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**ECONOMIC REVIEW**

**SUMMER 2006**

AUGUST 2006

By

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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, 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

- **UK GDP grew by 0.7% in Q1 2006. Rates were similar in production (0.8%), services (0.7%) and manufacturing (0.8%).** Preliminary **Q2** data shows that UK GDP grew by **0.8%**. (§1.2)
- Reported **job gains exceeded losses** in Tyne & Wear by **+496**. Both Eaga and Tanfield Electronics announced job gains of +400. Around -585 jobs were axed with Dunlop Goodyear's closure. (§3.1) (All gains and losses from press reports).
- **CPI annual inflation rose to 2.5% in June, up from 2.2% in May.** (§1.2) This is above the 2% target, and the Bank of England raised base rates (by 0.25%) to 4.75% in August.
- **House prices** in Tyne & Wear Q1 2006 were up 9.1% on a year earlier (England & Wales 5.1%). The volume of sales rose rapidly compared to a year earlier, up 28.4% in Tyne & Wear (up 37.5% in England & Wales).
- **Business Indicators for Tyne & Wear** (from BSNE) in **Q2 2006 weakened in all aspects** following two quarters of improving prospects. (§1.2)
- **Tyne & Wear's (ILO) unemployment rate** in the **12 months to September 2005** was **6.4%** (31,700). Tyne & Wear's claimant count in June 2006 was 3.5% (23,172). The claimant count is about 2,000 higher than a year ago. (§1.3)

## Key points from News Digest (April - June 2006)

**Eaga Group**, the Jesmond-based energy efficiency specialist, has **bought** the £12m **Everwarm Group**, Scotland's largest insulation and heating business. (§6.3) [**Eaga** has the **contract** to deliver the **£1.5bn** government-funded Warm Front Project.] (§3.1)

**Tyne & Wear** received **£24.3m** from the Housing Corporation to build **490 new homes** in the National Affordable Housing Programme. (§5.1)

**Tyneside** was **recommended** by the Institute for Public policy Research (**IPPR**) as one of five **City Regions** that should receive **£3.5bn** worth of European **structural funds 2007-13**. (§5.1)

**Newcastle's office market** is tipped to be the **seventh strongest in Europe** in 2006 and **third** in the **UK** – Frank Knight. (§5.1)

The **development** of **315,000sq ft** of **factories/business units** in **North Tyneside** will start in September/October. It is the biggest speculative, non-office development on North Tyneside for the last 20 years. (§5.1)

**Downing Developments** has submitted **revised plans** for the **£200m** development of the former **S&N brewery site** in Newcastle. It wants to develop the site into a hotel, offices, student accommodation and a residential development (J 03/05) (§5.1)

**Cobalt Business Park, North Tyneside** will undergo its next phase of development. Construction of a **100,000sq ft** building will start in autumn. It will be built without a tenant. (§5.1)

**Newcastle City Council** has **appointed** the **Aura Consortium** - a partnership led by builders Sir Robert McAlpine, to **rebuild** and **refurbish 16** primary, special and secondary **schools**. (§5.1)

**Business start-ups** in the **NE** are the **lowest in England**. Only 29 new firms are started for every 10,000 people, compared with the UK average of 39. (§6.1)

**Sir Peter Vardy** has set up a **venture capital fund** worth **£50m**. Vardy Venture Capital will support growing businesses, focusing on retail and property firms. (§6.1)

**Swan Hunter's Lyme Bay contract** has been **closed by** the **MoD**. The **final 300 jobs** have been **axed**; however **200 jobs could be created** if it decides to take on **ship breaking contracts**. The MoD is offering a contract to dismantle the retired warship HMS Intrepid and Swan Hunter is currently the only yard in the country with a ship breaking licence. (§6.6)

**Barratt Developments**, the Newcastle house builder, secured **£4.37m funding** from the Housing Corporation to build **153 subsidised, affordable homes** in England. It is the first time that a private company won direct funding for a scheme. (§6.9)

**Greggs**, the Newcastle-based baking giant is well on target to open **23 more shops** in the NE by the end of the year, taking its national total to 1,331. (§6.12)

**Tyne & Wear's 11 museums** and galleries saw a **7% rise in visitors in 2004/05** [compared to last]. (§6.12)

**Newcastle** has been **shortlisted** for the building of the UK's first **super-casino**. Newcastle wants it to provide capital and revenue funding for a **convention centre** costing up to £100m. (§6.13)

**Sunderland-based Arriva** has announced **plans to expand** into **Poland** and the **Czech Republic**. It will also continue to focus on operations in Italy and Germany as its UK business struggles with high fuel costs. (§6.14)

**Newcastle-based Perfiliates Technologies** are **expanding** into **Europe** after attracting £7.3m investment from Cazenove Private Equity. It runs websites for charities. (§6.16)

**Sage's profits grew 19% to £113.7m** in the six months to March. Its revenues rose 18% to £456m compared with the same period last year. The Newcastle-based software giant invested £281m in acquisitions during the period. (§6.17)

**Bridging NewcastleGateshead's future funding** will depend on **raising house prices**. A forthcoming report will warn that BNG must demonstrate evidence of strengthening prices in targeted areas. (§6.18)

10<sup>th</sup> August 2006

## 1.0 Economic Overview

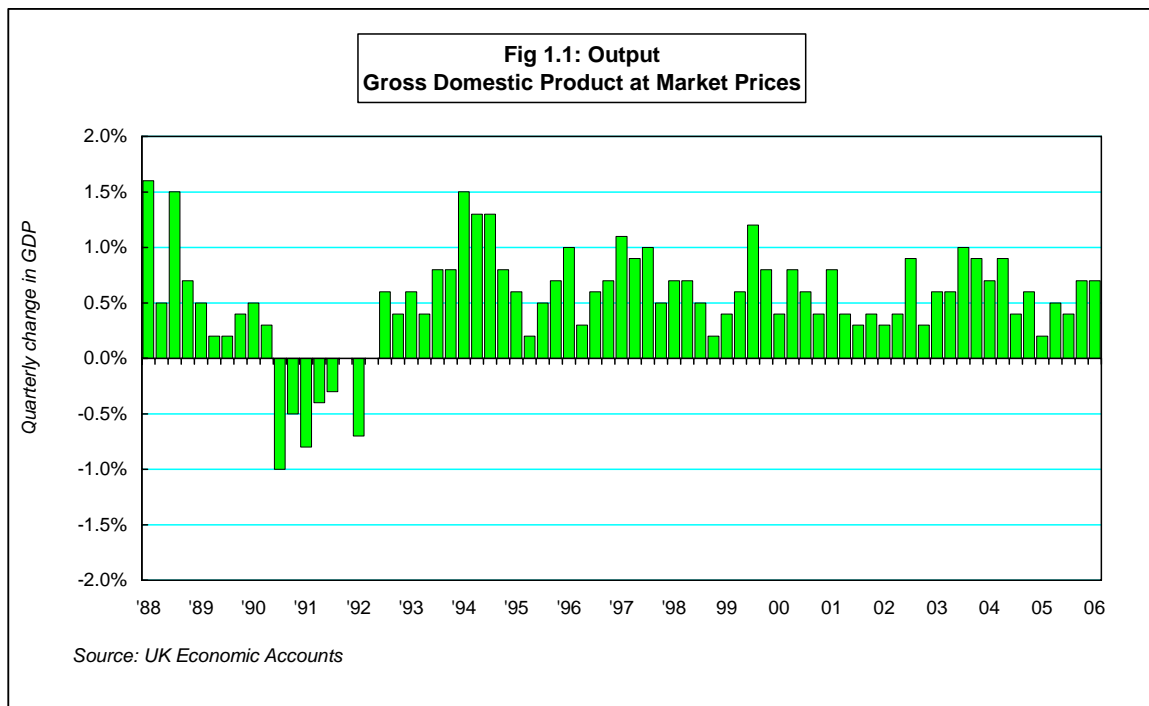
### 1.1 Global Economy

**Economic growth** in the **Eurozone** has begun the **broaden out** and the European Central Bank raised rates to 3.25% (EcN 5/8) **Eurozone GDP grew by 0.6% and EU25 GDP by 0.7% in Q1 2006** following very slow growth of 0.3% and 0.4% respectively in Q4 2005. (ESt 1/06).

**US GDP growth** for **Q1 2006** recorded a **robust rate** of **1.3%**, a marked acceleration from the 0.4% growth in Q4 2005. (ET July 2006). US Federal Funds are now at 5.25%. (Economist 29/06). US consumer price inflation is now at 3.2%. (BLS 19/07).

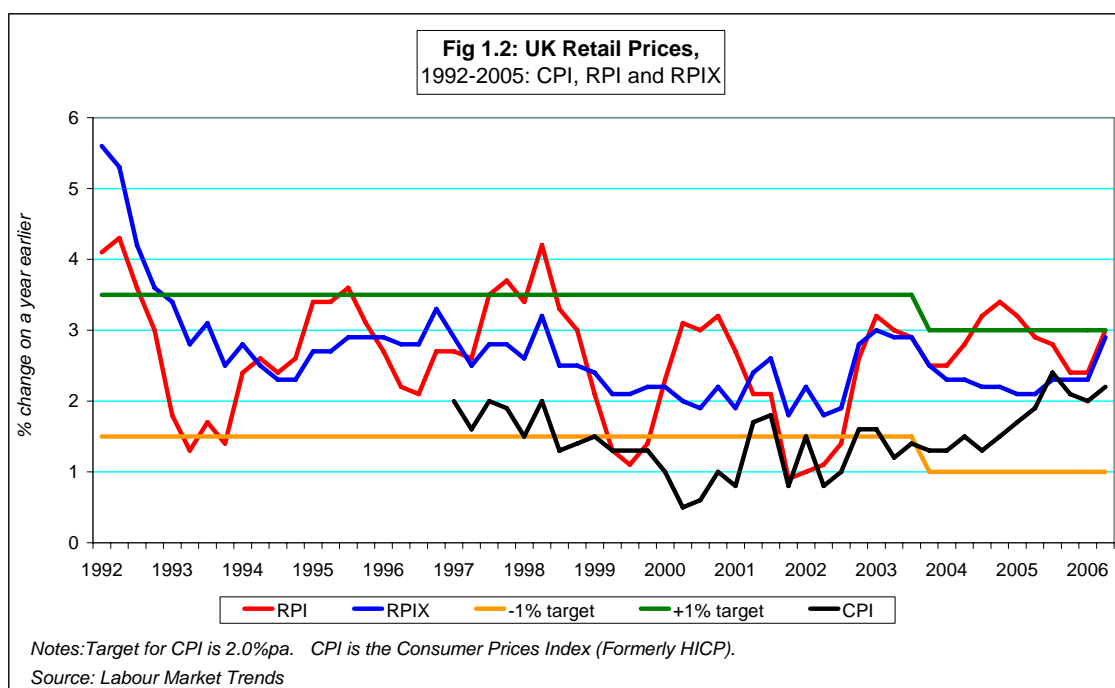
### 1.2 Recent Economic Trends

**UK GDP grew by 0.7% in Q1 2006**, the level of **GDP is now 2.3% higher than in Q1 2005**. There was a **similar rate** of growth in **production** (0.8%) and **services** (0.7% within which financial and business services grew by 1.0%). Similarly, **manufacturing grew by 0.8%**. (NSO 06/06). Preliminary Q2 data shows that GDP grew by 0.8%, the same rate as for GVA. (NSO 21/07)



**Average earnings** (excluding bonuses) **rose by 3.8%** in the year to **May**, **up from 3.7% in April**. Average earnings (including bonuses) rose by 4.1% over the same period, down from 4.4% in April. This fall was due to lower growth in private sector services and the public sector, only partially offset by stronger growth in manufacturing. (NSO 12/07).

**CPI annual inflation**, the government's target measure, **rose to 2.5% in June**, **up from 2.2% in May**. The largest upward effect was from gas and electricity bills reflecting the phasing in of recent tariff increases from major suppliers. There were also large upward effects from food and non-alcoholic beverages and tobacco. RPIX inflation (which excludes mortgage interest payments) rose to 3.1% in June from 2.9% in May. RPI inflation rose to 3.3% from 3.0% over the same period. (NSO 18/07) [Note that the RPI captures changes in mortgage rates, but CPI excludes housing costs – Ed.]



The **volume of retail sales** in the three months **April to June** was **2.1% higher** than in the previous three months. The upturn was contributed to from sales of food (0.9% growth) and **household goods (4.6% growth** largely due to strong sales of electrical goods). (NSO 20/07)

**Productivity increased** by **1.5%** in **Q1 of 2006**, up from growth of 1.2% in Q4 2005 [annual growth]. On a quarter-on-quarter basis, productivity grew by 0.3%, down from 0.9% in the previous quarter. (NSO 03/07).

**Manufacturing** has begun to **grow** again:

**The balance of manufacturing firms reporting rising orders rose to 22%** [over the last three months], **from 13% reported in March** – the **highest** since 1996, according to EEF [Engineering Employers Federation] Manufacturers' report. The export orders balance rose to 19%. The sector endured four years of stagnation with output in March less than 1% above its level in 2002. (FT 05/6)

**North East exports grew** by **8.2%** (£155m) to £2.051bn in Q1 of 2006 from Q1 of the previous year, **compared to 23.4%** in the **UK** (Table 1.1). (HMRC 08/06) [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.]

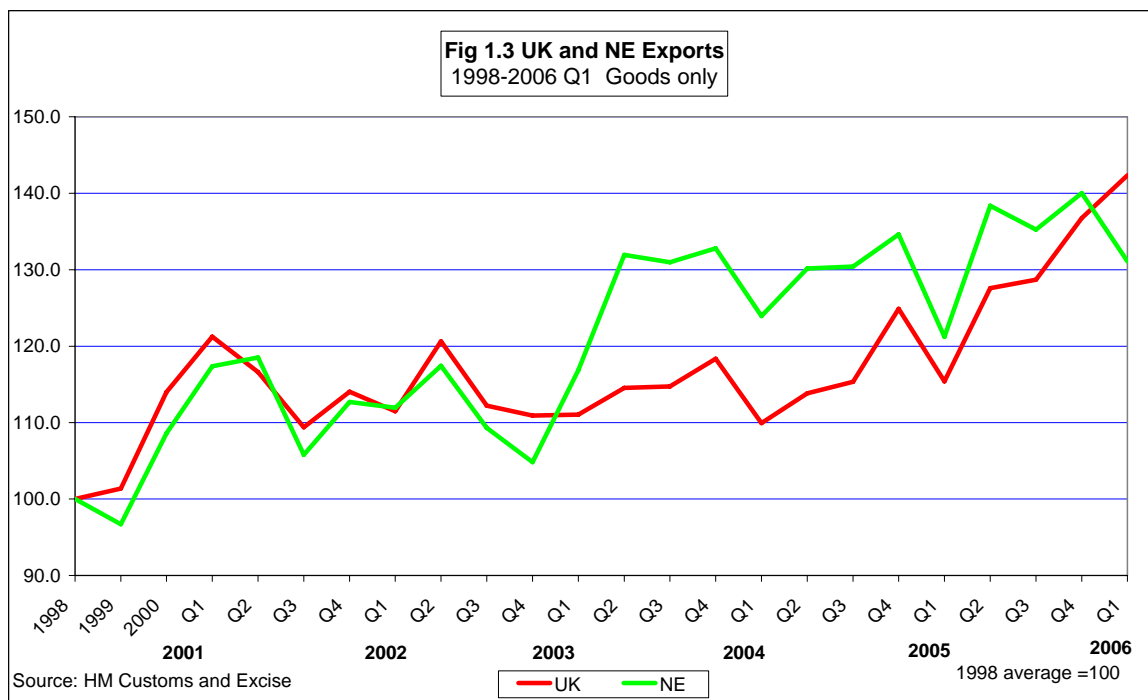


**Table 1.1: Exports, UK and NE, 2001-Q1 2006. Goods only**

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
<b>2001</b>	<b>189,448</b>		<b>7,108</b>	
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
<b>2002</b>	<b>186,978</b>		<b>6,938</b>	
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
<b>2003</b>	<b>188,382</b>		<b>8,018</b>	
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
<b>2004</b>	<b>190,548</b>		<b>8,122</b>	
Q1 2005	47,397	115.4	1,896	121.2
Q2 2005	52,404	127.6	2,164	138.4
Q3 2005	52,863	128.7	2,115	135.2
Q4 2005	56,164	136.7	2,190	140.0
<b>2005</b>	<b>208,828</b>		<b>8,365</b>	
Q1 2006	58,465	142.4	2,051	131.1

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

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

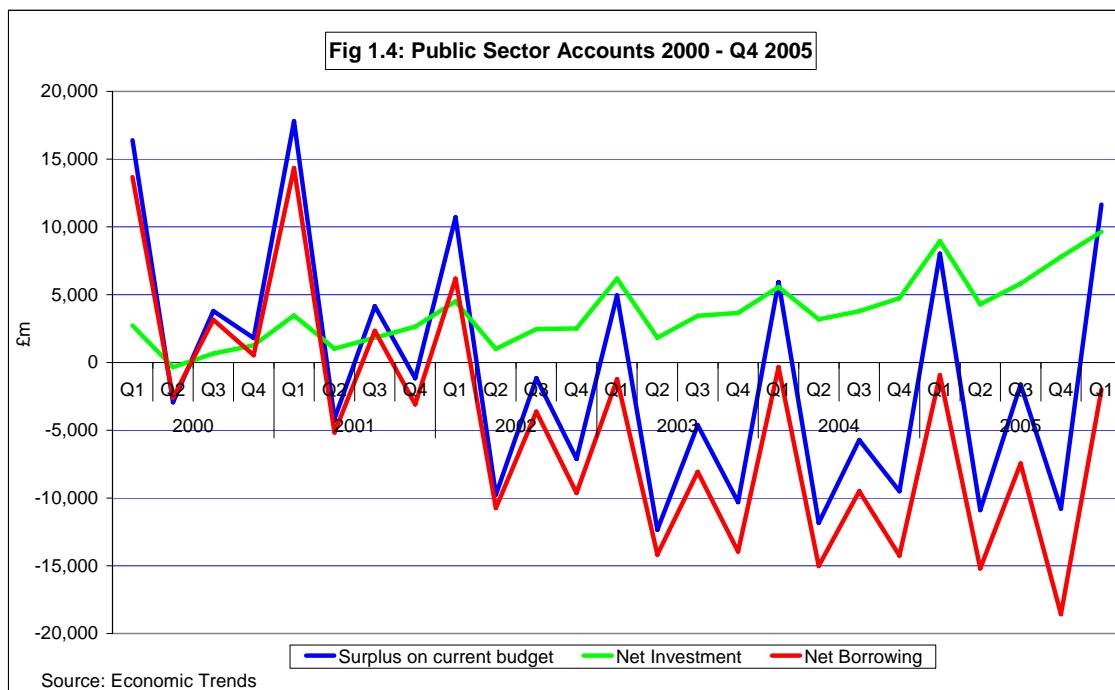


Caution: First three readings are annual, then quarterly from 2001 onwards

The **UK current account** recorded a deficit of **£8.3bn** in **Q1 2006** (NSO 30/06):

Balance of trade (in goods)	-£19.6bn	
Investment income	+£7.6bn	
Services	+£7.0bn	
Current transfers	-£3.3bn	
	<u>-£8.3bn</u>	(i.e. -2.6% of GDP)

In **June 2006**, the **public sector current budget deficit** was **£6.4bn**, £1.7bn **higher than** in June 2005. Public sector net borrowing, at £7.3bn was £1.1bn higher than in June 2005. At the end of June net debt was £478.6bn (equivalent to 37.6% of GDP). (NSO 20/07)



The publication of the Treasury’s **Public Expenditure Statistical Analysis (PESA) 2006** has shown that **Scotland receives £576 per head [7%] more than the NE**. Overall, the NE is awarded £7,689 per person for all services; the England average is £6,762. (J 16/5)

The **household savings ratio** has been **rising over the past year**; it recovered from a low of 4.1% in Q4 2004 to an average of 5% last year. Inflows into investment funds, banks and building societies in Q1 2006 were the highest in five years – British Bankers’ Association. Net sales of individual savings accounts March 1 to April 5 were 16% higher than the same period of last year at £898m - Investment Management Association. (FT 29/04) The **household saving ratio** was **6.0%** in **Q1 2006**, compared with 5.4% in Q4 2005. (NSO 30/06)

**House price** data for Q1 2006 has been released by HM Land Registry, it shows:

- Prices in England & Wales for Q1 2006 were up 5.1% on a year earlier.
- **Tyne & Wear average prices** were **up 9.1%** over the same period.

*Note: these house price data are not adjusted for changes in the mix of house type.*

The **volume of sales**:

- In England & Wales was up 37.5% compared to a year earlier.
- In **Tyne & Wear** was **up 28.4%** compared to a year earlier.

(HMLR 09/05)

[Housing market activity has been stimulated by the ¼% cut in base rate in August 2005 – Ed.]

A **shortage of properties for sale** will **increase average house prices by 8%** this year according to a monthly market survey by property website, Rightmove. Halifax and Nationwide, however, expect house prices to increase by only 3% this year. (FT 15/5)

The **Halifax** reported **house price rises of 9.1%** in the year to May, up from 8% in April. (J 09/6)

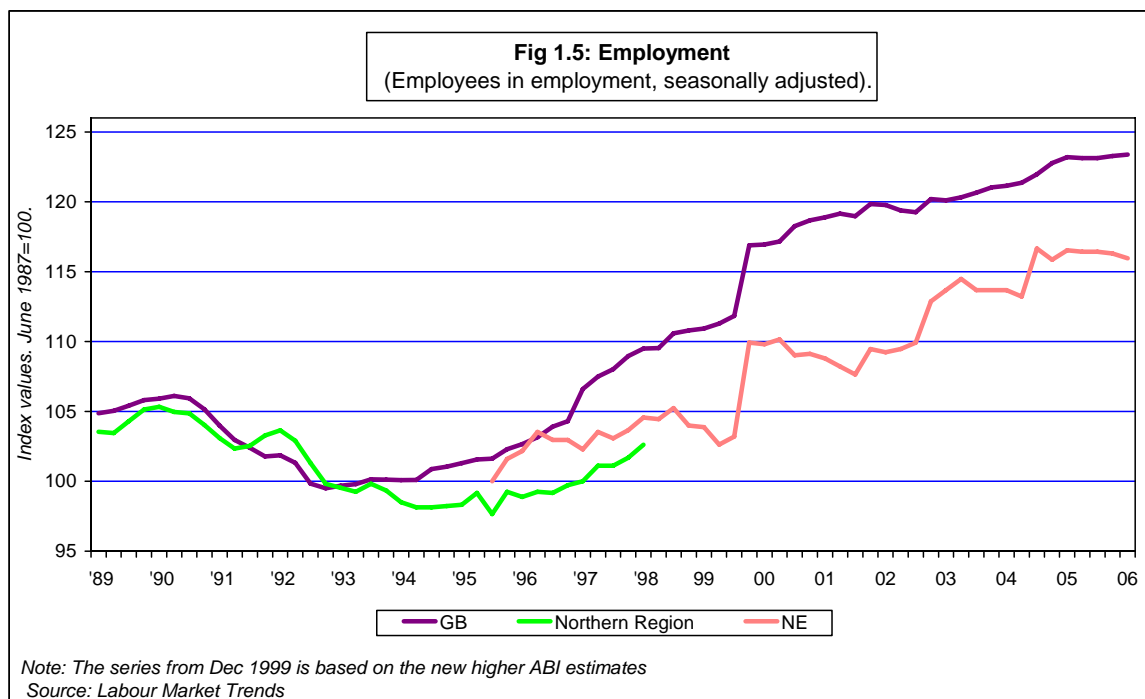
**Mortgage debt reached £1,000bn** for the **first time** in May – Council of Mortgage Lenders. Mortgage borrowing had risen steeply in recent years, from 36% of national income in 1985 to 72% in 2004. The value of homes was, however, far higher than the debt incurred to buy them; homeowners had £3,600bn of equity in their properties. (FT 28/04)

**Business Survey North East (BSNE)** indicators in Q2 2006 **weakened for UK sales and orders and employment**. UK sales fell from +27% to +22%, equal to the average for the previous nine quarters (+22%) and UK orders fell from +27% to +21%, again equal to the average over the previous nine quarters (+21%). The **balance for export sales remained** at 14%, just above the previous nine-quarter average of +12%. The **export orders balance rose** by five percentage points from +8% to +13%; above the average for the previous nine quarters of +10%. The employment balance, however, fell from +21% to 10%; well below the average over the previous nine quarters of +17%.

Business indicators for just **Tyne & Wear** (results from BSNE) in Q2 2006 **weakened in all aspects**. This follows significant improvements to prospects in Q1 2006. The balance of **UK sales and orders fell** from +29% to +20% and from +29% to +15% respectively. The balance for both **export sales and orders also fell**, from +17% to +10% and +12% to +10% respectively. The **employment indicator balance weakened** to +9 % (down from +36%). A decrease is also forecast for 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 Q2 of 2006**, the Tyne & Wear **balance of job gains over job losses** (logged by TWRI from the press) was, at +496, significantly **higher than in the previous quarter** (+173) (see Section 3).

### 1.3 Labour Market Latest



In the **UK**, the **employment rate** for people of working age for the three months ending in May 2006 was 74.6%, **virtually unchanged** from the previous quarter (74.5%). The number of people in employment rose by 59,000 over the quarter. (NSO 12/07)<sup>1</sup>

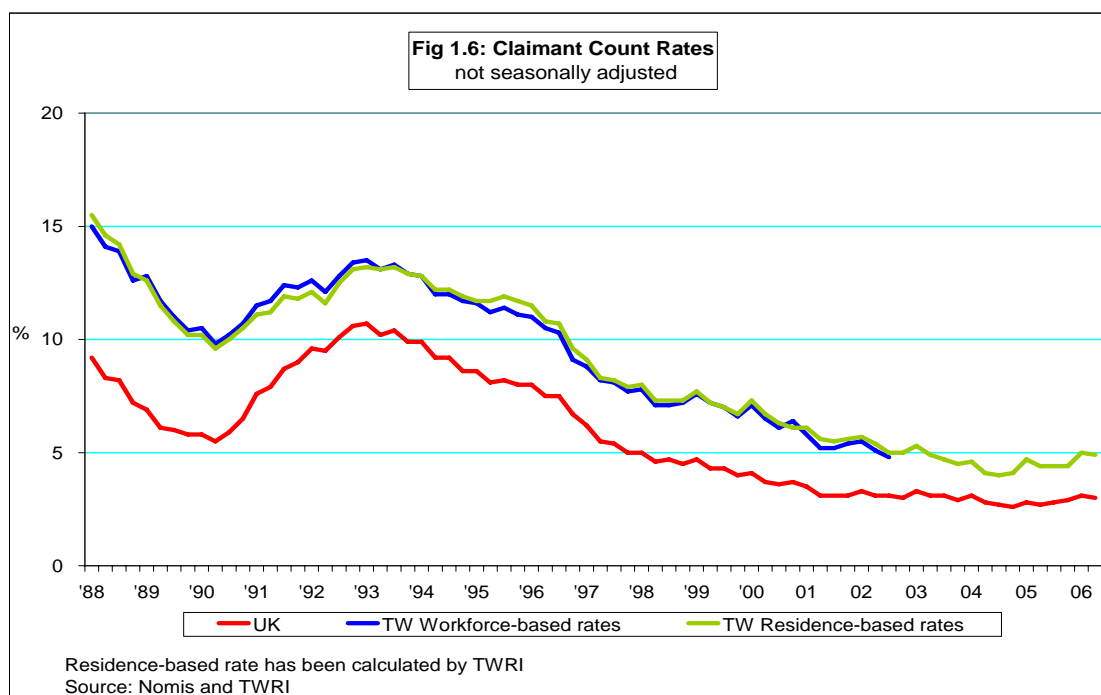
In the **North East**, [LFS] data for the three months to May 2006 show the seasonally adjusted **employment rate** at 71.6%, **up 1.3 percentage points** on a year earlier. [The confidence interval is +/- 2.4%] (NSO 12/07).

In the **UK**, the (ILO) **unemployment rate** was **5.4%**, up just 0.3 percentage points from the previous quarter (the confidence interval is +/- 0.2). The number of unemployed people rose by 90,000. The **claimant count** was 956,600 in June 2006, **up 5,900 from the previous month** and up 91,700 on a year earlier. (NSO 12/07)

In the **NE**, the **unemployment rate** was **6.0%**, down 0.4 percentage points on a year earlier. [The confidence interval is about +/-1.3] The seasonally adjusted claimant count rate was up 0.4 percentage points (+4,700 to 50,900) in the year to June 2005, at 4.3%. (NSO 12/07)

**Tyne & Wear's (ILO) unemployment rate** in the **12 months to Sept 2005** was **6.4%** (31,700). Tyne & Wear's claimant count in June 2006 was 3.5% (23,172).

[Note: LFS unemployment data is now published in TWRI's report on unemployment (from June, published July). 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.]



## 1.4 Labour Market Trends

### Labour Supply

The **proportion of employers hiring workers from Eastern Europe** has **almost doubled to 12% in the last year** – Manpower Recruitment. Amongst small businesses the proportion has risen from 10% to 19%. Migrant workers will boost UK growth by 0.2% in 2006 and 0.4% in 2007 and contribute

<sup>1</sup> It is more robust (but less timely) to now use the APS (Annual Population Survey)

£300m to Treasury coffers – Ernst & Young Item Club. (FT 27/04) **Immigrant workers** from the **EU accession states** have kept **interest rates 0.5 percentage points lower** than they would otherwise be, according to Ernst & Young Item Club. (R&R, May 06) [New national insurance numbers issued to foreign nationals have roughly doubled in the NE since 2003/04 to 11,000 in 2005/06. Source: ‘National Insurance Number Allocations to Overseas Nationals Entering the UK, 2006,’ ONS].

**Employers are recruiting older workers to fill skills gaps** and comply with age discrimination laws due to be introduced in October - Chartered Institute of Personnel & Development. The survey of 800 organisations showed 70% were actively seeking to recruit people over 55. Almost 40% of jobs created in the past 12 months were filled by people over pensionable age according to ONS. (FT 12/6)

## Labour Demand

The **construction** sector **needs** to recruit **348,000** workers by **2010** (87,000 a year) to meet forecast increases in orders - ConstructionSkills. **Output** is expected to **rise by 13%**. The number of workers in the sector is forecast to rise to 2.8m by 2010. (FT 05/6)

## Skills

**Concerns about skills shortages**, particularly a **shortage of engineers and technicians** have been **raised by North Sea contractors, the building industry and waste management companies**. According to the Universities and Colleges Admissions Service (UCAS), the number of students accepted for engineering courses has risen by 2.4% since 2001 but remains 18% lower than in 1997. Apprenticeships also rose 16.7% to 175,000 during the 12 months to March 2005. This exceeded government targets but remains well below levels in the 1970s and 80s. (FT 1/6)

**Skills shortages** in the **NE** were reported by **21% of companies** in 2005, against 26% in 2003. 6% of employees were thought to have a skills gap, down from 10% in 2003, according to LSC. (J 22/6)

**Skills gaps in England** fell to **16% in 2005**, from 20% in 2004 and 22% in 2003, according to the Learning and Skills Council (LSC) [proportions are of employers reporting skills shortages]. The **percentage** of staff identified as **lacking skills** also **fell** from 11% in 2003 to **6% in 2005**. However, 65% of employers spent £33bn to train 61% of their workforce, the equivalent to £1,550 per employee or £2,550 per person trained. The proportion of hard-to-fill vacancies due to skills shortages remained at 17%, 59% of which are for small businesses with less than 25 employees. (FT 22/6)

**Poor staff training** costs North East’s small **construction** companies **£193m a year**, according to CITB ConstructionSkills, the sector’s Skills Council. They are estimated to waste around £28m through materials errors, £122m in on-site accidents and £43m on recruiting 11,000 people per annum. (J 24/3)

## Other

The average number of **days lost per employee through sickness in the North East** fell from **7.5** in 2004 to **6.2 in 2005** (the national average is 6 days) - CBI Business Group Report. 7m sick days were recorded in the NE in 2005. They are believed to have **cost the region’s economy £1.2bn**, with the direct cost to employers £598m. (J 15/5)

## **1.5 Future Economic Prospects**

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

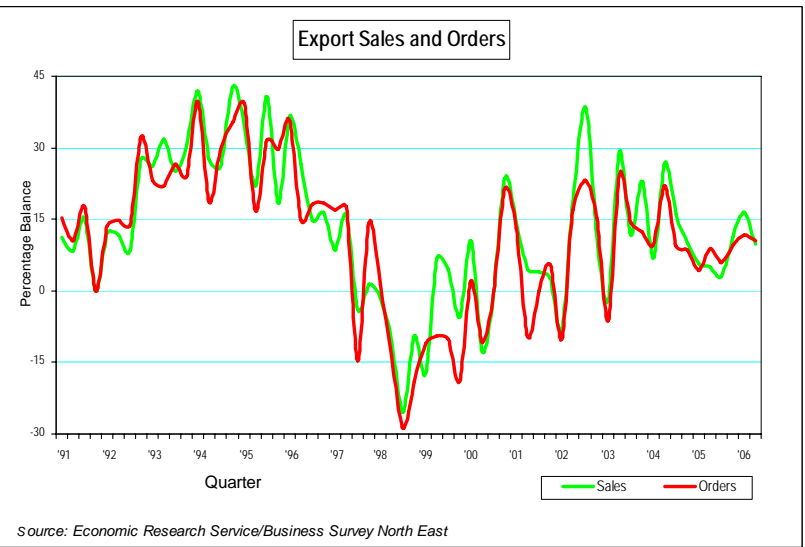
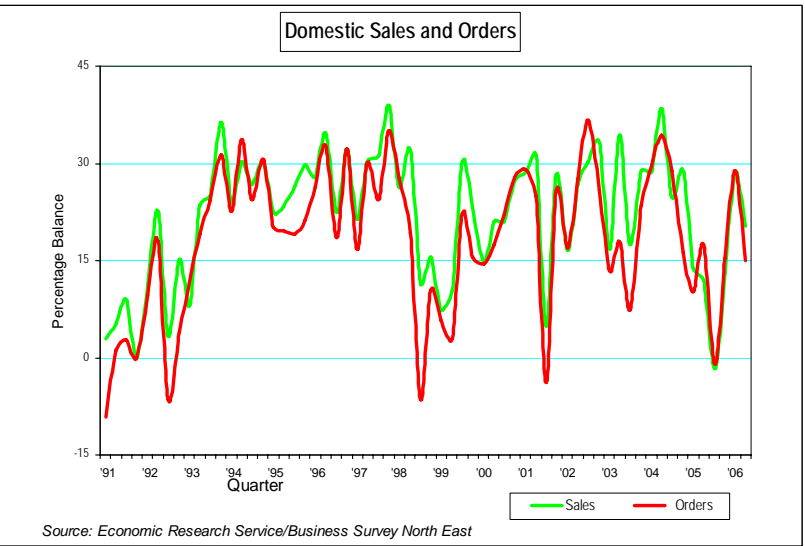
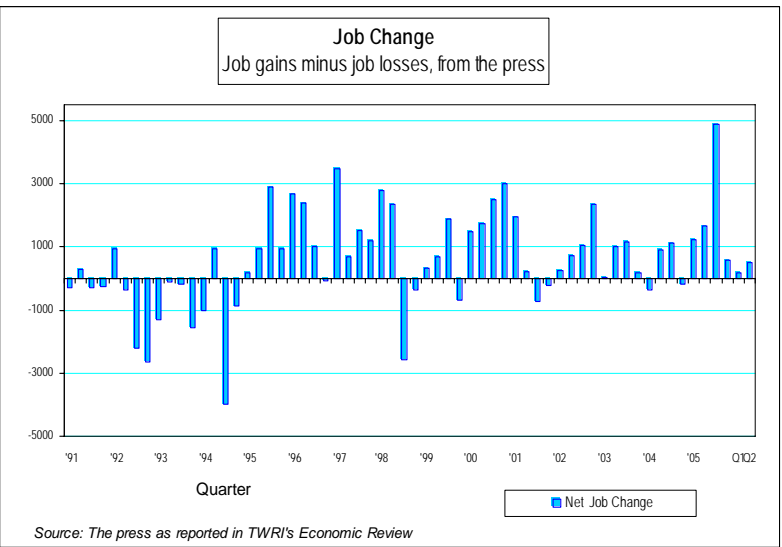
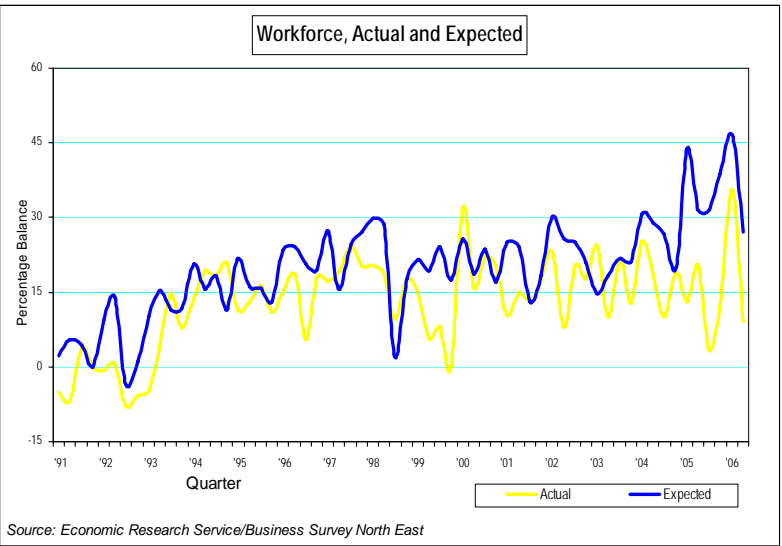
- **Economic growth** for **2006** is forecast to be **2.3%**.
- **Claimant unemployment is forecast to rise to 0.99m** by **Q4 2006**.
- **CPI Inflation** is forecast to be 2.1% and **RPI inflation** to be 2.7%, both for **Q4 2006**.

For 2007:

- **Economic growth** is forecast to be **2.5%**.
- **Claimant unemployment is forecast to rise to 1.03m** by **Q4 2007**.
- **CPI Inflation** is forecast to be 2% and **RPI inflation** to be 2.4%, both for **Q4 2007**.

*[Source: Economic Trends, July 2006]*

**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:		2005				2006		Change	
		Q1	Q2	Q3	Q4	Q1	Quarterly	Annual	
Gross Domestic Product: (chained volume indices at market prices)	(s.a.)	104.4	104.9	105.4	106.0	106.8	0.8%	2.3%	
Household Final Consumption	(s.a.)	£181,980m	£182,287m	£182,748m	£184,128m	£184,731m	0.3%	1.5%	
Retail Sales volume	(s.a.)	124.7	125.2	125.7	127.7	127.0	-0.5%	1.8%	
Output: production industries	(s.a.)	99.7	99.5	98.7	98.0	98.8	0.8%	-0.9%	
services	(s.a.)	105.5	106.3	107.1	108.3	109	0.6%	3.3%	
New Orders:									
Engineering	(s.a.)	79.0	78.6	81.2	78.4	75.9	-3.2%	-3.9%	
Construction	(s.a.)	107.5	116.7	110.2	114.9	115.1	0.2%	7.1%	
Fixed Capital Investment									
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA	
Business Investment:	(s.a.)	£28,239m	£28,833m	£29,004m	£29,040m	£29,545m	1.7%	4.6%	
Balance of Payments									
current account	(s.a.)	-£5,317m	-£1,577m	-£10,516m	-£9,140m	-£8,345m	-8.7%	56.9%	
INFLATION INDICATORS:		May	Aug	Nov	Feb	May	Change		
Retail Prices Index (All Items) (Jan 1987 = 100)		192.0	192.6	193.6	194.2	197.7	Quarterly	Annual	
							1.8%	3.0%	
Average Earnings Index:	(s.a.)	Apr	Jul	Oct	Jan	Apr	Change		
		120.7	121.6	122.3	124.6	125.1	Quarterly	Annual	
							0.4%	3.6%	

Sources: National Statistics Economic Trends (July 2006), except Inflation and Earnings NS's Labour Market Trends, (July 2006).



## 2.3 Labour Market Indicators

### LABOUR MARKET INDICATORS

#### EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.		2005					Change	
		Mar	June	Sep	Dec	Mar	Quarterly	Annual
Total employees:	UK	26.569m	26.608m	26.640m	26.815m	26.614m	-0.7%	0.2%
	North East	1.020m	1.019m	1.021m	1.025m	1.014m	-1.1%	-0.6%
Men employees:	UK	13.325m	13.340m	13.399m	13.479m	13.383m	-0.7%	0.4%
	North East	517,000	518,000	522,000	524,000	517,000	-1.3%	0.0%
Women employees:	UK	13.244m	13.267m	13.240m	13.336m	13.231m	-0.8%	-0.1%
	North East	503,000	502,000	499,000	500,000	497,000	-0.6%	-1.2%
Women full-time:	UK	6.839m	6.865m	6.869m	6.857m	6.841m	-0.2%	0.0%
	North East	248,000	249,000	246,000	243,000	243,000	0.0%	-2.0%
Women part-time:	UK	6.405m	6.402m	6.371m	6.479m	6.390m	-1.4%	-0.2%
	North East	255,000	253,000	253,000	257,000	254,000	-1.2%	-0.4%
Production employees (C-E):	UK	3.326m	3.290m	3.271m	3.240m	3.214m	-0.8%	-3.4%
	North East	147,000	146,000	146,000	143,000	143,000	0.0%	-2.7%
Construction employees:	UK	1.211m	1.193m	1.234m	1.232m	1.235m	0.2%	2.0%
	North East	63,000	60,000	65,000	65,000	60,000	-7.7%	-4.8%
Service employees: (G-Q)	UK	21.783m	21.884m	21.903m	22.115m	21.943m	-0.8%	0.7%
	North East	800,000	802,000	800,000	806,000	801,000	-0.6%	0.1%
		2005	2005	2005	2005/2006	2006	Change	
Not seasonally adjusted		Spring	Summer	Autumn	Winter	Spring	Quarterly	Annual
Self-employment:*	UK	3.633m	3.635m	3.712m	3.731m	3.736m	5,000	103,000
	North East	87,000	106,000	101,000	104,000	109,000	5,000	22,000

CLAIMANT COUNT (Not seasonally adjusted).		2005	2005	2005	2006	2006	Change	
		June	Sep	Dec	Mar	June	Quarterly	Annual
United Kingdom		.858m	.872m	.893m	.989m	.953m	-36,000	95,000
Great Britain		.830m	.842m	.866m	.960m	.925m	-35,000	95,000
North East Region		45,131	45,655	46,883	52,389	50,143	-2,246	5,012
Tyne & Wear		21,026	21,170	21,242	23,784	23,172	-612	2,146
Claimant Count Rates (workforce rates) %:							Change in rates:	
							Quarterly	Annual
United Kingdom		2.7	2.8	2.9	3.1	3.0	-0.1	0.3
Great Britain		2.7	2.8	2.8	3.1	3.0	-0.1	0.3
North East Region		3.9	4.0	4.1	4.4	4.3	-0.1	0.4
Tyne & Wear+		4.4	4.4	4.4	5.0	4.9	-0.1	0.5

REDUNDANCIES (from the Labour Force Survey).		2004/2005	2005	2005	2005/2006	2006	Change	
		Spring	Summer	Autumn	Winter	Spring	Quarterly	Annual
Numbers (thousands):	GB	97.4	97.2	99.2	98.7	99.0	0.3	1.6
	North East	*	*	8,000	*	*	n.a	n.a
Rates (per 1,000 employees):							Change in rates:	
							Quarterly	Annual
GB		5.6	5.1	6.3	5.8	6.0	0.2	0.4
North East		*	*	11.7	*	*	n.a	n.a

Sources: ONS's Labour Market Trends (July 2006) 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).

### 3.0 LOCAL JOBS AND ORDERS

TWRI has a database of job gains and losses announced in the press since the beginning of 1996. Listings are available on request by district, industry (2 digit SIC80) and cluster. This database and the lists given below, record gains and losses reported in the press. The press tends to under-record job losses, overall. For example, particularly notable under-recordings have been numerous small losses across retailing and possibly from the offshore industry.

#### 3.1 Job Gains

(+1,471 announced in press April 1<sup>st</sup> – June 30<sup>th</sup> 2006)

+400*	<b>Tanfield Electronics</b> , Washington, Sunderland (Engineering company. It has taken on the lease of the former LG Electronics plant in Washington, to house its latest acquisition Irish platform maker UpRight. Full production will move from Ireland to the Washington plant.)	(J 09/06)
+400	<b>Eaga</b> , Newcastle and Gateshead (Grant provider/energy scheme administrator. It has the contract to deliver the £1.5bn government-funded Warm Front Project for vulnerable people. Its turnover is expected to grow from £400m to £1bn by 2010.)	(EC 05/04)
+200	<b>McNulty Offshore</b> , South Shields (Shipyards. Jobs to be created after securing a contract to work on a gas pipeline off Norway. The South Shields shipyard will begin work on the project in June. It will run to October and provide work for welders and pipe fitters.)	(J 01/06)
+65	<b>NewLogic</b> , Washington (Sunderland) and Jarrow (South Tyneside) (Call centre operator. Jobs to be created with expansion into South Tyneside. It also plans to acquire new businesses outside the region to increase turnover by 50%.)	(J 20/04)
+50 (by 2008)	<b>Upton Nichol Williamson (UNW)</b> , St James' Boulevard, Newcastle (Chartered accountants. Jobs to be created at their base in Citygate on St James' Boulevard as it expands its workforce to 100.)	(J 12/05)
+40	<b>WS Atkins</b> , Newcastle (Design and engineering consultancy. Jobs doubling its Newcastle workforce to be created after revenues rose 10% to £1.05bn. It is gearing up for major project work on the 2012 London Olympics. It employs 420 people in the NE.)	J (23/06)
+37	<b>Eutechnyx</b> , Gateshead (Videogame development company. 22 jobs created with the move into next-generation gaming. A further 15 jobs created after it received a £250,000 investment from NEL.)	(J 18/04 and 25/05)
+35*	<b>National Audit Office</b> , Newcastle (It will create an initial 35 jobs in setting up a second office in Newcastle in September.)	(UKBP 09/06)
+30	<b>Responsive Engineering</b> , Team Valley, Gateshead (Engineering firm. Jobs to be created at its Team Valley base on the back of a £2m investment programme. It is aiming to boost turnover from £7m to £10m.)	(J 12/05)
+30	<b>Dickinson Dees</b> , Newcastle (Law firm. Jobs created with the expansion of its residential-property department. It now handles over 5,000 property transactions at one time.)	(J 05/05)
+30	<b>British Airways</b> , Newcastle Business Park (Travel operator. Jobs to be created at BA's base. It is expanding its IT team due to the popularity of its website ba.com.)	(J 27/05)

+25*	<b>itCampus</b> , North Tyneside (Call-centre software manufacturer. Jobs to be created when HQ opens in North Tyneside. It will market its new predictive dialling software from the HQ.)	(J 26/06)
+20* (by 2008)	<b>Knowledge IT</b> , Washington (IT support company. Jobs to be created with the launch of a new hi-tech operations centre in Washington. The centre currently houses 10 ICT support experts with a further 20 jobs to be created over the next two years.)	(J 15/06)
+20 (by 2008)*	<b>Protech Human Resources</b> , Carliol Square, Newcastle (Construction recruitment company. It has moved into new 3,500 sq ft offices on Carliol Square in Newcastle. After four years in business it now turns over £3m.)	(J 12/05)
+16*	<b>Bioinformatics Institute (BII)</b> , Newcastle (Medical research institute. BII plans to create 16 posts at its Newcastle base. It is applying for £5m funding to create the NE Proteomics Analysis Facility (NEPAF). BII is moving from the Centre for Life to three-storey, 12,000 sq ft premises at Marlborough House in Newcastle.)	(J 23/06)
+15 (TWRI Estimate)	<b>Curry's</b> , five out-of town and retail park outlets in TW (Electrical chain. Jobs for more customer services staff created with three staff to go in each of its 250 stores. It has five outlets in TW.)	(J 14/06)
+15	<b>Peacocks Medical Group</b> , Benfield Business Park, Newcastle (Surgical and medical equipment manufacturer. It is set to tie-up an agreement with a Shanghai business partner to sell its specialised medical supports and braces to a city hospital.)	(J 23/05)
+15	<b>ScS Upholstery</b> , Silverlink Retail Park, North Tyneside (Furniture group. Jobs to be created following a 1% rise in like-for-like sales for the six months to March.)	(J 11/04)
+ 13	<b>TNEI</b> , Newcastle (Small wind turbine suppliers. Jobs to be created on the back of soaring energy prices. Its sales rose from £1.5m in 2004 to an expected £3.5m this financial year.	(J 20/06)
+10*	<b>Waterworks</b> , Sunderland (Drainage maker. Jobs created over the next year following expansion into new premises in its first year.)	(J 02/06)
+5 (TWRI estimate)	<b>Northern Recruitment Group</b> , Newcastle (Recruitment company. It is recruiting 25 staff to join its 140-strong workforce. NRG has offices in Newcastle, Middlesbrough, York, Edinburgh and Glasgow. TWRI estimates five jobs will be created in Newcastle.)	(J 13/05)

\*New Opening

<b>Outside Tyne &amp; Wear</b>		
+ 200 (by 2008)*	<b>Helen McCardle Group</b> , across the North East (Care homes. It opened its third Kids 1 <sup>st</sup> Day Care Nursery in Newcastle and plans to open eight more sites by the end of 2007.)	(J 10/04)
+170*	<b>Ecco Newsprint</b> , Wilton near Redcar, Tees Valley (Paper recycling mill. Jobs to be created at £275m mill after planning permission was won in April. Ecco is still considering other sites in Europe.)	(J 29/04)
+150*	<b>Shepherd Homes</b> , Belmont Business Park, Co. Durham (Housebuilder (Yorkshire-based). Jobs to be created with the opening of a new regional office at Belmont Business Park. It is nearing completion of an 84-home site (The Laurels) at West Monkseaton, North Tyneside.)	(J 08/05)

+120	<b>Power Generation Technology</b> , Billingham (Energy technology. Jobs created at its HQ following the development of a new invention. 'Power plus' technology is claimed to make power stations at least 25% more efficient.)	(J 16/06)
+100 (by 2008)	<b>Avecia Biotechnology</b> , Billingham (Bioscience firm. It has been awarded a £2m grant to develop anthrax vaccines for the US government's National Institute of Allergy and Infectious Diseases.)	(J 16/06)

\*New Opening

### 3.2 Job Losses

(-975 announced in press April 1<sup>st</sup> – June 30<sup>th</sup> 2006)

-585*	<b>Goodyear Dunlop</b> , Washington (Tyre manufacturer. Production ended at the tyre factory in July. The jobs were axed as part of a £28m international cost-cutting exercise. The firm took over the plant from Avon Tyres in 2004.)	(J 05/04)
-120 (TWRI estimate)	<b>NTL</b> , Gateshead (Telecoms company. It is preparing to cut a third of its UK workforce to save £250m in costs after merging with Telewest in March. NTL employs 400 staff in Gateshead; TWRI estimates 120 job losses.)	(J 10/05)
-85 (by 2008)	<b>Government Office for the North East (GONE)</b> , Citygate Newcastle (It will cut a third of its administrative staff over the next two years with losses to be achieved through natural turnover and voluntary severance. The Treasury has ordered all Government Offices in England to reduce administrative staff numbers by 33% to make them 'more strategic'.)	(J 20/04)
-47	<b>Schools in Sunderland</b> (Jobs to be cut through voluntary redundancy following school budget decreases due to falling pupil numbers. See also cuts in Newcastle and South Tyneside below.)	(J 01/06)
-60 (TWRI estimate)	<b>Royal &amp; Sun Alliance ('More Than')</b> , Sunderland (Insurance company. It plans to cut 1,000 jobs in the UK (10% of its workforce) by June 2008. It wants to save £70m in the UK and £130m across the group. 600 staff are employed in Sunderland.)	(J 03/03)
-40	<b>Siemens</b> , Hebburn and Monkton, South Tyneside (Power Transmission and Distribution divisions. Jobs to be cut to halt duplication in activities.)	(J 11/04)
-32	<b>Schools in Newcastle</b> (16 jobs will be cut in summer 2006 with a further 16 expected in December. See cuts in Sunderland, above, for explanation.)	(J 01/06)

<b>-12</b>	<b>Schools in South Tyneside</b> (Jobs cut in line with budget decreases – see cuts in Sunderland, above.)	<b>(J 01/06)</b>
<b>-10*</b>	<b>Global Video, South Shields and Wallsend</b> (Video chain. 25 jobs were lost in the NE, 10 of which were in TW as the chain went into administration. Five NE stores were closed including those in Sunderland and Wallsend. It accrued debts of £2.5m since 2004 and has been rebranded Global DVD following a management buy-out.)	<b>(J 10/06)</b>

\*Closure

Late news: In addition, **300 jobs** were lost at **Swan Hunter** in July with the loss of the *Lyme Bay* which was transferred to Govan in Scotland for completion.

<b>Outside Tyne &amp; Wear</b>		
<b>-90*</b>	<b>Europa Magnetics, Cramlington, Northumberland</b> (Electronics company. The jobs were axed when the Taiwanese firm closed its plant in June to switch work to Europe and China.)	<b>(J 06/04)</b>

\* Closure

### 3.3 New Orders and Contracts to Local Firms (worth at least £1.515 bn to local firms)

<b>£1.5bn</b>	<b>Eaga, Newcastle</b> (Grant provider/energy scheme administrator. It secured the contract to deliver the government-funded Warm Front project for vulnerable people.)	<b>(J 06/04)</b>
<b>£8m</b>	<b>Surgo Construction, Newcastle-based</b> (Construction. It won the contract to extend the Macmillan Academy in Middlesbrough. It will build a 57,000 sq ft three-storey block and sports hall at the City Technology School. It will be completed by August 2007.)	<b>(J 26/05)</b>
<b>£6.7m</b>	<b>Mobilix, Newcastle</b> (Computer components reseller. Its single biggest order to supply central processing units to a US distributor.)	<b>(J 22/05)</b>
<b>£unknown</b>	<b>McNulty Offshore, South Shields, South Tyneside</b> (Shipyard. It has secured a contract to work on the Ormen Lange gas pipeline project in Norway.)	<b>(J 01/06)</b>

## FEATURES

### 4.1 The TOP 20 Companies in Tyne & Wear

The TOP 200, organised by The Journal, compiled by Durham Business School and sponsored by Royal Bank of Scotland, is a list of the Top 200 companies ranked by turnover in the North East. This feature uses this ranking to construct a Top 20 ranking for Tyne & Wear companies. The ranks shown are the respective ranks from the North East Top 200.

'06 Rank	'05 Rank	Company Name	Activity	Loc'n.	Empl. #s	Latest t/over (£m)	Prev. t/over (£m)	% chg.	Effective Date
1	1	<b>Northern Rock Plc</b>	Mortgage bank	<b>Nc</b>	4,980	4,214.6	3,306.2	27.5%	Dec-05
2	2	<b>Barratt Developments Plc</b>	Housebuilding	<b>Nc</b>	4,829	2,512.7	2,516.0	-0.1%	Jun-05
3	3	<b>Nissan Manufacturing (UK)</b>	Car manufacturers	<b>Sd</b>	4,247	2,031.5	2,147.7	-5.4%	Dec-04
4	5	<b>Reg Vardy Plc</b>	Motor vehicle dealers	<b>Sd</b>	5,551	1,717.9	1,610.3	6.7%	Apr-05
5	4	<b>Arriva Plc</b>	Transport services	<b>Sd</b>	32,404	1,626.8	1,759.0	-7.5%	Dec-05
6	6	<b>The Go Ahead Group Plc</b>	Public transport services	<b>Nc</b>	20,069	1,306.0	1,244.0	5.0%	Jul-05
7	7	<b>Bellway Plc</b>	Housebuilding	<b>Nc</b>	2,286	1,178.1	1,092.6	7.8%	Jul-05
9	10	<b>The Sage Group Plc</b>	Software/services	<b>Nc</b>	8,686	776.6	687.6	12.9%	Sep-05
11	14	<b>Greggs Plc</b>	Bakery products	<b>Nc</b>	19,104	533.4	504.2	5.8%	Dec-05
17	31	<b>Eaga Partnership Ltd</b>	Administration of grants	<b>Nc</b>	777	363.5	199.3	82.4%	Dec-05
18	22	<b>Addison Motors Ltd</b>	Car retailer/repair engineers	<b>Nc</b>	1,206	300.5	278.9	7.7%	Dec-04
19	n/a	<b>Northern Electric</b>	Distribution of electricity	<b>Nc</b>	1,504	297.3	287.8	3.3%	Dec-05
23	44	<b>Volker Wessels (UK) Ltd</b>	Building & civil engineering	<b>Gd</b>	429	279.9	107.3	160.9%	Dec-04
24	19	<b>Fenwick Ltd</b>	Department store operators	<b>Nc</b>	2,477	274.7	264.4	3.9%	Jan-05
25	26	<b>Non Fossil Purchasing Agency Ltd</b>	Renewable energy	<b>Nc</b>	11	263.3	211.3	24.6%	Mar-05
28	28	<b>Grainger Trust Plc</b>	Property investment	<b>Nc</b>	188	226.3	217.4	4.1%	Sep-05
30	32	<b>R H Patterson &amp; Co Ltd</b>	Car retailer/repair engineers	<b>Nc</b>	339	190.9	179.4	6.4%	Dec-04
31	38	<b>Newcastle Building Society</b>	Building society	<b>Nc</b>	821	188.4	166.2	13.4%	Dec-05
37	45	<b>SCS Upholstery Plc</b>	Suite/furniture retailers	<b>Sd</b>	1,027	158.2	139.5	13.4%	Sep-05
38	42	<b>Domnick Hunter Group Ltd</b>	Filtration specialists	<b>Gd</b>	1,783	158.2	136.9	15.6%	Dec-04

The **biggest mover** in the North East Top 200 in Tyne & Wear was **Volker Wessels** (Dutch civil engineers under the name Volker Stevin in **Gateshead**, formerly Harbour & General) which moved from a regional rank of 44<sup>th</sup> up to 23<sup>rd</sup> (13<sup>th</sup> in T&W). Tyne & Wear's top three rankings remained the same from 2005 with **Northern Rock Plc** in the **top spot**, followed by **Barratt Developments** and **Nissan Motor Manufacturing**.

There were **three new entrants** in the **Tyne & Wear** Top 20 for 2006, **Volker Wessels UK**, **SCS Upholstery** and **Domnick Hunter Group Limited**. SCS Upholstery entered the Tyne & Wear Top 20 after moving up from 45<sup>th</sup> to 37<sup>th</sup> in the regional rank. Domnick Hunter Plc entered the Tyne & Wear Top 20 ranking at 38<sup>th</sup> in the region after moving up from 42<sup>nd</sup>. It has since been acquired by US company Parker Hannifin.

Rates of growth in turnover varied widely amongst the Tyne & Wear Top 20. Volker Wessels (UK) Ltd showed turnover growth of 160.9%, followed by Eaga Partnership Ltd at 82.4%. The Non Fossil Purchasing Agency Ltd and Northern Rock Plc registered growth in turnover of 24.6% and 27.5% respectively. Three firms in the Top 20 reported falls in turnover. Turnover at Arriva Plc, Nissan Manufacturing and Barratt Development Plc fell by 7.5%, 5.4% and 0.1% respectively.

Note: The Home Group Ltd (social housing providers) featured in the Tyne & Wear Top 20 in 2005 after moving up from 33<sup>rd</sup> in the North East to 30<sup>th</sup>. Oddly, the Group did not feature in the Top 200 in 2006.

Companies without a decision-making board in the NE region are excluded from the list, e.g. Komatsu (UK) reported a turnover of £270m which would rank 15<sup>th</sup> in Tyne & Wear, just below Fenwick.

## 5.0 INVESTMENT

### 5.1 Investment and Development News

#### Investment and Development Trends

Newcastle's office market is tipped to be the **seventh strongest in Europe** in 2006 and **third in the UK** – Frank Knight. Rent per sq ft is expected to rise from £20 to £22 by the end of 2006. (J 03/05)

**Commercial property transactions in the NE dipped 3%** to £738.3m in 2005, according to Lambert Smith Hampton. **Sale of industrial properties fell 86%** to only £35.3m. This was a result of a **limited** stock availability rather than a shortage of demand. However, **retail** property transactions, which account for 70% of all transactions in the region, **jumped 46%** to £514.7m. **Office** property sales **rose 5%** compared with 2004. (J 12/4)

**Bank lending to commercial property increased 16%** to £156bn in **2005** - De Montfort University. More than £173.6bn of outstanding debt was recorded at the end of 2005 across all property. Borrowers have taken advantage of low interest rates and the boom in property prices. Commercial property debt has more than trebled since 1999, when £50bn was lent. (J 31/5)

**Richard Vardy**, son of **Sir Peter Vardy**, has **launched Vardy Property Group**. It will look for development and investment opportunities in the **NE**, Yorkshire and Scotland. (J 24/5) [The **Sunderland**-based Reg Vardy car dealership was sold to Pendragon for £506m in February – Ed.]

#### Office Developments

**UK Land Estates** have submitted a **planning application** to build a **5-storey office block** on **Newcastle's Quayside**. The proposed **6,000m<sup>2</sup>** development is to be located between Flynn's Bar and the Grade II listed Customs House. ([www.icnewcastle.icnetwork.co.uk](http://www.icnewcastle.icnetwork.co.uk))

The **£1.5m Argent Business & Conference Centre, Sunderland** is **due to open this summer**. The former snooker club will provide offices, meeting room, a 180-seat conference facility and extensive business support services. It is currently taking bookings. (J 03/05)

#### Business Developments

**Cobalt Business Park, North Tyneside** will undergo its **next phase of development**. Construction of a **100,000 sq ft** building will start in autumn and complete at the end of 2007. It will be built **without a tenant**. The **£38.3m** cost was raised through an Enterprise Zone syndicate, sponsored by Chancery (UK) LLP and Curo Property Funds LLP. Developer Highbridge guaranteed a rental return to investors after it agreed a developer lease for the site at an initial rent of £1.6m per annum. (J 26/04)

The **£20m development** of **315,000 sq ft** of factories/business units in **North Tyneside** is set to start in September/October. It is the **biggest speculative, non-office development** on North Tyneside for the last 20 years. Gateshead-based UK Land Estates will develop four buildings totalling 117,000 sq ft during phase one and three units totalling 198,000 sq ft in phase two. (J 24/5)

#### Mixed Developments

**Downing Developments** has submitted **revised plans** for the **£200m development** of the former **S&N** brewery site in **Newcastle**. It wants to develop the site into a **hotel, offices, student accommodation** and a **residential** development (J 03/05)



**City & Northern** is to develop the **£35m Baltic Place office and hotel scheme** behind **Gateshead Quays** with Scottish property company Robertson Property. The Gateshead developer expects to finish the development by 2008, which includes **131,000 sq ft of high-rise offices** and a **120-bed three or four-star hotel** on the site of the former Kelvin Works Foundry. The project faces competition from developer Terrace Hill, starting work on the £250m Baltic Business Park, situated directly behind the site and also from Midlands-based Opus Land, who are planning to build a 154-room four-star hotel in front of the site. (J 17/5)

The **redevelopment of the Haymarket Metro Station** has **won approval for an expanded scheme** which will include underground works and cost £7m more. Hotel developer Closegate and 42nd Street Realty plan to replace the station with offices, a bar, restaurant, Metro concourse and enlarged travel centre. The £18m scheme will begin in 2007. (J 17/5)

Work on a **£6m mixed development** on **City Road** on **Newcastle's Quayside** is **set to start** after three years delay. The four-storey building will include **14,000 sq ft of office space, eight luxury apartments** and a **basement car park**. It will take 18-24 months to build. (J 03/05)

**Metnor**, the Newcastle-based construction, development and contracting group says it **expects earnings from property development** to make up **half of its profits** within the next two to three years. The first development will be a **£30m** scheme involving **several hundred student flats** and **office space** on **Newcastle Quayside**. (J 16/5)

## Housing Developments

**Tyne & Wear** received **£24.3m** [for the next two years] from the Housing Corporation **to build 490 new homes** in the **National Affordable Housing Programme**. £82m have been allocated to the North East to build over 1,500 affordable homes. (J 08/4) [£3.9bn are to be invested to build 84,000 new affordable homes across England. 74 of the 81 successful bidders are led by housing associations. For the first time, seven private sector developers were able to bid for private money (Barratt, Bellway, Taylor Woodrow, Persimmon, George Wimpey, Gentect and Lovell). **Home Housing Group, Barratt** and **Bellway** received respectively £53.5m, £4.4m and £4.9m to build 1,041, 153 and 149 homes –Ed.]

**Jackson House**, on Northumberland Street in **Newcastle**, has been **sold** to Glasgow-based **McKever Group** for £3m as a 'complete development'. A **Gateshead** developer, which bought the upper three levels of the building in October for £750,000, plans to turn them **into 20 one and two bedroom apartments**. They will be offered for letting by McKever under the **City Aparthotel** brand. The development is expected to be completed later this year. (J 10/5)

## Leisure/Tourism Developments

The **Theatre Royal** is to receive **£6m for extension and refurbishment**. This will include an education centre, bar and bistro and box office. It closed in July and will **re-open in October**. (Citylife, Jul/Aug 2006)

**Northern Stage**, formerly the **Newcastle Playhouse**, is to **re-open** at the end of **August** after a two year £9m refurbishment. The main structural work is now complete and the theatre has a new entrance allowing access from both Kings Walk and Kings Road. Three flexible performance spaces, which can be used simultaneously or individually, are almost complete. It will also feature two new café/bar areas with the potential for more informal performances. (Citylife, Jul/Aug 2006)

**DAV Developments** plans to invest **£3m** developing a fledgling NE pubs estate. The **Newcastle** company has seven pubs and has now added the Runhead pub in Ryton, **Gateshead** and a former Barclays Bank building on **Gateshead's High Street** which it hopes to turn into 'gastro' pubs. (J 05/6)

## Retail Developments

The **£5m 3,000 sq m redevelopment of Old Eldon Square in Newcastle** is set to **start in the autumn**. New **retails units** will be built on the site of the old underground bus station. The project connects the north and south areas of **Eldon Square Shopping Centre** and the new bus station at Prudhoe Street. This is part of the **£180m** development of Eldon Square. (Citylife, Jul/Aug 2006)

Multiplex's **100,000 sq ft retail development on Stamfordham Rd**, off the A1 Western Bypass, **received planning consent** from Newcastle City Council. The scheme includes a 50,000 sq ft shop and 10,000 sq ft on Slatyford Lane and four units of 10,000 sq ft each. (J 05/4)

**Building work** on the **270,000 sq ft shopping development at Battle Hill in North Tyneside** is due to **start within months**. The development is due to be completed by summer 2007. (J 05/4)

## Education Developments

Newcastle City Council has **appointed the Aura Consortium**- a partnership led by builders McAlpine, **to rebuild and refurbish 16 primary, special and secondary schools**. The first phase of the £180m programme will involve the renewal of eight schools. The new schools will open between 2008 and 2010. A further 8 schools will be re-built or refurbished in a later phase partly funded by the Government's Private Finance Initiative and its Building Schools for the Future programme. The project also involves a **£25m investment in new technology**. (J 2/6)

**Phase 1** - Walbottle, Kenton and Benfield Secondary Schools; Thomas Bewick Special School; and Walkergate, West Jesmond, Canning Street and Stocksfield Primary Schools.

**Phase 2** - St Mary's, St Cuthbert's, Walker CTC, Trinity School, Sir Charles Parsons, Gosforth High, Gosforth Middle School and All Saints College

Work has begun on the **extension and improvement of King's School, Tynemouth**, in North Tyneside. Surgo [formerly Bowey] is involved in £15m of education projects across the NE. (J 16/6)

## Other Developments

The £300m PFI development continues at the **Freeman Hospital and Royal Victoria Infirmary** in Newcastle. It will consolidate acute hospital services to the Freeman and RVI from Newcastle General Hospital. Developer Equion Ltd plans to complete all works by spring 2013. The renal unit at the Freeman will be the first to be completed in 2008 ([www.laing.com/equion](http://www.laing.com/equion)).

**Nexus'** plan for a major **revamp to Sunderland's metro station** is to receive **£6.9m** Government funding. Work is due to start this year and will take 18 months to complete. (J 10/6)

**The Millfield Group** building materials company, have **expanded into a £2m purpose-built factory on Newburn Industrial Estate**. The company designed and built the 24,000 sq ft plant next to its existing site to house its expanding building-products division. (J2/6)

**In Tees Valley, PD Ports** has **submitted plans** to create a **£300m deep-sea container terminal at Teesport** near Middlesbrough. The "Northern Gateway" application comes despite concerns that the Government's decision to allow similar schemes in the South-East could take potential business from Teesport. PD says its **plans could create 5,500 jobs in the Teesside area**. (J 28/04)

## 5.2 Regional Development Grants

**Table 5.1: Selective Finance for Investment in England: offers of £75,000 or more (1 Jan – 31 March 2006<sup>1</sup>)**

<b>Company</b>	<b>District</b>	<b>£</b>
Thompson Technik (Newcastle) Ltd	Sunderland	245,000
Norscreen Ltd	Newcastle	240,000
Signet AC Ltd	Sunderland	90,000
	<b>Tyne &amp; Wear Total</b>	<b>575,000</b>
	<b>North East Total</b>	<b>1,709,000</b>

Source: Department for Trade and Industry website ([www.dti.gov.uk](http://www.dti.gov.uk))

<sup>1</sup>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.

## 6.0 INDUSTRIES AND FIRMS

### 6.1 Business Overview

**Fewer** of the region's **start-up** businesses **rely on grants** - Federation of Small Businesses. Use of **grant funding fell** from 17% of businesses in 2000 **to 10%** in 2005. 41% of entrepreneurs use their own savings, while 26% use bank loans. The proportion of businesses using bank overdrafts also fell from 67% to 40% in the same period. (J 09/6)

**Business start-ups** in the **NE** are the **lowest in England**, with only an 8% increase in business numbers since 1997, compared with the national average of 13% - CBI. **Only 29 new firms** are started for every **10,000** people, compared with the **UK average of 39**. The CBI cites investment in transport infrastructure as the most important measure to help UK regions. (J 02/05)

**One NorthEast** is to **invest £2m a year to help NE firms become more energy efficient** in a bid to stave off job cuts caused by increasing gas and electricity prices. ONE plans to expand a programme offering expert advice to firms on how to reduce costs. A pilot project involving seven firms led to an 8% reduction in energy usage and a 9% drop in CO2 emissions. (J 31/5)

**37% of northern SMEs** would be **negatively affected** by the absence of cash customers -Alliance & Leicester's Cash Survey. A third of all small businesses in the North say cash is their preferred method of payment. If cash should become obsolete 21% of SMEs would have to make significant changes to their business and more than 11% (84,000) would consider closing completely. (J 05/6)

**Sir Peter Vardy** has **set up a venture capital fund worth £50m**. Durham-based **Vardy Venture Capital** will support growing businesses, focusing on retail & property firms. (J 19/5)

**Newcastle is bottom in a league table** (third in 2003) of 12 major cities **in which to do business** due to **poor skill levels** and **transport links**, according to research company OMIS. **Sunderland** ranked **10th** out of 16 in a second tier of UK cities. (J 12/4)

**[Profits, below, are pre-tax unless otherwise stated]**

### 6.2 Biotechnology & Pharmaceuticals

**Genesis Genomics UK** has **developed** a pioneering test to **measure sun damage** and early skin cancer detection. The **Newcastle** company is about to sign a deal with a large cosmetic company to commercialise the "Skin Physical" test. (J 07/6)

### 6.3 Energy

**Energy efficiency specialist Eaga Group** has **bought** the Edinburgh-based **Everwarm Group**. The £400m turnover Jesmond company acquired the £12m turnover Group taking on its 136 staff. (J 31/5)

### 6.4 Chemicals

**Procter & Gamble's** (P&G) sales rose **21%** to £10bn in Q1. Its profits jumped 37% to £1.25bn, while its unit volume rose 20%. (FT 04/05) [P&G has its **UK HQ** in **North Tyneside** – Ed.]

### 6.5 Mechanical Engineering

**Sales at Komatsu's** UK division in **Gateshead** rose **10%** to £270m. The excavator maker has a range of 15 machines. It exports 75% of its products. (J 22/6)

**Airbus** has announced **delays in its a380 superjumbo programme**, with next year's planned deliveries reduced by two-thirds. The company has warned that the delays could reduce forecast operating profits from the A380 programme by £342m a year between 2007-10. (FT 14/6) [**Rolls Royce**, which employs about 400 people at its factory in **Sunderland**, has a £500m contract to supply parts to Airbus.]

## 6.6 Motor

**Sales of the new Nissan Note car, built only in Sunderland**, are **20% ahead of the company's plans**. Nissan sold 15,200 *Note* cars between January and April, ahead of the 12,600 forecast. The sales are seen as important to securing the long-term future of the plant given that Nissan reported an 18.9% fall in UK sales in April (due mainly to reduced sales of outgoing Primera and Almera models). (J 1/6)

## 6.7 Offshore, Shipbuilding & Ship repairs

**Swan Hunter's Lyme Bay contract** has been **closed by the MoD**. The ship was transferred to BAE Systems at Govan (in Scotland) following cost growth and delays. Although The Journal reported that the yard would be mothballed, **two hundred jobs could be created in ship-breaking operations**. The MoD approached Swan Hunter to offer bids for a contract to dismantle the retired warship **HMS Intrepid**. It is currently the only yard in the country licensed to break ships. (J14/07 to 24/07)

**BAE Systems** and **VT Group** have **abandoned** plans for a **joint bid to acquire Babcock International**. The decision was made following the surge in Babcock's market value since interest in its acquisition was revealed in March. Recently, BAE decided to sell its 20% shares in Airbus to EADS. The MoD is keen to consolidate naval shipyards to drive down costs as it embarks on its biggest warship building programme in decades. (FT 11/5) [BAE has a tank factory on Scotswood Rd, in **Newcastle** where it employs 450 people. –Ed.]

## 6.8 Printing and Packaging

**De La Rue's profits soared 81.5% to £73.7m** despite its turnover falling 1.5% to £611m in the year to March. [The bank note printer has a factory in **Gateshead**]. (J 25/5)

**Newcastle-based Print Design & Graphics (PDG)** has been **sold** to Benson Box of Leicestershire for an undisclosed sum. The **packaging** company, which turned over £16.5m, employs 158 staff at its base in **Newburn** in **Newcastle**. The jobs are said to be safe. (J 05/6)

**Merlin Packaging Group** acquired four businesses from **Mondi Packaging Group**, including a plant on Team Valley, **Gateshead**. The **Gateshead** business employs 35 staff and turns over £3.5m a year. (J 06/05).

## 6.9 Other Manufacturing

**Walker Filtration's sales rose 20%** to £10m. The **Washington**-based company, which received its **third Queen's Award for Enterprise**, makes 80% of its sales abroad. It now plans to spend £250,000 on machinery to expand its range of products and increase productivity. (J 24/6)

## 6.10 Construction

**Barratt Developments** secured **£4.37m funding** from the Housing Corporation to build 153 subsidised, affordable homes **in England**. It is the **first time** that a private company won direct

funding for a scheme. The Housing Corporation has a £3.9bn programme to commission 84,000 affordable homes by 2008. (J 21/6)

**Newcastle house builder Barratt has acquired Squire Bridge**, a Guildford-based developer, for **£25m**. The acquisition will add £80m worth of revenue to the company's books. (J 15/6)

**44% of NE builders reported growth** in building work in the first quarter of 2006, compared with only 28% nationally, according to the Federation of Master Builders. (J 08/5)

**Construction workloads in the NE have risen over the first quarter of 2006** at their fastest rate for more than a year – RICS Construction Survey. The survey of chartered surveyors working in the NE found that growth in all sectors outperformed that of the previous quarter, except in private industrial works. (J 19/04)

**A sharp 19% increase in housebuilding in England was recorded in Q1 2006** (compared with the same period last year) - DCLG. The number of **starts** on new houses was 48,200. In the year to March, new starts reached 184,700 (up 6% on 2004-05), completions rose 5% to 163,300. (FT 19/5)

## **6.11 Retailing**

**Premier Direct Group (PDG) has acquired Swedish Oriflame Cosmetics UK Ltd** for £5m. Half-year like-for-like sales at the **South Tyneside**-based company rose **11.4%** to £15.6m. (J 13/5) [PDG sell books and novelty goods direct to customers via a network of distributors – Ed.]

**Morrisons**, the supermarket giant, is considering the **closure of its distribution depots in Gateshead and Stockton** due to their high costs and 'overcapacity' in warehousing operations. The Gateshead (Felling) depot employs 130 people. (J 23/5)

**B&Q** is to **sell** its 110,000 sq ft warehouse at **Middle Engine Lane, Wallsend in North Tyneside**. It is part of a portfolio of seven properties planned in a **sale-and-leaseback** programme to fund property acquisition abroad. (J 12/4)

**Traidcraft's sales reached a record £18m**. The **Gateshead** company which sells fair-trade products now aims to increase its sales to £50m by 2011. (J 02/05)

**Orange**, the mobile phone giant, is **to cut up to 2,000 jobs** (15% of its UK workforce) **by September**. It has also expanded its call centre in India from 250 to 750 staff. Orange employs 5,500 staff at its NE call centres, where 2,000 are based in North Tyneside. (J 05/05)

**House of Fraser** is in **talks** with Icelandic investment group Baugur over a potential **£351m takeover**. The department store chain owns 60 UK stores, including one at **Gateshead's Metrocentre**. (J 10/6)

## **6.12 Food & Drink**

**Greggs**, the **Newcastle**-based baking giant is well on target to open **23 more shops** in the **North East** by the end of the year. In the year to July it has made a net addition of 12 shops taking its national total to 1,331. (EC 12/05)

## **6.13 Tourism & Hotels**

**Tyne & Wear Museums'** visitor numbers rose 7% during 2004/05. Numbers reached 2,247,798 at TW's 11 museums and galleries against 2,103,014 the previous year. (EC 29/06)

**One NorthEast** is developing a **new online tourist information system**. The system called **Desti.ne** is being billed as the most up-to-date tourist information and e-business platform in the UK. It is due to be launched in the autumn. (J 18/5)

**Visitors to the NE** have **risen by 6%** during the past year according to tourism officials. One NorthEast confirmed that there were more inquiries from Dutch visitors about Hadrian's Wall than any other UK attraction. (EC 26/06)

## 6.14 Culture & Leisure

**Newcastle** has been **shortlisted** for the building of the UK's first **super-casino**. Newcastle wants it to provide capital and revenue funding for a **convention centre** costing up to £100m, seen as the path to regeneration. (FT 25/5)

## 6.15 Transport & Communications

**Government spending** on **North East road and rail services** has **increased by just 25% over the past six years**. The Treasury's annual report on public spending for 2005/06 reveals that the Government spends £201 per person (about £500m) on transport in the NE compared to £631 in London. (J 16/5) [The Journal incorrectly stated this to be on 'infrastructure' only - Ed.]

**Sunderland-based Arriva** has announced **plans to expand** into **Poland** and the **Czech Republic**. It will also continue to focus on operations in Italy and Germany as its UK business struggles with high fuel costs. (J 20/04)

**EasyJet's passenger number rose 7.1%** to 2.8m in March, compared with last year. In the past 12 months it carried 30.9m passengers, a rise of **14.5%** on 2005. The low-cost airline operates **16 routes** from **Newcastle International Airport**. (J 08/4). Meanwhile, **FL Group**, the Icelandic investor, moved to **sell its 16.7%** stake in EasyJet, ending the threat of a takeover bid. (FT 05/4) **Easyjet's fuel bill rose** almost **70% to £166m**. It made pre-tax losses of £40.3m in the six months to March, a rise of 86% on last year. This was partly caused by the late timing of the Easter holidays, which cost £10m in lost revenues. (FT 04/05)

**British Airway's short-haul activities** have **achieved a £7m operating profit** in the year to March. This follows eight successive years of losses. **BA Connect**, the UK domestic regional operation, **remains under threat** with losses of £20m last year. BA's Chief Executive has warned that it **must become profitable or face closure**. (FT 20/5) [BA Connect flies between Newcastle and London-Ed.]

**Ryanair's turnover rose 28%** to £1.16bn. The budget airline carried 35m passengers last year and expects to carry 25% more next year. However, the company remains cautious about its profits as **fuel costs rose 74%**. (J 07/6) [Ryanair flies three routes from **Newcastle Airport** – Ed.]

The **European Commission clears start-up aid for regional flights**. It has approved a system for start-up aid for new regional air routes in the UK. The 'Air Route Development Funds' will allow authorities in Wales, the **North East** and North West of England to grant start-up aid for new air services to and from certain airports. The total budget of the system is expected to amount to £25m over five years. [ONE was planning to provide such aid – Ed.] (North of England Office, May 2006)

**NTL**, the telecoms company, is preparing **to cut 6,000 jobs** (a third) from its UK workforce. 1,535 posts will go to IBM, while 4,465 will be cut completely by the end of 2007. It wants to save £250m in costs after merging with Telewest in March. NTL employs 400 staff in **Gateshead**. (J 10/5)

## 6.16 Financial Services

**Newcastle and Universal Building Societies** are set to **merge** from December 31. Newcastle BS, the NE's largest building society, expects no redundancies despite the **closure of eight branches**. (J 25/5) [UBS recently **launched Kings Manor Properties**, its **residential lettings arm**. It expects to buy about 20 properties in the first year of the business. (J 25/04)]

**Northern Rock's total net [new] lending rose 26%** [on Q1 of 2005] in the first three months of 2006. The Newcastle mortgage specialist's **total [new] lending** 'pipeline' [commitments] stood at **£5.7bn** at the start of April, up **15%** on 2005 and **8%** higher than three months ago. The bank also reported a 'gentle' **rise** in the number of **first time buyers**. (J 04/4)

## 6.17 Business Services & Marketing

**Law firm Watson Burton** is to **open an office in London**. The **Newcastle** firm also plans to expand its St James' Gate office in Newcastle and its Leeds office. The expansion follows a 42% rise in the company's annual turnover to £22.9m in the year to April. (J 13/6)

**Perfilates Technologies** are now **expanding into Europe** after attracting £7.3m investment from Cazenove Private Equity. The **Newcastle-based** company runs a 'buy.at' network of websites for charitable companies. It was founded in 2002. (J 03/4)

## 6.18 Software & IT

**Sage**, the **Newcastle-based software** giant, has acquired the management software seller **Baurer GmbH** for £16m. The **German** company has 2,000 mid-market customers and achieved revenue of £16m. (J 09/6) **Sage** is also buying 50.2% of **Malaysian UBS Corporation Berhad** for **£7m**. The company, which has an office in **China**, sells software products to mid-market companies. (J 24/5) **Sage's profits grew 19% to £113.7m** in the six months to March. Its revenues rose 18% compared with the same period last year to £456m. (J 10/5)

**Datawright** is looking to expand in the US and Middle East after a **management buy-out**. The **Washington-based** software company works with major clients including Rolls Royce, BAE Systems, Petrofac plc and Swan Hunter. It employs 40 staff and turns over £2m. (J 12/4)

**Nonlinear Dynamics**, the **Newcastle-based** medical software makers have **signed a deal** with a **US** company to distribute its products to a worldwide market. The company's TotalLab software will be distributed by Hoefer. (J 21/04)

**Gateshead-based Executel** has announced a **30% sales rise** to £2.9m in the six months to March. The telecoms company, which specializes in Internet Protocol communications systems, has an annual turnover target of £10m by 2008 and plans to recruit 7 new employees by the end of 2006. (J 20/04)

A one-third stake in **activAeon**, a **subsidiary of software company, Technotonik**, has been **sold** by its Sunderland-based founder. The **£500,000** raised from the sale will be used to enhance the company's management team and marketing to achieve its £5m revenue target in two years. (J 18/5)

**Clarity Software Support**, the newly launched software company based in **Sunderland** has announced **plans** to be a **£2m turnover** company within a year. It plans to challenge the prices charged by companies such as Sage for software support. The company has a small staff based at Sunderland University's St Peter's campus and is recruiting up to 30 staff to be based in Delhi, India, to provide technical support. (J 18/04)



## **6.19 Public Services**

### **Education**

**Applications to** Newcastle and Northumbria **universities** have fallen 2.8% and 1.9% respectively on last year. Nationally numbers fell 3.2%. This slide in applications comes a year after a big increase in entries, partly due to a rush to avoid higher fees [which started in autumn 2005- Ed.] (J 02/05)

**Gateshead** is to **close** three primary schools (**Lindisfarne, Tyne View and Windmill Hills**). Twelve other schools will also be downsized to remove a surplus of 2,000 places. (J 24/5)

**Gateshead, Newcastle and North Tyneside schools receive less funding** than the UK average per pupil – the National Association of Head Teachers. Their average spendings per pupil in a primary school are £2,533, £2,550 and £2,502 respectively compared with the UK average of £2,565. In secondary schools, they are £3,140, £3,241 and £3,147 respectively (UK £3,316). (J 03/05)

**University funding could depend on income generation.** A consultation has been launched on new proposals for universities to be allocated more than £1bn of government funding based on how much they receive in grants from other sources. A recent study by the Higher Education Policy Institute argued that the new ‘metrics’ system would benefit some universities like Oxford & Cambridge while others such as **Newcastle** and Leeds would lose out. (FT 14/6)

### **Other Public Services**

**Bridging NewcastleGateshead’s future funding will depend on raising house prices.** Funding levels will depend on whether BNG can demonstrate that house prices are strengthening in targeted areas. (J 17/6)

## 7.0 PUBLICATIONS AND RESEARCH

### Tyne & Wear Research and Information Publications

**Employment Change in Tyne & Wear 1998-2003** (EM06/1, 33pp, £15). This report analyses the levels and change in employment in the Tyne & Wear area over the period 1998-2003. It identifies areas of growth and weakness in the local labour market and compares this with national and regional trends. The report primarily uses Annual Business Inquiry (ABI) data and attempts to corroborate this evidence for trends across sources, including the Labour Force Survey/Annual Population Survey and TWRI's Job Change Database. It examines employee change for Men, Women and Part-time/Full-time by SIC Section (A-O) for Tyne & Wear, the North East, GB and each of the Tyne & Wear Local Authorities. It also examines total employee change for these geographies at 2-digit SIC Division. Some of the key findings of the report include:

- Employee numbers in Tyne & Wear rose by 33,800 or by nearly 8% between 1998 and 2003. This is the biggest employment growth in Tyne & Wear since at least the 1970s.
- Growth was found to be faster in Tyne & Wear (7.7%) than in both the North East (6.9%) and Great Britain (5.6%).
- Employment growth has been fastest in Gateshead (19%) and Newcastle (11%) with modest growth in Sunderland (3%) and North Tyneside (4.5%). Employment fell -1.8% in South Tyneside.
- Tyne & Wear's net employment growth has been almost entirely in the public services (97%).

**Employment Projections for Tyne & Wear to 2016** (forthcoming). Employment projections have been produced for Tyne & Wear to 2016 for total employees in 25 industry divisions. These new projections take account of data from the Annual Business Inquiry and the latest available national projections from the Institute of Employment Research at the University of Warwick.

**Earnings in Tyne & Wear 2005 (EB 06/2 Version 2, 36pp, £20)**. This report presents information on average and median earnings, and the distribution of earnings; including low pay and part-time earnings as recorded by the 2005 Annual Survey of Hours and Earnings (ASHE). The areas presented include Tyne & Wear, the North East, Great Britain and other Metropolitan counties. The analyses cover total employees and men and women employees separately. Earnings by occupation and industry for Tyne & Wear are given along with Great Britain and North East region data.

**Census Topic Report on Ethnicity & Religion (CP 06/2, 103pp, £30)** including qualifications, occupations, unemployment rates and household composition and tenure for ethnic and religious groups. Key findings on ethnicity show that ethnic minorities are generally i) better qualified than the overall population, ii) much more entrepreneurial, with high rates of self-employment, iii) three times more likely than overall to use private rented tenure and iv) less than half as likely as overall to own their own home outright.

**Unemployment in Tyne & Wear (Monthly, June 2006 published July, £5 each or £40p.a.)**. 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 current (2004) wards.

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### Economic Research News from Other Organisations

**Do inward investors achieve their job targets?** Jonathan Jones and Colin Wren, University of Newcastle (free, available from [www.nerip.com](http://www.nerip.com)). This report examines whether foreign-owned start-up plants achieve their job targets (based on the employment creation claims made by inward investors and economic development agencies).

**Destination North East: Harnessing the regional potential of migration**, Rachel Pillai, IPPR (published 31/07/06, free to download from [www.ippr.org.uk](http://www.ippr.org.uk)). This report examines the experience of international migration in the North East of England and how policy interventions might help the region better harness its potential to facilitate economic growth. The report makes the following key policy recommendations:

1. Attracting highly-skilled migrants and retaining students  
The region should target and attract highly skilled migrants to complement the existing skills profile. Improving graduate retention, especially of international students in the region's tertiary institutions, will be vital.
2. Getting the future skills mix right in economic planning  
Regional policymakers will need to be prepared for migrant workers meeting some of the demand for low-skilled workers in sectors such as personal services and sales. The challenge will be to ensure that low-skilled migration complements efforts to support the existing unemployed population of the North East into work.
3. Minimising 'brain waste'  
The North East has a significant pool of migrants whose skills and qualifications, across a range of key sectors, are not being utilised fully. It is important that regional policymakers make efforts to tap into this potential. This can be done through better recognition of skills, qualifications and experience gained abroad, as well as through the provision of better support for the entrepreneurial and business activities of migrants.
4. Promoting integration  
Efforts to promote integration need to go hand-in-hand with economic development. Greater investment in English language training provision and more concerted attempts to address social exclusion and discrimination will help to promote better economic outcomes and social inclusion.

**Skills in England 2005 – Vol. 1: Key Messages**, Learning and Skills Council, (19/07, free to download from [www.lsc.gov.uk](http://www.lsc.gov.uk)). Three volumes have been produced with Volume 1 providing the main findings and broad policy implications. The report highlights the following key challenges:

Technology – the pace of change in technology and the changing pattern of demand for skills is accelerating. There is an urgent need to look at the re-training of the current workforce.

Demographic change – the declining numbers of young people entering the workforce beyond 2010 will lead to a greater reliance on older workers and will increase the need to look beyond the current workforce, for example attracting new migrants and moving people from benefits into work.

Education and training – the issue of who pays for training beyond compulsory schooling is a continuing theme of the contemporary skills debate and the scale of investment required may be beyond the capacity of the State alone to pay.

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

**Rural and Urban Comparisons in North East England**, NERIP Executive Team (July 2006). This report presents detailed profiles of the rural, urban and rural-urban fringe areas in the region. Key findings are presented on business formation, qualifications and housing affordability. This report will be followed by profile reports of the City Regions, and a report which analyses the flows (travel patterns, labour markets and housing markets) between different parts of the North East (forthcoming).

**A Study of Recent Population Migration Trends**, Michael Jackson and Rebecca Hulbert (NERIP), (June 2006). This report looks at patterns of migration within the North East region, drawing on data from the Census, NHS, Higher Education and other sources. The report investigates the extent to

which there has been an 'urban to rural' drift in recent years, and explores the underlying trend in movement of population that has resulted from population decline in the key urban districts of Newcastle, Gateshead, North Tyneside, Sunderland, Middlesbrough, Stockton and Darlington.

**Quarterly Housing Summary Q4 2005**, Rebecca Hulbert (Published June 2006). This document provides an analysis of housing market activity and dwelling stock statistics, house prices and transactions within the North East of England.

**Quarterly Labour Market Summary, Q4 2005** (published July 2006). This report provides an analysis of labour market statistics including vacancies, employment rates, unemployment rates and claimant counts for the North East.