
ECONOMIC REVIEW

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TYNE & WEAR RESEARCH AND INFORMATION

1st Floor Provincial House
Northumberland Street
Newcastle upon Tyne
NE1 7DQ

Tel: (0191) 277 1912, Fax: (0191) 277 1911

E-MAIL: twri@twri.org.uk

WEBSITE: www.twri.org.uk

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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, EoN=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; NECC=North East Chamber of Commerce NSO=National Statistics Online, ONS=Office for National Statistics, OEF= Oxford Economic Forecasting, R&R=Regeneration & Renewal

KEY POINTS:

The **UK economy** appears poised to enter a period of, broadly, **no economic growth**. In Q2 2008, **UK economic growth slowed** to just **0.2%** and it slowed during the quarter. (§1.2)

Meanwhile, **Consumer Price Index (CPI)** inflation was **3.8%** in June, up from 3.3% in May. Inflation continues well above the 2% target. (§1.2)

The **Bank of England** plans to create a **Financial Stability Committee**. The Bank will be given **formal legal responsibility for financial stability** and will help ensure that failing banks are identified and put on a corrective path at a much earlier stage. (§1.2) [*See Credit Crunch §4.1*]

UK banks continue to try to **raise additional capital** to strengthen their balance sheets (§1.2, 4.1):

- The **Royal Bank of Scotland** raised **£12bn** from its **rights issue**.
- **Barclays** raised **£4.5bn** from **outside** investors, without having to launch a rights issue.
- **Bradford & Bingley** plans to raise **£400m** from a **rights issue** due in August.

This process is critical to ensure they can continue to provide credit to support economic activity.

House prices fell 6% in the year to June –according to both Halifax and Nationwide. (§1.3)

The number of **housing [construction] starts** in England & Wales fell to 32,100 in Q1 2008, **down 24%** on a year ago. Completions fell 18% over the same period. (§1.3)

The **UK unemployment claimant count** has **risen every month from January to June**. It rose a rapid 15,500 in June (seasonally adjusted), the fastest rise since 1992. (§1.4)

Nevertheless, the IMF **raised its global economic forecast to 4.1% growth in 2008**, up 0.4pp from its initial forecast in April of 3.7%. Its forecasts for 2008 were also revised upwards for the **UK to 1.8%** (from 1.6%) and the **US to 1.3%** (up from 0.5%). However, the IMF has since cut its forecasts for **UK growth to 1.4%** in 2008 and **1.1%** in 2009. (§1.1-1.2, 1.6)

KEY POINTS FROM NEWS DIGEST (APRIL – END JUNE 2008)

In Q2 2008, reported **job gains (+ 2,858) exceeded losses (- 770)** by a large **2,088** (all gains and losses from press reports). (§3)

The main **gain** was at **Newcastle Building Society (+ 500)** in North Tyneside, with the opening of new premises at Cobalt Business Park. Also, at Monkton Business Park, South Tyneside, **400** jobs were created by **Carillion** after it secured the Building Schools for the Future programme for Gateshead and South Tyneside Councils. **300** jobs were created by **EDF Energy** after it expanded its call centre at Doxford Business Park, Sunderland. (§3.1)

The major **loss** was at **Citigroup (- 400)** in Sunderland, with the closure of its CitiFinancial and Future Mortgages business at Doxford Business Park. (§3.2)

DEVELOPMENTS

In **Longbenton, Newcastle, work is to start** on the **£175m** project to extend the **Quorum Business Park**. It will provide **500,000sq ft** office space over eight blocks by 2012. (§5.2)

In **Newcastle, Gainsborough House**, on Pilgrim Street, has been **sold for £6.5m, 10% below its asking price**. (§5.2)

In **Blaydon, Gateshead**, Graphite Resources is to build a **£50m steam autoclave recycling plant**, the **largest in the world**. It is due to open in 2009. (§5.2)

In **Newcastle**, the masterplan has been **unveiled** for the **£700m Science City** on the former Scottish & Newcastle Brewery site. (§5.2)

In **Denton, Newcastle**, **work has started** on a **£22m** project to build **171 family homes**. Nomad E5 is **demolishing 180 flats** to make way for the development. (§5.2)

In **Gateshead**, a **planning application** has been **submitted** by developer Grainger Trust to turn the **former Gateshead College site** on Durham Road into a landscaped **160-home development**. (§5.2)

In **Newcastle**, on **Pilgrim Street**, the **£6.5m** redevelopment of the **Tyneside Cinema** opened. (§5.2)

In **Newcastle**, on Barras Bridge, **work has started** on **Newcastle University's Student and Administrative Services building**. Construction on the £35m building is due to be complete by October 2009, and it is expected to open in January 2010. (§5.2)

In **Scotswood, Newcastle**, the new **Excelsior Academy** is **nearing completion** for opening in September. The academy will have the capacity to take a total of **1,800 students**. (§5.2)

INDUSTRIES & FIRMS

The **Northern Institute for Cancer Research**, based at **Newcastle University**, has developed a **breakthrough cancer drug**. (§6.3)

Newcastle University has been given **permission** to expand its work after it created the **first human-cow embryos** in April. (§6.3)

Wellstream's profits rose 64% to **£41.7m** in 2008, with **turnover up 81%** to £267m. (§6.5)

SMD Hydrovision has been **bought out** by its **management**. The sub-sea vehicle manufacturer expects turnover to rise 25% to £50m in 2008. (§6.5)

Nissan is to build a **new model** at its **Sunderland** plant when production of the current version of the Micra ends in 2010. Nissan's **£55m investment** in the UK (£6.2m of which is from the UK government) will safeguard over 1,300 jobs at the plant and 2,000 in suppliers. (§6.6)

Taylor Wimpey plans to **cut 900 jobs** by **closing a third** (13) of its **offices** nationally. It is looking to **raise £500m capital** as it faces land-related write downs of up to £660m. (§6.11)

Waitrose opened a new **100,000sq ft store** in **Eldon Square, Newcastle**. The new store, is part of the £170m project to redevelop the shopping centre. (§6.12)

Eastern Airways announced a **new service** to **Stavanger**, while Air Southwest announced a service to **Newquay** and **Plymouth**. (§6.15)

Northern Rock mortgage customers are being encouraged to switch to **Lloyds TSB** following a special agreement between the two banks. (§6.16)

TWRI has published two major new analytical reports on the performance of Manufacturing and Market Services in the Tyne & Wear City Region. (§7.1)

Date: 8th August 2008

1.0 ECONOMIC OVERVIEW

1.1 Global Economy:

The IMF raised its global economic forecast to **4.1% growth in 2008**, up 0.4pp from an initial forecast in April of 3.7%. The new forecast is 0.9pp lower than growth in 2007. (BBC News 17/07)

US Economy

US **GDP grew** [at an annualised rate of] **1.9%** in Q2 2008, **faster** than the **previous quarter** but **slower than expected**. GDP growth in Q1 2008 was revised downwards slightly, while data for Q4 2007 was revised to show a **fall** of **-0.2%**, rather than the 0.6% *growth* previously reported. (FT 31/7)

The US **economy** is **forecast to grow 1.3%** in 2008, up from an initial forecast in April of 0.5% -IMF. However, it is expected to ‘contract moderately’ during the second half of 2008. The White House also lowered its forecast for economic growth to 1.6% in 2008, down from 2.7% forecast in November. (BBC News 17/07, FT 29/7)

The US **budget deficit** will **widen** to a nominal record of **\$482bn** in 2009 –the White House. However, the forecast for the budget deficit in 2008 was **lowered** from \$410bn to **\$398bn**. In 2007, the budget deficit had been just \$162bn. The larger deficit has been driven by declining tax receipts following the economic downturn and the payment of over \$100bn (£50bn) in stimulus cheques to US consumers. (FT 29/7)

European Union

GDP growth in the **Eurozone** in Q1 2008 was **stronger than expected, up 0.7%** over the previous quarter and **up 2.2%** from a year earlier. Analysts had expected 0.5% growth in Q1 2008 compared to Q4 2007. (BBC News 15/5)

The **European Central Bank (ECB)** **maintained interest rates** at **4.25%** in August. It has previously raised interest rates 0.25pp to **4.25%** in July, the first increase in the cost of borrowing across the Eurozone since June 2007. (BBC News 30/6, 03/7, 07/8) Inflation in the Eurozone has risen to **4%** in June, up from 3.7% in May. It is now **double** the ECB’s target of 2% and the highest since official records began in 1996. (BBC News 30/6)

Eurozone **mortgage lending slowed sharply** to the **lowest annual growth rate since the launch of the Euro** –ECB Figures & FT European House Price Database. Growth in lending to households for house purchases slowed to an annual rate of 4.4% in June, down 1.2pp from 5.6% in May. This is a marked slowdown from around 12% per year in mid-2006. (FT 26/7)

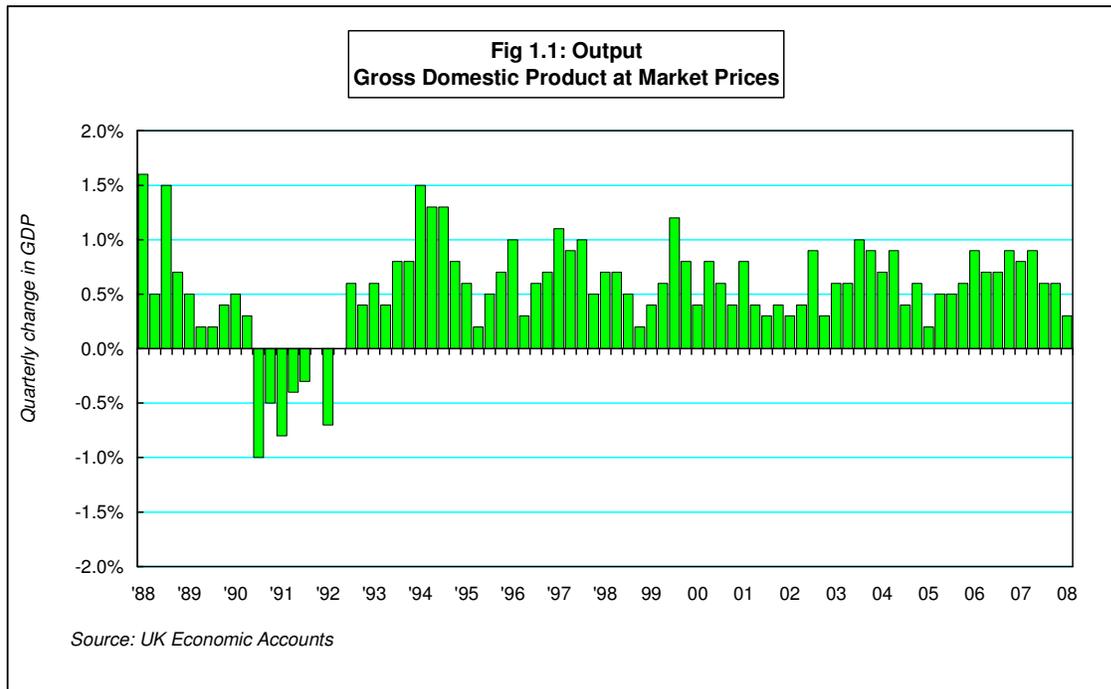
[The EU is Tyne & Wear’s major export market –Ed]

Late News: Attempts to conclude the World Trade Organisation (WTO) **Doha Round talks collapsed** in Geneva (30/7). Ministers met for nine days. The negotiations had previously been suspended in 2006. The outline deal includes cuts in permitted maximum tariffs. If it is eventually agreed, the EU **tariff on motor imports will fall** from 10% to 4.5%. China’s import duty on cars will fall from 25% to 18%. 18 of the 20 sections of the Doha Round were agreed. Significantly, China and India refused to accept cuts in special protection for farmers. (EcN 02/8, FT 19/7)

1.2 Recent Economic Trends

Economic Growth

GDP grew just 0.2% in Q2 2008, slowing one-third from 0.3% in Q1 2008. [GDP grew 0.3% in Q1 2008, revised down from the previously reported estimate of 0.4% and down from 0.6% in Q4 2008] (NSO 27/6, 25/7) The marked slowdown during Q2 means that UK output can be expected to fall slightly in Q3. (FT 02/8)



The deceleration in GDP was driven by weaker construction and production output, which was partially offset by faster growth in the service industries (All NSO 25/7):

Total **construction output fell** 0.7% in Q2 2008, compared with a 0.4% rise in Q1 2008.

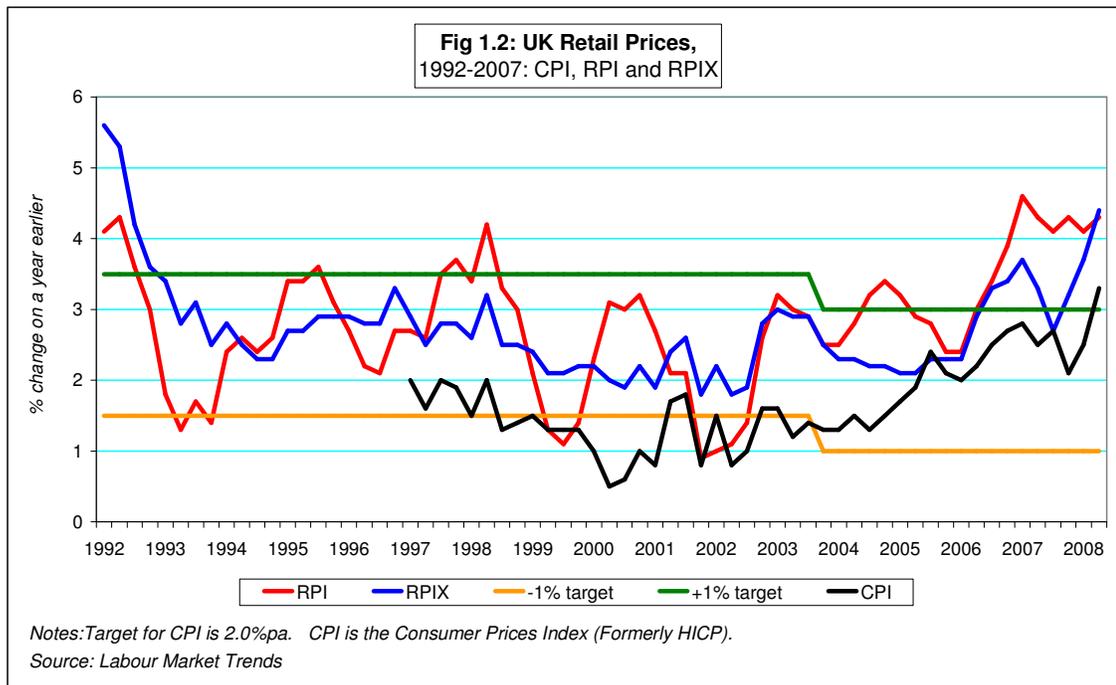
Total **production output fell** 0.5% in Q2 2008, more than twice as fast as the 0.2% fall in Q1 2008. The largest contribution to the slowdown was from manufacturing.

Total **services output grew** 0.4%, one-third faster than the 0.3% growth in Q1 2008. The largest contribution to the acceleration in growth came from transport, storage & communication.

UK Inflation

Consumer Price Index (CPI) inflation was 3.8% in June, up from 3.3% in May. The largest upward pressure came from food and non-alcoholic beverages. Inflation continues above the [3%] threshold at which Mr.King must write to the Chancellor to explain the rise. (NSO 15/7)

Retail Price Index (RPI) inflation was 4.6% in June, up from 4.3% in May. [RPIX, which excludes mortgage payments, was 4.8% in June, up from 4.4% in May.] (NSO 15/7) [Prior to 2003, RPIX was the target variable for inflation, for which the target was 2.5% -Ed]



The **Bank of England** left interest rates unchanged at 5% in July. The last change in the bank rate was a reduction of 0.25pp to 5% in April 2008 (www.bankofengland.co.uk). The bank has indicated that it will not cut interest rates before 2010, when inflation is projected to fall to 2%. (FT 13/5, 15/5)

Inflation continues to rise very rapidly for producers:

Output price annual inflation (“factory gate prices”) rose to 10.0% in June, by far **its highest rate since 1991**. It first reached its highest recorded level in March 2008, at 6.2%. (NSO 14/7)

Producers’ input costs annual inflation rose to 30.3% in June, **the highest since records began in 1986**. It has been 28.7% in May. It first reached its highest recorded level in March 2008, at 20.6%. (NSO 14/7)

Late News: Oil prices have fallen by a substantial \$30 (around 20%) to \$117 per barrel, from a peak of \$147 in mid-July. If maintained, this will significantly moderate input cost inflation –Ed.

The Credit Crunch

The **Bank of England** (BoE) plans to create a **Financial Stability Committee** to strengthen its ability to tackle future financial problems. As well as providing oversight, the committee will meet regularly at a time of crisis, strengthening the tripartite arrangements that also include the Treasury and the FSA. The Bank will be given **formal legal responsibility for financial stability** and will help ensure that failing banks are identified and put on a corrective path at a much earlier stage. (EcN 21/6, FT 19/6)

Access to credit has been **tightened sharply** for both companies and households (BoE Credit Conditions Survey for Q1 2008). Lenders are reluctant to lend money due to difficulties in raising funds from the wholesale money markets and the housing slowdown. (www.bankofengland.co.uk)

The number of **petitions for bankruptcy** launched by debtors **rose** 12% in England & Wales in Q1 2008 to 13,080, but down 13% on a year earlier –Ministry of Justice. Bankruptcy petitions launched by creditors rose 5.8% on the quarter to 4,851. (FT 18/5)

UK banks continue to attempt to **raise additional capital** to strengthen their balance sheets;

The **Royal Bank of Scotland** raised **£12bn** from its **rights issue** in July.

Barclays raised **£4.5bn** from **outside** investors, without having to launch a rights issue. A large majority of the shares were sold to overseas and institutional investors.

Bradford & Bingley plans to raise **£400m** from a **rights issue** due for completion in mid-August. It has also issued a **£2.9bn mortgage-backed bond** that it can use to participate in the Bank of England's Special Liquidity Scheme in order to raise cash

[See also §6.16 Industries & Firms: Financial Services]

Consumer Spending

Growth in retail sales volume in the three months to end-June was **weaker** compared to the previous quarter but **stronger** compared to a year earlier –ONS. Growth in Q1 2008 was just 0.6% compared to the previous three months, but a healthier 4.4% compared to a year earlier. (NSO 24/7)

[Retail sales are about two-fifth of consumer spending –Ed]

Retail Sales Volume, Q2 2008		
	Quarterly Growth	Annual Growth
Predominantly Food Stores	- 0.2%	2.3%
Predominantly Non-Food Stores	1.1%	4.9%
Non-Store Retailing & Repair	0.8%	14.2%
Non-Specialised Stores	3.1%	N/A
Overall	0.6%	4.4%

Monthly retail sales figures continue to be volatile, **rising 3.6%** between April and May, but **falling** a huge **3.9%** between May and June, the **largest decrease in the series**. (NSO 24/7) Also, weekly data from major retailers showed large falls in the last week in June; retail sales were down around 5% for Marks & Spencers and down around 8% in John Lewis. [These effects appear to be due to (more) people facing financial difficulties towards the end of the month –Ed]

Consumers are **cutting purchases** at **out-of-town shopping centres more than at city-centres** – Experian. Nationally, the number of consumers going on **shopping trips** was **down 2.6%** in June

compared to a year earlier. However, the number of **visitors to regional shopping centres** was **down 5.8%** over the same period, compared to just 1.5% for town centre visits. The change is believed to be connected to the **cost of petrol**: 29% of motorists have reportedly reduced trips to out-of-town retail parks and a third have stopped driving to local shops, preferring to walk, cycle, or use public transport –Populus. (Guardian, 12/7) [If reflected in Tyne & Wear, sales can be expected to fall more at the Metro Centre and Retail Parks than at city centre locations –Ed]

Online spending in the UK hit £4.5bn in May, a **30% growth** on the previous year –Interactive Media in Retail Group (IMRG) and Capgemini e-Retail Sales Index. (J 19/6) [Importantly, online retailing is now about 15% of retail sales. This sector’s growth is now so significant that it must be weakening demand for retail space –Ed]

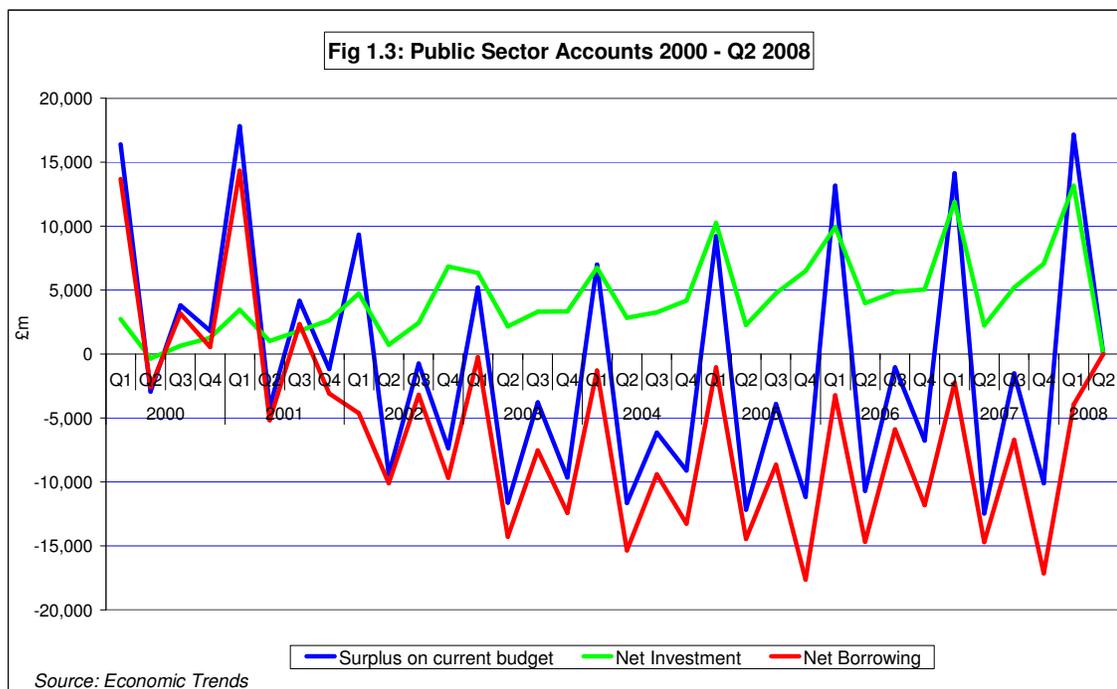
Earnings

Growth in **average earnings** is **slowing** [despite faster inflation]: including bonuses they rose 3.8% in the year to May, down from 3.9% in the year to April. Average earnings excluding bonuses also rose 3.8% in the year to May, down from 3.9% in March. (NSO 16/7)

Pay growth was **steady** in the year to May. Including bonuses, pay growth stood at 3.9% in the private sector and 3.5% in the public sector. Excluding bonus payments, growth in the year to May stood at 3.8% in the private sector and 4.0% in the public sector. (NSO 16/7)

Public Accounts

The **public sector current deficit** was **£20.4bn** in the three months to end-June, **up 63%** from £12.5bn at the same stage in the previous financial year. Deficits have now been recorded since 2002/2003. **Public sector net borrowing** [which takes account of capital investment] for 2008/2009 is forecast to rise to £43.0bn, from £35.6bn in 2007/08. Net borrowing was £9.2bn in June, compared to £6.3bn a year earlier. The shortfall has been attributed to VAT and corporation tax receipts growing more slowly than predicted in the 2008 Budget. (NSO 18/7)



Public sector net debt was **38.3% of GDP** in June, compared with 37.3% in June 2007. The debt ratio has been growing since a low of 29.8% in March 2002. It is forecast to reach 38.5% by March 2009. (NSO 18/7) [These ratios exclude Northern Rock's liabilities –Ed]

Business Conditions from Surveys in Q2 2008¹

North East conditions weakened on all indicators.

The balance² of **UK sales fell sharply**, down a massive 21pp from +19% to -2%. The balance on export sales also weakened, down from +5% to +2%.

Similarly, **UK orders fell sharply**, also down 21pp from +17% to -4%. Export orders weakened 5pp, down from +7% to +1%.

The **employment balance fell sharply** from more than 14% reporting a rise (in the past three months) in Q1 2008 to less than 2% in Q2 2008. The **decline** in the employment balance **forward-looking** was even **more rapid**, down almost 26% from 29% to 3% planning an increase (in the next three months).

Business indicators for just **Tyne & Wear weakened sharply** for almost all indicators:

UK sales balance was the **only indicator not to weaken**, remaining at +16% in Q2 2008. **UK orders fell very sharply (down 22pp), down to -5%**, from +18% in Q1 2008. Similarly, export sales and orders both weakened sharply from positive figures in Q1 2008 to negative figures in Q2 2008. Export sales fell to -4%, from +10%. Export orders fell to -4%, from +12%.

In contrast to the previous quarter in **Tyne & Wear**, the **employment balance** also **weakened**, in both the previous three months and forward-looking. The **employment balance fell over 13pp**, down from 10% **reporting a rise** (in the previous three months) **to -4%**. The proportion planning an increase (in the next three months) fell to just 5%, down from 24% in the previous quarter.

UK Manufacturing

UK manufacturing output fell marginally in the three months to May, down 0.2% compared with three months earlier –ONS. Output fell significantly in 'other manufacturing industries', where output fell 3.5%. There were no significant increases. (NSO 07/7)The Chartered Institute of Purchasing and Supply (CIPS) also reported a fall in manufacturing production. Its manufacturing index fell to 50 in May, down 0.8 from a month earlier. [A figure above 50 signals growth] (J 03/6)

In contrast, [**engineering**] **manufacturing firms** reported a **tenth consecutive quarter of growth**. According to the Engineering Employers Federation (EEF), domestic orders rose, whilst exports have remained strong. The EEF predicted that manufacturing will grow 0.9% in 2008. (J 02/6)

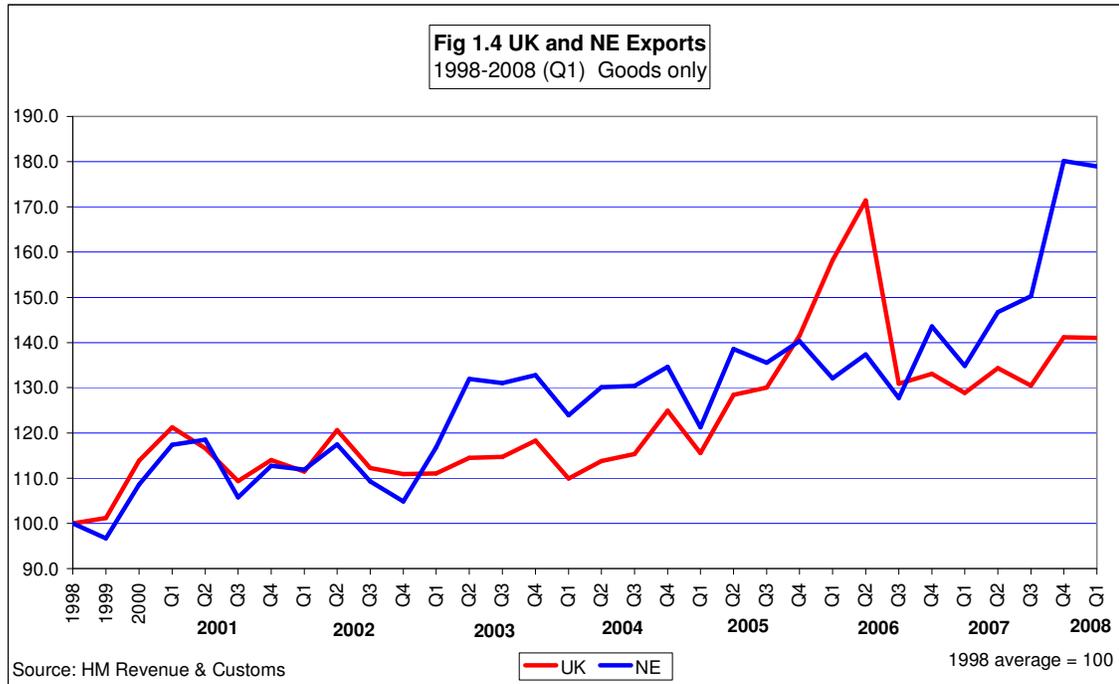
The manufacturing sector continues to report **high levels of demand** –survey by CBI. 28% of companies intend to put prices up next quarter, 2pp less than a month earlier. Respondents reported that business had improved over the past month despite inflationary prices, with [a net] 2% of firms expecting their volume of output to increase in next quarter. (J 19/6)

¹ Results from BSNE for both NE and Tyne & Wear. [Tyne & Wear data kindly supplied by Economic Research Services Ltd]

² Taken from response to questions 'Excluding seasonal variations, how have your domestic sales changed during the past three months?'

Exports

Total **annual exports** from the NE **surpassed £10bn** for the first time [equivalent to about 20% of NE GVA], with exports for the first three months of 2008 rising [by a very strong] 33% compared to a year earlier. (J 17/6) [TWRI does not have export data by industry to show whether this was led by motor vehicles or chemicals etc –Ed]



The **North East continues to perform much better than nationally** on exports –at least up to Q1 2008. North East exports grew a massive 32.7% (£689m) to £2.8bn in Q1 2008 compared to Q1 2007. In contrast, UK exports rose 9.4% (£5.0bn) to £5.9bn in Q1 2008 compared to a year earlier. (Table 1.1, next page)

Table 1.1: Exports, UK and NE, 2002- 2008 (Q1). Goods only

Exports*	UK (£m)	Q1 1998=100	NE (£m)	Q1 1998=100
2002	186,978		6,938	
2003	188,382		8,018	
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	64,984	158.2	2,067	132.1
Q2 2006	70,412	171.4	2,150	137.4
Q3 2006	53,764	130.9	1,998	127.7
Q4 2006	54,661	133.1	2,246	143.6
2006	243,821		8,460	
Q12007	52,925	128.9	2,109	134.9
Q2 2007	55,169	134.3	2,295	146.7
Q3 2007	53,590	130.5	2,350	150.2
Q4 2007	57,972	141.2	2,817	180.1
2007	219,656		9,571	
Q12008	57,915	141.0	2,799	178.9

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

Source: HM Revenue & Customs Regional Trade Figures (Crown Copyright)

[Note: All the above 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.]

1.3 Housing Market Latest;

‘The Bubble Bursts’ –headline in the Economist (April 2008)

Mortgage Availability in Decline

Lenders are **increasing** the **cost of borrowing** as the credit crunch continues. The Abbey reversed cuts it made to mortgage rates in May and raised rates for new-fixed rate deals. The Woolwich raised the cost of two-year fixed rate mortgages sold through intermediaries by 0.1% and raising 10-year fixed rate deals by up to 0.3%. (J 29/5)

The number of **buy-to-let loan products** has **collapsed by 83%**, from 4,025 to 674 in the year to end-April –moneysupermarket.com. Nearly 600 buy-to-let products were removed by the banking system in April and early May (FT 7/5)

Mortgage borrowers with **low deposits** are being hit with **interest rates 1pp higher** than those for loans of up to 75% of a property’s value –John Charcoal [mortgage brokers]. The average two-year tracker rate for borrowers with a 10% deposit was 6.4% in May, up from 6% in at the beginning of February –moneyfacts.co.uk. (FT 10/5)

House Prices Continue to Fall, with Further Falls Forecast

House prices in England & Wales fell for the third consecutive month, down 0.6% in May –FT House Price Index. (FT 14/6) [This pushed the annual house price inflation down to 2.7% in May, from 3.9% in April – Ed.]

House prices fell 6% in the year to June, the largest year-on-year falls since the early 1990s. Halifax reported house prices fell 2% in June, down 6.1% from a year earlier [the biggest year-on-year drop since April 1993]. Likewise, Nationwide reported a 0.9% fall in house prices in June, down 6.3% over the year [the biggest annual fall 1992]. (BBC News 01/7, 10/7)

House prices could fall by up to 20% in 2008:

The Royal Institution of Chartered Surveyors predicted a 5% fall

HBOS predicted a 9% fall

Jonathan Loynes (Capital Economy) claims prices could decline 20%

Morgan Stanley suggested a 10% fall in 2008 and a further 4-5% in 2009

A survey by the Society of Business Economists suggested it could take around four years for house prices to recover to their 2007 peak. (FT 15-16/4, 06/5, 19/5, 16/6 & 20/06)

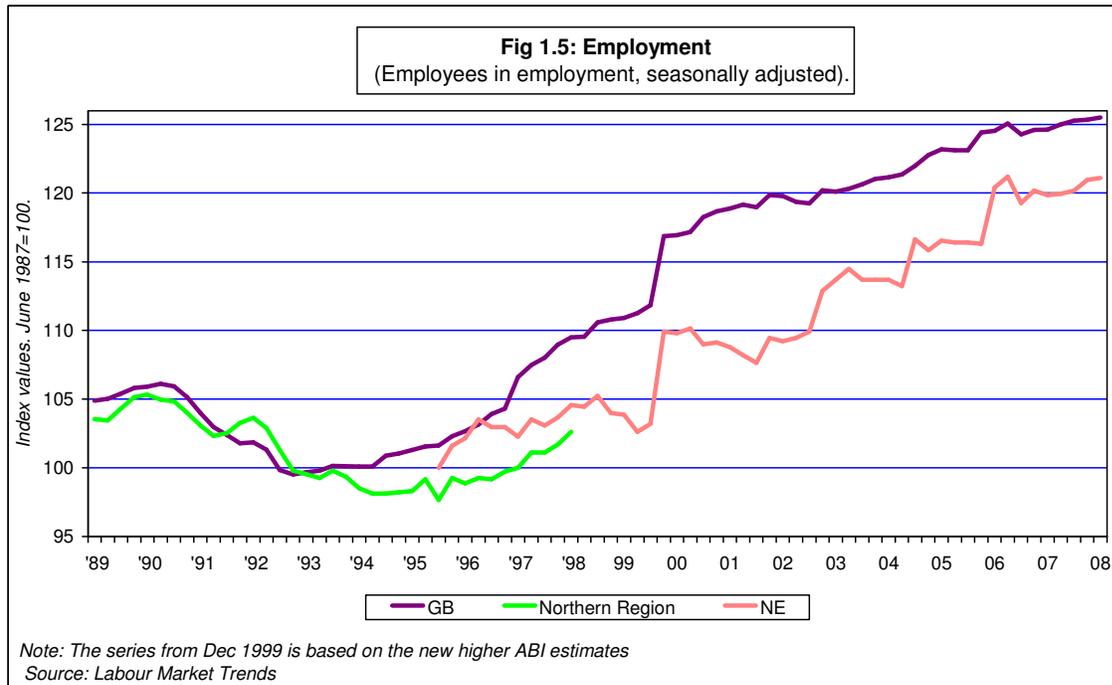
British banks and building societies could absorb a 20% fall in UK house prices without further damaging capital reserves –Moody’s. Stress tests revealed that they would retain sufficient capital reserves if house prices fell by a fifth (similar to the fall in the early 1990s) but would require fresh capital if house prices fell by half. (FT 30/5)

Transactions and House-Building Slowing

The number of **housing [construction] starts** in England & Wales fell to 32,100 in Q1 2008, **down 24%** on a year ago -DCLG. Housing completions fell to 39,500 in Q1 2008, down 18% on a year ago. The slowdown in housing development indicates that the government’s target to build 240,000 homes a year by 2016 (60,000 a quarter) will not be met. (FT 16/5)

The number of **housing transactions (sales)** could **fall** as much as **30%** in 2008 -HBOS. Mortgage brokers estimate that £50bn of capacity had been taken out of the UK mortgage market by April, previously estimated at £360bn. (FT 3/4, 4/4).

1.4 Labour Market Latest



In the three months ending May 2008 the **employment rate** for PWA³ in the UK was 74.9%, **unchanged** from the previous quarter but up 0.4pp over the year. The **number** of people in employment was the **highest since comparable records began**, up 61,000 over the quarter and up [a very strong] 413,000 [around 1½%] over the year (to 29.59m). (NSO 16/7)

In contrast to the UK, in the **North East**, the **employment rate** [in the three months to end-May 2008] was 70.0%, **down** 1.0pp over the previous quarter and down 1.4pp from a year earlier.

[both are from LFS, and seasonally adjusted]

The (ILO) **unemployment rate** in the UK for the three months to end-May 2008 was **5.2%**, **again unchanged** over the previous quarter but down 0.2pp over the year. The **number** of unemployed people **rose 12,000** over the quarter, but **fell 47,000** over the year (to 1.62m). (NSO 16/7)

The UK unemployment claimant count has **risen every month from January to June**, up a cumulative 45,000 (seasonally adjusted). It rose a rapid 15,500 in June (seasonally adjusted), the fastest rise since 1992.

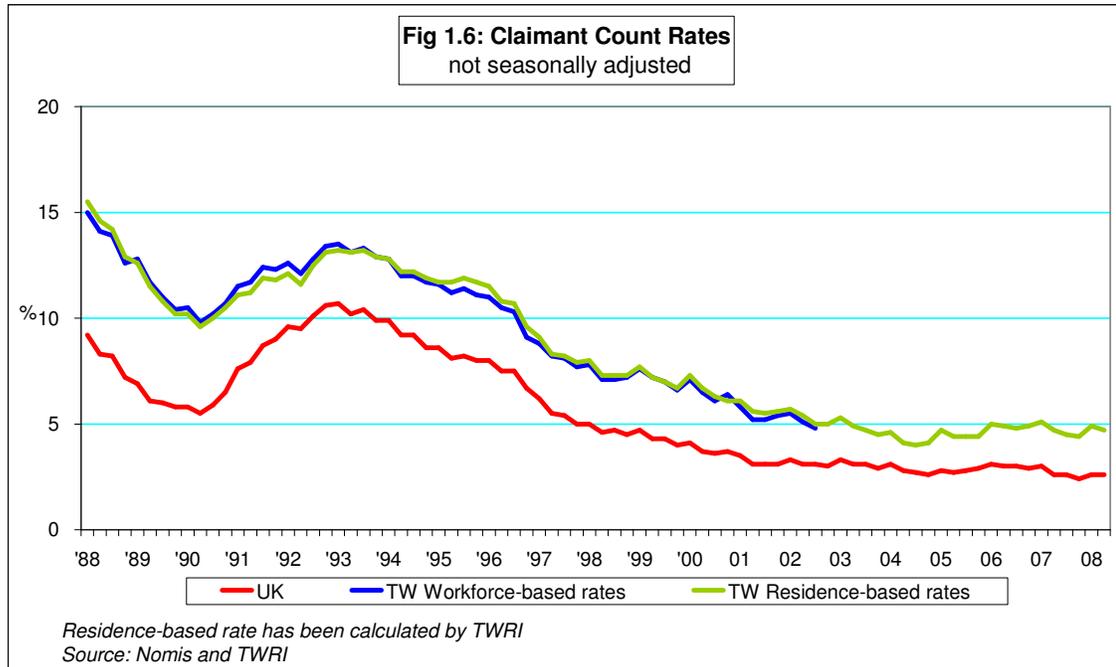
In the **North East**, the (ILO) unemployment rate (in the three months to end-May 2008) was 7.3%, up 1.3pp over the quarter and up 0.9pp from a year earlier.

Tyne & Wear's (ILO) **unemployment rate** in the year to **September 2007** was 6.8% (34,000). This was higher than the North East (6.5%) but by a relatively small 0.3pp. Both Tyne & Wear and the North East were [over 1pp] higher than Great Britain (5.4%).

Tyne & Wear's claimant count [unadjusted] in June 2008 was 4.7% (22,602), down 0.2% (-56) on a year earlier. The claimant count rate in Tyne & Wear was higher than both the North East (4.0%) and Great Britain (2.6%) [The unadjusted claimant count was also 2.6% in the UK in June 2008].

³ People of Working Age (i.e. 16-59/64)

[Note: LFS unemployment data is published in TWRI's monthly report on unemployment. In 2005 ONS changed the way it reports employment data to four-quarter averages. Unemployment rates previously reported by TWRI were obtained from LFS. The LFS has now been incorporated into the APS. APS data was made available on NOMIS from August 2005.]



1.5 Labour Market Trends

A growing number of businesses are **planning recruitment freezes** and redundancies as the credit crunch continues. 45% of SMEs plan to cut staffing in April, up from 26% the previous month. A quarter of companies surveyed were looking to limit hiring, while 15% were considering redundancies. (FT 21/4)

Employers concerned about the economic outlook are **hiring temporary workers** rather than risk taking on permanent staff, particularly within the financial services sector. Vacancies for permanent staff in April rose at the slowest rate for almost five years according to a report by the Recruitment and Employment Confederation and KPMG. (FT 07/5)

The government published a **Green Paper on worklessness**. Job Seekers Allowance (JSA) claimants will be required to carry out four-weeks community work if they are unemployed for over a year and required to work in the community full-time if they are unemployed for two years. In addition, a new **Employment Support Allowance** will **replace Incapacity Benefit** (and Income Support paid on the grounds of capacity) for new claimants from 27th **October 2008**. All Incapacity Benefit claimants are expected to be transferred to the new scheme by 2013. (BBC News 21/7)

1.6 Future Economic Prospects

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

For 2008:

- **Economic growth** is forecast to slow to just 1.6%
- **Claimant unemployment** is forecast at 0.90m by Q4 2008
- **CPI inflation** is forecast to be 3.6% and **RPI** inflation to be 4.1%, both for Q4 2008.

For 2009:

- **Economic growth** is forecast to slow further to 1.3%
- **Claimant unemployment** is forecast to rise to 1.00m by Q4 2009
- **CPI inflation** is forecast to fall to 2.3% and **RPI** inflation to fall to 2.6%, both for Q4 2009.

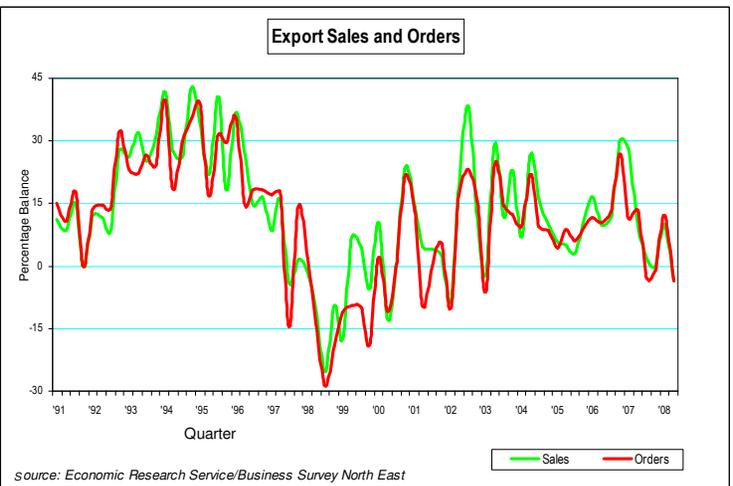
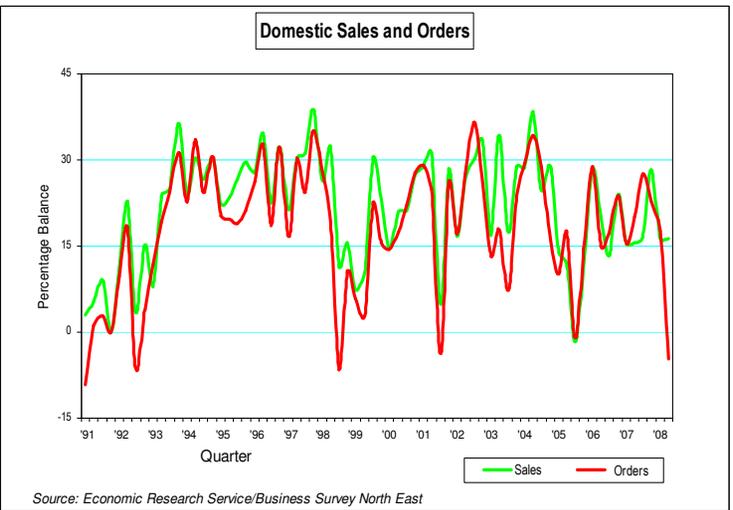
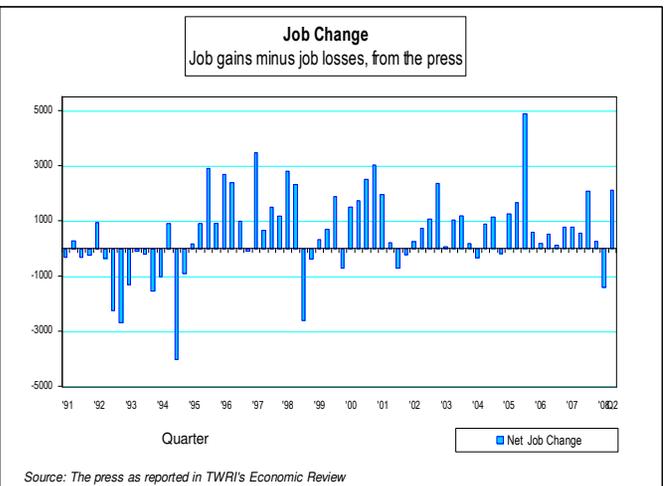
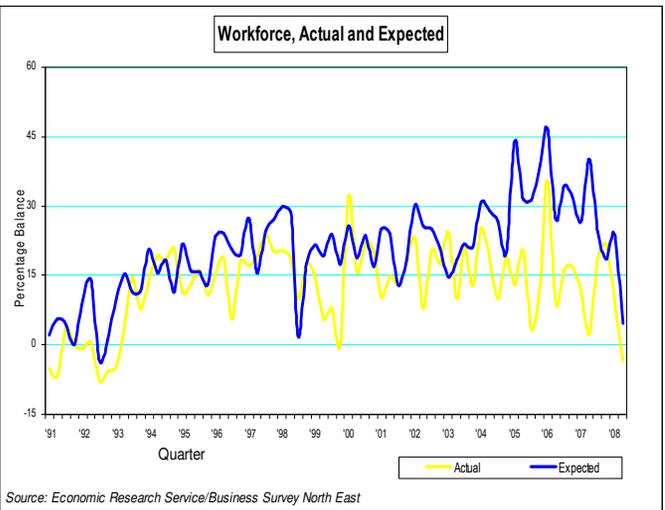
[Source: HM Treasury, July 2008]

The IMF cut its forecast for economic growth in the UK to 1.4% in 2008 and 1.1% in 2009 owing to higher-than-expected inflation. In July, it raised its forecast to 1.8% in 2008 and 1.7% in 2009, up from previous forecasts of 1.6% in both years. (BBC News 17/7, 06/8)

The CBI expects GDP to grow 1.7% in 2008, but cut its forecast for 2009 to just 1.3% (from 1.7%). It says rising commodity costs and weaker consumer demand will slow GDP growth in 2009 to the lowest rate since 1992. (FT & J 16/6)

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.

NATIONAL ECONOMIC INDICATORS

(at 2003 prices, or 2003=100).

(s.a. = seasonally adjusted)

ACTIVITY:		2007					Change	
		Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Gross Domestic Product: (chained volume indices at market prices)	(s.a.)	109.5	110.3	111.2	111.9	112.6	0.6%	2.8%
Household Final Consumption	(s.a.)	£188,896m	£190,336m	£191,067m	£193,086m	£193,368m	0.1%	2.4%
Retail Sales volume (2000=100)	(s.a.)	132.4	132.9	134.6	136.7	137.5	0.6%	3.9%
Output: production industries	(s.a.)	98.9	98.8	99.7	99.4	99.6	0.2%	0.7%
services	(s.a.)	112.5	113.6	114.5	115.5	116.3	0.7%	3.4%
New Orders:								
Engineering	(s.a.)	NA	NA	NA	NA	NA	NA	NA
Construction (2000=100)	(s.a.)	115.2	119.5	131.6	115.3	119.0	3.2%	3.3%
Fixed Capital Investment								
Manufacturing (at 1990 prices)	(s.a.)	NA	NA	NA	NA	NA	NA	NA
Business Investment:	(s.a.)	£34,877m	£34,925m	£35,096m	£36,057m	£36,723m	1.8%	5.3%
Balance of Payments								
current account	(s.a.)	-£14,739m	-£17,088m	-£13,186m	-£19,063m	-£8,458m	-55.6%	-42.6%
INFLATION INDICATORS:		Feb	May	Aug	Nov	Feb	Change	
Retail Prices Index (All Items) (Jan 1987 = 100)		203.1	206.2	207.3	209.7	211.4	Quarterly	Annual
							0.8%	4.1%
Average Earnings Index:	(s.a.)	Jan	Apr	Jul	Oct	Jan	Change	
(2000=100)		129.4	129.8	131.5	132.7	134.3	Quarterly	Annual
							1.2%	3.8%

Sources: Office for National Statistics' Economic & Labour Market Review (May 2008)

2.3 Labour Market Indicators

LABOUR MARKET INDICATORS

EMPLOYEES IN EMPLOYMENT#

Not seasonally adjusted.		2007				2008	Change	
		Mar	June	Sep	Dec	Mar	Quarterly	Annual
Total employees:	UK	26.881m	27.030m	27.106m	27.318m	27.111m	-0.8%	0.9%
	North East	1.047m	1.050m	1.053m	1.068m	1.058m	-0.9%	1.1%
Men employees:	UK	13.492m	13.547m	13.629m	13.672m	13.572m	-0.7%	0.6%
	North East	524,000	521,000	525,000	533,000	528,000	-0.9%	0.8%
Women employees:	UK	13.399m	13.483m	13.476m	13.647m	13.539m	-0.8%	1.0%
	North East	524,000	528,000	528,000	535,000	531,000	-0.7%	1.3%
Women full-time:	UK	7.009m	7.018m	7.022m	7.071m	7.080m	0.1%	1.0%
	North East	262,000	260,000	262,000	264,000	262,000	-0.8%	0.0%
Women part-time:	UK	6.390m	6.465m	6.454m	6.576m	6.459m	-1.8%	1.1%
	North East	262,000	268,000	266,000	271,000	269,000	-0.7%	2.7%
Production employees (C-E):	UK	3.084m	3.084m	3.085m	3.076m	3.058m	-0.6%	-0.8%
	North East	140,000	139,000	139,000	140,000	140,000	0.0%	0.0%
Construction employees:	UK	1.250m	1.264m	1.308m	1.294m	1.284m	-0.8%	2.7%
	North East	64,000	63,000	68,000	72,000	68,000	-5.6%	6.3%
Service employees: (G-Q)	UK	22.307m	22.443m	22.473m	22.705m	22.496m	-0.9%	0.8%
	North East	832,000	836,000	836,000	845,000	838,000	-0.8%	0.7%
Not seasonally adjusted		2006	2007	2007	2007	2007	Change	
Self-employment:*		Winter	Spring	Summer	Autumn	Winter	Quarterly	Annual
	UK	3.827m	3.847m	3.797m	3.850m	3.873m	23,000	46,000
	North East	113,000	115,000	122,000	117,000	117,000	0,000	4,000

CLAIMANT COUNT

(Not seasonally adjusted).		2007	2007	2007	2008	2008	Change	
		June	Sep	Dec	Mar	June	Quarterly	Annual
United Kingdom		.856m	.828m	.790m	.843m	.835m	-8,000	-20,000
Great Britain		.832m	.804m	.768m	.818m	.810m	-8,000	-22,000
North East Region		48,404	46,725	46,734	50,910	49,290	-1,620	886
Tyne & Wear		22,546	21,591	21,219	23,306	22,602	-704	56
Claimant Count Rates (workforce rates) %:							Change in rates:	
							Quarterly	Annual
United Kingdom		2.6	2.6	2.4	2.6	2.6	0.0	0.0
Great Britain		2.6	2.6	2.4	2.6	2.6	0.0	0.0
North East Region		3.9	3.8	3.8	4.1	4.0	-0.1	0.1
Tyne & Wear+		4.7	4.5	4.4	4.9	4.7	-0.2	0.0

REDUNDANCIES

(from the Labour Force Survey).		2006	2007	0	0	0	Change	
		Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Numbers (thousands):	GB	x	x	x	x	x	n.a	n.a
	North East	x	x	x	x	x	n.a	n.a
Rates (per 1,000 employees):							Change in rates:	
							Quarterly	Annual
	GB	5.3	6.1	4.7	5.2	4.3	-0.9	-1.0
	North East	*	*	*	*	*	n.a	n.a

Sources: ONS's Economy & Labour Market Review (August 2008) 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 (TWRI).

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

Cautions: The press tends to under-record net 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 grew very significantly from about 1999 until 2006). 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

(+ 2,858 announced in the press April 1st – June 30th 2008)

* means new opening

+ 500 * (by 2012)	Newcastle Building Society , Cobalt Business Park, North Tyneside. (Building Society. It plans to create 500 jobs by 2012 after opening new premises at Cobalt Business Park, North Tyneside. It has pledged to direct the recruitment drive towards employees leaving Northern Rock.)	(J 19/06)
+ 400	Carillion , Monkton Business Park, South Tyneside. (Construction Company. It secured the Building Schools for the Future (BSF) programme from South Tyneside and Gateshead councils, valued at £200m over five years. It has an annual turnover of £5bn.)	(J 30/05)
+ 300	EDF Energy , Doxford Business Park, Sunderland. (Gas & Electricity Supplier. It is expanding its call centre by taking over space used by CitiFinancial [<i>see Job Losses</i>]. It currently employs around 1,400 at Doxford Park.)	(J 17/06)
+ 250 (by 2011)	Fabricom Offshore Services , Balliol Business Park, North Tyneside. (Oil & Gas Engineering Company. It has employed over 20 engineers since beginning operations in February 2008 and plans to triple this by the end of the year.)	(J 14/04)
+ 220	Volker Stevin , Tyne Tunnel, North & South Tyneside. (Civil Engineering & Building Contractor. It won a £16m contract to build the new Tyne Tunnel. The marine arm of the Gateshead firm will manufacture, transport and submerge the tunnel units by autumn 2009.)	(J 03/06)
+ 200	A&P Tyne , South Tyneside. (Ship Repair & Conversion Company. It has secured a £30m contract from C&M group to convert an ice-breaking ship into a floating accommodation vessel.)	(J 17/04)
+ 180 (estimate)	Asda , across Tyne & Wear (Supermarket Chain. It plans to create 9,000 jobs nationally through store openings, extensions and business expansion, 7,000 of which will be created over the next year.)	(J 21/04)
+ 110 * (65 initially, 45 by 2012)	Co-operative Clothing Group , Washington, Sunderland. (Clothing Manufacturer. It has relocated from its previous base in Gateshead to Washington in a bid to expand its operations and help double turnover. It currently employs 65 staff. The additional 45 jobs are expected by 2012.)	(J 12/05)
+ 100 (within a	QFSL , Washington, Sunderland. (Cleaning Company. It expects sales to more than treble to £6m by	(J 02/04)

year)	2011 after winning a contract with the NHS.)	
+ 70 *	Graphite Resources , Blaydon, Gateshead. (Waste Management Firm. It is creating 70 jobs at a new £50m autoclave recycling plant in Gateshead. The Derwenthaugh EcoParc, Blaydon, is due to open in 2009 and may create more jobs.)	(J 04/06)
+ 60 *	Zytronic , Blaydon, Gateshead. (Optical Filter Manufacturer. It opened a third factory in Blaydon, Gateshead. It plans to increase turnover 25% to £15m this year, with exports contributing 70% to total sales.)	(J 30/05)
+ 50	Actual Leisure Group , South Shields, South Tyneside. (Pub Operator. It is transforming the former Companion's Club in South Shields into a £1.5m gastro-pub.)	(Shields Gazette, 18/05)
+ 50	Monster Travel , Gosforth, Newcastle upon Tyne. (Travel Agency. The newly-launched firm aims to turnover £15m this year, rising to £25m next year. It also plans to take on 15 additional staff as it expands. The jobs are to operate the online business within a call centre at its Regent Centre base.)	(J 10/06)
+ 50	Wellstream , Walker, Newcastle upon Tyne. (Flexible Pipeline Manufacturer. It is expanding its Walker base as part of a £35m investment. It currently employs 570.)	(J 03/04)
+36	Smithers-Oasis (UK) Ltd , Washington, Sunderland. (Retailer. It has unveiled plans to expand its floral wholesalers site.)	(J 04/06)
+ 35 (over 3 years)	Walker Filtration , Washington, Sunderland. (Filtration Systems Manufacturer. It aims to increase sales from £14.2m to £25m by 2011.)	(J 07/05)
+ 30 *	Newcastle General Hospital , Newcastle. (National Health Service. 30 research jobs will be created with the opening of a £8m research centre. The centre will become part of Newcastle's Science City and is the first stage of a £30m investment in the Campus for Ageing and Vitality.)	(J 31/05)
+ 25	Eutechnyx , Gateshead. (Video Games Manufacturer. The jobs are part of plans for rapid expansion. It currently employs 75 at its HQ in Gateshead.)	(J 29/05)
+ 25	North of England P&I Club , Quayside, Newcastle. (Marine Insurance Mutual. It aims to create 25 jobs at its Newcastle office after announcing profits of £15m in the year to February.)	(J 02/06)
+ 25 *	Springfield Motor Group , North Tyneside. (Motor Retailer. The jobs are part of plans to open a new Honda dealership. The Washington-based company aims to raise sales by 50% to £120m by 2013.)	(J 29/04)
+22 (over 5 years)	Fone Solutions , Gateshead. (Telecommunications Services Provider. It aims to more than double turnover to £3m by establishing up to 25 franchises.)	(J 08/04)
+ 20	Anson , Team Valley, Gateshead. (Oil & Gas Equipment Manufacturer. It has expanded its workforce from 250 to 380 in the past two years. It aims to increase its £40m turnover to more than £45m by 2011 and is looking to almost double its factory space on the Team Valley Trading Estate.)	(J 14/04)
+ 20 *	George Washington Golf & Country Club , Washington, Sunderland. (Sports & Leisure Club. It has opened a new £3m clubhouse at the 18-hole golf course in Washington, Sunderland.)	(J 03/06)
+ 20	Recruitment Now , Team Valley, Gateshead. (Recruitment Firm. It plans to create 20 jobs after relocating to new premises in the Team Valley, Gateshead. It expects to double annual turnover to £2m in 2008 and expand its workforce from 18 to 30	(J 16/06)

	following the launch of a temporary recruitment division.)	
+ 16	Ford Component Manufacturing , South Tyneside. (Component Manufacturer. Its sales rose 50% to £10m in 2007-08 and its aims to grow a further £5m by 2011 following the creation of a new laminated steel firm.)	(J 22/04)
+ 15 (by 2010)	Security Risk Management , Newcastle. (Security Advice Provider. The Newcastle-based firm plans to increase sales from £½m to £3m in five years after expanding into credit card fraud prevention.)	(J 17/04)
+ 15	Zero Carbon Group , North Tyneside. (Construction Group. It plans to re-employ 15 members of staff at Lakeland Timber Framed Homes after buying it out of administration. It also plans to extend the site in North Tyneside in 2009.)	(J 19/06)
+ 14 (estimates)	DJ Tool Hire , Gateshead & Newcastle. (Hire Company. It has been bought out of administration by Hire Station, safeguarding a total of 20 jobs at outlets in Gateshead, Newcastle and Durham. However, 10 jobs were lost at outlets in Tanfield Lea, Consett, South Shields, Sunderland and Team Valley, Gateshead.)	(J 08/05)

Outside Tyne & Wear		
+ 300	Heerema , Hartlepool, Teesside. (Oil & Gas Engineering Company. It won an order to build a 5,443-tonne deck and 453-tonnes bridge for a platform designed for the Nexen Buzzard oilfield, North East Scotland.)	(J 24/04)
+ 200 (by 2010)	BNS , Prudhoe, Tynedale. (Telecoms Services Group. It plans to extend its headquarters in Prudhoe, despite pre-tax losses of £1.16m in the six months to end-January 2008.)	(J 01/05)
+ 200 * (in 2008)	Radisson SAS , Riverside North West, Durham. City (Hotel. The jobs are at a newly-developed £31m four-star hotel due to open in November.)	(J 12/05)
+ 200 * (by 2010)	RDS , Stockton, Teesside. (Rig-Design Company. It is opening an office at Wynyard Business Park, Stockton. 50 jobs will be created in 2008, with the remaining 150 due in 2009/2010. The new office is RDS' third in the UK following a rapid increase in offshore engineering project work won by the firm last year.)	(J 28/05)
+ 110 *	Marks & Spencers , Hexham, Northumberland. (Retail Chain. It has opened a new food and clothes store in Hexham.)	(J 06/06)
+ 75 *	Kerry Foods , Hartlepool, Teesside. (Food Manufacturer. It is to create 75 jobs after re-opening its Hartlepool plant. The site was originally closed in 2006, with the loss of 320 jobs, after a slump in production volume.)	(J 20/06)

Potential Job Gains Outside Tyne & Wear		
+ 2,400	Coolmore Estates , Dawdon, Easington, County Durham. (Building Consortium. It plans to build a new £300m international Centre for Creative Excellence at Dawdon (south of Seaham), subject to proposals being agreed by Government Office North East. It has already won approval from Easington Council. Plans include a media business park, light industrial workshops, educational campus, student accommodation, two hotels, apartments and an agricultural college.)	(J 10/05)

3.2 Job Losses

(- 770 announced in the press April 1st – June 30th 2008)

[Caution: Construction job losses are, historically, under-reported in the press]

* means closure

- 400 *	Citigroup , Doxford Business Park, Sunderland. (Financial Services Call Centre. It is to close its CitiFinancial and Future Mortgages business at Doxford Business Park as part of 490 branch closures and 270 job losses nationally.)	(J 20/05)
- 101	Premier Direct , South Shields, South Tyneside. (Gift & Book Retailer. It has been placed in administration after facing cash flow difficulties and sustained tough trading conditions. 20 staff remain employed by the firm.)	(J 18/06)
- 96	Komatsu UK , Birtley, Gateshead. (Construction Equipment Manufacturer. It is to lose 96 temporary workers after deciding to reduce agency staff at its factory in Birtley, Gateshead. It intends to reduce its output by 25% and cut production from a five to three-day week following the economic downturn.)	(J 20/06)
- 75	Filtrona Filters , Jarrow, South Tyneside. (Cigarette Filter Maker. It is cutting 20% of its workforce at Bede Industrial Estate after recording an all-time low in orders.)	(Shields Gazette 10/04)
- 65 *	Co-operative Clothing Group , Gateshead. (Clothing Manufacturer. It has relocated from its previous base in Gateshead to Washington. <i>See Job Gains.</i>)	(J 12/05)
- 17	Tindale & Stanton , Gateshead. (Bakery. It was taken over by Hobson Foods after being placed into administration in May due to tough trading conditions. It employed 62 at its bread-making factory in Gateshead. Jobs were also lost across the NE. <i>See Job Losses Outside Tyne & Wear.</i>)	(J 13/06)
- 16 * (TWRI estimate)	JJB Sports , across Tyne & Wear (Sportswear Retailer. It is to close 72 of its 409 stores and cut 800 jobs nationwide following a 29% fall in profits. A definitive list of the shops for closure has not yet been released, but the sportswear retailer has stores and health clubs in all five Tyne & Wear districts.)	(FT & J 17/04)

Potential Job Losses		
- 148 *	Reed Print & Design , Washington, Sunderland. (Printing Company. It wants to close its factory in Washington and started a 90-day consultation with staff in May after making a loss of £1.56m in 2006 and £1.4m in 2005.)	(J 24/05)
- 60 (estimate)	MK One , Gateshead, Newcastle, South Tyneside & Sunderland. (Clothes Retailer. It has been placed in administration, placing 2,500 jobs at risk over 172 stores. It has four stores in Tyne & Wear, where an estimated 60 jobs are at risk –Ed)	(J 22/05)

Outside Tyne & Wear		
- 92	Tindale & Stanton , Burnopfield, County Durham. (Bakery. It was taken over by Hobson Foods after being placed into administration in May due to tough trading conditions. It employs 207 people at its manufacturing plant in Burnopfield. Jobs were also lost at its bread making factory in Gateshead (-17) and in distribution depots	(J 13/06)

	in Newton Aycliffe, County Durham, and Ossett, Yorkshire (-28).	
- 60	Caterpillar , Peterlee, County Durham. (Construction Equipment Manufacturer. It is to lose 60 temporary workers at its Peterlee factory in addition to 75 temporary jobs previously announced at its Stockton plant and 320 from its UK HQ in Leicestershire. Caterpillar is based in the USA.)	(J 21/06)

3.3 New Orders and Contracts to Local Firms

(At least £41m to local firms, plus construction contracts)

£30m	A&P Tyne , South Tyneside. (Ship Repair & Conversion Company. It has secured a £30m contract from C&M Group to convert an ice-breaking ship into a floating accommodation vessel for 400 people. The order is set to safeguard 600 jobs at its Hebburn yard. <i>Late news</i> : C&M Group has gone into administration, and the contract now appears null.)	(J 17/04)
£7m	Tanfield , Washington, Sunderland. (Electric Vehicle Manufacturer. It won a £7m deal to deliver 100 zero-emission, 7.35-tonne electric vehicles to global distribution firm TNT. Tanfield reported a 310% rise in profits for 2007-08. [See also <i>Late News under §6.6 Motor</i>])	(J 13/05)
£1.5m	Parmley Technologies , North Tyneside. (Circuit-Board Manufacturer. It won a £1.5m contract to supply electronic control panels to the US Army. The deal is potentially worth a further £5m over six years. It won the work via Newcastle-based Pearson Engineering.)	(J 11/6)
£1.2m	Knowledge IT , Newcastle, North Tyneside & Northumberland. (IT services firm. It won a £1.2m contract to provide IT equipment and support to primary care trusts in Newcastle, North Tyneside and Northumberland. It will supply and install over 1,400 PCs and 1,100 printers to 155 sites.)	(J 10/04)
£1.2m	Mere Mortals , Newcastle. (Post Production & Video Games Production. It won a £1.2m deal with an international video games firm to work on an unnamed title set for release in 2009.)	(J 12/06)
£750,000	Hart Door Systems , Newcastle. (Industrial Doors Manufacturer. It won a £750,000 export order to supply industrial roller shutters to the new Dubai Metro system.)	(J 16/04)

Construction Orders		
£200m (over 5 years)	Carillion , Monkton Business Park, South Tyneside. (Construction Company. It has secured the Building Schools for the Future programme from South Tyneside and Gateshead councils.)	(J 30/05)
£160m	Barratt Homes , Dalston, London. (House Builder. It has been appointed as the developer of a £160m regeneration plan for Dalston, London. It will build 500 homes, 1,700sq ft of shops and restaurants, and a library. In January it was also selected to work on a £41m project to redevelop Birmingham's Shard End Crescent shopping centre. The Newcastle-based builder will create an 'urban village centre' with over 2,300sqm of retail and leisure space, 240 homes, a library and a neighbourhood office.)	(Plg 25/01 & 07/03)

£16m	Volker Stevin , Tyne Tunnel, North & South Tyneside. (Civil Engineering & Building Contractor. It won a £16m contract to build [part of] the new Tyne Tunnel. The marine arm of the Gateshead firm will manufacture, transport and submerge the tunnel units by autumn 2009.)	(J 03/06)
£8m	Gladedale , Sunderland. (Building Firm. It secured a £8m affordable homes project in Sunderland. It intends to invest more than £350,000 in the local community, providing children's play facilities, areas of open space and education facilities.)	(J 30/04)
£7m	Pyeroy Group , Gateshead. (Protective Coatings Specialist. It won a £7m contract with the City of London Corporation to paint Tower Bridge and the Southwark Bridge in London. The Gateshead-based group plans to increase turnover from £58m to £90m by 2012.)	(J 16/04)
Unknown	Surgo Construction , Bishop Auckland, County Durham. (Construction Firm. It is to carry out a further extension to the new £17.3m Bishop Auckland College, including adding 48,000sq ft for a technology centre and an art, design, music and performing arts centre. It currently employs 200 staff and aims to raise turnover from £50m to £65m this year.)	(J 11/04)

4.0 Features

4.1 The Credit Crunch

UK mortgage net lending has been around half the level of a year ago. Monthly net lending is around £5bn (or less). This is broadly consistent with a forecast by the CML⁴ that net lending in 2008 will be around £55bn, compared with £108bn in 2007.

UK banks continue to try to **raise additional capital** to strengthen their balance sheets. This process is crucial to avoid the banking system having to reduce its loans outstanding (which would undermine UK economic activity and growth).

- The **Royal Bank of Scotland (RBS)** raised **£12bn** from its **rights issue**. Over 95% of shares offered were taken up by investors, with the remaining 299.4m shares being placed with investors. (FT 09/7)
- **Barclays** raised **£4.5bn** from **outside investors** to strengthen its balance sheet without having to launch a rights issue. It offered 1.6bn new shares at 282p each. The majority of the shares were sold [effectively in a placing] to major overseas and institutional investors, led by Qatar, China and Singapore. (BBC News 18/7)
- **Alliance & Leicester** agreed a **£1.25bn takeover** by **Santander**, which owns Abbey. Abbey is reported to be taking around 30% of the (diminished) new mortgage market and Lloyds around 20%. (BBC Radio 4, 29/7 & Radio 4 Today 30/7)
- **Bradford & Bingley** planned to **raise £257m from investors**, including **£179m** by introducing private equity investor Texas Pacific Group (TPG) as a 23% shareholder, but TPG withdrew after rating agency Moody's downgraded the lender's debt. B&B announced losses of £8m in the first four months of 2008 due to rising arrears. Underlying profits were just £56m, compared to £108m in 2007. It now plans to **raise £400m** from city institutions and shareholders. (BBC News 03/7, FT 07/6, J 03/6)
Late News: Bradford & Bingley has had to restructure its rights issue three times, which is **due to be concluded in mid-August**. It issued a **£2.9bn mortgage-backed bond** that it can use to participate in the Bank of England's Special Liquidity Scheme (SLS) in order to raise cash. (FT 25/7)

The Crosby report 'Mortgage Finance: interim analysis'⁵ focused on the markets for UK mortgage-backed securities [MBS] (published 29th July 2008). In his letter to the Chancellor, Sir James Crosby revealed that the outstanding amount of these was £257bn, or over a fifth of the entire value of UK residential mortgages. He also says of the **UK banks**: 'Given that more than half of their existing mortgage-backed borrowings [i.e. over £120bn] will need to be repaid over the next three years, their **capacity to make new mortgage advances** therefore **looks severely constrained**. In my opinion, **such a shortage of mortgage finance will persist throughout 2008, 2009 and 2010.**' The report is on the HM Treasury website.

In one important sign from the US, 'A market-clearing **price** may **finally be being established for the most toxic assets** on banks' books, albeit at a very low level.' [Investment bank] Merrill Lynch has agreed to sell over \$30bn of Collateralised Debt Obligations (CDOs) [or bundles of mortgages] 'for a mere 22 cents on the dollar. ..' UBS' holdings are valued at 30-40c and Citibank's marked at an average of 45c (EcN 2/8).

For Northern Rock, see Financial Services (§6.16)

⁴ Council of Mortgage Lenders 'Housing and Mortgage Market Forecasts 2008' (issued in May)

⁵ Crown Copyright.

4.2 Top Twenty Companies in Tyne & Wear in 2008

Nissan's turnover grew 36% (Table 4.1).

	Name	Description	District	No. of Employees	Previous Turnover (nearest £m)	Latest Turnover (nearest £m)	Most Recent Growth (nominal)
1	Nissan Motor Manufacturing (UK) Ltd	Car manufacturers	Sd	4,970	2,040	2,783	36%
2	Arriva plc	Passenger transport UK and mainland Europe; vehicle rental	Sd	35,183	1,729	2,001	16%
3	The Go Ahead Group plc	Public transport services	Nc	24,378	1,464	1,827	25%
4	Bellway plc	Holding company, for house building group	Nc	2,476	1,240	1,354	9%
5	The Sage Group plc	Holding company for business solutions	Nc	13,531	936	1,158	24%
6	Npower Gas Ltd	Natural gas transmission services	Nc	1,500	451	679	51%
7	Greggs plc	Bread, flour, confectionery and savoury product manufacturers and retailers	Nc	18,827	551	586	6%
8	Volker Wessels (UK) Ltd	Building & civil engineers contractors	Gd	1,943	365	518	42%
9	Eaga Partnership Ltd	Administration of grants for home energy insulation	Nc	3,041	354	483	36%
10	Non Fossil Purchasing Agency Ltd	Renewable energy	Nc	11	322	390	21%
11	Addison Motors Ltd	Car retailers and repair engineers	Nc	1,118	293	298	1.9%
12	Ideal Stelrad Group Ltd	Manufacture and distribution of boilers and radiators	Nc	2,368	295	295	0.0%
13	Northern Electric plc	Distribution of electricity, electrical engineering contractors	Nc	1,342	280	282	0.6%
14	Fenwick Ltd	Department store operators	Nc	2,433	274	280	2.4%
15	Newcastle Building Society	Building society	Nc	1,200	194	265	36%
16	R. H. Patterson & Co Ltd	Car retailers and repair engineers	Nc	373	214	247	15%
17	Grainger Trust plc	Holding company for group engaged as property investment trading	Nc	247	206	229	11%
18	LSL Property Services plc	Estate agency, surveying and financial services	Nc	3,380	197	220	11%
19	Frank Haslam Milan and Co Ltd	Social housing contractor	Sd	1,198	170	187	10%
20	SCS Upholstery plc	Holding company for subsidiary operating as a suite and furniture retailers	Sd	1,460	196	184	-6%

Source: The Journal 'North East Top 250' 2008, www.nebusiness.co.uk/top-businesses/top-250-businesses/

5.0 INVESTMENTS & DEVELOPMENTS

5.1 Investment & Development Trends

Investment in the NE property market doubled to £1.3bn in 2007, but fell 16% nationally (to £56bn) –Lambert Smith Hampton. Overseas investors in the NE remained the most significant, increasing property ownership by £471m following a net investment of £152m in 2006. (J 28/5)

Activity in the construction market is slowing, with workloads falling to their lowest level for over a decade –RICS. Only 1% more chartered surveyors reported a rise than a fall in Q1 2008, down from 16% more in Q4 2007. Construction has slowed markedly in the North, where 22% more surveyors reported a *fall* than a rise in workloads in Q1 2008. (FT 01/4)

Demand for commercial property in the NE has remained steady or even risen in some sectors, despite declining nationally at the fastest rate since 2002 –RICS Commercial Property Survey. Nationally, a balance of +30% reported a fall in demand in Q1 2008, compared with -15% in Q4 2007. (J 23/4)

Rents for retail space are falling at their fastest pace in 15 years –Colliers CRE. Retail rents fell by 3.1% in the year to May, on a “real terms” basis, when RPI inflation of 4.2% is taken into account. They are also forecast to fall a further 15-20% by 2011. (FT 13/6)

UK banks have a record **£247bn of outstanding commercial property debt**, up 15% on 2006 –De Montfort University survey. Gross lending totalled £83.7bn in 2007, the highest recorded figure since 1998. Lending to speculative commercial development jumped to £10.2bn, rising from almost nothing in 2001 to 50% of the development finance market. (FT 23/5)

20% of companies now expect to **reduce their property space** over the next six months, according to CBI. Commercial properties’ capital values fell by almost 15% in 2007. (FT 22/5)

In **Newcastle, the property market in 2007 outperformed other cities** –Investment Property Databank. Performance was strongest in total returns, which dropped only 0.1% in 2007. Capital values fell just 5.9%, compared with the average fall of 9.5%. (J 02/4)

5.2 Investment & Development News

Office Developments

In **Longbenton, Newcastle, work is to start** on extending the **Quorum Business Park**. The **£175m** project on the 18-acre site will provide **500,000sq ft** office space over eight blocks. The site will be developed by Grantside, with full completion due by February 2012. (J 31/3)

At the **Baltic Business Park, Gateshead**, a major office development by **Terrace Hill** has been completed. The site is located east of the new Gateshead College campus on Gateshead Quayside.

In **Newcastle, work has started** on Buccleuch Property’s **Fusion Office** on **Forth Street**. The **47,600sq ft** development will take place in a 19th century Grade II listed Chapel. (J 09/4)

At **Ouseburn Valley, Newcastle, work has started** on a **25,000sq ft speculative office development** at the Upper Steenbergs Yard [on the west side of the valley]. Priority Sites is investing **£5.2m** to create **nine office suites** ranging from 1,785sq ft to 3,560sq ft. The scheme is due to be completed in December 2008 and is expected to create or safeguard over 80 jobs. (www.prioritysites.co.uk)

In **Newcastle**, MK Partnership has obtained **planning permission** to redevelop the former site of **Jesmond Picture House** into a four-storey office block, including rental premises and a restaurant. (J 21/6)

In **Newcastle**, **Gainsborough House**, on Pilgrim Street, has been **sold** for **£6.5m**, 10% **below its asking price**. (J 14/5)

[See also Office Developments in Mixed Developments]

Industrial Developments

In **Blaydon, Gateshead**, Graphite Resources is to build a **£50m steam autoclave recycling plant**, the **largest in the world**. The Derwenthaugh EcoParc will have the capacity to handle 300,000 tonnes of Municipal Solid Waste (MSW), 50,000 tonnes of light waste and 60,000 tonnes of Green and skip waster. MSW will be treated in steam autoclaves, where it will be sterilised and reduced in volume by 80%. The plant is due to open in 2009. (J 04/6)

Mixed Developments

In **Newcastle**, the **masterplan** has been **unveiled** for the **£700m Science City**. The **19-acre** former Scottish & Newcastle Brewery site will be divided into four zones; commerce; student and researcher accommodation; research and spin-out firms; and residential housing. The development is expected to create around **5,000 jobs** over 15 years. Work is due to begin in 2010 or 2011. (J 06/6, R&R 13/6) Property group Downing will develop the **600,000sq ft** site [the Northern part of the brewery] into a 198-bed hotel, a 462-bed ‘student village’ and an office complex including shops and restaurants. The **£200m** scheme, to be named ‘Downing Plaza’, is due for completion in 2011. (EC 02/4) [The brewery has been demolished –Ed]

In **Newcastle**, at the Western end of the **Quayside**, the 41,000sq ft **West One** office four-storey block has been **completed**. The development also has an 11-storey tower of apartments. (www.westonenewcastle.co.uk)

In **Elswick, Newcastle**, a **£6.7m** scheme to **regenerate Loadman Street** has been **approved**. Priority Sites is to build eight two-storey office blocks and 12 workshop units, providing **50,000sq ft** of space on 13 acres of land. Work is due to start in 2009. (J 21/5)

On **Gateshead Quayside**, between the Sage and the Baltic, a **planning application** has been **submitted** for a **£18m development** scheme to build a 202-bed Holiday Inn Express and **40,000sq ft** offices. If granted, developer Kier will start work later in 2008, with completion scheduled for 2010. (J 02/4)

In **Team Valley, Gateshead**, **UK Land Estates** has secured a **15-year lease** with **HSBC**. The bank intends to open a new branch in retail space on the Maingate development to replace its Team Valley Branch. (J 30/4)

Housing Developments

In **Denton, Newcastle**, **work has started** on a **£22m** project to build **171 family homes**. Nomad E5 (part of ISOS Housing Group) is **demolishing 180 flats** between Burwell Avenue, Dunblane Crescent, Hotch Pudding Place and Thornley Road, to make way for the development. (J 04/4)

In **Gateshead**, next to the **Friar’s Goose sailing club**, 85 apartments, forming **Friars Quay**, are **nearing completion**.

In **Gateshead**, a **planning application** has been **submitted** to turn the **former Gateshead College site** on Durham Road into a landscaped **160-home development**. The developer is Grainger Trust. (J 31/5)

A **partnership** between North Tyneside council and registered social landlords is to create **three new affordable housing schemes** in **North Tyneside**. A total of **45 new homes** will be built in Aidan's Close and Kingsbridge, North Shields and Frank Street, Wallsend. (J 15/4)

At **St. James Village, Gateshead**, sales for **BoKloks** have **slowed**, with 12 of the 93 flats and houses yet to sell. In October 2007 it has been thought that a lottery might be necessary to select short-listed buyers for the Ikea 'flat-pack' homes. (FT 09/5)

Late News: A new **Local Housing Company** for **Newcastle** has been **approved** by the government. It aims to develop publicly-owned land in partnership with private developers.

Retail Developments

In **Washington, Sunderland**, construction of the **Galleries Retail Park** is **close to completion**.

In **Newcastle City Centre**, **construction work continues** on the **Extension to Eldon Square** shopping centre, due for completion in 2010.

Leisure Developments

In **Newcastle**, on **Pilgrim Street**, the **£6.5m** redevelopment of the **Tyneside Cinema** has been **completed**. The project includes an extension to the Art Deco building and the addition of a third screen. (J 12/4) [The art-house cinema re-opened in May –Ed]

Education Developments

In **Newcastle**, on Barras Bridge, **work has started** on **Newcastle University's Student and Administrative Services building**. The **£35m** five-storey, glass-fronted building will generate around 10% of its energy needs from renewable sources. Construction is due to be complete by October 2009, and it is expected to open in January 2010. (www.ncl.ac.uk)

In **Scotswood, Newcastle**, the new **Excelsior Academy** is **nearing completion** for opening in September. Pupils will transfer from West Gate Community College, which is to close in the summer. The academy will have the capacity to take a total of **1,800 students**; 375 students into each of the four specialised schools (Business & Economics; Health Related Studies; Creative & Performing Arts; and Design, Construction & the Environment), plus 300 sixth-form students. (www.excelsiornewcastle.org.uk)

[See Orders for Construction of the £200m Building Schools for the Future contract awarded by Gateshead and South Tyneside Councils.]

Other Developments

In **Newcastle**, near the mouth of the **Ouseburn River**, a barrage is **under construction**.

5.3 Economic Development Aid & Finance

North East councils have been allocated **£27m funding** under the **Local Authority Business Growth Incentives (LABGI)** scheme. Among the largest allocations were grants of £8m for North Tyneside, £3.7m for Gateshead and £3.3m for Newcastle. (J 14/4)

A new **£2.5m Regional Enterprise Loan Fund** (managed by enterprise agency Entrust) is available to small businesses in the North East. The fund aims to assist new or growing businesses that are unable to fully finance their borrowing needs through traditional sources. (J 16/6)

One NorthEast has **approved £2.4m** worth of **funding** to extend the **Proof of Concept Fund** to 2009. The fund helps young firms develop their business and technology. (J 16/5)

Tyne Wear Partnership (TWP) has come to the **end** of its **five-year** lifespan. Over the last three years it has spent around **£120m** of ‘Single Pot’ funds devolved from the RDA One NorthEast. It funded over 200 projects, following its four-year strategy focusing on creativity, learning, aspiration and place. Projects part-funded by TWP included:

- Gateshead College’s Construction Skills Centre and the Automotive Skills Centre
- Newcastle’s Northern Stage, the Tyneside Cinema redevelopment and developments at Ouseburn
- North Tyneside’s Fish Quay improvements
- South Tyneside’s Quadrus Business Centre (built to BREEAM level 6)
- Sunderland’s improvements to streets in Sunniside (just east of the city centre) –in conjunction with Sunderland Arc

[TWRI produced the Annual Monitoring Reports for TWP –Ed]

Late News: **Tyne & Wear’s Local Authorities** have **agreed a Multi-Area Agreement (MAA)** with the government.

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

Table 4.1 SFI in England: Offers of £75,000 or more (1 January-31st March 200£

Company	District	£
HVR International Limited	South Tyneside	150,000
Rosewood Packaging	South Tyneside	100,000
The Test Factory Limited	Sunderland	90,000
	North East Total	5,546,000

Data Received from One North East

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

North East businesses remain positive about prospects for 2008 –Journal Business Barometer. Two-thirds of NE businesses expect sales to increase this year, although this was down from 77.5% in October 2007. 46% expect employee numbers to rise, down from 57.5%. (J 08/4) In contrast, NE businesses reported a weakening on all indicators in Q2 2008 according to BSNE. (§1.2)

Recruitment in the North East is **slowing** as firms become **more cautious** in the economic slowdown –recruitment agency Manpower. Only 10% of firms expect to recruit staff between July and September, half that of a year ago. 3% expect to make redundancies. (J 10/6)

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

6.2 Energy & Water

Northumbrian Water announced **profits** were **ahead of expectations**, despite its decision to peg price rises to inflation in 2007. Pre-tax profits at the water and sewerage company **rose 15.2%** to **£170.3m** in the year to April. (FT 05/6, J 05/6)

6.3 Biotechnology & Chemicals

The **Northern Institute for Cancer Research**, based at **Newcastle University**, has developed a **breakthrough cancer drug**. Early tests suggest it could be **ten times more effective** in fighting leukaemia. (J 19/6)

Newcastle University has been given **permission** (following a vote in the House of Commons) to expand its work after it created the **first human-cow embryos** in April. Scientists injected human DNA into eggs extracted from cows' ovaries [from which cow's DNA was removed] to create embryos which survived for three days. The research aims to provide stem cells to develop therapies for diseases such as **Alzheimer's** and **Parkinson's**. (J 02/4, 20/5)

Newcastle-based **Cambfix** has received **£75,000** from the NE investment house **NStar's Three Pillars Fund** to begin **clinical trials** into a revolutionary way of treating fractured bones. (J 15/4)

Newcastle-based **Peacocks Medical Group** plans to **open a manufacturing plant in China** to supply shoes to the country's growing diabetic population. (J 28/4)

E-Therapeutics has unveiled a **consultancy service** which will allow its research platform to be utilised by drug companies. The move is expected to rapidly increase turnover at the Newcastle research centre from its existing £1.5m per year. (J 07/5)

Immuno-Diagnostic Systems (IDS) is **on target** to **double sales** to around **£40m** by 2010 after **sales rose 90%** to £19m in 2007-2008. The South Tyneside medical testing kit manufacturer has benefited from success in Japanese, Chinese and Australian markets. (J 02/4)

6.4 Mechanical Engineering

[Foundry] **Spartan UK** in Dunston, Gateshead, has been **bought out** by [Ukrainian] mining and metals company **Metinvest**. Spartan's UK sales were £68.7m in 2007 and are expected to hit over

£85m in 2008 and £100m by 2010. [Spartan UK employs 105 staff. Metinvest generates 12% of Ukraine's GDP] (J 30/6)

Gateshead-based **Responsive Engineering (Holdings) Ltd** has **taken over** Team Valley-based **Exact Engineering** for an undisclosed sum. It creates a business with 150 employees and annual sales of £14m. (J 11/4)

6.5 Offshore, Shipbuilding & Ship Repair

Wellstream reported a **64% rise in profits** to **£41.7m** in 2008, with **turnover up 81%** to £267m. The Newcastle pipeline manufacturer is said to be on target to increase profits by 85% to £77m in 2008. It is currently valued at £1.3bn, a fourfold rise since 2007. It has over **£35m worth of orders** and controls 30% of the world's offshore flexible pipe market. [It employs 570 staff at its site in Walker] (FT 03/4, J 20/5, 12/6) **Candover** has **sold its final stake** in oil and gas pipeline maker Wellstream. The private equity company had owned the majority of Newcastle-based Wellstream. (J 10/4) Wellstream Holdings is to **sell 5.3m shares**, equivalent to 5.2% of the firm. The move will net the oil and gas company nearly **£73m**. (J 29/4)

SMD Hydrovision has been **bought out** by its **management**. The sub-sea vehicle manufacturer expects turnover to rise 25% to £50m in 2008. It employs 135 people in Walker, Newcastle. (J 04/4)

6.6 Motor

Nissan is to build a **new model** at its **Sunderland** plant when production of the current version of the Micra ends in 2010. Nissan's **£55m investment** in the UK (£6.2m of which is from the UK government) will safeguard over 1,300 jobs at the plant and 2,000 in suppliers. (BBC News 03/6, J 03/6) [Production of the next Micra is moving to a new factory in Chennai India. The new Sunderland model, a compact soft-roader, is still in the design stage.]

Nissan [the parent company] has **warned** on a **30% fall in profits** this year, blaming high increases in the cost of steel and other raw materials, the strength of the yen and a flagging US market. It **missed** its **profit target** for the **second year running**. It denied reports of potential job losses as it prepares to lose production of the *Micra* model when its replacement is launched in 2012. (FT 14/5)

Renault-Nissan has teamed up with Project Better Place, a Silicon Valley start-up, to **introduce all-electric vehicles** and a network of charging points in Israel and Denmark by 2011. Nissan plan to launch a battery-powered car in America in 2010. Renault intend to offer a complete range of electric vehicles in every large car market by 2012. Nissan and NEC have invested heavily in battery technology to improve the longevity and ease of recharging batteries. (EcN 16/6)

Late News: **Tanfield Group** has a **major setback**. About 70% of its output is **aerial access equipment**, for which many customers are in the construction industry.

[See also §1.1 Global Economy for the Doha Round's proposed cuts to tariffs on cars]

6.7 Electronics & Electrical Engineering

[There were no Electronics & Electrical Engineering announcements]

6.8 Food & Drink

[There were no Food & Drink announcements]

6.9 Printing & Packaging

De La Rue plans to sell its **Cash Systems business**, which makes money-handling equipment and is valued at £400m. De La Rue employs 180 staff at its Security Paper and Print plant in Gateshead. (J 23/5)

6.10 Other Manufacturing

[There were no Other Manufacturing announcements]

6.11 Construction (including Housing)

Taylor Wimpey plans to **cut 900 jobs** by **closing a third** (13) of its **offices** nationally. It is looking to **raise £500m capital** as it faces land-related write downs of up to £660m. Its **net debt** stands at **£1.7bn**, down £200m from April but up from £1.4bn reported at the end of 2007. [Its NE offices in Sunderland and Stockton were reported in the Journal not to be part of the closures. Reports from other sources suggest it has shed jobs in Sunderland] (FT 30/6-03/7, J 03/7)

Late News: **Barratt Developments** is to **cut 50 jobs** in **Newcastle** as part of 1,000 job cuts nationally as the credit crunch continues to impact on the housing market. [Barratt employs 6,700 in the UK. It is around £1.7bn in debt from the acquisition of Wilson Bowden last year] (J 04/7)

Owen Pugh, has **acquired** Gateshead-based **Graydon Dawson** for an undisclosed sum. The demolition firm in North Tyneside is proposing to increase the Blaydon firm's £4m turnover and add to its 50-strong workforce. (J 15/4)

[See also Construction Orders]

6.12 Retailing

JJB Sports is to **close 72** of its 409 **stores** and to **cut 800 jobs nationwide** following a **29% fall in profits**. A definitive list of the shops for closure has not yet been released, but the sportswear retailer has stores and health clubs in all five Tyne & Wear districts. (FT & J 17/4)

Waitrose **opened** a new **100,000sq ft store** in **Eldon Square, Newcastle**. The new store, on St George's Way, next to the John Lewis department store, is part of the £170m project to redevelop the shopping centre. (www.waitrose.com) [This is the first Waitrose store in Tyne & Wear, and follows store openings in Durham City and Hexham over recent years –Ed]

Newcastle City Centre Partnership (CCP) has **submitted a proposal** to raise more than **£7.5m** over five years in order to make Newcastle one the top shopping destinations in Europe. It hopes to set up a Government-approved **Business Improvement District** (BID), financed by local businesses, to fund projects designed to enhance the city centre area. (J 06/5)

6.13 Tourism & Hotels

Gateshead firm **Hospitality Catering Services Ltd** (HCS) has been **sold** for an undisclosed sum to **Caterplus Services Ltd**. The deal also saw Caterplus merge with Warrington-based Taylor Shaw. The enlarged group is now the largest privately-owned catering business in the care market. [HCS employs 35 staff. No job cuts were announced.] (J 30/6)

6.14 Culture & Leisure

Robert Tchenguiz, owner of Laurel Pub Company, has **bought back** the majority of the business after it went into administration in April. 90 loss-making sites were excluded from the deal and have now been closed, including **Liquid bar** in Newcastle's Cloth Market. (J 7/4)

'**Premium Bars and Restaurants**' is **relocating** its **headquarters** from Mosley Street, Newcastle, to **Manchester** after acquiring Living Ventures Ltd. It owns 50 ventures in the UK, including 16 in the NE. (J 26/4)

6.15 Transport & Communications

Eastern Airways has announced a **new once daily direct flight** between **Newcastle** and **Stavanger** in Norway, which is planned to further expand business links between the NE and Norway. It also increased its weekday services from Newcastle Airport to Cardiff from two to three (J 03/4, 14/4)

Air Southwest has introduced a **daily service** from **Newcastle** to **Newquay and Plymouth**. (J 25/4)

Arriva has agreed to **acquire** an **80% share** in **Interbus Invest**, for **£25.4m plus debt**. Interbus Invest is the holding group for Eurobus Invest, the largest private bus operators in **Hungary**. (J 15/4)

Metro City Taxi has **acquired NODA** (Newcastle Owner Drivers' Association) Taxi in a **£700,000** deal, giving the company the latest fleet of taxis in Newcastle. (J 3/5)

[The DFDS ferry services to Norway are due to end on 1st September 2008]

6.16 Financial Services

Northern Rock mortgage customers are being encouraged to switch to **Lloyds TSB** following a special agreement between the two banks. The move is intended to help Northern Rock repay the Bank of England £24.1bn by cutting the size of its mortgage book. (J 06/6)

Late News: **Northern Rock** announced **losses** of **£585.4m** for the first half of 2008, higher than expected. However, it managed to **repay £9.4bn** of its loan from the Bank of England, reducing the amount owed to £17.5bn. The government is to inject £3bn of new equity into the nationalised lender to help its finances. (BBC News 05/8) It announced 1,300 job losses in July, the location(s) of which have yet to be confirmed. (J 31/7)

In April, lenders stopped offering 100% mortgages, and now require a deposit of at least 10%.

Lowe's Financial Management has **acquired Premium Financial Management** for an undisclosed sum. The Newcastle firm plans to expand into Continental Europe by taking its service to Ireland, Bulgaria and Marbella. (J 08/5)

Ellis Bates has extended its services to **Yorkshire**. The Newcastle financial services firm has **merged** with **Brigham Brining** in Harrogate to become one of the region's largest financial advisory practices. (J 23/4)

6.17 Business Services

Opec Security has **acquired Light Impressions International** for **£6.5m**. The anti-forgery firm based in **Washington, Sunderland**, aims to build a customer base in the Far East, where its holographic authentication devices are popular. (J 04/4)

Ward Hadaway is to open a **new office** in **Leeds**. The Newcastle-based law firm announced a 13% increase in turnover to £28m for the year to end-April. (J 04/6, 06/6)

Newcastle law firm **Watson Burton LLP** has **secured a merger** with Surrey commercial and technology experts **Trevor Robinson & Co** in an undisclosed deal. (J 01/5)

Newcastle-based **Mincoffs Solicitors LLP** is to **merge** with **Jacksons Commercial and Private Law Firm** in Stockton-on-Tees in October 2008. It will become one of the five top firms in the NE legal market. (J 18/6)

Elliott Garden Insurance has been **purchased** by **Giles Insurance Brokers** for an undisclosed sum. This was after Charterhouse and the Bank of Scotland provided the nationwide company with a £500m acquisition fund. [Elliott Garden Insurance has offices in Washington and Houghton-le-Spring –Ed] (J 07/5)

Your Move Estate Agents has announced a **16% drop in turnover** in the first three month of the year. It employs 60 staff at its headquarters on Newcastle Business Park and has four branches throughout Newcastle. (J 30/4)

Late News: **Dickinson Dees** are to **cut 70 jobs**, attributed to the fall in conveyancing. [Further details will be included in the next issue]

6.18 Software & Digital Industries

Sage acquired Hallco for **£21m**. Hallco operates under the Tekton banner, which supplies software for the construction industry. Sage is the UK's largest software group. (J 01/4, 23/5)

TSG (Technology Services Group) has **acquired** IT firm **Xperience**, its **22nd acquisition** since its inception in Newcastle in 2003. TSG, which provides IT support to SMEs, plans to increase turnover by 75% to £70m by 2011. It now employs 500 staff across the UK, including 110 at Gosforth Business Park, Newcastle.

Bond has **acquired** Manchester-based **On Site Management Solutions (OMS)**. The Sunderland firm provides software in business management. (J 22/5)

Knowledge IT has **won a £1.2m contract** to provide IT equipment and support to the **Primary Care Trusts in Newcastle, North Tyneside and Northumberland**. It is the largest one-off health contract ever won by the Washington-based firm. It will supply and install over 1,400 PCs and 1,100 printers at 155 sites. (J 10/4)

Mere Mortals won a **£1.2m contract** with an **international video games firm**. The Newcastle business, which handles games, TV, film and audio post-production, will work on an unnamed title set due for release in 2009. (J 12/6)

Nomad Digital won a **contract** to supply the **first free-to-all onboard wireless broadband service** on the entire **US railroad**. The Newcastle-based company also secured contracts to provide on-train and station internet to the new **Dubai Metro system** and broadband to the Norwegian state railway. (J 19/6)

ZebraHosts has **developed a program** to identify **levels of obesity** among children according to postcode, age and ethnic group. The Newcastle firm's software has been adopted by the NHS and Primary Care Trusts nationwide. It will analyse the growth statistics of children and identify high-risk groups to help tackle obesity. (J 12/6)

True Potential aims to **increase turnover to £100m** by 2011. The newly-launched Newcastle software firm provides the technological ‘back-office’ to link independent financial advisors with clients and product providers. (J 16/5)

Armstrong Watson Computer Solutions has opened a **new office at Rainton Bridge Business Park, Sunderland**. It provides network, hardware and infrastructure support services to SMEs. (J 21/5)

6.19 Public Services

Newcastle Education Business Partnership (NEBP) will offer students in Newcastle the opportunity to study new **Diplomas** from September 2008. Newcastle is one of only **10 local authorities** to have been **nationally approved** to pilot all of the first 5 Diploma schemes: Construction and the Built Environment; Engineering; Society, Health & Development; Creative & Media; and Information Technology. (J 15/4)

6.20 Other Services

Specialist Alarm Services Ltd (SAS) has been **bought** by **three** of its **senior managers** for an undisclosed **seven-figure sum**. The Newcastle-based firm designs, manufactures and installs alarm systems for the healthcare industry. (J 7/4)

Neville Porter has called in an **insolvency firm** to strike a deal with its creditors. The Birtley **betting** firm hopes to enter into a Company Voluntary Agreement to repay its debts after making **losses of £269,000** in the second half of 2007. (J 14/5)

7.0 PUBLICATIONS AND RESEARCH

7.1 Tyne & Wear Research and Information Publications

TWRI published the following reports, available at www.twri.org.uk

Market Services in Tyne & Wear and the City Region: 2001-2005 (EP 08/03, 70pp. Published 08/08)

Manufacturing Performance in Tyne & Wear and the City Region: 2001-2005 (EP 08/01, 70pp. Published 06/08)

This series has been divided in order to include Tyne & Wear City Region and the Rest of the City Region (for the first time), in addition to Tyne & Wear. The two reports:

- Provide major insights into the performance of the manufacturing and market services sector in Tyne & Wear City Region, worth 16% and 41% of the TWCR economy respectively in 2005
- Identify the four most competitive manufacturing industries and market services in TW
- Demonstrate faster output growth than in the UK.

Variables covered include output, employment, productivity, operating profits, investment, establishment size and purchasing of services. Data is provided mainly for the Top 10 Manufacturing Industries and Market Services, based on output (GVA). Data for Leeds City Region and the UK is also provided within many tables and graphs as comparators.

Earnings in Tyne & Wear and the City Region 2007 (EB 08/02, 50pp. Published 08/08)

This report compares earnings in Tyne & Wear and Tyne & Wear City Region in 2007 with those in West Yorkshire, Leeds City Region, the NE and the UK. It includes discussions on low pay, part-time earnings, the distribution of earnings and trends over time. Key findings include: negative growth in earnings in TW in 2006/07 compared to relatively strong growth nationally and in West Yorkshire, as well as substantial pay gaps between TW and TWCR and their comparators.

Commuting (Inflows) to Major Centres of Employment within Tyne & Wear (Published 08/08)

A series of maps and accompanying commentary analysing the commuting patterns into the (thirteen) largest centres of employment in Tyne & Wear. It covers the Census LSOAs (Lower Super Output Areas) with over 5,000 employees located at the workplaces within them in 2001. This includes a total of 138,300 people, around 29% of the total employed in Tyne & Wear in 2001. (An LSOA is a small Census area with a resident population of around 1,500 people)

Household Income & Expenditure EP 08/02, Published 07/08, £15)

This report presents seven different indicators of income and two of expenditure. Income: Household Disposable Income (ONS), Household Income per household (EFS), Earnings (ASHE), Personal Income (HMRC/Inland Revenue), ID Income domain, Household Income (ONS ward level estimates) and Experian, CACI estimates. Expenditure: Expenditure from EFS (Expenditure and Food Survey) and Ownership of Household goods from EFS. It presents TWRI's estimate of the average amount of a mortgage in the NE in 2005 at about £64,000 (using EFS data).

Unemployment in Tyne & Wear (Monthly, EU 08/07, Published 07/08, £5)

This report shows how claimant unemployment has fallen [marginally] in the year to June 2008. It provides monthly unemployment indicators for Tyne & Wear districts, North East, GB and UK (includes claimant count, incapacity benefit claimants and ILO measure of unemployment) with claimant count statistics for Tyne & Wear wards.

7.2 Research News from Other Organisations

The ippr North has published a number of reports, including the following (available from www.ipprnorth.org.uk):

Fair Shares? Barnett and the politics of public expenditure (Iain McLean, Guy Lodge and Katie Schmuecker, 41pp. Published 10 July 2008)

The Barnett formula – the Treasury mechanism used to fund the devolved administrations (DAs) in Scotland, Wales and Northern Ireland – is now the subject of widespread political debate across the four nations of the UK.

In particular, there are growing concerns that the current disparities in funding across the UK are not fair and that this is creating a tension between the four nations, especially between England and Scotland, which could serve to undermine the Union unless addressed.

To help inform these debates this paper evaluates the way the Barnett formula works and asks:

- Does Barnett deliver an equitable and fair distribution of spending?
- Does Barnett provide for efficient and accountable spending?
- Do the public think the distribution of public spending across the UK is fair? Is Barnett procedurally fair?

Decentralisation in England: How far does the Sub-National Review take things forward? (Olga Mrinska, 15 pp. Published 20 June 2008)

At a time when all the major political parties in Britain are in agreement that greater decentralisation is needed to increase the effectiveness of public policy and to strengthen the economic potential of regions and localities, specific policy measures and instruments to enable such decentralisation are urgently required.

The Government is committed to empowering local authorities and regions and has launched a programme of reforms to achieve this. But these reforms have often attracted heavy criticism from local leaders, businesses and voluntary community. At the same time, none of the other parties have yet offered any comprehensive or practical alternatives to the current policy mechanisms.

This paper discusses how the reforms suggested in the Review of Sub-national Economic and Development and Regeneration can take the decentralisation agenda forward and what should be changed in order to turn good opportunities into a reality.

The ippr North also published the following less-economic-based reports (available from www.ipprnorth.org.uk):

Best Before: How the UK should respond to food policy challenges (Jane Midgley, 29pp. Published 26 June 2008)

With rising food prices, concerns about environmental impacts of agricultural production and worrying levels of obesity, food has never been more topical. Ensuring a safe, affordable, sustainable and healthy supply of food is one of the most fundamental challenges facing policymakers in the UK and, indeed, around the world.

At first glance, getting food on the table seems to be a relatively straightforward issue of demand and supply. Yet, there are a growing number of increasingly thorny and sometimes urgent food-related challenges facing UK policymakers.

Nation Speaking Unto Nation: Does the media create cultural distance between England and Scotland? (Douglas Fraser, 15pp. Published 9 June 2008)

This paper looks first at the development of a Scottish national press, and its role in facilitating a national conversation in Scotland. It also considers the trend for London based newspapers to 'put a kilt' on their Scottish output, and the implications this has for the UK's ability to hold a national

conversation. The paper also looks at the broadcast media, which finds itself in the position of being both an influential promoter of Britishness, as well as having played a key role in building a sense of Scottish identity.

NERIP has published a number of reports, including the following (available from www.nerip.com);

Quarterly Economic Summary: May 2008 (Rebecca Hulbert, NERIP, 14pp. Published 21 May 2008)

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

NERIP also published the following reports on its website from other organisations (available from www.nerip.com);

Regeneration in European Cities: making Connections (Christopher Cadell, Nicholas Falk and Francesca King, Joseph Rowntree Foundation, 146pp. Published 7 April 2008)

This study of successful urban regeneration schemes in mainland Europe draws lessons for the UK. The report makes comparisons with similar places in the UK, including Gateshead.

Key points:

- ‘There is no single ‘European model’ for successful urban regeneration, but a consistent approach runs through the case studies – a powerful local authority is in charge of the regeneration scheme, and is using it not just to revive a run-down area but also to change the whole image of the city and transform its strategic economic position’
- Gateshead is the partner case study for the Swedish case study (Gothenburg) in this report
- Focus on the wider metropolitan area (or city-region)
- Work together across boundaries, sectors and professions
- A shift in power from central to local can be achieved incrementally

North East Equality and Diversity Partnership (NEEDP) (with Northumbria University Centre for Public Policy) published the following report (available from www.equality-ne.co.uk/):

Equality and Diversity in the North East: A Statistical Profile (Amy O’Donnell with Lalith Welamedage & Elaine Lambie, Northumbria CPP on behalf of NEEDP, 253pp. Published August 08)

The report aims to provide a backdrop for the preparation of policy relating to equality and diversity by describing the numbers of people in a variety of population groups in the North East, and the issues they face. It draws on a range of national and regional sources to present statistical information about twelve identified population groups and describe the issues each group faces with regard to employment, crime and safety, education and skills, social capital, health and social care, housing and transport. It concludes with a series of recommendations to improve the availability and quality of data relating to equality and diversity in the North East.