

Humber Economic Partnership – FAQs

Humber Economic Partnership (HEP) is the strategic partnership for sustainable economic development for the Hull and Humber Ports City Region/Humber Sub Region.

“What is the main focus of HEP’s work?”

HEP leads on issues that can be dealt with effectively at only a City Region level:

- We promote, lobby for and represent the area at appropriate levels of influence;
- We provide governance arrangements and coordinate and facilitate strategic partnership working at the City Region level;
- We deliver key partnership activity such as policy advice & research, and raising the profile of the City Region.

“What sort of activities does HEP undertake?”

- Influencing government policy – policy consultations;
- Custodians of City Region Development Programme (CRDP) / Integrated City Region Strategy (ICRS);
- Develop city region wide partnership projects, e.g. Multi Area Agreement (MAA) and profile raising;
- Intelligence and policy updates, including Progress in the Humber;
- Coordinating Business Week and Business Education Day.

“What are HEP’s key challenges for the coming year?”

- Ensure new City Region Thematic Boards fulfil their roles, particularly their influence
- Develop the new ICRS and influence the new Integrated Regional Strategy (IRS)
- In partnership and through negotiation with Government develop and implement a successful Humber-wide MAA for Employment, Enterprise and Skills
- Work with Yorkshire Forward and other partners to successfully raise the profile of the City / Sub Region
- Successfully coordinate Humber Business Week 09 and Business Education Day 09, making both even better than the first pan-Humber format in 2008
- Maintain the high standard of the Policy and Intelligence service
- Work with partners to optimise our collective resources and maximise benefit

visit www.humberep.co.uk for further information

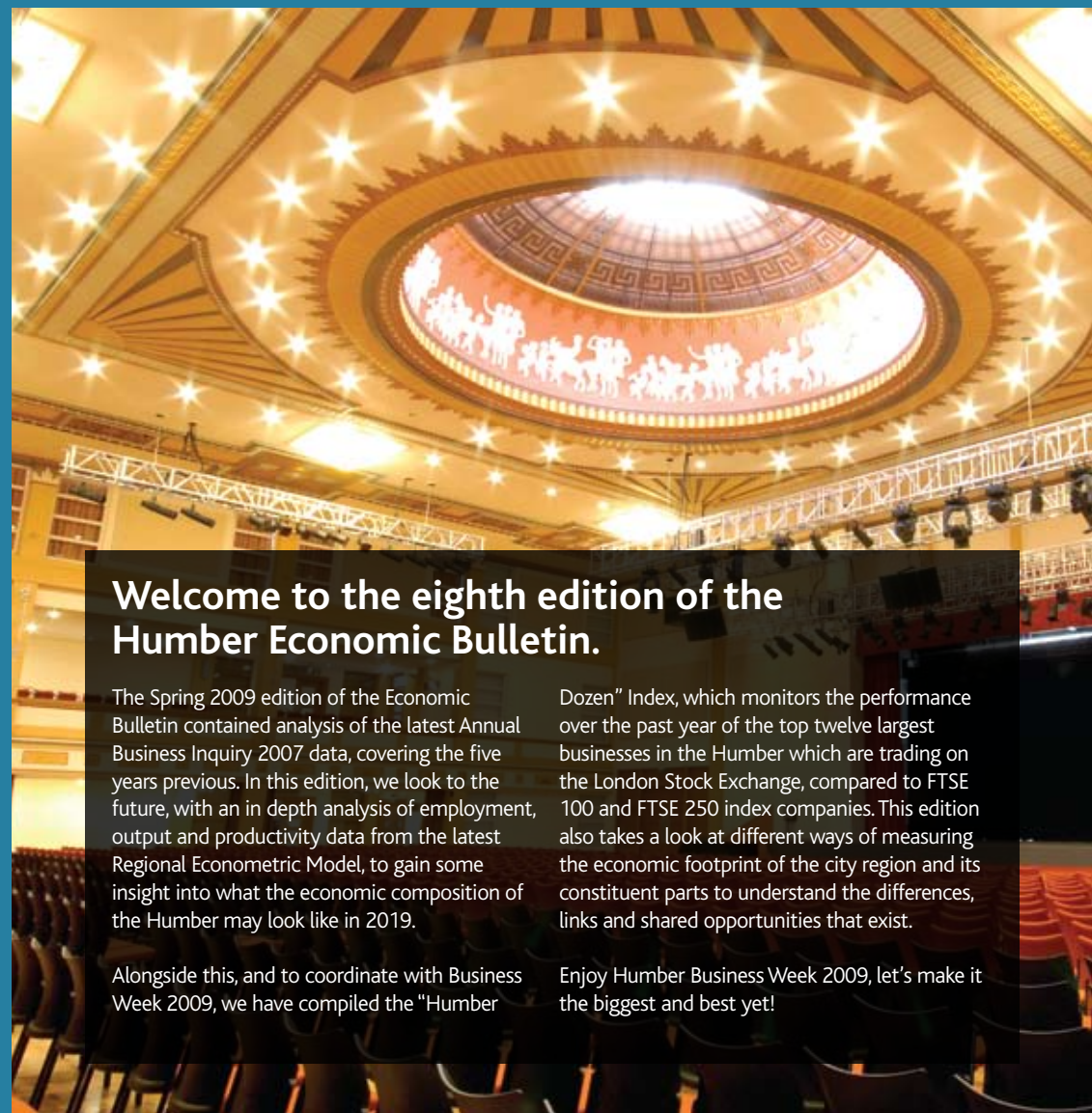
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Humber Economic Bulletin



Welcome to the eighth edition of the Humber Economic Bulletin.

The Spring 2009 edition of the Economic Bulletin contained analysis of the latest Annual Business Inquiry 2007 data, covering the five years previous. In this edition, we look to the future, with an in depth analysis of employment, output and productivity data from the latest Regional Econometric Model, to gain some insight into what the economic composition of the Humber may look like in 2019.

Alongside this, and to coordinate with Business Week 2009, we have compiled the “Humber

Dozen” Index, which monitors the performance over the past year of the top twelve largest businesses in the Humber which are trading on the London Stock Exchange, compared to FTSE 100 and FTSE 250 index companies. This edition also takes a look at different ways of measuring the economic footprint of the city region and its constituent parts to understand the differences, links and shared opportunities that exist.

Enjoy Humber Business Week 2009, let’s make it the biggest and best yet!

Economic Overview

The Bank of England retained the interest base rate at 0.5 percent in April 2009. The Bank has also announced an additional £50 billion injection into the UK economy through its quantitative easing programme, adding to the £75 billion announced in March 2009.

There are some signs that the rate of economic decline is easing in the UK. Retail sales were up 4.6 percent in April 2009, compared to equivalent figures for 2008. Much of this increase has been attributed to strong sales over the Easter period. Manufacturing output declined by just 0.1 percent in March, which was the smallest decline in the sector for over a year. In the housing market, mortgage approvals were up 4 percent in April 2009. Stock markets have also seen small signs of recovery from their lows in March, as can be seen on page 6 in this bulletin.

These small signs of optimism are being taken with a hint of caution. The Bank of England is predicting a more prolonged recovery than had previously been forecast. Indeed, the Bank's new forecast suggests that there will be a "W-shaped" recession and that there is a distinct possibility of a small upturn followed by another downturn in 2010. This W-shaped recession can also be caused by policy errors, in which taxes or interest rates are raised too quickly because central bankers and finance ministers may wrongly believe that the economy is in full recovery.

Similarly, Office for National Statistics (ONS) figures indicate that the number of people who are out of work in the UK rose to 2.2 million in the first quarter of 2009. This was an increase of 244,000 in the first three months of 2009. According to ONS, the UK unemployment rate rose to 7.1 percent in March 2009. Of these, unemployment benefit claimants rose 57,000 in April 2009, totalling 1.51 million.

Regional and Local Economies

Insolvencies in the Yorkshire and Humber region have risen sharply in the first three months of 2009, as 595 companies in the region became insolvent, according to PriceWaterhouseCooper. This was a 14 percent increase on the previous quarter and a 67 percent increase on equivalent figures for 2008.

Unemployment has continued to rise at all geographies, with claimant counts in the city region totalling 31,037 in April 2009. This was an 82.5 percent increase on equivalent figures for April 2008. However, there are signs that unemployment in the city region is peaking with only small rises at all geographies in March and April 2009, when compared to the steep rises of the previous months dating back to July 2008.

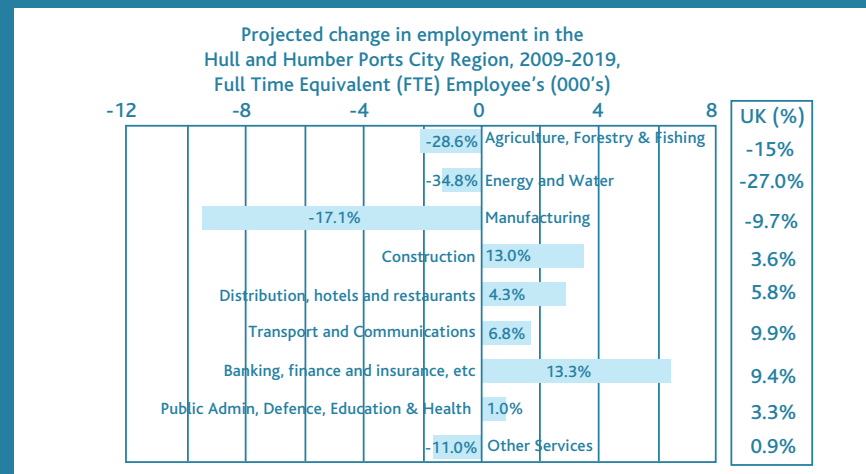
Total notified vacancies in the city region have fallen further, with around 1,900 less notified vacancies in April 2009, than there were in April 2008. This is a 40.3 percent decrease between the dates.

Future trends in employment, output and productivity

The last edition of the bulletin featured the latest employment, enterprise and cluster analysis from the Annual Business Inquiry (ABI) 2007. In this edition, we extend the time horizon to 2019 to see what is predicted might happen.

The Regional Econometric Model (REM) is commissioned by Yorkshire Futures and developed by Experian Business Strategies. The scenario-based model forecasts changes in output, productivity and employment for any given area and in different sectors. The latest release, in April 2009, has been readjusted to account for current economic conditions.

Projected employment change in the city region



Full Time Equivalent (FTE) employment is the number of employees in an economy. In the Hull and Humber Ports City Region, FTE employment is projected to increase by 0.3 percent between 2009 and 2019. This equates to an additional 1,000 full time employee jobs, bringing total employment in the city region to around 336,000 by 2019. This is a significantly smaller percentage increase than the projected national full time employment rise of 3.5 percent to 2019.

Manufacturing is projected to have the largest loss in full time jobs over the ten years to 2019. Indeed, 9,500 full time jobs are projected to be lost in this sector in the city region, a 17.1 percent reduction in the total number of full time manufacturing jobs. The projected change in employment in manufacturing is almost twice the national projected fall. This is particularly significant, given the higher concentration of manufacturing in the city region. Indeed, ABI data for 2007 indicates that the 18 percent of employees in the city region were employed in manufacturing, compared to 11 percent nationally.

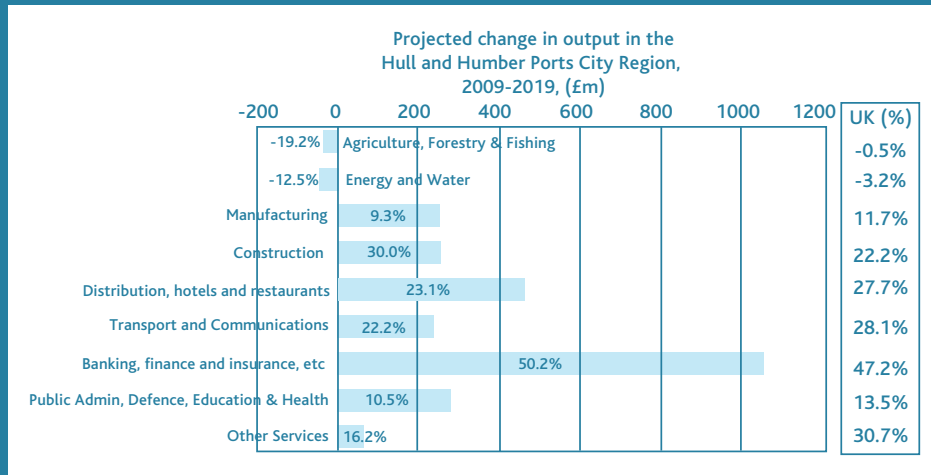
Employment in Agriculture, Forestry and Fishing is also projected to fall, with around 2,100 less people employed in this sector

by 2019. This is a 28.6 percent reduction in total workforce numbers in the city region. Employment in Energy and Water is also expected to fall by around 1,300 jobs between the years. Both sectors are predicted to have significantly higher percentage falls than their equivalent national averages.

FTE employment in Banking, Finance and Insurance is projected to grow by 13.3 percent between 2009 and 2019. This equates to around 6,500 additional full time employee jobs, which would increase employment in this sector to around 55,200, or 16 percent of total employment by 2019. Currently (2007), this sector accounts for 12.3 percent of employment in the city region, compared to 22.5 percent for England.

FTE employment in construction is also projected to increase between the years by 13 percent, or around 3,500 full time jobs. This increase is almost ten percent points above the projected national rise in construction. FTE employment in Distribution, Hotels and Restaurants in the city region is also projected to increase by around 2,900 additional jobs. However, this is slightly below the projected national increase.

Output (GVA) and Productivity



Output is measured by Gross Value Added (GVA), which is a measure of the value of goods and services produced in an economy. GVA is now the preferred method used by the Government to measure the well-being and economic prosperity of an area.

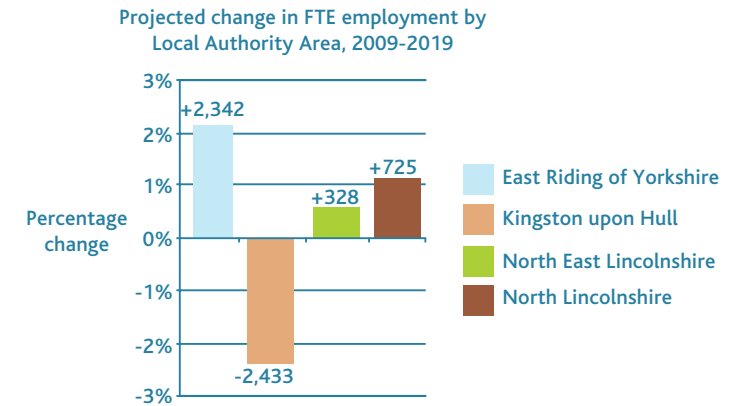
Projected output in the Hull and Humber Ports City Region is set to increase by £2.5 billion between 2009 and 2019 resulting in total output for the city region at £15 billion in 2019. This is an increase of 20.4 percent on figures for 2009. This is below the increase in national output, which is set to increase by 27.2 percent.

Particularly strong output growth is projected in the Banking, Finance and Insurance sector in the city region, with a 50.2 percent increase between 2009 and 2019. This equates to an additional output of £1 billion by 2019.

Output is projected to substantially increase in most sectors. In particular, Distribution, Hotels and Restaurants is projected to have a substantial increase of £470 million between the years, albeit with a below average national projected increase.

Productivity is a measure of the amount of output generated per full-time equivalent job in an economy. In the city region, productivity is projected to increase by £7,500 between 2009 and 2019, which is an increase of 20.1 percent. This is significantly behind the projected national increase in productivity, at £9,300 or 22.9 percent. Productivity in the Hull and Humber Ports City Region is projected to fall further behind UK productivity. In 2019 the deficit between productivity in the city region compared to the UK is projected to be £5,300 per employee.

Local Authority Area analysis



The East Riding of Yorkshire is projected to have the highest rise in employment between 2009 and 2019 of all local authority districts in the city region, with an additional 2,300 full-time jobs. Significant growth in the Banking, Finance and Insurance (+2,800) and Construction (+2,000) sectors are predicted to contribute to this increase. However, large reductions in Manufacturing (-3,200) and Agriculture and Fishing (-1,600) could counteract some of the strong increases in other sectors.

Kingston upon Hull is the only local authority area in the city region predicted to experience negative projected growth in FTE employment between 2009 and 2019, with a 2,400 decrease between the years. Significant decreases in the number employed in Manufacturing (-2,900) combined with small projected losses in other sectors are partly counteracted by large gains in Banking, Finance and Insurance, which is projected to increase by around 1,700 FTE's. A small increase in construction FTE employment is also predicted for Kingston upon Hull. The remaining sectors are projected to have slightly negative growth between 2009 and 2019.

Little overall change in FTE employment is projected in North East Lincolnshire, with a small increase of around 300 jobs between

2009 and 2019. However, there are some significant changes in individual sectors in the local authority area. The most significant increase is projected in the Banking, Finance and Insurance sector, with an increase of 1,300 FTE Jobs. This is counteracted by projected employment decreases of 1,800 in Manufacturing to 2019. Smaller employment increases are projected in the Construction and Transport and Communications sectors.

North Lincolnshire is projected to have a positive increase of around 700 FTE employees between the years. The most significant increase is in the Distribution, Hotels and Restaurant's sector, with around an additional 1,000 FTE employee jobs. Around 900 additional jobs are projected in the Transport and Communications sector. There are also significant decreases projected in North Lincolnshire between the years, particularly in the Manufacturing (-1,500) and Energy and Water (-850) sectors.

Analysis from REM projections depict a mixed message. A small increase in the number of FTE employees in the Hull and Humber Ports City Region is below the projected national increase. This is perhaps due to the continued decline in Manufacturing, as measured by FTE

Employment and in output and productivity. The city region has a significantly higher proportion of employees involved in the manufacturing sector than nationally.

Positive signs of growth are projected in the Banking, Finance and Insurance sector, which is projected to outperform the UK average

The Humber Dozen

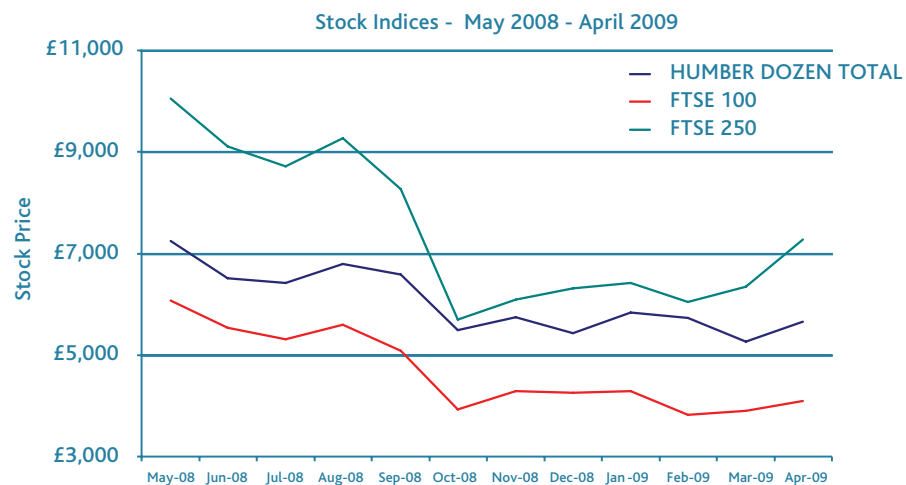
The "Humber Dozen" Index is composed of the top twelve companies publicly trading on the London Stock Exchange by market capitalisation, which either have registered offices or large scale operations within the Hull and Humber Ports City Region. Whilst the changes in stock prices may not be specifically centred upon activities undertaken within the city region, analysis of their performance can act as a useful proxy for the relative strength and well-being of large scale employers in the city region on the global market economy.

It should be noted that some large employers in the city region are not trading on the London Stock Exchange and, as a result, some are not represented. Notable exceptions are Corus (Tata) and the Clugston Group, both in Scunthorpe, North Lincolnshire and the Sewell Group and Arco, both in Kingston upon Hull. The graph below depicts the performance

between the years. This provides evidence of catching up and may go some way to closing the gap between averages between the city region and the nation. Similarly, continued growth in construction in the city region, both in terms of employment and output, is a positive sign for this sector.

of the Humber Dozen marked against the performance of the FTSE 100 and FTSE 250. The Humber Dozen experienced a period of financial weakening between May 2008 and April 2009, with a fall of 22.0 percent in share prices. This was a smaller percentage fall than both the FTSE 100 and FTSE 250 over the same period. Indeed, the Humber Dozen performed less badly than the FTSE 100, which fell by around 10 percentage points more between the dates. The total points fall in the Humber Dozen Index is marginally less than the total points fall of the FTSE 100 and significantly less than the FTSE 250.

The sharpest falls in all three Index's occurred between August and October 2008. Since such time, the Humber Dozen has remained relatively buoyant, similar to the performance of the FTSE 100. The FTSE 250 has seen a small recovery in its share price.



Share Index's on the London Stock Exchange

Index	Closing Share Price – 28th May 08	Closing Share Price – 28th April 09	Percentage Change	Price Change
The Humber Dozen	7251.00	5652.50	-22.0%	-1598.50
FTSE 100	6069.60	4096.40	-32.5%	-1972.60
FTSE 250	10057.00	7279.00	-27.6%	-2778.00

The Humber Dozen

Company	Sector involvement in the Humber	Closing Share Price – 28th May 08	Closing Share Price – 28th April 09	Percentage Change
BAE Systems	Aerospace Manufacturing	455.00	360.50	-20.8%
BP	Energy	605.50	483.50	-20.1%
Cattles Plc.	Finance	185.25	Suspended	-
Centrica	Energy	261.50	225.00	-14.0%
Cosalt Plc.	Marine Safety Equipment Providers	361.50	76.50	-78.8%
Cranswick	Food Manufacturing	745.00	558.00	-25.1%
Croda International Plc.	Chemicals Manufacturing	666.00	558.50	-16.1%
Fenner Plc	Polymer Manufacturing	253.25	68.50	-73.0%
KCom	Telecommunications	45.00	25.50	-43.3%
Kesa Group (Comet)	Telecommunications	201.50	125.75	-37.6%
Reckitt Benckiser	Healthcare Technologies	2932.00	2675.00	-8.8%
Smith and Nephew	Healthcare Technologies	545.50	465.75	-14.6%

*All company data correct as at 28th April 2009, Source: www.ft.com

All companies in the Humber Dozen have seen a fall in their share price in the year to April 2009. The most significant falls have occurred in the share prices of Cosalt Plc., based in Grimsby, North East Lincolnshire and Fenner Plc, based in Hessle, East Riding of Yorkshire. There have also been significant falls in the share prices of KCOM, based in Kingston upon Hull and Kesa Group, who have significant operations in Hull through their ownership of Comet. These four companies have experienced percentage falls in their share prices which are significantly higher than the FTSE 100 and FTSE 250 falls over the year to April 2009. Cattles Plc have also seen a significant decline in its share price since March 2008. Indeed, as of March 2009, the firm has suspended all trading on the London Stock Exchange to protect its share holders, following the announcement that it was unable to publish its Audit reports and accounts for the year ending 31st December 2008 by 30th April 2009. The share price of Cattles Plc fell by 98 percent in the year ending 28th March 2009.

The healthcare technologies sector in the Humber has remained relatively buoyant

between the dates compared to the percentage falls in the FTSE 100 and FTSE 250 Index's. Both Reckitt Benckiser and Smith and Nephew encountered only modest losses in their share prices over the year to April 2009.

The Energy and Manufacturing sectors have also remained relatively buoyant on the London Stock Exchange in the year to April 2009, by performing less badly than both the FTSE 100 and FTSE 250 with smaller percentage falls. The average percentage fall in these sectors combined was 24.1 percent. Since a period of sharp decline in the value of stock on the London Stock Exchange, which occurred between August and October 2008, the Humber Dozen has remained relatively buoyant. Although share prices are considerably lower than a year ago, since February 2009, there has been some indications of a small rise in the share value of the FTSE 100 and FTSE 250. The Humber Dozen Index has also showed signs of a partial recovery, but it remains unclear as to whether the extent that this recovery is caused by fluctuations and stock market churn.

Understanding the Economic Geography of the City Region – the effect of labour market statistics

The Hull and Humber Ports City Region comprises four local authority areas, with their boundaries reflecting political historical or physical divides, like the Humber Estuary and the North Sea. However, current boundaries do not reflect true economic geography of the city region. For example, Hull has relatively tight local authority area boundaries which exclude much of its outlying suburban settlements for which it is an important service provider. As a result, local authority area level statistical data often depicts a narrow picture of the city, than is actually apparent. A similar trend can be observed in other areas in the city region. The town of Grimsby is situated in North East Lincolnshire, but the dynamics of the town extend beyond its boundary, as does Scunthorpe in North Lincolnshire. The East Riding of Yorkshire, one of the largest Local Authority Districts in England, is predominantly rural and coastal, and so pockets of deprivation are hidden by the effects of averaging.

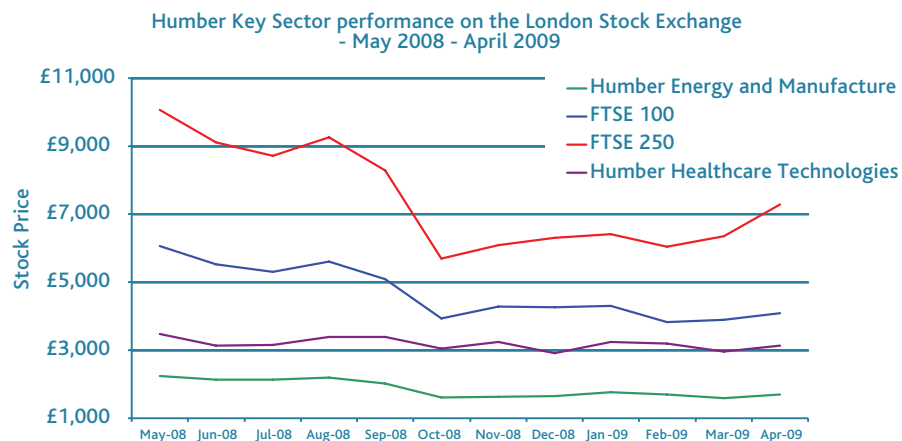
Designated from data collected during the 2001 Census, Travel To Work Area (TTWA) geographies outline zones that are functioning labour market areas and are defined as at least 75 percent of the resident economically active population working in the area, and also, that 75 percent of the areas workforce reside within the area i.e. they are highly self-contained. As a result, statistical data collected at a TTWA geography provide a good indication of the functioning labour market areas within the city region. There are four entirely bounded TTWA's in the city region. These are based around the city of Hull, and the towns of Scunthorpe, Grimsby and Driffield and Bridlington. Alongside these, parts of the city region lie within the TTWA's of Malton and Pickering, York, Doncaster, Lincoln and Louth

and Horncastle. In these areas, the labour market pull is predominantly directed away from urban settlements within the city region.

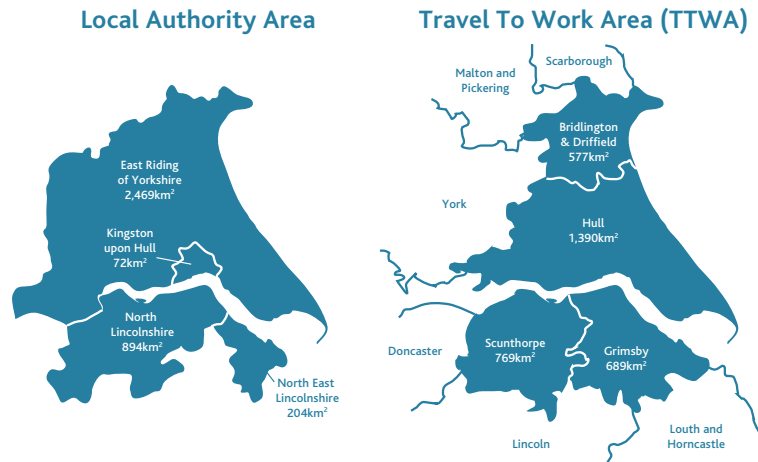
Sectors and clusters of firms are not confined by administrative lines on maps, extending far beyond where they are located e.g. company ownership, supply chains, customers. A further accepted geography for analysing the economic footprint of the city region and which broadly corresponds to the North and South Banks of the Humber Estuary as being two zones. The city region is defined by a single physical feature – the Humber Estuary and the UK's largest and busiest ports trading complex which share a zone of influence with a population of over 500,000, with the City of Hull, on the North Bank, and a zone of opportunity around the Humber Ports and south Humber developments on the South Bank. Differences from other city regions also occur, since there is no city region wide housing or shared labour market. Travel to learn patterns are also relatively self contained. However, these mash the interdependent futures, aspirations and opportunities to be gained from promoting the city region as an economic entity.

This short report will draw comparisons between labour market statistics taken at local authority area and TTWA geographies, in an effort to highlight the difference between statistical data attempting to inform on the same aspects of an area, but from a different geographical perspective.

What follows is a breakdown of findings for four areas within the city region.



Local Authority and Travel To Work Areas in the Hull and Humber Ports City Region



Kingston upon Hull / Hull TTWA

According to Annual Business Inquiry (ABI) Workplace Analysis for 2007, roughly twice as many businesses are recorded in the Hull TTWA than in data for Kingston upon Hull. Indeed, an additional 79,421 employees are recorded in the Hull TTWA data than in data collected for the local authority area, which is an increase of around 68 percent. This is unsurprising, given the difference in area sizes.

There is a significant difference in claimant counts between the two areas. Indeed, between October 2004 and February 2009, claimant count averages were 1.55 percent higher in Kingston upon Hull (5.22 percent) than they were in Hull TTWA (3.67 percent), suggesting that a smaller proportion of people in the Hull TTWA were claiming benefits, than in the local authority area itself.

Jobs density is calculated by dividing the number of jobs in an area by its resident working age population. A job density of 1.0, equates to one

job for every person residing in a certain area. In 2005, Kingston upon Hull had a jobs density of 0.83, which was marginally higher than Hull TTWA (0.81). This suggests that there were slightly more jobs available per person residing in Kingston upon Hull, compared to a person residing in the Hull TTWA. However, it should be noted that the effects of commuting and increased mobility result in residents of the East Riding of Yorkshire working within the Kingston upon Hull local authority area.

However, when analysing Hull TTWA data, which includes the settlements of Beverley, Goole, Holderness etc., an additional 23,000 notified vacancies were recorded between February 2007 and February 2009, compared to equivalent data for Kingston upon Hull on its own. A similar trend occurs in the recording of unfilled vacancies, in which an additional 35,000 unfilled vacancies were recorded in Hull TTWA in the same time period.

North East Lincolnshire / Grimsby TTWA

Grimsby TTWA is over three times the size of North East Lincolnshire, extending into neighbouring North Lincolnshire and the county of Lincolnshire. It has an additional 15,500 people of working age and 1,600 additional businesses.

There is a small difference in claimant counts between the two areas. Between October

2004 and February 2009, claimant count averages were 0.38 percent higher in North East Lincolnshire (3.87 percent) than they were in Grimsby TTWA (3.48 percent). Interestingly, unfilled vacancy numbers were slightly higher in Grimsby TTWA than they were in North East Lincolnshire, suggesting that there was a slightly higher shortage of workers in the Grimsby TTWA, compared to North East Lincolnshire.

North Lincolnshire / Scunthorpe TTWA

The Scunthorpe TTWA is slightly smaller than the area covered by North Lincolnshire. Indeed, ABI 2007 Employee Data suggests that 10,000 fewer people resided in the Scunthorpe TTWA compared to the Area of North Lincolnshire. However, time-series data for claimant count rates show that claimant counts in both areas have been almost identical since January 2005, suggesting that there is no discernable difference

between the two areas. However, there are small differences in the vacancy data for the two areas.

North Lincolnshire has had a slightly higher number of unfilled vacancies than Scunthorpe TTWA, although, in recent years, this gap has narrowed and both geographies are currently very similar. A similar pattern has occurred in total vacancy figures for the two areas.

East Riding of Yorkshire / Bridlington and Driffield TTWA

The Bridlington and Driffield TTWA covers a large section of the northern half of the East Riding of Yorkshire. With significantly higher claimant counts and significantly fewer notified and unfilled vacancies than the average for the East Riding of Yorkshire suggests that Bridlington and Driffield TTWA has fewer jobs available for its population than the East Riding of Yorkshire average. This could be the result of seasonality in the labour market of Bridlington. With a heavy dependence on summer tourism, notified vacancies and the availability of jobs during the off season are significantly reduced.

Averages for the East Riding of Yorkshire are also influenced by the tightly drawn administrative boundary around Kingston upon Hull. As can be seen from the findings from the Kingston upon Hull / Hull TTWA analysis, a large proportion of the most affluent, working populous of the city of Hull reside on the fringes of the city, in the East Riding of Yorkshire. This significantly reduces claimant count data for the East Riding of Yorkshire and heightens the severity of the issue for Hull.

The purpose of this short report was to gain some insight into the effects of analysing labour market statistics from differing geographies within the city region. Performance reports and league tables often show Kingston upon Hull and North East Lincolnshire with below par scores. These are often used as determinants for the performance of the city of Hull and the town of Grimsby. In reality, the functioning labour market and the dynamics of these areas are often less negative than is presented. The reverse is true for the East Riding of Yorkshire, in which the effects of averaging are heightened by data from more affluent settlements around Kingston upon Hull.

Tightly drawn administrative boundaries around Kingston upon Hull and North East Lincolnshire have resulted in the local authority areas effectively consisting of inner city settlements. Labour market statistical evidence from suburban sprawl settlements encircling these areas often goes unrecorded.