



Reporting the Local Impact of the Credit Crunch February 2009



Introduction

On Friday 23rd January 2009, recession in the UK became official - output figures were released for Q4 of 2008 and showed the UK economy shrinking by 1.5%, after already contracting by 0.6% during Q3. On the back of this announcement, expert economists proffered their predictions on the scale and length of the recession:

Alan Clarke, BNP Paribas

Believes that we are not yet halfway through the downturn and that GDP will continue to shrink through 2009.

Howard Archer, IHS Global Insight

Forecasts a contraction in UK GDP of 2.9% and falls in output across all four quarters of the year and a very slow eventual recovery which would not start until 2010.

James Knightley, ING

Has GDP shrinking by 3.1% in 2009 and doubts that the UK will return to positive growth until the first quarter of 2010.

Whilst concern has largely been with monetary policy - the balance between inflation / deflation - turbulence in the currency markets (linked to the slashing of interest rates and a loss of confidence in the UK) has elevated sterling as a cause for concern. The fallout of sterling is likely to push up imports, deter foreign investors and make foreign debt held by UK banks more difficult to service. The real implications of this cannot be fully understood; if the trend continues, we might expect to see living standards fall and significant changes to the economic structure of the UK. There may be clues, however, by looking at the extent and shape of earlier recessions. This month's report, therefore, identifies the most recently available national changes in output, inflation and employment before putting these into context locally - and historically - in Leicester and Leicestershire.

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Key Points.

National

- The most recent data on GDP growth shows that between Q3 and Q4 the UK posted a negative growth rate, contracting by -1.5% and by -0.6% between Q2 and Q3 of 2008.
- Inflation, measured by Consumer Price Index and Retail Price Index, fell for the fourth consecutive month.

Locally

Claimants

- Nationally and as a sub-region people appear to be losing their jobs at roughly the same speed as the last recession.
- The total number of people now claiming unemployment benefits in Leicester Shire (City and County) is 19,022 in January 2009, compared to 12,129 in January 2008
- In the County, almost half of wards have at least doubled in terms of the actual numbers of claimants over the last year

Education, Skills and Training

- Leicester Business Survey in Summer 2008 found that 29% of firms surveyed said they had spent more than their usual amount on training in the past twelve months
- NEET within Leicestershire City and County continues to be below that of previous years with an overall downward trend
- In January 2009, the total number of unfilled vacancies through Job Centre Plus was 2,487, equating to 7.6 claimants per unfilled vacancy

Business vulnerability and resilience

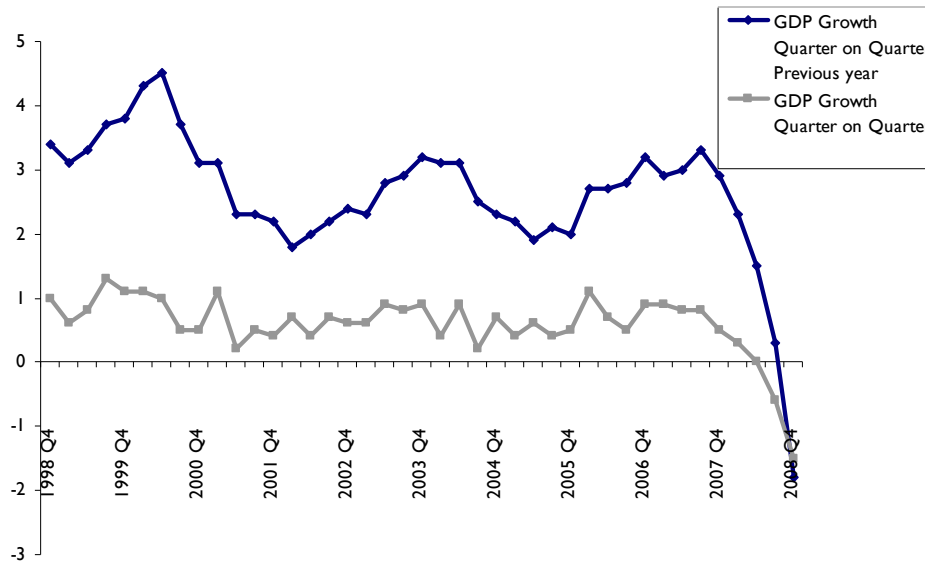
- Using a vulnerability index calculation on ABI 2007 Blaby continues to be considered the most vulnerable district due to its reliance on financial sector employment
- Business Link have reported that the key concern for Leicestershire businesses over the last 12 months was access to finance
- For both Leicester City and County, real estate renting and repairs was the main growth sector (in terms of start-up activity) in 2007
- Average house prices for December 2008 were £119,310 in the City and £152,008 in the County. This is a decrease of 10.1% in the City and 11.7% in the County from October 2007 prices

National Picture

Output

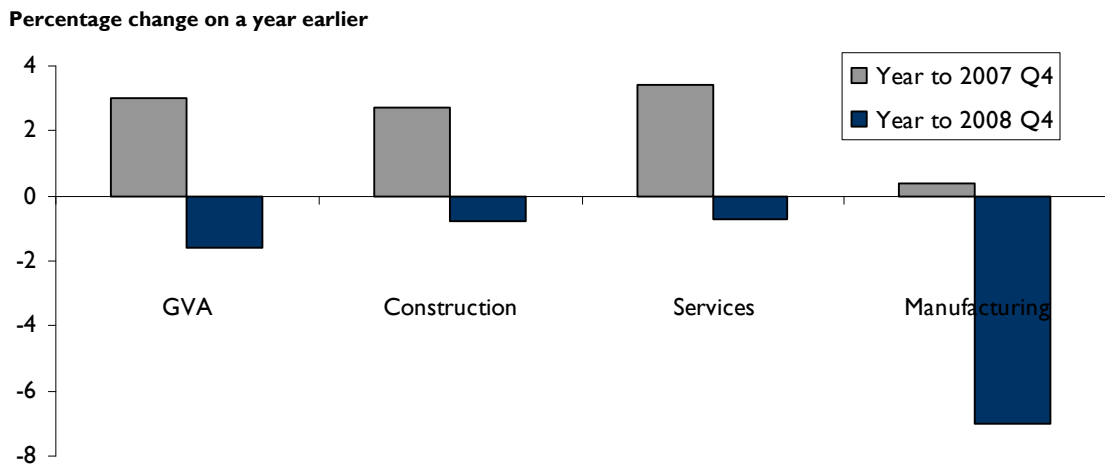
The most recent data on GDP growth shows that between Q3 and Q4 the UK posted a negative growth rate, contracting by -1.5% and by -0.6% between Q2 and Q3 of 2008. The GDP growth rate for each quarter on previous years shows a noticeable reduction of -1.8% since Q4 of 2007.

Figure 1: UK GDP Growth over the last 10 years



The increased rate of decline in output was due to weaker services and production industries output. Compared to Q4 of 2008 manufacturing output reduced by -7.0%, all services output shrank by -0.7% and construction by -0.6%.

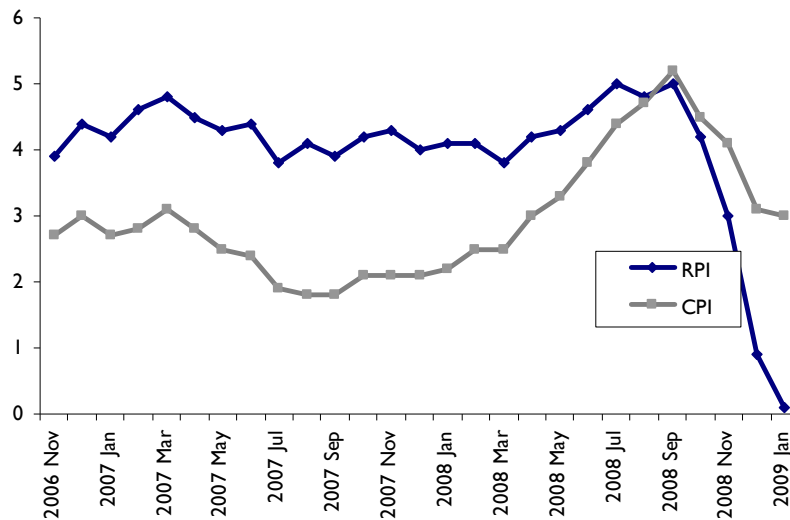
Figure 2: GVA growth by sector



Inflation

Inflation, measured by Consumer Price Index and Retail Price Index, fell for the fourth consecutive month. Consumer Price Index (CPI) annual inflation – the Government's target measure – was 3.0% in January, down from 3.1% in December. The largest downward pressure came from transport costs; the average price of petrol fell by 2.9p per litre between December 2008 and January this year, to stand at 86.3p, compared with a rise of 1.3p last year. There was also, however, significant upward pressure on CPI from the retail sector - on clothes, toys, furniture, leisure services and holidays abroad. Retail Price Index (RPI) inflation slowed to 0.1% in January, down from 0.9% in December. There was a large downward contribution from housing with the main effect coming from mortgage interest payments and house depreciation, which are excluded from the CPI. That the fall in RPI was so severe compared to CPI and that falls in CPI for January appear to be levelling out (largely due to upward pressure from imports) might suggest that currency markets - the falling value of sterling - may become a greater concern than deflation and shrinking output.

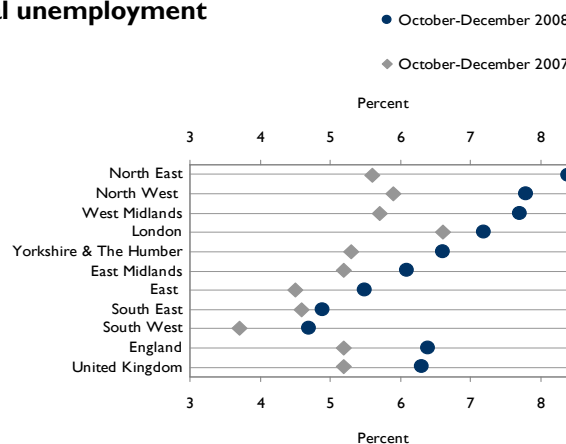
Figure 3: Downward pressure on inflation as CPI down to 3.0%; RPI down to 0.1%



Unemployment

The most recent International Labour Organisation measure of unemployment is available for October to December 2008. Overall, unemployment in the UK and England increased by 1.1% points between October-December 2007 and October-December 2008. Between these two years unemployment increased the most in the North East (by 2.8% points) and North West (by 1.9% points). Unemployment in the East Midlands increased by 0.9% points.

Figure 4: Regional unemployment



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Reporting the recession

The tag cloud below analyses online media reports from 4 newspapers - The Sun (4) The Daily Mail (4) The Guardian (13) and The Times(13) - during the first 2 weeks of February 2009 on the recession in the UK. The size of the word represents the frequency with which it is used. Common words including recession, economy and economic were removed to allow other more intuitive words and phrases to be recognised. Generally, emotive words are not the most commonly used with many references to figures and trends. However, the terms 'crisis', and 'depression' along with words like 'slump', 'warned', 'failure', 'longer', 'highest', 'worst' do appear in the top 200 words cited, and comparisons to past recessions appear frequent. The Sun and the Daily Mail were also more likely to use the term; boom and bust.



There has been recent discussions on the impact of media's reporting of the recession, with some believing the coverage has fuelled a social panic. Few can argue that the reporting of Northern Rock did not have an immediate detrimental impact. While delaying reporting would have lessened the panic and consequent savers' behaviour, the public are rightly keen to be informed with accurately timely information, enabling them to make rational economic judgements. However, the influence of the media should not be underestimated. Confidence and trust plays a part in the economy. While the Leicestershire Business Survey reported that business confidence was at an all time low, responses were also reportedly often in line with the current media terms citing 'credit crunch' and 'recession' as their main business concerns in line with media reporting. With people waiting for the so-called 'bottom' of the market before buying or an announcement for the 'green shoots' of recovery before investing, there is some weight to the argument that the media's role in the economy is beyond that of a passive observer. Compared with earlier recessions of the late 20th Century, this one (or at least the financial crisis that sparked it) has been more aggressive and this might be due to the fact that access to detailed international financial information is now instantaneous. Media reporting has been able to keep up with this rapid pace of change and at least during the financial crisis accusations were made that the media was accelerating contagion.

Without ignoring the huge stress and suffering for those losing jobs and homes, it is worth remembering that for a significant number of the public, there have so far been few real/material negative effects; indeed for those who's jobs have been unaffected, falling prices and interest rates has made them comparatively better off. Clearly, the commitment to accurate, but objective and balanced information is essential during the current recession, on both a national and local level.

Negotiating the impact of the recession in Leicester and Leicestershire

Unemployment

Comparisons with 1990's

Monthly unemployment rates are now higher than any other period in the last 4 years in both Leicester and Leicestershire, but this is comparing the current recession to the 'boom' years where unemployment was at a historic low. The charts below compare the current increases in JSA claimant numbers this year to the increases in the last recession starting from roughly the same period when numbers started to rise. Showing this comparison highlights that this year numbers started much lower than in 1990. In the UK, and within the City, claimant count has still not reached the numbers that the last recession started with. The gradient in the City appears slightly less steep than the last recession, whereas within the County the gradient appears slightly sharper, particularly over the last few months. Nationally and as a sub-region however the gradients are similar, indicating that people are losing their jobs at roughly the same speed as the last recession.

Figure 5: England JSA Claimant Count (numbers)

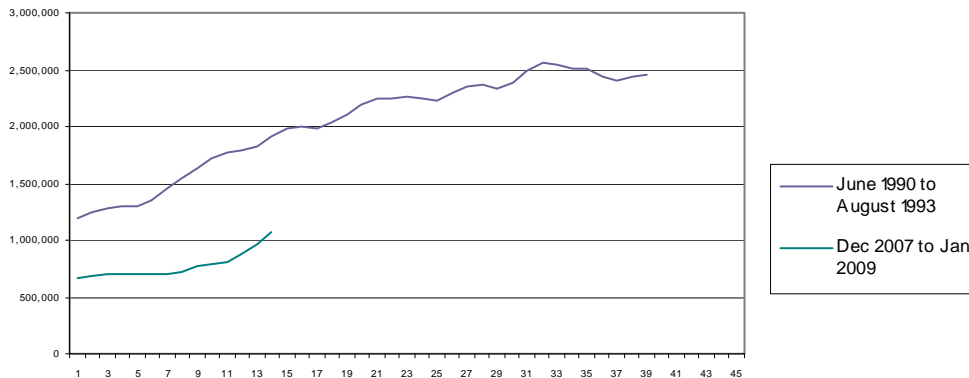


Figure 6: Leicestershire County JSA Claimant Count (numbers)

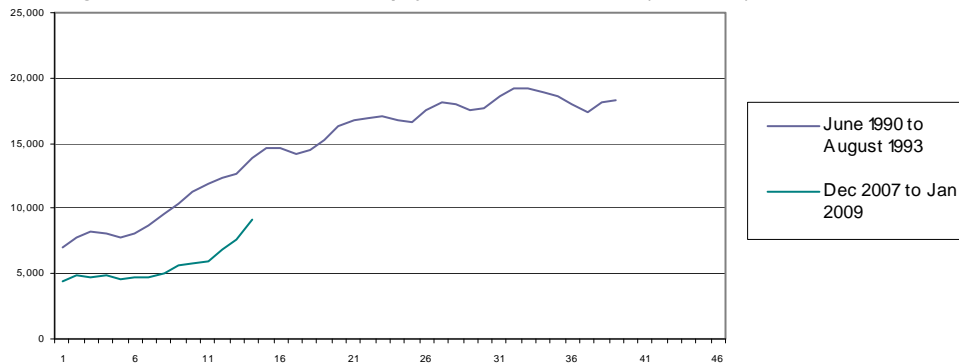
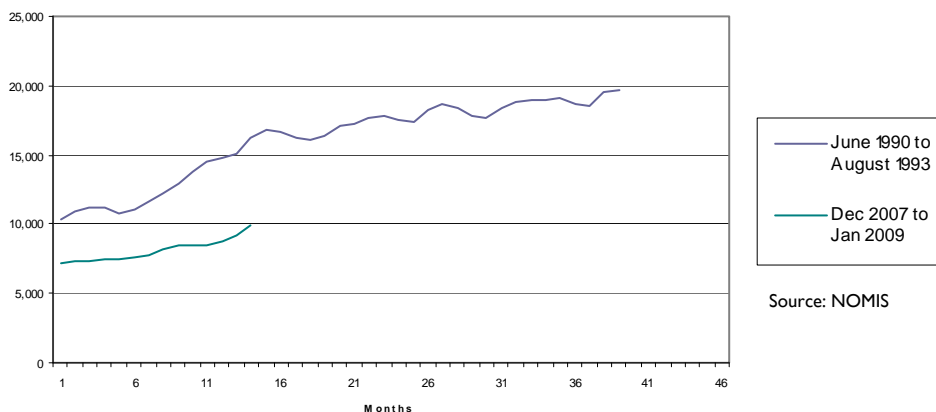


Figure 7: Leicester City JSA Claimant Count (numbers)



Source: NOMIS

Geography, ethnicity and age of Claimants

- The total number of claimants in England has risen from 959, 419 (3%) in December 2008 to 1,065,839 (3.4%) in January 2009
- After a fall in claimants in October 2008, Leicester City has seen a rise from 9,212 in December 2008 to 9,913 in January 2009, while County claimants have increased from 7,636 to 9,109

Table 1: Claimant Count (JSA): December 2008

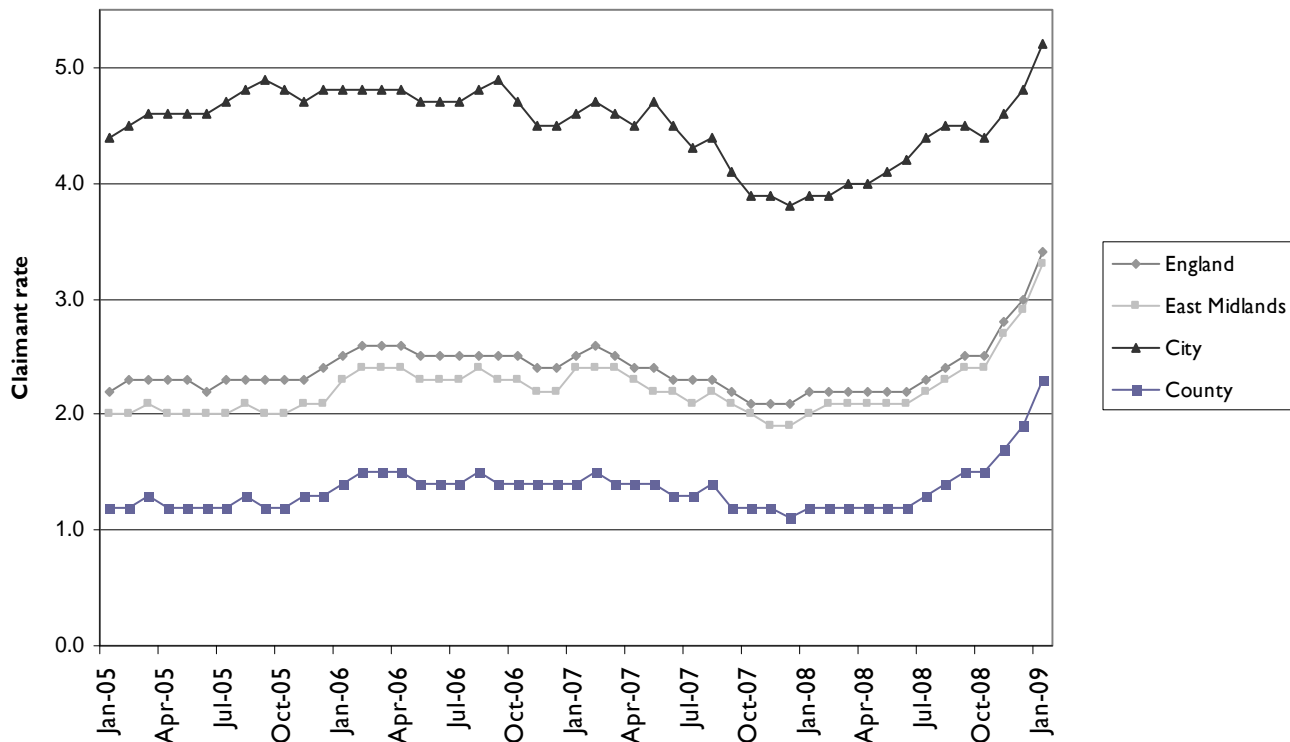
Leicestershire County	1.9%	7,636
Leicester City	4.8%	9,212
East Midlands	2.9%	80,283
UK	3.0%	1,117,512

Table 2: Claimant Count (JSA): January 2009

Leicestershire County	2.3%	9,109
Leicester City	5.2%	9,913
East Midlands	3.3%	90,252
UK	3.4	1,243,064

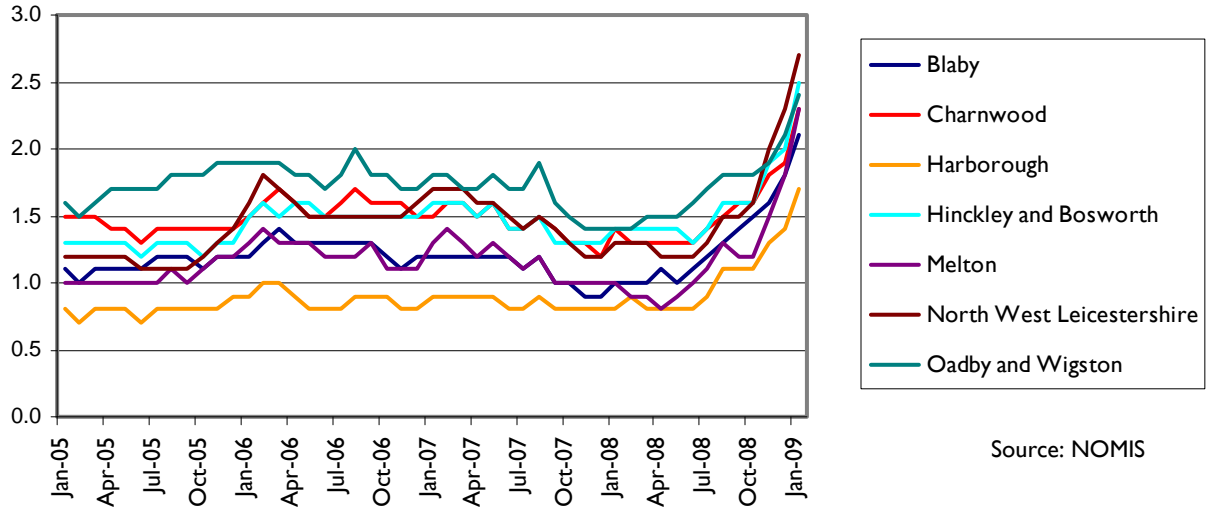
- The total number of people now claiming unemployment benefits (JSA) in Leicester Shire (City and County) is 19,022 in January 2009, compared to 12,129 in January 2008
- Over the past four years, the City and County have followed the national and regional trend of gently increasing claimant rates between 2004 and 2006 followed by relatively steady declines throughout 2007.
- Since December 2007 rates in the City have increased from 3.8% to 5.2% , while for the County, East Midlands and England rates remained constant through the first half of 2008, before increasing from June 2008 onwards. County rates have increased from 1.2% in June 2008 to 2.3% in January 2009.
- While the last few months have seen Regional, national and County rates higher than any other month in the last 4 years, rates in the City in January 2009 are higher than 2006 for the first time this year.

Figure 8: Claimant Rate (JSA)
January 2005 to January 2009



In the County, January 2009 figures show that Hinckley and Bosworth and Melton have had the highest monthly rate increases with Hinckley and Bosworth increasing from 2.0% to 2.5% and Melton increasing from 1.8% to 2.3%. North West Leicestershire has the highest claimant rate in the County at 2.7%. This compares with a rate 1.2% in June 2008.

Figure 9: District JSA Claimant Rates
January 2005 to January 2009



Source: NOMIS

In the City, Spinney Hills ward now has the highest claimant rate at 7.2%. Coleman and Fosse wards have seen the highest monthly increases with Coleman increasing from 5.3% to 5.9% and Fosse increasing from 3.7% to 4.3% between December 2008 and January 2009. In the County, Shepshed West ward saw the highest monthly claimant rate increase from 2.0% to 2.9%, followed by Broughton Astley-Primethorpe increasing from 1.0% to 1.8%

The wards most and least affected by *annual* claimant increases are given in Appendix A. High increases are affecting the majority of wards including those that traditionally have had low claimant count such as Hugglecote and Bardon, both with a low claimant rate of 0.6% in January 2008 and now have over 3 times as many claimants in January 2009, indicating that the recession is not confined to deprived areas. In fact 47% of County wards have at least doubled in terms of the actual number of claimants over the last year. Within the City claimant rates were much higher at the start of the year and consequently only one ward (Aylestone) has doubled in the number of claimant rates (140 to 289). In contrast some wards with traditionally high claimant rates such as Belgrave ward are relatively unaffected.

Further analysis into characteristics of JSA claimants show that in the County the number of white claimants increased by 68% between June 2008 and January 2009, compared to ethnic minorities (BME) that increased by 21%, falling by 3% in October (while white groups rose by 4% this month). In the City, white claimants increases by 28% over this 8 month period whereas BME groups only increased by 11%, similarly decreasing by 3% in October. In terms of claimant's age, the number of claimants under 18 decreased between June and January by 22% in the County and by 6% in City. However, 18 to 25 year old claimants increased by 18% in City and 63% in the County, despite both rates falling in October 2008. 25 to 49 year old claimants experienced the highest rate increase in the City whereas claimants aged over 50 increased by 73% within the County. Tables are available in Appendix B.

Some of these differences in wards and characteristics may be accounted for through the opening of the Highcross in September 2008, which had a vision to enable local people to access opportunities, targeting those most vulnerable. In total, 'Work Highcross' supported 2075 people into employment. Of the 1,556 known recruits 1,001 were female recruits and 552 male*. More detailed data on 824 employees found 72% were previously unemployed or NEET of which 67% were from BME backgrounds and 52% lived in priority areas.

*Claimant by gender was analysed in January 2009 Credit Crunch report

Education, Skills and Training

Education, skills and training are recognised as major contributors to future economic growth and success. Developing a sustainable economy depends on a workforce that is able to accommodate changing environments and advancing technology. With 22% of working age population in the City having no qualifications (compared to 10% in County) this puts pressure on those competing for the few jobs available with increasing risk of becoming long term-unemployed.

The Indices of Deprivation 2007 measures levels of employment and education deprivation. Analysis of Leicestershire domains has found a strong relationship between education and employment deprivation, and further correlation with both income and health domains, with similar neighbourhoods experiencing deprivation across these domains.

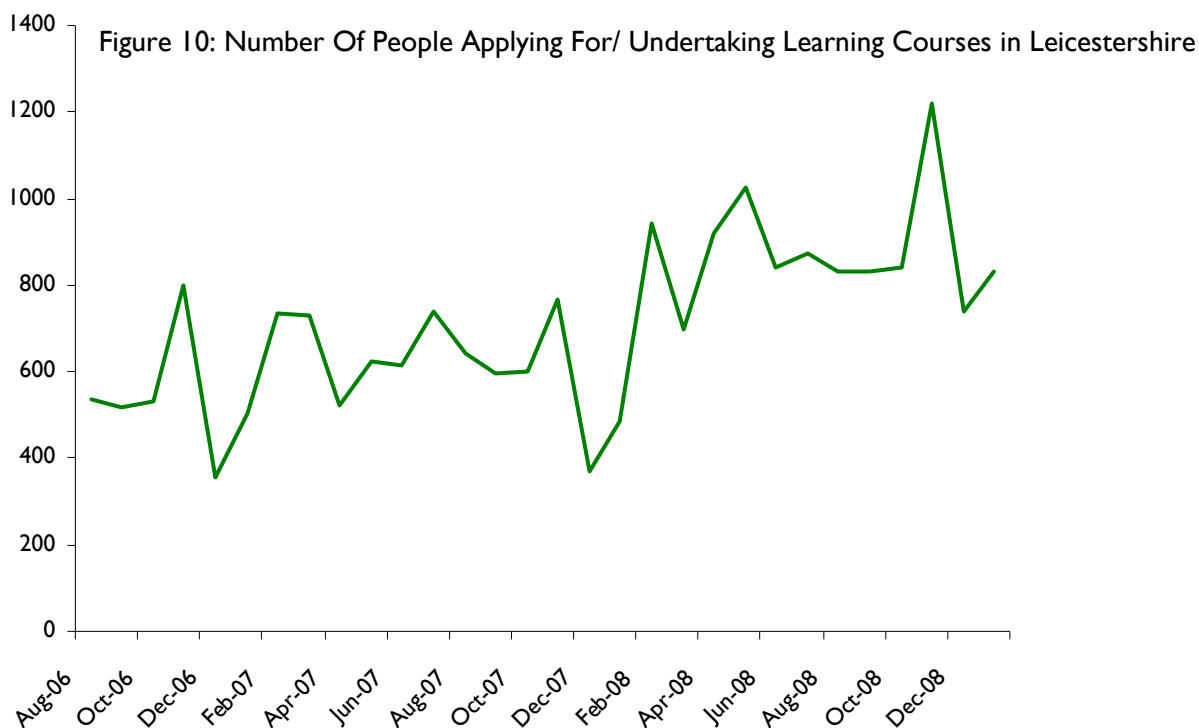
The Index of Multiple Deprivation shows that Leicestershire is a relatively un-deprived County, ranked 139 out of 149 for multiple deprivation. Analysis of employment and income domains suggest that relatively few neighbourhoods in the County experience such economic deprivation. However, contrary to figures that show a high level of attainment within the County, exploration of the Education, Skills and Training (EST) domain in Leicestershire reveals a range of deprivation scores. This EST domain, particularly the sub-domain of adult skills, tends to be more deprived than other economic related domains. EST deprived areas are scattered around the County but clusters exist within North West Leicestershire and Charnwood. EST deprivation also appears to have increased since 2004, with the highest increases in Blaby district. Such observations suggests that while Leicestershire may experience comparably low unemployment rates, low skilled employment or hidden unskilled unemployed may present barriers for those losing jobs in the County as well as the City. Employment and Education deprivation reports are available on www.lsr-online.org

Past research on training during a recession* has suggested that during economic difficulties some businesses recognise the need for upskilling their workforce, particularly if the recession is perceived to be mild and short lived. Rather than paying out redundancy payments then recruit and train new workers, the slack time may be used to offer employers more training. When a recession is widespread however, due to financial constraints many businesses will have no choice but to cut training in order to stay in business, referred to as 'institutional short termism'. When business confidence is low and there is uncertainty and pessimism on when the economy will recover the benefits of training workers is less obvious. However, during a deep recession competitive markets are pertinent with businesses needing to work harder to attract customers or look at branching out into new products or processes, which often requires some form of training.

The Leicester and Leicestershire Business Survey, conducted in October 2008, found that 29% of firms surveyed said they had spent more than their usual amount on training in the past twelve months, whilst only 4% had spent less. When asked about their future training plans, a small percentage of firms are planning to spend less than they currently do. 23% of firms surveyed said they plan to spend more than their usual amount on training in the next twelve months, whilst 9% plan to spend less.

*Training during the Recession, Felstead, A. and Green, F. in *Work, Employment and Society*, Vol. 8 No. 2, June 1994

Course Applications



Leicestershire appears to have experienced increases in people applying for or undertaking Learn Direct courses seasonally between 2007 and 2008. Across the county, there has been increases each quarter in 2008, with Winter experiencing over a 71% increase. In terms of districts, Blaby has experienced large increases between 2007 and 2008 in the last four quarters, with figures for Summer 2008 230% higher than Summer 2007. Yearly change for Harborough was negative for Summer and Autumn in 2008 but then increased by over 250% in Winter as the recession started to gain momentum. Elsewhere, Hinckley and Bosworth has experienced increases for the last six quarters, year-on-year and North West Leicestershire and Oadby and Wigston have seen quarterly increases for the last four quarters.

NEET

Connexions Leicester Shire supports young people into education, employment or training. Those not engaged are referred to as NEET. Numbers of 16-18 yrs olds NEET within Leicester and Leicestershire continues to be below that of previous years with an overall downward trend. The NEET level as of January 31st was 4.4% in the County and 8.5% in the City. In the City, NEET percentage levels are highest in the Eyres Monsell, Freeman and New Parks wards, with Braunstone Park & Rowley Fields containing the most NEET young people. In the County, Charnwood district has the highest proportion NEET with Loughborough Ashby the highest ward. This ward was also considered vulnerable in the vulnerability index due to employment in retail, bars and hotels. Melton Egerton, Loughborough Lemyngton and Coalville have relatively high % NEETs and also experience high JSA claimant rates. In the City, New Parks is the only ward to be in the top 5 for both NEET and claimant rates. The lowest claimant rate and % NEET in the City is Knighton ward. For NEET young people the most requested vocational areas were: Retail, Construction Trades, Hairdressing, Admin & Clerical and Motor Vehicle Trades and Childcare. Tables are available in Appendix C.

Recruitment and Skills shortages

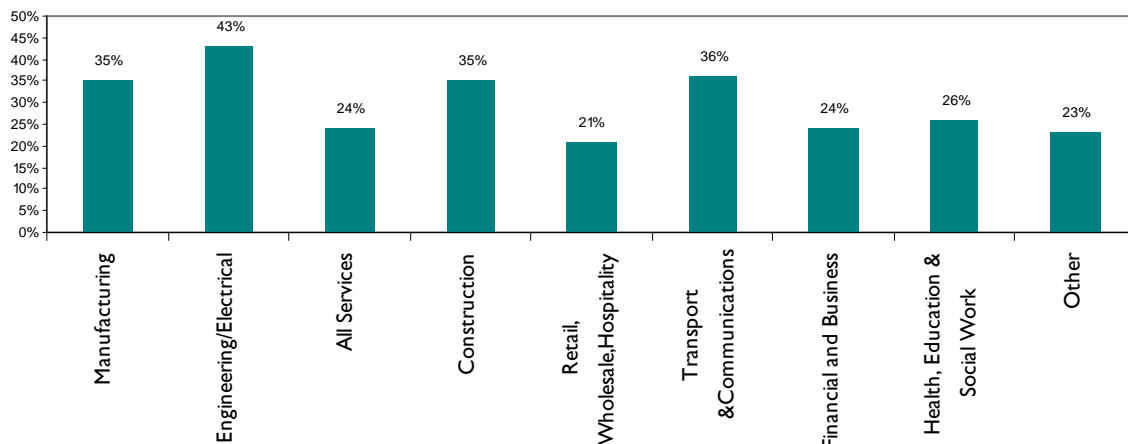
While training does not yet seem to be affected in a negative way by the recession, with numbers of applicants increasing through learn direct and numbers of young people in training remaining high, there is an underlying concern that on leaving education and training jobs may still be hard to come by. This is affecting recent graduates and expected to hit those graduating in the summer. The 2009 Graduate Recruitment Survey* found that graduate vacancies fell for the first time since 2003, expecting to decrease by 5.5% in 2009. Vacancies have been worse hit in the financial sector with a 28% cut in investment banking. Graduate salaries were also frozen for the first time at £25,000 with banking sectors expecting a median salary decrease of 8.9% this year. Conversely, salary growth was expected in the public sector and rather surprisingly construction and retail, despite fewer vacancies. These trends are a concern to a sub-region that is home to 3 large universities, producing 15,000 graduates a year.

The Leicester and Leicestershire Business Survey 2008 found that 6% of businesses had recruited a graduate in last 5 years, compared to 5% in 2007. 10% had recruited an apprentice, (no change on the previous year's survey). The percentage of firms experiencing recruitment difficulties was lower than reported in Summer 2007 at 28% of recruiting companies. This shows a continuing trend in terms of a reduction in the proportion of firms experiencing recruitment difficulties. Manufacturers (37%) were more likely than service sector companies (25%) to report recruitment difficulties. Recruitment was still a problem for the engineering / electrical sub-sector with 59% of recruiting firms having difficulties finding suitable staff. The percentage of construction subsector businesses experiencing recruitment difficulties has declined.

Overall, firms had the greatest difficulty recruiting craft and related occupations (24% of those reporting recruitment difficulties) and other low skilled occupations (19%). Manufacturing firms experienced particular problems with skilled craft occupations (49% of those reporting difficulties). Plant and machine operatives (22%) were also problematic for manufacturers. Problem occupations were more widespread in the service sector. With the exception of personal services and other unskilled occupations, the proportion of recruiting companies experiencing difficulties in all the other occupational areas has decreased slightly since Summer 2007. The most frequently mentioned occupations were care assistant, sales representatives, sales assistants, chefs and catering assistants.

The number of firms reporting skills shortages had decreased slightly since the Summer 2007 survey. Overall, 27% of firms surveyed agreed that skill shortages were having a serious impact on their business with 61% disagreeing. In manufacturing there was higher proportion of firms reporting skills shortages (35%) than in the service sector (24%). The electrical/engineering sub-sector was particularly concerned (43%).

Figure 11: Businesses reporting that skills shortages were having an impact on their business



*Summary available on [Association of Graduate Recruitment](http://www.associationofgraduaterecruitment.co.uk)

Vacancies

In January 2009, the total number of claimants in the sub region was 19,022. This compares to 2,487 vacancies unfilled through Job Centre Plus. Although only approximately a quarter of jobs are notified to Job Centre Plus (JCP) this ratio can be compared to January 2008 where there were a total of 12,050 claimants and 4,543 jobs. This was a ratio of 2.6 claimants per job last year, compared to 7.6 claimants per job in January 2009. The table below lists the occupational areas of the unfilled vacancies through JCP and the claimants that are seeking this occupation to illustrate the sectors affected by a disproportionate number of claimants seeking work for the number of vacancies that are available as well as the hard to fill vacancies and more resilient sectors.

Figure 12: Vacancies and Claimants

City Occupations	Unfilled vacancies	JSA claimants (more than 10)
Highest claimant to vacancy ratio		
Skilled Agricultural Trades	0	135
Elementary Trades, Plant and Storage Related Occupations	26	2,620
Skilled Construction and Building Trades	5	475
Culture, Media and Sports Occupations	3	155
Lowest claimant to vacancy ratio		
Administrative Occupations	17	755
Caring Personal Service Occupations	178	315
Business and Public Service Associate Professionals	99	160

County Occupations	Unfilled vacancies	JSA claimants (more than 10)
Highest claimant to vacancy ratio		
Culture, Media and Sports Occupations	1	165
Skilled Construction and Building Trades	7	605
Skilled Agricultural Trades	2	165
Leisure and Other Personal Service Occupations	4	100
Lowest claimant to vacancy ratio		
Elementary Administration and Service Occupations	281	585
Health and Social Welfare Associate Professionals	30	30
Caring Personal Service Occupations	297	255

Source: NOMIS

The more detailed occupational areas where there are disproportionately more vacancies than job seekers in the sub regions tend to be carers and nurses, with postal workers and security guards in the County and sales representatives in the City. Some of these occupations were cited in last months report as hard to fill vacancies that were often filled by migrant workers. In January 2009 the lowest claimant to vacancy ratios in the sub region were:

- Caring Personal Service Occupations
- Health and Social Welfare Associate Professionals
- Business and Public Service Associate Professionals
- Teaching and Research Professionals

Highest claimant to vacancy ratios (more job seekers than vacancies) were;

- Managers and Proprietors in Agriculture and Services
- Culture, Media and Sports Occupations
- Skilled Construction and Building Trades
- Skilled Agricultural Trades

This compares with January 2008 where lowest claimant to vacancy ratios were;

- Caring Personal Service Occupations
- Business and Public Service Associate Professionals
- Customer Service Occupations
- Skilled Metal and Electronic Trades

Highest claimant to vacancy ratios (more job seekers than vacancies) were;

- Skilled Construction and Building Trades
- Elementary Trades, Plant and Storage Related Occupations
- Culture, Media and Sports Occupations
- Teaching and Research Professionals

Business Vulnerability and Resilience

Sector Structure

In the December Credit Crunch report we adapted a method used by Oxford Economics in July 2008, applying a vulnerability score to each sector and then calculating a vulnerability index based on the share of employment in that sector for each district and ward in Leicestershire, using Annual Business Inquiry (ABI) 2006 data. This month this has been updated to reflect ABI 2007. Leicester City and Oadby and Wigston appear less vulnerable according to ABI 2007 than 2006, with Melton now ranked as 3rd most vulnerable district in Leicestershire (previously 4th). It is worth mentioning that *Oxford Economics* designed its 'vulnerability index' in July 2008 and the results might reflect the turbulence in the financial markets at the time. This would explain why the financial sector, which is relatively underrepresented at a sub-regional level, impacts significantly on Leicestershire's most vulnerable wards. Indeed, Blaby district remains the most vulnerable district in this analysis due to its reliance on financial employment. However, with the financial crisis no longer contained within the financial markets and spreading through the 'real economy', it is plausible that sectors such as construction/real estate and manufacturing could be more vulnerable than they appear here.

Figure 13: Vulnerability Index Ranks: Leicestershire wards, 2007

2007 rank	Ward	District	Vulnerable sector
1	Pastures	Blaby	Monetary
2	Westcotes	City	Monetary
3	Loughborough Ashby	Charnwood	Retail sale in non-specialised stores, bars, hotels
4	Bottesford	Melton	Legal, accounting, book-keeping
5	Peatling	Market Harborough	Bars, Restaurants, Building construction parts
6	Millfield	Blaby	Building of construction parts, Sale of household goods
7	Ashby Castle	North West Leicestershire	Miscellaneous business activities, Monetary intermediation
8	Nevill	Market Harborough	Bars, Building of construction parts
9	Appleby	North West Leicestershire	Hotels, Legal, accounting, book-keeping
10	Melton Warwick	Melton	Legal, Monetary, Sale of specialist goods, Bars

Figure 14: Vulnerability Index Ranks: Leicestershire Districts, 2007

2007 rank	Districts
1	Blaby
2	Harborough
3	Melton
4	Leicester City
5	Hinckley and Bosworth
6	North West Leicestershire
7	Charnwood
8	Oadby and Wigston

Source: ABI 2007

*Which parts of Great Britain are vulnerable to the credit crunch? Oxford Economics, July 2008

Looking at the broad employment sectors, the City has a relatively high proportion of employees in the public sector (34%), namely employed within the 3 hospitals, 2 universities and the City Council, which could contribute towards the area being relatively less exposed to vulnerability. While Blaby is considered the most vulnerable district it also has 22% of employees in public sector employment with the County Council and Leicestershire Constabulary Head Quarters (key employers in the sub region) both located in this district, which may balance out the impact of financial sector vulnerability within the district.

Figure 15: Employment by Broad Sector in Leicester and Leicestershire, 2007

	Leicester		Leicester and		Great Britain
	City	Leicestershire	Leicestershire	East Midlands	
Total Employed	161,732	272,037	433,769	1,913,235	26,599,196
Agriculture and fishing	0.0%	0.5%	0.3%	1.2%	0.9%
Energy and water	0.8%	1.8%	1.4%	0.9%	0.7%
Manufacturing	14.4%	16.3%	15.6%	15.2%	10.6%
Construction	4.5%	6.0%	5.4%	5.6%	4.9%
Distribution, hotels and restaurants	18.7%	26.0%	23.3%	23.1%	23.3%
Transport and communications	3.6%	7.9%	6.3%	5.6%	5.9%
Banking, finance and insurance	18.5%	17.4%	17.8%	17.8%	21.6%
Public administration, education & health	34.1%	19.9%	25.2%	26.2%	26.9%
Other services	5.2%	4.2%	4.6%	4.4%	5.2%

Figure 16: Employment by Broad Sector in Leicestershire Districts, 2007 (%)

	Blaby	Charnwood	Harborough	Hinckley and Bosworth	Melton	North West Leicestershire	Oadby and Wigston
	Total Employed	48,135	61,488	35,986	39,910	20,396	49,459
Agriculture and fishing	0.3%	0.5%	4.8%	0.9%	2.7%	1.0%	0.1%
Energy and water	4.0%	1.5%	0.4%	2.9%	0.0%	1.5%	0.0%
Manufacturing	8.3%	19.8%	8.8%	22.2%	18.7%	16.9%	20.4%
Construction	8.0%	5.5%	4.9%	4.6%	5.1%	7.0%	4.7%
Distribution, hotels and restaurants	28.8%	24.0%	34.3%	24.1%	20.5%	23.1%	24.0%
Transport and communications	6.7%	3.4%	11.0%	5.8%	5.0%	16.8%	3.1%
Banking, finance and insurance	18.4%	15.2%	17.0%	17.9%	21.7%	18.2%	12.9%
Public administration, education & health	22.9%	25.5%	14.8%	15.8%	19.5%	12.4%	30.5%
Other services	2.5%	4.5%	3.9%	5.8%	6.9%	3.1%	4.3%

Source: ABI 2007

It is also worth noting that this analysis is based on jobs at a workplace and not residents. The interaction within the sub-region means that, in total, 70,800 people commute into the City each day, compared to 27,600 commuting out, giving a net-in commuting balance of 43,200. With the exception of North West Leicestershire, all County districts have larger numbers of workers commuting out of their area. Charnwood has the largest out-commuting net balance with 12,500 more people commuting out than in*. Business parks in the County also have strong influences over the economically active population in areas far beyond their immediate surroundings. Examples include Bishop Meadow Estate (largely professional occupation) and Magna Park (routine occupations) attracting commuters through their proximity to the M1**. Analysis of travel to work patterns can offer further insight into how employment vulnerability and specific job losses relate to where vulnerable employees reside.

The relative self containment of North West Leicestershire and the low proportion of public sector employment in this district, combined with clusters of low skilled residents, could have contributed toward the district's recent increase in claimant rates, becoming the highest in the County (previously 4th). Conversely, Oadby and Wigston, which was considered least vulnerable and has 30% Public Sector employment, previously had the highest claimant rate and has not seen the same level of claimant increases.

*Leicester and Leicestershire HMA Employment Land Study, PACEC, 2008

**2001 Census Travel to Work Data Profile of Business Parks in Leicestershire, LCC, April 2006

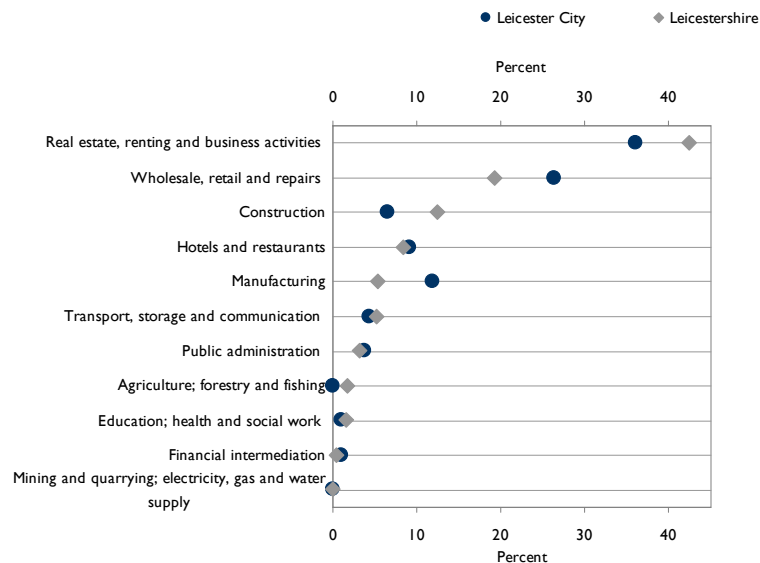
Business Concerns

Business link have reported that the key concern for Leicestershire businesses over the last 12 months was access to finance. Evidence suggests that banks are increasingly withdrawing overdraft facilities, reluctant to lend money and have increased the cost of borrowing. Businesses also reported problems with late payments and bad debt. Vulnerability in construction has affected many related businesses such as estate agents, mortgage brokers, conveyancing solicitors, suppliers to constructions sectors, and more recently architectural services and interior designers. Many independent retailers in market towns were affected by reductions in turnover and cash flow problems, as well as the major retail chains. Many other services, such as leisure centres and restaurants, are experiencing the negative impact of low consumer spending and confidence.

Business link also received considerable interest in self employment and business start up over last 12 months linked to growing risks of redundancies. However, access to finance was a key problem for those looking to start up new businesses. Existing new businesses were also finding conditions tough, with many seeking additional advice in terms of sales and marketing in attempt to attract new costumers.

Figure 12 shows the key sectors into which new businesses have registered. For both Leicester City and County, real estate renting and repairs was the main growth sector (in terms of start-up activity) in 2007. The retail sector accounted for the second highest proportion of all registered start-up activity and the construction sector (closely related to real estate) also accounted for relatively high proportions of start-ups.

Figure 17: VAT Registrations by sector (as a proportion of all registrations)



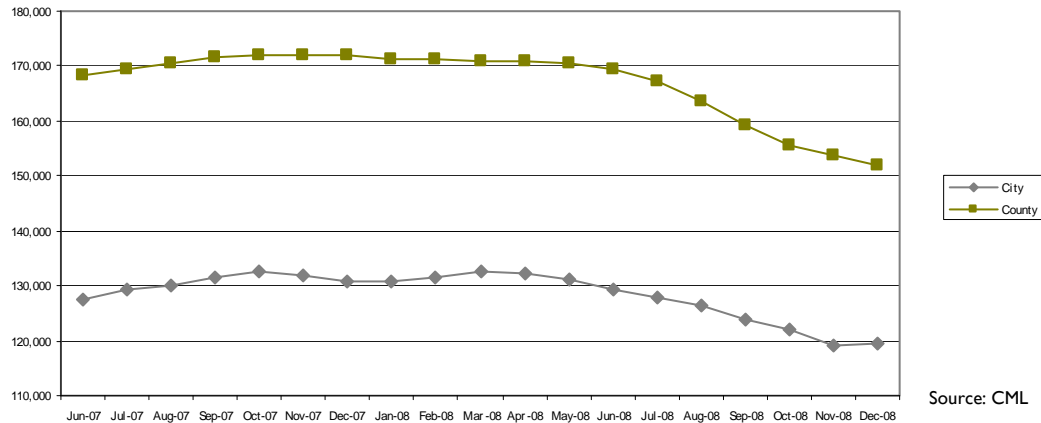
Source: NOMIS

In terms of the current economic situation, and particularly our 'vulnerability index', it is perhaps worrying that start-up activity in 2007 was seemingly concentrated in these sectors. Two of the sectors – real estate and construction – are dependent on easily available credit and investor confidence in the market - on asset prices moving in an upwards direction. The retail sector also depends heavily on confidence/perceptions of relative wealth and whilst recent drops in interest rates, coupled with price signals from retailers attempting to generate sales, might have encouraged spending, the reality has been for an overall shortage in demand/spend. In addition, although successful entrepreneurial people tend to be alert to change and can negotiate uncertainties in the market, a benign economic climate, with low inflation, low interest rates and stability in currency markets, is most conducive to entrepreneurial activity.

Housing Market

House prices are seen as a key economic indicator during this recession. Average house prices for December 2008 were £119,310 in the City and £152,008 in the County. This is a decrease of 10.1% in the City and 11.7% in the County from October 2007 prices. In the City house prices actually increased by 0.3% in December 2008 from the previous month. However, it is important not to place too much weight on this as historically, house prices have not moved in the same direction month after month even during a pronounced downturn. For example, prices fell for 7 successive months in 1989 before increasing in three of the first 10 months in 1990 even though the overall trend in prices was downwards.

Figure 18: Average House Prices (£) in Leicester and Leicestershire



Source: CML

The Bank of England Base rate has dropped from 5.25% in February last year to a record low of 1%. This has made mortgage rates for people with large deposits increasingly affordable. Recent research by Abbey Building Society has suggested that with a 25% deposit, buying is now cheaper than renting. The research found that outside of London and East Anglia, the average monthly rent on a typical first-time buyer property is £429. But those buying a similar home with a 25% deposit would pay an average of £378 a month, based on a mortgage rate of 4.19%.

Analysis on Leicester City house prices based on December 2008 figures show that with a 25% deposit a mortgage on a terraced house would cost £384.87 a month, equivalent to 17% of the average monthly household income, compared to the average rental cost of two bed accommodation at £537 a month (equivalent to 23% of average monthly income). Figure 1 shows the equivalent costs at district level based on October to December 2008 quarterly data.

Figure 19: Renting and Mortgage payment affordability

District	Monthly rent on 2 bed accommodation (Jan 2008)*	Monthly mortgage payment at 4.19% (with 25% deposit) on average terraced	Average household monthly income (CACI April 2008)	Mortgage as % of income	Rent as % of income
Blaby	£533.00	£496.57	£3,138.0	15.82	16.99
Charnwood	£533.00	£504.21	£2,907.7	17.34	18.33
Harborough	N/A	£668.46	£3,394.9	19.69	N/A
Hinckley and Bosworth	£494.00	£496.50	£3,016.8	16.46	16.37
Melton	£472.33	£519.68	£2,967.2	17.51	15.92
North West Leicestershire	£585.00	£487.76	£2,996.7	16.28	19.52
Oadby and Wigston	£494.00	£514.39	£2,814.7	18.28	17.55

The 'house price crash' in the context of this recession is based on a previous period of large growth in both prices and lending, enabling average house prices to exceed affordability for many first time buyers. A decrease in prices therefore can be considered a re-adjustment to more sensible borrowing levels. This raises mixed concerns over when the market will pick up. However, the low volumes of sales and lack of confidence in the housing market puts further pressure on the economy, particularly in terms of the many businesses that rely on housing sales.

*Further analysis on housing affordability is available in the [Leicester and Leicestershire Strategic Housing Market Assessment](#)

Summary

Comparison to the previous recession has suggested that we are following similar speed of job loses although recent County increases may be more of a concern and require some further analysis, particularly within older age groups. North West Leicestershire has the highest claimant rate in the County, with Melton and Hinckley showing sharp rises. The opening of the Highcross Shopping Centre may have succeeded in defusing some of the impact of recession in the City by supporting local people into employment particularly females, BME groups and those from deprived areas, through targeted support. In the current climate of increasing competition for the decreasing number of jobs available relevant skills are considered vital. Course applications through Learn Direct appear to have increased so far this year, with young people aged 16-18 also more likely to be in education or training. However, concern is growing in terms of predicting when the economy will pick up to take advantage of new graduates, and how the sub-region can retain this pool of skilled workers. Currently, vacancies are low with unfilled vacancies confined to occupations such as carers and nursing. It is vital to identify where local support should be placed to ensure those recently losing jobs do not fall into long term unemployment, affecting health and other life outcomes. Blaby is considered the most vulnerable district due to its reliance on the financial sector although this recession is no longer restricted to such specific sectors. Many other businesses, such as manufacturing and services, are reporting concerns regarding attracting customers and increasing competitiveness as well as difficulties accessing credit. Lack of confidence in the housing market has affected a wide range of businesses related to housing from architectural services to interior designers. Further house price falls and interest rate cuts mean that mortgage payments are becoming more affordable for many, although access to large deposits and uncertainty in the market remain a barrier for first time buyers.

Low business confidence and uncertainty in when the economy will recover is having an obvious impact on job loses for many local businesses with immediate financial pressures. However, the recession appears to have emphasised the importance of training and gaining skills in order to respond to the changing economy in terms of both improving competitiveness in the short term, and ensuring that workers are equipped with appropriate skills as the economy recovers in the long term.

Items for future Credit Crunch reports;

- Further 2009 unemployment figures
- Further 2009 vacancy figures
- Housing repossession
- CAB advice requests
- Impact on Social Cohesion
- Mapping unemployment and vulnerability
- Benefit type e.g. disability
- Long term unemployment

The next monthly report will be available on 20th March 2009

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For more information on a range of economic and social information about Leicestershire and the East Midlands, please visit Leicestershire Statistics & Research Online at www.lsr-online.org

APPENDIX A - Claimant Rates

Leicestershire

Lowest Claimant rate	
Peatling	0.7
Tilton	0.8
Loughborough Nanpantan	0.9
Dunton	1.0
Ullesthorpe	1.0
Waltham-on-the-Wolds	1.0
Muxloe	1.1
Oadby Grange	1.1
Forest Bradgate	1.2
The Wolds	1.2

Highest Claimant rate	
Barwell	3.5
Hinckley Castle	3.5
South Wigston	3.6
Wigston Fields	3.7
Melton Egerton	3.8
Loughborough Lemyngton	3.9
Greenhill	4.1
Earl Shilton	4.2
Coalville	4.2
Loughborough Hastings	5.2

Lowest annual increase	rate	% point increase
Tilton	0.8	0.1
Waltham-on-the-Wolds	1.0	0.2
Broughton Astley - Broughton	1.2	0.2
Muxloe	1.1	0.2
Queniborough	1.4	0.3
Cadeby, Carlton and Market Bosworth with Shackerstone	1.3	0.3
Breedon	1.4	0.4
Ullesthorpe	1.0	0.4

Highest annual increase	rate	% point increase
Shepshed West	2.9	1.8
Millfield	3.1	1.8
Ibstock and Heather	3.2	1.8
Bardon	2.5	1.9
Enderby and St John's	3.0	2.0
Whitwick	3.1	2.0
Earl Shilton	4.2	2.0
Melton Egerton	3.8	2.1
Hugglescote	2.7	2.1
Coalville	4.2	2.2

Leicester City

Lowest Claimant rate	rate
Knighton	2.6
Rushey Mead	3.7
Evington	3.8
Western Park	3.8
Fosse	4.3
Humberstone and Hamilton	4.3

Highest Claimant rate	rate
Beaumont Leys	6.4
New Parks	6.5
Abbey	6.8
Charnwood	7.0
Spinney Hills	7.2

Lowest annual increase	rate	% point increase
Belgrave	5.2	0.5
Latimer	4.5	0.7
Knighton	2.6	0.8
Castle	4.6	0.9
Evington	3.8	0.9
Rushey Mead	3.7	0.9

Highest annual increase	rate	% point increase
Thurncourt	4.9	2.0
Braunstone Park and Rowley Fields	6.1	2.1
Eyres Monsell	6.1	2.3
Aylestone	4.4	2.3

Source: NOMIS

Reporting the Local Impact of the Credit Crunch February 2009

Appendix B - age and ethnicity

Leicester City JSA Claimants	Total	Aged under 18	Aged 18-24	Aged 25-49	Aged 50+
January 2008	7,300	95	1,885	4,040	1,275
February 2008	7,350	90	1,970	4,005	1,280
March 2008	7,475	85	2,080	4,035	1,275
April 2008	7,485	90	1,970	4,080	1,350
May 2008	7,670	90	2,060	4,160	1,365
June 2008	7,815	80	2,090	4,250	1,400
July 2008	8,205	75	2,315	4,405	1,410
August 2008	8,495	60	2,480	4,555	1,395
September 2008	8,525	55	2,485	4,595	1,385
October 2008	8,485	50	2,375	4,660	1,400
November 2008	8,780	60	2,395	4,880	1,445
December 2008	9,210	75	2,475	5,115	1,550

Leicestershire JSA claimants	Total	Aged under 18	Aged 18-24	Aged 25-49	Aged 50+
January 2008	4,810	45	1,385	2,430	945
February 2008	4,780	45	1,410	2,405	920
March 2008	4,785	55	1,425	2,380	930
April 2008	4,630	55	1,330	2,340	905
May 2008	4,680	55	1,355	2,365	905
June 2008	4,670	45	1,365	2,345	915
July 2008	5,100	45	1,520	2,545	990
August 2008	5,685	35	1,785	2,790	1,080
September 2008	5,845	30	1,865	2,835	1,115
October 2008	6,020	25	1,840	2,940	1,215
November 2008	6,855	30	2,025	3,370	1,425
December 2008	7,635	35	2,235	3,785	1,580

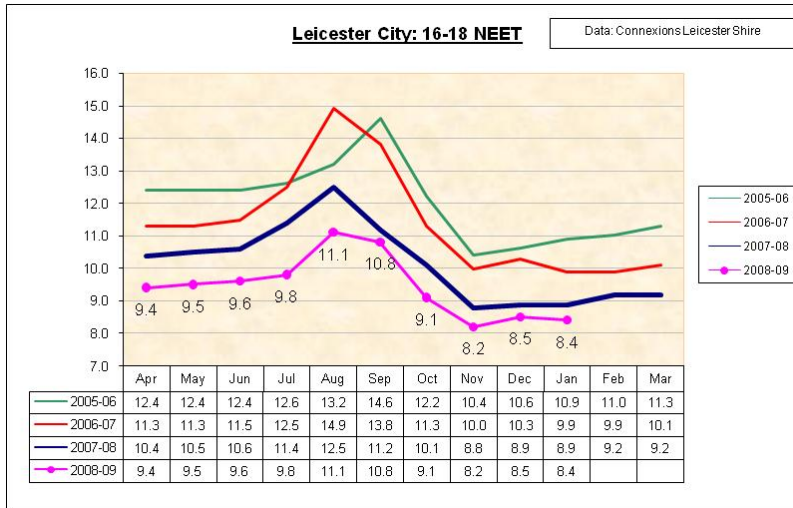
Leicester City JSA Claimants	White	"Ethnic minority"
January 2008	3,515	3,145
February 2008	3,650	3,040
March 2008	3,720	3,095
April 2008	3,710	3,115
May 2008	3,780	3,245
June 2008	3,805	3,375
July 2008	3,935	3,590
August 2008	4,170	3,630
September 2008	4,220	3,640
October 2008	4,325	3,545
November 2008	4,550	3,625
December 2008	4,860	3,765

Leicestershire JSA claimants	White	"Ethnic minority"
January 2008	4,000	425
February 2008	3,975	415
March 2008	3,975	425
April 2008	3,840	420
May 2008	3,905	430
June 2008	3,890	440
July 2008	4,235	495
August 2008	4,790	490
September 2008	4,925	505
October 2008	5,105	490
November 2008	5,835	525
December 2008	6,540	535

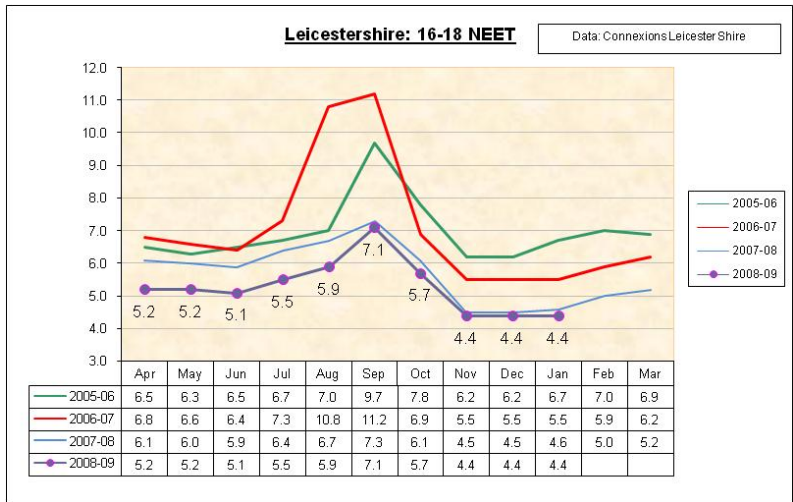
Source: NOMIS

Reporting the Local Impact of the Credit Crunch February 2009

Appendix C - NEET



Highest % NEET Ward	Cohort	NEET	Jan	Dec
Eyres Monsell	443	86	19.0%	18.8%
Freemen	384	71	18.2%	17.4%
New Parks	670	109	16.3%	17.0%
Westcotes	146	24	16.2%	14.2%
Braunstone Park and Rowley Fields	730	116	16.0%	17.0%
Abbey	508	62	12.4%	11.4%
Beaumont Leys	568	64	11.5%	11.9%
Aylestone	341	38	11.5%	10.8%
Charnwood	476	44	9.4%	9.9%
Castle	221	19	8.6%	8.6%
Thurncourt	353	27	7.9%	7.4%



Highest % NEET Ward	Cohort	NEET	Dec	Nov
Loughborough Ashby (Ch)	115	20	17.0%	14.8%
Market Harborough-Welland (Ha)	192	22	11.6%	8.6%
Melton Egerton (Me)	110	12	10.6%	9.2%
Loughborough Hastings (Ch)	158	16	10.0%	12.6%
Loughborough Lemyngton (Ch)	162	16	9.8%	8.1%
Loughborough Storer (Ch)	115	11	9.5%	6.0%
South Wigston (OW)	242	23	9.5%	10.1%
Croft Hill (Bi)	66	6	9.1%	10.4%
Coalville (NW)	193	15	8.0%	7.5%
Hinckley Trinity (HB)	191	15	7.9%	8.5%

Source: Connexions Leicester Shire