
ECONOMIC REVIEW

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CONTENTS

Key Points	1
1.0 ECONOMIC OVERVIEW	3
1.1 Global Economy	3
1.2 Recent Economic Trends	3
1.3 Housing Market Latest	7
1.4 Labour Market Latest	7
1.5 Labour Market Trends	9
1.6 Future Economic Prospects	10
2.0 ECONOMIC INDICATORS	11
2.1 Business Conditions Indicators for Tyne & Wear (graphs)	11
2.2 National Economic Indicators (table)	12
2.3 Labour Market Indicators (table)	13
3.0 LOCAL JOBS AND ORDERS	14
3.1 Job Gains	14
3.2 Job Losses	16
3.3 New Contracts & Orders for Local Firms	18
4.0 INVESTMENTS & DEVELOPMENTS	19
4.1 Investment & Development Trends	19
4.2 Investment & Development News	20
4.3 Aid & Finance	24
4.4 Regional Development Grants	24
5.0 INDUSTRIES AND FIRMS	25
5.1 Business Overview	25
5.2 Nanotechnology	25
5.3 Biotechnology & Chemicals	26
5.4 Offshore, Shipbuilding & Ship Repair	26
5.5 Motor	27
5.6 Electronics	27
5.7 Food & Drink	27
5.8 Printing & Packaging	27
5.9 Construction (Including Housing)	27
5.10 Retailing	28
5.11 Culture, Tourism & Hotels	29
5.12 Transport & Communications	29
5.13 Financial Services	30
5.14 Business Services	30
5.15 Software & Digital Industries	31
5.16 Public Services	31
6.0 PUBLICATIONS AND RESEARCH	32
FIGURES	
Fig 1.1 Output Gross Domestic Product at Market Prices	3
Fig 1.2 UK Retail Prices 1992-2005 CPI, RPI and RPIX	4
Fig 1.3 UK and NE Exports	6
Fig 1.4 Public Sector Accounts 2000-Q1 2007.....	6
Fig 1.5 Employment (Employees in employment, seasonally adjusted).....	7
Fig 1.6 Claimant Count Rates (Not seasonally adjusted)	8
TABLES	
Table 1.1 Exports, UK and NE, 2001-2005. Goods Only	5
Table 4.1 Selective Finance Investment in England: Offers of £75,000 or more (1 July – 30 Sept 2006)	24

Note: J=The Journal, FT=Financial Times, BLS=Bureau for Labour Statistics (US), BSNE=Business Survey North East, DBS=Durham Business School, EC=Evening Chronicle, EcN=The Economist Newspaper, EN=European Newsletter, ESF= European Social Fund Website, Est=Eurostat, ET=Economic Trends, FED= New York Federal Reserve, HBOS=Halifax Bank of Scotland, HMCE= HM Customs & Excise, HMLR= HM Land Registry, LMT= Labour Market Trends; NBC=National Broadcasting Company (US), NECC=North East Chamber of Commerce NSO=National Statistics Online, NUA=Newcastle University *Arches* Alumni Association Magazine, 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

KEY POINTS:

- The **UK economy continued to grow strongly in Q1 2007; UK GDP grew by a relatively rapid 0.7%**, maintaining **similar growth** to the **previous four quarters**. (§1.2) UK economic growth is forecast to slow, to 2.6% in 2007 and to 2.3% in 2008. (§1.6)
- **Inflation**, however, remains well **above** the 2% **target** with **CPI** annual inflation at **2.8%** in **April**, (**down** from **3.1%** in **March**). The more widely-used RPI was 4.5%. (§1.2) The base rate was raised ¼% in May, to 5.5%. (§1.2)
- **Business investment** for Q1 2007 was **up 9.6%** from a year earlier, but 1.3% lower than the previous quarter. (§1.2)
- **House prices in Tyne & Wear in Q4 2006** were **up 6.7%** on a year earlier (this is 1.5 percentage points slower than in England & Wales, up 8.2%). [Land Registry provisional data] (§1.2)
- **In Q1 of 2007**, the Tyne & Wear **balance of job gains** over job losses (logged by TWRI from the press) was, at just +773, the **same** as in the **previous quarter** (+770) (§3)
- **Business Indicators** for Tyne & Wear in Q1 2007 **weakened** for both **sales** and **orders**. (§1.2)

Key Points from News Digest (January – end March 2007)

Reported **job gains** (+ 1,527) **exceeded losses** (- 754) in Tyne & Wear by + **773**. (All gains and losses from press reports) (§ 3.1, 3.2)

400 jobs were **created** in **North Tyneside** with the development of **GE Money's** new **£5m call centre**. **Premier Waste Management** will create **200 jobs** in **Sunderland** by 2012 with the opening of a new recycling plant. **Winn Solicitors** will create **180 jobs** in **Newcastle** by 2010 as the law firm plans to quadruple its turnover by this date. (§ 3.1)

240 jobs will be **lost** in **Sunderland** when **ARC** closes its glass-making **factory** in September. **140 jobs** were lost from the laundry company **Country Luxdon**, also in **Sunderland**. (§ 3.2)

In **Newcastle**, **Siemens** (formerly **Parsons**) have won a **£100m** contract to replace turbines at the **Drax Power Station** in North Yorkshire. (§3.3)

At **Newcastle's Centre for Life**, a **£4m** suite of new **laboratory facilities** has been opened. (§ 5.2)

In **Sunderland**, plans to redevelop the **former Vaux Brewery site** by **Sunderland ARC** were **approved** by the Secretary of State. **Tesco** later submitted a legal challenge to the decision. (§ 5.2)

Cenamps, at the **Centre for Life** in **Newcastle**, is to create a new **£2m nanotechnology unit** capable of building film at an atomic level. (§ 6.2)

Nissan is to **export** its **new SUV model** the ***Qashqai*** to Japan, its first since 1996. The **Sunderland** plant has made **20,000 units** since December. (§ 6.5)

Atmel has received around **15 expressions of interest** for its **North Tyneside microchip factory**. Staff were given a raise in salary to keep the workforce intact. (§ 6.6)

Field Packaging in **North Tyneside** was **saved** from **closure** after staff accepted salary changes. (§ 6.8)

The **private rented sector** has **grown** in order to meet demands for **student housing**. Grant Fund Management, Clark Residential and Unite all plan to increase their stock of student housing. (§ 6.9)

A **City Development Company** (CDC) is to be established by **Newcastle** and **Gateshead** Councils following the success of the Newcastle Gateshead Initiative. It is the first to be established across a local government boundary. (§ 6.10)

Gateshead's Metrocentre is now part-owned by the **Singapore Government**, who bought a 40% share in the Shopping Centre for **£426m**. (§ 6.11)

Benfield Group has been award the **Tyneside franchise** for **Kia** cars, its first new franchise in three years. (§ 6.11)

Danish Airline **Cimber Air** launched a daily flight from **Copenhagen** to **Newcastle Airport** in March. This is Newcastle's 40th scheduled daily destination. (§ 6.13)

The **Department for Transport** began **short-listing applicants** for the **East Coast Main Line**. Four bidders were confirmed, including a partnership involving GNER. (§ 6.13)

TWRI highlighted notable **improvements** in a number of **key economic indicators** in the **2006 Annual Monitoring Report (AMR)**, prepared by TWRI for the Tyne Wear Partnership (§7), including;

- Employment
- Earnings
- The proportion of People of Working Age (PWA¹) with NVQ qualifications
- The proportion of pupils achieving 5+ A*-C grades at GCSE

However, there was deterioration in some indicators;

- Employment rates for 16-19 year-olds fell in 2005-06
- The unemployment rate rose in 2004-05 (from 5.6% to 6.7%) and remained at a similar level in 2005-06 (6.6%)

6th June 2007

¹ PWA is the Population of Working Age (16-59/64 in the UK)

1.0 ECONOMIC OVERVIEW

1.1 Global Economy

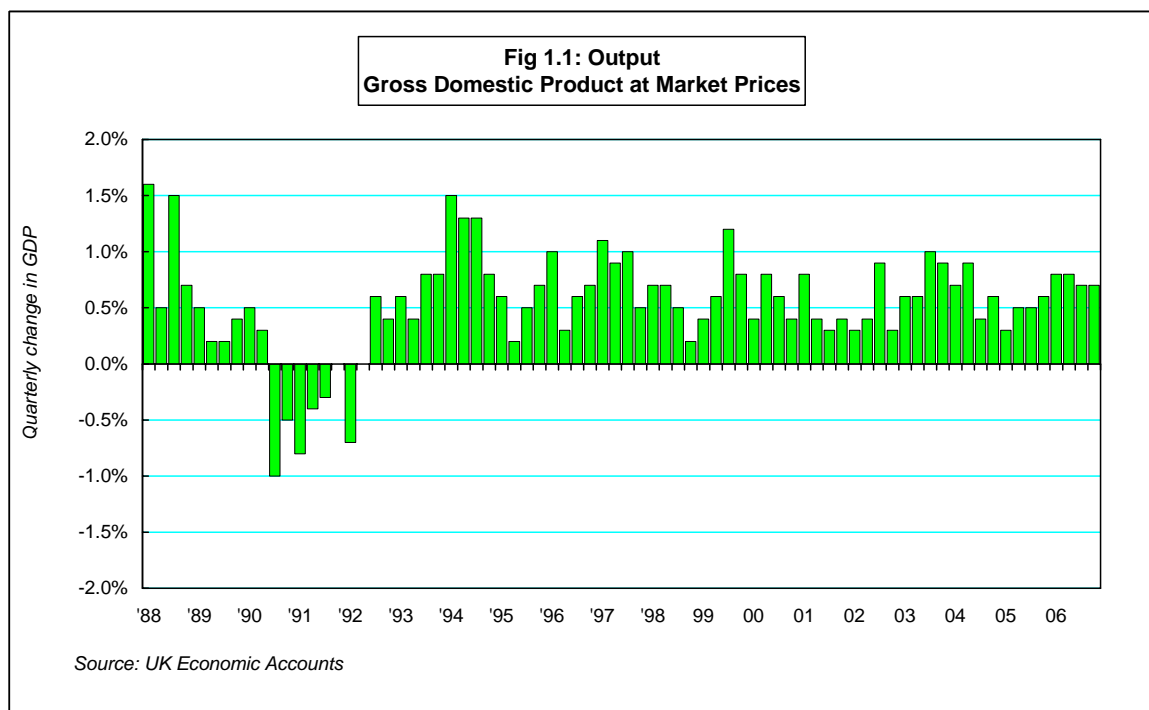
The **world economy** had its third year of strong economic growth at around 5% p.a.

Reversing the trend of **rising greenhouse gas emissions** to avoid the most serious effects of climate change, for which the world has until **2020**, would **reduce** the world's **annual GDP** by **3%** in 2030 (0.12pp a year) –Intergovernmental Panel on Climate Change (IPCC). Projected global GDP is expected to double from \$45,000bn in 2006 to \$90,000bn in 2020. (FT 05/05)

GDP grew by 0.6% in both the **euro area** (EA13)² and the **EU27**³ during Q1 2007, compared to the previous quarter (Eurostat 05/07). In Q4 2006, growth rates were +0.9% in both the euro area and EU27. Compared to the same quarter of the previous year, GDP grew by 3.1% in the euro area and by 3.2% in the EU27.

1.2 Recent Economic Trends

UK GDP grew by **0.7%** in Q1 2007, maintaining **similar growth** to the **previous four quarters**. The main contribution to the growth comes from services. There has been a slight deceleration in this sector, but this has been offset by a strengthening in production and agriculture. Construction rose by 0.8%. (NSO 25/4) UK GDP was up by about **2.8%** **over the year** in 2006.



Real Earnings (using RPI inflation) in recent months have been **lower** than a year earlier – a **very rare** occurrence: **Average earnings** (excluding bonuses) growth has been steady in the year to March 2007. Earnings **rose by 3.7%** in the **year to March**, **up from 3.6% in February**. Average earnings (including bonuses) rose by 4.5% over the same period, down from 4.6% in February. (NSO 16/05)

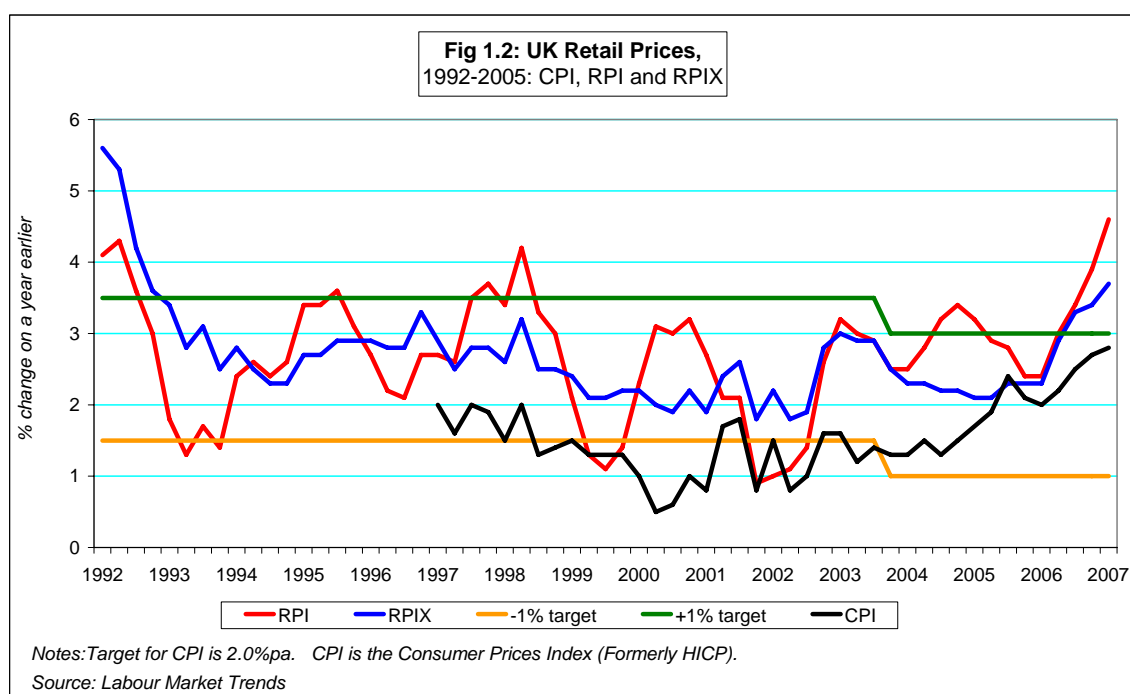
² The euro area (EA12) consisted of 12 Member States up to 31/12/2006. From 01/01/2007 the euro area (EA13) also includes Slovenia

³ From 01/01/2007 the European Union (EU27) also includes Bulgaria and Romania

CPI annual inflation, the government's target measure, **slowed to 2.8%** in April, **down from 3.1%** in March. The main downward pressure came from average gas and electricity bills which fell this year but rose a year ago. There was also a large downward effect from financial services. The largest upward effect on the inflation rate came from men's and women's clothing, with prices rising this year following the introduction of higher-priced replacement stock. **RPIX** inflation (which excludes mortgage interest payments) was 3.6% in April, down from 3.9% in March. **RPI** inflation fell in April to 4.5% down from 4.8% in March. (NSO 15/05) [Note that the RPI captures changes in mortgage rates, but CPI excludes housing costs – Ed.]

Business investment in Q1 2007 was **9.6% higher** than in the same period a year earlier but 1.3% lower than the previous quarter. The **quarterly fall** is due to reduced capital spending by industries classified within private sector non-manufacturing. (NSO 24/05)

Productivity growth (measured by output per worker) was **1.9%** in **Q4 of 2006** compared with the same quarter a year ago, down from growth of 2.3% in the previous quarter. On a quarter-on-quarter basis, productivity grew by 0.5%, the same as in the previous quarter. (NSO 29/03)



The underlying growth in **retail sales volume remained steady** as strong annual growth rates contrasted with slower growth on shorter-term comparisons. The **volume of retail sales** in the three months **January to March** was **0.4% higher** than in the previous three months. This follows 1.2% growth in the three months to February and compares with a fall of 0.3% at the same time in 2006. Three monthly growth in sales volume was 2.6% for non-store retailing, reflecting continued strong growth by specialist internet and mail order retailers. Compared with the same period a year ago, **total sales volumes** in the three months to March 2007 were **up 4.5%**, the fastest growth since November 2004 (NSO 20/04)

Manufacturing output fell by 0.3% in Q1 2007, compared with Q4 2006, with falls in ten out of the 13 sub-sectors and rises in three sub-sectors in the quarter. There was a significant fall of 1.5% in the transport equipment industries and a significant rise of 2.1% in the machinery & equipment industries in the latest quarter. (NSO 10/5)

Services output rose by 0.8% in the three months to February compared with the three months to November. The most significant rise was in business services and finance, at 1.4%.

Borrowing in the UK **slowed** as mortgage approvals in March fell 12% to 75,098 compared to 2006 – British Bankers’ Association. Underlying net mortgage lending rose by £5.1bn, below the recent average of £5.5bn. Net borrowing on credit cards was £7bn, a fall of 3% compared to a year earlier. (FT 01/05)

North East exports grew by **2.0%** (£43m) to £2.238bn in Q4 of 2006 from Q4 of the previous year. UK exports fell by 8.1% (Table 1.1). (HMRC 03/07) [Note: All these export data are for goods only, not services and **by value**, not volume – Ed.] [Caution: the export data series have been seriously affected in the past by fraudulent over-reporting of exports in the so-called ‘carousel’ frauds – Ed.]

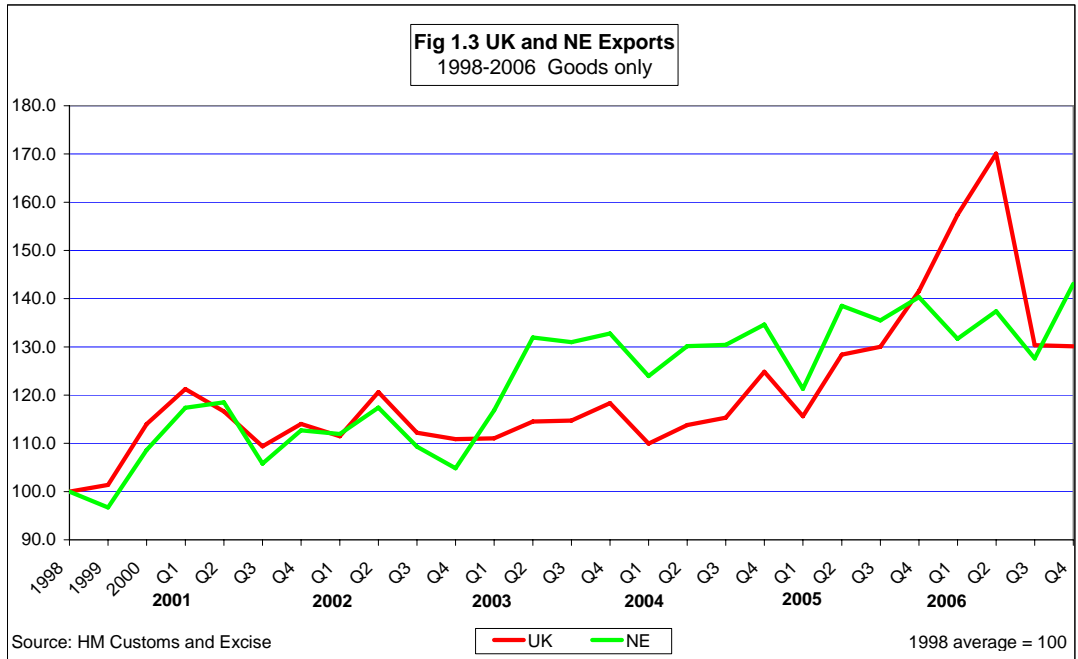
Table 1.1: Exports, UK and NE, 2001- 2006. Goods only

Exports*	UK (£m)	Q1 1998=100	NE (£m)	Q1 1998=100
Q1 2001	49,795	121.2	1,836	117.4
Q2 2001	47,893	116.6	1,854	118.5
Q3 2001	44,924	109.4	1,655	105.8
Q4 2001	46,837	114.0	1,763	112.7
2001	189,448		7,108	
Q1 2002	45,788	111.5	1,751	111.9
Q2 2002	49,547	120.6	1,837	117.4
Q3 2002	46,090	112.2	1,710	109.3
Q4 2002	45,553	110.9	1,640	104.8
2002	186,978		6,938	
Q1 2003	45,611	111.1	1,828	116.9
Q2 2003	47,039	114.5	2,064	131.9
Q3 2003	47,125	114.7	2,049	131.0
Q4 2003	48,606	118.3	2,077	132.8
2003	188,382		8,018	
Q1 2004	45,150	109.9	1,939	124.0
Q2 2004	46,745	113.8	2,036	130.2
Q3 2004	47,363	115.3	2,040	130.4
Q4 2004	51,290	124.9	2,106	134.6
2004	190,548		8,122	
Q1 2005	47,480	115.6	1,897	121.3
Q2 2005	52,740	128.4	2,167	138.6
Q3 2005	53,403	130.0	2,120	135.5
Q4 2005	58,133	141.5	2,195	140.3
2005	211,756		8,379	
Q1 2006	64,655	157.4	2,060	131.7
Q2 2006	69,857	170.1	2,149	137.4
Q3 2006	53,539	130.4	1,996	127.6
Q4 2006	53,449	130.1	2,238	143.1
2006	241,500		8,443	

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

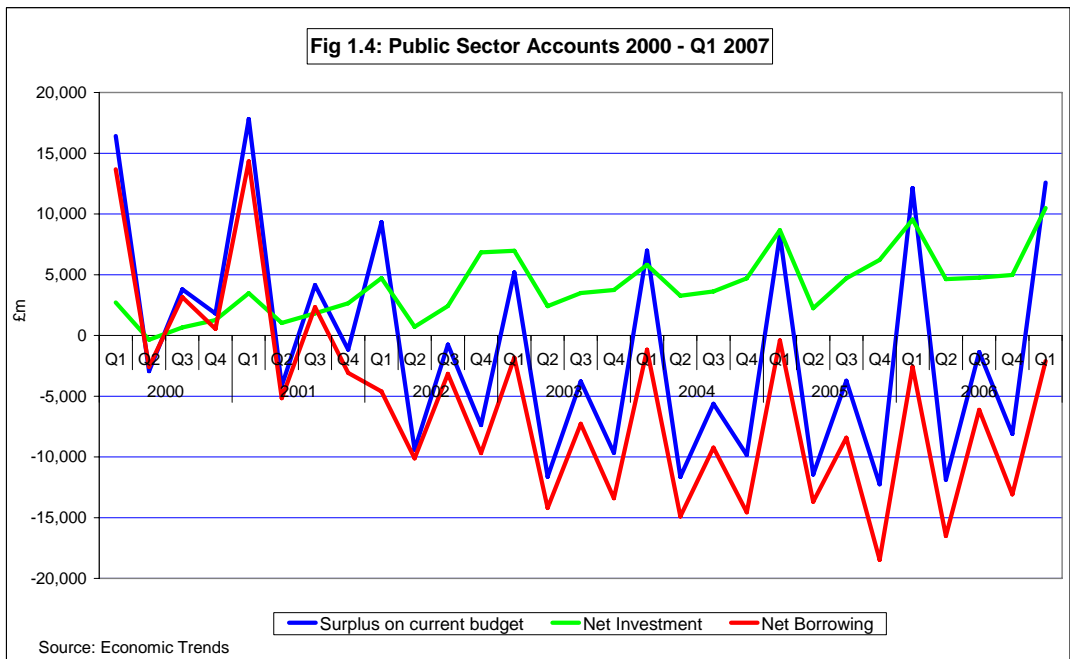
Source: HM Customs & Excise's Regional Trade Figures (Crown Copyright)

The UK's **current account deficit** grew from £29.2bn in 2005 to **£43.4bn** in 2006. The driving factor was the increased deficit on trade in goods, which rose by £14.9bn to £83.7bn, due to a greater rise in imports than exports across all categories. The current account deficit in 2006 was equivalent to -3.4% of GDP compared with -2.4% in 2005 and is at its highest percentage since 1990. (NSO 28/03)



Caution: First three readings are annual, then quarterly from 2001 onwards

In April 2007, the public sector showed a surplus on current budget of £0.2bn, compared with a deficit of £0.9bn in April 2006. Public sector net borrowing, of £1.1bn compares with £2.8bn in April 2006. At the end of April net debt was £497.7bn (equivalent to 37.0% of GDP). (NSO 05/07)



Business Survey North East (BSNE) indicators in Q1 2007 weakened for both UK and export sales and orders. The employment balance, however, rose. UK sales fell from +29% to +20%, but remains higher than the average for the previous nine quarters (+19%). UK orders fell from +28% to +20%, remaining a little higher than the average over the previous nine quarters (+19%). The balance for export sales dropped sharply to +16% from +27%. However, the balance remains higher than the previous nine quarter average of +14%. The export orders balance decreased by 8 percentage points to +12% from +20%, although the balance remains above the average for the previous nine quarters of +11%. The employment balance increased from +16% to 20%. The balance now stands above the average over the previous nine quarters of +16%.

Business indicators for just **Tyne & Wear** (results from BSNE) in Q1 2007 **weakened** for both **sales and orders**. The balance of **UK sales and orders fell dramatically** from +24% to +15%. The balance for both **export sales and orders also fell**, from +30% to +28% and +27% to +11% respectively. The **employment indicators also fell** to +12%, down from +17% reporting an increase in the workforce in the previous 3 months and from 32% to 27% planning an increase in the next 3 months. [Tyne & Wear data kindly supplied by Economic Research Services Ltd. Sample size in Tyne & Wear is about 125 for UK indicators and about 70 for export indicators.]

In Q1 of 2007, the Tyne & Wear **balance of job gains** over job losses (logged by TWRI from the press) was, at just +773, the **same** as in the **previous quarter** (+770).

1.3 Housing Market Latest

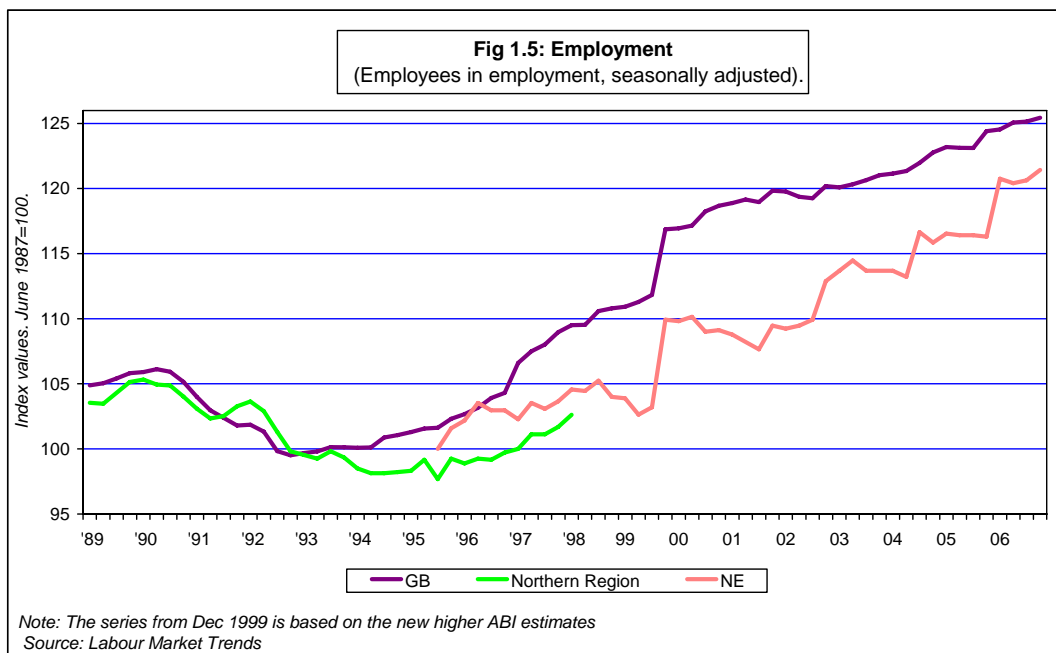
House prices in Tyne & Wear in Q4 2006 were **up 6.7%** on a year earlier (this is 1.5 percentage points slower than in England & Wales, up 8.2%) – HM Land Registry.

The **average price of a home rose 0.7%** in March to £217,000, leaving the **annual house price inflation at 8.1%**, up from 8% in February - FT House Price Index. (FT 14/4)

Mortgage equity withdrawal (Mew) was £14.6bn in Q4 2006, according to BoE. It is (a big) 6.7% of post-tax incomes, up from 5.5% from Q1 and the highest proportion since mid-2004. (FT 07/4, 03/4) [This is continuing to drive consumer spending and retail sales – Ed.]

Newcastle has the least affordable housing of the five big cities in the North –Knight Frank (the other cities were Leeds, Liverpool, Manchester and Sheffield). The average annual income required to secure and service a mortgage for an average based property is said to be double the average gross annual pay in Newcastle ('State of the Cities' Review 2006-2007) (J 16/01)

1.4 Labour Market Latest



In the **UK**, the **employment rate** for people of working age for the three months ending in March 2007 was 74.3%, **down 0.2** from the previous quarter and down 0.3 on the year. The number of people in employment fell by 55,000 over the quarter, but rose by 93,000 over the year. (NSO 05/07)⁴

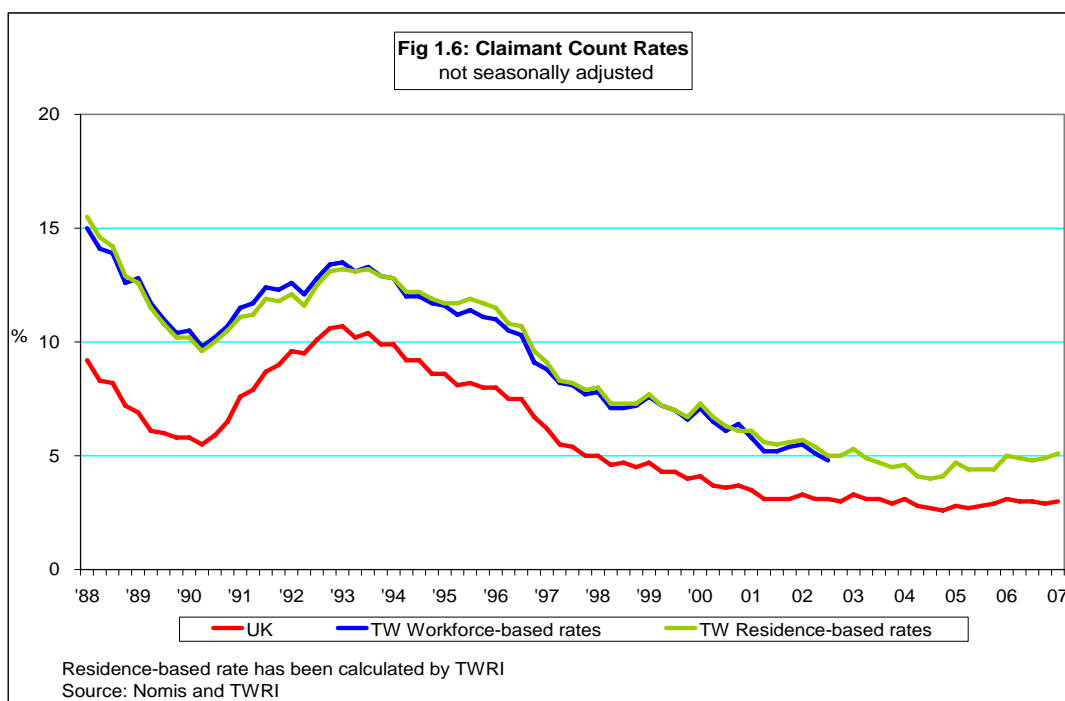
In the **North East**, [LFS] data for the three months to March 2007 show the seasonally adjusted **employment rate** at 70.9%, **unchanged** on a year earlier. (NSO 05/07).

In the **UK**, the (ILO) **unemployment rate** was **5.5%**, unchanged from the previous quarter. The number of unemployed people rose by 13,000. The seasonally adjusted **claimant count** was 890,000 in April 2007, **down 15,700** from the **previous month**. (NSO 05/07)

In the **NE**, the **unemployment rate** was **6.8%**, up 0.2 percentage points on a year earlier. The seasonally adjusted claimant count rate was up in the year to April 2007. (NSO 05/07)

Tyne & Wear's (ILO) unemployment rate in the **12 months to June 2006** was **6.6%** (32,500). Tyne & Wear's claimant count [unadjusted] in April 2007 was 5.0% (24,024, up 231 on 12 months ago).

[Note: LFS unemployment data is now published in TWRI's report on unemployment. ONS changed the way it reports employment data to 4-quarter averages and data have been revised in light of the latest population estimates. Data is currently available on NOMISweb. Unemployment rates previously reported by TWRI were obtained from the LFS. This has now been incorporated into the APS. APS data were made available on NOMIS from August 2005.]



New Deal for Young People (NDYP) participants in Tyne & Wear have increased by 210 (7.6%) from 2,760 at the end of August 2005, to 2,970 at the end of November 2006, of whom 1,720 are still on Gateway awaiting take-up of an option. Of the 780 on an option, 570 were in education/training and 20 were working for an employer. In addition, the voluntary sector had 110 participants and the

⁴ It is more robust (but less timely) to now use the APS (Annual Population Survey)

environmental task force had 80 participants. A total of 460 participants are now on ‘follow-through’. (Source: Information Directorate, DWP, May 2007)⁵

1.5 Labour Market Trends

Labour Supply

Many **small and medium companies** are turning to **migrant labour** because of the “shockingly **low opinions**” employers have “of the **skills, experience and productivity**” of British-born workers – study by British Chamber of Commerce. The findings follow a survey by the Institute of Directors which reported that employers rated migrants as harder-working, more reliable and better skilled than British workers. (FT 12/2)

Regional leaders (led by One North East) are planning a concerted strategy to encourage more **immigrant workers to move to the region**. Measures would include a marketing drive in eastern Europe and a programme of assistance for migrants to settle into the region. According to the CBI, 1% rise in population through in-migration produced a 1.3% rise in GDP. (J 25/1) [This high impact is due to their very low number of dependants in the UK, not to their productivity/earnings – which tend to be low – Ed.]

Labour Demand

The **construction sector** faces a big **skills shortage** – Construction Skills. Employment in the industry will need to **rise by a sixth** to 2.8m by 2011, compared with 2.4m in 2005. 87,200 new recruits are needed each year in order to meet demand. (FT 05/3) [See below for North East data]

The **NE** must **recruit 3,300 construction workers a year** to keep up with demand, according to the Construction Skills Network report 2007. **Employment** in the construction sector will **rise 4% by 2011** as construction **output grows by 5% a year**. Public non-residential work is set to grow by 4.3% annually, to become one of the strongest in the UK. (J 09/3)

Skills News

79% of people in the NE have **basic literacy**, and **72% numeracy skills**, compared to **84%** and **79% nationally**, according to the **Leitch** “Review of Skills” report. 21% have degree-level qualifications, compared with 26% nationally. Leitch has set a target of 40%. (J 06/3)

43% of the UK’s top companies reported **problems with employing graduates** in 2006 due to the **low calibre** of candidates, up from a third in 2005 – Association of Graduate Recruitment. (FT 30/1) Meanwhile, the Institute of Directors’ poll found that employers using **migrant workers outperformed** indigenous employees “**by a large margin**” in terms of their work ethics, productivity, reliability, education and skills (mostly) and amount of sick leave taken. (FT 30/1)

If businesses change the way they train and recruit **sales staff** around **135,000 jobs** could be created, with a boost of almost 30% to the economy –Employer Need for Sales in the North East Survey. Over 60% of businesses state that their inability to recruit appropriate sales staff has reduced or stunted growth. On average 3.3 sales staff are needed per company. (J 02/05) [135,000 jobs added in the NE equates to a very unrealistic 12% of employment but the point is the lost potential – Ed.]

⁵ *New Deal figures from Feb 2006 relate to Local Authority Districts (LADs) and aggregations of LADs rather than JobCentre Plus Districts as previously reported. New Deal total figures are rounded to the nearest ten. ‘Tyne & Wear’ totals have been derived by summing the unrounded figures for the Local Authorities of ‘Newcastle’, ‘North Tyneside’, ‘South Tyneside’, ‘Gateshead’ and ‘Sunderland’*

The Government’s new school GCSE tables now show pupils’ attainment in maths and English skills. These show the percentage of children getting 5 or more GCSE passes at grade A*-C, *including maths and English*, rather than 5 good passes in any subjects. The following table show the results for the 5 **Tyne & Wear** local authorities: (J 11/1)

LEA	Position in national league table for GCSEs in 2005/6 (2004/5)	Position in national league table for A-levels in 2005/6 (2004/5)	Percentage of 5 GCSE passes at grades A*-C	Percentage of 5 GCSE passes at grades A*-C, inc. maths and English
Gateshead	63 (8)	118 (107)	70%	45%
Newcastle	134 (100)	124 (127)	55%	34%
N. Tyneside	45 (81)	95 (113)	62%	48%
S. Tyneside	101 (95)	135 (135)	56%	40%
Sunderland	133 (99)	7 (21)	55%	34%
England [DfES]	n.a	n.a	59%	46%

Failing pupils could get **one-to-one tuition** [according to a consultation document “Making Good Progress” by the Department for Education & Skills]. Currently **20%** of primary school leavers **do not** have basic **literacy** and **numeracy skills**, while **10%** of 16-18 year-olds **are not** in education, employment or training (NEET). (FT 04/1)

1.6 Future Economic Prospects

According to the average latest revised UK forecasts from HM Treasury’s survey of independent forecasts (April):

- **Economic growth** for **2007** is forecast to be **2.6%**.
- **Claimant unemployment** is forecast at **0.94m** by Q4 **2007**.
- **CPI Inflation** is forecast to be 1.9% and **RPI inflation** to be 3.2%, both for Q4 **2007**.

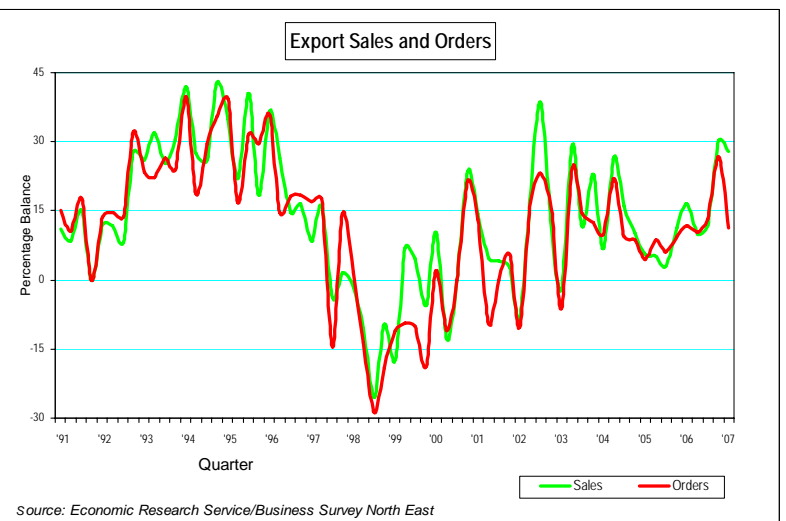
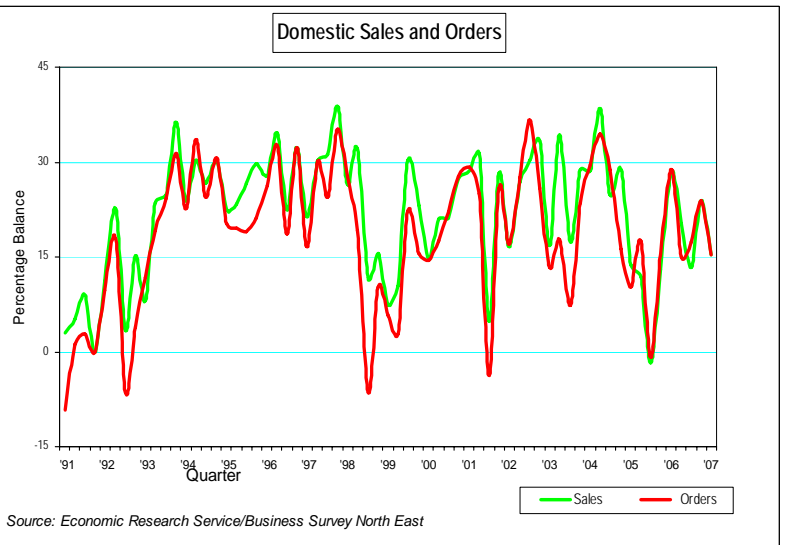
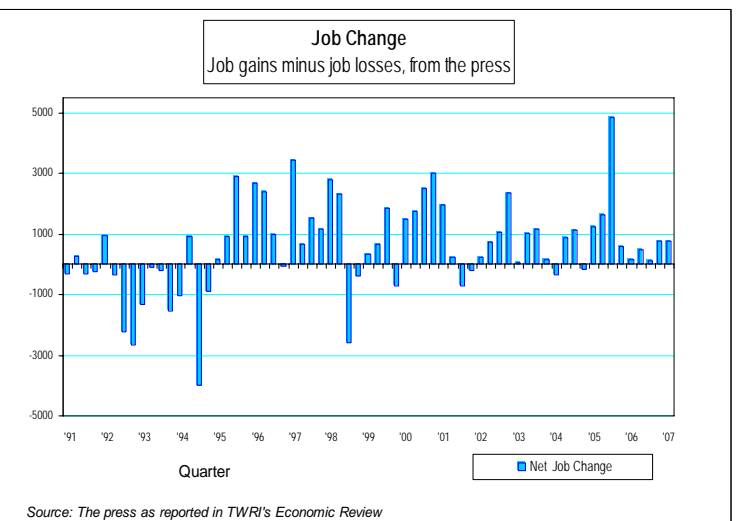
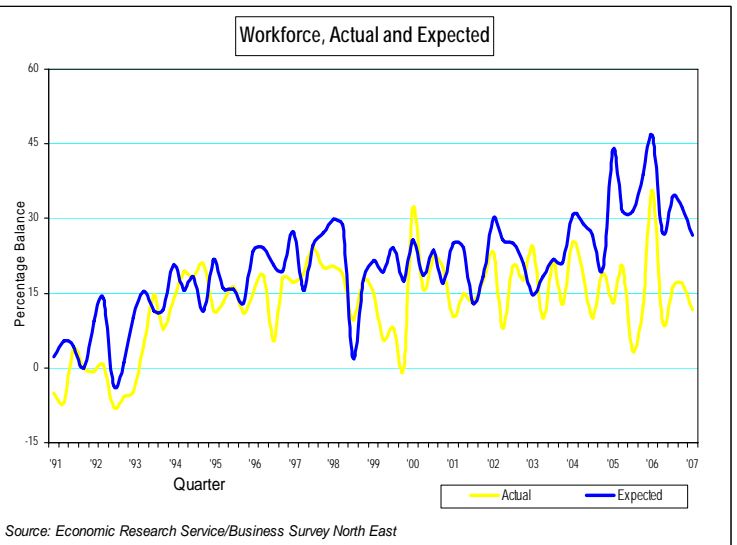
For 2008:

- **Economic growth** is forecast to slow to **2.3%**.
- **Claimant unemployment** is forecast to rise to **0.97m** by Q4 **2008**.
- **CPI Inflation** is forecast to be 2.0% and **RPI inflation** to be 2.5%, both for Q4 **2008**.

[Source: HM Treasury, April 2007]

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.

2.2 National Economic Indicators

NATIONAL ECONOMIC INDICATORS

(at 2000 prices, or 2000=100).

(s.a. = seasonally adjusted)

ACTIVITY:		Q4	Q1	2006		Q3	Q4	Change	
				Q2	Q3			Quarterly	Annual
Gross Domestic Product: (chained volume indices at market prices)	(s.a.)	106.1	107.0	107.8	108.6	109.3	0.6%	3.0%	
Household Final Consumption	(s.a.)	£183,873m	£183,907m	£185,998m	£186,543m	£188,485m	1.0%	2.5%	
Retail Sales volume	(s.a.)	127.7	127.4	129.8	130.8	132.6	1.4%	3.8%	
Output: production industries	(s.a.)	98.0	98.9	99.0	99.2	99.0	-0.2%	1.0%	
services	(s.a.)	108.4	109.3	110.4	111.2	112.2	0.9%	3.5%	
New Orders:									
Engineering	(s.a.)	NA	NA	NA	NA	NA	NA	NA	
Construction	(s.a.)	114.9	117.0	126.5	117.9	115.0	-2.5%	0.1%	
Fixed Capital Investment									
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA	
Business Investment:	(s.a.)	£29,047m	£29,679m	£30,582m	£31,543m	£32,961m	4.5%	13.5%	
Balance of Payments									
current account	(s.a.)	-£10,045m	-£10,703m	-£9,540m	-£10,485m	-£12,661m	20.8%	26.0%	
INFLATION INDICATORS:		Feb	May	Aug	Nov	Feb	Change		
Retail Prices Index (All Items) (Jan 1987 = 100)		194.2	197.7	199.2	201.1	203.1	Quarterly	Annual	
Average Earnings Index:	(s.a.)	Jan	Apr	Jul	Oct	Jan	Quarterly	Annual	
		124.4	124.8	126.5	127.6	130.2	2.0%	4.7%	

Sources: Office for National Statistics' Economic & Labour Market Review (May 2007)

2.3 Labour Market Indicators

LABOUR MARKET INDICATORS

EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.

		2005	2006				Change	
		Dec	Mar	Jun	Sep	Dec	Quarterly	Annual
Total employees:	UK	27.065m	26.861m	27.035m	27.073m	27.298m	0.8%	0.9%
	North East	1.064m	1.053m	1.061m	1.057m	1.070m	1.2%	0.6%
Men employees:	UK	13.569m	13.497m	13.601m	13.658m	13.752m	0.7%	1.3%
	North East	532,000	522,000	527,000	526,000	533,000	1.3%	0.2%
Women employees:	UK	13.497m	13.365m	13.435m	13.415m	13.547m	1.0%	0.4%
	North East	532,000	533,000	535,000	531,000	537,000	1.1%	0.9%
Women full-time:	UK	6.963m	6.924m	6.955m	6.959m	7.000m	0.6%	0.5%
	North East	253,000	258,000	258,000	255,000	257,000	0.8%	1.6%
Women part-time:	UK	6.534m	6.441m	6.480m	6.456m	6.547m	1.4%	0.2%
	North East	279,000	275,000	277,000	276,000	280,000	1.4%	0.4%
Production employees (C-E):	UK	3.185m	3.159m	3.157m	3.153m	3.135m	-0.6%	-1.6%
	North East	140,000	139,000	138,000	137,000	138,000	0.7%	-1.4%
Construction employees:	UK	1.254m	1.257m	1.288m	1.317m	1.319m	0.2%	5.2%
	North East	62,000	57,000	61,000	57,000	59,000	3.5%	-4.8%
Service employees: (G-Q)	UK	22.399m	22.222m	22.364m	22.360m	22.598m	1.1%	0.9%
	North East	851,000	847,000	852,000	852,000	861,000	1.1%	1.2%
		2005/2006	2006	2006	2006	2006	Change	
Not seasonally adjusted		Winter	Spring	Summer	Autumn	Winter	Quarterly	Annual
Self-employment:*	UK	3.713m	3.734m	3.699m	3.782m	3.817m	35,000	104,000
	North East	106,000	109,000	111,000	117,000	114,000	-3,000	8,000

CLAIMANT COUNT

(Not seasonally adjusted).

		2006	2006	2006	2006	2007	Change	
		Mar	June	Sep	Dec	Mar	Quarterly	Annual
United Kingdom		.989m	.953m	.953m	.923m	.956m	33,000	-33,000
Great Britain		.960m	.925m	.924m	.898m	.930m	32,000	-30,000
North East Region		52,389	50,143	49,790	51,285	53,824	2,539	1,435
Tyne & Wear		23,784	23,172	23,097	23,427	24,520	1,093	736
							Change in rates:	
Claimant Count Rates (workforce rates) %:							Quarterly	Annual
United Kingdom		3.1	3.0	3.0	2.9	3.0	0.1	-0.1
Great Britain		3.1	3.0	3.0	2.9	3.0	0.1	-0.1
North East Region		4.4	4.3	4.2	4.3	4.6	0.3	0.2
Tyne & Wear+		5.0	4.9	4.8	4.9	5.1	0.2	0.1

REDUNDANCIES

(from the Labour Force Survey).

		2005	2006	2006	2006	2006	Change	
		Winter	Spring	Summer	Autumn	Winter	Quarterly	Annual
Numbers (thousands):	GB	*	*	*	*	x	n.a	n.a
	North East	*	*	*	*	*	n.a	n.a
							Change in rates:	
Rates (per 1,000 employees):							Quarterly	Annual
GB		5.8	6.0	5.5	5.5	5.3	-0.2	-0.5
North East		*	*	*	*	*	n.a	n.a

Sources: ONS's Economy & Labour Market Review (May 2007) and LFS Quarterly Supplement, Tyne & Wear Research and Information.

* Sample size too small for a reliable estimate

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

+ Residence based rates (TWR1).

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

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 (2digit SIC 80) and cluster. This data base and the lists given below, record gains and losses reported in the press.

Cautions: The press tends to under-record job losses overall (by roughly 2,200pa 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 has grown very significantly since about 1999). 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

(+ 1,527 announced in the press January 1st – March 31st 2007)

* means new opening

+ 400 *	GE Money , Cobalt Business Park, North Tyneside. (Consumer finance company. It is establishing a new £5m call centre, to be operational by June 2008. Staff will be housed at a temporary site until its completion.)	(J 17/02)
up to + 200* (by 2012)	Premier Waste Management , Washington, Sunderland. (Waste management company. It aims to open a new recycling plant in Washington by 2012. It anticipates a sharp rise in demand following increases in landfill taxes and moves to raise municipal waste recycling by up to 50% by 2020.)	(J 28/03)
+ 180 (by 2010)	Winn Solicitors , Newcastle (Law firm. It plans to quadruple its turnover by 2010 to £16m. It has already increased its workforce by a third (to 70 staff) since September and is currently spending £1m refurbishing its £2m office block in Byker.)	(J 10/01)
+ 140	Hays Travel , Sunderland. (Travel company. New staff to help it reach £300m sales target this year following a 10% increase in revenues to £270m in 2006. It employs 840 staff, 500 of which are in Sunderland.)	(J 23/03)
over + 130	LS Care , Boldon, South Tyneside. (Nurses' agency. It expects turnover to rise by 40% to £1.2m in its second year.)	(J 11/01)
+ 75 *	B & Q , North Tyneside. (DIY retailer. It announced a £3m extension to its retail warehouse in North Tyneside and the addition of 75 jobs to the existing workforce of 300. The new 142,000 sq ft store was launched ahead of schedule in January.)	(J 03/01)
+ 60	Newcastle Building Society , Newcastle. (Building Society. It is looking to open a third office based outside the city centre in Newcastle. It has already increased staff numbers by 100 to 1,000 following a recent expansion of activities.)	(J 05/02)
+ 60	Leighton Group , Sunderland. (Website design company. It aims to more than double sales over the next year. It is also set to move two of its subsidiaries, Communicator and Leighton, to new premises on Sunderland's Rainton Bridge Business Park in April following rapid expansion. It currently employs 110 staff at Doxford International Business Park.	(J 24/03)

+ 30	Hanson Wealth Management , South Tyneside. (Financial Advice Company. It plans to recruit 30 financial advisors in the next year to advise the 120,000 members of the construction worker's union UCATT.)	(J 02/03)
+ 30	Deloitte Newcastle . (Accountancy firm. It plans to recruit 30 new starters this year, including 20 graduates.)	(J 07/03)
+ 30	Cordell , Sunderland. (Engineering design firm. It aims to grow by £30m by July after increasing its turnover by 65% to £25.5m and creating 130 jobs in 2006. It currently employs 420 staff across its three sites in Sunderland, Stockton and Middlesbrough and is seeking further acquisitions.)	(J 27/03)
at least + 25	Emirates , Newcastle International Airport. (International airline. It is preparing to launch Newcastle's first inter-continental air service with a new route to Dubai and daily flights from September 2007. A further potential 10 staff were also announced in February)	(J 11/01 & 19/02)
+ 20 *	Terry Laybourne , Newcastle. (Restaurant Chain. He launched his fifth Café 21 restaurant seating 78 people at Fenwick's department store in March. He is also relocating his flagship restaurant on Queen's Street to a larger venue which will seat 150 people at the £55m Trinity Gardens development. In addition, Café Vivo will replace Café Live in the Live Theatre complex on the Quayside in June as the café was closed for the £4.5m development scheme. The additional plans are expected to create a further 50 jobs.)	(J 07/02 & 08/03)
+ 20 *	Henson Motor Group , North Tyneside. (Used-car supermarket. It is opening two new showrooms in North Tyneside and Teesside following the announcement of ambitious expansion plans. It plans to quadruple its size and increase sales from £13m to £40m by the end of 2008.)	(J 07/03)
+ 20	GD Contracts Services , Newcastle. (Cleaning Staff Supplier. It aims to increase turnover by 50% to £1.5m this year.)	(J 31/01)
+ 20	TDX (Thermodynamix Thermoforming Specialist Services) Gateshead. (Food packaging company. It hopes that the installation of a new £1.5m production line will add £10m annually to sales by creating plastic wrapping from recycled bottles.)	(J 12/02)
+ 20 (by 2010)	John Potts & Sons , North Tyneside. (Fence-making company. It expects to increase sales by a third to £3m by 2010.)	(J 21/02)
+ 20	NSL , North Tyneside. (Printing company. It saw sales rise by 60% after winning new UK deals and expanding into Europe.)	(J 28/03)
+ 15	Freedom Direct , Newcastle. (Holiday company. It expects to expand by 50% in 2007 to sales of at least £35m.)	(J 14/03)
+ 10-15	Dickinson Dees , Newcastle. (Law firm. It expects the volume of transactions handled by its commercial department to grow by 15% to support a drive for growth.)	(J 07/02)
+ 12	ITPS , Gateshead. (Technology firm. It aims to double its turnover to £12m in the next five years after securing contracts worth £0.5m.)	(J 15/01)

+ 10	VMS (Variable Message Signs) South Tyneside. (Electronic technology company. Jobs created after it won a £60m four-year contract from the Highway Agency to install electronic message signs across the UK road network.)	(J 05/02)
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Outside Tyne & Wear		
+ 250 *	Asda , Seaham, Co. Durham. (Supermarket Giant. A 25,000 sq ft store is planned as part of a nationwide expansion scheme including 18 new stores and 8,000 jobs by 2008, largely dependent on planning permission.)	(J 22/02)
+ 200	Aker Kvaerner , Tees Valley. (Engineering firm. It plans to restructure and double its turnover to £100m by 2009. It currently has HQ in Stockton.)	(J 16/02)
+ 150 (by 2010)	Amec , Darlington. (Engineering firm. It won a £237.5m contract to upgrade the overhead power lines and underground cables for National Grid across western England & Wales.)	(J 03/03)
+ 130	Dawn Advice , Seaton Burn, Northumberland. (Legal advice organisation. It is expanding and relocating from its base in Amble, Northumberland to 9,500 sq ft premises at Horton Grange, near Seaton Burn. The non-profit social enterprise won a three-year contract to provide advice and a national helpline for the Government agency Community Legal Services (CLS) Direct.)	(J 19/02)

3.2 Job Losses

(754 announced in the press January 1st – March 31st 2007)

* means closure

- 240 *	ARC , Sunderland. (Glass manufacturer. It is closing its factory in September, blaming rising energy costs and lower raw materials costs in Europe. 25 staff will be retained to distribute products from its warehouse. Production of Pyrex products will continue at ARC's plants in France.)	(J 18/01 & FT 19/01)
- 140 *	County Luxdon , Sunderland. (Laundry Services company. Its parent company, Brooks Service Group, went into administration. No redundancies were initially planned but administrators failed to find a buyer.)	(J 24/02)
- 66	Scottish & Newcastle Breweries , Dunston, Gateshead. (Brewery company. It is closing its bottling operation. A further 22 jobs are at risk as the company was set to review its kegging operation in February.)	(J 11/01)
- 60 *	Northern Counties Meat , Sunderland. (Meat-Packing company. It went into administration one year after a management buyout. It was founded in 1990 and turned over £12m.)	(J 24/02)
- 43	Pacific Bar , Newcastle. (Bar. Its parent company, Definitive, went into administration in January. 340 jobs were saved when the other 25 bars owned by Definitive were bought by Ladhar Group.)	(J 24/02)
- 43 *	Loblite , Gateshead. (Electronics manufacturer. It closed its tool room and moulding department on a cost-cutting basis after losing a £1.5m contract.)	(J 01/03)

- 37 *	Ross's Pickles , Newcastle. (Food company. It lost its entire staff after going into administration and was bought by Yorkshire rival, Greencore Grocery. Production will move to Selby, North Yorkshire.)	(J 16/02 & 21/02)
- 30	Carshock , Sunderland, Newcastle & Gateshead. (Gateshead-based car retailer. It made 70 staff redundant across its seven sites in the North East after going into administration. An estimated 10 jobs will be lost in each of its locations in Sunderland, Newcastle and Gateshead.)	(J 01/03)
- 22	Crampton Sportswear , Team-Valley, Gateshead. (Football kit supplier. It has been placed in administration.)	(J 13/02)
- 10	Toyworld , North Tyneside. (Toy Retailer. It went into administration 18 months after a management buyout. A total of 31 members of staff across its three stores in North Tyneside, Co Durham and Darlington have been made redundant.)	(J 10/03)

Potential Job Losses		
- 180	Joplings , Sunderland. (Department store. Its owner, operator Owen Owen, went into administration with debts of £6.8m. Owen Owen bought Joplings and Robbs of Hexham, Northumberland for £8m in January 2005.) [It was <u>later saved</u> from closure after Vergo Retail Ltd bought Joplings and Robbs in May – Ed.]	(J 01/03)
- 150	Saft , South Shields, South Tyneside. (High-power battery manufacturer. It may move to Europe if its planned relocation fails. It wants to move from its current plant in South Shields to larger premises in Jarrow's Bede Industrial Estate. However, it wants to build houses on its current site, creating a residual value to build the new factory.)	(J 07//02)
- 80	Stannah Stairlifts , Newcastle. (Stairlift manufacturer. It is considering relocating part of its production to Eastern Europe with a potential loss of 80 jobs at its Newburn Factory. It currently employs 162 staff across Newcastle.)	(J 09/03)
- 10-20	Blacks , Newcastle & Gateshead. (Outdoor wear group. It is to close 45 loss-making stores in a cost-cutting programme. It has stores in Newcastle and Gateshead's Metrocentre. Job losses are expected to be 10 per store closed.)	(FT 02/03)
Undisclosed	My Travel & Thomas Cook . (Tour operators. They are set to merge to form Thomas Cook Group, with the UK becoming the main focus of job cuts to save £75m per year. It will form the biggest European rival to TUI Thomson and aims to generate sales of £8bn. Thomas Cook has five branches across Tyne & Wear while My Travel employs 500 staff at its call centre in North Tyneside.)	(J 13/02)
Outside Tyne & Wear		
- 232	Bonne Bouche Frozen UK , Hartlepool, Tees Valley. (Food manufacturer. It went into administration for the third time after failing to make a profit.)	(J 03/02)
- 100	Durham Police , Durham. (Police Service. It needs to save £8.8m by 2009 owing to restrictions on Government funding.)	(J 05/01)

- 160	AS Watson , Darlington, Tees Valley. (Retail and manufacturing business. It is to close its Darlington distribution centre. The Favendale depot is also set to close in the late summer.)	(J 16/01)
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3.3 New Orders and Contracts to Local Firms

(At least £113m to local firms, plus £40m construction contract)

£100m	Siemens , Newcastle. (Power Engineering company. It won a £100m contract to design and install replacement turbines over four years at the Drax Power Station near Selby, North Yorkshire. It marks the largest steam turbine modernisation project in UK history.)	(J 16/02)
£40m	Surgo , Newcastle & North Tyneside. (Construction company, formerly Bowey Construction. It secured £40m worth of contracts (80% of its annual order book) in three weeks. Work will include: · The £30m Excelsior Academy in Newcastle. · Residential projects for Nomad Homes and Newcastle City Council. · An industrial project for UK Land Estates at the Tyne Tunnel Trading Estate, North Tyneside. It currently employs 200 staff and expects turnover to rise from £50m to at least £60m for the coming financial year.)	(J 29/01)
£7m	Turbo Power Systems , Gateshead. (Electronics manufacturer. It won a £7m contract to design and manufacture power units for a new fleet of Chicago subway trains. The order is the largest in its 20-year history and may be increased by a further £3m. The Heathrow-based company employs over 100 of its 150 staff at Gateshead and expects to increase this by 100 staff over the next 3 years.)	(J 19/01)
£5m	Pyeroy , Gateshead. (Industrial and marine painting contractor. It won a £5m contract from BAE Systems to paint the Lyme Bay warship which will provide work for 120 staff for up to six months. It currently paints 40% of the Royal Navy's new ships.)	(J 23/02)
£1m	Express Engineering , Gateshead. (Engineering company. It won a £1m contract to supply specialist sub-sea drilling components to US FMC Technologies after a successful year-long trial.)	(J 04/01)

4.0 INVESTMENTS & DEVELOPMENTS

4.1 Investment & Development Trends

The **North East** is the **third most successful region** in the UK for FDI investment (UK Trade & Investment). The main factor for the success is cited as the ease to set up business. (J 08/02, § Industries & Firms Business Overview)

The annual **returns** for **office and industrial properties** in the **North East** were **behind** that of the UK average. Total return for office properties was 20.1%, its second strongest performance since 2001, but the UK average was higher at 23.0% - Investment Property Index. The average returns for **industrial properties fell** for the second year to **17.0%** from 19.6% a year earlier, compared to 17.6% in the UK. However, **retail returns**, which fell to **16.7%** from 19.6% a year earlier, still outperformed the UK return of 15.2%. (J28/02)

In **Newcastle**, total **returns** from office property fell slightly by 0.2pp and industrial returns fell 2.6pp. However, **retail property returns** have almost **halved** over **three years** from 22.2% in 2004 to 11.9% in 2006 –Investment Property Databank. (J 14/02)

Returns from **office buildings** in the NE have **fallen** to 2.2% in Q1 2007 from 6.5% in Q2 2006. This equates to an annual rate of return of 8.8%, compared to 30% in June 2006. Buildings' capital growth also fell to 0.9% in Q1 2007 from 2.6% in Q1 2006. Rental value growth (which is expected to be strong this year, see below) fell to 0.5% in Q1 2007 after increasing from 0.2% in March 2006 to 1.2% in Q4 2006 – Investment Property Databank. (J 09/05)

A **shortage** of **office space** is anticipated in **Newcastle** over the coming year.

- Increase in demand for **office space** in the city in 2006 was the **highest** in the UK (As measured by rental yield –Knight Frank, Regional Office Market Presentation). While yield fell 1.25pp to 4.75%, it remained the highest figure among the 13 regions. (J 28/02)
- It is expected that Newcastle will need a **minimum** of **620,000 sq ft of new office space** by 2015 to meet anticipated demand from tenants (Property agent GVA Lamb & Edge). The **projected demand** of **70,000 sq ft** new office space a year is based on strong growth in communications and moderate growth in banking, insurance and business services. (J 17/01)
- However, there was a 12.3% fall in the take-up of space in Newcastle by tenants, the sharpest fall behind Bristol (-21.5%) and Glasgow (-17.3%). (Knight Frank, J 28/02) [This suggests to TWRI that prices in Newcastle may have become slightly over-valued –Ed.] **Prime office rents** in Newcastle ended 2006 at **£20 per sq ft**. The shortage of supply of new office space is set to drive the figure to over **£22 per sq ft** by the end of 2007 according to property agent Atisreal. (J 03/01) [Knight Frank now estimates that rents will reach **£24 per sq ft** by the end of 2007 as there will be no new office buildings completing which are available for occupation –Ed. (J 09/05)]

Sales and lettings of **retail properties** in the NE were the **highest** of all regions in Q1 2007 – RICS. A net 40% of surveyors registered more 'sales and lettings of space to occupiers' compared to an even split between positive and negative reports in Q3 2006. (J 02/5)

4.2 Investment & Development News

Office Developments

At **Gallowgate, Newcastle**, developer Terrace Hill has **sold** its **Time Central** site to F&C Asset Management for **£32m** with a record low rental yield of 4.5%. The entire 84,000 sq ft building, due for completion next year, has been let to law firm Robert Muckle and stockbrokers Wise Speke. (J 07/02)

At South Shore Road, on the **Gateshead Quayside** (former site of the Kelvin Works) work is continuing on the **£45m** development of **Baltic Place** [just east of the Baltic]. The joint venture by City & Northern and Robertson Property will include 130,000 sq ft of office space spread over two tower blocks and a 120-room hotel. It is set to be complete in June 2008.

(www.balticplace.com & <http://www.cityandnorthern.co.uk/default.asp?page=160>)

At the Steenburgs Yard, **Ouseburn Valley**, in **Newcastle**, **work began** in April on the planned **32,000 sq ft** three-storey **office buildings**. The conversion development is being carried out by the regeneration specialist **Priority Sites**, who earmarked **£30m** for investment in Newcastle as its first venture into mixed-use city centre and urban fringe developments. The programme is scheduled to take place over the next four years and will involve 250,000 sq ft of space, capable of creating or safeguarding over 600 jobs. (J 28/02 & 27/03)

In **Newcastle** a **£1m refurbishment** is planned for **Baron House**, the eight-storey building near the **Central Station**. Landlord Glanmore anticipates that the refurbishment, which was set to be completed in April 2007, will fill some of the 34,000 sq ft un-tenanted space. (J 17/01)

In **Newcastle**, **Westgate House**, once voted one of the ugliest buildings in the country, has been successfully **demolished**. It took six months and cost owners of the site **One North East** an estimated £1m. ONE is now looking to buy the adjacent Norwich Union House as part of plans to redevelop the entire site into a mixed-use development. (J 16/01 & 27/01)

Business Developments

In **Gateshead** the former **Metro Radio building** has **re-opened** as **business units**. The **180,000 sq ft** Metropolitan House is operated by entrepreneur Lynn Gate's Office Company. (J 17/03)

Industrial Developments

At **Newcastle's Centre for Life** a **£4m** suite of **laboratories** has been opened. The new facilities, funded by OneNorthEast, are designed to carry out pioneering **stem cell research**, looking to develop clinical therapies for degenerative diseases like Alzheimer's and Multiple Sclerosis. (J 08/02)

Jordan Engineering has invested **£1.6m** in a **new plant** in a drive for expansion. The **Gateshead-based** company aims to increase its £5m turnover by 20% as it sets out to break into the UK oil and gas sector. (J 03/01)

In **Newcastle**, plans for a **£7.75m Clinical Ageing Research Unit (CARU)** have been **approved in principle**. The joint venture by Newcastle University and the Newcastle Upon Tyne Hospitals NHS Foundation Trust aims to develop new treatments for the diseases associated with old age and would be located on the Campus for Ageing and Vitality at the rear of Newcastle General Hospital. (NUA, Winter 06-07)

Mixed Developments

In **Sunderland**, plans to redevelop the **former Vaux Brewery site** were **approved** by the Secretary of State. She overruled the planning inspector's recommendations and decided in favour of the plans by **Sunderland ARC** for a **£280m** development. The scheme will include 1,000 homes, offices, two hotels, leisure facilities, shops, bars and restaurants; potentially creating 3,000 jobs. The decision was made amid protests from owners of the site **Tesco**, who made an unsuccessful **£150m** bid for a supermarket, hotels and apartments. After a five-year battle, the ARC is still hoping to purchase the site through negotiations with Tesco. However, if this fails, **OneNorthEast** is prepared to issue a **Compulsory Purchase Order**. The ARC hopes to own the site by September and start work in 2008. (J 30/03 & 31/03)

[**Tesco** has launched a legal challenge to the Secretary of State's decision. The challenge is likely to be heard at the High Court later this year –Ed. (J 09/05)]

At **Walker**, Newcastle, the **Highways Agency** has **opposed** plans to build 1,780 homes, a shopping area and two primary schools. It believed that the **£430m** project would impact usage of the **A1** and **A19**, with 18% of residents and 39% of people working there using them each day. (J 25/01)

At the site of the **Tyne & Wear Brewery, Newcastle, demolition has begun** to make way for the new **Science Park**. The development marks a major milestone in the Newcastle Science City project which aims to create 20,000 science-based jobs and 250 business by 2015. The £500m scheme for the Brewery site includes building a centre of scientific excellence with facilities for research, business and education as well as offices, housing, shops and restaurants. The Brewery offices at Gallowgate are owned by a private company and are not included in the demolition. (J 08/03)

At **Washington, Sunderland**, the **40 acre brownfield former Cape Insulation site** on the Pattinson Estate is set to be re-developed. The development, worth more than **£80m** over six years, will incorporate 300 homes and a business park. The developer is construction company **Hellens**. (J 09/03)

In **Sunderland**, the proposed **Vico** scheme (also referred to as 'City Green') development on Cowan Terrace is generating **considerable interest** after its successful application for planning permission. The development will comprise **40,000 sq ft** of offices, 58 apartments, sheltered housing, a bar and a restaurant. (J 28/03)

Housing Developments

In **Central Gateshead**, the development in **Ochre Yards** will be the **first of its kind in the North East** owing to the **First Time Buyers Initiative (FTBI)**. First time buyers can borrow up to 50% of the property's value as a loan from the Government which remains interest free for three years. The **30 flats** in the development are being sold by Bellway for £204,000. (J 15/01)

Newcastle Councillors unveiled plans to host the **UK's first Housing Expo in Scotswood in 2010**. The event, a driving force behind the regeneration of the area, will take place on a **130 acre site** and will show case approaches to urban living. It is expected to attract visitors from across Europe and could lead directly to the development of 450 new homes. A further 1,350 may follow, if the event is successful. (J 10/01)

Retail Developments

In **Newcastle**, the **second stage** of the development of **Eldon Square Shopping Centre** is **underway**. The old bus concourse is to be re-developed as a shopping mall and is set to open in spring 2008. Department store Debenhams is set to open a new store in Eldon Square, once the third stage of development, demolishing and re-building the Eldon Square Green Market is complete, in 2010. (J 16/03 & 28/03) (see Infrastructure Developments for details of the Prudhoe Street Bus Station)

The Gate on **Newgate Street, Newcastle** has been **sold** to **PropInvest** for **£80m**, well above its asking price of £72.5m. The leisure complex is home to bars, restaurants, and a multiplex cinema. (J 31/01)

At **West Denton** in the West End of **Newcastle**, a **£23m retail development** has been granted planning permission. **Rokerby Development** is to carry out work to develop the **120,000 sq ft** shopping centre including a **Morrisons** superstore, 10,000 sq ft of new shops and a health centre. (J 07/03)

Hebburn Town Centre, in **South Tyneside** is set for **re-development**. **Rokerby Development** is the favourite to take over the **5.7 ha** site which will include a large supermarket, new housing and a comprehensive upgrading of Hebburn Newtown. (J 21/03)

In **Whitley Bay, Deep Blue Dive**, the scuba diving retail and training business, has invested **£250,000** in a **new shop and swimming pool complex**. The new store is the only one of its kind in Europe and plans to offer equipment for camping, surfing, scuba diving, water sports and shooting ‘all under one roof’. The company planned to relocate in February but objections have been raised to plans to sell guns, rifles and accessories within the extension. (J 13/02, 03/03 & 17/03)

Just outside Tyne & Wear in **Prudhoe, Northumberland, Sainsbury** is planning a new **superstore**. The scheme will involve the demolition of 30 shops in order to build 20 retail units, a town square and a multi-storey car park, with outline permission for 118 houses and 50 flats. (J 02/03) [Prudhoe is just west of the Gateshead district – Ed.]

Leisure Developments

In **Newcastle**, 500m north of the Quayside, **Inter-Continental Hotels Groups (IHG)** are set to build **£22m concept hotel**. The **120-suite**, five-storey residential hotel will be located on the corner of Buston Street and Gibson Street and building is set to begin in July 2007. (J 10/01) [IHG is building a similar hotel in Birmingham, marking the third and fourth UK hotels which are part of IHG’s long-stay brand, Staybridge Suites. IHG also owns the Holiday Inn and Crown Plaza brands – Ed.]

At **Strawberry Place** in **Gallowgate, Newcastle**, **Travelodge** is investing **£12m** in a new **167-room** hotel. It will create 35 jobs and is part of the budget hotel chain’s plan to open 3,000 new rooms per year until 2010. It forms part of Hanro’s £55m mixed-scheme development next to St James’ Park, Newcastle. (J 21/02)

In **Sunniside**, in **Sunderland**, **work has begun** on a new **£6.1m arts and business centre**. The **derelict Manor Hotel** was **demolished** to make way for a range of business suites, artists’ studios, exhibition areas, conference/performance space and a café. The development will allow the completion of ‘*The Place*’, a complex which forms part of the **£130m** regeneration scheme for the area. (J 17/02 & 27/03)

In **Newcastle**, **Elswick Park** and **Blakelaw Park** have received investments of **£700,000** and **£900,000** respectively. They were set to reopen at the end of February. (NCC Jan 2007)

Newcastle’s bid to build a **super casino** has **failed**. The city was considered to be remote and in possession of a limited catchment area. The Casino Advisory Panel also concluded that the city has sufficient regeneration and already appears to be improving. If granted, the licence had been expected to create up to 2,000 jobs and contribute £6m per year into the region’s economy. (J 31/01) [The Panel selected Manchester – Ed.]

Cultural Developments

On King's Walk, Newcastle, **Newcastle University** has invested over **£4m** in refurbishing the **Grand Assembly Rooms** to create a **Culture Lab**, a research facility into digital media for both the 'arts' and 'sciences' faculties. It provides access to state-of-the-art digital technologies and aims to contribute to developing the region's creative, cultural and scientific industries. (NUA Winter 06-07)

The following developments form part of the Culture¹⁰ programme:

At the **Hancock Museum**, in Newcastle, **development has begun** as part of the **£26m Great North Museum Project**. The museum has been closed since April 2006 as part of a three-year transformation of the buildings and exhibits. The back wing of the museum, which is not part of the original building, has been demolished and replaced by a new wing to house guest exhibitions. The museum, set to reopen in 2009, will include exhibitions from the Hancock, Newcastle University's Museum of Antiquities, the Shefton Museum and the Hatton Gallery. (NCC Jan 2007, J 16/01 & 12/02)

[Kier Northern have been secured by Newcastle University to carry out the refurbishment of the Hancock Museum. The project is due to be completed in **May 2008**, when the **fit-out** of the new galleries is scheduled to **begin** –Ed. (J 01/05)]

At the **Theatre Royal** in Newcastle, **work is continuing** on stage two of the **£6.5m expansion**, set to be completed in **June 2007**. The development is the largest in the Theatre's history and will include a new Market Street wing with a learning centre for schools, box office, bistro and conference space. (NCC Jan 2007, J 09/03)

The **Old Town Hall** in Gateshead has become the **temporary home** of **Tyneside Cinema** while the **£6.5m** refurbishments are carried out. Work is set to be completed at the end of 2007 and will include two new screens as well as space for education and film production. (NCC Jan 2007, J 09/03)

Infrastructure Developments

In Newcastle, the **£11m bus station** on **Prudhoe Street** was **opened** in March 2007. It forms a significant part of the **£170m** extension of Eldon Square. The extension is set to be completed in 2009 and will include a flagship department store and 50 shops, creating approximately 1,000 jobs. (J 09/03, 16/03 & 21/03)

In Newcastle and Gateshead, the **King Edward Bridge** over the river Tyne is to receive **£1.5m** worth of investment from **Network Rail** to reinforce the top ten masonry arches. The work, which will prolong the life of the structure, started in January and is expected to be completed in the summer. Rail services will not be affected by the works. (J 04/01 & 06/01)

Across **Tyne & Wear**, a proposal made to overhaul the **Metro System**, which was initially **well received**, has been **submitted** to the Government. The 20-year plan includes major work on the Victorian infrastructure, refurbishing stations, installing new ticket machines between 2009-2017 and replacing the entire fleet of trains between 2018-2026. (J 16/01, 24/01, 27/01 & 13/03)

In **Tyneside and Teesside**, a revolutionary **magnet-powered 311-mph rail link** is being considered to reduce travelling times between the two regions to just **12 minutes**. The Association of North East Councils (ANEC) has launched a study into a possible **Maglev** system linking the regions, which would generate 40g of carbon dioxide per person per km compared to 60mg for conventional trains and 275g for aeroplanes. (J 22/03)

4.3 Aid & Finance

€1.7bn of **European Regional Development Funding** for six regions in the UK has been **frozen** by the **European Union** following ‘systematic deficiencies’ in systems for distributing the money. The EU may also reclaim up to 10% of the **€3bn** already paid out if it is not satisfied with tighter controls. The NE receives **£100m** per year from the EU to fund regeneration projects. (J 10/05 & FT 09/05)

The proportion of **transport funding** allocated to the North East is **declining**. While the region receives levels of public expenditure on transport 11% higher than the national average, when subdivided according to policy areas the NE actually receives **70%** of the **UK average** spending per head on transport, down from 83% in 2002. The Department for Transport stated that direct comparison between regions is misleading owing to differing transport needs. Funding in the NE has doubled from £37m in 2001 to **£81.8m** in 2007-2008. In particular, Tyne & Wear is to benefit from **£32.2m** investment in 2007-8, up from £16.5m in 2000-1. This excludes spending on rail, money through the Regional Funding Allocations, and Highways Agency roads. (J 02/5)

A **City Development Company (CDC)** is being established by **Newcastle and Gateshead Councils**. The CDC will be responsible for developing Newcastle’s Discovery Quarter and Gateshead’s Baltic Business Park - but not the Science City Project on the Newcastle Brewery site. This follows the success of NGI, the joint cultural development agency. It is the first to be established across a local government boundary and aims to create 10,000 jobs and generate a 7% increase in wealth in the region over 20 years. A shadow company will exist until the CDC becomes fully operational in April 2008. (J 16/03).

In **Washington**, **NOF Energy** received a **£900,000** three-year **funding grant** from **OneNorthEast** to fund its work in driving forward the oil, gas and renewable energy market. The company will advise the agency on **energy sector**-related issues. (J 21/03)

4.4 Regional Development Grants (Selective Finance for Investment, SFI)

Table 4.1: SFI in England: offers of £75,000 or more (1 Jul - 30 Sept 2006¹)

Company	Travel to Work area	£
Ian Shott Enterprises Ltd	Newcastle	142,000
International Coatings	Gateshead	245,000
The Davy Roll Company Ltd	Gateshead	1,000,000
	North East Total	3,277,000

SFI in England: offers of £75,000 or more (1 Oct - 30 Dec 2006¹)

Alex Smiles Ltd/Waste Recycling Logistics Ltd	Sunderland	100,000
	North East Total	1,150,000

Source: Department for Trade and Industry website (www.dti.gov.uk)

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.*

5.0 INDUSTRIES AND FIRMS

5.1 Business Overview

Business confidence and **manufacturing demand** increased throughout all regions for the first time in 12 years, although businesses in the NE remain cautious owing to potential increases in interest rates and wage inflation. (J 07/05)

The **North East** was the only region in the UK to experience a **reduction** in the number of **businesses placed in administration** in 2006 (Deloitte). While nationally the number of businesses placed into administration increased by 26% in 2006 compared to 2005, in the NE the figure fell by 2%. (J 15/02)

The number of **failed businesses** in the **North East** in 2006 **fell** by over **15%** (Experian). Around 4,010 businesses in the NE fail every year. Across the UK the figure rose almost 11% to 20,067 compared with 2005. (J 03/01 & 09/01)

Despite this relative success and recent improvements, the **North East** is still one of the UK's **least entrepreneurial regions**. The Global Entrepreneurship Monitor (GEM, www.gemconsortium.org) listed the NE as the third-worst performing region in the UK for entrepreneurial activity. In 2006, only **4.4%** of the region's population started a business, compared to the national average of **5.8%**. (J 06/03)

The **North East** needs **70% more businesses** (32,000) to match the national average according to the latest 'State of the Region Report' [by NERIP]. The region is currently growing at the (net) rate of 500 businesses a year. In 2005-2006, 63 firms moved to the region, a 9% increase on 2004-2005. (J 09/01 & 08/02)

Mergers & acquisitions in the **NE** in Q1 2007 were the busiest for ten years. **55 transactions** were **completed**, with disclosed deals valuing almost **£146m**. (J 09/05)

North East businesses may be forced to make **job cuts** as **interest rates continue to rise** – NECC survey. Over half of respondents anticipated decreasing sales as interest rates increase. Two out of three expected to raise prices. (J 08/05)

30,075 people in England & Wales went into **insolvency** in Q1 2007, an **increase** of **24%** compared to Q1 2006 – Insolvency Service. 56% of the total insolvencies were bankruptcies and the number of IVAs increased 48% compared with the same period in 2006. The number of house repossession orders in the County Courts rose 1% to 33,715. (FT 05/05)

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

5.2 Nanotechnology

The **Centre of Excellence in Nanotechnology Micro and Photonic Systems (Cenamps)** based at the Centre for Life, **Newcastle**, is **creating a new £2m nanotechnology unit** with Oxford Instruments. The clean room in Newcastle University's Merz Building is the first of its kind in the UK and will house a flexALD (Atomic Level Deposition) tool to build a film at atomic level. It is set to **open in July 2007**. (J 16/03). Newcastle University is a core partner in the Newcastle Science City initiative which aims to attract 100 new technology-based companies to the region, and create 5,000 new jobs, by 2010. (NUA Winter 06-07)

5.3 Biotechnology & Chemicals

Arrow Therapeutics has been **acquired** by drugs company **Astra Zeneca** for **£77m**. The London-based biotechnology company was **co-founded** by medical researchers at **Newcastle University** and continues to fund **anti-viral research** at the University. (J 13/02)

Newcastle University is set to receive **£1.6m** worth of funding in support of its leading role within the 'European network of excellence', working on **neuromuscular diseases**. The 21 partner organisations from 11 EU countries received a total of £6.7m research funding from the EU. (J 01/02)

E-Therapeutics claims to have **identified three drugs that kill the MRSA superbug**. The **Newcastle-based** medical research firm has 'industrialised' drug research using computers to develop the new antibodies, which could be in use in the NHS within three years. Second-phase trials on the drugs are due to be completed early next year. (J 16/01)

Peacocks Medical Group aims to increase sales by **40%** to **£10m** by 2012. The **Newcastle** medical manufacturer plans to develop its **orthotics** division, a core business which it sees as the key to growth. It currently employs 126 staff in its three divisions over three sites, including 20 qualified orthotic clinicians. (J 29/01) [Orthotics are commonly referred to as arch supports and are shoe inserts designed to re-align the foot, take pressure off specific areas, or to increase comfort. – Ed.]

IDS (Immunodiagnostic Systems) expects **profits to rise** by **74%** to **£2.28m** this year as the business expands and increases efficiency. The **South Tyneside** biotechnology company manufactures **testing kits** used to help **diagnose and monitor disease** and provide information for research. It employs 58 staff in **Boldon** and anticipates that more staff will be required in the region as it continues to expand. (J 22/03)

UK Biometrics has opened its first two **franchises** in Manchester and Liverpool as part of plans for 28 regional offices. The **North Tyneside** company is also set to open franchises in Glasgow and Bournemouth once staff have completed training in the North East. It specialises in **fingerprint access control systems** and currently employs 20 staff in Killingworth. (J 10/02 & 28/03)

5.4 Offshore, Shipbuilding & Ship Repair

In **Newcastle**, the **International Marine Design Centre** secured the **Central Square South** building as its city centre office base. The body supporting the MDC, **Northern Defence Industries**, will also **relocate** from its office at the Business Innovation Centre in Sunderland. The aim of the centre is to add over **£100m** of revenue to the North East Marine and Defence sectors over the next ten years. (J 13/02 & 10/03)

Wellstream Holdings intends to **float** on the AIM stock market to fund ambitious expansion plans. The **Newcastle manufacturer of oil and gas pipeline** has rapidly built a worldwide business, posting revenues of £147m in 2006. It employs 470 staff in the region. (J 31/03)

Swan Hunter generated profits of **£3.2m before closure** on sales of over £70m. It was still owed £18.7m, largely by the Ministry of Defence. The **North Tyneside** yard saw its last ship, the *Lyme Bay*, towed away **unfinished** to the BAE yard in Glasgow in July 2006. The yard is now worth £2.5m, compared to £10m the year before. Its owner, Jaap Kroese, has said that it will be **at least 2 years** before a **new use** is found for the site. A working party led by North Tyneside Council are preparing an interim report which will consider the future of the site and the wider river area. (J 15/02 & 02/03)

BAE Systems' profits **rose 38%** from **£761m** to **£1.05bn**, boosted by the sale of its 20% stake in EADS, the owner of Airbus. Profits from its US Land & Armament division also rose **300%** from **£42m** to **£168m**. BAE has a tank factory on Scotswood Rd in **Newcastle**, now part of BAE Land Systems. (J 23/02)

5.5 Motor

Nissan is to **export** its new *Qashqai* model to **Japan** (renamed *Dualis*) for the first time since 1996. The **Sunderland** plant, which employs 4,300 people, has already made **20,000 units** since December, 80% of which are set for export, largely European. The company's **profits fell** by **23%** to **£440m** in the three months to December. The Japanese carmaker is now forecasting 12% lower full-year profits. (FT 03/02, J 02/03)

Tanfield has signed a 'significant supply agreement' with **Marks & Spencer** for its **electric vehicles**. The **Sunderland**-based company, which employs 600 staff, is set to **double** sales to £42m this year. (J 03/02)

5.6 Electronics

Atmel has received an estimated **15 expressions of interest** since December for its **£450m microchip factory** in **North Tyneside**. Meanwhile, it has given its 700 employees a 20% rise in salary in order to keep its high skilled work force intact. (J 16/03)

[Atmel has set the aim of selling the plant in 2007 – Ed.]

5.7 Food & Drink

Scottish & Newcastle (S&N) Breweries plan to invest £75m on restructuring in order to **save £50m a year**. It is looking to 'maximise efficiencies' in production and distribution and 'streamline' its back-office activities. S&N employs 160 staff in the region (4,500 in the UK). (J 21/02)

[There is speculation that Carlsberg might acquire either S&N or its 50% stake in the Baltika Breweries business –Ed.]

North East Bakeries bought **Milligans'** Newburn factory and HQ and 15 of its 18 shops. The deal is set to double the **Newcastle** company's turnover to £8m and it also plans to invest £400,000 to **open a further 8-12** shops by 2010. It currently employs 130 staff and the planned investments would support 250 jobs. (J 07/02)

Greggs' profits **fell 20%** in **2006** to £40.2m, after its energy costs rose by £4.5m. Like-for-like sales were up only 0.5%. With 17 new shops, group sales rose 3% to £551m. It plans to spend £4m more in 2007 on R&D of new products. (FT and J 13/03)

5.8 Printing & Packaging

Loss making **Field Packaging**, in **Killingworth, North Tyneside**, has been **saved from closure**. The 220 employees in the packaging manufacturing factory accepted a **pay freeze** and lieu time in replacement of paid overtime. It has been in the red for several years owing to cheap overseas competition and increasing energy costs. It has been owned since 2000 by Chefapeake Corp of Virginia. (J 17/03)

5.9 Construction (including Housing)

Barratt has an order book of **£1.03bn**, a **rise of 47%** on 2005. Total numerical completions at the **Newcastle** house builder rose 2.9% on 2005, to an average selling price of £165,000. Barratt Developments confirmed its **acquisition** of **Wilson Bowden** for **£2.2bn** in February. The deal will make it the UK's **largest** house builder by volume. It is set to accelerate its **land bank acquisition** on the basis that the fundamentals of the UK housing market remain sound. Pre-tax profits rose 10% to

£180.2m in the second half of 2006 and annual housing output is set to rise from 14,000 to **19,700** with a workforce of **7,500**. (J 01/03, FT 13/01, 06/02 & 01/3)

[These figures suggest pre-tax profits of about £30,000 on each dwelling sold. House builders are making take-overs as a cheaper option than buying land. – Ed.]

Tolent's turnover rose **23% to £174m in 2006** helped by its property sales. The **Gateshead**-based construction company has an order book of £122m, up from £110m at the end of 2006. (J 08/03)

Grainger Trust has **bought** an interest in a portfolio of mortgages from the **Church's Commissioners** for **£134m**. The **Newcastle** residential property landlord will receive income from 1,300 retired clergymen's homes. (J 02/02)

South Tyneside house builder **Lancing Homes** has been **acquired** by McInerney for **£16m**. The deal includes four sites with planning permission for more than 400 homes. The Irish company will retain Lancing's 100 members of staff. (J 02/03)

The **Private Rented Sector** has **grown** in order to meet **student housing demand**:

- **Grant Fund Management** (GFM), which already owns **1,300 houses**, is looking to buy houses in Tyneside after it raised **£100m** from investors. The company announced the plans following a report produced by agents Savills on 80 university towns which placed Newcastle in the top six towns for expected capital growth over the next three years (at 21%). (J 12/03)
- **Clark Residential**, which owns **135 houses** in the Newcastle areas of Jesmond, Sandyford and Heaton, said it intends to increase its properties to at least **200** homes to meet demand from overseas students. The Newcastle-based housing company signed an agreement with St. George's International School of Medicine in Grenada in January to house **300 students** per year studying at **Northumbria University**. (J 21/02 & 12/03)
- **Unite**, the UK's largest quoted student housing developer, has a long-standing requirement for **£100m** of property for students in Newcastle city centre. (J 12/03).

Newcastle City Council has identified **potential sites** for **new student accommodation** in the city centre. The Shared Housing Working Group anticipated that the proposed 6,000 purpose-built bed spaces for students would reduce the stress placed on residential areas and free-up affordable homes. The only current plan for student accommodation made by Newcastle University is a new college for international students with places for up to 350 students per year. (J 16/03)

5.10 Retailing

The Gateshead **Metrocentre** is now part-owned by the **Singapore Government**. The latter bought a 40% share in Europe's largest shopping centre (currently valued at £1.065bn) in a **£426m deal**. Capital Shopping Centres (CSC) retains ownership of 50% and the Church Commissioners retain 10%. CSC will use the proceeds from the sale to fund its £1bn development programme, including its current £170m extension of Eldon Square in Newcastle. (J 14/03)

In **Sunderland**, **Michael O'Connor**, the family **furniture** business, opened a **£1m** flagship store. The building covers 26,000 sq ft over five floors and the fifth floor luxury showroom is scheduled to open later this year. The company currently has a turnover of £3m and employs 23 staff. (J 26/01)

At **Gosforth Shopping Centre, Newcastle**, **Sainsbury** is set to open a new 18,000 sq ft store in July 2007. It is expected to create up to 130 jobs. The company has signed a 15 year lease. (J 28/02)

Benfield Group has been awarded the **Tyneside franchise** for Korean car manufacturer **Kia**, its first new franchise in three years. The franchise is expected to contribute **£5m** per year to the motor

dealership's **£290m** turnover and will operate from the group's **Newcastle** showroom on Portland Road. (J 16/01)

Vertu Motors became the North East's **newest plc** in January 2007 after joining the junior stock market AIM in December 2006. The **Newcastle-based** motor company (of formerly Reg Vardy executives) raised **£25m** from its floatation. Its **first acquisition, Bristol Street Group**, was completed in March for **£40m**. (J 17/01, 23/02, 28/03)

John Lewis Partnership is planning to double its turnover to **£12bn** and create **35,000 jobs** by 2017. The ambitious expansion involves the opening of at least 10 new department stores and 56 Waitrose supermarkets. John Lewis has a large department store in Eldon Square, **Newcastle**. (J 19/02)
[Waitrose has branches at Durham City and Hexham, but not yet in Tyne & Wear – Ed.]

The **Carphone Warehouse** opened a new 7,800 sq ft store on **Northumberland Street, Newcastle**, after buying the leasehold from fashion retailer **Zara**. The fashion chain had instructed a London-based agent to place the store on the market in 2005 as Zara is seeking larger premises. (J 17/01)

Menswear retailer '**The Officers Club**' opened 15 stores across the UK before Christmas creating 75 jobs. The Northumberland company has also **closed** its Eldon Square store in **Newcastle** ahead of the extension of the shopping centre. (J 24/01)

Premier Direct Group (PDG) has **returned to profitability** after difficulties in integrating acquisitions. The **South Tyneside** company made £700,000 profits in the six months leading to January, after making £4m losses in the previous 12 months. It sells goods from office-to-office and employs around 500 distributors. (J 26/01 & 29/03)

Hillarys Blinds is up for **sale** for the second time since 2004. It employs 1,000 staff, **300** of whom are based in **Sunderland**. (J 20/02)

Penny Plain has been **bought out of administration**. The **Newcastle retail chain** ran up **debts** after opening more shops and buying the 'Wealth of Nations' fashion chain in 2005. Its HQ will be moved to offices at its **Washington** warehouse. (J 21/03)

5.11 Culture, Tourism & Hotels

Freedom Direct expects to **expand by 50% in 2007 to sales of at least £35m**. The **Newcastle** holiday firm is based in **HQ** on **Gosforth Business Park** and employs 75 sales staff, 40 call centre workers and 35 home workers. Since 2003 it has reduced its reliance on tour operators from 100% so that 60% of the holidays it sells are its own packages (J14/03).

Newcastle company **Ultimate Leisure** is raising **£25m** through a sale of 14.8m shares as part of plans to raise £75m for a 'war chest' to buy out rival companies. The shares have largely been bought by Ultimate's two largest investors, the Reuben brothers and US-based Dawney Day Group. Profits fell from £8.4m to just £1.5m in the year to June 2006. (FT 23/01)
[The drop in pre-tax profits occurred after the relaxation of pub opening hours –Ed.]

Newcastle University opened its **£4m culture lab**. [see Cultural Developments, § 4.2.]

5.12 Transport & Communications

EasyJet carried **33.7m passengers** in 2006, a **rise of 11%** on 2005. The airline introduced almost **50 new routes** in 2006 and revenues **rose 20.7%** to **£1.67bn**. It expects profits to **rise 40-50%** for the full-year. In the first quarter, passenger numbers were up 9.8% at 8.1m with passenger revenue per seat up 4% (and up 2.3% year-on-year). (J 09/01 & FT 08/02)

Metro operator **Nexus** has **outlined its bid** to secure the **seven-year contract to run the Metro System** in Tyne & Wear from 2009 which will need to compete with private firms. (J 16/01)

Go-Ahead, the **Newcastle**-based bus and train operator has announced a **35% rise in revenue** to £915.2m and a **15% rise in profits** to £50.9m over the **six months to December 2006**. Rising passenger numbers and falling fuel costs are cited for the rise nation-wide. In the North East, which contributes approximately one fifth of the company's bus business, the rise in profits has been linked to a 10% cut in the number of buses, route reorganisation and a **£14m** investment in buses. (J 17/02)

Executel is expecting to **double** in size to £14m by 2012. The **Gateshead telecommunications** business, which was first launched 10 years ago, aims to grow by 20% every year as it looks to Voice Over Internet Protocol (VOIP) to achieve the growth. (J 26/03)

Danish airline **Cimber Air** **launched** a daily flight from **Copenhagen** to **Newcastle Airport** in March 2007. (J 26/01)

[This is Newcastle's 40th scheduled daily destination. Flights to Dubai are set to begin in September – Ed.]

Plane Chartering Ltd has been set up in Antibes, south of France, but is soon to be **head-quartered** in **Newcastle**. Established by entrepreneur **Karl Watkin**, who invested more than **£2m**, it is thought to be the 'world's first environmentally friendly executive jet chartering business'. Mr. Watkin plans to increase the current stock of 6 planes to **18** by **2008** by floating the business in September. (J 01/02)

The **Department for Transport** began **short-listing applicants** to take over the **East Coast Main Line** in January 2007, after GNER was forced to surrender the route following financial pressures. (J 17/01)

[The four bidders for the franchise have been confirmed as Arriva Trains, National Express Group, First Group and a partnership of Virgin, Stagecoach and GNER. The successful applicant is expected to be announced in July-August. (J 14/03 & 09/05)]

5.13 Financial Services

Northern Rock's pre-tax profits **rose 16.5%** to **£587.7m** in 2006. **Gross mortgage lending rose 22.7%** to £33bn while **net lending rose 14.2%** to £16.6bn. It has a 7% share of the total mortgage stock but over 14% of new mortgages and plans to **add 28 branches** to its existing network of 72 by 2010-22. (J 25/01)

Quantum Corporate Finance, the only independent corporate finance house in **Newcastle**, has been **acquired** by Begbies Traynor Group for an undisclosed sum. Quantum specialises in fundraising, acquisitions and disposals. It plans to double the deals it handles to £80m by 2016. (J 02/03)

The **Newcastle Building Society** is **closing** down a back office operation in **India** after discovering its **Tyneside staff outperformed** on efficiency, accuracy and costs. (FT 02/02)

5.14 Business Services

Vanguard is aiming to **double** sales to £1.2m by 2009. The **Gateshead-based** firm has invested £350,000 developing a new IT system for retail businesses. The new **Electronic Point of Sale** system (EPOS) is targeted at small to medium-size companies. (J 26/01)

Dickinson Dees is setting up an **office in central London in May**. The **Newcastle law firm** is one of the UK's top 50. Clients such as GoAhead and Grainger Trust already generate more work from their London offices than their HQs in Newcastle (FT 16/03)

5.15 Software & Digital Industries

TSG (Technology Services Group) expects its **first operating profit** of **£5m** this year on a turnover of **£35m**. The **Newcastle software** company has spent over **£20m** buying 21 companies and is preparing to spend an additional **£15m-plus** on **larger acquisitions**. TSG now employs 450 people across the UK. (J 07/03)

5.16 Public Services

Schools in Newcastle, North Tyneside and Sunderland will be amongst 24 in the North East to benefit from **£280,000** awarded through the Government's **Independent/State School Partnership Scheme** focused on improving teaching in languages and science. (J 13/02)

The major Public Sector **Spending Review** is due in the Autumn: This will set spending levels for major programmes for 2008-11.

[**Home Group**, the biggest housing association group in the country, has **relocated** from Gosforth, Newcastle, to **North Tyneside's Gosforth Business Park**.]

6.0 PUBLICATIONS AND RESEARCH

Tyne & Wear Research and Information Publications

House Prices in Tyne & Wear at June 2006 (EP 07/02, Published 02/07, £25)

The third report by TWRI on house prices: covers changes between 2004 and 2006 using Land Registry (HMLR) data. It suggests that house prices are beginning to stabilise relative to earnings. The volume of transactions has decreased and the house price inflation has slowed considerably over the two year period.

Unemployment in Tyne & Wear (Monthly, EU 07/03, Published 04/07, £5)

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.

Annual Monitoring Report 2006 (SR 07/01, Published 05/07, £15)

A report commissioned by the Tyne & Wear Partnership. The Annual Monitoring Report (AMR) 2006 updates the AMR 2005. It provides an overview and analysis of the current relative position and the Tyne & Wear economy and its recent performance to 2006. It monitors changes taking place over the last year and covers nine core economic indicators and four new indicators including Tourism, New Build by Zone, Worklessness and Creative & Digital Industries. The overall picture for 2006 remains positive, with some notable improvement in a number of key economic indicators, including:

- Employment
- Earnings
- The proportion of People of Working Age with NVQ qualifications
- The proportion of pupils achieving 5+ A*-C grades at GCSE

Research News from Other Organisations

R&D Activities in a peripheral Region: An Empirical Study with Special Reference to the North East Region of the UK, H. R. Seddighi & P. J. Huntley, *Economic of Innovation and New Technology*, Vol. 16:3 (April 2007) pp. 221-225.

This study examines the incidence of R&D activities, type of R&D undertaken and the incidence of R&D co-operation among **manufacturing** firms in **Newcastle** upon Tyne. The results show that over 62% of manufacturing firms in the area are R&D active, suggesting R&D active firms tend to be concentrated in urban areas located within peripheral regions. However, the incidence of R&D co-operation within R&D active firms in the region is relatively low. The study may be of interest to policy-makers promoting growth via R&D activities in the North East.

Regional Economic Prospects (Cambridge Econometrics, February 2007)

The report presents prospects within macroeconomics and industries/employment within the UK and provides an overview of recent regional and county indicators within GVA growth, business confidence, employment, population, household income & expenditure and regional investment trends & developments. A specific analysis of economic growth within the twelve UK regions, including the North East, is also provided.

Economic Indicators for Tyne & Wear (Annual % change)			
	Population	Employment	GVA
1981-2004	-0.2	0.1	1.9
2004-2020	0.1	0.3	2.1

Short Term Changes in GVA by sector (% per annum)					
		Manufacturing	Services		Other
			All	Fin. & Bus.	
2006	North East	1.5	3.3	5.6	1.0
	United Kingdom	1.1	3.9	6.1	0.3
2007	North East	- 0.8	2.0	1.9	3.1
	United Kingdom	0.6	2.8	3.3	1.7
2008	North East	1.1	2.2	2.4	1.3
	United Kingdom	1.3	2.8	3.2	1.2

Economic growth in the North East continued at 2½% in 2006 in contrast with a slight acceleration in the UK rate to 2¾%. Employment growth in the North East has been higher than that in the UK as a whole, increasing by 1½% in both 2005 and 2006. In **2007** and **2008** the forecast **GVA growth** rates (1¾% and 2% respectively) and employment growth rates are below the growth rates for the UK as a whole. Rising unemployment rates in the region parallels national trends and so the gap between claimant-count unemployment rates in the North East and the UK has remained roughly constant. However, growth in working-age population in the North East is anticipated to outstrip the creation of new employment. As a result, the gap between the unemployment rate in the region and the UK as a whole is expected to widen again (from 43% to 53% between 2005 and 2020), although this is not forecast to be as wide as 2000 (75%) as the labour market is stronger.

This report follows earlier work by CURD/GHK on ‘What Works in Economic Development?’ (2006). This identified ‘successful’ similar regions including Gothenburg, Tampere, Turin, Styria and Toronto.

The North East Regional Information Partnership (NERIP) has produced a number of publications which are available from their website www.nerip.com:

Quarterly Economic Summary May 2007, Rebecca Hulbert (Published May 2007).

This document provides a summary of the latest data on the North East labour market, house prices, business confidence, Research & Development expenditure (as a percentage of GVA, 1999-2003), business stocks and NE GVA per head.

International Benchmarking Report, (Published May 2007)

ECOTEC Research and Consulting Limited were appointed in January 2007 by NERIP to undertake research to identify international comparator geographies and the availability of key indicator data to allow international benchmarking of the North East of England region. The report considers the fundamental rationale for undertaking a benchmarking exercise, specifically highlighting the importance of benchmarking as an analytical and policy development tool. Further, international benchmarking has the considerable additional benefit of placing the North East in a truly global context, thereby considerably expanding the scope of the previous State of the Region report analysis beyond the UK and its constituent regions.

City Region Profile Reports, (Published February 2007)

Describes the issues faced by the two city regions in the North East. These reports show that North East England is a region of contrasts. Close to the economic centres around Tyneside, Wearside and the Tees Valley are more sparsely populated rural areas.

There is increasing momentum for policy-makers to consider how to deliver economic growth from the economic cores of Tyne & Wear and the Tees Valley, in ways that benefit the city regions around them. This immediately raises questions of geography: where are the city regions? what is the extent of the rural area?

The NERIP Executive Team was commissioned to produce a suite of reports researching into these issues. These reports are: -

- **The Northern City Regions – City Region Comparisons**
- **The Southern City Regions – City Region Comparisons**
- **Spatial Analysis of Economic Flows in North East England**
- **Urban and Rural Comparisons in North East England**

GVA Summary (Published January 2007)

This report is prepared for senior managers, policy makers and analysts with an interest in regional Gross Value Added information. The report provides analysis of regional and sub-regional GVA, broken down by component of income and Industry.

The Annual regional GVA data for 2005 was published in December 2006 in the ONS Regional Gross Value Added First Release 2006. This publication also contains sub-regional data for 2004. All previous first release publications have been revised accordingly and the data used in this summary is the most up to date available at the time of publication.

Demographic Change report, (Published December 2006)

Demographic change is taking place in the North East population, with projections showing expected changes in the total number of people due to migration and natural change, changes in the proportions of people in different age groups, and changes in composition of households. With such a dynamic population there are inevitably policy implications in relation to strategy documents like the RES and the RSS, as population change is just as much a spatial and economic issue as it is a social one.