

Cornwall and the Isles of Scilly LEP: Strategy and Business Plan

Evidence Base Papers: 4 – Employment and GVA
projections for Cornwall and the Isles of Scilly

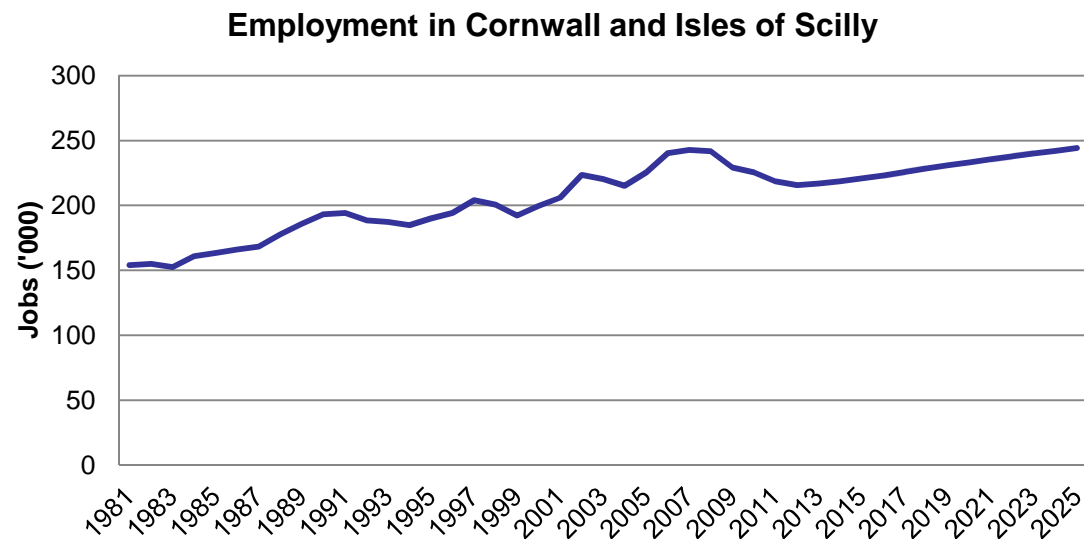
Prepared by SQW
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Introduction and overview: LEFM

- As an input to the emerging evidence base, the LEP commissioned **Cambridge Econometrics (CE)** to prepare a set of employment and GVA projections for Cornwall and the Isles of Scilly extending forward to 2025
- The projections are based on CE's **Local Economy Forecasting Model (LEFM)**
- LEFM is widely used and compared to other models, it is sophisticated, **but** it is only a model: its basic outputs are **projections**, not **forecasts**
- LEFM takes as its starting point the sectoral structure of a local economy. It examines past relative patterns of sectoral performance locally
- Informed by national forecasts, it then extrapolates forward to derive local area projections
- Modelled outputs are affected by input assumptions. Moreover they cannot anticipate the activities of individual firms (which may be significant)
- LEFM projections are a guide to – and one view of – the future; they are **not a calibrated forecast**

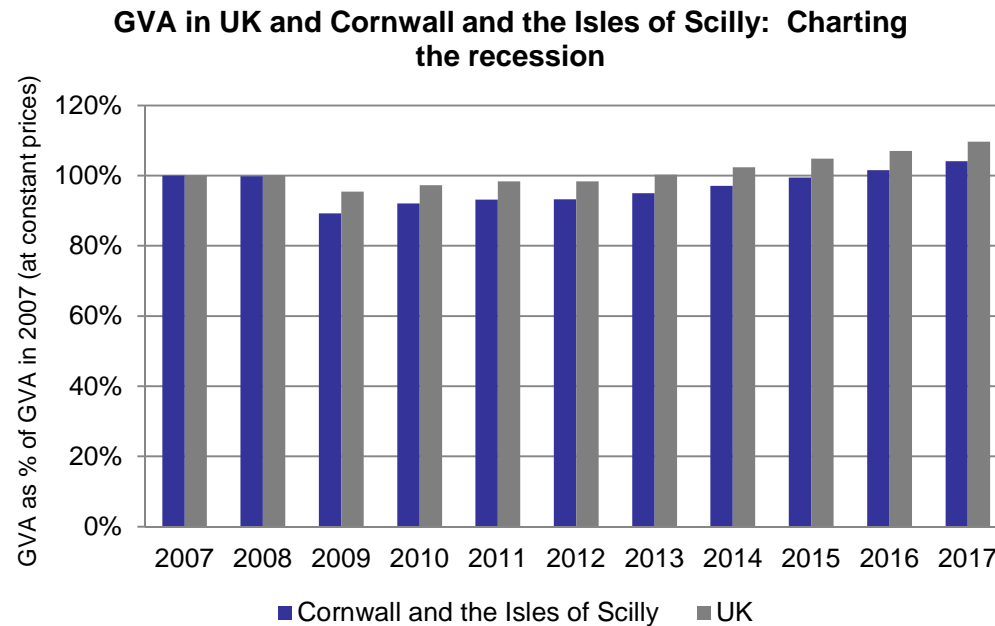
Headlines from LEFM: Employment

- In Cornwall and the Isles of Scilly:
 - employment grew steadily prior to the recession: there were almost 100,000 more jobs in 2007 (peak year) as compared to 1983
 - from 2007 to 2012, CE projects that the number of jobs will fall by over 27,000
 - although jobs growth is projected from 2012, the total number of jobs is not expected to return to pre-recession levels until 2024
- In the UK, employment peaked in 2008 (a year later) but the number of jobs is projected to return to pre-recession levels by 2019



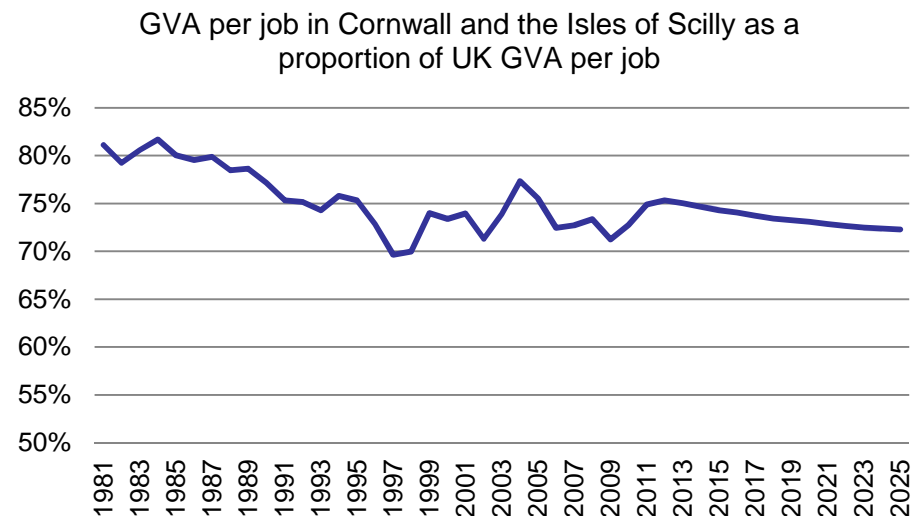
Headlines from LEFM: GVA (at 2006 prices)

- In Cornwall and the Isles of Scilly:
 - GVA peaked pre-recession in 2007 at £6.59bn (in 2006 prices)
 - the economy contracted subsequently: it is not expected to return to pre-recession GVA levels until 2015
- The UK economy contracted less severely than that of the LEP area. Its GVA is forecast to return to pre-recession levels by 2013



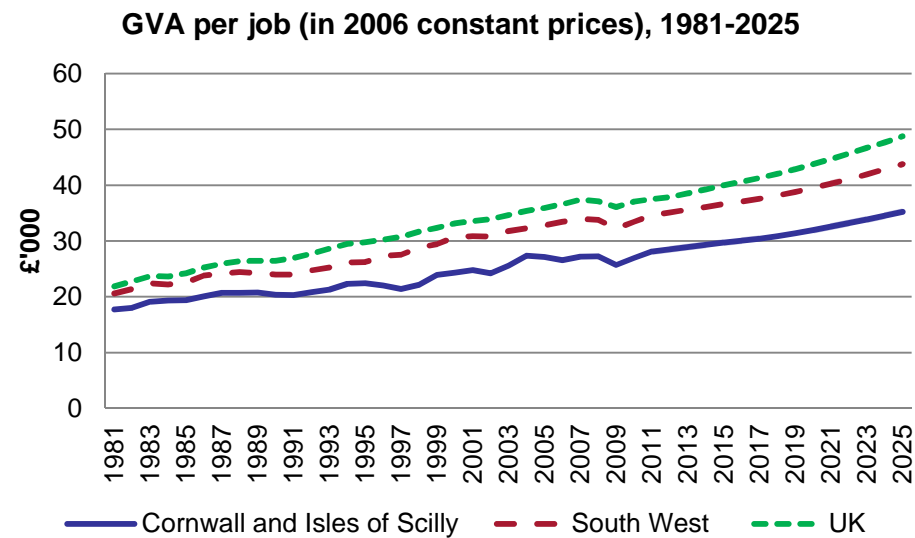
Headlines from LEFM: GVA per job (i)

- In 2010, GVA per job (at 2006 prices) was estimated to be £26.9k in Cornwall and the Isles of Scilly compared to £37.0k in the UK
- UK figures are inflated by London – but the South West average in 2010 was £33.5k, well above that for Cornwall and the Isles of Scilly
- Historic data and future projections suggest that relative to the UK, the performance of Cornwall and the Isles of Scilly:
 - deteriorated sharply in the 1980s and early 1990s
 - improved (although erratically) between the mid 1990s and late 2000s
 - is projected to decline relatively in the 2010s and 2020s



Headlines from LEFM: GVA per job (ii)

- The implication is that Cornwall and the Isles of Scilly is projected to continue to lag behind in terms of productivity (with implications for, and a relationship to, wage levels)
- On the face of it, the Objective 1 and Convergence Programmes have not been able to shift the trajectory... although we don't know what might have happened without them



Sectors

- LEFM provides data on sectoral performance and prospects
- But these data must be used with care –anomalies are exaggerated when data are disaggregated
- **Growth sectors:** Listed below are sectors in which – from 2010-25 – employment in Cornwall and the Isles of Scilly is projected
 - to number at least 1,000 jobs; and
 - to grow in absolute terms; and
 - to grow more quickly than in the UK
- Generally, fast-growth sectors are linked to (a) population growth and/or (b) advanced service sectors (which in 2010) were under-represented locally
- **Declining sectors:** Major sectors in which an absolute decline in job numbers is projected over the period 2010-25 are listed below. Some of these sectors are also declining nationally

Distribution
Education
Miscellaneous Services
Construction
Land Transport etc
Banking & Finance
Professional Services
Other Business Services

Other Transport Equipment
Agriculture etc
Other Mining
Food Drink & Tobacco
Wood & Paper
Rubber & Plastics
Retailing
Printing & Publishing
Metal Goods
Manufacturing (not elsewhere specified)

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Implications for the Economic Growth Strategy

- Projections are one set of observations only: the messages from them must be treated with care and considered alongside other evidence
- LEFM is not good at identifying new/emerging sectors which defy easy definition (e.g. renewables)
- The LEP might well argue that the investments made through the Objective 1 and Convergence Programmes have yet to bite...
- ...moreover, without this scale of intervention, the area could have been further adrift of the UK average (given the importance of London within it)...
- ...and the projections largely ignore on-going/planned interventions like the accelerated roll-out of superfast broadband
- Nevertheless, at face value, they suggest:
 - Cornwall and the Isles of Scilly has underperformed relative to elsewhere
 - there is little evidence of the “gap” closing – after progress between c.1995 and c.2005, the economy now appears to be moving in the “wrong direction” (on core economic indicators)
 - but some findings are more positive – e.g. LEFM projects relatively rapid growth in some higher value service sectors (albeit from a low starting point)
- Overall the projections reinforce the need for a Strategy focusing on economic growth

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