

- Legal I Marriott - noted.
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION **YES** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

**Environment and Economy Overview and Scrutiny
Committee - 24 September 2009**

Economic Briefing Notes

**Report of the Strategic Director for
Environment and Economy**

Recommendation

Committee Members are asked to consider the attached Briefing and identify any potential issues for further scrutiny.

1. Background

- 1.1 In light of the economic downturn, officers within Environment and Economy Directorate (with input from Warwickshire Observatory) have been producing short monthly economic briefing notes since January 2009. As the economic situation is starting to ease, and following agreement with Councillor Fowler, it has been decided to move to quarterly briefings, supplemented with monthly “newsflash-style” e-mails.
- 1.2 The circulation of these briefings and (in future) monthly newsflashes is fairly broad and increasing, and Members of the Environment and Economy Overview and Scrutiny Committee are included in the distribution list automatically.
- 1.3 The timings of the publication of the quarterly economic briefings are dictated to a large extent by the release dates of key economic statistical data. After reviewing these release dates, it is proposed that the final monthly briefing will be published in mid-September, and then quarterly briefings will be released in the middle of the following months-
 - (i) December
 - (ii) March
 - (iii) June
 - (iv) September
- 1.4 If Members would like additional information on any matters in the Briefings, this can be provided on request.

2. Recommendation

- 2.1 Committee Members are asked to consider the attached Briefing and identify any potential issues for further scrutiny.

PAUL GALLAND
Strategic Director for Environment and Economy
Shire Hall
Warwick

11 September 2009

Economy & Development Service & Warwickshire Observatory

Economic Briefing

National Overview

The Office for National Statistics have revised their figures for the UK's Gross Domestic Product (total output of the economy) for the first quarter of this year, and posted preliminary figures for the second quarter. Both make fairly grim reading, with contraction of the economy much greater than first thought (-2.4% compared to the initial forecast of -1.9%); and the second quarter showing a larger fall (-0.8%) than many forecasters were expecting. National economic output has now fallen by just under 6% from its highest point (recorded in the first quarter of 2008), making this recession deeper and sharper than the previous two (see Figure 1).

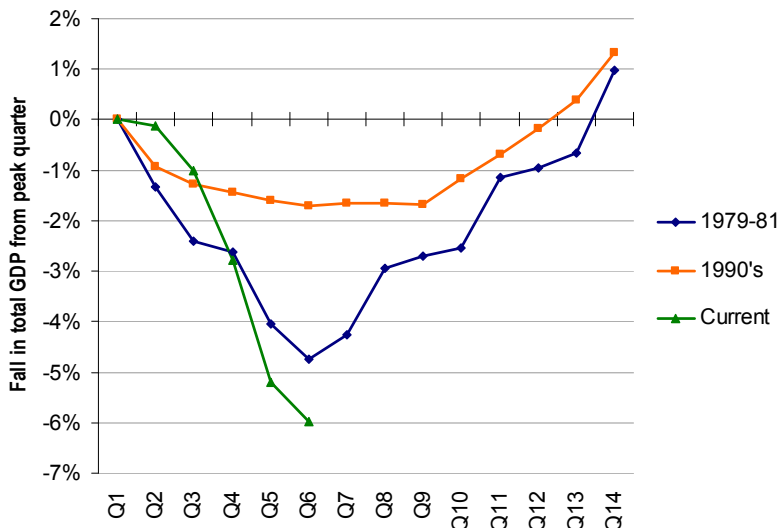


Figure 1: Comparison of total contraction of economic output from peak

There has been some positive news in recent weeks, with Manufacturing and Production Output increasing between May and June (albeit cancelling out the decline seen between April and May), output from the service sector seeing some relative improvement over the last quarter, and retail sales increasing in June (up 0.7% from May and up 2.9% higher than the same time last year). This information has also been strengthened by data from the Chartered Institute of Purchasing & Supply through their Purchasing Manager's Index (PMI) which suggests that both the Service and Manufacturing Sectors are reporting a growth in activity. The PMI for the service sector saw a 17-month high of 53.2 in July, up

from 51.6 in June (anything above 50 means an expansion of activity, below 50 a contraction); while the manufacturing PMI was 50.8 in July, up from 47.4 in June. The construction sector PMI also saw an improvement, although it is still experiencing an overall contraction in activity (47 in July compared to 44.1 in June).

However, the banking system remains fragile and money supply limited. Banks remain concerned over their balance sheets and lack of capital, with growing fears that defaulted loans and unpaid mortgages as a result of the recession could further weaken their position. Bank lending to business fell by £14.7bn in the second quarter of this year, the biggest fall since these records began in 1999. Furthermore, the broader measure of money supply used by the Bank of England ("M4") grew at its lowest annual rate since 1999 in the second quarter, and lower than the rate seen in the first quarter. These figures were key in the Monetary Policy Committee's decision to increase the programme of quantitative easing by £50bn to £175bn.

The UK economy therefore seems to be experiencing two competing forces at the moment. On the one hand, the economy is being boosted by various stimuli (tax cuts, low interest rates, quantitative easing, increased government spending); while on the other it is being constrained by the lack of money in the financial system and consumer, business and national levels of indebtedness. Which force dominates over the coming months will dictate how long the recession will last and the speed to which recovery can occur. The general consensus, as stated by Mervyn King following the publication of the latest Quarterly Inflation Report, is that recovery will happen sooner rather than later, but will be slow and protracted.



"The sustainability and strength of any recovery will be affected by necessary balance sheet adjustments of the banking, household and public sectors. Recovery could be slow and protracted."

Mervyn King, Governor of the Bank of England (Aug 09)

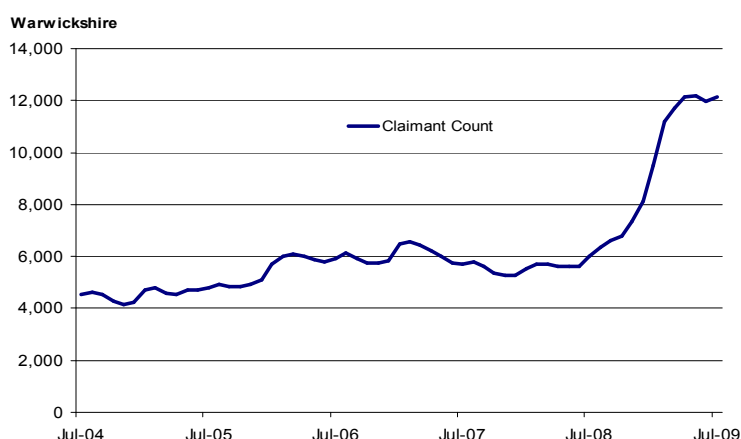
Claimant unemployment– July 2009

Warwickshire—Key Points

The Job Seekers' Allowance (JSA) claimant count level in July 2009 was 12,135, rising by 187 claimants from the previous month. This equates to a rise of 1.6% since June 2009 which is relatively small compared to the large increases experienced in recent months and the figures have now 'plateaued' around the 12,000 mark. However, even though there has only been a small increase in the figures over the last month, the year-on-year (July 2008-July 2009) percentage increase change was 102.3%.

The claimant count rate in July was 3.8%, rising by 0.1% from the previous month. The total claimant count had previously risen for eleven consecutive months since July 2008, and the year-on-year percentage increase for the County remain greater than the equivalent Regional and National figures.

Recent national media coverage has focused on a significant increase in the number of young people claiming JSA. The claimant count for those aged 18-24 in Warwickshire in July 2009 was 3,185, which represented 26.2% of the total JSA claimants. There was an increase of 125 claimants aged 18-24 from the previous month, highlighting that claimants within this age group accounted for the majority (68.8%) of the total increase in JSA claimants since June 2009.



Districts – Key Points

The year-on-year percentage increase in North Warwickshire (+143.7%) was the second highest of all Local Authorities across the West Midlands Region. The monthly increase in JSA claimants in Nuneaton and Bedworth Borough was the third highest in the Region.

The claimant count in July for all of the Districts and Boroughs in Warwickshire increased from the previous month, following an overall County, Regional and National trend. This was particularly true in Nuneaton and Bedworth, which increased by 2.0% from June 2009 and similarly, within the wider Sub-Region, Solihull, which increased by 2.7%. The year-on-year percentage increase in North Warwickshire (+143.7%) was the second highest of all Local Authorities across the West Midlands Region. The monthly increase in JSA claimants in Nuneaton and Bedworth Borough was the third highest in the Region.

National Picture

The UK claimant count level in July 2009 was 1,573,139, a rise of 19,883 on the previous month. This again represents the rise in claimant count levels over the past month which has been seen across the County and the Region. As suggested in the previous month's analysis, the fall seen in June 2009 could have been due to seasonal variations in those people claiming JSA.

	July-09		Monthly Change June 2009 – July 2009*		Year-on-Year Change July 2008 – July 2009	
	Count	Rate	Count	% Change	Count	% Change
UK	1,573,139	4.2%	19,883	1.3%	701,851	80.6%
West Midlands	177,764	5.4%	1,139	0.6%	75,403	73.7%
Coventry	11,176	5.7%	24	0.2%	4,378	64.4%
Solihull	5,429	4.5%	144	2.7%	2,706	99.4%
Warwickshire	12,135	3.8%	187	1.6%	6,137	102.3%
North Warwickshire	1,535	4.0%	26	1.7%	905	143.7%
Nuneaton & Bedworth	3,968	5.3%	79	2.0%	1,950	96.6%
Rugby	2,277	4.2%	39	1.7%	1,143	100.8%
Stratford-on-Avon	1,693	2.5%	5	0.3%	945	126.3%
Warwick	2,662	3.1%	38	1.4%	1,194	81.3%

Notes: *Claimant count figures are not seasonally adjusted. Care is needed in interpreting monthly changes in the District counts, which will be affected by seasonal fluctuations. Source: JSA Claimant count (www.nomisweb.co.uk) © Crown Copyright 2009

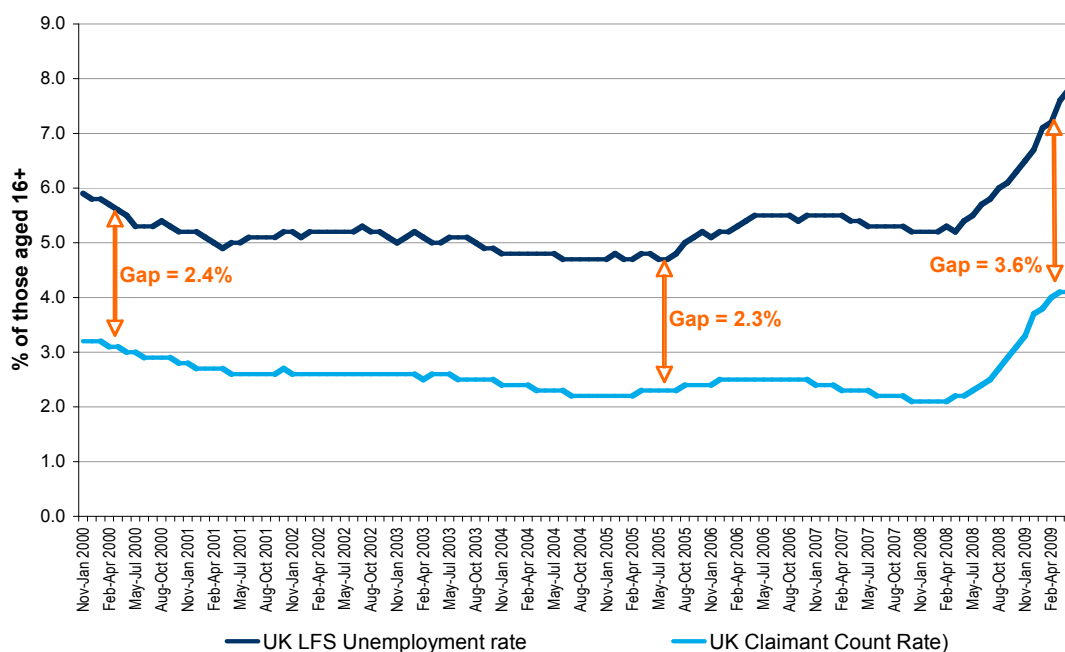
Differences between measures of unemployment

There are two main measures of unemployment within the UK. The first is the narrow measure of the number of people claiming Jobseekers Allowance (claimant count unemployment). This data is available at the local level, and is fairly up to date (statistics are produced one month in arrears). As such, this is the data that we use within this Bulletin to report levels of unemployment (page 2).

The second measure of unemployment is only available at the regional and national level, and takes a wider approach by including all those who are out of work but actively seeking employment. This therefore includes a number of people (i.e. people whose partner is working; young people under the age of 18 who are not in education or training; students looking for part-time or temporary work; and people who have left their job voluntarily) who are looking for work but are not claiming Jobseekers Allowance. This measure is known as the Labour Force Survey (LFS) unemployment (also known as the International Labour Organisation (ILO) measure, as it uses an internationally agreed definition). As the name implies, the LFS measure is based on a survey of people living in the UK, asking respondent's about their personal circumstances and activity in the labour market, and is based on a rolling three month average (2 months in arrears).

The LFS measure of unemployment is therefore always going to be at least the same, but generally higher, than the claimant count as it uses a broader definition. However, in recent months there has been an increasing divergence between the two measures, leading to a confusing picture. As such, while our article on page 2 paints a picture of very modest growth in unemployment and signs of levelling off, the LFS measure at the national level continues to show a rapid increase in the number of unemployed. Indeed, the LFS measure suggests that unemployment increased by 220,000 in the UK in the three months to June (as opposed to just 82,000 in the claimant count measure), with 7.8% of the working age population now unemployed (compared to 4.2%). The change in the difference between the two

measures is shown in the graph below.



Difference between LFS and Claimant Count unemployment rates in the UK
Source ONS

The increasing discrepancy between the two measures is puzzling and cannot be easily explained. It may be that the increasing amounts of unemployed young people are either too young or living at home and not claiming benefits, people are using their redundancy money rather than signing on, people are living off their partners incomes for the time being, or a number of other reasons. DWP have announced an inquiry into the causes behind this divergence, but the consensus amongst most commentators is that the LFS measure is probably the more accurate of the two, better reflecting the state of the labour market. It is expected that the claimant count measure will probably play catch-up in the Autumn to bring the divergence back to more "normal" levels.

It should also be noted that the LFS measure of unemployment also shows higher levels of youth unemployment, as it includes those aged 16-18 and students looking for part-time or temporary work. Nearly 40% of all unemployed (LFS measure) are aged 16-24, and the unemployment rate for young people (i.e. of the proportion of all people in that cohort) is particularly high (17.2% of all 18-24 year olds; and a massive 31.7% of those aged 16 & 17). It is these LFS statistics, more than the claimant count data; which is prompting such concern about youth unemployment and the longer-term impact that this may have.

Local News Roundup

Health food giant **Holland & Barratt** has announced major plans to relocate to a new £7.5 million headquarters in the Midlands. The retailer plans to relocate to a 35,000 sq ft, three level office at Eliot Business Park in Nuneaton, a move that could double the number of people it employs in the town to 250.



Artist Impression of the proposed **Holland & Barrett** Headquarters
Source Deeley Group

This week there was good news that Tata has secured private sector funding for **Jaguar Land Rover's** (JLR's) short term financial needs and that the UK Government support for the car manufacturer is not now needed. Business Secretary Peter Mandelson said:

"The fact that the banks and commercial capital markets are meeting JLR's funding is a clear sign of confidence in the company, its products and the automotive sector.

Sackville Properties, which developed and owns the Tournament Fields Business Park, just off the Jnc 15 of the M40, has applied for planning permission to build 2 state of the art office buildings. It is thought the buildings would cover more than 26,000 sq ft and attract more than 260 workers.

An independent corporate caterer, **Restaurants At Work** has opened a base in Leamington Spa. Director Wyn Roberts reported they have a number of new clients in the region and that their market research has shown that there are a wealth of companies in the region which are national headquarters or UK arms of international companies which offer the company considerable potential.

The University of Warwick Science Park is creating 11 micro offices at its innovation centres in Warwick & Binley through Ignite. Ignite is aimed at giving start up firms many of which are knowledge-based or innovation led the best chance for a positive start. Businesses that take up the offices will also be to tap into a range of support services through experts at the Science Park-long term funding from Advantage West Midlands and the Science Park means that much of the programme is free. Five of the 11 units have already been taken up.



Warwick Innovation Centre-
Source University of Warwick Science Park

Disclaimer

This report has been prepared jointly by Warwickshire County Council Economy & Development Service, Warwickshire Observatory and Communication and Information Group, with all reasonable skill, care, and diligence. We accept no responsibility of any nature to any third parties to whom this profile, or any part thereof, is made known. Any such party relies on the report at their own risk.

Publication date: August 2009
Directorate: EED
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