



Business Support Briefing Session

Economy Update

Economic Analysis, Market Intelligence & Evaluation – where it is all going?

June 2011

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Overview

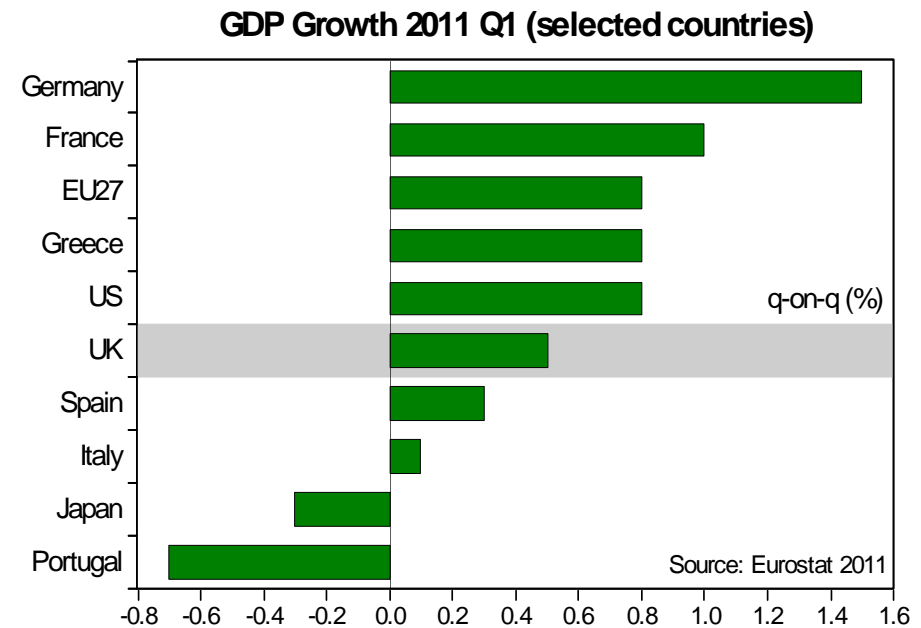
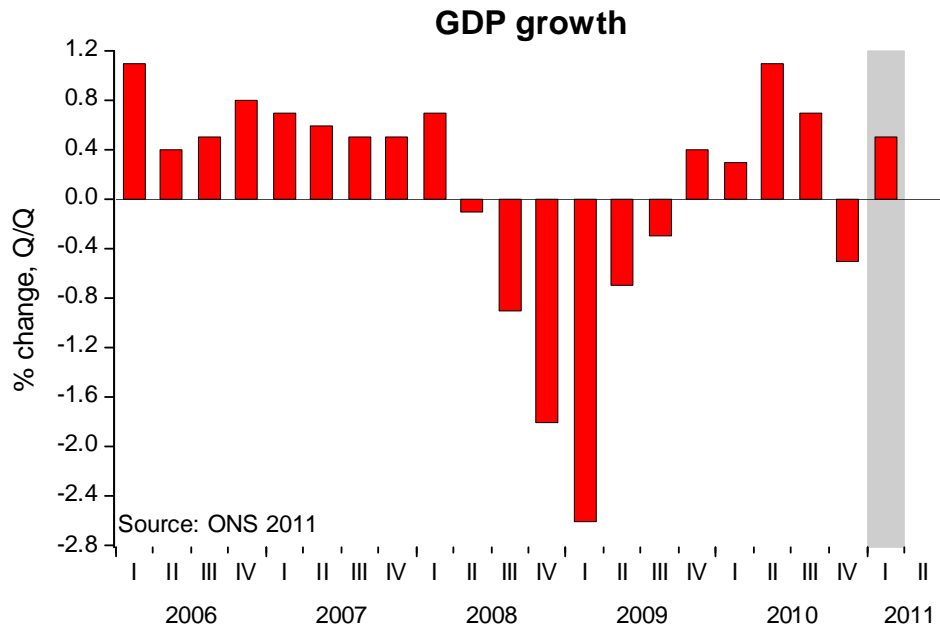
1. Economy Update

- Output
- Prices and inflation
- Labour market
- Confidence
- Outlook
- Key challenges ahead

2. SEEDA Economic Analysis, Market Intelligence and Evaluation

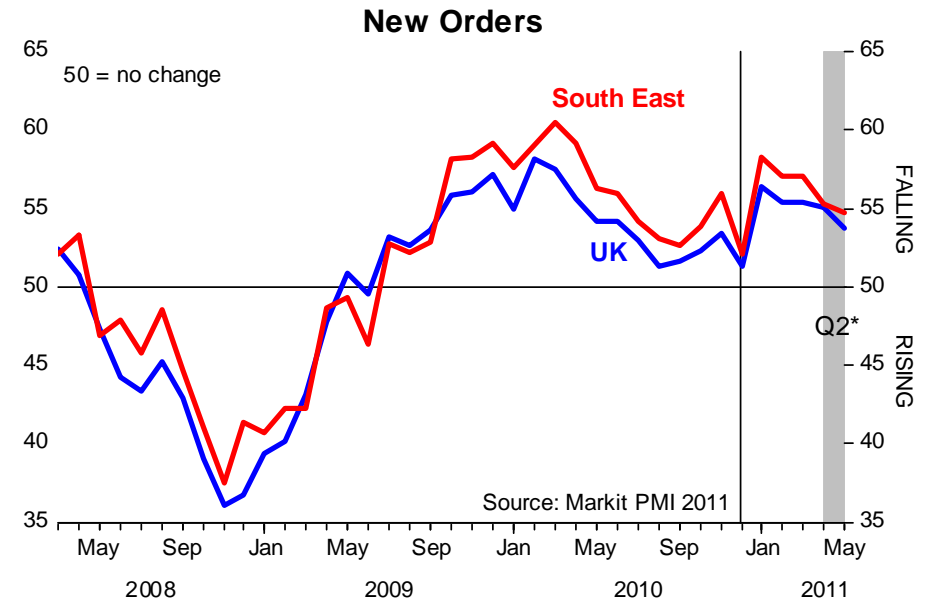
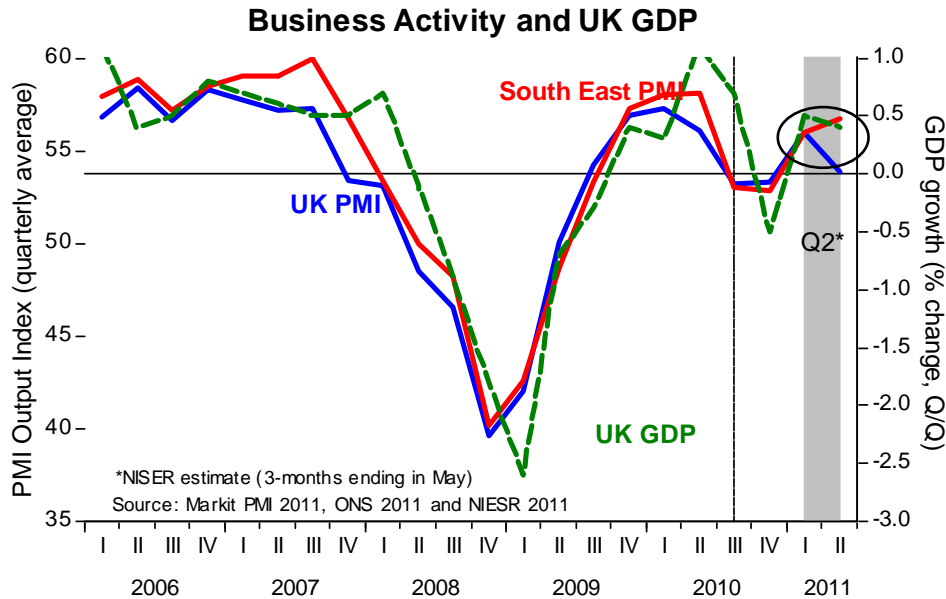
- What we did and
- Where it is all going

Growth returns in Q1



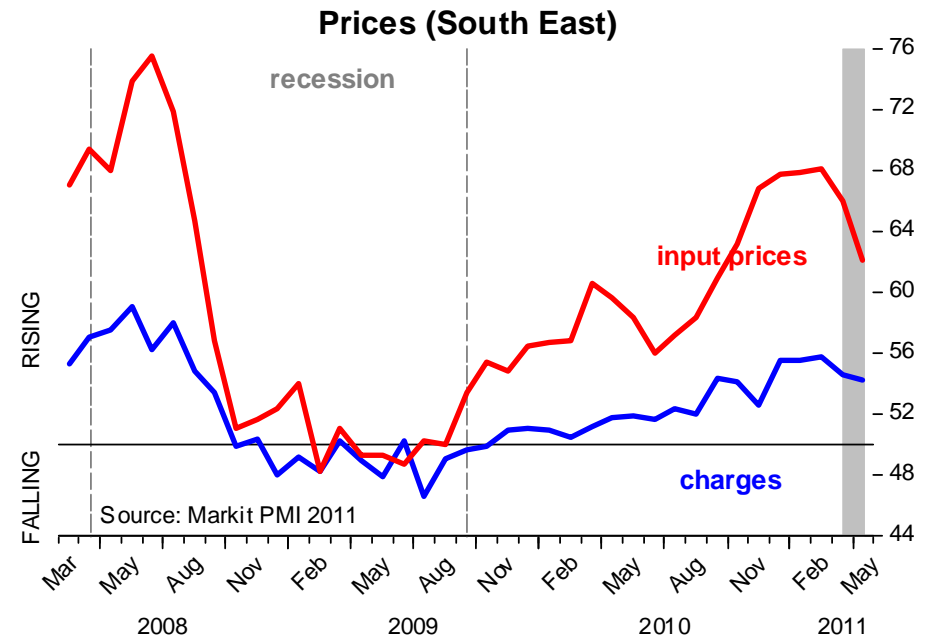
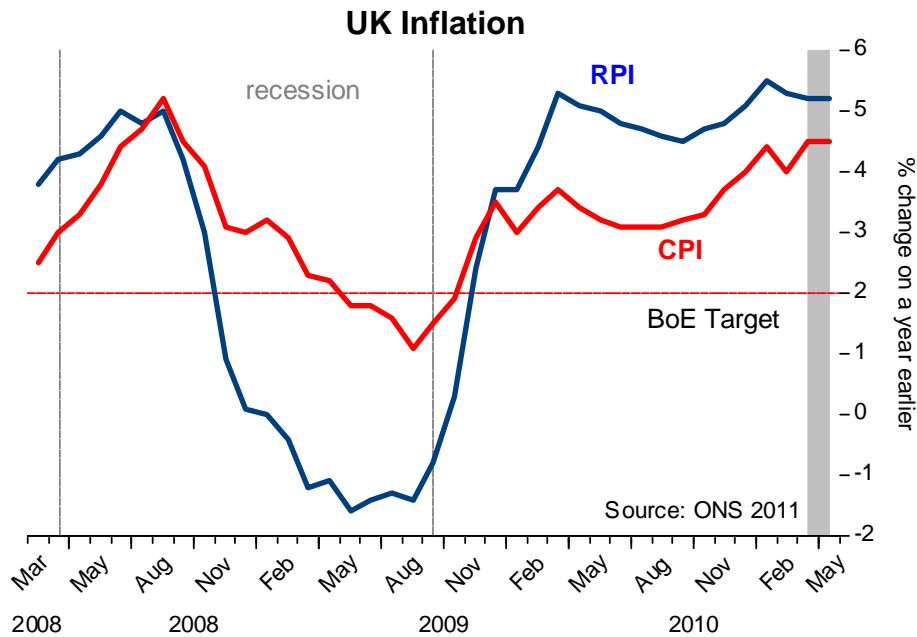
- The economy avoids a double-dip recession.
- Government expenditure contributes to growth in Q1
- Weakness in the domestic economy – negative contribution to growth from consumer and business investment.
- Growth driven by export demand
- Weakening demand from Europe and US

Activity slows in the spring



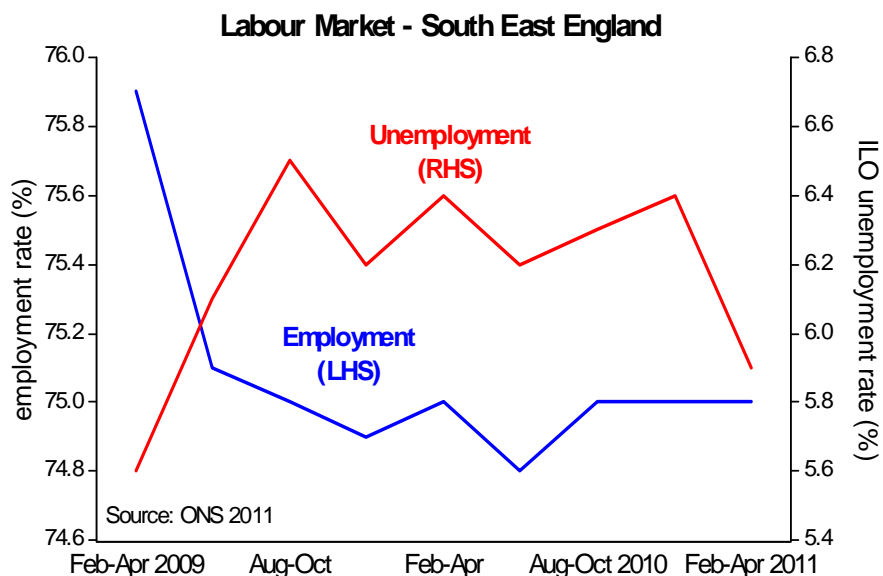
- Business activity growth in the region slowed in May
- Retail sales fell by 1.4% between April and May
- The biggest fall in service sector output in 15 months in April
- New business growth in the region eased to a five month low
- New orders growth in services in the region faster than in manufacturing

Inflationary pressures starting to level off?



- Inflation unchanged in May; Global oil prices levelling off?
- Falling input prices in the South East
- Inflation likely to resume its uptrend over coming months (energy, food, clothes)
- CPI inflation expected to gradually ease back from 2012
- Bank of England base rate to stay at 0.5%

Labour market improving



Annual/Quarterly change

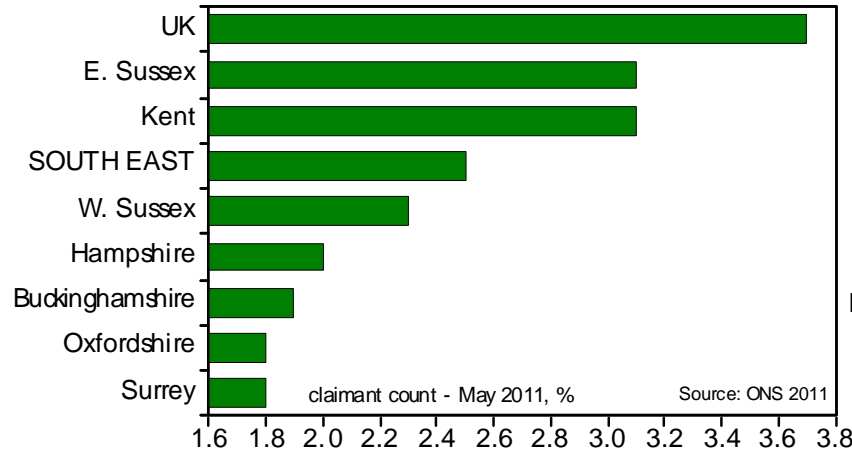
	Employment		Unemployment	
	quarterly	annual	quarterly	annual
S. East	13,000	46,000	-25,000	-26,000
UK	80,000	376,000	-88,000	-57,000

Source: ONS 2011

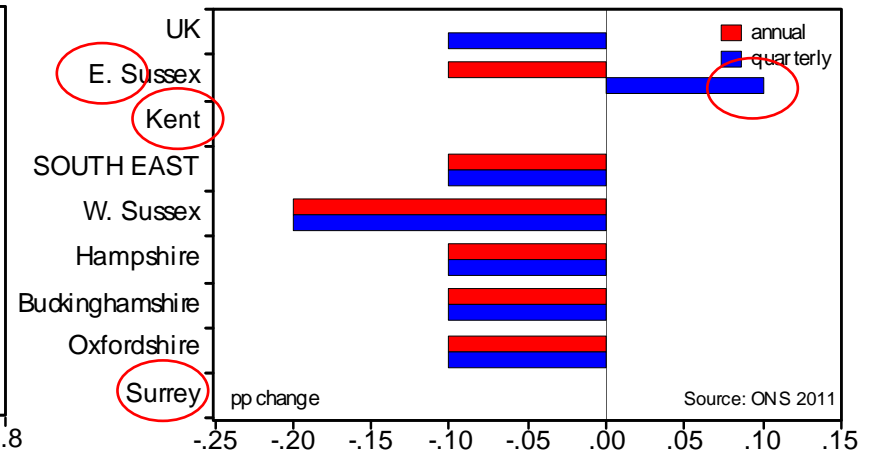
- General improvement in headline trends.
- Employment up, unemployment down, but activity also down
- Pay trends remain subdued
- Survey evidence shows private sector continues to create jobs
- Strong growth in ICT jobs in the region
- Fragile recovery of the labour market this year

Falling unemployment

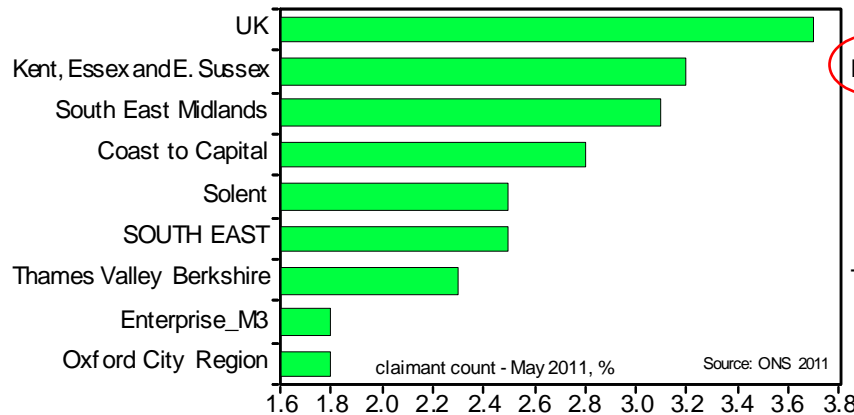
Unemployment rate - South East Counties



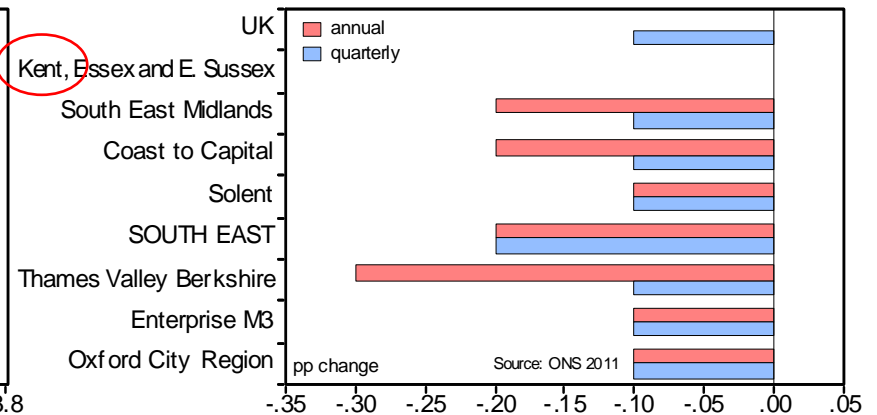
Change in unemployment rate - South East Counties



Unemployment rate - South East LEPs



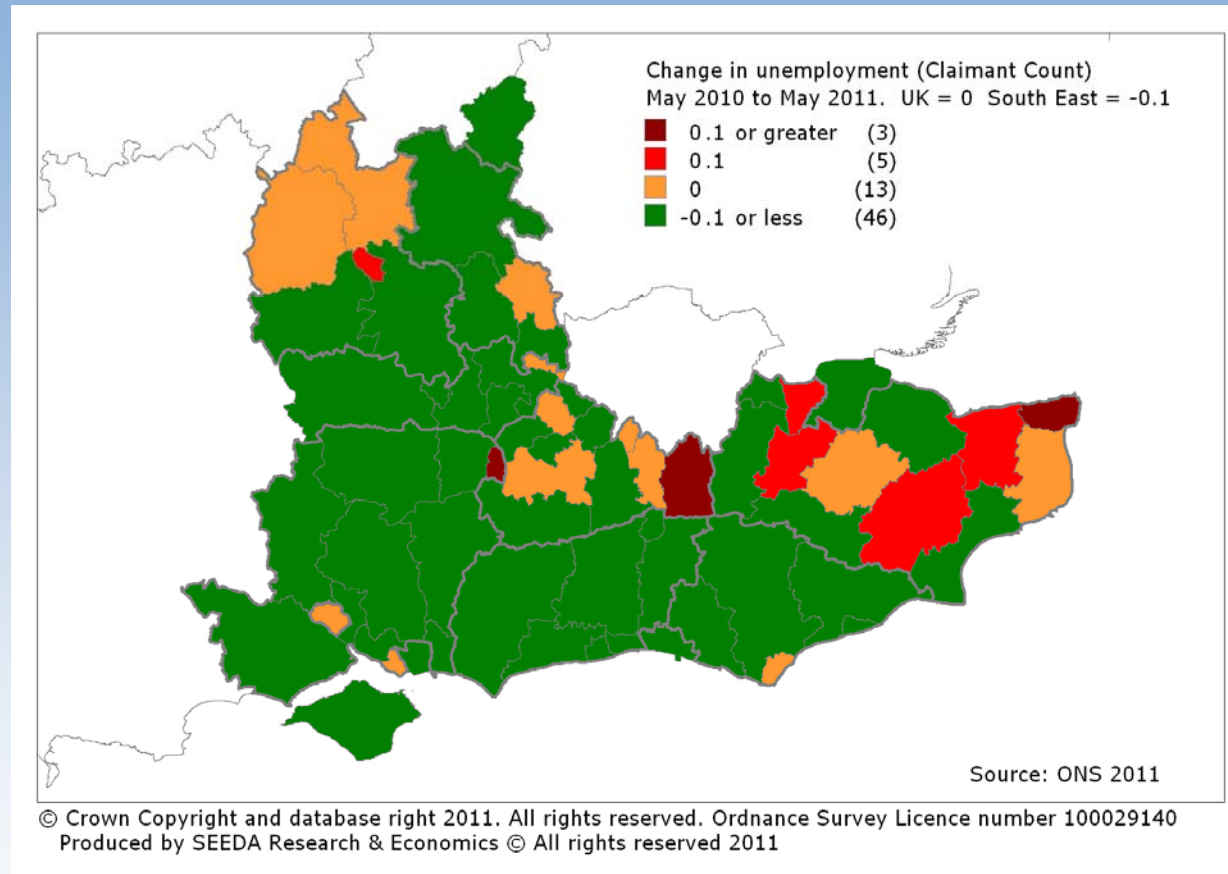
Change in unemployment rate - South East LEPs



- Falling claimant count unemployment across most sub-regional economies

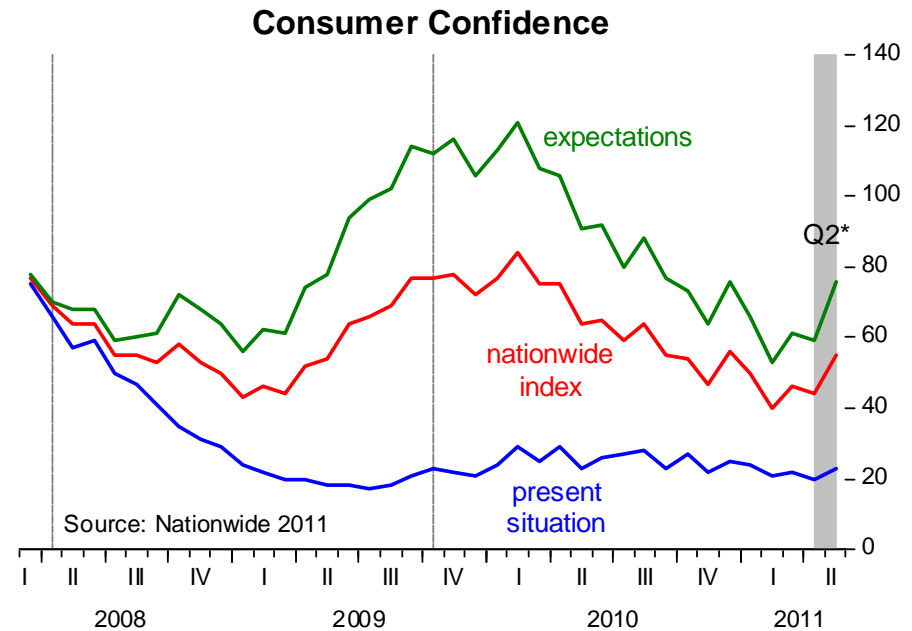
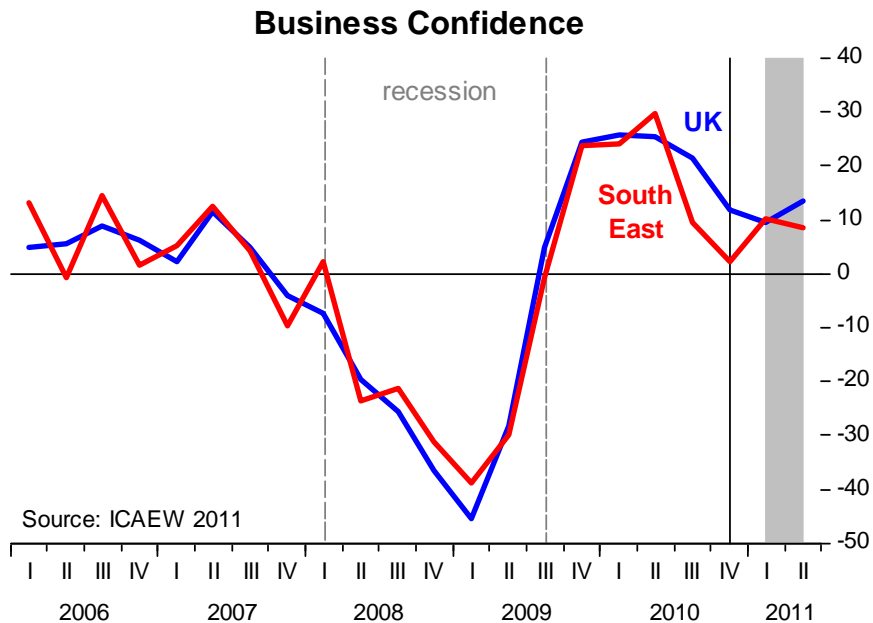
Mixed performance across the region

Annual change (May 2010 – May 2011)



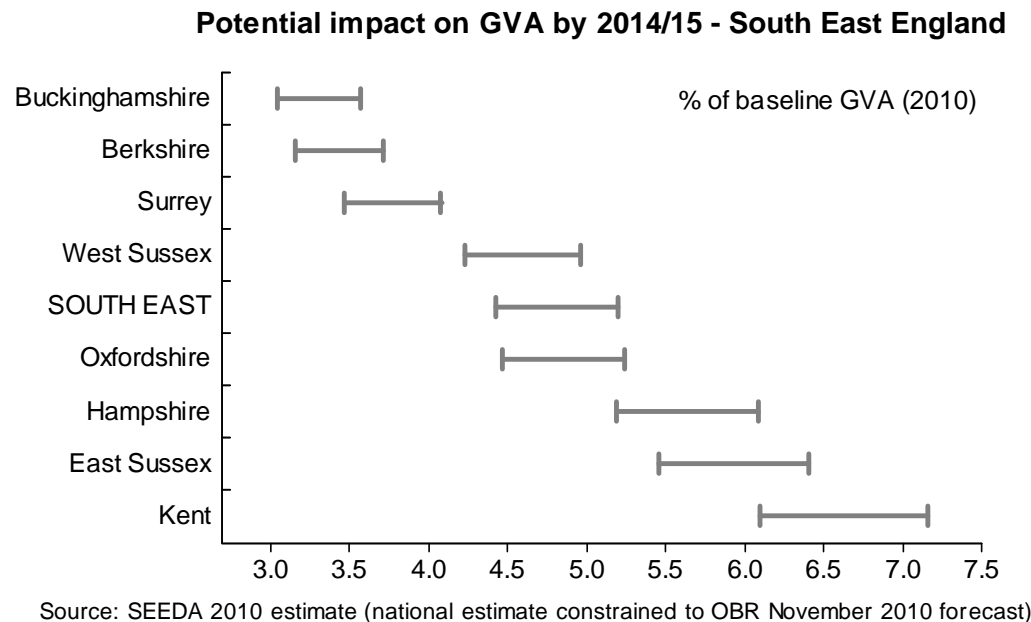
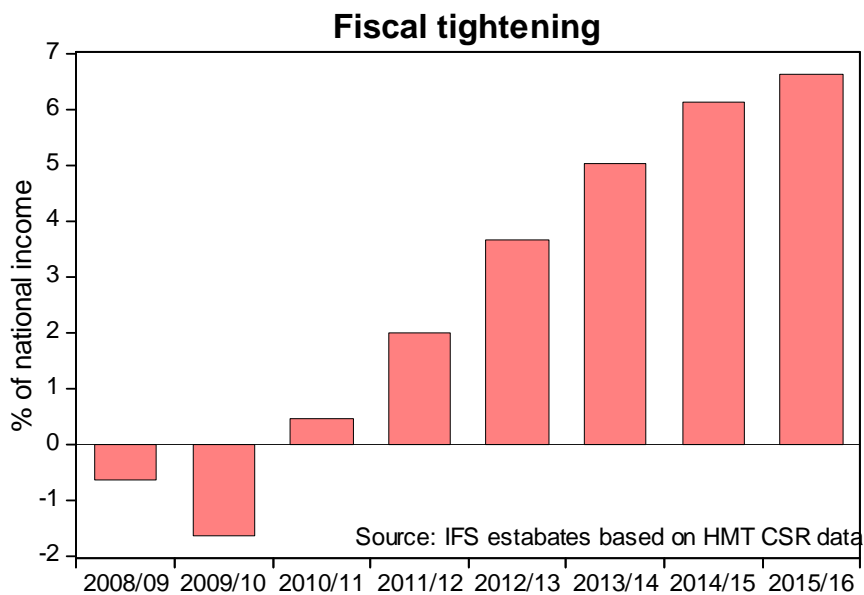
- Rural areas performing better than larger urban centres
- Above the national average increase in a number of local authorities in Kent
- Slower decline in parts of Surrey and Oxfordshire
- Public sector cuts to impact on unemployment

Confidence recovering?



- Business confidence bounces back, but not in South East and London
- One of the largest increases in consumer confidence in May (Nationwide)
- Boost in sentiment from warm weather, bank holidays and the Royal Wedding.
- Household income sees biggest fall since 1977.

Public sector cuts to come



- Fiscal tightening underway: <0.5% last year, 2% this year
- Potentially significant impact across several counties in the region
- Uncertain impact on the private sector.

The outlook - back to the future?

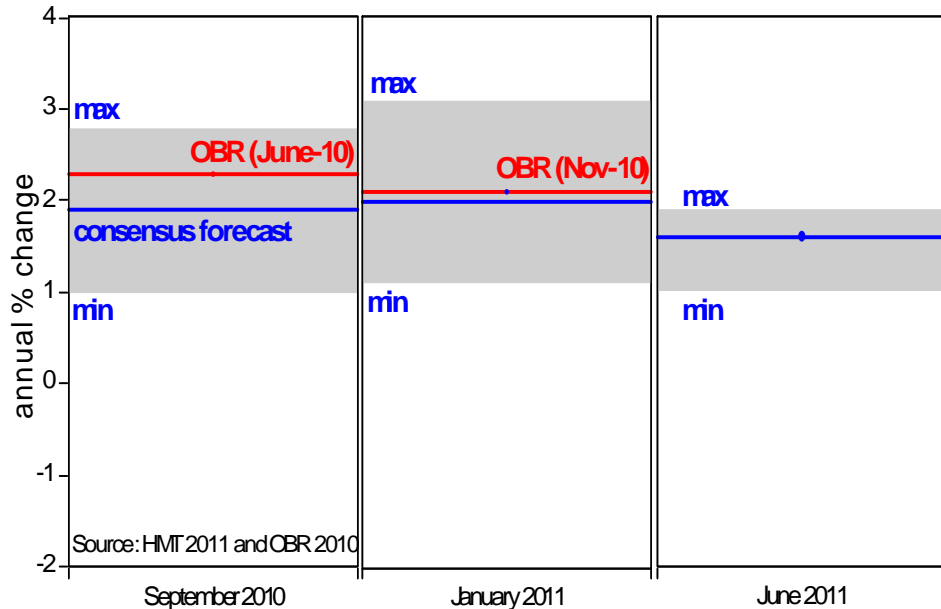
- Spring/ Summer 2008 - A 'perfect storm' gathering
 - High inflation
 - Falling business activity
 - Low confidence
 - Credit crunch unfolding
 - Tight monetary policy

- Spring/Summer 2011
 - High inflation
 - Weakening business activity
 - Low confidence
 - Sovereign debt crisis (Credit Crunch v2.0)

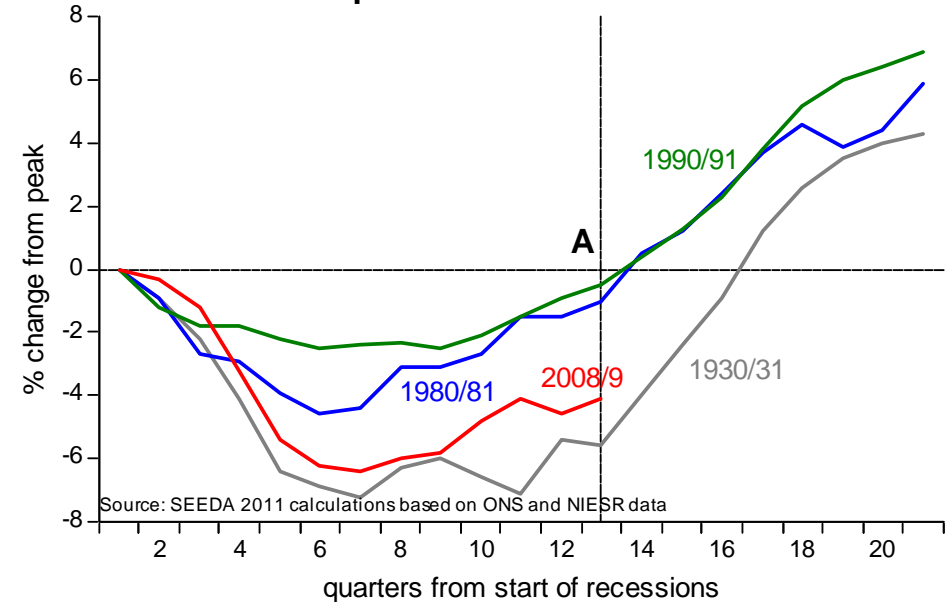
 - Policy response
 - Loose monetary policy
 - Strong global recovery

Output growth in 2011

GDP Growth in 2011 (UK)



The profiles of UK recessions



- Downward revisions to GDP growth
- Narrower range of independent forecasts (less surprising due to negative growth and shorter forecast horizon)
- Output still some 4% below pre-recession peak
- Recoveries take longer following recessions caused by financial crises

How long before output goes back to pre-recession level?



	2008	2009	2007	2008	2009	2010	2011	2012	2013
UK	-0.1	-4.8	100.0	99.9	95.2	96.9	98.7	100.7	102.9
South East	0.1	-4.8		100.0	95.2	98.0	100.1	102.3	104.8
Solent	-0.2	-5.0	100.0	99.8	94.9	97.5	99.3	101.3	103.7
Thames Valley Berkshire	-0.9	-5.5	100.0	99.1	93.7	97.1	99.7	102.3	105.3
Oxford City Region	1.5	-4.1		100.0	95.9	98.6	100.5	102.3	104.4
Enterprise M3	0.7	-4.9		100.0	95.1	97.9	100.0	102.3	104.9
Berkshire	-0.9	-5.5	100.0	99.1	93.7	97.1	99.7	102.3	105.3
Buckinghamshire	1.3	-4.5		100.0	95.5	98.6	101.2	104.0	107.1
East Sussex	-1.1	-4.6	100.0	98.9	94.3	96.3	97.7	99.4	101.4
Hampshire	0.7	-5.0		100.0	95.0	97.8	99.7	101.8	104.3
Kent	-0.4	-4.4	100.0	99.6	95.2	97.7	99.8	101.7	103.8
Oxfordshire	1.5	-4.1		100.0	95.9	98.6	100.5	102.3	104.4
Surrey	0.8	-4.9		100.0	95.1	97.7	99.8	102.3	104.9
West Sussex	-1.0	-4.5	100.0	99.0	94.5	97.2	99.3	101.6	104.0

Source: Experian, Autumn 2010 and SEEDA 2011 estimates for LEPs (based on Experian data)

- Recovery to take some time
- Economy to recover lost output by 2011 (Experian, Autumn 2010), more likely 2012.

Key challenges ahead

- Sovereign debt crisis and possibility of the Credit Crunch v2.0
- Slowdown in demand from US and Eurozone economies
- Business investment fails to materialise
- Tighter monetary policy (when it arrives) and its impact on the housing market
- Consumer spending ~2/3 of demand. How will UK consumer react?

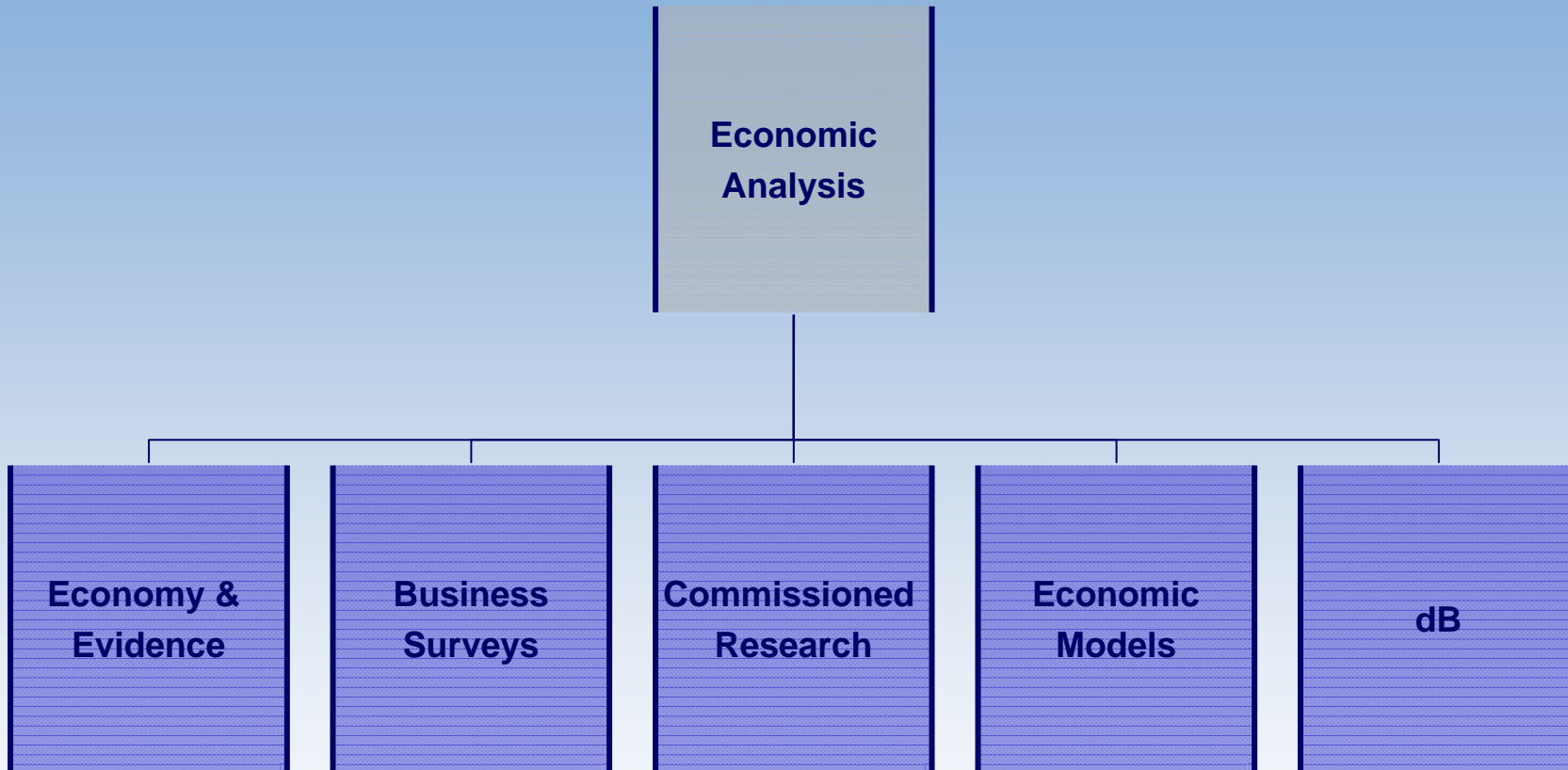
Economic Analysis, Market Intelligence & Evaluation

What we did and where it is all going?

SEEDA Intelligence

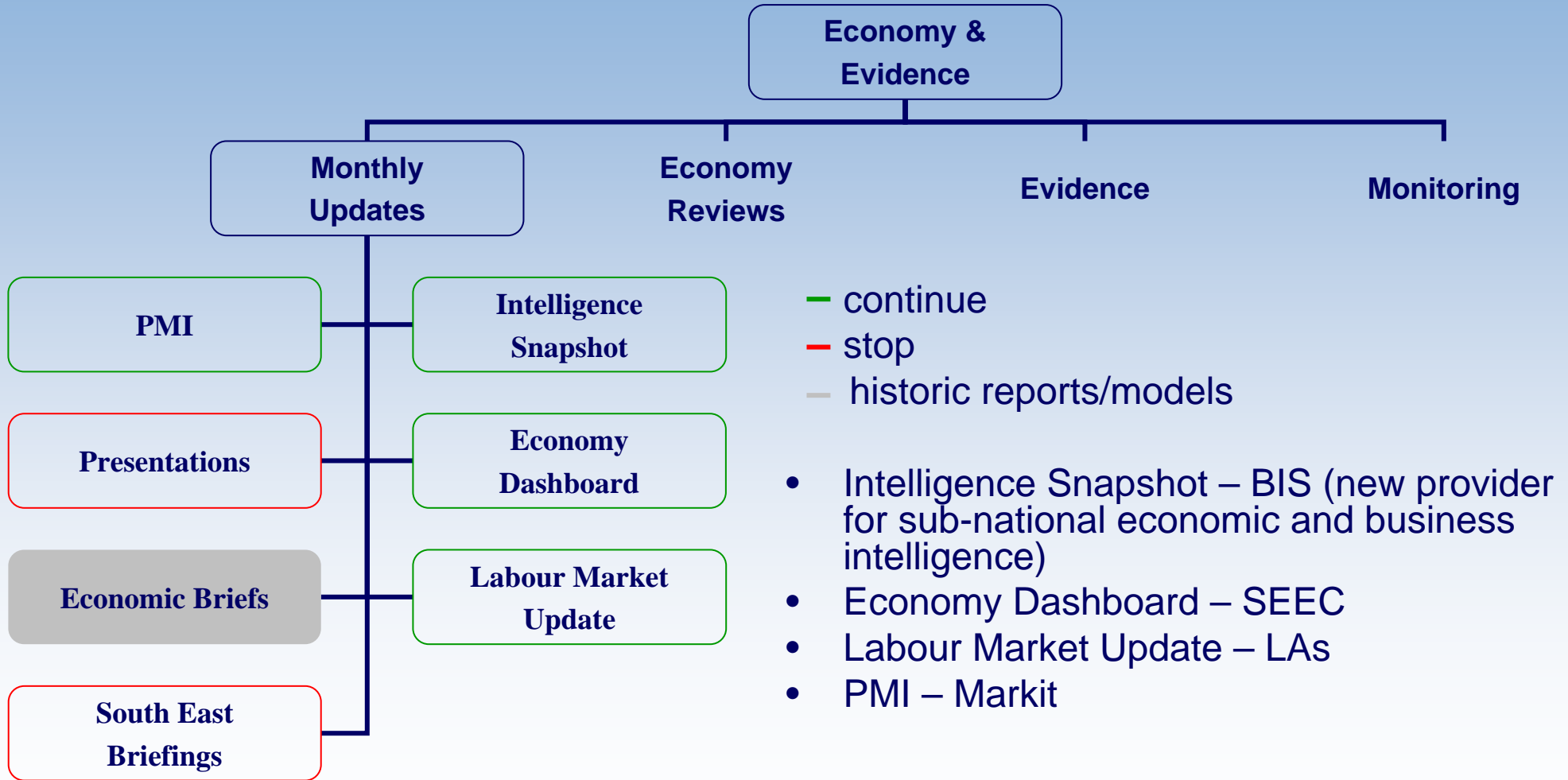


Economic Analysis e-Archive

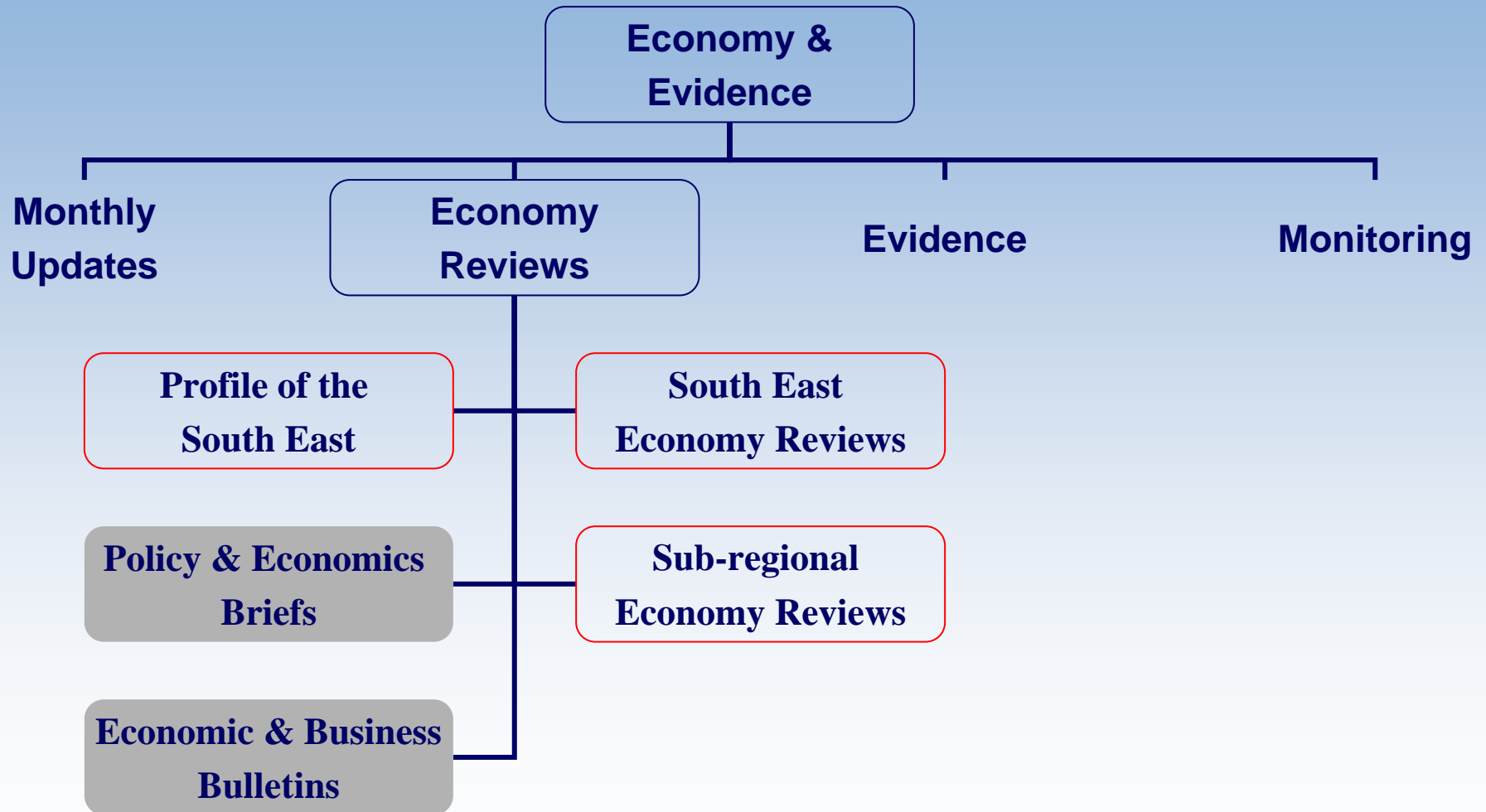


- Some reports available on SEEDA website:
<http://www.seeda.co.uk/what-we-do/economic-intelligence-and-research>
- Transferred to South East England Councils (SEEC)
<http://www.secouncils.gov.uk/>

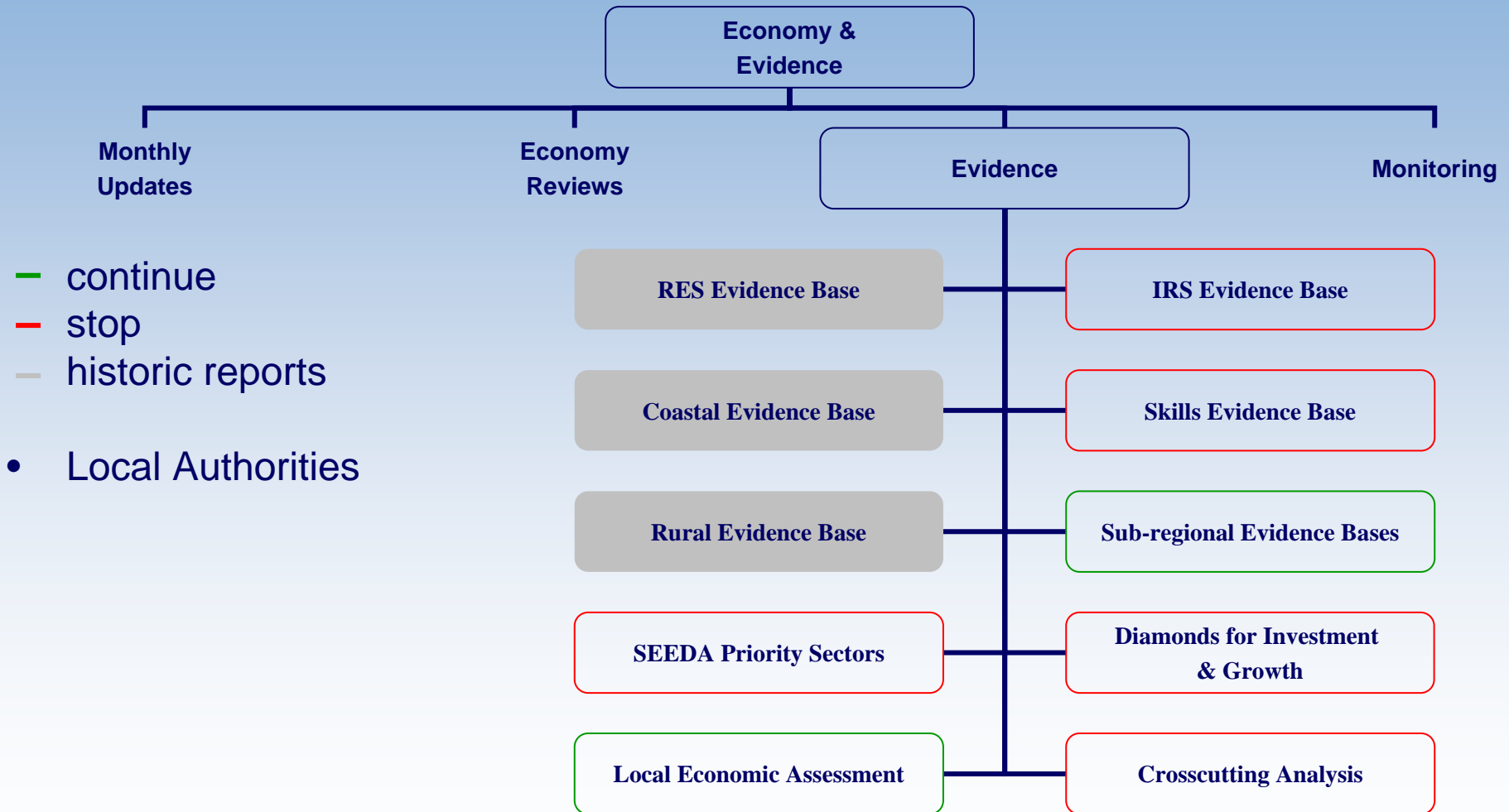
Economy & Evidence Programme



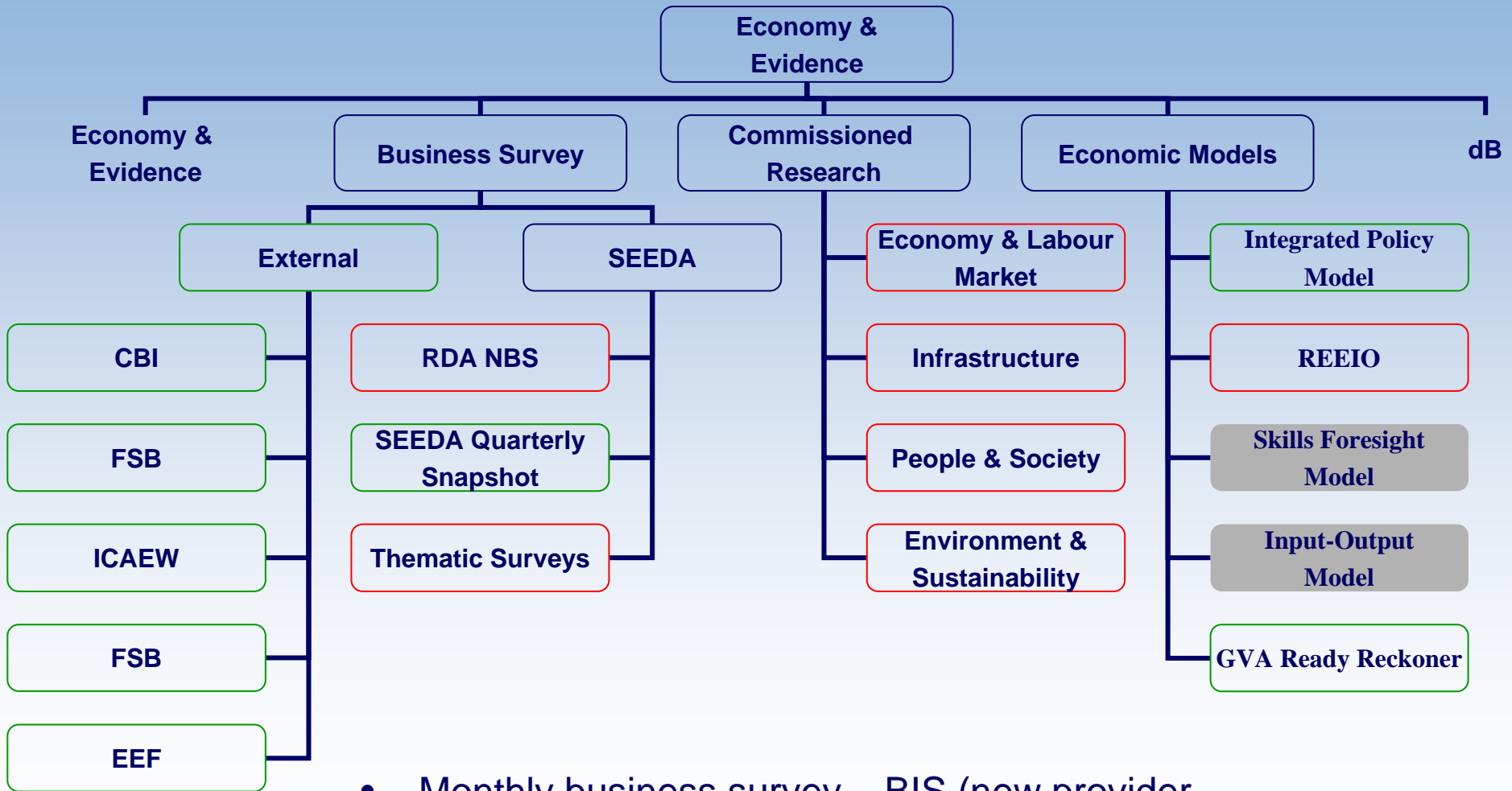
Economy Reviews Theme



Evidence Theme



Independent Research, Surveys and Economic Models and Tools



- Monthly business survey – BIS (new provider for sub-national economic and business intelligence)

Sectors & Market Intelligence

- Sector-related material
- Regional/sub-regional propositions
- Business support, access to finance and regional profile guides
- Performance Monitors
- Transferred to the new provider PA Consulting and UKTI:

<http://www.ukti.gov.uk>

<http://www.paconsulting.co.uk/>

GIS and SEEDA Evaluations

GIS – spatial data analysis

- Supported economic analysis, sectors & market Intelligence work, property and area policy work
- Work done to date transferred to SEEC and PA Consulting

Evaluations of SEEDA Programmes and Projects

- Published on SEEDA and OffPAT websites:

<http://www.seeda.co.uk/news-and-publications/publications/1/evaluations>

<https://www.offpat.org/readingroom/Index.do>

Thank you

SEEDA Research & Economics

Email: research@seeda.co.uk

WWW: <http://www.seeda.co.uk/what-we-do/economic-intelligence-and-research>