



Margate (Thanet) Economy Update

March 2010

South East England Development Agency (SEEDA)
SEEDA Research & Economics Team

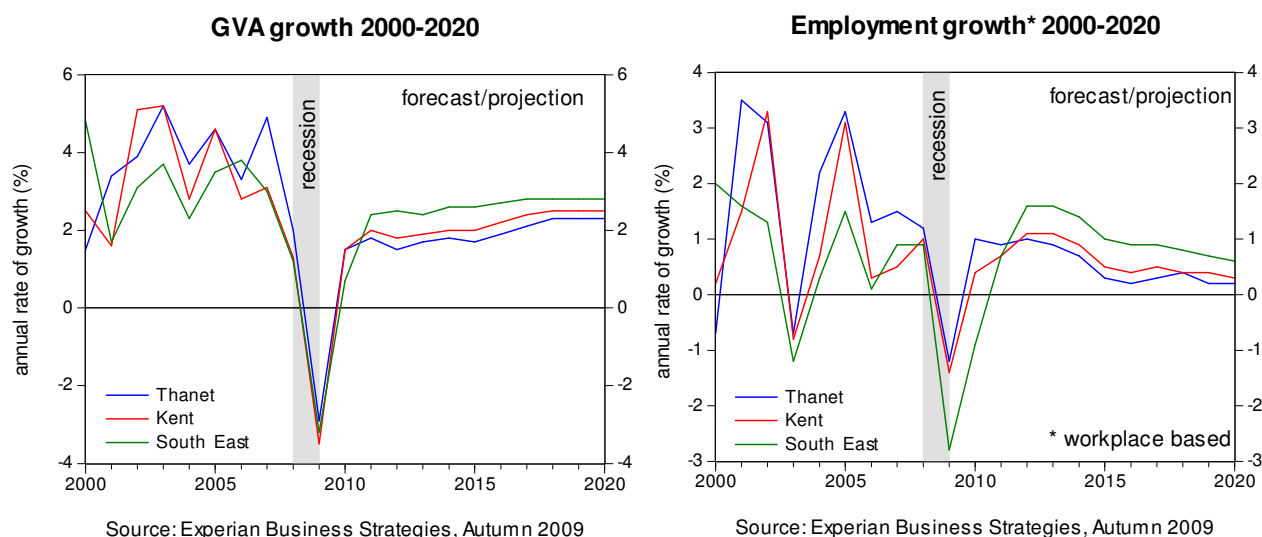
Summary

- Pre-recession, GVA and employment in Thanet grew at a faster rate than the Kent and South East averages, but rates of growth in Thanet are now forecast to be lower than the regional and county averages.
- Broadly speaking, GVA and employment in Thanet are expected to have been less affected by the recession than in Kent and the South East, though the recovery is projected to be less strong.
- The differing performance of Thanet and the South East can largely be explained by the industrial mix.
- Anecdotal intelligence suggests that we're seeing an increase in the number of start-ups in Thanet and Kent resulting from redundancy.
- Since the start of the recession we have seen a sharp increase in unemployment in the South East and Kent, but the rate is still well below the 1990s peak.
- Coastal and larger urban areas in the South East have seen the fastest increases in unemployment. Since the start of the recession, the unemployment rate in Thanet has doubled.
- There have been relatively few large redundancies in Thanet in the past year, compared to other parts of Kent. However, this could disguise significant numbers of smaller-scale job losses.

1. GVA and Employment

Pre-recession, GVA and employment in Thanet grew at a faster rate than the Kent and South East averages, but following the recession rates of growth in Thanet are forecast to be lower than the regional and county averages.

- From 2001, GVA in Thanet increased at a faster rate than the South East average, and from 2003 the rate of growth was also above the average for Kent. GVA growth averaged 3.9% per year between 2000 and 2008 in Thanet, compared to 2.8% in the South East and 3.3% in Kent.
- However, from 2010 onwards, when the South East economy is forecast to return to growth, rates of GVA growth in Thanet are projected to be below the average for Kent and the South East. (See chart on LHS, below).
- A similar picture is evident for employment, where Thanet tended to see a faster rate of growth than the county and regional averages in the early years of this century, before the recession. Over the period 2000-2008, the average annual growth rate for employment in Thanet was 1.9%, compared to 1.2% in Kent and just 0.7% in the South East.
- However, from 2011, when employment is expected to return to growth, the rate of increase in Thanet is projected to be below the county and regional averages. (See chart on RHS, below).

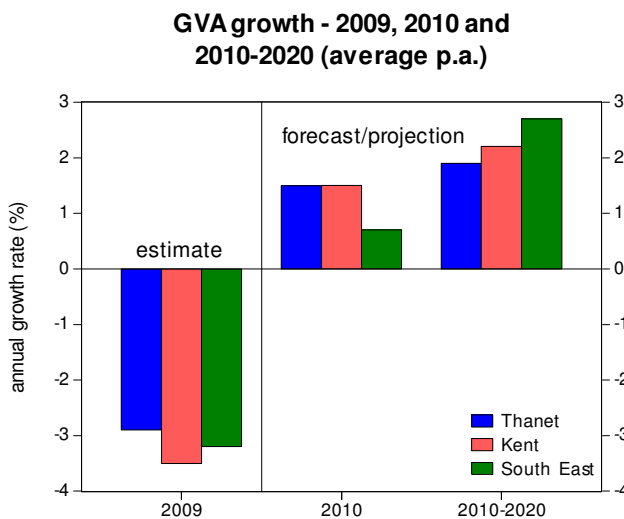


GVA and employment in Thanet are expected to have been less affected by the recession than in Kent and the South East. However, the recovery is projected to be less strong in Thanet.

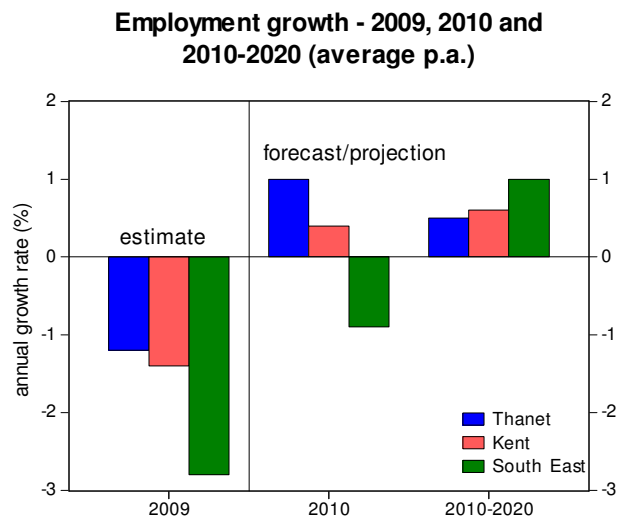
- Experian's most recent forecasts suggest that the rate of contraction in GVA in Thanet in 2009 was slower than in Kent and the South East as a whole. GVA is

expected to have fallen by 2.9% in Thanet in 2009, compared to 3.5% in Kent and 3.2% in the South East.

- It is projected that once the economy returns to growth in 2010, the rate of growth in Thanet will be in line with Kent, at 1.5%, but significantly higher than the South East (0.7%). However, over the medium term (2010-2020) GVA is projected to grow more strongly at county and regional level than in Thanet. The average annual rate of growth in GVA is projected to be 1.9% in Thanet, compared to 2.2% in Kent and 2.7% in the South East. (See chart on LHS, below).
- The decline in employment in 2009 is expected to be more muted in Thanet than in the South East – dropping by -1.2% compared to -2.8% in the South East. In 2010, employment in the South East is projected to continue declining, while in Thanet employment is forecast to grow by 1% and in Kent by 0.4%.
- However over the medium term (2010-2020) employment in the South East is projected to recover more strongly than in Thanet and Kent more widely. While employment in the South East is forecast to grow by 1% per year on average, employment growth in Thanet and Kent is expected to average just 0.5% and 0.6% per year respectively. (See chart on RHS, below).



Source: Experian Business Strategies, Autumn 2009



Source: Experian Business Strategies, Autumn 2009

The differing performance of Thanet and the South East can be explained by the industrial mix.

- The slower rate of decline in GVA and employment in Thanet during the recession could be explained by the greater concentration of public services and the smaller contribution of financial and business services to the local economy, relative to the South East. Public services were generally cushioned from the recession, with relatively few job losses in 2009, while there were significant redundancies in financial and business services in some parts of the region.

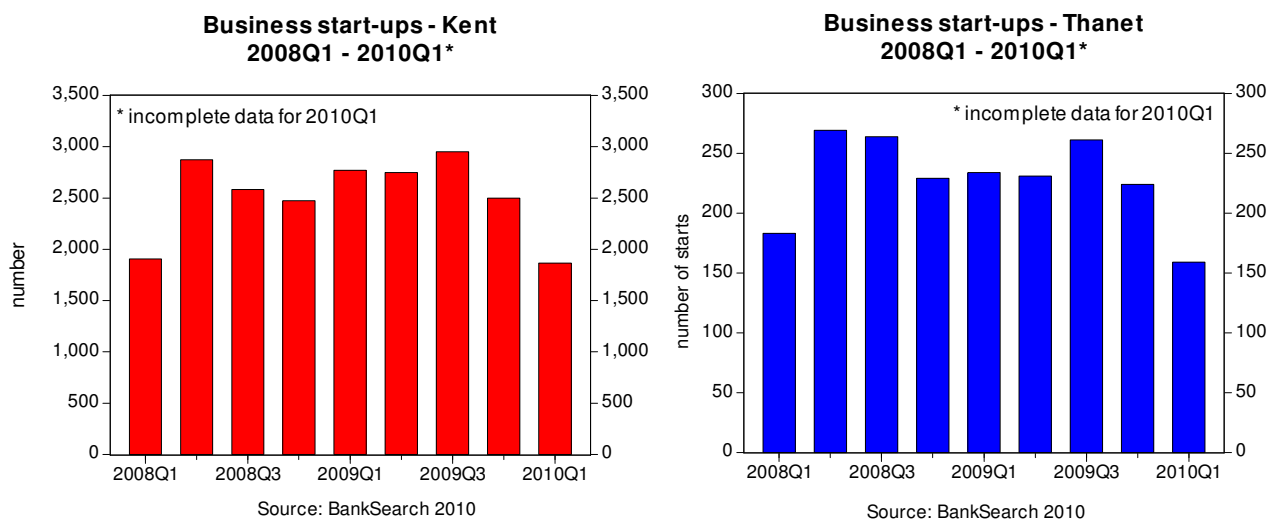
- Growth in both GVA and employment in Thanet is projected to be more muted than in the South East following the recession. This could be because of the greater concentration of public sector employment in Thanet (35% of employees in Thanet work in the public sector compared to 25% in the South East). The anticipated cuts in public spending are likely to lead to significant job losses in the public sector, which will leave areas which are more reliant on employment in this sector more exposed.

2. Enterprise

The longest and the deepest post war recession had a significant impact on business performance across the South East and Kent over the past 24 months. Business survival rates and business start-up rates have been significantly affected by the sharpest global recession on record and the global credit squeeze.

There is a growing tendency for 'necessity' start-ups resulting from redundancy.

- There is a lack of timely data on business start-up and survival at regional and sub-regional level. However, anecdotal intelligence suggests that we're seeing an increase in start-ups resulting from redundancy.



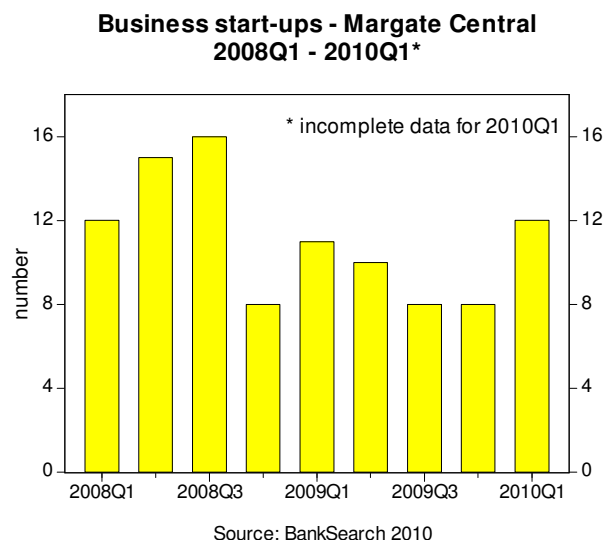
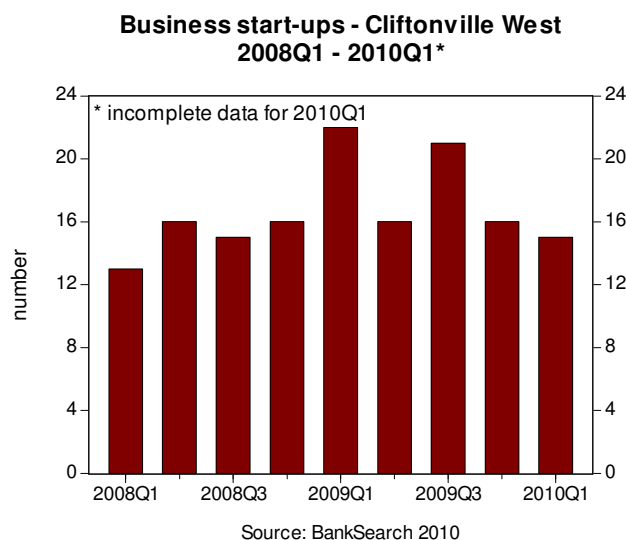
- The latest data from major UK banking groups also suggests that there has been an increase in the opening of first business accounts¹. In the South East the number of new openings of a first current account from a small business banking product range in 2009 was 69,500, an increase of 13.7% on the previous year.

¹ A 'Start-up' reflects the opening of a first current account from a small business banking product range. They represent businesses new to banking or those previously operated through a personal account. The data exclude businesses operating through personal accounts, those without banking relationships or those banking with other institutions. BankSearch collects data from the main suppliers of business banking services: Barclays, Co-operative Bank, HSBC, Lloyds Banking Group, Royal Bank of Scotland Group and Santander. Clubs, charities, societies and other 'non-profit institutions serving households' are included.

However it is important to treat findings based on this data (especially at ward and district level) with a high degree of caution.

The figure for Kent was 11,000 (an increase of 11.5%) and for Thanet 950 or an increase of 0.5% (see charts below).

- There were 75 new openings of a first current account in Cliftonville West in 2009, an increase of 25% (see chart on LHS, below). Over the same period the number in Margate Central has declined by 27.5% to 37 (see chart on RHS, below).

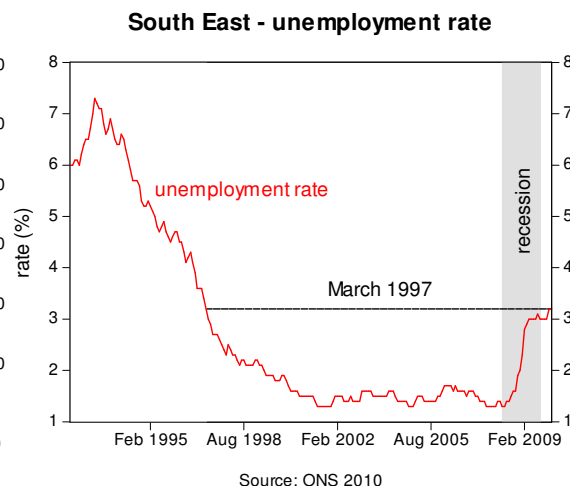
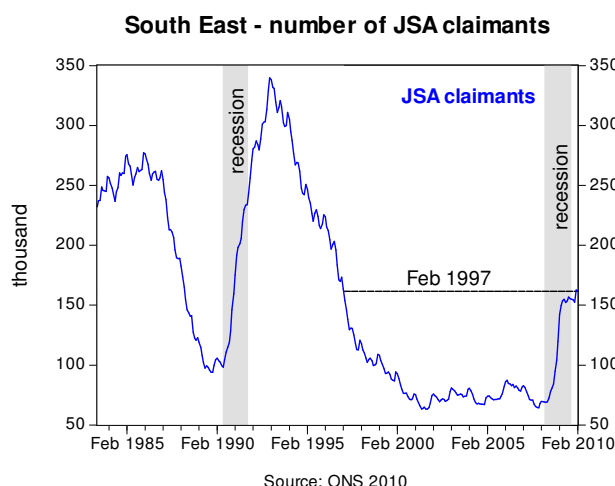


Over the past six months we have seen an improvement in the overall business conditions, GVA growth has returned and the outlook has improved. However many companies continue to see a negative trend in terms of their profit margins and cash flow.

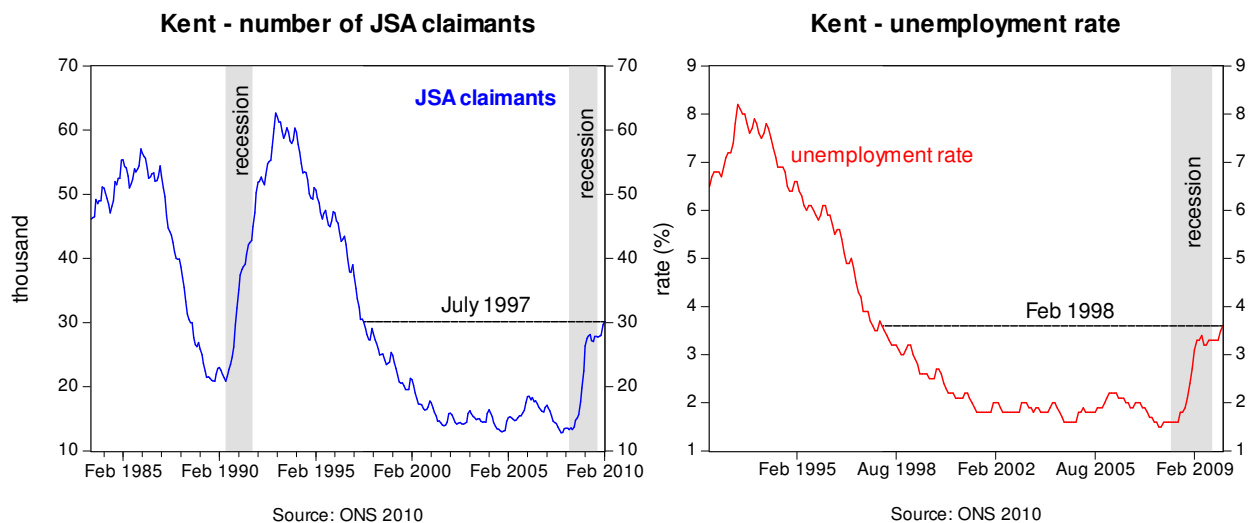
3. Labour Market - Unemployment

Since the start of the recession we have seen a sharp increase in unemployment in the South East and Kent, but the rate is still well below the 1990s peak.

- In February 2010 there were some 161,432 people in the region claiming Job Seekers Allowance (JSA). Since the start of the recession unemployment in the region has increased by 92,327 and the number of JSA claimants in the region has increased by 133.6% (albeit from a low base).



- Unemployment in the region has increased sharply over the past two years, but it is still well below the peak of the 1990s – the number of people claiming JSA is now at the same level as in February 1997 (see chart on LHS, above).
- In February 2010 the unemployment rate in the region was 3.2% or some 1.9 percentage points higher than in April 2008. As indicated above, the unemployment rate is at the same level as in early 1997 and well below the early 1990s peak when it exceeded 7% (see chart on RHS, above).

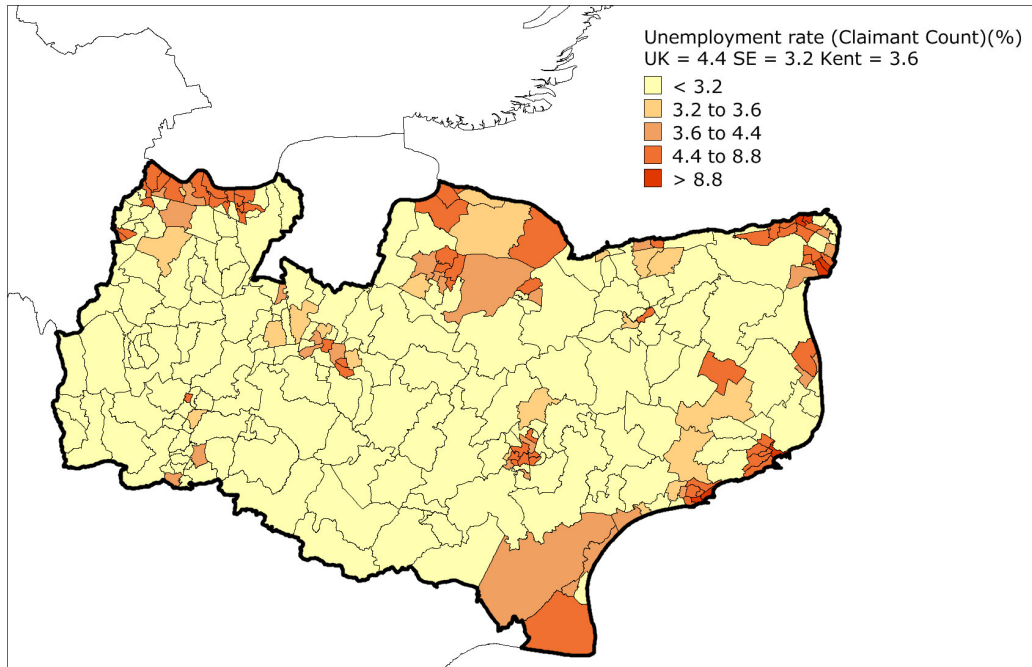


- In February 2010 there were some 30,148 people in Kent claiming Job Seekers Allowance (JSA). Since the start of the recession unemployment in Kent has increased by 16,770 and the number of JSA claimants in Kent has increased by 125.4% (albeit from a higher base). Although unemployment has increased sharply over the past two years, it is still well below the peak of the 1990s – the number of people claiming JSA is now at the same level as in July 1997 (see chart on LHS, above).
- In February 2010 the unemployment rate in Kent was 3.6% or some 2 percentage points higher than in April 2008. The unemployment rate is at the same level as in early 1998 and well below the early 1990s peak when it exceeded 8% (see chart on RHS, above).

Coastal and larger urban areas have seen faster increases in unemployment since the start of the recession.

- Over the past two years unemployment has increased faster in coastal towns and larger urban areas in Kent than elsewhere. The main reason behind this can be found in industrial structure (concentration of manufacturing activities) and skills base (relatively high concentration of people with lower skills). As indicated below, coastal and larger urban areas tend to have much higher unemployment rates than rural areas and smaller market towns.

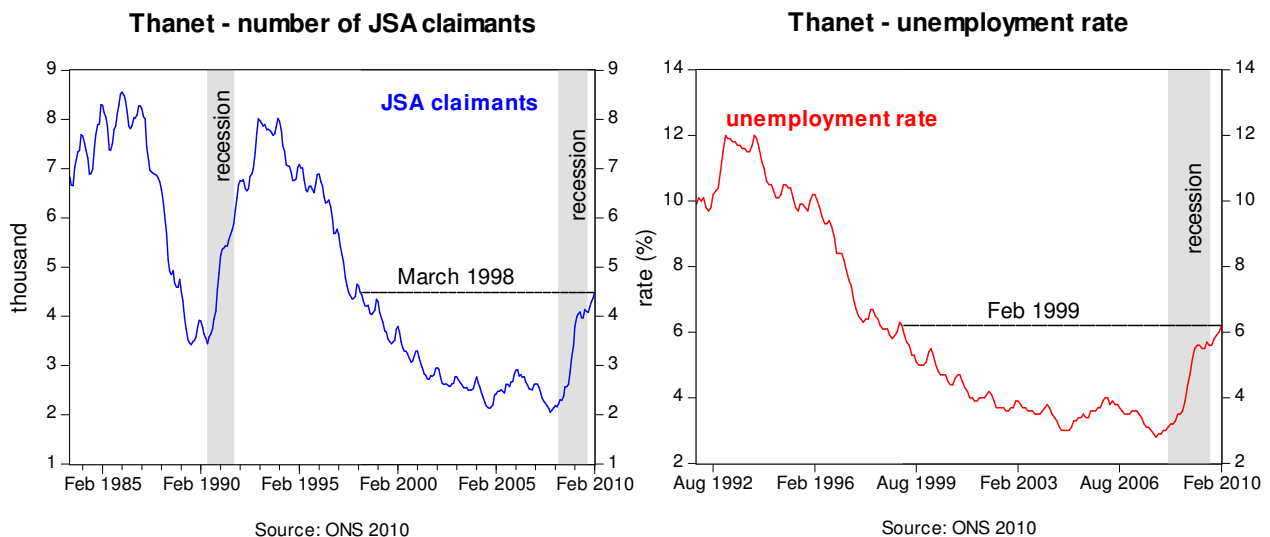
Unemployment rate by Ward across Kent and Medway – February 2010



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Since the start of the recession the unemployment rate in Thanet has doubled.

- In February 2010 there were some 4,482 people in Thanet claiming Job Seekers Allowance (JSA). Since the start of the recession unemployment in Thanet has increased by 2,265 and the number of JSA claimants in the region has increased by 102.2% (albeit from a higher base). Although unemployment has increased sharply over the past two years, it is still well below the peak of the 1990s – the number of people claiming JSA is now at the same level as in March 1998 (see chart on LHS, below).



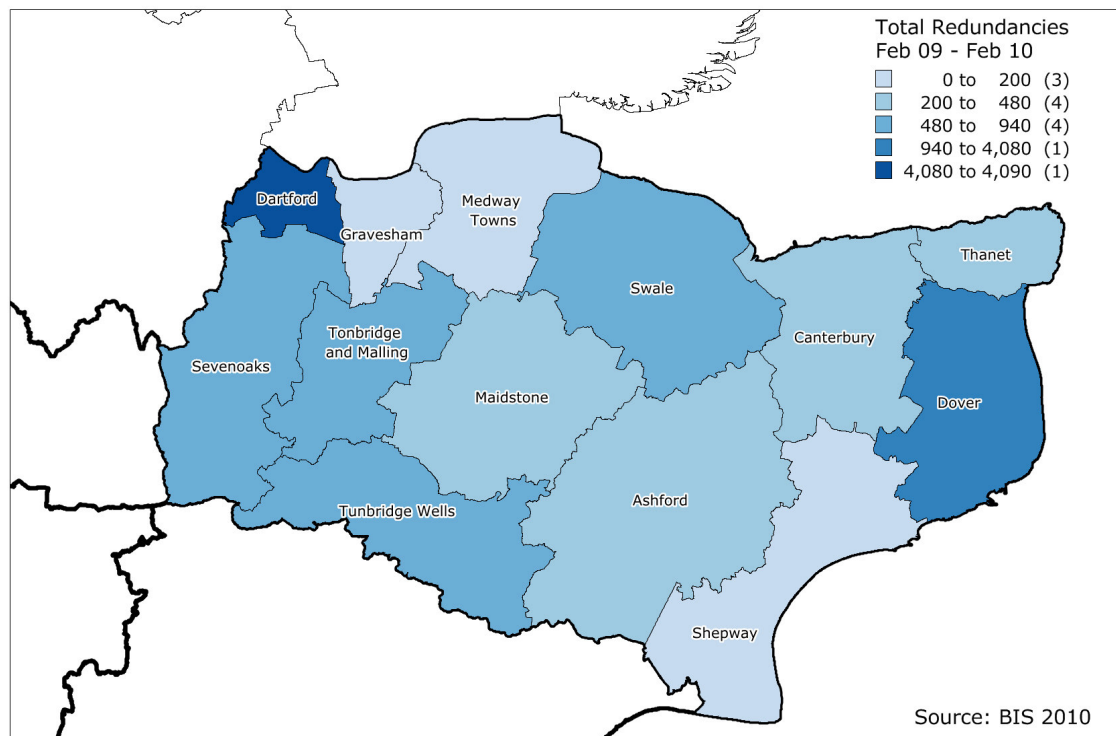
- In February 2010 the unemployment rate in Thanet was 6.2% or some 3.1 percentage points higher than in April 2008. Although this is well below the peak of the early 1990's when unemployment reached 12% (see chart on LHS, above).
- It implies that unemployment in Thanet has doubled in less than two years.

There have been relatively few large redundancies in Thanet in the past year, compared to other parts of Kent. However, this could disguise significant numbers of smaller-scale job losses.

- There were a total of 200 redundancy notifications in Thanet between February 2009 and February 2010, the majority of which were in the manufacturing sector. Only two other local authorities in Kent saw fewer redundancies (Shepway and Gravesham). Medway also had fewer redundancies than Thanet during this period. (See chart below).

However, these figures only capture redundancy notifications involving more than 20 employees, and it is likely that significant numbers of smaller-scale job losses have taken place in Margate and Thanet in the past year, which are not captured in this data.

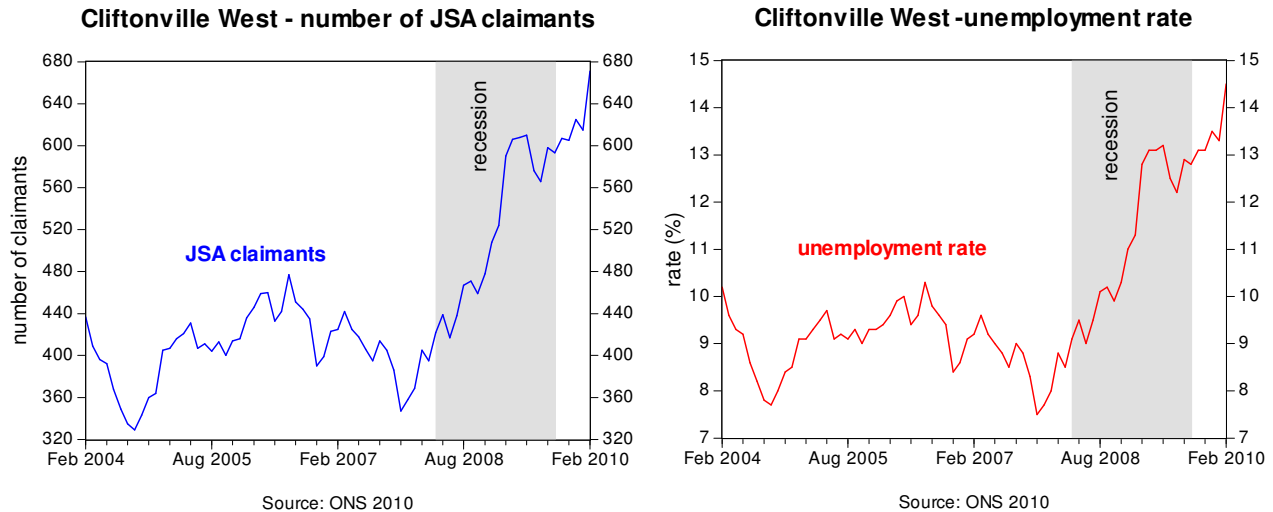
Total redundancy notifications, Kent local authorities, Feb 2009-Feb 2010



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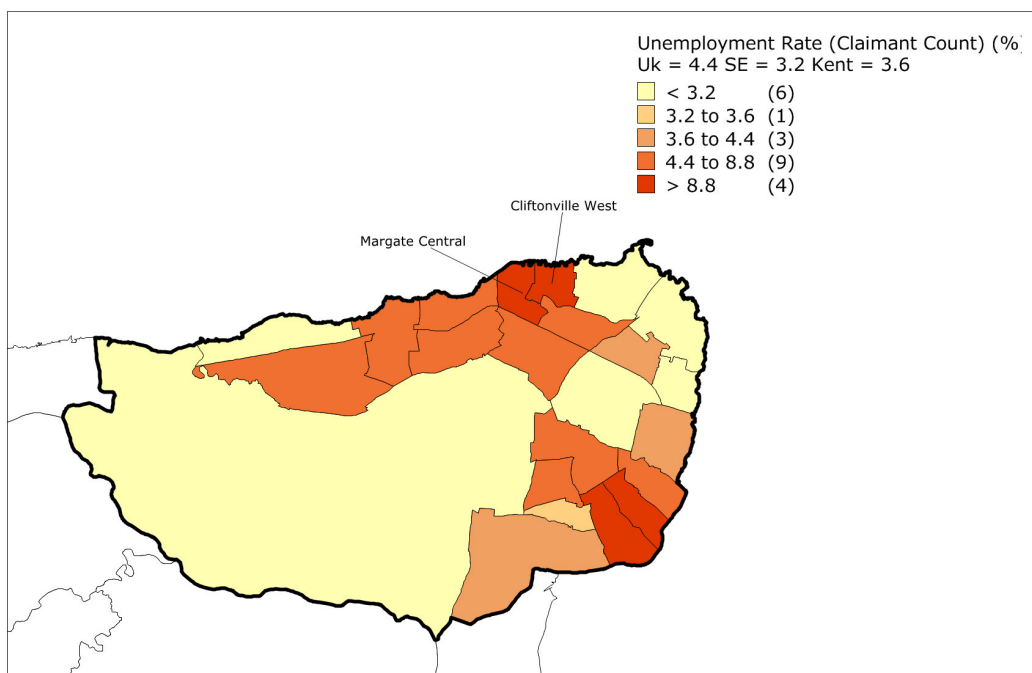
Since the start of the recession unemployment in Margate Central has increased faster than unemployment in Cliftonville West Ward.

- Before the recession unemployment in Cliftonville West ward was on a broad downward trajectory for over two years. In February 2010 there were some 671 people in Cliftonville West ward claiming Job Seekers Allowance (JSA). Since the start of the recession unemployment in Cliftonville West ward has increased by 249 and the number of JSA claimants in the region has increased by 59% (albeit from a high base). Unemployment in this ward has increased sharply over the past two years (see chart on LHS, below), and unlike at regional and county level it does not appear to be leveling off.



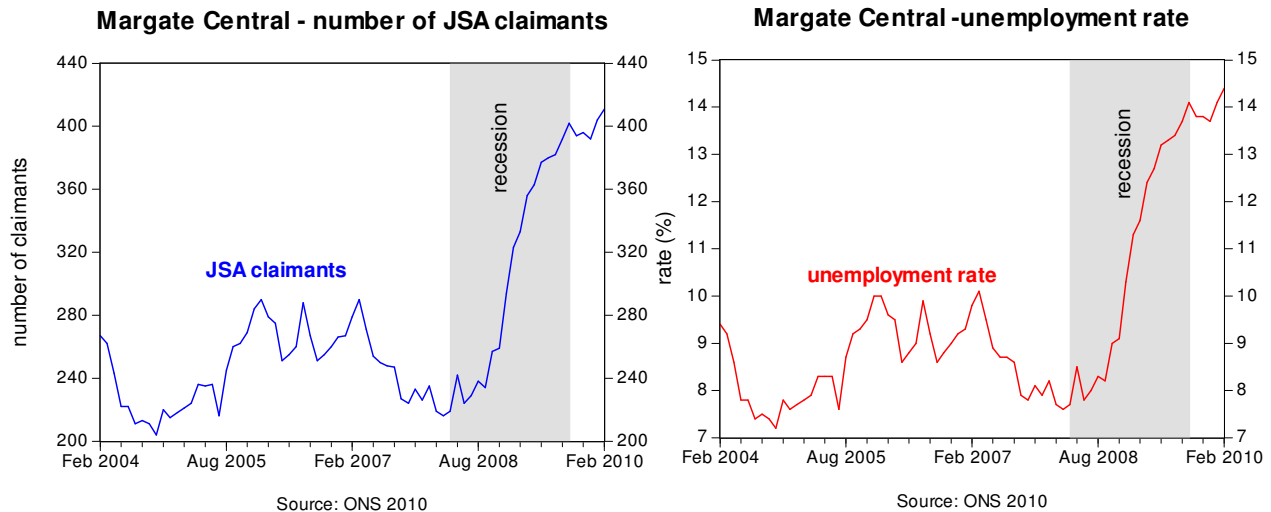
- In February 2010 unemployment rate in Cliftonville West ward was 14.5% or some 5.4 percentage points higher than in April 2008 (see chart on RHS, above).

Unemployment rate – Margate Central and Cliftonville West – February 2010



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- Similar to the trend observed in Cliftonville West ward, before the recession unemployment in Margate Central was on a broad downward trajectory for over two years. However, over the past two years we have seen a sharp increase in unemployment in this ward (see chart on LHS, below).
- In February 2010 there were some 411 people in Margate Central ward claiming Job Seekers Allowance (JSA).



- Since the start of the recession unemployment in Margate Central ward has increased by 192 and the number of JSA claimants in the ward has increased by 87.7% (albeit from a high base). After a brief leveling off in late 2009 and January 2010 (probably caused by seasonal factors) it has increased again in February 2010.
- In February 2010 the unemployment rate in Margate Central ward was 14.4% or some 6.7 percentage points higher than in April 2008 (see chart on RHS, above).
- Therefore, the unemployment rate in Margate Central has increased faster than in Cliftonville West.

4. 'Town Centre Health Indicators 2009 Margate' from Kent County Council

Kent County Council surveys each of the 17 town centers in Kent, in order to assess the 'health' of these town centres. Margate town centre was last surveyed in 2009, during the current economic downturn.

Retail floor space

- Margate town centre had a total of 20,461m² of retail and service sector floor space in 2009. This represents an overall loss of approximately 25% since the 2007 survey. The greatest losses by sector were 78% for multiuse and 71% for DIY and hardware, but there was also an increase of approximately 520% for toys floor space.

Evening economy

- At the time of the 2009 survey, restaurants, take-away outlets and public houses were generally evenly distributed around Margate town centre and occupied 12,569m² of town centre floor space. This is an overall loss of approximately 18% since 2007.
- Between 2007 and 2009 there had been a 126% increase in floor space for cafés and unlicensed restaurants and a 14% increase in floor space for restaurants. However, there had also been a 76% loss in floor space for take-away outlets, and a loss of 24% in floor space occupied by public houses, clubs and bars.

Tourism

- The Tourist Information Centre in Margate received approximately 50,000 visitor enquiries during 2009, which is a decrease of over 3,400 from 2008.

Footfall

- The number of people visiting Margate from 2006 to 2009 is declining. This follows the national trend where footfall figures are also in decline.
- Footfall in 2009 was 9,900, which had reduced from 11,160 in the 2008 survey.

Retail vacancy rates

- Kent County Council's 'Town Centre Health Indicators 2009 Margate' survey found a total of 184 retail properties in Margate town centre. Of these, 69 were vacant at the time of the 2009 survey, giving a vacancy rate of 38%. This indicates that the vacancy rate has increased from the 2007 survey, which found a vacancy rate of 33%.
- A Local Data Company report from February 2010 found that Margate is the hardest hit medium sized centre for vacancy rates, with more than 27% of its shops standing empty. The data was collected between July and December 2009.
- Please note that it is not possible to make direct comparisons between these two sets of data, as the methodology for collecting the data could vary between the surveys.