

THE REGION AND RECESSION: IMPACTS AND PROSPECTS

09 December 2009

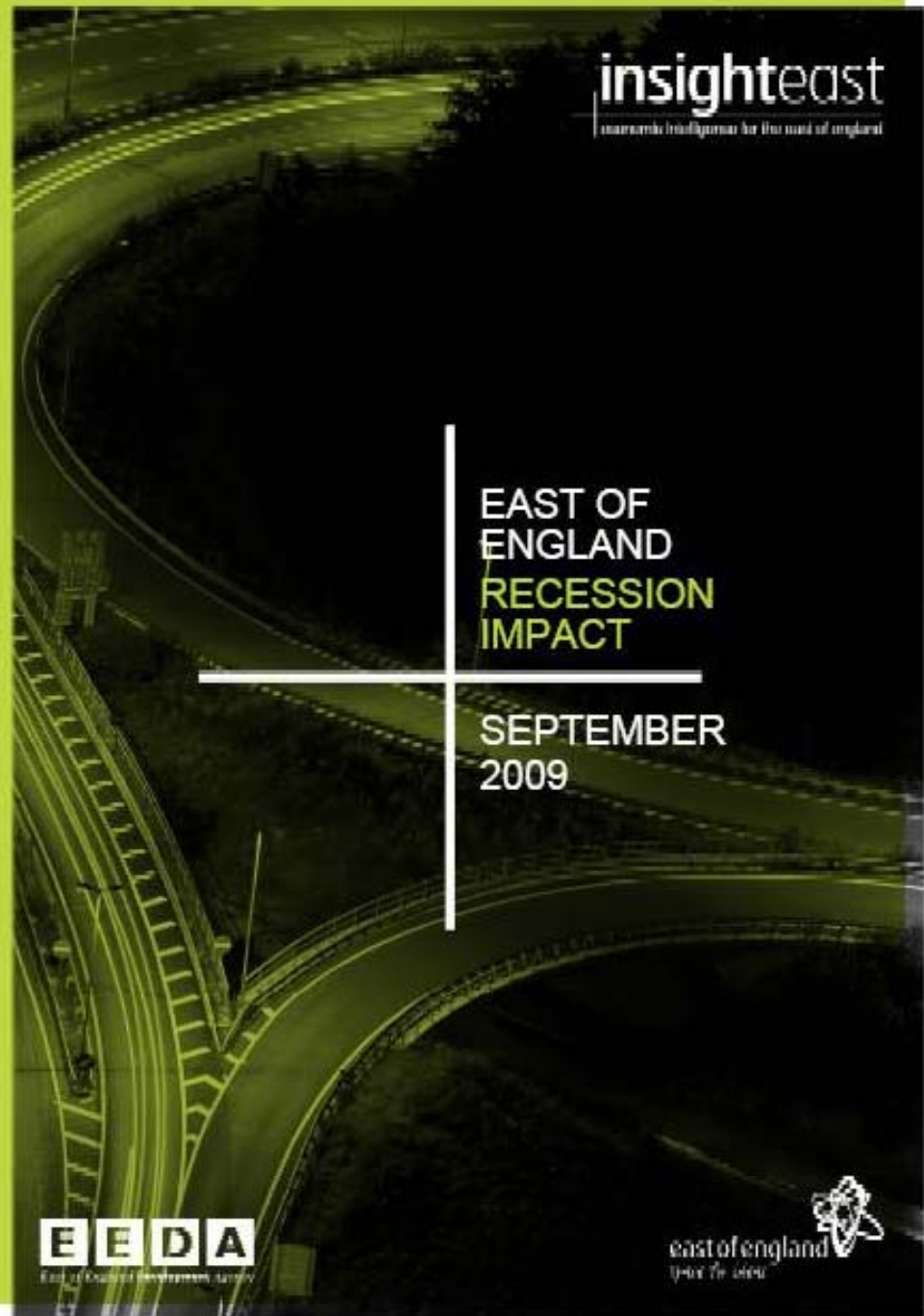
Glenn Athey, Director, Insight East, EEDA

insight east =

- + Part of East of England Development Agency
- + Better informed decision making in the economy
- + Leadership on economic research and intelligence

September

Impact Report



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**EAST OF
 ENGLAND
 RECESSION
 IMPACT**

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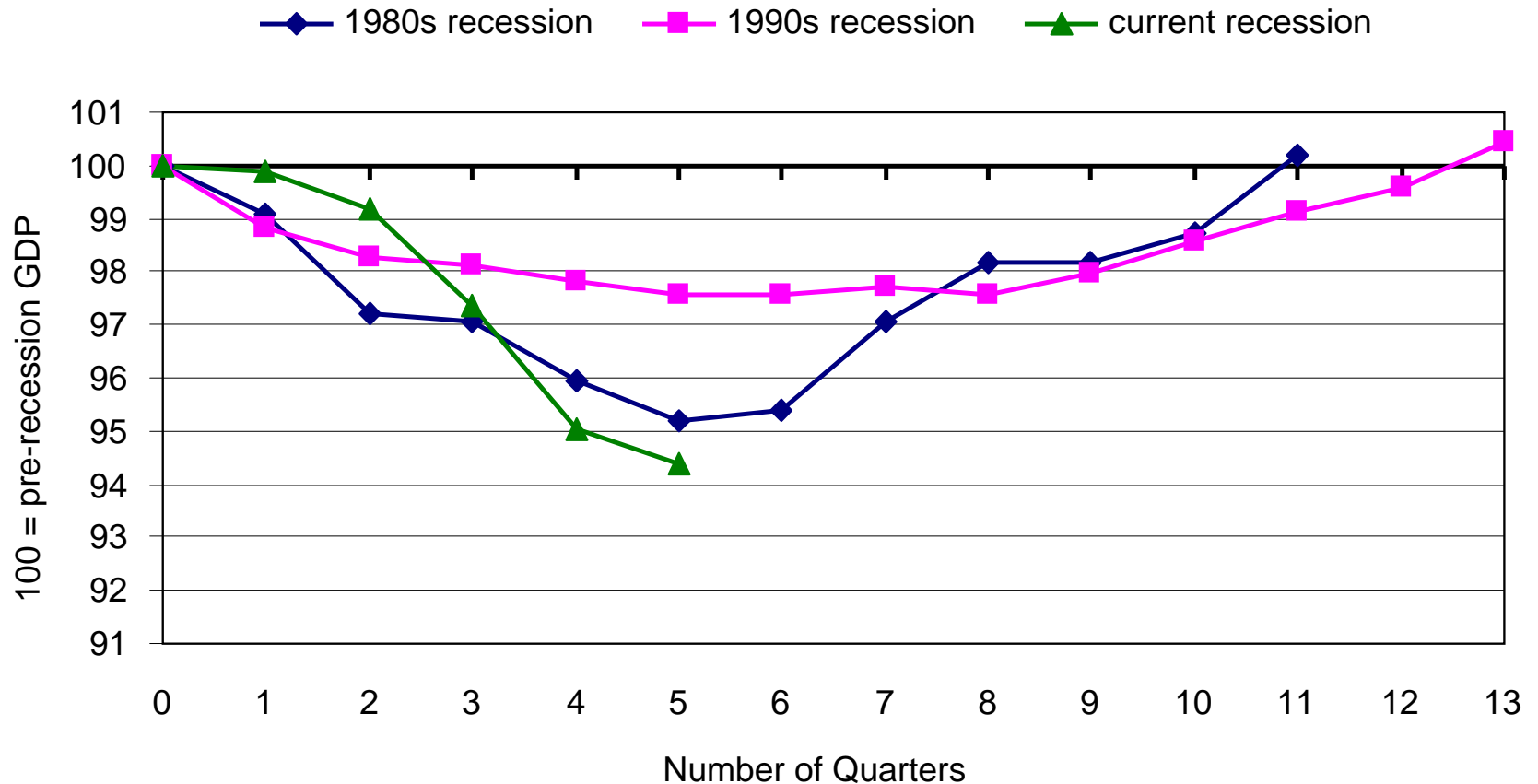


RECESSION: THE HEADLINES

- + **Deep recession:** The UK economy has contracted by almost 6 per cent since Q1 2008
- + **Long recession:** 6 Quarters = longest recession since records began
- + **Unemployment** now 6.5 per cent in the region (Q3 2009), 194,000 officially unemployed
- + **Unemployed claimants** – have doubled since June 2008 (118,400 in September 2009)
- + **Redundancies lower and stable** – still happening, but fewer than Dec-Feb peak
- + **Consensus = the worst is over**, recovery is around the corner
- + **But recovery will be slow**, medium & long term impacts on labour market, businesses, and other sectors will be significant

Deeper contraction than previous recessions

Cumulative Loss in Output in the 1980s, 1990s and Current recession



East of England claimant rate by District and Unitary Authority - October 2009

Proportion of resident working age population estimates for total claimants.

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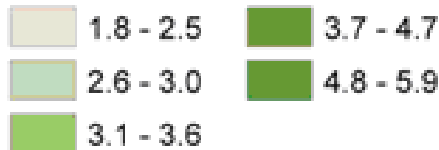
Source: ONS (c) Crown Copyright Reserved

Proportion of resident working age population estimates for total claimants.
Rates for local authorities from 2008 onwards are calculated using the mid-2007 resident working age population.

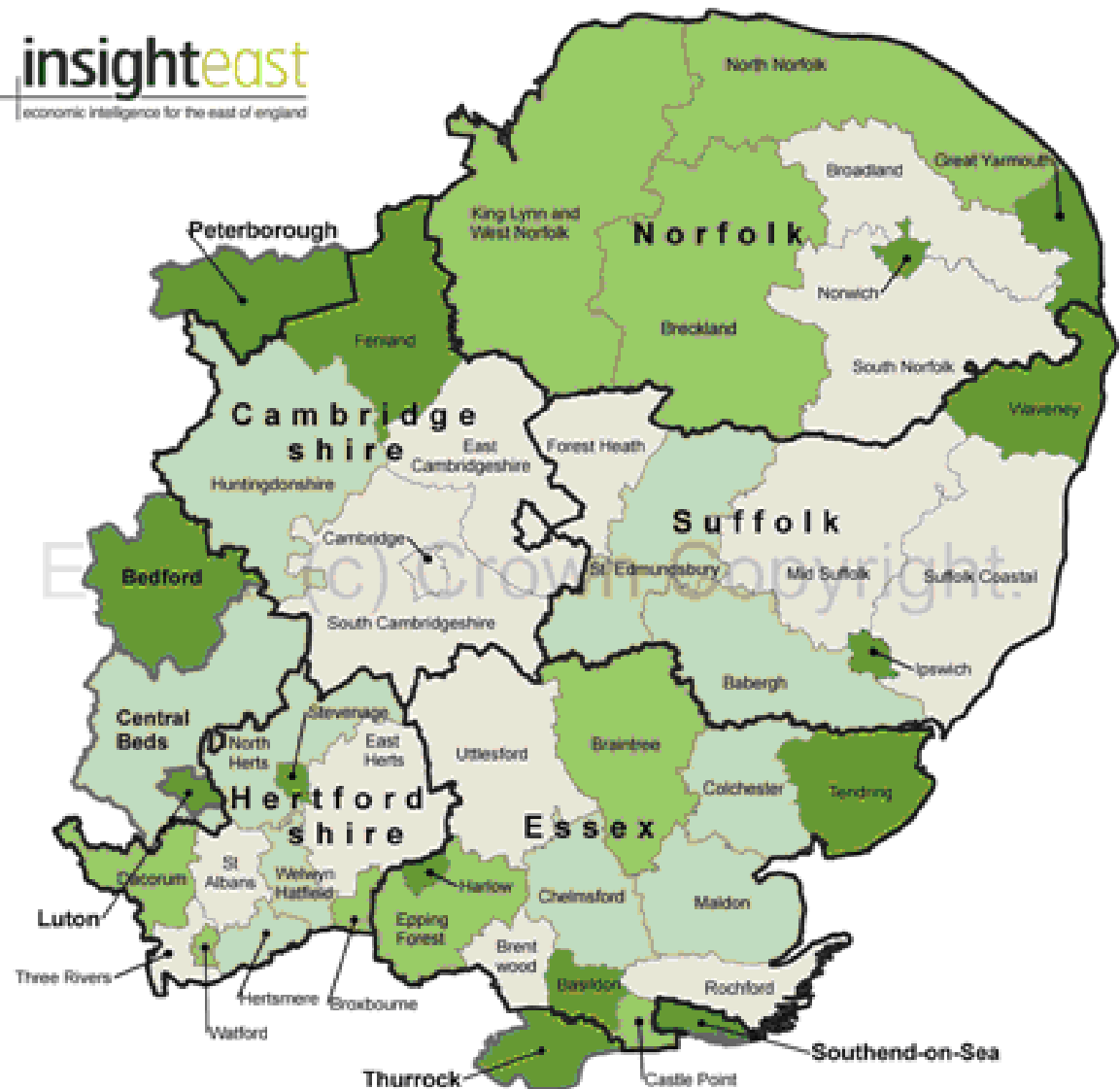
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Claimant rate



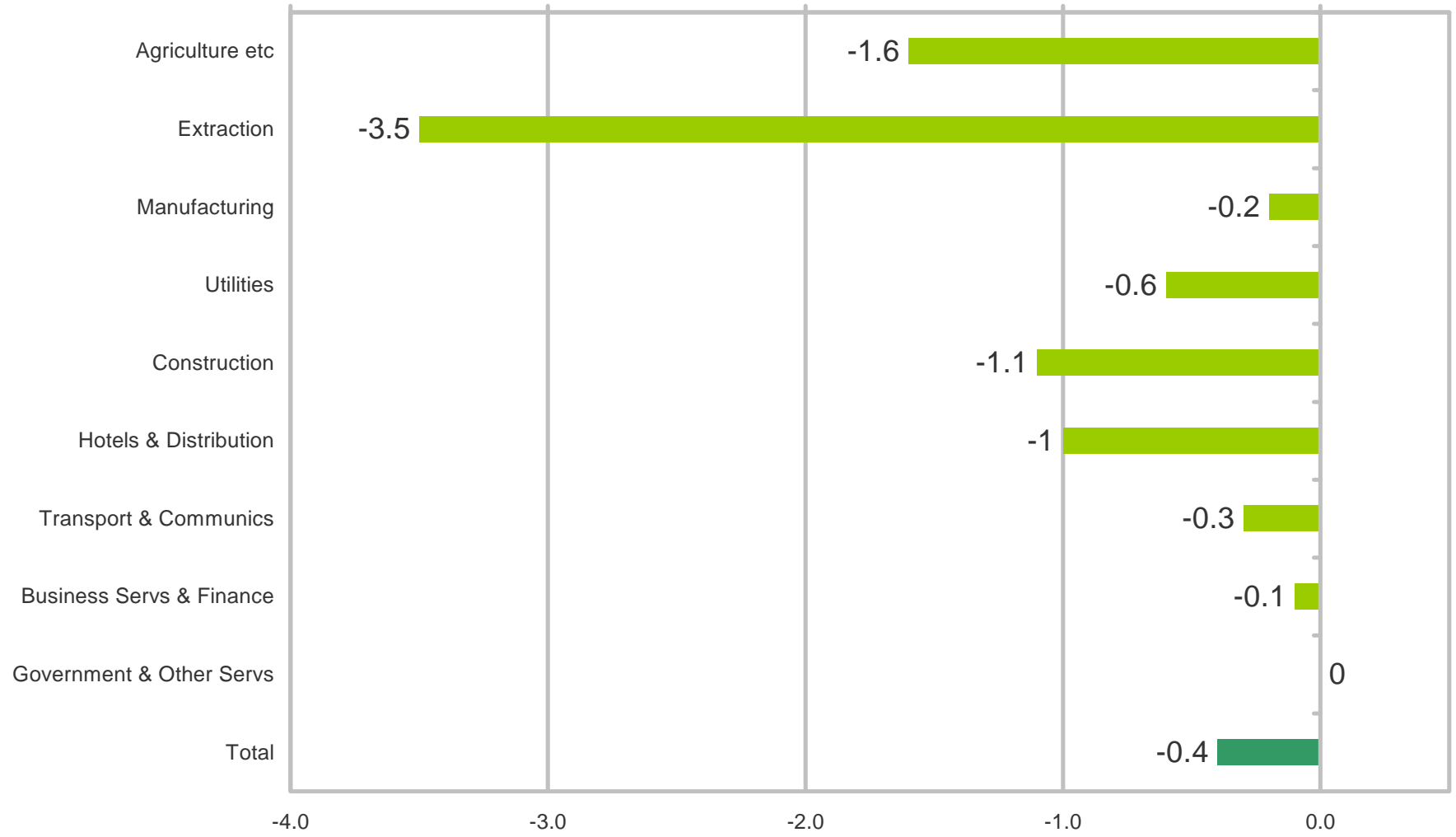
0 3.75 7.5 15 Miles





Sector impacts of recession

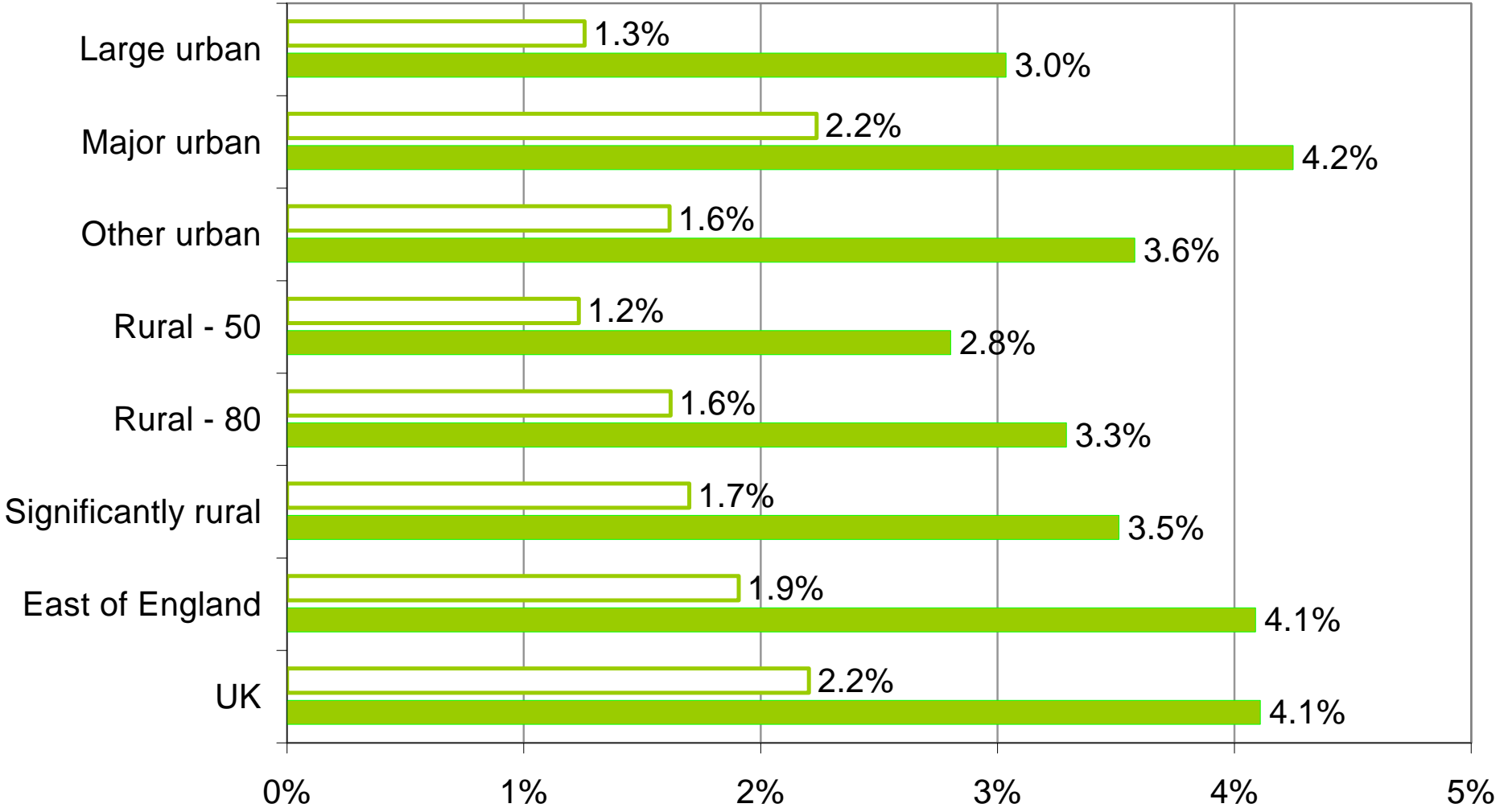
Percentage change in output by sector from Q3 2008 to Q3 2009 (ONS)





Rurality and the claimant rate

□ Claimant unemployment rate Jul 2008 ■ Claimant unemployment rate Oct 2009



What the recession means for rural communities

- + Evidence that remote rural house prices have not decreased by as much as other rural and urban areas
- + Unemployment – less mobility / lower job density
- + Tourism/visitors – positive due to value of sterling
- + But - rural areas – are incredibly diverse, and industries and jobs of residents are diverse – difficult to give a ‘typical’ rural view of recession

Sector outlook

- + **AGRICULTURE:** sales remaining strong, low sterling beneficial for import substitution; but high fuel and resource prices
- + **MANUFACTURING:** significantly impacted by recession due to falling demand
- + **AUTOMOTIVE MANUFACTURING:** one of the hardest hit, scrappage scheme has been beneficial
- + **FOOD PRODUCTION:** mixed – long term restructuring issues
- + **PHARMACEUTICALS AND BIOSCIENCE:** shielded from the immediate effects of the downturn
- + **CONSTRUCTION & HOUSING:** significant impact. Housing starts in the East of England fell to a new record low in Q1 2009



Sector outlook

- + **COMMERCIAL PROPERTY:** Demand for commercial property has fallen during the recession. Some recent recovery, but rents falling
- + **BUSINESS SERVICES:** B2B services significant contraction
- + **FINANCIAL SERVICES:** mixed impacts in the region
- + **TRANSPORT AND LOGISTICS:** significant downturn – less demand=less need for transport
- + **RETAIL AND CONSUMER SERVICES:** initial downturn, but recovery in recent 2 quarters

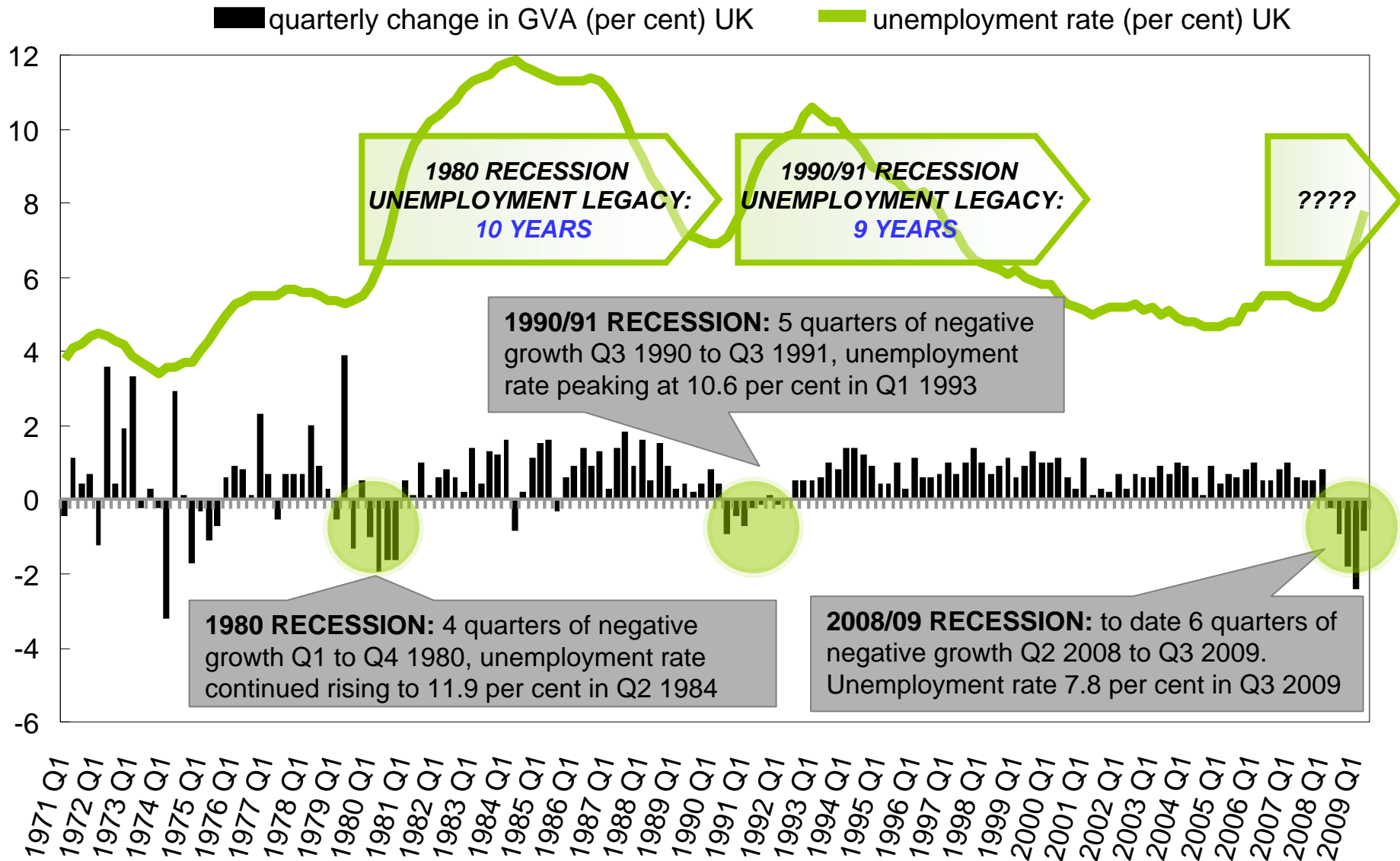
When will the recession end?

- + Most business confidence surveys – report increases in output
- + OECD's survey – reckons all OECD and major emerging economies have grown in October
- + Recession likely to officially end soon – but impacts will be felt for years to come
- + East of England Forecasting Model – 0.7 per cent growth in 2010 and 2.4 per cent growth in 2011
- + But could take 2 years before output back at pre-recession levels
- + Unemployment legacy 5-10 years



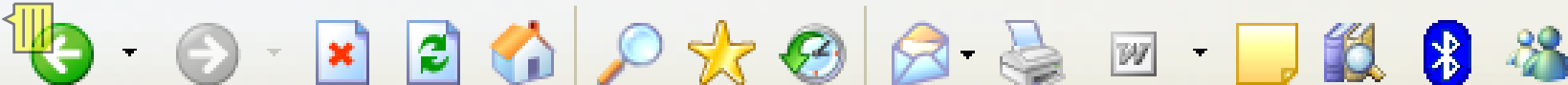
Future challenges

The unemployment legacy of the recession will be significant



Post-recession: unlikely to be 'business as usual'

- + Structural change in economy
- + Uncertainty:
 - macro factors (interest rates, inflation, £ sterling)
 - markets (demand, new competition, new protectionism)
- + Continued increase in globalisation/competition
- + Finance availability and terms for business
- + New markets, innovation and ways of doing things
- + Local 'regeneration' challenges likely to (re-) emerge
- + Public expenditure outlook



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Regular Reports

The reports Insight East produce on a regular basis are:

- [Quarterly Economic Briefs](#)
- [Monthly Economic Outlook](#)
- [Labour Market Reviews](#)
- [Local Economic Profiles](#)

Special Reports

Insight East also produce special reports. Recent publications are:

- [Briefing :Creative Industries Employment](#)
- [East of England Recession Impact - September 2009](#)
- [Recession In Rural East Of England - September 2009](#)
- [Enterprising East of England](#)
- [The Innovation Performance of the East of England](#)



ECONOMIC INTELLIGENCE FOR THE EAST OF ENGLAND

Insight East helps decision makers to better understand the economy. Powered by EEDA, the service provides accurate data and authoritative analysis on the important trends and issues facing the region.

Quick link

 →

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- Bedford
- Cambridgeshire
- Central Bedfordshire
- Essex
- Hertfordshire
- Luton
- Norfolk
- Peterborough
- Southend-on-Sea
- Suffolk
- Thurrock



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NEW IN THIS MONTH

- INSIGHT EAST MAIN REPORTS & BRIEFINGS
- ALL QUARTERLY ECONOMIC BRIEFS
- ALL LABOUR MARKET REVIEWS

BROWSE BY TOPIC

- BUSINESS AND INDUSTRY
- ECONOMICS AND FINANCE
- EDUCATION AND SKILLS
- EMPLOYMENT, JOBS AND CAREERS
- ENVIRONMENT
- GOVERNMENT, POLITICS AND PUBLIC ADMINISTRATION
- HEALTH, WELL-BEING AND CARE
- HOUSING
- INFORMATION AND COMMUNICATION
- INTERNATIONAL AFFAIRS AND DEFENCE
- LEISURE AND CULTURE
- LIFE IN THE COMMUNITY
- PEOPLE AND ORGANISATIONS
- PUBLIC ORDER, JUSTICE AND RIGHTS
- SCIENCE, TECHNOLOGY AND INNOVATION
- TRANSPORT AND INFRASTRUCTURE



Monthly Economic Outlook : November 2009

November's outlook for the East of England Economy

We found out at the end of October that the UK is in the longest recession since official records began in 1955. The official estimate is that in the third quarter of 2009, the economy continued to contract, with economic output decreasing by 0.4 per cent since the second quarter in 2009. This has been the sixth successive quarterly contraction.

[Read more](#)



Quarterly Economic Brief : Q3 2009

How is the recession affecting the region?

Every quarter, Insight East produces a Quarterly Economic Brief which seeks to give a broader view of national and regional economic trends than is possible in our other publications. We have just released our QEB for Q3 2009. It shows that the current official unemployment rate in the region – 6.7 per cent (about 190,000 people) - has changed little over the last quarter, although the rate and numbers affected are the highest for thirteen years. The East of England rate still compares favourably with the national figure of 8.1 per cent.

[Read more](#)



Labour Market Review - November 2009

Unemployment stabilises, but labour demand remains weak

The latest labour market statistics suggest that the East of England's labour market stabilised in Q3 2009, following significant change throughout the previous 12 months.

[Read more](#)