

RES Steering Group Meeting

The South East Economy Update

December 2008

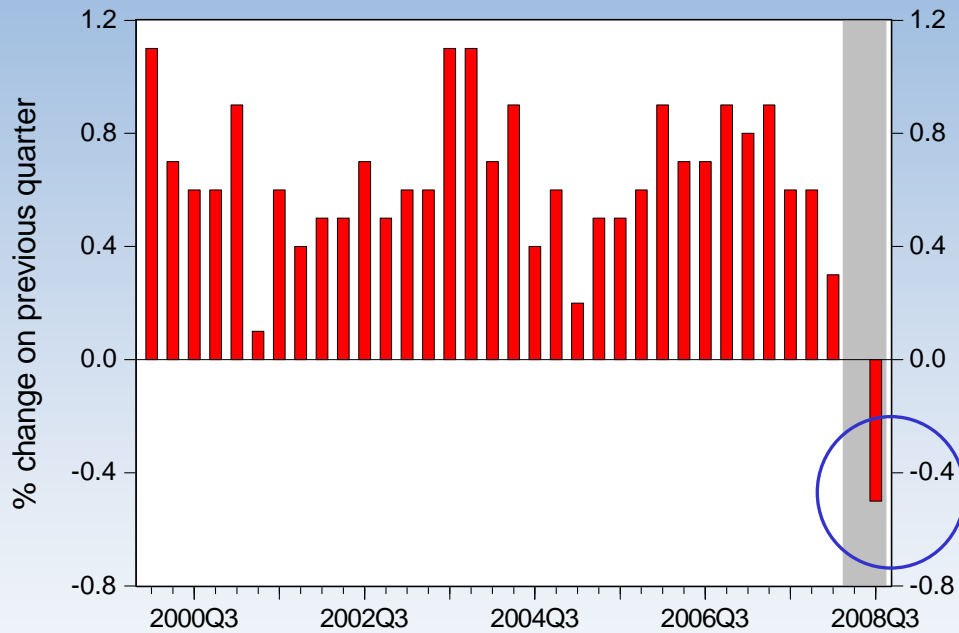
Ivan Perkovic
Head of Economic Research

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SEEDA SOUTH EAST
ENGLAND
DEVELOPMENT
AGENCY
Working for England's World Class Region

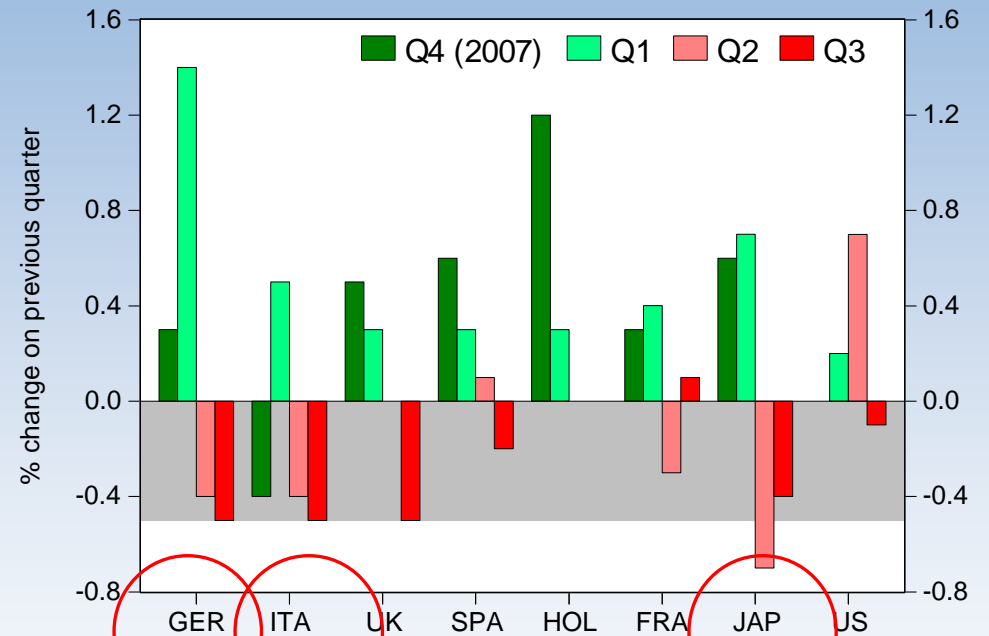
A Sharp Slowdown in GDP Growth

The end of 63 quarters of uninterrupted growth



Source: National Statistics 2008

GDP growth - Developed Economies



Source: Eurostat 2008

Global Financial Crisis Unfolds



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Impacts on 'Real Economy'



Fear stalks the world's economies

America isn't working:
 jobless total rockets
 to a 34-year peak



Asia
 Asian economies
 Sittin' on the dock of a bay

Monday 17 November 2008

50,000 JOBS GO AT CITY GIANT

Bloodbath on the high street

Housebuilders face market implosion

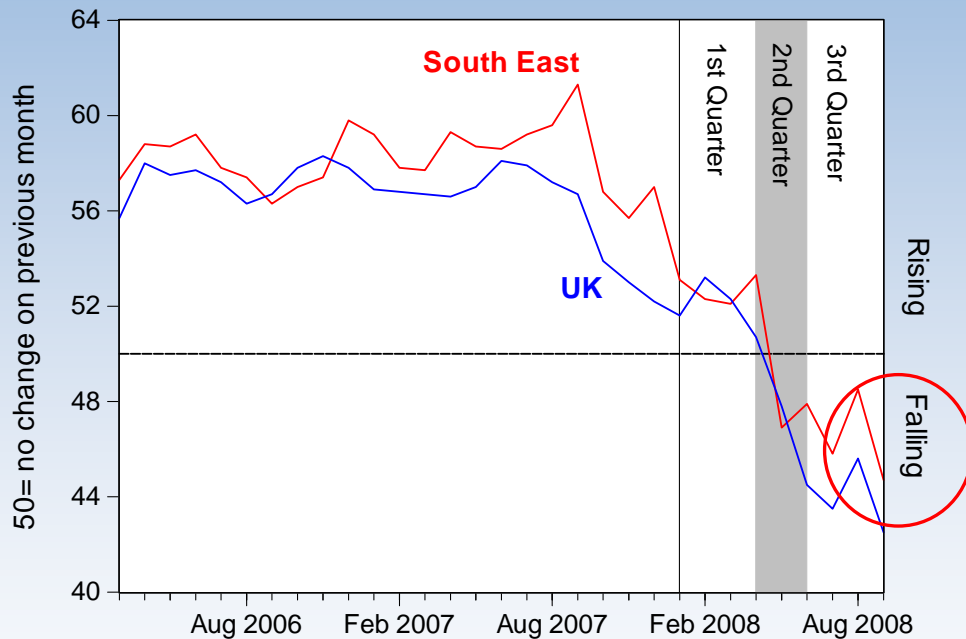
The construction industry is calling for government to boost mortgage lending to survive the worst downturn since the 1920s. By Jenny Davey

10,928 JOBS GO IN JUST A DAY

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South East Economy

New orders (incoming new business)

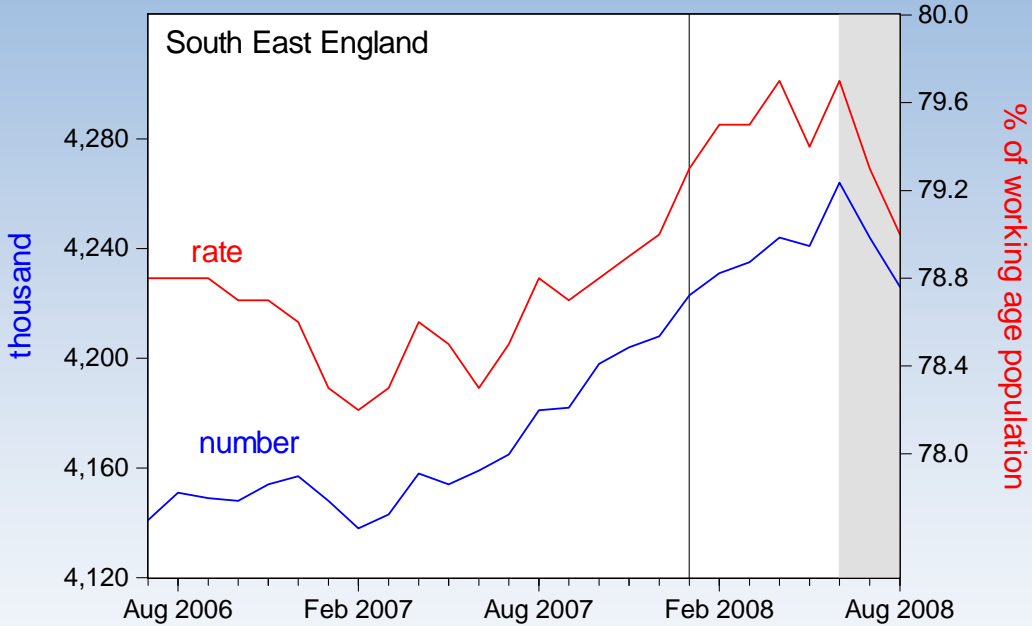


Source: RBS 2008

- Output volume deteriorates
- 63% of small businesses see a decrease in trade
- 63% of all companies in SE expect business climate to deteriorate (RDA NBS, forthcoming).

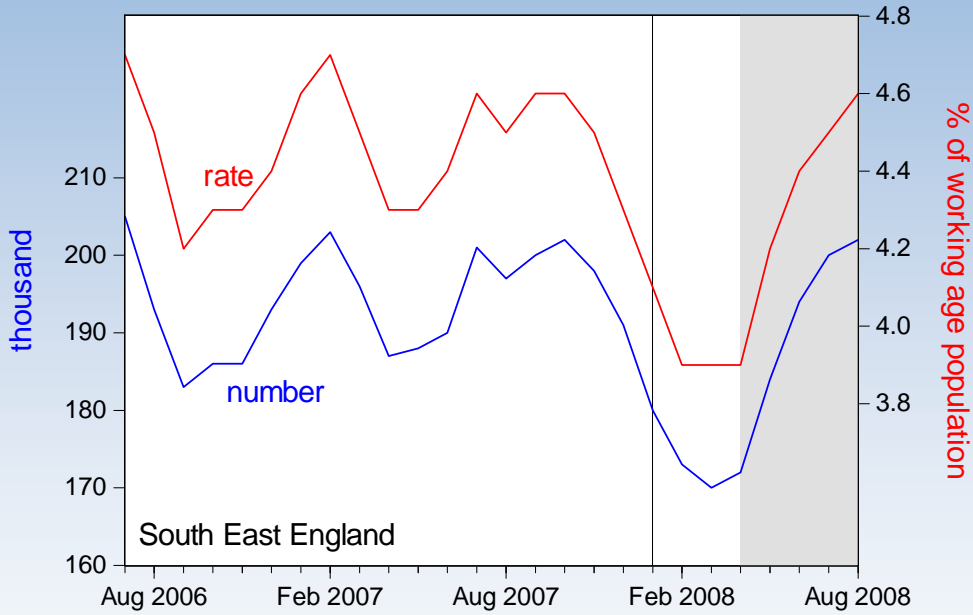
Labour Market Indicators

Employment



Source: National Statistics 2008

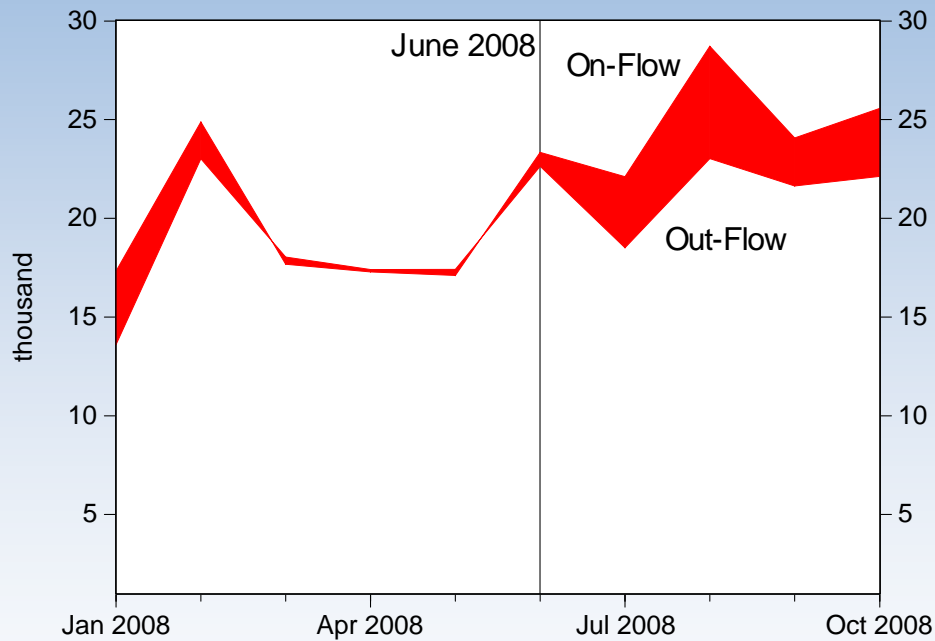
Unemployment



Source: National Statistics 2008

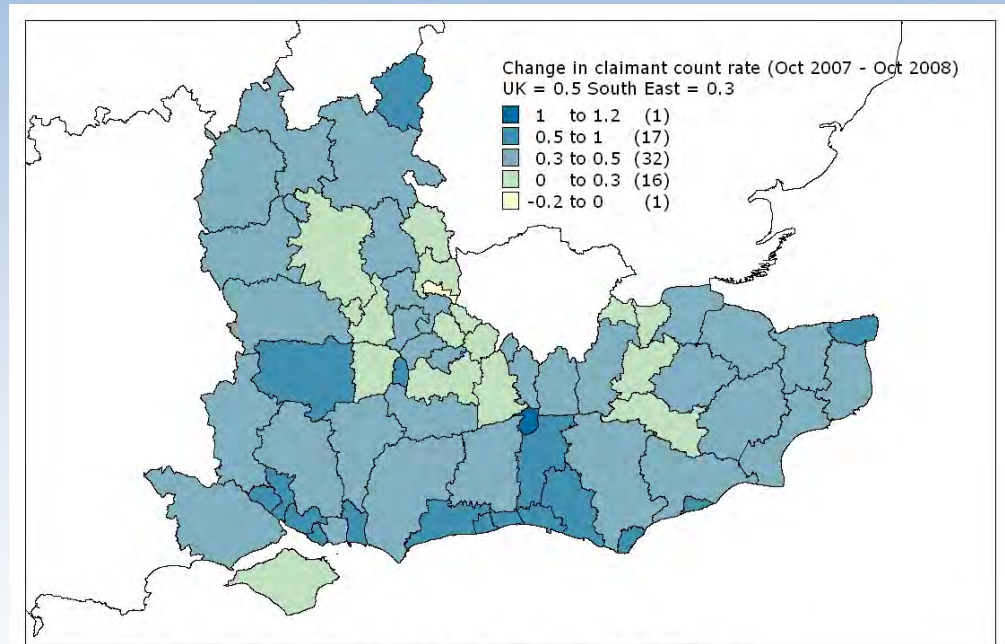
Claimant Count Unemployment

Claimant Flows



Source: National Statistics 2008

Change in claimant count rate Oct'07-Oct'08

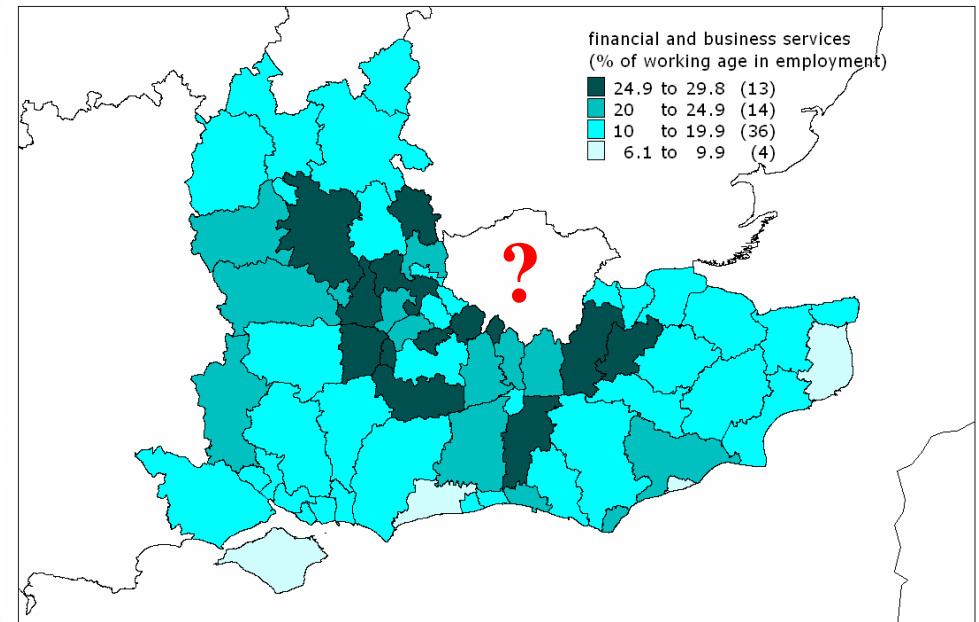
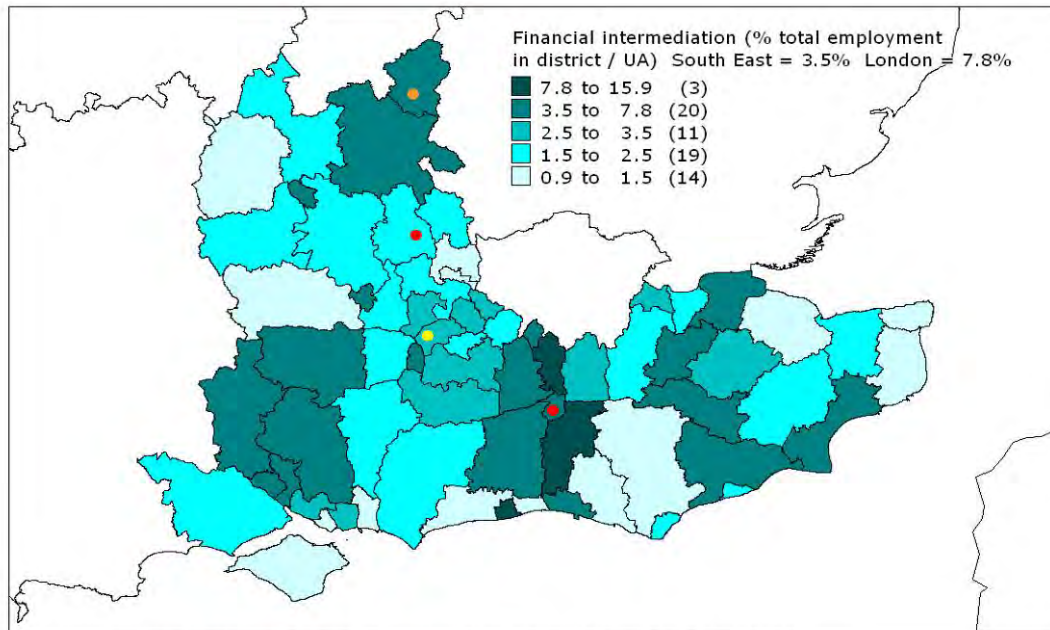


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Financial Services

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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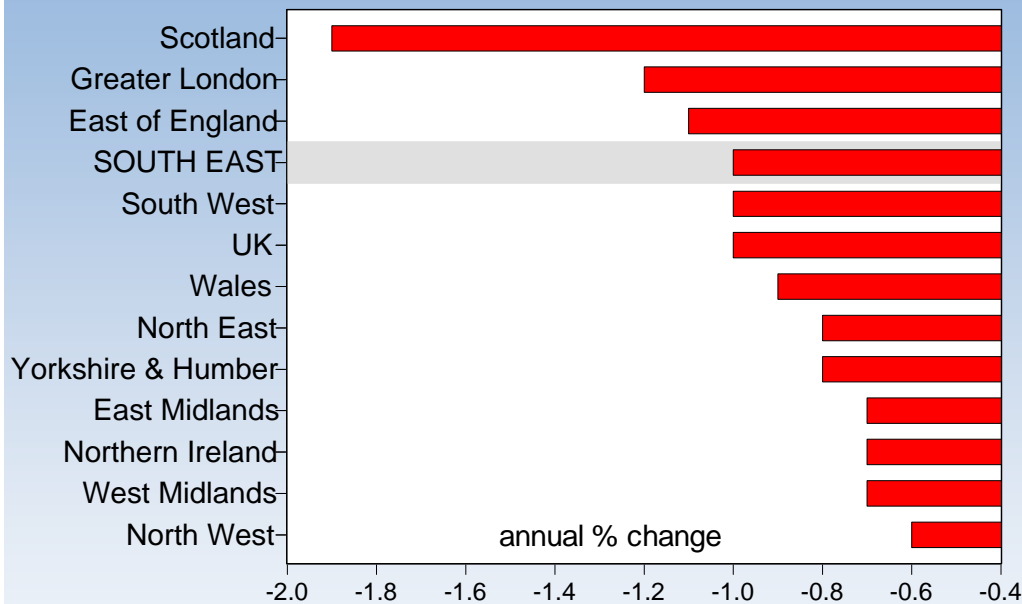
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Sectoral Impact

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

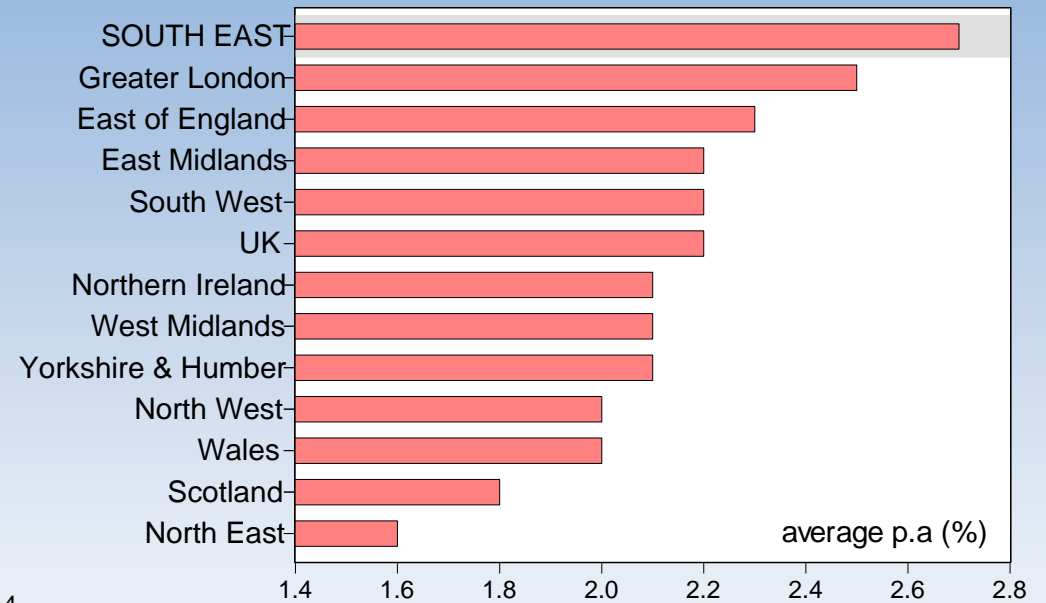
South East Outlook for 2009 and Beyond?

Output growth in 2009



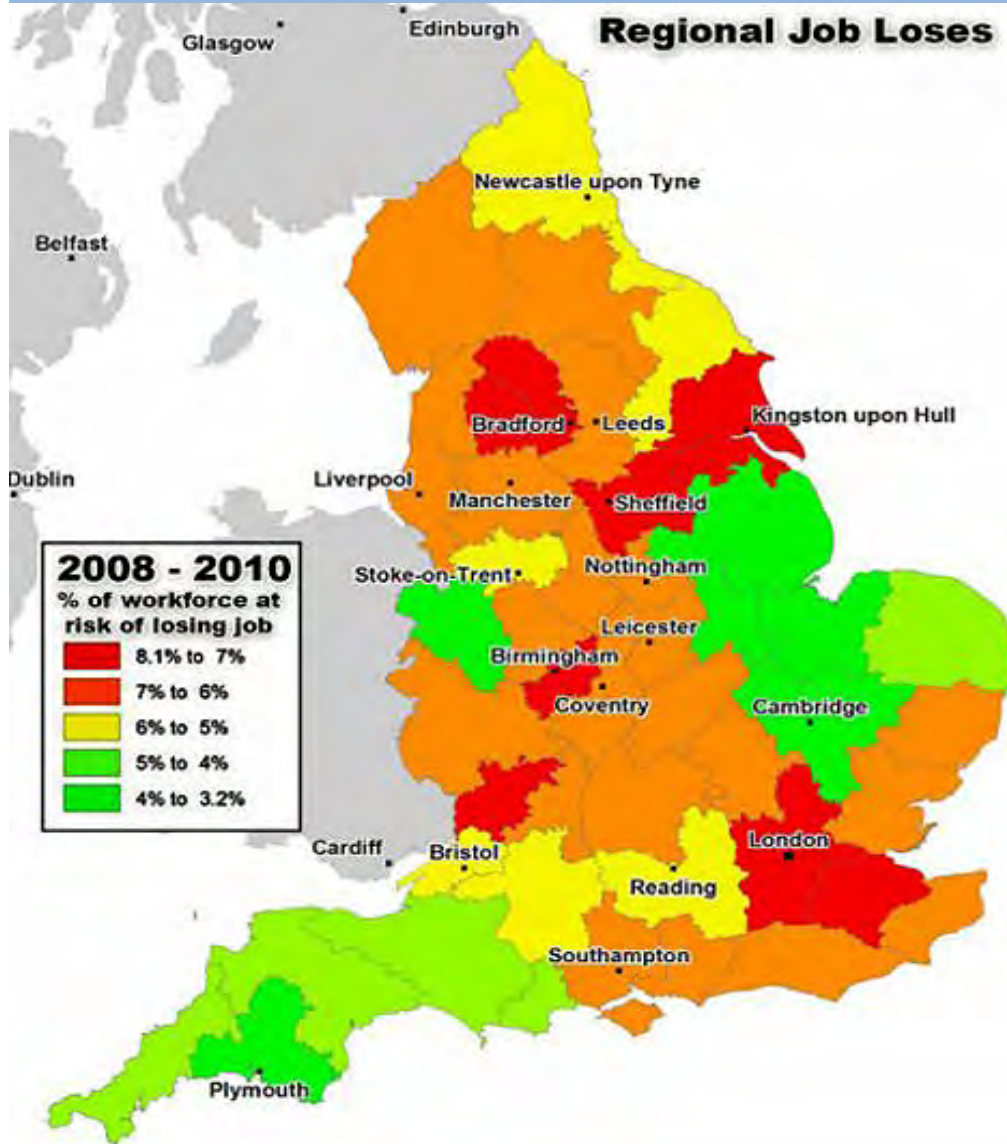
Source: Experian, Autumn 2008

Output growth 2010-2016



Source: Experian, Autumn 2008

Labour Market Outlook



Job losses by region

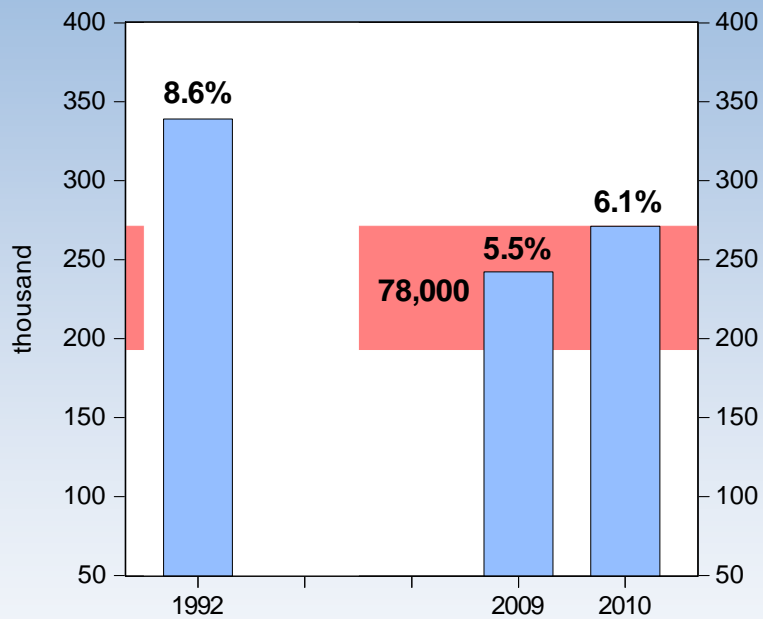
370,000 London	170,000 East
280,000 South East	130,000 East Midlands
230,000 North West	130,000 South West
180,000 West Midlands	70,000 North East
170,000 Yorkshire & Humberside	

© Adrian Add

Source: Local Government Association

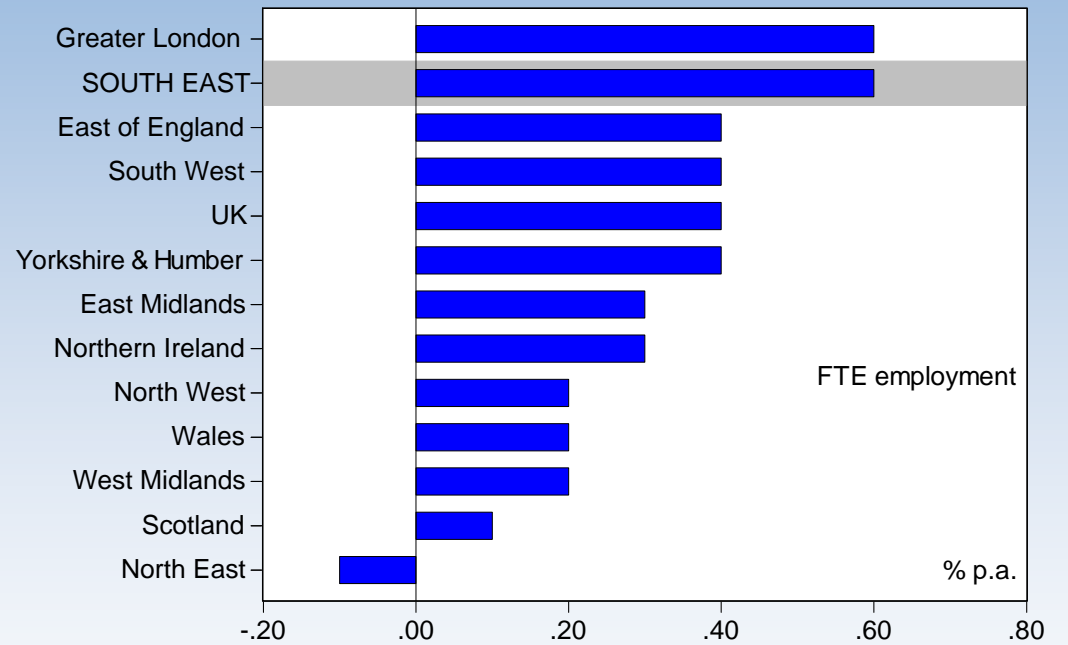
Labour Market Outlook

South East Unemployment: 2009 and 2010



Source: National Statistics and Experian 2008

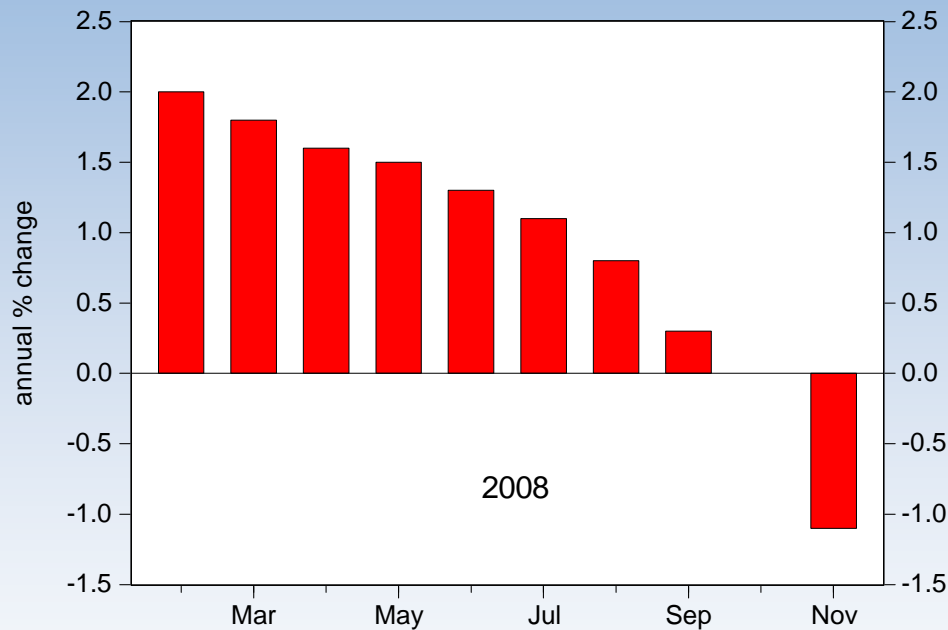
Employment Growth: 2010-2016



Source: Experian, Autumn 2008

The Outlook - Confused Forecasters?

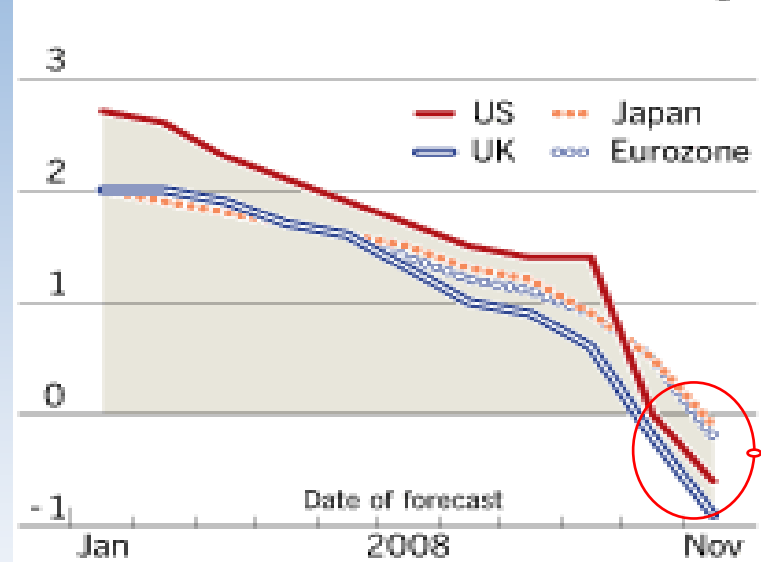
HM Treasury: Average of Independent Forecasts for UK GDP growth in 2009



Source: HM Treasury 2008

In need of revision

Forecasts for 2009, annual % real GDP change



Source: Consensus Economics

Policy Response

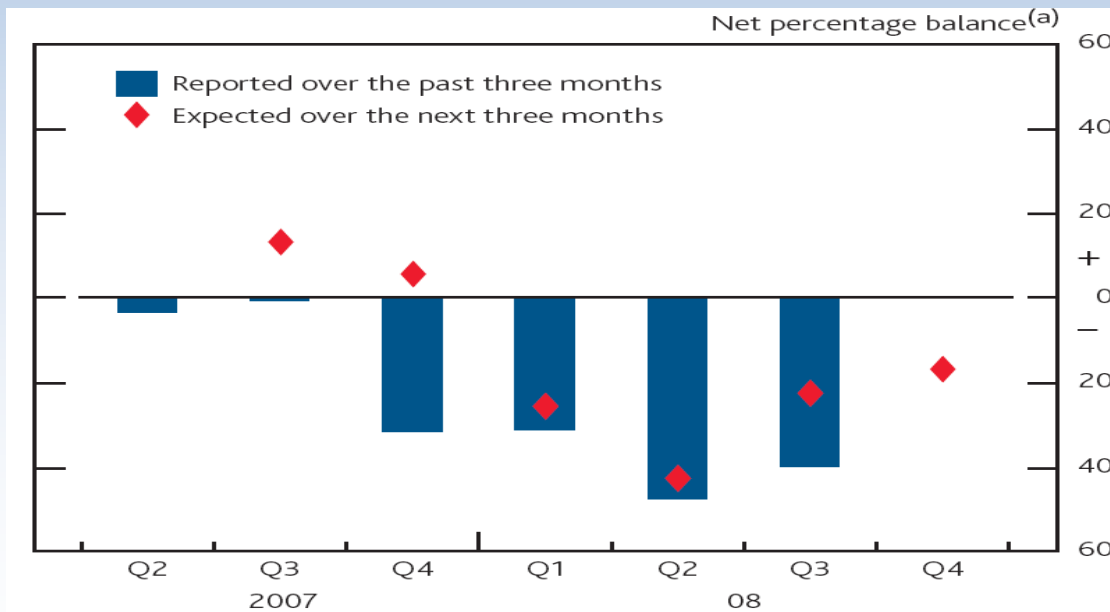
- Global Financial Crisis
- Global Keynesian Recession
- UK interest rate - down to 2%; more cuts to follow.
- Eurozone rate – down to 2.5%.
- “Monetary policy, trade policy, all that is not enough, ... If there has ever been a time in modern economic history when fiscal policy and a fiscal stimulus should be used, it's now.” **IMF Managing Director, D. Strauss-Kahn.**
- UK fiscal stimulus = 1.3% of GDP
- Eurozone fiscal stimulus - £200bn
- US fiscal stimulus = £300bn
- ‘Quantitative easing’ on the way?
 - US Treasury buying long-term government securities.

1951

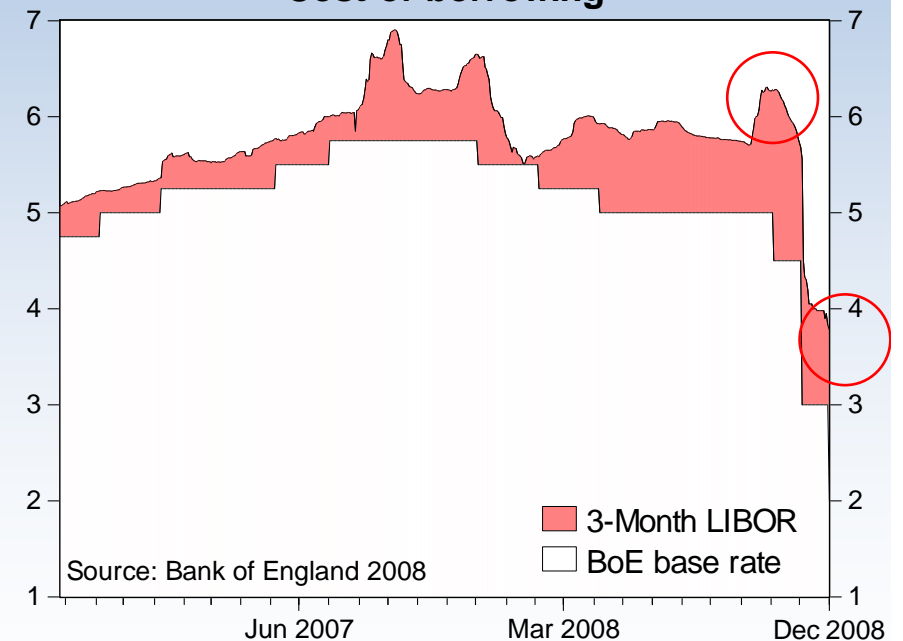
Will it Work?

- Restore liquidity in the financial markets; scarcity of money!
- Return of the Consumer
 - £1bn spent on Saturday on high street
 - Will it last?
- Global response

Expected credit conditions



Cost of borrowing



Thank you

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