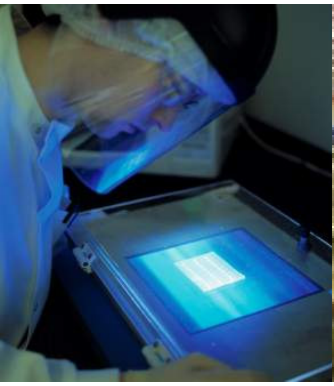




Kent Economy Update

September 2009

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

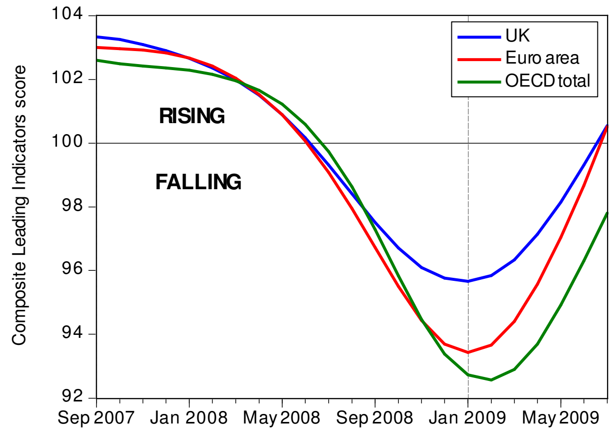
Summary

- The UK economy now appears to be on the road to recovery, though any recovery looks set to be slow and protracted.
- Business activity in the South East is increasing again for the first time since June 2008, though many firms are still reporting difficult trading conditions.
- While survey evidence indicates that fewer firms are now being refused credit, many firms are reporting that the cost of this credit has risen over the past two months.
- Kent & Medway has a relative over-representation of sectors that have been badly affected in the recession, most notably manufacturing, construction and transport.
- The number of large redundancy notifications reported in Kent & Medway over the past six months has fallen sharply, though unemployment has continued to rise.
- The claimant to vacancy ratio is increasing as competition for jobs intensifies - more people are out of work and at the same time the number of notified vacancies has been falling over the past year.
- As unemployment is a lagging indicator of economic activity, it is likely that we will continue to see rises in unemployment for some time.

Macroeconomic overview

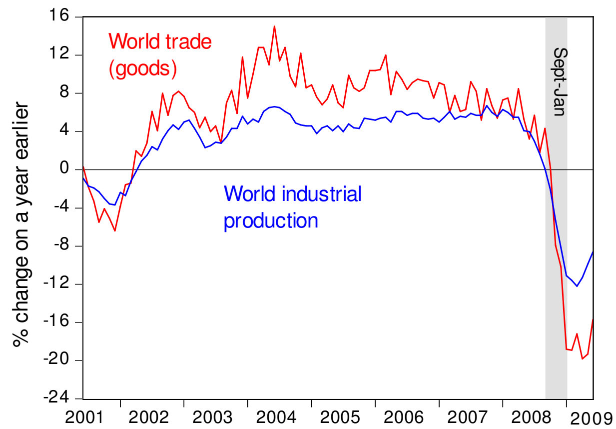
Evidence continues to point towards slow but steady progress across the global economy. The latest set of composite leading indicators show that the recession across the developed world bottomed out in spring 2009, with world industrial production and trade hitting a trough and the recovery now under way (at least in the Eurozone and the UK) - Figure 1 and Figure 2. Confidence has returned to the markets with the FTSE100 increasing by 40% since its trough in March of this year (Figure 3).

Figure 1: OECD composite leading indicators



Source: OECD 2009

Figure 2: World Industrial Production and Trade



Source: CPB Netherlands Bureau for Economic Policy Analysis 2009

UK GDP contracts faster than in any other post-WWII recession. We have now had 5 consecutive quarters of negative growth, which is how long previous recessions have lasted. The current recession bears some similarities to the recession of the early 80s, with manufacturing and construction being badly affected, though the extent of the downturn has been worse this time around.

FTSE 100

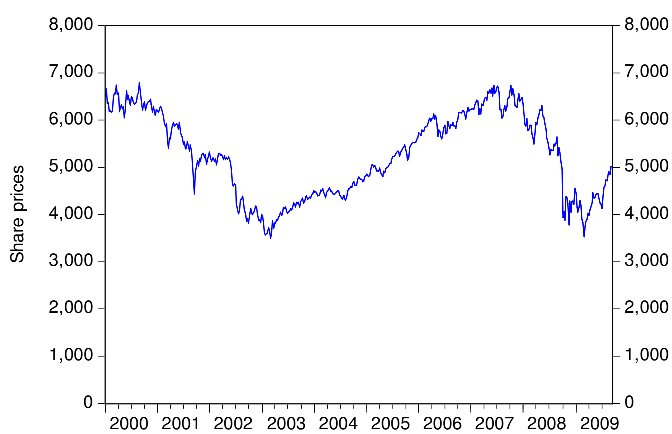


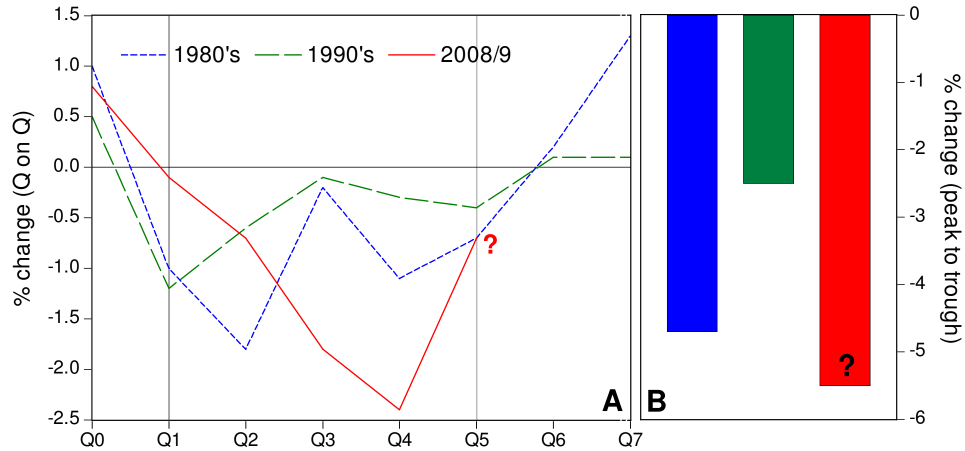
Table 1: GDP growth

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: ONS, Eurostat

As shown in figure 4 (B) UK GDP contracted by 5.5% from peak to trough in the current recession which is deeper than in the 1980's recession and twice as deep as in the recession of the 1990's. The contraction in GDP in the UK over the past year has been less severe than in Japan, Germany or Italy. However, Germany, France and Japan have all left recession, with the UK predicted to soon follow suit (Table 1).

Figure 4: UK Recessions (A) Change in GDP from peak to trough (B)



Source: ONS 2009

Although there are signs that the recession is receding, trade, orders and output are all well below their peak and any recovery looks set to be slow and protracted. The latest ICAEW quarterly survey (2009Q3) shows that business confidence in the UK has recovered substantially since the first quarter. However, business confidence in the South East remains in negative territory compared to a positive score for the UK as a whole.

South East overview

Business activity increased in July and August in the South East for the first time since June 2008, according to the Purchasing Managers Index, which provides a respected monthly survey of business conditions (Figure 5). There was a similar picture for new orders, which increased in the South East in July and August for the first time since April 2008 (Figure 6).

Figure 5: Business activity (output)

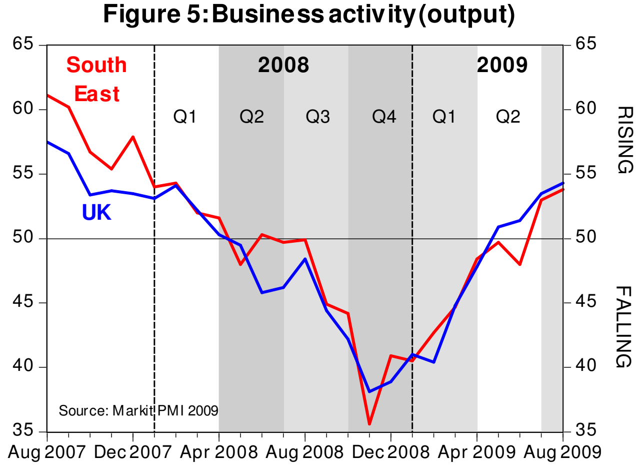
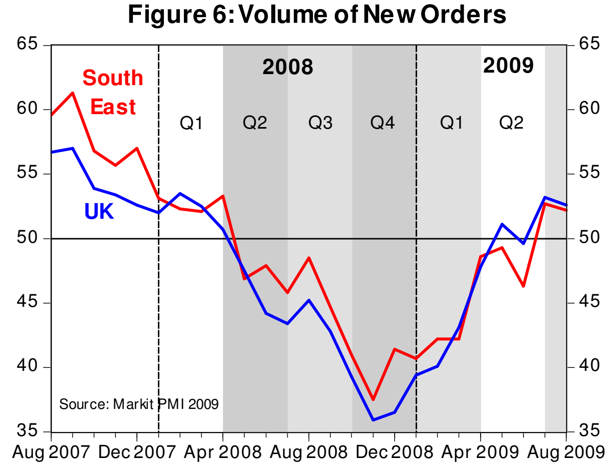
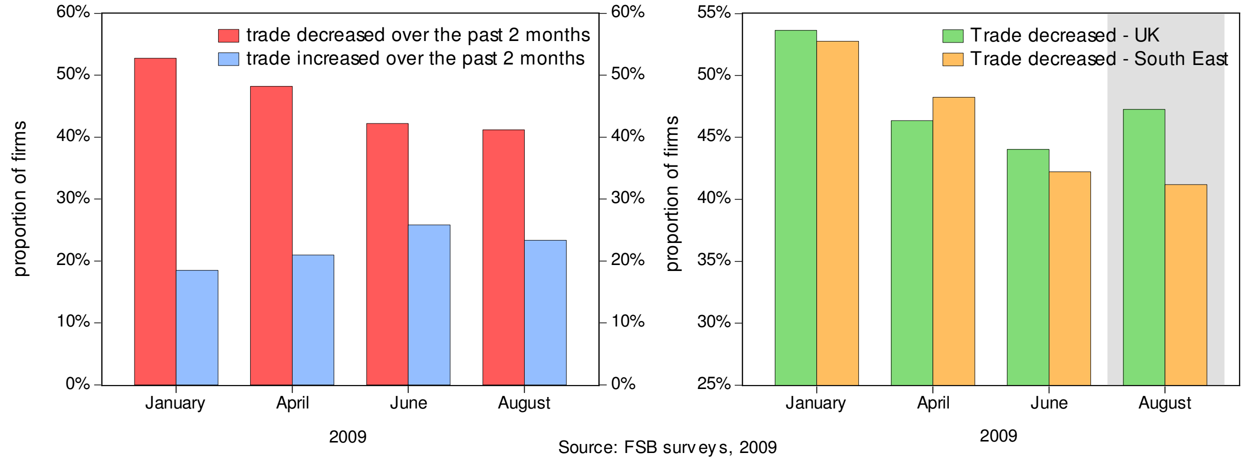


Figure 6: Volume of New Orders



However, conflicting evidence comes from the August Federation of Small Businesses (FSB) survey. In this survey of over 4000 businesses in the UK (around 800 in the South East), businesses reporting decreased trade over the past 2 months still outnumber those reporting increased trade (Figure 7). The proportion of firms reporting increases has fallen since June, though fewer firms in the South East report decreases compared to the UK average.

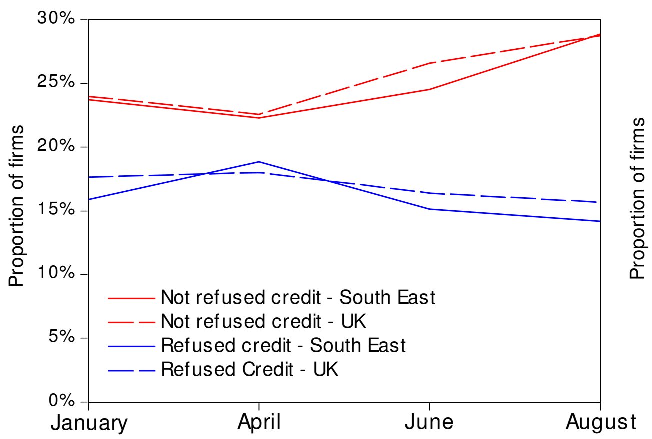
Figure 7: Has your level of trade increased or decreased over the past 2 months?



Source: FSB surveys, 2009

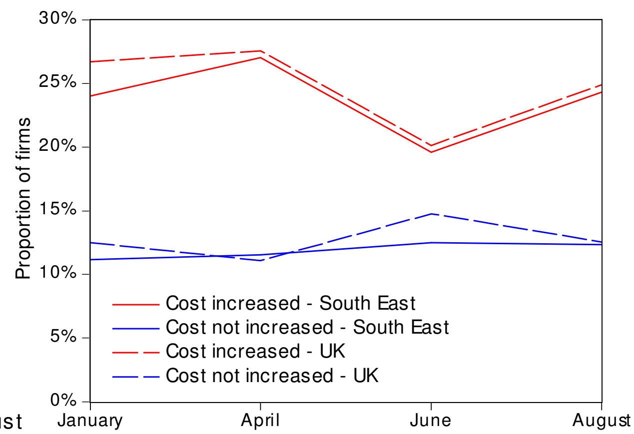
The FSB survey also suggests that that while slightly fewer firms in the South East reported being refused credit in August, the cost of new finance may actually have risen since June for many firms (Figure 8 and Figure 9).

Figure 8: Has your bank refused your requests for credit in the past 2 months?



Source: FSB 2009

Figure 9: Cost of new credit



Source: FSB 2009

Kent & Medway - Economy

Manufacturing and construction activities have been affected more than any other sector of the economy. The current recession has been characterized by a large fall in domestic demand, in particular demand for larger items such as cars together with a sudden collapse in global demand. The collapse of house prices in the UK and the liquidity squeeze has had a significant impact on house building and construction activities across the country. Hence in the current recession manufacturing and construction activities have been affected more than any other sector of the economy.

One way of looking at the impact of the recession on Kent & Medway is to look at a concentration of manufacturing, construction and other activities in Kent & Medway relative to the regional average.

There is a high concentration of manufacturing and construction activities in Kent and Medway. As shown in Table 2 there is a high concentration of a number of manufacturing sectors in Kent and Medway such as manufacture of chemicals and man made fibres.

Table 2: Sectoral concentration in Kent & Medway and the South East relative to regional and UK average[1]

Selected Sector	Kent Location Quotient (South East = 1)	South East Location Quotient (UK = 1)
Metals	1.2	0.44
Mineral Products	1.69	0.45
Chemicals & M.M. Fibres	1.26	1.41
Mechanical Engineering	0.65	0.97
Electrical Engineering	0.82	1.53
Motor vehicles & other transport equip.	0.72	0.64
Food, Drink & Tobacco	1.03	0.59
Textiles, Footwear & Clothing	1.08	0.24
Wood and Wood Products	1.14	0.88
Paper, Printing & Publishing	1.33	1.12
Rubber & Plastics	1.58	0.79
Other Manufacturing	1.18	1.01
Construction	1.32	0.96
Retailing	1.14	1.04
Other Distribution	0.89	1.23
Hotels & Catering	1.02	0.87
Transport	1.25	0.93
Communications	0.77	1.14
Banking & Insurance	0.79	0.8
Business Services	0.68	1.17
Property Related Activities	0.88	1.14
Public Admin & Defence	1.3	0.89
Education	1.03	0.95
Health	1.07	0.84
Other (largely private) services	0.9	1.04
Total Output (GVA)	1	1

Source: SEEDA 2009 estimates derived from Experian RPS data

[1] Note: Table 1 shows the degree of over or under-representation of activities in Kent relative to the South East average and the degree of over or under-representation of activities in the South East relative to the UK.

A value of >1 implies over-representation and vice versa i.e. Construction in Kent & Medway = 1.32, which implies that concentration of this sector in Kent is some 1.3 times greater than in the South East. The value for the South East is 0.96 which implies that it is marginally under represented relative to the UK. The light blue indicates between 1% and 24% higher concentration of output in selected sector in Kent and Medway than the South East average. The dark blue indicates >25% higher concentration of output in selected sector within sub-region than the South East average. Note: in a number of studies a value greater than 1.25 has been used as a potential indicator of a presence of a cluster.

Kent has the highest concentration of this activity within the South East. Paper, printing & publishing is another large manufacturing sector with a heavy concentration in Kent (some 30% above the regional average) and the second largest in the South East (after Oxfordshire). There is a high concentration of several other manufacturing sub-sectors in Kent – metals, minerals, rubber and plastics and other manufacturing. Most of the manufacturing sub sectors have been heavily affected in the current downturn with manufacture of metals, rubber and plastics and paper, printing and publishing affected the most. As shown in Table 1 all of the above sectors are heavily concentrated in Kent and Medway.

Construction is a sector which is marginally under represented in the South East relative to the UK average, but this sector is over represented in Kent (some 30% above the regional average). Furthermore in addition to direct impact on construction, a sharp decline in house building across Kent has had a significant indirect impact on a number of other sectors and in particular on a number of manufacturing sub-sectors.

Transport is another sector which has been affected significantly by the downturn and this sector is over represented in Kent and Medway. Transport is a sector which is normally affected by the recession more than most other sectors. This is perhaps less surprising since a fall in economic activity inevitably leads to a reduction in movement of goods and people. Although in a number of areas the current recession is similar to the recession of the 1980's, the scale of the contraction has been faster. Following the collapse of Lehman Brothers and the subsequent liquidity squeeze there was a sharp fall in not just demand for goods and services but the collapse in the availability of credit insurance halted global trade and subsequently led to a sharp fall in transport related activities.

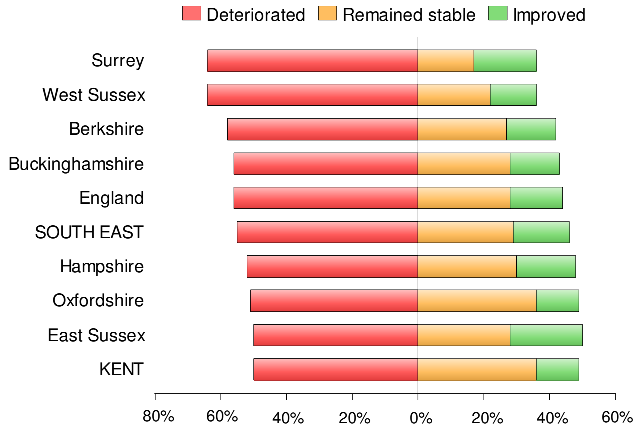
As shown in Table 1 transport activities are underrepresented in the South East but are over represented in Kent and Medway (by about 25%). Furthermore, through significant out-commuting (largely to London) Kent & Medway is exposed to job losses in the neighbouring labour markets.

Hence, the impact of the current recession on jobs in Kent is likely to manifest itself through two primary channels:

1. Sectoral - a high concentration of manufacturing, construction and transport related activities within Kent.
2. Commuting – exposure to job losses in neighbouring labour markets, largely in London.

The latest survey evidence shows that Kent may not have been as badly affected by the recession as other counties in the South East. This is according to the latest RDA National Business Survey, which surveys more than 6,000 businesses nationally (950 in the South East; 160 in Kent), Figure 10. However, the difference between a number of counties in the South East is relatively small given the sample sizes and in some cases it might not be significant.

Figure 10: Business performance in the past 12 months

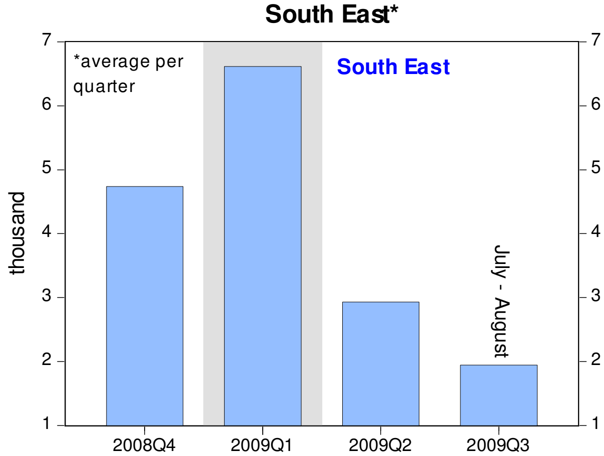


Source: SEEDA 2009

There has been a sharp fall in large redundancy notifications in Kent & Medway over the past six months. More than a third of firms in Kent report having made staff redundant in the year to mid-2009. The latest redundancy notifications data shows that notifications in the region peaked at over 6,500 per month in the first quarter of this year. Over the past two month the number of large redundancy notifications averaged less than 2,000 (Figure 11).

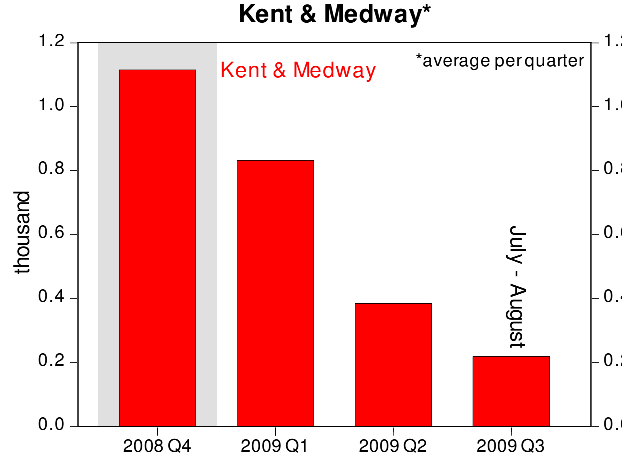
In Kent & Medway large redundancy notifications peaked in the final quarter of last year (at around 1,100 per month) which largely reflects job losses in construction and manufacturing. Over the past nine months we have seen a gradual decrease in the number of large redundancy notifications in Kent & Medway. The average between July and August was around 200 large redundancy notifications (Figure 12).

Figure 11: Large Redundancy Notifications South East*



Source: BIS, JC+ 2009

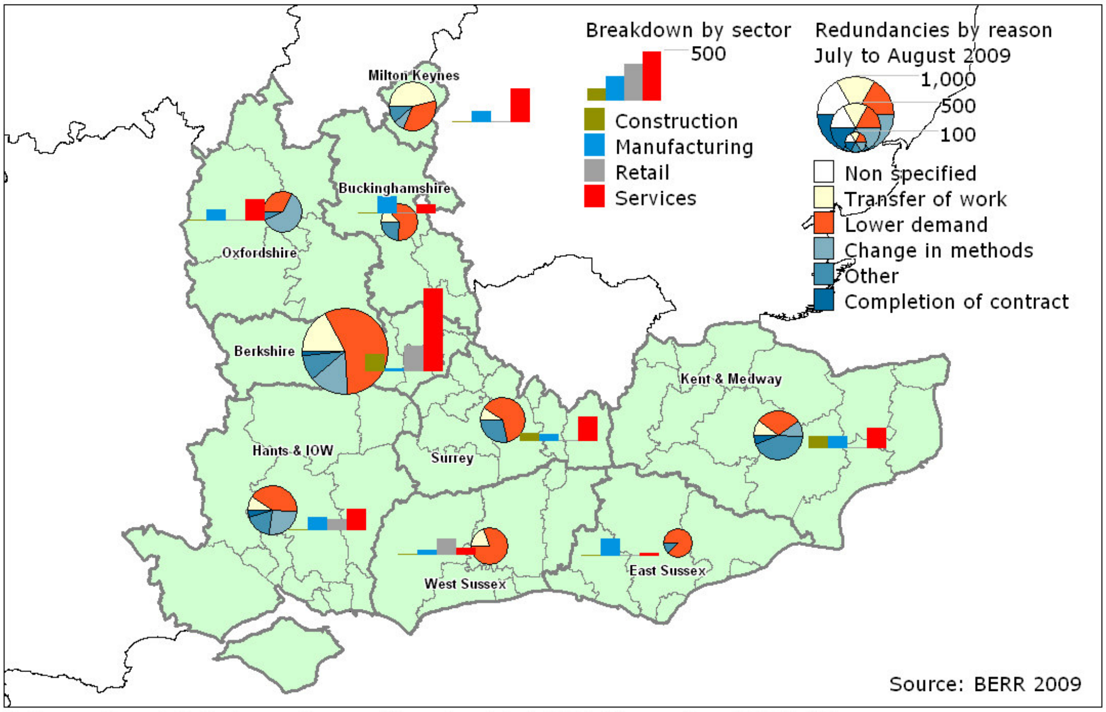
Figure 12: Large Redundancy Notifications Kent & Medway*



Source: BIS, JC+ 2009

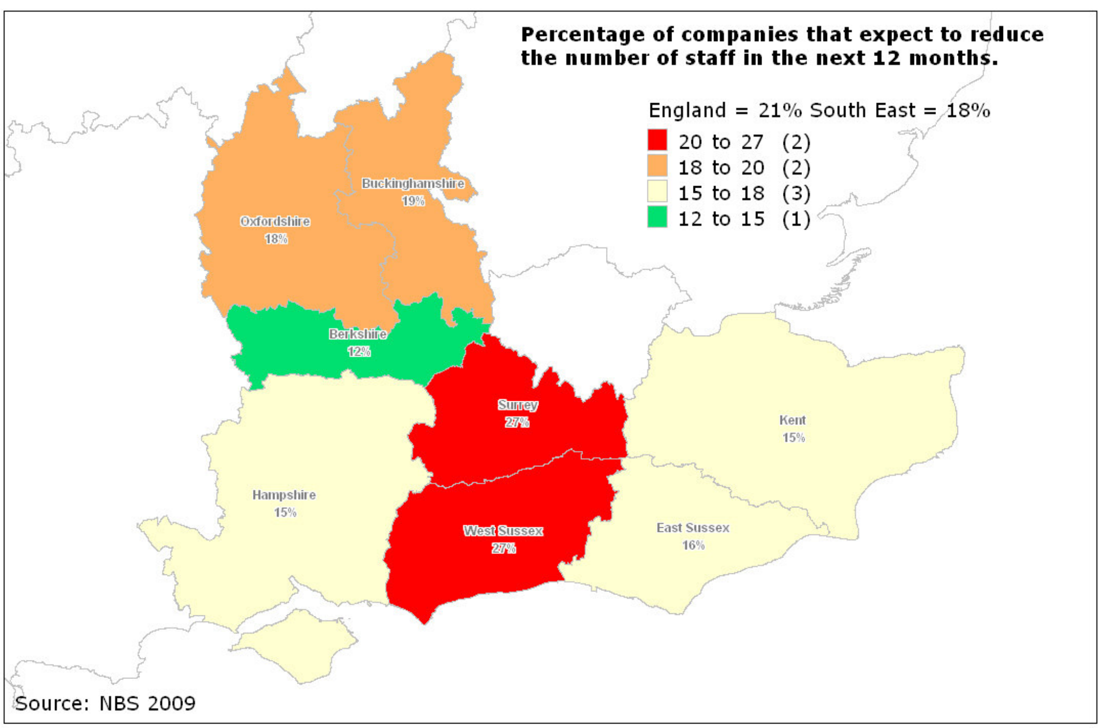
There were some 380 large redundancy notifications in Kent & Medway in July, 50% of which were in services and a quarter in construction and manufacturing respectively (Figure 13). There were just a handful of large redundancy notifications in August all of which were in construction and manufacturing.

Figure 13: Large redundancy notifications by sector and cause of redundancy July to August 2009



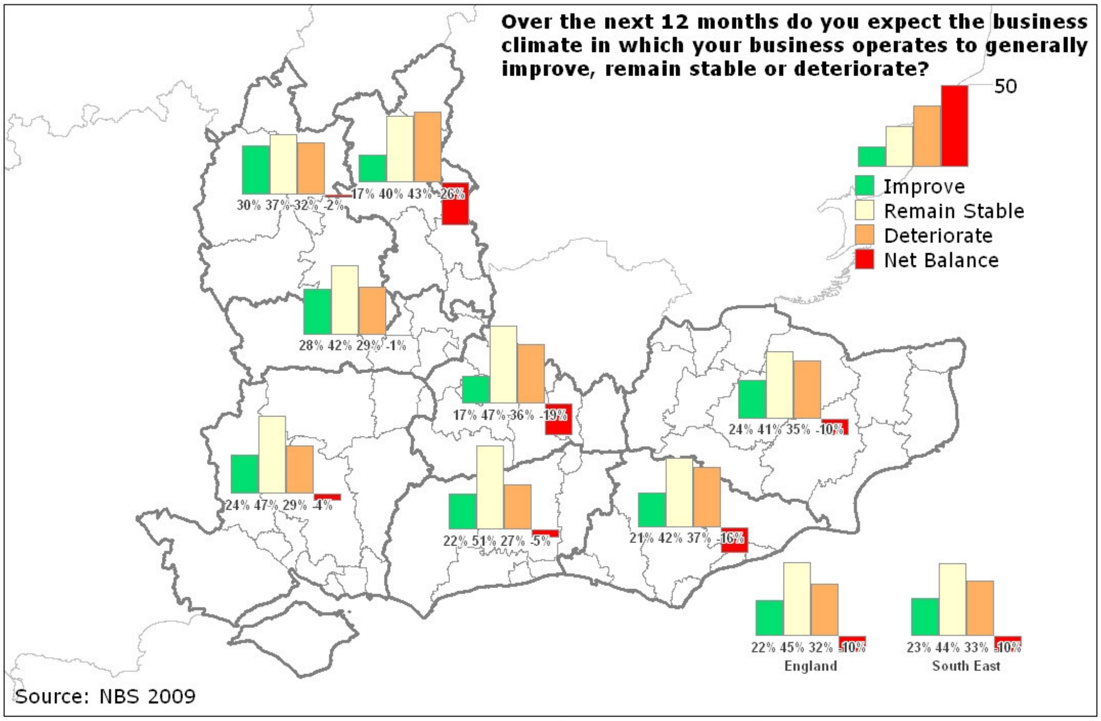
However, the picture for the 12 months to mid-2010 looks more positive, with around 1 in 7 firms expecting to make redundancies (Figure 14).

Figure 14: Percentage of companies that expect to reduce staff in the next 12 months



The business outlook in Kent is similar to the regional and national outlook. Although the outlook has improved significantly over the past six months there are still more firms expecting the business climate to deteriorate by mid-2010 than expect it to improve (Figure 15).

Figure 15: Business outlook over the next 12 months



Although there are signs that the recovery might be on the way, the sectoral outlook is still mixed with manufacturers' order books remaining depressed in August 2009. According to the latest CBI survey demand for UK made goods at home and abroad is still weak and firms expect little change in production in the coming quarter.

Firms in Kent expecting their level of investment to rise by mid-2010 outnumber those expecting to decrease spending. While this is perhaps not surprising given that investment spending has fallen so sharply during the recession, the balance of firms in neighbouring Surrey and East Sussex still expect to decrease spending further (Table 3).

However, much of this investment looks set to be driven by investment in marketing and sales, which is the only category for which businesses in Kent expecting to increase investment outnumber those expecting decreases. This may be due to firms seeking to promote their products to maximise revenue while reducing costs elsewhere. The picture in Kent is similar to that for the South East as a whole.

Table 3: Do you expect to invest more in the next 12 months than in the previous 12 months on…? [2]

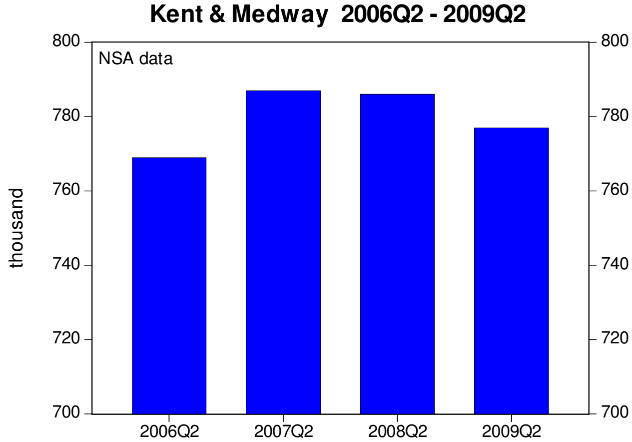
	England	South East	South East Dec-08	Berk-shire	Bucking-hamshire	East Sussex	Hants &IOW	Kent	Oxford-shire	Surrey	West Sussex
Buildings	-5%	-9%	-1%	-12%	-15%	-9%	-6%	-9%	3%	-13%	-9%
Plant & machinery	-14%	-12%	-14%	-11%	-9%	-7%	-15%	-11%	-2%	-17%	-15%
Product & process development	1%	3%	0%	11%	9%	6%	3%	-3%	17%	-17%	5%
Marketing and sales	23%	24%	20%	34%	13%	22%	25%	23%	26%	25%	20%
Training and retraining	-4%	-5%	3%	-3%	-16%	0%	-8%	-3%	6%	-14%	-3%

Source: SEEDA 2009 Note: Net balance - % reporting 'increase' minus % reporting 'decrease'

Kent & Medway - Labour Market

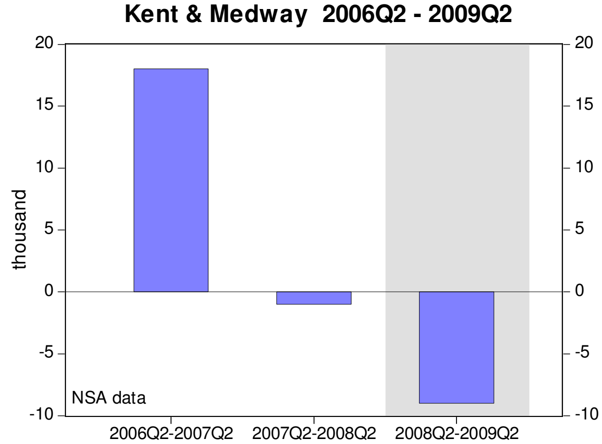
Employment continues to decline in Kent & Medway. The latest Quarterly Labour Force Survey data from the Office for National Statistics shows that after peaking at close to 790,000 in the second quarter of 2007 (Figure 16) there was a marginal decline in employment in Kent & Medway between 2007Q2 and 2008Q2.[3] In the second quarter of this year employment in Kent and Medway stood at 777,000 or some 7,000 lower than in the second quarter of 2008 (Figure 17).

Figure 16: Total Employment (16+) Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Figure 17: Change in total employment (16+) Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Over the past 12 months the employment rate in Kent and Medway declined by 1.9 percentage points from 76.7% in the second quarter of 2008 to 74.8% in the second quarter of 2009. Over

[2] NB care should be taking when making inferences from these results, as sample sizes are often relatively low (e.g. fewer than 80 businesses in Buckinghamshire responded to this question), leading to uncertainty over the 'true' figures.

[3] Unless otherwise stated these estimates have not been seasonally adjusted, and a great deal of care is needed when looking at the quarterly change - the appropriate approach in analyzing changes over time is to do comparison over the year i.e. the latest quarter and the same quarter last year.. We are grateful to Neil Park from the Office for National Statistics Regional Presence Team in the South East for providing us with the latest estimates from the Labour Force Survey (LFS).

the same period the employment rate in the South East declined by 2.1 percentage points (from 79.4% to 77.2%).[4]

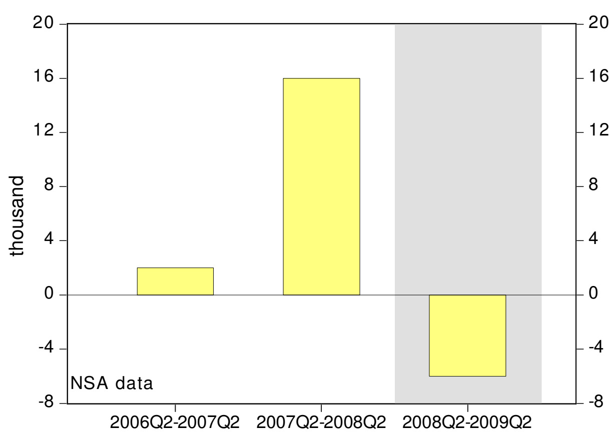
Thus it appears that in employment terms Kent & Medway has outperformed the South East average. Given the high concentration of manufacturing, construction and transport activities in Kent & Medway such results appear surprising. However, there are several factors that could help to explain the marginally better performance in Kent and Medway:

1. It could be that the economy is now far more resilient than in the 1990's recession. In our latest survey businesses in Kent & Medway reported better performance than in most of the other sub-regions across the South East.
2. The difference between Kent & Medway and the South East is small and it is possible that it could be simply explained by seasonal factors.
3. The commuter impact on employment in Kent & Medway has been not as marked as expected. For example, London's economy outperformed most of the other regions in 2008 and the first quarter of this year, which could be one of the factors that supported employment in those towns in Kent from which large numbers of people commute to London.

It is likely that all of the above factors help to explain the employment performance of Kent & Medway over the past 12 months. However, over the past two quarters the recession has spread into service activities in London and it is likely that employment will continue to decline in the near future.

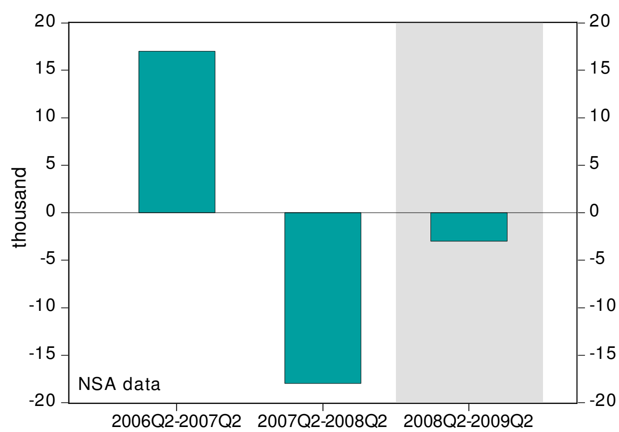
Employment amongst men in Kent & Medway has declined faster than employment amongst women. After strong growth in the twelve months to June 2008 employment amongst men has declined over the past 12 months (Figure 18). Employment amongst women also declined in this period but the decline was marginal compared to the second half of 2007 and the first half of 2008 (Figure 19).

Figure 18: Change in male employment (16+) Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Figure 19: Change in female employment (16+) Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Since male employment is concentrated in construction, manufacturing and transport activities such results are hardly surprising. However, since women's employment is concentrated in a number of private services and the public sector, with the recession spreading into services it is likely that we will see women's employment starting to fall faster.

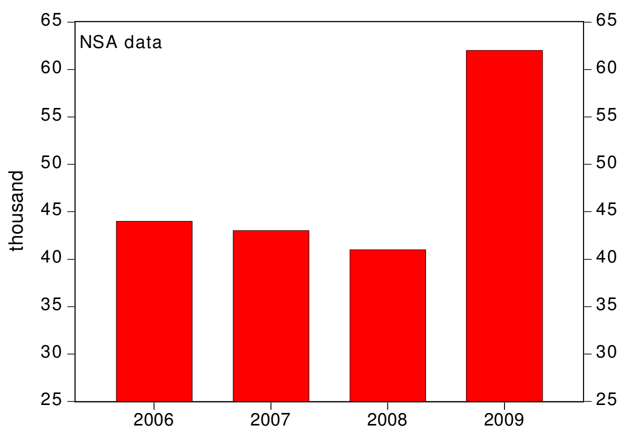
[4] The absolute number refers to people in employment over the age of 16 and the rate refers to people of working age.

Over the past 12 months we have seen a decrease in full time employment and an increase in part time employment, which could also help to explain why men's employment has fallen faster than women's (women being much more likely than men to work part time).

Unemployment in Kent & Medway rises above 60,000. In August 2009 there were some 35,000 people in Kent and Medway claiming the Job Seekers Allowance (JSA). However, claimant count unemployment is a narrow measure of unemployment as it excludes those people who are not eligible for unemployment related benefits.

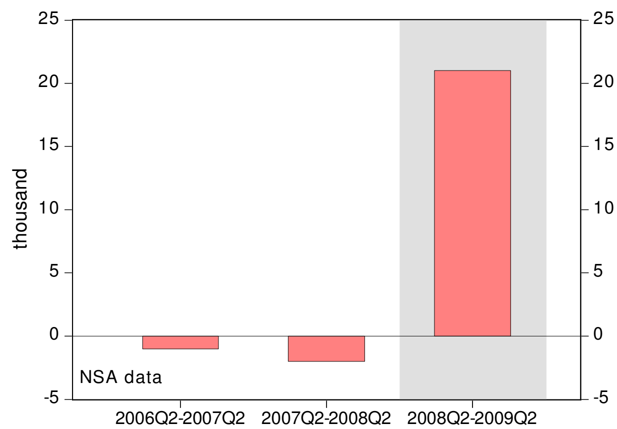
On the broader (survey based) measure, unemployment in Kent & Medway reached 62,000 in the second quarter of this year (Figure 20). Over the past year unemployment in Kent & Medway has doubled), an increase of some 21,000 (Figure 21).

Figure 20: Total LFS unemployment (16+)
Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Figure 21: Change in LFS unemployment
Kent & Medway 2006Q2 - 2009Q2



Source: ONS 2009

Over the past year the unemployment rate in Kent & Medway increased by 1.9 percentage points, from 4.2% in the second quarter of 2008 to 6.1% in the second quarter of 2009. The change in unemployment in Kent & Medway was above the regional average. Over the same period unemployment in the South East increased by 1.5 percentage points, from 3.4% to 4.8%.

Hence, the latest data shows that employment in Kent & Medway held up better than in the South East but the increase in unemployment in Kent & Medway was faster than in the South East. The sharper increase in unemployment in Kent & Medway was due to a number of factors:

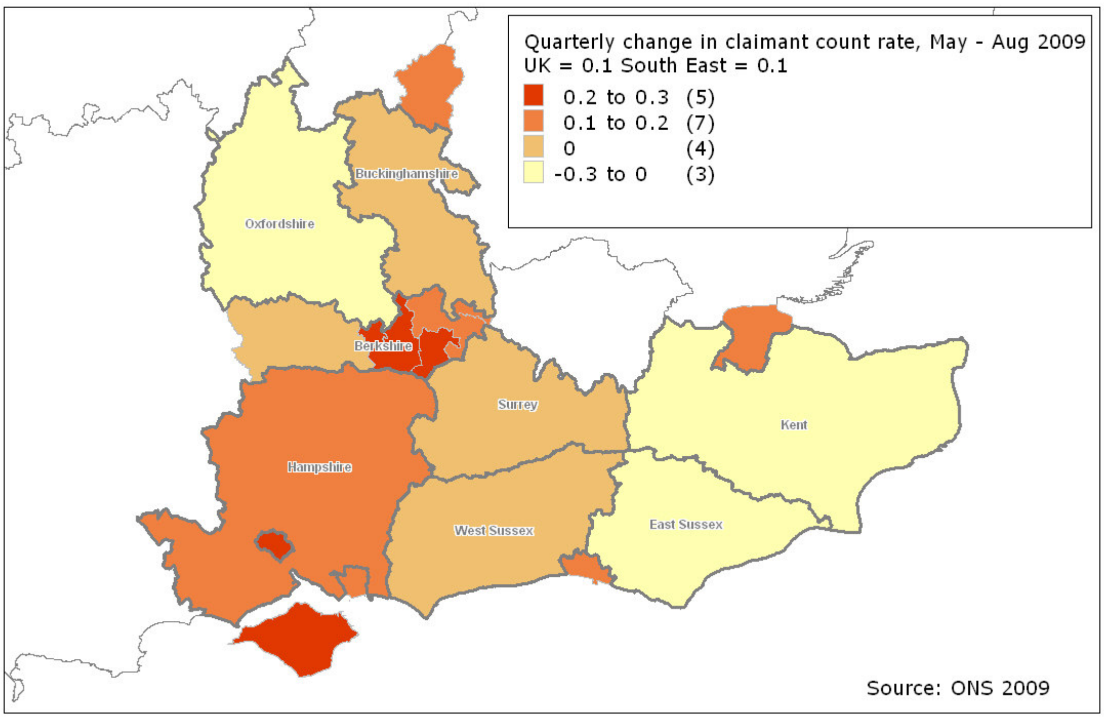
1. Economic activity in Kent & Medway increased at a slower rate than in the South East, which is probably one of the factors behind the slower increase in the South East.
2. In any recession there are still job opportunities for unemployed people or new entrants into the labour market (students, migrants, people who were previously economically inactive), but it appears that now there are fewer job opportunities in Kent & Medway than elsewhere (or that take up has been slower than elsewhere).

Kent has the largest number of JSA claimants of any county, but over the past year the rise in both the number of claimants and the unemployment rate in Kent has been slower than in the South East. Since the start of the second quarter of 2008, the number of people claiming Jobseekers Allowance (JSA) has increased quite sharply across the region. All parts of the region have been affected, though the degree to which unemployment has risen depends to some extent on the sectoral mix locally.

In the South East, the number of people claiming JSA doubled over the last year, from 78,309 in August 2008 to 156,625 in August 2009. The claimant count rate (proportion of working age residents claiming JSA) jumped from 1.5% to 3.1% in the same period.

The number of people in Kent & Medway claiming JSA rises to 27,820. Kent has the largest number of people claiming JSA in the South East (though Kent is also the largest county within the region in population terms). The number of people claiming JSA in Kent increased from 14,776 in August 2008 to 27,820 in August 2009, or by 88%. This was a slower rate of increase than in most other counties in the South East. However it is important to remember that other counties started from a lower base (comparatively small number of claimants which had an impact on the percentage change over the year). The claimant count rate in Kent increased by 1.5 percentage points in the past year (a slightly smaller percentage point increase than for the South East), from 1.8% in August 2008 to 3.3% in August 2009, and is now just 0.2 percentage points above the South East average.

Figure 22: Quarterly change in claimant count rate, counties and unitary authorities May-August 2009

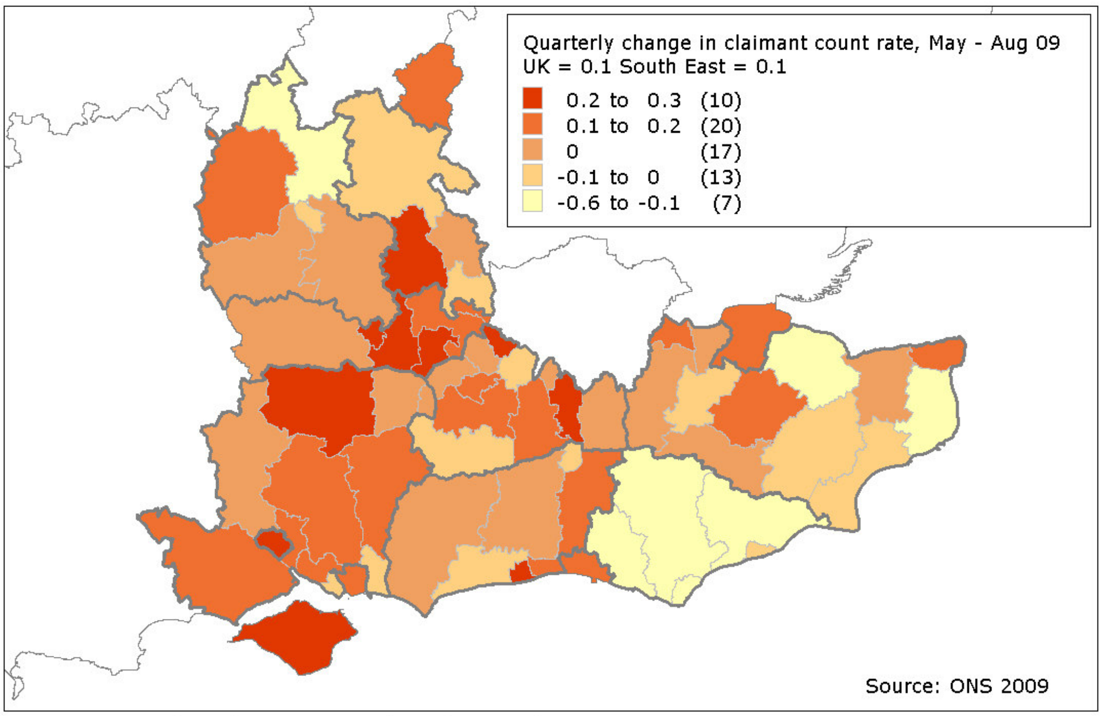


However, the rise in the number of JSA claimants has slowed down in recent months. In fact, the number of JSA claimants in Kent dropped by 360 in the most recent quarter (May to August 2009) while the rate fell slightly, from 3.4% to 3.3% in this period. Only two other counties in the South East (Oxfordshire and East Sussex) saw a decline in the claimant count rate over the most recent quarter (Figure 22). The decline in Kent and East Sussex is probably largely related to seasonal factors. In the summer months there tend to be more jobs available in the tourism and hospitality industries, which are major employers in coastal areas of Kent and Sussex.

In the early months of the recession coastal areas of the South East saw the fastest increase in the claimant count rate. This is partly related to the reduced number of jobs in the tourism and hospitality industry in the 'off season', but also reflects the broader industrial structure of coastal areas, with a concentration of employment in manufacturing, construction and transport and distribution related activities. These sectors were hit harder in the early stages of the recession. However, in recent months parts of the Inner South East, particularly urban areas, have started to register faster rises in the claimant count rate.

Within Kent, there has been relatively little change over the last quarter, and what change there has been is mostly positive (i.e. the claimant count rate has fallen slightly). The largest percentage decline in the number of people claiming JSA was in Dover and Swale (-6% and -4% respectively). Dartford, Maidstone and Medway have seen a slight increase in the number of people claiming JSA (between 2 and 3%), but this still compares favorably to the increase earlier this year.[5]

Figure 23: Quarterly change in claimant count rate, district/unitary authorities May-August 2009



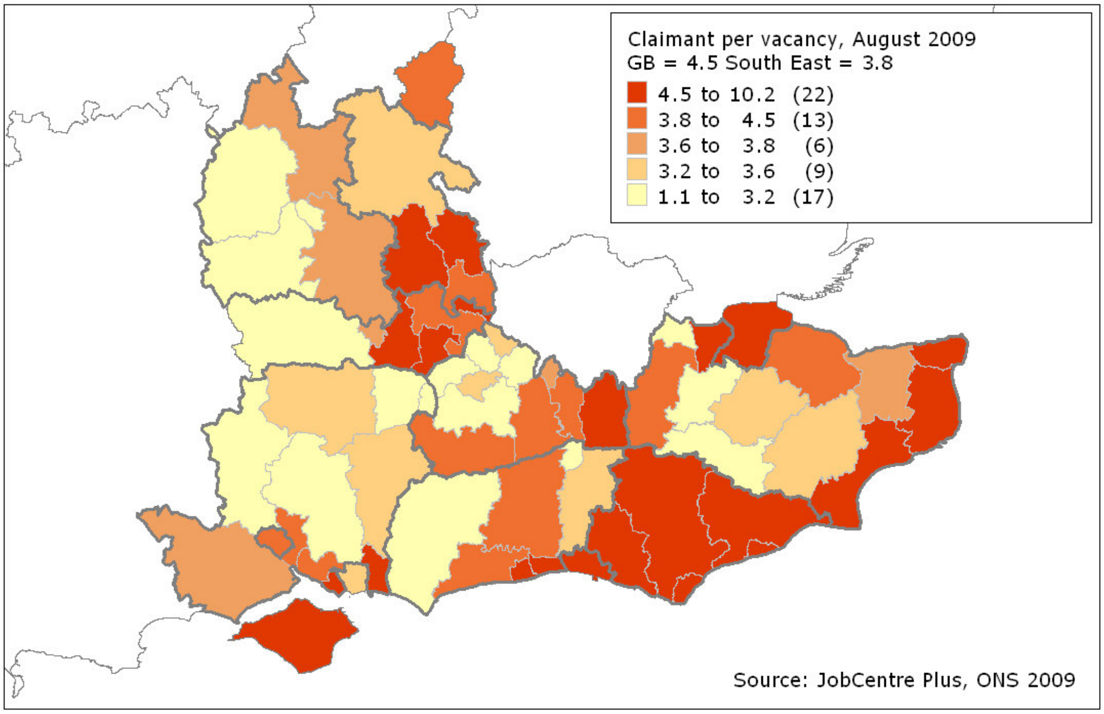
The claimant to vacancy ratio is increasing as competition for jobs intensifies. As the recession has progressed, competition for jobs has increased, since there are more people out of work and at the same time the number of notified vacancies has been falling over the past year. In the South East, the number of job vacancies notified to Jobcentre Plus declined by -14% between August 2008 and August 2009. Kent has fared slightly better, seeing a 7% fall in the number of vacancies over the year, from 8,000 to 7,400.

One means of assessing the degree of competition for jobs is to look at the ratio of JSA claimants to available vacancies. In the South East, there were 3.8 claimants per vacancy in August 2009, up from 1.7 a year earlier. In Kent the number of claimants per vacancy increased from 1.9 in August 2008 to 3.8 in August 2009 - slightly below the South East average.

[5] Note: this data set has not been adjusted for seasonal factors.

However, there are considerable differences at local authority level. The number of claimants per vacancy is higher in Medway (9.8), Thanet (8.8), and Gravesham (7.3) than in most other districts in Kent and indeed in the region as a whole (Figure 24).

Figure 24: Number of JSA claimants per vacancy, August 2009



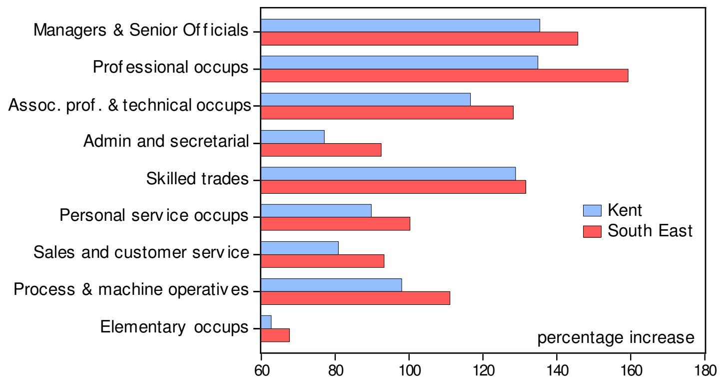
In recent months the increase in the number of JSA claimants from higher-skilled occupations has been greater than for elementary, administrative and process occupations. Over the past year there has been a shift in the occupational composition of JSA claimants, with an increasing proportion of claims being made by people from more highly skilled professional and managerial occupations, and a corresponding fall in the proportion of claimants from low-skilled, elementary and process occupations.

In Kent the largest percentage increases in the number of JSA claimants between August 2008 and August 2009 were amongst managers and senior officials and those who previously worked in professional occupations, but the increase was slower than for the South East as a whole (Figure 25). The slowest growth was seen amongst people who were previously employed in elementary, administrative and secretarial and sales & customer service occupations, with Kent again seeing a slower rate of growth than the regional average.

This trend partly reflects the fact that the economy has now been in recession for over a year. Whereas in the early stages of the recession lower skilled, lower paid and temporary workers were more likely to be laid off, as the recession has progressed and firms have seen their cashflow and profit margins squeezed further and further, many have been forced to make redundancies from amongst the more senior, highly skilled members of their workforce in order to achieve substantial cost savings.

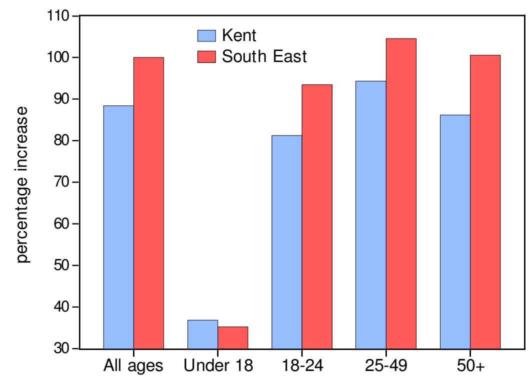
Another reason for the increasing proportion of higher skilled workers appearing in the claimant count statistics could be the nature of this recession, which has affected all sectors of the economy. In previous recessions workers in manufacturing and construction were particularly affected by redundancies, but this time the recession has had an impact on large numbers of 'white collar' workers too, with financial and business service professionals being laid off in increasing numbers in recent months. Nevertheless, there has been a relatively large increase in the number of process, plant and machine operatives and workers in skilled trades signing on for JSA in the past year, reflecting the significant number of redundancies in the manufacturing and construction sectors. Finally, it could be the case that some of the more highly skilled, higher paid individuals who found themselves without a job took their time before signing on for JSA, perhaps because they were relying on savings to cover their living costs initially or were hopeful of securing new employment relatively swiftly.

Figure 25: % increase in number of JSA claimants by occupational group, Aug 2008-Aug 2009



Source: ONS 2009

Figure 26: % change in claimant count by age group, August 2008 - August 2009



Source: ONS 2009

Unemployment amongst young people has been on the increase since before the recession. The extent to which the recession has had a disproportionate impact on young people is a subject of considerable interest and concern. It is important to note that before the recession unemployment amongst young people was on the increase. The most significant influence on this has been the reduction in demand for young people's labour due to industrial restructuring and changes in the nature of employment. The long-term decline of the manufacturing sector, for example, has meant that there are fewer apprenticeship opportunities for young people in this sector (particularly young men).

The type of work that young people do makes them particularly vulnerable in the labour market. Younger workers now tend to be concentrated in low-wage, low skill and less secure employment in a narrow range of service industries. In 2008, 12% of 18-24 year olds in the UK were employed in temporary jobs, and of those not in education, 40% could not find permanent work. More than a third (36%) of 18-24 year olds worked in the distribution, hotels and restaurants sector, while around half of young people in this age group were employed in personal services, sales and customer service and elementary occupations.[6] Job cuts in the service sector have not yet been as severe as in the manufacturing or construction sectors, but the drop in output in the service sector in the last two quarters of 2008 was unprecedented in recent UK economic history. Moreover, within the service sector it is the industries employing most young people (such as hotels and restaurants) that have seen the severest impacts.

Young people aged under 24 in Kent and the South East do not appear to have seen a faster rise in unemployment than other age groups over the past year. In Kent, the percentage increase in claimant count unemployment over the past year for 18-24 year olds has been the slowest of any age group; in fact the fastest increase in claimant count unemployment

[6] ONS, 'Young people and the labour market' in *Economic and Labour Market Review* Vol. 3 No. 4 (April 2009).

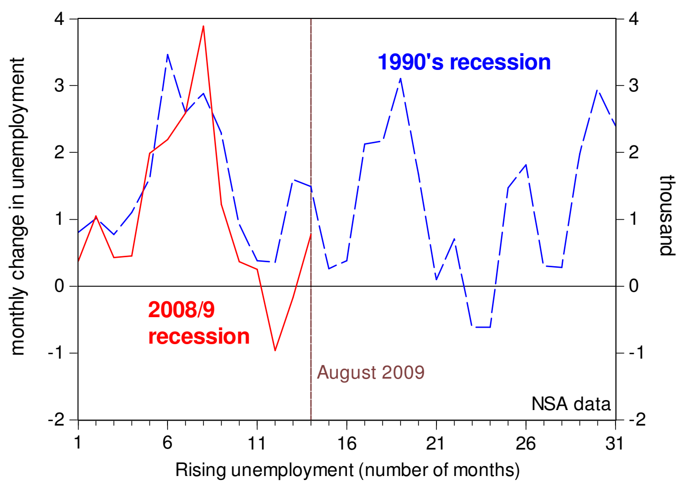
has been amongst those aged 25-49 (Figure 26). This suggests that so far young people's employment has not been disproportionately affected by the recession compared to other age groups. However, the anticipated sharp increase in the number of young people registering for JSA once term finished for schools, colleges and universities has not yet materialized, though we could still see a jump in claimants from this age group in the autumn. With fewer vacancies available, and some employers still reporting that graduates and young people often do not have the skills required for the workplace,[7] there are likely to be more young people on the unemployment register.

The number and proportion of NEETs have fallen in Kent over the past year. There has been a relatively small increase in the number of young people aged under 18 claiming JSA in Kent in the past year, though to a greater degree than in the South East as a whole. On the positive side, Kent is the only one of the South East's county and unitary authorities, with the exception of Portsmouth, to have seen a fall in the number of young people not in education, employment or training (NEET) in the year to July 2009. The number of NEETs in Kent fell by just over 1%, and the proportion of 16-18 year olds who are NEET stood at 5.1% in July 2009, which is one of the lowest figures of any county or unitary authority in the South East, behind Buckinghamshire and Surrey. In Medway, NEETs accounted for 9% of the 16-18 year old population in July, and the number of NEETs increased by 31% in the year to July 2009.

Unemployment in Kent likely to continue to increase for foreseeable future. A number of leading indicators (such as a number of business surveys) have started to point to a gradual recovery in economic activity in Kent, the South East and the UK over the coming months.

However if we look at the latest unemployment data the outlook still looks bleak. Perhaps this is less surprising knowing that unemployment is a lagging indicator of business activity and that it will take some time before we see an upturn in this area.

Figure 27: Kent - Claimant count unemployment in the current and the 1990's recession



Source: SEEDA 2009 estimates derived from ONS data

In the current climate it is extremely challenging to try and predict how long it will be before unemployment starts to fall again. One way of looking at this is if we compare the current recession to the early 1990's. In the recession of early 1990's claimant count (JSA) unemployment in Kent started to increase from around July 1990 and continued to increase throughout 1991 and 1992. JSA unemployment continued to increase for more than 30 months,

[7] Evidence from Economic Partnerships submitted to SEEDA for Monthly Intelligence Snapshot (May 2009).

except for several months where a fall in unemployment could be largely attributed to seasonal factors (see Figure 27).

In the current recession unemployment in Kent has been this year and well into 2010 but the rate of the increase (as indicated in the latest redundancy notifications increasing for around 14 months and it is likely to continue to increase for the reminder of data) will probably slow down. Given the significant job losses in a number of sectors (construction and manufacturing in particular) in Kent in the final quarter of 2008 and first quarter of this year it is likely that some recruitment will resume soon. However, since that 75% of businesses in Kent and 70% of businesses in the South East operate below capacity it will take some time before we see an upturn in labour market.

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Annex – Data Tables

TABLE A1	ANNUAL DATA	Rate	Rate	Change in rate (pp.)	Change in rate compared	Number	Number		% change in JSA claimants
District	County/UA	Aug-08	Aug-09	Aug-08-Aug-09	to SE average	Aug-08	Aug-09	change	Aug-08-Aug-09
South East	Bracknell Forest	1.5	3.1	1.6		78,309	156,625	78,316	100.0
United Kingdom	Bracknell Forest	2.4	4.2	1.8	above SE average	923,876	1,602,189	678,313	73.4
Bracknell Forest	Bracknell Forest	1.1	2.7	1.6		795	1,994	1,199	150.8
Reading	Reading	2	4.6	2.6	above SE average	1,949	4,463	2,514	129.0
Slough	Slough	2.2	4.4	2.2	above SE average	1,685	3,481	1,796	106.6
West Berkshire	West Berkshire	1	2.6	1.6		933	2,469	1,536	164.6
Windsor and Maidenhead	Windsor and Maidenhead	1	2.6	1.6		890	2,293	1,403	157.6
Wokingham	Wokingham	0.8	2.2	1.4		785	2,163	1,378	175.5
Aylesbury Vale	Buckinghamshire	1	2.2	1.2		1,107	2,420	1,313	118.6
Chiltern	Buckinghamshire	0.9	2.1	1.2		472	1,083	611	129.4
Milton Keynes	Milton Keynes	2.6	5	2.4	above SE average	3,923	7,497	3,574	91.1
South Bucks	Buckinghamshire	0.9	2	1.1		339	769	430	126.8
Wycombe	Buckinghamshire	1.5	3.1	1.6		1,435	3,057	1,622	113.0
Brighton and Hove	Brighton and Hove	2.8	4.4	1.6		4,785	7,511	2,726	57.0
Eastbourne	East Sussex	2.7	3.9	1.2		1,434	2,111	677	47.2
Hastings	East Sussex	3.7	5.7	2	above SE average	1,934	2,956	1,022	52.8
Lewes	East Sussex	1.6	2.9	1.3		856	1,532	676	79.0
Rother	East Sussex	1.8	3.2	1.4		806	1,457	651	80.8
Wealden	East Sussex	0.9	2	1.1		743	1,563	820	110.4
Basingstoke and Deane	Hampshire	1.3	2.8	1.5		1,329	2,852	1,523	114.6
East Hampshire	Hampshire	1	2.2	1.2		681	1,484	803	117.9
Eastleigh	Hampshire	1.4	2.7	1.3		1,040	2,021	981	94.3
Fareham	Hampshire	1.2	2.2	1		782	1,451	669	85.5
Gosport	Hampshire	1.8	3.1	1.3		873	1,520	647	74.1
Hart	Hampshire	0.7	1.8	1.1		417	993	576	138.1
Havant	Hampshire	2.1	3.9	1.8	above SE average	1,413	2,676	1,263	89.4
New Forest	Hampshire	1.1	2.4	1.3		1,028	2,321	1,293	125.8
Portsmouth	Portsmouth	2.3	4.1	1.8	above SE average	3,030	5,413	2,383	78.6
Rushmoor	Hampshire	1.5	3.3	1.8	above SE average	888	1,919	1,031	116.1

Southampton	Southampton	2.3	4.3	2	above SE average	3,699	6,803	3,104	83.9
Test Valley	Hampshire	1	2	1		699	1,412	713	102.0
Winchester	Hampshire	0.9	1.9	1		606	1,305	699	115.3
Isle of Wight	Isle of Wight	2	4.1	2.1	above SE average	1,539	3,196	1,657	107.7
Ashford	Kent	1.4	2.9	1.5		964	1,948	984	102.1
Canterbury	Kent	1.4	2.6	1.2		1,314	2,384	1,070	81.4
Dartford	Kent	1.7	3.6	1.9	above SE average	952	2,064	1,112	116.8
Dover	Kent	2.1	3.5	1.4		1,272	2,180	908	71.4
Gravesham	Kent	2.4	4.4	2	above SE average	1,412	2,602	1,190	84.3
Maidstone	Kent	1.3	2.8	1.5		1,170	2,465	1,295	110.7
Medway	Medway	2.4	4.5	2.1	above SE average	3,891	7,161	3,270	84.0
Sevenoaks	Kent	0.9	2.2	1.3		577	1,458	881	152.7
Shepway	Kent	2.6	4.2	1.6		1,484	2,422	938	63.2
Swale	Kent	2.1	3.9	1.8	above SE average	1,686	3,082	1,396	82.8
Thanet	Kent	3.5	5.7	2.2	above SE average	2,563	4,136	1,573	61.4
Tonbridge and Malling	Kent	1.1	2.4	1.3		761	1,656	895	117.6
Tunbridge Wells	Kent	1	2.3	1.3		621	1,423	802	129.1
Cherwell	Oxfordshire	1.3	2.6	1.3		1,086	2,261	1,175	108.2
Oxford	Oxfordshire	1.5	2.6	1.1		1,643	2,865	1,222	74.4
South Oxfordshire	Oxfordshire	0.9	2.1	1.2		676	1,609	933	138.0
Vale of White Horse	Oxfordshire	0.8	2	1.2		557	1,435	878	157.6
West Oxfordshire	Oxfordshire	0.7	1.9	1.2		439	1,138	699	159.2
Elmbridge	Surrey	0.7	1.8	1.1		556	1,484	928	166.9
Epsom and Ewell	Surrey	0.9	2.2	1.3		413	968	555	134.4
Guildford	Surrey	0.9	2.1	1.2		810	1,820	1,010	124.7
Mole Valley	Surrey	0.7	1.9	1.2		309	910	601	194.5
Reigate and Banstead	Surrey	0.9	2.4	1.5		756	1,938	1,182	156.3
Runnymede	Surrey	0.7	1.9	1.2		400	1,012	612	153.0
Spelthorne	Surrey	1.1	2.7	1.6		635	1,485	850	133.9
Surrey Heath	Surrey	0.8	2.1	1.3		427	1,057	630	147.5
Tandridge	Surrey	0.9	2	1.1		423	987	564	133.3
Waverley	Surrey	0.8	1.8	1		514	1,265	751	146.1
Woking	Surrey	1	2.5	1.5		601	1,452	851	141.6
Adur	West Sussex	1.8	3.7	1.9	above SE average	615	1,286	671	109.1
Arun	West Sussex	1.7	3.3	1.6		1,369	2,618	1,249	91.2

Chichester	West Sussex	1.3	2.6	1.3		807	1,596	789	97.8
Crawley	West Sussex	1.8	4	2.2	above SE average	1,159	2,542	1,383	119.3
Horsham	West Sussex	1.1	2.4	1.3		828	1,850	1,022	123.4
Mid Sussex	West Sussex	0.9	2.1	1.2		719	1,599	880	122.4
Worthing	West Sussex	1.7	4	2.3	above SE average	1,005	2,282	1,277	127.1

TABLE A2	ANNUAL DATA	Rate	Rate	Change in rate (pp.)	Change in rate compared	Number	Number		% change in JSA claimants
Unitary (County Council)	County/UA	Aug-08	Augl -09	Aug-08-Aug-09	to SE average	Aug-08	Aug-09	change	Aug-08-Aug-09
South East	Bracknell Forest	1.5	3.1	1.6		78,309	156,625	78,316	100.0
United Kingdom	Bracknell Forest	2.4	4.2	1.8	above SE average	923,876	1,602,189	678,313	73.4

Kent	Kent	1.8	3.3	1.5		14,776	27,820	13,044	88.3
Medway	Medway	2.4	4.5	2.1	above SE average	3,891	7,161	3,270	84.0
East Sussex	East Sussex	2	3.4	1.4		5,773	9,619	3,846	66.6
Brighton and Hove	Brighton and Hove	2.8	4.4	1.6		4,785	7,511	2,726	57.0
Surrey	Surrey	0.9	2.1	1.2		5,844	14,378	8,534	146.0
West Sussex	West Sussex	1.4	3.1	1.7	above SE average	6,502	13,773	7,271	111.8
Hampshire	Hampshire	1.3	2.6	1.3		9,756	19,954	10,198	104.5
Isle of Wight	Isle of Wight	2	4.1	2.1	above SE average	1,539	3,196	1,657	107.7
Portsmouth	Portsmouth	2.3	4.1	1.8	above SE average	3,030	5,413	2,383	78.6
Southampton	Southampton	2.3	4.3	2	above SE average	3,699	6,803	3,104	83.9
Buckinghamshire	Buckinghamshire	1.1	2.4	1.3		3,353	7,329	3,976	118.6
Milton Keynes	Milton Keynes	2.6	5	2.4	above SE average	3,923	7,497	3,574	91.1
Oxfordshire	Oxfordshire	1.1	2.3	1.2		4,401	9,308	4,907	111.5
Reading	Reading	2	4.6	2.6	above SE average	1,949	4,463	2,514	129.0
Slough	Slough	2.2	4.4	2.2	above SE average	1,685	3,481	1,796	106.6
West Berkshire	West Berkshire	1	2.6	1.6		933	2,469	1,536	164.6
Windsor and Maidenhead	Windsor and Maidenhead	1	2.6	1.6		890	2,293	1,403	157.6
Wokingham	Wokingham	0.8	2.2	1.4		785	2,163	1,378	175.5
Bracknell Forest	Bracknell Forest	1.1	2.7	1.6		795	1,994	1,199	150.8

TABLE A3	QUARTERLY DATA	Rate	Rate	Change in rate (pp.)	Change in rate compared	Number	Number		% change in JSA claimants
District	County/UA	May-09	Aug-09	May-09-Aug-09	to SE average	May-09	Aug-09	change	May-09-Aug-09
South East	Bracknell Forest	3	3.1	0.1		154,868	156,625	1,757	1.1
United Kingdom	Bracknell Forest	4.1	4.2	0.1	above SE average	1,564,978	1,602,189	37,211	2.4
Bracknell Forest	Bracknell Forest	2.5	2.7	0.2	above SE average	1,829	1,994	165	9.0
Reading	Reading	4.3	4.6	0.3	above SE average	4,188	4,463	275	6.6
Slough	Slough	4.3	4.4	0.1	above SE average	3,335	3,481	146	4.4
West Berkshire	West Berkshire	2.6	2.6	0		2,402	2,469	67	2.8
Windsor and Maidenhead	Windsor and Maidenhead	2.5	2.6	0.1		2,209	2,293	84	3.8
Wokingham	Wokingham	2	2.2	0.2	above SE average	2,020	2,163	143	7.1
Aylesbury Vale	Buckinghamshire	2.3	2.2	-0.1		2,501	2,420	-81	-3.2
Chiltern	Buckinghamshire	2.1	2.1	0		1,091	1,083	-8	-0.7
Milton Keynes	Milton Keynes	4.9	5	0.1		7,286	7,497	211	2.9
South Bucks	Buckinghamshire	2.1	2	-0.1		799	769	-30	-3.8
Wycombe	Buckinghamshire	2.9	3.1	0.2	above SE average	2,902	3,057	155	5.3
Brighton and Hove	Brighton and Hove	4.3	4.4	0.1	above SE average	7,372	7,511	139	1.9
Eastbourne	East Sussex	4.5	3.9	-0.6		2,427	2,111	-316	-13.0
Hastings	East Sussex	5.8	5.7	-0.1		2,984	2,956	-28	-0.9
Lewes	East Sussex	3.4	2.9	-0.5		1,769	1,532	-237	-13.4
Rother	East Sussex	3.4	3.2	-0.2		1,552	1,457	-95	-6.1
Wealden	East Sussex	2.2	2	-0.2		1,748	1,563	-185	-10.6
Basingstoke and Deane	Hampshire	2.6	2.8	0.2	above SE average	2,653	2,852	199	7.5
East Hampshire	Hampshire	2.1	2.2	0.1		1,386	1,484	98	7.1
Eastleigh	Hampshire	2.6	2.7	0.1		1,925	2,021	96	5.0
Fareham	Hampshire	2.1	2.2	0.1		1,339	1,451	112	8.4
Gosport	Hampshire	3.2	3.1	-0.1		1,530	1,520	-10	-0.7
Hart	Hampshire	1.8	1.8	0		983	993	10	1.0
Havant	Hampshire	4	3.9	-0.1		2,690	2,676	-14	-0.5
New Forest	Hampshire	2.3	2.4	0.1		2,215	2,321	106	4.8
Portsmouth	Portsmouth	4	4.1	0.1		5,285	5,413	128	2.4
Rushmoor	Hampshire	3.3	3.3	0		1,881	1,919	38	2.0

Southampton	Southampton	4.1	4.3	0.2	above SE average	6,427	6,803	376	5.9
Test Valley	Hampshire	2	2	0		1,370	1,412	42	3.1
Winchester	Hampshire	1.8	1.9	0.1		1,173	1,305	132	11.3
Isle of Wight	Isle of Wight	3.9	4.1	0.2	above SE average	3,068	3,196	128	4.2
Ashford	Kent	3	2.9	-0.1		2,041	1,948	-93	-4.6
Canterbury	Kent	2.6	2.6	0		2,357	2,384	27	1.1
Dartford	Kent	3.5	3.6	0.1		2,006	2,064	58	2.9
Dover	Kent	3.8	3.5	-0.3		2,328	2,180	-148	-6.4
Gravesham	Kent	4.4	4.4	0		2,605	2,602	-3	-0.1
Maidstone	Kent	2.7	2.8	0.1		2,409	2,465	56	2.3
Medway	Medway	4.4	4.5	0.1		7,020	7,161	141	2.0
Sevenoaks	Kent	2.2	2.2	0		1,491	1,458	-33	-2.2
Shepway	Kent	4.3	4.2	-0.1		2,468	2,422	-46	-1.9
Swale	Kent	4.1	3.9	-0.2		3,218	3,082	-136	-4.2
Thanet	Kent	5.6	5.7	0.1	above SE average	4,086	4,136	50	1.2
Tonbridge and Malling	Kent	2.5	2.4	-0.1		1,711	1,656	-55	-3.2
Tunbridge Wells	Kent	2.3	2.3	0		1,457	1,423	-34	-2.3
Cherwell	Oxfordshire	2.8	2.6	-0.2		2,463	2,261	-202	-8.2
Oxford	Oxfordshire	2.7	2.6	-0.1		2,974	2,865	-109	-3.7
South Oxfordshire	Oxfordshire	2.1	2.1	0		1,646	1,609	-37	-2.2
Vale of White Horse	Oxfordshire	2	2	0		1,433	1,435	2	0.1
West Oxfordshire	Oxfordshire	1.8	1.9	0.1		1,121	1,138	17	1.5
Elmbridge	Surrey	1.9	1.8	-0.1		1,520	1,484	-36	-2.4
Epsom and Ewell	Surrey	2.2	2.2	0		950	968	18	1.9
Guildford	Surrey	2	2.1	0.1		1,714	1,820	106	6.2
Mole Valley	Surrey	1.8	1.9	0.1		855	910	55	6.4
Reigate and Banstead	Surrey	2.2	2.4	0.2	above SE average	1,804	1,938	134	7.4
Runnymede	Surrey	1.9	1.9	0		1,010	1,012	2	0.2
Spelthorne	Surrey	2.5	2.7	0.2	above SE average	1,406	1,485	79	5.6
Surrey Heath	Surrey	2.1	2.1	0		1,068	1,057	-11	-1.0
Tandridge	Surrey	2	2	0		996	987	-9	-0.9
Waverley	Surrey	1.9	1.8	-0.1		1,273	1,265	-8	-0.6
Woking	Surrey	2.4	2.5	0.1		1,393	1,452	59	4.2
Adur	West Sussex	3.6	3.7	0.1		1,256	1,286	30	2.4
Arun	West Sussex	3.4	3.3	-0.1		2,675	2,618	-57	-2.1

Chichester	West Sussex	2.6	2.6	0		1,571	1,596	25	1.6
Crawley	West Sussex	4.1	4	-0.1		2,584	2,542	-42	-1.6
Horsham	West Sussex	2.4	2.4	0		1,871	1,850	-21	-1.1
Mid Sussex	West Sussex	2	2.1	0.1		1,553	1,599	46	3.0
Worthing	West Sussex	3.8	4	0.2	above SE average	2,196	2,282	86	3.9

TABLE A4	**QUARTERLY DATA**	**Rate**	**Rate**	**Change in rate (pp.)**	**Change in rate compared**	**Number**	**Number**		**% change in JSA claimants**
Unitary (County Council)	**County/UA**	**May-09**	**Aug-09**	**May-09-Aug-09**	**to SE average**	**May-09**	**Aug-09**	**change**	**May-09-Aug-09**
South East	Bracknell Forest	3	3.1	0.1		154,868	156,625	1,757	1.1
United Kingdom	Bracknell Forest	4.1	4.2	0.1	above SE average	1,564,978	1,602,189	37,211	2.4

Kent	Kent	3.4	3.3	-0.1		28,177	27,820	-357	-1.3
Medway	Medway	4.4	4.5	0.1		7,020	7,161	141	2.0
East Sussex	East Sussex	3.7	3.4	-0.3		10,480	9,619	-861	-8.2
Brighton and Hove	Brighton and Hove	4.3	4.4	0.1	above SE average	7,372	7,511	139	1.9
Surrey	Surrey	2.1	2.1	0		13,989	14,378	389	2.8
West Sussex	West Sussex	3.1	3.1	0		13,706	13,773	67	0.5
Hampshire	Hampshire	2.5	2.6	0.1		19,145	19,954	809	4.2
Isle of Wight	Isle of Wight	3.9	4.1	0.2	above SE average	3,068	3,196	128	4.2
Portsmouth	Portsmouth	4	4.1	0.1		5,285	5,413	128	2.4
Southampton	Southampton	4.1	4.3	0.2	above SE average	6,427	6,803	376	5.9
Buckinghamshire	Buckinghamshire	2.4	2.4	0		7,293	7,329	36	0.5
Milton Keynes	Milton Keynes	4.9	5	0.1		7,286	7,497	211	2.9
Oxfordshire	Oxfordshire	2.4	2.3	-0.1		9,637	9,308	-329	-3.4
Reading	Reading	4.3	4.6	0.3	above SE average	4,188	4,463	275	6.6
Slough	Slough	4.3	4.4	0.1	above SE average	3,335	3,481	146	4.4
West Berkshire	West Berkshire	2.6	2.6	0		2,402	2,469	67	2.8
Windsor and Maidenhead	Windsor and Maidenhead	2.5	2.6	0.1		2,209	2,293	84	3.8
Wokingham	Wokingham	2	2.2	0.2	above SE average	2,020	2,163	143	7.1
Bracknell Forest	Bracknell Forest	2.5	2.7	0.2	above SE average	1,829	1,994	165	9.0

Source: ONS 2009