

# Your Weekly Business Bulletin from Thanet & East Kent Chamber

## Thanet & East Kent Insider

13<sup>th</sup> February 2010

### 1. The Bank of England

At the invitation of the Bank of England, this Chamber attended the bank's HQ in the City to hear the latest Inflation Report from those in the best position to know. The invitation stems from our increasingly close cooperation with the Dover District Chamber of Commerce which has worked with central government since 1850. The Report reflects the deliberations of the Monetary Policy Committee under Governor Mervyn King and consists of a 52-page document which, as the foreword declares, 'gives the best collective judgment about the most likely paths for inflation and output and the uncertainties surrounding those central projections'. The five chapters are headed Money and Asset Prices, Demand, Output and Supply, Cost and Prices and Prospects for Inflation. It is beyond the scope of the Thanet & East Kent Insider to repeat all the conclusions of the Bank of England, but every business in East Kent has an interest in the projections. Below is a selection of some of the main points of interest for East Kent businesses. As always in such matters, please read the disclaimer at the end of this email. This Chamber has written the comments in good faith but they are not endorsed by the Bank of England and include opinion. Chamber members can obtain the complete unadulterated text of the Bank of England's full report by emailing [manager@tekc.co.uk](mailto:manager@tekc.co.uk) with the subject line 'Bank of England Inflation Report'.

### 2. The Bank of England on Money & Asset Prices

The historic low interest rate of 0.5% continues in the short term but is expected to rise markedly over the next three years, although it is anticipated that it will still be below its early 2008 level by the start of 2013. Stock asset purchases by the Bank will continue up to the limit of £200bn. Residential property prices continue to rise and in January 2010 were 10% higher than at the trough of April 2009; still 12% below the October 2007 peak. Bank lending was officially 'weak' in 2009 Q4 but there are signs of a slight improvement. Since last November, equity prices have risen a little as have gilt yields.

### 3. The Bank of England on Demand

This country's GDP fell by 0.2% in 2009 Q3 but grew by 0.1% in the final quarter, as widely reported. The Bank considers that although stock building boosted growth in 2009 Q3, companies continued to reduce inventories. A number of our trading partners recorded positive growth in Q3. Domestic demand has stabilized, boosted by spending on vehicles. Uncertainty has led to household savings reaching the highest levels since 1993. The bank makes a somewhat sobering assessment that 'Even allowing for the sharp fall in GDP, the cumulative fall in business investment appears large relative to previous recessions'. Asian economies are recovering the quickest. Some good news is offered on UK exports which 'increased by 0.7% in 2009 Q3, following four consecutive quarterly falls. Surveys of export orders point to a further improvement in Q4, with manufacturing export orders reported to be growing at an above-average rate'.

### 4. The Bank of England on Output and Supply

In brief, the information received by the bank suggests that the margin of spare capacity remains substantial which is likely to put downward pressure on inflation. The bank concludes that the fall in output has not been met by a commensurate fall in unemployment and admits to finding this odd; 'it is surprising that companies have not reduced hours worked by more in this recession'. One of the reasons given for this is the cost of redundancies. Although lower real hourly product wages have helped companies to contain labour costs, this has not been sufficient to offset the decline in labour productivity per hour. 'As a result, the share of income accounted for by compensation of employees, the labour share, has risen since the start of the recession, and the profit share has correspondingly fallen.' As for capacity, the Bank concludes that 'demand has fallen by much more than supply capacity, creating a substantial margin of spare capacity in the economy.' Anyone familiar with commercial property in East Kent will know that investors in local industry have been particularly badly hit by the empty rates legislation.

### 5. The Bank of England on Costs and Prices

The Consumer Price Index rose sharply to 2.9% in December and is likely to have risen above 3% in January. This is the threshold that triggers an open letter from the Governor of the Bank of England to the Chancellor. The increase in VAT in January had an immediate impact on prices. Nevertheless, the Bank of England considers that 'a temporary boost to inflation should not have significant implications for inflationary pressure in the medium term'. The Bank reports that the stance of monetary policy will determine inflation in the medium to long term. The Bank is reluctant to speculate on energy costs as 'There is considerable uncertainty about the scale and pace of the pass-through of changes in wholesale energy prices to the prices of gas and electricity faced by households and companies.' This Chamber interprets that to mean that even if wholesale oil and gas prices get cheaper, the energy companies are not necessarily going to cut our bills with the same enthusiasm or alacrity with which that they always seem to increase them when the wholesale price rises.

### 6. The Bank of England on Prospects for Inflation

The Bank is cautiously optimistic that a recovery is in prospect as it is supported by considerable stimulus from policy and will reflect global growth together with the past depreciation of sterling. The Bank warns of significant 'headwinds' including the continuing difficulty in finding credit and the need to strengthen public and private sector finances. With persistent spare capacity

also restricting growth and CPI inflation remaining high, the UK economy will be restricted in its expansion. Assuming asset purchase policy continues with the limit of £200bn and the Bank Rate reflects the market interest rates, inflation is expected to be below the target rate in the medium term. Perhaps the uncertainty that currently bedevils all serious financial forecasts is summed up by the Bank in one sentence of which Sir Humphrey of “Yes Minister” fame would have been justifiably proud. ‘The prospects for inflation remain unusually uncertain and there are significant risks to the inflation outlook in each direction.’

## **7. British Networks International**

Our friends at the Deal & Sandwich BNI invited the Chamber to a business breakfast at the Royal Cinque Ports Golf Club last week. Activities began at 0630 hrs with many of the delegates arriving much earlier. If you wish to know if the early birds caught the worms, you could ask some of the Chamber members in attendance. One such early bird was Martin White of Empowered Business Ltd, tel: 01843 0776 8267515, who gave a summary of the strong and successful marketing and sales support he can offer to companies of all sizes. He was joined by fellow Chamber member, David Brown of Millards Insurance, tel: 01304 613072, who again illustrated the advantages of having an insurance broker who is accessible, understands the local markets and knows where the best value premiums can be found. The Thanet & East Kent Chamber works happily with the BNI chapters in East Kent and looks forward to more cooperation in the future.

## **8. Start Up Research**

Gary Gardner has contacted the Chamber with a request to make contact with start up companies for a research project he is undertaking at Thanet College. Gary is looking into understanding the nature of start up business and ‘how they make their choices regarding ICT’. He promises to make the results of the research available to all those who participate. If you think you could assist, email Gary at [gazman91@hotmail.co.uk](mailto:gazman91@hotmail.co.uk)

## **9. Fairtrade**

Thanet has led the way on District Council support for fairtrade goods. As part of Fairtrade Fortnight, readers of the Thanet & East Kent Insider are invited to Margate on Sunday 28<sup>th</sup> February. For those of us who have been confused since birth with the admonishment, ‘You can’t have your cake and eat it’, the Fairtrade initiative offers a new perspective. Bring your own cake and eat it too at Margate Winter Gardens from 3.00 to 5.00 pm. The cake must be ‘no smaller than 8 inches’ and should use at least one fairtrade ingredient. There will be entertainment and competitions for the best cakes with children under 12 years having their own contest. For more details, telephone 07891 038733. You might also discover what ‘no smaller than 8 inches’ means.

## **10. New Ferry Service From Ramsgate**

In the Thanet & East Kent Insider edition of 23<sup>rd</sup> January 2010, we published an article under the headline ‘Sorry Seems To Be The Hardest Word’ and related some of the problems suffered by passengers on Eurostar before Christmas. We also called for action on the projected new ferry service from Ramsgate ‘Euroferries, come on, we are waiting. No more delays please. Let’s get that Ramsgate to Boulogne ferry service launched’. We learned this week that LD Lines and Transeuropa Ferries will be launching a new service from Ramsgate to Ostend before the end of March 2010. We are grateful to the Managing Director of LD Lines, Christopher Santoni, for his confidence in the growing cross-channel traffic from Ramsgate. The General Manager of Transeuropa Ferries, Dominique Penel, summarised the appeal of the joint venture, ‘This makes good economic sense for both companies’. The vessel Norman Spirit is well-known to local travel agents as the former Prins Filip on the Dover – Ostend and Ramsgate – Ostend routes. Later, after a brief period as the P&OSL Aquitaine, the vessel was renamed Pride of Aquitaine. LD Lines acquired the vessel for the Portsmouth-Le Havre route and it entered service as the Norman Spirit in September 2005. After a brief period from last September on the Dover Boulogne crossing, the Norman Spirit will return to Ramsgate as a British-registered vessel with the name Ostend Spirit. In a press release from LD Lines and Transeuropa Ferries, Cllr Roger Latchford is quoted as saying, ‘This is marvellous news for Ramsgate and Thanet’. We agree with him and look forward to more traffic taking advantage of this new route to the continent. The LD lines website at [www.ldlines.co.uk](http://www.ldlines.co.uk) is currently offering a standard single ticket for a car and two passengers on the Ramsgate – Ostend crossing for £24.

## **11. Young People Today**

Do you recognise this portrait of the youth of Western Europe? ‘The young people of today think of nothing but themselves. They have no respect for their parents or old age. They talk as if they alone know everything.’ These were the words of Peter the Hermit nearly one thousand years ago. You might think he had a point. But there must be something more illuminating than that about being a teenager. If you would like to share your views, the Turner Contemporary would like to hear. Readers of the Thanet & East Kent Insider are invited to come to Thanet Gateway Plus in Cecil Street Margate to share their thoughts, memories, photographs and views on music and fashion as a teenager. If you have some free time on Tuesday 16 February between 1pm and 5pm, you might like to visit the MiPod diary room and record your thoughts on ‘The Time of Our Lives’.

## **12. Free Swimming**

We are grateful to Cllr Clive Hart for drawing our attention to the Free Swimming Programme offered by Thanet District Council to people aged over 60 years or 16 years and under. Swimming is often listed as an ideal exercise for anyone not involved in regular sports activity. To date, 17,352 free swims for over 60s have been recorded in Thanet and 17,664 free swims for under 16s. There is a remarkable correlation between the two statistics suggesting either that grandparents are accompanying their grandchildren or that the youngsters and oldies are equally adept at recognising a bargain when they see it.

### 13. Websites

Business link warns us to be wary of adding pop-up adverts to company websites. We learn that there are four types that regularly appear: a banner, which usually pops up at the top or side of the welcome page; an interstitial advert which is often shown before the main content and overlays the initial web page; an expanding advert which changes size while you are viewing content and a floating advert which wanders across your screen to attract your attention. Business Link advises us to use such gimmicks with care as 'Many browser and security applications now include pop-up blockers'. One Chamber member offers an effective method to promote your website which has none of the dangers of causing a communication breakdown or frustrating your potential customer; add a purpose-made video. Blue Lavender Media, tel: 01795 424252, informs us that web traffic can increase by as much as ten times if the right video is on your site. Give Claire or Neal Ashford a call to discuss your individual requirements. Although experienced at making films to broadcasting standards for the major networks, Claire and Neal can also work to a budget, as a long list of satisfied clients will testify.

### 14. Give Us This Day Our Jelly Bread

The days are long gone when cinema goers were expected to stand in front of their seats for the National Anthem before leaving the cinema. Similarly, the Lord's Prayer is no longer recited as often or with such unanimity as was the case for previous generations of school children in the UK. Perhaps it is just as well, as the words familiar to older readers were not always recited correctly. Readers of the Thanet & East Kent Insider who are familiar with the Prime Ministers of the 1960s will recognise the understandable error by children accompanying their vicar in the morning in collective worship with the words 'Our father who art in heaven, Harold be thy name'. Harold Wilson PM could hardly be described as a deity, unless Gannex raincoats have replaced halos. The Chamber has learned of a modern misinterpretation of the nation's number one prayer. Many Chamber members will have some sympathy with the son of one local businessman who, in all earnest piety narrated the Lord's Prayer to his father with perfect precision until he reached the words 'Lead us not into temptation, but deliver us from email'.

### 15. Our Sponsors

The Thanet & East Kent Insider is grateful for the support and sponsorship provided by Girlings, Express By Holiday Inn and Adecco. Girlings Solicitors has been managing the managing the legal affairs of commercial and private clients for over a century. Twenty-six partners and one hundred and twenty members of staff ensure a comprehensive range of services from the local offices in Ashford, Canterbury, Folkestone, Herne Bay and Margate. Offices in France and Spain complement specialist departments for charities, individuals and companies. For details, telephone 01843 220274. Express By Holiday took on the daunting task of restoring the former Prospect Inn at Minster. The result is a spectacular hotel that combines the best of Oliver Hill's 1930s design with ultra modern facilities and technological support. Conveniently located for business guests and holiday makers in East Kent, the meeting rooms and 105 bedrooms are available at competitive prices throughout the year. For details, telephone 01843 820250. Adecco is the world's largest HR solutions company offering a comprehensive service of temporary and contract staffing, permanent recruitment, outsourcing, outplacement, career services, training and consulting. Officially designated as a 2009 British Superbrand, Adecco is represented in Thanet and Dover by its Broadstairs office, tel: 01843 609292.



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Thanet & East Kent Chamber Limited

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