



Hertfordshire growth rises along with UK

In 2007 the county again experienced growth alongside the UK. Building on the strength of 2006, the UK economic growth rate rose to 3%. Just above the Eurozone and the largest developed countries, the G7, this was accompanied by a rise in knowledge-based employment.

Indicator EC1 - Percentage rise in GVA

Gross Value Added (GVA) is a key indicator of the economy. Broadly the same as Gross Domestic Product (GDP) it is the difference between the value of goods and services produced and the inputs used in production. 2007 was a good year for the UK and world economy; at 3.0% the UK's growth was above the Treasury's long term estimate of 2.75%. The county's GVA rate grew by 3.1%, which was higher than the East of England's 2.4% rate.¹

Indicator EC2 - Employment in knowledge-based industries and services²

Estimates from the Annual Business Inquiry indicate that in Hertfordshire in 2007 there were 275,082 jobs in knowledge-based industries (56.0% of the total) compared to 271,847 in 2006, an increase of 3,245. Whilst this is higher than in 2004 (264,640) and 2003 (258,117) it remains less than in 2005 (279,245). The proportion of knowledge-based jobs, however, is higher than in any recent year but trends remain which, if prolonged, could effect our county's long term economic health.

What does the knowledge-based sector include?

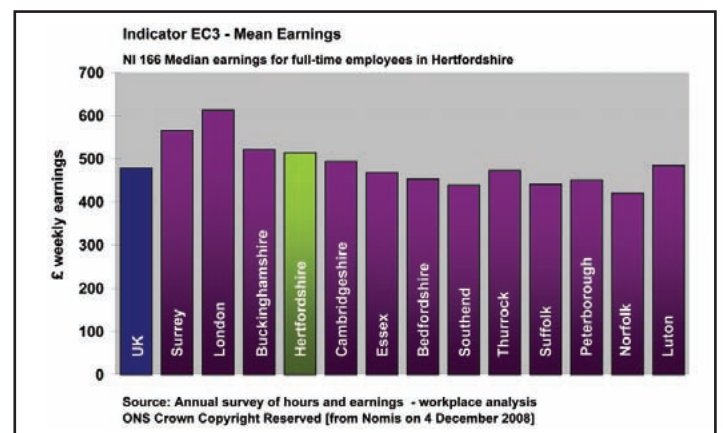
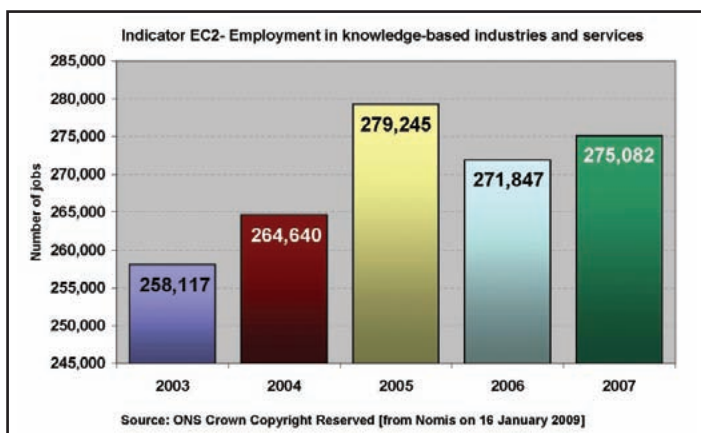
"Finance, insurance, real estate and business services; education; health and social work; other community and personal services; post/telecoms; high/medium-high tech industries: chemicals; machinery and equipment; transport, excluding building ships and boats."

(OECD² definition as used in the BERR³ UK Competitiveness Indicators)



Growth in the county's knowledge-based sector during 2007 was largely due to rises in market research, accountancy, and security.

Within the knowledge-based sector, a number of sub-sectors appear to be in decline, compared to 2003. This extends beyond manufacturing, where there is a long established trend of decline; financial services show a more pronounced pattern of decline and alongside, post, telecommunications, computing and related activities have also been in decline since 2003. This is very worrying as computing was identified as one of the sectors in the county with the brightest employment prospects. Until recently the decline was counter-balanced by largely publicly funded Education and Health and Social Work sectors. These sub-sectors are estimated to have grown strongly between 2003 and 2005 but now the trend has reversed. Rises in knowledge-based jobs are largely attributed to 'other business activities' such as accountancy, market research and security.



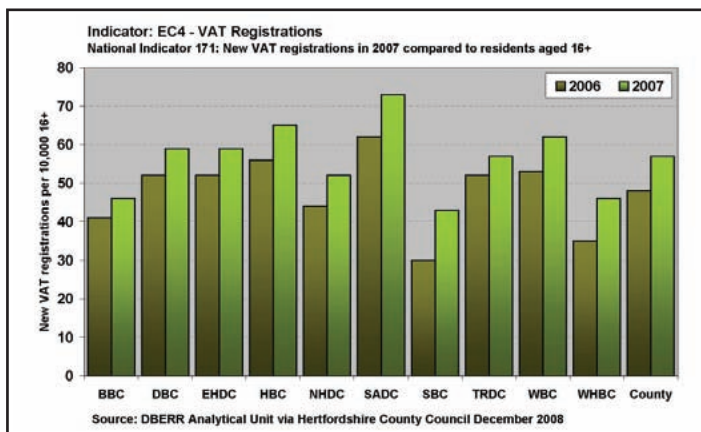


Indicator EC3 - Mean earnings (now weekly)

The pattern for 2008 with this indicator appears to be similar to the previously reported employees earnings for residents in Hertfordshire, however, there is a difference; weekly, rather than annual, figures are now reported. This is due to a policy to align the indicator more closely to one of the new National Indicators (see report introduction). As before, the county continues to retain the highest earnings figure (£514.70 per week) in the region and remains behind London (£612.70), Surrey (£565.50) and Buckinghamshire (£514.70). *(Note: whilst the pattern looks similar to previous years, direct comparisons cannot be made by taking the weekly figure and multiplying it by 52 to arrive at an annual figure.)*

Indicator EC4 - New VAT registrations

This indicator is used to gauge entrepreneurial activity levels. New registrations are considered a more revealing way of measuring this than 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. This year, as in our last report, new registrations are compared to the number of residents aged 16 and over. This is similar to the new national indicator NI 171: 'new business registration rate' intended to indicate the rate of entrepreneurial activity in each district. In 2007 the rate increased significantly across all the county's districts and was particularly marked in those with the lowest rates in 2006 (Stevenage and Welwyn Hatfield). As a result there are no longer any districts with rates less than the England or UK averages. St Albans had the second highest rate in the UK outside Inner London.



Economic performance and the current recession

Most of the data published on these two pages relates to late 2007 or early 2008. Given the downturn in the World and UK economies, readers may question the accuracy of information presented. What should be considered is the wider picture so in this report we are taking account of both longer term and current trends. The trend in knowledge-based employment in the county has been difficult to discern in recent years. The context for this is near stagnant or slightly negative total job growth in Hertfordshire from about 2001, as measured by the workplace-based Annual Business Inquiry. Until recently, it was not evident from residence-based statistics that the county had underperformed in this area. It is thought that the county became more dependent on jobs in London but there is no good, readily available, evidence to support this. It is now clear that residence-based working-age employment rates are following a downwards trend after the peak of 2003/4. Numbers of workplace-based knowledge jobs have also been volatile recently. As a percentage of employee jobs, knowledge-based jobs were particularly high in 2007 but their number was lower, in absolute terms, than in 2005.

Changes within the knowledge-based jobs sector are complex; it is hard to tell which factors made it such a good year and why some sectors that were expected to grow did not. In the context of an economy currently in recession, it is significant that financial services job numbers in the county were lower than in 2003.

2007 was a good year for knowledge-based jobs and the total number of jobs and new VAT registrations grew. Strong GVA growth, above the UK and the rest of the East of England, was enjoyed in 2007. However, it is clear that in the UK GVA growth began to slow in the summer of 2007, reaching a point of reversal in 2008.

It is highly unlikely that Hertfordshire has escaped from this growth reversal. Labour market data, specifically the claimant count, which tends to lag behind business performance, has been continually deteriorating since July 2008. Percentage increases in the number of claimants in the county are higher than both the UK and the East of England but from a low base. However, the reason the rate of local decline is less than that experienced in the last recession is probably because the county was particularly hard hit then by losses in the defence and aerospace industries.

- 1 Source: HM Treasury, Oxford Economics.
- 2 OECD: Organisation for Economic Co-operation and Development. Website: www.oecd.org
- 3 BERR: Department for Business Enterprise & Regulatory Reform, Website: www.berr.gov.uk replaced Department of Trade & Industry