

The Legacy of the Agency

The Economic Story

Introduction

This note examines three key economic indicators at the regional level – GVA per head, employment and number of businesses. It contrasts North East performance in the decade since 1999 with the 1990s and compares the region with other parts of the country. A summary table is followed by a more detailed examination of each indicator.

Summary evidence table

	Pre One North East	One North East legacy
GVA per head¹	Lowest growth rate of any English region	Second highest regional growth rate behind London
Employment²	Only English region to have falling levels of employment	Third highest regional growth rate behind London and Yorkshire
Businesses³	Only English region to have falling business numbers	Second highest regional growth rate behind London

Notes: ¹ Pre ONE period 1989 to 1999, ONE legacy period 1999 to 2009. ² Pre ONE period Q1 1993 to Q1 1999, ONE legacy period Q1 1999 to Q1 2008. ³ Pre ONE period Start 1992 to End 1999, ONE legacy period End 1999 to End 2007.

1. GVA per head performance

Whilst GVA per head in the North East remains the lowest of any English region, its growth rate has gone from being the lowest during the 1990s to the second highest over the last decade.

The big picture on GVA per head is that the North East continued to grow through the 2000s at rates similar to that of the 1990s whilst all other parts of England saw relatively lower growth after 1999.

It should be noted that the rapid growth of London ‘skews’ the figures on the relative performance of areas to a large degree, especially during the 2000s, so it is necessary to also look at the figures excluding London:

- When compared against the whole of the UK, the region’s growth performance was fairly static, closing the gap with the UK by just 0.1 percentage points from 1999 to 2009, as shown in the table below.

UK and North East GVA per head

	1989	1999	2009
NE GVA per head (£)	6,800	10,800	15,600
UK GVA per head (£)	8,100	13,800	20,000
NE GVA per head index (UK=100)	83.4	78.1	78.2

Note: Source: ONS. Estimates rounded to nearest 100

- However, when the 'London effect' is removed, the region can be seen to have out-performed other areas. Over the same period, the region's GVA per head gap with the 'UK excluding London' closed by 1.9 percentage points, as shown in the table below.

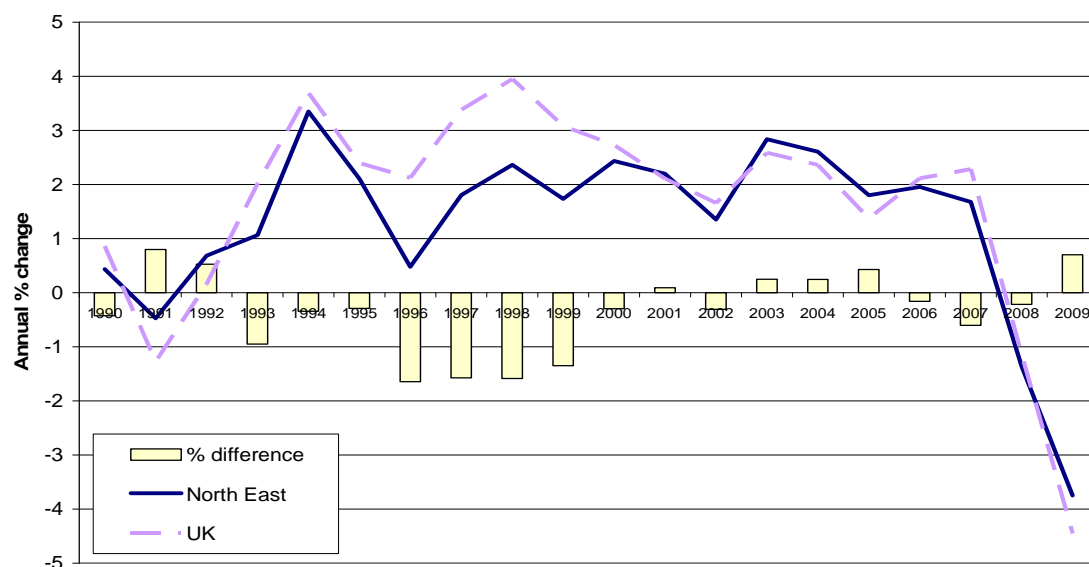
UK excluding London and North East GVA per head

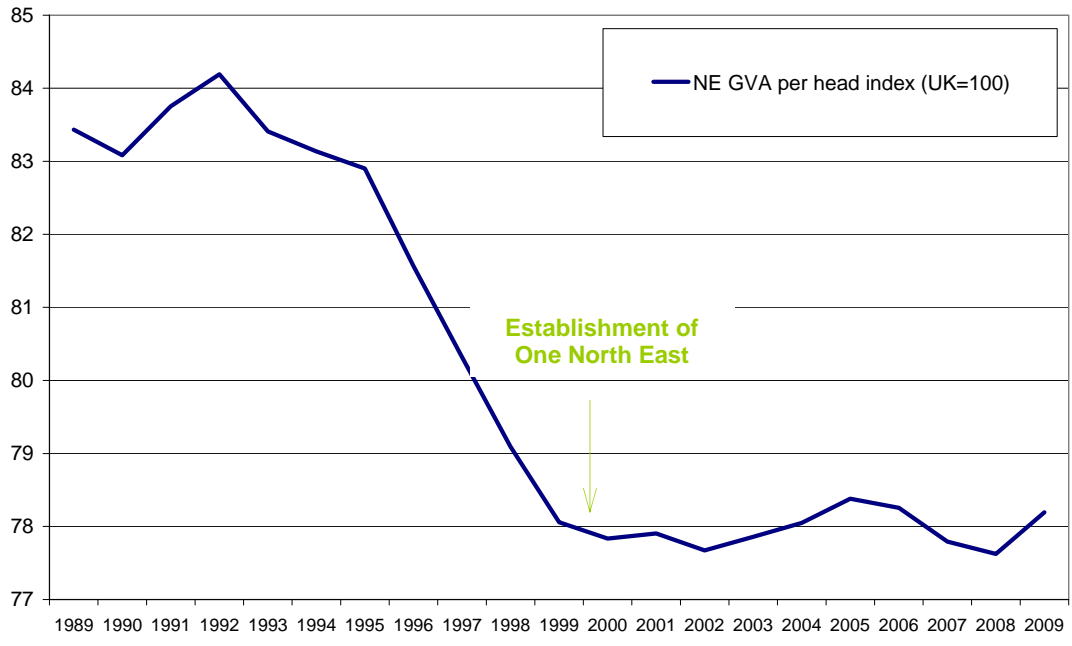
	1989	1999	2009
UK less London GVA per head (£)	7,500	12,600	17,900
NE GVA per head index (UK less London=100)	90.3	85.2	87.1

Note: Source: ONS. Estimates rounded to nearest 100

The graphs below show how after a cumulative fall of around 5% in terms of GVA per head index during the 1990s – from 83.4% of the UK average in 1989 to 78.1% in 1999 (shown by the red Pre ONE arrow), the last decade has seen North East growth broadly match that of the UK (shown by the green ONE arrow).

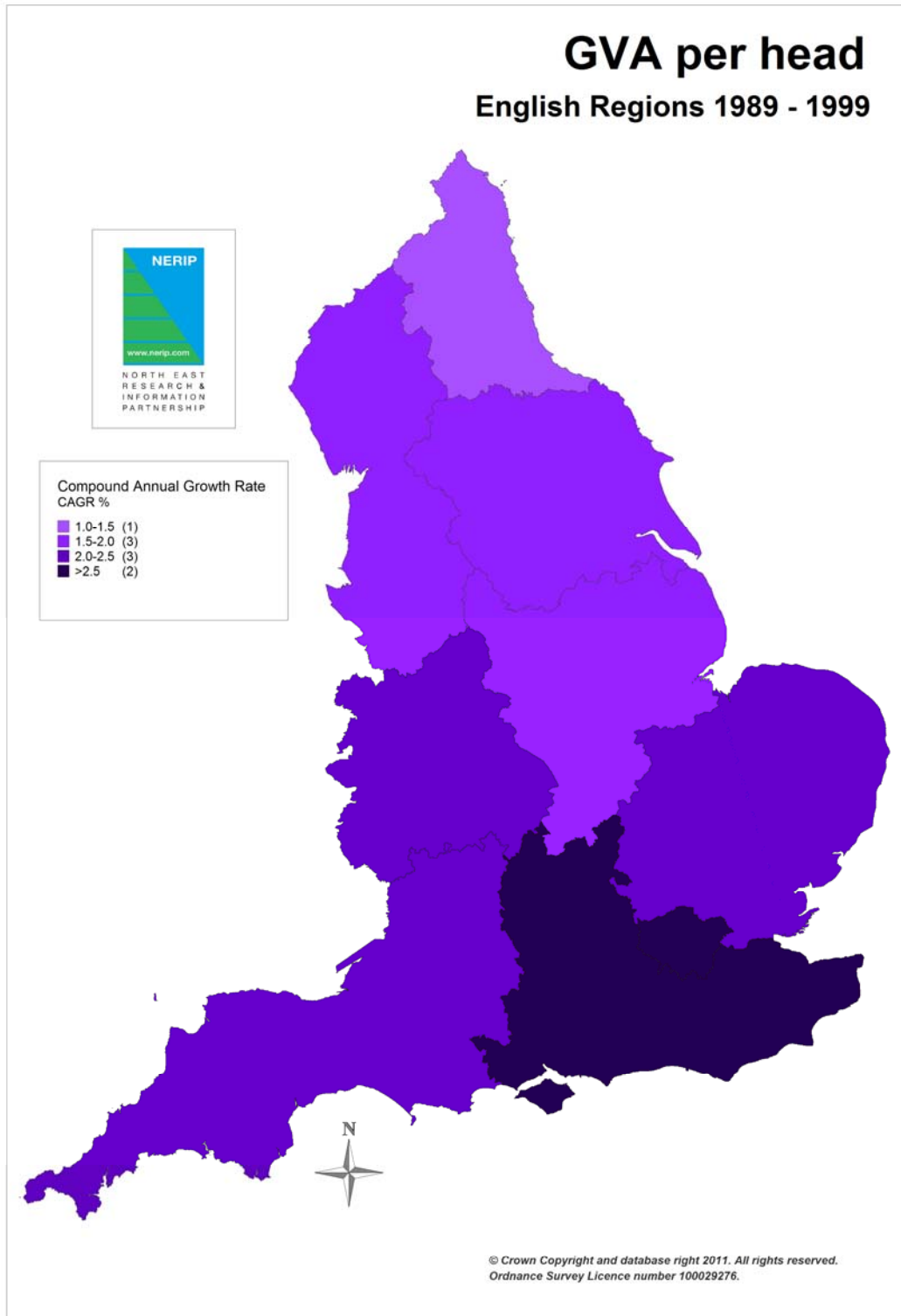
GVA per head annual growth rates, North East and UK, 1990 to 2009



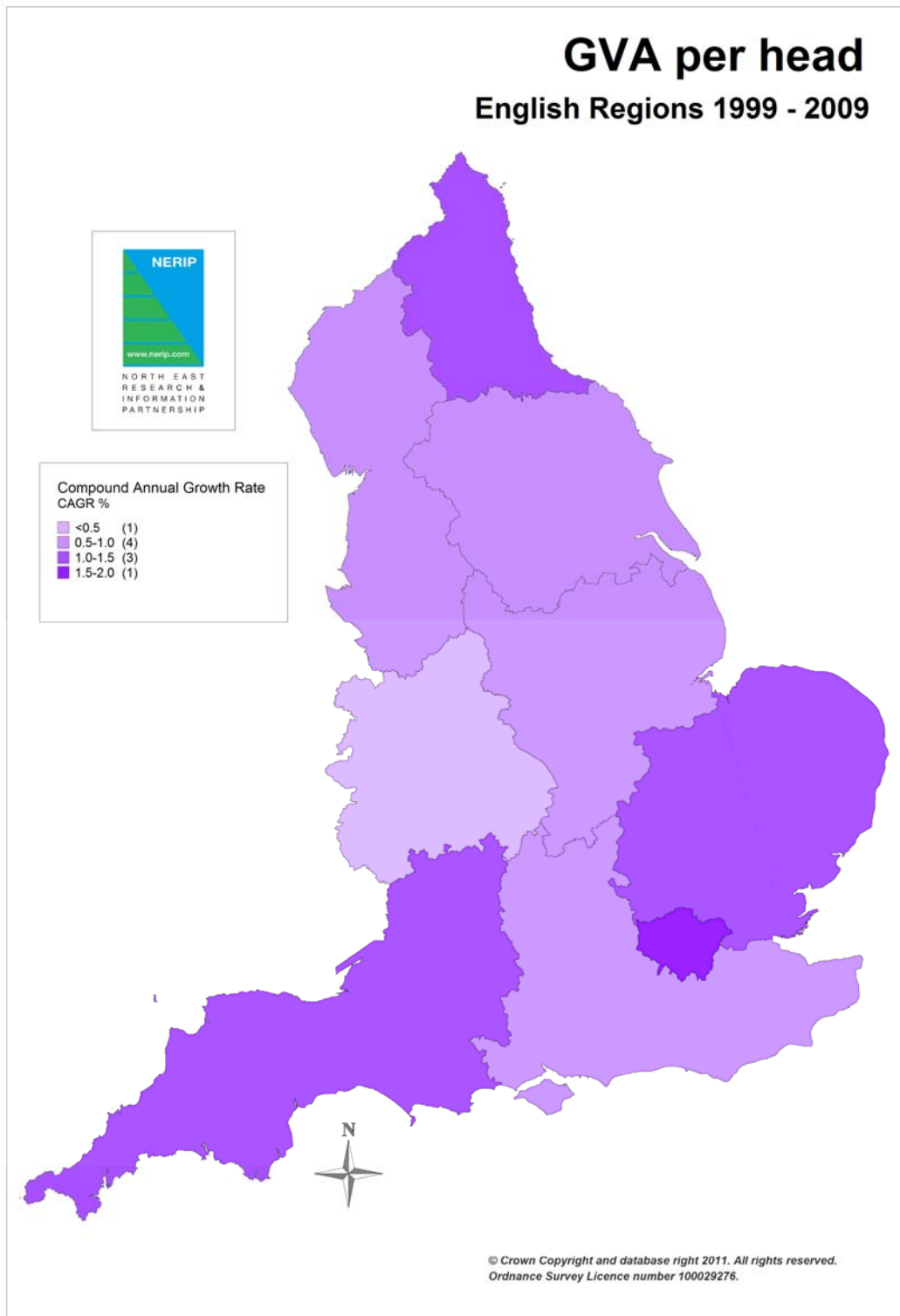


Regional comparison

The 1990s saw the North East have the lowest growth rate of any English region.



The 2000s saw North East GVA per head grow at a similar rate as the 1990s but compared to the rest of the UK was second only to London over this time.



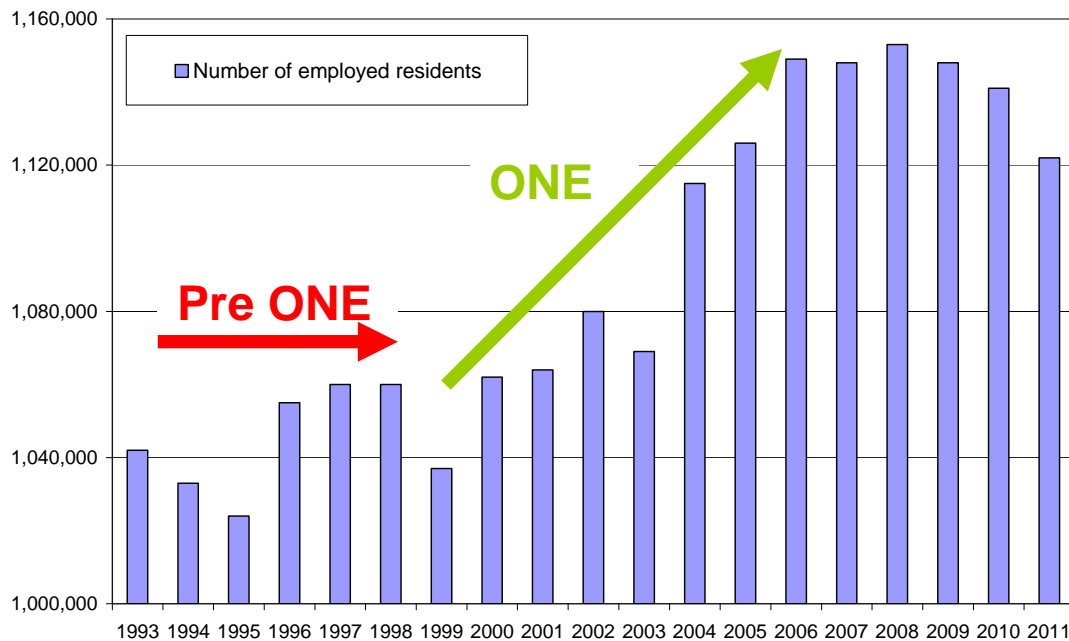
2. Employment performance

In the six year period up to 1999 (earliest comparable data available is for Jan-Mar 1993 quarter), employment in the North East fell by 5k from 1.042m in the first quarter of 1993 to 1.037m in Jan-Mar 1999. This represents a decrease in employment of 0.5% and compares to an increase in employment nationally of 6.9% across the UK. No other region saw employment fall during this time.

However, there has been significant employment growth in the North East since 1999. From there being around 1.037m North East residents in work during the first quarter of 1999, the first three months of 2008 saw employment stand at 1.153m – an increase of 116k in nine years. This represents an increase of 11.2% over this time – a higher rate increase than that seen nationally (UK increase of 9.2%). Only London and Yorkshire & The Humber saw higher rates of growth – 11.8% and 11.7% respectively.

The recession and subsequent fiscal consolidation has had a relatively greater negative impact on employment numbers with North East employment down to 1.122m in Q1 2011 – a fall of 31k or 2.7% in the three years since Q1 2008 and three times the rate of decline seen nationally (UK employment down 0.9% in this time).

The graph below shows the number of North East residents in employment in the first quarter of each year since 1993.

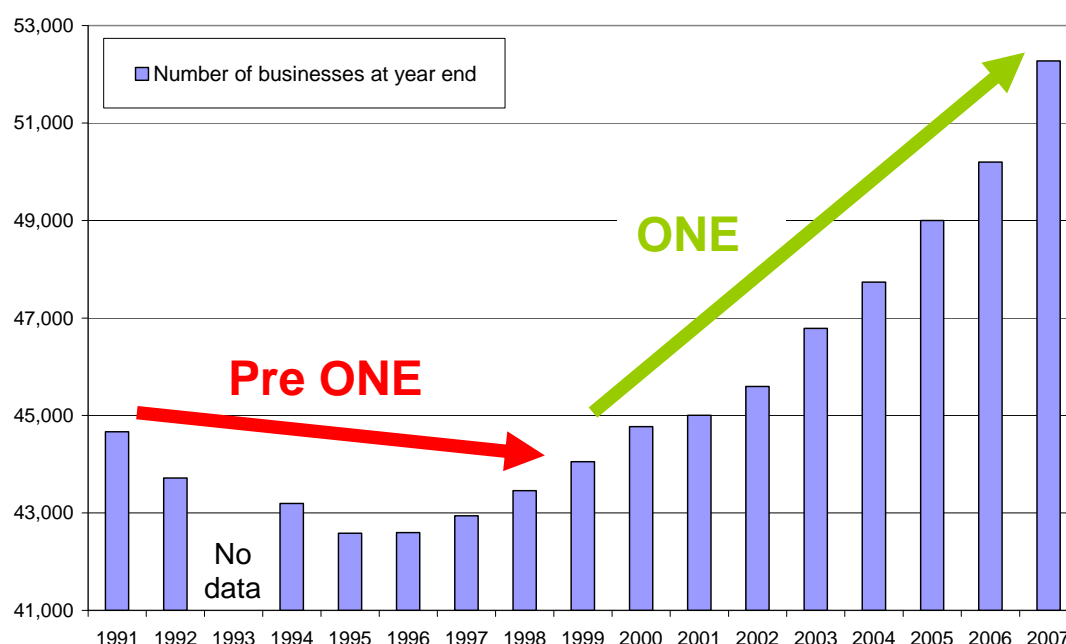


3. Business stocks

In the eight years up to the end of 1999 business stocks in the North East fell by 1.4% - the only English region to see a fall in numbers. The stock of UK businesses increased by 7.5% over this time.

However, between the end of 1999 and the end of 2007 (latest and final estimates of VAT registered business stock numbers) the number of North East businesses rose by 18.7% - the highest regional increase outside of London (with a 19.6% increase).

The graph below shows the stock of VAT registered businesses in the North East at the end of each year (estimates for 1993 not available).



Conclusion

This analysis looks at the region's overall economic performance rather than the direct impact of One North East. Evaluation evidence on projects and programmes should also be considered as these demonstrate the impact and returns to investment of specific Agency interventions.

Regional economic success is determined by the actions of businesses and individuals and is clearly affected by national and international economic conditions. However, the Agency's role as a key economic enabler has been significant. One North East has been a passionate voice for the region and by working with a range of partners has helped create the conditions in which the regional economy has been able to thrive. The evidence is clear – before the Agency was established the North East economy was falling further and further behind every other English region. Since the Agency came into being only London has seen greater levels of economic growth.