

# South East Business Support Advisory Board

## South East Economy Update

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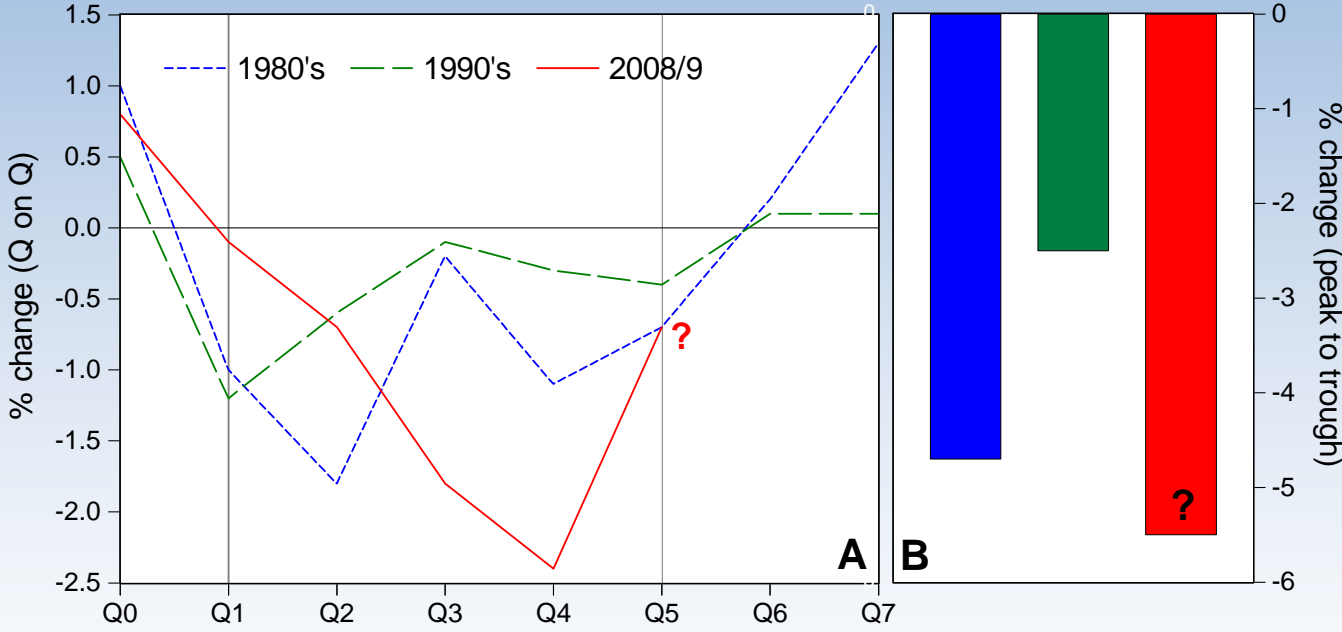
[WWW.SEEDA.CO.UK](http://WWW.SEEDA.CO.UK)

# Outline

- GDP growth
- Business confidence
- Trade and business activity
- The outlook
- Credit conditions
- Business investment
- Labour market

# UK GDP declines further in Q2

UK Recessions (A) Change in GDP from peak to trough (B)



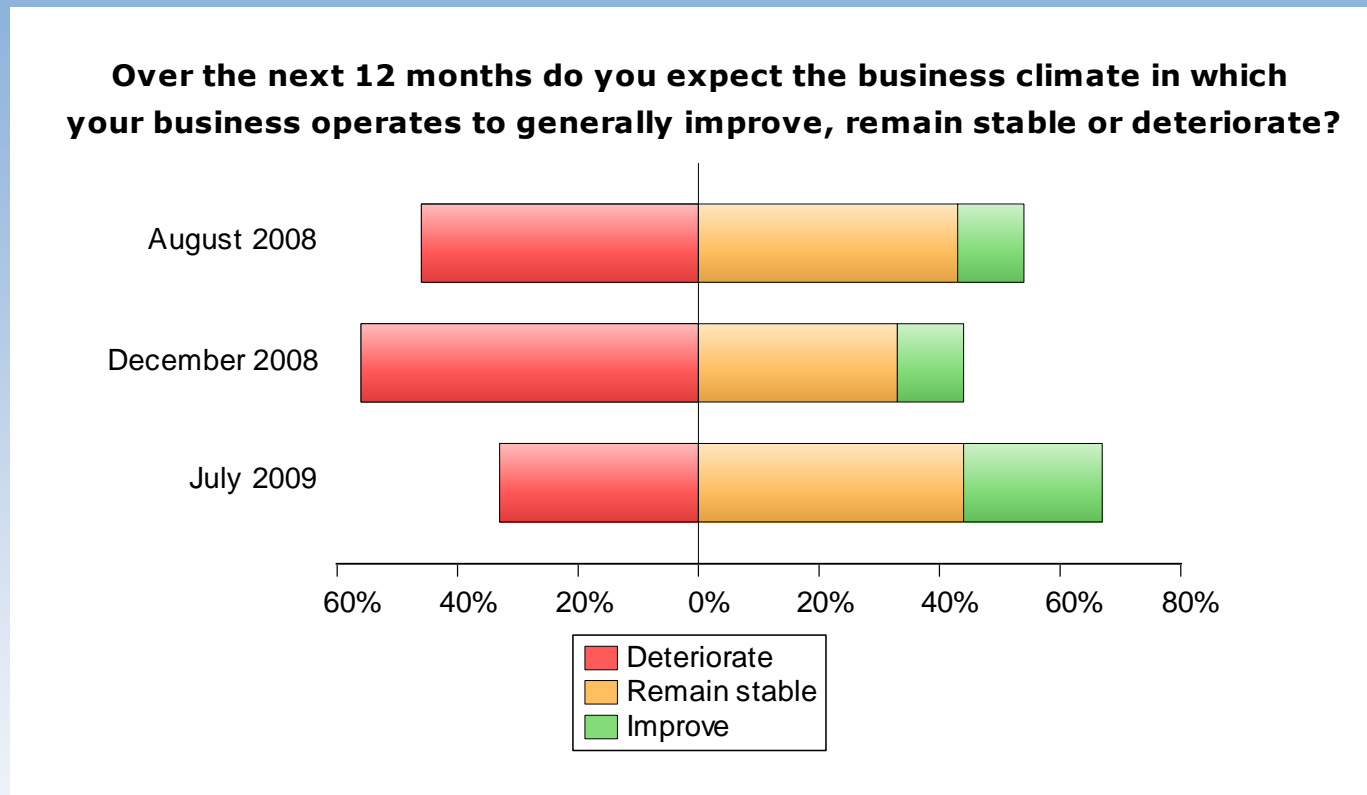
Source: ONS 2009

Global recovery on the way

Q-Q	Q2('09)	Y-Y
0.3	GER	-5.9
-1.1	SPA	-4.2
0.3	FRA	-2.6
-0.5	ITA	-6.0
-0.7	UK	-5.5
-0.3	USA	-3.9
0.9	JAP	-6.5

Source: Eurostat 2009

# Business confidence has improved South East

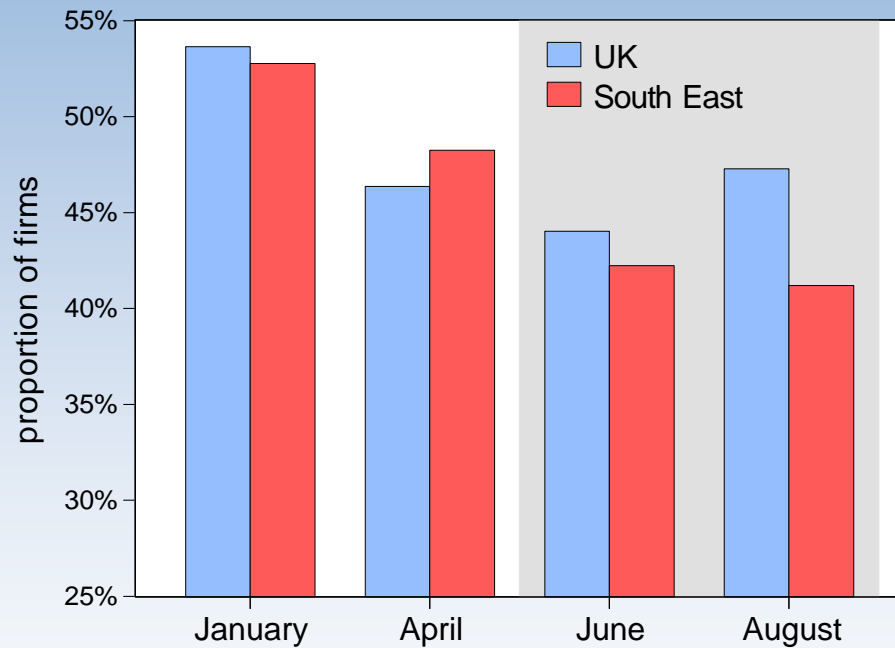


Around two thirds of businesses in the South East now expect the business climate to either improve or remain stable over the next 12 months, up from less than half in December's survey. However, firms expecting the business climate to get worse still outweigh those expecting it to improve (33% to 23%)

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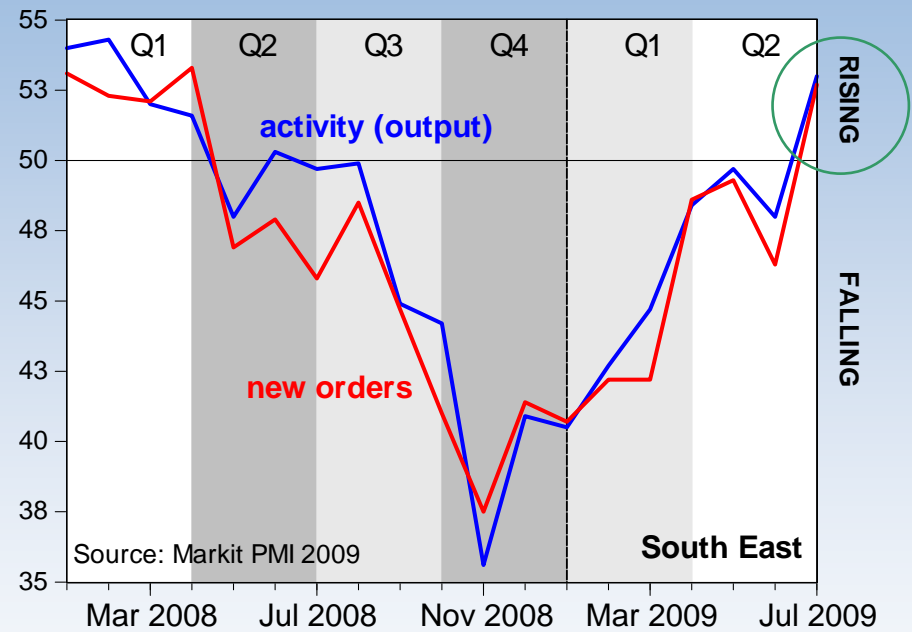
# Trade and business activity is improving

## Decrease in trade

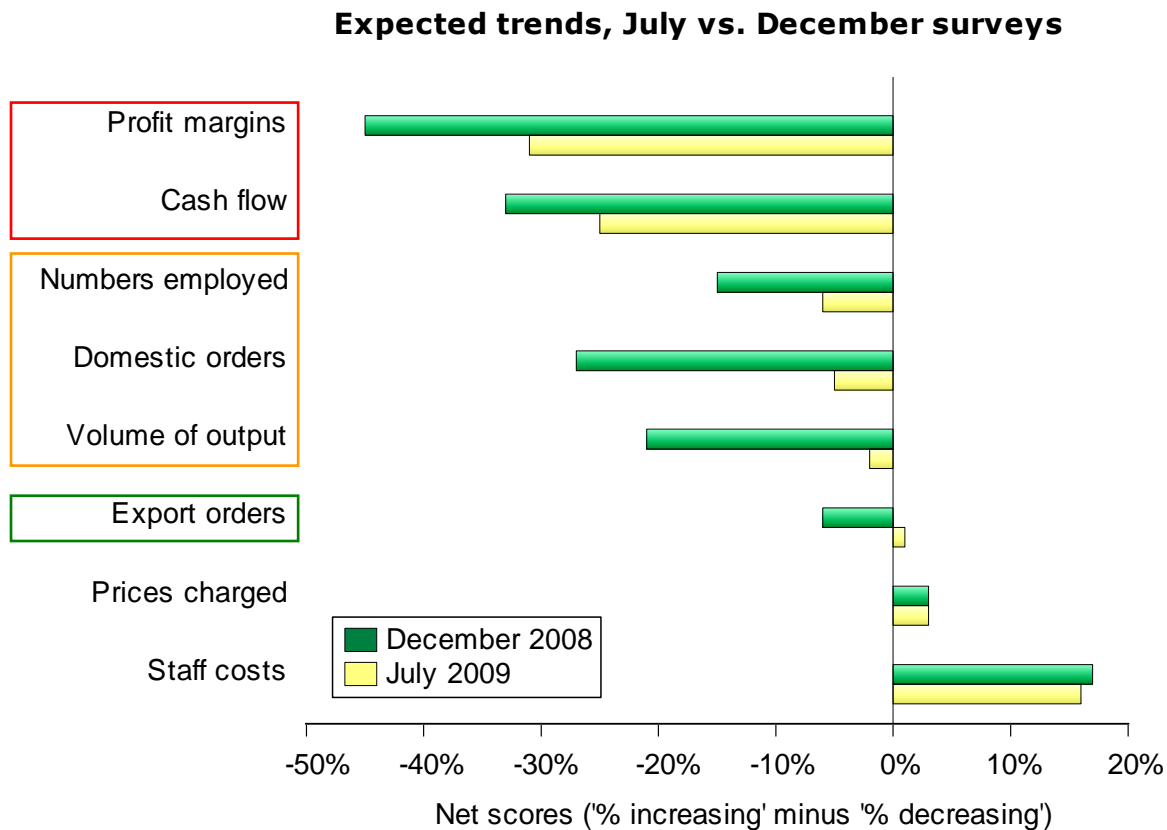


Source: Federation of Small Businesses (FSB) 2009

## Business activity (output) and new orders



# A more balanced outlook than in December South East

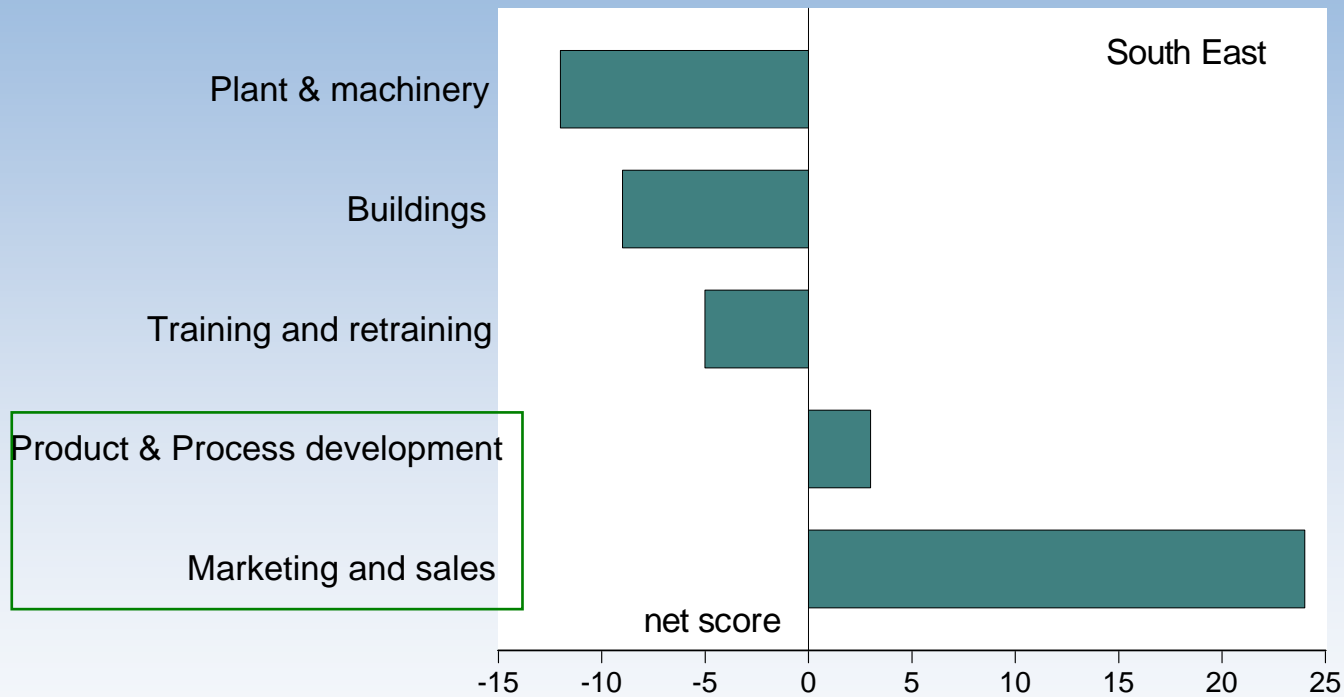


Over the next 12 months, businesses predict that their key business areas will continue to suffer, though the outlook is significantly more balanced than what has been the trend over the past 12 months. Exports are a small 'bright spot', though profit margins look set to continue to fall.

There are some indications from the data that the outlook in the South East is slightly more positive than the outlook in the rest of England.

# Investment intentions

## Investment intentions (next 12 months)

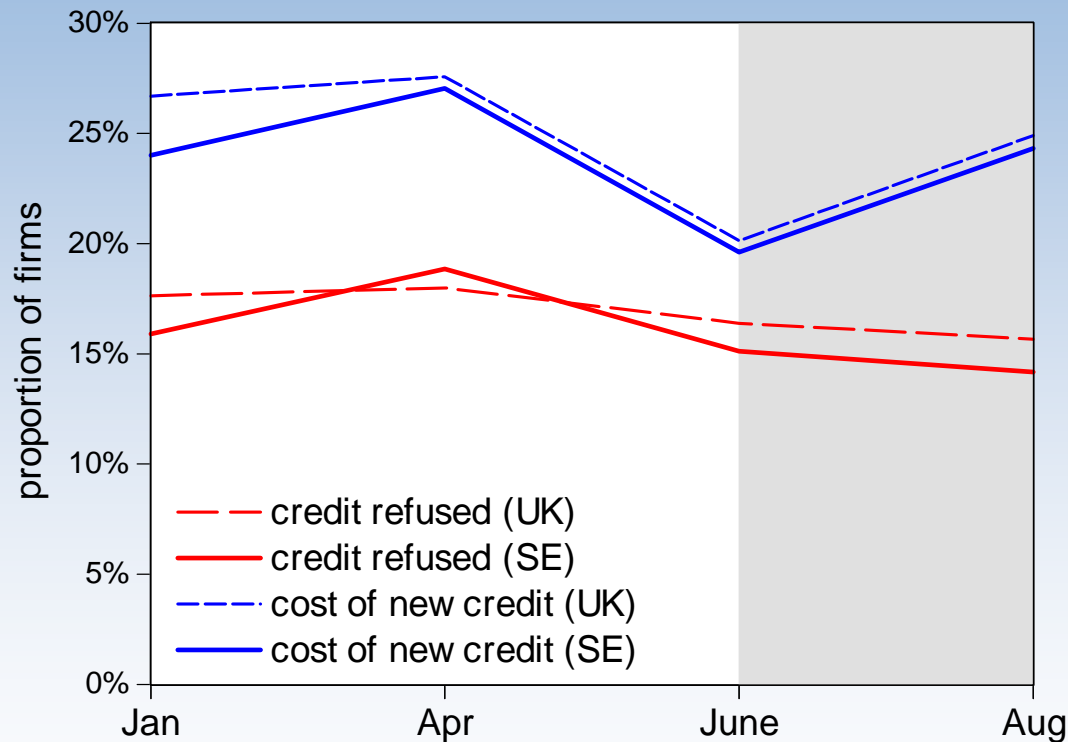


Source: SEEDA 2009

- A large fall in business investment in the UK in Q2:
  - 10.4% (q on q)
  - 18.4% (annual)
- Largest decline on record
- It explains a sharp fall in output

# Credit conditions

## Access to credit and cost of new credit



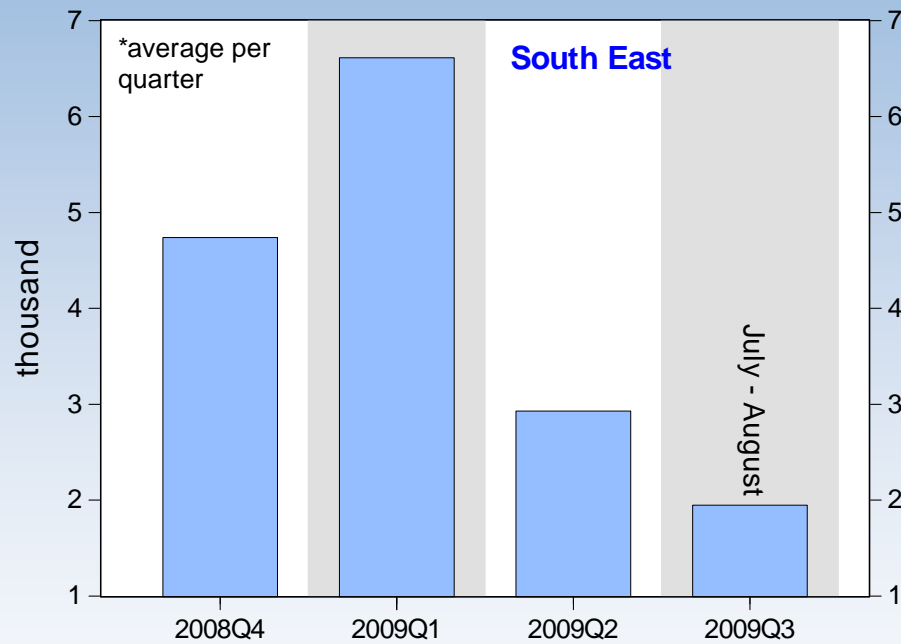
Source: Federation of Small Business (FSB) 2009

- 34% of business expect the cost of finance to increase over the next 12 months (RDA NBS July 2009)



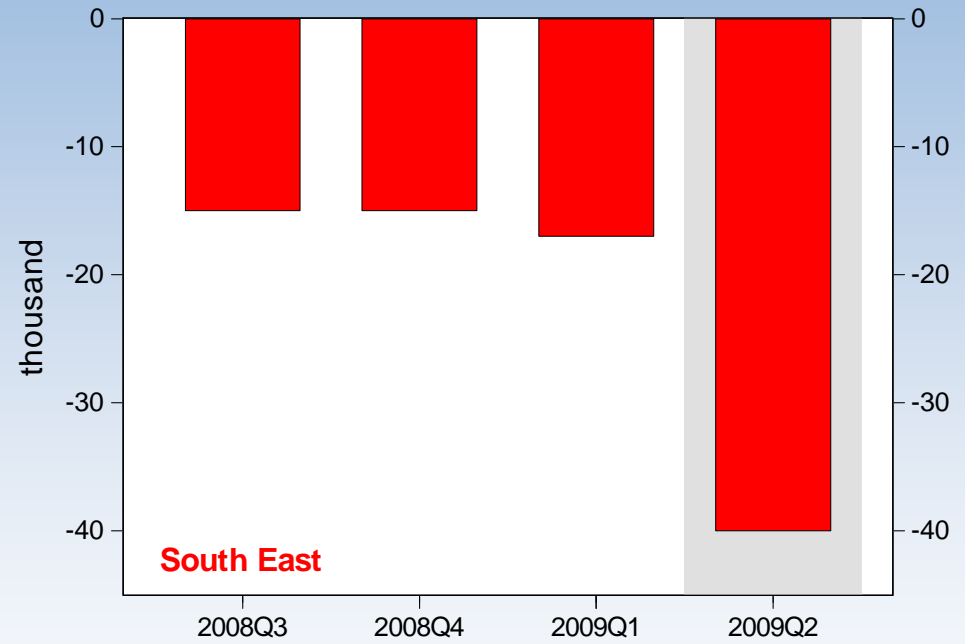
# Employment continues to decline ...

### Large Redundancy Notifications\*



Source: BIS, JC+ 2009

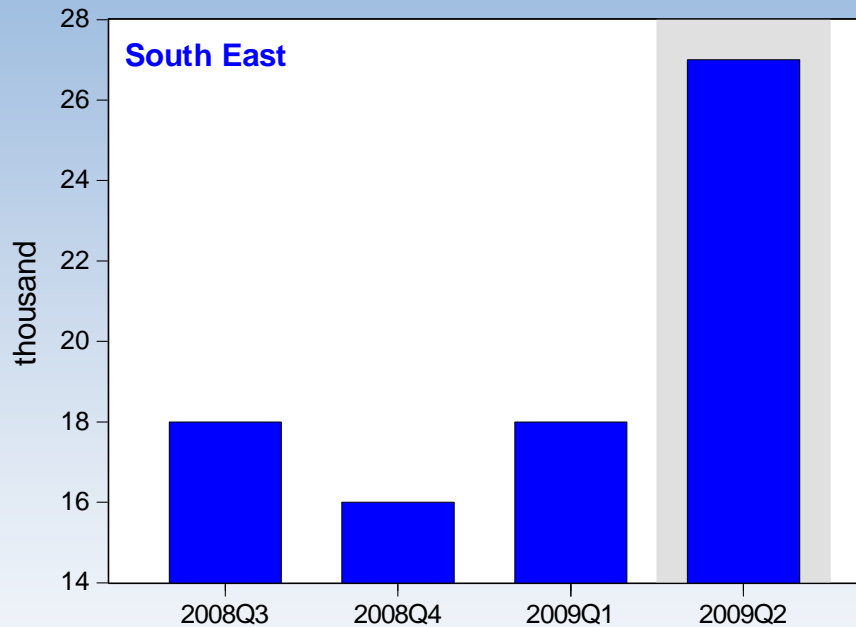
### Employment change (Q on Q)



Source: ONS 2009

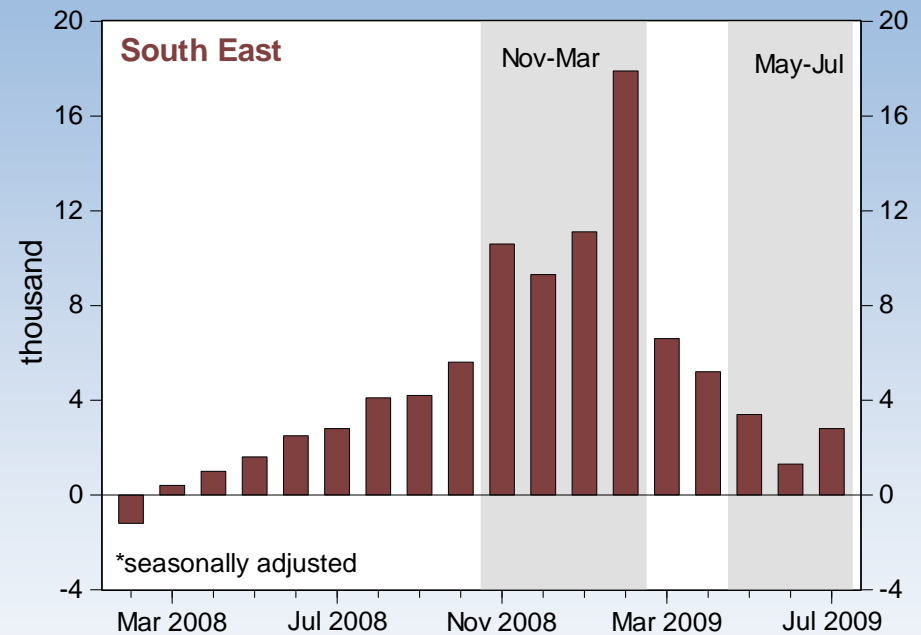
# ... and unemployment to increase

### Unemployment change (Q on Q) - LFS



Source: ONS 2009

### Unemployment change (M on M) - JSA\*



Source: ONS 2009

# Evidence suggest that a recovery is underway

- Business surveys – upbeat (PMI)
- Official statistics – industrial production
- NIESR – monthly estimates of GDP growth
- Consumer confidence
- Money market rate
- Stock markets
- Merger and acquisition
- Global economy recovering
- Uncertainty:
  - Business lending and investment
  - Pace of recovery?

**Thank you**

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