

Lincolnshire Economic & Business Briefing - May 2009



Welcome to the Lincolnshire Economic & Business Briefing, a quarterly guide providing a national, regional and local perspective of the changing economic situation.

County Business Confidence High

Lincolnshire businesses, whilst stating in a recent survey that they are feeling the effects of the global downturn, remain positive about their own prospects and those of the county.

This view of a more positive county economy is supported by other national indicators which show that the county unemployment rate at 3.7% is still below regional and national levels (both at 4.1%). Falls in house prices have been greater at regional and national levels (both -16%), whilst the mortgage repossession rate per head is higher outside of the county.

Nevertheless unemployment in the county has risen by 95% since April last year; house prices have fallen on average by 14% since this time last year; mortgage repossessions during 2008 were up 9% compared to the previous year.

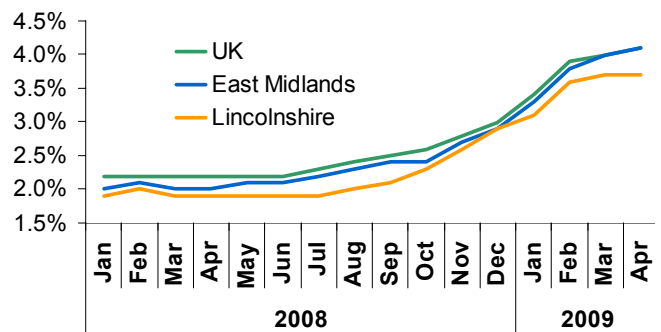
During early 2009, county retail businesses are reporting levels of footfall in local shopping areas similar to last year. Property businesses are experiencing increases in enquiries, viewings, rentals and sales. Improvements have also been noted in the number of first time buyers entering the market.

Manufacturing firms are reporting that the full impact of the slowdown on their sector may be further down the line as current orders were placed 1-2 years in advance. In addition to making goods relatively cheaper, the weakness of sterling has also had the positive effect of putting some plans for out-sourcing work to outside the UK on hold.

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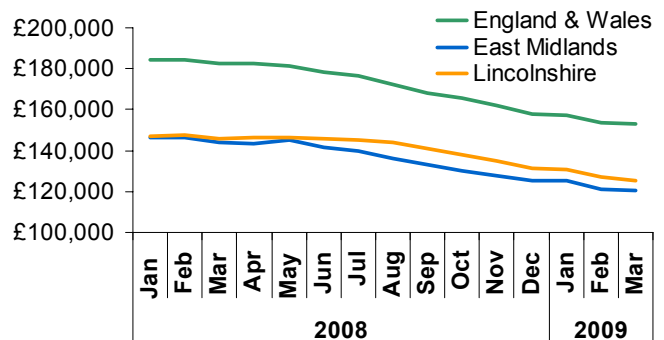
Key Economic Indicators

Unemployment Rate % (Claimant Count)



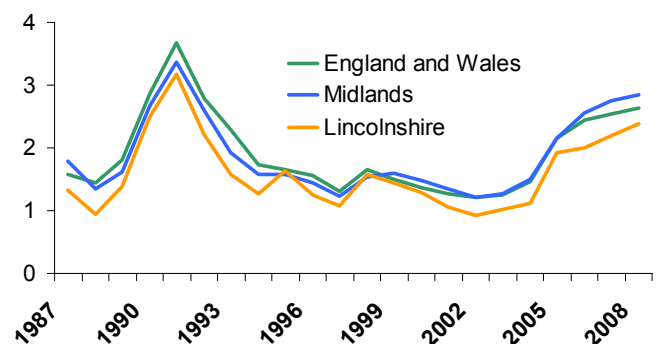
Source: Office for National Statistics

Average House Price (£)



Source: Land Registry

No. of repossessions per 1000 population



Source: Ministry of Justice

UK Economy Overview

2009 was always billed as a challenging year and this has proven so with the official announcement of the UK economy in recession, and a trickle of job and financial losses which has become a constant flow over the last few months. In recent months the national economy has been characterised by falling inflation, cuts in interest rates, a weakening pound, decreases in output, and rising unemployment.

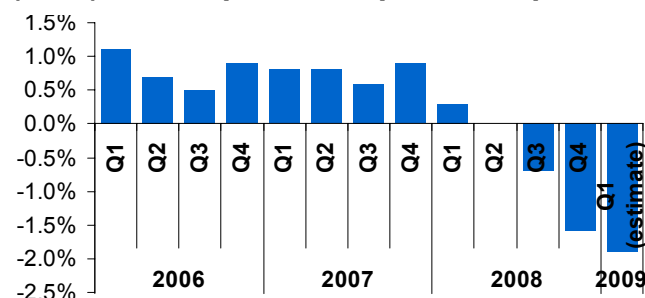
The recently revised Gross Domestic Product growth figure of -1.6% in quarter 4 of 2008 shows that the economy has contracted slightly more than was originally forecast (-1.5%). The value of outputs from all sections of industry fell in the same period with the highest percentage falls in manufacturing and construction (-4.9%) whilst agriculture experienced the lowest fall (-0.2%).

In response, the Bank of England interest rate has been drastically lowered in a bid to stimulate the economy through spending and is currently at 0.5%, the lowest it has been in the Banks three hundred year history.

The weakened pound has continued to create both opportunities and challenges for businesses. The current strength of the euro makes the UK an attractive holiday destination for both residents and visitors from the EU countries which is an obvious bonus for the UK tourism and cultural industries. This should also provide a boost for UK manufacturers exporting overseas though the current indications are that this is yet to translate into growth in this area.

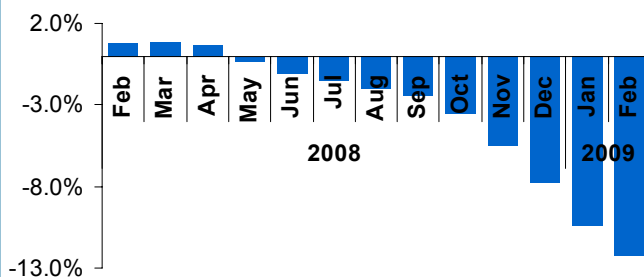
A comparison of the latest independents forecasts for the UK economy, produced by H M Treasury, shows that overall the economy is likely to turnaround during 2009 and experience growth during 2010 albeit small (0.3%). Inflation (CPI) is forecast to fall further to 1.5%, whilst unemployment will come close to the 2.5 million people mark.

% change in Gross Domestic Product (GDP), latest quarter on previous quarter



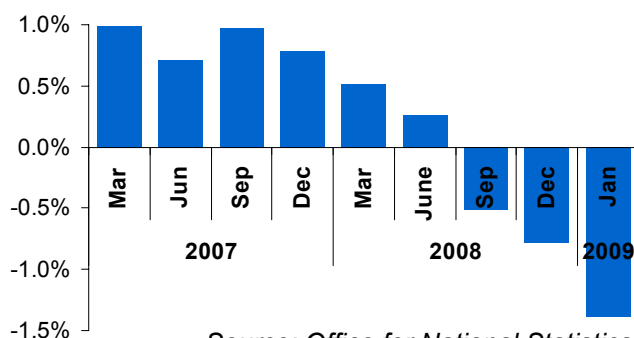
Source: Office for National Statistics

% change in manufacturing output (latest 3months on same 3months a year earlier)



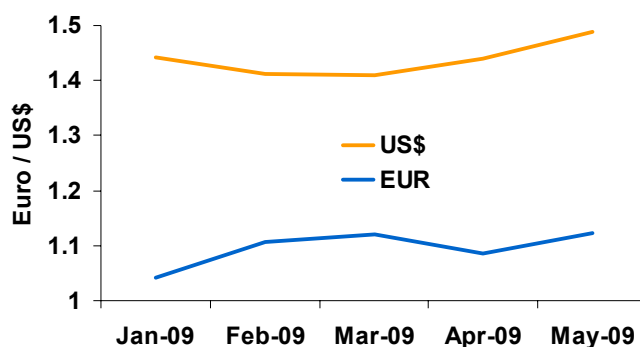
Source: Office for National Statistics

% change in services output (latest 3months on same 3months a year earlier)



Source: Office for National Statistics

Euro / US\$ to £1 Sterling



Source: www.x-rates.com

Local Labour Market Overview

Whilst meetings held with county businesses this year by the Lincolnshire Chamber of Commerce have revealed a number of positive signs in the local economy, levels of unemployment are still seen as a significant problem for the rest of 2009. As an indicator of economic performance, unemployment traditionally lags behind other indicators, such as economic growth, in terms of showing economic recovery.

According to the latest figures from the Office of National Statistics (ONS), total unemployment in the county during April stood at 14,974 people. This is a decrease of 1% on the previous month, but a 95% increase on the same time last year. In contrast, regional levels of unemployment increased by 3% whilst nationally it increased by 2%.

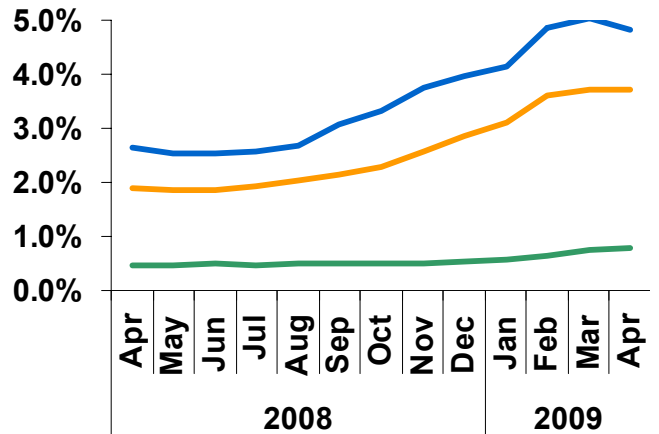
Decreases in unemployment have been noted across a number of areas in Lincolnshire over the last couple of months with the largest falls in the Skegness and Mablethorpe areas, possibly reflecting the seasonal nature of employment in those areas.

Unemployment among younger people in Lincolnshire has increased significantly during the year whilst long term unemployment (claiming for over 6 months) has shown only a slight increase over the same period.

Referring to the latest employment data available from ONS (July 2007 to June 2008), the employment rate in Lincolnshire is 77% compared to 76% in the East Midlands and 75% nationally. The Government aspirational employment rate target is 80%.

In terms of job vacancies, approximately 3,200 (less armed forces vacancies) were reported to Job Centre Plus during April 2009, a monthly increase of nearly 25%, and up over 10% on this time last year.

**Unemployment in Lincolnshire
April 2008 to April 2009**



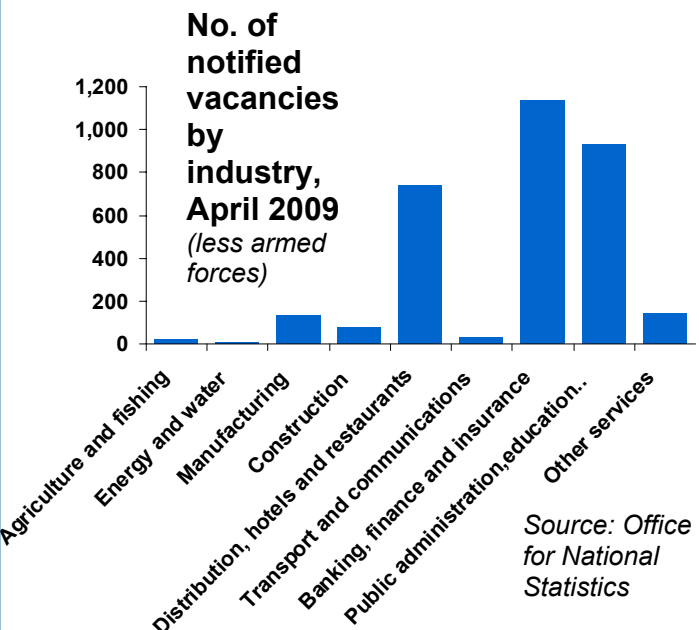
Source: Office for National Statistics

- Claiming for over 6 months as a proportion of total unemployed
- Under 19 unemployment as a proportion of 16-19 year olds
- Total unemployment rate

No. of vacancies notified to Job Centre Plus



Source: Office for National Statistics



Source: Office for National Statistics

County Business Confidence High

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As part of a recent countywide survey, businesses were asked to score the ability of their business, their sector, and their locality, to withstand the current economic climate based on a scale of 1 being poor and 10 being good.

Lincolnshire scored on average **7** indicating that businesses think the county will fair well during an economic downturn. Businesses are also confident of their own prospects during the current economic downturn, and on average also rated themselves as **7**. They were though slightly less confident about the sector that they operate in, scoring it on average **6**.

Do you agree with these scores? Do you think Lincolnshire will fair well during the economic downturn? Would you score your own business or your sector higher or lower? Let us know by emailing us at lro@lincolnshire.gov.uk

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Job Centre Plus

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www.jobcentreplus.gov.uk/JCP/Employers

Lincolnshire Research Observatory

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email: lro@lincolnshire.gov.uk
website: <http://shared.research-lincs.org.uk>

Local Businesses See Environmental Benefits

Whilst local businesses are concentrating on resisting the effects of the economic downturn it is encouraging to note that other important global issues still remain on the agenda.

Results from the last Business Barometer survey reveal that 'saving money' and 'attracting environmentally conscious customers' are both perceived as key benefits for businesses responding to environmental issues. Lowering energy bills and taxes are the primary motivation (93% and 66% respectively) but encouragingly 63% also feel a social responsibility. Only 12% felt that environmental issues were not appropriate to their business.

In the last year the vast majority of businesses have reduced energy use and minimised waste (both 72%). Businesses agree that addressing environmental issues can make them more competitive (61%) and that this is an increasing concern for customers (58%) but feel held back by high costs and low returns. 82% of businesses felt that there should be financial incentives for good environmental practice such as tax breaks or subsidies.

All information contained in this Economic & Business Briefing was the most up-to-date available at time of publication (18th May 2009). This briefing has been produced by the Lincolnshire Research Observatory (LRO), a public sector partnership with the aim of improving access to quality information on Lincolnshire. Why not visit the website for a wide range of socio-economic information on Lincolnshire <http://shared.research-lincs.org.uk>