



Hertfordshire growth increases with UK

In 2006 the county again experienced similar growth to that of the UK. After a disappointing 2005, the UK's strong economic growth resumed in 2006, with output 2.8% up on 2005. This growth was in line with much of the developed world, particularly with its major trading partners: the Eurozone and the United States.

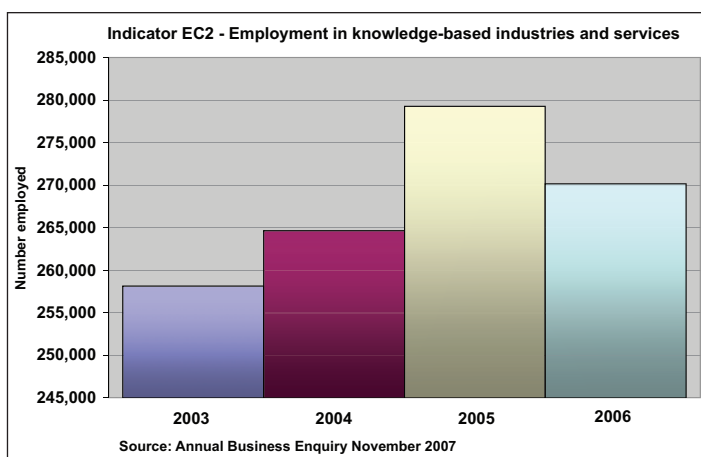
Indicator EC1 - Percentage rise in GVA

Gross Value Added (GVA) is a key indicator of the state of the economy and is broadly the same as Gross Domestic Product (GDP). GVA is the difference between the value of goods and services produced and the cost of raw materials and other inputs used in production.

2006 was a good year for UK and world economies. At 2.8%, UK growth was slightly higher than the Treasury's estimate of the long term trend (2.75%). The county's GVA grew by 2.7%, somewhat less than the East of England's 3% rate. (Source: HM Treasury, ONS, OECD, Oxford Economics).

Indicator EC2 - Employment in knowledge-based industries and services

The definition given by the Organisation for Economic Co-operation and Development¹ for knowledge-based industries and services is "finance, insurance, real estate and business services, education, health and social work, other community and personal services, post and telecommunications, high and medium-high tech industries, chemicals, machinery and equipment, transport, excluding building ships and boats". This is also the definition used by the Department of Business Education and Regulatory Reform (BERR²), formerly the DTI, in their UK Competitiveness Indicators.



Strong growth in Hertfordshire's Health and Social Work sectors helped to offset the decline in its knowledge-based industry

Annual Business Inquiry estimates indicate that 270,127 of jobs (55.4% of the total) were knowledge based in Hertfordshire in 2006. Compared with 279,247 in 2005, this is a loss of 9,120 jobs. However, this reduction is set against the backdrop of an overall decline in a number of jobs based in the county. The figure remains above those reported for 2004 (264,638) and 2003 (258,119). Employee job numbers are currently estimated to be at their lowest level since 2000, with the exception of 2002. Fortunately for the county, the proportion of jobs in knowledge-based industries is higher than for any recent year except 2005. However, there are trends that exist which, if prolonged, could adversely affect Hertfordshire's long-term economic health.

Within knowledge-based industries a number of sectors appear to be in decline, from both 2005 and 2003. This is not limited to manufacturing, where the declining employment trend is long established. A similar pattern of decline since 2003 has also now become evident in financial and computing services. This is particularly worrying as computing was identified in the 2004 Local Economy Assessment as one of the sectors with the brightest employment prospects for the county.

Offsetting this decline has been the largely publicly funded Education, Health and Social Work sectors. Here employment was estimated to have grown strongly between 2003 and 2005. Without this growth knowledge-based employment in the county would have been below 2004 levels. The very small rise in Health and Social Work and the fall in Education in 2006 is therefore seen as responsible for being at the root of this recent decline.



Renewing the Regional Economic Strategy

In September 2007 the East of England Development Agency (EEDA) launched its consultation on the review of the Regional Economic Strategy (also known as RES). The draft regional economic strategy highlights the important challenges that the region faces. The way that the region collectively chooses to address these challenges will determine the future prosperity and quality of life in the East of England.

The East of England is one of the UK's fastest growing regions and benefits from a number of major assets:

- Global leading companies and university departments
- The third-highest level of business expenditure on Research and Development of all European regions
- High economic activity rates
- The UK's leading ports
- Inspirational places and some of the UK's finest natural habitats.

However, it also faces a number of major challenges:

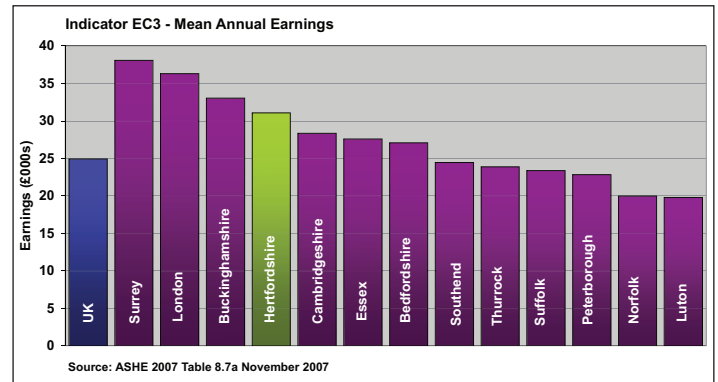
- Increased competition from the economic powerhouses of the United States and the rapid growth of emerging economies such as India and China
- A skills-base that is poor by comparison with our competitor regions, with among the poorest post-16 performance rates in the country
- Some of the most congested transport routes in Europe
- Housing affordability is a major issue with many young people and key workers unable to access the housing market
- The highest vulnerability to the impacts of climate change of any English region
- Significant pockets of deprivation and worklessness
- The lowest per capita public expenditure of the English regions

The region's economic growth has to be sustainable. Its major issues, such as transport, infrastructure and housing demand, have to be carefully and strategically planned and managed. EEDA and all other major regional and local bodies will need to provide regional leadership, planning and management of the highest standard to ensure these challenges are addressed. EEDA aims to complete and launch the Regional Economic Strategy by the Summer of 2008.

More information about the draft regional economic strategy for the East of England can be found at www.eeda.org.uk/resreview

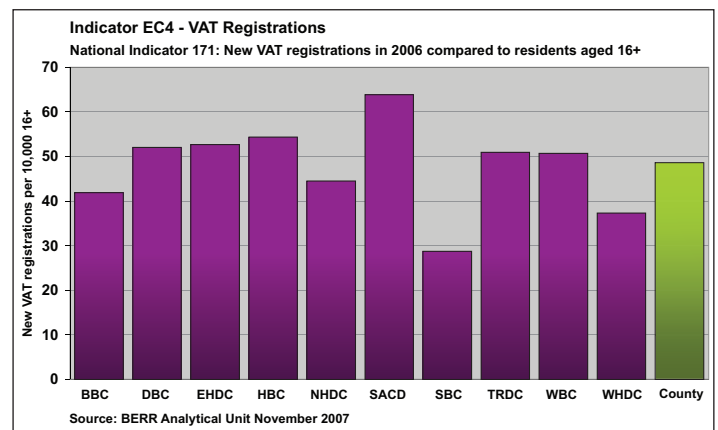
Indicator EC3 - Mean annual earnings

Mean annual earnings of resident employees was £31,048 in 2007. As in 2006, these were the highest in the region but they lag behind Surrey and London.



Indicator EC4 - New VAT registrations

This year a new indicator was used to gauge the level of entrepreneurial activity in the county. It should create a better interpretation of the entrepreneurial rate in each district and is also one of the new national indicators³ set by the government to replace a range of existing indicators. For the first time new registrations are compared to numbers of residents aged 16+. New registrations are considered to be more revealing than the net growth of VAT registered businesses traditionally used. This is because the net change is affected adversely by de-registrations and these, rather than being purely negative, are seen as inevitable and even healthy in a dynamic economic environment.



- 1 The Organisation for Economic Co-operation and Development. Website: www.oecd.org
- 2 This new department replaces the Department of Trade & Industry (DTI). Website: www.berr.gov.uk
- 3 Information on the New Performance Framework for Local Authorities & Local Authority Partnerships, published by the Department for Communities and Local Government accessible via our website.