



Regional Economic Development
Local Economy Briefing 17

Sub-National Incomes in 2015

Recently, the ONS has published its annual release of **gross disposable household income** (GDHI) data for the sub-national geographies. It shows the aggregate amount of money households have to spend once taxes and other fixed commitments (such as property mortgages) are taken out. It is made up largely of compensation of employees (wages and salaries) and other income streams from property, other assets and transfers (social benefits and pensions).

The latest numbers are for 2015. They show **SW England** generating £105bn of GDHI that year – up 4.4% from 2014 and representing 8.4% of the UK total. (Since there was barely any inflation, overall, in 2015, this represents a strong real increase in household spending power that we know fed through to reasonable macro economic growth well into 2016.) The respective figures for **SE England** were £195bn in total, a +3.7% increase on 2014, and a 15.7% UK share respectively.

In terms of **GDHI per head**, a better measure for comparing areas of diverse scale and structure, SW and SE England recorded £19,128 and £21,808 respectively. The former was commensurate with the UK average and up 3.5% from 2014. The latter was up 2.8% and about 14 percentage points above average.

Across central southern England – here defined loosely as Dorset and its neighbours, the distribution of GDHI per head ranged from £23,598 in Central Hampshire to £15,397 in Southampton. These two show a dramatic split of income performance within the urban areas and their immediate hinterlands. Other such 'close pairs' include £17,943 in Bristol compared with £19,980 in the rest of the West of England, £18,444 in Swindon and £20,704 in the rest of Wiltshire, and £18,833 in Bournemouth and Poole compared with £20,297 in the rest of Dorset. Lower income households tend to be residentially concentrated in urban areas into which more higher income groups commute.



Regional Economic Development
Local Economy Briefing 17

Turning to the **Local Enterprise Partnerships** (LEPs), the following table shows the 'local six' ranked in terms of total GDHI and GDHI per head. It indicates that Dorset is a relatively small economy in terms of aggregate incomes but compares more favourably (above UK average of £19,106) when this is related to total population.

Enterprise M3 (the corridor loosely surrounding and stretching from the New Forest along the M27 and M3 to the outskirts of London) is identified as the best earning part of central southern England in absolute and relative terms. In contrast, Devon and Somerset (HoSW) and Solent are relatively large but relatively low earning places (below the national average on GDHI per head).

GDHI & GDHI per head in Local LEPs (2015)

| LEP | GDHI (£bn) | LEP | GDHI per head (£) |
|-----------------|-------------|-----------------|-------------------|
| Swindon & Wilts | 14.1 | Heart of S West | 18,494 |
| Dorset | 15.2 | Solent | 18,898 |
| West of England | 21.4 | West of England | 19,162 |
| Solent | 30.1 | Dorset | 19,910 |
| Heart of S West | 31.7 | Swindon & Wilts | 20,006 |
| Enterprise M3 | 42.0 | Enterprise M3 | 23,409 |

Source: ONS & BU calculations. NB Enterprise M3 and Solent have some spatial overlaps – their numbers cannot be aggregated etc.

The next table shows a detailed local authority breakdown of GDHI per head for a representative group (colour-coded for Dorset and its neighbours).

Again, it shows the 'normal' urban-low, rural-high split but there are some contrasts. In Devon, for example, there is a marked difference between the two cities: Exeter's top ranking figure (over £25,500 per head) and Plymouth's relatively low number (under £16,000).

Other big local differences are between Eastleigh and Southampton, and West Dorset and Weymouth and Portland. Such wide gaps clearly represent the nature of the economy (value added, sector and employment characteristics), the demography (age distribution, commuting and net migration patterns) and related transfer streams (pensions and benefit flows) in the different places.



Regional Economic Development
Local Economy Briefing 17

GDHI per head – Local Authorities (2015, £)

| | | | |
|---------------------|--------|---------------|--------|
| Bournemouth | 17,600 | Southampton | 15,397 |
| Poole | 20,425 | Portsmouth | 15,062 |
| Christchurch | 21,760 | New Forest | 21,569 |
| East Dorset | 20,327 | Eastleigh | 23,440 |
| North Dorset | 19,055 | Isle of Wight | 17,568 |
| Purbeck | 20,935 | Plymouth | 15,886 |
| West Dorset | 24,636 | Torbay | 17,535 |
| Weymouth & Portland | 16,555 | Exeter | 25,513 |
| South Somerset | 18,603 | East Devon | 17,293 |
| Taunton Deane | 20,728 | Wiltshire | 20,704 |

Source: ONS

Within Dorset, the GDHI pattern suggests where incomes are concentrated more than others (table above). West Dorset stands out at the top with Weymouth and Portland at the bottom. Bournemouth has a low figure relative to the rest of the conurbation - Poole, Christchurch and East Dorset.

In Poole, compensation of employees (largely wages and salaries) represented 72% of total GDHI in 2015. In Bournemouth, the respective ratio was 67.6%. In declining order, West Dorset recorded 62.9%, Christchurch 57.8%, North Dorset 55.9%, Purbeck 55.5%, East Dorset 54.2% and Weymouth and Portland 53.5%.

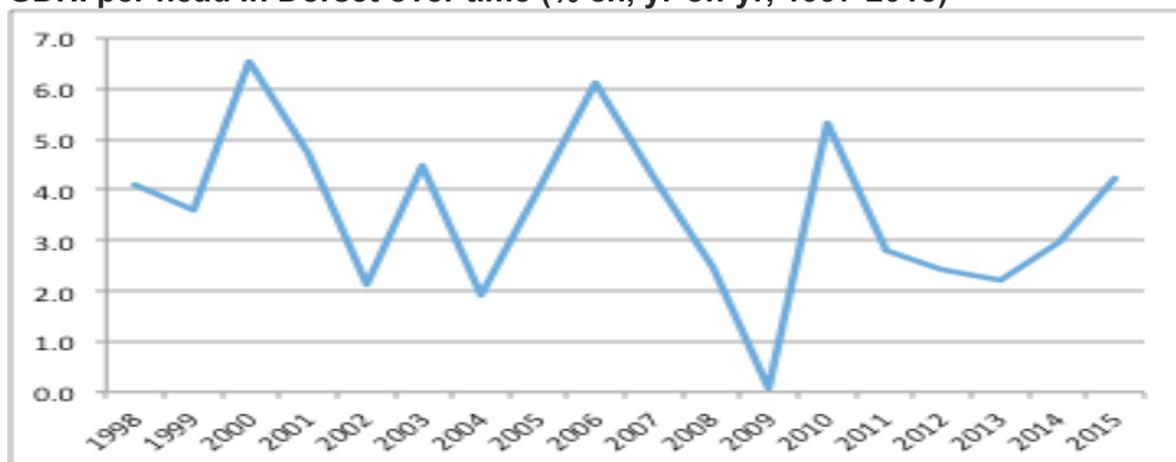
Such ratios represent differences in employment opportunities, including size and sectors of employers, and full time/part time job structures, as well as alternative income sources (transfers and property) in the varying locations.

Finally, the following chart shows changes in the GVA per head statistic over time. The series is extremely volatile year-by-year, making analysis difficult at low levels of geography. Hence, the chart only shows the sequence for Dorset as a whole. It reveals a slackening of growth over time commensurate with what might be expected from the path of the UK and local economy overall in this period, with generally falling inflation in the lead up to, and through, the “Great Recession” and the subsequent sluggish recovery.

With roughly 62% of Dorset GDHI coming from compensation of employees in 2015, this partly reflects a “sagging” of real wages and salaries growth and a ‘share shift’ towards other income resources.

Regional Economic Development
Local Economy Briefing 17

GDHI per head in Dorset over time (% ch, yr-on-yr, 1997-2015)



Source: ONS

Conclusion

The latest incomes data for sub-national areas paints a picture of a better performance in 2015 than in the previous few years but a still modest performance compared with before the 2009 downturn. The 'better' 2015 figures underpinned consumption-led growth in 2015-16.

Within southern England, generally, the usual incomes pattern of weaker urban areas and better surrounding areas persisted. Compared with its neighbours, Dorset ranked relatively well on GDHI per head but there were marked differences on this measure within the county/LEP area.

The wider economic evidence suggests the positive readings for 2015 were probably maintained in 2016, albeit, perhaps, at a slower pace. Looking ahead, the fear is that real income growth is now under pressure as inflation accelerates but earnings do not.

If the frequent 'switchback' performance of GDHI per head persists, a drop in these series seems likely for 2017/18. Given the range of macro economic uncertainties now facing the local economy, it would be an achievement if the positive story of 2015 were sustained.

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