



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

Economic Indicators

May 2007

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.

May 2007



Economic Indicators

May 2007

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May 2007

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Economic Indicators: May 2007

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>

and on the National Assembly for Wales web-site at:

<http://www.wales.gov.uk/keypubmrs/content/papers-e.htm>

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3 Economy Overview

The following table 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.

Table 3.1 Summary of key indicators

Indicator	Trend	Further information																											
GVA per head as % of UK average	1999 = 78.7% 2000 = 78.5% 2001 = 78.7% 2002 = 78.1% 2003 = 77.9% 2004 = 77.8% 2005 = 78.1%	Office for National Statistics <i>Regional, sub-regional and local GVA</i> 15 Dec 2006: http://www.statistics.gov.uk/pdfdir/gva1206.pdf																											
GVA forecasts of annual % growth	<i>Experian Business Strategies (May 2006)</i> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Wales</th> <th>UK</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>1.1%</td> <td>1.8%</td> </tr> <tr> <td>2006</td> <td>2.0%</td> <td>2.5%</td> </tr> <tr> <td>2007</td> <td>2.7%</td> <td>2.9%</td> </tr> <tr> <td>2008</td> <td>2.8%</td> <td>2.9%</td> </tr> </tbody> </table> <i>Cambridge Econometrics (Feb 2007)</i> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Wales</th> <th>UK</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>2.4%</td> <td>2.7%</td> </tr> <tr> <td>2007</td> <td>2.5%</td> <td>2.5%</td> </tr> <tr> <td>2008</td> <td>2.2%</td> <td>2.5%</td> </tr> </tbody> </table>		Wales	UK	2005	1.1%	1.8%	2006	2.0%	2.5%	2007	2.7%	2.9%	2008	2.8%	2.9%		Wales	UK	2006	2.4%	2.7%	2007	2.5%	2.5%	2008	2.2%	2.5%	Experian Press Release, 25 May 2006: http://press.experian.com/press_releases.cfm Cambridge Econometrics: Knowledge Base online (subscription service)
	Wales	UK																											
2005	1.1%	1.8%																											
2006	2.0%	2.5%																											
2007	2.7%	2.9%																											
2008	2.8%	2.9%																											
	Wales	UK																											
2006	2.4%	2.7%																											
2007	2.5%	2.5%																											
2008	2.2%	2.5%																											
Employment Rate Annual change to latest three month period	January - March 2007 Wales +0.2 percentage points to 71.7% UK -0.3 percentage points to 74.3%	Office for National Statistics Labour Market Statistics First Releases: Wales and UK 16 May 2007: http://www.statistics.gov.uk/pdfdir/lmsuk0507.pdf and http://www.statistics.gov.uk/pdfdir/lmswales0507.pdf																											
Unemployment Rate Annual change to latest three month period	January - March 2007 Wales +0.7 percentage points to 5.5% UK +0.3 percentage points to 5.5%	As for Employment Rate																											



Economic Inactivity Rate Annual change to latest three month period	January - March 2007 Wales -0.9 percentage points to 24.0% UK +0.1 percentage points to 21.2%	As for Employment Rate
Earnings Annual change	April 2006 Median Earnings: Wales: +3.3% UK: +3.7%	Office for National Statistics - National Statistics Release, October 2006: http://www.statistics.gov.uk/pdfdir/ashe1006.pdf
Gross Disposable Household Income per head as % of UK	1999 = 86% 2000 = 86% 2001 = 87% 2002 = 88% 2003 = 88% 2004 = 89% 2005 = 89%	Office for National Statistics, <i>Regional Household Income</i> , 27 March 2007: http://www.statistics.gov.uk/pdfdir/gdhi0307.pdf
Index of Production and Construction Latest 4 quarters compared with previous 4	Quarter 4, 2006 Index of Production: Wales: +0.3% UK: +0.1% Construction Output: Wales: +0.4% UK +1.1%	Welsh Assembly Government Statistical Directorate Statistical Release: 5 April 2007 http://new.wales.gov.uk/topics/statistics/headlines/econ-2007/hdw20070405/?lang=en
Value of Exports Latest 4 quarters compared with previous 4	Quarter 4, 2006 Wales: +7.5% UK: +9.6%	Welsh Assembly Government Headline Statistics – 3 April 2007: http://new.wales.gov.uk/topics/statistics/headlines/econ-2007/hdw20070308/?lang=en
VAT Registered businesses Annual change in stock	2005-2006 Wales: +1.1% UK: +1.4%	Welsh Assembly Government Statistical Directorate October 2006: http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw200610241/?lang=en

4 Gross Value Added (GVA)

4.1 Regional Gross Value Added

Table 4.1: Gross Value Added(a), Wales and the UK, 1989 to 2005

Year	Wales (£ per head)	UK (£ per head)(b)	Per Head GVA in Wales as a percentage of UK GVA
1989	6,774	7,933	85.4
1990	7,290	8,596	84.8
1991	7,517	8,964	83.9
1992	7,835	9,339	83.9
1993	8,182	9,793	83.5
1994	8,625	10,310	83.7
1995	9,089	10,812	84.1
1996	9,481	11,441	82.9
1997	9,860	12,106	81.4
1998	10,237	12,847	79.7
1999	10,548	13,401	78.7
2000	10,920	13,910	78.5
2001	11,482	14,584	78.7
2002	11,980	15,346	78.1
2003	12,633	16,218	77.9
2004	13,316	17,115	77.8
2005(c)	13,813	17,677	78.1

Source: Office for National Statistics (ONS)

- (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-Region that comprises compensation of employees and gross operating surplus which cannot be assigned to regions. Extra-region includes "continental shelf" activity relating to offshore oil and gas extraction, UK embassies overseas and armed forces stationed abroad.
- (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 2005² was £13,813 or 78.1 per cent of the UK average. The revised figures show that GVA per head in Wales relative to the UK fell between 1995 and 1999 but has remained fairly stable since then.
- ◆ GVA per head in Wales in 2005 relative to the UK average was the lowest of all the devolved countries and English regions and has been the lowest since 2002 when it fell below the North East.

¹ ONS First Release, *Regional, sub-regional and local gross value added*, 15 December 2006:

<http://www.statistics.gov.uk/pdfdir/gva1206.pdf>

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

<http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw200612151/?lang=en>

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

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14650>

² 2005 figures are provisional

- ◆ In London, the South East and the East of England, GVA per head in 2005 was above the UK average, while all other regions were below the UK average.
- ◆ Total GVA in Wales was 3.9 per cent higher than in 2004. The greatest growth in 2005 was in the North East, the East Midlands and London (all 4.4 per cent higher than in 2004), while the South East had the lowest growth (3.5 per cent). The growth in total GVA for the UK as a whole³ was 3.9 per cent.

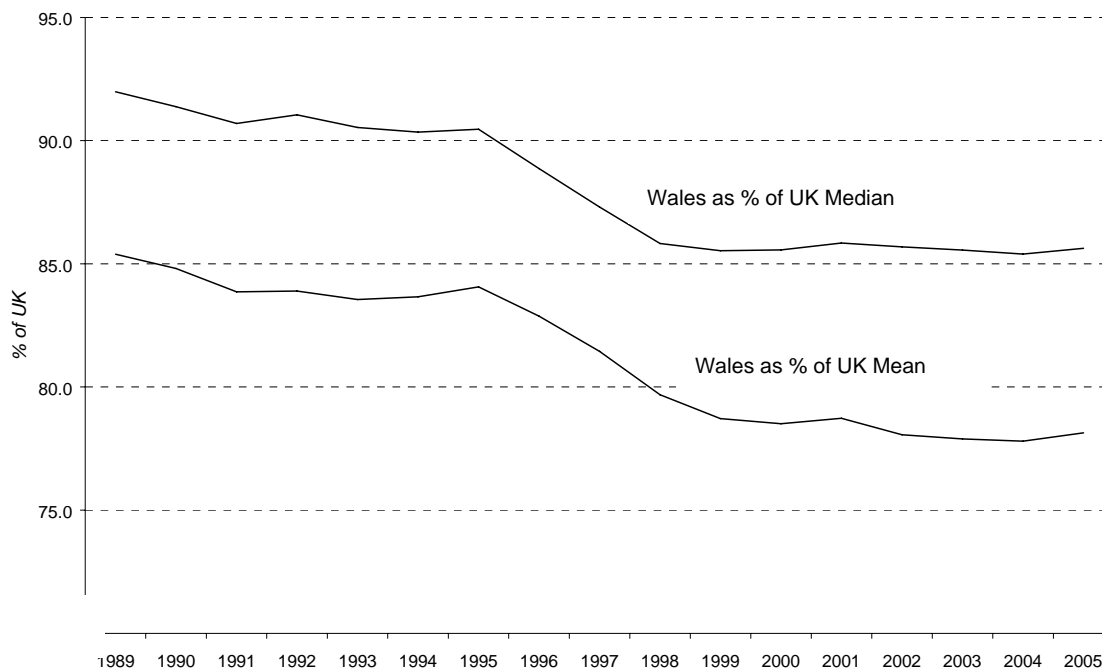
4.1.1 Relative GVA – The Median Measure

It is possible to compare GVA in Wales relative to other regions while making allowance for a relatively large increase or fall in GVA within a particular region which might skew the mean (average) measure. This is done using the median measure. The median represents the number that sits in the middle of a set of numbers, in this case the mean of the central two index numbers for UK relative GVA.

- ◆ GVA per head in Wales in 2005 was 85.6 per cent of the UK median. As with the mean measure, this proportion declined during the second half of the 1990s but has remained fairly stable since then.

Figure 4.1 shows per head GVA in Wales as a percentage of per head GVA for the mean and median UK region over the period 1989 to 2005 and illustrates the decline in relative GVA in the late 1990s, and a levelling off over recent years. There is little change in either measure between 1999 and 2005.

Figure 4.1: Gross Value Added, Wales as a percentage of UK mean and UK median



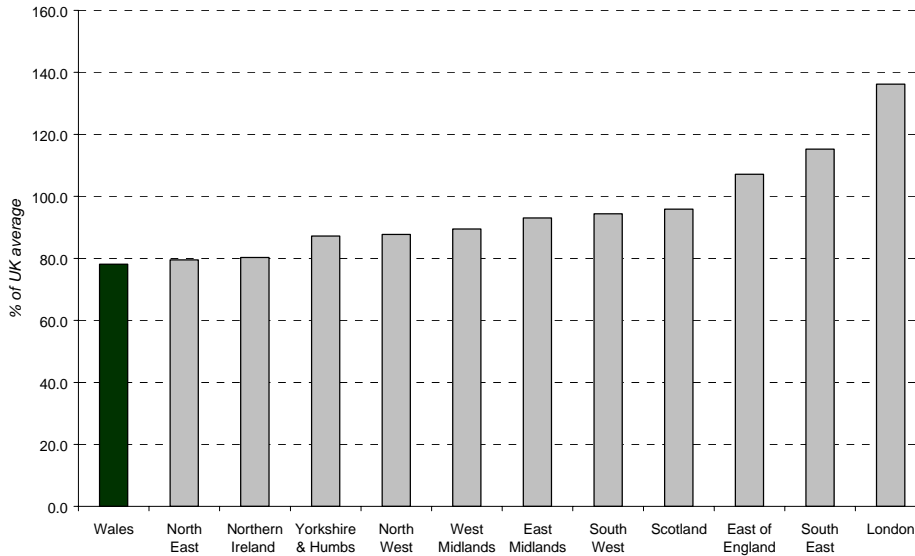
Source: ONS

³ Excluding Extra-Regio 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 in the Technical Annex.

4.1.2 Regional Comparison

Figure 4.2 shows per head GVA in the UK nations and regions as a percentage of per head GVA for the UK in 2005.

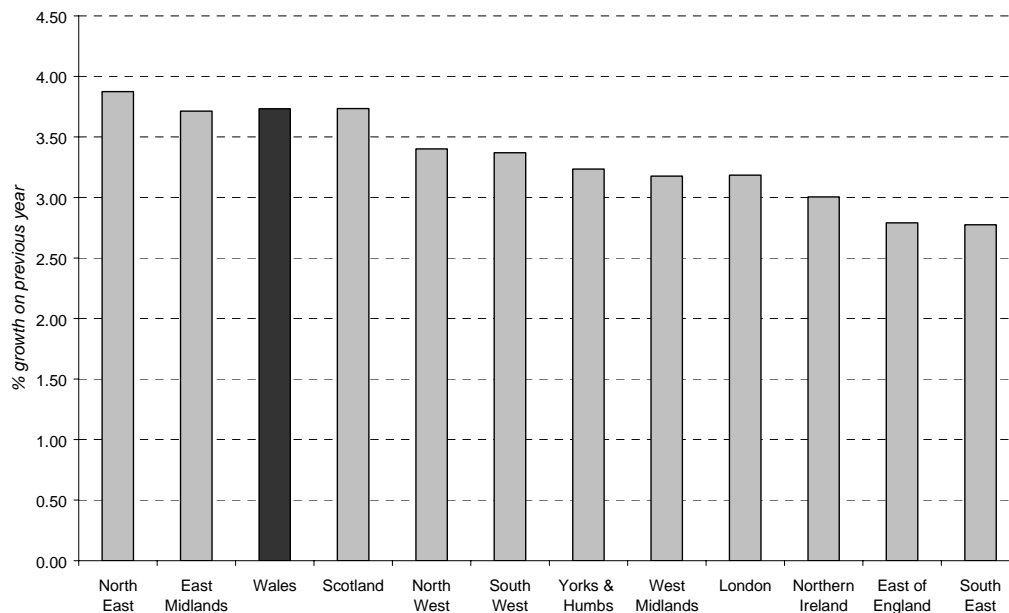
Figure 4.2: Per head GVA, by UK nation and region, 2005



Source: ONS

Figure 4.3 charts per head growth in the UK nations and regions between 2004 and 2005. Wales had the equal third highest per head growth rate among regions and nations of the UK in this period of 3.7 per cent. This compares to a UK (less extra regio) per head growth rate of 3.3 per cent.

Figure 4.3 Growth in per head GVA, by UK nation and region, 2004-05

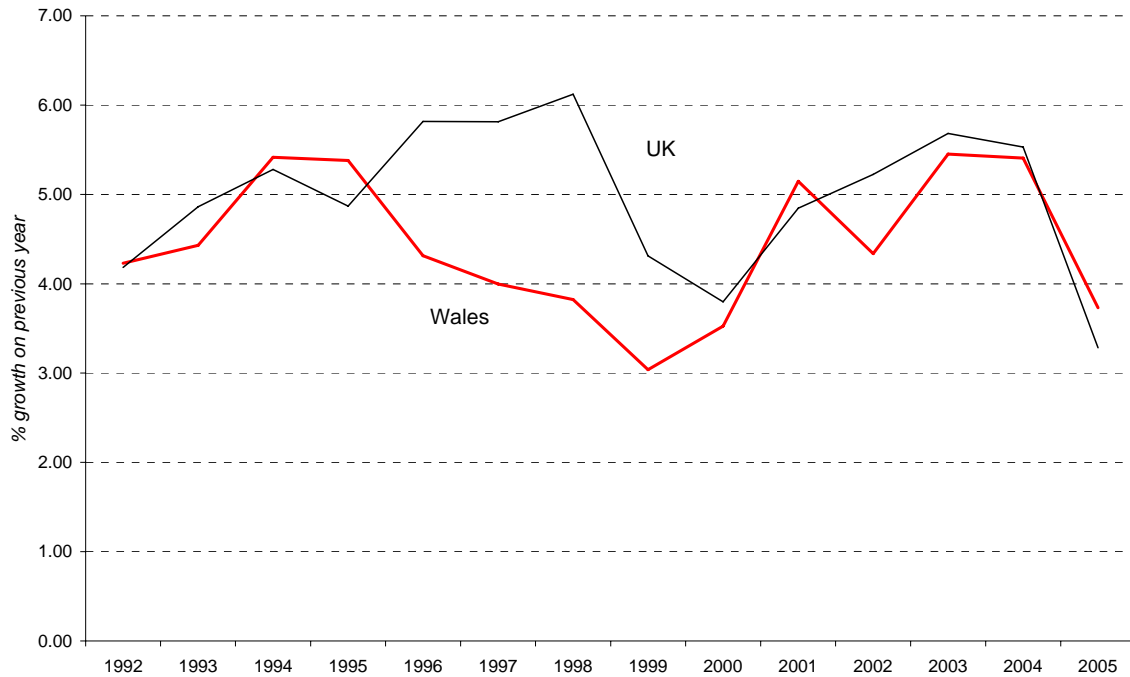


Source: ONS

4.1.3 Per Head Growth Rates

Figure 4.4 charts per head growth in Wales against the UK mean for the years 1992 to 2005.

Figure 4.4: Per head GVA growth, Wales and UK, 1992 to 2005



Source: ONS

Figure 4.4 shows a lower rate of per head growth in Wales compared to the UK as a whole in the late 1990s, which explains the relative decline in Welsh per head GVA over that period. The closing of the gap in the growth rates over recent years explains why this relative decline has levelled off.

4.2 Sub-regional and local GVA - 2004

Table 4.2: Per Head Gross Value Added (GVA), Wales, by NUTS4 level 1, 2 and 3 area, 2004(a)(b)(c)

NUTS levels	Gross Value Added (£ per head)	Per head GVA as a percentage of UK GVA
Wales	13,316	78
West Wales & the Valleys	11,126	65
Isle of Anglesey	9,036	53
Gwynedd	12,453	73
Conwy & Denbighshire	11,240	66
South West Wales	10,033	59
Swansea	14,325	84
Bridgend & Neath Port Talbot	11,451	67
Central Valleys	11,074	65
Gwent Valleys	9,845	58
East Wales	17,133	100
Flintshire & Wrexham	15,120	88
Powys	12,580	74
Cardiff & Vale of Glamorgan	20,020	117
Monmouthshire & Newport	16,653	97

Source: Office for National Statistics

- (a) GVA at current basic prices
- (b) Sub-regional estimates are on a workplace basis
- (c) Excluding Extra-regio and statistical discrepancy

The per head GVA figure for Wales as a whole is calculated on a residence basis, where the income of commuters is allocated to where they live rather than their place of work. However, it should be noted that the GVA estimates compiled at the NUTS 2 and at NUTS 3 levels 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.

⁴ 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

Map 4.1 shows the latest per head GVA as a percentage of UK GVA estimates for 2004 by NUTS3 area.

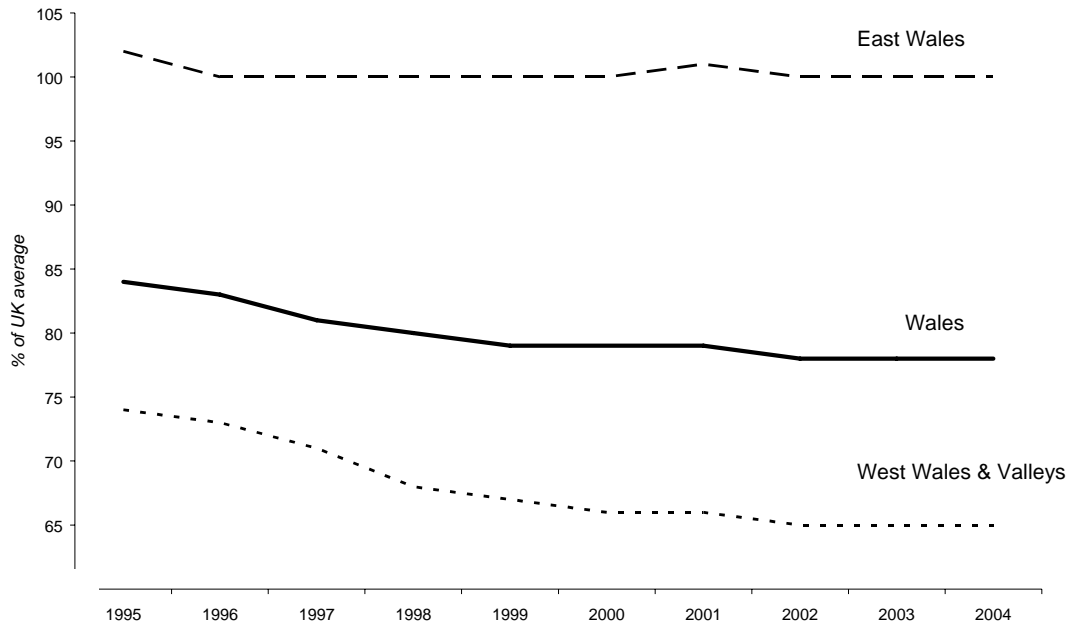
The latest estimates show that:

- ◆ In 2004, West Wales & the Valleys and Cornwall & Isles of Scilly had the equal lowest GVA per head (£11,100) of all NUTS2 regions in the UK. These figures compare to the UK average⁵ of £17,100. East Wales also had a GVA per head of £17,100 in 2004.
- ◆ Per head GVA in West Wales & the Valleys declined relative to the UK average between 1995 and 2000 from 74 per cent to 65 per cent. Per head GVA in West Wales & the Valleys has remained fairly stable since this time.
- ◆ Since 1996, per head GVA in East Wales has been more or less equal to the UK average.
- ◆ Of the 12 NUTS3 regions in Wales, Cardiff & Vale of Glamorgan had the highest level of GVA per head in 2004 at 117 per cent of the UK average, whilst the lowest levels were the Isle of Anglesey with 53 per cent, the Gwent Valleys with 58 per cent and South West Wales with 59 per cent.
- ◆ The Isle of Anglesey, the Gwent Valleys and South West Wales were also in the bottom five NUTS3 regions with the lowest GVA per head relative to the UK. Anglesey has the lowest GVA per head in the UK.
- ◆ Between 1995 and 2004, the only NUTS3 area in West Wales & the Valleys to show an improvement in GVA per head relative to the UK is Swansea (81 per cent to 84 per cent). The largest fall relative to the UK is for Bridgend & Neath Port Talbot (86 per cent to 67 per cent).
- ◆ Between 1995 and 2004, the two NUTS3 areas in East Wales showed a relative improvement (Cardiff & Vale of Glamorgan and Monmouthshire & Newport), whilst two areas showed a decline (Flintshire & Wrexham and Powys).
- ◆ As Map 2 shows, between 1995 and 2004, the largest percentage increases in GVA per head were in Cardiff & Vale of Glamorgan, Monmouthshire & Newport and Swansea. The smallest percentage increases were in Bridgend & Neath Port Talbot, Flintshire & Wrexham and South West Wales.

Figure 4.5 graphs GVA per head for the period 1995 to 2004 for the Wales NUTS 1 and 2 regions relative to the UK average.

⁵ Excluding Extra-Regio GVA

Figure 4.5: Per head GVA, NUTS 1 and 2 areas of Wales

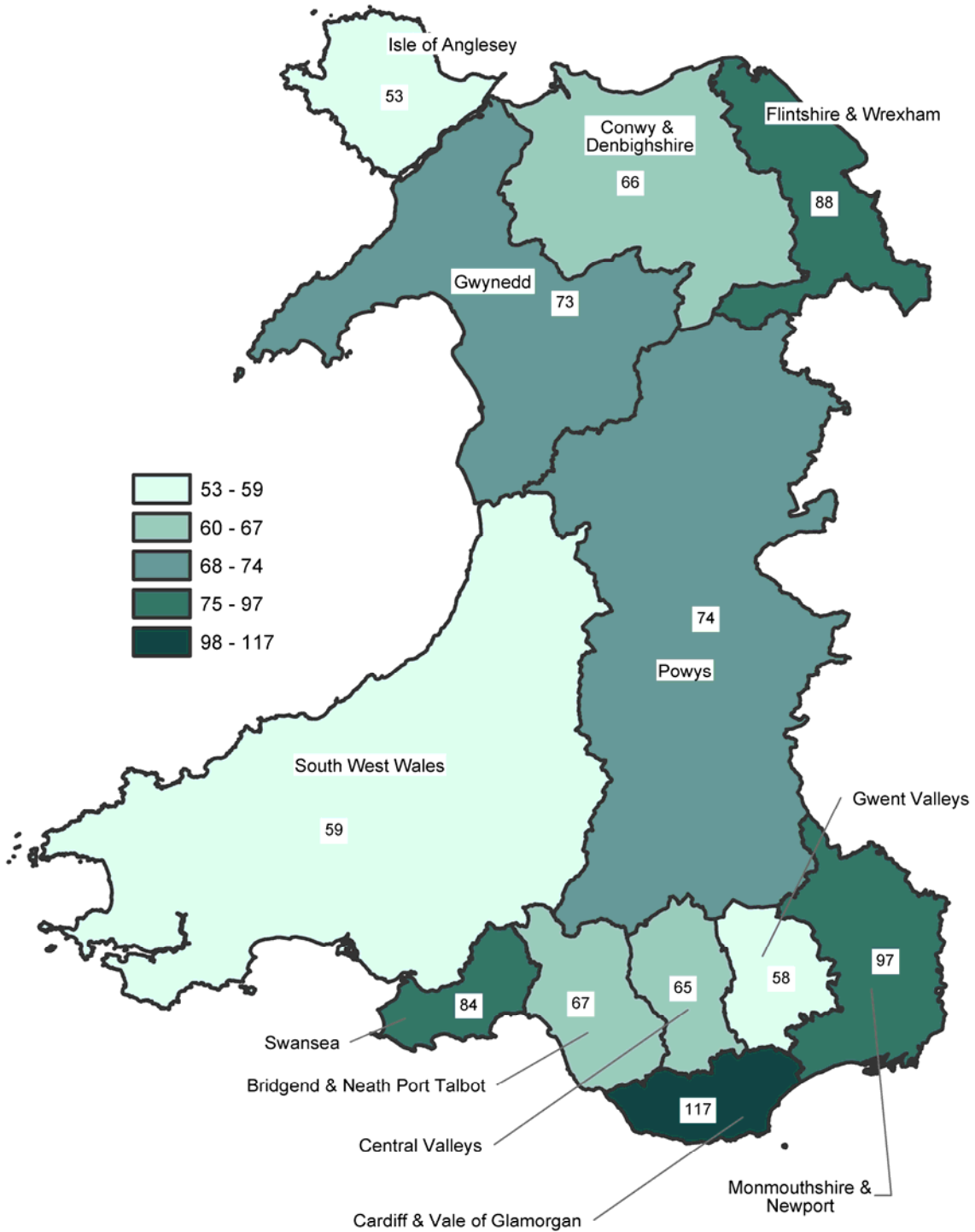


Source: Office for National Statistics

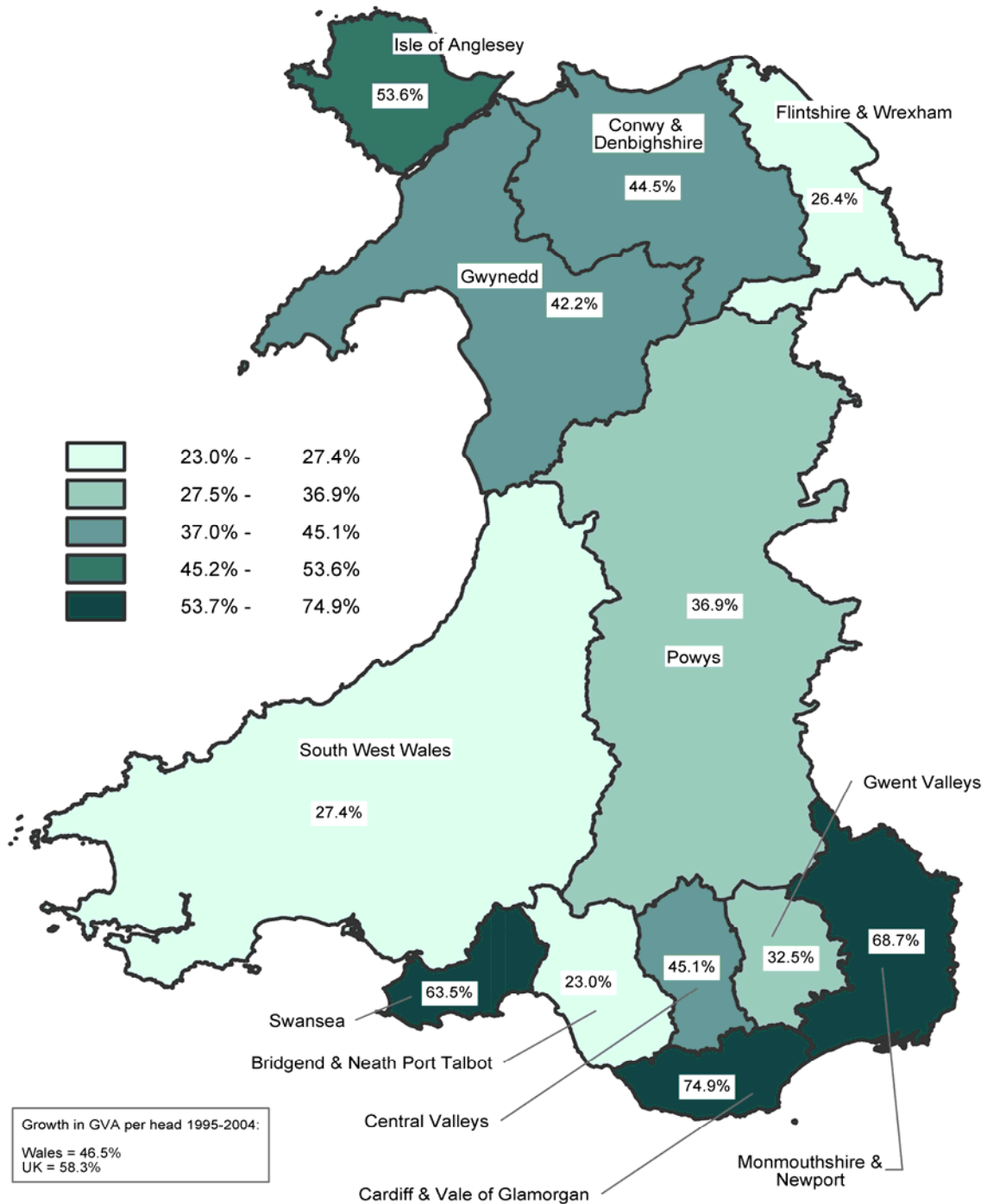
Notes: The headline GVA series for this publication have been calculated using a five-period moving average. Estimates of workplace based GVA allocate income to the region in which commuters work. The GVA for Extra-Region comprises compensation of employees and gross operating surplus which cannot be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



Map 4.1: Gross Value Added per head as a percentage of UK per head GVA 2004, by NUTS3 areas



Map 4.2: Percentage change 1995-2004 in Gross Value Added per head, by NUTS3 areas



4.3 Regional GDP per head in the EU

Eurostat released statistics on regional per head Gross Domestic Product (GDP) on 19 February 2007⁶.

The data show that:

- ◆ per head GDP in West Wales and the Valleys represented 80.3% of the average for EU27⁷ as a whole in 2004. A number of regions showed similar results, including Chemnitz in Germany, and Galicia in Spain (both 81.0%). The equivalent figures for East Wales and Wales as a whole were 122.9% and 95.8% respectively.
- ◆ per head GDP in West Wales and the Valleys represented 77.1% of the average for EU25 as a whole in 2004. The equivalent figures for East Wales and Wales as a whole were 117.9% and 91.9% respectively.
- ◆ on 16 December 2005, the European Council reached agreement on the European Union budget for 2007–13. As a consequence, West Wales and the Valleys qualified for the next round of Objective 1 (now Convergence) funding. The decision was taken on the basis of data released by Eurostat on 26 January 2005⁸. This data showed that, over the three years 2000-02⁹, per head GDP in West Wales and the Valleys represented 73.8% of the EU25 average - below the eligibility threshold of 75% of EU25 average.
- ◆ for the latest 3-year period, 2002-04, per head GDP in West Wales and the Valleys represented 76.3% and 79.6% of the EU25 and EU27 averages respectively.
- ◆ average per head GDP across the Union has declined with the accession of new Member States. To avoid regions in receipt of Objective 1 funding for the 2000-06 round losing eligibility for the 2007-13 round purely for this reason (termed, 'the statistical effect'), transitional funding has been arranged. Eligibility for such funding is calculated on the basis of per head GDP relative to the average for EU15, rather than EU25.
- ◆ on the basis of 2002-04 figures, published this year, West Wales and the Valleys would have been classified as a "statistical effect" region and eligible for transitional funding post 2006, as its average GDP is now above 75% of EU25 but below 75% of EU15.
- ◆ per head GDP in West Wales and the Valleys over the 3 years 2002-2004 represented 70.0% of the average for EU15, well below the threshold for statistical effect funding.

⁶ Eurostat News Release, Regional GDP per head in the EU27, 19 February 2007:
http://epp.eurostat.ec.europa.eu/pls/portal/doccs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_02/1-19022007-EN-AP.PDF

Further data can be found on the Eurostat web-site at:
http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0_1136162_0_45572076&_dad=portal&_schema=PORTAL

⁷ Bulgaria and Romania joined the EU on 1 January 2007, raising the number of member states to 27.

⁸ Eurostat News Release, Regional GDP per head 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>

⁹ Data for 2000-02 have subsequently been revised by Eurostat.

- ◆ Table 4.3 shows GDP per head¹⁰ as a percentage of the EU27 average, for the UK, NUTS 1 and 2 areas of Wales¹¹, and other Objective 1 regions of the UK for the period 1995 to 2004.

Table 4.3: GDP per head as a percentage of EU27 average
(at purchasing power parity rates of exchange) (% of EU27 average)

Area	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
West Wales and The Valleys	84.1	85.1	83.9	80.6	77.9	77.6	77.2	80.1	78.5	80.3
East Wales	115.3	112.8	115.9	116.6	117.3	117.4	121.4	120.4	122.4	122.9
Wales	95.2	95.0	95.4	93.7	92.3	92.0	93.2	94.8	94.5	95.8
United Kingdom	113.3	114.7	117.1	117.4	117.1	117.3	118.5	121.4	121.3	123.0
Merseyside	81.3	79.9	81.8	84.7	82.4	85.3	83.7	89.3	89.6	87.3
South Yorkshire	84.8	85.7	86.6	90.4	86.7	87.5	89.4	92.3	92.3	94.9
Cornwall and Isles of Scilly	70.5	72.7	71.8	71.2	70.5	71.3	74.3	78.5	79.7	79.2

Source: Eurostat

Table 4.4 shows similar data expressed as a percentage of the EU25 average.

Table 4.4: GDP per head as a percentage of EU25 average
(at purchasing power parity rates of exchange) (% of EU25 average)

Area	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
West Wales and The Valleys	80.6	81.5	80.3	76.8	74.2	73.9	73.7	76.6	75.2	77.1
East Wales	110.4	108.0	110.9	111.2	111.7	111.8	115.8	115.1	117.2	117.9
Wales	91.2	91.0	91.3	89.3	87.9	87.6	88.9	90.6	90.5	91.9
United Kingdom	108.5	109.9	112.1	111.9	111.5	111.7	113.1	116.1	116.2	118.0
Merseyside	77.9	76.5	78.3	80.7	78.5	81.2	79.9	85.4	85.8	83.8
South Yorkshire	81.2	82.1	82.9	86.2	82.6	83.3	85.3	88.2	88.4	91.1
Cornwall and Isles of Scilly	67.5	69.6	68.7	67.9	67.1	67.9	70.9	75.0	76.3	76.0

Source: Eurostat

Table 4.5 shows similar data expressed as a percentage of the EU15 average.

¹⁰ 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.

¹¹ The Nomenclature of Units for Territorial Statistics (NUTS) breakdown provides a single uniform breakdown for the production of regional statistics for the European Union. There are three levels of NUTS in the UK. These are:

- NUTS 1: Government Office Regions and Scotland, Wales and Northern Ireland.
- NUTS 2: 37 areas, often referred to as sub-regions.
- NUTS 3: 133 areas, generally groups of unitary authorities or districts, also known as local areas.

**Table 4.5: GDP per head as a percentage of EU15 average
(at purchasing power parity rates of exchange)** (% of EU15 average)

Area	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
West Wales and The Valleys	72.7	73.8	72.8	69.8	67.4	67.4	67.2	70.1	69.0	70.9
East Wales	99.7	97.8	100.6	101.0	101.6	101.9	105.7	105.3	107.6	108.6
Wales	82.3	82.4	82.8	81.1	79.9	79.9	81.2	82.9	83.0	84.6
United Kingdom	97.9	99.5	101.6	101.6	101.4	101.8	103.2	106.2	106.6	108.7
Merseyside	70.3	69.3	71.0	73.3	71.3	74.0	72.9	78.1	78.7	77.1
South Yorkshire	73.3	74.3	75.2	78.3	75.1	76.0	77.9	80.8	81.1	83.8
Cornwall and Isles of Scilly	60.9	63.1	62.3	61.6	61.0	61.9	64.7	68.7	70.0	70.0

Source: Eurostat

5 Productivity

Table 5.1: Productivity measures by region, 2005

UK=100

Region/Country	GVA per filled job	GVA per hour worked
North East	90.4	94.6
North West	91.6	91.8
Yorkshire and the Humber	89.8	90.6
East Midlands	97.2	96.5
West Midlands	92.6	92.3
East	99.7	101.3
London	128.8	121.3
South East	101.9	103.9
South West	94.4	96.8
England	101.6	101.4
Wales	88.2	89.9
Scotland	95.3	97.3
Northern Ireland	84.7	80.0
United Kingdom	100.0	100.0

Source: ONS

The data¹² show that:

- ◆ Wales has the second lowest GVA per filled job and GVA per hour worked in the UK after Northern Ireland.
- ◆ Between 1999 and 2005 GVA per filled job in Wales fell from 91.9 per cent of the UK average to 88.2 per cent of the UK average.
- ◆ Between 1999 and 2005 GVA per hour worked in Wales fell from 93.1 per cent of the UK average to 89.9 per cent of the UK average.

Figure 5.1 shows GVA per filled job in Wales as a percentage of that of the UK for the years 1999 to 2005.

¹²ONS, Productivity, Quarter 4 2006, 29 March 2007:
<http://www.statistics.gov.uk/pdfdir/pro0307.pdf>

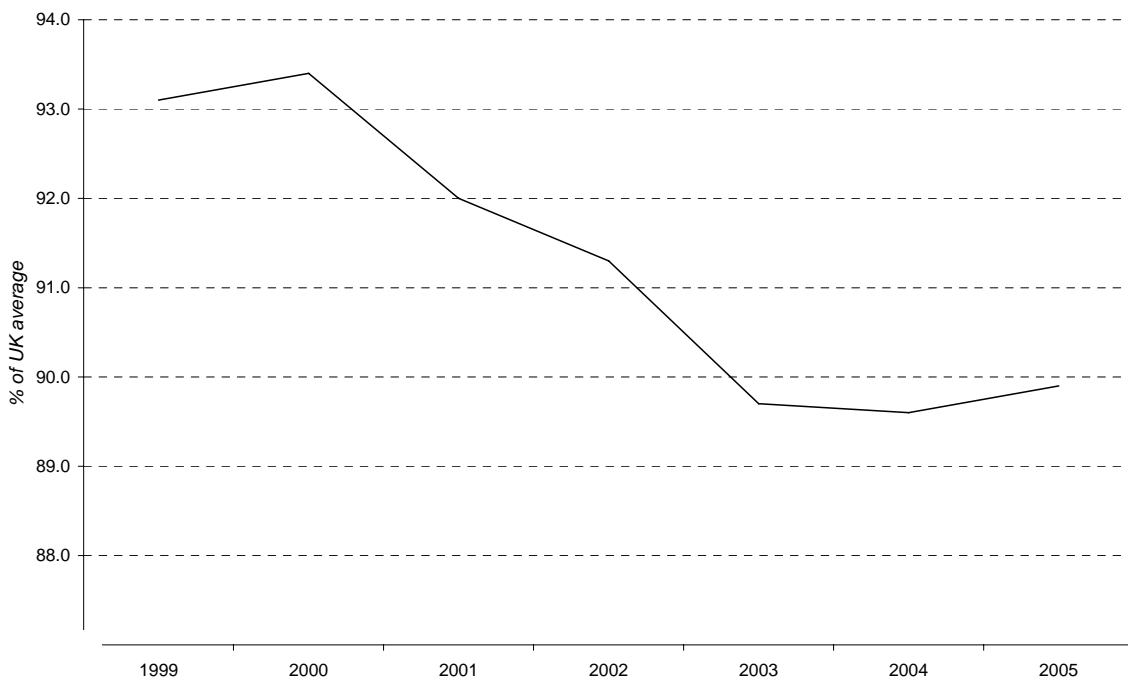
Figure 5.1: GVA per filled job, Wales as per cent of UK, 1999 to 2005



Source: Office for National Statistics

Figure 5.2 shows GVA per hour worked in Wales as a percentage of that of the UK for the years 1999 to 2005.

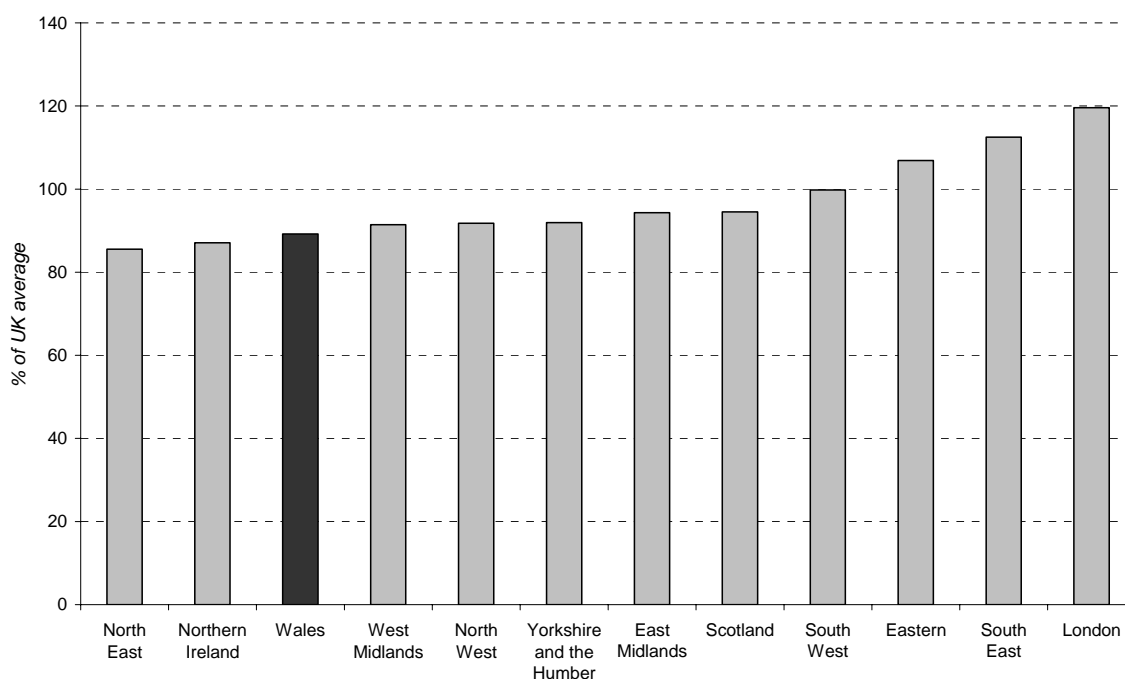
Figure 5.2: GVA per hour worked, Wales as per cent of UK, 1999 to 2005



Source: Office for National Statistics

6 Regional Household Income

Figure 6.1: Gross Disposable Household Income (GDHI) per head by UK nations and regions, 2005 (a)



Source: ONS
(a) 2005 data are provisional

The data¹³ show that:

- GDHI per head in Wales in 2005 was £11,851 or 89.2 per cent of the UK average, its highest relative level since 1995. Having declined between 1995 and 1999, this proportion has increased in each of the last 5 years.
- GDHI per head in Wales in 2005 was the 3rd lowest amongst the devolved countries and English regions, after the North East and Northern Ireland. This ranking for Wales has not changed across the whole period 1995 to 2005.
- Between 1999 and 2005, headline GDHI per head in Wales increased by 32.3 per cent, a bigger increase than the UK as a whole (28.2 per cent) and the highest

¹³Office for National Statistics, *Regional Household Income*, 27 March 2007:

<http://www.statistics.gov.uk/pdfdir/gdhi0307.pdf>

The household sector covers people living in traditional households as well as those living in institutions. The latter includes people living in retirement homes etc. This sector also includes sole trader enterprises and non-profit institutions serving households (NPISHs), examples of the latter being charities and most universities.

The amount of money that households have available for consumption expenditure or savings is known as 'disposable income'. This is equivalent to the excess of their income over the expenditures associated with their income e.g.

employment, property ownership and provision for future pension income.

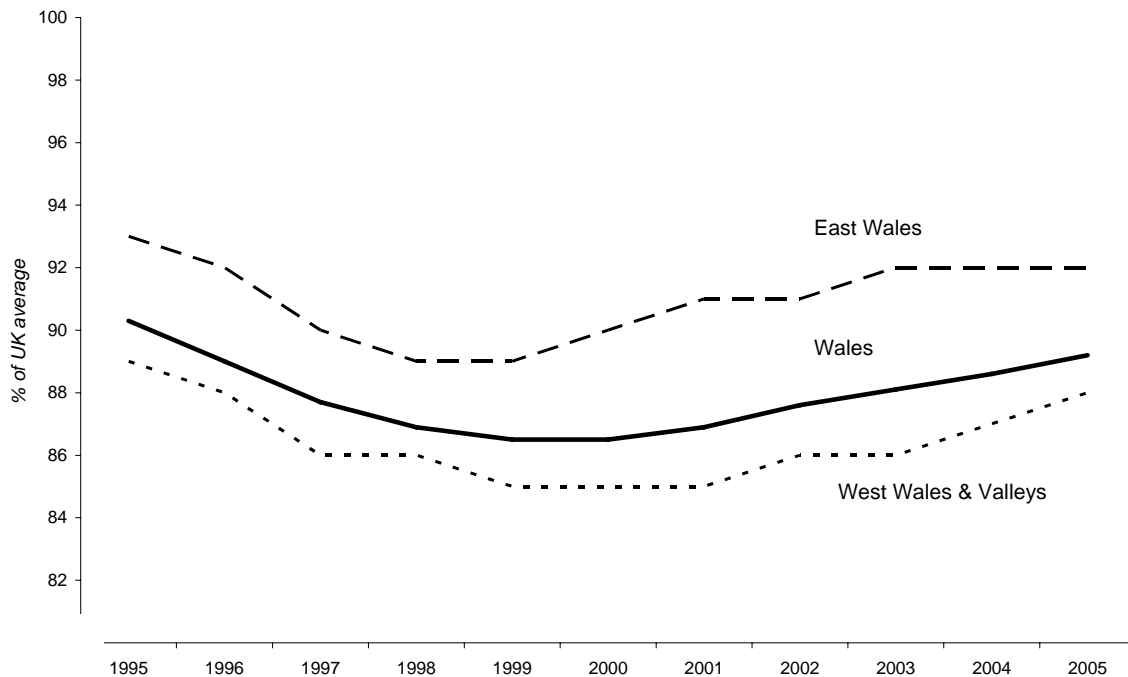
Unadjusted GDHI estimates and components at the NUTS2 level are to be supplied to Eurostat. These data are not directly used to inform funding decisions but may be used to support arguments in the debate around the relative welfare of regions in the UK and the EU area.

The full range of estimates at the NUTS1, 2 and 3 levels and supporting information can be found on the National Statistics web-site at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=7359>

amongst all UK nations and regions. This equates to an increase of 2.7 percentage points relative to the UK average.

- Figure 6.2 shows that GDHI per head in East Wales and West Wales and the Valleys (the two Welsh NUTS2 areas) were 92 per cent and 88 per cent of the UK average respectively in 2005. GDHI per head in both West Wales and the Valleys and East Wales increased by 3 percentage points relative to the UK average between 1999 and 2005.

Figure 6.2 GDHI per head as a percentage of the UK average, Wales (NUTS1 and NUTS 2 areas), 1995-2005



7 Labour Market

7.1 Summary

Table 7.1 Summary of Welsh Labour Market¹⁴

	Wales	Wales change on year (% points)	UK	UK change on year (% points) (per cent)
Employment rate (a)	71.7	+0.2	74.3	-0.3
ILO unemployment rate (b)	5.5	+0.7	5.5	+0.3
Inactivity rate (c)	24.0	-0.9	21.2	+0.1

Source: Office for National Statistics, Table 18(1), *Labour Market Statistics May 2007*, 16 May 2007

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).

7.2 Local Authority Labour Market Statistics

Statistics regarding labour market unemployment and inactivity on a local authority basis are estimated using the Annual Population Survey (which has replaced the Local Area Labour Force Survey).

Map 7.1 shows the employment rate by local authority in Wales for the year ending 30 September 2006. The map shows Powys has the highest employment rate (78.5% of the working age population), whilst Merthyr Tydfil has the lowest at 61.0%.

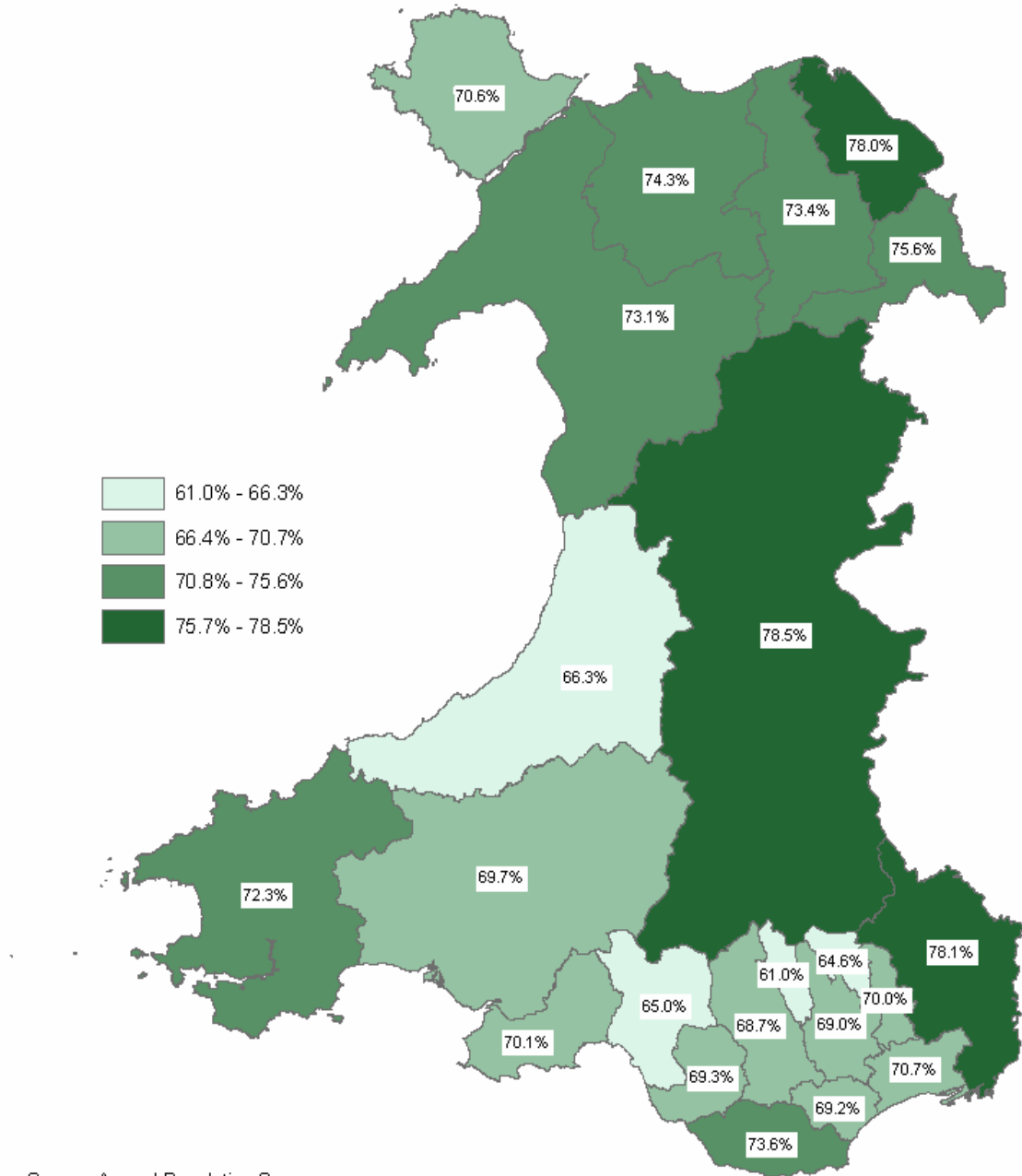
Map 7.2 shows the ILO unemployment rate by local authority in Wales for the year ending 30 September 2006. The highest unemployment rate is in Merthyr Tydfil (11.3% of the economically active population aged 16 and over), whilst the lowest rate is in Powys (1.9%).

Map 7.3 shows the inactivity rate by local authority in Wales for the year ending 30 September 2006. The highest inactivity rate is in Merthyr Tydfil (31.1% of the working age population), whilst the lowest rate is in Monmouthshire (18.2%).

Map 7.4 shows the inactivity rate, excluding students, by local authority in Wales for the year ending 30 September 2006. The highest inactivity rate, excluding students, is in Merthyr Tydfil (29.4% of the working age population), whilst the lowest rate is in Monmouthshire (15.9%).

¹⁴ Office for National Statistics, *Labour Market Statistics May 2007*, 16 May 2007
<http://www.statistics.gov.uk/pdfdir/lmsuk0507.pdf>

Map 7.1: Employment rate¹⁵ by local authority, Wales, Year ending 30 September 2006.

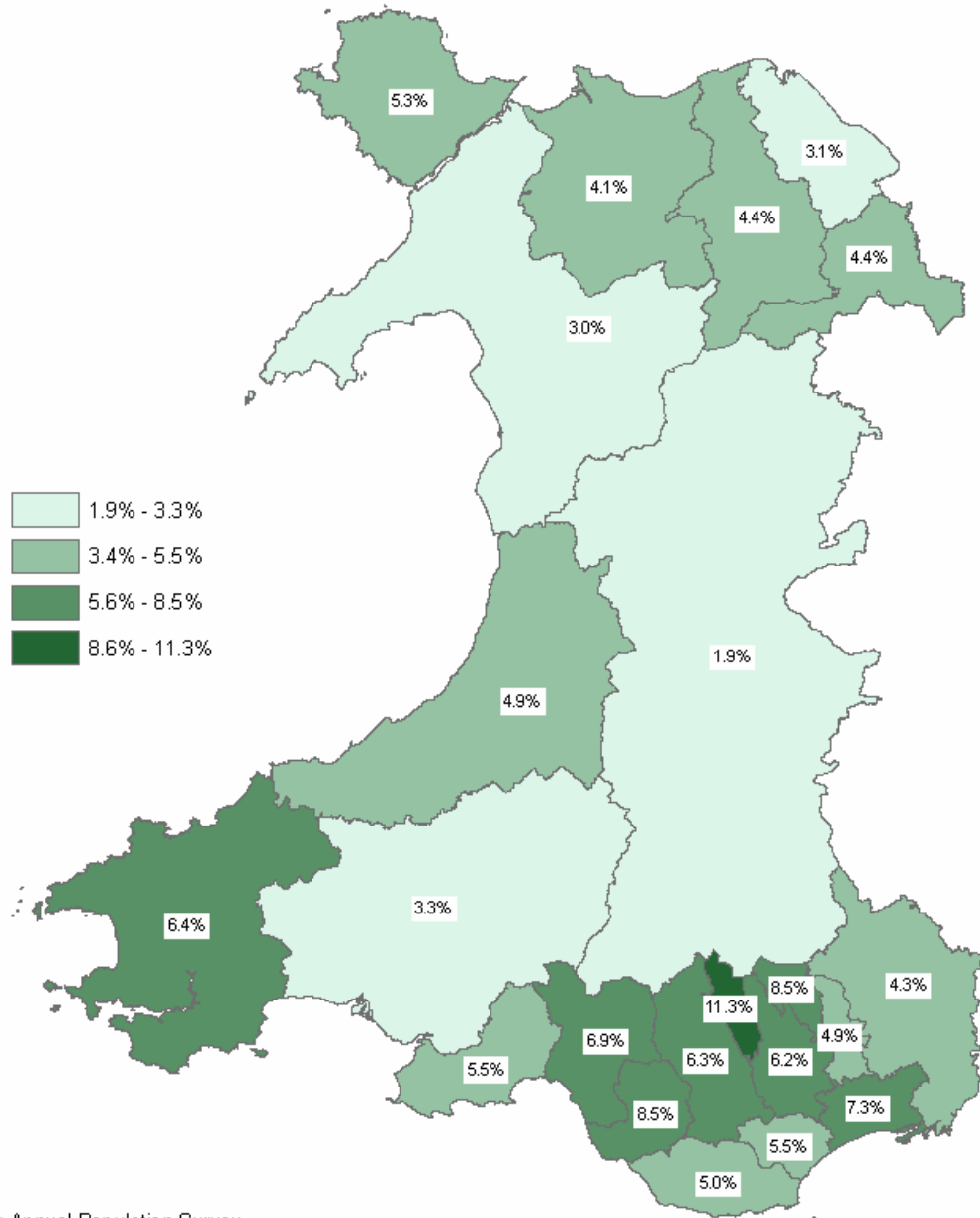


Source: Annual Population Survey,
Office for National Statistics

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¹⁵ The employment rate is the number of people in employment as a percentage of those of working age (16-59/64).

Map 7.2: ILO unemployment rate¹⁶ by local authority, Wales, Year ending 30 September 2006.

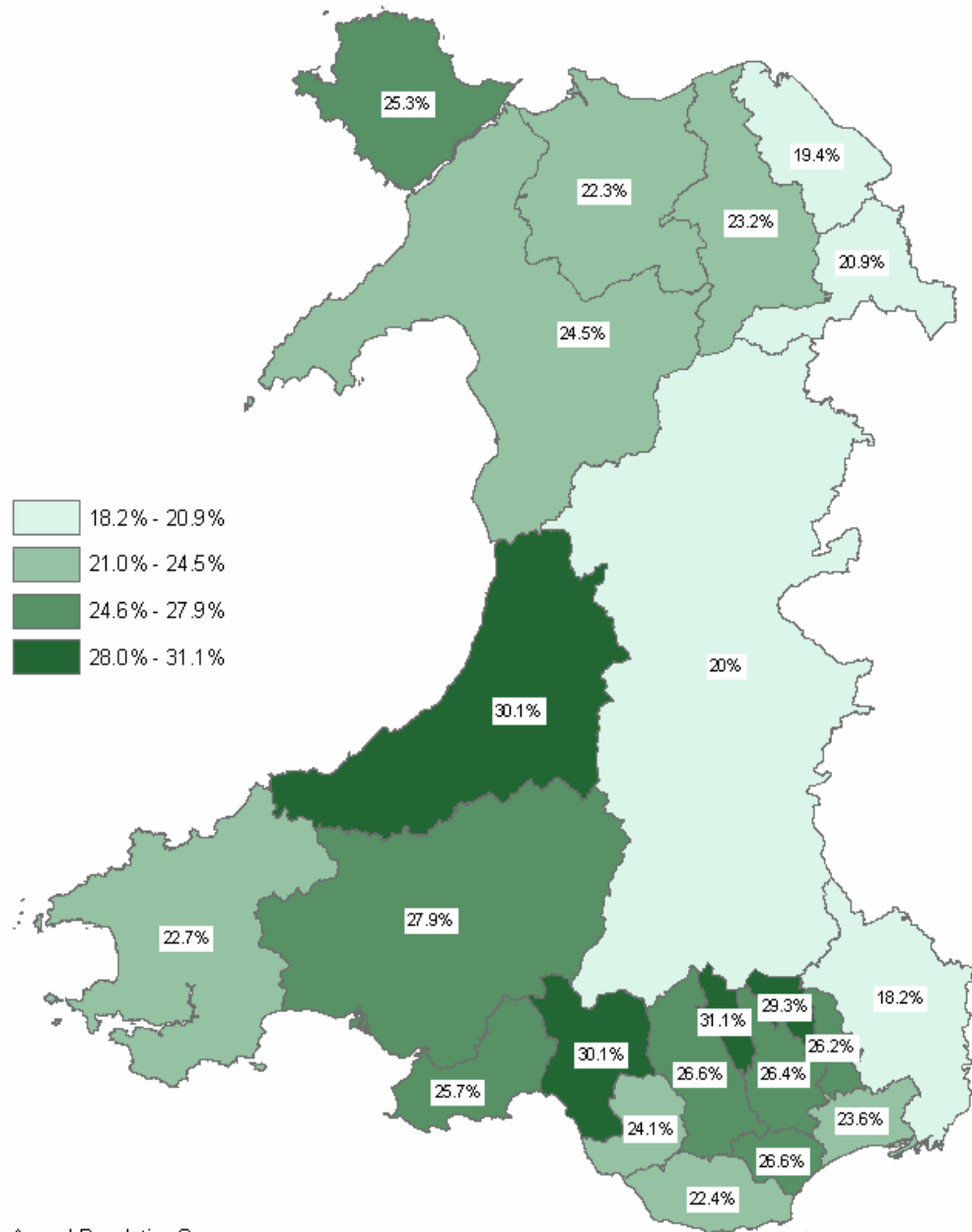


Source: Annual Population Survey,
Office for National Statistics

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¹⁶ 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 7.3: Inactivity rate¹⁷ by local authority, Wales, Year ending 30 September 2006

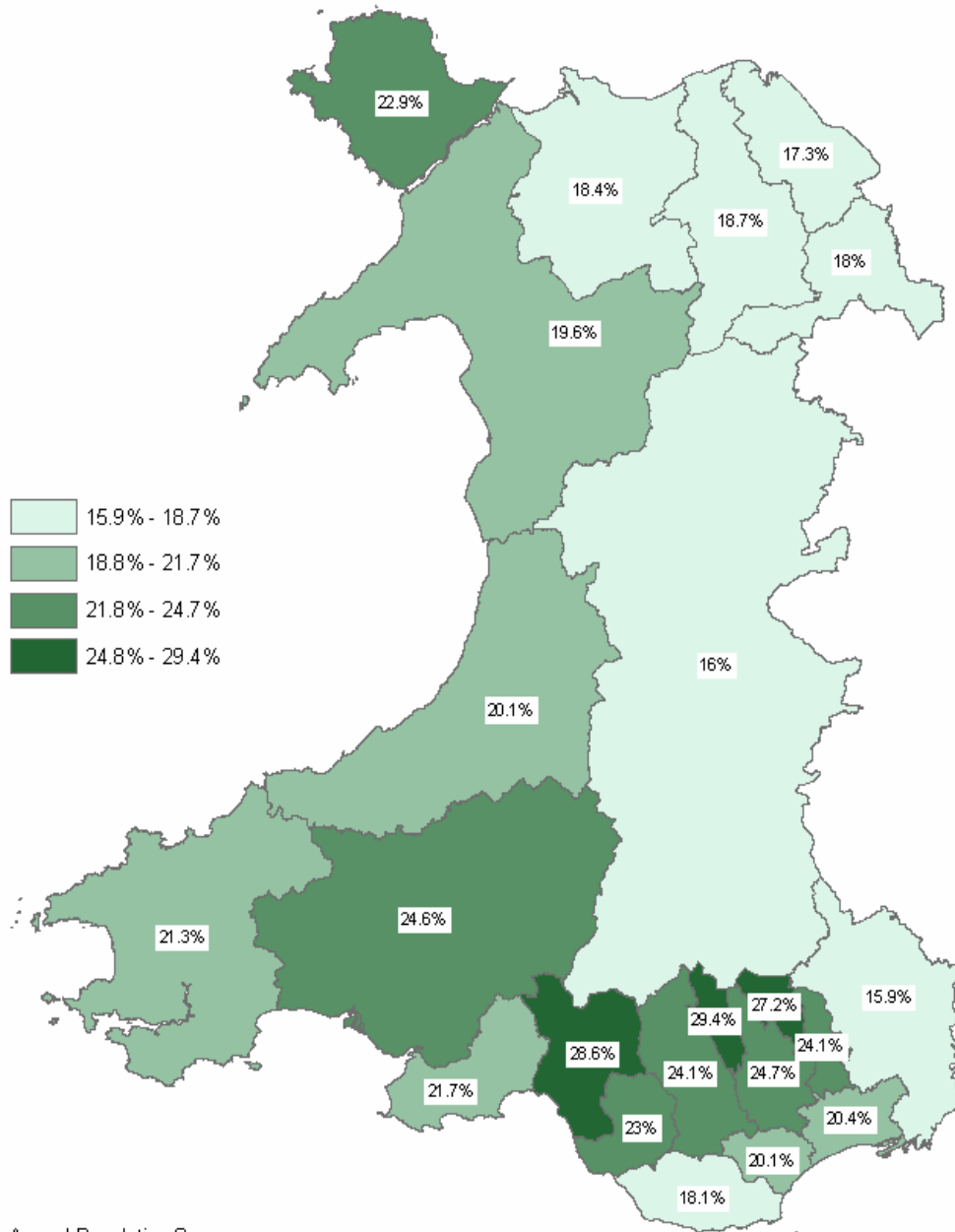


Source: Annual Population Survey,
Office for National Statistics

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¹⁷ 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 7.4: Inactivity rate excluding students¹⁸ by local authority, Wales, Year ending 30 September 2006



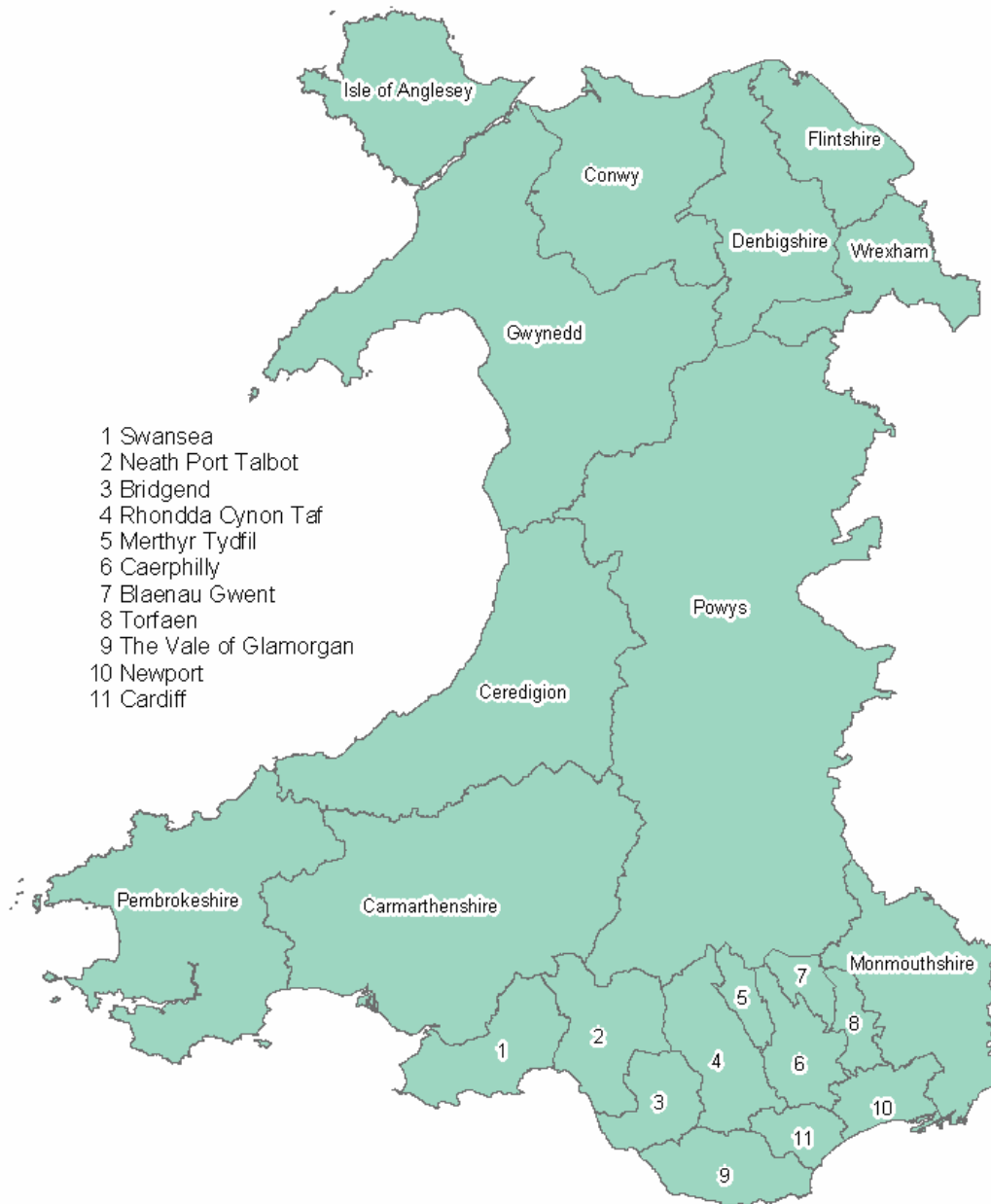
Source: Annual Population Survey,
Office for National Statistics

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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). 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



7.3 Claimant Count

This section gives the latest counts of Jobseekers Allowance claimants for Parliamentary constituencies¹⁹ for April 2007. 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 7.2 shows the number of residents claiming Jobseekers Allowance (the claimant count) resident in each Parliamentary constituency as at March 2007. 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 7.3 shows the unofficial residence-based estimates of claimant count rates, broken down by gender, as at April 2007.

Map 7.5 shows the spread of the unofficial residence-based claimant count rates by constituency.

The constituency with the largest number of people claiming unemployment-related benefits is Blaenau Gwent (1,805 claimants). Meirionnydd Nant Conwy has the fewest claimants (482 claimants). Cardiff North has the lowest claimant count rate as a percentage of the economically active population (aged 16-74) at 1.8 per cent. Cardiff North also has the lowest rate for women (1.1 per cent) and the joint-lowest rate for men, along with Monmouth (2.4 per cent). Blaenau Gwent has the highest claimant count rate at 6.5 per cent, with rates highest among the Parliamentary Constituencies for both men (8.8 per cent) and women (3.7 per cent).

¹⁹ These were the same as the Assembly constituency boundaries that existed prior to the May 2007 elections, and will remain as the Parliamentary constituencies until the next General Election.

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/cci/nugget.asp?id=165>

²¹ From September 2003 claimant count **proportions** for Parliamentary 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.

7.4 Incapacity Benefit

Incapacity Benefit (IB) replaced Sickness Benefit and Invalidity Benefit from 13 April 1995. It is paid to people who are assessed as being incapable of work and who meet certain contribution conditions. There are three rates of Incapacity Benefit. There are two short-term rates: the lower rate (IBST(L)) is paid for the first 28 weeks of sickness and the higher rate (IBST(H)) for weeks 29 to 52. The long-term rate (IBLT) applies to people who have been sick for more than a year.

Estimates of the number of claimants by constituency are available from the Department for Work and Pensions (DWP). Because these estimates are based on a sample survey, they are subject to sampling variability.

Map 7.6 shows the number of people claiming long-term incapacity benefit by Parliamentary constituency in Wales at August 2006, as a percentage of the population aged 16 to 64, taken from the 2001 Census of Population.

Although in general Incapacity Benefit applies to people of working age, a small number of female claimants are aged over 59, and some male claimants are over 64. However, in terms of long-term incapacity benefit, these figures are nil or negligible.

Data relate to a single point in time and provide a snapshot of claims at that point. Data are not seasonally adjusted so any comparisons should be made year on year, although it should be noted that time-series figures will be affected by the introduction of the Child Tax Credit (CTC) in April 2003.

The constituency with the largest number of people claiming long-term incapacity benefit is Merthyr Tydfil and Rhymney (5,290 claimants). This represents 12.3 per cent of the population aged 16 to 64 and is the highest rate in Wales.

Meirionnydd Nant Conwy has the fewest claimants of IBLT (1,090 claimants), which represents 4.7 per cent of the population aged 16 to 64. The constituency with the lowest rate is Cardiff Central, where 3.1 per cent of the population aged 16 to 64 is claiming IBLT.

Table 7.2 Claimant count by Parliamentary constituency, April 2007 (a)

*not seasonally
adjusted*

Constituency	Men	Women	People
Aberavon	747	280	1,027
Alyn & Deeside	646	270	916
Blaenau Gwent	1,346	459	1,805
Brecon & Radnorshire	435	206	641
Bridgend	775	245	1,020
Caernarfon	580	165	745
Caerphilly	1,223	393	1,616
Cardiff Central	975	236	1,211
Cardiff North	478	201	679
Cardiff South & Penarth	1,256	425	1,681
Cardiff West	1,031	306	1,337
Carmarthen East & Dinefwr	496	202	698
Carmarthen West & South Pembrokeshire	558	178	736
Ceredigion	456	169	625
Clwyd South	577	218	795
Clwyd West	682	221	903
Conwy	815	212	1,027
Cynon Valley	736	280	1,016
Delyn	584	238	822
Gower	550	185	735
Islwyn	747	267	1,014
Llanelli	944	375	1,319
Meirionnydd Nant Conwy	354	128	482
Merthyr Tydfil & Rhymney	1,267	421	1,688
Monmouth	458	201	659
Montgomeryshire	380	177	557
Neath	838	333	1,171
Newport East	1,008	321	1,329
Newport West	1,104	406	1,510
Ogmore	795	292	1,087
Pontypridd	867	340	1,207
Preseli Pembrokeshire	489	200	689
Rhondda	1,038	415	1,453
Swansea East	945	316	1,261
Swansea West	929	285	1,214
Torfaen	1,041	359	1,400
Vale of Clwyd	893	287	1,180
Vale of Glamorgan	1,062	331	1,393
Wrexham	693	238	931
Ynys-Mon	909	336	1,245
Wales	31,707	11,117	42,824

Source: Nomis

(a) Count of claimants of Job Seeker's Allowance

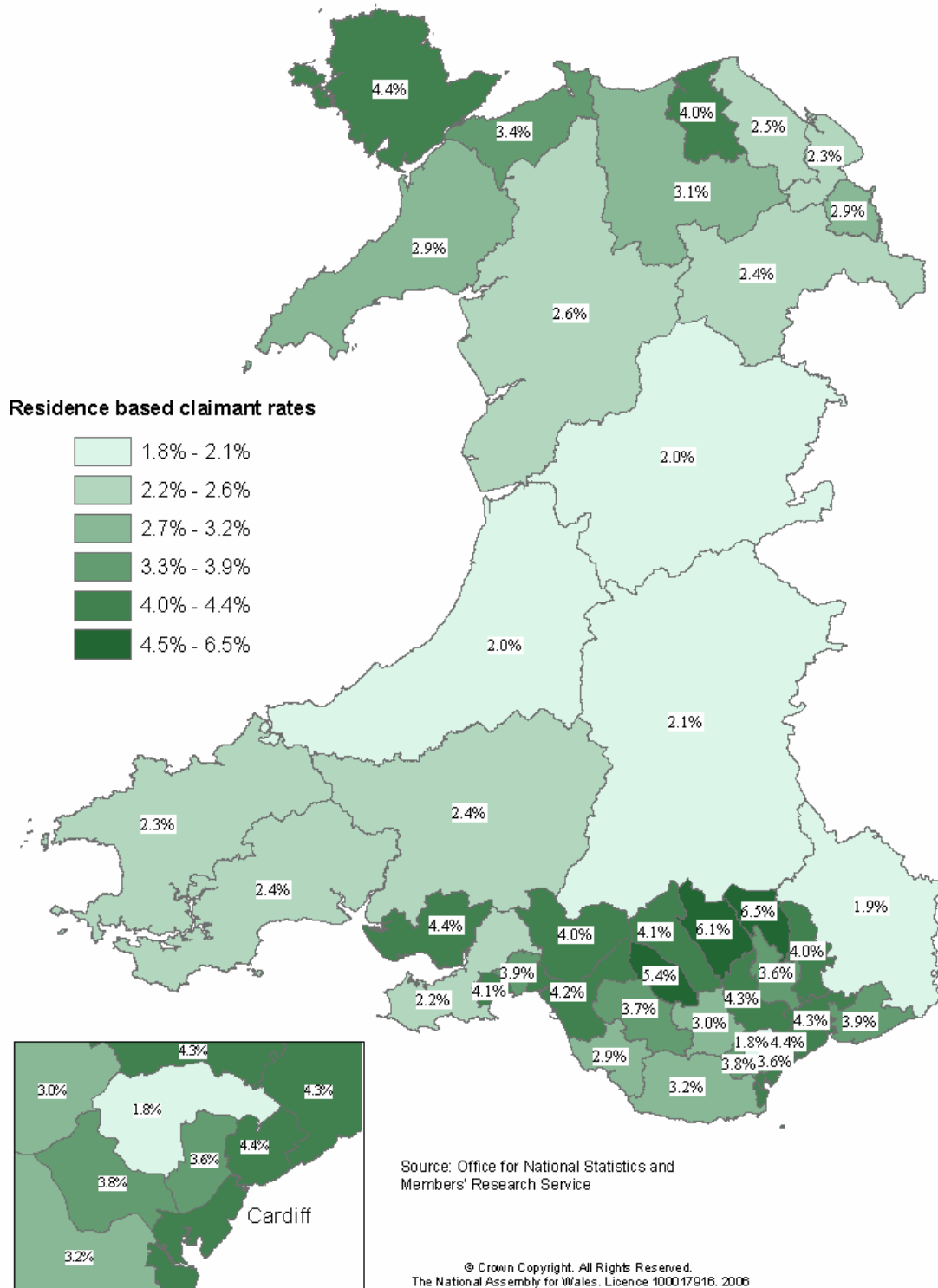
**Table 7.3 Residence-based claimant count rates by Parliamentary constituency, April 2007
(a)**

not seasonally adjusted

Constituency	Men	Women	People
Aberavon	5.5	2.6	4.2
Alyn & Deeside	3.0	1.5	2.3
Blaenau Gwent	8.8	3.7	6.5
Brecon & Radnorshire	2.5	1.5	2.1
Bridgend	4.1	1.6	2.9
Caernarfon	4.0	1.4	2.9
Caerphilly	5.9	2.3	4.3
Cardiff Central	5.5	1.5	3.6
Cardiff North	2.4	1.1	1.8
Cardiff South & Penarth	6.2	2.4	4.4
Cardiff West	5.6	1.8	3.8
Carmarthen East & Dinefwr	3.1	1.5	2.4
Carmarthen West & South Pembrokeshire	3.4	1.3	2.4
Ceredigion	2.6	1.2	2.0
Clwyd South	3.1	1.5	2.4
Clwyd West	4.3	1.6	3.1
Conwy	5.0	1.5	3.4
Cynon Valley	5.5	2.5	4.1
Delyn	3.2	1.6	2.5
Gower	3.1	1.2	2.2
Islwyn	4.8	2.1	3.6
Llanelli	5.7	2.7	4.4
Meirionnydd Nant Conwy	3.5	1.5	2.6
Merthyr Tydfil & Rhymney	8.4	3.4	6.1
Monmouth	2.4	1.2	1.9
Montgomeryshire	2.5	1.4	2.0
Neath	5.1	2.5	4.0
Newport East	5.5	2.1	3.9
Newport West	5.8	2.5	4.3
Ogmore	4.9	2.2	3.7
Pontypridd	4.0	1.8	3.0
Preseli Pembrokeshire	3.0	1.5	2.3
Rhondda	6.9	3.5	5.4
Swansea East	5.4	2.1	3.9
Swansea West	5.8	2.1	4.1
Torfaen	5.4	2.2	4.0
Vale of Clwyd	5.7	2.1	4.0
Vale of Glamorgan	4.6	1.6	3.2
Wrexham	4.0	1.6	2.9
Ynys-Mon	5.7	2.6	4.4
Wales	4.6	1.9	3.4

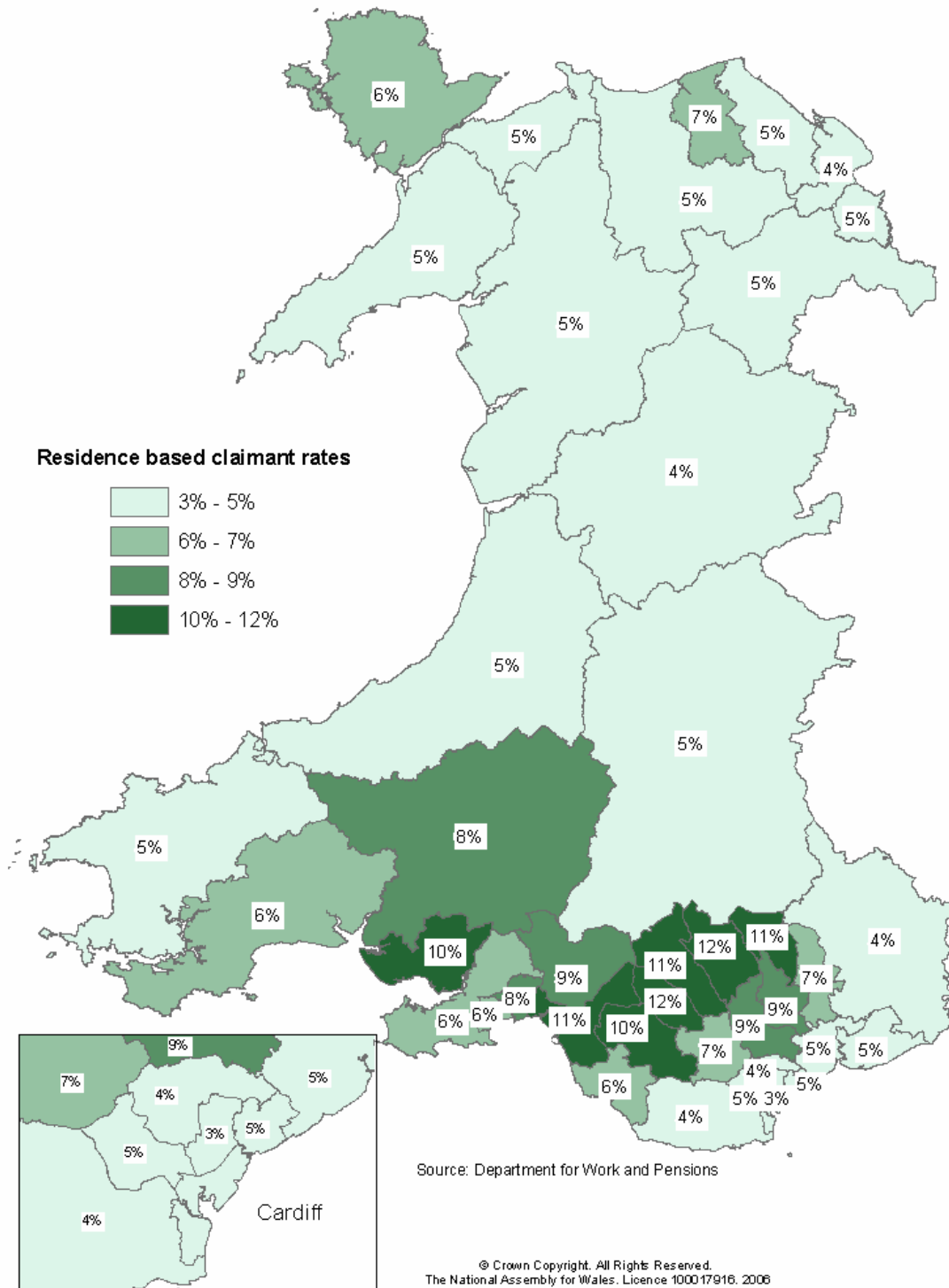
Source: Members' Research Service and 2001 Census of Population ONS Crown Copyright
(a) Unofficial residence based rates: Claimants of Job Seeker's Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population

Map 7.5: Residence-based (unofficial) claimant count rates (a) by Parliamentary Constituency in Wales, April 2007



(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

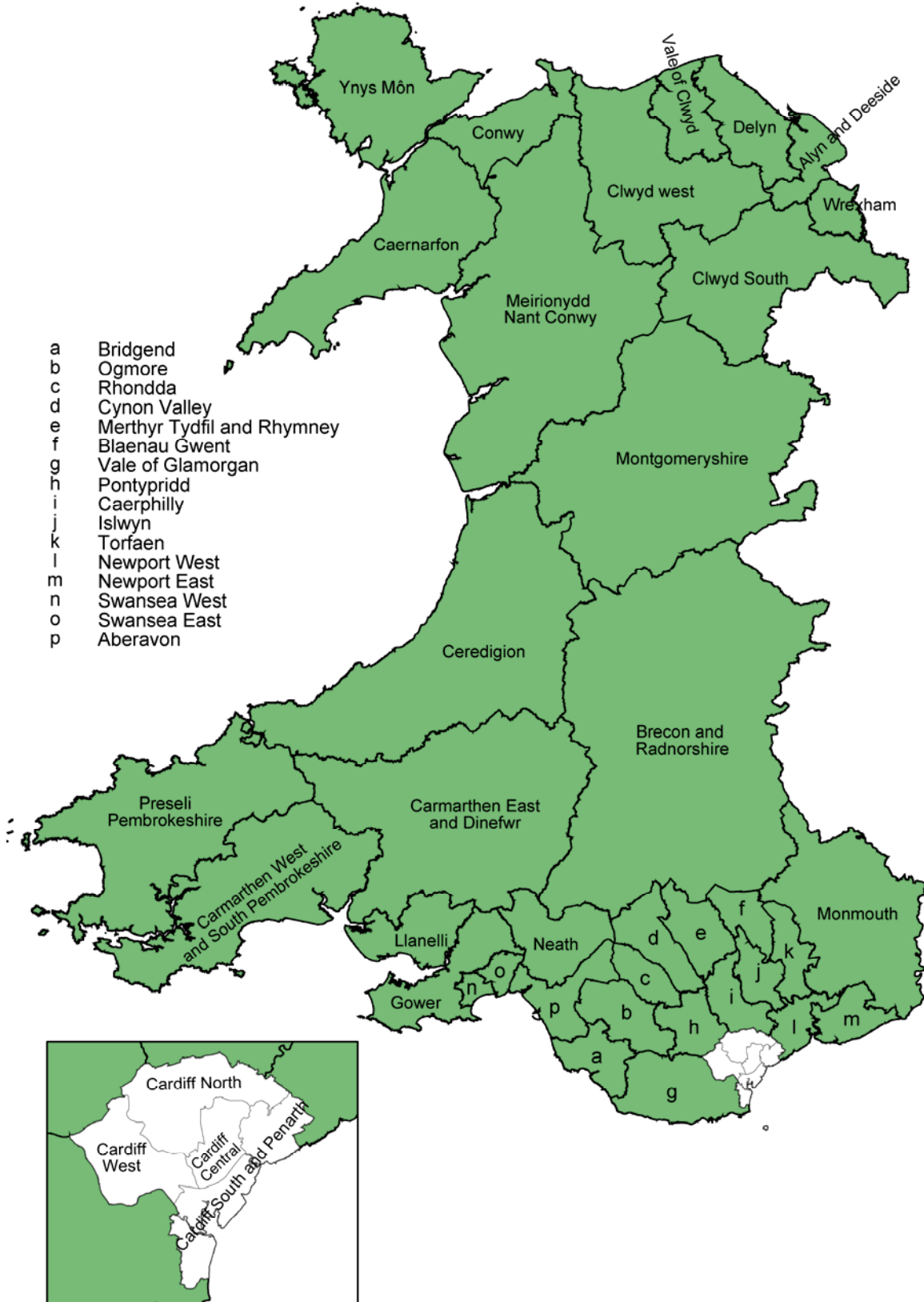
Map 7.6: Long-term Incapacity Benefit rates (a) by Parliamentary Constituency in Wales, August 2006



(a) Claimants of Long-term Incapacity Benefit as a percentage of the population aged 16-65 derived from the 2001 Census of Population Key Statistics



Parliamentary Constituencies



8 Earnings

Table 8.1: Median gross weekly earnings, full-time employees on adult rates, by UK region, 2005 to 2006.

£		
Area	2005	2006
Wales	389.70	402.50
United Kingdom	431.20	447.10
Wales as % of UK	90.40	90.00

Source: ONS Annual Survey of Hours and Earnings
http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2006/tab7_1a.xls

Note: ASHE data is available from 1998. However, supplementary information was not collected prior to the 2004 ASHE, hence the 2004 ASHE results including supplementary information and results for later years are therefore discontinuous with the results for years prior to 2004.

Table 8.2: Mean gross weekly earnings, full-time employees on adult rates, by UK region, 2005 to 2006.

£		
Area	2005	2006
Wales	454.80	469.80
United Kingdom	516.40	537.30
Wales as % of UK	88.10	87.40

Source: ONS Annual Survey of Hours and Earnings
 Note: ASHE data is available from 1998. However, supplementary information was not collected prior to the 2004 ASHE, hence the 2004 ASHE results including supplementary information and results for later years are therefore discontinuous with the results for years prior to 2004.

ASHE 2006 data show that²²:

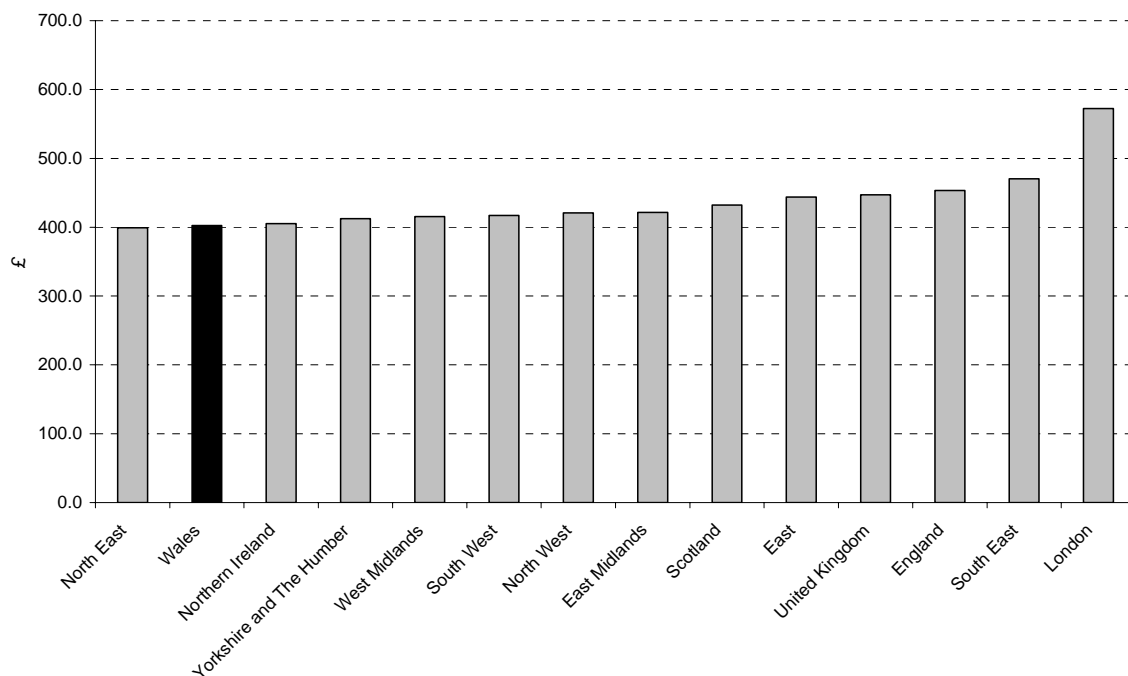
- ◆ **Median** gross weekly earnings for full-time adults in Wales were £402.50 in April 2006, 90.0 per cent of the median for the UK as a whole (£447.10).
- ◆ **Median** gross weekly earnings in Wales increased by £12.80 (3.3 per cent) between 2005 and 2006, compared to £15.90 (3.7 per cent) in the UK as a whole.
- ◆ Wales had the second lowest **median** weekly earnings in the UK in 2006 after the North East (£399.00).

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. Figures from the ASHE survey are not directly comparable with the NES data. Further information on ASHE can be found on the Office for National Statistics web-site at: <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13101>

- ◆ **Average** (mean) gross weekly earnings for full-time adults in Wales were £469.80 in April 2006, 87.4 per cent of the average for the UK as a whole (£537.30).
- ◆ **Average** (mean) gross weekly earnings in Wales increased by £15.00 (3.3 per cent) between 2005 and 2006, compared to £20.90 (4.1 per cent) in the UK as a whole.
- ◆ Wales had the second lowest **average** weekly earnings amongst UK regions and devolved administrations in 2006, after the North East (£466.70).

Figure 8.1 charts median gross weekly earnings of full time employees on adult rates in Wales and other regions of the UK in 2006.

Figure 8.1: Median weekly gross earnings for full time employees, by region, April 2006



Source: ONS Annual Survey of Hours and Earnings

Table 8.3 and Map 8.1 show median gross weekly earnings for residents of Unitary Authorities in Wales in 2006. Note that because this is a sample survey, the results are subject to sampling variability and the amount of variation can be large for some authorities.

Table 8.3: Median gross weekly earnings, full-time employees on adult rates, by Unitary Authority residents in Wales, April 2006.

£

Unitary Authority	Median	Annual Percentage Change
Isle of Anglesey	404.30 (b)	0.7
Gwynedd	401.00 (b)	10.0
Conwy	370.40 (b)	-2.9
Denbighshire	373.00 (b)	2.2
Flintshire	460.00 (b)	8.3
Wrexham	402.90 (b)	0.7
Powys	383.90 (b)	-0.6
Ceredigion	351.80 (b)	-3.7
Pembrokeshire	366.50 (c)	6.5
Carmarthenshire	381.10 (b)	5.0
Swansea	397.80 (b)	2.1
Neath Port Talbot	444.30 (b)	13.5
Bridgend	416.10 (b)	-4.1
Vale of Glamorgan	497.10 (b)	14.9
Cardiff	419.40 (a)	-0.8
Rhondda, Cynon, Taff	393.10 (a)	7.4
Merthyr Tydfil	367.80 (b)	0.0
Caerphilly	399.60 (b)	4.3
Blaenau Gwent	346.10 (b)	-0.4
Torfaen	449.60 (b)	3.7
Monmouthshire	470.80 (b)	-4.9
Newport	416.80 (b)	-1.5
Wales	408.00 (a)	3.7

The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate.

(a) CV of less than or equal to 5%

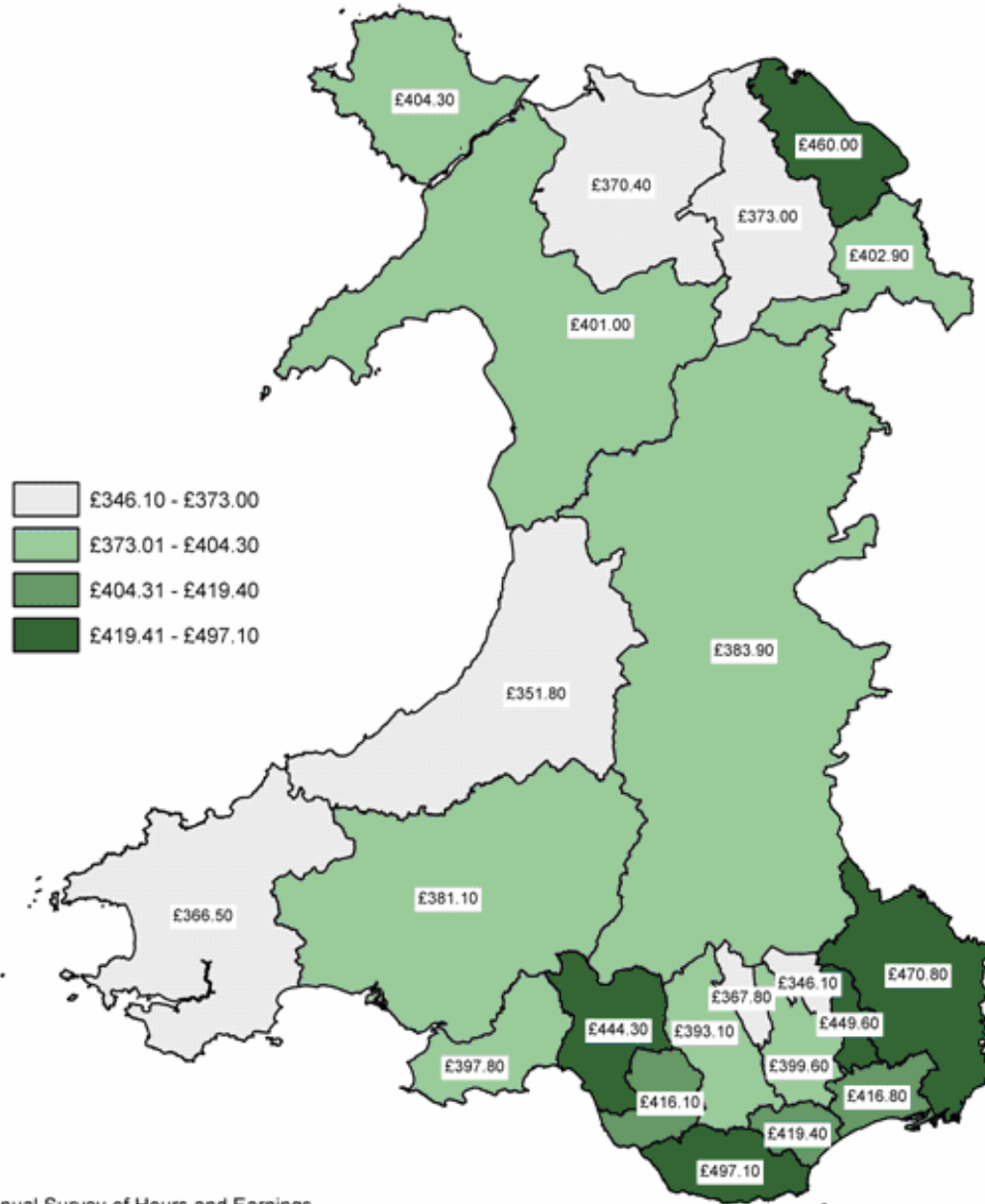
(b) CV of more than 5% and less than or equal to 10%

(c) CV of more than 10% and less than or equal to 20%

Source: ONS Annual Survey of Hours and Earnings



Map 8.1: Median gross weekly earnings, full-time employees on adult rates, by Unitary Authority residents in Wales, April 2006.



Source: Annual Survey of Hours and Earnings,
Office for National Statistics

9 Exports

Table 9.1: Summary of Welsh exports

	Wales	UK
Change in value of exports (latest 4 quarters compared to the previous 4 quarters)	7.5% increase	9.6% increase
Change in value of exports to non-EU countries (latest 4 quarters compared to the previous 4 quarters)	14.9% increase	0.4% increase
Change in value of exports to EU countries (latest 4 quarters compared to the previous 4 quarters)	3.0% increase	17.3% increase

Source: Welsh Assembly Government Statistical Directorate, *Welsh exports: fourth quarter 2006*, 3 April 2007

The latest information on Welsh exports²³ shows that:

- The value of exports for Wales for the whole of 2006 rose by £646 million (7.5%) compared to 2005. The value of exports for the total of all UK nations and regions also rose over the same period, by 9.6%.
- The increase for Wales was made up of an increase of £485 million in exports to non-EU countries (up 14.9%) and an increase of £162 million in exports to EU countries (up 3.0%). [This relates to the 24 countries that comprised the EU (outside of the UK) up until 31 December 2006. Future headlines will refer to the EU including Romania and Bulgaria following their inclusion as part of the EU from 1 January 2007.]
- The Wales percentage increase over this period was the sixth highest amongst the UK nations and regions, with the North West and the West Midlands having the highest percentage increases between 2005 and 2006 (up 22.8% and 18.0% respectively).
- Growth in Welsh exports between 1999 and 2006 was 45.3%, above that for the total of all UK nations and regions (up 38.8%).
- Looking at quarter 4 2006 in isolation, total exports (by value) for Wales increased on the corresponding quarter in 2005, by £46 million (up 2.1%), to £2,211 million, the second highest percentage increase amongst the UK nations and regions. Over the same period the value of exports for the total of all UK nations and regions decreased by 8.8%.
- Welsh exports for quarter 4 2006 were lower in value than in the previous quarter (down £112 million or 4.8%), compared to a 0.2% rise for the total of all UK nations and regions.

²³ Welsh Assembly Government Statistical Directorate, *Welsh exports up to Quarter 4, 2006*, 3 April 2007, <http://new.wales.gov.uk/topics/statistics/headlines/econ-2007/hdw20070308/?lang=en>

10 Production and Construction

Table 10.1 Summary of the Index of Production and Index of Construction, 4th Quarter 2006²⁴ - Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in production output	0.3% rise	0.1% rise
Change in manufacturing output	No change	1.5% rise
Change in construction output	0.4% rise	1.1% rise

Source: Welsh Assembly Government Statistical Directorate, *Welsh Index of Production and Construction, 4th Quarter 2006*, 5 April 2007

- The Index of Production for Wales for the latest four quarters rose by 0.3 per cent compared with the previous four quarters.
The UK index also rose slightly by 0.1 per cent over the same period.
- Manufacturing output for the latest four quarters was unchanged compared to the previous four quarters.
The UK index rose by 1.5 per cent over the same period.
- Construction output for the latest four quarters was 0.4 per cent higher than over the previous four quarters.
The UK index rose by 1.1 per cent over the same period.

11 Index of Distribution²⁵

Table 11.1 Summary of the Index of Distribution, Quarter 3 2006
Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in Index of Distribution	5.8% increase	2.1% increase
Which comprises:		
Change in retail output	10.3% increase	2.7% increase
Change in wholesale output	0.7% increase	3.1% increase
Change in motor trades output	3.1% fall	1.9% fall

Source: Welsh Assembly Government Statistical Directorate, *Welsh Index of Distribution*, 15 February 2007

²⁴ Welsh Assembly Government Statistical Directorate, *Welsh Index of Production and Construction, 4th Quarter 2006*, 5 April 2007 <http://new.wales.gov.uk/topics/statistics/headlines/econ-2007/hdw20070405/?lang=en>

²⁵ Welsh Assembly Government Statistical Directorate, *Welsh Index of Distribution Quarter 3, 2006, 15 February 2007* <http://new.wales.gov.uk/topics/statistics/headlines/econ-2007/hdw200602151/?lang=en>

The Welsh Index of Distribution is an experimental index which contains indices referenced to 2003=100. This is comparable, but not consistent, with the annually weighted and chained estimates of output published for the UK. The experimental Welsh Index of Distribution shows the quarterly movements in the gross value added (GVA) of the distribution industries (1992 Standard Industrial Classification (SIC 92) section G). These consist of the motor trades SIC division 50 (including retail sales of automotive fuel), wholesale and commission trades SIC division 51 and retail trade SIC div 52. Together, these industries accounted for 11.1 per cent of the Welsh economy in 2000 (Regional Accounts GVA). The same industries accounted for 12.7 per cent of the UK GVA in the same year.

- The Index of Distribution for Wales for the latest four quarters rose by 5.8% compared with the previous four quarters. The UK index rose by 2.1% over the same period.
- Retail output for the latest four quarters was 10.3% higher than the previous four quarters. The UK index rose 2.7% over the same period.
- Wholesale output for the latest four quarters was 0.7% higher than the previous four quarters. The UK rose by 3.1% over the same period.
- Motor Trade output for the latest four quarters was 3.1% lower than the previous four quarters. The UK fell by 1.9% over the same period.

12 Investment

Table 12.1: 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 Statistics²⁶

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 an 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.

²⁶ Office for National Statistics, *Sub-regional gross value added and gross fixed capital formation*, 31 October 2003: <http://www.statistics.gov.uk/pdfdir/gva1003.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.

13 Research and Development

Table 13.1: R&D performed within UK Businesses, Wales, 1997 to 2005

Year	Business Enterprise Research & Development (BERD)		Total Research & Development	
	Expenditure (£ million)	% of UK total	Expenditure (£ million)	% of UK total
1997	113	1.2	249	1.7
1998	125	1.2	284	1.8
1999	203	1.8	392	2.3
2000	144	1.3	351	2.0
2001	150	1.3	354	1.9
2002	186	1.5	406	2.1
2003	207	1.6	438	2.2
2004	226	1.8	463	2.3
2005	231	1.7	-	-

Source: Welsh Assembly Government Statistical Directorate, StatsWales²⁷

The data show that:

- ◆ In 2005, BERD expenditure for Wales was £231 million, up by 2.2 per cent on the figure for 2004. In 2004 BERD expenditure for Wales represented 1.7 per cent of the UK total.
- ◆ Between 2004 and 2005, BERD expenditure in the UK increased by 4.6 per cent to £13.4 billion.

It should be noted 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.

²⁷ Further information on UK Business Enterprise Research and Development can be found at: <http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx?ReportId=1611> and <http://www.statistics.gov.uk/pdfdir/erd1106.pdf>

14 VAT Registrations

Table 14.1: VAT registered businesses: stocks, registrations and de-registrations, Wales, 1997 to 2006

Year	Stock	Stock as % of UK stock	Registrations	Registrations as % of UK registrations	De- registration s	Number De- registrations as % of UK de- registrations
1997	77,410	4.7	6,315	3.5	5,890	4.0
1998	77,840	4.7	6,165	3.4	5,920	4.1
1999	78,085	4.6	6,120	3.5	6,120	4.1
2000	78,080	4.5	6,290	3.5	5,770	3.7
2001	78,600	4.5	6,025	3.5	5,465	3.5
2002	79,160	4.5	6,430	3.6	6,425	4.0
2003	79,165	4.4	7,145	3.7	6,670	4.0
2004	79,640	4.4	7,040	3.8	6,015	3.7
2005	80,665	4.4	6,430	3.6	5,555	3.6
2006	81,545	4.4	-	-	-	-

Source: Welsh Assembly Government Statistical Directorate, StatsWales²⁸

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 2005 was 6,400, a reduction of 8.7 per cent over 2004. In aggregate, registrations across the UK fell by 4.1 per cent.
- ◆ The number of VAT de-registrations in Wales during 2005 was 5,600, a reduction of 7.6 per cent over 2004. Across the UK, de-registrations fell by 6.4%.
- ◆ The total VAT registered stock in Wales increased by 1.1 per cent during 2005.

VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning. These figures do not, however, give the complete picture of start-ups and closures activity in the economy. Some VAT exempt sectors and businesses operating below the threshold for VAT registration are not covered. On 1 April 2006, the VAT threshold was set at an annual turnover of £61,000. Barclays Bank publishes a regular business survey which provides a broad indication of the number of start-ups and closures in England and Wales²⁹.

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.

²⁸ Further information on these statistics can be found at:

<http://new.wales.gov.uk/docrepos/40382/40382313/403824/economy/1099084/sb6-2007.pdf?lang=en>

²⁹ Available on the Barclays web-site:

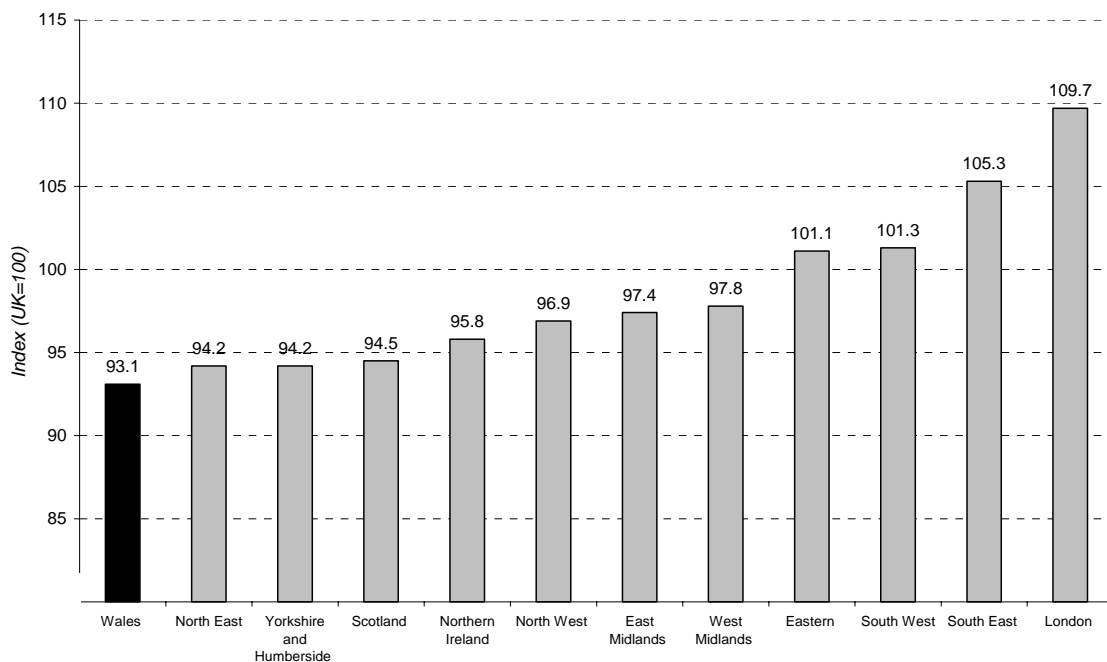
<http://www.newsroom.barclays.co.uk/imagelibrary/detail.asp?MediaDetailsID=4626>

15 Regional Consumer Price Levels

Regional price level comparisons for 2004 show that:

- ◆ 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.

Figure 15.1 Average price level in each region, relative to UK average price level, 2004



Source: Office for National Statistics³⁰

³⁰ Office for National Statistics, *Relative regional consumer price levels in 2004*, 14 February 2005: http://www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf

16 Economic Development Strategies

The National Economic Development Strategy consultation paper was published in February 2001 and the resulting strategy document, *A Winning Wales* followed in January 2002. The stated vision of *A Winning Wales* was

To achieve a prosperous Welsh economy that is dynamic, inclusive and sustainable, based on successful, innovative businesses with highly skilled, well-motivated people.

In order to monitor the progress of the strategy the document set out a number of targets to be achieved in the next 10 years in a number of areas including employment, entrepreneurship and innovation. There are ten key targets in *A Winning Wales*.

A refreshed version of *A Winning Wales* was published in April 2004³¹. As part of the 'refresh' consideration was given to whether any of the targets set for 2010 needed to be adjusted³². The review indicated that whilst the majority of the targets remained robust, changes were required for the entrepreneurship and employment targets.

The document also provided a refreshed Action Plan which was intended to take *A Winning Wales* forward for the next 12 - 18 months.

The consultation document *Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development*³³ was published in November 2005. In the foreword Andrew Davies set out the purpose of the consultation.

Our actions over the last few years have followed the agenda set out in *A Winning Wales*, the economic development strategy that has underpinned our progress so far. The dramatic reduction in unemployment since devolution, and the forthcoming mergers of the Welsh Development Agency, Wales Tourist Board and ELWa with the Welsh Assembly Government, provides the right setting for revisiting our economic development strategy to ensure that it remains fit for purpose for the next phase. Moreover, it provides an opportunity to ensure that our economic development activities dovetail ever more closely with the action we are taking on the social and environmental dimensions of sustainable development, both nationally and in local areas throughout Wales. This document is the first step in the process.

The deadline for responses to the consultation was 28 February 2006. A summary of responses to the consultation has been published and is available at:

<http://new.wales.gov.uk/docrepos/40371/403823114/797169/summary?lang=en>

The W:AVE consultation document contained a table that gave an update of the progress that had been made, up to November 2005, against the targets in *A Winning Wales*. This is included as Table 16.1.

In response to a written Assembly Question in December 2005³⁴, Andrew Davies stated that:

³¹ Welsh Assembly Government, *A Winning Wales – Refresh*, April 2004 <http://www.wda.co.uk/resources/winningwales.pdf>

³² Decision report

<http://www.information.wales.gov.uk/archive/content/decisionreports/economicdevelopment/to%20consider%20possible%20revisions%20to%20the%20a%20winning%20wales%20targets%20as%20part%20of%20a%20refresh%20of%20the%20document.rtf>

³³ Welsh Assembly Government, *Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development* <http://new.wales.gov.uk/about/departments/dein/publications/wave?lang=en>

³⁴ National Assembly for Wales, WAQ45024, RoP p8, 1-8 December 2005

<http://assembly/rop/ROP/Answers%20to%20Written%20Questions/2005/December/WAQ051208-e.pdf>

'Wales: A Vibrant Economy' will replace 'A Winning Wales' as the Assembly Government's strategic framework for economic development. 'WAVE' establishes a new broad set of tracking indicators, which will provide a more balanced and appropriate way of assessing progress in the Welsh economy and will replace the previous measures and targets. Where appropriate, targets will instead be set for the impact of specific policies.

The tracking indicators set out in W:AVE are as follows:

High-level economic

- 1 GVA per head
- 2 Household disposable income per head
- 3 Employment rate
- 4 Average earnings

Labour Market

- 5 Economic inactivity rate
- 6 Unemployment rate
- 7 Migration flows

Value-added per job

- 8 GVA per worker and per hour worked

Investment

- 9 Business investment as a percentage of GVA by sector [although at present a reliable data series is not available]

Innovation

- 10 Gross Domestic Expenditure on Research and Development as a percentage of GVA
- 11 Proportion of sales accounted for by new or improved products

Skills

- 12 Qualifications of working age population
- 13 Qualification levels of 16-19 year olds and 19-21 year olds
- 14 Proportion of the workforce in professional, technical, managerial and scientific employment

Enterprise

- 15 'Total entrepreneurial activity', as measured by the Global Entrepreneurship Monitor
- 16 New VAT registrations and stock of VAT-registered businesses per head of working age population
- 17 Graduate business start-up rates

Competition

- 18 Exports as a percentage of GVA

Sustainable development

[It should be noted that a number of these indicators are still in a development phase]

- 19 Environmental satellite accounts
- 20 Income and employment deprivation measures
- 21 The Ecological Footprint
- 22 The Index of Sustainable Economic Welfare

The Department for Enterprise, Innovation and Networks previously advised that it would be publishing an update on the progress of these tracking indicators in January 2007. However, no update has been published as yet.

Table 16.1: A Winning Wales - Progress against targets

Target description	Target by 2010	2001 base	Progress against base
Increase net employment	Raise by 175,000	1,210,000	Has increased by 82,000 over base (4 quarters to Aug 2005)
Increase net employment in Finance and Business services	Raise by 20,000	119,000	Has increased by 21,000 over base (4 quarters to Aug 2005)
Increase stock of VAT registered businesses per 10,000 persons of working age	Raise to UK average	93% of UK average	Has decreased to 92% of UK average (using 2005 figure)
Increase business enterprise R&D expenditure as a % of GDP	Raise to >1%	0.4%	Has increased to 0.7% (using 2003 figure – no figures available for 2004 & 2005)
Growth in the value of exports	Match UK growth over the period	Wales: £7.1bn UK: £161.7bn	Has increased by 20.7% in Wales compared to 7.7% in UK (based on 4 quarters to Q2 2005)
Increase the proportion of Welsh businesses using e-commerce	Match UK average proportion	No robust 2001 figure available	Data previously used for measuring this target found to be flawed
Increase household disposable income per head of the population	Raise to 95% of UK average	87.9% of UK average	Has increased to 88.3% in 2003. (2004 figures not yet available)
Increase tourism expenditure in Wales	Raise by an average of 6% per annum over period	£1,911.9m	Has decreased by an average of 1.9% per annum (using 2004 figure) 2002 – down ave 6.1%; 2003 – up ave 3.2%
Reduce the proportion of adults of working age without qualifications	Reduce to 1 in 10 (i.e. <10%)	21%	Has decreased to 17% (using 2004 figure)
Increase the proportion of adults of working age with a level 4 qualification	Raise to over 3 in 10 (i.e. >30%)	22%	Has increased to 26% (using 2004 figure)

Source: *Wales: A Vibrant Economy*

Technical Annex

Basic Prices - Prices excluding taxes and subsidies on products.

Business Enterprise Research and Development (BERD) – BERD refers to Research & Development (R&D) performed in the UK within business enterprises. 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).

Claimant Count - The claimant count measures those people who are claiming unemployment-related benefits (Jobseeker's Allowance). It is always lower than the Labour Force Survey (LFS) official measure of ILO unemployment, because some unemployed people are not entitled to claim benefits, or choose not to do so. As benefits rules change, it is difficult to make claimant count comparisons over time. 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.

Constant Prices - Constant prices allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Consumer Prices Index (CPI) - The Harmonised Index of Consumer Prices (HICP) is an internationally comparable measure of inflation calculated by each Member State of the European Union (EU) and is used to compare inflation rates across the European Union. The UK inflation target, based on the HICP and renamed the Consumer Prices Index (CPI), is set at 2 per cent. Pensions, benefits and index-linked gilts continue to be calculated 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.

Current Prices - Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Economically Active - Those aged 16 and over who are either in employment or unemployed.

Economically Inactive - Those aged 16 and over who are neither in employment nor unemployed. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.

Employment - The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period.

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

Exchange Rate - The rate at which one currency is traded against another.

Gross Value Added - Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom and 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. Some technical issues to bear in mind when considering GVA estimates are outlined below.

- ◆ **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** is estimated 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 Head 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. Per head measurements are also often referred to as "per capita".
- ◆ **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 indices that could be used to remove the effect of inflation from the figures³⁵. 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.

³⁵ Regional consumer price level estimates are available, but it is not possible to use consumer price figures to deflate the regional GVA estimates.

- ◆ **Extra-Regio** - describes that part of UK economic activity that cannot be allocated to a specific region. Extra-regio includes “continental shelf” activity relating to offshore oil and gas extraction, UK embassies overseas and armed forces stationed abroad.
- ◆ **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.

Gross Fixed Capital Formation (GFCF) - 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 and is used as a measure of capital investment. Due to the erratic nature of capital investment, GFCF can vary considerably between years particularly at lower levels of geography.

Inactivity Rate - The inactivity rate is the number of inactive people as a percentage of those of working age (16-59/64). The headline inactivity rate includes population living in student halls of residence; hence inactivity rates will be higher for unitary authorities with a high student population.

Market Prices - The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. GDP at market prices = GDP at basic prices + transport prices paid separately + non deductible taxes on expenditure - subsidies received.

Nomenclature of Units for Territorial Statistics (NUTS) - 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

Purchasing Power Standard (PPS) - The PPS 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.

Seasonally Adjusted - Estimates in which the element of variability due to seasonal influences has been removed.

Sterling Exchange Rate Index (SERI) – The SERI measures the value of sterling against a trade-weighted ‘basket’ of other currencies. The weights used in this index measure currencies’ relative importance to UK trade in manufacturing.

UK Base/Repo Rate - The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for other interest rates, including mortgages and personal loans.

Unemployment Rate (ILO) - 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 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. It is a more encompassing measure of unemployment than the claimant count and enables international comparison of unemployment rates.

Wales: A Vibrant Economy (W:AVE) is the Welsh Assembly Government's strategic framework for economic development which was launched in November 2005. Further information on W:AVE can be found at:

<http://new.wales.gov.uk/about/departments/dein/publications/wave?lang=en>

Winning Wales - *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.elwa.ac.uk/doc_bin/SkillsObservatory/awinningwales.pdf

Workforce Jobs - The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.