



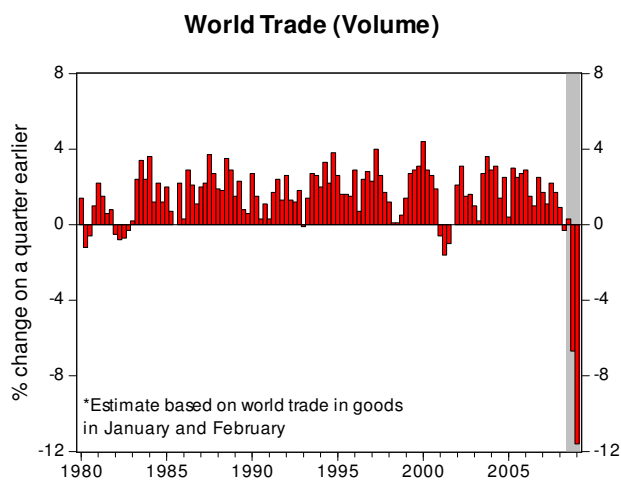
Kent Economy Update

May 2009

South East England Development Agency (SEEDA)
Research & Economics

A sharp contraction in industrial production and world trade. The sharp and synchronised fall in global economic activity continued in the first quarter of 2009.

World trade is estimated to have declined by around 7% in the final quarter of 2008 (see chart). Since October 2008 we have seen a sharp contraction in trade in goods and a sharp contraction in industrial production (see chart)

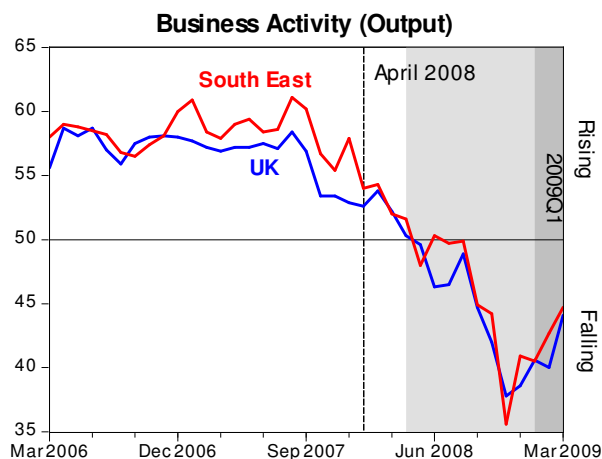


Source: CPB Netherlands Bureau for Economic Policy Analysis and OECD

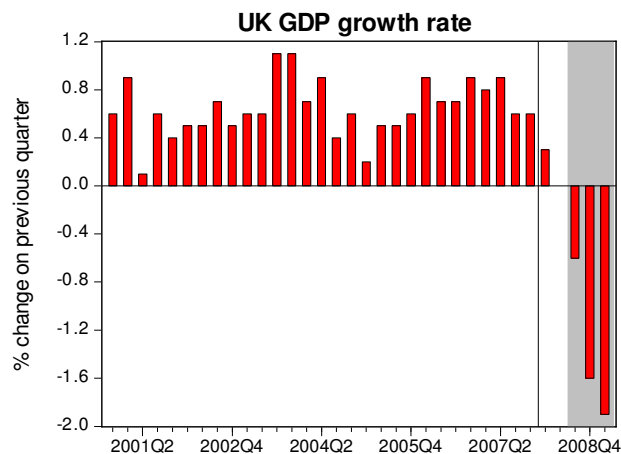


Source: CPB Netherlands Bureau for Economic Policy Analysis and IMF

Survey evidence not as gloomy as last year, but the contraction in UK GDP accelerates in 2009 Q1. Towards the end of last year the evidence from a number of business surveys started to point to a slower rate of contraction in business activity in the UK and South East (see chart).



Source: RBS PMI 2009



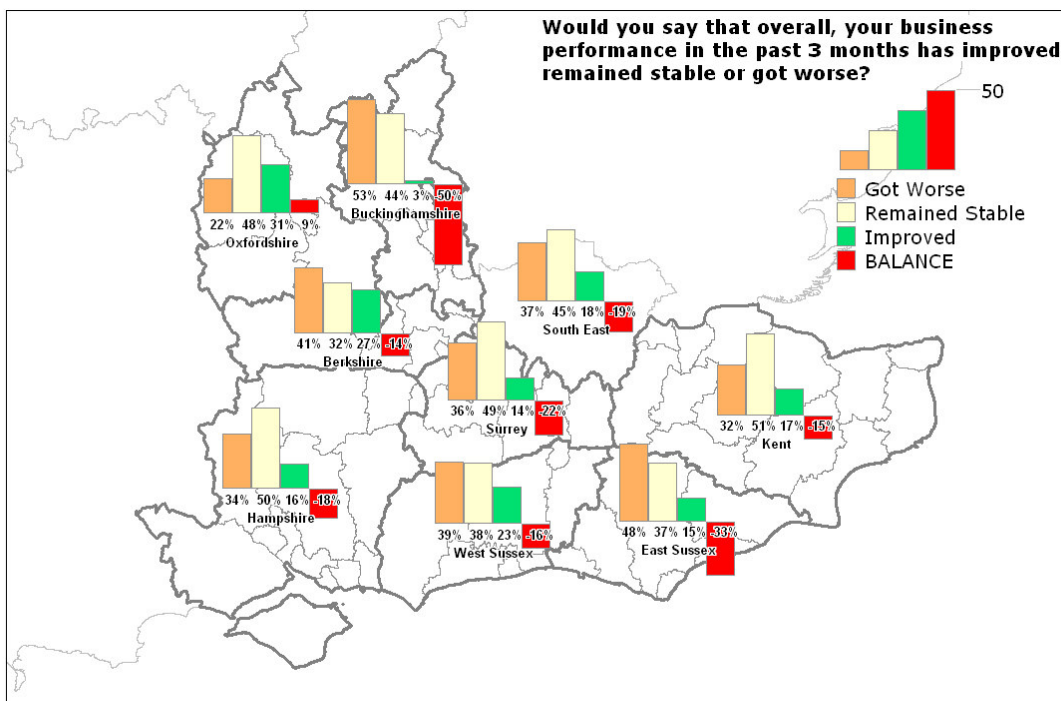
Source: National Statistics 2009

However, the latest preliminary estimates of UK GDP growth in 2009 Q1 showed that the rate of contraction accelerated from -1.6% in the final quarter of 2008 to -1.9% in the first quarter of 2009. The EU27 GDP contracted by -2.5% in the first

quarter of 2009, with Germany contracting by -1.6%.¹ For the first time since 1945 the global economy is faced with a synchronised fall in global economic activity (world GDP is expected to contract in 2009 by as much as 1.5%).

Almost a third of all businesses in Kent reported worsening business performance. The latest survey results reveal that 37% of companies in the South East reported that their overall business performance got worse during the three months up to the end of February, against 18% reporting that their overall business performance improved (a net balance of -19%). The latest evidence suggests that the rate of contraction in Kent was similar to the South East average, with 32% of all businesses reporting that their overall business performance got worse against 17% reporting an improvement (see chart).

Overall business performance



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Survey evidence for Kent points to a rate of decline in output similar to the South East average. In the three months to the end of February 38% of surveyed companies in Kent reported that their output was lower than in the previous three months, and 13% stated that it was higher, the same as the regional average (see table).²

¹ Eurostat news release – 15 May 2009.

² 120 businesses were surveyed in Kent.

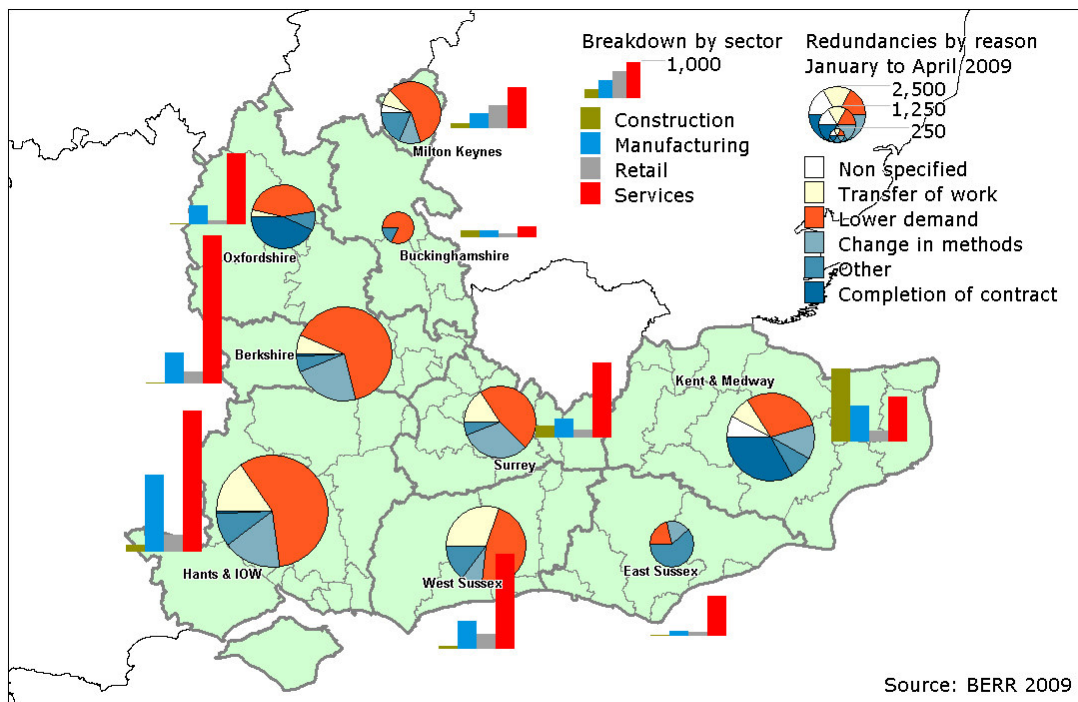
Excluding seasonal variations, what has been the trend during the past 3 months for Volume of output

	Lower	Same	Higher	Balance
South East	38%	37%	13%	-25%
Hampshire	34%	38%	12%	-22%
Berkshire	41%	33%	16%	-25%
East Sussex	47%	18%	21%	-26%
Kent	38%	36%	13%	-25%
Oxfordshire	29%	36%	25%	-4%
Surrey	46%	38%	10%	-36%
West Sussex	40%	33%	13%	-27%
Buckinghamshire	40%	49%	5%	-35%

Source: Business Survey (Quarterly Snapshot), March 2009

Manufacturing and construction have been affected more than any other sector. Kent has a high concentration of employment and output in the manufacturing and construction sectors and these two sectors have reported the highest proportion (54%) of companies having experienced deterioration in their business performance over the past three months, while public sector services report the lowest proportion (24%) of companies experiencing deterioration. Redundancy notifications data for Kent shows that Manufacturing and Construction have been affected more than any other sector.

Redundancy Notifications: January-April 2009



Source: BERR 2009

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Between January and the end of April there were some 21,879 redundancy notifications in the South East – 21% of those were in manufacturing and 10% in Construction. Over the same period there were some 3,216 redundancy notifications in Kent or 14.7% of the South East total (below Kent’s share of South East employment). In the last quarter of 2008 Kent accounted for around 22% of all redundancy notifications in the South East.³

The latest data shows that Construction accounted for some 43% of all redundancy notifications in Kent. This is largely due to a large number of redundancies notified in April in the area around Dartford (the HQ effect - see, Regional Intelligence Snapshot – April 2009).

Redundancy notifications in Kent: January – April

Sector	Kent & Medway	Share (%)
Construction	1401	43.6
Financial intermediation	52	1.6
Health	151	4.7
Manufacturing	721	22.4
Motor Vehicles (Retail)	109	3.4
Other Business Activities	379	11.8
Retail Trade	212	6.6
Transport	191	5.9
Total	3216	100.0

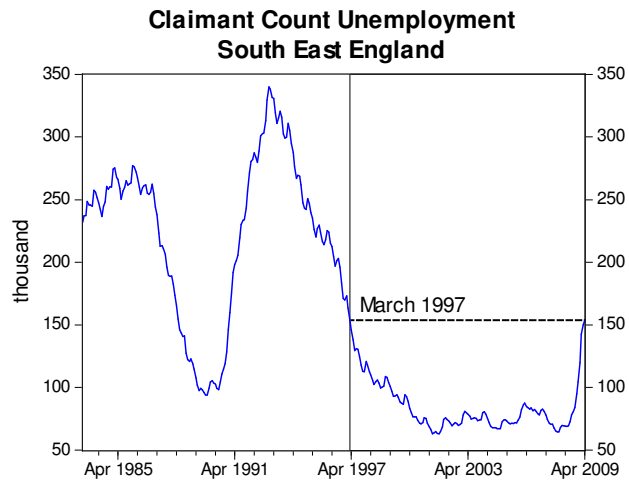
Source: SEEDA Estimate derived from BERR and JC+ data

Dartford accounted for some 45% of all redundancy notifications in Kent followed by Tonbridge & Malling (10.8%), Dover (10.5%) and Swale (9.5%).

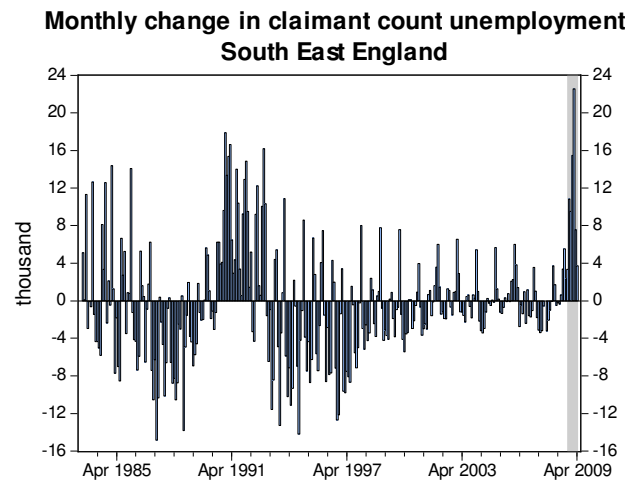
Unemployment is on the increase across the region. Over the past 12 months the number of people claiming Job Seekers Allowance (JSA) in the South East has more than doubled, from 69,105 in April 2008 to 153,608 (NSA) in April 2009. Over the past 12 months the claimant count rate has increased from 1.4% to 3%. The number of people claiming JSA in the region is now at the highest level since March 1997 (see chart). It is still well below the January 1993 peak, but since unemployment is a lagging indicator of economic activity it is likely that unemployment will continue to increase throughout this year and possibly well into 2010.

February 2009 saw the fastest increase in unemployment in the South East on record (see chart). The claimant count in February increased by some 22,500, but since February it appears that the rate of increase has slowed. Between October and February claimant count unemployment increased by over 58,000.

³ 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.

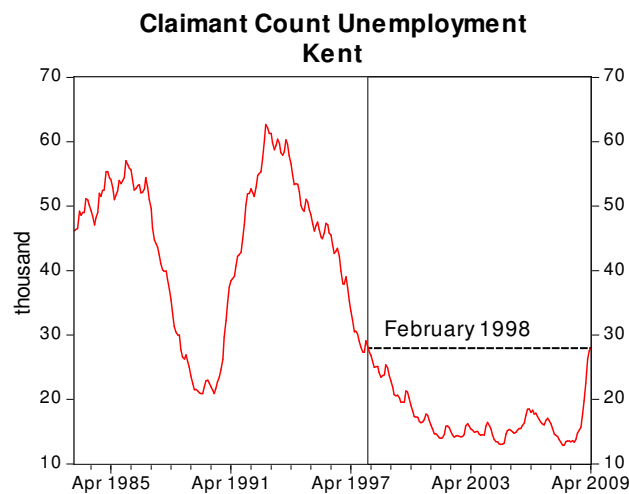


Source: National Statistics 2009

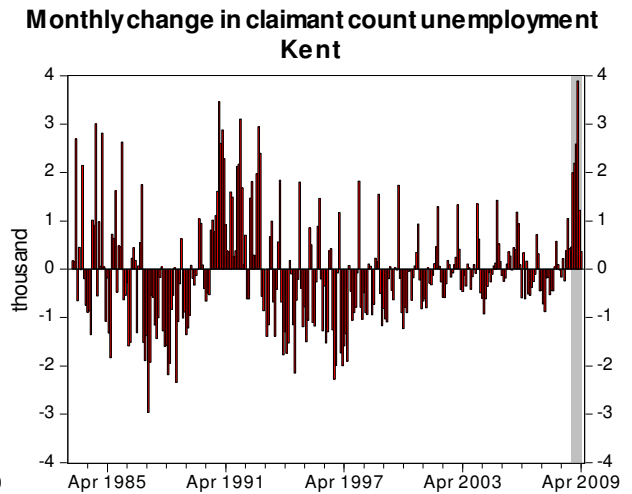


Source: National Statistics 2009

Unemployment in Kent is at its highest level since February 1998. In April 2009 there were almost 28,000 people claiming JSA in Kent, still well below the January 1993 peak. Over the past year the number of unemployed people in Kent has more than doubled (from 13,378 to 27,924). In February 2009 the number of people claiming JSA in Kent increased by 3,900, the largest monthly increase on record, but since February it appears that the rate of increase has slowed. Between October and February the number of people claiming JSA increased by almost 10,700.



Source: National Statistics 2009



Source: National Statistics 2009

Unemployment in Kent has increased faster than the South East average over the past 12 months. Over the past 12 months the claimant count unemployment rate in Kent increased from 1.6% in April 2008 to 3.3% in April 2009, a 1.7 percentage point increase in the rate against the South East average of 1.6 percentage points (see table). Within Kent, Thanet has seen the fastest increase in the unemployment rate, but Sevenoaks has seen the fastest

percentage increase in unemployment (from just over 500 last year to 1,500 in April 2009).

Unemployment in Kent, April 2008 – April 2009

	Rate	Rate	Change in rate (pp.)	Number	Number	% change in JSA claimants
Local Authority	Apr-08	Apr-09	Apr-08-Apr-09	Apr-08	Apr-09	Apr-08-Apr-09
Ashford	1.2	3.0	1.8	794	2025	155
Canterbury	1.3	2.7	1.4	1186	2432	105
Dartford	1.4	3.3	1.9	820	1901	132
Dover	2.0	3.7	1.7	1242	2311	86
Gravesham	2.3	4.3	2.0	1394	2583	85
Maidstone	1.1	2.7	1.6	968	2413	149
Sevenoaks	0.7	2.2	1.5	503	1498	198
Shepway	2.5	4.3	1.8	1430	2453	72
Swale	2.0	4.0	2.0	1601	3157	97
Thanet	3.1	5.6	2.5	2217	4058	83
Tonbridge and Malling	0.9	2.4	1.5	644	1660	158
Kent	1.6	3.3	1.7	13378	27924	109
Medway	2.3	4.3	2.0	3681	6808	85
South East	1.4	3.0	1.6	69105	153608	122

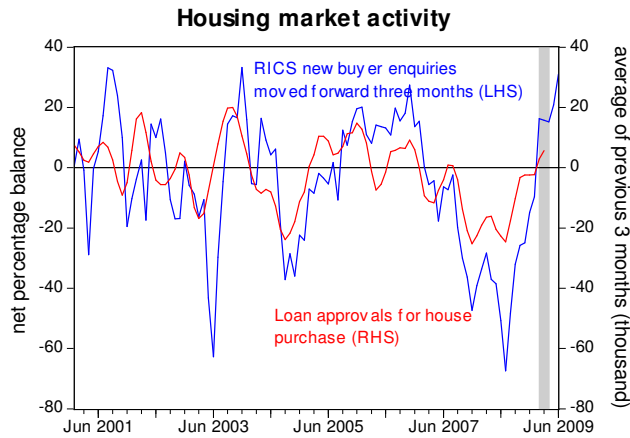
Source: National Statistics 2009

A number of backward looking indicators such as the latest preliminary estimate of GDP growth and the labour market data have been pointing to worsening economic outlook in the UK, the South East and Kent. However, over the past two months a number of forward looking indicators have started to point to an improvement in sentiment.

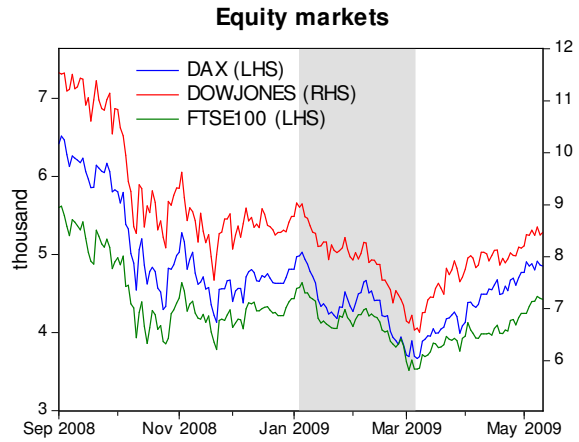
Consumer sentiment is improving. According to the latest consumer survey by GfK NOP things are starting to look up. Overall, the index is up 12 points from its low point but it is still heavily in negative territory. The component of the index measuring people's expectations for the coming 12 months has improved significantly. People are more optimistic about the outlook for the economy than at any time since August 2007, the same is true for personal finance.

According to the CBI more retailers reported a rise in sales in April than experienced a fall. The positive balance of +3% was the first for 13 months. The latest house price data from Nationwide shows that house price falls are getting smaller and the number of enquiries is on the increase (see chart).

Confidence is slowly returning in the financial markets. Banks are starting to lend to other banks and the stock markets are some 20% higher than in early March (see chart).



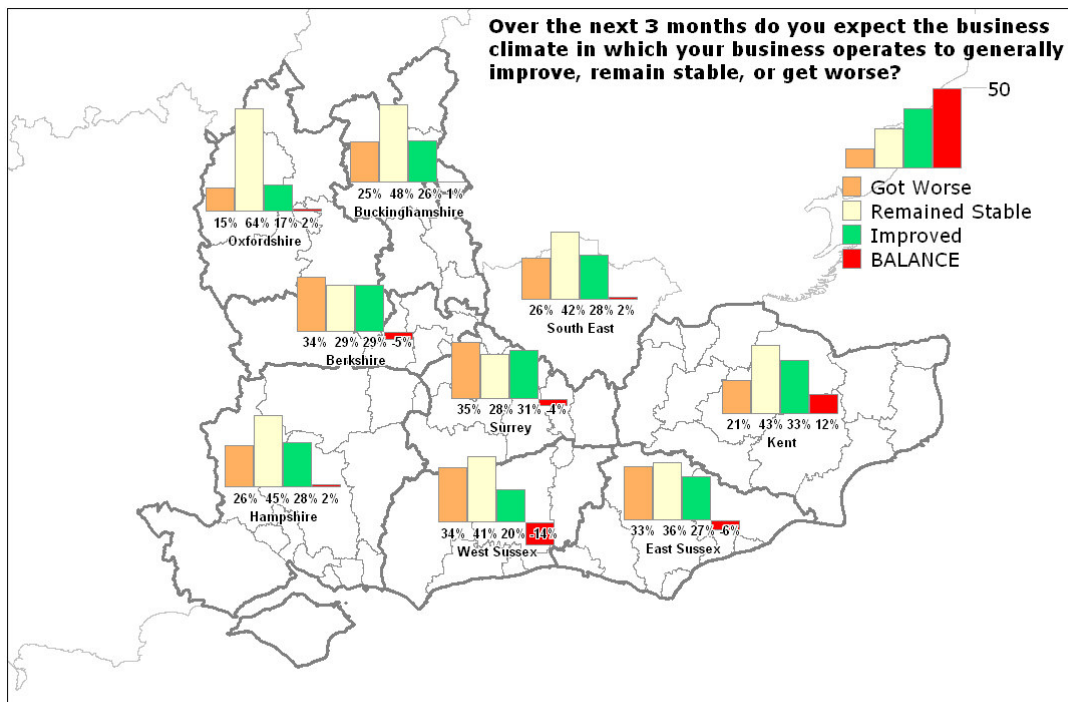
Source: Bank of England and RICS 2009



Source: FTSE 2009

Historically, equity markets have been leading indicators of economic activity (a time lead of six to nine months from an upturn in FTSE100 to an upturn in growth). The latest stock market data is encouraging, but we have to remember that we have seen several false dawns in this area over the past six months.

Businesses in Kent are more optimistic about the outlook than elsewhere. In the South East some 28% of businesses expected the business climate to improve against 26% who expected the business climate to get worse (net balance of +2%). In Kent 33% of businesses expected the business climate to improve (the net balance of 12%, see chart). Kent had the highest net balance in the South East.



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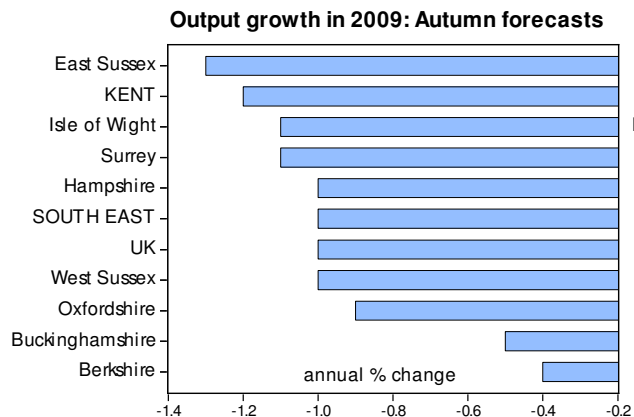
In the South East some 32% of businesses expected higher volume of output against 17% who expected lower volume of output. Businesses in Kent and Oxfordshire were far more optimistic than elsewhere in the region. Some 39% of businesses in Kent expected higher volume of output against 12% who expected lower volume of output (see table).

Excluding seasonal variations, what are the expected trends for the next 3 months, with regard to Volume of output

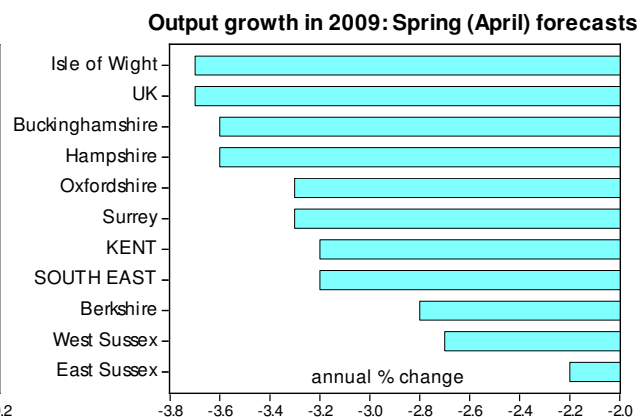
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Berkshire	22%	42%	25%	3%
East Sussex	20%	34%	35%	15%
Kent	12%	39%	39%	27%
Oxfordshire	6%	33%	51%	45%
Surrey	22%	42%	26%	4%
West Sussex	21%	35%	30%	9%
Buckinghamshire	18%	53%	26%	8%

Source: Business Survey (Quarterly Snapshot)

We have seen a sharp revision to GVA growth rates for 2009. Last Autumn Experian Business Strategies expected the Kent economy to contract by -1.2%, above the South East average and at the second fastest rate in the South East (see chart).



Source: Experian, Autumn 2008



Source: Experian, Spring 2009

Experian have now heavily revised their national, regional and county level forecasts. Their latest forecasts (April) 2009 show that the UK economy is now expected to contract by -3.7%, faster than the South East average of -3.2%. Kent is now expected to contract at about the same rate as the South East average. Unlike six months ago, Kent is now expected to outperform a number of other counties including Buckinghamshire, Hampshire, Oxfordshire and Surrey. Experian (like the Bank of England in its latest Inflation Report – May 2009)

remains cautious about the outlook for 2010. Experian expect the rate of growth in Kent of just 0.3% in 2010, below the national average of 0.4% and the South East average of 0.7%.

The latest data shows that consumer and business sentiment has been improving in the South East and Kent over the past three months. Whilst this is encouraging, it is important to remember that the global economy remains fragile and that it will take some time before the economy gets on the road to recovery.

Ivan Perkovic
South East England Development Agency (SEEDA)
15 May 2009