



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

Economic Indicators

January 2009

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.

January 2009

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Economic Indicators

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Economic Indicators: January 2009

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 and the UK. 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
UK GDP	<p>Q3 change on Q2 = -0.6%</p> <p>Q2 change on Q1 = 0.0% (no change)</p> <p>The fall in GDP between Q2 and Q3 in 2008 was the first fall since 1992.</p> <p>A recession is generally accepted as a decline in a country's GDP for at least two consecutive quarters.</p>	<p>Office for National Statistics, Quarterly national accounts, 3rd quarter 2008, 23 December 2008</p>
Inflation	<p>Consumer Prices Index (CPI) annual inflation – the Government's target measure – was 4.1 per cent in November, down from 4.5 per cent in October.</p> <p>Retail Prices Index (RPI) inflation fell to 3.0 per cent in November, down from 4.2 per cent in October.</p> <p>RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.9 per cent in November, down from 4.7 per cent in October.</p>	<p>Office for National Statistics, Consumer Prices Indices November 2008, First Release, 16 December 2008</p>
Interest Rates	<p>On 8 January 2009 the Bank of England reduced the official Bank Rate by 0.5% to 1.5%, the lowest level in its 315-year history.</p>	<p>Bank of England, Monetary Policy Committee Decisions.</p>
GVA per head as % of UK average	<p>1999 = 77.1%</p> <p>2000 = 77.0%</p> <p>2001 = 77.0%</p> <p>2002 = 76.6%</p> <p>2003 = 76.3%</p> <p>2004 = 75.9%</p> <p>2005 = 75.7%</p> <p>2006 = 75.1%</p> <p>2007 = 74.5%</p>	<p>Office for National Statistics First Release, Regional, sub-regional and local GVA, 12 December 2008:</p>

<p>Employment Rate</p> <p>Annual change to latest three month period</p>	<p>August – October 2008</p> <p>Wales -0.8 percentage points to 71.0% UK -0.4 percentage points to 74.2%</p>	<p>Office for National Statistics, Labour Market Statistics Regional Monthly Data</p>
<p>Unemployment Rate</p> <p>Annual change to latest three month period</p>	<p>August – October 2008</p> <p>Wales +1.5 percentage points to 6.6% UK +0.7 percentage points to 6.0%</p>	<p>As for Employment Rate</p>
<p>Economic Inactivity Rate</p> <p>Annual change to latest three month period</p>	<p>August – October 2008</p> <p>Wales -0.4 percentage points to 23.8 % UK -0.2 percentage points to 20.9 %</p>	<p>As for Employment Rate</p>
<p>Earnings</p> <p>Annual change</p>	<p>April 2008</p> <p>Median Weekly Earnings: Wales: +4.1% UK: +4.6%</p>	<p>Office for National Statistics - National Statistics Release, November 2008:</p>
<p>Gross Disposable Household Income per head as % of UK</p>	<p>1999 = 86.4% 2000 = 86.6% 2001 = 86.9% 2002 = 88.1% 2003 = 88.0% 2004 = 88.6% 2005 = 89.2% 2006 = 89.4%</p>	<p>Office for National Statistics, Regional Household Income, 9 May 2008:</p>
<p>Index of Production and Construction</p> <p>Latest 4 quarters compared with previous 4</p>	<p>Quarter 2, 2008</p> <p>Index of Production: Wales: +3.1% UK: +0.2%</p> <p>Index of Manufacturing Wales: +4.8% UK: +0.2%</p> <p>Index of Construction Wales: +0.5% UK: +2.8%</p>	<p>Welsh Assembly Government Statistical Directorate, Welsh Index of Production and Construction, Quarter 2 2008, 12 November 2008</p>
<p>Value of Exports</p> <p>Latest 4 quarters compared with previous 4</p>	<p>Quarter 3, 2008</p> <p>Wales: +14.1% UK: +11.6%</p>	<p>Welsh Assembly Government Statistical Directorate, Welsh Exports up to Quarter 3, 2008, 6 January 2009</p>

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Cynulliad National
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Cymru Wales

VAT Registered businesses	2007-2008	Department for Business, Enterprise and Regulatory Reform, VAT Registrations and De-registrations Data, 2007 , 28 November 2008
Annual change in stock	Wales: +1.3% UK: +2.9%	

4 Gross Value Added (GVA)

The latest data released the Office for National Statistics (ONS) on 12 December 2008 includes the 2007 GVA figures for Wales and the 2006 GVA figures for West Wales & the Valleys and East Wales.

The latest figures show that:

- Total headline GVA in Wales in 2007 was £44.3 billion, up 5.1 per cent on 2006. This was the **lowest growth in total GVA of all the devolved countries and English regions**. GVA for the UK (excluding extra-regio) increased by 6.0 per cent.
- GVA per head in Wales in 2007 was £14,877 or 74.5 per cent of the UK average. Wales has **the lowest GVA per head of all the devolved countries and English regions**. It has been the lowest since 1998 when it fell below Northern Ireland.
- GVA per head in Wales is now 4.6 per cent higher than in 2006. The greatest growth in 2007 was London (6.5 per cent higher than in 2006), while Wales had the **lowest growth in GVA per head of all the devolved countries and English regions** (4.6 per cent). The growth in GVA per head for the UK as a whole¹ was 5.3 per cent.
- The figures show that GVA per head in Wales relative to the UK has fallen each year since 1995, except for between 2000 and 2001 when there was no change.
- In London, the South East and the East of England, GVA per head in 2007 was above the UK average, while all of the other devolved countries and English regions were below the UK average.

¹ 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 Regional Gross Value Added

Table 4.1: Gross Value Added(a), Wales and the UK, 1989 to 2007²

Year	Wales (£ per head)	UK (£ per head)(b)	Per Head GVA in Wales as a percentage of UK GVA
1989	6,821	8,116	84.0
1990	7,349	8,810	83.4
1991	7,582	9,167	82.7
1992	7,882	9,517	82.8
1993	8,233	9,996	82.4
1994	8,688	10,520	82.6
1995	9,155	11,047	82.9
1996	9,546	11,728	81.4
1997	9,935	12,431	79.9
1998	10,290	13,161	78.2
1999	10,631	13,780	77.1
2000	11,012	14,308	77.0
2001	11,554	15,006	77.0
2002	12,107	15,797	76.6
2003	12,742	16,709	76.3
2004	13,287	17,511	75.9
2005	13,693	18,093	75.7
2006	14,226	18,945	75.1
2007 (c)	14,877	19,956	74.5

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-Regio that comprises compensation of employees and gross operating surplus which cannot be assigned to regions. Extra-regio 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 that³:

- GVA per head in Wales in 2007⁴ was £14,877 or 74.5 per cent of the UK average. The figures show that GVA per head in Wales relative to the UK has fallen each year since 1995, except for between 2000 and 2001 when there was no change.

² The Regional GVA estimates (NUTS1) for 2007 have been released along with **revisions for the period 1989 to 2006**. These estimates update those published in December 2007. At the more detailed level of geography (NUTS2 and NUTS3) the estimates for 2006 have been released along with **revisions for the period 1995 to 2005**, updating the estimates published in December 2007.

³ ONS First Release, *Regional, sub-regional and local GVA*, 12 December 2008: The latest headline figures are also reported on the Welsh Assembly Government website at: <http://wales.gov.uk/topics/statistics/headlines/econ2008/hdw200812121/?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>

⁴ 2007 data are provisional

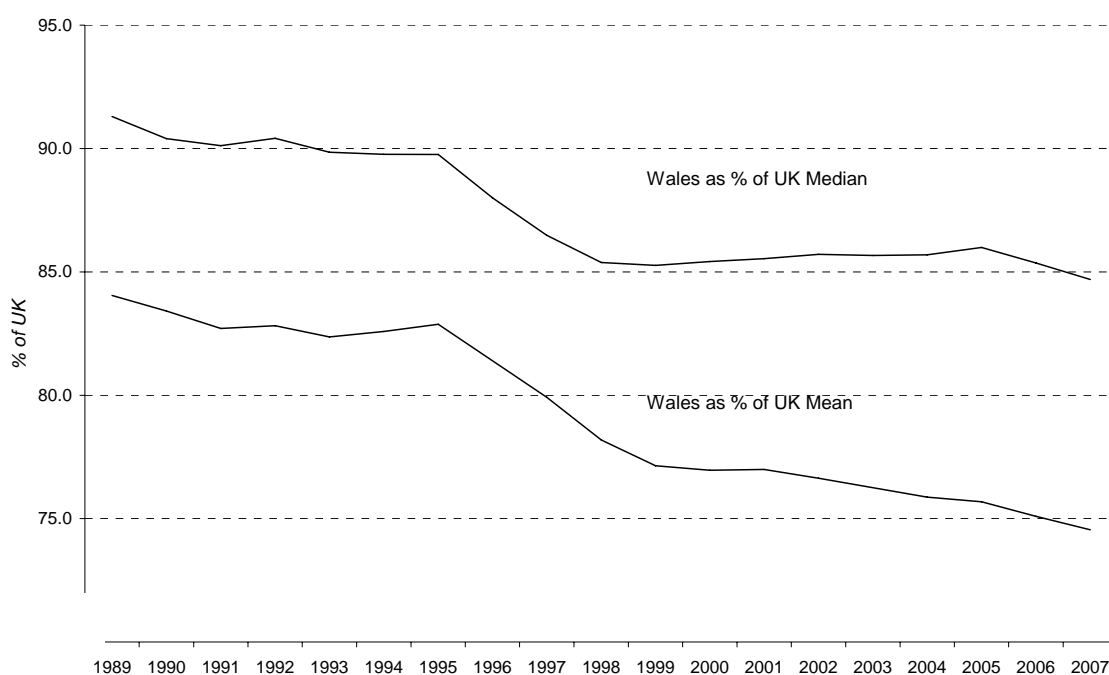
- GVA per head in Wales in 2007 relative to the UK average was the lowest of all the devolved countries and English regions and has been the lowest since 1998 when it fell below Northern Ireland.
- In London, the South East and the East of England, GVA per head in 2007 was above the UK average, while all other regions were below the UK average.
- GVA per head in Wales is now 4.6 per cent higher than in 2006. The greatest growth in 2007 was London (6.5 per cent higher than in 2006), while Wales had the lowest growth (4.6 per cent). The growth in GVA per head for the UK as a whole⁵ was 5.3 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 2007 was 84.7 per cent of the UK median.

Figure 4.1 shows per head GVA in Wales as a percentage of per head GVA for the UK mean and median over the period 1989 to 2007 and illustrates the decline in relative GVA in the late 1990s. Between 1999 and 2006 the median measure improved slightly but has fallen in the last two years. The mean measure has fallen each year since 2001.

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



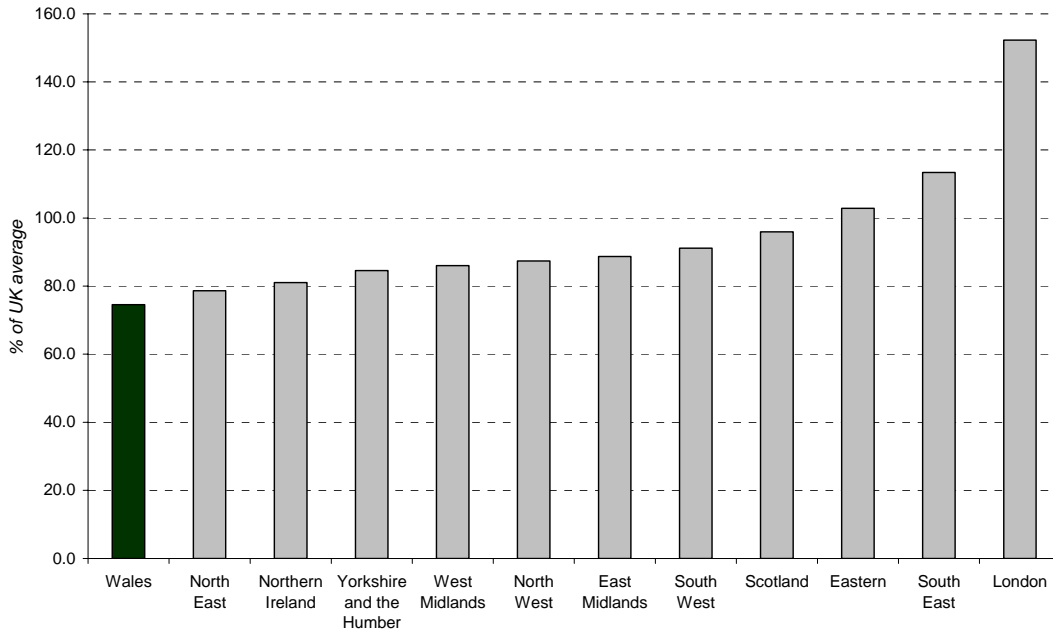
Source: ONS

⁵ 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 2007.

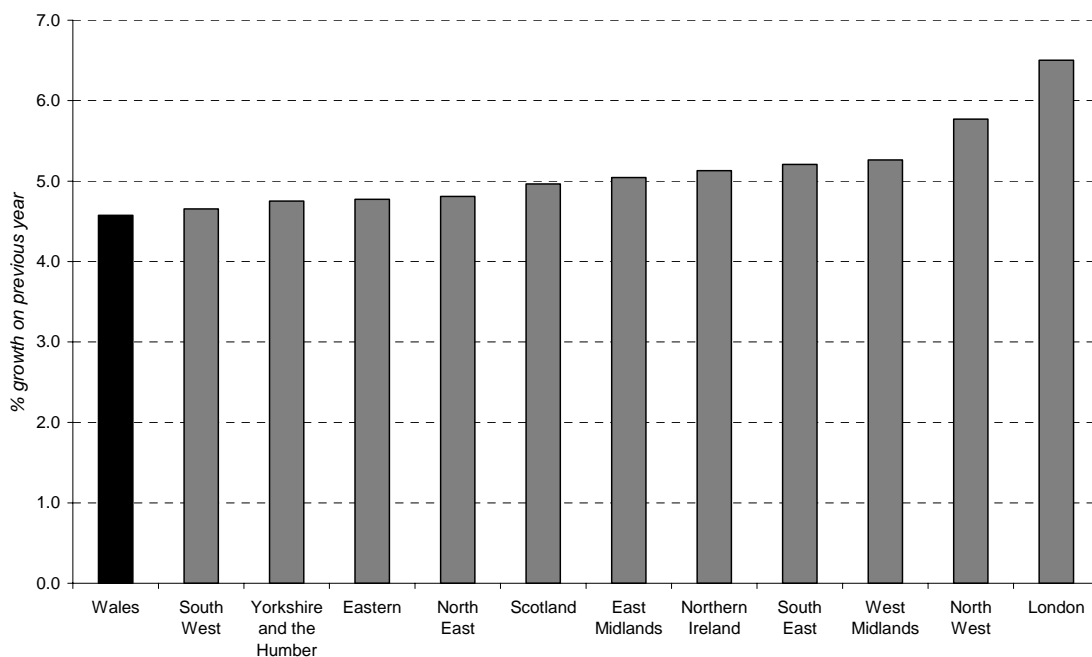
Figure 4.2: Per head GVA, by UK nation and region, 2007



Source: ONS

Figure 4.3 charts per head growth in the UK nations and regions between 2006 and 2007. Wales had the lowest per head growth rate among regions and nations of the UK in this period of 4.6 per cent. This compares to a UK (less extra regio) per head growth rate of 5.3 per cent.

Figure 4.3 Growth in per head GVA, by UK nation and region, 2006 to 2007

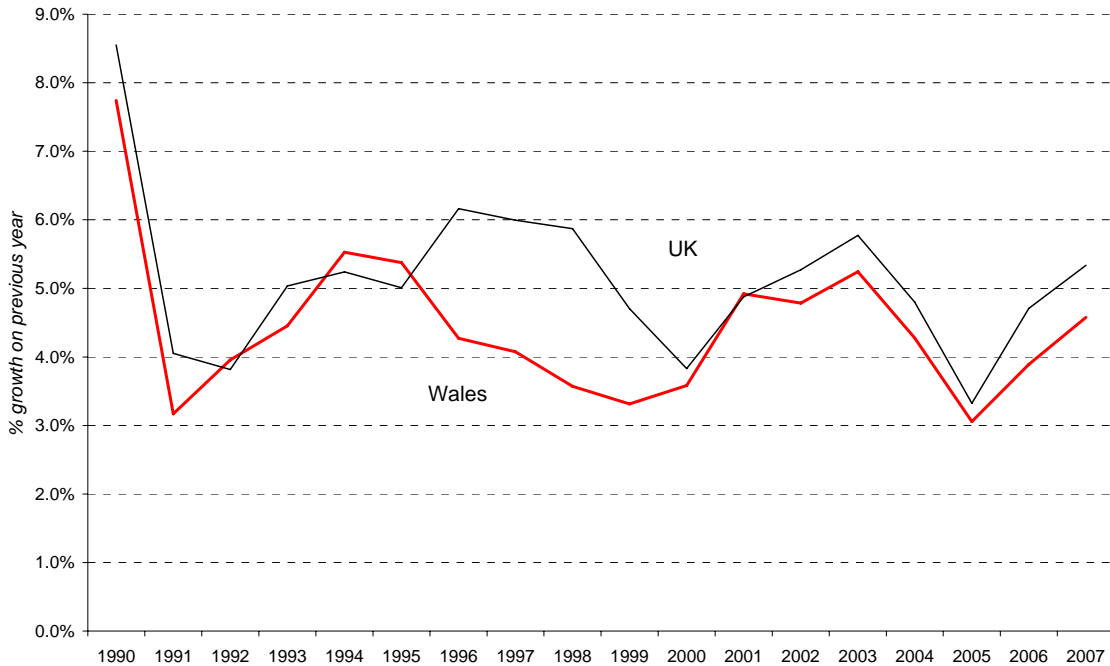


Source: ONS

4.1.3 Per Head Growth Rates

Figure 4.4 charts per head growth in Wales against the UK for the years 1990 to 2007.

Figure 4.4: Per head GVA growth, Wales and UK, 1990 to 2007



Source: ONS

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

4.2 Sub-regional and local GVA - 2006

Table 4.2: Per Head Gross Value Added (GVA), Wales, by NUTS⁶ level 1, 2 and 3 area, 2006(a)(b)(c)

NUTS levels	Gross Value Added (£ per head)	Per Capita GVA as a percentage of UK GVA
Wales	14 226	75
<i>West Wales and the Valleys</i>	12 071	64
Isle of Anglesey	10 560	56
Gwynedd	12 972	68
Conwy and Denbighshire	11 529	61
South West Wales	11 711	62
Central Valleys	11 347	60
Gwent Valleys	10 987	58
Bridgend and Neath Port Talbot	12 402	65
Swansea	15 255	81
<i>East Wales</i>	17 984	95
Monmouthshire and Newport	18 537	98
Cardiff and Vale of Glamorgan	20 087	106
Flintshire and Wrexham	16 442	87
Powys	13 258	70

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.

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

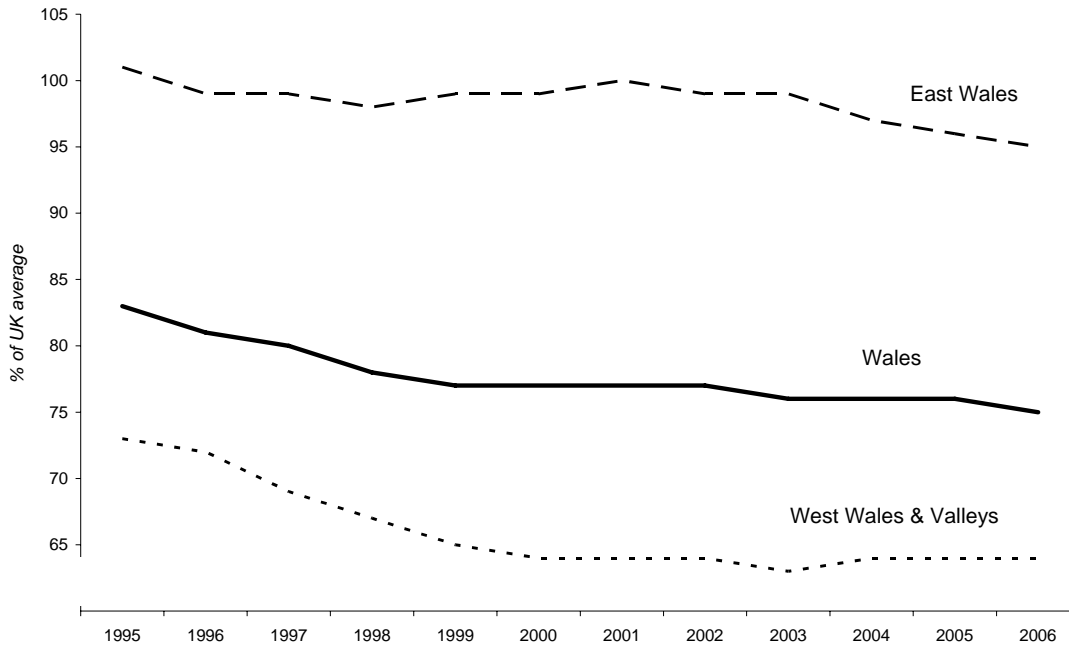
The latest estimates show that:

- In 2006, West Wales & the Valleys had the second lowest GVA per head (£12,071) of all NUTS2 regions in the UK. These figures compare to the UK average⁷ of £18,945. East Wales had a GVA per head of £17,984 in 2006.
- Per head GVA in West Wales & the Valleys declined relative to the UK average between 1995 and 2000 from 73 per cent to 64 per cent. Per head GVA in West Wales & the Valleys has remained fairly stable since this time.
- Between 1995 and 2003 per head GVA in East Wales was more or less equal to the UK average. However, it has declined in recent years to stand at 95 per cent.
- Of the 12 NUTS3 regions in Wales, Cardiff & Vale of Glamorgan had the highest level of GVA per head in 2006 at 106 per cent of the UK average, whilst the lowest levels were the Isle of Anglesey with 56 per cent, the Gwent Valleys with 58 per cent and the Central Valleys with 60 per cent.
- The Isle of Anglesey, the Gwent Valleys and the Central Valleys 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 2006, only two NUTS3 areas in the West Wales and the Valleys area showed an improvement in GVA per head relative to the UK (the Isle of Anglesey by one percentage point and Swansea by two percentage points). The remaining NUTS3 areas in West Wales and the Valleys all saw significant declines in GVA per head relative to the UK over this period. The largest fall relative to the UK is for Bridgend & Neath Port Talbot (84 per cent to 65 per cent).
- Between 1995 and 2006, one NUTS3 area in East Wales (Monmouthshire & Newport) showed an improvement in GVA per head relative to the UK, whilst the remaining three areas showed a relative decline (Flintshire & Wrexham showed the largest fall of 22 percentage points).

Figure 4.5 graphs GVA per head for the period 1995 to 2006 for the Wales NUTS 1 and 2 regions relative to the UK average.

⁷ Excluding Extra-Regio GVA

Figure 4.5: Per head GVA, NUTS 1 and 2 areas of Wales, 1995-2006



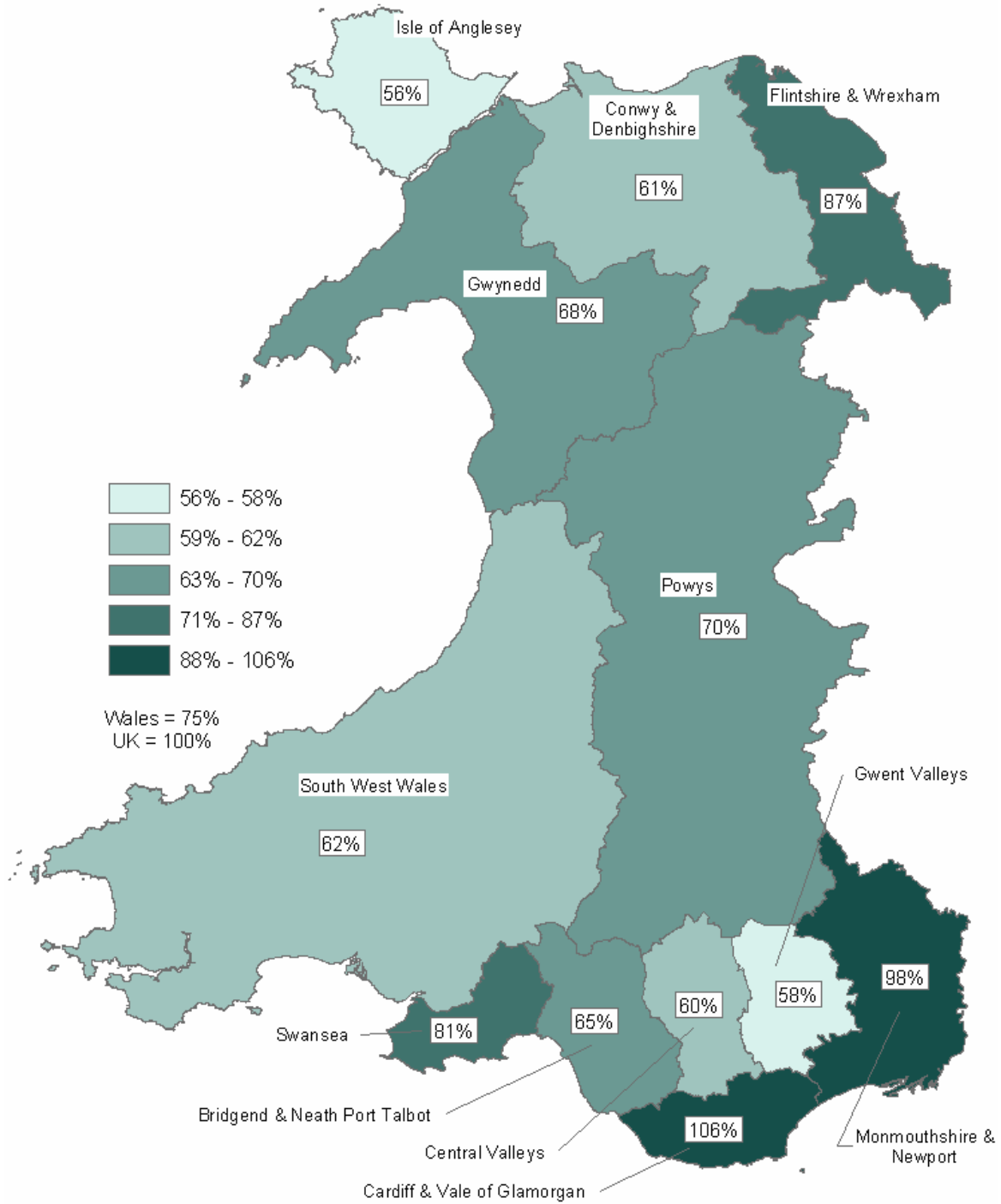
Source: Office for National Statistics

Map 4.1 shows the latest per head GVA as a percentage of UK GVA estimates for 2006 by NUTS3 area.

As Map 4.2 shows, between 1995 and 2006, the largest percentage increases in GVA per head were in Monmouthshire & Newport and Swansea. The smallest percentage increases were in Bridgend & Neath Port Talbot and Flintshire & Wrexham.

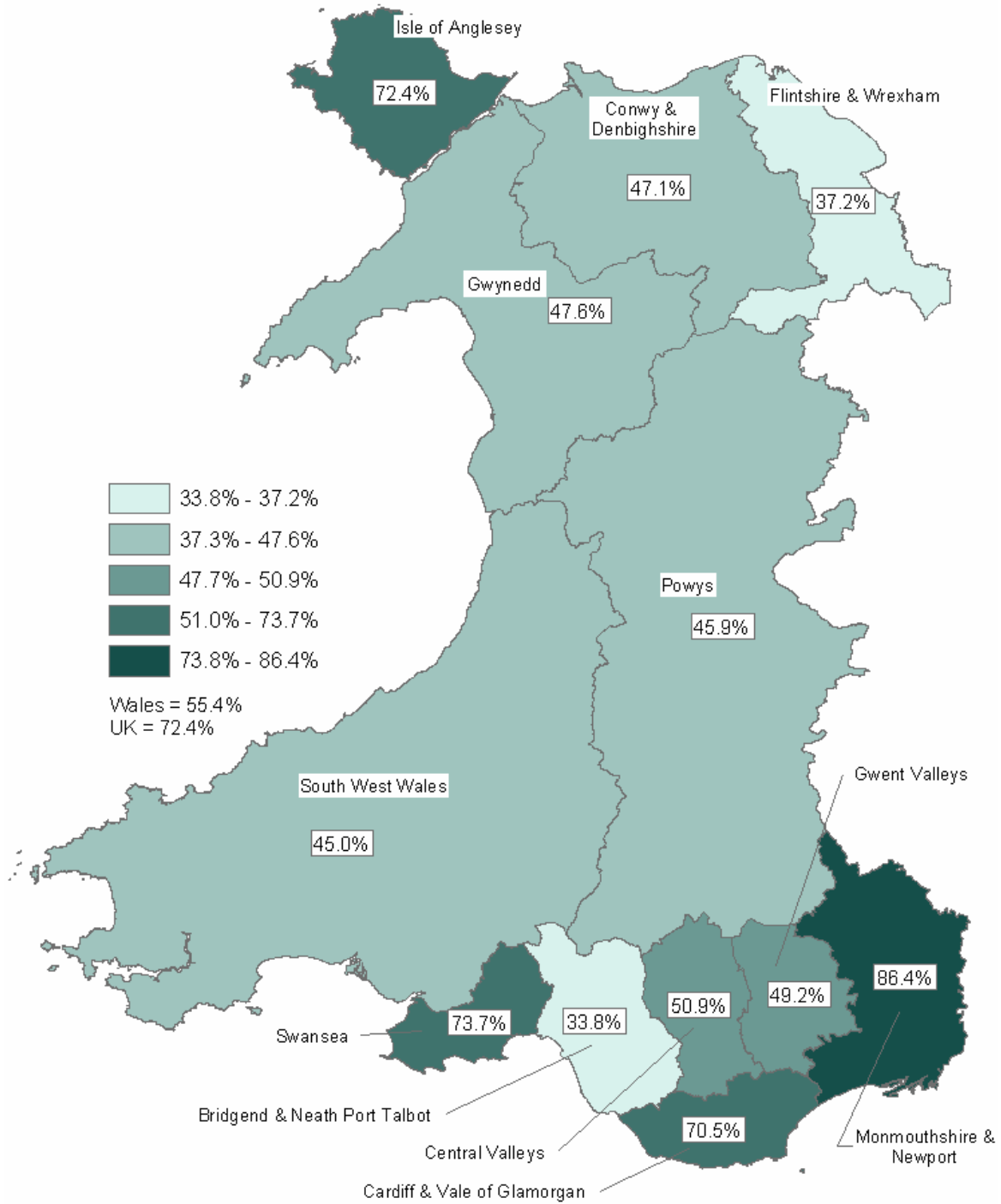
Map 4.3 shows that between 1999 and 2006 the largest percentage increases in GVA per head were in the Isle of Anglesey and Swansea. The smallest percentage increases were in Bridgend & Neath Port Talbot and Flintshire & Wrexham.

Map 4.1: Gross Value Added per head as a percentage of UK per head GVA, 2006, by NUTS3 area



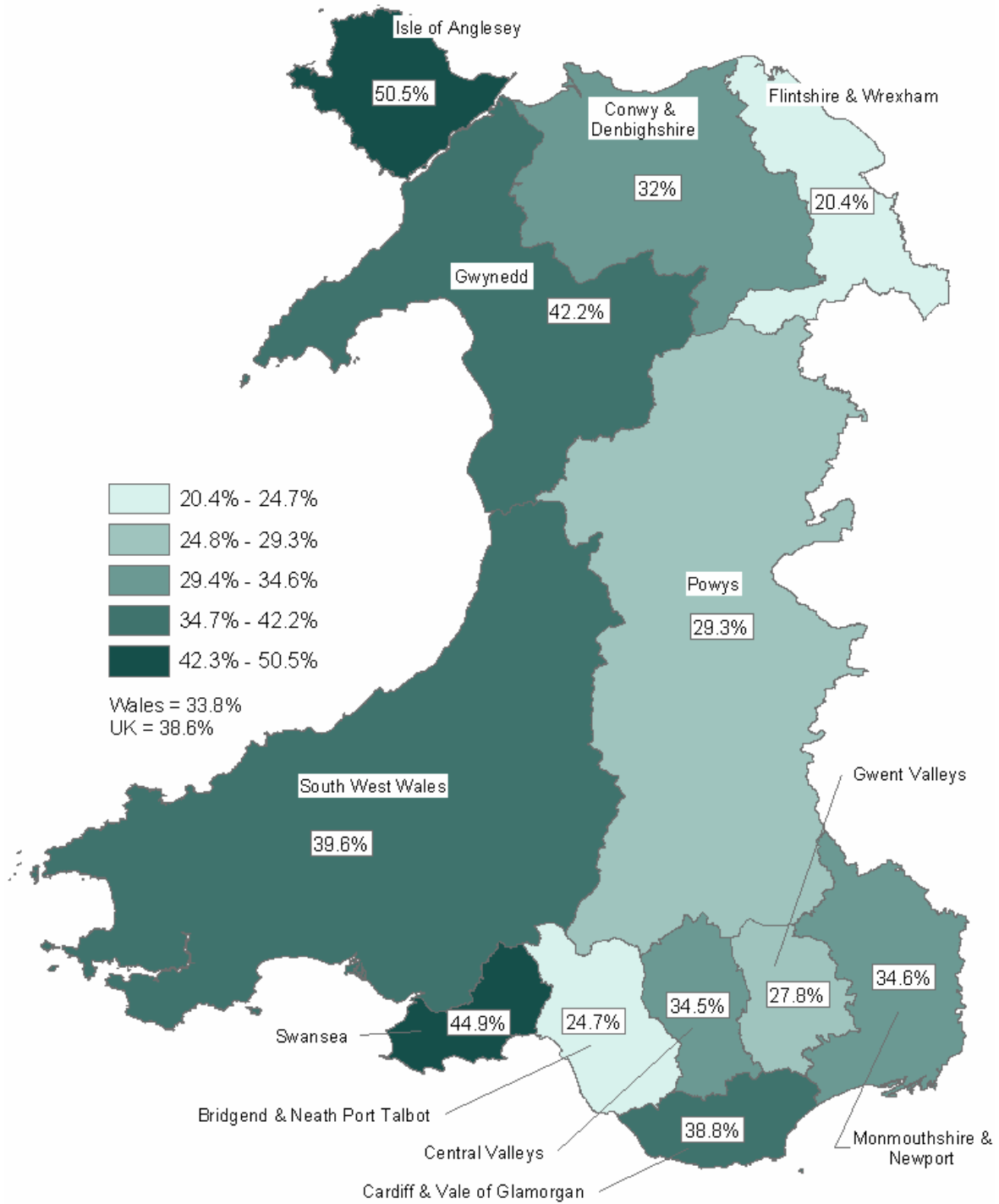
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Map 4.2: Percentage change in Gross Value Added per head, 1995-2006, by NUTS3 areas



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Map 4.3: Percentage change in Gross Value Added per head, 1999-2006, by NUTS3 areas



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4.3 Regional GDP per head in the EU

Eurostat released statistics on regional per head Gross Domestic Product (GDP) on 12 February 2008⁸.

The data show that:

- per head GDP in West Wales and the Valleys represented 79.0% of the average for EU27⁹ as a whole in 2005. A number of regions showed similar results, including Chemnitz in Germany and Algarve in Portugal (both 79.6%). The equivalent figures for East Wales and Wales as a whole were 115.2% and 92.2% respectively.
- per head GDP in West Wales and the Valleys represented 75.8% of the average for EU25 as a whole in 2005. The equivalent figures for East Wales and Wales as a whole were 110.7% and 88.5% 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 2005¹⁰. This data showed that, over the three years 2000-02¹¹, 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, 2003-05, per head GDP in West Wales and the Valleys represented 75.1% and 78.4% of the EU25 and EU27 averages respectively.
- Table 4.3 shows GDP per head¹² as a percentage of the EU27 average, for the UK, NUTS 1 and 2 areas of Wales¹³, and other Objective 1 or Convergence regions of the UK for the period 1996 to 2005.

⁸ Eurostat News Release, *Regional GDP per head in the EU27*, 12 February 2008:

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

⁹ Bulgaria and Romania joined the EU on 1 January 2007, raising the number of member states to 27.

¹⁰ Eurostat News Release, *Regional GDP per head in the EU25*, 25 January 2005:

¹¹ Data for 2000-02 have subsequently been revised by Eurostat.

¹² 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.

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

Area	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
West Wales and The Valleys	84.3	83.2	79.4	76.9	77.2	76.4	78.0	77.1	79.0	79.0
East Wales	111.7	115.0	115.0	116.1	117.1	120.4	118.0	120.7	121.7	115.2
Wales	94.1	94.6	92.3	91.2	91.6	92.3	92.6	93.0	94.6	92.2
United Kingdom	113.8	116.4	116.0	115.9	117.2	117.9	118.7	119.8	122.1	119.3
Merseyside	79.2	81.3	83.6	81.5	85.2	83.1	87.2	88.6	86.5	84.8
South Yorkshire	85.0	86.0	89.2	85.8	87.4	88.8	90.3	91.1	94.6	92.7
Cornwall and Isles of Scilly	71.9	71.5	70.1	69.8	71.2	73.9	76.7	78.5	78.8	77.4

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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
West Wales and The Valleys	80.4	79.3	75.7	73.2	73.6	72.9	74.6	73.8	75.8	75.8
East Wales	106.6	109.6	109.5	110.5	111.5	114.9	112.8	115.6	116.8	110.7
Wales	89.8	90.2	87.9	86.8	87.3	88.1	88.5	89.0	90.7	88.5
United Kingdom	108.6	111.0	110.5	110.4	111.6	112.5	113.5	114.7	117.1	114.6
Merseyside	75.6	77.5	79.7	77.6	81.1	79.3	83.4	84.8	83.0	81.4
South Yorkshire	81.1	82.0	85.0	81.7	83.2	84.7	86.3	87.3	90.8	89.1
Cornwall and Isles of Scilly	68.6	68.1	66.7	66.4	67.8	70.5	73.4	75.2	75.6	74.4

Source: Eurostat

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

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

Area	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
West Wales and The Valleys	72.9	72.0	68.8	66.7	67.0	66.5	68.3	67.8	69.8	70.1
East Wales	96.7	99.6	99.6	100.6	101.6	104.9	103.3	106.1	107.6	102.2
Wales	81.4	82.0	80.0	79.1	79.5	80.4	81.0	81.7	83.6	81.8
United Kingdom	98.5	100.8	100.6	100.5	101.7	102.6	103.9	105.3	107.9	105.8
Merseyside	68.6	70.4	72.5	70.6	73.9	72.4	76.4	77.9	76.5	75.2
South Yorkshire	73.5	74.5	77.3	74.4	75.8	77.3	79.0	80.1	83.6	82.3
Cornwall and Isles of Scilly	62.2	61.9	60.7	60.5	61.8	64.3	67.2	69.0	69.6	68.7

Source: Eurostat

5 Productivity

Table 5.1: Productivity measures by region, 2006

UK=100

Region/Country	GVA per filled job	GVA per hour worked
North East	91.6	93.4
North West	90.5	90.9
Yorkshire and the Humber	89.1	90.5
East Midlands	97.1	96.6
West Midlands	91.1	91.1
East	97.2	98.4
London	129.3	122.9
South East	107.1	108.4
South West	94.1	96.7
England	101.7	101.6
Wales	86.2	87.2
Scotland	94.9	96.0
Northern Ireland	87.1	83.9
United Kingdom	100.0	100.0

Source: ONS

The data¹⁴ show that:

- Wales has the lowest GVA per filled job and the second lowest GVA per hour worked in the UK after Northern Ireland.
- Between 2000 and 2006 GVA per filled job in Wales fell from 90.4 per cent of the UK average to 86.2 per cent of the UK average.
- Between 2000 and 2006 GVA per hour worked in Wales fell from 91.9 per cent of the UK average to 87.2 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 2006.

¹⁴Office for National Statistics, [Productivity 2nd quarter 2008](#), 1 October 2008:

Figure 5.1: GVA per filled job, Wales as percentage of UK, 1999 to 2006



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 2006.

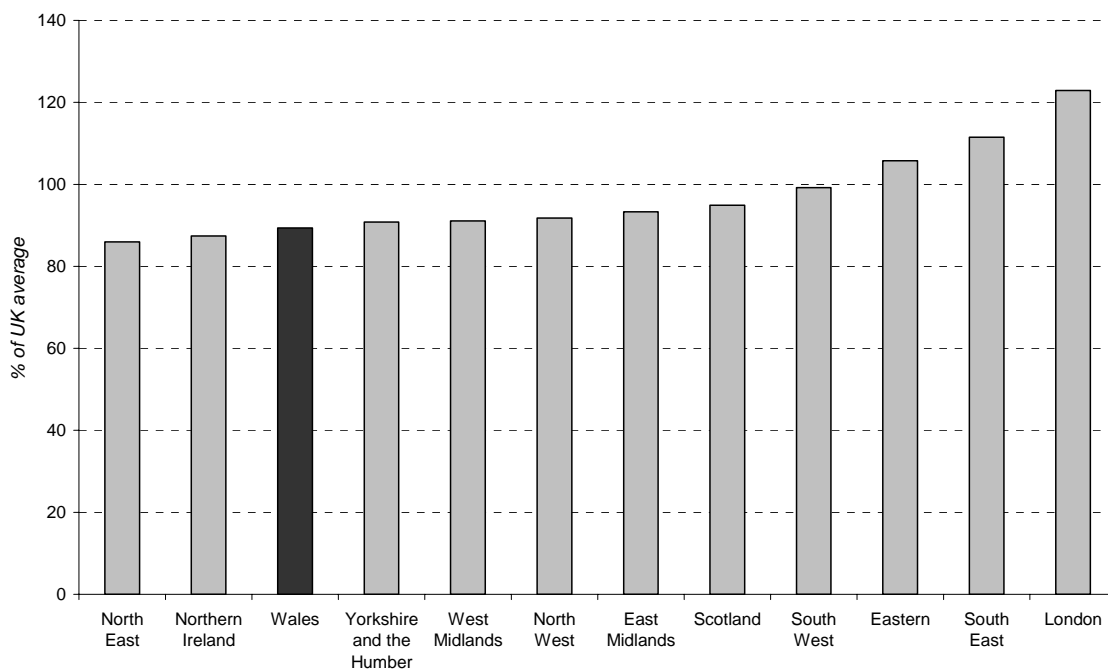
Figure 5.2: GVA per hour worked, Wales as per cent of UK, 1999 to 2006



Source: Office for National Statistics

6 Regional Household Income

Figure 6.1: Gross Disposable Household Income (GDHI) per head by UK nations and regions, 2006 (a)



Source: ONS

(a) 2006 data are provisional

The data¹⁵ show that:

- GDHI per head in Wales in 2006 was £12,312 or 89.4 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 7 years, apart from a very slight fall between 2002 and 2003.
- GDHI per head in Wales in 2006 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 2006.
- Between 1999 and 2006, headline GDHI per head in Wales increased by 37.5 per cent, a bigger increase than the UK as a whole (33.0 per cent) and the highest

¹⁵Office for National Statistics, *Regional Household Income*, 9 May 2008:

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.

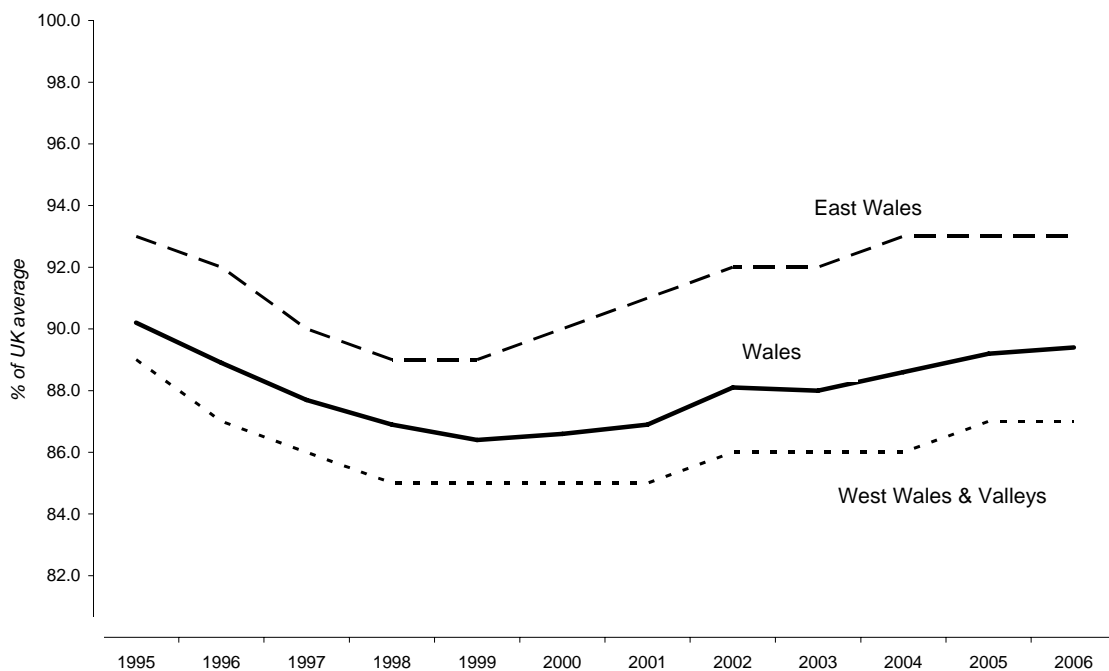
Unadjusted GDHI estimates and components at the NUTS2 level are to be supplied to Eurostat. These data are not directly used to inform funding decisions but may be used to support arguments in the debate around the relative welfare of regions in the UK and the EU area.

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 3.0 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 93 per cent and 87 per cent of the UK average respectively in 2006. GDHI per head in West Wales and the Valleys and East Wales increased by 2 and 4 percentage points respectively, relative to the UK average between 1999 and 2006.

Figure 6.2 GDHI per head as a percentage of the UK average, Wales (NUTS1 and NUTS 2 areas), 1995-2006



7 Labour Market

7.1 Summary

Table 7.1 Summary of Welsh Labour Market¹⁶

	<i>(per cent)</i>			
	Wales	Wales change on year (% points)	UK	UK change on year (% points)
Labour Force Survey, August – October 2008				
Employment rate (a)	71.0	-0.8	74.2	-0.4
ILO unemployment rate (b)	6.6	1.5	6.0	0.7
Inactivity rate (c)	23.8	-0.4	20.9	-0.2

Source: Office for National Statistics

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.

Map 7.1 shows the employment rate by local authority in Wales for the year ending June 2008. The map shows Flintshire has the highest employment rate (78.7% of the working age population), whilst Ceredigion has the lowest at 65.5%.

Map 7.2 shows the ILO unemployment rate by local authority in Wales for the year ending June 2008. The highest unemployment rate is in Torfaen (8.8% of the economically active population aged 16 and over), whilst the lowest rate is in Flintshire (2.8%).

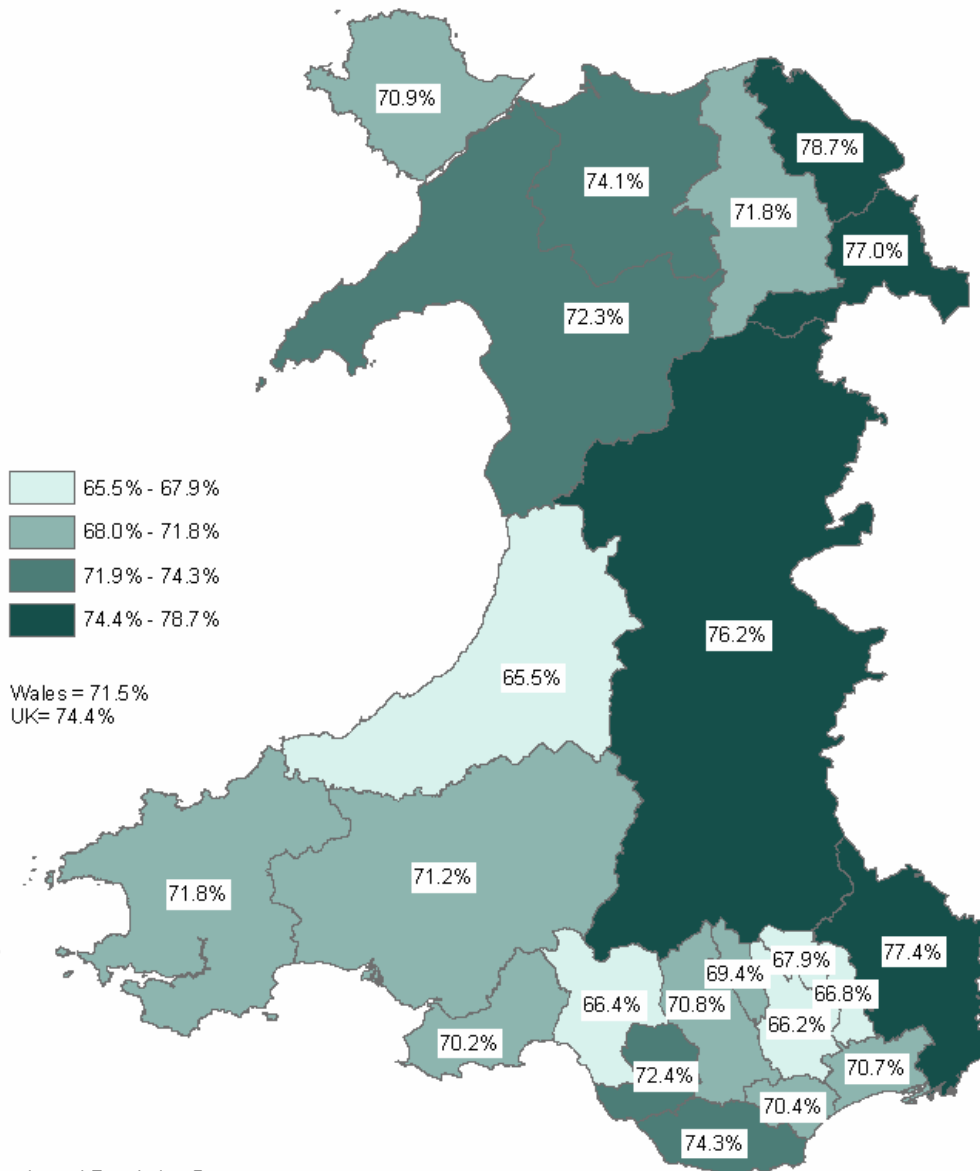
Map 7.3 shows the inactivity rate by local authority in Wales for the year ending June 2008. The highest inactivity rate is in Neath Port Talbot (30.2% of the working age population), whilst the lowest rate is in Wrexham (18.9%).

Map 7.4 shows the inactivity rate, excluding students, by local authority in Wales for the year ending June 2008. The highest inactivity rate, excluding students, is in Neath Port Talbot (28.2% of the working age population), whilst the lowest rate is in Flintshire (15.5%).

¹⁶ Office for National Statistics, [Labour Market Statistics Regional Monthly Data](#)



Map 7.1: Employment rate¹⁷ by local authority, Wales, Year ending June 2008.

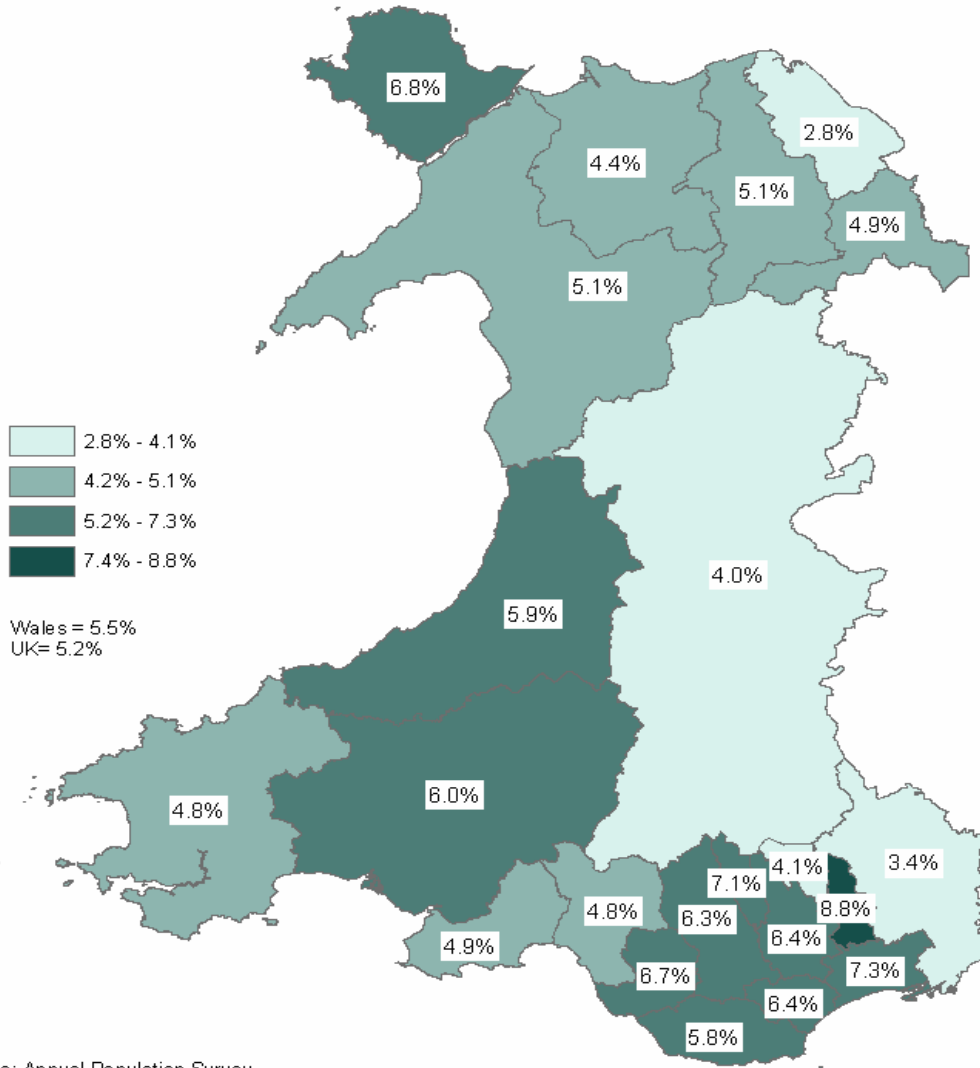


Source: Annual Population Survey,
 Office for National Statistics

¹⁷ 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 rate¹⁸ by local authority, Wales, Year ending June 2008



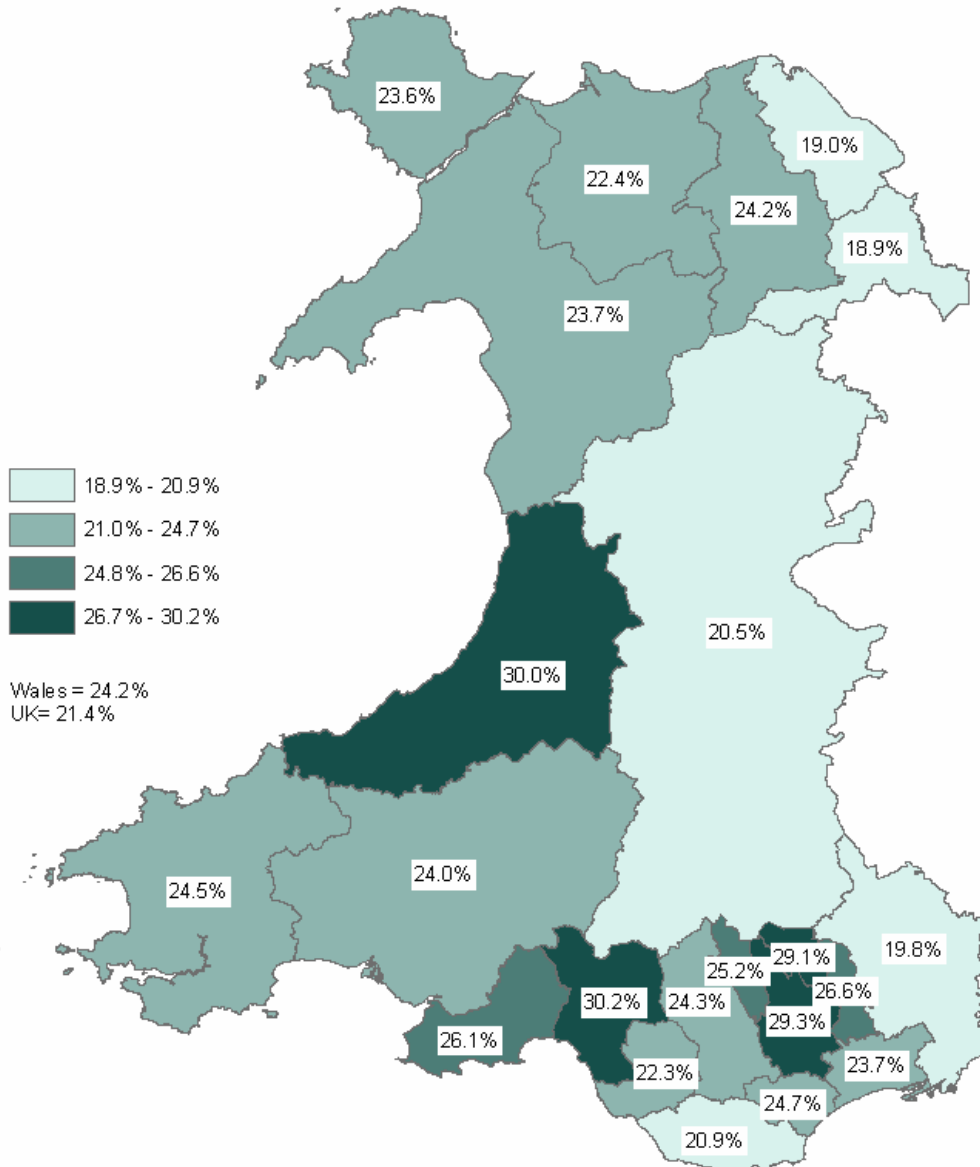
Source: Annual Population Survey,
 Office for National Statistics

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 The National Assembly for Wales, Parliamentary Service, Llysoed 100047295, 2008

¹⁸ 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 rate¹⁹ by local authority, Wales, Year ending June 2008.

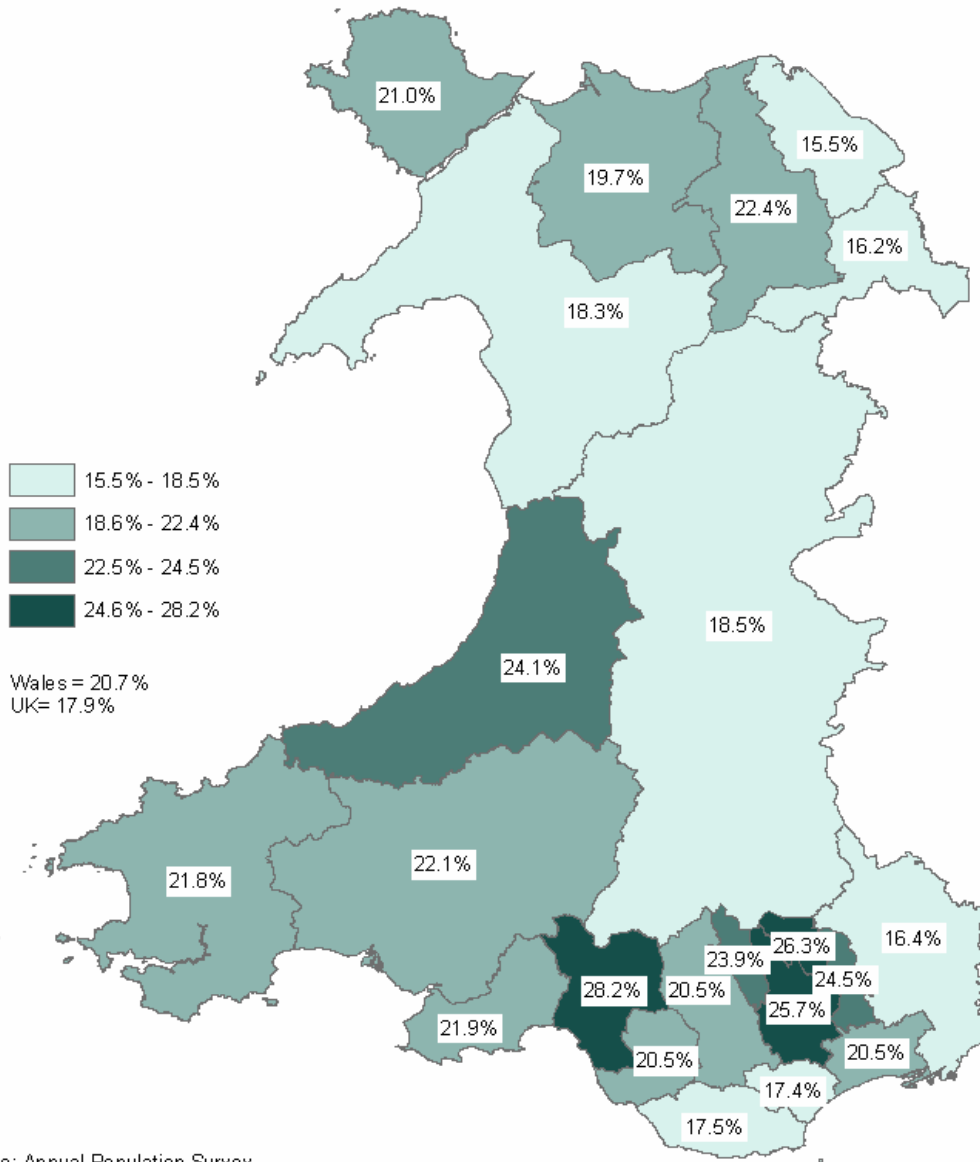


Source: Annual Population Survey,
 Office for National Statistics

¹⁹ 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 students²⁰ by local authority, Wales, Year ending June 2008



Source: Annual Population Survey,
 Office for National Statistics

²⁰ 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 Assembly constituencies for November 2008. 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 so²¹. 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 Assembly constituency as at November 2008. 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 population aged 16 and over 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 unemployed²². The number of economically active residents in each constituency is derived from the 2001 Census of Population results for the revised Assembly Constituency boundaries produced by the Office for National Statistics.

Table 7.3 shows the unofficial residence-based estimates of claimant count rates, broken down by gender, as at November 2008.

Map 7.5 shows the spread of the unofficial residence-based claimant count rates by constituency, as at November 2008.

²¹ 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>

²² Official Claimant count rates or proportions are not available for the Assembly Constituency boundaries that came into effect in May 2007. 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. 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 between areas in the proportion that are economically active.



Table 7.2 Claimant count by Assembly constituency, November 2008(a)

*not seasonally
adjusted*

Constituency	Men	Women	People
Aberavon	928	301	1,229
Aberconwy	652	186	838
Alyn and Deeside	887	306	1,193
Arfon	887	215	1,102
Blaenau Gwent	1,825	591	2,416
Brecon and Radnorshire	584	219	803
Bridgend	935	322	1,257
Caerphilly	1,433	457	1,890
Cardiff Central	1,215	348	1,563
Cardiff North	696	260	956
Cardiff South and Penarth	1,725	549	2,274
Cardiff West	1,325	429	1,754
Carmarthen East and Dinefwr	585	196	781
Carmarthen West and South Pembrokeshire	632	187	819
Ceredigion	537	180	717
Clwyd South	902	273	1,175
Clwyd West	918	236	1,154
Cynon Valley	1,191	382	1,573
Delyn	764	262	1,026
Dwyfor Meirionydd	615	213	828
Gower	675	241	916
Islwyn	1,249	384	1,633
Llanelli	1,136	307	1,443
Merthyr Tydfil and Rhymney	1,706	522	2,228
Monmouth	626	216	842
Montgomeryshire	487	181	668
Neath	995	319	1,314
Newport East	1,194	351	1,545
Newport West	1,307	405	1,712
Ogmore	1,235	386	1,621
Pontypridd	1,021	301	1,322
Preseli Pembrokeshire	666	254	920
Rhondda	1,456	402	1,858
Swansea East	1,237	337	1,574
Swansea West	1,113	326	1,439
Torfaen	1,392	405	1,797
Vale of Clwyd	1,169	318	1,487
Vale of Glamorgan	1,368	420	1,788
Wrexham	926	273	1,199
Ynys Mon	973	319	1,292
Wales	41,167	12,779	53,946

Source: Nomis

(a) Count of claimants of Job Seeker's Allowance. The highest local authority figure in each column is highlighted in bold text.



Table 7.3 Residence-based claimant count rates by Assembly constituency, November 2008(a)

not seasonally adjusted

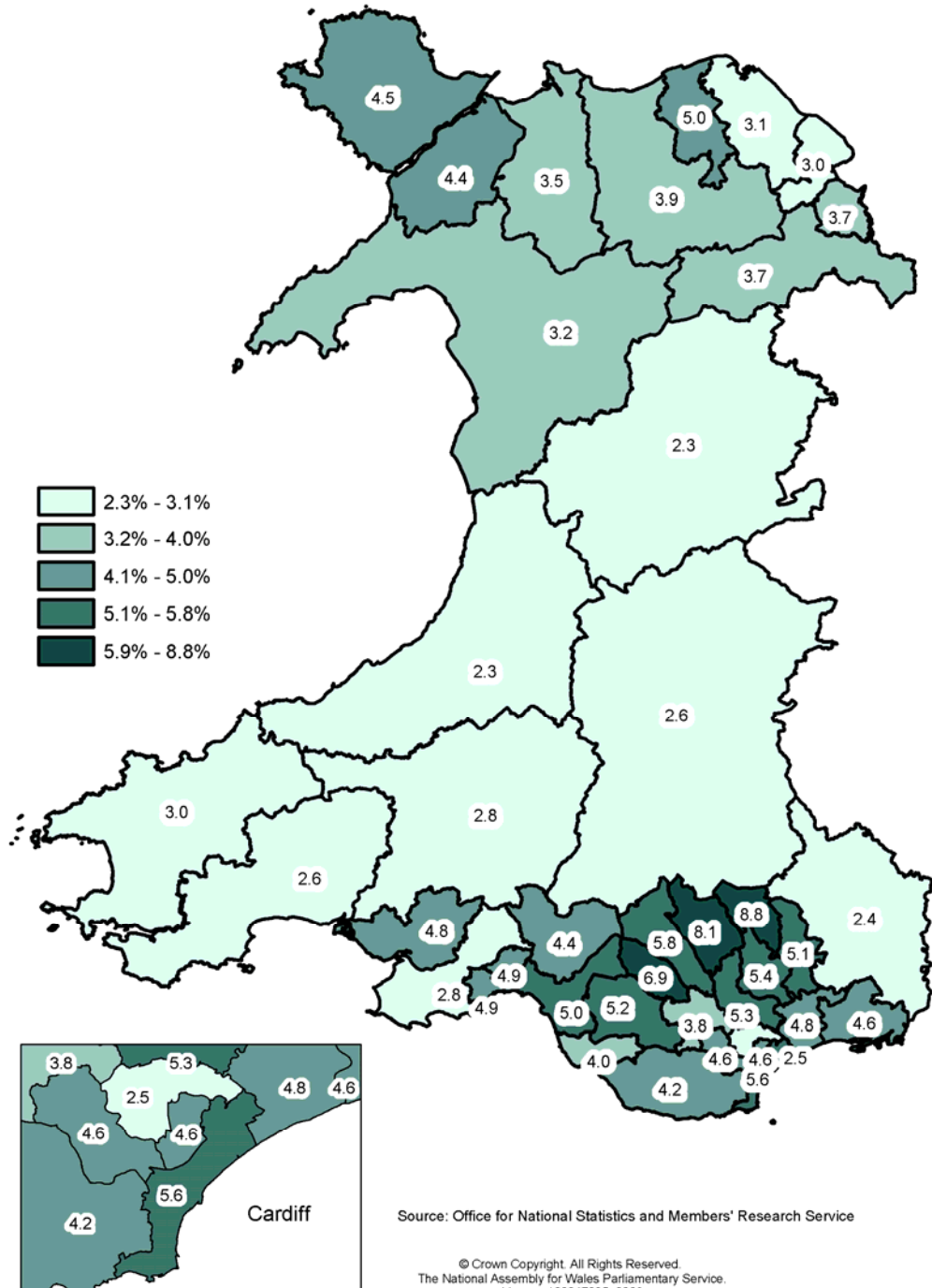
Constituency	Men	Women	People
Aberavon	6.8	2.8	5.0
Aberconwy	5.0	1.7	3.5
Alyn and Deeside	4.1	1.7	3.0
Arfon	6.7	1.9	4.4
Blaenau Gwent	11.9	4.8	8.8
Brecon and Radnorshire	3.4	1.6	2.6
Bridgend	5.5	2.3	4.0
Caerphilly	7.4	2.8	5.3
Cardiff Central	6.8	2.2	4.6
Cardiff North	3.5	1.4	2.5
Cardiff South and Penarth	8.1	2.9	5.6
Cardiff West	6.6	2.4	4.6
Carmarthen East and Dinefwr	3.8	1.5	2.8
Carmarthen West and South Pembrokeshire	3.8	1.3	2.6
Ceredigion	3.1	1.3	2.3
Clwyd South	5.1	1.9	3.7
Clwyd West	5.7	1.7	3.9
Cynon Valley	8.1	3.1	5.8
Delyn	4.2	1.7	3.1
Dwyfor Meirionydd	4.3	1.9	3.2
Gower	3.8	1.6	2.8
Islwyn	7.5	2.8	5.4
Llanelli	6.9	2.2	4.8
Merthyr Tydfil and Rhymney	11.3	4.2	8.1
Monmouth	3.3	1.3	2.4
Montgomeryshire	3.1	1.4	2.3
Neath	6.1	2.4	4.4
Newport East	6.5	2.3	4.6
Newport West	6.9	2.5	4.8
Ogmore	7.2	2.8	5.2
Pontypridd	5.4	1.9	3.8
Preseli Pembrokeshire	4.0	1.8	3.0
Rhondda	9.7	3.4	6.9
Swansea East	7.1	2.3	4.9
Swansea West	7.0	2.4	4.9
Torfaen	7.3	2.5	5.1
Vale of Clwyd	7.3	2.3	5.0
Vale of Glamorgan	6.0	2.1	4.2
Wrexham	5.3	1.8	3.7
Ynys Mon	6.1	2.5	4.5
Wales	6.0	2.2	4.3

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

(a) Unofficial residence based rates: Claimants of Job Seekers Allowance as a percentage of the economically active population aged 16 and over derived from the 2001 Census of Population. The highest local authority figure in each column is highlighted in bold text.



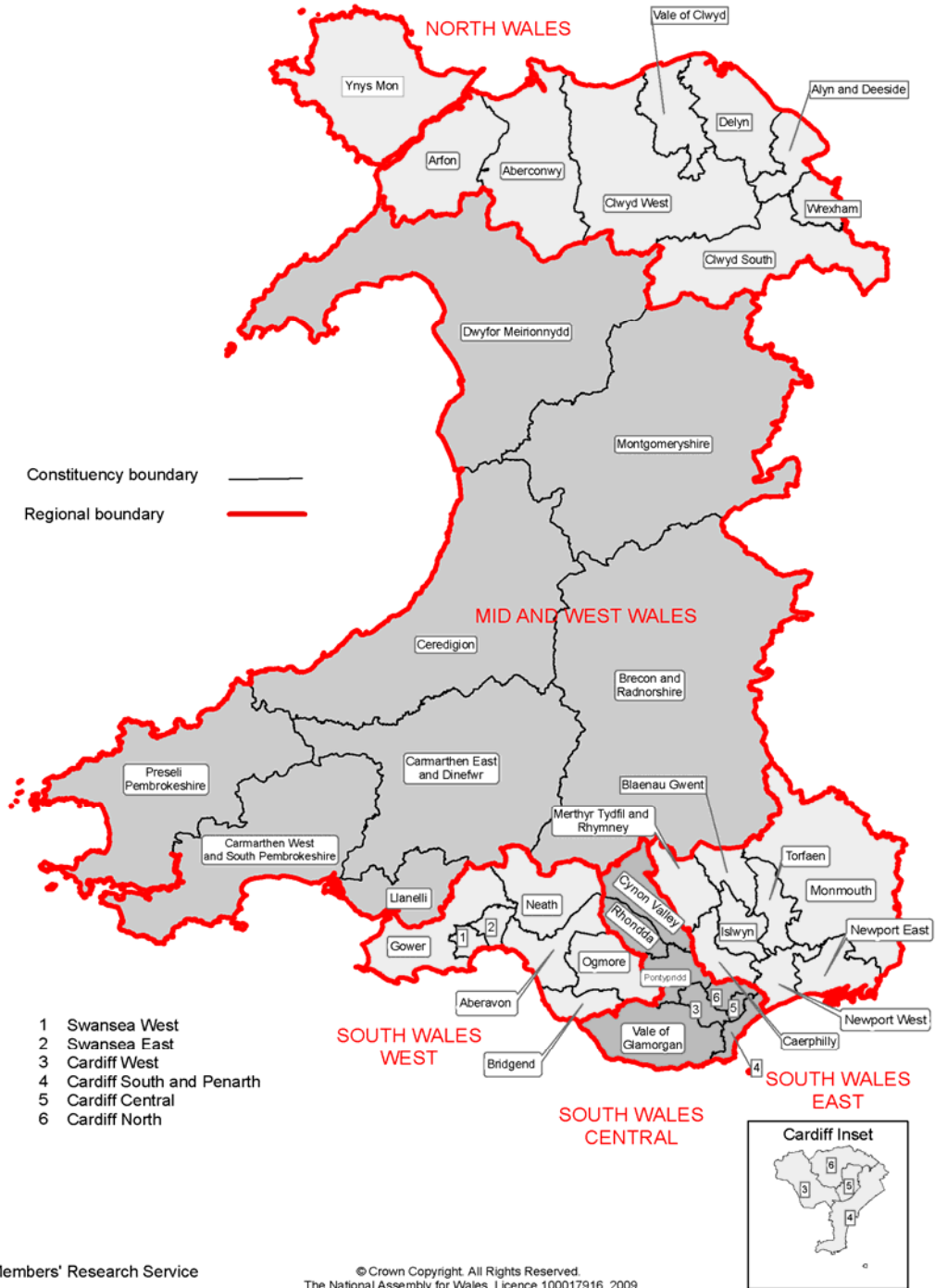
Map 7.5: Residence-based (unofficial) claimant count rates (a) by Assembly Constituency in Wales, November 2008



(a) Unofficial residence based rates: Claimants of Job Seekers Allowance as a percentage of the economically active population aged 16 and over derived from the 2001 Census of Population



Assembly Constituencies



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.

Employment and Support Allowance²³ (ESA) was introduced on 27 October 2008 and has replaced Incapacity Benefit, paid because of an illness or disability, for new customers only.

Map 7.6 shows the number of people claiming long-term incapacity benefit by Parliamentary constituency²⁴ in Wales at May 2008, 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.

The constituency with the largest number of people claiming long-term incapacity benefit is Rhondda (6,540 claimants). This represents 16 per cent of the population aged 16 to 64 and is the highest rate in Wales.

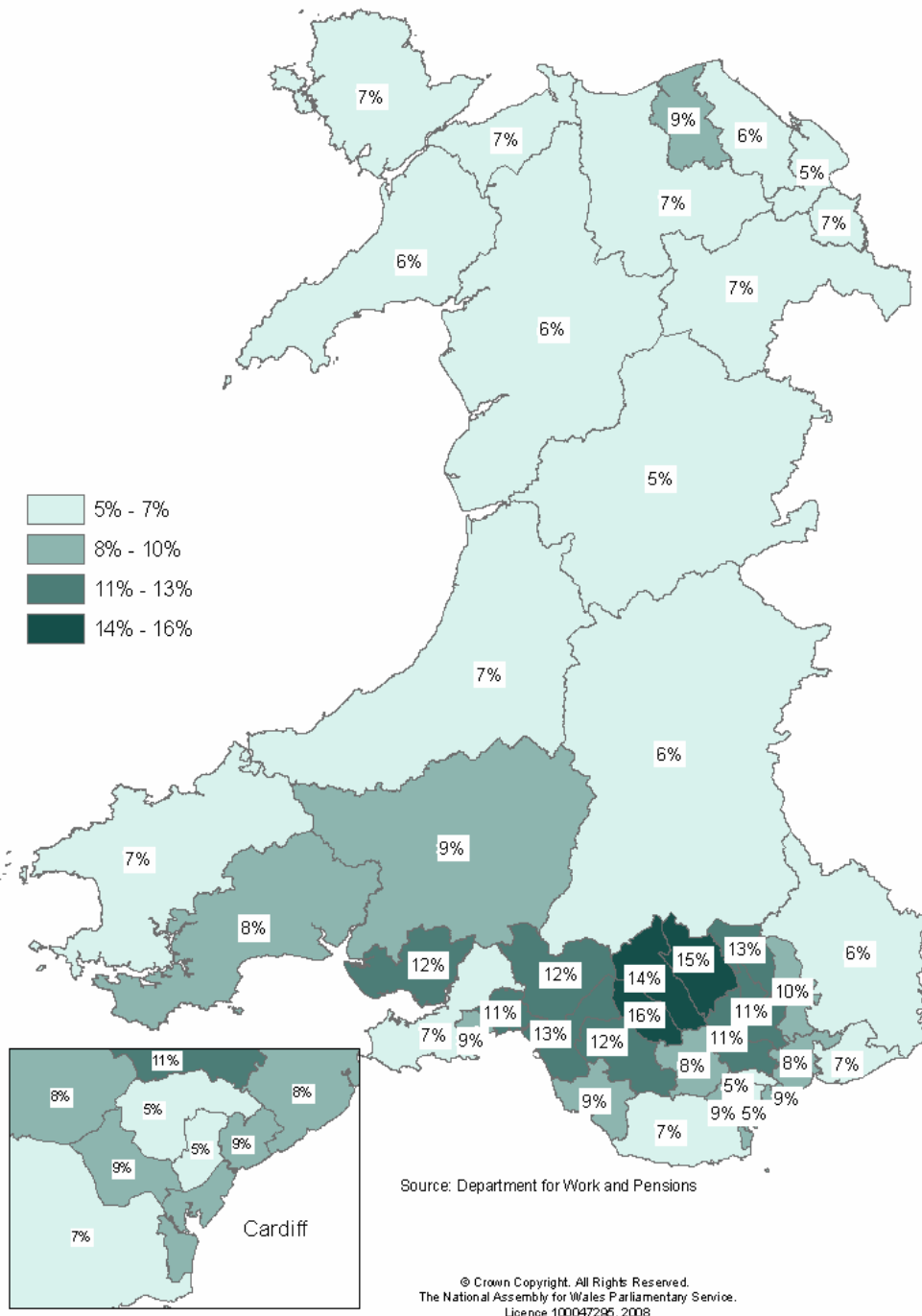
Meirionnydd Nant Conwy has the fewest claimants of long-term incapacity benefit (1,440 claimants), which represents 6 per cent of the population aged 16 to 64. The constituencies with the lowest rates are Alyn and Deeside, Cardiff Central, Cardiff North, and Montgomeryshire, where 5 per cent of the population aged 16 to 64 is claiming long-term incapacity benefit.

²³ Further Information on Employment and Support Allowance is available on the Jobcentre Plus website at: http://www.jobcentreplus.gov.uk/JCP/Customers/WorkingAgeBenefits/Dev_015412.xml.html

²⁴ 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.



Map 7.6: Long-term Incapacity Benefit rates (a) by Parliamentary Constituency in Wales, May 2008



(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, 2007 to 2008. (workplace based)

£		
Area	2007	2008
Wales	404.3	421.0
United Kingdom	457.6	478.6
Wales as % of UK	88.4%	88.0%

Source: ONS Annual Survey of Hours and Earnings 2008

Table 8.2: Mean gross weekly earnings, full-time employees on adult rates, by UK region, 2007 to 2008. (workplace based)

£		
Area	2007	2008
Wales	472.0	498.1
United Kingdom	550.3	574.3
Wales as % of UK	85.8%	86.7%

Source: ONS Annual Survey of Hours and Earnings 2008

ASHE 2008 data show that²⁵:

- Median gross weekly earning for full-time adults working in Wales were £421.0 in April 2008, 88.0% of the median for the UK as a whole (£478.6).
- Median gross weekly earnings in Wales increased by 4.1 per cent between 2007 and 2008, compared to a 4.6 per cent increase across the UK as a whole.
- Mean gross weekly earnings for full-time adults working in Wales were £ 498.1 in April 2008, 86.7 per cent of the average for the UK as a whole (£574.3).
- Mean gross weekly earnings in Wales increased by 5.5 per cent between 2007 and 2008, compared to a 4.4 per cent increase across the UK as a whole.

²⁵ 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:

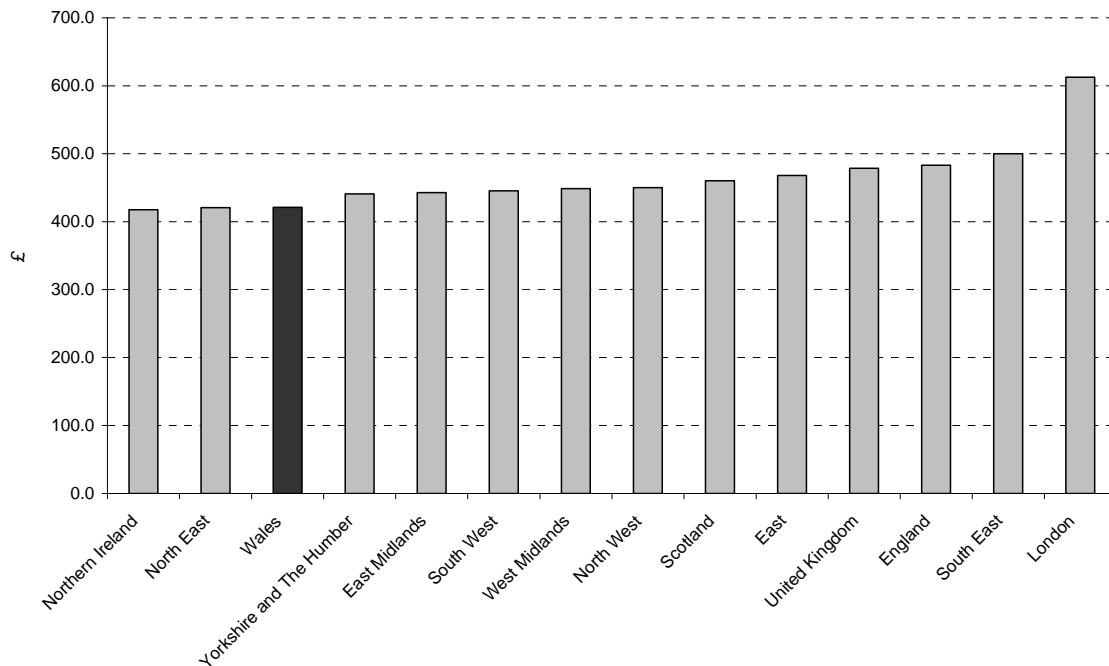
<http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13101>



- Wales had the 3rd lowest mean and the 3rd lowest median weekly full-time earnings in the UK in 2008. In both cases, the North East and Northern Ireland were ranked lower.

Figure 8.1 charts median gross weekly earnings of full time employees on adult rates working in Wales and other regions of the UK in 2008.

Figure 8.1: Median weekly gross earnings for full time employees, by region, April 2008



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 2008. 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 2008.

£

Unitary Authority	Median	Annual Percentage Change
Isle of Anglesey	427.9 (b)	7.2
Gwynedd	389.9 (b)	-6.3
Conwy	437.4 (b)	10.1
Denbighshire	392.0 (b)	2.6
Flintshire	440.9 (b)	0.0
Wrexham	452.8 (b)	10.7
Powys	384.6 (b)	-4.1
Ceredigion	370.1 (b)	5.3
Pembrokeshire	413.9 (c)	13.6
Carmarthenshire	425.2 (b)	5.5
Swansea	421.9 (b)	0.8
Neath Port Talbot	443.0 (b)	5.9
Bridgend	430.0 (b)	2.4
Vale of Glamorgan	467.2 (b)	3.3
Cardiff	451.9 (a)	2.2
Rhondda, Cynon, Taff	411.9 (b)	3.6
Merthyr Tydfil	418.1 (b)	11.5
Caerphilly	398.9 (b)	-1.8
Blaenau Gwent	362.2 (c)	5.7
Torfaen	434.0 (b)	2.3
Monmouthshire	541.8 (b)	5.5
Newport	416.9 (b)	5.2
Wales	425.3 (a)	2.5

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%

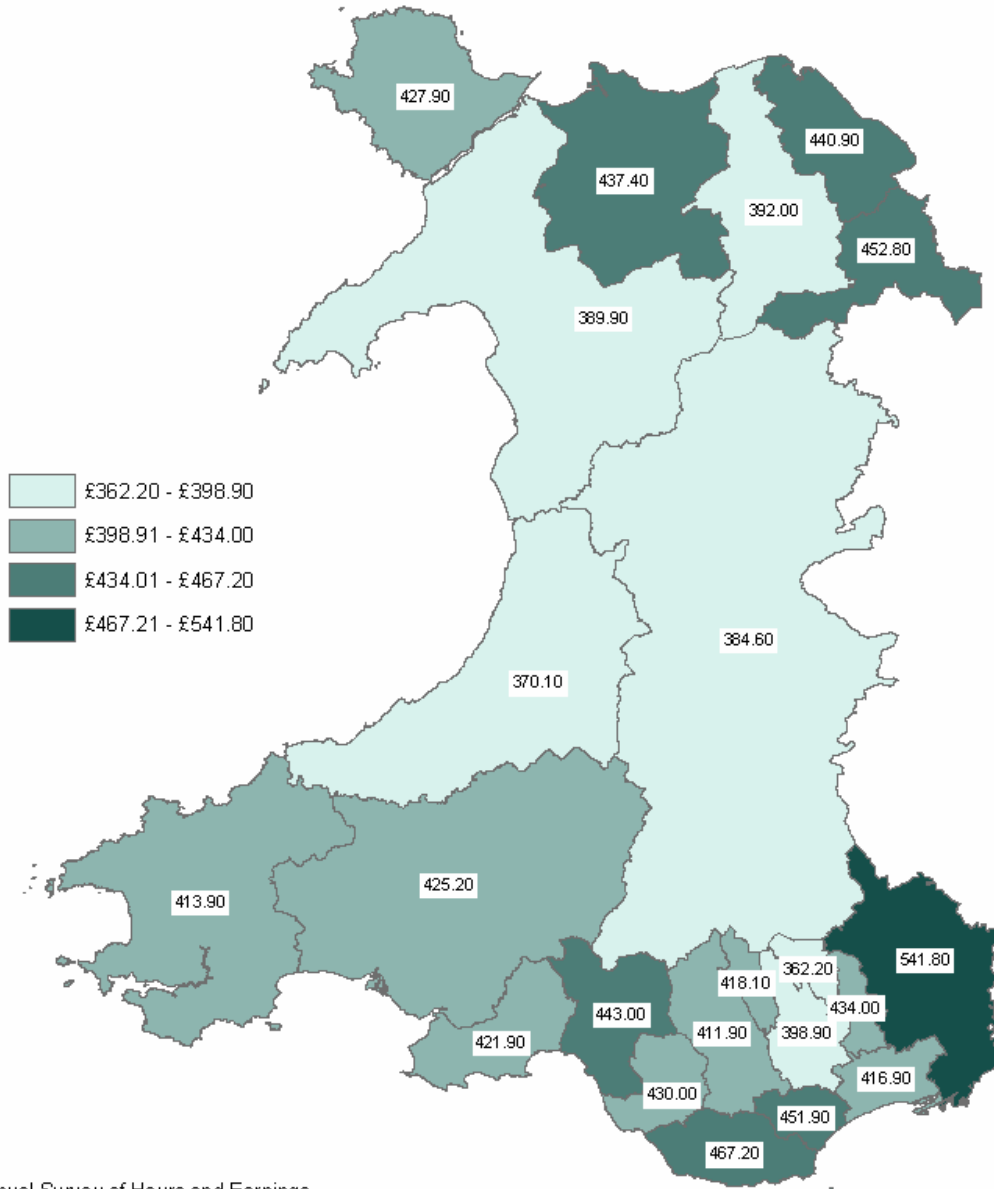
(b) CV of more than 5% and less than or equal to 10%

(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 2008.



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

9 Exports

Table 9.1 Summary of Welsh exports

	Wales	UK ²⁶
Change in value of exports (latest 4 quarters compared to the previous 4 quarters)	14.1% increase	11.6% increase
Change in value of exports to non-EU countries (latest 4 quarters compared to the previous 4 quarters)	16.1% increase	15.8% increase
Change in value of exports to EU countries (latest 4 quarters compared to the previous 4 quarters)	12.8% increase	8.2% increase

Source: Welsh Assembly Government, *Welsh exports: third quarter 2008*, 6 January 2009

The latest information on Welsh exports²⁷ shows that Welsh exports for the four quarters up to and including quarter 3 2008 were up 14.1 per cent on the previous four quarters (UK up 11.6 per cent). Figures for quarter 3 2008 in isolation were up on both the same quarter of 2007 and the previous quarter.

The key results are as follows.

- The value of exports for Wales for the four quarters up to and including quarter 3 2008 rose by £1,280 million compared to the previous four quarters.
- There was an increase in exports to EU countries of £701 million (up 12.8 per cent), as well as an increase in exports to non-EU countries (up £579 million, 16.1 per cent).
- All of the twelve devolved countries and English regions saw increases over this period. The North East and South East regions saw the biggest percentage increases in the value of exports over these four quarters followed by Wales (up 27.8 per cent and 17.4 per cent respectively).
- There was a 61.8 per cent increase in Welsh exports between 1999 and the latest four quarters. This compares with an increase of 42.5 per cent for the UK.

²⁶Throughout this section, the UK figure refers to the total for the nine English regions and other UK countries, with non-regionalised exports excluded.

²⁷ Welsh Assembly Government Statistical Directorate, [Welsh Exports up to Quarter 3, 2008](#), 6 January 2009



- Looking at quarter 3 2008 in isolation, total exports (by value) for Wales increased on the corresponding quarter in 2007 by £830 million (up 38.3 per cent) to £2,993 million. All of the devolved countries and English regions experienced increases in exports over this period with Wales having the largest increase and the East Midlands the smallest increase. Overall, the value of exports for the sum of the UK countries increased by 16.9 per cent.
- Welsh exports for quarter 3 2008 were higher in value than in the previous quarter (up £266 million or 9.8 per cent), compared to a fall of 1.6 per cent for the UK. Nine of the twelve devolved countries and English regions experienced a fall in the value of exports on the previous quarter with the East having the largest fall (down 10.3 per cent).

10 Production and Construction

Table 10.1 Summary of the Index of Production and Index of Construction, Quarter 2 2008²⁸
 - Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in production output	3.1% increase	0.2% increase
Change in manufacturing output	4.8% increase	0.2% increase
Change in construction output	0.5% increase	2.8% increase

Source: Welsh Assembly Government Statistical Directorate, *Welsh Index of Production and Construction, Quarter 2 2008*, 12 November 2008

The key points from the latest release are:

- The Index of Production for Wales for the latest four quarters rose by 3.1 per cent compared with the previous four quarters. The UK index rose by 0.2 per cent over the same period.
- Production output in Wales for the latest quarter shrank by 0.1 per cent compared with the previous quarter. The UK index fell by 0.7 per cent over the same period.
- Electricity and Gas fell by 6.2 per cent in the latest four quarters compared with the previous four quarters in Wales. The UK index rose by 3.2 per cent over the same period.
- The Index of Construction for Wales for the latest four quarters rose by 0.5 per cent compared with the previous four quarters. The UK Index rose by 2.8 per cent over the same period.

²⁸ Welsh Assembly Government Statistical Directorate, [Welsh Index of Production and Construction, Quarter 2 2008](#), 12 November 2008

11 Index of Market Services

Table 11.1 Summary of the Index of Market Services, Quarter 2 2008²⁹
Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in Index of Market Services	0.2% decrease	3.3% increase
Change in Index of Distribution	0.1% increase	2.9% increase
Change in Index of Business Services	0.6% decrease	4.2% increase

Source: Welsh Assembly Government Statistical Directorate, *Welsh Index of Market Services*, 12 November 2008

The key points from the latest release are:

- The Welsh Index of Market Services for the latest four quarters fell by 0.2 per cent compared with the previous four quarters. The UK index rose by 3.3 per cent over the same period.
- The Welsh Index of Distribution for the latest four quarters rose by 0.1 per cent compared with the previous four quarters. The UK index rose by 2.9 per cent over the same period.
- The Welsh Index of Business Services for the latest four quarters fell by 0.6 per cent compared with the previous four quarters. The UK index rose by 4.2 per cent over the same period.

²⁹ Welsh Assembly Government Statistical Directorate, [Welsh Index of Market Services, Quarter 2 2008](#), 12 November 2008

12 Research and Development

Table 12.1: R&D performed within UK Businesses, Wales, 1997 to 2006

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	475	2.3
2005	233	1.8	510	2.4
2006	222	1.6

Source: Welsh Assembly Government Statistical Directorate, StatsWales³⁰

The data show that:

- In 2006, BERD expenditure for Wales was £222 million, down by 4.7 per cent on the figure for 2005. In 2006 BERD expenditure for Wales represented 1.6 per cent of the UK total.
- Between 2005 and 2006, BERD expenditure in the UK increased by 7.5 per cent to £14.3 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.

³⁰ 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/berd1107.pdf>

13 VAT Registrations

Table 13.1: VAT registered businesses: stocks, registrations and de-registrations, Wales, 1999 to 2008

Year	Stock	Stock as % of UK stock	Registrations	Registrations as % of UK registrations	De-registrations	Number De-registrations as % of UK de-registrations
1999	78,885	4.6	6,115	3.5	5,855	4.1
2000	79,140	4.5	6,305	3.5	5,505	3.7
2001	79,940	4.5	6,055	3.6	5,215	3.5
2002	80,780	4.5	6,405	3.6	6,145	4.0
2003	81,040	4.4	7,220	3.8	6,245	4.1
2004	82,015	4.4	7,090	3.9	5,550	3.7
2005	83,555	4.4	6,720	3.7	5,220	3.7
2006	85,050	4.4	6,525	3.6	5,365	3.7
2007	86,215	4.4	6,820	3.3	5,700	3.9
2008	87,335	4.3	-	-	-	-

Source: Welsh Assembly Government Statistical Directorate, StatsWales³¹

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:

- There were 6,820 VAT registrations in Wales during 2007, 4.5 per cent more than in 2006. Across the UK VAT registrations increased by 13.0 per cent between 2006 and 2007.
- Registrations increased in all regions except Northern Ireland, with the largest increase in Scotland (up 24.2 per cent). The percentage increase in Wales was the second lowest in the UK.
- There were 5,700 VAT de-registrations in Wales during 2007, an increase of 6.2 per cent over 2006. Across the UK, VAT de registrations increased by 2.4 per cent.
- The percentage increase in VAT de-registrations in Wales was the highest out of the all the UK countries and regions.
- The total VAT registered stock in Wales increased by 1,120 (1.3 per cent) during 2007, to stand at 87,335 at the start of 2008, the highest level in the current series of

³¹ Further information on these statistics can be found at:
<http://wales.gov.uk/topics/statistics/headlines/econ2008/hdw200811282/?lang=en>



data (which began in 1994). The total VAT registered stock in the UK rose by 2.9% during 2007.

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 2008, the VAT threshold was set at an annual turnover of £67,000.

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.

14 Economic Development Strategies

Since 1999 the Welsh Assembly Government has produced a number of economic development strategies - from *A Winning Wales* in 2002, *A Winning Wales Refresh* in 2004 and *Wales: A Vibrant Economy*³² in 2005. When *Wales : A Vibrant Economy* was published, Andrew Davies, then Minister for Economic Development and Transport stated³³:

'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

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

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

³² Welsh Assembly Government, [Wales : A Vibrant Economy](#), November 2005,

³³ National Assembly for Wales, WAQ45024, [RoP p8, 1-8 December 2005](#)

The *One Wales*³⁴ document published in 2007 contains a number of economic development commitments, including the development of a 'Green Jobs Strategy' which was published for consultation on 18 November 2008³⁵.

The *One Wales* document also contains a commitment to implement a labour market strategy with a long term goal of full employment at a rate of 80%. According to the *One Wales Delivery Plan 2007-2011*³⁶ the *Skills that work for Wales - A Skills and Employment Strategy and Action Plan*³⁷ is the labour market strategy that is referred to in *One Wales*

Based on the current working age population and the latest labour market statistics³⁸, to achieve an employment rate of 80 per cent would require approximately an extra 150,000 people of working age to be employed in Wales. There are currently 79,000 people unemployed in Wales and 335,000 people of working age (excluding students) who are economically inactive.

In June 2008 the Deputy First Minister announced details of his department's 'new approach' to economic development³⁹.

Since October 2008 the Welsh Assembly Government has held three 'All-Wales Economic Summits' in order to coordinate a response to the current economic downturn⁴⁰. The Assembly Government and Secretary of State for Wales also published a joint response to the changing economic circumstances in October 2008⁴¹.

³⁴ [One Wales: A progressive agenda for the government of Wales](#), 27 June 2007

³⁵ Welsh Assembly Government, [Green jobs for Wales: A consultation](#), November 2008

³⁶ Welsh Assembly Government, [One Wales Delivery Plan 2007-2011](#)

³⁷ Welsh Assembly Government, [Skills that work for Wales - A Skills and Employment Strategy and Action Plan](#), July 2008

³⁸ Annual Population Survey, year ending June 2008.

³⁹ Cabinet Statement, Deputy First Minister, [Recommendations from the Ministerial Advisory Group - A new approach to Economic Development](#), 24 June 2008

⁴⁰ Welsh Assembly Government press release, [Investment boosts Welsh economy by nearly £1 billion](#), 5 December 2008

⁴¹ Welsh Assembly Government and the Secretary of State for Wales, [The Economy: A Focus on Wales](#), October 2008

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).

Gross Value Added - GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. The GVA generated by any unit engaged in production activity can be calculated as the residual of the units' total output less intermediate consumption (that is, goods and services used up in the process of producing the output), or as the sum of the factor incomes generated by the production process. GVA also allows for regional analysis and productivity comparisons to be made and is used in the estimation of Gross Domestic Product (GDP).

Gross Domestic Product - 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 and GDP estimates are outlined below:

- **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.
- **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.

- **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 figures⁴². 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** - 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.

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

⁴² Regional consumer price level estimates are available, but it is not possible to use consumer price figures to deflate the regional GVA estimates.

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.

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.

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