

Regional Incomes for 2016

Introduction

ONS has just released its annual statistics on regional incomes. The latest data is for 2016. This briefing explores the headline messages for Dorset.

The Main Data

In 2016, UK gross domestic household income (GDHI) was almost £1.3 trillion. SE and SW England generated £202bn (15.8% of the total) and £105bn (8.2%) respectively. The latter came from 8.4% of the UK population whereas the former was from 13.8%, implying an inter-regional earnings gap which, in turn, relates to relative productivity, structure and transfers.

It is useful to consider GDHI per head to assess comparative performance. UK GDHI per head was £19,432 in 2016 current prices. This was only 0.7% up on the year before. SE England reached £22,375 (+0.3% growth, 115.1 as an index with UK = 100) and SW England £19,077 (unchanged, 98.2 index). The highest growth that occurred was in London, Scotland, East England and Yorkshire & Humberside (all >+1%). NW and NE England were negative.

About 68% of the SW total relates to compensation of employees (wages and salaries) 13% to operating surpluses and 15% to net property incomes. This is not unusual amongst UK regions over time.

The Local Data

Dorset's GDHI per head was £19,853 in 2016. This was 0.4% below the 2015 level – a relatively weak achievement: the LEP neighbours performed better in growth terms but the absolute ranking did not shift (see first table below).

Local LEPs – GDHI per head: 2016

Enterprise M3	25,961	+0.2
Dorset	19,853	-0.4
Swindon & Wiltshire	19,752	+0.2
Heart of the SW	18,218	-0.1
Solent	17,395	+0.4

Source: ONS

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Within Dorset, highest GDHI per head was achieved in Purbeck and lowest in Poole (see next table). It is always interesting to see how the distribution of GDHI per head is different from that for GVA per head.

This reflects the difference between residential and employment patterns and the influence of non-wage factors such as mixed income flows and transfers. As the table below shows, all Dorset’s main ‘parts’ suffered a decline in GDHI per head in 2016.

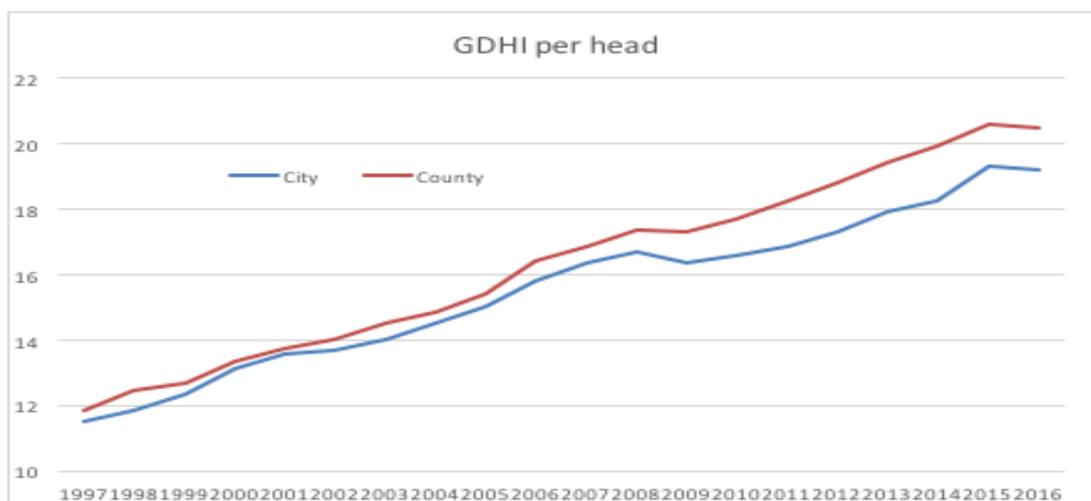
Dorset – GDHI per head: 2016

Bournemouth	19,448	-0.5	North Dorset	20,469	-0.2
Christchurch	20,560	-0.1	Purbeck	20,956	-0.2
Poole	18,534	-0.4	West Dorset	20,308	-0.6
East Dorset	20,555	-0.3	Weymouth & Portland	20,443	-1.1

Source: ONS

Based on the new unitary boundaries, ‘City’ Dorset had GDHI per head of £19,238 and ‘County’ Dorset £20,502 in 2016. Over time, the gap between the two areas has widened (see chart), especially after the Great Recession with a weaker outcome in the more urban areas.

(These numbers are not inflation-adjusted. In real terms, both areas have experienced a decline in recent years, reflecting the productivity deficit, structural dynamics and the less welcome components of a more flexible - part-time, low pay - labour market.)



Source: our calculations based on ONS data. City = Bournemouth, Christchurch and Poole. County = East, North & West Dorset, Purbeck and Weymouth & Portland.



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Conclusion

The story from the latest GDHI data is of a Dorset losing some ground in real, absolute and relative terms. Nowhere in Dorset did well in 2016 and, since the Great Recession, the more urban parts of Dorset, in particular, have experienced a weak performance.

These trends underpin and reflect the loss of productivity growth in the last decade and the resulting erosion of inherent growth potential, despite rapid employment growth. None of this augur well for future living standards and well-being.

In 2017 and 2018 to date, some positive increase in GDHI per head may have occurred but it will not have shifted the broad patterns significantly.

Moreover, in a world, of Brexit, local government, and mercantilist uncertainty, the real investment surge needed to restore wider economic fortunes, including household incomes, is unlikely to appear soon.

The outlook for incomes to the end of this decade (2020) remains 'soft', unless there is significant, radical effort to generate productivity-led growth, increase market and technical engagement, and build competitiveness.

Professor Nigel F Jump, Bournemouth University, May 2018