

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 18 JUNE 2009

ITEM 7

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 – May 2009) shows that the rate of deterioration in business conditions in the South East has further slowed this month. The latest intelligence shows that the volume of output, volume of new orders and levels of employment in May were broadly flat when compared to April 2009.
2. There are mixed reports on bank lending, with some banks generally reported as being cooperative and more receptive to the EFG scheme (Barclays, RBS) and others being slow off the mark such as HSBC (HSBC has a low share of the UK retail banking sector). Furthermore, the performance of some banks is difficult to gauge as they are participating in the EFG scheme but are preoccupied with restructuring.
3. An improvement in consumer and business sentiment continues and indicates that the pace of decline in the UK and South East economies appears to be bottoming out. Furthermore, the latest Composite Leading Indicator for the UK economy compiled by the OECD points to a possible trough in the UK economy in March 2009. The National Institute of Economic and Social Research (NIESR) successfully predicted large falls in UK GDP in the last quarter of 2008 and the first quarter of 2009 and according to its latest estimate, UK GDP was broadly flat in April (margin of error in their estimates is +/- 0.2%).
4. Increasing confidence within the economy has over the past couple of weeks helped sterling to recover some ground lost against the US dollar and Euro. Oil prices have recovered by more than 50% over the past two months, which suggests that markets are expecting global economic conditions to improve over the coming months.
5. According to HR1 data, the level of redundancy notifications in the South East in May was higher than in April, but nowhere near the monthly

average between October and March. There were some 2,500 redundancy notifications in the South East in April against 2,100 in April 2009.¹ The manufacturing sector accounted for some 28% of all redundancy notifications in the South East in the past month (similar to the monthly average since October 2008). Services accounted for two thirds of the redundancy notifications announced in May against almost 50% in April.

6. The labour market continues to weaken, albeit at a slower pace than in March 2009. On the broader measure (Labour Force Survey) unemployment in the South East in the three months to March 2009 reached 236,000. The number of people claiming JSA rose by 3,700 between March and April to 154,000. The change in the number of people claiming JSA has slowed down sharply since its peak in February. The latest slower growth in the number of people claiming JSA could be influenced by seasonal factors, and it is likely that unemployment will continue to increase throughout 2009 and probably well into 2010.²

SEEDA's Response

7. 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 LSC.
8. 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. The Transition Loan Fund has now had offers loans accepted by 17 companies with a value of just over £2.4m. Finance South East report that they expect to fully offer the loans available in the Fund (£3m) by August. SEEDA has also set up a Financial Services forum which met for the first time on Monday 1 June. The region's Business Links have undertaken over 10,000 Healthchecks out of about 55,000 in England.
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.

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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.

² For further details see SEEDA (2009) South East Economy Review, June 2009.