



Monthly Economy Update

April 2010

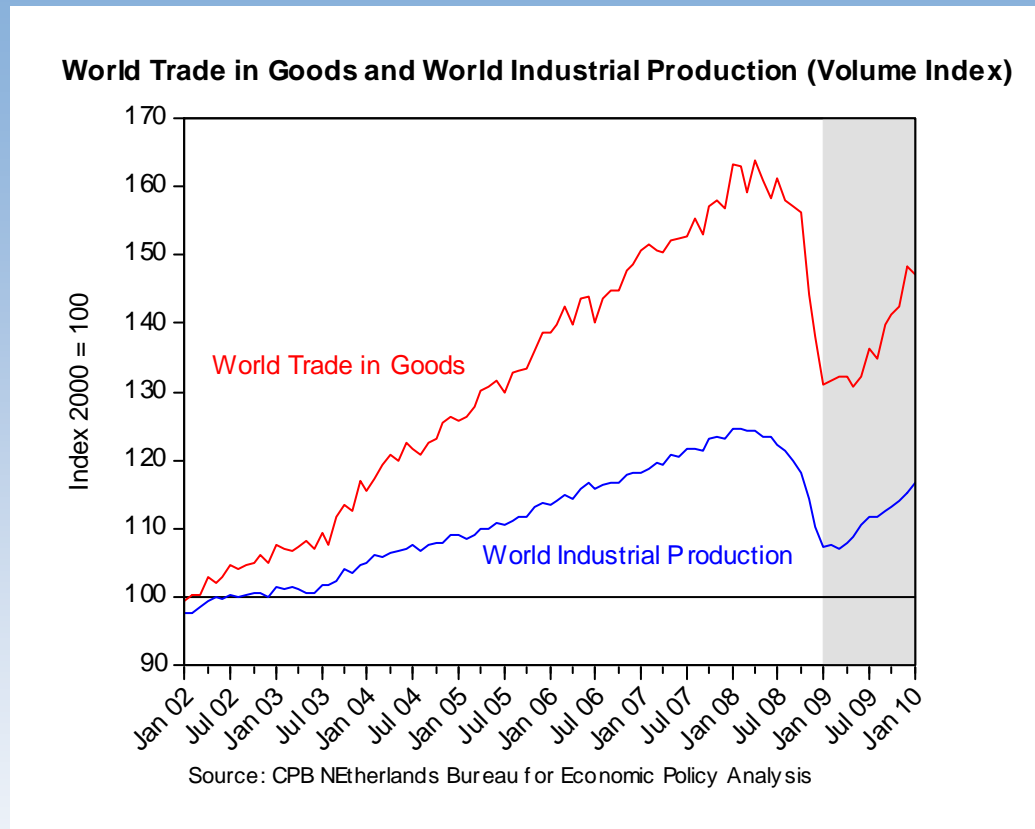
SEEDA Research & Economics

Agenda

Overview of the current state of the economy and the labour market

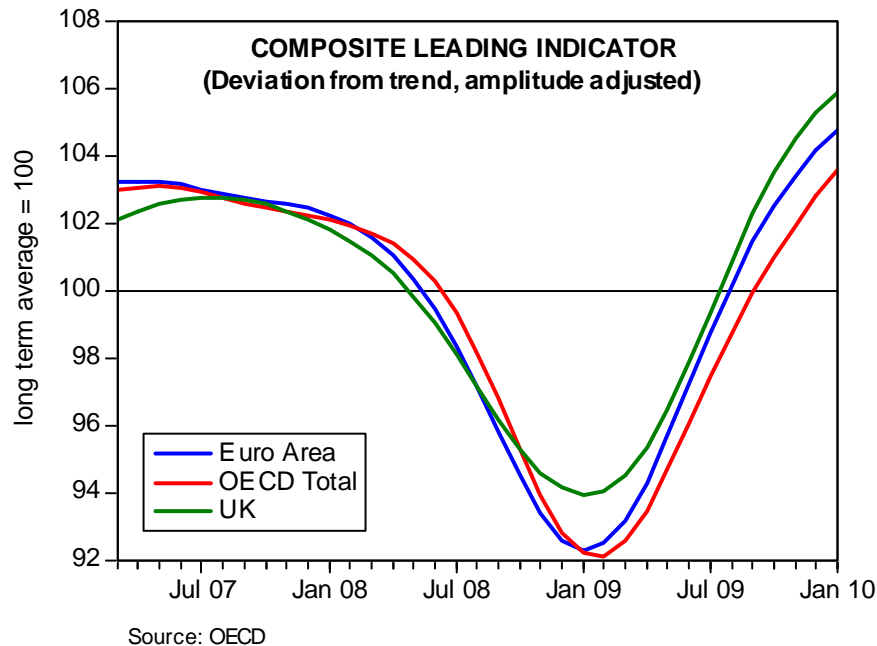
Javier Papa, Sabine Rumscheidt, Claire Hann

The world economy recovers at a rapid pace



- Recent downturn recorded largest fall in global economy since post-war.
- Fastest recovery in world trade and industrial production since 1991.

UK economic recovery set to outstrip most industrialised economies in 2010



GDP Growth in the G7 Economies
(Annualised quarter-on-quarter growth, in percent)

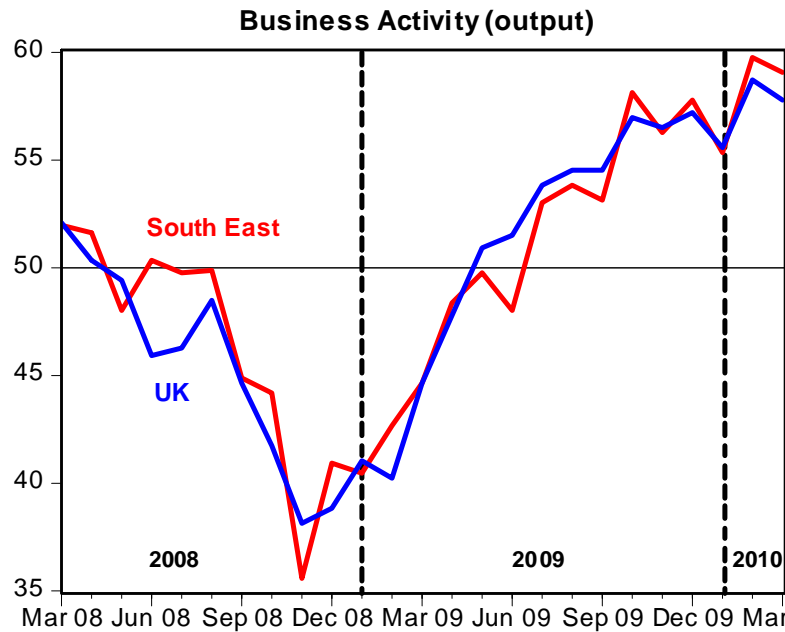
	2009	2009:Q1	2009:Q2	2009:Q3	2009:Q4	2010:Q1	2010:Q2
United States	0.2	-6.4	-0.7	2.2	5.6	2.4	2.3
Japan	-1.1	-13.6	6.1	-0.5	3.8	1.1	2.3
Germany	-2.2	-13.4	1.8	2.9	0.0	-0.4	2.8
France	-0.2	-5.3	1.4	0.7	2.4	2.3	1.7
Italy	-2.9	-10.4	-1.9	2.1	-1.3	1.2	0.5
UK	-3.0	-10.0	-2.7	-1.1	1.8	2.0	3.1
Canada	-1.2	-7.0	-3.5	0.9	5.0	6.2	4.5
G7	-0.8	-8.8	0.4	1.4	3.7	1.9	2.3

Source: OECD

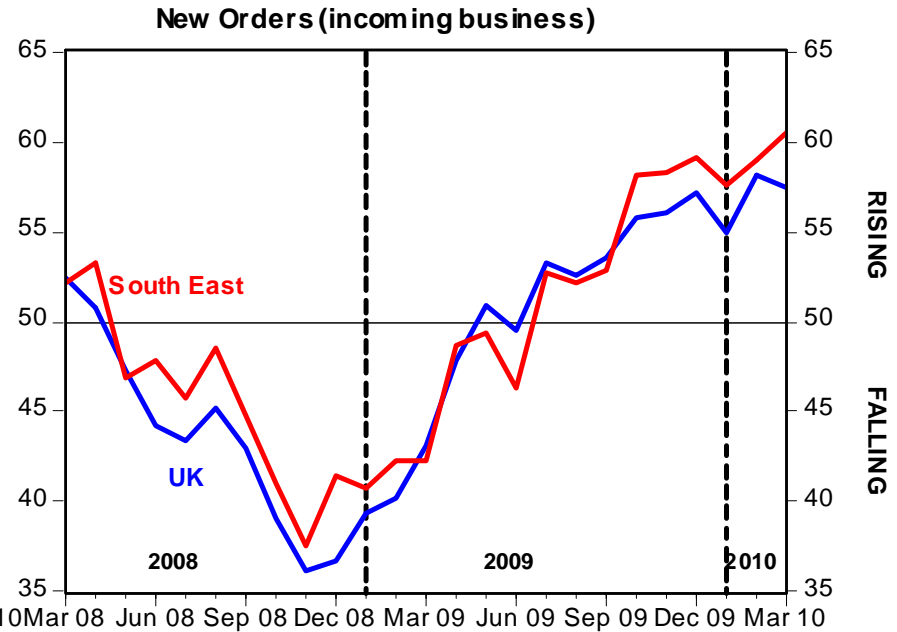
- UK long-term growth affected to a lesser extent than leading economies.

- UK GDP growth expected to exceed that of other advanced countries in Q2 2010, apart from Canada.

South East remained among strongest performing UK regions in March



Source: RDA PMI, April 2010



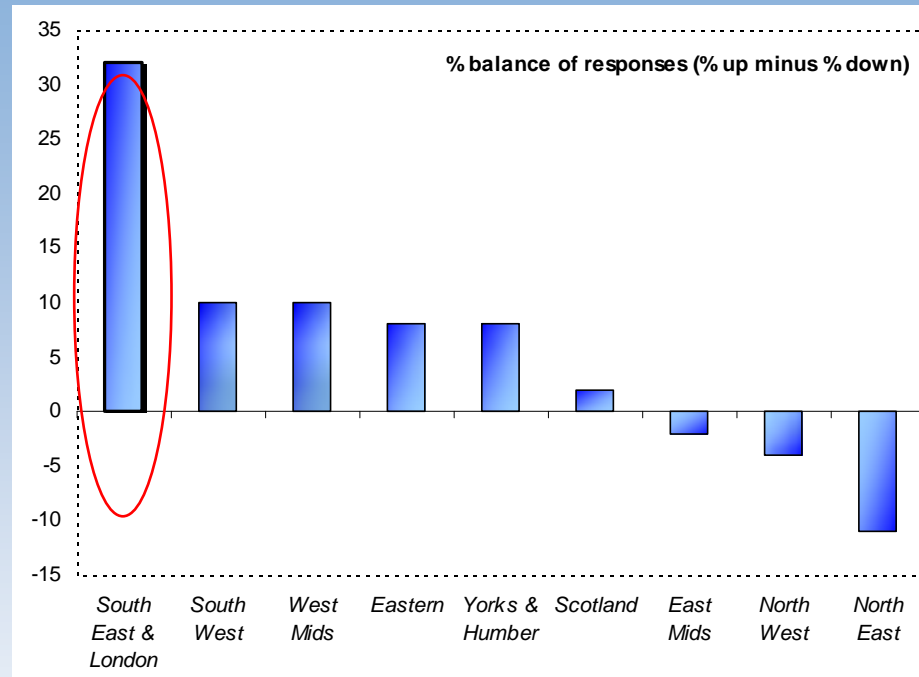
Source: RDA PMI, April 2010

- Firms in the South East reported a ninth successive month of business activity expansion in March.

- Likewise, new order growth has been recorded for the past nine months.

Role of the manufacturing sector in the SE

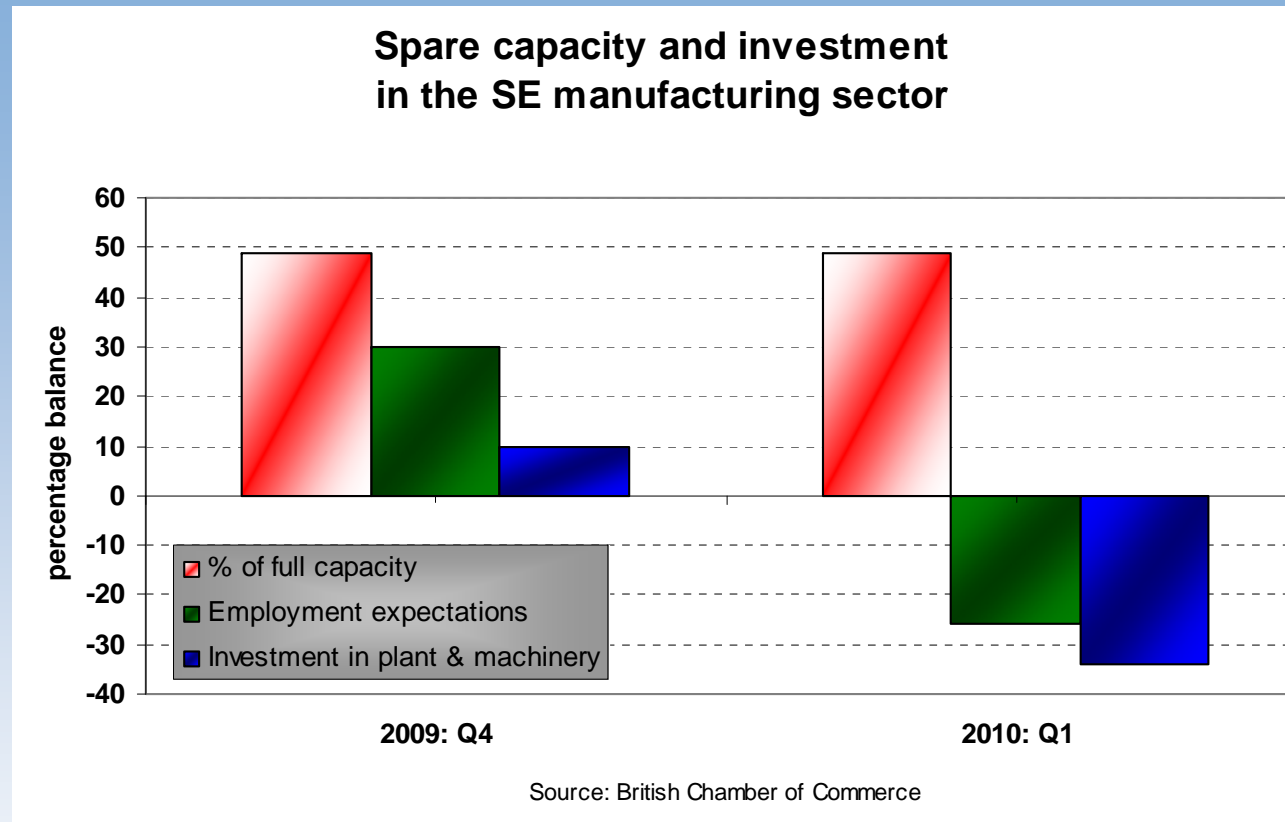
Manufacturing output performance, 2010:Q1



Source: EEF

- The SE is widely known as a high-tech manufacturing region, with the largest proportion of businesses and employment.
- Manufacturers in the SE performed much better than in any other UK region in first quarter 2010, due to increased exports.

Worrying sings for productive potential in the SE



- Low level of capacity utilisation plus high uncertainty are affecting investment and employment plans in the SE.
- This poses doubts about sustainability of manufacturing recovery...

South East Business Snapshot Survey – Winter/Spring 2010

“The Winter/Spring 2010 South East Business Snapshot Survey (BSS) shows some signs of economic recovery and stability in the context of the current global economic crisis.

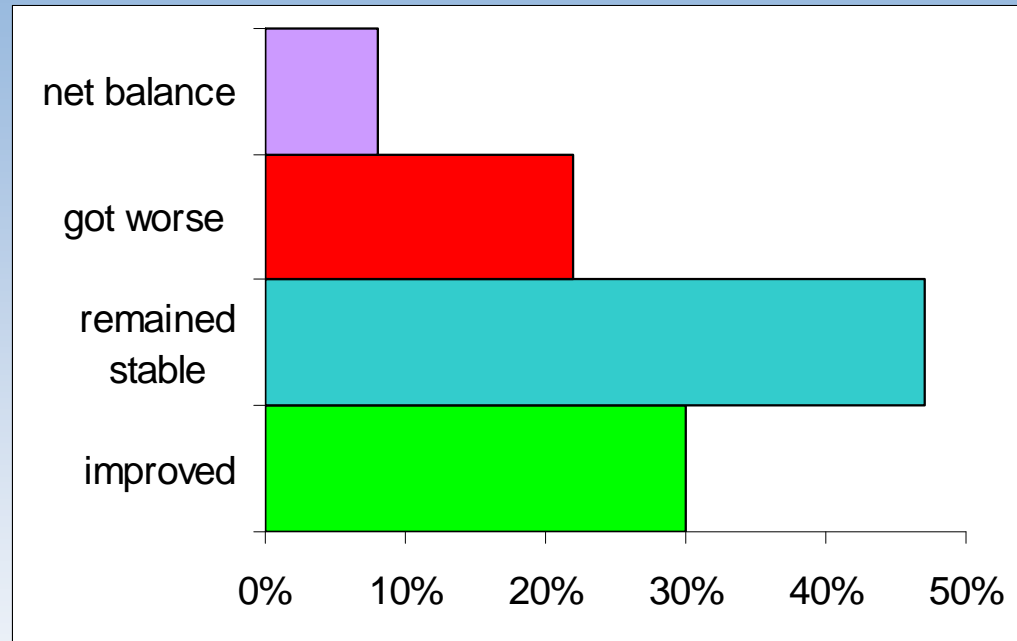
At the same time, the survey reveals that challenging conditions persist for the region’s businesses.”

Methodology

- Survey fieldwork was carried out in late January / early February 2010.
- All interviews were carried out via telephone with business respondents in a senior position.
- Measures business performance on a range of key economic indicators, as well as business confidence.
- The Business Snapshot Survey is conducted in-between the 6-monthly RDA national Business Survey and covers a three months period.



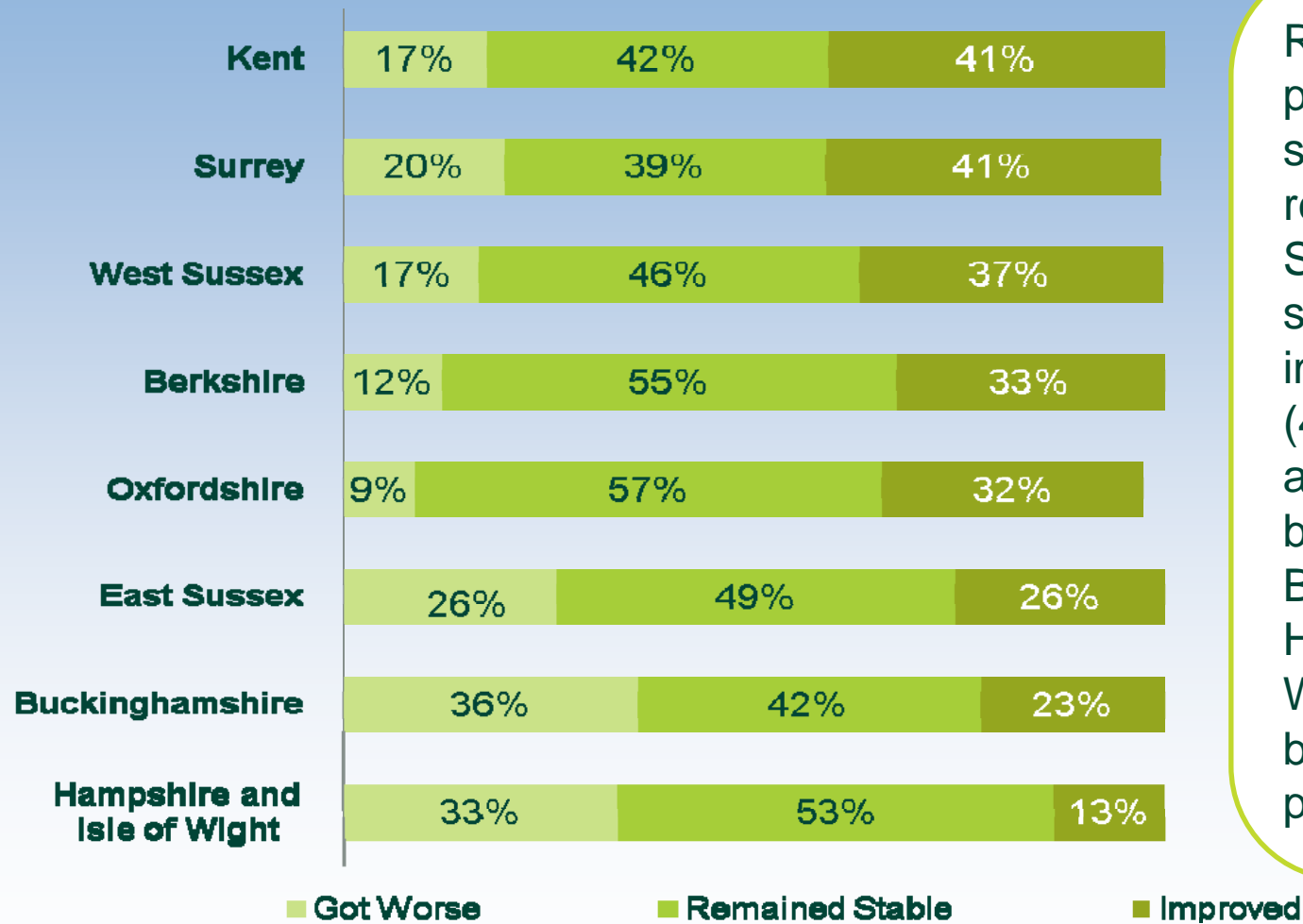
Overall performance has remained stable or improved for a majority of businesses (77%)



- More businesses reported improving business conditions than worsening conditions, as the net score (+8) indicates.
- Still more than a fifth (22%) reported that their performance over the past 3 months has got worse.
- However, the performance has remained stable for the majority of companies.

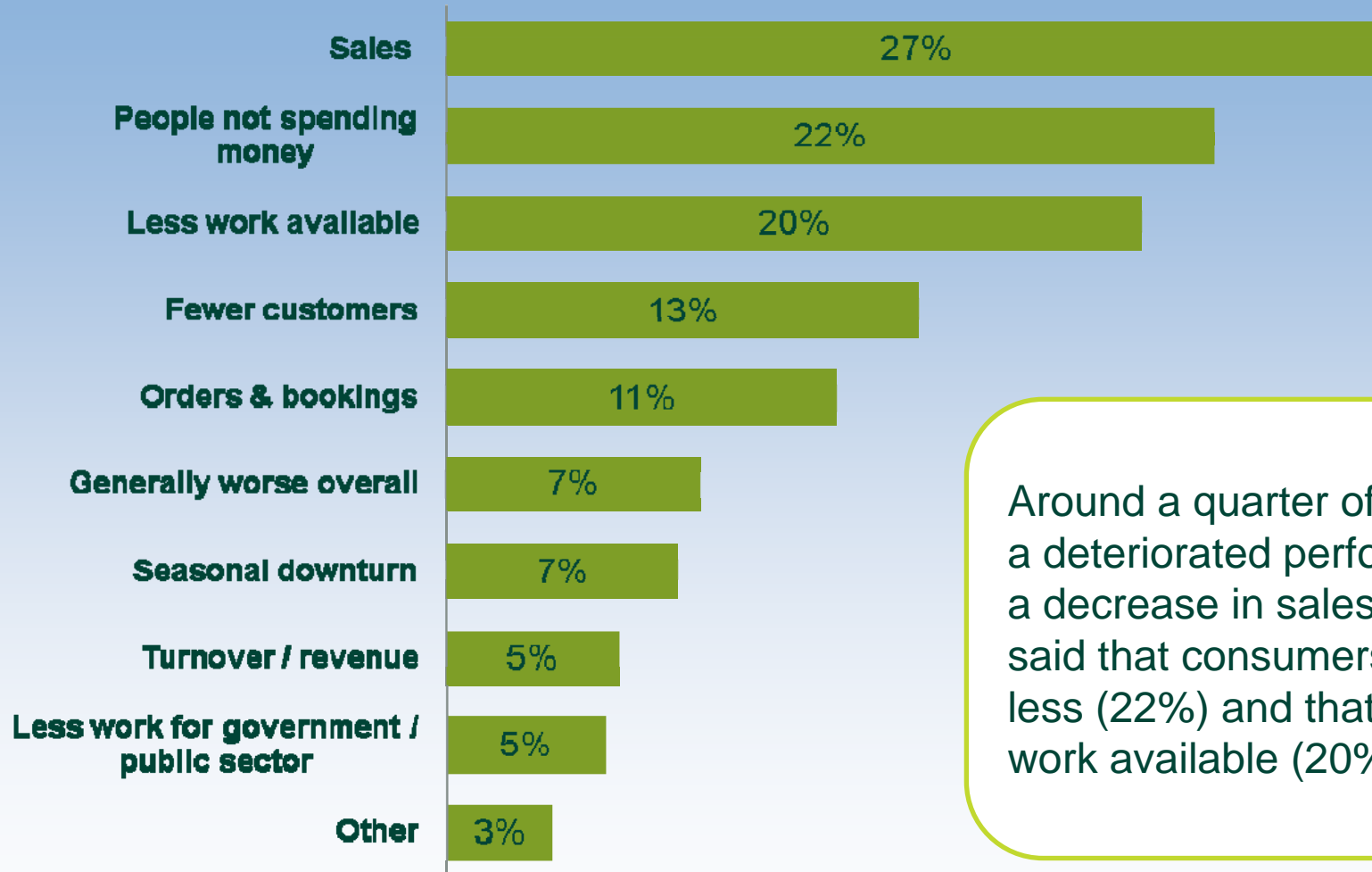
Q: “Would you say that, overall, your business performance in the past 3 months has improved, remained stable or got worse?”

There is evidence of recovery and stabilisation across all sub-regions, but some are still struggling



Recent business performance differed significantly across the sub-regions, with Kent and Surrey reporting the biggest share of businesses with improved performance (41%). In contrast, between a quarter and a third of businesses in East Sussex, Buckinghamshire and Hampshire and the Isle of Wight reported a poorer business performance in the past 3 months.

Businesses with declining performance report that sales and consumer confidence are down



Around a quarter of businesses with a deteriorated performance reported a decrease in sales (27%) and a fifth said that consumers are spending less (22%) and that there is less work available (20%).

Q: “Which aspects of your business’s performance have particularly worsened?”

Base = All those who thought business performance had deteriorated (184)

At the same time, businesses are more optimistic about the future business climate



- Encouragingly, a sizeable proportion (45%) of all businesses expect their business conditions to improve.

- Optimism is less pronounced among the largest employers (38%), the smallest companies are the most optimistic.

“Q: Over the next 3 months, do you expect the business climate in which your business operates to generally improve, remain stable, or get worse?”

Reflecting the overall optimism, more businesses are expecting higher levels of activity in all business areas

	Higher	Same	Lower	Net score Winter/Spring 2010
Domestic orders	40%	35%	7%	+33
Export orders	8%	5%	2%	+6
Numbers employed	17%	75%	6%	+11
Volume of output	43%	39%	10%	+33
Prices charged to customers	15%	76%	5%	+10
Staff costs	22%	70%	6%	+16
Profit margins	32%	45%	17%	+15
Cash in the business (cash flow)	31%	43%	16%	+15

There are encouraging signs of growing business confidence about the coming 3 months, despite the recent challenges in many areas. Output and domestic orders are anticipated to increase for two-fifths of businesses (43% and 40%), which may be related to businesses' positive expectations regarding increased profit margins (32%) and prices charged to customers (15%).

Q: "Thinking about the next 3 months, what are the expected trends for...?"

More businesses now plan to invest in the next three months, but the proportion should be higher

	Higher	Same	Lower	Net score Winter/Spring 2010
Buildings	10%	55%	9%	+1
Plant and machinery	17%	48%	7%	+10
Product and process development	20%	43%	4%	+16
Marketing and sales	32%	48%	8%	+24
Training and retraining	26%	59%	4%	+22
On balance, overall investment in the business	34%	50%	8%	+26

A third of employers expect to invest more into their business overall (34%) and in marketing and sales (32%), and a further quarter plan to invest more in training (26%) which is an encouraging indication of long term confidence. Future plans for capital expenditure seem more modest.

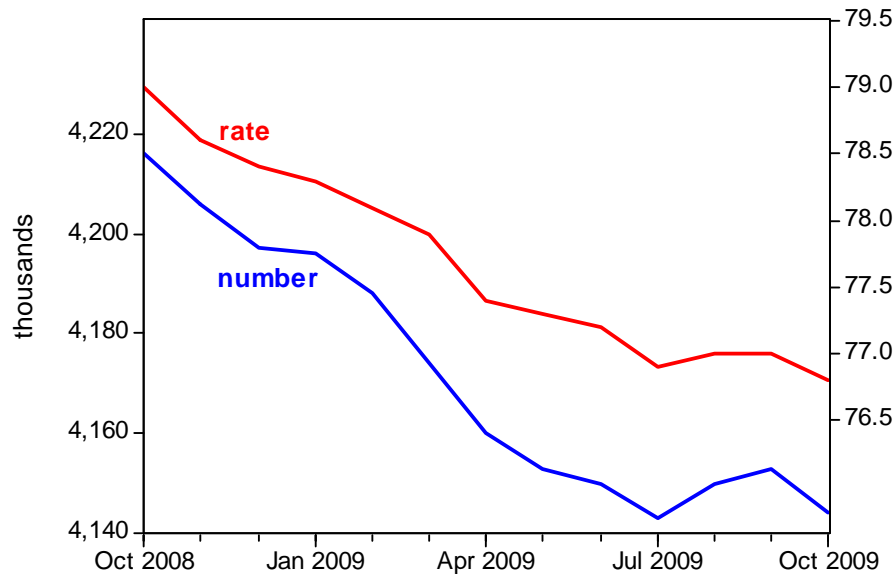
Q: "Thinking about the next 3 months what are the expected trend in relation to your investment in each of the following...?"

Summary of labour market trends during the recession

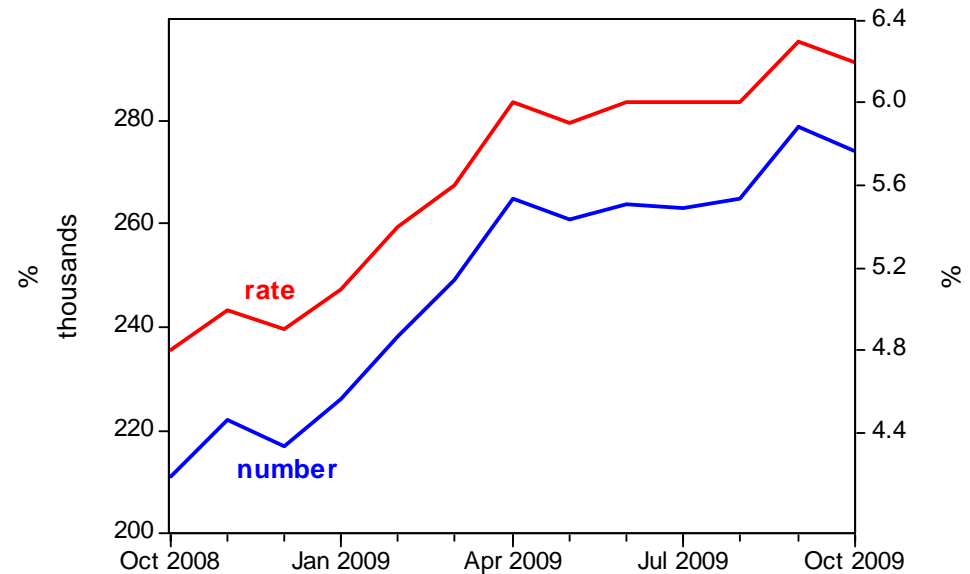
Stabilisation in the labour market?

Fall in employment easing

Rise in unemployment slowing



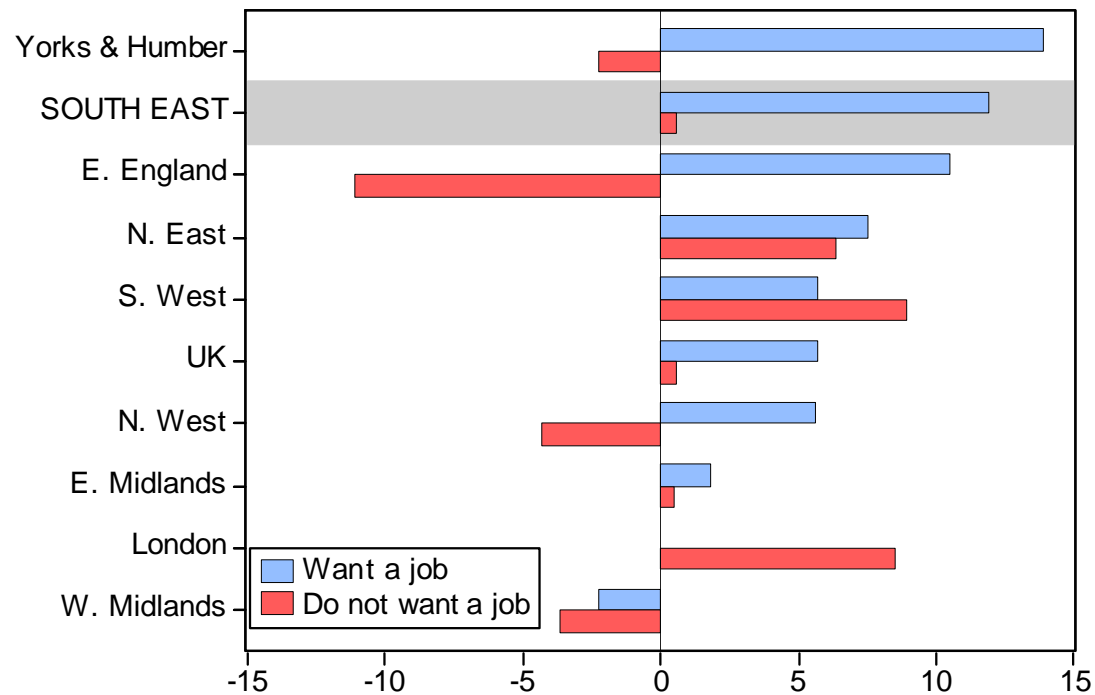
Source: ONS 2010



Source: ONS 2010

A rise in economic inactivity

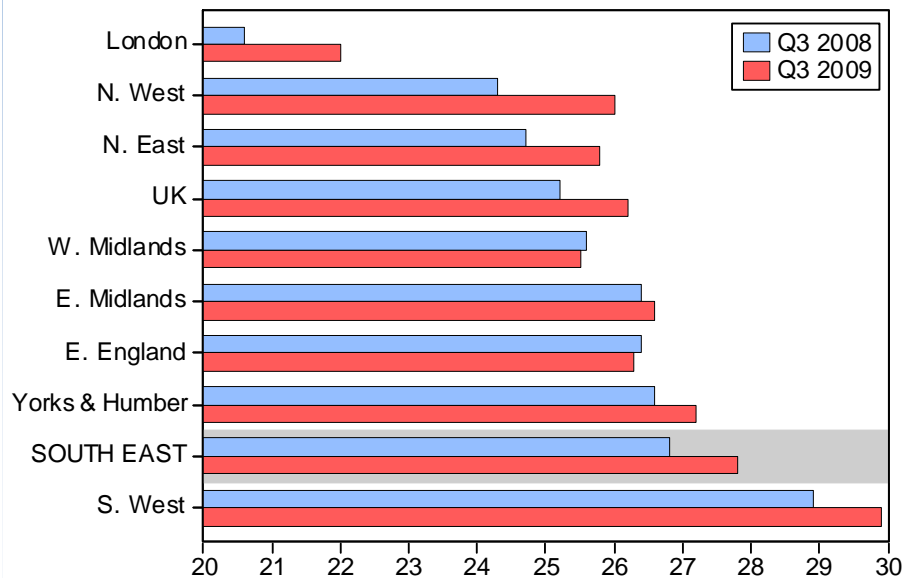
Percentage increase in no. of economically inactive people (Q3 2008 to Q3 2009)



Source: ONS 2010

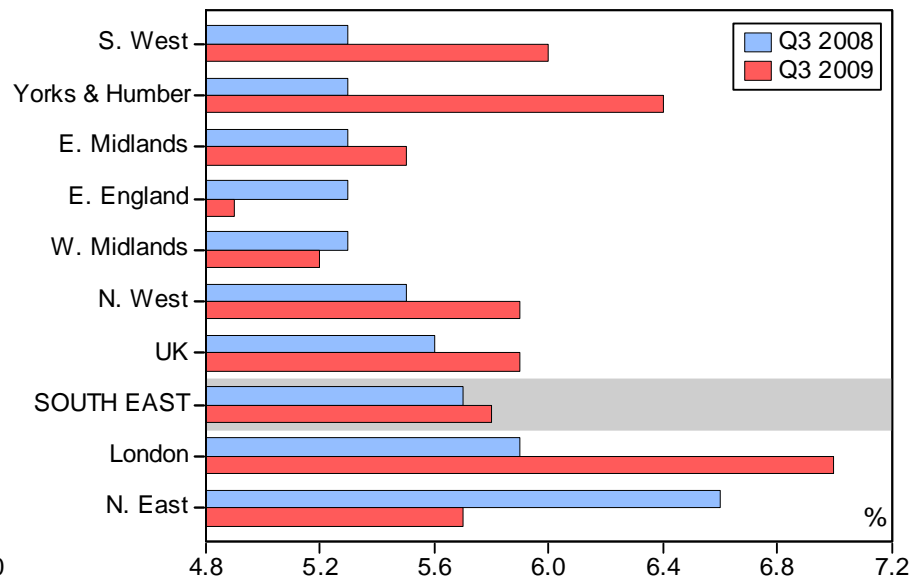
More flexible approaches to staffing in recession

Part-time employment as a percentage of total employment



Source: ONS 2010

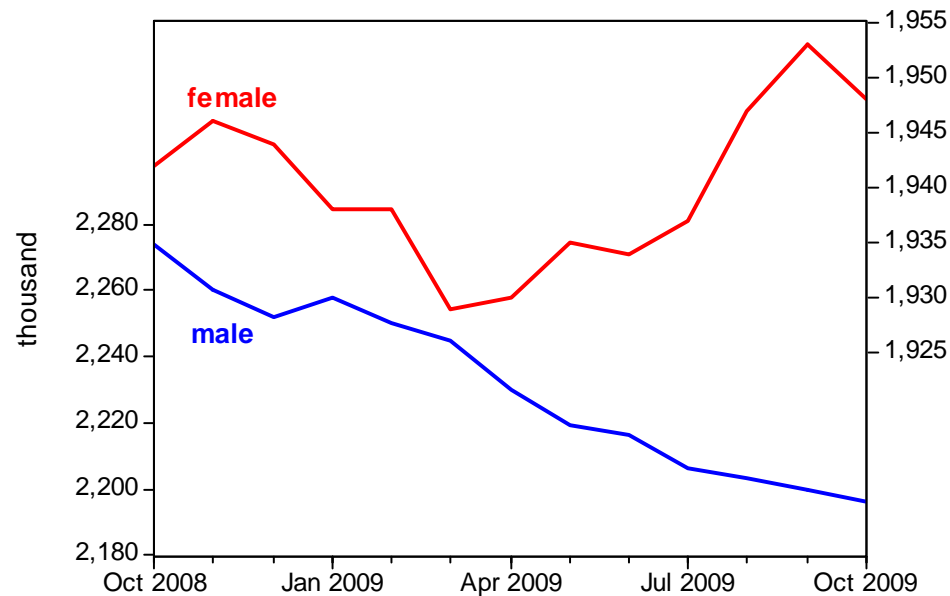
Temporary employment as a percentage of total employment



Source: ONS 2010

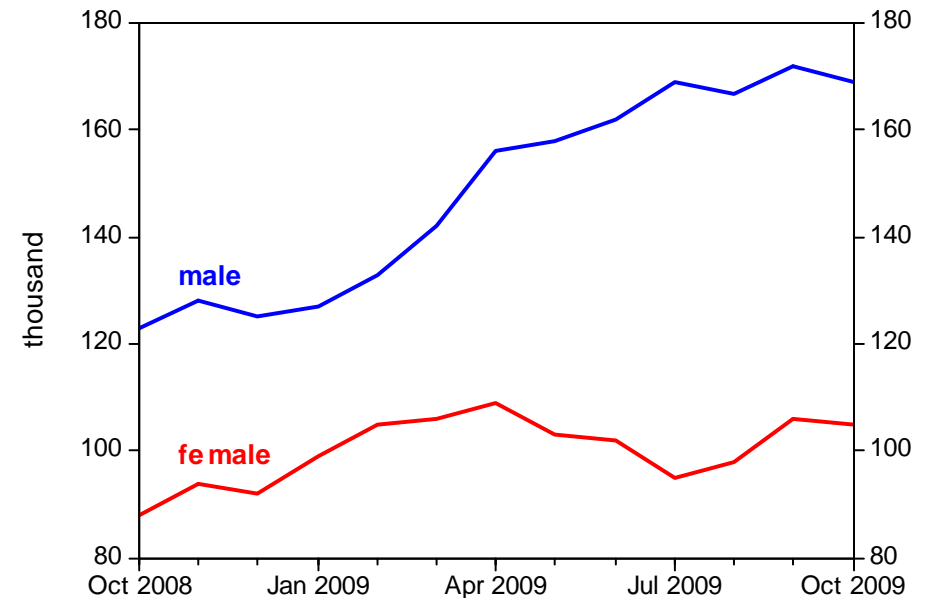
Men's employment fared worse than women's

Trends in male and female employment



Source: ONS 2010

Trends in male and female unemployment



Source: ONS 2010

Manufacturing and construction hit hardest by job losses

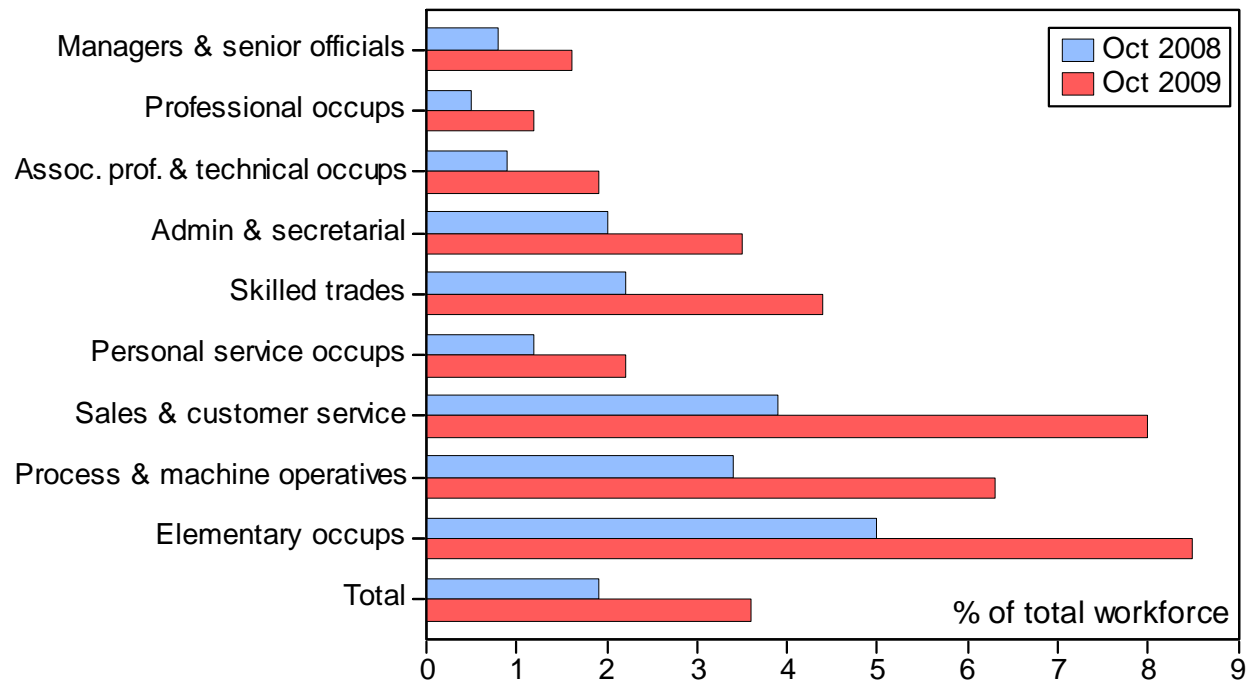
% change in employee jobs, Sept 08 – Sept 09



Source: ONS 2010

Lower skilled seen fastest rise in unemployment

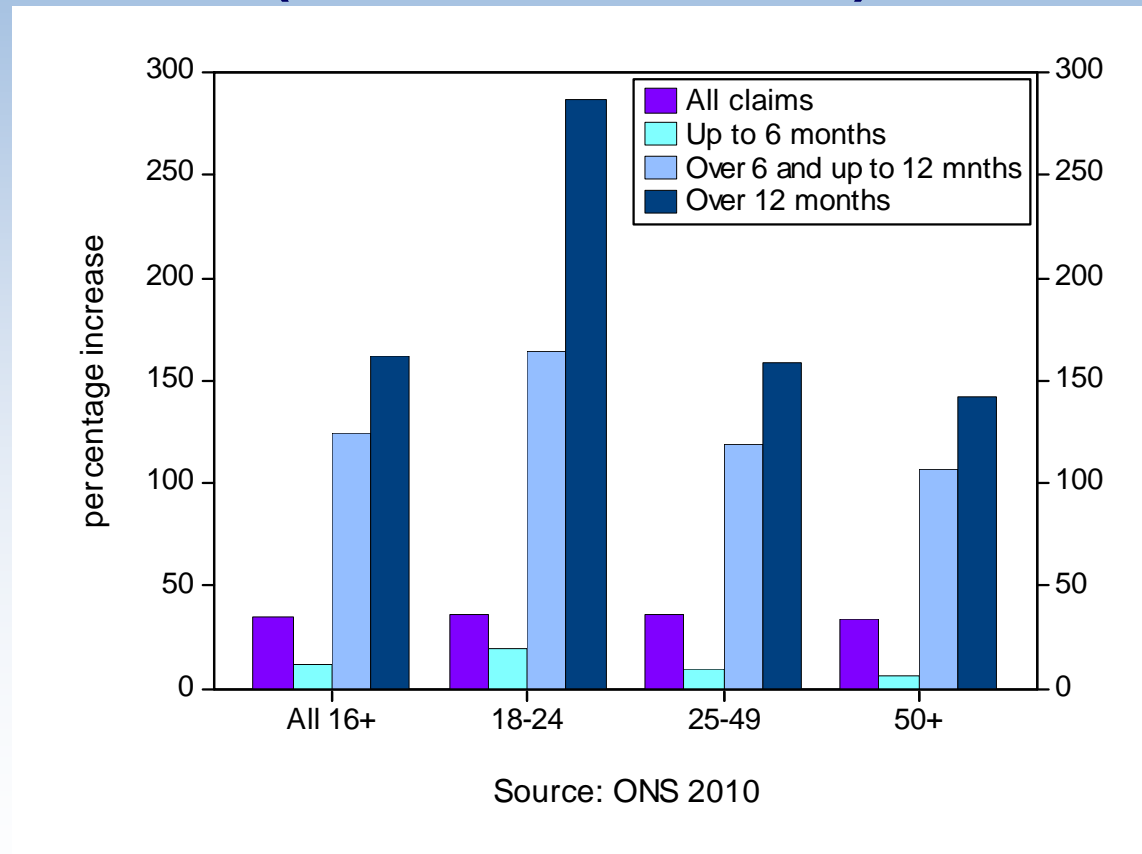
% of workforce claiming JSA, by occupation



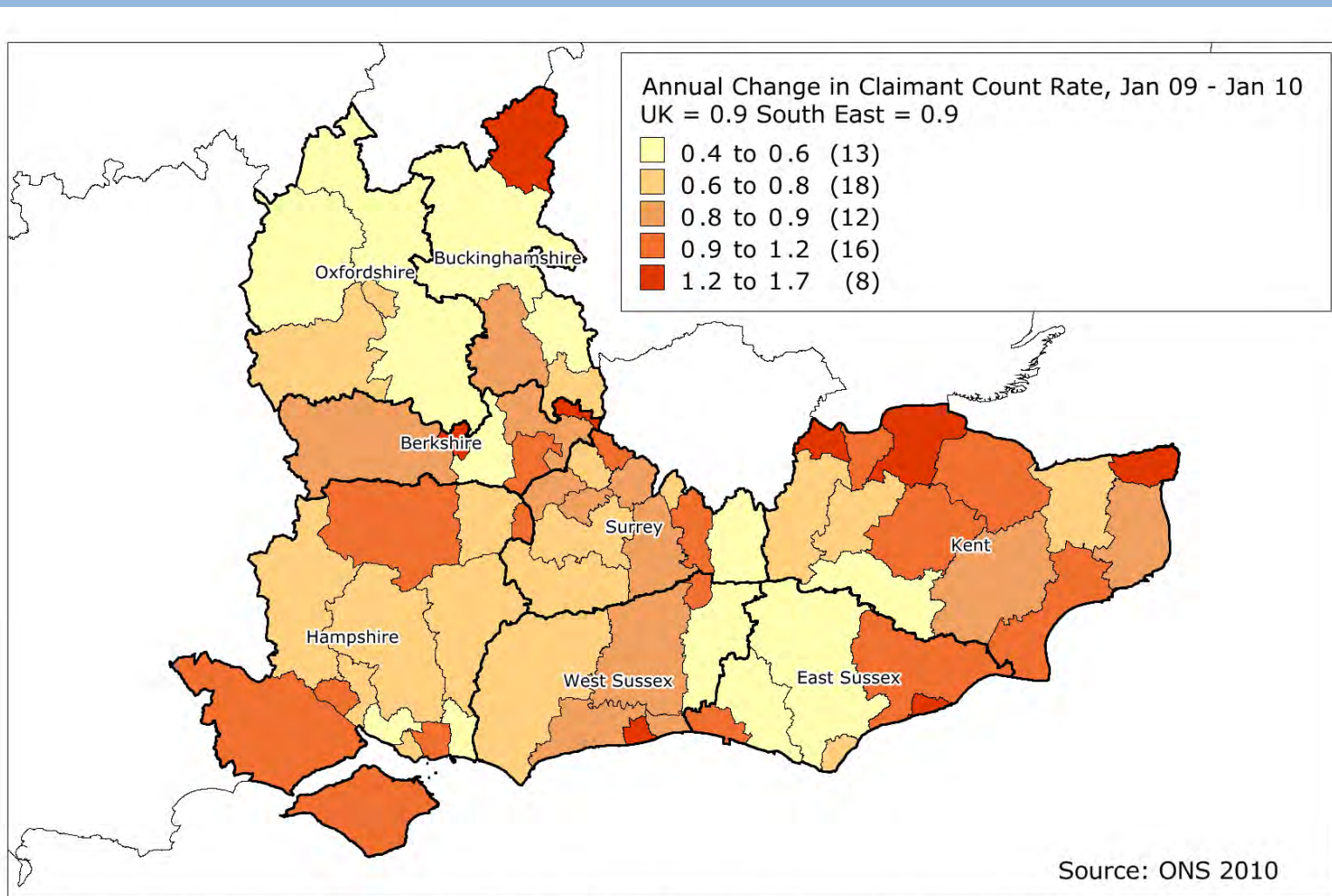
Source: ONS 2010

Long-term unemployment on the rise amongst young people

% increase in JSA claimants by age and duration
(Jan 2009-Jan 2010)



Fastest increases in unemployment in coastal areas and cities



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See the latest *South East Economy Review* for more details

http://www.seeda.co.uk/_publications/South_East_Economy_Review_March_2010_final_draft.pdf