



# Monthly Economy Update

## February 2010

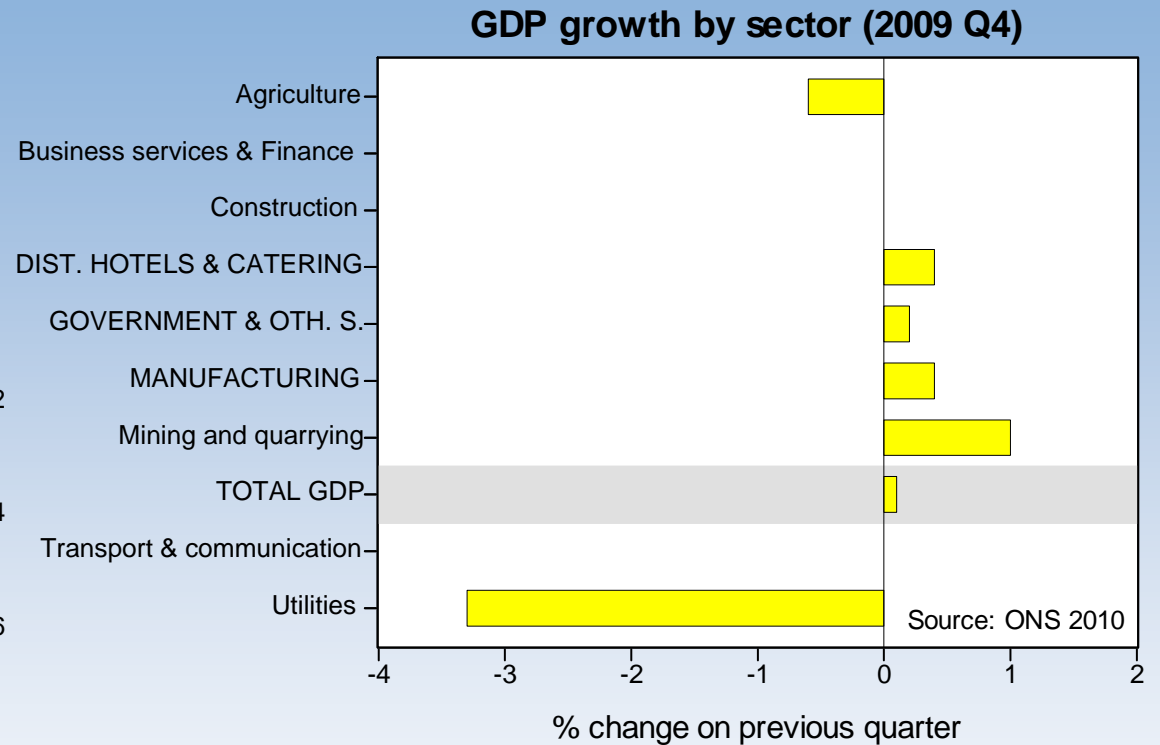
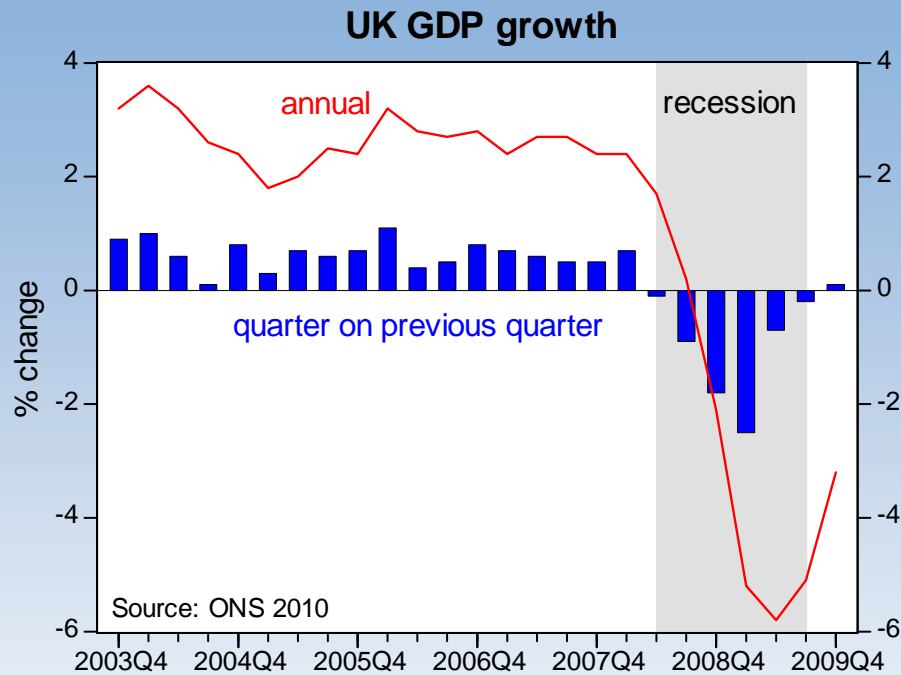
SEEDA Research & Economics

# Agenda

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

Claire Hann and Ivan Perkovic

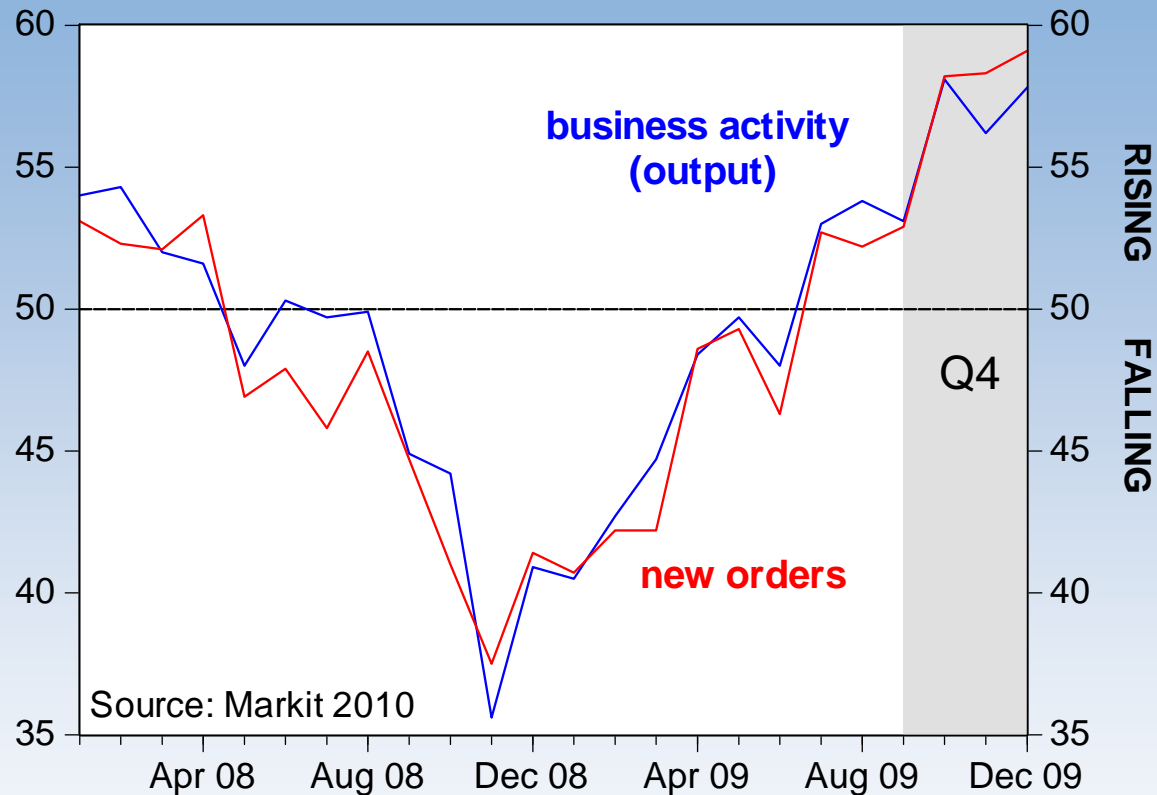
# Economic growth returns



- The economy grew in 2009Q4, but only by 0.1%.
- No sector showing signs of sustained growth.

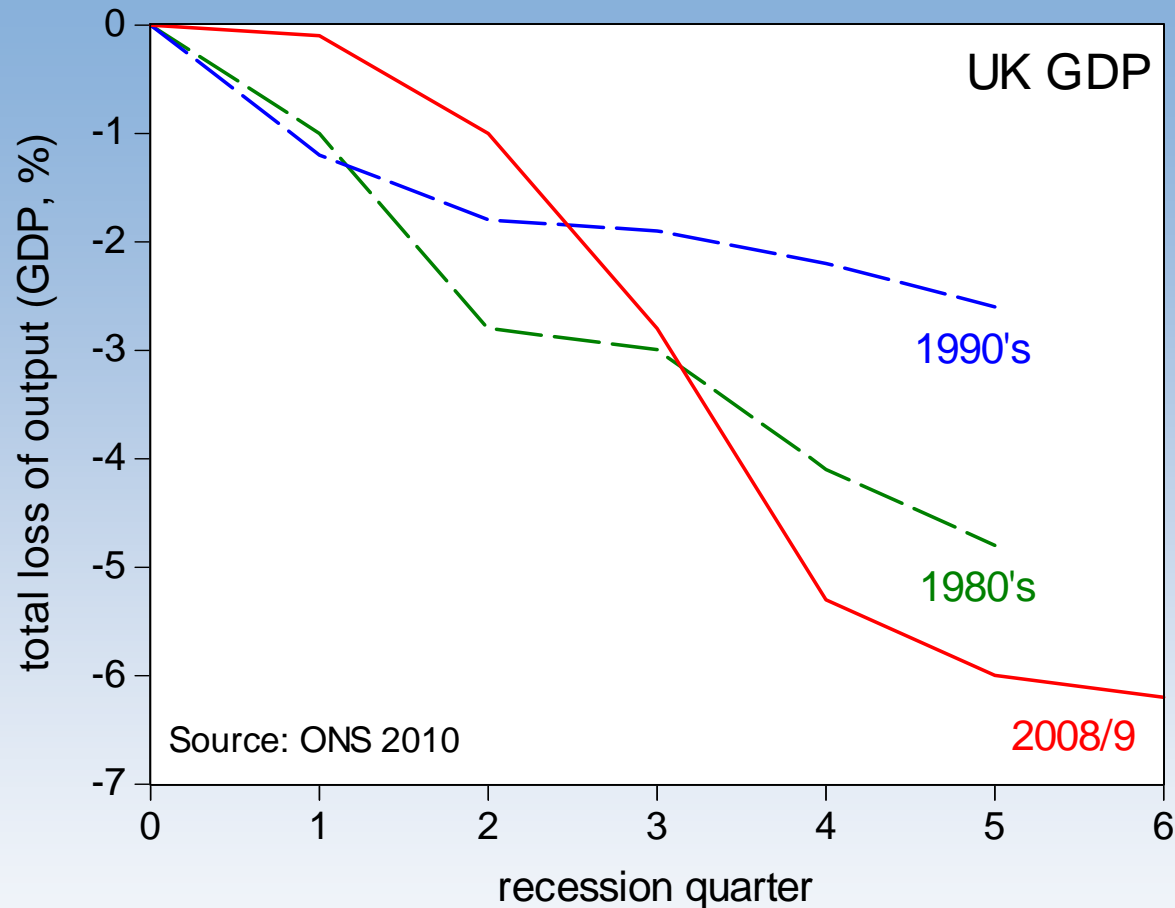
# Recovery underway in the South East

## Business Activity and New Orders - South East



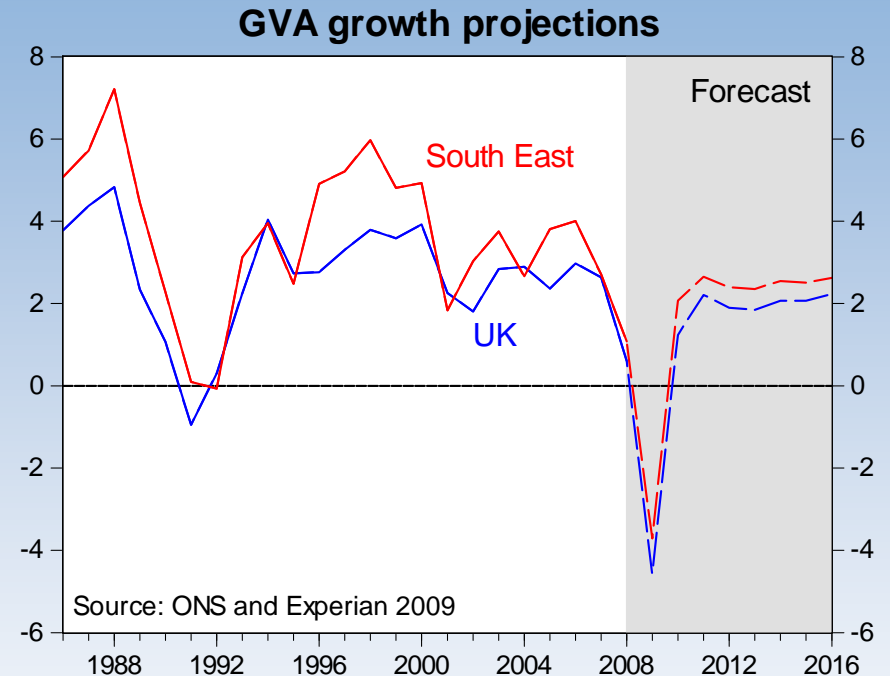
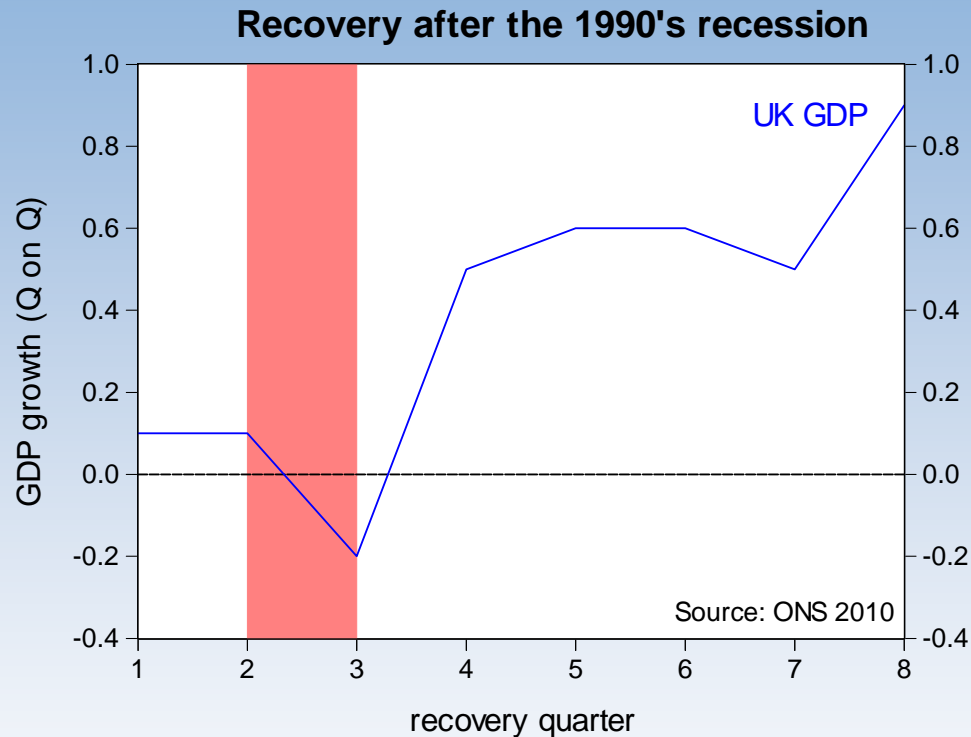
- Strong growth in business activity in 2009Q4, but less useful as a leading indicator of GVA growth.
- Growth in new orders is encouraging

# The longest and deepest post-war recession



- In 1980's output fell 4.8%. In 1990's it fell 2.6% and in 2008-09 it has fallen 6.2%.
- Six quarters of falling output but 2.5 years (10 quarters) of lost output growth.

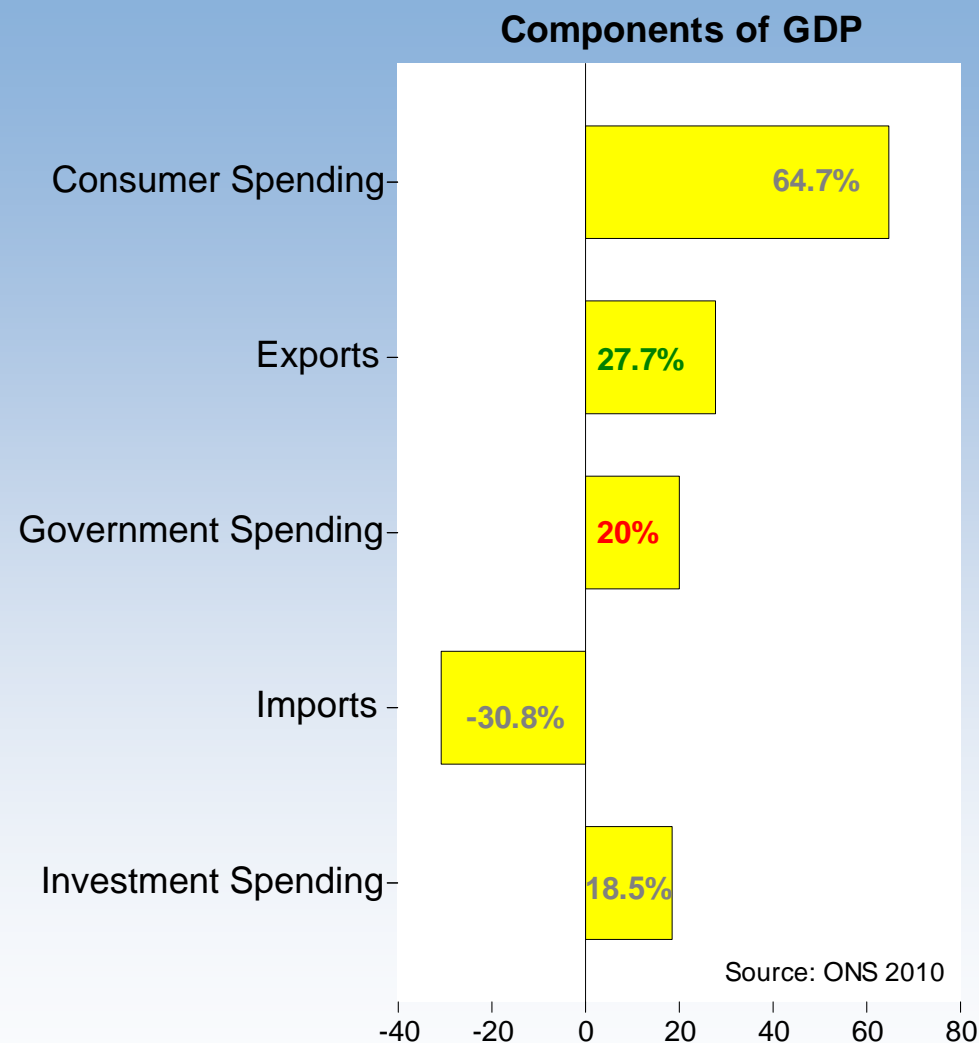
# Growth has returned-What shape will the economic recovery be?



- History - sluggish recovery after 1990's.
- Independent projections - GVA growth per annum over next decade projected to be some 0.7% lower than in the past.

# Where will the growth come from?

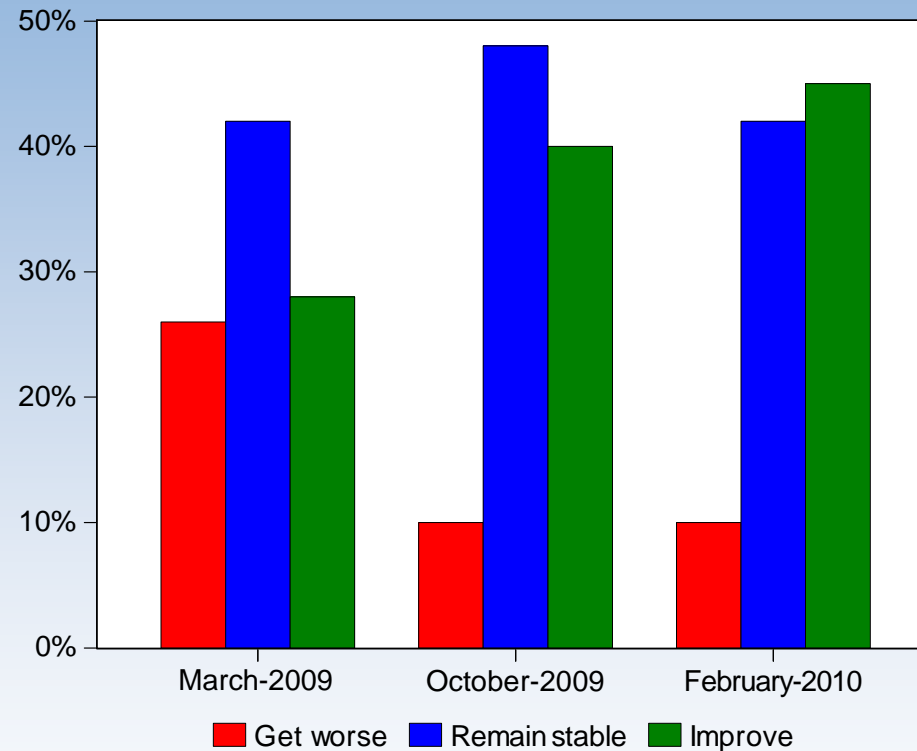
- **Consumer Spending**
  - Disposable incomes; Households re-adjusting their spending habits
- **Government Spending**
  - Important to growth but cuts are looming
- **Investment**
  - Spare capacity; liquidity; uncertainty about recovery
- **Exports**
  - Drive growth; strength of global recovery; 75% to EEA and US
- **Imports**
  - Lower imports?



# Business outlook - South East

## (South East Business Survey, Feb 2010 - forthcoming)

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

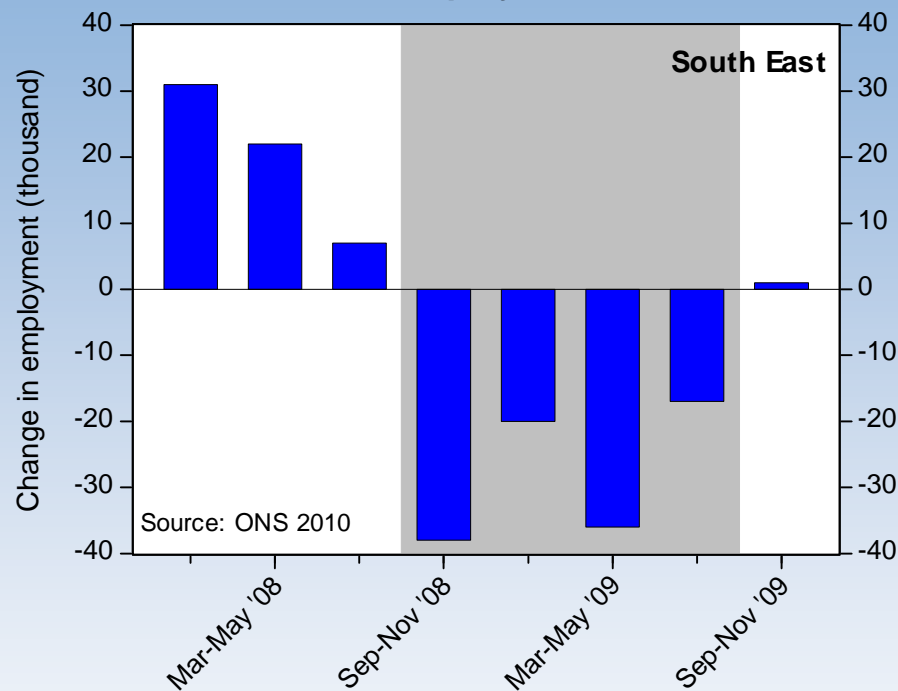


- Business optimism has improved over the past 12 months.
- Businesses remain cautious

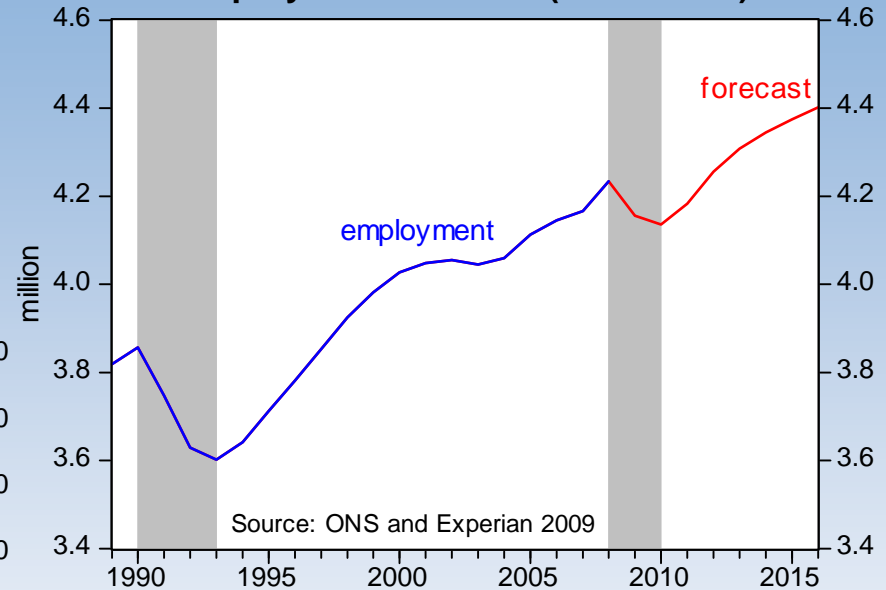


# Has the labour market performed better than expected?

Has the decline in employment bottomed out?



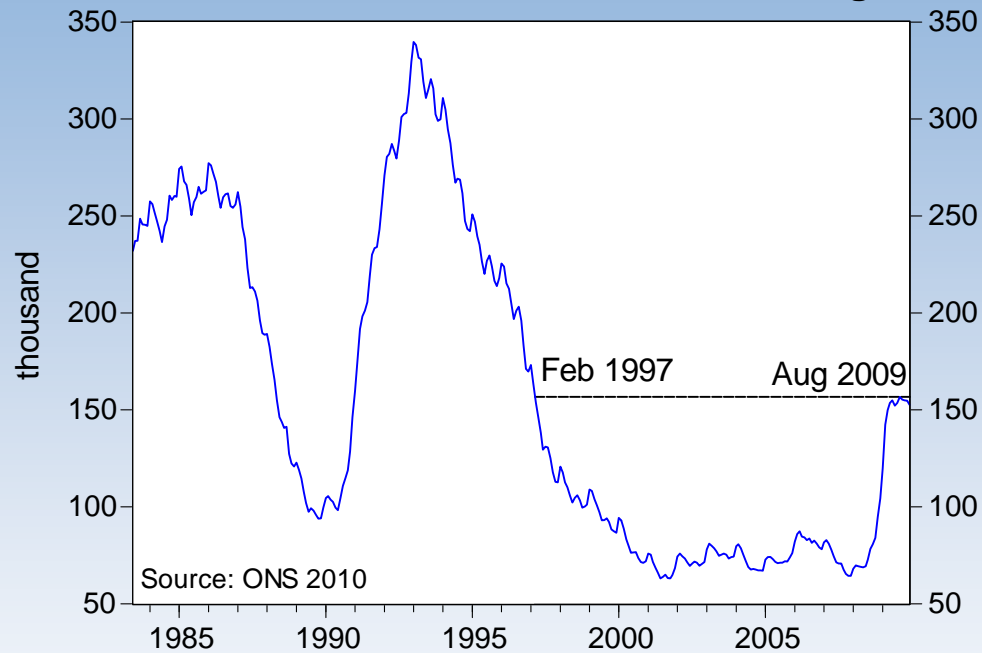
Employment forecast (South East)



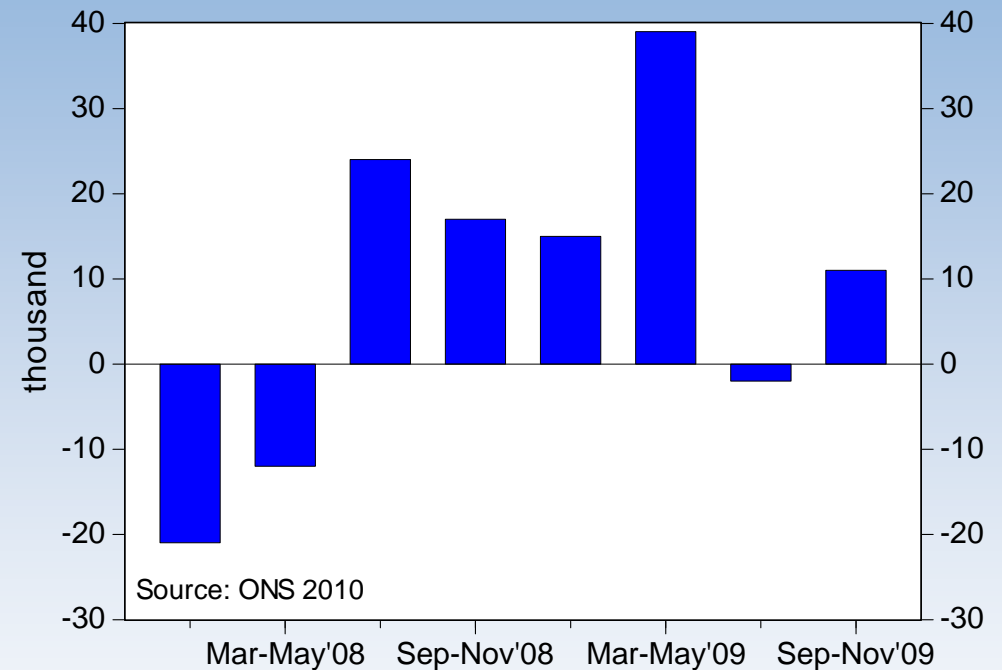
- Employment falls for four consecutive quarters and by 2.6 percentage points
- Spare capacity in the economy – employment not forecast to return to pre-recession levels before 2012.

# Unemployment more resilient than in 1990s?

Job-seeker allowance claimants in the region



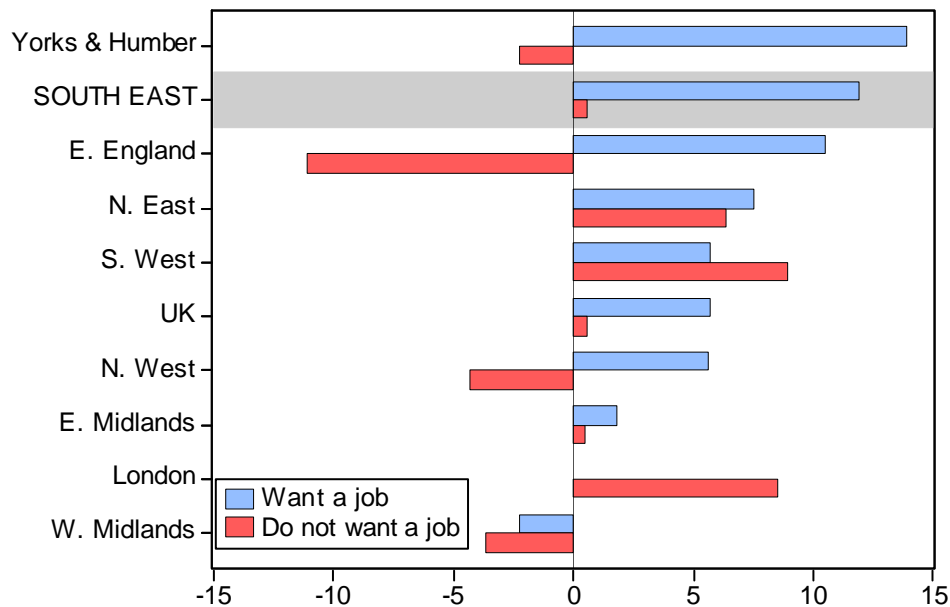
Change in unemployment (South East)



- On a broader measure unemployment is still rising and is forecast to increase in 2010.
- Unemployment not forecast to return to pre-recession levels before 2013-14

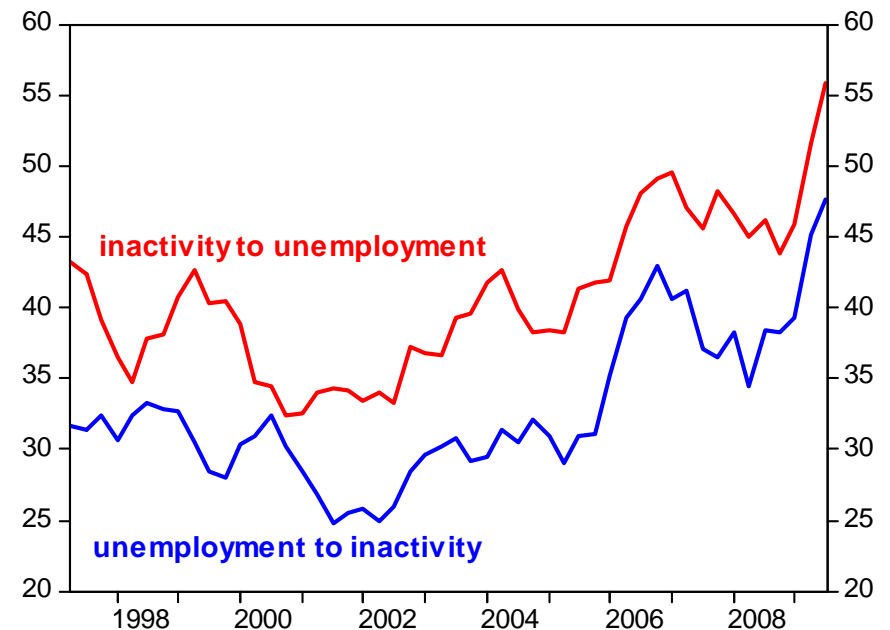
# A rise in 'involuntary' inactivity during recession

% change in no. of economically inactive who want / don't want a job



Source: ONS 2010

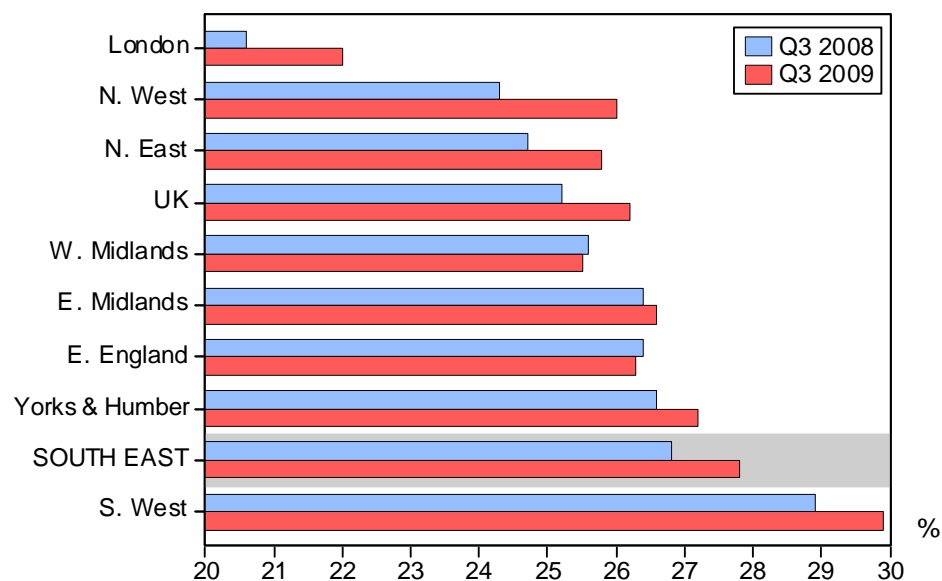
Flows between inactivity and unemployment



Source: ONS 2010

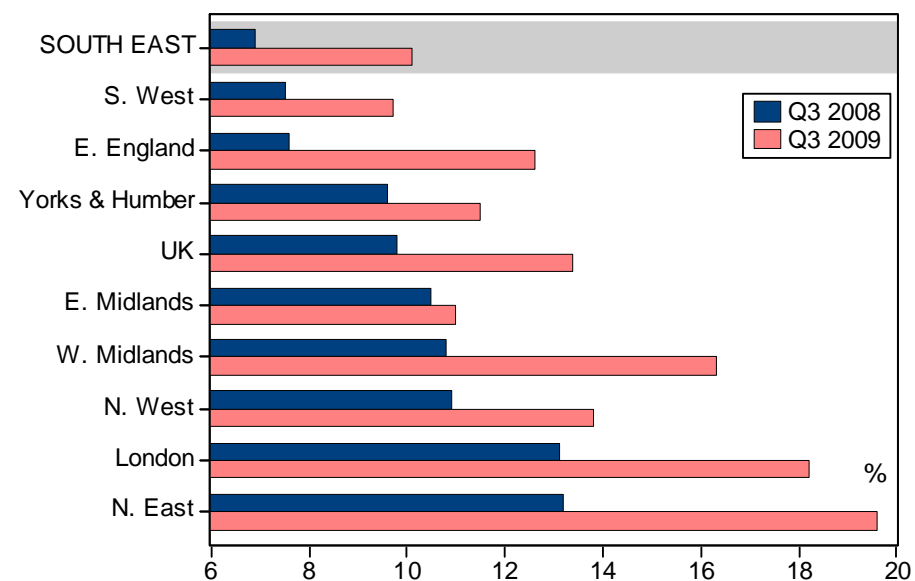
# Flexible approaches to staffing in recession

## Part-time employment as a percentage of total employment



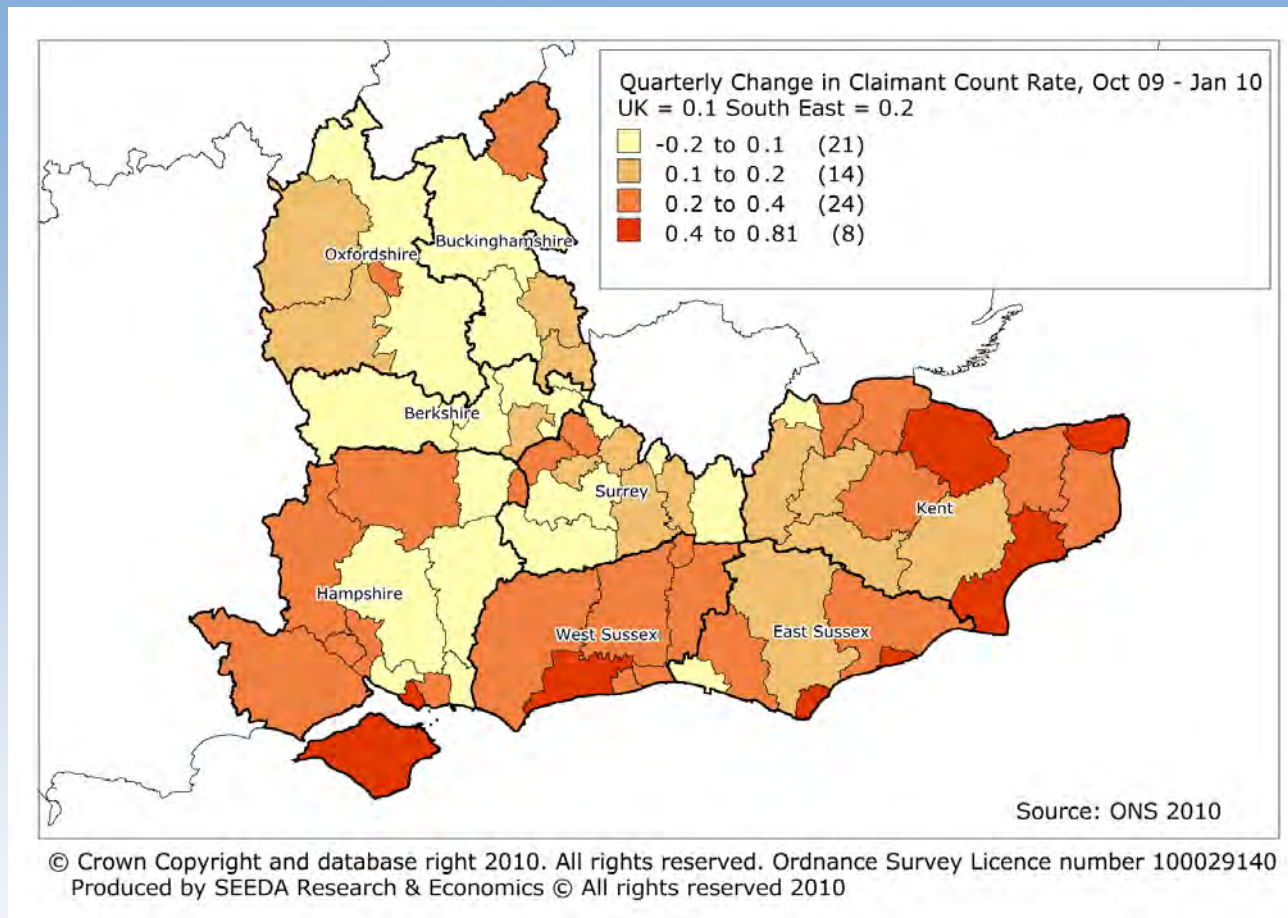
Source: ONS 2010

## Proportion of part-time workers who cannot find a full-time job



Source: ONS 2010

# Unemployment – sub-regional performance



- Faster increases in claimant count unemployment in coastal areas.
- Large urban areas holding up better than in earlier stages of the recession.

**Thank you**

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