



# Lincolnshire Economic Briefing

www.research-lincs.org.uk

## 2013 - Was it A Good Year?

A year ago the economic picture was challenging with little momentum in the economy, negligible signs of growth and a series of on-going problems in the Eurozone. Although local businesses were optimistic for their prospects in 2013 there was no strong evidence of any forthcoming improvement. However a year has made a substantial difference. As 2013 progressed economic performance gradually improved, nationally and locally. The last Quarterly Economic Survey (QES) of 2013 indicates that for local businesses this trend is continuing, both in terms of performance and optimism for the year ahead.

Demand continues to strengthen with 45% of respondents saying domestic sales have improved (the highest percentage since 2009), outweighing those who said sales had worsened by +30%. Export sales have also improved with a positive balance of 29%.



Figures for performance continue to strengthen across the board. The number of businesses saying profitability has improved is up 12% on last quarter, whilst the percentage reporting improved turnover and market share is also up. More businesses say they are increasing investment in plant and machinery and it is

Cont. Page 2



## December 2013

Lincolnshire Research Observatory

web: [www.research-lincs.org.uk](http://www.research-lincs.org.uk)

tel: 01522 550567

email: [LRO@lincolnshire.gov.uk](mailto:LRO@lincolnshire.gov.uk)

## Quarterly Economic Survey Headlines

### Over the past 3 months ...

- Domestic sales improved + 30%
- Exports sales improved +29%
- Export orders improved +30%
- Profitability increased +15%
- Turnover increased +26%
- Market Share increased +13%
- Increase in workforce +3%
- Investment in plant and machinery– up 4% on last quarter
- Investment in training– no change
- Improved Cash-flow +2%. This indicator had a negative balance last quarter
- A third of respondent recruited staff
- 51% of those who recruited said they had difficulty finding suitable staff

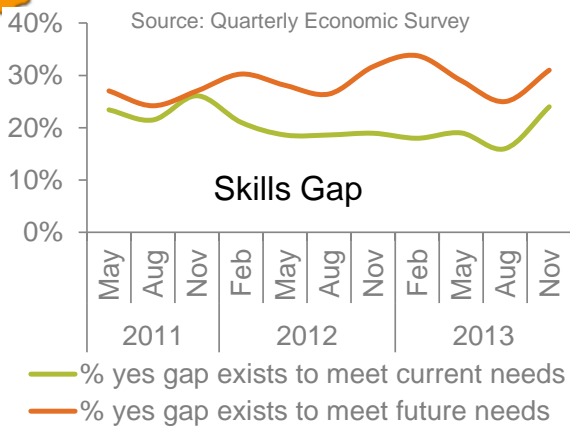
### In the next 3 months ...

- +14% balance of respondents intend to increase workforce – up from +7% last quarter
- +38% balance of respondents intend to raise prices - up 4% on last quarter

### Business forecasts for the next 12 months...

- Profitability will improve +30%
- Turnover will improve +43%
- Market Share will improve+31%

The figures are for all respondents. The percentage balance is the difference between positive and negative responses.



Lincolnshire Research Observatory

particularly encouraging to report the number of businesses that said their cash flow has improved out-weighed those who said it has worsened. This is the first time that this indicator has shown a positive balance of responses in favour of improvement since 2009.

As with the previous quarter's results, a third of survey respondents reported that they attempted to recruit last quarter, but over half experienced difficulty recruiting suitably skilled staff. 25% of respondents say they have a current skills gap in their workforce with a higher percentage saying their workforce lacks skills to meet future needs.

## Will growth be sustained in 2014?

Currently national business surveys paint an optimistic picture. The Markit Purchasing Manager Index (PMI) for manufacturing was up to 58.4 in November, the highest since February 2011. These figures support the latest figures from the Office for National Statistics (ONS) which show output in production up 0.6% on last quarter and up 2.2% on a year ago. Locally QES results for the manufacturing sector are also very positive, reflecting the improving picture for the sector.

*Today's forecasts from the Quarterly Economic Survey are very much in line with market sentiment – growth is accelerating, and it is clear this is having a positive impact on business confidence. Businesses in Lincolnshire, such as Siemens, are still very confident with figures for sales, performance and sentiment, which are all up on last quarter. It is clear that manufacturing must continue to maintain output and make the necessary investment in infrastructure, R&D and in skills and training to ensure that this positive trajectory continues."*

*Neil Corner, Director of Service Siemens, Greater Lincolnshire Local Enterprise Partnership Manufacturing Sector Lead*

Latest official figures not only show manufacturing output improving but also improvements in the services sector and construction. In fact ONS figures for output in construction are extremely encouraging with latest month on month output up 2.2% in October and +5.3% on a year ago. New work (non- maintenance work) has risen 2.4% September to October mainly due to strong growth in both new housing (5.8%) and infrastructure (7.5%). Anecdotal evidence from local businesses representing the sector indicates that after a very difficult few years the economic environment in construction is improving. However margins remain tight and pricing is still competitive.

These strong national figures have led some commentators to predict UK output will have risen above its pre-recession peak by next summer. Indeed the Chancellor of the Exchequer in his Autumn Statement said he expected the UK to be back in the black by 2018. However other commentators are concerned about the sustainability of current growth. The Office for Budget Responsibility noted that the higher-than-expected growth this year had been fuelled by consumer spending and rising house prices, rather than business investment and trade.

Locally, however, businesses are optimistic for 2014. A significant majority of businesses believe their profitability, turnover and market share will increase over the next 12 months. The manufacturing sector in the county is particularly optimistic with the balance of those telling us they expect turnover to increase in 2014 up 19% on last quarter. In addition the last QES of the year asked business whether they expected their businesses to grow next year. The majority of



businesses surveyed said yes, with growth coming from increased demand, innovation and product development. A small number of mainly larger businesses also see growth coming through expanding export markets.

However a minority of businesses said they were concerned that the current state of the economy and competition would affect their growth prospects in 2014. In particular those businesses reliant on consumer spending feel that many people are still feeling the squeeze on their finances from higher bills, inflation, and incomes which are falling in real terms. This indicates that any improvement in the economy is still not being felt by everyone.

### Gap between local and national unemployment rate narrows

The number of people unemployed and claiming Job Seekers Allowance in Lincolnshire has fallen by 614 over the last quarter and now stands at 11,943. The current claimant rate of 2.7 is lower than the national rate of 2.9.

Both local and national rates have fallen over the past year, however the rate of decline has been faster nationally. In Nov 2012 the national rate was 3.7 percent compared to a local rate of 3.2 percent, a difference of 0.5 percentage points. Latest figures show the current gap between local and national rates has narrowed to 0.2 percentage points.



5,455 people have been claiming JSA for six months or more. This represents 44% of all claimants compared to the national figures of 46%. This represents a fall of 900 compared to last quarter. However as with the main indicator the gap between national and local figures is narrowing. A year ago the gap between the Lincolnshire rate and the national rate was 4% compared to the current gap of 2%.

### UK Economic Indicators

UK Gross Domestic Product	Q3	0.8%
UK Inflation CPI	Oct-13	2.1%
Retails Sales Yr on Yr	Oct-13	-1.1%
Household Consumption	Q3 2013	0.8%
House Prices Index	12 months to Sept	3.8%
Unemployment Rate	Sep-13	7.6%
Average Weekly Earnings tot pay	Sep-13	0.7%
Trade in Goods and Services	Deficit Sept 13	£3.3bn
Output in Construction Yon Y	Sep-13	4.1%
Index of Production Y on Y	Sep-13	2.2%
Index of services Y on Y	Sep-13	2.2%
Producer Prices Index	Factory gate - year to Oct	0.8%
Business Investment Q on Q	Q2 2013 to Q2 2012	-4.8%

### Labour Market Indicators

No of JSA Claimants - Lincolnshire	Nov-13	11,943
JSA Claimant Rate - Lincolnshire		2.7%
JSA Claimant Rate - Greater Lincolnshire		3.2%
JSA Claimant Rate - England and Wales		2.9%
% of 16-24 year old JSA Claimants - Lincolnshire		31%
% Claiming JSA for over 6 months - Lincolnshire		43%

Lincolnshire Research Observatory

Source: Office for National Statistics



The number of people aged 16-24 claiming JSA also fell this quarter to 3,685, down by 205 claimants. This age group now represents 31 per cent of all claimants in Lincolnshire, compared to 26 per cent nationally. Although youth unemployment continues to fall in Lincolnshire it's not falling as fast as nationally. Figures for England and Wales show there was a 14% fall in the number of young people age 16-24 claiming JSA over the last quarter compared to 5% in Lincolnshire.

## Growth in Eurozone Economy 'Anaemic'

The Eurozone economy grew by 0.1% in quarter 3 and remains substantially below that of the UK. The sluggish growth, which has been described by the European Central Bank as 'anaemic', could act as a brake on UK export growth prospects as Europe remains the UK's biggest export market.

However there are some small signs of improvement with sovereign debt crisis in the Eurozone appearing to have abated. The EU Markit Manufacturing Purchasing Managers Index rose in November for the fifth consecutive month, up from 51.3 in October to 51.6 in November. Unemployment fell in October for the first time since 2011 and now stands at just over 12%. There are, however, some considerable differences in unemployment rates across the Eurozone, ranging from 4.8% in Austria to 27% in Spain. Inflation rose slightly in October, up 0.2% to 0.9% but is substantially below the UK rate of 2.1%.

## On-line Shopping in Europe Growing

Whilst the UK ranks first amongst European nations for on-line retail shopping, France and Germany are set to start catching up. IGD which represents global food and consumer product retailers reports this type of retailing will double in France and Germany to approximately 10 bn and 2.5 bn Euro respectively over the next few years. The Dutch also have a relatively large spend on on-line retail at 1.6bn Euro. In comparison UK online grocery and consumer goods shopping is set to reach almost 14 bn Euro by 2016.

Whether this represents an opportunity for UK retailers is uncertain as different markets are developing different models. However the development of superfast broadband in the county will make online retailing more accessible for Lincolnshire businesses seeking to sell direct to European consumers, and clearly the appetite for online shopping in Europe is growing.

## EU Economic Indicators

Unemployment Rate	Oct-13
EA 17	12.0%
EU 28	10.9%
Austria	4.8%
Germany	5.2%
France	10.9%
Romania	7.3%
UK	7.6%

Inflation Rate EA 17	Nov-13
	0.9%e

% change in GDP Q on Q	Q3
EA 17	0.1%
EU28	0.2%
UK	0.8%
Germany	0.3%
France	-0.1%
Bulgaria	0.6%

Y on Y Production in Construction	Sep-13
EA17	-0.2%
EA28	0.2%
Y on Y Industrial Production	Sep-13
EA17	1.1%
EA28	1.2%

International Trade in Goods	Bn Euro
EA17 surplus Sept 13	13.1
EA 28 surplus Sept 13	0.6
EU17 Balance of Trade	Bn Euro
Jan - Aug 13	
with UK	46.7
with USA	47.6
with Russia	-38.6
with China	-53.0

EU Economic Sentiment Indicator	
M on M Nov 2013	
Germany (105.7)	0.8
UK (115.2)	0.2
EU 28 (102.1)	0.4
EA 17 (98.5)	0.8

EU 17 – Countries which use the Euro  
EU 28 – All European Union Members

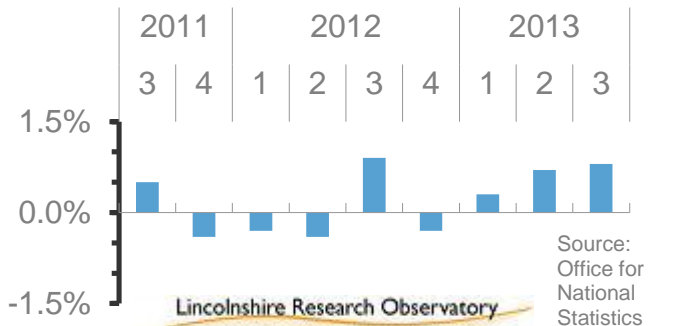
Source : Eurostat



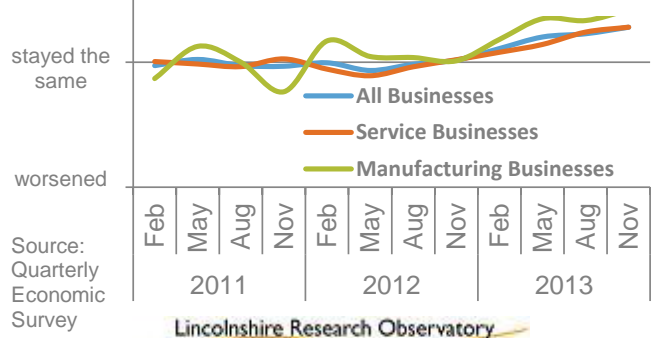
# UK Economic Indicators

# Quarterly Economic Survey Trend Analysis

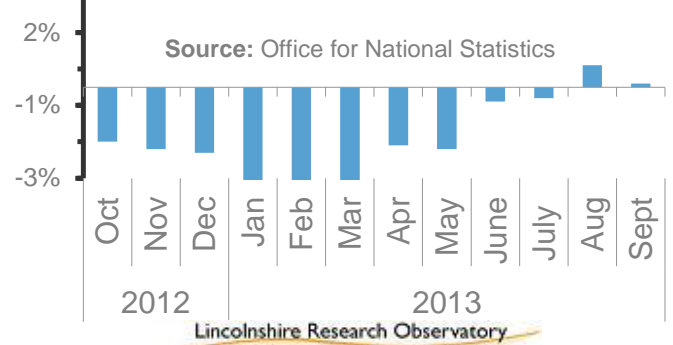
### Gross Domestic Product (Quarter on Quarter)



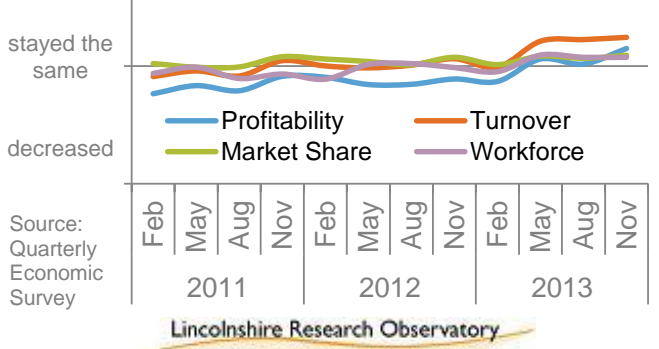
### UK Sales – last 3 months



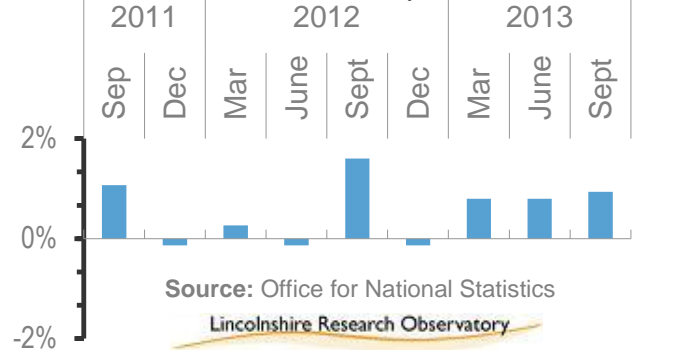
### Year on Year % Change in Manufacturing Output



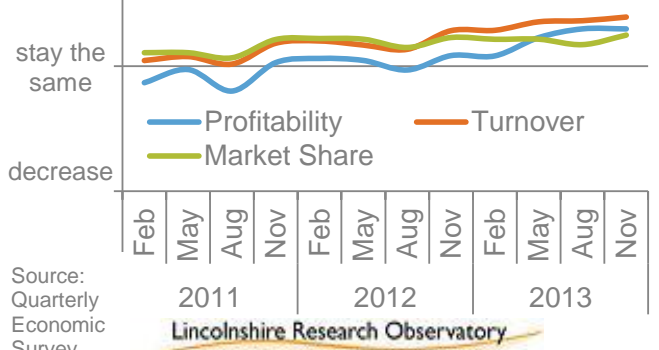
### Performance – last 3 months



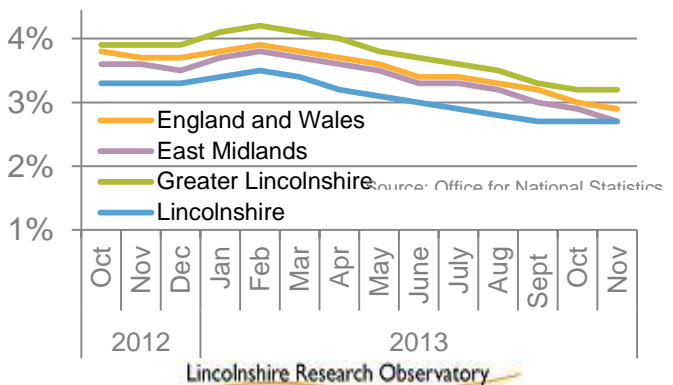
### Quarter on Quarter % Change in Services Output



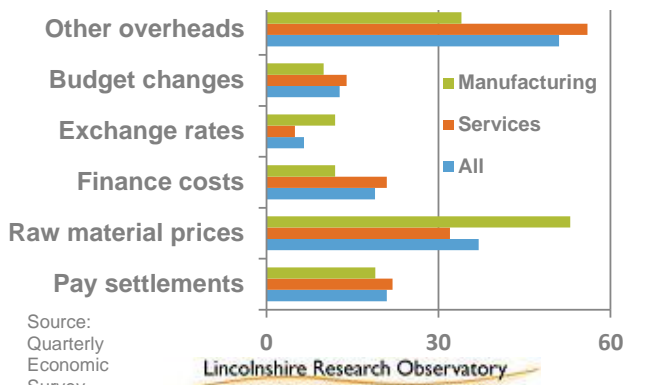
### Performance Sentiment – next 12 months



### Unemployment Rate % Claimant Count



### Source of Pressure to Raise Prices





## News and Announcements

### Body Found at the Castle

The Saxon sarcophagus at Lincoln Castle was finally lifted from its position 3m below ground level on 14 November, this undisturbed finding being unique in England. Capturing the public imagination the lift was filmed for BBC's The One Show and will also go out on the History Channel in the new-year.



### Wyvern House Opens

Lincolnshire County Council is pleased to announce that the brand new Wyvern House building has been officially opened. The 7 offices are located in the centre of Lincoln and they offer first class accommodation at very competitive rates. For information please contact Lewis Mason on 01522 550608

### 3D Technology to Help Businesses at Louth Hub

Businesses and sports clubs have been able to see how 3D technology could transform the way they work and train at the launch of the latest [onlincolnshire](#) Technology Hub, in Louth. The motion capture spot technology system documents movement and provides statistical analysis which could improve performance.

The equipment is now available free of charge through the Lincolnshire County Council-run project, in partnership with the University of Lincoln. The hub is part-funded by the European Regional Development Fund (ERDF).

### Superfast Broadband Rolls Out

The first twelve cabinets to offer superfast broadband under the [onlincolnshire](#) programme went live on the 20th of November in Spalding.

## Useful Contacts

**Business Lincolnshire** - The local website linking you to schemes and services to help you start or grow your business: [www.businesslincolnshire.com](http://www.businesslincolnshire.com)  
[www.gov.uk](http://www.gov.uk)

**Lincolnshire & Rutland Employment and Skills Board** - Giving employers opportunities to lead and influence local training provision to have access to skills needed to grow their business.

[www.lincsrutlandesb.com](http://www.lincsrutlandesb.com) tel: 01522 550545  
email: [clare.hughes@lincolnshire.gov.uk](mailto:clare.hughes@lincolnshire.gov.uk)

**Greater Lincolnshire Local Enterprise Partnership**  
Supporting business in the region; aiming to improve infrastructure and conditions for doing business from the Humber to the Wash.

[www.greaterlincolnshirelep.co.uk](http://www.greaterlincolnshirelep.co.uk)  
email: [GLLEPsecretariat@lincolnshire.gov.uk](mailto:GLLEPsecretariat@lincolnshire.gov.uk)

**Jobcentre Plus** - Providing services that support people of working age from welfare into work, helping employers fill their vacancies

[www.gov.uk/jobs-jobsearch](http://www.gov.uk/jobs-jobsearch) [www.gov.uk/advertise-job](http://www.gov.uk/advertise-job)

**Select Lincolnshire** - Raising the profile of Lincolnshire, promoting and attracting investment into the county, signposting to local produce within the County and promoting food and drink across the UK.

[www.selectlincolnshire.com](http://www.selectlincolnshire.com) tel: 01522 550618  
email: [select@lincolnshire.gov.uk](mailto:select@lincolnshire.gov.uk)

### Lincolnshire Chamber of Commerce

A membership organisation providing business - support advice and benefits. [www.lincs-chamber.co.uk](http://www.lincs-chamber.co.uk)  
01522 523333 email: [enquiries@lincs-chamber.co.uk](mailto:enquiries@lincs-chamber.co.uk)

### Trading Standards business advice

Giving support and encouragement to businesses by giving advice and information to help them get it right first time. [www.lincolnshire.gov.uk](http://www.lincolnshire.gov.uk) tel: 01522 782341  
email: [TradingStandards@lincolnshire.gov.uk](mailto:TradingStandards@lincolnshire.gov.uk)

### Federation of Small Businesses

A non-profit making membership group promoting the interests of the self-employed and owners of small businesses [www.fsb.org.uk](http://www.fsb.org.uk)

email: [david.thorpe@fsb.org.uk](mailto:david.thorpe@fsb.org.uk) 01522 790806 (Direct)  
m: 07917 628927 tel: 01522 688070 (Lincoln Office)

All information contained in this Economic Briefing is the most up-to-date available at time of publication (Jan 2014)). This briefing has been produced by the Research and Information Team at Lincolnshire County Council and published on the Lincolnshire Research Observatory Website. Why not visit the website for a wide range of socio-economic information on Lincolnshire [www.research-lincs.org.uk](http://www.research-lincs.org.uk)