

Staffordshire Economic Bulletin

Issue 8 - August 2009

Welcome to the seventh edition of the Staffordshire Economic Bulletin. Along with the usual indicators on the impact of the recession, this month's issue also looks at the issue of youth unemployment in more depth.

We welcome your comments and suggestions on the bulletin to help us make sure that it meets your needs. Please direct any comments and suggestions to:-

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National Headlines

Influential think-tank The Ernst & Young Item Club has this month warned against hoping for a quick return to economic growth. The Item Club has predicted that the UK economy will shrink by 4.5% this year, the biggest fall in a single year since 1945, and a much greater fall than the 3.5% predicted by the government. The Item Club also warned of the threat posed to the economy from swine flu, stating that in the worse case scenario swine flu could lead to a further 3% contraction in GDP this year, on top of the 4.5% already predicted. It is also thought that swine flu could wipe out any growth next year, with a worst case scenario of a further 1.2% contraction.

Some of the key national economic headlines at the moment include:-

- The FTSE 100 Index has risen steadily in the last month, reaching its highest level since October. Performance results released by major companies in July were better than many expected, boosting investor confidence. However, many analysts believe that the large gains will not continue for long.
- The price of oil fell to its lowest level for almost five weeks in the middle of July, amid fears that the global recovery would take longer than previously thought. However, the price of oil has risen steadily over the past month on the back of global stock increases, reaching its highest level since October. Opec have recently predicted that demand for oil will fall further than expected next year, leading to oil prices falling once more.
- Interest rates were kept at 0.5% for the fifth month in a row, although the Bank of England did decide to pump an extra £50bn into the economy through its quantitative easing scheme. The British Chambers of Commerce welcomed the move but warned that more may be needed later in the year.

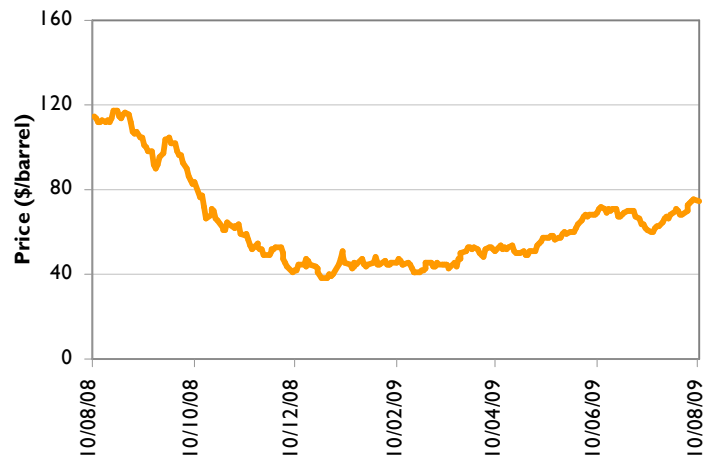
- New information on mortgage lending shows further signs of stabilisation in the mortgage market, as the number of house purchase loans increased for the fifth successive month. However, mortgage lending remains low by historical standards with 45,000 house purchase loans in June, less than half the average number of loans in June over the last seven years. The recent upturn in mortgage lending may be due to seasonal effects and not an indication of a strengthening housing market.
- The value of the pound has strengthened against both the Euro and the dollar in the last month. The pound strengthened after data was released showing that the UK manufacturing sector expanded for the first time in more than a year. Confidence in the currency also increased following robust results from HSBC and Barclays, increasing confidence in the health of the banking sector.
- The latest GDP figures show that the UK economy has now shrunk for five consecutive quarters, meaning the country has now been in recession for more than a year. The UK economy contracted 0.8% between April and June, more than double the 0.3% figure economists had expected.

FTSE 100 Closing Price



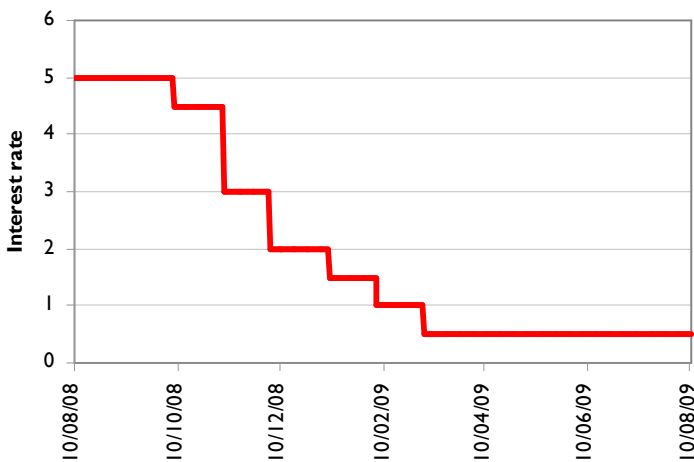
Source: Yahoo Finance

Price of Brent Crude Oil



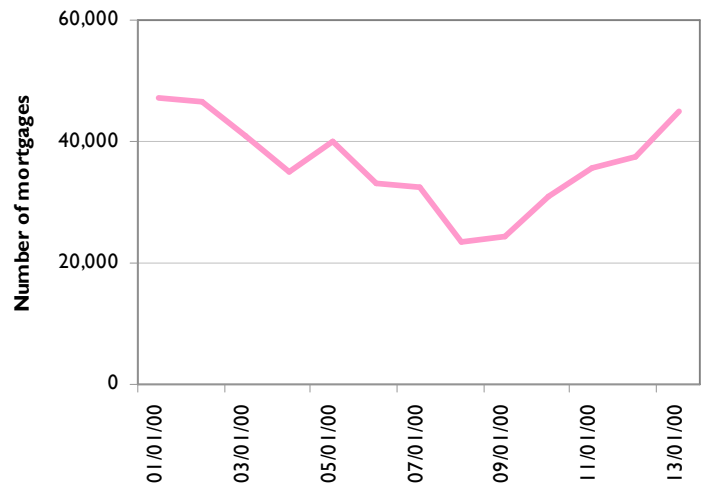
Source: Intercontinental Exchange (ICE)

Interest Rate



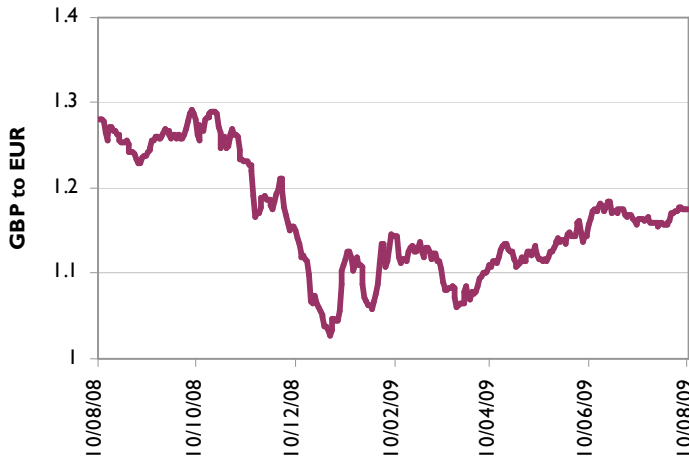
Source: Bank of England

Mortgage Lending



Source: Council of Mortgage Lenders

Pound to Euro



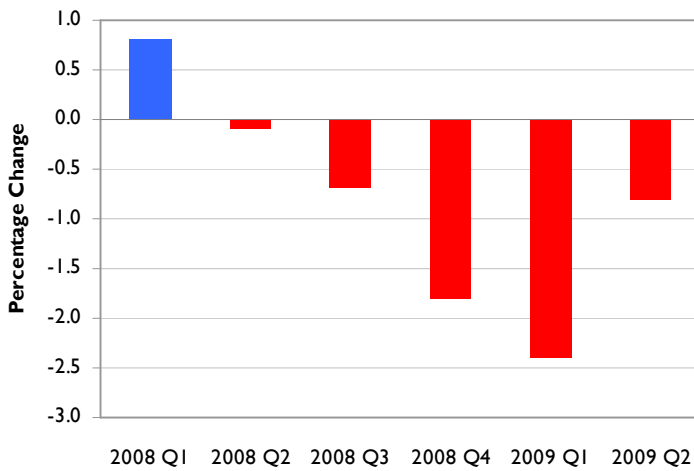
Source: OANDA (currency site)

Pound to US Dollar



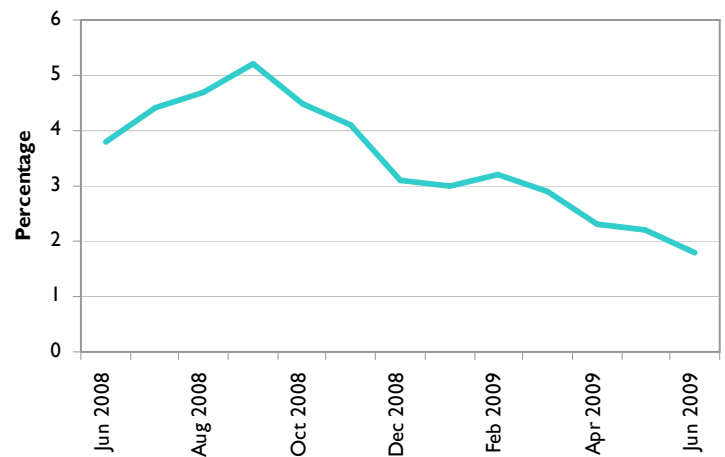
Source: OANDA (currency site)

GDP Growth, Quarter on Previous Quarter



Source: National Statistics

Consumer Prices Index (CPI)



Source: National Statistics

Local Headlines

Unemployment

Unemployment figures have continued to grab the headlines with national unemployment figures increasing by 220,000 to 2,435,000 in the three months to June, its highest level since 1995. The government's preferred measure of unemployment, calculated under International Labour Organisation (ILO) rules¹, rose to 7.8%, the highest rate since the final quarter of 1996. In the West Midlands Region, the ILO measure of unemployment increased to 10.3% in the three months to May 2009, up from 6.2% a year ago. The West Midlands has the highest unemployment rate of any English region with the rate of 10.3% being a full percentage point higher than any other English region and much higher than the average rate for England. There are now 111,000 more

¹ ILO Unemployment data is obtained from the national Labour Force Survey. The definition for unemployment is those without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks, or; are out of work, have found a job and are waiting to start work in the next two weeks.

unemployed people in the region than there were a year ago, taking the total to well over a quarter of a million unemployed (276,000).

Unfortunately, information on ILO unemployment in Staffordshire is only released after a much greater delay than it is at regional and national level. Therefore the information does not show the full impact that the recession is having on Staffordshire, meaning that the number of people claiming Jobseekers Allowance (JSA) remains the best indicator we have available.

Jobseekers Allowance Claimant Count for July 2009

Area	July 2009		Annual Change (%)	Quarterly Change (%)	Monthly Change (%)
	Number of Claimants	Claimant Rate (%) ¹			
Worcestershire	13,645	4.1	127.9	0.3	0.0
Staffordshire	18,710	3.7	113.2	-9.2	-0.3
Telford and Wrekin	4,831	4.8	104.3	-2.2	-0.2
Warwickshire	12,135	3.8	102.3	-0.2	1.6
Herefordshire	3,009	2.9	99.9	-1.0	-1.5
Solihull	5,429	4.5	99.4	1.6	2.7
Shropshire	4,997	2.9	97.1	-3.7	0.0
Dudley	10,682	5.8	89.3	3.1	0.6
Walsall	10,884	7.2	86.2	1.4	1.0
Great Britain	1,521,709	4.1	80.3	0.7	1.2
Stoke on Trent	8,778	5.9	75.8	-6.9	-0.7
West Midlands Region	177,764	5.4	73.7	-0.2	0.6
Sandwell	12,952	7.4	71.2	2.7	0.5
Coventry	11,176	5.7	64.4	1.5	0.2
Wolverhampton	11,385	7.9	54.3	3.5	-0.4
Birmingham	49,151	7.8	43.5	2.2	1.6

Source: NOMIS

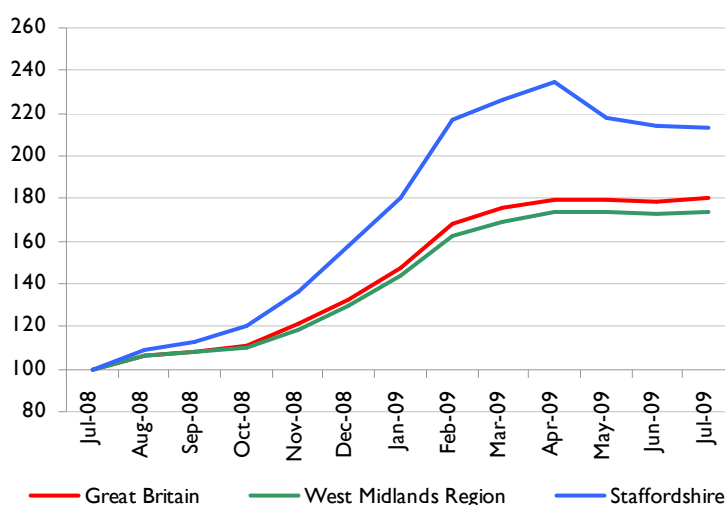
¹ – The claimant rate is the proportion of the working age population claiming Jobseekers Allowance

Between July 2008 and July 2009 there was a 113.2% increase in the number of claimants in Staffordshire. The county has the second highest absolute number of claimants in the region after Birmingham. However, in the last month the number of claimants in Staffordshire has fallen by 0.3%, the third month in a row where the number of claimants has fallen. Five strategic authorities in the West Midlands Region have seen a fall in their claimant numbers in the last month, although the overall claimant count in the West Midlands Region and Great Britain actually increased.

The claimant rate is the claimant count as a proportion of the working age population. 3.7% of Staffordshire's working age population claim jobseekers allowance, which is less than the regional and national averages. In April 2009, 4.1% of Staffordshire's working age population were claiming Jobseekers Allowance. Therefore there has been a fall of 0.4% in the claimant rate over the past three months.

The chart on the right shows how the claimant count has changed over the last year. In Staffordshire the number of claimants has been rising dramatically over the last year and at a much faster rate than the West Midlands and Great Britain. However, the increase in the number of claimants slowed in March and April, fell by a significant amount in May and fell again in June and July but by smaller amounts. The fall in claimant numbers has been slowing in the last couple of months and we may now be approaching a plateau level of claimant numbers, a level which we may be at for a while.

Claimant count change over the last year (July 2008 = 100)



Source: NOMIS

Unemployment in Staffordshire

Different parts of Staffordshire have been affected by the downturn to varying degrees. The following table shows the Jobseekers Allowance Claimant Count in each of the Staffordshire districts.

Jobseekers Allowance Claimant Count for July 2009, by Staffordshire Districts

Area	July 2009				
	Number of Claimants	Claimant Rate (%) ¹	Annual Change (%)	Quarterly Change (%)	Monthly Change (%)
Tamworth	2,372	4.9	142.5	-3.5	-0.4
Lichfield	2,026	3.5	134.8	-5.9	2.9
Cannock Chase	3,037	5.1	131.3	-11.3	-1.6
Staffordshire Moorlands	1,569	2.7	128.4	-8.0	-0.9
Staffordshire	18,710	3.7	113.2	-9.2	-0.3
East Staffordshire	2,471	3.8	103.9	-14.0	0.6
South Staffordshire	2,187	3.4	96.5	-1.3	0.9
Stafford	2,200	2.9	96.1	-10.3	1.7
Newcastle-under-Lyme	2,848	3.7	91.7	-14.1	-3.6
Great Britain	1,521,709	4.1	80.3	0.7	1.2
West Midlands Region	177,764	5.4	73.7	-0.2	0.6

Source: NOMIS

¹ – The claimant rate is the proportion of the working age population claiming Jobseekers Allowance

There are now 142.5% more claimants in Tamworth than there were in July 2008. This is the biggest annual percentage increase of any of the Staffordshire districts. Cannock Chase has the largest claimant rate and number of claimants with 5.1% of the working population of Cannock Chase, and 3,037 people claiming jobseekers allowance respectively. Cannock Chase and Tamworth are currently the only Staffordshire districts that have a claimant rate above the national average.

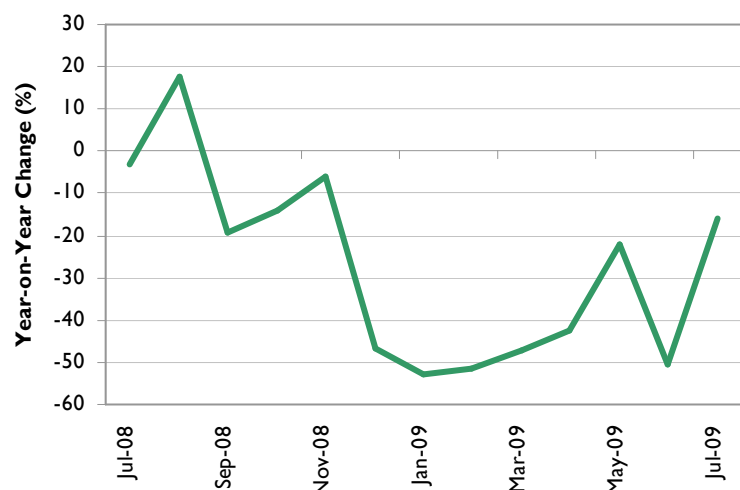
The number of claimants fell in four of the eight Staffordshire districts between June and July. Newcastle-under-Lyme experienced a reduction of 3.6% in the number of claimants in the last month, by far the greatest decrease of the Staffordshire districts. Conversely, the claimant count in Lichfield fell in May and June but increased by 2.9% in July, highlighting the volatility of the economy at the moment and underlining why we should not yet assume that the recession is coming to an end.

Job Vacancies¹

¹ - Please note that the figures in this section relate to vacancies notified to job centres rather than all vacancies.

The number of job vacancies in the county is important because the increase in claimant numbers over the last year means that more people will be looking for a job. In Staffordshire, the level of job vacancies is currently around 16% lower than it was at the same time last year. This is unsurprising given the level of redundancies over the last year or so and reduced confidence among employers. However, this month there has been significant increase in the number of notified job vacancies, although the graph clearly shows that vacancy levels are extremely volatile at the moment.

Year-on-year change in the number of notified job vacancies in Staffordshire



Source: NOMIS

The table below shows the level of notified job vacancies at July 2009 in each of the Staffordshire districts. Between July 2008 and July 2009, Newcastle-under-Lyme saw the largest percentage decrease in the number of job vacancies although Staffordshire Moorlands currently has the greatest number of claimants per job vacancy.

Jobcentre Plus Notified Vacancies, by Staffordshire Districts

Area	July 2009 Number of Job Vacancies	Annual change (%)	Claimant count	Number of JSA claimants per job vacancy
Newcastle-under-Lyme	431	-43.0	2,848	6.6
Stafford	666	-30.8	2,200	3.3
South Staffordshire	311	-30.4	2,187	7.0
Tamworth	410	-28.3	2,372	5.8
Cannock Chase	456	-25.9	3,037	6.7
East Staffordshire	620	-25.7	2,471	4.0
Great Britain	266,020	-16.0	1,521,709	5.7
Staffordshire	4,467	-15.9	18,710	4.2
West Midlands Region	27,570	-14.1	177,764	6.4
Staffordshire Moorlands	201	7.5	1,569	7.8
Lichfield	1,372	46.6	2,026	1.5

Source: NOMIS

¹ – Please note that these figures relate to vacancies notified to job centres, rather than all vacancies in the labour market

This Months Specialist Topic - Youth Unemployment

Leading economist and former monetary policy committee member David Blanchflower has called youth unemployment a “national crisis” in the UK. Youth unemployment is thought to be more serious than adult unemployment because of two main reasons; scarring and inactivity. Scarring is the link between unemployment history and a negative future experience in the labour market including lower wages and underemployment. People that experience unemployment while young are believed to suffer more greatly from scarring. High youth unemployment also discourages young people from investing in education and training because they believe that this will not translate into better labour market outcomes.

Nationally, there are now 927,000 16 to 24 year olds out of work, over 40,000 more than the previous month. It is also thought that these numbers will accelerate with an estimated 300,000 graduates and 400,000 school leavers adding to those looking for work. A recent report by Centre for Cities predicts that youth unemployment will surpass the one million mark during 2010, with a conservative estimate that 1.14 million young people will be unemployed by the end of 2010.

The chart on the next page illustrates the impact that the recession has had on youth unemployment in Staffordshire. At its peak in April 2009, 6.7% of Staffordshire’s 16 to 24 population were claiming Jobseekers Allowance. This compares to just 3.4% of the 25 to retirement age population. As well as the impact of the recession, the chart also shows that youth unemployment is not a new problem. In fact, even before the recession, youth unemployment was much higher than adult unemployment. The Centre for Cities report argues that the long-term nature of youth unemployment suggests that non-recession factors underpin youth unemployment. It is thought that a reduction in the number of labour intensive industries in the UK and a skills

mismatch leaving young people ill-equipped for jobs in the new economy are the main reasons behind this.

The following table highlights the level of youth unemployment in Staffordshire in July 2009. Between July 2008 and July 2009 the number of 16 to 24 year olds in Staffordshire claiming JSA increased by 92.2%. Over the same period, the number of adult claimants increased by 125.5%, proportionally a greater increase. However, 5.9% of 16 to 24 year olds in Staffordshire are claiming JSA, a much greater amount than the 3.1% of adults that are currently unemployed. In the last month the number of young people claiming JSA increased by 130, compared with a reduction of 150 adult claimants, probably due to the influx of graduates and school leavers into the labour market. Overall, young people make up almost one in five (18.4%) of the working age population, yet they make up 30% of the total JSA claimants. Clearly this issue is of great importance to the Staffordshire economy and it is something which we will continue to monitor.

Change in youth and adult unemployment in Staffordshire



Source: NOMIS

Youth unemployment – Claimants aged 16 to 24
Adult unemployment – Claimants aged 25 to retirement age

Youth unemployment in Staffordshire, July 2009

Area	July 2009				
	Number of Claimants	Claimant Rate (%) ¹	Annual Change (%)	Quarterly Change (%)	Monthly Change (%)
Tamworth	685	7.5	132.2	-5.5	0.7
Lichfield	590	6.0	114.5	-7.8	9.3
Staffordshire Moorlands	445	4.8	111.9	-7.3	4.7
Staffordshire	5,535	5.9	92.2	-11.5	2.4
Cannock Chase	935	8.6	88.9	-11.0	-1.6
South Staffordshire	635	5.6	86.8	0.0	6.7
East Staffordshire	705	6.0	85.5	-19.0	1.4
Newcastle-under-Lyme	905	5.3	77.5	-17.7	-1.1
Great Britain	458,835	6.4	72.4	1.1	4.2
Stafford	635	4.6	69.3	-15.3	5.0
West Midlands Region	52,815	8.0	60.7	0.7	3.6

Source: NOMIS

¹ – The claimant rate is the proportion of the 16 to 24 population claiming Jobseekers Allowance

Employment Monitoring

Looking at local media gives an indication to the levels of job losses / gains experienced in the county and surrounding areas. Listed below are some of the headlines since the last bulletin was released.

- Toyota in Derby continues to struggle as they announce that one of its two production lines is to be mothballed, although further job cuts are not expected.
- Scientific equipment maker Thermo Fisher, based in Stone, is being shut by its German head office, resulting in the loss of more than 20 jobs.
- Bentley in Crewe is extending its summer shutdown from two to three weeks as the recession continues to take its toll on demand.
- Allied Carpets has gone into administration, leaving an unknown number of jobs at risk. The company has stores in Etruria, Stafford and Crewe.
- Workers at three JCB factories, including the site in Uttoxeter, vote to return to full-time working, which unions fear will leave jobs further jobs at risk.
- Restaurant Guava Guava in Leek has been forced to close after bailiffs cleared its fixtures and fittings to pay for outstanding business rates. This has resulted in the loss of 15 jobs.
- Seven people are now looking for work as The Mouse House creche closes at the Potteries Shopping Centre.

It has not all been bad news however. There have been quite a number of positive news stories in Staffordshire and surrounding areas over the last month including:-

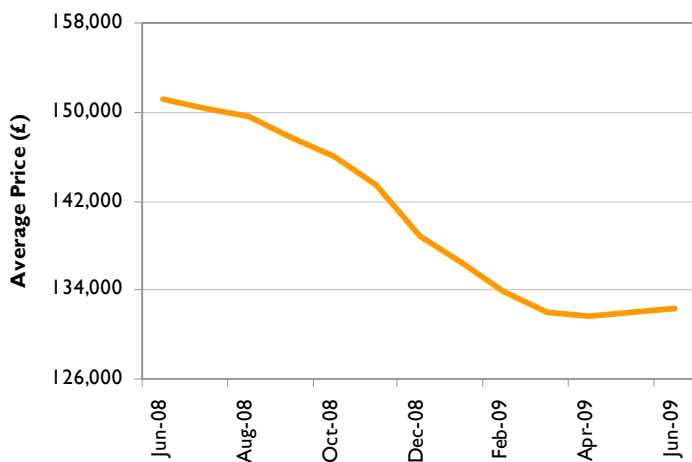
- Cleaning & Hygiene Distributors has won a £4 million contract with Staffordshire County Council, leading to the creation of six new jobs.
- Approval has been given to Morrisons to increase the sales floor at its store in Leek, potentially creating jobs for up to 100 people.
- Train maintenance firm London and North Western Railway Company (LNWR) based in Crewe has taken on four new engineering apprentices.
- Another new shop has opened in The Guildhall Shopping Centre in Stafford. The new store is a milkshake bar called ShakeAway.
- Aldi is planning to convert a former storage centre in Stone into a new store.
- Fortunes for retailers in Uttoxeter continue to be mixed with two new shops set to open whilst another two shops are set to close. The Bra Shop and a soft furnishings store will open shortly while Perry's Dry Cleaner and vintage clothes store Phoenix Fashion will close.

For further details on local employment monitoring, please contact Matt Shufflebotham on 01785 277355 or email matthew.shufflebotham@staffordshire.gov.uk.

Housing Market

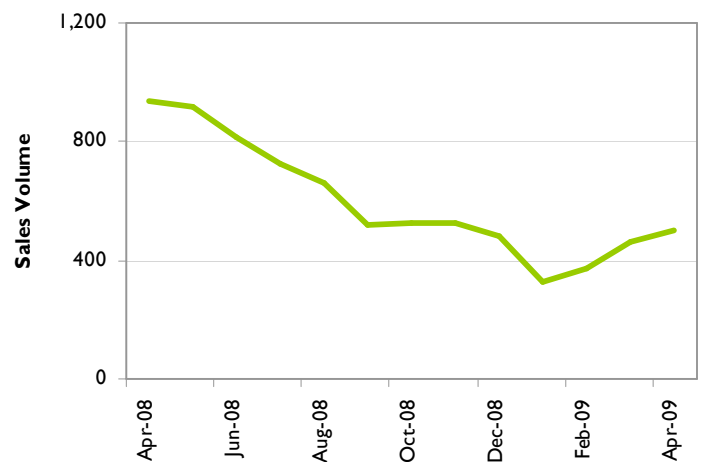
Revised information from the Land Registry shows that house prices in Staffordshire have increased for two consecutive months. The house price rise in May was the first increase since April 2008. However, the average house price in Staffordshire has fallen by almost £19,000 over the last year. This should be good news in terms of housing affordability and attracting people to the area. However, the number of house sales also fell by over 46% between April 2008 and April 2009, although there has been an upturn in the number of houses sold in Staffordshire in the last few months.

House Prices in Staffordshire



Source: Land Registry

House Sales in Staffordshire



Source: Land Registry

Commentators seem to be in disagreement with regards to the future of the housing market. The UK's largest building society, Nationwide, and the Royal Institution of Chartered Surveyors believe that there is a reasonable chance that house prices could end the year higher than they started 2009. Predictions from the National Housing Federation (NHF) and the Centre for Economics and Business Research (CEBR) contradict this viewpoint. The NHF believes house prices will fall by 12.2% in 2009 and 4.6% in 2010, before stabilising with a 1.1% rise in 2011 while the CEBR predict that prices will fall by a further 3% this year before recovering slightly in 2010. The sheer number of conflicting views on the future of the housing market show how unclear this currently is.