

This is the annual **Bank of Scotland Local Economic Performance Review**. The Review covers 128 UK 'sub areas' between 2008 and 2011 (principally unitary authorities and individual counties) with 23 in Scotland, according to ONS classifications. The Review uses unemployment as measured by the claimant count as a proxy for economic activity. Unemployment as measured by the claimant count is the most up-to-date indicator of economic performance at a local level. The Review also uses estimates of workplace based gross value added (GVA) data between 1998 and 2008 from the ONS as a measure of economic activity (production and distribution of goods and services).

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## Highland area is Scotland's top economic performer

New research by Bank of Scotland, based on data from the Office for National Statistics (ONS), has identified the top economic performing areas across Scotland as well as the rest of the UK. As the economy slowly emerges from the deepest recession in modern times, Bank of Scotland has also looked at the impact of the economic downturn at a local level.

**The area of Inverness & Nairn and Moray, Badenoch & Strathspey delivered the biggest rise in economic activity in Scotland over a decade.** Between 1998 and 2008 (latest available), the value of economic activity per person in Inverness & Nairn and Moray, Badenoch & Strathspey increased by 86% - from £9,028 in 1998 to £16,837 in 2008. This part of Scotland also recorded the second highest rise in economic activity per person in the UK after Central East London (87%). (*Tables 1&2*)

### Many of the UK's fastest growing areas were in Scotland

Three of the five areas that recorded the biggest increases in economic activity in the UK were in Scotland – Inverness & Nairn and Moray, Badenoch & Strathspey; North Lanarkshire; and Caithness & Sutherland and Ross & Cromarty. However, several of these areas have seen high growth from a relatively low base level of activity. (*Table 2*)

### Areas Aberdeen and Inverness & Nairn and Moray, Badenoch & Strathspey see the smallest drop in economic activity in Scotland since 2008

Aberdeen and the Inverness & Nairn and Moray, Badenoch & Strathspey areas recorded the lowest declines in economic activity in Scotland with the smallest rise in the claimant count rate - an increase of 1.1 percentage points over the last three years. The Western Isles saw the next smallest drop in economic activity across Scotland (claimant count rate rise of 1.2 percentage points). In contrast, North Lanarkshire and Falkirk were among the areas that saw the biggest falls in economic activity since 2008. The Scottish average was a rise of 2.0 percentage points, slightly higher than the UK average of 1.7 percentage points. (*Tables 3&4*)

### Areas worst affected by the recession have higher dependence on production industries

On average, production based industries (such as manufacturing) accounted for over a fifth of economic activity (21%) in the ten local areas with the biggest contractions in activity in Scotland since 2008; greater than its 16% share in the ten areas that experienced the lowest falls of activity.

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However, there are some notable exceptions. In Aberdeen - the local area that saw the smallest contraction in economic activity between 2008 and 2011 - production based industries account for 24% of total economic activity. This is greater than their share in North Lanarkshire (18%) - the area with the smallest fall in economic activity over the period. The significant contribution of the oil sector to the Aberdeen economy has helped to support economic activity in the area.

**Suren Thiru, Bank of Scotland economist, said:**

"It is encouraging that many of the areas with the biggest increases in economic activity across the UK over the decade to 2008 are in Scotland. Since 2008, all areas of Scotland, as in the rest of the UK, have been adversely affected by the economic downturn. Those living in parts of the country that are more dependent on production based industries, such as manufacturing, have generally been hit hardest. Aberdeen is a clear exception due to the differing fortunes of the oil sector."

"Looking forward, the current strain on economic activity in many of the locations worst affected by the recession may ease somewhat over the next few years as the economy rebalances towards a greater reliance on investment and exports."

**ADDITIONAL FINDINGS:**

**UK LOCAL ECONOMIC PERFORMANCE**

- Central East London delivered the biggest rise in economic activity in the UK over a decade. Between 1998 and 2008 the value of economic activity per person in Central East London (an area including Tower Hamlets, Hackney and Southwark) increased by 87%.
- Northern UK accounted for a larger share of the fastest growing areas in the 10 years to 2008. Six out of the ten areas that recorded the largest rises in economic activity over the ten years to 2008 are in the North<sup>1</sup>.
- Northern UK was hit hardest during the downturn. All twenty of the areas recording the biggest falls in activity<sup>2</sup> between 2008 and 2011 are in the North.
- In contrast, seven of the ten areas with the smallest declines in activity are in the south<sup>3</sup>.
- Kingston upon Hull saw the biggest contraction in economic activity between 2008 and 2011. The Yorkshire and Humber city recorded the largest increase in the claimant count rate – a rise of 3.5 percentage points.
- Cornwall and Isles of Scilly in the South West recorded the lowest decline in economic activity since 2008 with the smallest rise in the claimant count rate - an increase of 0.7 percentage points from 0.9% to 1.6% - over the last three years.

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**Table 1: 10 Areas in Scotland with highest growth economic activity per person, 1998-2008**

<b>Local Area (NUTS Level 3)</b>	<b>1998</b>	<b>2008</b>	<b>10 year % Change</b>
Inverness & Nairn and Moray, Badenoch & Strathspey	9,028	16,837	86%
North Lanarkshire	9,152	16,648	82%
Caithness & Sutherland and Ross & Cromarty	7,743	13,815	78%
Edinburgh, City of	20,016	34,562	73%
Glasgow City	16,865	28,906	71%
Western Isles	8,061	13,669	70%
Falkirk	11,908	20,143	69%
Shetland Islands	11,829	19,507	65%
East Lothian and Midlothian	8,689	14,220	64%
South Lanarkshire	10,194	16,155	58%
<b>Scotland</b>	<b>12,593</b>	<b>20,031</b>	<b>59%</b>

Source: ONS, Bank of Scotland calculations

**Table 2: 10 Areas in the UK with highest growth rates in economic activity per person, 1998-2008**

<b>Local Area (NUTS Level 3)</b>	<b>Region</b>	<b>1998</b>	<b>2008</b>	<b>10 year % Change</b>
Inner London - East	London	17,902	33,499	87%
<b>Inverness &amp; Nairn and Moray, Badenoch &amp; Strathspey</b>	<b>Scotland</b>	<b>9,028</b>	<b>16,837</b>	<b>86%</b>
Belfast	Northern Ireland	17,582	32,264	84%
<b>North Lanarkshire</b>	<b>Scotland</b>	<b>9,152</b>	<b>16,648</b>	<b>82%</b>
<b>Caithness &amp; Sutherland and Ross &amp; Cromarty</b>	<b>Scotland</b>	<b>7,743</b>	<b>13,815</b>	<b>78%</b>
Cambridgeshire CC	East of England	13,045	22,654	74%
<b>Edinburgh, City of</b>	<b>Scotland</b>	<b>20,016</b>	<b>34,562</b>	<b>73%</b>
Cornwall and Isles of Scilly	South West	7,693	13,256	72%
Bournemouth and Poole	South West	12,051	20,732	72%
<b>Glasgow City</b>	<b>Scotland</b>	<b>16,865</b>	<b>28,906</b>	<b>71%</b>
<b>UK</b>		<b>13,373</b>	<b>21,103</b>	<b>58%</b>

Source: ONS, Bank of Scotland calculations

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**Table 3: 10 areas with the smallest contractions in Scottish economic activity – as indicated by the smallest rises in the claimant count - April 2008- April 2011**

Local Area (NUTS Level 3)	April '08 %	April '11 %	Percentage Points change
Aberdeen City and Aberdeenshire	1.0	2.0	1.1
Inverness & Nairn and Moray, Badenoch & Strathspey	1.7	2.8	1.1
Western Isles	1.9	3.1	1.2
Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute	2.0	3.3	1.3
Dumfries & Galloway	2.1	3.5	1.4
Perth & Kinross and Stirling	1.3	2.9	1.7
Edinburgh, City of	1.6	3.3	1.7
Scottish Borders	1.3	3.0	1.7
South Ayrshire	2.3	4.1	1.8
Inverclyde, East Renfrewshire and Renfrewshire	2.3	4.2	1.8
<b>Scotland</b>	<b>2.2</b>	<b>4.2</b>	<b>2.0</b>

Source: ONS, Bank of Scotland calculations. \* NUTS3

**Table 4: 10 areas in Scotland with the largest contractions in economic activity – as indicated by the largest rises in the claimant count - April 2008- April 2011**

Local Area (NUTS Level 3)	April '08 %	April '11 %	Percentage Points change
North Lanarkshire	2.4	5.4	3.0
Falkirk	2.0	4.7	2.7
Glasgow City	3.6	6.2	2.6
Clackmannanshire and Fife	2.5	5.0	2.5
East Ayrshire and North Ayrshire Mainland	3.4	5.9	2.5
South Lanarkshire	1.9	4.4	2.5
East Lothian and Midlothian	1.4	3.7	2.3
East Dunbartonshire, West Dunbartonshire and Helensburgh & Lomond	2.5	4.5	2.1
West Lothian	2.0	4.0	2.0
Angus and Dundee City	2.7	4.6	2.0
<b>Scotland</b>	<b>2.2</b>	<b>4.2</b>	<b>2.0</b>

Source: ONS, Bank of Scotland calculations

\* NUTS Level 3: (The Nomenclature of Units for Territorial Statistics) principally individual counties and unitary authorities; also known as local areas.

<sup>1</sup> Includes Extra-Regio (off-shore contribution to GVA that cannot be assigned to any region).

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## Editors' Notes:

<sup>1</sup>Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

<sup>2</sup>Unemployment is the most up-to-date indicator of economic performance at a local level with increases in the unemployment an indicator of falling economic activity.

<sup>3</sup>Consists of Greater London, South East, South West and East of England.

**Gross value added (GVA)** is a measure of economic activity at basic prices, including taxes (less subsidies) on production but excludes taxes (less subsidies) on products.

**The difference between GVA and GDP** is that GVA is the measure of the value of the goods or services to the producer so it does not include taxes. In contrast, GDP measures the total value so includes the value of taxes.

In summary:

**GDP =GVA + taxes on products - subsidies on products**

**Local GVA per head** are sourced from the Office for National Statistics (ONS):

Local data was sourced from (Tab 3:2 Headline Gross Value Added (GVA) per head by NUTS3 area at current basic prices by region):[http://www.statistics.gov.uk/downloads/theme\\_economy/PROGRESS\\_NUTS3.xls](http://www.statistics.gov.uk/downloads/theme_economy/PROGRESS_NUTS3.xls)

The ONS carries out consistency checks on data inputs, applies methods consistently and makes use of local knowledge for England, Scotland, Wales and Northern Ireland. The estimates are partly based on sample surveys and the quality of the results therefore varies according to sample size. This means that the results for smaller regions are subject to a greater degree of uncertainty than those for larger regions. As a consequence some NUTS3 areas can be subject to significant statistical volatility, due to the size of some of the survey samples used. This can be particularly true of some of the smallest NUTS3s. However, the headline estimates used in the release are smoothed by the ONS to remove some of this excess volatility

The ONS's GVA estimates are at current basic prices; therefore they do not allow for changes in prices over time (inflation) or differences in regional price levels. Halifax has calculated 'real' changes by adjusting for the increase in retail prices over the period.

**Unemployment data:** Jobseekers Allowance (JSA) claimant count records the number of people claiming JSA and National Insurance credits at Jobcentre Plus local offices. This is not an official measure of unemployment, but is the only indicative statistic available for areas smaller than Local Authorities. Figures are sourced from the ONS and are resident based estimates.

**"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. ©**