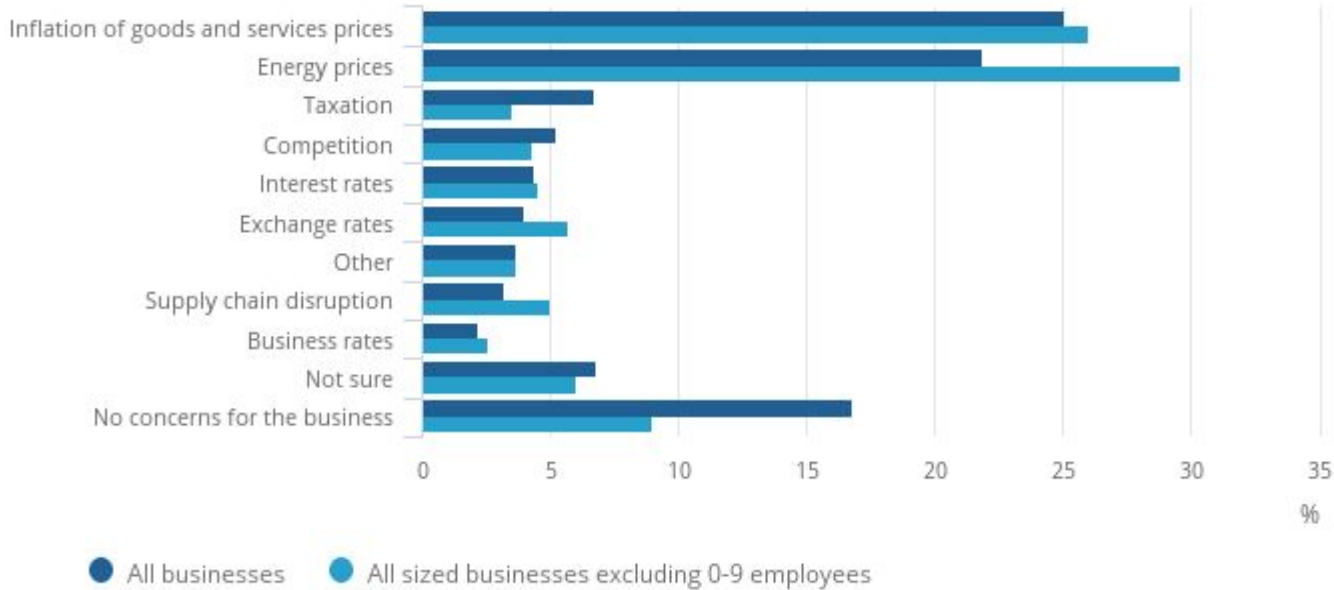
Percentage expectations of turnover in 12 months' time



Business confidence

ONS National Business Insights and Impact Survey - November 2022

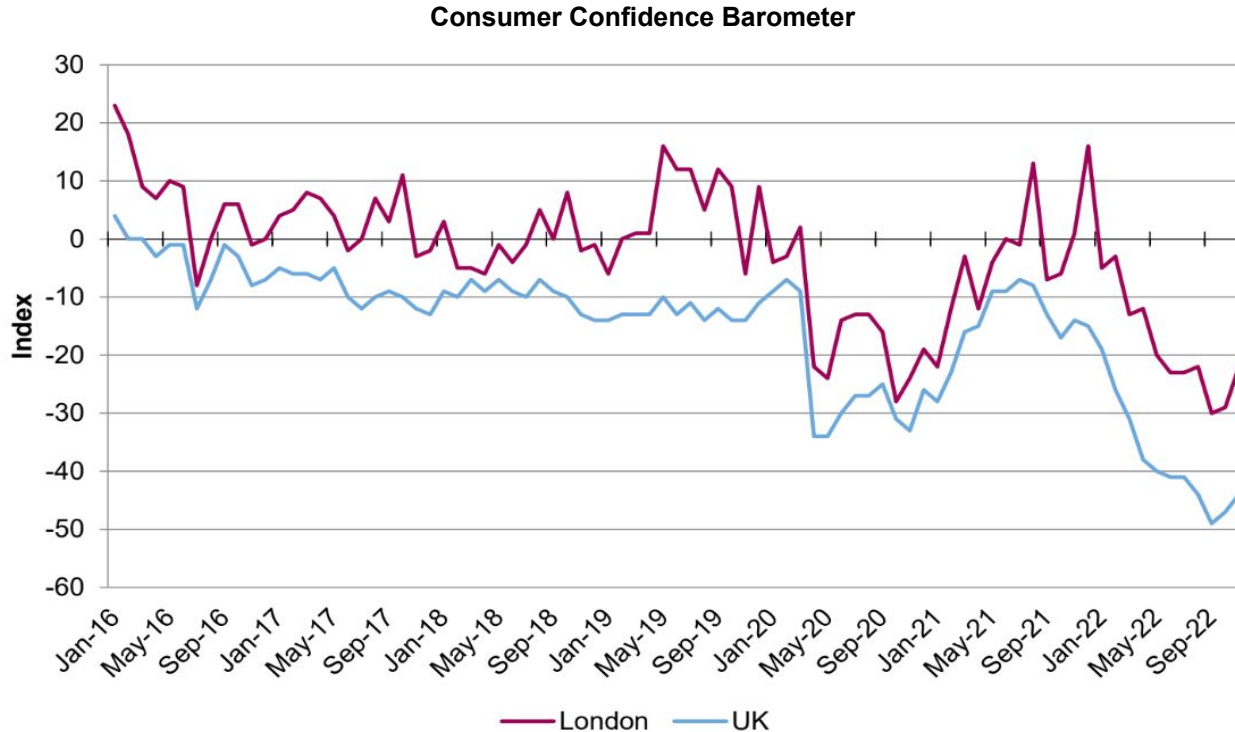
Percentage of trading businesses concern by topic



Consumer confidence

Growth from Knowledge Group - Consumer Confidence Barometer - up to November 2022

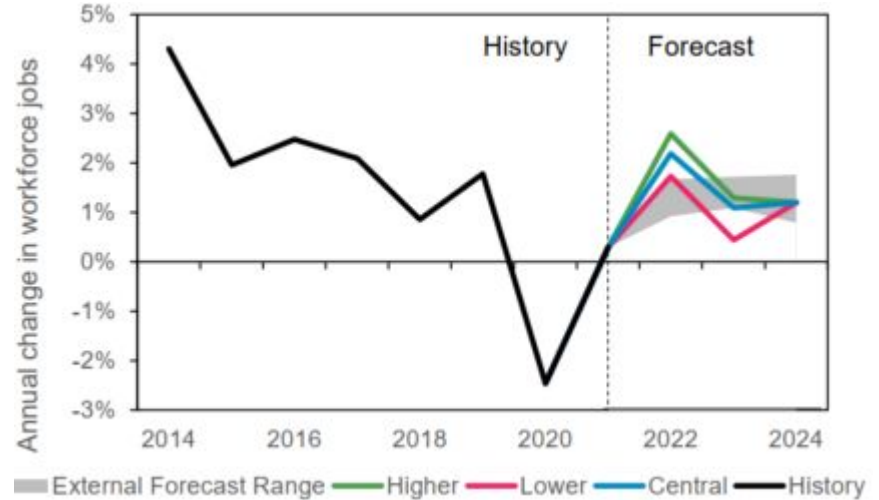
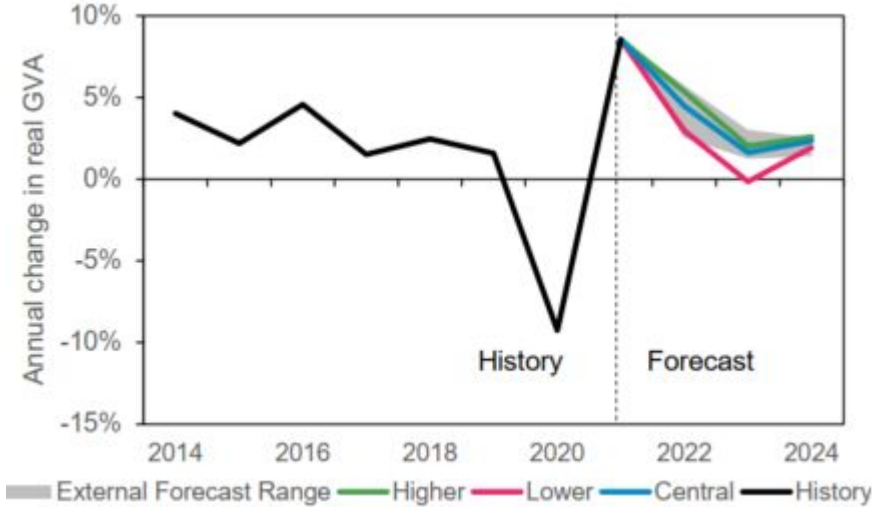
Net score with above zero being positive, below zero being negative



Economic forecasts

GLA Economic Forecast - Spring 2022

Change in Real Gross Value Added and Workforce Jobs



What this information shows

- A mixed picture on business sentiment at the national and regional level with some responses showing more positive expectations for the year ahead but with inflationary pressure being raised as a major concern
- We do not currently know enough about business sentiment of borough-based businesses
- Consumer confidence has fallen rapidly in 2022 - most likely this is a reflection of negative perspectives on the economy and lower disposable income
- Recent GLA economic projections still predict overall growth in output and jobs but with a slowdown during 2022 and 2023 - primarily driven by cost pressures

Main areas of uncertainty

- National economic policy under a another new Prime Minister plus a general election before Jan 2025
- The medium term impact of further pandemic lockdowns (mainly China and their approach)
- The short, medium and potentially long term impact of the Russia-Ukraine War
- London economic restructuring and use of buildings in response to pandemic driven changes, ie working locations and patterns - reinvention in the Central Activities Zone is needed if the changes stick
- The extent to which the green economy and transitioning to net zero can generate a net increase in businesses (in-borough) and jobs (in-borough and London) - regional studies suggest no net increase
- Will recent prioritisation of work-life balance for many workers outlast current economic pressures
- How will our town centres need to change to respond to current pressures and changing consumer habits



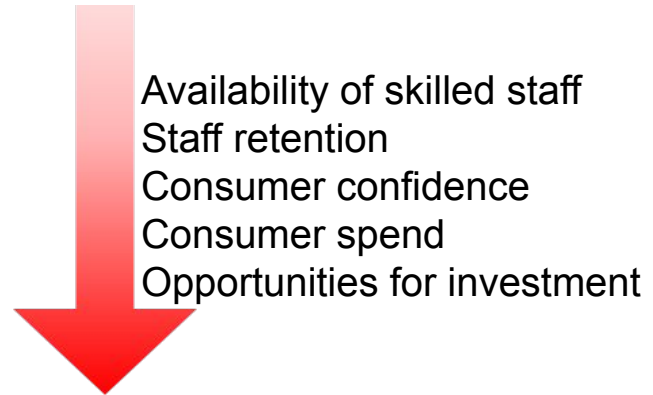
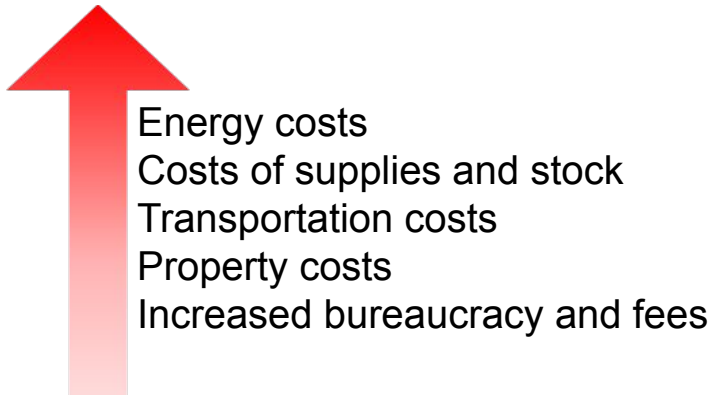
Questions and discussion

What this means for Hackney

- New short-term disparities, in addition to existing ones, are likely to emerge - ie sole traders in tech/professional roles who can work from home vs small businesses who operate premises vs any business involved in any form of manufacturing (inc food and drink) from their premises
- Long standing disparities for many residents to both understand and access future opportunities could be exacerbated by wider negativity and recession
- Our manifesto commitments are important but we will need to be realistic about the short-term focus - ie what businesses and residents expect in the current context
- Our “asks” to business around social value and net zero will require careful handling - must deploy evidence, benefits and avoid perceptions of “preaching”
- Smart communications and co-ordinated stakeholder segmentation/engagement/management are more important than ever
- Our economic development levers remain the same - achieving more requires decisions on a range of trade-offs and/or internal change
- Ideally we need a clear mechanism to prioritise limited resource, influence and direct funding
- Competing for direct funding for non-statutory provision of business support is hard - measuring impact well is also difficult
- Signposting, partnership working and more imaginative approaches to sourcing funding/resource will be more important than ever

Cost crisis - impact on businesses

- Important to acknowledge the macro-economic nature of the pressures currently facing businesses. These stem from a combination of:
 - The Russia-Ukraine war
 - Post-pandemic international policy positions;
 - UK exit from the EU; and
 - Instability of our national economic policy
- The impacts on businesses are summarised below - they all put pressure on cashflow
 - cashflow challenges account for 80% to 90% of business closures



Cost crisis - helping businesses

- The origins of the challenges facing businesses point to the need for national solutions. We will be taking a more proactive approach to lobbying. Primarily this is:
 - More clarity and support on energy bills
 - Targeted relief measures for business most at risk, ie hospitality and retail
 - Structural issues such as business rates reform plus investment in net zero, the green economy and skills/training more widely
- Our (relatively small) local business support programmes:
 - Pivoted our current business support sessions towards “management of finance” activity
 - Our next business support programme (GLA funded) will include cost-crisis support alongside two other themes of transition to net zero and growing social businesses
- Signposting to wider support for businesses via our web-channels:
 - Advice on managing energy costs, decarbonisation and Ofgem information
 - Support on finance - various links covering debt advice and national recovery loans
 - London Business Hub - business advisors, support programmes and property advice
- More business-facing marketing:
 - An enhanced “Love Hackney, shop local” campaign for November and December
 - Profiling local businesses and events through the campaign and our channels
 - A “Here to Help” campaign to communicate all the above to businesses

Economic Development

Council's role and levers:

- Regulatory and statutory functions
- Commissioner and purchaser
- Asset owner and developer
- Direct service delivery
- Direct employer
- Convener and influencer
- Assembling funding

Key questions:

- What's our level of ambition?
- What's our capability?
- How far do we want / are able to go with each lever over the next three years?
- What are the key dependencies?



Property assets and infrastructure



Partnership working and collaboration



Skills, education and training



Ambition - political and corporate leadership



Planning and regulation at the local level

Procuring green
Procuring fair delivery
Procuring for a better society



Procurement and social value



Economic growth: inward investment and local businesses scaling



Example issues to resolve for the Plan

Delivery activity	Issues to resolve
<p>Leveraging assets Provide more affordable workspace that supports business opportunities for local communities and key sectors</p>	<p>How we assess options our commercial buildings, ie maximising income vs social value Update and refine our approach on s106 via Planning inc defining key sectors Improve monitoring of affordable space provided via s106 Improve targeting of type, location and end-users inc more flexibility of multi-use</p>
<p>Leveraging spend Achieve more local spend, increased social value and support the shift to net zero through public sector procurement</p>	<p>Switch to extended pipeline scanning and targeted support to local businesses to achieve readiness, inc local labour, social values and net zero Improve co-ordination on practice, pipeline scanning and support Increase internal awareness and support across services on social value</p>
<p>Leveraging regulation Use these functions, inc licensing, to maintain quality, safe provision to enhance the quality of the local offer</p>	<p>Which aspects of regulation can have most impact in terms of balancing bureaucracy and achieving quality Feasibility of difference aspects of regulation to achieve net zero aims then change/implementation timescales</p>
<p>Direct Service delivery Including direct support to businesses and residents (for employment)</p>	<p>Approach to maximise the targeting and impact of our own teams, ie Employment and Skills, Economic Development, Area Regeneration, Markets, etc</p>
<p>Convening, influencing and funding Maintain and develop beneficial public and private sector relationships to support all aspects of the above</p>	<p>Balance of priorities between big vs small business, public vs private sector, local vs regional vs international How to manage the above to maintain coherence and maximise impact How does our area-based approach address current and potential change in places A realistic focus for our collaborations with anchor institutions</p>



Questions and discussion