

Exceptional items only

Latest Economic Assessment

This morning ONS released figures from the LFS, new claimant count data and new data on employment from the employers' survey. These confirm that employment is rising slightly and unemployment falling.

Employment:

- LFS employment up 24,000 over year to August [not statistically significant, as usual]
- Employee jobs (based on surveys of employers rather than households as in LFS) up 1,000 over year to June.

Unemployment

- ILO rate (from LFS) shows fall of 22,000 over year to August (just statistically significant!).
- Claimant count shows reduction of 5,500 over year to September.

[Claimant count much less variable than LFS-based measure in Wales.]

Recent business surveys

D&B Survey:

- The number of business failures in Wales during the first three-quarters of this year is below that for the same period last year. Although this is good news, the percentage fall (0.7%) is the lowest for any UK region, with the exception of the North East where the number of failures increased.

The Cardiff Chamber Quarterly Economic Survey:

- A generally positive report covering the position in South East Wales. Business confidence amongst both manufacturers and service companies has increased on that in the previous quarter. The balance of respondents in both sectors who report higher sales and orders is greater than in the previous quarter.
- A higher net balance of firms also reported increased employment this quarter.

The exchange rate

- The effective exchange rate has appreciated by almost 30 per cent since mid 1996 with about two thirds of the rise occurring between mid 1996 and mid1997.
- The rate against the *Euro* rose substantially from its inception at the beginning of 1999 until April this year, when it fell back through June and July. Since then, the rate has risen and it is now slightly higher than its previous (average) high in April.
- The rate against the *dollar* has fallen significantly. In September, it briefly fell below \$1.40 – the lowest level since 1986. Today it stands at \$1.44, still very low by recent standards.
- The rate against the *yen* is about 5 per cent lower than in August 1996.

Major issues

BAE SYSTEMS, Broughton

A package of assistance amounting to £19.5million has been agreed to support the creation of 1700 new jobs at Broughton on the A3XX super-jumbo project. Negotiations have resulted in 300 more jobs and £30 million more investment than proposed under the company's initial RSA application.

In the end, it was agreed with the company that RSA was not the most appropriate route to pursue. The package of assistance is made up of property-related grant through the WDA (£14.9million) and training support through CELTEC (£4.6million). Unfortunately, as discussions were concluded during the recess, it was not possible to give Committee Members advance warning. It was judged that it was in everyone's interest to announce the outcome as soon as possible.

Other industrial developments

Since EDC last met there have been a number of significant developments. There have been a number of positive announcements including the safeguarding of jobs at Hotpoint and the call centre project being promoted by Lloyds TSB at Bridgend. There have also been major disappointments, including the further job losses announced by Corus and yesterday's announcement by Sony.

Fuel crisis

The non-statutory Memorandum of Understanding between the oil companies, central government and the devolved administrations commits the oil companies to make every reasonable effort to deliver fuel.

Public Appointments

The First Minister has agreed to re-appoint Sheila Drury, Gerry Long and Jeff Maddock as members of the Welsh Industrial Development Advisory Board for a further 3 years from 1 January 2001. An advertisement has this week been placed (in various publications including the Western Mail, The Times and a Welsh Language publication) for a new Chair and a number of new members to be appointed from 1 January 2001: this has been circulated to all Assembly Members for information.

The process for appointing members to the WDA is underway following a very good response to the advertisements.

Call Centre audit

Officials should receive the results of the audit at the end of October and a paper will be submitted to the EDC on 29 November.

WDA 5 yearly review

Following the completion of the Stage 1 review of the WDA, KPMG have been engaged to undertake the Stage 2 review. This will look at the scope for improving the effectiveness, responsiveness, quality of partnership working and efficiency of the Agency. The exercise will involve discussions with a wide range of interests and will draw on the Committee's review of business support. The review should be completed by early in the New Year.

ACTION OUTSTANDING FROM PREVIOUS MEETINGS

8 June	Action
3. Members to be given advance warning if possible when an announcement was about to be made on the application for RSA by BAE SYSTEMS, Broughton. (Item 1: Chair's opening remarks)	See above.

6 July	Action
11. Further thought to be given to a possible change in guidance to WIDAB following devolution 12. The Assembly Secretary to give further thought to points raised by members with regard to sector selectivity and the issue of whether WIDAB advice should be over-ruled where a particular scheme was deemed to be of sufficiently critical importance to the economy in a particular region	11 and 12. WIDAB's principal statutory role is to offer independent, expert business advice on large RSA applications, taking account of the criteria under which the scheme operates and recommendations from officials. The Economic Development Minister does not have to accept the Board's advice but would always need to give careful consideration to its advice on whether an application meets the necessary criteria and should be awarded RSA.

	In line with the commitment in the Partnership Agreement, I will ensure that the policy framework within which RSA operates in Wales supports the attraction of high-quality jobs and that the EDC receives regular reports on the way in which the distribution of RSA reflects the regional diversity and economic needs of all areas of Wales.
13. The Assembly Secretary to provide members with a notional package which might be offered to an inward investor.	Officials have prepared an example of a typical inward investment case and I will arrange for it to be circulated to the Committee.

20 July	Action
16. The Assembly Secretary to produce a paper for the autumn setting out the alternative uses of the budget available, to include proposals from the range of agencies which would deliver the budget.	On 15 November, the Committee will have the opportunity to consider the plans for the Welsh Development Agency and the Wales Tourist Board alongside the Finance Secretary's draft budget proposals.

13 September	Action
23. Assembly Secretary to revisit the issue of related budgets in other MEGs.	Officials will make every effort to provide information on related budgets as an Annex to the paper for 15 November on the Finance Secretary's draft budget.
26. Assembly Secretary to ensure that paper on the draft budget includes estimated measures of outcomes in relation to increased/decreased outputs	Agreed. Proposed outputs will form an integral part of the paper on the draft budget.