

Scratching beneath the surface: a look at regional performance in the UK economy

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London is another country. It is the biggest, wealthiest and fastest-growing part of the UK – by some distance. The sector shape of its economy also differs most (business & financial services and ICT are much more prominent).

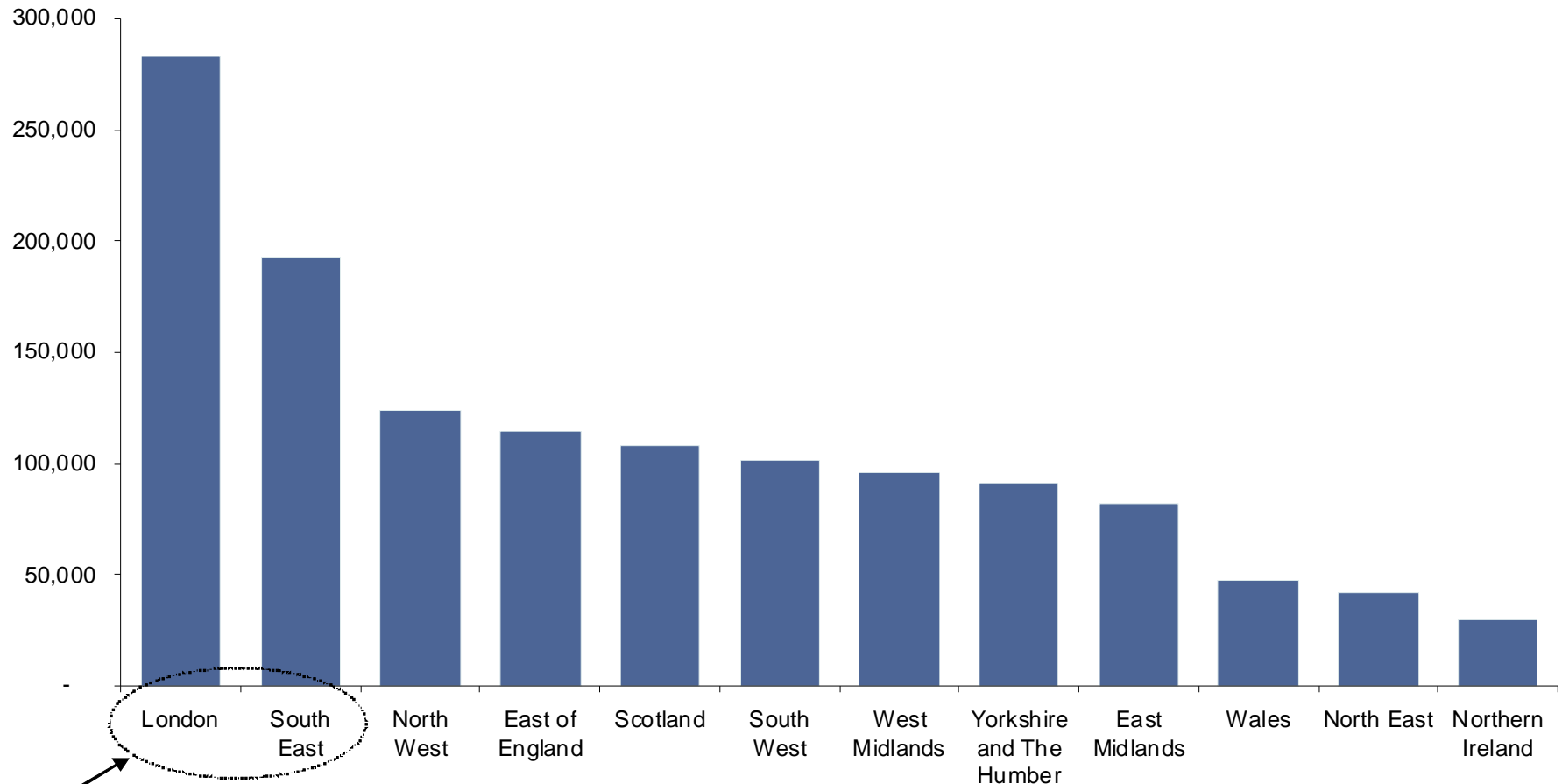
When we strip out London, we see that there's a lot more that unites the UK regions than divides them. Indeed, **we see bigger differences within regions than we do between them.**

When looking for the best opportunities, it makes more sense to look at sub-regions and local areas.

This is a rich data source. We've tried to give a flavour of the ways it can be used to deliver insights. Click on this [link](#) to access the data. For further regional links, see Slide 17.

London and South East dominate the UK

Regional gross value added (£ million, 2011)*



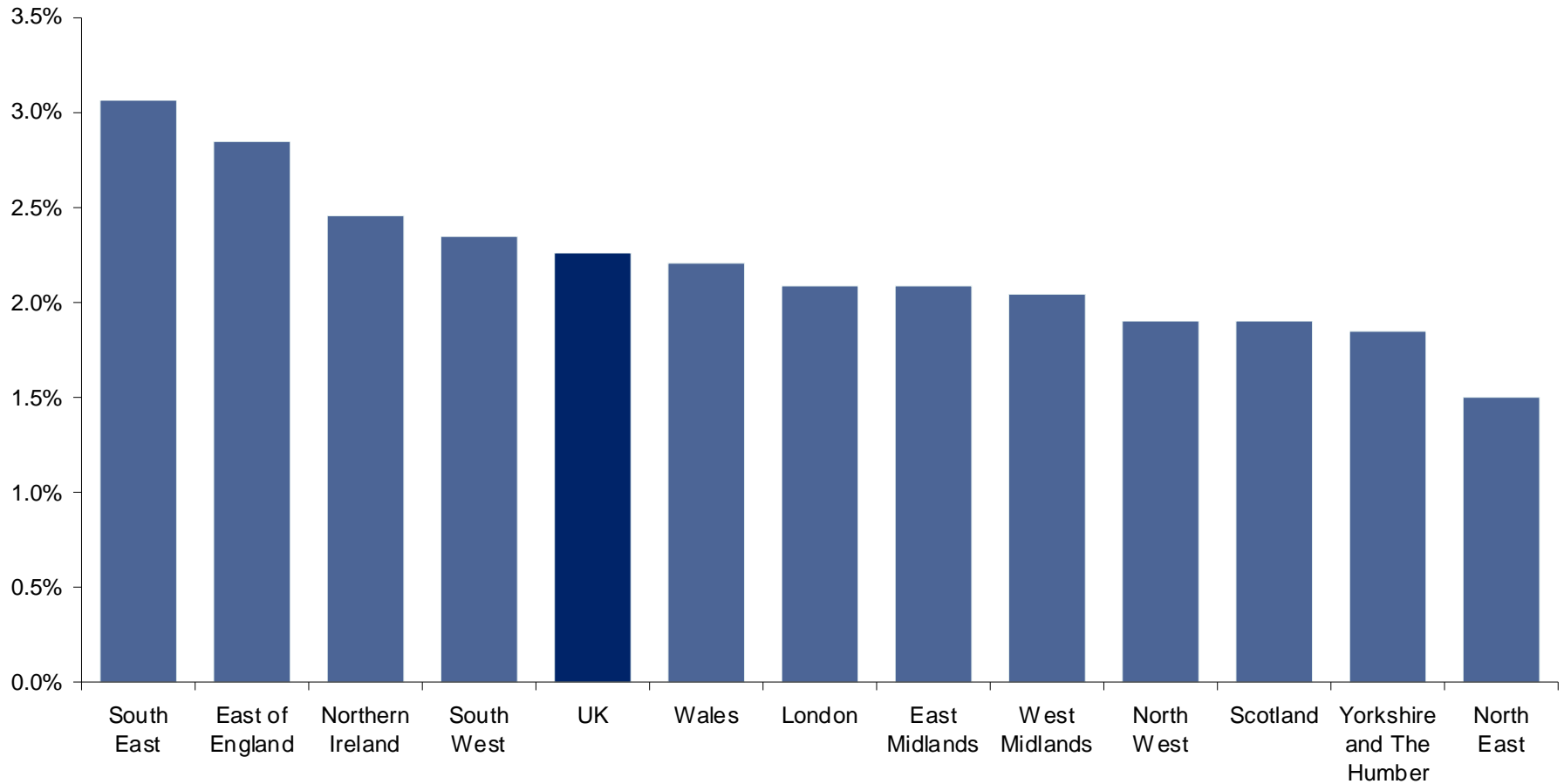
36% of UK

Source: National Statistics

* Scotland, Wales and Northern Ireland are classified as 'regions' by National Statistics. Gross value added (GVA) is a measure of economic activity, similar to GDP – see slide 16. Slide 3

South East the star performer in 2011...

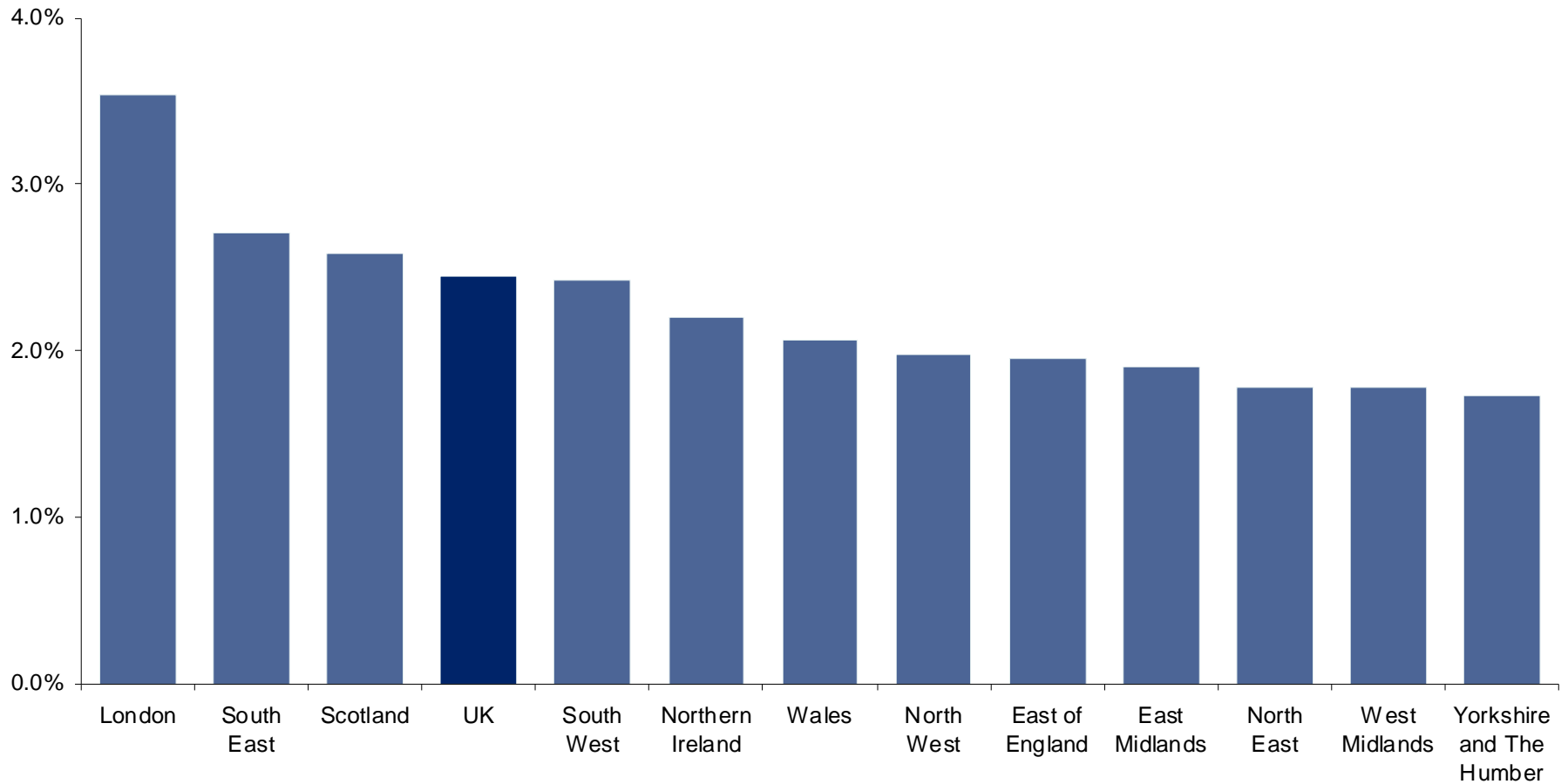
Regional gross value added (y/y growth in 2011)



Source: National Statistics

...but London best over the past five years...

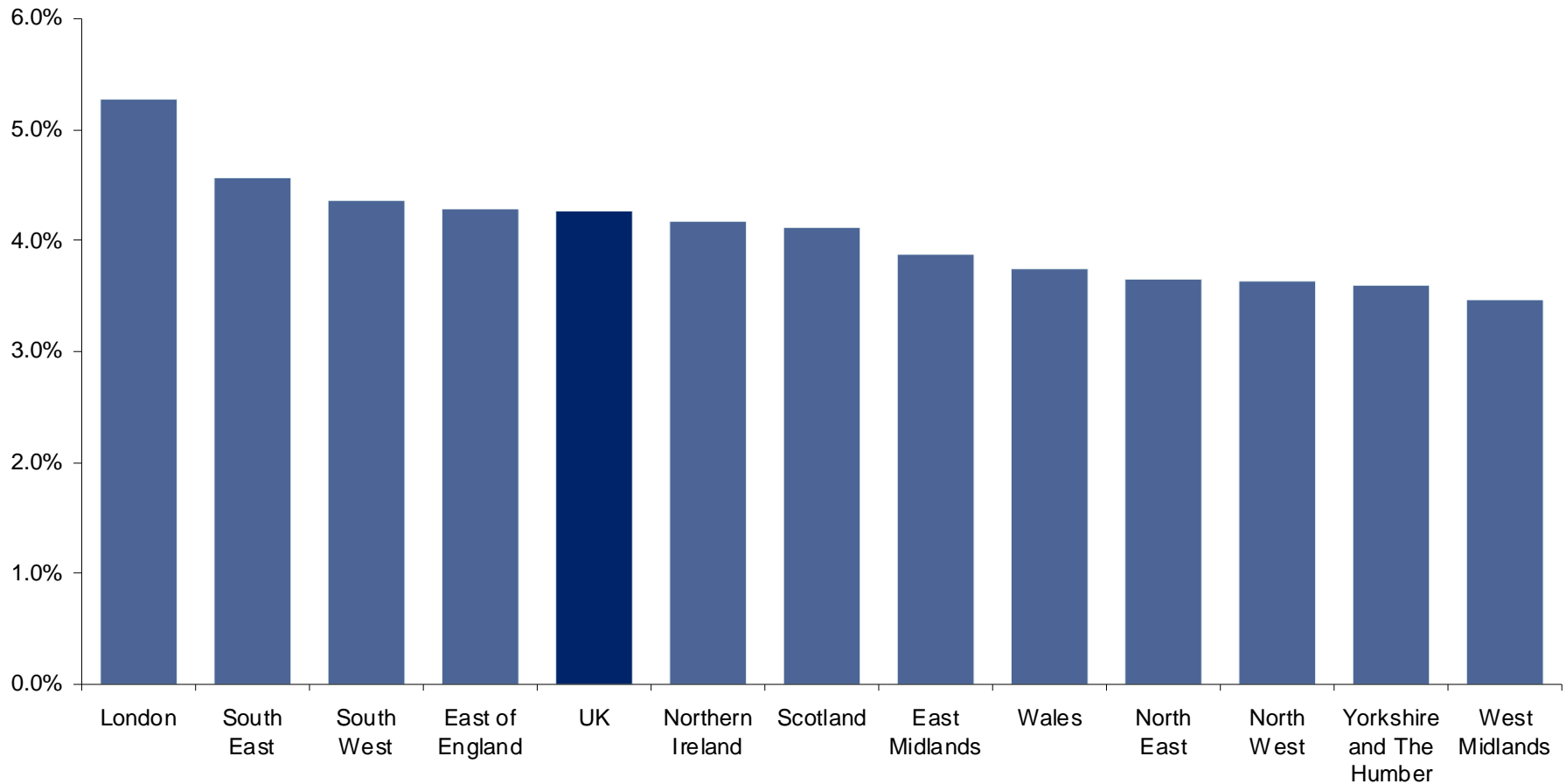
Regional gross value added (average y/y growth 2007-11)



Source: National Statistics

...and London best over longer term too.

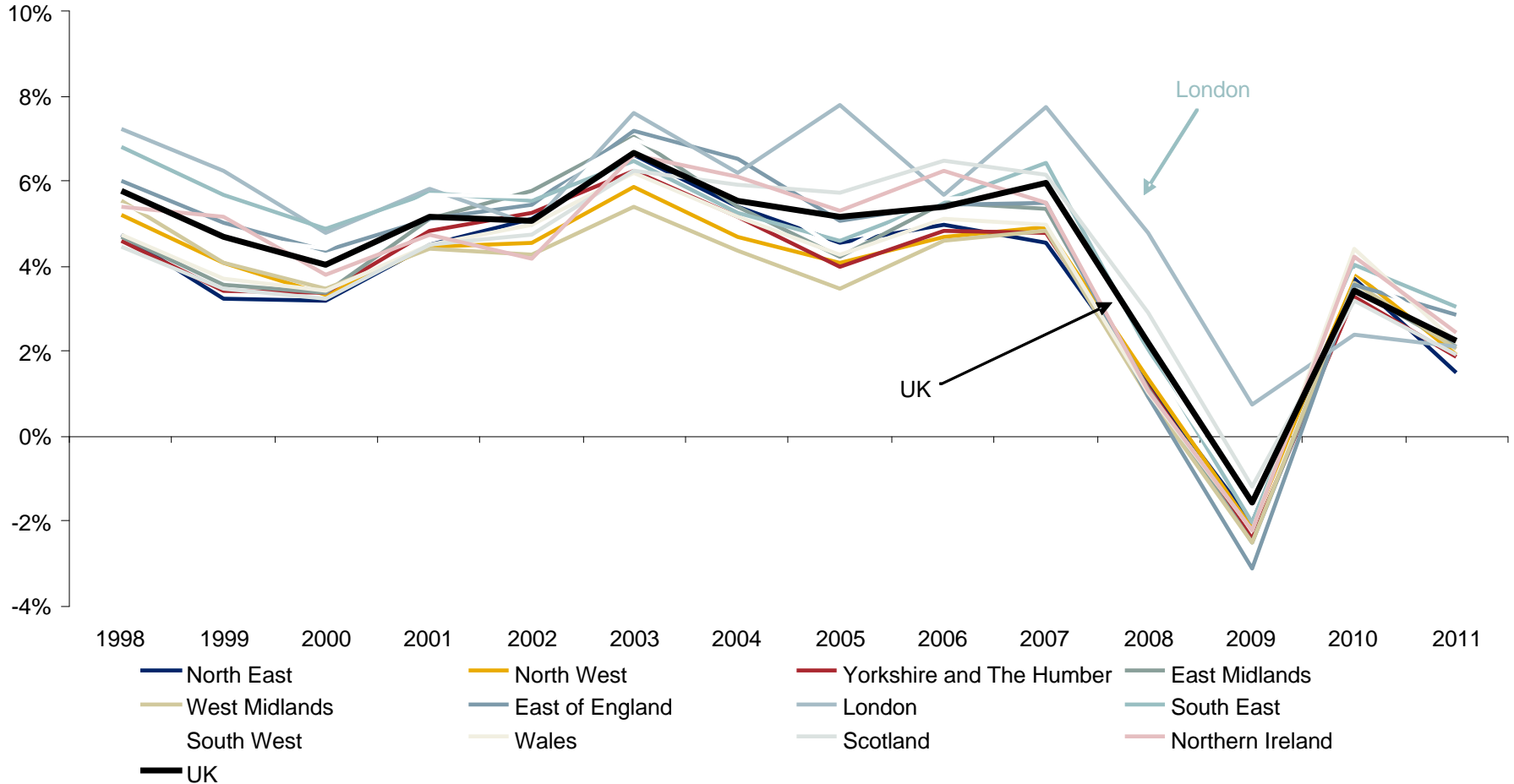
Regional gross value added (average y/y growth 1998-2011)



Source: National Statistics

Regions highly correlated with the UK – and each other

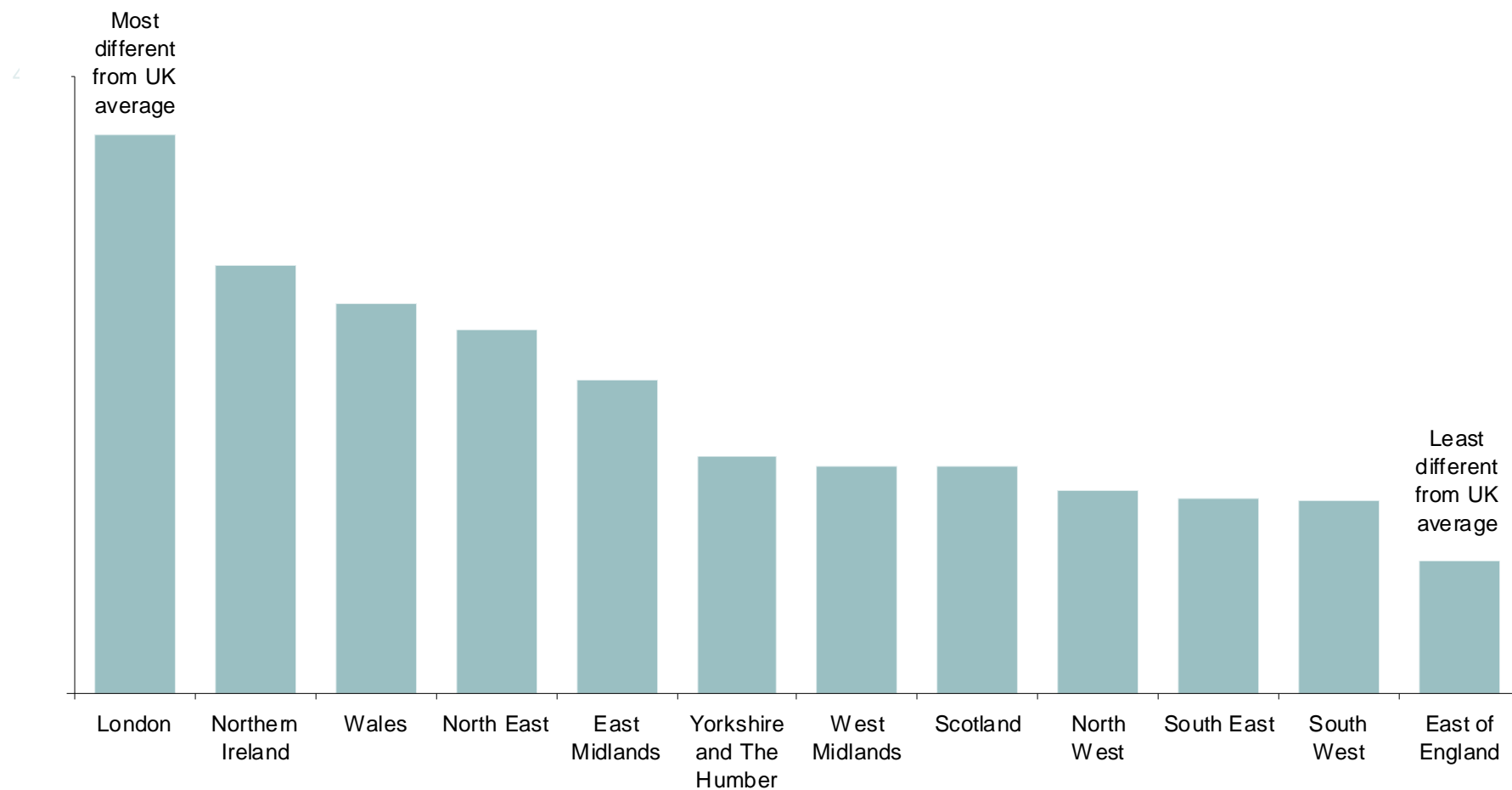
Regional gross value added (average y/y growth 1998-2011)



Source: National Statistics

Sector shape of London's economy differs most from the UK average, East differs least

Measure of how different each region is from the UK from a sector perspective*

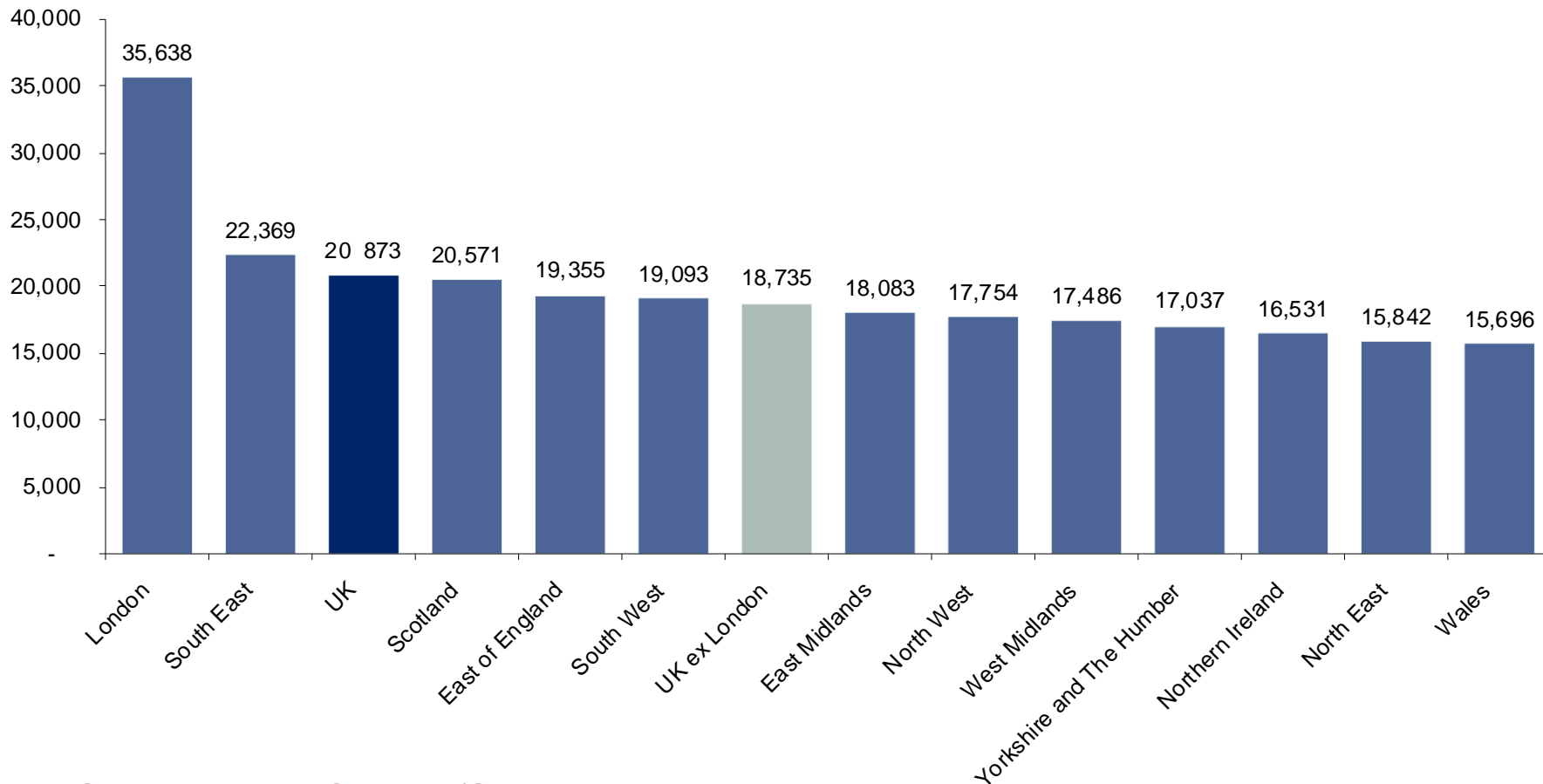


Source: Group Economics

* Methodology available from Group Economics on request

Income per head in London is more than twice as high as most other UK regions

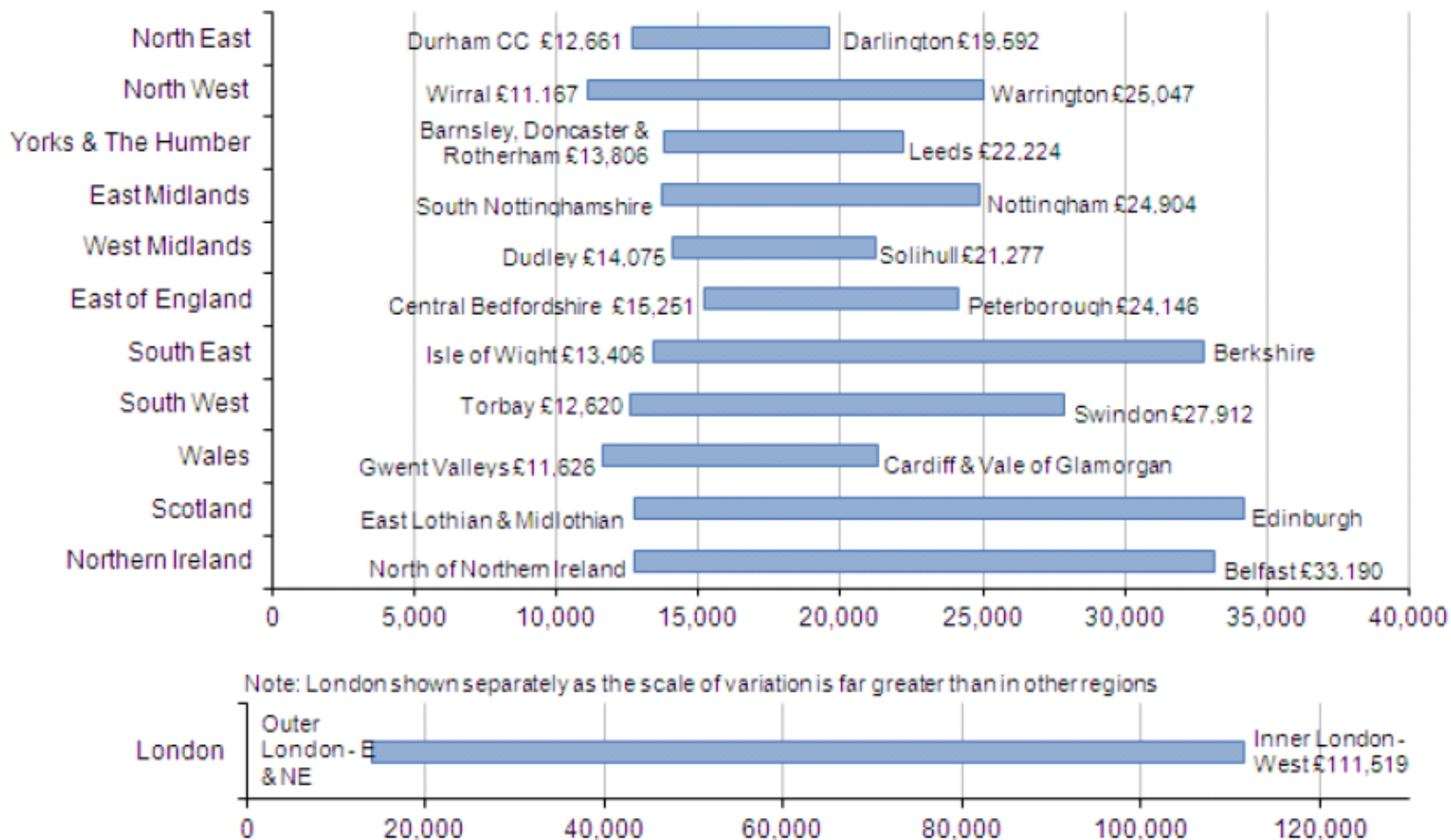
GVA per head in 2011



Source: National Statistics/Group Economics

Large variations within regions too, especially London (again).

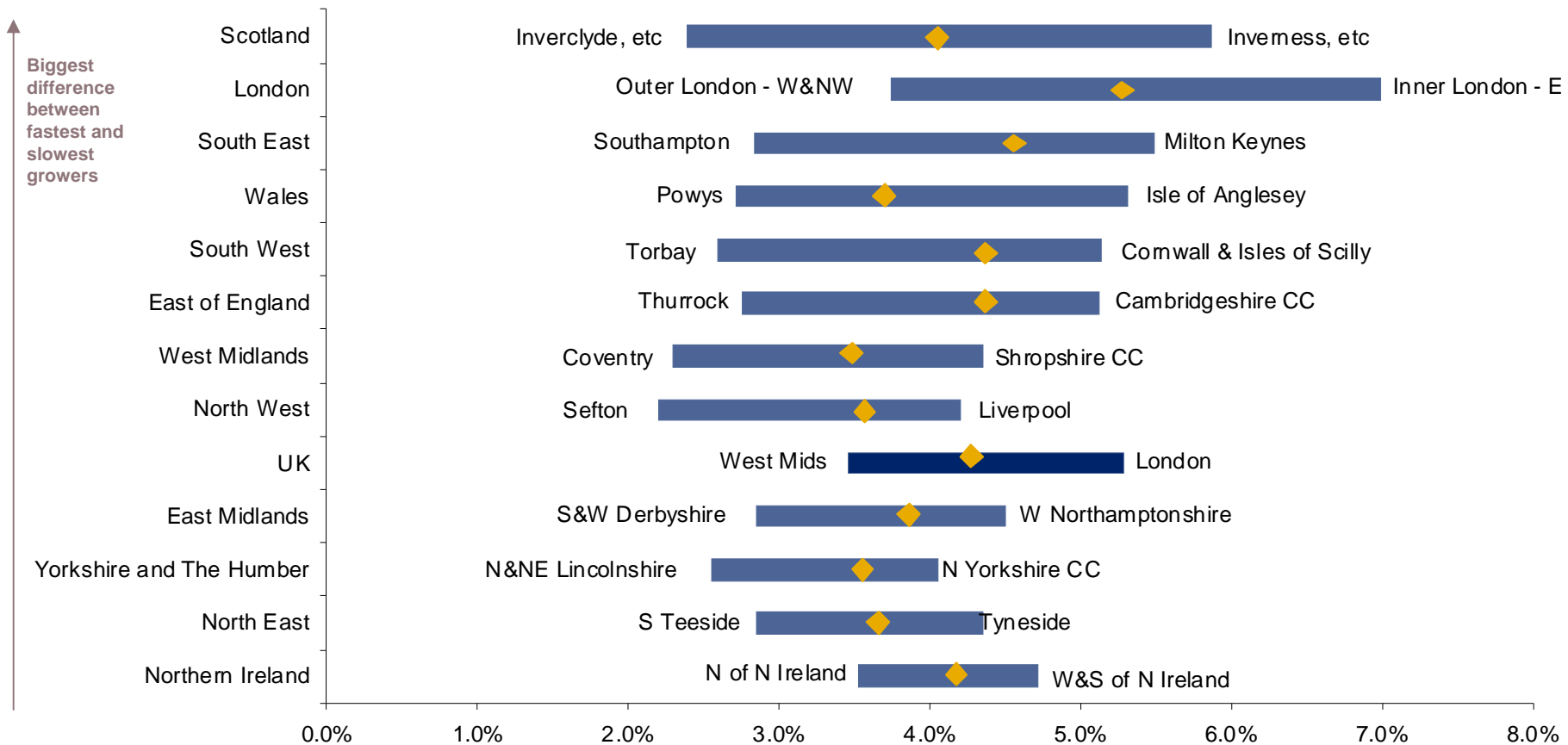
GVA per head in 2011 – variation within regions



Source: National Statistics

Generally speaking, we see bigger differences within regions than between them...

Average GVA growth y/y (1998-2011) – variation within regions

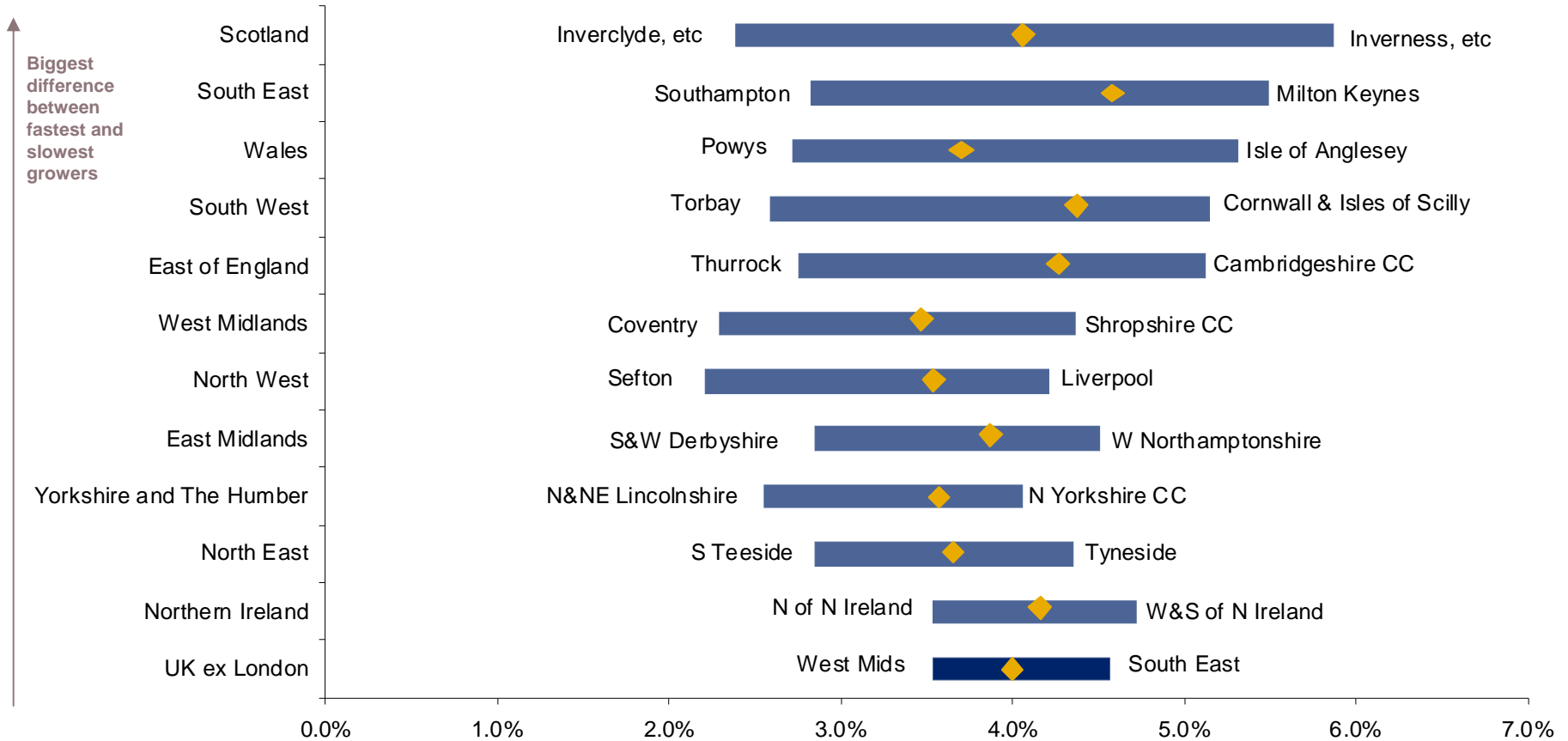


Source: National Statistics

◆ =average

...particularly if we exclude London. Growth varies more within regions than between them.

Average GVA growth y/y (1998-2011) – variation within regions, excluding London

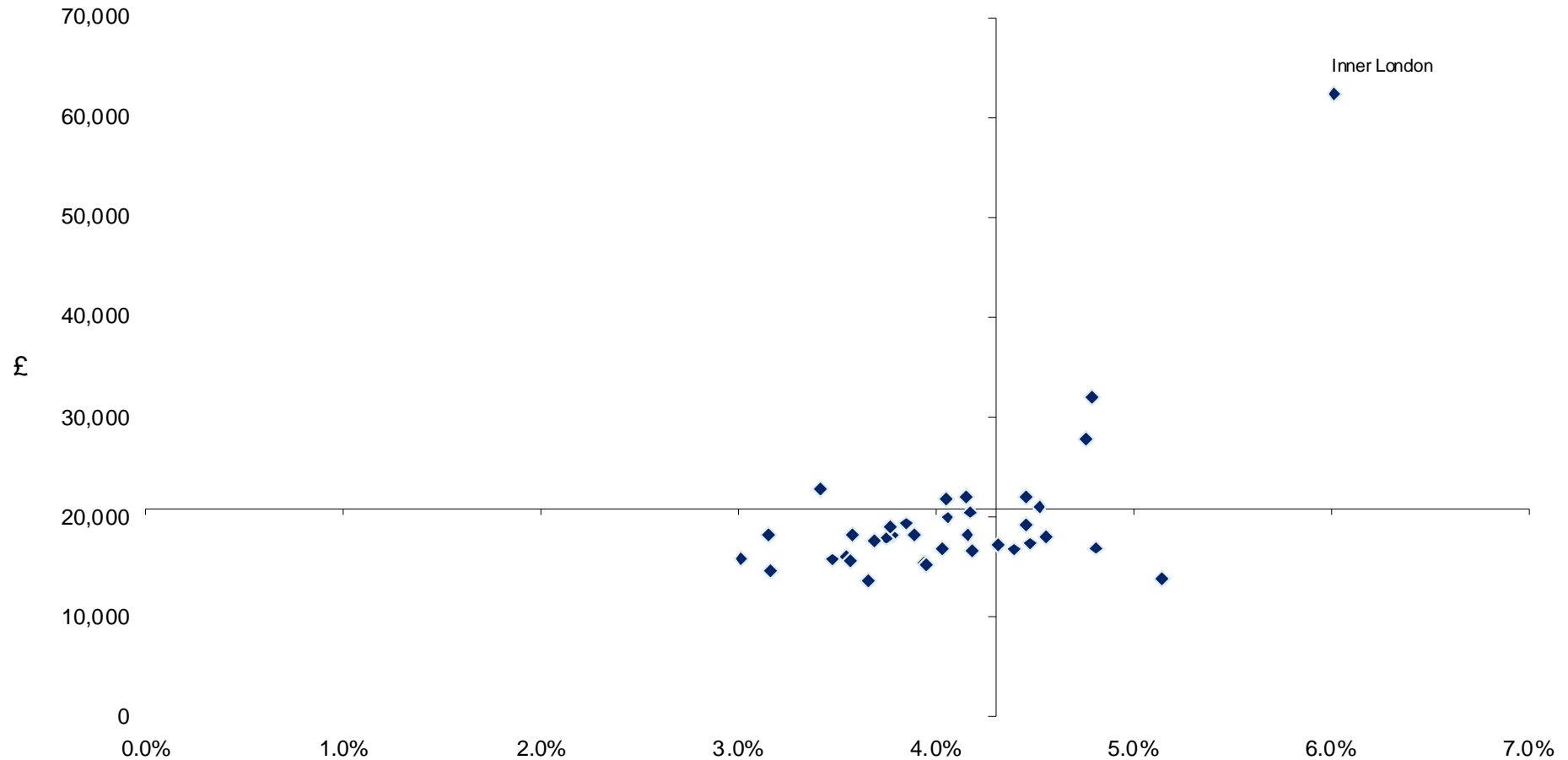


Source: National Statistics

◆ =average

At a sub-regional level, Inner London is what makes London stand out.

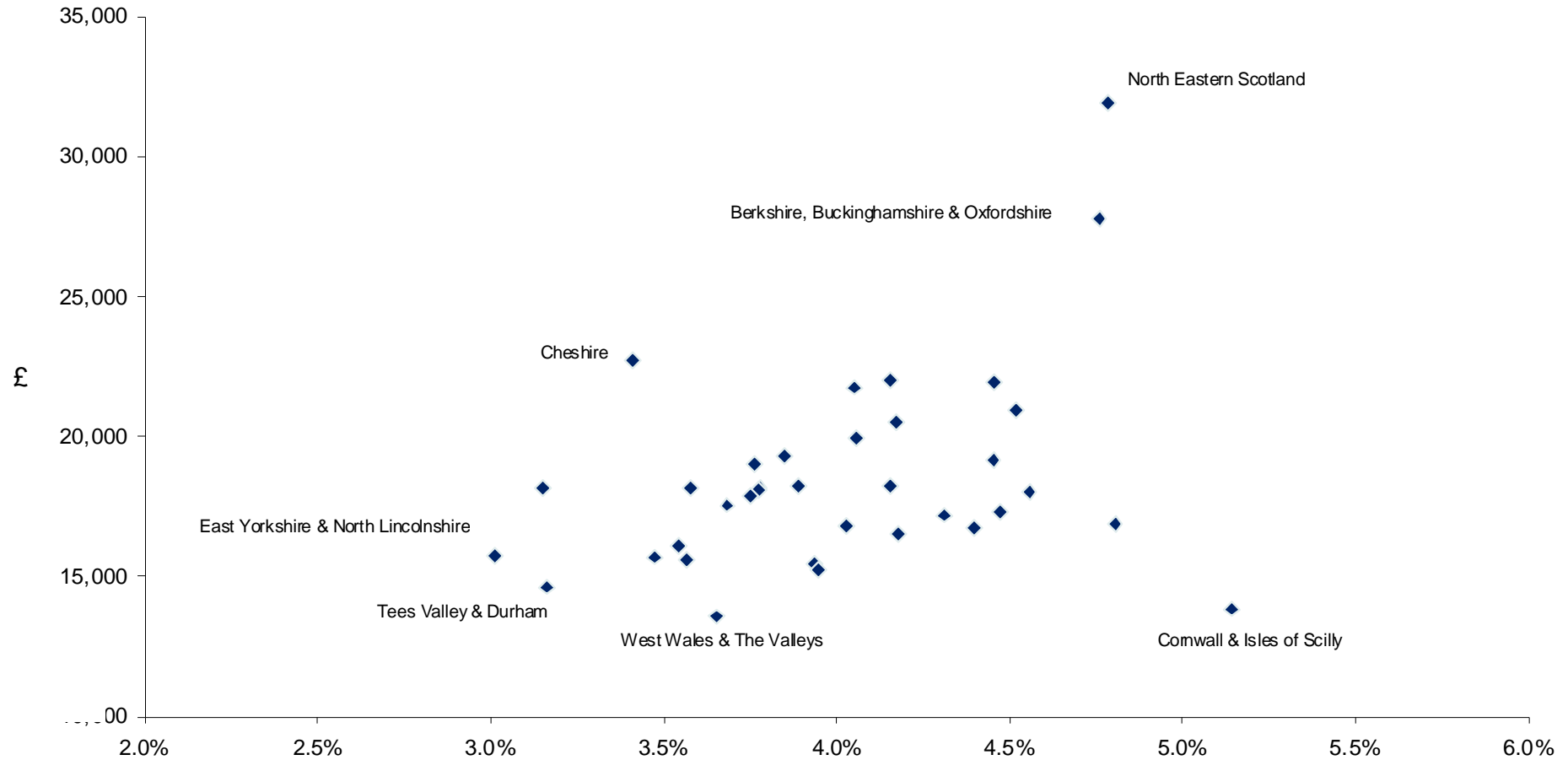
Average GVA % growth y/y (1998-2011) vs. GVA per head (£)



Source: National Statistics

When we strip out Inner London, clearer evidence of intra-regional variation emerges.

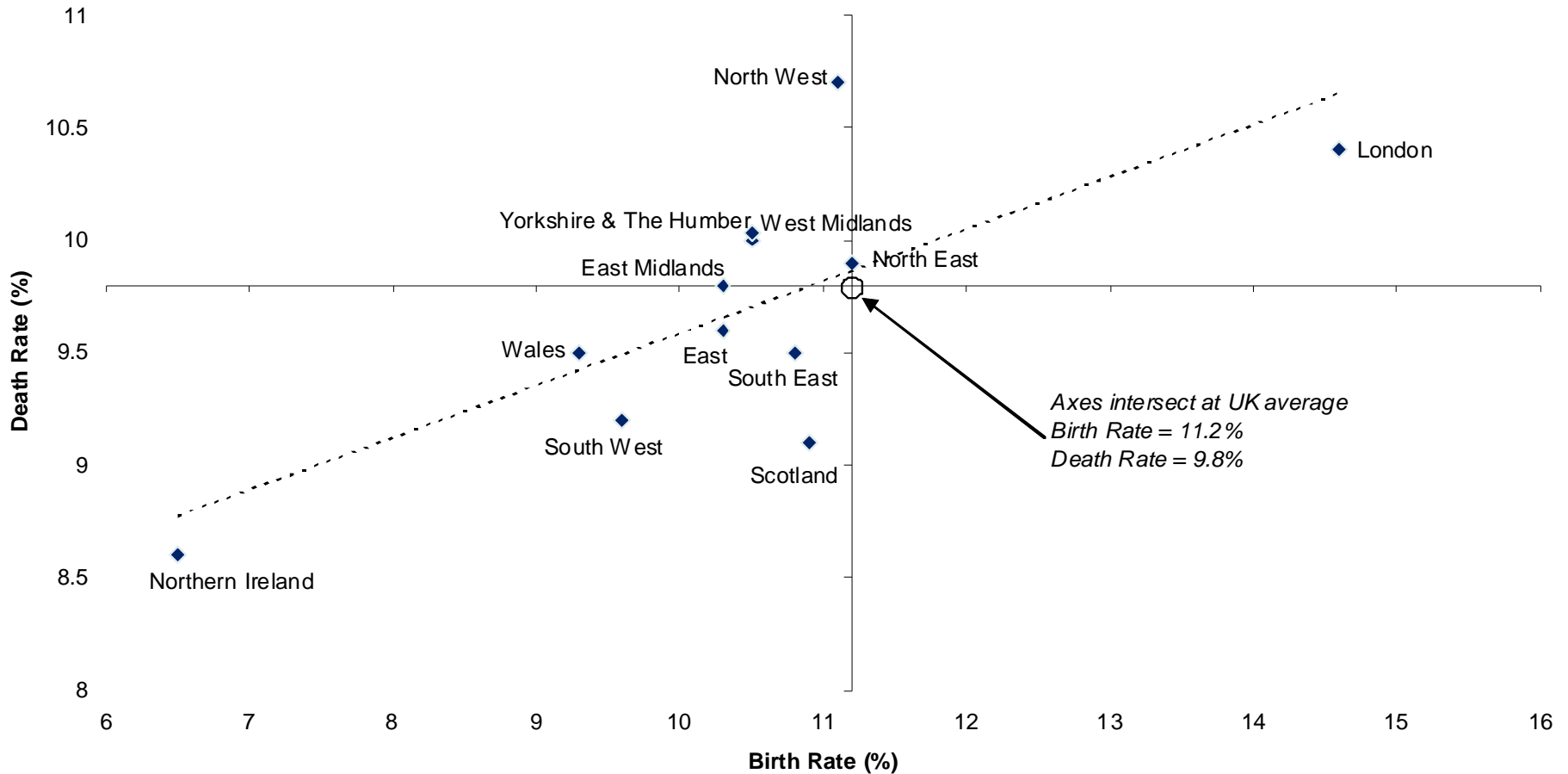
Average GVA % growth y/y (1998-2011) vs. GVA per head (£) – ex Inner London



Source: National Statistics

London has the strongest entrepreneurial drive, Northern Ireland the lowest.

Business birth/death rates (%) in 2011 – better to be below line than above it e.g. Scotland has a more favourable mix than the North West



Source: National Statistics – see [link](#)

Gross value added (GVA) is a measure of economic activity. It is like gross domestic product (GDP), but does not include taxes and subsidies on products, which are only available at a national level.

GVA per head is a good way of comparing regions of different sizes.

GVA can be calculated in one of two ways: on a *workplace basis* (allocated to the location where the economic activity takes place) or on a *residence basis* (where earnings of individuals are allocated to the region in which they live). For most places, the two are the same, but commuting has been found to have a large effect on London, the South East and the East. We use the Workplace measure.

Regional data are released more slowly than national data e.g. 2011 data were not released until December 2012.

The GVA growth rates might look relatively high. This is because, unlike headline GDP numbers, they do not strip out the effect of inflation.

There are three levels of depth to regional statistics: *regions* (e.g. the North East); *sub-regions* (e.g. Tees Valley & Durham); and *local areas* (e.g. Hartlepool & Stockton on Tees). For the purpose of national statistics, Scotland, Wales and Northern Ireland are classified as regions.

Some of the activity that takes place in the UK cannot be assigned to specific regions e.g. North Sea oil and gas extraction. This activity is mopped up in a category called 'Extra-Regio', which we exclude from all of our analysis.

Source: National Statistics

Regional GVA

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Regional+GVA>

Regional labour market

<http://www.ons.gov.uk/ons/rel/subnational-labour/regional-labour-market-statistics/january-2013/index.html>

Business demography

<http://www.ons.gov.uk/ons/rel/bus-register/business-demography/2011/index.html>

Regional house prices

http://www.lloydsbankinggroup.com/media1/economic_insight/regional_house_prices_page.asp

Business surveys (link to PMI press release, see 'UK Regions', subscription required for full report)

<http://www.markiteconomics.com/Survey/Page.mvc/PressReleases>

Regional trade data

<https://www.uktradeinfo.com/Statistics/RTS/Pages/default.aspx>

Regional forecasts (link to Oxford Economics, subscription required)

<http://www.oxfordeconomics.com/forecasts-and-models/cities/uk-regional-forecasts/overview>

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