

THE SW HEALTHY LABOUR MARKET IN THE FACE OF ECONOMIC SLOWDOWN

SUMMARY

- The effects of the credit crunch, high oil and commodity prices, falling house prices and the rising cost of food are converging and an economic slow down in the United Kingdom is now likely.
- Economic growth projections for 2008 and 2009 are low, though a technical recession is not yet being predicted.
- Unemployment is expected to rise. The South West still has a relatively “healthy” labour market and may be less susceptible to an economic downturn, at least at first. Areas of high unemployment are already more vulnerable. Equally, sectors that have a higher dependency upon ‘discretionary spending’ may be affected more severely.
- There is little evidence yet of economic slowdown in either the national or regional data, though vacancy notifications may be levelling off as businesses stop hiring in the face of an uncertain future.
- Anecdotal evidence and media reporting suggest that construction and housing related sectors are already being affected and there has been high profile reporting of lower profits in the retail and financial services sectors. We would expect that any business closely linked to either the financial services or housing sector to be affected first.
- The South West will feel the effects of a national downturn though with a time lag. Business and financial services centres (Bristol, Swindon, Bournemouth and Poole) and those areas aligned to the South East and London will be affected earliest. Areas dependent upon leisure and tourism (coastal towns and the far South West) and discretionary spending will suffer later as consumers rein in spending.

Allison McCaig
July 2008

OUR PARTNERSHIPS

INTRODUCTION

The purpose of this document is to provide an analysis of the SW labour market in light of the economic downturn anticipated nationally and regionally.

Historically, we know that the South West tends to feel the effect of an economic downturn some time after the effects are seen nationally. Furthermore, there is a lag in production of most regional economic data, even more so sub-regionally. As a result, we are somewhat reliant on anecdotal evidence, history and economic theory to determine which areas (sub-regions and sectors) in the region are likely to experience an economic downturn first. Some evidence does come through in 'leading indicators'.

Care must be taken in interpreting economic data, particularly when seeking the first signs of economic change. It is often difficult to tell for some time after the fact whether any downturn in labour market statistics is real or simply part of the natural statistical variation. Over interpretation must be warned against.

This analysis includes discussion of the wider economic context in which the SW economy functions, as well as the effect of the "credit crunch" in the South West, then assesses a number of key economic/labour market indicators for signs of economic slowdown.

ECONOMIC CONTEXT

Following many years of fairly stable economic growth, the United Kingdom is now in a period of relative economic uncertainty, following the convergence of the "credit crunch" and its ramifications for many asset and debt markets, and unprecedented inflation in oil, food and other commodity costs.

Despite the high profile liquidity or credit "crunch" seeded in the US in 2007 and then spread to the UK financial services sector, the UK economy actually performed strongly in 2007. Since late 2007, however, economic growth projections for 2008 have been steadily revised downwards. Although figures for the first half of 2008 will show a slowdown rather than recession, there is a risk of a bigger downturn in the second half of the year and into 2009. The debate continues as to whether we are going to see a technical recession and, thereby, as to the length and depth of the slowdown.

The real price of oil is and at all time high and other commodities have also risen substantially, exacerbated by increasing demand from China, India and other rapidly developing countries. Food prices have also rocketed as a combination of increasing global demand, decreased productivity of the agriculture sector (perhaps linked to climate change), and the substitution of land for growing crops for bio-fuel. As a result, inflation measures – input and output prices – have risen rapidly in recent months in the United Kingdom and elsewhere, with double digit consumer inflation rates being seen in more countries. Meanwhile, policy makers are torn between addressing the slowdown or addressing accelerating inflation. The UK Government is pushing for low wage settlements as a means to dampen inflation. Rises in interest rates from the Bank of England may be necessary.

As a result of the credit crunch, banks have tightened their lending criteria. While the official bank rate fell (from 5.75% in July 2007 to 5.00% in April 2008), lenders have increased their loan rates, causing potential problems for the large number of borrowers having to re-negotiate fixed rate mortgage deals in the next year or so. The South West has relatively high indebtedness to income ratios and is therefore at risk. Repossessions and insolvencies are rising, with reports of an increase in negative equity in areas where house prices are falling. There is wider concern around the state of the housing market and house building, and whether this will have negative implications for the path of the overall economic slowdown. While a correction in

house prices may be overdue, and affordability issues could be eased somewhat as the markets for second homes and buy-to-let lose their momentum, the greater danger is of a freezing of the market with knock-on effects for other forms of spending.

To gauge how strong the downturn might get, all eyes are on the labour market indicators, in particular unemployment numbers which are now starting to rise. There is already some evidence that economic migrants are returning to their home countries as job opportunities in the United Kingdom start to fall off and this may be offsetting a rise in unemployment that otherwise might have been seen by now.

The South West of England will be affected by any period of stagflation, though the region often feels these effects with a lag. Anecdotal and survey evidence suggests that most regional businesses are still reasonably confident. Major financial and business services centres, such as in Bristol, and Swindon, and Bournemouth and Poole, are at risk, as are areas that are dependent upon discretionary spending, including leisure and tourism; and businesses in the property sector. The region is also at risk through relatively high levels of indebtedness as the cost of living continues to rise.

The region has had a relatively “healthy” and flexible labour market for some time, characterised by relatively high employment and low unemployment rates. Together with our diversified economy, this may help the region ride out the economic storm better than some. On the other hand, peripherality and debt positions may augur for some deeper impacts in specific places or sectors. Over the next eighteen months, the SW labour market is likely to experience a period of greater uncertainty than we have been used to in recent years.

THE EFFECT OF THE CREDIT CRUNCH IN THE SOUTH WEST

The credit crunch is really a liquidity crunch. It stems from a withdrawal of cheap access to liquidity in the global inter-banking markets which has emerged tangibly in housing and other asset valuations in a number of countries.

The liquidity crunch is affecting credit markets at wholesale and retail level in the South West, largely through wider differential pricing for risk, and also affecting some business and household borrowers in re-negotiating loan terms or applying for new funds. Credit criteria have tightened for the more risky borrowers but not across the piece. Indeed, some SW businesses - particularly those engaged in high value, knowledge-based, export activities - suggest that credit conditions are, if anything, easier.

This is a general theme. The impact of the crunch to date is highly variable by business and household, and by sector and product, with value added firms and individuals not yet changing spending and other behaviours significantly to date.

Sectors

- *Financial services* in the region have seen demand, supply and price adjustments in response to the crunch. There have been some lay-offs in insurance and other sectors, e.g. Friends Provident, Norwich Union and Liverpool Victoria.
- *Housing/property* has seen price falls and, more importantly, an activity freeze. The latter is highly variable by place but potentially more damaging because of knock-on effects to other markets in the supply chain. Second-home markets have shrunk and this has the potential to lead to a strong, negative impact in the more rural/coastal areas, including Cornwall, in the months ahead.

- *Construction* – House builders have cut back on new starts significantly, layoffs in the sector are increasing, although, to some extent, the net effect has been offset by migrants “returning home.”
- *Agriculture* – although input cost pressures are strong, the SW farming sector has benefited from increased land values and firmer farm gate prices this year. In the short term, the sector may benefit from rising energy costs as pressure is put on exports/imports.
- *Manufacturing & high value added services.* These areas, especially exporters, are still doing well with good order books, strong current output levels and still some scarcity of skilled labour. There is more uncertainty about the future with some exporters suggesting they are worried that it might all “hit a wall” soon. At present, however, these areas of activity are robust, helped by the weaker pound against the euro. There is some caution about investment intentions but this is more “wait and see” rather than definite cuts.

Spending

“Big ticket” and discretionary spending items are under pressure. In some markets, price discounting is maintaining volumes at the expense of margins (clothing and some durables retailers). There is concern in the tourism and leisure sectors that bookings are being delayed and visitors to attractions are spending less per visit than “normal”. There is some disquiet about cutbacks or delays in government spending at a time of wider economic slowdown, particularly in relation to defence spending with its impact on certain places in the region (Plymouth, Yeovil et al).

Spatial

As well as these sector-related locations, the understanding is that the crunch effects have had a stronger impact to date on the parts of the region most closely linked to activity in the Greater South East (i.e. the Bristol-Swindon-Cheltenham area and the Bournemouth-Poole area). Ripple effects to the rest of the peninsula have been less significant to date but there is a view that some market and coastal communities that have been highly dependent on property and other asset values in recent years may be vulnerable to more of a slow down in the second half of 2008 and 2009, i.e. that the wealth effects may be more important than the income effects beyond the north and east of the region. There have also been some ‘localised’ effects of planned developments being shelved or delayed due to the uncertainty around the commercial property market.

ECONOMIC FORECASTS

UK real GDP grew by 3% in 2007. Preliminary estimates for Q1 of 2008 suggest that economic growth has fallen slightly to 2.3%. Consensus forecasts from the Treasury¹ suggest that this will fall further throughout the year to around 1.6% for the year, followed by 1.3% in 2009 – these figures are being continually revised downwards (1.7% and 2.0%, respectively, in February).

At the same time, unemployment is also expected to increase from current levels of claimant unemployment of around 835,000 to nearer one million in 2009.

¹ Forecast for the UK economy 18/06/08, HM Treasury
www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm

At a regional level, Experian projections² suggest that the region will hit a low in the first quarter of 2009 and start recovering thereafter. They also suggest that the unemployment claimant rate rises to just over 2%, similar to 2001 levels and not particularly high. LFS unemployment is projected to rise to around 4%. These are set against a growing SW population, so the rates represent higher numbers of people out of work than at present.

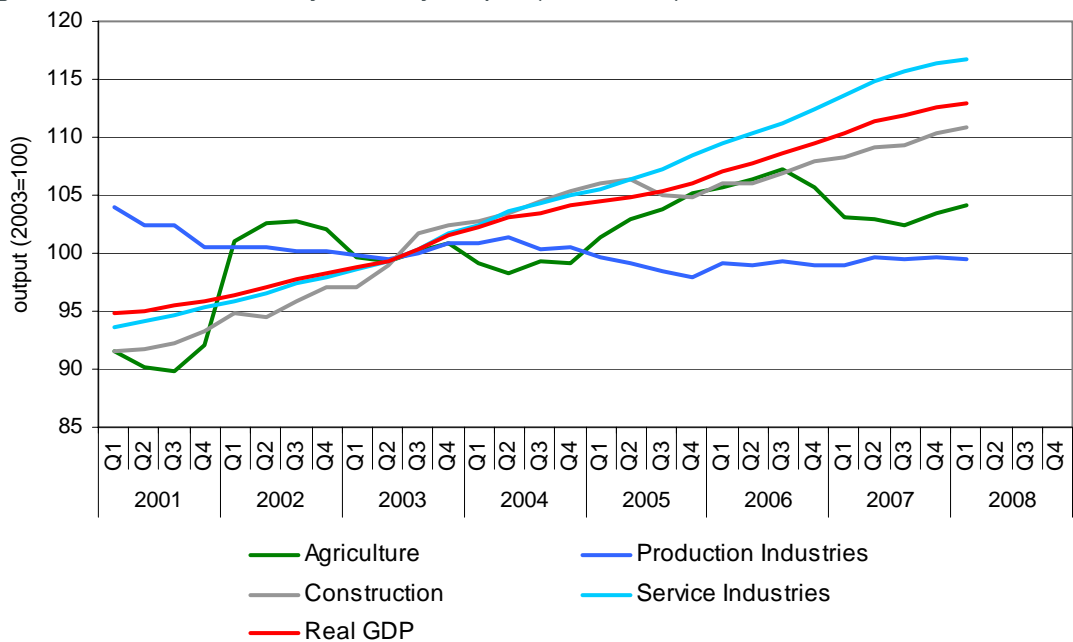
ECONOMIC AND LABOUR MARKET INDICATORS

Economic output up to 2008 Q1

Figure 1 shows the latest data for UK economic output by broad sector group. In 2007, real GDP grew at 3.1%, a marginal improvement on 2006 (2.9%). In 2008 Q1, economic growth slowed to 2.3% on the year. This is not a particularly low value and is still better than the slight downturn seen in 2005.

This downturn in GDP growth in Q1 is driven by a slowing down across the service sectors. Broadly speaking, the rest of the economy is still performing strongly. Agriculture saw 1% growth, compared to a 3% decline in 2007. Manufacturing grew by 0.9% in Q1, compared to flat performance in the second half of 2007. The extractive industries sector continues to decline, explaining the relatively flat line in the chart for production as a whole. Construction grew by 2.4% per annum, in line with performance in 2007 and better than the 1.1% growth seen in 2006.

Figure 1: GVA and GDP by industry output (2003=100)



Source: ONS

Inflation

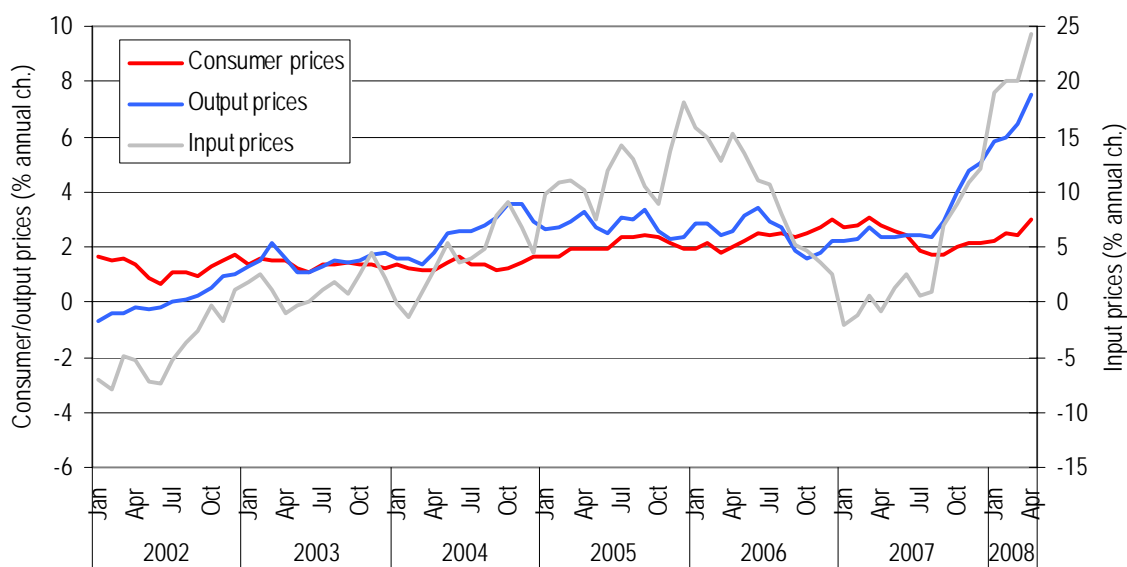
Figure 2 shows annual change in the consumer price index (i.e. inflation rate faced by consumers), input price index (i.e. inflation in manufacturing input prices); and output

² Regional Planning Service, Spring 2008, Experian

price index (i.e. changes in factory gate prices). Note that input prices are on a different scale to the other two measures.

The chart shows that consumer inflation has gone up only slightly in recent months, reflecting increased fuel bills and increased costs of food and drink. In May 2008, the CPI crossed the Government's 3% target. Ordinarily, the Bank of England would respond to this by raising the base rate to curb spending but this could exacerbate the trend to declining economic growth – the choice is not a simple one. Some banks' lending rates are already somewhat above the base rate anyway.

Figure 2: Price inflation



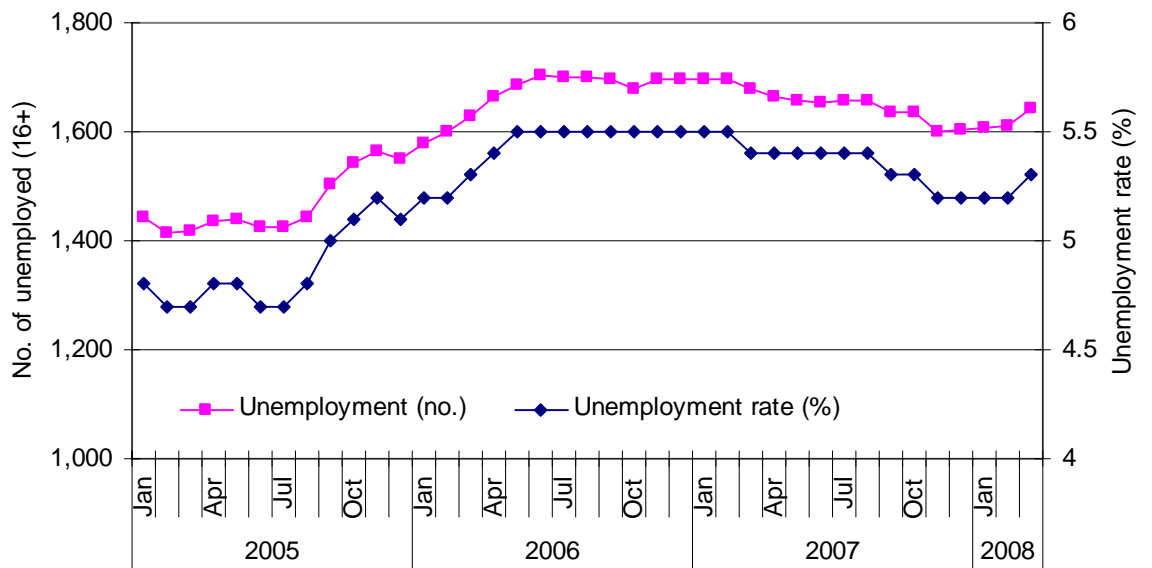
Source: ONS

Importantly, however, both input and output prices have rocketed in the last six months, reflecting unprecedented high levels in oil and other commodities, driven by growing demand from China et al. Food prices are also high, due to increased demand, lower output, bio-fuel production, etc. It is inevitable that these increases are being passed on to consumers. This is putting pressure on consumer spending, again reinforcing the economic slowdown.

Employment and unemployment

Labour market data are being watched closely by all for signs of increases in unemployment. Unemployment can rise either through an increase in the number of workers becoming unemployed (i.e. increase in redundancies) or through a decrease in new demand/churn in the labour market (i.e. decrease in vacancies).

Figure 3: UK unemployment trends

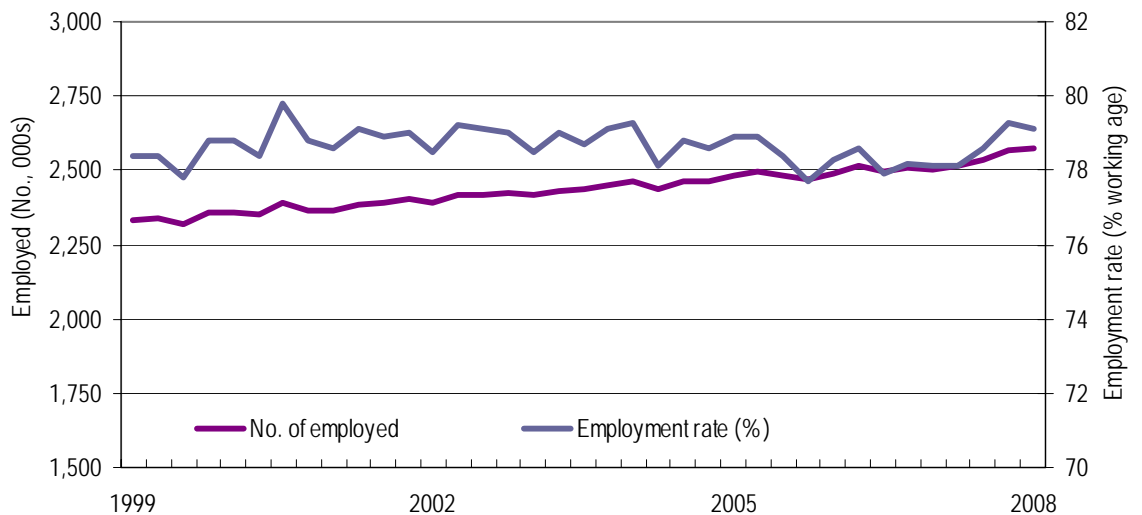


Source: ONS

Much has been made in the media about the increase in the official measure of national unemployment – those aged 16 and over who are out of employment and actively seeking work. Over the last three months this number has risen but, as Figure 3 shows, this increase is fairly insubstantial relative to what has gone on in the months before. It is too early to panic.

Figures 4 and 5 show recent trends in SW employment and unemployment (to Q1 2008). Broadly, the South West follows, though out-performs, the UK pattern.

Figure 4: SW employment



Source: ONS

Figure 4 shows a steady increase in employment in the region, in line with population growth. The South West consistently has the second highest employment rate in the United Kingdom and has the highest female employment rate (75.5%, March to May 2008). As with the national picture above, there is a slight downturn in employment performance, though considering the fluctuation in rates over time it is difficult to conclude from this that we are in recession. We would need to see this downturn

sustained and extended for a number of months before we can start to draw firm conclusions.

Figure 5: SW unemployment



Source: ONS

Conversely, the South West has the lowest unemployment rate in the United Kingdom and, in line with the UK average, this has declined over time – see Figure 5. In particular, the gap in male and female unemployment has closed over time (11.9% and 6.9%, respectively, in 1993; 4.0% and 3.2%, respectively, latest).

Despite relatively high population growth, the number of unemployed has fallen. Contrary to popular conception, this is not because there has been a net flow out of the labour market (onto benefits) – economic activity rates have remained fairly stable and many unemployed workers have successfully found employment.

Coupled with high economic activity rates of around 82% (UK=79%), the South West labour market is fairly tight – often described as “healthy” – and therefore potentially resistant (at first) to rises in unemployment triggered by economic downturn.

Sub-regionally, there is a considerable lag in these employment and unemployment measures³ and due to reduced sample sizes the data are not robust for some (mainly rural) local authorities.

There is considerable variation, which has implications for how different areas will be affected by any economic downturn. In the year to September 2007, employment rates ranged from 72% to 75% in Bristol, Plymouth and Torbay to 83% to 84% in North Somerset, South Gloucestershire and Swindon (UK=74.2%). Unemployment ranged from 2% in North Somerset to 8% in Plymouth⁴ (UK=5.2%).

Claimant unemployment

Claimant unemployment - those seeking job seekers' allowance - is an alternative measure of those out of work. The South West fairs particularly well on this measure with a claimant rate of 1.3% of the resident working age population in May 2008

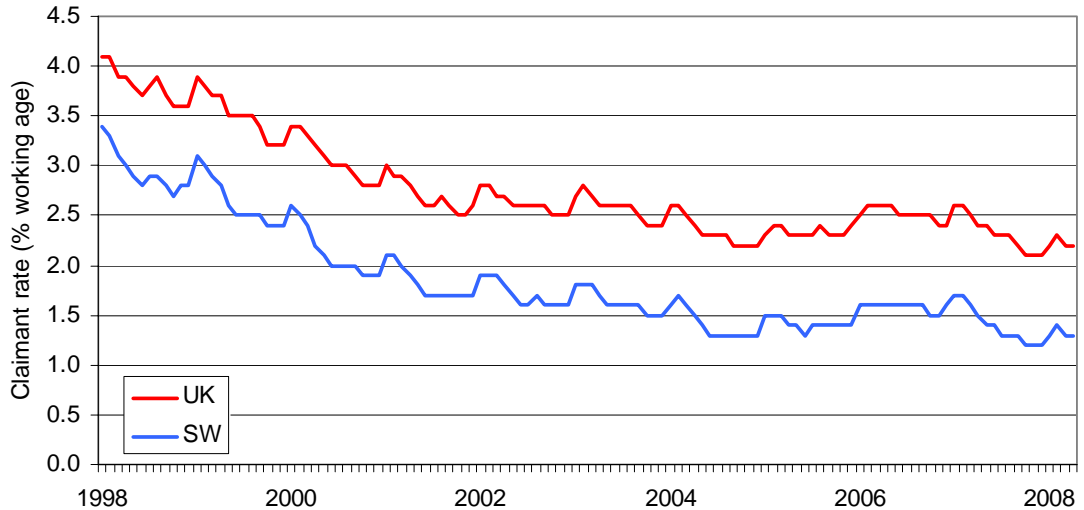
³ The latest Annual Population Survey figures are for the year ending September 2007.

⁴ The 95% confidence interval for Plymouth's unemployment is +/- 1.9%, suggesting this figure is not particularly reliable.

(UK=2.2%). This equates to around 40,000 people in the South West – around only 5% of the national total (compared to 8% share of economy, 8.6% share of workforce).

Figure 6 shows the unemployment claimant rate for the United Kingdom and the South West. Nationally and regionally the figures remain very low, within the extent of variation seen in the past and so not yet of concern.

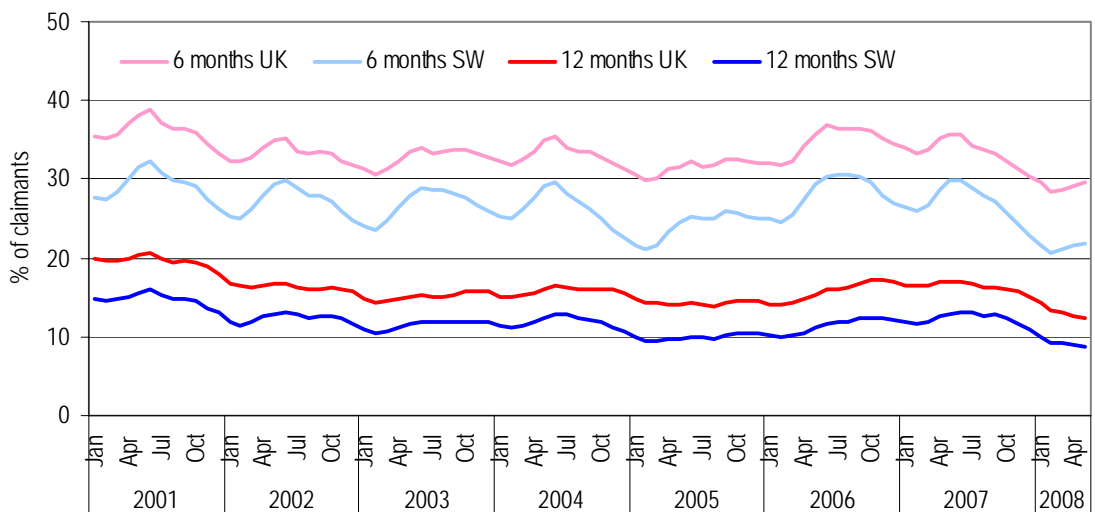
Figure 6: UK and SW unemployment claimant rates



Source: Nomisweb

Figure 7 shows the trends in medium- and long-term claimant unemployment (longer than six and 12 months, respectively). Again the South West is in a better position than nationally and mirrors the national trend closely. While the proportion of claimants registered for longer than 12 months continues to decline and was at an all time low, the six month figure has been rising since February. Again this does not appear to be different from variation seen in the past but will need to be monitored. If vacancies (discussed below) are slowing down, then it will become more difficult for the long-term unemployed to gain employment.

Figure 7: Proportion claiming unemployment benefit for longer than 6 and 12 months



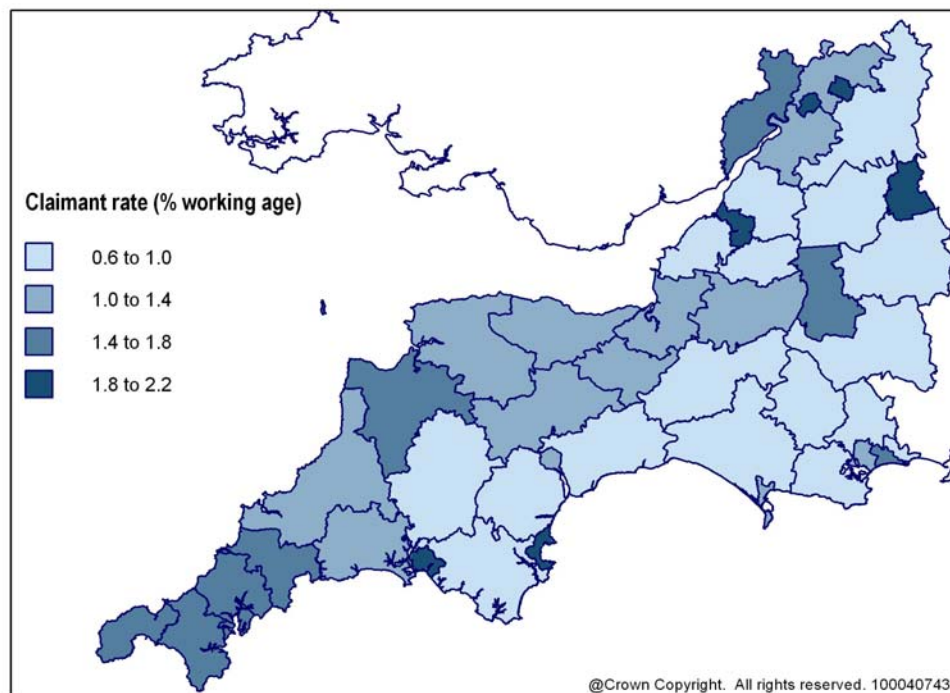
Source: Nomisweb

At a sub-regional level, there is substantial variation in the unemployment claimant rate – see Figure 8. In May 2008, rates ranged from 0.6% in East, North and West Dorset to 2.1% in Plymouth, and 2.2% in Gloucester and Torbay. As such, every local authority in the region is better than or equivalent to the UK average (2.2%).

The (mainly urban) areas with higher unemployment may be more vulnerable to an economic downturn – higher unemployment suggests a relatively slack labour market with fewer employment opportunities for those seeking work; and the unemployed have lower incomes and are therefore more susceptible to the rising cost of living that we are currently experiencing. It also represents a proportion of the population that has a low and ‘depreciating’ skills set.

Claimant unemployment rates were broadly unchanged compared to May 2007 – if anything rates had decreased.

Figure 8: Claimant unemployment rate, May 2008



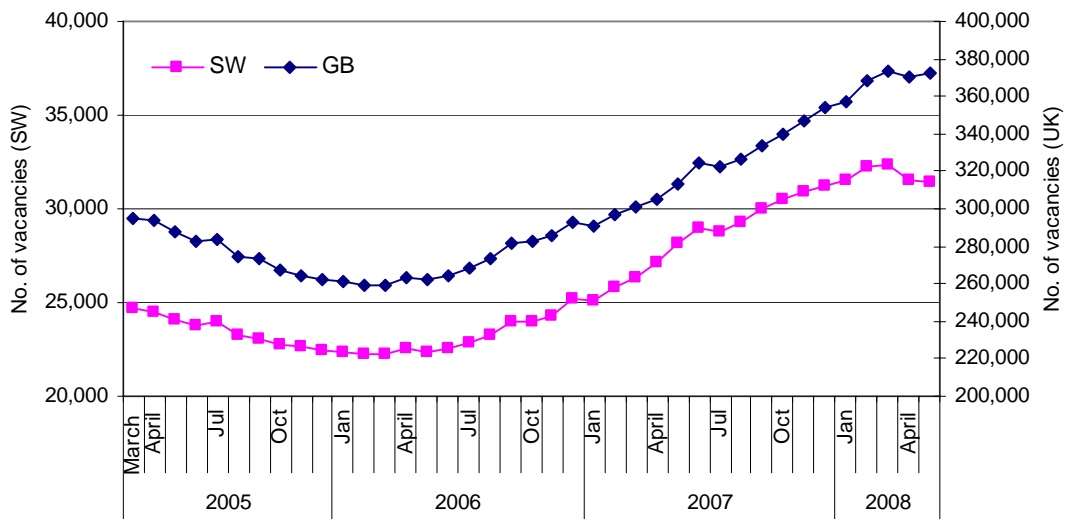
Source: Nomisweb

Job vacancies

Figure 9 shows the trend in average number of notified vacancies in the previous 12 months in the South West and nationally. While these will not represent all vacancies and may disproportionately represent some sectors or sub-regions, these figures give an indication of the strength of demand in the wider jobs market.

The chart shows vacancies increasing through 2006 and 2007, flattening nationally and declining regionally in early 2008. This is perhaps an early sign that employers are reining back their hiring intentions in this period of relative economic uncertainty. Companies may stop hiring some time before they start ‘firing’.

Figure 9: Number of notified vacancies



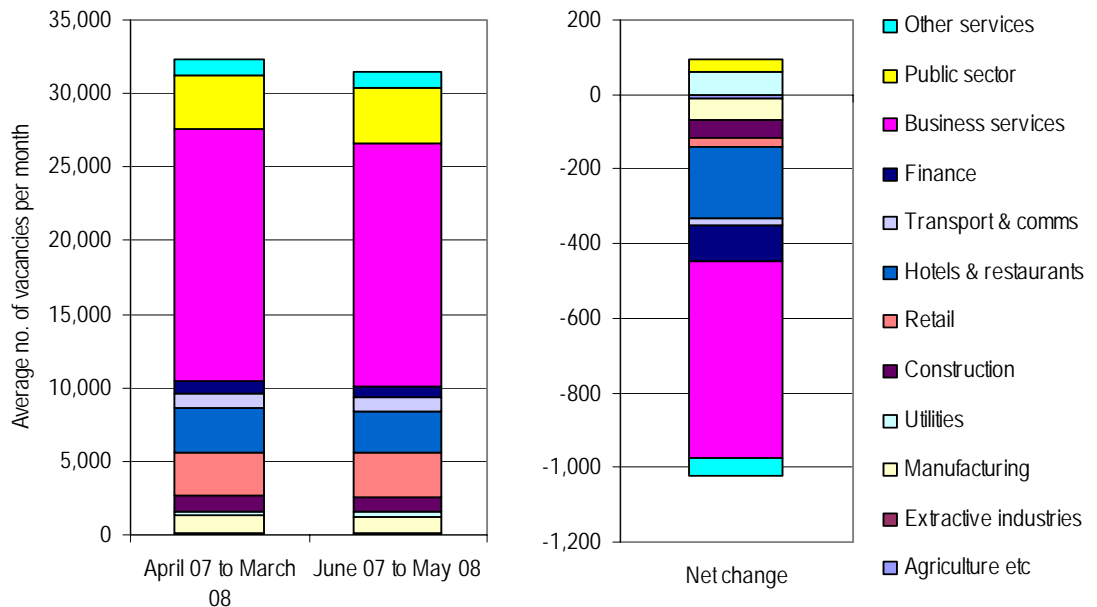
Figures represent average no. of vacancies in previous 12 months

Source: Nomisweb

Figure 10 shows the distribution of vacancies by sector and the net change in the average number of monthly vacancies between the two periods April 07 to March 08 and June 07 to May 08, the period for which a decline is seen above.

Vacancies have declined across most sectors, except the public sector and utilities, but the numbers are still relatively small.

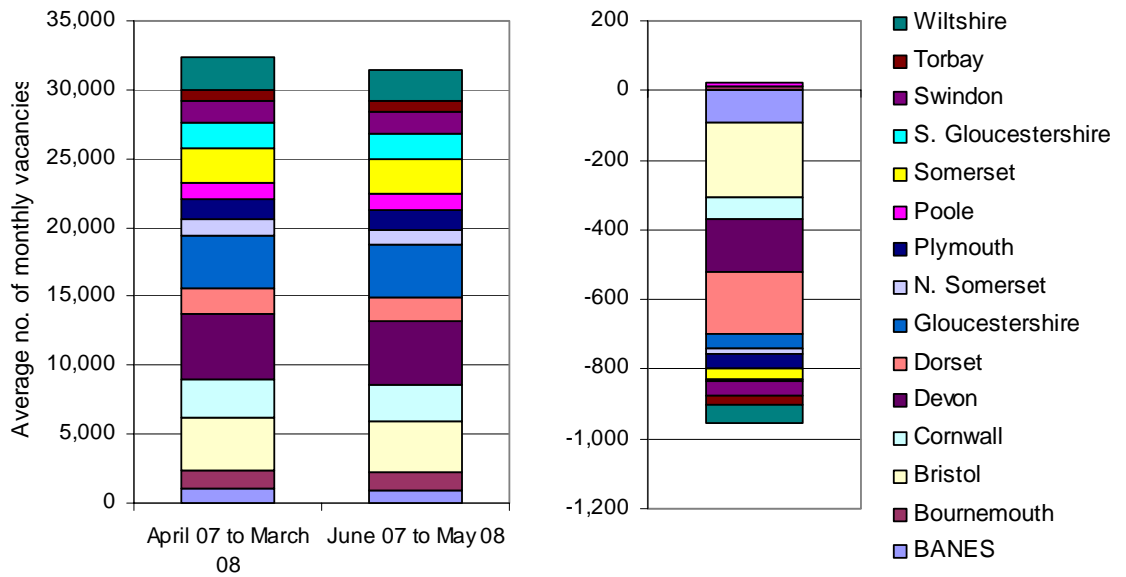
Figure 10: SW vacancies by broad sector – April 07/March 08 vs. June 07/May 08



Source: Nomisweb

Figure 11 shows a similar chart by SW sub-regions. All areas except Bournemouth and Poole, which remained constant, saw a fall in average vacancy numbers. There is some variation in the extent to which different areas are affected but again the numbers are small and should not be over analysed.

Figure 11: SW vacancies by sub-region April 07/March 08 vs. June 07/May 08



Source: Nomisweb

Redundancies

Figure 12 shows the level and rate of redundancies nationally up to the period February to April 2008⁵. Over the relatively long period of UK economic expansion, redundancies have steadily decreased and, again, there are no signs of any change in the trend...yet.

Figure 12: UK redundancies



Source: ONS

⁵The redundancy rate is the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Table 1 shows the regional picture for redundancies – share of GB redundancies and the SW and GB rates. Unfortunately, the data are not particularly robust and therefore figures are not always available.

The numbers in the table suggest that the region saw relatively high levels of redundancies at the end of 2006 but, as expected, there is nothing to suggest that effects of an economic downturn are being seen in the South West.

Table 1: SW redundancies

		SW as % GB	SW rate	GB rate
2005	Q1	7	4.8	5.6
	Q2	*	*	5.1
	Q3	6	4.7	6.2
	Q4	8	5.3	5.8
2006	Q1	*	*	5.9
	Q2	8	5.4	5.5
	Q3	10	6.5	5.4
	Q4	12	7.1	5.3
2007	Q1	8	5.4	6.0
	Q2	*	*	4.7
	Q3	*	*	5.1
	Q4	9	4.6	4.3

*Estimates are taken from the Labour Force Survey. Samples sizes are too small to provide estimates.

Source: *LFS Redundancy Tables*, ONS

Table 2 shows GB redundancies by industry. The share of redundancies in manufacturing is relatively high, reflecting the overall decline in manufacturing employment. Services redundancies have increased slightly over time – total services (excluding other services) now approaching two thirds. As the service sectors have also gained in share of the economy, this is probably not indicative of any wider problem.

Redundancies in business and finance are also relatively high and have varied over time – these industries have been going through a period of off-shoring and outsourcing. As such, the effect of the credit crunch, which may accelerate this process, may be difficult to detect in these figures.

Table 2: Share of GB redundancies by broad industry group

		Manufacturing	Construction	Distribution, hotels & restaurants	Transport & comms	Banking, finance & insurance	Public admin, education & health	Total services
2005	Q1	31.3	*	20.6	10.0	21.7	*	61.0
	Q2	27.3	11.4	21.5	9.5	17.6	*	57.5
	Q3	34.8	6.7	21.2	*	16.3	10.2	56.5
	Q4	24.5	10.4	22.0	8.7	14.7	10.2	61.7
2006	Q1	25.5	13.9	21.4	8.7	17.5	*	57.3
	Q2	30.7	9.8	17.2	*	20.8	8.9	59.0
	Q3	29.6	9.7	19.4	*	14.2	12.7	57.9
	Q4	30.0	13.4	16.4	9.8	15.9	8.5	54.4
2007	Q1	26.5	10.7	23.7	*	18.7	7.5	60.7
	Q2	25.8	8.7	21.7	9.1	15.9	11.0	62.3
	Q3	28.6	*	20.7	*	24.1	11.0	64.3
	Q4	26.1	*	21.8	*	21.3	10.0	64.3

Industry groups for which no data are available are excluded from the table.

Source: LFS Redundancy Tables, ONS

Table 3 shows the national rates of redundancies for these industry groups. These figures do not yet show any downturn in construction, as reported in the media. Manufacturing rates have broadly declined. Despite the high profile coverage of cutbacks in the public sector, the rates are far lower and are largely unchanged over time. Again, business and finance redundancy rates are not particularly high.

Table 3: Redundancy rates by broad GB sector

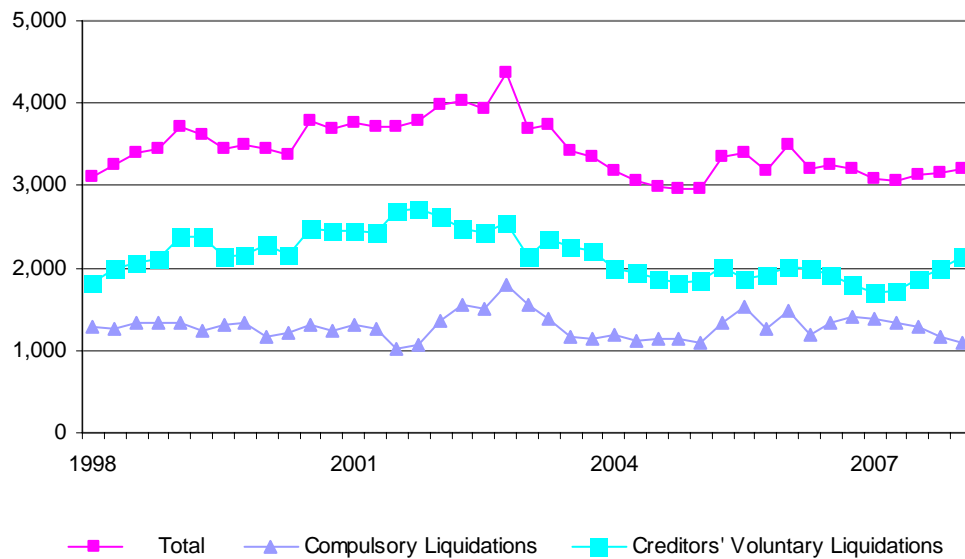
		Manufacturing	Construction	Distribution, hotels & restaurants	Transport & comms	Banking, finance & insurance	Public admin, education & health	Total services
2005	Q1	12.0	*	5.6	8.2	8.1	*	4.4
	Q2	9.9	10.4	5.5	7.1	6.1	*	3.8
	Q3	15.2	7.5	6.6	*	6.8	2.0	4.5
	Q4	10.0	10.4	6.4	7.2	5.6	1.9	4.5
2006	Q1	10.8	14.3	6.4	7.4	6.8	*	4.3
	Q2	12.1	9.4	4.8	*	7.5	1.5	4.1
	Q3	11.5	9.0	5.3	*	5.0	2.2	4.0
	Q4	11.4	11.9	4.3	7.7	5.5	1.4	3.7
2007	Q1	11.7	10.8	7.1	*	7.3	1.5	4.7
	Q2	8.8	7.1	5.1	6.2	4.7	1.6	3.7
	Q3	10.6	*	5.5	*	7.8	1.8	4.2
	Q4	8.2	*	4.9	*	5.9	1.4	3.6

Source: LFS Redundancy Tables, ONS

Insolvencies

Figure 13 shows the national trend in company liquidations⁶ over time up to 2008 Q1. This has remained fairly constant.

Figure 13: Company liquidations



Source: Insolvency Service

Table 4: Insolvency and bankruptcy petitions entered

	Companies winding-up petitions		Creditors bankruptcy petitions		Debtors bankruptcy petitions	
	2008 Q1	% Change in Total since 2007 Q1	2008 Q1	% Change in Total since 2007 Q1	2008 Q1	% Change in Total since 2007 Q1
Avon & Somerset	281	-72%	81	-15%	471	-23%
Devon & Cornwall	2	-	76	-14%	693	-15%
Dorset	4	-	40	21%	272	-3%
Gloucestershire	0	-	14	-39%	124	-26%
Wiltshire	2	-	22	-24%	116	-21%
<i>South West</i>	<i>291</i>	<i>-72%</i>	<i>304</i>	<i>-4%</i>	<i>2,036</i>	<i>-18%</i>
<i>England & Wales</i>	<i>2,965</i>	<i>-10%</i>	<i>4,851</i>	<i>-15%</i>	<i>13,080</i>	<i>-13%</i>

Source: Ministry of Justice

⁶ Creditors' voluntary liquidation (or creditors' voluntary winding up) - this is when the shareholders of a company decide to put the company into liquidation, but there are not enough assets to pay all the creditors, i.e. the company is insolvent. Compulsory liquidation (or compulsory winding up) - this is when the court makes an order for the company to be wound up (a 'winding-up order') on the petition of an appropriate person. If there is more than one director, all the directors must jointly present the winding-up petition - a single director cannot present a winding-up petition.

Table 4 shows insolvency and bankruptcy petitions across the South West up to 2008 Q1. The figures show improvement compared to one year earlier.

Company and individual insolvencies may rise if the region heads into an economic downturn. Businesses suffer when orders dry up or if customers delay payment because of lack of cash flow.

While business insolvencies have remained fairly stable, personal insolvencies have risen steeply from around 2,300 nationally in 2002 to 13,300 in 2007. This presents a particular problem for the South West, which has high levels of indebtedness – rising unemployment, rises in interest rates (including low fixed term lending rate offers expiring) and higher inflation could put many SW households at risk.

Individual insolvencies are particularly high in many parts of the region – Plymouth and Torbay rank second and third in England⁷, which suggests that some areas are vulnerable to increases in unemployment.

CONCLUSION

- The economic slowdown has been underway since late 2007 but is yet to become a significant – GDP growth is slightly down in Q1. High producer inflation rates are starting to feed through to consumer inflation and media reports suggest that consumer spending is falling.
- An economic downturn is now likely. The question remains as to how long and how hard the United Kingdom will be hit. There is still much debate about whether a technical recession is on the cards.
- It is still too early to see any sign of downturn in the regional economy – there are problems with lags in the data for many regional (and particularly sub-regional) economic indicators, and the region will also be affected later than the United Kingdom (on average).
- Most indicators show no sign of change....yet. SW job vacancies, however, appear to be levelling off or declining, a sign that businesses may be responding to financial uncertainty by reining back hiring intentions. Other datasets are behaving within the reasonable bounds of expected variation.

Allison McCaig
4th July 2008

⁷ The South West Economic Review, South West Economy Centre, University of Plymouth, Spring 2008

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