

# **Review of the South East Economy**

**May 2008**

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# Structure of presentation

- UK economy overview
- SE economy overview
- Credit crunch
  - Impacts at national level
  - Potential effects on SE economy
- Is the current slowdown a blip?
  - Risks
  - SE advantages
- Implications for RES targets



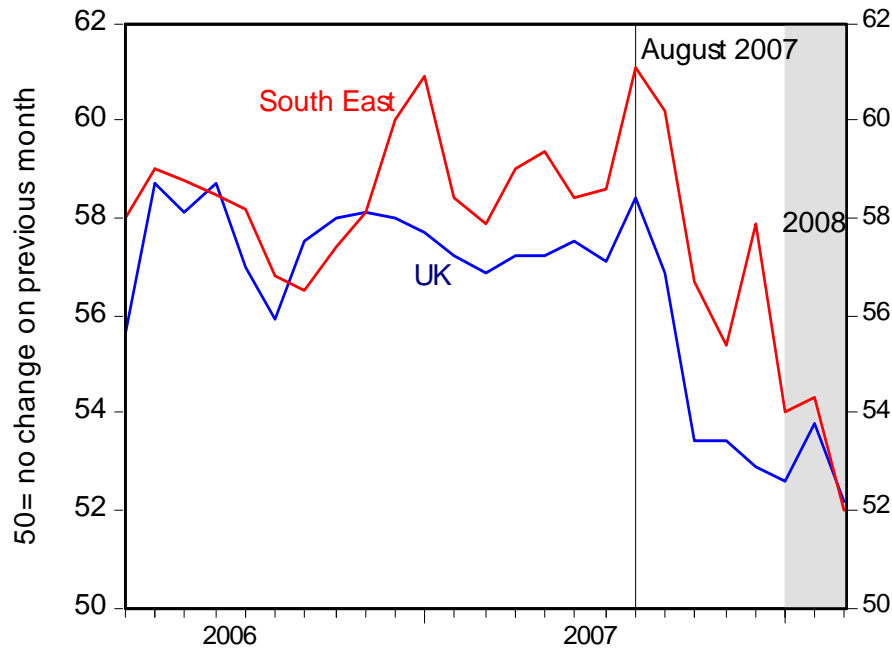
# SE economy overview

# Credit crunch – UK impacts

- Loss of confidence amongst banks and financial institutions
- Lending to other banks and to consumers reduced
- Large losses in equity markets
- Steady decline in business activity and volume of new orders
- Business confidence at an all-time low
- Falling house prices

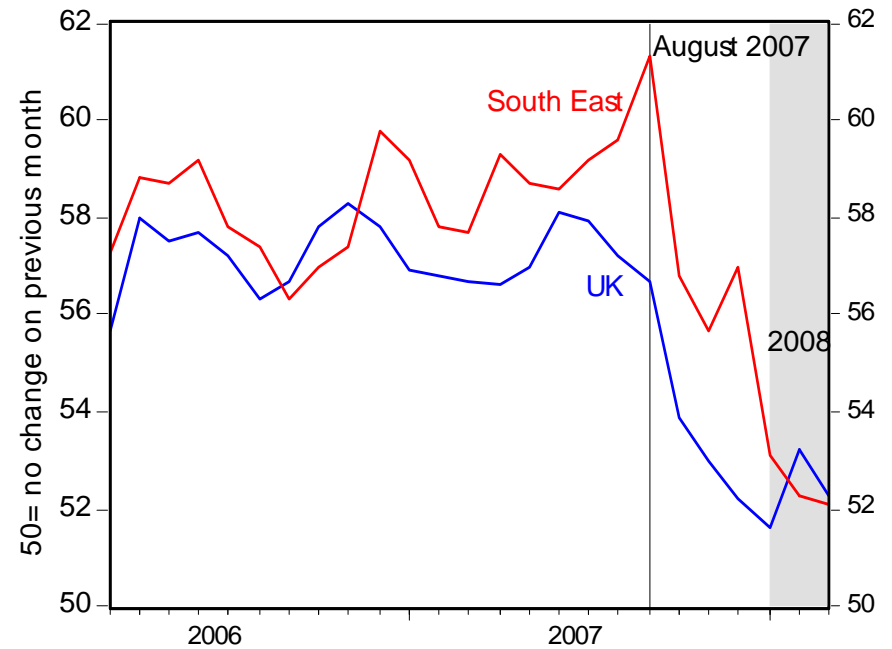
# Credit crunch – SE impacts

Figure 11: Sharp slowdown in business activity ...



Source: RBS and NTC Economics Ltd 2008

... and in incoming new business

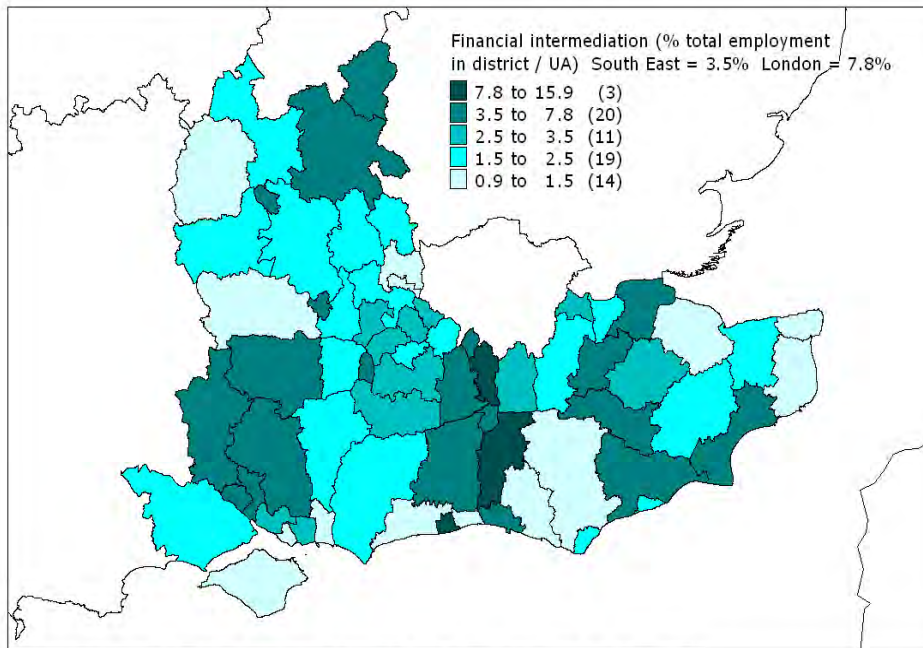


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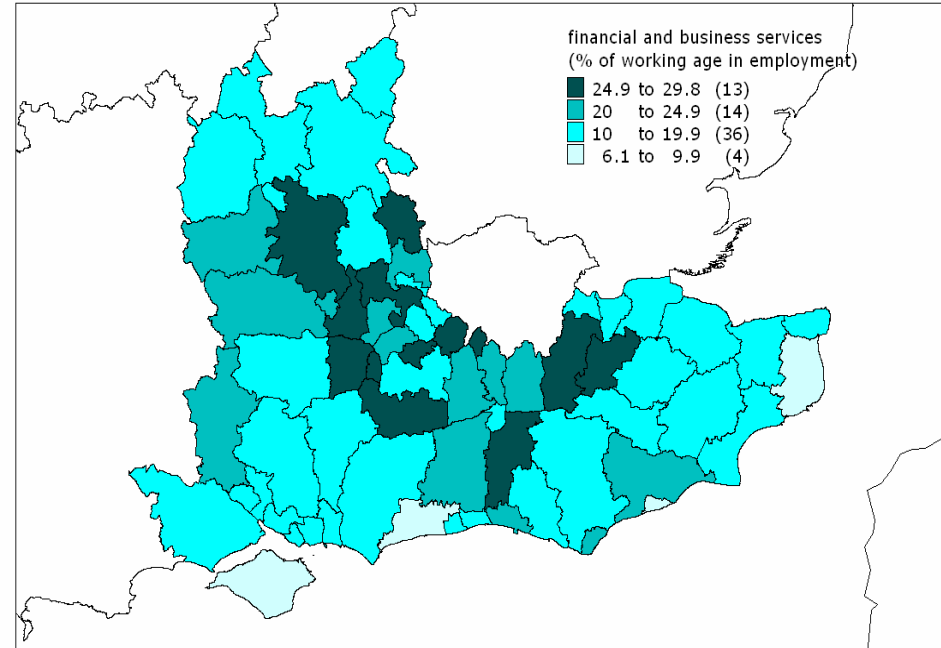
# Credit crunch impact on Financial Services

Financial Services employment as  
% of total employment in  
the area, (workplace)

Residents of working age  
employed in Financial Services, %  
(residence)



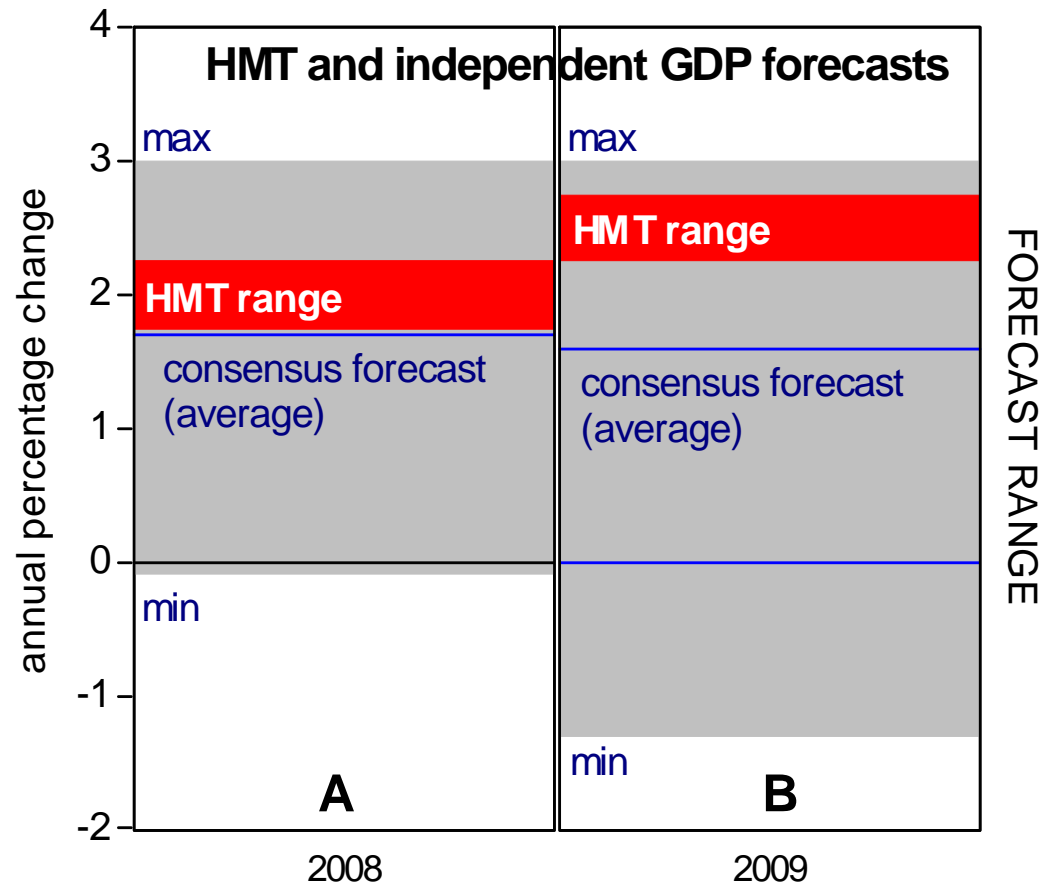
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# Is the current slowdown just a blip?

Figure 8: How likely is a UK recession?



Source: HM Treasury 2008



# SE Outlook

# Risks

- Inflationary pressures
- Persistence of credit crunch → sharp decline in house prices and consumer spending
- Weakening global demand for UK goods and services

# SE advantages

- Favourable industrial mix (high proportion of private sector services)
- Large and growing supply of labour
- Highly skilled population

# Implications for RES targets

- GVA per head will be below RES target rate in 2008 and 2009.
- Productivity per worker could be affected by falling investment in capital and skills.
- Falls in consumption or imports could positively affect the ecological footprint.