
ECONOMIC REVIEW

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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, NUA=Newcastle University Arches Alumni Association Magazine, 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

KEY POINTS:

- There are **signs of overheating** in the **UK economy**, with stronger growth than its long-run potential. Economic growth **accelerated** in **Q2 2007**, **growing** by a **relatively rapid 0.8%**, **up** from 0.7% in the previous quarter. (§1.2) The current UK economic growth rate of around 3% is **forecast to slow to 2.3% in 2008**. (§1.6)
- **Unemployment** was down both nationally and locally. In June, **Tyne & Wear's claimant count** was down -2.7% (-626) on a year ago. [Opposite to the upward trend since autumn 2004.] (§1.4) Unemployment is **forecast to rise** (by a small amount) to **0.91m** in 2008. (§1.6)
- **Inflation** remains well **above** the 2% **target** with **CPI** annual inflation at **2.4%** in **June**, (**down** from **2.5%** in **May**). The more widely-used RPI was 4.4%. (§1.2) The base rate was raised ¼% in July, to 5.75% to try to deal with the inflation problem. [It is expected that interest rates will remain relative high (by recent standards) for at least the next year.] (§1.2)
- **Business investment** for Q1 2007 was **up 9.4%** from a year earlier, but 0.6% lower than the previous quarter. (§1.2)
- The current **economic situation** is **unsustainable** as, not only is inflation over target, but the rapid growth in household debt cannot be maintained.
- **Real earnings** have been **falling**. **Growth in pay** continues to be **outpaced** by **retail price inflation** - latest pay and prices data. (§1.2)
- **Consumers** will need to **cut back** on their **growth in spending** which could **slow** to around **2.3%** in the **next year**. However, TWRI expects consumer spending and retail spending **to hold up better in the region** than nationally, as the North East economy tends to lag behind the UK economy, and also has a strong, more recent positive wealth effect from housing equity - Ed. Housing equity withdrawal now represents [a huge] 6.1% of post-tax income. (§1.3)

Key Points from News Digest (April – end June 2007)

In Q2 2007, reported **job gains** (+ 1,047) **exceeded losses** (- 507) in Tyne & Wear by + **540**. (All gains and losses from press reports) (§3)

200 jobs were **created** in **Sunderland** by energy provider **EDF Energy** at its **call centre** in **Doxford Park**. **200 jobs** will also be created at **Gateshead Metrocentre** as the retail complex announced a **£45m revamp**. (§ 3.1)

174 jobs have been **lost** in **Gateshead** by the **Primary Care Trust** over the last 18 months—Royal College of Nursing. **100 jobs** have been lost in **North Tyneside** as **MyTravel** closed its North Shields call centre. (§ 3.2)

Available office space on Tyneside is at its **lowest level for over 20 years**. (§ 5.1) Two large developments, 120,000 sq ft at the Great Park, Newcastle, and 100,000 sq ft at Cobalt Business Park, North Tyneside, will help to raise the supply. (See § 5.2)

There were **no new retail developments** and **no industrial** developments. (See § 5)

Newcastle University has been awarded **£124,000** for its part in the *Scorchio* project which studies how buildings, road and traffic in urban areas contribute to rising temperatures. (§ 5.3)

Inex is developing **microchips** for commercial use which are made using **CVD** (chemical vapour deposition) **diamonds** instead of silicon. The Newcastle University-owned firm is the most advanced of its kind in the UK. (§ 6.3)

Scientists at the Centre for Life in **Newcastle** have shown that **stem cells** from the umbilical cords of newborn babies can be engineered to **produce insulin**. (§ 6.4)

Airbus is **raising production** of its A320 jet to **40 per month**, the highest rate of output for a jet airliner in the history of the aerospace industry. (§ 6.5) **Rolls-Royce** won **£4.4bn** of **orders**. (§ 3.3)

Nissan Motor (the parent company of the plant which employs 4,300 staff in Sunderland) reported its **first drop in profits in eight years**. (§ 6.7)

It **forecasts** a **record** production of **390,000** cars of all models, a **rise of 15%** on the previous record set in 2003.

It is to build a **£100m car-plant** in St. Petersburg, **Russia**, scheduled to begin production in 2009.

It is **launching** a **£4m Global Training Centre** at its **Sunderland** plant, one of only two manufacturing excellence centres in the world.

It is to **export** the **Micra C + C** to **Japan**, the second model to be exported to the country since 1996.

Tanfield **acquired** US aerial platform maker **Snorkel** for **£50m**. The electric vehicle manufacturer expects to **treble production** at its plant in **Washington, Sunderland**. (§ 6.7)

Bellway Homes has **won** a deal to deliver a **£1.2bn regeneration scheme** to Leeds City in partnership with Leeds City Council. (§ 6.11)

Vertu Motors has **acquired Blake Holdings**, **five Honda dealerships** and a **Ford dealership** for **£4.9m**, **£4.6m** and **£2.8m** respectively. (§ 6.12)

Quinlan Private led a consortium which **bought** the **three Marriott hotels** in **Tyne & Wear** as part of **47 hotels** in a **£1.1bn** deal. The firm also **acquired Jurys Inn** for an estimated **£792m**. (§ 6.13)

Entrepreneur **Mike Ashley** made a **£133m takeover** of **Newcastle United Football Club**. (§ 6.14)

Northern Racing has agreed to a **£65.9m takeover** by the **Reuben Brothers**. (§ 6.14)

Northern Rock warned of **losses** of **£180-200m** due to an **unexpected rise** in **rates** in **wholesale money markets**. Underlying profits, expected to rise 17-18%, will now rise 15% to an estimated **£420m**. (§ 6.16)

Sage's revenue rose **34%** to **£574.7m** in the six months to March 2007. This took its annual revenue above £1bn for the first time. It acquired **Snowdrop Systems** in May for **£17m**. (§ 6.18)

7th August 2007

1.0 ECONOMIC OVERVIEW

1.1 Global Economy

The **global economy** continued to **grow** at a **brisk pace** in the first half of 2007 (IMF July World Economic Outlook). The current **projection for 2007 and 2008 is 5.2%**. This growth has been **led by emerging markets**, with **China growing by 11.5%** in the first half of 2007, and India and Russia also growing very strongly.

By **contrast**, growth in the **US** is now expected at **2%** this year, as growth **slowed in Q1**, but there are signs that it has improved since (growth was 3.3% in 2006). This slowing reflects a response to factors including; **rises in US interest rates**, which were raised to 5.25% a year ago and have held since; **weak house prices** and the severe **drop in the market for sub-prime mortgages**¹. Mortgages with a value of around \$693bn [around 5% of US GDP] are already in negative equity in the US. (EcN 14/07) Furthermore, some \$100bn of adjustable-rate sub-prime mortgages are due to be reset to higher rates by October. (EcN 23/06) [The falling confidence in US mortgage markets will probably continue until at least the end of 2008 - Ed.]

Unusually, economic growth has been **faster** in the **euro area than in the US**, with growth of **2.6%** expected for 2007. **GDP grew** by 0.7% in both the **euro area (EA13)**² and the **EU27**³ during Q1 2007⁴, compared to the previous quarter (Eurostat 97/07). In Q4 2006, growth rates were +0.9% in both the euro area and EU27. Compared to the same quarter of the previous year, GDP grew by **3.1%** in the euro area and by 3.3% in the EU27.

1.2 Recent Economic Trends

Over-heating

There are **signs of over-heating** in the **economy**. The economy has been **growing more strongly** than its long-run potential with the **economic growth rate** at over 3%, **unemployment down** both **nationally** and **locally**. **Inflation** has remained **above target**. **Interest rates** have been **raised** to help tackle the inflation problem.

Economic growth in the **UK** has been **relatively rapid**, as **GDP accelerated in Q2 2007, to grow by 0.8%** compared with a rise of 0.7% in the previous quarter. (NSO 20/07) The main reason for the acceleration was **stronger production and construction** output **offsetting weaker growth in services**. UK GDP was up by about 3.0% over the year to Q1. This is the sixth consecutive quarter in which the economy has grown by 0.7% or more. However, this is **set to slow sharply** due to **higher interest rates**. UK GDP growth will slow from 3% in the fourth quarter of 2007 to 1.9% in the first half of 2008 - British Chambers of Commerce. (FT 14/05) [This is a much sharper deceleration than predicted by independent forecasters who expect UK GDP growth to be around 2.3% in 2008.]

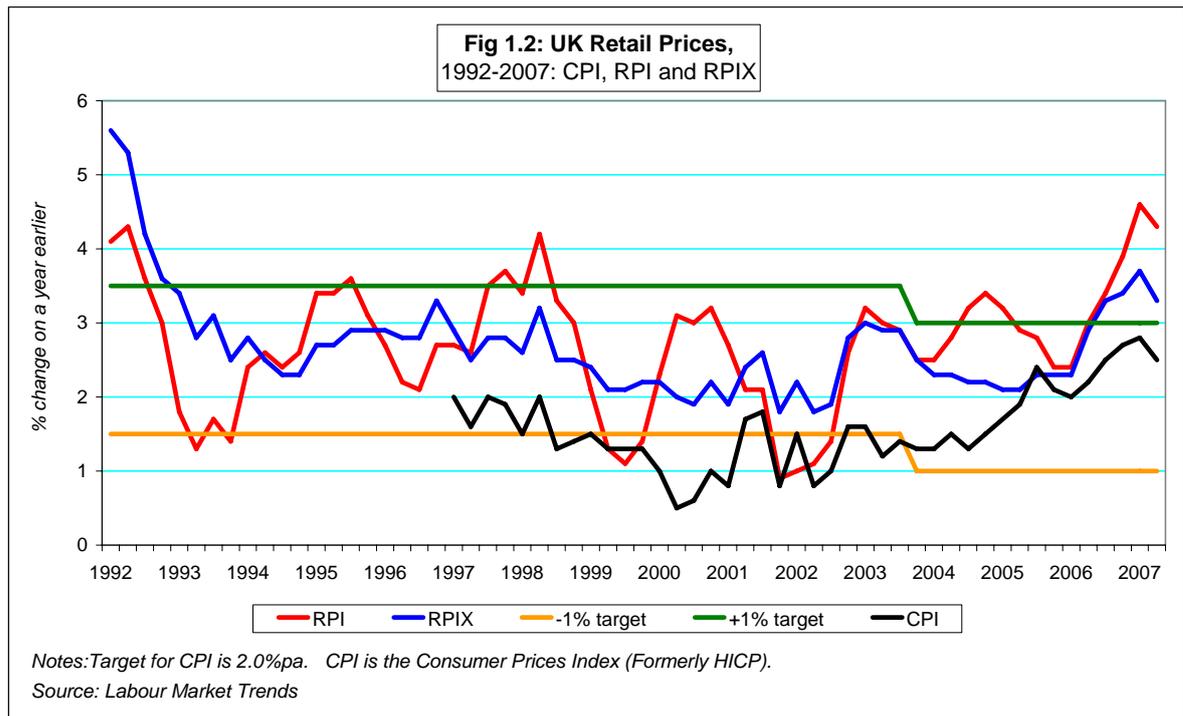
There has been a **boom in business investment**. In Q1 2007, **business investment** was **9.4% higher** than in the same period a year earlier but 0.6% lower than the previous quarter. The **quarterly fall** is due to reduced capital spending by 'private sector non-manufacturing' [or services]. (NSO 29/06)

¹ *Sub-prime mortgage loans are riskier loans as they are made to borrowers unable to qualify under traditional, more stringent criteria due to problems with their credit history. Consequently, they typically have less favourable terms than their traditional counterparts, including higher interest rates.*

² *The euro area (EA12) consisted of 12 Member States up to 31/12/2006. From 01/01/2007 the euro area (EA13) also includes Slovenia*

³ *From 01/01/2007 the European Union (EU27) also includes Bulgaria and Romania*

⁴ *Revised estimates*



Real earnings fall in first-half of 2007

Additionally, **real earnings** have been **falling**. **Growth in take-home pay** continues to be **outpaced** by **retail price inflation** - latest pay and prices data. The downward trend in the rate of growth in take-home pay reached 3.6% in April, a percentage point lower than the annual retail price inflation rate of 4.8% in March. (FT 09/05)

Average earnings (excluding bonuses) growth has been steady in the year to May 2007. Earnings **rose by 3.5% in the year to May, down from 3.6% in April**. Average earnings (including bonuses) rose by 3.5% over the same period, down from 4.1% in April. (NSO 18/07)

Private sector pay deals (in more heavily unionised industries) are **outstripping those in the public sector**, reversing recent trends – IDS. In Q2, over a third of pay deals were above 4% and around a quarter were at or above the level of RPI inflation. Between 2000 and 2005, public sector average earnings (excl. bonuses) rose 25.3%, compared with 21.7% for the private sector - ONS (FT 06/7)

The combined effect of increased consumer spending and a fall in real earnings, means that Britons are **saving the smallest slice of their pay since 1960** – ONS. The **household saving ratio** fell to 2.1% in Q1 2007 from 3.9% in Q4 2006. This has been driven by reduced special contribution payments by employers into pension funds, a rise in tax and interest payments and higher consumption expenditure. (FT 30/6)

Pressure to slow lending to households

Interest rates rose ¼% to 5.75% in July, the **highest level** since March **2001** – Bank of England. Economists also warned of another possible rise to 6% by the end of 2007 in an attempt to bring inflation under control. (J 07/07) [This could slow consumer spending to around 2.3% in the next year. However, consumer spending and retail spending could hold up better in the region than nationally, as the North East economy tends to lag behind the UK economy, and also has a strong, more recent positive wealth effect from housing equity - Ed.]

The current **economic situation** is **unsustainable** as, not only is inflation over target, but the rapid growth in household debt cannot be maintained. **Households** will need to **reduce** their **growth in spending** as **debt servicing costs** are at their **highest** as a share of disposable income since 1990/91- Morgan Stanley. Since 2000, **household debt rose** from 110% of disposable income to 160%. (EcN 30/6) **County court judgements** (CCJs) issued for non-payment of consumer debt **rose 9.5%** to 247,187 in Q1 2007, compared with Q1 2006 – the highest since 1997 - Registry Trust. Household debt, as a proportion of post-tax household income, rose from 90% in 1990 **to 144%** in 2006. Citizen’s Advice dealt with 1.4m debt problems in 2006. (FT 29/5, 31/5) **Profits from UK credit cards** almost **halved** from £2.03bn in 2005 to £1.16bn in 2006, due to rising bad debts and increased regulation – Lafferty Group. (FT 17/05)

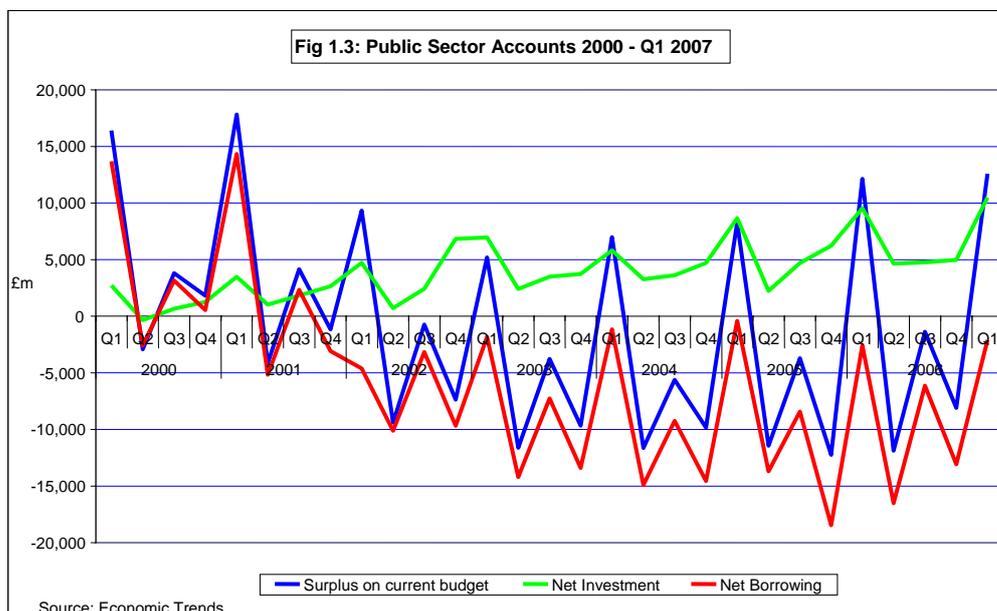
300 people a day are declared insolvent in Britain. (J 15/05) **30,075** people went into **insolvency** [in England & Wales] in Q1 2007, **up 24%** on Q1 2006 – Insolvency Service. 56% of these were **bankruptcies**. The number of **IVAs** rose **48%**, compared with the same period in 2006. The number of house **repossession** orders in the County Courts **rose 1% to 33,715** in the same period. (FT 05/05)

Lending slows – British Bankers’ Association:

- **Underlying net mortgage lending** (gross lending minus repayments and redemptions) **slowed to £5bn in April**, from £5.1bn in March.
- Underlying borrowing on **credit cards fell by £100m** from March to April.
- Total net lending to the private sector grew by £9.1bn, slowing from an average of £11.4bn over the previous six months.
- When compared with April 2006, house purchase approvals rose 1% by number and 10% by value.
- Approvals for equity withdrawals fell 1% in number but 8% higher by value.

(FT 22/5, www.bba.org.uk)

The **Comprehensive Spending Review** is due in the **autumn**. The **real growth rate** for **public expenditure** will be below that for the overall economy, at around **2%** but for the last 5 years it has been faster than for the overall economy. It is now becoming a drag instead of a driver. At the end of June government net debt was £515.9bn. (NSO 19/07)



North East economy slows

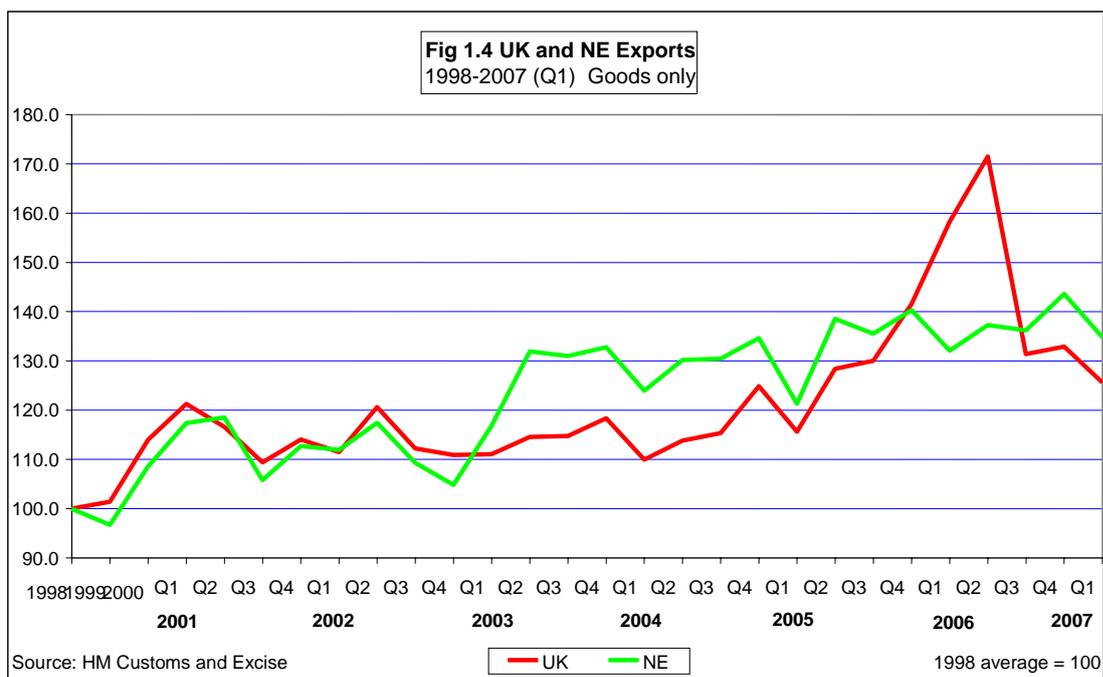
The **North East** has **performed better** than **nationally** on **exports**. **North East exports** grew by **2.0%** (£42m) to £2.109bn in Q1 of 2007 from Q1 of the previous year, while UK exports fell by 21% (Table 1.1). (HMRC 37/07) [Note: All these export data are for goods only, not services and **by value**, not volume. Caution: the export data series have been seriously affected in the past by fraudulent over-reporting of exports in the so-called ‘carousel’ VAT frauds – Ed.]

Table 1.1: Exports, UK and NE, 2001- 2007 (Q1). 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
2001	189,448		7,108	
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
2002	186,978		6,938	
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
2003	188,382		8,018	
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
2004	190,548		8,122	
Q1 2005	47,480	115.6	1,897	121.3
Q2 2005	52,740	128.4	2,167	138.5
Q3 2005	53,403	130.0	2,120	135.5
Q4 2005	58,133	141.5	2,195	140.3
2005	211,756		8,379	
Q1 2006	65,027	158.3	2,067	132.1
Q2 2006	70,446	171.5	2,148	137.3
Q3 2006	53,972	131.4	2,130	136.2
Q4 2006	54,602	132.9	2,247	143.6
2006	244,046		8,592	
Q12007	51,578	125.6	2,109	134.8

* 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

Business Survey North East (BSNE) indicators in Q2 2007 weakened for both UK and export sales and UK orders while the export orders balance improved slightly. The employment balance, dropped sharply. UK sales fell from +20% to +15%, and has now fallen below the average over the previous nine quarters (+19%). UK orders also fell, from +20% to +17%, also falling below the average over the previous nine quarters (+19%). The balance for export sales fell from +16% to +13% with the balance falling below the previous nine quarter average of +14%. The export orders balance increased slightly to +15% from +12%, and remains above the average for the previous nine quarters of +12%. The employment balance dropped sharply from +20% to 10%. The balance now stands below the average over the previous nine quarters of +16%.

NE businesses are **confident of growth prospects**, despite a pessimistic outlook for the UK economy –Bank of Scotland Business Banking. The NE scored 46 on an index of business confidence, just below the national average of 48. 18% of NE businesses anticipate **double-digit growth** in 2007, despite 33% expecting general economic conditions to deteriorate. (J 18/6)

But the Tyne & Wear economy showed buoyancy in UK markets

Business indicators for just **Tyne & Wear** (results from BSNE) in Q2 2007 **strengthened** for **UK sales** (slightly) and both **UK and export orders**. **Export sales fell dramatically.** The balance of **UK sales** rose very slightly from +15% to +16%. **UK orders and export orders increased** from +15% to +20% and from +11% to +13% respectively. The balance of **export sales fell dramatically** from +28% to +10%. The **employment** indicator **fell significantly** to +2%, down from +12% reporting an increase in the workforce in the previous 3 months but **rose** from 27% to 40% planning an increase in the next 3 months. [Tyne & Wear data kindly supplied by Economic Research Services Ltd. Caution: Sample size in Tyne & Wear is about 75 for UK indicators and about 50 for export indicators.]

In Q2 of 2007, the Tyne & Wear **balance of job gains** over job losses (logged by TWRI from the press) was, +540, **less than** in the **previous quarter** (+773) [but in line with the long-run average over the last 16 years].

1.3 Housing Market Latest

The **volume of house sales** was the **highest since 1988** at **1.859m** in 2006/07 (UK exc. Scotland) - HMRC. Sales volumes rose 11% last financial year. However, the number of inquiries from new buyers, and approvals of new mortgages, is falling. (J 22/06)

The pace of **house price growth** has **slowed** in **most areas of the country**, with the exception of London - FT House Price Index. (FT 12/05) (J 11/05) In June, the **Halifax** reported **house prices rose 0.4%** to an average of £197,461, with the annual house price inflation [slowing] slightly to 10.7%.

Meanwhile, **housing equity withdrawal** was £13.21bn in Q1 2007, down from £13.33bn in Q4 2006, according to BoE. It now represents [a huge] 6.1% of post-tax income, the highest since the autumn of 2004. In early 2007, people were more frequently using their housing equity to fund spending. (FT 05/7) The amount of equity available to homeowners **in the NE** rose 76% to an average of £102,000 in two years – double the national average rate of increase (37%) and the highest in the UK, - Prudential and Datamonitor. (J 05/04)

Mortgages are at their **least affordable** level **since 1992** – Council of Mortgage Lenders. In April 2007, first-time buyers paid 18.7% of their income to cover mortgage interest payments, compared to 16.3% a year ago. The number of first-time buyers slowed [6%] to 29,000 loans in April 2007, compared to 30,800 a year earlier. (FT 13/6, J 13/6) In May, there were 204,800 mortgages approved (for all purposes), up 2% on May 2006. The average loan approved on house purchase was £157,100, 13% higher than a year earlier. (J 30/6, www.bba.org.uk) **Gross mortgage lending** year-on-year **growth** in May (5%) was **slower** than the first four months of 2007 (12-15%) suggesting the market is beginning to slow – Council of Mortgage Lenders. It reached a record £30.6bn in May 2007, 12% higher than April (£27.4bn). (FT 21/6)

Up to **1m homeowners** could see their **mortgage repayments jump** by almost a third in the next 12 months as they approach the **end** of **cut-price** mortgage deals. About £200bn of mortgages (20% of the UK mortgage market) had moved on to fixed-rate deals in 2005, - Credit Suisse. Meanwhile, the number of **first-time buyers** taking out **30-year-plus** mortgages has more than **doubled** since 2005 – DCLG. **Home ownership** in England **fell in 2006** for the first time since the 1950s, while those renting their homes rose by over 1m between 1996 and 2006. (FT 02/6) **46%** of people **under 30** are getting **financial help** from their **relatives** towards the **purchase** of their **home**, up from 10% in 1995 – Council of Mortgage Lenders. Affordability for first-time buyers has worsened as house prices doubled since 2002, outpacing the growth in earnings. A couple with two incomes buying their first home in 2006 would see **34%** of their **net income absorbed** by **mortgage payments**. (FT 07/6)

95,359 households in the NE [about 9%] are on **council housing waiting lists**, compared to 73,809 households [about 7%] in 1997. Communities England is expected to deliver **£1bn worth of new homes** by. (J 21/6)

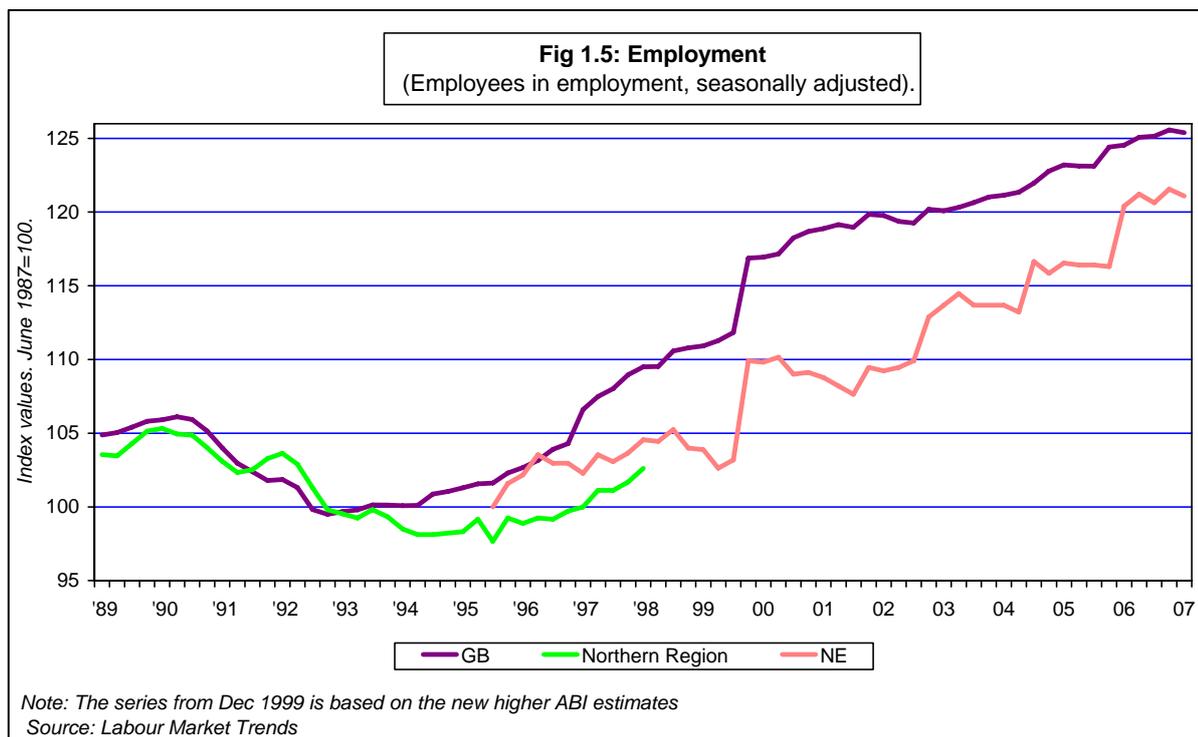
1.4 Labour Market Latest

The **cost of sick leave rose to £13.4bn** in 2006 – CBI. This was equivalent to an average of 7 days per worker, up from 6.6 in 2005. (FT 10/4)

In the **UK**, the **employment rate** for people of working age for the three months ending in May 2007 was 74.5%, **up 0.1** from the previous quarter but down 0.1 on the year. The number of people in **employment** was **up** by 93,000 over the quarter, and by **180,000** over the year. (NSO 18/07)⁵

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

In the **North East**, [LFS] data for the three months to May 2007 show the seasonally adjusted **employment rate** at 71.1%, **down 0.4** percentage points on a year earlier. (NSO 18/07).

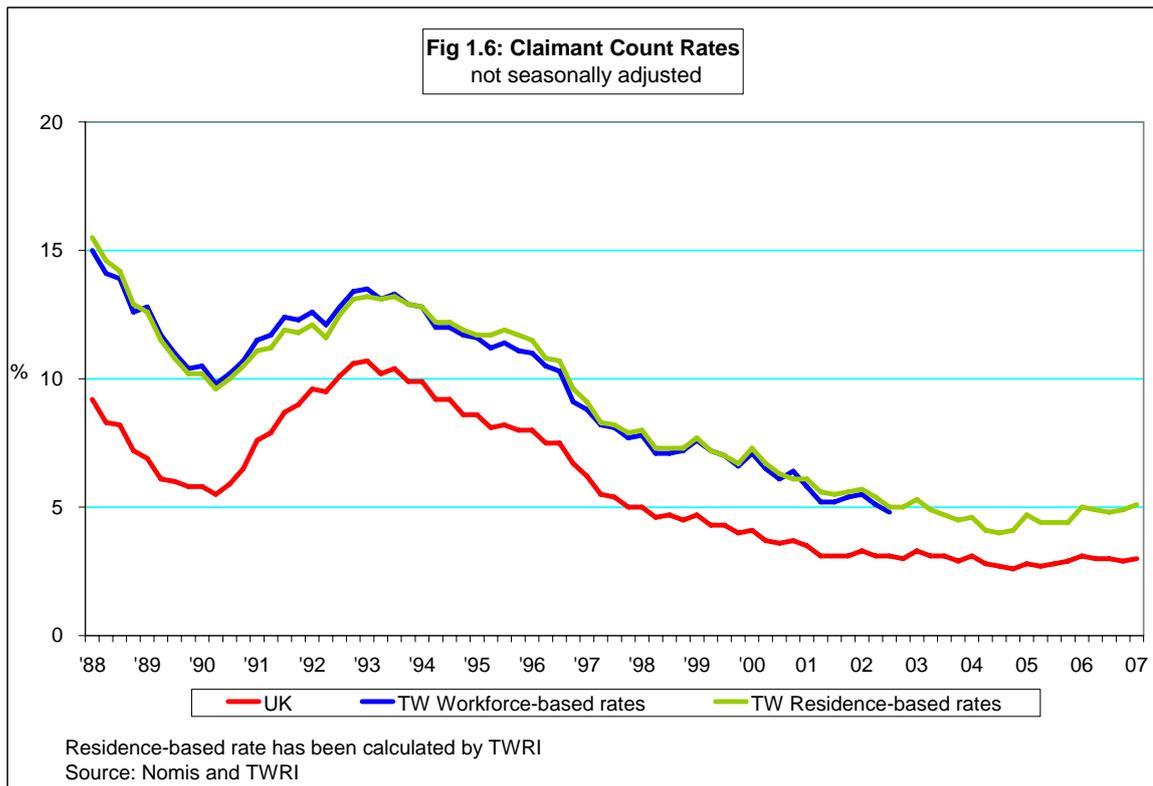


In the **UK**, the (ILO) **unemployment rate** was **5.4%**, **down 0.1%** from the previous quarter but unchanged over the year. The number of unemployed people fell by 35,000 over the quarter but increased by 2,000 over the year to reach 1.66m. The seasonally adjusted **claimant count** was 864,100 in June 2007, **down 13,800** from the **previous month** and down 91,100 over the year. The claimant count has now fallen for eleven out of the last twelve months. (NSO 05/07)

In the **NE**, the **unemployment rate** was **6.5%**, up 0.5 percentage points on a year earlier. The seasonally adjusted claimant count rate was down in the year to June 2007. (NSO 18/07)

Tyne & Wear's (ILO) unemployment rate in the **12 months to September 2006** was **7.4%** (36,300). Tyne & Wear's claimant count [unadjusted] in June 2007 was 4.7% (22,546, **down -626** or **-2.7%** on 12 months ago). This is opposite to the upward trend since autumn 2004.

[Note: LFS unemployment data is now published in TWRI's report on unemployment. 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 210 (7.6%) from 2,760 at the end of August 2005, to 2,970 at the end of November 2006. Of these, 1,720 are still on Gateway awaiting take-up of an option. Of the 780 on an option, 570 were in education/training and 20 were working for an employer. In addition, the voluntary sector had 110 participants and the environmental task force had 80 participants. A total of 460 participants are now on 'follow-through'. (Source: Information Directorate, DWP, May 2007)⁶

1.5 Labour Market Trends

29,000 people in the NE [nearly 3% of all people in work] **enrolled in Level 2 qualifications in 2005-6** as part of a bid to **improve adult skills** -Learning and Skills Council. More than 2,200 NE employers took part in the LSC £500m *'Train to Gain'* initiative. 8,000 employees started a Level 2 qualification, and 500 started Level 3. *'Skills for Life'* training attracted 100,000 people in the North East whose basic skills were identified as below par, an increase of 8,500 on 2004-5. (J 19/6)

The proportion of **Eastern European immigrants** who **intend to settle** in the UK **rose five-fold** within months - Joseph Rowntree Foundation report. In April 2004, just 6% planned to live in Britain permanently. By the end of the year, 29% of those still in the country said they intended to settle permanently. (J 20/5)

An **exodus of highly skilled** people from over half of the UK's **cities is increasing the class divide** and putting weaker cities' economies at risk, - "Migration and Socioeconomic Change" report by Prof. Tony Champion (Newcastle University) - published in April. The study looked in more detail at population movement within three city regions. (Regeneration & Renewal, 06/4. The report can be downloaded from www.jrf.org.uk)

⁶ *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'*

To tackle **worklessness**, the Government has announced a **£32m** scheme to give **15 local areas more control** over local plans – DWP. The 15 areas have been granted **Cities Strategy** pathfinder status and will play a key role in government's flagship **Pathways to Work** programme.

[**Employment Consortium**: The **Tyne & Wear** [City Region] **Employment Consortium** is one of these pathfinder areas. It has been allocated **£3.2m** for the current year, and has £1.6m of carried over funds. The partnership will decide the spending of these funds (nearly £5m). The Secretariat for the Employment Consortium is based at North Tyneside Council – information from the Employment Consortium, 27/4]

The aim of the project is to help people off Incapacity Benefit, by improving data-sharing among jobcentres, local authorities and other agencies. It will also ensure such agencies have a greater influence on the provision of training opportunities and employment programmes at local level. (www.dwp.gov.uk, 02/4)

The **minimum wage** in Britain is the **third highest** of **20 EU nations**, and almost twice the US federal level –Eurostat. Minimum wage was worth €1,361 a month for adult workers in Britain in January 2007, lower than only Luxembourg (€1,570) and Ireland (€1,403). The US federal minimum wage was worth €676 for the same period. (FT 20/6)

1.6 Future Economic Prospects

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

- **Economic growth** for **2007** is forecast to be **2.8%**.
- **Claimant unemployment** is forecast at **0.89m** by **Q4 2007**.
- **CPI Inflation** is forecast to be 2.1% and **RPI inflation** to be 3.8%, both for **Q4 2007**.

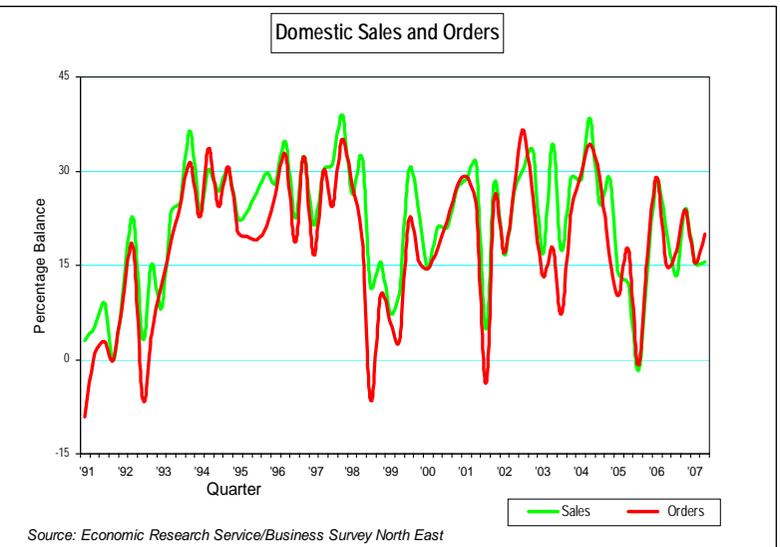
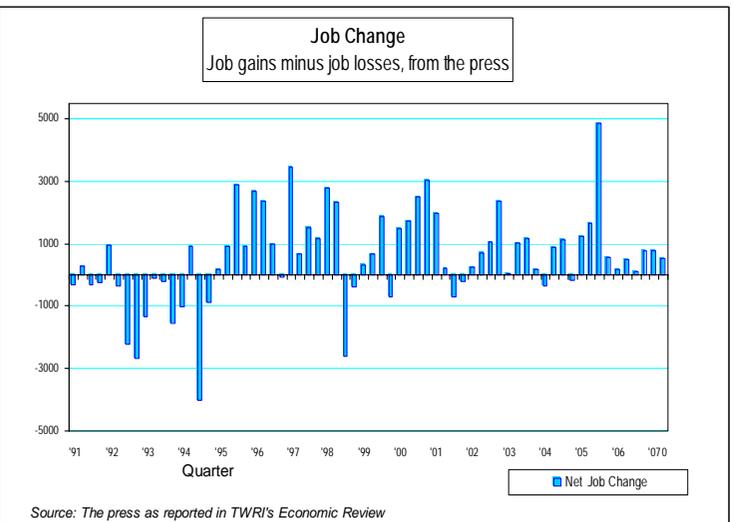
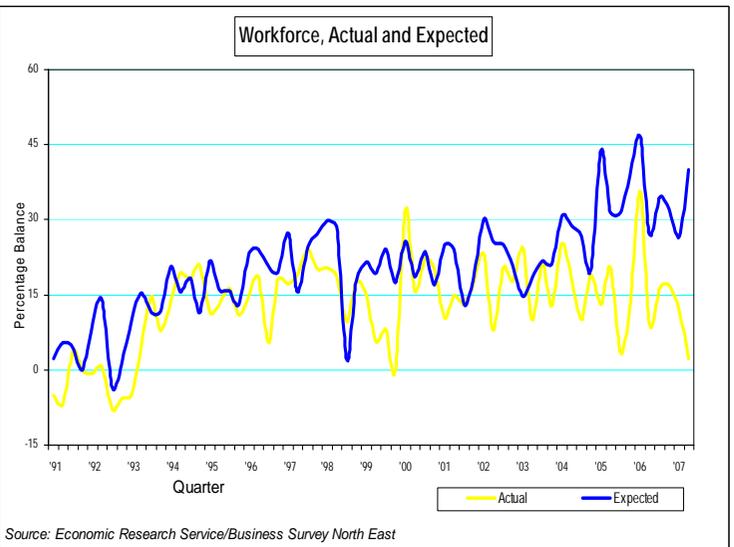
For 2008:

- **Economic growth** is forecast to slow to **2.3%**.
- **Claimant unemployment** is forecast to rise to **0.91m** by **Q4 2008**.
- **CPI Inflation** is forecast to be 2.1% and **RPI inflation** to be 2.7%, both for **Q4 2008**.

[Source: HM Treasury, July 2007]

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.

2.2 National Economic Indicators

NATIONAL ECONOMIC INDICATORS								
(at 2003 prices, or 2003=100).								
(s.a. = seasonally adjusted)								
ACTIVITY:		2006				2007	Change	
		Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Gross Domestic Product:		106.9	107.8	108.5	109.4	110.1	0.6%	3.0%
(chained volume indices at market prices)	(s.a.)							
Household Final Consumption	(s.a.)	£184,321m	£186,226m	£186,733m	£188,750m	£189,632m	0.5%	2.9%
Retail Sales volume (2000=100)	(s.a.)	127.4	129.8	130.8	132.6	133.2	0.5%	4.6%
Output: production industries	(s.a.)	98.8	98.8	98.9	98.8	98.7	-0.1%	-0.1%
services	(s.a.)	109.2	110.3	111.2	112.3	113.4	1.0%	3.8%
New Orders:								
Engineering	(s.a.)	NA	NA	NA	NA	NA	NA	NA
Construction (2000=100)	(s.a.)	118.6	124.1	118.3	115.2	120.5	4.6%	1.6%
Fixed Capital Investment								
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA
Business Investment:	(s.a.)	£31,778m	£32,622m	£33,590m	£34,964m	£34,762m	-0.6%	9.4%
Balance of Payments								
current account	(s.a.)	-£10,971m	-£10,607m	-£11,740m	-£14,463m	-£12,201m	-15.6%	11.2%
INFLATION INDICATORS:		May	Aug	Nov	Feb	May	Change	
Retail Prices Index (All Items)		197.7	199.2	201.1	203.1	206.2	Quarterly	Annual
(Jan 1987 = 100)							1.5%	4.3%
Average Earnings Index:	(s.a.)	Apr	Jul	Oct	Jan	Apr	Change	
(2000=100)		125.4	126.5	127.6	130.0	129.5	Quarterly	Annual
							-0.4%	3.3%

Sources: Office for National Statistics' Economic & Labour Market Review (July 2007)

2.3 Labour Market Indicators

LABOUR MARKET INDICATORS

EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.

		2006					Change	
		Mar	June	Sep	Dec	Mar	Quarterly	Annual
Total employees:	UK	26.861m	27.035m	27.073m	27.328m	27.048m	-1.0%	0.7%
	North East	1.053m	1.061m	1.057m	1.071m	1.058m	-1.2%	0.5%
Men employees:	UK	13.497m	13.601m	13.658m	13.761m	13.601m	-1.2%	0.8%
	North East	522,000	527,000	526,000	533,000	528,000	-0.9%	1.1%
Women employees:	UK	13.365m	13.435m	13.415m	13.567m	13.446m	-0.9%	0.6%
	North East	531,000	535,000	531,000	538,000	530,000	-1.5%	-0.2%
Women full-time:	UK	6.924m	6.955m	6.959m	7.010m	6.957m	-0.8%	0.5%
	North East	256,000	258,000	255,000	257,000	253,000	-1.6%	-1.2%
Women part-time:	UK	6.441m	6.480m	6.456m	6.557m	6.489m	-1.0%	0.7%
	North East	275,000	277,000	276,000	281,000	277,000	-1.4%	0.7%
Production employees (C-E):	UK	3.159m	3.157m	3.153m	3.137m	3.126m	-0.4%	-1.0%
	North East	139,000	138,000	137,000	138,000	138,000	0.0%	-0.7%
Construction employees:	UK	1.257m	1.288m	1.317m	1.321m	1.262m	-4.5%	0.4%
	North East	57,000	61,000	57,000	59,000	61,000	3.4%	7.0%
Service employees: (G-Q)	UK	22.222m	22.364m	22.360m	22.614m	22.420m	-0.9%	0.9%
	North East	847,000	852,000	852,000	862,000	849,000	-1.5%	0.2%
Not seasonally adjusted		2006	2006	2006	2006	2007	Change	
Self-employment:*	UK	Spring	Summer	Autumn	Winter	Spring	Quarterly	Annual
	North East	3.734m	3.699m	3.782m	3.817m	3.837m	20,000	103,000
		109,000	111,000	117,000	114,000	116,000	2,000	7,000

CLAIMANT COUNT

(Not seasonally adjusted).

		2006	2006	2006	2007	2007	Change	
		June	Sep	Dec	Mar	June	Quarterly	Annual
United Kingdom		.953m	.953m	.923m	.956m	.856m	-100,000	-97,000
Great Britain		.925m	.924m	.898m	.930m	.832m	-98,000	-94,000
North East Region		50,143	49,790	51,285	53,824	48,404	-5,420	-1,739
Tyne & Wear		23,172	23,097	23,427	24,520	22,546	-1,974	-626
Claimant Count Rates (workforce rates) %:							Change in rates:	
United Kingdom		3.0	3.0	2.9	3	2.6	Quarterly	Annual
Great Britain		3.0	3.0	2.9	3	2.6	-0.4	-0.4
North East Region		4.3	4.2	4.3	4.6	3.9	-0.7	-0.4
Tyne & Wear+		4.9	4.8	4.9	5.1	4.7	-0.4	-0.2

REDUNDANCIES

(from the Labour Force Survey).

		2005	2006	2006	2006	2007	Change	
		Spring	Summer	Autumn	Winter	Spring	Quarterly	Annual
Numbers (thousands):	GB	*	*	*	*	x	n.a	n.a
	North East	*	*	*	*	*	n.a	n.a
Rates (per 1,000 employees):							Change in rates:	
	GB	6.0	5.5	5.5	5.3	6.1	Quarterly	Annual
	North East	*	*	*	*	*	0.8	0.1
							n.a	n.a

Sources: ONS's Economy & Labour Market Review (July 2007) 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).

x Redundancy Data (Numbers by thousands) GB and North East previously used has now been withdrawn

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 (2digit SIC 80) and cluster. This data base and the lists given below, record gains and losses reported in the press.

Cautions: The press tends to under-record job losses overall (by roughly 2,200pa on average, TWRI estimates by comparison with other sources). For example, particularly notable under-recordings have been numerous small losses from retailing and possibly from the offshore engineering industry. The construction industry is especially hard to track and measure (and has grown very significantly since about 1999). Small firms are not included at all in the data below since gains of fewer than 10 are not recorded by TWRI (and not generally reported by the press).

3.1 Job Gains

(+1,047 announced in the press April 1st – June 30th 2007)

* means new opening

+200	EDF Energy , Doxford International Business Park, Sunderland (Energy provider -call centre. Jobs for its contact centre, boosting the Sunderland base to 1,400+ workers. Doxford, its largest centre in the UK, provides billing services for residential and small business users.)	(Northern Echo 20/04)
+200	MetroCentre , Gateshead (Leisure. Jobs resulting from a £45m revamp. The Metroland fun park (which has just closed) is being renovated to include a family dining area, cinema, bowling alley, pool tables and children's entertainment.)	(J 01/05)
+120*	Ramada Inn , Newcastle International Airport, Newcastle (Hotel. The four-star hotel will have 187 rooms.)	(J 09/01)
+100	Turbo Power Systems , Gateshead (Power generation and conditioning equipment supplier. Jobs as a result of securing a new £1.2m contract with the National Rail Equipment Company.) (See also §3.3)	(J 16/05)
+100	Nissan , Washington, Sunderland (Motor. Jobs to meet greater-than-expected demand for the <i>Qashqai</i> model. The plant has already raised its production forecast twice in response to customer demand. In March it exported 10,500 cars to Europe and 20,000 to Japan to be sold as the Dualis.)	(J 16/04)
+90	Contract Design (Northern) , Newcastle (Design company. Job gains as part of expansion requiring extensive recruitment in the engineering and design fields.)	(J 05/04)
+36	Ward Hadaway , Newcastle (Law firm. It increased turnover by 16% to £25m, giving an annual growth rate of 13% over 10 years. It is considering opening offices in Leeds and Manchester. It currently employs 362 staff.)	(J 20/06)
+35	Responsive Engineering , Gateshead (Engineering firm. Jobs as a result of its continued success in securing further business. In 2005/06 it had sales of £8.35m.)	(J 09/05)
+30	UK Digital Storage , Newcastle (Document management and scanning services. Jobs to meet the growing demand for companies to store documents electronically.)	(J 26/05)
+22	Benfield Motor Group , Fossway, Newcastle (Car sales company. It wants to add 25% to its existing corporate vehicle sales aiming to boost sales by up to £30m annually by 2010.)	(J 04/05)

+20	Whickham Villa , Gateshead (Care home and rehabilitation centre. Jobs following £1m upgrade. It currently employs 80 staff.)	(J 20/06)
+16	PointOV , Newcastle (On-line retailer. It intends to triple sales to £3m in 2008. It sells fair trade products on-line.)	(J 06/04)
+14	Summit 1 Technology Ltd , South Tyneside (Electronics manufacturer. Jobs following plans to increase annual turnover to £8m by 2010.)	(J 14/05)
+14*	Knowledge IT , Washington, Sunderland (IT company. Jobs for its new Network Operations Centre.)	(J 01/06)
+10	VMS , Hebburn, South Tyneside (Electronic sign maker. Recruitment of design and development staff at its HQ. It won a £1.5m deal to supply road signs to New Zealand.) (See also §3.3)	(J 14/04)
+10	Dermasalve , Newcastle (Skincare company. It is distributing its Breathe Skincare range through a direct sales force. 500 jobs are expected nationally, 200 by the end of 2007. TWRI estimates 10 sales staff will be recruited in T&W, with the potential for a further 10 jobs in its T&W HQ)	(J 14/05, 29/06)
+10	Streamline , Gateshead (Waterjet and laser-cutting company. Jobs following a £500,000 investment in a laser cutting-machine. It now has the largest metal-cutting capacity in the NE. It is part of £2.5m investment plans by operator Responsive Engineering to increase sales from £8.35m to £10m. Streamline employs 110 staff. Responsive also operates Kingsway, Weldex and Pressex.)	(J 26/06)
+10	i4u , Newcastle (Medical referencing software company. It plans to double staff, more than double sales to £1m, and increase international sales.)	(J 23/06)
+10*	Onyx Group , Team Valley, Gateshead (Technology company. It is opening a £2m Workplace Recovery Centre this summer to help businesses recover after a disaster.)	(J 25/06)

Outside Tyne & Wear

+650	SembCorp , Number 6 Boiler, Wilton Power Station, Tees Valley (Power station work. Jobs for contractors as part of a £10m overhaul of the boiler.)	(J 10/05)
+500*	Rockcliffe Hall Golf and Spa Resort , Darlington, Tees Valley (Leisure facility. Jobs will span site redevelopment and staffing of the complex, which is to be completed in 2009.)	(J 13/06)
+320	Garlands , Stockton, Middlesbrough and Hartlepool, Tees Valley (Call centres. Jobs to be shared between the 3 sites bringing employment in the region to 3,400.)	(J 25/04)
+300	Npower , Whitehouse Business Park, Peterlee, Co. Durham (Energy provider – call centre.)	(J 03/05)
+250	Virgin Media , Preston Farm, Stockton, Tees Valley (Call centre. Jobs announcement just weeks after it revealed plans to cut 149 workers. It intends to re-employ as many of the recently axed staff as possible.) [Virgin Media runs the former NTL and Telewest cable businesses.]	(J 11/05)
+225	Infoserve , Darlington, Tees Valley (IT firm. Jobs for its £3m office in Darlington.)	(J 05/06)

+160 (by end of year)	Papa John , North East (Pizza delivery company. It plans to open 8 stores in Newcastle, South Tyneside, Durham and Darlington. It already operates 4 stores from Newcastle, Gateshead, North Tyneside and Northumberland.)	(J 26/06)
+100 (over next year)	Aker Kvaerner Engineering Services (AKES) , Stockton, Tees Valley (Engineering company. It employs around 500 people in Stockton.)	(J 26/04)

3.2 Job Losses

(-507 announced in the press April 1st – June 30th 2007)

* means closure

-174 (in past 18mths)	Gateshead PCT , Gateshead (Health. Job losses according to the Royal College of Nursing (RCN). Across England, a total of 22,363 NHS posts have been cut [about 2% of NHS employment in England – Ed.]	(J 16/04)
-100*	MyTravel , North Shields, North Tyneside (Travel company. Now part of the Thomas Cook Group. Job cuts following closure of its call centre.)	UK Business Park website
-63*	Waverley TBS , Gateshead (Drinks wholesaling company, part of Scottish & Newcastle. Job cuts with closure of its packaging plant. Up to 27 employees could be redeployed in Gateshead, when it relocates to Manchester in August. It will continue to employ around 200 people at its Felling site.)	(J 15/06)
-49	Magna Kansei , Sunderland (Car industry supplier. It employs 388 workers making plastic dashboards for Nissan and other car manufacturers.)	(J 25/04)
-36	Remploy , Jarrow, Newcastle (State-owned providers of specialist factories for disabled workers. It intends to close 32 factories in the UK and merge a further 11 factories with nearby sites after concerns were raised about the cost of subsidising the Govt.-backed company. [The Jarrow factory will merge with Newcastle after losses of £500,000 per year. Gateshead, Newcastle and Sunderland are not affected by the closures])	(J 17/05, 23/05, 23/06)
-30* (TWRI est)	Kwik Save , Gateshead (3 stores in Gateshead) (Retail. Job losses due to store closures in Felling and Blaydon. It also closed stores in Gateshead and Sunderland in May after failing to keep up with competition from larger retailers.) [TWRI estimates around 10 job losses per store.]	(J 15/06)
-25*	Barratt Developments , Newcastle (Housebuilder. Closure of its Quayside HQ. The £5bn housebuilder is cutting up to 400 jobs from its 7,500 workforce. It acquired rival Wilson Bowden in April.)	(J 01/05)
-20* (TWRI est)	Thomas Cook , Tyne & Wear (Travel company. It is closing 150 of its 950 UK stores following its £8bn merger with MyTravel. The closures include 6 divisional offices and about 2,800 job losses. It has 17 stores in the NE.) [The former MyTravel business also has a call centre in North Tyneside. TWRI estimates 1 store closure in Tyne & Wear with 20 job losses – Ed.]	(J 28/06)
-10* (TWRI est)	Kwik Save , Sunderland (Retail. Closure of Sunderland store in May.) [TWRI estimates around 10 job losses per store.]	(J 15/06)

Outside Tyne & Wear		
-115	Filtronic , Newton Aycliffe, Durham (Electronics company. It is cutting a third of its workforce in September, blaming the loss of a major customer, RFMD. The factory is the HQ of the company's compound semiconductor division.)	(J 27/06)

3.3 New Orders and Contracts to Local Firms

(At least £83.2m to local firms, plus £1.8m construction contract) (Plus £4.4bn orders for Rolls-Royce aeroengines.)

£2.8bn	Rolls-Royce (Engineering. Largest ever order for its civil aerospace division to supply and maintain Trent engines for Qatar Airways' new fleet of Airbus A350 twin-jet aircraft.) [It employs around 400 staff in Sunderland.]	(J 19/06)
£900m	Rolls-Royce (Engineering. Order to supply Trent engines to US Airways.)	(J 19/06)
£400m	Rolls-Royce (Engineering. Order to supply Trent engines for Singapore Airlines' 20 new Airbus A350 aircraft. The deal includes maintenance under a 12-year service agreement.)	(J 28/06)
£300m	Rolls-Royce (Engineering. Order to supply Trent engines to Aeroflot, includes aftercare.)	(J 19/06)
£60m	Go Ahead , Newcastle (Transport company. Contract to provide handling operations to four British Airways airports.)	(J 11/05)
£18m	Wellstream International , Newcastle Offshore Technology Park (Oil & gas pipe maker. Contract in Brazil to supply 12 flexible risers, used to connect sub-sea pipelines, for the Peregrino oil field project.) [It employs 470 staff at Walker.]	(J 19/06)
£2.5m	Knowledge IT , Washington, Sunderland (IT company. Contract to revamp the technology infrastructure of Gateshead-based communications business Spark response. It plans to expand to Silverlink Business Park, North Tyneside.)	(J 16/06)
£1.5m	VMS , Hebburn, South Tyneside (Electronic sign maker. Contract to supply road signs to New Zealand.)	(J 14/04)
£1.2m	Turbo Power Systems , Gateshead (Power generation and conditioning equipment supplier. Contract with National Rail Equipment Company.)	(J16/05)
£Unknown	Go-Ahead , Newcastle (Transport group. It has won the deal to run the Victoria to Gatwick rail service after the Department for Transport decided to end National Express Group's franchise. It will take over from May 2008.)	(J 05/04)
£1.8m	Construction Mansell , Gateshead (Construction firm. Contract with BBHA to upgrade Byker Bridge House, a Newcastle hostel for the homeless.)	(J 06/04)

4.0 FEATURE

4.1 Job Change in Tyne & Wear 2006

TWRI's job change database (reported from the press) for 2006 highlights the following:

	Gateshead	Newcastle	North Tyneside	South Tyneside	Sunderland	Tyne & Wear (District Unknown)	Tyne & Wear Total
2006							
Gains	1,585	1,950	890	530	1,820	207	+6,982
Losses	495	951	562	297	2,007	900	-5,212
Net	+1,090	+999	+328	+233	-187	-693	+1,770
2005							
Gains	1,072	3,888	1,612	577	4,446	608	+12,203
Losses	449	1,228	256	600	713	280	-3,526
Net	+623	+2,660	+1,356	-23	+3,733	+328	+8,677

Net job gains in Tyne & Wear in 2006 dropped about 80% (from a very high level of +8,700 – the second highest level in the last 16 years), **to 1,800** (as reported in the Press). This was due mainly to 'Banking & Finance', where net job gains dropped 98%, from 3,368 in 2005. In 2005, Northern Rock announced +3,500 job gains (in Newcastle +1,000 and Sunderland +2,500). Call centre net gains dropped 76%, to 165. In 2006, North Tyneside had the largest gain from call centre jobs, with +600 at EMAX Consulting, announced in November.

The largest gains (in any industry) in Tyne & Wear in 2006 were from EMAX and Tanfield Electronics in Sunderland (+400). The largest losses were from HM Revenue & Customs across Tyne & Wear (-790), and the closure of Goodyear Dunlop (-585) and Stag Furniture (-550) both in Sunderland.

Net job change was well down in Newcastle, North Tyneside and Sunderland but improved in South Tyneside and Gateshead (but due to over 250 extra retail gains). [Note: Financial Services gains (+3,500 in 2005) were absent in 2006.]

A breakdown by SIC (80) codes shows the main **gross** changes within the Districts;

In **Gateshead**, in 2006, major gains were from Business Services (+509) and Retail (+455). The major loss was from Electrical & Electronic Engineering (-215).

In 2005, major gains were from the same two sectors at +570 and +193 respectively, but the biggest loss was from Banking & Finance (-262).

In **Newcastle**, in 2006, major gains were from Business Services (+719), Air Transport (+330) and Recreation/Cultural Services (+150). The major loss was from Insurance (-700).

In 2005, major gains were from Finance (+1,000), Business Services (+960) and Retail (+815). Major losses were from Public Administration (-790) and Construction (-229).

In **North Tyneside**, in 2006, the largest gains were from Business Services (+625) [second only to Newcastle] and the Chemical Industry (+130). Major losses were from Mechanical Engineering [Offshore] (-260), Public Administration (-170) and Production/Distribution; Energy (-106).

In 2005, major gains were from Business Services (+1,080) and Finance (+150). The major loss was from the Manufacture of Other Transport Equipment (-200).

In **South Tyneside**, in 2006, the major gain was from Mechanical Engineering [Offshore] (+290) and the major loss was from Other Manufacturing (-200).

In 2005, the major gains were from Retail (+165) and Business Services (+135). The major loss was from Public Administration (-600).

In **Sunderland**, in 2006, major gains were from the Manufacture of Motor Vehicles & Parts (+875) and Electrical & Electronic Engineering (+400). Major losses were from Motor Vehicles (-585) and the Furniture Industry (-550).

In 2005, the major gains were from Banking & Finance (+2,500) and Retail Distribution (+780). The major loss was from Retail (-535).

In **Tyne & Wear (Districts Unknown)**, the major gain was from Recreational/Cultural Services (+156) and the major loss from Public Administration (-790).

In 2005, the major gain and loss was from Retail Distribution, at +408 and -225 respectively.

5.0 INVESTMENTS & DEVELOPMENTS

5.1 Investment & Development Trends

Office rent in Newcastle is the **15th most expensive in Europe** (24th in the world) – Knight Frank. It **reached £22 per sq ft** at the end of 2006 and is forecast to rise to £24 per sq ft by the end of 2007. The rise is due to current demand and a shortage of new buildings. **Available office space** on Tyneside is at its **lowest level for over 20 years**. The **vacancy rate** at the end of 2006 was **5.5%** (third lowest in the UK) compared to 7% a year earlier. Agreements to let space, expected to be concluded in the first half of 2007, meant estimated vacancy rates were 3%. Agency Atisreal estimated that 60,000 sq ft of space is currently available in Newcastle city centre, compared to 100,000 sq ft required. (J 18/4, 16/5, 13/6) The **return** from the average **office building** in the NE fell to **2.2%** [about 9% pa –Ed] in Q1 2007, from 6.5% in Q2 2006. (J 09/5) [Two large developments, 120,000 sq ft at the Great Park, Newcastle, and 100,000 sq ft at Cobalt Business Park, North Tyneside, appear to go a great way to raise supply. See § 5.2]

The Newcastle **industrial property market** was the **seventh strongest in Europe** in 2006 and the second in the UK behind London –Knight Frank. High demand and limited available stock helped drive values. (J 04/4)

In Newcastle, **Northumberland Street** was one of only three major UK high streets to post **nil rental growth** in 2006 –Cushman & Wakefield. It lost the title as the most expensive retail parade outside London to Market Square in Manchester. (J 25/4) [Cushman & Wakefield’s ‘Main Streets Across the World 2006’ survey was published in October 2006 –Ed]

The value of **commercial property loans in breach or default** almost **quadrupled in 2006**, from £1.3bn to **£4.5bn** –De Montfort University. Outstanding loans in the sector amounted to £200bn-£210bn. The value of loans in breach of their terms rose from £1.2bn to £4.2bn, and those in default rose from £69m to £324m. (J 06/6)

Lending on commercial property grew 20% to **£86bn** in 2006 –De Montfort University. Total debt secured on commercial buildings soared 246% to £173bn in 2006, from £50bn in 1999. A record 43% (£6bn) of the “commercial development loans” made in 2006 was on “speculative” schemes (without tenants) against zero in 1999. (FT 25/5)

5.2 Investment & Development News

Office Developments

At **Newcastle Great Park**, the **next phase** of commercial development is **scheduled to resume** in the summer. Developers **Persimmon** and **Esh Group** will start work on **120,000 sq ft** of office buildings, the first commercial development on the 1,200-acre business park since software group Sage (currently the only occupier) moved its HQ there in 2004. The **£900m** scheme, launched in 1999, includes 2,000 homes, 3m sq ft of offices, as well as a town centre, a hotel and fitness club. (J 06/6)

At **Cobalt Business Park, North Tyneside**, developers **Highbridge** have **started work** on **100,000 sq ft** of new offices which, when let, will provide office space for around **1,000** people. Cobalt 21, on Cobalt South, was designed by architects RyderHKS and is due for completion in November 2007. (<http://www.cobaltpark.co.uk/news.asp> 18/3)⁷

⁷ The development was originally reported as 200,000 sq ft (J 04/4)

In **Newcastle**, on the corner of **St James's Street** and **Strawberry Place**, **Circle Red Properties** has **won planning permission** for a **10,000 sq ft** office development. It will be the first in the NE to offer floors individually for sale. (J 13/6)

In **Newcastle**, to the north of the city centre, **Jomast Developments** lodged an application in May to build **30,000 sq ft** of offices. The scheme is to be built on a car park to the west of the 200,000sqft business complex in Archbold Terrace in Sandyford, **overlooking the central motorway**. (J 30/5)

In **Newcastle**, the former **Zurich call centre** on **Fenkle Street** has attracted around 34 bids since being placed on the market in April 2007. The **51,000 sq ft** office block is expected to sell in excess of its **£7.2m** estimate and may reach **£15-17m**. (J 20/6)

Business Developments

In **Sunderland**, a new 45-acre business park is planned on land developers **Clugston & Wilton** **bought** from **Nissan** for **£4.5m**. The development will include offices, a hotel, light industrial buildings, warehouses, a motor dealership, shops and leisure facilities and could potentially create up to 4,000 jobs. (J 15-16/5) (See also § 6.7)

In **Newcastle**, the **Scottish & Newcastle brewery** is being **demolished** and **redeveloped** by the **Newcastle Science City Partnership** to create the 'hub' of **Newcastle Science City**. It aims to transform the NE economy by bringing together world-class researchers from the universities with high-tech businesses to **develop new products** and **new industries** in areas such as **alternative energy** and **stem cell technology**. (City Life, May/June 2007)

Industrial Developments

No industrial developments were announced.

Mixed Developments

In **Gateshead**, the **multi-storey car park** featured in the film 'Get Carter' will be **demolished** as part of plans to redevelop the town centre. It will be replaced by a **new shopping and leisure complex**, including a Tesco supermarket. (J 13/6, 14/6)

At **South Shields**, in **South Tyneside**, development plans were submitted by **One NorthEast** to the Council to improve a run-down stretch of the riverbank. The scheme could attract around 400 new businesses, provide 2,000 training places and create **over 3,000 jobs**. A new waterfront park would allow access to the riverside with public spaces, cafes and restaurants. There would also be **over 1,300 homes** in five neighbourhoods, including the redevelopment of the former Circatex [Electronics] site and the southern end of Frederick St in a **zero-carbon development**. (J 26/5)

In **Newcastle**, at **Strawberry Place**, the **£60m mixed-use** development by the **Hanro Group** will incorporate offices for the Institute of Directors, a restaurant, a hotel, shops, leisure facilities and a multi-storey car park. The scheme is expected to create up to 1,000 jobs. (Planning 11/5)

In **North Tyneside**, a **£60m** plan to **regenerate Whitley Bay seafront** has been **approved** by the Council. An arts hub at the Dome, with gallery, performance and leisure space, is an integral part of the plan. As a listed building, the Dome's redevelopment requires approval from DCLG. (J 25-26/4)

In **Gateshead**, plans to **redevelop** the former **Dunlop tyre factory** at the Team Valley have been **granted permission**. The joint venture between **One NorthEast** and UK Land Estates, includes **five large factory units** and **10 offices**. Work will start in the summer and is expected to be complete in spring 2008. (J 03/4)

In **Newcastle**, **Multiplex**, the Australian property developer involved in redeveloping **Pilgrim Street**, was **taken over by** Canadian property and power company, **Brookfield Asset Management**, for **£3bn**. (J 12/6) [Plans for the redevelopment of Pilgrim Street are due to be unveiled in November –Ed]

Housing Developments

In **Walker, Newcastle**, **142 houses** will be **demolished** as part of ongoing regeneration. Plans for the **£430m Walker Riverside** include 1,780 new homes, 755 demolitions and investment in schools, open spaces, transport and the environment. (J 16/6)

In **Walker, Newcastle**, construction company **Mansell** is **building 107 homes**. 51 houses and 17 apartments will be built as part of the ‘*Western Gateway*’ to Walker Riverside (see above). The first 40 units will be completed by March 2008, with the remaining 28 due in July 2008. (J 15/6)

In **Lobley Hill, Gateshead**, the **Gateshead Housing Company** is spending over **£5.8m** on **major improvements** to hundreds of homes as part of a **£330m investment programme**. It is also spending over **£2.3m** on properties on the Parkfield and Tower Gardens estates in **Ryton**. (J 24/4, 11/5)

In **Newcastle city centre**, Bristol-based Unite and Belfast-based Vico Properties have either secured sites, lodged planning applications or are in the final stages of developing plans for almost **2,000 new student beds** (representing 25% of the existing student beds). They are likely to be built within the **next two years**, but planners estimate this will only satisfy a portion of the demand created by Newcastle’s two universities. **Another 6,000 beds are needed** between now and 2011, in addition to the 8,000 currently in the city –NCC’s Shared Housing Working Group. Any planning application may need to await the outcome of the council’s public consultation, due later this summer, on where student accommodation in Newcastle should be built. (J 25/4)

Newcastle City Council’s Top 10 Sites for New Student Accommodation:

- Manors car park, Shieldfield
- TA Centre and St George’s car park, Shieldfield
- East Pilgrim Street, Newcastle city centre
- Former Tyne Brewery, Newcastle city centre
- New Bridge Street, Newcastle city centre
- Newcastle University campus, Newcastle city centre
- Northumbria University campus, Newcastle city centre
- IRD site, Fossway, Walker
- Scotswood Village, West End of Newcastle

Retail Developments

No new retail developments were announced.

In **Newcastle**, on **Northumberland Street**, the **90,000 sq ft** building owned by **British Land** and currently let to BHS was **sold to** Jersey-based property developer **ASM** for **£28m**. It has a rental yield of 4.2% (J 25/4)

In Newcastle, on Grainger Street, 5,600 sq ft is to be sold for an estimated £6m by owners British Land. Its recent sales are thought to be motivated by the introduction of Real Estate Investment Trusts (REITs). Over the last two years, it has completed over £7bn of capital recycling. (J 16/5)

Leisure Developments

In Wallsend, North Tyneside, work will begin in 2008 on a new swimming pool as part of £20m investment in sport and leisure. Planned improvements to local centres include new football pitches and changing rooms, multi-use games area and indoor sports facilities. (J 21/6)

In Killingworth, North Tyneside, a £9m sports centre was opened in May. The Lakeside Centre includes a six-lane swimming pool, a teaching pool, a six-court sports hall, soft-play area, two dance studios and a gym. (J 24/4, 23/5)

In Newcastle, plans for further development around the edge of St James's Park stadium have been submitted to Newcastle City Council. The development includes a 140-room hotel on the corner of Barrack Rd and Pitt St, a luxury apartment block on the site of the public car park and an extension to the Gallowgate end of the stadium to incorporate 8,000 extra seats. (J 03/4)

At Gateshead Quayside, next to the Baltic, plans to build a 200-room hotel were approved. The 1.5-acre plot was bought by Opus Land for £2m in 2005. (J 04/4)

In Newcastle, at the former site of the Tyne Brewery, planning application to build a hotel has been submitted by Freddie Shepherd, [then] Chairman of NUFC. The land will also include offices, shops and a student village. (J 04/4)

Infrastructure Developments

The signing of the contract to build the new Tyne Tunnel is expected to take place this summer. The preferred bidder is the consortium led by Bouygues Travaux Publics. Construction work will start in spring 2008. (J 24/4)

Education Developments

In Newcastle, the Northumbria University foot and cycle bridge, linking the university's city centre campus with the new Campus East, has been lifted into place. The footbridge is part of a £136m investment by Northumbria University into its Newcastle City Centre site, which is set to open in September 2007. The new campus will be home to 9,000 students from the Newcastle Business School, the School of Design and the School of Law. The new campus is expected to achieve the BREEAM excellence rating and a 'white label' energy rating for its gas and energy supply. (J 07/5, <http://northumbria.ac.uk/browse/ne/uninews/633841> 22/5)

In Newcastle, Newcastle University is seeking planning permission to undertake a £35m redevelopment of its city centre campus. (J 18/5) [It is refurbishing the Physics building –Ed]

In Gateshead, four primary schools and the first part of a secondary school in Gateshead have been upgraded as part of a £60m PFI project. (J 11/5)

Health Developments

In **Byker, Newcastle**, a new **£8m health centre** has been **opened**. The four-storey Molineux Street NHS Centre is home to two GP practices, an independent pharmacy, opticians and facilities for a variety of medical services, including an operating suite. (J 18/6)

5.3 Aid & Finance

Regional development agency, **One NorthEast**, has launched its **[RES] Action Plan** calling upon the private and public sectors to combine resources and spending power to accelerate economic growth in the NE. (J 18/05)

South Tyneside is currently benefiting from **£16.2m of central government (Local Enterprise Growth Initiative) funding** in order to help **encourage an enterprise culture**. This coincides with the release of a wide range of business properties for sale and rent in Monkton and Boldon. (J 09/05)

Changes in ownership of major local players:

- **Multiplex** has been **acquired** by **Brookfield** for **£3bn**.
- **Marriott Hotels** was **acquired** by **Quinlan Private** for **£1.1bn**.
- **Jury's Inn [hotels]** was also **acquired** by **Quinlan Private** for **£792m**.
- **Newcastle United Football Club** has been **acquired** by **Mike Ashley** for **£133m**.
- The **Joplings** department store in **Sunderland** has been **acquired** by **Vergo Retail Ltd**.
- **Newcastle Racecourse** has been **acquired** by the **Reuben brothers**.
- **Wellstream** floated on the **stock-market** in April. It was **valued** at over **£200m**.
- **Eaga** floated on the **stock market** in June, **valuing** the company at **£453m** and raised £190m on behalf of existing shareholders and £30m for the company

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

Table 5.1: SFI in England: offers of £75,000 or more (1 Jan - 31 Mar 2007¹)

Company	Travel to Work area	£
Rohm & Haas (UK) Ltd	South Tyneside	900,000
The Engineering Business Ltd	North Tyneside	225,000
Newcastle Joinery Ltd T/A NJL Yorkline	South Tyneside	160,000
Kudos Financial Management Ltd (now Citri Ltd)	Gateshead	175,000
Hanseatic Shipping Co (UK) Ltd	North Tyneside	100,000
D-Line (Europe) Ltd	North Tyneside	75,000
	North East Total	2,130,000

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

¹*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

NE businesses could contribute **£22bn** to the economy by **buying** goods and services **locally** – ‘The NE Economy – Production and Spending of Sectors’, NERIP. Only 22% of the £13bn spent by the manufacturing sector, and 40% of the £14bn spent by the services industry, stays in the region. The construction sector sources the largest proportion of products from within the region (53%). (J 21/6) [The report is available at http://www.nerip.com/reports_briefing.aspx?id=433]

North East SMEs are set to benefit from more contracts from the **MoD** after a **change in its policy**. It will now advertise all requirements for goods and services **down to a minimum** of **£40,000**. In 2005, over half of all MoD contracts were let to SMEs, with a value of £500m. Defence is worth £800m a year in the NE and supports around 8,000 jobs. (J 02/5)

Energy consumption by UK companies and the public sector **rose 10.6% from 1990** to 2005. In the same period, GDP rose 43.4% in real terms. Use of energy from carbon fuels by UK companies rose 11.3% to 165.7m tonnes of oil equivalent (mtoe). As a percentage of total energy consumption of primary fuels, non-domestic energy from carbon fuels rose marginally to 67.7% in 2005, from 67.5% in 1990. (<http://www.statistics.gov.uk/CCI/nugget.asp?ID=151&Pos=6&ColRank=2&Rank=672>)

Around **5,000 businesses** would be forced to buy **greenhouse gas permits** under plans for a mandatory carbon-trading ‘Energy Performance Commitment’ scheme proposed in the **Energy White Paper**. The Minister for Housing pledged to set a timetable for reducing GHGs from new non-domestic buildings in the next year and set a goal of zero-carbon status on “all non-process-related emissions” over the next decade. (FT 23/5) [Buildings account for half of the UK’s carbon dioxide emissions, about 18% of which is contributed by non-residential property – Carbon Trust. (FT 25/5)]

A new **business news and information website** www.nebusiness.co.uk, has been launched. Backed by Business Link North East, it provides the latest business and financial news in the NE from the Journal and includes a business diary and a NE business directory. (J 23/4)

The **net rate of return** for UK private businesses⁸ rose to **15.1% in 2006**, compared with 14.3% in 2005 – ONS. **Manufacturing** companies’ profitability was estimated at 10% in Q4 2006 – higher than the average of 8.5% in 2006. In the **service** sector, it was **20.9%** in Q4 and higher than the average for 2006 of 19.7%. (J 04/4)

Britain’s largest **pension schemes** have **reached a surplus** for the **first time in more than 5 years** – Aon Consulting. [This reflects higher interest rates, as well as stock markets]. (FT 19/05) People are **paying less into their pension schemes** due to the **rise of “money purchase” schemes**. 40% of members of such schemes saw less than 8% of their salaries paid in as total contributions in 2006 compared with a combined 20% contribution rate for members of traditional final-salary schemes - Office of National Statistics (ONS). (J 12/05)

[Note: Profits below are pre-tax unless otherwise stated – Ed.]

6.2 Energy & Water

RWE Npower has launched a **feasibility study** into building a **2,400 megawatt, £2bn clean-coal generating plant** on the former site of the **Blyth Power Station, Northumberland**. It would potentially power 3.5m homes, produce a £20m income for the local economy and create 1,650 jobs.

⁸ non-financial

Npower state the plant's CO₂ emissions would be 22% less than an equivalent existing coal-fired station and it could be operational by 2014. (J 12/5, 30/6)

Newcastle University has been awarded **£124,000** from the Government's Engineering and Physical Sciences Research Council for its part in the *Scorchio* project (Sustainable Cities: Options for Responding to **Climate Change** Impacts and Outcomes). The project will study how buildings, roads and traffic in urban areas worsen the rising temperatures that result from global warming. (J 11/6)

6.3 Nanotechnology

Inex is developing **micro-chips** for commercial use which are made **using CVD** (chemical vapour deposition) **diamonds** instead of silicon. The chips will operate under much greater extremes of temperatures and will be used at technology mobile-phone base stations and satellites, as well as potentially being sold for biomedical use. Inex is one of the most advanced of its kind in the UK and expects turnover of £3.5m this year. It won a **£500,000 contract** for its innovative work with **De Beers** subsidiary DMD. (J 11/4) [Inex is the Newcastle University owned centre for nanotechnology]

6.4 Biotechnology & Chemicals

The **biofuels** industry could be worth **£1bn** to the **NE economy** by **2027** –NE Biofuels strategy (commissioned by **One NorthEast**). The report highlights the opportunity for the NE to become one of only a few major hubs for the industry in the UK and Europe, capable of supplying a global market and attracting major international investment. This includes the creation of a green technology investment fund to encourage businesses to set up in the region. (J 23/5)

[The major new £250m Ensus plant on Teesside, to supply Shell with ethanol, to mix with petrol, uses wheat as the feedstock. This produces a CO₂ reduction in a ratio of approximately 2:1. Sugar cane-based ethanol produces a gain of over 5:1 –Ed. Source: 'Costing the Earth', BBC Radio 4]

Sanofi Aventis is investing over **£12m** at its plant in **Newcastle**, securing 500 jobs. The French **pharmaceutical** company is "establishing" [presumably converting] a hall to put all its **packing activities** in one area of the factory in Fawdon. It has invested substantially in its factory in recent years, adding up to £30m. (J 24/5)

Scientists at **Newcastle's Centre for Life** have **shown** that **stem cells** taken from the umbilical cords of newborn babies can be engineered to **produce insulin**. The findings, which are a step towards the treatment for diabetes, will be published in the medical journal *Cell Proliferation*. (J 28/5)

VisTech International aims to **double turnover** to **£5m** by 2010 after receiving a six-figure backing from NEL and Evolve Finance. The hi-tech **Sunderland** company is preparing to launch a new generation **3D microscope**. (J 07/6)

UK Biometrics is to **open** a further **26 offices** across the UK by summer 2008. The **North Tyneside** finger-print entry system company has grown rapidly since it was established in 2000 and successfully opened 6 regional offices in the past year. (J 24/5)

Dermasalve Sciences in **Newcastle** plans to recruit 500 full and part-time staff across the UK to launch its new **Breathe Skincare Creams** range nationwide. 200 jobs will be created by the end of 2007. In 2006 it bought Fleetwood-based company Healthy & Essential for £1.3m to assist in the production of the merchandise. (J 14/5, 29/6) [An estimated 10 sales staff are to be recruited in T&W, with potential for an additional 10 jobs at its T&W HQ –Ed (§ 3.1)]

Akzo Nobel had its **£7.2bn bid** for **ICI rejected**. (J 19/6) Akzo runs the International Paints plant in **Gateshead**, and the Crown Paints label. ICI's principal asset is its Dulux Paint business.

(see also Excelsyn, under Business Services)

6.5 Mechanical Engineering

Rolls-Royce announced **£4.4bn** worth of **orders** from **four airlines**. It secured its **largest-ever order**, worth **£2.8bn**, to supply and maintain **Trent engines** for Qatar Airways' new fleet of **Airbus A350** twinjet aircraft. It also secured orders to supply Trent engines to US Airways, worth **£900m**, Singapore Airline, worth **£400m** including maintenance, and Aeroflot, worth **£300m** including aftercare. (J 19-20/6, 28/6) [It employs around 400 staff in Sunderland, although orders will not necessarily be supplied from the plant]

Note: Rolls Royce is **currently the sole supplier** of engines for **Airbus** but may –importantly –in future face competition from GE (EcN 23/6)] (§ 3.3)

Airbus is **raising production** of its A320 jet to 40 a month by 2009, the highest rate of output for a jet airliner in the history of the aerospace industry. It received its 5,000th firm order since its launch. Meanwhile, the Airbus A380 and A350 now have 200 and 172 orders respectively. Competition with the Boeing 747-8 and 787 Dreamliners continues. British Airways (considered a Boeing loyalist) will chose between the A380 and 747-8 by the end of the year. The 787 is five years ahead of the A350 with over 630 firm orders, but it is unlikely to fulfil these before the A350 starts flying. (FT 17/5, EcN 23/6)

Express Engineering in Gateshead has secured a **£500,000** contract with BAE Systems to work on the new F-35 Lightning II Joint Strike Fighter (JSF) Programme. (J 15/5)

Remploy intends to **close 43 factories** in the UK after concerns were raised over the cost of subsidising the Government-backed company, the country's largest employer of disabled people. (J 17/5, 23/5, 16/7, 23/7) [The factory at **Jarrow** will merge with Newcastle. Gateshead, Newcastle and Sunderland are currently unaffected by the closures. (§ 3.2)]

6.6 Offshore, Shipbuilding & Ship Repair

Wellstream has established a **joint venture** with Nigerian marine services company Sea Truck Group. The **partnership company**, **Seastream**, will provide pipe **installation** after purchase. The Newcastle oil and gas pipeline maker is the world's second biggest supplier of offshore oil and gas **flexible pipe** products. It has **26% of the global market** and exports over 90% of its output to Brazil, west Africa, and the Asia-Pacific region. It employs 470 staff at Walker. (J 11/6) [See also Orders. The output of Britain's **sub-sea industry** was worth around £3.4bn in 2005, half of which was exported. Trade agency Subsea UK predicts British exports could reach £15bn by 2020. (EcN 14/7)]

Swan Hunter in **North Tyneside** has started **dismantling** its **cranes** after owner of the yard Jaap Kroese **sold** the heavy equipment to Indian Bharati shipyard for approximately **£2.5m**. Plans to establish the yard as a breaking business failed to come to fruition. (BBC News 01/6)

Hanseatic Shipping Company has selected **North Tyneside** as its new northern **European base**. The decision of the **Cypriot** company demonstrated the area's worldwide reputation for marine-related skills. (FT 11/4) [It joins shipping lines such as Maersk and OSG –Ed (See also Regional Development Grants)]

(See also ffA in Software & Digital)

6.7 Motor

- Nissan forecasts a **record** production of **390,000** cars of all models, a **rise of 15%** on the previous record set in 2003. (J 06/6)
- **Nissan Motor** [the parent company of the plant which employs 4,300 staff in Sunderland] failed to achieve performance targets for 2006, reporting its **first drop in profits in eight years**. It is in line to meet forecasts for 2007, although performance in Q1 was expected to be disappointing due to a lower margin product mix and the absence of a favourable tax rate it enjoyed in Q1 2006. (FT 21/6, J 22/6)
- **Competition** for the Nissan plant is **intensifying**. Competitor Jeep [as part of Chrysler] was acquired by private equity group Cerberus (FT & J 15/5) Other competitors are increasingly using **central Europe** to manufacture vehicles, particularly Slovakia. Kia's factory in Zilina, which became operational at the end of 2006, has the capacity to produce 300,000 cars per year. Peugeot also has a similar capacity in Slovakia. Volkswagen builds SUVs in Slovakia for export and produced 238,000 cars in 2006. [These SUVs are presumably VW Tuaregs, which are direct competitors of Nissan's Qashqai –Ed] Total production in the Czech Republic, Slovakia, Slovenia, Poland, Hungary and Romania was 2.4m vehicles in 2006 –800,000 more than Britain. (EcN 23/6)
- Nissan announced it will build a **£100m car-plant at St. Petersburg in Russia**, scheduled to begin production in 2009. It will employ 750 staff and produce 50,000 cars per year. X-Trail 4x4 cars and Teana Saloons will be manufactured at the site exclusively for sale in Russia. (BBC News 09/7, EcN 23/6, J 27/6) [Toyota, Renault and Kia all launched plants in Russia in 2005. Also, General Motors is building a plant at St Petersburg. It will manufacture GM's Chevrolet Captiva and will have an annual capacity of 25,000 cars per year by October 2008. Volkswagen is building a £271m plant outside Moscow, capable of producing 115,000 cars per year. (BBC News 13/6)]
- Nissan is **launching a £4m Global Training Centre (GTC)** at its **Sunderland plant**. Work began on converting part of the plant into one of only two manufacturing excellence centres in the world. It will train production supervisors from Europe, India, the Middle East and South Africa, the first five of whom **arrived from Russia** in June. The remaining 50 staff are expected from Russia in October. Training lasts 15 weeks and includes a two week trip to Nissan's plant in Japan. £500,000 has been spent establishing the GTC, while the remaining £3.5m is allocated for running costs. (FT 12/6, J 13/6, 27/6)
- Nissan is investing **£2.4m** in its **Sunderland plant** to meet **higher-than-expected demand** for its new Sports Utility Vehicle (SUV) the *Qashqai*. It expects to produce 190,000 units in 2007. The investment will safeguard the jobs of 1,300 staff working on the model.
- Nissan has **sold 45-acres** of its **Sunderland site** to developers **Clugston & Wilton** for **£4.5m**. It will use the money to extend its operations at Sunderland and build a **215,000 sq ft logistics centre**, safeguarding around **1,000 jobs**. (J 15-16/5) (See also § 5.2)
- Sales of the **Sunderland-built Nissan Note** reached **100,000**. It is the **third-biggest selling** model in its **sector** of the new car market and has claimed 9.6% market share in the B-MPV segment. Nissan has **hired 100 new temporary workers** to help production levels of the new Qashqai model. (J 26/4)
- Nissan is to **export** the Micra C+C convertible to **Japan**, the second model to be exported to the country. Initially **1,500 cars** will be shipped. (J 18/5) [The Qashqai became the first model to be exported from the Sunderland plant to Japan for more than 10 years in March 2007]

Tanfield confirmed the **acquisition** of **Snorkel**, US aerial platform maker, for **£50m**. The takeover is set to increase its earnings by over 25%. The electric vehicle manufacturer expects to **treble production** from 500 to 1,500 electric vehicles by Q1 2008 at its **Washington, Sunderland, plant**. It plans to recruit **300 additional staff** as a result. (J 29/6) [It has created over 100 of the 400 jobs to be created by 2009 or 2010 –Ed]

6.8 Electronics

Zytronic in Gateshead has experienced a **slowdown in sales** after a major customer reduced its order by £700,000. (J16/05) [The firm makes touch-screens –Ed]

The **Atmel micro-chip plant** is still for sale. The US firm announced its intention to sell the North Tyneside factory in December 2006. (J 16/3)

Applications for engineering and science courses are in a “worrying **decline**” –deputy principal of Strathclyde University. Electrical and electronic engineering applications were **down 19%** in 2005-06. (FT 10/4)

6.9 Printing & Packaging

Opsec Security Group’s profits trebled to **£5.17m** on sales of over £33m. The **Sunderland-based** company **cut half of its workforce in 2005** after experiencing difficulties in its European markets. It is now a market leader in security techniques with three divisions including Identification Technologies, Brand Protection and Banknote and High Security. (J 06/6) [It makes holograph labels – Ed]

Merlin Packaging Ltd’s Gateshead division has been **bought** by Rosewood Packaging Ltd. Parent company Nottingham-based Merlin Packaging Group went into **administration** after cash-flow problems caused by losses at the group’s Stoke-on-Trent division. (J 20/4, 06/6)

6.10 Furniture

West End Cabinet Company (WECC), based on the Addison Industrial Estate in Blaydon, **Gateshead**, was **bought out of administration** by the Hadrian Group, saving over 20 jobs. (J 09/5)

6.11 Construction (including Housing)

Bellway Homes has **won** a deal, in partnership with **Leeds** City Council, to deliver a **£1.2bn regeneration scheme** to the city. The **Newcastle** housebuilder will build a total of 5,000 homes on 1,750-hectares (4,200-acres) of land in the Gipton and Seacroft areas. (J 06/4) [This is to be over about 20 years. Bellway seems to have diversified into social housing, to an extent –whilst Barratt appears not to have to the same extent –Ed]

Grainger plc is planning to **launch a European residential property fund** worth over **£250m** in 2007. The **Newcastle-based** residential landlord transferred 1,400 “market rented” houses across the UK, worth £210m, into a fund managed by Grainger last November. (J 08/6)

Straightline Construction is looking to open operations in the North West and North Yorkshire in a drive for growth. The **Newcastle** company expects sales to top **£15m** in 2007, up from just £2.2m in 2005. It has already won **contracts with Your Homes Newcastle (YHN)** and housing association Home Group running until at least 2010. (J 20/4)

McInery Homes invested **£2.5m** in 11,000 ft² new premises at **Rainton Bridge, Sunderland**. The Irish house builder predicts sales of £90m next year and completion of 500 homes. Gateshead-based Lancing Homes and South Shields-based **Bowey Homes**, which McInery **acquired** in August 2006 and **March 2007** respectively, will also move to Sunderland. (J 13/6)

Northern Bear, in Chester-le-Street, has **bought Blaydon-based** [Gateshead] asbestos removal business **Chirmarn Holdings** for **£3.7m**. Northern Bear Group has also acquired North Tyneside-based building contractor Hastie D Burton who employs 40 staff in North Shields. (J 15-16/05, 04/6)

Lakeland Group is **moving** to 34,000 ft² factory and HQ on the Nelson Industrial Estate, **Cramlington, Northumberland**, after a **£1.5m** investment by Allied Irish Bank. The **North Tyneside-based timber-framed housing** specialist is investing £1.2m in building 17 apartments in Percy Main, North Shields. (J 12/6)

Harry Kindred, the **Newcastle-based construction company**, went into **administration** due to some ‘non-trading financial issues’ suggested to involve a lack of “quality work”. Builder **Rok secured the future** of some staff by **agreeing to employ 15 staff** involved in projects worth around £4.5m. (J 19/4, 27/4)

6.12 Retailing

Gateshead’s MetroCentre posted the **second biggest rise in value** of any regional shopping centre in the first quarter of 2007. Liberty International’s remaining 60% share rose 3.8% to £635.6m. (J 02/5) [In March, it sold a 40% stake to a branch of the Singapore government in a £426m deal –Ed]

Department stores **Joplings**, in **Sunderland**, and Robbs, in Hexham, were **sold to Vergo Retail Ltd**, saving more than 309 jobs. Jobs at the store were under threat after parent company Owen Owen went into administration. (J 18/5) [Joplings employs an estimated 150 staff in Sunderland –Ed]

Berghaus is **opening** its **first UK store** at the **MetroCentre** in **Gateshead**, in September. The **Sunderland-based** outdoor clothing company plans to double sales to £100m in the next five years as part of a world-wide push for growth. (J 23/4)

Sainsbury’s is to **open** its **first store** in **Newcastle city centre** in the summer. It has acquired **2,000 sq ft** at Magnet Court, **Gallowgate** and will trade under its convenience store format. It also recently signed a 15-year lease on **29,000 sq ft** at the shopping centre on **Gosforth High Street**. (J 02/5)

Jessops is **closing 81 stores** with the loss of **550 jobs** in a drive to **save £15m** per year. The camera chain lost £25.2m in the six months to 1st April 2007 and like-for-like sales fell 12.9% in the 12 weeks to 17th June. (FT 22/6, J 22/6) [None of the six NE stores are affected]

Motor Retailers:

Vertu Motors has **acquired Blake Holdings**, **five Honda dealerships** in the East Midlands and a **Ford Dealership** in Morpeth for **£4.9m**, **£4.6m** and **£2.8m** respectively. The acquisitions bring the number of dealerships operated by the **Newcastle** company to 46. Blake Holdings has three dealerships and a service centre in Derbyshire and Nottingham. The five Honda dealerships are located in Grantham, Lincoln, Boston and Retford. (J 03/5, 30/6, Growth Company Investor 02/5, 29/, 02/7 <http://www.growthcompany.co.uk/company/VTU/vertu-motors.shtml#>)

Pendragon’s profits are expected to **fall £20m** this year. Car sales have fallen 4% and profit margins per vehicle have been trimmed by £50. It acquired Sunderland-based Reg Vardy for £500m in 2006, which almost doubled the turnover of its car sales. (FT 26/6)

The **Bentley dealership** at Silverlink, **North Tyneside** has been **bought out** by Leeds-based JCT600. The company is a specialist car dealer. (J 01/6)

Newcastle-based Henson Motor Group has acquired a 2-acre site in Gateshead and a showroom in North Tyneside in a bid to reach annual turnover of £60m by 2009. (J 16/5)

6.13 Tourism & Hotels

Quinlan Private led a consortium which **bought** the **three Marriott hotels** in **Tyne & Wear** as part of **47 hotels** in a **£1.1bn** deal. The hotels include those at Gosforth Park in Newcastle, near the Metrocentre in Gateshead and in Sunderland. The hotels will continue to be managed by Marriott International on 30-year contracts. (J 17/4)

Quinlan Private also **acquired Jurys Inns** for an estimated **£792m**. The equity-investment firm plans to expand the hotel chain within the UK, Ireland and central and eastern Europe. Jurys Inn has 20 three-star, ‘budget-plus’ hotels across the UK and Ireland, including Newcastle. (J 11/6)

Ultimate Leisure has **acquired** the **Living Room chain** for **£28m**. The Newcastle bar operator plans to increase the business from 13 outlets to 30 by 2012. (J 26/6) [Ultimate Leisure currently operate 35 trading sites, largely in the NE]

North Tyneside Council is seeking ‘Heritage Coast’ status from Natural England for an eight-mile stretch of its coastline in a bid to boost visitor numbers. (R&R 04/5)

Tavistock Leisure has **acquired** the Grand Hotel in Hartlepool, **Teesside**, for an undisclosed sum, in a drive for expansion. The **Sunderland-based** hotel and restaurant chain owns the Tavistock Roker Hotel in Sunderland, a restaurant, bar and café at South Shields and a restaurant, bar and grill on Newcastle Quayside. (J 30/5)

The **smoking ban** came into force (in enclosed public places) on July 1st. This is expected to depress sales in pubs and clubs, at least for a time – Ed.

6.14 Culture & Leisure

Entrepreneur **Mike Ashley** made a **£133m takeover** of **Newcastle United Football Club**. He acquired a 41.6% stake from Sir John Hall for over £55m in May. [Newcastle United PLC returned to private ownership on 18/7 when it was removed from the Stock Exchange. Mike Ashley is the UK’s 25th richest man. He has a personal fortune of £1.9bn as owner of Sports Direct] (J 24/5, 18/7)

Northern Racing has agreed to a **£65.9m takeover** by the **Reuben Brothers**. The company owns two racecourses in **Newcastle** and Sedgefield and seven others across the UK. (J 13/4)

6.15 Transport & Communications

Newcastle International Airport expects **passenger numbers to rise over 60%** to 9.5m by **2016**, up from 5.8m this year. It has already grown 60% between 2001 and 2006. It opened a large security area in May after a £2m investment and expects **to invest £80m by 2017**. (FT 23/5)

Easyjet’s passenger numbers **rose 14%** in May to 3.3m, keeping its “load factor” in line with May 2006. (J 08/6) [Easyjet flies 16 routes from **Newcastle International Airport** – Ed.]

Sunderland City Council won the Communities and Local Government’s **Digital Challenge** as an example of how ICT Technology can be used to tackle social exclusion. It will receive **£3m** for a

digitally enabled community aimed at the most vulnerable and socially excluded people, including carers, looked after individuals, lone workers and older people. The projects include:

- Mobile phone contact centres offering text message services, walkie-talkies & panic buttons
- Local community ‘e-champions’ working to increase access to computer and internet services
- Digital/ICT-based help for children at risk of underachieving at Key Stage 3
- Home-based support for patients with long-term conditions, as well as health information points and self check-ins at hospitals

St. Mark’s Community Centre has so far been announced as the first Community to benefit from a Community Electronic Village Hall (EVH) as part of the scheme.

(R&R, 16/3, www.publictechnology.net <http://www.sunderland.gov.uk/wherepeoplematter/>)

Over **50% of UK adults now have broadband** at home, a **seven-fold rise** over the last four years – Ofcom. Over 13m UK homes and SMEs are now connected to broadband, compared with 330,000 in 2001. In 2006, broadband generated **£1.84bn** in revenue for its providers. (FT 03/4)

20 or more **post offices** in Northumberland and Tyneside could be **closed** as the Government confirmed that a national mass closure programme will go ahead. (J 18/5)

The possibility of **reinstating** the **disused Leamside rail line** between **Gateshead** and Co. Durham is being **explored** as an option for easing growing pressure on the region’s transport infrastructure. A **steering group** including the NE Assembly, Nexus, the Association of NE Councils (ANEC) and Network Rail has been **established** to drive the proposals, supported by the draft Regional Spatial Strategy. (Planning, 23/3)

Eurostar aims to promote **through-tickets** from the **north of England**. The west European **High Speed Rail** network has been expanded with the opening of the TGV Est from Paris to Strasbourg in June. The high-speed Channel Tunnel Rail Link (CTRL) is due to open from the **new St. Pancras International** in **November**. This will bring high-speed services to/from Paris, Brussels, Marseille etc. A new link from Antwerp to the Hague is also under construction. (FT 09/6) A new partnership of rail operators, **RailTeam**, has been formed. It will sell tickets and allow users to view timetables and prices across Europe over the **web from 2009**. Rights to travel on the next train, in case of delays, are included in the service. It aims to increase high-speed passengers from 15m a year to **25m by 2010**, when international passenger rail services in Europe will be opened up to competition. (EcN 9/6)

The Association of NE Councils (ANEC) is investigating the possibility of a **Maglev rail link** between **Tyneside** and **Teesside**. If developed, Maglev could cost £200-300m per year to operate, but could raise up to £150m in revenue, £30m in time savings and an overall economic benefit of £500m per year –UK Ultraspeed. (J 20/6) [UK Ultraspeed is working with ANEC on the rail link, as well as developing similar proposals for an Edinburgh-to-Glasgow link]

Newcastle transport group **Go-Ahead** acquired London-based **Blue Triangle Buses** for **£12m**. (J 30/6)

Arriva announced **new operations** in **Poland** and **Italy**. The **Sunderland-based** bus and train operator will operate a joint venture with Polish cargo carrier PCC Rail in a deal worth £20m over its lifetime. It also acquired a 49% stake in the Italian bus operator SPT Linea, worth £4.7m. (FT 29/6)

Chrysalis, the UK’s third largest commercial broadcaster, **sold** its radio arm to Global Radio for **£170m**. (J 26/6) [Radio station **Galaxy North-East** in **North Tyneside** is included in the deal]

6.16 Financial Services

Northern Rock warned of losses of **£180m-£200m** due to an **unexpected rise** in rates in **wholesale money markets**. Underlying profits at the Newcastle mortgage bank, expected to rise 17%-18%, are now expected to rise 15% to an estimated £420m for the full financial year. It reported a **26.6% rise** in pre-tax **profits**, including gains from disposal, to **£346.6m** in the six months to June 2007. **Overall sales figures rose 39%**. **Residential lending rose by a huge 42%** in Q1 2007. The group expects house prices to grow in line with earnings in 2007, as a lack of properties continues to drive price increases. It is building a **125,000 sq ft, nine-storey building**, Regent Point, as part of its campus-style headquarters in **Gosforth**. Including jobs created by Northern Rock elsewhere in the Regent Centre, as many as **6,000 jobs** could be **created** by mid-**2008**. Its **3,500 capacity** building at **Rainton Bridge, Sunderland** is also due to complete late next year. (FT 28/6, J 03/4, 25/4, 27/7) [Northern Rock employs 6,300 staff, including 4,300 at Gosforth Park and 1,120 at Doxford Park. It is now the NE's biggest company (the Journal top 250) based on turnover –Ed]

If **Barclays' £45bn acquisition** of **ABN Amro** goes ahead, **23,600 (11%) jobs** will be **cut** or **relocated**. Barclays employs 62,400 staff in the UK and the two banks have a combined workforce of 217,000 worldwide. (J 24-25/4, 29/6) [Barclays has around **1,800 staff** working in its **call centres** at the **Doxford International Business Park** in **Sunderland** –Ed]

Nationwide and **Portman** are to **merge** with the loss of up to 900 jobs throughout the UK as the group aims to streamline the combined building societies. (J 18/5) [The merger could potentially affect the seven Nationwide Building Society branches in Tyne and Wear –Ed]

6.17 Business Services

Dickinson Dees plans to **double** the size of the **Volume Business Department by 2010**. The growth was particularly accelerated by major changes in the conveyancing industry. The **Newcastle** law firm secured a 5-year business deal with newly-formed Business Link North East in County-Durham in May. Dickinson Dees **employs 220** people across its three NE offices. (J 11/4, 16/5)

Robert Muckle has increased its annual turnover from £8m to £9.3m and recruited 20 staff in the last year. With a current workforce of 130, the **Newcastle** law firm is re-locating to new offices in Time Central, Gallowgate, early next year. (J 09/5)

Excelsyn received **more than £1m** venture capital funding to help it expand all areas of its three-division business. The **Newcastle** company provides **chemistry, engineering and management consultancy** to the pharmaceutical and biotechnology sector. Its sales rose to £14m in just three years. (J 19/4)

6.18 Software & Digital Industries

Sage reported a **34% revenue rise** to **£574.7m** in the six months to March. It announced its intention to further **expand its headquarters** at the **Newcastle Great Park** building. It **acquired** Snowdrop Systems in May for **£17m**. The firm sells software to manage HR activities including recruitment, personnel, pay and flexible benefits, e-HR, training and development, and succession planning. Sage also acquired Swiss-based **Pro-Concept** in April for **£7.5m**. The firm is the largest mid-market ERP (enterprise resource planning) in French-speaking Switzerland and specialises in the public sector and the watch/precision mechanics industry. (FT 10/5 & J 13/4, 09/5, 23/5)

Hi-tech firm **ffa** is looking to **open an office** in Houston, **Texas**, in an ambitious drive to increase turnover to over £10m. The **Newcastle** company develops and commercialise **advanced 3D seismic image and analysis technology** for the oil and gas industry. It aims to double turnover year-on-year for the next three years. (J 04/4)

6.19 Public Services

Northumbria Police is to receive a **£5.38m** ‘capital grant’ in 2007-08. This includes £703,000 from the £75m funding originally allocated to the merger of the police authorities in England and Wales. £50m of this is now returning to the Home Office towards “easing” pressures there. (J 25/5)

The Open University has **bought** a 19,500 sq ft building at the **Baltic Business Quarter, Gateshead**. It plans to relocate from its current base in Gosforth, Newcastle, in July 2008 to the new building, **Chalk Hill Place**. (J 27/6) [Gateshead College’s new campus is also being built in the Baltic Business Quarter –Ed]

77 primary schools and **8 secondary schools** in **Tyne and Wear** are over the Government target for **surplus places** – DfES. Most surplus places were due to falling birth rates across the country. (J 06/6) **Three new Centres for Excellence in Teacher Training** have been established at **Northumbria University, Newcastle College** and **Sunderland University** to improve teacher training in the further education sector. (J 08/5)

7.0 PUBLICATIONS AND RESEARCH

7.1 Tyne & Wear Research and Information Publications

Earnings in Tyne & Wear 2006 (EB 07/02, June 2007, £25)

This report presents information on comparisons of earnings in Tyne & Wear, other metropolitan counties, the North East and Great Britain. **Median earnings have risen by about 9% in real terms** over the 8 years **1998-2006**. Low pay, the distribution of earnings and trends over time are discussed. Evidence on the National Minimum Wage is presented. Average earnings for different occupational groups and industries in the North East and Great Britain are presented in the appendices.

Census Topic Report on Skills (Excel Tables) (June 2007, TWRI website)

36 tables on skills are now on the TWRI website. They highlight qualifications (by age-bands, gender, economic activity, industry and occupation), ‘unused skills’, ‘workless families’, ‘former industry’, ‘former occupation’ and ‘time since last worked’. Tyne and Wear is examined within the wider context of the NE region, Yorkshire and Humberside and National comparators, as well as comparisons between the five individual Tyne and Wear Districts.

New Deal Tables - November 2006 (Data published May 2007. TWRI website)

Four tables are presented. Tables 1 and 2 cover participants in the New Deal for Young People. Tables 3 and 4 cover the Long-Term Unemployed aged 25+ in Great Britain. The New Deal for Young People is aimed at those aged 18-24 who have been claiming Jobseekers Allowance (JSA) for at least 6 months.

Household Income & Expenditure 2006 (Forthcoming)

This report presents information on the household incomes, ownership of durable goods and expenditure of residents in Tyne & Wear. It highlights the overwhelming evidence that incomes of residents in Tyne & Wear are among the lowest in the UK. Guidance on the use of the indicators is given (§1), with the ID (Indices of Deprivation) Income Domain as an alternative measure of people on low incomes. Seven indicators are examined, mainly relating to typical incomes, not the lowest incomes (§2). Estimates of mortgage costs are presented for the first time.

7.2 Research News from Other Organisations

Migration and Socioeconomic Change (Tony Champion, Mike Coombes, Simon Raybould and Colin Wymer. Published April 2007 by The Policy Press in association with the Joseph Rowntree Foundation)

This study uses migration data from the 2001 Census to investigate whether 27 of the largest cities and city regions in Britain attract the skills required to prosper. The report identifies Britain’s most and least successful cities. Key observations include:

- Cities whose population is declining included all the large conurbations and most small cities in the North and West.
- Cities which gain more from longer-distance migration typically had growing local job numbers, plus some key quality of life characteristics.
- Cities which attract few longer-distance migrants also lose migrants more locally, which threatens their tax base and housing markets.

The report is available to download from the JRF website, www.jrf.org.uk

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

Overview of existing research into migration in North East England – briefing paper, (Published July 2007).

This document provides a review of research into migration in the NE. It identifies key issues and provides a summary of the issues identified, a review of the existing research and a summary analysis of official data.

An Analysis of the North East Worker Registration Scheme Data: A briefing paper for the Regional migrant worker steering group. (Ian Fitzgerald, Published May 2007)

This paper gives a very detailed breakdown of the numbers of migrant workers in the region, district by district, as recorded under the Workers Registration Scheme.

International Students in the North East (Published July 2007)

This short paper summarises the numbers of international students in the NE, and their post-study intentions regarding careers and location. The NERIP website also includes spreadsheets with details of the numbers of international students in the NE, their areas of study, and their intentions post-study.

North East ICT Infrastructure Policy and Investment Framework Study, Regeneris Ltd

(Published July 2007)

ICT broadband infrastructure is identified in the RES as a critical quality of place component. In response to an identification of the growing (economic) importance of digital connectivity and a recognised gap in knowledge across the region, One NorthEast appointed Regeneris Consulting in November 2005 to identify the nature and extent of any public sector intervention which may be desirable to ensure appropriate digital connectivity, the approximate cost of the intervention and to explore the potential benefits and significance in regards to GVA uplift.

The North East Economy – Production & Spending Patterns of Sectors (Published June 2007)

Only 1/3 of the value of the NE market is supplied by regional businesses, some £11bn of a market value of £33bn in 2002. The regional economy is currently heavily dependent on ‘imports’ for its industrial production. Using more products from the NE could help its economy expand at a greater rate than at present and encourage a demand-led enterprise surge to occur.

This report is the first in a series of papers by the NERIP Executive Team which aim to promote the economic intelligence gathered through the analysis of data from the North East Regional Accounts Model. The Model has been in development by Durham Business School (DBS) since 2004 with funding from One NorthEast. NERIP is currently managing the contract with DBS on behalf of One NorthEast.

The North East Quarterly Trade Summary – Quarter 4 2006 (Published June 2007)

The report provides an analysis of international trade, both for imports and exports to and from the NE. Data is extracted from HMRC trade statistics. This report is prepared for the UK Trade & Investment staff within One NorthEast and economic development staff in partner organisations.

Economic Summary – May 2007 (Published May 2007)

An up-to-date summary of economic issues for the NE. This report is produced each quarter by NERIP and includes information about trends in the labour market, economic output (GVA), business stock, house prices, investment in R&D and so on. Data is extracted from ODPM, the North East Business Barometer and the EEF Engineering Outlook.