Monthly Economic Update: February 2010

Chief Economist Unit
Yorkshire Forward

Economic View

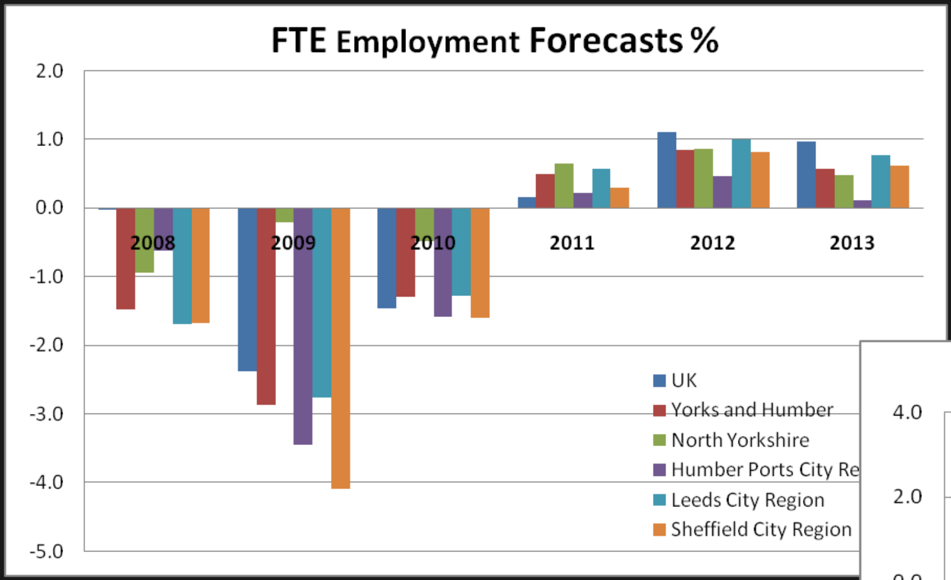
- The **Office of National Statistics revised their Q4 2009 GDP** figure this morning, which moved from 0.1% to 0.3%. The revision means that the national economy moved out of recession at the end of last year with a little more vigour than was first thought.

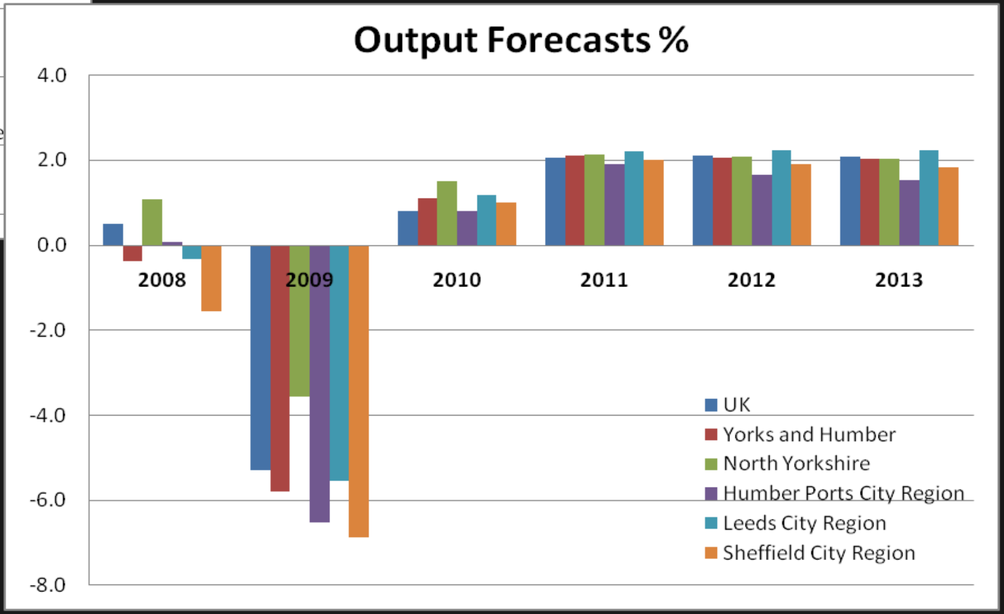
- The latest Yorkshire & Humber Purchasing Managers' Index indicated **continued growth of the regional's private sector in January**, although poor weather undermined gains in both activity and new business. Cost pressures continued to intensify, with input prices rising at the sharpest rate for over a year. However, output charges were unchanged, pointing to further margin squeezes at companies.

- The PMI headline Business Activity Index – which measures the combined output of the region's manufacturing and service sectors – fell back markedly in January, posting a reading of 52.0, from 55.8 in December. **This still indicates growth, only at a slower rate than has been seen in recent months.** A similar slowdown of new business growth was also signalled by the latest survey data. Of those companies that registered higher activity and sales at the start of 2010, there were reports of an improvement in underlying demand, which was supported by advertising and new product launches.

- The PMI also indicated **ongoing job shedding in Yorkshire & Humber firms**, albeit at a reduced rate that was the slowest in twenty-one months of contraction. Leavers were generally not replaced as excess capacity persisted, while there were some reports of company restructuring. Slower growth of new business enabled firms to make inroads into their work outstanding at the start of the year. Backlogs have now fallen continuously for nearly two years.

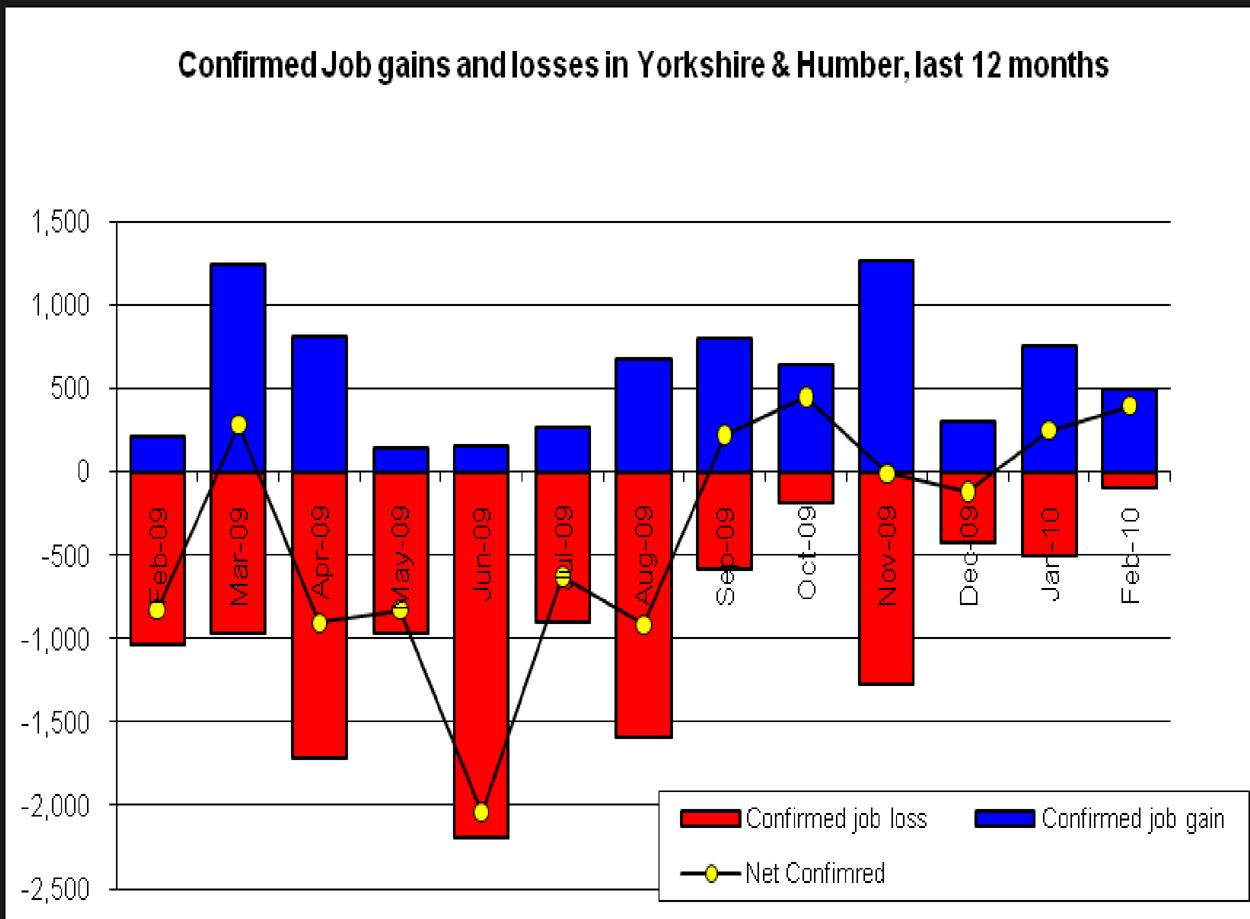
Core Economic Forecasts





For more detail on forecasts, click here

Jobs Losses and Gains



- February has seen a net increase of 394 jobs across Yorkshire & Humber, compared to January which experienced a net decrease of 69 jobs.

- Major planned job announcements in February include the proposed new Marriott hotel and conference centre at the £100m Manor Mill development in Hull, with the creation of 400 jobs.

Major Jobs Losses and Gains in January

Losses

• **Operon, -50 Jobs**: Fifty administrative jobs have gone at the HQ of Leeds company Operon, which fits out public and private sector buildings.

• **Speedwell Reinforcements, -50 Jobs**: Speedwell Reinforcements, a Sheffield producer of reinforcing bars and bespoke welded meshes, went into administration this month. It is believed that the company employed between 50 and 70 people. All were told they were to be made redundant.

Gains

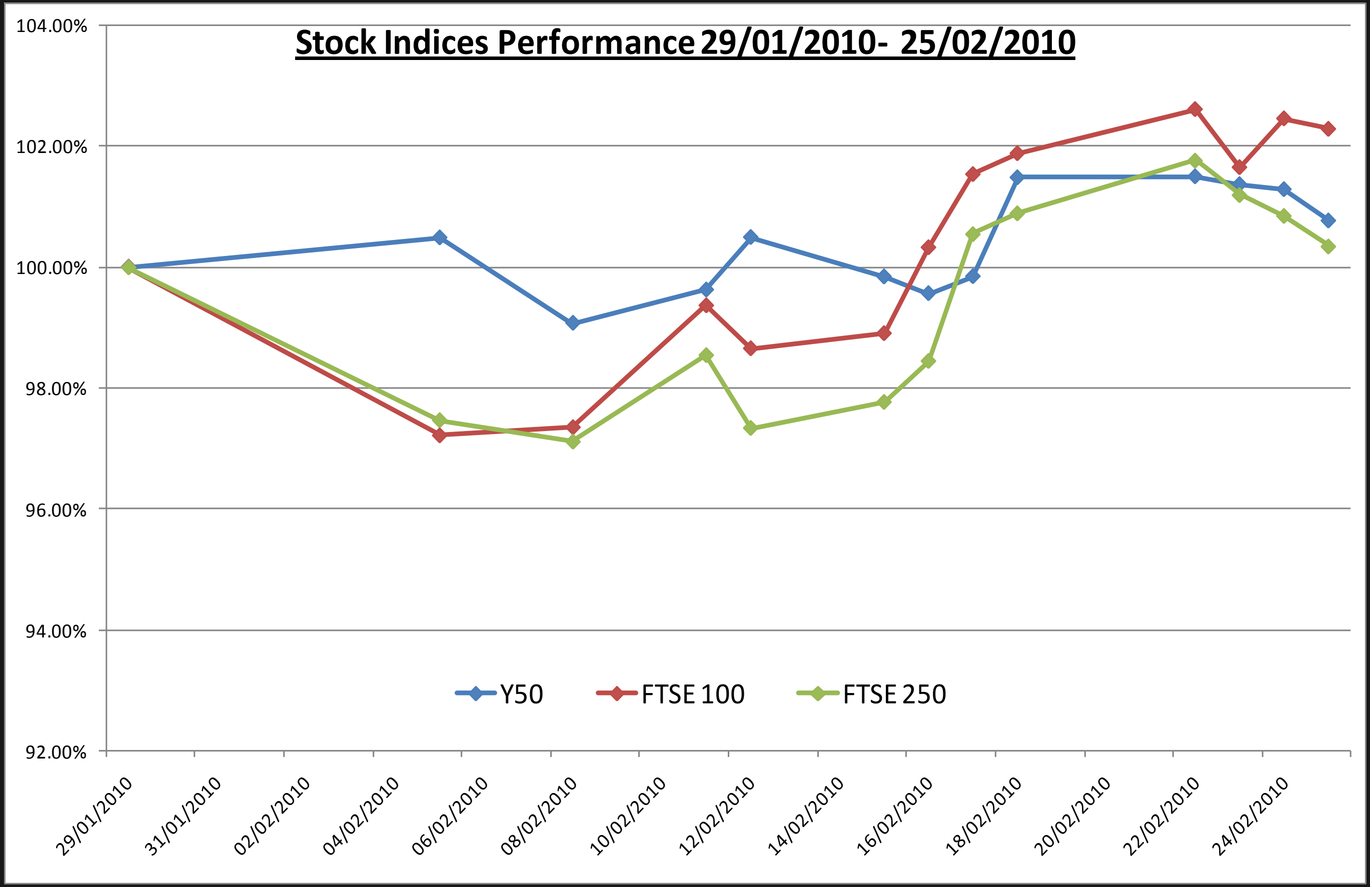
• **Amateur Boxing Association of England (ABAE), 494 Jobs:** The Amateur Boxing Association of England (ABAE) and National Skills Academy for Sport and Active Leisure want to recruit 50 apprentices in Sheffield, Doncaster and other parts of the country to help it promote sport in the community. The apprenticeships will run for a minimum of 6 months and are financed through the Future Fund for Jobs programme.

• **Daniels Group, 200 Jobs:** Leading chilled food manufacturer, Daniels Group, has taken over the vacated Mariner Foods plant in Grimsby. The £8.5m investment will create 200 jobs.

• **Birchwood Farm / Cloverleaf Restaurants:** A new pub restaurant at Glasshoughton, Wakefield is to create 60 jobs. Birchwood Farm will have seating space for 270 and will open in June.

• **North Yorkshire Police, 60 Jobs:** North Yorkshire Police have advertised for 60 new jobs. Some of the jobs will be in Scarborough, and the phone lines crashed as the authority took 200,000 calls for the 60 jobs in one day.

Yorkshire 50



- Since the end of January the Y50 has experienced an overall modest increase of 0.8%.
- This compares to an increase of 2.3% in the FTSE 100 and 0.3% in the FTSE 250.

Yorkshire 50

Rank	Company	Stock Price Change %	Industry	Rank	Company	Stock Price Change %	Industry
1	CRODA INTERNATIONAL PUBLIC LIMITED COMPANY	19%	Manufacture of other chemical products not elsewhere classified	50	JARVIS PLC	-32%	Construction of highways, roads, airfield and sport facilities
2	AVACTA GROUP PLC	17%	Holding companies including head Offices	49	UK COAL PLC	-23%	Mining and agglomeration of hard coal
3	TOWN CENTRE SECURITIES PLC	14%	Letting of own property	48	AUGEAN PLC	-15%	Collection and treatment of other waste
4	COMMUNISIS PLC	9%	Printing not elsewhere classified	47	COSALT PUBLIC LIMITED COMPANY	-15%	Manufacture of workwear
5	JUST CAR CLINICS GROUP PLC	9%	Sale, maintenance and repair of motorcycles and related parts and accessories	46	SPICE PLC	-15%	Business and management consultancy activities

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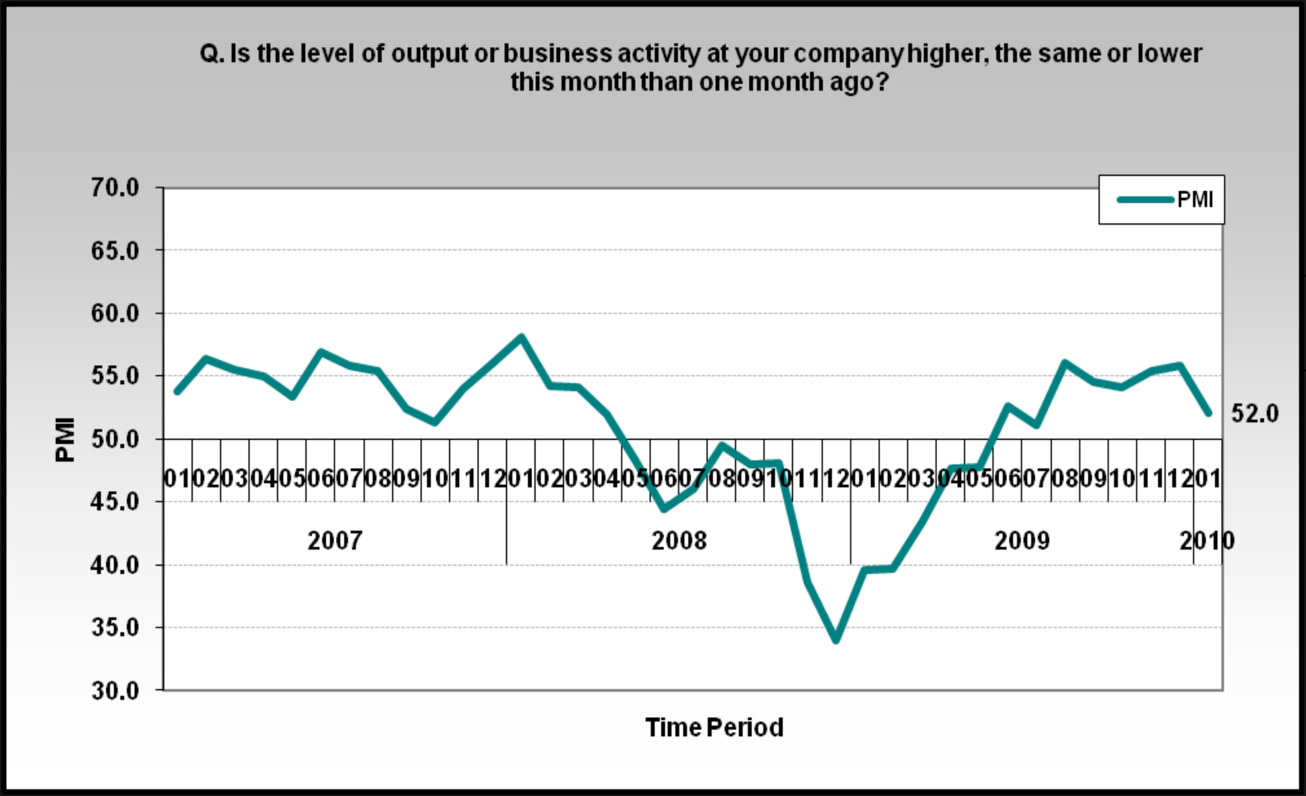
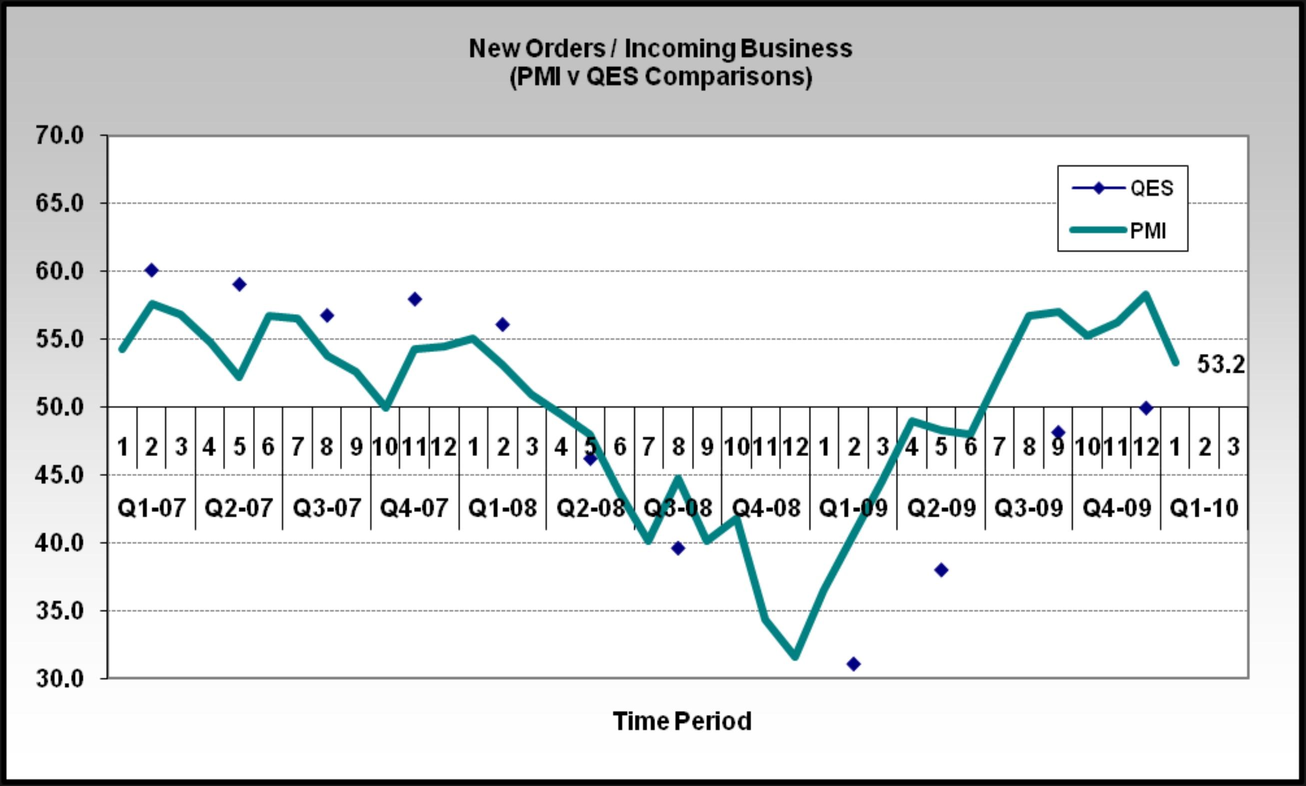
Business Activity Levels



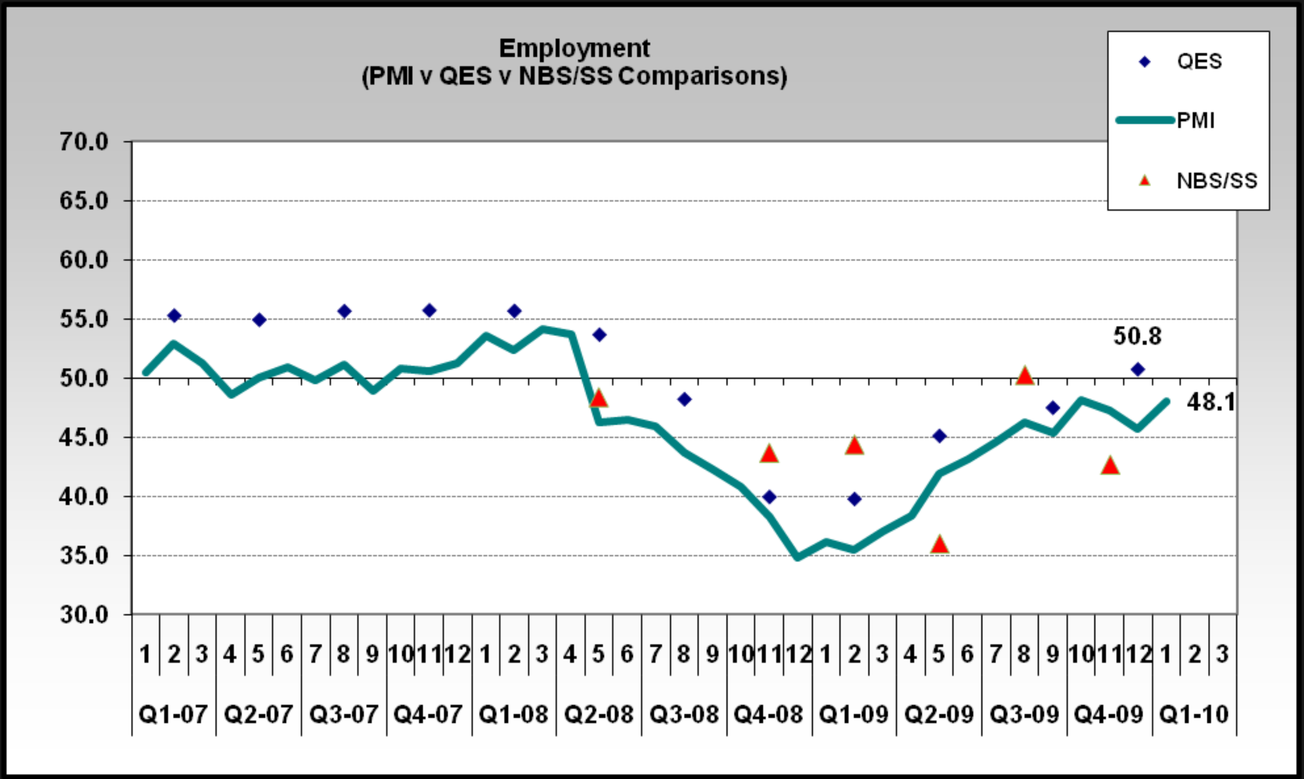
Business activity has picked up from a low of 34.0 in December 2008 (indicative of very strong contraction) and early signs of returning to pre-recession rates of expansion in December 2009 are cautionary given the slight dip in January 2009 to 52.0 (still indicative of expansion).

New Orders and Business



Similar to Business Activity levels, it is worth highlighting a note of caution with regards to the slight dip in January 2010 to 53.2 (which is still indicative of growth). Anecdotal information from businesses suggests that the weather definitely had an impact on order volumes, and whilst the PMI is a seasonally adjusted index, Christmas did contribute to the seemingly strong growth in order volumes.

Employment Prospects



As in previous months, whilst there has been a consistent amelioration, employment is still slightly contractionary in nature (48.1) even if the Q4-09 Quarterly Economic Survey (unweighted) suggests that employment has stabilised (50.8).

We are not out of the woods yet.

RDA Network National Business Survey Data

- The headline business confidence is now positive – a balance of +5% (compared to -13%)
- Domestic order books have definitely rallied – a positive balance of +8% of the regions companies expect order books to grow in 2010.
- 68% of businesses in the region report they are operating below capacity (down slightly from 70% in July 2009). Proportionately more manufacturing companies report they are operating below capacity (75%) compared to other sectors.
- The most favoured commercial response to the recession by the region's business is seeking new markets and customers – some 68% of businesses did this in 2009 and 74% plan to do so in 2010. The region's companies intend to remain focused on this option as a commercial route (as the next table shows).
- 69% of the region's businesses say they are well placed to respond to current macro economic conditions into 2010 (a figure essentially unchanged from when we asked this question in July 2009).

Strategies for Dealing with the Upturn

	Past 12 Months		Next 12 Months
Pursue new markets/customers	68%	↑	74%
Delay payments to your suppliers	38%	↓	26%
Reduce the number of staff	36%	↓	18%
Reduce the working hours of staff	34%	↓	21%
Consolidate / reduce the number of your suppliers	29%	↓	22%
Renegotiate existing finance or credit	23%	↓	20%
Raise new sources of finance or credit	17%	↑	20%
Cut salaries of staff	13%	↓	9%
Offer unpaid leave to staff	9%	↓	7%
Close all or part of the business	6%	↑	9%
Sell all or part of the business	3%	↑	10%

Labour Market Briefing

- Yorkshire Forward, the Office National for Statistics (ONS) and Job Centre Plus produce a combined Labour Market and Jobs Briefing every month which covers the regional labour market for Yorkshire and Humber.
  http://www.yorkshire-forward.com/our-wonderful-region/our-economy/labour-market-skills

- **Claimant count levels in Y&H have remained fairly stable in January, rising slightly to 6.1%.** The 'off-flow' of claimants from the Job Seekers Allowance (JSA) register exceeding the 'on-flow' of claimants for the second time since January 2008 - **some 1,300 more people left the claimant count in January than joined it.** While this seems contradictory with the rise in claimant count rate, the headline rate is a snapshot of the register at one point in the month, while the flows figures show movements on and off it over the course of a month.

- The Official Labour Force Survey (LFS) **unemployment rate for the region currently stands at 9.1%** in the quarter to December 2009, unchanged from last month. This rate is 2.4 % points higher than a year ago.

Labour Market Briefing

- The **number of people in employment fell by** 0.5% in the 3 months to December2009 (compared with the previous 3 months) according to the Labour Force Survey, with **2,394,000 people in employment (70.7% employment rate)** and down 1.7% on the same period in the previous year.

- **Unemployment stood at 240,000 (9,1% unemployment rate)** in the 3 months to December 2009, an increase of 11,000 on the previous 3 months and 65,000 on the same period the previous year.

- The **seasonally adjusted claimant count stood at 160,900** in January, up 1,900 from the previous month. The number of JSA claimants has grown by 37,900 (30.7%) between January 2009 and January 2010.

- **As usual in January, vacancies notified to Job Centre Plus fell sharply compared to the previous month.** However the figure of 17,200 in January 2010 was 4,400 higher than the corresponding 2010 figure.

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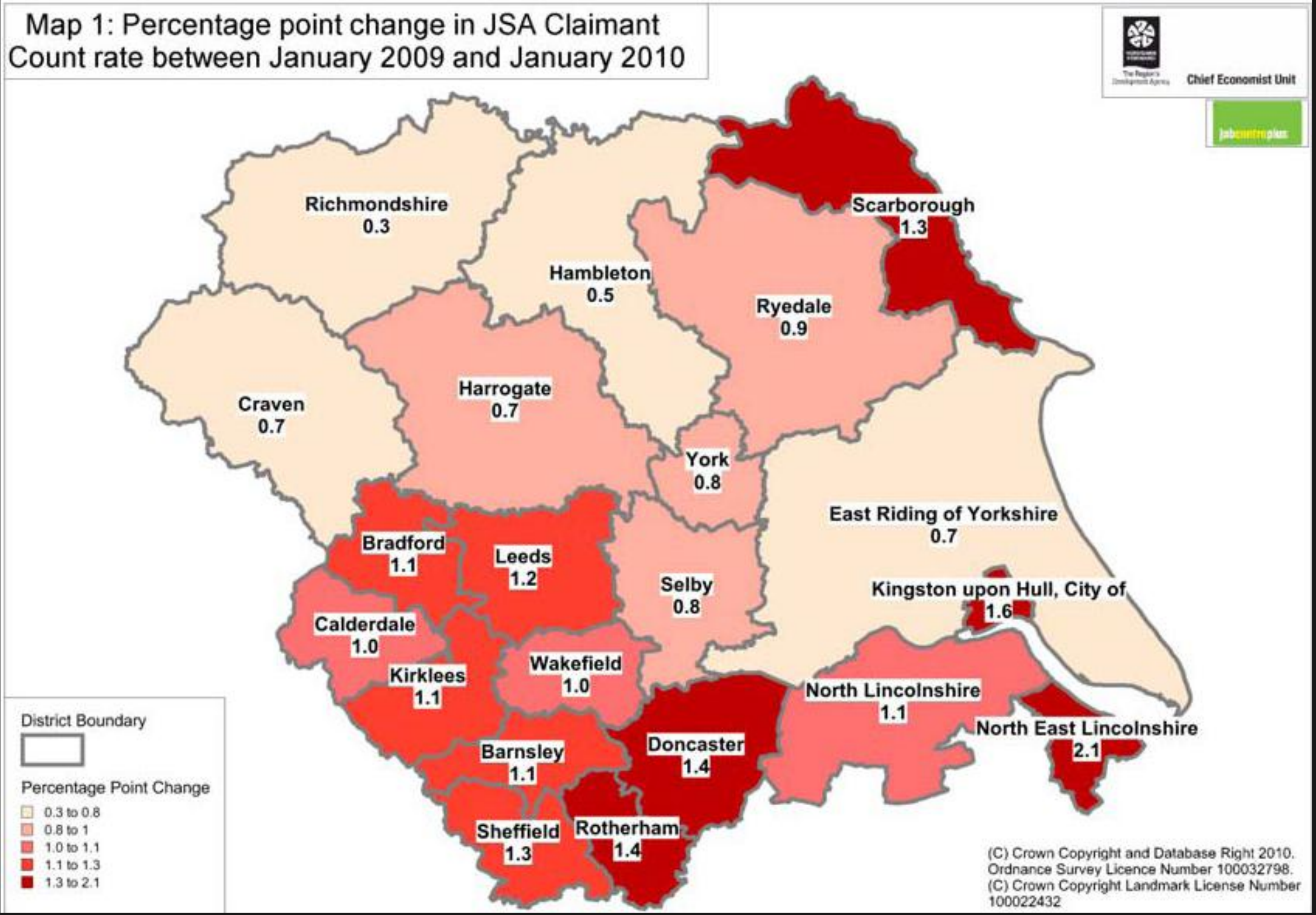
Labour Market – Local Impact



The **South Bank, Hull** and **South Yorkshire** once again saw the largest increases in the claimant count rate over the past year. In North Yorkshire only **Scarborough** had an increase over 1.0 percentage point.

For the national picture, see: http://www.statistics.gov.uk/lm-interactive/percent-wap-jsa.asp

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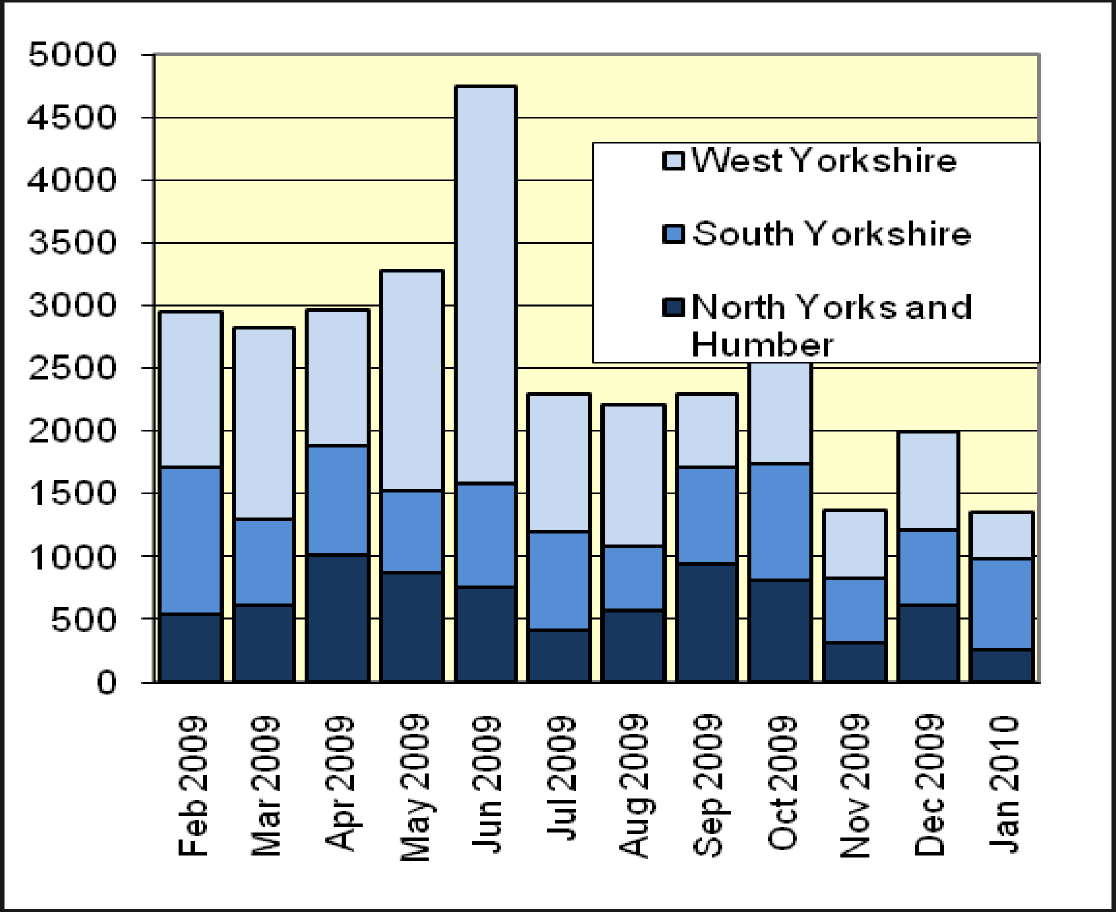
Redundancy Notifications



This chart shows that total redundancy announcements to Jobcentre Plus in January 2010 totalled 1,350, down 640 on the previous month.

Of the January 2010 announcements, 260 (19 per cent) were in North Yorkshire and the Humber, 730 (54 per cent) were in South Yorkshire and 360 (27 per cent) were in West Yorkshire.

Links to Chief Economist Unit Core Products

Labour Market Information

Yorkshire Forward, Office National Statistics and Job Centre Plus produce a combined Labour Market and Jobs Briefing every month. There is also information on Jobs Losses and Gains

Policy Briefings

These briefings are produced monthly, and aim to provide up to date policy information of relevance to Yorkshire Forward and partners. Each issue reviews key national and regional policy developments that have happened in the previous month. Wherever possible, sources of further information are outlined at the end of each article.

Integrated Forecasting Framework

The Integrated Forecasting Framework (IFF) is a package of integrated forecasting tools that are designed to support both Yorkshire Forward and partners in the development and monitoring of the Integrated Regional Strategy (IRS). Fundamentally, the IFF is delivered via the Regional Econometric Model (REM).

Business Surveys

The Chief Economist Unit collects business intelligence to inform Yorkshire Forward staff and our partners about the views and performance of businesses in Yorkshire.

Local Economic Assessments

Links to data sources available to help with the development of LEAs. As and when research information, reports, spreadsheets etc. become available that we think may be useful to the LEA process, we will either add them, or a link to them to this web-page. Includes contact details for CEU team members and ONS regional statisticians dedicated to support the LEA process in each geographical sub-region.

In Your Area

A series of data profiles for each Local Authority district in Yorkshire and Humber on a range of subjects including economic overview, impacts of the recession, and analysis of local deprivation. The briefings are soon to include a section on affordability, detailing household economic status – income (average, equivalised, discretionary), outgoings (essential, negotiable and non essential), debt, standard of living, with comparison to other LAs, sub-region, region and national figures.

Latest Statistical Releases

A summary of the latest data releases from ONS, CEU and other sources. Other ONS releases are available at www.statistics.gov.uk/release.

RDA National Business Survey November 2009 Results
The National Business Survey is one of the largest surveys of its kind, canvassing the opinions of over 5000 companies of all sizes across the whole economy twice a year, in spring and autumn. It covers key economic measures such as output, orders, exports, capacity, employment, profitability, prices, cost pressures, profitability, cashflow and investment intentions as well as business performance and confidence.
http://yfi/yfi/GeneralContent/GeneralContentView.aspx?pGeneralContentID=2077

Retail Sales – January 2010
Contains a first estimate of retail sales in value and volume terms, seasonally and non-seasonally adjusted.
http://www.statistics.gov.uk/statbase/prep/870.asp

Productivity Measures - Regional Productivity February 2010
Contains annual data on output per filled job, output per hour worked and output per head at the whole economy level for each Government Office Region.
http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=7476

Index of Production - December 2009
Measures the volume of production at base year prices for the manufacturing, Mining and quarrying and energy supply industries. These are seasonally adjusted figures on the index of output of the production industries.
http://www.statistics.gov.uk/statbase/Prep/6230.asp

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