

## **SOUTH EAST ENGLAND DEVELOPMENT AGENCY**

### **BOARD MEETING ON 23 JULY 2009**

#### **ITEM 9**

### **ECONOMIC CONDITIONS AND SEEDA'S RESPONSE**

#### **Recommendation**

The Board is invited to **NOTE** the report on the economic situation, and information on a range of practical initiatives currently being taken either by, or with the involvement of, SEEDA.

#### **Regional Economy**

1. According to the latest Purchasing Managers Index (PMI) Survey, business activity in the South East declined marginally in May. This is the slowest rate of decline since August 2008. The latest FSB Snap Poll Survey (June 2009) shows that some 42% of small businesses in the region have seen decreased trade over the past two months, representing a small improvement on the last survey (48% reported a decrease in April).
2. Credit conditions remain tight but there are some signs that bank overdrafts and term lending are returning to a manageable level for many SMEs. According to the latest FSB survey the cost of existing finance increased for 22% of its members in the region over the past two months, down from 27% in April 2008. Business Link reports that more than 11,300 Health Checks will have been delivered in the region by the end of June.
3. Investment seems set to stay at relatively low levels, with similar numbers of firms expecting to increase spending over the next 12 months as expect to decrease spending, with half anticipating no change. More specifically, investment in buildings, plant and machinery, and training and retraining seem set to fall, while investment in product and process development should remain relatively stable. Only in marketing and sales do firms expecting to increase spending significantly outweigh those expecting decreases, as firms seek to promote their products to maximise revenue while reducing costs elsewhere.
4. The latest National Business Survey, released this month, shows that there has been an upturn in business confidence over the past six months. However, firms expecting the business climate to deteriorate over the next 12 months still outnumber those expecting it to improve, suggesting that it is too early to begin talk of a sustained recovery. Internationally, the IMF reports that risks to the global financial system have moderated somewhat, but stabilization is uneven and the recovery is expected to be sluggish.
5. According to the HR1 data, the level of redundancy notifications in the South East increased marginally faster in June than in May, with around

4,000 redundancy notifications in June against 2,500 in May.<sup>1</sup> The sharp rise in notifications in June may be due businesses under going re-planning exercises in the light of poor end of financial year results. The service sector continued to be hardest hit with almost 70% of all redundancy notifications in June – similar to the proportion reported in May. The proportion of redundancies in the manufacturing sector dropped to 16%, compared to 28% of all notifications in May.

6. The claimant count unemployment<sup>2</sup> in June 2009 was 152,400 for the South East, 1,500 greater than May 2009 (less than the previous monthly increase of 3,400) and 82,300 higher than a year ago. There were 29,870 vacancies notified to Jobcentre Plus in June 2009, which is 20,600 fewer than a year ago.

### **SEEDA's Response**

7. The Board has been kept up to date with SEEDA's response to the economic conditions and a document 'Open for Business' has now been published and sent to partners and stakeholders setting out the range of support from SEEDA, Business Link, JobCentre Plus and the LSC.
8. Recent new measures include strengthening the Continuing Employment Support Service, a joint SEEDA/Jobcentre Plus programme, which works in partnership with main government agencies and offers a free, tailored, in-house package of support to all affected workers before they leave their employment, thus negating the need in many cases to access benefits. The establishment of the SEEDA Transition Fund to help businesses survive the economic downturn. The Fund has now had offers loans accepted by 20 companies with a value of over £2.3m. It is projected that, so far, 804 jobs will be safeguarded or created. The region's Business Links have undertaken over 12,000 Healthchecks out of about 68,000 in England.
9. In order to prepare for the eventual upturn, SEEDA is increasingly refocusing its projects and programmes around the core theme of productivity gain. This will take the form of more innovation support to businesses, for instance the refocused Manufacturing Advisory Service, encouraging R&D linkages between universities and business; infrastructure investment with a strong economic growth dimension to it (such as incubators); targeting inward investment in key sectors which reflect the intellectual and skills base of the South East; and focusing on fast growth business whilst using Business Links for volume support.

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<sup>1</sup> Note that this data only captures redundancies of more than 20 employees; some of the job losses are not scheduled to take place until later in 2009; and in some cases the redundancies are happening in another region but are registered in the South East because it is home to the company's headquarters.

<sup>2</sup> Seasonally adjusted figure.