



National Assembly for Wales  
Cynulliad Cenedlaethol Cymru

# Regional and Local Gross Value Added

## **Abstract**

This paper provides information on the regional and local area Gross Value Added (GVA) data released by the Office for National Statistics (ONS) on 15 December 2006.

December 2006

Members' Research Service / Gwasanaeth Ymchwil yr Aelodau





# Regional and Local Gross Value Added

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December 2006

Paper number: 06/082

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## Executive Summary

This paper provides information on the regional and local area Gross Value Added (GVA) data released by the Office for National Statistics (ONS) on 15 December 2006. It includes the 2005 GVA figures for Wales and the 2004 GVA figures for West Wales & the Valleys and East Wales.

- ◆ GVA per head in Wales in 2005<sup>1</sup> was £13,813 or 78.1 per cent of the UK average. 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.
- ◆ 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. East Wales 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 66 per cent. Per head GVA in West Wales and 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.
- ◆ 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.

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<sup>1</sup> 2005 figures are provisional





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## Regional and Local Gross Value Added

This paper provides information on the regional and local area Gross Value Added (GVA) data released by the Office for National Statistics (ONS) on 15 December 2006<sup>2</sup>. It includes the 2005 GVA figures for Wales and the 2004 GVA figures for West Wales & the Valleys and East Wales.

### 1 Regional GVA - 2005

#### 1.1 GVA per head

**Table 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  |
| <b>2005(c)</b> | <b>13,813</b>      | <b>17,677</b>      | <b>78.1</b>                                     |

Source: Office for National Statistics

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

The latest Gross Value Added (GVA) estimates published by the Office for National Statistics (ONS) show that<sup>3</sup>:

<sup>2</sup> ONS First Release, *Regional, sub-regional and local gross value added*, 15 December 2006:

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

<sup>3</sup> *ibid*

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>

- ◆ GVA per head in Wales in 2005<sup>4</sup> 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.
- ◆ 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 whole<sup>5</sup> was 3.9 per cent.

## 1.2 *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 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.

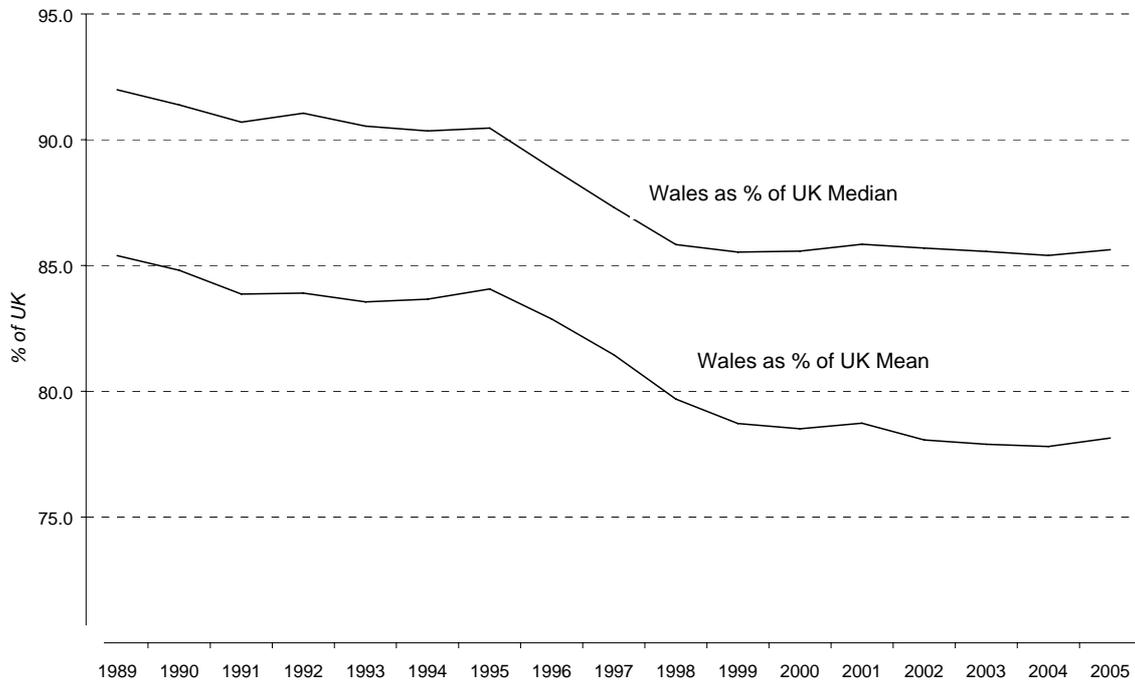
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<sup>4</sup> 2005 figures are provisional

<sup>5</sup> 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.



Figure 1: Gross Value Added, Wales as a percentage of UK mean and UK median

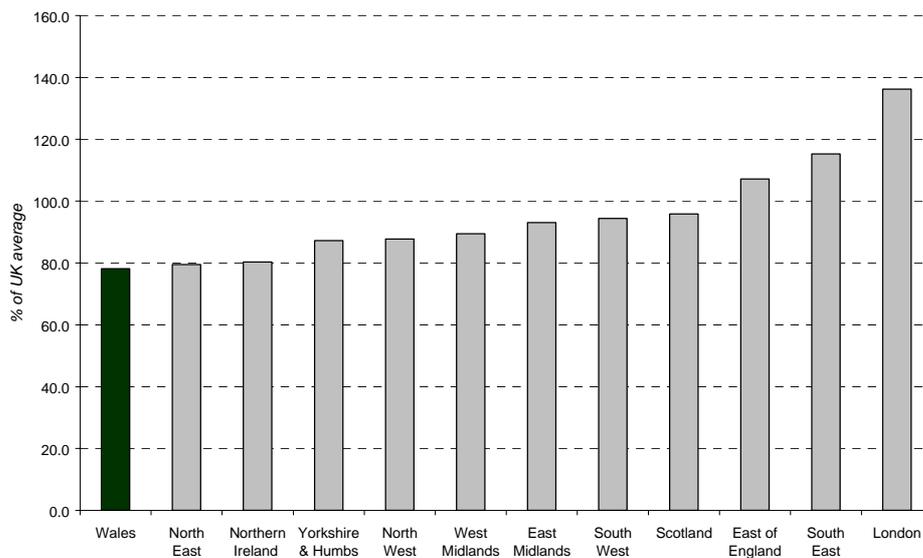


Source: ONS

### 1.3 Regional Comparison

Figure 2 shows per head GVA in the UK regions and nations as a percentage of per head GVA for the UK in 2005.

Figure 2: Per head GVA, by UK nation and region, 2005



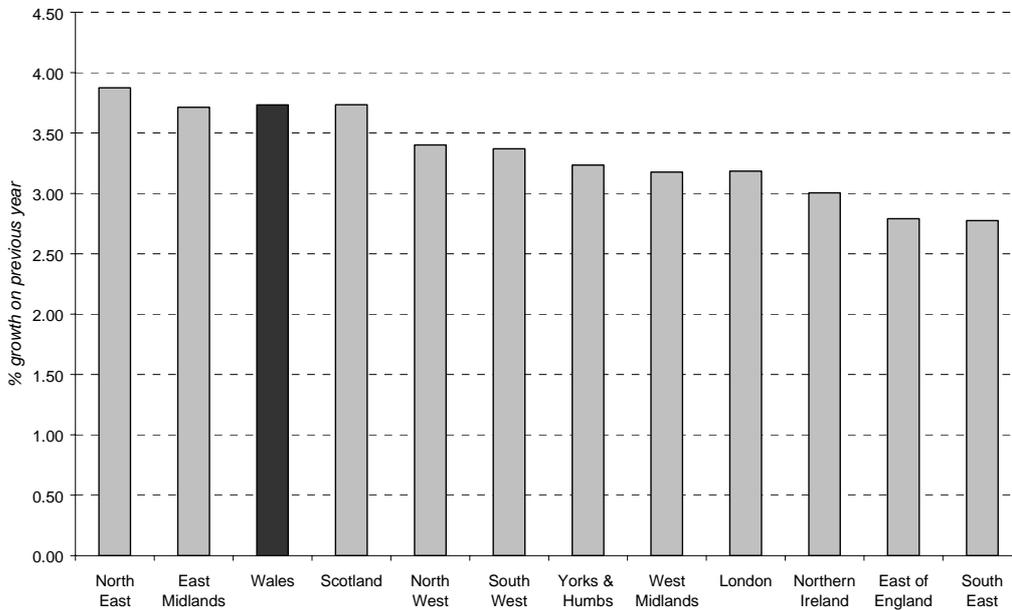
Source: ONS

Figure 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 3 Growth in per head GVA, by UK nation and region, 2004-05**

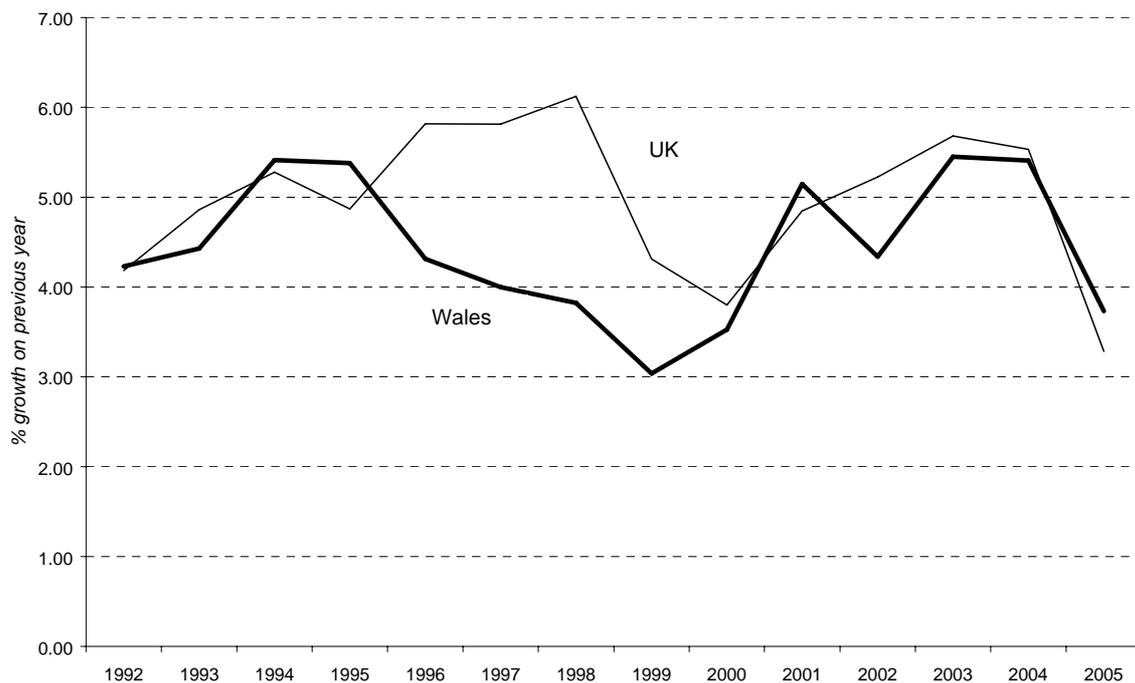


Source: ONS

#### 1.4 Per Head Growth Rates

Figure 4 charts per head growth in Wales against the UK mean for the years 1992 to 2005.

**Figure 4: Per Head GVA growth, Wales and UK, 1992 to 2005**



Source: ONS

Figure 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.

## 2 Sub-regional and local GVA - 2004

**Table 2: Per Head Gross Value Added (GVA), Wales, by NUTS<sup>6</sup> 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 |
|-------------------------------------|--------------------------------|--|
| <b>Wales</b>                        | <b>13,316</b>                  | <b>78</b>                              |
| <b>West Wales &amp; the Valleys</b> | <b>11,126</b>                  | <b>65</b>                              |
| 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                                     |
| <b>East Wales</b>                   | <b>17,133</b>                  | <b>100</b>                             |
| 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) Estimates are on a workplace basis
- (c) Excluding Extra-regio and statistical discrepancy

Map 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 average<sup>7</sup> 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 66 per cent. Per head GVA in West Wales & the Valleys has remained fairly stable since this time.

<sup>6</sup> 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](http://www.statistics.gov.uk/geography/nuts_wales.asp)

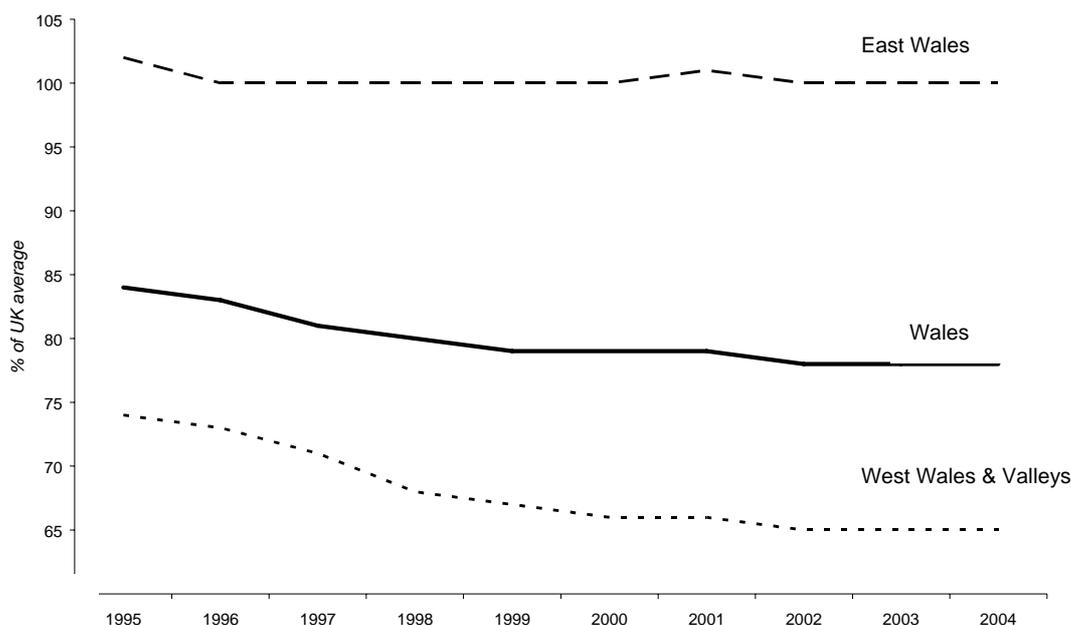
<sup>7</sup> Excluding Extra-Regio GVA



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

**Figure 5: Per head GVA, NUTS 1 and 2 areas of Wales**

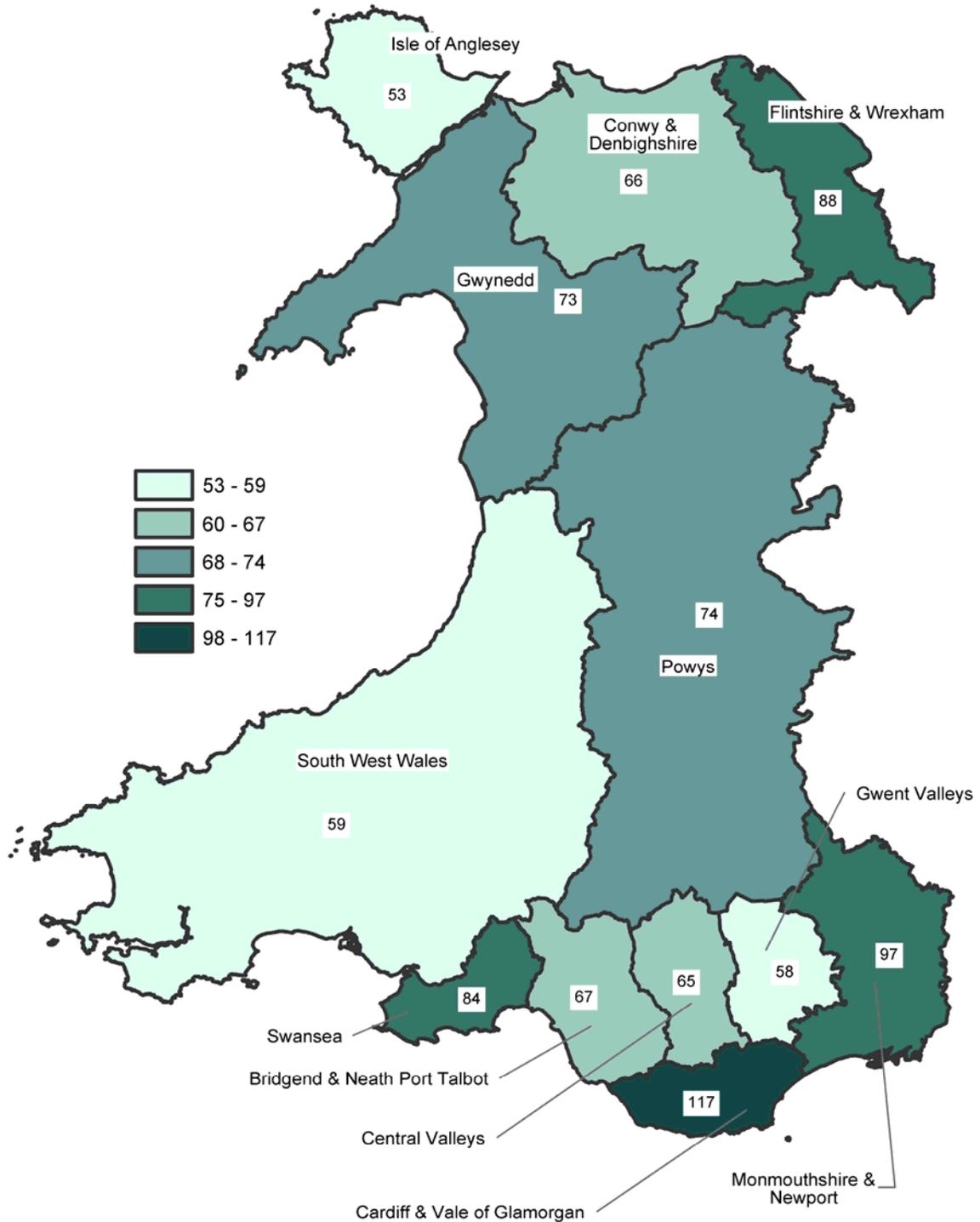


Source: Office for National Statistics

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.

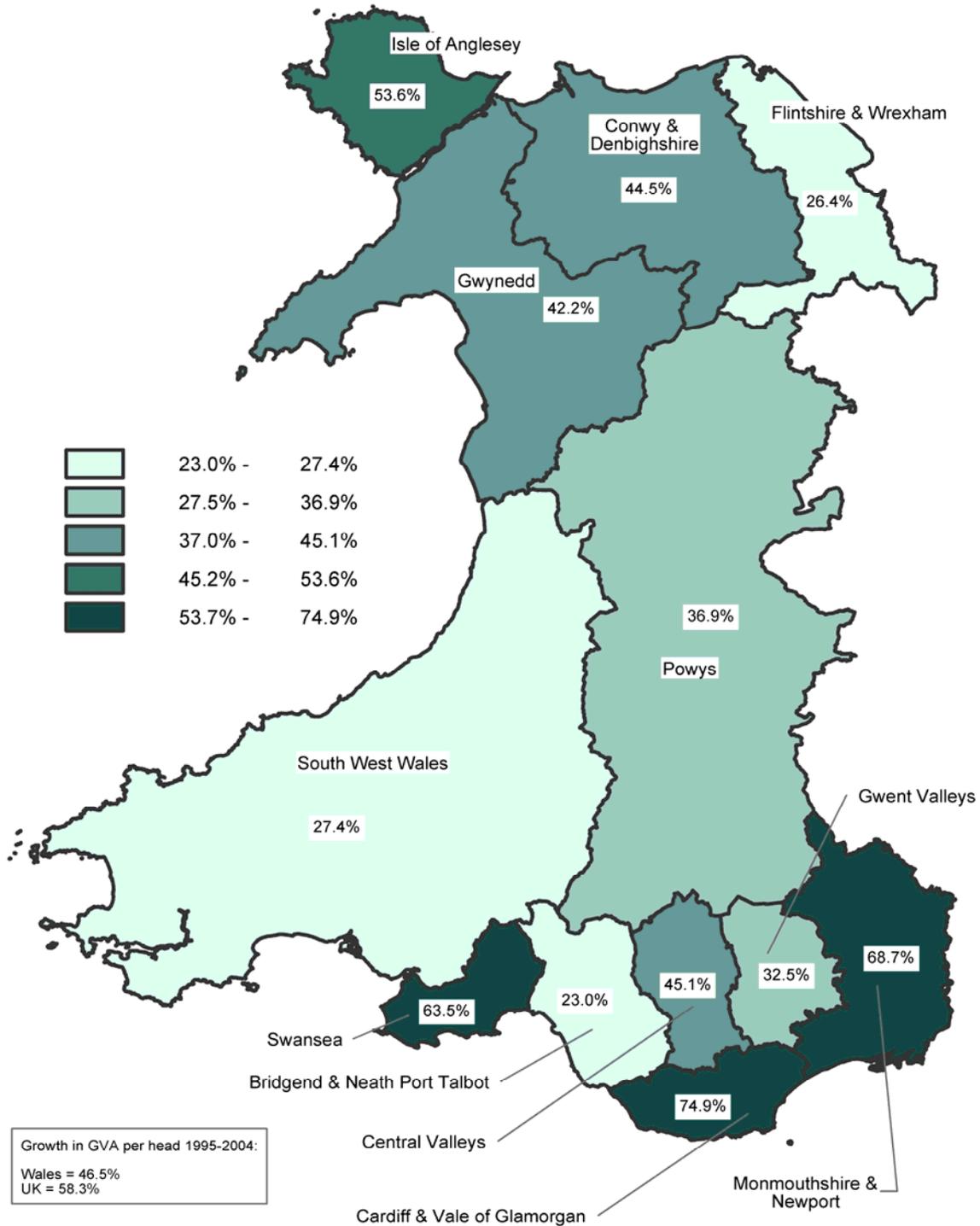


**Map 1: Gross Value Added per head as a percentage of UK GVA 2004, by NUTS3 areas**





**Map 2: Percentage change 1995-2004 in Gross Value Added per head, by NUTS3 areas**



## Technical Annex

**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.
- ◆ **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 figures<sup>8</sup>. 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.

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<sup>8</sup> 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.** The contribution to GVA of UK embassies abroad and UK forces stationed overseas is included in Extra-Regio, along with the elements relating to activities taking place on the continental shelf. As these cannot be assigned to specific regions they are assigned as "Extra-Regio GVA".
- ◆ **Accuracy.** GVA estimates are partly based on sample surveys and the quality of the results therefore varies according to sample size. This means that the results for smaller regions are subject to a greater degree of uncertainty than those for larger regions.