



National Assembly for Wales
Cynulliad Cenedlaethol Cymru

Economic Indicators November 2006

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.

November 2006



Economic Indicators

November 2006

Ben Stokes
November 2006

Paper number: 06/073

© Crown copyright 2006

Contents

1	Introduction	1
2	Economy Overview	2
3	Gross Value Added (GVA).....	4
4	Productivity.....	13
5	Regional Household Income	15
6	Labour Market.....	17
7	Earnings	33
8	Exports.....	37
9	Production and Construction Index of Production and Index of Construction, 2 nd Quarter 2006	38
10	Index of Distribution	38
11	Investment	39
12	Research and Development	40
13	VAT Registrations	41
14	UK Inflation, Interest and Exchange Rates	43
15	Winning Wales Targets.....	45
	Glossary.....	48

Economic Indicators: November 2006

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
GVA per head as % of UK average	1999 = 78.5% 2000 = 78.4% 2001 = 78.9% 2002 = 78.6% 2003 = 78.8% 2004 = 79.1%	Office for National Statistics Regional Gross Value Added First Release, 21 Dec 2005: http://www.statistics.gov.uk/pdfdir/rgva1205.pdf
GVA forecasts of annual % growth	<i>Experian Business Strategies (May 2006)</i> 2005 Wales: = 1.1% UK: = 1.8% 2006 Wales = 2.0% UK: = 2.5% 2007 Wales = 2.7% UK: = 2.9% 2008 Wales = 2.8% UK = 2.9% <i>Cambridge Econometrics (July 2006)</i> 2005 Wales = 1.6% UK = 2.0% 2006 Wales = 2.0% UK = 2.2% 2007 Wales: = 2.3% UK = 2.8% 2007-2020 Wales = 2.1% UK = 2.5%	Experian Press Release, 25 May 2006: http://press.experian.com/press_releases.cfm Cambridge Econometrics: Knowledge Base online (subscription service)
Employment Rate Annual change to latest three month period	June – August 06 Wales 0.0 percentage points to 72.0% UK -0.1 percentage points to 74.6%	Office for National Statistics Labour Market Statistics First Releases: Wales and UK http://www.statistics.gov.uk/pdfdir/lmswales1006.pdf and http://www.statistics.gov.uk/pdfdir/lmsuk1006.pdf
Unemployment Rate Annual change to latest three month period	June – August 06 Wales 1.3 percentage points to 5.8% UK 0.8 percentage points to 5.5%	As for Employment Rate



Economic Inactivity Rate Annual change to latest three month period	June – August 06 Wales -1.1 percentage points to 23.4% UK -0.6 percentage points to 20.9%	As for Employment Rate
Earnings Annual change	April 2006 Earnings: Wales: +3.3% UK: +3.7%	Office for National Statistics - National Statistics Release, October 2006: http://www.statistics.gov.uk/pdfdi/r/ash1006.pdf
Gross Disposable Household Income per head as % of UK	1999 = 87% 2000 = 87% 2001 = 87% 2002 = 87% 2003 = 88% 2004 = 88%	Office for National Statistics National Statistics Release, 9 May 2006: http://www.statistics.gov.uk/pdfdi/r/gdhi0506.pdf
Index of Production and Construction Latest 4 quarters compared with previous 4	Quarter 2, 2006 Index of Production: Wales: -2.8% UK: -1.4% Index of Manufacturing: Wales: -2.9% UK: -0.5% Construction Output: Wales: -3.5% UK -0.4%	National Assembly for Wales Statistical Directorate Statistical Release, 12 October 2006: http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw20061012/?lang=en
Value of Exports Latest 4 quarters compared with previous 4	Quarter 2, 2006 Wales: +2.8% UK: +18.3%	National Assembly for Wales Headline Statistics – 7 September 2006: http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw20060907/?lang=en
VAT Registered businesses Annual change in stock	2005-2006 Wales: +1.1% UK: +1.4%	National Assembly for Wales Statistical Directorate October 2006: http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw200610241/?lang=en

3 Gross Value Added (GVA)

3.1 Regional Gross Value Added

Table 3.1: Gross Value Added(a), Wales and the UK, 1989 to 2004

Year	Wales (£ per head)	UK (£ per head)(b)	Per Capita GVA in Wales as a percentage of UK GVA
1989	6,715	7,919	84.8
1990	7,234	8,585	84.3
1991	7,451	8,946	83.3
1992	7,764	9,313	83.4
1993	8,106	9,774	82.9
1994	8,571	10,299	83.2
1995	9,026	10,787	83.7
1996	9,431	11,415	82.6
1997	9,822	12,093	81.2
1998	10,189	12,840	79.4
1999	10,506	13,377	78.5
2000	10,917	13,917	78.4
2001	11,515	14,586	78.9
2002	12,067	15,344	78.6
2003	12,716	16,144	78.8
2004(c)	13,292	16,802	79.1

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 that¹:

- ◆ GVA per head in Wales in 2004² was £13,292 or 79.1 per cent of the UK average. The revised figures show that GVA per head in Wales relative to the UK fell between 1995 and 2000 but has remained fairly stable since.
- ◆ GVA per head in Wales in 2004 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 2004 was above the UK average, while all other regions were below the UK average.

¹ ONS First Release, *Regional gross value added*, 21 December 2005:

<http://www.statistics.gov.uk/pdfdir/rgva1205.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/2005/hdw200512211-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>

² 2004 figures are provisional

- ◆ Total GVA in Wales was 5.0 per cent higher than in 2003. The greatest growth in 2004 was in the East Midlands (5.3 per cent higher than in 2003), while London had the lowest growth (3.5 per cent). The growth in total GVA for the UK as a whole³ was 4.6 per cent.
- ◆ Per capita GVA in Wales was 4.5 per cent higher than in 2003. The greatest growth in 2004 was in the North East (4.9 per cent higher than in 2003), while London had the lowest growth (2.9 per cent). The growth in per capita GVA for the UK as a whole⁴ was 4.1 per cent.

3.1.1 Relative GVA – The Median Measure

It is possible to compare GVA in Wales relative to other regions while making allowance for a relatively large increase or fall in GVA within a particular region which might skew the mean (average) measure. This is done using the median measure. The median represents the number that sits in the middle of a set of numbers, in this case the mean of the central two index numbers for UK relative GVA. By looking at the median figure.

- ◆ GVA per head in Wales in 2004 was 86.6 per cent of the UK median. As with the mean measure, this proportion declined during the second half of the 1990s but has remained fairly stable since then.

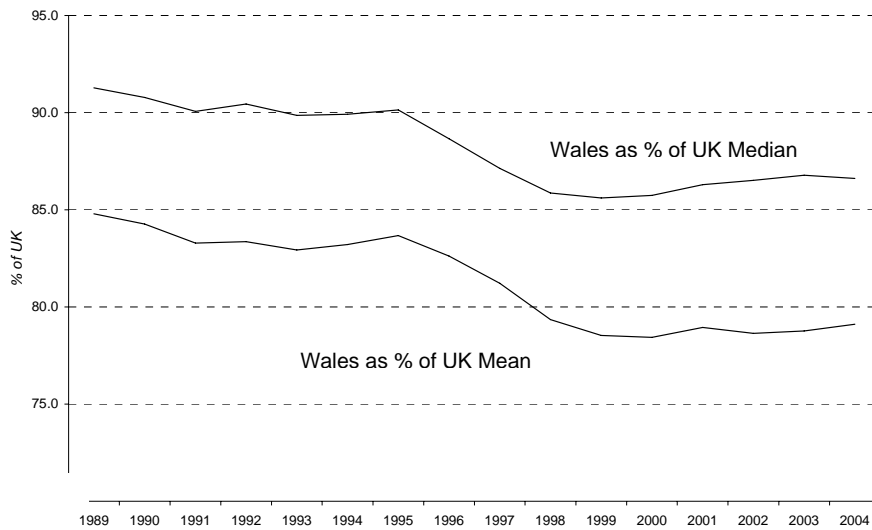
Figure 3.1 shows per capita GVA in Wales as a percentage of per capita GVA for the mean and median UK region over the period 1989 to 2004 and illustrates the decline in relative GVA in the late 1990s, and a levelling off over recent years.

³ 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.

⁴ 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.



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



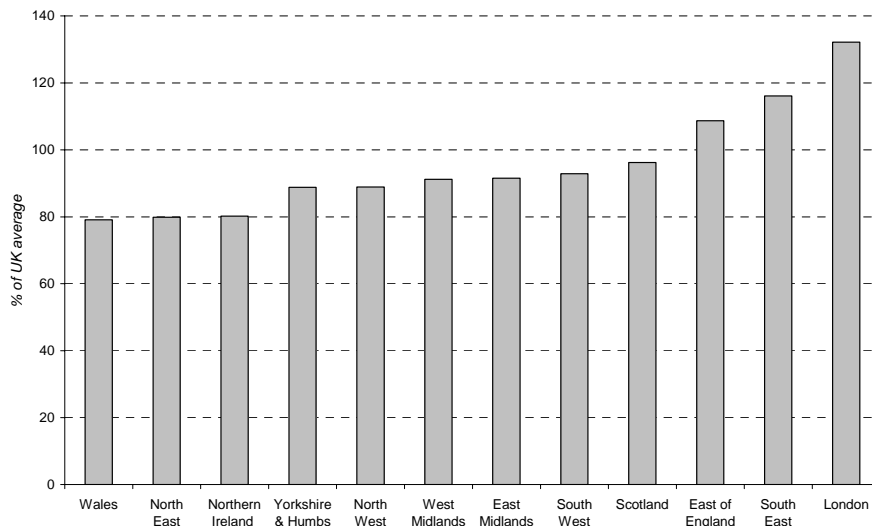
Source: ONS

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 2004.

3.1.2 Regional Comparison

Figure 3.2 shows per capita GVA in the UK regions and nations as a percentage of per capita GVA for the UK in 2004.

Figure 3.2: Per capita GVA, by UK nation and region, 2004

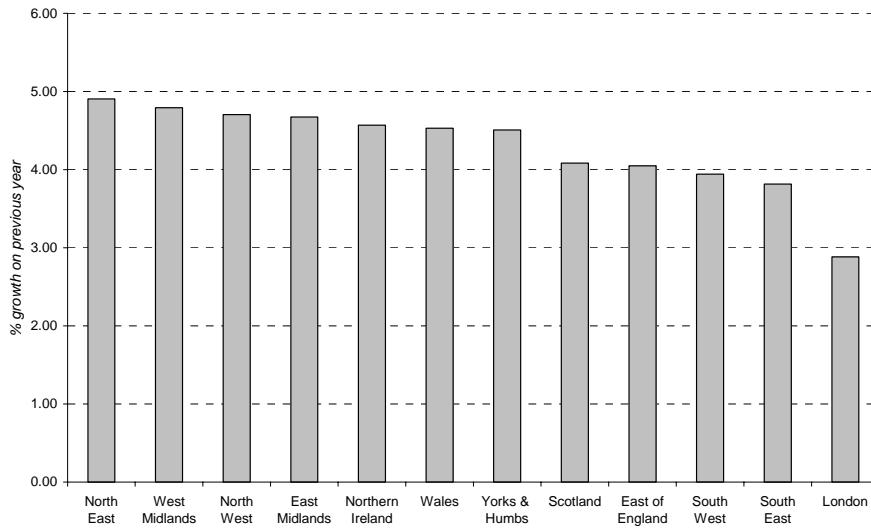


Source: ONS

Figure 3.3 charts per capita growth in the UK nations and regions between 2003 and 2004. Wales had the sixth highest per capita growth rate among regions and nations of the UK in this period of 4.5 per cent. This compares to a UK (less extra regio) per capita growth rate of 4.1 per cent.



Figure 3.3 Growth in per capita GVA, by UK nation and region, 2003-04

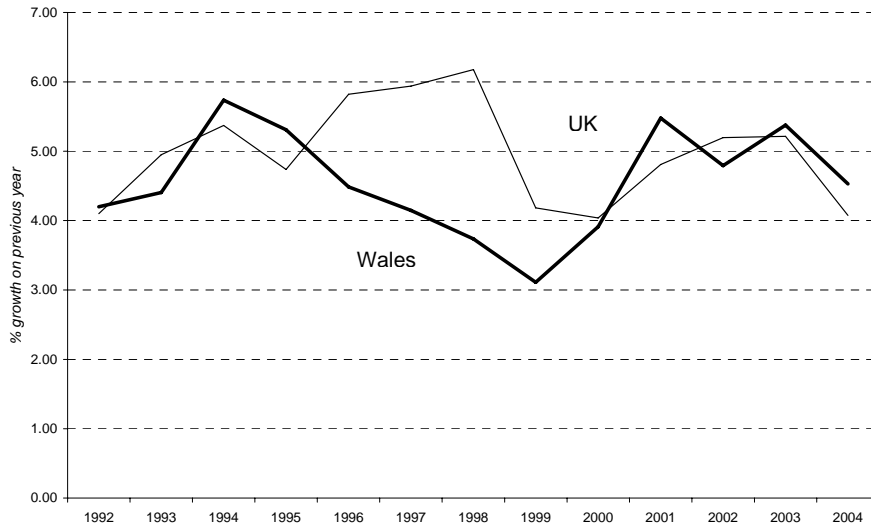


Source: ONS

3.1.3 Per Capita Growth Rates

Figure 3.4 charts per capita growth in Wales against the UK mean for the years 1992 to 2004.

Figure 3.4: Per Capita GVA growth, Wales and UK, 1992 to 2004



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.

3.2 Local GVA

Table 3.2: Per Capita Gross Value Added (GVA), Wales, by NUTS⁵ level 1, 2 and 3 area, 2003(a)(b)(c)

NUTS levels	Gross Value Added (£ per head)	Per Capita GVA as a percentage of UK GVA
Wales	12,716	79
West Wales and the Valleys	10,578	66
Isle of Anglesey	8,747	54
Gwynedd	11,820	73
Conwy and Denbighshire	10,071	62
South West Wales	9,659	60
Swansea	13,507	84
Bridgend and Neath Port Talbot	11,094	69
Central Valleys	10,486	65
Gwent Valleys	9,531	59
East Wales	16,446	102
Flintshire and Wrexham	15,384	95
Powys	12,459	77
Cardiff and Vale of Glamorgan	18,794	116
Monmouthshire and Newport	15,503	96

Source: Office for National Statistics

- (a) GVA at current basic prices
- (b) Estimates are on a workplace basis
- (c) Excluding Extra-regio and statistical discrepancy

The latest sub-regional gross value added (GVA)⁶ estimates show that:

- ◆ In 2003, West Wales and the Valleys (NUTS2) had the second lowest GVA per head (£10,600) after Cornwall and Isles of Scilly (£10,400). These figures compare to the UK average⁷ of £16,100. East Wales (NUTS2) had a GVA per head of £16,400 in 2003.
- ◆ Per capita GVA in West Wales and the Valleys (NUTS2) declined relative to the UK average between 1995 and 1999 from 74 per cent to 66 per cent. Per capita GVA in West Wales and the Valleys has remained fairly stable since this time.

⁵ 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

⁶ ONS First Release, *Local gross value added*, 21 December 2005:

<http://www.statistics.gov.uk/pdfdir/lgva1205.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.

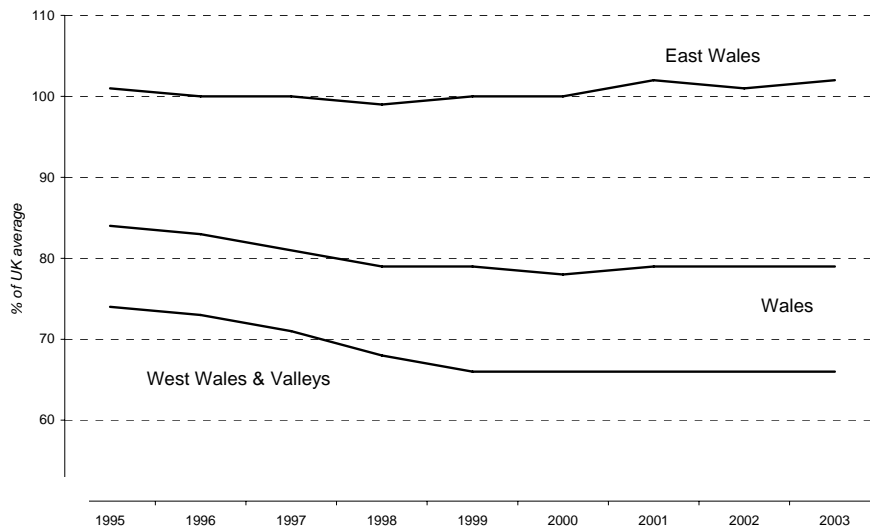
⁷ Excluding Extra-Regio GVA



- ◆ Per capita GVA in East Wales (NUTS2) has increased slightly from 99 per cent in 1998 to 102 per cent of the UK average in 2003.
- ◆ Of the 12 NUTS3 regions in Wales, Cardiff & the Vale of Glamorgan had the highest level of GVA per head in 2003 at 116 per cent of the UK average, whilst the lowest level was the Isle of Anglesey with 54 per cent.
- ◆ Three of the five NUTS3 regions in the UK with the lowest GVA per head relative to the UK in 2003 were in Wales. These are Isle of Anglesey (54 per cent), Gwent Valleys (59 per cent) and South West Wales (60 per cent). Anglesey was the lowest in the UK.

Figure 3.5 graphs GVA per head for the period 1995 to 2003 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



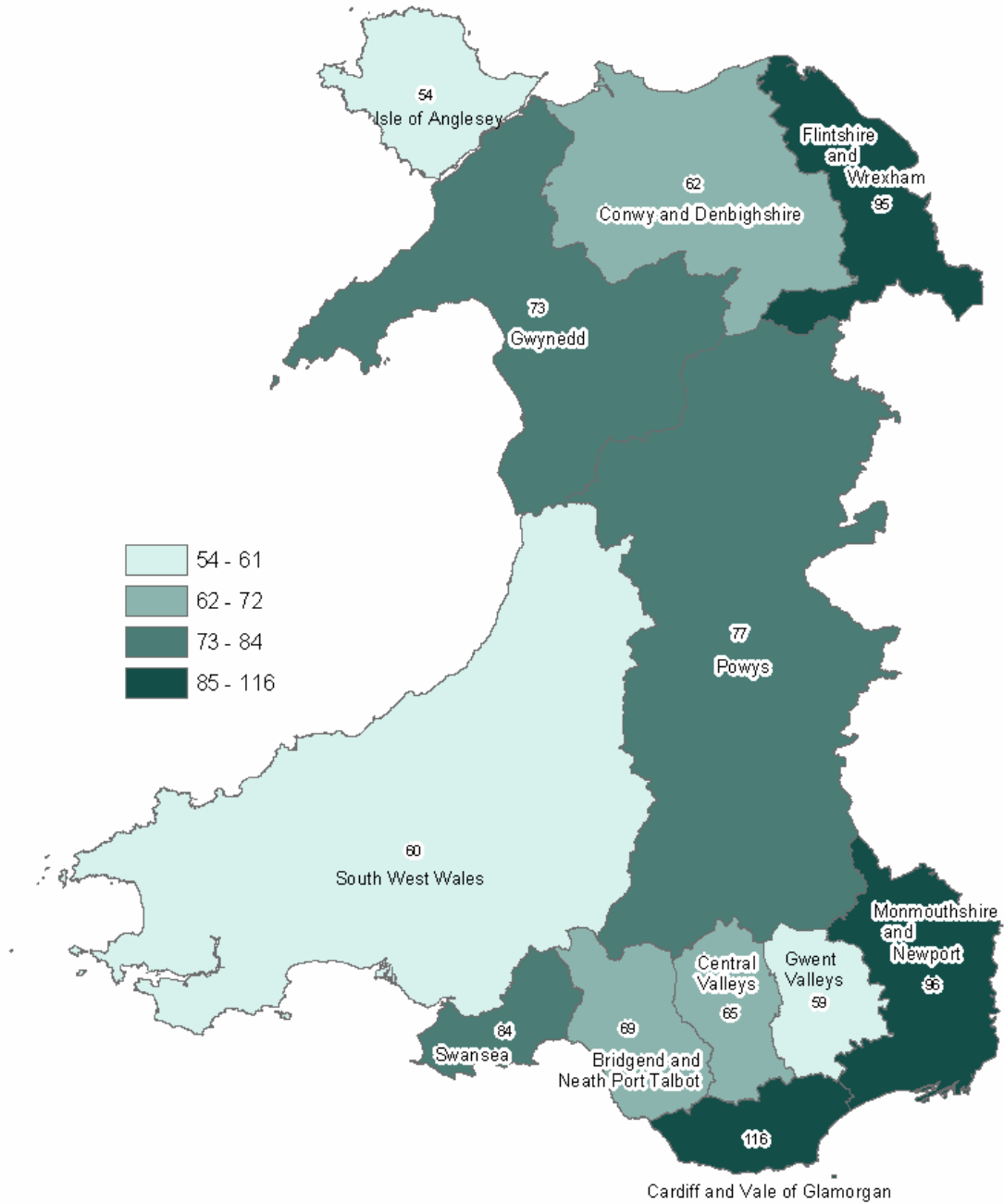
Source: Office for National Statistics

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 2003.



Map 3.1: GVA as a percentage of UK average, by NUTS 3 area, Wales, 2003



© Crown Copyright. All Rights Reserved.
 The National Assembly for Wales. Licence 100017916. 2005

Source: Office for National Statistics

3.2 Regional GDP per capita in the EU

Eurostat released statistics on regional per capita Gross Domestic Product (GDP) on 18 May 2006⁸.

The data show that:

- ◆ per capita GDP in West Wales and the Valleys represented 75.8% of the average for EU25 as a whole in 2003. The equivalent figures for East Wales and Wales as a whole were 119.1% and 91.6% respectively.
- ◆ on 16 December 2005, the European Council reached agreement on the European Union budget for 2007–13. As a consequence, West Wales and the Valleys will qualify for the next round of Objective 1 (now Convergence) funding. The decision was taken on the basis of data released by Eurostat on 26 January 2005⁹. This data showed that, over the three years 2000-02¹⁰, per capita GDP in West Wales and the Valleys represented 73.8% of the EU25 average - below the eligibility threshold of 75% of EU25 average.
- ◆ if agreement on EU funding had slipped to 2006, qualification for Convergence funding would have been decided on the basis of the 2001-2003 data released on 18 May 2006. Over the three years 2001-2003, per capita GDP in West Wales and Valleys represented 75.6% of the average for EU25, meaning that the region would not have continued to qualify for full Convergence funding support post 2006.
- ◆ average per capita GDP across the Union has declined with the accession of new Member States. To avoid regions in receipt of Objective 1 funding for the 2000-06 round losing eligibility for the 2007-13 round purely for this reason (termed, 'the statistical effect'), transitional funding has been arranged. Eligibility for such funding is calculated on the basis of per capita GDP relative to the average for EU15, rather than EU25.
- ◆ on the basis of 2001-03 figures, published this year, West Wales and the Valleys would have been classified as a "statistical effect" region and eligible for transitional funding post 2006, as its average GDP is now above 75% of EU25 but below 75% of EU15.
- ◆ per capita GDP in West Wales and the Valleys over the 3 years 2001-2003 represented 69.1% of the average for EU15, well below the threshold for statistical effect funding.

⁸ Eurostat News Release, Regional GDP per capita in the EU25, 18 May 2006:
<http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/06/63&format=HTML&aged=0&language=EN&guiLanguage=en>

Further data can be found on the Eurostat web-site at:
http://epp.eurostat.ec.eu.int/portal/page?_pageid=0_1136162_0_45572076&_dad=portal&_schema=PORTAL

⁹ Eurostat News Release, Regional GDP per capita in the EU25, 25 January 2005:
<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=STAT/05/13&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁰ Data for 2000-02 have subsequently been revised by Eurostat.

Table 3.3 shows GDP per capita¹¹ as a percentage of the EU25 average, for the UK, NUTS 1 and 2 areas of Wales¹², and other Objective 1 regions of the UK for the period 1995 to 2003.

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

Area	1995	1996	1997	1998	1999	2000	2001	2002	2003
West Wales and The Valleys	80.1	81.3	80.1	76.6	74.2	74.1	73.9	77.0	75.8
East Wales	109.9	107.8	110.7	111.0	111.7	112.4	116.4	116.3	119.1
Wales	90.7	90.8	91.1	89.1	87.9	87.9	89.3	91.3	91.6
United Kingdom	108.5	109.9	112.2	112.1	111.7	112.3	113.2	116.0	116.2
Merseyside	77.5	76.1	78.0	80.4	78.3	81.4	80.5	85.0	85.3
South Yorkshire	81.3	82.0	83.0	86.1	82.7	83.6	85.5	88.7	89.4
Cornwall and Isles of Scilly	68.1	70.4	69.6	68.2	67.6	68.6	71.1	75.4	75.8

Source: Eurostat

Table 3.4 shows similar data expressed as a percentage of the EU15 average.

Table 3.4: GDP per head as a percentage of EU15 average
(at purchasing power parity rates of exchange) (% of EU15 average)

Area	1995	1996	1997	1998	1999	2000	2001	2002	2003
West Wales & Valleys	72.3	73.5	72.7	69.6	67.4	67.5	67.4	70.4	69.5
East Wales	99.2	97.6	100.4	100.8	101.6	102.3	106.1	106.3	109.2
Wales	81.9	82.1	82.7	80.9	79.9	80.1	81.4	83.4	83.9
United Kingdom	97.9	99.5	101.8	101.8	101.5	102.2	103.2	106.1	106.5
Merseyside	69.9	68.9	70.7	73.0	71.2	74.1	73.4	77.7	78.2
South Yorkshire	73.3	74.2	75.3	78.2	75.1	76.2	78.0	81.1	81.9
Cornwall & Isles of Scilly	61.4	63.7	63.1	62.0	61.5	62.4	64.8	69.0	69.5

Source: Eurostat

¹¹ 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.

¹² The Nomenclature of Units for Territorial Statistics (NUTS) breakdown provides a single uniform breakdown for the production of regional statistics for the European Union. There are three levels of NUTS in the UK. These are:

- NUTS 1: Government Office Regions and Scotland, Wales and Northern Ireland.
- NUTS 2: 37 areas, often referred to as sub-regions.
- NUTS 3: 133 areas, generally groups of unitary authorities or districts, also known as local areas.

4 Productivity

Table 4.1: Productivity measures by region, 2004

UK=100

Region/Country	GVA per filled job	GVA per hour worked
North East	92.2	93.6
North West	91.4	92.5
Yorkshire and the Humber	90.2	91.4
East Midlands	97.5	98.5
West Midlands	94.6	94.0
East	100.9	101.2
London	124.7	118.8
South East	104.2	105.5
South West	92.8	95.1
England	101.3	101.3
Wales	89.7	90.7
Scotland	96.8	98.1
Northern Ireland	85.8	81.9
United Kingdom	100.0	100.0

Source: ONS

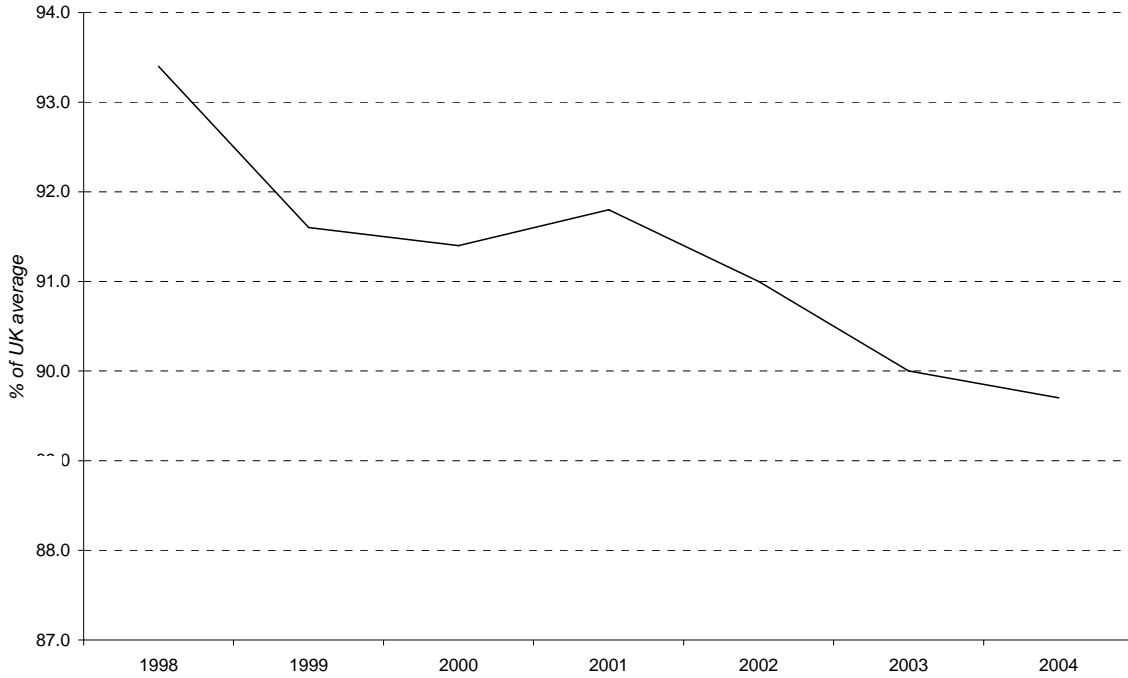
The data¹³ show that:

- ◆ Wales has the second lowest GVA per filled job and GVA per hour worked in the UK after Northern Ireland.
- ◆ Between 1998 and 2004 GVA per filled job in Wales fell from 93.4 per cent of the UK average to 89.7 per cent of the UK average.
- ◆ Between 1998 and 2004 GVA per hour worked in Wales fell from 92.7 per cent of the UK average to 90.7 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 1998 to 2004.

¹³ Office for National Statistics, *Productivity measures by region*, 30 January 2006:
http://www.statistics.gov.uk/downloads/theme_economy/ProdMeasures_Table8_Jan06.pdf

Figure 4.1: GVA per filled job, Wales as per cent of UK, 1998 to 2004



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 1998 to 2004.

Figure 4.2: GVA per hour worked, Wales as per cent of UK, 1998 to 2004

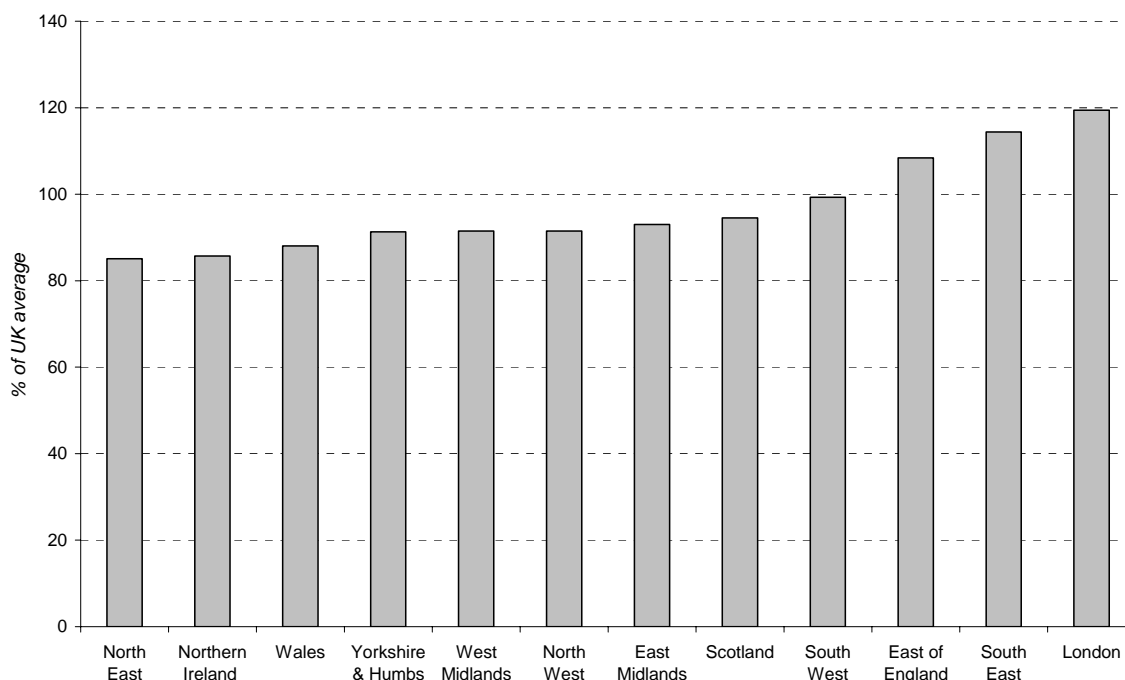


Source: Office for National Statistics



5 Regional Household Income

Figure 5.1: Gross Disposable Household Income (GDHI) by UK nation and region, 2004 (a)



Source: ONS

(a) 2004 data are provisional

The data¹⁴ show that:

- ◆ Headline Gross Disposable Household Income (GDHI) per head in the NUTS1¹⁵ area of Wales in 2004 was £11,278 or 88.0 per cent of the UK average. London had the highest GDHI per capita at £15,298, 19.4 per cent greater than the UK average. The North East had the lowest GDHI per capita at £10,906, 14.9 per cent less than the UK average.
- ◆ GDHI per head in Wales in 2004 was the 3rd lowest amongst the 12 nations and regions of the UK, after the North East and Northern Ireland. This ranking for Wales has not changed across the whole period 1995 to 2004.

¹⁴Office for National Statistics, *Regional Household Income*, 9 May 2006:

<http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx?ReportId=2051>

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>

¹⁵ 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.



- ◆ Between 1995 and 2004, Gross disposable household income per head in Wales has fallen from 90.2 per cent to 88 per cent when compared to the UK average (UK = 100).
- ◆ Within Wales, the estimates for 2004 show that GDHI per head in East Wales and West Wales and the Valleys (the two Welsh NUTS2 areas) were 91 per cent and 86 per cent of the UK average respectively.¹⁶
- ◆ The estimates for the NUTS3 areas of Wales show that Monmouthshire and Newport had the highest GDHI per head in Wales in 2004 (93 per cent of the UK average). The Central Valleys (Rhondda, Cynon, Taff and Merthyr Tydfil) and South West Wales area had the lowest GDHI per head in 2004 (82 per cent of the UK average).

¹⁶Source: Office for National Statistics. Gross disposable household income summary, by NUTS area (UK region, Welsh NUTS areas) NS <http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx?ReportId=2052>

6 Labour Market

6.1 Main Indicators

Summary of Welsh Labour Market¹⁷

June – August 2006	(per cent)			
	Wales	Wales change on year	UK	UK change on year
Employment rate (a)	72.0	0.0	74.6	-0.1
ILO unemployment rate (b)	5.8	1.3	5.5	0.8
Inactivity rate (c)	23.4	-1.1	20.9	-0.6

Source: Office for National Statistics, Table 18(1), *Labour Market Statistics October 2006*, 18 October 2006
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)¹⁸.

Table 6.1 shows the ILO unemployment level and rate on a local authority basis in Wales for the period 2000 to 2006.

Map 6.1 shows the employment rate by local authority in Wales for the year ending 31 March 2006.

Map 6.2 shows the ILO unemployment rate by local authority in Wales for the year ending 31 March 2006.

¹⁷ Office for National Statistics, *Labour Market Statistics October 2006*, 18 October 2006,
<http://www.statistics.gov.uk/pdfdir/lmsuk1006.pdf>

¹⁸ 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>



Map 6.3 shows the inactivity rate by local authority in Wales for the year ending 31 March 2006.

Map 6.4 shows the inactivity rate, excluding students, by local authority in Wales for the year ending 31 Dec 2005.

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

Table 6.1: ILO unemployment level and rate(a), by local authority, Wales, 2000 to 2006

	2000		2001		2002		2003		2004		2005		Year ending 31 Mar 2006	
	Level	Rate	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	2,000	5.2	2,000	5.0	2,000	4.9
Gwynedd	*	*	3,000	5.3	2,000	4.6	2,000	3.7	2,000	3.9	2,000	3.6	2,000	3.5
Conwy	*	*	2,000	3.3	2,000	4.5	2,000	3.9	1,000	3.0	2,000	3.8	2,000	3.4
Denbighshire	*	*	2,000	4.2	2,000	4.2	2,000	3.6	2,000	3.7	2,000	3.7	2,000	4.5
Flintshire	*	*	4,000	5.1	3,000	3.7	2,000	3.1	2,000	2.4	2,000	2.5	2,000	2.5
Wrexham	*	*	2,000	3.6	2,000	3.7	2,000	2.5	2,000	2.6	3,000	4.8	3,000	4.4
Powys	*	*	2,000	3.5	2,000	2.9	2,000	3.4	2,000	2.6	2,000	2.8	2,000	2.9
Ceredigion	*	*	2,000	5.9	2,000	5.1	2,000	6.4	2,000	4.9	1,000	4.0	2,000	4.1
Pembrokeshire	*	*	3,000	6.4	3,000	6.4	3,000	5.3	3,000	4.9	3,000	6.2	3,000	5.4
Carmarthenshire	*	*	5,000	6.3	3,000	4.5	4,000	5.1	4,000	4.8	2,000	3.0	2,000	2.8
Swansea	*	*	6,000	6.2	7,000	6.3	6,000	5.7	6,000	6.1	5,000	4.7	5,000	5.2
Neath Port Talbot	*	*	3,000	6.0	5,000	8.6	4,000	6.9	4,000	6.6	4,000	7.4	4,000	7.3
Bridgend	*	*	3,000	4.7	3,000	4.9	2,000	3.9	2,000	3.7	4,000	6.2	4,000	6.6
The Vale of Glamorgan	*	*	2,000	4.0	3,000	5.4	3,000	5.5	3,000	5.7	3,000	5.0	3,000	5.1
Cardiff	*	*	8,000	5.2	7,000	4.8	9,000	5.9	8,000	5.6	9,000	6.4	9,000	6.1
Rhondda, Cynon, Taff	*	*	6,000	5.9	6,000	6.3	7,000	7.0	5,000	5.3	6,000	6.3	6,000	5.9
Merthyr Tydfil	*	*	2,000	6.9	2,000	6.7	1,000	5.4	2,000	6.7	2,000	7.8	2,000	9.0
Caerphilly	*	*	6,000	8.6	5,000	6.8	4,000	5.2	5,000	7.0	5,000	6.6	4,000	5.7
Blaenau Gwent	*	*	2,000	7.6	2,000	6.3	2,000	7.4	2,000	7.2	3,000	8.6	3,000	8.5
Torfaen	*	*	2,000	5.9	2,000	5.8	2,000	5.5	2,000	5.0	2,000	6.2	2,000	6.0
Monmouthshire	*	*	2,000	4.5	1,000	3.6	2,000	3.7	1,000	2.6	2,000	3.7	2,000	4.5
Newport	*	*	3,000	4.7	3,000	4.9	3,000	4.9	3,000	5.0	4,000	6.1	4,000	6.8
Wales	81,000	6.2	71,000	5.4	69,000	5.2	67,000	5.0	65,000	4.8	70,000	5.1	70,000	5.1

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

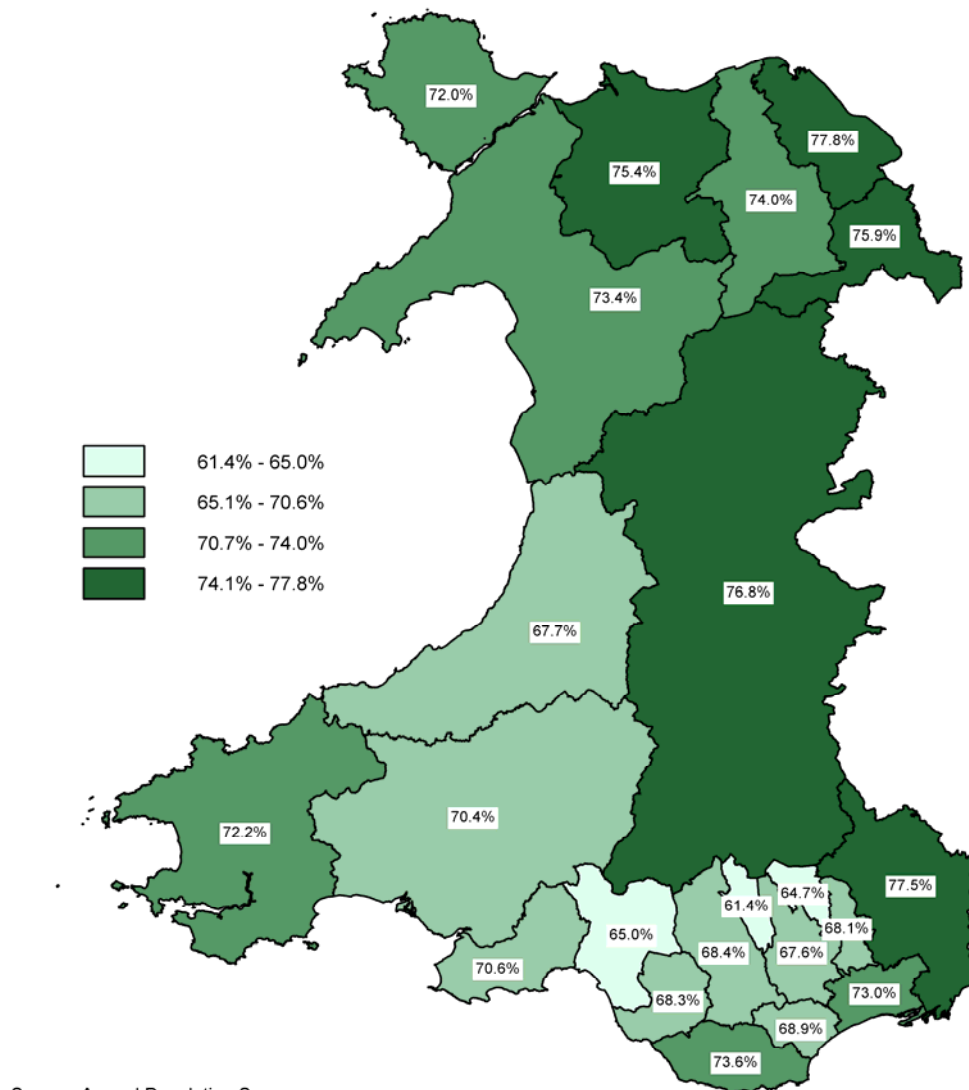


Source: Nomis

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), January to December of the given year for 2004 and 2005, and April 2005 to March 2006 for the 'Year Ending 31 March 2006'. 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 rate¹⁹ by local authority, Wales, Year ending 31 March 2006.

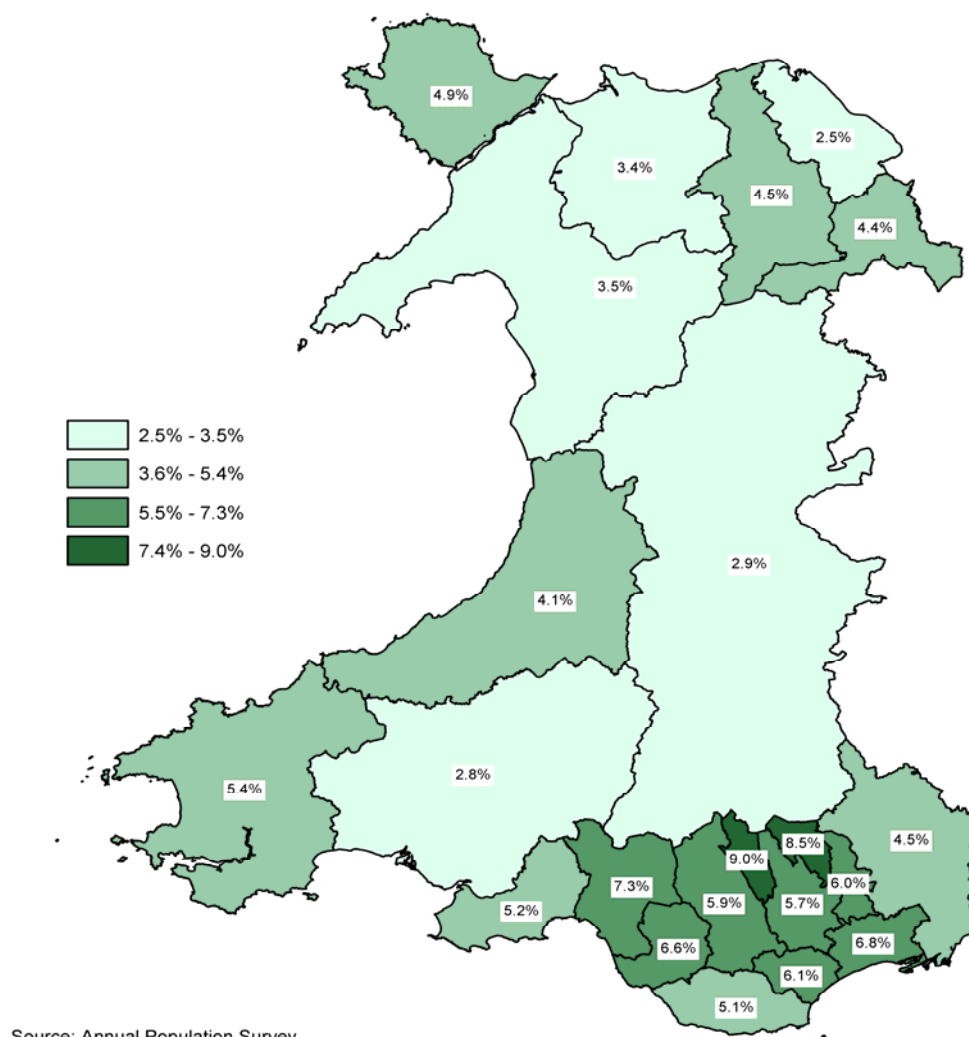


Source: Annual Population Survey,
Office for National Statistics

© Crown Copyright. All Rights Reserved.
The National Assembly for Wales. Licence 100017916. 2006

¹⁹ 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 rate²⁰ by local authority, Wales, Year ending 31 March 2006.

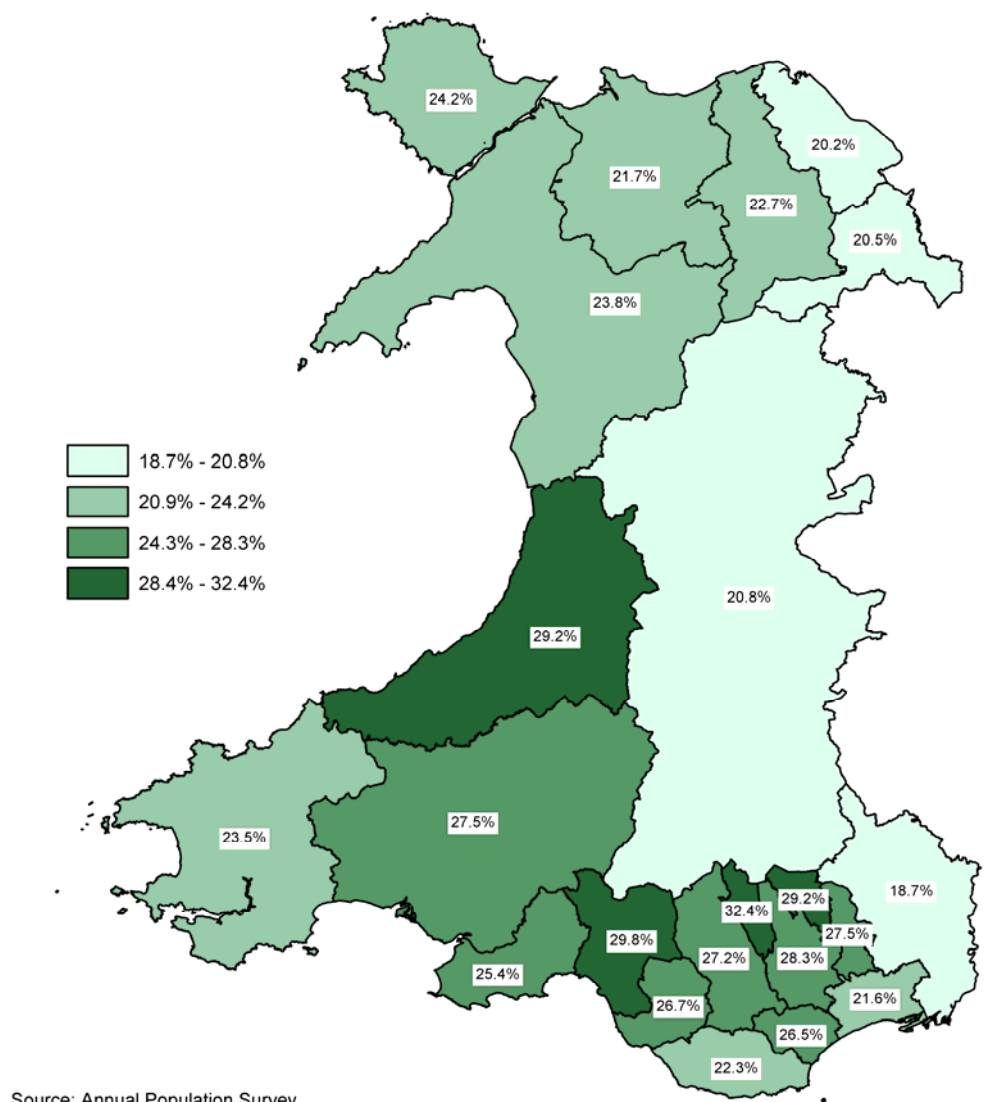


Source: Annual Population Survey, Office for National Statistics

© Crown Copyright. All Rights Reserved. The National Assembly for Wales. Licence 100017916. 2006

²⁰ 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 rate²¹ by local authority, Wales, Year ending 31 March 2006.

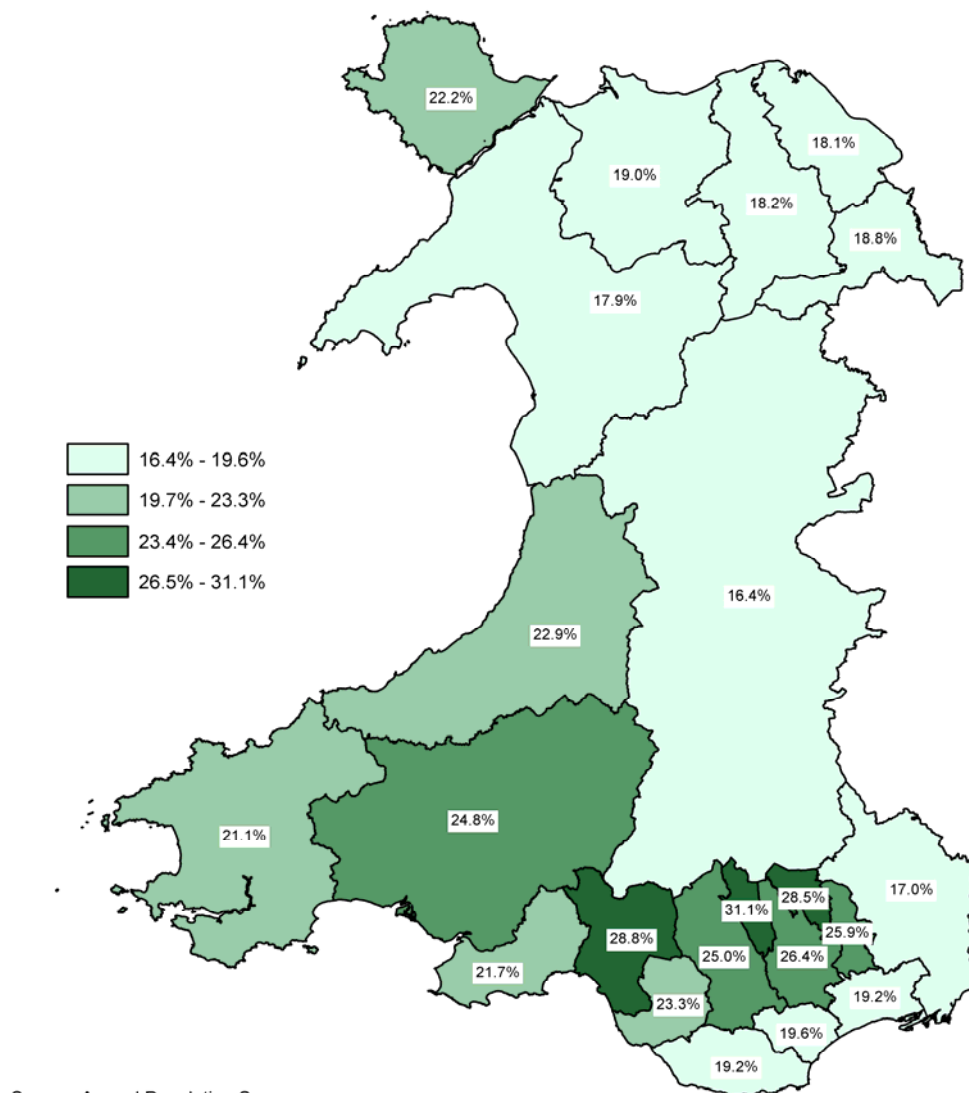


Source: Annual Population Survey, Office for National Statistics

© Crown Copyright. All Rights Reserved.
The National Assembly for Wales. Licence 100017916. 2006

²¹ 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 students²² by local authority, Wales, Year ending 31 December 2005.



Source: Annual Population Survey, Office for National Statistics

© Crown Copyright. All Rights Reserved. The National Assembly for Wales. Licence 100017916. 2006

²² 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 September 2006. 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 so²³. 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 September 2006. 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 unemployed²⁴. 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 September 2006.

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 (1,783 claimants). 75.1 per cent of claimants in this constituency are male, and this compares to an all Wales proportion of male claimants of 73.2 per cent. Meirionnydd Nant Conwy has the fewest claimants (478 claimants), with male claimants making up 72.3 per cent of the total.

Cardiff North has the lowest claimant count rate as a percentage of the economically active population (aged 16-74) at 1.9 per cent. Cardiff North also has the lowest rate for women (1.0 per cent) and Ceredigion and Monmouth have the joint lowest rate for men at

²³ 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>

²⁴ 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.

2.6 per cent. Blaenau Gwent has the largest claimant count rate at 6.5 per cent, with rates highest among the Assembly Constituencies for both men (8.8 per cent) and women (3.6 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 February 2006, 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 (5,460 claimants). This represents 13% 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 (1,120 claimants), which represents 4.8 per cent of the population aged 16 to 64. The constituency with the lowest rate is Cardiff Central, where 3.1 per cent of the population aged 16 to 64 is claiming IBLT.

Table 6.2 Claimant count by Assembly constituency, September 2006 (a)*not seasonally
adjusted*

Constituency	Men	Women	People
Aberavon	718	273	991
Alyn & Deeside	665	274	939
Blaenau Gwent	1,339	444	1,783
Brecon & Radnorshire	539	252	791
Bridgend	779	289	1,068
Caernarfon	551	206	757
Caerphilly	1,222	431	1,653
Cardiff Central	1,080	295	1,375
Cardiff North	540	193	733
Cardiff South & Penarth	1,310	439	1,749
Cardiff West	1,122	349	1,471
Carmarthen East & Dinefwr	479	216	695
Carmarthen West & South Pembrokeshire	514	197	711
Ceredigion	453	198	651
Clwyd South	534	210	744
Clwyd West	628	225	853
Conwy	859	240	1,099
Cynon Valley	729	310	1,039
Delyn	625	226	851
Gower	520	178	698
Islwyn	724	260	984
Llanelli	865	334	1,199
Meirionnydd Nant Conwy	345	133	478
Merthyr Tydfil & Rhymney	1,172	417	1,589
Monmouth	495	251	746
Montgomeryshire	385	168	553
Neath	832	375	1,207
Newport East	960	315	1,275
Newport West	1,089	341	1,430
Ogmore	758	353	1,111
Pontypridd	785	316	1,101
Preseli Pembrokeshire	551	237	788
Rhondda	1,050	414	1,464
Swansea East	1,041	350	1,391
Swansea West	1,010	327	1,337
Torfaen	917	379	1,296
Vale of Clwyd	840	270	1,110
Vale of Glamorgan	1,035	355	1,390
Wrexham	659	223	882
Ynys-Mon	990	345	1,335
Wales	31,709	11,608	43,317

Source: Nomis

(a) Count of claimants of Job Seekers Allowance

Table 6.3 Residence-based claimant count rates by Assembly constituency, September 2006 (a)

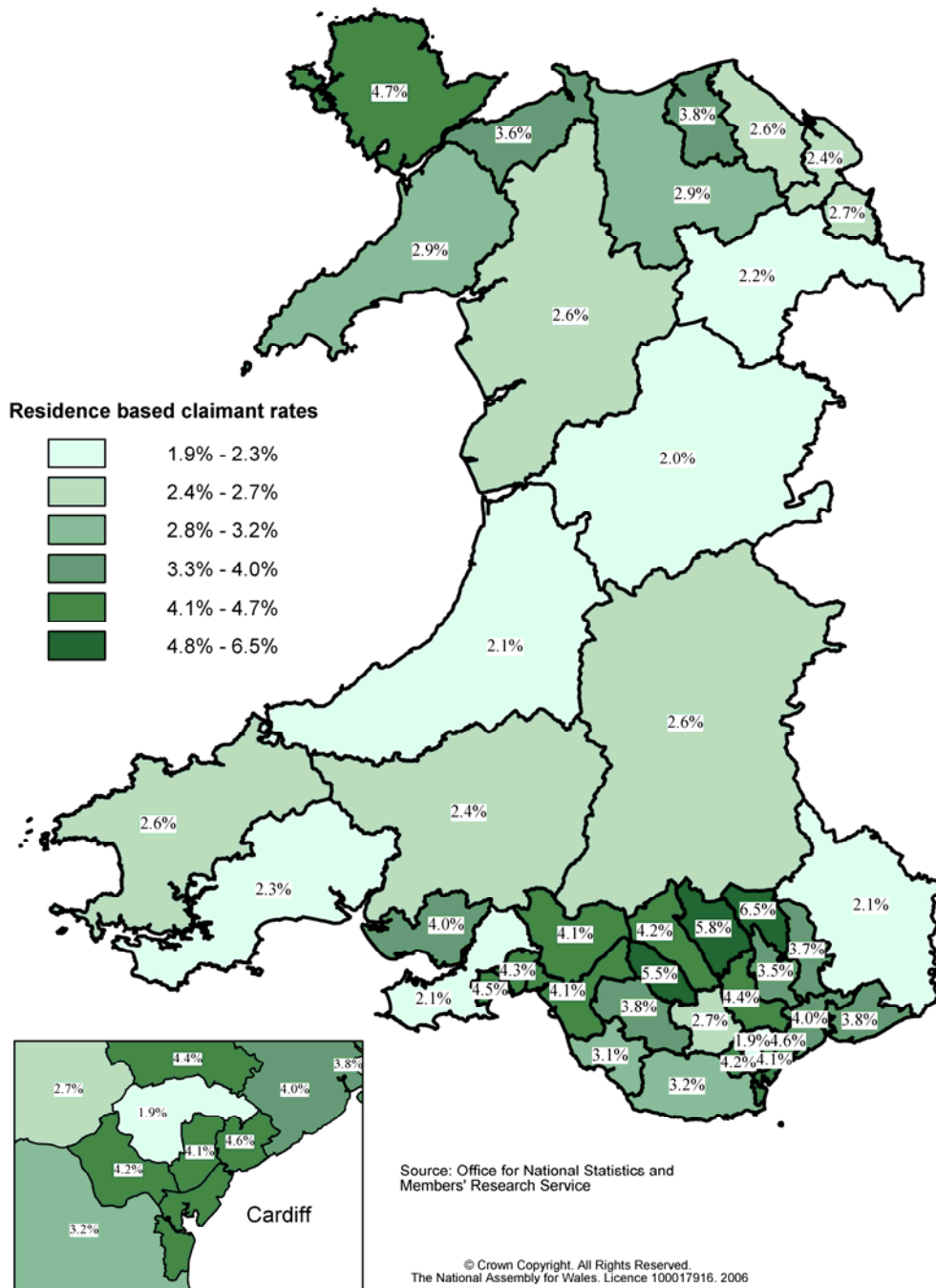
not seasonally adjusted

Constituency	Men	Women	People
Aberavon	5.3	2.5	4.1
Alyn & Deeside	3.1	1.5	2.4
Blaenau Gwent	8.8	3.6	6.5
Brecon & Radnorshire	3.2	1.8	2.6
Bridgend	4.1	1.8	3.1
Caernarfon	3.8	1.8	2.9
Caerphilly	5.9	2.5	4.4
Cardiff Central	6.1	1.9	4.1
Cardiff North	2.7	1.0	1.9
Cardiff South & Penarth	6.4	2.4	4.6
Cardiff West	6.1	2.1	4.2
Carmarthen East & Dinefwr	3.0	1.6	2.4
Carmarthen West & South Pembrokeshire	3.1	1.4	2.3
Ceredigion	2.6	1.4	2.1
Clwyd South	2.9	1.4	2.2
Clwyd West	4.0	1.7	2.9
Conwy	5.3	1.7	3.6
Cynon Valley	5.4	2.8	4.2
Delyn	3.4	1.5	2.6
Gower	2.9	1.2	2.1
Islwyn	4.7	2.1	3.5
Llanelli	5.2	2.4	4.0
Meirionnydd Nant Conwy	3.4	1.6	2.6
Merthyr Tydfil & Rhymney	7.7	3.4	5.8
Monmouth	2.6	1.6	2.1
Montgomeryshire	2.5	1.4	2.0
Neath	5.1	2.8	4.1
Newport East	5.2	2.1	3.8
Newport West	5.7	2.1	4.0
Ogmore	4.6	2.7	3.8
Pontypridd	3.6	1.7	2.7
Preseli Pembrokeshire	3.3	1.7	2.6
Rhondda	7.0	3.5	5.5
Swansea East	6.0	2.4	4.3
Swansea West	6.4	2.4	4.5
Torfaen	4.8	2.4	3.7
Vale of Clwyd	5.3	2.0	3.8
Vale of Glamorgan	4.5	1.8	3.2
Wrexham	3.8	1.5	2.7
Ynys-Mon	6.2	2.7	4.7
Wales	4.6	2.0	3.4

Source: Members' Research Service and 2001 Census of Population ONS Crown Copyright

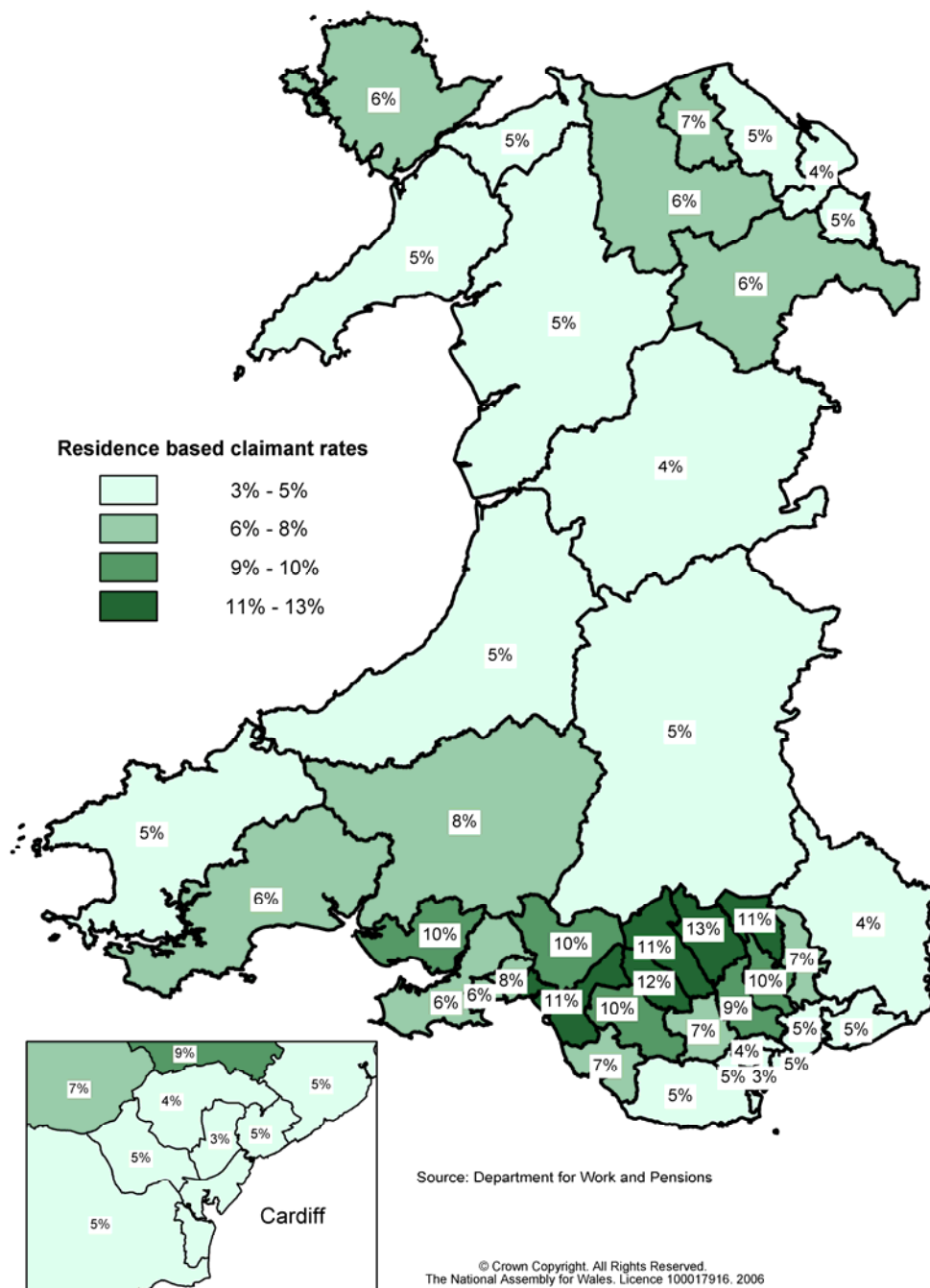
(a) Unofficial residence based rates: Claimants of Job Seekers Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population

Map 6.5: Residence-based (unofficial) claimant count rates (a) by Assembly Constituency in Wales, September 2006



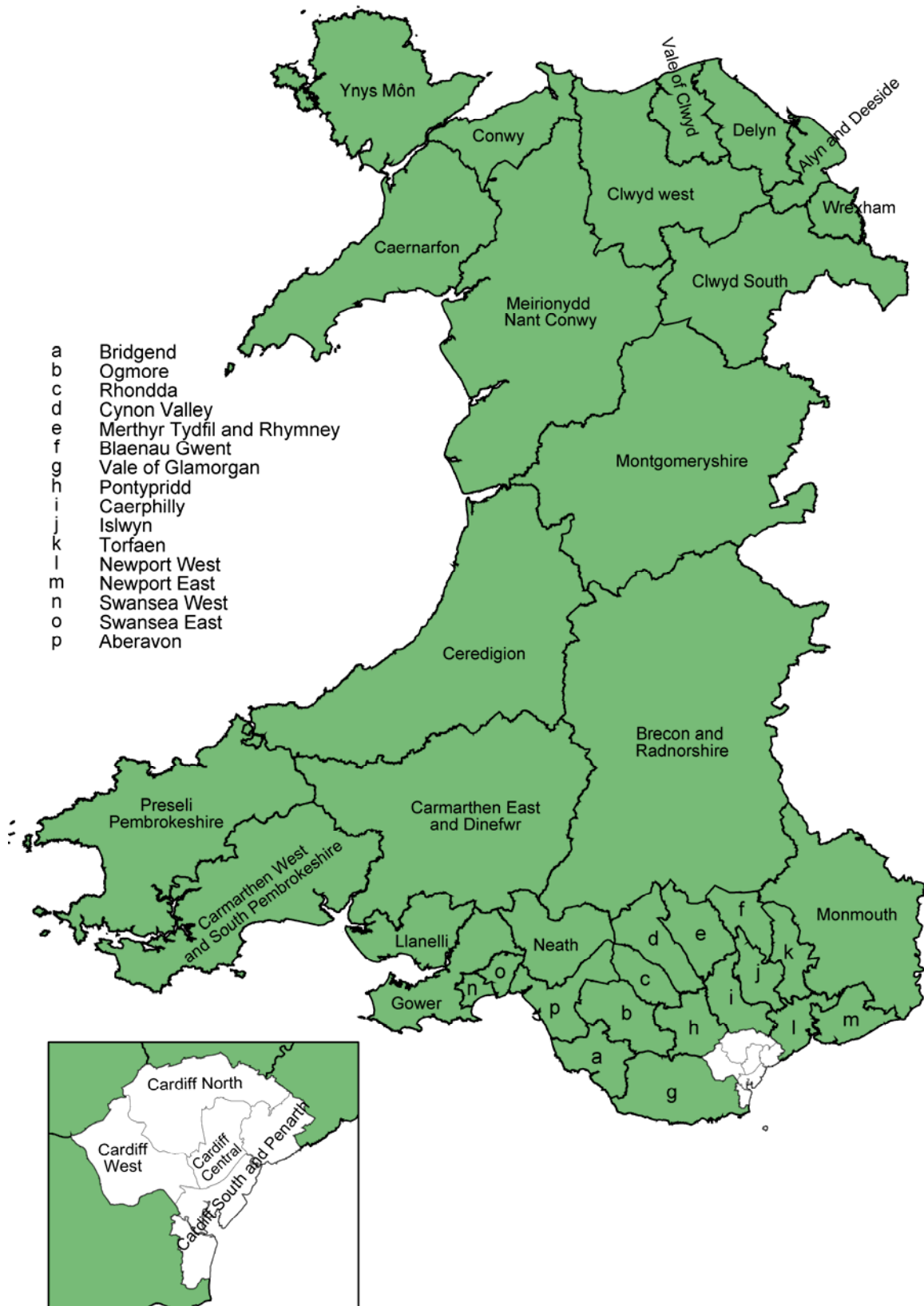
(a) Claimants of Jobseekers Allowance as a percentage of the economically active population aged 16-74 derived from the 2001 Census of Population Key Statistics

Map 6.6: Long-term Incapacity Benefit rates (a) by Assembly Constituency in Wales, February 2006



(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



© Crown Copyright. All Rights Reserved.
The National Assembly for Wales. Licence 100017916. 2005

7 Earnings

Table 7.1. Median gross weekly earnings, full-time employees on adult rates, by UK region, 2005 to 2006.

£		
Area	2005	2006
Wales	389.7	402.5
United Kingdom	431.2	447.1
Wales as % of UK	90.4	90.0

Source: Annual Survey of Hours and Earnings

http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2006/tab7_1a.xls

Note: ASHE data is available from 1998. However, supplementary information was not collected prior to the 2004 ASHE, hence the 2004 ASHE results including supplementary information and results for later years are therefore discontinuous with the results for years prior to 2004.

Table 7.2. Mean gross weekly earnings, full-time employees on adult rates, by UK region, 2005 to 2006.

£		
Area	2005	2006
Wales	454.8	469.8
United Kingdom	516.4	537.3
Wales as % of UK	88.1	87.4

Source: Annual Survey of Hours and Earnings

Note: ASHE data is available from 1998. However, supplementary information was not collected prior to the 2004 ASHE, hence the 2004 ASHE results including supplementary information and results for later years are therefore discontinuous with the results for years prior to 2004.

ASHE 2006 data show that²⁵:

- ◆ **Median** gross weekly earnings for full-time adults in Wales were £402.50 in April 2006, 90.0 per cent of the median for the UK as a whole (£447.10).
- ◆ **Median** gross weekly earnings in Wales increased by £12.80 (3.3 per cent) between 2005 and 2006, compared to £15.90 (3.7 per cent) in the UK as a whole.

²⁵ 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.

Figures from the ASHE survey are not directly comparable with the NES data.

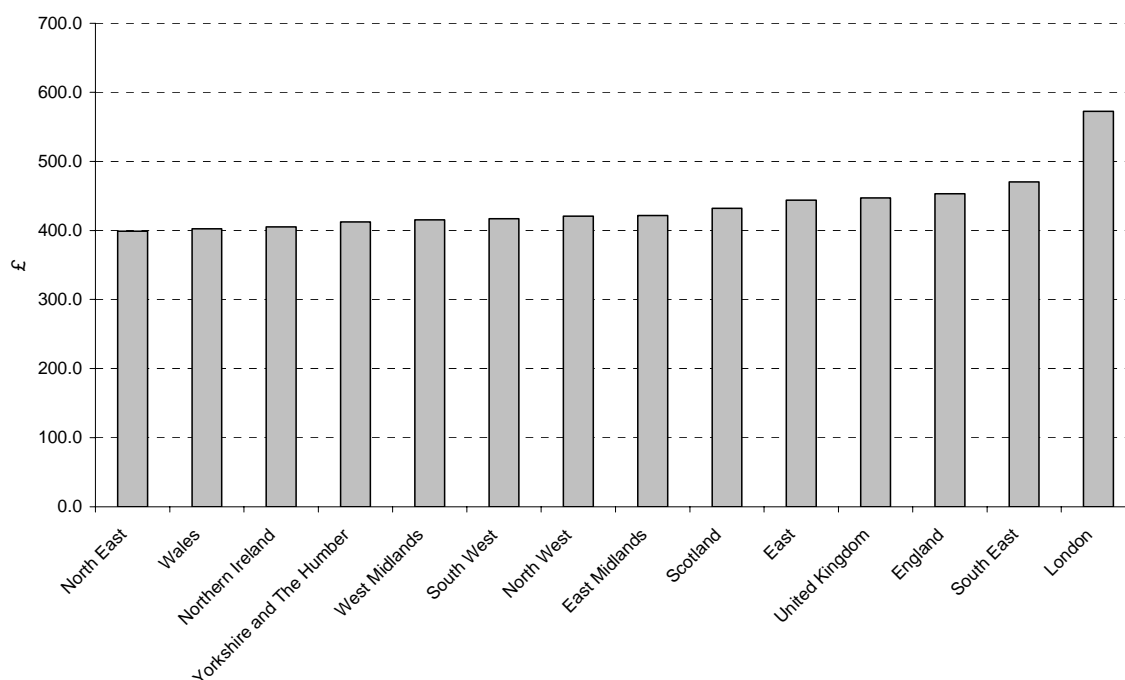
Further information on ASHE can be found on the Office for National Statistics web-site at:

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

- ◆ Wales had the second lowest **median** weekly earnings in the UK in 2006 after the North East (£399.00).
- ◆ **Average** (mean) gross weekly earnings for full-time adults in Wales were £469.80 in April 2006, 87.4 per cent of the average for the UK as a whole (£537.30).
- ◆ **Average** (mean) gross weekly earnings in Wales increased by £15.00 (3.3 per cent) between 2005 and 2006, compared to £20.90 (4.1 per cent) in the UK as a whole.
- ◆ Wales had the second lowest **average** weekly earnings amongst UK regions and devolved administrations in 2006, after the North East (£466.70).

Figure 7.1 charts median gross weekly earnings of full time employees on adult rates in Wales and other regions of the UK in 2006.

Figure 7.1: Median weekly gross earnings for full time employees, by region, April 2006



Source: Annual Survey of Hours and Earnings

Table 7.3 and Map 7.1 show median gross weekly earnings for residents of Unitary Authorities in Wales in 2006. Note that because this is a sample survey, the results are subject to sampling variability and the amount of variation can be large for some authorities.

Table 7.3: Median gross weekly earnings, full-time employees on adult rates, by Unitary Authority residents in Wales, April 2006.

£

Unitary Authority	Median	Annual Percentage Change
Isle of Anglesey	404.3 (b)	0.7
Gwynedd	401.0 (b)	10.0
Conwy	370.4 (b)	-2.9
Denbighshire	373.0 (b)	2.2
Flintshire	460.0 (b)	8.3
Wrexham	402.9 (b)	0.7
Powys	383.9 (b)	-0.6
Ceredigion	351.8 (b)	-3.7
Pembrokeshire	366.5 (c)	6.5
Carmarthenshire	381.1 (b)	5.0
Swansea	397.8 (b)	2.1
Neath Port Talbot	444.3 (b)	13.5
Bridgend	416.1 (b)	-4.1
Vale of Glamorgan	497.1 (b)	14.9
Cardiff	419.4 (a)	-0.8
Rhondda, Cynon, Taff	393.1 (a)	7.4
Merthyr Tydfil	367.8 (b)	0.0
Caerphilly	399.6 (b)	4.3
Blaenau Gwent	346.1 (b)	-0.4
Torfaen	449.6 (b)	3.7
Monmouthshire	470.8 (b)	-4.9
Newport	416.8 (b)	-1.5
Wales	408.0 (a)	3.7

The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate.

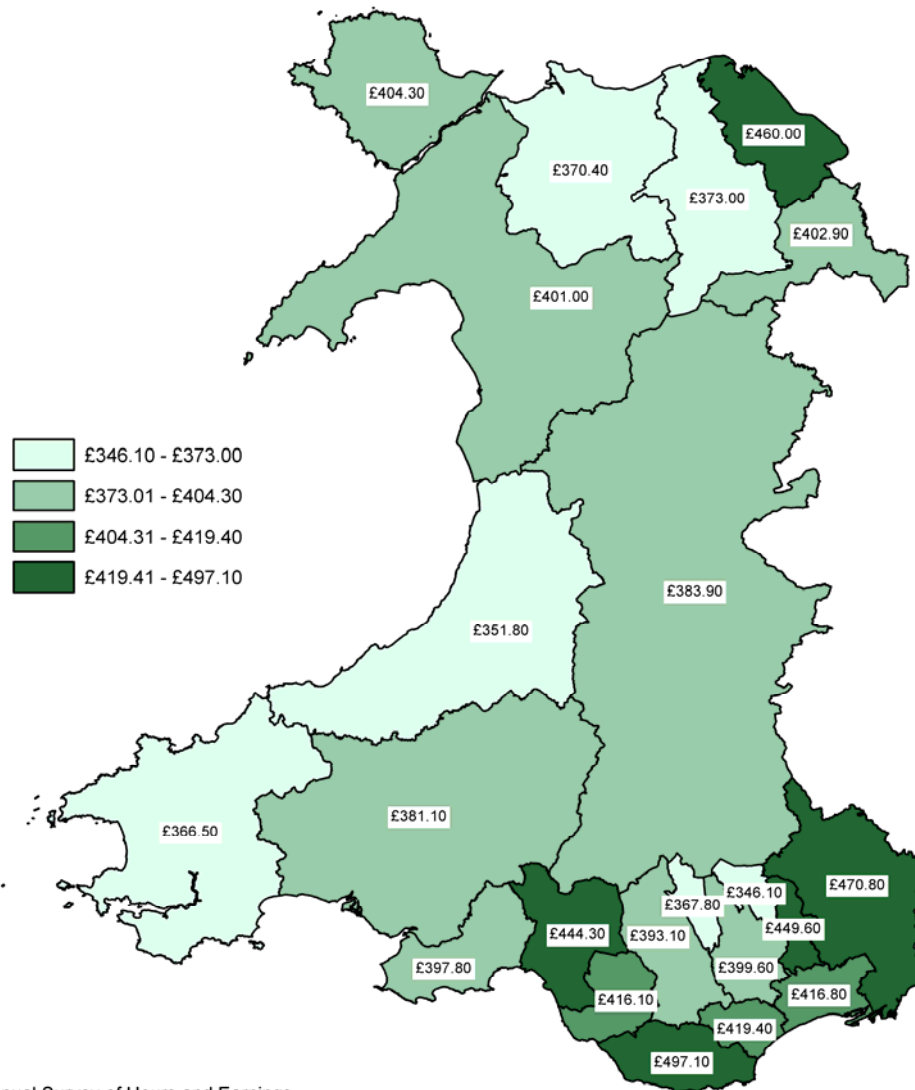
(a) CV of less than or equal to 5%

(b) CV of more than 5% and less than or equal to 10%

(c) CV of more than 10% and less than or equal to 20%

Source: Annual Survey of Hours and Earnings

Map 7.1: Median gross weekly earnings, full-time employees on adult rates, by Unitary Authority residents in Wales, April 2006.



Source: Annual Survey of Hours and Earnings, Office for National Statistics

© Crown Copyright. All Rights Reserved.
The National Assembly for Wales. Licence 100017916. 2006

8 Exports

Summary of Welsh exports

	Wales	UK
Change in value of exports (latest 4 quarters compared to the previous 4 quarters)	2.8% increase	18.3% increase
Change in value of exports to non-EU countries (latest 4 quarters compared to the previous 4 quarters)	13.1% increase	15.3% increase
Change in value of exports to EU countries (latest 4 quarters compared to the previous 4 quarters)	2.9% decrease	20.7% increase

Source: National Assembly for Wales, *Welsh exports: second quarter 2006*, 7 September 2006

The latest information on Welsh exports²⁶ shows that:

- The value of exports for Wales for the four quarters up to and including quarter 2 2006 rose by £246 million (2.8%) compared to the previous four quarters. The value of exports for the total of all UK countries and English regions also rose over the same period, by 18.3%.
- The increase for Wales was made up of an increase of £408 million in exports to non-EU countries (up 13.1%) partly offset by a decrease of £163 million in exports to EU countries (down 2.9%).
- The Wales percentage increase over this period was the lowest amongst the UK countries and English regions, although growth in Welsh exports between 1999 and the latest four quarters remains similar to that for the total of all UK countries and English regions (up 40.7% and up 41.5% respectively).
- London and the North West had the highest percentage increases between the latest four quarters and the previous four quarters (up 36.2% and 29.1% respectively).
- Looking at quarter 2 2006 in isolation, total exports (by value) for Wales increased on the corresponding quarter in 2005, by £221 million (up 10.0%), to £2,425 million. The value of exports for the total of all UK countries and English regions increased by 24.5% over the same period.
- Welsh exports for quarter 2 2006 were higher in value than in the previous quarter (up £106 million or 4.6%), compared to a 10.7% rise for the total of all UK countries and English regions.

²⁶ National Assembly for Wales, *Welsh exports up to Quarter 2, 2006*, 7 September 2006: <http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw20060907/?lang=en>

9 Production and Construction

Index of Production and Index of Construction, 2nd Quarter 2006²⁷

Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in production output	2.8% fall	1.4% fall
Change in manufacturing output	2.9% fall	0.5% fall
Change in construction output	3.5% fall	0.4% fall

Source: National Assembly for Wales, *Welsh Index of Production and Construction*, 1st Quarter 2006, 12 October 2006

The Index of Production for Wales for the latest four quarters fell by 2.8 per cent compared with the previous four quarters. There was a significant increase in the Mining & quarrying sector, which was offset by a decrease in the Manufacturing sector. The UK index fell by 1.4 per cent over the same period.

Manufacturing output for the latest four quarters was 2.9 per cent lower than over the previous four quarters. The UK index fell by 0.5 per cent over the same period.

Construction output for the latest four quarters was 3.5 per cent lower than over the previous four quarters. The UK index fell by 0.4 per cent over the same period.

10 Index of Distribution²⁸

Index of Distribution, Quarter 1 2006

Latest 4 quarters compared to the previous 4 quarters

	Wales	UK
Change in Index of Distribution	5.4% increase	0.9% increase
Which comprises:		
Change in retail output	7.7% increase	1.5% increase
Change in wholesale output	6.2% increase	1.7% increase
Change in motor trades output	2.9% fall	2.6% fall

Source: Welsh Assembly Government, *Welsh Index of Distribution*, 17 August 2006

The Index of Distribution for Wales for the latest four quarters rose by 5.4% compared with the previous four quarters. The UK index rose by 0.9% over the same period.

²⁷ National Assembly for Wales, *Welsh Index of Production and Construction 2nd Quarter 2006*, 12 October 2006. <http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw20061012/?lang=en>

²⁸ Welsh Assembly Government, *Welsh Index of Distribution Quarter 1, 2006*, 17 August 2006 <http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw20060817/?lang=en>

The Welsh Index of Distribution is an experimental index which contains indices referenced to 2003=100. This is comparable, but not consistent, with the annually weighted and chained estimates of output published for the UK. The experimental Welsh Index of Distribution shows the quarterly movements in the gross value added (GVA) of the distribution industries (1992 Standard Industrial Classification (SIC 92) section G). These consist of the motor trades SIC division 50 (including retail sales of automotive fuel), wholesale and commission trades SIC division 51 and retail trade SIC div 52. Together, these industries accounted for 11.1 per cent of the Welsh economy in 2000 (Regional Accounts GVA). The same industries accounted for 12.7 per cent of the UK GVA in the same year.

Retail output for the latest four quarters was 7.7% higher than the previous four quarters. The UK index rose 1.5% over the same period.

Wholesale output for the latest four quarters was 6.2% higher than the previous four quarters. The UK rose by 1.7% over the same period.

Motor Trade output for the latest four quarters was 2.9% lower than the previous four quarters. The UK fell by 2.6% over the same period.

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
WALES	5,728	3.7
West Wales and the Valleys	2,931	1.9
East Wales	2,797	1.8

Source: Office for National Statistics²⁹

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 an 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.

²⁹ 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

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 2004

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	483	2.3
2004	228	1.7	n/a	n/a

Source: StatsWales³⁰

The data show that:

- ◆ In 2004, BERD expenditure for Wales was £228 million, down by 13.6 per cent on the figure for 2003, but up by 25.3 per cent on the figure for 2002. In 2004 BERD expenditure for Wales represented 1.7 per cent of the UK total.
- ◆ Between 2003 and 2004, BERD expenditure in the UK decreased by 1.3 per cent to £13.5 billion.
- ◆ The percentage decrease between 2003 and 2004 in BERD expenditure in Wales was the second largest decrease amongst English regions and devolved administrations, after the East (where the figure fell by 14 per cent). Overall there were falls in 6 of the 12 English regions and devolved administrations, whilst the largest increases were in the West Midlands (up 36.3 per cent) and Scotland (up 17.9 per cent).

³⁰ Further information on UK Business Enterprise Research and Development can be found at: 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 2006

						<i>Number</i>
Year	Stock	Stock as % of UK stock	Registrations	Registrations as % of UK registrations	De-registrations	De-registrations as % of UK de-registrations
1997	77410	4.7	6315	3.5	5890	4.0
1998	77840	4.7	6165	3.4	5920	4.1
1999	78085	4.6	6120	3.5	6120	4.1
2000	78080	4.5	6290	3.5	5770	3.7
2001	78600	4.5	6025	3.5	5465	3.5
2002	79160	4.5	6430	3.6	6425	4.0
2003	79165	4.4	7145	3.7	6670	4.0
2004	79640	4.4	7040	3.8	6015	3.7
2005	80665	4.4	6430	3.6	5555	3.6
2006	81545	4.4	-	-	-	-

Source: StatsWales³¹

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 2005 was 6,400, a reduction of 8.7 per cent over 2004. In aggregate, registrations across the UK fell by 4.1 per cent.
- ◆ The number of VAT de-registrations in Wales during 2005 was 5,600, a reduction of 7.6 per cent over 2004. Across the UK, de-registrations fell by 6.4%.
- ◆ The total VAT registered stock in Wales increased by 1.1 per cent during 2005.

VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning. These figures do not, however, give the complete picture of start-ups and closures activity in the economy. Some VAT exempt sectors and businesses operating below the threshold for VAT registration are not covered. On 1 April 2006, the VAT threshold was set at an annual turnover of £61,000. Barclays Bank publishes a regular business survey which provides a broad indication of the number of start-ups and closures in England and Wales³².

³¹ New statistics showing VAT registrations and de-registrations during the calendar year 2005 for each of the UK regions were released on 24 October 2006 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 2006. Further information on these statistics can be found at: <http://new.wales.gov.uk/topics/statistics/headlines/econ-2006/hdw200610241/?lang=en>

³² Available on the Barclays web-site: <http://www.newsroom.barclays.co.uk/imagelibrary/detail.asp?MediaDetailsID=4626>

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.

14 UK Inflation, Interest and Exchange Rates

14.1 Consumer Price Indices³³

Consumer price indices, latest and previous month

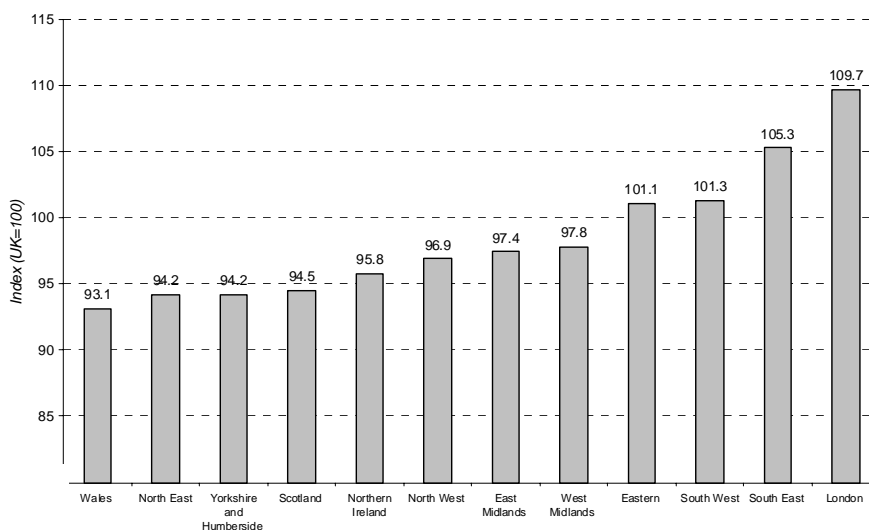
Per cent change over 12 months

	August 2006	September 2006
Consumer prices index (CPI)	2.5%	2.4%
All items retail prices index (RPI)	3.4%	3.6%
All items RPI excluding mortgage interest payments (RPIX)	3.3%	3.2%

Source: Office for National Statistics, *Consumer price indices September 2006*³⁴

Regional Consumer Price Levels

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



Source: Office for National Statistics³⁵

Regional price level comparisons for 2004 show that:

³³ 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/tsdataset.asp?vlnk=7174&More=N>

³⁴ Office for National Statistics, *Consumer price indices September 2006*, 17 October 2006:

<http://www.statistics.gov.uk/pdfdir/cpi0706.pdf>

³⁵ Office for National Statistics, *Relative regional consumer price levels in 2004*, 14 February 2005:

http://www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf

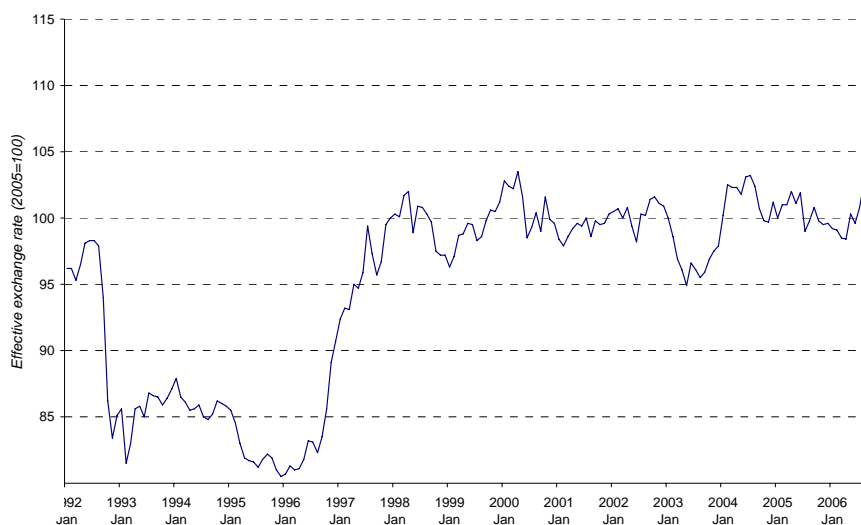
- ◆ Prices in the UK are lowest in Wales (6.9 per cent lower compared with the UK average), followed by the North East and then Yorkshire and Humberside.
- ◆ Prices are most expensive in London (9.7 per cent higher compared with the UK average), followed by the South East.
- ◆ Housing costs show the 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 9 November to raise the official Bank rate paid on commercial bank reserves to 5.0%. The previous change in interest rates was an increase of 0.25 percentage points to 4.75% on 3 August 2006³⁶.

14.3 Exchange Rates

Figure 14.2 Sterling Exchange Rate Index, 1992 to September 2006



Source: Office for National Statistics, Dataset BK67³⁷

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.

³⁶ Further information on interest rate decisions is available on the Bank of England web-site at: <http://www.bankofengland.co.uk>

³⁷ Office for National Statistics, <http://www.statistics.gov.uk/statbase/tsdtimezone.asp>

15 Winning Wales Targets

The National Economic Development Strategy consultation paper was published in February 2001 and the resulting strategy document, *A Winning Wales* followed in January 2002. The stated vision of *A Winning Wales* was

To achieve a prosperous Welsh economy that is dynamic, inclusive and sustainable, based on successful, innovative businesses with highly skilled, well-motivated people.

In order to monitor the progress of the strategy the document set out a number of targets to be achieved in the next 10 years in a number of areas including employment, entrepreneurship and innovation. There are ten key targets in *A Winning Wales*.

A refreshed version of *A Winning Wales* was published in April 2004³⁸. As part of the 'refresh' consideration was given to whether any of the targets set for 2010 needed to be adjusted³⁹. The review indicated that whilst the majority of the targets remained robust, changes were required for the entrepreneurship and employment targets.

The document also provided a refreshed Action Plan which was intended to take *A Winning Wales* forward for the next 12 - 18 months.

The consultation document *Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development*⁴⁰ was published in November 2005. In the foreword Andrew Davies set out the purpose of the consultation.

Our actions over the last few years have followed the agenda set out in *A Winning Wales*, the economic development strategy that has underpinned our progress so far. The dramatic reduction in unemployment since devolution, and the forthcoming mergers of the Welsh Development Agency, Wales Tourist Board and ELWa with the Welsh Assembly Government, provides the right setting for revisiting our economic development strategy to ensure that it remains fit for purpose for the next phase. Moreover, it provides an opportunity to ensure that our economic development activities dovetail ever more closely with the action we are taking on the social and environmental dimensions of sustainable development, both nationally and in local areas throughout Wales. This document is the first step in the process.

The deadline for responses to the consultation was 28 February 2006. A summary of responses to the consultation has been published and is available at:

<http://new.wales.gov.uk/docrepos/40371/403823114/797169/summary?lang=en>

The W:AVE consultation document contained a table that gave an update of the progress that had been made, up to November 2005, against the targets in *A Winning Wales*. This is included as Table 15.1.

In response to a written Assembly Question in December 2005⁴¹, Andrew Davies stated that:

³⁸ A Winning Wales – Refresh, April 2004 <http://www.wda.co.uk/resources/winningwales.pdf>

³⁹ Decision report

<http://www.information.wales.gov.uk/archive/content/decisionreports/economicdevelopment/to%20consider%20possible%20revisions%20to%20the%20a%20winning%20wales%20targets%20as%20part%20of%20a%20refresh%20of%20the%20document.rtf>

⁴⁰ *Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development* <http://new.wales.gov.uk/about/departments/dein/publications/wave?lang=en>

⁴¹ National Assembly for Wales, WAQ45024, RoP p8, 1-8 December 2005

<http://assembly/rop/ROP/Answers%20to%20Written%20Questions/2005/December/WAQ051208-e.pdf>

'Wales: A Vibrant Economy' will replace 'A Winning Wales' as the Assembly Government's strategic framework for economic development. 'WAVE' establishes a new broad set of tracking indicators, which will provide a more balanced and appropriate way of assessing progress in the Welsh economy and will replace the previous measures and targets. Where appropriate, targets will instead be set for the impact of specific policies.

The tracking indicators set out in W:AVE are as follows:

Economic Development Tracking Indicators

High-level economic

- 1 GVA per capita
- 2 Household disposable income per capita
- 3 Employment rate
- 4 Average earnings

Labour Market

- 5 Economic inactivity rate
- 6 Unemployment rate
- 7 Migration flows

Value-added per job

- 8 GVA per worker and per hour worked

Investment

- 9 Business investment as a percentage of GVA by sector [although at present a reliable data series is not available]

Innovation

- 10 Gross Domestic Expenditure on Research and Development as a percentage of GVA
- 11 Proportion of sales accounted for by new or improved products

Skills

- 12 Qualifications of working age population
- 13 Qualification levels of 16-19 year olds and 19-21 year olds
- 14 Proportion of the workforce in professional, technical, managerial and scientific employment

Enterprise

- 15 'Total entrepreneurial activity', as measured by the Global Entrepreneurship Monitor
- 16 New VAT registrations and stock of VAT-registered businesses per head of working age population
- 17 Graduate business start-up rates

Competition

- 18 Exports as a percentage of GVA

Sustainable development

[It should be noted that a number of these indicators are still in a development phase]

- 19 Environmental satellite accounts
- 20 Income and employment deprivation measures
- 21 The Ecological Footprint
- 22 The Index of Sustainable Economic Welfare

The Department for Enterprise, Innovation and Networks has advised that it will be publishing an update on the progress of these tracking indicators in January 2007.

Table 15.1: A Winning Wales - Progress against targets

Target description	Target by 2010	2001 base	Progress against base
Increase net employment	Raise by 175,000	1,210,000	Has increased by 82,000 over base (4 quarters to Aug 2005)
Increase net employment in Finance and Business services	Raise by 20,000	119,000	Has increased by 21,000 over base (4 quarters to Aug 2005)
Increase stock of VAT registered businesses per 10,000 persons of working age	Raise to UK average	93% of UK average	Has decreased to 92% of UK average (using 2005 figure)
Increase business enterprise R&D expenditure as a % of GDP	Raise to >1%	0.4%	Has increased to 0.7% (using 2003 figure – no figures available for 2004 & 2005)
Growth in the value of exports	Match UK growth over the period	Wales: £7.1bn UK: £161.7bn	Has increased by 20.7% in Wales compared to 7.7% in UK (based on 4 quarters to Q2 2005)
Increase the proportion of Welsh businesses using e-commerce	Match UK average proportion	No robust 2001 figure available	Data previously used for measuring this target found to be flawed
Increase household disposable income per head of the population	Raise to 95% of UK average	87.9% of UK average	Has increased to 88.3% in 2003. (2004 figures not yet available)
Increase tourism expenditure in Wales	Raise by an average of 6% per annum over period	£1,911.9m	Has decreased by an average of 1.9% per annum (using 2004 figure) 2002 – down ave 6.1%; 2003 – up ave 3.2%
Reduce the proportion of adults of working age without qualifications	Reduce to 1 in 10 (i.e. <10%)	21%	Has decreased to 17% (using 2004 figure)
Increase the proportion of adults of working age with a level 4 qualification	Raise to over 3 in 10 (i.e. >30%)	22%	Has increased to 26% (using 2004 figure)

Progress against A Winning Wales Targets

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 figures⁴². 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

⁴² 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

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.elwa.ac.uk/doc_bin/SkillsObservatory/awinningwales.pdf

Workforce Jobs - The sum of employ
ee jobs, self-employment jobs, those in HM Forces and government-supported trainees