

## **Economy Update**

### **Purpose of the report**

For updating the Board on economic news of interest to local government.

### **Summary**

This note summarises the continuing global economic uncertainty – characterised by stalled growth in developed economies, sovereign debt crises, falling stock markets – and the summer’s key economic developments for councils and local enterprise partnerships.

### **Recommendation**

The Board is asked to note the report.

### **Action**

As agreed by the Board.

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## **Economy Update**

### **The economic situation**

1. The main economic story is the global economic uncertainty, financial turbulence and jittery stock markets and the recessionary threat this all poses to the domestic economy.
2. Two of the most significant examples of this turbulence are that the US government is no longer triple AAA rated (by Standard and Poors) and the calls for the 21 July “second bailout” package for Greece to be implemented as soon as possible.
3. By contrast, India’s growth fell to 7.7% in the three months to June and China continues to experience double digit economic growth. Some see the current contrast in global economic fortunes as symptomatic of a seismic shift in the economic power plates from west to east.
4. In the UK the latest growth figures are 0.2% in the three months to June (ahead of France and Germany). Manufacturing output fell by 0.4% in June. There is mixed news on the housing market – 79,000 homes were sold in July lower than a year ago, but Bank of England statistics show mortgage approvals 3% higher than in the previous July.
5. As measured by Consumer Price Inflation, inflation was at 4.4% in June, double the Bank’s target rate. Energy prices rises are likely to drive CPI above 5% in coming months – Scottish Power, which has 2.4 million domestic customers, increased its gas prices by 19% from 1 August and its electricity prices by 10%. Despite the inflationary pressures interest rates remain at 0.5%. The Bank’s explanation is that the inflationary pressures are not domestic but down to rising costs of oil, gas and food.
6. Unemployment, especially amongst young people, is a source of concern. The number of people unemployed increased by 38,000 in the three months to June to 2.49 million.

### **The issues for local government**

7. The key economic development news for local government during the summer break has been:

7.1 The announcement of 11 new enterprise zones in mid-August.

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- 7.2 The proposals for consultation on Further Education and adult learning “New Challenges, New Chances” which include new freedoms and flexibilities and further reduce the burden of bureaucracy on further education and skills providers; strengthening further education and skills providers’ capacity to offer training at higher education level; reviewing and improving basic literacy and numeracy provision for adults; refocusing Government support for informal adult and community learning; and introducing loans from the 2013/14 academic year providing access to advanced and higher level courses.
- 7.3 The list of RDA assets transferring to the Homes and Communities Agency which will be HCA owned but put under local stewardship arrangements.
- 7.4 32 Local Enterprise Partnerships have received funding from the £5.5 million local enterprise partnership start-up fund (a one-off pot of money for 2011-12). 32 of the 37 LEPs that have been agreed to bid for funding.
- 7.5 The second round of the Regional Growth Fund for which £950 million is available received 490 bids totalling £3.3 billion. Bidding closed at the end of July.
- 7.6 Members are invited to comment on the update.

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