

Economy update for South Hampshire

18 November 2008

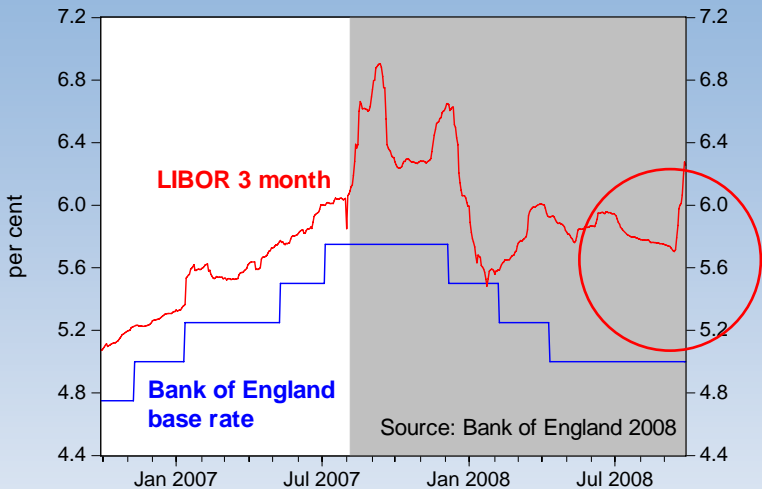
Kathy Slack
Area Director, Hampshire and IoW

Overview

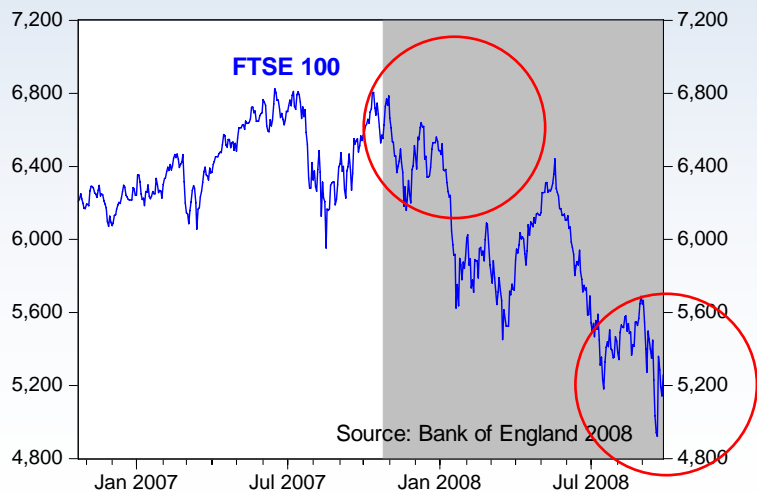
- Twin impact of:
 - tighter global credit conditions/prospect of global financial meltdown and
 - sharp increase in global/UK inflation
- Unprecedented developments affecting the South East, UK and global economies.
- All localities affected, but some more than others. So far South Hants holding up well.

'Credit crunch' gets worse... ... a threat to global financial stability?

Credit crisis unfolds ...

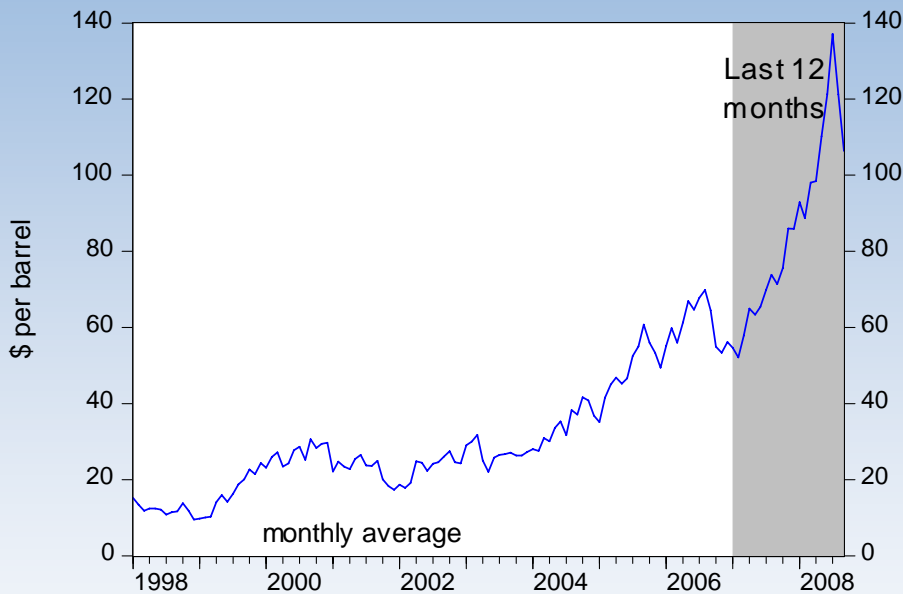


... Stock markets fall ...back to 1930s?



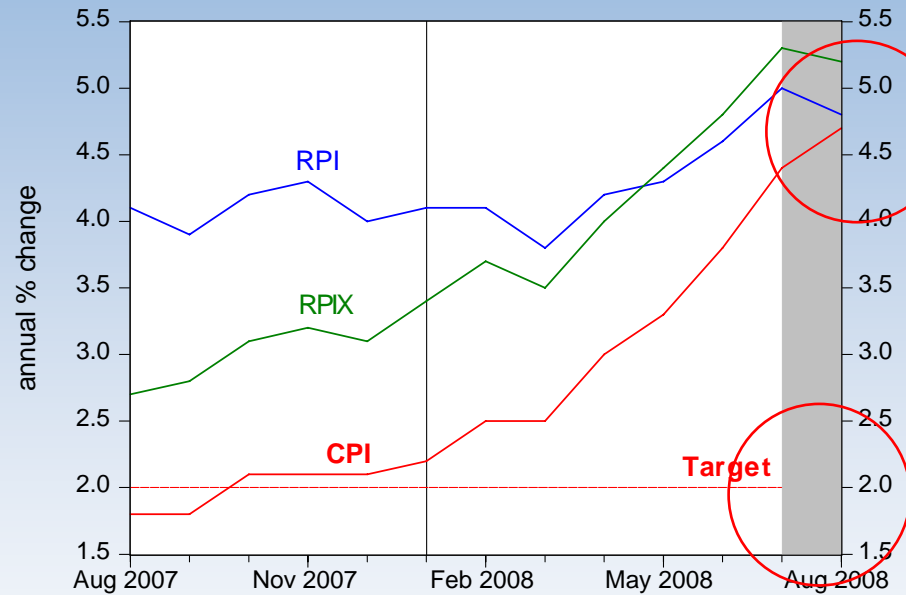
...a sharp increase in UK inflation ...

A sharp increase in world oil price ...



Source: IEA 2008

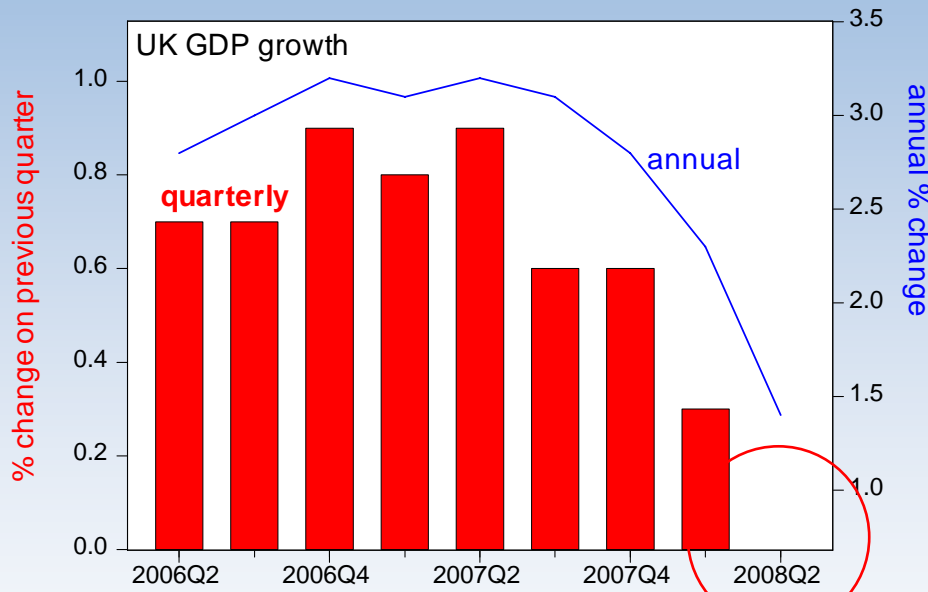
... and UK inflation



Source: National Statistics 2008

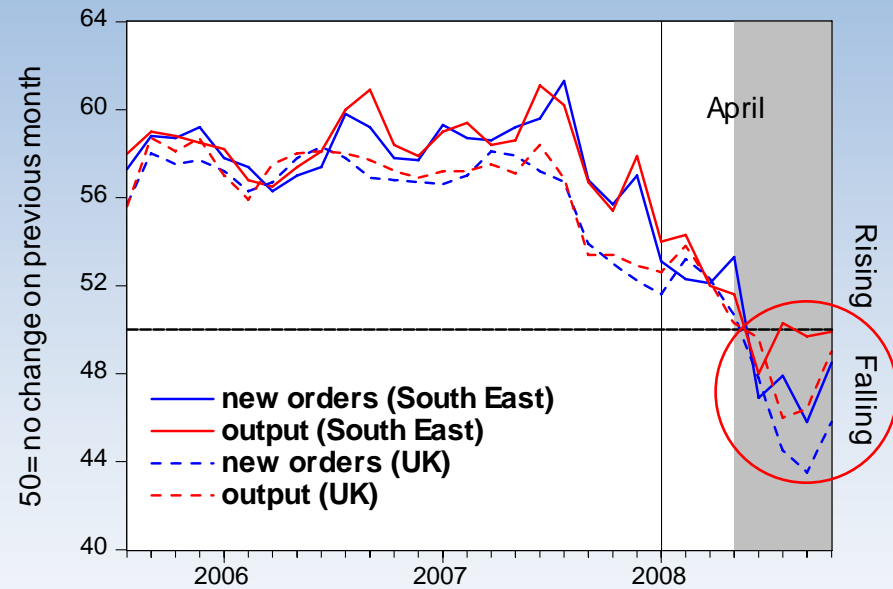
...led to a sharp slowdown in output growth ...growth prospects decline

UK economic growth comes to a halt in second quarter ...



Source: National Statistics 2008

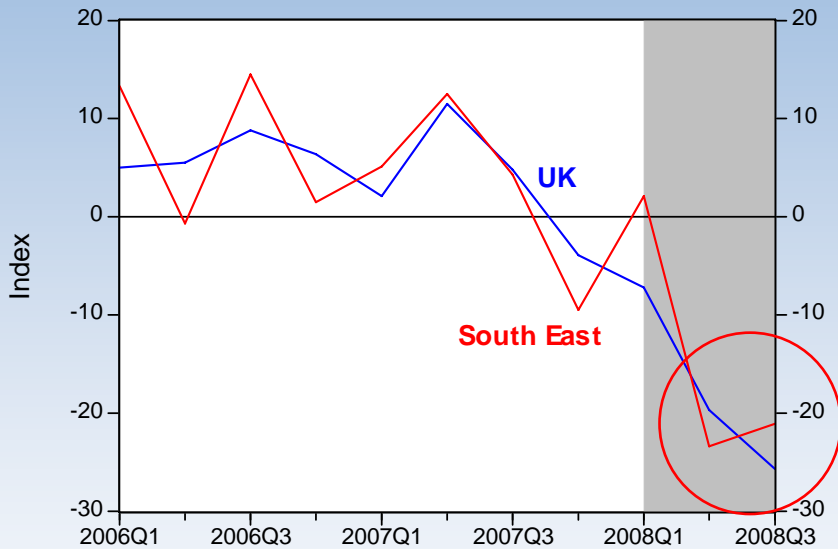
Sharp decline in output and level of incoming new business ... indicator of things to come?



Source: RBS 2008

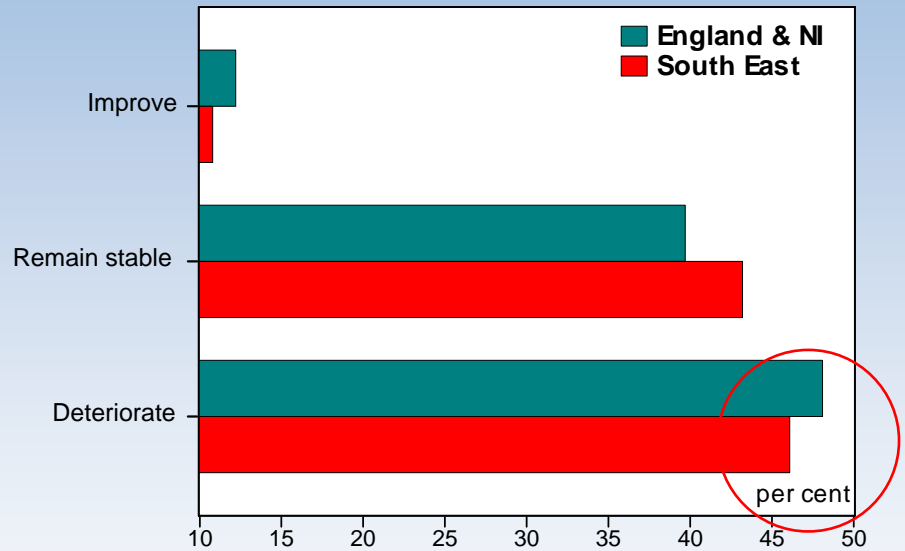
...led to sharp decline in Business Confidence...

Business confidence reaches record low ...



Source: ICAEW 2008

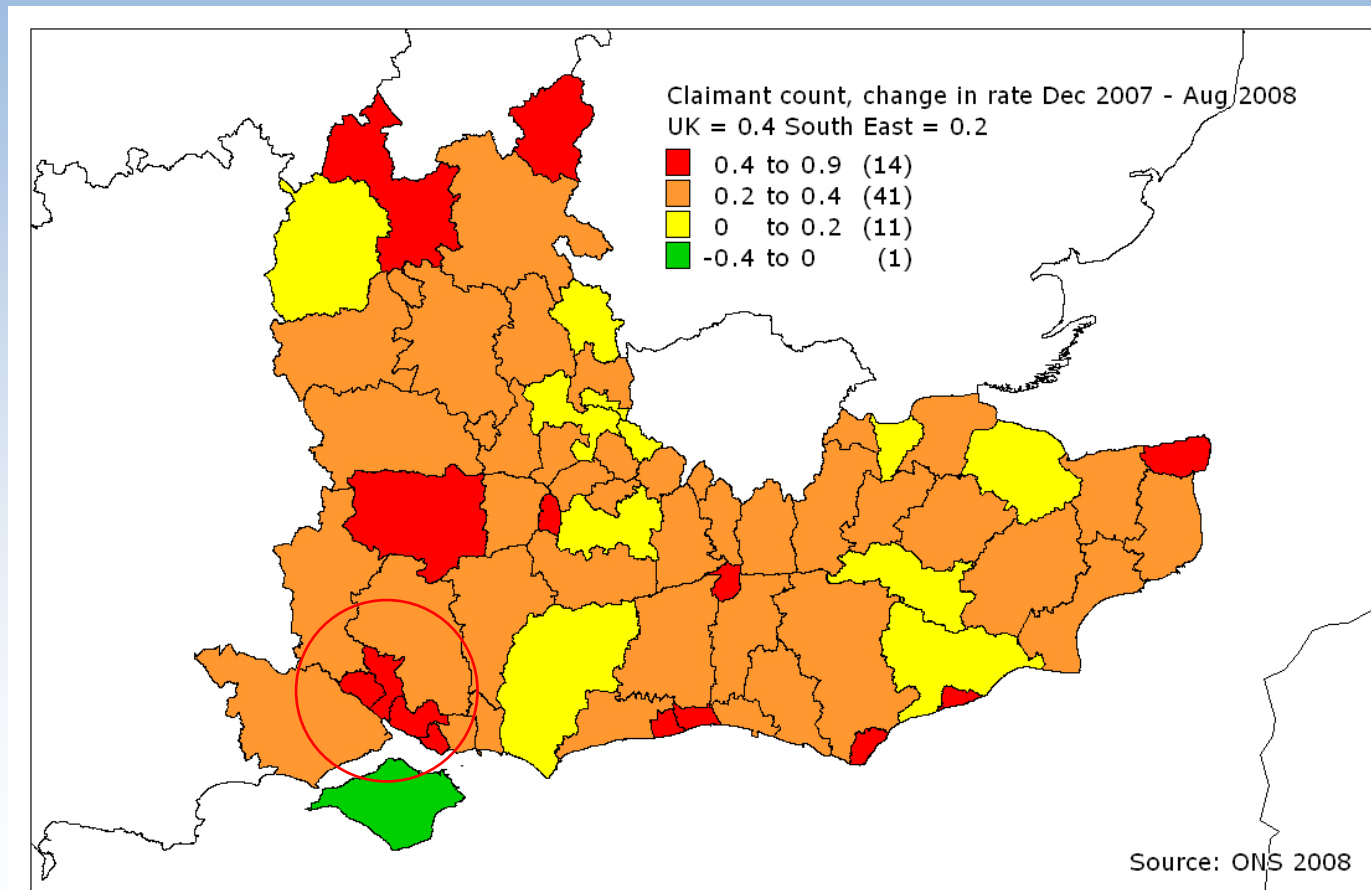
Over the next 12 months do you expect the business climate in which your business operates to ...?



Source: RDA NBS 2008

...Claimant count is rising...

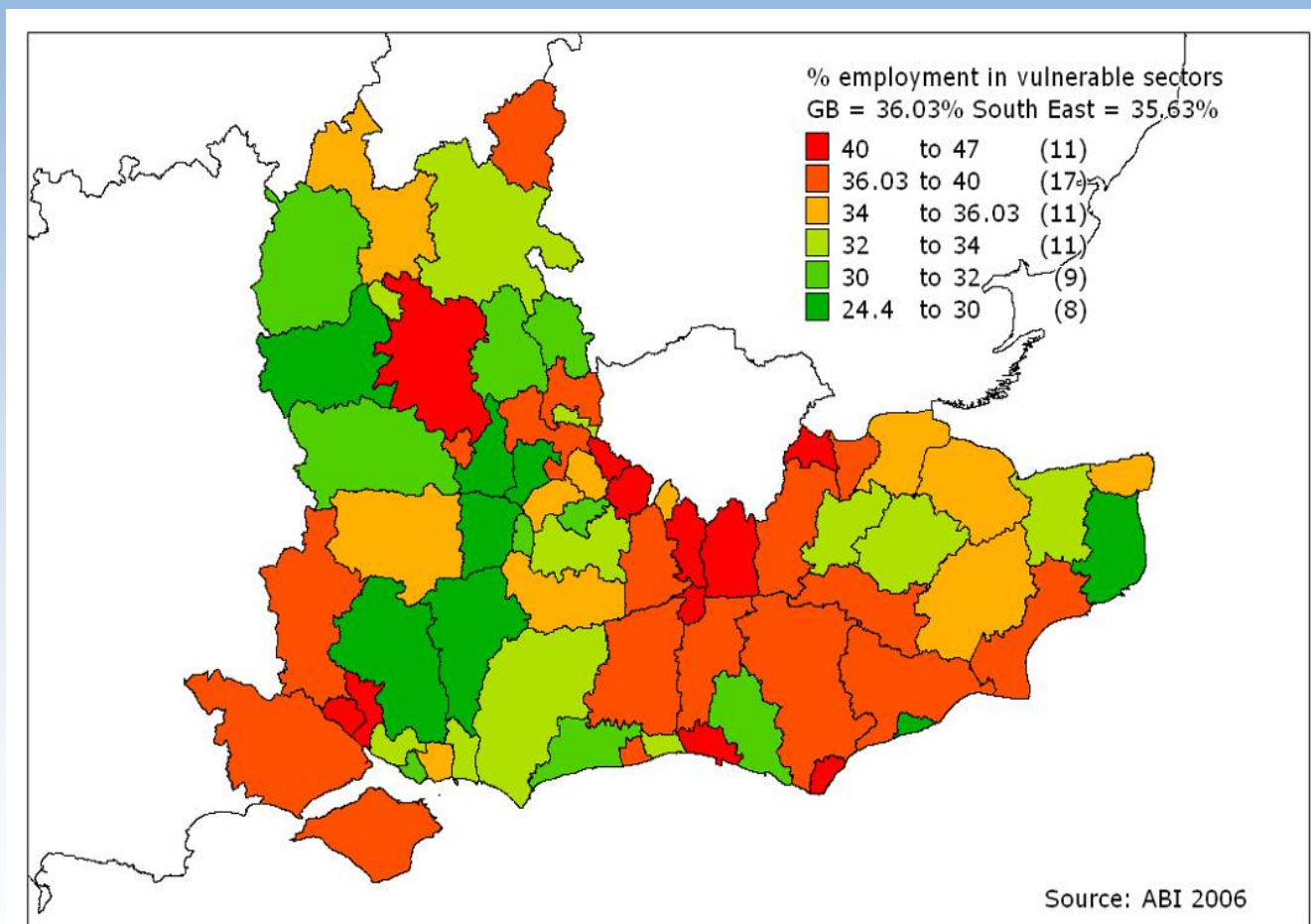
Change in claimant count rate
December 2007-August 2008



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Spatial Impact

% of employment in sectors exposed to credit crunch and consumer spending

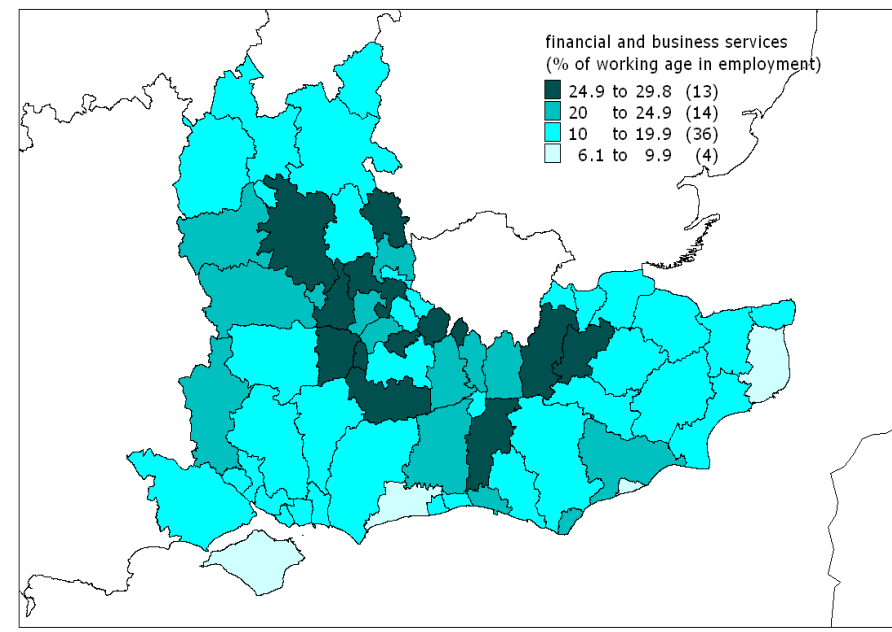
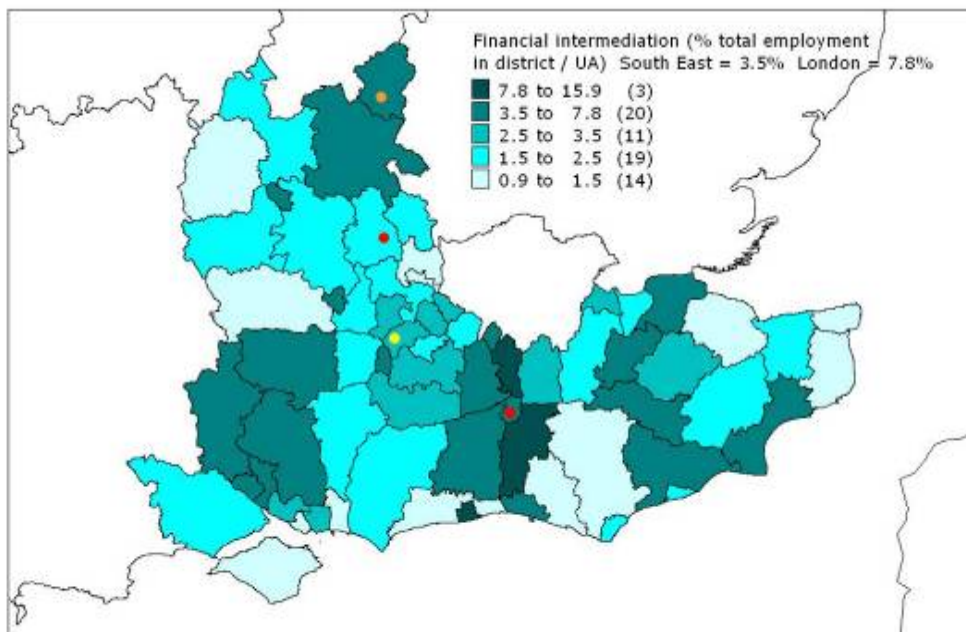


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Sectoral Impact: Financial Services

Financial Services employment as
% of total employment in
the area, (workplace)

Residents of working age
employed in Financial Services, %
(residence)



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Impact on South Hampshire?

- Varying sectoral impact:
 - Financial Services (retrenchment/restructuring)
 - Construction & Property related activities
 - Retail
 - /+ Mixed picture for tourism/hospitality
 - /+ Mixed picture for manufacturing
 - /+ Mixed picture for Ports, marine leisure
 - + Defence, naval base
- Housing and commercial property schemes stalling
- Labour market slackening

New investment and jobs...

- Ikea at Southampton, 500 jobs
- Lloyds Register of Shipping, 400 jobs
- Palmer Johnson, 800 jobs
- £3bn Aircraft carrier contract
- £150m contract for QinetiQ at Gosport

SEEDA regional response

- £10m package of new business support
- Enhanced business support for SMEs
- Keeping companies in the region
- Participating in Government commitment to pay invoices in 10 days
- Tourism and marketing
- Intelligence
- Redundancy support

Influencing policy through intelligence

INFORMATION GATHERING

Sub-Regional Partnerships (HEP and PUSH)

Local Authorities

BUSINESS

SEEDA

SECTOR CONSORTIA

INTELLIGENCE SNAPSHOTS

SEEDA
-Analyse
information

INFLUENCE

National & Regional Economic Councils

SE
Economic
Delivery
Council

Shape
RDA
policy

Government
policy &
programmes

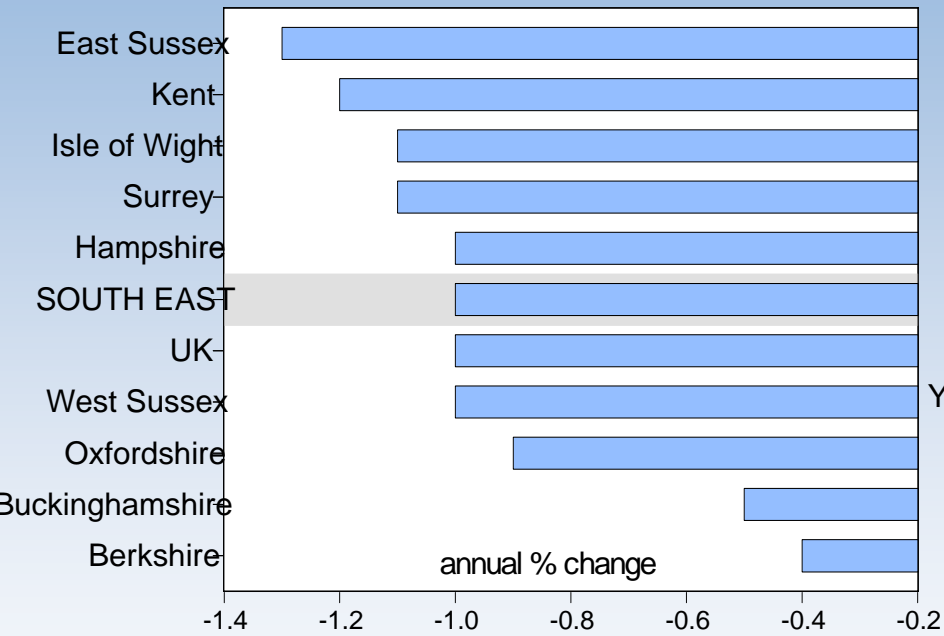
Disseminate to
local & regional
stakeholders

Preparing for the Upturn

- Highest manufacturing output in the country
- Highest manufacturing productivity
- Largest exporting region in England (value of goods)
- High business start-up and survival rates
- More employees in High & Medium Technology sector than any other UK region
- >2,000 companies actively involved in environmental technologies sector

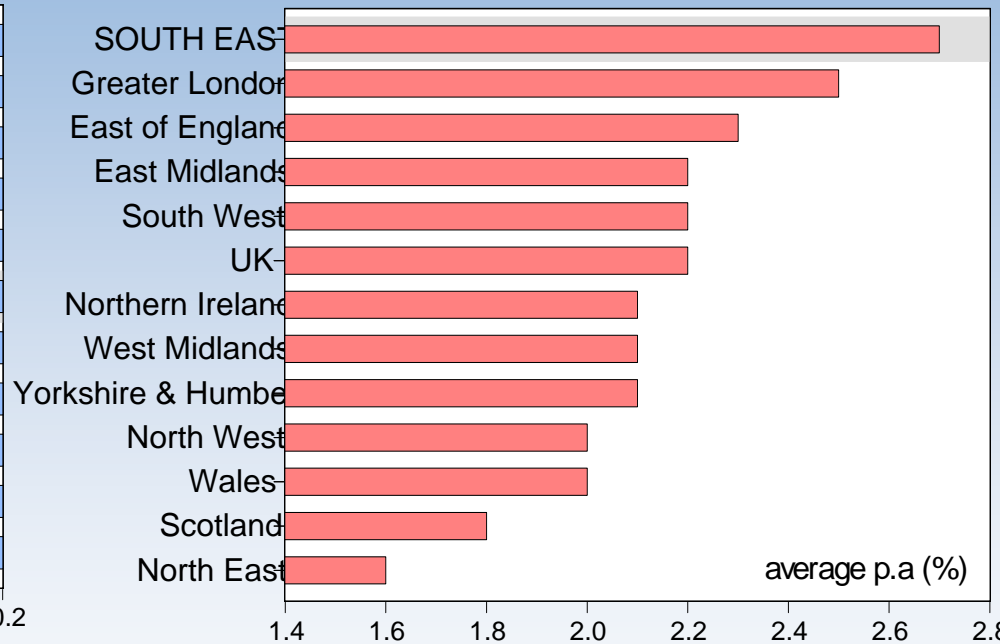
Outlook for 2009 and Beyond

Output growth in 2009



Source: Experian, Autumn 2008

Output growth 2010-2016



Source: Experian, Autumn 2008

Looking forward

- Determine PUSH policy response
- Identifying the critical investments and 'must do's'
- Systematic review of business plan and priorities?