

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 14 MAY 2009

ITEM 7

SEEDA Board Paper - Economic Conditions and SEEDA's Response

Recommendation

The Board is invited to **NOTE** the report on the economic situation, and information on a range of practical initiatives currently being taken either by, or with the involvement of, SEEDA.

Regional Economy

1. The latest economic intelligence collected by SEEDA (Regional Intelligence Snapshot – April 2009) shows that the regional economy has weakened further in April, but the rate of decline is slowing down. The latest intelligence shows that the volume of output, volume of new orders and levels of employment in April were broadly flat when compared to March 2009.
2. A number of forward looking indicators have started to point to an improvement in consumer and business sentiment in the UK over the past two months. The latest GfK NOP survey shows that people are more optimistic about the outlook for the economy than at any time since August 2007. The latest CBI survey shows that more retailers reported a rise in sales in April 2009 than experienced a fall. The positive balance of +3% was the first for 13 months. The latest intelligence from a number of business surveys (SEEDA Quarterly Business Snapshot, EEF, CBI, ICAEW, RBS PMI) also shows that businesses are more optimistic about the outlook than in 2008.
3. Confidence is returning to financial markets, banks have started to lend to other banks and the stock markets are some 20% higher than in March 2009. There are some small signs of improvement in bank lending (including renewals and extension of overdraft facilities), although new borrowing still remains difficult for a large number of businesses.
4. According to HR1 data, the level of redundancy notifications in the South East in April was lower than in March. There were some 2,100 redundancy notifications in the South East in April against 5,900 in March 2009.¹ The manufacturing and construction sectors accounted for more than 45% of all redundancy notifications in the South East in the past month.

¹ Note that this data only captures redundancies of more than 20 employees; some of the job losses are not scheduled to take place until later in 2009; and in some cases the redundancies are happening in another region but are registered in the South East because it is home to the company's headquarters.

5. The labour market continues to weaken, albeit at a slower pace than in February and March 2009. However, according to Business Link, where large companies have experienced redundancies this is now following through the supply chains. Over the coming months, it is likely that this will further unsettle the labour market in the region.

SEEDA's Response

6. The Board has been kept up to date with SEEDA's response to the economic conditions and a document 'Open for Business' has now been published and sent to partners and stakeholders setting out the range of support from SEEDA, Business Link, JobCentre Plus and the Learning and Skills Council.
7. Recent new measures include strengthening the Continuing Employment Support Service, a joint SEEDA/Jobcentre Plus programme, which works in partnership with main government agencies and offers a free, tailored, in-house package of support to all affected workers before they leave their employment, thus negating the need in many cases to access benefits. SEEDA, JobCentre Plus and the LSC are also working on a Joint Recovery Plan.
8. The Transition Loan Fund has now approved loans of nearly £2m to 16 businesses. Finance South East report a strong pipeline but a slowdown in enquiries. SEEDA is also setting up a Financial Services Forum so we can work with the banks collectively. The region's Business Links have undertaken over 8,000 Healthchecks, 20% of the national total.
9. In order to prepare for the eventual upturn, SEEDA is increasingly refocusing its projects and programmes around the core theme of productivity gain. This will take the form of more innovation support to businesses, for instance the refocused Manufacturing Advisory Service, encouraging R&D linkages between universities and business; infrastructure investment with a strong economic growth dimension to it (such as incubators); targeting inward investment in key sectors which reflect the intellectual and skills base of the South East; and focusing on fast growth business whilst using Business Links for volume support.
10. The Government's recently published 'New Industry New Jobs' identifies key areas where Government intervention will have impact, by investing in growth of new sectors to speed recovery and building manufacturing and services essential to ensure people and businesses can compete successfully for the jobs of the future. The document provides a framework for investing in the future and RDAs are seen as having a prominent role. SEEDA is a member of a small core group of RDAs working with government departments on taking forward the policy commitments.