

# **Federation of Small Businesses AGM**

Darwin College, University of Kent

13 October 2008

## **Economic Conditions and Prospects South East England**

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SEEDA

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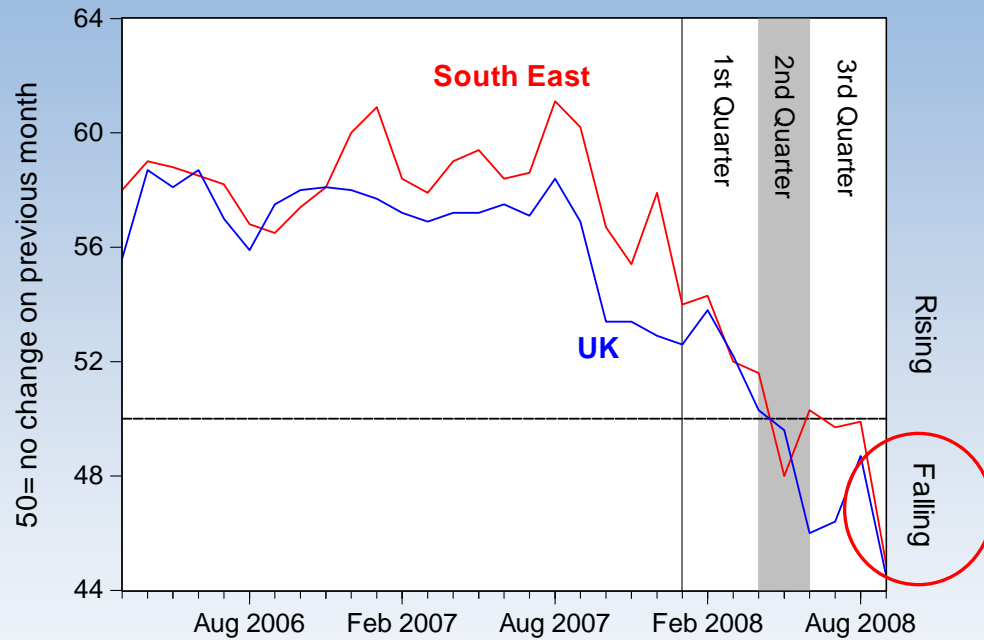
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# Overview

- 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?

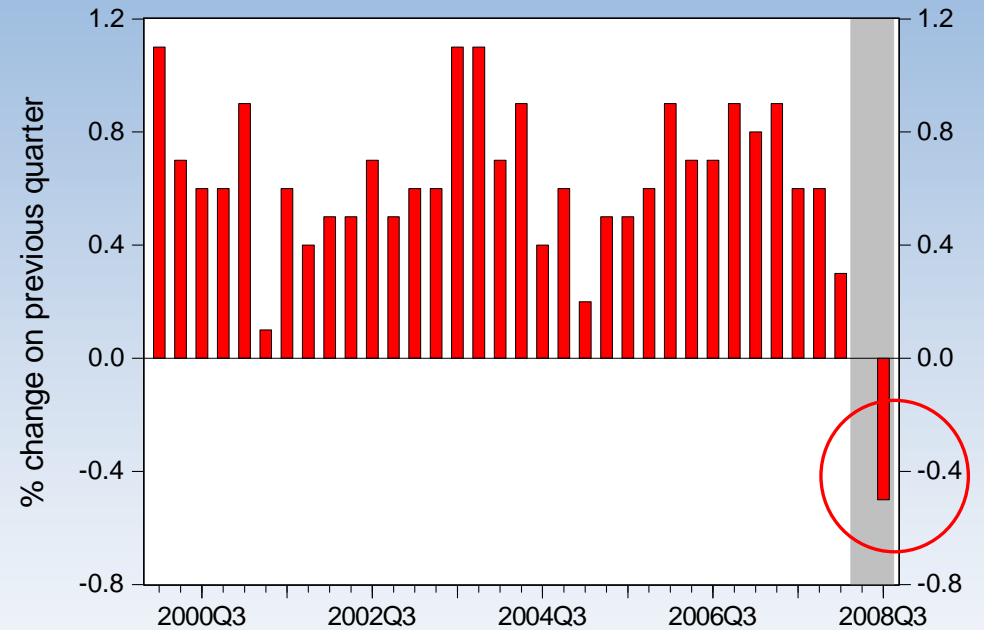
# Business Activity

**Business activity (output)**



Source: RBS 2008

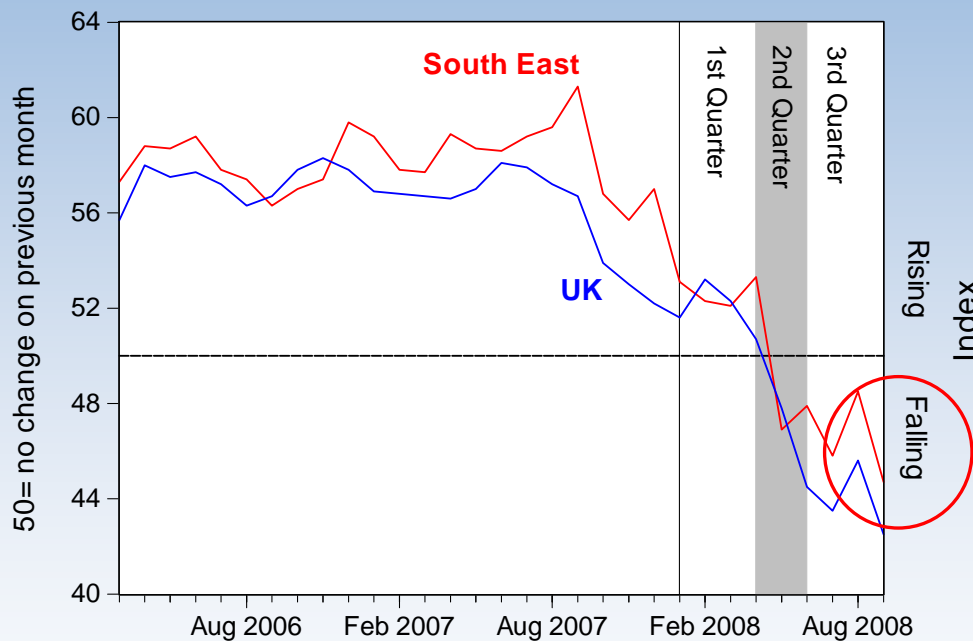
**The end of 63 quarters of uninterrupted growth**



Source: National Statistics 2008

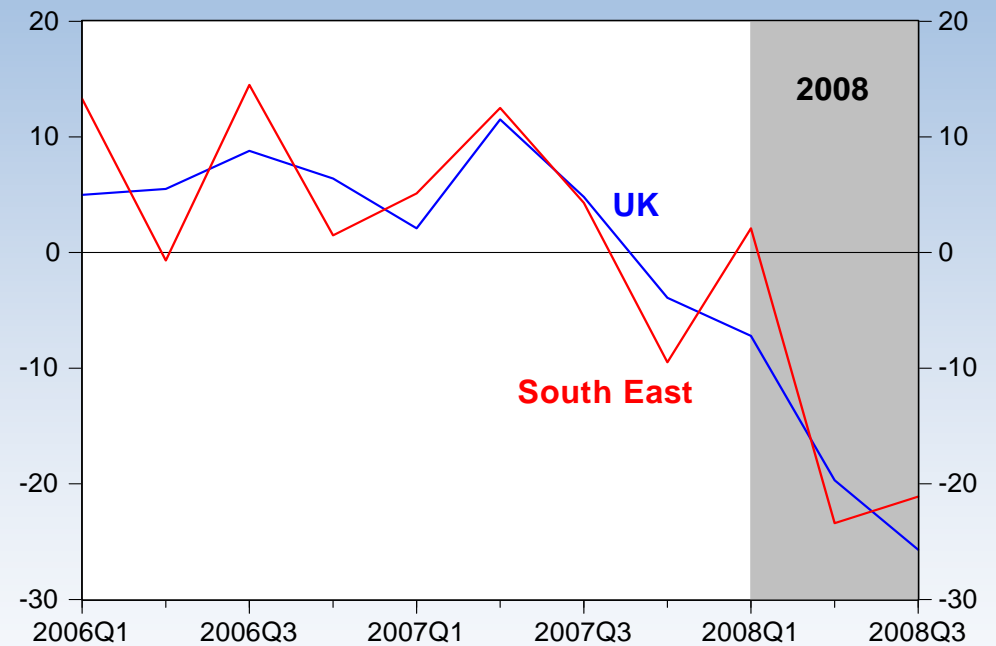
# New Orders and Business Confidence

**New orders (incoming new business)**



Source: RBS 2008

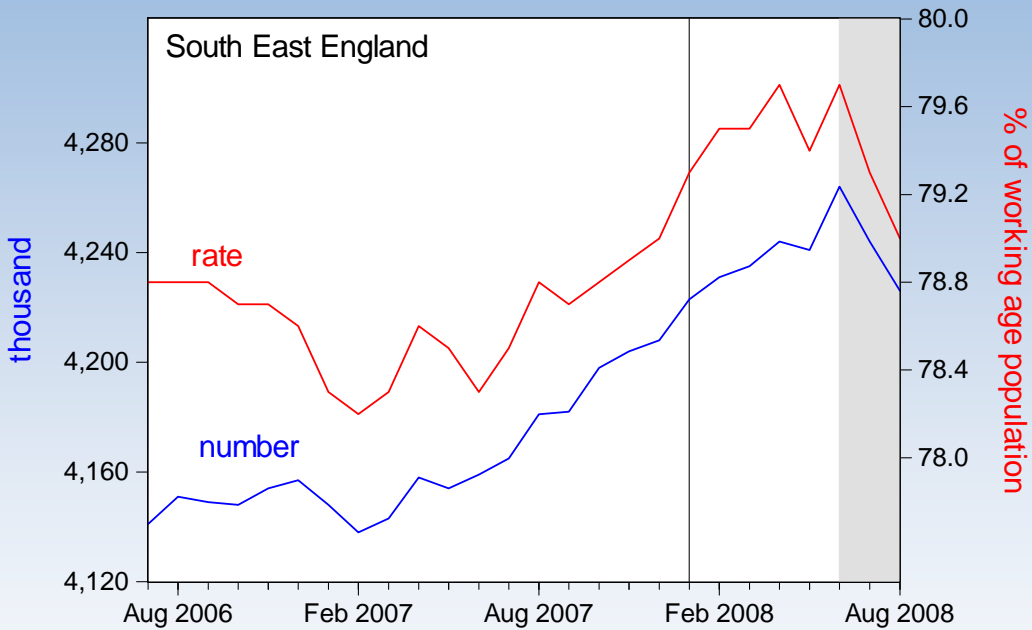
**Confidence in the economic prospects over the next 12 months**



Source: ICAEW 2008

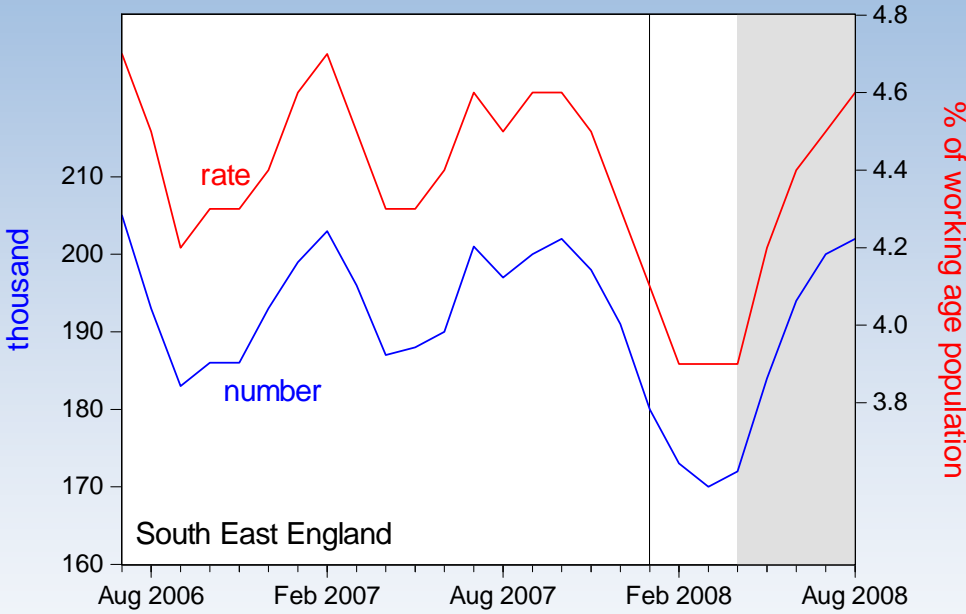
# Labour Market Indicators

### Employment



Source: National Statistics 2008

### Unemployment



Source: National Statistics 2008

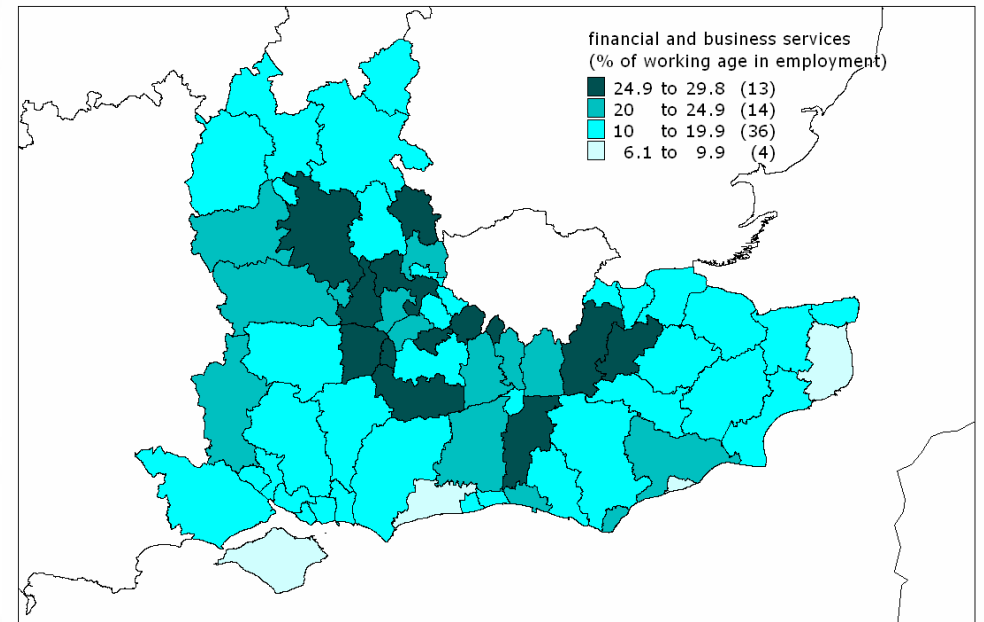
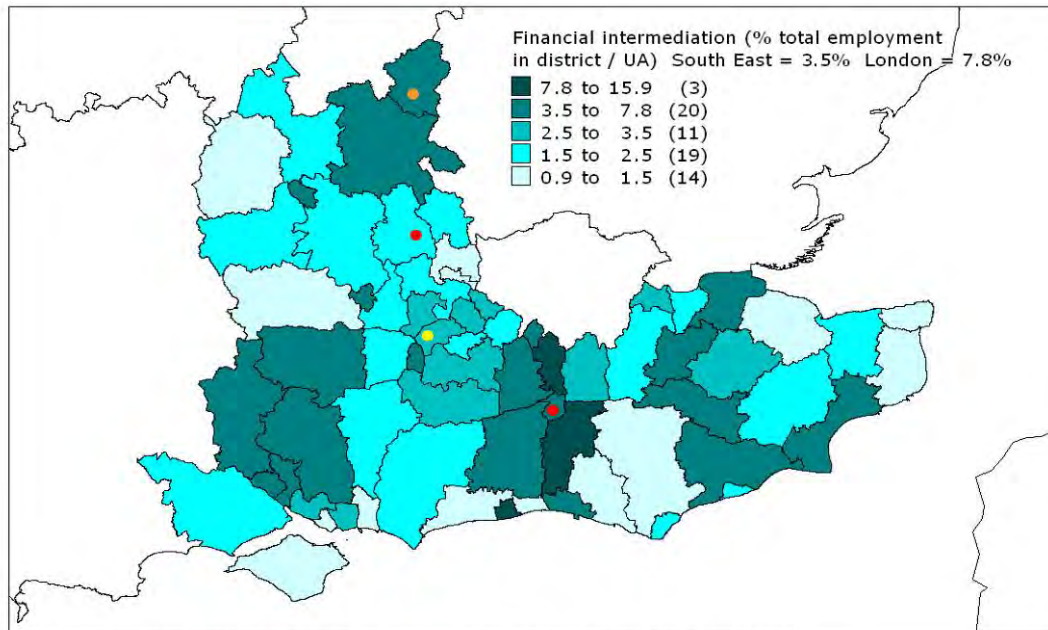
# Sectoral Impact

- 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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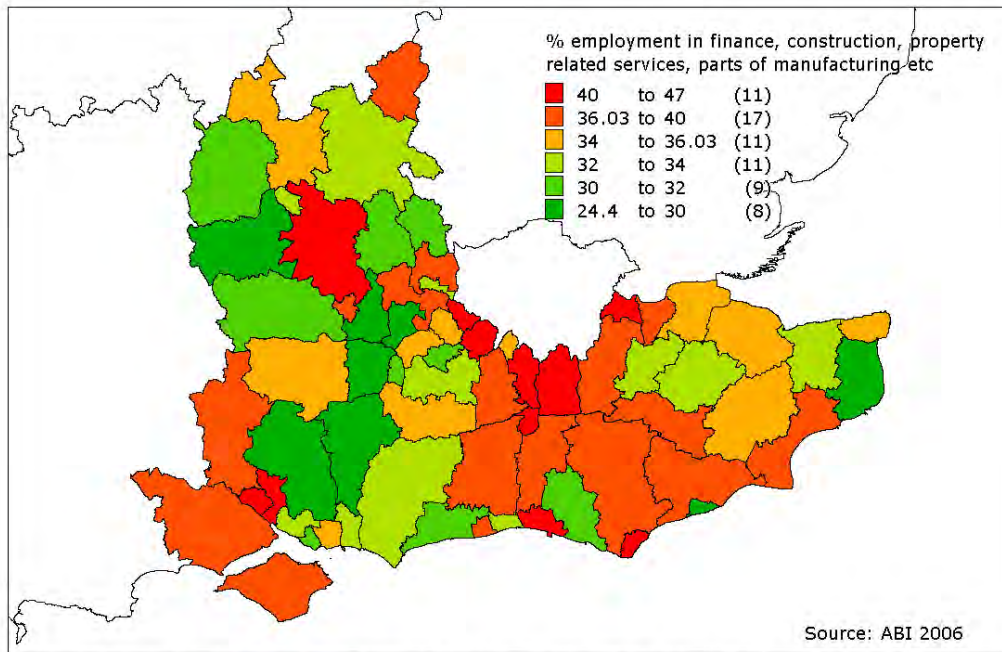
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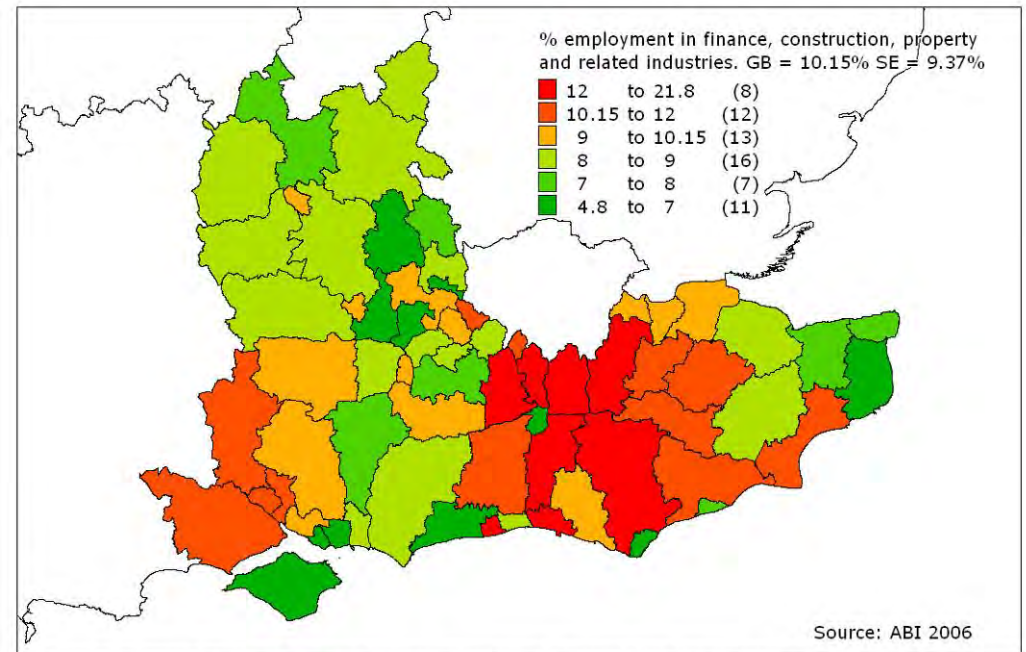
# Spatial Impact

**% 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

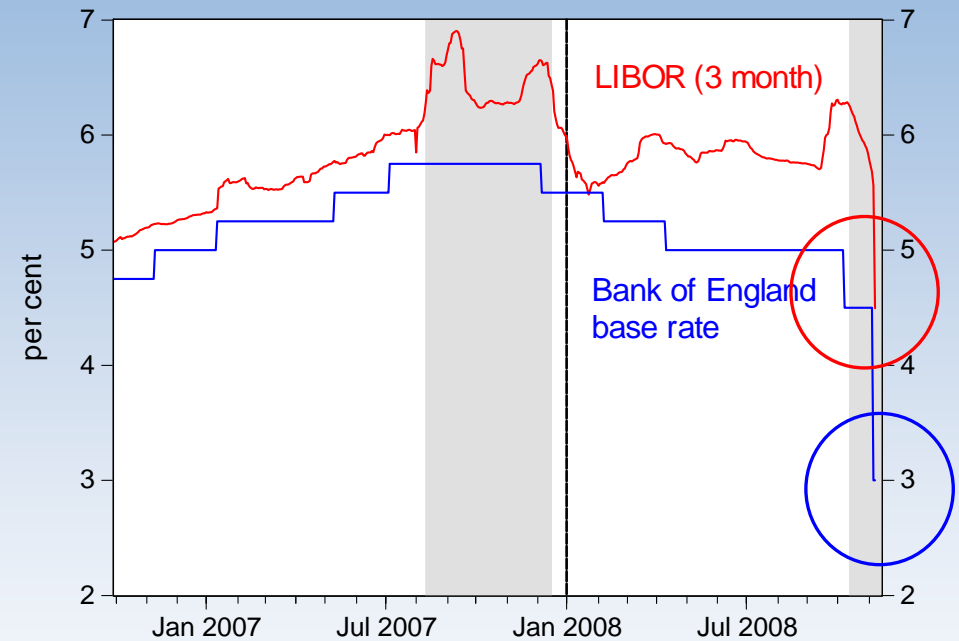
- Businesses employing < 50 employees
  - 175,000 small businesses (1-49 employees)
  - 550,000 businesses with zero employees
  - Small businesses > 30% of employment
  - High concentration in Finance, Real Estate, Renting & Business Activities and Construction.
- Impacts:
  - Access to credit
  - Cost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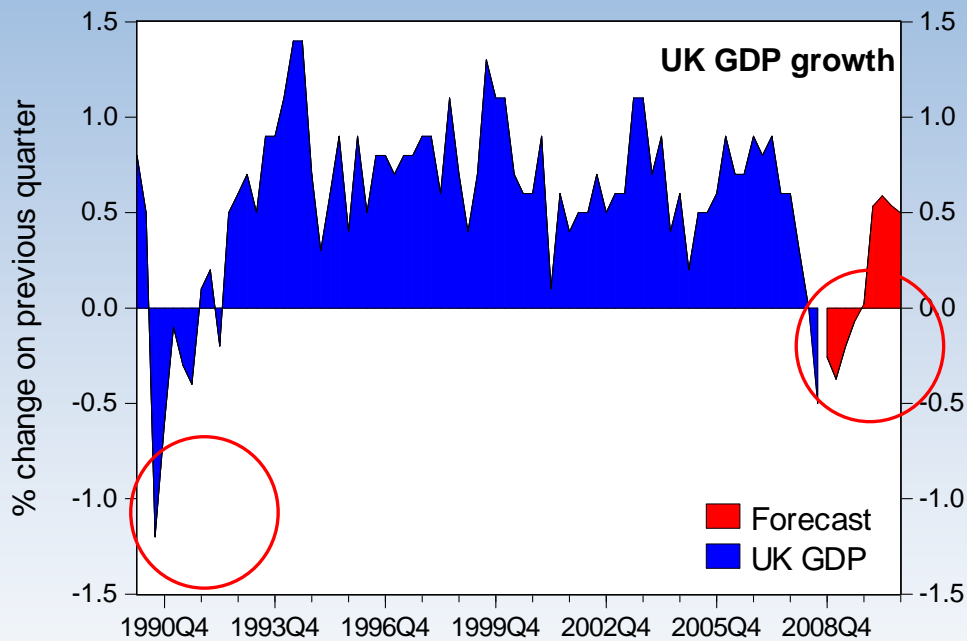
Cost of borrowing



Source: Bank of England 2008

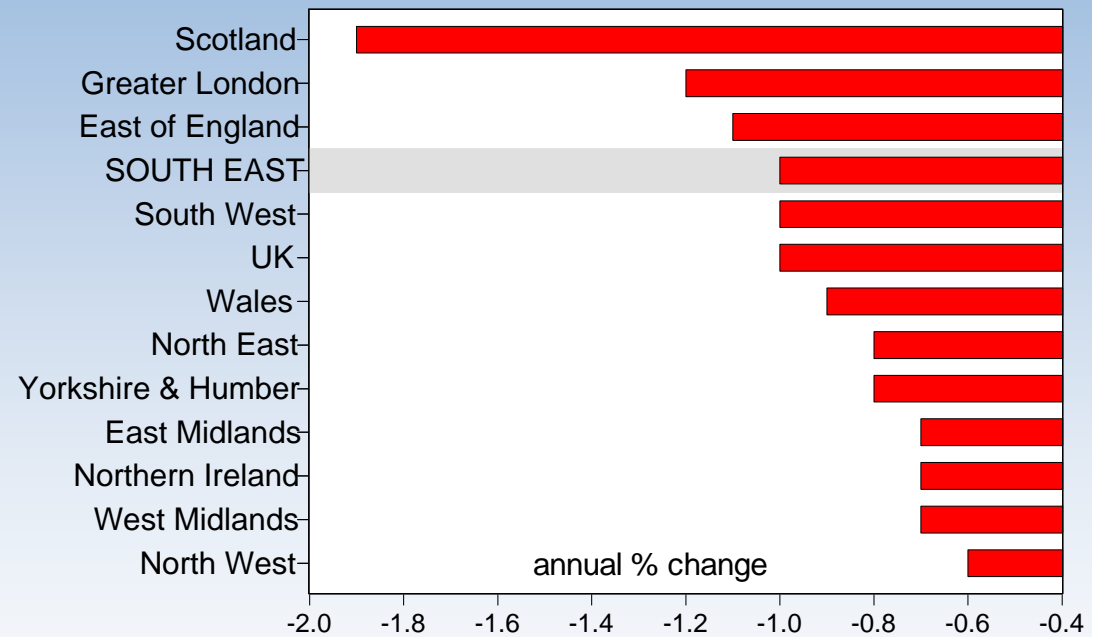
# How deep will it get?

Not as bad as in 1990/91



Source: National Statistics and Experian (Autumn 2008)

Output growth in 2009

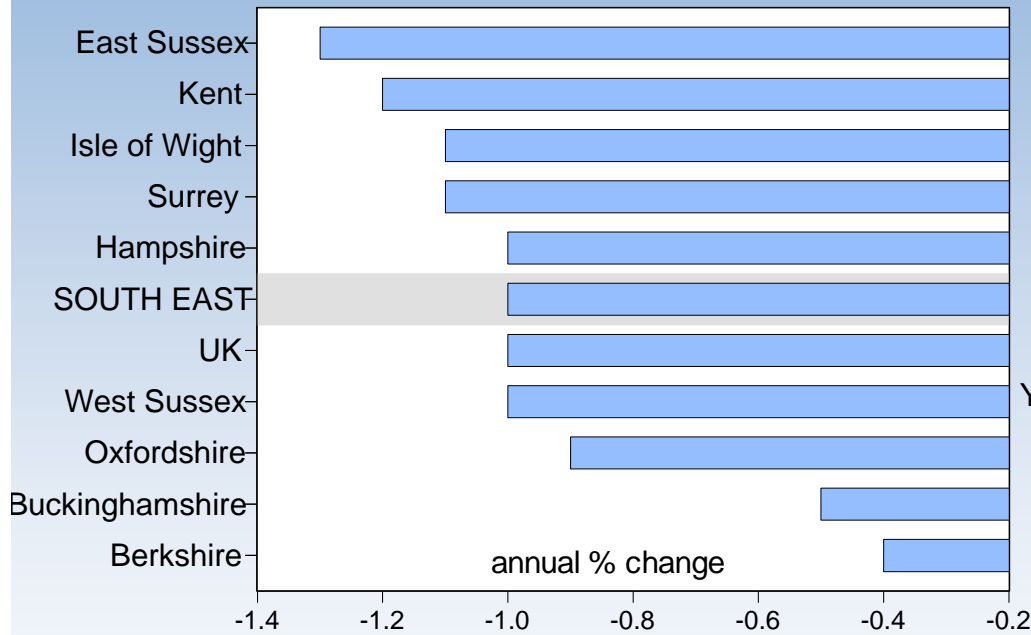


Source: Experian, Autumn 2008

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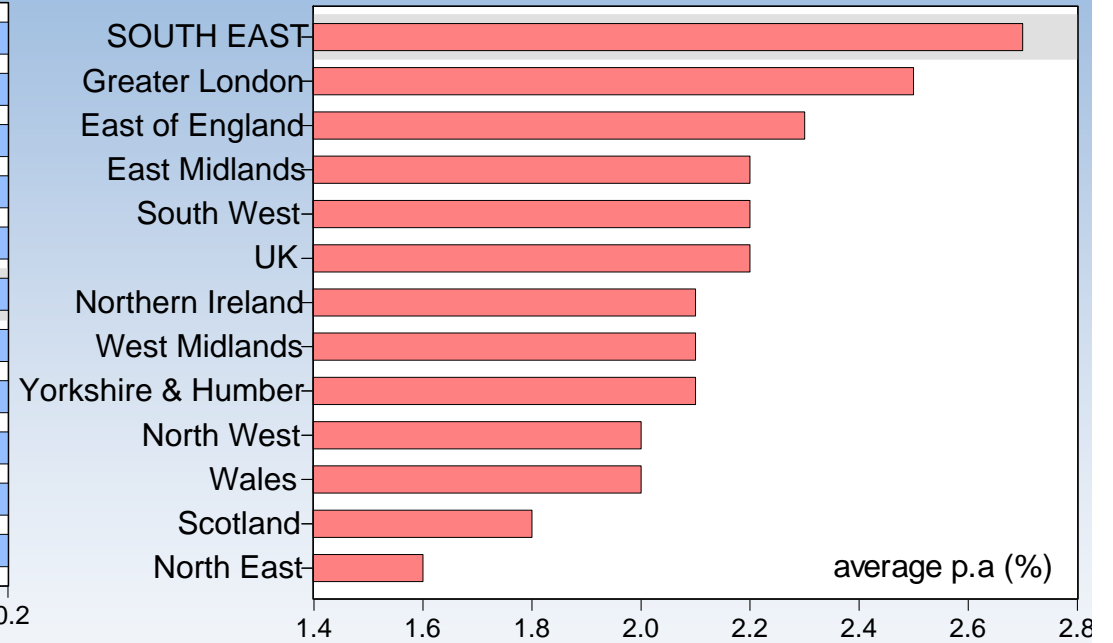
# Outlook for 2009 and Beyond

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

# SEEDA Research & Economics

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