

Economic Conditions – Monthly Update

January 2009

Summary

Across the UK the data shows an increase in both the claimant count and unemployment. House prices continue downwards while in December the value of retail sales fell as did the implied price deflator which measures product prices. The latest quarterly Gross Domestic Product figures indicated a decline over the previous quarter.

Trends for Cornwall are following UK trends with an increase in the claimant count (JSA) and unemployment figures; falling house prices and rising repossessions.

Introduction

This report sets out a number of indicators which show what is happening in the economy, relating to claimant count, unemployment, house prices and repossessions. Some of these relate to Cornwall, others show what is happening across the UK.

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1 Monthly economic indicators

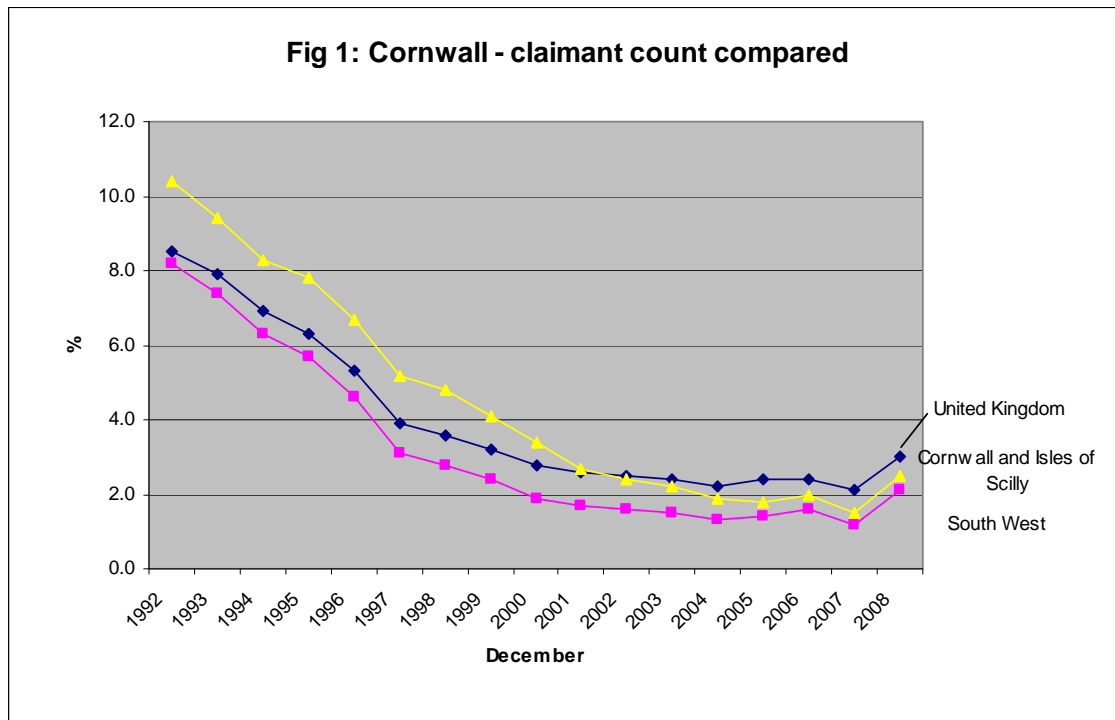
Claimant Count (JSA)

The latest claimant count data was released on 21st January 2009. The figures relate to those claiming Jobseekers Allowance. *[This figure is considered to underestimate the actual numbers unemployed, hence though useful the unemployment figures are taken as a more accurate representation of the situation].*

As expected there has been an increase in the numbers claiming. The total for Cornwall and the Isles of Scilly is now 7,864 or 2.5%. The UK rate is 3.0% and the SW rate 2.1%. Since November the numbers in Cornwall have increased by 1,311, a rise of 20%. Comparative figures for the UK and SW are 9.2% and 12.1%.

Since December 2007 the number of claimants has risen by 3,053 or 63.5%. This compares to an increase of 46% across the UK and 76% across the South West. The last time Cornwall's December figure was higher than this was in 2001 when it equalled 7,910.

The figure below shows the changes in the claimant rates. In Cornwall, this year shows an upward movement after last years dip (the lowest rate for December of 1.5% recorded since 1992), which with the exception of 2006, was preceded by a period of steady but limited decreases. In contrast the UK rate has generally been steady since 2003, though again reached its lowest rate in 2007.



Redundancies/Job losses

Redundancy data is not readily available at a local level. Hence information here is partial with rapid changes in the situation. There is also not a clear link between news of firms going into administration, redundancies and changes in the claimant count. For a variety of reasons not all those made redundant end up claiming JSA. Though this might be because some people have obtained another job, this factor may not account for all the discrepancies. It is also unusual for job losses at smaller firms to be made public; hence some job losses are unknown.

The final Woolworths store closed in early January. Total stores closed included: Liskeard, Newquay, Falmouth, Helston, Penzance, St Ives, Truro, Camborne and Bodmin. An Adams store in Penzance closed this month. Viyella is in administration, however the Truro shop continues to trade, as does the Whittards shop also in Truro. Whittards of Chelsea went into administration in December but was sold in a rescue deal. John Nichols Builders at Goonhavern ceased trading and has gone into administration with 80 jobs at risk. Other reports suggest that a tourist attraction/restaurant in North Cornwall, with 50 employees is believed to be in administration but continues to trade at present. A printing firm in North Cornwall has made 6 staff redundant.

Previous news of closures included Austin Hinkley/Furniture Factory, ROK, and Cornish homes and MFI.

Vacancies

The latest vacancies data was released on 21st January 2009. There were 1,488 vacancies in Cornwall in December. This represents a decline of 767 since November (-34%). This decline reflects a general fall in vacancies - Britain (-38%), SW England (-33%). Compared to December 2007 the number of vacancies has decreased by 864 or -37%. Again vacancies fell across Britain (-40%) and the SW (-38%).

One way of analysing the data is to look at the vacancy to claimant count ratio. This, which shows the number of vacancies per claimant, is a crude measure of how buoyant the jobs market is.

Currently the ratio in Cornwall stands at 0.19, with the exception of January, the lowest recorded for 2008. The figure for Cornwall is also lower than for the SW (0.3) and Britain (.21). The December 2008 figures are also all below the figures for December 2007. Actual vacancies were lower in December 2008 than in December 2007 for all areas.

Table 1: Labour market comparisons

Month	Great Britain			South West			Cornwall and Isles of Scilly		
	Claimants	Vacancies	Ratio	Claimants	Vacancies	Ratio	Claimants	Vacancies	Ratio
2007	767,688	393,606	0.51	37,909	32,090	0.85	4,811	2,352	0.49
2008	1,022,481	379,627	0.37	59,490	29,809	0.50	6,553	2,249	0.34
2008	1,117,512	237,386	0.21	66,710	20,021	0.30	7,864	1,488	0.19

Source: NOMIS.

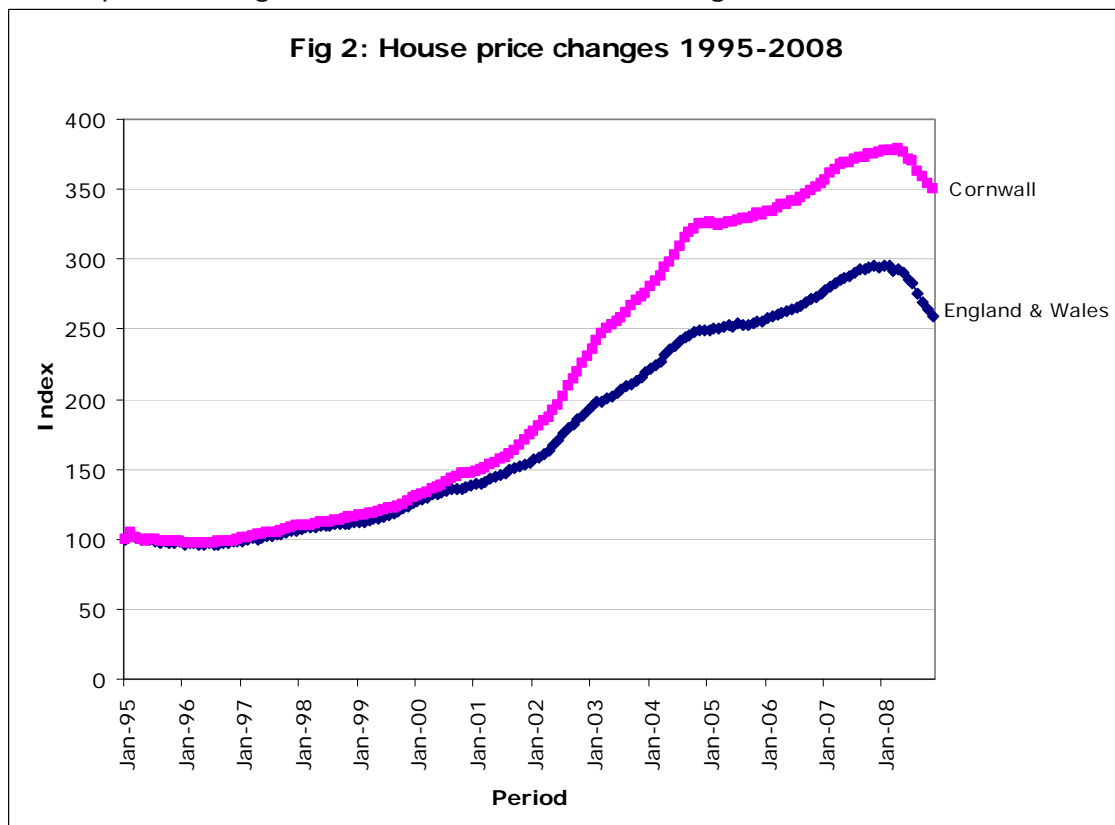
House prices

House prices across Cornwall continue to fall after peaking in April 2008. Since then average prices have fallen by 7.3%. The decline across England and Wales started after the peak of January 2008.

Table 2: House prices

Month	All England & Wales		Cornwall Council	
	Index (1995 = 100)	Average Price (£)	Index (1995 = 100)	Average Price (£)
Nov-07	295	184,472	375	209,086
Dec-07	293.7	183,694	375.9	209,623
Jan-08	295.6	184,841	377.2	210,328
Feb-08	294.9	184,400	377.6	210,559
Mar-08	292.1	182,698	377.2	210,315
Apr-08	292.3	182,809	378.3	210,952
May-08	290.5	181,692	376.1	209,706
Jun-08	285.2	178,325	371.8	207,312
Jul-08	283	176,988	370.4	206,550
Aug-08	276	172,602	362.1	201,920
Sep-08	268.8	168,118	358.9	200,146
Oct-08	263.8	164,981	354	197,412
Nov-08	258.9	161,883	350.7	195,563

House price changes since 1995 are shown in Fig 2 below.



Source: Land Registry. <http://www.landregistry.gov.uk/>

House Lending

Lending statistics from the Council of Mortgage Lenders show that in November, the level of loans for first time buyers, home movers and remortgages fell compared to the previous month.

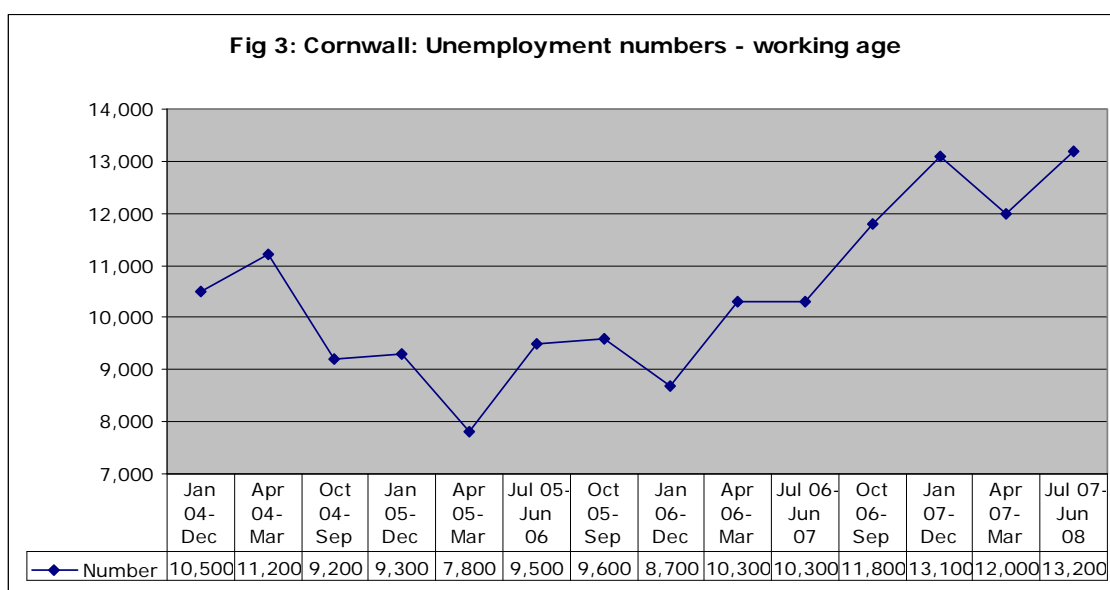
Source: HMT, (2009) Recent Economic News.

2 Quarterly indicators

Unemployment Data (working age)

Up to date unemployment data is not available at a sub-regional level. The latest figure for Cornwall which covered the period July 2007 – June 2008, was 13,200. This represents an increase of 1200 on the previous year. Unemployment figures have trended upwards since Apr 2005 - Mar 2006. Trend shown in Fig. 3. [Unemployment figures relate to those of working age, residence basis].

Comparative figures for the year ending June 2008 show that Cornwall's rate was above the UK rate – Table 3.



Source: NOMIS, Annual Population Survey.

Table 3: Unemployment comparisons % rate

	United Kingdom	England	South West	Cornwall and Isles of Scilly
Jul 07-Jun 08	5.3	5.4	3.9	5.4

Source: NOMIS

Notes

The claimant count rate represents the number of claimants of Jobseekers Allowance as a proportion of resident working age population estimates.

Claimant count data available for UK and units within the UK.

Vacancy data only available for Great Britain and units within GB.

Repossessions

Property repossessions up by 12%. 'The number of properties repossessed by mortgage lenders rose by 12% to 11,300 in the third quarter of the year, the Council of Mortgage Lenders (CML) said. The number of borrowers in arrears also went up compared with the previous quarter, by 8% to 168,000. The number of repossession orders made by the courts in England and Wales rose by 3% to 29,516 in the same period. The figures suggest that many more people are likely to lose their homes as the economy falls into recession'.

Comparing data from County Courts in Cornwall for the first to to third quarters of 2008 with 2007 (with the figure for England and Wales in brackets), shows that mortgage possession claims issued rose by 21% (15%); landlord possession claims issued fell by 6.5% (-9%); while mortgage possession orders rose by 40% (21%); with landlord possession orders made increasing by 7% (plus7%).

Source: *Company winding up and bankruptcy petition court statistics – third quarter 2008, Ministry of Justice Statistics bulletin.*

3 United Kingdom data

Unemployment Quarterly Data UK (ONS First Release)

There has been a fall in both the number of people in employment and the employment rate. The number of unemployed people, the unemployment rate and the claimant count have all increased. The number of inactive people of working age and the inactivity rate have fallen. The number of vacancies has fallen. Growth in average earnings including bonuses has fallen but earnings growth excluding bonuses is unchanged.

The employment rate for people of working age was 74.2 per cent for the three months to November 2008, down 0.2 from the previous quarter and down 0.5 over the year. The number of people in employment for the three months to November 2008 was 29.39 million, down 26,000 over the quarter but up 25,000 over the year. While there has been a fall over the quarter of 89,000 people in full-time employment, the number of people in part-time employment has increased by 63,000.

The unemployment rate was 6.1 per cent for the three months to November 2008, up 0.4 over the previous quarter and up 0.9 over the year. The last time the rate was higher was in the three months to April 1999 (when it was 6.2 per cent). The number of unemployed people increased by 131,000 over the quarter and by 290,000 over the year, to reach 1.92 million (the highest figure since the three months to September 1997).

The claimant count was 1.16 million in December 2008 (the highest figure since January 2000). It is up 77,900 over the previous month and up 349,500 over the year.

The redundancies level for the three months to November 2008 was 225,000, up 78,000 over the quarter and up 101,000 over the year. This is the highest figure since comparable records began in 1995.

There were 530,000 job vacancies in the three months to December 2008, down 69,000 over the previous quarter and down 153,000 over the year. This is the lowest figure since comparable records began in 2001.

Source: Office for National Statistics, First Release, Jan 21st 2009.

Gross domestic product

Gross domestic product -Preliminary estimate – 4th quarter 2008

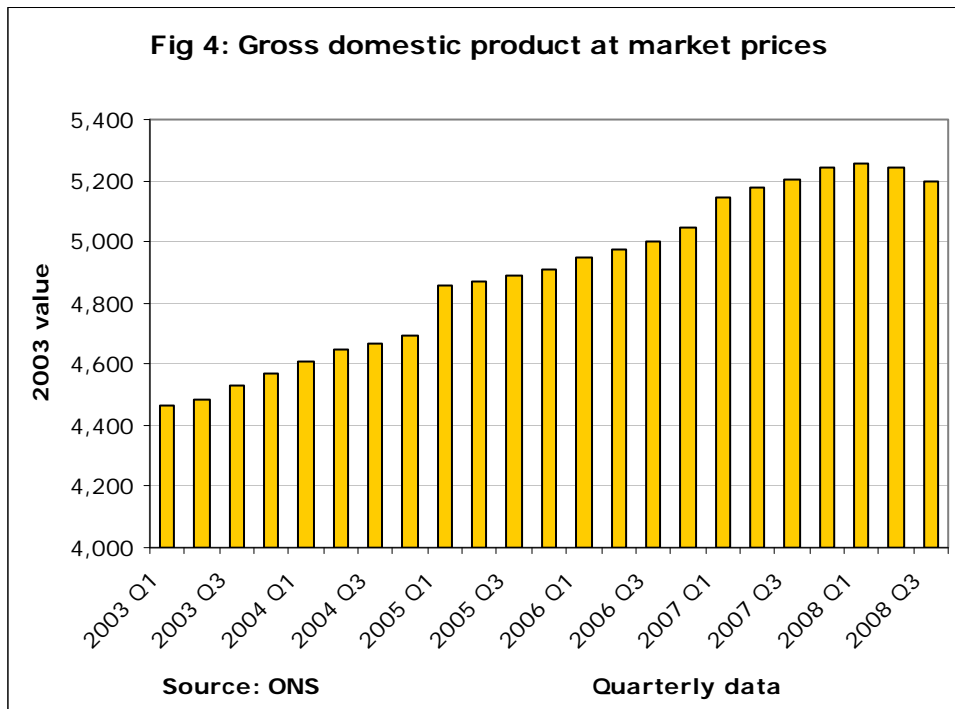
Released 23rd January 2009.

The preliminary estimate shows that the chained volume measure of gross domestic product (GDP) decreased by 1.5 per cent in the fourth quarter of 2008 compared with the previous quarter. The slowdown was the result of both reduced services and production activity. The volume of output in the production industries is estimated to have decreased by 3.9 per cent this quarter. Manufacturing output decreased by 4.6 per cent. Mining and quarrying decreased by 1.6 per cent and Electricity, gas and water supply decreased by 0.2 per cent. Output of the service industries is estimated to have decreased by 1.0 per cent.

Output within construction decreased by 1.1 per cent compared with a decrease of 0.2 per cent in the previous quarter. Output within distribution, hotels and restaurants decreased by 2.4 per cent compared with a decrease of 2.1 per cent in the previous quarter. Wholesaling and motor trades made the largest contribution to the reduction in the level of output. Output within transport, storage and communication decreased by 2.0 per cent compared with a decrease of 0.1 per cent in the previous quarter. Land transport and transport support made the largest contribution to the decrease in output. Output of business services and finance decreased by 0.5 per cent, compared with a decrease of 0.6 per cent in the previous quarter. Other business services made the largest contribution to the reduction in output. This was partly offset by increased growth in computing. Output growth of government and other services decreased by 0.5 per cent, compared with an increase of 0.6 in the previous quarter. Weaker recreation and sewage and refuse made the largest contribution to the decline. Agriculture, forestry and fishing output increased by 0.1 per cent compared with a decrease of 0.4 per cent in the previous quarter.

Source: ONS, 2008, First Release.

Fig 4 below shows GDP at market prices. Data is currently unavailable for Q4 2008 in the same format, however, the figures above indicate a further decline.



Source: EMLR. UK economic accounts, Gross domestic product at market prices.

Output data

Output in the construction industry, 3rd quarter 2008.

The total volume of construction output in the third quarter of 2008 fell by 1 per cent compared with the second quarter of 2008. New private housing work was 7 per cent lower and new public housing was 7 per cent lower over the same period. All new work rose by 1 per cent whilst repair and maintenance fell by 4 per cent. The total volume of construction output in the 12 months to the third quarter of 2008 rose by 2 per cent compared with the previous 12 month period.

Source ONS, First Release 5th December,

Household Disposable Income

Figure 5 below shows the latest household disposable income data. The figures show a decline in the first quarter of 2008, followed by an increase in quarters 2 and 3.

Retail sales in December

Latest data on Retail Sales from the Office for National Statistics show that non-seasonally adjusted sales volume increased by 1.8 per cent in December compared with the same period a year earlier. Non-seasonally adjusted value fell by 0.8 per cent, which is the biggest fall since records began in 1986. The implied price deflator, which measures the change in product prices, also fell by 2.6 per cent. This is the largest fall in prices since records began in 1986.

This month ONS has advised users to focus on the non-seasonally adjusted estimates of volume because of exceptional factors affecting December's seasonally adjusted figures. These factors include the VAT change, earlier start of sales and vigorous price discounting, and an exceptionally late 5-week reporting period. For non-food stores, the non-seasonally adjusted volume of retail sales in December compared with the same period a year ago rose by 2.4 per cent but value fell by 3.6 per cent. In the non-store retailing and repair sector non-seasonally adjusted sales volume rose by 18.7 per cent and value rose by 8.7 per cent. In food stores, non-seasonally adjusted sales value rose by 2.1 per cent but the volume of food sales fell by 2.1 per cent. This is the largest fall in the volume of food sales since April 1999. The average weekly value of sales in December was £6.7 billion.

Source: ONS Retail Sales, News Release, January 2009.

The latest economic news compiled by the Treasury indicates that sales, orders and business confidence have generally continued to decline while in Q3 company profitability fell marginally compared to Q2.

Source: HMT, (2009) Recent Economic News.

4 Other reports

A report by Cornwall Citizens Advice Bureau suggested that in 2008 they were contacted by 45,000 new clients, a rise of 34% over 2007. *Graham Tierney, its operational director, said most callers were asking for help with redundancy, mortgages, loans and domestic violence. He believes the increase in demand is related to the downturn in the economy. In the last quarter of 2008, there was an increase of more than 300% in calls about redundancy, compared to the same period in 2007, while inquiries about mortgage and secured loans increased by 110%.*

Source: BBC news, 22nd January 2009.

5 International perspective

OECD

1. The OECD area economy appears to have entered recession, and unemployment is now rising in many OECD countries. OECD projections point to a protracted downturn, with GDP likely to decline by a 1/3 of a percent in 2009, but the uncertainties are large. That goes not least for the depth and duration of the financial crisis, the prime driver of the downturn. In this regard, underlying the projections is an assumption that the extreme financial stress since mid-September is short-lived, but will be followed by

an extended period of financial headwinds through late 2009, with a gradual normalization thereafter. Another important driver of the projection is the ongoing adjustment in housing markets, which in many European economies, based on past housing cycles, still has a long way to go. Partially offsetting these contractionary forces is the boost to real household incomes due to sharply lower commodity prices.

2. Earlier concerns about inflation exceeding comfort levels have dissipated in recent months. Inflation peaked this summer in many OECD countries, and is now declining. If, as assumed, commodity prices are sustained at their recent lower levels and as increasing economic slack exerts downward pressure on prices, inflation should continue to moderate.

Source: OECD, (2008).

UNCTAD

It was never meant to happen again, but the world economy is now mired in the most severe financial crisis since the Great Depression. In little over a year, the mid-2007 subprime mortgage debacle in the United States of America has developed into a global financial crisis and started to move the global economy into a recession. Aggressive monetary policy action in the United States and massive liquidity injections by the central banks of the major developed countries were unable to avert this crisis. Several major financial institutions in the United States and Europe have failed, and stock market and commodity prices have collapsed and become highly volatile. Interbank lending in most developed countries has come to a virtual standstill, and the spread between the interest rate on interbank loans and treasury bills has surged to the highest level in decades. Retail businesses and industrial firms, both large and small, are finding it increasingly difficult to obtain credit as banks have become reluctant to lend, even to long-time customers.

Since September 2008, the global credit crunch has transformed a sharp slowdown in Western Europe into a full-fl edged recession, and the major European economies have technically entered into recession. Having lost all growth momentum, GDP is expected to contract further in the first half of 2009, with little likelihood of recovery in the second half, leaving a negative growth rate for the year as a whole. After a long period of improving labour market conditions, unemployment rates began to drift upwards from mid-2008 and are expected to move up further by nearly a full percentage point on average for the region as a whole in 2009. With activity slowing, and commodity prices falling well below their peaks of mid-2008, inflation is expected to decelerate significantly from the highs experienced during 2008. Risks continue to be slanted towards the downside, particularly as regards the effectiveness of current and anticipated policies in stabilizing financial markets.

Source: UNCTAD, (2009), World Economic Situation and Prospects 2009 — Global Outlook 2009

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