

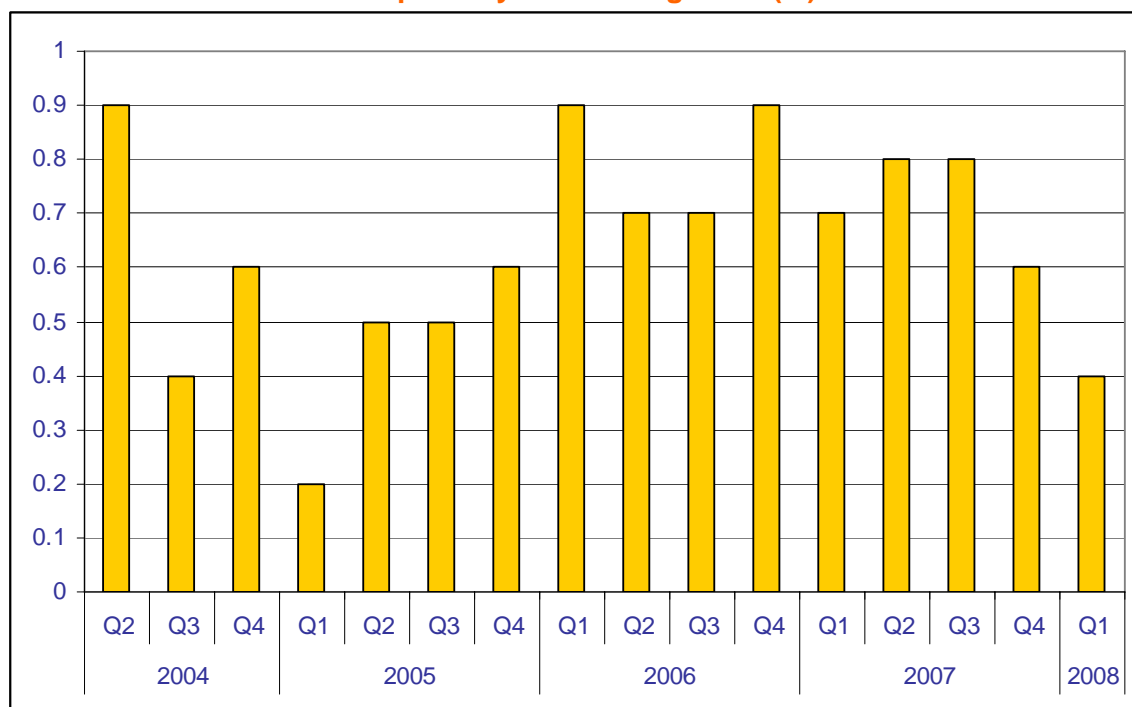
Monthly Economic Monitor: April 2008

Global and National Conditions

This section highlights the key international and national economic news from April:

- In the United States the Federal Reserve Open Market Committee cut interest rates by a quarter of a percentage point at it's latest meeting, from 2.25% to 2.0%. The initial estimate of growth in the first quarter of the year was higher than expected. At the end of the first quarter GDP was 0.6% higher than the previous year, an unchanged rate of growth from that reported at the end of the fourth quarter;
- Economic growth data for the final quarter of 2007 was published for the Eurozone. This shows that growth slowed in the final quarter and was 2.2% higher than a year earlier. Inflation in the Eurozone increased to 3.6% in March, which is well in excess of the European Central Bank's target of close to, but less than 2.0%;
- The initial estimate of growth in the UK in the first quarter of the year was 0.4%. This is below the long term trend rate of 0.6% and is the lowest figure since the first quarter of 2005. Output from production industries fell by 0.1% (compared to growth of 0.2% in the final quarter of 2007), while in the service sector output grew by 0.6% (down from 0.7% in the final quarter of 2007).

UK quarterly economic growth (%)



Source: Office for National Statistics, April 2008

The East Midlands Economy

In light of the slowing national economy, the East Midlands has experienced a reasonably strong first quarter of 2008 (Jan-Mar), though there are indications that levels of activity are lower than in the final quarter of 2007. Survey evidence suggests that growth in economic activity in the region has eased. Looking forward, business confidence remains relatively high, particularly in the manufacturing sector.

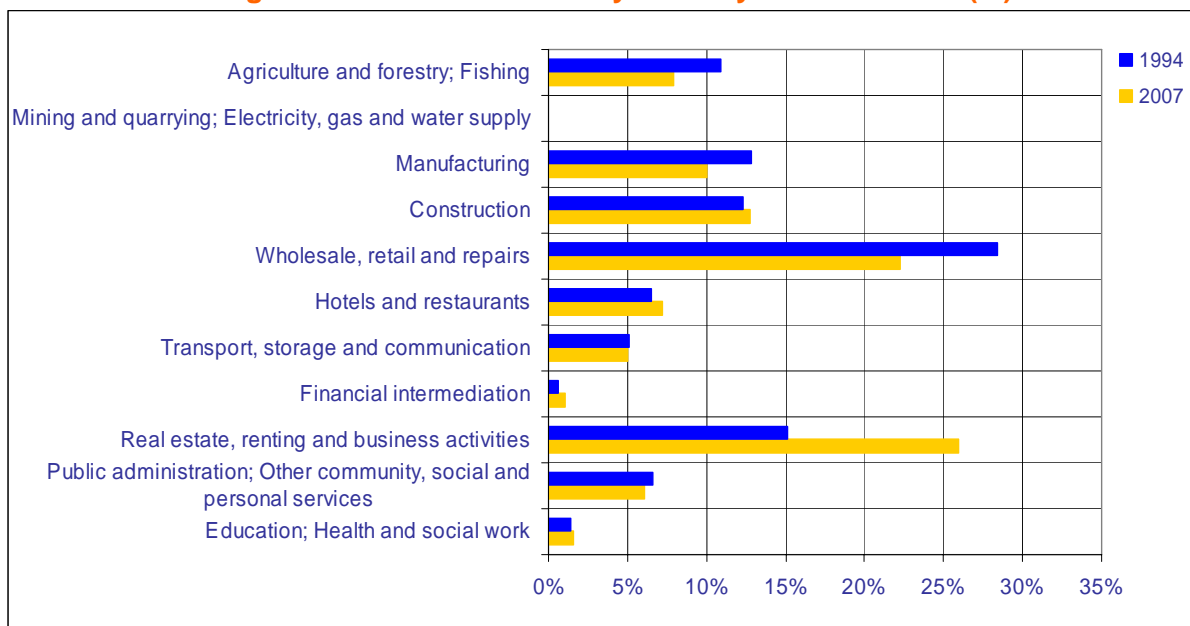
Recent survey evidence suggests that, despite an easing of economic activity in the East Midlands, the region compares relatively well with the UK. Although the British Chambers of Commerce Quarterly Economic Survey (BCC QES) for the first quarter of 2008 reported a decline in domestic sales and orders among the region's manufacturers, performance in the service sector was relatively good. The net balance of service sector companies in the region reporting increased domestic and export sales and orders has increased and is above the national. The Royal Bank of Scotland Purchasing Managers Index series suggests that growth in levels of output in the region remained steady during the first quarter of 2008.

Looking forward, the BCC QES reports an increase in confidence in the manufacturing sector. However, in the service sector levels of confidence in the region dipped slightly in the first quarter of 2008 but remain in line with the national average.

VAT Registered Business Stock

The distribution of the business stock of the East Midlands has evolved over time, responding to changing economic conditions. This section will outline the changes seen in the VAT registered business stock¹ in the East Midlands using the recently published data available from the Department for Business, Enterprise and Regulatory Reform (DBERR).

VAT Registered Business Stock by Industry 1994 and 2007 (%)



Source: *Business Start Ups and Closures Table 2d, Department for Business, Enterprise and Regulatory Reform, accessed April 2008*

¹ The current threshold for VAT registration is an annual turnover of more than £67,000.

- Real Estate, Renting & Business Activities has seen the largest growth between 1994 and 2007, of 10.8 percentage points, and is now the largest sector in the East Midlands, accounting for 25.9% of the VAT registered business stock. This sector has seen similar growth in the UK as a whole and currently accounts for 30.4% of the VAT registered business stock nationally.
- In the East Midlands the Wholesale, Retails & Repairs sector has seen the largest decline in the share of the business stock from 28.4% in 1994 to 22.2% in 2007. This trend has also been seen for the UK as a whole where there has been reduction of 6.2 percentage points. The sector currently accounts for 20.7% of the VAT registered business stock in the UK.
- The sectors of Construction and Manufacturing have remained relatively stable between 1994 and 2007 in both the East Midlands and the UK as a whole. In the East Midlands Construction accounts for 12.7% of the VAT registered business stock, whilst Manufacturing makes up 10%. These compare to UK figures of 11.7% and 7.8% respectively.

The East Midlands Labour Market

The latest monthly Labour Force Survey (LFS) presents a mixed picture recently but overall the labour market in the East Midlands remains relatively strong. The employment rate has increased slightly in the last month and is now at the same rate as a year ago. The unemployment rate has increased compared to last month but is not significantly different from a year ago. Due to a fall in the unemployment rate at national level, the ILO unemployment rate in the East Midlands now exceeds the national average.

- The seasonally adjusted employment rate in the East Midlands was 75.9% in the three months to February 2008, up 0.1 percentage points on last month's estimate but at the same level as a year earlier. This is compared to an employment rate of 74.9% in the UK, which is up by 0.2 percentage points on last month's estimate and up 0.6 percentage points from a year earlier;
- In the East Midlands, the seasonally adjusted ILO unemployment rate for the three months to February 2008 was 5.6%, up by 0.3 percentage points on the last month's estimate and up by 0.2 percentage points on the same period a year earlier. In the UK, the unemployment rate was 5.2%, down by 0.1 percentage points on last month's estimate and down 0.4 percentage points on the same period a year earlier;
- The regional claimant count for March 2008 was 2.4%, unchanged from last month and down by 0.4 percentage points from the same month a year earlier;
- The seasonally adjusted economically active working age population² in the East Midlands was 2.28 million in the period December 2007 to February 2008. The activity rate was 80.6%, up by 0.4 percentage points on the last month's estimate and up by 0.2 percentage points on the same period a year earlier.

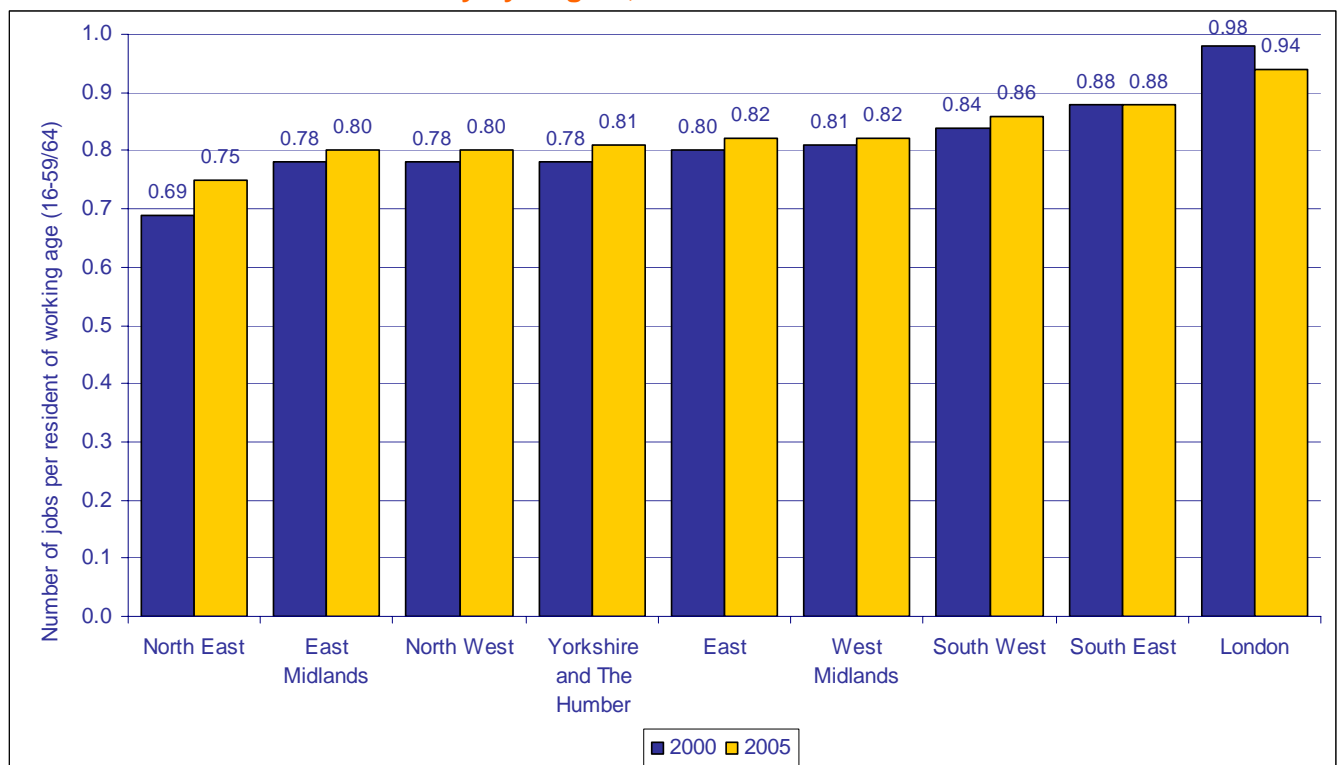
² The economically active population is the sum of the employed and the unemployed. This means that it is possible for levels of economic activity to increase when there is an increase in unemployment.

Job Density in the East Midlands

This month we look at the new estimates of jobs density produced by the Office for National Statistics. Jobs density measures the number of filled jobs³ in an area per working age resident in that area. When the ratio is higher than 1, it means that there are more filled jobs in that area than working age residents, which suggests in-commuting to the local labour market. When it is less than 1 there are more working age residents than there are jobs. The ONS has published time series jobs density estimates for the Government Office Regions and Unitary and Local Authorities from 2000 to 2005:

- As the chart shows, London is the region with the highest jobs density at 0.94 jobs per resident of working age. This is not surprising given the highly concentrated levels of economic activity in London. Other regions with relatively high job density are the South East and the South West at 0.88 and 0.86 respectively. The lowest job density can be found in the North East at 0.75. The East Midlands had the second lowest jobs density in 2005, at 0.80 jobs per working age resident;
- Jobs density has slightly increased in the East Midlands between 2000 and 2005 from 0.78 to 0.80. Significant changes in job density occurred in the North East and in London. Job density increased from 0.69 to 0.75 in the North East while it decreased from 0.98 to 0.94 in London. Therefore there has been a convergence between the English regions in this period.

Job Density by Region, 2000 and 2005



Source: ONS Crown Copyright Reserved 'Job Density Time Series, 2000-2005', (from Nomis on 24 April 2008)

³ The total number of jobs is a workplace-based measure of jobs and comprises employees, self-employment, government-supported trainees and HM Forces. The number of jobs in an area is composed of jobs done by residents (working age) and jobs done by workers (working age) who commute into the area.

- Within the East Midlands, job density in 2005 was the highest in Nottingham and in Leicester at 1.04 and 0.95 respectively. Job density was the lowest in Nottinghamshire and Derbyshire at 0.68 and 0.71 respectively.
- Job density increased significantly in Leicestershire (from 0.71 to 0.77) and in Derby City (0.86 to 0.92) between 2000 and 2005. Job density decreased significantly in Leicester City (from 1.02 to 0.95) and in Nottingham City (from 1.11 to 1.04) causing a degree of convergence across the region.

Key National Statistics	Rate	Monthly Change
Interest rate	5.25%	Unchanged
Retail Prices Index (all items)	3.8%	-0.3pp
RPIX Inflation	3.5%	-0.2pp
CPI Inflation	2.5%	+0.3pp
Producer Prices Index - PPI Output	6.2%	Unchanged
Employment rate (%)	74.9%	+0.2pp
ILO Unemployment rate (%)	5.2%	-0.1pp
AEI Headline rate 3 month average (SA) - including bonuses	3.7%	
AEI Headline rate 3 month average (SA) – excluding bonuses	3.8%	
Claimant count rate (Jobseeker's Allowance)	2.5%	Unchanged
UK Gross Domestic Product	+0.6% (Q4:2007)	

Source: National Statistics (Crown Copyright), March 2008; Bank of England