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**ECONOMIC REVIEW**

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Note: J=The Journal, FT=Financial Times, BSNE=Business Survey North East, DBS=Durham Business School, EC=Evening Chronicle, EcN=The Economist Newspaper, , EST=Eurostat, ET=Economic Trends, FED= New York Federal Reserve, HBOS=Halifax Bank of Scotland, HMLR= HM Land Registry, LMT= Labour Market Trends; NECC=North East Chamber of Commerce NSO=National Statistics Online, ONS=Office for National Statistics, OEF= Oxford Economic Forecasting, R&R=Regeneration & Renewal, TO= Times Online; WHES=White House Economic Statistics (US), UKBP= [www.ukbusinesspark.co.uk](http://www.ukbusinesspark.co.uk)

**KEY POINTS:**

In the first quarter of 2009, UK GDP fell a very rapid 1.9% with manufacturing, production and service output all contracting. (§1.2) In January the Government announced the Asset Protection Scheme (APS) to under-pin banks under which the Government gave guarantees of about £600bn to RBS and Lloyds. The budget predicted a sharp recession in the UK during 2009. (§4.1) The budget announced the establishment of an Asset-Backed Securities (ABS) Guarantee Scheme (worth up to £50bn). This measure is intended to expand the funds available to banks to promote lending to homebuyers and homeowners. The budget also gave £1.7bn of additional funding to the Department for Work and Pensions, over two years, to ensure Jobcentre Plus and Flexible New Deal programmes have the capacity to respond to rising unemployment.

The average **forecast for 2009** is that the UK economy will shrink by nearly 4%, and that claimant unemployment will rise by over 900,000. This would be consistent with Tyne & Wear's claimant unemployment rising by about 20,000 to around 50,000. Output forecasts for the North East predict falls in 2009 of 3% (Oxford Economics) or 3.3% (Experian). (§1.6)

Total net lending to individuals in March 2009 was £885m, only 12% of the March 2008 level (£7.4bn) - Bank of England. This collapse in lending followed a difficult year for the housing market. In 2008, UK gross mortgage lending fell [29%] to £258bn from £364bn in 2007 (Council of Mortgage Lenders). There were 516,000 mortgages in 2008, down 49% from 2007 and the lowest since 1974. (FT 23/2) (§1.3)

Data for April and May have shown that manufacturing output stopped falling. Moreover, housing market indicators have shown a significant rise in activity from winter lows, with some rises in prices. Nevertheless, unemployment is still expected to continue to rise for some time yet.

**Key Points from News Digest (January – end March 2009)**

In Q1 2009, reported **job losses** (- 2,562) **exceeded gains** (+ 1,437) by **1,125** (all gains and losses from press reports). (§3)

The main losses were in **Sunderland**, due to cuts at **Nissan** and its suppliers. In addition, **Newcastle Production**, which ran the Findus factory in **North Tyneside**, went into administration with the loss of 359 jobs. (§3.1)

**Developments**

Work has begun on a £30m transformation of the **Cruddas Park** tower blocks in **Newcastle**. Three of the ten blocks will be refurbished over the next 21 months, with later phases aimed at providing homes for sale through the scheme's private sector partners, Gentoo and Bellway. (J 7/01) (§5.2)

Building work has been completed on the Co-operative Group's new £15m distribution centre in **Birtley, Gateshead**. The 260,000sq ft facility will be used as a base for distribution to 260 Co-op food stores across the North. (J 25/3) (§5.2)

**Eldon Square's** new quarter, St. Andrew's Way, is set to open by the end of the year. The £75m project covers 410,000sq ft of retail development. Only one unit remains to be filled. It will include a new 175,000 sq ft Debenhams and a Tesco Metro. Debenhams was due to take possession of its building in April, for fitting out. (J 27/2 & J 25/3) (§5.2)

Work has started to **upgrade** a stretch of the **A1 in North Yorkshire** from dual carriageway to three-lane motorway. The **24-mile** long section from **Dishforth to Barton** will provide the "missing link" between Newcastle and London, according to the Highways Agency. The upgrade to the Dishforth-Leeming section of the A1 is due to be completed by spring 2012. (BBC 27/3) (§5.2)

## **Industries & Firms**

**Immunodiagnostic Systems (IDS)** is predicted to increase its turnover from £18.7m to just under £30m by next year. (J 03/03) The **South Tyneside**-based medical test kit maker, expects revenues to rise 40% to £26m this year. The company's strong growth was attributed to its products related to curing diseases prominent in an ageing population. It employs 72 people in the region. (J 26/3 & J 8/1) (§6.3)

**Nissan** temporarily froze applications for voluntary redundancies at its **Sunderland** plant. (J 13/3) Following the decision to cut 1,200 jobs at their factory in Sunderland, further job cuts in Nissan's suppliers looked inevitable [see about 500 in job losses]. There are 13 regionally-based tier one suppliers, employing around 5,000 people. If tier two suppliers are included this accounts for about 12,000 or 10% of the region's manufacturing jobs. Six "lineside" suppliers, based directly beside the Nissan production lines, will be particularly vulnerable. (FT 9/01) (§6.4)

Pay at Nissan's Sunderland plant is to be frozen this year, for the first time since 1984. Its managers and directors will also bear a 15% pay cut. The policy, to cover Nissan's 12,500 employees in Europe, is one of 'prudent measures' adopted globally. (FT 25/3) **Nissan sales in the UK rose 15% in February** (to 2,616), compared with a year ago. (Sd Echo 6/3) (§6.4)

**BAE Systems'** forward order book rose 20% to £46.5bn. Its underlying pre-tax profits rose 31% to £1.9bn in 2008 on sales 18% higher at £18.5bn. (FT 20/2) [BAE has a tank factory in Scotswood, **Newcastle** – Ed.] (§6.5)

**Wellstream's** 2008 revenue rose 39% to £369.9m, and pre-tax profits rose 85.6% to £77.5m. The **Newcastle** company makes flexible pipelines for the offshore industry. (J 18/3) (§6.6)

**Greggs**, the bakers, plans to open around 600 outlets across the UK [creating around 6,500 jobs]. The **Newcastle** company currently employs 19,000 people. (J 11/3) Like-for-like sales at **Greggs** increased by more than 5% in the four weeks to January 3 2009. Sales growth for the full year was 7.1%, an increase of 4.4 percentage points from 2007. (J 8/01) (§6.7)

**Bellway**, the **Newcastle** housebuilder, sold 6,500 of its target 8,000 homes in the year to July 2008, this year the target is just 4,000 homes. (J 6/02) (§6.9)

**Pyeroy** expects its turnover to rise 10% to £60m this year. The **Gateshead** industrial services company has won a number of contracts in recent months. (J 21/3) (§6.9)

The **Port of Tyne** is set to welcome 23 cruise liners in 2009 and 19 in 2010. The weak pound and shop discounts led to ferry company DFDS' 20% rise in passengers in the last six months of 2008. Cruise tourism is expected to contribute £6.5m to the region's economy by 2010, with the creation of 100 jobs. (J 21/2) (§6.11)

This is the last planned edition of TWRI's Economic Review. It is due to be replaced by a new Quarterly Economic Report and a new Quarterly Labour Market Report.

### **TECHNICAL NOTE:**

The electronic version of this document contains links to online articles and government statistical releases. The reference includes the source and the date the article was accessed or downloaded. In the case of government releases, the date of release is also given where this differs from the download date.

Date: 24<sup>th</sup> June 2009

## 1.0 ECONOMIC OVERVIEW

### 1.1 Global Economy

The global economy is experiencing the deepest downturn in the post–World War II period, as the financial crisis rapidly spreads around the world (IMF). Global activity is projected to contract by 1.3% in 2009. Growth is projected for 2010 (+1.9%). Fiscal deficits are expected to widen sharply in both advanced and emerging economies, on assumptions that automatic stabilizers are allowed to operate and governments in G20 countries implement fiscal stimulus plans amounting to 2% of GDP in 2009 and 1.5% of GDP in 2010.<sup>1</sup>

#### **US Economy**

In May, the US government's 'stress tests' showed ten of the largest US banks must raise \$75bn in fresh capital. The tests gauged the ability of the top 19 U.S. banks, with more than \$2-trillion in total assets, to withstand a deep recession. Regulators estimated these banks could lose as much as \$600-billion in 2009 and 2010, leaving them with a combined capital shortfall of \$75-billion. Some of the banks insisted the stress tests were unreasonably pessimistic in their assumptions, and forced them to take capital they didn't need. Some critics contended the government's worst-case scenario - a 3.3% decline in the economy, 10.3% unemployment, and a 22% drop in housing prices – was not nearly gloomy enough.<sup>2</sup>

The US economy continued to contract in the first quarter of 2009, led by the biggest fall in exports for 40 years. US GDP contracted at an annualised rate of 6.1% during the quarter, following a 6.3% fall in the last quarter of 2008. Exports fell by 30%, the Commerce Department said, as the global recession hit worldwide spending. In the second half of the year, the US economy may benefit from the \$787bn (£533bn) economic stimulus package, passed by Congress in February.<sup>3</sup>

#### **European Union**

EU economies will contract by 4% in 2009 and Europe's economy will not start recovering until the second half of 2010 (European Commission). Germany, Europe's biggest economy, is expected to contract 5.4% this year, while the UK is expected to shrink by 3.8%. Unemployment in the 27-nation EU is predicted to reach 10.9% in 2010. For the 16 countries using the euro, the jobless figure would be 11.5%. "The main factors behind the recession are the worsening of the global financial crisis, a sharp contraction in world trade and ongoing housing market corrections in some economies," the commission stated. The commission's forecast is not [quite] as bleak as the outlook from the IMF, which says eurozone GDP will fall by 4.2% this year.<sup>4</sup>

The European Central Bank (ECB) has cut interest rates in the eurozone to a record low of 1%, from 1.25%. The ECB has decided, in principle, to buy about 60bn euros of euro-denominated covered bonds, a safer type of corporate debt. The bank was not clear on how the bond purchases would be funded.<sup>5</sup>

<sup>1</sup> <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf> (International Monetary Fund, World Economic Outlook, Crisis and Recovery, April 2009, downloaded 6<sup>th</sup> May 2009).

<sup>2</sup> <http://www.theglobeandmail.com/servlet/story/LAC.20090508.IBBANKS08ART1940/TPStory/Business> (The Globe and Mail, *Stress test results provide 'clarity'*, 8<sup>th</sup> May 2009).

<sup>3</sup> <http://news.bbc.co.uk/1/hi/business/8024839.stm> (BBC, 29th April 2009, accessed 7th May 2009).

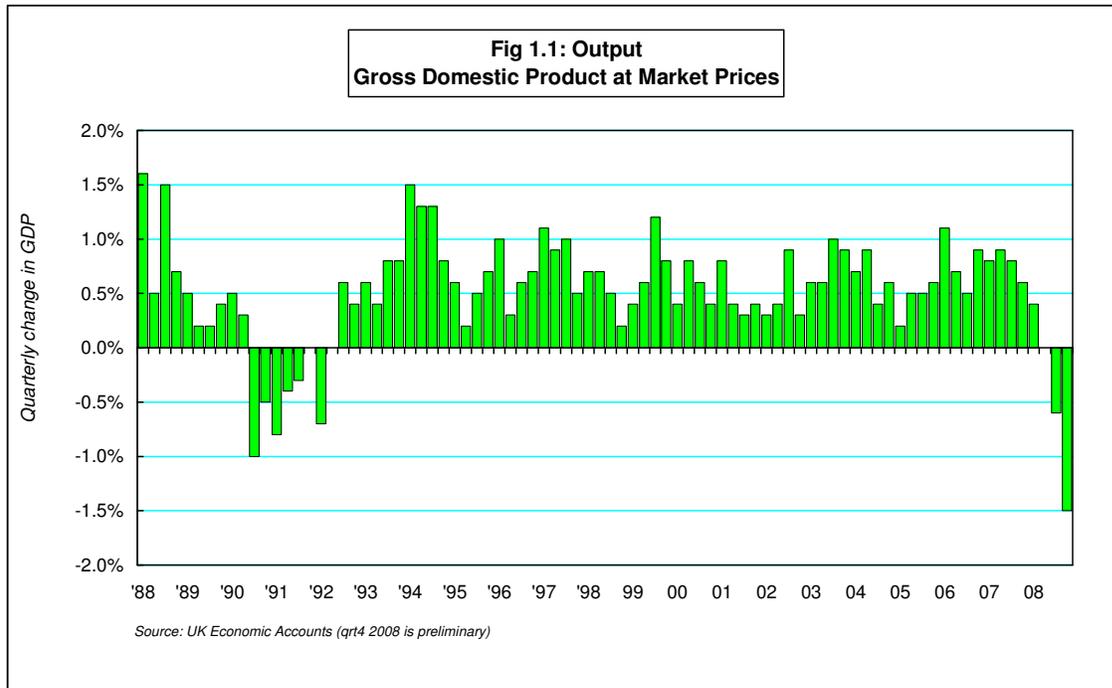
<sup>4</sup> <http://news.bbc.co.uk/1/hi/business/8032349.stm> (BBC, 4th May 2009, accessed 5<sup>th</sup> May 2009).

<sup>5</sup> <http://news.bbc.co.uk/2/hi/business/8037523.stm> (BBC, 7th May 2009, accessed 8<sup>th</sup> May 2009).

## 1.2 Recent Economic Trends

### Economic Growth

**UK GDP fell** by 1.9% in Q1 2009, compared with the previous quarter. Compared to quarter 1 2008, the fall was 4.1%.<sup>6</sup>



In Q1, 2009:

**Manufacturing output fell 6.2%**, the fourth consecutive quarterly fall.

Total **production output fell 5.5%**, compared with a 4.5% fall in the previous quarter.

Total **services output fell 1.2%**. The largest contribution to the fall in services came from business services and finance, where output fell by 1.8%.

There was growth in government and other services of 0.5%, compared with a fall of 0.3% in the previous quarter. (Note: These are preliminary estimates for Q1.)

### UK Inflation

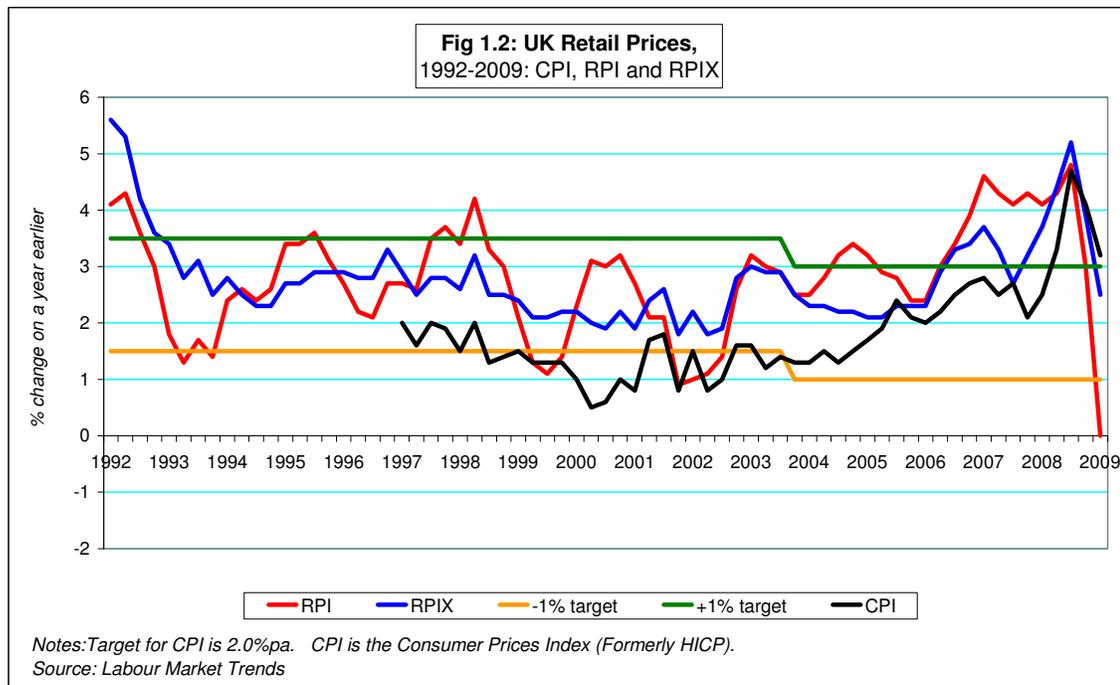
**Consumer Price Index (CPI)**<sup>7</sup> annual inflation was **2.3%** in April, slowing from 2.9% in March. The largest contribution to the fall came from housing and household services. The effect came from electricity bills and, to a lesser extent, gas bills. There was a large upward contribution from transport costs due to purchase of vehicles, 'fuels and lubricants' and air transport.

**Retail Price Index (RPI)** annual 'inflation' **fell by 1.2%** in April (the lowest figure since records began in 1948<sup>8</sup>), following a 0.4% fall in March. The main contribution to the fall came from housing costs, especially mortgage interest payments following March's half point cut in the Bank rate to 0.5%. [RPIX, which excludes mortgage interest payments, was 1.7% in April, down from 2.2% in the previous month]. The largest upward contribution came from motoring expenditure tax and insurance.

<sup>6</sup> <http://www.statistics.gov.uk/pdfdir/gdp0409.pdf> (National Statistics Online, Gross Domestic Product First Release, 24<sup>th</sup> April 2009, downloaded 6<sup>th</sup> May 2009).

<sup>7</sup> CPI and RPI information from <http://www.statistics.gov.uk/pdfdir/cpi0509.pdf> (National Statistics Online, Consumer price indices, First Release, April 2009, downloaded 26<sup>th</sup> May 2009).

<sup>8</sup> <http://www.statistics.gov.uk/pdfdir/cpinr0509.pdf> (National Statistics Online, News Release, 19<sup>th</sup> May 2009, downloaded 26<sup>th</sup> May 2009).



The **Bank of England maintained interest rates**<sup>9</sup> at 0.5% in May. The last cut, of 0.5 percentage points, was in March 2009. It was the sixth successive monthly fall. In total the rate fell by 4.5pp, from 5.0% in September 2008.

**Input price annual inflation**<sup>10</sup> was strongly negative in April (-5.0%), following a slight fall in March (-0.4%). Between March and April the index **fell 1.0%**. This mainly reflected a fall in the price of fuel, partly offset by a rise in crude oil prices.

**Output price annual inflation** was 1.2% in April, compared with 2.0% in the year to March. Between March and April the index rose 0.6%, mainly due to a rise in prices of petroleum products. Changes in excise duty in April (mainly on petrol) are estimated to have added 0.2 per cent to the overall output index in April.

### **The Credit Crunch**

From April, the Bank of England is publishing a monthly assessment of the latest trends in lending to the UK economy. Key points from the first report<sup>11</sup> are:

- Growth in the stock of lending to UK businesses slowed markedly during 2008, reflecting reduced flows of net lending by foreign as well as domestic lenders.
- Total net lending flows remained weak in the first two months of 2009, though companies have increasingly returned to the capital markets to raise funds.

<sup>9</sup> Interest rate information from <http://www.bankofengland.co.uk/> (7<sup>th</sup> May 2009).

<sup>10</sup> Producer prices (input and output price inflation) from <http://www.statistics.gov.uk/pdfdir/ppi0509.pdf> (National Statistics Online, Producer prices, First Release, downloaded 8<sup>th</sup> May 2009). Input prices are prices of materials and fuels bought. Output prices, also known as 'factory gate prices', are prices at which goods are sold.

<sup>11</sup> <http://www.bankofengland.co.uk/publications/other/monetary/TrendsApril09.pdf> (Bank of England, Trends in Lending, April 2009, downloaded 23<sup>rd</sup> April 2009).

- Growth in the stock of mortgage lending to individuals has slowed sharply since the start of the financial crisis, and stands at its lowest annual rate since the series began in 1988.
- Gross mortgage lending has fallen to its lowest level since March 2001, in part reflecting a marked fall in remortgaging activity.
- Growth in the stock of unsecured lending has slowed sharply over the past year or so, and the monthly net flow of lending was negative in February for the first time since the series began in April 1993.
- Having tightened credit availability over the past year, lenders expect that credit availability will remain unchanged in 2009 Q2. Weak demand for unsecured lending is expected to continue over the coming months.

### **Quantitative Easing**

In May, the Bank of England's Monetary Policy Committee (MPC) voted to continue with its programme of asset purchases financed by the issuance of central bank reserves and to increase its size by £50 billion to a total of £125 billion. Purchases of a little over £52 billion have been made under this facility since its use for monetary policy purposes was first announced in March. The MPC expected that it would take another three months to complete that programme, and it will keep the scale of the programme under review.<sup>12</sup>

### **Trade Credit Insurance**

On May 1<sup>st</sup> the Government introduced the trade credit insurance scheme.<sup>13</sup> Trade credit insurance covers suppliers against the risks of purchasers not paying their bills. The new scheme, announced in the Budget, was established in response to growing concern from businesses that reductions in the value of insurance cover create pressure on suppliers to shorten payment terms, and can place additional pressure on businesses' working capital facilities. Suppliers will be able to purchase Government-backed insurance to either restore cover to the original level or double the amount they are able to obtain from the private sector up to the value of £1m (whichever is the lower). A maximum of £5bn of top-up cover for insurance will be available through the scheme, which is part of the Real Help package and will be delivered through the Working Capital Scheme.

### **Consumer Spending**<sup>14</sup>

In Q1, consumer-spending fell 1.2% but retail sales have held up well [possibly helped by the VAT-cut]. In the quarter to April, **retail sales volume fell 0.2%** on the previous quarter but was 0.7% up on a year earlier. Sales volume rose 0.9% in the month to April. The volume of retail sales in April 2009 was 2.6% higher than in April 2008.<sup>15</sup>

Total retail sales rose 3.0% [by value] in April 2009, compared with a year ago. Food sales showed stronger growth (+7.2%) than non-food (0.9%). Non-food non-store [essentially mail-order and internet] sales in April were 5.4% higher than a year ago. Estimates based on ONS experimental data show that Internet retail sales in April 2009 averaged £179.5m per week, approximately 3.3% of total retail sales (non-seasonally adjusted). Note: Retail spending represents approximately one-third of consumer spending.

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<sup>12</sup> <http://www.bankofengland.co.uk/publications/news/2009/037.htm> (Bank of England, News Release, 7<sup>th</sup> May 2009).

<sup>13</sup> <http://nds.coi.gov.uk/content/detail.asp?NewsAreaID=2&ReleaseID=400321> (Department for Business, Enterprise and Regulatory Reform, Press Release, 1<sup>st</sup> May 2009, accessed 7<sup>th</sup> May 2009).

<sup>14</sup> Consumer spending is more than twice as wide as retail sales; it includes: purchases of cars, holidays, leisure, meals out, utilities, TV and telecoms and insurances.

<sup>15</sup> <http://www.statistics.gov.uk/pdfdir/rs0509.pdf> (National Statistics Online, Retail Sales Statistical Bulletin, April 2009, downloaded 28<sup>th</sup> May 2009).

UK retail sales values rose 4.6% (like-for-like) and rose 6.3% on a total basis in April 2009, compared with a year ago (British Retail Consortium). Easter falling in April this year but in March last year, together with warm sun this April but cold and rain last April, make comparisons difficult.<sup>16</sup>

### **Earnings**<sup>17</sup>

In the three months to March 2009 average earnings (including bonuses) fell by 0.4%, down 0.6 percentage points from the three months to February. Average earnings (excluding bonuses) rose by 3.0% (down 0.2 percentage points on the previous period). Pay growth (including bonuses) was 2.9% in the private sector and 3.6% in the public sector. Excluding bonuses, growth was -1.2% in the private sector and 3.6% in the public sector.

### **Minimum Wage**

The Government has announced new National Minimum Wage rates to take effect in October.

| Age                 | Current<br>(hourly rate) | October 2009<br>(hourly rate) |
|---------------------|--------------------------|-------------------------------|
| 16 and 17 year-olds | £3.53                    | £3.57                         |
| 18 to 21 year-olds  | £4.77                    | £4.83                         |
| 22 and over         | £5.73                    | £5.80                         |

*Source: Department for Business, Enterprise and Regulatory Reform.*

Nearly one million people will benefit from October's increase after the Government approved recommendations from the Low Pay Commission (LPC). In the North East, an estimated 55,000 will benefit [about 5% of people in work]. The government has accepted an LPC recommendation that the adult rate of the minimum wage should be extended to 21-year-olds (from October 2010).

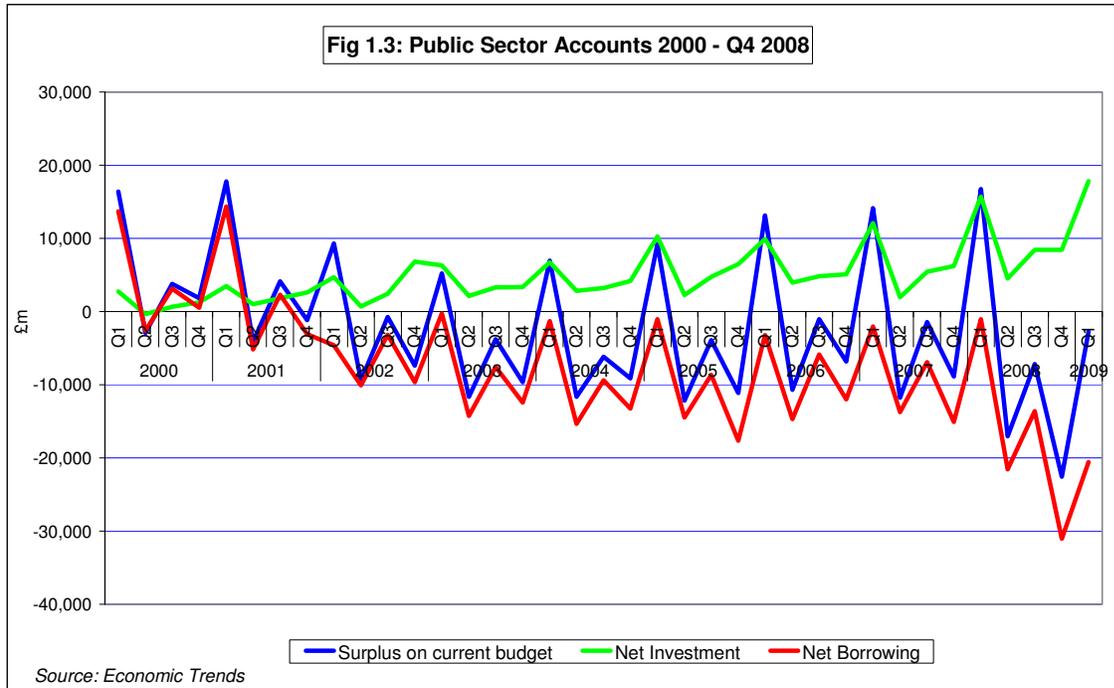
### **Public Accounts**

The **public sector current budget** was in **deficit** by **£7.0bn** in April 2009, **ten times** the deficit in April 2008 (£0.7bn). Public sector net debt was £754.0 billion (equivalent to 53.2% of GDP) at the end of April 2009. This compares to £618.7 billion (42.9%) at the end of April 2008.<sup>18</sup>

<sup>16</sup> <http://www.brc.org.uk/showDoc04.asp?id=3918&moid=6668> (British Retail Consortium-KPMG, Retail Sales Monitor April 2009, 12<sup>th</sup> May 2009, downloaded 28<sup>th</sup> May 2009).

<sup>17</sup> <http://www.statistics.gov.uk/pdffdir/lmsuk0209.pdf> (National Statistics Online, Labour Market Statistics First Release, 12<sup>th</sup> May 2009, downloaded 14<sup>th</sup> May 2009). Earnings figures are for GB.

<sup>18</sup> <http://www.statistics.gov.uk/pdffdir/psf0509.pdf> (National Statistics Online, Public Sector Finances April 2009, Statistical Bulletin, downloaded 28<sup>th</sup> May 2009).



Public sector net borrowing was **£8.5bn** in April 2009, £6.6 billion higher than in April 2008 (£1.8bn).<sup>19</sup>

**Business Conditions from Surveys in Q1 2009<sup>20</sup>**

| Balance on:                               | North East  | Tyne and Wear  |
|---|---|--|
| UK Sales <sup>21</sup>                    | <b>Improved slightly</b> by 2pp, from -30% to -28%.                                 | <b>Fell</b> to -28%, from -24% in Q4 2008.   |
| Export Sales                              | <b>Fell slightly</b> , down 1pp from -9% to -10%.                                   | <b>Fell sharply</b> from 0% to -9%. (Over two-thirds of respondents reported export sales were unchanged.) |
| UK Orders                                 | <b>Improved</b> 3pp, from -27% to -25%.   | <b>Fell slightly</b> to -25%, from -24% in Q4 2008   |
| Export Orders                             | <b>Improved slightly</b> , up 1pp from -12% to -11%.                                | <b>Fell sharply</b> , from 0% to -13%.   |
| Employment (in the previous three months) | <b>Fell</b> by 5pp from -11% in Q4 2008 to -16% <b>reporting a fall</b> in Q1 2009. | <b>Fell sharply</b> by 8pp, with -22% <b>reporting a fall</b> in Q1 2009.                                  |
| Employment (forward looking)              | <b>Improved</b> by 6pp from -17% to -12%.   | <b>Improved slightly</b> by 2pp from -22% in the previous quarter, to -21%.                                |

Percentages are balances(those saying improvement minus those saying the opposite) rounded.

On employment, Tyne and Wear did less well than the North East with a larger balance reporting a fall in Tyne and Wear (-22%) than in the North East (-16%). Although future employment prospects

<sup>19</sup> <http://www.statistics.gov.uk/pdfdir/psf0509.pdf> (National Statistics Online, Public Sector Finances April 2009, Statistical Bulletin, downloaded 28<sup>th</sup> May 2009).

<sup>20</sup> Results from BSNE for both NE and Tyne & Wear. [Tyne & Wear data kindly supplied by Economic Research Services Ltd]

<sup>21</sup> Taken from response to questions ‘Excluding seasonal variations, how have your domestic sales changed during the past three months?’

appear worse in Tyne and Wear than the North East, more than half of the respondents in Tyne and Wear expected no change in the next three months. For sales and orders, the situation in Tyne and Wear appears to reflect the situation in the North East. The changes from the previous quarter suggest that Tyne and Wear fared worse than the North East on both export orders and sales. However, the results from the previous quarter for Tyne and Wear were relatively buoyant.

### **UK Manufacturing**

**Manufacturing activity fell 5.5%** in the three months to March 2009 compared with the previous three months [a huge drop in just three months]. Output fell in eleven of the thirteen sub-sectors. Significant falls included Transport Equipment (-13.6%), Machinery and Equipment (-12.5%), Basic Metals and Metal Products (-9.1%) and Electrical and Optical Equipment (-6.5%). Manufacturing is now 13.1% lower than the same quarter a year ago.<sup>22</sup>

The CIPS/Markit Purchasing Managers' Index (PMI) at 39.1 in March, was, however, the highest since October 2008. (Headline seasonally adjusted, **a reading below 50 signals industry contraction.**) Overall conditions in the UK manufacturing sector remained weak and disinflationary pressures continued to build. However, indexes tracking production and new work rose sharply. Both regained much of the ground lost following the deepening of the manufacturing recession during Q4 in 2008.<sup>23</sup>

There were 127,000 manufacturing jobs in the North East in December 2008, down by a 4,000 (-2.7%) compared to December 2007 - ONS. Nationally (UK), manufacturing employment fell by 128,000 (-4.0%) to 3.0m over the same period.<sup>24</sup>

In May, 17% of the 575 manufacturing firms surveyed said they expect the volume of output to increase over the next three months, against 34% who anticipate a fall (CBI Industrial Trends Survey). The resulting balance (-17%) is a marked improvement on the previous month (-32%), and takes the measure back to where it was before the collapse of Lehman Brothers last September (a balance of -16%). [There are hopes that manufacturers' output will re-bound somewhat, as they have run down their stocks of unsold product – Ed.]

<sup>22</sup> <http://www.statistics.gov.uk/pdfdir/iopbrief0509.pdf> (National Statistics Online, Index of Production, March 2009 Briefing Note, 12<sup>th</sup> May 2009, downloaded 13<sup>th</sup> May 2009).

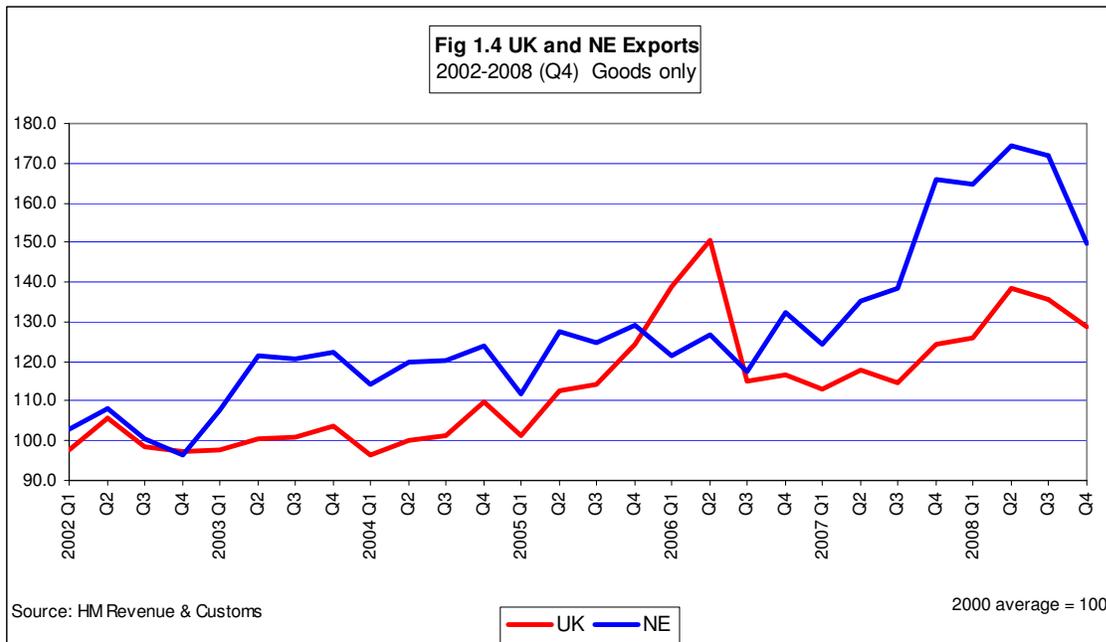
<sup>23</sup> [http://www.finfacts.ie/irishfinancenews/article\\_1016348.shtml](http://www.finfacts.ie/irishfinancenews/article_1016348.shtml) (Finfacts Ireland, 1st April 2009, accessed 29<sup>th</sup> May 2009).

<sup>24</sup> North East figures from <http://www.statistics.gov.uk/pdfdir/lmsneast0509.pdf> (Labour Market Statistics First Release: North East, 13<sup>th</sup> May 2009). UK figures from <http://www.statistics.gov.uk/pdfdir/lmsuk0509.pdf> (Labour Market Statistics First Release, 12<sup>th</sup> May 2009). (Both National Statistics Online, downloaded 14<sup>th</sup> May 2009).

## Exports

**NE exports rose by 17% to £11.2bn** in the year to December 2008.<sup>25</sup> These goods exports are equivalent to about one-fifth of the region’s GDP.

In both the North East and the UK the value of exports fell in the last two quarters of 2008. The total fall in the North East, in the last half of 2008, was £418m (-14%), with 90% (£375m) of the fall occurring in the last quarter. The North East was previously performing much better than nationally on exports. However, North East exports fell by almost 10% (-£273m) to £2.5bn in Q4 2008 compared to Q4 2007. In contrast, UK exports rose 4% (£2.2bn) to £60.2bn in Q4 2008 compared to a year earlier. (Table 1.1)



<sup>25</sup> [https://www.uktradeinfo.com/pagecontent/documents/RtsPR\\_Qtrly4\\_2008.pdf](https://www.uktradeinfo.com/pagecontent/documents/RtsPR_Qtrly4_2008.pdf) (HM Revenue & Customs, UK Regional Trade in Goods Statistics, Q4 2008 Press Release (and data file), 12<sup>th</sup> March 2009, downloaded 14<sup>th</sup> May 2009).

**Table 1.1: Exports, UK and NE, 2000-2008 (Q4). Goods only**

| <b>Exports*</b> | <b>UK (£m)</b> | <b>Q1 2000=100</b> | <b>NE (£m)</b> | <b>Q1 2000=100</b> |
|-----------------|----------------|--------------------|----------------|--------------------|
| <b>2000</b>     | <b>187,159</b> |                    | <b>6,795</b>   |                    |
| <b>2001</b>     | <b>189,448</b> |                    | <b>7,108</b>   |                    |
| <b>2002</b>     | <b>186,978</b> |                    | <b>6,938</b>   |                    |
| <b>2003</b>     | <b>188,382</b> |                    | <b>8,018</b>   |                    |
| <b>2004</b>     | <b>190,548</b> |                    | <b>8,122</b>   |                    |
| Q1 2005         | 47,480         | 101.5              | 1,897          | 111.7              |
| Q2 2005         | 52,740         | 112.7              | 2,167          | 127.6              |
| Q3 2005         | 53,403         | 114.1              | 2,120          | 124.8              |
| Q4 2005         | 58,133         | 124.2              | 2,195          | 129.2              |
| <b>2005</b>     | <b>211,756</b> |                    | <b>8,379</b>   |                    |
| Q1 2006         | 64,984         | 138.9              | 2,067          | 121.7              |
| Q2 2006         | 70,412         | 150.5              | 2,150          | 126.6              |
| Q3 2006         | 53,764         | 114.9              | 1,998          | 117.6              |
| Q4 2006         | 54,661         | 116.8              | 2,246          | 132.2              |
| <b>2006</b>     | <b>243,821</b> |                    | <b>8,460</b>   |                    |
| Q1 2007         | 52,931         | 113.1              | 2,110          | 124.2              |
| Q2 2007         | 55,231         | 118.0              | 2,297          | 135.2              |
| Q3 2007         | 53,669         | 114.7              | 2,351          | 138.4              |
| Q4 2007         | 58,088         | 124.1              | 2,819          | 165.9              |
| <b>2007</b>     | <b>219,919</b> |                    | <b>9,576</b>   |                    |
| Q1 2008         | 58,838         | 125.7              | 2,800          | 164.8              |
| Q2 2008         | 64,769         | 138.4              | 2,964          | 174.5              |
| Q3 2008         | 63,504         | 135.7              | 2,921          | 171.9              |
| Q4 2008         | 60,238         | 128.7              | 2,546          | 149.9              |
| <b>2008</b>     | <b>247,349</b> |                    | <b>11,231</b>  |                    |

\* Annual figures may not equal sum of quarterly data due to rounding

The 2008 quarters use provisional data and are subject to update.

Source: HM Revenue & Customs Regional Trade Figures (Crown Copyright).

[Note: All these export data are for goods only, not services and **by value**, not volume. Caution: the export data series have been seriously affected in the past by fraudulent over-reporting of exports in the so-called 'carousel' VAT frauds –Ed.]

## 1.3 Housing Market Latest

### Housing Starts and Completions<sup>26</sup>

**Housing starts** (seasonally adjusted) in England **rose by 13%** to 18,340 in Q1 2009 (from 16,260 in Q4 2008). Starts were 44% lower than Q1 2008. **Annual housing starts** for England totalled 90,430 in 2008-09, **down 42%** from 2007-08 and 51% below the 2005-06 peak.

**Housing completions** in England (seasonally adjusted) **fell by 4%** to 31,140 in Q1 2009, from 32,280 in the previous quarter. This is the fifth successive quarterly fall. **Annual housing completions** in England totalled 133,710 in 2008-09, **down by 20%** compared with 2007-08.

The public sector is now funding almost half of new home buildings, according to data from the National House Building Council. In the quarter to February, the public sector was responsible for about 45% of all home starts, compared with a fifth in late 2007. This indicates that the number of homes being registered under the private sector fell by  $\frac{3}{4}$  during 2008. The level of orders for new non-housing construction from the public sector rose by a fifth in 2008, while it fell by about a quarter in the private sector. (FT 26/3)

### House Prices

Total net lending to individuals in March 2009 was £885m, of which £757m was secured on dwellings (seasonally adjusted) - only 12% of the March 2008 level (£7.4bn) - Bank of England.<sup>27</sup>

UK house prices were 13.6% lower in March 2009 than a year earlier - DCLG. In the North East the fall was 11.7%. Regionally the North East had the lowest (mix-adjusted) average price, £131,434 (UK £187,193).<sup>28</sup>

House prices rose by 1.2% in May 2009, down 11.3% from 12 months ago - Nationwide. The 3-month on 3-month fall, a smoother indicator of the short-term trend in prices, rose from -3.0% in April to -0.5% in May and now stands at its highest level since January 2008.<sup>29</sup> [Nationwide's index is skewed to the south – Ed.]

The Halifax House Price Index recorded a 2.6% *rise* in average UK house prices in May. On an annual basis, house prices were 16.3% lower. Prices in the three months to May compared to the previous three months, a better indicator of the underlying trend, were 3.1% lower.<sup>30</sup>

### Negative Equity<sup>31</sup>

Falling house prices mean that two million households have either negative equity, or too little equity to finance a house move - Council of Mortgage Lenders (CML). The CML estimated that about 900,000 are in negative equity, 600,000 mortgage holders have less than 5% equity in their homes, and 500,000 have equity amounting to a deposit of more than 5% but still less than 10%. Thus about two

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<sup>26</sup> <http://www.communities.gov.uk/documents/statistics/pdf/1236690.pdf> (Communities and Local Government, House Building: March Quarter 2009, England, 21st May 2009, downloaded 29<sup>th</sup> May 2009).

<sup>27</sup> [http://www.bankofengland.co.uk/statistics/ms/2009/apr/bankstats\\_full.pdf](http://www.bankofengland.co.uk/statistics/ms/2009/apr/bankstats_full.pdf) (Bank of England, Monetary and Financial Statistics, April 2009, downloaded 28<sup>th</sup> May 2009).

<sup>28</sup> <http://www.communities.gov.uk/documents/statistics/pdf/1228768.pdf> (Communities and Local Government, House Price Index - March 2009, 12<sup>th</sup> May 2009, downloaded 14th May 2009).

<sup>29</sup> [http://www.nationwide.co.uk/hpi/historical/May\\_2009.pdf](http://www.nationwide.co.uk/hpi/historical/May_2009.pdf) (Nationwide, House Prices, May Press Release, downloaded 29th May 2009).

<sup>30</sup> <http://www.lloydsbankinggroup.com/media/word/HPI/HousePriceIndexMay2009.doc> (Halifax, House Price Index, May 2009, downloaded 10<sup>th</sup> June 2009).

<sup>31</sup> <http://news.bbc.co.uk/1/hi/business/8003028.stm> (BBC, 17th April 2009, accessed 29th May 2009).

million homeowners in total could not raise a 10% deposit for a new mortgage simply by selling their current homes.

With house prices dropping by about 18% since the middle of 2007, the fall in prices has already outstripped the national price drop during the early 1990s house price crash. The 900,000 estimated to be in negative equity now are fewer in number than the 1.5 million estimated to have been in this position more than a decade and a half ago.

### **Repossessions**

There were 12,800 repossessions in Q1 2009, compared with 10,400 in the fourth quarter of 2008 and 8,500 in Q1 2008 (Council for Mortgage Lenders). The CML forecast 75,000 repossessions for 2009 but expects to revise the figure downwards. There are 11.1 million mortgages in the UK, with loans worth over £1.1 trillion. The significant drop in the number of outstanding mortgages this quarter, from 11.7 million, is mainly due to the exclusion of around 500,000 "legacy loans" (those retaining only a nominal outstanding balance, for example for deed storage purposes).<sup>32</sup>

**1,184 repossession orders** were made in **Cleveland, Durham & Northumbria** in **Q1 2009**, down 24% from Q1 2008 (not seasonally adjusted). Mortgage possession figures do not indicate how many houses have actually been repossessed through the courts. Repossessions can occur without a court order being made, while not all court orders result in repossession.<sup>33</sup>

Late mortgage payments reached record levels in the fourth quarter of 2008 – Standard and Poor. Subprime mortgage delinquencies (over 90 days late) rose to 28.6% of all such loans. The overall rate of delinquencies rose to 6.4%. 70-80% of all UK subprime mortgages have been packaged into securities. (FT 2/3)

### **Mortgage Lending**

UK gross mortgage lending fell [29%] in 2008, from £364bn in 2007 to £258bn – Council of Mortgage Lenders. There were 516,000 mortgages in 2008, down 49% from 2007 and the lowest since 1974. (FT 23/2)

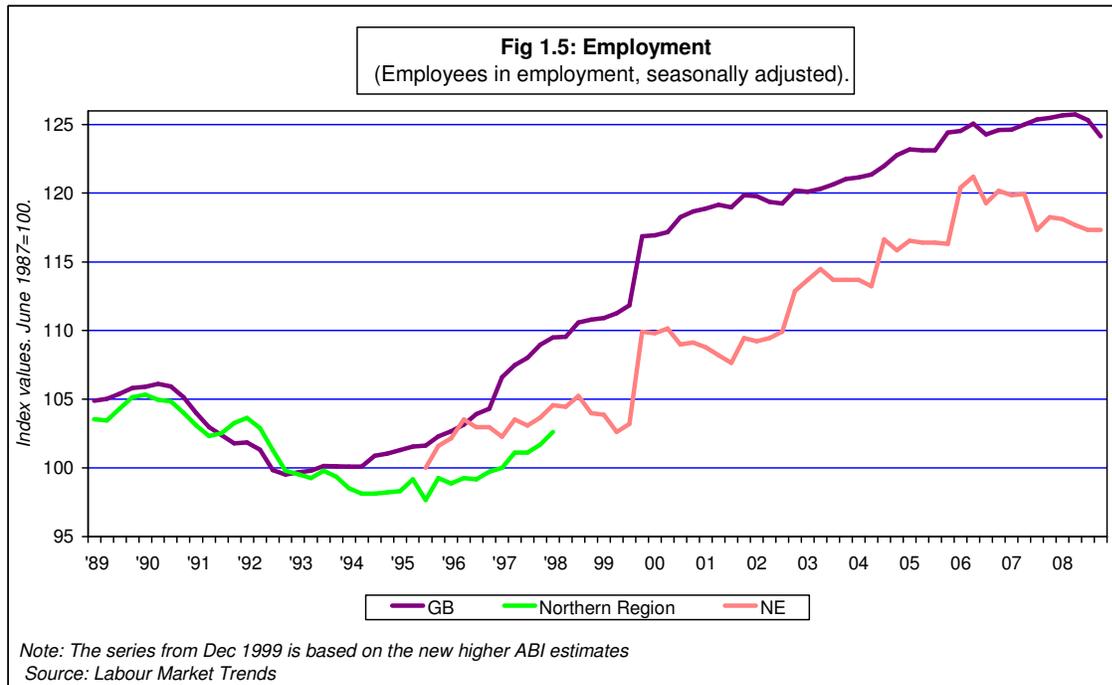
Mortgage lenders are having to charge 13-17% interest rates (on the amount over 75%) to buyers who borrow over 75% of the house's value – according to an analysis by Societe Generale of mortgage offers. (FT 18/3)

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<sup>32</sup> <http://www.cml.org.uk/cml/media/press/2262> (Council of Mortgage Lenders, Arrears and possessions in 2008, Press Release, 15<sup>th</sup> May 2009, accessed 29<sup>th</sup> May 2009).

<sup>33</sup> <http://www.justice.gov.uk/publications/docs/stats-mortgage-landlord-q1.xls> (Ministry of Justice, Mortgage and landlord possession statistics, court level breakdown, 15<sup>th</sup> May 2009, downloaded 29<sup>th</sup> May 2009).

## 1.4 Labour Market Latest



In the three months to March 2009 the **UK employment rate** for PWA<sup>34</sup> was 73.6%, **down 0.5pp** from the previous quarter and **down 1.3pp over the year**. The *number* of people in employment was down 157,000 over the quarter and down 295,000 over the year (to 29.20m).<sup>35</sup>

In the **North East**, the **employment rate** in the three months to March 2009 was 69.8%, **down 0.5pp** on the same period a year earlier.<sup>36</sup>

[UK and North East figures are from LFS and are seasonally adjusted.]

The (ILO) **unemployment rate** in the **UK** for the three months to March was 7.1%, **up 0.8pp** over the previous quarter and **up 1.8pp** over the year. The *number* of unemployed people rose 244,000 over the quarter and rose 592,000 over the year (to 2.22m).

In the **North East**, the (ILO) unemployment rate in the three months to March 2009 was 8.3%, up 1.8pp from a year earlier.

**Tyne & Wear's** (ILO) **unemployment rate** in the year to September **2008** was **7.1%** (36,500). The North East rate was 7.0%, significantly higher than the Great Britain rate (5.5%).<sup>37</sup>

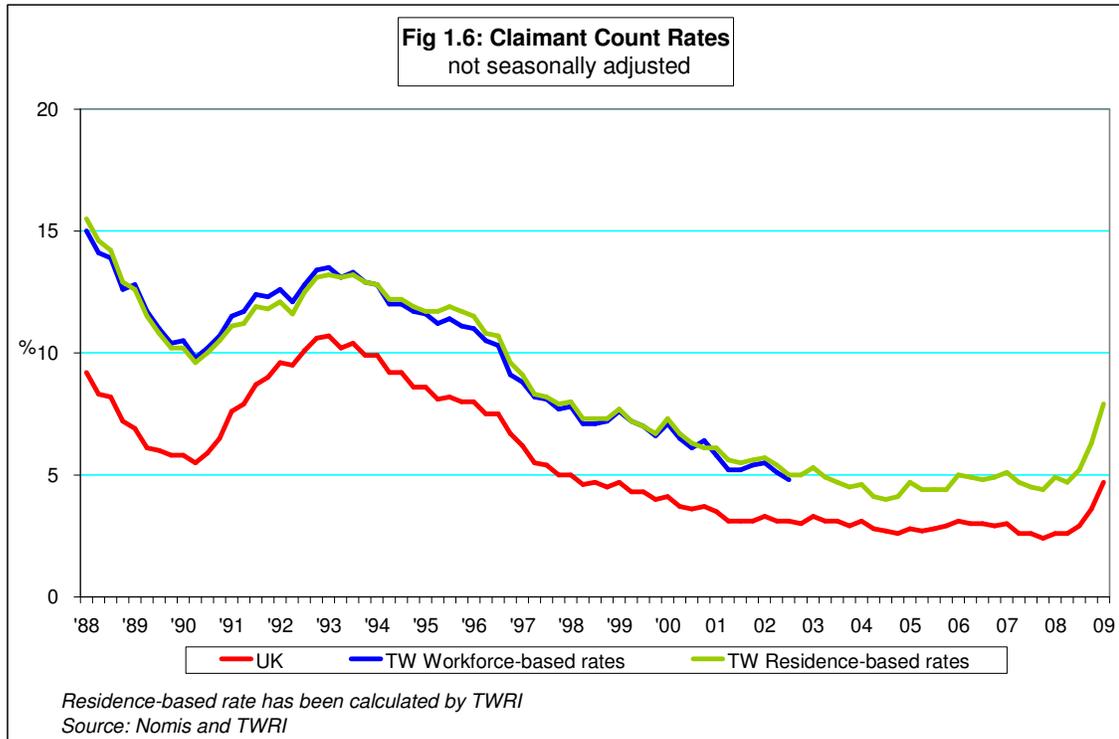
**Tyne & Wear's claimant count** [unadjusted] in **April 2009** was **8.1%** (38,563), up by just over two-thirds (15,564) on a year earlier. The claimant count rate in Tyne & Wear was 1.0pp higher than the North East (7.1%) and 3.3pp higher than Great Britain (4.8%). [The claimant count was also 4.8% in the *UK* in April 2009.]

<sup>34</sup> *People of Working Age* (i.e. Male 16-64, Female 16-59).

<sup>35</sup> UK figures from <http://www.statistics.gov.uk/pdfdir/lmsuk0209.pdf> (National Statistics Online, Labour Market Statistics First Release, 12<sup>th</sup> May 2009, downloaded 14<sup>th</sup> May 2009).

<sup>36</sup> North East figures from <http://www.statistics.gov.uk/pdfdir/lmsneast0209.pdf> (National Statistics Online, Labour Market Statistics First Release: North East, 13<sup>th</sup> May 2009, downloaded 14<sup>th</sup> May 2009).

<sup>37</sup> TW figures from [http://www.twri.org.uk/wwwfileroot/twri/twri\\_Unemp\\_Monthly\\_V01\\_2009Apr.pdf](http://www.twri.org.uk/wwwfileroot/twri/twri_Unemp_Monthly_V01_2009Apr.pdf) (TWRI, Unemployment in Tyne & Wear: April 2009, accessed 29<sup>th</sup> May 2009).



[Note: LFS unemployment data is published in TWRI's monthly report on unemployment. In 2005 ONS changed the way it reports employment data to four-quarter averages. Unemployment rates previously reported by TWRI were obtained from LFS. The LFS has now been incorporated into the APS. APS data was made available on NOMIS from August 2005.]

## 1.5 Labour Market Trends

ONS figures show: (FT 19/3)

- Public sector employment rose 0.5% (30,000) to 5.78m in 2008, while **private sector employment fell 0.4% (105,000)** to 23.6m.
- Year-on-year earnings for private sector workers fell 1.1% in January, while they rose 3.7% in the public sector.
- Job vacancies fell over 13% to 482,000, the lowest figure since 2001, with vacancies in manufacturing falling over 50% in the past 12 months.

Over **1m jobs** [over 3.3%] are expected **to be lost** in the **next two years** – Oxford Economics. (FT 17/3)

140,000 [5%] retail jobs could be lost within months – BRC. 40,000 retail jobs could be lost as a result of economic downturn, with 100,000 subsequently disappearing [BRC says] due to rising business rates. The latest business rates are based on last September's 5.2% [RPI] inflation figures, compared with 3.1% for December. (J 21/1) Businesses can spread payment of this year's inflation up-rating to business rates over three years (Budget 2009).

Management and consultancy jobs have been the biggest victims in the recession – the Insolvency Service. 22,038 notifications for redundancies were received between June and November 2008 – an average of 848 a week. The number of firms registering their intention to cut 20 or more jobs during November rose to 758, almost twice the monthly average for 2008. In mechanical engineering, shipping and civil engineering, 52,657 redundancy notices have been registered since June. (J 13/1)

**Work applications** from the eight European Union **accession countries fell [45%]** to 29,000 in the last quarter of 2008 from 53,000 a year ago – ONS. Applications for the Worker Registration Scheme fell to 165,000 in 2008 from 218,000 in 2007. (J 25/2)

Job vacancies fell in February at the steepest rate for more than 11 years, as employers continue to freeze recruitment – KPMG (FT 04/03)

The redundancy rate for women in the three months to December 2008 was less than half that of men – ONS (FT 07/03)

Employer **take-up** of state-funded training schemes has risen **to unforeseen levels**, making it likely that more restrictions will be imposed on their funding in future (CIPD, People Management Magazine). Around 100,000 more learners than expected have begun training through **Train to Gain**, putting the flagship scheme's spending well above budget. The Learning and Skills Council, which runs Train to Gain and Apprenticeships, will be disbanded in 2010 and its responsibilities divided between local authorities and new bodies including the National Apprenticeship Service.<sup>38</sup> (See also Public Services).

The **UK's compulsory retirement age [65]** has **backed by the European courts** against a legal challenge - as long as it has a "legitimate aim" linked to social or employment policy. The final decision on the case still rests with the UK High Court. (J 06/03)

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<sup>38</sup> <http://www.cipd.co.uk/news/articles/training-grants-under-strain-as-take-up-soars.htm> (CIPD, 29th May 2009).

## 1.6 Future Economic Prospects

According to the average latest revised UK forecasts from HM Treasury's survey of independent forecasts (May)<sup>39</sup>:

### For 2009:

- **Negative** economic growth is forecast (**-3.8%**).
- Claimant unemployment is forecast to rise to **2.07m** by Q4 2009. [A rise of 917,000 or 79%, compared with the December 2008 claimant count.]
- CPI inflation is forecast to be **0.9%** and RPI inflation to be **-1.5%**, both for Q4 2009.

### For 2010:

- **Positive** economic growth is forecast, a modest **0.4%**.
- Claimant unemployment is forecast to rise [by a further **320,000**] to **2.39m** by Q4 2010.
- CPI inflation is forecast to rise to **1.6%** and RPI inflation to **2.4%**, both for Q4 2010.

### In the medium term:

- Economic growth is forecast at 2.6% for 2013.
- Claimant unemployment is forecast to fall to 1.91m by 2013.
- CPI inflation is forecast at 2.0% and RPI inflation at 2.5% for 2013.

[Source: HM Treasury, May 2009]

Oxford Economics expect NE output to fall 3% in 2009, while Experian predicts a 3.3% decline. (FT 17/3)

The National Institute for Economic and Social Research (NIESR) claims that GDP grew by 0.2% in April, followed by a 0.1% increase in May. If confirmed by official quarterly statistics in July, this would mark the first time that GDP has risen since April 2008.<sup>40</sup>

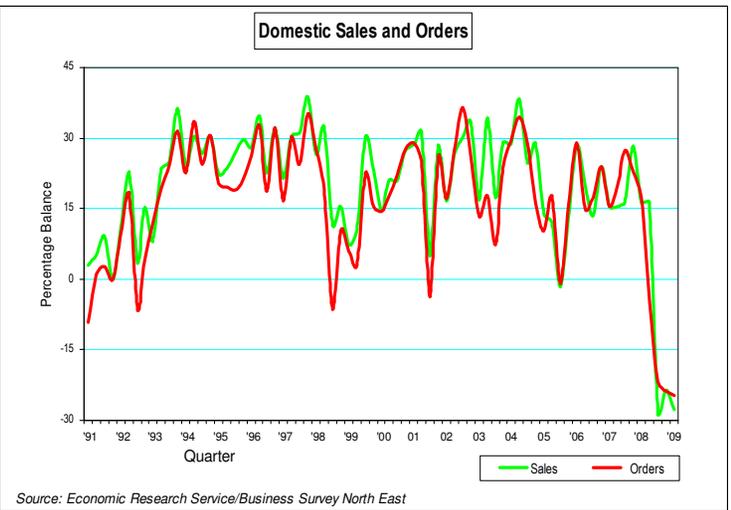
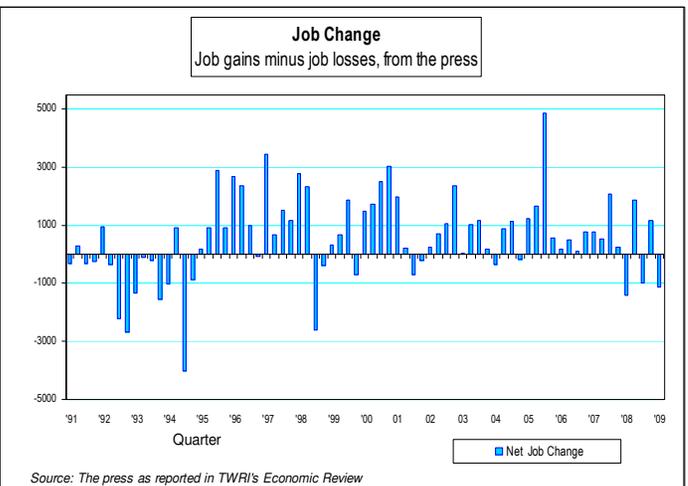
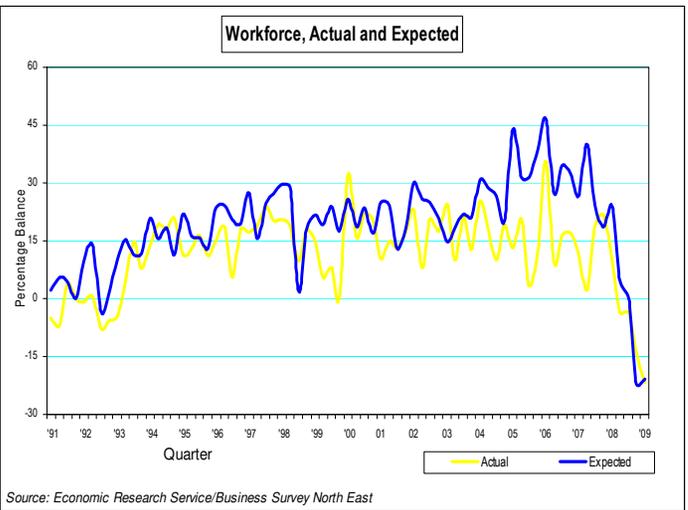
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<sup>39</sup> <http://www.hm-treasury.gov.uk/d/200905forecomp.pdf> (HM Treasury, Forecasts for the UK Economy, A comparison of independent forecasts, No. 265, May 2009, downloaded 29<sup>th</sup> May 2009).

<sup>40</sup> <http://www.smallbusiness.co.uk/channels/business-banking/news/> (Smallbusiness.co.uk, *NIESR: Recession may have ended*, 11<sup>th</sup> June 2009, accessed 25<sup>th</sup> June 2009).

## 2. ECONOMIC INDICATORS

### 2.1 Business Conditions Indicators for Tyne & Wear



NB. Pre 1995 business conditions data includes Northumberland and some Durham Firms (TW Chamber members). Business indicators measure change on previous 3 months.

**NATIONAL ECONOMIC INDICATORS**

(at 2003 prices, or 2003=100)\*.

(s.a. = seasonally adjusted)

| ACTIVITY:                       |        | 2007      | 2008      | Q2        | Q3        | Q4        | Change    |        |
|---------------------------------|--------|-----------|-----------|-----------|-----------|-----------|-----------|--------|
|                                 |        | Q4        | Q1        |           |           |           | Quarterly | Annual |
| Gross Domestic Product:         | (s.a.) | 112.4     | 112.8     | 112.7     | 111.9     | 110.2     | -1.6%     | -2.0%  |
| <hr/>                           |        |           |           |           |           |           |           |        |
| Household Final Consumption     | (s.a.) | £199,849m | £201,435m | £200,690m | £200,252m | £198,164m | -1.0%     | -0.8%  |
| Retail Sales volume (2005=100)* | (s.a.) | 108.5     | 110.2     | 110.4     | 110.1     | 110.7     | 0.5%      | 2.0%   |
| <hr/>                           |        |           |           |           |           |           |           |        |
| Output: production industries   | (s.a.) | 101.0     | 100.7     | 99.5      | 97.8      | 93.4      | -4.5%     | -7.6%  |
| services                        | (s.a.) | 115.5     | 116.1     | 116.4     | 115.8     | 114.9     | -0.8%     | -0.5%  |
| <hr/>                           |        |           |           |           |           |           |           |        |
| New Orders:                     |        |           |           |           |           |           |           |        |
| Engineering                     | (s.a.) | NA        | NA        | NA        | NA        | NA        | NA        | NA     |
| Construction (2000=100)         | (s.a.) | 119.7     | 114.5     | 105.2     | 97.6      | 89.1      | -8.7%     | -25.6% |
| <hr/>                           |        |           |           |           |           |           |           |        |
| Fixed Capital Investment        |        |           |           |           |           |           |           |        |
| Manufacturing (at 1990 prices)  | (s.a.) | NA        | NA        | NA        | NA        | NA        | NA        | NA     |
| Business Investment:            | (s.a.) | £36,599m  | £35,448m  | £35,771m  | £35,470m  | £34,952m  | -1.5%     | -4.5%  |
| <hr/>                           |        |           |           |           |           |           |           |        |
| Balance of Payments             |        |           |           |           |           |           |           |        |
| current account                 | (s.a.) | -£5,926m  | -£3,276m  | -£5,414m  | -£8,162m  | -£7,641m  | -6.4%     | 28.9%  |
| <hr/>                           |        |           |           |           |           |           |           |        |
| INFLATION INDICATORS:           |        | Feb       | May       | Aug       | Nov       | Feb       | Change    |        |
|                                 |        |           |           |           |           |           | Quarterly | Annual |
| Retail Prices Index (All Items) |        | 211.4     | 215.1     | 217.2     | 216.0     | 211.4     | -2.1%     | 0.0%   |
| (Jan 1987 = 100)                |        |           |           |           |           |           |           |        |
| <hr/>                           |        |           |           |           |           |           |           |        |
| Average Earnings Index:         | (s.a.) | Jan       | Apr       | Jul       | Oct       | Jan       | Change    |        |
| (2000=100)                      |        | 135.0     | 134.9     | 136.2     | 137.3     | 134.7     | Quarterly | Annual |
|                                 |        |           |           |           |           |           | -1.9%     | -0.2%  |

Sources: Office for National Statistics' Economic &amp; Labour Market Review (June 2009)

ONS have changed the retail sales methodology. One of the changes is to re-reference the index to 2005=100.

ONS have outlined the changes in an article in Economic &amp; Labour Market Review Vol. 3, No. 6 June 2009 Changes to the Retail Sales Methodology.

## 2.3 Labour Market Indicators

### LABOUR MARKET INDICATORS

#### EMPLOYEES IN EMPLOYMENT#

| Not seasonally adjusted.    |            | 2007<br>Dec    | 2008<br>Mar    | Jun            | Sep            | Dec            | Change    |        |
|-----------------------------|------------|----------------|----------------|----------------|----------------|----------------|-----------|--------|
|                             |            |                |                |                |                |                | Quarterly | Annual |
| Total employees:            | UK         | 27.338m        | 27.109m        | 27.211m        | 27.125m        | 27.019m        | -0.4%     | -1.2%  |
|                             | North East | 1.044m         | 1.031m         | 1.029m         | 1.030m         | 1.036m         | 0.6%      | -0.8%  |
| Men employees:              | UK         | 13.778m        | 13.654m        | 13.722m        | 13.678m        | 13.552m        | -0.9%     | -1.6%  |
|                             | North East | 531,000        | 526,000        | 525,000        | 527,000        | 527,000        | 0.0%      | -0.8%  |
| Women employees:            | UK         | 13.559m        | 13.456m        | 13.488m        | 13.447m        | 13.467m        | 0.1%      | -0.7%  |
|                             | North East | 512,000        | 506,000        | 504,000        | 503,000        | 510,000        | 1.4%      | -0.4%  |
| Women full-time:            | UK         | 7.042m         | 7.045m         | 7.048m         | 7.027m         | 7.002m         | -0.4%     | -0.6%  |
|                             | North East | 252,000        | 251,000        | 250,000        | 248,000        | 253,000        | 2.0%      | 0.4%   |
| Women part-time:            | UK         | 6.517m         | 6.411m         | 6.440m         | 6.420m         | 6.465m         | 0.7%      | -0.8%  |
|                             | North East | 260,000        | 255,000        | 254,000        | 255,000        | 257,000        | 0.8%      | -1.2%  |
| Production employees (C-E): | UK         | 3.079m         | 3.060m         | 3.049m         | 3.014m         | 2.956m         | -1.9%     | -4.0%  |
|                             | North East | 140,000        | 140,000        | 140,000        | 139,000        | 136,000        | -2.2%     | -2.9%  |
| Construction employees:     | UK         | 1.327m         | 1.321m         | 1.319m         | 1.359m         | 1.331m         | -2.1%     | 0.3%   |
|                             | North East | 63,000         | 59,000         | 59,000         | 61,000         | 66,000         | 8.2%      | 4.8%   |
| Service employees: (G-Q)    | UK         | 22.685m        | 22.471m        | 22.574m        | 22.475m        | 22.480m        | 0.0%      | -0.9%  |
|                             | North East | 831,000        | 823,000        | 824,000        | 822,000        | 828,000        | 0.7%      | -0.4%  |
| Not seasonally adjusted     |            | 2006<br>Winter | 2007<br>Spring | 2007<br>Summer | 2007<br>Autumn | 2007<br>Winter | Change    |        |
| Self-employment:*           | UK         | 3.827m         | 3.847m         | 3.797m         | 3.850m         | 3.873m         | 23,000    | 46,000 |
|                             | North East | 113,000        | 115,000        | 122,000        | 117,000        | 117,000        | 0,000     | 4,000  |

#### CLAIMANT COUNT

| (Not seasonally adjusted).                |  | 2008<br>Mar | 2008<br>June | 2008<br>Sep | 2008<br>Dec | 2009<br>Mar | Change           |         |
|---|--|-------------|--------------|-------------|-------------|-------------|------------------|---------|
|   |  |             |              |             |             |             | Quarterly        | Annual  |
| United Kingdom                            |  | .843m       | .835m        | .945m       | 1.153m      | 1.523m      | 370,000          | 681,000 |
| Great Britain                             |  | .818m       | .810m        | .915m       | 1.118m      | 1.478m      | 361,000          | 660,000 |
| North East Region                         |  | 50,910      | 49,290       | 55,300      | 67,579      | 84,344      | 16,765           | 33,434  |
| Tyne & Wear                               |  | 23,306      | 22,602       | 24,942      | 30,042      | 37,826      | 7,784            | 14,520  |
| Claimant Count Rates (workforce rates) %: |  |             |              |             |             |             | Change in rates: |         |
| United Kingdom                            |  | 2.6         | 2.6          | 2.9         | 3.6         | 4.7         | 1.1              | 2.1     |
| Great Britain                             |  | 2.6         | 2.6          | 2.9         | 3.6         | 4.7         | 1.1              | 2.1     |
| North East Region                         |  | 4.1         | 4.0          | 4.5         | 5.5         | 7.0         | 1.5              | 2.9     |
| Tyne & Wear+                              |  | 4.9         | 4.7          | 5.2         | 6.3         | 7.9         | 1.6              | 3.0     |

#### REDUNDANCIES

| (from the Labour Force Survey). |            | 2007<br>Q4 | 2007<br>Q1 | 2008<br>Q2 | 2008<br>Q3 | 2008<br>Q4 | Change           |        |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------------|--------|
|                                 |            |            |            |            |            |            | Quarterly        | Annual |
| Numbers (thousands):            | GB         | x          | x          | x          | x          | x          | n.a              | n.a    |
|                                 | North East | x          | x          | x          | x          | x          | n.a              | n.a    |
| Rates (per 1,000 employees):    |            |            |            |            |            |            | Change in rates: |        |
|                                 | GB         | 4.3        | 4.7        | 4.8        | 6.2        | 10.4       | 4.2              | 6.1    |
|                                 | North East | *          | *          | *          | 9.9        | 15.8       | 5.9              | n.a    |

Sources: ONS's Economy & Labour Market Review (June 2009) and LFS Quarterly Supplement, Tyne & Wear Research and Information.

\* Sample size too small for a reliable estimate

† LFS estimates published subsequent to 13 October 2004 have been revised to take into account the latest revisions to population estimates.

+ Residence based rates (TWR1).

x Redundancy Data (Numbers by thousands) GB and North East previously used has now been withdrawn

Note: Self-employment figures are not available from Spring 2008.

### 3.0 LOCAL JOBS AND ORDERS

TWRI has a database of job gains and losses announced in the press since the beginning of 1996. Listings are available on request by District, industry (2 Digit SIC 80) and cluster. This database and the lists given below, record gains and losses reported in the press.

**Cautions:** The press tends to under-record net job losses overall (by roughly 2,200pa on average, TWRI estimates by comparison with other sources). For example, particularly notable under-recordings have been numerous small losses from retailing and possibly from the offshore engineering industry. The **construction industry is especially hard to track and measure** (and grew very significantly from about 1999 until 2006). Small firms are not included at all in the data below, since gains of fewer than 10 are not recorded by TWRI (and not generally reported by the press).

Summary of job gains and losses announced in the press,  
January 1<sup>st</sup> – March 31<sup>st</sup> 2009, for Tyne and Wear

| District             | Gain         | Loss         | At Risk    |
|----------------------|--------------|--------------|------------|
| Gateshead            | 396          | 156          |            |
| Newcastle            | 158          | 252          |            |
| North Tyneside       | 295          | 365          | 180        |
| South Tyneside       | 34           | 7            |            |
| Sunderland           | 514          | 1,711        | 640        |
| Unallocated          | 40           | 71           |            |
| <b>Tyne and Wear</b> | <b>1,437</b> | <b>2,562</b> | <b>820</b> |

Note: Unallocated gains and losses are usually estimates at County level of regional change. The large loss in Sunderland is predominantly due to cuts at Nissan and its suppliers.

#### 3.1 Job Gains

(+1,437 announced in the press January 1<sup>st</sup> – March 31<sup>st</sup> 2009, for Tyne and Wear.

\* means new opening

|   |  |                |
|---|--|----------------|
| +200*<br>(100 in 2009, a further 100 in 2010) | <b>JS Protection Services</b> , Sunderland.<br>(Security firm. New offices in Sunnyside's 'Theplace'.)   | (Sd Echo 18/3) |
| +120* (up to) (early 2010)                    | <b>Newcastle Surgery Centre</b> , Gosforth Business Park, North Tyneside.<br>(See development.)  | (J 25/2)       |
| +110  | <b>Volker Stevin</b> , Gateshead.<br>(Construction company. Recently won a number of major public-sector contracts. It expects sales to rise 65% to £140m by 2014.)  | (J 12/3)       |
| +100  | <b>SLP Engineering</b> , North Tyneside.<br>(Offshore engineering. The company has started a contract on a North Sea gas platform at the former Amec shipyard in Wallsend. It is also considering bringing another contract to the yard, potentially creating 200 extra jobs.) | (J 21/3)       |
| +100  | <b>Tacle Seating UK Ltd</b> , Rainton, Sunderland.<br>(Motor industry. The joint venture between US Lear Corp. and Japanese Tachi-S was set up specifically to produce seats for Nissan's Qashqai model.)  | (Sd Echo 9/1)  |
| +80*  | <b>Helen McArdle Group</b> , Fenham, Newcastle.<br>(Health care. Plans to open a care home in Fenham, in 2010. Care homes are also planned in Cramlington and Morpeth in Northumberland, Consett in Co. Durham and Redcar in Tees Valley.)                                     | (J 7/01)       |
| +75* (in 2010)                                | <b>Jurys Inn</b> , Gateshead.<br>(A new £20m, 200-bed hotel, to be built on Gateshead's Quayside, east   | (J 21/1)       |

|                |   |                    |
|----------------|---|--------------------|
|                | of the Baltic Centre, is due to open in 2010.)  |                    |
| +71*           | <b>Graphite Resources</b> , Derwenthaugh Ecoparc, Blaydon, Gateshead.<br>(A £50m autoclave recycling plant, currently being built on the banks of the Tyne, will be operated by Graphite Resources, and will treat 320,000 tonnes of waste a year. It will create 51 permanent and 20 temporary jobs.)                            | (J 21/2 & EC 26/2) |
| +70            | <b>De la Rue</b> , Team Valley, Gateshead.<br>(The new jobs follow rising demand for foreign currency printing.)  | (J 13/3)           |
| +70            | <b>Northumbria University</b> , Newcastle.<br>(The University has launched a three-year £17.8m 'Strategic Investment Fund' to attract top-quality academic, research staff. The Vice-Chancellor said: "This investment is intended to grow the university's research strengths".)   | (J 28/2)           |
| +60 (up to)    | <b>Marks &amp; Spencer</b> , Gateshead.<br>(Retailer. Limited expansion at the MetroCentre store.)  | (J 28/2)           |
| +60* (approx.) | <b>Hertel</b> , Wallsend, North Tyneside.<br>(New electrical and instrument division with headquarters at Wallsend is planned. The division will initially employ 60 staff, including smaller operations in St Helens and Scotland. The Dutch industrial services company employs 1,000 at its UK headquarters in Middlesbrough.) | (J 26/1)           |
| +60            | <b>T-Mobile</b> , Doxford Park, Sunderland.<br>(The jobs are at a call centre.)   | (Sd Echo 9/3)      |
| +40 (up to)    | <b>Sekura Group</b> , Pattinson Industrial Estate, Washington, Sunderland.<br>(The company won a deal to supply uPVC to hundreds of homes in East Durham and North Tyneside (the client list includes Blyth and Gateshead Councils and Gentoo).)  | (Sd Echo 14/1) □   |
| +40* (Est.)    | <b>O'Briens</b> , Tyne and Wear.<br>(The café chain has unveiled plans to create 100 jobs in the NE with the opening of nine franchises.)   | (J 20/3)           |
| +35 (up to)    | <b>McDonald's</b> , Sunderland.<br>(Fast food.)   | (Sd Echo 25/3)     |
| +34*           | <b>Pandora</b> , Monkton Business Park, Hebburn, South Tyneside.<br>(Jewellery company. The Danish company has opened a UK administrative and distribution centre in a drive for expansion.)  | (J 21/1)           |
| +26            | <b>Walker Filtration</b> , Glover East Industrial Estate, Washington, Sunderland.<br>(Manufacturing. The company received a £150,000 grant from One NE to help fund a £650,000 investment in its production line, product development and marketing. The company employs 127 people.)   | (Sd Echo 16/3)     |
| +20            | <b>John Porter Doors Ltd</b> , Southwick, Sunderland.<br>(Manufacturing. The company, which makes specialist doors for hospitals and other public buildings, is set for expansion. It was saved from administration in July 2007.)  | (Sd Echo 21/2)     |
| +15            | <b>Tavistock Leisure</b> , New Royal Hotel, Whitley Bay, North Tyneside.<br>(Tavistock have taken over the hotel, saving 15 jobs and creating 15 more.)   | (J 04/03)          |
| +12            | <b>Fusion</b> , Sunderland.<br>(Call centre. It is creating 12 jobs at its contract call centre in Sunderland. It is part of BGL Group.)  | (Sd. Echo 21/1)    |
| +12            | <b>Alex Smiles</b> , Sunderland.<br>(Following construction of a £5m recycling centre the workforce has increased to 100. It expects to increase its workforce to around 150 in the coming years with the addition of an extra shift.)  | (J 06/03)          |
| +10            | <b>Net-Defence</b> , Team Valley, Gateshead. (The technology company has  | (J 22/1)           |

|           |  |           |
|-----------|--|-----------|
|           | developed nLighten, software that monitors companies' network performances and detects any potential problems. It expects to double turnover to £5m by 2010.)            |           |
| +9        | <b>Villa Soft Drinks</b> , Sunderland.<br>(New owner, Malcolm Slatcher, took the firm out of administration, safeguarding 25 existing jobs and creating nine new roles.) | (J 4/02)  |
| +8 (Est.) | <b>Dewjo'c</b> , Newcastle.<br>(The architects have hired 16 new employees across both its Newcastle and Sedgfield (County Durham) offices.)                             | (J 06/03) |
|           |  |           |

### Outside Tyne & Wear

|                     |  |                    |
|---------------------|--|--------------------|
| +250<br>(Late 2009) | <b>Liberty Electric Cars</b> , Cramlington, Northumberland.<br>(Motor industry: Production of plug-in electric 4x4 cars at a £30m plant in Cramlington will start in late 2009. Annual production volume for the first vehicle, an electric Range Rover, is expected to top 1,000 and contribute an estimated £120m-plus p.a. to the local economy.) | (FT 27/2 & J 27/2) |
| +250*               | <b>Castlerock Care Services</b> , Gateshead.<br>(Health Care: A recruitment hub has been opened in Gateshead to fill 250 healthcare vacancies across the North East.)  | (EC 26/2)          |
| +200                | <b>Balfour Beatty</b> , Teesside.<br>(Construction company: It secured a £300m contract to work on the development of the world's largest single-site aluminium smelter, in the UAE. The professional jobs will be on Teesside.)   | (J 16/1)           |
| +200*               | <b>Morrisons</b> , Blyth, Northumberland.<br>(Retailer. A new store will open in Blyth.)   | (J 19/1)           |
| +200                | <b>Eaga</b> , Newcastle.<br>(The environmental services company has contracts worth £1.9bn for the next five years. It currently employs 4,500 people across the UK including 1,200 in the North East.)  | (J 30/1)           |
| +120                | <b>Eaga</b> , Newcastle.<br>(The company is creating jobs to work on the national switchover from an analogue to a digital TV signal. The energy efficiency company holds the contract for the £1.5bn Warm Front programme in England as part of the government's drive to eliminate fuel poverty.)  | (J 25/3)           |
| +55                 | <b>Mammoet UK</b> , Billingham, Teesside.<br>(Crane hire: The workforce will increase from 99 to 154. The company has a site in Newcastle.)  | (J 10/01)          |
| +50* (Est.)         | <b>Sita UK</b> , Northumberland and Tees Valley.<br>(Recycling: Creation of 26 jobs at the West Sleekburn (Northumberland) complex following the completion of a £12m waste recycling centre. Almost the same number of jobs will be created at the Haverton Hill (Tees Valley) plant after a £70m extension.)                                       | (J 05/03)          |

### 3.2 Job Losses

(-2,562 announced in the press January 1<sup>st</sup> – March 31<sup>st</sup> 2009, for Tyne and Wear.

\* means closure

Caution: This list omits some major retailing job losses which have never been quantified in the press. It also omits most construction job losses.

| Job losses   |   |                        |
|--------------|---|------------------------|
| -1200        | <b>Nissan</b> , Washington, Sunderland.<br>(The cut is equivalent to almost a quarter of the workforce and follows a slowdown in sales.)  | (J 09/01)              |
| -359*        | <b>Findus</b> , Longbenton, North Tyneside.<br>(Newcastle Production, which ran the Longbenton factory, has gone into administration.)  | (J 17/1)               |
| -296         | <b>Unipres</b> , Sunderland.<br>(96 full-time and 200 temporary production line jobs to go at the factory which makes car parts for Nissan.)  | (Sd Echo 6/1)          |
| -150         | <b>Newcastle Building Society</b> , Newcastle.<br>(Jobs will be lost at the head office in Newcastle and the society's new offices at Cobalt Business Park, in North Tyneside)  | (J 10/01)              |
| -142         | <b>Komatsu</b> , Birtley, Gateshead.<br>(Excavator maker.)  | (J 21/2)               |
| -100         | <b>Johnson Controls</b> , Washington, Sunderland.<br>(Half the workforce at the factory, which supplies parts to Nissan, is to go.)   | (Sd Echo 9/1)          |
| -97          | <b>Vantec</b> , Washington, Sunderland.<br>(Warehousing and logistics contractor for Nissan.)   | (FT 9/1)               |
| -46* (Est.)  | <b>Principles</b> , Tyne and Wear.<br>(Administrators have failed to find a buyer for the clothing chain. Nationally, over 400 outlets could close with the loss of 2,300 jobs.)  | (J 07/03)              |
| -35          | <b>Fenwicks</b> , Northumberland Street, Newcastle.<br>(Job cuts planned in non-selling areas. It employs around 1,000 people at its store on Northumberland St.)   | (Shields Gazette, 4/2) |
| -25 (Est.)   | <b>Watson Burton</b> , Newcastle.<br>(The law firm is to cut 75 jobs. It has offices in Newcastle, Leeds and London.)   | (J 24/3)               |
| -25*         | <b>Bell Car Sales</b> , Tyne and Wear.<br>(The group, currently owned by Bell Truck Sales and previously known as Pearsons Garages, went into liquidation with debts of over £545,000. It had two bases in Longbenton, North Tyneside, and one in East Boldon, South Tyneside.) | (J 27/3)               |
| -22*         | <b>Nor-Screen</b> , Newcastle.<br>(Staff made redundant after the printing company went into administration. The firm had an estimated annual turn-over of £10m.)   | (J 7/01)               |
| -20          | <b>Quality Hotel</b> , Newgate Street, Newcastle.<br>(The hotel has gone into administration.)  | (J 22/1)               |
| -15* (Est.)  | <b>Adams</b> , South Tyneside and Sunderland.<br>(850 jobs to go nationwide with the closure of 111 stores. Stores in South Shields and Washington are to close. Elsewhere in the NE, the closures are at Blyth, Cramlington, Hartlepool and Stockton,)                         | (J 6/01)               |
| -14 * (Est.) | <b>Zavvi</b> , MetroCentre, Gateshead.<br>(Closure of a further 18 stores (including the Metrocentre) with the loss of 353 jobs.)   | (J 15/1)               |
| -10* (Est.)  | <b>JJB Sports</b> , Sunderland.<br>(The retailer is to close 37 OSC (inc. one in Sunderland) and eight  | (Sd Echo 19/2)         |

|     |   |          |
|-----|---|----------|
|     | Qube shops with the loss of 438 jobs.)  |          |
| -6* | <b>Zavvi</b> , North Tyneside.<br>(Administrators are to close 22 stores nationwide with the loss of 180 jobs, including the shop at the Royal Quays outlet in North Shields which employed 6 staff.) | (J 9/01) |

**Potential job losses**

|                |  |                |
|----------------|--|----------------|
| -640 (up to)   | <b>More Than</b> , Doxford International Business Park, Sunderland.<br>(Parent company, insurance giant RSA, announced plans to cut 1,200 jobs nationwide to save £70m.) | (Sd Echo 26/2) |
| -180 (at risk) | <b>National Grid</b> , Quorum Business Park, North Tyneside.<br>(Staff have been given two months to persuade the company not to outsource their work.)                  | (J 6/02)       |

**Outside Tyne & Wear**

|                |  |                |
|----------------|--|----------------|
| -440 (approx.) | <b>Northumberland County Council</b> , Northumberland.<br>(Local Government: Following the launch of the new unitary council (in April). The job losses are expected to include 50 compulsory redundancies.) | (J 5/02)       |
| -300*          | <b>Invista Textiles</b> , Wilton, Redcar and Cleveland, Teesside.<br>(The chemical plant is to close. The plant, acquired from DuPont, has been making nylon and polymer since 1957.)                        | (J 14/1)       |
| -85 (up to)    | <b>Thorn</b> , Spennymoor, County Durham.<br>(The Austrian-owned lighting company employs 700 at the recently opened £28m factory.)  | (J 27/2)       |
| -80 (up to)    | <b>NSK Bearings</b> , Peterlee, County Durham.<br>(The car part manufacturer is axing up to 80 jobs. Up to 50 of these will be compulsory redundancies.)   | (J 7/02)       |
| -80*           | <b>Acorn Stairlifts</b> , Bison Bede, Consett, County Durham.<br>(Work will be transferred to other sites outside the North East, because of availability of space.)   | (Sd Echo 27/3) |
| -41            | <b>Amdega</b> , Darlington.<br>(The conservatory company is restructuring its workforce of 300.)   | (J 5/02)       |
| -30            | <b>Dow Chemical</b> , Teesside.<br>(The multinational is undertaking a global cost-reduction process.)   | (J 5/02)       |
| ?              | <b>HSBC</b><br>(Bank: It announced 1,200 job cuts nationally and confirmed that some will be in the NE, but not "in significant numbers". The bank employs about 500 people in the NE.)                      | (J 26/3)       |

**Potential job losses outside Tyne & Wear**

|                |  |          |
|----------------|--|----------|
| -180 (at risk) | <b>Petroplus</b> , Teesside.<br>(The Swiss-owned firm announced that it is considering converting the oil refinery site into a storage terminal.)  | (J 7/02) |
| -137 (at risk) | <b>TRW</b> , Peterlee, County Durham.<br>(Motor industry electronics: Jobs could be lost if workers do not agree to proposals to move to a four day week. The car parts manufacturer has already shed 82 jobs across its Peterlee (Co. Durham) and Washington (Sunderland) sites.) | (J6/02)  |

### 3.3 New Orders and Contracts to Local Firms

(£309m to local firms, mainly to BAE Systems but including three totalling £7m to Pyeroy)

|              |  |                 |
|--------------|--|-----------------|
| <b>£300m</b> | <b>BAE Systems</b> , Scotswood Road, Newcastle.<br>(Mechanical engineering, Government contract to supply 60 Terrier vehicles.)  | <b>(J 27/3)</b> |
| <b>£3m</b>   | <b>Pyeroy</b> , Gateshead.<br>(Industrial Services. Pipework contract with Glaxosmithkline in Ireland.)  | <b>(J 21/3)</b> |
| <b>£2.3m</b> | <b>Pyeroy</b> , Gateshead.<br>(Industrial Services. Contract to paint a range of fixtures at Victoria Station.)  | <b>(J 21/3)</b> |
| <b>£2m+</b>  | <b>2020 Vision</b> , North Tyneside.<br>(Security firm. Contracts to provide surveillance equipment to the healthcare sector.)   | <b>(J 23/1)</b> |
| <b>£1.7m</b> | <b>Pyeroy</b> , Gateshead.<br>(Industrial Services. Project from Siemens Power Generation to erect scaffolding at the new £380m Marchwood Power station in Southampton.) | <b>(J 21/3)</b> |

## 4.0 Feature

### 4.1 The Budget 2009<sup>41</sup>

The Budget predicted that the UK will experience a sharp recession in 2009, with GDP falling by 3½% in 2009, before substantial macroeconomic stimulus drives recovery, with growth of 1¼% forecast in 2010. Net borrowing is forecast to peak in 2009-10 at £175 billion (12.4% of GDP). It is expected to fall to 9.1% of GDP in 2011-12, to 7.2% in 2012-13 and then 5.5% in 2013-14.

CPI inflation is forecast to fall to 1% by the end of 2009 and be 2¼% by the end of 2011. The 2% CPI inflation target was reaffirmed by the Government.

Further falls in house prices and mortgage rates will put downward pressure on the measures of housing depreciation and mortgage interest payments included in the RPI. Consequently RPI inflation is forecast to fall to –3% by September 2009, but to move back above zero in 2010 as these downward pressures recede.

#### Business

A new £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance was announced, £250 million of this will be earmarked for low-carbon investment.

Capital allowances for new investment will rise to 40% for one year, with effect from April 2009, to allow a higher proportion of private investment to be offset in that year against taxable profits.

Enhanced loss relief will be extended for an additional year to support loss-making business during the downturn.

Following an announcement in January 2009, the Government has established an Asset-Backed Securities Guarantee Scheme for banks and building societies. The scheme extends the funding options open to banks and building societies under the existing Credit Guarantee Scheme (CGS) to residential mortgage-backed securities (RMBS). The scheme has been approved by the European Commission and is available, at first, until October 2009. Guarantees allocated under the scheme will be limited to a total of £50 billion – European Commission. Over £100 billion of debt issued by eligible institutions has been guaranteed under the CGS.

#### Personal finance

In 2009-10, the basic rate of income tax will be 20% for income up to £37,400. The higher rate will be 40%. From April 2010, an additional rate of income tax of 50% will apply to income over £150,000, and the income tax personal allowance will be restricted for those with income over £100,000, tapering down to zero.

| <b>Income Tax: Personal Allowances, 2009-10</b> |                               |
|---|-------------------------------|
| <b>Age</b>                                      | <b>Allowance (£ per year)</b> |
| Under 65  | £6,475                        |
| 65-74   | £9,490                        |
| 75 and over                                     | £9,640                        |

<sup>41</sup> [http://www.hm-treasury.gov.uk/d/Budget2009/bud09\\_complereport\\_2520.pdf](http://www.hm-treasury.gov.uk/d/Budget2009/bud09_complereport_2520.pdf) (H M Treasury, Economic and Fiscal Strategy Report and Financial Statement and Budget Report, April 2009, accessed 5<sup>th</sup> May 2009). Additional details from: [http://www.hm-treasury.gov.uk/d/Budget2009/bud09\\_pn\\_northeast\\_26.pdf](http://www.hm-treasury.gov.uk/d/Budget2009/bud09_pn_northeast_26.pdf) (H M Treasury, Budget 2009 for the North East, 22<sup>nd</sup> April 2009, accessed 5<sup>th</sup> May 2009) and from [http://www.hm-treasury.gov.uk/bud\\_bud09\\_pressindex.htm](http://www.hm-treasury.gov.uk/bud_bud09_pressindex.htm) (H M Treasury, A Complete Set of Press Notices, downloaded 5<sup>th</sup> May 2009).

Fuel duty will increase by 2 pence per litre on 1 September 2009, and by 1 penny per litre in real terms each year from 2010 to 2013.

Scrappage: A discount of £2,000 will be offered to consumers buying a new vehicle to replace a vehicle more than ten years old which they have owned for more than twelve months. The Government will set aside £300 million for this temporary vehicle scrappage scheme with funding matched by participating manufacturers.

The stamp duty land tax (SDLT) holiday, for residential properties up to the value of £175,000 is extended until 31 December 2009. From 1 January 2010, the rates apply as follows:

| Rate | Residential in disadvantaged area | Residential outside disadvantaged area | Non-residential           |
|------|-----------------------------------|--|---------------------------|
| Zero | £0 to £150,000                    | £0 to £125,000                         | £0 to £150,000            |
| 1%   | Over £150,000 to £250,000         | Over £125,000 to £250,000              | Over £150,000 to £250,000 |
| 3%   | Over £250,000 to £500,000         | Over £250,000 to £500,000              | Over £250,000 to £500,000 |
| 4%   | Over £500,000                     | Over £500,000                          | Over £500,000             |

The child element of Child Tax Credit will increase by an additional £20 a year above indexation from April 2010.

Alongside the Winter Fuel Payment, an additional payment of £50 to households with someone aged 60 or over; an additional payment of £100 to households with someone aged 80 or over. In the North East, this will benefit 400,000 households, of which 90,000 contain someone aged 80 or over.

### Public policy

In real terms, spending on public services will grow by an average of 0.7% a year between 2011-12 and 2013-14. [This is tighter than under the Thatcher administration in the early 1980s – Ed.]. The Government intends to deliver additional savings identified by the Operational Efficiency Programme amounting to £9 billion a year by 2013-14. Public sector net investment will fall to 1¼% of GDP by 2013-14.

Budget 2009 includes £1.7 billion of additional funding for the Department for Work and Pensions, over two years, to ensure Jobcentre Plus and Flexible New Deal programmes have the capacity to respond to rising unemployment. The package will also include £1.2 billion of support for those aged between 18 and 24 who have been claiming Jobseeker’s Allowance for 12 months, by offering them a job, training or a work placement lasting at least six months. In February 2009, there were over 27,000 people aged 18-24 claiming Jobseeker’s Allowance in the North East.

A £600m fund will stimulate housing development in the short-term and boost capacity in the house building industry. This will include unlocking stalled housing developments, an extension to the shared equity scheme Homebuy Direct, increased funding for affordable housing and £100m of new funding for local authorities to deliver new social housing at higher energy efficiency standards.

### The Low-Carbon Budget

The new Climate Change Act set a legally binding 34% reduction in emissions by 2020.

Budget 2009 will provide:

- Funding of £405 million to support low-carbon industries and advanced green manufacturing
- Support for offshore wind investments that reach financial close between now and 2011 through the Renewables Obligation. Potentially supporting £9bn of investment and powering up to 2.8m homes.
- Support for combined heat and power (CHP) through climate change levy exemptions, helping bring forward £2.5 billion of investment and 3 GW of capacity by 2015.

## INVESTMENTS & DEVELOPMENTS

### 5.1 Investment & Development Trends

**UK commercial property values fell by 8.7% in the first quarter of 2009.** The rate of decline has slowed by over a third after the record 14.3% fall in Q4 2008 (Investment Property Databank, UK Quarterly Property Index). In the Industrial sector, capital values fell by 7.6%. This was marginally better than the 9.0% write down suffered by both the Retail and Office sectors.<sup>42</sup>

There was a 26.3% fall in the capital value of commercial real estate last year (IPD UK Annual Index).<sup>43</sup>

UK commercial property were -5.3% in December [just in one month], with a third consecutive record capital value fall of -5.8% - IPD UK Monthly Index. The final monthly figure brings All Property capital value falls over 2008 to -27.1%. The overall peak-to-trough decline, since the onset of the current property market re-pricing cycle began in July 2007, now stands at -35.5%. Total return was -22.5%.<sup>44</sup>

Foreign Direct Investment (FDI) inflows into the UK fell over 50% in 2008 to \$109.4bn – UNCTAD. Globally, they fell 21%.<sup>45</sup>

### 5.2 Investment & Development News

#### Office Developments

Newcastle and Glasgow are the only cities forecast to see prime office rental growth in 2009 – Knight Frank. Office rent in Newcastle is expected to rise 4% to £24 per sq ft in 2009. Office take-up, in 2008, rose 41% to 881,000sq ft. (J 11/3)

Recent and forthcoming office developments in and around Newcastle City Centre:

| Address                                | Size (sq ft)            |
|--|-------------------------|
| Baltic Place, Gateshead Quays          | 131,000 [now completed] |
| Wellbar Central, Gallowgate, Newcastle | 121,000                 |
| East Quay 5, Newcastle Quayside        | 35,000                  |

(J 25/2)

The new Design Centre North scheme in the **Baltic Business Quarter**, in **Gateshead**, has been granted planning permission. The 45,000sq ft, four-storey building is intended to be a central focus for the design industry in the North East. It will be developed by Terrace Hill. Work is expected to start later in 2009, to be completed after 15 months. (J 11/3)

A £300m development project on the **Baltic Business Quarter** on **Gateshead's Quayside** has been shelved. Developer Terrace Hill announced that the pre-let to Npower will not take place, [as it is relocating to Rainton in Sunderland] so the project had to be postponed until an alternative pre-let is secured. (J 24/3)

<sup>42</sup> <http://www.ipd.com/AboutUs/IPDNewscentre/tabid/394/Default.aspx> (IPD Press Release, 5<sup>th</sup> May 2009, downloaded 11th May 2009).

<sup>43</sup> <http://www.ipd.com/AboutUs/IPDNewscentre/tabid/394/Default.aspx> (IPD Press Release, 20<sup>th</sup> April 2009, downloaded 11th May 2009).

<sup>44</sup> <http://www.ipd.com/AboutUs/IPDNewscentre/tabid/394/Default.aspx> (IPD Press Release, 15<sup>th</sup> January 2009, downloaded 11th June 2009).

<sup>45</sup> <http://www.unctad.org/Templates/Webflyer.asp?docID=10930&intItemID=1717&lang=1> (UN Conference on Trade and Development, Press Release, *Global Foreign Direct Investment now in decline -- and estimated to have fallen during 2008*, 19<sup>th</sup> January 2009, accessed 11<sup>th</sup> June 2009).

The **Watermark and Metro Riverside Business Park**, in Gateshead has been acquired by Morton Assets. The price was at ‘bottom of the market’, at £20.25m, for the total of 220,000sq ft. The Watermark alone, 83,000sq ft of office space, was last sold for £17.1m before being combined with Metro Riverside. (J 18/2)

### Industrial Developments

Building work has been completed on the Co-operative Group’s new £15m distribution centre in **Birtley, Gateshead**. The 260,000sq ft facility will be used as a base for distribution to 260 Co-op food stores across the North. (J 25/3)

### Mixed Developments

Planning application for the first ‘student village’ in **Newcastle** has been submitted to Newcastle City Council. The development would include nine blocks of student accommodation totalling almost 2,000 beds in **Shieldfield** [just east of the city centre]. It would also include shops, a café/restaurant, offices, a health centre, car spaces and an energy centre. It is to be developed by Metnor Property Group. Newcastle’s full-time student population increased 40% between 2000/01 and 2006/07. (J 16/3)

Quorum Development Partners are to build eight new high-quality buildings, totalling 450,000sq ft in **North Tyneside**. The development includes office space, a hotel, restaurant, a retail parade, and a sports ground. They secured £180m (inc. Enterprise Zone tax breaks, contributions from investors and a loan from RBS) for the project. (J 25/3)

In the **Loadman Street** area, near **Cruddas Park, Newcastle**, permission has been granted to developer Priority Sites for 50,000sq ft of commercial space. The development will include commercial units, family homes, flats and bungalows. (J 7/01)

A 1.31 acre site on **West Road, Newcastle** will be developed into a community enterprise, training and leisure complex. Newcastle City Council accepted a £550,000 offer from New Deal for Communities (Newcastle) Ltd and environmental charity Groundwork South Tyneside and Newcastle for the site. The planning application will be determined by autumn 2009 with rebuilding work of the former fire station completed in 2011. (J 21/1 & 29/1)

A planned revamp of **Northumbria Police Headquarters** (in Ponteland, **Northumberland**) costing between £25m and £30m is under threat due to a dispute over the number of affordable homes to be created on the site. (J 03/03)

### Housing Developments

**Older People, Homes for the Future**, a £100m PFI housing scheme in **North Tyneside**, will see 13 new sheltered housing schemes built and another 12 refurbished over the next five years. It will be the single biggest capital investment in the council’s history. A preferred developer is due to be chosen by the end of the summer. (J 8/01)

In **Sunderland’s Sunnyside** area, a 5-storey 60 bed-hotel and block with 16 luxury apartments has been granted planning permission. The development by Vision Development Group (of Team Valley in Gateshead) is in the Sunnyside Partnership’s area [just east of the city centre]. Construction is due to begin in June, for completion by August 2010. (J 4/02).

Work has begun on a £30m transformation of the **Cruddas Park** tower blocks in **Newcastle**. Three of the ten blocks will be refurbished over the next 21 months, with later phases aimed at providing homes for sale through the scheme’s private sector partners, Gentoo and Bellway. (J 7/01)

At Willington Quay's empty **Howdon Green Industrial Estate** 83 homes are due to be built. **North Tyneside** councillors approved a [planning application] by owners Ashtenne Industrial Fund LP of Liverpool. (J 29/1)

On the site of the former Beacon pub on **Beacon Lough Road, Gateshead**, approval has been given for NE Premier Homes to build 14 new apartments. (J 6/02)

**Bellway** is offering a pilot try before you buy scheme at its **Ochre Yard** development, near **Gateshead** Quays, in an attempt to stimulate sales. The initiative gives first time buyers the option of renting for a year before they decide whether they want to buy. (J 5/01)

The **Irvin Building** on North Shields Fish Quay, **North Tyneside**, has opened following conversion into 26 apartments in a £4.8m project by Gentoo Ventures. (J 28/2)

### **Retail Developments**

**Eldon Square's** new quarter, St. Andrew's Way, is set to open by the end of the year. The £75m project covers 410,000sq ft of retail development. Only one unit remains to be filled. It will include a new 175,000 sq ft Debenhams and a Tesco Metro. Debenhams is due to take possession of its building in April, for fitting out. (J 27/2 & J 25/3)

### **Leisure Developments**

In **Tynemouth, North Tyneside** has granted planning permission for the construction of England's largest outdoor ice rink. (J 29/1)

At **Gateshead International Stadium**, One North East has approved preliminary investment to support a business case and design development for improvements. (J 28/01)

The **Gallowgate** [office] building, former home of Scottish and Newcastle Breweries in **Newcastle** has been acquired by Northland Properties. It plans to refurbish the property and develop a 169-room hotel. The hotel is expected to create 150 jobs when it opens in summer 2011. (J 29/1)

Friar House on **Clavering Place**, behind **Newcastle** Central station is to be redeveloped into a 10-suite, four-star hotel at a cost of £2.5m. S2 Hotels hope to start work around April, with the business operating by late summer. (J 18/2)

In **Heworth, Gateshead**, planning permission has been granted for a new swimming pool and leisure centre. Building work is expected to start this summer. (J 5/02)

**Newcastle's Royal Station Hotel**, and its basement bar Destination, are to be refurbished, costing £5m-£6m. (J 04/03)

**Close House Hotel**, located just to the west of Newcastle in **Northumberland**, has been granted permission to create a £7.5m world class championship-standard golf course and a "futuristic" club house. (J 05/03)

**Elswick Pool, Newcastle**, has closed for a 24-week refurbishment costing £1m. The work will include new showers, toilets, changing rooms, fitness suite and a stair lift. (J 05/03)

### **Education Developments**

*[See Mixed Developments for a proposed "student village" in Newcastle]*

**Newcastle College** has paid £1.5m for a site on the edge of its existing **Rye Hill campus**. The former BP garage is close to the Newcastle end of the Redheugh Bridge. (J 28/1)

## Other Developments

**North Tyneside** Council has given the go ahead for a £32m private medical centre on **Gosforth Business Park**. On completion, in early 2010, The Newcastle Surgery Centre will house up to 120 staff in two buildings. (J 25/2)

At the **Newcastle General Hospital** site, an outline application for a Campus for Ageing and Vitality and a Tesco store were turned down by councillors. Concerns included traffic and the effect of the store on smaller shops. (J 28/2)

## Infrastructure Developments

**Newcastle City Council** plans to take advantage of historically low interest rates and borrow £21m to spend on infrastructure and transport. This will include £7m on road and pavement repairs, £1.4m on disabled facilities grants and £4m for a new regeneration fund. (J 7/01)

Work has started to **upgrade** a stretch of the **A1 in North Yorkshire** from dual carriageway to three-lane motorway. The **24-mile** long section from **Dishforth to Barton** will provide the “missing link” between Newcastle and London, according to the Highway Agency. The upgrade to the Dishforth-Leeming section of the A1 is due to be completed by spring 2012. (BBC 27/3)

Homes built on the former Freightliner depot near **Gateshead** town centre are to be connected to the ultra-high-speed broadband communications service. The connection is being developed for the nearby Baltic Business Quarter, giving them direct access to the fastest broadband in the UK. (J 05/03)

## 5.3 Economic Development Aid & Finance

Four venture capital funds have made 409 investments into growing, small and medium-sized North East firms, leveraging £129m investment into these companies over the past five years.

The funds are:

- £23m Co-Investment Fund (CoIF) – specialising in high investments of up to £1.5m.
- £10m Proof of Concept Fund (POC) targeted at the pre-seed stage of investment, supporting entrepreneurs with up to £90,000.
- £30m North East Investment Fund (NEIF) offering unsecured loans up to £500,000 to small firms unable to raise finance through lenders.
- £5m NEL Growth Fund (NELGF), which invests between £50,000 and £350,000 into high growth firms through a mixture of debt and equity finance.

Three of the funds have been extended:

- An additional £7m will be invested through CoIF by the end of the year.
- A further £2m will be available through POC to entrepreneurs seeking initial seed funding to get their innovations off the ground
- A further £3m will be pumped into NEIF during 2009

NELGF has now been closed.

POC and CoIF were established by North East Finance with all four funds provided by the European Regional Development Fund (ERDF) and One NorthEast, with Barclays jointly supporting NEIF (Source: One North East).<sup>46</sup>

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<sup>46</sup> <http://www.onenortheast.co.uk/page/news/article.cfm?articleId=3616> (One North East, News Article, 18<sup>th</sup> February 2009, accessed 12<sup>th</sup> June 2009).

The £3.5m Newcastle Enterprise package will help 280 new and existing firms create 150 jobs. It aims to increase self-employment in disadvantaged areas of the City by 2013. The project is part-financed by Newcastle City Council with £2m from the Working Neighbourhood Fund and £1.56m from ERDF<sup>47</sup>. (J 27/2)

A £1.5m fund has been launched to help North Tyneside entrepreneurs set up their own businesses. Around 1,500 potential entrepreneurs are expected to benefit from the Raising Enterprise North Tyneside project in the next three years. (J 20/2)

North East SMEs received an initial £1m from One NorthEast through its Transition Funding Loan (TFL) in a new scheme to provide liquidity during the bank credit freeze. Since December, 70 companies have applied to get up to £250,000. (J 23/1)

#### 5.4 Regional Development Grants (Selective Finance for Investment, SFI)

**Table 5.4 SFI in England: Offers of £75,000 or more (1st January - 31st March 2009<sup>1</sup>)**

| Company                               | District                         | £         |
|---------------------------------------|----------------------------------|-----------|
| De La Rue Currency                    | Gateshead                        | 535,000   |
| Convergys CMG UK Limited              | Newcastle                        | 245,000   |
| Calsonic Kansei UK Limited            | Sunderland                       | 240,000   |
| Nano Porous Systems Limited           | Gateshead                        | 188,000   |
| Walker Filtration Limited             | Gateshead                        | 150,000   |
| 1A Dental Laboratory                  | South Tyneside                   | 150,000   |
| Villa Drinks Limited                  | Sunderland                       | 132,000   |
| Robert Duncan Timber Products Limited | South Tyneside                   | 100,000   |
| Rayovac Europe Limited                | Washington                       | 96,000    |
| Fillworth (UK) Ltd                    | Gateshead                        | 75,000    |
|                                       | Tyne and Wear Total <sup>2</sup> | 1,480,522 |
|                                       | North East Total <sup>2</sup>    | 4,544,522 |

#### *Data received from One North East*

1 Date offer was accepted. Payment of SFIE is made in instalments, typically over several years as jobs and capital expenditure targets laid down by the offer are met. The amounts quoted above, therefore, represent the maximum grant potentially payable if the project is satisfactorily completed.

2 Total includes all offers.

<sup>47</sup> European Regional Development Fund.

## 6.0 INDUSTRIES AND FIRMS

### 6.1 Business Overview

There were 4,941 **company liquidations** in England and Wales in the first quarter of 2009 (seasonally adjusted), an **increase** of 7.1% on the previous quarter and **56.0% on the same period a year ago**.<sup>48</sup>

29,543 new companies were incorporated in April, 10.3% lower than in April 2008 (32,922) – Companies House (Figures are for GB).<sup>49</sup>

Business Price Inflation (BPI) [Companies' costs] rose at an annual rate of 6.1% in Q4, compared with CPI's 3.9% - Fathom Financial Consulting. The 2.2pp gap represents a squeeze on corporate profits from business costs which are difficult to pass on. (FT 23/3)

The Government has signed a **lending agreement** with **RBS, Lloyds Group and Northern Rock (NR)**. The three banks have pledged to lend to businesses £25bn, £14bn and £5bn this year. (J 10/4)

**RBS (and NatWest)** have announced that they are to make **an additional £250 million funding available to SMEs in the North East in 2009**. This is part of the commitment made by the Bank [in May] to increase lending to UK borrowers by an additional £6bn. The new locally administered Fund will offer customers a range of financial support including flexible business loans which allow customers to postpone capital repayments and short-term trade finance to keep imports and exports flowing. The Fund will also offer SME customers lower priced loans from the £250m funding the Bank has recently secured from the European Investment Bank.<sup>50</sup>

[Note: Profits below are pre-tax unless stated otherwise – Ed.]

### 6.2 Energy & Water

**Eaga**, the environmental services company, and Newcastle City Council are planning a partnership to capitalise on a market for contracting out services such as payroll, benefits and council tax payments, IT and customer service.<sup>51</sup>

### 6.3 Biotechnology & Chemicals

**Immunodiagnostic Systems (IDS)** is predicted to increase its turnover from £18.7m to just under £30m by next year. This follows the launch of its IDS iSYS system, which allows doctors to test blood with the touch of a button. (J 03/03) The medical test kit maker, expects revenues to rise 40% to £26m this year. The company's strong growth was attributed to its products related to curing diseases prominent in an ageing population. It employs 72 people in the region and 135 at its subsidiaries in the US, Germany, France, Denmark, Finland and Belgium. (J 26/3) It hopes to increase sales this year with the launch of a new device which would allow doctors to monitor bone growth and deterioration during therapy. £7.1m will be invested in the new technology. The medical testing company is based in Boldon, **South Tyneside**. (J 8/01)

**E-Therapeutics** has raised £2m from Octopus Ventures to fund its growth. The Newcastle firm has signed up with Mumbai's Khandelwal Laboratories as a development partner for three of E-Therapeutics' leading drugs. (J 19/3)

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<sup>48</sup> <http://www.insolvency.gov.uk/otherinformation/statistics/200905/pressnotables.pdf> (Insolvency Service, Statistics Release: Insolvencies in the First Quarter 2009, 1<sup>st</sup> May 2009, downloaded 2<sup>nd</sup> June 2009).

<sup>49</sup> <http://www.companieshouse.gov.uk/about/busRegArchive/statsAprWorkload09.pdf> (Companies House, Workload and Performance, April 2009, downloaded 3<sup>rd</sup> June 2009)

<sup>50</sup> <http://www.onenortheast.co.uk/page/news/article.cfm?articleId=3578> (One North East, News article, 5<sup>th</sup> February 2009, accessed 10<sup>th</sup> June 2009).

<sup>51</sup> <http://www.journallive.co.uk> (Journal Live, *Newcastle City Council and eaga plc plan partnership notice*, 4<sup>th</sup> April 2009, accessed 9<sup>th</sup> June 2009).

**Nanjing Chuanbo Biotech Ltd** is to open its UK arm **Signalway Antibody (SAB) UK Co** at the International Business Centre, Gateshead. The Chinese drug company said it had chosen the region for its high concentration of health firms and is looking to create a number of jobs. (J 12/3)

**Northumbria University** has launched a £1.6m drive to exploit the region's strength in scientific research. The **Healthcare Technology Development Programme** will provide a route for SMEs to transfer research into commercial products. The project is part financed by the European Union's ERDF Competitiveness Programme, which has provided £750,000. One North East has contributed £420,000 with the remainder match-funded by the university. (J 04/03)

## 6.4 Automotive

**Nissan** has temporarily frozen applications for voluntary redundancies at its Sunderland plant. However, it warned compulsory job losses could still be necessary despite being overwhelmed with applications. To achieve this, a significant relocation of staff is needed and the transfer of skills within the plant needs to be fully assessed. Nissan announced 1,200 job cuts in January, following a 25% fall in sales. (J 13/3) Following the decision to cut 1,200 jobs at their factory in Sunderland, further job cuts in Nissan's suppliers looked inevitable [see about 500 in job losses]. There are 13 regionally-based tier one suppliers, employing around 5,000 people. If tier two suppliers are included this accounts for about 12,000 or 10% of the region's manufacturing jobs. Six "lineside" suppliers, based directly beside the Nissan production lines, will be particularly vulnerable. (FT 9/01)

Nissan has confirmed that their **new car model**, based on the Qazana concept car revealed in Geneva, will enter production in Washington (Sunderland) **next year**. The new car is a new product category in itself, a cross of 4x4 and city car. At the same time work will cease on the Micra [whose production is due to transfer to India] (J 04/03)

Nissan has **signed an agreement** with One NE to **look at** ways to **develop zero-emission vehicles** at the Sunderland plant. (J 20/3) [This takes work on electric vehicles a step forward – Ed.] Nissan and the Government are in "direct discussions" over building low-emission cars in the region, with the Sunderland plant a strong contender. It is understood that there are also efforts to bring an electric car battery manufacturer to the region. (J 6/02)

Nissan was awarded £380m from the European Investment Bank (EIB) to develop green technology. The loan is to be split between its Sunderland plant and its factory in Spain [at Avila]. Nissan is believed to be considering bringing production of a planned electric model to Sunderland. (J 8/4)

Pay at Nissan's Sunderland plant is to be frozen this year, for the first time since 1984. Its managers and directors will also bear a 15% pay cut. The policy, to cover Nissan's 12,500 employees in Europe, is one of 'prudent measures' adopted globally. (FT 25/3) Nissan **sales in the UK rose 15% in February** (to 2,616), compared with a year ago. (Sd Echo 6/3)

The French government made its €3bn loan to Renault conditional on not making compulsory job cuts in France. Nissan is controlled by Renault. (FT 9/2)

### *Other News:*

UK car production fell [by a huge] 55% in April, compared with April 2008 - Society of Motor Manufacturers and Traders (SMMT). Commercial vehicle production fell by 65% in the same period.<sup>52</sup> [Manufacturers have cut production by more than sales, to clear unsold stock – Ed.]

<sup>52</sup> [www.smmt.co.uk](http://www.smmt.co.uk) (Society of Motor Manufacturers and Traders Press Release Number 4659, Vehicle Production Figures, 22<sup>nd</sup> May 2009, downloaded 4<sup>th</sup> June 2009).

There are 27 car and commercial vehicle manufacturers in the UK producing 1.75m vehicles every year and more than 2,000 businesses making car parts. The industry as a whole has a turnover of £51bn a year and employs around 800,000 people in the UK. (J 28/1)

New car registrations fell 24.8% in May (from a year ago) to 134,858 units – SMMT. **Registrations over the first five months of 2009 were down 289,598 units or 27.9%** (compared with the first five months of 2008). Since the Budget announcement of the scrappage incentive scheme over 35,000 orders were reported to BERR. It will take time for orders to feed into registration figures. The scheme came into effect on 18 May.<sup>53</sup>

US car group **Chrysler** has secured court approval to sell most of its assets to a consortium led by Italy's Fiat. The move, which is backed by both the US and Canadian governments, should enable Chrysler to exit bankruptcy protection in the near future [in June]. Under the terms of the deal, Fiat will control 20% of Chrysler, while 68% will be owned by a union trust, and the two governments will share 12%.<sup>54</sup>

Car giant **General Motors (GM)** filed for bankruptcy protection, marking the biggest failure of an industrial company in US history.<sup>55</sup>

### Motor Retailing

**Pendragon** [which owns the former Sunderland-based **Reg Vardy plc**] reached agreement with lenders on a new £530m loan facility. Pendragon said the new three-year financing package gave it 'necessary headroom' ahead of what it expects will be another grim year for the sector.<sup>56</sup>

## 6.5 Mechanical Engineering

**BAE Systems'** forward order book rose 20% to £46.5bn. Its underlying pre-tax profits rose 31% to £1.9bn in 2008 on sales 18% higher at £18.5bn. (FT 20/2) [BAE has a tank factory in Scotswood, Newcastle – Ed.] (See New Orders.)

**Tanfield Group**, the Wearside-based electric vehicle maker, is launching a £13.3m joint venture to be known as Smith Electric Vehicles US. Its Newton electric van will be offered to the US market, while the company also looks at providing an electric version of existing US trucks and vans. (J 7/02)

**Widney Pressings** has been saved from administration by its managers. The Newcastle company is now part of ADM Pressings, currently employing 67 people. Widney manufactures pressed components for the automotive and construction industries. (J 27/3)

## 6.6 Offshore, Shipbuilding & Ship Repair

**Wellstream's** 2008 revenue rose 39% to £369.9m, and pre-tax profits rose 85.6% to £77.5m. The Newcastle company makes flexible pipelines for the offshore industry. (J 18/3) Wellstream reported a 25% increase in production following substantial investment in order to keep up with demand. Its order book increased from £295m in June last year to around £330m on December 31. The oil and gas pipeline business is based in Newcastle with 600 staff. It also set out a positive outlook for the year. (J 9/01)

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<sup>53</sup> [www.smmt.co.uk](http://www.smmt.co.uk) (Society of Motor Manufacturers and Traders Press Release Number 4661, New Car Registrations, 4<sup>th</sup> June 2009).

<sup>54</sup> <http://news.bbc.co.uk/1/hi/business/8076472.stm> (BBC, 1st June 2009, accessed 4th June 2009).

<sup>55</sup> <http://news.bbc.co.uk/1/hi/business/8077255.stm> (BBC, 1st June 2009, accessed 4th June 2009).

<sup>56</sup> [http://www.thisismoney.co.uk/markets/article.html?in\\_article\\_id=483643&in\\_page\\_id=3](http://www.thisismoney.co.uk/markets/article.html?in_article_id=483643&in_page_id=3) (Salvaged Pendragon slams scrap scheme, 1<sup>st</sup> May 2009, accessed 5<sup>th</sup> June 2009).

**A&P Tyne** have been revealed as a preferred bidder to build a [smaller] upper section of two aircraft carriers, sharing £150m worth of work with a shipyard in Merseyside. No new jobs are planned as a result. A bigger £250m contract to build the lower sections was awarded to sites on the River Clyde and in Fife. Both A&P Tyne and McNulty Offshore had been in the running, and had hoped to create up to 700 new jobs and apprenticeships. (J 03/03)

**Clipper Windpower** announced plans to build a new turbine construction factory on land owned by Shepherd Offshore. Shepherd plan to create a UK centre of excellence for renewable energy technology on the north bank of the Tyne. The investment by American firm Clipper is expected to create 500 jobs and allow the North East to tap into an offshore wind market worth up to £80bn nationally over the next two decades. (J 27/1) A planning application for a 50,000sq ft wind turbine manufacturing plant in Walker has been lodged. (E Ch 10/3)

**SMD Ltd** has been acquired in a management buyout led by Inflexion Private Equity for an undisclosed sum. The Newcastle company makes subsea vehicles for the offshore industry. (J 20/1)

The **International Marine Design Centre** in Newcastle has secured funding of £900,000 from One North East to meet future running costs, bringing total investment in the centre to £2.4m. (J 2/02)

## 6.7 Food & Drink

**Greggs**, the bakers, plans to open around 600 outlets across the UK [creating around 6,500 jobs]. The Newcastle company currently employs 19,000 people. (J 11/3) Like-for-like sales at **Greggs** increased by more than 5% in the four weeks to January 3 2009. Sales growth for the full year was 7.1%, an increase of 4.4 percentage points from 2007. (J 8/01)

**David Price Food Services** has expanded into Scotland after acquiring a 40,000sq ft depot in Glasgow. The Newcastle frozen food delivery company expects turnover to rise 28% to £16m by 2011. It employs 140 staff in Newcastle. (J 10/3)

**Twinings** has put 164 of the 264 workers at its North Shields base on a shorter working week following a decline in growth in its French and American markets. From March 10th the affected staff will be on either a four or four-and-a-half day working week, with pay amended to reflect their new hours from April 1. (J 06/03)

## 6.8 Other Manufacturing

**Akzo Nobel** is to cut 3,500 jobs worldwide in order to save £79m. Its International Paints division in Gateshead, which employs 1,000 people, is said not to be affected. [But redundancies were announced in April/May]. (J 19/1)

**Saltwell Signs** has moved into larger premises on Gateshead's Team Valley Trading Estate. The company turned over £3.1m in 2008. It has increased staff numbers by 10 to 50 in a year. It said it may take on more staff in 2009. (J 28/1)

## 6.9 Construction

**Bellway** sold 6,500 of its target 8,000 homes in the year to July 2008, this year the target is just 4,000 homes. (J 6/02)

**Barratt** reduced its debt by 14% to £1.42bn in the six months to December. It sold its assets in the commercial property division Wilson Bowden and is cutting back on new site developments. (J 16/1) Meanwhile, 3,000 of its homes will be available at 70% of their purchase price – the Government and the developer will meet the rest of the cost with a 30% equity loan. (J 15/1) Barratt reported a £592m pre-tax loss in the last half of 2008, compared with a £195m profit in the last half of 2007. The average selling price of a Barratt home fell by almost 10% to £160,700. (FT 26/2 & J 26/2)

**Pyeroy** expects its turnover to rise 10% to £60m this year. The Gateshead industrial services company has won a number of contracts in recent months. (J 21/3) (See New Orders and Contracts to Local Firms)

The decline of the region's construction industry will bottom out next year -a report by the Construction Skills Network. The report predicts a 3% contraction this year, no growth next year and thereafter a 1% year on year growth until 2013 (J 6/02)

## 6.10 Retailing

Retailing retrenchment:

- Mosaic Fashions has gone into administration. It was owned by Bauger, the failed Icelandic firm. Aurora Fashions (in a "pre-pack" administration by Mosaic's management) have bought the following chains; Oasis, Warehouse, Coast and Karen Millen (J 07/03).
- Shoe Studio has been sold to footwear retailer Dune. (J 07/03)
- Freemans Grattan Holdings could be axing more than 1,000 of their 3,800 staff as the company closes operations in Bradford, Peterborough and London. (J 07/03)

Major retailers' Christmas sales:

- Primark sales rose 18% in the 16 weeks to January, compared with 2007. (FT 15/1)
- New Look like-for-like sales were up 2.8% in the 14 weeks to January. (Guardian 6/1)
- HMV's were up 0.5% in the five weeks to January. (Reuters 14/1)
- Debenhams' revenues were 3.5% down in the 18 weeks to January. (Bloomberg 6/1) [Shares rose a quarter on 6/1. It is building a new store in Newcastle's Eldon Sq. extension – Ed.]
- M&S like-for-like sales fell 7.1% in the 13 weeks to December (Sd. Echo 21/1)
- DSG's sales were 10% down in the three months to January. (BBC 15/1)

Shoe shops **Barratts** and **Priceless** are to shed 2,500 jobs with the closure of 220 stores. However, 160 shops and 165 concessions are sold, safeguarding 3,000 jobs. (J 20/2) [They have around 29 shops in Tyne and Wear, possibly employing around 300-350 people – Ed.] Parent company Stylo put 400 Barratts and PriceLess stores into administration. They employ 5,450 staff across the UK. The administrators hope creditors will agree to place the businesses into a company voluntary arrangement that will allow them to continue trading. (J 27/1)

KFC plans to open 2-300 restaurants in the UK in the next 3-5 years, creating up to 9,000 jobs. (J 17/2)

North Eastern Tyre and Exhausts has acquired 15 new outlets (in the NE and Yorkshire) for £1m in a drive for growth. Its turnover rose by 10% to £43m in the year to September. (J 16/2)

### Online retailing

UK online retail sales are forecast to continue to expand at a rate of 6% a year, bucking the downward trend – Forrester (FT 02/03)

## 6.11 Tourism

The **Port of Tyne** is set to welcome 23 cruise liners in 2009 and 19 in 2010. The weak pound and shop discounts led to ferry company DFDS' 20% rise in passengers in the last six months of 2008. Cruise tourism is expected to contribute £6.5m to the region's economy by 2010, with the creation of 100 jobs. (J 21/2)

The loss of the North East's ferry links with Norway cost an estimated £20m a year in visitor revenue. The Port of Tyne is working with NewcastleGateshead Initiative to attract a new operator to the route which closed in September 2008. (J 25/2)

The **Culture10** programme for the next year is expected to provide a £30m boost to the North East economy by attracting visitors to the region. (J 5/02) [The Great North Museum opened in May, in Newcastle – Ed.]

**Major conferences** booked for 2009 include the International Glaciological Society in June with 400 delegates at Northumbria University worth over £0.5m. The biggest is MS Life at the Sage Gateshead, also in June, worth over £0.9m with 1,000 delegates (J 4/02).

## 6.12 Transport

**Passenger traffic at UK airports** is forecast to fall for two years in succession – CAA. In 2008, the number of passengers fell 1.9% to 235m, the first annual drop since 1991 and the fourth since 1945. (FT 16/3)

**EasyJet** revenues jumped 31.5% to £550m in the quarter to December. Its passenger numbers rose 10% to 10.1m. (FT 23/1). The airline has ended its **Newcastle to Prague route**. An easyJet spokesman said the plane used for Prague flights had been switched to the recently-launched Malta route and no jobs were under threat. The loss of the Prague route comes as passenger numbers at **Newcastle Airport** fell [about 11%] from 5.6m in 2007 to 5m in 2008.<sup>57</sup>

**Lufthansa** revealed a 78.4% rise in passengers travelling from Newcastle International Airport to Dusseldorf, following the introduction of a second daily flight last year. (J 07/03)

Rail company **Grand Central** plans to run an additional service daily between Sunderland and London from June 2009. (J 31/1)

A slow down in passenger growth has threatened to strain profits for **National Express**, and may mean they will be forced to renegotiate or hand back the £1.4bn East Coast rail franchise. The Department for Transport has revealed that several of the 19 franchises across the UK are facing problems. (FT 2/02)

**Go-Ahead** revenues rose 19% [to £1,224m] in 2008 helped by a 10% like-for-like rise in its rail revenues in the half-year to December. (J 20/2)

Bus passenger journeys in Tyne and Wear fell by over a quarter in the past decade - the sharpest fall in the UK, according to think-tank 'the Centre for Cities'. They fell by a fifth in Merseyside, a tenth in South Yorkshire, while they rose 51% in London. (RR 1/12) [Fast economic growth has boosted car ownership. Fares etc may also be factors – Ed.]

## 6.13 Financial Services

**Northern Rock** will be allowed to lend £14bn in mortgages over the next two years by the government. The government will make £5bn available for lending in 2009 and £9bn in 2010. Following nationalisation in February 2008, the bank repaid £18bn of its £26.9bn loan. It announced expected losses of £1.4bn for 2008. Mortgage redemptions funded nearly all of the repayment – Council of Mortgage Lenders. (FT 24/2, J 23/2 & 24/2) Northern Rock lent borrowers up to 125% of the value of their homes under its 'Together' product. The product still accounts for 50% of the lender's arrears and 75% of repossessions. (J 20/3)

<sup>57</sup> <http://www.journallive.co.uk/> (Journal, *EasyJet halts Newcastle to Prague route*, 27<sup>th</sup> April 2009, accessed 4th June 2009).

From **Budget 2009**: Northern Rock was taken into temporary public ownership in February 2008 using the Banking (Special Provisions) Act 2008, after experiencing severe funding problems. A new business plan was published in March 2008. Economic conditions have changed significantly since then and as a result, on 23 February 2009, the Government announced that Northern Rock will increase mortgage lending by up to £14 billion over the next two years. The new lending will be on commercial terms, to help build a high quality mortgage book and viable bank for sale. To maximise the bank's capacity for new lending, Northern Rock will be restructured so that the back book of mortgages is managed separately to its other business. The Government will increase the loan to Northern Rock and extend the repayment schedule. The capital requirement for the revised strategy will be within the potential £3 billion of support previously announced by the Government in August 2008. These plans are subject to State Aid approval by the European Commission.

*Other News:*

**HSBC** launched a £12bn-plus rights issue of deeply discounted new shares. The bank will also be scaling back its US consumer finance operations. (FT 02/03) [HSBC is Europe's biggest bank. The rights issue is the largest in UK history -Ed.]

## 6.14 Software & Technology

Accountancy software firm **Sage** has said that it is standing up to tough market conditions. Sterling's slide against the dollar and the euro has, however, served to increase its debt by £108m to £649m. The UK represents nearly 20% of Sage's revenues, while America accounts for just under 40%. (J 5/02)

**Codeworks Connect** and **Codeworks GameHorizon** have secured £1.97m to support the North East digital cluster. The investment comes from One NorthEast and the ERDF. (J 25/2)

**Technology Services Group (TSG)** expects regional sales to double to £18m over the next two years. The Newcastle-based software group, which produces SystemCare, expects to add to its £38m group turnover in 2009 through acquisitions and new contracts. (J 27/2)

**Nomad Digital**, the Newcastle technology company, has signed a major deal to provide wireless internet access to India's large railway network in a joint venture with Indian Zylog Systems. (J 18/3)

**Innocure Gaming Ltd** has developed a circuit board to control all elements of video display gaming machines (the DPX-S410). The North Tyneside electronics firm has already sold over £1/2m worth of units in its first quarter on the market. (J 9/3)

## 6.15 Print & Printing

**Trinity Mirror's** revenue fell 7% to £871.7m in 2008. Pre-tax profits were £124.4m and digital revenue rose 25% to £38m. Trinity Mirror owns the Newcastle Journal [and Evening Chronicle]. (J 27/2)

**NorScreen** has been bought out of administration by West Yorkshire Dark Peak trading, safeguarding 52 jobs. The **Newcastle** printing company blamed its failure on the loss of a £1m contract from Currys. (J 20/2) (See job losses.)

## 6.16 Public Services

The Higher Education Funding Council for England (HEFCE) has announced **funding** worth almost £350m **for North East universities** for the next academic year. Newcastle University will receive £105.1m, Durham £70.2m, Northumbria £67.5m, Sunderland £42.4m and Teesside £63.9m. (J 06/03)

**College building projects** worth over £300m have been **put on hold** pending a Government review of funding. At least seven colleges across the NE (including South Tyneside College and Gateshead College) are among 79 in England to be affected by the decision. (J 20/3)

**NE schools** have been awarded **£55m** to spend **on small-scale projects**. It is part of £390m allocated to schools a year earlier than planned, with a further £499m earmarked for bigger projects run by councils. The cash means around £14,000 for a typical primary school and £23-£45,000 for a secondary school. (J 10/3)

**Premium People Group**, Peterlee, expects to increase profits from £1.2m to £4m by next year. The training and recruitment firm has won several contracts including work from the Learning and Skills Council North East to deliver the Government's Train to Gain programme and a £2.5m contract with New College Durham. The firm aims to open 48 offices nationally in 2009, including in Gateshead, Newcastle and Washington. (J 25/2)

## 7.0 PUBLICATIONS AND RESEARCH

### 7.1 Tyne & Wear Research and Information Publications

Recent reports include:

**Unemployment in Tyne & Wear** (Monthly, EU 09/05, Published 05/09)

This report shows how claimant unemployment has risen [by over 15,500 (68%)] in the year to April 2009. It provides monthly unemployment indicators for Tyne & Wear districts, North East, GB and UK (includes claimant count, incapacity benefit claimants and ILO measure of unemployment) with claimant count statistics for Tyne & Wear wards.

**Earnings in Tyne & Wear and the City Region, 2008** (EB 09/01 Published 05/09)

This report provides comparisons of earnings in Tyne & Wear and from 2007 Tyne & Wear and the City Region, other metropolitan counties, the North East and Great Britain. Low pay, the distribution of earnings and trends over time are discussed. New graphs show trends over the decade to 2008. Evidence on the National Minimum Wage is presented. Average earnings for different occupational groups in the North East and Great Britain are presented in the appendices. Median earnings are also presented.

**Business Demographics in Tyne & Wear and the City Region, 2007** (EB 09/02 Published 06/09)

This report covers the new National Statistics series on business births, deaths and survival rates, 'Business Demography: Enterprise Births and Deaths', which is much wider than the VAT series. The new data series cover the period 2002-2007. This report shows firstly, and above all, that growth of the business base since 2002 (14%) has been significantly faster than in the UK (9½%). This has been helped by population stability and, particularly, by strong economic growth.

Secondly, growth in births of new enterprises in TWCR has been led (in terms of percentage growth rates) by 'Finance' (up 100%) – whereas in Leeds CR, 'Health' (up 73%) has been more clearly the leading industry for growth of the business base. However, in numerical terms, 'Property and Business Services' showed the largest increase in both TWCR (up 890, 68½%), and Leeds CR (up 1,485, 52%).

Thirdly, since 2002, growth of the business base in both TW and RoCR has been at a similar rate – which suggests similar drivers. This is a great improvement for TW since the 1990s, and especially 1980s, when population decline depressed the rate of growth of business numbers.

The report covers the Rest of the City Region (RoCR), plus three wider comparators; the North East (NE), Leeds City Region (Leeds CR) and the UK. District-level data are also given, for 2007 only.

Forthcoming:

**House Prices in Tyne and Wear at December 2008**

This report gives an overview of the housing market in Tyne & Wear (for owner-occupiers). Comparisons are made with the North East and, where possible, England & Wales. The primary data source is Land Registry (LR). The report also includes data on mortgage lending and information on house price to earnings ratios (HPERs). In addition to this report, TWRI intends to produce five District briefings, which can be read as stand-alone reports.

**TWRI reports are available from [www.twri.org.uk](http://www.twri.org.uk)**

## 7.2 Research News from Other Organisations

Selections of the latest research news can be found at the following sites.

| Organisation                                | Link  |
|---|---|
| Institute for Public Policy Research        | <a href="http://www.ippr.org.uk/ipprnorth/">http://www.ippr.org.uk/ipprnorth/</a>   |
| Learning & Skills Council                   | <a href="http://www.lsc.gov.uk/regions/NorthEast/Aboutus/strategic-analysis">http://www.lsc.gov.uk/regions/NorthEast/Aboutus/strategic-analysis</a> |
| North East Public Health Observatory        | <a href="http://www.nepho.org.uk/">http://www.nepho.org.uk/</a>   |
| North East Regional Information Partnership | <a href="http://www.nerip.com/">http://www.nerip.com/</a>   |
| Skills North East                           | <a href="http://www.skillsnortheast.co.uk/">http://www.skillsnortheast.co.uk/</a>   |
| The Northern Way                            | <a href="http://www.thenorthernway.co.uk/">http://www.thenorthernway.co.uk/</a>   |

### Research Beyond Tyne and Wear

Examples of recent publications and research projects include:

#### Economy / economic development

##### **Consortium Project on City Spillovers - Understanding Complementary City Relationships**

This joint research project by the Centre for Cities, SURF and the Work Foundation, which is being brought forward in partnership with the Department of Communities and Local Government (CLG) and the Northern Way, seeks to investigate the evidence for ‘complementary’ and ‘non-complementary’ economic relationships between large, medium-sized and smaller cities in the Northern Way city-regions. In developing this analysis, the objective will be to consider whether and how enhancing levels of economic complementarity can lead to higher levels of positive economic spillover between northern economic hubs and surrounding places. It will also consider the barriers to more complementary economic relationships and what public policy can do to support and develop stronger economic links between cities within and across city-regions. This includes considering how new tools such as partnership working and the use of multi-area agreements can enhance economic performance, which will be of value both to sub-regional and city-regional partnerships and to CLG and other Government departments and how these issues can be addressed in regional strategies.

*Expected completion date: 30 June 2009*

For the latest data on the economy and society consult National Statistics at <http://www.statistics.gov.uk>