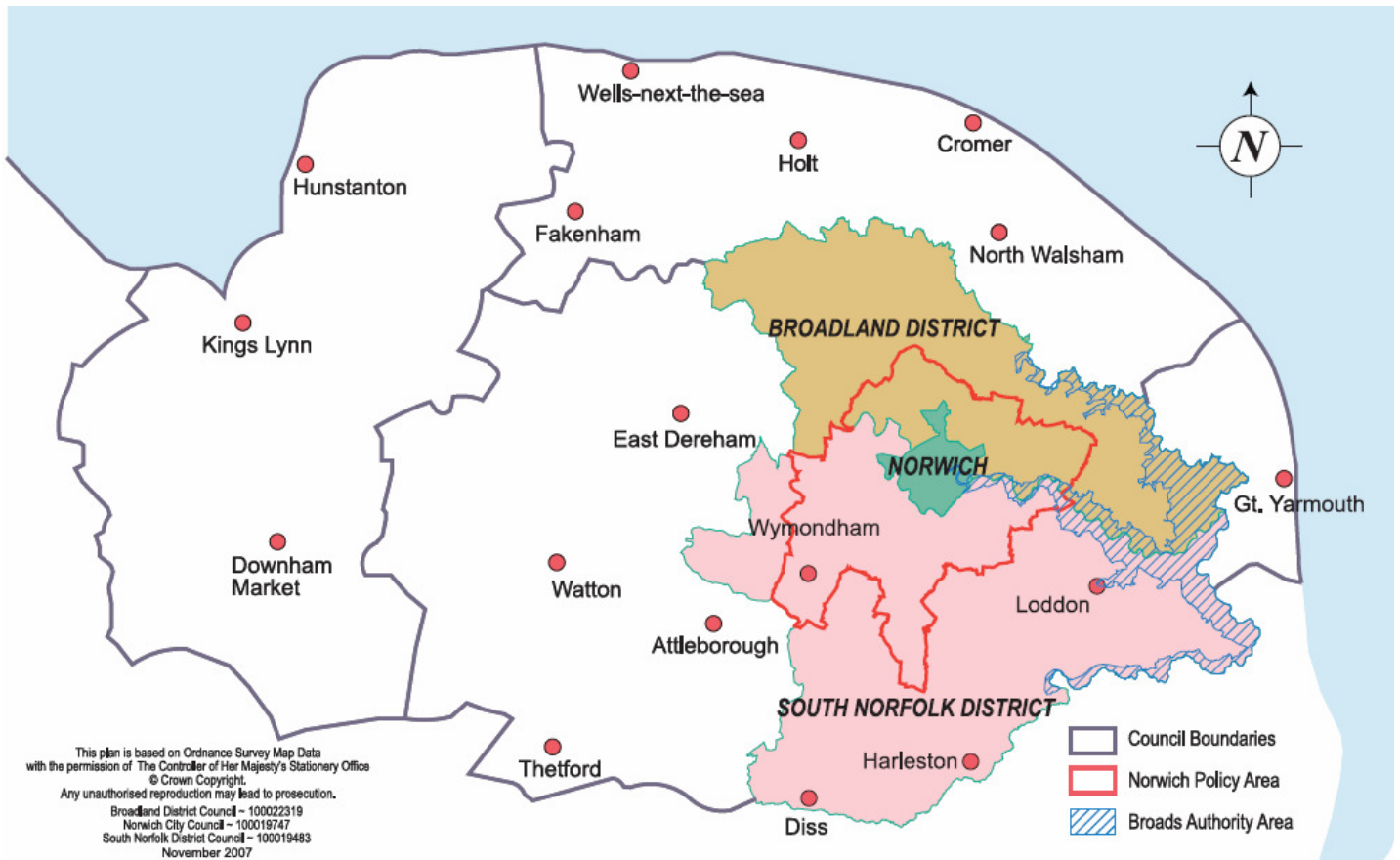


Greater Norwich Quarter 1: April-June 2009



Please note that this report concentrates on Greater Norwich but also includes information relating to other parts of the county

Summary

This quarter has seen some positive signs, with some improvements in trading conditions, a fall in redundancies and a levelling off in unemployment. Compared with the last quarter of 2008 and first quarter of 2009, conditions are more favourable.

However it is still a mixed picture, with some businesses in some sectors continuing to struggle, particularly construction and manufacturing.

More positive signs from tourism where early season optimism is now being reflected in stronger bookings – roughly 10pc up on last year.

Research by SNF shows many businesses are still struggling to access finance, with higher charges and greater demands being asked of businesses by the banks.

SNF will be working with Business Link to develop a programme of support to help businesses improve their business plans when asking for finance.

Other surveys including Chamber and Larking Gowen research show business confidence starting to return, but at best the outlook is fragile.

Conclusion

Businesses are faring better than in recent months. However there are still difficulties accessing finance and trading levels whilst improving, are still nowhere near levels of a year ago.

We would conclude unemployment will continue to rise – despite the downward trend this quarter - and job losses announced in July and early August confirm this.

We are aware of a number of firms, particularly in the manufacturing sector, who have managed to “stay the course” so far and keep afloat, but might experience difficulties later in the year.

Trading Climate & Confidence Levels

Key Facts

This quarter has seen many positive news stories including rises in turnover and profits, new contracts being won and jobs being saved from redundancy. Despite these stories jobs are still being lost from across a spectrum of industries, in particular construction, manufacturing and finance and insurance.

Agriculture & Food Processing

This first quarter has seen many of the agricultural and food processing companies prosper with increased sales and turnover from Robinsons, soft drinks company Norwich, and Anglia Farmers; new international contracts won by St George's Distillery, Breckland, who is now sending 400 bottles of whiskey to Japan a month; and Harper Wells, Norwich, which sells rare and fine wines to private clients preparing to expand after being launched in 2006. However, Bernard Matthews has had to reduce its workers hours and although there were more vacancies in the sector in May 2009 than 2008, there were fewer in June 2009 compared to the previous year.

Construction

Construction has been one of the hardest hit industries with the highest number of redundancies alongside manufacturing. R G Carter, Drayton, Norwich announced in April that 80 roles were at risk of becoming redundant. Nevertheless May Gurney, Norwich, has proved to be an exception to the trend by continuing to win new contracts during this quarter.

Creative Industries

The Creative East Awards which are held to recognize, celebrate and reward the finest creative talents of the eastern region took place on the 8th May. Several companies from Norfolk took home prizes including Magic Online Solutions, Norwich for best web design/innovation, The Click, Norwich, for best graphic design and Turton Middleton, Norwich for best advertising campaign. Many companies at the event were positive about their current and future prospects despite the downturn.

Energy

A good news story that emerged this quarter, highlighting Norfolk's prominent position on the issue of green energy, was the launch of the bio-ethanol tanker delivering green fuel with "Made in Norfolk" on the side from Europe's largest beet sugar refinery at Wissington. The plant produces about two percent of the petrol used in Britain's cars.

Engineering

On the whole engineering has seen a very positive first quarter with increased profits for Syfer Technology Ltd, Arminghall, Norwich; new recruitment for Lotus and the marketing of one of its cars in a 'European flagship store'; and an extension and investment in new machinery for Milltech Precision Engineering. Aquafibre Moulding, Rackheath, a boat building firm did cease trading with 20 employees made redundant although it is understood they found alternative employment within the industry.

Financial

With a large number of redundancies across the sector since July 2008 it was welcome news this quarter that hundreds of jobs were saved from redundancy at Swiss Re and that Swinton Insurance were recruiting for more than 250 positions.

Health & Life Sciences

Research continues to be driven forward in Norfolk with money being won for new research projects and new foods that could help dieters being invented. Oasis Healthcare, founded in Norwich, is also going strong by increasing its UK network of branches to 160 after acquiring four new practices this quarter.

ICT

This quarter has seen the marketing industries succeed with new contracts being won by Further, OMG, Naked Marketing and Soak, a digital agency launched in January 2009, often beating more well known companies in London.

Tourism

Norfolk tourism has been having a successful quarter with the good weather and weak sterling attracting tourists from Europe. In addition the economic climate has encouraged many people from the UK to holiday at home which the 'Holiday Here' campaign has been driving forward.

Norfolk has seen increases in the number of people sightseeing, going on the broads and using self catering accommodation in the region with the Norfolk Tourism and Attractions leaflets having a second run in August for the first time in 20 years.

Other

Retail has seen a mix of fortunes this quarter with companies such as QD stores and Cards Galore Direct seeing sales improve and companies such as Rent your Rocks being set up, while Mr Shoes was put in to administration threatening 60 jobs in Norfolk and the Porsche Centre in Norwich was closed after 18 months.

Insolvencies

Key Facts

Norfolk has seen insolvencies rise by 122% over the course of a year between quarter 1 2008 and quarter 1 2009.

The period between April and June has had few insolvencies reported in the press which may suggest that business is picking up with new orders, security of funding or the introduction and take up of new government schemes.

2008	Norfolk	Suffolk	Cambs	Essex	Total
Qtr 1	18	22	15	18	73
Qtr 4	28	21	29	21	99
2009					
Qtr 1	40	34	22	33	129

The mw-w.com index has risen from 100 in quarter three 2007 – the baseline for the index - to 263 in quarter one 2009.

Put another way, the number of corporate insolvencies has risen just over two and a half times in 18 months. In quarter one 2009 the number of corporate insolvencies was up 77% on the same period a year ago.

Source: McTear, Williams & Wood

Surveys & Research

Key Facts

There has been mixed findings in the numerous surveys which have taken place this quarter. The local perspective from Norfolk is that there are a proportion of businesses struggling to access the credit they require and are looking at letting staff go, where others are seeing their turnover increase.

Shaping Norfolk's Future Access to Credit Report, carried out by University of East Anglia MBA students – included surveying of local businesses. Findings include:

- Funds from banks: 57% of respondents say there is no change in availability of finance, 19% say it is worse
- Funds from banks: 32% of respondents stated overdrafts and bank loans are less available
- Demand for funds: relatively unchanged but 60% stated less bank finance for mergers and acquisitions
- Demand for funds: 50% that banks had not passed on interest rate reductions
- Problems caused solely by lack of credit? 17% say that turnover has increased

- Other factors? 61% say turnover has reduced and 43% reduced capital investment

Shaping Norfolk's Future – interviews with local banks regarding access to credit. Findings include:

- There are sufficient funds to lend to Norfolk businesses by this bank. Demand is weak. Proposals need to be well put together. This can be done in house, but care needs to be given to detail a sound business plan, cash flow and future income streams. SNF could usefully focus on the educational angle in showing businesses how best to apply for funds to banks.
- The banking system has been an integral part of the current problems. Norfolk's businesses will have suffered. Some may not have received funding from banks in Norfolk, or anywhere else. In the good times banks are prepared to take risks but in bad times, less so.
Some businesses may well have had a rough deal and there will be such examples. This bank is continuing to support its existing customers and, in some cases, increase that support. It has not withdrawn long-term overdraft support facilities.
- There is not a lack of available credit for Norfolk's businesses. However, they have been hit by the wider economic situation. This will, no doubt, affect firms' financial performance and their desire to borrow money from the banks. This bank has the money to lend and the desire to do so if right proposals are supported.
The media has a part to play in terms of the level of confidence. If confidence drives everything, then the media has not done much to help this.

Breckland Council – survey of local businesses looking at the effects of the recession on the district. Findings include:

- unemployment was still growing but at a slower rate – Jan to March jobseekers claimant rate rose from 2.9 percent to 3.5 percent. But it has remained at 3.5 percent between April and June.
- Job vacancies were up from 102 in January to 328 in April.
- Businesses are unlikely to take on more staff until they are more confident about the future, but are retaining their skilled staff so they are able to cope with demand when it does return.

EDP, carried out by Larking Gowen - Norfolk Business Life Survey. Findings include:

- Fewer than 40 percent of businesses in the county expect to see a fall in profits over the coming 12 months.
- 11 percent of businesses expect to cut their workforce over the next 12 months.
- 20 percent of businesses predicting an increase in profits.
- 73 percent do not think the credit crunch has had a negative effect on their relationship with their bank.

British Chamber of Commerce - Quarter 2 Survey. Findings include:

- The worst of the recession is over.
- Turnover confidence has entered positive territory for the first time since Q3 last year and it has improved dramatically for manufacturing firms, rising 40 points from -38 in Q1 to +2 in Q2.

Further analysis of the Norfolk results is still being undertaken by the local Chamber of Commerce.

Royal Bank of Scotland, carried out by Markit Economics – regular monthly survey of purchasing managers. Findings include:

- Both output and new business rose in May for the first time since April 2008 in the East of England.
- Unemployment in the region is still growing and that “operating conditions are still difficult” although the rate of job cuts slowed in May compared to the first four months of this year.
- Costs facing firms rose partly as a result of “the weakening of sterling causing higher costs for some imports to the UK”.

Grant Thornton – annual farm business survey. Findings include:

- Partnerships and sole traders who realised profits on harvests in 2007 and 2008 will be facing higher tax bills in July this year and then again in January and July 2010.
- Net farm income for the top 25 percent of farmers has decreased year on year – 2007 was over £200 per acre, 2008 was £139 per acre and predictions for 2009 harvest is £112 per acre.
- Those farmers who formed syndicates in which they are sharing labour and machinery have driven down their costs per acre.

Support & Government Initiatives

Key Facts

The schemes and support released during this period have been very reactionary to the economic downturn in terms of helping people get in to or back in to work and offering advice to struggling businesses.

Initiatives Released/Promoted:

6th April – Manufacturing Advisory Service (MAS) – advisors businesses on how to save money by becoming innovative - boosted by an extra £1.32m from the European Regional Development pot.

22nd April - Future Jobs Fund – guaranteed offer of work or training to every 18-24 year old in Britain at risk of becoming long-term unemployed. Fund will enable local authorities and third sector groups to submit innovative bids for jobs that will make Britain a better place and improve their local community.

12th May – Managing in the Downturn brochure – a reference guide offering Norfolk businesses advice during the downturn

15th June – the Understanding Finance for Business programme – intended to prepare firms for raising funds from either banks, venture capital, business angels or the public sector - launched by EEDA www.eeda.org.uk/finance.

29th June – Response to Redundancy scheme – training grants worth a total of £6m have been awarded in the east of England to help people made redundant back into work. Scheme is funded by the Learning and Skills Council and the European Social Fund.

Initiative Feedback/ Comments:

7th May (EDP article) – Commission for Rural Communities report – demand for financial services such as face-to-face debt advice and affordable credit is outstripping supply in rural areas. Recommendations for the government include:

- Establishing a fund to support the use of new delivery mechanisms, including video conferencing for debt advice and the new credit union current account.
- Expanding support to develop credit unions and community development finance institutions in rural areas beyond 2011.
- Increasing the supply of free face-to-face debt advice in rural areas.

Business Link Engagement

Key Facts

Business Link has engaged with 6, 063 businesses during this first quarter, with 2, 209 enquiries from people considering starting a new business. The whole pre-start up figure for Norfolk from March 08 to March 09 was 3,630 which demonstrates the vast increase from last year in enquiries around starting a business so far this year.

KEY

IDBR Inter-Departmental Business Register. Based on inputs from three administrative sources:

1. traders registered for Value Added Tax (VAT) purposes with HM Customs and Excise;
2. employers operating a Pay As You Earn (PAYE) scheme registered with the Inland Revenue; and
3. incorporated businesses

This represents the "stock" of businesses in the county (including the unitaries)

- A** Start Up Activity expressed as a % of IDBR
- B** Established businesses expressed as a % of IDBR
- C** All customers expressed as % of IDBR

Area	IDBR	Pre-Start	Start Up	A %	Established Businesses	B %	Total	C %	Intensive Assisted Customers
Broadland	4, 595	169	37	0.8	427	9.3	633	13.8	31
Norwich	4, 235	386	58	1.4	685	16.2	1, 129	26.7	32
South Norfolk	5, 280	309	47	0.9	526	10.0	882	16.7	34
TOTAL for Greater Norwich	14, 110	864	142	1	1638	11.7	2644	18.7	97
Breckland	5, 045	276	42	0.8	535	10.6	853	16.9	49
Great Yarmouth	3, 025	348	44	1.5	366	12.1	758	25.1	15
King's Lynn & West Norfolk	5, 410	589	53	1.0	551	10.2	1, 193	22.1	50
North Norfolk	4, 485	132	26	0.6	457	10.2	615	13.7	39
TOTAL	32, 075	2,209	307	1.0	3, 547	11.1	6, 063	18.9	250

Source: Business Link East

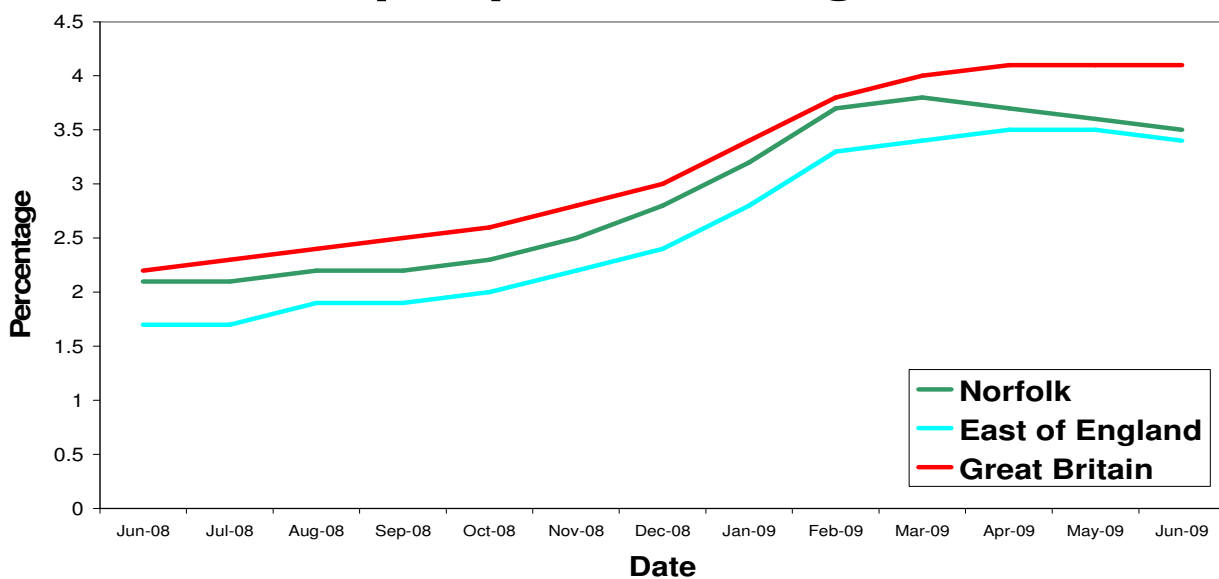
Unemployment

Key Facts

Norfolk saw an average of 17, 978 people claiming JSA in this first quarter, with a fall of 961 people, -5.21% between April and June.

This quarter has seen the proportion of people who have been claiming JSA for less than 6 months fall, suggesting there are proportionately more people who are longer term unemployed than recently unemployed.

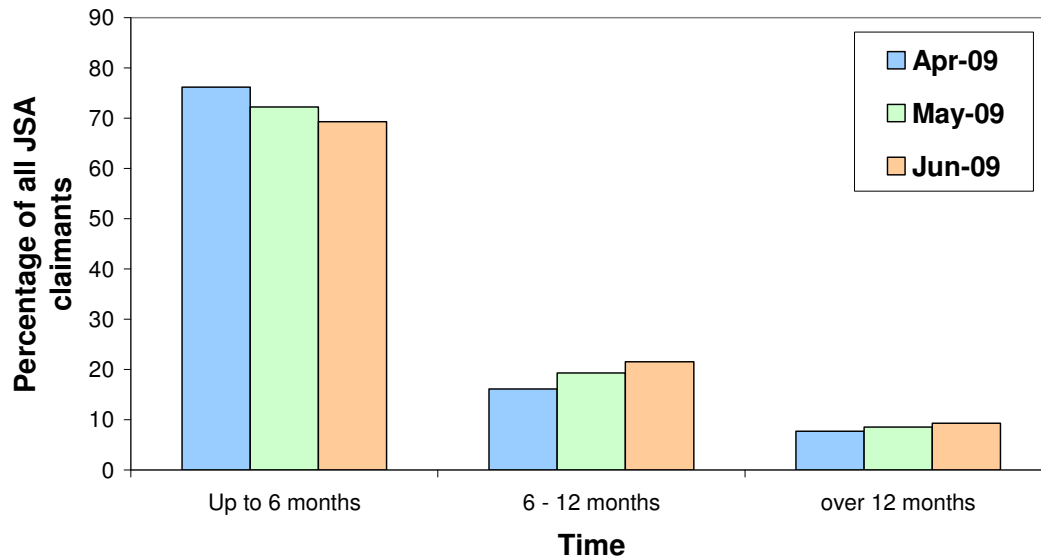
All people claiming JSA



Source: Nomis

Report from the Centre for Cities found proportion of 16 to 24 year old school leavers and graduates in Norwich who are jobless has soared to almost one in 20 in the last year. Youth unemployment in the city rose from 2.83 percent in February 2008 to 4.57 percent in May 2009.

Norfolk JSA Claimants by Duration



Source: Nomis

Redundancies

Key Facts

Redundancies reached a peak of 821 in January 2009 after a sharp increase from September 2008. This quarter has seen considerably lower numbers of redundancies than the January peak, with the June figure opposing the downward trend since March with a 137 rise from May.

Month	Number of Redundancies
April	264
May	130
June	267

Source: Job Centre Plus

Total Redundancies since July 2008	Sector
4,917	All
880	Manufacturing
783	Construction
754	Insurance & Financial Services
690	Retail
491	Haulage & distribution
384	Food Processing
212	Tourism & Leisure
222	Publishing
139	Public Transport
101	Boat building
96	Media
85	Mechanical/electrical engineering
64	Service
44	Wholesale
42	Real Estate
41	Printing
69	Further Education
54	Health & Social Care
18	Architecture
15	Public service

Job Adverts (EDP)

Key Facts

From the available data for this quarter it is evident that the public sector is offering the largest amount of positions, accounting for between 56 and 68% of the jobs in the paper.

One week in May did, however, see a 50/49% split between public and private sector vacancies. This occurrence corresponded with the fewest pages of jobs.

Job Vacancies

Vacancies notified to JCP			
	Number	% Full Time Positions	Monthly Change %
April	3138	71	+9
May	3711	64	+18
June	3455	64	-9

Skills

Key Facts

Institutions are highlighting the importance of skills during a downturn with the introduction of new courses, schemes and price cuts on adult education courses. These initiatives have increased the number of people joining the courses.

However, the recent NEET news does not look like the courses are attracting the younger generation, or if they are they are not going in to employment afterwards.

Overall, the number of people on Norfolk Adult Education courses has jumped from 13, 420 in 2006/07 to 17, 710 this year – including an increase from 7, 250 to 9, 200 taking up “informal” classes during evenings. (EDP 9th May)

A number of adult education courses have had price cuts by as much as two thirds in view of the economic difficulties many people are facing (EDP 3rd July)

Long term unemployed people in East Anglia are to get help from colleges to find jobs. Anyone who has been out of work for more than 6 months will be eligible for free training courses as part of an £83m national government scheme. City College Norwich, COWA and Yarmouth College. (Evening News 14th May)

Been a steady rise in the number of applicants to post graduate certificate in education (PGCE) programmes at the UEA but this year has seen a spike with 30% more across the board.

Up to 39 redundancies are expected at Norwich City College at a time when the skills of the next generation are top of the local and national agenda. (EDP 2nd July)

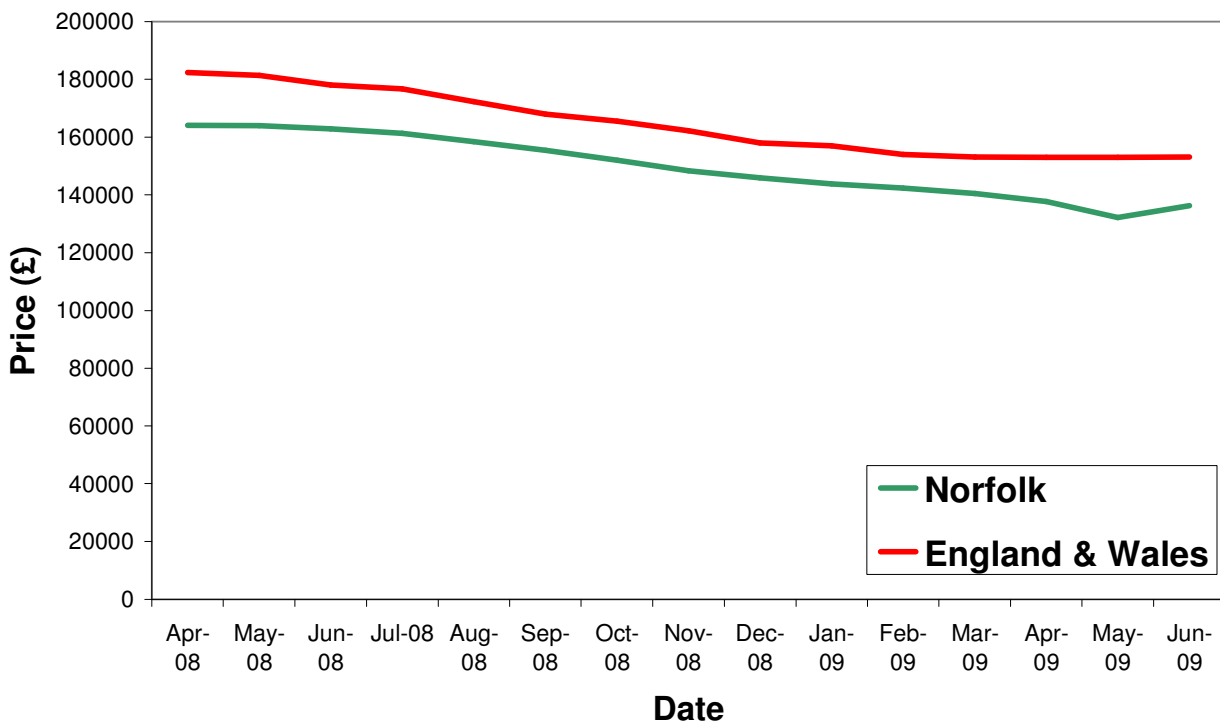
Housing

Key Facts

UK house prices have averaged £156, 998 in this first quarter with a rise in prices of 1.94% between April and June.

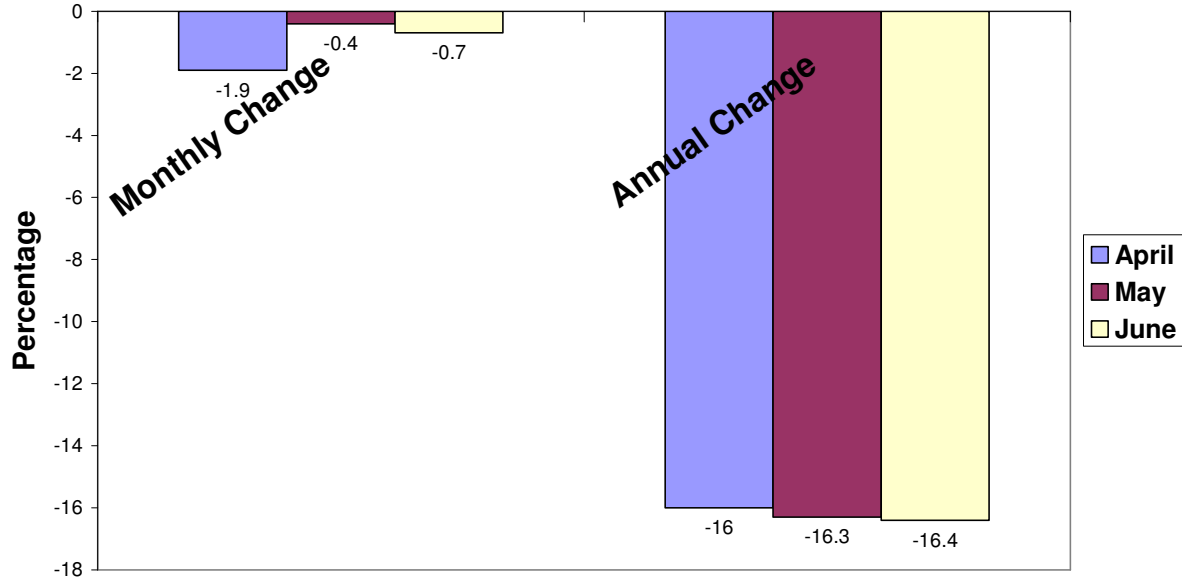
Norfolk house prices have averaged £135, 406 in this first quarter with a fall in prices of 1.09% between April and June.

House Prices



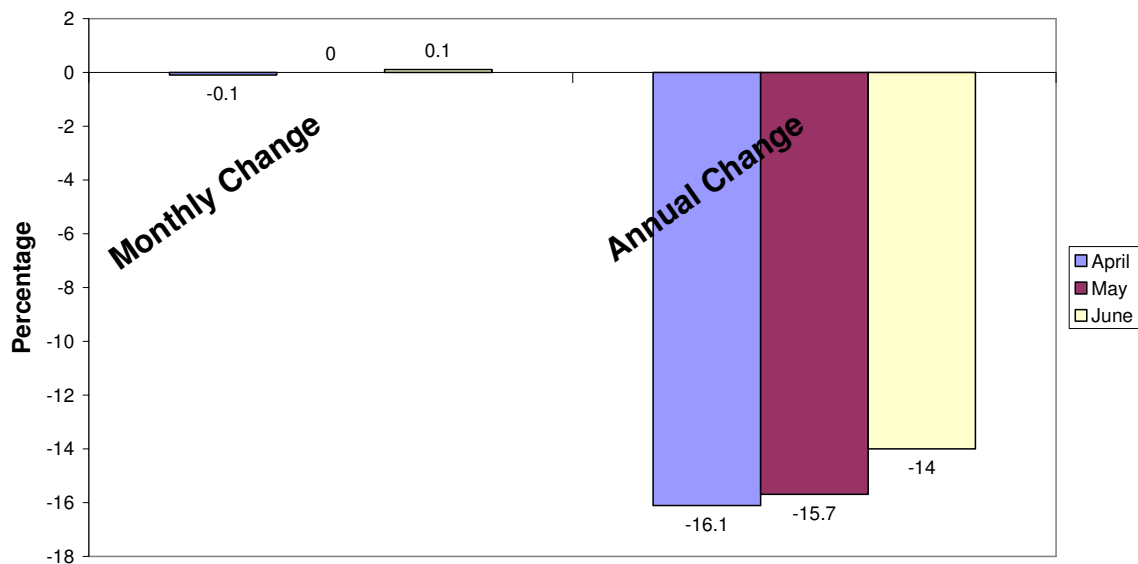
Source: Land Registry

Norfolk House Price Trends



Source: Land Registry

UK House Price Trends



Source: Land Registry

Norfolk's monthly change in house prices are greater and more negative than in the rest of the country, although May is the best month for both. Norfolk is remaining reasonably stable in terms of annual change in the quarter, with a very

slight rise compared to the UK which has seen a gradual decrease in annual change.

Norwich City Council and the Homes and Communities Agency (HCA), the national housing and regeneration body, will be teaming up to build 1,300 new homes in Norwich over the next 12 year period.

The HCA will invest £7.5m in Norwich and the council will give over a number of sites around the city. The proceeds of the homes sales will be reinvested in more regeneration schemes.

Commercial Properties

Key Facts

2009 saw rent reductions in the larger towns of Norfolk from 2006 prices. Smaller towns saw stability or a very slight increase in rent prices.

Norwich shopping: June

Norwich has seen no net rental growth for over 10 years. This has principally been caused by first the arrival of Castle Mall that created a surplus of shops and thereafter Chapelfield that has meant Norwich has had to cope with a surplus of shops. Because of this, rental growth has been affected.

Norwich is one of the ten top retailing towns in the country, but is by far the cheapest and therefore in the medium term rental growth prospects are good. There are currently more than 70 units available within Norwich city centre and this will continue to stagnate rent growth in the short term as landlords fight to secure new tenants.

Adrian Fennell, partner at Roche Chartered Surveyors

Prime retail rents for a 1,200sq ft shop with 600sq ft ancillary storage (Rents £s)					
Town	Population	2009	2006	2005	2000
Norwich	121,100	140,000	160,000	160,000	145,000
Attleborough	9,535	15,000	16,500	16,500	17,750
Cromer	8,220	30,000	27,500	25,000	21,000
Diss	6,675	32,500	32,500	29,000	24,000
Downham Market	6,620	16,000	16,000	14,5000	12,500
King's Lynn	33,315	55,000	62,500	58,500	55,000
Swaffham	6,650	22,000	22,500	20,500	18,000
Thetford	21,680	29,000	31,000	31,000	29,000
Wymondham	12,040	22,000	21,000	18,000	13,000

Source: EDP June 17th 2009



Seen reduction in rent between 2006 and 2009.

Investment Market Activity

Prime Yields 2009 Qtr 1				
<i>Town</i>	<i>Office</i>	<i>Industrial</i>	<i>High Street</i>	<i>Retail Warehouse</i>
Norwich	8.75	9.25	6.25	9
Camb	8.25	8.75	5.25	8.25
Ipswich	8.75	9.25	5.5	9

Offices Market Activity

Rents (£psf)			
<i>Town</i>	<i>Prime</i>	<i>Secondary</i>	<i>Grade A Supply</i>
Norwich	16.50	13	1.7%
Camb	25	19	5.6%
Ipswich	12.50	7.75	3.7%

Industrial Market Activity

Rents (£psf)			
<i>Town</i>	<i>Prime</i>	<i>Secondary</i>	<i>Grade A Supply</i>
Norwich	6.50	5	0.8%
Camb	8.50	7.25	2.4%
Ipswich	6.50	5	0.2%

Retail Market Activity

Rents (£psf)	
<i>Town</i>	<i>Zone A rents Prime</i>
Norwich	190
Camb	240
Ipswich	130

Out of Town Retail Market Activity

Rents (£psf)			
<i>Town</i>	<i>Bulky</i>	<i>DIY</i>	<i>Open A1</i>
Norwich	18	16	20
Camb	26	20	28
Ipswich	19	16	23

Source: Data Book Markets, Summer 2009 Bidwells