

Economic Downturn: A South East Perspective

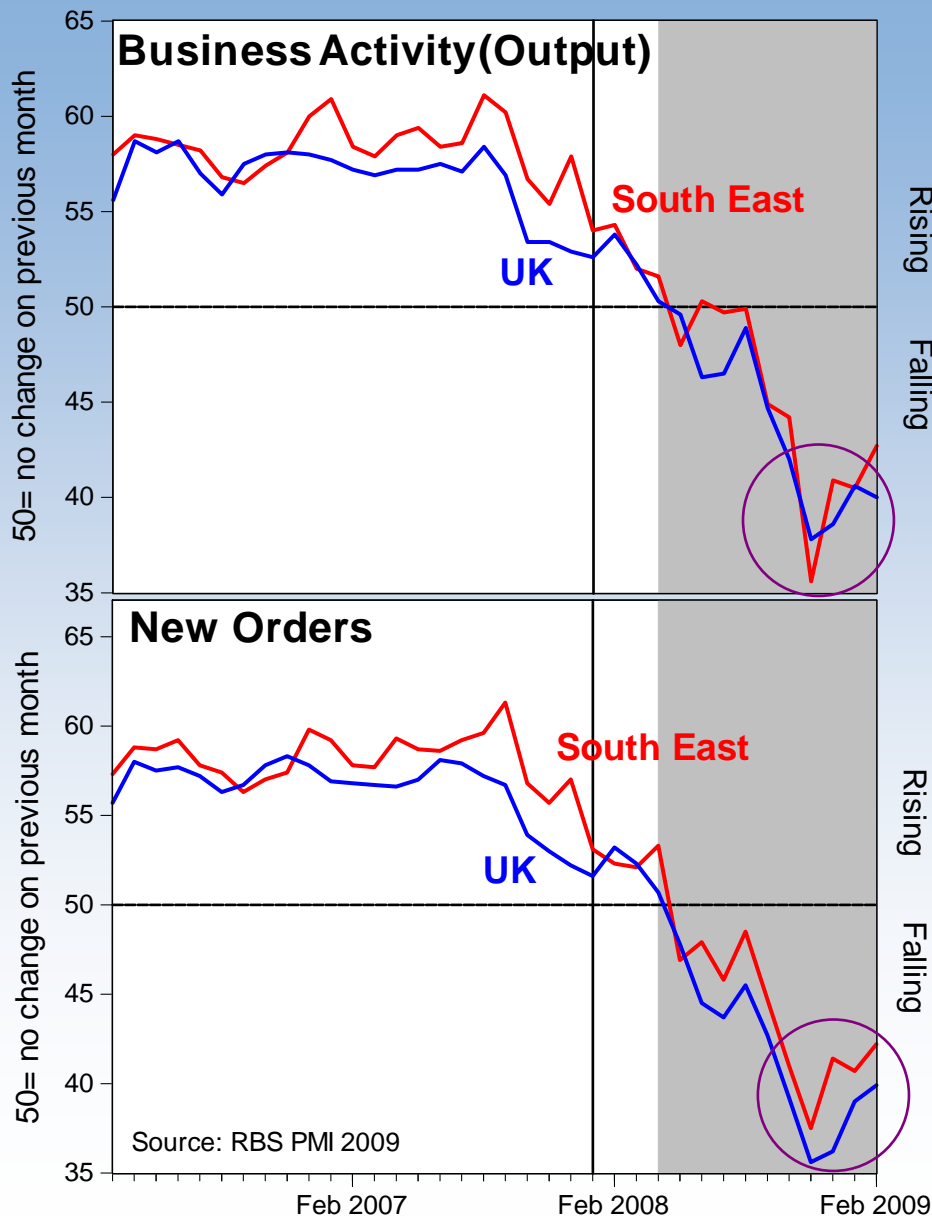
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Overview

- A Sharp Downturn in UK & Developed Economies
- World Trade Slumps
- Global Recession on the way (OECD); US recovery in late 2009 (US Treasury)?
- Significant Wealth Destruction
- From Inflation to Deflation
- Bank of England Base Rate hits historic low
- Liquidity Squeeze Persists
- Unorthodox Measures – Quantitative Easing

South East - Falling Business Activity

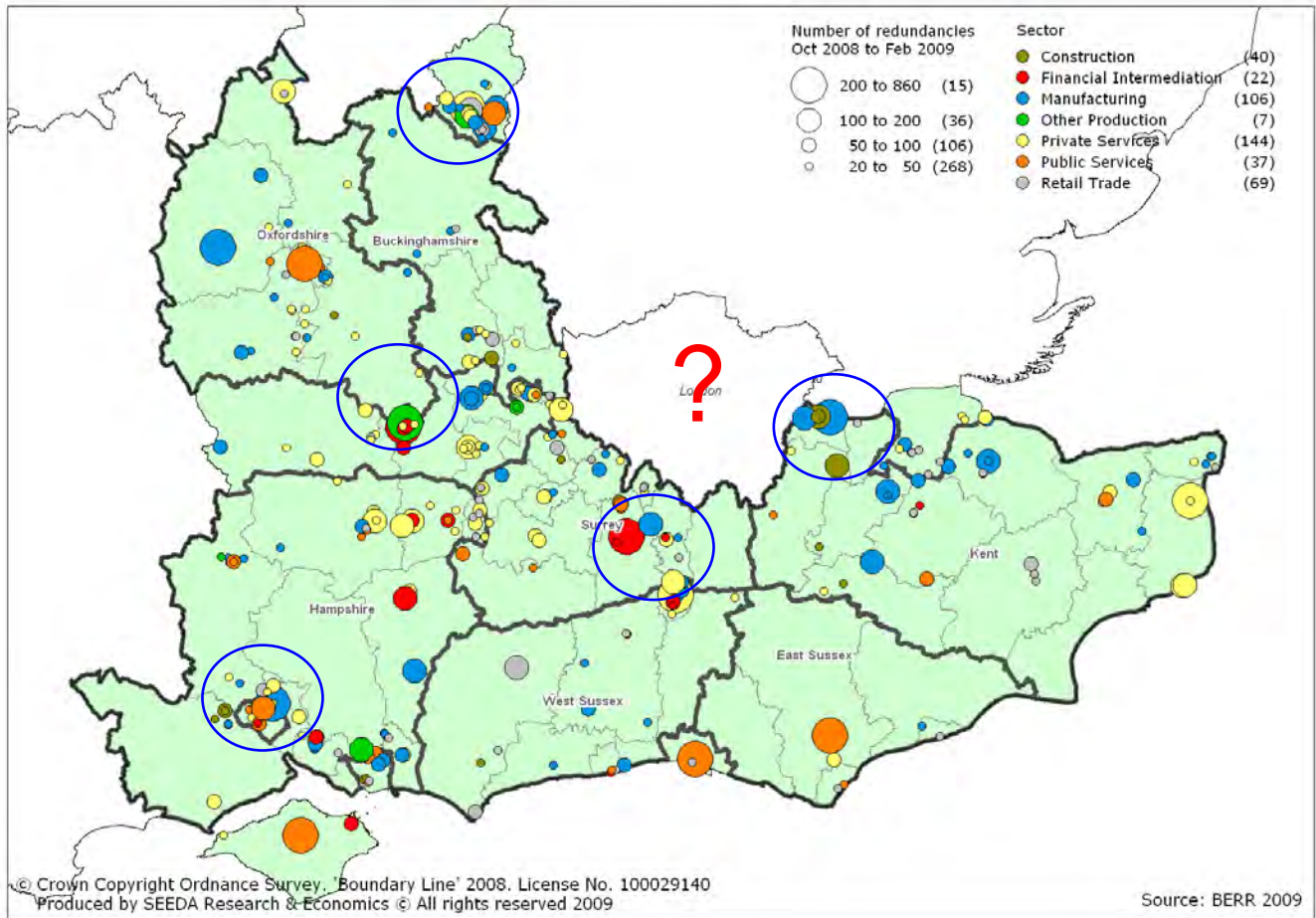


- Rate of decline has slowed down?
- Destocking is starting to ease?
- Energy and raw material costs – high, but falling.
- Profit margins and cashflow!
- Investment.

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%

February

5,400

Manufacturing

Transport

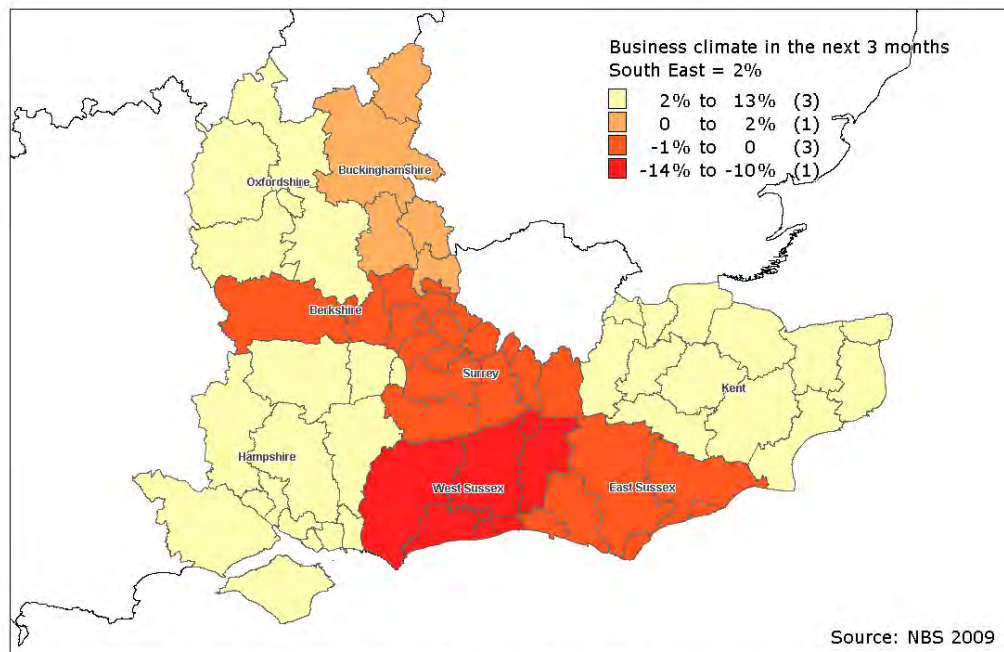
– Hampshire

– W. Sussex

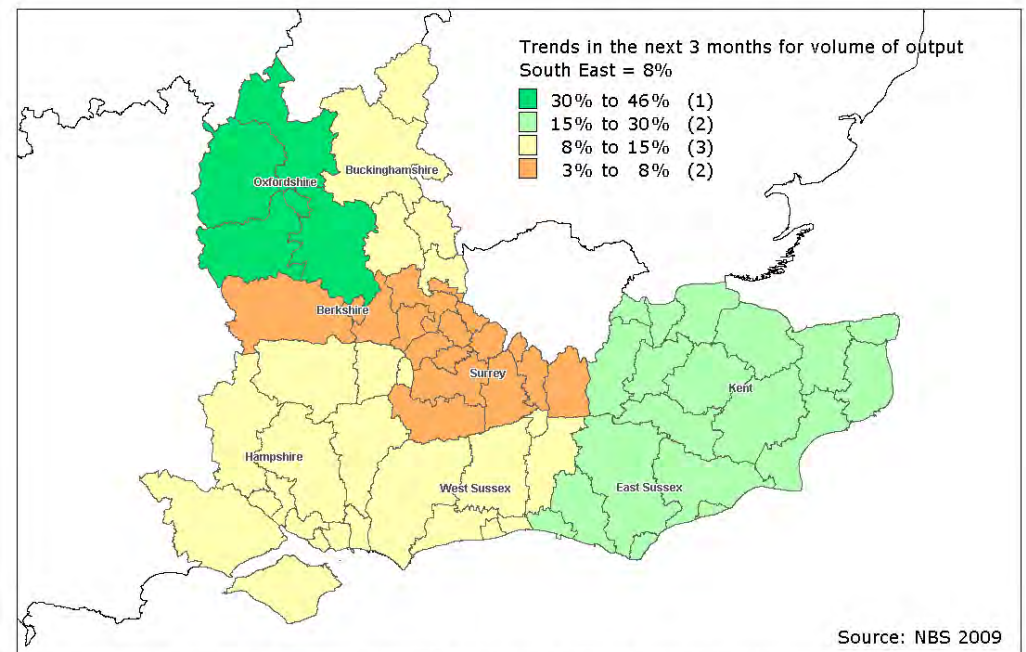
Business expectations over the next 3 months

Do you expect the Business Climate in which your business operates to deteriorate...

... expected trends for the next 3 months, with regard to Volume of Output (net balance)



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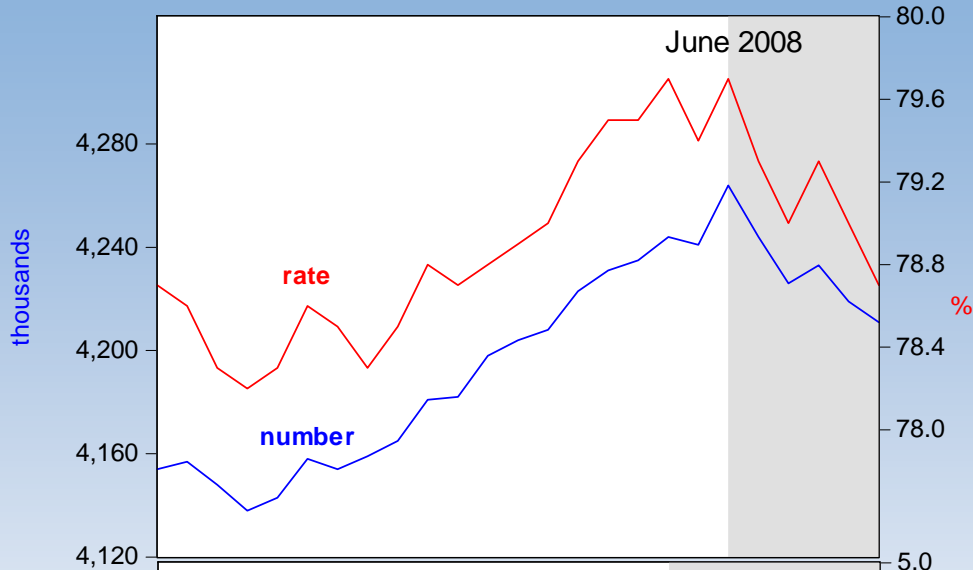
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Key Challenges for SMEs

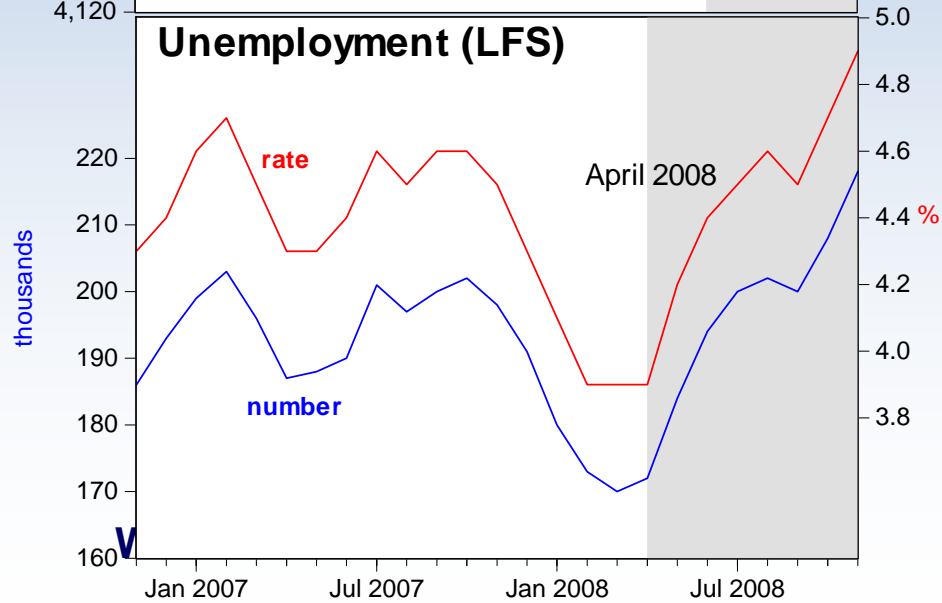
- **Cost of credit insurance** increased for 52% of small businesses in the South East. Source: FSB Feb'08
- Some **credit insurers** now refusing to insure some businesses. Concern about the ability of companies in **supply chain** to withstand recession. Source: SEEDA 2009, Regional Intelligence Snapshot 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 an issue.**

Labour Market weakening ...

Employment

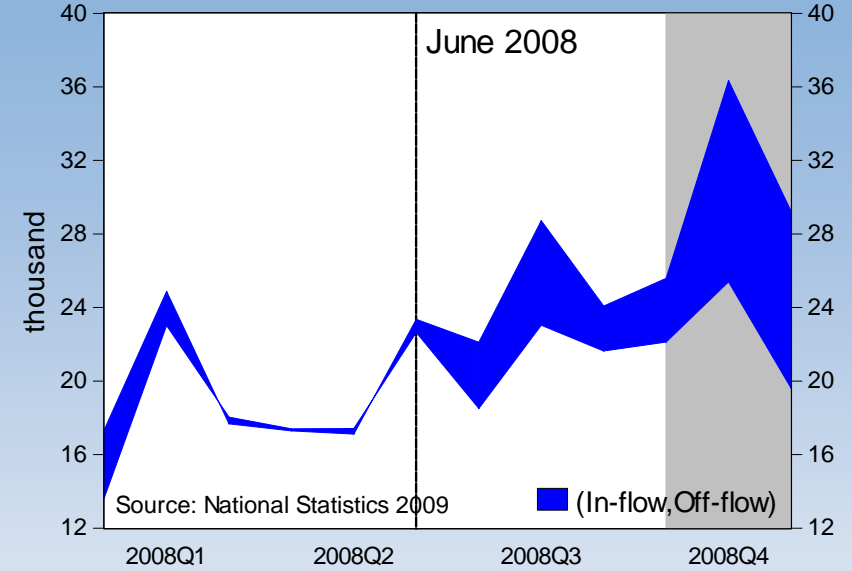


Unemployment (LFS)



Source: National Statistics 2009

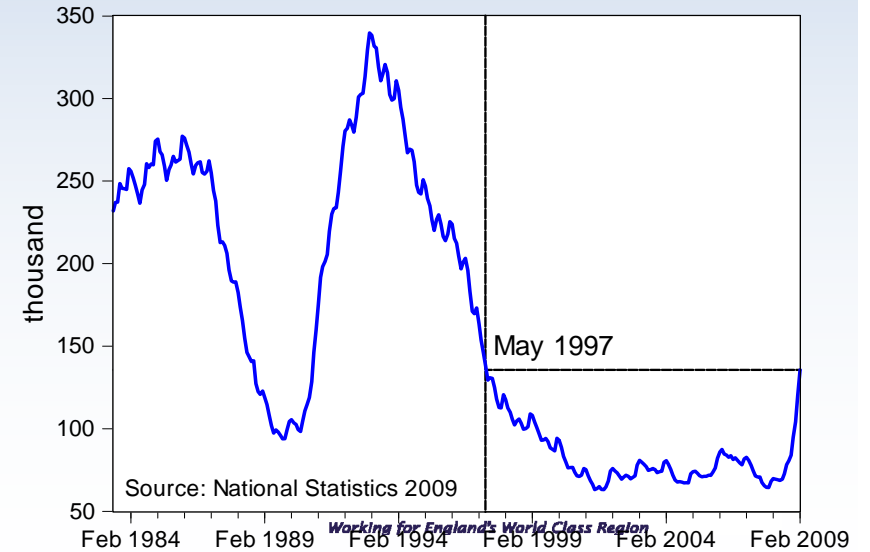
Claimant Flows



Source: National Statistics 2009

■ (In-flow, Off-flow)

Claimant Count Unemployment

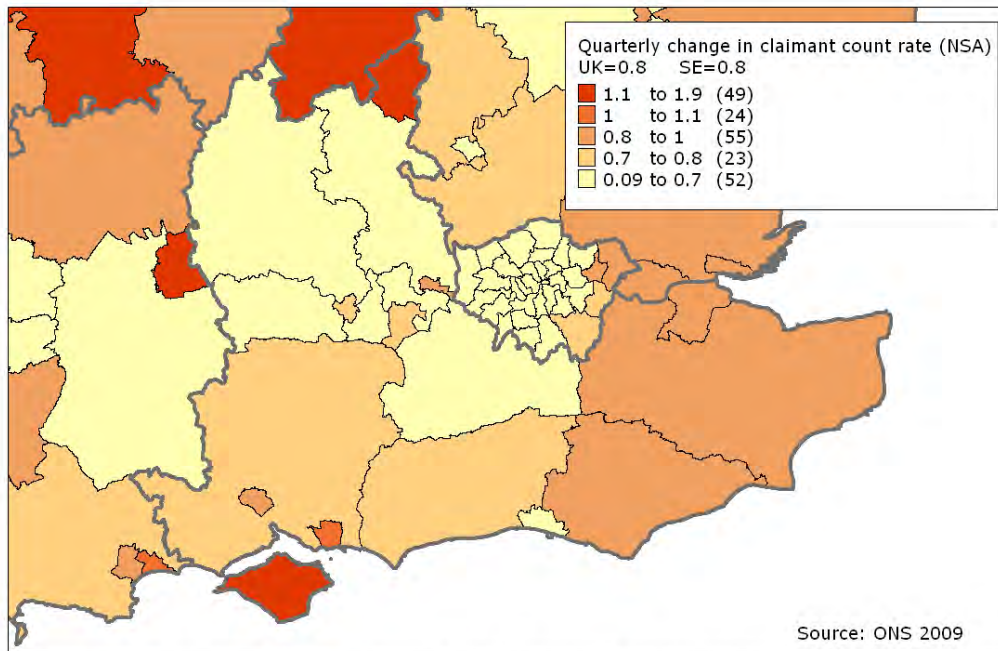


Source: National Statistics 2009

Working in England's World Class Region

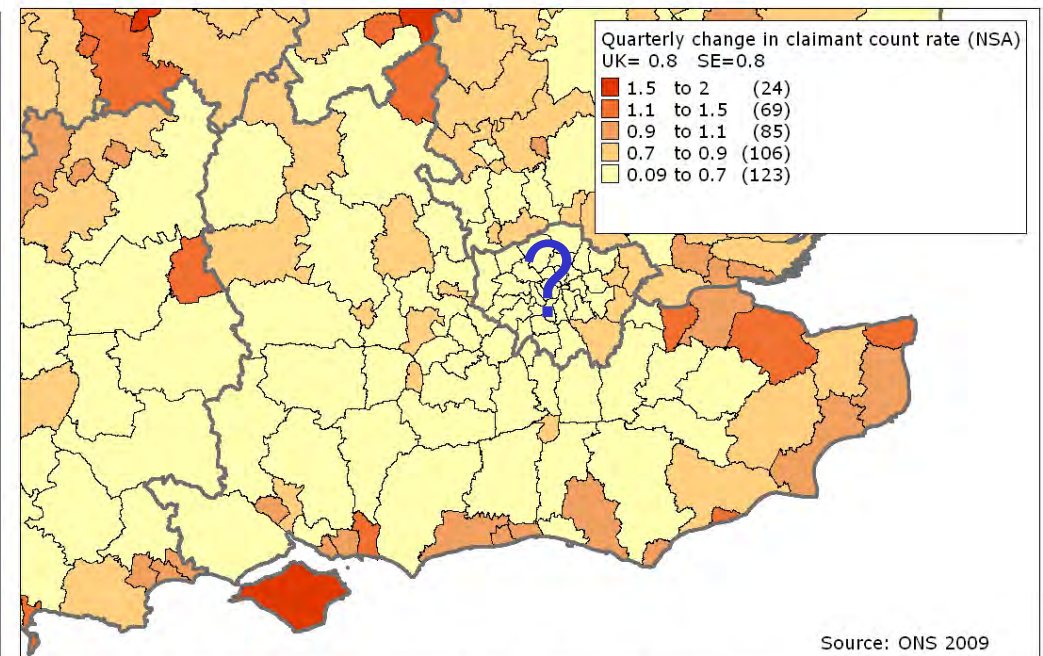
... coastal economies hit harder?

Quarterly change



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Falling Employment

	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

On the positive side

- Considerable stimulus to the economy:
 - Easing in **monetary and fiscal policy**
 - Quantitative Easing
 - **Global response**
 - Decline in inflation
 - **Increase in real earnings**
 - A substantial fall in sterling
- Business Surveys less gloomy than three months ago?

Will some sectors do better than others?

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?

How long is it going to last?

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

The impact on public services

- falling incomes
- Increase in demand for public services
- Childcare provision
- Private providers withdrawing from the market?

Thank you

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