

UK Recession Scenarios: Impact on SWE Sectors & Places



Research for South West of England
Regional Development Agency

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Approved by: Eric McVittie
Position: Research Director
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Foreword

The South West of England Regional Development Agency always strives to anchor its policies and activities in a sound base of evidence and analysis. During these times of global economic turmoil, it is important to understand the possible scale of the problems we face in this region.

The Agency has commissioned Experian to develop recession scenarios based on its own forecasting expertise and the South West's unique Regional Accounts and associated economic modelling. This paper summarises the potential outcomes derived by sector and by place across the region focussing on a baseline view of the recession, a potential worse cyclical profile and then an even more adverse downturn.

The Agency does not suggest that any of these outcomes are what it expects to happen. Moreover, the work does not look at the more positive scenarios that are also possible. It aims, however, to set some parameters for discussion about the risks to the regional economy in the next few years such that any interventions we, regional partners and businesses might make are grounded in a technical appreciation of potential outcomes. To this end, the analysis provided will form an input into the work of the South West Regional Economic Task Group, chaired by the Regional Minister, Ben Bradshaw MP.

We commend this report, therefore, not as our view of what will occur over the coming months and years, but in order to help the region set a framework for further action in tackling the downturn.

Nigel F Jump

Chief Economist

South West of England Regional Development Agency

Executive Summary

This paper looks at **three possible recession scenarios** for South West England (SWE) - named "baseline", "worse" and "adverse". We have not attached accurate probabilities to these scenarios. However, our qualitative judgement would be that the current relative ratios, in round terms, might be 30-35:20-25:10-15 for baseline, worse and adverse respectively, leaving 25-40 for all other (largely more optimistic) recoveries.

The key message from this analysis is that SWE jobs suffer much more than output. This is a normal pattern during recession. In this region, the important factors are that we are going into the downturn with relatively high household debt ratios but a less exposed business population.

This means that the "first round effects" for South West England are likely to be less than elsewhere but "second round effects" may be worse if the "baseline" forecast proves too optimistic. Under the more severe scenarios, in absolute and relative terms, the negative effects are more widespread, deeper and longer by sector and place across the region.

Policy interventions

Interventions aimed at defending output are unlikely to succeed and may be perverse, impacting when the worst is already over. Growth recessions tend to be brief and long-term structural change should remain the region's strategic focus.

Therefore, the proactive response to recession should be aimed at preserving "good" businesses, developing competitive products and technologies, and building the skills base of the indigenous workforce. Specifically, given the structural problem of SWE skills gaps and their implications for employment prospects because of international competitiveness for the long run, and the greater impact on jobs in the short term, the policy response should be aimed at training/skills acquisition in its broadest sense rather than output.

Summary of scenario outcomes

- The "baseline" forecast suggests five quarters of output decline and eleven quarters of rising unemployment. The latter is one quarter longer than for the United Kingdom as a whole. The changes in these two measures are 1.3% and 36.4% respectively, meaning about 45,000 more unemployed people at the nadir and no return to 2007 levels until after 2015.
- The "worse" forecast scenario has a similar length of output decrease (1.9%) but 13 quarters of job losses (65.4% increase in unemployment). This is three quarters longer than the UK average, reflecting the impact of prolonged household adjustment to pressures on debt and disposable incomes. The total loss in employment (Full Time Equivalents - FTEs) is about 72,000.

- The “adverse” forecast scenario has seven quarters of output contraction (-3.5%) and 19 quarters of job losses (149% increase in unemployment). The latter is over a year longer than for the UK equivalent and amounts to 108,000 more unemployed.

Looking at **sectors**,

- The baseline forecast shows the biggest output declines in construction (6.1% in 2009), utilities (5.7%), other manufacturing (3.8%) and then transport equipment (1.6%), distribution (1.6%) and financial services (1.1%). There is a 3.8% drop in agriculture, forestry and fishing but this is sector-related rather than recessionary. In terms of jobs, the effects are widespread through manufacturing, private services and other sectors.
- The “worse” scenario has bigger output falls across extraction, construction, manufacturing and utilities, and more in private and public administration. Importantly, 2010 is almost as bad as 2009.
- The “adverse” scenario leaves virtually no sector unscathed. It posits an 11.3% drop in FTE employment in transport equipment in 2010. Other examples are a 5.3% fall in other manufacturing, 8.3% for hotels and catering, 4.6% for other engineering and 3.6% for business services.

Turning to **places**,

- The “baseline” has output drops ranging from 1.8% in Gloucestershire to 0.2% in Cornwall in 2009 with a recovery through 2010. The equivalent FTE range is 2.1% to 0.7% falls in 2009 and 1.1% to 0.2% in 2010 (see detailed tables for individual areas figures), reflecting the lags in labour market adjustment and spatial “ripple” effects down the SWE peninsula.
- Under the “worse” scenario, the equivalent ranges from most to least affected areas are falls of 2.2% and 0.7% for output and 2.9% to 1.5% for FTEs in 2009. In 2010, output rises modestly in all areas whereas there is a further and similar sized drop in FTEs in 2010.
- Under “adverse”, we see a range from falls of 3.2% to 1.7% in output in 2009 with further, smaller declines in 2010. FTEs decline by between 3.7% and 2.3% in 2009 and by even more in 2010 (4.3% to 3.5%).

It is important to stress that under the most likely outcomes (baseline/worse), the SW economy is back on a trend growth path by 2012. The recession should not be seen as a reason to radically change the basis of long term planning projections for the SW economy.

1 Introduction

The UK economy is in its first recession for almost two decades. It now seems inevitable that this will not be the short ‘technical’ recession that many commentators were expecting only a few months ago, but will involve a lengthier period of declining real output and employment, and possibly only a gradual recovery. The prospects for next year, in particular, look bleak, with the consensus of UK forecasters (including the Bank of England and HM Treasury) expecting output to fall over 2009 as a whole. A great deal of uncertainty, nevertheless, remains over the depth and duration of the downturn and its likely effects on different parts of the UK economy.

To some extent this uncertainty is inevitable. Economies do not operate mechanistically, and a myriad of factors will influence how they respond to any given ‘shock’. For example, household and business confidence is an important determinant of economic behaviour that will influence the course of the downturn and the subsequent recovery. Yet confidence is very difficult to measure accurately, let alone to predict and the real impact of any particular level or change of confidence can vary enormously over time. This is not to argue that nothing can be said about the likely course of events. The United Kingdom has been in recession before and, while no two recessions are exactly alike, some useful lessons can be learned from history. We can separate what is probable from what is highly improbable, put quantitative bounds on likely outcomes, and identify those areas of economic activity and those places that are most at risk. Given the degree of uncertainty, however, it is sensible that a range of alternative outcomes is considered. This suggests a scenario approach.

This report presents the findings of research commissioned by the South West of England Regional Development Agency to examine the impact of the expected economic downturn on the South West of England’s economy and on its sectors and places. The research is based on Experian’s extensive historic data on the UK national and regional economies, and on quantitative forecasts and scenarios based on our regional forecasting models and on the SW Regional Accounts models. We present a central forecast for the United Kingdom and South West England (SWE) economies derived on the basis of Experian’s Regional Planning Service. This presents a view of short-term prospects for the United Kingdom that is close to the current consensus, and our analysis seeks to provide insight into the likely implications of that view for industries and places within South West England.

There are, clearly, major risks with this outcome, most of which are on the downside. We, therefore, also investigate two alternative scenarios involving more severe UK recessions and weaker recoveries. The first (‘worse’) case considers a deeper and longer UK recession than that envisaged under the baseline. In both the baseline and ‘worse’ cases, the recession is a purely temporary phenomenon and something like trend growth is regained over the medium term. The second (‘adverse’) case looks at what we regard as a ‘worst case’ outcome where

the current problems develop into a prolonged slump that affects not only short-term but also longer-term prospects. Economic growth, when it does eventually return, is sluggish over at least the medium term.

The remainder of this report is organised as follows. Section 2 provides a brief overview of the current situation. Section 3 examines historical precedents by presenting an analysis of the main structural features of previous UK recessions. Section 4 briefly reviews the current range of forecasts for the UK economy, while Section 5 presents our baseline forecast. Section 6 then describes the two alternative scenarios and considers their implications for South West England. Section 7 concludes the report.

2 The Gathering Storm

2.1 From Boom ...

The global economy grew very strongly during most of the period since the late 1990s. World real output growth averaged around 5% a year between 2003 and 2007, a period of high and sustained growth not seen for at least three decades. Overall, the macroeconomic environment appeared extremely benign: inflation and interest rates were both low, and investment and profits strong. The emerging giants of China and India continued their rapid drive towards development and other emerging economies such as Brazil reported consistent strong growth. “The global economy boomed” (International Monetary Fund, 2008).

Macroeconomic conditions in the United Kingdom were also exceptionally benign. The UK economy has enjoyed its longest recorded period of continuous economic growth, leading some to herald ‘the end of boom and bust’. Inflation remained low and stable; unemployment low and falling. HM Treasury was able to adhere to its fiscal policy rules: that borrowing over the cycle should be for investment only and that total debt should remain at ‘sustainable’ levels (taken to be less than 40% of GDP). Macroeconomic stability and low interest rates, globally and in the United Kingdom, supported rising investment and profits and also fuelled an on-going expansion in housing and other asset markets. Developments in the global economy – in particular the globalization of financial markets and the persistent current account surpluses of key emerging economies such as China and the oil producing states – ensured a ready supply of cheap capital to feed the dramatic expansion in lending by Banks in the United Kingdom and other developed markets.

There were occasional warnings about growing inflationary pressures, fiscal imbalances, and the sustainability of low interest rates over the long term. But few commentators voiced deeper concerns over the growing risks. In several of its *Financial Stability Reports* issued over the last year or so, the Bank of England has provided a clear description of how the situation developed:

The seeds of this boom can be traced back to the development of financial and trade imbalances among the major economies over the past decade ... Increased borrowing in a number of developed countries was in part financed with inflows of foreign capital ... The counterpart was growing current account surpluses in oil-exporting countries and in some Asian economies. [...] High savings in Asia contributed to low global long-term real interest rates. Cheap exports from China and elsewhere in Asia, along with growth in world trade, contributed to falls in inflation in a number of developed countries. [...] Benign economic conditions helped anchor expectations of continued stability. This, along with rising asset prices and low global real interest rates, boosted the demand for and supply of credit ... Household and corporate borrowing rose rapidly. (Bank of England, 2008)

These trends were encouraged by a wave of innovation in financial services. The 'search for yield', the attempt by financial services companies to secure high returns in a low interest rate environment, boosted demand for higher yielding but riskier financial products including US sub-prime residential mortgage-back securities (RMBS) and leveraged corporate loans.

Over time, banks took on progressively more credit risk by lending to, for example, households with high loan to income (LTI) ratios, leveraged buyout firms and, in the United States, to the sub-prime sector. [...] [A]pparent reductions in macroeconomic uncertainty and strong competitive pressures to maintain returns encouraged investors and financial firms to take on ever greater risk. [...] (Bank of England, 2008)

The 'originate and distribute' business model – by which loans are bundled up and sold on within complex financial instruments – boosted credit supply and allowed risk to be more widely dispersed across the system, but reduced transparency so that the people left holding these assets had limited information about the underlying quality of the loans on which they are based.

The growing inter-connectedness of the global financial system under this model allowed increased access to funds to support growth in lending to households and businesses in the United Kingdom.

Although falling saving ratios in the United Kingdom and some other developed economies constrained retail deposit funding, UK banks were able to expand lending by tapping funds from international wholesale markets. (Bank of England, 2008)

2.2 ... to Bust

From around 2003, the continued rapid expansion of the global economy together with constraints on the supply side, started to put upward pressure on commodity prices. Oil prices rose rapidly, driving up energy and food prices and putting increasing pressures on household budgets.

The system began to unwind when, in July 2007, weakness in the US housing market and a trend of rising arrears in US sub-prime mortgages triggered a sharp increase in the perceived risk of US sub-prime securities. Although the market for such securities was very small in relation to the global financial system (the Bank of England estimates that they were worth around US\$0.7 trillion in a total global securities market of around US\$150 trillion in 2006), they were extremely widely dispersed and information problems within the 'originate and distribute' system generated huge uncertainties about the value of assets held by many financial institutions. This uncertainty led to an abrupt rise in risk premia on a broad range of asset-backed securities:

Valuation uncertainty rose sharply. From July [2007] spreads on asset-backed securities rose across the globe. Ratings downgrades and changes in agencies' methodologies further undermined the confidence of some investors, prompting further selling of these assets. In August [2007] ... primary markets for asset-backed securities – both sub-prime and prime assets – were effectively closed in many countries. It appeared that, in the face of heightened uncertainty about valuation, investors were assuming that all such securities might be of poor quality (Bank of England, 2007).

The highly inter-connected nature of the financial system meant that problems in asset-backed securities markets quickly spread to other markets. Banks faced growing stocks of loan-based assets that they had not expected to keep on their balance sheets. Banks began to stockpile liquid assets, and became extremely reluctant to lend to each other – a key mechanism underlying the supply of credit throughout the economy – other than for short periods and at sharply higher interest rates.

The credit crisis appeared to peak in the Autumn of 2007, when a number of bank failures, including the run on Northern Rock in the United Kingdom, called forth substantial support packages from the central banks. Thereafter, short-term market interest rates declined, inter-bank lending increased and financial markets stabilized. Even as recently as April 2008, the Bank of England argued that, although the downside risks were clear, “the most likely path ahead is that confidence and risk appetite turn gradually as market participants recognise that some assets look cheap on a fundamentals basis”.

However the crisis rumbled on. Many of the commercial banks were forced to make repeated increases in their provisions for losses on corrupted assets, maintaining concerns over their profitability (and in some cases their solvency), and putting continuing downward pressure on the prices of a range of financial assets. At the same time, previous rapid rises in oil and commodity prices were feeding through to inflationary pressures in the United Kingdom, straining household finances. And the long boom in UK house prices was coming to an end. Consumer confidence was on the wane, and household expenditure slowed sharply.

The result has been a wave of failures, official rescues (including effective nationalisations) and takeovers of major financial sector companies, particularly in the US. In July, the collapse of major US mortgage lender IndyMac prompted US financial authorities to assist Fannie Mae and Freddie Mac, the dominant players in the US mortgage market. A full rescue followed on 7th September with the US government effectively underwriting US\$5 trillion worth of US home loans, nearly half of outstanding US mortgages. The crisis reached a turning point during the week beginning 15th September, when US investment bank Lehman Brothers was forced to file for bankruptcy protection and its competitor Merrill Lynch was taken over by Bank of America. The following day the US Federal Reserve stepped in to rescue (and effectively to nationalise) AIG, the country's biggest insurance company. On the 17th, the United Kingdom's biggest

mortgage lender HBOS agreed to be taken over by Lloyds TSB following a run on HBOS shares. Later in September, the crisis spread to Europe with the rescue of major banking and insurance company Fortis, the Icelandic bank Glitnir, and joint actions by Belgium, France and Luxembourg to rescue Dexia. Meanwhile, Citigroup mounted an officially-supported takeover of the fourth-largest US bank Wachovia, and the UK government nationalised Bradford & Bingley, a major provider of buy-to-let mortgages.

The growing crisis has called forth a wave of unprecedented policy support by US, EU and UK authorities. Most notably, the US\$700 billion rescue package by the US government was finally approved on 3rd October after previously being rejected by the House of Representatives. In October, the UK Treasury supported its banking system with equity, liquidity and guarantees, potentially costing £500 billion. In November, the US banking giant Citigroup, at one time the largest bank in the world, was itself rescued by the US government. Whether these rescue packages restore order remains to be seen, but it is increasingly evident that real economic activity – output and employment – is being severely affected by the financial turmoil. The effects have rapidly spread to the real economy – as consumer expenditure and investment have slowed sharply driven initially by continued restrictions on credit and declining confidence, and subsequently by falling profitability, wealth and real income as the downturn has taken hold.

As late as September, a UK recession was not universally predicted. Since then, however, it has become obvious that the damage to the financial sector has been larger than previously thought and that the housing market is set for a prolonged decline. The consensus of forecasts for the United Kingdom has become more and more pessimistic. Most forecasters now expect a substantial recession lasting at least 4-6 quarters.

3 Historical Precedents

“These are unprecedented times” has become something of a mantra in commentary on the current economic situation. The UK economy has, however, been in recession many times before. These have also often been regarded as ‘unprecedented’ at the time, as the following quotations illustrate:

Consumers have had much to worry about ...: they are over-burdened with debt; house prices, their main store of wealth, are falling; and many feel their governments are mismanaging the economy.

The main imbalance still requiring correction in America and Britain today is the private sector's heavy debt burden. ... If yesterday's big spenders become tomorrow's penny-pinchers, so the prospects of any consumer-led recovery could shrivel.

Many Britons seem to believe that their recession is the worst since the 1930s.

The slump (in America) has been billed as the “mother of all recessions.”

The Economist, 16th March 1991 & 18th April 1992

The similarities between this picture from the last recession and recent commentary are obvious.

There is no doubt that the scale and duration of the ongoing crisis in financial markets are unique in the post-WWII period. It is not, however, at all clear that the implications for the real economy will be any more serious than during other post-war recessions, let alone match the ravages of the 1920s and 1930s, or even of Japan’s ‘lost decade’ in the 1990s.

No two recessions are exactly alike, but they do often share common features that can give an indication of how the economy is likely to develop in the current case. An analysis of previous recessions is also useful in giving an indication of the likely magnitude of changes in output and employment during the current downturn.

This is not to say that the recession that we are now entering will be exactly (or even approximately) like any individual past recession. All recessions share similarities (general declines in activity and incomes and associated falls in employment and rises in unemployment), but the size and duration of these declines, and the patterns of movements in other economic variables and in activity by sector, differ according to what caused the recession and how the economy responded – what economists call ‘shocks’ and ‘propagating mechanisms’. Both of these change over time, as the economy develops and institutions and policy evolve. Understanding the implications of the current recession therefore requires insight into both the similarities and differences between this and previous events, and into changes in economic structure, policy and institutions that may influence how the economy responds.

3.1 UK Recessions

The UK economy has suffered five recessions since 1950 (according to the often used ‘technical’ definition of at least two consecutive quarters of negative growth), and three of these (in the mid-1970s, early 1980s, and early 1990s) have been sufficiently serious to result in at least one year of declining year-on-year output. This section examines the features of these previous recessions as a guide to the likely outcome of recession we now appear to be entering (Table 1).

Table 1: UK Recessions since the 1950s – key features

	Recession beginning:						Average since 1970
	1955	1957	1961	1973	1979	1990	
<i>Output Effects</i>							
Peak-to-trough duration, Quarters	1	2	2	3	5	5	4.3
Total quarters of negative growth	3	2	2	6	6	6	6.0
Quarters to recover previous peak	6	4	4	14	14	13	13.7
<i>Peak-to-trough changes</i>							
GDP	-0.6%	-0.8%	-0.8%	-3.5%	-4.8%	-2.5%	-3.6%
Household spending	-0.9%	1.5%	0.2%	-1.9%	-0.3%	-2.0%	-1.4%
Investment	1.2%	-0.6%	-0.6%	1.2%	-16.3%	-9.8%	-8.3%
Housebuilding	.	.	.	-15.1%	-27.1%	-9.6%	-17.3%
Government Spending	-2.2%	-4.2%	-1.5%	3.6%	5.8%	5.0%	4.8%
<i>Employment Effects</i>							
Total quarters of negative growth	.	4	1	7	13	10	10.0
Quarters to recover previous peak	.	6	2	15	32	38	28.3
<i>Peak-to-trough changes</i>							
Jobs	.	-0.2%	-0.2%	-1.8%	-8.0%	-7.8%	-5.9%
FTE employment	.	-0.2%	-0.2%	-1.6%	-7.3%	-6.8%	-5.2%
Unemployment (claimant)	.	.	.	95.0%	162.2%	86.8%	114.7%
Unemployment (ILO)	52.6%	52.6%
<i>Experian</i>							

3.1.1 Depth and duration

As indicated in Table 1, UK recessions have varied considerably in terms of their depth and duration. The average recession since 1970 involved a downturn phase (from peak-to-trough) lasting around four quarters during which total output has fallen by an average of 3.6%. Peak-to-trough output declines ranged from 2.5% for the 1990s recession to 4.8% for the 1980s recession, although the employment effects were similar in both cases. Once the trough has been reached, it has typically taken around 14 quarters to recover the previous output peak. The pre-1970s recessions were both shorter and shallower.

The duration and severity of employment effects tend to exceed that of output effects. On average, employment has declined for around ten quarters during the post-1970 UK recessions and total employment has fallen by an average of 5.9% (in terms of total workforce jobs). Full-time equivalent employment has typically fallen slightly less than workforce jobs, implying that **part-time jobs are more likely to be lost than full-time – an important factor for SWE**. There is considerable variation in these employment effects. The loss of jobs ranged from ‘only’ 1.8% in the mid-1970s to around 8% during both 1980s and 1990s recessions. Part of the explanation for this is the structural shift in the UK economy towards labour-intensive service activities where accumulation of inventories cannot buffer changes in output.

Recessions are typically associated with large falls in investment expenditure (particularly house building and inventories) and smaller falls in household expenditure, which are partially

offset by rises in government spending (the effect of both ‘automatic fiscal stabilizers’ and actively expansionary fiscal policy) and net exports. Household expenditure on durable goods does, however, tend to fall relatively sharply.

Table 2: Contribution of demand components to decline in total output

Average for UK recessions since 1970

	% of GDP	% of peak-to-trough decline in GDP
Household Consumption:	56.7	33.0
Durables	3.8	9.5
Non-Durables	52.9	23.4
Investment:	14.4	21.7
Residential	4.6	14.7
Plant & Equipment	9.7	6.9
Inventories	0.8	52.8
Government Purchases	26.4	-20.3
Net Exports	1.7	-20.5

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Table 2 shows the contributions of the various components of aggregate demand in the UK economy to total GDP and to recessionary movements in GDP for UK recessions since 1970. Demand in the UK economy is dominated by household consumption, with this comprising around 57% of total output on average over the period as a whole. Government purchases make up the next most important component of total demand, followed by investment. Household consumption is dominated by purchases of non-durable goods and services, while investment is shared between fixed investment in plant & equipment and in residences, with a negligible contribution from inventory investment. Net exports (exports less imports) may be either positive or negative but have, on average, made a marginally positive contribution to overall demand during recessions.

The contributions of *changes* in these demand components to *changes* in GDP have been markedly different from their shares in total demand. Total household consumption has typically fallen by proportionately less than GDP during recessions, so that changes in consumption account for only around 33% of such declines, and non-durable consumption for only 23%, compared to their shares of total GDP (57% and 53%, respectively). Household purchases of durable goods, on the other hand, are much more strongly impacted by recessions, accounting on average for around 10% of declines in GDP but only 4% of total GDP.

Similarly, fixed investment, and particularly residential investment, account for much larger shares of changes in GDP than of total GDP. What stands out, however, is the **prominent role of changes in inventory investment** in contributing to overall declines in aggregate demand

during recessions – these account for more than half of the total decline in GDP, on average, during the post-1970 UK recessions. Changes in the structure of production (towards services that do not hold significant inventories) and in business models (towards just-in-time and other systems that economize on inventory holdings) may well imply **a lesser role for inventory investment in the current recession** than has been the case in the past.

Government purchases and net exports are, on the other hand, generally counter-cyclical, with increases in these partially offsetting declines in other components of demand. The net export effect comes about because, historically at least, imports decline during recessions more rapidly than do exports. This is because UK recessions are not perfectly aligned with business cycles in major export markets, so that export markets contract less than domestic markets, or may even expand. This effect tends to be supported by currency movements: relative weakness in the UK economy typically results in depreciation of sterling against trading currencies, improving UK competitiveness in both export and domestic markets, increasing exports and further reducing import demand. It is doubtful whether this benign effect would be fully replicated in a truly global recession, although even in this case we would expect differences in timing of foreign recessions to allow external demand to compensate at least partially for declining domestic demand during a UK recession.

3.2 Industry Effects

Not all areas of economic activity are equally affected by any general recession. Table 3 shows estimates of the changes in output for broad industry sectors in the United Kingdom between the peaks and troughs in aggregate output during UK recessions beginning in 1979 and 1990, respectively. On average, **the most recession-prone industry**, according to these data, **is construction**, and the least recession prone are agriculture, forestry & fishing and 'other services' (which includes the main public services). Financial and business services were relatively unaffected by the 1980s recession (although even then growth slowed compared to trend), but was one of the most strongly affected sectors during the 1990s recession.

Table 3: Output declines in UK recessions, by broad sector (%)*Based on estimates of constant price (real) output; ppc = percentage point change*

	1979	Rank	1990	Rank	Average	Rank
<i>Peak-to-trough decline in output</i>						
Agriculture etc.	17.8	1	9.0	1	13.4	1
Manufacturing	-13.8	8	-5.5	8	-9.7	8
Energy & Water	2.2	3	-0.3	3	1.0	3
Construction	-17.2	9	-11.2	9	-14.2	9
Distribution, hotels & catering	-6.6	7	-2.7	6	-4.7	7
Transport & Communications	-2.9	5	-0.4	4	-1.7	5
Financial & Business Services	4.9	2	-4.3	7	0.3	4
Other Services	1.7	4	5.1	2	3.4	2
ALL INDUSTRIES	-4.8	6	-2.5	5	-3.7	6
<i>Annualised output growth during recession relative to long-term growth trend (ppc)</i>						
Agriculture etc.	6.1	1	3.5	1	4.8	1
Manufacturing	-6.9	8	-3.8	5	-5.4	7
Energy & Water	-0.2	2	-1.3	3	-0.8	3
Construction	-9.5	9	-7.9	9	-8.7	9
Distribution, hotels & catering	-5.5	7	-4.1	7	-4.8	6
Transport & Communications	-5.1	6	-4.0	6	-4.6	5
Financial & Business Services	-3.1	4	-7.7	8	-5.4	8
Other Services	-1.1	3	1.0	2	-0.1	2
ALL INDUSTRIES	-3.6	5	-3.2	4	-3.4	4

Experian

3.3 Regional Effects

Identifying recessionary movements among the United Kingdom's regions requires long-runs of relatively high frequency time series data. Such data are not available from official sources, where robust output and employment data generally cover only the 1990s recession. Our analysis, therefore, makes use of Experian's own regional data, taken from our UK Regional Planning Service (RPS). This provides, we believe, the most robust information on economic activity in the UK regions covering the most recent UK recessions and at a quarterly frequency, necessary for aligning the regional analysis with turning points in the UK business cycle. It should, however, be noted that these data represent *estimates* of output and employment in the regions which are subject to substantially larger estimation errors than are comparable official data for the United Kingdom as a whole.

Table 4: UK Recessions – regional effects*Estimated peak-to-trough movements in real output and employment, %*

	1979	Rank	1990	Rank	Average	Rank
<i>Output (GVA, constant prices)</i>						
UK	-4.8		-2.5		-3.7	
North East	-5.6	8	0.6	1	-2.5	5
North West	-6.6	11	-3.2	11	-4.9	10
Yorkshire & the Humber	-6.5	9	-2.4	8	-4.5	8
East Midlands	-4.7	6	-0.1	3	-2.4	4
West Midlands	-8.4	12	-3	10	-5.7	12
East	-3	3	-2.1	7	-2.6	6
London	-4.1	5	-7.2	12	-5.7	11
South East	-2.5	1	-0.6	5	-1.6	1
South West	-2.9	2	-1.3	6	-2.1	3
Wales	-5.2	7	-0.3	4	-2.8	7
Scotland	-3.7	4	0.4	2	-1.7	2
Northern Ireland	-6.5	9	-2.4	8	-4.5	8
<i>Employment (Total Jobs)</i>						
UK	-7.3		-6.8		-7.1	
North East	-10.3	12	-3	2	-6.7	8
North West	-8.2	9	-5.8	8	-7.0	10
Yorkshire & the Humber	-7.3	7	-5.3	6	-6.3	6
East Midlands	-4.4	5	-5.2	5	-4.8	3
West Midlands	-8.6	10	-8.2	11	-8.4	12
East	-2.7	2	-6.9	9	-4.8	3
London	-4.3	4	-11	12	-7.7	11
South East	-2.7	2	-8	10	-5.4	5
South West	0.1	1	-5	4	-2.5	1
Wales	-9.9	11	-3.5	3	-6.7	9
Scotland	-6	6	-1.1	1	-3.6	2
Northern Ireland	-7.3	7	-5.3	6	-6.3	6

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Table 4 shows movements in regional real output (GVA) and employment (total jobs) between peaks and troughs in the UK business cycle. In both cases, there are substantial variations in the depth of recessions across the regions **but SWE was not as badly affected as most**. The UK recession beginning in 1979, for example, involved a 4.8% peak-to-trough decline in total output and a 7.3% decline in employment. The estimated regional output declines range from 2.5% in the South East to 8.4% in the West Midlands, and the employment changes from +0.1% in South West England to -10.3% in the North East. These employment effects, however, include the impact of trend changes over the extended period of this recession – declines against trend were recorded in all of the regions. The 1990s recession involved a 2.5% decline in total UK output and a 6.8% decline in UK employment. Regional output changes, however, ranged from +0.6% in the North East (with Scotland, one of two UK regions which our data suggests did not suffer an output recession at this time) to -7.2% in London. Similarly, employment changes ranged from -1.1% in Scotland to -11.0% in London. The rank orders of regional effects differ markedly between the 1979 and 1990 recessions, suggesting that no

region is inherently recession-prone or recession-proof, and that the regional impact of a recession is dependent on the specific circumstances and shocks involved, and their relative importance for different regions.

3.4 Causes

The inter-connected nature of economic activity makes it extremely difficult to identify the ultimate causes of recessions, or of most other complex economic events. Economists typically characterize recessions in terms of 'shocks' and 'propagating mechanisms'. 'Shocks' are the initial (or, at least, proximate) events that precipitated the downturn; 'propagating mechanisms' are the means by which these initial shocks were transmitted into a wide ranging decline in activity and the broad range of other effects described in section 3.1.

'Shocks' can arise on either the 'supply side' or the 'demand side'. Supply-side shocks refer to changes in costs or productivity that either temporarily or permanently limit the economy's capacity to produce. A major natural disaster would be one example of a supply-side shock; a global oil price shock is another. Demand-side shocks refer to (exogenous) changes in one or more components of aggregate demand: consumption, investment, trade or government purchases, unrelated to changes in the general level of economic activity. An example would be a recession in a major export market leading to a sudden decline in demand for UK-produced goods. Government policy can give rise to both supply-side and demand-side shocks: e.g. both monetary policy and fiscal policy changes generate shocks to demand; fiscal policy changes in particular (tax and spending) also affect supply (by, for example, altering incentives and labour supply). Government policy has, therefore, been a frequent focus of attention among economists looking for causes for particular recessions.

There has long been controversy within economics about the types of shocks most likely to be responsible for a given recession, or for recessions in general, and this is related to disagreements about precisely how the economy responds to these shocks. The broad consensus today, however, is that both supply and demand side shocks can generate recessions. The nature of these shocks, and the mechanisms by which they are propagated throughout the economy, determines which areas of economic activity are most strongly affected. There are some sectors that are relatively recession prone (construction and other investment goods producers) and others that are typically relatively immune (those servicing government expenditure and those producing basic, essential consumer products). However, the impacts on specific industries vary substantially from case to case.

The pattern of industry effects has a major bearing on the regional impact of any downturn, although this is also influenced by the particular geographical concentration of the initial shocks,

by the pattern of demand responses in terms of changes in household finances and consumer expenditure, and by the details of the government policy response.

We do not attempt a detailed analysis of the causes of past UK recessions. There is, however, some agreement over the main factors involved in each case. In broad terms, the mid-1970s recession was precipitated by a major OPEC oil price shock (a supply shock), which resulted in a substantial reduction in the productive capacity of the UK economy (at a time when the larger share of manufacturing meant that oil was a more important input into production than is currently the case). At the same time, growing fiscal imbalance limited the scope for expansionary fiscal policy (tax cuts and expenditure increases) to counteract the shock. Monetary policy was loosened, which added further impetus to escalating inflation.

The recession of the early 1980s was also precipitated by an oil price shock but, in this case, the macroeconomic policy of the new Conservative government led by Margaret Thatcher emphasised low inflation as a policy target. The resulting tightening in monetary policy, and consequently higher interest rates, tended to accentuate the short-term effects on output and employment. This, together with a variety of other changes to fiscal, industrial, regional and competition policy reinforced significant structural changes in the UK economy: accelerating the shift away from manufacturing and towards services, and the drift of economic activity towards London and the greater South East.

The 1990s recession was rather different. In this case, the most likely cause was the abrupt tightening of monetary policy and the resultant escalation of interest rates at the end of the 1980s, as government struggled to bring inflation under control and, latterly, to maintain the value of Sterling within the European Exchange Rate Mechanism (ERM). The effect of this was rapidly to deflate the prices of houses and of financial assets, and to quickly rein in consumer spending. The causes had a strong bearing on which sectors and places were most affected by the downturn: whereas previous UK recessions have primarily been focused on manufacturing and production sectors in the North; the 1990s recession was strongly focused on services (particularly financial services) and within London.

3.5 Long-term impacts

There appears to be a natural human tendency to regard crises as pivotal historical moments, with permanent implications. Certainly, recessions are often regarded at the time as 'turning points', not just in the economic cycle but in terms of broad features of economic structure. The 1990s recession was, for example, widely seen as heralding important breaks from previous features of economic development in the United Kingdom: the important role of financial & business services; London's dominance within the UK economy, and the so-called 'north-south divide' in economic prosperity between the greater South East and the rest of the

United Kingdom (confusingly, SWE was sometimes included with ‘the north’, other times with ‘the south’); the role of debt-financed consumer spending as the engine of economic growth; and the future growth of asset and house prices. The similarities with current commentary are obvious.

Yet recessions rarely coincide with major structural changes. This is not to say that they have no persistent effects – lost output is often lost forever, and lives damaged by unemployment or the loss of homes do not recover quickly (if they ever do). Also, some recessions (the recessions of the 1970s and 1980s are prime examples) coincide with and may accelerate significant ongoing structural changes. However, growth, employment and unemployment revert to trend and most of the key structural features of an economy survive. The persistent changes arising from recession are generally much more subtle than those predicted at the time: in the form of changes in regulation or in wider economic policy.

4 Current Forecasts for the UK Economy

4.1 Independent Forecasts

Table 5 summarises the most recent (November 2008) forecasts for the UK economy included within the HM Treasury survey of independent forecasts. The consensus view is that the UK economy will grow by only 0.8% during 2008 as a whole in real terms, and will suffer a full year of recession in 2009 with real output declining by 0.9%. The consensus then predicts weak growth during 2010 overall at only 1.2%, before recovering to something more like trend growth in 2011 and 2012. The survey does, however, include a wide range of views, with output growth projections for 2009 ranging from -2.1% to +0.4%.

Table 5: Forecasts for the UK Economy

	2008			2009			Average Forecast:		
	Average	Lowest	Highest	Average	Lowest	Highest	2010	2011	2012
GDP growth (%)	0.9	0.7	1.1	-0.9	-2.1	0.4	1.2	2.4	2.5
Inflation rate: CPI (Q4)	4.5	3.7	5.0	1.7	0.7	2.6	1.8	2.0	2.1
Claimant Unemployment (Q4, millions)	1.01	0.93	1.10	1.44	1.10	2.20	1.38	1.28	1.17
<i>% Annual growth of:</i>									
Private Consumption	1.7	0.1	2.0	-1.4	-3.4	0.5			
Government Consumption	2.2	1.9	3.3	2.1	0.9	4.7			
Fixed Investment	-3.7	-5.5	-1.4	-5.5	-14.3	-1.2			
Inventories	1.6	-5.6	5.5	0.5	-6.5	4.8			
Net Trade Contribution	0.2	0.0	0.9	0.5	-0.3	1.90			
Bank of England Interest Rate (Q4)	3.8	3.0	5.4	2.6	1.0	4.0			
Oil Price (Brent Crude, \$/barrel)	101.4	85.0	112.0	71.8	51.7	93.0			
House Price Inflation (Q4)	-12.7	-16.0	-6.0	-9.2	-20.0	0.0			

HM Treasury, Forecasts for the UK Economy, November 2008

Forecasters agree that the slowdown will be associated with sharply lower levels of private consumption and of investment. The average forecast is that private consumption will grow by 1.7% in real terms during 2008 as a whole before falling by 1.4% during 2009. Private investment is predicted to fall sharply, by 3.7% this year (partly due to the rapid decline in house building) and by 5.5% next year. This is expected to be partly offset by growth in Government consumption and by a marginal expansion in net exports.

5 Our Baseline Forecast

The discussion above suggests that **the regional implications of national recessions depend not just on the scale and duration of the national downturn but also on the structure of that downturn**, and in particular on the specific industries and activities that are most directly impacted. In order to investigate prospects for the SWE economy, therefore, we need a more detailed view on UK prospects than can be obtained from the HM Treasury survey or from any other consensus source. We base our central forecast on Experian's own UK macroeconomic forecast. This is useful because this forecast forms the basis for the detailed analysis of regional and local prospects produced as part of our Regional Planning Service (RPS), which can be used, therefore, to inform our discussion of the implications of national recession for South West England, in the context of prospects for other UK regions. The national outlook that underlies our regional forecasts is similar to the current consensus, as indicated by the average of forecasts from the HM Treasury survey and by recent forecasts by HM Treasury themselves (as part of November's Pre-Budget Report) and the Bank of England (as part of their latest Inflation Report). The baseline, therefore, provides a reasonable indication of the consensus view on UK prospects, and an indication of the implications of this outlook among the UK regions and local areas.

Our main short- and medium-term forecasts for the UK and SWE economies are presented in Table 3. UK real GDP is projected to rise by only 1.0% this year and to fall by 0.9% next, before modest growth returns from 2010 onwards. The movement back to trend growth is assumed to be fairly slow, and the medium-term forecast growth rate is substantially below the growth rates seen during recent years. Real growth of the SWE economy is predicted to exceed UK growth this year. However, South West England is forecast to suffer the same decline in total output next year as does the United Kingdom as a whole. Employment in South West England is forecast to hold up marginally more strongly than UK employment during 2009 and 2010, although total employment in the region falls in both years. Unemployment rises steadily, both nationally and regionally, with SWE unemployment reaching 5.2% of the SWE workforce by the last quarter of 2010, below the national rate at that time, but much higher than current rates.

Our data suggest that **SWE households are marginally more financially stretched than are their counterparts nationally** – with higher house-price to income and debt-to-income ratios

and more steeply falling house prices. Although we expect household disposable (net of tax) incomes to hold up slightly better in South West England than in the United Kingdom as a whole over the period to 2010, these other factors mean that **household expenditure may slow more sharply in South West England than in the United Kingdom next year**. Continuing weakness in the housing market, relatively low levels of activity in other areas of construction, together with the worsening general economic situation also suggest very weak investment in South West England in 2009. These weaknesses are however, partially offset by relatively strong government and export demand, given the region's marginally larger public services share (compared to the United Kingdom as a whole) together with the focus of its manufacturing and private services sectors.

Table 6: Forecast Summary – Baseline Case

	United Kingdom					South West England				
	07	08	09	10	11-15	07	08	09	10	11-15
Output & Expenditure (% change, real terms)	Avg.					Avg.				
Output	3.1	1.0	-0.9	1.3	2.1	3.5	1.3	-0.9	1.7	2.2
Consumer Spending	3.2	1.8	-0.6	1.3	2.3	3.1	1.7	-0.8	1.7	2.3
Investment	6.0	-3.0	-2.6	2.1	3.4	5.1	-2.1	-4.3	1.5	3.6
Other Variables										
Employment (Jobs, % change)	0.6	-0.2	-1.5	-0.5	0.5	2.0	0.1	-1.3	-0.4	0.5
Unemployment (ILO Rate, %)	5.2	5.9	7.1	7.5	6.3	3.6	4.1	4.9	5.2	4.3
House prices (% change)	9.9	-13.9	-12.4	-1.3	2.5	8.2	-14.5	-12.5	3.1	2.7
House price/income ratio	6.32	5.50	4.83	4.71	4.64	8.29	6.86	5.93	6.04	6.02
Debt/income ratio	1.73	1.76	1.73	1.67	1.58	2.28	2.31	2.26	2.18	2.08

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As a result, **South West England faces a downturn during 2009 that is highly similar to those expected within the East of England, South East and Wales (Table 7), but slightly more severe than those facing the midland and northern English regions**. On the other hand, we do not expect South West England's recession to be quite as severe as those facing London and Scotland – both economies where banking and other high-value financial services have made major contributions to growth of output in recent years – **although the slowdown in South West England in 2009 relative to growth in 2007 is larger than for most other UK regions**, including Scotland.

Table 7: Short-term prospects for UK regions
Constant 2003 prices

	GVA growth (Annual % change)				
	2002-07 p.a.	2007	2008	2009	2010
UK	2.6	3.0	0.9	-1.0	1.4
North East	3.0	2.7	0.5	-0.8	1.2
North West	2.5	2.1	0.8	-0.6	1.6
Yorkshire & Humber	3.1	3.7	0.3	-0.8	1.3
East Midlands	3.4	2.4	0.7	-0.7	1.5
West Midlands	2.2	2.9	1.5	-0.7	1.6
East of England	2.9	3.2	1.0	-1.1	1.6
South East	3.1	2.8	1.4	-1.0	1.8
London	2.6	4.3	1.2	-1.2	1.2
South West England	3.2	3.5	1.3	-0.9	1.7
Wales	2.9	3.2	2.1	-0.9	1.0
Scotland	2.0	2.0	0.0	-1.9	0.9
Northern Ireland	2.3	2.0	1.7	-0.7	2.0

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5.1 UK Forecast

Official data show that UK real GDP stagnated in the second quarter of 2008, before falling sharply by 0.5% during the third quarter. Survey data point to further weakening more recently, and it is likely that the economy has been in recession since the middle of the year. The housing market is in sharp decline, consumer confidence has plummeted and the credit crunch is compounding the effect of weakening personal income growth. Against this backdrop, declining consumer spending will lead the continuing downswing in the next few quarters. Weak investment will also depress growth, while prospects for exports (which have been strongly countercyclical during previous UK recessions) are limited by the global slowdown. Our baseline forecast implies that real GDP will grow by only 1.0% this year and will decline by around 0.9% next year. Growth will build through 2010 as the UK economy gradually recovers, and medium-term prospects are for annual average growth of 2.4% a year, above the Eurozone average but less than during the last decade.

There are, however, significant downside risks to this forecast, which we explore more fully in the scenarios below. In particular, financial markets and banking remain fragile despite massive injections of liquidity and capital by governments and central banks. The risk of systemic banking failure appears to have receded, but cannot be entirely ruled out. A more substantial threat is that the recent crises have wrought longer-term damage that will limit prospects for financial services and for credit availability in the wider economy for years to come. Our baseline forecast assumes, however, a gradual unlocking of credit markets during 2009-2010, with no further major shocks to financial services.

Another key risk is around household imbalances. In our baseline forecast, the need for households to rebuild their balance sheets is reflected in higher savings rates and weaker medium-term spending growth. But there remains considerable downside potential for households, with less support expected from employment income and housing wealth, and the prospect of widespread defaults on secured and unsecured debt. A protracted slowdown with unemployment rising sharply poses a serious risk to heavily-indebted households.

The slowdown also threatens the frail fiscal situation. Our forecast was run before publication of HM Treasury's Pre-Budget Report (PBR), which strongly indicated the need for fiscal tightening over the medium term. Nor does our forecast incorporate the short-term fiscal expansion included within the report, or the consequent escalation in the budget deficit. Our forecast is, however, broadly consistent with the PBR in incorporating an assumption of higher short-term government borrowing and of reduced growth in public expenditure over the medium term.

Finally, the forecast does not capture recent sharp reductions in the Bank of England policy interest rate. Since these were made in response to perceived further weakening in economic conditions and inflationary expectations, we do not believe that the forecast trajectory for output, employment and unemployment has been undermined. More recent forecast runs incorporating the base rate reduction and other data updates produce a broadly similar outlook for real economic activity. We have not yet had the opportunity to revise our regional forecasts based on these updated macroeconomic forecasts, so we base our discussion on those that underlie our regional projections.

An important qualification, then, is that there is growing concern over the risk of deflation in 2009/10, especially within the monetary policy community. This possibility is not explored in detail here. However, it is important to note that, if it were to occur, it would tend to make the outlook for SWE output and jobs, particularly in terms of the length of the recession, even worse than the scenarios suggested here.

Table 8: Key assumptions underlying baseline forecast

RECENT TRENDS	GDP stagnated in 2008q2 and fell sharply during q3. Survey data point to further weakening in activity.
INTEREST RATES	Interest rate spreads have declined from their October peak, but remain wide. Despite still high inflation, recent sharp cuts in policy rates will be followed by further reductions.
CONSUMERS	Consumer spending has slowed sharply during 2008 and 2009 will see an outright contraction. Recovery will be slow thereafter, as spending growth is more closely aligned to growth in total output. Key Risk : High levels of indebtedness with mounting pressures on disposable income.
TRADE	Exports curbed by globally weak demand, but partially offset by sterling depreciation. Key Risk : Prolonged global recession; Growing pressures for protectionism.
LABOUR MARKETS	Employment falls and unemployment climbs throughout 2009 and 2010.
GOVERNMENT	The government deficit will expand markedly, requiring significant fiscal tightening over the medium-term. Key Risk : Budget deficits significantly larger than predicted.
INFLATION	Inflation has peaked and will decline sharply during 2009. Key Risks : General deflation further undermines asset and housing markets and delays recovery of consumption and investment demand. Renewed inflation in commodity prices following global recovery; sterling depreciation fuels import price inflation.
2-YEAR OUTLOOK	UK economy in recession during 2008h2 with no recovery until late 2009. Key Risk : On-going credit freeze.
LONGER-TERM OUTLOOK	GDP growth of around 2.4% a year, with annual employment creation of around 0.5% Key Risk : Longer term slump. Persistent weak productivity growth.

5.2 Conditions in South West England

South West England has grown strongly over the last five years. The region rode the national growth slowdown in 2001-02 and grew rapidly in 2004 and 2007 in particular. Since 2007, however, our data suggest that growth of real output in the region has fallen in line with the national trend, as private services growth has declined in response to weakening consumer expenditure and falling business confidence. The Financial & Business Services sector has been most affected by the credit crunch, although the secondary impact of lower consumer spending is affecting Distribution, Hotels & Catering too. Manufacturing has also been affected by rising oil and other commodity prices in the recent past, and by weakening global demand more recently.

Workforce employment has shown generally robust growth in South West England since 2001, with particularly strong growth during the last 18 months or so. This is, however, coming to an end. The number of workforce jobs in the region fell by 0.1% in Q3 2008. There are signs of a particular slowdown in non-manufacturing employment growth, for long the main source of growing employment in the region.

5.3 Short-term prospects

Our baseline scenario assumes that the UK economy is in recession, the start of which was marked by the fall in real GDP during Q3 2008. Output is expected to continue to fall in real terms until late 2009, with the sharpest falls expected during the final quarter of this year and the first two quarters of next. Figure 1 shows the forecast quarterly growth profiles for the UK and SWE economies. The recession in South West England is predicted to lag marginally behind that in the United Kingdom as a whole – since **the SWE economy is marginally more affected by the second-wave effects on consumer expenditure and general business investment**, and less by the first-wave impacts on financial services, than is the United Kingdom as a whole. The forecast suggests slightly larger falls in quarter-on-quarter output in South West England than nationally, once the recession takes hold.

Figure 1: Short-term output prospects – Baseline Forecast
Quarterly growth of real output (GVA)

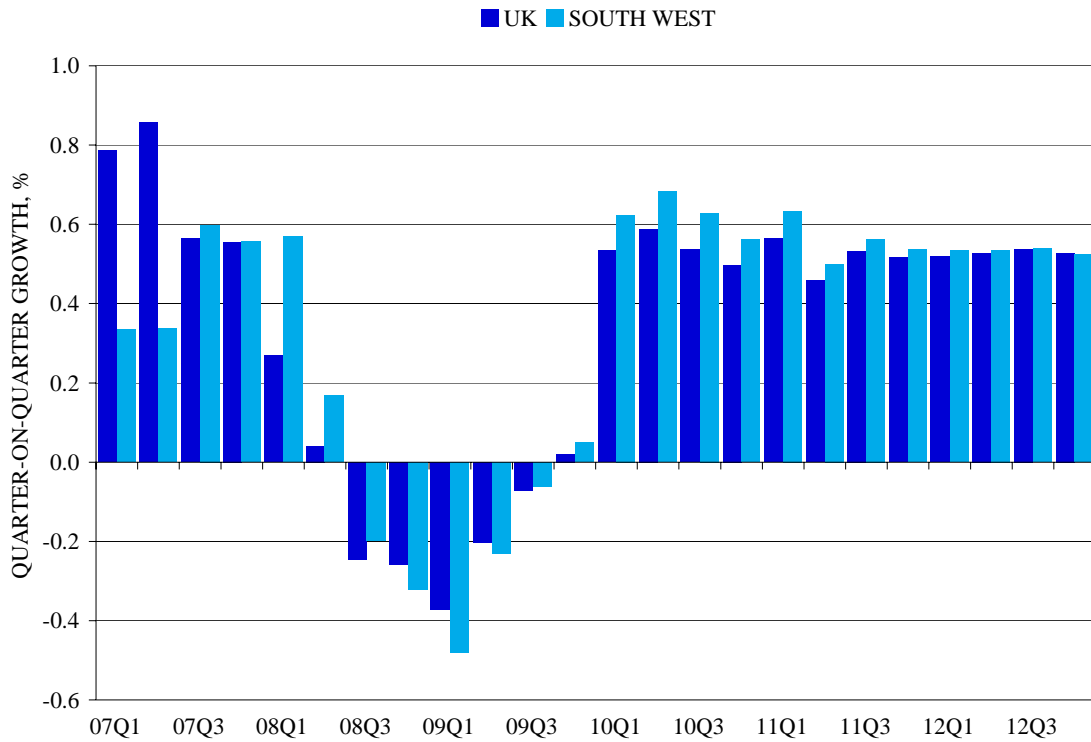


Figure 2: Short-term Employment Prospects – Baseline Forecast
Quarterly growth of total employment (FTE)

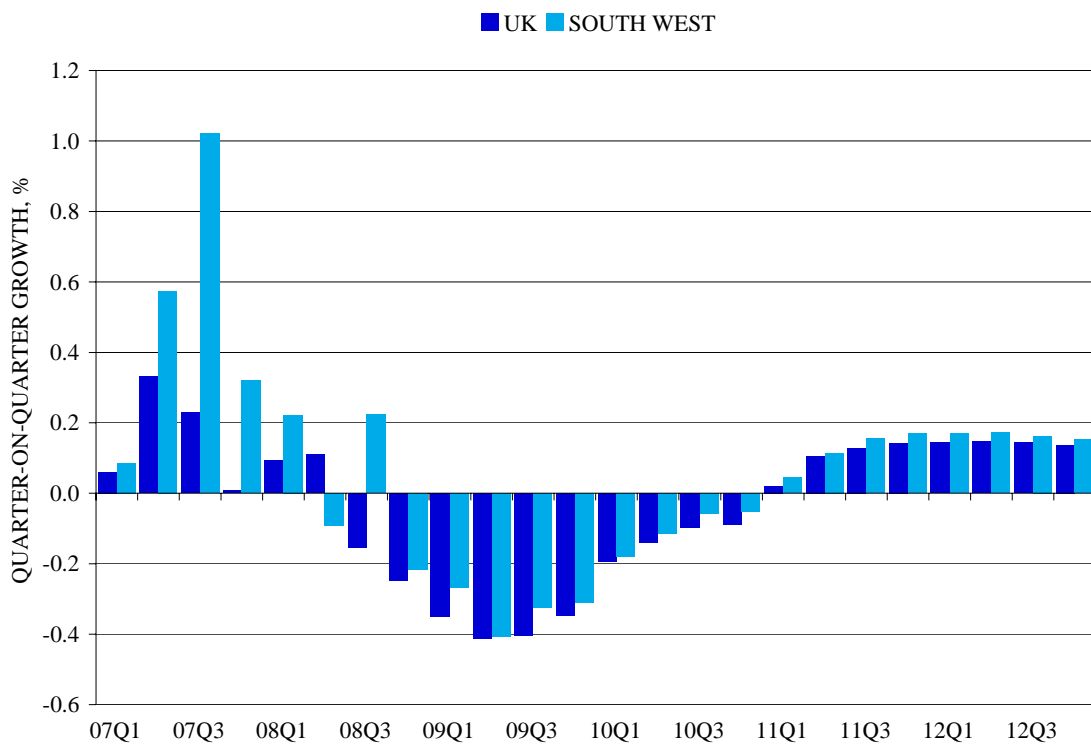
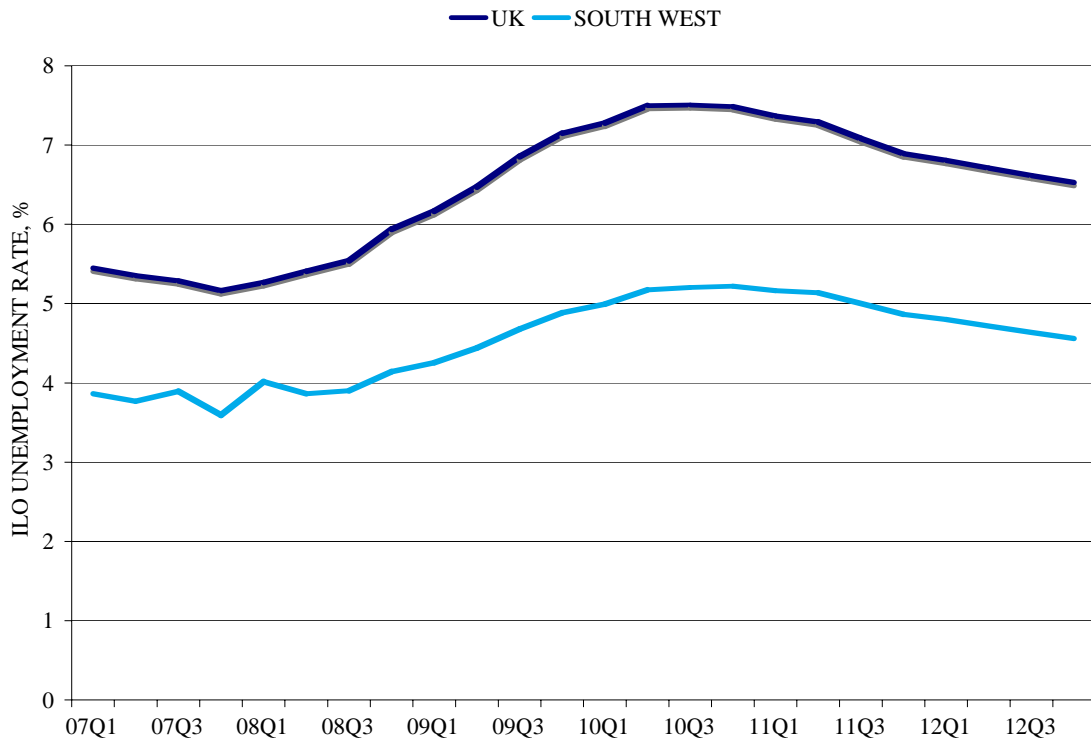


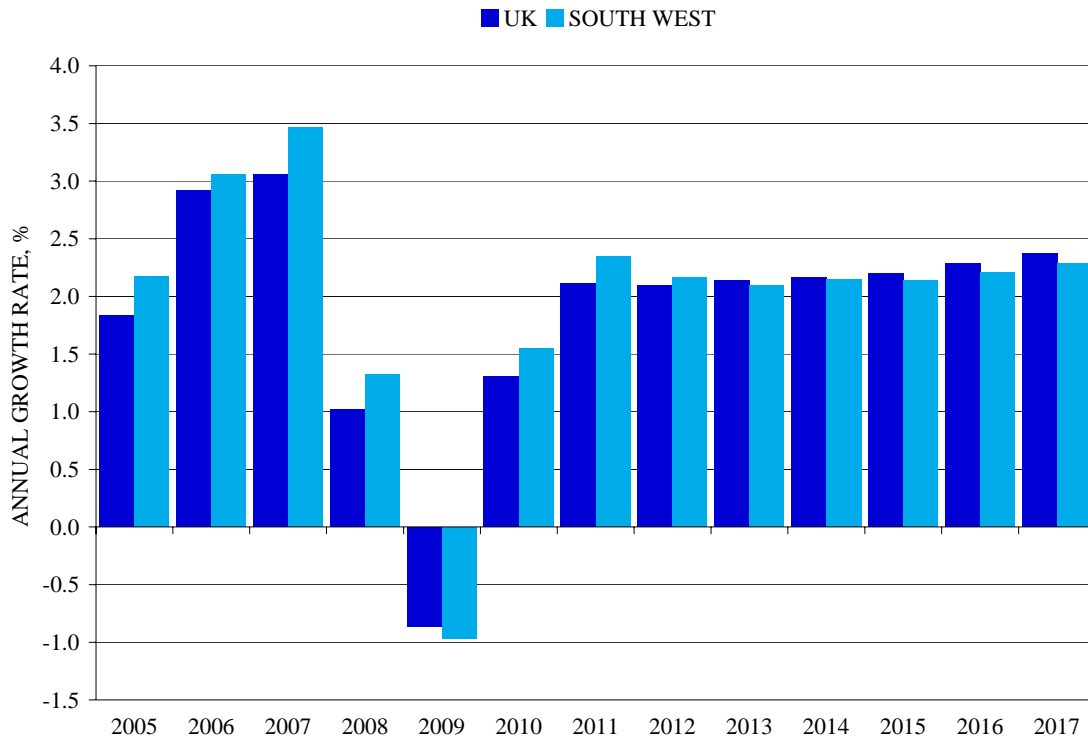
Figure 3: Short-term unemployment prospects – Baseline Forecast
ILO Unemployment Rate (% of workforce)



As noted earlier, employment and unemployment effects tend to lag behind declines in output, with the largest falls happening around 6 months or more after any significant fall in real GDP. Our baseline forecast predicts a similar profile for employment during the current recession (Figure 2). Employment is predicted to fall throughout 2009 and 2010, with modest growth returning from early 2011 onwards. Once again, the SWE pattern is highly similar to that predicted for the United Kingdom as a whole. **The SWE economy is predicted to lose around 100,000 jobs between the end of 2008 and the end of 2010.**

The result, both nationally and regionally, is a substantial rise in unemployment (Figure 3). The ILO unemployment rate for the United Kingdom has been rising steadily since the end of last year, and is forecast to continue increasing until mid-2010, when it reaches a peak at around 7.5%. The forecast profile for unemployment in South West England is similar, although unemployment in South West England is beginning from a substantially lower base and is not expected to scale the heights reached by the UK rate. Nevertheless, ILO unemployment in the region rises by around 58,000 from now until the peak in the final quarter of 2010. The difference between the fall in employment and the rise in unemployment is accounted for by the presence of second jobs and by movements from employment into inactivity rather than unemployment.

Figure 4: Medium-term Output Prospects – Baseline Forecast
Annual growth of real output (GVA)



An important feature of this scenario, and of our central forecast which underpins it, is that output is expected to return to something like trend growth fairly rapidly once recovery begins. The resulting profile for annual growth in output is shown in Figure 4. Both the SWE and UK economies suffer year-on-year declines in output during 2009, and relatively sluggish growth at the beginning of 2010 brings down the annual growth rate, but robust growth is resumed from 2011 onwards. We do not, however, expect that even then growth will match that seen during the recent past – which was boosted by an unsustainable debt-financed expansion in household expenditure.

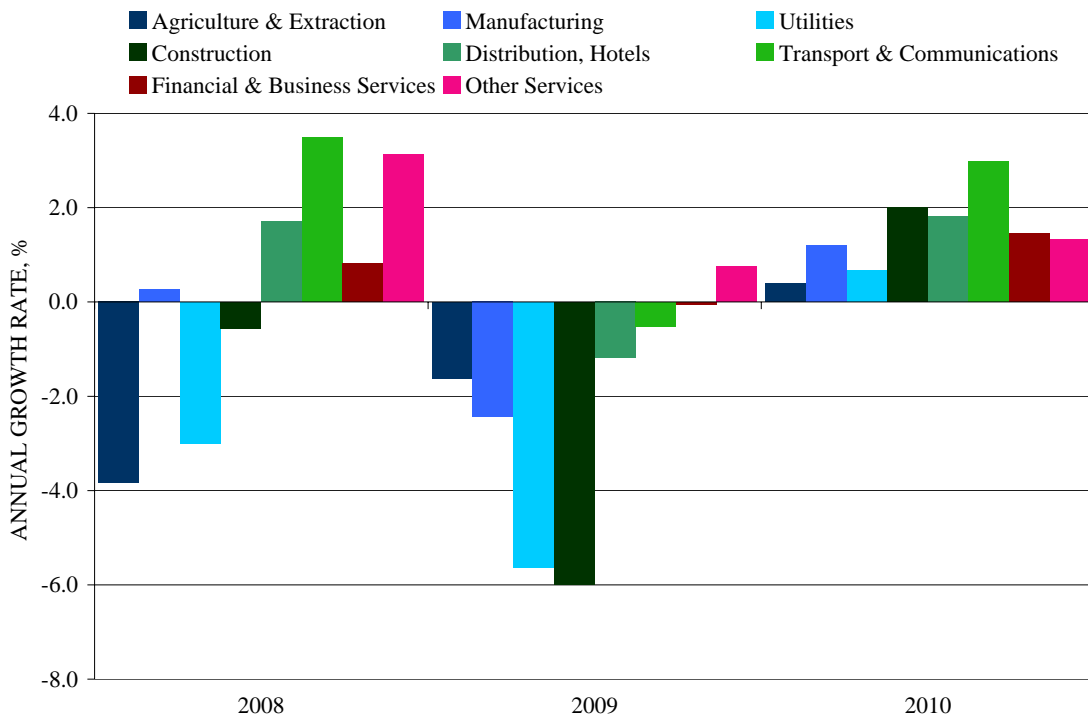
5.4 South West England Sector Prospects

We now consider the implications of the baseline scenario for the short-term and medium-term prospects for sectors and places within South West England. We present only an outline account here – fuller details are presented in the Appendices to this report.

Our sector forecasts incorporate a range of mechanisms relating sector prospects at the UK and regional levels to general economic conditions. At the national level, these include the implications of differential growth in the components of final demand; intermediate (business-to-business) demand linkages; and changes in global economic conditions and international competitiveness. Our forecasts of industry prospects in the regions are based on the national

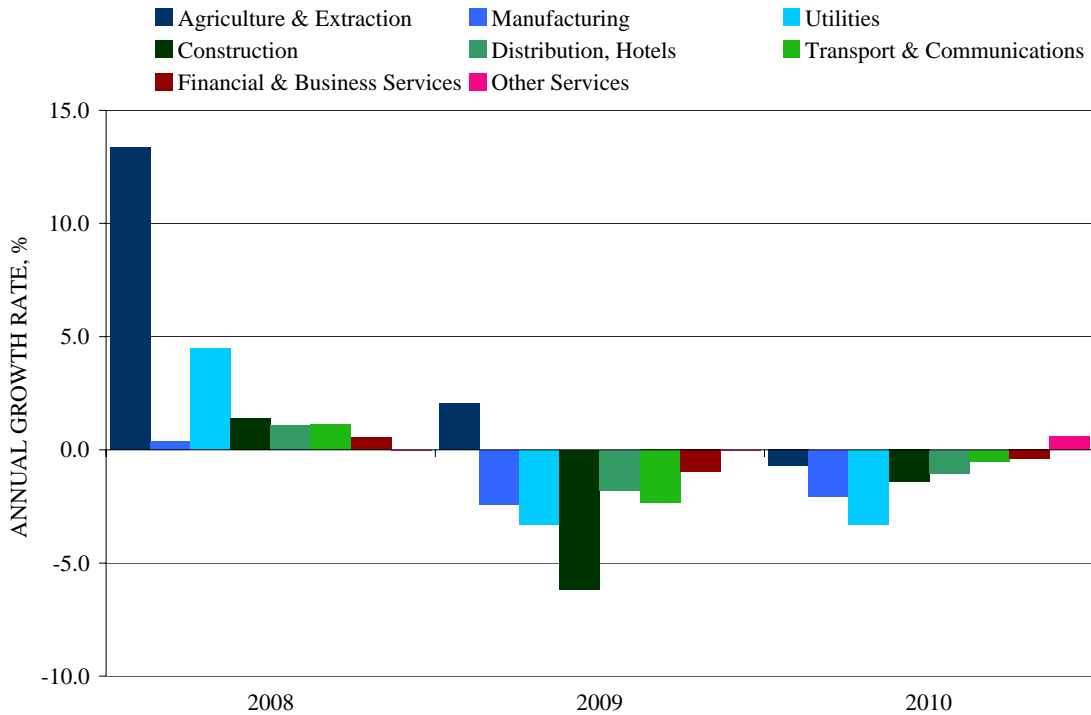
level industry forecasts, on variations in intermediate demand for goods and services; and on longer term trends in regional shares within particular industries.

Figure 5: Short-term SWE sector output prospects – Baseline forecast
Annual growth of real output (GVA)



The baseline forecast suggests that the SWE sector that will be most affected by the recession is construction (see Figures 5 and 6). Output from utilities is also forecast to slow sharply as demand for power falls among both commercial and industrial customers. Manufacturing is expected to be adversely affected by the global slowdown – and the implied loss of export markets – although this will be partly offset by the beneficial impact of Sterling depreciation on industry competitiveness. Distribution and hotels suffer from reductions in consumer spending, and transport & communications from the general reduction in economic activity. Financial & business services as a whole see only a marginal decline in output during 2009, although this reflects a marked slowdown compared to the performance of the recent past, and the continuation of poor growth performance from this year, particularly in financial services. All broad sectors suffer reductions in employment during 2009 (except agriculture) and 2010.

Figure 6: Short-term SWE sector employment prospects – Baseline Forecast
Annual growth of employment (FTE)



We have also carried out an analysis of growth prospects for the SWE priority sectors – the results of which are shown in Appendix Tables 2 and 3. Mapping forecast information from standard industry sectors to the priority sectors is difficult because it demands a level of industry detail greater than that provided by our standard forecasts or by the SW Business and Economy Module projections (which have also been used to inform this research). Therefore, we regard the priority sector forecasts as merely suggestive of the potential impact of recession outcomes (to an even greater extent than is the case with standard forecasts).

5.5 Prospects for Places within South West England

In some ways, economic forecasting becomes increasingly difficult at smaller geographical scales, because data quality frequently diminishes (making it difficult to identify stable relationships in the historical data that might give a reliable guide to future patterns) and because smaller economies are more exposed to unpredictable idiosyncratic events like the closure of a major employment site. Our local level forecasts take account of a smaller set of influences than do the national ones. The prospects for local areas are treated as dependent on wider regional prospects, patterns of growth in aggregate demand; industry structure, and long term structural trends in population, employment and productivity growth. We present the results based on the 'old county' geography – mainly because this allows access to more historical data than does smaller geographies. We also believe that this approach is justified in that these county units (particularly the former-Avon area) better correspond to functional economic areas than do smaller either LAD/UA geographies or the NUTS areas.

The short-term output and employment forecasts under the baseline scenario are presented in Figures 7 and 8. All areas suffer as a result of the recession, but the effects are most concentrated in Gloucestershire and Dorset (partly due to financial services effects and historical patterns, which may or may not be as important this time) and least in Cornwall. In this scenario, all areas return to positive output growth in 2010, but employment continues to decline until late 2010/early 2011.

Figure 7: SWE places output prospects – Baseline Forecast
Annual growth of real output (GVA)

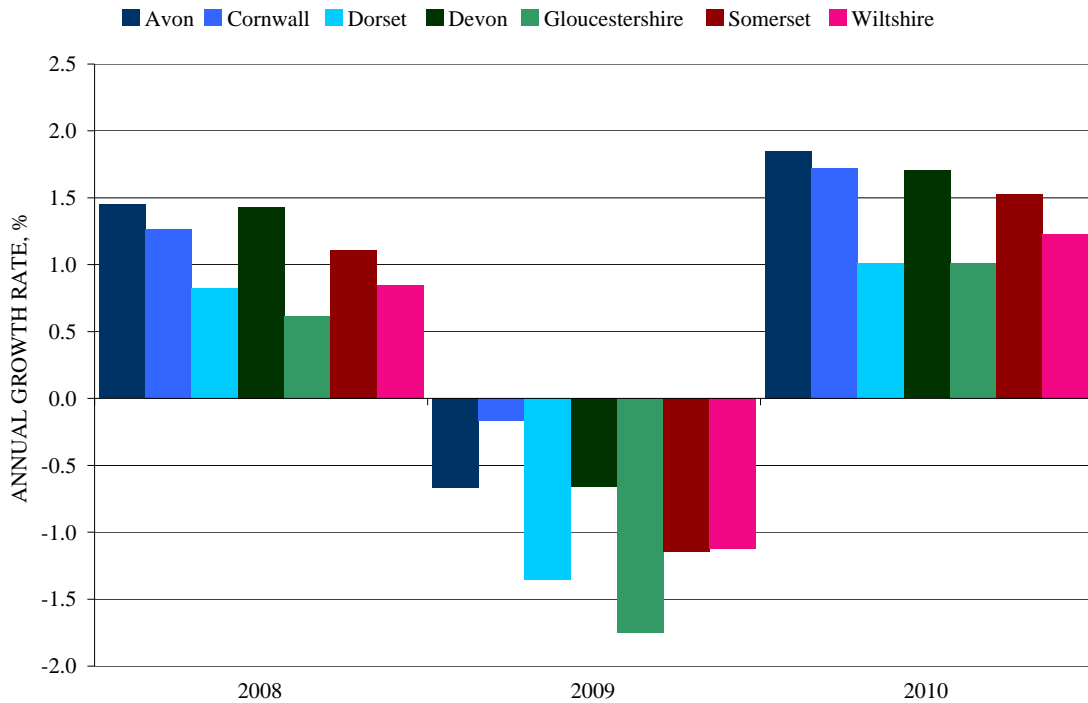
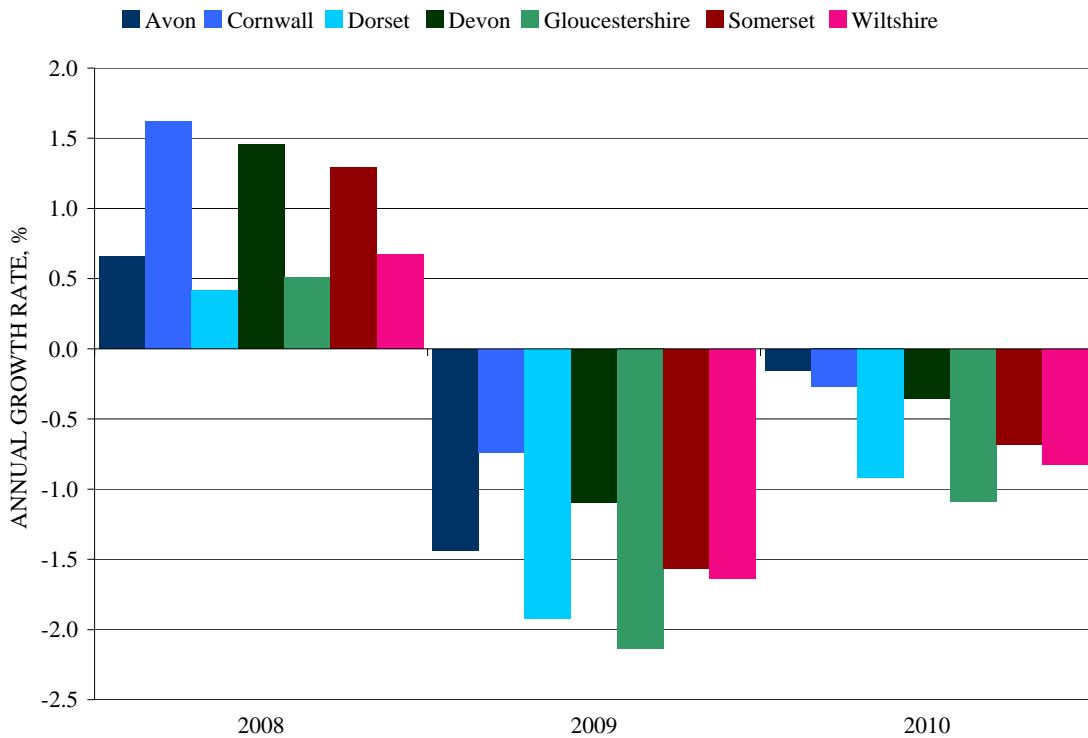


Figure 8: SWE places employment prospects – Baseline Forecast
Annual growth of employment (FTE)



6 Key Risks and Scenarios

6.1 Main Risk Factors

As noted above, the baseline scenario represents our 'central' (most likely) forecasts for the United Kingdom and SWE economies, but there are a number of risks associated with this outcome. Some of the most important of these are as follows.

- **Credit Market conditions:** The on-going credit crunch continues to play a role in restricting access to credit by both households and businesses. The baseline forecast assumes a gradual thawing of credit conditions, allowing renewed borrowing at interest rates not too far above the Bank of England base rate. This would require that market and retail interest rates decline from their current raised levels, and that lending conditions progressively ease. A contrary outcome is, however, possible. In this case, sustained restrictions on credit and higher interest rates continue to damage the liquidity of firms and households, raising bankruptcy and business failure rates, and restricting disposable incomes and spending. More generally, continued tightness would constrain growth of consumption and investment expenditure, limiting economic growth rates once the recovery begins.
- **Deleveraging:** As noted earlier, the last several years have seen rapid expansion in credit and in the debts held by both businesses and household in the United Kingdom. The sudden increase in the cost of credit, and the reduction in its availability, following the credit crunch are likely to precipitate moves towards de-leveraging, as individuals and firms attempt to reduce their debts and rebuild asset bases damaged by falling house and asset values. For households, this is likely to mean that savings rates increase over the medium term, contributing to reduced demand for all manner of goods and services, and for housing. The latter could contribute to a prolonged period of weakness for the housing market. For businesses, it may mean reductions in all types of investment, reducing the demand for a variety of capital goods (including not only plant and equipment but also services like software development and training) and for construction.
- **Confidence:** business and household confidence is a key factor underlying expenditure decisions, particularly for investment-type purchases (including houses, cars and consumer durables for households; fixed investment, R&D and training for firms). There is ample evidence that confidence has been severely damaged by recent economic events. A sustained decline in consumer confidence could impair any fledgling recovery by holding back activity in the housing market and delaying purchases of a range of durable products. Similarly, continued weak business confidence will further

hit levels of investment – with implications for demand in the economy in the short-term, and for productive capacity and productivity growth over the longer term.

Confidence in economic prospects for the United Kingdom (and its parts) is also critical for encouraging international investment flows (including Foreign Direct Investment) and for attracting foreign workers – a major source of growth in UK labour supply in recent years. It has also been widely suggested that the crisis in financial services may have seriously damaged the United Kingdom's reputation as a business centre, with negative implications for the future growth, not only of London, but of regional financial services centres like Bristol.

- **Structural Changes:** Financial and business services have been major engines of growth in the UK economy over several years. It seems likely that the recent crises will call forth major policy changes affecting financial services activity – with banks and other financial services businesses facing a much less permissive regulatory environment than of late. We do not attempt to assess whether this will be 'good' or 'bad' in general economic terms, but it is likely to trigger significant structural changes within financial services – affecting the scope for future growth and the contribution these activities can make to income and employment – at global, national and regional scales. Changes in the economic geography of financial services will inevitably affect a broad range of other related business services, potentially triggering a new wave of off-shoring to emerging centres in the middle-East and Asia.
- **Fiscal Policy:** The recent HM Treasury Pre-Budget Report has confirmed that the UK Government's finances are worsening rapidly in the face of falling tax revenues and rising social welfare costs. This is the normal course of events during recessions, and benefits macroeconomic stability through the action of 'automatic fiscal stabilisers' (taxes fall and expenditure rises as output declines). At the same time, the Government is committed to increased expenditure in some areas in the short term in an additional attempt to support activity. This will lead to a significant increase in UK Government debt that will have to be financed in future, implying some degree of fiscal tightening over the medium term. HM Treasury has acknowledged this by pre-announcing future tax increases. The extent of the required tightening will depend on the size of the budget deficits accrued during the recession (many commentators believe that HM Treasury's PBR forecasts are overly optimistic on this point) and the ease with which government is able to fund those deficits through additional borrowing. It is possible that a fall in confidence in the UK Government's ability to finance its debts could generate both an increase in the general cost of borrowing and a need for a further tightening of fiscal policy over time (through increased taxes and/or reduced

expenditures). Either of these will act as a drag on growth in consumption and investment demand, and on government spending.

- **Deflation:** One specific major risk that is raising concern among some commentators is that the UK economy (and possibly the global economy) may be moving towards a period of deflation. Falling prices of goods and assets can act as a brake on economic activity since they encourage people to delay purchases, further depressing demand and fuelling price reductions.
- **Inflation:** On the other hand, the forces that generated the recent rapid rises in oil and commodity prices could easily resurface. Resurgence in growth in the emerging economies and/or restrictions on the supply of oil and other minerals could again spur rising costs and put pressure on the Bank of England to raise interest rates in order to avoid spiralling inflation. This appears to be a low probability at present, but there is a non-negligible chance that a need for tighter monetary policy to control inflation could hold back economic recovery once the worst of the recession is over – contributing to a lengthier period of lacklustre growth.

The above risks relate to a range of factors that could contribute to a deeper and/or longer recession or to more modest medium- to long-term growth in the aftermath. In addition, there are a number of factors that are not directly related to the current economic situation but which could influence either the speed or structure of recovery and growth over the longer term.

The growth of global trade and investment has been an important factor in stimulating the expansion of the world economy over recent decades. Global capital markets generate important economic benefits from improved efficiency of resource allocation and greater potential for portfolio diversification and risk management. Global trade provides a broad range of benefits from improved specialisation, economies of scale, competition and innovation performance. It seems clear that aspects of global economic functioning could be improved through better policy and regulation. There is also, however, a genuine risk that the current crises could generate support for protectionist measures which would reduce productivity and lower living standards in all trading economies.

Another key structural factor that will influence the nature of economic development in years to come is the need to develop a lower carbon economy in response to the threat of climate change. The brief for this research also required that policies to combat climate change should be considered within the recession scenarios.

6.2 Downside Scenarios

Taken together, the risks identified above (and perhaps others not specifically mentioned) could be combined in myriad ways to suggest an almost limitless set of alternative potential futures of

the UK and SWE economies. We wish to maintain the main focus of this research on the implications of the recession. For this reason, and because the challenges involved would be rather daunting, we do not attempt directly to model the implications of the above risks but rather construct simple scenarios based on the (hopefully plausible) clustering of several of these risk factors. These scenarios were then modelled in terms of various adjustments to the baseline forecast:

- Changes to growth rates for components of aggregate demand in the short term (household spending, investment, government spending, net exports) at the national and regional levels.
- Changes to the supply of productive assets and to productivity growth over the medium- and long terms.
- Changes to sector-specific growth rates for industries at the national and regional levels.

In the main, adjustments were made to the national (UK) forecast and the implications for these for the SWE economy analysed using our forecast models and the SW Regional Accounts models. We have not, in general, made specific adjustments at the local level – so that the local implications that emerge are the product of higher level changes in assumptions and of the structures of the models used. While we seek to make use of quantitative evidence whenever possible in underpinning assumptions and specifying adjustment mechanisms, there is inevitably a large element of judgement involved in scenario exercises of this type. The ultimate aim is not to predict outcomes with any degree of certainty but to give some indication of the types of alternative futures that could emerge and the mechanisms that could take us there.

We consider two alternatives to the baseline forecast, both of which incorporate more pessimistic assumptions concerning some of the key downside risks identified above.

- **More severe recession ('Worse') case.** The basic idea underlying this scenario is that the recession proves to be both deeper and longer than under the baseline assumptions. We model this primarily in the form of slower growth in household expenditures and investment demand than under the base case. We also consider a 'W-shaped' feature by imposing further sharp reductions in the growth of consumption, investment and government expenditure following some movement towards recovery during mid-2009. These are intended to capture the impact of monetary policy tightening from around that time to dampen re-emerging inflationary pressures, and of fiscal policy tightening to restrict the growth of government debt. Finally, this scenario incorporates some structural effects of climate change policy – by limiting growth in high-carbon activities in implicit response to the pricing of carbon 'externalities'.

- Prolonged slump ('Adverse') scenario:** This attempts to capture the impact of a severe recession followed by a lengthy period of slow growth. We could think of this in terms of a persistent restructuring of credit markets so that credit is rationed and risk premia remain elevated over the medium term. A variety of alternative combinations of the risk factors outlined above could result in this outcome. We model this through slower growth in all elements of demand - as restricted credit availability cuts investment and consumption (encouraging higher savings ratios) and the need to rebalance the government budget forces a significantly tighter fiscal stance.

In our view, both of these scenarios are less likely than the baseline case of a fairly typical UK recession. It is not, however, possible precisely to attribute probabilities to the three outcomes.

Table 9 summarises key features of the UK and SWE recessions that emerge under each of these scenarios.

Table 9: Severity of recession under alternative forecast scenarios

Value variables are measured in constant price (real) terms; ppc = percentage point change

	Baseline		'Worse' Scenario		'Adverse' Scenario	
	Quarters with negative growth	Peak to trough change	Quarters with negative growth	Peak to trough change	Quarters with negative growth	Peak to trough change
UK						
Household Spending	5	-1.0%	7	-1.8%	9	-3.9%
Investment	4	-6.8%	4	-7.1%	6	-8.2%
Output (GDP)	5	-1.1%	5	-1.7%	7	-3.4%
Employment (FTE)	10	-2.7%	10	-4.9%	14	-14.0%
Unemployment (ILO)	10	43.1%	10	90.7%	14	122.0%
Unemployment Rate (ppc)	10	2.2	10	4.7	14	6.3
Household Disposable Income	3	-1.0%	6	-1.7%	16	-4.5%
House Prices	11	-24.3%	14	-29.4%	18	-39.8%
SOUTH WEST ENGLAND						
Household Spending	6	-1.2%	6	-2.4%	10	-3.5%
Investment	5	-9.7%	5	-9.9%	7	-10.6%
Output (GVA)	5	-1.3%	5	-1.9%	7	-3.5%
Employment (FTE)	11	-2.3%	11	-4.6%	19	-11.8%
Unemployment (ILO)	11	36.4%	11	65.4%	19	149.1%
Unemployment Rate (ppc)	11	1.4	11	2.4	19	5.6
Household Disposable Income	3	-1.0%	3	-2.0%	17	-4.9%
House Prices	7	-25.1%	7	31.2%	20	-42.0%

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6.3 More severe recession ('Worse') Case

This scenario considers a more severe and longer recession than under the baseline case. The principal effects are reported in Table 10, which summarises changes in the main macroeconomic variables in terms of annual growth rates for the period to 2010, and average growth rates for 2011-2015. As noted above, the scenario imposes slower growth of household expenditure, investment and government spending than under the baseline. The result is a larger reduction in total output in both the United Kingdom and South West England during 2009, and slower growth during 2010. Thereafter, however, the growth profile is assumed to be similar to the baseline case.

South West England suffers larger short-term reductions in consumption and, particularly, investment than does the United Kingdom. This reflects the assumed causes of the slowdown. Relatively tighter monetary policy puts greater financial pressure (on average) on SWE households than on those elsewhere in the United Kingdom because of the region's relatively high debt-income ratios. Higher interest rates also further damage conditions in the housing market and further depress house-building activity: a larger component of construction investment in South West England than in the United Kingdom as a whole. Higher interest rates are also particularly damaging to small businesses, whose cash reserves have been badly depleted in attempting to survive the initial downturn, and who have limited alternative sources of finance. South West England's relatively large stock of small businesses therefore amplifies this effect in the region.

Table 10: Forecast summary – More severe recession ('worse') scenario

	United Kingdom					South West England				
	07	08	09	10	11-15	07	08	09	10	11-15
Output & Expenditure (% change, real terms)	Avg.					Avg.				
Output	3.1	0.9	-1.3	0.7	2.1	3.5	1.2	-1.5	0.9	2.2
Consumer Spending	3.2	1.7	-1.3	0.5	2.3	3.1	1.6	-1.7	0.2	2.1
Investment	6.0	-3.1	-2.8	1.8	3.4	5.1	-2.2	-4.6	1.0	3.6
<i>Other Variables</i>										
Employment (Jobs, % change)	0.6	-0.3	-2.0	-1.6	0.3	2.0	0.0	-2.0	-1.6	0.4
Unemployment (ILO Rate, %)	5.2	6.1	7.7	8.9	9.3	3.6	4.2	5.3	6.2	5.5
House prices (% change)	9.9	-14.7	-13.8	-4.5	1.9	8.2	-14.9	-13.0	2.3	3.1
House price/income ratio	6.32	5.47	4.75	4.53	4.37	8.29	6.83	5.87	5.94	6.03
Debt/income ratio	1.73	1.77	1.71	1.61	1.47	2.28	2.31	2.25	2.16	2.02

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Figure 9 compares the short-term growth of South West GVA under the baseline and 'worse' scenarios. As is clear, the principal effect is to deepen and marginally to lengthen the downturn. The peak-to-trough decline in GVA rises from around 1.3% under the baseline scenario to 1.9% under this more severe recession case.

Figure 9: Growth Profile – Comparison of more severe recession ('Worse') scenario with baseline forecast
Total SWE Real Output (GVA)

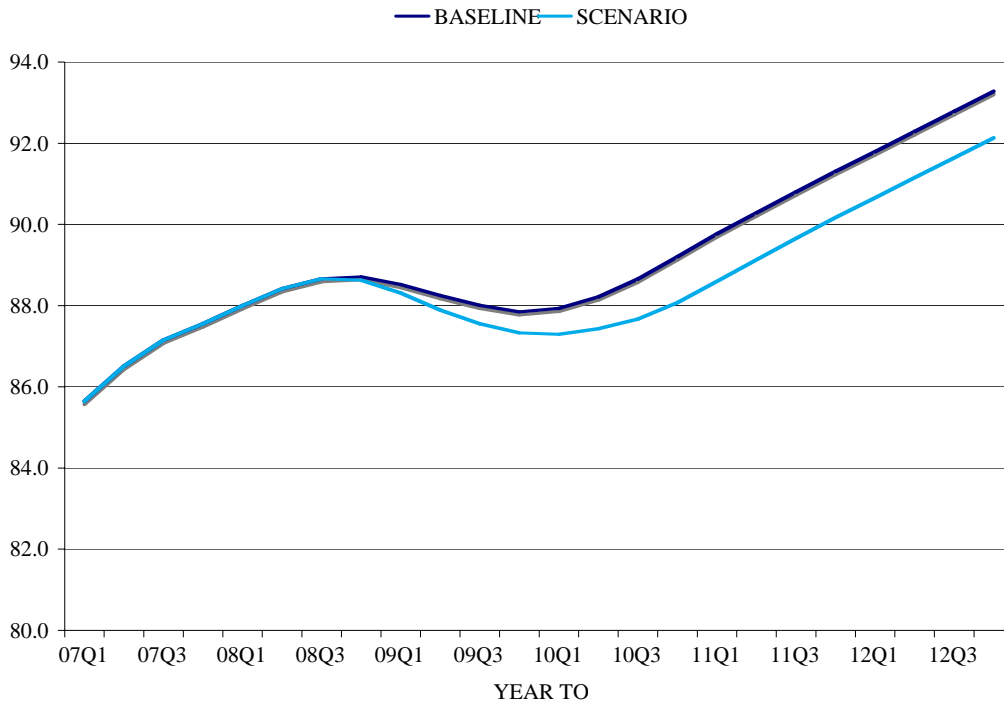


Figure 10: Short-term output prospects – more severe recession ('worse') scenario

Quarterly growth of real output (GVA)

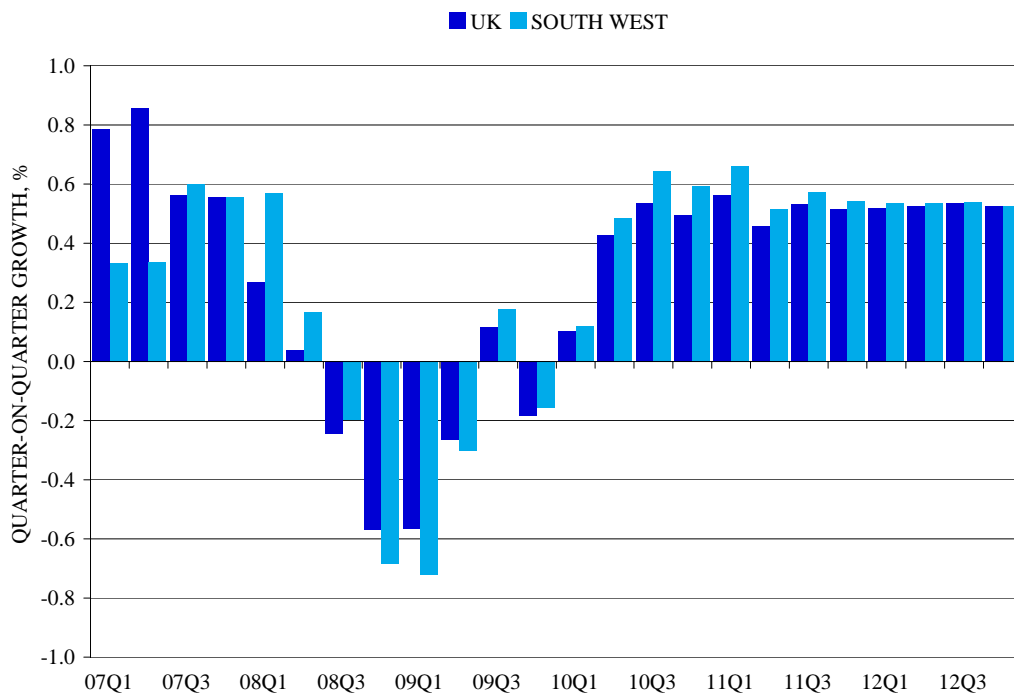
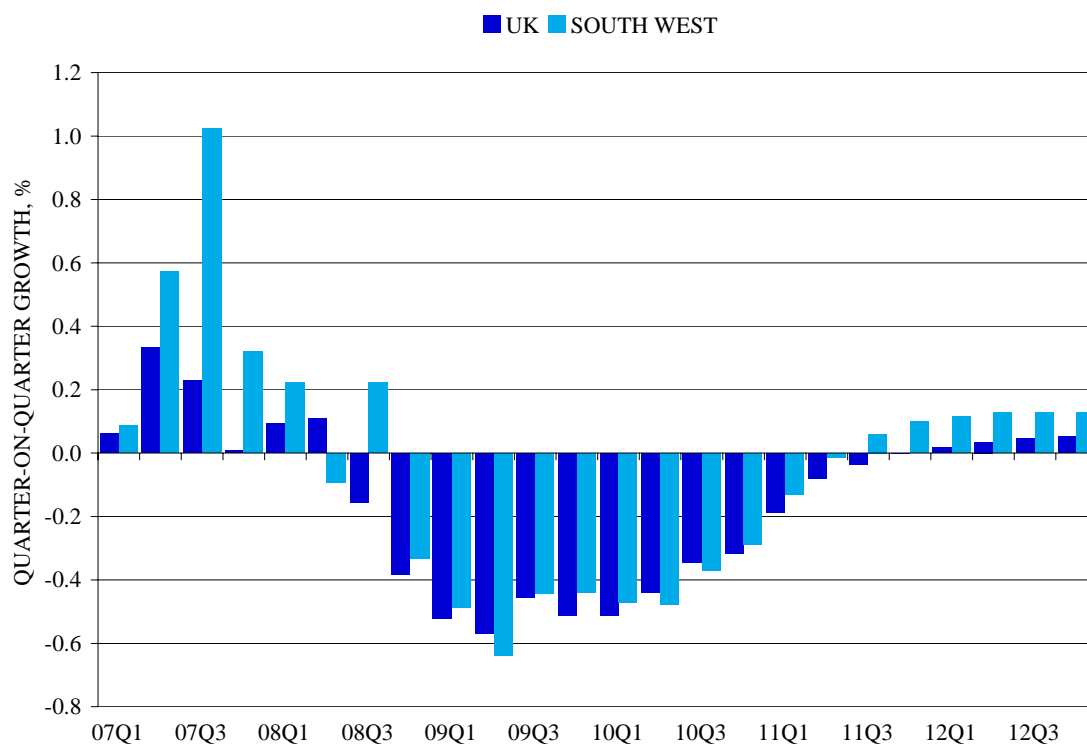


Figure 11: Short-term job prospects – more severe recession ('worse') scenario
Quarterly growth of employment (FTE)



Figures 10 and 11 illustrate the short-term growth profiles for output and employment under the 'worse' scenario. The 'W-type' profile in output growth is clear from Figure 10, as a moderate recovery in 2009Q3 gives way to two more periods of negative or weak growth, delaying a substantial output recovery until 2010Q2. **The effect is to significantly extend the period of declining employment.** Total employment in South West England is forecast to fall for a total of 13 quarters under this scenario compared to 11 quarters under the baseline case; and the peak-to-trough fall in employment rises from 2.3% to 4.6%, equivalent to the loss of around 200,000 jobs in the region over a three-year period, with only slow growth thereafter. Figure 12, however, shows that by 2011 output growth in the UK and SWE economies has recovered to more than 2% a year in real terms.

The implications for SWE sectors are shown in Figures 13 and 14. These reflect the influence of the recession itself (which restricts growth in most sectors but particularly those serving households and in public services) and also the implied effects of climate change policy, which limits growth in carbon-intensive sectors like energy and transport. Finally, Figures 15 & 16 show the impacts on places in South West England based on the regional and industry forecasts. All areas suffer declining output in 2009 and falling employment over the period to 2011.

Figure 12: Medium-term output prospects – more severe recession ('Worse') scenario

Annual growth of real output (GVA)

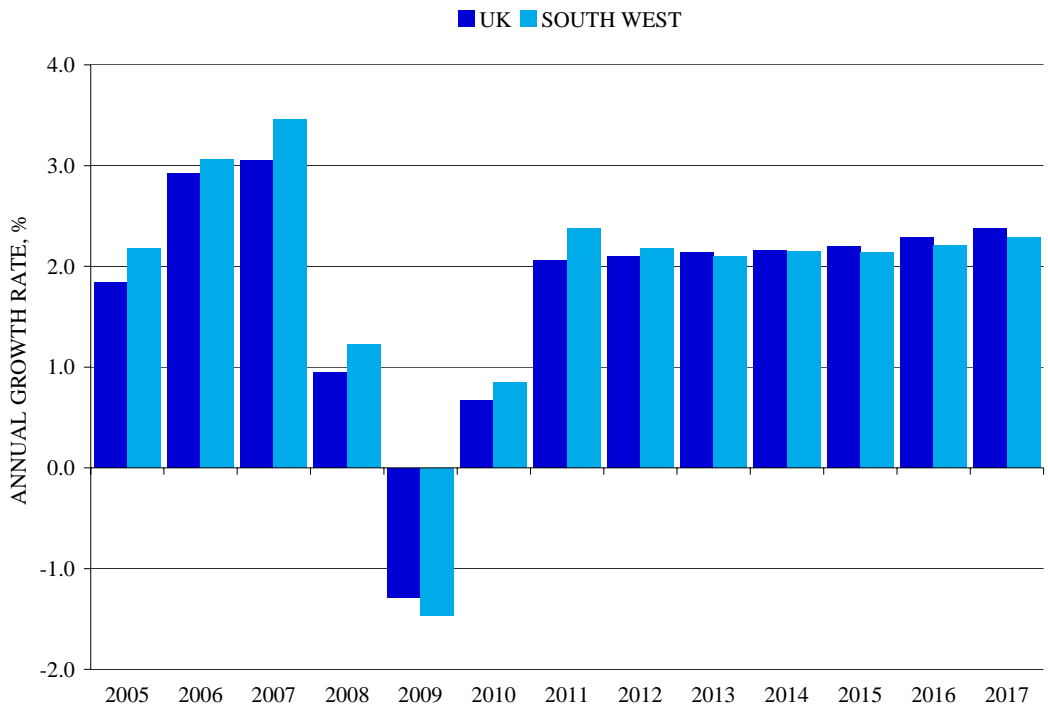


Figure 13: Short-term SWE sector output prospects – more severe recession ('Worse') scenario

Annual growth of real industry output (GVA)

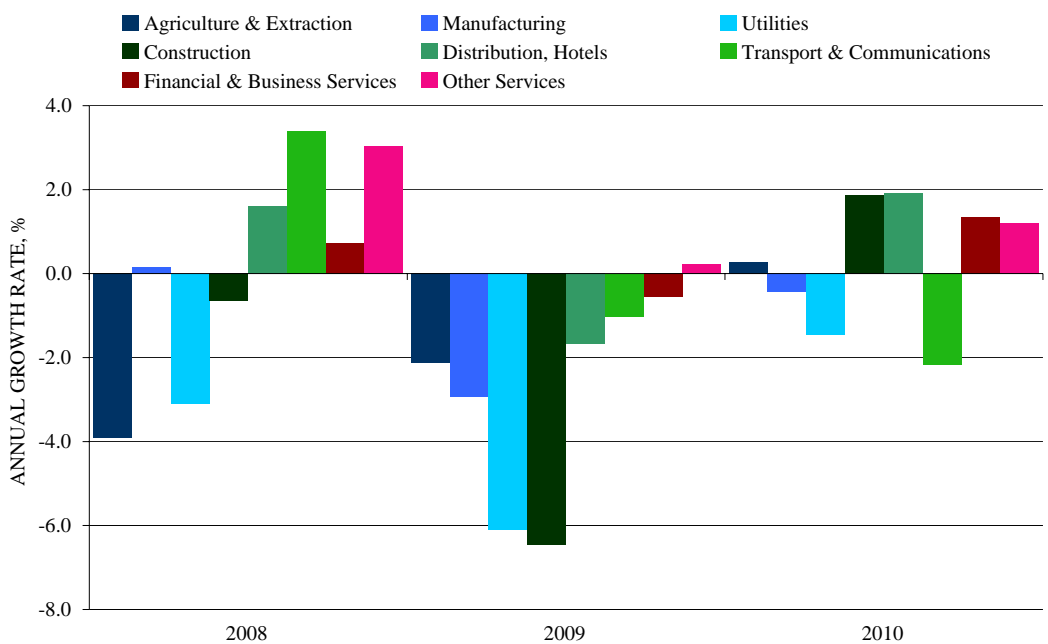


Figure 14: Short-term SWE sector job prospects – more severe recession ('Worse') scenario

Annual growth of industry employment (FTE)

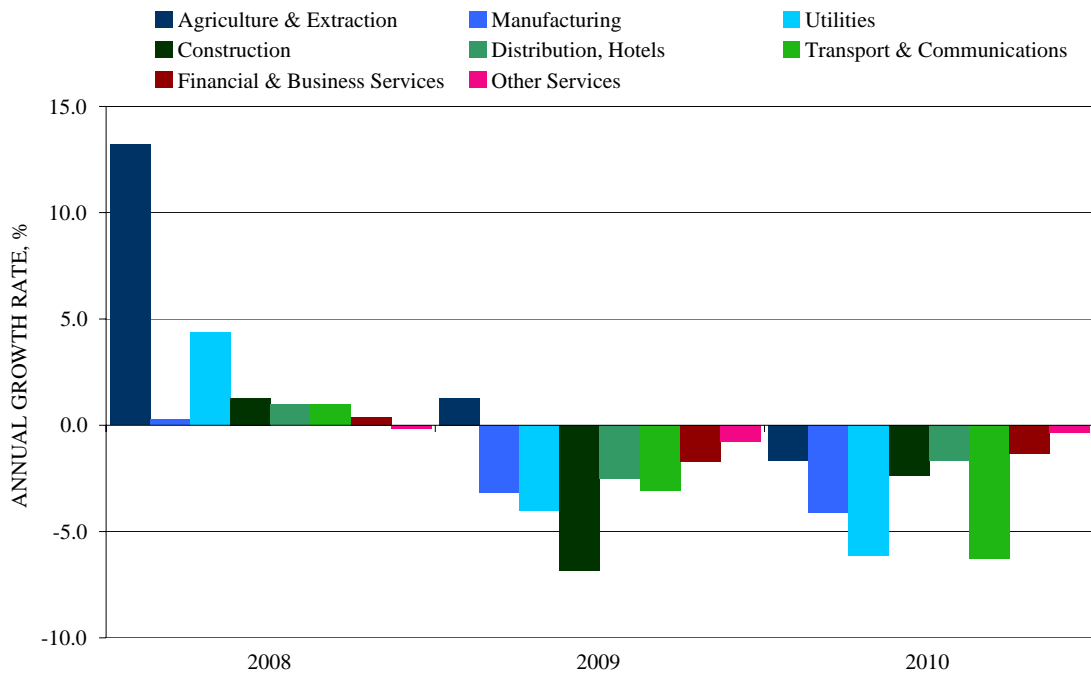


Figure 15: SWE places output prospects – more severe recession ('Worse') scenario

Annual growth of real output (GVA)

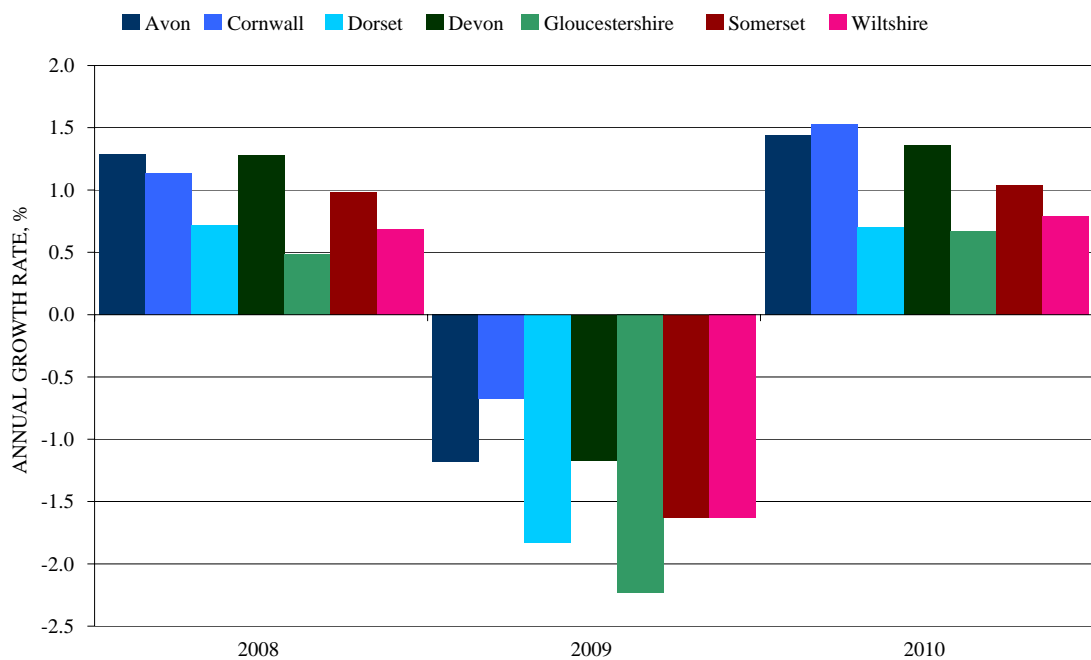
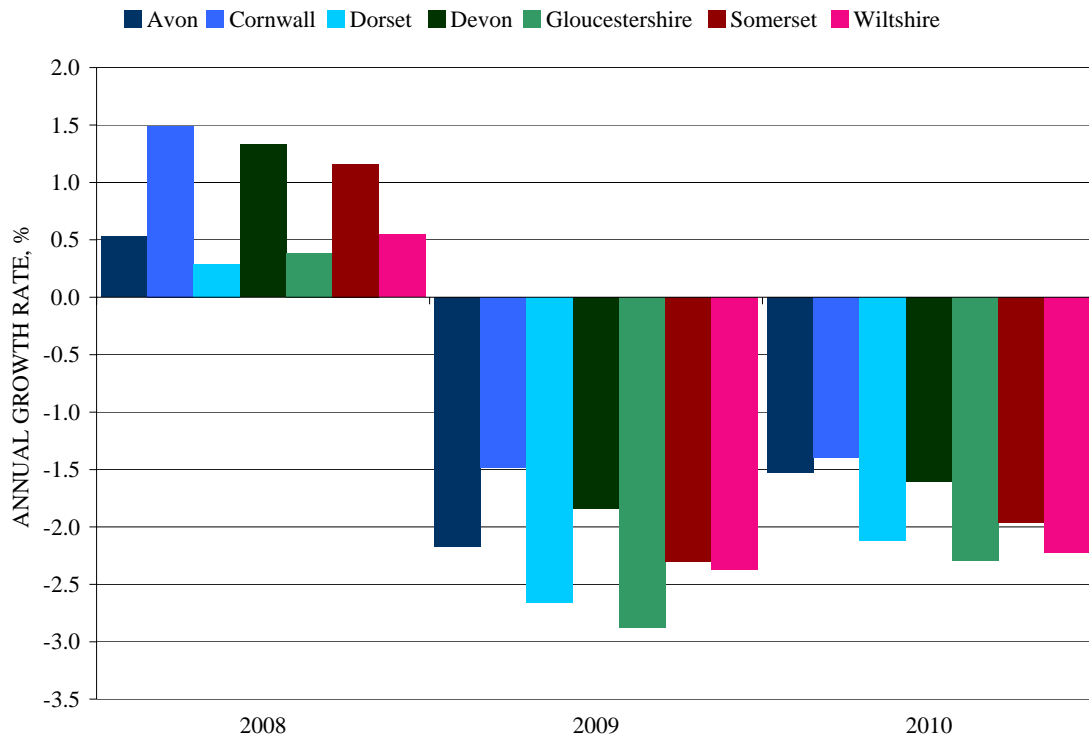


Figure 16: SWE places job prospects – more severe recession ('Worse') scenario
Annual growth of employment (FTE)



6.4 Prolonged Slump ('Adverse') Case

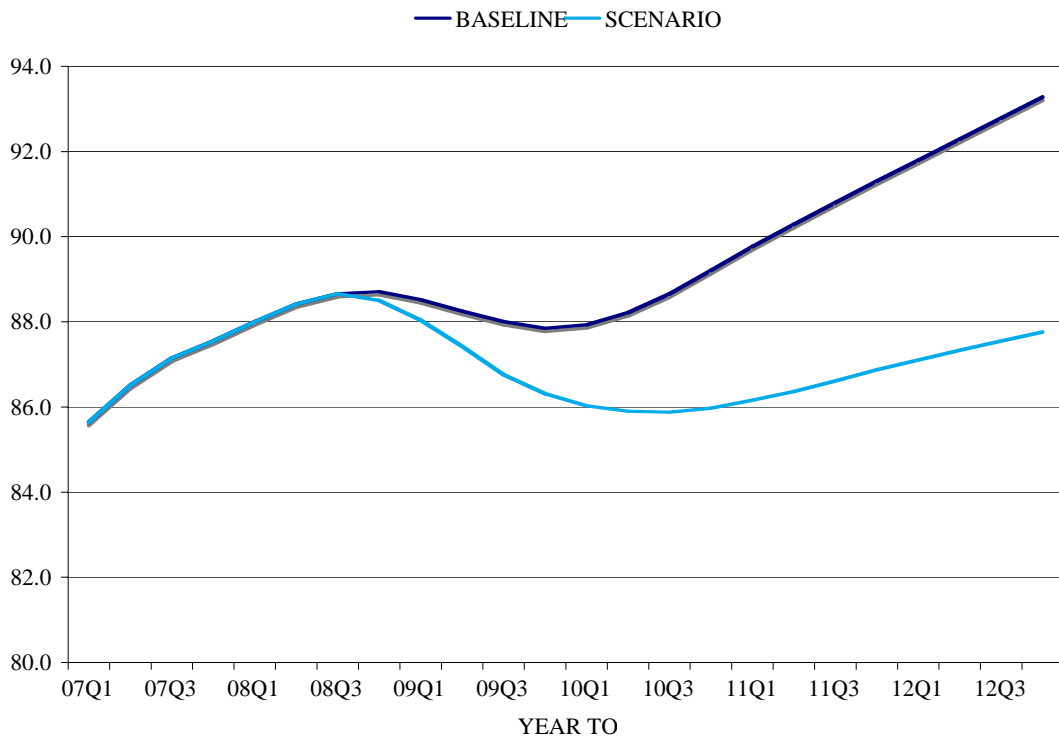
This scenario considers the possibility that a severe UK recession then gives way to a lengthy period of persistently low growth. Table 11 summarises the results. As with the 'worse' case, this scenario imposes slower growth of household expenditure, investment and government spending than under the baseline, but in this case a prolonged credit freeze stifles consumption and investment over the longer term also. Output falls sharply both nationally and regionally during 2009 and output also falls on a year-on-year basis during 2010. Thereafter, growth is sluggish, with an average annual growth rate of total output during 2011-15 of only 1.4% for both the United Kingdom and South West England, compared to 2.1% and 2.2%, respectively, under both the baseline and 'worse' cases. Figure 17 illustrates South West England's output growth profile, showing both a deeper recession and lower medium-term growth thereafter.

Table 11: Forecast Summary – Prolonged Slump ('Adverse') Scenario

	United Kingdom					South West England				
	07	08	09	10	11-15	07	08	09	10	11-15
Output & Expenditure (% change, real terms)	Avg.					Avg.				
Output	3.1	0.8	-2.3	-0.6	1.4	3.5	1.1	-2.5	-0.4	1.4
Consumer Spending	3.2	1.5	-2.4	-0.8	1.5	3.1	1.7	-2.1	-1.1	1.3
Investment	6.0	-3.3	-3.8	0.7	2.8	5.1	-2.3	-5.1	-0.3	2.9
Other Variables										
Employment (Jobs, % change)	0.6	-0.7	-3.4	-3.9	-1.1	2.0	0.0	-2.8	-3.5	-0.8
Unemployment (ILO Rate, %)	5.2	5.6	6.8	8.3	10.5	3.6	4.2	5.7	7.5	8.6
House prices (% change)	9.9	-15.3	-15.6	-8.4	0.0	8.2	-15.2	-17.5	-4.5	0.9
House price/income ratio	6.32	5.45	4.68	4.36	3.99	8.29	6.80	5.55	5.23	4.81
Debt/income ratio	1.73	1.76	1.69	1.54	1.26	2.28	2.31	2.26	2.14	1.86

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Figure 17: Growth Profile – Comparison of Prolonged slump ('Adverse') scenario with baseline forecast
Total SWE real output (GVA)



As Figure 18 shows, this scenario generates a lengthy period of negative growth: with SWE GVA falling from 2008Q3 until 2010Q1, and with only very slow growth for some time after that. The result is to push employment sharply lower (Figure 19) and unemployment sharply higher, as output growth struggles to exceed productivity growth even in the longer term.

Figure 18: Short-term output prospects – Prolonged Slump ('Adverse') Scenario
Quarterly growth of real output (GVA)

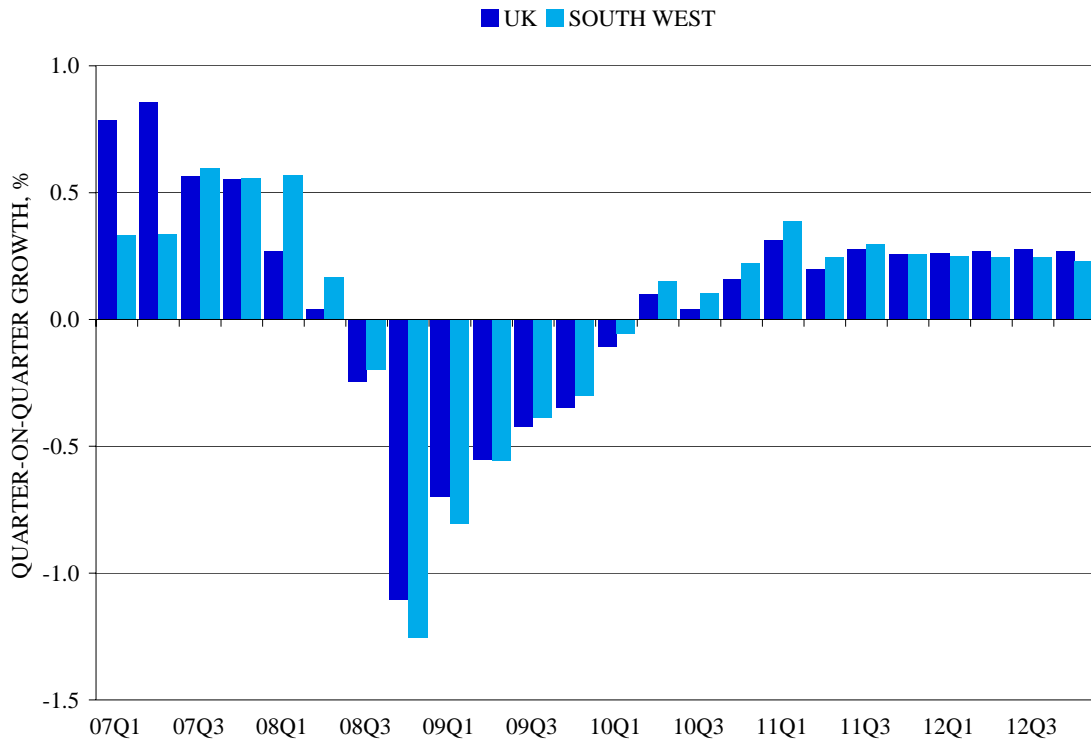
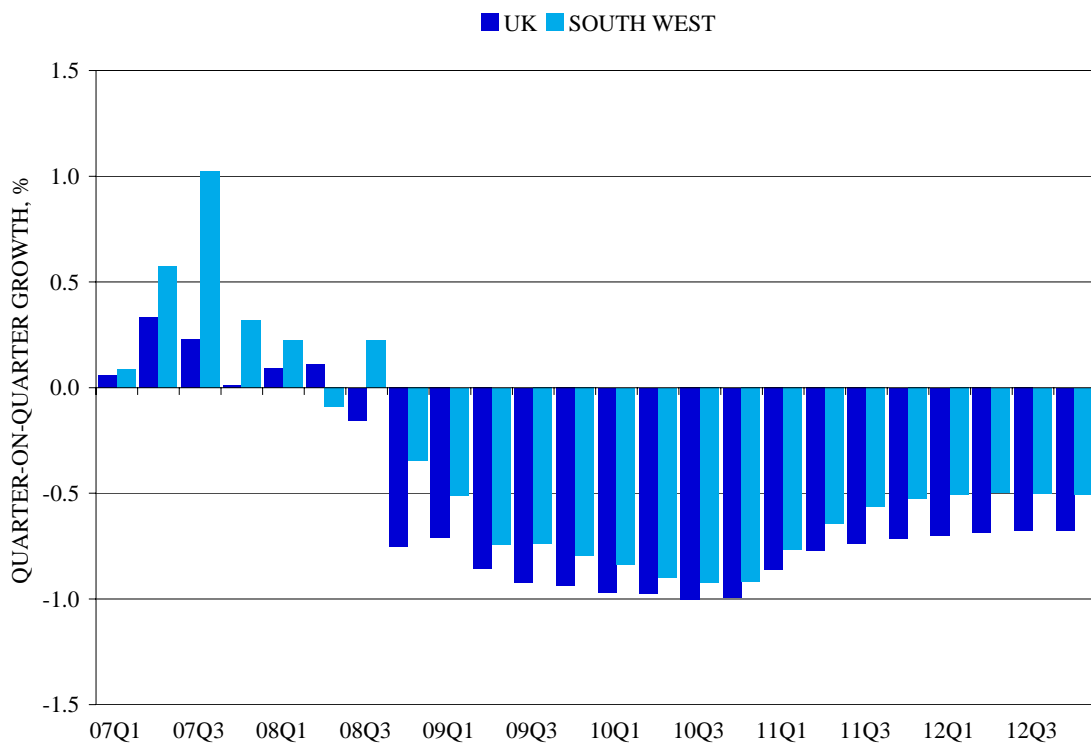


Figure 19: Short-term job prospects – Prolonged Slump ('Adverse') Scenario
Quarterly growth of employment (FTE)



Employment growth is eventually restored in 2012 by which time the SWE economy has shed around 280,000 jobs, and the ILO unemployment rate has risen to more than 9% of the workforce (or around 260,000).

The slump damages all sectors of the SWE economy. The short-run profile is similar to that under the ‘worse’ case (with which it shares several features). **The geographical impact is also widely spread** in terms of both output and employment reductions.

Figure 20: Medium-term output prospects – Prolonged slump (‘Adverse’) Scenario
Annual growth of real output (GVA)

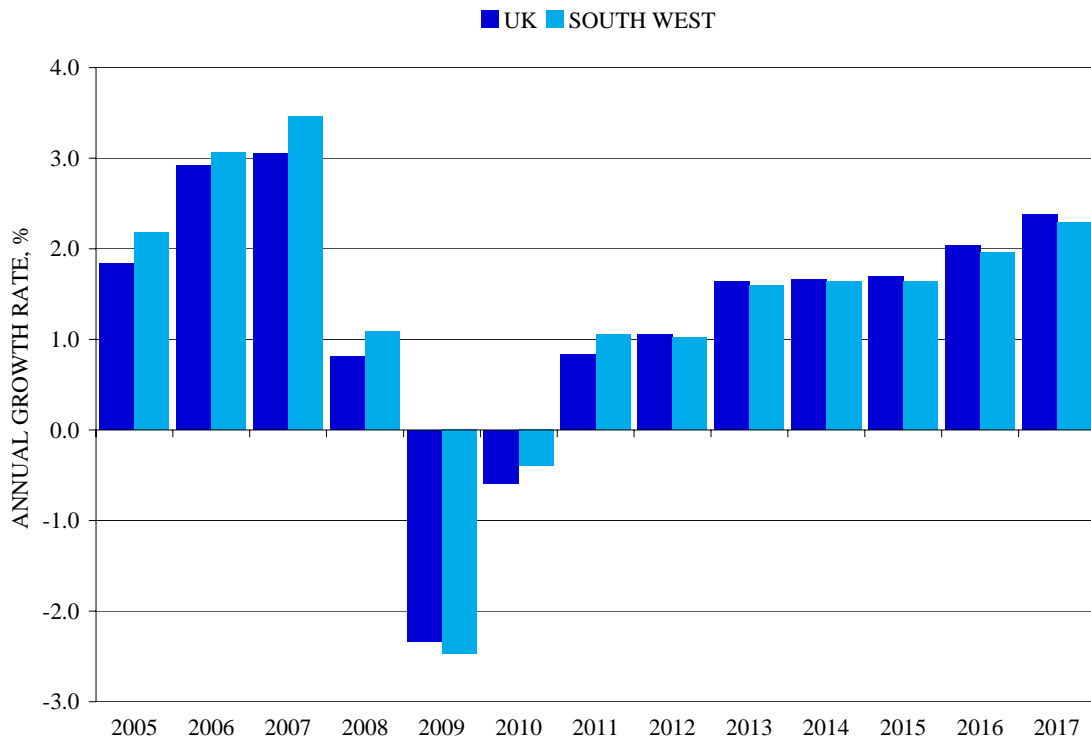


Figure 21: Short term industry prospects – Prolonged slump ('Adverse') Scenario
Growth of Industry real Output (GVA)

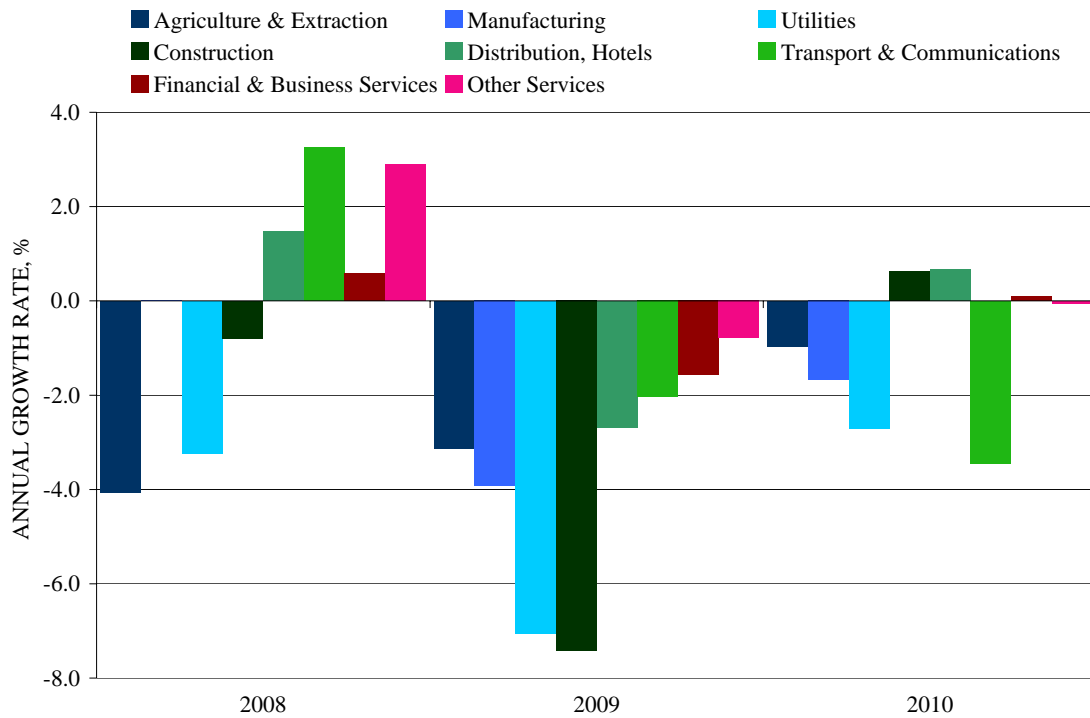


Figure 22: Short-term industry prospects – Prolonged slump ('Adverse') scenario
Growth of full-time equivalent employment

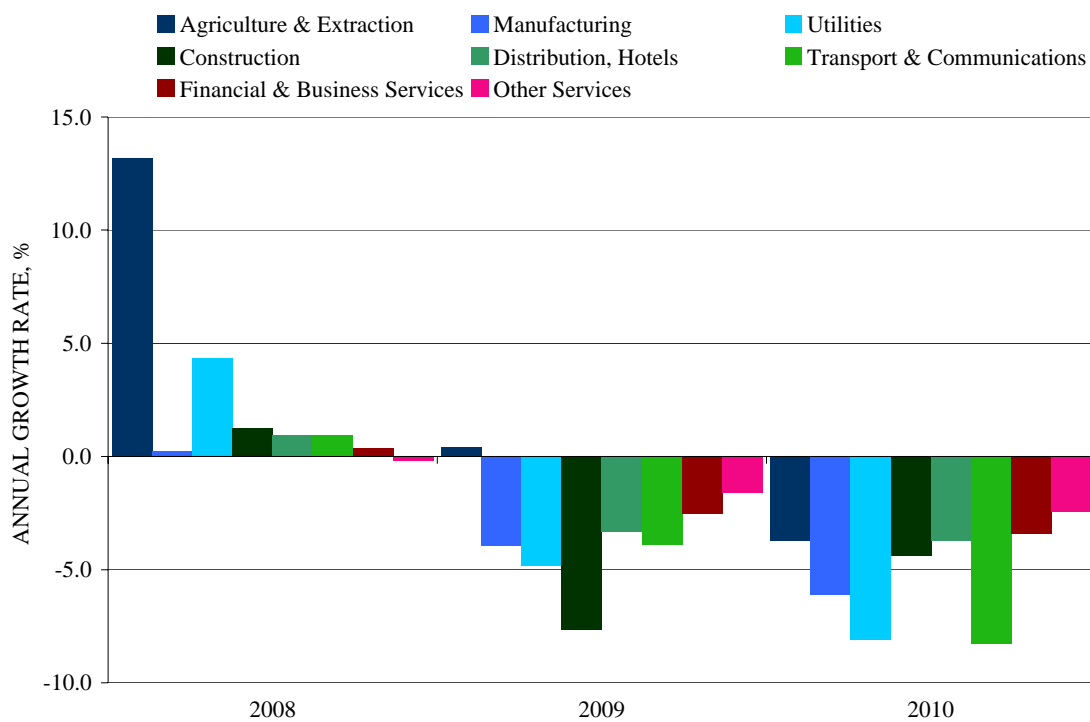


Figure 23: SWE places output prospects – Prolonged slump ('Adverse') scenario
Annual growth of real output (GVA)

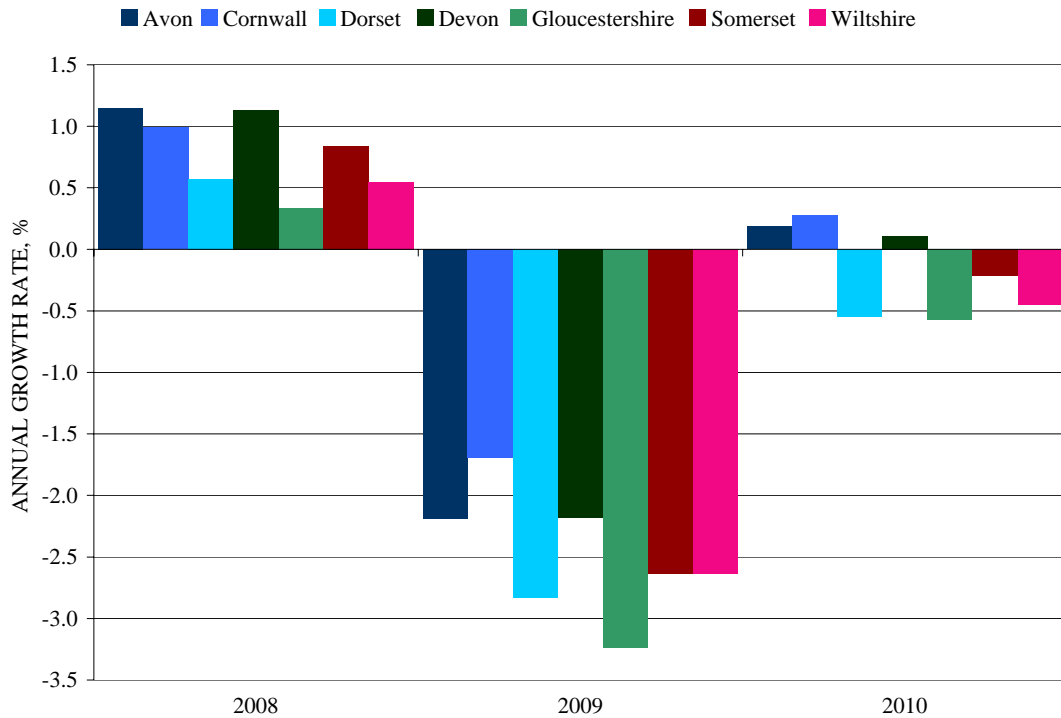
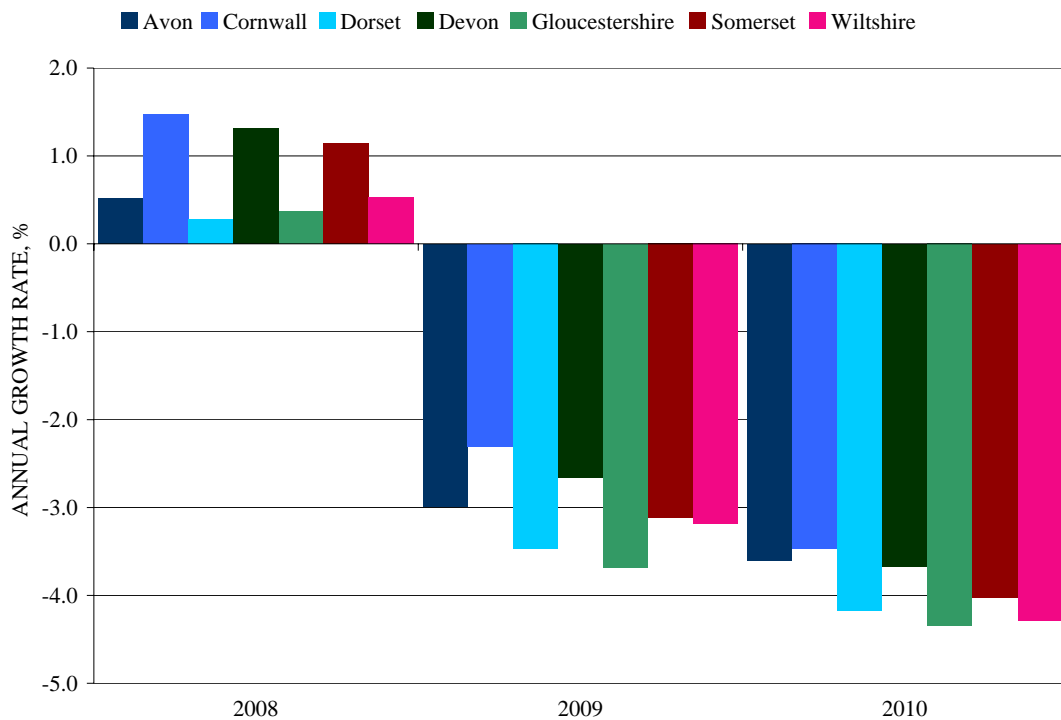


Figure 24: SWE Places job prospects – Prolonged slump ('Adverse') scenario
Annual growth of employment (FTE)



7 Conclusions

This report has considered the results of economic forecasting exercises for the SWE economy, considering three alternative scenarios of potential outlooks for economic activity in the region over both the short- and medium terms. The first case considered was a baseline forecast based on Experian's Regional Planning Service forecast for the UK regions and sub-regions, which was produced during October 2008. This forecast suggests that all regions of the United Kingdom will suffer as a result of a UK recession which began during the third quarter of this year and which will persist until the middle of next year. **The outlook for South West England is in line with that for the United Kingdom as whole**, as weaknesses in terms of household finances, business structure (small firms) and construction activity hold back consumption and investment demand, but this is partially offset by an industry structure that is relatively protected from the first-order effects of the current downturn. Industry forecasts consistent with this macroeconomic scenario suggest that all areas of private-sector activity in South West England face the prospect of declining real output and employment next year, but that construction will be most severely impacted. The effects are also widely distributed across geographical areas of South West England.

There are a number of significant risks associated with the baseline case, and we therefore also presented two alternative scenarios both looking at the prospects for more severe and lengthy recessions and/or more sluggish recoveries. The 'worse' case considered a deeper and longer recession where, however, growth recovered to levels similar to those seen previously (excepting the unsustainable levels of growth over the last 5 years or so). The 'adverse' case looked at a severe recession which then led into a persistent slump. The effects on sectors and places are mixed, but most areas of economic activity suffer.

In all of these cases (as has generally the case in past recessions), output in the economy recovers far more quickly than does the labour market, which suffers a prolonged period of falling employment and rising unemployment. **The lags in employment effects, and the persistence of these effects, suggest that these should be a key focus for policy.** Attempts to reduce the impact of the recession on output are unlikely to succeed and run the risk that they only come into effect once recovery is well under way. Efforts to mitigate the damage caused by falling employment and increasing unemployment – through enhanced training provision, etc. – are more likely to be timed to be effective when the need is there. It is also important that **policy should remain focused on the long-term development needs of the region.** Recessions are generally fairly brief events and rarely are times of significant structural change. Agencies in South West England engaged with economic development should seek to ensure that their policies support the recovery process once it begins.



Appendix A Detailed Results

APPENDIX TABLE 1: ANNUAL FORECASTS - BASELINE CASE

	ANNUAL ESTIMATES: UK & SOUTH WE						
	2005	2006	2007	2008	2009	2010	2015
LEVELS							
UK							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GDP)	1175.9	1210.3	1247.3	1260.1	1249.2	1265.5	1406.9
Household Expenditure	760.2	775.6	800.1	814.2	809.0	819.8	918.0
Investment	200.7	216.0	229.0	222.1	216.3	220.7	260.3
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	31.116	31.412	31.611	31.547	31.072	30.911	31.674
Total Employment (FTE) (millions, Q4)	25.677	26.050	26.133	26.045	25.619	25.461	26.019
ILO Unemployment (millions, Q4)	1.549	1.695	1.605	1.861	2.236	2.343	1.873
ILO Unemployment (% , Q4)	5.1	5.5	5.2	5.9	7.1	7.5	5.9
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	196.2	195.5	201.2	198.6	198.1	200.6	235.8
Debt-to-Income ratio (Q4)	1.51	1.67	1.73	1.76	1.73	1.67	1.56
House Price Index (2003 = 100, Q4)	119.1	130.0	142.8	122.9	107.7	106.3	120.3
House price-income ratio (Q4)	5.70	5.97	6.32	5.50	4.83	4.71	4.65
SOUTH WEST ENGLAND							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GVA)	82.1	84.6	87.5	88.7	87.8	89.2	99.4
Household Expenditure	63.9	65.0	67.0	68.2	67.6	68.8	76.9
Investment	17.3	18.1	19.0	18.6	17.8	18.1	21.5
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	2.623	2.642	2.695	2.699	2.664	2.653	2.726
Total Employment (FTE) (millions, Q4)	2.210	2.124	2.165	2.165	2.133	2.121	2.173
ILO Unemployment (millions, Q4)	0.103	0.106	0.096	0.111	0.131	0.141	0.109
ILO Unemployment (% , Q4)	4.0	4.1	3.6	4.1	4.9	5.2	3.9
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	16.4	16.2	16.9	17.1	17.0	17.2	19.1
Debt-to-Income ratio (Q4)	2.02	2.23	2.28	2.31	2.26	2.18	2.05
House Price Index (2003 = 100, Q4)	114.9	124.0	134.2	114.7	100.3	103.4	117.9
House price-income ratio (Q4)	7.74	7.99	8.29	6.86	5.93	6.04	5.95
ANNUAL GROWTH RATES, %							
UK							
Output (GDP)	1.8	2.9	3.1	1.0	-0.9	1.3	2.1
Household Expenditure	1.5	2.0	3.2	1.8	-0.6	1.3	2.3
Investment	1.5	7.6	6.0	-3.0	-2.6	2.1	3.4
Total Employment (Jobs) (millions, Q4)	1.4	1.0	0.6	-0.2	-1.5	-0.5	0.5
Total Employment (FTE) (millions, Q4)	1.6	1.5	0.3	-0.3	-1.6	-0.6	0.4
ILO Unemployment (millions, Q4)	8.7	9.4	-5.3	15.9	20.2	4.8	-4.4
ILO Unemployment (% , Q4), ppc	7.6	8.0	-6.2	15.0	20.4	4.7	-0.3
Household Disposable Income (Q4)	3.9	-0.4	2.9	-1.3	-0.3	1.3	3.3
Debt-to-Income ratio (Q4)	-0.3	10.7	3.2	2.2	-1.8	-3.8	-1.3
House Price Index (Q4)	2.3	9.2	9.9	-13.9	-12.4	-1.3	2.5
House price-income ratio (Q4)	-1.5	4.9	5.8	-12.9	-12.2	-2.5	-0.3
SOUTH WEST ENGLAND							
Output (GVA)	2.2	3.1	3.5	1.3	-1.0	1.5	2.2
Household Expenditure	0.8	1.7	3.1	1.7	-0.8	1.7	2.3
Investment	2.3	4.6	5.1	-2.1	-4.3	1.5	3.6
Total Employment (Jobs) (millions, Q4)	0.5	0.7	2.0	0.1	-1.3	-0.4	0.5
Total Employment (FTE) (millions, Q4)	0.4	0.7	2.0	0.0	-1.5	-0.6	0.5
ILO Unemployment (millions, Q4)	12.0	2.9	-9.4	16.1	17.9	7.3	-5.0
ILO Unemployment (% , Q4), ppc	11.7	1.7	-11.7	15.2	18.0	6.8	-0.3
Household Disposable Income (Q4)	3.4	-0.7	4.1	1.0	-0.5	1.1	2.2
Debt-to-Income ratio (Q4)	-0.4	10.6	2.4	1.0	-1.9	-3.4	-1.3
House Price Index (Q4)	-0.1	8.0	8.2	-14.5	-12.5	3.1	2.7
House price-income ratio (Q4)	-3.7	3.2	3.7	-17.2	-13.6	1.8	-0.3

APPENDIX TABLE 2: SECTOR GVA IMPACTS - BASELINE CASE

	ANNUAL ESTIMATES: UK & SOUTH WE						Annual Growth Rates, %				
	£ billion, Constant 2003 prices						2005	2006	2007	2008	2009
UK											
<i>Broad Sectors</i>											
Agriculture, forestry and fishing	11.7	12.0	11.6	11.7	11.3	11.1	10.6	0.3	-3.4	-1.2	
Extraction	2.3	2.4	2.5	2.2	2.3	2.3	2.1	-11.9	3.3	-0.2	
Engineering	32.0	33.0	33.7	33.9	33.1	33.4	37.1	0.5	-2.4	1.0	
Transport Equipment	18.7	19.8	19.7	20.1	19.4	19.6	20.8	2.0	-3.5	0.9	
Other Manufacturing	115.6	116.6	116.3	115.5	112.9	112.6	110.8	-0.7	-2.3	-0.3	
Energy & Water	18.7	18.6	18.7	18.8	18.2	18.3	18.5	0.2	-3.0	0.8	
Construction	71.1	71.9	73.3	72.9	71.6	73.2	80.4	-0.5	-1.9	2.2	
Distribution & Retail	144.7	148.7	154.1	157.2	156.7	159.1	178.6	2.0	-0.4	1.5	
Hotels & Catering	36.3	38.7	40.1	40.3	40.4	40.8	45.6	0.6	0.2	0.9	
Transport & Communications	92.0	95.7	99.6	103.0	104.3	107.2	121.9	3.3	1.3	2.8	
Financial Services	201.7	205.6	210.3	205.6	195.2	194.5	188.9	-2.2	-5.1	-0.3	
Business Services	159.9	171.5	187.2	193.2	196.7	204.8	286.4	3.2	1.8	4.1	
Public Administration	59.4	59.8	59.6	59.7	59.7	59.2	56.8	0.1	0.1	-0.8	
Education	66.6	66.7	66.5	67.4	67.3	67.1	67.4	1.3	-0.2	-0.4	
Health & Social Work	85.1	87.7	90.2	92.3	93.6	94.9	107.2	2.4	1.3	1.5	
Other Services	60.1	61.9	63.7	66.2	66.7	67.4	73.8	3.9	0.9	1.0	
TOTAL	1175.9	1210.3	1247.3	1260.1	1249.2	1265.5	1406.9	1.0	-0.9	1.3	
SOUTH WEST ENGLAND											
<i>Broad Sectors</i>											
Agriculture, forestry and fishing	1.53	1.59	1.53	1.53	1.47	1.46	1.41	-0.1	-3.8	-0.7	
Extraction	0.32	0.38	0.39	0.32	0.35	0.36	0.39	-17.9	7.4	4.2	
Engineering	2.59	2.80	2.94	3.05	3.02	3.08	3.53	3.7	-0.9	2.3	
Transport Equipment	1.99	2.18	2.22	2.31	2.28	2.32	2.61	4.3	-1.6	2.0	
Other Manufacturing	5.84	5.94	5.96	5.78	5.56	5.56	5.47	-3.0	-3.8	0.0	
Energy & Water	2.03	2.20	2.36	2.29	2.16	2.17	2.17	-3.0	-5.7	0.5	
Construction	5.98	5.89	5.83	5.80	5.44	5.55	6.29	-0.6	-6.1	1.9	
Distribution & Retail	9.91	9.77	10.09	10.31	10.14	10.28	11.54	2.2	-1.6	1.4	
Hotels & Catering	3.04	3.12	3.32	3.33	3.32	3.41	3.94	0.2	-0.2	2.7	
Transport & Communications	4.78	4.89	5.12	5.30	5.27	5.42	6.09	3.5	-0.6	2.8	
Financial Services	13.54	14.35	14.70	14.83	14.67	14.53	14.51	0.9	-1.1	-1.0	
Business Services	10.94	11.28	12.24	12.32	12.48	13.07	18.10	0.7	1.3	4.8	
Public Administration	4.76	5.00	5.10	5.12	5.11	5.10	5.01	0.5	-0.2	-0.3	
Education	4.73	4.74	4.83	4.98	5.04	5.12	5.44	3.1	1.1	1.6	
Health & Social Work	6.72	6.90	7.20	7.54	7.64	7.82	8.56	4.8	1.3	2.4	
Other Services	3.40	3.59	3.71	3.89	3.91	3.95	4.30	4.6	0.5	1.2	
TOTAL	82.11	84.62	87.55	88.71	87.85	89.21	99.37	1.3	-1.0	1.5	
<i>Priority Sectors</i>											
Advanced Engineering	2.44	2.77	2.87	2.90	2.86	2.92	3.31	1.0	-1.3	2.1	
Food & drink	2.87	3.00	2.96	2.90	2.79	2.78	2.72	-2.0	-3.8	-0.3	
ICT	3.51	3.60	3.90	4.05	4.11	4.32	5.94	3.9	1.5	5.0	
Leisure & tourism	2.30	2.41	2.57	2.57	2.56	2.63	3.04	-0.1	-0.2	2.7	
Marine	0.43	0.48	0.49	0.50	0.50	0.51	0.57	3.5	-1.6	2.0	
Bio-tech	0.59	0.61	0.64	0.64	0.64	0.66	0.76	0.2	-0.3	3.5	
Environmental	1.31	1.21	1.32	1.55	1.51	1.55	1.86	17.2	-2.6	3.1	
Creative	2.43	2.47	2.66	2.81	2.85	2.98	4.01	5.6	1.5	4.4	
TOTAL	15.87	16.53	17.41	17.92	17.82	18.35	22.20	2.9	-0.6	3.0	

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APPENDIX TABLE 3: SECTOR EMPLOYMENT (FTE) IMPACTS - BASELINE CASE

	ANNUAL ESTIMATES: UK & SOUTH WEST (millions)						Annual Growth Rates, %			
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
UK										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.4	0.4	0.4	0.4	0.5	0.4	0.4	9.6	2.0	-1.0
Extraction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	-8.8	-1.7
Engineering	0.6	0.6	0.6	0.6	0.6	0.6	0.5	-2.1	-3.0	-1.6
Transport Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.3	-0.9	-3.0	-1.6
Other Manufacturing	2.2	2.2	2.1	2.1	2.0	2.0	1.9	-2.7	-3.0	-1.5
Energy & Water	0.1	0.1	0.1	0.1	0.1	0.1	0.1	5.5	-1.1	-2.7
Construction	2.0	2.1	2.2	2.1	2.1	2.0	2.1	-1.2	-3.7	-0.7
Distribution & Retail	3.9	3.9	3.9	3.9	3.8	3.8	3.8	0.1	-2.1	-1.3
Hotels & Catering	1.3	1.4	1.4	1.4	1.3	1.3	1.4	-0.5	-1.1	-0.6
Transport & Communications	1.7	1.7	1.7	1.7	1.7	1.7	1.7	0.5	-1.6	-0.1
Financial Services	1.7	1.7	1.8	1.7	1.7	1.7	1.7	-1.4	-2.9	-0.6
Business Services	3.7	3.9	4.0	4.1	4.0	4.0	4.4	0.3	-1.3	-0.7
Public Administration	1.3	1.3	1.3	1.3	1.3	1.3	1.3	-2.0	-2.0	0.0
Education	1.8	1.8	1.8	1.9	1.8	1.8	1.8	0.8	-0.5	-0.9
Health & Social Work	2.7	2.7	2.8	2.8	2.8	2.8	3.0	1.1	0.0	1.1
Other Services	1.6	1.6	1.6	1.6	1.6	1.6	1.6	0.8	-0.1	-0.5
TOTAL	25.7	26.0	26.1	26.0	25.6	25.5	26.0	-0.3	-1.6	-0.6
SOUTH WEST ENGLAND										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.075	0.072	0.074	0.084	0.086	0.085	0.085	13.9	2.4	-1.0
Extraction	0.005	0.005	0.004	0.004	0.004	0.004	0.004	-10.3	-3.8	3.4
Engineering	0.068	0.063	0.062	0.063	0.062	0.061	0.062	1.1	-0.6	-1.7
Transport Equipment	0.045	0.043	0.043	0.042	0.042	0.041	0.042	-2.9	0.5	-1.6
Other Manufacturing	0.166	0.155	0.154	0.153	0.147	0.143	0.144	-0.6	-3.9	-2.3
Energy & Water	0.011	0.012	0.012	0.013	0.013	0.012	0.012	3.5	-3.3	-3.3
Construction	0.198	0.188	0.179	0.180	0.169	0.166	0.171	0.4	-6.2	-1.4
Distribution & Retail	0.360	0.328	0.339	0.338	0.331	0.325	0.330	-0.2	-2.2	-1.8
Hotels & Catering	0.123	0.115	0.123	0.124	0.123	0.124	0.127	0.8	-0.9	0.8
Transport & Communications	0.120	0.115	0.115	0.115	0.112	0.112	0.115	0.1	-2.4	-0.5
Financial Services	0.108	0.104	0.111	0.111	0.110	0.110	0.112	-0.6	-0.6	-0.1
Business Services	0.276	0.271	0.282	0.281	0.278	0.276	0.288	-0.4	-1.2	-0.6
Public Administration	0.154	0.155	0.157	0.150	0.146	0.147	0.150	-4.4	-2.5	0.2
Education	0.146	0.146	0.154	0.152	0.154	0.155	0.159	-1.5	1.4	0.6
Health & Social Work	0.241	0.235	0.244	0.242	0.244	0.248	0.258	-0.9	0.7	1.6
Other Services	0.114	0.115	0.112	0.114	0.113	0.112	0.115	2.3	-1.0	-0.8
TOTAL	2.210	2.124	2.165	2.165	2.133	2.121	2.173	0.0	-1.5	-0.6
<i>Priority Sectors</i>										
Advanced Engineering	0.055	0.056	0.057	0.057	0.054	0.056	0.064	0.1	-5.5	3.7
Food & drink	0.113	0.112	0.109	0.106	0.099	0.101	0.097	-2.9	-6.6	2.2
ICT	0.056	0.060	0.060	0.061	0.060	0.063	0.087	2.9	-3.2	6.3
Leisure & tourism	0.079	0.083	0.081	0.080	0.078	0.081	0.092	-1.1	-2.4	3.3
Marine	0.015	0.016	0.017	0.018	0.017	0.018	0.022	2.6	-3.9	8.8
Bio-tech	0.013	0.013	0.013	0.013	0.012	0.013	0.015	-0.7	-3.2	4.9
Environmental	0.022	0.025	0.025	0.026	0.026	0.027	0.034	3.8	0.3	3.7
Creative	0.063	0.068	0.069	0.072	0.070	0.074	0.101	4.6	-3.4	6.4
TOTAL	0.416	0.432	0.431	0.434	0.416	0.434	0.511	0.5	-4.0	4.3
<i>Experian</i>										

APPENDIX TABLE 4: IMPACTS ON SOUTH WEST PLACES - BASELINE CASE

	ANNUAL ESTIMATES: UK & SOUTH WEST							Annual Growth Rates, %		
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
Output (GVA, £ Billion constant 2003 prices)										
<i>South West Counties (inclusive of UAs)</i>										
Avon	19.7	19.9	20.5	20.9	20.8	21.2	24.2	1.9	-0.7	1.9
Cornwall	6.8	7.0	7.3	7.4	7.4	7.5	8.4	1.2	-0.2	1.8
Dorset	10.6	11.0	11.4	11.5	11.3	11.5	12.4	0.6	-1.4	1.1
Devon	16.3	17.0	17.7	18.0	17.9	18.2	20.3	1.8	-0.7	1.8
Gloucestershire	10.0	10.2	10.5	10.5	10.3	10.4	11.4	0.4	-1.8	1.1
Somerset	7.7	7.8	8.0	8.0	7.9	8.1	8.9	0.8	-1.2	1.6
Wiltshire	11.0	11.7	12.2	12.3	12.2	12.4	13.7	1.4	-1.1	1.3
TOTAL	82.1	84.6	87.5	88.7	87.8	89.2	99.4	1.3	-1.0	1.5
Employment (FTE, millions)										
<i>South West Counties (inclusive of UAs)</i>										
Avon	0.500	0.474	0.483	0.482	0.475	0.474	0.499	-0.3	-1.4	-0.2
Cornwall	0.195	0.193	0.198	0.199	0.198	0.197	0.203	0.6	-0.7	-0.3
Dorset	0.286	0.276	0.282	0.280	0.275	0.272	0.273	-0.5	-1.9	-0.9
Devon	0.463	0.454	0.465	0.467	0.462	0.461	0.473	0.5	-1.1	-0.4
Gloucestershire	0.264	0.249	0.250	0.249	0.244	0.241	0.242	-0.5	-2.1	-1.1
Somerset	0.216	0.203	0.205	0.206	0.203	0.201	0.204	0.3	-1.6	-0.7
Wiltshire	0.285	0.276	0.282	0.281	0.276	0.274	0.279	-0.3	-1.6	-0.8
TOTAL	2.210	2.124	2.165	2.165	2.133	2.121	2.173	0.0	-1.5	-0.6
<i>Experian</i>										

APPENDIX TABLE 5: ANNUAL FORECASTS - 'WORSE' SCENARIO

ANNUAL ESTIMATES: UK & SOUTH WEST							
	2005	2006	2007	2008	2009	2010	2015
LEVELS							
UK							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GDP)	1175.9	1210.3	1247.3	1259.1	1242.8	1251.1	1390.3
Household Expenditure	760.2	775.6	800.1	813.4	803.1	807.2	903.4
Investment	200.7	216.0	229.0	221.9	215.8	219.7	259.2
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	31.116	31.412	31.611	31.504	30.860	30.365	30.767
Total Employment (FTE) (millions, Q4)	25.677	26.050	26.133	26.008	25.438	24.996	25.249
ILO Unemployment (millions, Q4)	1.549	1.695	1.605	1.902	2.416	2.798	2.861
ILO Unemployment (% , Q4)	5.1	5.5	5.2	6.1	7.7	8.9	9.0
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	196.2	195.5	201.2	198.0	196.6	197.0	229.9
Debt-to-Income ratio (Q4)	1.51	1.67	1.73	1.77	1.71	1.61	1.45
House Price Index (2003 = 100, Q4)	119.1	130.0	142.8	121.9	105.1	100.3	110.2
House price-income ratio (Q4)	5.70	5.97	6.32	5.47	4.75	4.53	4.37
SOUTH WEST ENGLAND							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GVA)	82.1	84.6	87.5	88.6	87.3	88.1	98.1
Household Expenditure	63.9	65.0	67.0	68.1	66.9	67.1	74.3
Investment	17.3	18.1	19.0	18.6	17.7	17.9	21.4
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	2.623	2.642	2.695	2.696	2.642	2.600	2.655
Total Employment (FTE) (millions, Q4)	2.210	2.124	2.165	2.162	2.114	2.075	2.112
ILO Unemployment (millions, Q4)	0.103	0.106	0.096	0.113	0.142	0.168	0.140
ILO Unemployment (% , Q4)	4.0	4.1	3.6	4.2	5.3	6.2	5.1
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	16.4	16.2	16.9	17.0	16.8	16.8	18.6
Debt-to-Income ratio (Q4)	2.02	2.23	2.28	2.31	2.25	2.16	1.98
House Price Index (2003 = 100, Q4)	114.9	124.0	134.2	114.3	99.4	101.7	118.2
House price-income ratio (Q4)	7.74	7.99	8.29	6.83	5.87	5.94	5.97
ANNUAL GROWTH RATES, %							
UK							
Output (GDP)	1.8	2.9	3.1	0.9	-1.3	0.7	2.1
Household Expenditure	1.5	2.0	3.2	1.7	-1.3	0.5	2.3
Investment	1.5	7.6	6.0	-3.1	-2.8	1.8	3.4
Total Employment (Jobs) (millions, Q4)	1.4	1.0	0.6	-0.3	-2.0	-1.6	0.3
Total Employment (FTE) (millions, Q4)	1.6	1.5	0.3	-0.5	-2.2	-1.7	0.2
ILO Unemployment (millions, Q4)	8.7	9.4	-5.3	18.5	27.0	15.8	0.6
ILO Unemployment (% , Q4), ppc	7.6	8.0	-6.2	17.5	27.3	15.8	0.0
Household Disposable Income (Q4)	3.9	-0.4	2.9	-1.6	-0.7	0.2	3.1
Debt-to-Income ratio (Q4)	-0.3	10.7	3.2	2.2	-2.9	-5.9	-2.1
House Price Index (Q4)	2.3	9.2	9.9	-14.7	-13.8	-4.5	1.9
House price-income ratio (Q4)	-1.5	4.9	5.8	-13.4	-13.1	-4.7	-0.7
SOUTH WEST ENGLAND							
Output (GVA)	2.2	3.1	3.5	1.2	-1.5	0.9	2.2
Household Expenditure	0.8	1.7	3.1	1.6	-1.7	0.2	2.1
Investment	2.3	4.6	5.1	-2.2	-4.6	1.0	3.6
Total Employment (Jobs) (millions, Q4)	0.5	0.7	2.0	0.0	-2.0	-1.6	0.4
Total Employment (FTE) (millions, Q4)	0.4	0.7	2.0	-0.2	-2.2	-1.8	0.3
ILO Unemployment (millions, Q4)	12.0	2.9	-9.4	17.3	26.5	18.1	-3.6
ILO Unemployment (% , Q4), ppc	11.7	1.7	-11.7	16.5	26.5	17.7	-0.2
Household Disposable Income (Q4)	3.4	-0.7	4.1	0.7	-1.2	-0.2	2.1
Debt-to-Income ratio (Q4)	-0.4	10.6	2.4	1.0	-2.2	-4.2	-1.7
House Price Index (Q4)	-0.1	8.0	8.2	-14.9	-13.0	2.3	3.1
House price-income ratio (Q4)	-3.7	3.2	3.7	-17.6	-14.1	1.1	0.1

APPENDIX TABLE 6: SECTOR GVA IMPACTS - 'WORSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST									
	£ billion, constant 2003 prices									
	Annual Growth Rates, %									
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
UK										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	11.7	12.0	11.6	11.6	11.2	11.1	10.8	0.2	-3.8	-1.3
Extraction	2.3	2.4	2.5	2.2	2.3	2.3	2.2	-12.0	2.9	-0.2
Engineering	32.0	33.0	33.7	33.9	32.9	33.2	38.0	0.4	-2.9	0.9
Transport Equipment	18.7	19.8	19.7	20.1	19.3	18.5	15.0	1.9	-3.9	-4.1
Other Manufacturing	115.6	116.6	116.3	115.5	112.3	111.9	113.3	-0.8	-2.7	-0.3
Energy & Water	18.7	18.6	18.7	18.7	18.1	17.3	13.2	0.2	-3.4	-4.3
Construction	71.1	71.9	73.3	72.9	71.2	72.7	82.3	-0.6	-2.3	2.2
Distribution & Retail	144.7	148.7	154.1	157.1	155.9	158.2	182.7	1.9	-0.8	1.5
Hotels & Catering	36.3	38.7	40.1	40.3	40.2	40.5	46.7	0.5	-0.2	0.8
Transport & Communications	92.0	95.7	99.6	102.9	103.7	101.4	87.8	3.3	0.8	-2.3
Financial Services	201.7	205.6	210.3	205.5	194.2	193.4	193.2	-2.3	-5.5	-0.4
Business Services	159.9	171.5	187.2	193.0	195.7	203.6	293.0	3.1	1.4	4.1
Public Administration	59.4	59.8	59.6	59.6	59.4	58.9	58.1	0.0	-0.4	-0.8
Education	66.6	66.7	66.5	67.4	67.0	66.7	68.9	1.3	-0.6	-0.5
Health & Social Work	85.1	87.7	90.2	92.3	93.1	94.4	109.7	2.3	0.9	1.4
Other Services	60.1	61.9	63.7	66.1	66.4	67.0	75.5	3.8	0.4	1.0
TOTAL	1175.9	1210.3	1247.3	1259.1	1242.8	1251.1	1390.3	0.9	-1.3	0.7
SOUTH WEST ENGLAND										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	1.53	1.59	1.53	1.53	1.46	1.45	1.58	-0.2	-4.2	-0.9
Extraction	0.32	0.38	0.39	0.32	0.35	0.36	0.40	-18.0	6.9	4.0
Engineering	2.59	2.80	2.94	3.04	3.00	3.06	3.47	3.6	-1.4	2.1
Transport Equipment	1.99	2.18	2.22	2.31	2.26	2.14	2.27	4.2	-2.1	-5.2
Other Manufacturing	5.84	5.94	5.96	5.78	5.53	5.52	6.04	-3.1	-4.2	-0.2
Energy & Water	2.03	2.20	2.36	2.29	2.14	2.11	2.27	-3.1	-6.2	-1.7
Construction	5.98	5.89	5.83	5.79	5.41	5.50	6.16	-0.7	-6.6	1.7
Distribution & Retail	9.91	9.77	10.09	10.30	10.08	10.20	11.45	2.1	-2.1	1.2
Hotels & Catering	3.04	3.12	3.32	3.33	3.31	3.42	3.89	0.1	-0.7	3.5
Transport & Communications	4.78	4.89	5.12	5.29	5.23	5.11	5.46	3.4	-1.1	-2.4
Financial Services	13.54	14.35	14.70	14.82	14.59	14.42	15.70	0.8	-1.6	-1.2
Business Services	10.94	11.28	12.24	12.31	12.40	12.97	15.20	0.6	0.8	4.6
Public Administration	4.76	5.00	5.10	5.12	5.08	5.06	5.51	0.4	-0.7	-0.5
Education	4.73	4.74	4.83	4.98	5.01	5.08	5.64	3.1	0.6	1.4
Health & Social Work	6.72	6.90	7.20	7.53	7.59	7.76	8.71	4.7	0.8	2.2
Other Services	3.40	3.59	3.71	3.88	3.88	3.92	4.37	4.6	0.0	1.0
TOTAL	82.11	84.62	87.55	88.63	87.33	88.07	98.14	1.2	-1.5	0.9
<i>Priority Sectors</i>										
Advanced Engineering	2.44	2.77	2.87	2.89	2.84	2.79	3.06	0.9	-1.8	-1.8
Food & drink	2.87	3.00	2.96	2.90	2.78	2.76	3.02	-2.1	-4.2	-0.5
ICT	3.51	3.60	3.90	4.05	4.09	4.25	5.04	3.8	1.0	3.8
Leisure & tourism	2.30	2.41	2.57	2.57	2.55	2.64	3.00	-0.2	-0.7	3.5
Marine	0.43	0.48	0.49	0.50	0.49	0.47	0.50	3.4	-2.1	-5.2
Bio-tech	0.59	0.61	0.64	0.64	0.64	0.66	0.84	0.1	-0.8	3.3
Environmental	1.31	1.21	1.32	1.54	1.50	1.52	1.79	17.1	-3.1	1.5
Creative	2.43	2.47	2.66	2.81	2.84	2.95	3.49	5.5	0.9	4.2
TOTAL	15.87	16.53	17.41	17.91	17.72	18.03	20.74	2.8	-1.1	1.8
<i>Experian</i>										

APPENDIX TABLE 7: SECTOR EMPLOYMENT (FTE) IMPACTS - 'WORSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST (millions)						Annual Growth Rates, %			
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
UK										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.4	0.4	0.4	0.4	0.5	0.4	0.4	9.5	1.4	-1.7
Extraction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.5	-9.3	-2.4
Engineering	0.6	0.6	0.6	0.6	0.6	0.5	0.5	-2.3	-3.5	-2.3
Transport Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.2	-1.0	-3.6	-7.2
Other Manufacturing	2.2	2.2	2.1	2.1	2.0	2.0	1.8	-2.9	-3.5	-2.3
Energy & Water	0.1	0.1	0.1	0.1	0.1	0.1	0.1	5.3	-1.7	-8.2
Construction	2.0	2.1	2.2	2.1	2.0	2.0	2.0	-1.3	-4.2	-1.4
Distribution & Retail	3.9	3.9	3.9	3.9	3.8	3.7	3.8	-0.1	-2.6	-2.0
Hotels & Catering	1.3	1.4	1.4	1.4	1.3	1.3	1.4	-0.7	-1.7	-1.3
Transport & Communications	1.7	1.7	1.7	1.7	1.7	1.6	1.3	0.4	-2.1	-5.7
Financial Services	1.7	1.7	1.8	1.7	1.7	1.6	1.7	-1.5	-3.4	-1.3
Business Services	3.7	3.9	4.0	4.0	4.0	3.9	4.4	0.2	-1.9	-1.4
Public Administration	1.3	1.3	1.3	1.3	1.3	1.3	1.3	-2.2	-2.5	-0.7
Education	1.8	1.8	1.8	1.9	1.8	1.8	1.7	0.6	-1.1	-1.6
Health & Social Work	2.7	2.7	2.8	2.8	2.8	2.8	3.0	0.9	-0.6	0.4
Other Services	1.6	1.6	1.6	1.6	1.6	1.6	1.6	0.7	-0.7	-1.2
TOTAL	25.7	26.0	26.1	26.0	25.4	25.0	25.2	-0.5	-2.2	-1.7
SOUTH WEST ENGLAND										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.075	0.072	0.074	0.084	0.085	0.083	0.072	13.8	1.6	-1.9
Extraction	0.005	0.005	0.004	0.004	0.004	0.004	0.004	-10.4	-4.5	2.5
Engineering	0.068	0.063	0.062	0.063	0.062	0.060	0.060	1.0	-1.4	-2.6
Transport Equipment	0.045	0.043	0.043	0.042	0.042	0.038	0.025	-3.0	-0.3	-9.3
Other Manufacturing	0.166	0.155	0.154	0.152	0.145	0.141	0.130	-0.8	-4.7	-3.3
Energy & Water	0.011	0.012	0.012	0.013	0.012	0.012	0.008	3.3	-4.0	-6.1
Construction	0.198	0.188	0.179	0.179	0.167	0.163	0.170	0.3	-6.9	-2.3
Distribution & Retail	0.360	0.328	0.339	0.338	0.328	0.319	0.323	-0.3	-2.9	-2.7
Hotels & Catering	0.123	0.115	0.123	0.124	0.122	0.123	0.142	0.7	-1.6	0.8
Transport & Communications	0.120	0.115	0.115	0.115	0.111	0.104	0.080	0.0	-3.1	-6.3
Financial Services	0.108	0.104	0.111	0.111	0.109	0.108	0.110	-0.7	-1.3	-1.0
Business Services	0.276	0.271	0.282	0.280	0.275	0.271	0.312	-0.5	-1.9	-1.5
Public Administration	0.154	0.155	0.157	0.150	0.145	0.144	0.146	-4.5	-3.2	-0.7
Education	0.146	0.146	0.154	0.151	0.152	0.152	0.155	-1.6	0.6	-0.3
Health & Social Work	0.241	0.235	0.244	0.242	0.242	0.243	0.262	-1.0	0.0	0.6
Other Services	0.114	0.115	0.112	0.114	0.112	0.110	0.113	2.1	-1.7	-1.8
TOTAL	2.210	2.124	2.165	2.162	2.114	2.075	2.112	-0.2	-2.2	-1.8
<i>Priority Sectors</i>										
Advanced Engineering	0.055	0.056	0.057	0.055	0.055	0.054	0.057	-3.3	0.7	-3.3
Food & drink	0.114	0.111	0.108	0.105	0.100	0.099	0.094	-2.1	-5.2	-1.0
ICT	0.056	0.059	0.059	0.061	0.060	0.063	0.074	3.8	-1.9	4.6
Leisure & tourism	0.079	0.082	0.081	0.080	0.079	0.080	0.082	-0.2	-1.8	0.8
Marine	0.015	0.016	0.017	0.018	0.018	0.017	0.017	3.4	2.6	-6.5
Bio-tech	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.1	-1.8	1.0
Environmental	0.022	0.025	0.025	0.026	0.026	0.026	0.030	4.7	0.3	0.3
Creative	0.063	0.068	0.068	0.072	0.071	0.073	0.086	5.5	-1.4	2.8
TOTAL	0.416	0.432	0.431	0.431	0.423	0.424	0.452	-0.1	-1.9	0.4
<i>Experian</i>										

APPENDIX TABLE 8: IMPACTS ON SOUTH WEST PLACES - 'WORSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST							Annual Growth Rates, %		
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
Output (GVA, £ billion constant 2003 prices)										
<i>South West Counties (inclusive of UAs)</i>										
Avon	19.7	19.9	20.5	20.8	20.6	20.8	23.8	1.5	-1.2	1.2
Cornwall	6.8	7.0	7.3	7.4	7.4	7.5	8.4	1.4	-0.7	1.3
Dorset	10.6	11.0	11.4	11.5	11.3	11.4	12.4	1.0	-1.8	0.4
Devon	16.3	17.0	17.7	17.9	17.7	17.9	20.1	1.5	-1.2	1.1
Gloucestershire	10.0	10.2	10.5	10.5	10.3	10.4	11.3	0.7	-2.2	0.4
Somerset	7.7	7.8	8.0	8.1	7.9	8.0	8.8	1.2	-1.6	0.8
Wiltshire	11.0	11.7	12.2	12.3	12.1	12.1	13.4	0.9	-1.6	0.5
TOTAL	82.1	84.6	87.5	88.6	87.3	88.1	98.1	1.2	-1.5	0.9

Employment (FTE, millions)

<i>South West Counties (inclusive of UAs)</i>										
Avon	0.500	0.474	0.483	0.481	0.471	0.463	0.483	-0.4	-2.2	-1.5
Cornwall	0.195	0.193	0.198	0.199	0.196	0.193	0.199	0.5	-1.5	-1.4
Dorset	0.286	0.276	0.282	0.280	0.272	0.267	0.267	-0.7	-2.7	-2.1
Devon	0.463	0.454	0.465	0.467	0.458	0.451	0.460	0.4	-1.8	-1.6
Gloucestershire	0.264	0.249	0.250	0.249	0.242	0.236	0.236	-0.6	-2.9	-2.3
Somerset	0.216	0.203	0.205	0.206	0.201	0.197	0.198	0.2	-2.3	-2.0
Wiltshire	0.285	0.276	0.282	0.280	0.274	0.268	0.269	-0.4	-2.4	-2.2
TOTAL	2.210	2.124	2.165	2.162	2.114	2.075	2.112	-0.2	-2.2	-1.8

Experian

APPENDIX TABLE 9: ANNUAL FORECASTS - 'ADVERSE' SCENARIO

ANNUAL ESTIMATES: UK & SOUTH WEST							
	2005	2006	2007	2008	2009	2010	2015
LEVELS							
UK							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GDP)	1175.9	1210.3	1247.3	1257.4	1228.0	1220.8	1307.2
Household Expenditure	760.2	775.6	800.1	812.4	792.6	786.1	848.7
Investment	200.7	216.0	229.0	221.4	213.0	214.5	245.9
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	31.116	31.412	31.611	31.387	30.325	29.147	27.566
Total Employment (FTE) (millions, Q4)	25.677	26.050	26.133	25.908	24.981	23.959	22.544
ILO Unemployment (millions, Q4)	1.549	1.695	1.605	1.769	2.138	2.596	3.230
ILO Unemployment (% , Q4)	5.1	5.5	5.2	5.6	6.8	8.3	10.3
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	196.2	195.5	201.2	197.4	193.9	190.8	214.1
Debt-to-Income ratio (Q4)	1.51	1.67	1.73	1.76	1.69	1.54	1.22
House Price Index (2003 = 100, Q4)	119.1	130.0	142.8	121.0	102.0	93.5	93.2
House price-income ratio (Q4)	5.70	5.97	6.32	5.45	4.68	4.36	3.97
SOUTH WEST ENGLAND							
<i>Output & Expenditure (£ billions, constant price)</i>							
Output (GVA)	82.1	84.6	87.5	88.5	86.3	86.0	92.1
Household Expenditure	63.9	65.0	67.0	68.1	66.7	66.0	70.2
Investment	17.3	18.1	19.0	18.6	17.6	17.6	20.2
<i>Labour Market</i>							
Total Employment (Jobs) (millions, Q4)	2.623	2.642	2.695	2.695	2.621	2.528	2.426
Total Employment (FTE) (millions, Q4)	2.210	2.124	2.165	2.161	2.096	2.014	1.958
ILO Unemployment (millions, Q4)	0.103	0.106	0.096	0.113	0.152	0.204	0.218
ILO Unemployment (% , Q4)	4.0	4.1	3.6	4.2	5.7	7.5	8.0
<i>Household Finances</i>							
Household Disposable Income (£ billion constant price, Q4)	16.4	16.2	16.9	17.0	16.7	16.4	17.4
Debt-to-Income ratio (Q4)	2.02	2.23	2.28	2.31	2.26	2.14	1.81
House Price Index (2003 = 100, Q4)	114.9	124.0	134.2	113.8	93.9	89.7	93.5
House price-income ratio (Q4)	7.74	7.99	8.29	6.80	5.55	5.23	4.72
ANNUAL GROWTH RATES, %							
UK							
Output (GDP)	1.8	2.9	3.1	0.8	-2.3	-0.6	1.4
Household Expenditure	1.5	2.0	3.2	1.5	-2.4	-0.8	1.5
Investment	1.5	7.6	6.0	-3.3	-3.8	0.7	2.8
Total Employment (Jobs) (millions, Q4)	1.4	1.0	0.6	-0.7	-3.4	-3.9	-1.1
Total Employment (FTE) (millions, Q4)	1.6	1.5	0.3	-0.9	-3.6	-4.1	-1.2
ILO Unemployment (millions, Q4)	8.7	9.4	-5.3	10.2	20.9	21.4	5.1
ILO Unemployment (% , Q4), ppc	7.6	8.0	-6.2	9.3	21.1	21.4	0.4
Household Disposable Income (Q4)	3.9	-0.4	2.9	-1.9	-1.8	-1.6	2.4
Debt-to-Income ratio (Q4)	-0.3	10.7	3.2	2.0	-4.1	-9.0	-4.3
House Price Index (Q4)	2.3	9.2	9.9	-15.3	-15.6	-8.4	0.0
House price-income ratio (Q4)	-1.5	4.9	5.8	-13.8	-14.1	-6.9	-1.8
SOUTH WEST ENGLAND							
Output (GVA)	2.2	3.1	3.5	1.1	-2.5	-0.4	1.4
Household Expenditure	0.8	1.7	3.1	1.7	-2.1	-1.1	1.3
Investment	2.3	4.6	5.1	-2.3	-5.1	-0.3	2.9
Total Employment (Jobs) (millions, Q4)	0.5	0.7	2.0	0.0	-2.8	-3.5	-0.8
Total Employment (FTE) (millions, Q4)	0.4	0.7	2.0	-0.2	-3.0	-3.9	-1.0
ILO Unemployment (millions, Q4)	12.0	2.9	-9.4	17.5	34.7	34.0	1.8
ILO Unemployment (% , Q4), ppc	11.7	1.7	-11.7	16.6	34.8	33.4	0.1
Household Disposable Income (Q4)	3.4	-0.7	4.1	0.8	-1.9	-2.0	1.2
Debt-to-Income ratio (Q4)	-0.4	10.6	2.4	1.0	-2.2	-5.1	-3.2
House Price Index (Q4)	-0.1	8.0	8.2	-15.2	-17.5	-4.5	0.9
House price-income ratio (Q4)	-3.7	3.2	3.7	-17.9	-18.5	-5.7	-2.0

APPENDIX TABLE 10: SECTOR GVA IMPACTS - 'ADVERSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST						Annual Growth Rates, %			
	£ billion, constant 2003 prices						2008	2009	2010	2011
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
UK										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	11.7	12.0	11.6	11.6	11.1	10.8	10.2	0.1	-4.8	-2.5
Extraction	2.3	2.4	2.5	2.2	2.2	2.2	2.1	-12.1	1.8	-1.5
Engineering	32.0	33.0	33.7	33.8	32.5	32.4	35.7	0.3	-3.9	-0.4
Transport Equipment	18.7	19.8	19.7	20.1	19.1	18.1	14.0	1.8	-5.0	-5.4
Other Manufacturing	115.6	116.6	116.3	115.3	111.0	109.2	106.6	-0.9	-3.7	-1.6
Energy & Water	18.7	18.6	18.7	18.7	17.9	16.9	12.4	0.0	-4.4	-5.6
Construction	71.1	71.9	73.3	72.8	70.3	71.0	77.4	-0.7	-3.4	0.9
Distribution & Retail	144.7	148.7	154.1	156.9	154.0	154.3	171.8	1.8	-1.8	0.2
Hotels & Catering	36.3	38.7	40.1	40.2	39.7	39.6	43.9	0.3	-1.3	-0.4
Transport & Communications	92.0	95.7	99.6	102.7	102.5	98.8	82.4	3.1	-0.2	-3.6
Financial Services	201.7	205.6	210.3	205.2	191.8	188.7	181.7	-2.4	-6.5	-1.6
Business Services	159.9	171.5	187.2	192.8	193.3	198.7	275.5	3.0	0.3	2.8
Public Administration	59.4	59.8	59.6	59.5	58.7	57.5	54.6	-0.1	-1.4	-2.1
Education	66.6	66.7	66.5	67.3	66.2	65.1	64.8	1.1	-1.6	-1.7
Health & Social Work	85.1	87.7	90.2	92.1	92.0	92.1	103.1	2.2	-0.2	0.1
Other Services	60.1	61.9	63.7	66.0	65.6	65.4	71.0	3.7	-0.6	-0.3
TOTAL	1175.9	1210.3	1247.3	1257.4	1228.0	1220.8	1307.2	0.8	-2.3	-0.6
SOUTH WEST ENGLAND										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	1.50	1.59	1.53	1.53	1.45	1.42	1.49	-0.3	-5.2	-2.1
Extraction	0.31	0.38	0.39	0.32	0.34	0.35	0.38	-18.1	5.8	2.7
Engineering	2.55	2.80	2.94	3.04	2.96	2.99	3.26	3.5	-2.5	0.8
Transport Equipment	1.96	2.18	2.22	2.31	2.24	2.09	2.13	4.0	-3.1	-6.5
Other Manufacturing	5.74	5.94	5.96	5.77	5.47	5.39	5.67	-3.2	-5.2	-1.4
Energy & Water	1.99	2.20	2.36	2.28	2.12	2.06	2.13	-3.2	-7.2	-2.9
Construction	5.88	5.89	5.83	5.78	5.35	5.37	5.78	-0.8	-7.5	0.4
Distribution & Retail	9.74	9.77	10.09	10.28	9.96	9.96	10.75	1.9	-3.1	-0.1
Hotels & Catering	2.99	3.12	3.32	3.32	3.27	3.34	3.65	0.0	-1.7	2.2
Transport & Communications	4.69	4.89	5.12	5.29	5.17	4.99	5.12	3.2	-2.1	-3.6
Financial Services	13.31	14.35	14.70	14.80	14.42	14.07	14.74	0.6	-2.6	-2.4
Business Services	10.75	11.28	12.24	12.29	12.26	12.66	14.27	0.4	-0.3	3.3
Public Administration	4.68	5.00	5.10	5.11	5.02	4.94	5.18	0.3	-1.8	-1.7
Education	4.65	4.74	4.83	4.97	4.95	4.95	5.30	2.9	-0.5	0.1
Health & Social Work	6.61	6.90	7.20	7.52	7.50	7.57	8.18	4.5	-0.2	0.9
Other Services	3.34	3.59	3.71	3.88	3.84	3.83	4.11	4.4	-1.0	-0.3
TOTAL	82.11	84.62	87.55	88.50	86.31	85.97	92.12	1.1	-2.5	-0.4
<i>Priority Sectors</i>										
Advanced Engineering	2.44	2.77	2.87	2.89	2.81	2.72	2.87	0.8	-2.8	-3.1
Food & drink	2.87	3.00	2.96	2.90	2.74	2.70	2.84	-2.2	-5.2	-1.7
ICT	3.51	3.60	3.90	4.05	4.04	4.14	4.73	3.6	-0.1	2.5
Leisure & tourism	2.30	2.41	2.57	2.56	2.52	2.57	2.82	-0.4	-1.7	2.2
Marine	0.43	0.48	0.49	0.50	0.49	0.46	0.47	3.3	-3.1	-6.5
Bio-tech	0.59	0.61	0.64	0.64	0.63	0.64	0.79	0.0	-1.8	2.0
Environmental	1.31	1.21	1.32	1.54	1.48	1.48	1.68	16.9	-4.1	0.2
Creative	2.43	2.47	2.66	2.80	2.80	2.88	3.28	5.3	-0.1	2.9
TOTAL	15.87	16.53	17.41	17.88	17.51	17.60	19.46	2.7	-2.1	0.5
<i>Experian</i>										

APPENDIX TABLE 11: SECTOR EMPLOYMENT (FTE) IMPACTS - 'ADVERSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST (millions)						Annual Growth Rates, %			
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
UK										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.4	0.4	0.4	0.4	0.4	0.4	0.4	9.0	0.0	-4.1
Extraction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.9	-10.6	-4.8
Engineering	0.6	0.6	0.6	0.6	0.6	0.5	0.5	-2.7	-4.9	-4.6
Transport Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.2	-1.4	-5.0	-9.5
Other Manufacturing	2.2	2.2	2.1	2.1	2.0	1.9	1.6	-3.2	-4.9	-4.6
Energy & Water	0.1	0.1	0.1	0.1	0.1	0.1	0.1	4.9	-3.1	-10.5
Construction	2.0	2.1	2.2	2.1	2.0	1.9	1.8	-1.7	-5.6	-3.8
Distribution & Retail	3.9	3.9	3.9	3.9	3.7	3.6	3.4	-0.4	-4.0	-4.4
Hotels & Catering	1.3	1.4	1.4	1.3	1.3	1.3	1.2	-1.1	-3.1	-3.6
Transport & Communications	1.7	1.7	1.7	1.7	1.6	1.5	1.1	0.0	-3.5	-8.0
Financial Services	1.7	1.7	1.8	1.7	1.6	1.6	1.5	-1.9	-4.8	-3.6
Business Services	3.7	3.9	4.0	4.0	3.9	3.8	3.9	-0.2	-3.3	-3.8
Public Administration	1.3	1.3	1.3	1.3	1.3	1.2	1.1	-2.5	-3.9	-3.1
Education	1.8	1.8	1.8	1.8	1.8	1.7	1.6	0.3	-2.5	-4.0
Health & Social Work	2.7	2.7	2.8	2.8	2.7	2.7	2.7	0.5	-2.0	-2.0
Other Services	1.6	1.6	1.6	1.6	1.6	1.5	1.5	0.3	-2.1	-3.6
TOTAL	25.7	26.0	26.1	25.9	25.0	24.0	22.5	-0.9	-3.6	-4.1
SOUTH WEST ENGLAND										
<i>Broad Sectors</i>										
Agriculture, forestry and fishing	0.075	0.072	0.074	0.084	0.084	0.081	0.067	13.8	0.8	-3.9
Extraction	0.005	0.005	0.004	0.004	0.004	0.004	0.003	-10.4	-5.3	0.3
Engineering	0.068	0.063	0.062	0.063	0.061	0.058	0.055	1.0	-2.2	-4.6
Transport Equipment	0.045	0.043	0.043	0.042	0.041	0.037	0.023	-3.1	-1.1	-11.3
Other Manufacturing	0.166	0.155	0.154	0.152	0.144	0.136	0.121	-0.8	-5.4	-5.3
Energy & Water	0.011	0.012	0.012	0.013	0.012	0.011	0.008	3.3	-4.8	-8.1
Construction	0.198	0.188	0.179	0.179	0.166	0.158	0.158	0.3	-7.6	-4.4
Distribution & Retail	0.360	0.328	0.339	0.338	0.325	0.310	0.299	-0.4	-3.7	-4.8
Hotels & Catering	0.123	0.115	0.123	0.124	0.121	0.119	0.132	0.7	-2.4	-1.3
Transport & Communications	0.120	0.115	0.115	0.115	0.111	0.101	0.074	0.0	-3.9	-8.3
Financial Services	0.108	0.104	0.111	0.111	0.108	0.105	0.102	-0.7	-2.2	-3.1
Business Services	0.276	0.271	0.282	0.280	0.273	0.263	0.289	-0.5	-2.7	-3.6
Public Administration	0.154	0.155	0.157	0.150	0.144	0.140	0.136	-4.6	-4.0	-2.8
Education	0.146	0.146	0.154	0.151	0.151	0.147	0.144	-1.6	-0.2	-2.4
Health & Social Work	0.241	0.235	0.244	0.242	0.240	0.236	0.243	-1.1	-0.9	-1.5
Other Services	0.114	0.115	0.112	0.114	0.111	0.107	0.105	2.1	-2.5	-3.8
TOTAL	2.210	2.124	2.165	2.161	2.096	2.014	1.958	-0.2	-3.0	-3.9
<i>Priority Sectors</i>										
Advanced Engineering	0.055	0.056	0.057	0.055	0.055	0.052	0.057	-3.3	-0.5	-4.6
Food & drink	0.114	0.111	0.108	0.105	0.099	0.097	0.094	-2.2	-6.2	-2.3
ICT	0.056	0.059	0.059	0.061	0.060	0.063	0.074	3.6	-1.8	4.6
Leisure & tourism	0.079	0.082	0.081	0.080	0.079	0.080	0.082	-0.4	-1.6	0.8
Marine	0.015	0.016	0.017	0.018	0.018	0.016	0.016	3.3	2.7	-8.8
Bio-tech	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.0	-1.6	1.0
Environmental	0.022	0.025	0.025	0.026	0.026	0.026	0.028	4.5	-0.7	-1.0
Creative	0.063	0.068	0.068	0.072	0.071	0.072	0.080	5.3	-1.2	0.3
TOTAL	0.416	0.432	0.431	0.430	0.421	0.418	0.444	-0.2	-2.3	-0.7
<i>Experian</i>										

APPENDIX TABLE 12: IMPACTS ON SOUTH WEST PLACES - 'ADVERSE' SCENARIO

	ANNUAL ESTIMATES: UK & SOUTH WEST							Annual Growth Rates, %		
	2005	2006	2007	2008	2009	2010	2015	2008	2009	2010
Output (GVA)										
<i>South West Counties (inclusive of UAs)</i>										
Avon	19.7	19.9	20.5	20.8	20.4	20.3	22.3	1.4	-2.2	-0.1
Cornwall	6.8	7.0	7.3	7.4	7.3	7.3	7.9	1.2	-1.7	0.0
Dorset	10.6	11.0	11.4	11.5	11.2	11.1	11.6	0.8	-2.8	-0.8
Devon	16.3	17.0	17.7	17.9	17.5	17.5	18.8	1.4	-2.2	-0.2
Gloucestershire	10.0	10.2	10.5	10.5	10.2	10.1	10.6	0.6	-3.2	-0.8
Somerset	7.7	7.8	8.0	8.1	7.8	7.8	8.3	1.1	-2.6	-0.5
Wiltshire	11.0	11.7	12.2	12.3	11.9	11.9	12.6	0.8	-2.7	-0.7
TOTAL	82.1	84.6	87.5	88.5	86.3	86.0	92.1	1.1	-2.5	-0.4
Employment (FTE, millions)										
<i>South West Counties (inclusive of UAs)</i>										
Avon	0.500	0.474	0.483	0.481	0.467	0.450	0.448	-0.5	-3.0	-3.6
Cornwall	0.195	0.193	0.198	0.199	0.194	0.188	0.184	0.5	-2.3	-3.5
Dorset	0.286	0.276	0.282	0.280	0.270	0.259	0.247	-0.7	-3.5	-4.2
Devon	0.463	0.454	0.465	0.467	0.454	0.438	0.427	0.3	-2.7	-3.7
Gloucestershire	0.264	0.249	0.250	0.249	0.240	0.229	0.219	-0.6	-3.7	-4.3
Somerset	0.216	0.203	0.205	0.206	0.199	0.191	0.184	0.2	-3.1	-4.0
Wiltshire	0.285	0.276	0.282	0.280	0.272	0.260	0.250	-0.4	-3.2	-4.3
TOTAL	2.210	2.124	2.165	2.161	2.096	2.014	1.958	-0.2	-3.0	-3.9

Experian



Appendix D

About us

Who we are

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