

Economic Factsheet: Productivity (GVA) December 2013



Gross value added (GVA) is a measure of the value of goods and services produced in an economy. It is the measure preferred by the Office for National Statistics (ONS) to monitor the overall economic wellbeing of an area. GVA is a component of Gross Domestic Product (GDP), the main measure used at a national level to show the health of the economy (GVA + taxes on products - subsidies on products = GDP).

Two main indicators are commonly used to measure and understand GVA:

- **Total GVA (usually in £million)** - Used to show the overall size or 'worth' of an economy and the contributions made by different industry sectors;
- **GVA per head (£)** – Used to relate the size of an economy to the population of the area. This measure allows for benchmarking and comparison of different areas.

These measures are usually presented 'at current basic prices' to give a consistent picture over time. GVA data is not published below County level.

GVA (2012)

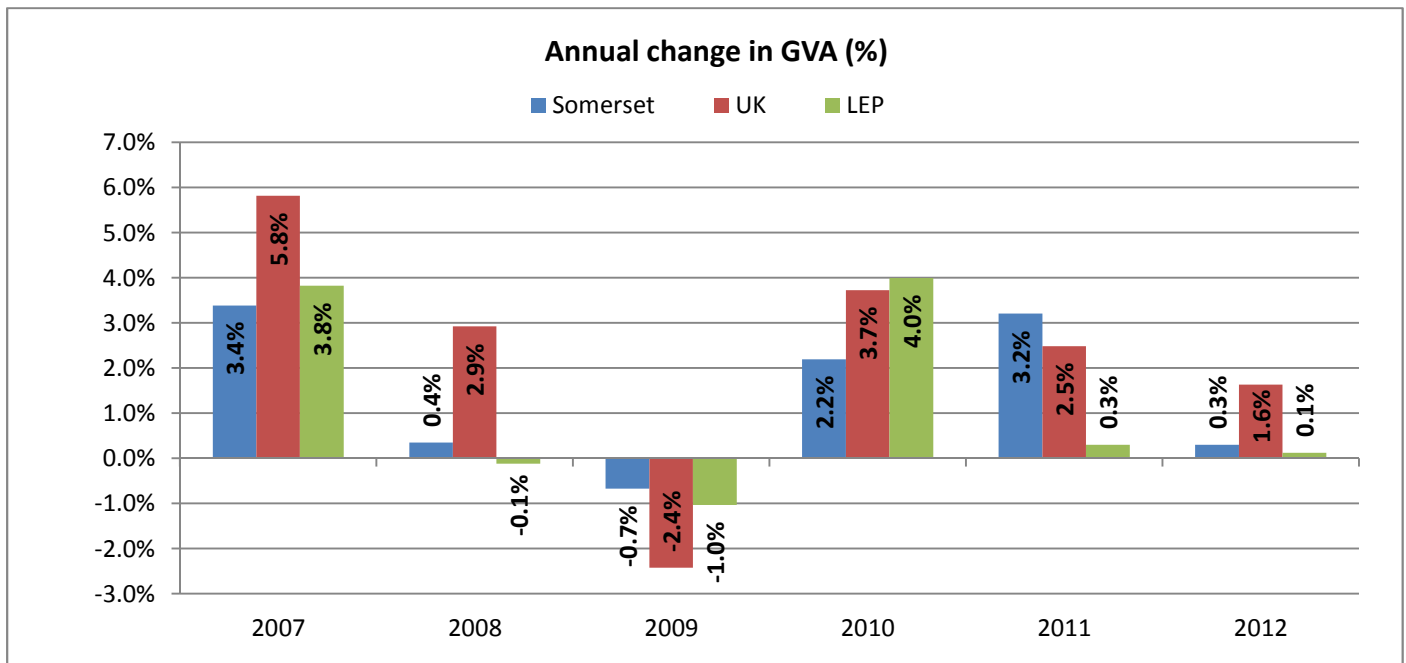
Headline GVA at current basic prices

Area	Total GVA (£m)	GVA per head (£)
Somerset	8,727	16,314
Heart of the South West LEP	27,377	15,857*
UK	1,383,082	21,674

*Average of GVA per head for constituent local authority areas.

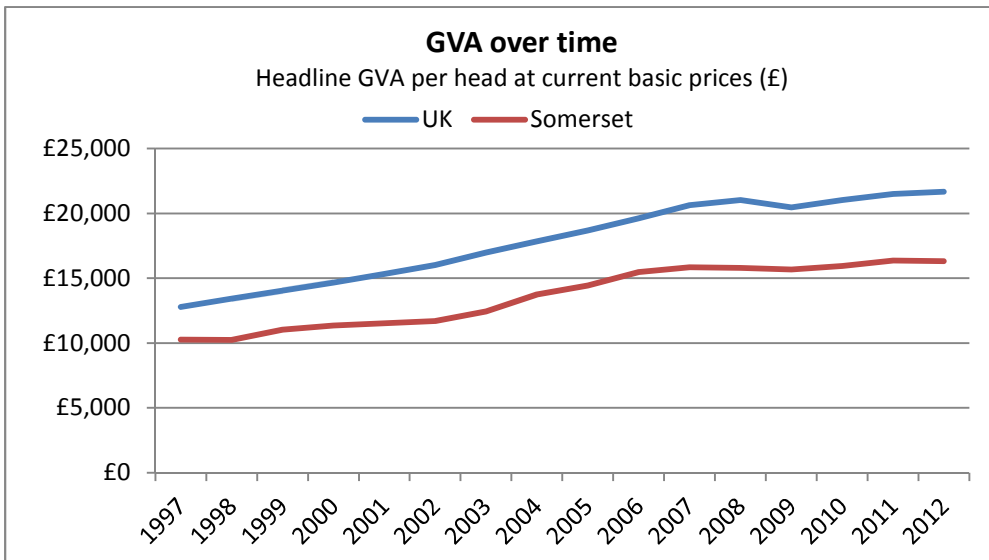
Source: Regional Accounts, ONS 2013

In 2012, the Somerset economy was worth £8.7 billion. GVA per head was £16,314, lagging behind the national level of £21,674. GVA per head figures are not available for LEP areas but an average of the local authority areas in the Heart of the South West LEP gives a figure of £15,857, also below the UK level.



Source: Regional Accounts, ONS 2013

The impact of the economic downturn is apparent in the chart above. Somerset fared slightly better than the UK, with the County's economy shrinking by 0.7% between 2008 and 2009 compared to a 2.4% contraction at national level. Since 2009, GVA has returned to growth but this recovery has now slowed significantly. After showing growth of 3.2% the previous year, Somerset's economy only grew by 0.3% between 2011 and 2012, compared to 1.6% nationally.



Somerset's GVA per head is consistently around 20% lower than the UK figure and this gap appears to be widening rather than narrowing over time.

Source: Regional Accounts, ONS 2013

GVA by sector (2011)

Headline GVA by industry sector at current basic prices

Industry Sector	Total GVA (£m)			% total GVA		
	Somerset	LEP	UK	Somerset	LEP	UK
Agriculture, forestry and fishing	232	581	9,438	2.7%	2.1%	0.7%
Production	1,755	4,244	205,208	20.2%	15.5%	15.1%
<i>of which</i> Manufacturing	1,449	3,386	140,539	16.7%	12.4%	10.3%
Construction	642	2,084	86,789	7.4%	7.6%	6.4%
Distribution; transport; accommodation and food	1,747	5,411	247,518	20.1%	19.8%	18.2%
Information and communication	269	877	88,035	3.1%	3.2%	6.5%
Financial and insurance activities	187	693	116,363	2.1%	2.5%	8.6%
Real estate activities	927	3,589	143,641	10.7%	13.1%	10.6%
Business service activities	777	2,273	158,811	8.9%	8.3%	11.7%
Public administration; education; health	1,897	6,688	258,982	21.8%	24.5%	19.0%
Other services and household activities	267	903	46,140	3.1%	3.3%	3.4%
Total GVA	8,701	27,344	1,360,925			

Source: Regional Accounts, ONS 2013

The public sector contributes the largest proportion of Somerset's GVA (21.8%), closely followed by the production (20.2%) and distribution, accommodation and food sectors (20.1%). All of these sectors are more important in GVA terms for Somerset than for the UK as a whole. The real estate sector showed the highest level of GVA growth between 2010 and 2011, both in Somerset (15.3%) and nationally (11.7%). If this continues there may be concerns for the stability of growth as a housing market-led recovery could prove unsustainable.

All of the data presented above is taken from the ONS Regional Accounts. In 2013, the ONS changed its methodology. The principal change was the introduction of independent measures of residence and workplace compensation of employees, using only data collected on the appropriate basis. A further change improved the regional allocation of gross trading profits through the use of data from the Annual Business Survey. All data presented above is workplace based. For more information see: www.ons.gov.uk.

Somerset County Council also uses an economic model to produce estimates and projections of GVA and other economic indicators. Detailed analysis based upon this modelling may differ slightly from the ONS data. Further information can be found in the Somerset Economic Assessment, available here: <http://www.somersetintelligence.org.uk/somerset-economic-assessment/>