THE SOUTH HAMS ECONOMY IN 2007

Continuing to surge ahead

PART I

Highlights

- Although growth in 2007 was lower than in 2006, overall between 2002 and 2007, the South Hams economy grew at a healthy 6.9% per annum.
- The South Hams economy has maintained a strong rate of growth of 7.0% per annum over the whole period between 1997 and 2007 (see Chart 1 and Table 1).
- With annual rates of growth at 7.0% compared with a national growth rate of 5.6% per annum, the ratio of South Hams income per head to the national average has increased steadily over the decade from 72.3% in 1997 to 82.2% by 2007 (see Tables 3 and 4).
- Growth in the public sector, particularly in health and education, has been the main driver over the decade (see Table 1).
- Growth in the education sector was in primary and secondary education and in vocational training. The growth in the health and social services sector was primarily in hospitals and social care.
- The manufacturing sector continued to perform poorly. Its average rate of growth between 1997 and 2007 was 2.4% per annum. The rate between 2002 and 2007 was even poorer at 0.6% per annum (see Table 1).
- The hotels and catering sector also had a relatively poor year in 2007 but growth for the decade has been high thanks to a strong growth in eating out (see Table 10 and Chart 6). Visitor nights have remained sluggish (see Chart 7).
- The business services sector continued to grow strongly by 6.7% per annum between 1997 and 2007. Professional activities were particularly buoyant (see Table 13).
- Total employment increased between 2002 and 2007 by 1.9% per annum.

PART II

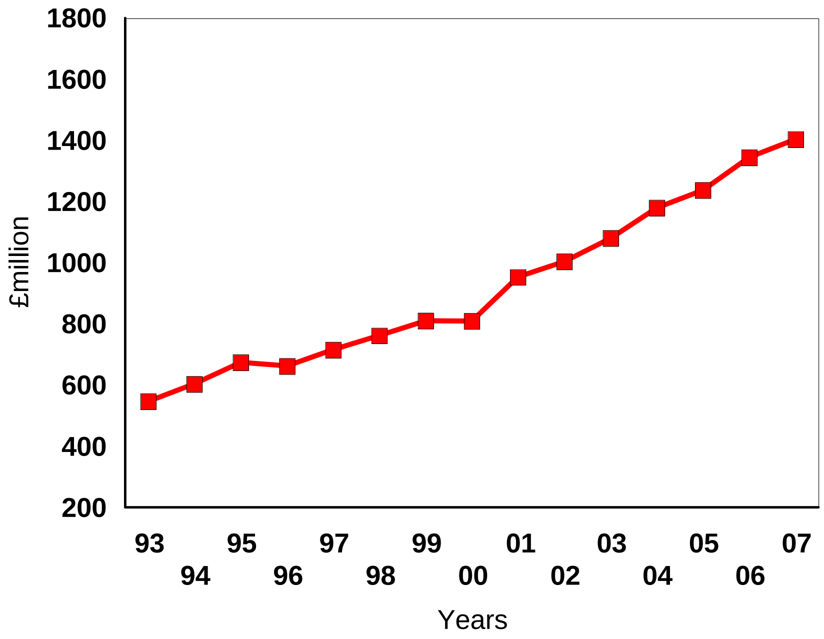
1. The rest of this report examines in greater detail the movements in the South Hams economy over the period from 1997 to 2007.

2. The growth in output of 7.0% per annum between 1997 and 2007 was comfortably above the national rate of 5.6% per annum over the past decade (see Table 2). The South Hams growth rate was 7.0% per annum between 1997 and 2002 but fell back very slightly to 6.9% per annum between 2002 and 2007, giving an overall rate of growth for the decade of 7.0% per annum. The trend in output is shown in the following chart of South Hams' gross value added between 1993 and 2007.

CHART 1

SOUTH HAMS

Gross Value Added



3. The industrial composition of the growth in output has also changed significantly when comparing the period 1997 to 2002 with that of 2002 to 2007. In the former period, growth was maintained principally by the construction, distribution, business service activities, and the telecommunications sectors. In the latter period, growth was attributable to an improvement in the hotels and catering sector, sustained growth in the business services sector, and healthy rates of growth in the public sector.

4. With overall growth in the South Hams economy running at 7.0% per annum, well above the national rate of growth of 5.6 per cent per annum, the South Hams gross value added (GVA) per head expressed as a ratio of the national level has risen significantly from 72.3% to 82.2%.

5. The measure of gross value added (GVA) per head is used by central government as its main basis of comparison of regional and county variations and South Hams fares extremely badly compared with other areas even including Cornwall (the recipient of much EU funding on this account).

6. The indicator measures how much output is produced in the area divided by the number of people resident in the area. It is, therefore, very sensitive to a number of factors such as the ratio of

retired to working members of the population, the composition of the working population itself (numbers of female or part time workers etc) and also by the numbers of workers who move either in or out of the area to their place of work.

7. Another very significant factor to bear in mind is that income from employment, self-employment, or profits (the elements in the calculation of GVA) are not the only sources of income enjoyed by residents. Residents receive pension income, and social security benefits to supplement income - although there are also payments to be made such as taxes and social security contributions.

8. Areas such as Devon, and in particular South Hams, with lower than average incomes and a larger than average proportion of the elderly, are net beneficiaries if these extra transactions are taken into account. There are no official figures for South Hams but they have been published up to 1999 for Devon as a whole and they show that the gap with national in the gross value added per head comparison of 25 per cent (75.0 per cent) was reduced to only 6.0 per cent (94.0 per cent) when comparing total household income per head.

9. The following table (Table 1) summarises the movements over the decade of the principal industrial sectors. The weak growth in manufacturing overall with virtually no growth between 2002 and 2007 was compensated by strong growth in agriculture benefiting from a rise in farm incomes in 2007, construction, distribution, transport and communications, business services and the public sector.

Table 1

SOUTH HAMS

Growth in Gross Value Added at Basic Prices

	1997 £m	2002 £m	2007 £m	1997/2002 % pa	2002/2007 % pa	1997/2007 % pa
Agriculture / Forestry	23.7	27.2	46.6	2.8	11.4	7.0
Fishing	2.5	3.9	5.6	9.0	7.6	8.3
Mining & Quarrying	10.6	3.3	6.2	-20.7	13.2	-5.3
Manufacturing	129.0	158.3	163.2	4.2	0.6	2.4
Electricity / Gas / Water	0.6	1.2	3.4	13.3	23.3	18.2
Construction	59.4	101.3	126.7	11.3	4.6	7.9
Wholesale/Retail/Repair	101.6	148.1	204.5	7.8	6.7	7.2
Hotels and Catering	69.8	88.1	123.8	4.8	7.0	5.9
Transport & Communication	28.0	82.7	90.3	24.2	1.8	12.4
Financial Services	13.5	14.9	18.1	2.0	4.0	3.0
Real Estate / Business Activities	158.4	208.3	309.3	5.6	8.2	6.9
Public Admin/Defence/Soc Sec	15.5	17.0	59.4	1.8	28.4	14.3
Education	26.5	31.9	63.8	3.8	14.9	9.2
Health & Social Work	39.1	57.5	100.6	8.0	11.8	9.9
Other Community Services	37.5	60.3	82.2	10.0	6.4	8.2
Gross Added Value	715.9	1,004.1	1,403.8	7.0	6.9	7.0

10. The following table (Table 2) compares the South Hams performance with the national average. Overall South Hams' growth was comfortably above the national rate between 1997 and 2007. The table also shows that the proportion taken by manufacturing (11.6 per cent) still remains close to the national average (12.6 per cent). Hotels and catering and distribution were significantly higher than the national average.

Table 2

SOUTH HAMS and NATIONAL

Composition of Output 2007 and Rates of Growth 1997-2007

(Percent and percent per annum)

	South Hams % Share of Output 2007	South Hams Rate of Growth of Output 1997/2007	National11 % Share of Output 2007	National1 Rate of Growth of Output 1997/2007
Agriculture & Forestry	3.3	7.0	0.7	-1.6
Fishing	0.4	8.3	0.0	1.9
Mining & Quarrying	0.4	-5.3	2.6	6.0
Manufacturing	11.6	2.4	12.6	0.4
Electricity / Gas / Water	0.2	18.2	1.5	1.6
Construction	9.0	7.9	6.4	7.7
Distribution	14.6	7.2	11.4	5.1
Hotels & Catering	8.8	5.9	2.9	6.1
Transport & Communication	6.4	12.4	6.8	4.1
Financial Services	1.3	3.0	7.4	15.5
Real Estate / Business Activities	22.0	6.9	24.3	7.6
Public Administration	4.2	14.3	5.1	4.8
Education	4.5	9.2	5.9	6.4
Health and Social Work	7.2	9.9	6.9	6.5
Other Community Services	5.8	8.2	5.1	6.7
Gross Value Added at Basic Prices	100.0	7.0	100.0	5.6

[11] National data incorporated in the local GVA model is reproduced courtesy of the Office of National Statistics (© ONS)

11. The following table (Table 3) illustrates how the share of output has varied over time. Manufacturing as a share of total output has been falling steadily since the early 1990s. Hotels and catering has remained roughly steady in terms of share over the whole decade, as has that taken by business services.

TABLE 3

SOUTH HAMS

Change in the Composition of Output 1997-2007 (%)

Measured by Output	1997	2002	2007
Agriculture / Forestry	3.3	2.7	3.3
Fishing	0.4	0.4	0.4
Mining & Quarrying	1.5	0.3	0.4
Manufacturing	18.0	15.8	11.6
Electricity / Gas / Water	0.1	0.1	0.2
Construction	8.3	10.1	9.0
Distribution	14.2	14.8	14.6
Hotels & Catering	9.8	8.8	8.8
Transport & Communication	3.9	8.2	6.4
Financial Services	1.9	1.5	1.3
Real Estate / Business Activities	22.1	20.7	22.0
Public Admin / Defence / Social Security	2.2	1.7	4.2
Education	3.7	3.2	4.5
Health	2.6	2.7	3.4
Social Services	2.9	3.0	3.8
Sanitary Services	0.4	0.2	0.2
Other Services	4.8	5.8	5.6
Gross Added Value at Basic Prices	100.0	100.0	100.0

12. The following table (Table 4) compares South Hams' gross value added per head with the national levels. It contains estimates derived from dividing total gross added value by total population. It shows that the share has steadily between 1997 and 2007.

TABLE 4

SOUTH HAMS AND NATIONAL

Comparison of Per Capita Income

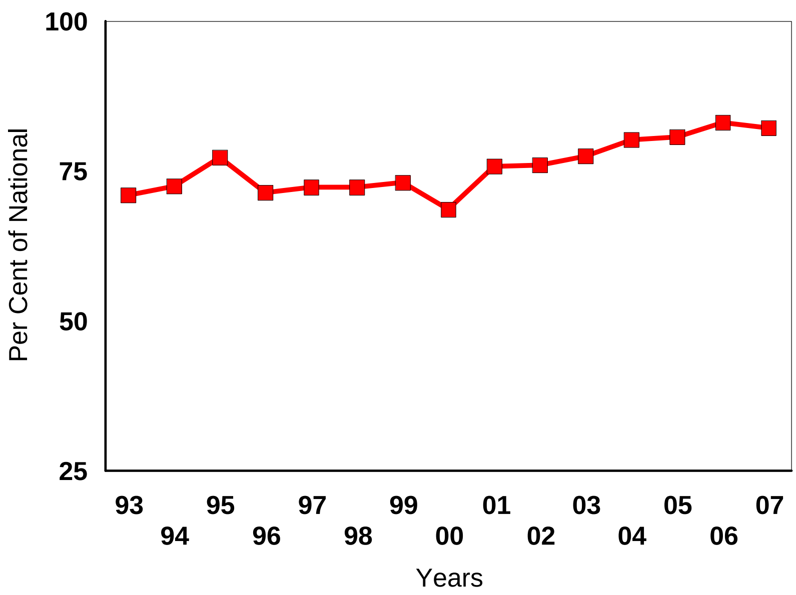
Gross Value Added per Head (£)	1997	2002	2007
South Hams	8,937	12,260	16,812
National	12,358	16,134	20,463
South Hams as a % of National	72.3	76.0	82.2

13. The following chart (Chart 2) illustrates the year on year movement of gross value added per head relative to the national average. It shows a steady rate of growth throughout the whole period apart from the year 2000 when the South Hams figure was adversely affected by the foot and mouth outbreak.

Chart 2

SOUTH HAMS

Gross Value Added per Head Relative to National %



14. The following table (Table 5) is a useful guide to explaining the differences in the per capita income between South Hams and the national average. It shows that South Hams has a significantly higher proportion of women employees, part-time employees and self-employed. Each of these is likely to hold down income levels. Women employees still do not earn the same as men, 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.

Table 5

SOUTH HAMS

Key Employment Comparisons

	South Hams 2007	National 2007
Per capita income (£)	16,812	20,463
% Gap with National	82.2	0.0
Women as % of total employees	49.8	48.7
Part-time as % of total employees	36.1	25.3
Services as % of total employees	79.9	89.4
Self-employees as % of total labour force	25.8	13.9
Labour force as % of total population	55.2	47.8
Labour force per capita income (£)	30,430	42,799
% Gap with National	71.1	0.0

15. The following table (Table 6) gives the figures for the gross added value as measured by incomes. Earnings per head for full time employees in South Hams grew on average by 2.7 per cent per annum between 2002 and 2007. The comparable figure for part time employees was 13.3 per cent per annum.

Table 6

SOUTH HAMS

Gross Added Value at Basic Prices Measured by Income

	1997 £m	2002 £m	2007 £m	1997/ 2002 % pa	2002/ 2007 % pa	1997/ 2007 % pa
Compensation of Employees	356.7	523.8	756.8	8.0	7.6	7.8
Mixed Incomes	186.0	262.3	355.7	7.1	6.3	6.7
Taxes less Subsidies	15.8	20.9	26.1	5.8	4.5	5.2
Operating Surplus and Rents	157.3	197.1	265.2	4.6	6.1	5.4

Gross Value Added at Basic Prices	715.9	1,004.1	1,403.8	7.0	6.9	7.0

16. The following table (Table 7) gives details of output as measured by expenditure. Public expenditure has provided the strongest contribution to overall growth.

Table 7

SOUTH HAMS

Gross Added Value at Basic Prices Measured by Expenditure

	1997 £m	2002 £m	2007 £m	1997/ 2002 %	2002/ 2007 %	1997/ 2007 %
Consumers’ Expenditure	649.0	792.5	1,037.1	4.1	5.5	4.8
Public Expenditure	144.3	196.4	419.7	6.4	16.4	11.3
Investment	124.5	214.9	285.1	11.5	5.8	8.6
Exports of Goods / Services	733.4	1,026.8	1,263.2	7.0	4.2	5.6
Total Final Expenditure	1,651.2	2,230.7	3,005.0	6.2	6.1	6.2
Less Imports Goods / Services	911.0	1,242.9	1,608.3	6.4	5.3	5.8
GDP (market prices)	740.2	987.8	1,396.7	5.9	7.2	6.6
Factor Cost Adjustment	113.7	146.2	191.9	5.1	5.6	5.4
GDP (factor cost)	626.5	841.6	1,204.8	6.1	7.4	6.8

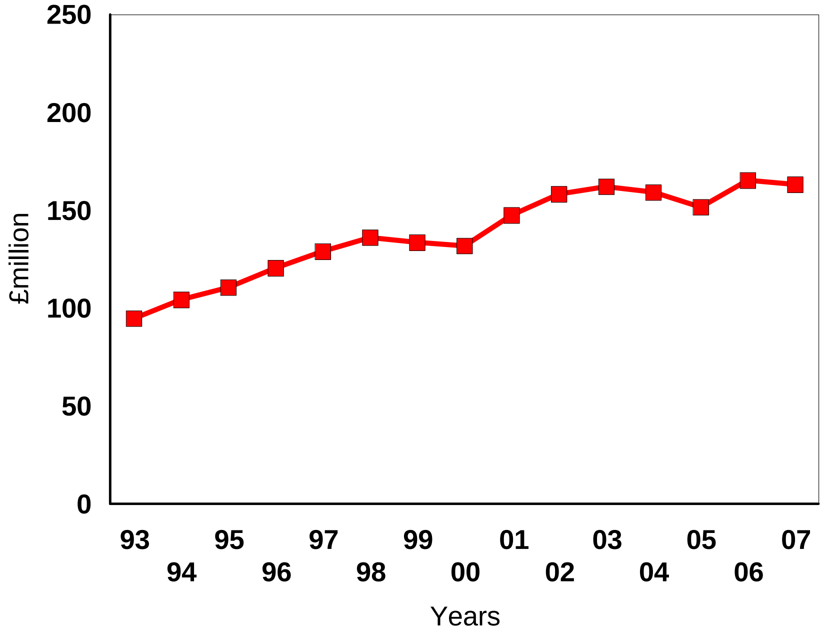
Manufacturing

17. The movement in output in the manufacturing sector overall is illustrated in the chart (Chart 3) below.

CHART 3

SOUTH HAMS

Manufacturing Output



18. The following table (Table 8) gives more detail of the manufacturing sector. It shows that the sector had a very strong rate of growth and contributing substantially to the sector was timber and furniture with a rate of growth of 13.3 per cent per annum and taking 14.2 per cent of the total output of the sector in 2007.

Table 8

SOUTH HAMS

Net Output of the Manufacturing Sector (%)

	1997	2002	2007	1997/2007 % pa
Food, Drink & Tobacco	9.9	10.2	7.5	-0.4
Clothing	1.5	2.1	1.3	1.1
Leather & Footwear	0.2	0.3	0.7	14.4
Timber & Furniture	5.1	2.8	14.2	13.3
Paper & Publishing	20.2	23.8	19.9	2.3
Chemicals	2.5	2.6	3.7	6.4
Rubber & Plastic	14.4	9.6	11.5	0.1
Non-metal Manufacturing	3.8	2.4	3.1	0.4
Metal Manufacture	1.5	1.0	1.1	-0.9
Other Metal Manufacturing	4.3	4.8	6.7	7.0
Mechanical Engineering	6.3	5.0	5.5	1.1
Electrical Engineering	16.3	15.2	12.4	-0.4
Instrument Engineering	4.2	3.2	2.5	-2.9
Transport Manufacturing	7.3	15.6	8.2	3.6
Other Manufacturing	2.5	1.5	1.7	-1.8
Total Manufacturing	100.0	100.0	100.0	2.4

Food and drink manufacturing

19. The following table (Table 9) gives more detail for the food and drink manufacturing sector. Although the sector fell overall by 0.4 per cent per annum between 1997 and 2007, the actual

composition has varied sharply from year to year. Currently (2007) most components of the sector contribute to the overall performance.

TABLE 9

SOUTH HAMS

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

	1997	2002	2007
Meat and Meat Products	0.7	2.3	3.8
Fish	1.6	3.0	1.7
Fruit and Vegetables	6.8	6.0	19.8
Oils and Fats	0.0	0.0	0.0
Dairy Products	48.4	51.7	6.6
Ice Cream	24.2	4.8	8.7
Grains and Starches	0.0	0.0	0.0
Animal Foods	0.4	2.7	1.5
Bread and Biscuits	11.8	11.3	13.6
Sugar and Cocoa	0.9	0.2	0.0
Other Foods	1.8	10.3	11.3
Alcohol	1.5	4.1	13.5
Soft Drinks	1.8	3.6	10.4
Tobacco	0.0	0.0	0.0
Total	100.0	100.0	100.0

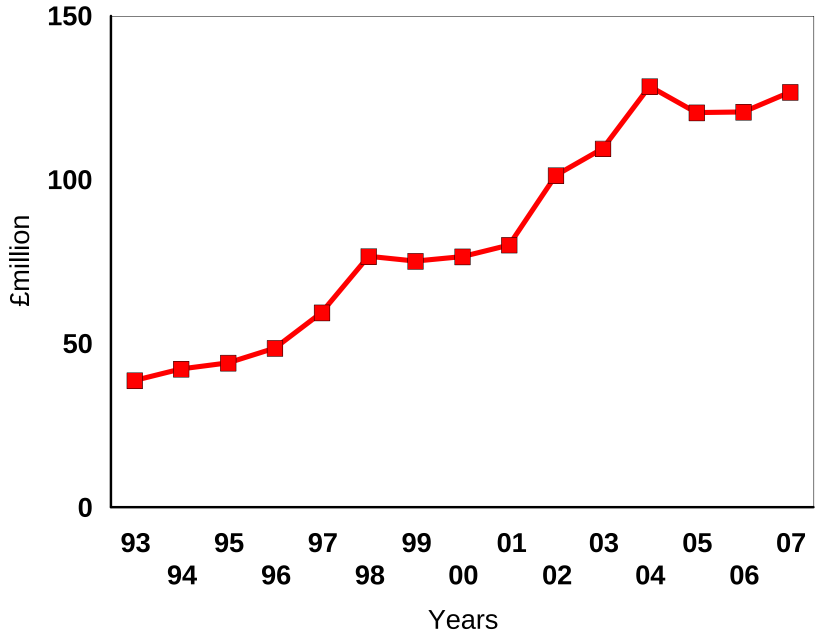
Construction

20. As the following chart (Chart 4) shows, although the construction sector has been growing strongly since 1993, the rate has flattened off since 2004.

CHART 4

SOUTH HAMS

Construction Output



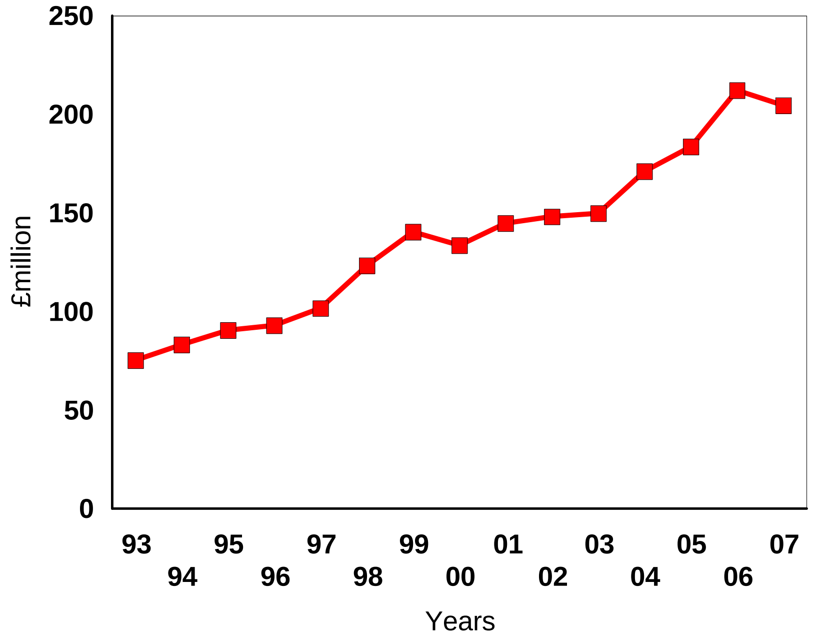
Distribution

21. The following chart (Chart 5) indicates a steady growth in the distribution (wholesale and retailing) sector of 7.2 per cent per annum between 1997 and 2007 although with a turning down in 2007.

Chart 5

SOUTH HAMS

Distribution Output



Tourism

22. Whilst the core activity within the tourist sector is the hotels and catering sector it must be remembered that other sectors such as transport, holiday attractions, and even paramedical facilities are involved in tourist related activities and, for that matter, not all the income of the hotels and catering sector is generated by tourist activities. Rough estimates that have been made suggest that between 1997 and 2007 the wider definition of tourist income rose slightly more slowly than the hotels and catering sector itself. The total value of tourist income in 2007 appears to be about £340 million.

23. The output of the hotels and catering sector grew by 5.9 per cent per annum between 1997 and 2007 significantly below the rate for the total economy. However, an encouraging sign is an acceleration between 1997/2002 and 2002/2007 (see Table 1).

24. Table 10 and Chart 6 below show that there have been differing trends within the sector. Hotel activity has grown only relatively slowly over the decade whilst the main stimulus to growth has come from eating and drinking out (restaurants and bars).

Table 10

SOUTH HAMS

Net Output of the Hotels and Catering Sector (%)

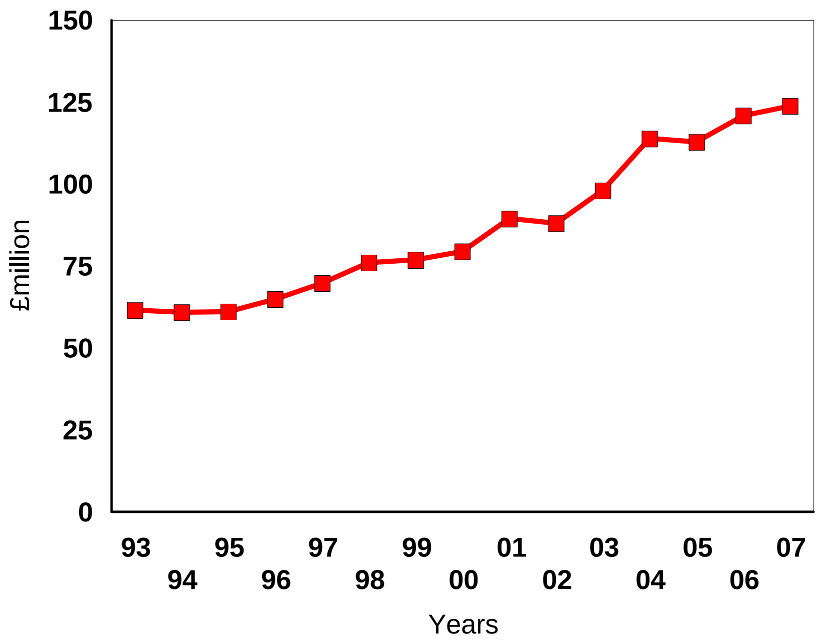
	1997	2002	2007	1997 / 2007 % pa
Hotels with Restaurants	25.0	21.4		
Hotels without Restaurants	16.3	16.5		
All Hotels	41.3	37.9	34.7	4.1
Camping Sites	2.1	1.7	2.8	8.6
Other Lodgings	28.5	27.4	24.9	4.5
Restaurants, Cafés, etc	11.5	12.6	15.7	9.2
Bars	13.8	15.5	20.4	10.1
Catering Contractors	2.7	4.9	1.5	-0.2
Total	100.0	100.0	100.0	5.9

25. The following chart (Chart 6) shows the growth in the output of the hotels and catering sector on an annual basis over a longer period of time. Growth has accelerated since 2001.

Chart 6

SOUTH HAMS

Hotels and Catering Output

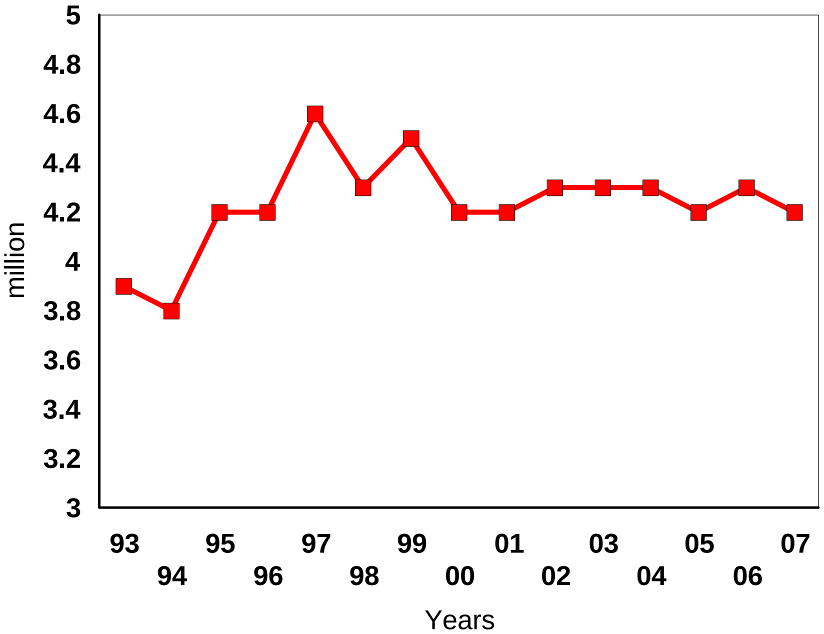


26. The sluggish growth in the accommodation sector is confirmed by the following chart (Chart 7 overleaf) of the annual number of tourist nights. It shows, after a peak in 1997 a stagnant picture through to 2007.

CHART 7

SOUTH HAMS

Tourist Nights



27. A significant feature of the statistics for the county as a whole is shown in the following table (Table 11). In the earlier period, 1997 to 2002, there was a marked difference between the experience in the two cities of Exeter and Plymouth and the rest of the county. In the second period, 2002 to 2007, growth in the two cities has tapered off with the areas of strongest growth being the inland districts. Thus there has been a marked difference in the outcome between the cities of Exeter and Plymouth and the rest of the county suggesting a growth in historical and sightseeing attractions rather than the seaside.

Table 11

Number of Tourist Nights by District of Devon (% pa)

	1997 / 2002	2002 / 2007	1997 / 2007
Exeter	5.5	-1.2	2.1
Plymouth	4.6	0.4	2.5
Torridge	0.5	2.0	1.2
West Devon	0.4	1.9	1.2
Mid Devon	1.1	3.5	2.3
North Devon	-1.9	0.3	-0.8
South Hams	-1.3	-0.3	-0.8
East Devon	0.9	-0.8	0.1
Teignbridge	-2.0	-0.1	-1.1
Torbay	-0.6	-1.4	-1.0
Total	-0.5	-0.2	-0.4

28. One piece of evidence given by these data for South Hams is shown in the following table (Table 12). It shows that, against the trend for most Devon districts, there has been a significant shift between 1997 and 2007 away from holiday park units to flats and houses.

Table 12

Tourist Nights by Type of Accommodation (%)

	Serviced	Flats & Houses	Holiday Park Units	Touring Pitches	Private Households	Total
1997	14.3	15.0	21.4	24.9	24.4	100.0
2007	14.6	17.6	18.8	24.5	24.4	100.0

29. Taking this information together suggests structural changes are at work in the sector offering serviced accommodation. It is affected by the decline in the total of tourist nights and is also losing share to other forms of tourist accommodation.

30. A closer examination of the tourist nights data reveals an important trend. Taking the period 2000 to 2005 as a whole, the total number of tourist nights declined by 12.3 percent. However, there are strikingly different trends within the total. For example, the decline in visitor nights with up to 20 bed spaces was 24.6 per cent - twice the average for the sector as a whole. Hotels with between 21 and 100 bed spaces fared slightly less badly with a decline of 18.9 per cent. However, the largest category of hotels, 100 plus bed spaces, actually enjoyed an increase in visitor nights of 0.5 per cent.

31. The pressure created by these adverse trends, besides affecting profitability, could be expected to be reflected in a drop in capacity (either through hotels going out of business or through creating fewer but more appropriate bed spaces e.g. With en suite facilities. Over the same period, 2000 to 2005, there

was a fall or reduction in capacity of 15.1 per cent. Again the fall was the greatest on small and medium sized hotels but even the largest group of hotels showed a decline in capacity of 4.4 per cent.

32. The shrinkage in capacity may take the form of demolition or conversion of hotels into residential accommodation. Where the accommodation is designed for retirement homes the result may be an improvement in total household income per head (see paragraph 7 and 8).

The financial and business services sector

33. The following table (Table 13) gives more detail for the finance and business services sector that grew by 6.7 per cent per annum between 1997 and 2007. It shows the dominant role of real estate activities. Banking services have steadied out as a share between 1997 and 2007. Over the whole decade the main drivers were the professional services. Computer services continue to grow steadily although the growth is from a very small base. Many of the professional services included in this sector have probably benefited from the buoyant housing situation, now at an end.

Table 13

SOUTH HAMS

Net Output of the Business Services Sector (%)

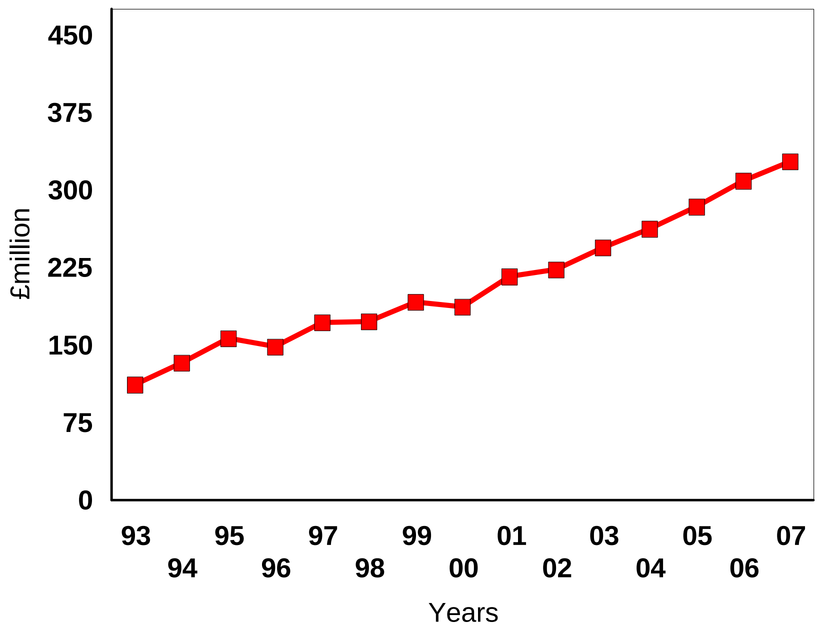
	1997	2002	2007	1997/2007 % pa
Banking / Finance	3.4	3.6	2.6	3.7
Insurance	2.4	1.2	1.0	-2.0
Insurance Brokers	2.0	1.9	1.9	6.2
Real Estate Activities	53.7	57.3	54.5	6.8
Rent Moveables	2.1	1.9	1.7	4.6
Computer Services	4.1	6.4	5.4	9.7
Research & Development	0.4	0.0	0.0	0.0
Legal Services	3.3	3.4	3.3	6.7
Accountants	4.4	5.7	5.4	8.8
Market Research	0.2	0.2	0.3	11.6
Management Consultants	2.0	2.6	3.5	13.0
Architects	5.2	6.3	6.2	8.6
Advertising	0.4	0.6	0.8	13.1
Other Business Services	16.5	9.0	13.4	4.4
Total	100.0	100.0	100.0	6.7

34. The following chart (Chart 8) shows the steady growth in the output of the business services sector through 1993 to 2007. The average growth over the decade ending in 2007 was 6.7 per cent per annum.

Chart 8

SOUTH HAMS

Output of Business Services



The public sector

The following two charts (Charts 9 and 10) illustrate the growth in two of the principal public sector activities, education and health and social work. Both sectors have shown an acceleration in the second half of the period. In the case of education the bulk of the increase in employment numbers (793) took place in the schools sector. In the case of the health and social services sector, which showed an increase in numbers employed between 2002 and 2007 of 815, most of the expansion was in the hospital sector. Employment in the social services sector showed an increase of 541.

chart 9

SOUTH HAMS

Output of the Education Sector

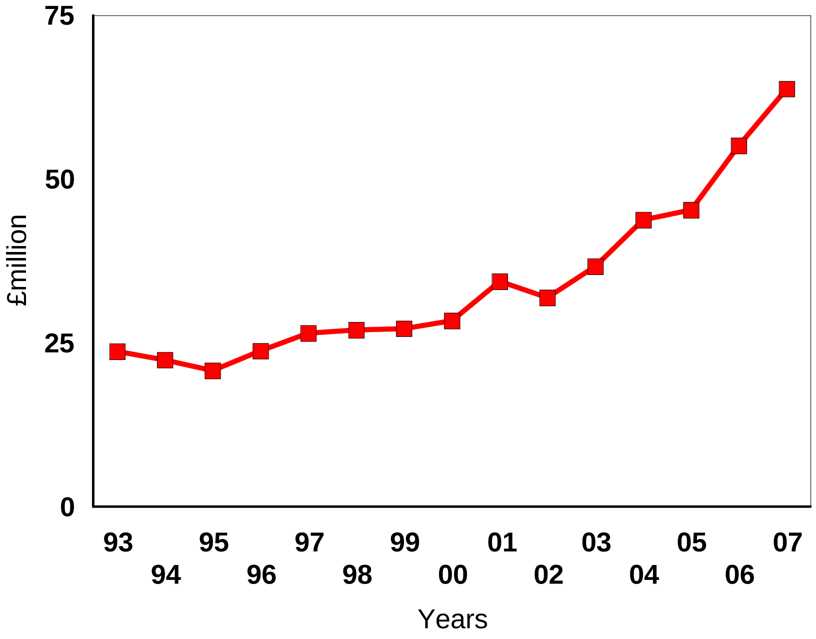
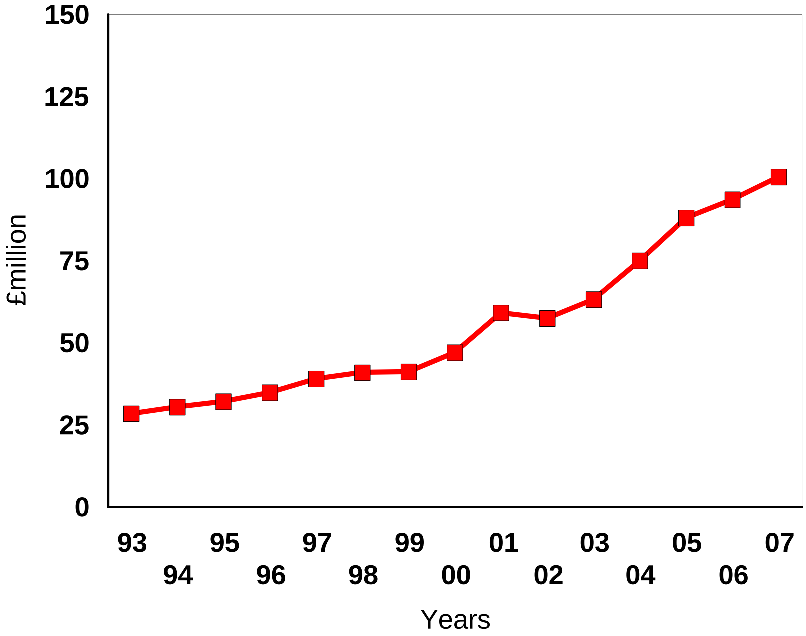


Chart 10

SOUTH HAMS

Output of the Health and Social Work Sectors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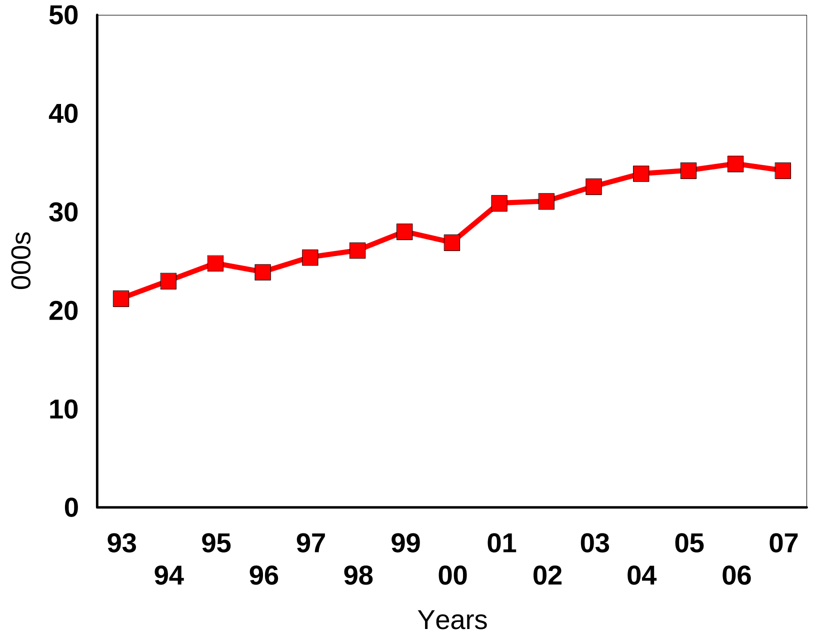
Employment

36. The chart (Chart 11) below shows the movement in South Hams's total employment. The decade has shown a rate of growth of 3.0 per cent per annum with a faster rate between 1997 and 2002 (4.2 per cent per annum) compared with 1.9 per cent per annum between 2002 and 2007. There was a slight fall in numbers in employment in 2007.

Chart 11

SOUTH HAMS

Growth in Employment



37. Numbers in employment increased by 3112 between 2002 and 2007. There was a drop in manufacturing numbers of 746, the loss falling wholly on full time jobs both male and female. The growth area was the service sector, with an increase of 4046, eighty per cent of whom were full time. Of the total increase of 3112 between 2002 and 2007, there was an overall increase of 2516 full time jobs. The main beneficiary sector of the increase in part time jobs was the service sector. Of the total change there was an increase in male numbers of 862 and an increase in female numbers of 2250. Of the increase in part time jobs of 596, there was a drop of 250 in male employment and increase of 846 in female employment.