








Leeds City Region LEP - Economic & Business Intelligence Update







November 2011








This is a summary of the Leeds City Region Economic & Business Intelligence Update presented to the LEP Board on 24 November 2011.

The Board's assessment of current and future conditions under each heading below are represented using one of the following symbols:

				
Improving	Signs of improvement	Mixed outlook	Little sign of improvement	Deteriorating

The Global Context		
<i>The Eurozone debt crisis threatens to bring growth in most major economies to a standstill</i>		
USA	Annual economic growth is now at 2%, the fastest rate so far this year	
Europe	The Eurozone debt crisis has worsened, with serious consequences for economic prospects. EU growth was just 0.2% in the 3 rd quarter of 2011	
Other markets	Japan has returned to growth, while Chinese growth has eased marginally. Commodity prices seem to have peaked	
Forecasts/prospects	The Eurozone crisis has severely dampened business and consumer confidence, with little growth likely across the EU in the early part of 2012. If there is not a satisfactory resolution, prospects for growth could be even worse	
Implications for Leeds City Region – <i>heightened uncertainty and slower growth in Europe make export growth there harder to achieve, but may encourage business to look to new markets.</i>		

The UK Economy		
<i>The UK economy has clearly been flat for much of 2011, with slow growth likely to continue into 2012</i>		
GDP	The UK economy grew by 0.5% in Q3 2011, with net growth of 0.5% over the last year	
Retail sales	Sales in September 2011 were 0.6% higher than in September 2010	
Business confidence & activity	Private sector activity in services and construction continued to grow in October, but manufacturing contracted	
Labour market	Employment is now falling, and unemployment is at a 17-year high of 2.6m. While self-employment is at a record high, the increase in private sector jobs from March to June was substantially less than the losses in public sector posts	
Other indicators	Consumer price inflation was at 5% in October 2011. Average earnings increased by 2.3% over the year to September, leaving most households less well off	
Forecasts/prospects	Independent forecasters continue to reduce their growth forecasts, while the Bank of England has predicted UK economic growth of just 1% in both 2011 and 2012	
Implications for Leeds City Region: <i>there appears to be little prospect of an acceleration in overall UK growth in the near future, and the local labour market may be suffering as a result if the City Region is following regional trends.</i>		

Leeds City Region		
<p><i>The City Region's overall performance levels remain somewhat below average, though export growth may be faster than other parts of the country</i></p>		
Employment	The LCR employment rate is below the UK average, and has dropped at a faster rate since the start of the recession. Similarly, local unemployment is above average and has increased at a faster rate. For young people (16-24), employment levels are lower and unemployment higher than for the rest of the population – but the position in LCR is similar to the national average	
Skills	The number of LCR residents with degree level qualifications is growing, and the proportion with no qualifications at all is falling. However, the City Region is below the national average on both measures, and has not significantly improved its relative position since 2008	
Output	LCR GVA grew 14% between 2001-2011 (according to the REM), just ahead of the UK expansion of 13%. Productivity is 90% of the UK average	
Exports	Exports of goods – excluding all services – in Yorkshire & Humber fell faster than the UK average in 2009, but have since recovered more quickly. The total is up 20% in the 1 st half of 2011 over 2010, against UK growth of 14% (NB. no data available for LCR). LCR Business Survey suggests fewer firms sell overseas than the UK average	
Investment	No data available at present	
Business	The total of newly-registered business bank accounts in the City Region in the first 9 months of 2011 was 5% above the total for the same period in 2010. However, this is slower than the corresponding GB increase of 7%	
Consumers	Land Registry data for September 2011 suggest a faster drop in house prices locally than in England & Wales as a whole, with London the only region enjoying an annual increase. The volume of house sales was also down in most parts of LCR	
Forecasts/prospects	Yorkshire Forward's Regional Econometric Model predicts that while private services and manufacturing will exceed their pre-recession levels of output by 2015, total employment in the City Region will just about match the 2007 peak by that date	
<p>Implications for Leeds City Region: <i>the slowdown in UK growth means that the City Region economy will expand more slowly than had been expected in 2011 and 2012. City Region companies will certainly need to work hard to win new business in this difficult climate.</i></p>		

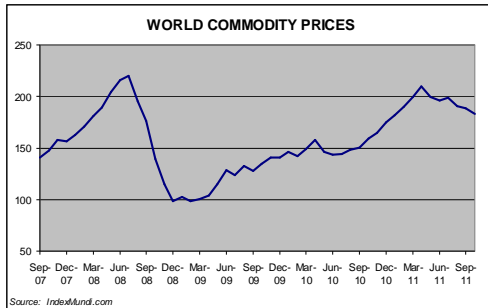
Leeds City Region – Business Intelligence Update	
Company news	<ul style="list-style-type: none"> • Saltaire-based Pace has warned that operating profit is expected to be hit by up to £32m in 2012 following flooding at its Thai supplier of hard disk-drives. • more than 600 new jobs are expected to be created in Elland, Halifax by the relaunch of the Reactiv Group, and its diversification into a number of new business areas. • the Old Corn Mill, near Penistone, has now opened to business tenants as one of only about a dozen “carbon negative” commercial properties in England and Wales – that is, the building produces more energy than it consumes.
Mergers & acquisitions	<p>There were 11 completed acquisition deals across LCR between 15 October and 15 November:</p> <ul style="list-style-type: none"> • 6 involved acquiring firms located within the City Region • 9 had a target company within LCR
Share prices	<p>There are 48 LCR-based companies for which we have share price information:</p> <ul style="list-style-type: none"> • prices generally tracked the volatile changes in the FTSE Index during the month to 4th November • local share price changes over the last month ranged from +22% for Drax Group to -73% for Abbeycrest

This bulletin, together with the more detailed paper attached below, is available to download from the Leeds City Region website, www.leedscityregion.gov.uk.

If you wish to register for the bulletin to be e-mailed to you direct, please use the following [link](#).

THE GLOBAL CONTEXT

The Eurozone debt crisis threatens to bring growth in most major economies to a standstill



- the Eurozone economic crisis worsened over recent weeks, culminating in the changes of government in Greece and Italy
- there was little concrete action to help the global economy following the G20 Summit in Cannes
- there is therefore continued uncertainty and concern about the future, which has depressed business and consumer confidence in advanced economies
- the US economy grew an annual rate of 2% in the 3rd quarter of 2011, the fastest rate so far this year
- GDP in the EU as a whole grew by 0.2% in the 3rd quarter of 2011, leaving output 1.4% higher than in the same period in 2010
- the Japanese economy returned to growth in the 3rd quarter, while the economies of China, India and many other developing countries continue

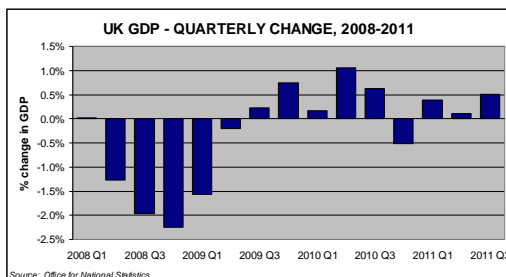
- to expand fairly rapidly
- world commodity prices are now substantially below the peak reached in April 2011

Forecasts/prospects. Many forecasters expect virtually zero growth in the Eurozone countries during Q4 2011 and Q1 2012, though prospects elsewhere in the world are somewhat better – assuming there is a resolution to the Eurozone's problems.

Implications for Leeds City Region – *heightened uncertainty and slower growth in Europe make export growth there harder to achieve, but may encourage business to look to new markets.*

THE UK ECONOMY

The UK economy has clearly been flat for much of 2011, with slow growth likely to continue into 2012



- the UK economy grew by 0.5% in the 3 months to September 2011. The level of output is 0.5% higher than in the same quarter of 2010
- annual inflation in October 2011 was 5.0% on the Consumer Price Index measure, down slightly from the September peak
- the average rate of pay increases remains well below the rate of inflation, at 2.3% (including bonuses) in the year to September 2011, and just 1.7% excluding bonuses
- retail sales volumes in September 2011 were up 0.6% on a year ago, but flat if the last 3 months are compared to the same period in 2010
- there were 29.1m people in employment (a rate of 70.2% of all adults) in the 3 months to September 2011, 109,000 lower than a year earlier. However, the number of self-employed reached a record 4 million
- public sector employment fell by 97,000 between March-June 2011 (excluding temporary Census staff), partly offset by the creation of 41,000 private sector jobs
- unemployment rose by 170,000 over the year to a 17-year high of 2.6m in the quarter to September 2011, a rate of 8.3%
- the rate in Yorkshire & Humber is 10.3%, following a sharp rise of 50,000 over the previous quarter
- productivity (measured by output per hour worked) rose by 5% in manufacturing in the year to Q2 2011, compared to an increase of just over 1% in service industries
- house prices in England & Wales fell by -2.6% in the year to September 2011
- the surveys of current business sentiment by Markit and the Chartered Institute of Purchasing & Supply show a mixed picture. Activity in both construction and services expanded in October 2011, but manufacturing output reportedly fell, as did the level of new orders for industry. Service sector businesses, however, were more optimistic about future activity than for several months, while construction companies also remain positive (though only marginally)

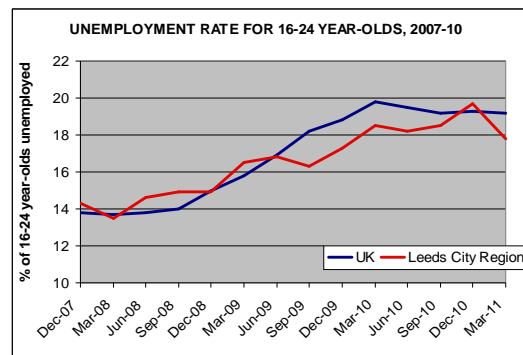
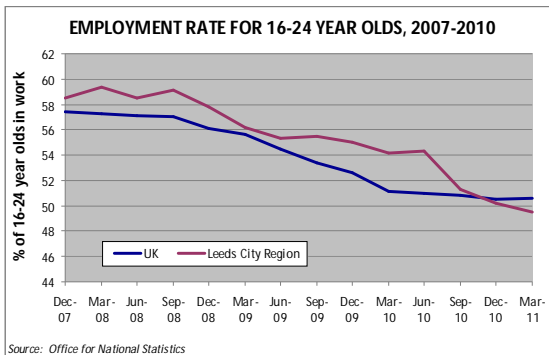
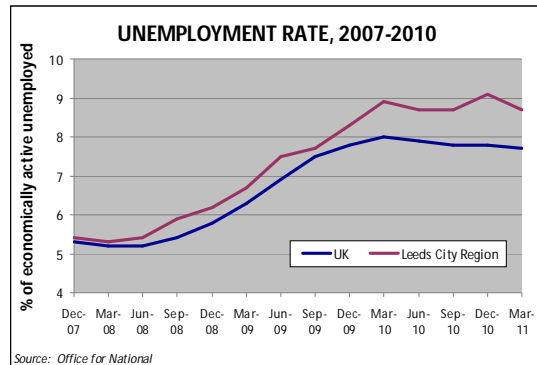
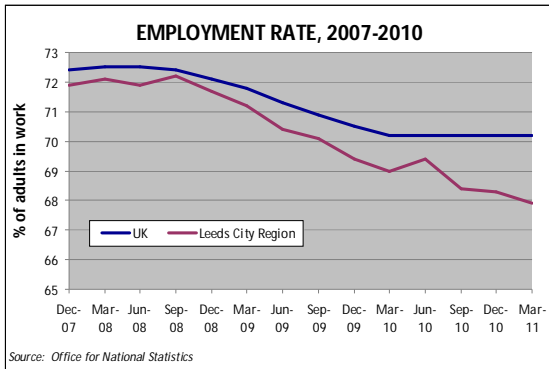
Forecasts/prospects. The latest set of independent economic forecasts now predict, on average, UK growth of 1.0% in 2011 and 1.5% in 2012. The latest Bank of England forecast is still more pessimistic, projecting growth of around 1% in each year.

Implications for Leeds City Region – *there appears to be little prospect of an acceleration in overall UK growth in the near future, and the local labour market may be suffering as a result if the City Region is following regional trends.*

LEEDS CITY REGION

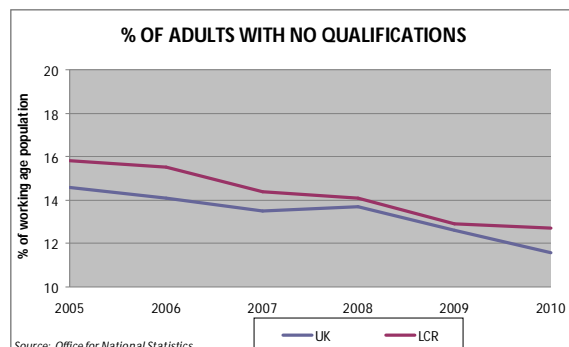
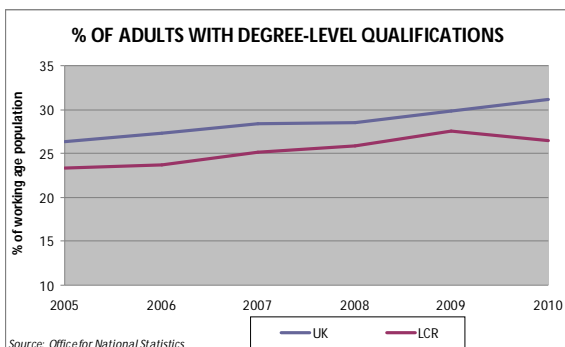
The City Region's overall performance levels remain somewhat below average, though export growth may be faster than other parts of the country

Employment



- the LCR employment rate in the year to March 2011 was 68%, below the UK average (70%), and has dropped at a faster rate since the start of the recession
- similarly, City Region unemployment is above average, at 8.7% compared to 7.7%, and has increased at a faster rate
- for young people (16-24), employment levels are lower (50%) and unemployment higher (18%) than for the rest of the population – but the position in LCR is similar to the national average

Skills

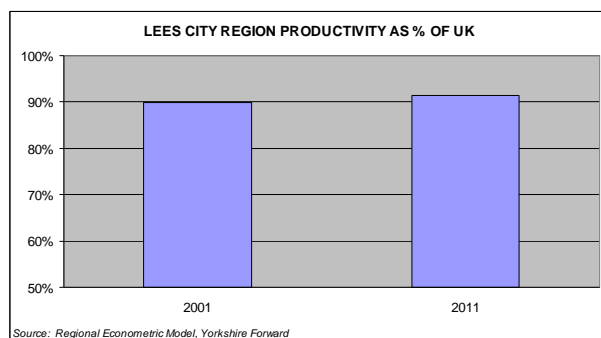
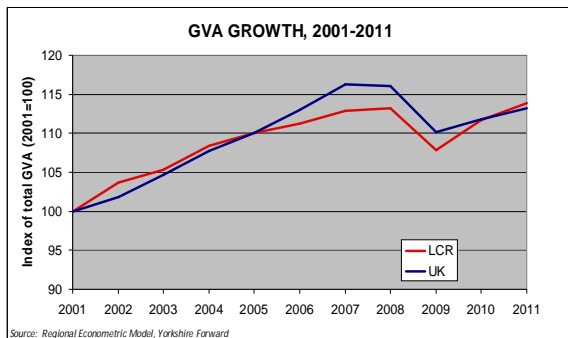


- 27% of adult LCR residents in 2010 had degree level qualifications, below the national average of 31%. This figure has been rising in line with the UK in recent years, but the gap has not narrowed since 2005
- similarly, the proportion of the LCR population with no qualifications at all (13% in 2010) was a little worse than the UK (12%), though the rate of improvement in this measure may have been somewhat faster in the City Region since 2005
- the number of apprenticeships in all parts of the City Region has increased greatly over the past 5 years
- in 2010-11, there were around 30,000 apprenticeship starts in Leeds City Region (precise data are not available for Craven, Harrogate and Selby districts), two and a half times the total in 2005-06

Apprenticeship Programme Starts

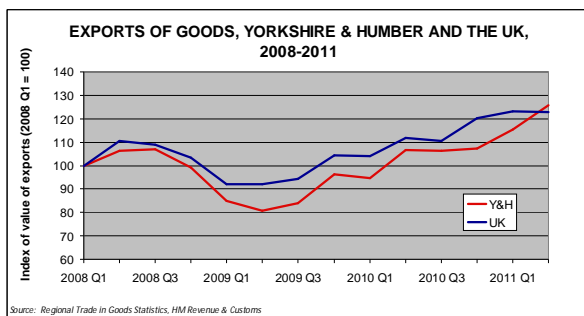
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 (provisional)
Barnsley	990	1,130	1,520	1,620	1,990	2,650
Bradford	1,640	1,880	2,170	2,280	2,720	4,550
Calderdale	810	980	1,040	1,080	1,230	2,140
Kirklees	1,480	1,800	1,980	2,360	2,600	4,190
Leeds	2,100	2,320	2,770	2,830	3,650	6,800
North Yorkshire	3,490	3,550	4,190	4,080	4,430	6,250
Wakefield	1,100	1,350	1,510	1,590	1,980	3,370
York	590	690	780	830	950	1,450
Yorkshire & Humber	22,420	24,140	29,300	32,170	36,530	53,920

GVA



- the City Region is estimated by the Regional Econometric Model (REM) to have had GVA growth of 14% between 2001-2011, just ahead of the UK expansion of 13%
- productivity is 91% of the UK average, with this gap little changed from the figure a decade ago

Exports



- please note there is no official data available on Leeds City Region exports
- however, HMRC does collect information on the exports of goods by region. These figures exclude the exports of all services
- in Yorkshire & Humber, goods exports fell faster than the UK average in 2009, but have since recovered more quickly
- the total is up 20% in the 1st half of 2011 over 2010, against UK growth of 14%
- the LCR Business Survey 2011 suggests that just 10% of local firms sell overseas – this seems to be fewer than the UK average

Business

- the total of newly-registered business bank accounts in the City Region in the first 9 months of 2011 was 5% above the total for the same period in 2010
- this is slightly better than the rate of start-ups across Yorkshire & Humber, but slower than the corresponding GB increase of 7%
- London (+12%) and the East of England (+8%) have had the fastest regional rates of increase in business formation
- the total number of company liquidations in England & Wales in the first 3 quarters of 2011 was 4% above the total in the same period of 2010 – comparable data for LCR are not available at present
- new UK bank lending to small business averaged £500m per month in the 1st half of 2011, 6% down on the corresponding period in 2010 – comparable data for LCR are not available at present

Consumers

- Land Registry data for September 2011 show a drop in the average house price of -2.6% from a year earlier across England & Wales
- prices in every part of the City Region have dropped faster than the national average over the last year

Land Registry Average House Prices

	Sep-11	Monthly Change		Annual Change	
		£	%	£	%
England and Wales	162,109	-£454	-0.3%	-£4,255	-2.6%
Yorkshire and Humber	121,680	£532	0.4%	-£6,316	-4.9%
Barnsley	88,427	-£1,027	-1.1%	-£5,711	-6.1%
Bradford	100,745	-£901	-0.9%	-£5,460	-5.1%
Calderdale	99,919	-£946	-0.9%	-£8,701	-8.0%
Kirklees	114,705	-£148	-0.1%	-£3,818	-3.2%
Leeds	128,739	-£393	-0.3%	-£5,653	-4.2%
Wakefield	112,239	£1,429	1.3%	-£3,714	-3.2%
York	178,473	-£454	-0.3%	-£6,171	-3.3%
North Yorkshire	172,380	-£94	-0.1%	-£5,907	-3.3%

Source: Land Registry

- sales volumes across England in the 2nd quarter of 2011 were 7% lower than a year earlier
- the decline in sales for the City Region as a whole was similar, with most parts of the area also experiencing fewer sales over this period

Sales Volume

	Quarter 2 2011	Change since previous quarter		Change since previous year	
		£	%	£	%
England	148,665	30,237	25.5	-10,708	-6.7
Yorkshire & Humber	13,602	3,387	33.2	-793	-5.5
Leeds City Region	7,643	1,861	32.2	-533	-6.5
Barnsley	625	126	25.3	-2	-0.3
Bradford	1,055	155	17.2	-161	-13.2
Calderdale	555	115	26.1	-25	-4.3
Craven	150	17	12.8	-88	-37.0
Harrogate	536	137	34.3	-62	-10.4
Kirklees	976	185	23.4	-35	-3.5
Leeds	1,929	522	37.1	-244	-11.2
Selby	308	107	53.2	-1	-0.3
Wakefield	760	252	49.6	21	2.8
York	749	245	48.6	64	9.3

Source: Land Registry

Forecasts/prospects

- the latest forecasts from Yorkshire Forward's Regional Econometric Model (published in September 2011) predict output growth of 1.9% for Leeds City Region in 2011 and 2.1% in 2012, similar to projected growth for Yorkshire & Humber as a whole
- in terms of output levels, both private services (covering a large proportion of the economy from hotels & catering, transport, finance and business services to personal and cultural services) and manufacturing are expected to recover the losses of the recession more quickly than other parts of the economy. Construction output is expected to remain well below peak levels for the foreseeable future, while public sector output will continue to fall steadily over the next few years
- the projected growth in City Region output is not expected to be sufficient to drive rapid job creation – it is expected that it will take until 2015 for 'full-time equivalent' employment to regain the peak levels reached in 2007

Implications for the Leeds City Region – the slowdown in UK growth means that the City Region economy will expand more slowly than had been expected in 2011 and 2012. City Region companies will certainly need to work hard to win new business in this difficult climate.



LEEDS CITY REGION LEP BUSINESS INTELLIGENCE UPDATE NOVEMBER 2011

Company News and Alerts

This section of the report highlights key messages over the past month from Local Authority Key Account Managers / Business Investment and Engagement teams with regards to company news and announcements in the Leeds City Region. It also covers a summary of the most recent mergers and acquisitions, as well as an overview of the latest performance of the Leeds City Region listed companies.

Company Updates

Since the last LEP Board report, the following company updates of note have been announced.

Manufacturing

Saltaire-based **Pace** has warned that operating profit is expected to be hit by up to £32m in 2012 following flooding at its Thai supplier of hard disk-drives. The company has also announced the findings of a strategic review to discover what actions could be taken to "further develop a distinctive, scalable and profitable business that was well positioned within attractive markets". The review found that although Pace operates in growing and profitable markets, a "sharpened focus" was required, especially in areas including achieving excellence in its operations to match the group's scale, building on its position as a world leading set-top box and residential gateway company, and accelerating the deployment of Pace's acquired and developed software and services across its markets.

International Produce of Normanton, a distributor of fresh fruit and vegetables for Asda, has won the Fresh Produce Manufacturer of the Year award at the Food Manufacturing Excellence Awards. The award recognised the company's achievement in delivering the highest levels of produce quality at the lowest possible cost by empowering its employees with the skills and equipment needed to improve fresh produce supplies.

Retailing

Supermarket group **Asda**, which has had its headquarters at Asda House in Leeds since the 1980s, has extended its base in the region by taking two floors at The Mint development in Holbeck, where 350 staff are already based.

Discount retailer **Poundworld Retail Ltd**, whose HQ and main distribution centre is in Normanton, has opened 12 discount stores and created 480 jobs in the UK since August and says it is on track to create 1,800 jobs by the end of 2012.

Card Factory, whose HQ and main distribution centre is in Wakefield, increased sales by £20m in the 12 months to January 2011, and was listed no 145 in the Sunday Times HSBC Top Track 250, a league table of the mid-market private companies demonstrating growth in sales or operating profit.

Property development

Former Manchester United and England footballer Gary Neville opened the **Old Corn Mill**, near Penistone. The Mill is one of only about a dozen "carbon negative" commercial properties in the whole of England and Wales. A combination of solar panels, wind turbines and water power means the building at Bullhouse Mill, at Millhouse Green, near Penistone, produces more energy than it consumes, with the exported surplus effectively removing carbon dioxide from the atmosphere, giving it an energy performance rating of A+.

Two tenants have already moved into the building: a solar PV installer and a Danish furniture manufacturer.

Distribution

Hair care products firm **GHD** saw group turnover hit £147.5m last year despite the squeeze on consumer spending, while operating profit held steady at around £16m. Over the course of the year, the number of people employed by the Silsden-based firm grew from 574 to 644.

Marketing and software development

More than 600 new jobs are expected to be created in Elland, Halifax by direct marketing company Reactiv Media. The firm has relaunched as the **Reactiv Group**, with nine new brands. The new brands range from 'app' development to print & promotional design, an energy efficiency company and a skin care & fragrance company.

Mergers and Acquisitions

Between 15th October and 15th November 2011, 11 completed deals were undertaken across the Leeds City Region, of which 4 involved both the target and the acquiring companies being based in the city-region (hence 15 reported in the table below).

Of these deals, all involved acquisitions.

Completed deals 15th October– 15th November 2011

	Company acquirer based in area	Company target based in area
Leeds	4	4
Huddersfield	0	1
Harrogate	2	2
Knaresborough	0	1
York	0	1
Leeds City Region	6	9

Source: Bureau van Dijk, FAME mergers & acquisitions data, taken from Zephyr.

These include the following deals.

Acquirers

- On 01/11/11 NCI Vehicle Rescue plc announced that it has acquired the remaining 25 per cent that it did not already own of NCI Insurance Services Ltd, a Harrogate, UK-based motor vehicle and travel insurance broker, from its founder, Mr Richard Sharman, at a cost of £150,000.
- On 02/11/11 it was announced that Contract Natural Gas Ltd (CNG), a Harrogate-based gas supplier, had been acquired in a management buy-out for an undisclosed sum.
- On 08/11/11 it was announced that Volvox Group Ltd, a Leeds-based supplier of automobile products, had been sold in a management buy-out backed by Elysian Capital LLP. The financial details have not been disclosed.
- On 03/11/11 it was announced that Orchard Care Homes.com Ltd of Leeds had acquired Southern Cross Healthcare Group plc's Avonbridge carehome.
- On 01/11/11 Darnton EGS Ltd announced that it has acquired Thompson Spencer Ltd, a Leeds-based architectural and engineering company. Financial terms were not disclosed.

Targets

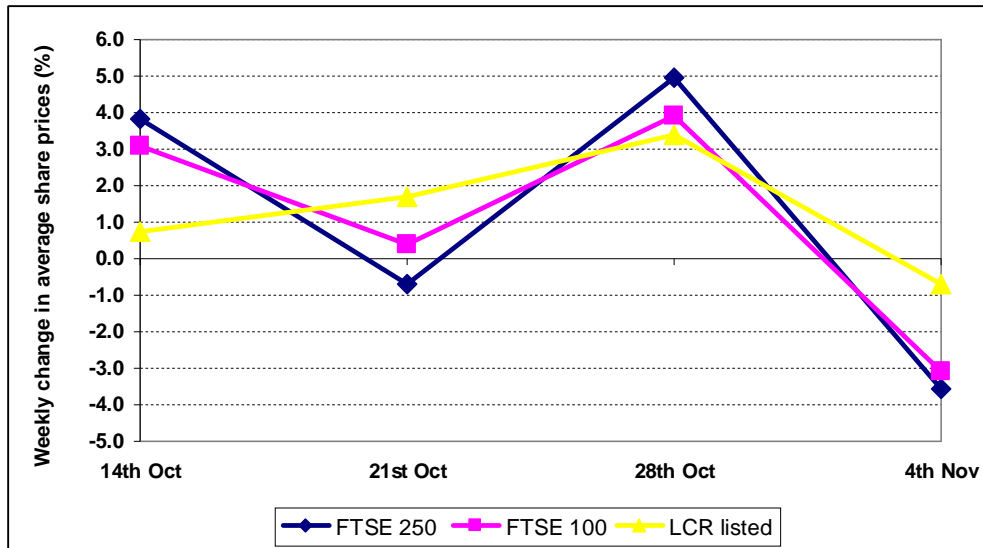
- On 15/11/11 it was reported that Bibby Line completed the acquisition of York-based Costcutter Supermarkets for an undisclosed sum.
- On 25/10/11 the Hain Celestial Group Inc. announced that it has acquired Daniels Chilled Foods Ltd, the Leeds-based chilled foods manufacturer.
- On 31/10/11 it was announced that Heron and Brearley Ltd has acquired Market Town Taverns plc, a Knaresborough-based public house operator. The sum was not disclosed.
- On 07/11/11 it was reported that Doyle Partnership Ltd, the Huddersfield-based structural engineering company, had been acquired by Patrick Parsons Ltd for an undisclosed consideration. The company will be rebranded as Doyle Consulting Engineers.

Tracking Company Performance

The markets have again been turbulent during October and November, but this has perhaps been reflected more in large intra-day movements than in daily or weekly changes. Nevertheless, the FTSE 250 index rose by 5% in the week ending 28th October, only to fall back by 4% the following week.

There were 48 companies based in Leeds City Region whose share price we were able to track during the last month. The index of quoted City Region companies followed similar trends to the main national indices, but has been less volatile than either.

Weekly changes in share prices, FTE 100, 250 and Leeds City Region Listed Companies



Source: Yahoo, UK Finance, daily closing prices of the FTSE 100 and 250 and Bureau van Dijk, FAME for the LCR listed companies.

The big falls in City Region share prices over the period included Abbeycrest (-73%), Fuse 8 (-33%) and Pace (-31%). Substantial share price rises were enjoyed by Datong (+29%) and Drax Group (+22%).