



National Assembly for Wales  
Cynulliad Cenedlaethol Cymru

# Economic Indicators August 2005

## Abstract

The Economic Indicators research paper is published at intervals throughout the year and aims to pull together information on the economy in Wales and the UK.

The paper presents an overview of the current economic situation in Wales and provides a reference source of some of the main economic statistics for Wales and the UK.

August 2005



# Economic Indicators

## August 2005

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August 2005

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## **Economic Indicators: August 2005**

### **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>

## 2 Economy Overview

The following is a summary of some of the key economic and labour market indicators for Wales. The middle column summarises the current trend in Wales, whilst the right-hand column provides details of where further information can be found.

Indicator	Trend	Further information
<b>GVA per head as % of UK average</b>	1999 = 78.6% 2000 = 78.4% 2001 = 78.7% 2002 = 78.4% 2003 = 79.0%	Regional Gross Value Added First Release, 22 Dec 2004: <a href="http://www.statistics.gov.uk/pdfdir/gvar1204.pdf">http://www.statistics.gov.uk/pdfdir/gvar1204.pdf</a>
<b>GVA forecasts of annual % growth</b>	<i>Experian Business Strategies (Jun 2005)</i> 2004 Wales: = 4.4% UK: = 3.1% 2005 Wales: = 2.0% UK: = 2.7% 2006 Wales = 3.4% UK: = 3.0% 2007 Wales = 2.9% UK: = 2.7%  <i>Cambridge Econometrics (Jul. 2005)</i> 2004 Wales = 2.7% UK = 3.3%, 2005 Wales = 2.2% UK = 2.6% 2006 Wales: = 2.1% UK = 2.2%  2005-2010 Wales = 2.2% UK = 2.5%	Experian Press Release, 8 June 2005: <a href="http://press.experian.com/press_releases.cfm">http://press.experian.com/press_releases.cfm</a>  Cambridge Econometrics: Knowledge Base online (subscription service)
<b>Employment Rate</b>  Annual change to latest three month period	May - Jul 2005  Wales -0.1 percentage points to 71.7% UK +0.1 percentage points to 74.8%	Labour Market Statistics First Releases: Wales and UK Sep 2005 <a href="http://www.statistics.gov.uk/pdfdir/lmswales0905.pdf">http://www.statistics.gov.uk/pdfdir/lmswales0905.pdf</a> and <a href="http://www.statistics.gov.uk/pdfdir/lmsuk0905.pdf">http://www.statistics.gov.uk/pdfdir/lmsuk0905.pdf</a>
<b>Unemployment Rate</b>  Annual change to latest three month period	May - Jul 2005  Wales -0.1 percentage points to 4.5% UK no change at 4.7%	As for Employment Rate
<b>Economic Inactivity Rate</b>  Annual change to latest three month period	May - Jul 2005  Wales +0.2 percentage points to 24.9% UK -0.1 percentage points to 21.4%	As for Employment Rate





Indicator	Trend	Further information
<b>Average Earnings</b>  Annual change	April 2004  Wales: +5.4% UK: +4.1%	National Assembly for Wales Statistical Directorate Headline Release, Oct 2004: <a href="http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw200410283-e.htm">http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw200410283-e.htm</a>
<b>Household Income per head as % of UK</b>	1999 = 87.4% 2000 = 87.7% 2001 = 87.9% 2002 = 88.3% 2003 = 88.3%	National Statistics Release, 29 April 2005: <a href="http://www.statistics.gov.uk/pdfdir/rhi0405.pdf">http://www.statistics.gov.uk/pdfdir/rhi0405.pdf</a>
<b>Index of Production and Construction</b>  Latest 4 quarters compared with previous 4 (2000=100)	Quarter 1 2005  Wales: +1.2% UK: +0.8%	National Assembly for Wales Statistical Directorate Statistical Release: SDR61/2005 – 7 July 2005 <a href="http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2005/hdw200507071-e.htm">http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2005/hdw200507071-e.htm</a>
<b>Value of Exports</b>  Latest 4 quarters compared with previous 4	Quarter 1 2005  Wales: +14.5% UK: +1.9%	National Assembly for Wales Statistical Directorate Statistical Bulletin: SB47/2005 – 12 July 2005 <a href="http://www.wales.gov.uk/keypub/statisticsforwales/content/publication/economy/2005/sb47-2005/sb47-2005.pdf">http://www.wales.gov.uk/keypub/statisticsforwales/content/publication/economy/2005/sb47-2005/sb47-2005.pdf</a>
<b>VAT Registered businesses</b>  Annual change in stock	2004  Wales: 0% UK: +0.9%	National Assembly for Wales Statistical Directorate Headline Release, 1 Dec 2004: <a href="http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw20041103-e.htm">http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw20041103-e.htm</a>
<b>Adults of working age without qualifications</b>  % of population of working age	2001= 21.5% 2002= 18.5% 2003= 17.3%	Welsh Local Labour Force Survey: <a href="http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw200411243-e.htm">http://www.wales.gov.uk/keypub/statisticsforwalesheadline/content/economy/2004/hdw200411243-e.htm</a>
<b>Adults of working age with degree or equivalent</b>  % of population of working age	2001= 22.2% 2002= 23.3% 2003= 24.2%	As for adults without qualifications

### 3 National and Regional Income Accounts - Gross Value Added (GVA)

Table 3.1: Gross Value Added(a), Wales and the UK, 1989 to 2003

Year	Wales (£ per head)	UK (£ per head)(b)	Per Capita GVA in Wales as a proportion of UK GVA
1989	6,716	7,921	84.8
1990	7,233	8,585	84.2
1991	7,455	8,945	83.3
1992	7,762	9,313	83.3
1993	8,109	9,776	82.9
1994	8,577	10,299	83.3
1995	9,031	10,786	83.7
1996	9,409	11,400	82.5
1997	9,809	12,085	81.2
1998	10,166	12,807	79.3
1999	10,487	13,337	78.6
2000	10,869	13,867	78.3
2001	11,440	14,545	78.7
2002	11,971	15,273	78.4
2003(c)	12,629	15,980	79.0

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-Regio 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>1</sup>:

- ◆ GVA per head in Wales in 2003<sup>2</sup> was £12,600 or 79.0 per cent of the UK average. The revised figures show that GVA per head in Wales relative to the UK fell between 1995 and 2000, though there is some evidence of a small rise over recent years.
- ◆ GVA per head in Wales in 2003 relative to the UK average was the lowest of all the devolved countries and English regions and has been the lowest or equal lowest since 1998 when it fell below the North East and Northern Ireland.
- ◆ In London, the South East and the East of England, GVA per head in 2003 was above the UK average, while all other regions were below the UK average. There is evidence of a general convergence of per capita GVA towards the average between 2002 and 2003 among all UK regions and nations.

<sup>1</sup> ONS First Release, *Regional gross value added*, 22 December 2004:

<http://www.statistics.gov.uk/pdfdir/gvar1204.pdf>

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

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200412221-e.htm>

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

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=7359>

<sup>2</sup> 2003 figures are provisional

- ◆ Total GVA, before allowing for inflation, has been increasing in all UK regions. Total GVA in Wales was 6.0 per cent higher than in 2002. The greatest growth in 2003 was in the East Midlands (6.3 per cent higher than in 2002), while London had the lowest growth (2.6 per cent). The growth in total GVA for the UK as a whole<sup>3</sup> was 5.0 per cent.
- ◆ In order to achieve the aspiration within *A Winning Wales*<sup>4</sup> of per capita GVA in Wales reaching 90 per cent of the UK average by 2010, growth in 2004 onwards in Wales would need to be around 2 per cent above that of the UK average<sup>5</sup>.

In the case of the mean (average), where income growth in one region differs from the mean for all regions, this will have an effect on the position of other regions relative to the mean. The impact upon the mean depends upon the magnitude of the difference between regions, and their relative position. For example, between 2002 and 2003, per capita growth in London, the South East, and East of England (regions with above average per capita GVA) was below the mean for all regions, while all other regions had above average growth. This resulted in a general convergence towards the mean among all regions and therefore a relative improvement for all regions with below average per capita GVA, and vice versa.

It is possible to take some account of this by looking at the median measure. The median represents the number which sits in the middle of a set of numbers, in this case the mean of the central two index numbers for UK relative GVA. By looking at the median figure, 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 measure.

- ◆ GVA per head in 2003 was 87.0 per cent of the UK median. As with the mean measure, this proportion declined during the second half of the 1990s. However, there has been an increase in GVA relative to the UK median region over the last three years.

Figure 3.1 shows per capita GVA in Wales as a percentage of per capita GVA for the mean and median UK region over the period 1989 to 2003 and illustrates the decline in relative GVA in the late 1990s, and a levelling off over recent years.

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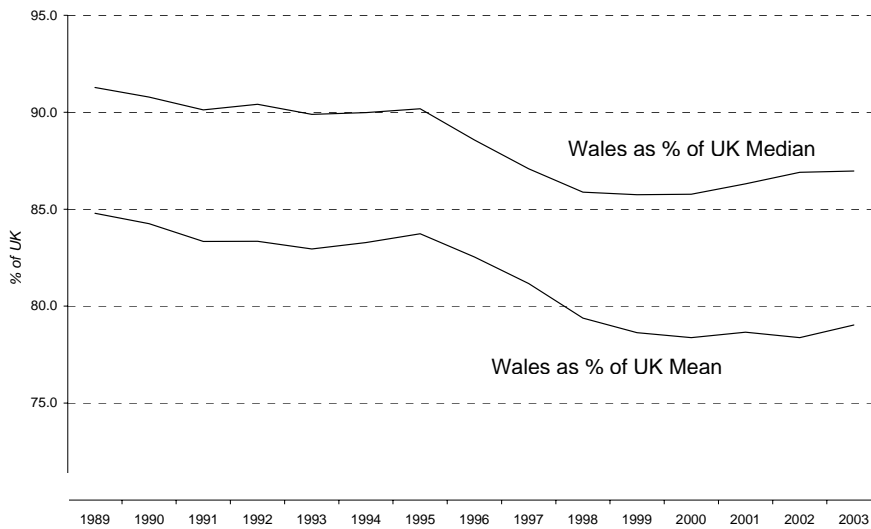
<sup>3</sup> Excluding Extra-Regio GVA. All the statistics for GVA are not adjusted for inflation. Further technical points for consideration in interpreting data published in this paper can be found in the Glossary.

<sup>4</sup> *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. A main aspiration of *A Winning Wales* is to see Welsh GDP per person rising from 80 per cent to 90 per cent of the UK average over the decade, with the ultimate aim of achieving parity. Further information on *A Winning Wales* can be found at:

<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/>

<sup>5</sup> Members' Research Service estimates based on a constant UK-wide nominal per capita growth rate of 5%.

Figure 3.1: Gross Value Added, Wales as a percentage of UK mean and UK median

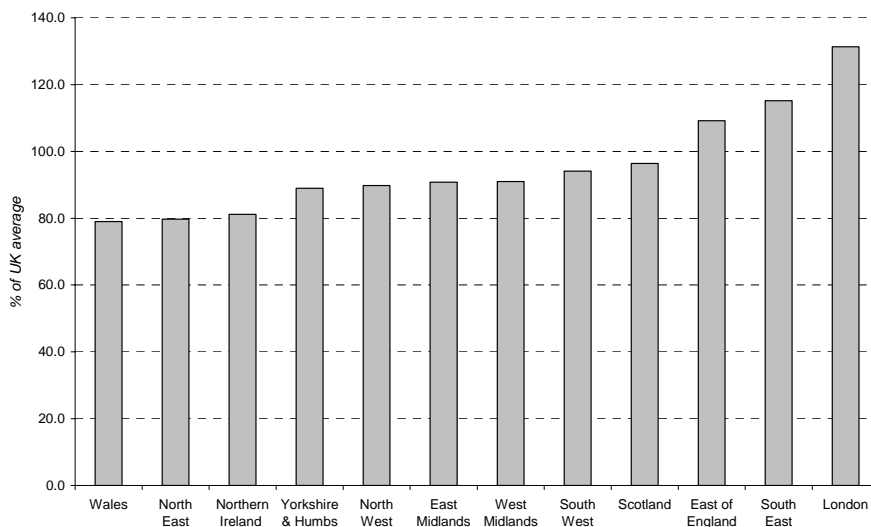


Source: ONS

As a proportion of the UK median, the relative decline in the late 1990s is evident. There is some evidence of a recovery over recent years on this measure, though with little change between 2002 and 2003. The relative improvement between 2002-03 suggested by the mean measure is less pronounced than for the median measure.

Figure 3.2 shows per capita GVA in the UK regions and nations as a percentage of per capita GVA for the UK in 2003.

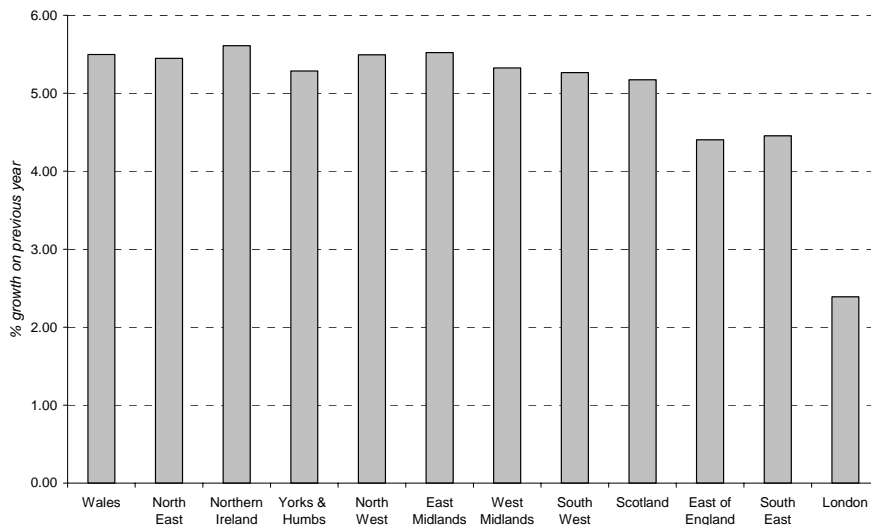
Figure 3.2 Per capita GVA, by UK nation and region, 2003



Source: ONS

Figure 3.3 charts per capita growth in the UK nations and regions between 2002 and 2003. Wales had the third highest per capita growth rate among regions and nations of the UK in this period of 5.5 per cent. This compares to a UK (less extra regio) per capita growth rate of 4.6 per cent.

Figure 3.3 Growth in per capita GVA, by UK nation and region, 2002-03

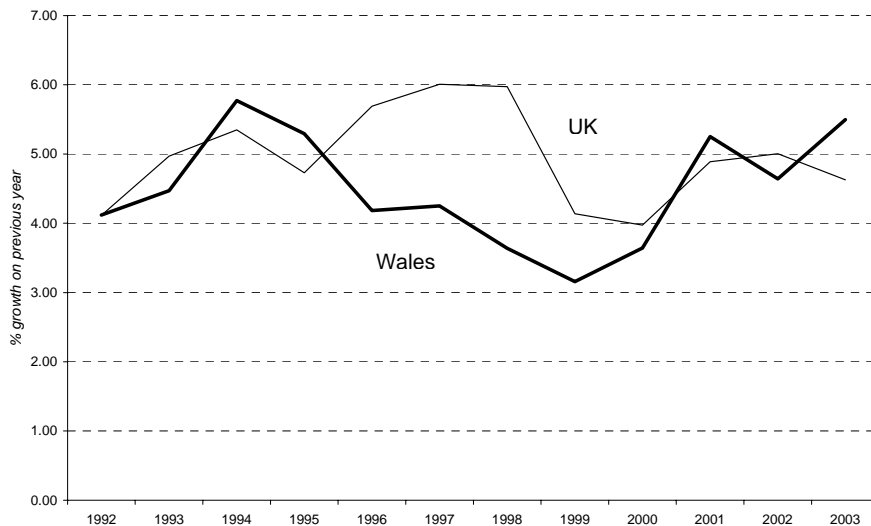


Source: ONS

Figure 3.3 shows that the English regions of the East of England, South East and, in particular, London had relatively low per capita growth in 2003. These are the three regions with above average per capita incomes. All other nations and regions had similar levels of per capita growth.

Figure 3.4 charts per capita growth in Wales against the UK mean for the years 1992 to 2003.

Figure 3.4: Per capita GVA growth, Wales and UK, 1992 to 2003



Source: ONS

Figure 3.4 shows a lower rate of per capita growth in Wales compared to the UK as a whole in the late 1990s, which explains the relative decline in Welsh per capita GVA over that period. The closing of this growth rate over recent years explains why this relative decline has levelled off over the last three years.

Per capita growth in Wales would need to exceed that of the UK by around 2 per cent per year from 2003 onwards in order to achieve the *A Winning Wales* aspiration of per capita GVA in Wales reaching 90 per cent of the UK average by 2010.

### 3.1 Sub-Regional GVA

**Table 3.2: Per Capita Gross Value Added (GVA), Wales, by NUTS<sup>6</sup> level 1, 2 and 3 area, 2002(a)(b)**

NUTS Levels	Gross Value Added (£ per head)	Per Capita GVA as a proportion of UK GVA
<b>WALES</b>	<b>12,000</b>	<b>78</b>
<b><i>West Wales and the Valleys</i></b>	<b>10,000</b>	<b>65</b>
Isle of Anglesey	8,100	53
Gwynedd	10,400	68
Conwy and Denbighshire	10,000	65
South West Wales	9,100	59
Central Valleys	9,900	65
Gwent Valleys	9,100	60
Bridgend and Neath Port Talbot	10,500	68
Swansea	12,600	83
<b><i>East Wales</i></b>	<b>15,500</b>	<b>101</b>
Monmouthshire and Newport	14,900	97
Cardiff and Vale of Glamorgan	17,500	114
Flintshire and Wrexham	14,700	96
Powys	11,300	74

Source: Office for National Statistics

- (a) The headline GVA series for this publication have been calculated using a five-period moving average.  
(b) Estimates of workplace based GVA allocate income to the region in which commuters work.

The latest sub-regional gross value added (GVA)<sup>7</sup> estimates show that:

- ◆ In 2002, West Wales and the Valleys (NUTS2) had the second lowest GVA per head (£10,000) after Cornwall and Isles of Scilly (£9,500). These figures compare to the UK average<sup>8</sup> of £15,300. East Wales (NUTS2) had a GVA per head of £15,500 in 2002.
- ◆ Per capita GVA in West Wales and the Valleys (NUTS2) declined relative to the UK average between 1995 and 2002 from 74 per cent to 65 per cent, although this relative decline slowed over the most recent years for which estimates are available (2000 to 2002).
- ◆ Per capita GVA in East Wales (NUTS2) increased slightly from 99 per cent in 1998 to 101 per cent of the UK average in 2002.

<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> ONS First Release, *Local gross value added*, 22 December 2004:

<http://www.statistics.gov.uk/pdfdir/gval1204.pdf>

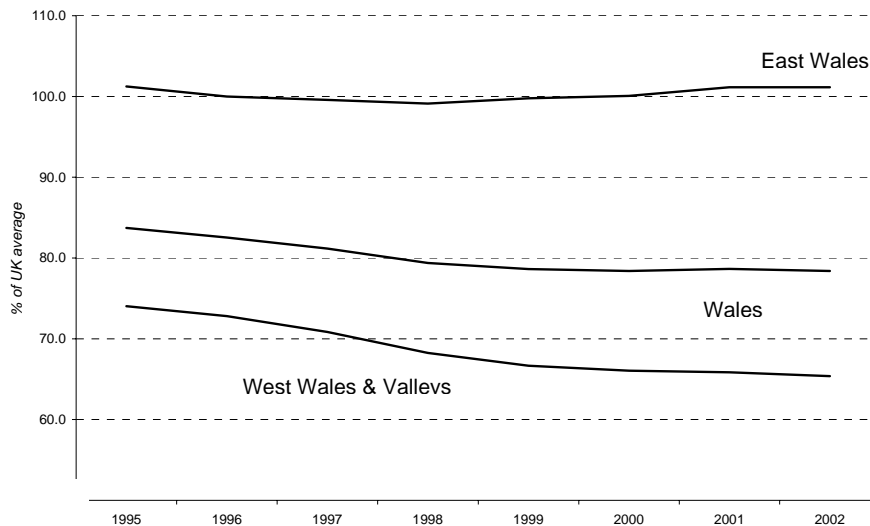
It should be noted that the GVA estimates compiled at NUTS 2 and at NUTS 3 level are on a workplace basis. The estimates of NUTS 3 GVA per head are calculated by dividing the estimate of workplace GVA for an area by the resident population for that area. Estimates of GVA per head will be high in areas 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.

<sup>8</sup> Excluding Extra-Regio GVA

- ◆ Of the 12 NUTS3 regions in Wales, Cardiff & the Vale of Glamorgan had the highest level of GVA per head in 2002 at 114 per cent of the UK average, whilst the lowest level was the Isle of Anglesey with 53 per cent.
- ◆ Three of the five NUTS3 regions in the UK with the lowest GVA per head relative to the UK in 2002, were in Wales. These are Isle of Anglesey (53 per cent), South West Wales (59 per cent) and Gwent Valleys (60 per cent). Anglesey was the lowest in the UK.

Figure 3.5 graphs GVA per head for the period 1995 to 2002 for the Wales NUTS 1 and 2 regions relative to the UK average.

**Figure 3.5: Per capita GVA, NUTS 1 and 2 areas of Wales**

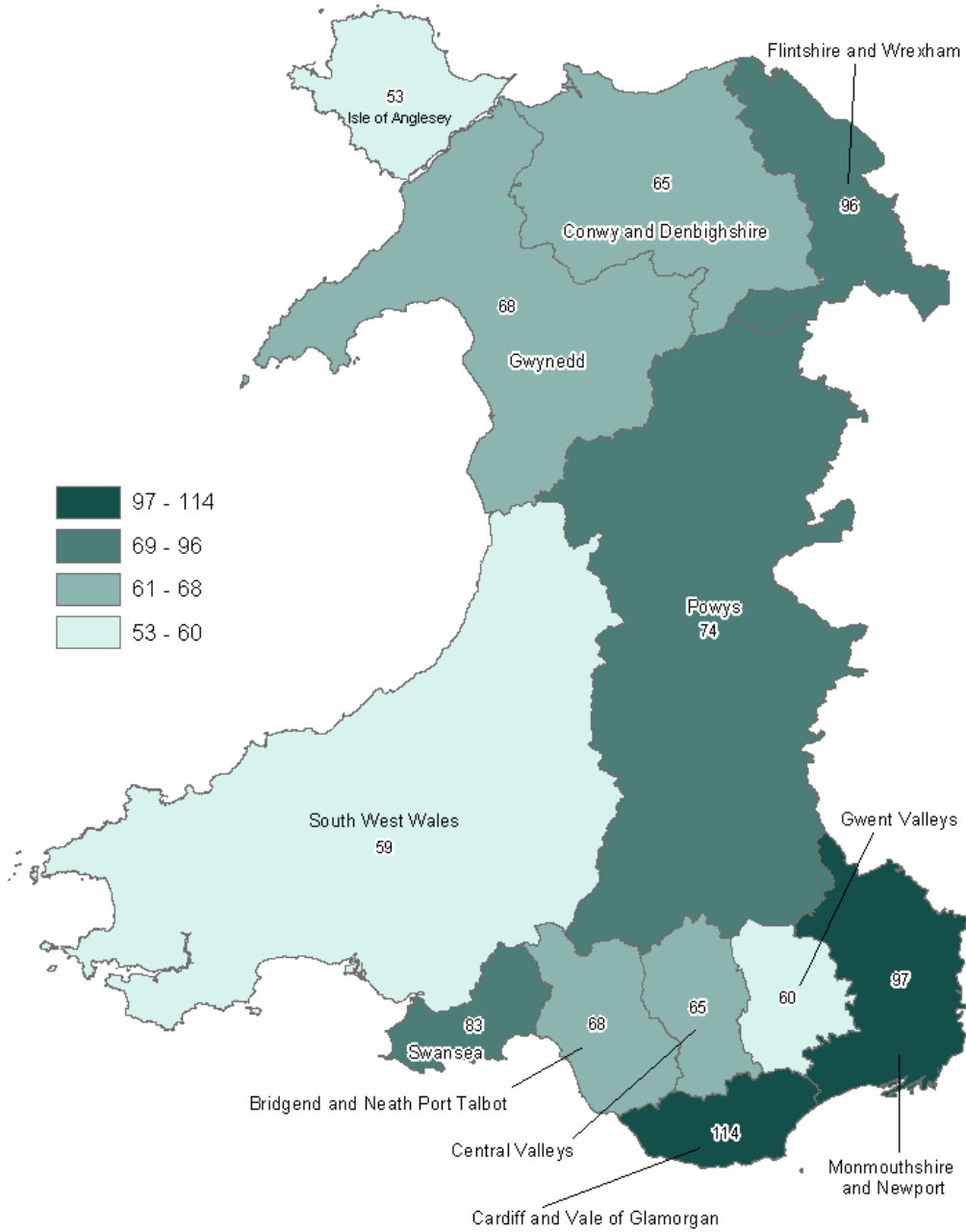


Source: Office for National Statistics

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 3.1 shows GVA in Wales by NUTS 3 area in 2002.

Map 3.1: GVA as a percentage of UK average, by NUTS 3 area, Wales, 2002



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Source: Office for National Statistics



### 3.2 Regional GDP per capita in the EU

**Table 3.3: GDP per head as a percentage of EU25 average**  
*at purchasing power parity rates of exchange*

Area	% of EU25 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	79.7	80.5	79.4	75.5	73.5	73.4	72.9	75.5
East Wales	110.7	108.3	111.8	111.7	112.2	112.3	116.1	116.0
Wales	90.7	90.5	91.1	88.6	87.5	87.5	88.6	90.2
United Kingdom	110.5	111.6	114.1	113.7	113.2	114.0	114.9	117.8
Merseyside	79.1	77.5	79.3	82.3	79.1	82.5	81.2	87.0
South Yorkshire	82.4	83.4	84.6	87.3	83.6	84.7	86.2	89.8
Cornwall & Isles of Scilly	67.6	69.5	68.3	67.1	66.3	67.7	69.9	72.6

Source: Eurostat

**Table 3.4: GDP per head as a percentage of the EU15 average**  
*at purchasing power parity rates of exchange*

Area	% of EU15 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	71.9	72.9	72.1	68.6	66.9	66.9	66.5	69.0
East Wales	100.0	98.0	101.5	101.5	102.0	102.3	105.9	106.0
Wales	81.9	81.9	82.7	80.5	79.6	79.7	80.8	82.5
United Kingdom	99.8	101.1	103.5	103.3	102.9	103.8	104.8	107.7
Merseyside	71.4	70.2	72.0	74.8	71.9	75.2	74.1	79.5
South Yorkshire	74.4	75.5	76.8	79.3	76.0	77.2	78.7	82.1
Cornwall & Isles of Scilly	61.1	62.9	62.0	60.9	60.3	61.7	63.7	66.3

Source: Eurostat

Table 3.3 shows GDP per capita<sup>9</sup> as a percentage of the EU25 average, for the UK, NUTS 1 and 2 areas of Wales<sup>10</sup>, and other Objective 1 regions of the UK for the period 1995 to 2002. Table 3.4 shows similar data expressed as a percentage of the EU15 average.

<sup>9</sup> 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.

<sup>10</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)

The data<sup>11</sup> show that:

- ◆ per capita GDP in West Wales and the Valleys represented 75.5 per cent of the average for EU25 as a whole in 2002. The equivalent figures for East Wales and Wales as a whole were 116.0 per cent and 90.2 per cent respectively.
- ◆ average per capita GDP across the Union has declined with the accession of new Member States. To avoid regions currently in receipt of Objective 1 funding losing eligibility purely for this reason (termed, 'the statistical effect'), transitional funding for affected regions is proposed. Eligibility for such funding would be calculated on the basis of per capita GDP relative to the average for EU15, rather than EU25.
- ◆ over the three years 2000-2002, per capita GDP in West Wales and Valleys represented 74 per cent of the average for EU 25, suggesting that the region would continue to qualify for Objective 1 support<sup>12</sup> post 2006.
- ◆ should agreement on future EU funding not be reached until 2006, qualification for Objective 1 funding, or its equivalent replacement convergence funding, is likely to be based on be on the basis of 2001-2003 data. Per capita GDP in West Wales and the Valleys would have to increase to approximately 76.5 per cent of the EU25 average in 2003 to bring the three-year (2001-03) average to 75 per cent.
- ◆ per capita GDP in West Wales and the Valleys over the 3 years 2000-2002 represented 67.5 per cent of the average for EU15, well below the threshold for statistical effect funding.

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<sup>11</sup> Eurostat News Release, *Regional GDP per capita in the EU25*, 7 April 2005:

[http://epp.eurostat.ec.eu.int/pls/portal/docs/PAGE/PGP\\_PRD\\_CAT\\_PREREL/PGE\\_CAT\\_PREREL\\_YEAR\\_2005/PGE\\_CAT\\_PREREL\\_YEAR\\_2005\\_MONTH\\_04/1-07042005-EN-AP.PDF](http://epp.eurostat.ec.eu.int/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2005/PGE_CAT_PREREL_YEAR_2005_MONTH_04/1-07042005-EN-AP.PDF)

Further data can be found on the Eurostat web-site at:

[http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/general/regio/econ-r/esa95/gdp95&language=en&product=EU\\_general\\_statistics&root=EU\\_general\\_statistics&scrollto=258](http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/general/regio/econ-r/esa95/gdp95&language=en&product=EU_general_statistics&root=EU_general_statistics&scrollto=258)

Data on GDP per capita are based on regional population figures which do not yet take into account revisions following the recent round of censuses for the Czech Republic, Ireland, Italy, Slovakia and United Kingdom. Therefore data for these Member States may be subject to revision.

<sup>12</sup> As agreement was not reached on the EU's budget post 2006 at the June Council, it is likely that qualification will be on the basis of 2001-2003 data. However, it is possible that 2000-2002 data will be used if Member States are able to agree the draft regulations for the structural funds programmes before the end of 2005, or if Member States agree to base it on the 2000-2002 data.

## 4 Productivity

**Table 4.1: Productivity measures by region, 2003**

*UK=100*

Region/Country	GVA per filled job	GVA per hour worked
North East	92.5	95.1
North West	92.8	94.4
Yorkshire and the Humber	93.3	93.7
East Midlands	96.7	96.9
West Midlands	94.0	94.6
East	96.4	97.1
London	121.2	115.4
South East	105.0	106.5
South West	93.8	95.4
England	101.0	101.1
<b>Wales</b>	<b>90.9</b>	<b>91.9</b>
Scotland	97.5	98.1
Northern Ireland	89.6	84.3
United Kingdom	100.0	100.0

Source: ONS

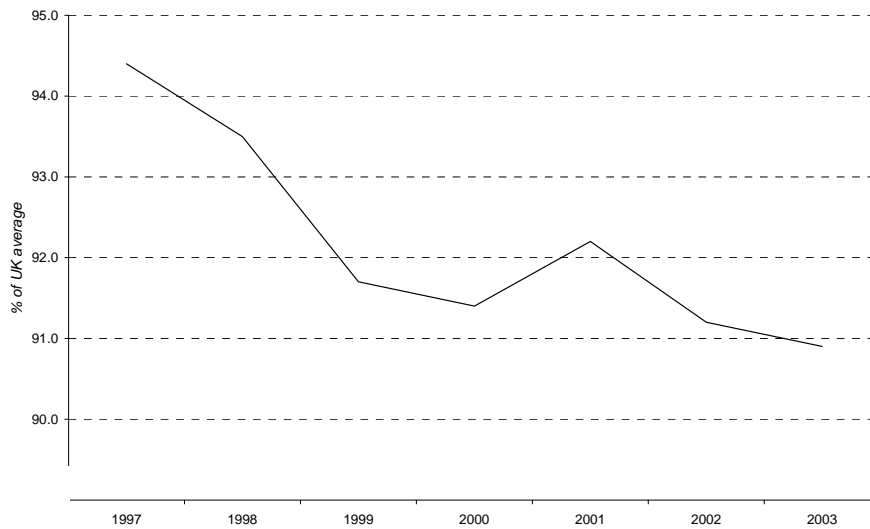
The data<sup>13</sup> show that:

- ◆ Wales has the second lowest GVA per filled job and GVA per hour worked in the UK after Northern Ireland.
- ◆ Between 1997 and 2003 GVA per filled job in Wales fell from 94.4 per cent of the UK average to 90.9 per cent of the UK average.
- ◆ Between 1997 and 2003 GVA per hour worked in Wales fell from 94.7 per cent of the UK average to 91.9 per cent of the UK average.

Figure 4.1 shows GVA per filled job in Wales as a percentage of that of the UK for the years 1997 to 2003.

<sup>13</sup> Office for National Statistics, *Productivity measures by region*, 28 January 2005:  
[http://www.statistics.gov.uk/notices/Productivity\\_28Jan05.asp](http://www.statistics.gov.uk/notices/Productivity_28Jan05.asp)

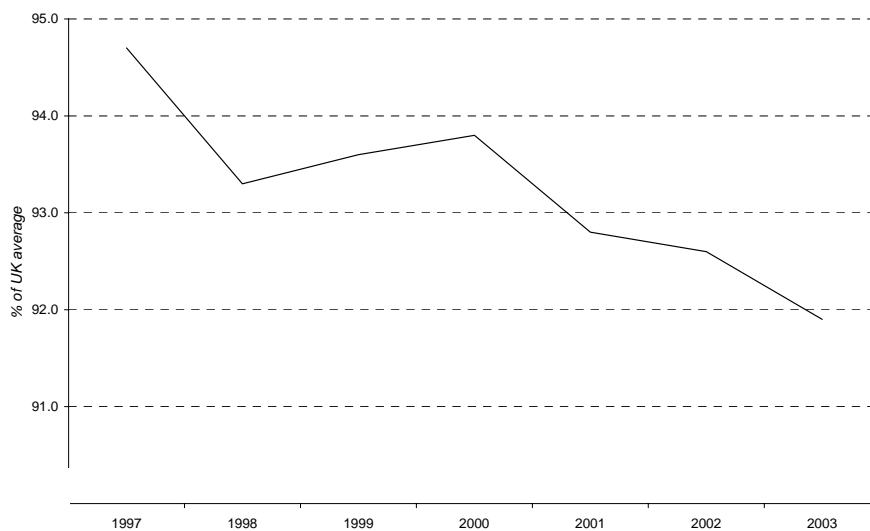
**Figure 4.1: GVA per filled job, Wales as per cent of UK, 1997 to 2003**



Source: Office for National Statistics

Figure 4.2 shows GVA per hour worked in Wales as a percentage of that of the UK for the years 1997 to 2003.

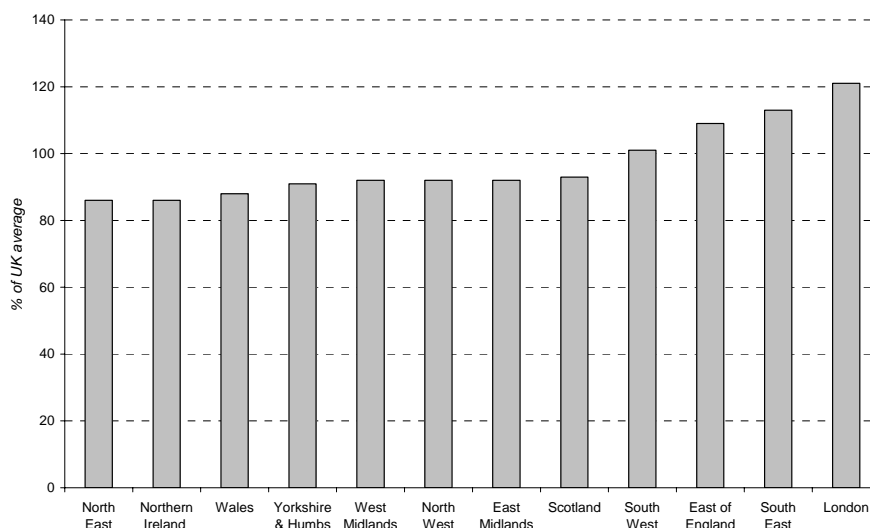
**Figure 4.2: GVA per hour worked, Wales as per cent of UK, 1997 to 2003**



Source: Office for National Statistics

## 5 Regional Household Income

Figure 5.1: Gross Disposable Household Income (GDHI) by UK nation and region, 2003(a)



Source: ONS

(a) 2003 data are provisional

The data<sup>14</sup> show that:

- ◆ Headline Gross Disposable Household Income (GDHI) per head in the NUTS1<sup>15</sup> area of Wales in 2003 was £11,137 or 88.3 per cent of the UK average. London had the highest GDHI per capita at £15,235, 21 per cent greater than the UK average. The North East had the lowest GDHI per capita at £10,787, 14 per cent less than the UK average.
- ◆ GDHI per head in Wales in 2003 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 2003.
- ◆ Between 1999 and 2003, headline GDHI per head in Wales increased by 23.0 per cent, compared to 21.6 per cent in the UK as a whole.

<sup>14</sup>Office for National Statistics, *Regional Household Income*, 29 April 2005:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050429-e.htm>

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>

<sup>15</sup> The Nomenclature of Units for Territorial Statistics (NUTS) provides a single uniform breakdown for the production of regional statistics for the European Union. There are three levels of NUTS in the UK:

NUTS1: Government Office Regions and Scotland, Wales and Northern Ireland.

NUTS2: 37 areas - sometimes referred to as subregions.

NUTS3: 133 areas - generally groups of unitary authorities or districts, also known as local areas.

- ◆ Within Wales, the estimates for 2003 show that GDHI per head in East Wales and West Wales and the Valleys (the two Welsh NUTS2 areas) were 91 per cent and 87 per cent of the UK average respectively.
- ◆ The estimates for the NUTS3 areas of Wales show that Conwy and Denbighshire had the highest GDHI per head in Wales in 2003 (96 per cent of the UK average). The Central Valleys (Rhondda, Cynon, Taff and Merthyr Tydfil) area had the lowest GDHI per head in 2003 (81 per cent of the UK average).
- ◆ A target within *A Winning Wales*<sup>16</sup> is to increase household disposable income to 95 per cent of the UK average by 2010.

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<sup>16</sup> *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. Further information on *A Winning Wales* can be found at:  
<http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/>

## 6 Labour Market

### 6.1 Main Indicators

#### Summary of Welsh Labour Market May – July 2005

	Wales	Wales change on year	UK	UK change on year
Employment rate (a)	71.7	-0.1	74.8	+0.1
ILO unemployment rate (b)	4.5	-0.1	4.7	0.0
Inactivity rate (c)	24.9	+0.2	21.4	-0.1

Source: Office for National Statistics, Table 18(1), *Labour Market Statistics September 2005*, 14 September 2005

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).

### 6.2 Local Authority Labour Market Statistics

Statistics regarding labour market unemployment and inactivity on a local authority basis are estimated using the annual population survey (which has replaced the local area labour force survey)<sup>17</sup>.

Table 6.1 shows the ILO unemployment level and rate on a local authority basis in Wales for the period 1999 to 2004.

Map 6.1 shows the employment rate by local authority in Wales in 2004.

Map 6.2 shows the ILO unemployment rate by local authority in Wales in 2004.

Map 6.3 shows the inactivity rate by local authority in Wales in 2004.

Map 6.4 shows the inactivity rate, excluding students, by local authority in Wales in 2004.

<sup>17</sup> Office for National Statistics, *Annual Population Survey and Welsh Local Labour Force Survey 2003-04*. The latest survey data are for 2004. Annual Population Survey data cover the period January to December of the year given. Local Labour Force Survey data cover the period March to February. Prior to 2001, limited data are available on a local authority basis. Annual Population Survey:  
<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw200509293-e.htm>  
Local Area Labour Force Survey:  
<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200411243-e.htm>

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Table 6.1: ILO unemployment level and rate(a), by local authority, Wales, 1999 to 2004

	<i>number</i>											
	1999 (b)		2000 (b)		2001		2002		2003		2004	
	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)	Level	Rate (%)
Isle of Anglesey	#	#	#	#	1,000	4.8	2,000	5.2	1,000	4.5	1,600	5.2
Gwynedd	#	#	#	#	3,000	5.3	2,000	4.6	2,000	3.7	2,200	3.9
Conwy	#	#	#	#	2,000	3.3	2,000	4.5	2,000	3.9	1,500	3.0
Denbighshire	#	#	#	#	2,000	4.2	2,000	4.2	2,000	3.6	1,600	3.7
Flintshire	#	#	#	#	4,000	5.1	3,000	3.7	2,000	3.1	1,900	2.4
Wrexham	#	#	#	#	2,000	3.6	2,000	3.7	2,000	2.5	1,600	2.6
Powys	#	#	#	#	2,000	3.5	2,000	2.9	2,000	3.4	1,600	2.6
Ceredigion	#	#	#	#	2,000	5.9	2,000	5.1	2,000	6.4	1,800	4.9
Pembrokeshire	#	#	#	#	3,000	6.4	3,000	6.4	3,000	5.3	2,600	4.9
Carmarthenshire	7,000	9.1	#	#	5,000	6.3	3,000	4.5	4,000	5.1	3,600	4.8
Swansea	7,000	7.0	7,000	6.5	6,000	6.2	7,000	6.3	6,000	5.7	6,500	6.1
Neath Port Talbot	6,000	11.0	#	#	3,000	6.0	5,000	8.6	4,000	6.9	3,700	6.6
Bridgend	#	#	#	#	3,000	4.7	3,000	4.9	2,000	3.9	2,300	3.7
Vale of Glamorgan	#	#	#	#	2,000	4.0	3,000	5.4	3,000	5.5	3,300	5.7
Rhondda, Cynon, Taff	8,000	7.8	6,000	6.0	6,000	5.9	6,000	6.3	7,000	7.0	5,400	5.3
Merthyr Tydfil	#	#	#	#	2,000	6.9	2,000	6.7	1,000	5.4	1,500	6.7
Caerphilly	6,000	8.6	#	#	6,000	8.6	5,000	6.8	4,000	5.2	5,200	7.0
Blaenau Gwent	#	#	#	#	2,000	7.6	2,000	6.3	2,000	7.4	2,100	7.2
Torfaen	#	#	#	#	2,000	5.9	2,000	5.8	2,000	5.5	2,100	5.0
Monmouthshire	#	#	#	#	2,000	4.5	1,000	3.6	2,000	3.7	1,100	2.5
Newport	6,000	9.5	#	#	3,000	4.7	3,000	4.9	3,000	4.9	3,100	5.0
Cardiff	10,000	6.7	8,000	5.3	8,000	5.2	7,000	4.8	9,000	5.9	8,400	5.6
<b>Wales</b>	<b>90,000</b>	<b>7.0</b>	<b>81,000</b>	<b>6.2</b>	<b>71,000</b>	<b>5.4</b>	<b>69,000</b>	<b>5.2</b>	<b>67,000</b>	<b>5.0</b>	<b>64,600</b>	<b>4.8</b>

Source: Nomis



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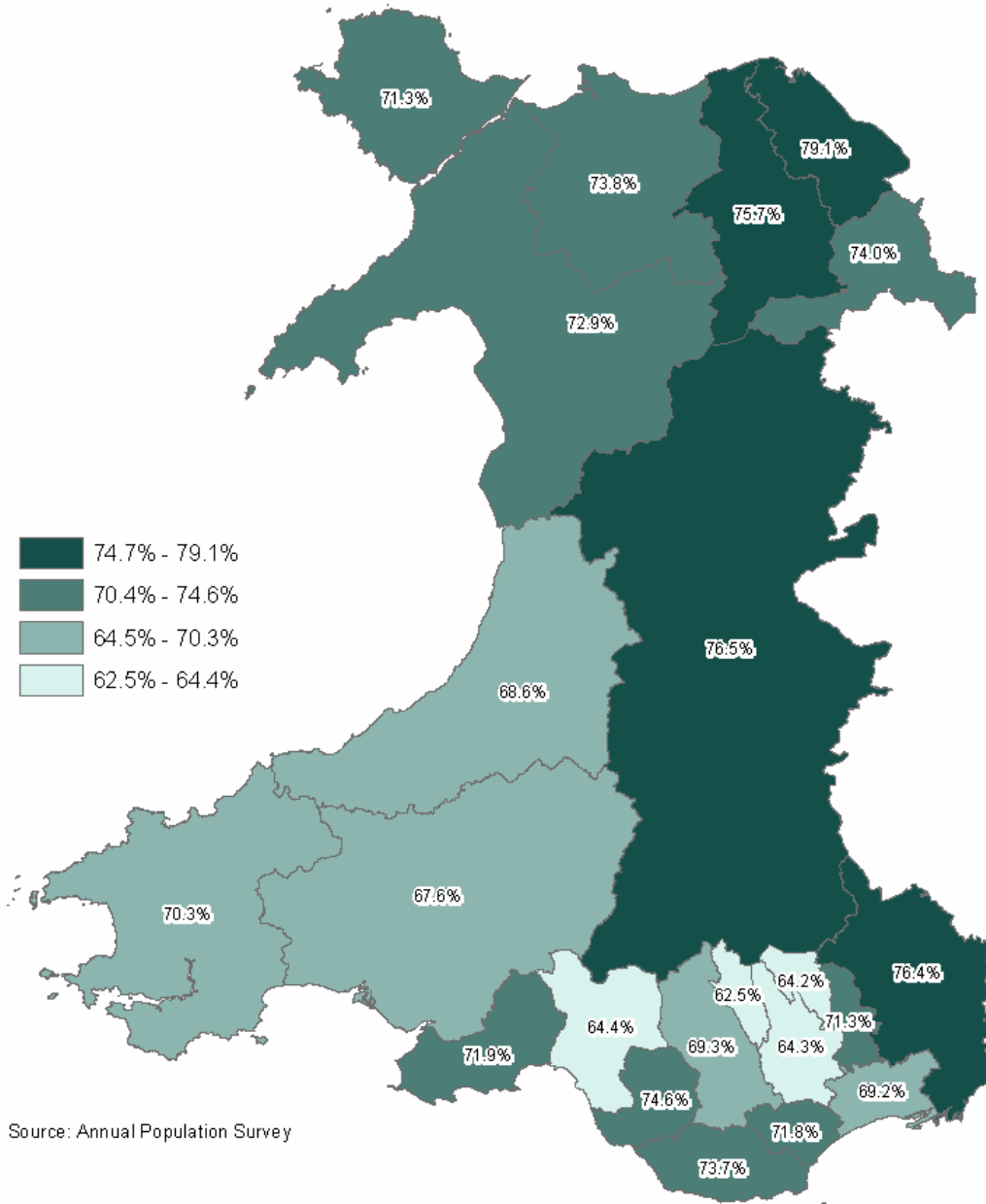


Notes

- (a) Levels and rates are for those aged 16 and over. Rate is as a proportion of economically active. Data are for the 12 months running from March in the year given to February in the following year up until 2003 (e.g. 2001 = March 2001 to February 2002), and January to December of the given year from 2004. Figures are rounded and so there may be some apparent slight discrepancies between the sum of constituent items and the totals as shown.
- (b) Estimates for 1999 and 2000 are based on a smaller sample size. # These figures are suppressed as statistically unreliable.



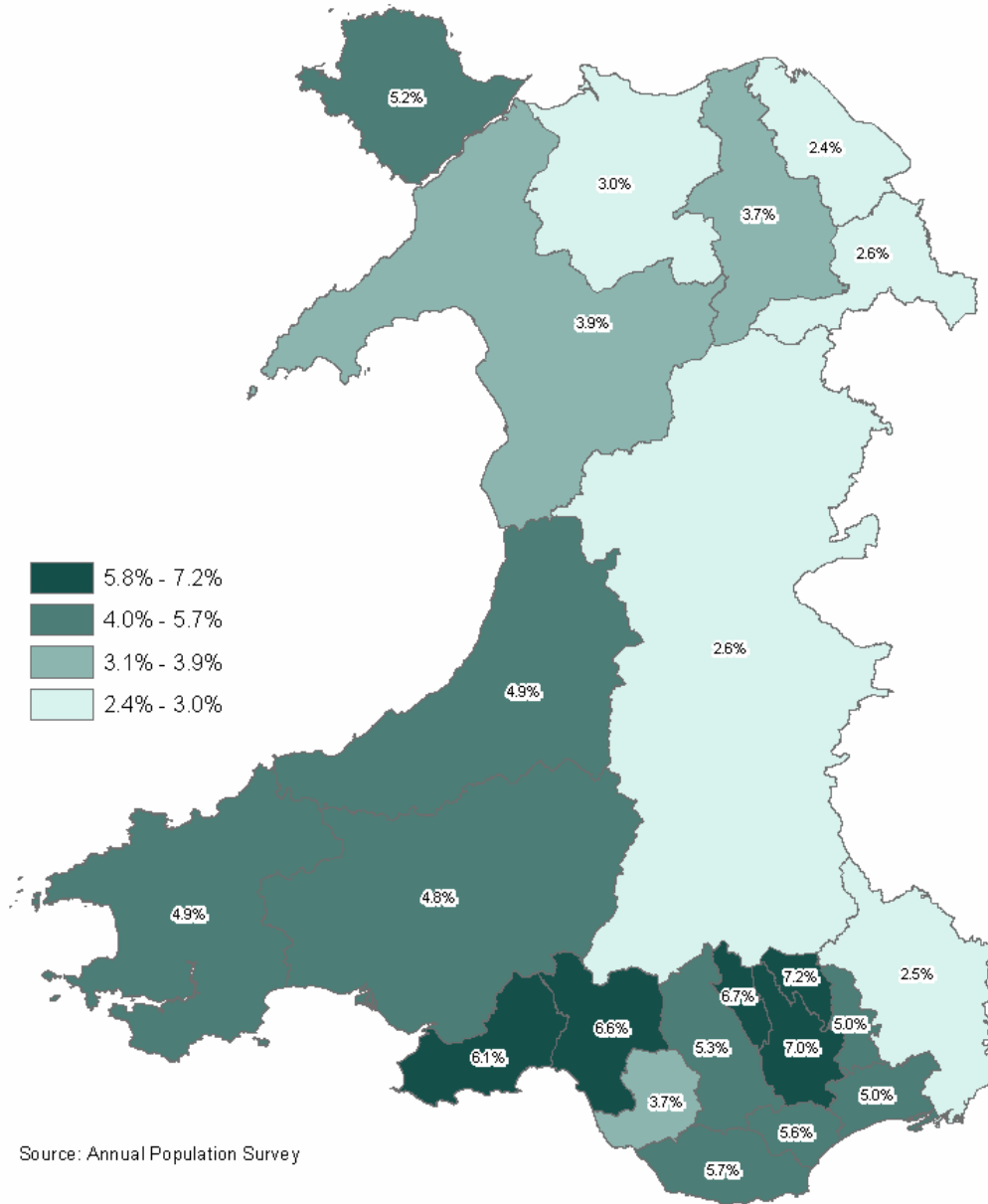
Map 6.1: Employment rate<sup>18</sup> by local authority, Wales, 2004.



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<sup>18</sup> The employment rate is the number of people in employment as a percentage of those of working age (16-59/64).

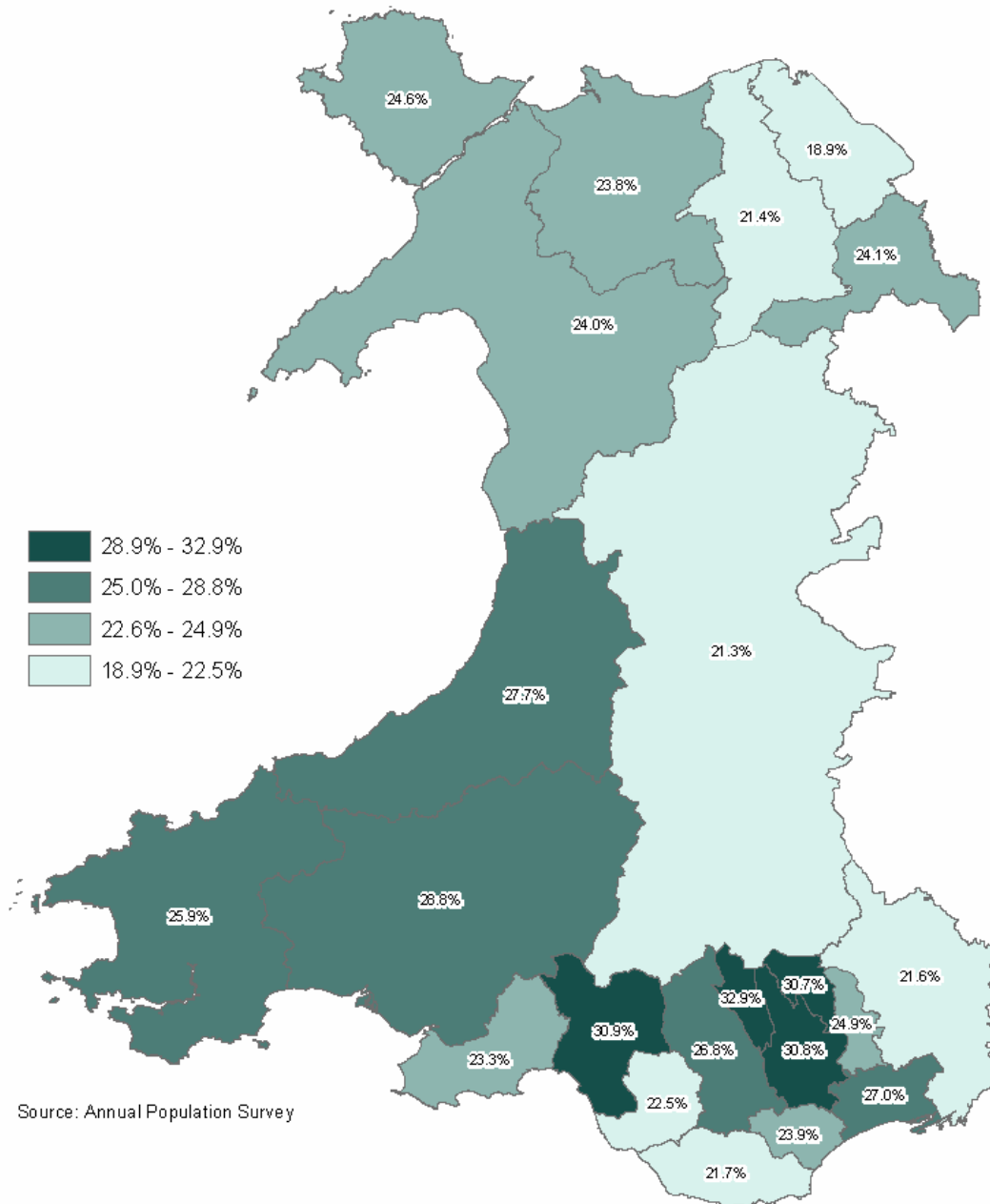
Map 6.2: ILO unemployment rate<sup>19</sup> by local authority, Wales, 2004.



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<sup>19</sup> 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.

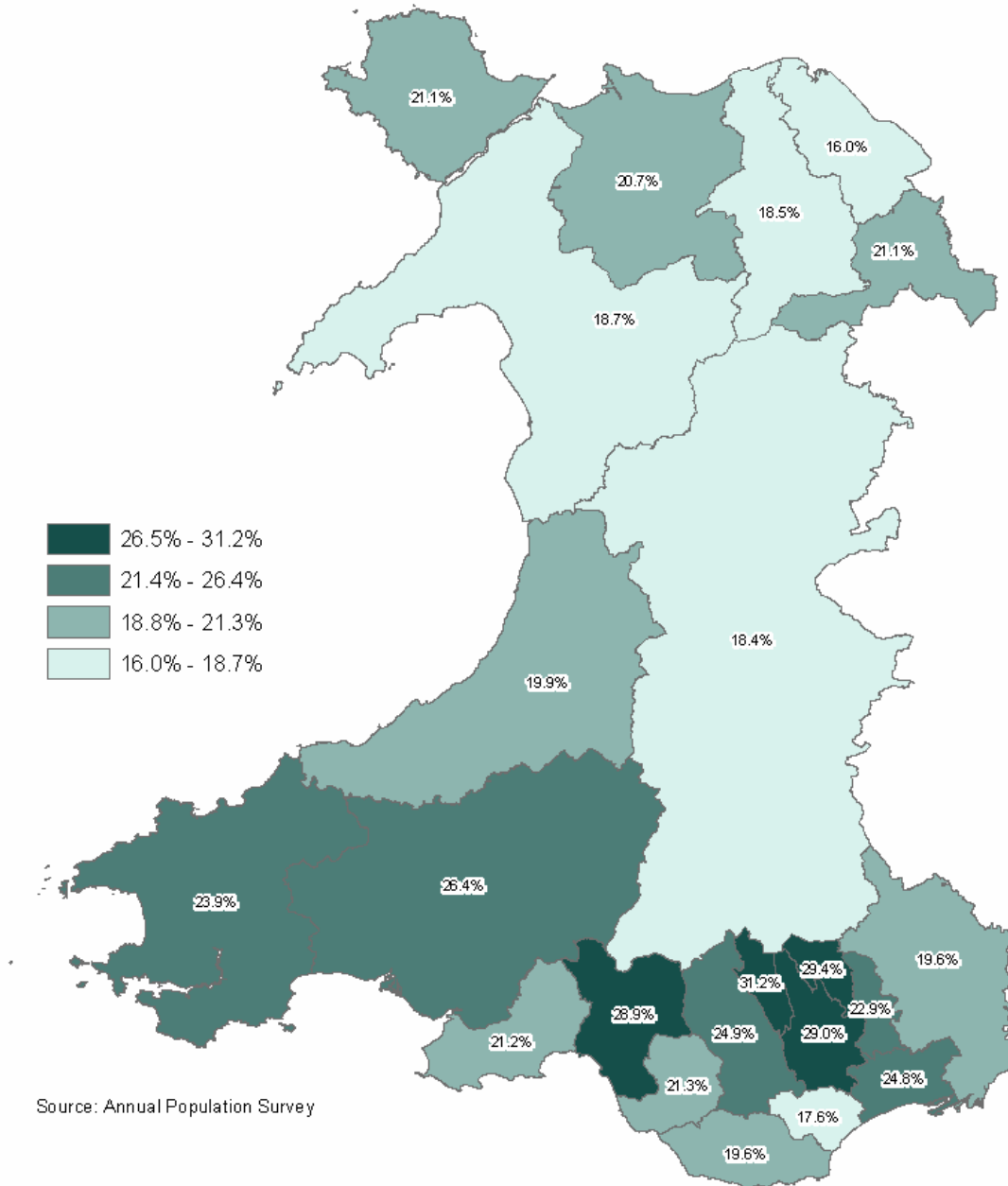
Map 6.3: Inactivity rate<sup>20</sup> by local authority, Wales, 2004.



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<sup>20</sup> 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.

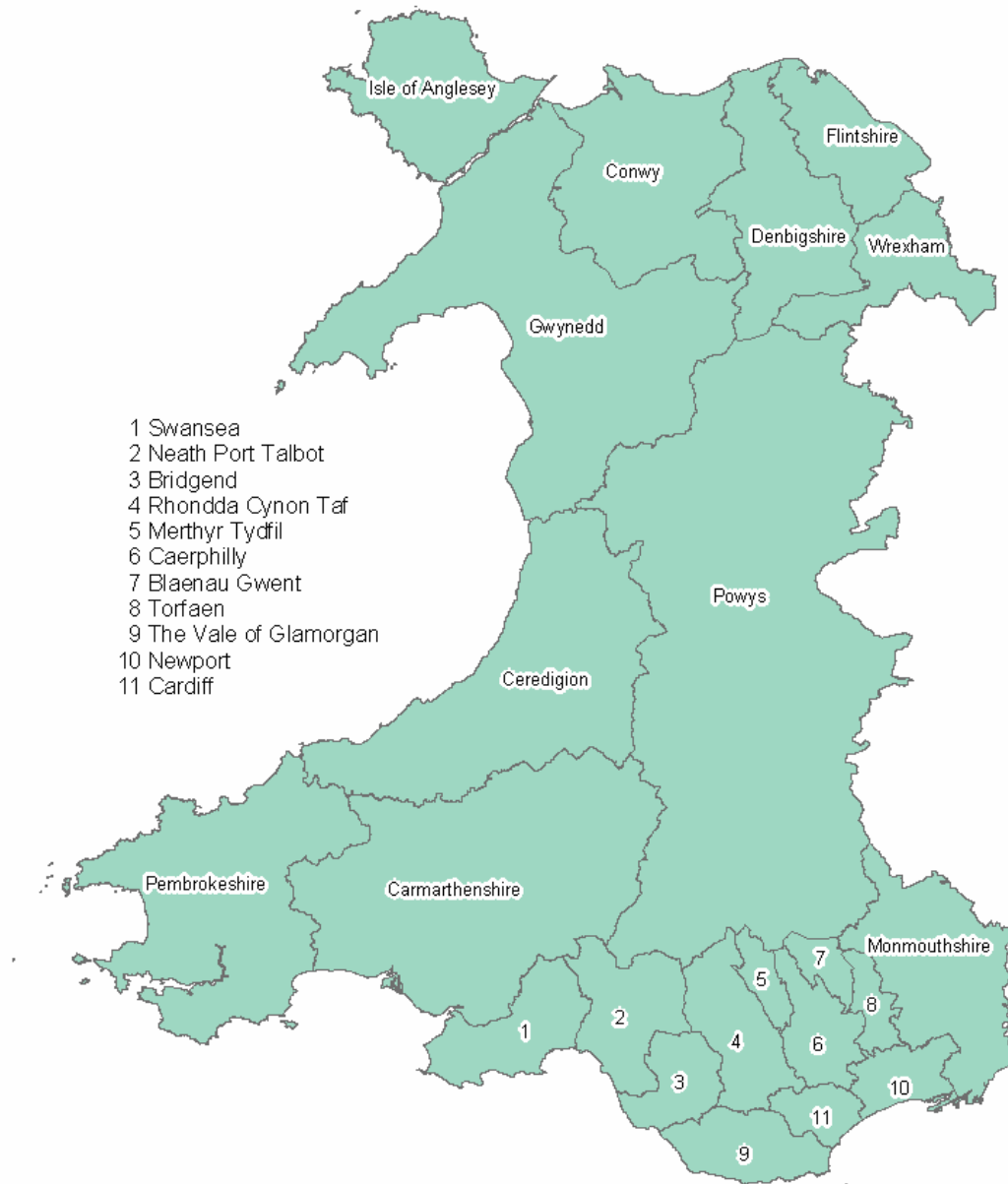
Map 6.4: Inactivity rate excluding students<sup>21</sup> by local authority, Wales, 2003.



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<sup>21</sup> 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



### 6.3 Claimant Count

This section gives the latest counts of Jobseekers Allowance claimants for Assembly constituencies for August 2005. 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 so<sup>22</sup>. 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 6.2 shows the number of residents claiming Jobseekers Allowance (the claimant count) resident in each Assembly constituency as at August 2005. As this information is obtained directly from the Benefits Agency administrative system, it is a complete count of all those claiming. These data are used as the numerator in the calculations of claimant unemployment proportions and rates.

Residence-based claimant count rates for Assembly Constituencies have been calculated by the Members' Research Service, expressing the number of claimants as a percentage of the economically active aged 16-74 who are resident in the constituency. This produces an alternative measure of unemployment to those published by the Office for National Statistics, where the rate is the proportion of 16+ residents who are unemployed<sup>23</sup>. The number of economically active residents in each constituency is derived from the 2001 Census of Population Key Statistics for Assembly Constituencies that were published by the Office for National Statistics in April 2003.

Table 6.3 shows the unofficial residence-based estimates of claimant count rates, broken down by gender, as at August 2005.

Map 6.5 shows the spread of the unofficial residence-based claimant count rates by constituency.

The constituency with the largest number of people claiming unemployment-related benefits is Blaenau Gwent (1,777 claimants). 76 per cent of claimants in this constituency are male, and this compares to an all Wales proportion of male claimants of 75 per cent. Meirionnydd Nant Conwy has the fewest claimants (431 claimants), with male claimants making up 74 per cent of the total.

Montgomeryshire and Cardiff North have the lowest claimant count rate as a percentage of the economically active population (aged 16-74) at 1.8 per cent. Montgomeryshire and Cardiff North have the lowest rate for women (1.1 per cent) and Montgomeryshire has the

<sup>22</sup> 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>

<sup>23</sup> From September 2003 claimant count **proportions** for Assembly Constituencies are available from the Office for National Statistics (ONS). The working age population denominators have been derived from resident population data for output areas from the 2001 Census of Population, which were published on 30 June 2003. The 2001 denominators have been used to calculate claimant count proportions for the latest month for which the claimant count is available. These differ from the claimant count **rates** presented in this research paper. The ONS claimant count proportions use the population of working age as a denominator and so take no account of differences in the proportion who are economically active between areas.



lowest rate for men at 2.3 per cent. Blaenau Gwent has the largest claimant count rate at 6.4 per cent, with rates highest among the Assembly constituencies for both men (8.8 per cent) and women (3.5 per cent).

## **6.4 Incapacity Benefit**

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

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

Map 6.6 shows the number of people claiming long-term incapacity benefit by Assembly constituency in Wales at May 2005, as a percentage of the population aged 16 to 64, taken from the 2001 census of population.

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

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

The constituency with the largest number of people claiming long-term incapacity benefit is Merthyr Tydfil and Rhymney (5,700 claimants). This represents 12.7 per cent of the population aged 16 to 64 and is the highest rate in Wales.

Meirionnydd Nant Conwy has the fewest claimants of IBLT (800 claimants), which represents 3.2 per cent of the population aged 16 to 64. The constituency with the lowest rate is Cardiff Central, where 2.6 per cent of the population aged 16 to 64 is claiming IBLT.

**Table 6.2 Claimant count by Assembly constituency, August 2005 (a)**

*not seasonally adjusted*

<b>Constituency</b>	<b>Men</b>	<b>Women</b>	<b>People</b>
Aberavon	745	251	996
Alyn & Deeside	691	249	940
Blaenau Gwent	1,348	429	1,777
Brecon & Radnorshire	486	207	693
Bridgend	814	328	1,142
Caernarfon	530	177	707
Caerphilly	1,248	416	1,664
Cardiff Central	1,062	326	1,388
Cardiff North	500	201	701
Cardiff South & Penarth	1,315	377	1,692
Cardiff West	1,105	318	1,423
Carmarthen East & Dinefwr	509	219	728
Carmarthen West & South Pembrokeshire	582	178	760
Ceredigion	458	185	643
Clwyd South	495	188	683
Clwyd West	583	175	758
Conwy	759	254	1,013
Cynon Valley	835	279	1,114
Delyn	586	222	808
Gower	557	212	769
Islwyn	761	286	1,047
Llanelli	842	282	1,124
Meirionnydd Nant Conwy	319	112	431
Merthyr Tydfil & Rhymney	1,212	360	1,572
Monmouth	530	216	746
Montgomeryshire	348	136	484
Neath	859	301	1,160
Newport East	791	290	1,081
Newport West	1,012	316	1,328
Ogmore	793	322	1,115
Pontypridd	826	283	1,109
Preseli Pembrokeshire	709	261	970
Rhondda	1,011	343	1,354
Swansea East	989	307	1,296
Swansea West	1,000	340	1,340
Torfaen	794	259	1,053
Vale of Clwyd	683	227	910
Vale of Glamorgan	1,013	351	1,364
Wrexham	594	212	806
Ynys-Mon	937	255	1,192
<b>Wales</b>	<b>31,231</b>	<b>10,650</b>	<b>41,881</b>

Source: Nomis

(a) Count of claimants of Job Seekers Allowance

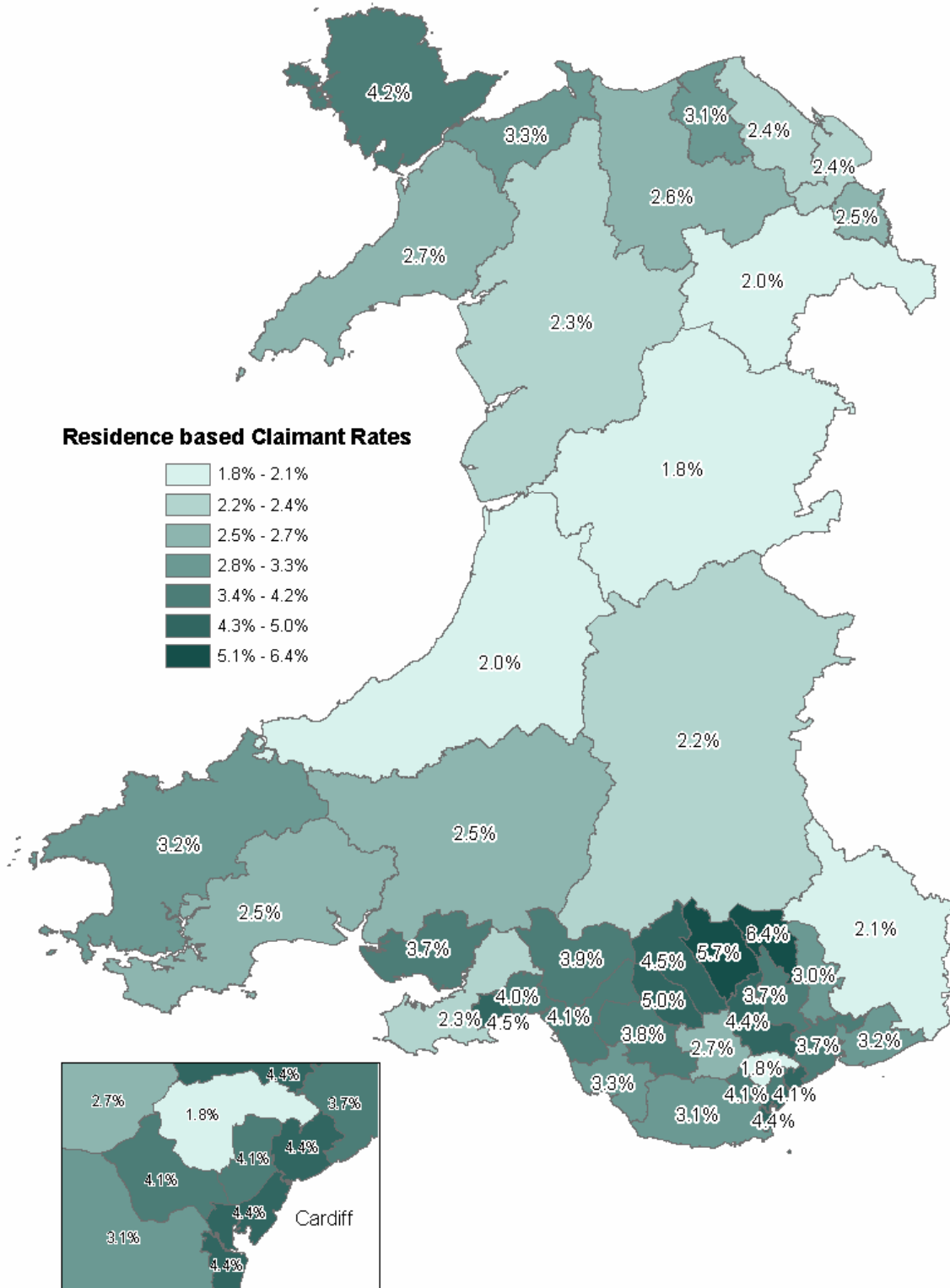
**Table 6.3 Residence-based claimant count rates by Assembly constituency, August 2005 (a)**

*not seasonally adjusted*

<b>Constituency</b>	<b>Men</b>	<b>Women</b>	<b>People</b>
Aberavon	5.5	2.3	4.1
Alyn & Deeside	3.2	1.4	2.4
Blaenau Gwent	8.8	3.5	6.4
Brecon & Radnorshire	2.8	1.5	2.2
Bridgend	4.3	2.1	3.3
Caernarfon	3.7	1.5	2.7
Caerphilly	6.0	2.4	4.4
Cardiff Central	6.0	2.0	4.1
Cardiff North	2.5	1.1	1.8
Cardiff South & Penarth	6.5	2.1	4.4
Cardiff West	6.0	1.9	4.1
Carmarthen East & Dinefwr	3.2	1.7	2.5
Carmarthen West & South Pembrokeshire	3.5	1.3	2.5
Ceredigion	2.6	1.3	2.0
Clwyd South	2.7	1.3	2.0
Clwyd West	3.7	1.3	2.6
Conwy	4.7	1.8	3.3
Cynon Valley	6.2	2.5	4.5
Delyn	3.2	1.5	2.4
Gower	3.2	1.4	2.3
Islwyn	4.9	2.3	3.7
Llanelli	5.1	2.1	3.7
Meirionnydd Nant Conwy	3.1	1.4	2.3
Merthyr Tydfil & Rhymney	8.0	2.9	5.7
Monmouth	2.8	1.3	2.1
Montgomeryshire	2.3	1.1	1.8
Neath	5.3	2.3	3.9
Newport East	4.3	1.9	3.2
Newport West	5.3	1.9	3.7
Ogmore	4.9	2.5	3.8
Pontypridd	3.8	1.5	2.7
Preseli Pembrokeshire	4.3	1.9	3.2
Rhondda	6.7	2.9	5.0
Swansea East	5.7	2.1	4.0
Swansea West	6.3	2.5	4.5
Torfaen	4.1	1.6	3.0
Vale of Clwyd	4.3	1.6	3.1
Vale of Glamorgan	4.4	1.7	3.1
Wrexham	3.4	1.4	2.5
Ynys-Mon	5.9	2.0	4.2
<b>Wales</b>	<b>4.5</b>	<b>1.8</b>	<b>3.3</b>

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 16-74 derived from the 2001 Census of Population

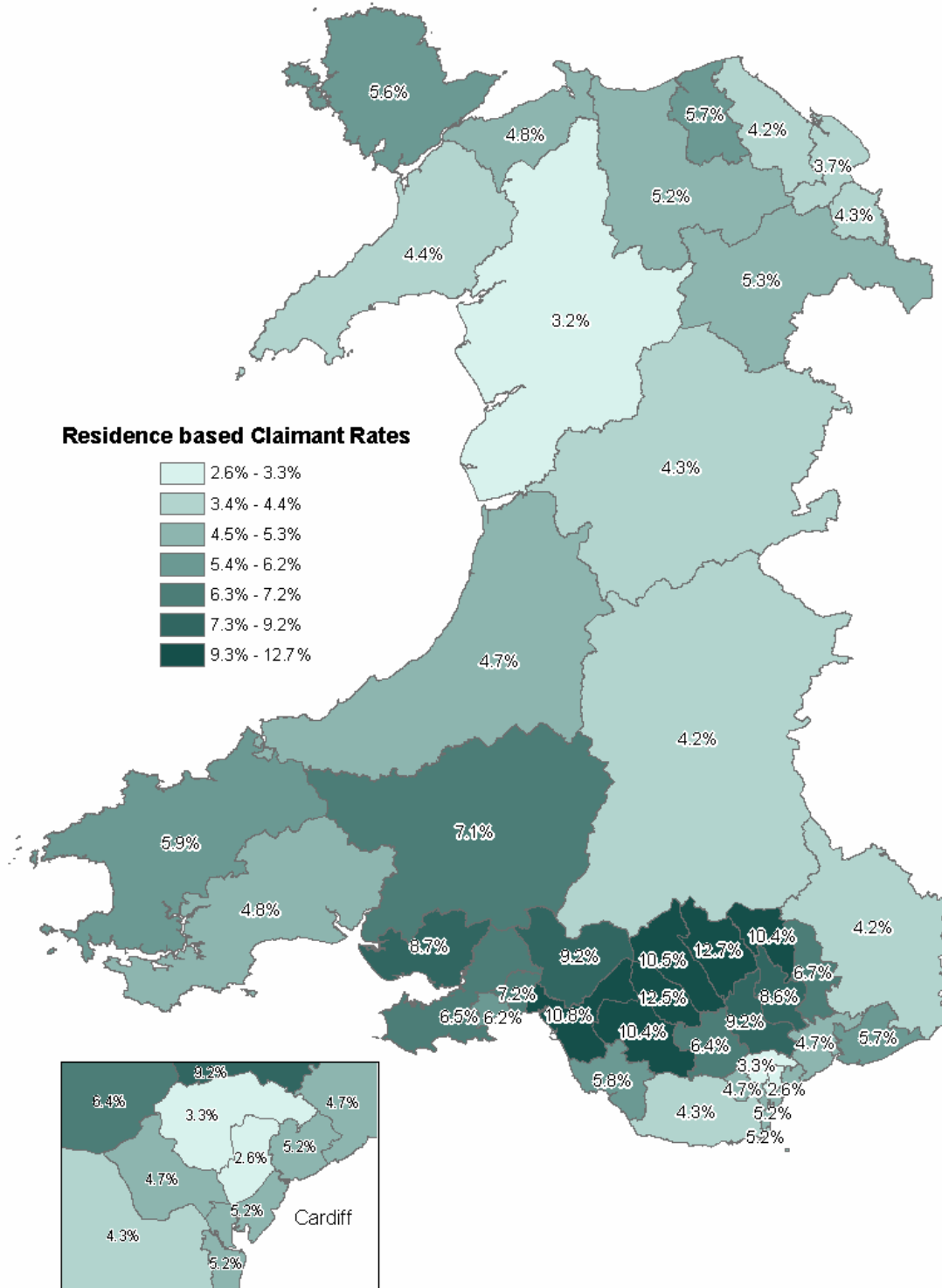
Map 6.5: Residence-based (unofficial) claimant count rates (a) by Assembly Constituency in Wales, August 2005



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(a) Claimants of Jobseekers Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population Key Statistics

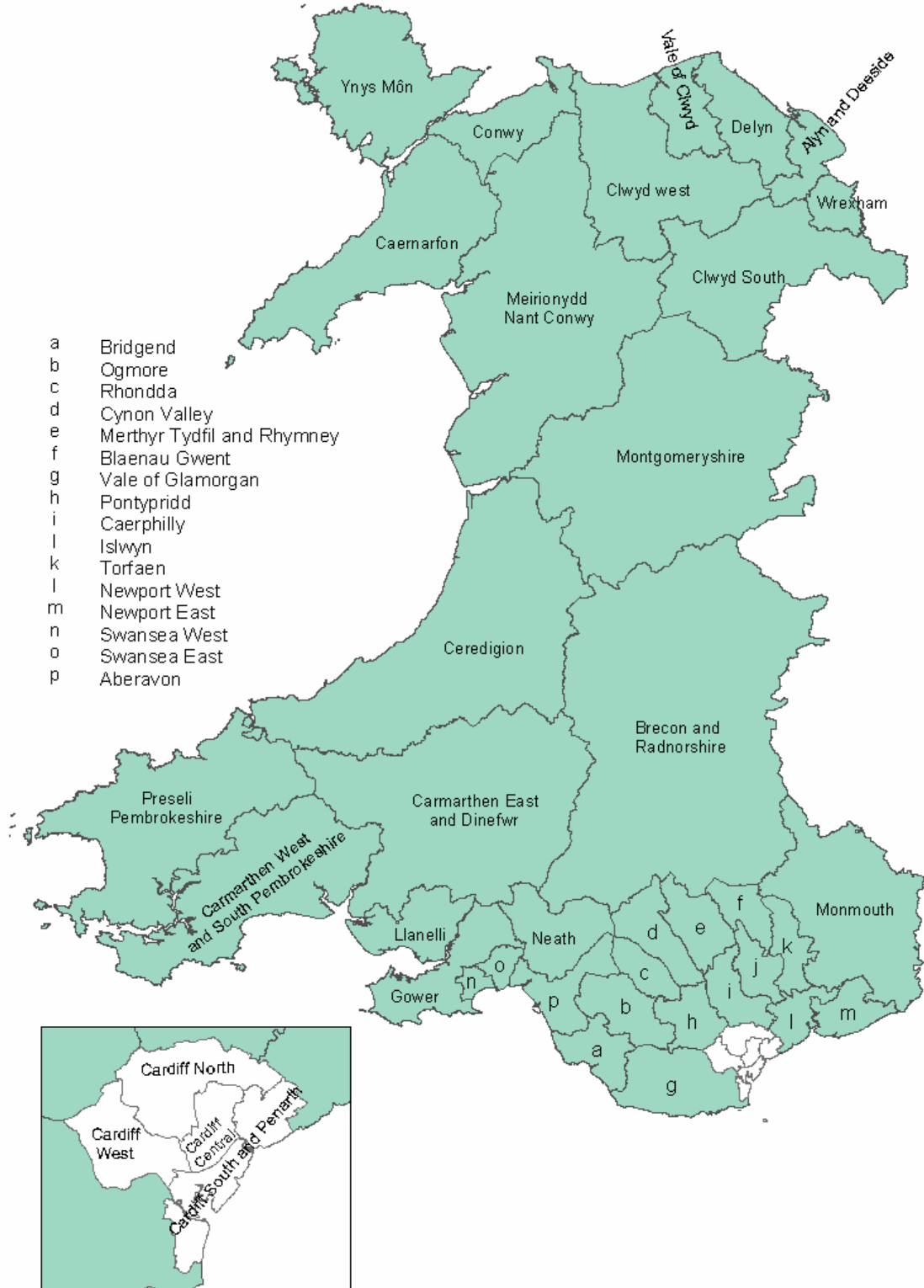
Map 6.6: Long-term Incapacity Benefit rates (a) by Assembly Constituency in Wales, May 2005



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(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

National Assembly for Wales Constituencies



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## 7 Earnings

**Table 7.1. Median gross weekly earnings, full-time employees on adult rates, by UK region, 1998 to 2004.**

Area	1998	1999	2000	2001	2002	2003	2004 (exc)	2004 (inc)
Wales	308.9	316.8	327.5	341.3	349.4	363.6	386.0	383.2
United Kingdom	334.9	345.5	359.0	375.9	390.9	404.0	423.0	422.1
Wales as % of UK	92.2	91.7	91.2	90.8	89.4	90.0	91.3	90.8

Source: Annual Survey of Hours and Earnings

Note: Supplementary information was collected for the 2004 ASHE. The 2004 (inc) ASHE results are therefore discontinuous with the results for 2003, for which no supplementary information was collected. For 2004, information was also collected excluding the supplementary information in order to enable comparison with the revised back series of ASHE results. The results for 2004 which exclude the supplementary information are given as 2004 (exc).

The ASHE 2004 data show that<sup>24</sup>:

- ◆ Median gross weekly earnings for full-time adults in Wales were £383.20 in April 2004, 90.8 per cent of the median for the UK as a whole (£422.10).
- ◆ Median gross weekly earnings in Wales increased by £22.40 (6.2 per cent) between 2003 and 2004, compared to £19.00 (4.7 per cent) in the UK as a whole.
- ◆ Wales had the third lowest median weekly earnings in the UK in 2004 after Northern Ireland (£372.30) and the North East (£372.60).

Figure 7.1 charts median gross weekly earnings of full time employees on adult rates in Wales and other regions of the UK in 2004.

<sup>24</sup> 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.

ASHE improves on the NES by extending the coverage of the survey sample, introducing weighting, imputation for questions not answered and estimates of quality for all survey outputs. Figures from the ASHE survey are not directly comparable with the NES data.

Further information on ASHE can be found at:

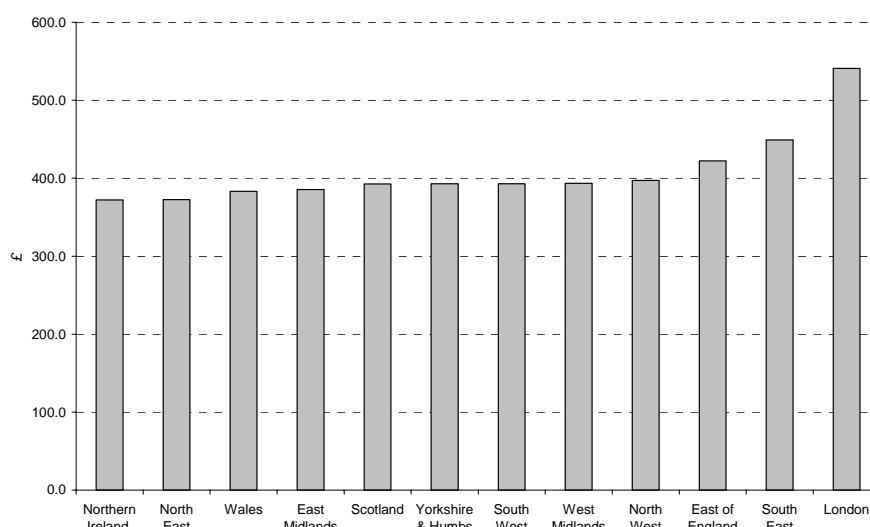
<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw200410283-e.htm>

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

The The National Assembly for Wales Statistical Directorate published further analysis of these data on 22 February 2004, providing average earnings information for the two sub-regions of Wales on a workplace and residence basis. National Assembly for Wales Statistical Directorate Statistical Bulletin, *Annual Survey of Hours and Earnings 2004*, 22 February 2005:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050222-e.htm>

Figure 7.1: Median weekly gross earnings for full time employees, by region, April 2004



Source: Annual Survey of Hours and Earnings

Table 7.2 provides information on the mean gross weekly earnings of full time employees on adult rates in Wales and the UK between 1998 and 2004.

Table 7.2. Mean gross weekly earnings, full-time employees on adult rates, by UK region, 1998 to 2004.

Area	1998	1999	2000	2001	2002	2003	2004 (exc)	2004 (inc)
Wales	348.5	358.7	372.8	385.8	405.2	421.8	444.7	441.7
United Kingdom	392.5	407.8	425.1	449.7	472.1	487.1	506.9	504.9
Wales as % of UK	88.8	88.0	87.7	85.8	85.8	86.6	87.7	87.5

Source: Annual Survey of Hours and Earnings

Note: Supplementary information was collected for the 2004 ASHE. The 2004 (inc) ASHE results are therefore discontinuous with the results for 2003, for which no supplementary information was collected. For 2004, information was also collected excluding the supplementary information in order to enable comparison with the revised back series of ASHE results. The results for 2004 which exclude the supplementary information are given as 2004 (exc).

- ◆ Average (mean) gross weekly earnings for full-time adults in Wales were £441.70 in April 2004, 87.5 per cent of the average for the UK as a whole (£504.90).
- ◆ Average (mean) gross weekly earnings in Wales increased by £22.90 (5.4 per cent) between 2003 and 2004, compared to £19.80 (4.1 per cent) in the UK as a whole.
- ◆ Wales had the third lowest average weekly earnings in the UK in 2004 after Northern Ireland (£431.40) and the North East (£436.20). The ranking for Wales has remained the same at least since 1998.
- ◆ The gender pay ratio of female to male full-time mean hourly earnings in Wales in April 2004 was 86 per cent. This was 4 percentage points above that for the UK as a whole (82 per cent).



## 8 Exports

### Summary of Welsh exports

	Wales	UK
Change in value of exports (latest 4 quarters compared to the previous 4 quarters)	14.5% increase	1.9% increase
Change in value of exports to non-EU countries (latest 4 quarters compared to the previous 4 quarters)	21.4% increase	1.8% increase
Change in value of exports to EU countries (latest 4 quarters compared to the previous 4 quarters)	11.2% increase	2.0% fall
Winning Wales Target: Change in value of exports (latest 4 quarters compared to 2001)	8.4% increase	2.2% increase

Source: National Assembly for Wales, *Welsh exports: first quarter 2005*, 12 July 2005

The latest information on Welsh exports<sup>25</sup> shows that:

- ◆ The value of exports for Wales for the four quarters up to and including quarter 1 2005 rose by 14.5 per cent compared to the previous four quarters. The value of exports for the total of all UK regions rose over the same period by 1.9 per cent.
- ◆ The increase for Wales was made up of an increase of £513 million in exports to non-EU countries (up 21.4 per cent) combined with an increase of £553 million in exports to EU countries (up 11.2 per cent).
- ◆ The Wales percentage increase over this period was the highest amongst the 12 UK regions.
- ◆ Looking at quarter 1 2005 in isolation, total exports (by value) for Wales increased on the corresponding quarter in 2004, by 5.1 per cent. The value of exports for the total of all UK regions increased by 2.0 per cent over the same period.
- ◆ Welsh exports for quarter 1 2005 were lower in value than in the previous quarter (down 11.4 per cent), compared to a 9.5 per cent fall for the total of all UK regions.
- ◆ The target in *A Winning Wales*<sup>26</sup> is to match UK growth over the period of the programme. Growth in exports from Wales for the four quarters up to and including quarter 1 2005 over the base year (2001) was 18.4%, while the corresponding figure for the sum of the UK regions was 5.0%.

<sup>25</sup> National Assembly for Wales, *Welsh exports: first quarter 2005*, 12 July 2005: <http://www.wales.gov.uk/keypubstatisticsforwales/content/publication/economy/2005/sb47-2005/sb47-2005.pdf>  
HM Customs and Excise, UK regional exports news release, 16 June 2005: <http://www.uktradeinfo.com/index.cfm?task=news&id=296&startrow=1>

<sup>26</sup> *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. Further information on *A Winning Wales* can be found at: <http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/>

## 9 Production and Construction

### Index of Production and Construction, 1<sup>st</sup> Quarter 2005

*Latest 4 quarters compared to the previous 4 quarters*

	Wales	UK
Change in Index of Production and Construction	1.2% increase	0.8% increase
Change in production output	0.5% increase	0.1% increase
Change in manufacturing output	0.8% fall	1.1% increase
Change in construction output	3.6% increase	3.0% increase

Source: National Assembly for Wales, *Welsh Index of Production and Construction 1<sup>st</sup> Quarter 2005*, 7 July 2005

The Index of Production and Construction for Wales<sup>27</sup> rose by 1.2 per cent compared with the previous four quarters. The UK index rose by 0.8 per cent over the same period.

## 10 Index of Distribution

### Index of Distribution, Quarter 3 2004

*Latest 4 quarters compared to the previous 4 quarters*

	Wales	UK
Change in Index of Distribution	3.9% increase	4.8% increase
Which comprises:		
Change in retail output	6.7% increase	6.0% increase
Change in wholesale output	1.0% fall	3.3% increase
Change in motor trades output	1.5% increase	4.3% increase

Source: Welsh Assembly Government, *Welsh Index of Distribution Q3 2004*, 24 February 2005

The Welsh Index of Distribution<sup>28</sup> is a newly published experimental statistic and will remain so until it can be brought into line with the UK Index of Distribution.

<sup>27</sup> National Assembly for Wales, *Welsh Index of Production and Construction 1<sup>st</sup> Quarter 2005*, 7 July 2005: <http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw200507071-e.htm>

<sup>28</sup> Welsh Assembly Government, *Welsh Index of Distribution Q3 2004*, 24 February 2005:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2005/hdw20050224-e.htm>

The Distribution sector comprises the motor trade sector (including retail sales of automotive fuel), the wholesale and commission trades sector and the retail sector. Jointly they accounted for 11 per cent of the Welsh economy in 2001.

## 11 Investment

**Table 11.1: Wales Total Gross Fixed Capital Formation (GFCF) by NUTS level 1 and 2 area, 2000**

NUTS Level 1 NUTS Level 2	GFCF (£ million)	GFCF as a percentage of UK GFCF
<b>WALES</b>	<b>5,728</b>	<b>3.7</b>
West Wales and the Valleys	2,931	1.9
East Wales	2,797	1.8

Source: Office for National Statistics<sup>29</sup>

Wales' share of UK Gross Fixed Capital Formation (GFCF) in 2000 was 3.7 per cent. This compares to a 3.9 per cent share of Gross Value Added (GVA) in the same period. London had the highest regional share of GFCF in 2000 at 18.5 per cent (£28.8 billion) which compares to a 18.9 per cent share of GVA. Northern Ireland had the lowest regional share of GFCF in 2000 at 2.7 per cent (£4.2 billion), compared to 2.3 per cent of GVA.

<sup>29</sup> Office for National Statistics, Sub-regional gross value added and gross fixed capital formation, 31 October 2003:  
<http://www.statistics.gov.uk/pdfdir/gva1003.pdf>

Gross (domestic) Fixed Capital Formation (GFCF) is expenditure on final assets (buildings, vehicles etc) either for replacing or adding to the stock of existing assets. Due to the erratic nature of capital investment, GFCF can vary considerably between years particularly at NUTS2 level. At the UK level, GFCF for manufacturing, wholesale & retail trade, transport & communications, real estate, and dwellings accounted for nearly two-thirds of total GFCF in 2000. However, the percentage share of GFCF for these industries varies across the regions.

See also:

Office for National Statistics, Regional and Sub-Regional Gross Fixed Capital Formation, 8 December 2003:  
[http://www.statistics.gov.uk/articles/economic\\_trends/ETDecCope.pdf](http://www.statistics.gov.uk/articles/economic_trends/ETDecCope.pdf)

This article gives detailed information on regional GFCF including a breakdown by industry.

## 12 Research and Development

**Table 12.1: R&D performed within UK Businesses, Wales, 1997 to 2003**

Year	Business Enterprise Research & Development		Total Research & Development	
	Expenditure (£ million)	% of UK total	Expenditure (£ million)	% of UK total
1997	113	1.2	257	1.8
1998	125	1.2	289	1.9
1999	203	1.8	387	2.3
2000	144	1.3	348	2.0
2001	136	1.1	340	1.8
2002	182	1.4	402	2.1
2003	264	1.9	n/a	n/a

Source: StatsWales<sup>30</sup>

The data show that:

- ◆ In 2003, business enterprise research and development (BERD) expenditure for Wales was £264 million, up by 41 per cent in real terms on the figure for 2002. This represented 1.9 per cent of the UK total, an increase of 0.5 percentage points over 2002.
- ◆ Between 2002 and 2003, BERD expenditure in the UK increased by 2 per cent in real terms to £13.7 billion.
- ◆ The real terms percentage increase between 2002 and 2003 in BERD expenditure in Wales was the second highest increase amongst UK regions and devolved administrations, behind the North East. There were falls in 6 regions, with the largest fall being in Northern Ireland (down 24 per cent).

<sup>30</sup> Further information on UK Business Enterprise Research and Development can be found on the ONS web-site at:

<http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041126-e.htm>

Note 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.

### 13 VAT Registrations

**Table 13.1: VAT registered businesses: stocks, registrations and de-registrations, Wales, 1997 to 2004**

Year	Stock	Stock as % of UK stock	Registrations	Registrations as % of UK registrations	De-registrations	De-registrations as % of UK de-registrations
1997	77,610	4.7	6,410	3.4	5,980	4.0
1998	78,040	4.6	6,190	3.4	6,030	4.0
1999	78,205	4.5	6,110	3.4	6,235	4.1
2000	78,080	4.5	6,245	3.5	5,785	3.7
2001	78,540	4.4	5,935	3.5	5,325	3.5
2002	79,150	4.4	6,305	3.6	6,435	3.9
2003	79,020	4.4	6,910	3.6	6,925	4.0
2004	79,010	4.4	n/a	n/a	n/a	n/a

Source: StatsWales<sup>31</sup>

Note: The stock of VAT registered enterprises is the position on 1 January of each year, while the registrations and de-registrations data represent the numbers of such during each calendar year.

The data show that:

- ◆ The number of VAT registrations in Wales during 2003 was 6,910, an increase 9.6 per cent over 2002. This represented 8.7 per cent of the stock at the start of the year.
- ◆ Wales' registration rate of 8.7 per cent was the second lowest within the UK. Northern Ireland had the lowest rate (6.5 per cent) while London had the highest rate (12.8 per cent). The UK average registration rate was 10.6 per cent.
- ◆ The number of VAT de-registrations in Wales during 2003 was 6,925, an increase of 7.6 per cent over 2002. This represented 8.8 per cent of the stock at the start of the year. The UK de-registration rate was 9.7 per cent.
- ◆ As a result the total VAT registered stock in Wales was broadly unchanged at the start of 2004, remaining at around 79,000. The stock in all other UK regions except Northern Ireland increased, so that for the UK as a whole, stock increased by 0.9 per cent during 2003. Only Northern Ireland experienced an overall fall in stock (of 0.3 per cent).
- ◆ All UK regions saw an increase in VAT registrations in 2003, with the proportionate increase in Wales being the third highest behind Yorkshire and Humber (up 11.7 per cent) and London (up 9.7 per cent). However, the increase in VAT de-registrations in Wales in 2003 was also one of the highest in the UK, behind Northern Ireland, West Midlands, the East and the South East.

<sup>31</sup> New statistics showing VAT registrations and de-registrations during the calendar year 2003 for each of the UK regions were released on 3 November 2004 by the Small Business Service (the agency within the Department of Trade and Industry responsible for small businesses). The published information also covers the overall stock of VAT registered businesses at the start of 2004. Further information on these statistics, and a Welsh Assembly Government Statistical Directorate bulletin entitled *VAT registrations, de-registrations and survival rates for businesses (updated registrations etc for 2003)*, and published on 1 December 2004 can be found at: <http://www.wales.gov.uk/keypubstatisticsforwalesheadline/content/economy/2004/hdw20041103-e.htm>

VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. However they underestimate the total number of start-ups and closures since many very small businesses are not registered for VAT. Enterprises are not compelled to register until their turnover reaches the threshold, and the UK has the highest threshold in Europe. At the end of 2003, the VAT threshold was an annual turnover of £56,000, and 1.8 million of the estimated 4.0 million enterprises in the UK at the start of 2003 were VAT-registered<sup>32</sup>. Barclays Bank publishes a regular business survey which provides a broad indication of the number of start-ups and closures in England and Wales<sup>33</sup>.

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.

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<sup>32</sup> According to the Small Business Service:  
<http://www.sbs.gov.uk/analytical/statistics/vatstats.php>

<sup>33</sup> Available on the Barclays web-site:  
<http://www.business.barclays.co.uk/BRC1/jsp/brcontrol?task=articlegroup&site=bbb&value=288&menu=1721&target=self>

## 14 UK Inflation, Interest and Exchange Rates

### 14.1 Consumer Price Indices<sup>34</sup>

#### Consumer price indices, latest and previous month

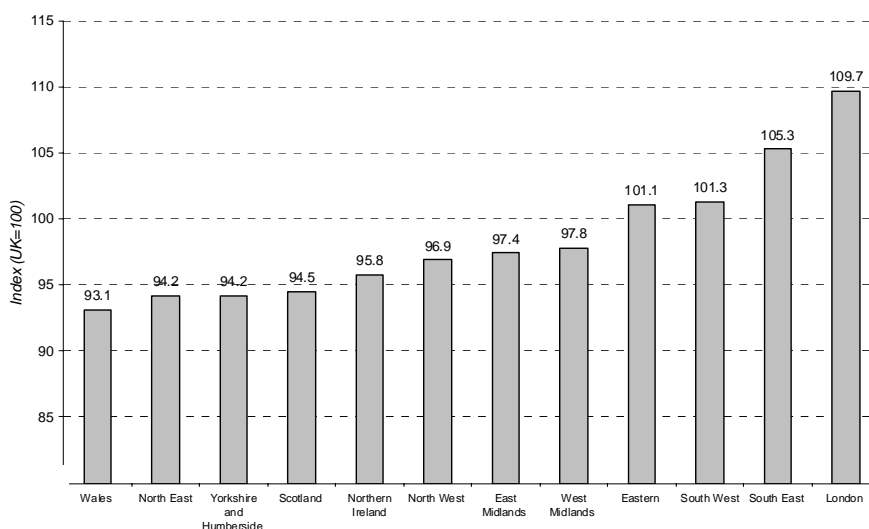
Per cent change over 12 months

	August 2005	July 2005
Consumer prices index (CPI)	2.4%	2.3%
All items retail prices index (RPI)	2.8%	2.9%
All items RPI excluding mortgage interest payments (RPIX)	2.3%	2.4%

Source: Office for National Statistics, *Consumer price indices*, September 2005<sup>35</sup>

#### Regional Consumer Price Levels

Figure 14.1 Average price level in each region, relative to UK average price level, 2004



Source: Office for National Statistics<sup>36</sup>

<sup>34</sup> In his Pre-Budget Report statement on 10 December 2003, the Chancellor of the Exchequer confirmed that the UK inflation target is now based on the Harmonised Index of Consumer Prices (HICP), which the National Statistician has renamed the Consumer Prices Index (CPI) in the UK. The level of the new CPI inflation target has been set at 2 per cent and applies from 10 December 2003. The Chancellor confirmed that pensions, benefits and index-linked gilts will continue to be calculated on exactly the same basis as previously, that is 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. Consumer price indices are produced by the Office for National Statistics on a monthly basis. They are available from the ONS web-site at:

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=868&More=N>

<sup>35</sup> Office for National Statistics, *Consumer price indices*, September 2005:

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=868&More=N>

<sup>36</sup> Office for National Statistics, *Relative regional consumer price levels in 2004*, 14 February 2005:

[http://www.statistics.gov.uk/articles/economic\\_trends/ET615Wingfield.pdf](http://www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf)

Regional price level comparisons for 2004 show that:

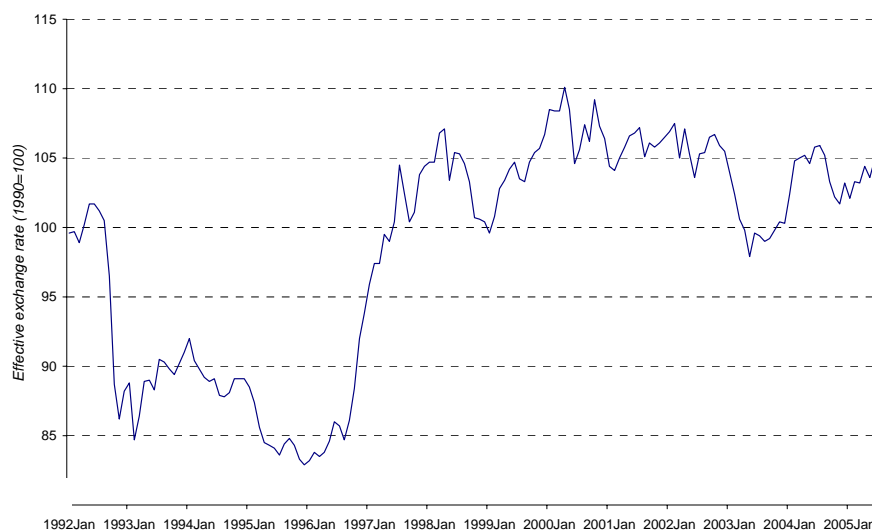
- ◆ Prices in the UK are lowest in Wales (6.9 per cent lower compared with the UK average), followed by the North East and then Yorkshire and Humberside.
- ◆ Prices are most expensive in London (9.7 per cent higher compared with the UK average), followed by the South East.
- ◆ Housing costs show the greatest variation between regions with London being nearly twice as expensive as Northern Ireland. Conversely, food and tobacco prices vary little across regions.

## 14.2 Interest Rates

The Bank of England's Monetary Policy Committee voted on 4 August 2005 to reduce the Bank's repo rate by 0.25 percentage points to 4.5 per cent. The previous change in interest rates was an increase of 0.25 percentage points to 4.75 per cent on 5 August 2004<sup>37</sup>.

## 14.3 Exchange Rates

Figure 14.2 Sterling Exchange Rate Index, 1992 to 2005



Source: Office for National Statistics, *Economic Trends*, September 2005<sup>38</sup>

The Sterling Exchange Rate Index (SERI) measures the value of Sterling against a trade-weighted 'basket' of other currencies. The weights used to calculate the index measure currencies relative importance to UK trade in manufacturing. A decline in the index indicates a relative improvement in UK export competitiveness.

<sup>37</sup> Further information on interest rate decisions is available on the Bank of England web-site at: <http://www.bankofengland.co.uk>

<sup>38</sup> Office for National Statistics, *Economic Trends*, September 2005  
<http://www.statistics.gov.uk/statbase/Product.asp?vink=11041&More=n>





Members' Research Service: Research Paper  
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil



Table 15.1: A Winning Wales, Targets against performance, 1999-2004

Target	2010 Target	2001 base year	2002	2003	2004	2005
1. Increase in net employment of:	175,000	1,210,000	<i>up 36,000 on base year</i>	<i>up 87,000 on base year</i>	<i>up 86,000 on base year</i>	<i>up 80,000 on base year</i> (4 quarters to May 2005)
2. Increase in net employment in financial and business services of:	20,000	119,000	<i>down 1,000 on base year</i>	<i>up 10,000 on base year</i>	<i>up 21,000 on base year</i>	<i>up 22,000 on base year</i> (4 quarters to May 2005)
3. Raise stock of all VAT registered businesses per 10,000 persons of working age:	UK average	93% of UK	93% of UK	92% of UK	91% of UK	n/a
4. Increase business enterprise R&D expenditure as a % of Welsh GVA to:	greater than 1%	0.4%	0.5%	0.7%	n/a	n/a
5. Growth in the value of exports to:	match UK growth over period	£7099.2m	<i>down 6.8% on base year compared to no change for UK</i>	<i>up 1.4% on base year compared to up 3.0% for UK</i>	<i>up 17.0% on base year compared to up 4.5% for UK</i>	<i>up 18.4% on base year compared to up 5.0% for UK</i> (based on four quarters to Q1 2005)
6. Increase the proportion of Welsh businesses using e-commerce to:	the UK average proportion					n/a – see note 6 below
7. Household disposable income to increase to:	95% of UK	87.9%	88.3%	88.3%	n/a	n/a
8. Increase tourism expenditure in Wales by:	an average of 6% a year over period	£1,911.9m	£1,794.7m ( <i>down an average of 6.1% per year on base year</i> )	£2,035.6m ( <i>up an average of 3.2% per year on base year</i> )	£1,802.3m ( <i>down an average of 1.9% per year on base year</i> )	n/a

**Members' Research Service: Research Paper**  
**Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil**



**Table 15.1: A Winning Wales,  
 Targets against performance,  
 1999-2003 (cont.)**

Target	2010 Target	2001 base year	2002	2003	2004	
9. Reduce the proportion of adults of working age without qualifications to:	less than 10%	21%	19%	17%	n/a	n/a
10. Increase the proportion of adults of working age with a level 4 qualification to:	greater than 30%	22%	23%	24%	n/a	n/a

**Sources and Notes:**

1. Labour Force Survey. LFS employees plus self employed for those aged 16+, a 4 quarter average over the period March of the year in question to February of the following year (or latest 4 quarters where a full year is not yet available). Figures are rounded to the nearest thousand. Current disability is only asked of those of working age in the LFS, hence, the increases shown in numbers of employees and self employed are for those of working age (whereas it is generally for those aged 16+ for all other categories).
2. As for 1.
3. Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI). Number of VAT registered business enterprises as at 1 January, divided by the mid-year estimate of population of working age. NB. The equivalent mid-year estimate of population will be for 30 June of the year prior to the stock date year (six months lag: 30 June vs 1 January), as the publication date for population is behind that for VAT stock data.
4. Office for National Statistics (ONS). Business Enterprise R&D expenditure in cash terms as a percentage of the Welsh GVA total (in £s) for the year.
5. HM Customs and Excise. Cumulative increase in the value of exports (within EU plus non-EU) since the base year; total of 4 quarters in calendar year (or latest 4 quarters where a full year is not yet available). Figure for Wales and figure for the sum of the 12 regions of the UK.
6. The ONS e-commerce survey used to measure businesses using e-commerce has been re-evaluated as it is considered that this survey cannot provide reliable estimates for Wales. No information is currently available as sources other than this survey are being considered.
7. ONS Regional Accounts. Disposable household income per head of population as a percentage of the UK figure, excluding extra-regio.
8. Wales Tourist Board (UK travel survey and overseas visitors survey). Expenditure on tourism in Wales by domestic (UK) and foreign (non-UK) visitors (2004 non-UK visitor spend data are provisional)
9. Labour Force Survey (LFS). Up to 2000, a 4 quarter average, for adults of working age (men 18-64, women 18-59). 2001 and onwards, an annual figure, using same definition, using LFS boost. Qualifications levels are from the LFS variable HIQUAL. NVQ level 3 and above is defined as NVQ level 3 equivalent (GNVQ advanced; 2+ A levels or 4+ AS levels or equivalent; RSA advanced diploma; ONS, ONC, BTEC etc. national; City and Guilds advanced craft; most Scottish CSYS; 3 or more SCE higher or equivalent; some trade apprenticeships; some other qualifications (10%)) plus NVQ level 4 equivalent (Level 4 NVQ; First Degree; Other Degree; Diploma in HE; HNC, HND, BTEC etc higher; Teaching, further education; Teaching, secondary education; Teaching, primary education; Teaching, level not stated; Nursing etc; RSA higher diploma; Other higher education qualification below degree level) plus NVQ level 5 equivalent (Level 5 NVQ; Higher degree).
10. As for 9.

## Glossary

**Basic Prices** - Prices excluding taxes and subsidies on products.

**Business Enterprise Research and Development (BERD)** – BERD refers to Research & Development (R&D) performed in the UK within business enterprises. In a small region, the level of BERD expenditure can be influenced greatly by individual projects commencing or ending in a small number of individual companies. The BERD series for Wales is therefore quite volatile. Total R&D consists of business enterprise expenditure on R&D (BERD), government expenditure on R&D (GOVERD) and higher education expenditure on R&D (HERD).

**Claimant Count** - The claimant count measures those people who are claiming unemployment-related benefits (Jobseeker's Allowance). It is always lower than the Labour Force Survey (LFS) official measure of ILO unemployment, because some unemployed people are not entitled to claim benefits, or choose not to do so. As benefits rules change, it is difficult to make claimant count comparisons over time. The claimant count comes from the administrative records of Jobcentre Plus (formerly Employment Service), and is available earlier than the LFS-based unemployment data and for smaller geographical areas.

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

**Consumer Prices Index (CPI)** - The Harmonised Index of Consumer Prices (HICP) is an internationally comparable measure of inflation calculated by each Member State of the European Union (EU) and is used to compare inflation rates across the European Union. The UK inflation target, based on the HICP and renamed the Consumer Prices Index (CPI), is set at 2 per cent. Pensions, benefits and index-linked gilts continue to be calculated with reference to the all-items Retail Prices Index (RPI) or its derivatives. The Retail Price Index (RPI) and indices such as RPIX (the RPI excluding mortgage interest payments) continue to be published alongside the CPI.

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

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

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

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

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

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

**Gross Value Added** - Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom and is used in the estimation of Gross Domestic Product (GDP). GDP is a key indicator of the state of the whole economy. In the UK, three theoretical approaches are used to estimate GDP: 'production', 'income' and 'expenditure'. When using the production or income approaches, the contribution to the economy of each industry or sector is measured using GVA. Some technical issues to bear in mind when considering GVA estimates are outlined below.

- ◆ **Regional (NUTS1) GVA** is currently calculated on both a workplace and a residence basis. Residence-based GVA allocates the incomes of commuters to where they live (and is done so due to the residence-based administrative underlying data), whereas workplace-based GVA allocates their incomes to where they work.
- ◆ **NUTS2 and NUTS3 GVA** is estimated on a workplace basis. The estimates of NUTS3 GVA per head are calculated by dividing the estimate of workplace GVA for an area by the resident population for that area. Estimates of GVA per head will be high in areas with high levels of inward commuting and a low resident population (such as Inner London and Edinburgh). Conversely, estimates of GVA per head will be low in areas with significant levels of outward commuting and high resident populations.
- ◆ **Gross Value Added (GVA) and Gross Domestic Product (GDP)**. Under the European System of Accounts 1995 (ESA95), the term GVA is used to denote estimates that were previously known as gross domestic product (GDP) at basic prices. Under ESA95 the term GDP denotes GVA plus taxes (less subsidies) on products, i.e. at market prices. Regional accounts are currently only published at basic prices, so the figures are now referred to as GVA rather than GDP as in previous publications.
- ◆ **Per Capita 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>40</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.
- ◆ **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

<sup>40</sup> Regional consumer price level estimates are available, but it is not possible to use consumer price figures to deflate the regional GVA estimates.

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.

**Gross Fixed Capital Formation (GFCF)** - Gross (domestic) Fixed Capital Formation (GFCF) is expenditure on final assets (buildings, vehicles etc) either for replacing or adding to the stock of existing assets and is used as a measure of capital investment. Due to the erratic nature of capital investment, GFCF can vary considerably between years particularly at lower levels of geography.

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

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

**Nomenclature of Units for Territorial Statistics (NUTS)** - The Nomenclature of Units for Territorial Statistics (NUTS) is a hierarchical classification of administrative areas, used across the European Union for statistical purposes. Wales is one of 12 NUTS 1 areas in the UK. A breakdown of NUTS 2, 3 and Local Authority (LAU) 1 areas can be found on the ONS web-site at:

[http://www.statistics.gov.uk/geography/nuts\\_wales.asp](http://www.statistics.gov.uk/geography/nuts_wales.asp)

**Purchasing Power Standard (PPS)** - The PPS is an artificial currency that reflects differences in national price levels that are not taken into account by exchange rates. This unit allows meaningful volume comparisons of economic indicators over countries.

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

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

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

**Unemployment Rate (ILO)** - The ILO unemployment rate is the number of ILO unemployed persons as a percentage of the economically active population aged 16 and over. The ILO unemployment measure is a count of those who are out of work and want a job, have actively sought work in the last 4 weeks and are available to start work in the next two weeks; plus those who are out of work, have found a job and are waiting to start

in the next 2 weeks. It is a more encompassing measure of unemployment than the claimant count and enables international comparison of unemployment rates.

**Winning Wales** - *A Winning Wales* is the National Economic Development Strategy of the Welsh Assembly Government and was launched on 28 January 2002. Further information on *A Winning Wales* can be found at:

<http://www.wales.gov.uk/themes/budgetandstrategic/content/neds/>

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