

KENT PUBLIC SERVICES BOARD

Economic Downturn

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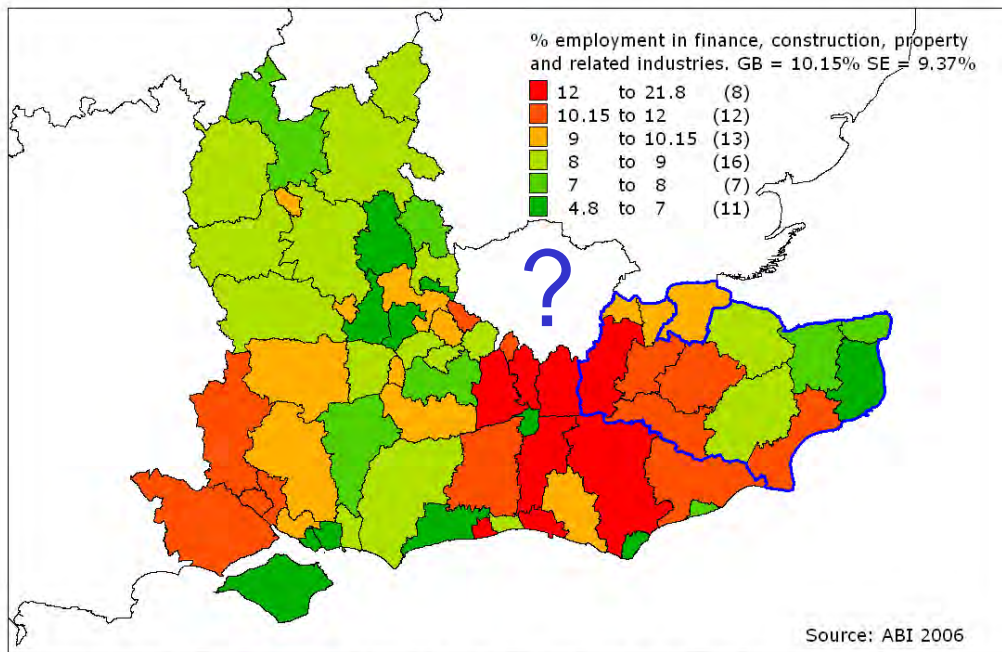
Overview

- 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

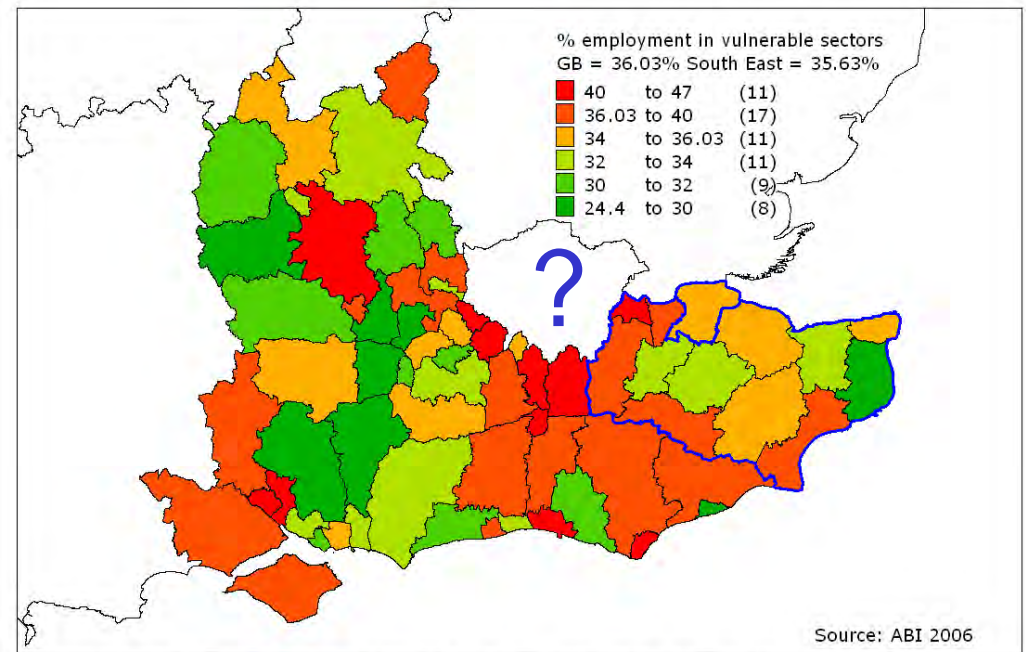
From Credit Crunch to Economic Downturn: Sectoral Distribution

% of employment in finance, construction and property related activities

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



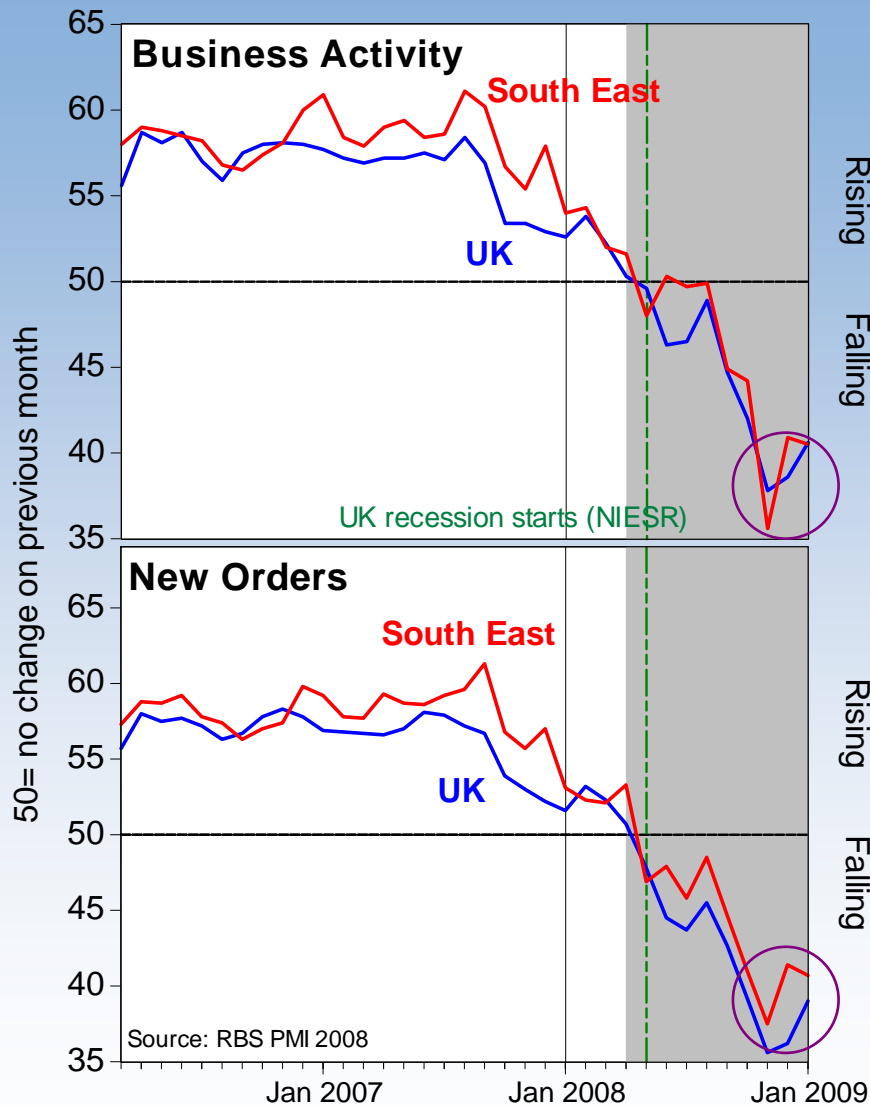
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South East - Falling Business Activity



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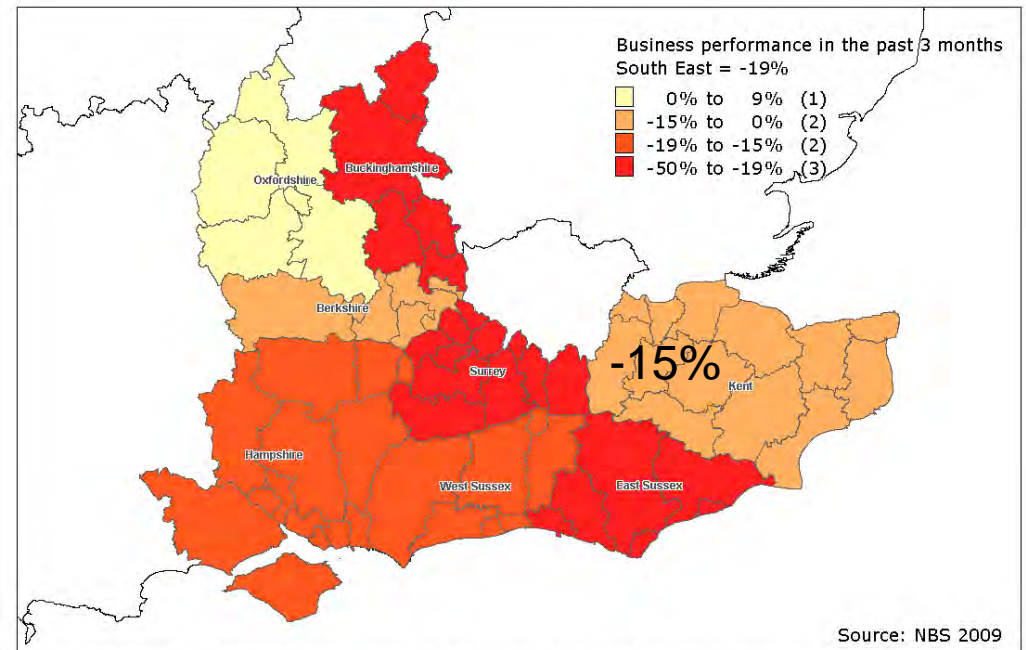
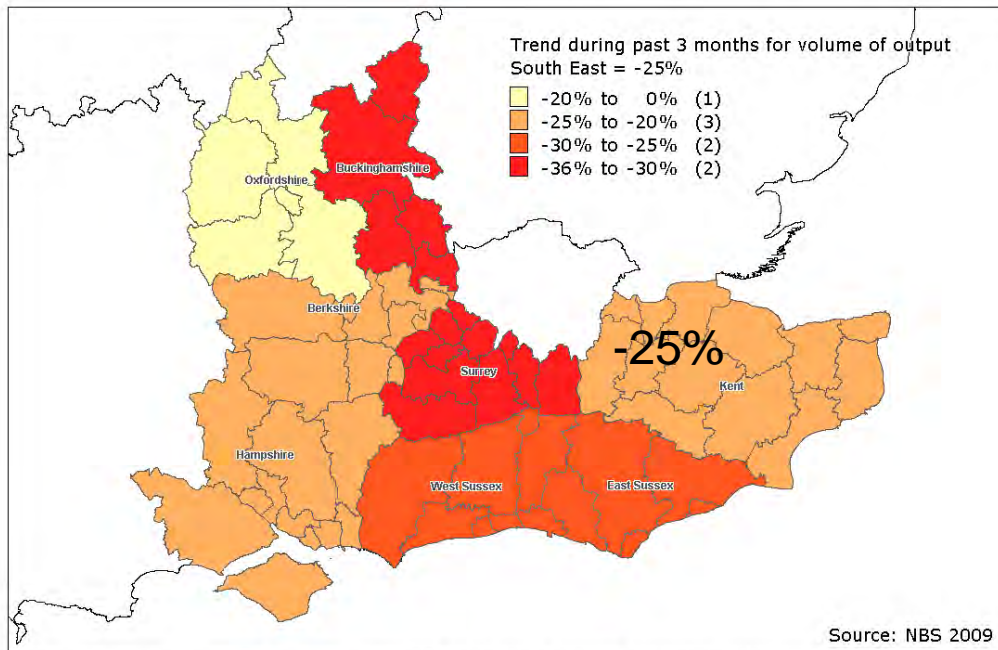
- Rate of decline has slowed down?
- Destocking is starting to ease.
- Energy and raw material costs – high, but falling.
- Profit margins and cashflow!
- Investment.

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

Businesses in Kent did better than in most other counties

... what has been the trend during the past 3 months for Volume of Output (net balance)

... Business Performance in the past 3 months (net balance)

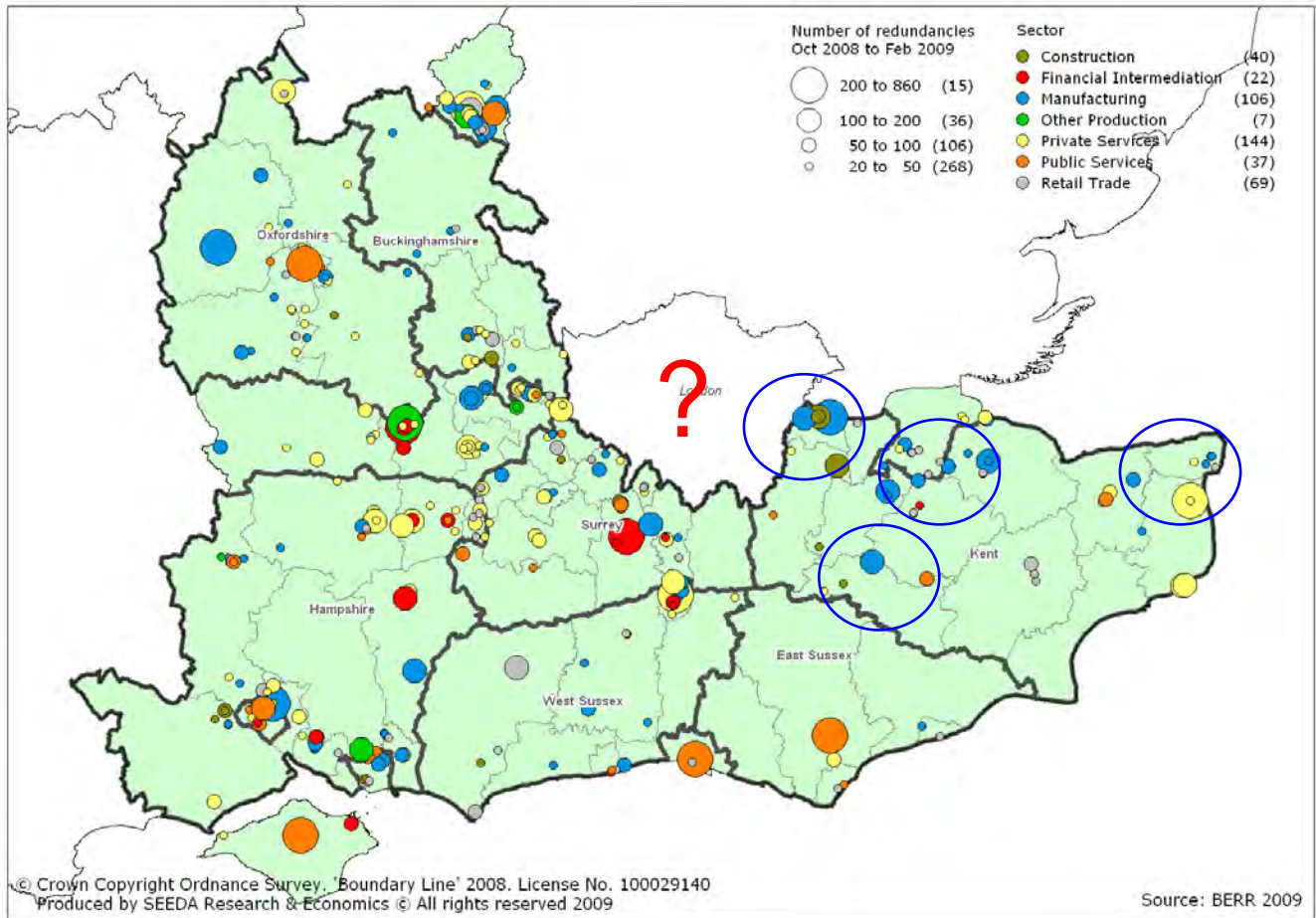


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Manufacturing harder hit than services

Redundancy Notifications (Oct'08-Feb'09)



South East

Manufacturing 28.8%
 Transport 9.7%
 Retail 9.4%
 Other Bus. Act. 8.9%

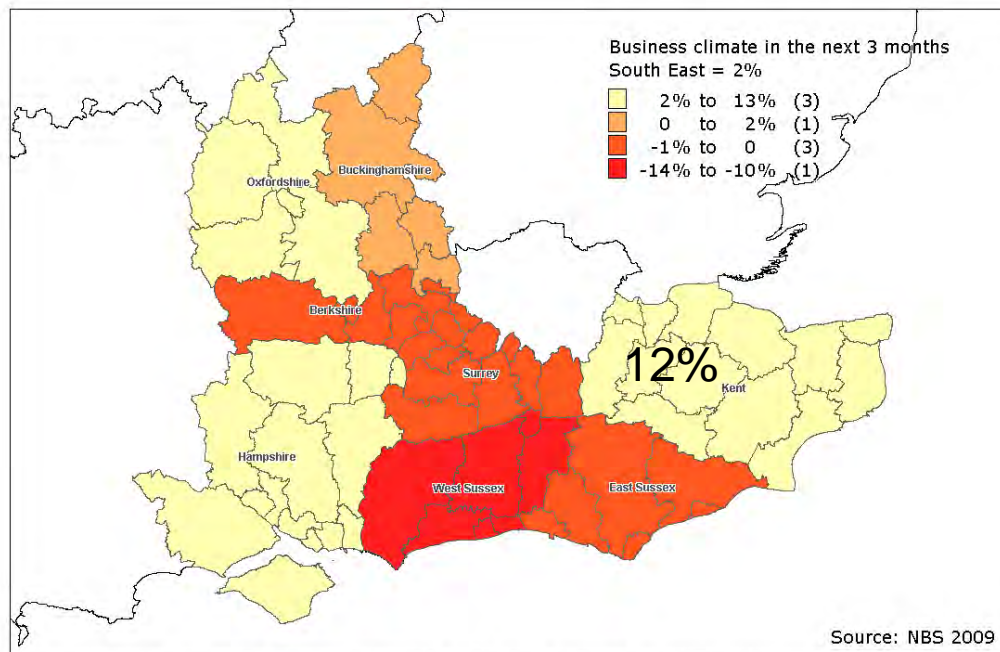
Kent

Manufacturing 41.4%
 Construction 28.2%
 Transport 10.1%
 Retail 6.8%

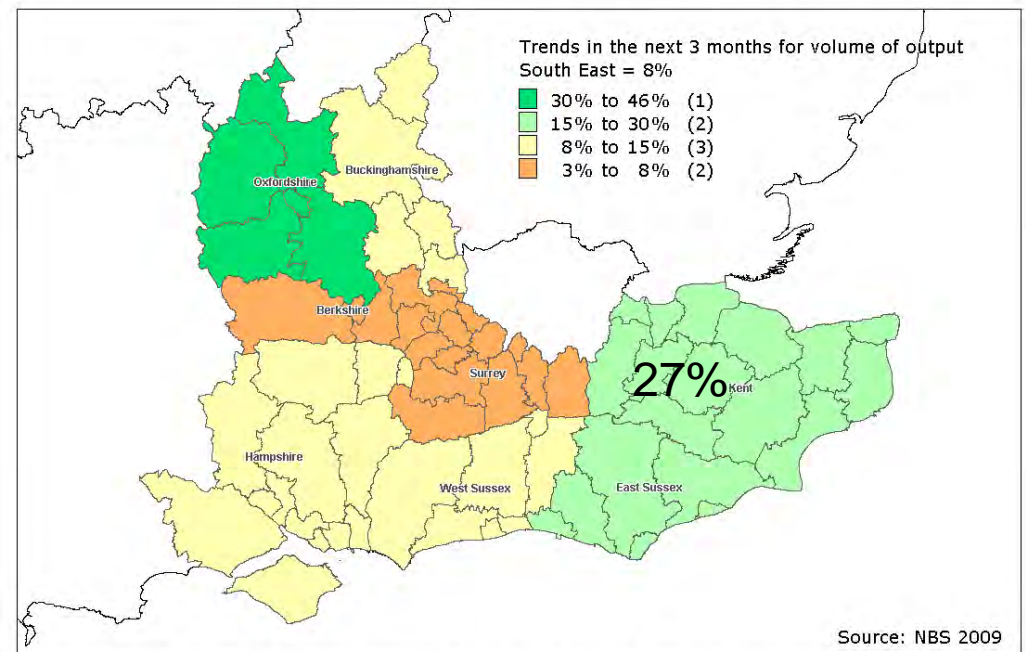
Business in Kent more optimistic than elsewhere

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

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



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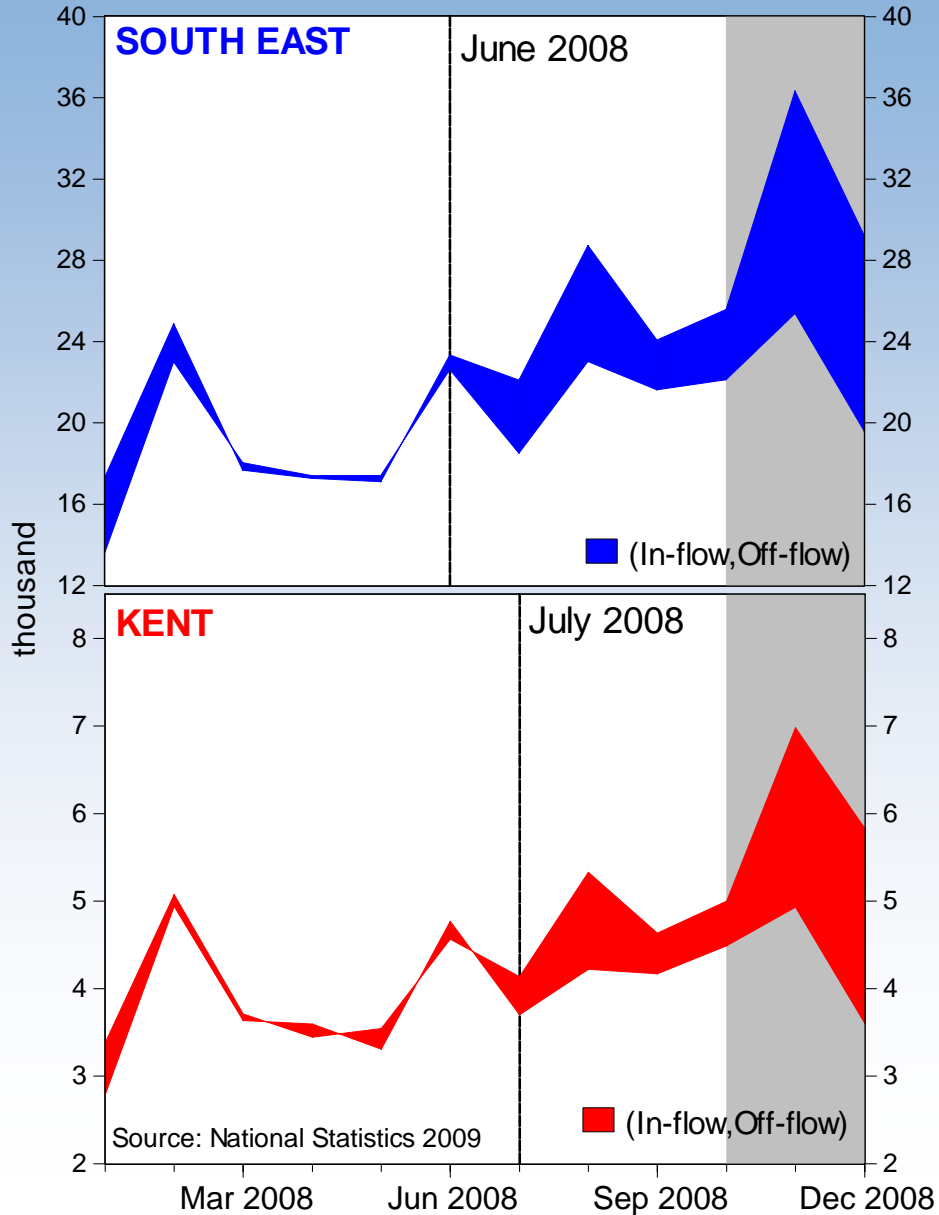
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Key Challenges

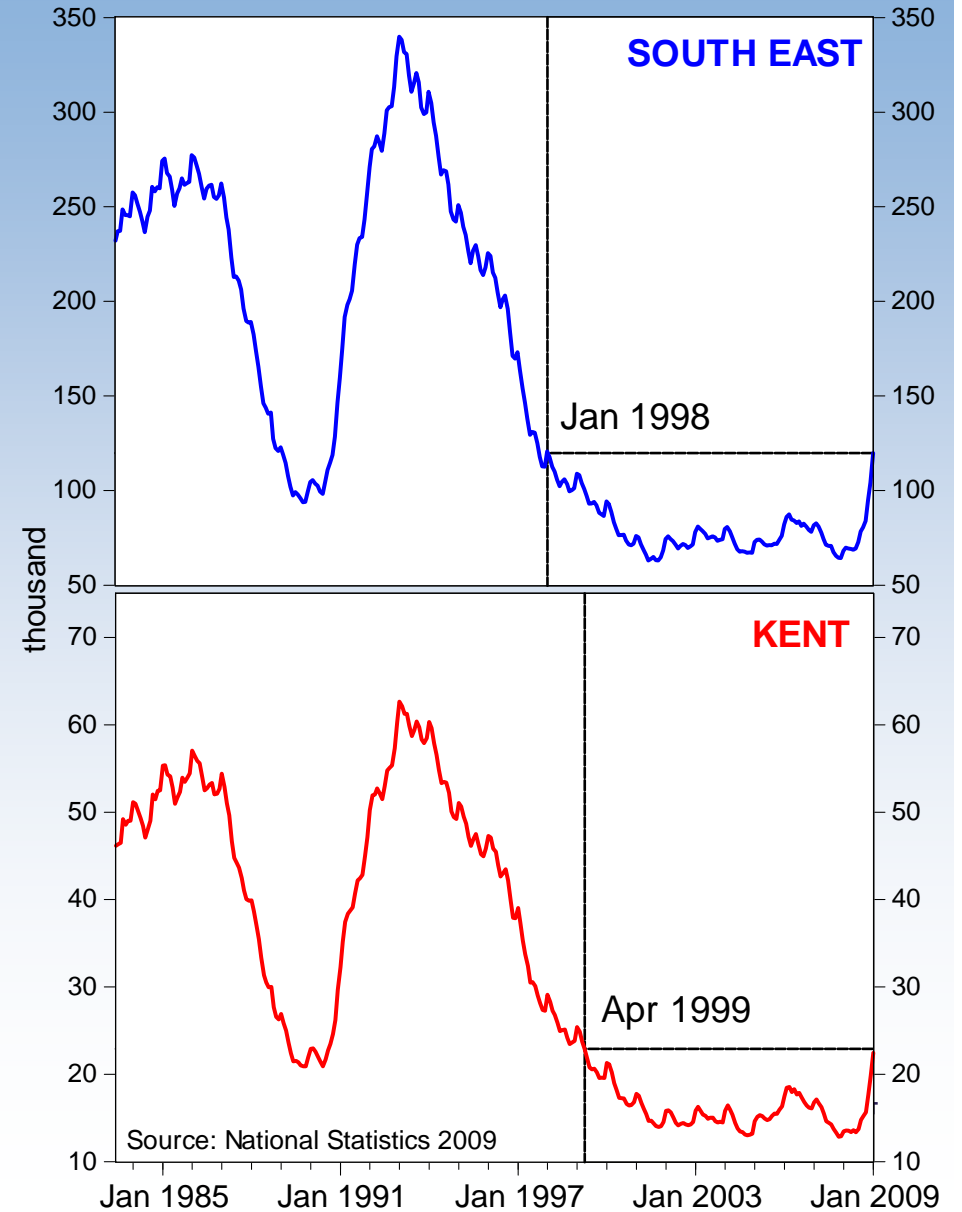
- **Cost of credit insurance** increased for 52% of small businesses in the South East. *Source: FSB Feb'08*
- Some **credit insurers** now refusing to insure some businesses. Concern about the ability of companies in **supply chain** to withstand recession. *Source: SEEDA 2009, Regional Intelligence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

Unemployment on the increase ...

Claimant Flows

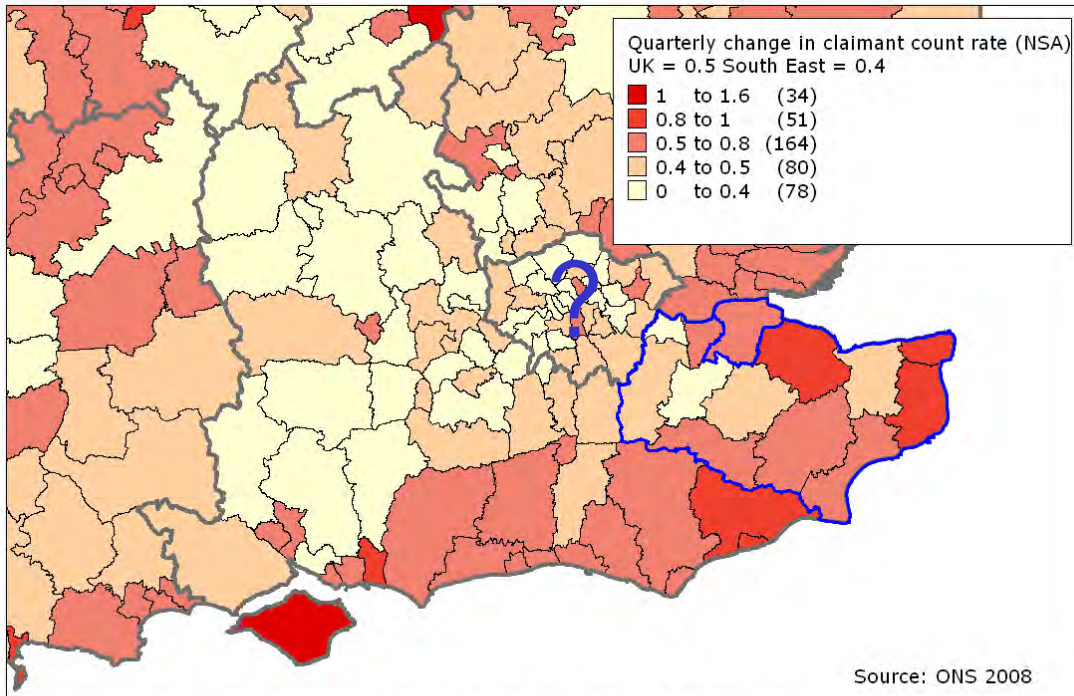


Claimant Count Unemployment



... coastal economies hit harder?

Quarterly change



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	When last at this level	Jan-09
Medway	Feb-98	5,501
Swale	Apr-98	2,745
Sevenoaks	Jan-99	1,071
Tonbridge & M.	Jan-99	1,187
Dartford	Feb-99	1,383
Gravesham	Feb-99	2,123
Maidstone	Feb-99	1,773
Tunbridge W.	Feb-99	1,073
Ashford	Mar-99	1,475
Shepway	May-99	2,161
Canterbury	Mar-00	1,986
Dover	Mar-00	2,051
Thanet	Apr-00	3,412
Total (inc. Medway)		27,941

Public services to outperform other services?

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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Is it going to be different this time?

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

Source: RBS 2009

Possible impact on public services

- Increase in demand for public services
 - Housing and council tax benefit
 - Social services
 - Children services
 - Health
 - Education services
 - Policing
 - Advice (CAB), etc.
- Private providers withdrawing from the market?
 - Private schools
 - Private social-care providers
- Regeneration programme failure?

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Possible impact on public services

- Increase in demand against falling incomes
 - Council tax
 - Business rates
 - Development (S106)
 - Parking fees
 - Income from investment
 - Lower public sector spending etc.
- Could impact on provision in some areas?
- Increased redundancies in local authorities?

Thank you

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