



Newsletter – November 2012

Economic & Commercial Representation of the Brussels-Capital Region in Great Britain

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1. News

1.1. General Economic

- The UK economy contracted less than originally thought in the second quarter of 2012, revised figures from the Office for National Statistics (ONS) have shown. UK GDP shrank by 0.4 per cent in the period April to June, revised down from an initial estimation of 0.7 per cent and a second revision of 0.5 per cent last month. The construction industry remained the biggest drag on the economy, with output falling by 3 per cent, despite being revised up from the initial fall of 5.2 per cent and a second of 3.9 per cent. The new figures, which show a smaller than previously estimated fall in the production, manufacturing and construction sectors, indicate that the double dip recession is not as deep as first feared (Financial Times);
- Britain's economy has lost momentum over the past few months, with firms scaling back investment and hiring plans, business lobby BCC has said, in another sign that a meaningful economic recovery remains elusive (Reuters);
- Britons' expectations for inflation over the next 12 months fell slightly to 2.7 percent in September from 2.8 percent in August, a monthly survey by polling company YouGov has showed. The poll conducted on behalf of Citi also showed that inflation expectations for the next 5-10 years held steady at 3.5 percent (Reuters);

- Bank lending to UK businesses contracted in August but approvals on loans to buy houses rose slightly from very weak levels earlier in the summer. Data from the Bank of England show that the number of mortgage approvals remained stagnant (Financial Times);
- The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves (Reuters);
- Britain's service sector growth slowed in September and services providers shed jobs for the first time in 10 months, a survey has showed, casting more doubt on the chances of a sustained recovery. The drop in the services Purchasing Managers' Index (PMI) to 52.2 from 53.7 in August was larger than economists had forecast (Reuters);
- The number of Britons claiming unemployment benefit fell unexpectedly and employment rose to a record high, official data shows, defying the prevailing economic weakness. The Office for National Statistics said the number of people claiming jobless benefit fell by 4,000 last month. Analysts had forecast an unchanged reading after a sharp fall in August, which -- as the ONS said -- was possibly helped by hiring for the London Olympics (Reuters);
- State-owned Royal Mail Group said on Tuesday it would create 1,000 new UK jobs as part of a 75 million pound investment in its Parcelforce business. The postal operator - set for a sale or flotation in early 2014 - aims to offset a steadily declining letters business by growing in a UK express parcels market worth 5.8 billion pounds which thrives on increasing online retail sales. Royal Mail's parcels businesses contributed 4.2 billion pounds of revenue in the fiscal year to March 25 - almost half of group revenue - helped by retail growth and sales at its European parcels arm GLS (Reuters);
- Lending to British consumers rose at the fastest pace in more than 4-1/2 years in September, adding to signs that the economy is slowly picking up after exiting recession in the third quarter. Although one-off factors were partly responsible for 1 percent growth in British output between July and September, data showing lending to consumers rose last month for the first time since June suggests the underlying economy is expanding at a modest rate (Reuters).

1.2. Food & Retail

- Aldi is plotting an assault that could see it double its UK stores over the next 10 years as cash-strapped middle class shoppers drove a fivefold increase in underlying profit last year. The privately owned German discounter said it opened 29 stores in 2011 and would invest £181 million operating 40 new stores by the end of 2013, taking the estate to more than 500 UK stores and creating 4,500 jobs (Financial Times);
- Britain's struggling high streets have taken on a bleaker look this year, as a string of chains have gone bust or boarded up their stores. According to figures to be released next week by the Local Data Company, a retail information provider, and professional services from PwC, the rate of store closures by big retail chains has accelerated sharply this year (Financial Times).

1.3. Construction & Property

- House prices are falling, mortgage lending is stagnant and the economy is in recession for the second time in three years. Yet housebuilders have reported record increases in profits and their share prices are up 50% in the year to date (Financial Times);
- British house prices fell unexpectedly in September, figures from mortgage lender Halifax showed, as the weak economy weighed on demand. British house prices dropped 0.4 percent in September after a bigger than initially estimated 0.5 percent fall in August, leaving prices in the third quarter of 2012 1.2 percent lower than a year earlier. Economists had expected house prices to hold steady in September and to be 0.9 percent lower on the year (BBC News);
- British construction output fell 11.6 percent on the year in August, non-seasonably adjusted data from the Office for National Statistics has shown. Compared to July, construction dipped 0.9 percent after a 2.1 percent month-on-month rise in July. Between June and August construction output dropped 11.9 percent compared to the same three months in 2011, with the main drag coming from a 15.6 percent slide in new work (Reuters);
- Henderson, the Anglo-Australian fund manager, has embarked on an ambitious £160 million overhaul of one of London's historic food markets, underscoring the depth of investor demand to develop sites in and around the city. The company will unveil plans for the redevelopment of the Victorian fish, fruit and vegetable market buildings at Smithfield. The site will accommodate 230,000 sq ft for new offices, shops and restaurants, is of the few remaining undeveloped areas of London (Financial Times);

- Carlyle, the US private equity group, has become the latest overseas investor seeking to take advantage of the rampant demand for apartments and offices along the river Thames. The company said on Monday that it had submitted plans for a £1 billion estate on Bankside adjacent to the Tate Modern art Gallery, which would include a 48 storey skyscraper and 500 luxury apartments (Financial Times).

1.4. Manufacturing

- The government will today announce £350m of funding for the next design stage of the future generation of UK nuclear-armed submarines. The contract to continue developing a replacement for the Vanguard-class submarines that currently carry the Trident nuclear missiles will sustain around 1,200 jobs in the UK, mostly with lead partner BAE Systems. The £315m funding for BAE and the £38m for Babcock follows an initial award of £350m worth of work announced earlier this year to design the submarines for the Successor programme, which are due to replace the Vanguard vessels from 2028 (The Engineer);
- Activity in the British manufacturing sector shrank more than expected in September as export orders fell and costs soared, a survey has shown, raising the risk that the economy will falter after rebounding in the past few months. The CIPS/Markit Purchasing Managers' Index (PMI) for the manufacturing sector fell to 48.4 from an upwardly revised 49.6 in August, dipping further below the 50 mark which separates growth from contraction. The latest signs of renewed weakness in manufacturing will support the view that the recovery is fragile and that the Bank of England will extend its quantitative easing asset purchases once the current round is completed in November (Reuters).

1.5. Other

- Funding to the tune of £7 million has been announced by the Scottish government for five marine energy developers, intended to further the development and testing of new wave and tidal prototypes in the seas around Scotland (Marine Journal);
- A new rail link between London and Oxford is set to open in 2015 after the government approved the £130m scheme. The project will upgrade 10 miles of dilapidated track on the line and see the building of two stations- the replacement of one at Bicester and a new one in north Oxford (Financial Times);
- UCL London has won initial approval for a £1 bn development in east London that will double the space occupied by the elite higher education institution. Newham Council approved plans for UCL Stratford, a 23 acre complex next to the Olympic Park (Financial Times).

2 Upcoming Events

- 7-9 August: Pure London, London Olympia & Earls Court 2 - www.purelondon.com (Fashion exhibition).
- 13-14 November 2012: Care Show, NEC Birmingham – www.careshow.co.uk
- 14-15 November 2012: Transport Security, Olympia London – www.transec.com
- 15 November 2012: Golden Bridge Awards, London - www.blcc.co.uk/pages/goldenbridgeawards.html
- 20-21 November 2012: IT in Housing, Olympia London - www.itinhousingexhibition.co.uk
- 21-22 November 2012: Hospital Directions, Olympia London – www.hospitaldirections.co.uk
- 5 December 2012: Banking Technology, London – www.bankingtech.ovumevents.com
- 5-7 March 2013: Group Visit at Ecobuild, ExCeL London – www.ecobuild.co.uk
- 17-20 March 2013: Stand at IFE, ExCeL London – www.ife.co.uk

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A fully equipped office and a meeting room for 8 people can be booked by Brussels based companies in our central London offices. Please do not hesitate to contact us for more information about availability and how to make a booking.
