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INSTITUTE OF BUSINESS, INDUSTRY AND LEADERSHIP (IBIL)

UNIVERSITY OF CUMBRIA

CRED ECONOMIC BULLETIN No. 3

Corporate change in the Cumbrian Economy: Fourth Quarter (Oct.-Dec.) 2019

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Research

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MACRO-ECONOMIC OVERVIEW

Quarter 4 of 2019 has been marked in the UK by continued debate about the economic slowdown induced, in part, by political uncertainties associated with the Brexit process. At its meeting in December 2019, the Bank of England Monetary Policy Committee (MPC) minutes noted that UK business investment and export orders continue to be weak. While Brexit plays a part in this, the Committee also recognised the effects of global uncertainties. The international economy continues to reflect trade tensions. The USA and China agreed not to implement tariffs due to be introduced on 15 December 2019 creating some optimism that has been described as “intermittent favourable news” on US-China trade negotiations (IMF, 2020¹). Viewed alongside diminished worries about the likelihood of a no-deal Brexit, the IMF suggested that global growth should rise from an estimated 2.9% in 2019 to 3.3% in 2020.

Tensions are still high, however, in other world regions. US tariffs are being imposed on goods from Brazil, Argentina and France. Growth in some emerging markets has been slower than anticipated (India, Mexico, South Africa). Again the IMF lists a wide range of risks for global growth going into 2020: Continued geopolitical tensions between the USA and Iran affecting Oil; Despite softer rhetoric, continued uncertainty surrounding trade relations between the USA and China; Weather-related disasters – tropical storms, heatwaves and fires, floods, drought and the cost of humanitarian recovery in a wide range of contexts; Actual and potential political unrest arising from climate change, global inequality and migration induced by military conflict.

In the euro area, MPC minutes observe that the latest indicators are reported to be “mixed”. German industrial production declined in November 2019. In the USA, the economy grew by only 0.5% in 2019 Q3 and investment has remained weak.

¹ International Monetary Fund (2020), World Economic Outlook, January 20, 2020 UPDATE

China is no longer experiencing growth rates in double figures and they are expected to fall below 6% for 2020 and 2021. The World Bank Group (2020²) highlights a continued issue with regards to productivity. There has been a widespread productivity growth slowdown in emerging markets and developing economies. Governments face a considerable challenge in how to induce growth in productivity which tends to be driven by investment in efficiency gain through skills and training, adoption of new technology, business innovation alongside investment in education, institutional capacity and social and physical infrastructure.

In the UK, the picture for 2019 as a whole shows very modest growth of around 1.4%, though marked by peaks and troughs throughout the year³. GDP grew by only 0.3% in Q3 and subsequently by zero in Q4 (see Selected Indicators on page 3). Production output actually fell in Q4 by 0.8% while the growth in services slowed to only 0.1%, the lowest rate since mid-2016. Manufacturing output fell in virtually all categories but the largest percentage falls were in "Transport equipment", "Machinery and equipment n.e.c", and "basic pharmaceutical products". Wholesale and retail continues to be under pressure with a 1% fall in sales in the final three months of 2019.

Surveys of business suggest that investment has been cautious, aimed at essential replacement of existing capital stock rather than investment to improve productivity or expand production. As regards stocks, MPC observe some evidence of building up inventory in the run-up to the new Brexit deadline, but this has been on a much smaller scale than previously. These trends have been fairly in line with expectations given the circumstances.

² World Bank Group (2020) Global Economic Prospects: Slow Growth, Policy Challenges, January.

³ ONS (data release Feb 2020) GDP first quarterly estimate, UK: October to December 2019

SELECTED NATIONAL ECONOMIC INDICATORS

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 forecast ⁽ⁱⁱⁱ⁾	2020 forecast ⁽ⁱⁱⁱ⁾
Gross Domestic Product change on the previous quarter	+ 0.6 ⁽ⁱ⁾	-0.2 ⁽ⁱ⁾	+0.4 on previous three months ⁽ⁱ⁾	0.0 ⁽ⁱⁱ⁾	Average 1.3% (range from 1.2 to 1.5)	Average 1.1% (range from 0.5 to 1.9)
Manufacturing output change on the previous quarter	+1.4% on previous quarter ^(iv)	Down -2.3% on previous quarter ^(iv)	Down -0.8 on previous quarter ^(iv)	Down -1.1% on previous quarter ^(v)		
Annual inflation (CPIH) ^(vi)	1.8% year to March 2019	1.9% year to June 2019	1.7% year to August 2019	1.4% year to Dec 2019	1.7%	1.8%
Employment ^(vii)	32.7m	32.8m	32.7m	32.9m		
Employment rate ^(viii)	76.1%	76.1%	76.2%	76.7%		
LFS Unemployment ^(vii)	3.8%	3.9%	3.9%	3.9%	3.9%	4.0%
Base Interest rate	0.75%	0.75%	0.75%	0.75%		

(i) GDP Quarterly National Accounts UK: July to Sept 2019 (Data release 20 Dec 2019)

(ii) GDP Monthly Estimates to December 2019 (Data released 11th Feb 2020)

(iii) HM Treasury, Forecasts for the UK Economy, January 2020

(iv) ONS Index of Production, UK November Statistical Bulletin 2019

(v) ONS Index of Production, UK December 2019 (Statistical release on 11th Feb 2020)

(vi) ONS Consumer Price Index (Data release 19th Feb 2020)

(vii) ONS Labour market review UK various issues 2019-20

(viii) ONS UK Employment Rate (Data release 18th Feb)

CORPORATE CHANGE IN CUMBRIA: OCTOBER-DECEMBER 2019

Some of the trends in the national economy described above appear to be mirrored in the experience in Cumbria. In particular, pressures on the manufacturing sector have been evident with job losses announced at Stead McAlpine in Carlisle and Robert McBride in Barrow. High Street retailers have also been under pressure with insolvencies and closures affecting Marks and Spencer, Bonmarché and Thorntons. However, incremental investment in plant and equipment has also been a widespread feature. In fact, the great majority of reports of corporate change were positive in terms of investment, innovation and job growth.

There are reports of firms achieving export success and increasing their physical presence abroad (see Wax Lyrical, Barking Mad and Wray Castle Group). However, the majority of retailers, who are reported to be expanding, are taking advantage of increasing demand or projected demand for their products and services **within** Cumbria. These include food producers and retailers – Keswick Brewing Co. who are opening a new bar, Lovingly Artisan who are opening a bakery shop, the former One Restaurant in Barrow which is starting a take-away business and the Co-Op and Lidl which are opening new stores.

Manufacturers investing in new plant and R&D are likely also to be satisfying markets further afield which is fuelling their growth (see Forth Engineering, TSP Engineering, Kimberley Clark, Marl International, Wax Lyrical and Kendal Nutricare). In the last issue of the CRED Economic Bulletin, we reported that Wax Lyrical was investing in a new R&D laboratory. It is now seeing the benefit of this investment of over £100,000 as all of the company's creative design and production is conducted in Ulverston "where their products are put through rigorous research development and testing" (IC 14.11.19). In the next three years, the firm hopes to see the share of exports in its total sales reach 50%.

The sector reported to be seeing universally positive growth in Cumbria is that of Professional, Scientific and Technical Activities with firms such as Createc, Prosure Engineering, Miller White Ltd, Eclipse Office Technologies and the Wray Castle Group all expecting demand for their technology, telecommunications or IT services to increase.

Table 2: Reported Jobs Gained/Lost and Investment/Disinvestment by Standard Industrial Classification (SIC)

	SIC Code	Jobs		Firms engaged in		
		To be gained	To be lost	New Investment / Innovation	Disinvestment	Acquisition / Merger
Agriculture	A					
Mining & Quarrying	B					
Manufacturing	C		115	Forth Engineering; Bakes and Balls; Keswick Brewing Co.; Kendal Nutricare; Lakeland Artisan; Thomas Hardy Holdings Ltd; Wax Lyrical; TSP Engineering; Kimberly-Clark; Marl International	Stead McAlpin; McBride plc	
Water supply, sewerage & waste management	E					
Construction	F			Charles Church; Home Group; Brookhouse Group		
Wholesale and Retail Trade	G	15	7	Deichmann Shoes; Best Dressed Kidz; Co-Op; Lidl	Bonmarché; Thorntons; Marks & Spencer	Majestic Wines
Accommodation and Food Services	I	12		Barking Mad; The One Takeaway and Delivery Service; The Abbey House Hotel; Lovingly Artisan	Carlauren Group	
Transport, Storage, Information and Communication	H, J				Toman Paving Ltd	Helpful Book Company ; Eddie Stobart
Professional, Scientific, Financial and Insurance Activities	K, M	9		Createc; Eclipse Office Technologies; Miller Waite Ltd; J.F. Hornby; Lamont Pridmore; Prosure Engineering		Wray Castle Training

Real Estate, Renting and Admin. Support Activities	L, N	4		Hackney and Leigh; Sally's Cottages; BEC; Mitchells Land Agency		Cumberland Estate Agency
Public Administration, Defence and Social Security	O			Copeland Borough Council		
Education	P			Morgan Sindall Infrastructure; Netherhall School; Kendal College		
Human Health & Social Work Activities	Q					
Other Social, Recreational & Personal Services	R, S, T			Barking Mad		

The data in this table is based on the author's allocations of reported job gains and losses to SIC codes and has not been verified by separate enquiry. Consequently, it should not be viewed as necessarily comprehensive or wholly accurate. Press reports generally do not identify how many jobs are full or part-time, hence it is not possible to provide job numbers as Full-Time Equivalents. The main source of reports is the In-Cumbria AM newsletter.

Table 3: Reported Jobs Gained or Lost and Investments – Breakdown

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
2-Oct-19	Createc	Cockermouth	Professional, Scientific and Technical Activities			The engineering design co. has won the Queen’s Award for Innovation for developing the N-Visage system.	The co. seeks to find solutions to complex industrial challenges in sectors all over the world. The N-Visage system is a 3D radiation imaging device for mapping radiation in nuclear facilities.
2-Oct-19	Coastal Activities Centre	Whitehaven	Public Administration			Copeland Borough Council is to invest £3M in a Cumbria Coastal Activities Centre.	Funded by the Government’s Coastal Communities Fund, it will include the building of a facility for aqua sports and a low-carbon arts & community centre.
2-Oct-19	Forth Engineering	Flimby	Manufacturing			The co. has expanded its service of designing and manufacturing high-tech robots to include the agricultural industry.	
2-Oct-19	Bakes and Balls	Sedbergh	Manufacturing			The bakery has won the “Chocolate Category award” in the national 2019 Nourish Awards.	The award is for the company’s invention of “frocolate” gin and lime truffles. Frocolate is a fruit-based “nutritious chocolate” (IC 2.10.19)
8-Oct-19	Cumberland Estates Agency	Carlisle	Real Estate			The estate agency has undergone a management buyout & will become a franchise of national estate agency chain, Hunters.	The plans are to open a large central hub office in Carlisle and all estate agency staff will transfer to the new company.

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
9-Oct-19	Copeland Borough Council	Whitehaven	Public Administration			The council received the "Communications Campaign of the Year" Award at the Local Authority Recycling Advisory Committee Awards	Recycling rates have more than doubled in the Borough since the new kerbside recycling scheme was launched and publicised in April 2018.
9-Oct-19	Morgan Sindall Infrastructure	Lillyhall	Education			The co. has joined the trust board of the Energy Coast UTC and contributed £50,000 to the school	The money will be used to support the College's provision of a specialist teaching programme for students who need extra help with English and Maths.
11-Oct-19	Keswick Brewing Co.	Keswick	Manufacturing			The brewery is investing a 6-figure sum in expanding its premises.	The expansion includes a new cold room, cask washroom, fermenting room and a new bar, called The Fox Tap. A new beer called Fox Pale has also been produced.
11-Oct-19	Barking Mad	Kirkby Lonsdale	Other Social, Recreational & Personal Services			The dog-sitting & home-boarding co. is expanding abroad with a franchise in County Clare, Republic of Ireland.	The co. already has more than 80 franchises in the UK.
11-Oct-19	Kendal Nutricare	Kendal	Manufacturing			The manufacturer of powdered milk products has been selected as the UK winner from in the 2019 European Business Awards.	"To be chosen as a national winner means you show great innovation, ethics and success and are one of the best businesses in Europe" (Chief Exec., the European Business Awards, IC 10.10.19)
14-Oct-19	Stead McAlpin	Carlisle	Manufacturing		9	The textile manufacturer has made 9 people redundant.	The business is restructuring due to reduced sales and increased costs.

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
15-Oct-19	Eclipse Office Technologies	Carlisle	Professional, Scientific and Technical Activities			The telecoms co. is expanding & has hired a new business development manager with plans for more staff in the future.	The co. expects business demand for internet-based communications to rise significantly.
17-Oct-19	Wray Castle Training	Near Windermere	Professional, Scientific and Technical Activities			The telecoms training provider has been sold to technology experts, Fraser Curley and Andrew White.	The newly formed Wray Castle Group will continue the growth and development of the co., already announcing intentions to expand within the Middle East and North Africa.
17-Oct-19	Miller Waite Ltd	Ulverston	Professional, Scientific and Technical Activities	6		The software, IT service and support business is taking on new workers.	The firm is a recipient of the GSK Enterprise Fund.
17-Oct-19	Helpful Book Company	Millom	Information and Communication			The staff have taken over ownership of the publishing co. via a trust.	The co. employs 11 people.
21-Oct-19	Bonmarché	Carlisle and Workington	Wholesale and Retail Trade			The high street women's wear retailer has gone into administration putting jobs at risk at its stores.	
21-Oct-19	Lakeland Artisan	Staveley	Manufacturing			The food and drink producer has been highly commended in the Great British Food Awards for its jam and gin liqueurs.	The firm is also building a new production site in Kendal.

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22-Oct-19	Deichmann Shoes	Carlisle	Wholesale and Retail Trade			The shoe retailer has opened a store in The Lanes Shopping Centre.	
29-Oct-19	The One Takeaway and Delivery Service	Barrow	Accommodation and Food Services	12		The restaurant has taken on 12 workers to run a takeaway service, delivering door-to-door.	
31-Oct-19	Thomas Hardy Holdings Ltd	Kendal	Manufacturing			The bottling co. has completed a £3.2M modernisation of its plant.	The modernisation includes a de-pallitiser, conveyors, rinsing and filling machines, structural works and new drainage allowing it to meet growing demand and create new jobs.
31-Oct-19	The Abbey House Hotel	Barrow	Accommodation and Food Services			The owner is to invest £3.5M in the 4* hotel following its success as a wedding and events venue.	The function suites will be developed and a gym and spa opened.
31-Oct-19	Marks and Spencer	Barrow	Wholesale and Retail Trade			The high street retailer will close its store in March 2020 having operated in the town for more than 100 years.	
14-Nov-19	Wax Lyrical	Ulverston	Manufacturing			The candle manufacturer has opened new outlets in Belgium, Holland, Luxembourg & Russia & expanded its Paris operation	It has also opened new export markets in S. Korea, Australia, Pakistan & Nigeria. The company's exports to more than 40 countries now represent 20% of their total market.

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
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20-Nov-19	Charles Church	Ulverston	Construction			The national house-building co. has won the award for "Best Refurbishment Project" at the Housebuilder Awards 2019, London.	The award was for the company's work at Stone Cross Mansion where they have converted a derelict Victorian mansion into luxury apartments.
20-Nov-19	Toman Paving Ltd.	Egremont	Transportation and Storage			The company which provides highway maintenance has gone into administration owing £1.5M to its creditors.	
20-Nov-19	Forth Engineering	Flimby	Manufacturing			The engineering co. is leading a consortium to develop a "proof of concept" robotic system called FSWBot.	FSWBot is a system which would be used "to conduct repairs on pipelines without the need for the pipeline to be closed down" (IC 20.11.19). The project is being sponsored by Innovate UK.
25-Nov-19	Best Dressed Kidz	Carlisle	Retail and Wholesale Trade			The boutique children's clothing business is opening a new shop on English Street.	It hopes to also launch a footwear department in the Sping.
26-Nov-19	Home Group	Egremont	Construction			The national housing association is building a development of 26 homes in collaboration with local cos. Ashcroft and Ilke Homes.	The development is unique for Cumbria in that the homes are modular. They are built at Ilke Home's factory, transported to site and installed in a single day!

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
27-Nov-19	Netherhall School	Maryport	Education			The school is getting a £4M refurbishment funded by the County Council. The bulk of the work is going to local firms.	There will be the installation of a new central heating system, new ICT facilities, LED lighting and building work to make the buildings more energy efficient.
27-Nov-19	Co-Op	Barrow	Retail and Wholesale Trade	15		A new food store is to be built in the conference wing of The Lindoonie Hotel.	
29-Nov-19	McBride plc	Barrow	Manufacturing		106	The household cleaning products manufacturer will close in Summer 2020 with a potential loss of these jobs.	This is because of declining demand for the company's laundry powder products due to the market shifting towards liquid detergents.
29-Nov-19	Kendal College	Kendal	Education			The FE College has ranked first out of 172 FE Colleges in the UK in the educational publication "FE Week".	The annual college league table is based on official performance measures determined by the Department of Education.
29-Nov-19	Hackney and Leigh	Keswick	Real Estate Activities	4		The estate agency has opened a new sales and letting office.	This brings its total number of offices in the County to nine.
29-Nov-19	J.F. Hornby	Ulverston	Professional, Scientific and Technical Activities	3		The accountancy firm has taken on new workers.	

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
29-Nov-19	Sally's Cottages	Keswick	Administrative and support service activities			The holiday cottage co. has won gold in the "Best UK Holiday Cottage Booking Company" category in the British Travel Awards 2019.	This is its second consecutive win of this award.
29-Nov-19	TSP Engineering	Workington	Manufacturing			Four of the company's employees have been named in the "Manufacturer Top 100" list for 2019.	The list names the most dynamic leaders and innovators in the manufacturing sector in the UK. One employee was also named as being one of the top 20 exemplary figures in the industry.
2-Dec-19	Thorntons	Carlisle	Retail and Wholesale Trade		7	The chocolate retailer in Carlisle city centre will close on 4/1/20.	
10-Dec-19	Eddie Stobart	Carlisle	Transport and Storage,			The ailing logistics firm has been taken over by international investors firm, DBAY Advisors.	
12-Dec-19	Majestic Wines	Carlisle and Kendal	Retail and Wholesale Trade			The wine stores have been sold to CF Bacchus Holdings Ltd., an investment vehicle controlled by Fortress Investment Group LLC.	Majestic Wine Plc is now called Naked Wines.
12-Dec-19	BEC	Cleator Moor	Real Estate Activities			Michael Pemberton, CEO of BEC has won the "Transformational Leader Award" at the Northern Leadership Awards.	The award is in recognition of his work following the property management company's change from a publicly funded organisation to a commercial entity (profit-for-purpose), 3 years ago.

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13-Dec-19	Carlauren Group	Grange-over-Sands	Accommodation and Food Services			The property firm which owns the hotel, Lambert Manor, has gone into administration.	Jobs are at risk.
13-Dec-19	Lamont Pridmore	Offices in Cumbria	Professional, Scientific and Technical Activities			The accountancy firm has won the "UK Dynamic Advisory Firm of the Year".	The firm has won this award organised by Worldwide Financial Advisor Awards Magazine for the second year running for demonstrating consistently high levels of ability and service.
17-Dec-19	Prosure Engineering	Cockermouth	Professional, Scientific and Technical Activities			The co. which provides tender and project management support to construction clients has moved into new offices.	Sister co., Shareplant, an online construction equipment sharing & rental marketplace, has also relocated to the Lakeland Business Park to maximise collaboration between the two cos.
18-Dec-19	Kimberly-Clark	Barrow	Manufacturing			The paper mill is to invest £85M in the plant.	"One of the largest investments made by the firm in a European operation," it includes the installation of state-of-the-art technology to drive manufacturing efficiency & long-term growth for the co.
18-Dec-19	Lidl	Workington	Wholesale and Retail Trade			The discount retailer is to open a new store.	
18-Dec-19	Lovingly Artisan	Kendal	Wholesale and Retail Trade			The bakery has opened a new shop called <i>The Bread Store</i> , alongside its HQ at Plumgarth's.	This will enable it to meet demand from retail and trade customers. It will also host baking workshops. This has created one FT job and others are expected in the coming months.

Date Reported	Firm Name	Location	Standard Industrial Classification	Jobs		Investment / Acquisition / Innovation News	Reason Quoted / Details
				To be / Gained	To be / lost		
20-Dec-19	Mitchells Land Agency	Cockermouth	Real Estate Activities			The co. is joining forces with agricultural consultants, Promar International.	The aim is to provide a tailored business advice service to land and farm owners in the light of changes to farming practices post-Brexit.
24-Dec-19	Brookhouse Group	Kirkby-in-Furness	Construction			Forty-six 2, 3 and 4-bedroomed houses including 9 affordable-home bungalows will be built.	
24-Dec-19	Marl International	Ulverston	Manufacturing			The LED manufacturer has teamed up with Samuel Heath, designer of stylish and sophisticated bathroom products.	They will produce a new magnifying LED mirror, made up of 5 magnifying mirrors fitted with Marl-manufactured printed circuit boards with 48 high power LEDs.

Abbreviations:

IC- In Cumbria electronic newsletter