OUTPUT (GVA) IN TYNE & WEAR to 2008

January 2011
Ref: GVA 11/01

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Supported jointly by Cities of Newcastle and Sunderland and the Metropolitan Boroughs of Gateshead, North Tyneside and South Tyneside

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KEY MESSAGES

Gross Value Added (GVA) is the broadest measure of economic output available for groups of Local Authority Districts.

2008, the latest data, included about 6-9 months of recession in the UK. It was the first period of the recession, which notably included a rough halving of house-building. UK total economic output hit its low-point around mid-2009.

Key messages:

Real GVA in Tyne & Wear is estimated to have fallen by about 1.1% in 2008 from the year before. This 'negative growth' is similar to the NE (-1.0%), but 1 percentage point faster than the estimated 0.1% fall in the UK.

Tyne & Wear had a decade of strong economic growth over the decade from 1997-2007. Indeed, growth in this period was faster than in the UK so that the index of GVA per head in **Tyne & Wear rose uniquely strongly amongst Met counties**, from around 85% of the UK average to over 90% (Fig. 6).

Real GVA in Sunderland fell markedly more quickly than in Tyne & Wear in 2008 (-2.4%). Other indicators, however, notably unemployment, indicate that Sunderland had a V-shaped recession, entering it steeply and recovering strongly. This may well reflect its industrial structure, with the motor industry accounting for over 5% of its total employment and a higher proportion of GVA.

Tyneside's real GVA fell by 0.6% in 2008. This includes the period when Northern Rock was retrenching. (ONS estimates of GVA are only available down to Tyneside and Sunderland.)

Tyne & Wear's GVA exceeded £20bn in 2008 for the first time (at £20.3bn).

GVA per head in Tyne & Wear reached £18,545. It has been at, or above, 90% of the UK value since 2004.

In this report, TWRI uses estimates published by ONS to then calculate values for Tyne & Wear. It also uses ONS estimates of inflation[1], as it affects GVA, to estimate the changes in GVA in real terms (i.e. with the effect of inflation then removed).

Note 1: GVA does not measure the incomes of residents. GVA is essentially estimated from workplaces (not residents). One key reason for Tyne & Wear's high GVA per head in the NE context is its high net in-commuting[2].

Note 2: GVA is lower than GDP (Gross Domestic Product). GDP is roughly a tenth higher in the UK (and perhaps in Tyne & Wear). GDP is higher because it includes the value of taxes on production, mainly VAT[3].

Note 3: GVA comparisons with the UK are with the 'UK excluding the Extra Regio', which effectively means the UK excluding North Sea oil and gas production.

[1] The price deflator for Gross Value Added at basic prices (CGBV).
[2] About 7% of the jobs in Tyne & Wear are held by net in-commuters. Moreover, they will tend to be higher-paid.
[3] GDP also includes the value of duties on production (for example on fuels, alcohol and tobacco).

1. Size of the Tyne & Wear Economy

The total GVA of the Tyne & Wear economy shows its size. GVA measures the output of the economy across all sectors; primary, manufacturing, construction, ‘market services’ and public services.

1.1 GVA Levels

Tyne & Wear produced output (GVA) in 2008 worth over £20.3bn. This is about 1.6% of the UK economy. 2008 was the first year in which Tyne & Wear’s GVA is estimated to have exceeded £20bn. Tyne & Wear has continued to create practically half of the NE’s GVA (49.6% in both 2007 and in 2008). This is up over 4 percentage points since 1997 (45.5%).

Table 1: Headline Gross Value Added (GVA) by NUTS area at current basic prices

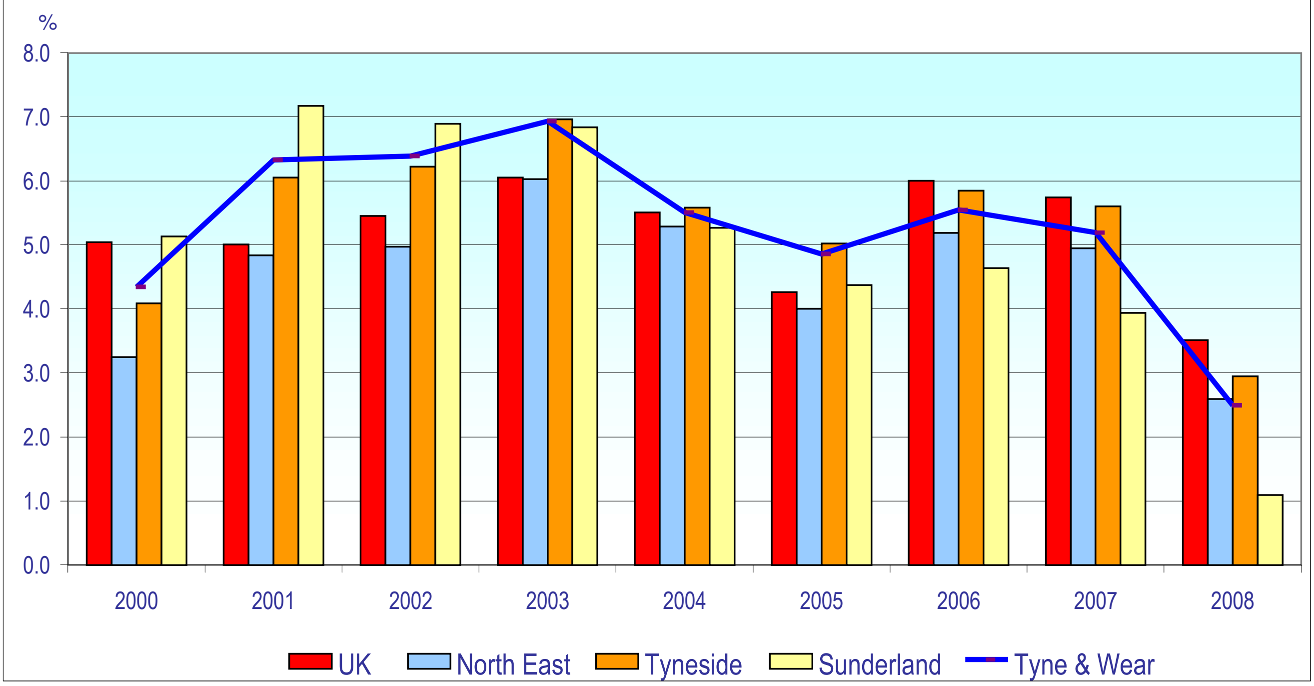
£million

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK	739,524	781,986	822,774	864,285	907,594	957,094	1,015,008	1,070,951	1,116,648	1,183,704	1,251,704	1,295,663
North East	25,638	26,653	27,429	28,320	29,691	31,168	33,047	34,794	36,188	38,067	39,951	40,988
Tyneside	8,788	9,279	9,635	10,029	10,636	11,298	12,085	12,760	13,401	14,185	14,980	15,422
Sunderland	2,875	3,031	3,155	3,317	3,555	3,800	4,060	4,274	4,461	4,668	4,852	4,905
Tyne & Wea	11,663	12,310	12,790	13,346	14,191	15,098	16,145	17,034	17,862	18,853	19,832	20,327
Gr. Manche	29,003	30,819	32,366	33,611	35,218	36,876	39,004	40,926	42,267	44,163	46,411	47,722
Merseyside	12,234	12,940	13,497	14,042	14,800	15,655	16,474	17,084	17,548	18,294	19,246	19,846
S. Yorkshire	11,895	12,595	13,015	13,498	14,228	15,130	16,148	17,102	17,853	18,810	19,835	20,379
W. Yorkshir	24,670	26,205	27,488	28,509	29,915	31,352	33,032	34,450	35,550	37,253	39,241	40,223

1.2 GVA Nominal Growth

GVA growth in Tyne & Wear slowed markedly from around 5-6% each year (in nominal terms) to only around 2.5% in 2008 (Fig. 1). As the appropriate price index for GVA rose by more than this in 2008, in real terms output fell slightly in all NE areas and the UK.

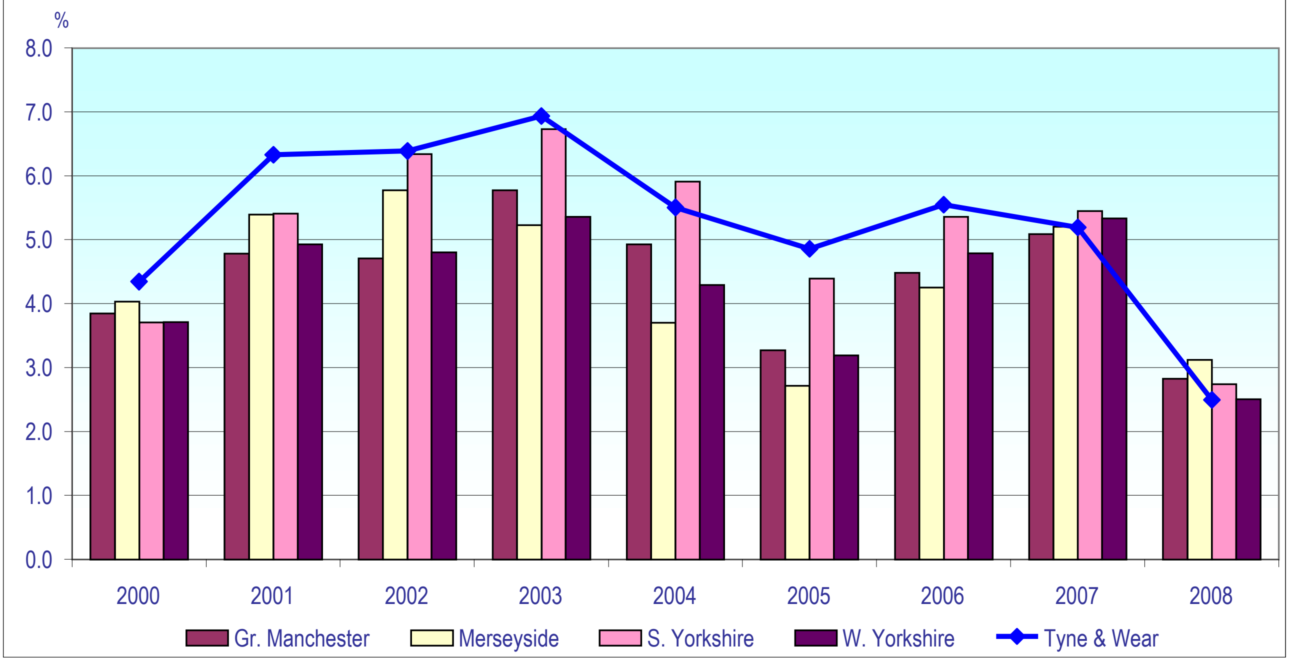
Figure 1: GVA percentage change on previous year in the NE 2000-2008



Nominal GVA growth rates slowed similarly sharply in the other Met Counties to between 2.4% (West Yorkshire) and 3.1% (Merseyside)[4] (Fig. 2).

Figure 2: GVA percentage change on previous year

in other Met Counties,2000-2008



1.3 GVA Real Growth

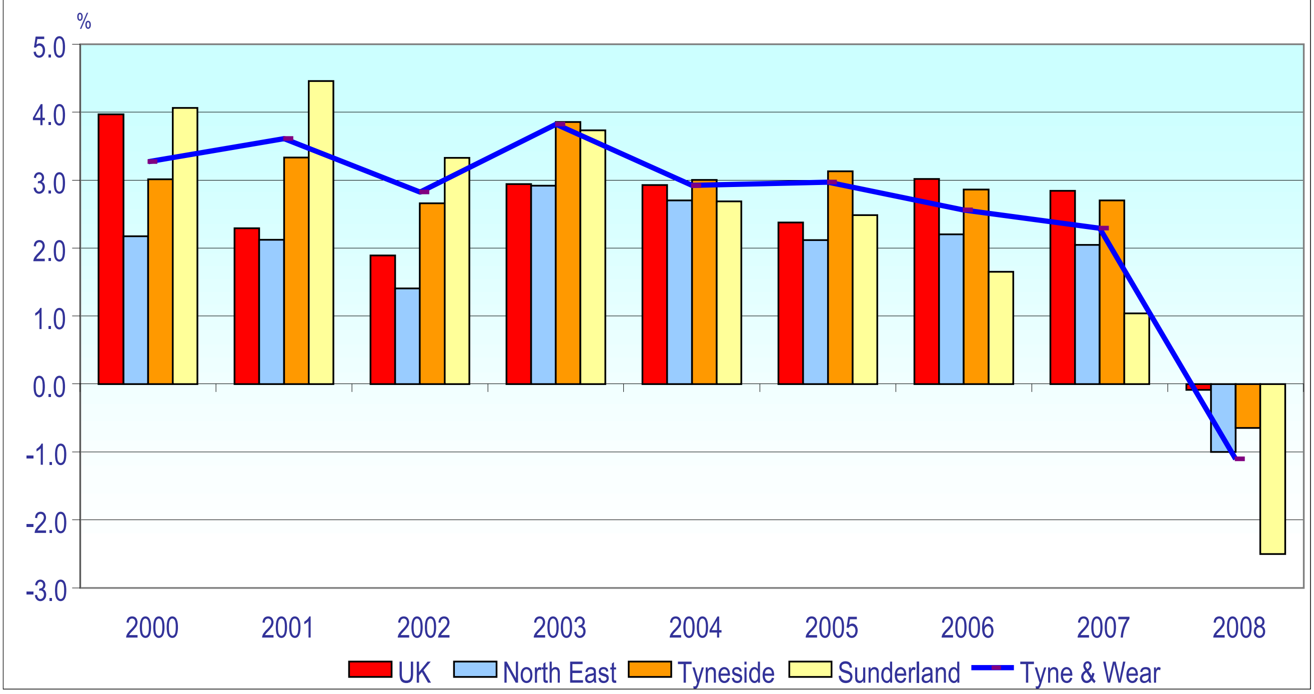
- Real GVA growth in Tyne & Wear slowed abruptly from around 3% each year (from 2000 to 2007)[5] to 'negative growth' (i.e. a fall) of just over -1% in 2008 (Fig. 3).
- This fall was 1 percentage point faster than in the UK.
- The fall in real GVA in 2008 was much slower in Tyneside (-0.6%) than in Sunderland (-2.4%).

UK real GVA also fell in 2008, but by a marginal -0.1%.

[4] Merseyside's dependence on public services may have helped it (slightly) in this period.
[5] From 2000-03 Tyne & Wear's real growth was around 3½% each year.

Figure 3: Real GVA growth in the NE

2000-2008

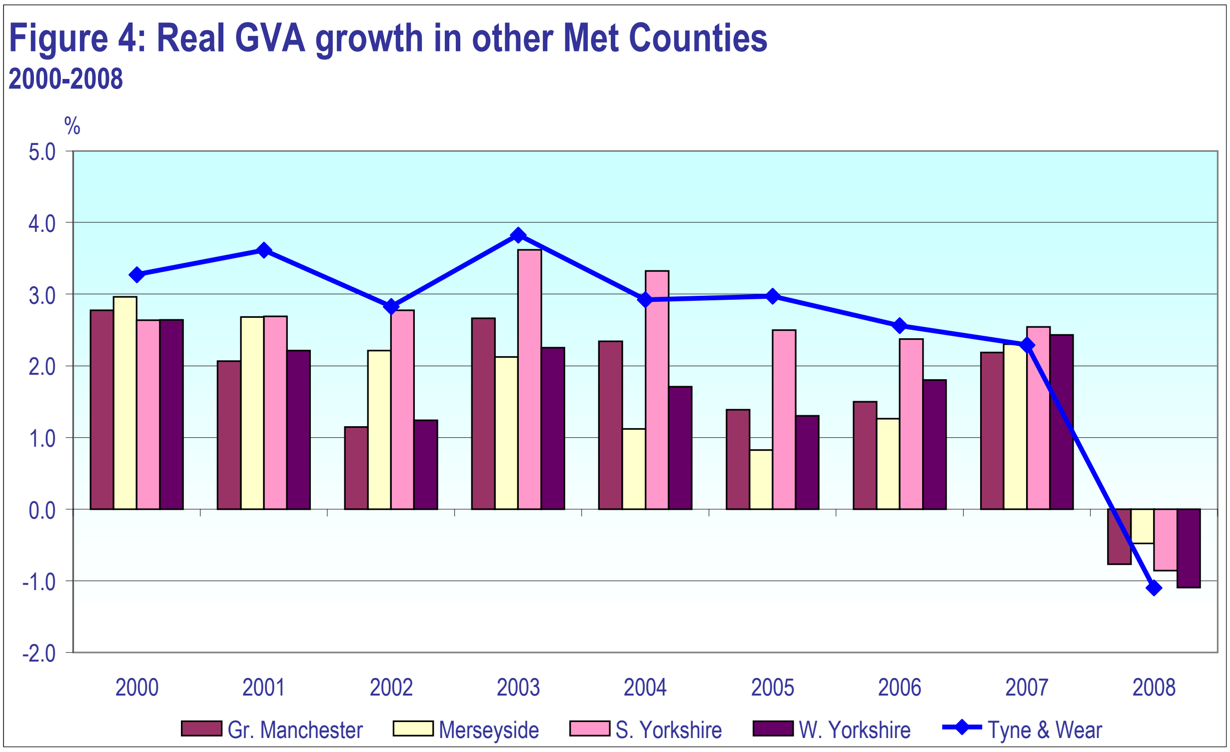


Sunderland's more rapid fall in real GVA will partly reflect its industrial structure; the motor industry accounts for over 5% of its jobs and a higher proportion of its GVA. Other evidence, particularly from unemployment data, suggests that Sunderland fell into a V-shaped recession; relatively 'rapid in' but also 'rapid out'. Trade[6] shrank rapidly, and it is this linkage which most probably accounts for the steeper fall in Sunderland.

In Tyne & Wear, in 2008 the local economy shrank slightly (-1.1%). This followed the Northern Rock crisis (late 2007). The banking crisis was at its worst in late 2008. The national economy began to shrink rapidly in late 2008.

Real GVA growth turned slightly negative across all the comparator metropolitan counties, with falls of around -0.5% (Merseyside) to -1.1% in West Yorkshire (as well as in Tyne & Wear) (Fig. 4).

[6] i.e. exports and imports.



1.4 GVA Per Head

GVA per head in Tyne & Wear exceeded £18,500 in 2008 (£18,545) (Table 2). This means that for three consecutive years (the last three years 2006-08), Tyne & Wear's estimated GVA per head has been above that of all four comparator Met counties including Greater Manchester and West Yorkshire. Until 2004, West Yorkshire had had the highest GVA per head.

Table 2: Headline Gross Value Added (GVA) *per head* by NUTS area at current basic prices

£ per head

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK (exc extra regio)	12,430	13,159	13,778	14,306	15,003	15,796	16,708	17,543	18,121	19,057	20,058	20,541
UK	12,682	13,373	14,020	14,677	15,353	16,135	17,044	17,896	18,538	19,538	20,525	21,103
North East	9,983	10,408	10,755	11,135	11,689	12,269	13,009	13,693	14,203	14,913	15,603	15,945
Tyneside	10,722	11,397	11,925	12,484	13,258	14,059	15,043	15,890	16,612	17,541	18,476	18,919
Sunderland	9,885	10,461	10,972	11,611	12,492	13,397	14,360	15,159	15,835	16,595	17,265	17,461
Tyne & Wear	10,503	11,151	11,675	12,255	13,057	13,886	14,865	15,700	16,411	17,297	18,164	18,545
Gr. Manchester	11,501	12,221	12,867	13,357	13,997	14,645	15,427	16,142	16,615	17,291	18,091	18,497
Merseyside	8,783	9,332	9,793	10,219	10,820	11,478	12,107	12,565	12,917	13,492	14,226	14,698
S. Yorkshire	9,321	9,889	10,248	10,659	11,234	11,913	12,677	13,361	13,859	14,544	15,254	15,590
W. Yorkshire	11,902	12,641	13,265	13,748	14,361	14,966	15,686	16,223	16,546	17,165	17,923	18,225
Deflator (2006=100)	81	82.5	83.8	84.7	87	90.1	92.9	95.3	97.1	100	102.9	106.6

Note: amounts in this table are nominal. They have *not* been deflated to remove the effect of inflation.

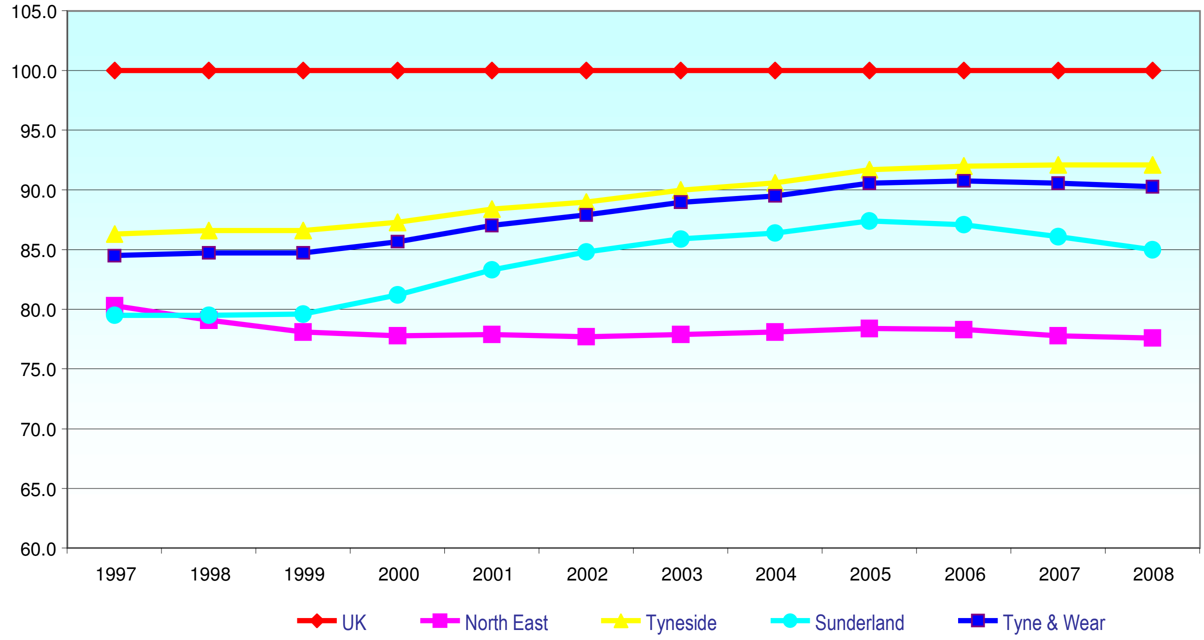
As recently as 2002, West Yorkshire's GVA per head was over £1,000 higher than Tyne & Wear's. In 2005, Greater Manchester was briefly highest.

1.5 GVA Per Head Indices

GVA per head in Tyne & Wear is still over 90% of the UK average in 2008 (90.3%) (Fig. 5). This is a level TW has now attained each year from 2005 to 2008. Tyne & Wear's GVA per head rose steeply from 1999 to 2003, as a proportion of the UK level - rising four percentage points in just these four years (from about 85 to 89% of the UK average).

Figure 5: GVA per head Indices in the NE 1997-2008

Index UK=100

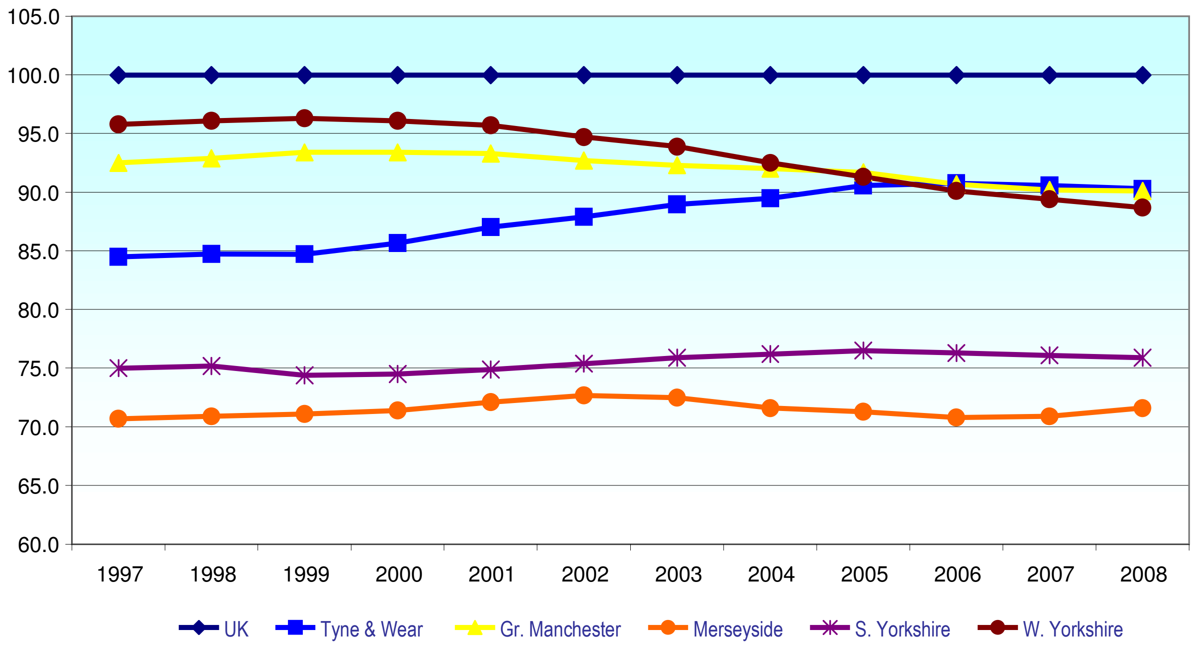


Tyne & Wear's 1999-2005 rise in its GVA per head index was due to strong rises in both Tyneside and Sunderland (Fig. 5, above). Indeed, over the longer run (1997-2008), Sunderland has had the largest rise in its index; up by 5½ percentage points.

Tyne & Wear's strong rise in its GVA per head index since 1997 is *unique* amongst the four Met county comparators (Fig. 6). Greater Manchester and, more particularly, West Yorkshire have fallen on this measure; Manchester by about 2½ percentage points and West Yorkshire by about 7 percentage points. West Yorkshire has fallen from over 95% of the UK average to under 90%.

Figure 6: GVA per head Indices in other Met Counties 1997-2008

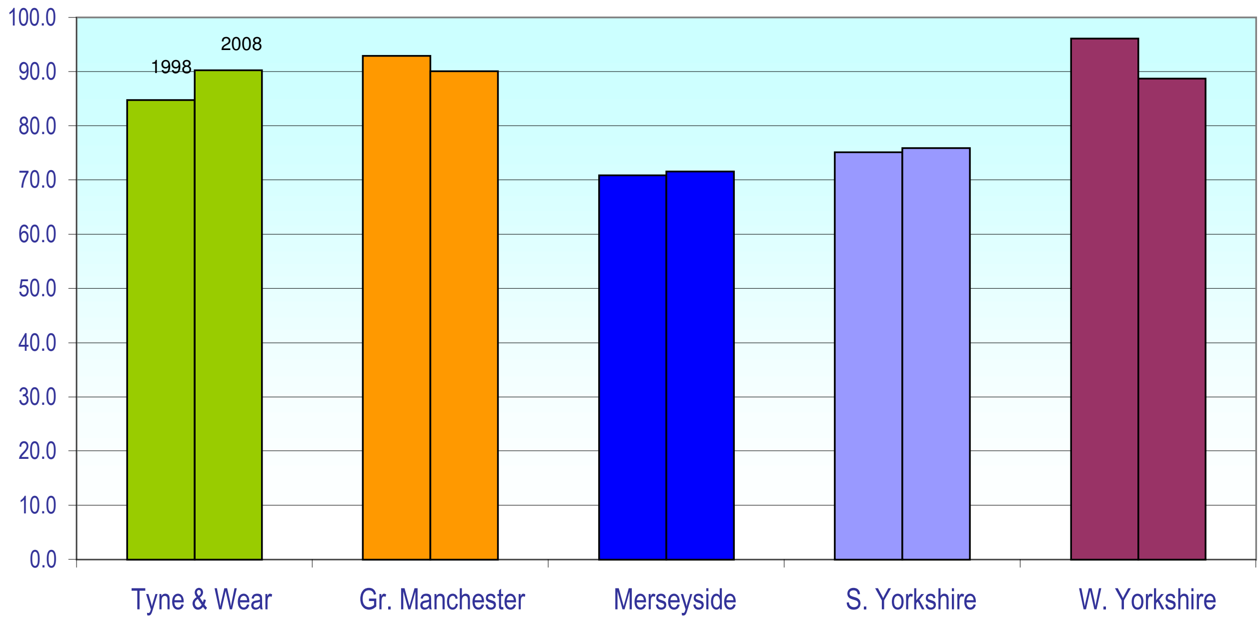
Index UK=100



The long-term changes in GVA per head indices, at least over the decade to 2008, with Tyne & Wear versus the four Met county comparators are summarised (Fig. 7). They highlight that TW's five percentage point rise is far greater than the other rises; both Merseyside and South Yorkshire had rises relative to the UK but these were only around one percentage point. The two largest conurbations, Greater Manchester and West Yorkshire, both had slower GVA growth per head than the UK; thus reducing their GVA index values.

Figure 7: GVA per head Indices change 1998-2008

Index UK=100



In detail, the GVA per head index values since 1997 for Tyne & Wear, Tyneside, Sunderland and each of the four comparator Met counties are shown in the table (Table 3).

Table 3: Headline Gross Value Added (GVA) *per head* indices by NUTS area at current basic prices

UK less Extra-Regio=100

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK	100	100	100	100	100	100	100	100	100	100	100	100
North East	80.3	79.1	78.1	77.8	77.9	77.7	77.9	78.1	78.4	78.3	77.8	77.6
Tyneside	86.3	86.6	86.6	87.3	88.4	89	90	90.6	91.7	92	92.1	92.1
Sunderland	79.5	79.5	79.6	81.2	83.3	84.8	85.9	86.4	87.4	87.1	86.1	85
Tyne & Wear	84.5	84.7	84.7	85.7	87.0	87.9	89.0	89.5	90.6	90.8	90.6	90.3
Gr. Manchester	92.5	92.9	93.4	93.4	93.3	92.7	92.3	92	91.7	90.7	90.2	90.1
Merseyside	70.7	70.9	71.1	71.4	72.1	72.7	72.5	71.6	71.3	70.8	70.9	71.6
S. Yorkshire	75	75.2	74.4	74.5	74.9	75.4	75.9	76.2	76.5	76.3	76.1	75.9
W. Yorkshire	95.8	96.1	96.3	96.1	95.7	94.7	93.9	92.5	91.3	90.1	89.4	88.7

Source: ONS Gross Value Added estimates (December 2010).