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**ECONOMIC REVIEW**

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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, 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](http://www.ukbusinesspark.co.uk)



**KEY POINTS:**

Economic growth has been strong up to the third quarter, but at a slowdown is forecast for 2008 by both independent forecasters and the Chancellor.

The **UK economy continued to grow strongly** in Q2 2007 with quarterly growth and annual growth above the trend (and capacity) at 0.8% and 3.1% respectively. Annual growth accelerated to 3.2% in the year to Q3 (§1.2). Unemployment was down both nationally and locally, driven down by the strong economic growth (§1.6).

**Base rate** was **raised ¼%** in July, to 5.75%, the fifth rise since August 2006. Inflation fell below the government's 2% target, with CPI inflation at 1.8% in September, but on the more widely-used RPI was 3.9%. The high RPI may yet lead to some rise in pay settlements (§1.2).

A '**credit crunch**', has begun meaning a **reduced availability of credit** (and can mean significantly higher cost of credit for certain types of borrower). It broadly hit the UK takeover market in July and the mortgage lenders in August. It was triggered by the big drop in the quality (and hence value) of US "sub-prime mortgages" (from late 2006 onwards). The prices US house prices have fallen; the estimate for ten major US cities is minus 4% in the last 12 months<sup>1</sup>. In response to the 'credit crunch', US interest rates were cut on Sept. 18<sup>th</sup> by [a large] 0.5pp to 4.75%, the first cut in over four years. (§1.2)

**British house prices** are forecast to be '**flat**' until autumn 2008 nationally - **RICS**. Prior to September, it had forecast house price inflation around 3% (FT 19/9).<sup>2</sup> House prices **in the 3 northern regions** have been **flat since Easter**, even though there is large pent-up demand for housing across Britain (FT 8/9) (§1.3).

Due to the 'credit crunch', British mortgage lenders are likely to change/modify their lending practices, for example, cutting "self-certified mortgages". Mortgage lending multiples are likely to fall. Upward speculation in housing is also likely to fall. (See §4 Feature on Household Debt – Indicators of Over-Borrowing).

In **2008, a UK economic slowdown is forecast to 2.2%**<sup>3</sup>. A slowdown by about ¾ percentage point would be the **sharpest for over 15 years** – this was the implication of the Chancellor's forecast (§1.6)

In **Tyne & Wear**, in Q3, firms reported both **much slower exports** and plans for **employment growth** in the next 3 months. The key demand, from UK customers, however, remained strong (§1.2).

**Northern Rock plc's borrowing** from the Bank of England was **£16bn** after five weeks (by 22/10) (§6.16). Some potential acquirers have expressed interest. Its future has yet to be determined by the board. The guarantee is subject to the approval of the Bank of England and the Chancellor.

**Tyne & Wear private sector** announced **employment growth rose strongly above average in Q3**. The net reported job gains were +2,293, compared to +540 in the previous quarter. The main gain was at **Garlands** (+1,000) for its new contact centre in South Tyneside, **Newcastle Building Society** (+500) at Cobalt Business Park in North Tyneside and **Tanfield** (+400) in Washington, Sunderland. The major losses were from **Amec** (-150) in Wallsend, North Tyneside, the relocation of **Automatic Retailing** (-100) from Team Valley in Gateshead, and **Johnson Controls** (-60) [linked to Nissan's shift to the *Qashqai* model] in Sunderland. (§3)

**Key Points from News Digest (July – end September 2007)**

In Q3 2007, reported **job gains** (+2,357) **exceeded losses** (-399) in Tyne & Wear by **+1,958**. (All gains and losses from press reports) (§3)

<sup>1</sup> Case-Shiller (ten-city index) Index (Economist Newspaper 15/9, p104.).

<sup>2</sup> Royal Institute of Chartered Surveyors. Attributed to their Chief Economist.

<sup>3</sup> *HM Treasury's survey of independent forecasts (September 2007)*

In **Newcastle**, at the **former Scottish & Newcastle** bottling plant site, Downing Developments was granted the **biggest single planning consent** in Newcastle **since Eldon Square in the 1970s**; for a **£200m 600,000sq-ft** mixed-use scheme (J 5/9) (§5.2)

Late news: in Newcastle, two further large schemes are being worked up. Both require planning permission:

- a) At the **‘Stephenson Quarter’** (SW of **Newcastle Central Station**), **Silverlink announced a large mixed-use scheme**, which could ultimately create 4,700 jobs – the largest single development in Newcastle, work could start in summer 2008. (J 17/10).
- b) At **Pilgrim Street** (on the SE of the city centre), a scheme for 75,000 sq ft of retail, plus 200,000sq ft of offices is being put together by Multiplex. Work could start in 2010.

At **Newburn Riverside** in Newcastle, **Caddick Developments Ltd** has been given full planning permission for a **£30m mixed-use business park** (§5.2)

Work has started on the **£20m new Haymarket Metro station**. ([www.nexus.org.uk](http://www.nexus.org.uk), 22/8) (§5.2)

**International Paint**, part of the Akzo Nobel group, opened a **£5m R&D centre** in Felling, **Gateshead**. Akzo is now also acquiring ICI, to takeover its Dulux paint business (§6.3)

**BAE Systems** is investing **£20m** in its **Newcastle factory** to adopt **‘lean’ manufacturing ideas** [as used by car manufacturers- Ed]. It hopes to secure the ‘vehicle integrator’ role in a Ministry of Defence **FRES** programme providing 3,700 vehicles from 2012. A **decision** by the MoD is expected **in November** (§6.4).

**Rolls-Royce engines** were chosen for **all BA’s new aircraft**, a contract which could [ultimately] be worth **£2.5bn**. (§6.4)

**Nissan** is launching a **£4m global training centre** in **Sunderland**. In June, it announced an additional £2.4m investment to increase *Qashqai* production in Sunderland, due to strong demand. (§6.6)

Late news: **Atmel** announced the **closure** of their micro-chip plant with the **loss of 600 jobs** in **North Tyneside** (§6.7).

**Formica** is planning to open a **new European HQ** in North Shields, **North Tyneside**, within the next year. The laminate manufacturer now has new owners from New Zealand, Fletcher Building (§6.10)

**Capital Shopping Centres (CSC)** acquired the **220,000sq ft Metro Retail Park** in **Gateshead** for **£82.5m**. (J 29/8) [CSC continues to own 50% of the £1bn MetroCentre in Gateshead – Ed.] (§6.12)

**ScS** blamed **interest rate rises** for a **31% plunge** in **profits** to £6.6m in the 10 months to July. The sofa retailer is based in Sunderland (§6.12).

A **new daily air service** to **Dubai** began on **September 3<sup>rd</sup>**, operated by **Emirates** - the first inter-continental scheduled air route from Newcastle.

**Lufthansa** is set to add a morning flight from **Newcastle to Dusseldorf** from **November**. (§6.15)

**Northern Rock plc** has been hit hard by the ‘credit crunch’ (§6.16)

**Newcastle Building Society**, is to develop a new **50,000sq-ft office** at **Cobalt Business Park, North Tyneside**. It hopes to create **500 new jobs** in the **next 5 years** (20 in the next 6 months). (§6.16)

The **Institute for Ageing & Health** revealed a **£100m** project for the **Newcastle General Hospital** site. The new complex is part of the Science City (§6.19).

24<sup>th</sup> October 2007

## 1.0 ECONOMIC OVERVIEW

### 1.1 Global Economy

The US economic growth is **unusually weak** (under 2%pa in the year to Q2) but the rest of the world has the fourth year of very strong growth (around 5%).

The US housing market is the weakest for 15 years, and (seriously) **US house prices fell** by around **5%** in the **last 12 months** (the **first time** since **WW2**). TWRI expects the US housing market to remain very weak until well into 2008, at the earliest – due to the huge backlog of unsold dwellings (now 10 months' supply). The key question is how much will US consumer spending be hit; so far consumer spending has held up. For 2008 growth is forecast at just **2.1%**, with a **40% risk of [US] recession** - Economist Intelligence Unit (27/09).

A US slowdown of about 1 percentage point (as forecast) can be expected to slow the rest of the world by about ¼% - partly through lower exports to the US. The dollar has already weakened to lower than \$2 to the £ and \$1.40 to the € NE exports to the US have grown rapidly since about 2002.

In the **euro area** (EA13)<sup>4</sup> **GDP growth accelerated** in Q3, from 2.5% in the year to Q2. About 60% of NE exports go to the EU.

### 1.2 Recent Economic Trends

#### 'Credit Crunch'; start, impact and latest

During the third quarter, the major new feature has been **turbulence in global 'credit markets'** - originating from the fall in the value of sub-prime mortgages [SPMs] in the US (their value had fallen 20% in January). TWRI estimates these **losses at the order of \$100bn** (so far), on \$700bn of new SPMs since the start of 2006. These losses were scattered around the world by the selling on of mortgages through the credit markets (as CDOs).

Fears about the quality of banks' holdings US CDOs<sup>5</sup> (bundles of mortgages) in particular, led to reluctance amongst banks to lend to each other [particularly in August and September]. This pushed up **interest rates on inter-bank loans**, well above base rate. The inter-bank rate rose to a **peak of 6.9%** on Sept. 11<sup>th</sup> and 12<sup>th</sup>, **1.15pp above the base rate**. (EcN 29/9). The "seizing" of the inter-bank market created the liquidity crisis at Northern Rock and prompted its approach to the Bank of England. The gap, effectively an "inter-bank risk premium", has since moderated to around 0.5pp.

By October, the banks were **quantifying their losses**; the US investment banks collectively took losses of \$20bn in Q3 (EcN). These are mostly not losses on mortgage-based products (CDOs), but on loans for takeovers (so-called 'LBO' loans) which could not be sold on to the credit markets. So far, Lehman Brothers, in the US, and UBS bank, of Switzerland, are the first major banks to announce that their Q3 activities were loss-making overall.

#### Economic conditions before the 'credit crunch'

The **UK economy continued to grow faster** than its long-run potential (and trend). **GDP** grew by **0.8%** in **Q2 2007**, its 7th consecutive quarter at 0.7% or more. Annual growth was **3.1%** in Q2 (NSO 26/9). However, economic growth is **forecast to slow** to 2.8% for 2007 and then to 2.2% for 2008. The base rate was raised ¼% in July, to 5.75%, the fifth rise since August 2006.

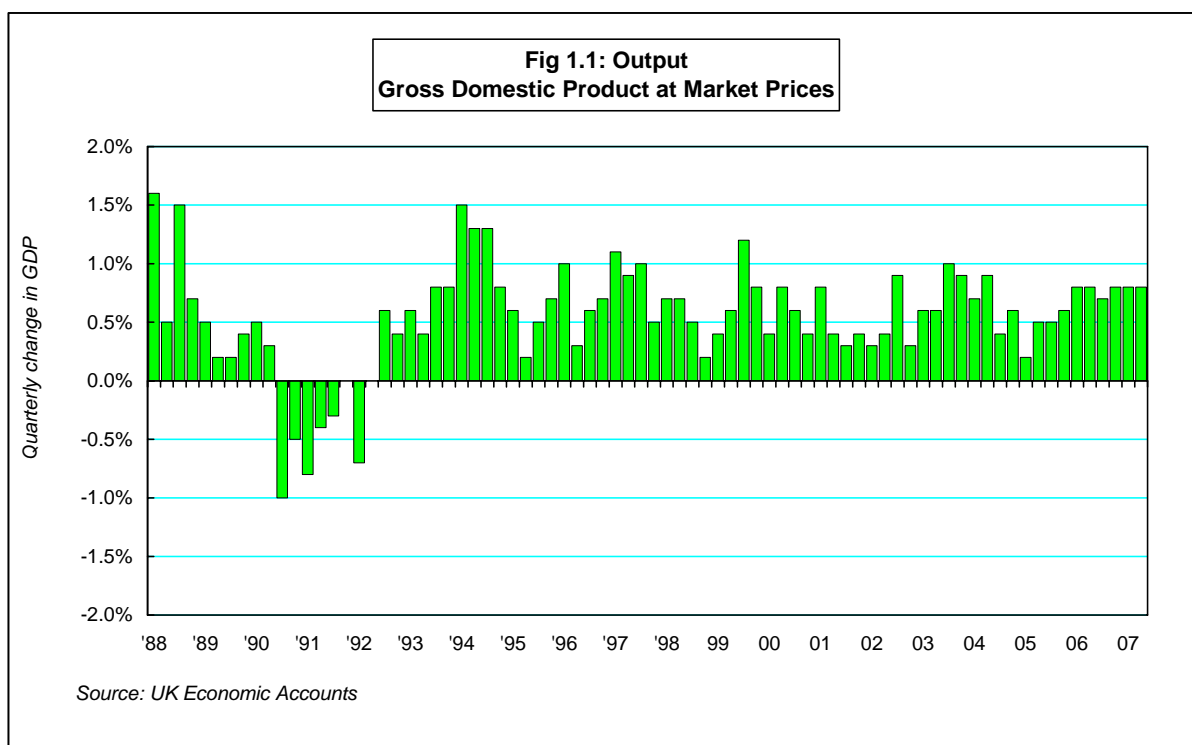
<sup>4</sup> The euro area (EA12) consisted of 12 Member States up to 31/12/2006. From 01/01/2007 the euro area (EA13) also includes Slovenia

<sup>5</sup> CDOs are collateralised debt obligations

**Retail sales [volume] also remained strong, up 4.9% in the year to August** and by 0.6% from July - ONS. But average prices in the shops fell 1% over the year to August (FT 21/9)<sup>6</sup>.

**Unusually, manufacturing has grown strongly** since the spring, up 0.8% in Q2 (ONS)<sup>7</sup>. Other sources report manufacturing growth has been at its **strongest since 1994**.

The **boom in business investment continued** into Q2; up 7.8% on a year earlier in Q2, but just 0.4% up on the previous quarter (NSO 25/09).



**Inflation fell** below the government target level of 2%, **to 1.8%** in August and remained at this level in **September**. Inflation on the more widely-used **RPI, moderated to 3.9%**, down from 4.1% in August. **RPIX** (which excludes mortgage interest payments) was 2.8% in September, up from 2.7% in August.

[Important notes on inflation indices:

RPI captures changes in mortgage rates.

CPI excludes housing costs and is a geometric mean, not an arithmetic mean.

The geometric mean gives about a 0.5pp lower rate than an arithmetic mean, according to ONS – Ed.]

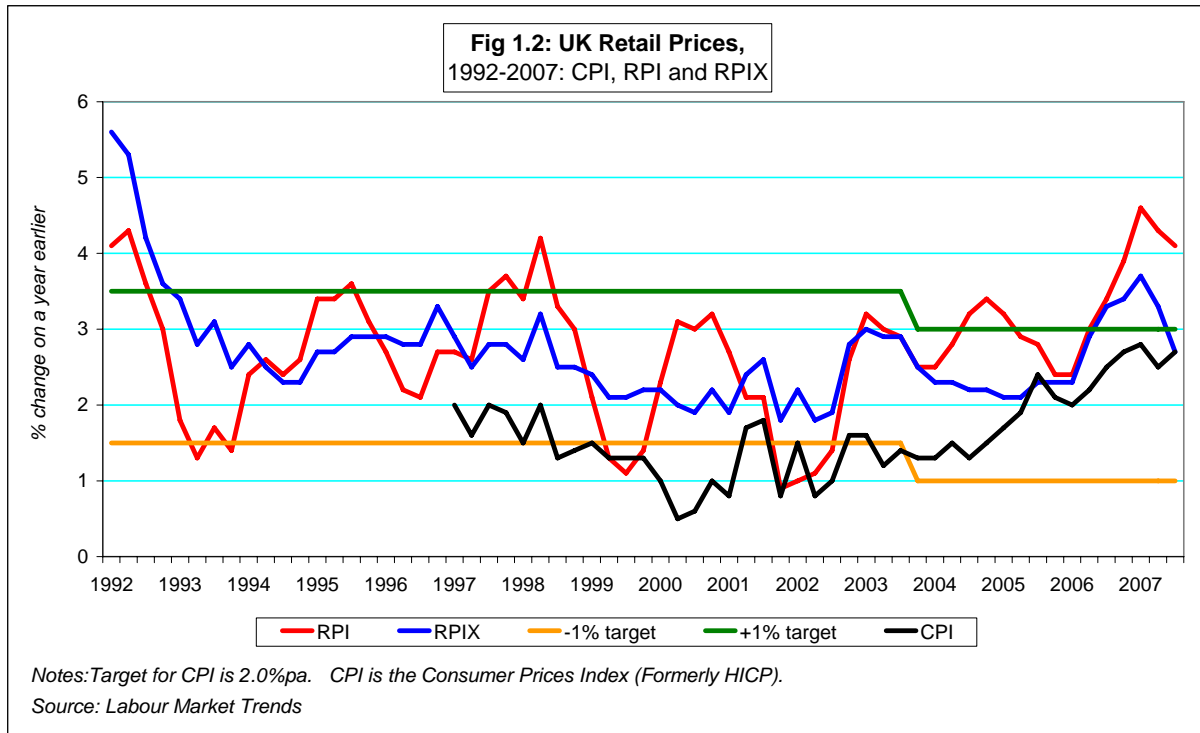
**Earnings remain very subdued**; excluding bonuses earnings growth was an **annual 3.5%** during the quarter to July – ONS.

[This is less than RPI inflation, meaning **real earnings fell**. Indeed, real earnings growth has been around zero or less for much of 2007 – Ed.]

<sup>6</sup> But data from the retailers themselves showed a slowdown in August; total retail sales [by value] rose 3.7% in August, from a year earlier. This is down from the 4.7% average growth in the first 8 months of 2007 – British Retail Consortium (FT 4/9) [This suggests downward price-pressure intensified markedly in August –Ed.]

<sup>7</sup> From ONS Monthly Digest of Statistics (Sept.). TWRI calculation from index values to 1dp.





#### Pre-Budget Report and Comprehensive Spending Review:

The **2007 Comprehensive Spending Review (CSR)** was published on 9<sup>th</sup> October, together with the Chancellor's Pre-Budget Report (PBR).

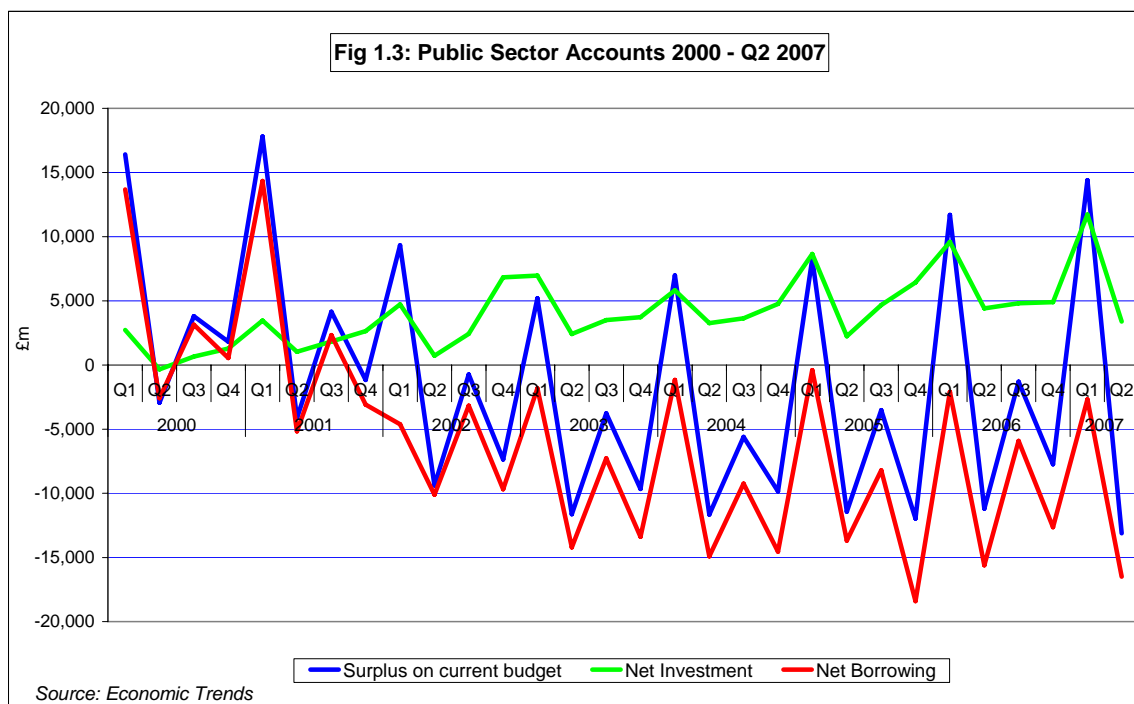
- **Economic growth is forecast** for 2008 to be **2-2.25%** (reduced by 0.5pp compared with the previous forecast in the March Budget). The Chancellor therefore forecast the **economy to slow** by about **0.75%** in **2008** (compared with 2007).
- **Borrowing was raised** by an extra £4bn to £38bn this financial year (compared with the budget) and by £6bn to £36bn for the following year. [Both are around 3% of UK GDP, which is high at this point in the economic cycle.<sup>8</sup>]
- There were three main changes to **taxation** (from April 2008);
  - **Inheritance tax (IHT)** threshold “doubled” to **£600,000** for all married couples and civil partnerships [a tax cut of about £1.3bn].
  - **Capital gains tax (CGT)** simplified with a **single flat rate of 18%** (with removal of inflation-indexation). This abolishes the low rate of 10% on business assets. [Oddly, this will give a tax cut for buy-to-let landlords, and others. This might encourage some to delay sales until the new tax year in after April.]
  - For **non-domiciled residents**; a new **annual £30,000 flat rate** charge, unless they pay tax on overseas incomes. This applies if they have lived in Britain for at least seven of the last ten years.

The CSR set spending plans for 2008-09, 2009-10 and 2010-11, by department and function:

- **Public spending** growth overall is slowing, **increasing** by **2.1%pa** in real terms, against an average of 4% annually over the previous eight years.
- **Health** will rise by **4%pa** in real terms (but from a reduced base).
- **Local Government** and the **Home Office** each secured only a **1%pa** real terms rise.

<sup>8</sup> And the highest of any of the EU15 countries [i.e. pre-2004 member states].

- [Importantly for Tyne & Wear, as the location of the huge DWP centre employing over 10,000 people] Both the **Department for Work & Pensions (DWP)** and **HM Revenue and Customs (HMRC)** face **fierce cuts** in their administrative budgets, **down 5%pa** in real terms over the next three years.



### Business Conditions from Surveys in Q3 2007<sup>9</sup>

#### **North East indicators weakened on all indicators.**

UK sales dropped from +15% to +8% and export sales fell even more sharply from +13 to -1.

UK orders fell from +17 to +14 and export orders from +15 to -4.5.

The **employment** balance rose from +10% to +17% reporting a rise (in the past 3 months) – but **fell forward-looking** from +40% to +23% planning an increase (in the next 3 months).

Business indicators for just **Tyne & Wear** in Q3 2007 **strengthened** for **UK** sales (slightly) and orders **but weakened sharply** (by over 10pp) for both **export** sales and orders. UK sales balance rose very slightly from +16% to +17%. UK orders increased from +20% to +27%.

Export sales and orders both fell significantly, from +10% to +2% and from +13% to -3% respectively.

The **employment** balance **rose significantly** to +19%, up from +2% reporting a rise (in the previous 3 months) - but **fell forward-looking** from 40% to 24% planning a rise (in the next 3 months). [Caution: Sample size in TW is about 75 for UK indicators and 50 for export indicators.]

### Exports

The **North East** had **performed better** than **nationally** on **exports** – **at least up to Q2**. **NE exports grew** by **6%** (£136m) to £2.286bn in Q2 of 2007, from Q2 of the previous year. Meanwhile, UK exports fell by 24% (Table 1.1). (HMRC Sept 07)

<sup>9</sup> Results from BSNE for both NE and Tyne & Wear. [Tyne & Wear data kindly supplied by Economic Research Services Ltd.

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

**Table 1.1: Exports, UK and NE, 2001- 2007 (Q2). 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	47,480	115.6	1,897	121.3
Q2 2005	52,740	128.4	2,167	138.5
Q3 2005	53,403	130.0	2,120	135.5
Q4 2005	58,133	141.5	2,195	140.3
<b>2005</b>	<b>211,756</b>		<b>8,379</b>	
Q1 2006	64,984	158.2	2,067	132.1
Q2 2006	70,412	171.4	2,150	137.4
Q3 2006	53,764	130.9	1,998	127.7
Q4 2006	54,661	133.1	2,246	143.6
<b>2006</b>	<b>243,821</b>		<b>8,460</b>	
Q1 2007	52,560	128.0	2,119	135.5
Q2 2007	53,329	129.8	2,286	146.1

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

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

The North East's international trade surplus rose by £100m to **£2.5bn in 2006** (second biggest regional surplus in the country- International Trade Summary, by North East Regional Information Partnership (NERIP) (J 31/7) [These data are for goods only].

[The report also shows that the NE's third-largest export category, 'pharmaceuticals & biotechnology' has seen **exports fall since 2002**- Ed.] See also Research News.

### 1.3 Housing Market Latest; volumes down and Northern prices flat

Before the Sept. crisis at Northern Rock the housing market had slowed markedly on 4 indicators:

- i) **House prices fell** over the three months to July in **all three northern regions** of England & Wales - 'FT House Price Index'.<sup>10</sup> Importantly, these prices are not distorted by changes in the mix of four house types; they are 'mix-adjusted' from the Land Registry's full data series.

From April to July, house prices **fell by -0.3% in the North** (i.e. NE & Cumbria); -0.3% in Yorkshire & Humber and by -0.2% in the North West<sup>11</sup>.

The North has had static or falling prices since March, with a fall of 0.5% from March to July. The table is for the North (i.e. NE & Cumbria);

Month	Av HP	% monthly	% annual
May-07	£150,799	-0.2	5.1
Jun-07	£150,943	0.1	4.5
Jul-07	£150,716	-0.2	4.8

- ii) **England & Wales house price growth had slowed to about 5%pa (annualised from Apr-July.)** The average price rise for all E&W regions was an increase of 1.2% over the three months to July (which is consistent with about 5%pa). Note: this is *annualised* change, not annual change.

- iii) **Mortgage lending slowed;** by July - presumably linked to the last interest rate rises to 5½% in May and to 5¾% in July. Lending data from the BoE ([www.bankofengland.co.uk](http://www.bankofengland.co.uk)):

- a) the '**number of new mortgages** for house purchase': In the 3 months to August, **fell by 6%** from the year before, to around 113,000 per month (source: Bank of England website 23/10).

In August, the number of mortgage approvals fell 14% from the previous year to the lowest level since 2001 (FT 28/9).<sup>12</sup>

- b) in money terms, '**net lending** to individuals, secured on dwellings' was £9.2bn in July.

The official six-month average to July was £9.4bn (almost 6% higher than a year ago).

**BUT the four-month average monthly amount to July was 2% DOWN on a year ago.**

In August, the value of mortgage approvals fell 7% to £9.39bn (FT 28/9).

- iv) **Buy-to-let (B2L)** has under-pinned the housing market; **numbers of B2L mortgages rose 13%** in the **first half of 2007**, compared with the same period in 2006. They account for 12% of total new mortgages, compared with 11% in the same period in 2006 – Council of Mortgage Lenders. ([www.cml.org.uk](http://www.cml.org.uk)). **But rental** [gross yield] on these properties is now barely or **not covering mortgage costs**; rentals in the year to June were an average of 5.5% of the property's value; at £651/ month and up £8, or just over 1% on the year - Birmingham Midlands (J 14/7).

The **Land Registry** has issued its own new monthly **House Price Index** [call it the **LR HPI**]. This is said by LR to only record 'repeat sales'; the prices for the same dwelling if sold in the latest month.

TWRI is cautious about this new series, as its reliability is untested [for example it could be upwardly biased by home improvements, such as extensions], but presents the LR HPI for completeness:

On the LR HPI, the average house price in TW rose 6.4% in the year to July, compared with a year earlier. The figures, by Local Authority Districts rose as follows (for July):

<sup>10</sup> This table is based on the 'FT House Price Index' which uses Land Registry data smoothed, seasonally and mix adjusted. TWRI rates this as the best quality indicator of recent short-term movements in house prices.

<sup>11</sup> And by 0.4% in East Anglia.

<sup>12</sup> Nos of loans to first-time buyers, 36,000 in June, fell [another] 11% on 2006 – Council of Mortgage Lenders.

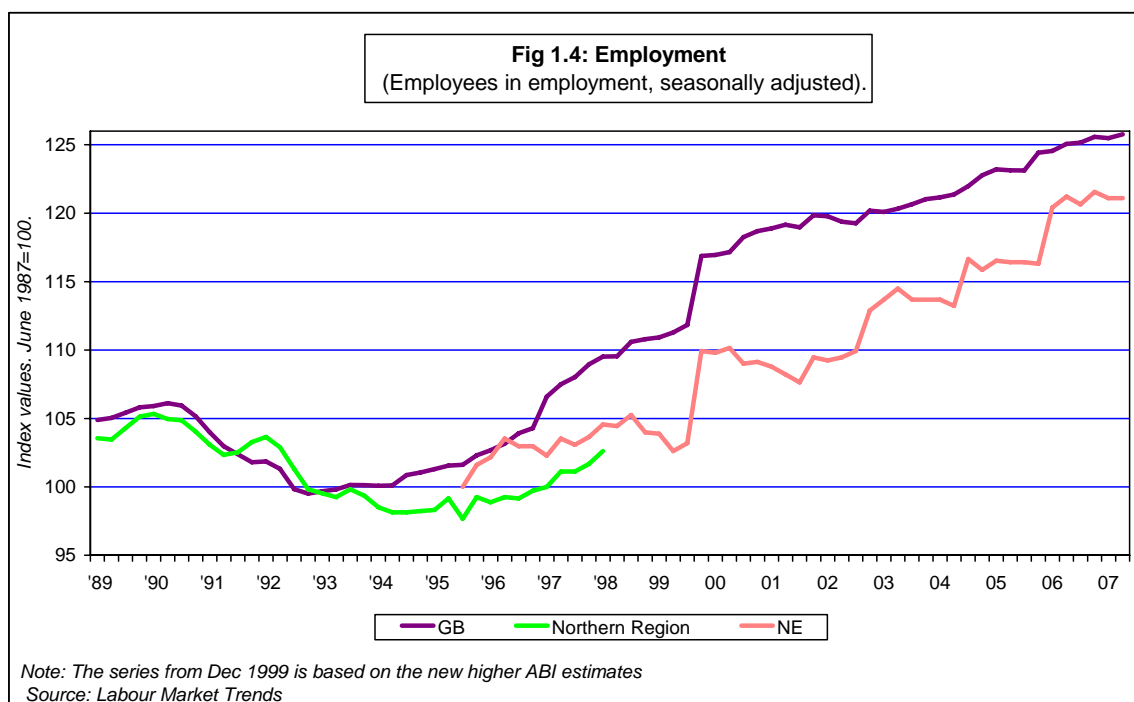
Gateshead	6.6%	£123,326
Newcastle	6.4%	£145,604
North Tyneside	5.7%	£146,439
South Tyneside	3.9%	£121,429
Sunderland	7.3%	£119,968

The Tyne & Wear 6.4% rise was 2.2pp (to £133,753) slower than the average in England & Wales (8.8%). (See also §4 Feature: Household Debt Latest).

## 1.4 Labour Market Latest

In the three months ending in July 2007 the **employment rate** for PWA<sup>13</sup> in the **UK** was 74.4%, **up 0.1 pp** from the previous quarter. The number of people in **employment** was **up** by 84,000 over the quarter (NSO 12/09).<sup>14</sup>

In the **NE**, the **employment rate** was 70.8%, **down 0.3pp** on a year earlier (NSO 12/09). [Both are from LFS, and seasonally adjusted.]



The (ILO) **unemployment rate**;

in the **UK** was **5.4%**, **down 0.1%** from the previous quarter (with the number unemployed down 28,000).

in the **NE**, was **6.6%**, unchanged on a year earlier (NSO 09/07)

**Tyne & Wear's (ILO) unemployment rate** in the **12 months to September 2006** was **7.4%** (36,300).

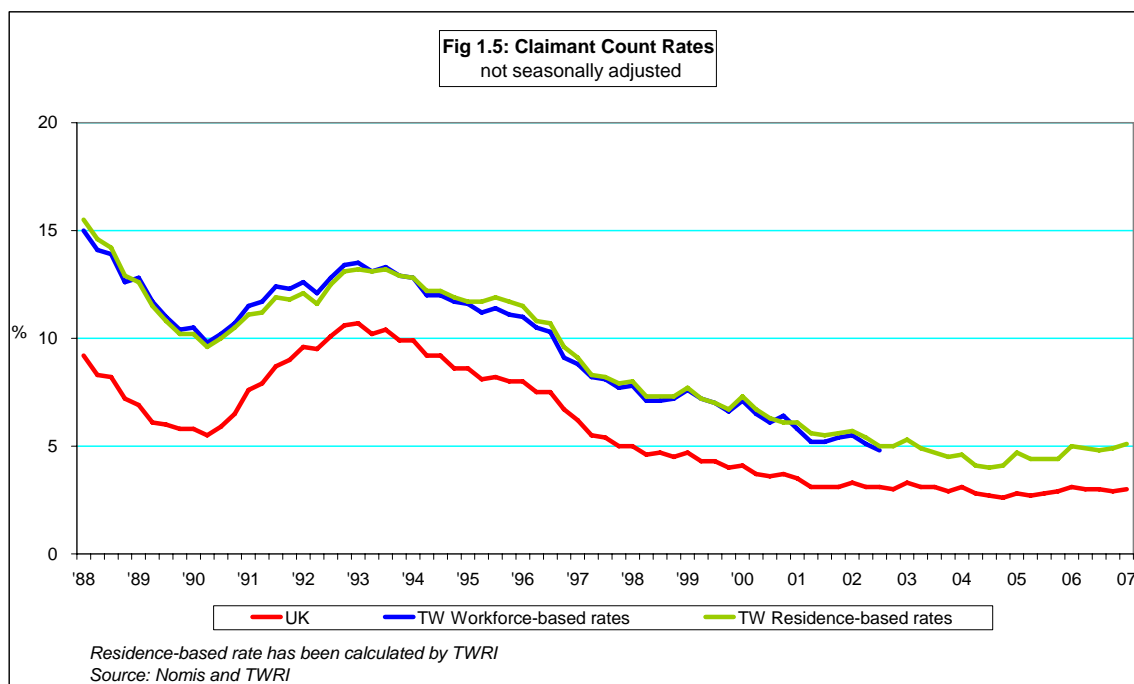
This was 0.7pp higher than the North East (6.7%) and 1.9pp higher than GB (5.5%).

Tyne & Wear's **claimant count** [unadjusted] in August 2007 was 4.7% (22,234, **down** -876 or -3.8% on 12 months ago). This is opposite to the upward trend from autumn 2004 to autumn 2006.

<sup>13</sup> People of Working Age (i.e. 16-59/64).

<sup>14</sup> It is more robust (but less timely) to now use the APS (Annual Population Survey)

[Note: LFS unemployment data is now published in TWRI's monthly report on unemployment. In 2005 ONS changed the way it reports employment data to 4-quarter averages. Unemployment rates previously reported by TWRI were obtained from the LFS. The LFS 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 230 (8.3%) from 2,760 at the end of August 2005, to 2,990 at the end of February 2007. Of these, 1,730 are still on Gateway awaiting take-up of an option. Of the 810 on an option, 590 were in education/training and 20 were working for an employer. In addition, the voluntary sector had 130 participants and the environmental task force had 90 participants. A total of 440 participants are now on 'follow-through'. (Source: Information Directorate, DWP, August 2007)<sup>15</sup>

**Graduate employment** prospects **improved** in 2005-06 – HESA. 6.4% were still unemployed six months after graduating, compared with 6.6% in 2004-05. (FT 16/8) **Graduate vacancies** were up 12.7% this year, with starting pay up by 2.4% to £23,500 (excluding lawyers) – Association of Graduate Recruiters. 68% of employers expect to fill all their vacancies this year (compared with 55% in winter). (FT 10/7)

## 1.5 Labour Market Trends

ONS released the 2006 mid-year estimates [of population] in August:

- The number of long-term **in-migrants** was 574,000 in the same period, **slightly down** on the previous year.
- The overall population rose 0.6% to 60,587,000 in the year to July 2006.
- UK births rose to 734,000 in the year to July 2006, up [11%] from 663,000 in 2001.
- A quarter of babies are born to a foreign parent, up from 20% in 2001.
- Long-term *out-migration* from the country reached 385,000, in the year to July 2006, the highest since records started in 1991 (J 23/8).

<sup>15</sup> *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'

## 1.6 Future Economic Prospects

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

- **Economic growth** for **2007** is forecast to be **2.8%**.
- **Claimant unemployment is forecast** at **0.91m** by Q4 **2007**.
- **CPI Inflation** is forecast to be 2.0% and **RPI inflation** to be 3.6%, both for Q4 **2007**.

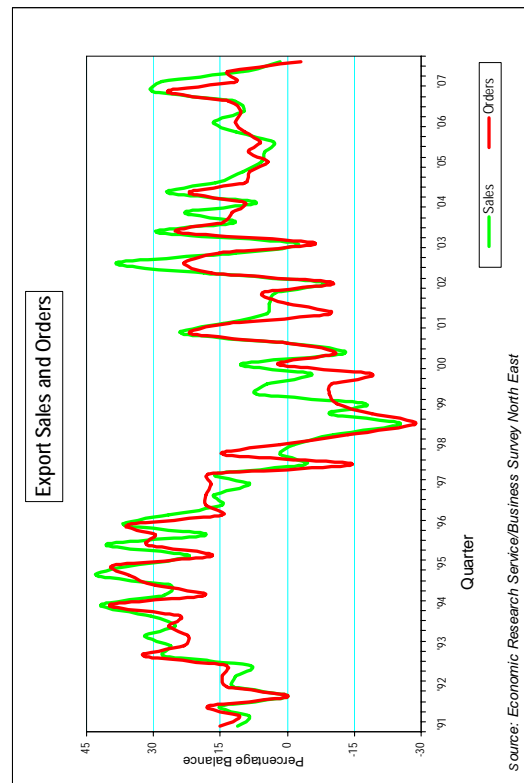
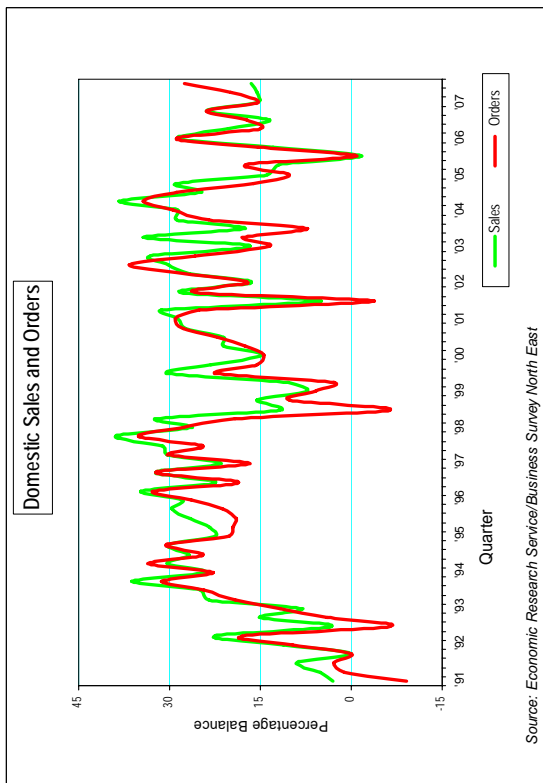
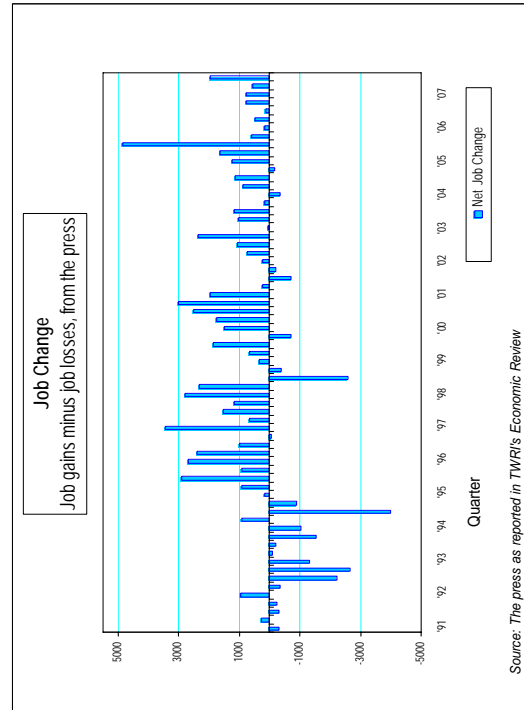
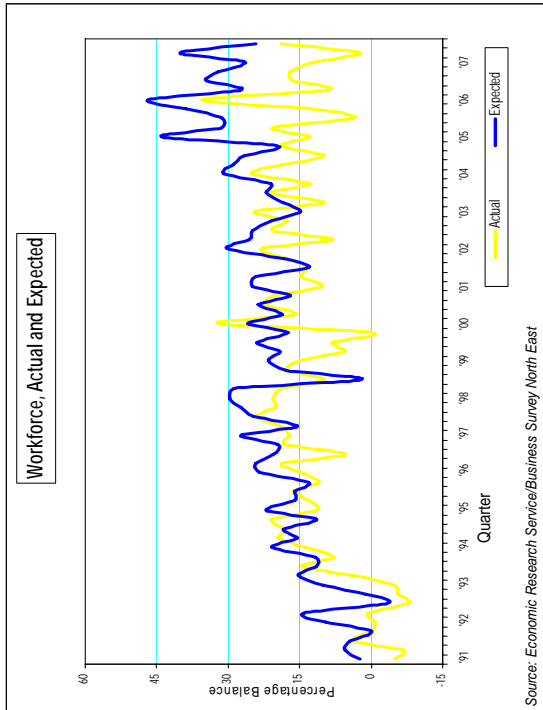
**For 2008:**

- **Economic growth** is forecast to slow to **2.2%**.
- **Claimant unemployment is forecast** to rise [very marginally] to **0.93m** by Q4 **2008**.
- **CPI Inflation** is forecast to be 2.1% and **RPI inflation** to be 2.7%, both for Q4 **2008**.

*[Source: HM Treasury, September 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 2003 prices, or 2003=100).

(s.a. = seasonally adjusted)

ACTIVITY: Gross Domestic Product: (chained volume indices at market prices)	(s.a.)	2006				2007		Change	
		Q2	Q3	Q4	Q1	Q2	Quarterly	Annual	
Household Final Consumption	(s.a.)	£186,443m	£186,861m	£188,893m	£190,133m	£191,562m	0.8%	2.7%	
Retail Sales volume (2000=100)	(s.a.)	129.8	130.8	132.6	133.1	134.9	1.4%	3.9%	
Output: production industries	(s.a.)	98.7	99.0	98.9	98.7	99.4	0.7%	0.7%	
services	(s.a.)	110.4	111.2	112.5	113.5	114.5	0.9%	3.7%	
New Orders:									
Engineering	(s.a.)	NA	NA	NA	NA	NA	NA	NA	
Construction (2000=100)	(s.a.)	124.1	118.3	115.2	121.7	128.3	5.4%	3.4%	
Fixed Capital Investment									
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA	
Business Investment:	(s.a.)	£32,476m	£33,500m	£35,045m	£34,882m	£35,013m	0.4%	7.8%	
Balance of Payments									
current account	(s.a.)	-£7,082m	-£11,017m	-£14,174m	-£10,626m	-£9,054m	-14.8%	27.8%	
INFLATION INDICATORS:									
Retail Prices Index (All Items)									
(Jan 1987 = 100)		Aug	Nov	Feb	May	Aug	Quarterly	Annual	
		199.2	201.1	203.1	206.2	207.3	0.5%	4.1%	
Average Earnings Index:									
(2000=100)	(s.a.)	Jul	Oct	Jan	Apr	Jul	Quarterly	Annual	
		126.5	127.6	130.0	129.8	131.2	1.1%	3.7%	

Sources: Office for National Statistics' Economic &amp; Labour Market Review (October 2007)

## 2.3 Labour Market Indicators

### LABOUR MARKET INDICATORS

#### EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.		2006			2007		Change	
		June	Sep	Dec	Mar	June	Quarterly	Annual
Total employees:	UK	27.035m	27.073m	27.328m	27.052m	27.202m	0.6%	0.6%
	North East	1.061m	1.057m	1.071m	1.059m	1.061m	0.2%	0.0%
Men employees:	UK	13.601m	13.658m	13.761m	13.604m	13.687m	0.6%	0.6%
	North East	527,000	526,000	533,000	528,000	531,000	0.6%	0.8%
Women employees:	UK	13.436m	13.415m	13.567m	13.448m	13.515m	0.5%	0.6%
	North East	535,000	531,000	538,000	530,000	531,000	0.2%	-0.7%
Women full-time:	UK	6.956m	6.959m	7.010m	6.960m	6.977m	0.2%	0.3%
	North East	258,000	255,000	257,000	253,000	251,000	-0.8%	-2.7%
Women part-time:	UK	6.480m	6.456m	6.557m	6.488m	6.538m	0.8%	0.9%
	North East	277,000	276,000	281,000	277,000	280,000	1.1%	1.1%
Production employees (C-E):	UK	3.157m	3.153m	3.137m	3.126m	3.128m	0.1%	-0.9%
	North East	138,000	137,000	138,000	138,000	138,000	0.0%	0.0%
Construction employees:	UK	1.288m	1.317m	1.321m	1.263m	1.274m	0.9%	-1.1%
	North East	61,000	57,000	59,000	61,000	61,000	0.0%	0.0%
Service employees: (G-Q)	UK	22.364m	22.360m	22.614m	22.424m	22.560m	0.6%	0.9%
	North East	852,000	852,000	862,000	849,000	852,000	0.4%	0.0%
		2006	2006	2006	2007	2007	Change	
Not seasonally adjusted		Summer	Autumn	Winter	Spring	Summer	Quarterly	Annual
Self-employment:*	UK	3.699m	3.782m	3.817m	3.837m	3.785m	-52,000	86,000
	North East	111,000	117,000	114,000	116,000	123,000	7,000	12,000

#### CLAIMANT COUNT

(Not seasonally adjusted).		2006	2006	2007	2007	2007	Change	
		Sep	Dec	Mar	June	Sep	Quarterly	Annual
United Kingdom		.953m	.923m	.956m	.856m	.828m	-28,000	-125,000
Great Britain		.924m	.898m	.930m	.832m	.804m	-28,000	-120,000
North East Region		49,790	51,285	53,824	48,404	46,725	-1,679	-3,065
Tyne & Wear		23,097	23,427	24,520	22,546	21,591	-955	-1,506
Claimant Count Rates (workforce rates) %:							Change in rates:	
							Quarterly	Annual
United Kingdom		3.0	2.9	3.0	2.6	2.6	0.0	-0.4
Great Britain		3.0	2.9	3.0	2.6	2.6	0.0	-0.4
North East Region		4.2	4.3	4.6	3.9	3.8	-0.1	-0.4
Tyne & Wear+		4.8	4.9	5.1	4.7	4.5	-0.2	-0.3

#### REDUNDANCIES

(from the Labour Force Survey).		2005	2006	2006	2006	2007	Change	
		Q2	Q3	Q4	Q1	Q2	Quarterly	Annual
Numbers (thousands):	GB	x	x	x	x	x	n.a	n.a
	North East	x	x	x	x	x	n.a	n.a
Rates (per 1,000 employees):							Change in rates:	
							Quarterly	Annual
	GB	5.5	5.5	5.3	6.1	4.7	-1.4	-0.8
	North East	*	*	*	*	*	n.a	n.a

Sources: ONS's Economy & Labour Market Review (October 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 (TWR).

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

#### 3.1 Job Gains

(+2,357 announced in the press July 1<sup>st</sup> – September 30<sup>th</sup> 2007)

\* means new opening

+1,000* (February 2008)	<b>Garlands</b> , South Tyneside (Contact centre. Jobs for the opening of a new contact centre at the site of the former Brigham & Cowan yard which closed in 1982. It is investing £6.8m in the centre, supported by a £600,000 SFI grant from RDA One NorthEast. Based in Tees Valley, it currently employs 3,400 people with an annual turnover of £50m.)	(J 18/07)
+70	<b>Newcastle Airport</b> , Newcastle (Airport. Jobs expected following the new route to Dubai, operated by Emirates. The story in the Journal claimed 500 job gains, said to be due to a new air traffic control tower, a hotel, petrol station, restaurant, and duty free area.)	(J 20/09)
+400 (in next 18mths)	<b>Tanfield</b> , (Washington, Sunderland) (Electronic vehicle maker. It currently employs around 400 workers at Washington. It is looking for a site, ideally in the NE, for a new manufacturing plant which would employ 500 people. Profits trebled to £5.4m as revenues more than doubled to £36.8m in the first half.) (See also Motor.)	(J 26/09)
+200* (by summer 2009)	<b>Tavistock Leisure</b> , Gypsies Green Stadium, South Shields, South Tyneside (Hotel. It plans to invest £15m in a 4-star, 104-room hotel and conference facilities for 1,400 delegates. It plans to apply for full planning permission in November and expects developments to be complete by summer 2009.)	(J 10/08)
+110	<b>Faber Maunsell</b> , Quayside, Newcastle (Construction and engineering company. Jobs for technical, accounts and administration staff. [By amalgamating 3 of its NE offices from Newcastle, Durham and Darlington it created an estimated 80 job gains for Newcastle.] (See also Orders.)	(J 18/07)
+100*	<b>Sainsbury</b> , Gosforth High Street, Newcastle (Retail. Jobs for the opening of the new £4.4m store in August.) [Some of these jobs will be part-time posts.]	(Sainsbury's website 24/08)
+70*(by April 2009)	<b>Waste Centre</b> , Blaydon, Gateshead (Waste centre. The autoclaving plant will recycle over three-quarters of up to 380,000 tonnes of waste every year. It is due to open in April 2009.)	(J 22/08)
+70 (in next 12 months)	<b>Babcock Design &amp; Technology</b> , (formerly Armstrong Technology) North Shields, North Tyneside	(J 31/07)

	(Ship designer. It plans to double its 70-strong team as worldwide demand grows.)	
+50 (by 2009)	<b>Parkdean Holidays</b> , Gosforth, Newcastle (Holiday operator. It plans to double in size after buying South West company West-Star Holidays for £80m. At peak season, the firm currently employs 100 staff in its headquarters.)	(J 19/07)
+27 (in 2007)	<b>Nomad Digital</b> , Newcastle (Technology business. New jobs following a deal to offer wireless internet services to Virgin Trains on the west coast mainline. It is also close to winning a major deal in Holland for the entire rail network of 290 trains. Staff now work between Newcastle, London and three new satellite offices in Canada, Holland and China.)	(J 03/07)
+27	<b>Citri</b> , Gateshead (Mortgage broker. It aims to grow a £46m firm by 2009 as it builds up a 400-strong team of advisors.)	(J 30/08)
+22 (over next 3 years)	<b>HB Innovations (HBI)</b> , Newcastle (Bio-science company. It specialises in in-vitro diagnostics and is based in Newcastle University's medical school.)	(J 18/07)
+20 – 30 (in next 2 years)	<b>Integrated Packaging</b> , Gateshead (Packaging company. It brought 4 sites in Blaydon and Newburn together 3 years ago and spent £2.5m on new equipment.) (See also Orders.)	(J 18/07)
+20	<b>PricewaterhouseCoopers</b> , Newcastle (Accountants. Graduate posts.)	(J 12/09)
+20 (over last 2 months)	<b>Zodiac Training</b> , Team Valley, Gateshead (Training company. It plans to add another 130 people to its workforce by 2011, open two more offices and grow turnover from £3m to £10m. Its head office is in Team Valley, Gateshead, with other centres in Sunderland, Co. Durham and Teesside.)	(J 20/08)
+20	<b>UK Biometrics</b> , North Tyneside (Biometrics. Additional staff to the existing 30 head office staff following becoming partners with Korean security terminals maker Keico Hightech and North American medical equipment business, Lumidigm, which holds the patent to a new imaging process. It will also launch 32 franchises nationally.)	(J 24/07)
+15 – 20*	<b>iKabs</b> , Pink Lane, Newcastle (Installation of CCTV in taxis. Sales staff for its new 1,300sq-ft office. Newcastle and Sunderland city councils are allowing the systems to be installed in hackney carriages, aiming to keep drivers and passengers safe.)	(J 03/09)
+15	<b>Knowledge IT</b> , Sunderland (Technology firm. It expects to double sales to £20m by 2009.)	(J 14/09)
+15	<b>Emirates , Newcastle Airport</b> (Airline. New daily air service to Dubai, started in September).	Info from Airport
+15	<b>Flatbread Café</b> , High Bridge, Newcastle (Café chain. Hossain Rezaei, former owner of Pride Valley Foods, opened the Newcastle branch, with 5 more to follow throughout the UK by 2009. Up to 15 staff will be employed at each outlet.)	(J 31/08)
+14 (in the next year)	<b>Heritage Trade Frames</b> , Boldon, South Tyneside (UPVC manufacturer. It is doubling its workforce of 14 with a move to a larger factory and plans to increase this to 80 in the future. The firm was started using a £140,000 SFI grant from ONE 3 years ago and help from South Tyneside Means Business, a [LEGI] programme with £16.2m to help encourage businesses to start and grow in the area.)	(J 17/07)
+14 (TWRI)	<b>Meldrum Construction</b> , Birtley, Gateshead	(J 21/09)

est)	(Construction firm. It plans to increase its workforce by 20% [assumed to be about 14] to around 80 people. It's turnover rose over 25% last year to £5.9m.)	
+12	<b>Insite Environments</b> , Newcastle (Environmental consultancy. Jobs for its Newcastle office.)	(J 15/08)
+11*	<b>Trelleborg Epros</b> , Gateshead (Pipe repair company. New jobs for the German company after relocating from St. Albans. It also aims to double the job gains as it looks to double sales to £25m by 2010.)	(J 28/08)
+10*	<b>Vertu Motors</b> , Sunderland (Contact centre. Jobs for new centre to handle all customer enquiries.)	(J 31/08)
+10 (over next 3 years)	<b>14u</b> , Newcastle (Software company. It is aiming to double staff numbers to 20 and is expected to treble sales over the next 3 years due to increased demand for its products as the NHS develops and international markets come on-line.)	(J 11/07)

<b>Outside Tyne &amp; Wear</b>		
+520* (by April 2008)	<b>Student Loans Company (SLC)</b> , Lingfield Point Business Park, Darlington, Tees Valley (Student loan company. The current 130 staff at the Mowden Hall, Darlington will relocate to the new office when it opens in April 2008.)	(J 26/07)
+300* (by 2010)	<b>Cumbria Seafoods</b> , Seaham, Co. Durham (Seafood factory. New jobs for the opening of a £10m seafood factory in August.)	(J 05/07)
+250*	<b>Asda</b> , Ashington, Northumberland (Retail. It plans to invest £25m in a new 53,000sq ft store. Proposals for the scheme have been submitted to Wansbeck District Council.)	(J10/09)
+200 (by 2010)	<b>Esh Group</b> , North East (Construction. New jobs as the company (based in Bowburn, Co Durham) is bidding for projects worth £20m in Yorkshire, Humberside and the M62 corridor. Its turnover is set to rise 30% to £150m in 2007, and 20% to £180m by 2008.)	(J 03/07)
+150 (over the next year)	<b>Amec</b> , Wynyard Park, Tees Valley (Design & Engineering Centre. About 150 design workers have transferred to this site from Amec's base in Wallsend, North Tyneside. The Centre will employ about 300 people within a year.) (See also Job Losses.)	(J 14/08)
+140*	<b>Kids 1<sup>st</sup></b> , (Hartlepool and Darlington, Tees Valley) (Children's day nursery. Jobs as a result of a £3m expansion for 2 new nurseries in Wynyard Park, near Hartlepool and West Park in Darlington which are set to open in the New Year.)	(J 28/09)
+100*	<b>Centre for autism</b> , Newbiggin-by-the-Sea, Wansbeck, Northumberland (Centre for autism. A residential and education complex, operated by Scotland-based <b>Acaena</b> , will provide homes and training for 28 people and will help autistic adults manage their condition, develop life skills and find employment.)	(J 16/07)
+40 (over next 4 years)	<b>Survey Inspection Systems (SIS)</b> , Green Lane Industrial Estate, Spennymoor, Co. Durham (Mapping company. It has been bought out of administration and aims to quadruple sales to £5m. It helps Network Rail pinpoint its rail tracks and has injected £500,000 into its business; co-directors invested	(J 07/08)

	£250,000, which was matched by a £250,000 loan from the Coalfields Investment Fund (CIF). It relocated from Stockton to qualify for the loan. It currently employs 25 staff at the Green Lane site.)	
+20 (in next 18 months)	<b>nanoporous solutions limited (n-psl)</b> , Tees Valley (Distribution of green filtration technology (developed at Bath University). It is being launched by Colin Billiet, former chief executive of Gateshead filtration company, Domnick Hunter, with 2 other senior Hunter employees. [Mr Billiet is also a non-executive director of Tanfield, the Washington-based electrical vehicle maker.]	(J 25/07)

### 3.2 Job Losses

(-399 announced in the press July 1<sup>st</sup> – September 30<sup>th</sup> 2007)

\* means closure [Late news: -600\* at Atmel §6.7].

-150	<b>Amec</b> , Wallsend, North Tyneside (Offshore. About 150 design workers have transferred from the Wallsend yard to the Wynyard Park Design & Engineering Centre in Tees Valley.) (See also Job Gains.)	(J 14/08)
-100*	<b>Automatic Retailing</b> , Team Valley, Gateshead (Vending machine supplier. Job losses due to relocation to Cramlington in Blyth Valley, Northumberland. It plans to significantly increase job numbers following the move.)	(J 22/09)
-60	<b>Johnson Controls</b> , Cherry Blossom Way, Washington, Sunderland (Car parts manufacturer. It produces seats for Nissan <i>Micra</i> and <i>Note</i> models. It says the cuts are the result of the ‘success’ [i.e., Nissan’s changed product mix] of the <i>Qashqai</i> model, for which Tacle UK produce the seats.)	<b>Sunderland Echo</b> 06/09
-40*	<b>Rohm and Haas</b> , Jarrow, South Tyneside (Chemical company. Job losses following the closure of No 1 plant, as part of the process is set to be transferred to China. The workforce will be reduced to around 100 by 2008. It has operated at the site since 1955.)	<b>Shields Gazette</b> 08/09
-20+*	<b>Kwik Save</b> , South Tyneside (Retail. Job losses following the closure of 2 stores. It went into administration in July, closing 90 of its stores nationwide, with the loss of 1,100 jobs. A rescue deal is underway to try to save the remaining 56 shops, which employ about 500 people and transfer them to a new company rebranded as Fresh Express.)	<b>Shields Gazette</b> 06/07
-17*	<b>Bend It Shape It</b> , Elswick Way Industrial Estate, South Shields, South Tyneside (Manufacturer of retail displays and plastic fabrications. It went into voluntary liquidation following an extraordinary AGM in May. It was previously known as Tecform Plastics and Tecform International Ltd.)	( <b>Shields Gazette</b> 31/05)
-12*	<b>Bowe Digitl</b> , Gosforth, Newcastle (Software. Relocation of jobs to Stocksfield in Tynedale, Northumberland.)	(J 17/08)

<b>Outside Tyne &amp; Wear</b>		
-115	<b>Filtronic</b> , Newton Aycliffe, Sedgefield, Co Durham (Electronics company. Job cuts following the loss of its biggest customer, US client RFMD. By September, it will have cut its workforce from 320 to 205. It is in talks to sell its loss-making North	(J 24/07)

	East plant as its worldwide business continues to lose money.) (See also Electronics)	
<b>-115*</b>	<b>Penny Plain, North East</b> (Fashion retailer. It was bought by investors Guy Readman, Jeremy Middleton and Gerald Stern in March after administrators were called in. They said they were to lose the £1.2m they put into the business, as its sales fell 24% below forecasts. It is now being run by administrators from Leeds.)	<b>(J 04/08)</b>

### 3.3 New Orders and Contracts to Local Firms

(At least £108.5m to local firms, plus £101.2m construction contract)

<b>£100m</b>	<b>Wellstream International, Newcastle Offshore Technology Park</b> (Oil & gas pipe maker. Contract to supply 60km of flexible pipe through the Seastream joint venture with Nigerian Sea Trucks Group. It will install the pipeline in the Pyrenees offshore development, off the coast of Western Australia in the fourth quarter of 2008.)	<b>(J 04/07)</b>
<b>£5.5m</b>	<b>Integrated Packaging, Gateshead</b> (Packaging company. Contract from Tesco.) (See also Job Gains.)	<b>(J 18/07)</b>
<b>£2m</b>	<b>Pyeroy, Gateshead</b> (Coatings company. Contract to repaint turbines in an offshore windfarm off the east coast of Ireland. It hired 150 staff last year and increased turnover to £50m from £31m in 2001.)	<b>(J 16/07)</b>
<b>£1m</b>	<b>Robson Brown, Newcastle</b> (Communications agency. Contract to provide creative design, media planning and strategic development services for Roman. It also secured the Northern Highlands of Scotland tourism account. It employs 100 people at its Newcastle office and turns over £30m.)	<b>(J 24/8)</b>
	<b>Construction</b>	
<b>£80m</b>	<b>Faber Maunsell, Quayside, Newcastle</b> (Construction and engineering company. Current projects include the £40m Strawberry Place office development next to St. James Park, £25m project at East Durham College and a £15m redevelopment of Sunderland University buildings.) (See also Job Gains.)	<b>(J 18/07)</b>
<b>£15m</b>	<b>RNJ, Newcastle</b> (Construction consultant. It will work on 5 developments for specialist retirement property provider Golden Living. The developments include 56 apartments in Haltwhistle, in Tynedale, Northumberland. It also won a deal in the summer to extend the George Washington Golf and Country Club at Usworth, Washington in Sunderland.	<b>(J 28/09)</b>
<b>£2.7m</b>	<b>Dorin Construction, Newcastle</b> (Construction firm. Contract to build a 50-bed nursing home and respite home in Grindon, Sunderland.)	<b>(J 13/07)</b>
<b>£1.8m</b>	<b>Mansell, Gateshead</b> (Construction firm. Contract with BBHA to upgrade Byker Bridge House, a Newcastle hostel for the homeless.)	<b>(J 06/04)</b>
<b>£1.7m</b>	<b>Dorin Construction, Newcastle</b> (Construction firm. Contract for £1.7m to refurbish ward blocks in North Tyneside District General Hospital.)	<b>(J 13/07)</b>
<b>£1.5m</b>	<b>Meldrum Construction, Gateshead</b> (Construction firm. Order to develop a motor outlet for North Eastern Tyre and Exhaust in North Yorkshire. It employs 65 people.	<b>(J 06/07)</b>

## 4.0 FEATURE

### 4.1 Household Debt – Latest Indicators of Over-Borrowing

- a) **UK household debt** now stands at **£1,345bn** – Grant Thornton. It has **now exceeded GDP** (the value of the annual output of the economy), which stood at £1,330bn in mid-2007. (FT 23/8) More relevantly, household debt has **risen from 90% of [annual] household income in 1996 to 145% in 2006.**
- b) The costs of servicing these household debts are now close to the critical ratio to income reached in 1991. The burden of household debt had been **rising at about £100bn annually**, or about 8%pa; this growth rate might be **expected to slow** closer to the growth in household incomes [nearer 5% pa].

One major potential complication is that households might well move more of their debts from (expensive) consumer credit into (cheaper) secured lending; this could encourage a (temporary) spurt to total household borrowing – as long as households remain confident about their housing wealth.

(§1.3 Housing Market Latest shows north households have already brought house prices to a halt). Households' net worth [mostly dwellings] was, however, about five times household debt; at £6,899bn at the end of 2006. (FT 29/9)

Caution: this strong position in aggregate hides many households whose position is much weaker.

- c) Household borrowing has been a major driver of consumer spending; this '**housing equity withdrawal**'<sup>16</sup> now adds **6.1% of post-tax income**, the highest since the autumn of 2004. In **Q1 2007**, it was **£13.21bn, down -0.9%** from £13.33bn in Q4 2006 according to BoE estimates (FT 05/7).  
Households might have begun, slowly, to moderate their new borrowing; the household **savings rate recovered to 3.1%** in Q2, on a rebound in real disposable income, from a **record low of 2%** in **Q1** (FT 27/9).

Indicators of over-borrowing:

- d) **Mortgage debt** has overtaken credit card debt as the **main debt problem** for household borrowers - the Consumer Credit Counselling Service said. (FT 4/8).  
Ben Broadbent, an economist at Goldman Sachs, says, however, the economy is better placed to weather a downturn than during the last house price crash [in 1991-94]; turnover in the housing market is lower, so fewer would be [directly] caught out by a fall in prices. Nevertheless, he believes there will be a steady rise in defaults on mortgages for the next couple of years (FT 29/9).
- e) **Personal bankruptcies** are about **5 times as common in the mid-late 1990s**; as **54,000** people applied for bankruptcy in England & Wales in the last 12 months, compared to 10,000 annually in the earlier period –Ministry of Justice. In the last year, petitions in the **NE rose nearly 4 times as fast (up 19%)** as in England & Wales (up 5%) in Q3 2007 from Q3 2006 (FT 11/8).
- e) **Sub-Prime borrowers face big cost rises**: Following the 'credit crunch', about **80,000** homeowners [under 1% of all households with mortgages] – those with 'sub-prime mortgages', and a need to re-finance before late 2008 - face big rises in their mortgage payments, **averaging 26%** on their monthly payments - report by ratings agency Standard & Poors. 23% of borrowers on fixed- rate mortgages are due to refinance before the end of the 2008 (FT 29/9)

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<sup>16</sup> '*Housing equity withdrawal*' is borrowing against houses for purposes other than house purchase. This money currently effectively adds about 6% to UK consumer demand.



- f) In August, home **re-possession**s had been rising sharply - the Council of Mortgage Lenders (FT 29/9), after **14,000** properties were re-possessed in the **first half of 2007**, up 18% on the previous six months and **up 30%** increase from Q1 2006 – Council of Mortgage Lenders. They represent, however, only 0.12% of all loans (0.10% in the previous six months) ([www.cml.org.uk](http://www.cml.org.uk) ). About three-quarters of re-possession orders are by sub-prime mortgage lenders.<sup>17</sup>

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<sup>17</sup> BBC TV Panorama: 'Sub-Prime Suspect' (8th October). Data from courts, from summer 2007.

## 5.0 INVESTMENTS & DEVELOPMENTS

### 5.1 Investment & Development Trends

Latest: **Nationally, commercial property prices** have begun to **fall**. (FT 13/10)

**Re-pricing commercial property market is inevitable**, but would be a correction rather than a crash, while values of secondary property must fall in autumn 2007 –report by Drivers Jonas. **Yields have fallen to [only] 4.5%** (5.5% in summer 2005, 7% in 2002). 5 year swaps (the benchmark for borrowing costs for most property investors) have risen to 6.1% (4.5% in 2005). Shares in British Land, the second-biggest listed property company, have fallen by 32% since the start of 2007. (FT 11/8)

**Newcastle office rents** are predicted to **rise to a new high of £23 per sq. ft** by the **end of the year** (4.5% rise). Newcastle retail rents are set to remain at an average of £325 per sq. ft- Lambert Hampton Smith (J 11/7)

**Prices for retail and commercial property fell in July** by **0.6%** and **0.3%** respectively – Investment Property Databank. Prices for the office property, however, rose 0.3%. (FT 16/8)

### 5.2 Investment & Development News

#### Office Developments

At **Hadrian House**, in Newcastle city centre, **UK Land Estate** invested **£4m** on upgrading its office building. (J 29/8)

At **Ouseburn**, in Newcastle, developer **Adderstone** is building **office units**. The **Maling Court development** will provide **six 2,000sq ft** high specification office units (south of the Biscuit Factory art gallery) and an office scheme (on **former scrapyard Wynn Products site on Stoddart St.**). (J 1/8)

In **Newcastle, Cuthbert House** and **Bede House**, two of the three blocks in All Saints Office Centre, have had a **£1.75m refurbishment** by London landlord Commercial Estates Group. (J 1/8)

At **Newburn** in Newcastle, the **Owners Business Centre** was extended by 26 units (to 63) in a **£1m** investment by Managed Business Space. (J 15/8)

At the **Baltic Business Quarter** in **Gateshead**, work has started on the **140,000sq m** of **office** space which will provide 5,000 jobs. It includes 40 buildings from two to five storeys high plus one eight-storey block. ([www.tyne-wear.co.uk](http://www.tyne-wear.co.uk)) (See also Education Developments.)

#### Business Developments

Newcastle City Council has commissioned a **feasibility study** to **redevelop** a site **west of Central Station**. It would include a convention centre for 1,500 conference delegates that could generate £20m a year. (J 29/8)

#### Industrial Developments

See Mixed Developments, Newburn Riverside.

## Mixed Developments

Late news: See Key Points for two other large schemes in Newcastle City Centre (Stephenson Square and Pilgrim Street)

At the **former Scottish & Newcastle** bottling plant site in **Newcastle city centre**, Downing Developments was granted the **biggest single planning consent** in Newcastle since **Eldon Square** in the 1970s. **It won permission** to regenerate the site **in a £200m** mixed-use scheme. The **600,000sq-ft** development will include the **second-tallest commercial building** in Newcastle - a 17 storey, 4-star hotel with apartments on the top 3 floors, 200,000sq-ft of offices in 2 buildings, and a 462-bed 'student village'. (J 5/9)

At **Newburn Riverside** in Newcastle, **Caddick Developments Ltd** has been given full planning permission for a **£30m mixed-use business park**. It will provide 52,000 sq ft of office space and over 180,000sq ft of industrial space. (J 26/9)

Work has started on the **£20m new Haymarket Metro station**. It includes a four-storey building with new concourse, platforms, lift and escalators. The building, due to open in 2009, will include retail, a bar-restaurant and offices. ([www.nexus.org.uk](http://www.nexus.org.uk), 22/8)

At **Princess Quay** in Gateshead, **Absolute Leisure** is developing a **£10m restaurant and office** complex. It will include four restaurants at the Swing Bridge end of the site and 25,000sq ft of offices next to the Tyne Bridge, adding up to 50,000sq ft. (J 31/8)

In **Gateshead**, the **re-development** of the **town centre** is under way. Traders in Trinity Square, below the "Get Carter" car park, have had their leases extended beyond Christmas, to January 11th. Spenhill (the development arm of Tesco) will then demolish the car park and develop new shops, offices, apartments and cafes. (J 18/9)

In **Sunderland**, **Sunderland ARC** won the battle over the **redevelopment** of the former **Vaux Brewery** site. ARC plans to create 1,000 new homes, office space and generate over 3,000 jobs. **Tesco's** plans to open a 112,000sq ft store at the site were rejected by a planning inspector. (J 8/8)

## Housing Developments

At **Scotswood Estate**, in Newcastle, **plans** to build **1,800 new homes** were **approved** by the city council. Government Office for the North East (GONE) granted final approval in September. (J 11/8, R&R 28/9)

At **St James Village** in Gateshead, the UK's first Boklok timber-framed properties are being built, involving 36 flats, to be followed by 84 2- and 3-bedroom houses. Boklok was pioneered in Sweden by Ikea and construction group Skanska. (J 15/8)

In **South Tyneside** and **Sunderland**, Mansell and North Star Housing Group are to start new projects worth £2.6m in Jarrow and Houghton for Endeavour Housing Association. 13 apartments and 2 bungalows will be built at Danesfield House, Jarrow. A women's refuge with 12 individual apartments will be built in Lake Road, Houghton. Endeavour Housing Association is part of the North Star Housing Group. (J 3/8)

## Retail Developments

See Mixed Developments, Gateshead Town Centre.

## Leisure Developments

On **Melbourne Street** in Newcastle, Keir Northern has begun **construction work** on the **128-room Staybridge Suites Hotel**. Scheduled to **open** in **September 2008**, it will be operated by the **Intercontinental Hotel Group (IHG)** on a 20-year lease. (J 04/7)

**North Tyneside** and **South Tyneside councils** are carrying out a **feasibility study** for a **£3.25m public art** programme to mark the importance of the River Tyne. The 3-year programme would raise the profile nationally with attractions including illumination of Tynemouth and South Shields piers and a live digital work based on shipping movements. Three artists were appointed to develop ideas for the project. The most recent commissioning of public art at the mouth of the river was the Tyne Anew sculpture in 1999, on North Shields riverfront (J 19/9).

The **Tuxedo Princess night club** vessel will **close** and depart from the Tyne after Christmas (J 31/8).

## Infrastructure Developments

The **Northern Way's research supports investment in high-speed rail**. It said it would add £10bn to the UK's economy over 60 years, including **£3.5bn in the NE**. Prof. David Begg, chair of the Northern Way's transport compact, said the benefits would not just come from better North-South connections, but from quicker trans-Pennine routes. He said "We think there is a sense of urgency about this... Within seven years the overcrowding on the East Coast Line will be acute and we have to start work now to avoid that... We haven't tied ourselves to any particular technology..." The DfT, however, is sticking to the White Paper policy that the immediate priority is to increase capacity by making best use of the existing network. (J 19/9)

The **North East** has some of the **slowest main roads** in the **country** - new **report** by the **Department for Transport**. The A1/A1(M) Scotch Corner-Newcastle A69, A19/A168 Dishforth-A1 north of Newcastle, and A69 Carlisle-Newcastle were among the slowest 10% of journeys in the country. The daily flow of vehicles on the A1(M) rose 14% from 57,000 in 2001 to 65,000 last year (J 27/7).

The **North-East Chamber of Commerce** is **unhappy** with some of the **Government's recommended amendments** to the North-East Assembly's (NEA) **Regional Spatial Strategy (RSS)** as they will fall short of the region's ambitions. The NEA is to write to the Department of Communities and Local Government to stress the importance of high-speed rail travel in the region. The Government dismissed rail link plans as unlikely in June. (J 26/7)

At **Teesport, PD Ports** expects the Department for Transport (DfT) to approve within 6 months its plan for a **£300m deep sea container terminal**. If approved, the project will raise PD Ports cargo handling capacity [six-fold] from 300,000 to 1.8m TEUs (twenty foot equivalent units) a year. The project would be completed by 2010. PD Ports says it could create more than 5,500 jobs in the NE. It currently provides over 500 jobs in the region (J 18/9).

## Education Developments

At the £300m **Baltic Business Quarter** in **Gateshead**, Tolent Construction has started work on the **Open University's new regional HQ**. The 19,500sqft office will be ready for occupation in July 2008. (J 15/8) (See also Office Developments.)

## Health Developments

No health developments were announced.

## Other Developments

In **Jesmond, Newcastle**, **Twenty First Century Media** is to spend **£250,000 building a television studio** at its **head office**. The film company expects to increase its sales by £250,000 this year to £1m. (J 16/7)

## 5.3 Economic Development Aid & Finance

The **European Commission approved a strategy** that will allow regional development agency One NorthEast to **spend £254m** as part of the **European Programme 2007-13**. The **European Social Fund** will also provide **£161m** to be spent in the region. The funding will be aimed at helping small and medium enterprises. (J 4/8) The details of the NE ERDF programme (to be delivered by One NorthEast) and the ESF Programme have yet to be agreed by the Commission.

The Treasury's **Review of sub-national Economic Development & Regeneration** (published July 2007) says the **Government** is to give **Councils a bigger say in regeneration**, and in **funding for 14-19s**. The regional assembly is to be abolished in 2010. ANEC (Association of North-East Councils) might take over from the North East Assembly (NEA) to monitor the regional development agency. (J 19/7) The review is available to download at;

[http://www.hm-treasury.gov.uk/media/9/5/subnational\\_econ\\_review/70707.pdf](http://www.hm-treasury.gov.uk/media/9/5/subnational_econ_review/70707.pdf)

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

<b>Table 5.1: SFI in England: offers of £75,000 or more (1 April- 30 June 2007<sup>1</sup>)</b>		
<b>Company</b>	<b>District</b>	<b>£</b>
C J Garland & Co Ltd	South Tyneside	600,000
Fuda International Trading Company	North Tyneside	195,000
AAP Metal Fabrication Services	South Tyneside	120,000
International Syalons (Newcastle) Ltd	North Tyneside	99,500
County Environmental Ltd	North Tyneside	90,000
Tyne Timber Frame Ltd	North Tyneside	85,000
Statebourne Cryogenics Ltd	Sunderland	85,000
Summit 1 Technology Ltd	Newcastle	82,000
Millfield Enterprises Ltd	Newcastle	80,000
	North East Total	4,960,725
<b>SFI in England: offers of £75,000 or more (1 July- 30 September 2007<sup>1</sup>)</b>		
<b>Company</b>	<b>District</b>	<b>£</b>
Fabricom Offshore Ltd	North Tyneside	1,600,000
Newcastle Building Society	North Tyneside	1,300,000
Origin Technology Group Ltd	Newcastle	245,000
TLA Biofuels Ltd	Gateshead	240,000
Aurora Design & Consultancy Ltd	Sunderland	187,500
STL Stone Ltd	Sunderland	160,000
Acorn Laser Ltd	Sunderland	150,000
John Porter Doors Ltd	Sunderland	100,000
Solar and Wind Applications Ltd	South Tyneside	100,000
Hub World Ltd	North Tyneside	100,000
Enigma Interactive Ltd	Newcastle	100,000
Washington Display Ltd	Sunderland	95,000
	North East Total	6,738,900

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

**Small businesses number rose 2.9% to 4.5m** in 2006, the **highest level since 1994** – the Department for Business Enterprise & Regulatory Reform. (FT 23/8)

**Mergers & Acquisitions (M&A)** reached a **record** for the NE [in the second quarter] at **£2.89bn** - PriceWaterhouseCoopers LLP Deal Survey. Globally it was also the largest ever total, at \$1.65 trillion. The acquisition of Wilson Bowden by **Barratt** accounted for over £2bn for the quarter; Also, **Wellstream Holdings** raised £75m in a £214.5m offering in April; **Eaga** reached a market capitalisation of £453m on admission to the official list in June and raised £190m on behalf of existing shareholders and £30m for the company. Regionally M&A activity rose by 20% in volume (50% worldwide) for the first half of the year compared with the same 6 months of 2006. (J 25/7)

**Alcan** is being acquired by **RTZ for £19bn**.

**ICI** is being acquired by **Akzo Nobel for £8.1bn**.

**Scottish & Newcastle** is facing a takeover bid from Carlsberg and Heineken.

**Formica** was acquired by Fletcher Building [of New Zealand].

**Peter Barratt's Garden Centres** have been acquired by **Wyevale Garden Centres**.

**Kwik Save's** 56 last stores were sold to FreshExpress.

**BAE Systems** is acquiring **Armor Holdings**, in the US, for £2bn.

**Arriva** acquired **Veolia Denmark**.

**Sage** acquired a **70% stake in XRT** [a French company] for **£30m**.

**IDS** is acquiring **Nordic Bioscience Diagnostics** for **£17m**

“ **Hycel Biocode** [from Belgium] for **£15.5m**.

**Ultimate Leisure** is changing its name to **Premium Bars and Restaurants**.

**Profit warnings from NE dropped 25% in the first half of 2007<sup>18</sup> to 18**. This was opposite to the national change, which was up by 13% to 169, the highest number since the end of the dotcom boom [in 2000]. (J 16/7) [Caution: The data cover public companies only, and include Yorkshire.]

In July, **Northern Rock** came **top** in the **league** of the **North East's top 250 companies**, organised by the Journal. Also high on the list were Amec (2<sup>nd</sup>), Barratts (3<sup>rd</sup>), Nissan (4<sup>th</sup>), Arriva (5<sup>th</sup>), and Go-Ahead (6<sup>th</sup>). The list contains businesses with a turnover of over £21m. It has widened to 250 this year from 200 previously. (J 12/7)

Fast-growing **Wellstream** and **Eaga** entered the **FTSE 250** only weeks after floating on the stock market. Wellstream employs 500 people at its Walker plant in Newcastle, while Eaga has over 1,000 people operating from Jesmond, Newcastle and a call centre in Gateshead. (J 15/9)

**Newcastle rose to 7th** in the **UK Cities Monitor** – the second annual business survey of more than 200 companies by real estate adviser Cushman & Wakefield.

<http://www.cushmanwakefield.com/cwglobal/jsp/newsDetail.jsp?repId=c11800001p&LanId=EN&LoCId=GLOBAL> (J 19/9).

<sup>18</sup> Compared to the same period of 2006.

## 6.2 Energy & Water

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

The **NE Consortium bid** to host the Government's **Energy Technologies Institute (ETI)** was **beaten** by the Midlands. The ETI will be sited at Loughborough's facilities. The ETI brings in £1bn of research funding [over ten years]. Development agency One NorthEast (ONE) set up a £2.4m fund for small and medium sized energy sector companies. ONE chairman Margaret Fay said new and renewable energy has the potential to generate an estimated £2bn worth of new growth for the regional economy. The NE bid was led by Newcastle University. Innovation Secretary John Denham has, so far, refused to reveal why the Midlands was selected. (J 21/9)

**Tyne & Wear authorities** responsible for **waste disposal** must **cut the amount** of 378,100 tonnes in 2007-8 [by 26%] to 278,600 tonnes by 2010 and 129,900 by 2020 **to meet EU rules** designed to reduce greenhouse gas emissions linked to climate change. They could be **fined £150 per excess tonne** if the target is not met. (J 14/8)

**Alcan agreed a takeover** for **\$38bn** by **RTZ**. Alcan has an aluminium smelter at **Lynemouth, Northumberland**. RTZ is the biggest UK-based mining company. RTZ expects a big rise in aluminium exports to China. In 2006, China's demand for aluminium grew 23%. The merged company is to be called Rio Tinto Alcan. (EcN 19/7)

Work on **Sita UK's new integrated waste management facility** in West Sleekburn, Northumberland is due to start. The **£12m** development has a materials recycling facility, and a waste transfer station which will transport 70,000 tonnes of non-recyclable waste to Teesside to be used to generate electricity. (J 7/9)

## 6.3 Biotechnology & Chemicals

### Newcastle Science City:

The **Institute for Ageing & Health** revealed a **£100m project to build a new centre** on the Newcastle General Hospital site. It is in a partnership between Newcastle University, Newcastle Hospitals NHS Foundation Trust and Tesco (J 7/8). The Institute is part of the Newcastle Science City (See also Public Services.)

The **Newcastle Science City** is **aiming to recruit** more locals into a **career in science**. The NE's science sector is growing, with companies facing difficulties in recruiting locally due to a skills gap. £55m has been spent by One North East and Newcastle University on developing the science sector in the region.

**Cenamaps**, a global centre for nano-technology, micro- and photonic systems, has leveraged £40m of funding from public and private sources, created 12 high-tech businesses and assisted over 130 high-tech businesses (J 18/7).

[One NE established Cenamps, based in Newcastle in 2003.]

**International Paint**, part of the Akzo Nobel group, opened a **£5m R&D<sup>19</sup> centre** in **Felling, in Gateshead**, where IP is based. Akzo's Marine & Protective Coating Business Unit was recently awarded the 'Queen's Award for Innovation'. It employs 900 staff in Felling. (J 20/7, [www.nebusiness.co.uk](http://www.nebusiness.co.uk), 20/7)

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<sup>19</sup> R&D is Research and Development.



A **£3.5m stem cell research** programme was launched by **Newcastle University**. The project, part-funded by the EU, aims at finding a cure to diseases such as leukaemia, lymphoma and other rare genetic disorders. (J 23/8)

**South Tyneside's** testing kit company **Immunodiagnostic Systems (IDS)** **acquired Danish Nordic Bioscience Diagnostics (NBD)** for **£17m**. Production of NBDs bone loss testing products will move to Boldon, creating a number of jobs. Profits are set to rise 74% to £2.3m, on sales up 20% to £10m. IDS is benefiting from the collapse of global competitor Nichols Institute Diagnostics of California, and 2 one-off payments for work yet to be completed. (J 05 & 17/7) IDS also acquired Belgium's Biocode Hycel for **£15.5m**. (FT 4/8)

**The Newcastle** skincare business **Dermasalve** is to market its products through Bounty, the pregnancy and parenting club. It recently signed a five-year deal with New Horizons, a South African company, to supply the whole of Africa with its medical hand gel. The deal could be worth £5m a year to Dermasalve. (J 13/9) It expects to make a £1.7m profit in 2008 on sales of £6.7m. It was launched on the AIM (Alternative Investment Market) in 2005. Turnover was £0.74m in the first half to June. Pre-tax losses were reduced from £1.2m to £0.6m. In June it launched its SafeCleanse product in Thailand, where it said it has 1,000 stores selling the product (J 21/9).

**ICI** has agreed to be **bought** by **Dutch** conglomerate **Akzo Nobel** for **£8.1bn**. The deal values the British chemicals group at around 679p a share. ICI has 26,000 staff worldwide, including 150 at Hammerite in Prudhoe, Northumberland. (FT 11/8, J 6/8) [Akzo owns the International Paints business in Gateshead which employs 800 - Ed]

## 6.4 Mechanical Engineering

**Rolls-Royce engines** were **chosen** for **all BA's new aircraft**, a contract which could [ultimately] be worth **£2.5bn**. Eight of the 11 customers which have selected engines on the A380 have chosen its Trent 900. Engine Alliance of the US, however, is supplying the biggest A380 customer, Emirates. Rolls-Royce has also won about half of the orders for the 787 Dreamliner, and is the sole supplier to date for the Airbus A350, due to enter service in 2013. (FT 28/9) (See also Transport & Communications.)

**BAE Systems**, has been given the go-ahead to **acquire Armor Holdings**, a **US manufacturer** of Iraq-ready **armoured vehicles** for **£2bn**. The deal now needs approval of Armor shareholders (FT 20/7). [BAE builds tanks and armoured vehicles in Newcastle.]

BAE Systems is **investing £20m** in its **Newcastle factory** to adopt **'lean' manufacturing techniques** [as used by car manufacturers- Ed]. It hopes to secure the 'vehicle integrator' role in a Ministry of Defence FRES programme providing 3,700 vehicles from 2012. Its current workload involves 33 Titan vehicles, 33 Trojans and 66 Terriers as well as the Panther command and liaison vehicle. (J 5/9) A decision from the MoD Minister is expected in November.

**Davy Roll**, the **steel rolling machinery maker**, **increased sales** to **£48m** (up 200%, £32m from 2003). The **Gateshead-based** company's employment rose to 288 (up 48 from 2003). (J 16/7)

**Komatsu**, the excavator maker's, **sales rose** 18.5% to **£319m** in the past 12 months. The Japanese company's plant in Birtley, **Gateshead**, exports three-quarters of its output to Europe, north Africa and the US. It employs around 750 people in the region. (J 29/8)

## 6.5 Offshore, Shipbuilding & Ship Repair

**Wellstream's** turnover rose 53% to £100m in the six months to June following a growth in worldwide demand. The **Newcastle-based** pipeline maker has an order book of £208m to be completed, compared with £128m a year ago. It has recently increased its production capacity from 240km to 260km per

year. (J 30/8) It is to outperform city estimates of £222.1m sales by 10%. Shares opened at 360p in April and are now 770p. (J 26/9)

**A&P Tyne** in **Hebburn** and **Pallion Engineering** from **Sunderland** are among a dozen companies **competing** to build the **upper sections** of two **£3.9bn MoD** 65,000-tonne aircraft carriers (J 27/7).

## 6.6 Motor

**Nissan** is launching a **£4m global training centre** in **Sunderland**. In June, it announced an additional £2.4m investment to increase *Qashqai* production in Sunderland due to strong demand. (J 31/8) Globally, it is **building a £100m car plant** in **St Petersburg, Russia**, which will produce **50,000** vehicles per year. (J 10/7) [Nissan had been exporting tens of thousands of cars a year to Russia – Ed.] It will start producing the new *Qashqai* model in Japan in early 2008, to help reduce waiting time from the Sunderland plant. Around 24,000 *Dualis* models (the Japanese name for *Qashqai*) will be produced every year. (J 31/8)

**Car sales** in four big **emerging markets** (Brazil, Russia, India and China) [the ‘BRICs’] **doubled between 1999 and 2006** - Carlos Ghosn, CEO of Nissan-Renault. (The Economist, 15/9)

**Tanfield owner**, Roy Stanley, could create 500 jobs at a **new plant** to make **hybrid-fuelled buses** in the North East. He formed Darwen Group, which bought East Lancashire Coachbuilders out of administration in August. He plans to relocate the business, and the North-East is a possible location. Darwen Group, which currently employs 360 staff is to make redundancies with 97 jobs expected to go. Mr Stanley then plans to grow Darwen as a substantial business of over 500 people and hopes to be recruiting again in 12 months. (J 28/9) (See also Job Gains.)

## 6.7 Electronics

**Late news: Atmel** announced the **closure** of its micro-chip factory in North Tyneside with the **loss of all 600 jobs**. It sold the site to developer Highbridge Business Park and the eight-inch wafer fabrication equipment to Taiwan Semiconductor Manufacturing Company for a combined total of £61m. It is moving production to its factories in the US (Colorado) and France (J9/10, FT 10/10).

**Siemens** in **Hebburn**, South Tyneside, are **taking on 8 apprentices**, the first on the [former VA Tech] site in 10 years. The 3-4 year apprenticeship is designed to train them for a career in production, probably as assembly-, test- or wiring-workers. (Shields Gazette 12/8)

**Sunderland-based automation company, Appcon received £125,000** from Evolve Finance. It is expected to increase sales to £2m in the next 12 months (current sales £1.3m). (J 10/7)

**Gilwood Engineering Services** in **North Shields, North Tyneside** was **bought out of administration** by Mast Electrical, based in Kingston Park, Newcastle (part of Dobin Holdings), saving 27 jobs. (J 9/7)

**Filtronic** is in talks to **sell its loss-making County Durham micro-electronics plant** as its worldwide business continues to lose money. It announced plans to **cut more than a third** of its **employees in Newton Aycliffe, Co. Durham** in June after losing its biggest customer. Its UK operations made an operating loss of £4.3m for the year to May. (See also Job Losses.) (J 24/7)

## 6.8 Food & Drink

Brewers **Scottish & Newcastle outperformed** the **UK beer market** in the **first half** of 2007. Branded beer volumes fell by 3.9% compared to an overall market decline of 5.3%. It expects the UK beer

market to decline by 1-2% and growth in the cider market to slow in the second half of 2007, following the smoking ban and wet weather in July. (J 8/8) Scottish & Newcastle's **old HQ in Gallowgate** is for **sale** at **£7m**. Downing is seeking a high quality scheme for the 52,000sq-ft, 13-storey block to complement its new buildings. (J 5/9) (See also Mixed Developments.)

Late news: Scottish & Newcastle received a takeover approach from Carlsberg and Heineken who intend to break up S&N (18/10).

**Greggs profit** rose **34%** for the 24 weeks to June. Sales were up 5% to £256m. Greggs Bakery chain has 1,335 outlets in the UK, under Greggs and Bakers Oven brands, and 11 shops in Belgium (FT 1/8).

**Gateshead**-based squeeze cheese maker, **Kavli** clinched a deal with a major supermarket that could increase **annual sales** by a quarter, to **£26m**. The deal will safeguard its 125 staff and is likely to create more jobs in the future. (J 05/7)

**Nestle**, which employs 400 people at its **Fawdon** factory in **Newcastle**, warned of a **slower volume growth** in the second half of the year due to higher raw material costs (J 16/8). [The Newcastle factory makes sweets – Ed.]

## 6.9 Printing & Packaging

**De La Rue** enjoyed “exceptional levels” of demand in the first half of the year - in a trading update. The banknote printer's **biggest UK factory in Gateshead**, employs **190** people. It entered the second half with a good order book, and advanced payments were at historically high levels in the first half. In the year to March, the group's profits rose 34% to £102m. The **turnover** of the **security paper and print** division, part of which is based in Gateshead, **rose 19.6%** last year (J 20/9).

**Newcastle**-based incontinence products company **Attends** (formerly PaperPak), was **taken over** by London-based Rutland Partners. Rutland plan to invest £5.4m in Attends' manufacturing plant in Sweden. (J12/7)

## 6.10 Other Manufacturing

**Formica** is planning to open a **new European HQ in North Shields**, North Tyneside within the next year. The laminate manufacturer employs 455 staff in North Tyneside and Co. Durham. It is likely that existing staff will be transferred to the new site. It was acquired by New Zealand's Fletcher Building for £350m. (J 02/7 and company information)

## 6.11 Construction (including Housing)

**Barratt's** underlying full-year profits rose 16% to £454m for the year to June. The **Newcastle**-based house-builder **acquired Wilson Bowden** in February for £2.2bn. It is set to cut costs by £90m in the first 2 full years after the deal, £20m more savings than originally announced. After the deal, the group **axed about 400 jobs** and planned to close a number of offices of both firms in Newcastle and 9 divisional offices. Barratt remains registered at its office in Rotterdam House, Newcastle Quayside. (J 27/9) It predicts profits of £425m for 2007 and £620m in 2008. Since acquiring Wilson Bowden, it reports forward sales to be 15% ahead of last year, at £1.4bn. Its **average selling price increased 2.3%**, to £169,700 for the period, with Wilson Bowden's up 1.7% to £209,400. Its **new house sales dropped** [just] up to **10%** in the week after the Northern Rock's facility from the Bank of England. It is **planning a £70m 250-unit housing project in Cramlington, Northumberland** (J 12/7)

**Bellway** sold **7% more** homes in the **year to July**; 7,638 homes from 7,117 the previous year. Its target for next year is 8,100. Its order book is £594m, up 6% from the £561m in July 2006. Its

**average selling price** is £174,000, a **rise of 3%**. Rival housebuilders Bovis Homes reported a slowdown in sales, while larger Barratt Developments saw strong sales and reservation levels. (J 8/8)

London-based **Morrison Facilities Services (MFS)**, a **social housing [maintenance] business**, expects to **double** its **annual sales** from the **North East** to **£100m** over the next 2 years. MFS was awarded **Gateshead Housing Company's** council homes stock and some of **Your Homes Newcastle's** stock. MFS took on 469 staff for the projects. (J 13/7)

**Sunderland's Channon Electrical Contractors** was bought out of administration, saving 25 jobs. It plans to raise sales from £2.5m to £3.5m next year, creating a further 12 jobs. (J 4/9)

## 6.12 Retailing

**Capital Shopping Centres (CSC)** acquired the **220,000sq ft Metro Retail Park** in **Gateshead** for **£82.5m**. (J 29/8) [CSC continues to own 50% of the £1bn MetroCentre in Gateshead – Ed.]

**Kwik Save's** remaining 56 stores were **sold** to FreshXpress for £18m. 600 jobs are now saved (J 07/7) (See also Job Losses.)

**Sports Direct International**, which sells brands including Sunderland-based Berghaus, **bought a 60% stake** in outdoor leisure chain **Field & Trek** for **£5m**. (J 13/7)

**Vertu Motors**, in **Newcastle**, bought a Northumberland Ford dealership for £2.6m, bringing its total number of dealerships to 46. (J 03/7)

Newcastle couple Peter and Angela Barratt have **sold** the **Peter Barratts** chain after 25 years to Wyevale Garden Centres, owned by Sir Tom Hunter. The business, which has annual revenue in excess of £20m will retain its brand name. Peter Barratt knew the market was consolidating following Tesco's takeover of Dobbies. Sir Tom, who sold Sports Division for £290m in 1998, bought Wyevale 15 months ago for £445.1m. (J 24/9)

Sunderland sofa retailer **ScS** has blamed recent **interest rate rises** for a sharp **31% plunge** in **profits** to £6.6m in the 10 months to last July. Its like-for-like sales in the 7 weeks since the end of July had declined by 8%. Compared with the corresponding period last year, this year's sales rose by £26.2m (17%) to £183.8m. It closed its old-format store in Newcastle and opened nine new stores. It plans to open at least 5 stores and refurbish about 18 sites in the current year. (J 26/9)

**North-Eastern Tyre and Exhausts (NETA)** plans to roll out its **7-strong chain of retail outlets** throughout the **NE** and Yorkshire. It aims to double its 300 staff within 2 years and hopes to increase turnover by 50%. A tie-up with Global Transport Logistics to distribute its tyres and exhausts is also expected to boost business. Revenues are expected to increase to £40m this year from £33m in 2006. (J 27/9)

### Motor Retailers:

**Pendragon**, which **bought** Sunderland company **Reg Vardy**, and employs 6,000 staff in the North East, entered a **£400m 'sale & lease back' deal** with Sir Alex Ferguson's property fund **aAIM**. Pendragon will sell a portfolio of 115 of its 400 sites and will realise in excess of £300m from the deal. It is expected to use the extra cash to cut company debt. (J 9/7)

### 6.13 Tourism & Hotels

The **North East** had **8.6m overnight visitors** in **2006** (10% increase since 2003), a quarter of whom stayed in hotels, guesthouses and B&Bs. Overnight visitors **spent £940m** in the region, a slight decline from 2005, but overall rise of £200m since 2003. **Tyne & Wear** attracted **almost half** of the **expenditure** – One North East. 2005's performance was boosted by the Tall Ships race and the [Golf] Seve Cup. (J 4/9)

### 6.14 Culture & Leisure

**South Shields-based golf holiday group, Inta Group** is expected to **double sales** to almost **£20m** by increasing holiday bookings via existing website 4golf.com and introducing a golf booking service and clothing franchise. (J 12/7)

**Twenty First Century Media** is to spend **£250,000 building a television studio** in its **Jesmond head office**. The film company expects to increase its sales by £250,000 this year to £1m. (J 16/7)

Bar and nightclub owner **Ultimate Leisure's** like-for-like sales rose [only] 1% and its profits fell 73% to £400,000 in the year to June. Turnover rose 11.8% to £36.3m. In August, it bought the **Living Room** chain (13 outlets) for **£28m**, adding 1,000 staff to its payroll. It plans to expand the number of outlets to 30 within 5 years. Its **HQ** is in **Mosley Street, Newcastle**. Food sales now make up more than 20% of total sales (2.5% two years ago). It is to **change its name to Premium Bars & Restaurants** in a move to more upmarket late-night bars. It put four of its Bigg Market bars up for sale in May (J 20/9).

### 6.15 Transport & Communications

#### Air

**Emirates** started its daily air service from Newcastle to Dubai (in the United Arab Emirates) in September. The new route opens up connections to fast-growing markets in Asia.

**Lufthansa** is set to add a morning flight from **Newcastle to Dusseldorf** from **November**. If the extra flight is successful, the German flag-carrier also plans to introduce a flight from Newcastle to Frankfurt. (J 20/9)

**Easyjet** maintained its profit forecast for the year in spite of a third quarter decline of 8% (to £41.46) in average revenue per seat in the 3 months to June. Passenger numbers rose 13% to 9.9m. (FT 8/8) [EasyJet flies 16 routes from Newcastle Airport – Ed.]

**British Airways** is investing **£4.1bn** in **new aircraft**, 12 Airbus A380s plus 24 Boeing 787 Dreamliners, breaking the exclusive hold of Boeing over BA's long-haul fleet. The long-range, medium-capacity 787 Dreamliner, with 250 seats will be used on new routes. The huge investment follows BA's return to financial health; it cut debt from £6.6bn in December 2001 to £1.3bn by June, and is on course for a 10% operating profit margin this year. It indicated it will pay a dividend for the first time since 2001 (FT 28/9). It was **fined £150m** for fuel price fixing on US soil. It was also fined £121.5m [in August] by the Office of Fair Trading for its role in this activity. (J 24/8) [BA has a call centre and an IT office on Newcastle Business Park – Ed.] (See also Mechanical Engineering.)

#### Road

Sunderland transport group **Arriva acquired Veolia Danmark**, a **£58m** operator with 640 buses. Arriva operates in nine countries with global sales of £1.7bn. (J 05/7) It beat current operator Virgin Cross Country to **acquire the Cross Country train route** contract [This is the rail service from Aberdeen to Plymouth via Newcastle, Sheffield, Birmingham and Bristol] from November this year until March 2016, in a deal expected to generate **£600m revenue** in its first year. (J 11/7) Turnover at

the UK bus division rose 7% to £400m in the first half. Its shares trade on a multiple of 13.5 times 2008 earnings - lowest in the sector. (FT 8/9)

**Go-Ahead's profits rose 13%** to £94.8m in the year to June, on revenues up 25% to £1.83bn. Growth in its bus division accelerated over the year and it will soon benefit from a £250m subsidy aimed at reducing fares for the elderly. Its shares trading broadly at about 14 times forecast earnings for 2008. (FT 8/9)

## **Rail**

**National Express** was awarded the new **East Coast rail franchise**. The **£1.4bn** contract will run until March 2015. (J 15/8)

Train operator **Grand Central** was planning to **launch** its **Sunderland-London services** in **September**. It had hoped to start the service in December 2006, and then delayed to May 2007 and then September 2007. [As yet there has been no confirmation of the launch date – Ed.] The firm was sold to a private-equity group. (J 4 & 25/8)

The **Department for Transport** is now in the process of **procuring** the **Inter-City Express Programme** to be introduced on the **East Coast Main Line** from **2012** and across the entire network from 2014. The DfT has short-listed three firms bidding to construct the next generation of intercity trains. Proposals will be submitted in the summer 2008 and the contract awarded in 2009. (J 17/8)

A **scheme to extend a rail service to south-east Northumberland (costing £4.1m)** has been the subject of talks between **Northumberland Co. Council** and the **NE Assembly**. North East Assembly transport experts say it is a low-cost way of delivering huge regeneration benefits. This follows a feasibility study looking at extending the Newcastle-Morpeth service. The council's final decision could see **trains running by 2009**. (Planning Resource 27/7)

## **6.16 Financial Services**

**Northern Rock plc** has been one of the major casualties of the 'credit crunch' crisis in financial markets in the summer. [The Chief Executive said it was unable to borrow on the inter-bank markets from August 9<sup>th</sup>. It asked for, and was given,] a Bank of England (BoE) loan facility, announced on Sept. 13<sup>th</sup>. Under the terms, the BoE provides an open-ended facility to NR allowing it to access liquidity by pledging mortgages, or mortgage-backed securities, as collateral (FT 15/9) By Oct 19<sup>th</sup>, Northern Rock has drawn £16bn<sup>20</sup> from the BoE (source: BoE weekly balance sheet statistics).

Northern Rock employs about 5,000 people in Tyne & Wear (about 1% of all jobs). The Northern Rock Foundation has been financed by profits from the bank and committed between £180-200m to the funding of social projects in the region.

Meanwhile, Northern Rock confirmed plans for a new £60m base at Rainton Bridge in Sunderland to go ahead late in 2008. It [still] said it will move 1,100 staff and plans to create up to 2,500 jobs at the office complex. (J 15/9).

By mid-October, Northern Rock had received takeover interest from, at least, a consortium led by Virgin Money and from specialist US-based hedge fund JC Flowers.

**Newcastle Building Society** is to develop a new **50,000sq-ft site** at **Cobalt Business Park, North Tyneside**. It hopes to create **500 new jobs** in the **next 5 years** (20 in the next 6 months). The principal office will remain on New Bridge Street in Newcastle. It has already created over 100 jobs this year by expanding into processing work for other financial companies, such as Bradford & Bingley, Bank of Ireland and Iceland's Landsbanki. It currently employs over 1,000 staff across its HQ and 37 branches. Profits rose 81% in the first half of 2007 following its merger with the Universal Building Society. (J 1&7/09) (See also Job Gains.)

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<sup>20</sup> Northern Rock has assets (essentially mortgages) of over £100bn, that is about 10% (by value) of all UK house mortgages.

**Royal & Sun Alliance** plan to **cut 700 jobs** (500 in the UK) to save £70m by mid-2008. This is in addition to 1,500 job cuts (1,000 in the UK) announced in 2006 to save £130m. The insurer was affected by £55m of UK flood claims and is expecting another £65m of claims in the next six months. (FT 9/8) [It has major offices in Sunderland – Ed.]

Newcastle-based **ship insurer, North of England P&I Club**, had a **doubling in claims** last year. However the club also had an increase of investment income from £15m to £27m, an increase of 15% in tonnage it insures and a 17% increase in total assets. (J13/7)

## 6.17 Business Services

**Fuseboxdesign** is opening an **office in Singapore**. The Newcastle-based firm teamed up with architecture and interior design Red Box Design Group to provide online business solutions and new media design for the Asian market. (J 20/8)

## 6.18 Software & Digital Industries

**Business Communications** provider **Knowledge IT** invested **£5m** in a **new North East Data and Business Recovery Centre in North Tyneside**, the 2nd of 3 planned centres in the region. The investment will potentially create 35 jobs in the new centres. (J 19/7)

**4projects**, part of Sunderland-based **Leighton Group**, was **bought out** by its executive team and private equity firm August Equity, and will now be independent of the Leighton Group. It supplies specialist computer software to the construction, oil, gas, retail and property management sectors. August Equity's investment director expects 4projects to double in size by 2009. The firm currently employs around 55 people at its Doxford headquarters in Sunderland. (J 1/8)

**Sage** acquired a **70% share** in **XRT** for **£30m**. The Paris-based company supplies treasury management software and payment software to 6,000 SMEs. (J 13/9)

Software firm **GreyRidge** is set to increase sales five-fold to £400,000 by the end of 2007. It was founded by **two former Sage managers** in 2005. (J 23/8)

## 6.19 Public Services

**The Institute for Ageing & Health** has revealed a **£100m project** in a partnership between Newcastle University, Newcastle Upon Tyne Hospitals NHS Foundation Trust and Tesco. It proposes a new **Ageing & Vitality Campus** at the **Newcastle General Hospital site**, which would research age-related diseases and aim to be a world-leader in research on Alzheimer's. The Institute for Ageing & Health, a key element of the Newcastle Science City programme, would be based at the campus. An estimated 600 jobs could be created by the scheme. A planned 60,000sq ft Tesco store could create a further 300 jobs. Tesco is included in the partnership to underwrite the cost of regeneration of the Newcastle Hospital site. (J 7/8)

The **Institute for Public Policy Research (IPPR)** set up a **£300,000 commission** to look at public sector performance in the NE. It aims to **investigate the causes of persistent inequalities** and to reveal why some areas in the North East 'fail' on health and education, despite government spending of £8,177 per head each year. The commission is due to report by end – 2008. ([www.ippr.org.uk](http://www.ippr.org.uk)) (J 5/9) [Most of the extra public spending per head in the North East is on benefits – Ed.]

**Northumberland** and **County Durham** will **change** from a two-tier system **to a unitary council** in each area in April **2009**. This will reduce the number of councillors in Northumberland from 300 to less than 70, and from 375 to about 120 in County Durham. (J 26/7) Northumberland County Council expects fewer than 100 posts to be lost through cutting duplication and senior management. Durham Council expect 180 losses from a 22,000 work force. (J 31/7)

Some **private finance initiative (PFI) projects** are to **come back** on the **Government's balance sheet** as a result of adopting international financial reporting standards for public accounts from next April. £29bn of PFI projects do not currently count as government debt. (FT 27/7)

### **Education & Skills**

**South Tyneside Council proposes to close 15 schools, to cut 1,720 surplus places.** The **'Transforming Our Primary Schools' (Tops)** plan also proposes to **merge 13 other schools** or be replaced with new buildings. The scheme would save £1m a year. The plans went to cabinet, before six weeks' consultation. (J 15/9)

**A-level pass rates** in **Gateshead** and **Sunderland** **rose** to 99.5% and 95% respectively. **Newcastle** and **South Tyneside's** pass rates **fell** slightly to 95.2% and 96.6% respectively. The North Tyneside figure has not been calculated yet. Across the country, Maths enjoyed a particularly strong resurgence with entries up 7.3% on 2006. (J, FT 17/8)

Nationally, 60% of **11-year-olds** achieved the expected standard in 3 tests of **reading, writing and arithmetic**. In **Newcastle** and **Sunderland, 55%** of boys **reached** the **target level**. (FT & J 8/8)

The **Learning & Skills Council** **expects** to see a **50% growth** of **centres for vocational excellence** in the North East in the next **2-3 years**. (J 18/7)

### **6.20 Other Services**

**Newcastle-based Neuro Partners** is planning to **double its workforce** to **150**. It provides [care] treatment to people with neurological problems. It wants to expand into Yorkshire and the Tees Valley. (J 12/9) [These jobs will be a mix of FT, PT and flexible hours, with some of the jobs in Tyne & Wear - Ed.]

**Gateshead-based Executive Care Group** sold nine homes to Southern Cross Healthcare for **£30m**. (J 22/8)



## 7.0 PUBLICATIONS AND RESEARCH

### 7.1 Tyne & Wear Research and Information Publications

**AreaProfiler2** has been launched via TWRI's website. The new version incorporates 'scaleable vector graphics' (svg) capabilities and improved thematic mapping. Only available to the 5 local authorities in Tyne and Wear. For further information please email [twri@twri.org.uk](mailto:twri@twri.org.uk)

#### **Household Income and Expenditure in Tyne & Wear 2006** (EP 07/03, Published 10/07, £15)

This report uses EFS<sup>21</sup> data to again show that NE incomes are about 20% lower than the UK average. For the first time, TWRI estimates mortgage costs for NE households. A range of six indicators of income are used to give a comprehensive view of official data on incomes relevant to Tyne & Wear.

#### **Unemployment in Tyne & Wear** (Monthly, EU 07/09, Published 09/07, £5)

This report shows how claimant unemployment has fallen in the year to September 2007. 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.

#### **New Deal Tables - February 2006** (Data published August 2007. TWRI website)

Four tables are presented. Tables 1 and 2 cover participants in the New Deal for Young People (NDYP). Tables 3 and 4 cover the Long-Term Unemployed aged 25+ (ND25+). The NDYP is aimed at those aged 18-24 who have been claiming Jobseekers Allowance (JSA) for at least 6 months.

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## 7.2 Research News from Other Organisations

### Northern Way:

The OECD<sup>22</sup> is to study how **technology and innovation can be used to boost the NE economy**. It will examine research spending and barriers to innovation in the 3 regions in the Northern Way. The report is due in June 2008. (R&R 3/8)

### IPPR<sup>23</sup>

The (IPPR) **North** is to release a **report in October** [not yet on ippr website] highlighting that, **in 2005**, England's **northern regions** were **further behind** the **UK's average output per head-gross value added (GVA)** than in **1997**. IPPR criticises the target set in 2002 to reduce the gap between the growth rates of only *2 groups of regions*, rather than closing the gap in GVA relative to the UK average. It also suggests the government's decision to bracket together the northern regions, Midlands and the South-West, has skewed data. It recommends a new target to cut the absolute GVA gap between individual regions (FT & J 6/8).

The **IPPR** has published a number of reports, including the following (available from [www.ippr.org.uk](http://www.ippr.org.uk));

**Two-track cities: The challenge of sustaining growth and building opportunity** (Glenn Athey, Paula Lucci and Chris Webber. Published July 2007)

[This report, importantly, uses the government's new State of the Cities Database (SOCDB) for England-Ed.]

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<sup>21</sup> EFS is the ONS' Expenditure & Food Survey.

<sup>22</sup> The OECD is the Organization for Economic Co-operation & Development.

<sup>23</sup> Institute for Public Policy Research

Based on employment, population growth and skills (1995-2004), Newcastle [meaning Tyneside] and Sunderland are in the bottom 5 'cities' in England (5<sup>th</sup> and 4<sup>th</sup> from bottom respectively). (FT 9/7)

This paper suggests that UK cities face a number of significant challenges in the years ahead. We have 'two-track' cities – those that have experienced success and renaissance in recent years, and those that have not. All cities still face the challenge of sharing opportunity and have concentrations of deprivation and worklessness. Those cities that have experienced high levels of economic growth face a number of challenges relating to sustaining growth such as congestion and environmental degradation.

Overall, this paper discusses the key economic challenges that lie ahead for UK cities and the key processes, factors and drivers of economic performance that must be addressed. It sets out the Centre for Cities' agenda for work in this area over the next three years.

**An audit of public sector reform in the North East** (Jane Midgley and Sue Stirling. Published Sept. 2007)

This paper considers four key areas of the public sector – criminal justice, education, health and welfare-to-work – and the changes that have taken place within them over the last decade, from 1997 to March 2007.

The specific focus of this audit is to consider the changes as they affected the North East of England. The situation of the North East – from where we started back in 1997 to where we are now – is considered in relation to the other eight English regions. Wherever possible we also consider change within the North East at a sub-regional level.

The paper observes change as it was officially measured, focusing on the key outcomes and targets of central government policies. However, the audit presented here can only show what has happened as recorded by a given number of measures; it cannot show how it happened (the detailed processes and possible interrelationships), or how the change was experienced by users and providers.

**Britain's Immigrants: An economic profile** (Dhananjayan [Danny] Srisikandarajah, Laurence Cooley and Tracy Kornblatt. September 2007)

This report forms the empirical basis of an episode of Channel 4's Dispatches series on the economic characteristics of [25 of] Britain's immigrant communities [defined by Country of Birth] and the contributions they make to the country.

The economic impact of immigration to the UK is a controversial issue. The contribution that immigrants make to the UK economy has been one of the most contested areas within research, policymaking and in the media.

This report attempts to contribute fresh information [using the Labour Force Survey data 2005 and 2006] about the characteristics and contribution of some of the UK's largest immigrant communities. It presents data on a range of indicators of the socio-economic characteristics of 25 groups of people defined by their country of birth (which we refer to as 'country-of-birth groups') living in the UK, plus those of the UK-born as a comparator. The report also explores and outlines some of the factors that shape these socioeconomic outcomes and highlights trends over time.

**NERIP** has published a number of reports including the following (available from [www.nerip.com](http://www.nerip.com) );

**2006 Business Stock Annual Summary** (Rebecca Hulbert, NERIP. Published September 2007)

This report is prepared for senior managers, policy makers and analysts with an interest in businesses within the North East. The report provides analysis of business stock, survival rates, turnover, employment size and entrepreneurship.

**Annual Summary of Housing Market Activity – 2006** (Rebecca Hulbert, Barry Turnbull and Jeremy Thomas, NERIP, NHC and Housing Corporation. Published September 2007)  
[This report covers the period to March 2007 only.]

This report is the first prepared jointly between North East Regional Information Partnership (NERIP) the Northern Housing Consortium (NHC) and the Housing Corporation on the housing market within the North East Government Office region and gives some insight into the main aspects of the housing market within the North East.

The report provides an analysis of housing market activity and dwelling stock statistics, and in particular house prices and transactions within the North East of England. The report will set the housing scene in the region by describing the stock and its tenure make-up. It will then go on to outline demand issues in the region by outlining the social sector's difficult to let dwellings and the level of property sales and prices in the private sector.

**Labour Market Information Annual Summary – 2006** (Rebecca Hulbert, NERIP. Published August 2007)

This report is prepared for senior managers, policy makers and analysts with an interest in Labour Market Information. The report provides analysis of macro economic activity, labour market supply and demand and characteristics of the labour force. Data is taken from the Annual Labour Force Survey, the Annual Population Survey and DWP Benefits data. All data is available to download from the Nomis website

**Modelling the North East Economy: The impact of tourism on economic activity in the North East of England** (Andrew Hunt, One NorthEast. Published July 2007)

Research by Durham University has shown that tourism produces 4.6% of the region's GVA and 5.8% of the region's jobs. The work was commissioned by One NorthEast Tourism and uses the regional economic model developed by the University on behalf of the North East Regional Information Partnership.

**International Students in the North East (Published September 2007)**

**Quarterly Economic Summary** (Published August 2007)

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

**North East International Trade in Goods: 2006 Annual Summary** (Rebecca Hulbert, NERIP. Published July 2007)

[TWRI comment; this report reveals the serious fall in pharmaceutical exports since 2002]

This report provides an analysis of international trade in goods, both for imports and exports to and from the North East.

The purpose of this report is to inform policy makers of the regional context in which relevant policy interventions around International Trade need to be planned and delivered to ensure continued and sustainable economic growth for the North East.

The data used in this report is derived from the Summary of Regional trade Statistics published quarterly by HM Revenue & Customs and processed by the Department of Business, Enterprise and Regulatory Reform (BERR). It is important to note that the figures only capture international trade in goods – and therefore analysis does not account for the value of services. Caution should also be taken when interpreting some of the figures - as production of some goods can involve several stages of production occurring across several regions, which can be misleading.

**Public Space Vitality: in the North East Region** (Global Urban Research Unit, Newcastle University; Tim Townshend et al. Published September 2007)

Research exploring the use of public spaces in the North East and the factors that contribute to dynamic and vibrant public spaces.

It explores the perceptions, behaviours, motivations, values, needs and experience of users and non-users of prominent public spaces in the North East. Considers how the public sector, with private sector leverage, can act as a catalyst for, or support, a broader range of public experience and interaction. Highlights causal links between cultural activity and economic vitality. Makes recommendations on the creation and maintenance public spaces that are appealing, culturally vibrant and economically sustainable, and for ensuring that regulation of public space promotes public value through culture. Draws on case studies of Market Place, Alnwick; Millennium Square, Durham; Old Eldon Square and Grey's Monument, Newcastle University; Esplanade, Redcar; and Stockton High Street.