Quarterly Economic Report
for Bedfordshire and Luton Sub Region

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In this issue:

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Key Messages

Welcome to the First Edition of the Bedfordshire and Luton Quarterly Economic Bulletin. Produce by the University of Bedfordshire on behalf of the East of England Development Agency (EEDA), Central Bedfordshire Council, Bedford Borough Council and Luton Borough Council, this report provides data and analysis of the current performance of the Bedfordshire economy against a backdrop of the global economic recession and ambitious long term jobs growth plans for the area.

This report will support the work of local councils, EEDA and other local partners to drive forward economic policy and activities to ensure that Bedfordshire has a strong and productive economy, offering opportunity for all and ensuring that it is at the forefront of economic development. Future editions will focus on highlighting local business needs and particular consideration of the Green Economy and the Environment of Bedfordshire, as well as further in depth analysis of the key issues facing the Bedfordshire economy.

There are signs to indicate that in the three local authorities (Bedford, Central Bedfordshire and Luton) the local economy has started to pick up. There are indications to suggest that the claimant count rate has started to decline slightly in two of the LAs. The number of notified vacancies has increased in the third quarter from the previous quarter. With unchanged bank rate and low inflation, property sales have started to pick up. There also seems to be new business opportunities in the region to create employment opportunities.

However, there are a series of challenges that need to be addressed. Local authorities and partners must continue to develop their businesses support activities to help local business thrive and attract new investment to the area. There remains a challenge for partners to increase the qualification and skill levels in the county. All local authorities are below national levels for level 4 qualifications and only Central Bedfordshire seems to better the national average at NVQ Levels 3 and 2. Efforts to increase skills levels and reduce local skills shortages will attract new businesses in the region and ensure that Bedfordshire is in a strong position to compete in the global economy.

Key Highlights for Quarter 2Q and 3Q 2009

Economy Wide Performance

- ONS figures show that Gross Domestic Product (GDP) decreased by 0.4 per cent in the third quarter of 2009, compared with a decrease of 0.6 per cent in the second quarter. The recession hitting the UK economy is quite long, while most EU countries are coming out of it. However, there are signs and expectations that there will be improvements in the fourth quarter.

- Total production output decreased by 0.8 per cent in the third quarter of 2009 compared with the previous quarter and fell 10.5 per cent against the third quarter of 2008.

- In the second quarter of 2009, the current account recorded a deficit of £11.4 billion, up from a deficit of £4.1 billion in the previous quarter. In the same period, exports of goods fell by £0.8 billion mainly reflecting a decrease in exports of finished and semi-manufactured goods. At the same time, exports of services also fell, by £2.9 billion to £39.4 billion, mainly reflecting a decrease in financial and other business services exports.

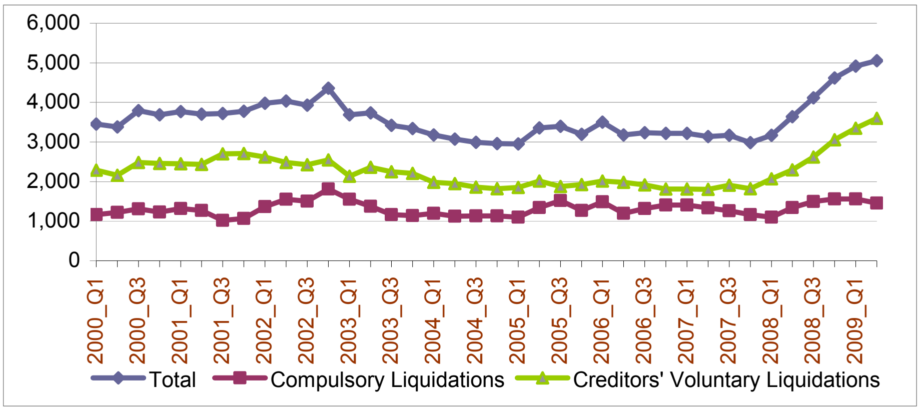
- *3Q_2009 GDP only down 0.4%*
- *Production output down by 0.8%*
- *2Q_2009 £0.8bn decrease in exports*
- *Business investment still decreasing*
- *2Q_2009 2.9% business liquidations increase*
- *3Q_2009 individual insolvencies up 28.2%*
- *1.9M children in workless households*
- *3Q_2009 Unemployment fell to 7.8%*
- *1.7 Vacancies per 100 employee jobs*

- The ONS UK Business indicates that around 8,430 business units have closed between 2008 and 2009. Among these, 830 units employed 20 to 29 staff; 595 units employed between 50 and 99; 60 closed business units employed 500 to 999; and 20 business units employed more than 1000 employees.

- Business investment for the second quarter of 2009 is estimated to be 10.2 per cent lower than the previous quarter and 21.8 per cent lower than the same period last year.

- Insolvency figures indicate that there were 5,055 compulsory liquidations and creditors' voluntary liquidations in total in England and Wales in the second quarter of 2009 (on a seasonally adjusted basis, Figure 1). This was an increase of 2.9% on the previous quarter and an increase of 39.1% on the same period a year ago. In the twelve months ending Q3 2009, approximately 1 in 114 active companies (or 0.9%) went into liquidation, which is up slightly on the previous quarter when the figure was approximately 1 in 120.

Figure 1: Company Liquidations in England and Wales.



Source: www.insolvency.gov.uk

- According to the same source, there were 33,073 individual insolvencies in England and Wales in Q2 2009 and 35,245 in Q3 2009. This was an increase of 27.4% and 28.2% respectively on the same period a year ago. In the third quarter of 2009, 86% of bankruptcies were made on the petition of the debtor, similar to the previous quarters and slightly higher than throughout 2007 and 2008 as a whole (62% in 1999).

- The claimant count in September 2009 was 1.63 million, up 20,800 on the previous month and up 670,100 on a year earlier.

- The number of working-age people in workless households in April-June 2009 was 4.8 million, up 500,000 on a year earlier, figures from the Labour Force Survey show. The number of children in workless households rose by 170,000 to 1.9 million.

- Unemployment fell for the first time since the beginning of the recession by 0.1 percentage points to 7.8 per cent in the three months to September, compared with the three months to August. The employment rate for July to September 2009 was 72.5 per cent, a fall of 0.1 percentage point on the quarter. There was a small increase of 6,000 in the number of people in employment to 28.93 million, the first quarterly increase since May-July 2008.

- There were 434,000 job vacancies in the three months to September 2009, unchanged from the three months to June 2009 but down 163,000 from a year earlier. There were 1.7 vacancies per 100 employee jobs, unchanged on the previous quarter but down 0.6 over the year.

- ***Inflation stands at 1.5% in October***
- ***18.3M households have internet access***
- ***Completed house sales rose 9%***
- ***Household recycling rate increase to 37.6% in 2008/9***

- The number of redundancies in the UK fell in the second quarter from 299,000 in the first quarter to 267,000. The number fell further in the third quarter to 205,000. In Q3, most of the redundancies were in banking, finance and insurance sector (27%), manufacturing (21%) and construction (19%). The redundancy rate (measured as the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000) in 2009 has fallen from 11.8 in Q1 to 10.6 in Q2 to 8.2 in Q3.

- The Consumer Price Index annual inflation was 1.5 per cent in October, up from 1.1 per cent in September.

- The results of the 2009 Annual Survey of Hours and Earnings show that median weekly pay for full-time employees in the UK grew by 2.0 per cent in the year to April 2009 to reach £489. Median earnings of full-time male employees were £531 per week in April 2009; for women the median was £426.

- 18.3 million households in the UK (70 %) had Internet access in 2009. This is an increase of just under 2 million households (11%) over the last year and 4 million households (28%) since 2006. The August 2009 bulletin on Internet Access Statistical Bulletin also indicates that 64 per cent of all recent Internet users had ever purchased goods or services over the Internet. Of these, 83 per cent (26 million) had purchased within the last three months to August 2009.

- The September data from Land Registry's House Price Index shows a rising market with a monthly house price change of 0.9 per cent up from half a per cent in August. The annual drop of 5.6 per cent, up from a low of minus 16.3 per cent in February, takes the average house price in England and Wales to £158,377. Figures during July 2009 show that the number of completed house sales in England and Wales rose by 9% to 57,579 from 52,628 in July 2008.

- Latest figures from Defra indicate that the total amount of collected municipal waste has decreased by 1.2 million tonnes to an estimated 27.3 million tonnes in England in 2008/09 compared to 28.5 million tonnes in 2007/08, a decrease of 4.1%. In 2008/09, household sources accounted for 89.0% of municipal waste arisings (24.3 million tonnes), or 473 kg of household waste per person, of which 178 kg was recycled. This equates to 1072 kg per household, of which 403 kg was recycled. Overall, it is observed that there was an increase in the national household recycling rate, from 34.5% in 2007/8 to 37.6% in 2008/9.

In the East

- ***Slight increase in employment rate to 61.1%***
- ***119,263 JSA Claimants in Sep 09 (-1.3% from Aug 09)***
- ***Increase of 75 business units in 2009***

The Region at a Glance

- Figures for the East region indicate that employment rate for the period March-May 2009 fell to 61.0 per cent from 61.8 per cent in the period Dec-Feb 2009. There was a slight increase to 61.1 in the period Jun-Aug 2009.

- Unemployment rate was up from 5.8 per cent in the period Dec 08-Feb 2009 to 6.3 in Mar 09-May 09 and to 6.7 in Jun 09-Aug 2009.

- The number of business units in the region has in fact increased between 2008 and 2009, as shown in Table 1, by 75. There were closures in Bedford and Luton while Central Bedfordshire has experienced an increase of 70 registered units.

- ***Luton: 5 business units employing 1000+ employees closed down***
- ***Central Bedfordshire: 5 new business units employing 1000+ employees***
- ***Highest business expenditure on R&D***
- ***7346 new bankruptcy orders***

Table 1: Number of Local Units in VAT and/or PAYE Based Enterprises in 2008 and 2009					
	Luton	*Bedford*	*Central Bed.*	*East*	*UK*
2008	5,850	6,865	11,840	259,050	2,643,220
2009	5,825	6,840	11,910	259,125	2,634,790
Change	-25	-25	70	75	-8430

Source: ONS, UK Business: Activity, Size and Location.

- There were 5 business units employing more than 1000 staff which closed down in Luton, same number of units closed down in the category employing 250 to 499 employees, however, there were 5 new business units in the category employing 500 to 999 staff. In Central Bedfordshire there were 5 new units employing more than 1000 staff, however, there were closures in 10 units altogether employing 100 to 499 staff (Table 2 provides further details).

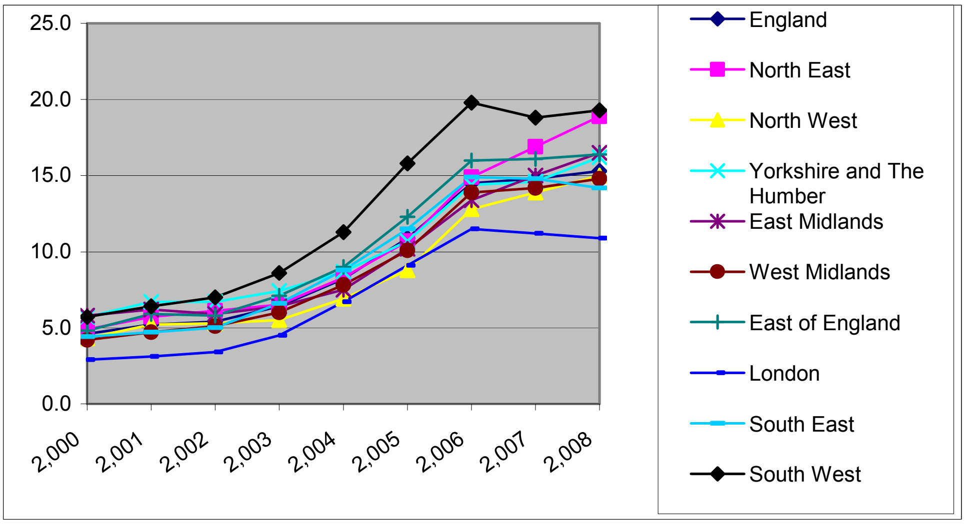
Table 2: Change in the Number of Local Units in VAT and/or PAYE Based Enterprises between 2008 and 2009				
Employment Size	**Luton**	**Bedford**	**Central Bedforshire**	**East**
0 - 4	-20	-75	-75	-1550
5 - 9	25	85	125	1800
10 - 19	5	-10	10	-70
20 - 49	-25	-10	10	-30
50 - 99	-5	-15	5	-25
100 - 249	5	-	-5	-75
250 - 499	-5	-	-5	-
500 - 999	5	-	-	25
1,000 +	-5	-	5	-
TOTAL	**-20**	**-25**	**70**	**75**

Source: ONS, UK Business: Activity, Size and Location.

- Latest figures from ONS indicate that businesses in the East of England had the highest expenditure on research and development (R&D), at £4.4 billion (27 per cent of the UK total) in 2007, an increase of 10% from 2006.

- There were 7,346 new bankruptcy orders cases in the East, 11.9% of England total. The bankruptcy orders rate per 1000 adult population has been rising sharply since 2004 (see Figure 2). For England this was 4.6 in 2000, 8.2 in 2004 and 15.3 in 2008. In the Eastern region, it was 9 in 2004 and 16.4 in 2008 compared to 19.3 for South West (highest) and 10.9 for London (lowest).

Figure 2: Bankruptcy Orders per 1000 Adult Population in England Regions

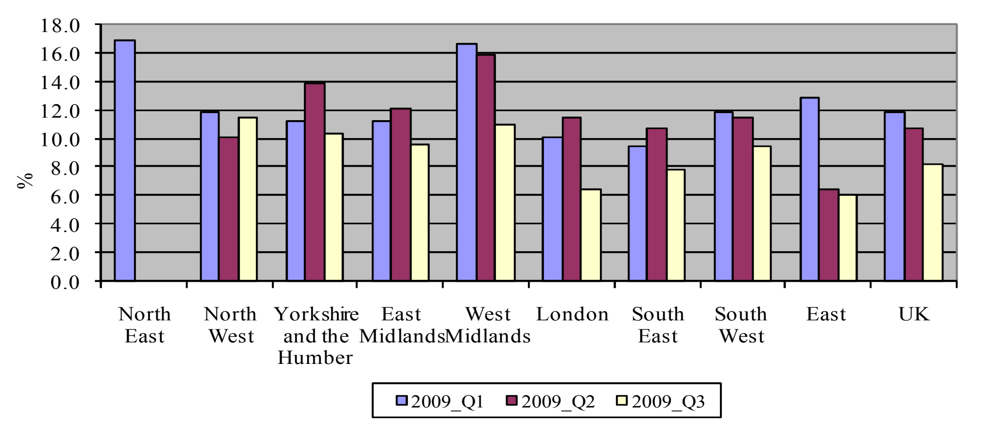


Source: www.insolvency.gov.uk

- ***Lowest redundancy rates nationally***
- ***Median regional weekly earnings £498.70***
- ***Average regional house price £167,119***
- ***15,166 sub-region JSA claimants***
- ***Luton JSAs higher than national***

- The redundancy rates (per 1000 employees) in the East compares very favourably with other regions, particularly in the third quarter, 6% (as depicted in Figure 3) compared to North West 11.4%.

Figure 3: Regional Redundancy Rates 2009 Q1-Q3.



- The median earnings in April 2008 per week for the East was £498.7 compared to £478.6 for the UK with London being highest at £580.8 according to figures from ONS.

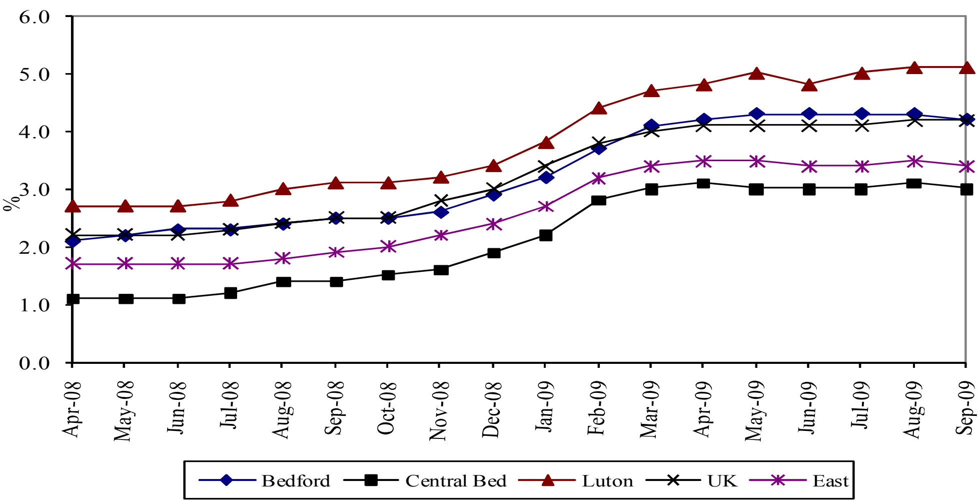
- The number of housing completions by private enterprise for 2007/08 was 22,230 for the Eastern region, second highest after South East (30,170). According to the Land Registry, average property values over the last 12 months in the East fell by 5% with a monthly movement of 0.4%. The average price stood at £167,119 at September 2009.

The Local Economy: Bedford, Central Bedfordshire and Luton Employment

- The claimant count for the three LA at September 2009 was:
  - Bedford 4,075 (down by 2% from August 2009)
  - Central Bedfordshire 4,848 (down by 1.2% from August 2009)
  - Luton 6,243 (up by 1.8% from August 2009)

- Figure 4 shows the JSA claimant count rate for the 3 LAs, East of England and the UK. It shows that Luton has had rates higher than regional and UK averages. The rates are higher in 2009 than those in 2008 for respective LAs for every month.

Figure 4: JSA Claimant Count Rate: April 2008-September 2009.

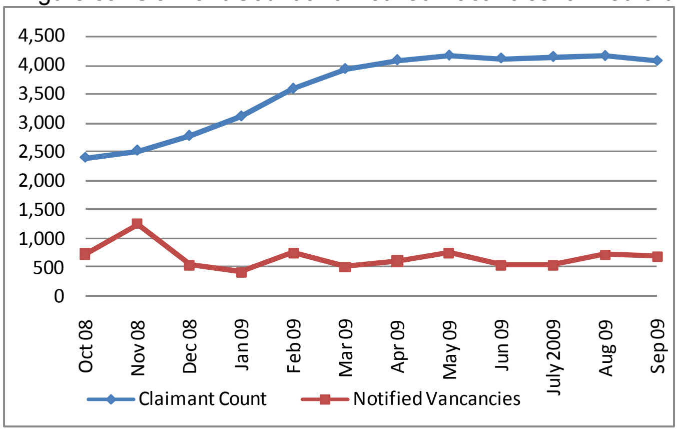


Source: NOMIS Claimant Count

- ***3Q_2009, number of notified vacancies increasing for the 3 LAs***

- Statistics from Jobcentre Plus indicate that during the second quarter the number of notified vacancies fell in Bedford and Central Bedfordshire by 10.5% and 6.6% respectively. As at June they were, respectively, 552 and 723. As for Luton there was an increase of 7.3% in the same quarter, the figure was 766 in June 2009. In the third quarter, however, there were marked increases in all three local authorities.

Figure 5a: Claimant Count and Notified Vacancies for Bedford



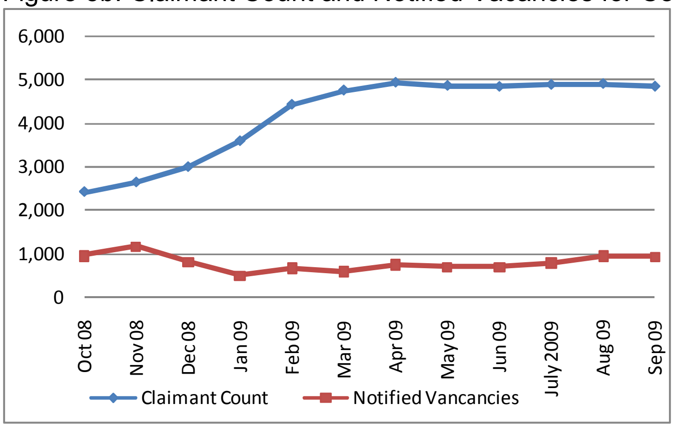
Source: NOMIS

- As at end September 2009, the number of notified vacancies in the 3 LAs was for Bedford 703 (against 4,075 claimants), Central Bedfordshire 942 (against 4,848 claimants) and Luton 1,240 (against 6,243 claimants). These represented an increase of 26.4%, 16.9% and 36.3% respectively during the third quarter.

- Overall, the main finding is that the gap between the number of JSA claimants and notified vacancies has grown over the last 12 months in all the 3 LAs, particularly since December 2008 (see Figures 5a, 5b and 5c).

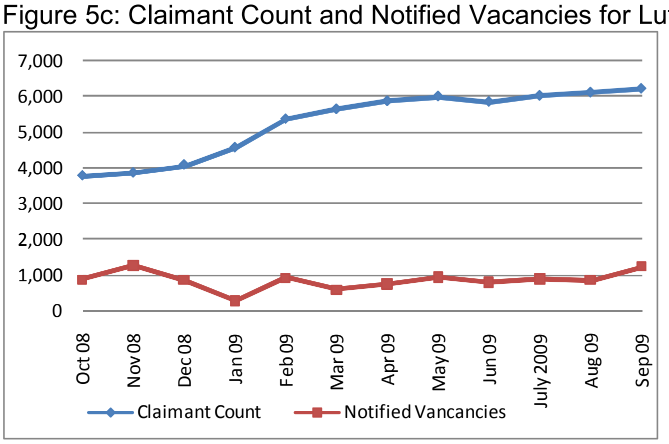
- ***Gap growing between claimants and notified vacancies***

Figure 5b: Claimant Count and Notified Vacancies for Central Bedfordshire



Source: NOMIS

Figure 5c: Claimant Count and Notified Vacancies for Luton



Source: NOMIS

- ***Unemployment:***
  -Bedford 8.2%,
  -Central Bed. 4.3%
  -Luton 10.8%

- ***Luton 66% employment, 77% regional***

- ***Central Bedfordshire: 28.6% NVQ4+ qualified***

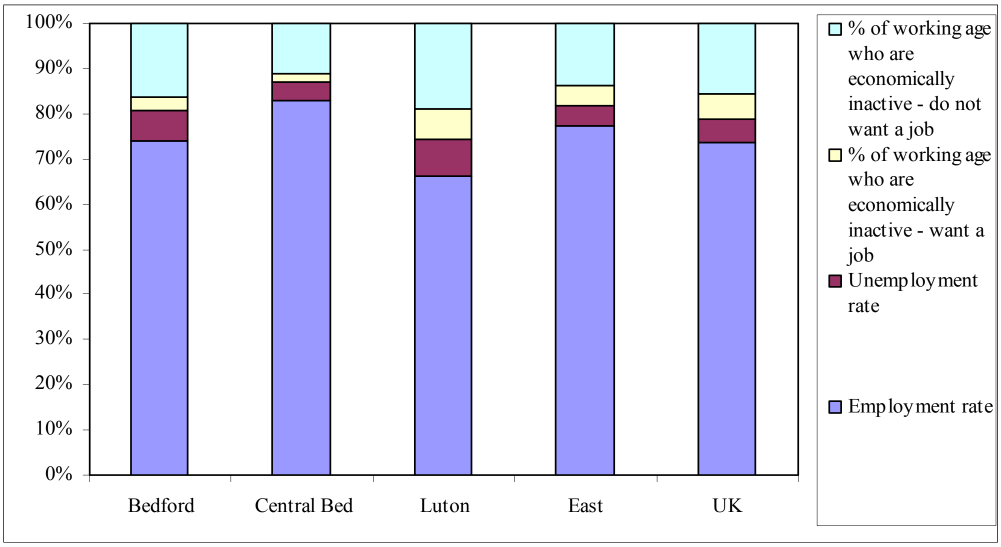
- ***Bedford: 25.9% NVQ4+ qualified***

- ***Luton: only 18.7% NVQ4+ qualified***

- ***Luton 15% no qualifications***

- The unemployment rate for the period April 2008 to March 2009, as reported by the Labour Market Statistics, ONS, show that it was 8.2% for Bedford, 4.3% for Central Bedfordshire and 10.8% for Luton (Figure 6). Luton region lags East of England average in terms of employment rate, 66% compared to 77%.

Figure 6: Percentage of Working Age: Employment, Unemployment and Economically Inactive, April 2008-March 2009.



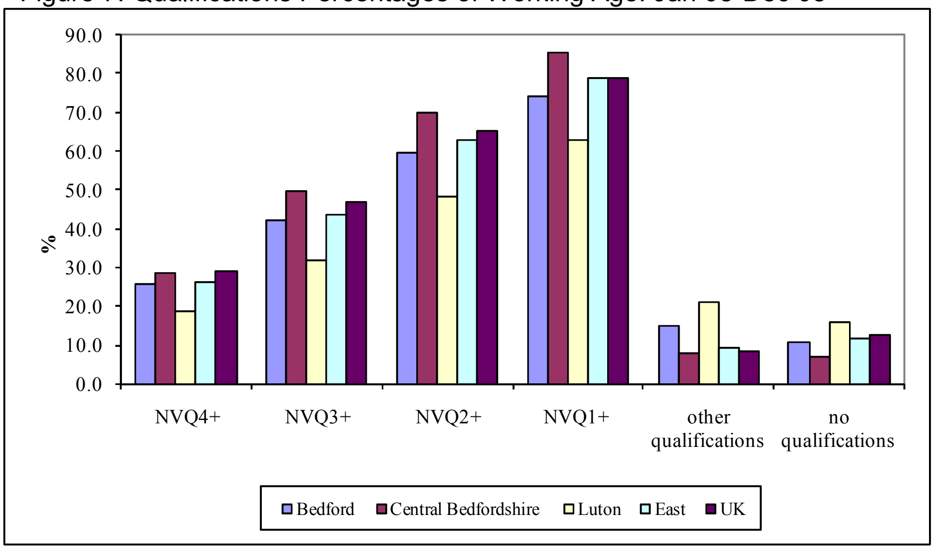
Source: ONS

- The average gross weekly pay in 2008 for Bedford was £605, for Luton £496 while it was £616 in the East of England. These represented an average increase of 1.3%, 0.8% and 3.2% respectively from 2007 figures. The median average gross weekly income in 2008 was £574 for north Central Bedfordshire residents and £526 for south Central Bedfordshire residents. These are both higher than the median average for the East (£499) and for England (£484). (Source: Office for National Statistics, Annual Survey of Hours and Earnings, Resident Analysis, 2008)

Qualifications

- Among the 3 LAs, Central Bedfordshire has the highest percentage of working age having NVQ4+, 28.6% (comparable to the UK average of 28.9%), while Luton has the lowest percentage with only 18.7% .Bedford has 25.9% of its working age with NVQ4+. Central Bedfordshire compares very favourable in all the categories with the UK average, at least 85.3% has an NVQ1+ (Figure 7). In Luton around 15% of the working age has no qualifications.

Figure 7: Qualifications Percentages of Working Age: Jan 08-Dec 08



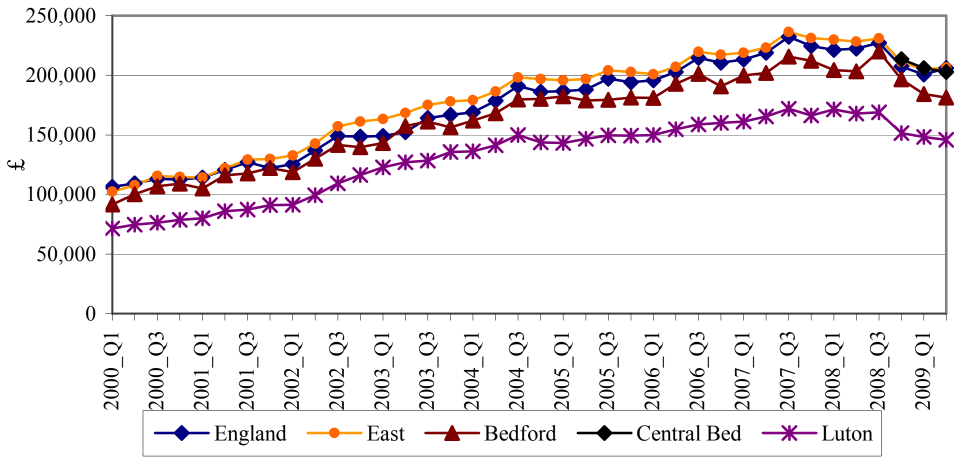
Source: ONS

- ***In the 3 LAs, 2181 house completions***
- ***Bedford house prices down 11.2%***
- ***Central Bedfordshire house prices down 11.5%***
- ***Luton house prices down 17.6%***
- ***2Q_2009 property sales up 45%***
- ***Luton: Fertility rate 18.5 compared to 12.7 nationally***

Housing

- The number of house completion by private enterprise in 2007/08 was 661 for Bedford, 1230 for Central Bedfordshire and 290 for Luton. Figures from Land Registry (Figure 8) indicate that average house prices between the second quarter of 2008 and 2009 have fallen by around 10% in the region and the LAs (7% fall in England).

Figure 8: Average House Prices, 2000Q1-2009Q2.

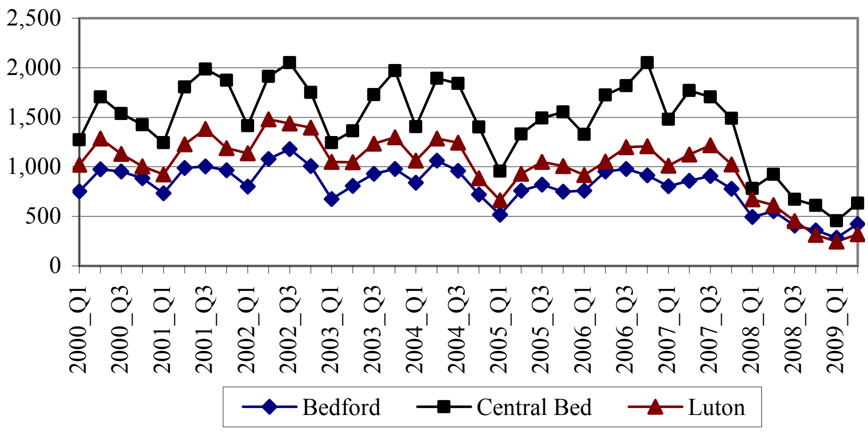


Source: www.communities.gov.uk

- For the three LAs, all have experienced a decrease in their average property values over the last 12 months: Bedford declined by 11.2%, Central Bedfordshire by 11.5% and Luton 17.6%. They are experiencing a monthly movement of 1.4%, 0.6% and -0.6% respectively.

- Property sales in England has started to pick up in the second quarter of 2009, 45% over the previous quarter, but still 30% lower than a year earlier. A similar trend is noticed in the East and the 3 LAs. For the Eastern region, from the first quarter in 2009 to the second quarter, there was an increase of about 50% but still lower than a year earlier (-30%). For Bedford it was 50% up but 23% lower a year earlier, for central Bedfordshire it was 39% up but 32% lower a year earlier and for Luton it was 32% up but 48% lower a year earlier (Figure 9).

Figure 9: Number of Property Sales in the 3 LAs, 2000_Q1- 2009_Q2



Source: www.communities.gov.uk

- Total fertility rate for the three LAs in 2007 was for Bedford 1.83, Central Bedfordshire 1.41 and Luton 2.45 compared with 1.90 for England. Birth rate (per 1000 population) was for Bedford 12.4, Central Bedfordshire 12.3 and Luton 18.5 compared with 12.7 for England.

Local Business Resilience Highlights

- ***Bedford: £200m Town Centre West regeneration***
- ***£150m investment by Skelton Group investments***
- ***Nirah to go ahead SE Bedford***
- ***Poundland in The Mall Arndale***
- ***Luton airport attracts 3 new airlines***
- ***More jobs creation in Central Bedfordshire***

- The most recent data from ONS indicate that the stock of VAT registered businesses in 2007 in Bedford was 5,280, for Central Bedfordshire 10,045 and for Luton it was 4,160. The net change (registrations minus de-registrations) from 2006 for each LA was 150, 335 and 150 respectively.

- Bedford's £200m Town Centre West regeneration scheme has moved further forward with some major property acquisitions by the Borough Council. St Modwen is the council's development partner for this scheme, which will provide Bedford with a modern living, shopping, leisure and transport environment, expanding the town centre's offer. It will help retain existing users as well as attracting new people to the town centre to live, work and shop.

- Bedford has produced a new 'Strategic Sites for Business Prospectus' to demonstrate how the Council can meet the accommodation and associated needs of businesses, line of business or connectivity need. The prospectus explains what Bedford is about and, most importantly, gives in-depth detail of the strategic sites and premises for business that are available now, or are on the way.

- Skelton Group Investments has been granted planning permission for a £150m data centre at its Twinwoods Business Park just to the north-east of Bedford. The centre will directly employ 50 people and is expected to attract other high tech businesses to Twinwoods which is home amongst others to a Red Bull Racing Team research centre and the Bodyflight adrenalin leisure facility.

- Nirah – sometimes called the fresh water Eden – is to be built just south of Bedford. It will be an international centre for science and conservation and a major tourist destination attracting people from all over Britain and Europe.

- The opening of Poundland at The Mall Arndale is expected to create 37 jobs.

- Three airlines have launched flights from Luton airport. Wind Jet, an Italian based company, has kicked off twice-weekly services to Forli, Italy. In May, EL AL Israel Airlines began six flights a week to Tel Aviv, Israel and as from June, Blue Air, a Romanian low cost carrier started two flights per week to Bacau, Romania.

- In Central Bedfordshire, some 460 new jobs is expected to be created by international organisations in the food and high engineering sectors.

- The recent successful Central Bedfordshire Council (CBC) Future Jobs Fund application will support 90 new FTE employment opportunities for the 18 to 24 age category Furthermore, the CBC Economic Participation program will support a range of physical infrastructure and training and skills activities to support to access the labour market.

- CBC has developed a Retail Support program to intensively assist 40 businesses in Dunstable, where the high street has a witnessed a decline during the recession.

- ***Bedfordshire is a net exporter of hazardous waste***
- ***32,540 tonnes hazardous waste produced***
- ***A1 air quality continuously monitored***
- ***High nitrogen dioxide levels September***
- ***Nitrous oxide exceed the EU limits***

Sustainable Environmental Indicators

Hazardous waste

- Hazardous waste data are available from Defra and are supplied by EWS. The data are on a calendar year basis and the most recent are for 2008. A total of 32,540 tonnes of hazardous waste was produced in Bedfordshire during 2008 and 9,449 tonnes of waste deposited (this includes waste brought in from elsewhere). Bedfordshire is a net exporter of hazardous waste both regionally and nationally. 6,854 tonnes are exported to other counties in the region and 2,308 tonnes imported; 20,734 tonnes are exported to England, Wales and Scotland and 2,769 tonnes imported.

Air Quality

- Data on air quality are not available for the whole sub-region. There is a permanent monitoring station by the roadside of the A1 at Sandy and data on nitrous oxide (NO) nitrogen dioxide (NO_2) and particulates (PM_{10}) are collected on an hourly basis. The trends depicted in Figure 10 are mean values for the year ending 30 September 2009. These data will be the base line for future comparison. Under European directives, and adopted by the Government in the Air Quality Strategy (Defra 2007), limits have been set for various pollutants. For PM_{10} 50 μg/m3 should not be exceeded more than 35 times per year; for NO_2 the annual mean should not be more than 40 μg/m3 and for NO the annual mean should not exceed 30 μg/m^3. The annual mean values to September 2009 for the Sandy monitoring station have exceeded the EU limits for NO (mean 44.91 μg/m3) and for NO_2 (annual mean 49.24μg/m3). For particulates, however, the levels are well below the limit (annual mean 21.18 μg/m3 with only 6 days over 50 μg/m3).

Figure 10: Mean hourly air quality data for Sandy 2008/09 (□g/m^3)