

Economic Conditions

- **Economic Update – the story so far**
- **What are businesses saying**
- **NW action and long term strategy**

The story so far

- **The credit crunch has reduced lending – impacting development and cashflow**
- **Inflation reached more than double BoE target**
- **Housing and property markets have crashed**
- **Sectors initially most affected were Financial services and construction**
- **Up until now the consensus was sector makeup would shelter the NW**

Employment

- **Biggest fall in employment of any GOR in Q3**
- **Employment fell by 0.6pp to 71.6%**
- **England employment rate decreased 0.3pp to 74.5%.**
- **Unemployment 6.8%, a 0.5pp increase on the previous quarter**
- **More people coming on to JSA than going into employment**
- **19,000 fewer employed at end of Q3**
- **Almost all women - where most recent gains have occurred**
- **Reflects the immediate losses in service sector businesses**

Business

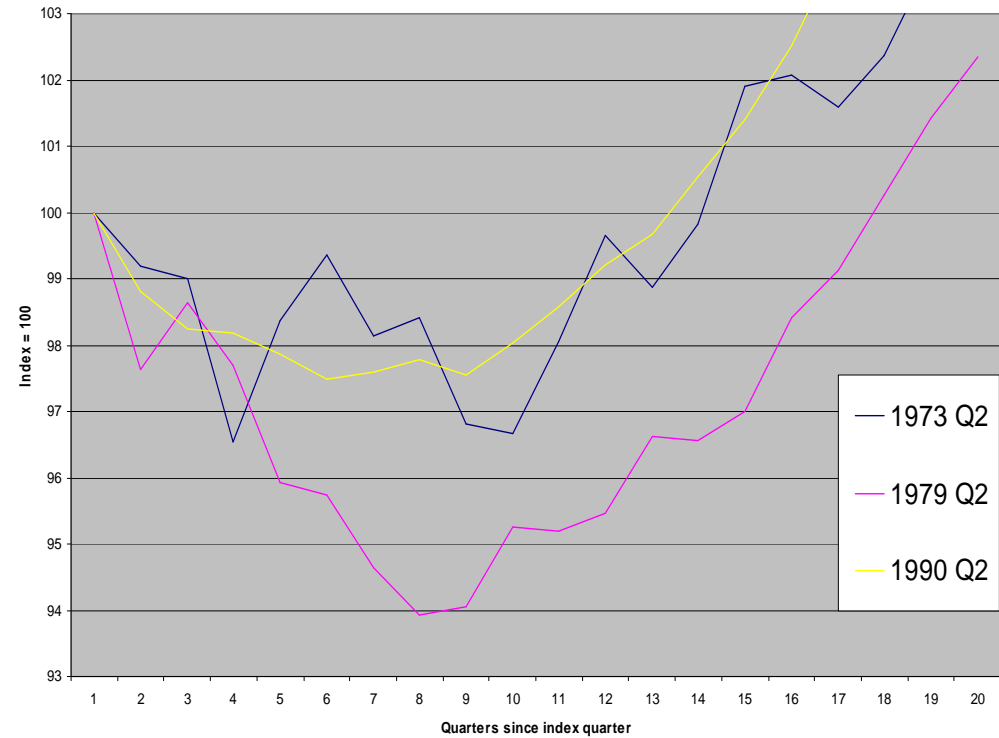
- **Retail / Distribution / Leisure**
 - Firms hiring temporary staff for Christmas period, intending to let them go after Christmas.
 - Short term improvement in employment - long term decline
- **Manufacturing**
 - Jaguar, Vauxhall, Bentley
 - Much longer Christmas closures
 - Reduced shifts/ shorter weeks

Business

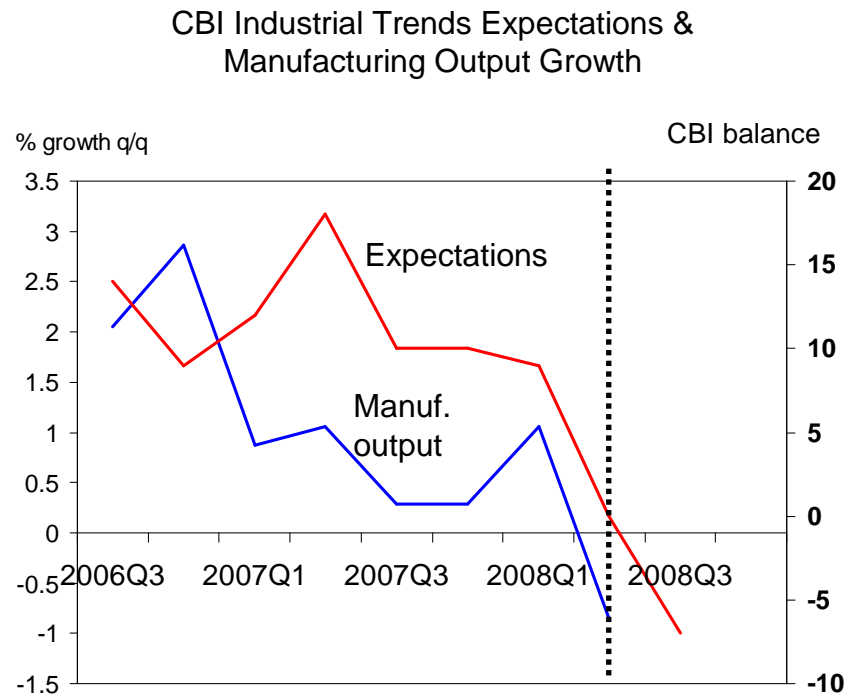
- **Construction / Housing**
 - All supply chain affected (bricks to estate agents)
 - Repossessions risen in NW above average
 - Increase in rental market
 - Empty properties due to access to finance
- **Service/ Finance**
 - Chester CBI's "third biggest risk"
 - Development related redundancies in early 2009

Downside Risk

- Similar in magnitude to recession early 90s
- 6 quarters of negative growth
- 3 years to see economy return to Q1 2008 levels
- The next worry is deflation
- Headquarters effect
- Hotspots in Ellesmere Port, Chester



UK Economic Environment – CBI Industrial Trends Expectations in *October 2008*



- **Expectations have continued to plummet**
- **Output has started to decline**

Messages from NW business

- Reluctant to let good staff go – vacancies hard to fill
- Increased enquiries to trade organisations
- Avoid short term support proliferation
- Access to finance and banking attitudes highest priority
- Large firms are protecting their interests – cuts and terms
- Maintain long-term focus on skills, innovation and regeneration
- Position for recovery - don't lose identified priorities
- Strong story required from Government

What is happening now.....

- Things are generally worse than expected – REFP revised down since Spring
- The UK worst placed of EU countries and G7 for downturn
- Unemployment is starting to significantly increase
- SMEs are finding times difficult
- Property crash is continuing
- Inflation is falling

In Summary

- The NW will be affected as much as anywhere else
- But lagging.....
- 2009 will be worse than 2008
- The recovery won't start until 2010
- Deflation is the next emerging issue
- Banks are the biggest problem for SMEs
- Any intervention may take months to have an affect

Initial Northwest response (September 08)

Underlying principle of response based on business fundamentals and long term strengths

1. Intelligence and Policy

- Monthly and Weekly briefing to Government
- Input to Pre-Budget Report (data and policy)
- Joint Economic Commission

2. Immediate Actions – cash flow, confidence and investments

- £200m of business measures announced in September
- NWDA reviewed projects at risk (both outputs and investment)
- £10m additional Access to Finance
- Co-ordinating data on redundancies and business failures
- Region wide review of capital schemes

3. Long-term Actions – reviewing activity

- NW Regional Strategy to drive further economic transformation