

## Chapter 2: Economic Output and Productivity

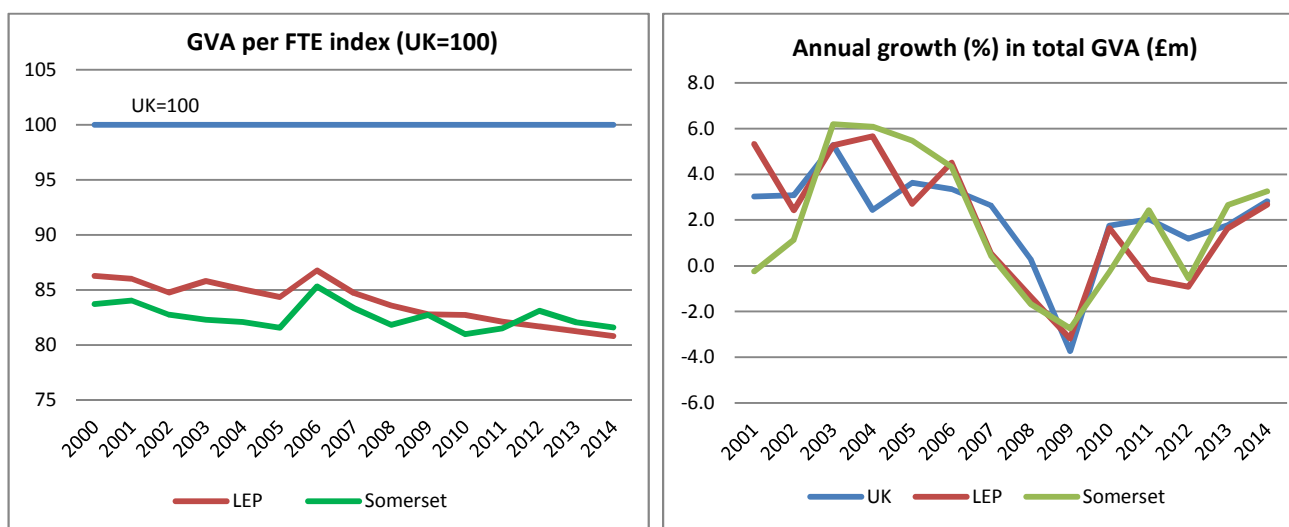
### Key facts

- The credit crunch caused Somerset's GVA to contract by 4.6% between 2007 and 2010. Since 2012 the Somerset economy has been growing at a faster rate than LEP and UK.
- In 2014, the Somerset economy was worth £9.586 billion, an increase of 3.2% since 2013.
- Somerset's economic productivity consistently lags behind the UK level, with a difference of 18.4% in GVA per full-time equivalent job in 2014.
- Somerset's recovery since 2012 has been predominantly employment led not productivity led.

### National context

- The UK economy grew by 2.6% in 2014. The UK economy has outperformed the Office for Budget Responsibility's (OBR) March forecast, growing by 2.4 per cent in the first three quarters of the year against the forecast of 1.9 per cent, with GDP expected to grow by 3.0 per cent this year. But wage and productivity growth have once again disappointed, while national income and spending have outperformed most in those areas that yield least tax revenue. For these and other reasons, this year has seen a sharp fall in the amount of tax raised for every pound of measured economic activity. As a result, despite strong economic growth, the budget deficit is expected to fall by only £6.3 billion this year to £91.3 billion.<sup>5</sup>

### Somerset Overview



Source: Heart of the South West LEP Model, Oxford Economics 2014

### Output (GVA)

- The Somerset economy was worth £9.586 billion in 2014 in terms of total Gross Value Added (GVA) at 2011 prices. This represents 0.7% of the UK economy and constitutes an increase of 3.2% on the previous year. This compares to lower rates of annual growth in the UK and LEP areas (2.8% and 2.7% respectively). GVA output since showed its largest annual decrease between 2008 and 2009, with the Somerset economy shrinking by 2.7%. Since 2009 annual GVA growth rates have fluctuated but Somerset has posted an overall increase in GVA of 7.7%.

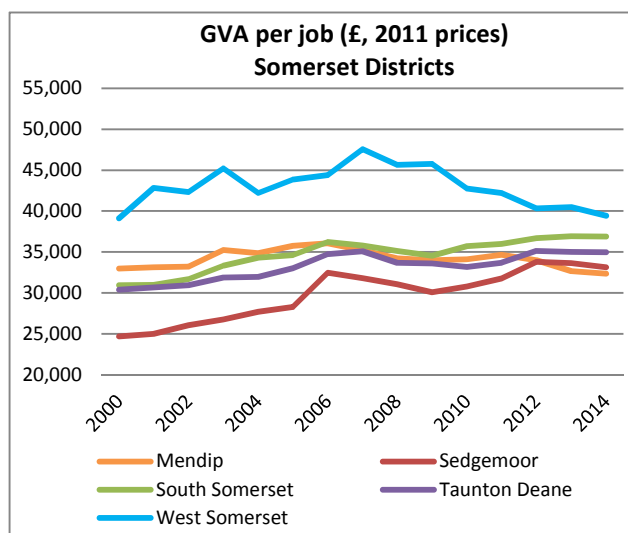
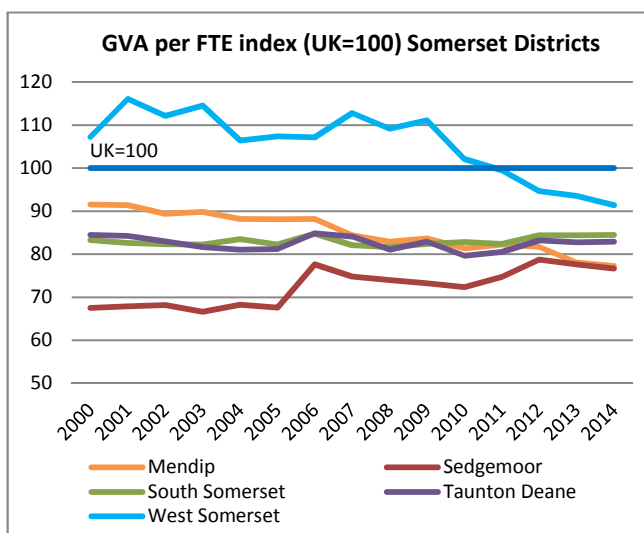
<sup>5</sup> Source: Economic and Fiscal Outlook – December 2014, Office for Budget Responsibility (pp.5-8)

### Productivity (GVA per FTE and GVA per job)

- In 2014, Somerset's GVA per full-time equivalent job (FTE) was £42,787, substantially lower (18%) than the UK level of £52,430. This differential has remained relatively constant in the face of times of expansion and contraction in the economic cycle, indicating that this stubborn gap is likely to be difficult to close.
- GVA per job is an alternative measure of productivity and takes into account differences in working patterns. With GVA per job of £34,933 in 2014, Somerset still under-performs against the national level of £43,673. Taken on this measure, Somerset's productivity has increased over time but at a very similar rate to the national level. The gap remains persistent.

### Local trends (Districts)

District	Total GVA 2014 (£m, 2011 prices)	% change 2010-14	% share of Somerset GVA 2014
Mendip	1,854	4.2%	19.3%
Sedgemoor	1,712	16.3%	17.9%
South Somerset	3,067	6.2%	32.0%
Taunton Deane	2,261	8.8%	23.6%
West Somerset	691	4.7%	7.2%



Source: Heart of the South West LEP Model, Oxford Economics 2014

### Output (GVA)

- South Somerset is the largest of the 5 district economies, with a value of £3.067 billion in 2014, accounting for just under one third of the County's total GVA. At £691 million, West Somerset is the smallest of the district economies. Sedgemoor's economy suffered the greatest immediate impact of the economic downturn in 2008-9 so its encouragingly strong recovery since then partially reflects a recouping of this sudden drop in GVA.

### Productivity (GVA per FTE and GVA per job)

- In terms of GVA per FTE, West Somerset outperforms all the other districts although it no longer exceeds the UK level. The sparse job density in the area partially accounts for this, but the occupational and sectoral profile of the area's workforce also has an impact. West Somerset has the highest proportion of GVA generated by production/manufacturing industries (39.6%), predominantly due to the importance of the construction sector, which accounts for 13% of GVA in the district.
- GVA per job has increased in Sedgemoor, South Somerset and Taunton Deane since 2010, but decreased in Mendip and West Somerset, indicating declining levels of productivity

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**Total GVA (£m, 2011 prices)**

	2010	2011	2012	2013	2014	% change 2010-14
UK	1,347,350	1,374,766	1,391,026	1,415,641	1,455,615	8.0
HOSW LEP	28,667	28,499	28,239	28,702	29,472	2.8
Somerset	8,880	9,095	9,045	9,285	9,586	8.0
Mendip	1,779	1,825	1,775	1,790	1,854	4.2
Sedgemoor	1,473	1,510	1,661	1,670	1,712	16.3
South Somerset	2,889	2,980	2,851	2,966	3,067	6.2
Taunton Deane	2,078	2,146	2,129	2,178	2,261	8.8
West Somerset	661	636	629	681	691	4.7

**Annual growth rate (%) in total GVA (£m, 2011 prices)**

	2010	2011	2012	2013	2014
UK	1.8	2.0	1.2	1.8	2.8
HOSW LEP	1.6	-0.6	-0.9	1.6	2.7
Somerset	-0.3	2.4	-0.6	2.7	3.2
Mendip	1.7	2.6	-2.7	0.9	3.5
Sedgemoor	0.5	2.5	10.0	0.5	2.6
South Somerset	0.6	3.1	-4.3	4.0	3.4
Taunton Deane	-2.1	3.2	-0.8	2.3	3.8
West Somerset	-4.7	-3.8	-1.1	8.3	1.5

**GVA per full-time equivalent job (FTE) (£, 2011 prices)**

	2010	2011	2012	2013	2014	% change 2010-14
UK	51,008	51,885	52,027	52,417	52,430	2.8
HOSW LEP	42,197	42,604	42,500	42,584	42,365	0.4
Somerset	41,306	42,290	43,239	43,009	42,787	3.6
Mendip	41,487	42,658	42,531	40,915	40,512	-2.4
Sedgemoor	36,927	38,760	40,972	40,711	40,206	8.9
South Somerset	42,249	42,765	43,898	44,247	44,293	4.8
Taunton Deane	40,637	41,779	43,281	43,386	43,477	7.0
West Somerset	52,065	51,625	49,243	49,056	47,910	-8.0

**Productivity (£s per job, 2011 prices)**

	2010	2011	2012	2013	2014	% change 2010-14
UK	42,973	43,621	43,696	43,902	43,673	1.6
HOSW LEP	34,899	34,792	34,639	34,664	34,389	-1.5
Somerset	34,274	34,748	35,426	35,202	34,933	1.9
Mendip	34,103	34,656	33,991	32,668	32,326	-5.2
Sedgemoor	30,775	31,764	33,772	33,628	33,127	7.6
South Somerset	35,701	36,002	36,699	36,939	36,879	3.3
Taunton Deane	33,156	33,659	35,114	35,023	34,968	5.5
West Somerset	42,756	42,200	40,321	40,469	39,421	-7.8

Source: Heart of the South West Economic Model, Oxford Economics 2015