THE SOUTH HAMS ECONOMY IN 2008:

Continuing to surge ahead

PART I

Highlights

- the South Hams economy grew at a healthy 6.3 per cent per annum between 1998 and 2008. Growth between 1998 and 2003 was much stronger, 7.2 per cent per annum, falling back to 5.4 per cent per annum between 2003 and 2008 (see Chart 1 and Table 1).

- with annual rates of growth at 6.3 per cent per annum compared with a national growth rate of 5.4 per cent per annum round the gap between South Hams income per head and the national average closed from 28 per cent in 1998 to 21 per cent in 2008 (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).

- the 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 1998 and 2008 was 1.4 per cent per annum. The performance between 2003 and 2008 was even poorer falling by 0.7 per cent per annum (see Table 1).

- the output of the hotels and catering sector has grown at a slightly slower rate than the overall economy. Growth for the decade has been supported 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 7.9 per cent per annum between 1998 and 2008. Professional activities were particularly buoyant (see Table 13).

- total employment increased between 1998 and 2008 by 2.7 per cent per annum but the increase was almost entirely in the first half of the decade, 1998 to 2003.

PART II

1. The main purpose of this report is to assess the state of the South Hams economy in the light of the latest results for the year 2008. It is not an easy task. It is now Spring of 2010 and data for 2008, although only just available, is beginning to look like ancient history and does not provide a terribly robust base for judging whether we are at a turning point in the South Hams economy.

2. As we have reported before, the South Hams economy has in many respects been in transition throughout the first decade of the twenty first century. Traditional sectors have been under pressure and not a few in decline, imposing a need for change in the way we go about earning our living as an economy. A continuing task is, therefore, to look for any signs of new initiatives replacing old activities or giving them new stimuli. The last two years, particularly, have been a period of expectation and, other things being equal, we would have looked to some evidence of growth in 2008; green shoots indicating the resumption of good times.

3. So that is one difficult task that has to be carried out on the basis of the 2008 results. But the other difficulty is that by the end of 2008 the world economy had gone into severe decline and, as we outlined last year, South Hams could not expect to escape its share of problems.

This decline has been realised both nationally and locally and may well have muddied the waters, even in 2008, in looking for the expected fruits of efforts to implement the necessary strategic changes.

4. So we are faced with a double dilemma as regards the year 2008. We keenly want to identify, in the 2008 results, signs that our planning efforts are beginning to work but we have to do this with evidence already infected by the emerging recession.

South Hams in Transition

5. To start on an optimistic note, South Hams's output grew by 6.3 per cent per annum between 1998 and 2008 (although slightly slower in the second half of the decade: 5.4 per cent per annum compared with 7.2 per cent per annum between 1998 and 2003.

6. Between 1998 and 2008 manufacturing output in South Hams grew by 1.4 per cent per annum compared with a national increase of 0.7 per cent per annum. The main area of decline was in the engineering sectors and transport manufacturing.

7. A disquieting new factor has been the flattening off in retailing since 2006 (see Chart 5 in Part II) confirming anecdotal evidence such as shop closures that have become, sadly, the staple diet of our recent local business news. However, the tide may have turned with the arrival or expected arrival of a number of branches of national retailers as yet not represented on South Hams's High Streets.

8. The hotels and catering sector has performed reasonably well thanks mainly to strong growth in eating out. The share of the total output of the sector contributed by eating out has risen from 30.6 per cent in 2003 to 32.4 per cent in 2008.

9. Whilst the business services sector as a whole has performed well the result is due to the good fortunes of many small activities. Apart from the rather complex real estate sector there seems to be little evidence of developments destined to set the sector alight although office services expanded strongly by 12.1 per cent per annum between 1998 and 2008.

10. However, the most encouraging feature of the South Hams economy over the past five years has been the strong and sustained growth in public sector activities. All elements of the sector, public administration, education and health and social services have contributed strongly to these rates of growth particularly over the period 2003 to 2008.

11. With South Hams's output growing by 6.3 per cent per annum between 1998 and 2008, compared with a national rate of 5.4 per cent per annum, the bottom line is that the income per head gap between South Hams and the national average has closed from 28 per cent in 1998 to around 20 per cent in 2008.

Weathering the cyclical storm

12. South Hams is not escaping the effects of the national business downturn provoked by the credit crunch but there are some particular features which make its situation different to that of the national experience.

South Hams's Need for Finance

13. Firstly, the seasonal pattern of many of South Hams's businesses has traditionally required businesses to set aside out of the summer season's earnings enough to see them through the lean winter period and to finance the necessary investments and improvements to their assets ready for the coming year.

14. It would be normal to seek help from the banks by way of loans or the provision of credit facilities if there were a particular financing gap. This seasonal task has been getting more and more difficult in recent years as the tourist sector has performed poorly and increasingly has been unable to finance its own funding needs over the winter.

15. That is why the credit crunch i.e. where liquidity and borrowing facilities have diminished so dramatically or when, where borrowing is possible, prohibitively high rates of interest and other costs of borrowing are being charged, has created a uniquely difficult financing situation for South Hams businesses just at the time when help is most needed.

16. Fortunately the Autumn of 2009 has seen some easement in this position as local banks appear to be making a greater effort to respond to clients' borrowing needs.

The Prospects for South Hams's Consumer Spending

17. The most important driver of economic activity is the growth in consumer spending. In South Hams's case it accounts for some 35 per cent of total spending. The ability of households to spend is determined by the sum of various flows of personal income and levels of saving. Of course the principal determinant of these flows is the overall level of economic activity.

18. However, to examine this important area further, the following table shows the key sources of household income.

Devon and National
Sources of Household Income as % of Total Household Income 2007

	National	Devon
Compensation of Employees	57.2	48.8
Mixed Incomes	12.6	16.1
Property Income		
Interest	4.1	4.4
Dividends	3.5	3.7
Other	0.8	0.0
Social Benefits	17.5	22.1
Pensions	4.3	4.9
Total Household Income	100.0	100.0

19. Nationally the most important source of incomes is compensation of employees - the level of the wage and salary bill in old fashioned terms. This figure is affected by the numbers in employment and by the level and changes in wages and salaries. The second primary source of income is now called mixed incomes but is predominantly made up of self-employment income; the incomes of, say, small traders and farmers. This total also varies according to the number self employees engaged in economic activity although numbers tend not to be too sensitive to movements in the business cycle. The principal variant in a downturn is the level of incomes.

20. Besides these primary flows of income there is a large number of secondary income flows between different sectors. For instance, households lend money to other sectors such as the government in the form of, for example, national savings or in holding government stocks. Or they invest in the corporate sector in the form of equity investments. In all these cases households expect to receive an income stream from their savings.

21. Finally there are other sources of income to take into account that benefit household accounts, notably the receipt of income from pensions and social benefits.

22. It is clear that the way a region is affected by a recession to some extent depends on its household income profile. For example, the first column of the table above shows the profile for the nation as a whole. But the second column in contrast, shows the position for Devon (figures for South Hams on this basis are not available but, if they were, they would most likely serve to highlight even further the difference with the national position).

23. The ratios for Devon (and South Hams) are all significantly different from the national average. South Hams, because of its industrial profile (a much smaller manufacturing sector, for example) derives substantially less of its household income from the compensation of employees. This source of income is, of course, affected by levels of employment and even in South Hams's case, suffers during a recession but has slightly less effect locally than at national level. On the other hand, South Hams has a much higher proportion of self-employed workers than nationally and thus derives a higher proportion of its household income from self-employment. Numbers in self-employment are not significantly affected by a downturn in the economy but the main effect is in loss of incomes due to the adverse trading conditions.

24. Because of the higher proportion of retired persons in South Hams a greater proportion than nationally of household income comes from investment income and pensions. This is also reflected in the comparisons in the table above. So, indirectly, South Hams residents feel the impact of poorer national industrial performance and national interest rate policy.

25. Finally, because the relatively low level of incomes in South Hams generally the area is in receipt of a higher proportion of social benefits than nationally; 22.1 per cent for Devon compared with 17.5 per cent for the county as a whole.

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Exports of manufacturing sector

26. One positive national trend at present, and it is one that South Hams's manufacturing sector should also benefit from, is the favourable movement in exchange rates which is making exports more profitable and slowing down the growth in imports. Although the

manufacturing sector is now only 6.1 per cent of the total economy it contains a number of firms, particularly in the engineering sector, well able to hold their own in world markets.

Tourism

27. We have yet to find out whether numbers of visitors to South Hams will be affected by the recession. A national trend towards taking holidays at home could well help, but as income and jobs are squeezed nationally, people may put off having a holiday at all. However, it is commonplace to argue that the time to invest is during the downturn of the economy in order to prepare for the upturn. This is more easily said than done particularly when bank lending is scarce. But there are signs that the tourist sector is continuing to respond successfully to the need for change despite the adverse economic conditions. An interesting example of the results of the pressure for change in the type of product being offered is the arrival of the “Travel Lodge” type of hospitality service which already is already flourishing in a way which suggests it is well attuned to contemporary demands by offering, as it were, ”impulse accommodation. ” Another example is the growth of the type of eating facilities associated with the brewing chains. Now to be found in a number of hotels and eating houses this fixed menu style of eating out seems to be increasingly popular.

Public Sector Activity

28. The vital role of the public sector to the South Hams economy must not be overlooked. The three key areas of education, health and social services and public administration have been by far and away the main drivers of growth over the past five years (see Table 1 in Part II). In total the three sectors employ some 24 per cent of South Hams's workforce. Moreover, all three sectors have grown in terms of value added by 8.1 per cent per annum between 2003 and 2008.

Conclusions

29. For all the reasons given above, South Hams will not be immune from the national recession. But there are some mitigating factors. We are less dependent on income from manufacturing and our retired households, whilst they are suffering from low interest rates, have a degree of income stability not enjoyed by households at large.

30. However, the most worrying question is the degree of dependence of South Hams households on sources of income derived from the public sector. Table 1 in Part II shows not only the size of the contribution of the public sector to gross value added, some 14 per cent of total gross value added, but also its very rapid growth between 2003 and 2008, averaging 8.1 per cent per annum compared with a rate of 5.4 for the economy as a whole over the same period. Also, as the table above shows, approximately 22 per cent of household income comes from social benefits compared with only 17 per cent nationally. Given the inevitability of major structural changes to public finances to reduce the public debt, it is hard to see how South Hams can avoid a significant worsening in incomes over the next two or three years.

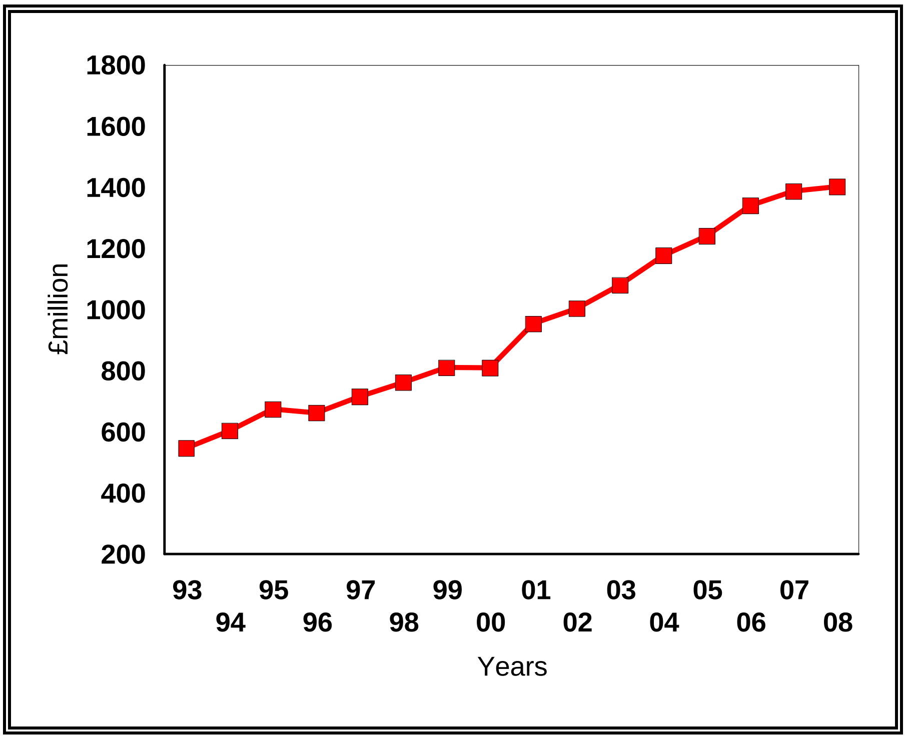
PART III

31. The rest of this report examines in greater detail the movements in the South Hams economy over the period from 1998 to 2008.

32. The growth in output of 6.3 per cent per annum between 1998 and 2008 was comfortably above the national rate of 5.4 per cent per annum over the past decade (see Table 2). South Hams's growth rate was 7.2 per cent per annum between 1998 and 2003 but fell back to 5.4 per cent per annum between 2003 and 2008, giving an overall rate of growth for the decade of 6.3 per cent per annum. The trend in output is shown in the following chart of South Hams's gross value added between 1993 and 2008.

CHART 1

SOUTH HAMS
Gross Value Added



33. The industrial composition of the growth in output has also changed significantly when comparing the period 1998 to 2003 with that of 2003 to 2008. In the former period growth was maintained principally by the construction, business service activities and the telecommunications sectors. whilst in the latter period growth was attributable to sustained growth in the business services sector and healthy rates of growth in the public sector.

34. With overall growth in the South Hams economy running at 6.3 per cent per annum, well above the national rate of growth of 5.4 per cent per annum, South Hams' gross value added per head expressed as a ratio of the national level has risen significantly from 72.3 per cent in 1998 to 79.5 per cent in 2008.

35. The measure of gross value added per head is used by central government as its main basis of comparison of regional and county variations. Although Devon as a whole fares relatively badly compared with the national average, South Hams is one of the more favourable comparisons.

36. 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.

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

38. 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 2007 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 7.5 per cent (92.5 per cent) when comparing total household income per head

39. The following table (Table 1) summarises the movements over the decade of the principal industrial sectors. The weak growth in manufacturing overall with a fall between 2003 and 2008 of 0.7 per cent per annum was partly offset by a strong growth in agriculture benefiting from a rise in farm incomes in 2008. There was also strong rises in distribution, transport and communications, business services and the public sector.

TABLE 1

SOUTH HAMS
Growth in Gross Value Added at Basic Prices

	1998 £m	2003 £m	2008 £m	1998/2003 % pa	2003/2008 % pa	1998/2008 % pa
Agriculture/Forestry	16.9	30.4	36.1	12.5	3.5	7.9
Fishing	3.3	4.7	6.3	7.5	6.1	6.8
Mining and Quarrying	7.4	6.3	5.3	-3.2	-3.3	-3.3
Manufacturing	136.2	162.1	156.7	3.6	-0.7	1.4
Electricity/Gas/Water	0.8	7.3	4.3	57.6	-10.1	19.0
Construction	76.6	109.5	124.1	7.4	2.5	4.9
Wholesale/Retail/Repair	123.3	149.7	216.0	4.0	7.6	5.8
Hotels and Catering	76.1	98.1	120.3	5.2	4.2	4.7
Transport & Communication	24.8	64.9	83.4	21.2	5.1	12.9
Financial Services	16.5	13.6	21.1	-3.8	9.1	2.4
Real Estate/Business Activities	156.2	230.7	343.7	8.1	8.3	8.2
Public Admin/Defence/Soc Sec	16.0	39.1	45.7	19.6	3.2	11.1
Education	27.0	36.7	57.7	6.3	9.5	7.9
Health & Social Work	41.0	63.2	101.4	9.0	9.9	9.5
Other Community Services	40.3	64.1	80.2	9.7	4.6	7.1
Gross Added Value	762.4	1,080.4	1,402.3	7.2	5.4	6.3

40. 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 1998 and 2008. The table also shows that, although still falling, the proportion taken by manufacturing (11.2 per cent) remains close to the national average (12.8 per cent). Hotels and catering and distribution were significantly higher than the national average.

TABLE 2

SOUTH HAMS AND NATIONAL
Composition of Output 2008 and Rates of Growth 1998-2008
(per cent and per cent per annum)

	South Hams % Share of Output 2008	South Hams Rate of Growth of Output 1998/2008	National[11] % Share of Output 2008	National[1] Rate of Growth of Output 1998/2008
Agriculture and Forestry	2.6	7.9	0.9	2.4
Fishing	0.5	6.8	0.0	-0.4
Mining and Quarrying	0.4	-3.3	1.5	2.2
Manufacturing	11.2	1.4	12.8	0.7
Electricity/Gas/Water	0.3	19.0	1.5	1.8
Construction	8.9	4.9	6.0	6.8
Distribution	15.4	5.8	12.0	5.1
Hotels and Catering	8.6	4.7	3.3	6.4
Transport and Communication	6.0	12.9	8.1	5.2
Financial Services	1.5	2.4	3.8	9.7
Real Estate/Business Activities	24.5	8.2	26.7	7.6
Public Administration	3.3	11.1	5.0	5.1
Education	4.1	7.9	5.8	5.9
Health and Social Work	7.3	9.5	7.4	6.9
Other Community Services	5.7	7.1	5.3	6.3
Gross Value Added at Basic Prices	100.0	6.3	100.0	5.4

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

41. 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 late 1990s. Hotels and catering has slightly declined in terms of share over the whole decade. The share taken by business services has steadily increased over the past five years.

TABLE 3

SOUTH HAMS
Change in the Composition of Output 1998-2008 (%)

Measured by Output	**1998**	**2003**	**2008**
Agriculture/Forestry	2.2	2.8	2.6
Fishing	0.4	0.4	0.5
Mining and Quarrying	1.0	0.6	0.4
Manufacturing	17.9	15.0	11.2
Electricity/Gas/Water	0.1	0.7	0.3
Construction	10.0	10.1	8.9
Distribution	16.2	13.9	15.4
Hotels and Catering	10.0	9.1	8.6
Transport and Communication	3.3	6.0	6.0
Financial Services	2.2	1.3	1.5
Real Estate/Business Activities	20.5	21.3	24.5
Public Admin/Defence/Soc Security	2.1	3.6	3.3
Education	3.5	3.4	4.1
Health	2.6	2.8	3.6
Social Services	2.8	3.1	3.7
Sanitary Services	0.4	0.2	0.2
Other Services	4.9	5.7	5.5
Gross Added Value at Basic Prices	100.0	100.0	100.0

42. 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 grown steadily between 1998 and 2008.

TABLE 4

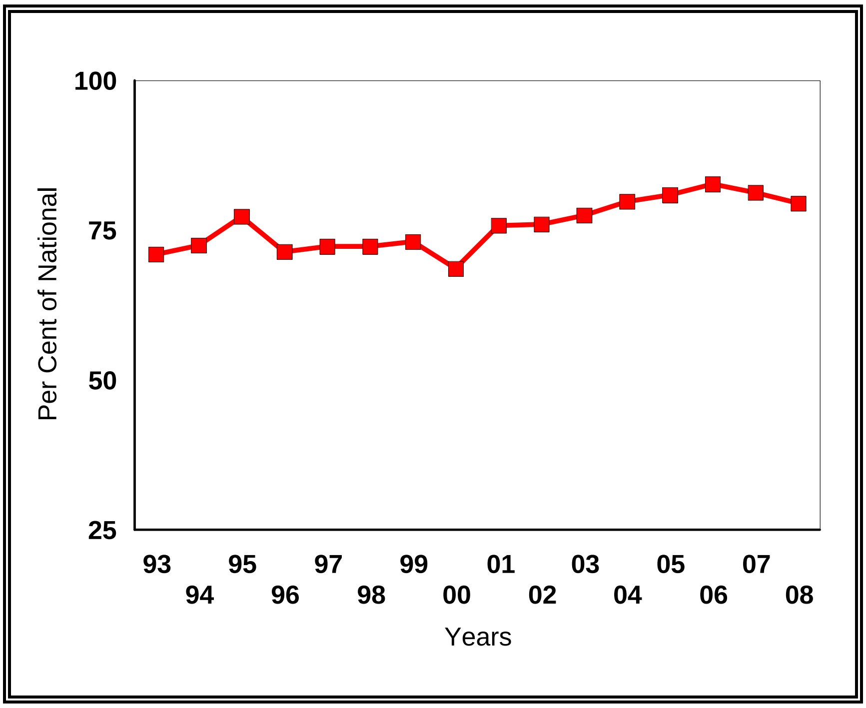
SOUTH HAMS AND NATIONAL
Comparison of Per Capita Income

Gross Value Added per Head (£)	1998	2003	2008
South Hams	9,447	13,208	16,794
National	13,060	17,043	21,119
South Hams as a % of National	72.3	77.5	79.5

43. 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. However, the ratio has begun to decline since 2006.

CHART 2

SOUTH HAMS
Gross Value Added per Head Relative to National %



44. 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 fractionally higher proportion of women employees and significantly higher proportions of 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 2008	National 2008
Per capita income (£)	16,794	21,119
% Gap with National	79.5	0.0
Women as % of total employees	48.9	48.8
Part-time as % of total employees	36.1	25.3
Services as % of total employees	80.0	88.8
Self-employees as % of total labour force	26.4	13.7
Labour force as % of total population	55.2	48.0
Labour force per capita income (£)	30,442	44,029
% Gap with National	69.1	0.0

45. 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 2.1 per cent per annum between 2003 and 2008. The comparable figure for part time employees was 12.5 per cent per annum.

TABLE 6

SOUTH HAMS
Gross Added Value at Basic Prices Measured by Income

	1998 £m	2003 £m	2008 £m	1998/2003 % pa	2003/2008 % pa	1998/2008 % pa
Compensation of Employees	382.4	568.4	748.4	8.0	7.2	7.6
Mixed Incomes	192.9	281.7	363.3	7.1	6.6	6.8
Taxes less Subsidies	16.6	21.5	27.1	5.8	4.5	5.2
Operating Surplus and Rents	170.5	208.8	263.5	4.6	5.7	5.2
Gross Value Added at Basic Prices	762.4	1,080.4	1,402.3	7.0	6.7	6.8

46. 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

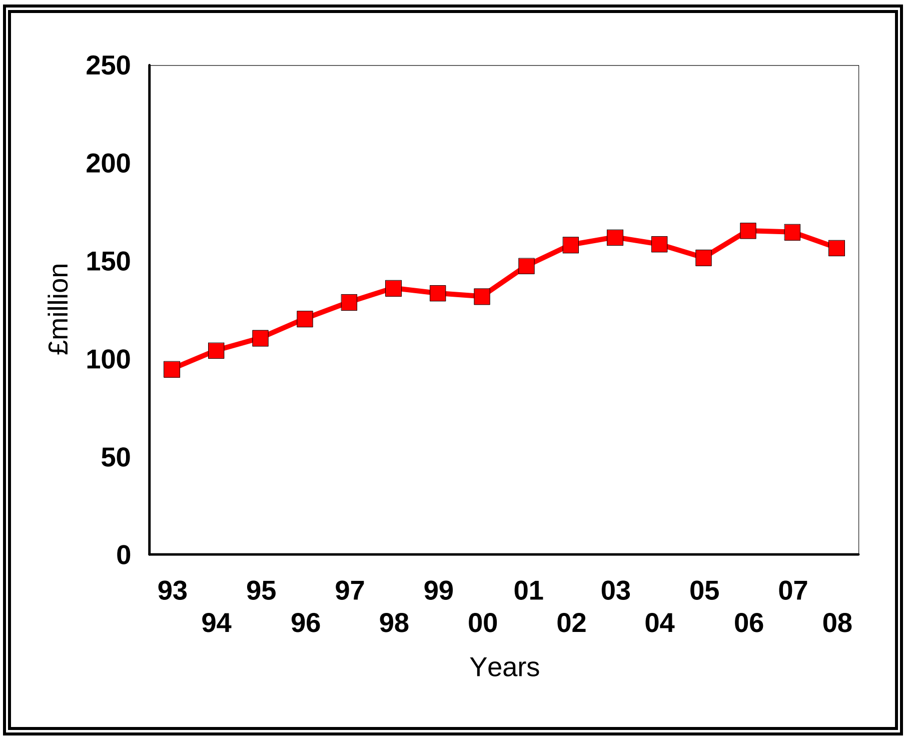
	1998 £m	2003 £m	2008 £m	1998/2003 % pa	2003/2008 % pa	1998/2008 % pa
Consumers' Expenditure	654.6	823.4	1,030.5	4.1	5.2	4.6
Public Expenditure	149.6	264.4	382.9	6.4	15.8	11.0
Investment	141.0	225.8	289.0	11.5	5.6	8.5
Exports of Goods/Services	792.7	1,085.4	1,265.6	7.0	4.0	5.5
Total Final Expenditure	1,737.9	2,399.0	2,967.9	6.2	5.8	6.0
Less Imports Goods/Services	975.2	1,335.0	1,610.2	6.4	5.1	5.7
GDP (market prices)	762.7	1,064.0	1,357.7	5.9	6.8	6.4
Factor Cost Adjustment	116.5	152.2	191.3	5.1	5.3	5.2
GDP (factor cost)	646.2	911.7	1,166.4	6.1	7.0	6.6

Manufacturing

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

CHART 3

SOUTH HAMS
Manufacturing Output



48. The following table (Table 8) gives more detail of the manufacturing sector. It shows that the sector showing a very strong rate of growth and contributing substantially to the sector was timber and furniture with a rate of growth of 11.4 per cent per annum and taking 12.5 per cent of the total output of the sector in 2008.

TABLE 8

SOUTH HAMS
Net Output of the Manufacturing Sector (%)

	1998	2003	2008	1998/2008 % pa
Food, Drink & Tobacco	10.2	10.3	7.6	-1.5
Clothing	1.7	1.5	1.5	0.2

Leather & Footwear	0.2	0.3	0.5	10.2
Timber & Furniture	4.9	8.9	12.5	11.4
Paper & Publishing	19.9	16.3	17.8	0.3
Chemicals	1.3	2.4	5.1	16.2
Rubber & Plastic	8.4	10.0	13.1	6.0
Non-metal Manufacturing	3.6	2.8	1.6	-6.6
Metal Manufacture	1.6	1.1	1.6	1.7
Other Metal Manufacturing	5.2	5.6	5.4	1.8
Mechanical Engineering	6.9	5.7	6.2	0.4
Electrical Engineering	14.8	13.5	12.1	-0.6
Instrument Engineering	4.8	3.3	2.8	-3.7
Transport Manufacturing	13.7	17.2	10.2	-1.6
Other Manufacturing	2.8	1.1	2.0	-2.0
Total Manufacturing	100.0	100.0	100.0	1.4

Food and drink manufacturing

49. The following table (Table 9) gives more detail for the food and drink manufacturing sector. Although growth in the sector fell overall by 1.5 per cent per annum between 1998 and 2008 the actual composition has varied sharply from year to year. Currently (2008) most components of the sector contribute to the overall performance.

TABLE 9

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

	1998	2003	2008
Meat and Meat Products	0.8	0.2	4.6
Fish	3.2	2.8	10.1
Fruit and Vegetables	6.4	3.5	18.2
Oils and Fats	0.0	0.0	0.3
Dairy Products	42.6	42.7	16.6
Ice Cream	27.9	29.4	7.5
Grains and Starches	0.5	0.0	0.0

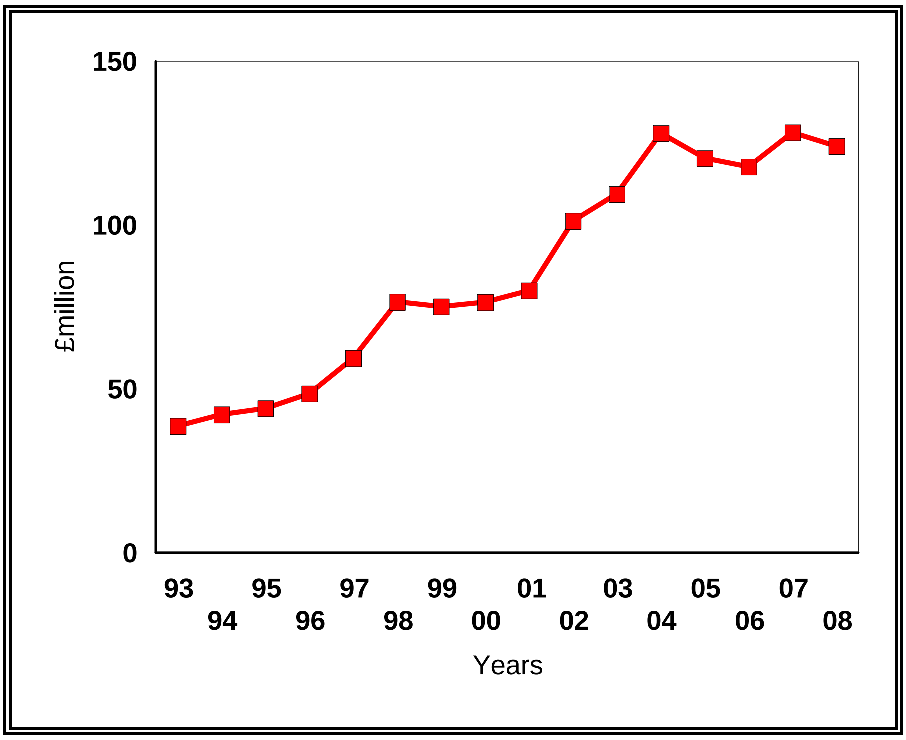
Animal Foods	0.6	0.3	1.5
Bread and Biscuits	11.5	7.2	12.0
Sugar and Cocoa	0.0	1.0	0.8
Other Foods	2.5	8.4	6.7
Alcohol	2.7	1.6	7.4
Soft Drinks	1.2	3.0	14.3
Tobacco	0.0	0.0	0.0
Total	100.0	100.0	100.0

Construction

50. 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

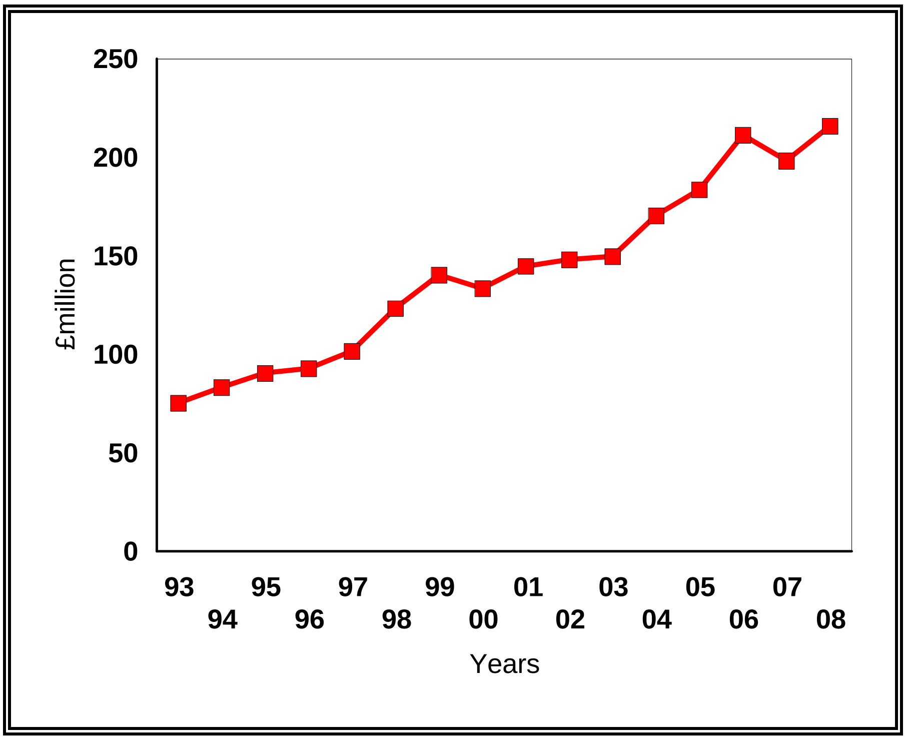


Distribution

51. The following chart (Chart 5) indicates a steady growth in the distribution (wholesale and retailing) sector of 5.8 per cent per annum between 1998 and 2008 although with a flattening out from 2006.

CHART 5

SOUTH HAMS
Distribution Output



Tourism

52. 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 1998 and 2008 the wider definition of tourist income rose slightly more slowly than the hotels and catering sector itself. The total value of tourist income in 2008 appears to be about £330 million.

53. The output of the hotels and catering sector grew by 4.7 per cent per annum between 1998 and 2008 significantly below the rate for the sector in the total economy with a slowing down in the second half of the decade (see Table 1).

54. 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

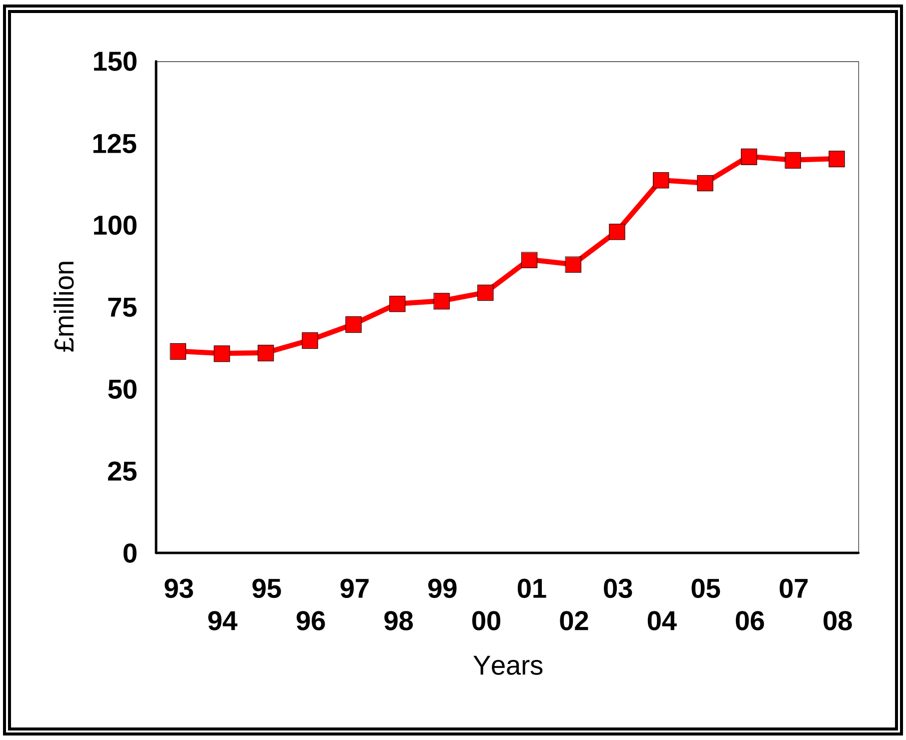
SOUTH HAMS
Net Output of the Hotels and Catering Sector (%)

	1998	2003	2008	1998/2008 % pa
Hotels with Restaurants	24.4			
Hotels without Restaurants	15.7			
All Hotels	40.1	36.3	35.6	3.4
Camping Sites	3.0	1.5	4.5	8.9
Other Lodgings	26.6	25.6	25.8	4.4
Restaurants, Cafés, etc	13.0	14.0	14.7	6.0
Bars	14.6	16.6	17.7	6.7
Catering Contractors	2.7	5.9	1.8	0.3
Total	100.0	100.0	100.0	4.7

55. 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 flattened out since 2004.

CHART 6

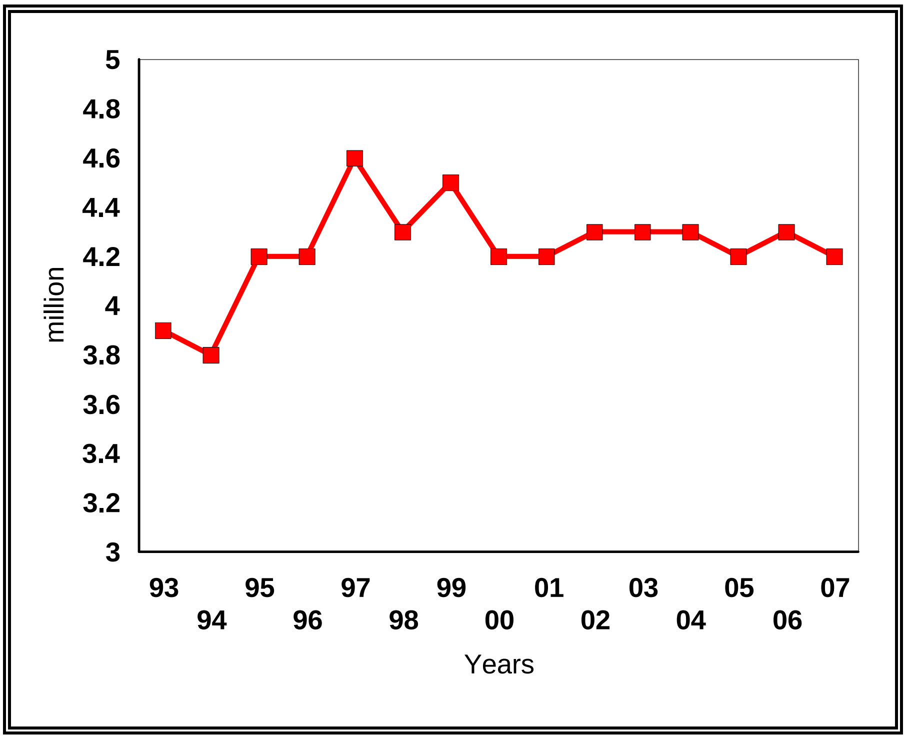
SOUTH HAMS
Hotels and Catering Output



56. 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 a stagnant picture through to 2007.

CHART 7

SOUTH HAMS
Tourist Nights



57. A significant feature of the statistics for the county as a whole is shown in the following table (Table 11). In the earlier period, 1998 to 2003, 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, 2003 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)

	1998/2003	2003/2007	1998/2007
Exeter	6.3	-3.1	2.0

Plymouth	4.2	1.6	3.0
Torridge	1.4	2.0	1.7
West Devon	1.3	2.2	1.7
Mid Devon	3.8	1.7	2.8
North Devon	-0.2	0.4	0.1
South Hams	-0.1	-0.4	-0.3
East Devon	1.4	-0.3	0.6
Teignbridge	-1.5	-0.6	-1.1
Torbay	-0.2	-1.7	-0.8
Total	0.3	-0.3	0.1

58. 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 1998 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
1998	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

59. 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.

60. 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 per cent. However, there are strikingly different trends within the total. For example, the decline in visitor nights with up to 20 bedspaces was 24.6 per cent - twice the average for the sector as a whole. Hotels with between 21 and 100 bedspaces fared slightly less badly with a decline of 18.9 per cent. However, the largest category of hotels, 100 plus bedspaces, actually enjoyed an increase in visitor nights of 0.5 per cent.

61. 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 bedspaces 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.

62. 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

63. The following table (Table 13) gives more detail for the finance and business services sector which grew by 7.8 per cent per annum between 1998 and 2008. It shows the dominant role of real estate activities. Banking services have steadied out as a share since 2003. Over the whole decade the main drivers were the professional services. Computer services continue to grow steadily and the base is beginning to get larger.

Table 13

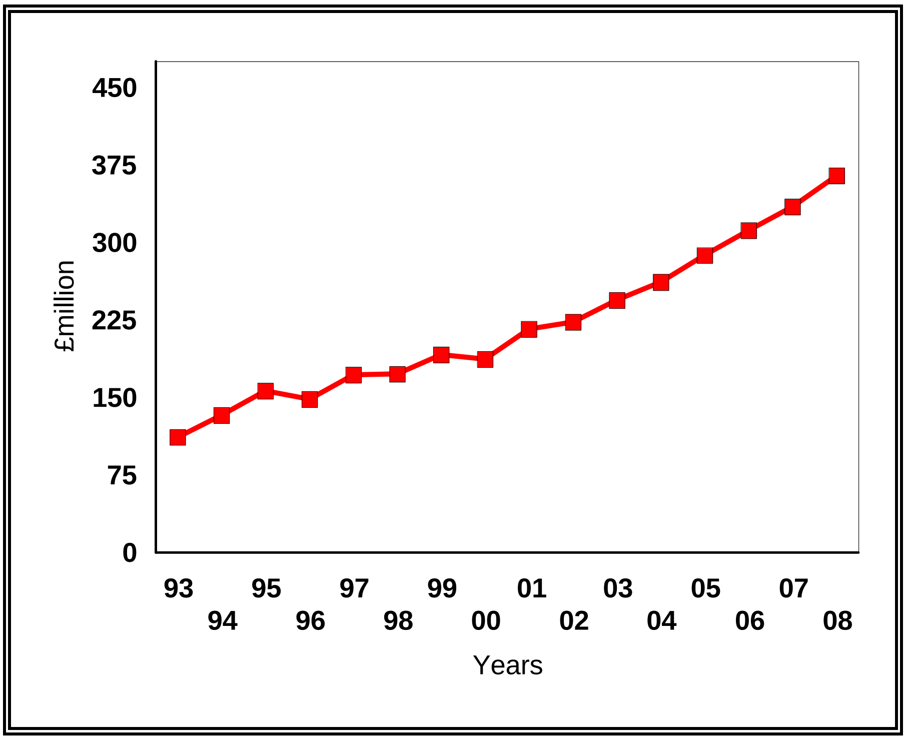
SOUTH HAMS
Net Output of the Business Services Sector (%)

	1998	2003	2008	1998/2008 % pa
Banking/Finance	4.3	2.7	2.5	2.0
Insurance	2.7	1.1	1.4	0.8
Insurance Brokers	2.6	1.8	1.9	4.5
Real Estate Activities	56.0	54.8	50.3	6.6
Rent Moveables	1.7	1.7	1.6	7.1
Computer Services	6.0	7.4	6.4	8.5
Research & Development	0.3	0.1	0.1	-10.3
Legal Services	3.3	3.6	3.0	6.8
Accountants	4.6	5.9	4.9	8.3
Market Research	0.2	0.2	0.2	10.5
Management Consultants	1.5	3.4	3.4	17.2
Architects	5.1	7.0	7.0	11.3
Advertising	0.4	0.6	0.6	12.2
Other Business Services	11.4	9.9	16.8	12.1
Total	100.0	100.0	100.0	7.8

64. The following chart (Chart 8) shows the steady growth in the output of the business services sector through 1993 to 2008. The average growth over the decade ending in 2008 was 7.8 per cent per annum.

CHART 8

SOUTH HAMS
Output of Business Services



The public sector

65. 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 took place in the schools sector. In the case of the health and social services sector, which showed an increase in numbers employed between 2003 and 2008 of 843, half of the expansion was in the hospital and GP sectors. Employment in the social services sector showed an increase of 452.

CHART 9

SOUTH HAMS
Output of the Education Sector

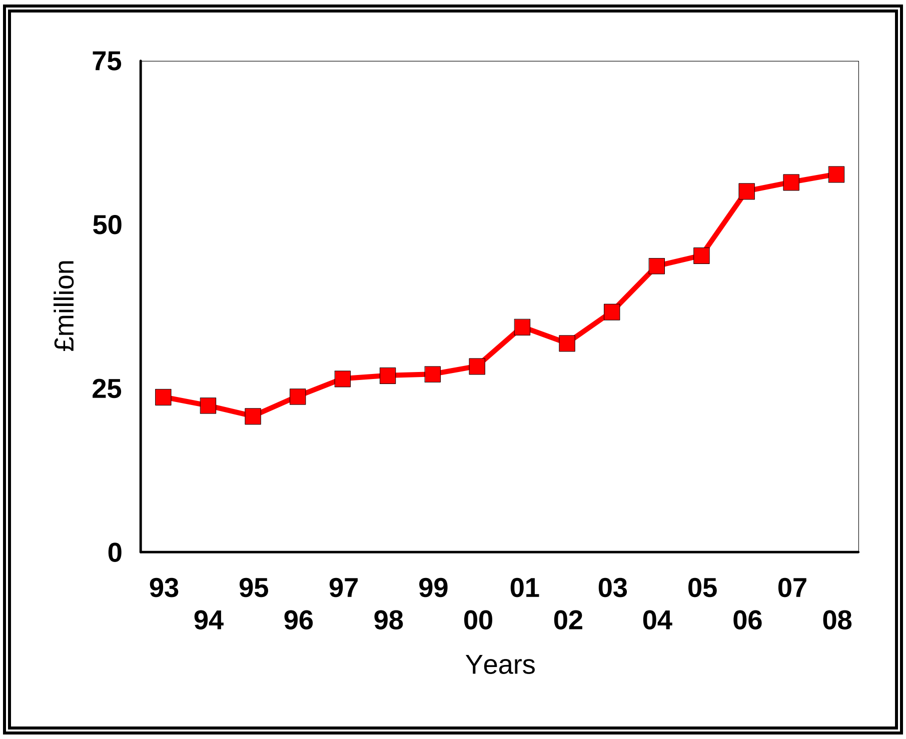
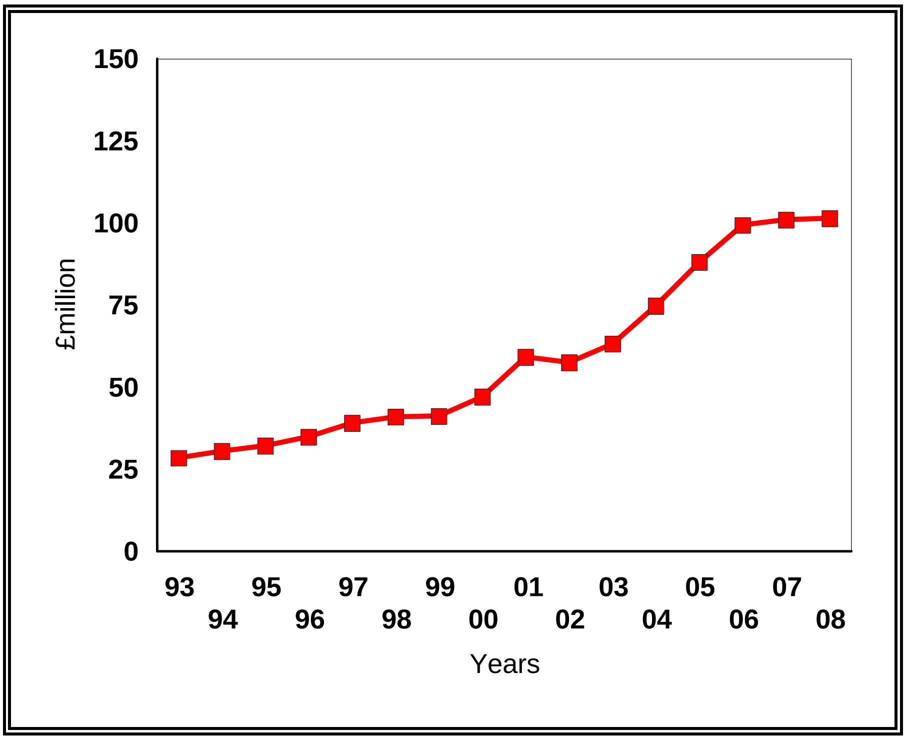


CHART 10

SOUTH HAMS
Output of the Health and Social Work Sectors

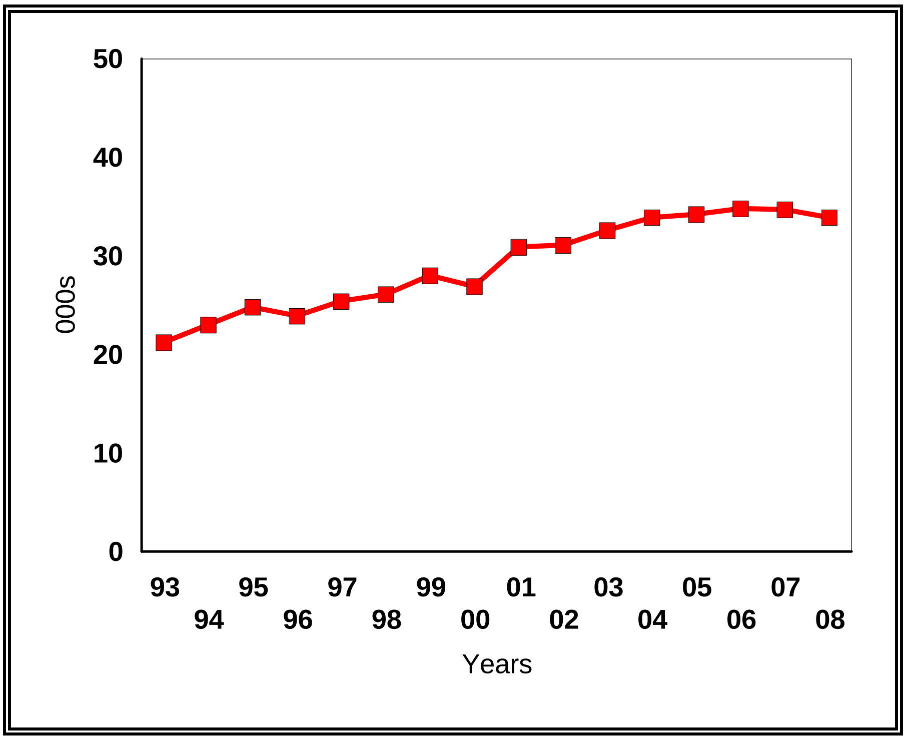


Employment

66. The chart (Chart 11) below shows the movement in South Ham's total employment. The decade has shown a rate of growth of 2.7 per cent per annum with a faster rate between 1998 and 2003 (4.5 per cent per annum) compared with 0.8 per cent per annum between 2003 and 2008. There was an slight fall in numbers in employment in 2008.

CHART 11

SOUTH HAMS
Growth in Employment



67. Numbers in employment increased by 1346 between 2003 and 2008. There was a drop in manufacturing numbers of 1220, the loss falling wholly on full time jobs both male and female. The growth area was the service sector, with an increase of 2648, all were full time. Of the total increase of 1346 between 2003 and 2008, there was an overall increase of 1310 full time jobs. The main beneficiary sector of the increase in part time jobs was the agriculture sector. Of the total change, there was a increase in male numbers of 833 and an increase in female numbers of 513. Of the increase in part time jobs of 36, there was an increase of 55 in male employment and fall of 19 in female employment.