

Hampshire Economic Area

Topic paper

Gross Value Added

**Analysis of economic growth
measured by gross value added**

May 2013



Hampshire
County Council

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1. Introduction

- 1.1 The following is an analysis of the Gross Value Added for the Hampshire Economic Area (HEA). This is a Topic report that provides a stand-alone report but it also provides an update of the economic analysis contained in the first Hampshire Economic Assessment.
- 1.2 Further reports which provide a Hampshire Economic Assessment Update 2013 can be found on [http://www3.hants.gov.uk/factsandfigures/figures-economics/hea_update .htm](http://www3.hants.gov.uk/factsandfigures/figures-economics/hea_update.htm). Other economic reports can be accessed on <http://www3.hants.gov.uk/factsandfigures/figures-economics.htm>.

2. Gross Value Added

Key facts

Gross Value Added

- In 2011 the Hampshire Economic Area economy was worth £37.9 billion and contributed almost 20% to the regional economy.
- Since 2000 the economy has grown by around 63%, compared to a growth of 57% in the South East region and 55% nationally.

GVA per capita

- On the GVA per head measure Hampshire Economic Area performs better than the national average but worse than the regional.
- In 2011 the local GVA per capita of a Hampshire Economic Area resident was £21,600 compared to 21,400 in the country.

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- The indexed GVA per head shows the significant difference between the Hampshire Economic Area figure and the Berkshire performance with the latter achieving about 57% higher GVA per head than on average in the country compared to 3% more in HEA.

Sector contribution

- Distribution; transport; accommodation and food sector is the main contributor to the Hampshire Economic Area GVA and provides 20% of the overall value.
- Over a 13 year period the contribution of Production to the economy has decreased by -7.6 percentage points. On the other hand Information and communication gained 4.0 pp and Business service activities 2.2 pp.

Productivity

- In 2011 productivity in the HEA of £45,300 was lower than the regional average of £48,100 and lower than the national average of £53,400.
- There is a clear division between the better performing north and central parts of Hampshire and the low productivity of the southern districts including the two cities.

Economic recovery

- Just before the recession and in between the two dips of recession HEA enjoyed a relatively higher rate of growth. The area has also experienced a slightly lower rate of economic contraction.
- Looking into the future HEA is projected to recover at a similar rate as the South East region and above the national average.

- 2.1 Gross Value Added (GVA) is one of the key economic indicators. It measures the performance of each individual producer or industry and their input to the economy.
- 2.2 According to the Office for National Statistics (ONS) definition¹ GVA is the difference between the value of goods and services produced (output) and the cost of raw materials and other inputs which are used up in the process of production (intermediate consumption), i.e. the value added by any unit engaged in production. This is known as the *production approach*. On the other hand, there is *income approach* which defines GVA as mainly composed of income made by employees and businesses in a form of earnings and profits/surplus. The following analysis is based on the income approach.
- 2.3 Data on GVA is published by ONS by the end of each calendar year. It is available at various geographical levels, consistent with the European Union's Nomenclature of Units for Territorial Statistics (NUTS)², and by various industry groups. Each time new data is published the ONS also publish revisions to the past data. Therefore the values for a particular year may differ slightly in different publications.

2.2 Hampshire Economic Area

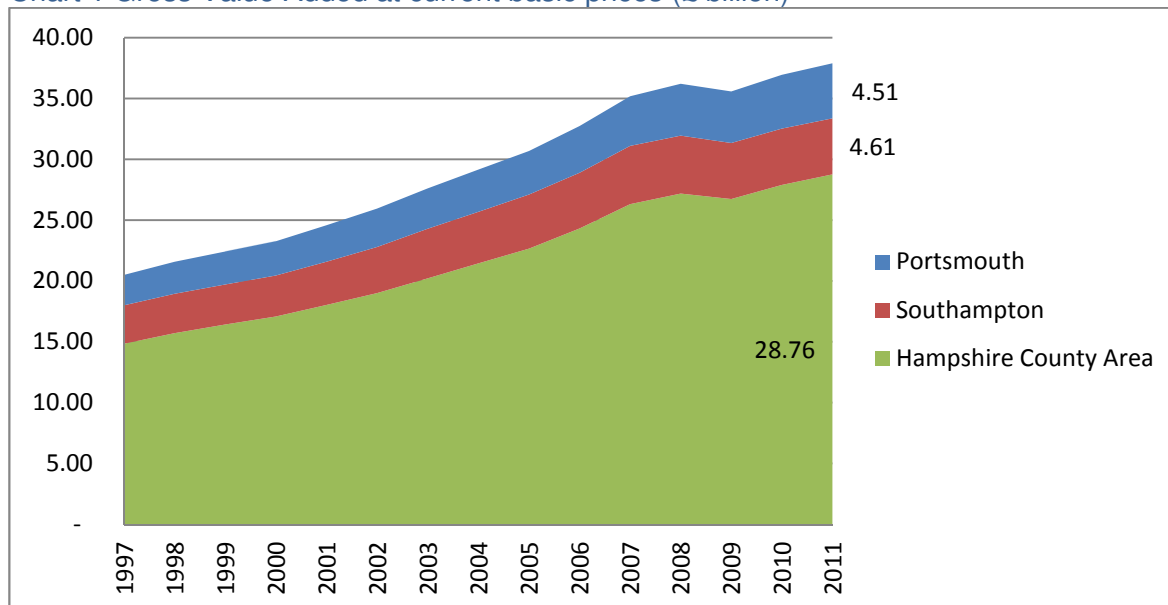
- 2.1 In 2011 the Hampshire Economic Area economy, which includes the unitary authorities of Portsmouth and Southampton, was worth £37.9 billion and contributed almost 20% to the regional economy (see chart 1). Since 2000 it has grown by around 63%, compared to a growth of 57% in the South East region and 55% nationally. Detailed information on GVA and GVA per head can be found in table 1 and 2 in appendix 1.
- 2.2 Between 1997 and 2011 Hampshire Economic Area has grown at an annual rate of 4.5%, compared to the slightly lower national rate of 4.3%. The local economy has grown at a lower than national rate between 1997 and 2000 but has experienced a higher growth in all other analysed years (see table 1). On the other hand, during the recession times the Hampshire Economic Area economy's value contracted at a slower pace than on average in the country.
- 2.3 Although the HEA has not been as much affected as other surrounding economies during the recession, it has been overtaken in terms of annual growth more recently by areas such as Berkshire, Surrey or West Sussex. Table 1 presents the annualised rates of growth and HEA and comparator areas. According to the data Southampton is the area that has been particularly affected by the economic crisis with a fall in the GVA value in 2009 and also in

¹ <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/gva/relationship-gva-and-gdp/gross-value-added-and-gross-domestic-product.html>

² More information about NUTS areas can be found on the Office for National Statistics website: <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/eurostat/index.html>

2011. Between 2008 and 2011 Southampton's economy contracted by an average of -1.14% a year, whilst over the same period the HEA's economy grew by an average of 1.52% a year.

Chart 1 Gross Value Added at current basic prices (£ billion)



Source: Regional Gross Value Added (Income Approach)

Table 1 Annualised rates of change in GVA

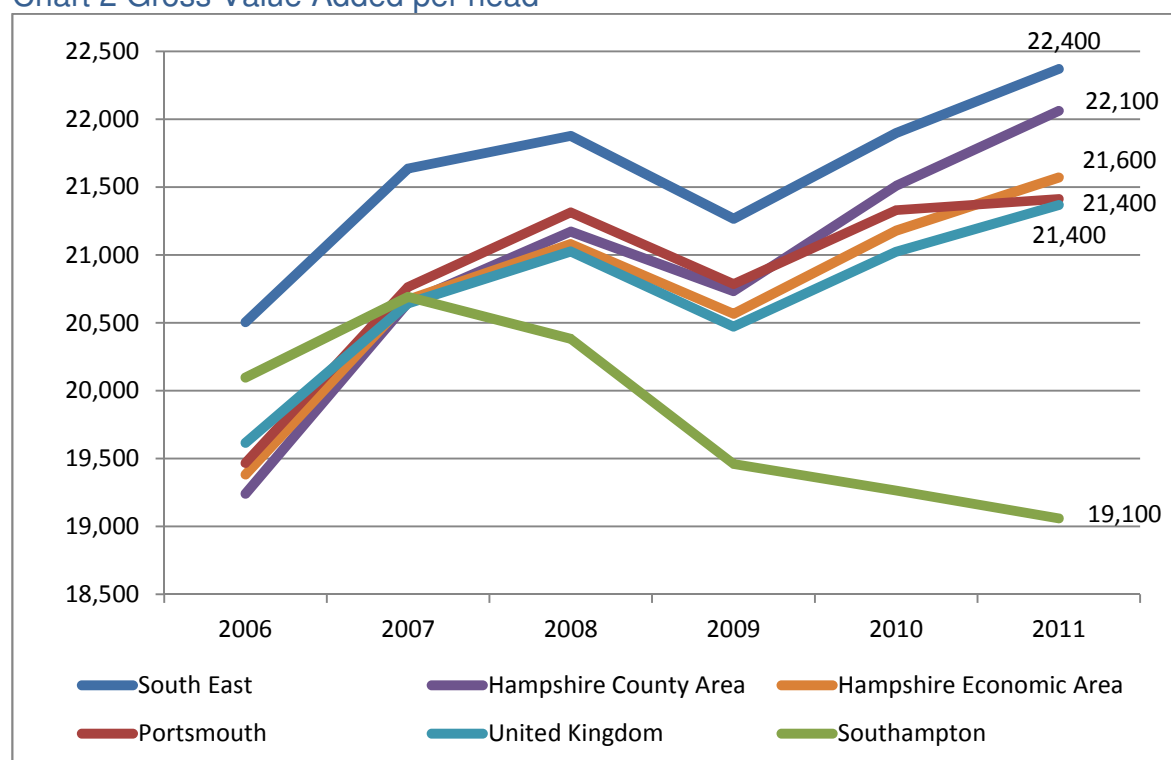
	1997-2011	1997-2000	2000-2008	2008-2011	2008-2009	2009-2010	2010-2011
Berkshire	4.73	6.99	5.02	1.74	-2.44	4.15	3.65
Dorset (incl. B'th and Poole)	4.49	5.58	5.19	1.58	-0.88	3.53	2.13
Hampshire Economic Area	4.48	4.31	5.68	1.52	-1.73	3.82	2.56
Hampshire County Area	4.83	4.76	5.98	1.90	-1.62	4.34	3.09
Portsmouth	4.31	4.16	5.24	2.00	-0.45	4.44	2.06
Southampton	2.79	2.24	4.51	-1.14	-3.46	0.26	-0.17
Isle of Wight	4.75	7.80	4.99	1.14	-2.91	3.90	2.56
Surrey	4.75	8.00	4.68	1.78	-1.91	3.86	3.50
West Sussex	3.93	4.62	4.56	1.59	-2.12	4.19	2.83
Wiltshire (incl. Swindon)	3.83	4.08	4.79	1.09	-2.11	3.26	2.20
South East	4.54	5.78	5.18	1.66	-2.01	4.04	3.06
South West	4.33	4.87	5.22	1.48	-1.69	3.87	2.35
England	4.28	4.97	5.14	1.36	-1.54	3.39	2.29
United Kingdom	4.29	5.02	5.16	1.27	-2.01	3.47	2.42

Source: Regional Gross Value Added (Income Approach)

2.4 On a GVA per head measure HEA performs better than the national average but worse than the regional. In 2011 the local GVA per head of a HEA resident was £21,600 compared to 21,400 in the country. Chart 2 compares the HEA GVA per head with the regional and national averages but it also provides the

NUTS 3 area information for the county area and the two cities of Portsmouth and Southampton. Since 2007 the Southampton economy has experienced a rather dramatic fall in the GVA per head value, declining from £20,700 in 2007 to £19,100 in 2011.

Chart 2 Gross Value Added per head



Source: Regional Gross Value Added (Income Approach)

Table 2 Annualised rates of change in GVA per head

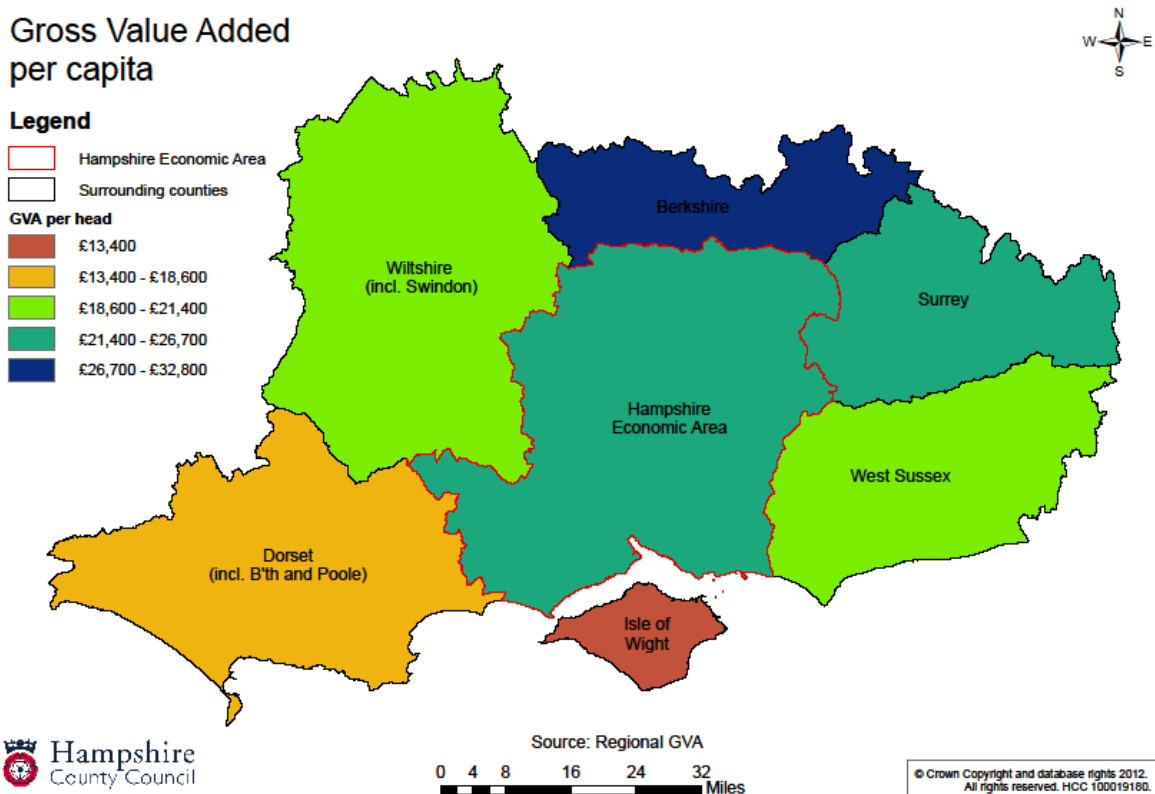
	1997-2011	1997-2000	2000-2008	2008-2011	2008-2009	2009-2010	2010-2011
Berkshire	3.99	6.64	4.37	0.45	-3.82	2.80	2.49
Dorset (incl. B'th and Poole)	4.09	5.09	4.81	1.21	-0.75	2.82	1.58
Hampshire Economic Area	3.89	3.87	5.09	0.77	-2.44	2.99	1.84
Hampshire County Area	4.32	4.23	5.48	1.38	-2.06	3.74	2.56
Portsmouth	3.52	4.45	4.46	0.15	-2.48	2.62	0.39
Southampton	1.88	1.68	3.54	-2.21	-4.52	-1.00	-1.07
Isle of Wight	4.00	6.66	4.15	1.03	-2.99	3.75	2.45
Surrey	4.07	7.38	4.15	0.65	-3.00	2.54	2.50
West Sussex	3.27	3.88	3.94	0.91	-2.66	3.31	2.19
Wiltshire (incl. Swindon)	2.99	3.28	3.91	0.29	-2.83	2.22	1.54
South East	3.87	5.17	4.58	0.74	-2.79	2.97	2.15
South West	3.62	4.23	4.46	0.82	-2.08	3.04	1.57
England	3.69	4.56	4.56	0.56	-2.20	2.55	1.40
United Kingdom	3.74	4.68	4.61	0.54	-2.63	2.69	1.64

Source: Regional Gross Value Added (Income Approach)

2.5 Table 2 presents the annualised rates of change in GVA per capita which confirms that Southampton has experienced a much higher decline during the recession. Between 2008 and 2009 the Southampton GVA per head went down by -4.52%, compared the HEA fall of -2.44%. However, it also shows that the city's economy has continued to fall even further in the following years, when all other areas started to see some signs of economic recovery. In 2010 the HEA GVA per capita increased by 2.99% and a year later by 1.84%. For Southampton the respective years were -1.00% and -1.07%.

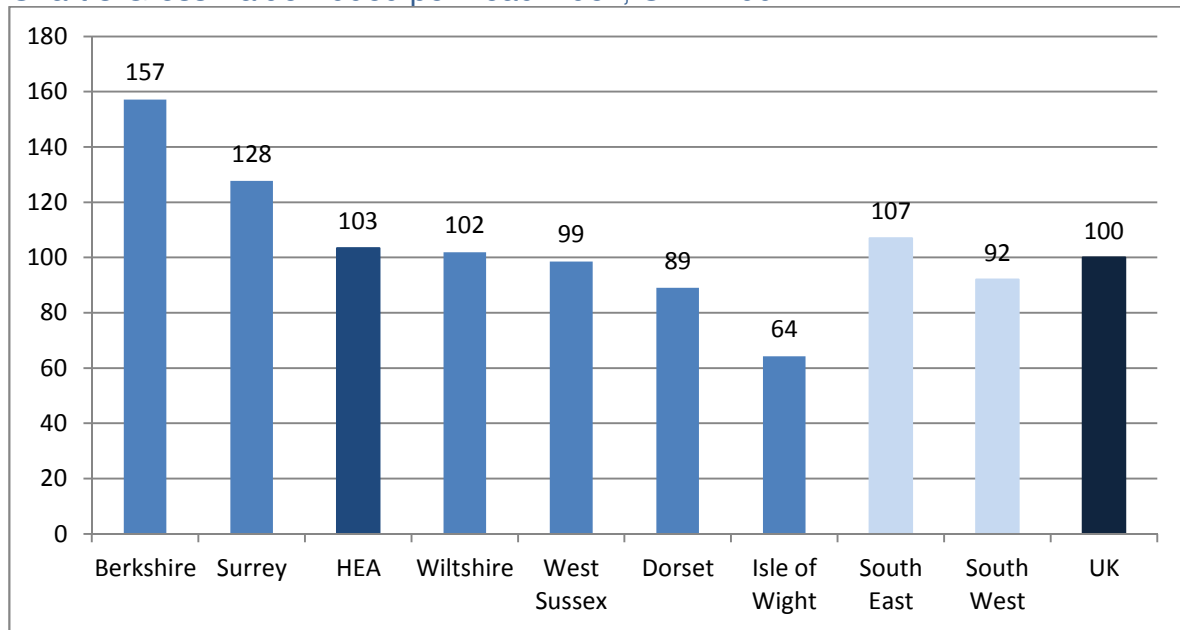
2.6 Overall the HEA economy is among the higher achieving on the GVA per head measure. Map 1 present the area and the surrounding counties. The HEA value is similar to that in Surrey but lower than in Berkshire. It is higher than in Wiltshire, West Sussex, Dorset and on the Isle of Wight. However, the index chart (see chart 3) shows that the HEA GVA per head is below the regional value. The chart also shows the significant difference between the HEA figure and the Berkshire performance with the latter achieving about 57% higher GVA per head of resident than on average in the country. The HEA achieves around 3% more than the national average.

Map 1 Gross Value Added per head in Hampshire and surrounding counties



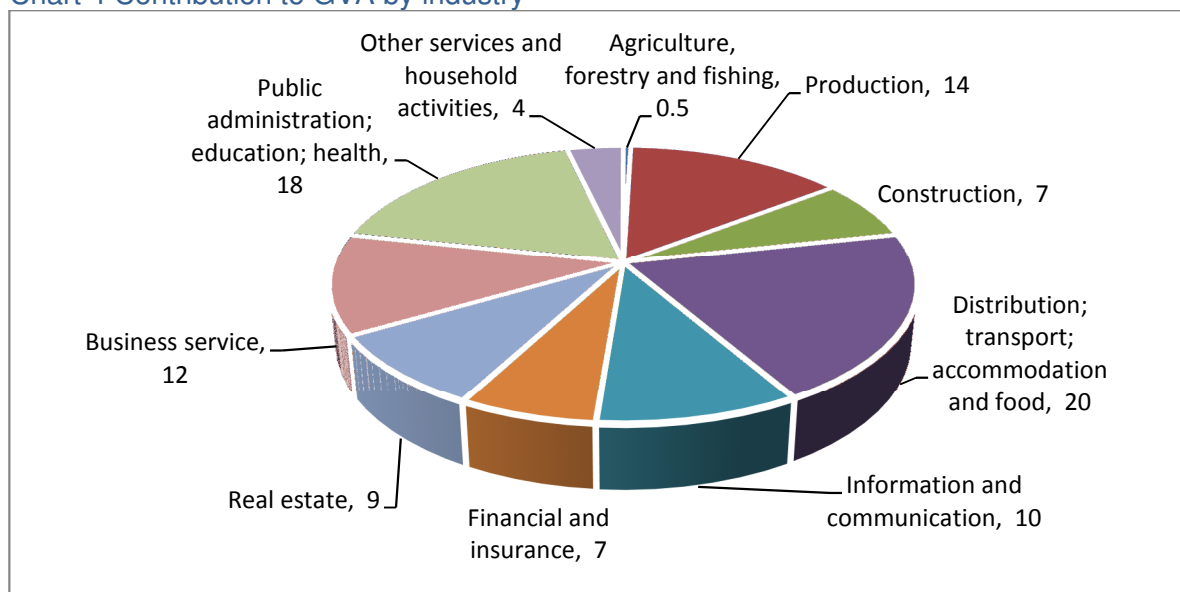
Source: Regional Gross Value Added (Income Approach)

Chart 3 Gross Value Added per head index, UK = 100



Source: Regional Gross Value Added (Income Approach)

Chart 4 Contribution to GVA by industry

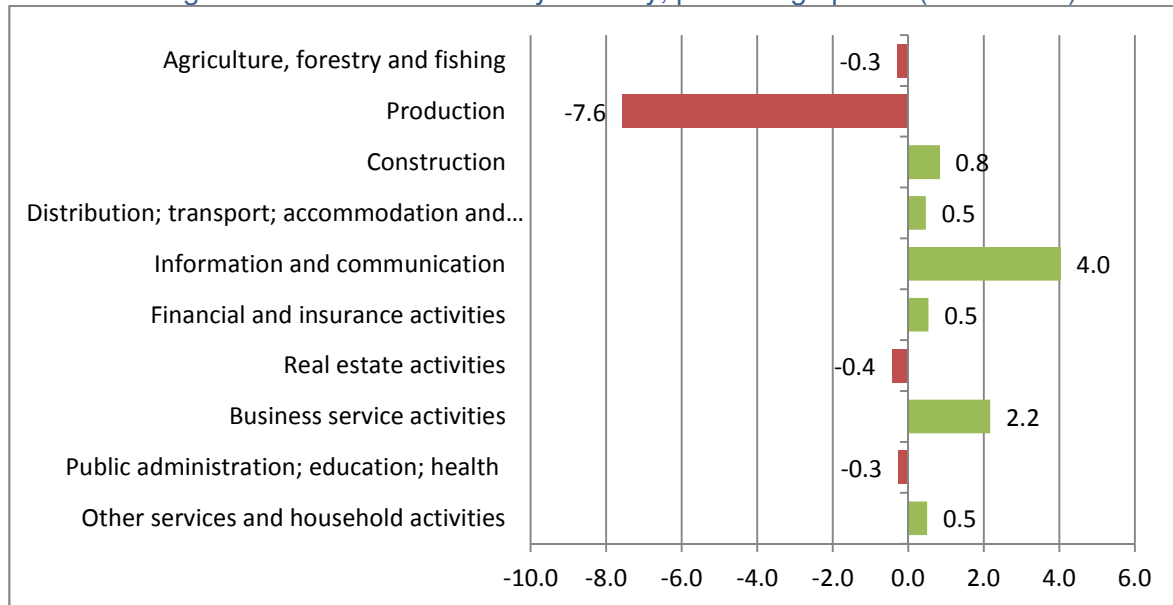


Source: Regional Gross Value Added (Income Approach)

2.7 Looking at the broad sector breakdown of the GVA in the Hampshire Economic Area in 2010, Distribution; transport; accommodation and food provide the biggest share of its value. About 20% of the local economy comes from that sector. The second major contributor is the Public administration; education; health sector with an 18% share. Production is the third main sector with 14% followed by Business service the fourth sector with 12% and Information and communication the fifth with a 10% contribution. The remaining sectors provide less than 10% each.

2.8 However, since 1997 the contribution of each sector to the economy in terms of the gross value added has changed. Over a 13 year period the contribution of Production to the economy has decreased by -7.6 percentage points (pp). The other three sectors that saw a marginal fall are Agriculture, forestry and fishing, Real estate activities and Public administration; education; health. On the other hand there are those sectors which have increased their overall contribution to the local economy. These are mainly Information and communication (+4.0 pp) and Business service activities (+2.2 pp).

Chart 5 Change in contribution to GVA by industry, percentage points (1997-2010)



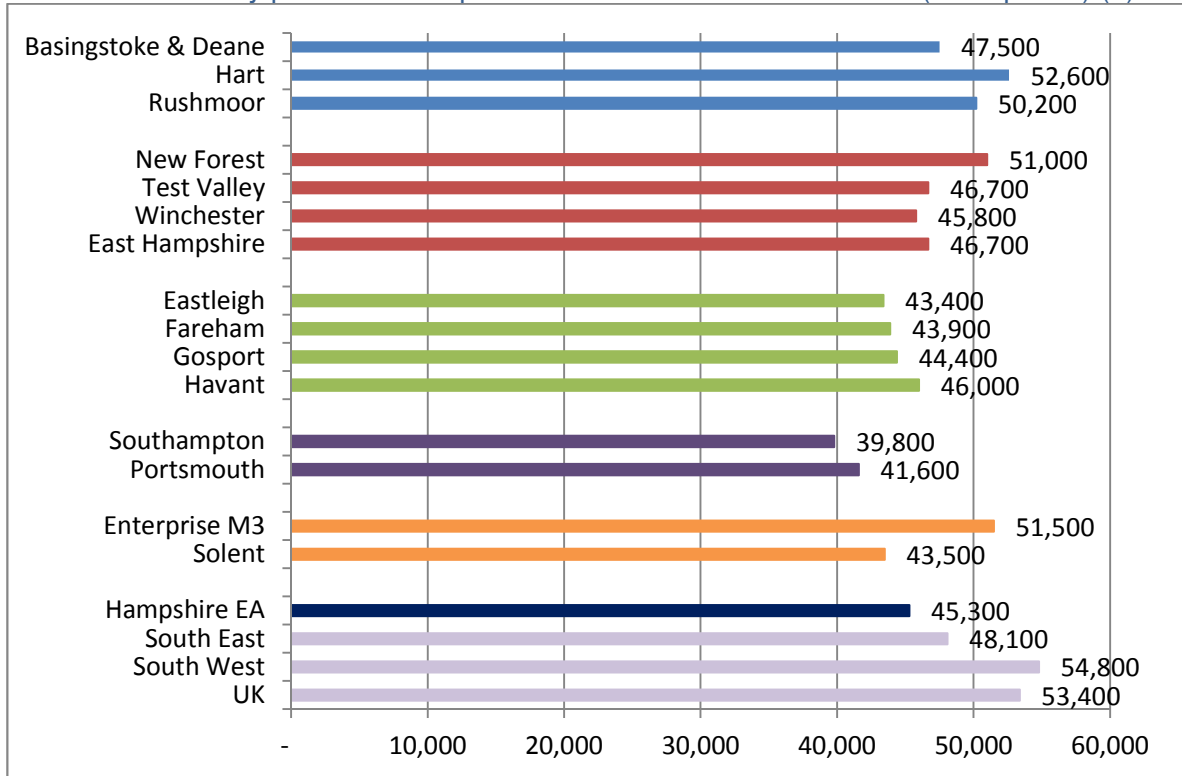
Source: Regional Gross Value Added (Income Approach)

2.9 Productivity is another measure of gross value added which can be expressed as GVA per job, GVA per full-time equivalent (FTE) job or GVA per hour worked. It is a more appropriate way of measuring productivity as compared to the GVA per capita. The latter measure uses a workplace-based numerator and a residence-based denominator (total residential population); while the GVA per job or hour worked uses a workplace-based numerator as well as denominator (count of only those who are directly employed in the process of production).

2.10 Chart 6 and map 2 present levels of productivity in the Hampshire Economic Area, its districts and comparator areas. Productivity is measured here per full-time equivalent job which takes into account the fact that some employees may work part-time and other may work longer hours. This definition is based on hours worked and multiplies the productivity per hour by the full-time equivalent hours worked. An average full-time worker in the UK works 37.8 hours.

2.11 Using this measure productivity in the Hampshire Economic Area of £45,300 in 2011 was lower than the regional average of £48,100 and lower than the national average of £53,400. There is a clear division between the north and central parts of Hampshire and the southern districts including the two cities.

Chart 6 Productivity per full-time equivalent based on 2011 CVM GVA (2009 prices) (£)



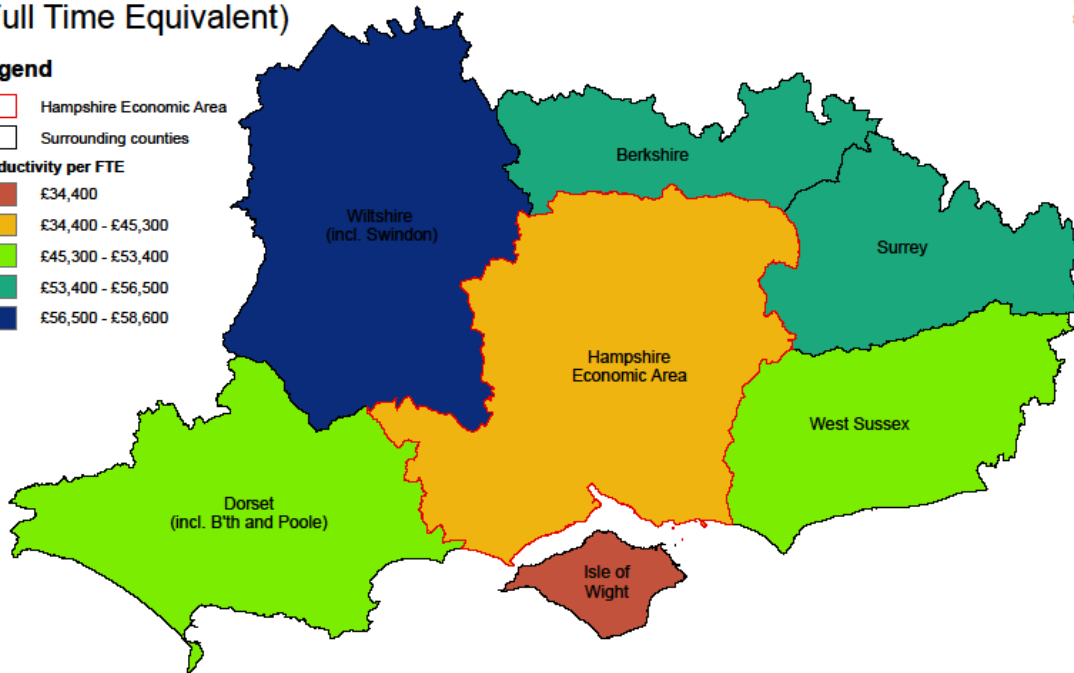
Source: Experian ©, April 2013

Map 2 Productivity per full-time equivalent based on CVM GVA (2009 prices)

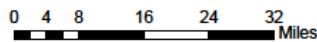
Productivity per job
(Full Time Equivalent)

Legend

- Hampshire Economic Area
- Surrounding counties
- Productivity per FTE**
- £34,400
- £34,400 - £45,300
- £45,300 - £53,400
- £53,400 - £56,500
- £56,500 - £58,600



Source: Experian ©, April 2013



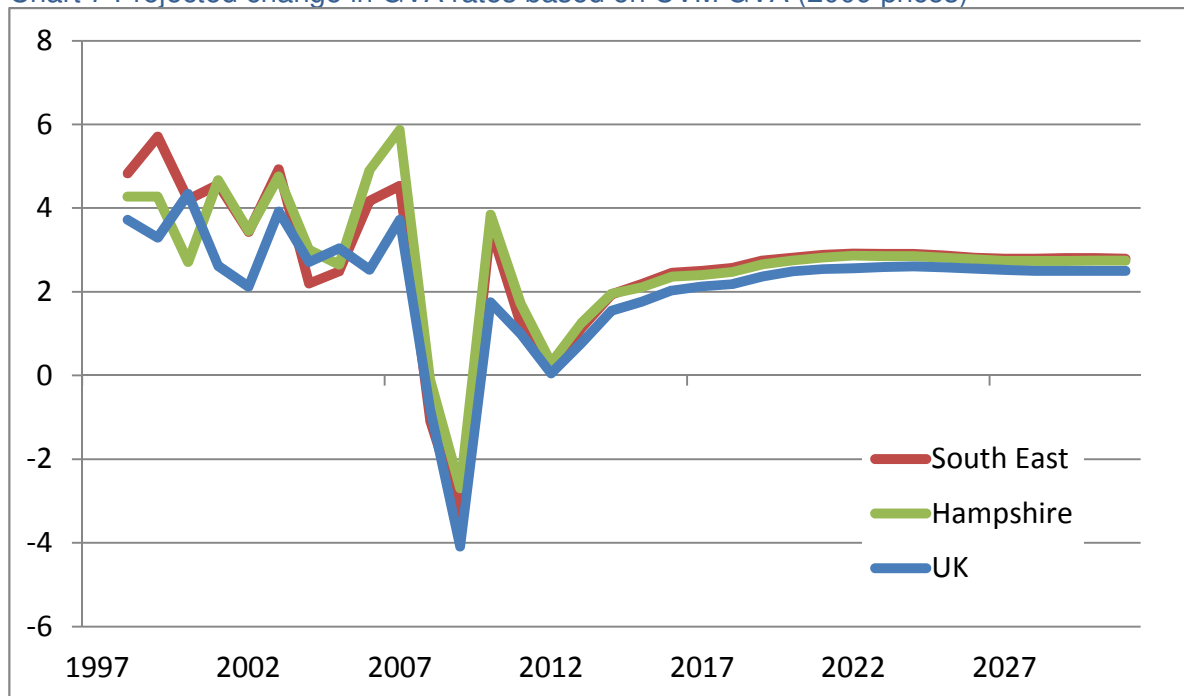
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Source: Experian ©, April 2013

2.12 The north and south divide in Hampshire is also reflected in the productivity of the two LEP areas which cover the county, the two cities but also seven Surrey districts and the Isle of Wight. Enterprise M3 has an average productivity of £51,500, whilst the Solent LEP has a productivity of £43,500. Among the Hampshire districts Hart has the highest productivity at £52,600 per FTE and Southampton has the lowest at £39,800.

2.13 When comparing the Hampshire Economic Area to its neighbouring counties, productivity is much lower than in most of the comparator areas. Hampshire score better than only the Isle of Wight and is outperformed by all other areas. The north and south differences are also evident in this comparison with Wiltshire, Berkshire and Surrey scoring much better than Dorset or West Sussex.

Chart 7 Projected change in GVA rates based on CVM GVA (2009 prices)



Source: Experian ©, April 2013

2.14 The last chart (chart 7) compares the rates of change in GVA measured by CVM GVA (2009 prices) available from the Experian model *Local Market Forecasts*. According to this data the position of Hampshire in terms of its GVA rate relative to the regional and national average varied. Just before the recession and in between the two dips of recession HEA enjoyed a relatively higher rate of growth. The area has also experienced a slightly lower rate of economic contraction. Looking into the future HEA is projected to recover at a similar rate as the South East region and above the national average.

Appendix 1 GVA tables

Table 1 Gross Value Added at current basic prices (£ million)

	2000	2002	2004	2006	2007	2008	2009	2010	2011
Berkshire	18,410	20,376	23,017	25,360	26,905	27,249	26,584	27,686	28,697
Dorset	8,499	9,164	10,316	11,572	12,373	12,743	12,631	13,077	13,355
Hampshire EA	23,258	25,955	29,139	32,717	35,171	36,195	35,570	36,930	37,875
Portsmouth	2,824	3,158	3,447	3,819	4,083	4,249	4,230	4,418	4,509
Southampton	3,353	3,804	4,236	4,596	4,776	4,771	4,606	4,618	4,610
Hampshire CA	17,081	18,993	21,456	24,302	26,312	27,175	26,734	27,894	28,756
Isle of Wight	1,234	1,378	1,497	1,694	1,809	1,822	1,769	1,838	1,885
Surrey	19,956	22,064	23,837	26,166	28,053	28,780	28,229	29,318	30,344
West Sussex	11,050	12,310	13,546	14,720	15,549	15,785	15,450	16,097	16,552
Wiltshire	9,425	10,283	11,456	12,664	13,472	13,702	13,413	13,850	14,155
South East	122,207	136,307	152,777	168,636	179,485	183,077	179,390	186,636	192,349
South West	64,637	72,150	81,804	90,148	95,284	97,082	95,440	99,136	101,465
England	723,298	800,319	901,086	997,356	1,056,933	1,080,363	1,063,683	1,099,713	1,124,881
United Kingdom	863,048	950,130	1,067,880	1,188,500	1,258,925	1,290,945	1,265,010	1,308,962	1,340,627

Table 2 Gross Value Added per capita

	2000	2002	2004	2006	2007	2008	2009	2010	2011
Berkshire	22,994	25,443	28,694	31,042	32,463	32,364	31,129	32,000	32,798
Dorset	12,306	13,158	14,820	16,481	17,446	17,920	17,786	18,288	18,577
Hampshire EA	14,169	15,690	17,473	19,383	20,669	21,080	20,566	21,180	21,570
Portsmouth	15,035	16,745	17,875	19,467	20,763	21,314	20,785	21,329	21,412
Southampton	15,433	17,234	18,864	20,098	20,691	20,381	19,460	19,265	19,059
Hampshire CA	13,815	15,257	17,161	19,241	20,650	21,171	20,734	21,510	22,061
Isle of Wight	9,391	10,283	10,971	12,230	12,972	13,002	12,613	13,086	13,406
Surrey	18,880	20,815	22,390	24,244	25,713	26,146	25,361	26,006	26,657
West Sussex	14,689	16,256	17,674	18,951	19,856	20,017	19,484	20,128	20,568
Wiltshire	15,505	16,640	18,262	19,936	20,962	21,076	20,480	20,934	21,258
South East	15,294	16,947	18,827	20,505	21,636	21,877	21,266	21,898	22,369
South West	13,145	14,510	16,232	17,594	18,400	18,632	18,244	18,798	19,093
England	14,691	16,120	17,982	19,647	20,681	20,992	20,531	21,054	21,349
United Kingdom	14,656	16,017	17,845	19,617	20,643	21,026	20,472	21,023	21,368

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