

Shaping Norfolk's Future

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Open, Norwich

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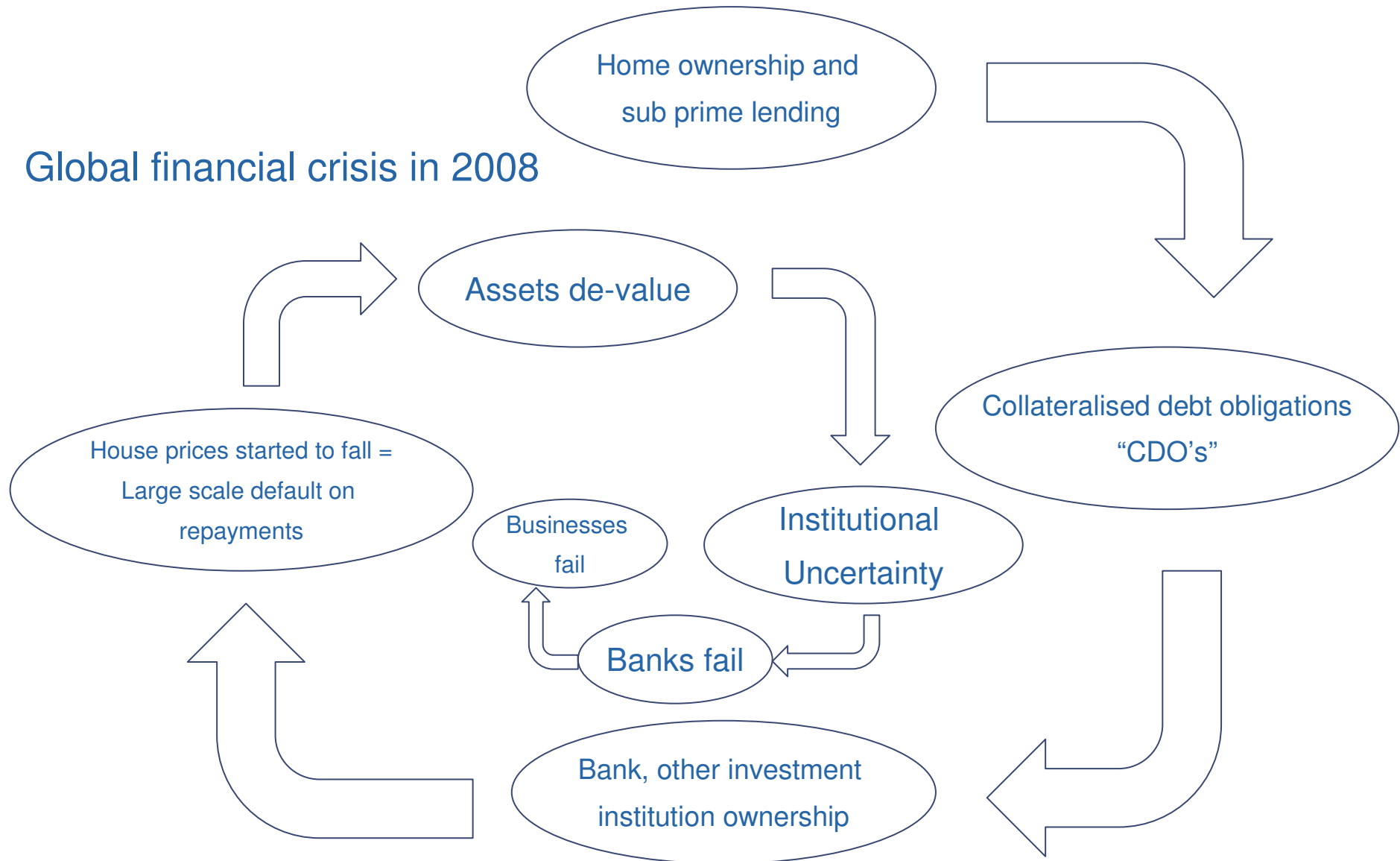
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Recession to Recovery

Key themes

- Where are we and how did we get here?
- A local perspective
- Recession to Recovery – what businesses are doing
- The longer term

Global financial crisis in 2008

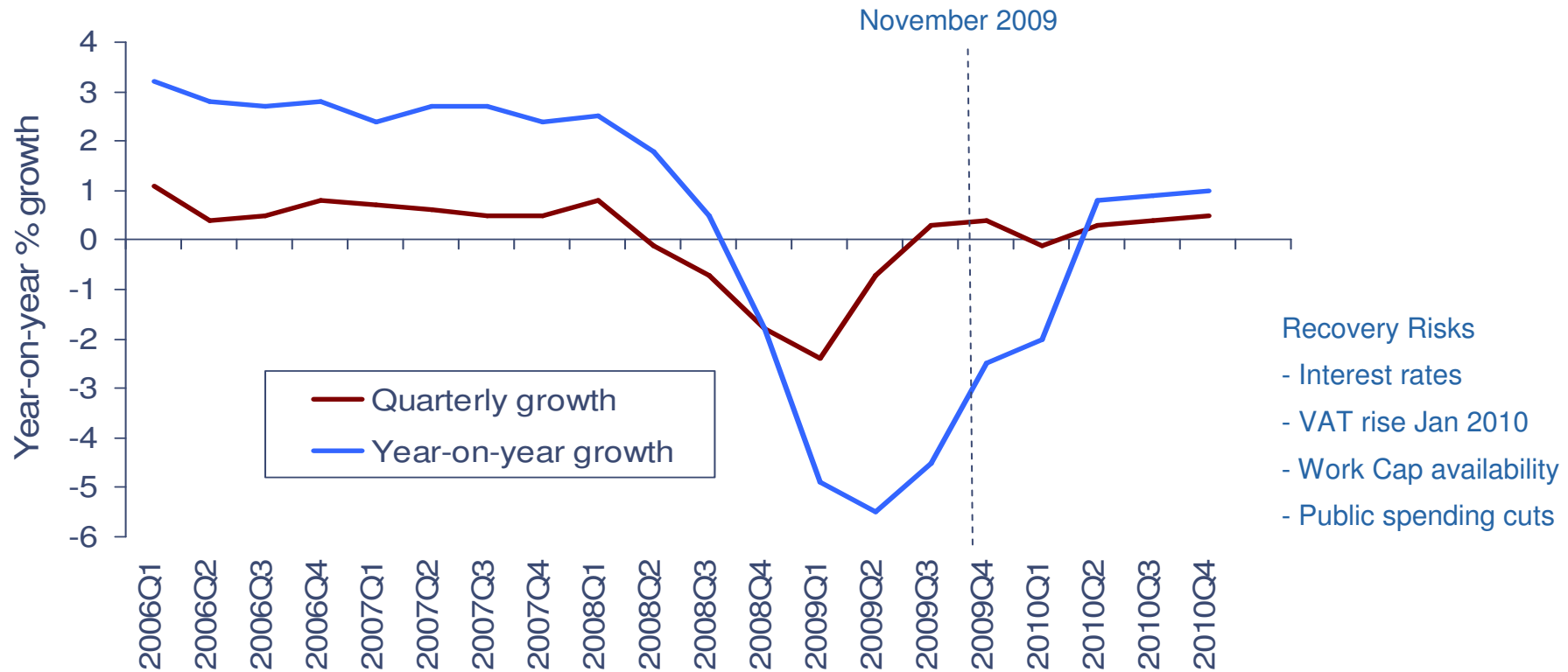


Macro-economic picture now

- PwC November 2009 UK Economic Outlook – UK GDP to fall by 4.75% in 2009 with modest average GDP growth of around 0.75% in 2010.
- Consumer spending is estimated to fall by 3.25% in real terms in 2009.
- A further projected rise in unemployment is set to peak at 3 million in the second half of 2010.
- Public spending growth will remain positive in 2010 but will need to be cut back sharply in the medium term.
- Inflation is projected to be volatile in the short term, but should fall back below target by the end of 2010 given continued excess capacity in the economy.
- The Bank Rate is assumed to be left at 0.5% until mid-2010 and to rise only gradually thereafter.
- Debt markets

How deep for how long?

Our main scenario is for a gradual recovery from recession in rest of 2009 and through 2010 ... but it could be a bumpy road and there are many uncertainties around this main scenario projection



Source: ONS, PricewaterhouseCoopers main scenario

A local perspective - well balanced economy in terms of sectors

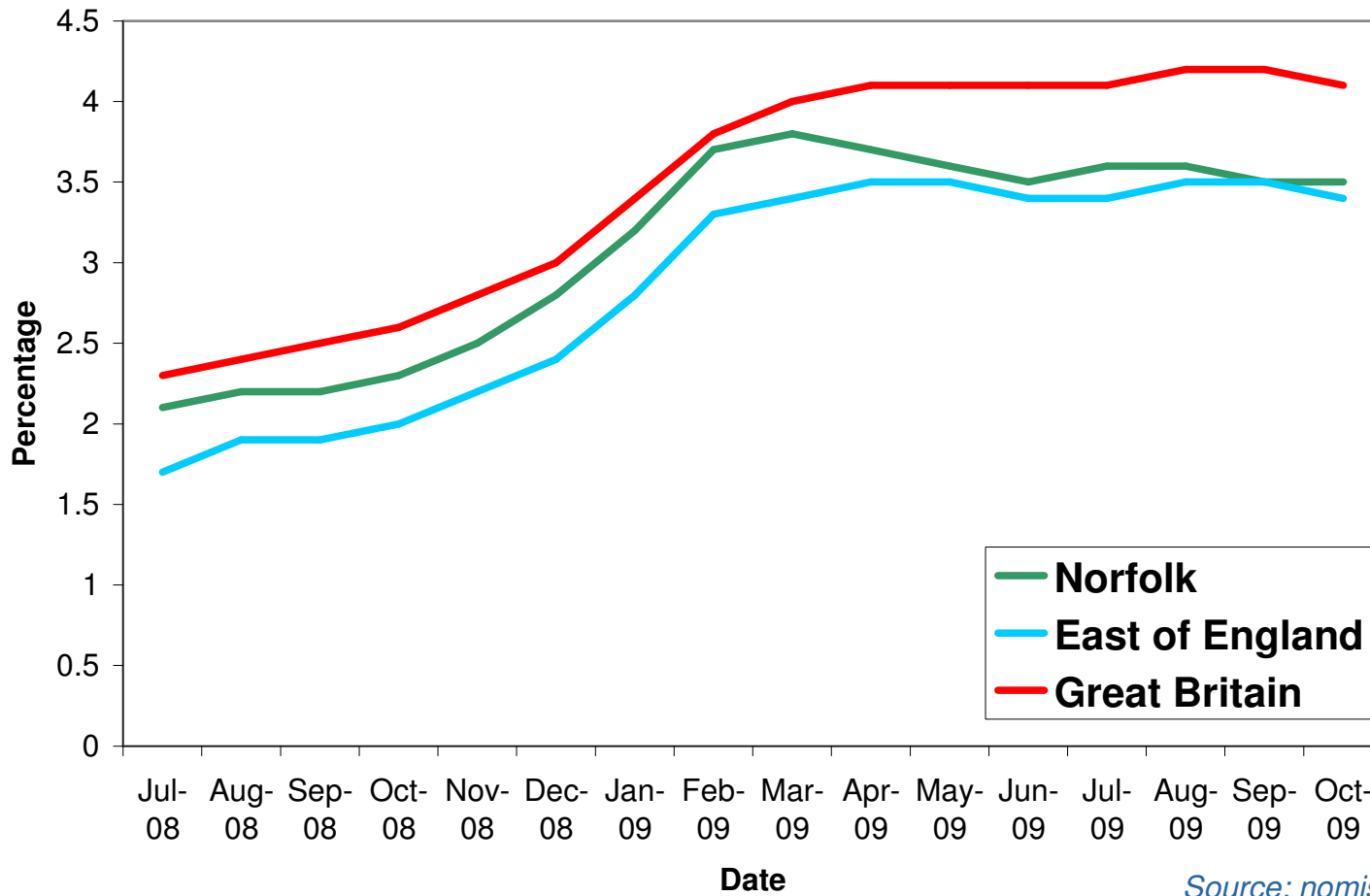
- **Financial services** - positive news follows last quarter's announcement that jobs had been saved and created in this sector with Adrian Flux, Swinton, Open Contact and Alan Boswell announcing the creation of more jobs during the last quarter.
- **The Agriculture and food processing** sector has had a positive October with Kettle Foods, Bernard Matthews and Britvic reporting increasing profits.
- **Construction** services continue to endure difficult times but May Gurney bucked the trend this quarter securing a new £350m, 10 year highways contract during the quarter.
- **The Creative Industries** have seen success with Right Angle Events planning to take services overseas and PricewaterhouseCoopers LLP introducing a number of local firms to a delegation of visiting Chinese businesses.
- **Energy** – the Skills for Energy conference that took place in Norwich in September called for closer collaboration between the industry and educational institutions to ensure enough skilled young people emerged to keep the East of England at the forefront of the industry.
- **Engineering** - overall there is still a mixed picture in fortunes and there are issues surrounding skills. Lotus have taken on more staff this quarter and announced that the Lotus F1 team will be returning to Formula One with the creation of a further 250 jobs.

% of working age population claiming JSA

Great Britain – 4.2%

East of England – 3.4%

Norfolk – 3.5%



Source: nomis

Taking the business temperature 12 months on from Lehman Brothers – Mills & Reeve LLP business survey

- Not all doom and gloom
- 18% of the survey had seen a positive improvement over the last 12 months, however 70% of the survey had made redundancies
- Interestingly 45% did not take other steps to avoid redundancies and this may be a missed opportunity
- Some have implemented pay and recruitment freezes and changed working arrangements, few have considered sabbaticals, short time working or temporary wage reductions
- Seeming lack of planning for a key supplier failure or customer bankruptcy
- Green shoots/green issues** – two thirds of respondents will continue to implement sustainability measures despite the economic climate
- Encouragingly 50% were optimistic about the next 12 months

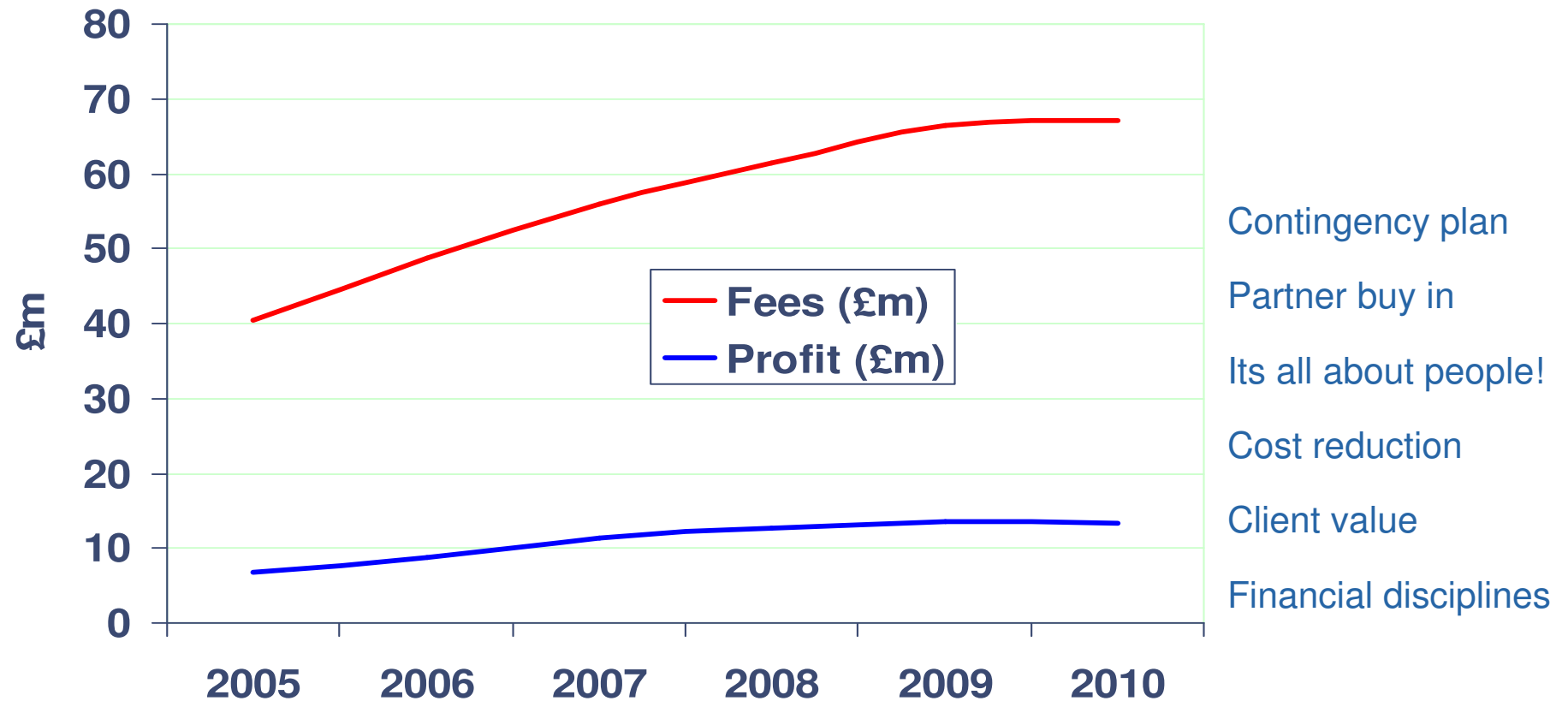
Businesses generally better prepared for recession than in previous cycles



Survey results

- Is your organisation in the public or private sector?
- Are you feeling more or less confident about next year compared to this?
- What are the big challenges for you in the next 12 months?

The professional service perspective - Mills & Reeve LLP



- Recession to recovery – what businesses are doing

- Deleveraging and responding to tightening in credit markets
- Collaboration
- Seeking to build strong relationships with existing customers, suppliers and funders
- Security of supply chain
- Keeping teams together
- Look for positives – shake out of weaker competition
- Develop a clear strategy – hold your nerve

- The longer term view

- Green Shift

The Green Shift would be set off by a series of natural disasters, most likely abroad, that would galvanise public opinion and political will in the UK and other major economies, leading to a concerted effort to redress damage done to the environment by carbon emissions.

The main outcome of the Green Shift scenario by 2030 would be growing relative prominence of the private-sector commercial services industries, taking GDP share from all other sectors.

Mining & quarrying sector would contract by 1.2% between 2011 and 2030 due to the fall in the use of fossil fuels.

Other services would benefit from demand for new products such as sustainability consulting, carbon accounting and pricing, and higher spending on engineering research.

The communications sector would also grow above the average GDP growth rate of 2.3% as telecommunicating and video conferencing would become evermore common.

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