



DEBATE PACK

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Economic growth in the South West

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Summary

A Westminster Hall debate on 'Economic growth in the South West' will be held on Tuesday 5 February from 2.30pm. The Member opening the debate is Sir Gary Streeter MP.

Summary statistics

- Economic growth in the South West has been weaker than in the UK as a whole in recent years. In 2017 (the most recent year for which we have data), the South West grew by 1.1% compared with 1.9% for the UK. Growth was also weaker in 2015 and 2016.
- As in the rest of the country, there was relatively strong economic growth in the South West in the decade prior to the financial crisis (1998-2007). Cumulative growth of 13.4% during 2009-2017 was mid-table (7th) in terms of ranking among the UK's 12 countries and regions, below the UK average of 16.8% (which was boosted by London's growth of 29.6%).
- The total value of economic output in the South West was £131 billion in 2017. GVA per head was £23,499 – the 7th highest out of the 12 regions and countries of the UK.

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1. Economic statistics

This section provides statistics on key indicators of the South West economy, including on economic growth, employment, unemployment and earnings.

1.1 Summary table

The table below from the Library publication [Regional and National Economic Indicators](#) compares key indicators in the South West and UK.

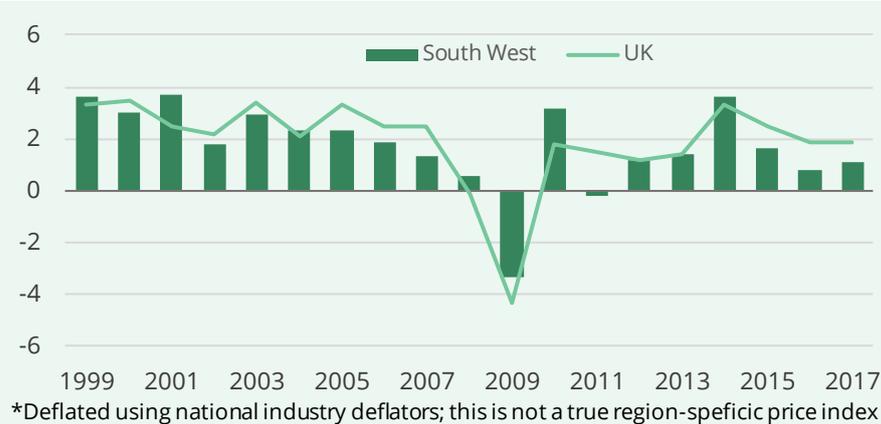
		South West	UK
Population			
2017 mid-year estimates	Millions	5.6	66.0
Economy			
Total output (GVA), 2017	£ billions	131	1,820
Total output (GVA) per head, 2017	£	23,499	27,555
Economic Growth (GVA), 2010-17	Annual ave real terms % ch.	1.6%	2.0%
Forecast economic growth (GVA, real terms)*			
2018	% change on year	0.8%	1.3%
2018-28	Average annual % change	1.8%	2.0%
Labour market, September - November 2018			
Employment level	Thousands	2,787	32,535
Employment rate	% of population aged 16-64	79.1%	75.8%
Unemployment level	Thousands	91	1,372
Unemployment rate	% of economically active	3.1%	4.0%
Median weekly earnings, 2018	£, full time employees	538	569
Industries - employment, July-September 2018			
Manufacturing	% of total jobs	7.6%	7.7%
Public sector	% of total employment	15.7%	16.4%
House prices, November 2018			
Average	£	260,000	231,000
Annual change	% change on year	4.3%	2.8%
Fiscal indicators, 2016/17			
Public sector revenue per head	£	10,325	11,047
Public sector expenditure per head	£	11,300	11,742
Net fiscal balance per head	£	-975	-695
Businesses			
Number of businesses, 2018	Thousands	546	5,668
Annual % change in businesses, 2018	% change on year	2.7%	-0.5%
* Forecasts from Oxford Economics (Oct. 2018)			

1.2 Economic growth

Economic growth in the South West has been weaker than in the UK as a whole in recent years. In 2017 (the most recent year for which we have data), the South West grew by 1.1% compared with 1.9% for the UK.¹ Growth was also weaker in 2015 and 2016 as the chart below, showing annual growth rates in the South West compared with the UK since 1999, illustrates.²

South West and UK - Economic growth since 1999

Annual GVA real* growth



Box 1 – Measuring economic output: GDP and GVA

Economic output is the total value of new goods produced and services provided during a given time period, e.g. one year. The change in economic output between two periods is often referred to as **economic growth**. GDP is the most commonly-used measure of economic output. GDP estimates are only available for the overall UK economy.

An alternative measure of economic output, **Gross Value Added** (GVA) is available for UK regions and countries. GDP and GVA are very similar. The only difference is that GDP also includes taxes on products (such as VAT), less subsidies on products. Regional GVA data are published by the Office for National Statistics (ONS) once a year, with latest figures available for 2017.³ This is the source used in this briefing.

The table below provides statistics of economic growth over different time periods since 1998 (where consistent data goes back to), as well as headline statistics on economic output (GVA) and economic output per head in the regions and countries of the UK.⁴

As in the rest of the country, there was relatively strong economic growth in the South West in the decade prior to the financial crisis (1998-2007). There followed a recession and growth since has been weaker than before, as in the rest of the UK. Cumulative growth of

¹ These are figures based on Gross Value Added (GVA); UK growth is normally based on GDP, so this figure differs slightly. See Box 1 for more on why GVA is used here.

² ONS, [Regional economic activity by gross value added \(balanced\), UK: 1998 to 2017](#), 12 Dec 2018 [data tables](#)

³ ONS, [Regional economic activity by gross value added \(balanced\), UK: 1998 to 2017](#), 12 Dec 2018

⁴ ONS, [Regional economic activity by gross value added \(balanced\), UK: 1998 to 2017](#), 12 Dec 2018 [data tables](#)

13.4% during 2009-2017 was mid-table (7th) in terms of ranking among the UK's 12 countries and regions, below the UK average of 16.8% (which was boosted by London's growth of 29.6%).

Economic output and growth in UK countries and regions since 1998									
Gross Value Added (GVA) and % change in real* GVA over time period shown									
	GVA (£bn), GVA per head		Growth, % total change in real* GVA over time period shown						
	2017	(£), 2017	1998-2007	2007-2009	2009-2017	1998-2017	2015	2016	2017
North East	53	20,129	30.0	-4.2	7.6	34.0	2.2	-0.5	1.6
North West	174	23,918	31.5	-3.6	12.5	42.6	3.0	1.4	2.1
Yorkshire & Humber	117	21,426	31.2	-7.0	8.3	32.1	3.0	0.7	0.7
East Midlands	104	21,845	24.1	-5.6	17.0	37.0	1.4	1.4	1.5
West Midlands	133	22,713	18.3	-6.4	21.6	34.7	3.0	2.4	1.9
East of England	153	24,772	27.8	-4.5	16.5	42.2	3.0	1.6	2.5
London	431	48,857	43.4	-4.6	29.6	77.4	1.9	4.5	3.0
South East	267	29,415	25.4	-2.5	16.6	42.6	3.9	0.5	1.4
South West	131	23,499	25.2	-2.8	13.4	38.0	1.6	0.8	1.1
<i>England</i>	<i>1,563</i>	<i>28,096</i>	<i>30.4</i>	<i>-4.3</i>	<i>18.6</i>	<i>47.9</i>	<i>2.6</i>	<i>2.0</i>	<i>2.0</i>
Scotland	138	25,485	28.1	-2.0	13.3	42.2	0.6	0.7	1.6
Northern Ireland	40	21,172	30.8	-6.1	12.4	38.0	3.0	1.9	1.7
Wales	62	19,899	25.4	-5.7	14.8	35.7	2.3	1.8	1.4
United Kingdom	1,820	27,298 **	28.5	-4.5	16.8	43.3	2.5	1.9	1.9

* Regional GVA data are not deflated using true regional price indices but by using industry deflators for the UK and applying to regional industry-level GVA

**UK GVA per head figure excludes GVA that cannot be assigned to a region, this is mostly North Sea oil and gas extraction

Sources: ONS, *Regional economic activity by gross value added (balanced), UK: 1998 to 2017*, 12 Dec 2018

The total value of economic output in the South West was £131 billion in 2017. GVA per head was £23,499 – the 7th highest out of the 12 regions and countries of the UK.

1.3 Jobs and earnings

An overview of employment, unemployment and average earnings in the South West is provided below. Further information can be found in the library briefing papers [Labour market statistics: UK regions and countries](#) (November 2018) and [Average earnings by age and region](#) (December 2018).

Employment and unemployment

The table below shows employment and unemployment levels and rates since 2005. Reflecting patterns seen across the UK, employment levels fell during the years following the 2008 financial crisis, but since 2011 there have been steady increases. Unemployment levels have more than halved since 2013.⁵

The employment rate – the proportion of the population aged 16-64 in work – in the South West has been higher than in the UK throughout this period. In the three months to November 2018, it was 79.1%.

⁵ Statistics from ONS, via [nomisweb labour market profile of the South West](#)

The unemployment rate – the proportion of adults not working but looking for employment – in the South West has been lower than the in UK throughout this period. In the three months to November 2018, it was 3.1%.

Employment and unemployment in the South West

	Employment		Unemployment	
	Level (thousands)	Rate (%)	Level (thousands)	Rate (%)
Sep-Nov 2005	2,472	75.7	102	4.0
Sep-Nov 2006	2,511	76.1	102	3.9
Sep-Nov 2007	2,557	76.7	96	3.6
Sep-Nov 2008	2,561	76.4	127	4.7
Sep-Nov 2009	2,473	73.0	167	6.3
Sep-Nov 2010	2,528	74.1	158	5.9
Sep-Nov 2011	2,520	73.8	172	6.4
Sep-Nov 2012	2,553	74.9	146	5.4
Sep-Nov 2013	2,544	74.5	185	6.8
Sep-Nov 2014	2,630	76.4	123	4.5
Sep-Nov 2015	2,713	77.6	109	3.9
Sep-Nov 2016	2,695	77.4	103	3.7
Sep-Nov 2017	2,756	78.5	105	3.7
Sep-Nov 2018	2,787	79.1	91	3.1

Employment rate (%) in the South West above UK average



Unemployment rate (%) in South West lower than UK average



Earnings

The table below shows how weekly earnings have changed in the South West since 2005, after adjusting for inflation.⁶

South West - Median weekly earnings	
Full time employees, 2018 prices	
	<i>£ per week</i>
2005	542
2006	551
2007	550
2008	557
2009	555
2010	546
2011	527
2012	511
2013	514
2014	504
2015	507
2016	524
2017	515
2018	521

The median is the point at which half of people earn more and half earn less. Figures are for full-time employees only and **therefore exclude part-time and self-employed workers**. The figures here relate to those who **live in the relevant region**. There are two breaks in the series at 2006 and 2011, care should be taken when comparing figures across breaks. **Figures are in 2018 prices, adjusted for inflation using the Consumer Price Index.**

Wages fell, in real terms, following the 2008/09 financial crisis and recession, and wage growth has been limited in the region since 2012. Real terms earnings in 2018 were, as in the UK as a whole, still below levels seen prior to the financial crisis.

⁶ ONS, [Annual Survey of Hours and Earnings 2018](#), 25 October 2018

2. Regional policy and the South West

This section provides some details of policies and initiatives designed to promote economic growth in the South West region.

2.1 Growth deals

The June 2013 Spending Review saw the Government ask Local Enterprise Partnerships (LEPs) to develop multi-year local Strategic Economic Plans, which would then be used for negotiations on 'Growth Deals' with the Government. These deals would see LEPs awarded funding from the Single Local Growth Fund, created in the 2013 Spending Review.

In March 2014, all 39 LEPs submitted Strategic Economic Plans. In July 2014, the government announced details of funding received by each LEP over the period 2015 - 2021. In January 2015, the government expanded the deals, with LEPs awarded a further £1 billion in total between 2016 and 2021 – below are details of growth deals

Gloucestershire – GFirst

The GFirst LEP's [Strategic Economic Plan](#) was submitted in March 2014. In July 2014, the GFirst LEP was awarded £62.5 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £15 million of funding was awarded between 2016 and 2021; an additional £29.1 million was awarded in November 2016. The LEP estimates up to 6,000 jobs could be created, 400 homes built and up to £220 million of public and private investment generated as a result of this funding.

West of England

The West of England LEP's [Strategic Economic Plan](#) was submitted in March 2014. In July 2014, the West of England LEP was awarded £212.6 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £18.1 million of funding was awarded between 2016 and 2021; an additional £52.8 million was awarded in November 2016. The LEP estimates up to 6,000 jobs could be created and up to £200 million of public and private investment generated as a result of this funding.

Swindon and Wiltshire

The Swindon and Wiltshire LEP's Strategic Economic Plan [Aligning Local Innovation with Government Ambition](#) was submitted in March 2014. In July 2014, the Swindon and Wiltshire LEP was awarded £129.3 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £11.5 million of funding was awarded between 2016 and 2021; an additional £28.1 million was awarded in November 2016. The LEP estimates up to 3,000 jobs could be created, 2,000 homes built and up to £80 million of public and private investment generated as a result of this funding.

Dorset

The Dorset LEP's Strategic Economic Plan [Transforming Dorset](#) was submitted in March 2014. In July 2014, the Dorset LEP was awarded £66.4 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £12.6 million of funding was awarded between 2016 and 2021; an additional £19.5 million was awarded in November 2016. The LEP estimates up to 26,000 jobs could be created, 3,000 homes built and up to £650 million of public and private investment generated as a result of this funding.

Heart of the South West

The Heart of the South West LEP's [Strategic Economic Plan](#) was submitted in March 2014. In July 2014, the Heart of the South West LEP was awarded £103.2 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £65.2 million of funding was awarded between 2016 and 2021; an additional £43.6 million was awarded in November 2016. The LEP estimates up to 22,000 jobs could be created, 11,000 homes built and up to £260 million of public and private investment generated as a result of this funding.

Cornwall and Isles of Scilly

The Cornwall and Isles of Scilly LEP's [Strategic Economic Plan](#) was submitted in March 2014. In July 2014, the Cornwall and Isles of Scilly LEP was awarded £48.9 million from the Local Growth Fund over the period 2015-2021. In January 2015 a further £11.3 million of funding was awarded between 2016 and 2021; an additional £18.0 million was awarded in November 2016. The LEP estimates up to 5,000 jobs could be created, 7,000 homes built and up to £160 million of public and private investment awarded as a result of this funding.

2.2 South West Growth Charter

The [South West Growth Charter](#), aimed at boosting prosperity and productivity in the region was published on 7 November 2016, following the South West Growth Summit held at the University of Exeter on 21 October 2016, attended by representatives from LEPs, local government and business.

The Charter contains five commitments:

- Collaboration between the public and private sectors and LEPs to drive growth;
- Investment in regional self-sufficiency to curb reliance on grant aid;
- Investment in new industrial clusters based around the aerospace, marine, defence, engineering and digital technology sectors;
- Investment designed to retain workers in the region; and
- Investment in environment and infrastructure

The Charter also asks for the government to assist through;

- A focus on the South West in the Government's Industrial Strategy; (I'm not sure this was entirely fulfilled)

- Investment in energy connectivity;
- Investment in transport connectivity; and
- Investment in digital connectivity.

The charter was the subject of a Westminster Hall debate in [November 2016](#).

2.3 Great South West

The [Great South West initiative](#) is a campaign designed to highlight the economic potential of the South West region and lobby for government investment and backing for the initiative in the same manner as the Northern Powerhouse and Midlands Engine initiatives. It was launched in September 2018, in Westminster by a delegation of representatives from the Heart of the South West, Dorset and Cornwall and the Isles of Scilly LEPs.⁷

The campaign is overseen by the Great South West partnership, chaired by Steve Hindley, chair of the Heart of the South West LEP, and includes representatives from businesses, LEPs and universities in the region. It is overseen by the Great South West Steering Committee, coordinated by the Dorset LEP.

The partnership have outlined four principles that guide their work:

- Promote the South West's opportunities
- Developing shared propositions, attracting investment and tackling barriers to productivity; making the whole of the South West a prosperous region
- Working on areas of common interest across the South West with a "coalition of the willing"
- Activities will be driven by our opportunities and our work will be directed by a steering committee of leaders from business, education and local authorities.⁸

The full terms of reference of the Great South West Steering Committee are available on the [Dorset LEP's website](#).

2.4 Industrial policy

The [Industrial Strategy White Paper](#) published in November 2017 outlined plans to "work in partnership with places to develop Local Industrial Strategies", either led by Mayoral Combined Authorities, supported by Local Enterprise Partnerships or by Local Enterprise Partnerships in areas without mayors.⁹

⁷ Heart of the South West LEP [Great South West set to rival Northern Powerhouse and Midlands Engine](#), 7 September 2018

⁸ Dorset LEP, [Great South West](#)

⁹ HM Government, [Industrial Strategy: Building a Britain for the future](#), November 2018, pg. 221

The first Local Industrial Strategies are due to will be agreed with government by March 2019, with the aim of agreeing all strategies in England by early 2020.

The [West of England Local Industrial Strategy](#) is being coordinated by the West of England Combined Authority (WECA), which is made up of three local authorities - Bath & North East Somerset, Bristol and South Gloucestershire, in collaboration with the West of England LEP, North Somerset Council and other partners. WECA is chaired by Tim Bowles, the West of England Mayor, elected in May 2017.

3. Press Articles

[North-south divide opens up in England's public spending: Resources have fallen in the north but risen in more affluent south during austerity, study finds](#)

Andy Bounds and Chris Tighe

Financial Times, 5 December 2018

[Tories need to be better than tepid over UK's industrial strategy](#)

Larry Elliott

Guardian, 25 November 2018

[Great South West alliance will be 'bigger than Northern Powerhouse'](#)

Darren Slade

Bournemouth Echo, 23 October 2018

[Championing the Great South West: The South West has economic development ambitions and potential to rival the Northern Powerhouse](#)

Jim Stewart

Public Finance, 10 July 2018

[The only way is Wessex? Devolution and development in the South West](#)

Public Finance

2 July 2018

[England's north-south divide is history – but the nation's rifts are deepening](#)

Alan Hughes and Peter Atkinson

The Conversation, 1 July 2017

[Brexit is causing deep divisions. Devolution can heal them](#)

Adam Lent

Guardian, 23 January 2018

4. Further reading

4.1 Library briefings

[Regional and National Economic Indicators](#)

House of Commons Library, January 2019

[Local growth deals](#)

House of Commons Library, November 2018

[Industrial strategy](#)

House of Commons Library, April 2018

[Industrial Strategy and the UK Economy](#)

House of Lords Library, December 2017

4.2 Other reading

[Developing an effective local industrial strategy for the UK: Evidence-based principles for local policymakers seeking to design an effective industrial strategy](#)

Henry Overman and Naomi Clayton

November 2018

[10 ideas for a successful place-based industrial strategy: How the Government can develop an industrial strategy which recognises the significance of place in the national economy](#)

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