



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

Economic Indicators

February 2005

Abstract

The Economic Indicators research paper is published at intervals throughout the year and aims to pull together information on the economy in Wales and the UK.

The paper presents an overview of the current economic situation in Wales and provides a reference source of some of the main economic statistics for Wales and the UK.

February 2005



Economic Indicators

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Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

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Economic Indicators: January 2005

1 Introduction

The Economic Indicators research paper is published at intervals throughout the year and aims to pull together information on the economy in Wales and the UK. The paper presents an overview of the current economic situation in Wales and provides a reference source of some of the main economic statistics for Wales and the UK.

An electronic version of the paper is available on the Members' Research Service pages of the Intranet at:

<http://assembly/presidingoffic/mrs/briefings/index.htm>



2 Economy Overview

The following is a summary of some of the key economic and labour market indicators for Wales. The middle column summarises the current trend in Wales, whilst the right-hand column provides details of where further information can be found.

Indicator	Trend	Further information
GVA per head as % of UK average	Rising after falling between 1995 and 1999 2000 = 78.3% 2001 = 78.7% 2002 = 78.4% 2003 = 79.0%	Regional Gross Value Added First Release. Dec 2004 http://www.statistics.gov.uk/pdf/dir/gvar1204.pdf
Employment Rate Annual change to latest three month period	Rising Oct - Dec 2004 Wales +0.2 percentage points to 72.3% UK +0.3 percentage points to 74.9%	Labour Market Statistics First Releases: Wales and UK Feb 2005 http://www.statistics.gov.uk/pdf/dir/lmswales0205.pdf and http://www.statistics.gov.uk/pdf/dir/lmsuk0205.pdf
GVA forecasts of annual % growth	Forecast growth, above UK rate in 2004 <i>Experian Business Strategies (Dec 2004)</i> Wales:2004 = 3.4% UK:2004 = 3.1% Wales:2005 = 2.9% UK:2005 = 2.8% Wales 2006 = 2.9% UK:2006 = 2.8% <i>Cambridge Econometrics (Aug. 2004)</i> Wales:2004 = 3.4% UK: 2004 = 3.1%, Wales:2005 = 2.7% UK: 2005 = 3.1%	Experian Press Release 20/12/04: http://press.experian.com/pres_s_releases.cfm Cambridge Econometrics: Regional Economic Forecasts, August 2004 (available from the Members' Library)
Unemployment Rate Annual change to latest three month period	Falling Oct - Dec 2004 Wales -0.6 percentage points to 4.2% UK -0.2 percentage points to 4.7%	As for Employment Rate
Economic Inactivity Rate Annual change to latest three month period	Increasing Oct - Dec 2004 Wales +0.2 percentage points to 24.4% UK -0.2 percentage points to 21.3%	As for Employment Rate



Indicator	Trend	Further information
<p>Index of Production and Construction</p> <p>Latest 4 quarters compared with previous 4 (2000=100)</p>	<p>Rising</p> <p>Quarter 3 2004 Wales: +4.9% UK: +1.4%</p>	<p>National Assembly for Wales Statistical Directorate Statistical Release: SDR4/2005 - Jan 2005 http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050113-e.htm</p>
<p>Average Earnings</p> <p>Annual change</p>	<p>Rising, above UK rate of growth in last year</p> <p>April 2004 Wales: +5.4% UK: +4.1%</p>	<p>National Assembly for Wales Statistical Directorate Headline Release: Oct 2004 http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200410283-e.htm</p>
<p>Value of Exports</p> <p>Latest 4 quarters compared with previous 4</p>	<p>Rising</p> <p>Quarter 3 2004 Wales: +7.3% UK: +1.0%</p>	<p>National Assembly for Wales Statistical Directorate Statistical Bulletin: SB1/2005 - Jan 2005 http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200412163-e.htm</p>
<p>VAT Registered businesses</p> <p>Annual change in stock</p>	<p>No Change</p> <p>2004 Wales: 0% UK: +0.9%</p>	<p>National Assembly for Wales Statistical Directorate Headline Release: Nov 2004 http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041103-e.htm</p>
<p>Household Disposable Income per head as % of UK</p>	<p>Falling up to 1999</p> <p>1995= 91% 1996= 90% 1997= 88% 1998= 88% 1999= 87%</p>	<p>National Statistics Release: August 2002 http://www.statistics.gov.uk/CC/article.asp?ID=128</p>
<p>Adults of working age without qualifications</p> <p>% of population of working age</p>	<p>Falling</p> <p>2001= 21.5% 2002= 18.5% 2003= 17.3%</p>	<p>Welsh Local Labour Force Survey: http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041243-e.htm</p>
<p>Adults of working age with degree or equivalent</p> <p>% of population of working age</p>	<p>Rising</p> <p>2001= 22.2% 2002= 23.3% 2003= 24.2%</p>	<p>As for adults without qualifications</p>



3 National and Regional Income Accounts - Gross Value Added (GVA)

Table 3.1: Gross Value Added(a), Wales and the UK, 1989 to 2003

Year	Wales (£ per head)	UK (£ per head)(b)	Per Capita GVA in Wales as a proportion of UK GVA
1989	6,716	7,921	84.8
1990	7,233	8,585	84.2
1991	7,455	8,945	83.3
1992	7,762	9,313	83.3
1993	8,109	9,776	82.9
1994	8,577	10,299	83.3
1995	9,031	10,786	83.7
1996	9,409	11,400	82.5
1997	9,809	12,085	81.2
1998	10,166	12,807	79.3
1999	10,487	13,337	78.6
2000	10,869	13,867	78.3
2001	11,440	14,545	78.7
2002	11,971	15,273	78.4
2003(c)	12,629	15,980	79.0

Source: Office for National Statistics

- (a) Estimates of regional GVA in this table are on a residence basis, where the income of commuters is allocated to where they live rather than their place of work. The headline regional GVA series have been calculated using a five-period moving average.
- (b) Excludes the GVA for Extra-Regio that comprises compensation of employees and gross operating surplus which cannot be assigned to regions.
- (c) Provisional.

The latest Gross Value Added (GVA) estimates published by the Office for National Statistics (ONS) show that¹:

- ◆ GVA per head in Wales in 2003² was £12,600 or 79.0 per cent of the UK average. The revised figures show that GVA per head in Wales relative to the UK fell between 1995 and 2000, though there is some evidence of a small rise over recent years.
- ◆ GVA per head in Wales in 2003 relative to the UK average was the lowest of all the devolved countries and English regions and has been the lowest or equal lowest since 1998 when it fell below the North East and Northern Ireland.
- ◆ In London, the South East and the East of England, GVA per head in 2003 was above the UK average, while all other regions were below the UK average. There is evidence of a general convergence of per capita GVA towards the average between 2002 and 2003 among all UK regions and nations.
- ◆ Total GVA, before allowing for inflation, has been increasing in all UK regions. Total GVA in Wales was 6.0 per cent higher than in 2002. The greatest growth in 2003 was

¹ ONS First Release, *Regional gross value added*, 22 December 2004:

<http://www.statistics.gov.uk/pdfdir/qvar1204.pdf>

The headline figures are also reported on the National Assembly for Wales Statistics internet pages at:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200412221-e.htm>

Further information on regional GVA can be found on the ONS web-site at:

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=7359>

² 2003 figures are provisional



in the East Midlands (6.3 per cent higher than in 2002), while London had the lowest growth (2.6 per cent). The growth in total GVA for the UK as a whole³ was 5.0 per cent.

- ◆ In order to achieve the aspiration within *A Winning Wales*⁴ of per capita GVA in Wales reaching 90 per cent of the UK average by 2010, growth in 2004 onwards in Wales would need to be around 2 per cent above that of the UK average⁵.

In the case of the mean (average), where income growth in one region differs from the mean for all regions, this will have an effect on the position of other regions relative to the mean. The impact upon the mean depends upon the magnitude of the difference between regions, and their relative position. For example, between 2002 and 2003, per capita growth in London, the South East, and East of England (regions with above average per capita GVA) was below the mean for all regions, while all other regions had above average growth. This resulted in a general convergence towards the mean among all regions and therefore a relative improvement for all regions with below average per capita GVA, and vice versa.

It is possible to take some account of this by looking at the median measure. The median represents the number which sits in the middle of a set of numbers, in this case the mean of the central two index numbers for UK relative GVA. By looking at the median figure, it is possible to compare GVA in Wales relative to other regions while making allowance for a relative large increase or fall in GVA within a particular region which might skew the mean measure.

- ◆ GVA per head in 2003 was 87.0 per cent of the UK median. As with the mean measure, this proportion declined during the second half of the 1990s. However, there has been an increase in GVA relative to the UK median region over the last three years.

Figure 3.1 shows per capita GVA in Wales as a percentage of per capita GVA for the mean and median UK region over the period 1989 to 2003 and illustrates the decline in relative GVA in the late 1990s, and a levelling off over recent years.

³ Excluding Extra-Region GVA. All the statistics for GVA are not adjusted for inflation. Further technical points for consideration in interpreting data published in this paper can be found at Annex 1.

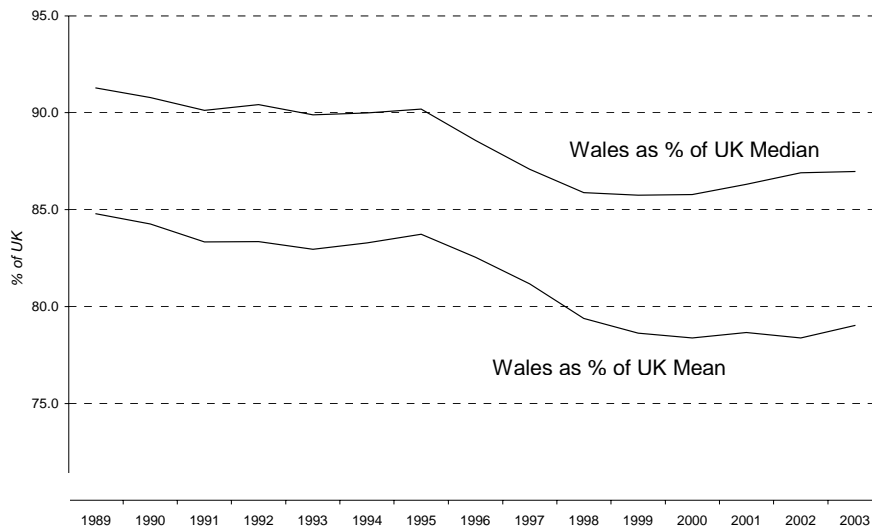
⁴ *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. A main aspiration of *A Winning Wales* is to see Welsh GDP per person rising from 80 per cent to 90 per cent of the UK average over the decade, with the ultimate aim of achieving parity. Further information on *A Winning Wales* can be found at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/>

⁵ Members' Research Service estimates based on a constant UK-wide nominal per capita growth rate of 5%.



Figure 3.1: Gross Value Added, Wales as a percentage of UK mean and UK median

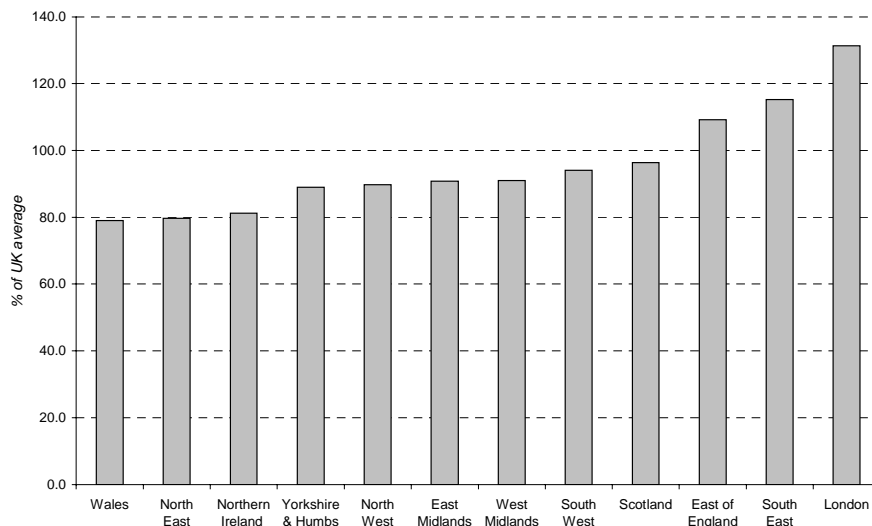


Source: ONS

As a proportion of the UK median, the relative decline in the late 1990s is evident. There is some evidence of a recovery over recent years on this measure, though with little change between 2002 and 2003. The relative improvement between 2002-03 suggested by the mean measure is less pronounced than for the median measure.

Figure 3.2 shows per capita GVA in the UK regions and nations as a percentage of per capita GVA for the UK in 2003.

Figure 3.2 Per capita GVA, by UK nation and region, 2003

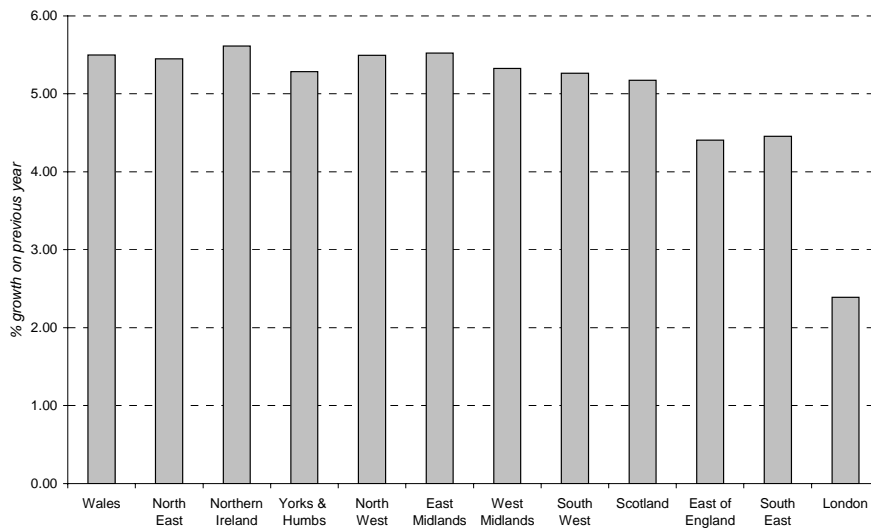


Source: ONS

Figure 3.3 charts per capita growth in the UK nations and regions between 2002 and 2003. Wales had the third highest per capita growth rate among regions and nations of the UK in this period of 5.5 per cent. This compares to a UK (less extra regio) per capita growth rate of 4.6 per cent.



Figure 3.3 Growth in per capita GVA, by UK nation and region, 2002-03

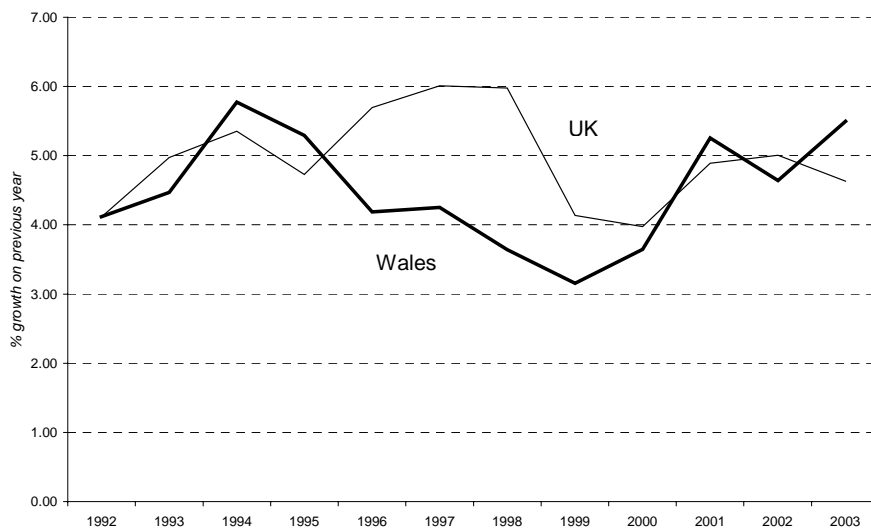


Source: ONS

Figure 3.3 shows that the English regions of the East of England, South East and, in particular, London had relatively low per capita growth in 2003. These are the three regions with above average per capita incomes. All other nations and regions had similar levels of per capita growth.

Figure 3.4 charts per capita growth in Wales against the UK mean for the years 1992 to 2003.

Figure 3.4: Per capita GVA growth, Wales and UK, 1992 to 2003



Source: ONS

Figure 3.4 shows a lower rate of per capita growth in Wales compared to the UK as a whole in the late 1990s, which explains the relative decline in Welsh per capita GVA over that period. The closing of this growth rate over recent years explains why this relative decline has levelled off over the last three years.

Per capita growth in Wales would need to exceed that of the UK by around 2 per cent per year from 2003 onwards in order to achieve the *A Winning Wales* aspiration of per capita GVA in Wales reaching 90 per cent of the UK average by 2010.



3.1 Sub-Regional GVA

Table 3.2: Per Capita Gross Value Added (GVA), Wales, by NUTS⁶ level 1, 2 and 3 area, 2002(a)(b)

NUTS Levels	Gross Value Added (£ <i>per head</i>)	Per Capita GVA as a proportion of UK GVA
WALES	12,000	78
<i>West Wales and the Valleys</i>	<i>10,000</i>	<i>65</i>
Isle of Anglesey	8,100	53
Gwynedd	10,400	68
Conwy and Denbighshire	10,000	65
South West Wales	9,100	59
Central Valleys	9,900	65
Gwent Valleys	9,100	60
Bridgend and Neath Port Talbot	10,500	68
Swansea	12,600	83
<i>East Wales</i>	<i>15,500</i>	<i>101</i>
Monmouthshire and Newport	14,900	97
Cardiff and Vale of Glamorgan	17,500	114
Flintshire and Wrexham	14,700	96
Powys	11,300	74

Source: Office for National Statistics

- (a) The headline GVA series for this publication have been calculated using a five-period moving average.
(b) Estimates of workplace based GVA allocate income to the region in which commuters work.

The latest sub-regional gross value added (GVA)⁷ estimates show that:

- ◆ In 2002, West Wales and the Valleys (NUTS2) had the second lowest GVA per head (£10,000) after Cornwall and Isles of Scilly (£9,500). These figures compare to the UK average⁸ of £15,300. East Wales (NUTS2) had a GVA per head of £15,500 in 2002.
- ◆ Per capita GVA in West Wales and the Valleys (NUTS2) declined relative to the UK average between 1995 and 2002 from 74 per cent to 65 per cent, although this relative decline slowed over the most recent years for which estimates are available (2000 to 2002).

⁶ The Nomenclature of Units for Territorial Statistics (NUTS) is a hierarchical classification of administrative areas, used across the European Union for statistical purposes. Wales is one of 12 NUTS 1 areas in the UK. A breakdown of NUTS 2, 3 and Local Authority (LAU) 1 areas can be found on the ONS web-site at:

http://www.statistics.gov.uk/geography/nuts_wales.asp

⁷ ONS First Release, *Local gross value added*, 22 December 2004:

<http://www.statistics.gov.uk/pdfdir/gval1204.pdf>

It should be noted that the GVA estimates compiled at NUTS 2 and at NUTS 3 level are on a workplace basis. The estimates of NUTS 3 GVA per head are calculated by dividing the estimate of workplace GVA for an area by the resident population for that area. Estimates of GVA per head will be high in areas with high levels of inward commuting and a low resident population, and will be low in areas with significant levels of outward commuting and high resident populations. Hence changes in commuting patterns between areas over time may result in changes in per capita GVA in neighbouring NUTS3 areas. Furthermore, as GVA estimates are partly based on sample surveys, the results for smaller (NUTS3) regions are subject to a greater degree of uncertainty than those for larger regions.

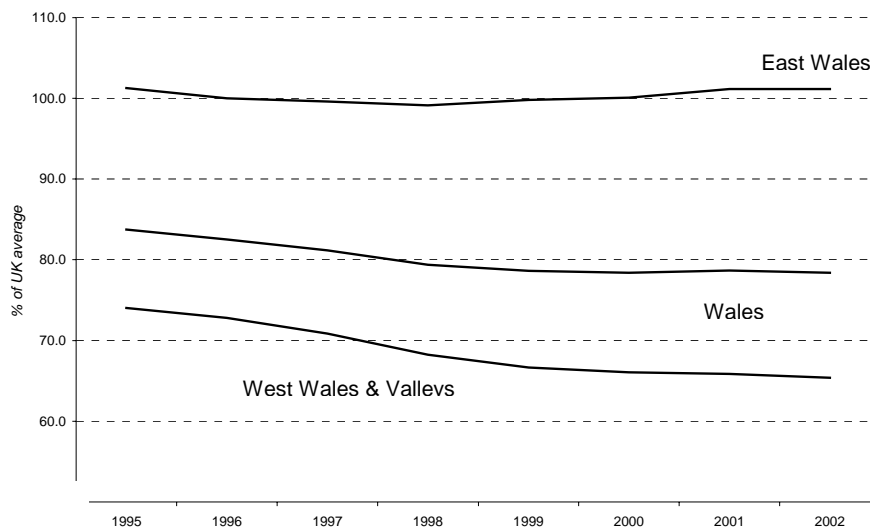
⁸ Excluding Extra-Regio GVA



- ◆ Per capita GVA in East Wales (NUTS2) increased slightly from 99 per cent in 1998 to 101 per cent of the UK average in 2002.
- ◆ Of the 12 NUTS3 regions in Wales, Cardiff & the Vale of Glamorgan had the highest level of GVA per head in 2002 at 114 per cent of the UK average, whilst the lowest level was the Isle of Anglesey with 53 per cent.
- ◆ Three of the five NUTS3 regions in the UK with the lowest GVA per head relative to the UK in 2002, were in Wales. These are Isle of Anglesey (53 per cent), South West Wales (59 per cent) and Gwent Valleys (60 per cent). Anglesey was the lowest in the UK.

Figure 3.5 graphs GVA per head for the period 1995 to 2002 for the Wales NUTS 1 and 2 regions relative to the UK average.

Figure 3.5: Per capita GVA, NUTS 1 and 2 areas of Wales



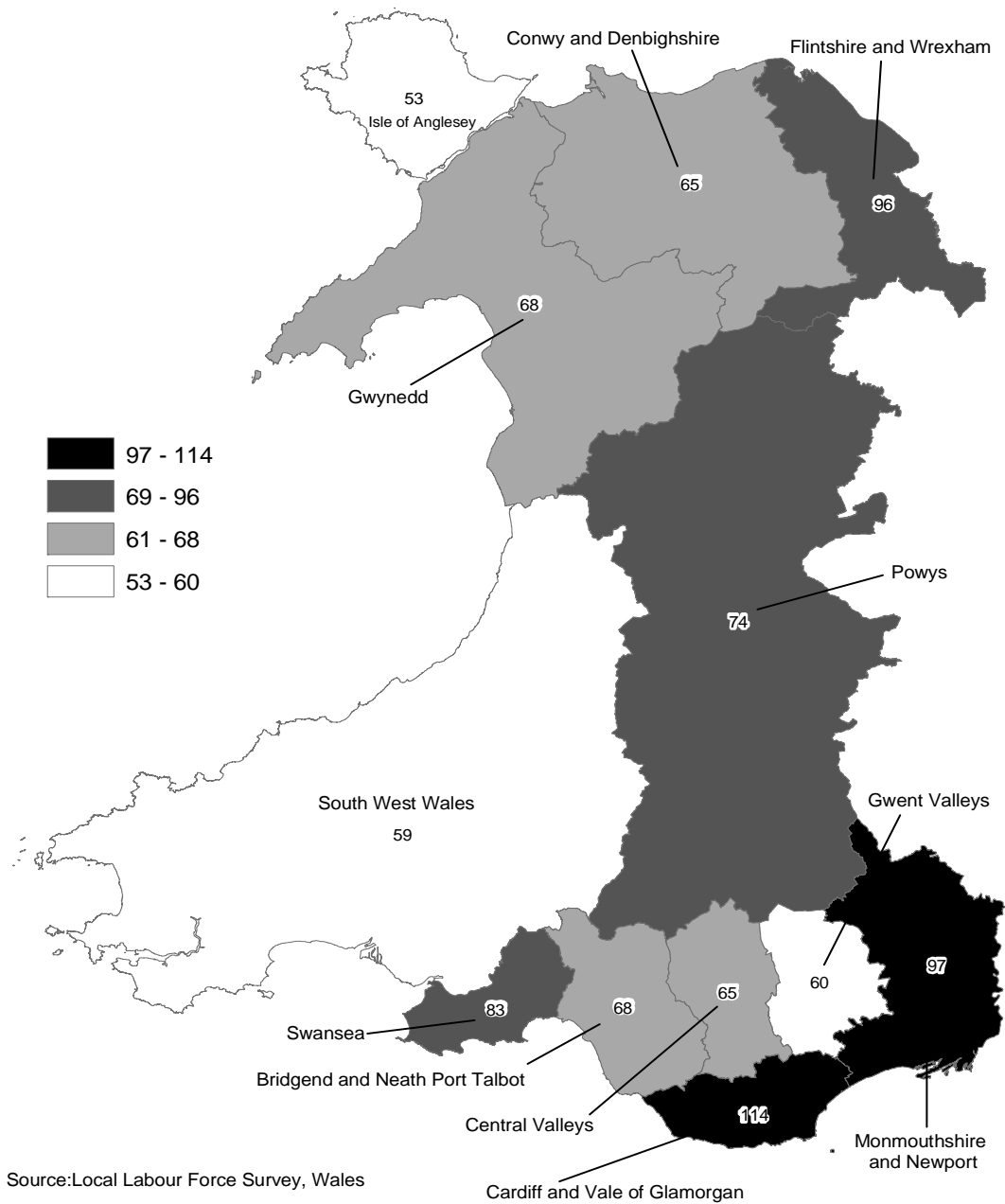
Source: Office for National Statistics

Notes: The headline GVA series for this publication have been calculated using a five-period moving average. Estimates of workplace based GVA allocate income to the region in which commuters work. The GVA for Extra-Region comprises compensation of employees and gross operating surplus which cannot be assigned to regions.

Map 3.1 shows GVA in Wales by NUTS 3 area in 2002.



Map 3.1: GVA as a percentage of UK average, by NUTS 3 area, Wales, 2002



Source: Local Labour Force Survey, Wales

3.2 Regional GDP per capita in the EU

Table 3.3: GDP per head as a percentage of EU25 average
at purchasing power parity rates of exchange

Area	% of EU25 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	80.3	81.3	80.3	76.4	74.4	73.1	72.7	75.5
East Wales	110.3	107.9	111.2	110.8	111.3	112.5	116.4	115.9
Wales	91.1	90.9	91.5	89.0	87.9	87.4	88.5	90.2
United Kingdom	110.4	111.6	114.0	113.6	113.1	114.0	115.1	117.8
Merseyside	79.8	78.2	80.1	83.3	80.1	82.3	81.0	87.0
South Yorkshire	81.4	82.3	83.4	86.2	82.5	84.4	86.0	89.8
Cornwall & Isles of Scilly	68.2	70.1	69.0	67.8	67.1	67.5	69.7	72.6

Source: Eurostat

Table 3.4: GDP per head as a percentage of the EU15 average
at purchasing power parity rates of exchange

Area	% of EU15 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	72.5	73.6	72.8	69.4	67.7	66.6	66.4	69.0
East Wales	99.6	97.7	100.9	100.7	101.2	102.4	106.2	106.0
Wales	82.2	82.3	83.0	80.8	79.9	79.5	80.8	82.4
United Kingdom	99.7	101.0	103.5	103.3	102.9	103.8	105.1	107.7
Merseyside	72.0	70.8	72.7	75.6	72.8	74.9	73.9	79.5
South Yorkshire	73.5	74.6	75.7	78.4	75.0	76.8	78.5	82.0
Cornwall & Isles of Scilly	61.6	63.5	62.6	61.6	61.0	61.5	63.6	66.3

Source: Eurostat

Table 3.3 shows GDP per capita⁹ as a percentage of the EU25 average, for the UK, NUTS 1 and 2 areas of Wales¹⁰, and other Objective 1 regions of the UK for the period 1995 to 2002. Table 3.4 shows similar data expressed as a percentage of the EU15 average.

⁹ These estimates use the PPS (purchasing power standard) which is an artificial currency that reflects differences in national price levels that are not taken into account by exchange rates. This unit allows meaningful volume comparisons of economic indicators over countries.

¹⁰ The Nomenclature of Units for Territorial Statistics (NUTS) is a hierarchical classification of administrative areas, used across the European Union for statistical purposes. Wales is one of 12 NUTS 1 areas in the UK. A breakdown of NUTS 2, 3 and Local Authority (LAU) 1 areas can be found on the ONS web-site at: http://www.statistics.gov.uk/geography/nuts_wales.asp

The data¹¹ show that:

- ◆ per capita GDP in West Wales and the Valleys represented 75.5 per cent of the average for EU25 as a whole in 2002. The equivalent figures for East Wales and Wales as a whole were 115.9 per cent and 90.2 per cent respectively.
- ◆ average per capita GDP across the Union has declined with the accession of new Member States. To avoid regions currently in receipt of Objective 1 funding losing eligibility purely for this reason (termed, 'the statistical effect'), transitional funding for affected regions is proposed. Eligibility for such funding would be calculated on the basis of per capita GDP relative to the average for EU15, rather than EU25.
- ◆ over the three years 2000-2002, per capita GDP in West Wales and Valleys represented 73.8 per cent of the average for EU 25, suggesting that the region would continue to qualify for Objective 1 support¹² post 2006.
- ◆ should agreement on future EU funding not be reached until 2006, qualification for Objective 1 funding, or its equivalent replacement convergence funding, would be on the basis of 2001-2003 data. Per capita GDP in West Wales and the Valleys would have to increase to approximately 76.8 per cent of the EU25 average in 2003 to bring the three-year (2001-03) average to 75 per cent.
- ◆ per capita GDP in West Wales and the Valleys over the 3 years 2000-2002 represented 67.4 per cent of the average for EU15, well below the threshold for statistical effect funding.

¹¹ Eurostat News Release, Regional GDP per capita in the EU25, 25 January 2005:
<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=STAT/05/13&format=HTML&aged=0&language=EN&guiLanguage=en>

Further data can be found on the Eurostat web-site at:

http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/general/regio/econ-r/esa95/gdp95&language=en&product=EU_general_statistics&root=EU_general_statistics&scrollto=258

Data on GDP per capita are based on regional population figures which do not yet take into account revisions following the recent round of censuses for the Czech Republic, Ireland, Italy, Slovakia and United Kingdom. Therefore data for these Member States may be subject to revision.

¹² 2000-2002 data would be used if agreement were to be reached on the EU's budget post 2006 at the June Council, and Member States were then able to agree the draft regulations for the structural funds programmes before the end of this year. Should agreement slip to 2006, qualification will be on the basis of 2001-2003 data.

4 Productivity

Table 4.1: Productivity measures by region, 2003

UK=100

Region/Country	GVA per filled job	GVA per hour worked
North East	92.5	95.1
North West	92.8	94.4
Yorkshire and the Humber	93.3	93.7
East Midlands	96.7	96.9
West Midlands	94.0	94.6
East	96.4	97.1
London	121.2	115.4
South East	105.0	106.5
South West	93.8	95.4
England	101.0	101.1
Wales	90.9	91.9
Scotland	97.5	98.1
Northern Ireland	89.6	84.3
United Kingdom	100.0	100.0

Source: ONS

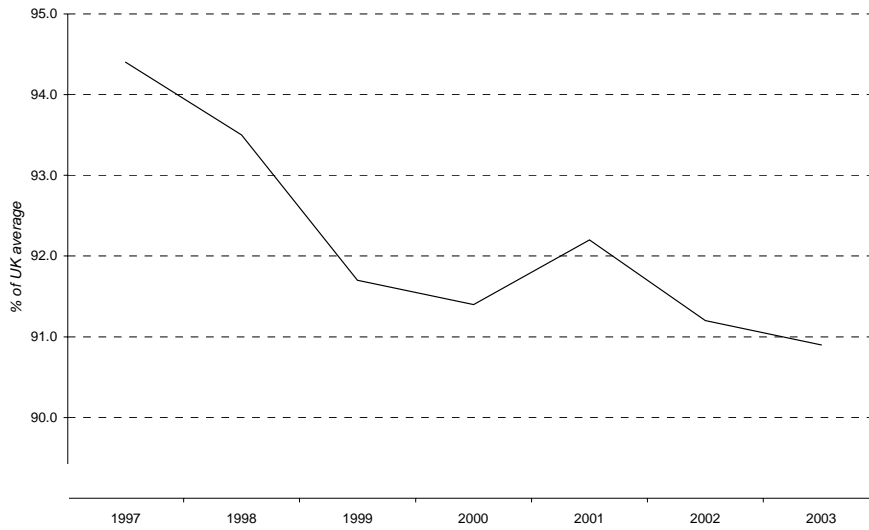
The data¹³ show that:

- ◆ Wales has the second lowest GVA per filled job and GVA per hour worked in the UK after Northern Ireland.
- ◆ Between 1997 and 2003 GVA per filled job in Wales fell from 94.4 per cent of the UK average to 90.9 per cent of the UK average.
- ◆ Between 1997 and 2003 GVA per hour worked in Wales fell from 94.7 per cent of the UK average to 91.9 per cent of the UK average.

Figure 4.1 shows GVA per filled job in Wales as a percentage of that of the UK for the years 1997 to 2003.

¹³ Office for National Statistics, *Productivity measures by region*, 28 January 2005:
http://www.statistics.gov.uk/notices/Productivity_28Jan05.asp

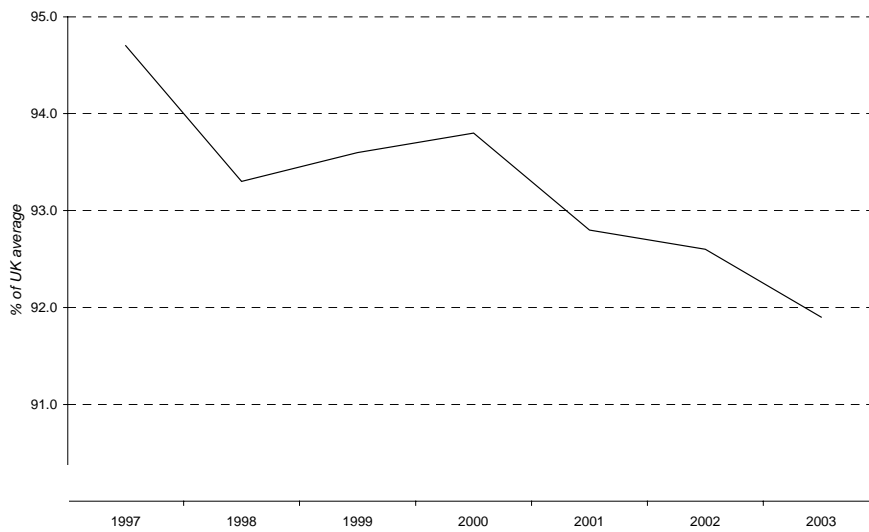
Figure 4.1: GVA per filled job, Wales as per cent of UK, 1997 to 2003



Source: Office for National Statistics

Figure 4.2 shows GVA per hour worked in Wales as a percentage of that of the UK for the years 1997 to 2003.

Figure 4.2: GVA per hour worked, Wales as per cent of UK, 1997 to 2003

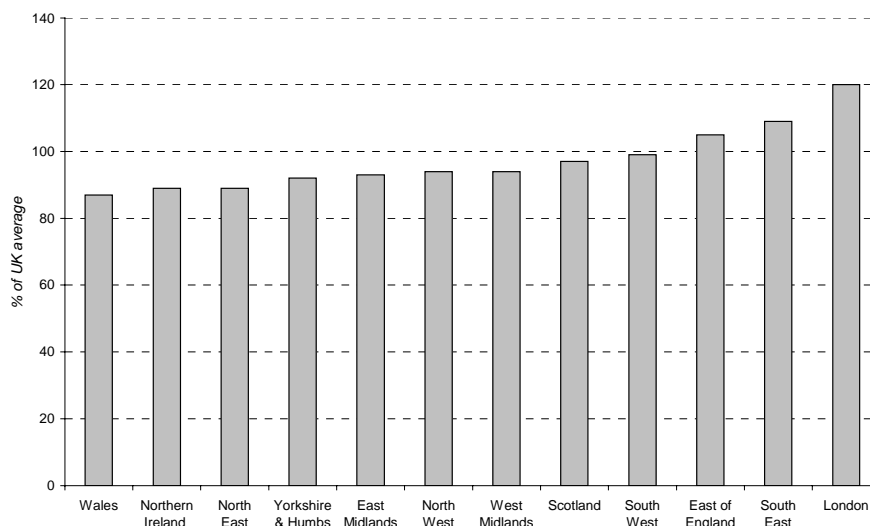


Source: Office for National Statistics



5 Household Disposable Income

Figure 5.1: Gross Disposable Household Income (GDHI) by UK nation and region, 1999



Source: ONS

In 1999, UK average per capita Gross Disposable Household Income (GDHI) was £10,100. Average per capita incomes were lowest in Wales at £8,900 and highest in London at £12,200¹⁴.

Wales accounted for 4.1 per cent of the UK total household income, England for 85.2 per cent of the UK total, Scotland for 8.2 per cent, and Northern Ireland for 2.3 per cent. However, England accounted for only 84.6 per cent of GDHI, the lower percentage being due to English residents making above average per capita payments for tax, social contributions and property related expenditures. In contrast, Wales, Scotland and Northern Ireland accounted for 4.3 per cent, 8.4 per cent, and 2.5 per cent respectively of UK total GDHI - higher than their shares of Total Household Income.

On a NUTS 2 basis, Total Household Income per capita in 1999 was highest in Inner London (£21,331). This was 69 per cent above the lowest per capita income, which was in West Wales and the Valleys (£12,585). After deducting payments such as taxes, contributions to pension funds, social security, and interest payments, the Gross Disposable Household Incomes of these areas were less far apart, with Inner London (£12,935) being 47 per cent higher than West Wales and the Valleys (£8,791).

Figures are not yet available for years later than 1999. No date is available for when these figures will be published.

¹⁴ Office for National Statistics, *Regional, sub-regional and local area household income*, 1 August 2002: <http://www.statistics.gov.uk/CCI/article.asp?ID=128>



6 Labour Market

6.1 Main Indicators

Summary of Welsh Labour Market (per cent)

	Wales	Wales change on year	UK	UK change on year
Employment rate (a)	72.3	+0.2	74.9	+0.3
ILO unemployment rate (b)	4.2	-0.6	4.7	-0.2
Inactivity rate (c)	24.4	+0.2	21.3	-0.2

Source: Office for National Statistics, Table 18(1), *Labour Market Statistics February 2005*, 16 February 2005
Notes:

- (a) The employment rate is the number of people in employment as a percentage of those of working age (16-59/64).
- (b) The ILO unemployment rate is the number of ILO unemployed persons as a percentage of the economically active population aged 16 and over.
- (c) The inactivity rate is the number of inactive people as a percentage of those of working age (16-59/64).

6.2 Local Authority Labour Market Statistics

Statistics regarding labour market unemployment and inactivity on a local authority basis are estimated using the boosted annual local area labour force survey¹⁵.

Table 6.1 shows the ILO unemployment level and rate on a local authority basis in Wales for the period 1999 to 2003.

Map 6.1 shows the employment rate by local authority in Wales in 2003.

Map 6.2 shows the ILO unemployment rate by local authority in Wales in 2003.

Map 6.3 shows the inactivity rate by local authority in Wales in 2003.

Map 6.4 shows the inactivity rate, excluding students, by local authority in Wales in 2003.

¹⁵ Office for National Statistics, *Welsh Local Labour Force Survey 2003-04*, 24 November 2004. The latest survey data are for 2003, and cover the period March 2003 to February 2004. Prior to 2001, limited data are available on a local authority basis.

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200411243-e.htm>

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Table 6.1: ILO unemployment level and rate(a), by local authority, Wales, 1999 to 2003

	<i>number</i>									
	1999 (b)		2000 (b)		2001		2002		2003	
	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)
Isle of Anglesey	#	#	#	#	1,000	4.8	2,000	5.2	1,000	4.5
Gwynedd	#	#	#	#	3,000	5.3	2,000	4.6	2,000	3.7
Conwy	#	#	#	#	2,000	3.3	2,000	4.5	2,000	3.9
Denbighshire	#	#	#	#	2,000	4.2	2,000	4.2	2,000	3.6
Flintshire	#	#	#	#	4,000	5.1	3,000	3.7	2,000	3.1
Wrexham	#	#	#	#	2,000	3.6	2,000	3.7	2,000	2.5
Powys	#	#	#	#	2,000	3.5	2,000	2.9	2,000	3.4
Ceredigion	#	#	#	#	2,000	5.9	2,000	5.1	2,000	6.4
Pembrokeshire	#	#	#	#	3,000	6.4	3,000	6.4	3,000	5.3
Carmarthenshire	7,000	9.1	#	#	5,000	6.3	3,000	4.5	4,000	5.1
Swansea	7,000	7.0	7,000	6.5	6,000	6.2	7,000	6.3	6,000	5.7
Neath Port Talbot	6,000	11.0	#	#	3,000	6.0	5,000	8.6	4,000	6.9
Bridgend	#	#	#	#	3,000	4.7	3,000	4.9	2,000	3.9
Vale of Glamorgan	#	#	#	#	2,000	4.0	3,000	5.4	3,000	5.5
Rhondda, Cynon, Taff	8,000	7.8	6,000	6.0	6,000	5.9	6,000	6.3	7,000	7.0
Merthyr Tydfil	#	#	#	#	2,000	6.9	2,000	6.7	1,000	5.4
Caerphilly	6,000	8.6	#	#	6,000	8.6	5,000	6.8	4,000	5.2
Blaenau Gwent	#	#	#	#	2,000	7.6	2,000	6.3	2,000	7.4
Torfaen	#	#	#	#	2,000	5.9	2,000	5.8	2,000	5.5
Monmouthshire	#	#	#	#	2,000	4.5	1,000	3.6	2,000	3.7
Newport	6,000	9.5	#	#	3,000	4.7	3,000	4.9	3,000	4.9
Cardiff	10,000	6.7	8,000	5.3	8,000	5.2	7,000	4.8	9,000	5.9
Wales	90,000	7.0	81,000	6.2	71,000	5.4	69,000	5.2	67,000	5.0

Source: Nomis

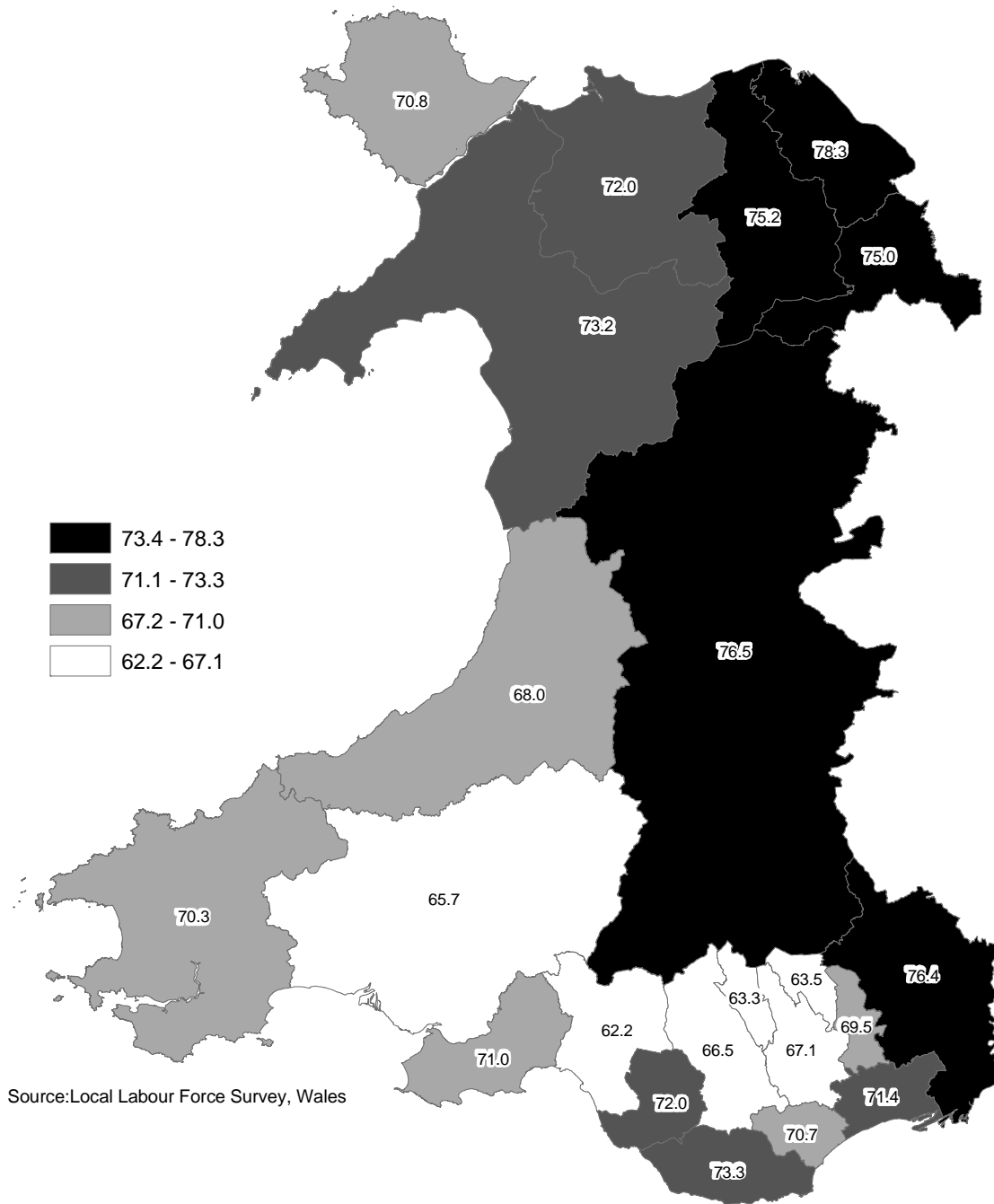
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Notes

- (a) Levels and rates are for those aged 16 and over. Rate is as a proportion of economically active. Data are for the 12 months running from March in the year given to February in the following year (e.g. 2001 = March 2001 to February 2002). Figures are rounded to the nearest thousand and so there may be some apparent slight discrepancies between the sum of constituent items and the totals as shown.
- (b) Estimates for 1999 and 2000 are based on a smaller sample size. # These figures are suppressed as statistically unreliable.

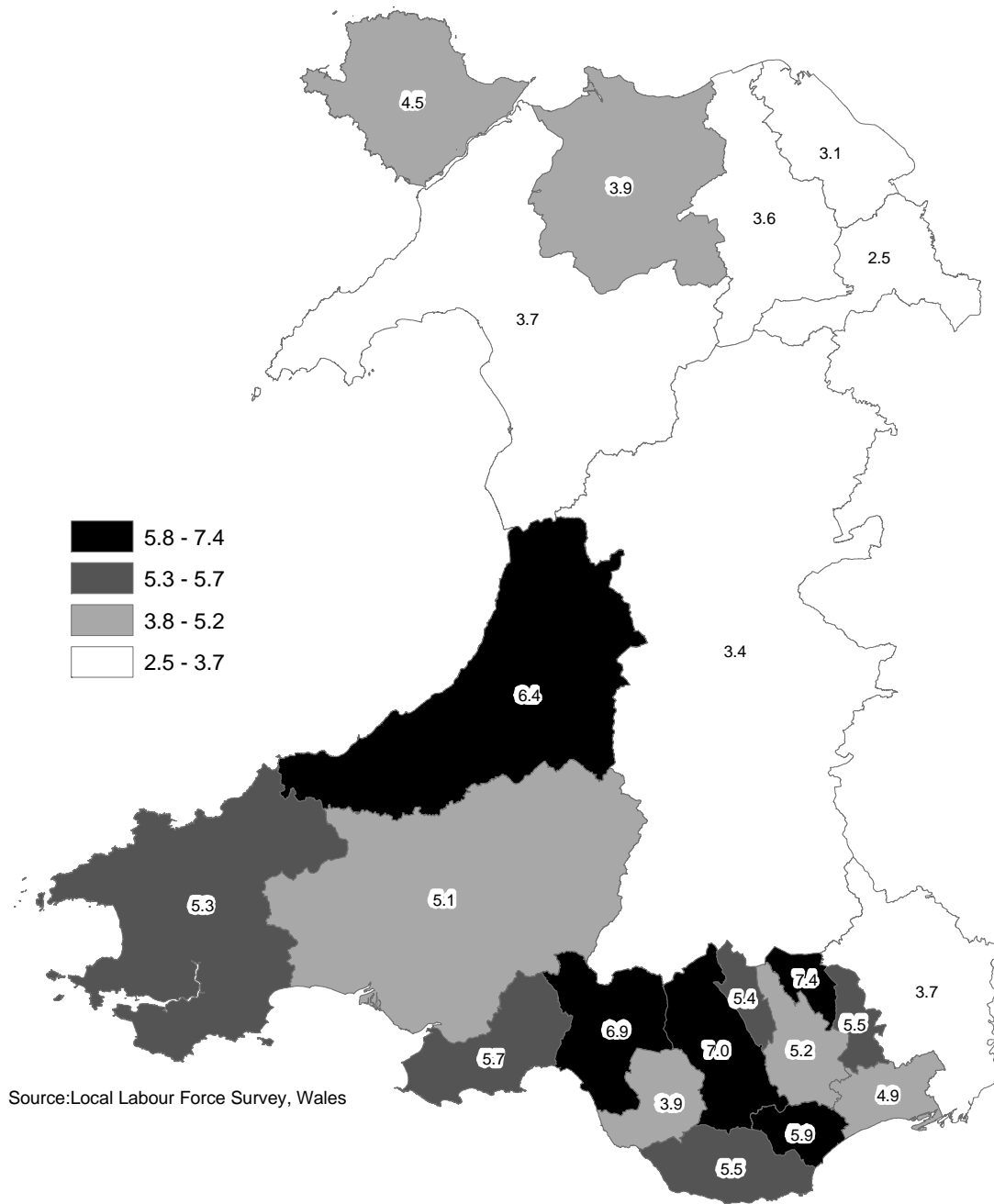
Map 6.1: Employment rate¹⁶ by local authority, Wales, 2003.



Source: Local Labour Force Survey, Wales

¹⁶ The employment rate is the number of people in employment as a percentage of those of working age (16-59/64).

Map 6.2: ILO unemployment rate¹⁷ by local authority, Wales, 2003.

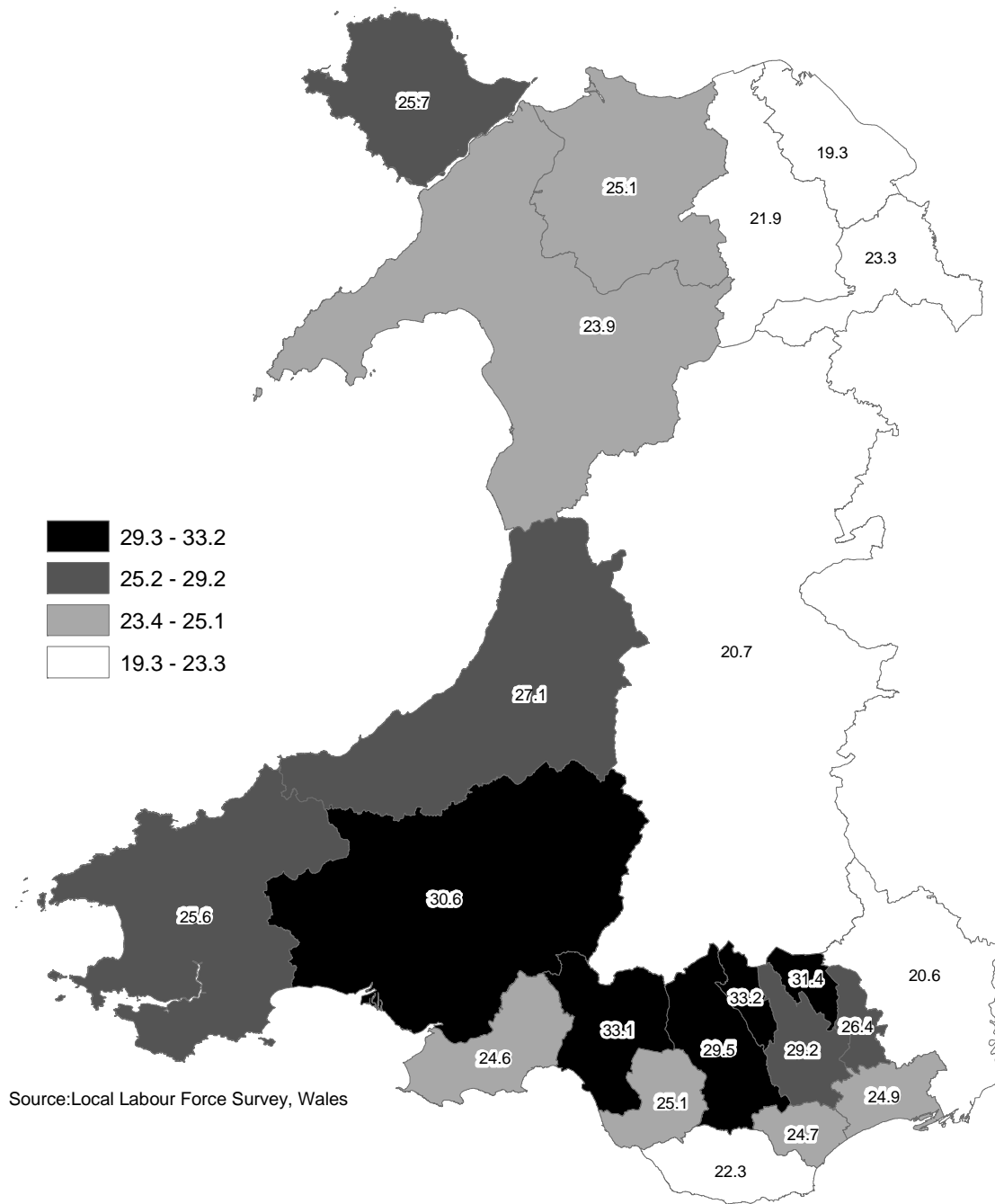


Source: Local Labour Force Survey, Wales

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¹⁷ The ILO unemployment rate is the number of ILO unemployed persons as a percentage of the economically active population aged 16 and over. The ILO unemployment measure differs from another commonly used measure of unemployment, namely the claimant count. The latter is a count of all those claiming unemployment benefit and, as such, it is not subject to sampling variability. However, it excludes those who are unemployed who are not eligible to claim (for example those out of work but whose partner works), and those who do not wish to claim. The ILO measure, which is a count of those who are out of work and want a job, have actively sought work in the last 4 weeks and are available to start work in the next two weeks; plus those who are out of work, have found a job and are waiting to start in the next 2 weeks, is a more encompassing measure of unemployment.

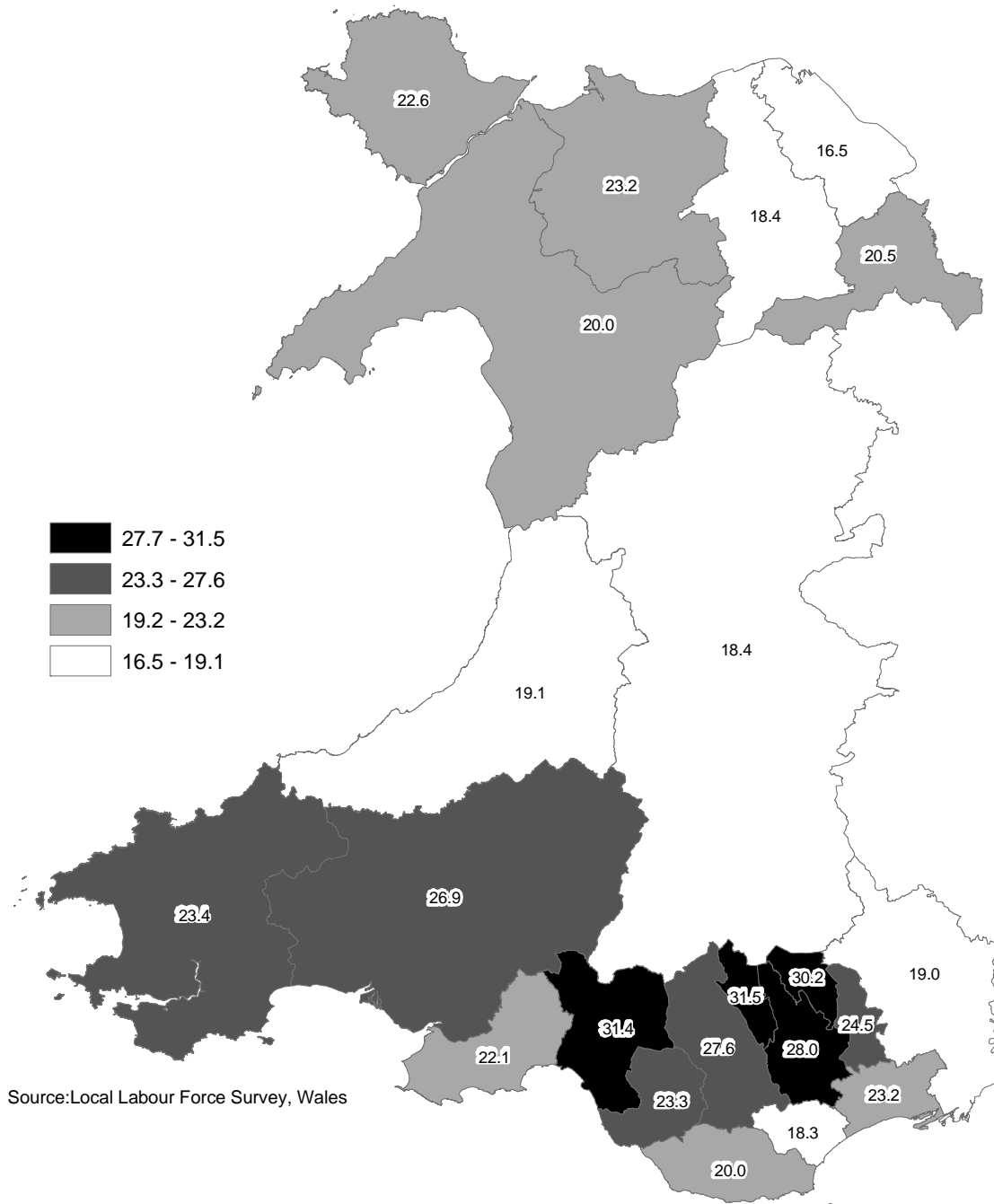
Map 6.3: Inactivity rate¹⁸ by local authority, Wales, 2003.



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¹⁸ The inactivity rate is the number of inactive people as a percentage of those of working age (16-59/64). By excluding persons of pensionable age who are generally retired and therefore economically inactive, this gives a more appropriate measure of workforce inactivity.

Map 6.4: Inactivity rate excluding students¹⁹ by local authority, Wales, 2003.



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¹⁹ The inactivity rate is the number of inactive people as a percentage of those of working age (16-59/64). The headline inactivity data given in map 6.3 includes population living in student halls of residence, hence inactivity rates will be higher for unitary authorities with a high student population. Map 6.4 shows inactivity rates for people of working age and not in full time education.

Local authorities in Wales



6.3 Claimant Count

This section gives the latest counts of Jobseekers Allowance claimants for Assembly constituencies for July 2004. This includes unofficial residence-based claimant count rates calculated by the Members' Research Service.

The claimant count measures only those people who are claiming unemployment-related benefits (Jobseeker's Allowance). It is always lower than the Labour Force Survey (LFS) official measure of unemployment, because some unemployed people are not entitled to claim benefits, or choose not to do so²⁰. Benefits rules vary over time so it is more difficult to make comparisons. The claimant count comes from the administrative records of Jobcentre Plus (formerly Employment Service), and is available earlier than the LFS-based unemployment data and for smaller geographical areas.

Table 6.2 shows the number of residents claiming Jobseekers Allowance (the claimant count) resident in each Assembly constituency as at 13 January 2005. As this information is obtained directly from the Benefits Agency administrative system, it is a complete count of all those claiming. These data are used as the numerator in the calculations of claimant unemployment proportions and rates.

Residence-based claimant count rates for Assembly Constituencies have been calculated by the Members' Research Service, expressing the number of claimants as a percentage of the economically active aged 16-74 who are resident in the constituency. This produces an alternative measure of unemployment to those published by the Office for National Statistics, where the rate is the proportion of 16+ residents who are unemployed²¹. The number of economically active residents in each constituency is derived from the 2001 Census of Population Key Statistics for Assembly Constituencies that were published by the Office for National Statistics in April 2003.

Table 6.3 shows the unofficial residence-based estimates of claimant count rates, broken down by gender, as at 13 January 2005.

Map 6.5 shows the spread of the unofficial residence-based claimant count rates by constituency.

Map 6.6 shows the 40 constituencies.

The constituency with the largest number of people claiming unemployment-related benefits is Blaenau Gwent (1,682 claimants). 79 per cent of claimants in this constituency are male, and this compares to an all Wales proportion of male claimants of 76 per cent. Montgomeryshire has the fewest claimants (513 claimants), with male claimants making up 70 per cent of the total.

²⁰ Further information about the differences between unemployment and the claimant count are available from the Office for National Statistics website at:

<http://www.statistics.gov.uk/ci/nugget.asp?id=165>

²¹ From September 2003 claimant count **proportions** for Assembly Constituencies are available from the Office for National Statistics (ONS). The working age population denominators have been derived from resident population data for output areas from the 2001 Census of Population, which were published on 30 June 2003. The 2001 denominators have been used to calculate claimant count proportions for the latest month for which the claimant count is available. These differ from the claimant count **rates** presented in this research paper. The ONS claimant count proportions use the population of working age as a denominator and so take no account of differences in the proportion who are economically active between areas.

Cardiff North has the lowest claimant count rate as a percentage of the economically active population (aged 16-74) at 1.7 per cent, with the lowest rate for women (0.8 per cent) and second lowest rate for men (2.5 per cent - Montgomeryshire has the lowest rate for men at 2.3 per cent). Blaenau Gwent has the largest claimant count rate at 6.1 per cent, with rates highest among the Assembly constituencies for both men (8.6 per cent) and women (1.8 per cent).

Table 6.2: Claimant count by Assembly constituency, 13 January 2005 (a)
not seasonally adjusted

Constituency	Men	Women	People
Aberavon	764	253	1,017
Alyn and Deeside	665	224	889
Blaenau Gwent	1,321	361	1,682
Brecon and Radnorshire	503	213	716
Bridgend	813	287	1,100
Caernarfon	731	268	999
Caerphilly	1,270	380	1,650
Cardiff Central	1,052	284	1,336
Cardiff North	501	166	667
Cardiff South and Penarth	1,277	376	1,653
Cardiff West	1,122	293	1,415
Carmarthen East and Dinefwr	502	187	689
Carmarthen West and South Pembrokeshire	815	271	1,086
Ceredigion	490	204	694
Clwyd South	541	201	742
Clwyd West	608	189	797
Conwy	807	280	1,087
Cynon Valley	799	254	1,053
Delyn	533	219	752
Gower	618	169	787
Islwyn	826	274	1,100
Llanelli	779	242	1,021
Meirionnydd Nant Conwy	435	156	591
Merthyr Tydfil and Rhymney	1,143	307	1,450
Monmouth	533	187	720
Montgomeryshire	357	156	513
Neath	925	301	1,226
Newport East	832	249	1,081
Newport West	1,056	296	1,352
Ogmore	751	255	1,006
Pontypridd	793	212	1,005
Preseli Pembrokeshire	913	299	1,212
Rhondda	971	294	1,265
Swansea East	968	248	1,216
Swansea West	1,034	265	1,299
Torfaen	819	255	1,074
Vale of Clwyd	781	236	1,017
Vale of Glamorgan	1,132	331	1,463
Wrexham	594	191	785
Ynys Môn	1,095	338	1,433
Wales	32,469	10,171	42,640

(a) Count of claimants of Job Seekers Allowance

Source: Benefits Agency administrative system (ONS)

Table 6.3: Residence-based claimant count rates by Assembly constituency, 13 January 2005 (a)

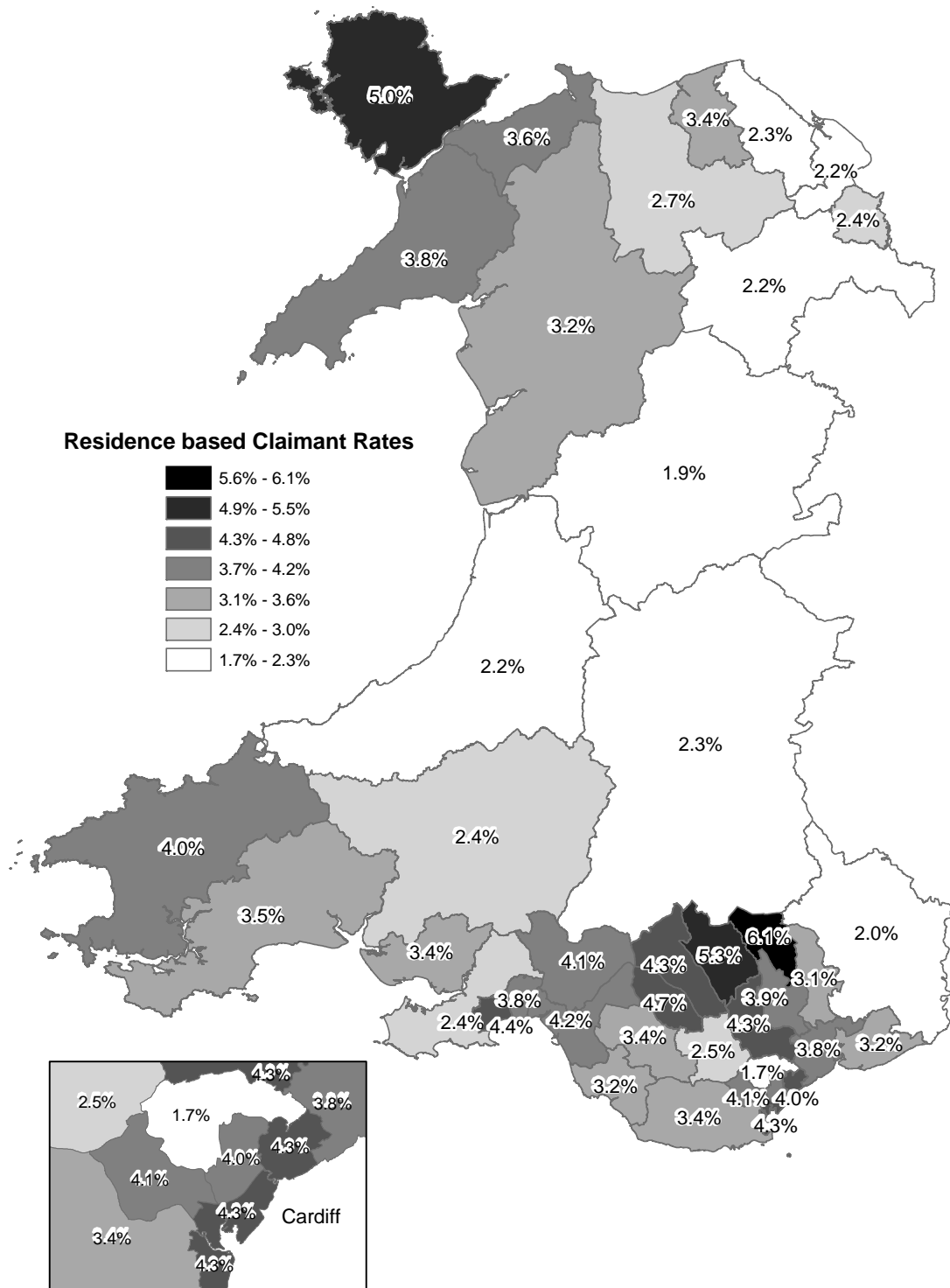
not seasonally adjusted

Constituency	Men	Women	People
Aberavon	5.6	2.3	4.2
Alyn and Deeside	3.1	1.2	2.2
Blaenau Gwent	8.6	2.9	6.1
Brecon and Radnorshire	2.9	1.5	2.3
Bridgend	4.3	1.8	3.2
Caernarfon	5.1	2.3	3.8
Caerphilly	6.1	2.2	4.3
Cardiff Central	5.9	1.8	4.0
Cardiff North	2.5	0.8	1.7
Cardiff South and Penarth	6.3	2.1	4.3
Cardiff West	6.1	1.8	4.1
Carmarthen East and Dinefwr	3.1	1.4	2.4
Carmarthen West and South Pembrokeshire	4.9	1.9	3.5
Ceredigion	2.8	1.4	2.2
Clwyd South	2.9	1.3	2.2
Clwyd West	3.9	1.4	2.7
Conwy	5.0	2.0	3.6
Cynon Valley	6.0	2.3	4.3
Delyn	2.9	1.5	2.3
Gower	3.5	1.1	2.4
Islwyn	5.3	2.2	3.9
Llanelli	4.7	1.8	3.4
Meirionnydd Nant Conwy	4.3	1.9	3.2
Merthyr Tydfil and Rhymney	7.6	2.5	5.3
Monmouth	2.8	1.2	2.0
Montgomeryshire	2.3	1.3	1.9
Neath	5.7	2.3	4.1
Newport East	4.5	1.6	3.2
Newport West	5.5	1.8	3.8
Ogmore	4.6	2.0	3.4
Pontypridd	3.6	1.1	2.5
Preseli Pembrokeshire	5.5	2.2	4.0
Rhondda	6.5	2.5	4.7
Swansea East	5.6	1.7	3.8
Swansea West	6.5	1.9	4.4
Torfaen	4.3	1.6	3.1
Vale of Clwyd	5.0	1.7	3.4
Vale of Glamorgan	4.9	1.6	3.4
Wrexham	3.4	1.3	2.4
Ynys Môn	6.9	2.7	5.0
Wales	4.7	1.8	3.4

(a) Unofficial Residence-based rates: Claimants of Job Seekers Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population Key Statistics

Source: Members' Research Service and 2001 Census of Population ONS Crown Copyright

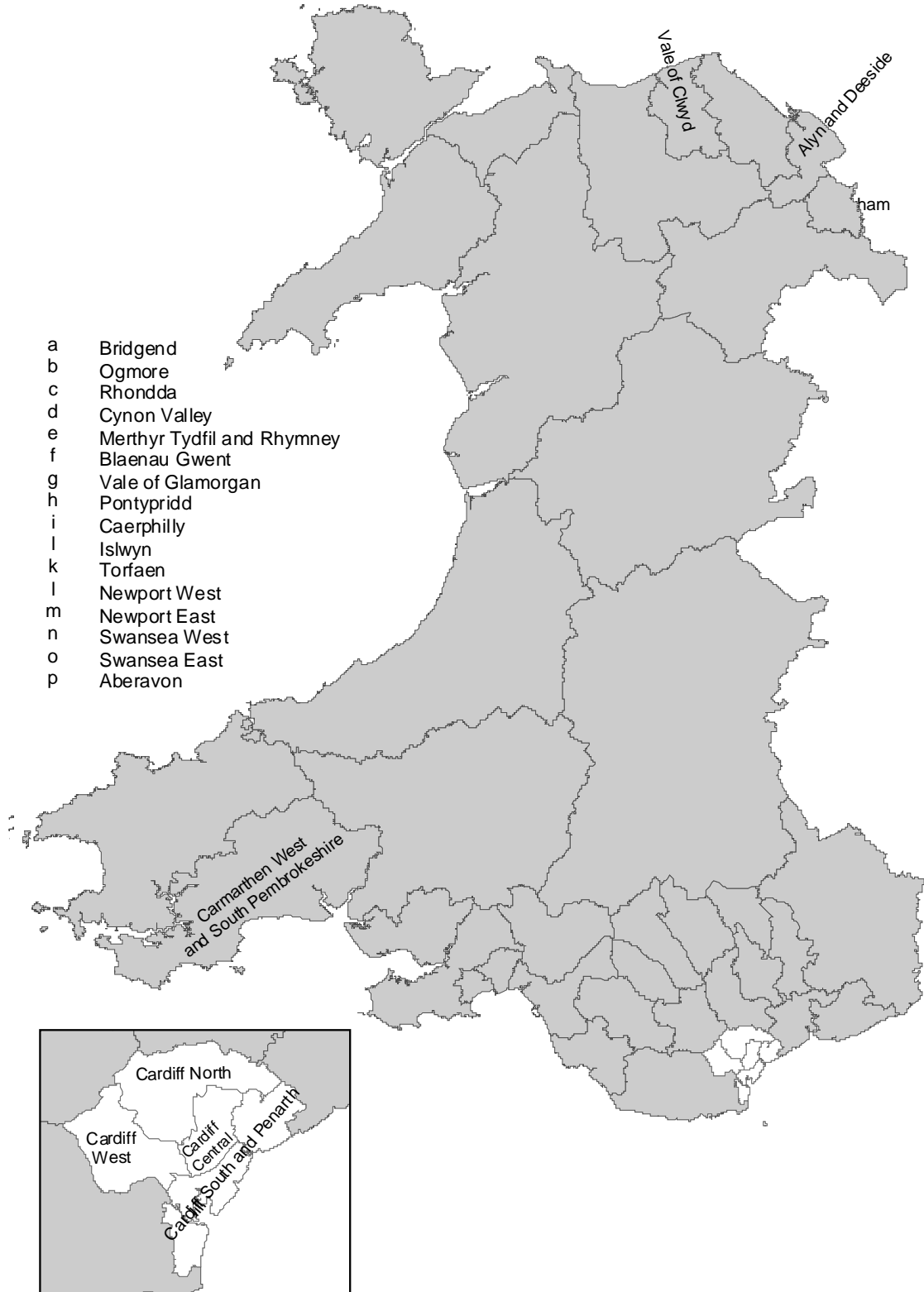
Map 6.5: Residence-based (unofficial) claimant count rates (a) by Assembly Constituency in Wales, 13 January 2005



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(a) Claimants of Jobseekers Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population Key Statistics

Map 6.6: National Assembly for Wales Constituencies



7 Earnings

Table 7.1. Median gross weekly earnings, full-time employees on adult rates, by UK region, 1998 to 2004.

Area	1998	1999	2000	2001	2002	2003	2004 (exc)	2004 (inc)
Wales	308.9	316.8	327.5	341.3	349.4	363.6	386.0	383.2
United Kingdom	334.9	345.5	359.0	375.9	390.9	404.0	423.0	422.1
Wales as % of UK	92.2	91.7	91.2	90.8	89.4	90.0	91.3	90.8

Source: Annual Survey of Hours and Earnings

Note: Supplementary information was collected for the 2004 ASHE. The 2004 (inc) ASHE results are therefore discontinuous with the results for 2003, for which no supplementary information was collected. For 2004, information was also collected excluding the supplementary information in order to enable comparison with the revised back series of ASHE results. The results for 2004 which exclude the supplementary information are given as 2004 (exc).

The ASHE 2004 data show that²²:

- ◆ Median gross weekly earnings for full-time adults in Wales were £383.20 in April 2004, 90.8 per cent of the median for the UK as a whole (£422.10).
- ◆ Median gross weekly earnings in Wales increased by £22.40 (6.2 per cent) between 2003 and 2004, compared to £19.00 (4.7 per cent) in the UK as a whole.
- ◆ Wales had the third lowest median weekly earnings in the UK in 2004 after Northern Ireland (£372.30) and the North East (£372.60).

Figure 7.1 charts median gross weekly earnings of full time employees on adult rates in Wales and other regions of the UK in 2004.

²² Statistics from the New Earnings Survey (NES) were published in 2003 for the last time and a new survey, the Annual Survey of Hours and Earnings (ASHE) has been developed.

The ASHE report focuses on median levels of pay whereas the NES survey focused on the mean. Mean earnings figures are still produced in the ASHE survey. The median is the value below which 50 per cent of employees fall. It is preferred over the mean for earnings data as it is influenced less by extreme values and because of the skewed distribution of earnings data.

ASHE improves on the NES by extending the coverage of the survey sample, introducing weighting, imputation for questions not answered and estimates of quality for all survey outputs. Figures from the ASHE survey are not directly comparable with the NES data.

Further information on ASHE can be found at:

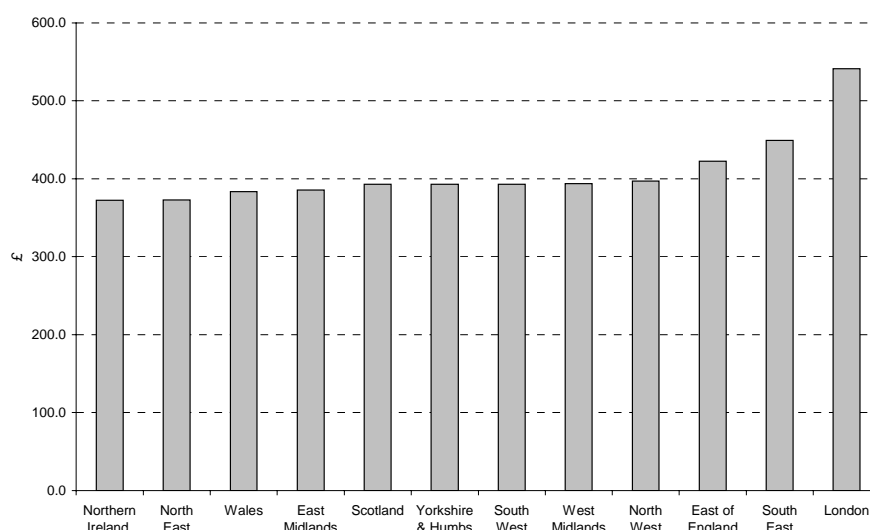
<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200410283-e.htm>

<http://www.statistics.gov.uk/STATBASE/Product.asp?vink=13101>

The National Assembly for Wales Statistical Directorate published further analysis of these data on 22 February 2004, providing average earnings information for the two sub-regions of Wales on a workplace and residence basis. National Assembly for Wales Statistical Directorate Statistical Bulletin, *Annual Survey of Hours and Earnings 2004*, 22 February 2005:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050222-e.htm>

Figure 7.1: Median weekly gross earnings for full time employees, by region, April 2004



Source: Annual Survey of Hours and Earnings

Table 7.2 provides information on the mean gross weekly earnings of full time employees on adult rates in Wales and the UK between 1998 and 2004.

Table 7.2. Mean gross weekly earnings, full-time employees on adult rates, by UK region, 1998 to 2004.

Area	1998	1999	2000	2001	2002	2003	2004 (exc)	2004 (inc)
Wales	348.5	358.7	372.8	385.8	405.2	421.8	444.7	441.7
United Kingdom	392.5	407.8	425.1	449.7	472.1	487.1	506.9	504.9
Wales as % of UK	88.8	88.0	87.7	85.8	85.8	86.6	87.7	87.5

Source: Annual Survey of Hours and Earnings

Note: Supplementary information was collected for the 2004 ASHE. The 2004 (inc) ASHE results are therefore discontinuous with the results for 2003, for which no supplementary information was collected. For 2004, information was also collected excluding the supplementary information in order to enable comparison with the revised back series of ASHE results. The results for 2004 which exclude the supplementary information are given as 2004 (exc).

- ◆ Average (mean) gross weekly earnings for full-time adults in Wales were £441.70 in April 2004, 87.5 per cent of the average for the UK as a whole (£504.90).
- ◆ Average (mean) gross weekly earnings in Wales increased by £22.90 (5.4 per cent) between 2003 and 2004, compared to £19.80 (4.1 per cent) in the UK as a whole.
- ◆ Wales had the third lowest average weekly earnings in the UK in 2004 after Northern Ireland (£431.40) and the North East (£436.20). The ranking for Wales has remained the same at least since 1998.
- ◆ The gender pay ratio of female to male full-time mean hourly earnings in Wales in April 2004 was 86 per cent. This was 4 percentage points above that for the UK as a whole (82 per cent).

8 Exports

Summary of Welsh exports

	Wales	UK
Change in value of exports (latest 4 quarters compared to the previous 4 quarters)	7.3% increase	1% increase
Change in value of exports to non-EU countries (latest 4 quarters compared to the previous 4 quarters)	14.6% increase	7.6% increase
Change in value of exports to EU countries (latest 4 quarters compared to the previous 4 quarters)	4% increase	3.7% fall
Winning Wales Target: Change in value of exports (latest 4 quarters compared to 2001)	8.4% increase	2.2% increase

Source: National Assembly for Wales, *Welsh exports: third quarter 2004*, 11 January 2005

The latest information on Welsh exports²³ shows that:

- ◆ The value of exports for Wales for the four quarters up to and including quarter 3 2004 rose by 7.3 per cent compared to the previous 4 quarters. The value of exports for the total of all UK regions rose over the same period by 1.0 per cent.
- ◆ The increase for Wales was made up of an increase of £328 million in exports to non-EU countries (up 14.6 per cent) combined with an increase of £197 million in exports to EU countries (up 4.0 per cent).
- ◆ The Wales percentage increase over this period was the 3rd highest amongst the 12 UK regions after Northern Ireland and the South West.
- ◆ Looking at quarter 3 2004 in isolation, total exports (by value) for Wales increased on the corresponding quarter in 2003, by 14.5 per cent. The value of exports for the total of all UK regions decreased by 1.5 per cent over the same period.
- ◆ Welsh exports for quarter 3 2004 were slightly higher in value than in the previous quarter (up £4 million or 0.2 per cent), compared to a 0.4 per cent decrease for the total of all UK regions.
- ◆ The target in *A Winning Wales*²⁴ is to match UK growth over the period of the programme. Growth in exports from Wales for the 4 quarters up to and including quarter 3 2004 over the base year (2001) was 8.4 per cent, while the corresponding figure for the sum of the UK regions was 2.2 per cent.

²³ National Assembly for Wales, *Welsh exports: third quarter 2004*, 11 January 2005:
<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200412163-e.htm>
HM Customs and Excise, UK regional exports news release, 16 December 2004:
<http://www.uktradeinfo.com/index.cfm?task=news&id=296&startrow=1>

²⁴ *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. Further information on *A Winning Wales* can be found at:
<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/>

9 Production and Construction

Index of Production and Construction

Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in Index of Production and Construction	4.9% increase	1.4% increase
Change in production output	2.4% increase	0.3% increase
Change in manufacturing output	0.3% increase	1.4% fall
Change in construction output	14% increase	5.3% increase

Source: National Assembly for Wales, *Welsh Index of Production and Construction 3rd Quarter 2004*, 13 January 2005

The Index of Production and Construction for Wales²⁵ rose by 4.9 per cent compared with the previous four quarters. The UK index rose by 1.4 per cent over the same period.

²⁵ National Assembly for Wales, *Welsh Index of Production and Construction 3rd Quarter 2004*, 13 January 2005: <http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050113-e.htm>

10 Index of Distribution

Index of Distribution, Quarter 3 2004

Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in Index of Distribution	3.9% increase	4.8% increase
Which comprises:		
Change in retail output	6.7% increase	6.0% increase
Change in wholesale output	1.0% fall	3.3% increase
Change in motor trades output	1.5% increase	4.3% increase

Source: Welsh Assembly Government, *Welsh Index of Distribution Q3 2004*, 24 February 2004

The Welsh Index of Distribution²⁶ is a newly published experimental statistic and will remain so until it can be brought into line with the UK Index of Distribution.

²⁶ Welsh Assembly Government, *Welsh Index of Distribution Q3 2004*, 24 February 2004:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050224-e.htm>

The Distribution sector comprises the motor trade sector (including retail sales of automotive fuel), the wholesale and commission trades sector and the retail sector. Jointly they accounted for 11 per cent of the Welsh economy in 2001.

11 Investment

Table 11.1: Wales Total Gross Fixed Capital Formation (GFCF) by NUTS level 1 and 2 area, 2000

NUTS Level 1 NUTS Level 2	GFCF (£ million)	GFCF as a percentage of UK GFCF
WALES	5,728	3.7
West Wales and the Valleys	2,931	1.9
East Wales	2,797	1.8

Source: Office for National Statistics²⁷

Wales' share of UK Gross Fixed Capital Formation (GFCF) in 2000 was 3.7 per cent. This compares to a 3.9 per cent share of Gross Value Added (GVA) in the same period. London had the highest regional share of GFCF in 2000 at 18.5 per cent (£28.8 billion) which compares to a 18.9 per cent share of GVA. Northern Ireland had the lowest regional share of GFCF in 2000 at 2.7 per cent (£4.2 billion), compared to 2.3 per cent of GVA.

²⁷ Office for National Statistics, Sub-regional gross value added and gross fixed capital formation, 31 October 2003:
<http://www.statistics.gov.uk/pdfdir/qva1003.pdf>

Gross (domestic) Fixed Capital Formation (GFCF) is expenditure on final assets (buildings, vehicles etc) either for replacing or adding to the stock of existing assets. Due to the erratic nature of capital investment, GFCF can vary considerably between years particularly at NUTS2 level. At the UK level, GFCF for manufacturing, wholesale & retail trade, transport & communications, real estate, and dwellings accounted for nearly two-thirds of total GFCF in 2000. However, the percentage share of GFCF for these industries varies across the regions.

See also:

Office for National Statistics, Regional and Sub-Regional Gross Fixed Capital Formation, 8 December 2003:
http://www.statistics.gov.uk/articles/economic_trends/ETDecCope.pdf

This article gives detailed information on regional GFCF including a breakdown by industry.

12 Research and Development

Table 12.1: R&D performed within UK Businesses, Wales, 1997 to 2003

Year	Business Enterprise Research & Development		Total Research & Development	
	Expenditure (£ million)	% of UK total	Expenditure (£ million)	% of UK total
1997	113	1.2	257	1.8
1998	125	1.2	289	1.9
1999	203	1.8	387	2.3
2000	144	1.3	348	2.0
2001	136	1.1	340	1.8
2002	182	1.4	402	2.1
2003	264	1.9	n/a	n/a

Source: StatsWales²⁸

Note: Total R&D expenditure data are due to be published in August 2005.

The data show that:

- ◆ In 2003, business enterprise research and development (BERD) expenditure for Wales was £264 million, up by 41 per cent in real terms on the figure for 2002. This represented 1.9 per cent of the UK total, an increase of 0.5 percentage points over 2002.
- ◆ Between 2002 and 2003, BERD expenditure in the UK increased by 2 per cent in real terms to £13.7 billion.
- ◆ The real terms percentage increase between 2002 and 2003 in BERD expenditure in Wales was the second highest increase amongst UK regions and devolved administrations, behind the North East. There were falls in 6 regions, with the largest fall being in Northern Ireland (down 24 per cent).

²⁸ Further information on UK Business Enterprise Research and Development can be found on the ONS web-site at:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041126-e.htm>

Note that in a small region, the level of BERD expenditure can be influenced greatly by individual projects commencing or ending in a small number of individual companies. The BERD series for Wales is therefore quite volatile.

Total R&D consists of business enterprise expenditure on R&D (BERD), government expenditure on R&D (GOVERD) and higher education expenditure on R&D (HERD). The total for the UK also includes the contribution made by private non-profit organisations, which is not disaggregated by region.

13 VAT Registrations

Table 13.1: VAT registered businesses: stocks, registrations and de-registrations, Wales, 1997 to 2004

Year	Stock	Stock as % of UK stock	Registrations	Registrations as % of UK registrations	De-registrations	Number
						De-registrations as % of UK de-registrations
1997	77,610	4.7	6,410	3.4	5,980	4.0
1998	78,040	4.6	6,190	3.4	6,030	4.0
1999	78,205	4.5	6,110	3.4	6,235	4.1
2000	78,080	4.5	6,245	3.5	5,785	3.7
2001	78,540	4.4	5,935	3.5	5,325	3.5
2002	79,150	4.4	6,305	3.6	6,435	3.9
2003	79,020	4.4	6,910	3.6	6,925	4.0
2004	79,010	4.4	n/a	n/a	n/a	n/a

Source: StatsWales²⁹

Note: The stock of VAT registered enterprises is the position on 1 January of each year, while the registrations and de-registrations data represent the numbers of such during each calendar year.

The data show that:

- ◆ The number of VAT registrations in Wales during 2003 was 6,910, an increase 9.6 per cent over 2002. This represented 8.7 per cent of the stock at the start of the year.
- ◆ Wales' registration rate of 8.7 per cent was the second lowest within the UK. Northern Ireland had the lowest rate (6.5 per cent) while London had the highest rate (12.8 per cent). The UK average registration rate was 10.6 per cent.
- ◆ The number of VAT de-registrations in Wales during 2003 was 6,925, an increase of 7.6 per cent over 2002. This represented 8.8 per cent of the stock at the start of the year. The UK de-registration rate was 9.7 per cent.
- ◆ As a result the total VAT registered stock in Wales was broadly unchanged at the start of 2004, remaining at around 79,000. The stock in all other UK regions except Northern Ireland increased, so that for the UK as a whole, stock increased by 0.9 per cent during 2003. Only Northern Ireland experienced an overall fall in stock (of 0.3 per cent).
- ◆ All UK regions saw an increase in VAT registrations in 2003, with the proportionate increase in Wales being the third highest behind Yorkshire and Humber (up 11.7 per cent) and London (up 9.7 per cent). However, the increase in VAT de-registrations in Wales in 2003 was also one of the highest in the UK, behind Northern Ireland, West Midlands, the East and the South East.

²⁹ New statistics showing VAT registrations and de-registrations during the calendar year 2003 for each of the UK regions were released on 3 November 2004 by the Small Business Service (the agency within the Department of Trade and Industry responsible for small businesses). The published information also covers the overall stock of VAT registered businesses at the start of 2004. Further information on these statistics, and a Welsh Assembly Government Statistical Directorate bulletin entitled *VAT registrations, de-registrations and survival rates for businesses (updated registrations etc for 2003)*, and published on 1 December 2004 can be found at: <http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041103-e.htm>

VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. However they underestimate the total number of start-ups and closures since many very small businesses are not registered for VAT. Enterprises are not compelled to register until their turnover reaches the threshold, and the UK has the highest threshold in Europe. At the end of 2003, the VAT threshold was an annual turnover of £56,000, and 1.8 million of the estimated 4.0 million enterprises in the UK at the start of 2003 were VAT-registered³⁰. Barclays Bank publishes a regular business survey which provides a broad indication of the number of start-ups and closures in England and Wales³¹.

Analysis of registration rates by industrial sector shows that there is considerable variation across sectors and that agriculture, in particular, has a registration and de-registration rate significantly lower than any other sector. Differences in the industrial mix therefore have an impact on the registration rate.

³⁰ According to the Small Business Service:
<http://www.sbs.gov.uk/analytical/statistics/vatstats.php>

³¹ Available on the Barclays web-site:
<http://www.business.barclays.co.uk/BRC1/jsp/brcontrol?task=articlegroup&site=bbb&value=288&menu=1721&target=self>

14 UK Inflation, Interest and Exchange Rates

14.1 Consumer Price Indices³²

Consumer price indices, latest and previous month

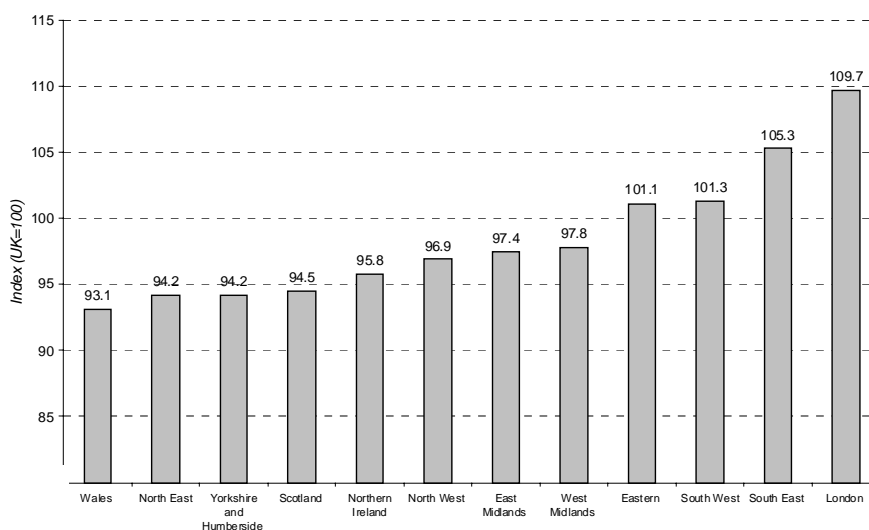
Per cent change over 12 months

	January 2005	December 2004
Consumer prices index (CPI)	1.6%	1.6%
All items retail prices index (RPI)	3.2%	3.5%
All items RPI excluding mortgage interest payments (RPIX)	2.1%	2.5%

Source: Office for National Statistics, *Consumer price indices*, January 2005³³

Regional Consumer Price Levels

Figure 14.1 Average price level in each region, relative to UK average price level, 2004



Source: Office for National Statistics³⁴

Regional price level comparisons for 2004 show that:

³² In his Pre-Budget Report statement on 10 December 2003, the Chancellor of the Exchequer confirmed that the UK inflation target is now based on the Harmonised Index of Consumer Prices (HICP), which the National Statistician has renamed the Consumer Prices Index (CPI) in the UK. The level of the new CPI inflation target has been set at 2 per cent and applies from 10 December 2003. The Chancellor confirmed that pensions, benefits and index-linked gilts will continue to be calculated on exactly the same basis as previously, that is with reference to the all-items Retail Prices Index (RPI) or its derivatives. The Retail Price Index (RPI) and indices such as RPIX (the RPI excluding mortgage interest payments) continue to be published alongside the CPI. Consumer price indices are produced by the Office for National Statistics on a monthly basis. They are available from the ONS web-site at:

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=868&More=N>

³³ Office for National Statistics, *Consumer price indices*, January 2005:

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=868&More=N>

³⁴ Office for National Statistics, *Relative regional consumer price levels in 2004*, 14 February 2005:

http://www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf

- ◆ Prices in the UK are lowest in Wales (6.9 per cent lower compared with the UK average), followed by the North East and then Yorkshire and Humberside.
- ◆ Prices are most expensive in London (9.7 per cent higher compared with the UK average), followed by the South East.
- ◆ Housing costs show the greatest variation between regions with London being nearly twice as expensive as Northern Ireland. Conversely, food and tobacco prices vary little across regions.

14.2 Interest Rates

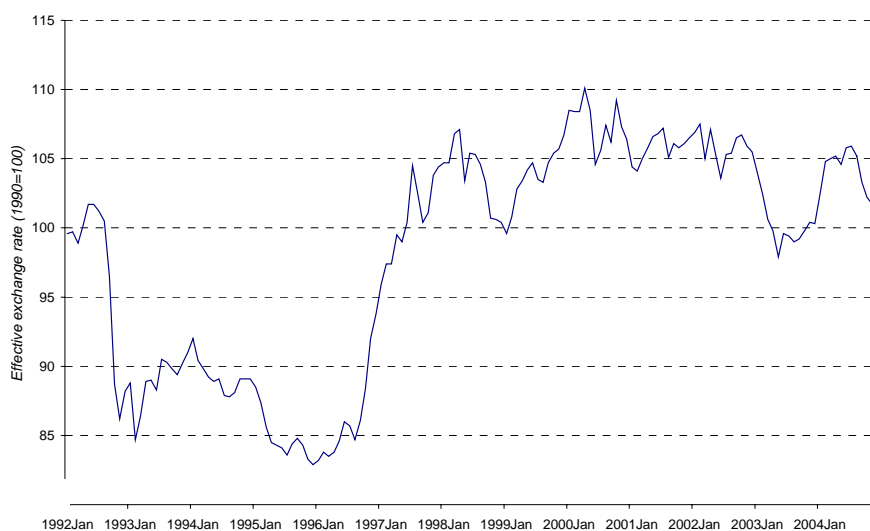
The Bank of England's Monetary Policy Committee voted on 10 February 2005 to maintain the Bank's repo rate at 4.75 per cent. The most recent change in interest rates was an increase of 0.25 percentage points to 4.75 per cent on 5 August 2004.

Further information on interest rate decisions is available on the Bank of England web-site at:

<http://www.bankofengland.co.uk/Links/setframe.html>

14.3 Exchange Rates

Figure 14.2 Sterling Exchange Rate Index, 1992 to 2004



Source: Office for National Statistics, *Economic Trends*, February 2005³⁵

The Sterling Exchange Rate Index (SERI) measures the value of Sterling against a trade-weighted 'basket' of other currencies. The weights used to calculate the index measure currencies relative importance to UK trade in manufacturing. A decline in the index indicates a relative improvement in UK export competitiveness.

³⁵ Office for National Statistics, *Economic Trends*, February 2005
<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=11041&More=n>

15 Winning Wales Targets

*A Winning Wales*³⁶, launched on 28 January 2002, is the Welsh Assembly Government's Strategy for transforming the economy of Wales, while promoting sustainable development.

There are ten key targets in *A Winning Wales*. Data in table 15.1 show performance against these targets up until 24 January 2005.

Targets were updated following the *Winning Wales* progress report and refresh presented to the Economic Development and Transport Committee (EDT) on 19 November 2003. The targets for both employment and entrepreneurship were refreshed.

- ◆ Employment – The target for the net increase in employment was raised from 135,000 to 175,000.
- ◆ Entrepreneurship – Business density is now measured in relation to the population of working age rather than the adult population as a whole.

³⁶ The full text of *A Winning Wales* is available at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/index.html>

The *A Winning Wales* annual report for 2002-03 is available on the National Assembly for Wales web-site at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/a-winning-wales-e.pdf>

The *A Winning Wales* progress report and refresh presented to EDT on 19 November 2003 (EDT2 06-03) is available at:

http://www.wales.gov.uk/servlet/EconomicDevelopmentAndTransportCommittee?area_code=N00&document_code=N000000000000000000000000000000000014493&p_arch=post&module=dynamicpages&month_year=11|2003

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Table 15.1: A Winning Wales, Targets against performance, 1999-2004

Target	2010 Target	2001 base year	2002	2003	2004
1. Increase in net employment of:	175,000	1,210,000	<i>up 36,000 on base year</i>	<i>up 87,000 on base year</i>	<i>up 84,000 on base year</i> (4 quarters to Nov 2004)
2. Increase in net employment in financial and business services of:	20,000	119,000	<i>down 1,000 on base year</i>	<i>up 10,000 on base year</i>	<i>up 20,000 on base year</i> (4 quarters to Nov 2004)
3. Raise stock of all VAT registered businesses per 10,000 persons of working age:	UK average	93% of UK	93% of UK	92% of UK	91% of UK
4. Increase business enterprise R&D expenditure as a % of Welsh GVA to:	greater than 1%	0.4%	0.5%	0.7%	n/a
5. Growth in the value of exports to:	match UK growth over period	£7099.2m	<i>down 6.8% on base year compared to no change for UK</i>	<i>up 1.4% on base year compared to up 3.0% for UK</i>	<i>up 8.4% on base year compared to up 2.2% for UK</i> (4 quarters to September 2004)
6. Increase the proportion of Welsh businesses using e-commerce to:	the UK average proportion				n/a – see note 6 below
7. Household disposable income to increase to:	95% of UK	n/a (87.5% in 1999)	n/a	n/a	n/a
8. Increase tourism expenditure in Wales by:	an average of 6% a year over period	£1,911.9m	£1,794.7m (<i>down an average of 6.1% per year on base year</i>)	£2,035.6m (<i>up an average of 3.2% per year on base year</i>)	n/a

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**Table 15.1: A Winning Wales,
 Targets against performance,
 1999-2003 (cont.)**

Target	2010 Target	2001 base year	2002	2003	2004
9. Reduce the proportion of adults of working age without qualifications to:	less than 10%	21%	19%	17%	n/a
10. Increase the proportion of adults of working age with a level 4 qualification to:	greater than 30%	22%	23%	24%	n/a

Sources and Notes:

1. Labour Force Survey. LFS employees plus self employed for those aged 16+, a 4 quarter average over the period March of the year in question to February of the following year (or latest 4 quarters where a full year is not yet available). Figures are rounded to the nearest thousand. Current disability is only asked of those of working age in the LFS, hence, the increases shown in numbers of employees and self employed are for those of working age (whereas it is generally for those aged 16+ for all other categories).
2. As for 1.
3. Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI). Number of VAT registered business enterprises as at 1 January, divided by the mid-year estimate of population of working age. NB. For the latest VAT data the equivalent mid-year estimate of population will not initially be available and the previous years population figure is used. Hence, the latest rate may be subject to revision.
4. Office for National Statistics (ONS). Business Enterprise R&D expenditure in cash terms as a percentage of the Welsh GVA total (in £s) for the year.
5. HM Customs and Excise. Cumulative increase in the value of exports (within EU plus non-EU) since the base year; total of 4 quarters in calendar year (or latest 4 quarters where a full year is not yet available). Figure for Wales and figure for the sum of the 12 regions of the UK.
6. The ONS e-commerce survey used to measure businesses using e-commerce has been re-evaluated as it is considered that this survey cannot provide reliable estimates for Wales. No information is currently available as sources other than this survey are being considered.
7. ONS Regional Accounts. Disposable household income per head of population as a percentage of the UK figure, excluding extra-regio. NB. Household income per head is as calculated by ONS regional accounts, using Blue Book populations and not the equivalent mid-year estimate of population.
8. Wales Tourist Board (UK travel survey and overseas visitors survey). Expenditure on tourism in Wales by domestic (UK) and foreign (non-UK) visitors (2003 non-UK visitor spend data are provisional)
9. Labour Force Survey (LFS). Up to 2000, a 4 quarter average, for adults of working age (men 18-64, women 18-59). 2001 and onwards, an annual figure, using same definition, using LFS boost. Qualifications levels are from the LFS variable HIQUAL. NVQ level 3 and above is defined as NVQ level 3 equivalent (GNVQ advanced; 2+ A levels or 4+ AS levels or equivalent; RSA advanced diploma; ONS, ONC, BTEC etc. national; City and Guilds advanced craft; most Scottish CSYS; 3 or more SCE higher or equivalent; some trade apprenticeships; some other qualifications (10%)) plus NVQ level 4 equivalent (Level 4 NVQ; First Degree; Other Degree; Diploma in HE; HNC, HND, BTEC etc higher; Teaching, further education; Teaching, secondary education; Teaching, primary education; Teaching, level not stated; Nursing etc; RSA higher diploma; Other higher education qualification below degree level) plus NVQ level 5 equivalent (Level 5 NVQ; Higher degree).
10. As for 9.

Annex 1: Technical points for consideration in interpreting data published in this paper

Gross Value Added

- ◆ **Measuring GVA.** Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

GVA is used in the estimation of Gross Domestic Product (GDP). GDP is a key indicator of the state of the whole economy. In the UK, three theoretical approaches are used to estimate GDP: 'production', 'income' and 'expenditure'. When using the production or income approaches, the contribution to the economy of each industry or sector is measured using GVA.

The production approach to estimating GDP looks at the contribution of each economic unit by estimating the value of an output (goods or services), less the value of inputs used in that output's production process.

The income approach to estimating GDP measures the incomes earned by individuals (e.g. wages) and corporations (e.g. profits) in the production of outputs (goods or services).

The expenditure approach to estimating GDP measures total expenditure on finished or final goods and services produced in the domestic economy.

All three approaches to estimating GDP are balanced annually using the Input-Output Supply and Use accounting framework. Regional (NUTS1) GVA is currently calculated on both a workplace and a residence basis. Residence-based GVA allocates the incomes of commuters to where they live (and is done so due to the residence-based administrative underlying data), whereas workplace-based GVA allocates their incomes to where they work.

- ◆ **NUTS2 and NUTS3 GVA.** All of the GVA estimates compiled at NUTS2 and at NUTS 3 level are on a workplace basis. The estimates of NUTS3 GVA per head are calculated by dividing the estimate of workplace GVA for an area by the resident population for that area. Estimates of GVA per head will be high in areas with high levels of inward commuting and a low resident population (such as Inner London and Edinburgh). Conversely, estimates of GVA per head will be low in areas with significant levels of outward commuting and high resident populations.
- ◆ **Gross Value Added (GVA) and Gross Domestic Product (GDP).** Under the European System of Accounts 1995 (ESA95), the term GVA is used to denote estimates that were previously known as gross domestic product (GDP) at basic prices. Under ESA95 the term GDP denotes GVA plus taxes (less subsidies) on products, i.e. at market prices. Regional accounts are currently only published at basic prices, so the figures are now referred to as GVA rather than GDP as in previous publications.
- ◆ **Per Capita Measurement.** The wide variation in the size of the regions of the UK makes it difficult to compare the regions' economic performance using cash totals; comparisons are therefore usually expressed in terms of amounts per head of the population. However, it is important to note that the growth in totals may be quite different to the growth per head in regions where the population has increased or decreased. Furthermore, the level per head is determined both by the average

amount of cash of the working population and by the proportion of dependants. Ideally the age structure of the population should therefore be taken into account when comparing figures on a per head basis.

- ◆ **GVA and Inflation.** All the items in regional accounts are measured in current prices, which means that increases over time reflect inflation as well as real growth. Trends in total GVA per head of population cannot be analysed easily without deflating the data. However, there are no regional price indices³⁷ that could be used to remove the effect of inflation from the figures. Comparisons of trends can therefore be based either on the difference between regional increases at current prices or on movements in the amount relative to the UK average. Both approaches would be misleading if the rate of inflation in any region were different from the national average.
- ◆ **Extra-Regio.** The contribution to GVA of UK embassies abroad and UK forces stationed overseas is included in Extra-Regio, along with the elements relating to activities taking place on the continental shelf. As these cannot be assigned to specific regions they are assigned as "Extra-Regio GVA".
- ◆ **Accuracy.** GVA estimates are partly based on sample surveys and the quality of the results therefore varies according to sample size. This means that the results for smaller regions are subject to a greater degree of uncertainty than those for larger regions.

³⁷ Regional consumer price level estimates are available, but it is not possible to use consumer price figures to deflate the regional GVA estimates.