

BT South East Regional Board

South East Economy Review

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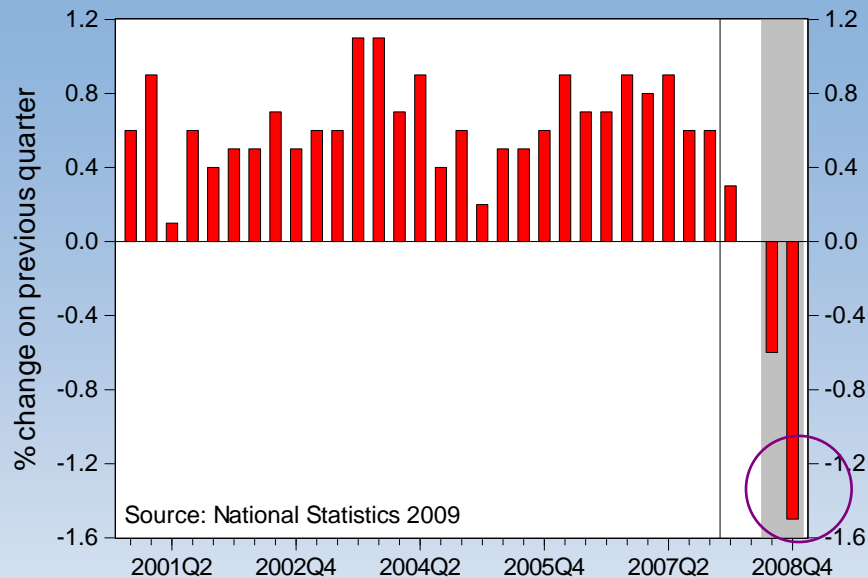
SEEDA SOUTH EAST
ENGLAND
DEVELOPMENT
AGENCY
Working for England's World Class Region

Overview

- **Supply shock** from **rising inflationary pressures**, followed by ...
- **Demand shock** from the **liquidity squeeze**.
 - Fall in Asset Prices
 - A Sharp Fall in Industrial Production
 - Downturn in UK & Developed Economies
 - World Trade Slumps
 - Global Recession on the way (OECD, World Bank, IMF);
 - US recovery in late 2009 (US Treasury)?
 - Significant Wealth Destruction

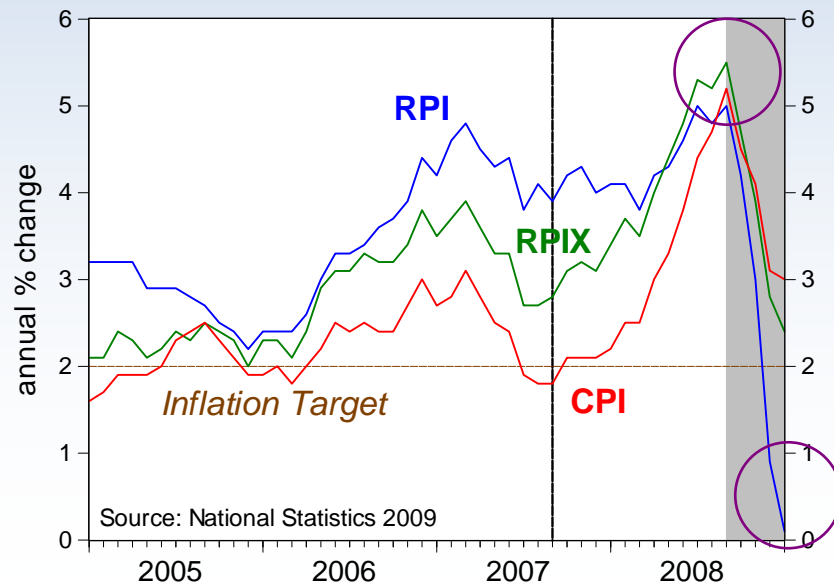
A threat of prolonged deflation

Sharp fall in UK GDP growth rate

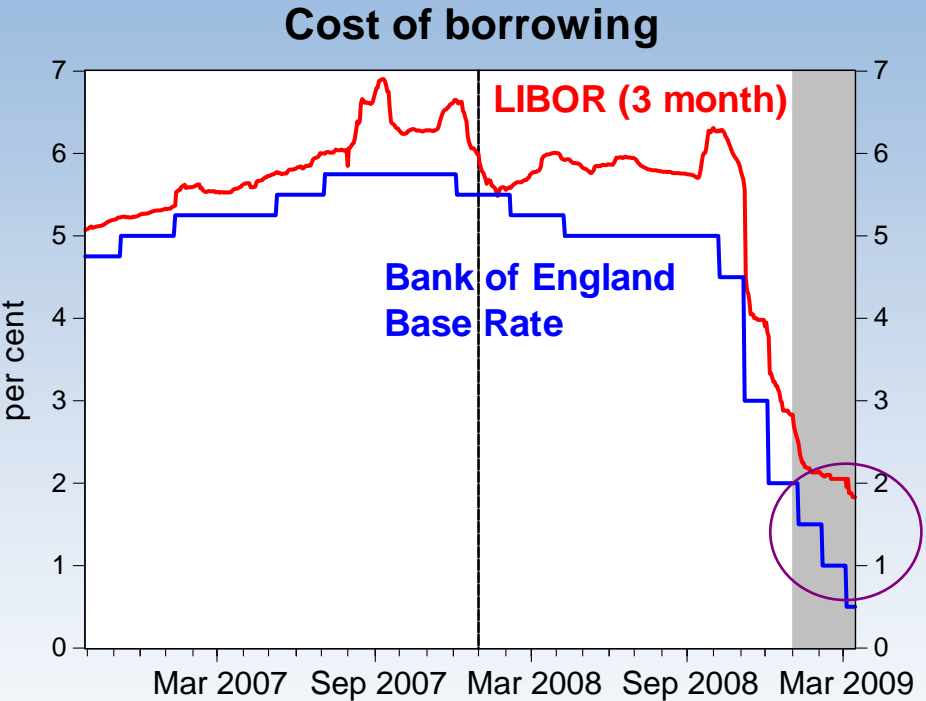


- A sharp fall in output
- RPI falling
- A threat of the Japanese style lost decade
- Government target measure for inflation = CPI
- Public expectations of UK inflation have fallen to their lowest level since May 2005

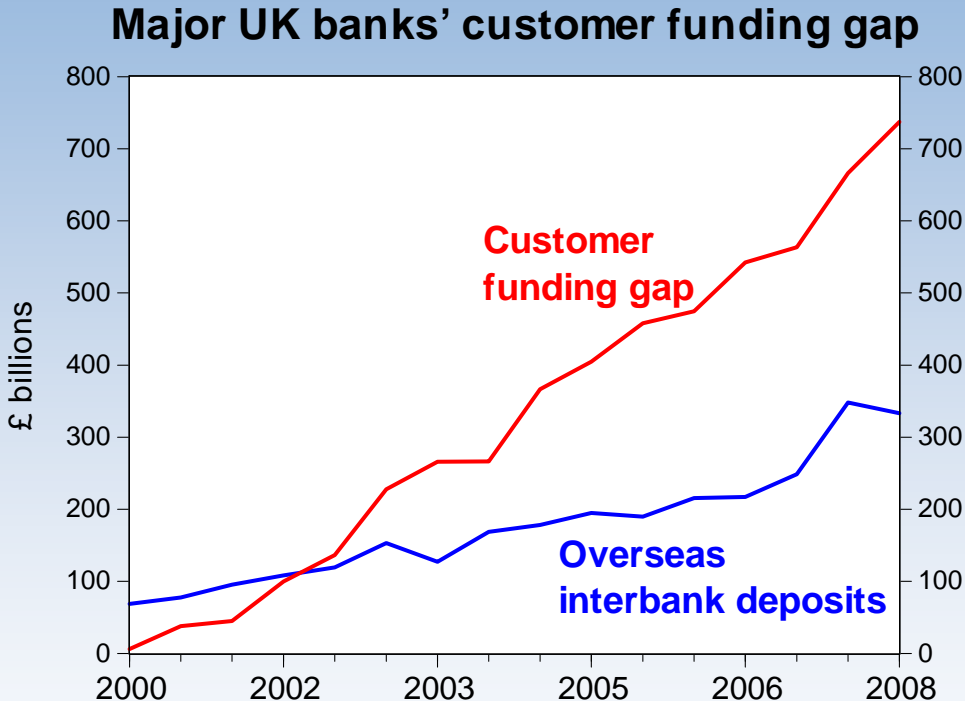
UK Consumer Price Indices



Interest rate cuts not doing their job



Source: Bank of England 2008



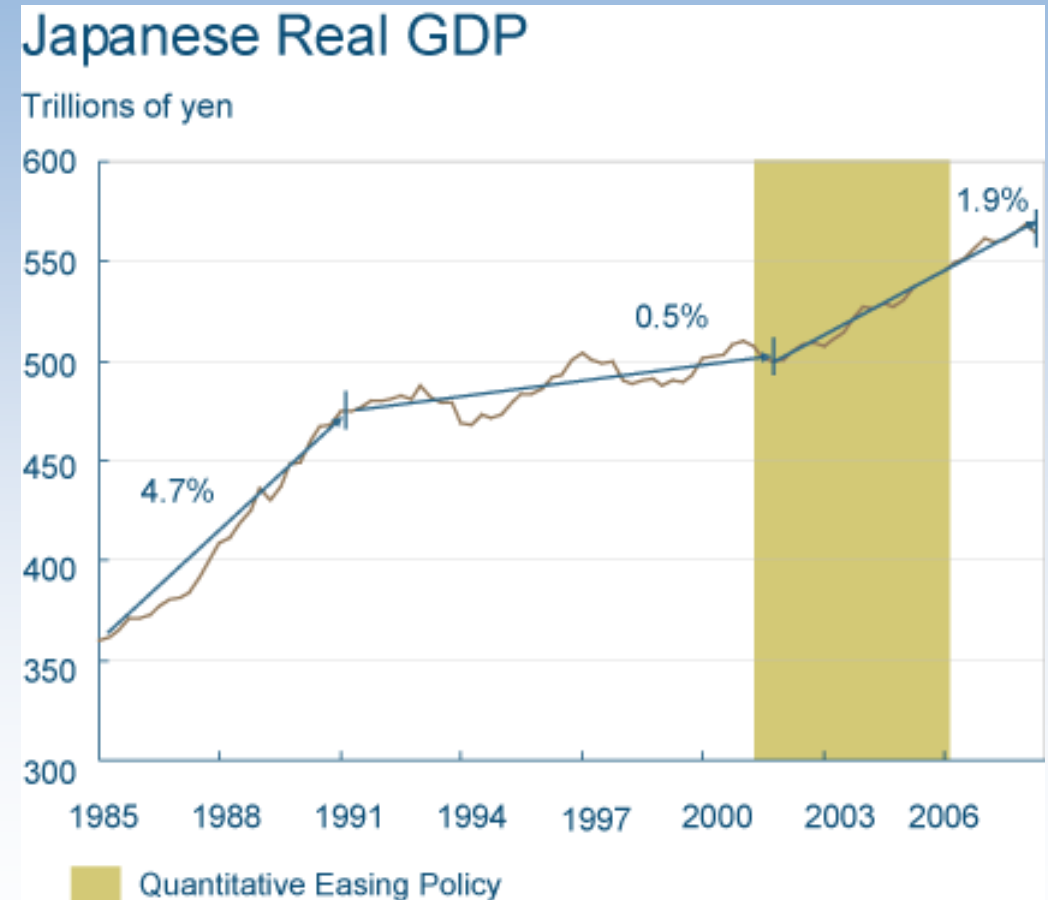
Source: Bank of England 2008

“Quantitative easing” to the rescue

- = creating new money
- Increase the supply of money
- Drive the cost of credit for households and firms
 - Depends on which assets are purchased

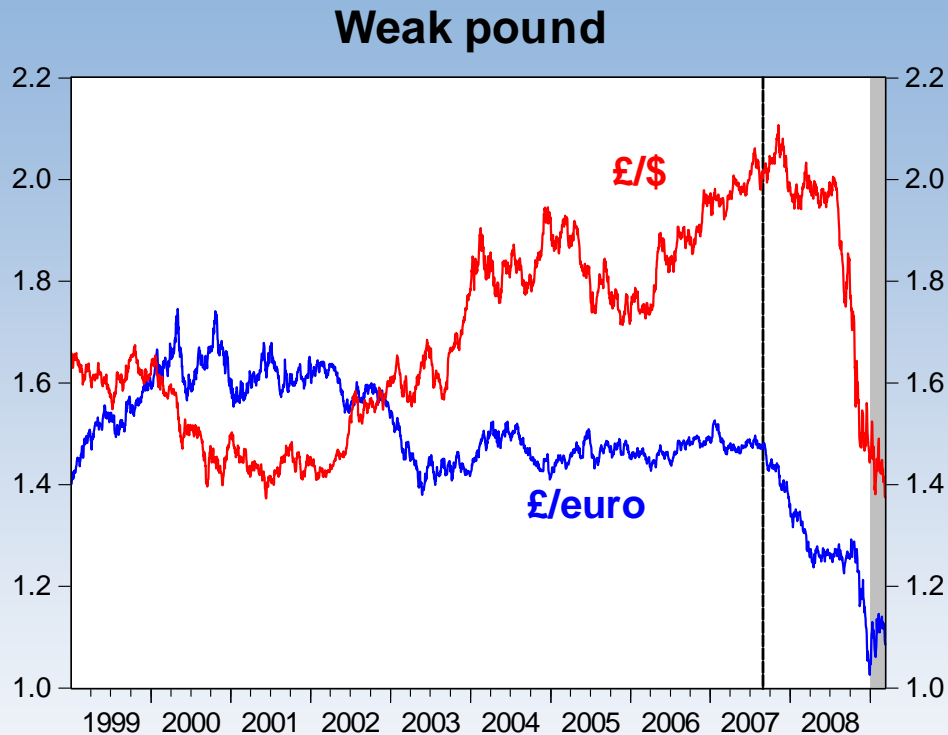
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The Japanese Experience, 2001-2006



Source: International Monetary Fund, *International Finance Statistics Database*, October 2008.

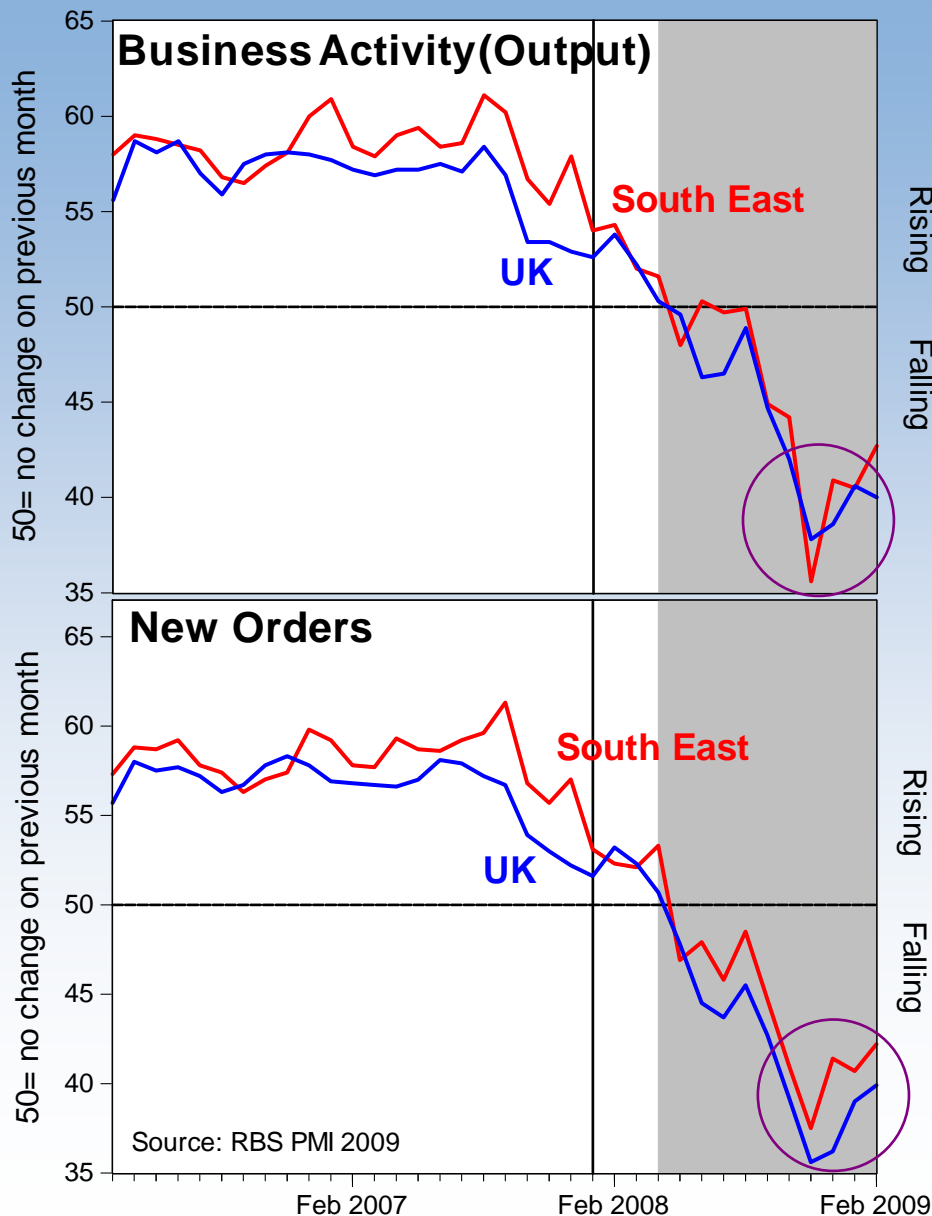
Exiting “quantitative easing”



Source: National Statistics 2009

- Re-emergence of inflation? - ‘Too much money chasing too few goods’
- Aided by weak currency
- Need to drain excess money from the economy
- Reversing QE too early!
 - economy back into recession
 - Depressed prices and increase in cost of credit

South East - Falling Business Activity

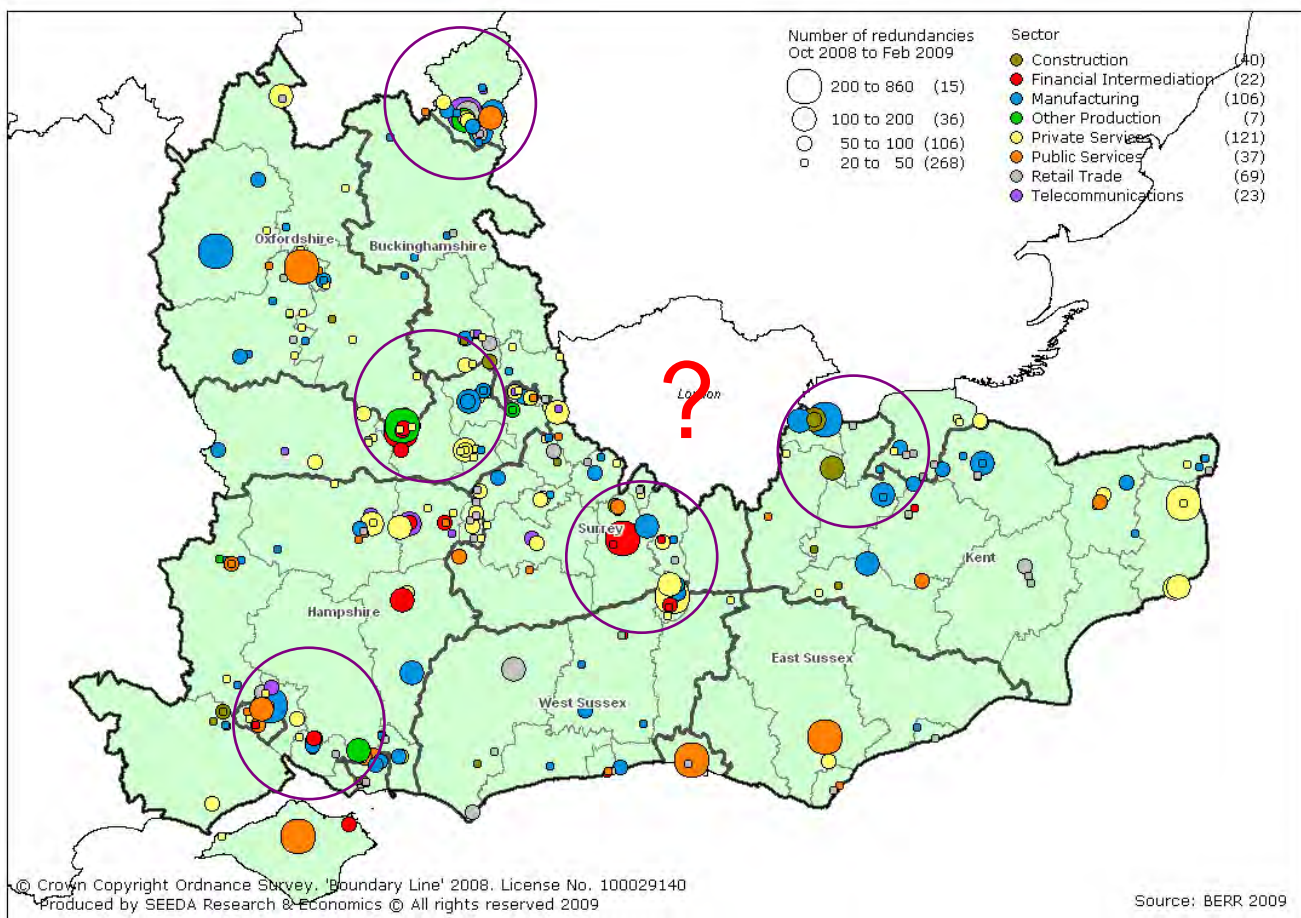


- Rate of decline has slowed down?
- Destocking is starting to ease?
- Energy and raw material costs – high, but falling.
- Profit margins and cashflow!
- Investment.

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

Manufacturing harder hit than services

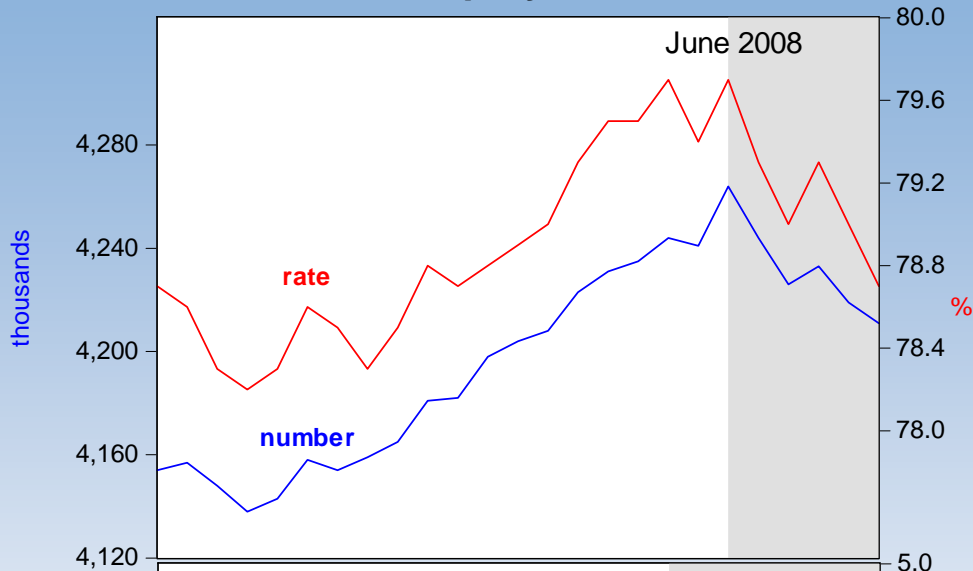
Redundancy Notifications (Oct'08-Feb'09)



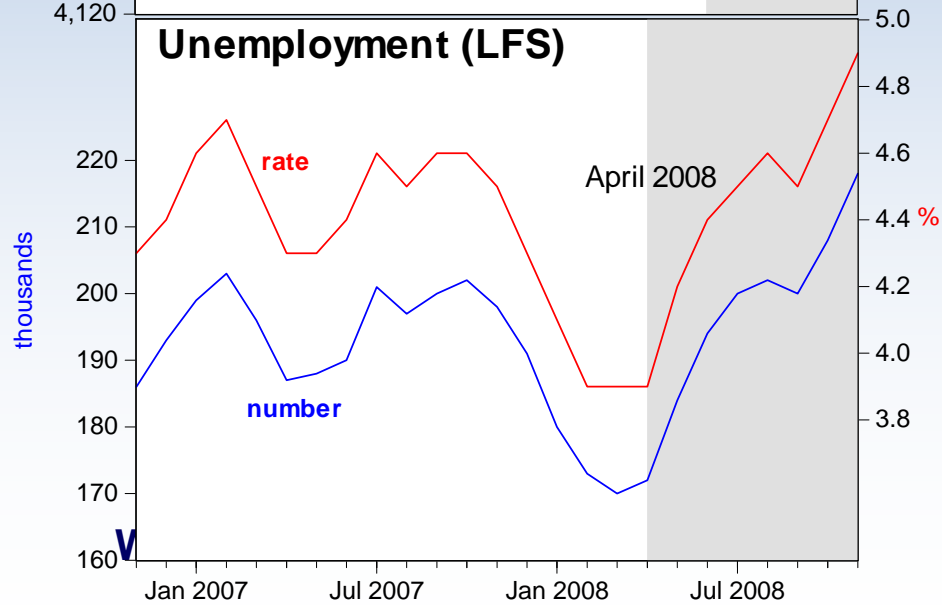
- **South East**
26,400
Manufacturing 28.8%
Transport 9.7%
Retail 9.4%
Other Bus. Act. 8.9%
Telecomms. 6.8%
- **February**
5,400
Manufacturing
Transport
– Hampshire
– W. Sussex

Labour market weakening ...

Employment

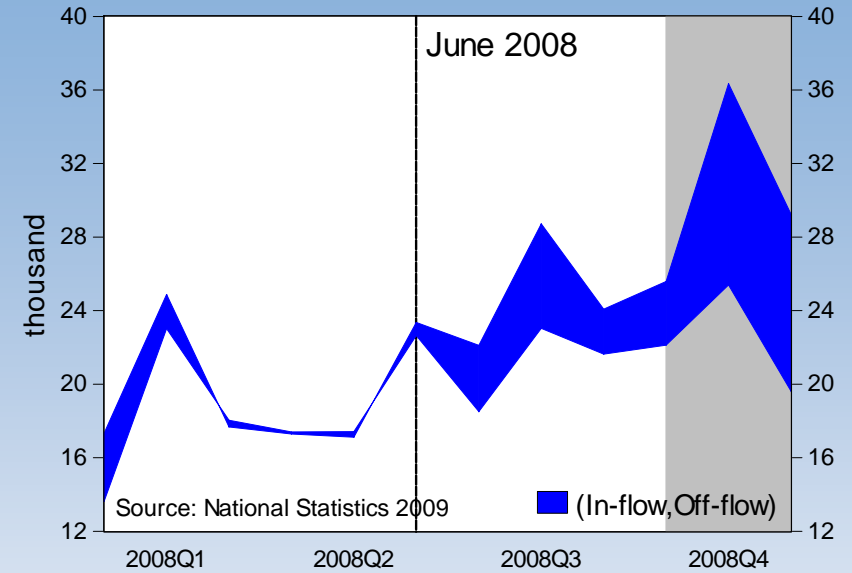


Unemployment (LFS)



Source: National Statistics 2009

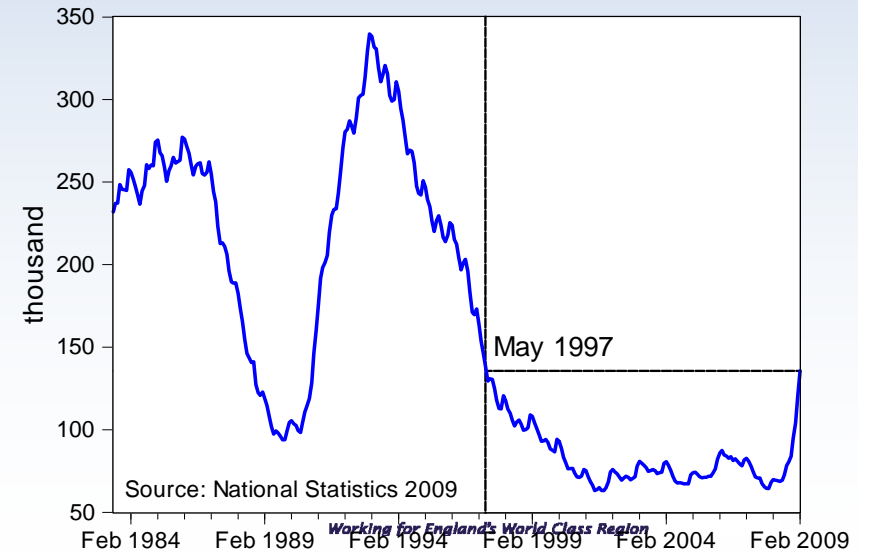
Claimant Flows



Source: National Statistics 2009

■ (In-flow, Off-flow)

Claimant Count Unemployment

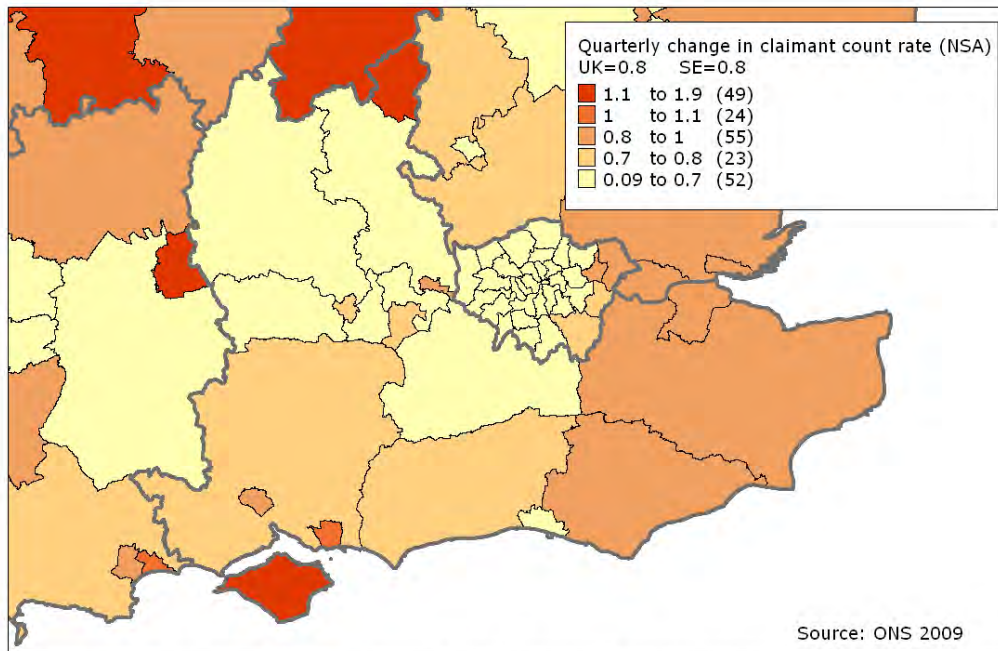


Source: National Statistics 2009

Working in England's World Class Region

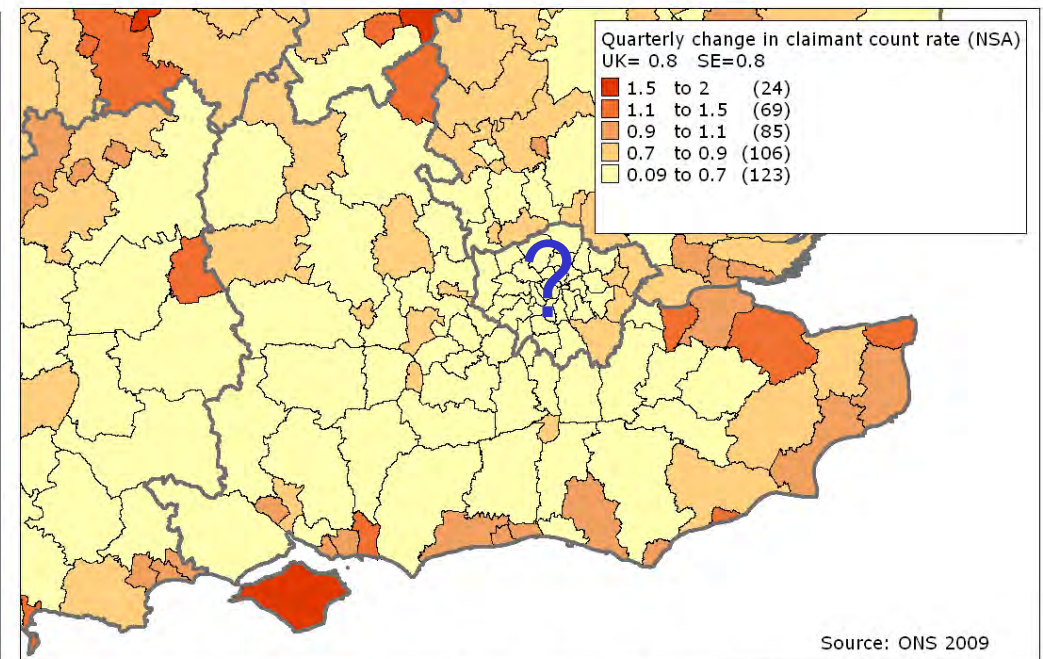
... coastal economies hit harder?

Quarterly change



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Quarterly change



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Who will get out first?

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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Source: RBS 2009

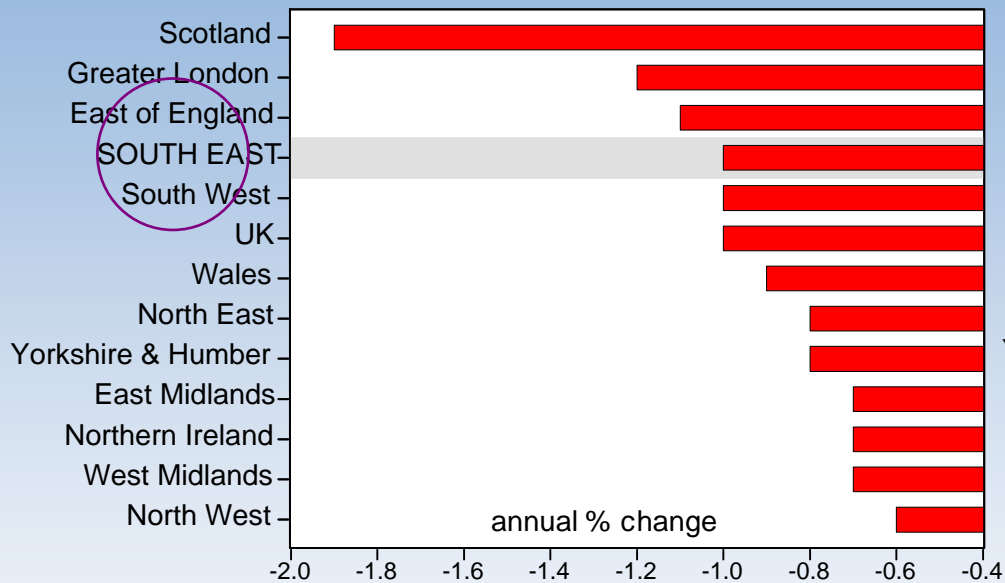
Is it going to be different this time?

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

Economies have a tendency to recover!

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

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.

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Key Challenges for Businesses

- **Cost of credit insurance**
- Some **credit insurers** now refusing to insure some businesses. Concern about the ability of companies in **supply chain** to withstand recession. *Source: SEEDA 2009, Regional Intelligence Snapshot for the South East*
- 2/3 of small businesses in South East have seen an increase in the overall cost of new credit in the past 2 months. *Source: FSB Feb'08*
- **Liquidity – scarcity of money is the most pressing issue.**

On the positive side

- **Considerable stimulus to the economy:**
 - Easing in monetary and fiscal policy
 - Quantitative Easing
 - Decline in inflation and increase in real earnings
 - Consumption not as bad as feared?
 - A substantial fall in sterling
 - Business Surveys less gloomy than three months ago?
 - Global response
- **South East specific:**
 - Industrial mix
 - Strength of private sector economy
 - High economic activity and employment
 - High business start-up and survival, etc.

South East England Development Agency (SEEDA) Organisation Chart Board Members & Directors



James E. Bradshaw CEO
CHAIRMAN



Keith Bagg
Board Member



Peter Jones
Deputy Chairman



Zanna Atkins
Board Member



Solene Flynn BSC
Board Member



Les Barrett CBE
Board Member



Robert Salazar
Board Member



Keith Mitchell CBE
Board Member



Professor Bill Welton
Board Member



Jimmy Birch
Board Member



Pamela Chalmers
Board Member



Loretta Parsons
Board Member



Sue John
Board Member



Alan Pratt CBE
Board Member



Phil Wood
Board Member



Pam Alexander
Chief Executive Officer
01483 492268

Competitiveness & Growth



Jeff Alexander
Executive Director Competitiveness & Growth
01483 520733

Area Team for Surrey & Berkshire and Thames Gateway

Business Finance, Manufacturing Advisory Service, Designing Demand, Sector Consortia, Tourism and Broadband

Enterprise support including Business Link and Business Support Simplification

Innovation & Creativity (including Lead Role)

International Business (including Foreign Direct Investment) and Investor Development

Knowledge Transfer, Collaborative Research & Development and Innovation Skills

Skills & Sustainable Prosperity



Sara Mulholland CBE
Executive Director Skills & Sustainable Prosperity
01483 470350

Area Team for Milton Keynes, Oxfordshire & Buckinghamshire

Cultural & Creative Industries & Social Economies

Ecological Footprint, Resource Efficiency & Renewable Energy / Energy Policy

Employability & Skills (including Lead Role for Skills and relationship with the Department for Innovation, Universities & Skills and the Department for Work & Pensions)

European Regional Development Fund / European Social Fund

Rural Economy

2012 Games

Chief Operating Officer



Robert Crawford
Chief Operating Officer
01483 507392

Area Team for Hampshire & the Isle of Wight

Enabling Infrastructure & Development

Facilities

Finance

Human Resources

Internal Audit

Organisational Performance & Development

Performance Management

Procurement & Compliance

Technology Services

Enabling Infrastructure & Development



Leo Amor
Executive Director Enabling Infrastructure & Development
01483 484323

Area Team for Kent & Medway

Asset Management

Housing & Urban Renaissance

Infrastructure

Physical Development

Sustainable Built Environment

Transport

Strategy & Communications



Paul Lacey
Executive Director Strategy & Communications
01483 484322

Area Team for Sussex

Area Policy

Board Secretariat

European Policy & Representation

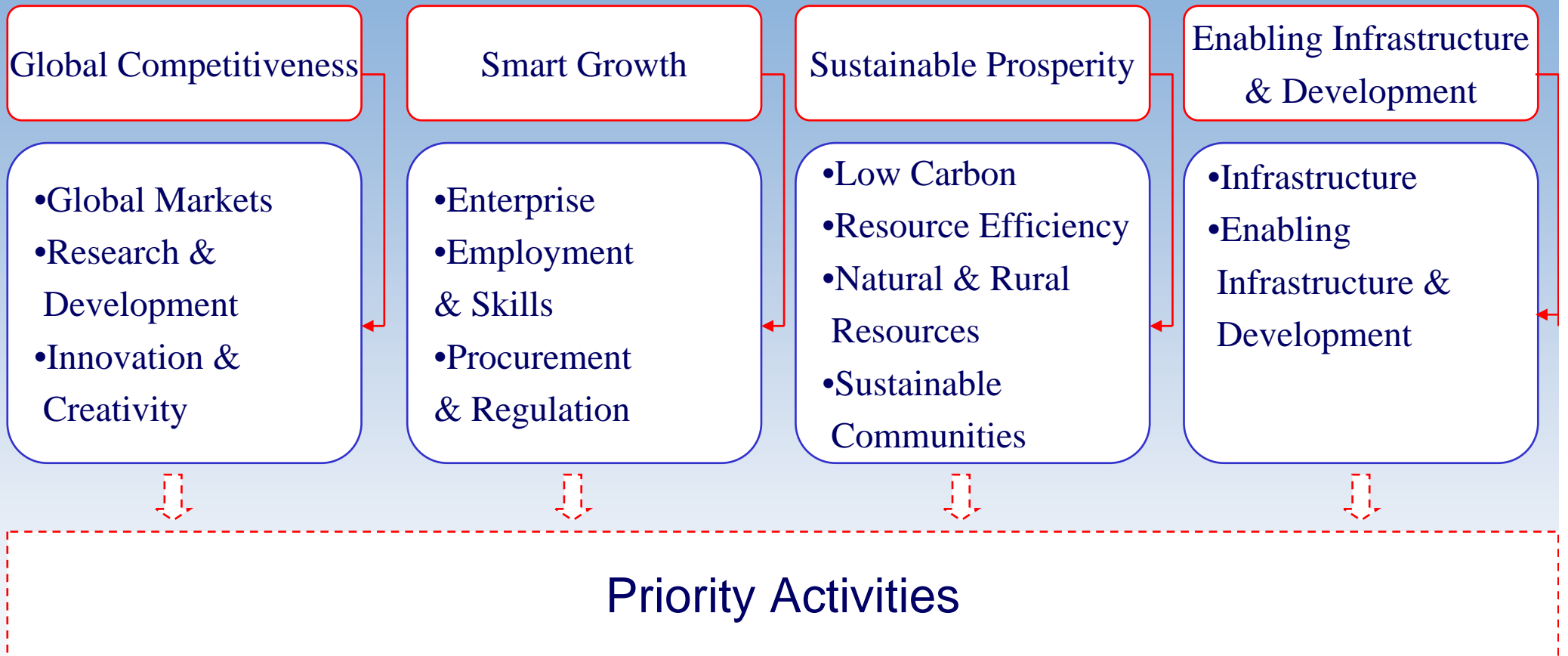
Internal & External Communications

Regional Economic Strategy & Corporate Planning

Research

Spatial Planning

SEEDA Corporate Plan Portfolios



Thank you

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