SEEDA SOUTH EAST ENGLAND DEVELOPMENT AGENCY

Working for England's World Class Region

The PROFILE of SOUTH EAST ENGLAND

February 2005

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[1] This document contains the latest available official statistics (some data has been rounded up) on the South East GOR. In some cases due to a lack of official data, the required official statistics has been substituted by forecasts from Experian Business Strategies (available in their Regional Planning Service publications). If you have any queries regarding this document or its contents, please contact Ivan Perkovic (01483 470 162), email: ivanperkovic@seeda.co.uk

ECONOMY

- The **population of the South East in 2003 was 8,08 million**, higher than any other UK region and is the same as Scotland and Wales put together. *Source: Nomis/ONS, 2005 (mid-year population estimates).*

- **At 15.6% of the UK Gross Value Added (GVA), the South East is the largest region outside London, with GVA of £148.7 billion (basic prices) in 2003.** *Source: ONS, December 2004*. The South East economy is **bigger than a number of individual countries including Denmark, Norway, South Africa, Greece and Singapore**.

- In 2003, **workplace based GVA per head of population in the South East was £18,400 the second highest in the country** and 15.2% above the UK average. *Source: ONS, December 2004*

- In 2002, real **GVA of Hampshire and the Isle of Wight alone stood at £26.7 billion (basic prices), close to the figure for the entire North East region** (£28.2 billion). *Source: ONS, December 2004.*

- The South East made an estimated **net contribution of £17.7 billion to government finances in 2000-2001**. This is far more than any other region, including London (£11.3 billion). *Source: Experian Business Strategies, 2002*.

- The **South East exported overseas approximately £26.2 billion worth of goods in 2001, highest among all UK regions**. *Source: HM Customs and Excise, July 2003.*

- The region is **gateway to the rest of the UK, with transport infrastructure of national and international importance**. Heathrow and Gatwick airports and the major South Coast ports, including Dover, Southampton and Portsmouth as well as the Channel Tunnel make the South East the natural access point to mainland Europe and the rest of the world.

EMPLOYMENT AND SKILLS

- The South East is the UK's best performing region in terms of employment of its resident population. **Between August and October of 2004 there were 4.07 million employed people in The South East**. There are more self-employed people in the South East than in any other region. *Source: ONS, December 2004.*

- **At 79.1% (August-October 2004) the employment rate in the South East is the highest in the country** and some 4.4% greater than the UK average. In 2002 there were significant disparities within the South East with employment rates varying from 86.9% in Cherwell to 65.7% in Thanet, significantly below the UK average of 74%. *Source: ONS, December 2004.*[2]

- Qualification levels in the South East are relatively high compared to England and the UK average, with more people holding advanced qualifications. Between September 2003 and August 2004, **28.9% of South East residents held NVQ 4+ equivalent qualifications, compared with 25.5% for England**. Furthermore, **32.1% of people of working age in employment held NVQ4+ equivalent qualifications, compared with 29.5% for England**. *Source: Nomis/ONS, January 2005.*

- The South East has relatively greater proportion of its resident population employed in typically high skilled occupations than the country as a whole. Between September 2003 and August 2004, an estimated **17.5% of all residents in employment were employed as managers and senior officials (SOC 2000), greater proportion than in any other UK region.** *Source: Nomis/ONS, January 2005.*

[2] The latest available data for districts/UA authorities.

ENTERPRISE, INVESTMENT AND PRODUCTIVITY

- In 2003 the South East was home to more than **285,000 VAT registered businesses (over 15.8% of the UK business base)**, the second highest in the country after London's 286,000 VAT registered businesses. *Source: Nomis/ONS, January 2005.*

- In 2003, the South East's **stock of VAT registered enterprises increased by 2,500 higher than in any other part of the UK**. *Source: Nomis/ONS, January 2005.*

- Business start-up rate of 44 businesses per 10,000 resident adults in the South East is the highest in the UK apart from London. *Source: Small Business Service, October 2003.*

- **Start-up rates per 10,000 people (resident adults), in Windsor & Maidenhead stood at 70 businesses; more than double that of Portsmouth, Southampton and the Isle of Wight (with only 31 in each)**. *Source: Small Business Service, 2002.*

- **Business survival rates are the highest in the South East among UK regions**. In 2002, the three year survival rates of VAT registered businesses in the South East was 69.7% compared with UK average of 66.5%, while the one year survival rates of VAT registered businesses in the South East was 93.4% compared with UK average of 91.2%. *Source: Small Business Service, January 2004.*

- **In 2002, total R&D expenditure in the South East was £4,394 billion by far the highest in the country. The region accounted for 26.9% of UK business expenditure on R&D and 28.2% of government R&D expenditure.** *Source: ONS, Summer 2004.*

- **Technology intensity in the South East** (as measured by the share of employment in medium and high technology based employment in manufacturing sector) **is the highest in the country.** *Source: DTI 2003.*

- The region has the **greatest percentage of all enterprises** involved in **product innovation** in the country (22%). *Source: DTI 2003.*

- The South East, alongside East Midlands has **the greatest percentage of enterprises involved in novel product innovation** (10%). *Source: DTI 2003*.

- **In 2002/03 the South East accounted for nearly 17% of all UK inward investment.** *Source: DTI, UK Trade & Investment, February 2004*.

MANUFACTURING IN THE SOUTH EAST

In 2003, manufacturing accounted for 14.9% of the region's GVA compared with 16.4% for the UK *(Source: Experian Business Strategies, 2004)*. Despite a relatively low incidence of manufacturing businesses in the region, the sector retains a strategic importance both regionally and nationally.

The central importance of the South East to the UK's manufacturing sector is shown by the fact that in 2003 *(Source: Experian Business Strategies and SEEDA 2004):*

- The **value of real manufacturing output in the South East totaled £20.2 billion (2000 prices), higher than in any other UK region.**[3]

- **Gross Value Added per worker in the South East of £51,000 is the highest in the UK and some 24.7% higher than the national average**; an indication of high value added manufacturing activities.

- **With an average growth rate in productivity per FTE employee of 3.3% per annum, the South East was the best performing English region** and the second highest in the UK.

- **Manufacturing employment in 2003 in the South East stood at 396,000**, a figure only exceeded by the North West (446,000) and the West Midlands (427,000).

[3] The most recent official data from the Office for National Statistics (ONS) for 2001 confirms this.

INTERNATIONAL COMPARISONS

Although the South East is performing better than other UK regions, its performance is less impressive compared with 40 international best performers:[4]

- GDP per capita at 22.7% below the high performing global mean ranks 31st out of 40 global regions: *Source: Robert Huggins Associates/SEEDA 2003.*

- Labour productivity at 25.6% below the high performing mean, ranking 34th out of 40 regions. *Source: Robert Huggins Associates/SEEDA 2003.*

- Patent registration at 39.2% below the high performing mean ranking 24th out of 40 regions. *Source: Robert Huggins Associates/SEEDA 2003.*

- Average earnings at 14.3% below the high performing mean, ranking 28th out of 40 regions. *Source: Robert Huggins Associates/SEEDA 2003.*

[4] *Global Index of Regional Knowledge Economies, 2003 Update: Benchmarking South East England*, Robert Huggins Associates, 2003.

UNTAPPED POTENTIAL

Although the South East is one of the most prosperous regions in the UK, there are pockets of severe deprivation. In particular, the coastal fringes of the region are performing significantly below regional and national average levels. Enhancing the growth rates in these areas will contribute to the overall prosperity of the region.

- South East contains **271 of the worst 20% Super Output Areas (SOAs) nationally**, a higher number than East of England. Source: Index of Multiple Deprivation. Source: *ODPM 2004.*

- There are **over 400,000 deprived people (worst 20% on the overall IMD) living in the South East**. *Source: ODPM 2004.*

- There are **over 700,000 income deprived people and almost 300,000 employment deprived people living in the South East**. Source: *ODPM 2004.*

- There are **over 222,000 children in the South East (13.6% of the total) living in Income Deprived Households,** a greater number than in North East (137,000), South West (149,000), East Midlands (158,000) and East of England (167,000). *Source: ODPM 2004.*

- There are **over 176,000 older people in the South East (11.02% of the total) living in Income Deprived Households**, a higher number than in North East (105,000), East Midlands (125,000), East of England (140,000) and South West (141,000). *Source: ODPM 2004.*

- **Between March 2003 and April 2004, 330,000 people of working age in the South East had no qualifications, the second highest number in the country after** North West (380,000). *Source: Nomis/ONS, 2005*.

- **Between August and October 2004, there were 151,000 ILO unemployed people in the South East[5], higher than the North East (70,000), East of England (99,000), South West (82,000), Yorkshire and the Humber (110,000), East Midlands (93,000) and West Midlands (132,000).** *Source: ONS, December 2004.*

- **Between June and August 2004, there were 2.2 million economically inactive people in the South East with 872,000 of these of working age.** *Source: ONS, December 2004.*

- **Between 2001 and 2004 the number of economically inactive people of working age was up by 59,000.** *Source: ONS, December 2004.*

- **In August 2003, there were 369,000 people over the age of 16 claiming income support, which represents 5.7% of the total population (over the age of 16). In absolute terms this is more than in Wales (238,000), East Midlands (120,000), East of England (259,000), South West (279,000) and North East (234,000).** *Source: DWP, February 2004.*

- **Over one million people (1.026 million) of working age in the South East have poor literacy skills, with over 160,000 having very low literacy skills**. *Source: Basic Skills Agency, February 2004.*

- **Almost one million people (991,000) of working age in the South East have poor numeracy skills, with over 200,000 having very low numeracy skills**. *Source: Basic Skills Agency, February 2004.*

[5] International Labour Organisation (ILO) or Labour Survey (LFS) Government's preferred measure of unemployment, include those people actively seeking work, whether claiming benefit or not.

TRANSPORT AND INFRASTRUCTURE

- **People in the South East travel farther than those in any other Region** (8,067 miles per year against the England average of 6,815 miles per year). *Source: ONS, 2003.*

- **The South East has the most heavily used roads outside London** (4,900 vehicles per day/km compared with the England average of 3,800 vehicles). *Source: ONS, 2003.*

- **Average vehicle speed on trunk roads in the South East during the morning peak dropped by 11.4 mph between 1995 and 1998 (the latest figure available) compared with 5.9 mph for England as a whole.**

- **Vehicle trips in the South East are forecast to grow by 17.5% between 2001 and 2011.**

HOUSING

- Average **house prices in the South East have risen by 447% since the beginning of 1983,** from £39,300 to £214,967 in 2004 Q4.[6] Average **house prices in the region have more than doubled since mid 1997.** *Source: HBOS January 2005.*

- At sub-regional level, **Surrey is the most expensive county in the UK, with the average house price in 2003 Q4 of £345,896.** *Source: HBOS, February 2004. Source: HBOS January 2005.*

- **Seven out of the ten most expensive towns in the UK in 2004 are in the South East region**. Gerrards-Cross in Buckinghamshire is the most expensive town in the UK with an average house price of £627,660. Hastings saw the fastest rise in the region during 2004 with a 38% increase. *Source: HBOS January 2005.*

- House prices in Surrey, Hampshire, East and West Sussex, Berkshire, Oxfordshire, and Buckinghamshire are above the South East average. *Source: HBOS January 2005.*

- **The Isle of Wight is the only sub-region where house prices are below the average for England**. *Source: HBOS January 2005.*

- At 15,000, the number of homeless people in the South East is the second highest after London

[6] Includes some areas of the East of England GOR.

ENVIRONMENTAL RESOURCES

- **One third of the region is designated as Areas of Outstanding Natural Beauty (AONB)** – nearly one third of the total AONBs in England. Another 15% land is designated as the **Green Belt**.[7]

- One third of England's meadows and lowland heaths are in the South East.

- There are over 700 sites of Special Scientific Interest (out of a total of 4,000 in England) in the South East. Source: English Nature, 2004.

- There are 72 km of designated heritage coast in the South East.

[7] See *Economic Profile of the South East*, SEEDA, 2002

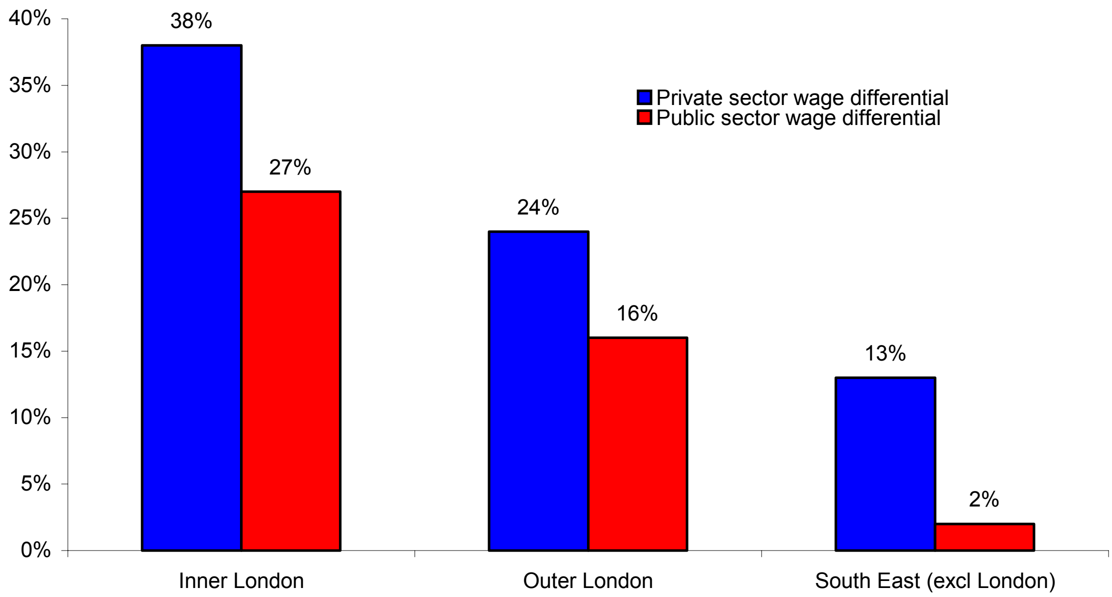
APPENDIX 1: Public Sector Pay in the South East

The gap between public and private sector pay in the South East has led to recruitment and retention problems in public services, which make it difficult for the Government to meet its commitments to provide the same quality of services in all parts of the country. The gap in the South East is by far the highest among all English regions, including London. The Chancellor highlighted the need for the public sector to respond to this challenge in his April 2003 Budget speech.

The following points highlight the scale of the issues in the South East;

- Over the period 1997-2001, there was as significant gap between private and public sector wage premium in the South East. While private sector wages in the South East were on average 13% higher than in Tyne and Wear (the base region), public sector premium was just 2%. As shown in the graph below, public sector premiums in Outer and Inner London are significantly higher, 16% and 27% respectively.

Private and public sector regional wage differentials 1997-2001: selected regions vs. **Tyne and Wear**

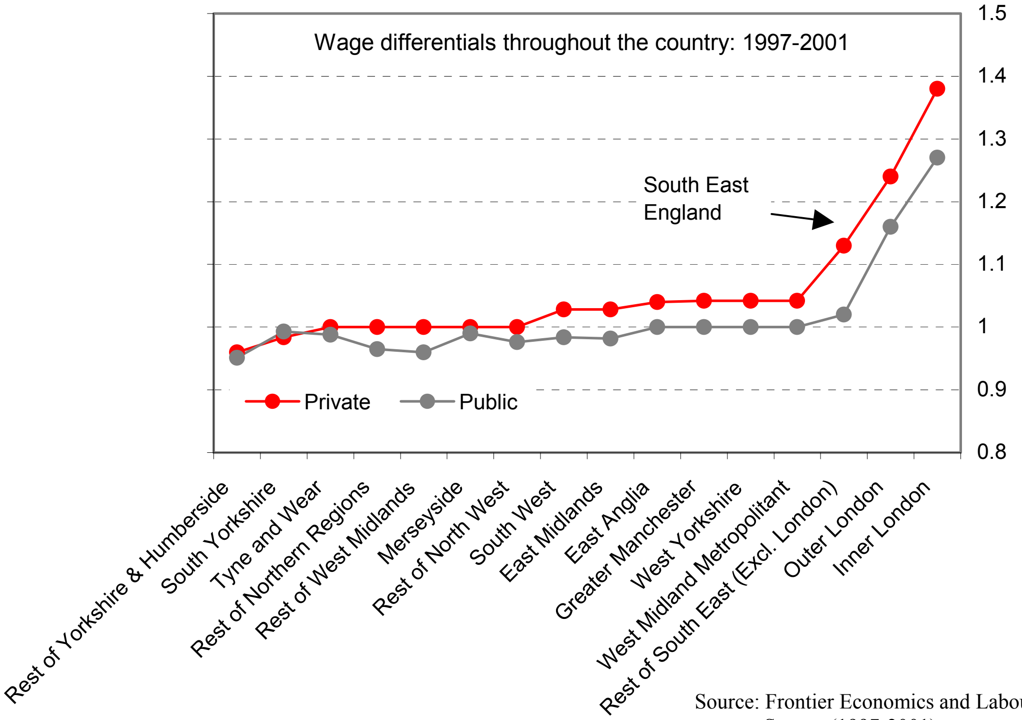


Source: Frontier Economics and Labour Force Survey (1997-2001)

Note: 13% public sector wage differential implies 13% higher average wage in private sector in the South East than in Tyne and Wear.

- Although the above figures are the averages for the period 1997-2001, year-by-year comparisons suggest a broadly consistent pattern of differences in private and public sector pays.

- The following graph shows that while the problem is not confined to the South East, it is far more acute here than in any other part of the country: in no other region is the private sector premium as marked, or the gap between public and private premiums as great.



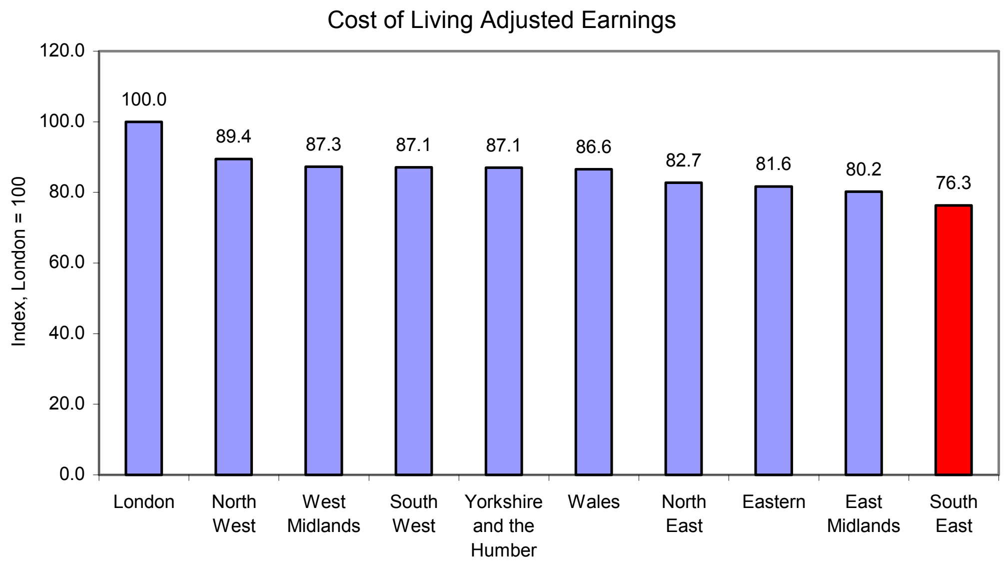
Source: Frontier Economics and Labour Force Survey (1997-2001)

- According to the estimates by Frontier Economics, in order to deal with recruitment and retention problems public sector wages need to be increased by about 7% in the South East, 5% in Inner London and 3% in outer London.

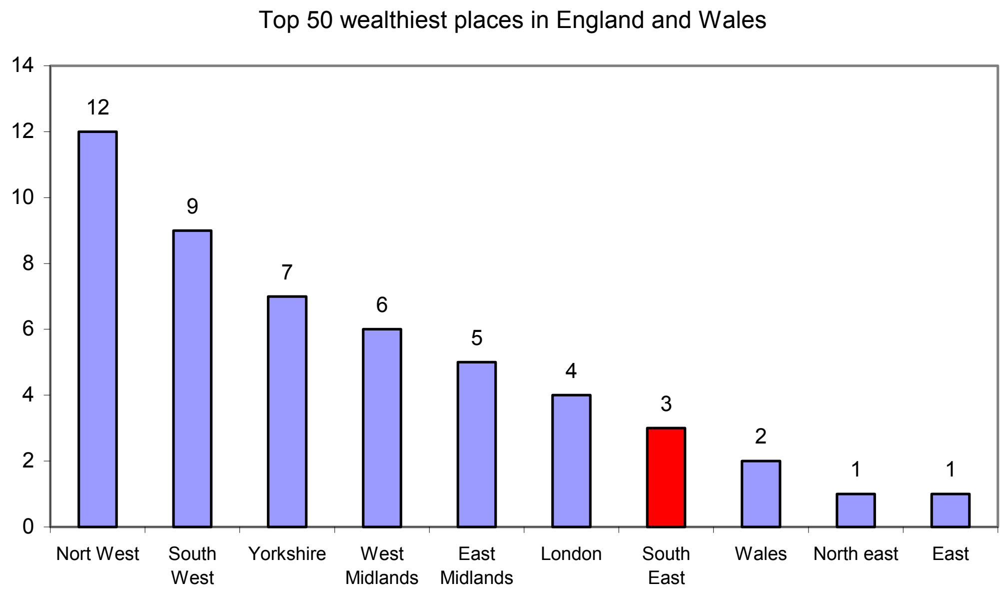
Higher cost of living, including housing cost, in the South East makes the situation even worst for public sector workers in the region. In order to sustain the competitive advantage of the South East internationally, effective measures are required to tackle this important issue, as the delivery of public services is essential underpinning for sustainable economic development.

APPENDIX 2: Cost of Living and the 'North-South Divide'

According to a recent report published by Barclays, the 'real' wealthiest region in England is North not the South. According to income and GVA per head indicators, London and the South East show the major concentration of wealth. However, when the cost of living is factored in to give a more realistic measure of purchasing power, the wealth map of the country changes significantly. As shown in the chart below, the cost of living adjusted income in the South East is lowest in England.[8]



As shown in the chart below, of the top 50 'real' wealthiest places in England and Wales, the North West and the South West have highest concentrations of these wealthiest places.



[8] Estimates based on Barclays (price indices) and ONS (earnings).

APPENDIX 3: SUPPORTING CHARTS

Economy

Figure 1: GVA per Head and Regional disparities

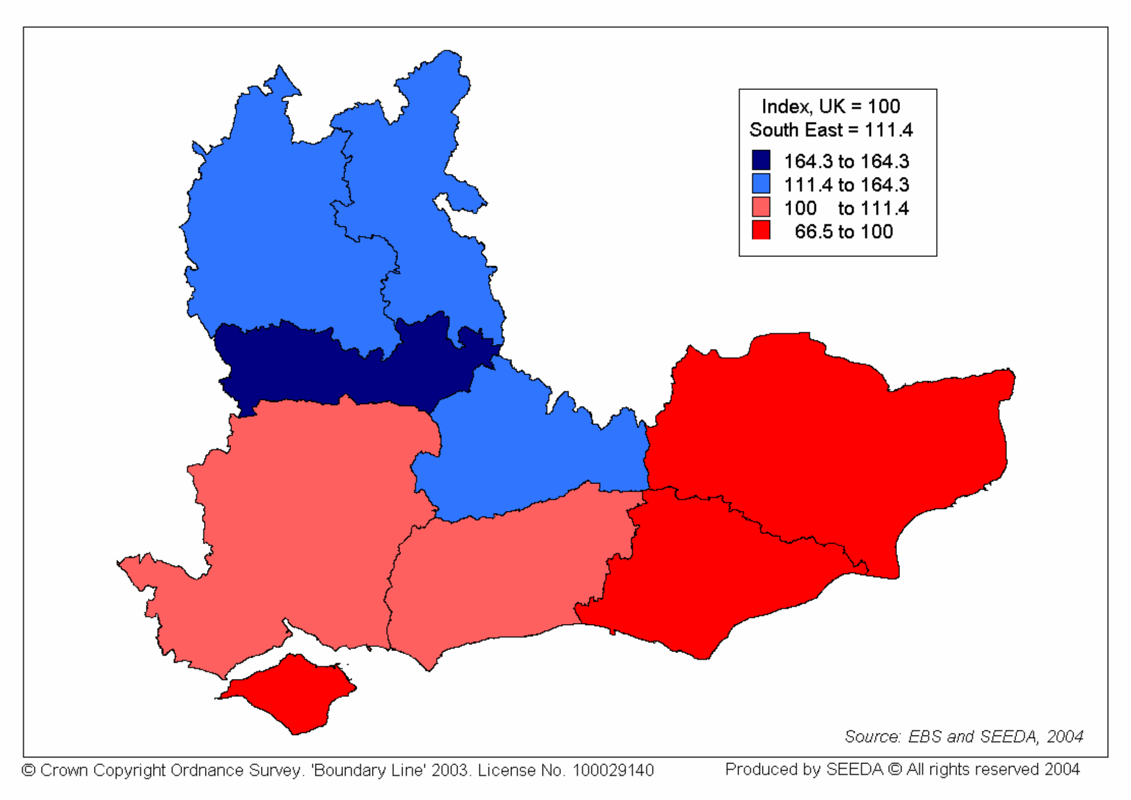
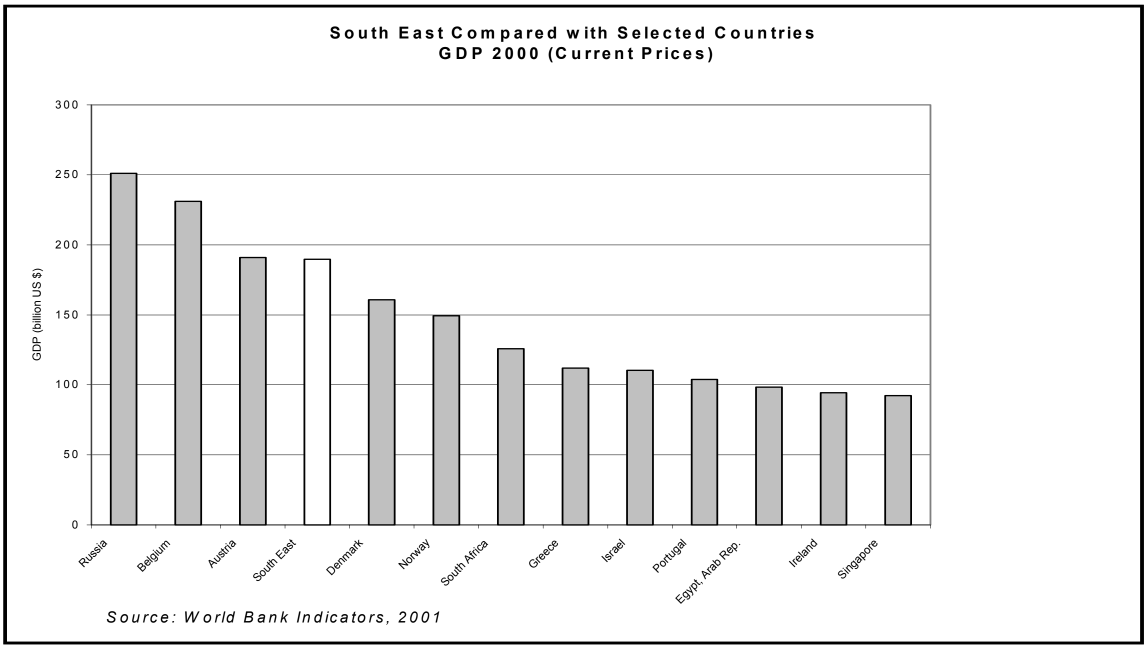
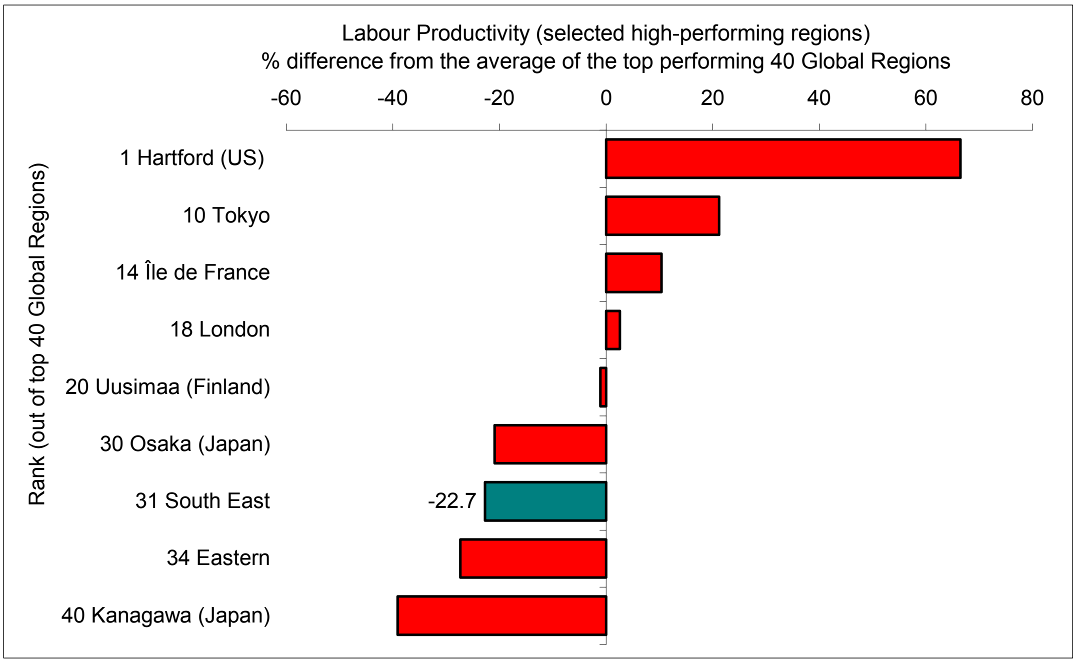


Figure 2: South East Compared with Selected Countries



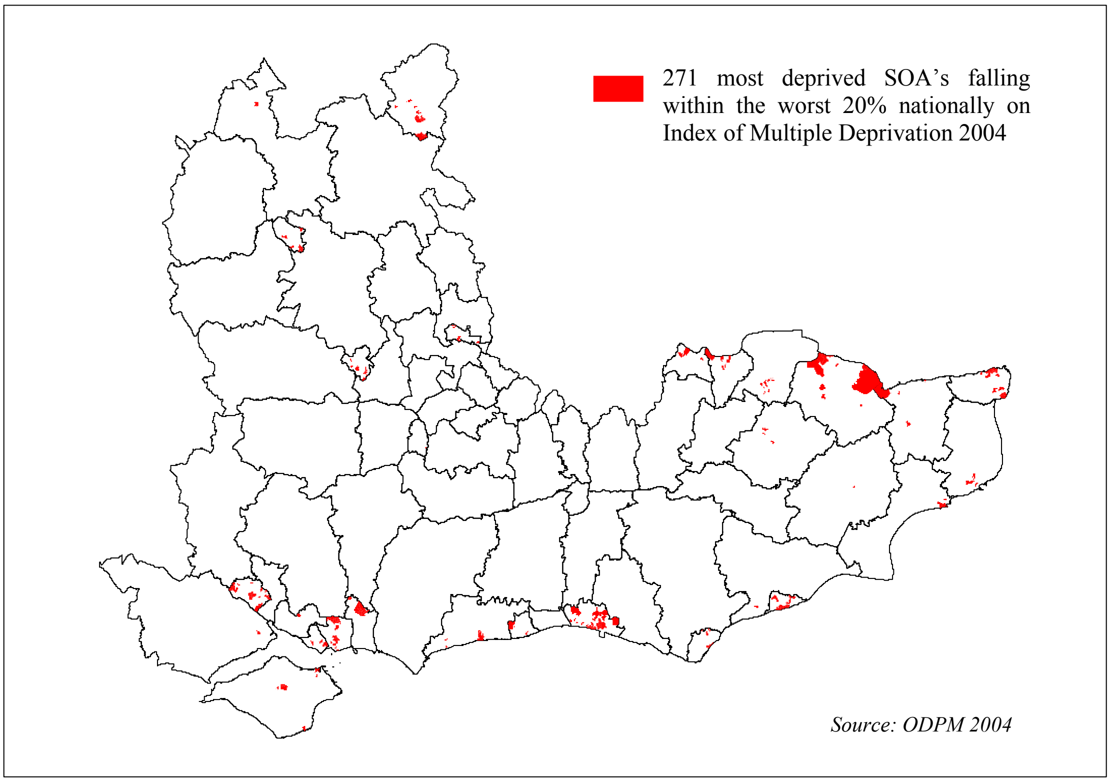
INTERNATIONAL COMPARISONS

Figure 3: Labour Productivity



UNTAPPED POTENTIAL

Figure 4: Social Deprivation



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