



Kent Economic Board (KEB)

Business Advisory Board

Review of current economic conditions

July 2010

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Head of Economic Research

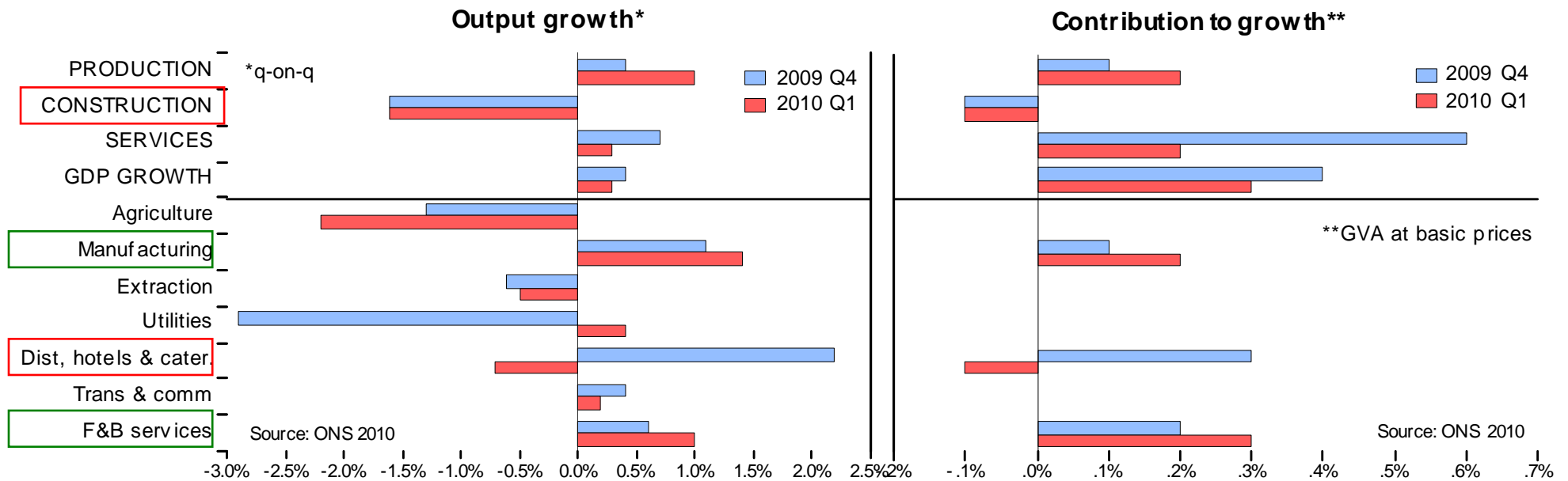
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Overview

- Output growth, business activity and new orders
- Labour market
- Consumer and business confidence
- Costs and inflation
- Growth forecasts
- Risks to recovery

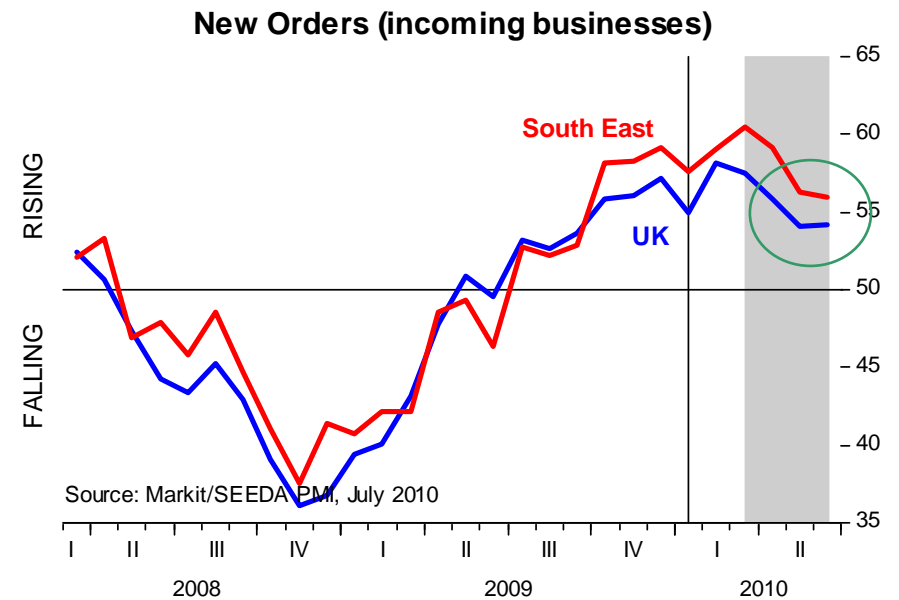
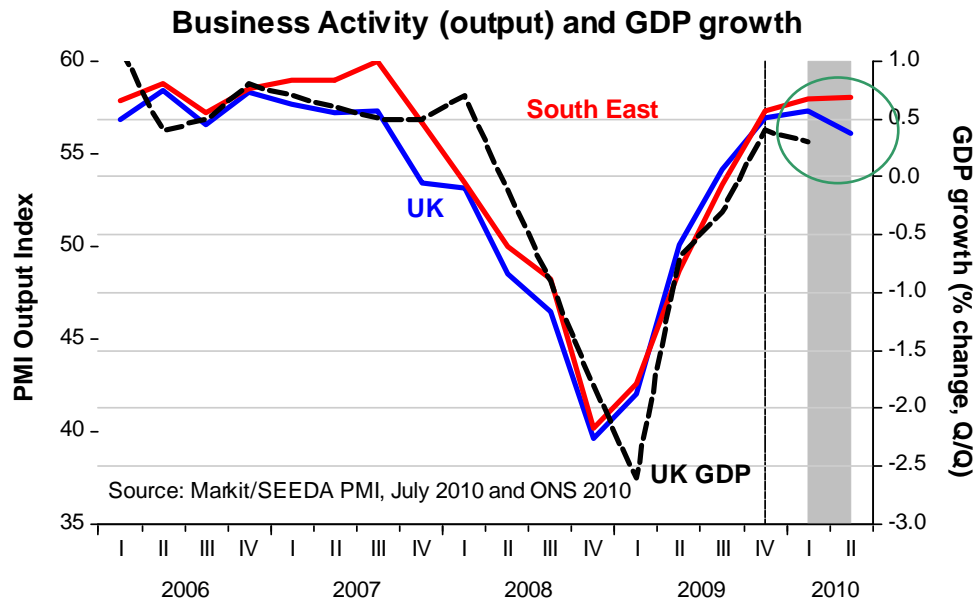
Gradual recovery is underway



- The recession more severe than previously reported
- UK GDP growth disappoints in Q1?
- Global recovery underway
- Recovery in Europe stalls?

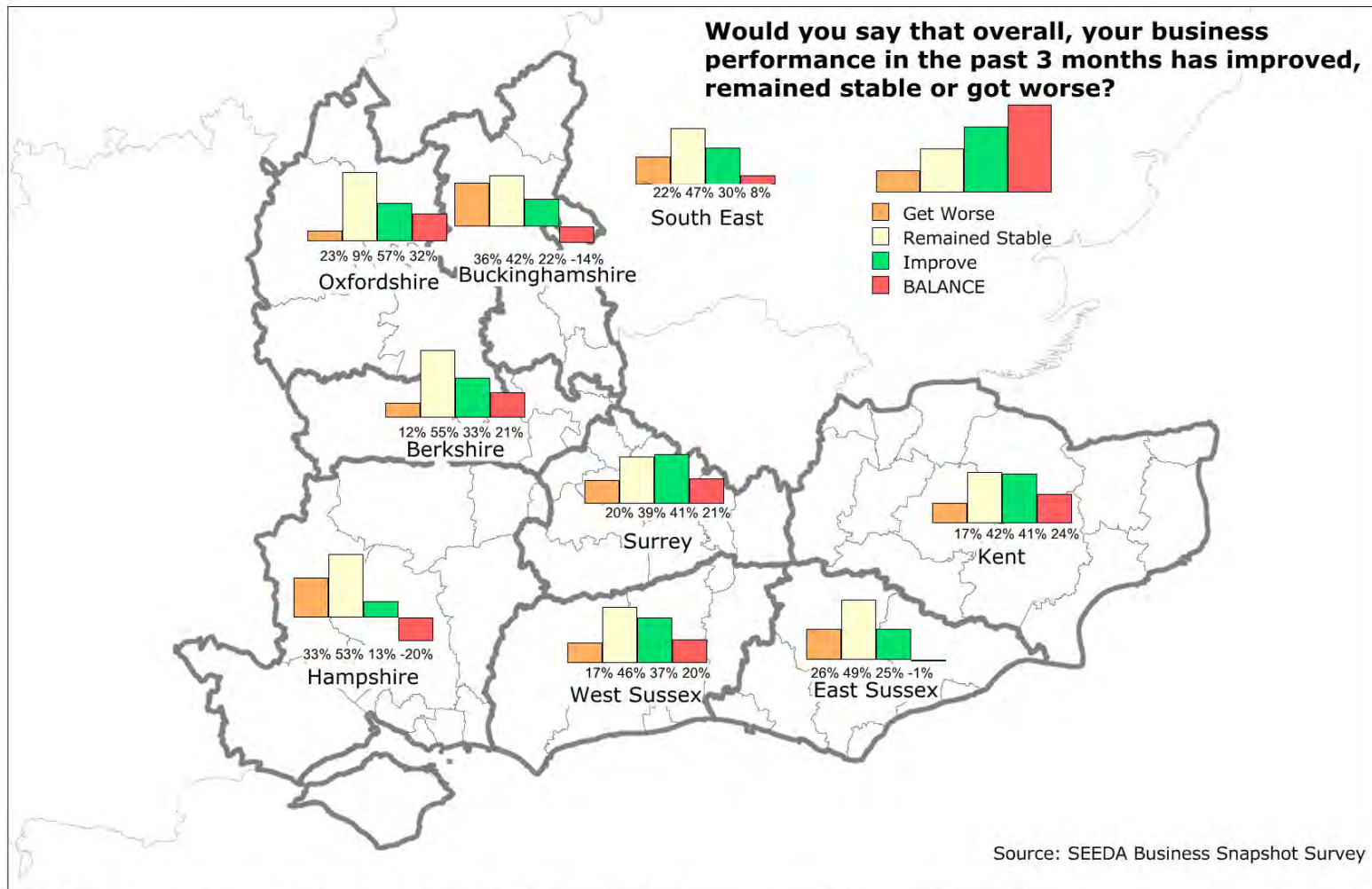
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Slower growth in business activity and new orders



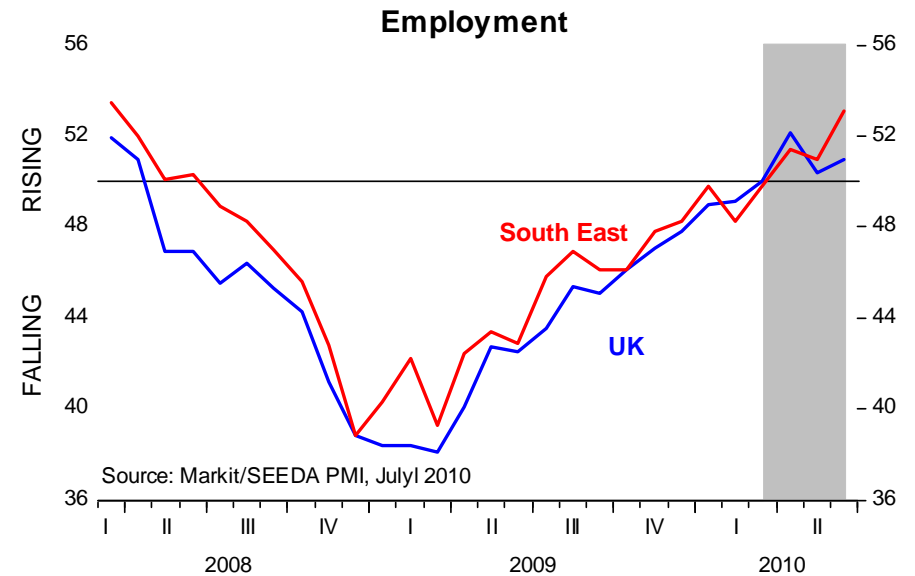
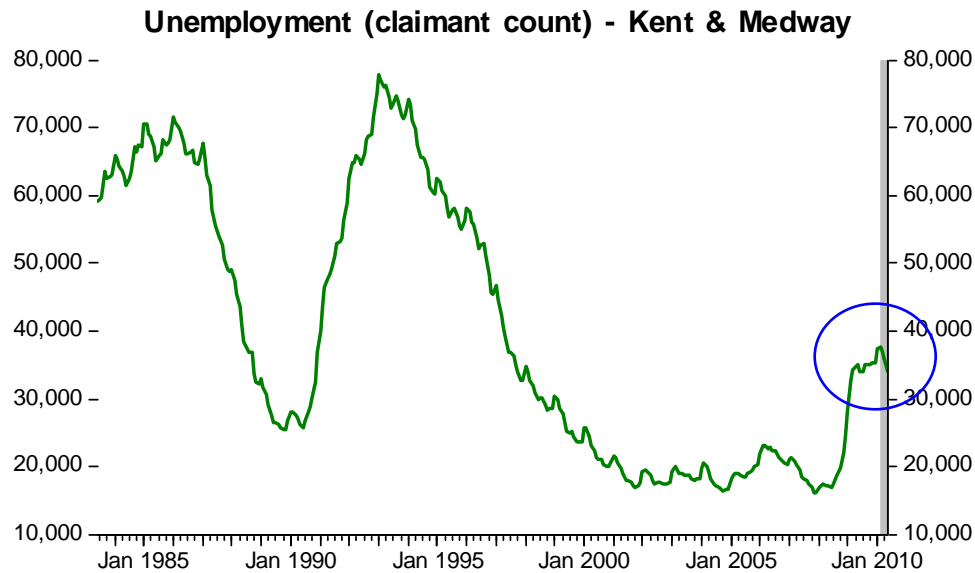
- Business activity above the UK average in Q2
- Growth in new business slows down
- GDP growth slows down in second half of 2010?

Strong growth in business activity in Kent



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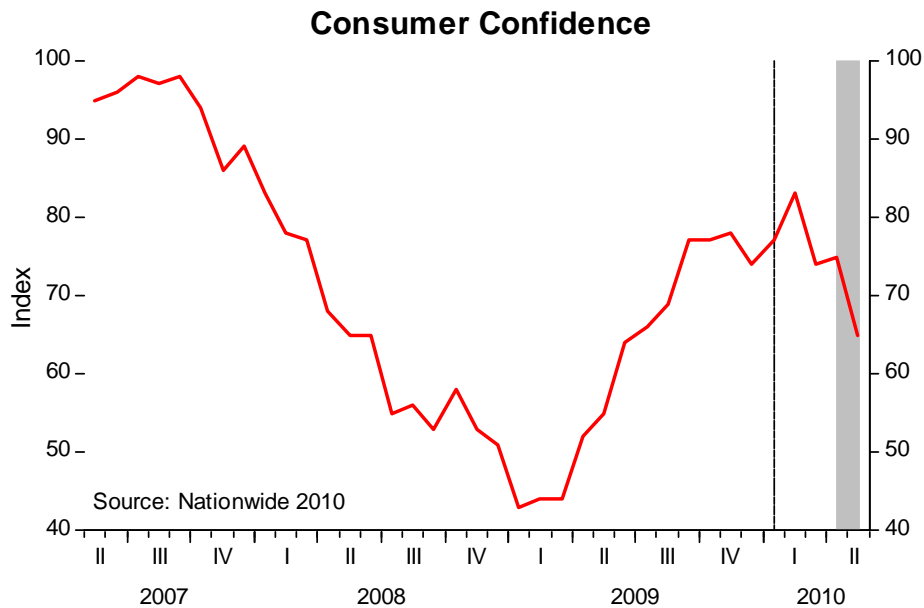
Signs of labour market stabilisation?



- Signs of labour market stabilisation – claimant count, private sector employment (PMI)
- Employment in public services?
- Divergence in labour market performance

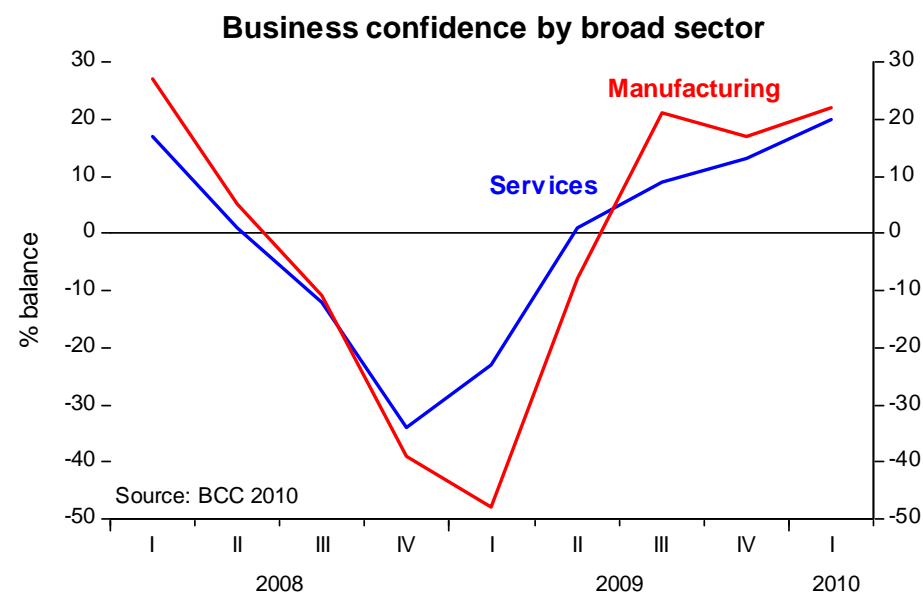
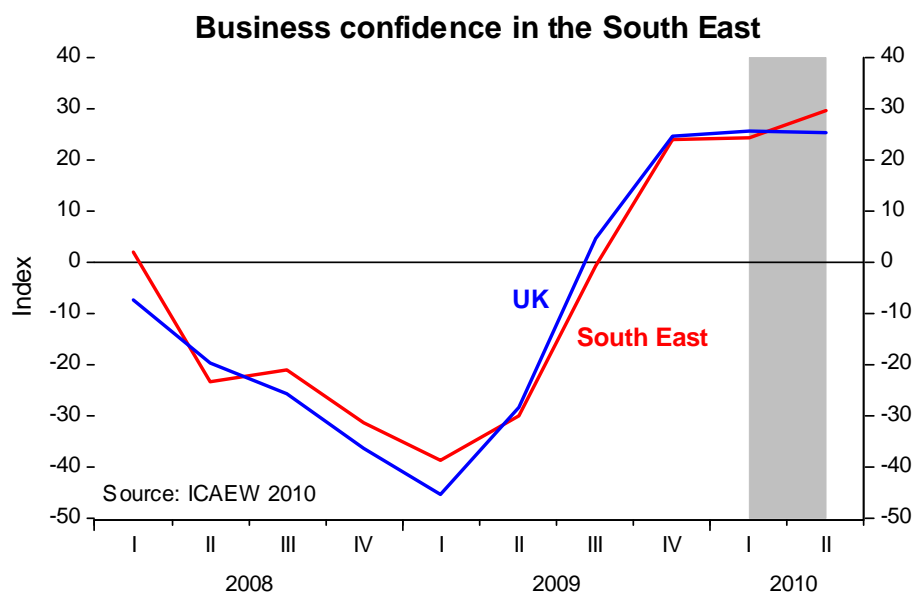
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A temporary fall in consumer confidence?



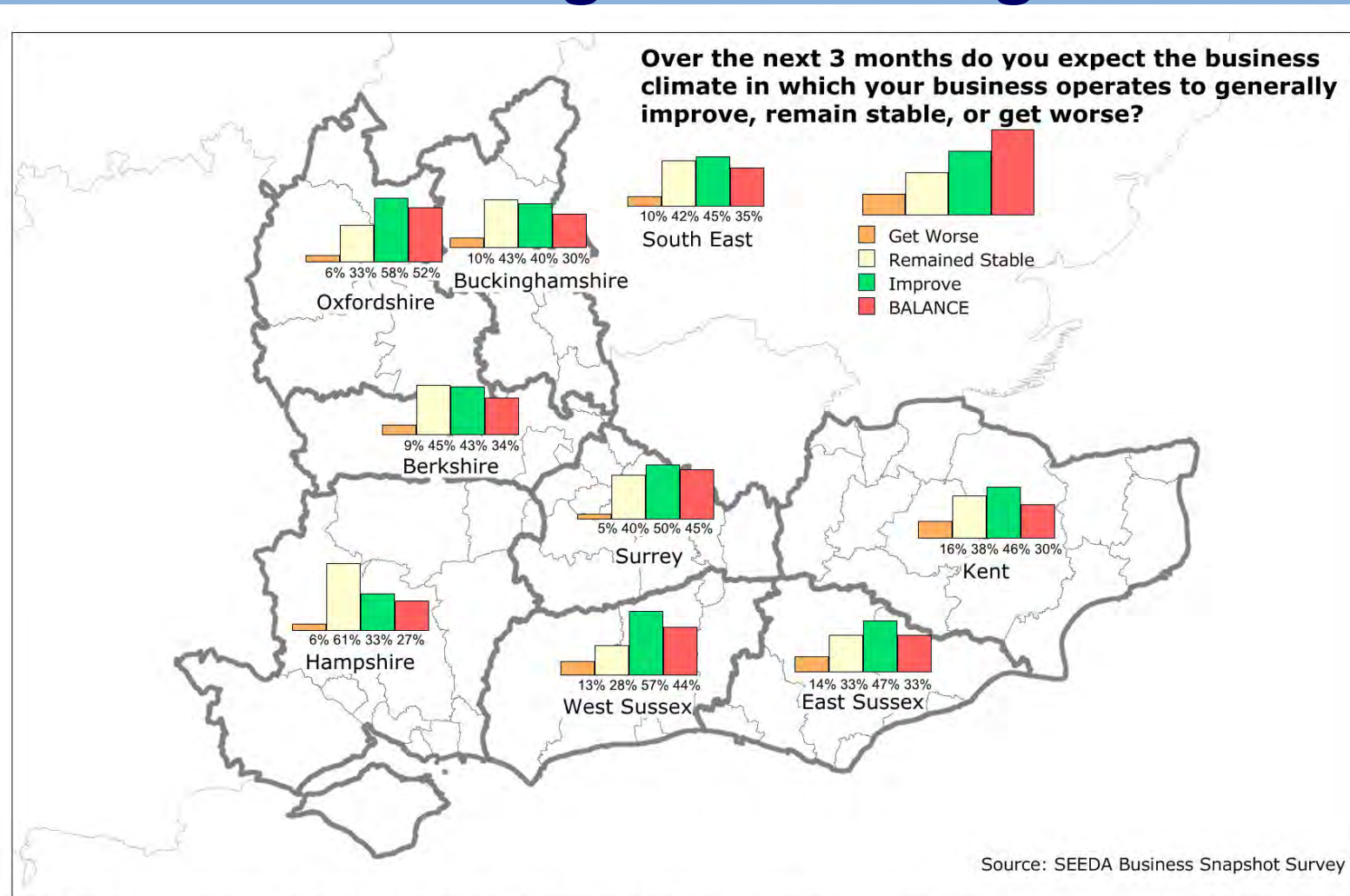
- Confidence falls by 10 points in May
- Sentiment about spending remains unchanged, but
- ... consumers feeling unsettled over the economy

Business confidence stabilising?



- Business confidence stabilising after the record level seen in Q1
- Recovery becoming more 'broad based'
- Confidence declines amongst large businesses and construction firms

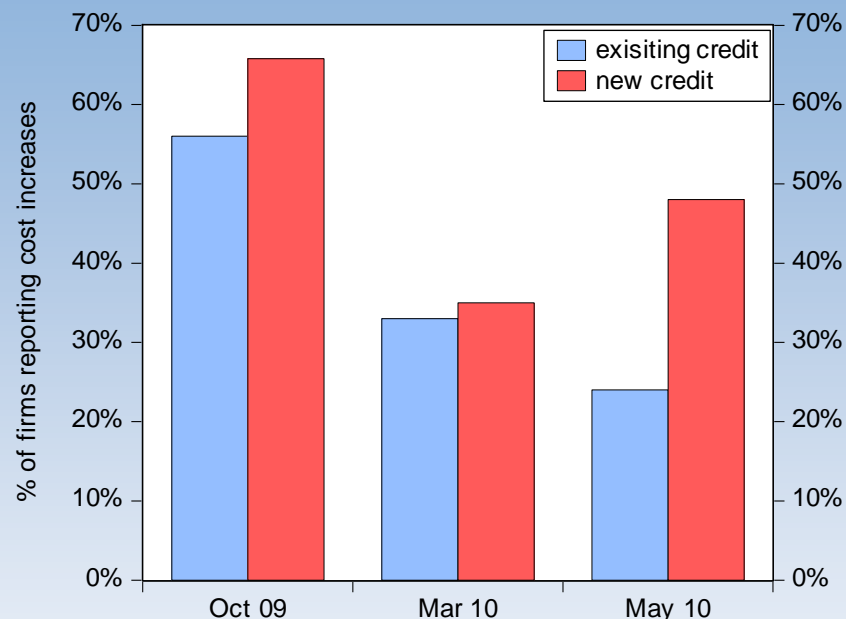
Business confidence in Kent similar to regional average



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Cost of credit still a concern

In the past two months, have you noticed any change in the cost of existing/new credit?

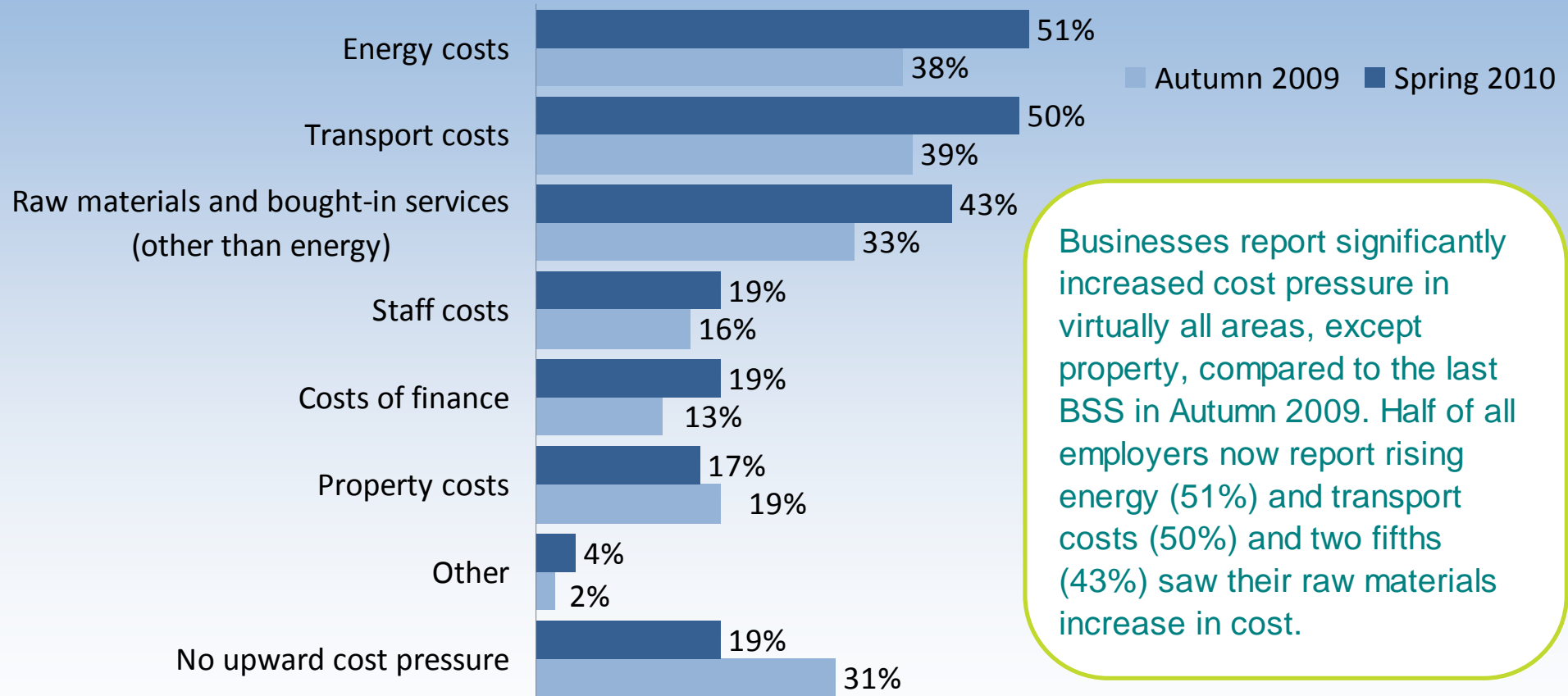


source: FSB surveys

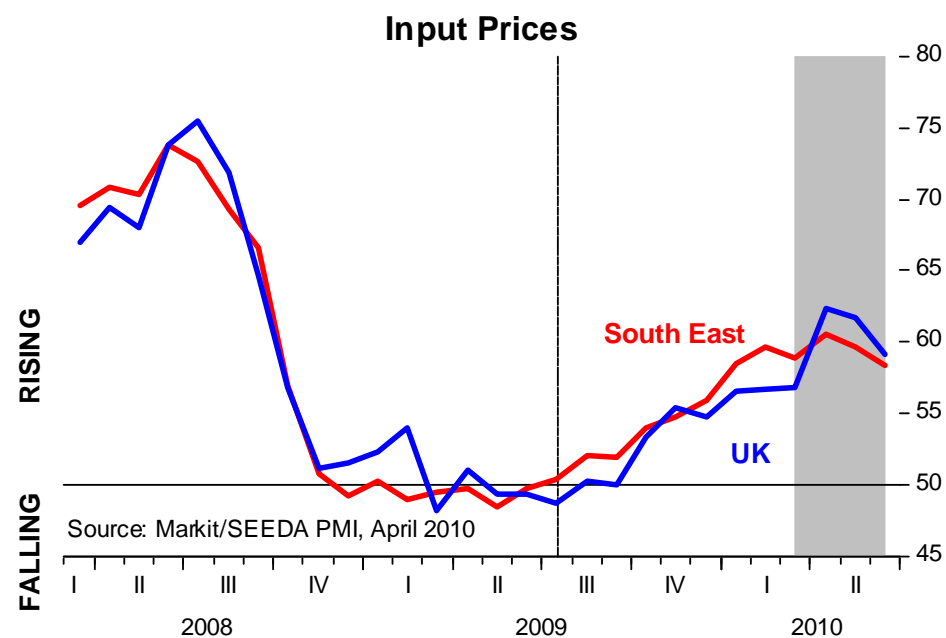
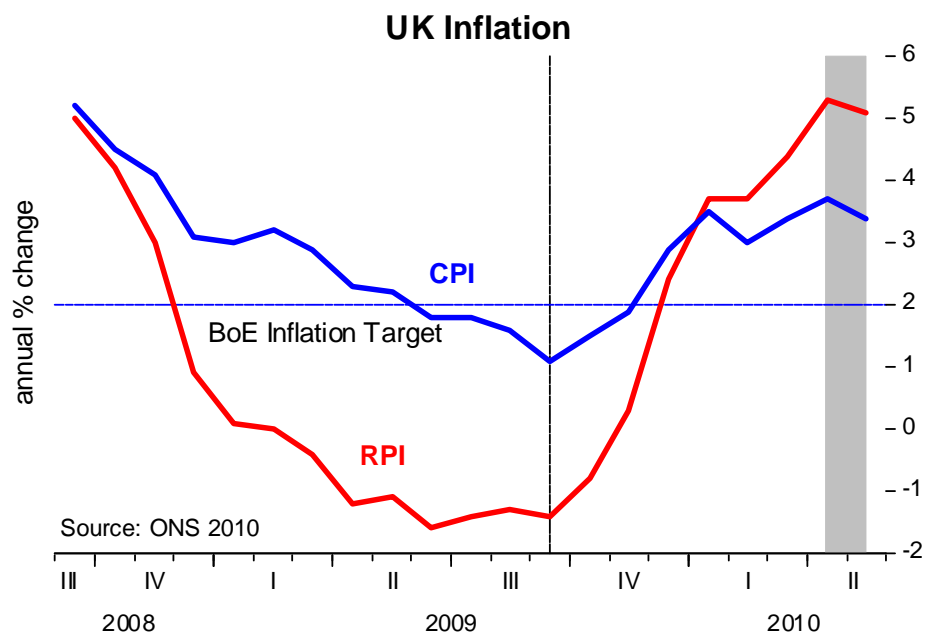
- Supply of credit has improved for medium and large businesses (BoE)
 - Almost half of small firms seeking new credit reported that the cost has risen
 - Some improvement since 2009, though recent rise is a concern
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Cost pressures on the increase

Q7A. Which of the following costs have increased for your business over the past 3 months...?



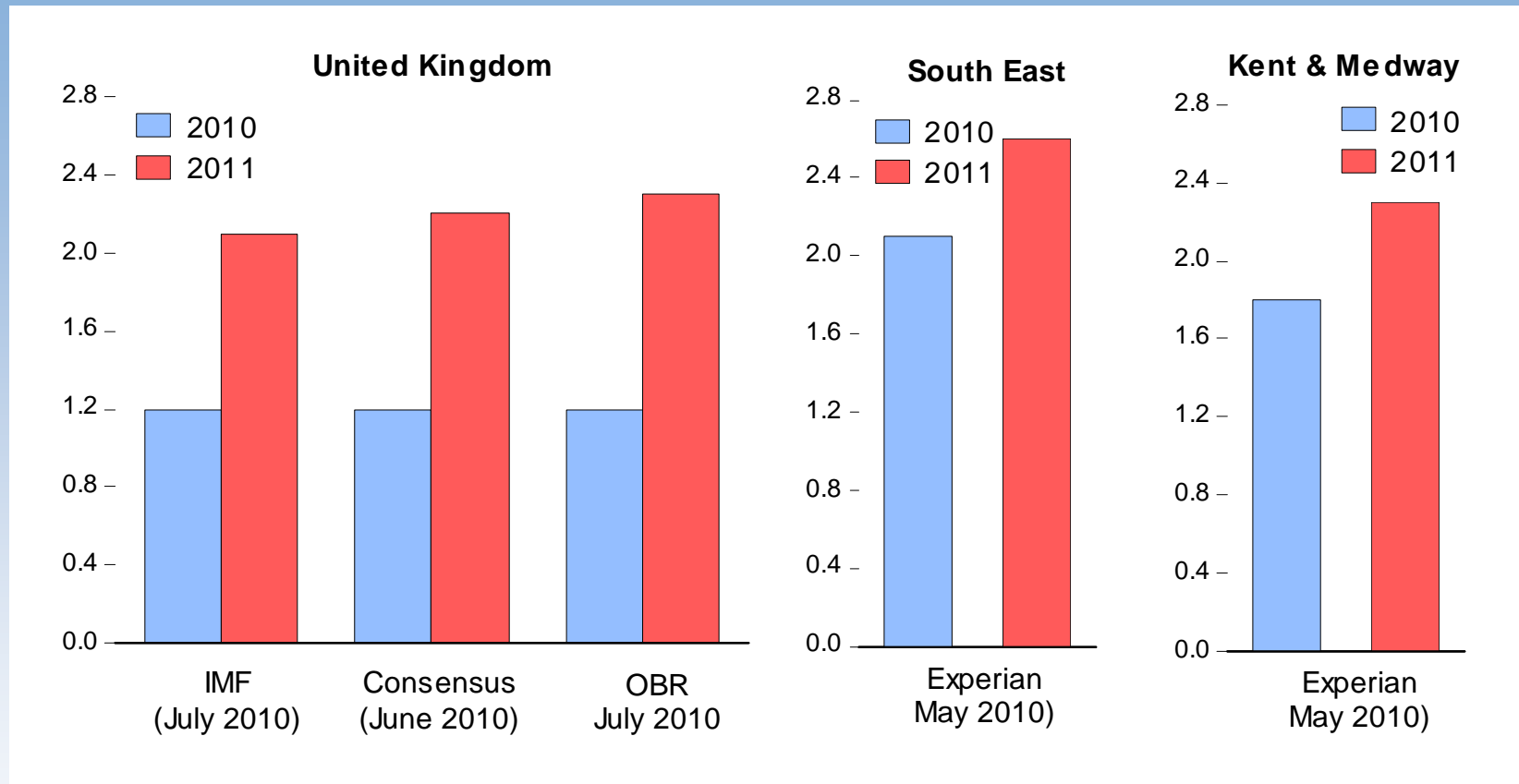
Has UK inflation peaked?



- Inflation above EU, USA and BoE target, ... expected to fall in second half of 2010?
- Factory prices have peaked ('for the time being')
- A threat of deflation or inflation?
- Monetary policy likely to remain loose over short term

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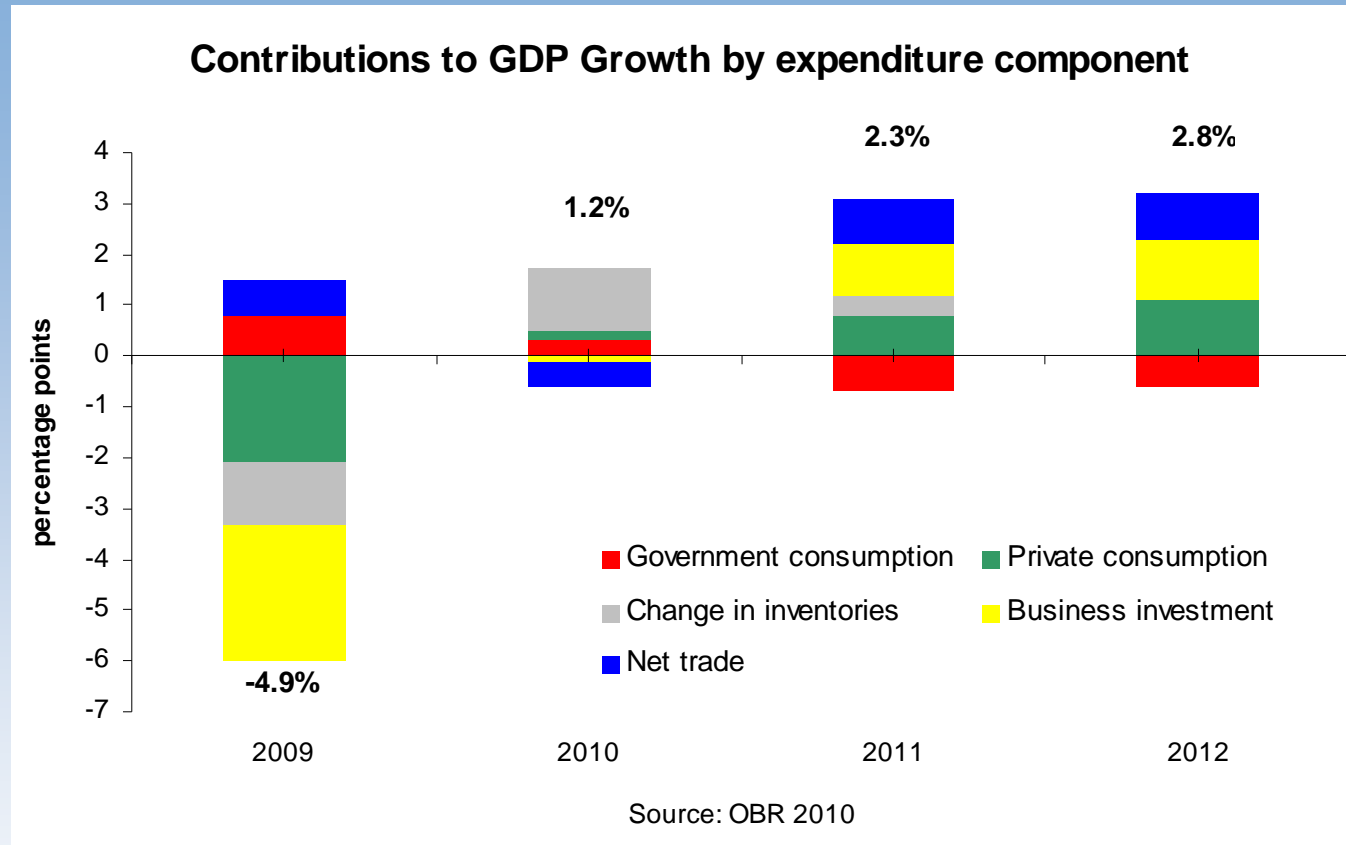
A broad consensus for GDP growth forecasts



- A broad consensus for growth in 2010 and 2011
- South East outperforms other UK regions
- Strong growth in Kent & Medway

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What kind of growth?



- Growth in 2010 (1.2%) estimated to be led by firms re-stocking their inventories
- Business investment/exports lead recovery

Risks to Recovery

- Consumer spending remains weak
- Persistence of high unemployment and inflation
- Uncertainty about demand for UK exports,
- Business investment remaining subdued
- Sovereign debt crisis and the possibility of the Credit Crunch 2?

Thank you

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