

Federation of Small Businesses AGM

Darwin College, University of Kent

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Economic Conditions and Prospects South East England

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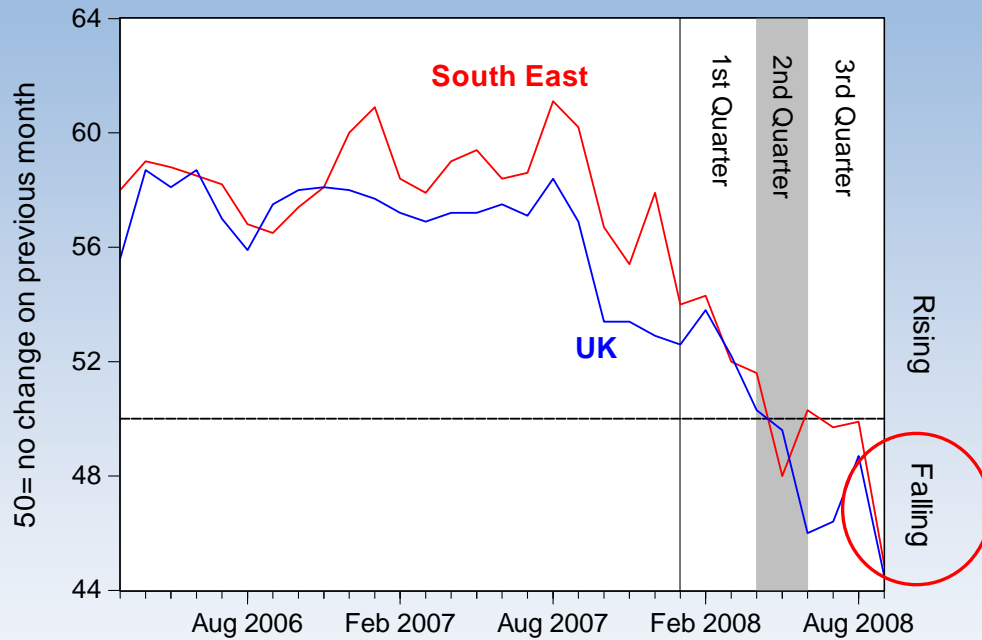
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Working for England's World Class Region

Overview

- Economic downturn
 - Business activity and employment
 - Who is being affected?
 - Sectoral and spatial impact
 - Small business
- Policy response
- Recession looming:
 - How bad will it get?
 - How long will it last?

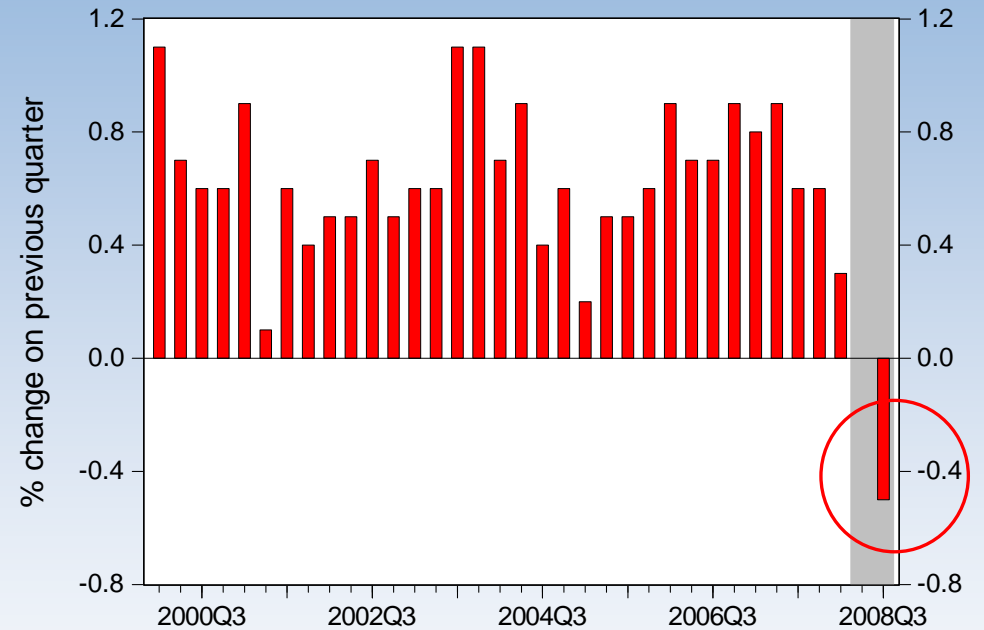
Business Activity

Business activity (output)



Source: RBS 2008

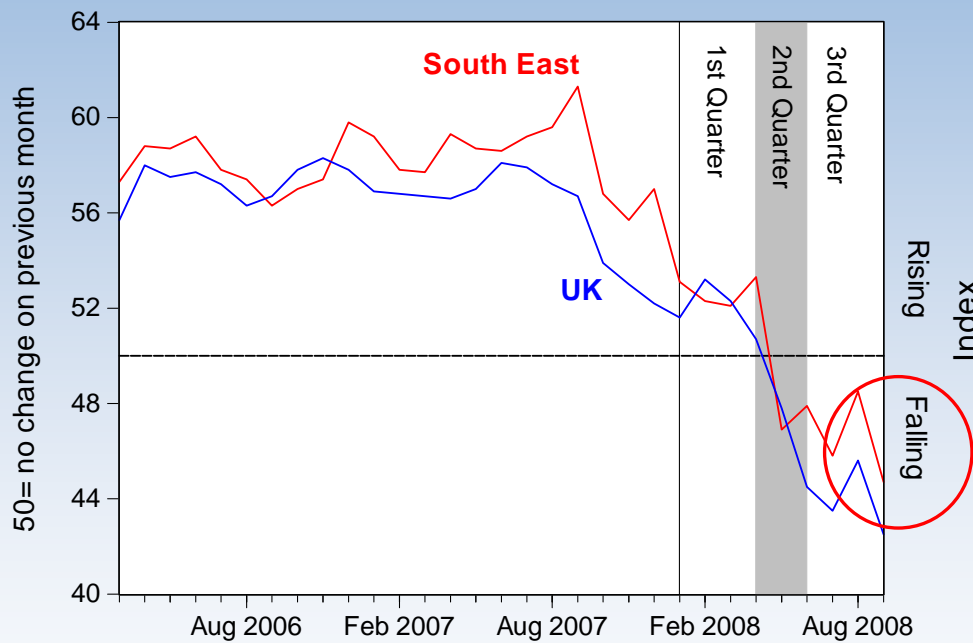
The end of 63 quarters of uninterrupted growth



Source: National Statistics 2008

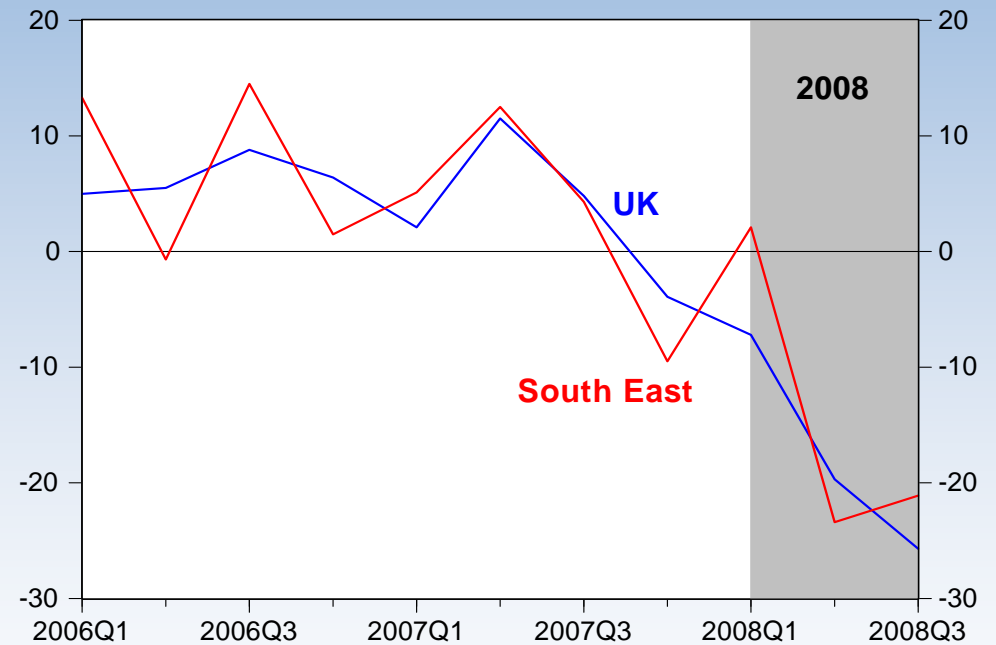
New Orders and Business Confidence

New orders (incoming new business)



Source: RBS 2008

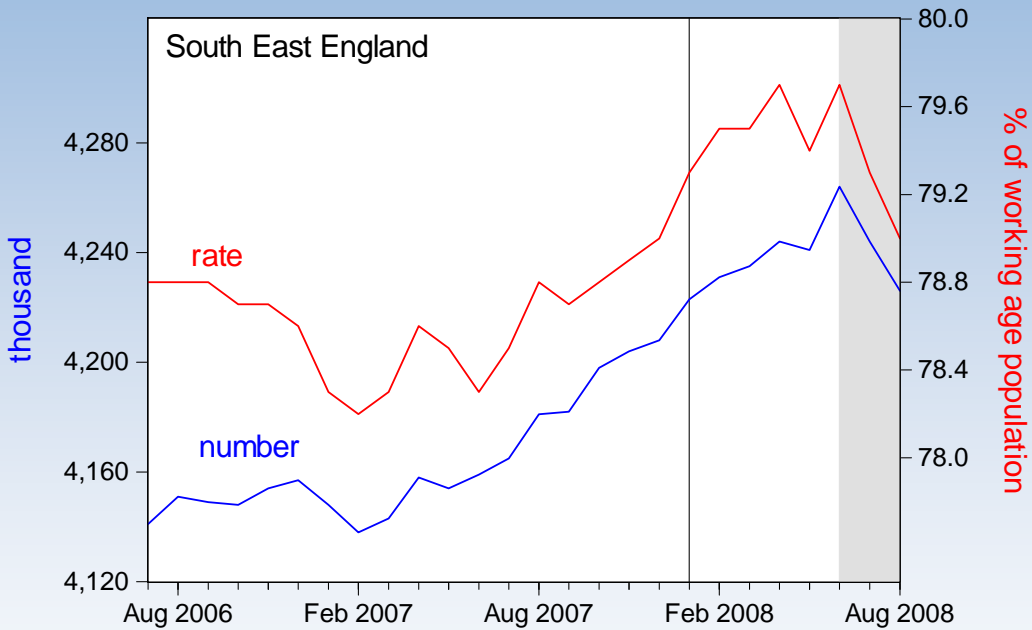
Confidence in the economic prospects over the next 12 months



Source: ICAEW 2008

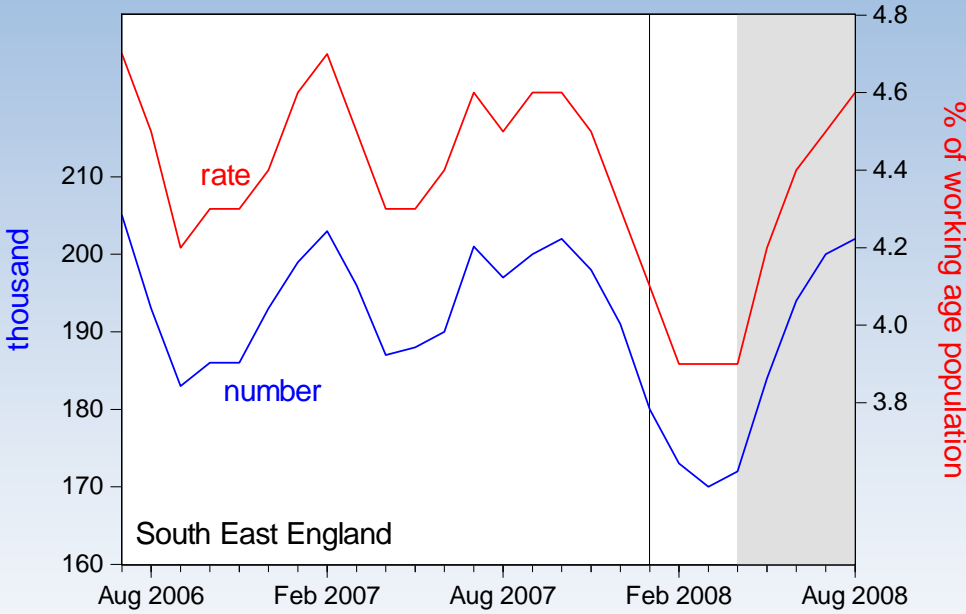
Labour Market Indicators

Employment



Source: National Statistics 2008

Unemployment



Source: National Statistics 2008

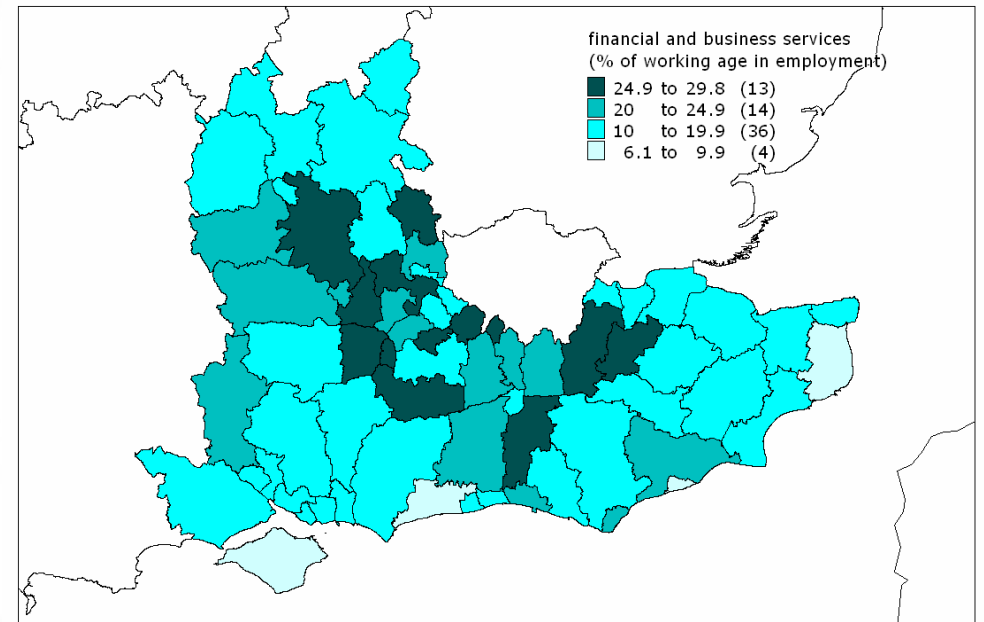
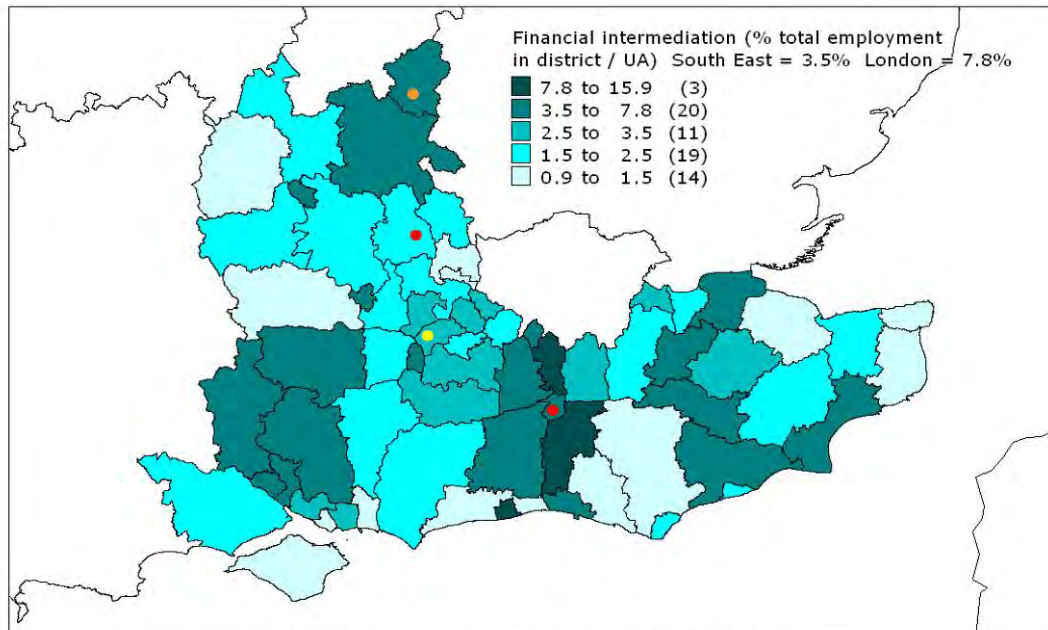
Sectoral Impact

- Financial services – retrenchment, restructuring
- Tougher trading conditions:
 - Housing & property related
 - Parts of manufacturing i.e. automotive
 - Transport
 - Retail sector
- Slowing demand will impact on growth across all sectors

Sectoral Impact: Financial Services

Financial Services employment as % of total employment in the area, (workplace)

Residents of working age employed in Financial & Business Services, % (residence)



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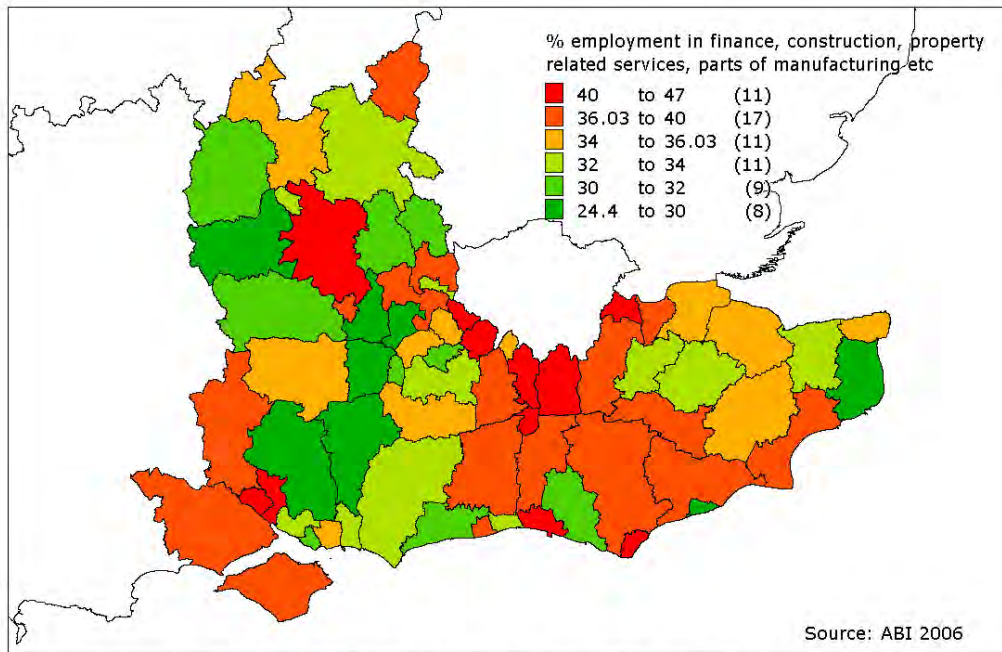
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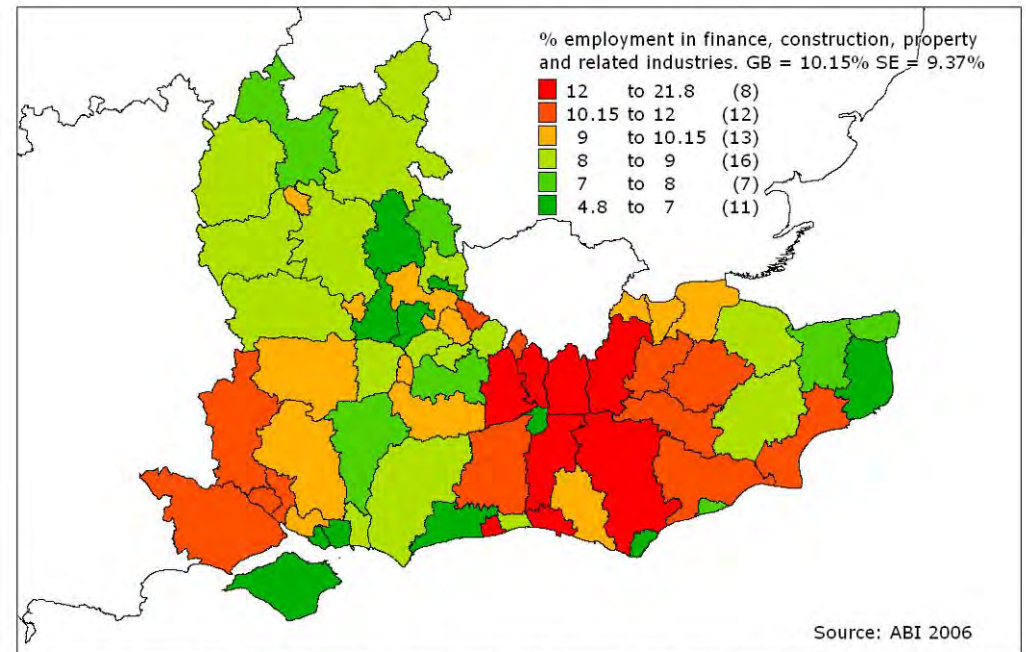
Spatial Impact

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

% of employment in finance, construction and property related activities



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Pressures on Small Businesses

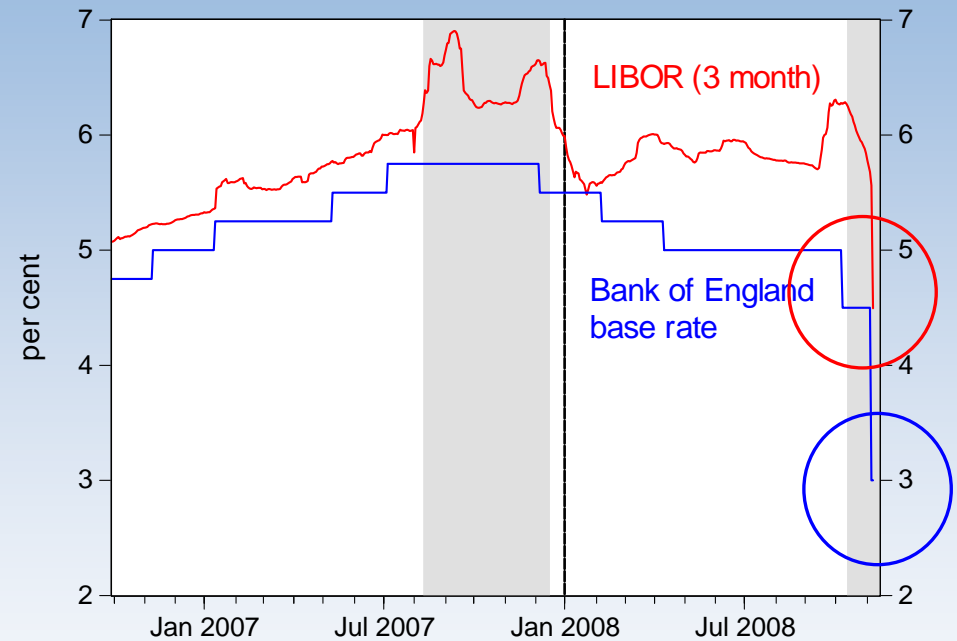
- Businesses employing < 50 employees
 - 175,000 small businesses (1-49 employees)
 - 550,000 businesses with zero employees
 - Small businesses > 30% of employment
 - High concentration in Finance, Real Estate, Renting & Business Activities and Construction.
- Impacts:
 - Access to credit
 - Cost of credit
 - Cashflow position
 - Payments terms being extended

Policy Response

- Interest rate cut to 3%; more to follow.
- Interbank lending.
- Pressure on banks intensifies.
- Fiscal stimulus.
- Grants for Business Investment, £3 million Commercialisation Fund, Redundancy Support, Train to Gain, Business Link.

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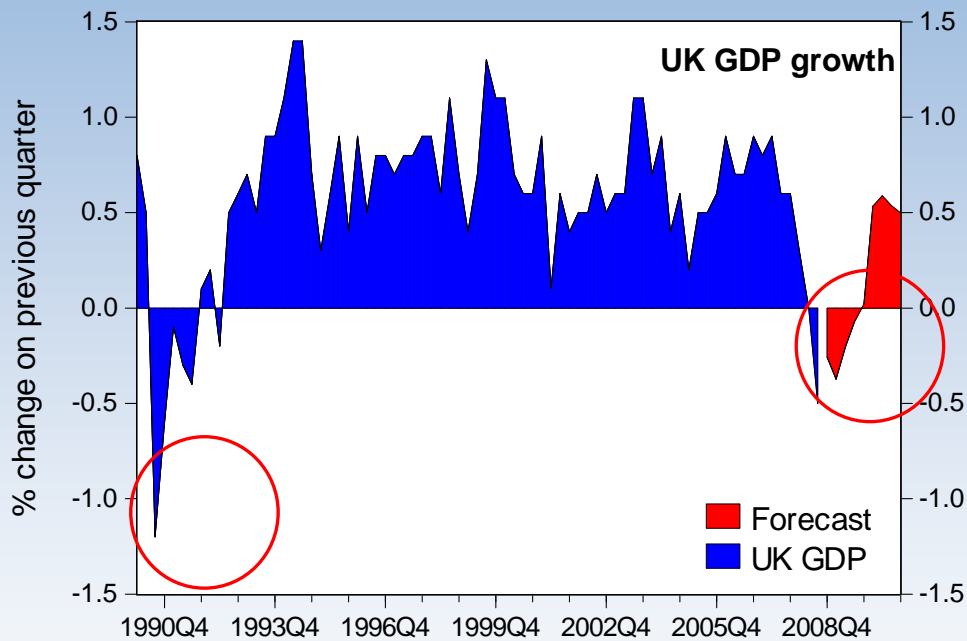
Cost of borrowing



Source: Bank of England 2008

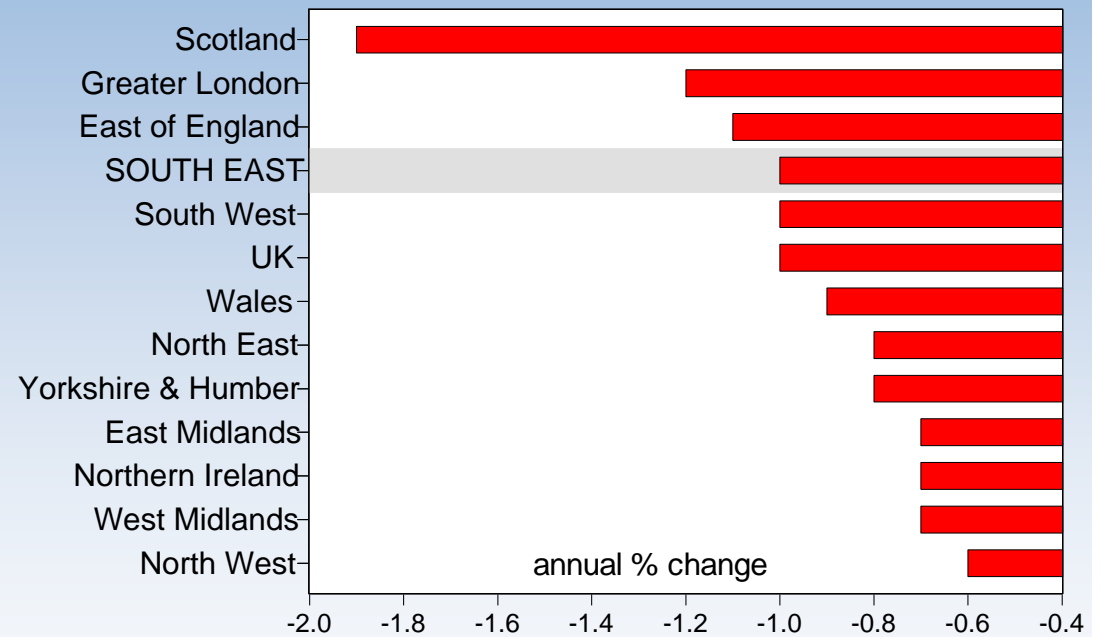
How deep will it get?

Not as bad as in 1990/91



Source: National Statistics and Experian (Autumn 2008)

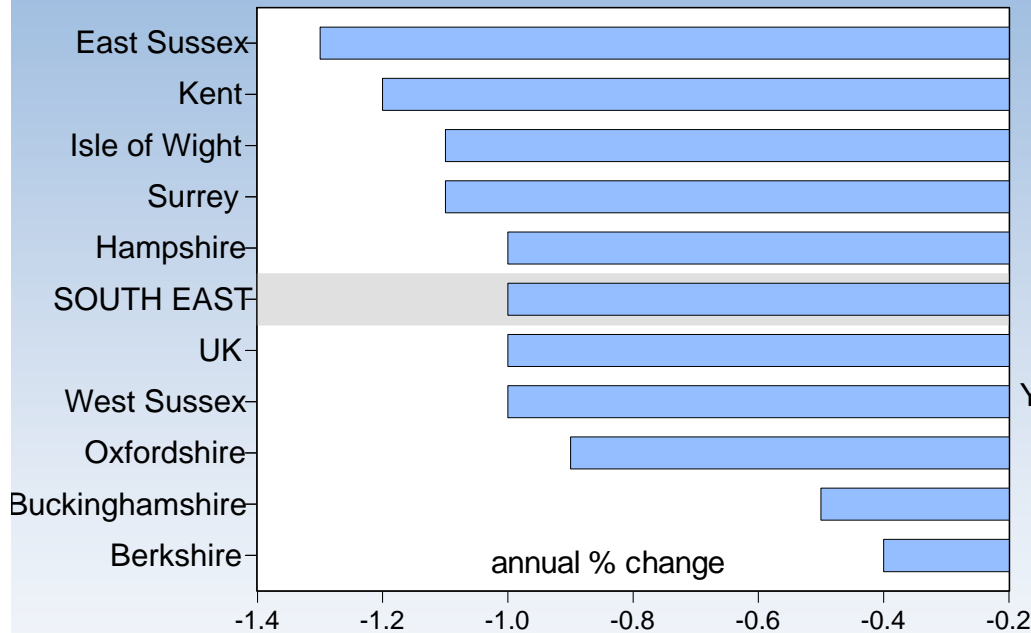
Output growth in 2009



Source: Experian, Autumn 2008

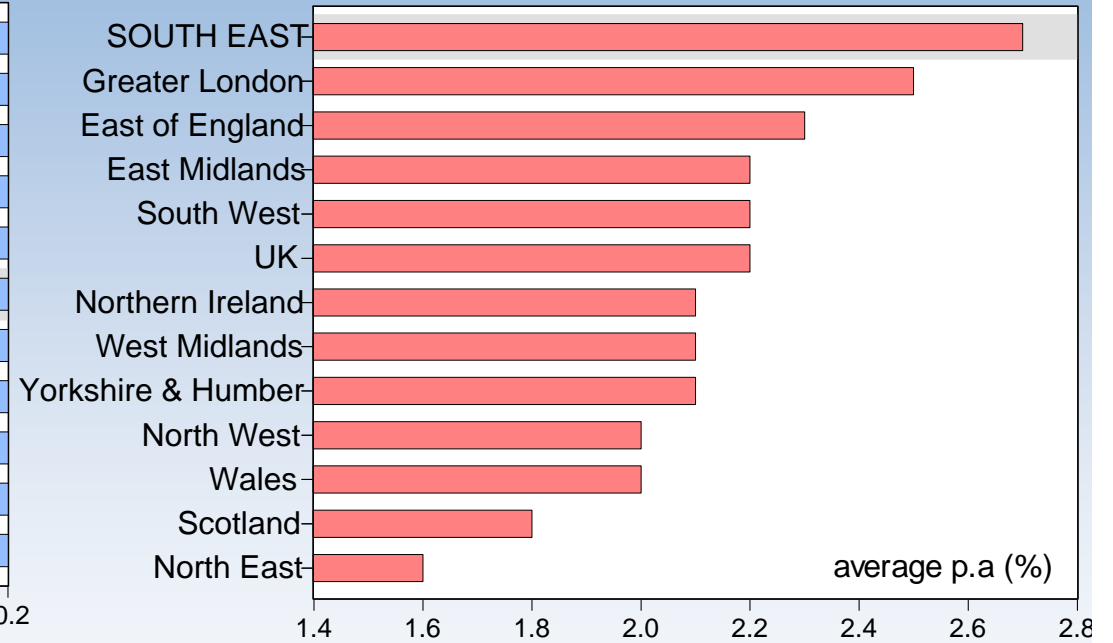
Outlook for 2009 and Beyond

Output growth in 2009



Source: Experian, Autumn 2008

Output growth 2010-2016



Source: Experian, Autumn 2008

Preparing for the Upturn

- Highest manufacturing output in the country
- Highest manufacturing productivity
- Largest exporting region in England (value of goods)
- High business start-up and survival rates
- More employees in High & Medium Technology sector than any other UK region
- >2,000 companies actively involved in environmental technologies sector

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