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**ECONOMIC REVIEW**

**AUTUMN 2006**

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Note: J=The Journal, FT=Financial Times, BLS=Bureau for Labour Statistics (US), BSNE=Business Survey North East, DBS=Durham Business School, EC=Evening Chronicle, EcN=The Economist Newspaper, EN=European Newsletter, ESF= European Social Fund Website, ESt=Eurostat, ET=Economic Trends, FED= New York Federal Reserve, HBOS=Halifax Bank of Scotland, HMCE= HM Customs & Excise, HMLR= HM Land Registry, LMT= Labour Market Trends; NBC=National Broadcasting Company (US), NECC=North East Chamber of Commerce NSO=National Statistics Online, ONS=Office for National Statistics, OEF= Oxford Economic Forecasting, R&R=Regeneration & Renewal, TO= Times Online; WHES=White House Economic Statistics (US), UKBP=[www.ukbusinesspark.co.uk](http://www.ukbusinesspark.co.uk)

## KEY POINTS

- The **UK economy grew strongly in Q3 2006; UK GDP grew by a relatively rapid 0.7%**, maintaining a **similar growth** to the **previous three quarters**. (§1.2)
- **Inflation is above target. CPI annual inflation rose to 2.5% in August, up from 2.4% in July**; significantly above the 2% target. Base rate was raised ¼% earlier in August, to 4¾%. (§1.2) It is widely expected that base rate will also rise to 5% in November.
- This **strong economic growth** was **probably helped by population growth** as **Tyne & Wear's population grew rapidly** in the year to mid-2005, up 9,600 or **0.9%** - according to ONS' mid-year population estimates. All of the growth was attributed to net inward migration which TWRI believes is mainly net international migration. (§1.2)
- **House prices** in Tyne & Wear Q2 2006 were up 9.8% on a year earlier (England & Wales 7.7%). The volume of sales rose rapidly compared to a year earlier, however in England & Wales, up 23.8%, compared with 13.1% in TW. (§1.2)
- **In Q3 of 2006**, the Tyne & Wear **balance of job gains** over job losses (logged by TWRI from the press) was, at just +120, **lower than** in the **previous quarter** (+496) (see section 3).
- **Business Indicators** for **Tyne & Wear** in Q3 2006 **weakened** in terms of **sales** but **rose** in terms of **orders**. (§1.2)
- **Tyne & Wear's (ILO) unemployment rate** in the **12 months to December 2005** was **6.5%** (32,100). Unemployment has risen from a low of about 6.0% in 2004. Tyne & Wear's claimant count in August 2006 was 4.8% (23,110, up nearly 1,700 over 12 months and up 2,800 since the low point in September 2004). (§1.3)

### Key points from News Digest (July – end Sept 2006)

**400 jobs** will be **created** in **Sunderland** to work on **Nissan's newest model**, the 'Qashqai' Sports Utility Vehicle (SUV). **Tacle Seating UK Ltd** have created **200 jobs** with the opening of a **£1.5m factory** that will make car seats for the new model. **Nissan** will create **200 temporary jobs** after unveiling plans to produce at least 100,000 Qashqai SUVs. (§ 3.1)

**Major job losses** for **TW** were announced in the press this quarter. **City Hospitals Sunderland NHS Trust** will **shed 500 jobs** in an attempt to clear its £5m deficit. The trust has said that losses will be managed through natural turnover. (§ 3.1) [Outside TW, in Darlington, Orange closed its call centre with the loss of 900 jobs].

**500 jobs** will be cut in **Newcastle** with the **closure of Zurich's Fenkle Street call centre**. (§ 3.1)

The **final 260 jobs** at **Swan Hunter** were **cut** as its last vessel, the *Lyme Bay* left the yard incomplete. [Presumably Swans has kept a skeleton workforce to maintain the yard]. (§ 3.1)

**Newcastle's Central Library** has **closed for major refurbishment**. The library is to be rebuilt as part of a **£40.2m Private Finance Initiative** scheme which also includes the rebuilding of High Heaton Library. The new library is expected to open in early 2009. (§4.2)

At **Rainton Bridge**, the **office development** site west of **Sunderland**, an **Article 14 notice delaying planning permission** has been **lifted**. (§ 4.2)

At the **Tyne Brewery**, **Newcastle City Council** has **ruled out** proposals to use the site for a **regional casino**. The land was acquired to house the headquarters of the Science City. (§ 4.2)

**Draft proposals for revisions** to the **UK assisted areas map** from 2007 have been **published** by the DTI. The new NE map cuts the number of wards eligible for assisted area status from 347 to 278, although 15 wards were **reinstated** back into the map, a third of which are in **Newcastle** including parts of **Newcastle's West End (Benwell, Lemington and Scotswood)** and part of **Newcastle's Great Park** development area (**Castle** ward). (§ 5.2)

The NE will receive around **£50m per annum** in **European Regional Development Funds** and **European Structural Funds** (£223m and £141m respectively over the seven-year period 2007-2013). Previously the NE's allocation was around £70m p.a. for the period 2000-2006. (§ 5.2)

**Gateshead-based Bowey Homes** has been **acquired** by **McInerney Holdings** of Ireland for £23.6m. (§ 6.10)

**BT** has **announced plans** to invest **£370m updating** the NE's network of **phone** and **internet lines** to high-speed broadband over the next five years. (§ 6.15)

**Northern Rock** continues to **grow rapidly** with its **assets up 24%** but **profits up 14%** in the first half of 2006 (§ 6.16)

**Sage**, the **Newcastle-based software giant**, made **two acquisitions** this quarter. It acquired US-based Emdeon Practice Services for **£297m**, its **largest acquisition** to date. This represents a move **into serving the healthcare sector**. It also acquired a 51% controlling stake in French firm Elit Group for £10.8m. (§ 6.18)

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TWRI summarised its **Annual Monitoring Report (AMR)** for the economic TyneWear Partnership board in October (§ 7). This **highlighted** four major **'successes'**:

**Growth of GVA<sup>1</sup>** has been consistently faster than the UK (1999-2003)

**Employment growth** was rapid 1998-2003, up 8% or about 40,000.

**Earnings growth** has been strong.

**Qualifications achieved** have risen at NVQ2 (5 good GCSEs), NVQ3 (A-level) and NVQ4 (degree and equivalent) all faster than nationally (1999-2004)

**'Setbacks'** have been in;

**Claimant unemployment**; it has risen since autumn 2004 by almost 3,000 (raising the rate by about half of one percent).

**Young people** have faced higher unemployment (NEET<sup>2</sup> group aged 16-18 up nearly 40% since 2004), and fewer 18-20s won places at university (down 2% in 2004).

Growth of **the business base** (VAT registered businesses) slowed in 2004 (to 1.5% from 2.1% in 2003). [Note these data are from the 2005 data released in late October, the 2004 data release showed a more rapid slowdown to just 0.5%].

Oct. 31<sup>st</sup> 2006

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<sup>1</sup> GVA is Gross Value Added

<sup>2</sup> NEET means Not in Employment, Education or Training

## 1.0 Economic Overview

### 1.1 Global Economy

**European economic growth** has returned to a **strong pace**. **Eurozone and EU25 GDP grew by 0.9%** in **Q2 2006** on the previous quarter. Compared to Q2 of 2005, GDP rose by 2.6% in the Eurozone and 2.8% in the EU25. (ESt 1/09).

**Eurozone business borrowing** has **grown faster** than at any time since the launch of the Euro – European Central Bank. Lending to business grew at an **annual rate of 11.8%** in **July**. (FT 29/8)

**US GDP growth** for **Q2 2006 weakened to 0.6%**, a **marked deceleration** from a growth rate of **1.4%** in Q1 2006. This slowdown in growth was mainly due to a fall in domestic demand. (ET 09/2006). The US housing market has slowed very sharply, with median prices in August down 1.7% on a year ago. (FT 25/09)

### 1.2 Recent Economic Trends

#### UK Economy Grows Strongly

**UK GDP grew by 0.7% in Q3 2006**, maintaining **similar growth** to the **previous three quarters**. The main contribution to the growth comes from services. There has been a slight deceleration in this sector (it rose by 0.8% compared with 0.9% in the previous quarter), but this has been offset by a strengthening of production (+0.3%). This small deceleration in growth in services is mainly due to weaker growth from retailing. This is reflected in the growth of distribution, hotels and restaurants, which was 0.2% in the third quarter compared with 0.9% in the second quarter. Construction rose by 0.5%, the same rate of growth as in the second quarter. (NSO 20/10)

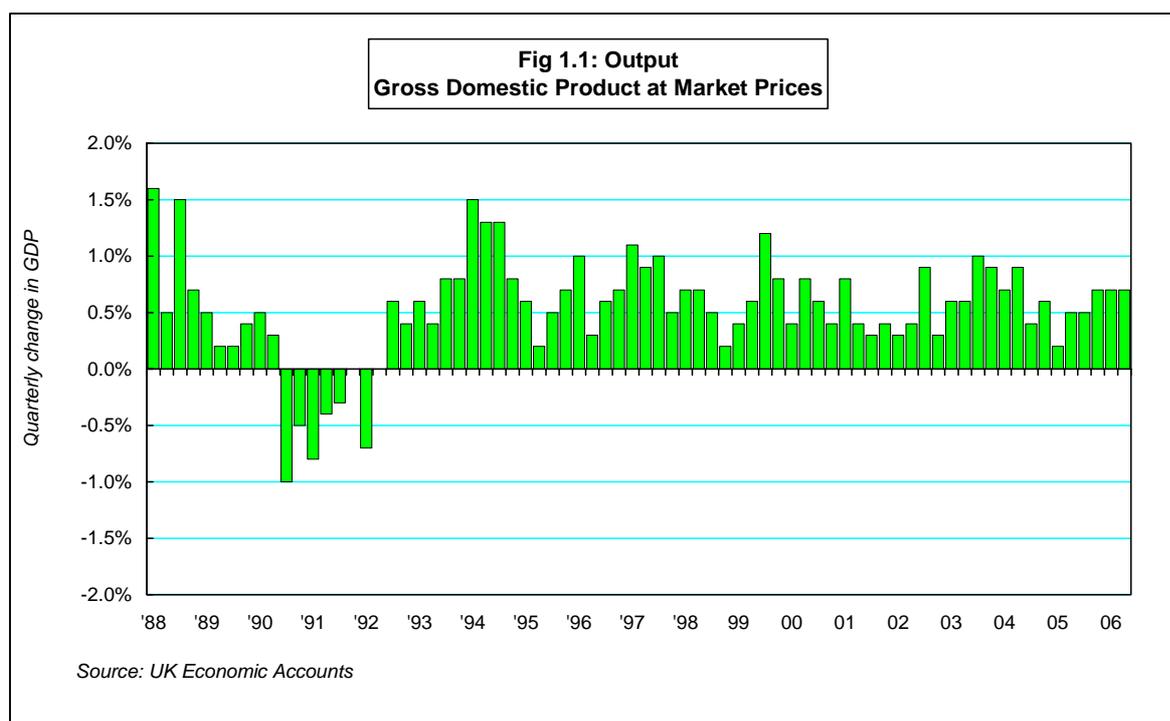
**ONS revisions to UK GDP growth** show that the economy has grown **more strongly** in each year **since 2001 than previously thought**. ONS revised growth for 2005 from 1.8% to 1.9% and the years back to 2001 by between 0.1 and 0.2 percentage points. (FT 1/7)

#### Helped by Population Growth

**The UK population grew by a rapid 0.6% to 60.2m** in the year to mid-2005 – ONS. The UK population has also grown by 0.5% in the year to mid-2006 - FT (the FT's statistician Simon Briscoe forecasts a rise of +300,000). **Two-thirds** of the rise was caused by (net) **migration**, which rose to 235,000 in 2004-05, **up 41% on 2003-04**. In 2004-05, net immigration from the new EU member countries rose to 74,000, from 10,000 in 2003-04. Natural change rose to 127,000. The **working-age population rose 0.8% to 37.4m**, while the number of people under 16 fell 0.4% to 11.6m. (FT 25/8)

**Tyne & Wear's population grew rapidly** in the year to mid-2005, up 9,600 or **0.9%** - according to ONS' mid-year population estimates. All of the growth was attributed to net inward migration.

There are about **1.4m more people in the UK than official estimates** - Centre for Economics & Business Research (CEBR). The think tank claims that the UK population is 61.5m compared with the 60.2m published by ONS. Reasons for the discrepancies include ONS not accounting for illegal immigrants and underestimating migrants from EU accession countries. (<http://www.cebr.com/documents/Eye%202006/Jul-Sep/Eye%2028%20August%20Population.pdf>) (FT 28/8)



### Earnings Remain Subdued

**Average earnings** (excluding bonuses) growth has been steady in the year to August 2006. Earnings **rose by 3.6% in the year to August, down from 3.7% in July**. Average earnings (including bonuses) rose by 4.2% over the same period, up from 4.4% in July. This fall is due to generally weaker growth across each of the sectors of the economy. (NSO 18/10).

**Average annual earnings for female managers rose 6.7%** in 2005, while **men's rose 5.6%** - Chartered Management Institute and Remuneration Economics. The pay of directors rose 9.2% and 5.8% respectively. Findings showed that the gender pay gap for managers rose with age. (FT 07/9)

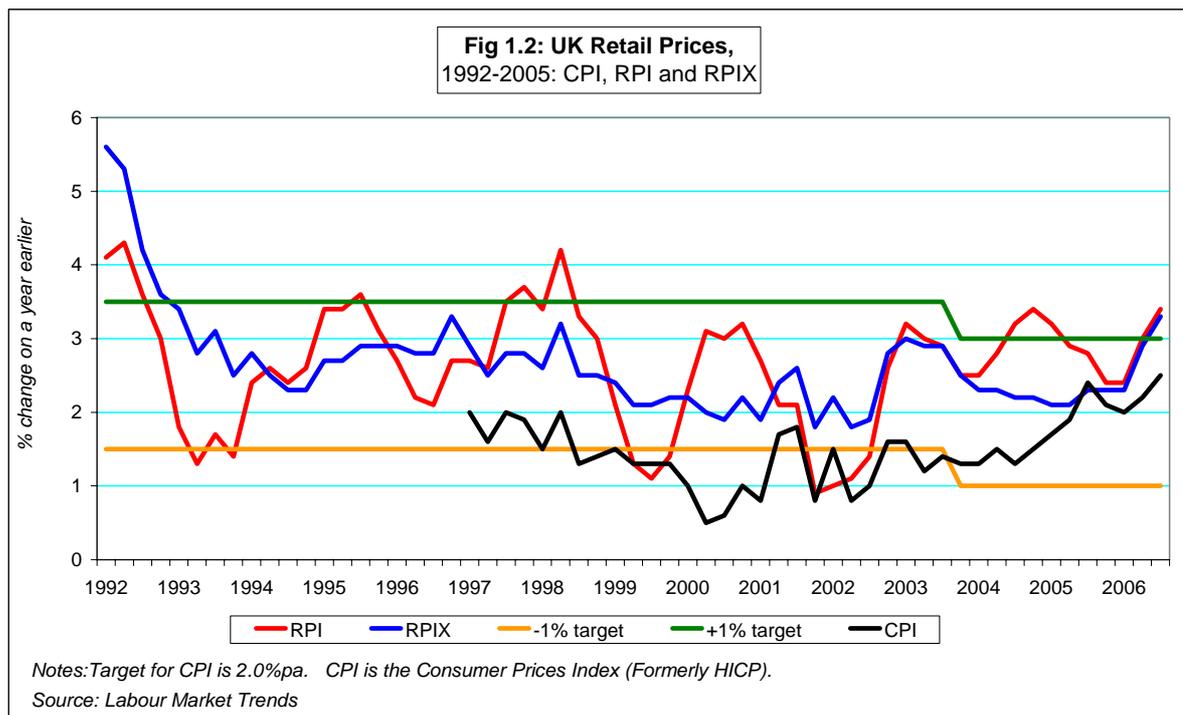
### But Inflation is Above Target

**CPI annual inflation**, the government's target measure, **rose to 2.5% in August, up from 2.4% in July**. The largest upward effect came from recreation and culture with the main contribution coming from computer games. There was also a small upward effect from sports equipment. RPIX inflation (which excludes mortgage interest payments) rose to 3.3% in August from 3.1% in July. **RPI inflation rose in August to 3.4%** up from 3.3% in July. (NSO 12/09) [Note that the RPI captures changes in mortgage rates, but CPI excludes housing costs – Ed.]

**Productivity increased by 1.8% in Q2 of 2006** [annual growth], up from growth of 1.5% in Q1 2006. On a quarter-on-quarter basis, productivity grew by 0.6%, up from 0.2%. (NSO 28/09).

**Manufacturing input prices rose 1.1%** between June and July; this was driven by the cost of oil which rose 6% in the same period – ONS. The annual rate fell from 11.2% in June to 9.7% in July. **Output prices rose by 0.2%** in July (same as in June). In the **year to July, they rose 2.8%**, down from 3.4% in June. (FT 15/8)

The **UK** has become a **net importer of gas** since 2004 due to the decline of North Sea supplies. It now gets 15% of its supplies from overseas, a figure expected to rise to 50% by 2010 and 85% by 2020. [A big **new gas pipeline**, the 'Langeman' from the Norwegian North Sea, to Easington on the Yorkshire coast **opened on October 1<sup>st</sup>**. It is expected to supply a fifth of Britain's needs – Ed.](J 26/8) [A large LNG terminal is under construction at Milford Haven, Wales – Ed.]



### Retail Sales Have Accelerated

The underlying growth in **retail sales** slowed slightly in **August**. The **volume** of **retail sales** in the three months **June to August** was **1.5% higher** than in the previous three months. This follows 1.9% growth in the three months to July and compared with an increase of 0.8% in August 2005. Three monthly growth in sales volume was 1.5% for sales of food & drink, the fastest growth since June 2003, reflecting unusually high food sales during June and July. (NSO 14/09)

**Internet retail sales growth** is **outpacing total spending in shops** by 10 times – Interactive Media in Retail Group. In July, sales **rose 35.4%** to £2.33bn, up from £1.47bn in 2005. (FT 30/9)

### Manufacturing Has Picked Up

**Manufacturing output** rose **0.2% in July**, compared with June, and 0.9% in the three months to July – ONS. (FT 07/9). Manufacturers' plans for **new investment** are at their **highest** level for nine years – Engineering Employers Federation (EEF). A net balance of 14% of companies reported a rise in export orders. All regions except Northern Ireland reported a rise in output in the past three months, with the **strongest** growth in the **North East** and West Midlands. (FT 04/9)

**Manufacturers** in the **NE** reported **rising orders** for the second successive quarter, while UK orders as a whole remained unchanged – CBI and Experian Regional Trends Survey. **UK manufacturing** output **picked up** last quarter after 18 months of weakness. (J 07/8)

The **service sector expansion** weakened to its slowest for nine months, according to the Chartered Institute of Purchasing and Supply (CIPS). Its purchasing managers' index was 56.7 in August, above its long-term average of 56.1. (FT 06/9)

### Debt Problems Rose in 2005, but Unsecured Debt Slowed

Rising **household bills** add to pressure on consumers **with debts**. 65,535 calls were made to National Debtline in 2005, **up 43% on 2004**, according to the Over-Indebtedness Annual Report (government Annual Report, DTI, DWP and DCA). People aged **53 to 59** had the **highest** outstanding **credit card** balances, while over 60s' balances rose by a third between 2004 and 2005 - the largest yearly rise of any group. (FT 17/8) The report can be downloaded at <http://www.dti.gov.uk/files/file33134.pdf>

**Total unsecured borrowing, slowed in August**, rising £800m (from £1.1bn in July) [This is a slowdown to a growth rate of about 4% -Ed.] In August, **credit card** borrowers made the **largest**

monthly **repayment since 1997** (at £311m) [probably led by banks being much stricter in extending new credit.] Personal loans and overdrafts rose, however. (FT 30/9).

**Unsecured lending** stood at **£216bn** in 2005, an average of **£3,175 per person** - according to Datamonitor. This is twice the European average (£1,558) and the UK has over a third of all non-mortgage borrowing in Europe. Outstanding balances on credit cards have risen 383% since 1994 - according to the Bank of England. The average debt of clients seen by the CCCS<sup>3</sup> has risen from £27,500 in 2003 to £33,000. ([www.bbc.co.uk](http://www.bbc.co.uk), 27/9)

### **North East Business Boosted by Exports in Q3, but UK Weaker**

**Business Survey North East** (BSNE) indicators in Q3 2006 **weakened for UK sales and orders**, the **employment** balance, however, **rose**. UK sales fell from +22% to +17%, falling below the average for the previous nine quarters (+20%) and UK orders fell from +21% to +20%, equal to the average over the previous nine quarters (+20%). The **balance for export sales increased to 19%** [probably reflecting the acceleration of economic growth across the EU – Ed.], above the previous nine quarter average of +12%. The **export orders balance rose** by 4 percentage points from +13% to +17%; above the average for the previous nine quarters of +10%. The employment balance rose strongly from +10% to 21%; moving above the average over the previous nine quarters of +17%.

**North East exports fell by 1.4%** (£31m) to £2.136bn in Q2 of 2006 from Q2 of the previous year. UK exports grew by 23% (Table 1.1). (HMRC 07/09) [Note: All these export data are for goods only, not services and by value, not volume – Ed.] [Caution: the export data series have been seriously affected in the past by fraudulent over-reporting of exports in the so-called ‘carousel’ frauds – Ed.]

**Fraudulent exports rose 50%** to £9.7bn in **Q2 2006** compared with Q1 (up 320% on Q2 2005) – ONS. Meanwhile, the total balance of trade deficit was £4bn in June, against £4.7bn in May (FT 10/08).

### **Tyne & Wear Similar to North East but UK Orders Up**

Business indicators for just **Tyne & Wear** (results from BSNE) in Q3 2006 **weakened** in terms of **sales** but **rose** in terms of **orders**. The balance of **UK sales fell** from +20% to +13%, but orders rose from +15% to +17%. The balance for both **export sales** and **orders** also **rose**, from +10% to +12% and +10% to +13% respectively. The **employment** indicator also **rose** to +16%, up from +9%. [Tyne & Wear data kindly supplied by Economic Research Services Ltd. Sample size in Tyne & Wear is about 125 for UK indicators and about 70 for export indicators.]

**In Q2 of 2006**, the Tyne & Wear **balance of job gains** over job losses (logged by TWRI from the press) was, at just +120, **lower than** in the **previous quarter** (+496) (see section 3).

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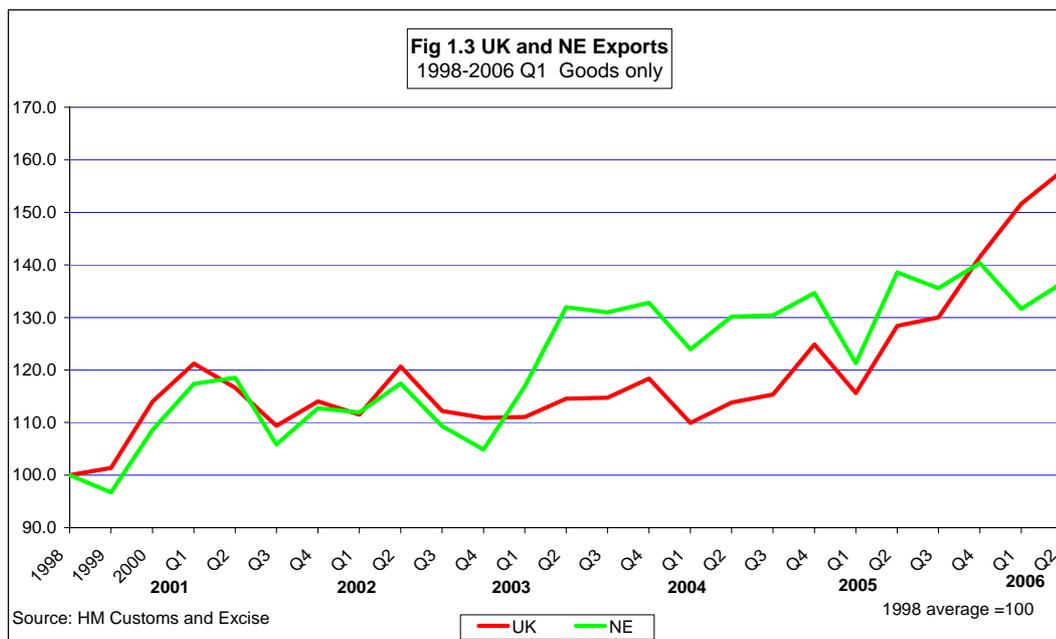
<sup>3</sup> CCCS is the Consumer Credit Counselling Service

**Table 1.1: Exports, UK and NE, 2001-Q1 2006. Goods only**

Exports*	UK (£m)	Q1 1998=100	NE (£m)	Q1 1998=100
Q1 2001	49,795	121.2	1,836	117.4
Q2 2001	47,893	116.6	1,854	118.5
Q3 2001	44,924	109.4	1,655	105.8
Q4 2001	46,837	114.0	1,763	112.7
<b>2001</b>	<b>189,448</b>		<b>7,108</b>	
Q1 2002	45,788	111.5	1,751	111.9
Q2 2002	49,547	120.6	1,837	117.4
Q3 2002	46,090	112.2	1,710	109.3
Q4 2002	45,553	110.9	1,640	104.8
<b>2002</b>	<b>186,978</b>		<b>6,938</b>	
Q1 2003	45,611	111.1	1,828	116.9
Q2 2003	47,039	114.5	2,064	131.9
Q3 2003	47,125	114.7	2,049	131.0
Q4 2003	48,606	118.3	2,077	132.8
<b>2003</b>	<b>188,382</b>		<b>8,018</b>	
Q1 2004	45,150	109.9	1,939	124.0
Q2 2004	46,745	113.8	2,036	130.2
Q3 2004	47,363	115.3	2,040	130.4
Q4 2004	51,290	124.9	2,106	134.6
<b>2004</b>	<b>190,548</b>		<b>8,122</b>	
Q1 2005	47,480	115.6	1,897	121.3
Q2 2005	52,740	128.4	2,167	138.6
Q3 2005	53,403	130.0	2,120	135.5
Q4 2005	58,133	141.5	2,195	140.3
<b>2005</b>	<b>211,756</b>		<b>8,379</b>	
Q1 2006	62,279	151.6	2,059	131.6
Q2 2006	64,866	157.9	2,136	136.6

\* Annual figures may not equal sum of quarterly data due to rounding

Source: HM Customs & Excise's Regional Trade Figures (Crown Copyright)

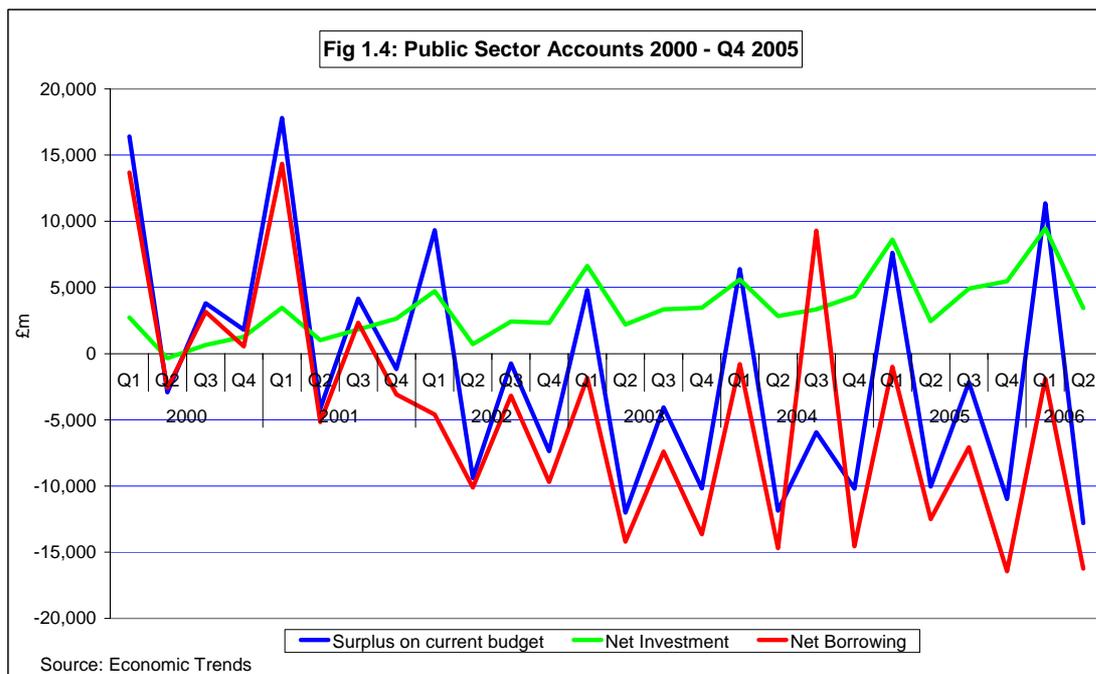


Caution: First three readings are annual, then quarterly from 2001 onwards

The **UK current account** recorded a deficit of **£7.0bn** in **Q2 2006** (NSO 27/09):

Balance of trade (in goods)	-£19.8bn	
Investment income	+£9.0bn	
Services	+£6.4bn	
Current transfers	-£2.6bn	
	<u>-£7.0bn</u>	(i.e. -2.2% of GDP)

In **August 2006**, the **public sector current budget deficit** was **£5.6bn**, £2bn higher than in August 2005. Public sector net borrowing, at £7.6bn was £2.1bn higher than in August 2005. At the end of August net debt was £474.2bn (equivalent to 36.7% of GDP). (NSO 20/09)



### 1.3 Housing Market Latest

**House prices rose 5.7% in the year to August**, according to the FT house price index. House price inflation has averaged 5.5% since April after accelerating from a low 3.3% in November. The annual inflation peaked in 2004 at 15.2%. (FT 09/9)

**House price** data for Q2 2006<sup>4</sup> has been released by HM Land Registry, it shows:

- Prices in England & Wales for Q2 2006 were up 7.7% on a year earlier.
- **Tyne & Wear average prices were up 9.8%** over the same period.

*Note: these house price data are not adjusted for changes in the mix of house type.*

**The volume of sales:**

- In England & Wales was up 23.8% compared to a year earlier.
- In **Tyne & Wear** was **up 13.1%** compared to a year earlier (to about 5,000 in the quarter).  
(HMLR 08/08)

**Mortgage lending** by banks netted **£5.7bn in July** – The British Bankers’ Association. According to the Council of Mortgage Lenders (CML), **gross lending** reached **£30.4bn in July**, the second highest on record. (FT 19/8).

<sup>4</sup> Caution: these are preliminary estimates for Q2. Revised Q2 data, which TWRI use, are due in late November.

The increase in total net lending in August (£9.9bn) was lower than the increase in July (£10.9bn) but in line with the previous six-month average of £9.9bn. Within this total net lending secured on dwellings was £9.1bn. (BoFE 29/09)

**Buy-to-let borrowing rose 20%** in value to **£17.5bn** and 17% in volume to 152,500 in the first half of 2006, compared with the previous six months - CML. The buy-to-let sector now accounts for **8%** of the value of outstanding mortgage lending, up from 7% in the first half of 2005. (FT 17/8)

Income from **letting private homes rose 120%** (£45bn) between 1992 and 2004; it is the biggest contributor to economic growth – ONS [This is real growth of about 80% - Ed.]. Traditional industries of coal mining and clothing fell by 85% and 47% respectively. (FT 21/8)

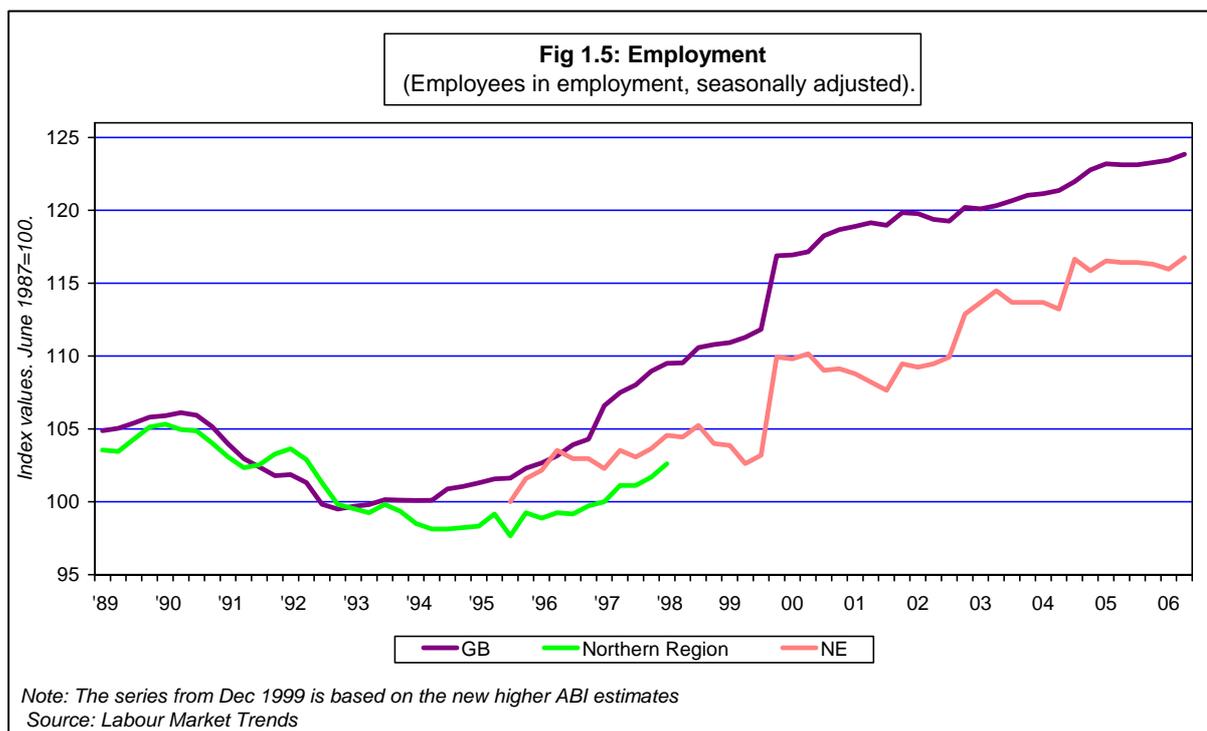
The number of **mortgage approvals** was also **up 24% in the three months to July**, compared with 2005 – Bank of England. (FT 08/9) There were **68,612 mortgages approved in July**, down 20% from June but **5% higher than in July 2005**, according to the British Bankers' Association. (FT 26/8)

**Net lending to individuals in June fell** to £9.8bn from £10.5bn in May – Bank of England:

Secured on dwellings	£9bn
Unsecured credit	£0.8bn
Net lending	£9.8bn

There were 120,000 approvals secured on homes in June (117,000 in May). (FT 01/08)

#### 1.4 Labour Market Latest



In the **UK**, the **employment rate** for people of working age for the three months ending in July 2006 was 74.6%, **virtually unchanged** from the previous quarter (74.7%). The number of people in employment rose by 38,000 over the quarter, and by 245,000 on a year earlier. (NSO 13/09)<sup>5</sup> [This implies significant expansion of the labour supply – Ed.]

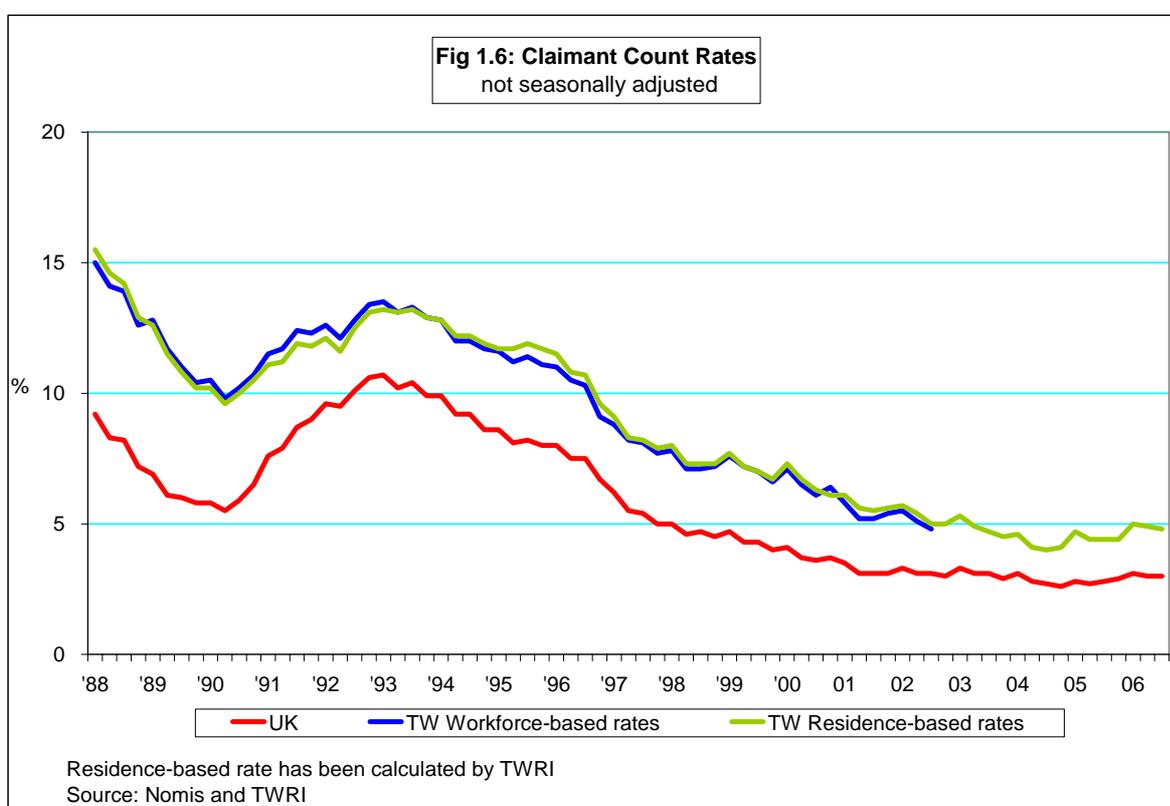
In the **North East**, [LFS] data for the three months to July 2006 show the seasonally adjusted **employment rate** at 71.1%, **up 1.3 percentage points** on a year earlier. [The confidence interval is +/- 2.4%] (NSO 12/09).

<sup>5</sup> It is more robust (but less timely) to now use the APS (Annual Population Survey)

In the **UK**, the (ILO) **unemployment rate** was **5.5%**, up 0.3 percentage points from the previous quarter (the confidence interval is +/- 0.2). The number of unemployed people rose by 93,000. The seasonally adjusted **claimant count** was 950,100 in August 2006, **up 3,900 from the previous month** and up 83,900 on a year earlier. (NSO 12/09)

In the **NE**, the **unemployment rate** was **6.6%**, down 0.3 percentage points on a year earlier. [The confidence interval is about +/-1.3] The seasonally adjusted claimant count rate was up 0.3 percentage points (+4,000 to 50,600) in the year to August 2005, at 4.3%. (NSO 12/09)

**Tyne & Wear’s (ILO) unemployment rate in the 12 months to Dec 2005 was 6.5%** (32,100). Tyne & Wear’s claimant count [unadjusted] in August 2006 was 4.8% (23,110, up 1,673 on 12 months ago). [Note: LFS unemployment data is now published in TWRI’s report on unemployment (from June, published July). ONS changed the way it reports employment data to 4-quarter averages and data have been revised in light of the latest population estimates. Data is currently available on NOMISweb. Unemployment rates previously reported by TWRI were obtained from the LFS. This has now been incorporated into the APS. APS data were made available on NOMIS from August 2005.]



**New Deal for Young People (NDYP)** participants in Tyne & Wear have increased by 190 (7%) from 2,760 at the end of August 2005, to 2,950 at the end of February 2006, of whom 2,030 are still on Gateway awaiting take-up of an option, compared to 1,980 in August. Of the 560 on an option, 320 were in education/training and 10 were working for an employer. In addition, the voluntary sector had 120 participants and the environmental task force had 120 participants. A total of 340 participants are now on ‘follow-through’. (Source: Information Directorate, DWP, 2006)<sup>6</sup>

<sup>6</sup> *New Deal figures from Feb 2006 relate to Local Authority Districts (LADs) and aggregations of LADs rather than JobCentre Plus Districts as previously reported. New Deal total figures are rounded to the nearest ten. ‘Tyne & Wear’ totals have been derived by summing the unrounded figures for the Local Authorities of ‘Newcastle’, ‘North Tyneside’, ‘South Tyneside’, ‘Gateshead’ and ‘Sunderland’*

## 1.5 Labour Market Trends

### Labour Supply

The [flow] **number of migrants given national insurance numbers (NINos) rose 51% to 662,000** in the year to March – DWP. Polish migrants accounted for 25% (171,000) of the total number. According to Home Office figures, 37% of east European migrants are employed in factory jobs. (FT 22/07)

### Labour Demand

**Private sector employment has risen faster than** that in the **public sector** for the first time in almost six years – ONS. In the year to March, public sector employment rose by 24,000 (0.4%), whereas private sector employment rose by 260,000 (1.1%). The largest public rises were in ‘Education’ and ‘Health & Social Work’ (up 24,000 and 20,000 respectively). (FT 01/07)

**A quarter of newly qualified teachers do not get a job** - National Union of Teachers. 6,170 out of 24,580 teachers did not find full-time work a year after graduating. (J 04/08)

**30,000 work permits** were granted for **IT occupations in 2005** (1,800 in 1995), of which **60%** (18,000) were **from India** – Institute for Employment Studies. According to the Universities and Colleges Admission Service (UCAS) the number of applications for **computer sciences** courses has **halved** from 27,181 in 2001 to 13,650 in 2005. (FT 03/08)

**Immigrants could solve skills shortages, fill vacancies** and boost the **NE** economy, according to ‘Destination North East: Harnessing the regional potential of migration’ report by the Institute of Public Policy Research (IPPR) [details in 7.0 Publications & Research]. One in 40 job vacancies is **unfilled**, with the figure rising to one in 20 in computing, hotels & catering. (J 31/08)

### Skills News

**Construction and leisure companies spend the least on training** – City & Guilds. A survey of more than 600 small and medium-sized ventures found that almost two-thirds spent less than £10,000 a year on training, with construction and leisure industries having the lowest average spend. (FT 30/8)

**Unemployed residents in Gateshead** are being **helped into jobs** in the **construction industry through training**. The Construction Building Skills Programme, funded by Bridging NewcastleGateshead and delivered by Gateshead Council, has helped 165 people obtain construction qualifications and 54 into full-time jobs. (J 15/9)

**Two-thirds of UK companies** believe that **many young employees** are **not equipped** with the necessary business **skills** – Young Enterprise. 76% believe they often have a higher estimation of their abilities and 63% believe that too much emphasis is placed on theory at school and university. (J 11/08)

See §5.2 Investment & Development News, Other Developments for the North Tyneside Skill & Enterprise Centre (NTSEC)

### Other Labour Market News

Companies bidding for **public sector contracts** will be expected to promote employment opportunities for **ethnic minorities** under new pilot schemes - DWP commissioned report by the Institute of Employment Studies. 27% of Pakistani and Bangladeshi households [of working age] were workless in 2005, compared with 15.8% for the general population. Workless rates among black African and black Caribbean households were also high at 26.7% and 20.3% respectively. Details of the schemes have not yet been decided. (FT 08/08) [These ethnic groups have low employment rates

amongst women – Ed.] Source: ‘Barriers to employment for Pakistanis and Bangladeshis in Britain,’ free to download at <http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep360.pdf>

**Graduate jobs in the public sector will earn higher salaries than those in the private sector this year for the first time** – research by consultancy company the Hay Group. The average salary for graduates in the public sector will be £21,445; 7% higher than those in the private sector earning an average £20,035. (FT 13/07)

## 1.6 Future Economic Prospects

According to the average latest revised UK forecasts from HM Treasury’s survey of independent forecasts (October):

- **Economic growth** for 2006 is forecast to be **2.6%**.
- **Claimant unemployment is forecast to rise to 0.97m** by Q4 2006.
- **CPI Inflation** is forecast to be 2.5% and **RPI inflation** to be 3.5%, both for Q4 2006.

For 2007:

- **Economic growth** is forecast to slow to **2.4%**.
- **Claimant unemployment is forecast to rise to 1.02m** by Q4 2007.
- **CPI Inflation** is forecast to be 2% [i.e. return to target] and **RPI inflation** to be 2.7%, both for Q4 2007.

*[Source: Economic Trends, October 2006]*

Think tank, the **National Institute of Economics and Social Research**, has **cut its growth forecasts** for the economy **for 2007** by 0.2 percentage points to **2.6%**. (FT 28/07)

**GDP is expected to grow by 2.4% in 2006 and 2.5% in 2007** - CBI economic forecasting. Headline inflation, driven by the high cost of energy, is set to peak at 2.5% in Q1 2007. (J 31/07)

The **UK’s economic growth rate** has been **raised by A8 in-migrants** by about 0.3pp [perhaps to between 2.6-2.8% p.a. – Ed] – according to CEBR, for BBC Newsnight (24/10)

**NATIONAL ECONOMIC INDICATORS**

(at 2000 prices, or 2000=100).

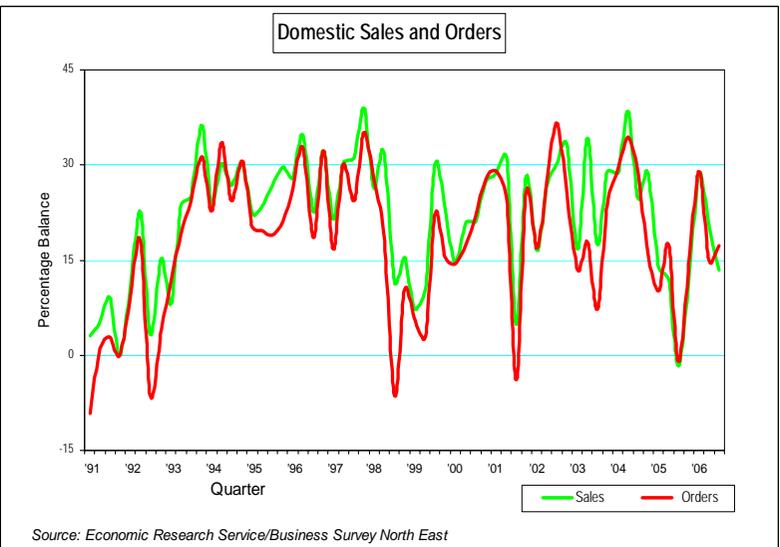
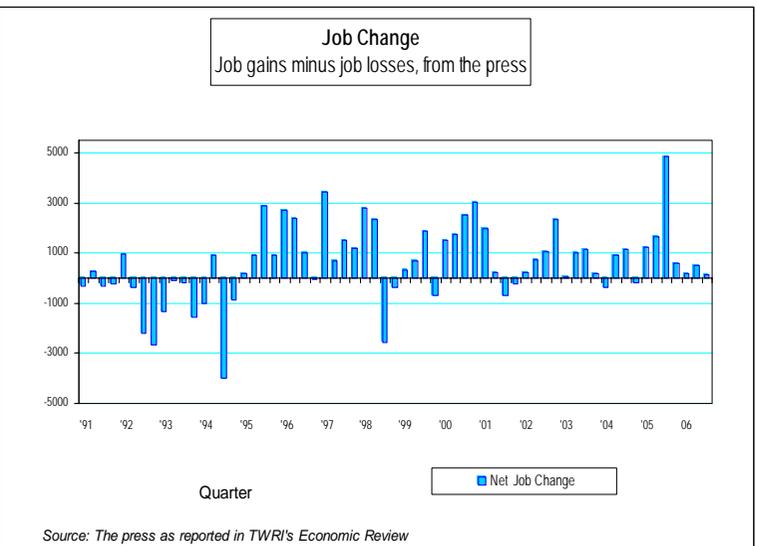
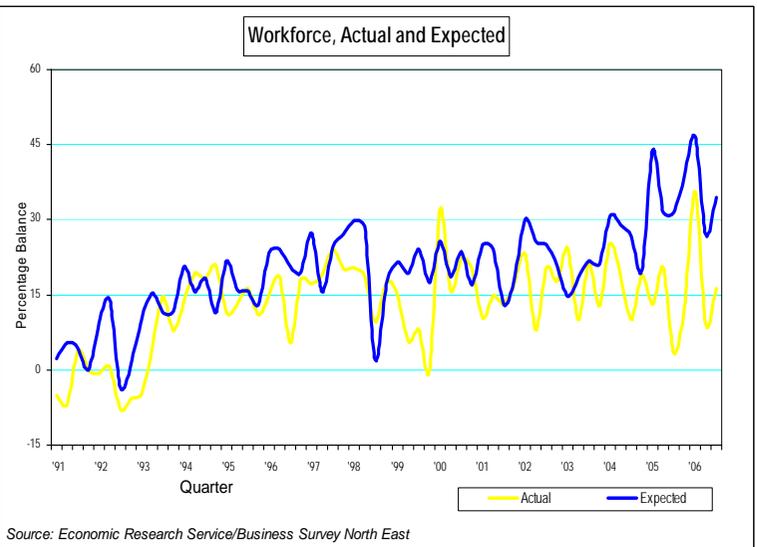
(s.a. = seasonally adjusted)

ACTIVITY:		2005		2006		Change		
		Q2	Q3	Q4	Q1	Q2	Quarterly	Annual
Gross Domestic Product: (chained volume indices at market prices)	(s.a.)	104.8	105.4	106.1	106.8	107.5	0.7%	2.6%
Household Final Consumption	(s.a.)	£182,157m	£182,871m	£184,075m	£184,650m	£186,382m	0.9%	2.3%
Retail Sales volume	(s.a.)	125.2	125.7	127.8	127.1	129.7	2.0%	3.6%
Output: production industries	(s.a.)	99.5	98.7	98.0	98.8	98.8	0.0%	-0.7%
services	(s.a.)	106.3	107.3	108.4	109.2	110.2	0.9%	3.7%
New Orders:								
Engineering	(s.a.)	78.6	81.2	76.4	76.5	80.1	4.7%	1.9%
Construction	(s.a.)	116.7	110.2	114.9	118.3	123.4	4.3%	5.7%
Fixed Capital Investment								
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA
Business Investment:	(s.a.)	£28,713m	£28,998m	£29,026m	£29,605m	£30,089m	1.6%	4.8%
Balance of Payments								
current account	(s.a.)	-£1,578m	-£10,642m	-£9,933m	-£8,729m	-£6,986m	-20.0%	342.7%
INFLATION INDICATORS:		Aug	Nov	Feb	May	Aug	Change	
Retail Prices Index (All Items) (Jan 1987 = 100)		192.6	193.6	194.2	197.7	199.2	Quarterly	Annual
							0.8%	3.4%
Average Earnings Index:	(s.a.)	Jul	Oct	Jan	Apr	Jul	Change	
		121.8	122.3	124.6	125.0	126.5	Quarterly	Annual
							1.2%	3.9%

Sources: National Statistics Economic Trends (September 2006), except  
Inflation and Earnings NS's Labour Market Trends, (October 2006).

## 2. ECONOMIC INDICATORS

### 2.1 Business Conditions Indicators for Tyne & Wear



NB. Pre 1995 business conditions data includes Northumberland and some Durham Firms (TW Chamber members).  
Business indicators measure change on previous 3 months.

## 2.3 Labour Market Indicators

### LABOUR MARKET INDICATORS

#### EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.		2005 June	Sep	Dec	2006 Mar	June	Change	
							Quarterly	Annual
Total employees:	UK	26.608m	26.640m	26.815m	26.615m	26.776m	0.6%	0.6%
	North East	1.019m	1.021m	1.025m	1.014m	1.022m	0.8%	0.3%
Men employees:	UK	13.394m	13.408m	13.479m	13.375m	13.421m	0.3%	0.2%
	North East	518,000	522,000	524,000	517,000	522,000	1.0%	0.8%
Women employees:	UK	13.267m	13.240m	13.336m	13.231m	13.301m	0.5%	0.3%
	North East	502,000	499,000	500,000	496,000	499,000	0.6%	-0.6%
Women full-time:	UK	6.865m	6.869m	6.857m	6.842m	6.882m	0.6%	0.2%
	North East	249,000	246,000	243,000	242,000	243,000	0.4%	-2.4%
Women part-time:	UK	6.402m	6.371m	6.479m	6.389m	6.419m	0.5%	0.3%
	North East	253,000	253,000	257,000	254,000	256,000	0.8%	1.2%
Production employees (C-E):	UK	3.290m	3.271m	3.240m	3.214m	3.211m	-0.1%	-2.4%
	North East	146,000	146,000	143,000	143,000	143,000	0.0%	-2.1%
Construction employees:	UK	1.193m	1.234m	1.232m	1.235m	1.264m	2.3%	6.0%
	North East	60,000	65,000	65,000	60,000	65,000	8.3%	8.3%
Service employees: (G-Q)	UK	21.884m	21.903m	22.115m	21.944m	22.073m	0.6%	0.9%
	North East	802,000	800,000	806,000	801,000	804,000	0.4%	0.2%
Not seasonally adjusted		2005 Summer	2005 Autumn	2005/2006 Winter	2006 Spring	2006 Summer	Change	
Self-employment:*							Quarterly	Annual
	UK	3.635m	3.712m	3.731m	3.736m	3.702m	-34,000	67,000
	North East	106,000	101,000	104,000	109,000	111,000	2,000	5,000

#### CLAIMANT COUNT

(Not seasonally adjusted).		2005 Sep	2005 Dec	2006 Mar	2006 June	2006 Sep	Change	
							Quarterly	Annual
United Kingdom		.872m	.893m	.989m	.953m	.953m	0,000	81,000
Great Britain		.842m	.866m	.960m	.925m	.924m	-1,000	82,000
North East Region		45,655	46,883	52,389	50,143	49,790	-353	4,135
Tyne & Wear		21,170	21,242	23,784	23,172	23,097	-75	1,927
Claimant Count Rates (workforce rates) %:							Change in rates:	
							Quarterly	Annual
United Kingdom		2.8	2.9	3.1	3	3.0	0.0	0.2
Great Britain		2.8	2.8	3.1	3	3.0	0.0	0.2
North East Region		4.0	4.1	4.4	4.3	4.2	-0.1	0.2
Tyne & Wear+		4.4	4.4	5.0	4.9	4.8	-0.1	0.4

#### REDUNDANCIES

(from the Labour Force Survey).		2005 Summer	2005 Autumn	2005/2006 Winter	2006 Spring	2006 Summer	Change	
							Quarterly	Annual
Numbers (thousands):	GB	97.2	99.2	98.7	99.0	98.6	-0.4	1.4
	North East	*	8,000	*	*	*	n.a	n.a
Rates (per 1,000 employees):							Change in rates:	
							Quarterly	Annual
GB		5.1	6.3	5.8	6.0	5.5	-0.5	0.4
North East		*	11..7	*	*	*	n.a	n.a

Sources: ONS's Labour Market Trends (October 2006) and LFS Quarterly Supplement, Tyne & Wear Research and Information.

\* Sample size too small for a reliable estimate

† LFS estimates published subsequent to 13 October 2004 have been revised to take into account the latest revisions to population estimates.

+ Residence based rates (TWR1).

### 3.0 LOCAL JOBS AND ORDERS

TWRI has a database of job gains and losses announced in the press since the beginning of 1996. Listings are available on request by district, industry (2 digit SIC80) and cluster. This database and the lists given below, record gains and losses reported in the press. The press tends to under-record job losses, overall. For example, particularly notable under-recordings have been numerous small losses across retailing and possibly from the offshore industry.

#### 3.1 Job Gains

(+1,901 announced in press July 1<sup>st</sup> – September 30<sup>th</sup> 2006)

+210*	<b>Ilva</b> , former M&S Lifestore, Metrocentre, Gateshead (Danish furniture company. Jobs created at the new 120,000sq ft store which will open before the end of 2006. Up to 70 full-time and 140 part-time jobs will be created.)	(J 11/07)
+200*	<b>Tacle Seating UK Ltd</b> , Houghton, Sunderland (Car parts manufacturer – established by US Lear Corp. and Japanese Tachi-S. Jobs to be created with the opening of a £1.5m factory. It will make car seats for a new Nissan model, the ‘Qashqai’.)	(J 29/06)
+ 200*	<b>Nissan</b> , Sunderland (Car manufacturer. It is to create 200 <b>temporary</b> jobs and safeguard a further 1,000 at the Sunderland plant. It unveiled plans to <b>invest £223m</b> to produce at least 100,000 Qashqai SUV models. It will go into production at the end of 2006 and on sale from February.)	(FT 07/09)
+150-200	<b>Jet2, Newcastle International Airport</b> (Low cost airline. Jobs to be created as it introduces four new routes to Malaga, Majorca, Almeria, Valencia from April/May 2007. it expects to boost passenger numbers from 350,000 a year to 500,000 by the end of 2007.)	(J 26/09)
+130	<b>Procter &amp; Gamble</b> , Cobalt Business Park, North Tyneside (Consumer, household and pharmaceutical goods manufacturer. Jobs to be created through the expansion of its finance and accounting department. It is expanding following its acquisition of Gillette in 2005.)	(J 27/08)
+120	<b>Hays Travel</b> , Sunderland (Travel agent. It has created 70 jobs due to expected sales rises of 20% this year to £300m. It is also looking to take on another 50 staff later this year.)	(J 25/08)
+105	<b>i6 incubator unit</b> , Newcastle’s Charlotte Square (Unit designed for hi-tech businesses. The jobs have been created over the last 18 months. The unit is now fully occupied housing 21 technology-based businesses (including TNL software services, Mancala Website Development, Fusemedia online branding and SF Software which provides accounting software to schools). Newcastle City Council, One NorthEast, TyneWear Partnership and the European Regional Development Fund helped fund the project.)	(J 22/09)
+100	<b>Spark Response</b> , Gateshead (Business service company. It will recruit 100 staff over three years after being awarded a grant from One NorthEast. It provides call centres, warehouse space and e-commerce services to business. The SFI grant will also allow the company to spend £1.5m on new equipment.)	(J 28/07)
+70	<b>Individual Restaurant Company</b> , Newcastle Quayside (Restaurant chain. Jobs to be created with the opening of a new £1.3m restaurant. The 250-seat Piccolino restaurant, located at the Trinity Gardens development, will open in October.)	(J 11/09)

+ 70	<b>David Barlow Homes</b> , Newcastle (Housebuilder. Jobs to be created through ongoing expansion. The company, which was established in 2005, is forecasting a turnover of £10m in its first year after securing a number of development sites in the North East.)	(J 01/09)
+60*	<b>Valeo</b> , Washington, Sunderland (French car parts maker. Jobs to be created with the opening of a new factory. It is spending £1.2m at the plant making heating, ventilation, radiator and headlight parts for the new 4x4 model being made at the Nissan factory. The company employs 70,000 staff in 26 countries.)	(J 04/08)
+60	<b>Orchard Information Systems</b> , Newcastle (Software company). It plans to create 60 jobs within four years through expansion. After securing two multi-million pound contracts with housing associations, it is looking to grow its housing sector business.	(J 18/9)
+50-60	<b>Malmaison</b> , Newcastle (Hotel chain. It acquired the former Tyne Tees Shipping Company building (Allan House) on City Road in Newcastle. It will plough £8m into the building, which will open as a 42-bedroomed Hotel du Vin in 18 months.)	(J 07/08)
+50 (by 2008)	<b>Bell Truck</b> , North Tyneside (Mercedes Benz dealership. It is investing £3m in a bid to create the jobs. It recently acquired a £10m Mitsubishi car dealership which it hopes to increase to £12.5m turnover.)	(J 09/08)
+50	<b>A&amp;P Tyne</b> , Hebburn, South Tyneside (Ship yard. It has created 50 jobs for former Swan Hunter employees. Jobs created for welders, fitters and platers.)	(J 17/07)
+40	<b>McNulty</b> , South Tyneside (Shipyards. Jobs created for 40 former Swan Hunter employees)	(J 17/07)
+40	<b>Reed Print &amp; Design</b> , Washington, Sunderland (Printworks. It has created 20 jobs since January and is to recruit a further 20 staff at its Washington base over the next 12 months. The company's turnover is set to reach £20m, up from £11m in 2003.)	(J 21/08)
+30	<b>Responsive Engineering</b> , Team Valley, Gateshead (Engineering firm. Jobs to be created on the back of a £2m investment into new technology improvements to support and extend its subcontract engineering services.) [See also £85,000 SFIE grant awarded to Responsive in §5.2.]	(J 25/09)
+30	<b>Arnold Laver Timber World</b> , Hebburn, South Tyneside (Timber Retailer. Jobs created as it relocated to a new £3m centre in Hebburn from Tyne Dock in South Tyneside. The company has invested £1.5m on the new 'Call Collect' facility.)	(J 25/08)
+28	<b>Doree Bonner International</b> , Newcastle (Removal company. Jobs to be created with the expansion of its recent acquisition, Kellys of Newcastle.)	(J 13/07)
+22	<b>Ward Watson</b> , Tyne Tunnel Trading Estate, North Tyneside (Wholesale company. 20 jobs created and a further 60 safeguarded with the opening of new premises. The firm has taken on 10 extra staff and plans to employ a further 12 full-time and part-time workers.)	(J 14/09)
+20	<b>Quicksilver</b> , Throckley, Newcastle (Removals company. It is creating the jobs in December when its new 40,000 sq ft storage base is completed. It has invested £5m in new warehouses due to a surge in demand for storage space. It hopes to boost turnover by 30% to £2m by 2007.)	(J 24/08)

+17	<b>TDX</b> , Team Valley, Gateshead (Precision engineering tool system. Jobs to be created after being awarded a £190,000 grant from regional development agency One NorthEast. It is part of £1m to be invested in new equipment.)	(J 04/07)
+15	<b>Bell Truck</b> , Team Valley, Gateshead (Mercedes Benz dealership. Construction of a 12-bay Mercedes truck centre is underway on Gateshead's Team Valley, adding 15 jobs to its 200-strong workforce. It is due to open in October.)	(J 09/08)
+ 12	<b>Ross</b> , Newburn, Newcastle (Pickle maker. Jobs to be created at the Newburn HQ as part of its plans for global sales expansion. It believes it can sell £1.5m of its products across Europe and Asia within 18 months.)	(J 16/09)
+12	<b>United Carlton Office Systems</b> , Gateshead (Copying and printing company. Jobs created after it secured a £3.75m contract with East Riding of Yorkshire Council. The five-year contract has helped the Gateshead-based firm achieve turnover of £7m.)	(J 18/9)
+10*	<b>Double Maxim Beer Company</b> , Rainton Bridge, Sunderland (Brewery. Jobs to be created at its new site. It plans to brew 1m pints in its first year from mid-October.)	J (19/07)

\*New Opening

<b>Outside Tyne &amp; Wear</b>		
+500*	<b>Pattinson</b> , across the NE (Estate agency. Home-worker jobs to be created. The self-employed agents will work from home in a bid to increase its £8m annual sales by 25%. It has 11 branches in TW)	(J 10/07)
+270	<b>Esh Group</b> , Co. Durham (Builder. Jobs to be created as part of its expansion. It expects turnover to grow 25% to £125m over the next year.)	(J 26/07)
+250	<b>Garlands</b> , Stockton, Tees Valley (Call centre operator. Jobs to be created after winning a contract with the Carphone Warehouse to work on its TalkTalk service.)	(J 07/07)
+225*	<b>Marks &amp; Spencer</b> , Teesside Shopping Park, Stockton (Retailer. Jobs to be created with the opening of its largest new 60,000sq ft store on Durham Rd, Stockton.)	(J 14/08)
+200 (*some new openings)	<b>Marks &amp; Spencer</b> , across the NE (Retailer. Jobs to be created both at existing and new stores. New staff are required to help the store keep up with demand, following its fourth consecutive quarter of sales growth. It has 6 stores in TW.)	(J 12/07)
+200	<b>Wilton Power Station, Number 5 Boiler</b> , Teesside (Power station. Work created with the £10m overhaul of the power station. The Number 5 Boiler will be refurbished by the end of November.)	(J 10/08)
+100	<b>Tesco</b> , Durham Road, Stockton (Supermarket giant. Jobs created with the expansion of its Tesco Extra store. The extension to 130,000sq ft will make it the largest store in the region.)	(J 16/06)
+100*	<b>Balfour Beatty</b> , Teesside (Construction firm. It is setting up a North East base for its management division at Wynyard Park to cover the region from the Scottish border to the Humber.)	(J 05/09)

\*New Opening

### 3.2 Job Losses

(-1,781 announced in press July 1<sup>st</sup> – Sept 30<sup>th</sup> 2006)

<b>-500</b>	<b>City Hospitals Sunderland NHS Trust</b> (NHS Trust. Jobs will be cut in an attempt to clear its £5m deficit. The trust has said that the losses will be managed through natural turnover.)	<b>(J 27/7)</b>
<b>-500*</b>	<b>Zurich</b> , Fenkle Street, Newcastle (Insurance company. It will shed 500 jobs with the closure of its Fenkle Street call centre.)	<b>(J 09/08)</b>
<b>-260</b>	<b>Swan Hunter</b> , Wallsend, North Tyneside (Shipyard. The final 260 jobs at the shipyard were cut as its last vessel, the <i>Lyme Bay</i> , left the yard incomplete after the MoD ended the contract and moved the vessel to BAE Systems' yard in Govan in Scotland.)	<b>(J 17/07)</b>
<b>-200</b>	<b>Aviva</b> , Newcastle call centre (Owner of Norwich Union. Jobs to be cut at its call centre. Aviva announced it is to cut 4,000 jobs nationwide in an effort to save £250m a year. 1,000 of the jobs are being transferred to India.)	<b>(J &amp; FT 15/09)</b>
<b>-125*</b>	<b>Sig Combibloc</b> , Houghton-le-Spring, Sunderland (Carton manufacturer. Jobs to be lost with the closure of its carton making factory. It will relocate to mainland Europe (Germany and Austria) after closure on October as part of the Swiss company's cost-cutting plans to save £13.8m.)	<b>(J 30/06)</b>
<b>-106</b>	<b>Siemens Energy Services</b> , Killingworth, North Tyneside (Management division of Siemens providing metering services to the UK utilities sector. Plans to transfer work from its North Tyneside call centre to India. The company has said that administrative rather than call centre posts could be lost.)	<b>(J 28/07)</b>
<b>-60*</b> <b>(TWRI estimate)</b>	<b>Greggs</b> , Newcastle, Gateshead, Sunderland (Newcastle-based bakers. Jobs cut after half-year to June profits fell 20%. It is closing six NE bakers oven shops (including in Whickham, Gateshead and Washington Galleries) with the loss of 50 jobs. A further 50 jobs will be cut at the administrative centre in Cowgate, Newcastle.)	<b>(J 04/08)</b>
<b>-14</b>	<b>NHS Counter Fraud and Security Management Services</b> , Newcastle (Newcastle's CFSMS. Jobs to be cut as part of national proposals to cut 36 jobs. In 2005 55 jobs were lost with the closure of the Patient Fraud Unit in Newcastle. CFSMS currently employs 18 staff.)	<b>(J 04/08)</b>
<b>-16</b>	<b>DFDS</b> , North Shields, North Tyneside (Danish passenger liner operator. It is making its 16 office staff redundant along with 235 Norwegian crew of the MS Fjord Norway. The Danish company, which operates the ferry from North Shields to Scandinavia, has acquired Norwegian Fjordline, also operating similar routes. DFDS is selling its <i>Princess of Scandinavia</i> ship, which has operated routes to Kristiansand and Gothenburg. It will transfer its crew to operate the former Fjordline service instead. The <i>Fjord Norway</i> will be refurbished and renamed to operate under the Danish flag for DFDS.)	<b>(J 07/9)</b>

\*Closure

**News:** the **Swallow Hotel chain** has been placed into **administration**. There are eight Swallow Hotel operations in the NE with **three in Tyne & Wear**: the Imperial in Jesmond, **Newcastle** and the Swallow and Springfield Hotels in **Gateshead**. The company, which is still trading, employs 7,300 people at 673 hotels and pubs nationwide. (J 15/09)

<b>Outside Tyne &amp; Wear</b>		
<b>-900*</b>	<b>Orange</b> , Peterlee, Co. Durham (Mobile phone company. It will close its call centre in Peterlee as part of a cost-saving plan. All staff have been offered the chance to work at call centres in Darlington, or Silverlink, North Tyneside.)	<b>(J29/07)</b>
<b>-248</b>	<b>MMP Group</b> , Newton Aycliffe, Co. Durham (Construction company. Jobs lost as the company went into administration. It had debts estimated at £3m-£5m. Last year it turned over £30m.)	<b>(J 08/07)</b>
<b>-132*</b>	<b>TT Electronic Manufacturing Systems</b> (formerly Welwyn Systems), Northumberland (Telecoms component manufacturer. Its plant will close in December with the loss of 132 jobs. Work will move to its parent company in Wales and Malaysia.)	<b>(J 14/07)</b>
<b>-50*</b>	<b>bmibaby</b> , Durham Tees Valley Airport (Budget airline. It is to withdraw its services from Durham Tees Valley airport in November with the loss of 50 jobs. It has said that the six routes it operates are not commercially viable.)	<b>(J 15/09)</b>
<b>-30</b>	<b>Aviva</b> , across the NE (BSM driving schools. Jobs to be cut at six of its driving schools across the NE.)	<b>(J &amp; FT 15/09)</b>

\* Closure

### 3.3 New Orders and Contracts to Local Firms (worth at least £133m to local firms)

<b>£75m</b>	<b>Robson Brown</b> , Newcastle (Marketing services company. It won the contract to handle the media campaign for the UK's largest bed retailer, Dreams.)	<b>(J 06/07)</b>
<b>£14m</b>	<b>iPower</b> , Gateshead (Motor drive technology manufacturer. It will supply its technology for use in the Boeing 787 Dreamliner aircraft. The company could also pick up maintenance contracts worth at least £5.5m.)	<b>(J 20/07)</b>
<b>£4m</b>	<b>RNJ Partnership</b> , Newcastle (Quantity surveyor. It has won the contract from Golden Living. This is part of a project to build 57 retirement flats and communal facilities in Nunthorpe, Middlesbrough.)	<b>(J 11/08)</b>
<b>£3.2m</b>	RNJ also won the contract from Home Housing to convert the Grayson Heights building in Leeds into 47 student flats.	<b>(J 07/07)</b>
<b>£3.75m</b>	<b>United Carlton Office Systems</b> , Gateshead (Copying and printing company. Five-year contract secured with East Riding of Yorkshire Council. It has helped the Gateshead-based firm achieve turnover of £7m.)	<b>(J18/09)</b>
<b>£2m</b>	<b>Northumbria University</b> , Newcastle (It has secured a contract to deliver training to Beijing-based training agency Hyde International Training. The 4-year contract will see the University deliver training in Human Resources, culture and government policy and management to Chinese government organisations.)	<b>(J 26/07)</b>
<b>£1m</b>	<b>Lakeland Timber Framed Homes</b> , North Tyneside (Log cabin construction. It won an order from the MoD to build 12 log cabin homes on the Falkland Islands. This could be followed by a further 5-year contract to build 60 more homes.)	<b>(J 04/09)</b>

<b>£multi million</b>	<b>Orchard Information Systems, Newcastle</b> (Software solutions company. It secured a deal to provide software solutions to housing group Orbit. In February, the Newcastle-based company also won a 10-year deal with BT to provide IT solutions to the Northern Ireland Housing Executive. The company employs over 140 people.)	<b>(J 15/08)</b>
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### Construction Contracts

<b>£30m</b>	<b>Bellway, Newcastle</b> (Housebuilder. Bellway won the contract to work on a £5bn regeneration scheme in London. It will build 229 apartments in the first phase of the development, at Greenwich Peninsula.)	<b>(J 30/09)</b>
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## 4.0 Features

### 4.1 The Economic Impact of ‘The Sage Gateshead’

An Economic Impact Assessment of the construction and first year of operation of The Sage Gateshead was produced by Economic Research Service (ERS) in April 2006. The report examined the economic importance of The Sage Gateshead to the local, sub-regional and regional economies. Some of the key findings of the report are presented below:

- **In total**, the first year of operations (including conferencing) have **generated an impact of £43m** (in addition to estimated construction impacts of £46m), of which;
  - It has generated an **operational impact** in the order of **£14m** to the North East economy in its first year of operations
  - The Sage Gateshead has added to the **conferencing capacity** of the region and it is estimated that this has generated an additional **£29m of income**
- The Sage Gateshead has created between **539 and 564 jobs** (before displacement)
- It has created a **GVA** impact of approximately **£8.1m to £8.5m p.a.** (with an additional £4.4m from procurement and £1.5m from overnight visitor spends)
- It is estimated to be the **most significant arts venue in England** in terms of its GVA impact outside London
- It achieved 275,000 **ticket sales** with a **value of £3m** (an average yield of £13.55)

Note: TWRI holds a summary of this Economic Impact Assessment

### 4.2 Hotel Developments in Tyne & Wear

Over the last two years a number of new hotels have been developed and a number more are planned in Tyne & Wear. The table below provides details of these.

New Hotel Openings, since about September 2004		
Hotel Name	Rooms/Size	Location
Jury's Doyle (Jury's Inn)	274-room	St James Gate, Newcastle
Newcastle and Gateshead Hilton	254-room	Quayside, Gateshead
Albatross Backpackers Hostel (£2.5m development)	186-bed	Grainger Street, Newcastle
Express by Holiday Inn	130-room	St James Boulevard, Newcastle
Tulip Inn Gateshead and Newcastle	115-room	Team Valley, Gateshead
Travelodge (81-room extension)	81 new rooms	Trinity Gardens development, Newcastle Quayside
Innkeepers Lodge	53-room	Gosforth, Newcastle
Niche Hotel	49-room	Grey Street, Newcastle
Jesmond Dene Hotel & Restaurant	40-room	Jesmond Dene, Newcastle
Hotels Planned		
Hotel Developer	Rooms/Size	Location
Vico Properties	90,000 sqft	Part of £150m scheme in Westmorland Road, Newcastle
Silverlink (plans for two hotels including a boutique hotel)	n/a	Part of Silverlink's £150m development behind Newcastle Central Station
Hanro (possible hotel development)	90,000 sqft	Part of Hanro's £70m development in Gallowgate, Newcastle
UK Land	50,000 sqft	Development next to High Level Bridge, Gateshead
Opus Land (4* hotel planned to open 2007)	154-room	Part of £20m development next to the Baltic, Gateshead
Village Hotel (planned £3m extension)	40 new rooms	North Cobalt Business Park, North Tyneside
McKever Group ( <i>Aparthotel</i> , short & long-term fully-serviced hotel accommodation)	35-room	£6m development on Walker Road, Newcastle Quayside
City & Northern (3* budget hotel)	n/a	Development behind the Baltic, Gateshead

Source: *The Journal and TWRI's Economic Review*

Note: In addition to these new openings and planned developments, the Swallow Hotel chain has been placed in administration. There are eight Swallow hotel operations in the North East with three in Tyne & Wear; the Imperial in Jesmond and the Swallow and Springfield Hotels in Gateshead.

## 5 INVESTMENT

### 5.1 Investment and Development Trends

#### Regional Spatial Strategy to 2021

**No new retail or leisure developments** are required at the **Metrocentre** and its surroundings in **Gateshead** by 2021, according to the Panel report on the draft Regional Spatial Strategy (RSS). A policy of ‘no more out of town shopping centre’ is recommended. Inspectors also recommend that **TyneWearPark**, a planned 90-acre site in **South Tyneside**, should remain green belt. The draft Regional Spatial Strategy had identified it as a “prestige employment site”. (J 05/8) GONE is due to publish its draft Modifications to the draft RSS in January. The document will then go to ministers for approval.

#### Other News

**Local property markets** are very strong for industrial, strong for retail and strong in TW for offices but subdued in the NE:

- In Q2 2006, **industrial property** returns in the NE hit **22.4%** (18.8% in 2005), their **highest** levels **since 1993** – Knight Frank. The Newcastle industrial property market is the seventh strongest in Europe in 2006 and the second in the UK behind London. (J 27/9)
- **Retail rents** are being driven **up in the NE by a shortage of floor space** -claims property agents Atisreal. [The evidence suggests this may be true of] the centre of **Newcastle** where prime rents have risen 10% to £330 per sq ft in 2006, [and **particularly**] at The **Bridges** in **Sunderland**, where **rent rose 24%** to £150 per sq ft, [but not at] the **Gateshead’s Metrocentre**, up 4.4% to £350.
- **Newcastle’s office market** is **one of the strongest in the UK**-Jones Lang LaSalle research. The city has experienced a rise in office rental income over the last year with achievable rents rising 14.3% to £20 per sq ft. This compares to a static nationwide average rate of 0.4% (J 28/6)
- **Office rents** are **subdued** in the **NE**, up only 1.2% in 2005, below the national average of 1.9% - GVA Lamb & Edge.

A **shortage** of suitable [employment] land is causing **Tyne & Wear** to **miss out on vital investment** and jobs, according to Naylor’s Chartered Surveyors. There are **no sites** available in **Gateshead** and only **a single 2.5-acre** site is available on **South Tyneside**. Suitable sites for industrial developments are being snapped up for more lucrative office schemes. (J 23/8)

### 5.2 Investment and Development News

#### Office Developments

The **Newcastle Great Park’s** new phase of the **£800m commercial development** will **re-launch in September**. The NGP Consortium revamped plans for the park’s ‘support facilities’ to attract more interest in the **2m sq ft** of **office development** planned for the site. The park failed to attract an office occupier in two years. (J 05/08)

At the **Rainton Bridge** development site **west of Sunderland**, an **Article 14 notice** delaying planning permission **has been lifted**. The order was put in place by the Highways Agency following concerns about the development’s potential impact on traffic congestion on the A19. The 54-acre site will create up to 3,500 new jobs and is to be developed by Akeler. Northern Rock plan to occupy half the site with a new £60m office complex. (J 14/7)

Newcastle-based **Circle Red Developments** has bought a site on the corner of St James' Street and Strawberry Place, Newcastle. It wants to build a **10,000sq ft four-storey office** block. The £3.1m scheme is opposite Hanro's planned **£70m mixed use development**, which will include 90,000 sq ft of offices and close to Terrace Hill's 83,000sqft seven-storey office development. (J 23/8)

Also in the **Gallowgate** area of **Newcastle city centre**, **planning permission** has been requested for the **demolition** of **Wellbar House**, the former home of the Government Office for the North East. The building, overlooking St. James' Park, has stood empty for the last two years [GONE is now at the nearby Citygate complex]. Owner Moonglade Holdings wants to clear the 16-block building and build a new **10-storey office block** which could potentially be big enough for 120,000 sq ft of offices and house 1,000 people. (J 27/09)

**Bannatyne's casino** on **Newcastle Quayside** has been **closed** (see also p.25). Joint developers Argon Properties and builder Whelan plan to convert the **22,000 sq ft** property into **offices**. (J 20/09)

### Business Developments

**City & Northern** has **acquired a 37,000sq ft site** at the entrance of Simonside East Industrial Estate in **South Shields** in **South Tyneside** from One NorthEast. The Gateshead property developer plans to begin building **nine factory units** in October which will have a final value of **£2.5m**. (J 26/07)

### Mixed Developments

**Walker Riverside's (Newcastle) redevelopment** has been **boosted** by the City Council's approval of a **£430m 15-year project**. The project involves the building of **1,780 homes**, two primary schools, a neighbourhood centre and the redevelopment of the Church Walk shopping centre. **424** properties will also be set for **demolition**. (Planning 16/07) [The scheme still needs government approval – Ed.]

Work on a **£9m investment programme** on **'Priority Sites'** (a joint venture between **English Partnerships** and the **Royal Bank of Scotland**) has begun. The project involves the development of a mix of **office** and **manufacturing** space at the Monkton Business Park in Hebburn, **South Tyneside** and at the Orion Business Park in **North Tyneside**. The units will cater for assembly and light industrial use. (Planning 07/07).

Newcastle-based **Metnor Property Group** secured a 7.5-acre site vital to a **£40m development** in **Byker**, Newcastle. The mixed-use development will include offices ranging from 1,500 sq ft to 3,000 sq ft, shops and houses. (J 02/8)

**Five developers** have been **shortlisted** by the Co-op to **develop a 1.2 acre site** at **Blandford Square**, near Newcastle's Discovery Museum. The planning guidance for the site's redevelopment is expected to include plans for commercial and office space. (J 13/9)

Late News: In **Newcastle** city centre's **Gallowgate** area, a **£55m office, hotel and shopping** complex development is being planned. If plans go ahead, around 1,000 jobs could be created. The site will be on land at present used for car parking next to the Strawberry pub across the road from St James' Park. (EC 25/10)

### Housing Developments

**Cruddas Park** in **Newcastle** is to be regenerated in a **£100m scheme to 2011**. **Your Homes Newcastle**<sup>7</sup> will invest **£20m** from the Modern Homes Programme into the project. Bridging NewcastleGateshead has committed £20m and New Deal for Communities has also allocated £1m towards the scheme. The project will be carried out in six phases, including the modernisation and

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<sup>7</sup> *Your Homes Newcastle (YHN) is the ALMO (Arms Length Management Organisation) for Newcastle City Council's housing stock*

refurbishment of the multi-storey buildings, landscaping, refurbishment of the shopping centre and building of additional housing. (New Cruddas Park newsletter, July 2006)

Work on phase one of a **£4.2m** regeneration project in **Newcastle** has **started**. It involves building 50 flats, bungalows and houses in **West Denton**, west of the A1. (J 25/8)

**King Sturge** property consultants have begun presenting **proposals** to developers for ‘**Expo**,’ a development of **300 homes** based around innovative design in **Scotswood, Newcastle**. The housing exposition is intended to attract to Scotswood those with the money to buy elsewhere. (FT 26/06)

### **Housing Market Renewal**

**Bridging Newcastle Gateshead (BNG)**, the housing renewal pathfinder organisation, has **called upon the Government to guarantee funding up to 2010** in its report ‘From Transition to Transformation’. The body has secured funding of £64m to 2008 but says that a sustained level of funding to 2018 will enable them to build 12,000 new homes and improve a further 11,000. (J 22/9)

**Compensation packages** in the country’s nine ‘**pathfinder**’ **housing market renewal areas**, including Newcastle and Gateshead, **are not enough** to help people find new homes – Joseph Rowntree Foundation. The research claims that the average gap between compensation received and the cost of purchasing a new home is £35,000. (J 20/9)

### **Leisure/Tourism Developments (see also Features)**

**Newcastle’s Central Library** has **closed for major refurbishment**. The library is to be rebuilt as part of a **£40.2m Private Finance Initiative** scheme which also includes the rebuilding of High Heaton Library. The new library is expected to open in early 2009. (www.icnewcastle.icnetwork.co.uk, 21/8)

**Closegate**, the Newcastle property developer is currently developing Haymarket **Metro**. The £18m Metro development is on track to finish in 2008. [It is also on track to develop **£75m** worth of hotels for **Rezidor SAS Hospitality** in the next five years] (J 11/8)

**Sleeperz Hotels** want to turn a former parcels depot owned by Network Rail, at the bottom of **Westgate Road in Newcastle**, into an **80-bed hotel**. It plans to spend **£4m-£5m** developing the site. The project is awaiting planning consent. (J 20/07)

**McKever Group**, the Glasgow-based hotel company, has purchased a **site on Walker Street**, behind **Newcastle’s Quayside**, to build a **35-room serviced hotel**. The **£6m** development is due to be completed by November. (J 20/9)

**Newcastle Council** has **ruled out proposals to use the Tyne Brewery site for a regional casino and convention centre**. The land was acquired to house the headquarters of the Science City. Five possible locations have been identified for a casino. The two most likely locations are the Pottery Lane site between Central Station and the Metro Radio Arena and the land next to St James Metro station. The Government’s independent Casino Advisory Panel held a public inquiry to assess the city’s bid in early September. (J 29/8) [London’s Millennium Dome is one of Newcastle’s competitors – Ed.]

**Tavistock Leisure** is looking to **grow its portfolio of hotels** and set up a further 8 **restaurants** in the North East over the next 18 months. The **Sunderland-based** company recently acquired the Casa bar on Newcastle’s Quayside and is planning a £1.8m restaurant development (J 19/9)

Three leisure developments in **North Tyneside**:

Work has **begun** on a **£1.5m revamp of Tynemouth Pool**.

A new **£9.5m sports centre** at **Killingworth** is also due to be completed **next spring**.

**Whitley Bay Leisure Pool** is to be improved as part of the **£60m** development of the Spanish City site. (J 05/9)

## Retail Developments

**American and Dutch investors** have **bought** the **Royal Quays** outlet centre in North Shields for **£28m**. WD Ltd will manage the property on behalf of the new owners and plans to bring new names to the outlet and increase its profile. (J 13/9)

**The Metro Retail Park**, next to Gateshead's MetroCentre, has been **put on the market for £95m** by its owners, Royal London Asset Management. (J 20/9) [It includes the IKEA store – Ed.]

**Debenhams** will be **opening** an **180,000sq ft store** in **Newcastle's Eldon Square** in **Autumn 2009**. The **£170m** development scheme of Eldon Square's Southern Gateway will also see the opening of 30 large shops on two levels and a new market place replacing the old Greenmarket. (J 16/08)

**Tesco** is **renewing its bid** to build a new store on the **Vaux Brewery** site in **Sunderland** as it hired two partners, Persimmon and Abstract Securities. It wants to develop 345 apartments, 300,000 sqft offices, 110,000 sqft superstore, 30,000 sqft associated retail and create 2,000 jobs on the 14-acre city centre site. (J 18/7) [The site is the location of major housing and office developments by Sunderland ARC, the Urban Regeneration Company – Ed.]

## Other Developments

**Plans** for the **£20m redevelopment** of **Haymarket Metro** station have been **approved** by **Newcastle City Council**. This will see the replacement of the station by a **four-storey steel and glass building**, including a **new Metro platform** and concourse, **bar, restaurant, shops, travel centre** and **office space**. Work, which will begin in March, **could create up to 300 jobs**. (J 19/08)

The **£2m North Tyneside Skills & Enterprise Centre (NTSEC)** has **officially opened** in Wallsend. The training centre designed to assist young people, is the first of four planned for the borough over the next four years. (J 19/9)

**Four development proposals** for **Gateshead Quays' second phase** have been **submitted** to **Gateshead Council**. St James Capital Group, St Modwen Properties, Kier Property and Land Regeneration UK handed over plans to transform a temporary car park on a 2ha site between the Sage Gateshead centre and the Baltic centre. (Planning 07/07)

**Newcastle Council** has approved plans to **bid for a £340m Private Finance Initiative** to **maintain** the **city's roads** which could result in up to **400 new jobs being created**. The Council will apply to be part of a pilot scheme which will see a private firm repair the city's roads, bridges and pavements. The extra jobs could be created through the additional work. (J 1/9).

## Infrastructure Development

An **increase in the toll for the Tyne Tunnel** will be used to **help pay for a second tunnel**, due to open in 2011. The increase (from £1 to £1.10 for cars and from £1.20 to £1.50 for heavy goods vehicles) will come into effect on January 1. (J 23/9) The increase will raise around £1,350,000 a year, to be used for buying land and paying compensation which is estimated to make up £10m of the £185m total project cost. [Tyne & Wear Passenger Transport Authority (PTA) has estimated that the toll for the second crossing will be somewhere between £1.55 and £2.10.] (Planning, 6 October 2006)

**GNER** will begin a **£2.4m facelift** of **Newcastle's Central Station** over the coming weeks. The plans include new shops and leisure facilities and a new glazed entrance arcade. (J 15/9)

The A69 is to be improved with a **bypass** at **Haydon Bridge**. Work begins in the spring on the 1.8 mile single-carriageway road. The **£25m scheme** will be funded under the ten-year Regional Funding Allocation [from Central Government]. It will reduce journey times to Tyne & Wear from points west of Hexham, including from Carlisle. ([www.northumberland.gov.uk](http://www.northumberland.gov.uk) & , [www.bbc.co.uk/tyne](http://www.bbc.co.uk/tyne), accessed 5/10)

### 5.3 Aid & Finance

**Draft proposals for revisions** to the **UK assisted areas map** from 2007 have been **published** by the DTI. The changes follow the recent enlargement of the EU. The proportion of the UK eligible for assisted areas status will fall from 30.9% to 23.9%. The new proposals will go before the EU in August following a one-month consultation. (FT 11/07) Late News: the amended map has now been submitted to Brussels. The new NE map cuts the number of wards eligible for assisted area status from 347 to 278, although 15 wards were **reinstated** back into the map, a third of which are in **Newcastle** including parts of **Newcastle’s West End (Benwell, Lemington and Scotswood)** and part of **Newcastle’s Great Park** development area (**Castle** ward).

NE will receive around **£50m per annum** in **European Regional Development Funds** and **European Structural Funds** (£223m and £141m respectively over the seven-year period 2007-2013). Previously the NE’s allocation was around £70m p.a. for the period 2000-2006 – GONE’s European Newsletter, Oct 2006. The UK is said to face a 50% reduction in comparison with the current period reflecting the need to focus funding on the poorer new member states.

The Local Government Secretary has **announced plans to create new City Development Companies (CDCs)** to **drive economic development [for ‘City Regions’]**. The companies, which will be closely linked to town halls, would be able bring in leaders and money from the private sector. Guidance on how CDCs will be established will be published following the Local Government White Paper (FT 14/9) [the White Paper was published on Oct. 26<sup>th</sup>]

A **bid for £20m to create 2,750 extra businesses in Newcastle** over the next decade has been put to Government. The money, from the **Local Enterprise Growth Initiative (LEGI)** will be used to fund entrepreneurship training programmes and new ‘trading hubs’ which will provide business support in the East and West end of Newcastle along with Cowgate, Blakelaw and Newbiggin Hall. (J 15/9) [South Tyneside has won over £15m under LEGI - Ed].

**TyneWear Partnership** has **given £406,345** to the **North-East Enterprise Bond**. The bond scheme aims to raise £5m worth of loans to finance business start-ups. (J 20/9)

**South Tyneside Enterprise Partners** will launch a **three-year programme** designed to **boost business enterprise** in South Tyneside in July. The ‘Spirit of Enterprise’ initiative will distribute and spend £16.2m [under the Local Economic Growth Initiative, LEGI] to stimulate economic activity around South Shields, Jarrow and Hebburn. (J 26/6)

**Enterprising Newcastle** has opened its second centre in **Byker**. It aims to get 140 jobless people into enterprise in two years, and provide advice on business issues. (J 03/7)

### 5.4 Regional Development Grants (Selective Finance for Investment, SFI)

**Table 5.1: SFI in England: offers of £75,000 or more (1 Apr – 30 June 2006<sup>1</sup>)**

Company	District	£
Tyneside Safety Glass	Gateshead	150,000
The Cylinder Service Co	Sunderland	100,000
Anglitemp	North Tyneside	225,000
Responsive Engineering	Gateshead	85,000
	<b>Tyne &amp; Wear Total</b>	<b>560,000</b>
	<b>North East Total</b>	<b>1,115,000</b>

*Source: Department for Trade and Industry website (www.dti.gov.uk)*

<sup>1</sup>*Date offer was accepted. Payment of SFIE is made in instalments, typically over several years as jobs and capital expenditure targets laid down by the offer are met. The amounts quoted above, therefore, represent the maximum grant potentially payable if the project is satisfactorily completed.*

## 6.0 INDUSTRIES AND FIRMS

### 6.1 Business Overview

The number of businesses in the UK rose 1.4% (59,000) in 2004 to a record high of 4.3m at the start of 2005 - Small Business Service. The increase is due mainly to a rise in sole proprietorships, which accounted for 3.2m of all enterprises (72.8%). (FT 1/9)

NewcastleGateshead has been named one of the UK's top places to do business in a study by research organisation The Work Foundation. It is alleged to be fast catching up to 'ideopolises' London and Edinburgh, which are defined as sustainable knowledge cities that drive the economy in the wider area. (Contact Magazine, June 2006, p.10-11) [The Work Foundation is being headed by Will Hutton – Ed.]

**[Profits, below, are pre-tax unless otherwise stated]**

### 6.2 Biotechnology & Pharmaceuticals

An initiative has been launched to provide the North East's healthcare sector with £1.25m worth of investment. The Integrated Services Training and Products or In-step Initiative is funded by One NorthEast and the European Regional Development Fund. It is a joint venture between the Centre of Excellence for Life Sciences (Cels) and Northumbria University. It will offer a product design service to businesses developing products and services in the sector. (J 26/6)

P&G sales, excluding the impact of its acquisition of Gillette, rose 8% in Q2 2006 [presumably on Q1]. Yearly sales rose 20% to \$68.2bn. (FT 03/8) [P&G's European HQ is in North Tyneside – Ed.]

A leading stem cell scientist from Iran has moved to Newcastle University from Germany to take advantage of Britain's more liberal regulation of stem cell research. Professor Karim Nayernia led research at Georg-August University in Göttingen. The appointment will help the North East in its efforts to build a reputation as a world-class centre for stem cell research. (FT 11/7)

### 6.3 Energy

A £5m project to send trouble-shooters into NE companies to find ways to save energy will be launched in October. ONE aims to help reduce energy bills at 160 firms. (J 15/9)

Energy companies will be asked by the government to contribute to a £500m scheme to research new low-carbon forms of energy. The Energy Technologies Institute will be funded by the taxpayer and private companies. (FT 14/9)

Winter wholesale gas prices have fallen by 25% and electricity prices by 30% in the past four months. (FT 12/9) [Global oil prices have fallen by over a fifth since July, from over \$75/barrel to about \$60 – Ed.]

### 6.4 Chemicals

Tor Coatings acquired Holdtite Adhesives, based in Team Valley, Gateshead. It plans to relocate the business to its premises on Portobello Industrial Estate in Birtley, Gateshead. The combined turnover is expected to reach £22m. The paint manufacturer also plans to purchase the 55,000sqft freehold factory and offices formerly owned by Solvitol. (J 04/7)

### 6.5 Mechanical Engineering

North Tyneside high pressure safety device company, Elfab's turnover rose 14% to £8m as it pursued its expansion plan into Eastern Europe and Asia. Exports account for 60% of its total sales. (J 17/7)

AMEC, the engineering services company, has **reported £58m in interim losses** following a write-down in its construction division. (FT 1/9) [AMEC has offshore operations based in Wallsend, currently on care & maintenance only - Ed.]

**Rolls Royce sales rose 9% to £3.4bn** in the six months to June compared with the same period last year. The aircraft engine maker announced a record order book of £25bn, with 21% of sales from new aircraft. (FT 28/7) [Rolls Royce has a plant at Sunderland- Ed.] **Rolls Royce is to supply engines to China's Hainan Airlines** in a deal worth more than **£265m**. Rolls Royce will provide more than 100 engines from next year. Rolls Royce employs more than 400 people at its Wearside engine parts plant. (J 16/9)

## 6.6 Motor

**Nissan** has set up a **purpose built facility** in **Thailand** to produce **car parts**. It will ship £164m worth of Thai-produced components to Nissan plants around the world by 2007. (J 19/7) [Nissan has a plant in Sunderland which produces over 500,000 cars a year – Ed.]

**100 jobs** have been **saved** at **ASL Systems** when Indian automotive supplier Motherson Sumi Systems Ltd (MSSL) bought it out of administration. The **Gateshead** company went into administration earlier this month following financial problems. (J 16/8)

**General Motors** has announced plans to study a **possible three-way alliance** with **Renault** and **Nissan**. The proposal is being considered by GM, who reported a £5.7bn loss in 2005. ([www.news.bbc.co.uk](http://www.news.bbc.co.uk), 06/07)

## 6.6 Offshore, Shipbuilding & Ship repairs

The **owner of Swan Hunter** shipyard has **refused to pay the Ministry of Defence** for an **old warship** it planned to dismantle for scrap. The MoD plans to sell *HMS Intrepid* to the highest bidder. It is thought the work could create around 200 jobs at the Wallsend yard. (J 25/7) **Swan Hunter** will be **bidding for a contract** from a Scandinavian company. If successful, it could win sub-contract work with Dutch company **Centraal Staal**. (J 03/8) [In July, the *Lyme Bay* vessel left the Wallsend yard incomplete because of spiralling costs. It will be completed by BAE Systems at Govan in Scotland – Ed.]

**OSG**, the **oil tanker operator**, aims to **double** the size of its 117-fleet. It has built the infrastructure and computer systems to accommodate twice the size of its current business. It has a new programme for 28 ships worth £1.4bn through to 2010, of which four are LNG (liquefied natural gas) vessels. It also has designed its operational base in **Balliol Business Park** in **North Tyneside**, where it employs 86 staff, to cope with its current expansion. (J 31/7)

**Shepherd Offshore** has **reported a 30% increase in vessel activities** at its berths at the Offshore Technology Park in Walker, Newcastle over the last two years. (J 19/9)

**Chieftain**, the industrial services group, has announced a **half-year increase in turnover** of **260%** from £4.7m to £16.9m to the end of June. The Newcastle-based company's pre-tax profits also rose 700% to over £700,000. The company plans to take on more staff if further work is secured. (J 31/8) **Chieftain** has **acquired** engineering repair and maintenance company **Bringover Ltd** for an undisclosed sum. (J 28/9)

## 6.8 Printing and Packaging

**Potts Printers** is moving from a 24,000 sq ft site in North Shields, **North Tyneside** to a 50,000 sq ft site in Cramlington, **Northumberland** in a drive for **expansion**. Its sales grew from £1m in 2000 to £7m in 2006 and aims **to double** the figure by 2011. It currently employs over 100 staff. (J 06/9)

## 6.9 Other Manufacturing

**Plastics company Perlos** is selling its plant at Houghton-le-Spring to a Swedish private equity group in a £45.7m joint venture deal. Staff at the plant, which employs **150 people**, have been told their **jobs are safe** despite the sale. (J 24/7)

## 6.10 Construction

**Barratt** has announced a **54% rise** in the number of **homes sold to social housing providers** in the year to the end of June (2,702). In a trading statement, the Newcastle housebuilder revealed sales to private owners fell by 5.5% to 11,899. (J 25/7)

**Bellway**, the **Newcastle** housebuilder, has sold 7,117 homes in the year to July, up from 7,001 in 2005. The average selling price was £167,000. The value of its order book reached £561m, up 9% from £513m in 2005. (J 03/8) [Together Barratt and Bellway built about 12% of all the new houses in the UK in 2005/6 – Ed.]

**Gateshead-based Bowey Homes** has been **acquired** by McInerney Holdings, from Ireland, for £23.6m. (J 04/8)

**Newcastle-based Grainger Trust** secured two of three sites (Hornsey Rd and Barnsbury) as part of a **£70m development** scheme in **North London**. The UK's largest quoted residential landlord announced a three-way partnership with Islington Council and Guinness Trust. This will now target a third site in Downham Rd. All three sites have planning permission. (J 19/7)

## 6.11 Retailing

**Raygale Chemists Ltd** has been **sold** to the Co-operative Group for an undisclosed sum. The pharmacy chain has 10 branches across **Tyne & Wear**, Co Durham and Teesside and employs 93 people. (J 04/7)

**South Shields-based** shopping-at-work retailer **Premier Direct** has announced an annual **loss of £3m** following a year of poor trading and £2.75m worth of write-downs. (J 12/9)

## 6.12 Distribution

Wholesaler **Kans & Kandy** has moved into 45,000 sq ft warehouse on **Monkton Business Park** in **South Tyneside** from its 20,000 sq ft premises on Drum Industrial Estate in Chester-le-Street [in Co. Durham] in a drive for expansion. The six-year old company now turns over £5m. (J 22/8)

**North Tyneside-based M&M Value** has **doubled** the size of its business to £80m by **acquiring** Turner & Wrights of Bolton and Bradford-based FW Bishop & Son. The **Cash & Carry** now employs 150 staff. (J 06/9)

## 6.13 Food & Drink

**Ross's**, the Newcastle pickle-maker, has announced a **20% increase in turnover** following a **deal with Tesco**. The company sold more than £100,000-worth of its new 'World Pickles' range in 420 Tesco stores in three weeks. It has forecast full-year sales of up £0.5m for the products, which are made at its factory in Newburn. (J 26/6)

## 6.14 Tourism & Hotels

**Travelodge**, the hotel chain, was acquired by **Dubai International Capital** for £675m. (FT 19/8) [Travelodge has six hotels in **Tyne & Wear** – Ed.]

## 6.15 Culture & Leisure

**STR Enterprises** leisure group hopes to **double** turnover to £7m-£8m by 2009 after a **refurbishment** programme for several of its existing properties. The **Newcastle**-based group is also in the final stages of acquiring a site for a **four star 70-bedroom hotel** next to its **Quayside Exchange** conference centre in **Sunderland**'s Wylam Wharf. (J09/8)

**Ultimate Leisure** has **acquired** The Attic bar on Mosley Street in Newcastle for £2.6m. The bar and nightclub operator also plans to invest **£1.5m refurbishing** 10 existing bars. The **Newcastle-based** company now owns 36 outlets and plans to make more acquisitions across the country. It has invested over £9m in the past 12 months. (J 06/9) It has seen its **operating profits fall 73%** to £2.4m. The Newcastle-based company blamed a 10.8% fall in turnover to £32.5m on 'challenging market conditions' and 're-investment in the business'. (J 20/9) The new licensing law (from Nov. 2005) has subjected nightclubs to more competition from pubs. (FT 24/9)

**Bannatyne casino** on **Newcastle's Quayside** has **closed**. It has been **sold to an office** developer. Its owner, Duncan Bannatyne, is in 'active' negotiations for a replacement site to build a slightly larger casino. (J 20/9)

**Buffalo Joes** plans to expand its business into Birmingham, Bristol and Sheffield. The **Gateshead-based leisure** (restaurant) company, which was set up in 2001, is poised to create up to 270 jobs. (J 26/9)

## 6.16 Transport & Communications

Newcastle-based transport group **Go-Ahead** is investing **£14m to improve bus services** in the region, despite rising costs. £9m will be invested in new buses and £4.7m on modernising facilities. Its pre-tax profits fell 11% to £83.6m with turnover up 1% to £1.46bn. (J & FT 09/9) It **acquired** a small independent **London bus company**, Docklands Minibuses Limited for **£3m** in September. The acquisition will enable Go-Ahead to move into the East London bus market ahead of the 2012 Olympics. (J 19/9)

**Sunderland-based Arriva** clinched a 10-year **£103m** deal to **operate rail services** in the south of **Germany**. (J 05/7) It has also been **shortlisted for 2 rail franchises** in the **Midlands** (Cross Country and East Midlands) by the Department for Transport. (J 20/9)

**1st Storage Centres** plans to **invest £12.5m** to make further acquisitions. The **Gateshead-based** company wants to acquire five self-storage facilities in the NE and Yorkshire. (J 27/9)

### Telecommunications

Newcastle-based **Equatel** is considering a **stock market flotation** after its pioneering mobile payphone system is rolled out. It hopes to raise £3m to fund the next phase of its development. The system is currently undergoing trials in 15 African countries. (J 21/7)

**BT** has announced plans to **spend £370m updating** the **North East's network of phone and internet lines** to high-speed broadband over the next five years. (J 21/9)

**Orange**, the mobile telephone company, is to **close** its **Peterlee** (Co. Durham) **call centre** as part of a cost-saving plan. As a result of the closure its 900 call-centre staff have been offered work at call-centres in Darlington or Silverlink, North Tyneside. (J 29/07)

### Rail

Late News: **GNER's** parent company has sought US 'Chapter 11' protection from its creditors.

GNER's parent company Sea Containers is facing a **financial crisis**. GNER blamed a **slow growth of revenues** when it expected a rise of 9.9% in the year to April. Its **electricity costs** also **rose 28%** in April and are forecast to rise **another 65% in 2007**. In 2005, GNER paid £1.3bn to the Government to secure the East Coast franchise. (J 14/8 and N. Echo 17/8) [A decision is due to be made before October 15, when Sea Containers is due to pay back a £61m bond. The group has debts of £325m. It faces a number of options, including making cost cuts, selling off GNER, re-negotiating its franchise with the Department for Transport or giving the franchise back to the Government – Ed.]

## Air Transport

**Jet2.com** will **operate two flights per week** from **Newcastle International Airport** to **Krakow**, in southern Poland **from October**. (NEA News, Aug. 2006)

**Ryanair** has announced that **Newcastle airport** could be one of over 50 airports in Europe where it **plans to expand**. The Irish airline is to increase its fleet by 130 over the next 6 years. Ryanair will carry around 260,000 passengers to and from Newcastle in 2006. (J 11/7) **Ryanair** is to launch a new route from **Newcastle Airport** to the **Costa Brava** in **Spain** from March 2007. (J 29/9)

**EasyJet** raised its **profit guidance sharply to 40-50%** (to £115m-£124m) for the year to September, up from £82.6m in 2005. In June, it filled 87.6% of its available seats compared with 85.1% in 2005. Full year total revenues per seat are expected to be 3-4% higher than in 2005, helped by a 30% jump in ancillary revenues. (FT 08/7) [The budget airline flies to **16 destinations** from **Newcastle International Airport** – Ed.]

**British Airways** profits **rose 57%** to £195m in Q2 2006. Its revenues [for 2005/6] were up 12.5% to £2.3bn. BA employs over 1,000 staff at its call centre in **Newcastle Business Park** – Ed. (J 05/8)

## 6.17 Financial Services

**Northern Rock** has announced a **14.4% rise in pre-tax profits to £273.7m** in the first half of 2006. The mortgage bank's total assets rose 23.6% to £88bn. It plans to create 3,500 jobs in the North East over the next three years. [A very large number could be at Rainton Bridge, Sunderland – Ed.](J 27/8)

## 6.18 Business Services & Marketing

**Law firm Samuel Phillips** is expanding its Newcastle office as part of a **£250,000 investment programme** designed to double its size over the next 5 years. It has expanded its premises on Westgate Road by 150sq m and has overhauled its IT systems. (J 28/6)

**Newcastle-based R & B Group** is poised for national expansion. The company's work initially focused on conference and video production, but with an acquisition in 1998, it expanded into **conference services**, equipment hire, set design and build and **video production**. It aims to **grow** turnover by **30% to £2m** in 2007 and to £4m by 2010. It has previously won business including corporate videos, backing up the Royal Shakespeare Company and turning the Baltic pink. (J 06/9)

## 6.19 Software & IT

**Sage**, the **Newcastle-based software** giant, has acquired US-based **Emdeon Practice Services** (EPS) for **£297m**. It is its **largest acquisition to date**. EPS supplies software and services to the healthcare sector. (J 10/8) [Sage has generally concentrated on accounting software]. **Sage** has also **acquired a 51% controlling stake** in **French software company Elit Group** for **£10.8m**. It plans to make an offer to Elit shareholders to buy the remaining 49% of the company. Elit has 3,000 business customers and a turnover of £18.4m. (J 25/7)

**Technology group Nomad** is to **open offices in Newcastle** and London. The **Corbridge-based** company will use money from the £8m it has raised to fund the roll-out of wireless broadband connections on trains. It also plans to recruit additional staff. (J 24/7)

A consortium led by **Newcastle-based Imass**, a NE business solution provider, has won a £600,000 grant from the DTI **to develop innovative mapping software**. **NERVE** (North East Regional Visualisation Environment) is a real-time digital model aimed at helping regional organisations (i.e. fire, police and ambulance services, GONE, Northumbrian Water, Nexus etc) share data efficiently for planning and operational purposes. (J 12/8)

**DSG International**, owner of **Currys** electrical stores, pledged to **create 2,000 jobs** with the launch of an **expert support service to IT users**. The firm will invest £50m in **TechGuys** in the next five years and aims to open 200 stand-alone shops in the UK. (J 06/9) [BT also has its own service – Ed.]

## 6.20 Care Homes

**Gateshead-based Hadrian Healthcare** has been acquired by Midland-based Avery Health in a seven-figure deal. Hadrian has six care homes across the region. (J 21/7)

**Executive Care Group** has acquired **Scottish** group **Allan Water Ltd** for over **£20m**. The **Gateshead-based** company now has over 30 care homes. It employs around 1,000 people and turned over £10m in 2005. (J 11/8)

## 6.21 Public Services

### Education

An **initiative to prepare students with learning difficulties** and disabilities for **progression to work** has been launched in Gateshead. The 2-year ‘Move Up’ project will advise 50 learners using **£126,000 of European Social Fund money**. (J 16/9)

**Newcastle University** spends **more time working with businesses than any other in the UK** – Higher Education Business and Community Interaction Survey. (J 29/7)

### Other Public Services

The **new offices for the DWP at Longbenton** have been **completed**. The PFI scheme cost over £200m, with the final four completed office blocks, providing space for 2,700 workers, costing £45m.

## 7.0 PUBLICATIONS AND RESEARCH

### Tyne & Wear Research and Information Publications

**Annual Monitoring Report 2005**, (SR06/1 50pp). The AMR updates the Baseline Report 2004. It provides an overview and analysis of the current relative position of the Tyne & Wear economy and its recent performance to 2005. It now includes four new indicators (including tourism, worklessness and creative & digital industries). The overall picture for 2005 is positive, with some notable improvement in a number of key economic indicators, including employment, earnings and the proportion of People of Working Age (PWA) with NVQ qualifications.

**TWRI Presentation to TyneWear Partnership Board, Annual Monitoring Report, 2005**. TWRI presented the key findings of the Annual Monitoring Report 2005 to the TyneWear Partnership Board on 19<sup>th</sup> October 2006. The presentation highlighted where progress had been made and setbacks experienced in relation to a number of core economic indicators. Progress had been made on GVA (Gross Value Added) [output]; employment; earnings and qualifications. Setbacks experienced were with claimant unemployment (up since 2004); young people's increased difficulties in the labour market; and a slowdown in 2004 in the growth of the (VAT business base). A copy of the PowerPoint presentation slides can be downloaded free of charge from TWRI's web site.

**Employment Projections for Tyne & Wear to 2016** (EM06/2, 19pp). Employment projections have been produced for Tyne & Wear to 2016 for total employees in 25 industry divisions. These new projections take account of data from the Annual Business Inquiry and the latest available national projections from the Institute of Employment Research at the University of Warwick.

The **TWRI Conference 2006** was held on the 21<sup>st</sup> September. Some of the **PowerPoint presentations** made on the day are available on TWRI's website; documents available include

- i) an overview of the State of the Cities Report 2006 (by Prof. Tony Champion, CURDS, Newcastle University)
- ii) a presentation of Tyne & Wear's perspective on the Regional Spatial Strategy
- iii) Slides on Employment Change 1998-2003 and
- iv) Employment projections to 2016
- v) Slides of VAT registration trends

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### Research News from Other Organisations

**'Should I Stay or Should I Go? Rural Youth Transitions'** by IPPR North, Jane Midgley and Ruth Bradshaw (28 August 2006). This report explores the experiences of 16- to 19-year-olds in rural areas at the time of leaving compulsory education. It focuses particularly on their movements into and out of employment, education and training. Key findings include:

- That young people in rural areas do not have adequate access to the education and training opportunities they need and want.
- Young people are leaving rural areas in order to obtain improved education and employment opportunities. As a result, rural areas are losing valuable skills. This can have serious consequences for the economic viability of rural communities.

*Recommendations – young people in rural areas need:*

- Increased opportunity to study out of the local area with appropriate support where courses are not provided locally.
- Access to support to enter and achieve Level 1 and 2 training needs to be improved and extended. The step up and out of low-wage and low-skilled jobs is important for young people who stay in rural communities. The Government's target for 72 per cent of young people to reach Level 2 qualifications by age 19 by 2008 must be drilled down into achievement in rural as well as urban areas.
- Increased provision of adequate transport options are needed to enable young people to access post-16 opportunities. There are too many gaps in transport provision for young people to

attend schools and colleges after age 16. These gaps need to be closed, informed by joint working between central government departments.

**Bridging NewcastleGateshead Creative and Cultural Sector Study.** BNG and Arts Council England (NE) are currently undertaking some online survey work to look at where people in the cultural and creative industries work and live. It is hoped that the survey findings will inform future discussions and work on housing needs. The findings will be presented later this year.

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The North East Regional Information Partnership (**NERIP**) has produced a number of publications which are available from their website [www.nerip.com](http://www.nerip.com):

**Quarterly Economic Summary August 2006**, Rebecca Hulbert (Published September 2006). This document provides a summary of the latest data on the North East labour market, house prices, business confidence, Research & Development expenditure (as a percentage of GVA, 1999-2003), business stocks and NE GVA per head.

**Quarterly Trade Statistics Summary Q4 2005**, Rebecca Hulbert (Published September 2006). This document provides a summary of the latest available data on the NE balance of payments, exports and key EU markets accounting for NE exports.

**Papers and presentations** from the **2006 NERIP Research Conference**, held **6th September 2006** at Newcastle University are available to download online. Documents available include papers on the North East's economic history, by John Tomaney; on the review of Area-Based Initiatives by John Carling; Travel Patterns in the Region by John Carling, Michael Jackson and John Mooney and Rural Area Profiles and Rural/Urban Definitions by John Mooney and Michael Jackson.

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The **RSS EiP Panel Report** (332pp.) was published at the end of July 2006. It is available to be downloaded from the North East Assembly's website ([www.northeastassembly.gov.uk](http://www.northeastassembly.gov.uk)). The Panel's report presents their findings from the five-week EiP period (March to April 2006), and includes recommendations to amend the Submission Draft RSS. It also identifies areas for further research and analysis. The Government will consider the Panel's recommendations and then publish proposed modifications in the winter of 2006/07. There will then be a twelve-week consultation period providing the next opportunity for the North East Assembly and other interested parties to comment on the revised document.