Assembling the evidence base for the Devon Local Economic Assessment

Baseline economic projections for Devon & its districts

A Final Report to Devon County Council

May 2011

Contents

Contact:	Rob Turner	Tel:	020 7307 7150	email:	rturner@sqw.co.uk
Approved by:	Simon Pringle Managing Director	Date:	May 2011		

1. Introduction

1.1 This report presents the data, analysis and findings from the baseline economic projections for Devon and its districts. The report has been prepared by Cambridge Econometrics (CE) using its Local Economy Forecasting Model (LEFM), tailored to the Devon economy.

1.2 The projections provide, on a modelled basis, a baseline estimate of current and projected future performance on key indicators (including, *inter alia*, GVA (economic output), employment, and productivity) at the level of individual sectors in the economy.

1.3 These baseline projections are consistent with CE's regional and national forecasts, published in July 2010[1]. As well as providing headline projections for Devon as a whole, consistent projections were also produced for the eight districts within the county: East Devon, Exeter, Mid Devon, North Devon, South Hams, Teignbridge, Torridge and West Devon. These district-level projections took active account of local economic structures and the extent to which industries locally have in the past under, or out, performed the sector in the county as a whole.

Introducing the LEFM

1.4 In making sense of the baseline projections, it is important to understand something of the underlying model. A brief explanation of the key features of LEFM is provided in Figure 1-1.

Figure 1-1: Overview of the Local Economy Forecasting Model (LEFM)

LEFM has been developed by Cambridge Econometrics in collaboration with the Institute for Employment Research at the University of Warwick.

LEFM has been designed to project economic indicators for a local area by explaining the output of local industries through an explicit representation of expenditure flows in the area and their links with the world outside the local area. In this it differs from other methods of local economy modelling which typically link local output or employment (by sector) directly to national or regional output or employment. Such methods include shift-share or econometrically estimated equations. While these methods allow a user to derive projections for local output or employment growth from national or regional projections, they offer little scope for introducing an explanation of local performance relative to these higher levels, and they are typically not suitable for analysing the indirect effects on the local economy arising from the opening of a new enterprise or the closure of an existing one.

LEFM is also distinguished from other approaches by its sectoral detail. It identifies 41 sectors (defined on SIC03) allowing (for example) electronics to be distinguished from electrical engineering & instruments, and computing from other business services. Detailed disaggregation by sector is usually valuable because different sectors have different prospects (e.g. technological change is driving much faster growth in electronics and computing than in the other sectors with which they are commonly combined), because they have different employment characteristics, and also because it allows local knowledge about specific firms to be more easily incorporated in the forecast. There is, however, a cost to working in such detail: most variables in the model have to be disaggregated by sector (or a similar classification: see below for more details).

The main **input assumptions** used in LEFM are forecasts for the UK and region in which the local economy lies for selected variables, including:

- the components of domestic final expenditure, disaggregated into spending by function as published in the UK National Accounts

[1] Economic Forecasts for the Nations and Regions of the UK, July 2010. Cambridge Econometrics.

- components of personal incomes
- gross output, value-added, and employment at the level of the model's 41 sectors
- matrices to convert the components of domestic final expenditure into commodity demand for 41 sectors
- input-output coefficients and projected changes
- projected changes in occupational structure and gender forecasts for the local economy
- population by 5-year age band and gender
- participation rate by gender for a constant level of unemployment (these are then adjusted by the model in response to actual changes in unemployment).

The **Outputs** for the local economy (to 2020) generated by LEFM include:

- value-added and employment by sector
- employment by gender and status
- employment by occupation (25 occupations, SOC2000)
- disposable income and consumer spending
- population and labour force by age and gender
- net commuting
- implications for qualifications and key and generic skills.

Source: Cambridge Econometrics

1.5 Used properly, the baseline projections from LEFM are a powerful tool for raising questions and challenging over-familiar thinking. They point to underlying strengths and weaknesses – in absolute terms and relative to elsewhere, and they show the compound effect of differences in performance over time. As ever, though, baseline projections need to be used critically and carefully, recognising that:

- *They are not inviolable forecasts*: Although the LEFM is sophisticated and widely respected, the projections can only consider so many factors and the real world is often more complex and unpredictable, particularly at a local level. The model cannot take account, for example, of the decisions that might be made by individual firms, although frequently the results of larger firms in particular are quite capable of changing a local outcome through, for example, plant closure and/or switching from one supplier to another.
- *Input assumptions are important*: The LEFM makes some input assumptions with regard, for example, to demographics and economic activity rates in the labour market. Changes to these assumptions will have an impact on modelled outcomes.
- *Baseline projections are not 'policy off':* Historic performance reflects the policy environment in which economies were operating at the time. That world itself was not 'policy free'. And 'policy' in this context needs to be understood at many levels: national policy frameworks are as important as local planning policy (which is significant), although the scales at which they impact is different.

Dealing with the Self-Employment issue

1.6 Self-employment is a big feature of the Devon economy. It was important the CE's baseline projection allowed for the significance of self-employment. The estimates of historical self-employment by industry in CE's LEFM are based on ratios of self-employment-to-employees at the regional level. In progressing the baseline projections, it was agreed that these ratios may not characterise the importance of self-employment in some sectors in Devon and so these regional ratios were in turn calibrated to a three-year rolling average of the *level* of self-employment in Devon from the Annual Population Survey (APS).

1.7 A three-year rolling average (calculated for each of 2007, 2008 and 2009) was used because APS figures can sometimes be erratic, due to sampling variation. The process of assembling the historical self-employment data in this report was to use the resident-based data from the APS, split by broad sectors as set out in Table A-3 in Annex A. For two of these sectors (Energy & Water, and Transport & Communications), APS data was not available, and so CE's estimates for the industries within these sectors were left uncalibrated. According to CE's uncalibrated estimates of self-employment, these sectors account, respectively, for 0.1% and 3% of self-employment in Devon.

1.8 Within Devon, the *district*-level estimates of self-employment were also calibrated to three-year rolling averages (again, for each of 2007, 2008 and 2009) of the APS level of self-employment in each district. The APS (resident-based) rolling-averages for total self-employment in each district were the subsequently adjusted to workplace estimates, using the ratio of workplace-to-resident-based self-employment in each district given in the 2001 Census. These district-level estimates of total workplace self employment were then scaled to match the total self-employment for Devon as a whole as derived above. APS *9-sector* rolling average data for each of the districts (with estimates for some years and sectors based on Census 2001 ratios of total self-employment) were then scaled to the district totals calculated above. Finally, CE's initial detailed 41-sector estimates of self-employment in each district (based on regional ratios of self-employment to employees) were calibrated to the 9-sector district data and 41-sector county data calculated above.

Population issues

1.9 As standard, the population data and projections in LEFM are based on the latest (to 2009) mid-year estimates, and the latest (2008-based) sub-national population projections, both from the Office of National Statistics (ONS). Devon County Council were keen to include population projections that do not include planning assumptions for housing growth that may not go ahead (as some of the population projections currently used by the County do), and agreed that the standard LEFM projections were acceptable on this basis.

1.10 The Following chapter (Chapter 2) presents the projections themselves and Chapter 4, presents a summary of the key messages flowing from the analysis.

2. The Baseline Projections

Introduction

2.1 This chapter presents the baseline LEFM projections for Devon. These are discussed within the context of CE's forecasts for the South West of England and the wider UK, and three chosen comparator areas - the proposed Devon & Somerset (including Plymouth and Torbay) Local Enterprise Partnerships (LEP) area, and the counties of Cumbria and Norfolk.

2.2 The projections are presented for two periods – short-to-medium (i.e. 2010 through to 2015) and longer term (i.e. 2015 through to 2020). Throughout, the 'forecast period' refers to 2010-2020.

Macro-economic indicators

2.3 The projections presented in Table 2-1 and Figures 2-1 and 2-2 show that in the short-to-medium term (2010-15), the Devon economy as a whole is projected to perform less well overall than either the South West or UK. In the longer term (2015-20), the county economy is projected to grow at a similar rate to that of the South West and UK. GVA in the county is projected to grow by only 1.6% per annum over 2010-15, compared with 1.9% per annum in the South West and 2% per annum in the UK as a whole. Employment in Devon is projected to fall by 0.1% per annum over 2010-15, compared with growth of 0.1% per annum in both the South West and UK as a whole.

2.4 At 2010, productivity[2] (£000/job) in Devon was estimated to be 6% lower than the average for the South West, and a concerning 15% lower than the average for the UK. Going forward, the productivity gap with the South West will result from differences in the sectoral composition of the Devon and South West economies, and the relative productivity performance of particular sectors. In the baseline projections, productivity *by sector* in Devon is assumed to *grow* at the same rate as in the South West as a whole, and on this assumption overall productivity growth in Devon in both the short-to-medium and long terms is projected to be similar to the South West average. Thus, the gap between productivity in Devon and the wider South West is not projected to close during the forecast period.

2.5 GVA per capita, a key measure of the overall wealth of an area, is expected to grow more quickly in Devon than the South West and UK in the long run, as population growth is projected to slow to less than ½% pa in the forecast period, compared with substantially faster growth over the last few decades. The projected population growth in Devon is notably slower than that forecast by CE for the South West[3].

---

[2] Defined as £000 value-added per job in 2005 reference year prices.
[3] Note that the Devon and South West population projections are not directly comparable; the South West forecast are those published by CE and are not the ONS sub-national population projections for the region. The Devon projections are the ONS sub-national population projections.

Table 2-1: 2010 baseline and annual growth rates for key LEFM indicators, for Devon, South West and UK

	2010 Baseline	1985-90	1990-95	1995-2000	2000-2005	2005-2010	2010-2015	2015-2020
GVA (£m, CVM[4], reference year 2005)								
Devon	11,148	5.0%	1.0%	1.8%	4.1%	0.5%	1.6%	3.0%
South West	86,116	4.1%	1.3%	3.8%	2.9%	0.3%	1.9%	3.0%
UK	1,124,758	3.6%	1.5%	3.5%	2.7%	0.6%	2.0%	3.1%
GVA per Capita (£000, CVM, reference year 2005)								
Devon	14.8	3.7%	0.5%	1.0%	3.3%	-0.1%	1.2%	2.6%
South West	16.4	3.4%	0.8%	3.2%	2.2%	-0.3%	1.3%	2.3%
UK	18.2	3.3%	1.2%	3.2%	2.2%	0.0%	1.4%	2.5%
Population (thousands)								
Devon	751	1.3%	0.5%	0.8%	0.8%	0.6%	0.4%	0.4%
South West	5,252	0.7%	0.5%	0.6%	0.7%	0.6%	0.6%	0.7%
UK	61,918	0.2%	0.3%	0.3%	0.5%	0.6%	0.5%	0.6%
Productivity (£000/job, CVM, reference year 2005)								
Devon	31.1	1.1%	1.9%	2.2%	1.0%	1.1%	1.7%	2.1%
South West	33.0	1.1%	1.9%	3.1%	1.4%	0.5%	1.7%	2.0%
UK	36.6	1.7%	2.5%	2.2%	1.7%	0.7%	1.9%	2.1%
Employment (thousands)								
Devon	358	3.8%	-0.9%	-0.5%	3.0%	-0.6%	-0.1%	1.0%
South West	2,609	2.9%	-0.5%	0.7%	1.5%	-0.2%	0.1%	1.0%
UK	30,698	1.9%	-1.0%	1.2%	1.0%	-0.1%	0.1%	0.9%

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

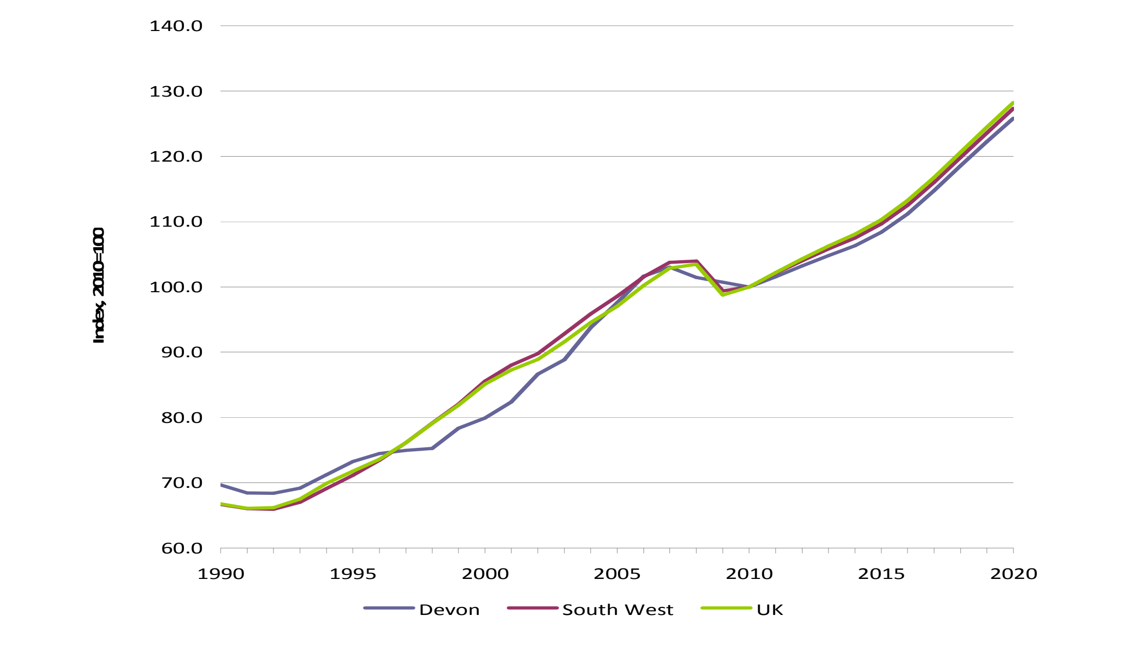
Analysis by Sector – GVA

2.6 Although total GVA in Devon is projected to grow more slowly than in the South West as a whole over 2010-15, there are some broad sectors where growth is projected to be faster than the region. Specifically, as Table 2-2 indicates, growth in manufacturing, construction, and transport & communications is projected to be faster in Devon. By contrast, growth in the largest sectors (in absolute GVA terms) – distribution, hotels & catering, financial & business services, and government & other services – is projected to be slower (and in fact, in the case of government & other services, negative) in Devon than the South West over the period to 2015.

[4] Chained Volume Measures – The price is held constant over time in order to identify the change in volume. This means that the level of prices in one year – in this case 2005 – is held the same for all years.

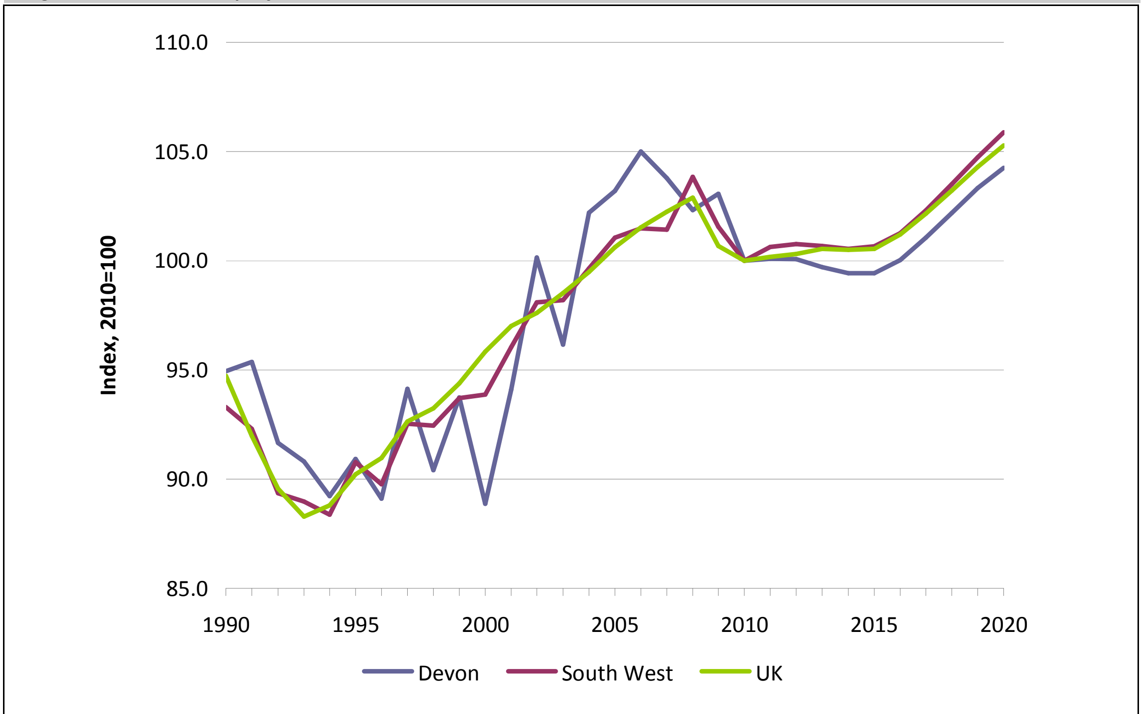
2.7 Growth in manufacturing, construction, and transport & communications is expected to be faster in Devon than the South West over both 2010-15 and 2015-20. It is the relatively strong growth over 2015-20 in the latter two sectors, in particular, which is projected to enable overall GVA growth in Devon to match that of the South West over this period.

Figure 2-1: GVA in Devon, South West and UK, 1990-2020



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Figure 2-2: Total employment in Devon, South West and UK, 1990-2020



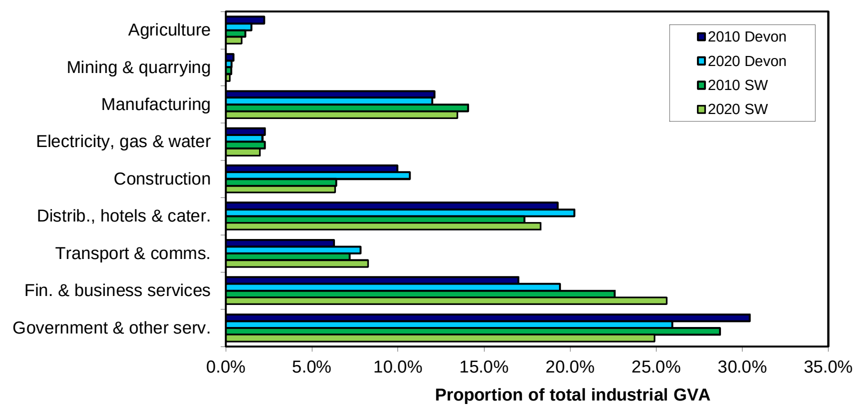
Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Table 2-2: GVA growth by sector in Devon and the South West, 2010-15 and 2015-20 (% pa)

	2000-05		2005-10		2010-15		2015-20	
	Devon	South West	Devon	South West	Devon	South West	Devon	South West
Agriculture	4.3	3.8	-6.4	-1.8	-1.6	0.5	-1.5	0.6
Mining & quarrying	3.2	3.3	-4.3	-9.8	-0.9	-1.0	-0.5	-0.7
Manufacturing	1.2	-0.1	-1.5	-1.5	2.3	2.1	2.4	2.2
Electricity, gas & water	4.6	3.0	0.9	-0.4	1.6	1.0	2.1	1.7
Construction	5.0	3.7	1.0	-2.6	2.0	1.8	4.4	3.3
Distrib., hotels & cater.	4.9	4.4	1.1	0.4	2.8	2.9	3.2	3.5
Transport & comms.	4.5	4.4	-2.1	1.3	4.1	3.7	5.4	4.5
Fin. & business services	4.7	4.4	4.3	1.2	3.5	3.7	4.2	4.2
Government & other serv.	3.2	1.5	-0.1	1.0	-0.6	-0.1	2.3	2.5
Total	4.1	2.9	0.5	0.3	1.6	1.9	3.0	3.0

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Figure 2-3: GVA by sector in Devon and the South West, 2010 and 2020



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

2.8 Within manufacturing, chemicals, mechanical engineering, electronics, and electrical & instrument engineering are projected to see the strongest growth in GVA in Devon. In the services segment, transport & communications, banking & finance, insurance and non-financial business services are all projected to see relatively strong growth.

Analysis by Sector – Productivity

2.9 The estimates of productivity by sector in Devon use ONS sub-regional accounts data to calibrate the relative levels of productivity by sector in Devon to those of the South West. In the baseline projections, productivity in each industry (41 industries) is assumed to grow at the same rate as in the region as a whole, so it is unsurprising that overall productivity growth in Devon is projected to be broadly similar to that forecast for the region as a whole. However, differences in sectoral composition do mean that there is some variation in projected performance in some broad sectors.

2.10 Based on CE's estimates for 2010, overall productivity in manufacturing in Devon (at £43,500 per job) is lower than the South West (at £46,400 per job). However, within the manufacturing segment, productivity in some industries in Devon is higher than the South West, these including food & drink, and electrical engineering & instruments.

2.11 Productivity in manufacturing is projected to grow faster in Devon than for the wider South West reflecting the fact that manufacturing in Devon has a greater representation of those industries that are expected to see faster productivity growth (such as mechanical engineering and electronics, electrical & instrument engineering). A similar observation applies for transport & communications.

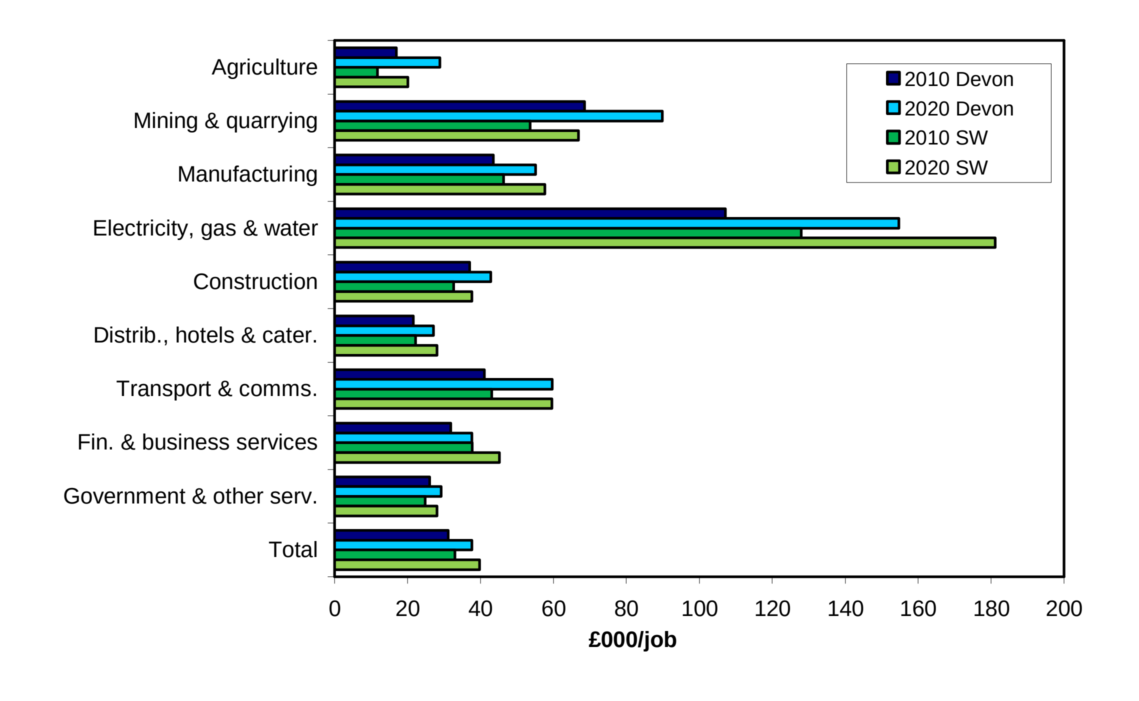
2.12 By contrast, productivity in financial & business services (which includes banking & finance, insurance and non-financial business services) in 2010 is estimated to be 15% lower in Devon than the South West. Going forward, the growth in productivity in the sector is also projected to be slower in Devon than the average for the South West.

Table 2-3: Productivity growth in Devon and the South West, 2010-15 and 2015-20 (% pa)

	2000-05		2005-10		2010-15		2015-20	
	Devon	South West	Devon	South West	Devon	South West	Devon	South West
Agriculture	3.3	4.9	-6.6	-5.8	5.5	5.5	5.5	5.5
Mining & quarrying	13.6	9.1	-4.0	-8.1	2.7	2.2	2.8	2.3
Manufacturing	3.8	4.0	2.6	1.3	1.8	1.6	3.0	2.8
Electricity, gas & water	-2.5	6.3	-4.1	-6.2	3.7	3.5	3.7	3.6
Construction	-2.6	-0.3	7.1	2.0	1.4	1.4	1.5	1.5
Distrib., hotels & cater.	2.2	2.8	1.0	1.5	2.4	2.4	2.2	2.3
Transport & comms.	-0.9	2.2	2.2	0.8	3.4	2.8	4.2	3.8
Fin. & business services	-1.0	0.6	1.6	1.1	1.7	2.0	1.6	1.7
Government & other serv.	0.3	-0.5	-0.2	-0.4	0.6	0.7	1.7	1.7
Total	1.0	1.4	1.1	0.5	1.7	1.7	2.1	2.0

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Figure 2-4: Productivity by sector in Devon and the South West, 2010 and 2020



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Analysis by Sector – Employment

2.13 The poor employment performance projected in Devon for the 2010-15 period is mainly due to a strong fall in employment in government & other services (just over 1% per annum, or well over 1,000 jobs per annum) over this period. Within this sector, it is public administration and education & health – rather than miscellaneous private services that are also included in this sector – which is expected to experience the severest job shedding. This reflects the effects of the Comprehensive Spending Review 2010, as the effects of austerity wash through.

2.14 Although employment in manufacturing is projected to grow over 2010-15, and at the same rate as the South West as a whole, the growth is in the earlier part of the period, as firms correct for the sharp job cuts made during the recession and take on staff in response to stronger, exchange rate and export demand. Industries within manufacturing that are projected to see employment growth over 2010-15 include food & drink, rubber & plastics, and mechanical engineering. However, from 2015, employment in manufacturing is expected to decline once again.

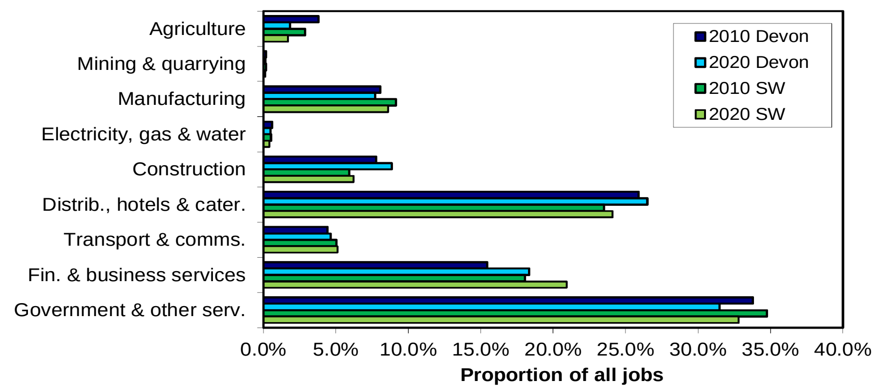
2.15 In the longer term, employment growth in Devon is projected to match that of the South West, with growth relatively strong in construction and transport & communications, and weaker in government & other services.

Table 2-4: Employment growth in Devon and the South West, 2010-15 and 2015-20 (% pa)

	2000-05		2005-10		2010-15		2015-20	
	Devon	South West	Devon	South West	Devon	South West	Devon	South West
Agriculture	0.9	-1.0	0.2	4.2	-6.7	-4.7	-6.6	-4.6
Mining & quarrying	-9.2	-5.3	-0.2	-1.9	-3.5	-3.1	-3.2	-2.8
Manufacturing	-2.5	-3.9	-3.9	-2.8	0.5	0.5	-0.6	-0.5
Electricity, gas & water	7.3	-3.1	5.2	6.2	-2.1	-2.4	-1.6	-1.8
Construction	7.8	4.1	-5.7	-4.5	0.6	0.4	2.9	1.8
Distrib., hotels & cater.	2.6	1.6	0.1	-1.1	0.3	0.4	1.0	1.2
Transport & comms.	5.5	2.1	-4.2	0.5	0.7	0.9	1.1	0.6
Fin. & business services	5.8	3.8	2.6	0.1	1.8	1.7	2.6	2.5
Government & other serv.	2.9	1.9	0.0	1.4	-1.1	-0.8	0.5	0.7
Total	3.0	1.5	-0.6	-0.2	-0.1	0.1	1.0	1.0

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

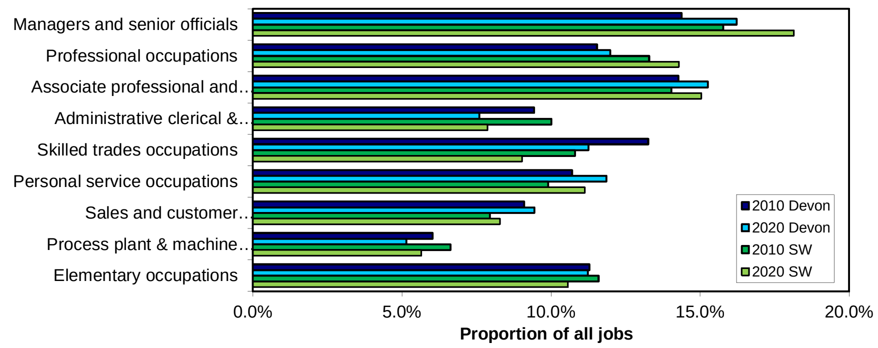
Figure 2-5: Employment by sector in Devon and the South West, 2010 and 2020



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

2.16 In terms of occupations, the projected sectoral pattern for employment growth is projected to lead to fairly strong growth in jobs for managers & senior officials in Devon over 2010-20 (see Figure 3.6). Nevertheless, the overall share of these occupations in total employment in Devon is expected to remain below that of the South West as a whole for the duration of the forecast period.

Figure 2-6: Employment by occupation in Devon and the South West, 2010 and 2020



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Industries with fastest and slowest projected employment growth

2.17 Projections for a more detailed group of industries (30)[5] are shown in Table 2-5. The Table shows those industries which are projected to see the fastest employment growth in Devon over 2010-15, and those which are expected to see the sharpest employment decline over the same period.

2.18 The location quotient (LQ) within the Table shows the relative specialisation of these industries in Devon, compared with the South West as a whole. A LQ value of 1.0 indicates that the industry accounts for the same share of total employment in Devon as it does in the South West as a whole. A value greater than 1.0 means a higher degree of employment concentration in that industry than is the case at the level of the region overall, with an LQ of less than one pointing to a lower degree of concentration.

2.19 The Table shows that the fastest growing industries in Devon comprise both manufacturing and service industries. However, the three fastest-growing industries all have LQs of less than 1.0, which means, first, they are underweight in employment-wise relative to the region, and, second, that they will have less of an impact on overall employment growth in Devon than the same growth that industry would have on the South West.

2.20 The Table also shows that, as already discussed, one of the largest industries in Devon, public administration & defence, which also has a LQ greater than 1.0, is projected to be one of the worst performing industries in the county in terms of employment growth over 2010-15.

2.21 Agriculture, which is also relatively large in Devon, given its significantly rural nature, is projected to see the strongest fall in employment over this period, and in the 2015-20 period as well.

[5] 30 industries were used for this analysis, rather than the 41 generated by the LEFM, as it was considered more robust at the county and district spatial level. See Annex A for a list of the 30 industries.

Table 2-5: Sectoral composition of employment in 2010 in Devon; the location quotient for sectors in Devon relative to the South West; and project annual growth rates in employment for 2010-2015 and 2015-2020

	Employment in Devon in 2010	**Employment LQ relative to South West in 2010**	**Projected annual growth rate in employment, 2010-2015**	**Projected annual growth rate in employment, 2015-2020**
Sectors projected to see the highest rates of absolute growth in employment between 2010 and 2015				
Food, drink & tobacco	3,400	0.7	4.2%	-0.3%
Insurance	1,600	0.6	2.1%	3.0%
Other business services	48,400	0.9	1.9%	2.7%
Other manufacturing	3,100	1.4	1.8%	1.3%
Hotels & catering	30,500	1.2	1.5%	1.8%
Rubber & plastic products	2,200	1.2	1.3%	0.4%
Sectors projected to see fast rates of employment decline between 2010 and 2015				
Chemicals & man-made fibres	1,600	1.1	-1.3%	-1.1%
Basic metals & metal products	2,800	0.8	-1.5%	-1.3%
Electricity, gas & water	2,200	1.2	-2.1%	-1.6%
Wood & paper	1,200	0.8	-2.2%	-1.5%
Electronics, elect & inst eng	2,500	0.6	-2.2%	-2.2%
Other mining	700	1.1	-3.5%	-3.2%
Public admin. & defence	25,300	1.1	-3.7%	-0.1%
Agriculture etc.	13,600	1.3	-6.7%	-6.6%

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Relative concentration and employment performance

2.22 Table 2-6 groups the detailed (30) industries in Devon into four groups, split by specialisation relative to the South West (LQ), and by projected employment growth relative to the South West over 2010-20.

2.23 The Table shows that fewer than half (four) of the industries in which Devon is specialised are projected to see strong employment growth relative to the South West over 2010-20. Further, three of these are projected to see a fall (albeit a smaller fall than in the South West) in employment over this period.

2.24 The encouraging news is that, as already trailed above, the mix of industries in which Devon is projected to see strong growth relative to the South West contains both manufacturing and services industries. But, concerningly, public administration & defence is not only projected to see a fall in employment - is also expected to see weak relative growth when compared to the South West as a whole.

Table 2-6: Patterns of current specialisation and projected future growth (in employment) in Devon *relative* to the South West

	High employment LQ relative to South West, 2010	***Low employment LQ relative to South West, 2010***
Strong relative growth in employment, 2010-2020	*<u>Textiles, clothing & leather*</u>*	**Food, drink & tobacco**
	<u>Mechanical engineering</u>*	*<u>Electronics, elect & inst eng*</u>*
	<u>Electricity, gas & water</u>*	**Transport & communications**
	Construction	**Insurance**
		Other business services
Weak relative growth in employment, 2010-2020	*<u>Agriculture etc.*</u>*	*<u>Wood & paper*</u>*
	<u>Other mining</u>*	**Printing & publishing**
	<u>Chemicals & man-made fibres</u>*	*<u>Non-metallic mineral products*</u>*
	Rubber & plastic products	*<u>Basic metals & metal products*</u>*
	Other manufacturing	*<u>Motor vehicles*</u>*
	Distribution	**Other transport equipment**
	Retailing	**Banking & finance**
	Hotels & catering	*<u>Education & health*</u>*
	<u>Public admin. & defence</u>*	**Other services**

Source: LEFM Note that sectors shown in **bold** are projected to see absolute employment growth in *Devon* over the period 2010-2020; those shown in *<u>underlined italics</u>* are projected to decline in absolute terms

Taking a District View

2.25 Within Devon, Mid Devon and South Hams are projected to see the fastest growth in total GVA over 2010-20 (see Table 2-7 and Figure 2-7), despite recent growth (2005-2010) in the districts being estimated to have been poor. Growth in these districts is projected to be 2.3% per annum and 2% per annum respectively over 2010-15, compared with 1.6% per annum in Devon as a whole. Over 2015-20, growth is projected to be 3.4% per annum in Mid Devon and 3.5% per annum in South Hams, compared with a county average of 3% per annum.

2.26 The weakest growth in GVA over 2010-20 is expected to be in Teignbridge and West Devon, with growth of around 1½% per annum over 2010-15, and around 2½-2¾% per annum over 2015-20. Exeter is also projected to see poor growth in GVA over 2010-15. The city has a comparatively high representation of public sector jobs, the shake-out of which will impact adversely on the city economy's overall performance for some time to come.

2.27 Productivity growth is expected to be fastest in East Devon and Mid Devon, and slowest in Exeter. This reflects the industry mix and differential sectoral prospects within and across the districts. Note that projections of productivity growth by detailed (41) sector are the same for all districts.

2.28 As with GVA, employment growth over 2010-20 is projected to be fastest in Mid Devon and South Hams, while East Devon and West Devon are projected to see the worst performance in employment terms.

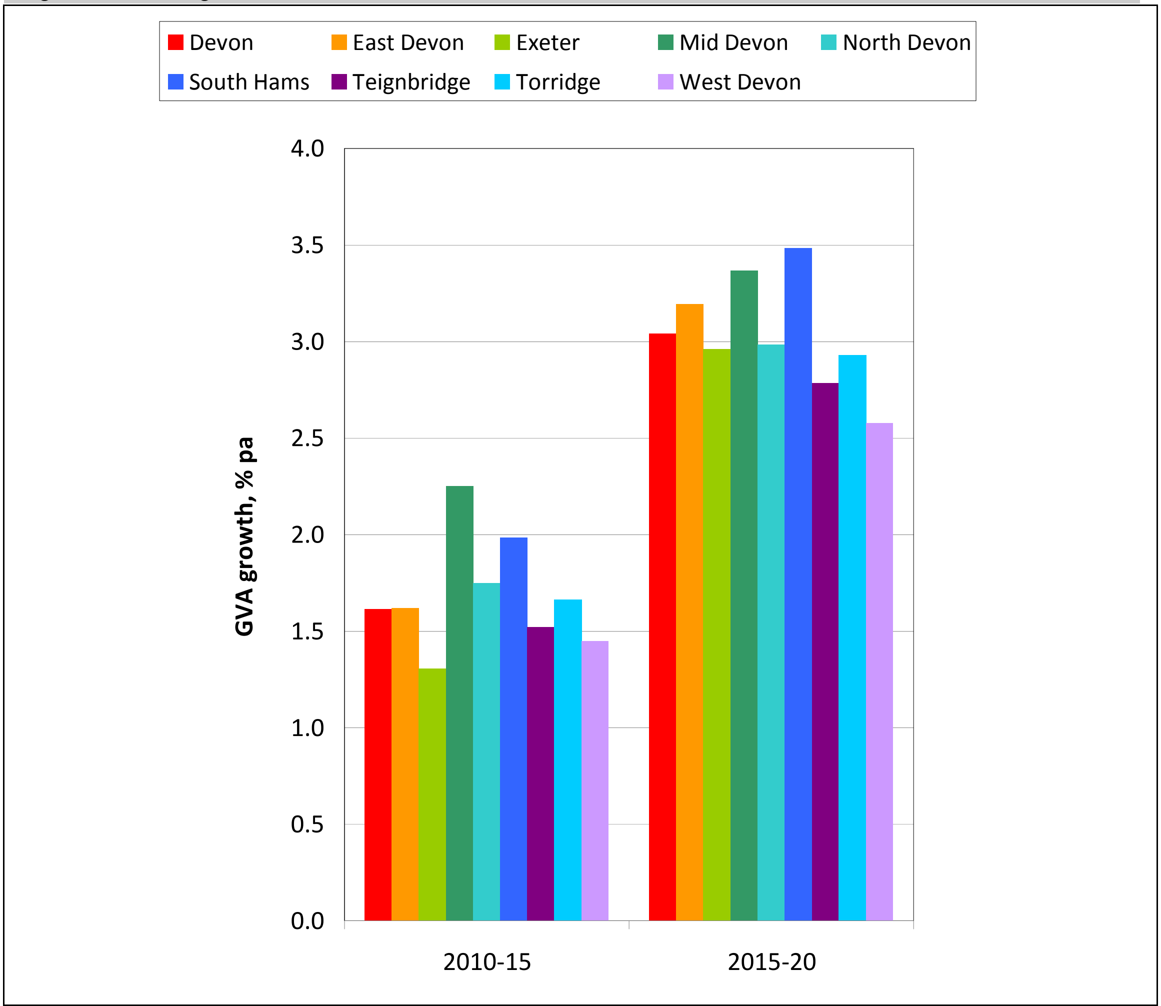
Table 2-7: 2010 baseline and annual growth rates for key LEFM indicators, for Devon and its districts

	2010 Baseline	2000-2005	2005-2010	2010-2015	2015-2020
GVA (£m, CVM, reference year 2005)					
Devon	11,148	4.1%	0.5%	1.6%	3.0%
East Devon	1,609	2.1%	0.3%	1.6%	3.2%
Exeter	3,239	5.7%	1.8%	1.3%	3.0%
Mid Devon	868	4.1%	-2.5%	2.3%	3.4%
North Devon	1,387	5.2%	0.6%	1.7%	3.0%
South Hams	1,234	5.6%	-1.1%	2.0%	3.5%
Teignbridge	1,521	2.2%	1.4%	1.5%	2.8%
Torridge	648	2.3%	0.0%	1.7%	2.9%
West Devon	642	2.8%	0.3%	1.4%	2.6%
Productivity (£000/job, CVM, reference year 2005)					
Devon	31.1	1.0%	1.1%	1.7%	2.1%
East Devon	30.6	0.4%	1.7%	2.0%	2.3%
Exeter	33.5	1.0%	1.3%	1.4%	1.8%
Mid Devon	30.9	1.0%	0.4%	2.0%	2.3%
North Devon	30.9	1.5%	1.4%	1.9%	2.2%
South Hams	30.3	0.8%	0.5%	1.9%	2.2%
Teignbridge	29.5	1.0%	1.0%	1.7%	1.9%
Torridge	29.9	1.5%	1.0%	1.9%	2.1%
West Devon	29.7	1.0%	0.7%	1.7%	2.0%

	2010 Baseline	2000-2005	2005-2010	2010-2015	2015-2020
Employment (thousands)					
Devon	358	3.0%	-0.6%	-0.1%	1.0%
East Devon	53	1.7%	-1.4%	-0.4%	0.9%
Exeter	97	4.7%	0.5%	-0.1%	1.1%
Mid Devon	28	3.1%	-2.8%	0.2%	1.0%
North Devon	45	3.7%	-0.7%	-0.2%	0.8%
South Hams	41	4.8%	-1.6%	0.1%	1.2%
Teignbridge	52	1.3%	0.4%	-0.1%	0.8%
Torridge	22	0.8%	-1.0%	-0.2%	0.8%
West Devon	22	1.8%	-0.4%	-0.2%	0.6%

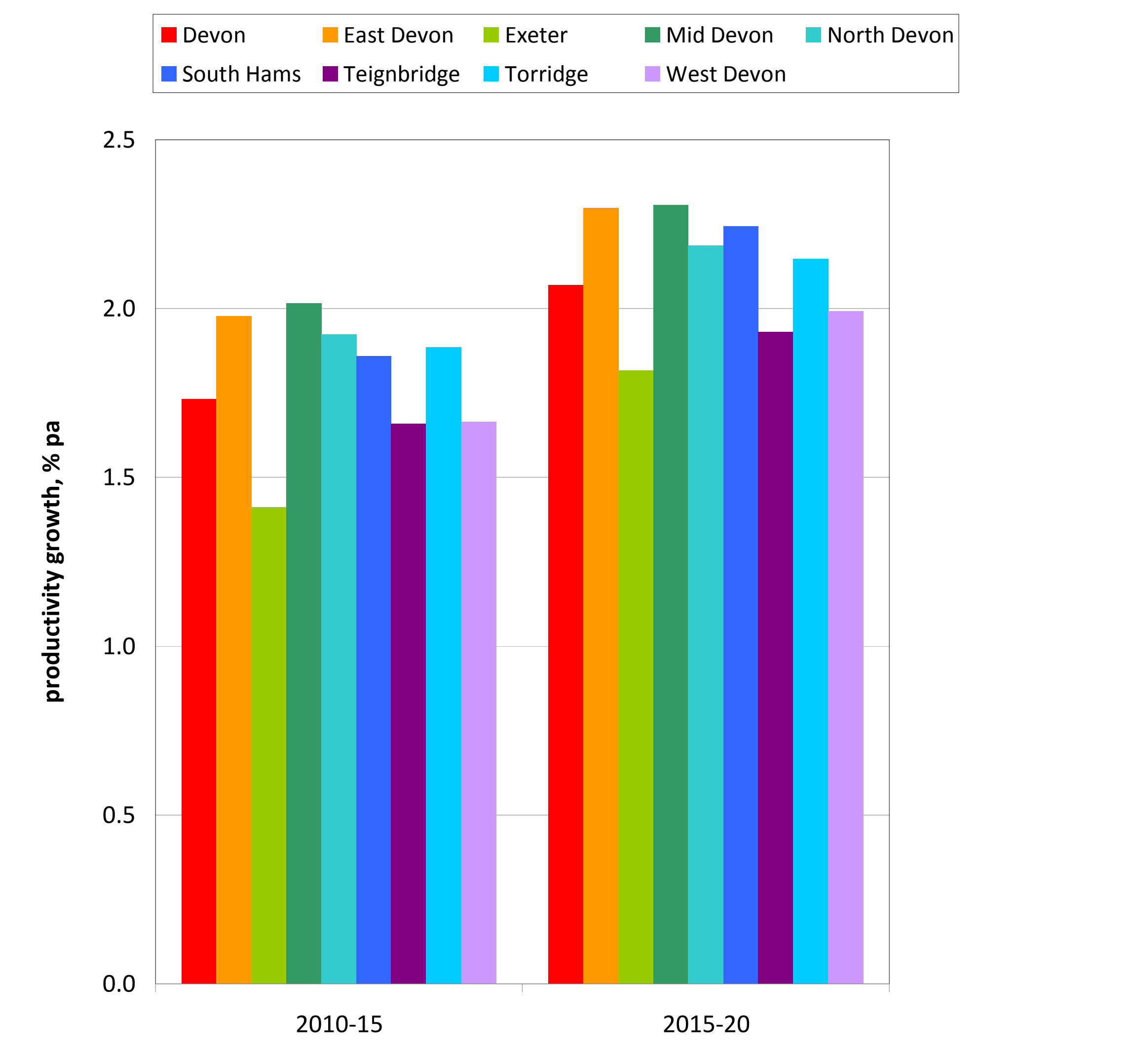
Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Figure 2-7: GVA growth in Devon and its districts, 2010-15 and 2015-20



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Figure 2-8: Productivity growth in Devon and its districts, 2010-15 and 2015-20



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Analysis against other County Comparators

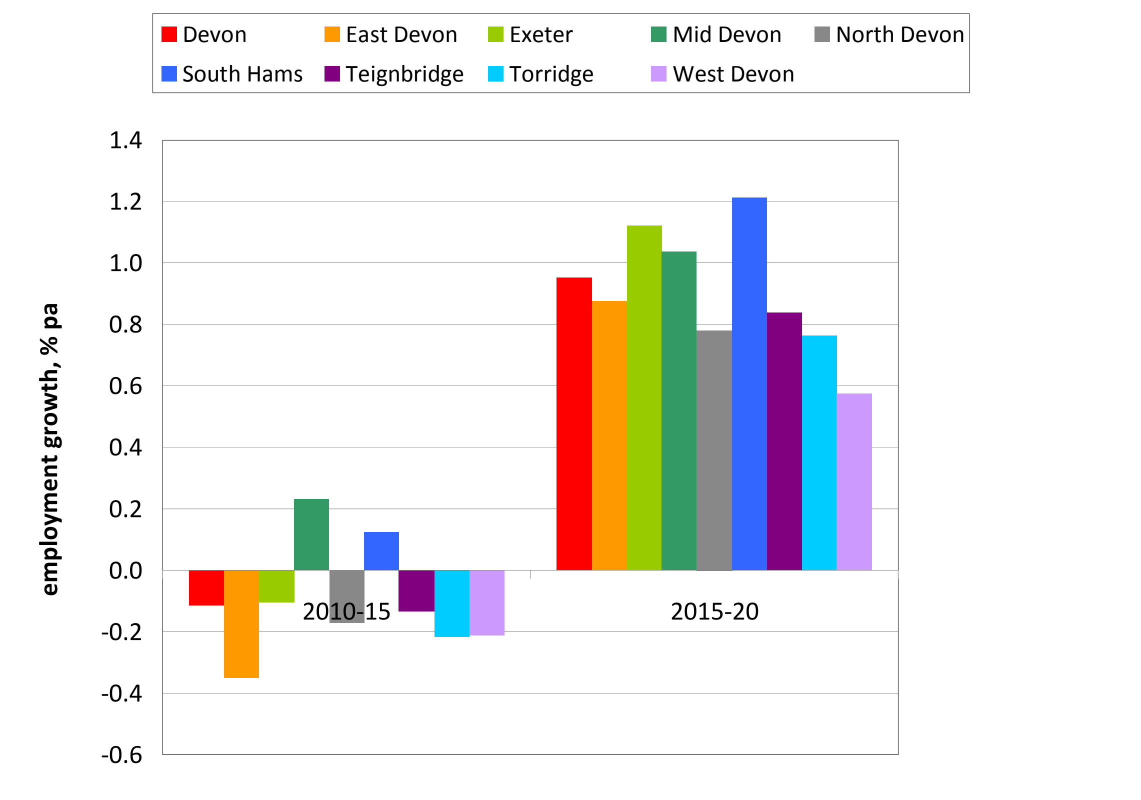
2.29 Table 2-8 shows key economic indicators for Devon compared with a number of areas, including the proposed Devon & Somerset (including Plymouth and Torbay) LEP area, and the administrative counties of Norfolk and Cumbria.

2.30 In overall economic terms, Devon is about the same size as Norfolk and about twice the size of Cumbria. On GVA, Devon is projected to grow somewhat faster than Cumbria over 2010-20, although is projected to grow more slowly than Norfolk over 2010-15 and at about the same rate over 2015-20. GVA in Devon is projected to be similar to that for the LEP area as a whole, suggesting that the growth prospects for the combined area of the Plymouth and Torbay Unitary Authorities and Somerset are similar to those for Devon.

2.31 Productivity in Devon in 2010 is estimated to be around 7% higher than in Cumbria, but some 14% lower than in Norfolk. Productivity growth over the period 2010-2020 is projected to be very slightly faster in Devon than Cumbria, Norfolk, and the proposed LEP area.

2.32 On employment, growth in employment is projected to be faster in Devon than Cumbria over 2015-20, but faster in Norfolk over the whole forecast period. Growth in employment in the Devon & Somerset LEP area is projected to be similar to that of Devon.

Figure 2-9: Employment growth in Devon and its districts, 2010-15 and 2015-20



Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

Table 2-8: 2010 baseline and annual growth rates for key LEFM indicators, for Devon and comparator areas

	2010 Baseline	2000-2005	2005-2010	2010-2015	2015-2020
GVA (£m, CVM, reference year 2005)					
Devon	11,148	4.1%	0.5%	1.6%	3.0%
Devon & Somerset LEP	24,000	3.1%	0.4%	1.6%	3.0%
South West	86,116	2.9%	0.3%	1.9%	3.0%
UK	1,124,758	2.7%	0.6%	2.0%	3.1%
Norfolk	13,991	4.4%	-0.3%	1.9%	3.0%
Cumbria	6909	2.5%	0.8%	1.4%	2.7%
Productivity (£000/job, CVM, reference year 2005)					
Devon	31.1	1.0%	1.1%	1.7%	2.1%
Devon & Somerset LEP	30.5	0.9%	0.9%	1.6%	2.0%
South West	33.0	1.4%	0.5%	1.7%	2.0%
UK	36.6	1.7%	0.7%	1.9%	2.1%
Norfolk	36.0	2.0%	-0.2%	1.7%	1.9%
Cumbria	29.0	0.9%	-0.3%	1.6%	2.0%
Employment (thousands)					
Devon	358	3.0%	-0.6%	-0.1%	1.0%
Devon & Somerset LEP	786	2.2%	-0.5%	0.0%	1.0%
South West	2609	1.5%	-0.2%	0.1%	1.0%
UK	30698	1.0%	-0.1%	0.1%	0.9%
Norfolk	389	2.3%	-0.1%	0.2%	1.1%
Cumbria	239	1.5%	1.1%	-0.1%	0.6%

Source: LEFM, consistent with Economic Prospects for the Nations and Regions of the UK, July 2010.

3. Summarising the key messages

3.1 The previous Chapter has set out in some detail the complex interplay of population, working age population, economic activity, employment rate, and sectoral productivity that come together to provide an indication of the County's growth trajectory. The feedback and interference effects between these sorts of factors are intricate and sophisticated – effects can be short-term or persistent for the long-term, others driven by structural internal change as opposed to external influence, and each may be amenable to local action to lesser or greater extents.

3.2 Being alert to these effects and their interplay is important in using the projections in this report meaningfully. But, it is also vital to avoid the trap of 'woods and trees'. Given this, it is worth summarising the key messages that the analysis in Chapter 3 has identified. These are as follows:

- Overall GVA growth in Devon is projected to be slower than the South West over 2015-20, but will pick up to match the South West average rate over 2015-20.
- Growth in the county is projected to be slower than the comparator area of Norfolk over 2015-20, but to be similar for the 2015-20 period. Growth is projected to be faster than the comparator area of Cumbria over the whole forecast period (2010-20).
- GVA growth in Devon is projected to be faster than the South West in manufacturing, construction, and transport & communications.
- In 2010, productivity in Devon is estimated to be around 6% lower than the South West average.
- Productivity in manufacturing as a whole is also estimated to be lower in Devon than the South West. However, productivity is higher in Devon than in the South West in some manufacturing industries, such as food & drink, and electrical engineering & instruments.
- Based on the assumption that productivity in individual industries in Devon will grow at the same rate as forecast for the South West, the mix of industries in manufacturing means that overall manufacturing productivity is projected to grow slightly faster in Devon than in the South West.
- Productivity in financial & business services in Devon is estimated to be about 15% lower than the South West, and is projected to grow more slowly than the South West average over 2010-20.
- Employment growth in Devon is projected to be worse than the South West average over 2015-20, but similar to the region over 2015-20.
- Those industries that are projected to see the fastest employment growth over 2010-15 include manufacturing and service industries. But, the three fastest-growing

industries account for a smaller proportion of total employment in Devon than the South West average.

- One of the largest industries in Devon, public administration, is projected to see a strong fall in employment over 2010-15. Between 2010 and 2020, the industry is expected to see a more severe fall than the South West as a whole.
- Within Devon, Mid Devon and South Hams are projected to see the best economic performance over 2010-20, and West Devon the worst.

Annex A: Definitions

Table A-1: Cambridge Econometrics' industries (30) defined in terms of SIC2003

	Industry	SIC03 definition
1	Agriculture etc.	01,02,05
2	Coal	10
3	Oil & Gas etc.	11,12
4	Other Mining	13,14
5	Food, Drink & Tobacco	15,16
6	Textiles, Clothing & Leather	17,18,19
7	Wood & Paper	20,21
8	Printing & Publishing	22
9	Manuf. Fuels	23
10	Chemicals	24
11	Rubber & Plastics	25
12	Non-Metallic Mineral Products	26
13	Basic Metals & Metal goods	27,28
14	Mechanical Engineering	29
15	Electronics, Elec. Eng. & Instruments	30-33
16	Motor Vehicles	34
17	Other Transport Equipment	35
18	Other Manufacturing	36,37
19	Electricity, Gas & Water	40,41
20	Construction	45
21	Distribution	50,51
22	Retailing	52
23	Hotels & Catering	55
24	Transport & Communications	60-64
25	Banking & Finance	65,67
26	Insurance	66
27	Other Business Services	70-74
28	Public Admin. & Defence	75
29	Education & Health	80,85
30	Miscellaneous Services	90 to 93,95,99

Table A-2: Cambridge Econometrics' sectors (9) defined in terms of SIC2003

	Sector	**SIC03 definition**
1	Agriculture etc.	01,02,05
2	Mining & Quarrying	10-14
3	Manufacturing	15-37
4	Electricity, Gas & Water	40-41
5	Construction	45
6	Distribution, Hotels & Catering	50-55
7	Transport & Communications	60-64
8	Financial & Business Services	65-74
9	Government & Other Services	75-99

Table A-3: Annual Population Survey sectors (9) defined in terms of SIC2003

	Sector	**SIC03 definition**
1	Agriculture & fishing	01,02,05
2	Energy & water	10-14, 40-41
3	Manufacturing	15-37
4	Construction	45
5	Distribution, hotels & restaurants	50-55
6	Transport & communication	60-64
7	Banking, finance & insurance etc	65-74
8	Public admin, education & health	74-85
9	Other services	90-99

Table A-4: Cambridge Econometrics' broad occupations (9) defined in terms of SOC2000

SOC2000 Major	**SOC2000 Sub-Major**
Managers And Senior Officials	Corporate Managers
	Managers And Proprietors
Professional Occupations	Science/tech Professionals
	Health Professionals
	Teaching/research Prof.
	Business/public Service Prof.
Associate Professional And Technical Occupations	Science Associate Prof.
	Health Associate Prof.
	Protective Service Occs
	Culture/media/sport Occs
	Bus/public Serv. Assoc Prof.
Administrative Clerical & Secretarial Occupations	Admin & Clerical Occupations
	Secretarial & Related Occs
Skilled Trades Occupations	Skilled Agricultural Trades
	Skilled Metal/elec Trades
	Skilled Construct. Trades
	Other Skilled Trades
Personal Service Occupations	Caring Personal Service Occs
	Leisure/oth Pers Serv Occs
Sales And Customer Service Occupations	Sales Occupations
	Customer Service Occupations
Process Plant & Machine Operators	Process Plant & Mach Ops
	Transport Drivers And Ops
Elementary Occupations	Elementary: Trades/plant/mach
	Elementary: Clerical/service