

Department for Business Enterprise and Regulatory Reform

The Economic Downturn: A South East Perspective

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Overview of the South East

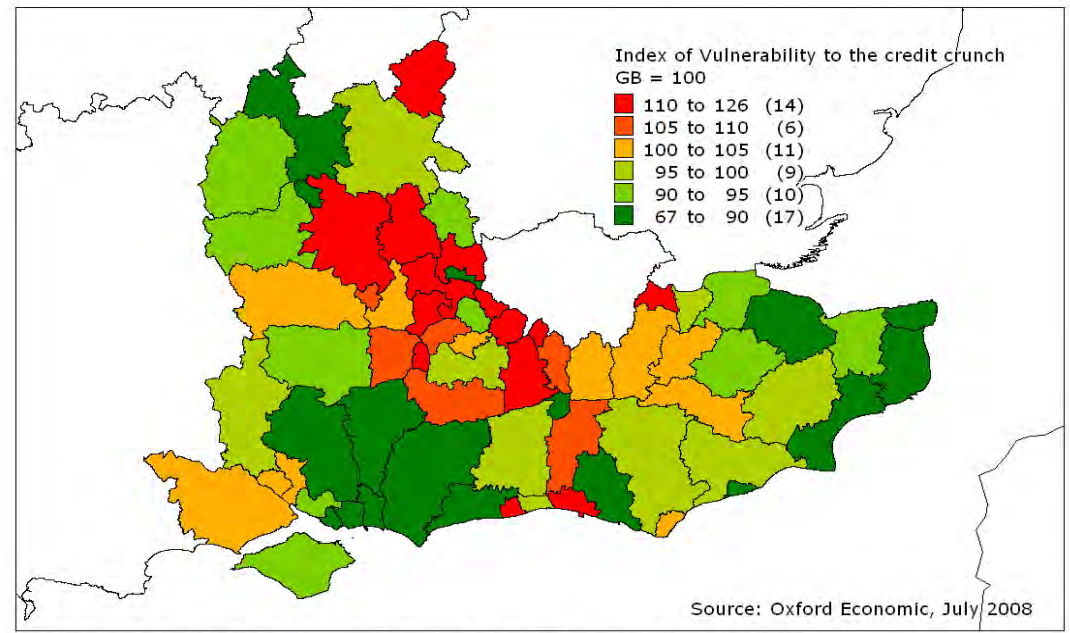
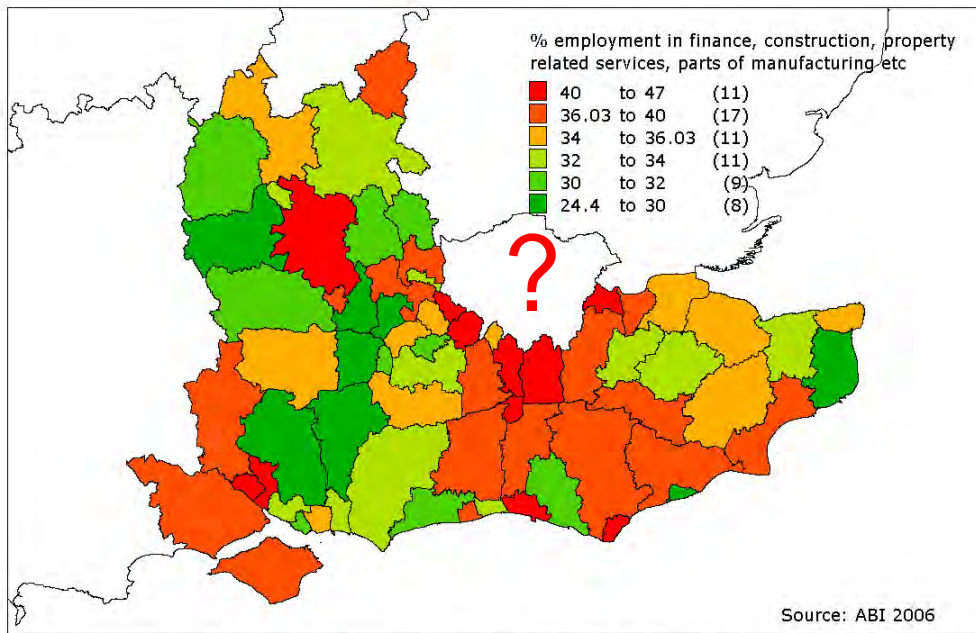
- Alongside London the largest economy in the country.
- Strong performing region: GVA, employment, productivity etc.
- Contribution to the Exchequer

- Private sector economy
- Manufacturing base, construction etc.
- Exposed to London
- Sub-regional disparities

Who is vulnerable?

% of employment in sectors exposed to credit crunch and consumer spending

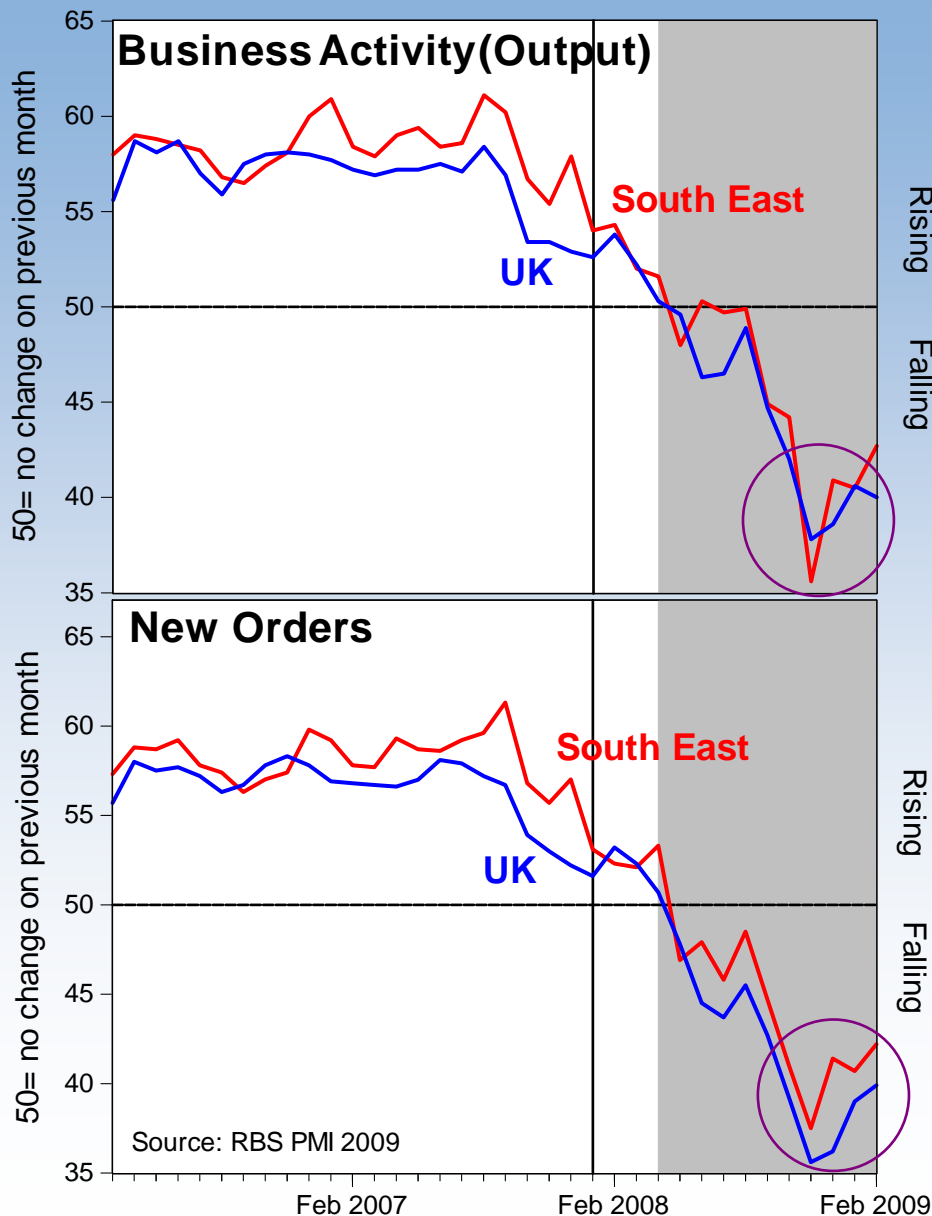
Vulnerable areas?



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Business Activity continues to fall ...



- Rate of decline has slowed down?
- Destocking is starting to ease?
- Energy and raw material costs – high, but falling.
- Profit margins and cashflow!
- Investment.

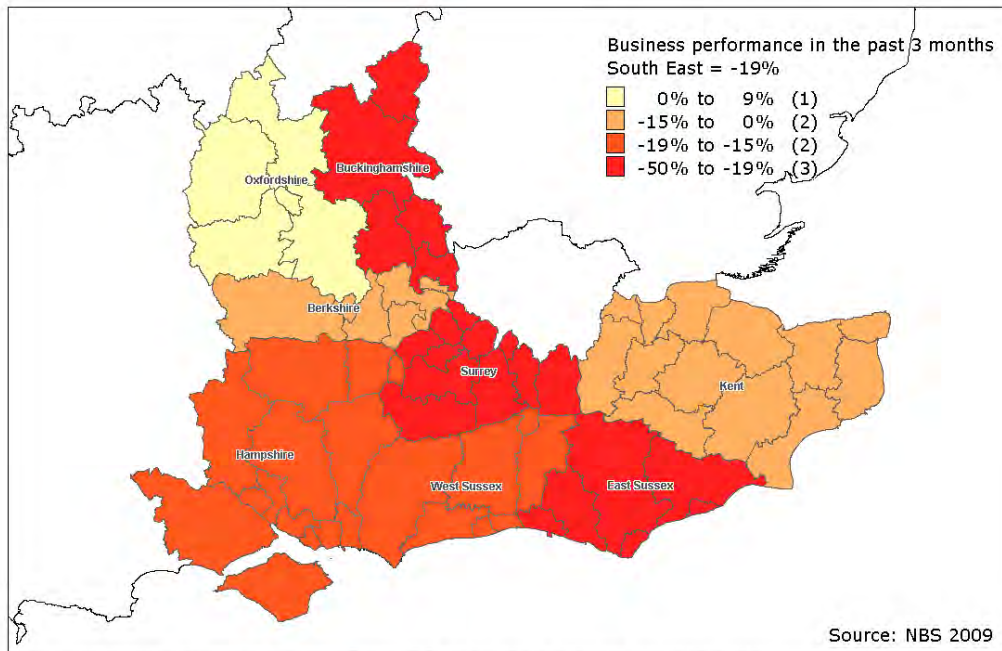
Source: SEEDA 2009, Regional Intelligence Snapshot for the South East – February 2009.

... across much of the South East

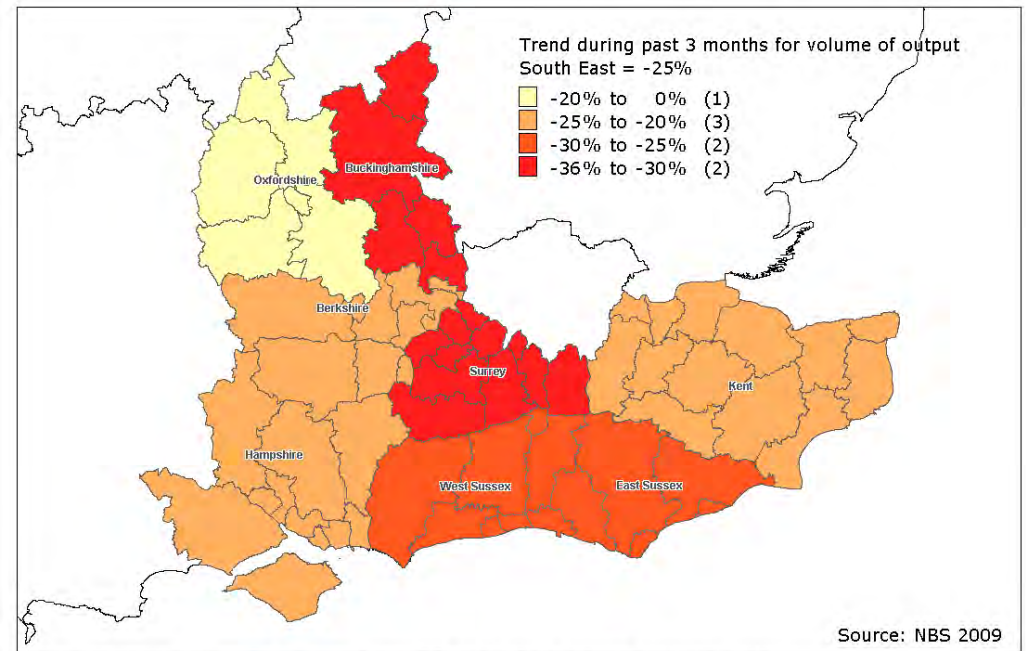
What has been the trend during the past three months with regard to...

...the overall Business Performance?

... the Volume of Output ?



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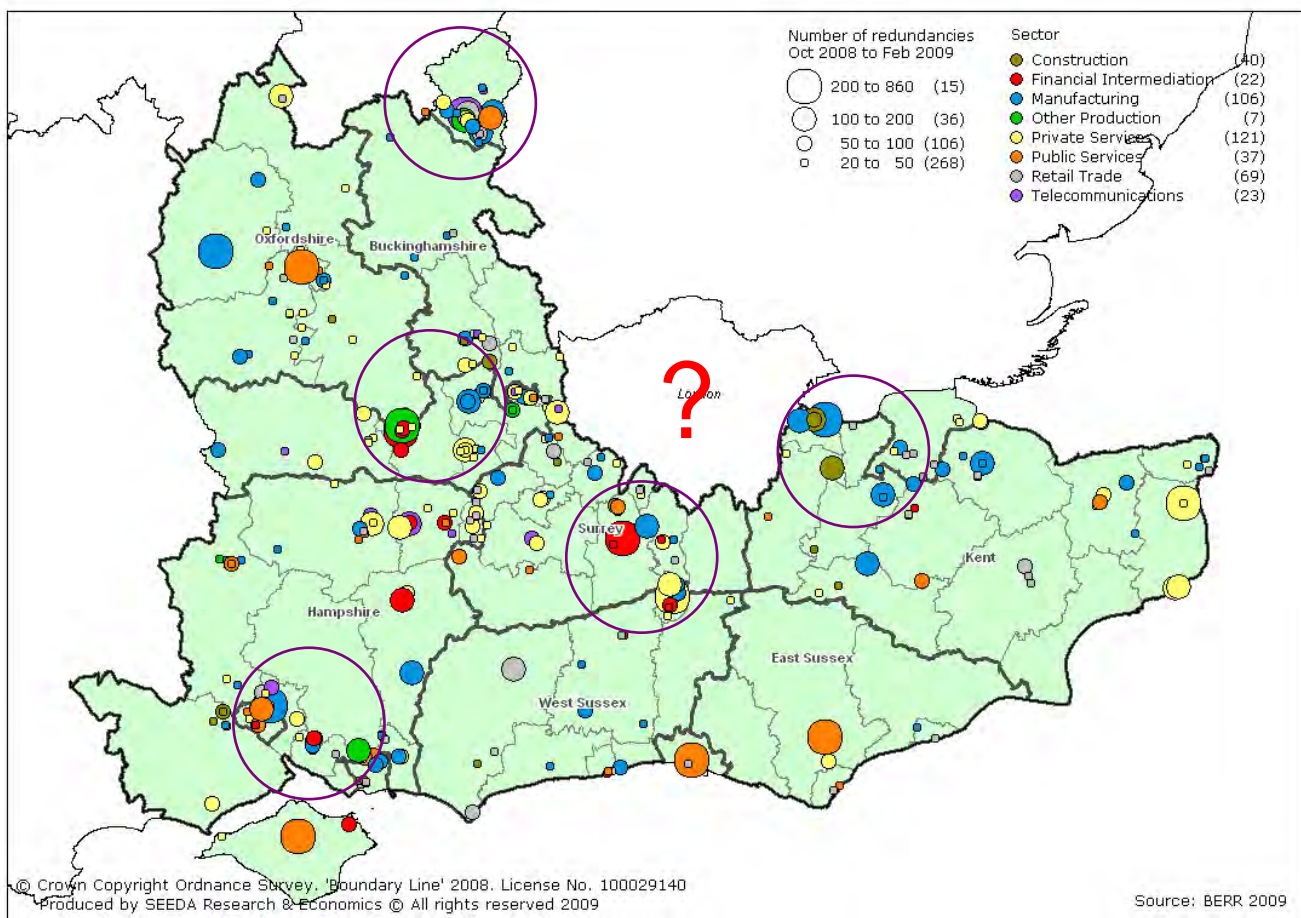
Net balance

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Net balance

Manufacturing harder hit than services

Redundancy Notifications (Oct'08-Feb'09)



- **South East**
26,400
Manufacturing 28.8%
Transport 9.7%
Retail 9.4%
Other Bus. Act. 8.9%
Telecomms. 6.8%
- **February**
5,400
Manufacturing
Transport
– Hampshire
– W. Sussex

Can we learning anything from the past?

Recessions	1980s	1990s
Agriculture	0	0
Health & Social Work	0	0
Education	0	0
Other services	n/a	0
Wholesale & Retail	4	4
Electricity, Gas & Water	4	0
Mining & Quarrying	3	1
Public Admin	1	0
Transport & Com.	3	3
Hotels & Rest.	3	7
Manufacturing	5	5
Financial Inter.	n/a	7
Real Estate	n/a	7
Construction	8	13
Total (GVA)	5	5

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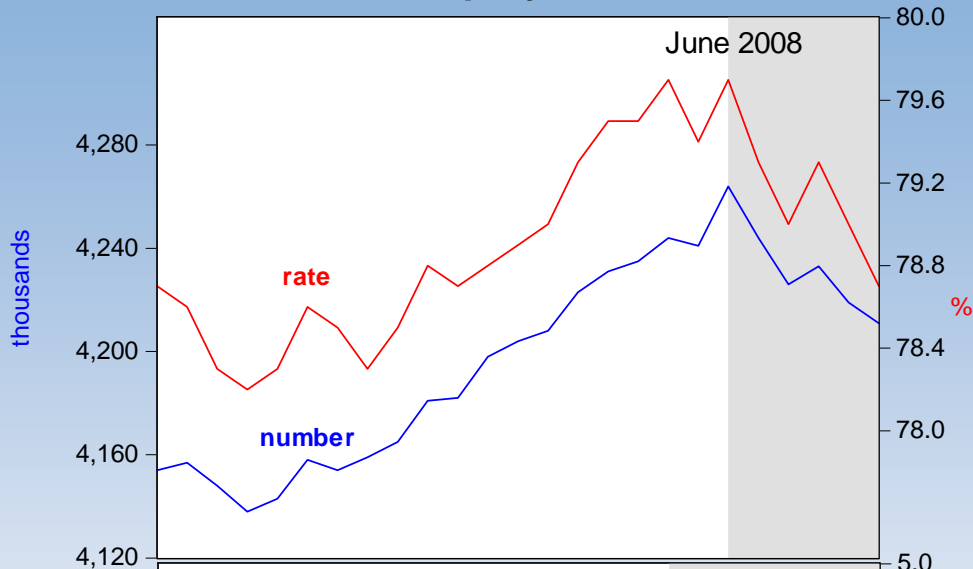
Is it going to be different this time?

We're in new territory (financial meltdown, global downturn)!

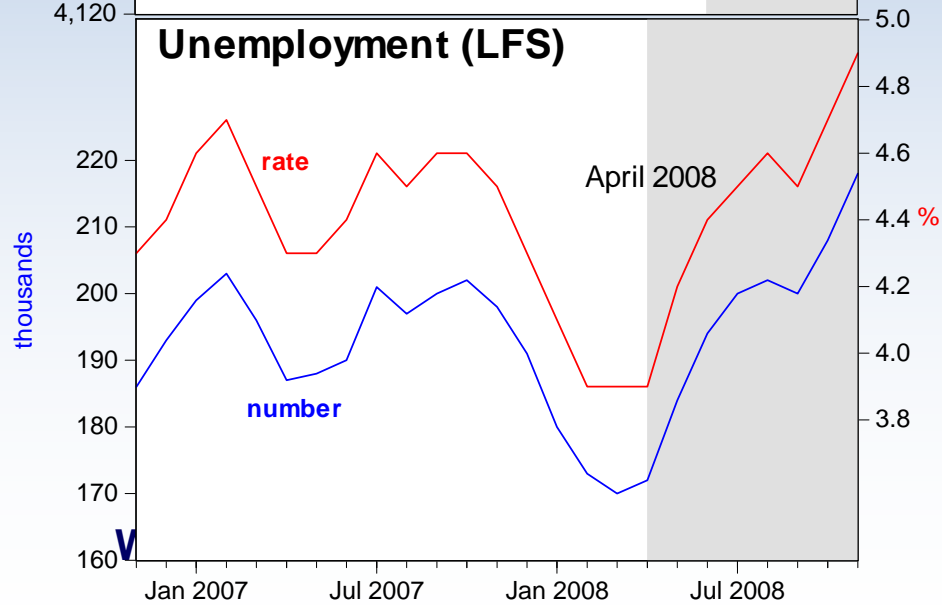
Economies have a tendency to recover!

Labour market weakening ...

Employment

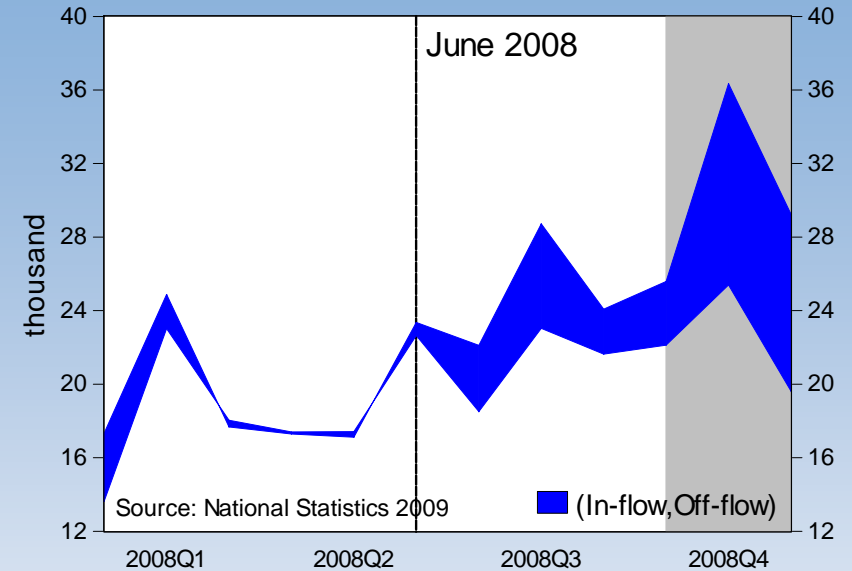


Unemployment (LFS)

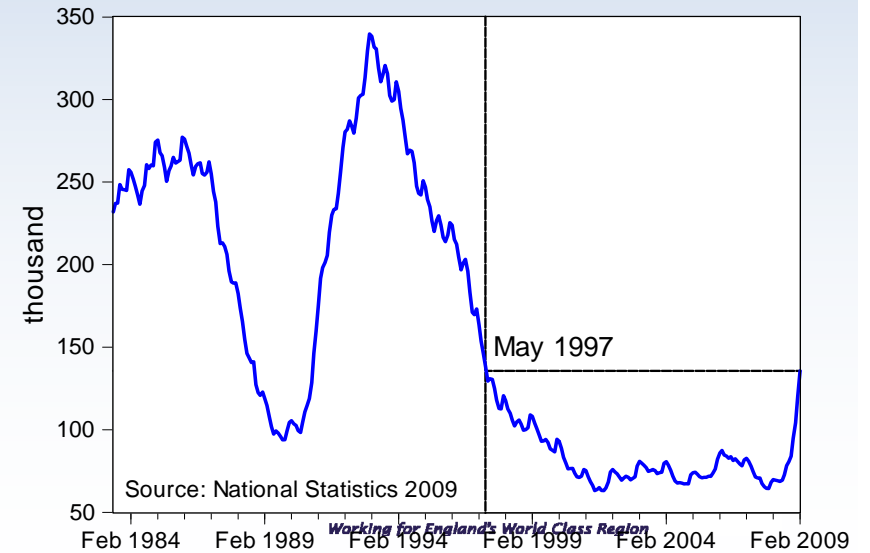


Source: National Statistics 2009

Claimant Flows

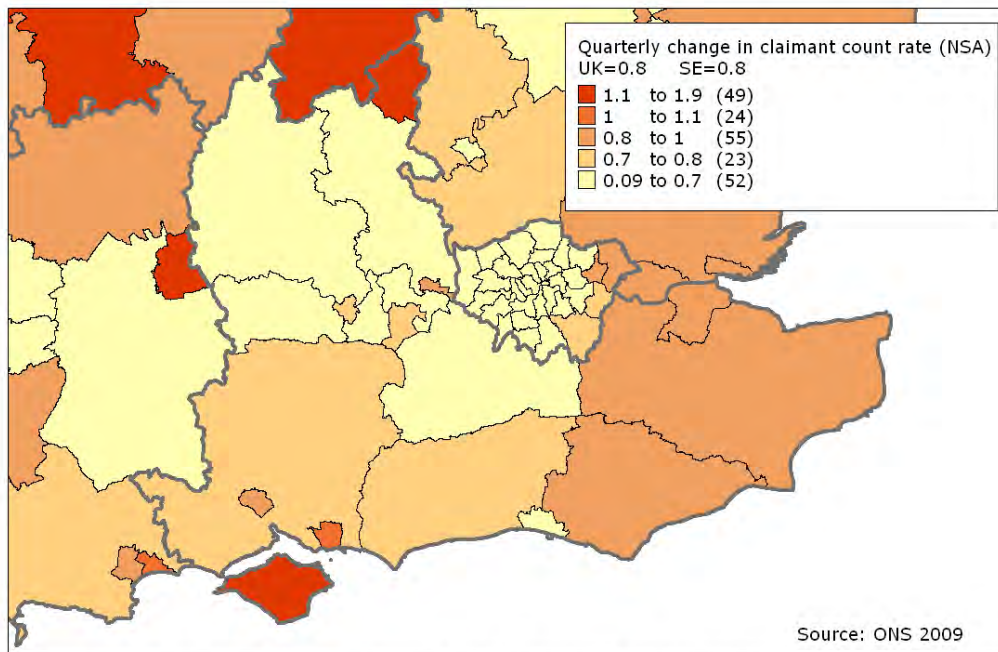


Claimant Count Unemployment



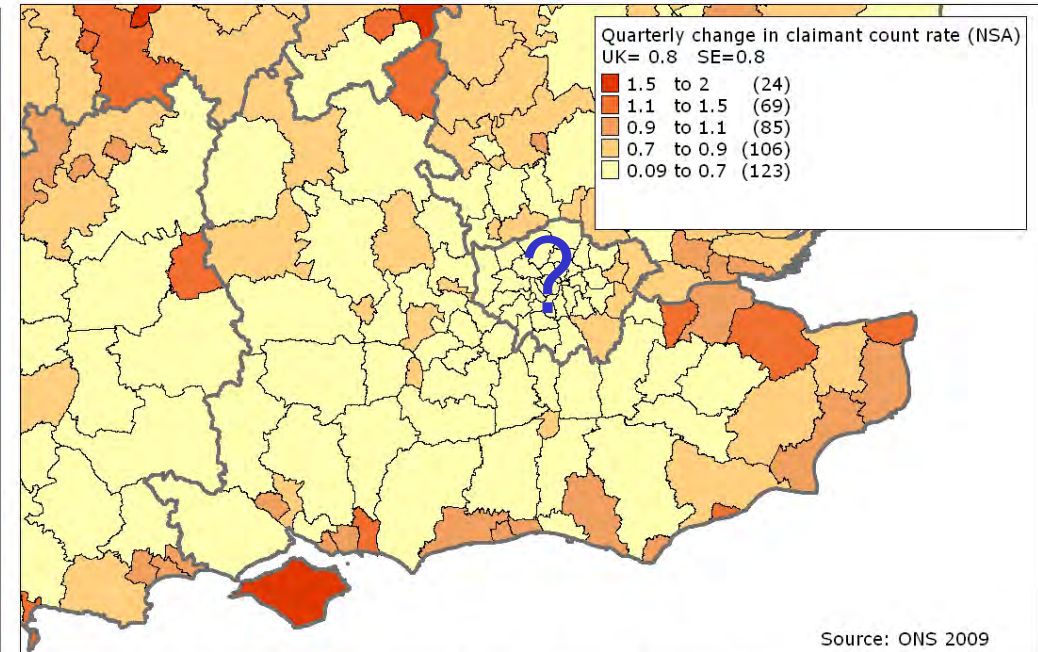
... coastal economies hit harder?

Quarterly change



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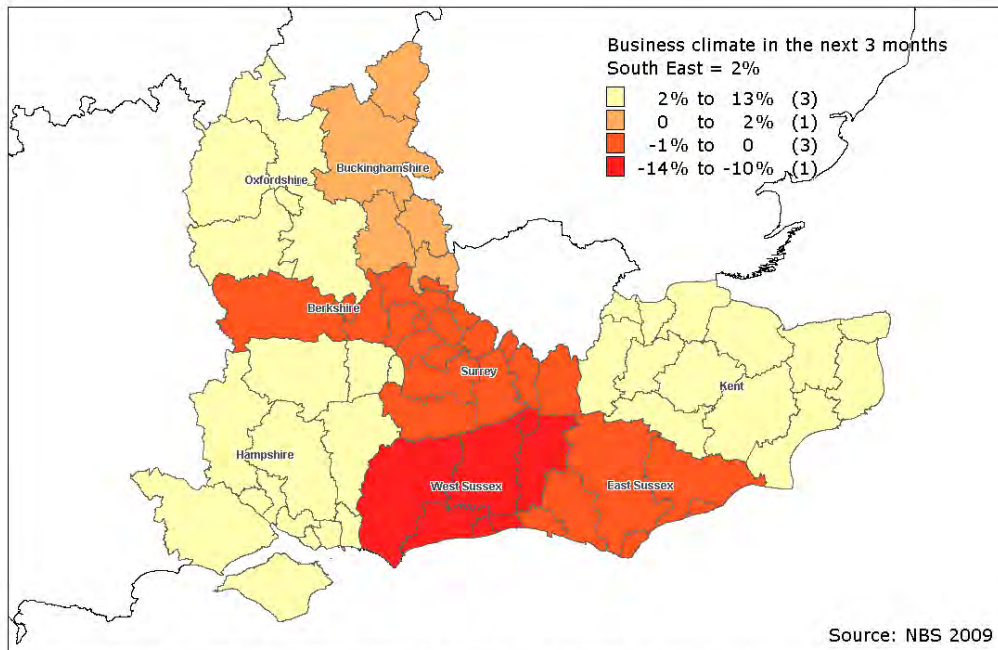
Business Surveys are more optimistic

- If compared to the gloomy views regarding business trends in the last three months, **businesses in the South East look more optimistic when asked about the expected trends over the next three months.**
 - Over 70% of business expect the business climate in which they operate to either remain stable or improve, while 26% expect business climate to get worse.
 - **Over 80% of businesses expect to maintain the same number of people employed**, and only 9% expect to see a reduction in the number of people employed.
 - **Over 70% of businesses in the South East expect the volume of output to either remain stable or to increase in the next three months**, while 17% expect to see a reduction in the volume of output.

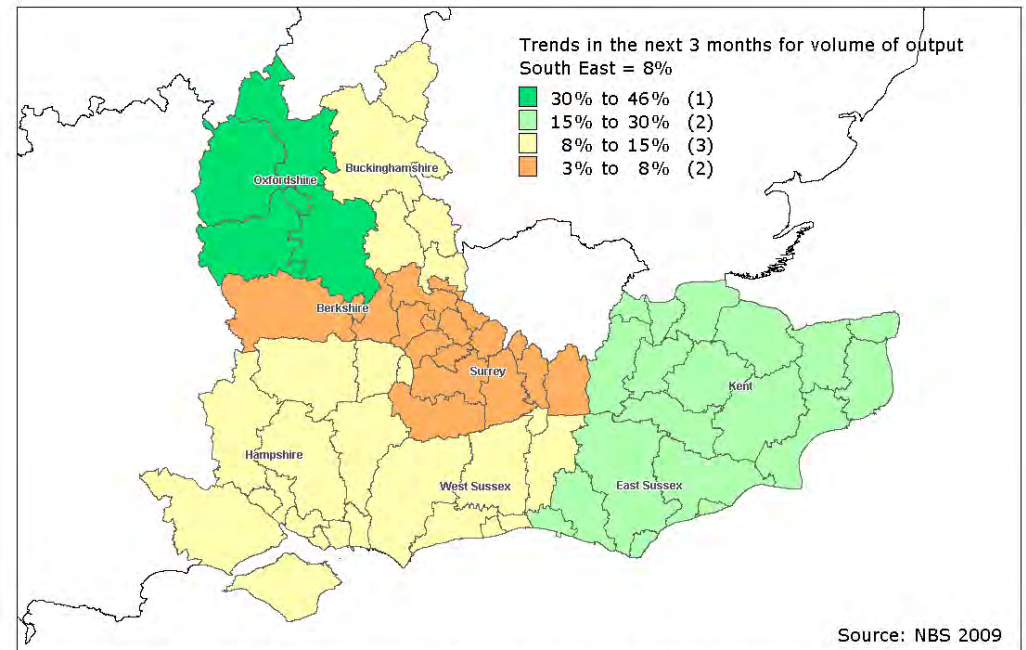
What are the expected trends for the next 3 months, with regard to...

... the Business Climate your business operates in?

...Volume of Output?



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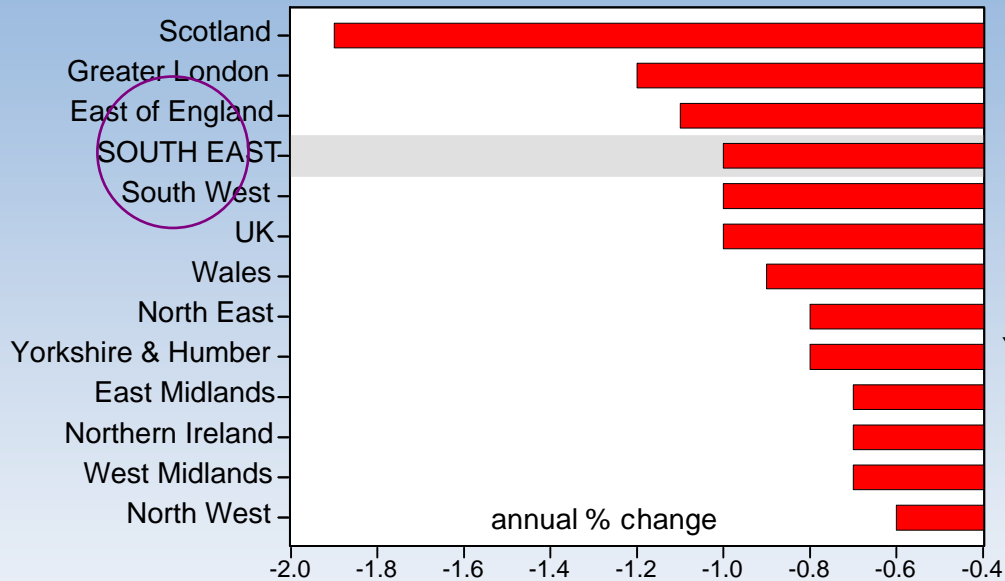
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Where Next: Forecasters confused ...

Output growth in 2009
(Autumn 2008)



Source: Experian, Autumn 2008

Output growth in 2009
(Spring 2009)



Source: FT/OE, Spring 2009

... and National Statistics

Employment change	Over the past year		Aug/Oct-Nov/Jan	
	000's	%	000's	%
North East	-17	-1.2	-5	-0.1
North West	-36	-1.3	34	0.6
Yorkshire & the Humber	-35	-1.7	-15	-0.6
East Midlands	19	0.3	0	-0.2
West Midlands	-52	-1.7	1	-0.1
East	13	-0.4	21	0.7
London	80	1.0	46	0.8
South East	-6	-0.5	-32	-0.8
South West	-2	-1.2	7	-0.3
Wales	-12	-1.3	-19	-1.0
Scotland	-10	-1.3	-13	-0.6
Northern Ireland	-18	-1.6	-23	-2.0
United Kingdom	-75	-0.7	2	-0.1

Key Challenges for Businesses

- Cost of credit – from BoE base rate to LIBOR
- Cost of credit insurance
- Concern about the ability of companies in **supply chain** to withstand recession.
- 2/3 of small businesses in South East have seen an increase in the overall cost of new credit in the past 2 months (FSB, Feb 2009).
- RDA Business Survey Snapshot (March 2009)
- **Liquidity – scarcity of money is the most pressing issue.**

On the positive side

- **Considerable stimulus to the economy:**
 - Policy response
 - Consumption not as low as feared?
 - A substantial fall in sterling
 - Business Surveys less gloomy than three months ago?
- **South East specific:**
 - Industrial mix
 - Strength of private sector economy
 - High economic activity and employment
 - High business start-up and survival, etc.

Support for businesses in the South East

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Enhanced Business Link

- Free Business Health Checks: 6,867 businesses benefited since launched in October 2008 – more than any other region and 1/5 of the national total.
- Incoming call volumes in January 2009 up 50% on same time last year.
- Engaged with 145,000 customers in last 12 months – more than 17,500 of these via in-depth intensive support.
- 93% customer satisfaction rating.
- Intensively supported businesses are still expecting to grow.
- For every £1 invested in Business Link by SEEDA, an additional £4 is put back into the economy through wages and taxes.

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Helping businesses to access finance

- Transition Loan Fund
 - £3m fund for fully established, growing businesses facing difficulties obtaining credit.
 - 102 enquiries received
 - 36 requests for finance
 - 11 loans approved, totalling £1.15m
 - 303 jobs preserved / created as a result of loans.
- Commercialisation Fund
 - New £3m SEEDA fund supporting businesses with high growth potential to bring new products and services to market.
- Enterprise Finance Guarantee Scheme
- Capital for Enterprise Fund
- Grant for Business Investment

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How well is the Government policy response working?

- Banks have insufficient information on new finance schemes and some are still refusing to lend.
- Payment within 10 days by public bodies still not always happening.
- Public sector procurement procedures still generally unfavourable to small businesses.
- Business rates should reflect current property values and rates on empty property should be abolished?
- Need to bring forward more public sector building projects to support the construction sector.
- Initiatives to support training and up-skilling of staff are very much appreciated.

Tackling Redundancy

Continuing Employment Support Service – free, tailored support to all companies making redundancies and the staff affected:

- Advice on pensions and state benefits
- Careers advice
- CV writing and interview technique advice
- Support to retrain
- Advice and support to set up owner-enterprises and self employment options
- Direct access to companies locally that are hiring

Continuing Employment Support Service: Achievements

- In past years, the team have prevented an average of 79% of those supported entering the benefit system, or indeed having to visit their local Jobcentre Plus offices.
- In the first two quarters of this financial year alone the Service supported 5173 workers who had been made redundant.
- The brokers have supported employers who have declared redundancies, and helped people set up their own business.

No. of people assisted to get a job following redundancy

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
07/08	1082	1324	1338	1306	5050
08/09	2261	2912	2970		8143

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Thank you

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