

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 10 SEPTEMBER 2009

ITEM 10

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 data from ONS shows that in the second quarter of 2009 business investment fell by 10.4% on the previous quarter or 18.4% from the year earlier. This was the largest decline in business investment on record (since 1985) and it explains the much sharper than expected drop in UK output. The decline in business investment at this scale was enough to take 1.1 percentage points off UK output (it more than accounts for the 0.7% decline in GDP in the second quarter).
2. According to the latest Purchasing Managers Index (PMI) Survey, business activity in the South East increased in July for the first time since June 2008. Largely anecdotal evidence from business and business representative organisations bears this out with a slight improvement in business conditions in the region in August. The latest FSB Snap Poll Survey (August 2009) shows that some 41% of small businesses in the region have seen decreased trade over the past two months, representing a small improvement on the last survey (42% reported a decrease in June).
3. Credit conditions remain tight - according to the August FSB survey the proportion of businesses who had been refused credit fell over the past few months to 14%. However, the cost of existing finance increased for 28% of FSB members (up from 22% in June).
4. According to the HR1 data, the level of redundancy notifications in the South East fell in August, with some 1,300 redundancy notifications in August against 2,200 in June.¹ The service sector (excluding retail) accounted for 66% of all notifications in August. For the first time there were no large redundancy notifications in retail and the number of redundancy notifications in construction fell in August. Manufacturing accounted for a quarter of all notifications, lower than in July but close to the average over the past 10 months.

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.

5. According to the PMI Survey employment in the region fell for the 13th consecutive month in July. The claimant count unemployment in July 2009 was 153,600 in the South East, 1,300 greater than in June 2009.² There were 31,745 vacancies notified to Jobcentre Plus in July 2009, which is 4,874 fewer than a year ago.
6. The most recent ICAEW Business Confidence Monitor shows that while business confidence rose in all regions over the past quarter, businesses in the South East are amongst the most cautious in the country. The CBI Industrial Trends Survey for July/August showed that demand is still weak in manufacturing sector, but expectations for the next three months are the least negative they have been since June 2008.

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 establishment of the SEEDA Transition Fund to help businesses survive the economic downturn. The Fund has now had offers loans accepted by 20 companies with a value of over £2.43m. It is projected that, so far, 778 jobs will be safeguarded or created. The region's Business Links have undertaken over 14,300 Healthchecks out of about 77,300 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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Date: 2 September 2009

² Non-seasonally adjusted figure.