THE SOUTH HAMS ECONOMY 1992-2002

1. As the following table (Table 1) shows, the South Hams economy grew strongly by 7.5 cent per annum between 1992 and 2002, with an even faster rate of growth in the latter half of the period. The principal expanding sectors were the transport and communication, distribution, construction and other community services. Manufacturing experienced an above average rate of growth in the first part of the period but was weaker in the second. The sectors in decline or performing poorly were the primary sectors of agriculture (particularly in the middle of the decade) and mining and quarrying, as well as electricity, gas and water.

TABLE 1

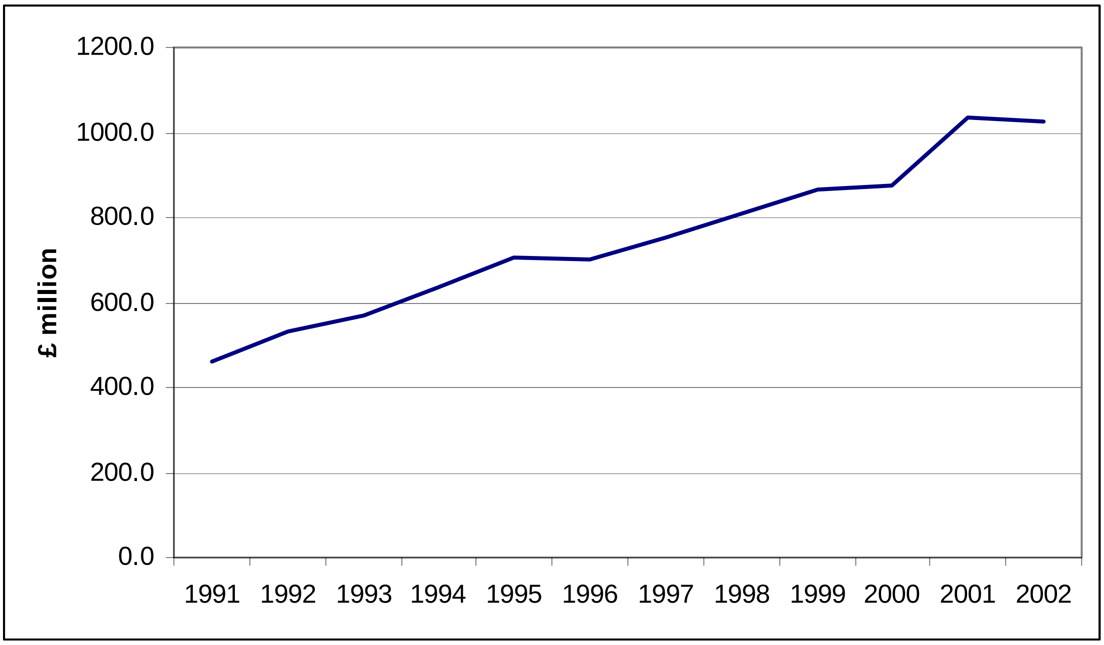
SOUTH HAMS
Growth in Gross Value Added in Output terms

	1992 £m	**1997 £m**	**2002 £m**	**1992/ 1997 % pa**	**1997/ 2002 % pa**	**1992/ 2002 % pa**
Agriculture/Forestry	57.7	27.1	31.9	-14.0	3.3	-5.7
Fishing	1.1	0.5	0.4	-14.1	-6.6	-10.4
Mining and Quarrying	8.8	9.4	5.7	1.4	-9.7	-4.3
Manufacturing	68.6	128.7	160.4	13.4	4.5	8.9
Electricity/Gas/Water	1.1	0.6	1.2	-11.7	14.6	0.6
Construction	37.3	55.3	91.0	8.2	10.5	9.3
Distribution	75.4	116.9	181.8	9.2	9.2	9.2
Hotels and Catering	55.1	71.6	94.0	5.4	5.6	5.5
Transport & Communication	18.8	29.4	85.9	9.3	24.0	16.4
Financial Services	9.5	14.8	16.2	9.1	1.8	5.4
Real Estate/Business Activities	100.0	161.2	230.5	10.0	7.4	8.7
Public Admin/Defence/Soc Sec	15.2	18.4	20.2	3.9	1.9	2.9
Education	27.8	33.0	39.3	3.5	3.5	3.5
Health & Social Work	34.2	47.1	70.6	6.6	8.4	7.5
Other Community Services	21.6	40.4	69.4	13.3	11.4	12.4
Gross Value Added at basic prices	532.1	754.5	1098.3	7.2	7.8	7.5

2. The following graph (Figure 1) gives a more detailed picture of the movement over time, 1991 to 2002, of the South Hams gross value added at basic prices. It shows that whilst there was a rapid acceleration between 1999 and 2001, gross value added suffered a decline between 2001 and 2002.

FIGURE 1

SOUTH HAMS
Trend in GVA 1991-2002



3. The following table (Table 2) compares the South Hams performance with the national average. Overall South Hams had a significantly higher growth than the national average. The table also shows that the proportion taken by manufacturing (14.6 per cent) was a little below the national average. Distribution and construction are both relatively larger in size and performed better than the national average. Whilst the proportion of output taken by the hotels and catering sector remains higher than the national average, the sector did not grow as quickly between 1992 and 2002. Agriculture's share stood at 2.9 per cent in 2002, significantly higher than that of the national average of 0.9 per cent.

TABLE 2

SOUTH HAMS AND NATIONAL
Composition of Output 2002 and Rates of Growth 1992-2002
(per cent and per cent per annum)

	South Hams % Share of Output 2002	South Hams 1992/2002 % pa	National % Share of Output 2002	National Rate of Growth of Output 1992/2002
Agriculture/Forestry	2.9	-5.7	0.9	-1.5
Fishing	0.0	-10.4	0.1	2.8
Mining and Quarrying	0.5	-4.3	2.8	6.8
Manufacturing	14.6	8.9	16.6	3.1
Electricity/Gas/Water	0.1	0.6	1.6	0.3
Construction	8.3	9.3	6.2	6.7
Distribution	16.6	9.2	12.6	6.1
Hotels and Catering	8.6	5.5	3.4	7.5
Transport and Communication	7.8	16.4	8.2	5.2
Financial Services	1.5	5.4	0.5	-11.7
Real Estate/Business Activities	21.0	8.7	23.6	8.5
Public Administration	1.8	2.9	5.2	2.1
Education	3.6	3.5	6.1	6.5
Health and Social Services	6.4	7.5	7.0	6.3
Other Community Services	6.3	12.4	5.2	8.6
Gross Value Added at basic prices	100.0	7.5	100.0	5.4

4. The following table (Table 3) illustrates how the share of output has varied over time. Agriculture had declined rapidly over the period, especially between 1992 and 1997, when it fell from 10.1 per cent to 3.6 per cent. The manufacturing sector experienced fluctuations in its share of output. Whilst it grew overall from 12.9 per cent in 1992 to 14.6 per cent in 2002, it peaked in the middle of the decade at 17.1 per cent in 1997. The transport and communication sector increased its share of output, especially in the latter part of the decade when it increased from 3.9 to 7.8 per cent.

TABLE 3

SOUTH HAMS
Change in the Composition of Output 1992-2002
(%)

Measured by Output	1992	1997	2002
Agriculture/Forestry	10.8	3.6	2.9
Fishing	0.2	0.1	0.0
Mining and Quarrying	1.6	1.2	0.5
Manufacturing	12.9	17.1	14.6
Electricity/Gas/Water	0.2	0.1	0.1
Construction	7.0	7.3	8.3
Distribution	14.2	15.5	16.6
Hotels and Catering	10.3	9.5	8.6
Transport and Communication	3.5	3.9	7.8
Financial Services	1.8	2.0	1.5
Real Estate/Business Activities	18.8	21.4	21.0
Public Admin/Defence/Soc Security	2.9	2.4	1.8
Education	5.2	4.4	3.6
Health	3.6	2.8	2.9
Social Services	2.8	3.5	3.5
Sanitary Services	0.3	0.4	0.2
Other	3.8	5.0	6.1
Gross Value Added at basic prices	100.0	100.0	100.0

5. The following tables (Tables 4 and 5) compare South Hams's per capita income with the national levels. Table 4 contains estimates derived from dividing total gross value added by total population. South Hams's income per head was some 28 per cent below the national average in 1992. By 2002, the gap had narrowed considerably to around 14 per cent.

TABLE 4

SOUTH HAMS AND NATIONAL
Comparison of Per Capita Income

Per Capita Income (£)	1992	1997	2002
South Hams	6,795	9,419	13,411
National	9,403	12,391	15,633
South Hams as a % of National	72.3	76.0	85.8

6. Table 5 shows a comparison based on estimating per capita income in terms of the active workforce.

TABLE 5

SOUTH HAMS AND NATIONAL
Comparison of Adjusted Per Capita Income

Per Capita Income (£)	1992	1997	2002
South Hams as a % of National	80.9	75.9	77.1

7. Although average earnings are significantly below the national average, the following table (Table 6) is a useful additional guide to explaining the differences in the per capita income between South Hams and the national average. It shows that South Hams has higher proportions of part-time employees and self-employed people, both of which are likely to hold down income levels. Part-time employees clearly do not earn as much as full-time employees and the self-employed as a whole (where construction workers and small businesses predominate) do not earn as much as, say, full-time male workers in manufacturing.

8. The other important factor is the proportion of the population not gainfully employed. The effect of this on the conventional per capita figure can be gauged by calculating the ratio on the basis of the labour force rather than the total population. In South Hams's case, this shows a significant widening of the gap.

TABLE 6

SOUTH HAMS
Key Employment Comparisons

	South Hams 2002	National 2002
Per capita income (£)	13,411	15,635
% Gap with National	85.8	0.0
Women as % of total employees	47.3	48.4
Part-time as % of total employees	37.9	25.4
Services as % of total employees	74.4	84.0
Self-employees as % of total labour force	26.7	11.3
Labour force as % of total population	52.0	46.6
Labour force per capita income (£)	25,813	33,464
% Gap with National	77.1	0.0

9. The following table (Table 7) gives the figures for the gross value added at basic prices as measured by incomes. The slower growth in mixed incomes between 1992 and 1997 reflects the drop in farming income.

TABLE 7

SOUTH HAMS
Gross Value Added Measured by Income

	1992 £m	1997 £m	2002 £m	1992/ 1997 % pa	1997/ 2002 % pa	1992/ 2002 % pa
Compensation of Employees	245.6	380.7	577.6	9.2	8.7	8.9
Mixed Income	178.1	200.2	295.1	2.4	8.1	5.2
Operating Surplus and Rents	108.3	173.5	225.6	9.9	5.4	7.6
Gross Value Added at basic prices	532.1	754.5	1,098.3	7.2	7.8	7.5

10. The following table (Table 8) gives details of the gross value added as measured by expenditure. All components of expenditure have contributed to overall growth.

TABLE 8

SOUTH HAMS
Gross Value Added Measured by Expenditure

	1992 £m	1997 £m	2002 £m	1992/ 1997 % pa	1997/ 2002 % pa	1992/ 2002 % pa
Consumers' Expenditure	504.4	676.2	822.1	6.0	4.0	5.0
Public Expenditure	93.4	144.6	200.6	9.1	6.8	7.9
Investment	84.9	117.5	158.8	6.7	6.2	6.5
Exports of Goods/Services	441.8	648.7	881.6	8.0	6.3	7.2
Total Final Expenditure	1,124.4	1,586.9	2,063.0	7.1	5.4	6.3
Less Imports Goods/Services	551.2	772.9	923.9	7.0	3.6	5.3
GVA (market prices)	573.2	813.9	1,139.1	7.3	7.0	7.1
Factor Cost Adjustment	87.3	117.4	144.2	6.1	4.2	5.1
Gross Value Added at basic prices	485.9	696.5	994.9	7.5	7.4	7.4

11. The following table (Table 9) gives more detail of the manufacturing sector. Overall there was a very rapid growth over the decade of 8.9 per cent per annum. The table shows that the main activities are paper and publishing, electrical engineering and transport manufacturing, which together account for some 54 per cent of total manufacturing. The growth points are transport manufacturing, electrical engineering and also rubber and plastics, although this sub-sector experienced fluctuations on output over the period. There are significant declines or poorer than average

performance in other metal manufacturing, mechanical engineering and other manufacturing.

TABLE 9

SOUTH HAMS
Net Output of the Manufacturing Sector (%)

	1992	1997	2002	1992/2002 % pa
Food, Drink & Tobacco	10.2	11.3	10.5	9.1
Clothing	1.7	1.6	2.2	11.6
Leather & Footwear	0.3	0.2	0.3	8.6
Timber & Furniture	5.3	5.1	3.7	5.2
Paper & Publishing	23.4	19.0	23.0	8.7
Chemicals	2.7	2.3	2.5	8.3
Rubber & Plastic	6.4	14.7	9.4	13.2
Non-metal Manufacturing	5.1	3.7	2.3	0.6
Metal Manufacture	1.8	1.6	1.0	3.1
Other Metal Manufacturing	9.1	4.2	4.8	2.1
Mechanical Engineering	11.5	6.1	5.0	0.1
Electrical Engineering	6.9	16.2	14.6	17.4
Instrument Engineering	2.3	4.1	3.1	12.5
Transport Manufacturing	6.4	7.2	15.9	19.3
Other Manufacturing	7.1	2.6	1.6	-5.9
Total Manufacturing	100.0	100.0	100.0	8.9

12. The following table (Table 10) gives more detail for the food and drink manufacturing sector. Overall, the sector grew by a healthy 9.1 per cent per annum between 1992 and 2002. However, there have been some significant compositional changes. There are significant reductions in fruit and vegetable processing and alcohol production. Meanwhile, there are corresponding increases in dairy products. Indeed, dairy products have now become the district's dominant food and drink manufacturing activity, accounting for over 45 per cent of total output.

TABLE 10

SOUTH HAMS
Net Output of the Food and Drink Manufacturing Sector (%)

	1992	1997	2002	1992/2002 % pa
Meat and Meat Products	3.0	0.7	3.5	10.7
Fish	2.4	1.6	3.1	11.7
Fruit and Vegetables	22.3	5.8	6.3	-3.9
Oils and Fats	0.0	0.0	0.0	n/a
Dairy Products	15.2	39.7	45.3	21.7
Ice Cream	2.9	29.6	5.1	15.4
Grains and Starches	0.0	0.0	0.0	n/a
Animal Foods	0.0	0.4	2.5	n/a
Bread and Biscuits	13.3	16.3	15.0	10.4
Sugar and Cocoa	0.2	0.7	0.2	n/a
Other Foods	0.8	1.8	10.4	41.0
Alcohol	37.7	1.5	4.8	-11.2
Soft Drinks	2.3	1.8	4.0	15.3
Tobacco	0.0	0.0	0.0	n/a
Total	100.0	100.0	100.0	9.1

13. The following table (Table 11) gives more detail for the financial and business services sector. Aside from the dominant role of real estate activities, it shows growth in management consultants and computer services. These increased by 26.2 per cent and 17.2 per cent per annum respectively. However, both rises are from a very small base and their total share of output remains marginal.

TABLE 11

SOUTH HAMS
Net Output of the Financial and Business Services Sector (%)

	1992	1997	2002	1992/2002 % pa
Banking/Finance	6.0	3.8	3.6	3.1
Insurance	1.4	2.5	1.3	7.1
Insurance Brokers	1.3	2.0	1.7	11.2
Real Estate Activities	61.1	55.9	55.7	7.5
Rent Moveables	1.7	1.8	2.3	11.4
Computer Services	2.2	3.1	4.8	17.2
Research & Development	0.3	0.3	0.0	-11.2
Legal Services	3.1	3.2	3.5	9.5
Accountants	4.3	4.5	5.6	11.3
Market Research	0.1	0.2	0.2	15.7
Management Consultants	0.9	2.6	3.9	26.2
Architects	7.9	6.4	8.2	8.8
Advertising	0.3	0.5	0.7	16.5
Other Business Services	9.3	12.9	8.6	7.6
Total	100.0	100.0	100.0	8.5

14 The following table (Table 12) gives more detail of the hotels and catering sector. It shows relative growth in 'eating out' services. Overall the sector achieved moderate growth of 5.5 per cent per annum between 1992 and 2002.

TABLE 12 **SOUTH HAMS**
Net Output of the Hotels and Catering Sector (%)

	1992	**1997**	**2002**	**1992/2002 % pa**
Hotels with Restaurants	27.1	26.7	22.9	4.2
Hotels without Restaurants	16.9	17.2	17.2	5.6
Camping Sites	3.4	2.4	1.9	-0.6
Other Lodgings	23.3	23.3	21.9	5.0
Restaurants, Cafés, etc	12.8	12.4	13.5	6.4
Bars	14.9	15.2	16.8	6.0
Catering Contractors	1.7	2.8	5.7	16.0
Total	100.0	100.0	100.0	5.5

Conclusions

15. South Hams's income per head figure ranks third in terms of the districts of Devon. The gap with the national average in terms of per capita income narrowed to 14 per cent between 1992 and 2002.

16. The balance of the economy is good. Manufacturing activity, only slightly less than the national average, has increased between 1992 and 2002, has increased in share between 1992 and 2002, peaking in the middle of the period. Distribution, hotels and catering, and construction are stronger than nationally. The difficulties experienced by agriculture in the middle of the decade have served to dampen down growth.

17. Whilst the service sector as a whole has experienced relatively fast growth (8.5 per cent per annum), it is disappointing to see that new industries such as computer services still do not produce a critical mass in terms of output.

18. One feature of the growth in the manufacturing sector has been the relatively fast growth (8.9 per cent per annum) of the food manufacturing sector. There has been a shift in activity from alcohol to dairy products manufacturing, with dairy products now the district's strongest food and drink activity.

19. In many respects South Hams seems a well balanced economy and has enjoyed a satisfactory rate of growth in output between 1992 and 2002 despite being held back by the difficult conditions that faced agriculture. There remains a certain risk in relying on a narrow base of growth sectors such as transport and communication, distribution and construction. The hotels and catering sector maintained its share of total output between 1992 and 2002, although it is not experiencing the same level of growth as other sectors. This indicates that whilst South Hams's tourist industry remains significant, it should not become complacent.