



2010 Gross Value Added in Lincolnshire

March 2012



Other documents in this series:

1. 2008 Gross Value Added in Lincolnshire
2. 2009 Gross Value Added in Lincolnshire

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1. Business in Lincolnshire

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Introduction

Gross Value Added (GVA) is a key measure of economic performance and is equal to the value generated by any production activity.

Below the national level GVA is measured using the income approach. This involves adding up the income generated by resident individuals or corporations in the production of goods and services and deducting the cost of assets used up in the process of production.

Statistics on GVA are released by and sourced from the Office for National Statistics.

Key Findings:

- Levels of GVA in 2009 were similar to those recorded in 2007 highlighting the impact of the recession and economic downturn during 2008 and 2009.
- Between 1999 and 2009 the Lincolnshire economy grew by 50% (£3.3bn) compared to increases of 49% and 53% at the regional and national levels.
- GVA per head of population in Lincolnshire increased by 36% between 1999 and 2009 to £14,296 but is still only 70% of the national GVA per head.
- Based on GVA per hours worked, Lincolnshire's rate is 78% of the national rate.

Total GVA

Referring to figure 1 below, the latest available data on GVA for Lincolnshire shows that the county economy was worth approximately £10bn in 2009. This though is approximately £200m less than it was in 2008 and in line with the level of GVA recorded in 2007. This pattern can be seen across all areas and highlights the impact of the recession and economic downturn during 2008 and 2009.

Figure 1: Total GVA (£bn)

Geography	1999	2000	2007	2008	2009	2010
United Kingdom	822.9	864.0	1,252.6	1,283.9	1,256.9	1,301.1
East Midlands	52.2	54.0	78.3	79.5	78.0	81.1
North & North East						
Lincolnshire	3.9	3.9	5.5	5.5	5.4	-
Lincolnshire	6.6	6.9	10.0	10.2	10.0	-



This recent contraction aside, between 1999 and 2009 the Lincolnshire economy grew by 50% (£3.3bn) compared to increases of 49% and 53% at the regional and national levels.

GVA per head

Taking an areas GVA and dividing it by its resident population (GVA per head) is a fairer and more useful way of comparing areas of different sizes and is an important indicator for both domestic and European policy purposes.

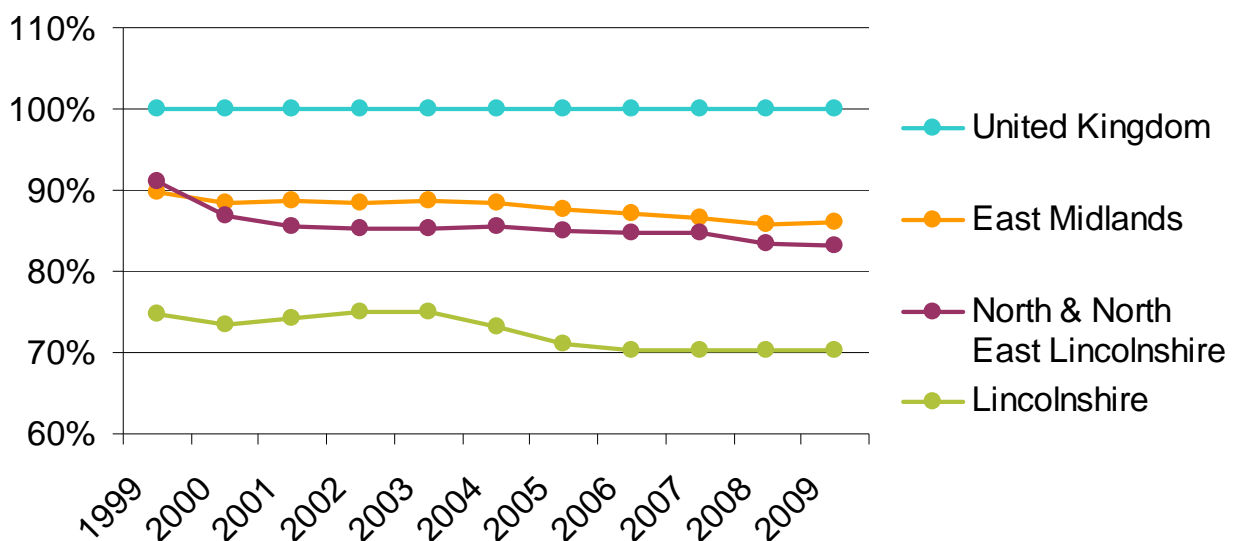
Referring to figure 2 below, GVA per head of population in Lincolnshire increased by 36% between 1999 and 2009 to £14,296. This growth though was less than regional (39%) and national (45%) rates of growth.

Figure 2: Total GVA per head of population

Geography	% Population change (1999-2009)	% GVA per head change (1999-2009)	GVA per head 2009
United Kingdom	5%	45%	£20,341
East Midlands	7%	39%	£17,519
North & North East Lincolnshire	3%	33%	£16,938
Lincolnshire	10%	36%	£14,296

Figure 3 below demonstrates this further, showing that as a percentage of the UK average Lincolnshire's GVA per head has fallen from 75% in 1999 to 70% in 2006 and has remained at this level. As a result, and based on this measure of GVA per head the county remains in the bottom five performing areas nationally along with Merseyside, Tees Valley and Durham, Cornwall and the Isles of Scilly, and West Wales and The Valleys.

Figure 3: GVA per head (as percentage of UK Rate)



This has been the case since the reform of the Common Agriculture Policy (CAP) in 2004. From 2005 onwards the allocation of CAP subsidies were reclassified from products to production, and the latter is excluded from GVA. This led to a large fall in agricultural GVA in



Lincolnshire. With a significant agricultural industry in the county this meant a larger effect on its overall GVA than in some other areas.

GVA per hours worked / jobs filled

Whilst GVA per head is the preferred measure of economic performance by national government and European institutions, it too has its limitations as recognised in a recent paper by the Office for National Statistics entitled 'Sub-national Productivity' (released October 2011).

As GVA per head divides the GVA of an area by its total resident population including those who are economically inactive, the use of total population is not a true reflection of the labour input to the production of the areas output. For Lincolnshire, this is particularly the case when we consider the make up of the county population with above average proportions of the population aged 65 plus and growing.

ONS concluded that measures of GVA per hours worked and GVA per job filled were more accurate measures of an areas productivity and that there was also a strong correlation between the two measures. On this basis ONS presented results for GVA per hours worked only. Using this measure Lincolnshire fares slightly better when compared nationally at 78% of the national rate and is narrowly lifted out of the bottom five performing areas.

GVA by Industry

The demographic make-up of the county with its greater proportion of people aged 65 and over is the not the only reason why Lincolnshire lags behind most other areas of the country on GVA.

Figure 4: Lincolnshire GVA by industry 2009

Industry	£m	%
Agriculture, forestry and fishing	429	4%
Production	1,861	18%
Construction	845	8%
Distribution; transport; accommodation and food	2,368	23%
Information and communication	200	2%
Financial and insurance activities	229	2%
Real estate activities	638	6%
Business service activities	902	9%
Public administration; education; health	2,328	23%
Other services and household activities	302	3%

Figure 4 above shows that nearly half of Lincolnshire's GVA is generated by the public sector (Public administration, education & health) and the industries of Distribution, Transport, Accommodation and Food combined. Less than a fifth of the county's GVA is provided by financial and business service activities, key components of higher GVA economies.



Notes on producing GVA information

- GVA measures the contribution to the economy of each individual producer, individual or sector and is the difference between output and intermediate consumption for any given sector/industry. That is, GVA is the value of goods or services as they leave a sector or area, minus the cost of inputs used to produce them.
- Headline GVA estimates are calculated using a 5 year moving average technique which means identifying recent change would be difficult. To reach an estimate of GVA at a local level, national GVA figures are disaggregated using guides such as numbers of firms or employment. This 'top-down' method is not ideal since it does not take account of the variations in productivity from one firm to the next, regardless of how comparable they are in terms of size and activity.
- GVA also does not include pension income or social security benefits which supplement incomes. Therefore in an area with a relatively high proportion of retired people and benefits claimants, Gross Disposable Household Income (GDHI) would arguably provide a more meaningful measure of local prosperity.

Indexing 2012

D.	Drivers for Change	6.	Environment
1.	Business and Industry	7.	Health and Care
2.	Crime & Safety	8.	Housing
3.	Deprivation	9.	Labour Market
4.	Economy	10.	Population
5.	Education, Skills and Training	11.	Unemployment



Using the reference system to the left, readers can identify how this document fits into sequence. The blue number/letter in the circle relates to the indexing reference. The white number in the blue square is the document edition number.

