

Berkshire: An Economic Forecast to 2026

INTRODUCTION

This report is a summary of the economic forecasting work on Gross Value Added (GVA) measures that the South East England Development Agency (SEEDA) released on 20 July 2010. Its purpose is to inform Local Economic Assessments as well as any other documents that may require a forecasting element to their evidence base.

The licensing of this information allows local government officers to use and reproduce this data as needed.

Although the original forecasts go up to 2030, in this summary the 5-yearly intervals have been used, so as to be consistent with other local authority forecasts.

WHAT DOES GROSS VALUE ADDED (GVA) MEAN?

DEFINITION: 'Gross value added is the difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.' *Source: Office of National Statistics*

In other words, GVA measures the economic output of an area in monetary terms, allowing comparisons between areas to be made.

TOTAL GVA & TOTAL JOBS UP TO 2026 IN BERKSHIRE

In 2006 Berkshire's total GVA stood at £22,580 million (13% of the South East GVA). By 2026 it is projected to grow to £35,307 million (20% of the South East GVA).

In 2006, there were 525,500 jobs in Berkshire. By 2026 this is projected to grow to 599,600.

Over the period 1991-2001, Berkshire saw its Total GVA grow by 58%. This was higher than any other county in the South East, with our nearest rival being Surrey at 52%. The South East average over this period was 43%.

Over the period 2001-2011, Berkshire's projected Total GVA is projected to grow by only 3%. This is the second lowest growth rate in the South East, with only Buckinghamshire performing worse. East Sussex, Kent and Hampshire in particular are projected to achieve far more growth than the South East average of 13%.

From 2011-2026, Berkshire is projected to once again take the lead in Total GVA growth. It is projected to grow its Total GVA by 54%. This is the best in the South East where the average grow is projected to be 49%.

Over the same period, 2011-2026, jobs are projected to grow by 17% in Berkshire. Again, this is the highest growth in the South East, where the average growth is projected to be 14%.

2011-2026 Forecast: Berkshire's GVA is projected to grow by 54%; the number of jobs will grow by 17% - the highest growth levels in the South East.

HOW BETTER TO ANALYSE GVA

In order to better understand the economic output of an area, combining GVA data with a population figures allows a truer and cross-comparable measure.

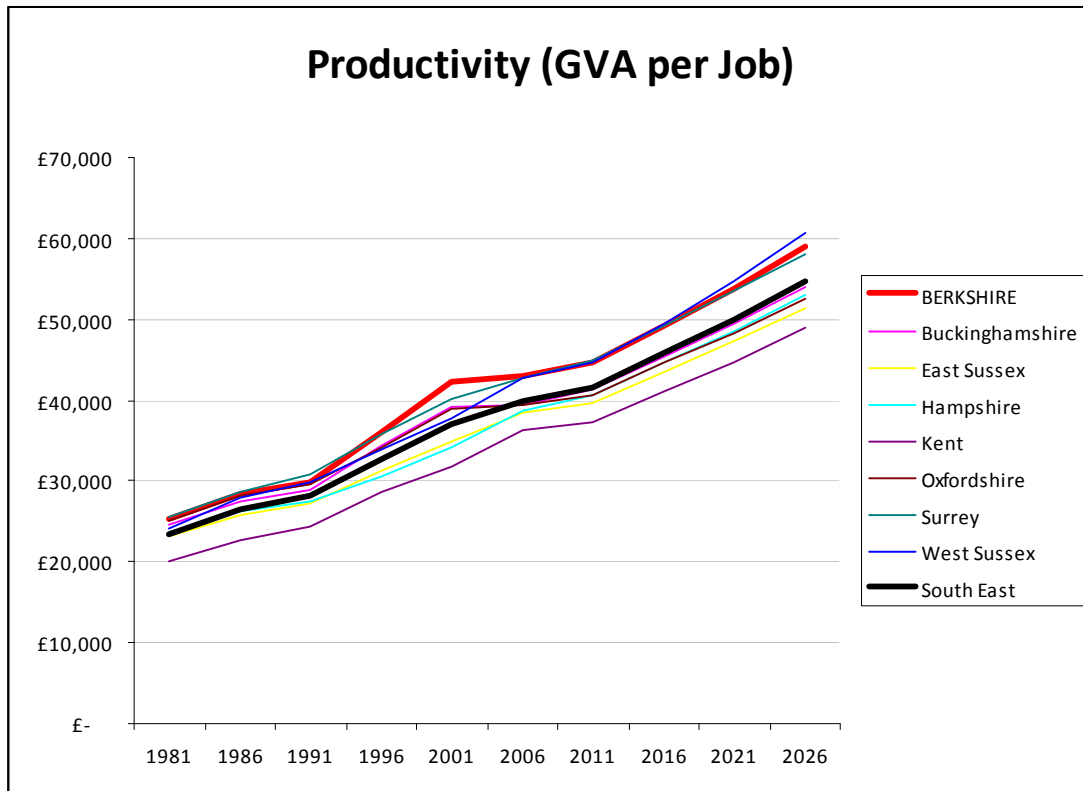
This can be done in a variety of ways. Below are listed the three most commonly used methods, with rationale as to which one is chosen to be used:

1. **GVA per head of population**
 - a. GVA divided by the total resident population.
 - b. This is not a true measure of what workers are producing.
 - c. **This is not a recommended approach for Berkshire.**
2. **GVA per head of working-age population**
 - a. GVA is divided by the resident working-age population.
 - b. This takes no account of commuters into the area.
 - c. **This is not a recommended approach for Berkshire**
3. **GVA per job (as known as 'Productivity')**
 - a. GVA is divided by the number of jobs (i.e. people who work in Berkshire, irrespective of where they live).
 - b. This accounts for all workers, including commuters into the area.
 - c. **Berkshire is a commuter destination. This is the recommended approach.**

PRODUCTIVITY (GVA PER JOB) AT A COUNTY LEVEL

Graph A shows the Productivity (i.e. GVA per job) for each county in the South East at 5-yearly intervals.

Graph A: Productivity by county in the South East 1981-2026



Berkshire's productivity is represented by the thick red line and the South East average can be seen as the thick black line. As you can see, Berkshire is performing well over this time period and projected to continue performing strongly over the next two decades.

Throughout the 1990s and the first decade of the 2000s, Berkshire has had the highest productivity in the South East. 1991-2001 saw Berkshire's productivity grow by 41%, higher than any other county in the South East and 10% higher than the South East average.

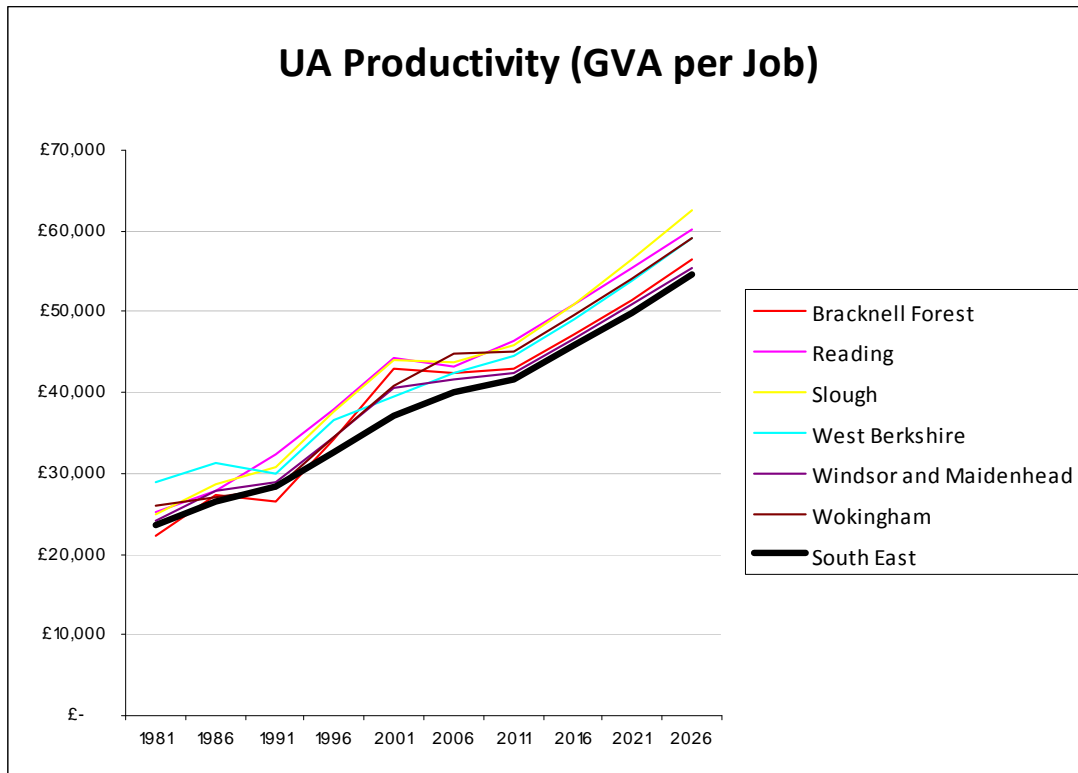
However, by 2011 it is projected that Berkshire will fall into second place behind Surrey.

Over the proceeding 15 years, 2011-2026, it is projected that Berkshire will not be the pace-setter, as it has been for the previous two decades. Both Surrey and West Sussex will be vying for pole position, with West Sussex projected to be producing £2,000 more per job than Berkshire by 2026. Although the South East as a whole will continue to grow, it seems that Berkshire, along with Surrey and West Sussex will form a breakaway group in terms of higher productivity over the coming two decades.

2011-2026 Forecast: Berkshire, Surrey and West Sussex's higher Productivity levels will see them breaking away from the rest of the South East.

PRODUCTIVITY (GVA PER JOB) AT A UNITARY AUTHORITY (UA) LEVEL

Graph B: Productivity by Berkshire UA 1981-2026



With the South East average represented as the thick black line, each of the UAs are consistently higher and this is projected to continue up to 2026. The only exception to this consistency was Bracknell Forest which in 1991 had the lowest productivity of the Berkshire UAs and was even lower than the South East average. However, by 2001, Bracknell Forest had completely reversed this trend and had the third highest productivity in Berkshire, just behind Reading and Slough.

During the 10 year period 1991-2001, Bracknell Forest saw an increase to its productivity of 62%, far higher than any other Berkshire UA and **double** the South East average.

Since 2001, growth in productivity has been growing across Berkshire, but at a much slower rate. By 2011, it is projected that productivity will have stayed relatively flat for most UAs compared to 2001 figures. West Berkshire and Wokingham are the exceptions to this. Both will see increases in excess of 10% in 2011 to their productivity, compared to 2001 figures. The other UAs are projected to see increases of 4-5%. Bracknell Forest is projected to actually see a slight decrease to its productivity. The South East average increase to productivity over the period 2001-2011 is predicted to be 12%. West Berkshire and Wokingham are the only two UAs projected to be anywhere near this level of growth.

From 2011-2026, productivity growth across Berkshire is projected to continue to rise and each UA to perform better than the South East average.

2011-2026 Forecast: Each Berkshire UA will have Productivity levels higher than the South East average, with Slough leading the way.

SUMMARY

Berkshire's GVA is projected to grow far more than anywhere else in the South East from 2011-2026. Over the same period jobs growth is also forecast to be higher in Berkshire than the rest of the South East. Individually, these are indicators of strong growth. To better understand the economic output of an area, however, we must combine these two figures, to show us the Productivity per worker in Berkshire (i.e. Productivity = GVA per job).

Berkshire's Productivity is forecast to remain strong from 2011-2026, although it will no longer be the pace-setter. Surrey and West Sussex will be competing against Berkshire for top position in the South East. The individual UAs are forecast to continue seeing growing levels of Productivity, with Slough leading the way by 2026.

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4 August 2010

DISCLAIMER

As with all forecasting models the data produced is based on certain assumptions and historic patterns and should only be used as guide.

Economic forecasting models are extremely complex - the explanatory notes to this model run to 26 pages. They are based on a large number of assumptions, changes to any one of which can have an impact on the outcome. Not least, many of them rely on future trends following the patterns of previous years.

The value of these models is therefore not to provide an exact forecast of where the local economy will be in 2026, but in presenting a picture of its direction of travel and its likely performance, relative to its neighbours.