

## SOUTH WEST ECONOMY PROJECTIONS: AUTUMN 2008

This bulletin presents our latest projections for the South West England economy. The global financial crisis continues to deepen, increasing pessimism over prospects for the real economy. The easing of credit market conditions over the summer was short-lived, and the run of bank failures and forced mergers since then, has called forth a wave of unprecedented policy support by US, EU and UK authorities. Whether these rescue packages restore order remains to be seen, but it is increasingly evident that real economic activity – output and employment – is being severely affected by the financial turmoil. At the same time, inflationary pressures from higher global energy and commodity prices have proved stronger and longer-lasting than previously expected, limiting the scope for cuts in interest rates to stimulate the real economy. The Bank of England has stated that a period of weaker growth is required to counter the threat of prolonged inflation and has indicated it thinks we are into such a period with its 0.5% interest rate cut on 8<sup>th</sup> October. The consensus of UK forecasters is moving steadily towards expecting a recession.

The South West projections are based on the median UK forecast from the HM Treasury survey of independent forecasts. This sees a sharp slowdown in UK growth until 2010, driven by declining household spending and fixed investment. This slowdown is reflected in weaker output and employment growth across all UK regions. In the South West, growth of GVA slows to well below the levels seen in recent years, while total employment falls in 2009 before beginning to recover in 2010. The slowdown is particularly pronounced in sectors directly affected by the credit squeeze (construction and financial services). However, all South West sub-regions are affected.

### OUR PARTNERSHIPS



## BACKGROUND

The global financial crisis continues to deepen, increasing pessimism over prospects for the real economy. The gap between official and market interest rates, a key indicator of stress within credit markets, narrowed somewhat over the summer, as the Bank of England and other central banks took action to improve liquidity and restore confidence within the banking system. However, this slight easing of credit market conditions was short-lived. Sharp declines in housing and equity markets have renewed concerns over commercial banks' asset bases leading to even greater reluctance of banks to lend to each other. Stock market valuations of banks and other financial institutions continued to decline, further restricting the ability of those institutions to raise capital.

The result has been a wave of failures, official rescues (including effective nationalisations) and takeovers of major financial sector companies, particularly in the US. In July, the collapse of major US mortgage lender IndyMac prompted US financial authorities to assist Fannie Mae and Freddie Mac, the dominant players in the US mortgage market. A full rescue followed on 7<sup>th</sup> September with the US government effectively underwriting \$5 trillion worth of US home loans, nearly half of outstanding US mortgages. The crisis reached a turning point during the week beginning 15<sup>th</sup> September, when US investment bank Lehman Brothers was forced to file for bankruptcy protection and competitor Merrill Lynch was taken over by Bank of America. The following day the US Federal Reserve stepped in to rescue (and effectively to nationalise) AIG, the country's biggest insurance company. On the 17<sup>th</sup>, the UK's biggest mortgage lender HBOS was taken over the Lloyds TSB following a run on HBOS shares. Later in September the crisis spread to Europe with the rescue of major banking and insurance company Fortis, the Icelandic bank Glitnir, and joint actions by Belgium, France and Luxembourg to rescue Dexia. Meanwhile, Citigroup mounted an officially-supported takeover of the fourth-largest US bank Wachovia, and the UK government nationalised Bradford & Bingley, a major provider of buy-to-let mortgages.

The growing crisis has called forth a wave of unprecedented policy support by US, EU and UK authorities. Most notably, the US\$700 billion rescue package by the US government was finally approved on 3<sup>rd</sup> October after previously being rejected by the House of Representatives. On 8<sup>th</sup> October, the UK Treasury supported its banking system with equity, liquidity and guarantees, potentially costing £500 billion. Whether these rescue packages restore order remains to be seen, but it is increasingly evident that real economic activity – output and employment – is being severely affected by the financial turmoil.

It was the slowdown in the previously-booming US housing market that prompted initial concerns over 'sub-prime' mortgage related debt and triggered the "credit crunch" during 2007. Since then, the US housing market has continued to deteriorate.

The UK market is now following suit. UK house prices are falling at an unprecedented pace, according to the Halifax and Nationwide indicators. The official DCLG house price index, which has more comprehensive and accurate coverage than the bank indicators, has held up better but is now beginning to fall. The South West recorded the largest annual falls in house prices among the English regions, with house prices in the region falling on average by 1.9 per cent between July 2007 and July 2008. Housing market activity is extremely subdued and new mortgage lending ground to a halt during August. This has led to a marked downturn in house building activity. A new SWBEM bulletin will explore the implications falling house prices for the South West economy.

Inflationary pressures from higher global energy and commodity prices earlier in 2008 have proved stronger and longer-lasting than previously expected, limiting the scope for cuts in interest rates to stimulate the real economy. Consumer price inflation in the UK is nearing its peak, and is expected to fall back as more recent falls in global oil prices feed through into consumer prices.

The Bank of England has stated that a period of weaker growth is required to counter the threat of prolonged inflation. On 8<sup>th</sup> October, however, it cut interest rates, in co-ordination with other Central Banks, suggesting it now feels the risk of inflation has collapsed in the face of the wider economic crisis. The long term risk is still that sustained inflation gets built into higher inflationary expectations, and then into higher wage demands, fuelling a continuing cycle of higher costs and prices. For now, however, such worries can be ignored.

As ever, there is a dearth of hard data with which to gauge recent movements in the South West economy. Most official employment data only cover the period to June 2008. They show employment falling marginally between Q1 and Q2 2008, with total employment around 4,000 lower during April – June than in the previous quarter on a seasonally adjusted basis. The available data suggests that falls in employment have been concentrated among the self-employment and part-time employees. The recent decline in total employment still left employment around 51,000 higher than in the same period of 2007. ILO unemployment rose from around 96,000 to around 100,000 between Q1 and Q2. The South West unemployment rate remained, at 3.8 per cent, the lowest among the UK regions. Claimant count unemployment is also beginning to rise. The number of people in the South West who were out of work and claiming unemployment-related benefits rose by around 2,100 between June and July 2008 to around 43,900. This primarily reflected a rise in 'inflows' into claimant unemployment with 'outflows' from claimant unemployment broadly constant.

More recent information on trends in the South West economy can be gleaned from business surveys. The most recent Royal Bank of Scotland Purchasing Managers' Index (PMI) for suggests that overall economic activity in the region fell for the 3<sup>rd</sup> successive month during August 2008. The South West business activity index for August stood at 47.4 on a seasonally adjusted basis, compared to 47.6 in June and 46.4 in July (an index of less than 50 suggests a balance of firms are reducing output and activity). The South West index held up more, and for longer, than did the equivalent UK index, which dipped below 50 in May. The August South West index was, however, weaker than that for the UK as a whole (49.0), or those for London, the South East, North West, Yorkshire & Humberside, Wales and the North East. The South West's employment index has been suggesting falling employment (index less than 50) since April, and stood at 45.5 in August, up from 44.1 in July. The PMI survey suggests that the region's firms have reduced output and employment in response to declining new orders. The August survey also suggests a continuing squeeze on profitability, as firms struggle to pass input-cost increases onto output prices.

The CBI/Experian regional trends survey for August 2008 shows a similar pattern for the region's manufacturing firms. That survey shows business confidence declining significantly over the summer in both the South West and the UK as a whole. Manufacturers' output orders appeared to be holding up reasonably well, as export orders replaced declining domestic demand. Employment, however, continued to fall faster than the long-run trend, and investment intentions appeared very depressed reflecting heightened uncertainty about demand for products.

## UK PROSPECTS

While the consensus of UK forecasters is not yet predicting a recession, the move is clearly in that direction and it will soon. The change in outlook for UK forecasters since the last set of South West economic projections were published is March is evident from Table 1 and Figure 1 (below). In March, the median GDP growth forecasts from the HM Treasury survey were 1.8 per cent for 2008 and 2.0 per cent in 2009. By September, these forecasts had fallen to 1.1 per cent for 2008 and 0.5 per cent for 2009. The declines in forecast growth rates is primarily due to reduced expectations for growth in Fixed Investment in 2008 and 2009 (largely, but not entirely, associated with a marked downturn in house building), and to stagnant private consumption demand in 2009. Weaker prospects for output growth are associated with declining employment and rising unemployment in 2009. At the same time, consumer price inflation is expected to be higher in both 2008 and 2009 than was previously thought.

**Table 1: Forecasts for the UK Economy**

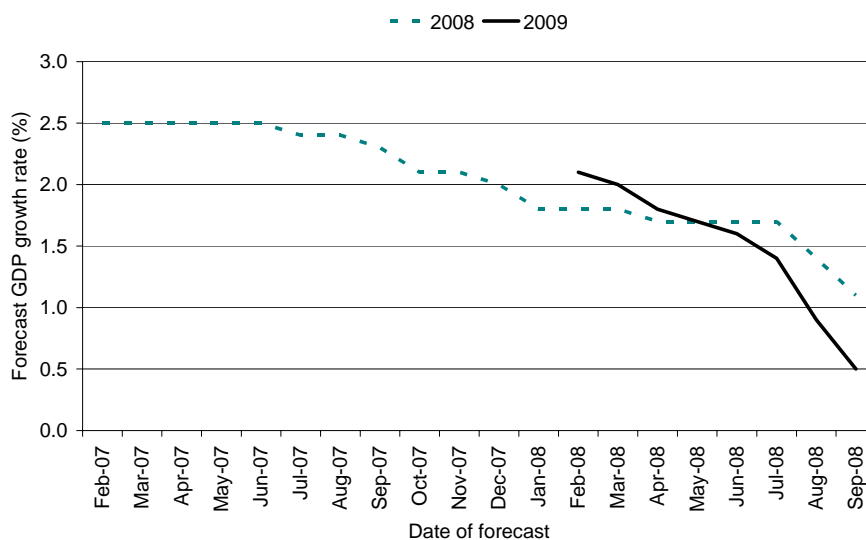
(Median of independent forecasts)

	Forecasts as of:			
	March 2008		September 2008	
	2008	2009	2008	2009
<i>Growth rates (%):</i>				
GDP	1.8	2.0	1.1	0.5
Private Consumption	1.8	1.6	1.8	-0.1
Government Consumption	2.2	2.0	2.1	2.0
Fixed Investment	2.1	2.3	-2.7	-2.3
Exports	3.5	4.4	0.8	3.1
Imports	3.0	3.6	-0.7	0.9
Consumer Prices	2.4	1.9	4.5	2.1
Average Earnings	4.0	4.0	3.7	2.4
Employment	0.5	0.3	0.6	-0.5
<i>Levels</i>				
Interest Rate	4.8	4.8	4.9	4.0
Claimant Unemployment (millions)	0.90	1.00	0.93	1.17

Source: HM Treasury - Forecasts for the UK Economy

**Figure 1: Forecast growth of UK GDP**

(Median of independent forecasts)



Many of the forecasts covered by the September survey will have been made well in advance of recent events (the survey was published on 17<sup>th</sup> September) when the outlook looked rather more stable than is now the case. The average for 'new' forecasts within the survey was only 0.3 per cent. We would expect a markedly more pessimistic set of forecasts in the October and November surveys.

## BASELINE OUTPUT (GVA) PROJECTIONS

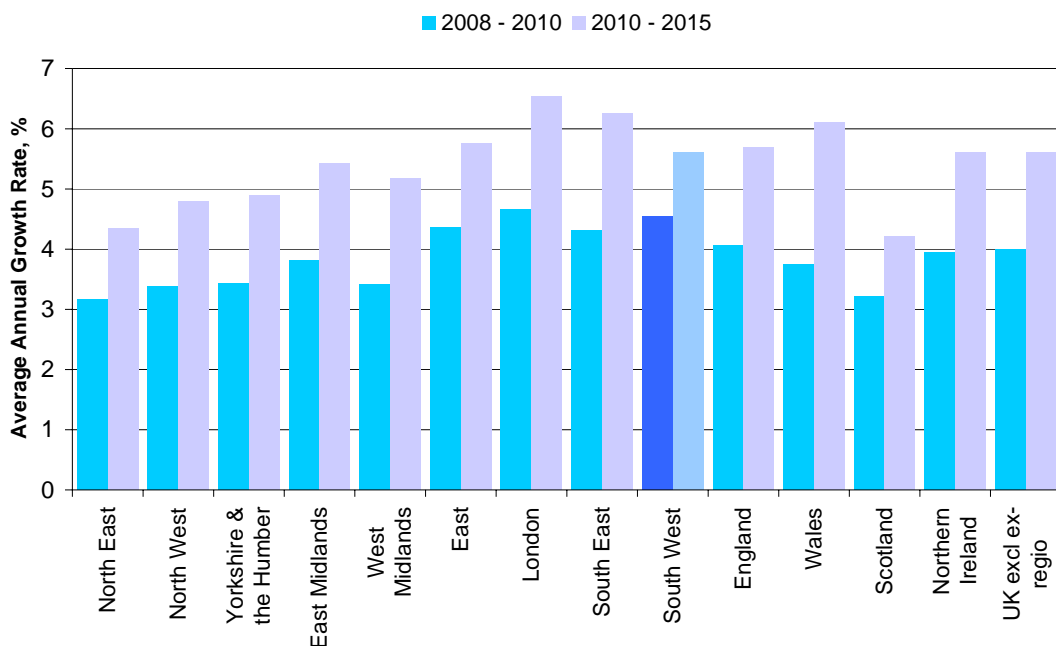
We recognise that recent events mean the risks to our projections are negative in the short term with more uncertainty about the medium and long term.

Our main output projections are for current price GVA (gross value added), which do not adjust for inflation. This is the basis on which official estimates for GVA in the UK regions are published. Our baseline projection is based on the median of independent forecasts for the UK from the HM Treasury Survey. This suggests that Gross Value Added (GVA) from the South West will rise by around 4.5 per cent a year, on average and in current price terms, between 2008 and 2010 (Figure 2), and then by 5.6 per cent year between 2010 and 2015 (Figure 3), giving an average annual growth rate overall the period as a whole of around 5.3 per cent. As a result, South West GVA is expected to increase from an estimated £96.1 billion in 2007, to £103.2 billion in 2008, £106.2 billion in 2009 and £112.8 billion in 2010, and to reach £148.2 billion in current prices by 2015. The lower forecast growth rates for current price GVA compared with the previous round of SWBEM projections (published in March) reflects higher price inflation together with weaker real output growth. Comparing projected current price output growth with expected inflation over the period to 2010 implies constant price ('real') output growth of around 1 per cent a year during 2008-2010, compared to around 3 per cent in the March projections.

The South West's projected growth rate during 2008-2015 is the 5<sup>th</sup> fastest among the UK regions, and the region has the 2<sup>nd</sup> highest projected growth rate during 2008-2010.

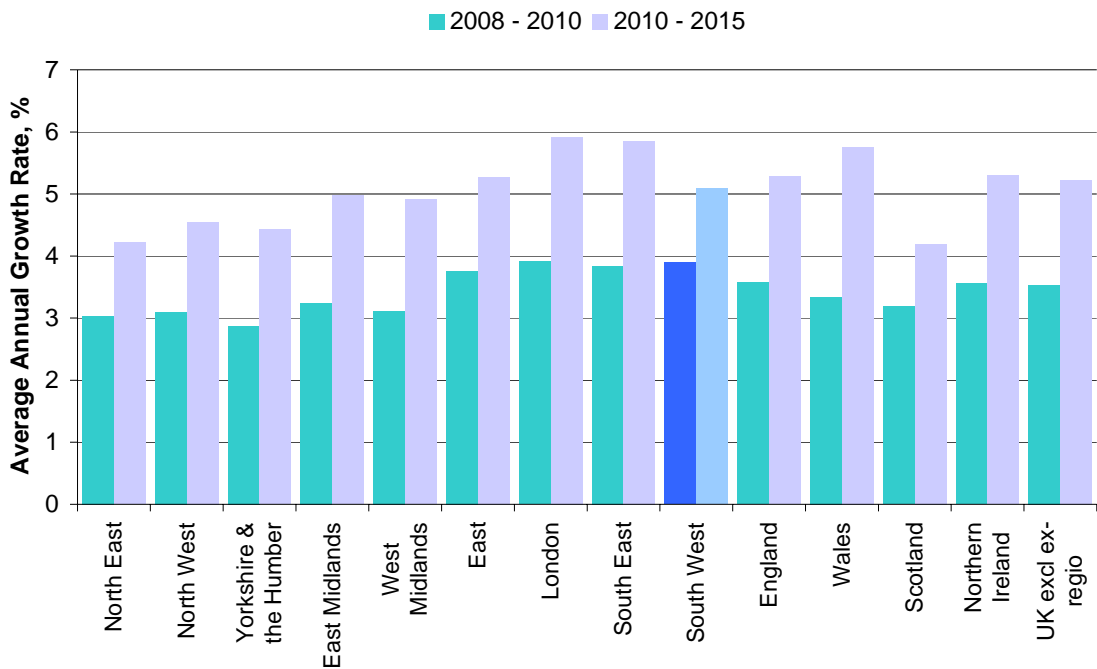
**Figure 2: Projected Growth Rate of Regional Current Price GVA, 2008-2015**

(Based median of HM Treasury survey of Independent Forecasts for the UK economy)

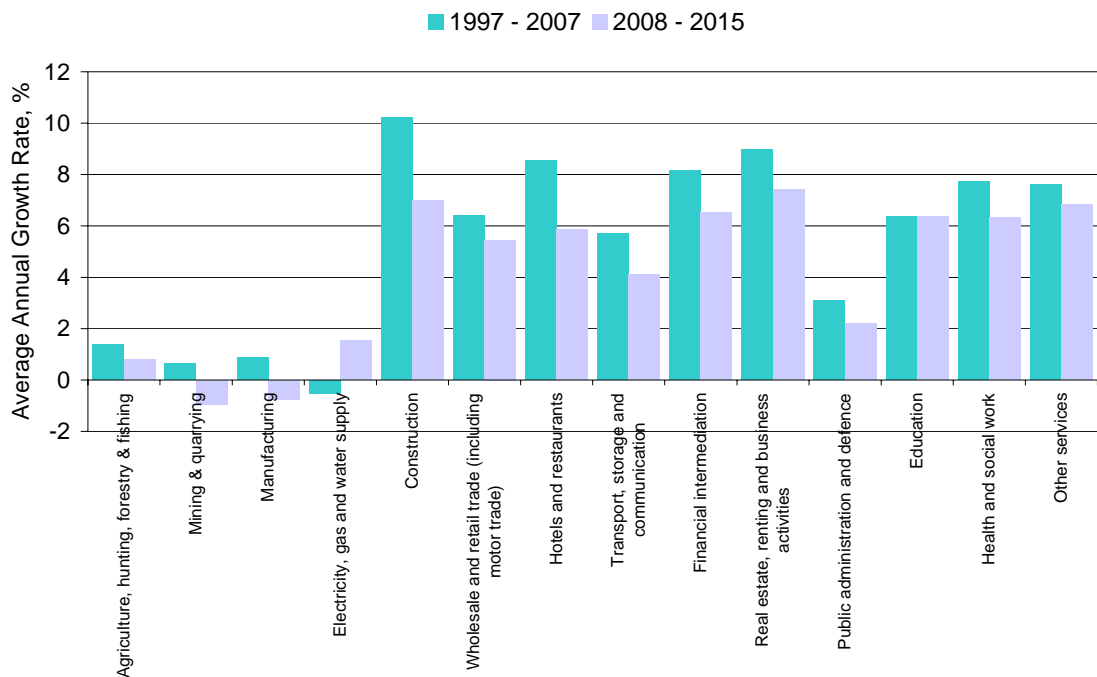


South West GVA per head is projected to rise from an estimated £18,700 in 2007 and to £19,935 in 2008, and thereafter at an average rate of around 4.7% during 2008-2015, the 7<sup>th</sup> highest among the UK regions (Figure 4). This is substantially lower than in our previous projections (5.2% a year, 2008-2015), reflecting the much weaker short run growth prospects. The projected growth rate for GVA per head in the South West equals that for the UK as a whole during the period 2008-2015, following the trend of recent years. Our projections suggest better short run prospects for growth in income per head in the South West than nationally, but marginally poorer medium term prospects. After allowing for inflation, the projections imply growth of real (constant price) GVA per head at around 1 per cent a year.

**Figure 3: Projected Growth Rate of Current Price GVA per head**  
 (Based on median of HM Treasury survey of Independent Forecasts for the UK economy)



**Figure 4: South West Output Growth by Industry**



Our most recent projections suggest slower growth in output for all South West industry sectors other than electricity, gas & water, and education during 2008-15 than was achieved over the period 1997-2007. Growth of output in Construction, Hotels & Restaurants and Financial Intermediation, in particular, are predicted to slow sharply, although all of these sectors will enjoy significant growth over the period as a whole. These are current price projections which do not allow for the effects of inflation. The low or negative growth of current price output in public administration & defence, electricity gas & water supply, manufacturing, mining & quarrying and agriculture suggests reductions in 'real' (constant price) output in those sectors.

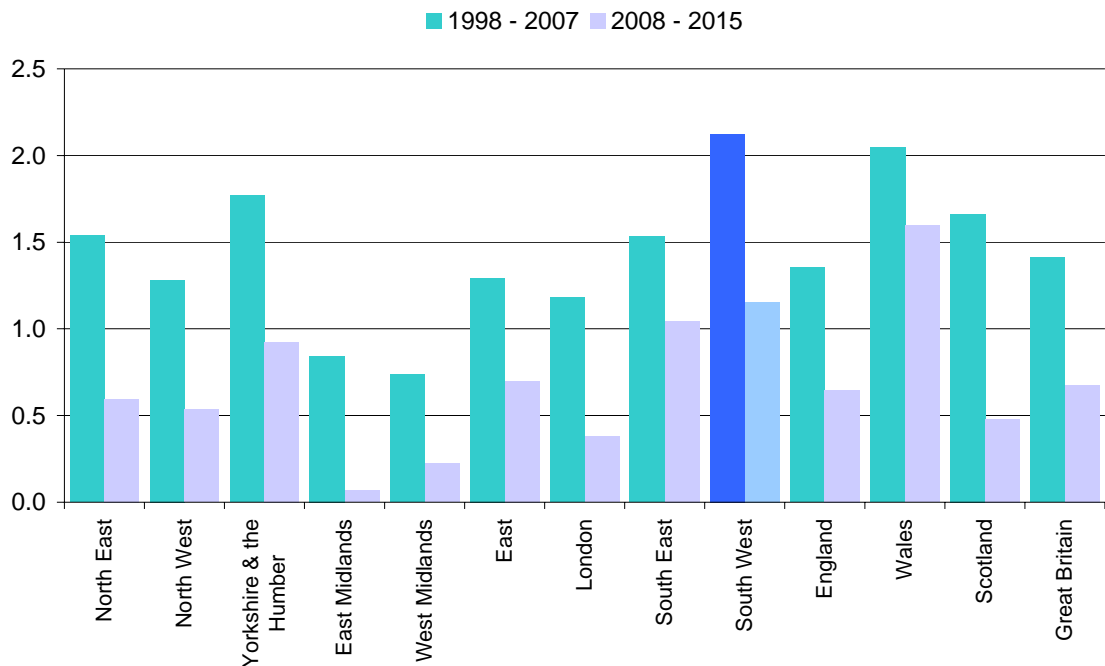
These industry projections are based on historical relationships between output of South West industries, UK industry output, and the overall level and pattern of economic growth (in terms of the split between the major components of demand: household consumption, fixed investment, government expenditure and exports). They do not, therefore, take account of the direct impacts of the current financial crisis on particular sectors and regions. The two sectors most strongly affected by recent economic events are financial services and construction. We would expect the impacts on these sectors to be more severe than suggested by our baseline projections. A number of commentators have argued that current conditions may have substantial and long lasting implications for the size and structure of the financial services sector, with implications for other business services that support that sector in the UK. While it is too soon to predict the likely scale, pattern and persistence of these effects, it seems likely that actual growth rates for these sectors will be substantially weaker than predicted by our baseline projections.

## EMPLOYMENT PROJECTIONS

Employee job estimates from the Annual Business Inquiry for 2006 have been released since publication of our Spring 2008 projections. This source estimates that there were around 2.21 million employee jobs in the South West at that time. Our projections have this rising to around 2.41 million in 2008, but then falling by almost 36,000 to around 2.37 million in 2009, before growing by around 9,000 in 2010, and then by around 45,000 a year on average during the period to 2015. This implies an average annual employment growth rate of 1.2 per cent a year during 2008-2015 (Figure 4). The weaker employment growth within the current projections compared with those published in the Spring reflects the projected economic slowdown in the early part of the forecast period to 2010.

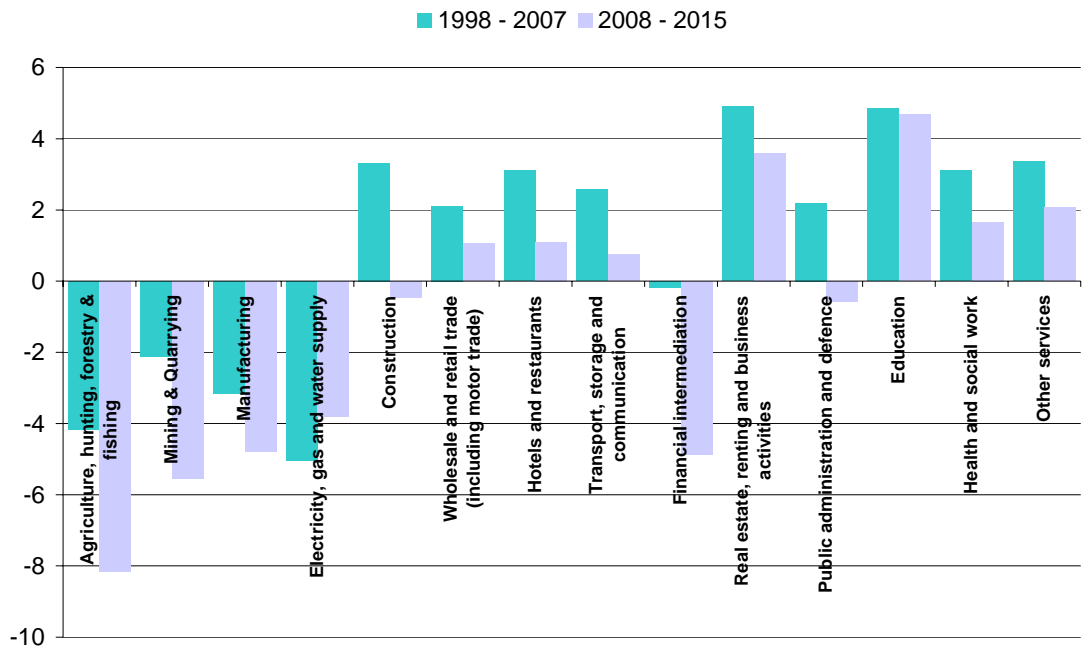
The South West had the most rapid growth of employee jobs of all the British regions during the decade to 2007, but is projected to slip into 2<sup>nd</sup> place, behind Wales, during 2008-2015. Nevertheless, projected job growth in the South West is substantially faster than in England and GB as a whole.

**Figure 4: Growth of Employee Jobs**



Our current projections reduce the rate of employment growth across all sectors of the South West economy compared with the Spring 2008 edition. The same general pattern of employment growth is maintained. On the whole, production employment is projected to decline, while service sector employment expands (Figure 5, over). The main exception is financial services, where declining output growth together with strong productivity growth imply declining employment over this period. However, we now anticipate **declining** employment in the short run (to 2009, or in some cases, 2010) for a broader range of South West industries including Construction, Wholesale & Retail distribution, Hotels & Restaurants Transport & Communications and Financial Services.

**Figure 5: South West Employment Growth by Sector**



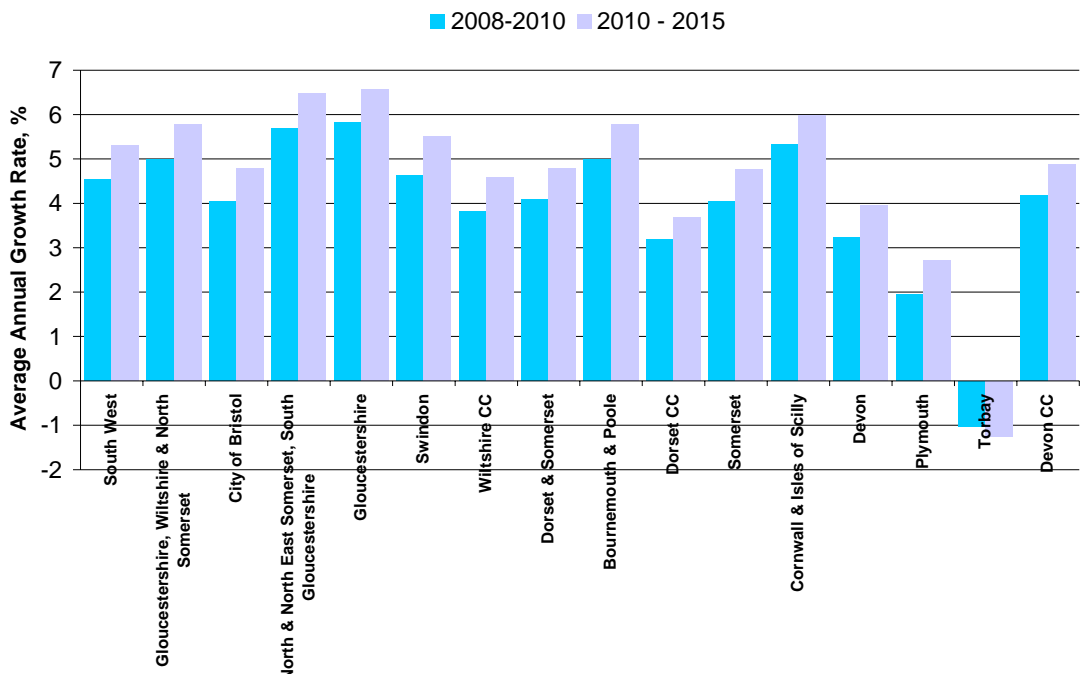
The model used to derive our short-run projections does not explicitly report unemployment. It is, however, clear that employment reductions on this scale, particularly in the context of a markedly weaker national labour market, would lead to substantial increases in unemployment within the South West. The projected reduction in employee jobs between 2008 and 2009 is, as noted above, around 36,000, and we would expect further reductions in self-employment. Assuming, for illustration, that self-employment falls at the same rate as employee jobs, the overall reduction in employment would be around 43,000, similar to current claimant unemployment in the region (44,000) i.e. a doubling of the current level.

## SOUTH WEST SUB-REGIONS

The projected pattern of output growth for the South West region as a whole is reflected in each of the sub-regions, with output growth slowing markedly in the period to 2010 before rising again thereafter. All sub-regions except Torbay enjoy continuous growth in current price GVA during each year to 2015. The projected rates of growth for most sub-regions are, however, consistent stagnant or declining constant price (inflation adjusted) GVA during 2008-2009.

Growth is projected to recover from 2010 onwards in all sub-regions other than Torquay. It is worth noting that these sub-regional projections are based on relatively simple trend projection methods, which tend to extrapolate the performance of sub-regional economies into the future. It may well be that regions with high concentrations of Financial Services suffer more than the projections suggest, while others (such as Torbay) may well perform better than projected.

Figure 7: Output growth in the South West sub-regions, current prices



## METHODS

The South West Business Economy Module Projections are intended to give an indication of economic prospects for the South West region if recent trends continue (so far as these can be identified from available data) and if the UK economy performs as predicted by the most recent HM Treasury forecasts. The projections are based on detailed analysis of past trends in output and employment by industry at national, regional and sub-regional levels. This analysis uses official ONS estimates of output (GVA) and employment (ABI Employee Jobs). The projections take account of the relationships between growth in the main components of expenditure and industry performance, national and regional economic activity by sector and of the most recent HM Treasury survey forecasts for UK economic growth. The South West Business Economy Module also produces detailed sector projections using additional information on output and employment from the South West regional accounts. For information on how to obtain the regional accounts and the accompanying econji software please contact SWBEM (see below for contact details).

# SOUTH WEST BUSINESS ECONOMY MODULE

The Business and Economy Module of the South West Observatory provides a dynamic source of economic and business research and intelligence, with comprehensive data and analysis to support regional development and evidence based decision making. To improve the availability of regional data the Business and Economy Module has developed a set of Regional Accounts which are freely available to all. For further information please visit the Business and Economy Module website ([www.swo.org.uk/bem](http://www.swo.org.uk/bem)).

The South West Regional Observatory's Business and Economy Module and the South West RDA use a wide range of information and data sourced from third party suppliers within its analysis and reports. Neither body can be held responsible for the accuracy or timeliness of this information.

Neither the Business and Economy Module nor the South West RDA will be liable for any losses suffered or liabilities incurred by third parties' use or reliance, in any way, on the information contained in this publication.



South West  
England

**SWBEM: UK REGIONAL PROJECTIONS**

	1997	2007	2008	2009	2010	2015	Average annual growth rate (%)	
							1997-2007	2008-2015
<b>GVA (£m, current price)</b>								
North East	25,300	39,600	41,400	42,000	44,100	54,500	3.2	4.3
North West	73,700	119,200	125,600	128,300	134,200	169,600	3.4	4.8
Yorkshire & the Humber	53,900	88,700	93,800	95,600	100,300	127,300	3.4	4.9
East Midlands	47,100	80,500	85,300	87,400	92,000	119,800	3.8	5.4
West Midlands	59,400	95,600	101,800	104,000	108,800	140,000	3.4	5.2
East	68,500	120,400	130,200	134,700	141,800	187,600	4.4	5.8
London	109,900	211,100	228,400	236,200	250,200	343,300	4.7	6.5
South East	107,900	192,600	210,000	217,600	228,600	309,600	4.3	6.3
<b>South West</b>	<b>54,500</b>	<b>97,100</b>	<b>103,200</b>	<b>106,200</b>	<b>112,800</b>	<b>148,200</b>	<b>4.5</b>	<b>5.6</b>
England	600,400	1,044,800	1,119,700	1,151,900	1,212,700	1,599,800	4.1	5.7
Wales	28,500	46,300	49,000	50,000	52,800	70,900	3.7	6.1
Scotland	60,700	96,500	99,500	100,800	106,000	130,300	3.2	4.2
Northern Ireland	16,400	28,500	30,200	30,800	32,700	42,900	3.9	5.6
UK excl ex-regio	706,000	1,216,100	1,298,400	1,333,400	1,404,100	1,843,900	4.0	5.6
<b>GVA per Head (£, current price)</b>								
North East	9,900	15,500	16,200	16,400	17,200	21,100	3.0	4.2
North West	10,900	17,300	18,200	18,500	19,300	24,100	3.1	4.5
Yorkshire & the Humber	10,900	17,300	18,200	18,400	19,200	23,900	2.9	4.4
East Midlands	11,400	18,500	19,500	19,800	20,700	26,400	3.2	5.0
West Midlands	11,300	17,700	18,800	19,200	20,000	25,400	3.1	4.9
East	13,000	21,500	23,100	23,800	24,900	32,200	3.8	5.3
London	15,700	27,600	29,600	30,400	32,000	42,700	3.9	5.9
South East	13,700	23,400	25,400	26,200	27,300	36,300	3.8	5.9
<b>South West</b>	<b>11,300</b>	<b>18,900</b>	<b>19,900</b>	<b>20,400</b>	<b>21,500</b>	<b>27,600</b>	<b>3.9</b>	<b>5.1</b>
England	12,300	20,500	21,900	22,400	23,400	30,300	3.6	5.3
Wales	9,900	15,500	16,300	16,600	17,400	23,100	3.3	5.8
Scotland	11,900	18,900	19,400	19,700	20,700	25,400	3.2	4.2
Northern Ireland	9,800	16,300	17,300	17,500	18,500	24,000	3.6	5.3
UK excl ex-regio	12,100	20,000	21,300	21,700	22,800	29,400	3.5	5.2
<b>Employment (ABI Employee Jobs)</b>								
North East	945,700	1,085,200	1,100,800	1,074,600	1,075,400	1,147,600	1.5	0.6
North West	2,788,600	3,127,100	3,129,900	3,161,700	3,136,400	3,249,200	1.3	0.5
Yorkshire & the Humber	2,049,700	2,400,400	2,460,900	2,418,500	2,403,700	2,624,800	1.8	0.9
East Midlands	1,752,400	1,890,100	1,915,300	1,866,000	1,839,900	1,924,400	0.8	0.1
West Midlands	2,290,700	2,447,400	2,497,700	2,438,100	2,400,800	2,537,100	0.7	0.2
East	2,187,800	2,456,200	2,541,400	2,507,800	2,476,800	2,668,300	1.3	0.7
London	3,764,100	4,183,700	4,303,200	4,206,200	4,154,700	4,419,000	1.2	0.4
South East	3,425,100	3,928,400	4,092,200	4,042,700	3,991,100	4,401,400	1.5	1.0
<b>South West</b>	<b>1,950,900</b>	<b>2,357,200</b>	<b>2,410,300</b>	<b>2,374,500</b>	<b>2,383,700</b>	<b>2,612,200</b>	<b>2.1</b>	<b>1.2</b>
England	21,155,000	23,875,600	24,451,800	24,090,100	23,862,500	25,584,000	1.4	0.6
Wales	1,038,100	1,245,700	1,278,400	1,258,700	1,256,800	1,428,200	2.0	1.6
Scotland	2,161,900	2,507,900	2,507,500	2,441,200	2,433,100	2,593,000	1.7	0.5
Great Britain	24,355,000	27,629,200	28,237,700	27,790,000	27,552,400	29,605,200	1.4	0.7

**SWBEM SOUTH WEST ECONOMIC PROJECTIONS****GVA (£m, current price)**

	2006	2007	2008	2009	2010	Average Annual Growth Rate (%)		
						2015	1997-2007	2008-2015
Agriculture, hunting, forestry & fishing	2,000	1,630	1,510	1,450	1,610	1,390	1.4	0.8
Mining & Quarrying	400	400	400	410	390	380	0.7	-1.0
Manufacturing	12,540	12,300	12,710	12,830	12,460	12,050	0.9	-0.8
Electricity, gas and water supply	1,670	1,610	1,620	1,660	1,710	1,810	-0.5	1.6
Construction	6,700	7,820	8,200	8,530	9,390	13,160	10.2	7.0
Wholesale and retail trade (including motor trade)	10,820	12,080	13,020	13,400	14,160	18,890	6.4	5.5
Hotels and restaurants	3,380	4,030	4,440	4,700	4,790	6,620	8.5	5.9
Transport, storage and communication	5,500	6,030	6,550	6,820	7,030	8,680	5.7	4.1
Financial intermediation	6,940	6,710	6,650	6,680	7,440	10,330	8.1	6.5
Real estate, renting and business activities	21,010	24,390	26,740	27,780	30,090	44,160	9.0	7.4
Public administration and defence	5,350	5,410	5,340	5,300	5,820	6,220	3.1	2.2
Education	5,350	5,760	6,120	6,250	6,980	9,430	6.4	6.4
Health and social work	7,290	7,800	8,270	8,470	9,490	12,710	7.7	6.3
Other services	4,360	4,970	5,490	5,750	6,130	8,710	7.6	6.8
FISIM adjustment	3,640	3,810	3,830	3,840	4,690	6,370	10.0	7.5
<b>TOTAL</b>	<b>89,670</b>	<b>97,110</b>	<b>103,230</b>	<b>106,190</b>	<b>112,810</b>	<b>148,170</b>	<b>5.9</b>	<b>5.3</b>

**Employment (ABI Employee Jobs)**

	2006	2007	2008	2009	2010	2015	Average Annual Growth Rate (%)	
							1998-2007	2008-2015
Agriculture, hunting, forestry & fishing	28,100	26,300	24,200	20,900	18,600	12,700	-4.2	-8.1
Mining & Quarrying	4,500	4,600	5,000	4,900	4,700	3,400	-2.1	-5.5
Manufacturing	251,000	252,100	239,900	238,300	230,400	176,100	-3.2	-4.8
Electricity, gas and water supply	9,700	12,100	8,400	8,100	7,800	6,400	-5.0	-3.8
Construction	100,100	99,200	115,600	113,000	109,200	109,400	3.3	-0.5
Wholesale and retail trade (including motor trade)	405,700	391,500	439,600	454,900	448,100	480,700	2.1	1.1
Hotels and restaurants	169,200	175,700	195,800	206,500	208,400	217,600	3.1	1.1
Transport, storage and communication	111,900	106,900	117,300	123,500	124,200	128,500	2.6	0.8
Financial intermediation	79,900	79,000	78,700	69,700	62,500	52,300	-0.2	-4.9
Real estate, renting and business activities	325,200	323,500	350,500	371,300	371,400	454,400	4.9	3.6
Public administration and defence	120,700	130,500	128,000	123,000	118,700	119,100	2.2	-0.6
Education	215,200	209,000	240,300	251,800	252,600	330,100	4.9	4.7
Health and social work	286,100	290,900	302,400	306,800	300,100	338,100	3.1	1.7
Other services	100,300	109,800	111,400	117,700	117,700	131,800	3.4	2.1
<b>TOTAL</b>	<b>2,207,700</b>	<b>2,211,100</b>	<b>2,357,200</b>	<b>2,410,300</b>	<b>2,374,500</b>	<b>2,560,500</b>	<b>2.1</b>	<b>1.2</b>

## SWBEM: SOUTH WEST SUB-REGIONAL PROJECTIONS

	1997	2007	2008	2009	2010	2015	Average Annual Growth Rate (%)	
							1997-2007	2008-2015
<b>GVA (£m, current prices)</b>								
<b>South West</b>	54,500	97,100	103,200	106,200	112,800	148,200	4.5	5.3
<b>Gloucestershire, Wiltshire and North Somerset</b>	28,800	53,400	57,000	59,000	62,900	84,600	5.0	5.8
Bristol City of	6,500	11,100	11,800	12,100	12,800	16,400	4.1	4.8
North and North East Somerset, South Gloucestershire	7,300	14,600	15,700	16,400	17,600	24,400	5.7	6.5
Gloucestershire	6,700	13,800	14,800	15,500	16,600	23,200	5.8	6.6
Swindon	3,400	5,800	6,200	6,400	6,800	9,100	4.6	5.5
Wiltshire CC	4,900	8,000	8,400	8,600	9,100	11,600	3.8	4.6
<b>Dorset and Somerset</b>	11,700	20,000	21,100	21,600	22,900	29,300	4.1	4.8
Bournemouth and Poole	3,300	6,000	6,400	6,600	7,000	9,500	5.0	5.8
Dorset CC	3,500	5,700	5,900	6,000	6,300	7,600	3.2	3.7
Somerset	4,900	8,300	8,800	9,000	9,500	12,200	4.0	4.8
<b>Cornwall and Isles of Scilly</b>	3,600	7,000	7,500	7,800	8,300	11,200	5.3	6.0
<b>Devon</b>	10,500	16,800	17,600	17,800	18,700	23,100	3.2	4.0
Plymouth	2,700	3,900	4,000	4,100	4,200	4,900	2.0	2.7
Torbay	1,200	1,500	1,500	1,400	1,400	1,300	-1.0	-1.3
Devon CC	6,600	11,400	12,100	12,300	13,100	16,800	4.2	4.9
<b>GVA per Head (£, current prices)</b>								
<b>South West</b>	11,300	18,800	19,800	20,300	21,400	27,200	5.2	4.8
<b>Gloucestershire, Wiltshire and North Somerset</b>	13,600	23,600	25,100	25,900	27,400	36,000	5.7	5.4
Bristol City of	16,700	27,700	29,200	29,800	31,300	39,200	5.2	4.4
North and North East Somerset, South Gloucestershire	12,500	23,200	24,800	25,700	27,400	37,000	6.4	6.0
Gloucestershire	12,000	23,700	25,400	26,400	28,200	38,600	7.0	6.3
Swindon	19,400	31,600	33,600	34,500	36,500	47,700	5.0	5.3
Wiltshire CC	11,700	17,500	18,300	18,600	19,500	23,900	4.1	4.0
<b>Dorset and Somerset</b>	10,000	16,100	16,900	17,200	18,100	22,600	4.9	4.3
Bournemouth and Poole	11,000	19,800	21,100	21,800	23,200	30,800	6.0	5.7
Dorset CC	9,200	13,800	14,400	14,600	15,200	17,800	4.1	3.2
Somerset	10,100	15,700	16,500	16,800	17,600	21,600	4.5	4.1
<b>Cornwall and Isles of Scilly</b>	7,400	13,100	13,800	14,200	15,100	19,600	5.8	5.2
<b>Devon</b>	10,000	14,700	15,300	15,400	16,000	19,000	3.9	3.3
Plymouth	11,000	15,700	16,200	16,200	16,700	19,100	3.6	2.5
Torbay	9,600	10,500	10,500	10,100	10,100	9,000	0.9	-1.9
Devon CC	9,700	15,100	15,800	16,100	16,900	20,800	4.5	4.1