

ECONOMIC STATE OF THE REGION AND RESPONSE: EAST OF ENGLAND

SUFFOLK COUNTY COUNCIL	31 OCTOBER 2008
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STATE OF THE REGION <i>(n.b. qualitative and quantitative, include feedback on impact of new initiatives etc.)</i>	RESPONSE
<p>Housing</p> <ul style="list-style-type: none"> • <i>E.g. commercial, funding, repossessions</i> • Land Registry data for September shows the average house price in Suffolk down to £165,530, -1.3% on August and -5% annual average change. Nationally September was the 13th month in a row that the annual rate of house price growth declined, with average homes costing 8% less than a year earlier. EADT 29/10/08 • EERA newsletter (Autumn 2008) highlights a perceived oversupply of apartments for sale in Ipswich and evidence of saturation with some developers offering significant discounts and reporting low sales numbers especially for properties at entry level. Viability of further apartment schemes is raised. New build flat prices are falling more significantly than new build houses and are bucking the regional trend of continuing increase in flat prices. • Nationally the number of people losing their homes after failing to meet their mortgage payments climbed sharply in the second quarter of 2008. Nationally 11,054 homes were repossessed, up 71% compared with a year earlier. 	<p>Current activity</p> <ul style="list-style-type: none"> • <i>E.g. programmes, announcements, casestudies</i>

Employment

- *E.g skills, training, redundancies, R2R, closures, recruitment freezes, short-time working etc.*

Job Centre Plus reported losses from:

- **Cranes**, Ipswich manufacturers of valves, fittings and engineering products for building services. 2nd phase of foundry closure 80 jobs.
- **Becker Acroma**, Haverhill. 55 jobs to go when they move to smaller premises in the town. Swedish owned firm markets wood lacquer, varnish and wood finishers.
- **Sanyo**, Lowestoft, manufacturers of TVs are to lose 53 jobs.
- **Adecco** staff recruitment agency in Felixstowe, is to loss 50 jobs.

Local intelligence from economic development officer:

- Ford Motor Dealers laid off 2 people due to car sales being down by 21% from last year - knock on effect for repairs etc
- Electrical contracting company has laid off 30 people as cannot meet pay roll payments – cash flow issues
- Central heating company laid off 3 people. Local joinery involved in contract kitchen fitting has gone.
- Plumbing design company who works for major house builders is contracting.
- Major commercial property agent reports no movement in commercial property market at all, having a major effect on planning, surveying and design as no orders for future developments are in the pipeline.
- An Estate agent reports no house mortgage exchanged for last 6 months. Business stopped abruptly in May 08.
- New pawn broker opened in Saxmundham

From local papers:

- Fears have been expressed by local fishermen from Aldeburgh and Orford, that new quotas cutting the amount they can catch could put the future of the industry in jeopardy. In Aldeburgh 30years ago there were 25 boats with 50 fishermen and now there are just three crews. EADT 23 October 2008

Reprioritisation

- *E.g. stopping, reshaping, new initiatives, including preparations for economic recovery*
Feedback from Business Support agencies (note: these are based on feedback from companies who engage with business support – not all do)
- Manufacturing in Suffolk (often niche manufacturing) is doing OK and hope that as Chinese experience problems, more work will return to Suffolk
- It is understood that banks are being less supportive and flexible, they are understood to be offering invoice discounting rather than extending overdrafts and loans – invoice discounting is usually only recommended as a last measure for financial control.
- Bank managers urging companies to talk to the banks before they are in crisis as the banks know they have less flexibility and may not be able to help.
- Small businesses are protecting their working capital – i.e. not taking salary payments and keeping ‘cash’ in business - good advice as if they cannot get an overdraft and have taken money out, it cannot be paid back into the business to help support - could have affect on home situation ie mortgage payments
- Suppliers are tightening their credit control and customers extending their payment terms – bad debt payments increase.
- Positive note - increasing demand for financial software systems and financial /control advice – businesses requiring more precision from accounting systems for decision making.
- Hotel sector – continuing to invest in re-fit etc as trade has not declined - though are uncertain of figures next year
- Raising of equity capital is getting harder due to lack of city bonuses and loss of value in available funds – even harder for innovative start-up especially in bio tech sector which needs long term R&D support.

<p>Employment continued</p> <ul style="list-style-type: none"> • Suspension of flights from Norwich airport by the Spanish airline LTE was announced on 17 October. LTE started weekly low fare flights in July linking Norwich with Alicante, Barcelona and Palma. Telegraph 17 October 2008 • Employment Training Service figures (from Suffolk Youth and Connections) for number of employment only opportunities taken up in September 2008 is 26 compared to 45 last year. The drop is thought to reflect the current recession. 	<p>Reprioritisation</p> <ul style="list-style-type: none"> • <i>E.g. stopping, reshaping, new initiatives, including preparations for economic recovery</i> •
<p>Business (<i>n.b. SMEs, larger businesses</i>)</p> <ul style="list-style-type: none"> • Suffolk Chamber of Commerce have seen a 40% increase in number of export documentation packs requested (September 2008) compared to same time 2007. • Newmarket Equine Hospital, a new medical centre for horses opened employing over 70 staff, including 30 vets. EADT 17/10/08 • Regional land and property consultants Robinson and Hall has expanded, taking up more office space at the Broomvale Business Centre, Little Blakenham, outside Ipswich. 13 staff provide services to agricultural businesses, including farm diversification and grants, estates and property management, building design, conversions, renovations, site and farm planning. EADT 21 October 2008 • Train and bus operator National Express reported “strong” business growth as people chose public transport over cars in a bid to beat the economic slowdown. EADT 25/20/08 • Following the completion of Soler and Palau’s new UK headquarters at Ransomes Europark, Ipswich, the suppliers of fan and air moving products company has acquired a further 2.18 acres of adjoining employment land for future expansion needs. EADT 28/10/08 • New jobs may be created at Bury St Edmunds after Silver Spoon announced plans to close its Lincolnshire packaging plant. 68 jobs could go at Newark packaging plant as the business which is part of British Sugar said it was looking to move its sugar packaging to Bury St Edmunds. EADT 24/10/08 	<p>Additional requirements</p> <p><i>E.g. policies,</i></p> <ul style="list-style-type: none"> • St Edmundsbury Borough Council has announced it is to invest £1.5million to help boost the local economy in the Borough. The cash will be spent on training, refurbishment and business growth. £70,000 will be spent on training initiatives to be delivered by Mid Anglian Enterprise Agency (Menta), which will address difficulties faced by businesses now and in the next six months, including advice for people made redundant or starting a new business. Most of the money comes from the Government’s Local Authority Business Growth Incentive Scheme (LABGI) which rewards local authorities in accordance with the economic growth of their area by allowing them to retain revenue increases derived from business rates. Press release St Edmundsbury Borough Council 21/10/08 • Business Link is offering small and medium sized businesses in the East of England free “health checks “ to help them identify problems early and survive the current financial climate. (Part of the package of support announced by the Government) EADT 23 October 2008 • Dr Stuart Burgess, the Government’s rural advocate and chairman of the Commission for Rural Communities met Council chiefs in Ipswich last week to ask for help in gathering information on the impact of the economic downturn on rural residents, ahead of a meeting with Gordon Brown this week. EADT 24/20/08 • All Suffolk County Council have been advised to prioritise the payment of all invoices and to sort out queries promptly. (Email from Chief Executive to all staff 24/10/08)

<ul style="list-style-type: none"> • After initial reports of a record breaking cereal harvest (up 28%) on last year, quality issues are starting to emerge. The wet weather will have resulted in an higher moisture content and now samples are showing barley quality, particularly protein content, is lower than last year. EADT 25/10/08 • Insurance broker, Willis who has a major UK presence in Ipswich saw net income fall in Q3 by 46% compared to the same period last year and net income for the first 9 months of the year fall 23% to £149.6m. Willis are reviewing its financial goals for 2009. EADT 24/10/08 • Tesco has reduced its UK sales targets to 2% instead of its usual 3-4% after discussions with City analysts. EADT 24/10/08 	<p>Additional requirements - continued</p> <ul style="list-style-type: none"> • Work is continuing on developing the County Council's response to the economic downturn with a number of ideas being worked up.
<p>Other</p> <ul style="list-style-type: none"> • <i>E.g. other economic shocks, at risk/reprioritisation projects, social impacts</i> • Gross Domestic Product (GDP) decreased by 0.5 per cent in the third quarter of 2008, compared with a 0.0 per cent movement in the previous quarter. Weaker service industries, construction and production output drove the deceleration in growth. Key declines relevant to the Suffolk economy were: Construction output decreased by 0.8% in Q3, on top of a 0.5% decrease in Q2. Manufacturing output decreased by 1% in Q3, adding to the 0.9% decrease in Q2. Distribution, hotels and restaurants fell by 1.7%, driven by wholesale and motor trades. Electricity, gas and water output decreased by 1%. ONS 24/20/08 <p>Feedback Suffolk County Council economic development officer has received from small businesses (1-4 employees)</p> <ul style="list-style-type: none"> • Sole traders or small companies who do not have loans are doing ok – no credit available to them at all but because bank lending has not been available for the past 18 months – they are already quite robust and surviving. 	<p>Additional requirements</p>

Other Continued

- Biggest problem is payment terms – larger companies are extending payment terms to 90-100 days. Even when government says payment terms within 10 days this is not passed down the supply chain.
- VAT refunds not being paid - now waiting for 4 months and consequently amount going into bad debts
- Local councils appear to be bad at paying on time (See p3 for SCC recognition of the need to pay promptly)
- Other major issue is utility costs and cost of raw materials
- Companies involved in construction 'contracting' supply chain have been hit hard by loss/contraction of major house builders. However smaller domestic construction companies doing ok.
- Retailers are dropping product lines where return on sales is minimal – no longer carrying those lines – often tend to be smaller producers so significant impact.
- In niche food production – smaller producers who are affected by product line cancellations or lower margins may stop trading as was more of a 'passion' than commercial business
- There is an anxiety and lack of confidence for next year even if things are ok at moment
- Xmas trading starting even earlier as feeling is people will buy slowly and carefully over longer period to spread the load
- Long term concern about productivity costs of Felixstowe port and sustainability against competition of far East and new Tilbury Dock.
- Increasing numbers of dogs are being dumped by owners because of money worries due to the credit crunch according to the Pampered Pets animal rescue centre at Woodbridge. RSPCA also expect more animals to be abandoned in coming months as the economic climate worsens. EADT 30/10/08

Additional requirements