

The latest Key Data for Dorset

Introduction

On 20th December, ONS released the latest regional and sub-regional gross value added (GVA) figures, including historical revisions. For the first time, it produced 'balanced' data between the incomes and production methods.

GVA is the standard measure of total 'output' generated in a particular place (below the national level) over a particular period. The new numbers are for 2016 and provide a structural benchmark for most local economic analyses. (Given the sluggish performance of the UK and local economy this year, the relative scores are unlikely to have shifted markedly in 2017.)

Total GVA and GVA per Head

Dorset's total GVA was £16,130mn in 2016 (current prices), placing Dorset 32nd out of the 38 LEP areas. Given the area's relatively small size (economically), this ranking is roughly to be expected. These standings do not change much from year-to-year because all UK areas tend to grow or fall together. However, there can be lags between the different parts of the country when significant changes in trends are taking place (such as periods of recession). Also, in the long run, there can be bigger changes in position as industries wax and wane and local specialisms grow or fade.

In terms of GVA per head (see first table below), a better measure of relative performance because it takes total population into account, Dorset still did not fair that well. Ignoring some commuting effects, this is a broad measure of productive performance. It shows Dorset to be below regional and national averages (see table).

GVA per head (new balanced approach)

| £'000 | 2015 | 2016 | UK = 100 | 2015 | 2016 |
|---------|------|------|----------|-------|-------|
| Dorset | 20.5 | 20.9 | Dorset | 80.1 | 79.3 |
| SW | 22.4 | 23.1 | SW | 87.3 | 87.7 |
| SE | 28.1 | 28.7 | SE | 109.8 | 108.9 |
| England | 26.4 | 27.1 | England | 102.9 | 102.9 |
| UK | 25.9 | 26.6 | UK | 100 | 100 |

Source: ONS

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Dorset's index measure of 79.3 (compared with the UK average = 100) was down on the previous year. Indeed, for the first time, Dorset was more than 20 percentage points (pps) below the national average, continuing a downward trend that has existed since, at least, 1997. Dorset ranked 24th out of the 38 LEP areas on this measure.

In historical terms, this 'middling' ranking is roughly where one might expect Dorset to be, given that nowhere is standing still and given the sector and infrastructure characteristics of the county. Nevertheless, it is disappointing that recent slippage in comparable standing continues. Dorset GVA per head dropped from just 8.7pps below the UK average in 2000 to 20.7pps below average in 2016. This suggests a significant erosion of relative living standards for Dorset residents over the last 15 years. (N.B. it is not an absolute decline. The numbers are not inflation adjusted and all areas can still be growing. It is the relative change over time that is unfavourable.)

In mitigation, some of this relative decline is caused by the more general widening of the gap between Greater London and most of the rest of the country. London has pulled the UK average up compared with the more economically peripheral areas. Nonetheless, the basic story remains one of a poor local productivity performance in Dorset (and elsewhere): a "lost" decade or so of potential growth in living standards.

Broad Industrial Breakdown

The next table shows the broad industrial breakdown of local value added.

Share of Dorset GVA by industry (SIC classification, % of total)

| | 1998 | 2016 | | 1998 | 2016 |
|------------------------|-------------|-------------|--|-------------|-------------|
| ABDE | 4.7 | 2.7 | GHI | 18.0 | 17.7 |
| C | 12.7 | 9.3 | J | 2.7 | 2.7 |
| F | 6.1 | 6.5 | K | 6.0 | 7.3 |
| All production | 23.5 | 18.5 | L | 22.2 | 20.2 |
| | | | MN | 5.9 | 9.0 |
| OPQ | 18.2 | 20.5 | RST | 3.5 | 4.1 |
| Public services | 18.2 | 20.5 | All private services (except L) | 36.1 | 40.8 |

Source: ONS

Definitions: ABDE = agriculture, forestry & fishing, mining and quarrying, utilities-fuels, water & waste. C = manufacturing. F = construction. GHI = distribution services (retail, wholesale, transport, accommodation). J = information & communications. K = financial and insurance activities. L = real estate. MN = business services (professional, scientific, technical, administration & support). OPQ = public services (administration, defence, education, health & social). RST = leisure & culture, household and other personal services).

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In industrial terms, all recent growth in Dorset GVA (1997 onwards) has been in services, with most growth (in nominal terms) in business and financial services and least growth in manufacturing and the land-based/fuels producers. The table above shows the broad movement over time in major sector shares. Production has gone from 23.5% in 1998 to 18.5% of the economy in 2016: a drop of 5% in less than two decades. This 5% share has shifted largely to private services (excluding real estate - L climbing from c36% to c41%).

Local LEPS

Amongst the 12 “southern” LEPS (as highlighted in the next table below – first column), Dorset ranked 10th on GVA per head, with only the two furthest west SW areas below it. Overall, across southern England, there were clear ‘east-west’ (peninsula) and ‘north-south’ (coastal) divides in productive performance, overlaying the more usually recognised ‘urban-rural’ one. The divergence across southern England remains significant: fully 93.6pps across the patch from Berkshire to Cornwall. Sadly, Dorset has slipped towards the relegation zone.

GVA per head by LEP area, UK = 100 2016 & pps change since 1998

| | index | change | | index | change |
|-----------------|-------|--------|---------------------|-------|--------|
| Cornwall & IoS | 64.8 | -0.5 | Solent | 91.7 | -8.9 |
| Heart of the SW | 75.2 | -4.7 | Oxfordshire | 126.6 | +6.9 |
| Dorset | 79.3 | -9.4 | Coast to Capital | 95.6 | -10.5 |
| Gloucestershire | 99.1 | +3.0 | Bucks Thames Valley | 114.3 | -12.7 |
| Swindon & Wilts | 96.9 | -12.2 | Enterprise M3 | 122.3 | +2.1 |
| West of England | 111.5 | +4.5 | Thames Valley Berks | 158.4 | -6.1 |

Source ONS.

It is interesting that eight of the LEP areas in the table above have experienced a relative decline in performance since 1998 (second column). Over this period, Dorset’s 9.4% drop in its GVA per head index is similar to the experience of the other south coast areas – Devon (HoSW -4.7%), Hampshire (Solent -8.9%) Sussex (Coast to Capital -10.5%). Cornwall (-0.5%) has just about held its own, (perhaps, because of the substantial development funding that has poured in under EU regional policies) whilst Kent (part of the South East LEP -8.1% - not listed) was also down.

Clearly, there is an issue about relatively weak economic achievement along the English south coast, probably explained by changes in industrial structures – sector and technological specialisation and employment and skills distribution.

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Perhaps, the “South Coast Corridor” deserves support from development agents and funding as much as the “Midlands Engine” and the “Northern Powerhouse”.

Within Dorset

Within Dorset, about half of the GVA was generated in Bournemouth and Poole (combined £8.2bn in 2016) and half in the rest of the county (£8.0bn). If we include Christchurch and East Dorset with Bournemouth and Poole, the split would be £10.8bn for the main Dorset conurbation and (£5.3bn) for the rest (roughly 2/3rds to 1/3rd). The following table shows the GVA and GVA per head breakdown within Dorset in detail

Because Dorset has a distinct urban and rural diversity, commuting patterns are important inside the county and between it and its neighbours (mostly to the east). Some GVA produced in the Dorset towns is made by non-residents, but GVA per head is calculated on residents alone. Some Dorset residents’ output is recorded in the Greater South East and some output in the conurbation is generated by labour commuting in from outside. This is why the GVA per hour series for Dorset that relate value output to worker effort - scheduled for release in January - are a better measure of underlying labour productivity.

GVA & GVA per head within Dorset: All industries

| | £mn | £/head | GVA % share |
|---------------------|-------|--------|-------------|
| Bournemouth | 4,145 | 20,971 | 25.7 |
| Poole | 3,964 | 26,167 | 24.6 |
| Christchurch | 1,019 | 20,596 | 6.3 |
| East Dorset | 1,693 | 18,999 | 10.5 |
| North Dorset | 1,233 | 17,354 | 7.6 |
| Purbeck | 879 | 18,962 | 5.5 |
| West Dorset | 2,322 | 22,905 | 14.4 |
| Weymouth & Portland | 875 | 13,386 | 5.4 |

Source: ONS

By broad industry (SIC Codes as before), the distribution of GVA is shown in the next table. Unsurprisingly, it confirms the importance of the conurbation for many industries, with the per resident head measure ranging from over £26,000 in Poole to about half that in Weymouth and Portland.

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For example, in 2016, B&P contributed 44% of the land based/utility industries, 37% of manufacturing, 41% of construction, 49% of distribution, 58% of information and communications, 86% of financial services, 46% of real estate, 47% of professional services, 53% of public services, and 44% of leisure and other services.

Similarly, it is interesting to note some of the differences in sector importance for different parts of the county. For example, the biggest industries in each area were, respectively, distribution in Weymouth and Portland, public services in West Dorset, Purbeck, North Dorset, Poole and Bournemouth, and real estate in East Dorset and Christchurch.

The table can be used to show where different sectors are important locally. For example, manufacturing is clearly important in Poole but it is also particularly important, albeit at a lesser scale, to activity in East Dorset and West Dorset. Distribution (retailing and transport etc) is important everywhere but some sectors are more concentrated in urban domains, including financial and business services.

GVA Industry Breakdown within Dorset (2016, £mn)

| | Bournemouth | Poole | Christchurch | East Dorset |
|------|---------------------|----------------|---------------------|--------------------------------|
| ABDE | 44 | 146 | 10 | 57 |
| C | 113 | 453 | 116 | 244 |
| F | 211 | 224 | 80 | 145 |
| GHI | 757 | 650 | 211 | 266 |
| J | 128 | 127 | 50 | 40 |
| K | 656 | 359 | 26 | 52 |
| L | 820 | 694 | 250 | 427 |
| MN | 361 | 313 | 105 | 150 |
| OPQ | 903 | 859 | 132 | 254 |
| RST | 151 | 140 | 39 | 59 |
| | North Dorset | Purbeck | West Dorset | Weymouth & Portland |
| ABDE | 46 | 52 | 63 | 15 |
| C | 162 | 116 | 255 | 44 |
| F | 119 | 57 | 159 | 53 |
| GHI | 212 | 142 | 404 | 219 |
| J | 28 | 16 | 42 | 10 |
| K | 17 | 10 | 37 | 14 |
| L | 242 | 197 | 444 | 193 |
| MN | 92 | 78 | 271 | 75 |
| OPQ | 248 | 151 | 563 | 194 |
| RST | 68 | 60 | 84 | 58 |



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Source:ONS

Conclusion

The new data reviewed in this briefing shows the broad 'league' tables of economic performance, with Dorset middling, at best. Structural, capacity, skills and market weaknesses remain to be addressed. All the UK needs to raise productivity relative to our overseas competitors. But, within the UK, Dorset needs to raise productivity even more to stop it slipping further behind in the table.

The Government's recently announced Industrial Strategy aims to correct some of the imbalances and inadequacies displayed by the latest GVA statistics (see our LEB22 for a discussion of the Strategy).

Indeed, this ONS regional performance publication will be one of the areas where future analysts of development research will observe whether the Strategy is having the desired impact. The GVA and GVA per head figures will remain a key, annual data source for analysis of regional economic development across the United Kingdom.

Professor Nigel F Jump
Bournemouth University
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