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**ECONOMIC REVIEW**

**WINTER 2008/09**

MARCH 2009

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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:

The **banking crisis** in October (with £28bn of govt capital to RBS and Lloyds), has been followed by a very **rapid decline in output** around the world. UK output fell by 1.5% in the fourth quarter of 2008 (the fastest since the deep recession of 1980); the same rate of decline happened in the euro-zone (the NE's main export market).

The average **forecast for 2009** is that the UK economy will shrink by nearly 3%, and that claimant unemployment will rise by around 700,000. This would be consistent with Tyne & Wear's claimant unemployment rising by about 15,000 to around 45,000.

Given the speed of the economic downturn, its global character and inter-action with the banking crisis, the authorities around the world are taking extra-ordinary **counter-measures**. (TWRI is drafting a Note on the Banking Crisis and the Economy.)

UK banks have been given further extensive support in the January package, centred on "insurance" against large losses. This insurance has been for about £300bn of "toxic assets" of RBS and a similar deal with Lloyds is being negotiated.

The US stimulus bill, worth nearly \$800bn, has been signed into law.

Perhaps surprisingly, UK consumers have continued to spend on retail goods (up 3.2% in January, by value, on a year before).

In this difficult context, the **Tyne & Wear economy** has some important **strengths**:

- i) above-average public-sector employment gives it some important stability.
- ii) the financial sector is nothing like the relative size in London and some major provincial centres. Moreover, the Govt.'s new brief to Northern Rock is to grow.
- iii) most importantly, in the years ahead the UK's export sector needs to expand - Governor of the Bank of England. This is in an economic role which Tyne & Wear has been, and is, well -placed to perform. North East Exports rose by 28% in the year to September 2008 (§1.2).

## Key Points from News Digest (October – end December 2008)

In Q4 2008, reported **job gains** (+ 2,473) **exceeded losses** (- 1,325) by **1,148** (all gains and losses from press reports). (§3)

The main gains were **Tech Mahindra (+500)**, which is to open a £5m call centre in Jarrow, South Tyneside, handling public-sector contracts which cannot be offshored for political, legal or data protection reasons; and, another call centre operator, **The Listening Company (+500)** at its new offices in Newcastle. (§3.1)

The major loss was at **Newcastle City Council (-510)** where the local authority has a £20m funding gap. (§3.2)

## Developments

**Sunderland University** is to invest £75m on its Chester Rd. campus, renamed the "new City Campus". The flagship of the new development is CitySpace, an £11m sports and recreation facility. (J 19/11) (§5.2)

The construction phase work on the £260m **second Tyne Tunnel** started in October. This follows site preparation work. The new tunnel is due to open in December 2010. (J 30/10) (§5.2)

Network Rail is to invest £509m on upgrading the **East Coast Main Line** over the next five years, after the Office of Rail Regulation approved the plans. (J 31/10) (§5.2)

## **Industries & Firms**

**Newcastle University** is to keep **stem cell research** at **Newcastle Centre for Life** after signing a £30m lease deal. (J 27/11) It is also developing a new **£20m Biopharmaceutical Process Development centre** for training to PhD. (J 4/12) (§6.3)

**Nissan temporarily halted production** of its *Micra* and *Note* models for two weeks in October due to a fall in orders. (J 23/12) In January, **1,200 job losses** were announced at its Sunderland plant. (FT 9/2) Nissan employs 6% of the total automotive workforce, which contributes £51bn to the UK economy (3.6% of GDP). (J 12/12) The French government agreed to lend €3bn to Renault in preferential loans in return for maintaining jobs and sites in France. Renault holds a 44% stake in Nissan. (FT 9/2) (§6.4).

New car production in the UK fell 59% [year-on-year] in January. A record 84% of these are allocated for export. ([www.smmmt.co.uk](http://www.smmmt.co.uk)) (§6.4)

**Wellstream lost over a third of its value (£130m)** on Nov 18, after warning the falling oil price may lead to reduced exploration and order book. (J 19/11) (§6.6)

**Bellway pre-tax profits fell 85%** to £34.8m in the year to July. The **Newcastle** housebuilder **wrote down £130m** in the value of its land stocks. (J 15/10) *Late News*: Bellway's house sales fell 38% to 2,014 in the half-year to January, compared with a year ago. (FT 5/2) (§6.9) [Nevertheless Bellway's market value is now greater than several of its competitors, combined – Ed.]

**Findus**, the frozen food maker, has **closed** its factory in **North Tyneside** due to a fire, with the **loss of 360 jobs**. It went into **administration**, recently after failing to find alternative financing following the collapse of its Icelandic lender **Landsbanki**. (J 17/1) (§6.7)

**Barratt** agreed to **sell a further £46m** of land and buildings to reduce its debt, on top of the £109m it has sold since November. The housebuilder has a debt of £1.65bn, following its acquisition of Bowden for £2.2bn in 2007. (J 18/12) *Late News*: Barratt made **losses of £590m** in 2008 due to falling house prices, the paucity of mortgage finance and heavy write-downs (£494m). (FT 25/2, Ind 26/2) (§6.9)

**Hotel occupancy was up in NewcastleGateshead by 2%** in the year to September – STR Global. There are 62 hotels in the area. (J 2/12) (§6.11)

**Newcastle Building Society** revealed it could **lose up to £43m** following the collapse of two Icelandic banks Kaupthing and Landsbanki [in October]. **Plans to add** 250 people to its 1,300-strong workforce in 2009 have now been put **on hold**. (J 20/12) (§6.13)

**North Shields** in North Tyneside is to become the **HQ** for the new **Marine Management Organisation** (MMO) from 2010. Up to 240 jobs will be created. (J 15/2) The MMO replaces the Marine Fisheries Agency and will administer the new marine planning system. (Plg 20/2) (§6.13)

### **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: 6th March 2009

## 1.0 ECONOMIC OVERVIEW

### 1.1 Global Economy

World growth is projected to fall to ½% in 2009, its lowest rate in 60 years (IMF). Government policies are failing to dispel **uncertainty** which has caused asset values to fall sharply, decreasing household wealth, and putting downward pressure on consumer demand. In addition, uncertainty has prompted households and businesses to postpone expenditures, reducing demand for consumer and capital goods. At the same time, widespread disruptions in credit are constraining household spending and curtailing production and trade. IMF Chief Economist Olivier Blanchard emphasized two measures needed to turn things around:

**1. Stronger policy actions to restore financial sector health.** A comprehensive framework for restoring financial health and dealing with bad assets (through a unified approach involving liquidity provision, capital injections, and disposal of problem assets) is needed to unclog credit markets. This is a necessary condition for economic recovery.

**2. Macroeconomic stimulus—both monetary and fiscal—to support demand.**

**On monetary policy** the IMF sees some room to lower interest rates, as inflation pressures are subsiding, but the room is diminishing rapidly, and has disappeared altogether in some countries [notably the US]. Moreover, deflation is now a risk. Central banks will need to rely increasingly on ‘unconventional measures’ to unlock key credit markets.

**On fiscal policy**, many countries have announced and are already implementing a sizeable stimulus. However, fiscal deficits are widening sharply because of the cyclical downturn and the impact of asset price declines on revenues, as well as stimulus measures and the cost of financial sector rescues. To prevent an adverse market reaction, the IMF says policymakers need to strengthen fiscal frameworks and commit to credible longer-term policies that reverse the deficit build-up as economies recover.<sup>1</sup>

### US Economy

A \$787bn stimulus package, the biggest in US history, cleared the US Congress.<sup>2</sup> [It is about 5% of GDP but] about \$500 billion in spending and \$287 billion in tax breaks, according to congressional calculations (Reuters)<sup>3</sup> Moreover, a significant amount is in 2010 (too late to stimulate recovery in 2009).

The President unveiled plans to ease the nation's home-loan crisis.

- i) Allow borrowers, even those with little home equity, to refinance their mortgages at lower interest rates.
- ii) Loan modification to keep troubled homeowners out of foreclosure and to reduce the risk of borrowers defaulting.

Lenders would be offered incentives to modify loans at their discretion. Those lenders that benefited from the \$700-billion Troubled Asset Relief Program will be required to follow the government's protocols.<sup>4</sup>

<sup>1</sup> <http://www.imf.org/external/pubs/ft/survey/so/2009/RES012809A.htm> (International Monetary Fund, 28<sup>th</sup> January 2009, accessed 16<sup>th</sup> February 2009). For November 2008, global industrial production was down 13% and Merchandise Trade (export value) was down 43% (annualised three month percentage change) - Haver Analytics and IMF.

<sup>2</sup> [http://www.ft.com/cms/s/0/643a02fa-f9f9-11dd-9daa-000077b07658.html?nclick\\_check=1](http://www.ft.com/cms/s/0/643a02fa-f9f9-11dd-9daa-000077b07658.html?nclick_check=1) (Financial Times Online, accessed 16<sup>th</sup> February 2009).

<sup>3</sup> <http://uk.reuters.com/article/americasIpoNews/idUKN1738507520090217?pageNumber=1&virtualBrandChannel=0> (Reuters, 17<sup>th</sup> February, accessed 19<sup>th</sup> February 2009).

<sup>4</sup> <http://www.latimes.com/business/la-fi-housing-assess19-2009feb19,0,3766720.story> (Los Angeles Times, accessed 19<sup>th</sup> February 2009). The modifications will lower monthly payments but don't require lenders to reduce the outstanding debt on houses that have lost value.

## European Union

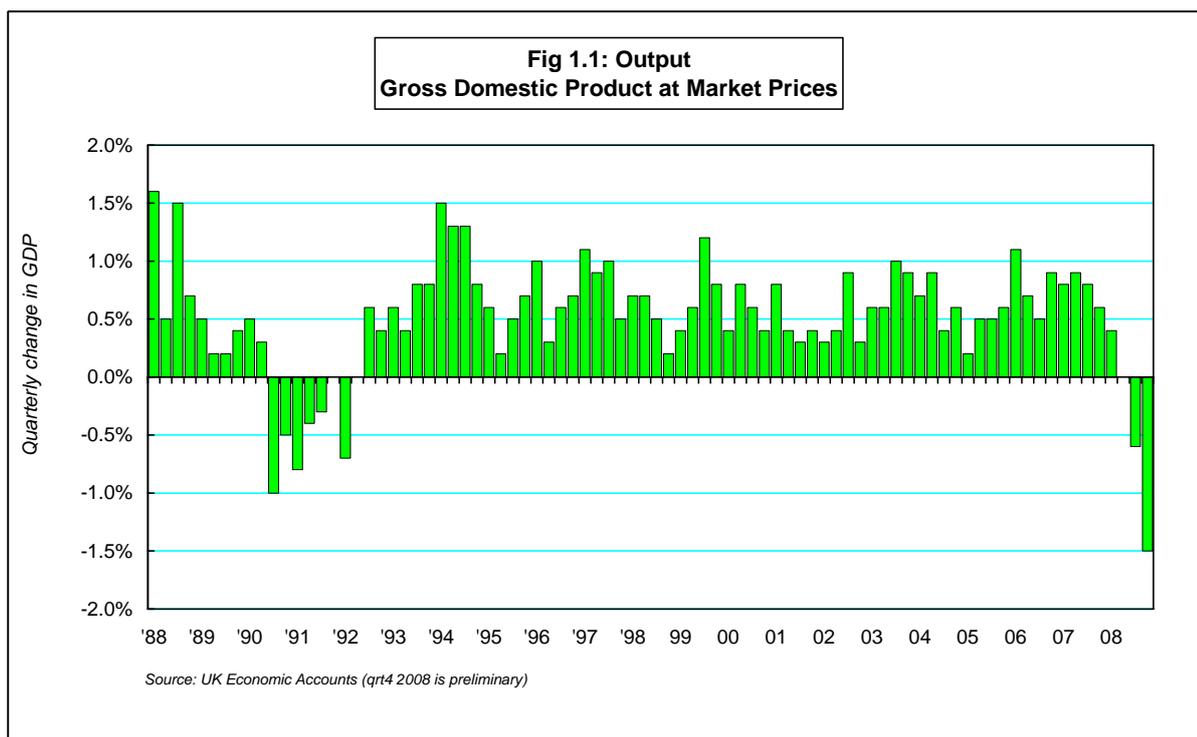
Euro-zone GDP shrank by 1.5% in the fourth quarter of 2008 [the same as the UK]. The European Central Bank (ECB) has reduced its key rate to 2% from 4.25%. Markets expect a half-percentage point reduction to 1.5% in March, which would be the lowest in the central bank's history. So far spending plans by the European Union's 27 member states to **increase demand total just 1%** of GDP. In December, they agreed to spend 1.5% of GDP, or €200 billion, to spur demand. Germany's lower house of parliament has passed €50 billion fiscal stimulus legislation and Italy's government agreed on a €8 billion package to tackle soaring unemployment (Wall Street Journal, Europe Edition).<sup>5</sup>

The European Union [held] an emergency summit on March 2 to discuss growing **protectionism**. Possibly important for Tyne and Wear, France's latest car-industry bailout plan involves offering €3bn loans at a preferential 6% interest rate to both Peugeot and Renault [which controls Nissan] in return for a commitment not to make forced layoffs in France. The EU response will have consequences not just for the EU but for global free trade (Wall Street Journal, Europe Edition).<sup>6</sup>

## 1.2 Recent Economic Trends

### Economic Growth

**UK GDP fell** by 1.5% in Q4 2008, compared with the previous quarter – the steepest fall since the deep recession of 1980. Compared to quarter 4 2007, the fall was 1.8%.<sup>7</sup>



The much faster fall in UK GDP, compared to the fall in Q3 (-0.6%), was driven by weaker services and, particularly, production output. In Q4, 2008:

<sup>5</sup> <http://online.wsj.com/article/SB123450943022881895.html> (Wall Street Journal, Europe Edition, accessed 16th February 2009).

<sup>6</sup> <http://online.wsj.com/article/SB123443774152477083.html> (Wall Street Journal, Europe Edition, accessed 16th February 2009).

<sup>7</sup> <http://www.statistics.gov.uk/pdfdir/gdp0109.pdf> (National Statistics Online, Gross Domestic Product First Release, 23<sup>rd</sup> January 2009, downloaded 16<sup>th</sup> February 2009).

Total **construction output fell 1.1%**, over five times the 0.2% fall in Q3 2008.

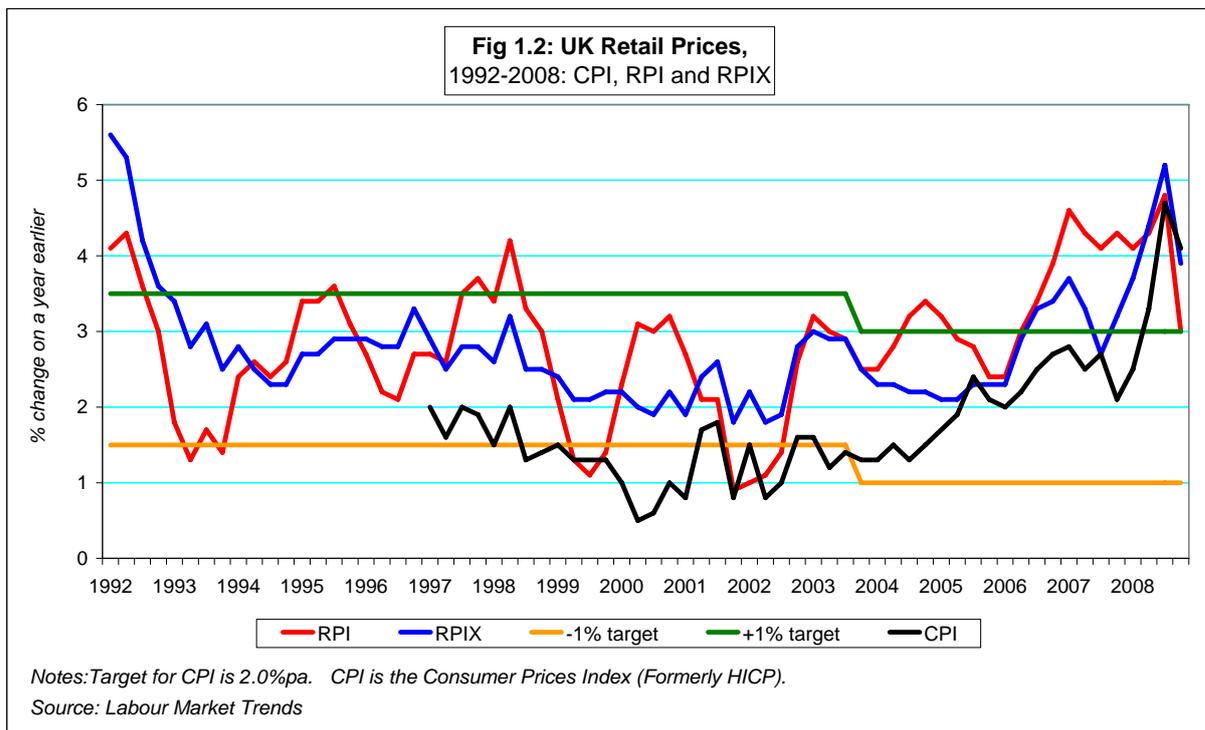
Total **production output fell 3.9%**, compared with a 1.4% fall in the previous quarter. This was mainly driven by falls in manufacturing output (down 4.6%).

Total **services output fell 1.0%**, double the 0.5% fall in Q3 2008. The largest contribution to the fall in services came from distribution, hotels and restaurants, which fell by 2.4%, mainly due to weaker wholesaling and motor trades output [not retailing]. In business services and finance output fell by 0.5%, although there was some growth in computing. There was a 0.1% increase in agriculture, forestry and fishing output. (Note: These are preliminary estimates for Q4. The Gross Domestic Product ONS First Release, scheduled for 25<sup>th</sup> February 2009, was delayed.)

## **UK Inflation**

**Consumer Price Index (CPI)**<sup>8</sup> inflation was **3.0%** in January, slowing from 3.1% in December. The largest contribution to the fall came from transport costs. This was mainly from a fall in the prices of petrol and diesel but included cheaper car purchase, vehicle maintenance and air fares. For rail transport, fares rose by more than a year ago. The largest upward contribution came from recreation and culture.<sup>9</sup>

**Retail Price Index (RPI)** inflation was only **0.1%** in January, slowing from 0.9% in December. The main contribution to the fall came from housing costs. Most lenders passed on at least part of December's one point cut in the Bank rate. [RPIX, which excludes mortgage interest payments, was 2.4% in January, down from 2.8% in the previous month]. Motoring expenditure also fell, primarily due to a fall in the price of fuel.



The **Bank of England cut interest rates**<sup>10</sup> 0.5pp to **1.0%** in February. This is the fifth successive monthly fall. In 2007, the Bank increased rates three times then reduced rates by 0.25pp in December

<sup>8</sup> CPI and RPI information from <http://www.statistics.gov.uk/pdfdir/cpi0209.pdf> (National Statistics Online, Consumer price indices, First Release, January 2009, downloaded 17<sup>th</sup> February 2009).

<sup>9</sup> The average price of petrol fell by 2.9p per litre between December and January, to 86.3p. Diesel prices fell by 4.0p per litre, to 98.4p.

<sup>10</sup> Interest rate information from <http://www.bankofengland.co.uk/> (13<sup>th</sup> February 2009).

of that year to 5.5%. Five cuts followed in 2008, beginning with 0.25pp falls in February and April and continuing with the sustained series of cuts from October. The rate was 5.0% in September 2008.

**Input price annual inflation**<sup>11</sup> was 2.3% in January, slowing from 3.5% in December. Between December and January the index **rose** 1.5%. This mainly reflected a rise in the price of crude oil.

**Output price annual inflation slowed** to 3.5% in January, compared with 4.6% in the year to December. Between December and January the index **rose** 0.1%. Rises in prices of food, other manufactured products and transport equipment were partly offset by a fall in petroleum prices.

### **The Credit Crunch and UK Banking Crisis**

The government unveiled a second rescue, the ‘January package’, of further support for UK banks. Its central feature is:

- Insure banks against toxic assets. (In return for fees.)

It also includes:

- Guarantee corporate lending. (Likely to involve government guarantees of short-term corporate bonds, providing companies with security in assessing finance)
- Expand activities of Northern Rock. (Including providing with £3bn of new capital. This needs the EU Commission approval) (See §6.13)
- Reprice preference shares. (RBS is likely to convert £5bn of preference shares into ordinary equity, increasing government ownership of the bank from 58% to 68%)
- Guarantee asset-backed securities. (£100bn guarantee scheme over two years- recommended by the Crosby Report) (FT 19/1)

This package follows a £400bn rescue plan to restore confidence among financial institutions announced in October.

### **Corporate Lending**

Details of a new £50bn “Asset Purchase Facility” (APF) intended to unblock the flow of credit to the corporate sector (companies) were made clear by Bank of England governor, Mervyn King. The Bank will purchase corporate bonds, commercial paper and paper issued under the Credit Guarantee Scheme (CGS) for which it is satisfied that there is a genuine private demand in normal conditions. As normal conditions return the Bank will wind down the assets it has purchased under its APF. It will also consult about plans to purchase syndicated loans and asset backed securities created in viable securitisation structures. (FT 28/1, 30/1 and [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk))

Following concerns about withdrawal of [**trade**] **credit insurance**, which covers suppliers against the risks of purchasers not paying their bills, the Bank of England has called in companies for talks. The Bank is working on regulations governing the way credit insurance is applied and withdrawn, as well as how much information companies must give to their suppliers’ insurers (FT 16/2)

### **Quantitative Easing**

The Bank of England announced the start of its quantitative easing operations on March 5<sup>th</sup>. It is to purchase £75 billion of assets by May, with permission from the government up to £150bn. The Bank will pay the sellers with new money it creates. This operation is aimed to thereby expand bank deposits. This in turn is hoped to encourage spending (summary of the Governor’s interview on TV, 5/3). In addition the Bank cut the base rate by 0.5pp to 0.5%.<sup>12</sup>

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<sup>11</sup> Producer prices (input and output price inflation) from <http://www.statistics.gov.uk/pdfdir/ppi0209.pdf> (National Statistics Online, Producer prices, First Release, downloaded 6<sup>th</sup> February 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>12</sup> <http://www.bankofengland.co.uk/publications/news/2009/019.htm> (Bank of England, News Release, 5<sup>th</sup> March 2009).

**RBS and Lloyds are now part of the public sector:**

RBS and Lloyds (previously HBOS plc and Lloyds TSB Group plc) will be classified as part of the public sector from 13 October 2008 - Office for National Statistics. ONS says this classification decision is consistent with national accounts guidelines which are based on control rather than ownership. The agreement to recapitalise the banks contains contractual arrangements, which include: restrictions on the declaration and payment of any dividends; restrictions on Directors' remuneration; and obligations relating to lending. The addition to Public Sector Net Debt is likely to be between £1 trillion and £1.5 trillion. As a percentage of GDP, this range is roughly equivalent to between 70 per cent and 100 per cent of GDP.<sup>13</sup>

The government's **£1bn** loan guarantee scheme for small business has lent just **£12m** to companies in the month since its launch. (FT 16/2)

**Consumer Spending**

In the quarter to January, **retail sales volume rose 1.5%** on the previous quarter and 3.2% on a year earlier. Sales volume rose 0.7% in the month to January. Underlying growth in total retail sales volume into January remained steady, although mixed across sectors. The rise was driven by an increase in textiles, clothing and footwear stores and other non-food.<sup>14</sup>

Total retail sales rose 3.2% [by value] in January 2009, compared with a year ago. Food sales showed stronger growth (+6.8%) than non-food (0.8%). Sales were driven by widespread heavy discounting in clearance sales. Despite this clothing, footwear, homewares and health and beauty sales remained down on a year ago. Non-food non-store [essentially mail-order and internet] sales in January were 19.2% higher than a year ago. (Estimates based on ONS figures show that less than 4% of total UK retail sales are 'non-store'.) Note: Retail spending represents approximately one-third of consumer spending.<sup>15</sup> [These growing retail figures seem to imply faster falls in the rest of consumer spending. This category includes meals out, holidays, leisure spending, utility services, new cars etc. – Ed.]

**Earnings**<sup>16</sup>

**Earnings growth remains in the 3-4% range.** In the three months to December 2008 average earnings (including bonuses) rose by 3.2%, unchanged from the three months to November. Average earnings (excluding bonuses) rose by 3.6% (also unchanged on the previous period). Pay growth (including bonuses) was 3.1% in the private sector and 4.0% in the public sector. Excluding bonuses, growth was 3.5% in the private sector and 3.9% in the public sector.

**Public Accounts**

The **public sector current budget** was in **deficit** by **£42.5bn** in the ten months to end-January, **six times** the deficit at the same stage in the previous financial year (£7.0bn). Deficits have now been recorded since 2002/03 after being in surplus since 1998/99.<sup>17</sup>

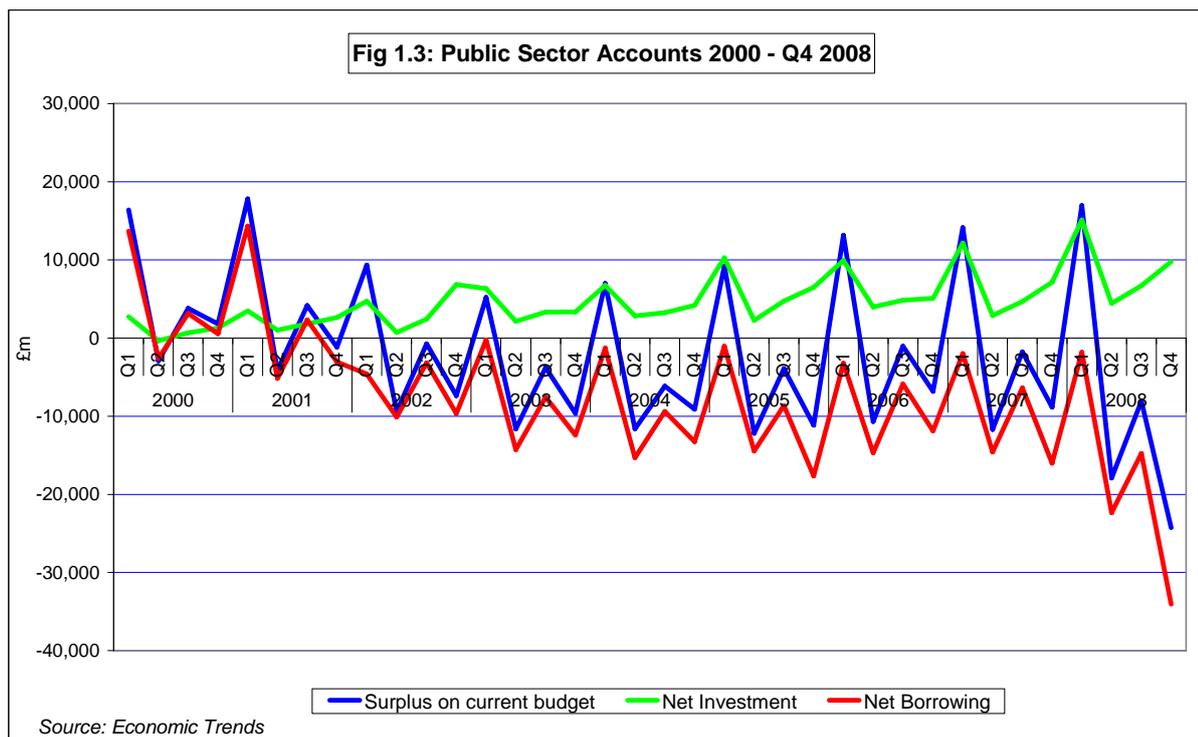
<sup>13</sup> <http://www.statistics.gov.uk/pdfdir/crbslbg0209.pdf> (National Statistics Online, News Release: Classification of RBS Group and Lloyds Banking Group plc, downloaded 19<sup>th</sup> February 2009).

<sup>14</sup> <http://www.statistics.gov.uk/pdfdir/rs0209.pdf> (National Statistics Online, Retail Sales First Release, January 2009, downloaded 20<sup>th</sup> February 2009).

<sup>15</sup> <http://www.brc.org.uk/showDoc04.asp?id=3835&moid=6419> (British Retail Consortium-KPMG, Retail Sales Monitor January 2009, 10<sup>th</sup> February 2009, downloaded 2<sup>nd</sup> March 2009).

<sup>16</sup> <http://www.statistics.gov.uk/pdfdir/lmsuk0209.pdf> (National Statistics Online, Labour Market Statistics First Release, 11<sup>th</sup> February 2009, downloaded 16<sup>th</sup> February 2009). Earnings figures are for GB.

<sup>17</sup> <http://www.statistics.gov.uk/pdfdir/psf0209.pdf> (National Statistics Online, Public Sector Finances First Release, downloaded 19<sup>th</sup> February 2009).



**Public sector net borrowing** [which takes account of capital investment] for 2008/09 was estimated, in the PBR, to [more than double] to **£77.6bn**, from £36.6bn in 2007/08.<sup>18</sup> Public sector net borrowing was **-£3.3bn** (i.e. net lending) in January 2009, £10.6 billion weaker than in January 2008 (-£13.9bn).<sup>19</sup>

### **Business Conditions from Surveys in Q4 2008<sup>20</sup>**

Balance on: <sup>21</sup>	North East	Tyne and Wear
UK Sales	<b>Fell</b> by 11pp, from -19% to -30%.	<b>Improved</b> to -24%, up from -28% in Q3 2008.
Export Sales	<b>Improved slightly</b> , up 3pp from -12% to -9%.	<b>Improved</b> from -15% to 0%. (Three-quarters of respondents reported export sales were unchanged.)
UK Orders	<b>Fell</b> 8pp, from -19% to -27%.	<b>Fell slightly</b> to -24%, from -22% in Q3 2008
Export Orders	<b>Improved</b> , up 5pp from -17% to -12%.	<b>Improved</b> , from -18% to 0%.
Employment (in the previous three months)	<b>Fell sharply</b> (down 8pp) from -3% in Q3 2008 to -11% <b>reporting a fall</b> in Q4 2008.	<b>Fell sharply</b> by 10pp, with -14% <b>reporting a fall</b> in Q4 2008.
Employment (forward looking)	<b>Fell severely</b> by [a large] 20pp from +3% to -17%.	<b>Fell severely</b> by 22pp from 0% in the previous quarter, to -22%.

<sup>18</sup> [http://www.hm-treasury.gov.uk/d/pbr08\\_complereport\\_1721.pdf](http://www.hm-treasury.gov.uk/d/pbr08_complereport_1721.pdf) (HM Treasury, Pre-Budget Report, November 2008, downloaded 19<sup>th</sup> February 2009).

<sup>19</sup> <http://www.statistics.gov.uk/pdfdir/psf0209.pdf> (National Statistics Online, Public Sector Finances First Release, downloaded 19<sup>th</sup> February 2009). [January is a month for Corporation Tax receipts – Ed.]

<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?'

Tyne and Wear appears to be doing better than the North East on both UK and export sales. Both UK and, especially, export orders appear stronger in Tyne and Wear than the North East. However, on employment, Tyne and Wear did less well with a larger balance reporting a fall (-14%) than in the North East (-11%). Although future employment prospects appear worse in Tyne and Wear than the North East, half of the respondents in Tyne and Wear expected no change in the next three months.

## **UK Manufacturing**

**Manufacturing activity fell 5.1%** in the three months to December 2008 compared with the previous three months. Output fell in twelve of the thirteen sub-sectors. Significant falls included Basic Metals and Metal Products (-9.4%), Other Manufacturing (-9.2%) and Transport Equipment (-7.7%). Manufacturing is now 8.1% lower than the same quarter a year ago.<sup>22</sup>

The CIPS/Markit Purchasing Managers' Index (PMI) was only 35.8 in January, the third weakest in the seventeen-year survey history. (Headline seasonally adjusted, **a reading below 50 signals industry contraction.**) Economic difficulties being experienced by most of the UK's major trading partners meant exporters were unable to benefit from a lower sterling exchange rate.<sup>23</sup>

There were 130,000 manufacturing jobs in the North East in September 2008, [remarkably] up by a thousand (+0.6%) compared to September 2007 - ONS. Nationally (UK), manufacturing employment fell by 100,000 (-3.1%) to 3.1m over the same period.<sup>24</sup>

Over the three months to November, 16% of manufacturers reported a rise in new orders, whilst 46% confirmed that their orders had fallen. 16% of companies cited the availability of external finance as a constraint on investment. This is the highest figure recorded since the question was first asked in 1979 (CBI Industrial Trends Survey (Nov.)).<sup>25</sup>

<sup>22</sup> <http://www.statistics.gov.uk/pdfdir/iopbrief0209.pdf> (National Statistics Online, Index of Production, December 2008 Briefing Note, 6<sup>th</sup> February 2009, downloaded 20<sup>th</sup> February 2009).

<sup>23</sup> [http://www.finfacts.ie/irishfinancenews/article\\_1015838.shtml](http://www.finfacts.ie/irishfinancenews/article_1015838.shtml) (Finfacts Ireland, 2nd February 2009, accessed 20<sup>th</sup> February 2009).

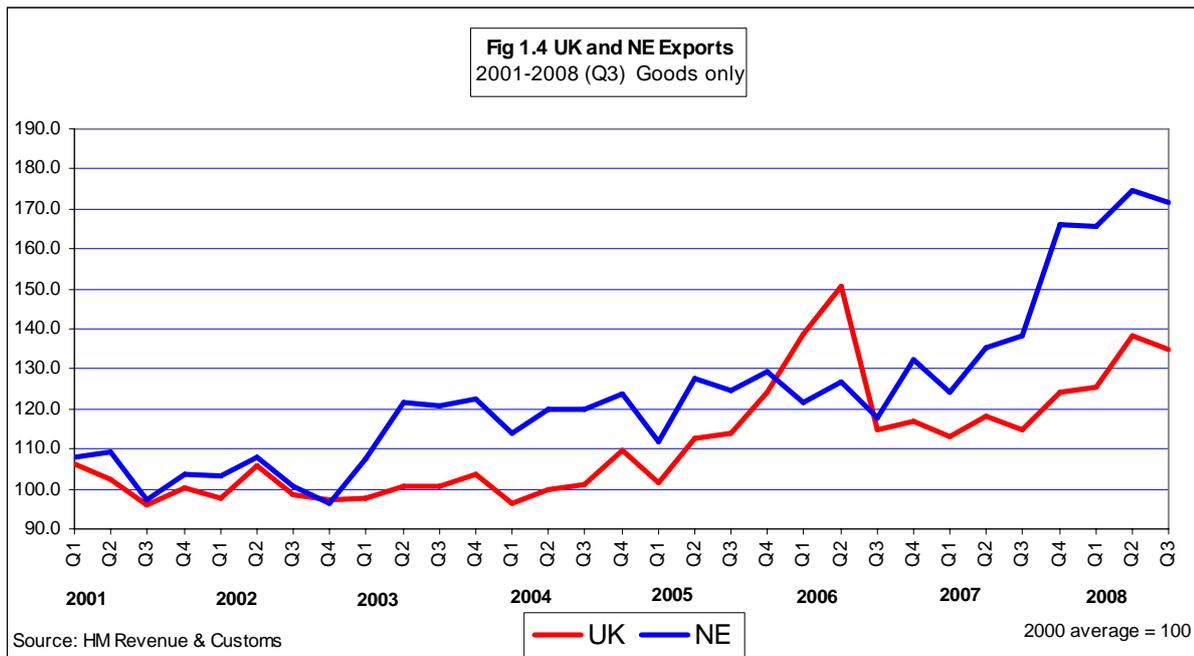
<sup>24</sup> North East figures from <http://www.statistics.gov.uk/pdfdir/lmsneast0209.pdf> (Labour Market Statistics First Release: North East). UK figures from <http://www.statistics.gov.uk/pdfdir/lmsuk0209.pdf> (Labour Market Statistics First Release). (Both National Statistics Online, 11<sup>th</sup> February 2009, downloaded 16<sup>th</sup> February 2009).

<sup>25</sup> <http://www.mas.dti.gov.uk/default.asp?id=760> (BERR Manufacturing Advisory Service, 3<sup>rd</sup> November 2008, accessed 24<sup>th</sup> February 2009).

## Exports

**NE exports rose by almost 28% to £11.5bn** in the year to September 2008.<sup>26</sup> These goods exports are equivalent to about one-fifth of the region’s GDP.

The **North East continues to perform much better than nationally on exports**. North East exports grew by 24% (£563m) to £2.9bn in Q3 2008 compared to Q3 2007. In contrast, UK exports rose 17% (£9.3bn) to £63.0bn in Q3 2008 compared to a year earlier. (Table 1.1)



<sup>26</sup> <https://www.uktradeinfo.com/pagecontent/documents/rtsprqtrlyq32008.pdf> (HM Revenue & Customs, UK Regional Trade in Goods Statistics, Q3 2008 Press Release, downloaded 11<sup>th</sup> February 2009).

**Table 1.1: Exports, UK and NE, 2000-2008 (Q3). Goods only**

Exports*	UK (£m)	Q1 2000=100	NE (£m)	Q1 2000=100
<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	58,725	125.5	2,811	165.5
Q2 2008	64,642	138.2	2,963	174.4
Q3 2008	63,011	134.7	2,914	171.5

\* 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

**Housing starts** (seasonally adjusted) in England **fell by 27%** to 16,300 in Q4 2008 (from 22,200 in Q3 2008). This is the lowest quarterly starts at least since 1980, and just over a third of the peak in Q1 2006. **Annual housing starts** for England totalled 105,000 in 2008, **down 37%** from 2007.

**Housing completions** in England (seasonally adjusted) **fell by 3%** to 32,300 in Q4 2008, from 33,300 in the previous quarter. This is the fourth successive quarterly fall. Completions are now at their lowest level since Q4 2001. **Annual housing completions** in England totalled 141,900 in 2008, **down by 19%** compared with 2007.<sup>27</sup> [Given the very low starts recently, completions could fall to nearer 80,000 than 100,000 in 2009-Ed.]

### House Prices

Total net lending to individuals in December 2008 was £2.2bn, of which only £1.9bn was secured on dwellings (seasonally adjusted) - only a quarter of the December 2007 level (£7.7bn) - Bank of England.<sup>28</sup>

UK house prices were 10.2% lower in December 2008 than a year earlier - DCLG. In the North East the fall was 8.9%. Regionally the North East had the lowest (mix-adjusted) average price, £136,057 (UK £195,317).<sup>29</sup>

House prices fell by 1.3% in January 2009, down 16.6% from 12 months ago - Nationwide. The 3-month on 3-month fall, a smoother indicator of the short-term trend in prices, slowed for the fourth consecutive month from -4.2% in December to -4.0% in January (Nationwide).<sup>30</sup>

The Halifax House Price Index recorded a 1.9% *rise* in average UK house prices in January. On an annual basis, house prices were 17.2% lower. Prices in the three months to January compared to the preceding three months were 5.1% lower.<sup>31</sup>

### Negative Equity<sup>32</sup>

- Standard & Poor's, the ratings agency, has calculated that by the end October 2008 335,000 homes could be worth less than their mortgages (a rise of 260,000 in four months).
- Capital Economics [which has a good record on forecasting the credit crunch], the City consultancy, expects up to 2m properties will be in negative equity by 2010, more than in the recession of the early 1990s.
- Economists [presumably at Capital Economics] believe house prices will fall by up to 35% from their peak, by 2010. This compares with a drop of only 20% in the early 1990s.

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<sup>27</sup> <http://www.communities.gov.uk/documents/statistics/doc/1150306.doc> (Communities and Local Government, House Building: December Quarter 2008, England, 19<sup>th</sup> February 2009, downloaded 23<sup>rd</sup> February 2009).

<sup>28</sup> [http://www.bankofengland.co.uk/statistics/ms/2009/jan/bankstats\\_full.pdf](http://www.bankofengland.co.uk/statistics/ms/2009/jan/bankstats_full.pdf) (Bank of England, Monetary and Financial Statistics, January 2009, downloaded 24<sup>th</sup> February 2009).

<sup>29</sup> <http://www.communities.gov.uk/documents/statistics/doc/1148596.doc> (Communities and Local Government, House Price Index - December 2008, 17<sup>th</sup> February 2009, downloaded 23<sup>rd</sup> February 2009).

<sup>30</sup> [http://www.nationwide.co.uk/hpi/historical/Jan\\_2009.pdf](http://www.nationwide.co.uk/hpi/historical/Jan_2009.pdf) (Nationwide, House Prices, January Press Release, downloaded 23<sup>rd</sup> February 2009).

<sup>31</sup> [http://www.hbosplc.com/economy/includes/05\\_02\\_09HousePriceIndexJanuary2009v2.doc](http://www.hbosplc.com/economy/includes/05_02_09HousePriceIndexJanuary2009v2.doc) (Halifax, House Price Index, January 2009, downloaded 23<sup>rd</sup> February 2009).

<sup>32</sup> [http://www.timesonline.co.uk/tol/money/property\\_and\\_mortgages/article4969314.ece](http://www.timesonline.co.uk/tol/money/property_and_mortgages/article4969314.ece) (The Sunday Times, Britain faces crisis as negative equity to reach 2 million, 19<sup>th</sup> October 2008, accessed 23<sup>rd</sup> February 2009).

## Repossessions

There were 40,000 repossessions in 2008, 10,400 in the fourth quarter. The 2008 out-turn was 11% below the CML forecast. The Council for Mortgage Lenders (CML) forecast 75,000 repossessions for 2009. There are 11.7 million mortgages in the UK, with loans worth over £1.2 trillion.<sup>33</sup>

**4,356 repossession orders** were issued in the **North East in Q4 2008**, up 17% from Q4 2007. 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>34</sup>

Debt charity Credit Action criticised Northern Rock saying the nationalised bank is twice as likely as other lenders to repossess a home if borrowers fall behind with their mortgage repayments. Since nationalisation in February 2008, Northern Rock has cut 1,500 jobs and scaled back lending to help repay the government. In the nine months to September 30 it had repaid £15.4bn of the £26bn it owes. Northern Rock spokesman Simon Hall said the nationalised bank had 4,201 unsold repossessed homes on its books, which take an average of six months to sell. Hall added that the bank had increased its debt management teams from 200 two years ago, to 500 today. "Our strategy hasn't changed since nationalisation, but since the economy took a downturn," he said.<sup>35</sup>

## Late News

**Northern Rock plans to reverse its lending policy and offer an extra £5bn this year and £9bn next year in loans.** Northern Rock's loan book **shrank by £18bn** in 2008 as it pulled back from the mortgage market to concentrate on repaying its own government loan. It became obvious last year that Treasury officials had underestimated the impact of Northern Rock's withdrawal from the mortgage market and the steep cut in lending that followed. Between 2007 and 2008, net mortgage lending in Britain slumped from £108bn a year to £40bn, with foreign banks exiting the market and restrictions on lending criteria being applied by all lenders.

Alex Potter, a banking analyst at Collins Stewart, said the move could have a significant impact on the overall market. "Northern Rock was a net redeemer before and since nationalisation. So in terms of mortgage flow you are **going from a minus [£18bn] figure to £5bn this year** in a market that was only writing £40bn of business last year and probably isn't doing much better this year."

Analysts at Capital Economics said: "The resumption of lending by Northern Rock will not transform the mortgage market outlook overnight. However, it is a sign that the government is increasingly willing to intervene directly in the lending markets."

Northern Rock revealed a £1.4bn loss in 2008 and a sharp rise in bad debts. Gary Hoffman, chief executive of Northern Rock, said that he expected the lender to make another hefty loss this year.<sup>36</sup> [Northern Rock's net £5bn in 2009 would equate to over 10% of all UK net mortgage lending if the latter is around £40bn. £5bn is also more than enough to finance all the North East's 29,500 house sales in 2008, not all of which would require a mortgage.]

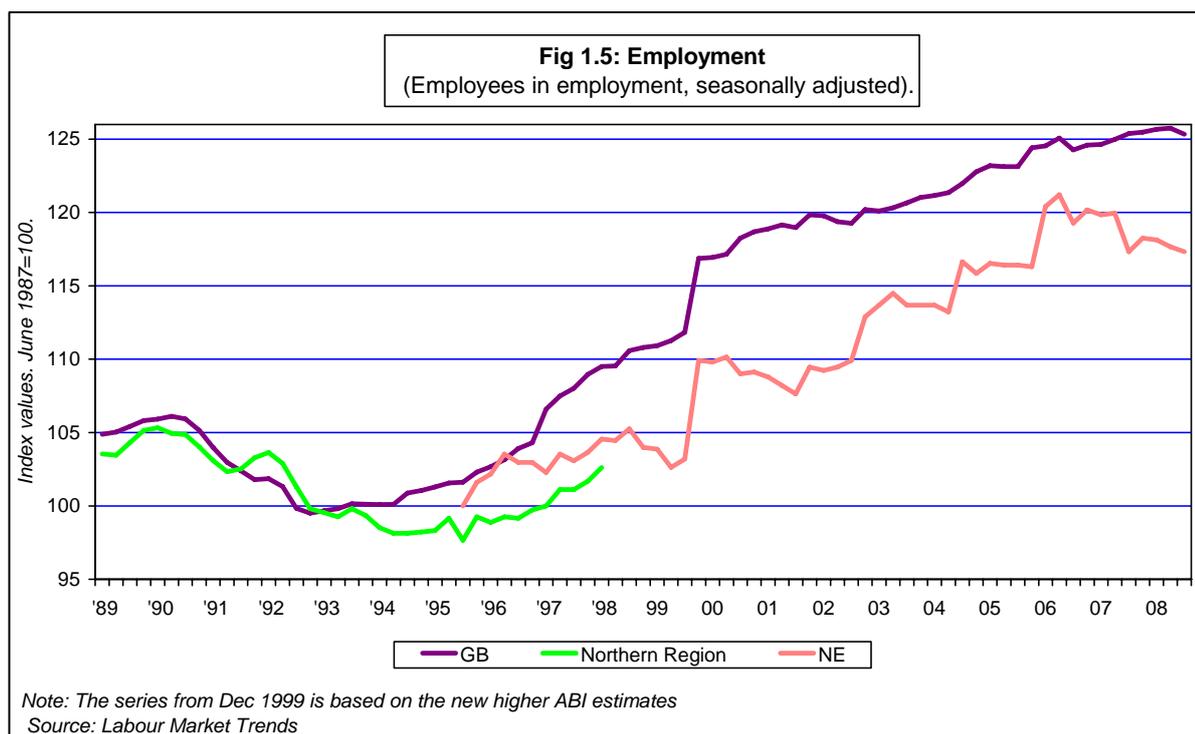
<sup>33</sup> <http://www.cml.org.uk/cml/media/press/2108> (Council of Mortgage Lenders, Arrears and possessions in 2008, Press Release, 20<sup>th</sup> February 2009, accessed 23<sup>rd</sup> February 2009).

<sup>34</sup> <http://www.justice.gov.uk/docs/stats-mortgage-landlord-qu4-2008.pdf> (Ministry of Justice, Statistics on mortgage and landlord possession actions in the county courts – fourth quarter 2008, 20<sup>th</sup> February 2009, downloaded 23<sup>rd</sup> February 2009).

<sup>35</sup> <http://www.guardian.co.uk/money/2008/oct/17/repossessions-mortgages> (The Guardian, 17<sup>th</sup> October 2008, accessed 24<sup>th</sup> February 2009).

<sup>36</sup> <http://www.guardian.co.uk/business/2009/feb/23/darling-northern-rock-bonuses> (The Guardian, 23<sup>rd</sup> February 2009, accessed 24<sup>th</sup> February 2009).

## 1.4 Labour Market Latest



In the three months to December 2008 the **UK employment rate** for PWA<sup>37</sup> was 74.1%, **down 0.3pp** from the previous quarter and **down 0.7pp over the year**. The *number* of people in employment was down 45,000 over the quarter and down 37,000 over the year (to 29.36m).<sup>38</sup>

In the **North East**, the **employment rate** in the three months to December 2008 was 70.1%, **down 1.5pp** on the same period a year earlier.<sup>39</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 December was 6.3%, **up 0.4pp** over the previous quarter and **up 1.1pp** over the year. The *number* of unemployed people rose 146,000 over the quarter and rose 369,000 over the year (to 1.97m).

In the **North East**, the (ILO) unemployment rate in the three months to December 2008 was 8.4%, **up 2.6pp** from a year earlier.

**Tyne & Wear's** (ILO) **unemployment rate** in the year to June 2008 was **7.0%** (36,100). This was slightly higher than the North East by 0.3pp. Both Tyne & Wear and the North East were over 1pp higher than Great Britain (5.3%).<sup>40</sup>

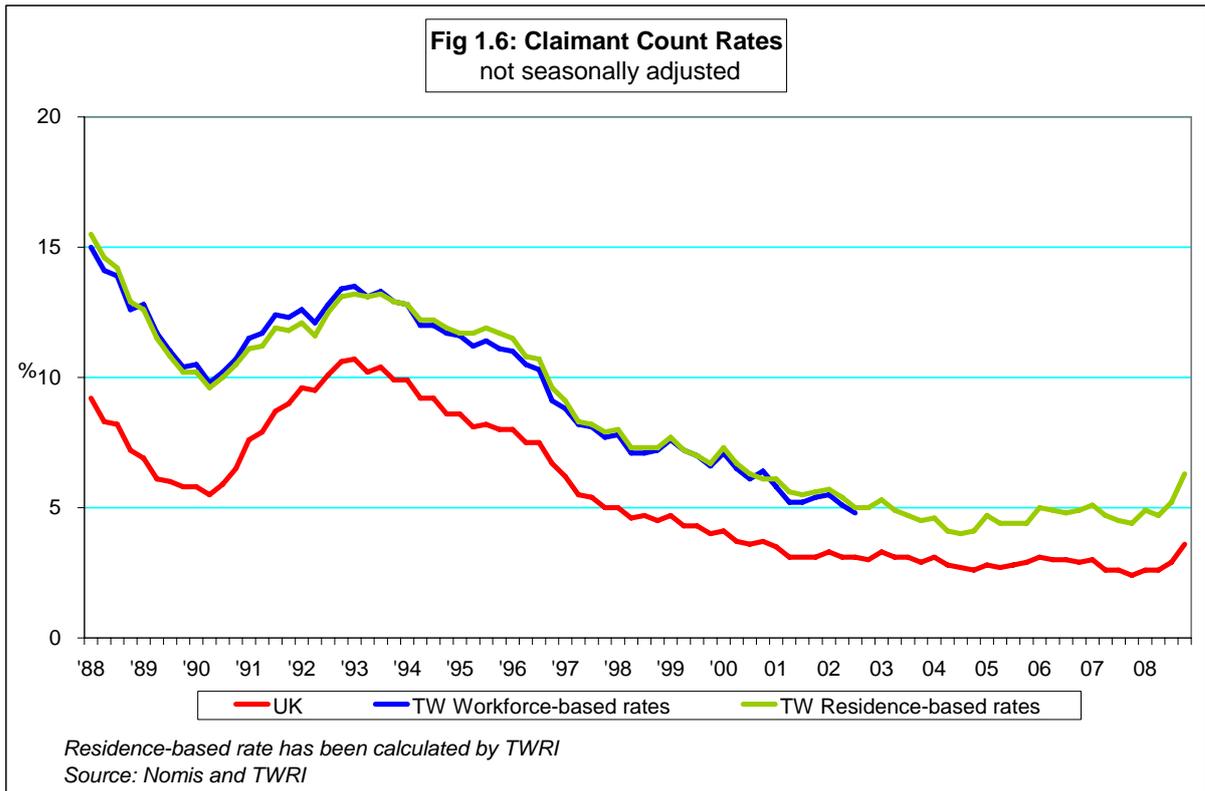
**Tyne & Wear's claimant count** [unadjusted] in **January 2009** was **7.1%** (33,804), up 45.9% (10,636) on a year earlier. The claimant count rate in Tyne & Wear was 1.0pp higher than the North East (6.1%) and 3.1pp higher than Great Britain (4.0%). [The claimant count was also 4.0% in the UK in January 2009.]

<sup>37</sup> People of Working Age (i.e. Male 16-64, Female 16-59).

<sup>38</sup> UK figures from <http://www.statistics.gov.uk/pdfdir/lmsuk0209.pdf> (National Statistics Online, Labour Market Statistics First Release, 11<sup>th</sup> February 2009, downloaded 16<sup>th</sup> February 2009).

<sup>39</sup> North East figures from <http://www.statistics.gov.uk/pdfdir/lmsneast0209.pdf> (National Statistics Online, Labour Market Statistics First Release: North East, 11<sup>th</sup> February 2009, downloaded 16<sup>th</sup> February 2009).

<sup>40</sup> TW figures from [http://www.tyne-wear-research.gov.uk/wwwfileroot/twri/twri\\_Unemp\\_Monthly\\_V01\\_2009Jan.pdf](http://www.tyne-wear-research.gov.uk/wwwfileroot/twri/twri_Unemp_Monthly_V01_2009Jan.pdf) (TWRI, Unemployment in Tyne & Wear: January 2009, accessed 19<sup>th</sup> February 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.]

Job vacancies fell 6% (40,000) to 608,000 during the quarter to September – ONS. **Shops, hotels and restaurants accounted for over 40% of the decline.** The construction sector saw the biggest percentage fall in job vacancies, with 18% fewer in the quarter to September than in the previous quarter and 27% lower than a year ago. There were 10,000 redundancies in the construction sector in 2008. (FT 16/10)

## 1.5 Labour Market Trends

The CBI Industrial Trends Survey (Nov.) predicted Q3 [manufacturing] job losses of 23,000 and Q4 losses up to 42,000 [an annualised rate of -4% of manufacturing jobs]. Orders for UK made goods have fallen at their fastest rate since 1999.<sup>41</sup>

Recruitment consultants reported steep reductions in the number of people they placed in jobs in December (Report on Jobs from the Recruitment and Employment Confederation and KPMG). **The falls in demand** for both permanent and temporary staff **were the sharpest recorded by the survey to date**. Mike Stevens, partner at KPMG, said “There are two factors that have not been present in previous recessions and that might moderate the impact on job losses.” The factors are:

- a bonus culture, which should reduce salary costs in a recession
- foreign workers, who may return home if work is no longer available<sup>42</sup>

The number of **migrants** (registering to work) into the UK **from the A8 countries fell by over 38%** to 35,000 **in Q3**, compared with 2007 – Home Office. Since May 2004, 900,000 east and central Europeans (2/3 from Poland) have registered to work in the UK. (FT 20/11)<sup>43</sup>

### Worker Registration Scheme<sup>44</sup>, Initial Applications by year of application, 2005-2008

Year	Applications
2005	212,325
2006	234,730
2007	217,970
2008	164,985

*Note: The figures are provisional and may be subject to change.  
The data are not National Statistics.*

Job losses in the service sector are about to accelerate, according to the CBI (Dec.). Plans to scale back employment were reported by **every service industry** covered by the quarterly survey. Profitability is expected to fall sharply in all except telecommunications and computing. (FT 8/12)

Manufacturers are expecting the sharpest contraction in 30 years, according to the CBI.

- One in four companies that had negotiated a pay deal in the quarter to September had either deferred a decision or opted to freeze pay.
- Business investment is being seriously affect by the contracting economy with tighter credit.
- Small-scale redundancies and plant closures became widespread in October. (FT 20/11)

<sup>41</sup> <http://www.mas.dti.gov.uk/default.asp?id=760> (BERR Manufacturing Advisory Service, 3<sup>rd</sup> November 2008, accessed 24<sup>th</sup> February 2009). The CBI industry-wide survey was carried out with 515 firms.

<sup>42</sup> <http://www.cipd.co.uk/news/articles/jobs-market-suffers-from-huge-fall-in-demand-for-staff.htm> (CIPD, 7th January 2009, accessed 24<sup>th</sup> February 2009).

<sup>43</sup> According to ONS, immigration into the UK fell 2.4% to 377,000 in 2007, while emigration also fell 15% to 340,000. Net immigration, however, rose by 46,000 (~24%) to 237,000. (FT 20/11)

<sup>44</sup> Nationals of the A8 countries who wish to take up employment in the UK for a period of at least a month are generally required to register with the Worker Registration Scheme. Workers who are self-employed do not need to register and are therefore not included in these figures (Accession Monitoring Report, May 2004 - December 2008, A8 Countries, UK Border Agency).

## 1.6 Future Economic Prospects

According to the average latest revised UK forecasts from HM Treasury's survey of independent forecasts (February)<sup>45</sup>:

### For 2009:

- **Negative** economic growth is forecast (**-2.7%**).
- Claimant unemployment is forecast to rise to **1.88m** by Q4 2009. [A rise of 727,000 or 63%, compared with the December 2008 claimant count.]
- CPI inflation is forecast to be **0.4%** and RPI inflation to be **-1.9%**, both for Q4 2009.

### For 2010:

- **Positive** economic growth is forecast, a modest **0.5%**.
- Claimant unemployment is forecast to rise [by a further **350,000**] to **2.23m** by Q4 2010.
- CPI inflation is forecast to rise to **1.8%** and RPI inflation to **2.6%**, both for Q4 2010.

### In the medium term:

- Economic growth is forecast at 2.6% for 2013.
- Claimant unemployment is forecast to fall to 1.51m by 2013.
- CPI inflation is forecast at 2.1% and RPI inflation at 3.0% for 2013.

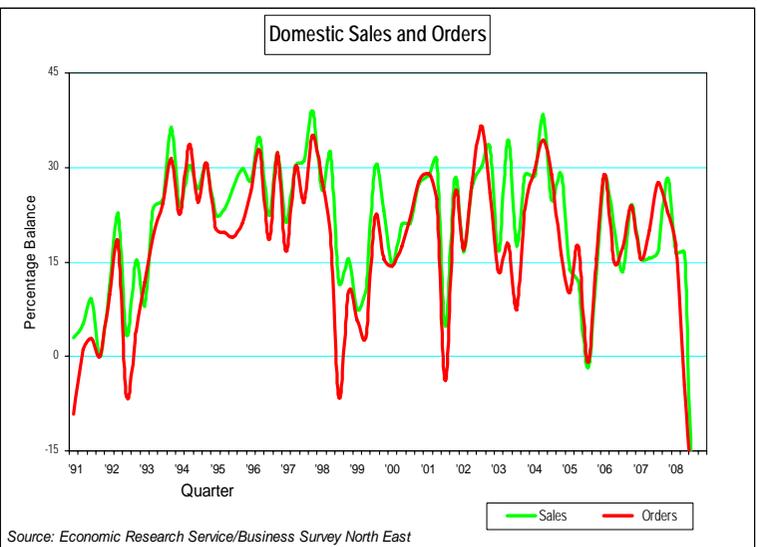
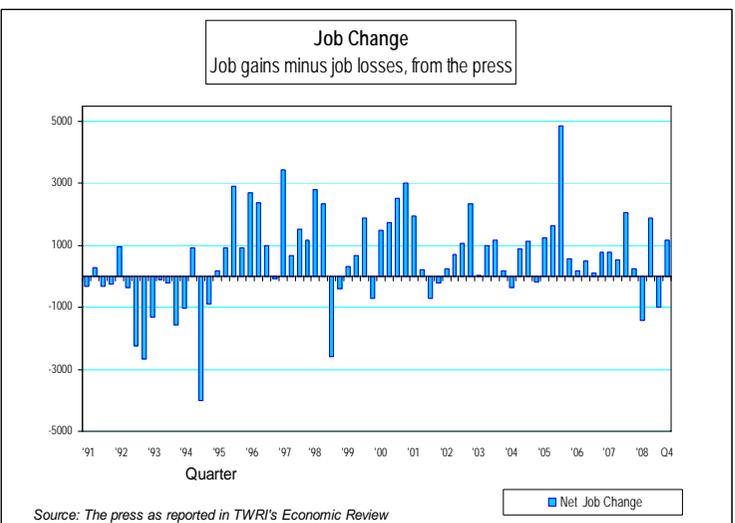
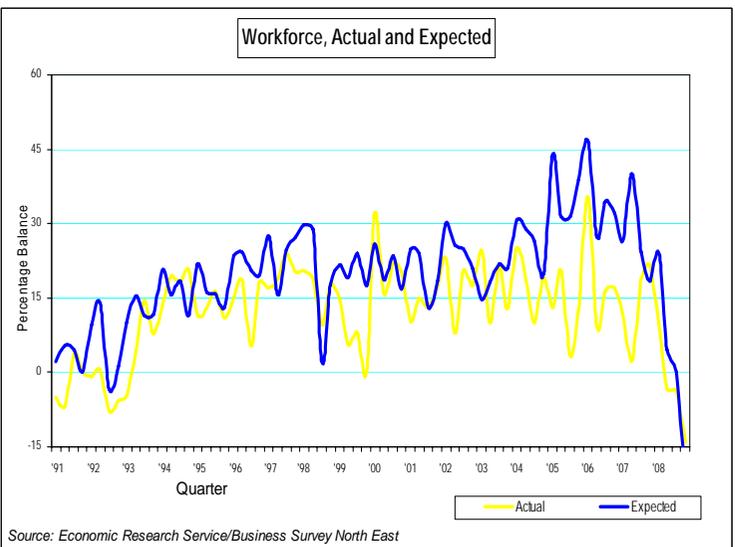
*[Source: HM Treasury, February 2009]*

The CBI revised downward its economic forecasts (in November) in a press release titled: 'Recession to be Tougher and Longer'. It now expects the UK economy to contract by 1.7% in 2009 and unemployment to rise [by over 1m] to 2.9m by mid-2010. CPI inflation by end 2009 is expected to be 1.7%; in 2010 it expects CPI inflation to reach a low of 1.1% and average just 1.2% over the year (CBI 17/11).

<sup>45</sup> <http://www.hm-treasury.gov.uk/d/200902forecomp.pdf> (HM Treasury, Forecasts for the UK Economy, A comparison of independent forecasts, No. 262, February 2009, downloaded 18th February 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: Gross Domestic Product: (chained volume indices at market prices)	2007		2008		Change		Treasury model codes EA TA1 YBEZ
	Q3	Q4	Q1	Q2	Quarterly	Annual	
	111.7	112.3	112.7	112.7	-0.6%	0.3%	
Household Final Consumption Retail Sales volume (2000=100)	£199,150m (s.a.) 134.6	£199,607m (s.a.) 136.7	£201,537m 137.4	£200,918m 139.7	-0.2% 0.6%	0.7% 4.4%	EA TA2 ABJR ET T4.08 EAPS
Output production industries services	101.0 (s.a.) 114.9	101.3 (s.a.) 115.5	100.8 (s.a.) 116.2	99.9 116.5	-1.4% -0.5%	-2.5% 0.8%	EA TA4 CKYW EA TA4 GDQS
New Orders: Engineering Construction (2000=100)	NA (s.a.) 115.4	NA (s.a.) 119.7	NA (s.a.) 114.5	NA 105.2	NA -7.2%	NA -15.4%	ET T4.02 ELMR T4.02 SGAA
Fixed Capital Investment Manufacturing (at 1990 prices) Business Investment:	NA (s.a.) £35,631m	NA (s.a.) £36,420m	NA (s.a.) £35,633m	NA £36,057m	NA -1.3%	NA -0.1%	EA T7(90) DECV EA TA8 NPEL
Balance of Payments current account	£12,867m (s.a.)	£5,432m (s.a.)	£3,657m (s.a.)	£6,424m (s.a.)	20.2%	-40.0%	EA B1 HBOP
INFLATION INDICATORS:					Change		
Retail Prices Index (All Items) (Jan 1987 = 100)	Nov 209.7	Feb 211.4	May 215.1	Aug 217.2	Quarterly -0.6%	Annual 3.0%	ELMR T3.01 CHAW
Average Earnings Index: (2000=100)	Oct 137.3	Jan 136.2	Apr 134.9	Jul 134.3	Quarterly -1.3%	Annual -3.5%	ELMR T2.16 LNMQ AND LNMU

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

## 2.3 Labour Market Indicators

### LABOUR MARKET INDICATORS

<b>EMPLOYEES IN EMPLOYMENT#</b>							Change	
Not seasonally adjusted.		2007	2008	2008	2008	2008	Quarterly	Annual
		Sep	Dec	Mar	June	Sep		
Total employees:	UK	27.128m	27.338m	27.109m	27.211m	27.115m	-0.4%	0.0%
	North East	1.029m	1.044m	1.031m	1.029m	1.029m	0.0%	0.0%
Men employees:	UK	13.715m	13.778m	13.654m	13.722m	13.674m	-0.3%	-0.3%
	North East	520,000	531,000	526,000	525,000	527,000	0.4%	1.3%
Women employees:	UK	13.413m	13.559m	13.456m	13.488m	13.441m	-0.3%	0.2%
	North East	508,000	512,000	506,000	504,000	503,000	-0.2%	-1.0%
Women full-time:	UK	6.983m	7.042m	7.045m	7.048m	7.024m	-0.3%	0.6%
	North East	254,000	252,000	251,000	250,000	248,000	-0.8%	-2.4%
Women part-time:	UK	6.430m	6.517m	6.411m	6.440m	6.417m	-0.4%	-0.2%
	North East	254,000	260,000	255,000	254,000	255,000	0.4%	0.4%
Production employees (C-E):	UK	3.087m	3.079m	3.060m	3.049m	3.015m	-1.1%	-2.3%
	North East	138,000	140,000	140,000	140,000	139,000	-0.7%	0.7%
Construction employees:	UK	1.336m	1.327m	1.321m	1.319m	1.359m	3.0%	1.7%
	North East	59,000	63,000	59,000	59,000	61,000	3.4%	3.4%
Service employees: (G-Q)	UK	22.447m	22.685m	22.471m	22.574m	22.465m	-0.5%	0.1%
	North East	821,000	831,000	823,000	824,000	822,000	-0.2%	0.1%
		2006	2007	2007	2007	2007	Change	
Not seasonally adjusted		Winter	Spring	Summer	Autumn	Winter	Quarterly	Annual
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
<b>CLAIMANT COUNT</b>		2007	2008	2008	2008	2008	Change	
(Not seasonally adjusted).		Dec	Mar	June	Sep	Dec	Quarterly	Annual
United Kingdom		.790m	.843m	.835m	.945m	1.153m	209,000	363,000
Great Britain		.768m	.818m	.810m	.915m	1.118m	203,000	350,000
North East Region		46,734	50,910	49,290	55,300	67,579	12,279	20,845
Tyne & Wear		21,219	23,306	22,602	24,942	30,042	5,100	8,823
Claimant Count Rates (workforce rates) %:							Change in rates:	
							Quarterly	Annual
United Kingdom		2.4	2.6	2.6	2.9	3.6	0.7	1.2
Great Britain		2.4	2.6	2.6	2.9	3.6	0.7	1.2
North East Region		3.8	4.1	4.0	4.5	5.5	1.0	1.7
Tyne & Wear+		4.4	4.9	4.7	5.2	6.3	1.1	1.9
<b>REDUNDANCIES</b>		2007	2007	2008	2008	2008	Change	
(from the Labour Force Survey).		Q3	Q4	Q1	Q2	Q3	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:	
							Quarterly	Annual
	GB	5.2	4.3	4.7	4.8	6.2	1.4	1.0
	North East	*	*	*	*	9.9	n.a	n.a

Sources: ONS's Economy & Labour Market Review (February 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.

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).

#### 3.1 Job Gains

(+2,473 announced in the press October 1<sup>st</sup> – December 31<sup>st</sup> 2008, for Tyne and Wear.

\* means new opening

+ 500* (by 2011)	<b>Tech Mahindra</b> , Viking Business Park, Jarrow, South Tyneside. (Telecoms company. It is to open a £5m call centre in Jarrow, its sixth base in the UK. The centre needed to be in the UK because it will handle public-sector contracts which cannot be offshored for political, legal or data protection reasons. BT has a 35% stake in Tech Mahindra.)	(FT 8/11)
+ 500* (in 2008)	<b>The Listening Company</b> , Newcastle. (Call-centre operator. It has pledged to create 500 jobs at its new offices in Newcastle. It will also double the figure within six months after it opens a contact centre at St James Gate in November. The £55m business has grown by 40% year-on-year since 2005.)	(J 3/10)
+ 300	<b>Convergys</b> , Newcastle. (Call centre operator. Jobs to be created at Newcastle Central, near the train station. It said it had won work with a telecoms firm (source: BBC tv and info direct from the firm.).	(BBC 8/12)
+ 200* (by 2012-13)	<b>Stenca</b> , Wallsend, North Tyneside. (Pipe insulation business. It plans to set up base in Wallsend. The Danish company opened a sales office and is planning to develop a production plant. This is to cut shipping costs across the North Sea.)	(J 14/11)
+ 200* (potential)	<b>Spark Response</b> , Tyne Dock, South Tyneside. (Call centre. The Gateshead firm has taken over 40,000sq ft of new warehousing at Tyne Dock following winning a series of new clients. It expects turnover to rise 20% to £12m by December.)	(J 25/9)
+ 100 (in 2009)	<b>Thomas Cook</b> , Newcastle Airport. (Charter Airline. It plans to add a third aircraft and three new routes to Greece; to Kefalonia, Santorini and Skiathos.)	(J 20/12)
+ 80	<b>Codeworks</b> , Sunderland. (Digital innovation centre. It has received £733,000 funding in new EU investment. It is set to continue with its programme, bringing together SMEs with the latest digital knowledge and creativity from local universities.)	(J 24/12)
+ 79* (in 2009)	<b>Fisher Services</b> , North Tyneside. (Laundry business. They are opening a £3m laundry in North Tyneside.)	(J 23/12)
+ 60*	<b>Asda</b> , Washington, Sunderland. (Supermarket chain. Jobs to be created with the opening of a hi-tech recycling centre on Pattinson Industrial Estate. The £9m centre will	(Sd. Echo 3/10)

	initially recycle 25,000 tonnes of cardboard each year from 29 stores. The building's design will also help it reduce its carbon footprint by over 90tonnes of CO2 a year.)	
+ 50* (by 2013)	<b>Bibby Offshore</b> , Central Square, Newcastle. (Sub-sea design. The Aberdeen company has taken up accommodation at the Marine Design Centre to develop its sub-sea technologies.)	(J 10/10)
+ 50	<b>Eaga</b> , Newcastle. (Energy efficiency business. The government is investing an extra £74m into the Warm Front energy efficiency scheme. Eaga employs 4,500 people [nationally].)	(J 17/10)
+ 50	<b>AWS Ecoplastics</b> , Newcastle. (Recycling. The recycling company has been promised a loan of £4m (from Lloyds TSB) needed to complete a £14m expansion at its plastic bottle reprocessing plant.)	(J 7/11)
+ 50 (by 2010)	<b>Connor Solutions</b> , Sunderland. (Electronics. The firm took over £2m worth of circuit board business when Hormann Electronics was forced to close down.)	(J 13/11)
+ 50	<b>Wessington Cryogenics</b> , Houghton-le-Spring, Sunderland. (Chemicals. It has doubled its workforce to 100 after doubling its turnover. It has acquired an extra 22,000sq ft factory next to its existing one to cope with growth.	(J 22/12)
+ 40	<b>Express Engineering</b> , Team Valley, Gateshead. (Precision-machined components-maker. Jobs created following a £3.2m expansion of its Team Valley facility.)	(J 21/11)
+ 30	<b>Fusion</b> , Sunderland. (Call centre operator. It is creating 60 jobs at its two call centre bases in Sunderland and Peterlee, Co. Durham.)	(Sd Echo 25/11)
+ 25-30*	<b>Creativity, Culture and Education (CCE)</b> , Newcastle. (Learning partnership. It has set up a base in Newcastle. CCE will be responsible for running the Creative Partnerships programme set up by Arts Council England in 2002 and will receive over £75m for 2009-11.)	(J 4/11)
+ 25 (in 2009)	<b>Connect for Care</b> , Newcastle. Technology for care. The Newcastle firm has developed a new system aimed at helping Dementia sufferers remotely through touch-screen technology.)	(J 13/11)
+ 20	<b>Greggs</b> , Balliol Business Park, North Tyneside. (Bakery. It recently invested £11m in a new 50,000sq ft bakery to complement its existing 90,000sq ft.)	(J 10/10)
+ 20 (in 2009)	<b>Sekura Trade Frames</b> , Sunderland. (Door manufacturer. Its turnover rose three-fold to £11m in the last three years and is expected to rise to £15m in 2009.)	(J 8/12)
+ 15 (also 25 through relocation)	<b>Ethicalsupermarket.com</b> , Team Valley, Gateshead. (Online retailer. It plans to increase its workforce by 15 within a year at its new Gateshead site. It has recently relocated its 25 staff from Newcastle to Team Valley. The online superstore aims to increase its turnover 17-fold to £40m by 2012, after receiving £1m investment from NSEI (North Star Equity Investors).)	(J 2/10)
+ 14	<b>Guroo</b> , Sunderland. (Software developer. The company secured £440,000 investment from North Star Equity Investors (NSEI) that could help it increase its revenues 200-fold to £10m by 2013. It is developing software as part of a new diploma which provides students with online learning materials.)	(J 16/10)

+ 10*	<b>Goes On Green Ltd</b> , , North Shields, North Tyneside. (Bio-diesel manufacturer. It wants to open a plant to produce 200,000 tonnes of bio-diesel a year in North Shields. The operation is earmarked for a site off Hayhole Rd in a riverside industrial area. Planners are advising Councillors to back the scheme.)	(J 15/12)
	TWRI were <b>unable to confirm and have not included</b> 2,000+ potential jobs at call centre operator <b>Emax Outsourcing</b> , Cobalt Business Exchange, North Tyneside.	(J 25/9)

**Jobs saved**

125	<b>Saint-Gobain Crystals</b> , Wallsend, North Tyneside. (Manufacturer of quartz products. 125 jobs were transferred after its manufacturing operations were acquired by German firm Heraeus Quarzglas for an undisclosed sum. <i>(See also job losses)</i> )	(J 20/10)
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**Outside Tyne & Wear**

+ 250*	<b>Asda</b> , Ashington, Northumberland. (Retailer. Jobs at Portland Park in Ashington. Plans for a £25m investment on a 24-hour superstore have been approved by Wansbeck Council.)	(J 7/11)
+ 200*	<b>Tesco</b> , Morpeth, Northumberland. (Retailer. It plans to build a new supermarket near Morpeth train station. The new 20,000sq ft “green” store will be built on the disused PD Ports haulage depot in Coopies Lane Industrial Estate.)	(NE Contact, Sept 08)
+ 200	<b>The Student Loan Company (SLC)</b> , Darlington, Co. Durham. (Public Admin.. It is looking to recruit 200 customer service advisors and student finance assessors for its Darlington offices.)	(J 14/10)
+ 120	<b>Scoot</b> , Stockton, Teesside. (Online business directory. Part of ITV.)	(J 27/11)
+ 100* (by 2013)	<b>Sirius</b> , Co. Durham. (Environmental services. It plans to double its £17m turnover and its workforce to 200 by 2013. The group [in part of Tyne & Wear City Region] tests the quality of soil for property developers, launched a new division Sirius Strategic Environmental Management (SSEM). It is to focus on mediating in controversial developments and with work on the new Tyne Tunnel.)	(J 6/10)
+ 100	<b>K Home International (KHI)</b> , Stockton-on-Tees, Teesside. (Engineering consultants. The firm won a number of contracts.)	(J 7/10)

### 3.2 Job Losses

(-1,325 announced in the press October 1<sup>st</sup> – December 31<sup>st</sup> 2008, for Tyne and Wear.

\* means closure

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

Eg. Woolworth, est. 400 job losses in Tyne and Wear. It also omits most construction job losses.

Job losses		
- 510	<b>Newcastle City Council</b> (Local authority. Job cuts in efficiency savings. It has a £20m funding gap.)	(J 13/12)
- 170*	<b>MFI</b> , Southwick, Sunderland. (Furniture retailer. It closed its call centre in Sunderland. The firm was [temporarily] saved in a management buy-out on Sept. 29th. MFI has 192 stores, employing about 2,500 people.)	(Sd. Echo 30/9)
- 113*	<b>Virgin Media</b> , Team Valley, Gateshead. (Call centre. It will close its telesales department from April 2009. [It is the cable franchisee for Tyneside – Ed.]	(J 28/11)
- 90*	<b>Medifiq</b> , Rainton Bridge, Sunderland. (Plastic business. It is closing its operation. The firm (formerly Perlos) blamed the downturn in the market for its current medicine-delivery products. It makes products such as asthma inhaler devices and syringes.)	(Sd. Echo 24/9)
- 70	<b>Hashimoto</b> , South Tyneside. (Car part manufacturer. The Japanese firm, which supplies Nissan in Sunderland, blamed falling demand.)	(Sd. Echo 12/12)
- 64	<b>Grundfos Pumps</b> , Castletown, Sunderland. (Pump-maker for the construction sector. It has shed a quarter of its 225 staff, from its factory. The factory makes pumps used in the [house] building industry. It also lost some work to Hungary.)	(Sd Echo 5/12).
- 51	<b>Barclays Bank</b> , Newcastle. (Bank. It has cut jobs at its Legal Notices department in Percy St. It has relocated the service to its Consumer Lending office in Manchester.)	(J 4/10)
- 50	<b>Grange Kitchens</b> , North Shields, North Tyneside. (Kitchen maker. It is to cut jobs at the Tyne Tunnel trading estate, after administrators were unable to find a buyer. Orders dried-up following the downturn in construction.)	(J 21/10)
- 49*	<b>Watson Norie</b> , Walker, Newcastle. (Electrical engineering company. It was to close its Walker base by the end of 2008, with the loss of 49 [remaining] jobs.)	(J 3/11)
- 36*	<b>Greenberg Glass Emergency</b> , Team Valley, Gateshead. (Glass maker. It went into administration.)	(J 7/11)
- 27	<b>Villa Pop</b> , Sunderland. (Soft drink maker. It has shed 27 jobs (out of 58) after going into administration. The firm has sites in Washington and Southwick. Since, part has been acquired.)	(Sd. Echo 11/12)
- 23	<b>Saint-Gobain Crystals</b> , Wallsend, North Tyneside. (Manufacturer of quartz products. It is to cut jobs after its industrial testing products manufacturing department was excluded from the company's sale to Heraeus Quarzglas.)	(J 20/10)
- 23	<b>Ncj MEDIA</b> , Newcastle. (Media. It is to cut 23 editorial jobs on restructuring its newsroom operations in Newcastle.) [This is part of the Newcastle Chronicle & Journal – Ed.]	(J 8/11)

- 20	<b>BAE Systems</b> , Scotswood, Newcastle. (Mechanical Engineering; tank manufacturer.)	(J 21/11)
- 15	<b>Sage</b> , Newcastle. (Software house. It is to cut jobs at its HQ as part of a restructure. The company employs 1,400 at Great North Park.)	(J 30/10)

**Potential job losses**

- 14	<b>Watson Burton</b> , Newcastle. (Law firm. Jobs at risk as the firm blamed the falling demand for legal services in its key commercial and industrial sectors.)	(J 12/12)
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**Outside Tyne & Wear**

- 181*	<b>Parker Hannifin</b> , Crook, Co. Durham. (Fridge-component maker. Owner of Domnick Hunter, based in Birtley, Gateshead, is closing its Crook factory. It blamed a fall in orders.)	(J 3/10)
- 170	<b>Caterpillar</b> , Peterlee, Co. Durham. (Construction truck maker. The US [construction] truck maker blamed the economic slowdown for the losses.)	(J 5/11)
- 165*	<b>Bpi industrial</b> , Stockton, Teesside. (Polythene manufacturer. It is closing with the loss of 165 jobs. It lost £2.5m this year. 40% of its output was sold to the construction industry.)	(J 26/11)
- 23*	<b>Electrolux</b> , Spennymoor, Co. Durham. (Domestic appliances maker. It is closing its site in Spennymoor with the loss of the last warehousing jobs. The second-largest maker of domestic appliances is cutting ~5% (3,000) of its global workforce. It is transferring work to new sites in Poland, China, Mexico, Hungary, Thailand and Russia.)	(J 14/12), (FT 16/12)

**Potential job losses outside Tyne & Wear**

- 700	<b>Northumberland County Council</b> . Local authority. Jobs could be lost in Northumberland under major budget cuts required as part of the radical switch into unitary local government in April 2009 – according to County Northumberland’s Chief Executive. This is about 10% of the combined workforce of the county and six districts.)	(J 4/11)
- 100	<b>RF Micro Devices</b> , Newton Aycliffe, Co. Durham. (Electronics. (Based at the former Fujitsu/Filtronic plant). It is considering redundancies from its 300 staff. The US company, reportedly could shed up to 100 jobs.)	(J 6/12)

### 3.3 New Orders and Contracts to Local Firms

(At least £374m to local firms, but mainly to Rolls-Royce)

<b>£258m</b>	<b>Rolls-Royce</b> , Sunderland. (Mechanical Engineering. MoD contract to supply engine support to the UK's 96 Sea King helicopter fleet. It employs over 400 people in Sunderland.)	<b>(J 23/12)</b>
<b>£88m</b>	<b>Rolls-Royce</b> , Sunderland. (Mechanical Engineering. Deal to supply the lift systems for the first jump-jet variants of the F-35 Lightning II aircraft)	<b>(FT 15/12)</b>
<b>£25m</b>	<b>Surgo</b> , Newcastle. (Construction. The Newcastle-based firm has won a £25m contract to rebuild the Hebburn campus of South Tyneside College. Work will start in 2009 and is due for completion in 2012)	<b>(J 14/11)</b>
<b>£2.2m</b>	<b>Southbay</b> , North Tyneside. (Construction. The North Tyneside firm is to provide structural support on the banks of the Tyne while the new Tyne Crossing is excavated.)	<b>(J 17/11)</b>
<b>£1m</b>	<b>Pyeroy</b> , Gateshead. (Industrial Services. The company has won work to supply and erect scaffold access and containment systems to HMS <i>Vigilant</i> in 2009)	<b>(J 14/11)</b>

## 4.0 Feature

### 4.1 The Homeowner Mortgage Support Scheme (deferral, announced in December)<sup>46</sup>

The Homeowner Mortgage Support Scheme is essentially deferral, allowing lenders to reduce current mortgage payments for borrower's experiencing payment difficulties. It guarantees lenders against a proportion of any loss incurred if the borrower defaults. The Government will pay the lender the equivalent sum of the total amount of the interest guaranteed that is not recoverable from equity in the property. For the borrower, deferred payments will be added to the principal. They are to be paid later, when the borrower's financial circumstances have improved. The scheme itself will be open for a window of two years, subject to review. **To qualify**, borrowers will:

- have suffered a loss of income from employment or self-employment of a scale which now makes full mortgage payments difficult, but which is not expected to be a permanent loss of income;
- have been in dialogue with their lender, including over the use of existing forbearance policies, and have been making some level of regular payment;
- have taken out a mortgage of up to £400k;
- have savings below £16,000;
- apply for assistance as owner-occupier – the programme will not apply to people with second homes or buy-to-let properties;
- not be in receipt of Support for Mortgage Interest or Mortgage Rescue assistance;
- have been assessed as being able to pay a certain monthly amount on an ongoing basis;
- have received financial advice from a party other than their lender to determine their eligibility for the scheme, including testing the long-term sustainability of their financial position, and their ability to resume full payments once their income increases; and
- have fallen into arrears for a number of months during which the lender has exercised forbearance.

The scheme is **in addition to** recent measures announced in the Pre-Budget Report (Nov.) to help homeowners which include:

- Agreement with major lenders to wait at least three months before initiating repossession proceedings, in order to explore all other alternatives.
- Bringing forward the Government's £200 million Mortgage Rescue scheme (see below) to start early in over 50 local authority areas.
- Enhancing the Mortgage Rescue scheme to cover vulnerable families at risk of repossession because of additional loans secured on their home.
- Announcing a further £15.85 million to extend free debt advice to be made available to all consumers across the country.
- Increasing the support available for those eligible households paying the interest on their mortgages.

Other support includes:

- A new mortgage pre-action protocol, introduced by the Civil Justice Council. The new protocol makes clear that repossessions should be a last resort.

<sup>46</sup> [http://www.hm-treasury.gov.uk/press\\_135\\_08.htm](http://www.hm-treasury.gov.uk/press_135_08.htm) (H M Treasury, The Homeowner Mortgage Support Scheme, Press Notice, 10<sup>th</sup> December 2008, accessed 23<sup>rd</sup> February 2009).

- The DWP is reforming Income Support for Mortgage Interest (SMI), by shortening the waiting period before SMI is paid from 39 weeks to 13 weeks for new working age claims. (from 5 January 2009).
- Expanded free legal representation in county courts for households at risk of repossession.
- A £10 million package to increase the provision of legal and debt services already in place to offer advice to households in difficult financial circumstances.

The eight largest lenders covering 70% of the mortgage market (HBOS, Nationwide, Abbey, Lloyds TSB, Northern Rock, Barclays, RBS, HSBC) agreed in principle to support the new scheme.

#### **Mortgage Rescue Scheme (sale to a Housing Association)**

From 16<sup>th</sup> January 2009, the mortgage rescue scheme was expanded to all local authority areas in England following its early introduction by 80 councils in December. Vulnerable households will be able to apply to their local authority for two options to help them remain in their homes, depending on their circumstances. They will either be able to sell a share of their home to a housing association, enabling their monthly mortgage payments to be significantly reduced, or they can sell the entire home to a housing association and remain in the property as tenants paying a subsidised rent. The scheme is expected to help up to 6,000 households avoid repossession over the next two years.<sup>47</sup>

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<sup>47</sup> <http://www.communities.gov.uk/news/corporate/1120159> (Communities and Local Government, Mortgage rescue scheme extended across England, 16<sup>th</sup> January 2009, accessed 2<sup>nd</sup> March 2009).

## 5.0 INVESTMENTS & DEVELOPMENTS

### 5.1 Investment & Development Trends

**UK commercial property values dropped by a record 26.4% in 2008**, the largest decline since records began in 1987 (Investment Property Databank). The last quarter of 2008 showed the biggest drop of the year, with values down 14.4% on the previous three months.

- Retail had the worst falls, with a 15.1% fall for the last three months of 2008 and a 27% drop for the whole year.
- Offices fell in value by 14.1% in the fourth quarter and 26.5% over the year.
- Industrial buildings lost 13.7% and 25.7% of their values respectively.

Total return on investments fell 22.1% in the year, and 13% in the fourth quarter, as the cash squeeze in the sector caused payment delays. Shops, offices and industrial buildings are now worth around the same amount they were in December 2001.<sup>48</sup>

The sharp fall in investment in the commercial property market is exacerbating already accelerating losses in real estate values. According to CB Richard Ellis, the capital decline in the third quarter more than doubled to 6.7%, from 3% in Q2. September saw the largest [monthly] fall in 2008 at 2.9%, taking the total 'pricing correction' to 24% in the past year, according to Investment Property Databank. Transactions levels fell to £4.3bn in Q3, a quarter of that of a year ago. (FT 16/10)

### 5.2 Investment & Development News

#### Office Developments

In **Gateshead**, the Open University (OU) has become the first tenant at the **Baltic Business Quarter** office scheme. It has relocated its regional office from the Regent Centre in Gosforth, Newcastle. Around 70 staff will be based the North building, close to the Gateshead College campus. (J 22/10)

#### Industrial Developments

*[See Mixed Developments: Gateshead's Queens Court's four large industrial units.]*

#### Mixed Developments

The former Dunlop factory on **Team Valley, Gateshead** has been developed into **Queens Court** with four hybrid units of 3,300sqft, two offices of 2,700sqft. It also has four large industrial units from 14,673sqft to 29,346sqft. It cost £7.5m. (J 17/11)

Tesco's plans to redevelop **Gateshead's town centre** have been unveiled. The proposed town square will include a performance space and amphitheatre seating areas. It will also include 40 shops, a new Tesco store, bars and restaurants, student accommodation, offices and a hotel. (J 1/10)

An £18m office and hotel development is planned on Hawks Rd., south of Terrace Hill's offices in **Baltic Business Quarter in Gateshead**. The proposals would include 40,000sq ft of office space and a 202-bed Holiday Inn Express hotel. A planning application has been submitted by Priority Sites. Work is scheduled to start in 2009 and to be completed in 2010. (J 1/10)

<sup>48</sup> <http://www.building.co.uk/story.asp?sectioncode=284&storycode=3132949&c=1> (Building Magazine, 3<sup>rd</sup> February 2009, accessed 24<sup>th</sup> February 2009).

The **North Bank of the Tyne Project Board**, a partnership between North Tyneside Council, Newcastle Council, One North East and English Partnerships, have appointed GVA Grimley to produce a development masterplan for the 600 hectares from Walker Riverside Industrial Park in east Newcastle to the Bull Ring Dock in North Shields. (J 29/10)

In Washington, **Sunderland**, developer Highbridge Properties has applied for planning permission for a £15m redevelopment of the disused **Dunlop Tyres** site on **Birtley Rd.** The plans include nearly 611,000sq ft of industrial and office space and a 100-bed hotel, pub and coffee shop. (Highbridge Properties previously developed Newcastle Business Park, Newcastle, and Cobalt Business Park, North Tyneside.) (J 22/10, Sd Echo 22/11) Late News: Outline planning permission approved 8/1/2008.<sup>49</sup>

A planning application to develop the **Stephenson Quarter**, behind the Central Station, has been submitted to **Newcastle City Council**. The £200m scheme includes two hotels (250-bed and 155-bed), an art gallery, shops, offices, a multi-storey car park and public squares. The project is to be developed by Silverlink. (J 10/11)

## Housing Developments

*[No Housing Developments were announced]*

## Retail Developments

*[See Mixed Developments]*

## Leisure Developments

'**ThePlace**', a £6m arts and business centre, has been opened on **Athenaeum St.** in **Sunderland**. It includes a performance space, art gallery/exhibition spaces, a café, meeting rooms and a range of business suites and artists' studios. (J 19/11) [This is in Hendon, on the east side of the city centre – Ed.]

Planning permission has been granted for a new leisure centre in Gateshead. The **Gateshead Leisure Centre** will be developed on the land formerly occupied by Blaydon Comprehensive School. This is part of the Council's £29m Building an Active Future programme. (J 24/12)

**Newcastle's Gallowgate** area is attracting interest from hotel operators:

- Planning consent was granted for a 183-bed hotel [Novotel] on Downing Plaza, at the former S&N site.
- Next to the site, the former S&N HQ office property is under offer to another major hotel operator.
- On the Hanro site, at Strawberry Place, terms have been agreed with Travelodge and further hotel opportunities are expected to arise. (J 12/11)

At Whitley Bay's **Spanish City, North Tyneside**, developers have been asked to submit their ideas [in Dec.]. The ideas have to include sympathetic incorporation of the Dome. Land adjacent to the Dome has planning permission for a 65-bed hotel (J 2/12)

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<sup>49</sup> [http://www.sunderland.gov.uk/publicaccess/tdc/DcApplication/application\\_detailview.aspx?caseno=K8OCIPBB06K00](http://www.sunderland.gov.uk/publicaccess/tdc/DcApplication/application_detailview.aspx?caseno=K8OCIPBB06K00) (Sunderland City Council, accessed 25<sup>th</sup> February 2009).

Plans for improvements to **Gateshead International Stadium** were released by Gateshead Council. The £6m investment would include an ice rink. No developer has been identified yet for the scheme. (J 19/11)

Plans for a £7m project to improve the ‘**Heart of the City**’ are to receive backing from **Newcastle City Council**. It is hoped that over half the money will come from the Heritage Lottery Fund, but £175,000 support from the council is also needed. The area includes Castle Keep, the Black Gate and St. Nicholas Cathedral. Plans are for a visitor and interpretation centre. (J 11/11)

The former Trap pub on Kenton Road in **Gosforth, Newcastle**, is to be converted into a Thai restaurant. (J 2/12).

### Education Developments

**Sunderland University** is to invest £75m on its Chester Rd. campus, renamed the “new City Campus”. The flagship of the new development is CitySpace, an £11m sports and recreation facility. (J 19/11)

At the Team Valley, Gateshead, **Gateshead College** has opened its £6m Gateshead Skills Academy. It will provide vocational training for students aged 14-19. (J 23/10)

Plans to modernise 36 primary schools in **Newcastle** have been approved by the government, with an annual £10m [over two years] for 2009-2011. The Newcastle programme is part of **Building Schools for the Future (BSF)** plans worth £3.55bn approved by Government across the country. (J 15/11)

Plans to build a £17m student accommodation block on Pandon Bank, off Shields Rd (behind the Generator Studios office scheme) in **Newcastle** have been granted permission. The block will provide accommodation for 514 students and will be developed by Watkin-Jones Group. (J 5/11)

### Other Developments

One North East is to inject almost £4.5m into the development of the North East offshore wind industry. Some of the funding will be used to support the **Wind Business Unit** at the **New and Renewable Energy Centre (NaREC)** in **Northumberland**, which focuses on supply-chain development in the region. (J 23/10)

**North Tyneside Council** has been given £30,000 under the Government’s **Sea Change grants** programme to help revitalise resorts. It will be used to help fund a feasibility study into an artificial reef and a range of other projects. (J 22/10)

### Infrastructure Developments

Construction work on the £260m **second Tyne Tunnel** has started. The new tunnel is due to open in December 2010 and, when complete, will mean that 75 miles of the A19 will be dualled between North Yorkshire and Seaton Burn in Northumberland [just north of Newcastle, where it joins the A1]. (J 30/10)

The Office of Rail Regulation approved plans for Network Rail to spend £509m on upgrading the **East Coast Main Line** over the next five years. (J 31/10)

### 5.3 Economic Development Aid & Finance

Three Districts in Tyne and Wear have been allocated second round [housing] ‘growth point’ funding by the Department for Communities and Local Government (CLG). Funding to the five **Growth Points** (GPs) in the NE represents 20.3% of the £95m total allocated [in England for 2009/2011] (Tyne and Wear 7.6%). At 60,787, the five NE GPs plan to deliver 16.0% of the new GPs total of 380,017 homes (Tyne and Wear 19,774 and 5.2%).

#### Second Round Growth Points – North East Funding Allocations

Growth Point	Authorities	Type of funding	2009/10	2010/11	Total	Housing Numbers
North Tyneside	North Tyneside Council	Capital	£ 893,694	£ 1,418,354	£ 2,312,048	
		Revenue	£ 73,129	£ 97,506	£ 170,635	
		<b>Total</b>	<b>£ 966,823</b>	<b>£ 1,515,860</b>	<b>£ 2,482,683</b>	5,274
Newcastle & Gateshead	Newcastle City Council Gateshead Council	Capital	£ 1,691,550	£ 2,685,594	£ 4,377,144	
		Revenue	£ 143,847	£ 191,795	£ 335,642	
		<b>Total</b>	<b>£ 1,835,396</b>	<b>£ 2,877,390</b>	<b>£ 4,712,786</b>	14,500
South East Northumberland				£ 2,691,107	6,381	
Tees Valley				£ 6,183,668	23,760	
South East Durham				£ 3,224,866	10,872	
North East				£ 19,295,110	60,787	

Source: Department for Communities and Local Government.

Note: Awards for 2009/10 are confirmed. Awards for 2010/11 are provisional with the provisional allocations being confirmed and paid in early 2010. The Secretary of State will adopt a policy of only altering provisional allocations in exceptional circumstances, in line with the approach taken in relation to the local government finance settlement.

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

These grants are exceptionally low.

**Table 5.4 SFI in England: Offers of £75,000 or more (1st October - 31st December 2008<sup>1</sup>)**

Company	District	£
Aspire Technology Solutions Limited	South Tyneside	138,000
	North East Total <sup>2</sup>	935,486

*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.

## 6.0 INDUSTRIES AND FIRMS

### 6.1 Business Overview

There were 4,607 company liquidations in England and Wales in the fourth quarter of 2008 (seasonally adjusted), an increase of 11.9% on the previous quarter and 51.6% on the same period a year ago. In 2008, there were 15,535 company liquidations, a rise of 24.2% on 2007.<sup>50</sup>

Company **start-ups** fell 34% in November to 23,871, compared with November 2006 – Companies House. Meanwhile, two in five SMEs are considering closing down due the economic downturn, according to the Federation of Small Businesses. (FT 8/12)

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

### 6.2 Energy & Water

**Eaga** said it is on target to hit a £677m turnover, with **profits up 25%** to £47m [in the year to May 2009]. The **Newcastle energy efficiency** company is set to increase its 4,500-workforce over the next 18 months on the back of anticipated growth. (J 12/12) [Its sales rose 10% to £339m in the half-year to November – Ed.]

*Latest News:* Shares at Eaga have climbed, following positive comments on the company in a report by the National Audit Office. (Reuters, 5/2)

### 6.3 Biotechnology & Chemicals

*Latest News:* The European Commission (EC) has **agreed the \$15bn acquisition of Rohm & Haas** (including the plant in Jarrow, South Tyneside) **by Dow Chemical**. A spokesman said the planned company takeover should safeguard the future of the Jarrow plant (which cut ~25 jobs). Its sales fell 13% year-on-year to \$2.03bn in Q4. ([www.Rohmhaas.com](http://www.Rohmhaas.com))

**Immunodiagnostic Systems (IDS)** has **raised £3.12m** through a share placing to roll out new equipment. The Boldon (**South Tyneside**) medical testing company wants to introduce its ISYS, a fully automated **blood-testing** machine, for hospitals and laboratories to rent from 2009. Its turnover **rose 84% to £12.48m** in the six months to September, compared with 2007. (J 11/12)

**Dermasalve** has gone into **insolvency** after failing to secure funding. The **Newcastle skincare** business failed to produce its 2007 financial figures. (J 26/11)

**Newcastle University** is to keep **stem cell research** at **Newcastle Centre for Life** after signing a £30m lease deal. (J 27/11) It is also developing a new **£20m Biopharmaceutical Process Development centre** for training to PhD. The project, one of 44 science centres announced nationally, strengthens the Newcastle Science City. (J 4/12) It is to receive over **£2m to develop** pioneering **cancer imaging technology** at the Northern Institute for Cancer Research in a joint venture with Durham University. (J 4/10)

### 6.4 Automotive

*Latest News:*

**1,200 job losses** were announced at **Nissan's Sunderland plant** in January 2009, about a quarter of its total. The **French government** agreed to lend €3bn to Renault in preferential loans in return for maintaining jobs and sites in France. Renault holds a 44% stake in Nissan. (FT 9/2)

<sup>50</sup> <http://www.insolvency.gov.uk/otherinformation/statistics/200902/presswithtables.pdf> (Insolvency Service, Statistics Release: Insolvencies in the Fourth Quarter 2008, 6<sup>th</sup> February 2009, downloaded 25<sup>th</sup> February 2009).

**Nissan temporarily halted production** of its *Micra* and *Note* models for two weeks in October due to a fall in orders. The production lines have run an average of three days a week, with speed cut by 10% to **slow output** from Nov 10. Sales fell 20% in the UK, 30% in Spain, with sales growth in Russia slowing. (FT 21/10) It has also reduced production at its Washington plant, and shut down between Dec 23 and Jan 5. (J 23/12) The Japanese carmaker revealed a 40% fall in worldwide income to £604m, and nearly 48% slump in operating profits to £928.9m in the half-year to September. (J 4/11) However, due to the success of its *Qashqai* model, it had earlier added a **third shift** at the Sunderland plant in September. (FT 2/10) Nissan employs 6% of the total automotive workforce, which contributes £51bn to the UK economy (3.6% of GDP). (J 12/12)

*Other News:*

Toyota (in Derby) is to halt production for 11 days (~ 16 shifts) in February and March. (FT 6/1)

Honda is to temporarily close its Swindon factory in February and March 2009 (FT 22/11)

In the US, General Motors have received \$13.4bn in emergency loans from the US government, while it applied for another \$16.6bn. It made losses of \$31bn in 2008. (FT 27/2) Chrysler received a \$1.5bn loan. (FT 16/1)

New car production in the UK fell 58.7% [year-on-year] in January. A record 83.5% of these are allocated for export. Production fell 25% in [the month to] October to its lowest October level since 1991 – Society of Motor Manufacturers and Traders ([www.smmmt.co.uk](http://www.smmmt.co.uk))

New car sales fell 21.9% in February (from a year ago) to 54,359 units – Society of Motor Manufacturers and Traders (SMMT). February typically accounts for just 3.4% of annual sales, compared with 18% in March, when the registration plate changes. New car sales are expected to fall to 1.72m in 2009, from 2.13 million in 2008.<sup>51</sup>

## **Motor Retailing**

**Vertu's pre-tax profits rose 328%** to £3m in the half-year to August, compared with a year ago. Sales at the motor retailer were up 46% to £423.5m. (J 23/10)

**Benfield's sales were up 10%** in the half-year to June, compared with 2007. The [Newcastle] motor dealership has invested £750,000 in new car showrooms in drive for expansion. It includes the UK's largest Alfa Romeo dealership in Shieldfield in Newcastle. (J 24/11)

**Pendragon** expects **losses of £30m** in 2008. It closed 75 dealerships in the 18 months to December. The company owns the former Sunderland-based **Reg Vardy plc**, which it acquired in 2006. (J 11/11)

## **6.5 Mechanical Engineering**

**Rolls-Royce** plans to cut up to 2,000 jobs (over **5%** of its global workforce) in 2009. The jet engine maker blamed the cuts on delays in development programmes for new aircraft such as the Airbus A380 and the Boeing 787. The collapse of several airlines has also added to the “economic uncertainty”. (FT 21/10) [RR employs around 450 people at its plant in Sunderland.]

*Latest News:* Its underlying pre-tax profits rose 10% to £880m in 2008. Its order book grew 21% to £55.5bn. (FT 12/2)

**Tanfield Group's turnover rose 150%** to £92.8m year-on-year in the first half of 2008. The Washington company makes electric vehicles and lifting platforms. (J 1/10)

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<sup>51</sup> Society of Motor Manufacturers and Traders Press Release Number 4635, New Car Registrations, 5<sup>th</sup> March 2009.

*Late News:* Tanfield has just announced it is to **cut 85 jobs** at its Washington plant and adopt a four-day working week, due to difficult economic conditions. It has, however, **teamed up with Ford** in the US to develop a battery-electric light van to be manufactured in 2010. (Sd Echo 10/2)

## 6.6 Offshore, Shipbuilding & Ship Repair

**Wellstream lost over £130m in value** (a third) on Nov 18, after warning the falling oil price may lead to reduced exploration and order book. The **Newcastle pipeline maker** has a £950m order book, including £600m from Brazilian state oil company Petrobras. (J 19/11)

**Shepherd Offshore** has bought two former shipyards (the **Hadrian** and **Neptune** yards) on the north bank of the Tyne. The company plans to create world-class clusters in both the renewable energy and sub-sea sectors. (J 1/11) [Shepherd has ambitious plans to build very large offshore wind turbines. These could be ‘like the London Eye on top of the Eiffel Tower’, Freddie Shepherd told the BBC. (Inside Out 28/1)]

**Chieftain** has been **acquired by** Yorkshire-based Redhall for £18.6m. The **Newcastle** engineering firm’s sales rose 39% to £46m in 2007. (J 1/10)

*Latest News:* The **Engineering Business** [with bases in Northumberland and North Tyneside] has been **acquired by** Dutch company **IHC** for around £30m. It designs and builds equipment for oil & gas and renewables industries. It seeks to double its workforce over the next few years despite the economic downturn. (J 31/10)

## 6.7 Food & Drink

**Greggs** is looking to open **40 new stores** in the UK in 2009 on the back of rising sales. The **Newcastle** bakers have 1,400 stores across the UK. (J 10/12)

*Late News:* **Findus**, the frozen food maker, has **closed** its factory in **North Tyneside** due to a fire, with the **loss of 360 jobs**. It has recently gone into **administration**, following the collapse of its Icelandic lender **Landsbanki**. It failed to find alternative financing, despite winning a new contract to supply its products to Scandinavia. (J 17/1)

## 6.8 Other Manufacturing

**Complete Seal Windows** (North East) has gone into **administration**. The **Gateshead** company employs around 60 people. (J 27/11)

**Arctic Windows**, based in **Newcastle**, has also gone into **administration**. It employs 60 people. (J 18/12)

## 6.9 Construction

**Bellway pre-tax profits fell 85%** to £34.8m in the year to July. The **Newcastle** housebuilder **wrote down £130m** in the value of its land stocks. It had been selling, on average, one home per active site per month throughout the summer. (J 15/10)

*Late News:* Bellway’s house sales fell 38% to 2,014 in the half-year to January, compared with a year ago. Its write-down of £130m in October was 8% of its total inventory. It is on course to halve its debt to £120m by year-end in July. (FT 5/2)

**Barratt** agreed to **sell a further £46m** of land and buildings to reduce its debt, on top of the £109m it has sold since November. The housebuilder has a debt of £1.65bn, following its acquisition of Bowden for £2.2bn in 2007. (J 18/12)

*Late News:* Barratt made **losses of £590m** in 2008 due to falling house prices, the paucity of mortgage finance and heavy write-downs (£494m). (FT 25/2, Ind 26/2)

Its shares fell 17% in a day after warning that it may have to rework its financial covenants for a second time. (Ind 24/1)

## 6.10 Retailing

**Berghaus** has opened a three-storey shop in London’s Covent Garden. The **Sunderland** retailer is also opening 400 shops in Asia, with half in China. (J 17/10)

Major national retailers closed; Woolworth with the loss of 25,000 jobs [1% of all retailing jobs], Zavvi (formerly Virgin Megastore).

*Latest News:*

Major retailers’ Christmas sales (in rank order of sales growth/decline)

Retailer	Change (%)	Period (Year-on-year)	Source	Comments
Primark	Up 18%	16 weeks to January	(FT 15/1)	Owned by Associated British Foods
New Look	Up 2.8%	14 weeks to January	(Guardian 6/1)	
HMV	Up 0.5%	5 weeks to January	(Reuters 14/1)	Possible gain from Zavvi.
Debenhams	Down 3.5%	18 weeks to January	(Bloomberg 6/1)	Its shares rose 25% on 6/1.
M&S	Down 7.1%	13 weeks to December 27	Reuters 21/1)	It recently announced 1,000 job cuts.
DSG	Down 10%	3 months to January	(BBC 15/1)	Owner of Currys.

## Online retailing

**Buy.at** has expanded its services to **Scandinavia** and doubled its **Newcastle HQ**. It has recently been **acquired by AOL**. The online marketing company has integrated into AOL’s new ‘Platform-A’ brand. It operated under Perfiliates banner and employs 70 people. (J 18/12)

**Pet-supermarket** has **increased** the number of its foreign markets from 27 to **60**. The **South Tyneside** online pet supplies retailer has expanded into Asia, South America, Africa, and the Middle East. It aims to **quadruple** its turnover to £20m by **2013**. (J 6/11)

## 6.11 Tourism

**Hotel occupancy was up in NewcastleGateshead by 2%** in the year to September – STR Global. There are 62 hotels in the area, including the new Hotel du Vin, by the Ouseburn near Newcastle’s Quayside. Average room rate fell 1.6% and revenue per available room (RevPAR) fell 5.5%. This suggests more use of budget hotels and/or negotiating down room-rates. (J 2/12)

If revpar drops by 1pp at a hotel, its profits typically fall by 5%. (EcN 21/2) Thus, hotel profitability may have fallen by a quarter.

## 6.12 Transport

**Arriva**, the **Sunderland transport operator**, increased group revenues by **57%** in the nine months to September. The company has a £12bn order book, with over 60% of its revenues from government contracts. (J 29/10)

*Latest News:* EasyJet is to add a **new route to Malta** from Newcastle Airport from April. (Chr 6/1) Passenger numbers across BAA's seven UK airports fell 2.8% (4.2m) in 2008. (Ind 26/1). Passenger numbers at Newcastle Airport, in 2007, reached 5.62m, up 3.5% on 2006. ([www.caa.co.uk](http://www.caa.co.uk)) The total passenger numbers at UK airports were 243.2m, up 2.3% on 2006.

## 6.13 Financial Services

*Late News:* Northern Rock is to expand its mortgage book by making £5bn available to homeowners in 2009 and £9bn in 2010.

**Northern Rock withdrew** many savings products from its range as it can only take **1.5%** of the UK savings market under the rules drawn up when it was nationalised. NR has repaid £15.4bn of its original £26.9bn government loan. (FT 15/10)

**Newcastle Building Society** revealed it could **lose up to £43m** following the collapse of two Icelandic banks Kaupthing and Landsbanki [in October]. **Plans to add** 250 people to its 1,300-strong workforce in 2009 have now been put **on hold**. (J 20/12)

**Shared Interest** received investments of **£1.9m** in the year to September, and over £180,000 in November. The **Newcastle fair trade** finance company experienced a surge in deposits from its members during the economic downturn. It lends to fair trade entrepreneurs in 41 developing countries. (J 23/12)

## 6.14 Software & Technology

**Th\_nk** has been listed as the **36<sup>th</sup> fastest-growing** technology firm in Europe, the Middle East and Africa [EMEA]. – Deloitte Technology. The **Newcastle** technology agency employs 60 people. (J 29/11)

**Nomad Digital has raised £6m** (from SEB and NSEI) to fund growth and further investment in its wireless broadband connection for trains. The **Newcastle** firm wants to expand into European, Asian and US markets. (J 9/10)

**Imass Design Solutions** (IDS), based in **Newcastle**, hopes to work with **Google** after being acquired by Infoterra. IDS uses advanced data analysis to provide companies with detailed **geological information**, particularly in the oil & gas sector. (J 9/10)

**FleetM8** has won a deal with SLN Technologies to market its **vehicle-tracking system in India**. FleetM8 is based in **South Tyneside**. (J 12/12)

**Illumix Software** has opened a **technical development centre** in **Newcastle** after securing £1.5m in NE venture capital funding. It makes software for organisations to monitor the cost of running their IT Systems. It employs four staff and expects to create more jobs in the coming months. (J 6/11)

## 6.15 Public Services

Newcastle University is developing a **power generator system** using vegetable oil. The £11m project is a joint UK-China research programme. (J 4/12)

Scientists at Newcastle University are working on developing new **electronic equipment** that operates under the world's **most hostile conditions**. The system would use silicon carbide, which can withstand high temperatures of up to 600 Celsius. The findings were presented at "Extreme Technologies Solutions for Harsh Environments" on Oct 22. (J 9/10)

*Latest News:* The DWP has put a halt to jobcentre closures. It has recruited almost 3,000 people to help the growing number of unemployed get back to work. None has come from outside the department, which itself faces 12,000 job cuts by 2011 to make efficiency savings. ([www.pcs.org.uk](http://www.pcs.org.uk))

*Latest News:* **North Shields** in North Tyneside is to become the **HQ** for the new **UK Marine Management Organisation** (MMO) from 2010. Up to 240 jobs will be created. (J 15/2) The MMO replaces the Marine Fisheries Agency and will administer the new marine planning system. (Plg 20/2)

## 7.0 PUBLICATIONS AND RESEARCH

### 7.1 Tyne & Wear Research and Information Publications

Recent reports include:

**Unemployment in Tyne & Wear** (Monthly, EU 09/02, Published 02/09, £5)

This report shows how claimant unemployment has risen [by over 10,600 (over 40%)] in the year to January 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.

Forthcoming reports include:

**Population Growth and Fertility in Tyne & Wear, 2007 (due March)**

This report shows how Tyne & Wear's population has grown since 2004, driven by a 14% rise in births since 2001, and by significant net international in-migration. The forthcoming report presents information on long-term trends in fertility and mortality in Tyne & Wear and its constituent Districts. It analyses an eleven-year data series (1997-2007) and shows;

- fertility amongst women aged over 18 years has risen, particularly among those aged 35+
- standardised mortality rates have fluctuated at around 114 between 1997-2007
- natural change (i.e. population change arising from live births minus deaths) has been positive since 2005
- migration; a net out-flow of around 2,200 people in 2007 from domestic (internal) migration, and a net in-flow of around 2,950 from international migration
- Worker Registration Scheme approved applications peaked in Tyne & Wear in Q3 2006 (410), but have since fallen by 50%
- patterns in Tyne & Wear, compared with regional and national trends.

TWRI has also undertaken significant data collation and summary work for 'Economic Assessments' on behalf of Tyne and Wear City Region and the five Districts.

**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 include:

### Economy / economic development

#### **The credit crunch and regeneration: impact and implications**

This CLG study assesses what the effect of the credit crunch has been, what might happen next, and what the key implications are for partners involved in regeneration. For more information visit:

<http://www.communities.gov.uk/documents/citiesandregions/pdf/1135143.pdf>

#### **Neighbourhood statistics data exchange (NDE)**

The NDE is a new, free of charge, online facility provided by the Neighbourhood Statistics Service. It has been designed to make it easier for other information systems to interrogate and engage with the Neighbourhood Statistics datastore.

By using machine to machine technology to speed up and simplify data requests, the NDE provides the facility to download large volumes of data with direct access to over 300 geographically referenced datasets, allowing more complex analysis of the wealth of information available.

The primary purpose of the new service is to improve data handling for local authorities and other organisations and to help ensure that decisions on resource allocation are based on evidence.

The NDE will be welcomed by those who are already users of the Neighbourhood Statistics website and who have expressed an interest in incorporating data directly into their own systems without the need to 'cut and paste', as the data can now be easily integrated into existing business tools. More detailed information on the NDE can be accessed from:

<http://neighbourhood.statistics.gov.uk/dissemination/Info.do?page=nde.htm>

To register to use the service, or if you want to contact Neighbourhood Statistics, please email [Better.Info@ons.gov.uk](mailto:Better.Info@ons.gov.uk)

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

#### **Cities outlook 2009**

The second edition of this annual report from Centre for Cities - looks back at the recent economic performance of UK cities as well as the main policy milestones of 2008. It also looks ahead to the prospects for UK cities in 2009 and beyond and reveals the cities most exposed to recession - and least well placed to ride out job losses and business closures over the coming months. The report suggests that in 2009 all cities will feel recession bite but they will also be leading the upturn as the economy recovers. For more information visit:

<http://www.centreforcities.org/assets/files/Cities%20Outlook%202009.pdf>

#### **Economic diagnostic tool**

IDEA has developed a diagnostic tool to help councils fulfil their enhanced role in place shaping and promoting economic prosperity.

It provides a framework and a set of diagnostic questions for use in self-assessment or peer review. It is intended to identify gaps in knowledge or interventions, and help councils improve their place shaping role. For more information visit:

<http://www.idea.gov.uk/idk/core/page.do?pageId=9325114>

## Labour Market

**North East 2008 Labour Market Review** (Paul Braidford and Ian Stone, St Chad's College, Durham University, Published December 2008).

The 2008 Labour Market Review is an overview of the employment and skills statistics in the North East. As the current economic conditions are highly volatile, the labour market picture is changing rapidly and the Skills Team will be undertaking dialogues and preparing bulletins to share information about labour market changes in the coming year.

(<http://www.skillsnortheast.co.uk/lib/liDownload/13919/Labour%20Market%20Review%202008.pdf?CFID=3450219&CFTOKEN=25661787>)

## Labour Market Migration

**The Economic Impacts of Migration on the UK Labour Market, Economics of Migration Working Paper 3** (Howard Reed and Maria Latorre, Institute for Public Policy Research, Published February 2009).

This working paper forms part of ippr's Economics of Migration project. The project aims to shape thinking around how we conceptualise the economic impacts of migration, provide new evidence about the extent and nature of those impacts in the UK, and provide new insights as to how policy might best address migration to maximise economic benefit.

(<http://www.ippr.org/publicationsandreports/publication.asp?id=649>)

## Public Services

**Prospects for More Local, More Personalised Public Services: A North East perspective** (Duncan Hiscock and Sue Stirling, Institute for Public Policy Research, Published 19 January 2009).

This discussion paper sets out of some of the key questions that ippr north's Commission on Public Sector Reform in the North East will be considering over the coming months, and the analysis that forms the backdrop to these questions.

The Commission's overall goal is to catalyse improved health, wealth and well-being for individuals and communities within the North East region by proposing policy measures and forms of governance that aim to strengthen the impact of public services locally, regionally and nationally in a socially just way. The Commission is looking in particular at four key public service sectors:

Education  
Health  
Welfare-to-work  
Criminal justice.

The Commission will consider both services provided directly by the public sector and services commissioned from the private and voluntary sectors.

(<http://www.ippr.org.uk/ipprnorth/publicationsandreports/publication.asp?id=642>)

## Regional Economic Conditions

Quarterly Economic Summary: November 2008 (Rebecca Hulbert, NERIP, Published 2<sup>nd</sup> November 2008)

A summary of economic issues for the North East. This report is produced each quarter by NERIP and includes information about trends in the labour market, economic output (GVA), business stock, house prices and so on. Data is extracted from ONS, CLG, the North East Business Barometer and the EEF Engineering Outlook.

([http://www.nerip.com/reports\\_briefing.aspx?id=652](http://www.nerip.com/reports_briefing.aspx?id=652))

## Skills

**One NorthEast, the Learning & Skills Council (LSC) and the Alliance of Sector Skills Councils (TASSCs) are collaborating on a Sector Skills Information Project.**

The project will consider ways in which North East regional and sub-regional skills information can be improved and to ensure that partners, employers and individuals can easily access the most up-to-date and relevant information. The Alliance will take the lead role in ensuring that the information disseminated is authoritative and reflects the views and needs of employers.

The project will utilise the networks and research already in existence and it is hoped that a wide range of partners (both users and providers of information) will get actively involved.

At the end of the project the North East will have:

- a. A sustainable system of providing information and support to the Sector Skills Councils
- b. Accessible and organised ‘bottom up’ intelligence about skills and employment needs
- c. A Who’s Who in the skills sector together with a synopsis of their requirements
- d. Established protocols to ensure that each skills partner understands the system and their own role in making it work.

For more information please contact Liz Robson (0191 229 6623) [liz.robson@onenortheast.co.uk](mailto:liz.robson@onenortheast.co.uk)