

## Article

# Regional Gross Value Added (Income Approach): London leads UK cities in economic recovery

Following the publication of regional Gross Value Added (income approach), this article focuses on the economic performance of the largest UK cities. We compare the cities' annual GVA growth from 2013 to 2014, and also the longer term growth since the low-point of the recent economic downturn in 2009. For each city covered we identify the industries mostly responsible for driving this change.



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## Table of contents

1. [Introduction](#)
2. [London and Manchester](#)
3. [Other major UK cities](#)
4. [Background notes](#)
5. [Annex A: Local Authorities covered by the city areas used in this article](#)

# 1. Introduction

Since 2009, the low point of the UK's recent economic downturn, London has seen the strongest growth in gross value added (GVA) of the major UK cities, increasing by 28.9% over the five years to 2014. Most other major UK cities have also shown growth over this period, though to a lesser extent. Greater Manchester increased by 15.2% from 2009 to 2014.

The latest regional GVA figures published today by the Office for National Statistics (ONS) show how the economic activity in regions, counties and cities of the UK has changed between 1997 and 2014. In this article we look at the performance of some of the largest cities in the UK, defined according to the European [NUTS](#) system. Some of these areas do not match the regions that are being established for the new City Deals, as these new administrative regions are still evolving independently of existing standards. In Annex A you can find a list of the Local Authority Districts that comprise each of the areas covered here, so that you can easily identify the differences between these areas and emerging regions with devolved authority. The two largest and most well-established city regions are London and Greater Manchester, and for these we are able to match the areas precisely. For the other major cities we will report on the central city area that is covered by one of the NUTS3 areas. It is likely that City Deals will cover much wider areas around the cities.

Regional GVA is presented in current basic prices, which means that it does not include the effect of market taxes and subsidies (such as VAT) that are within the measure of gross domestic product (GDP), and it does not account for the effect of inflation. To get a view of the 'real' economic growth excluding inflation we can compare the GVA growth with that shown in the national GVA deflator. That measure of general inflation in basic prices shows price increases of 9.1% over the five years from 2009 to 2014, and of 1.7% between 2013 and 2014 alone.

## 2. London and Manchester

### London

London's economy grew by 6.8% between 2013 and 2014, helped by strong growth in real estate (12.8%) and finance (11.6%), but with many other industries also showing significant increases over the year. There were decreases in healthcare (-0.5%) and the utilities (electricity, gas and water), though these latter industries are small in the capital and have little impact on overall economic performance. In real terms the distribution trades (retail and wholesale) also struggled, with only 1.9% annual growth (only just ahead of the 1.7% inflation rate).

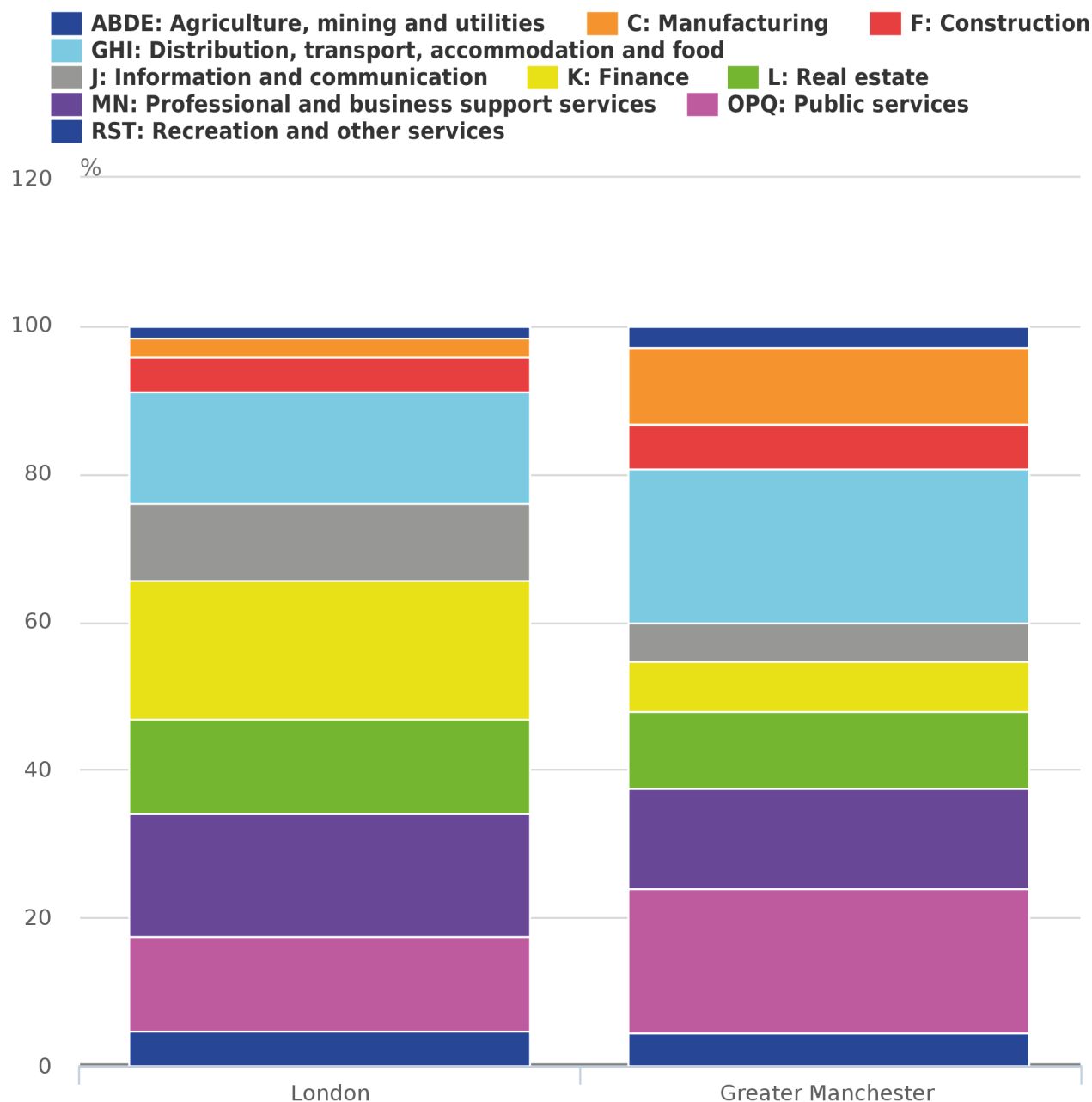
Over the five years from 2009 to 2014 London's economy grew by 28.9%, with the most significant growth seen in real estate (81.7%), accommodation and food service (45.5%), business support services (42.9%), and construction (42.8%). Over the five year period the only significant industry to show a fall in real terms was healthcare, with only 6.3% growth (below the 9.1% inflation rate).

### Manchester

The economy of Greater Manchester grew by 3.2% between 2013 and 2014, with the strongest growth in entertainment and recreation (16.4%), other services (11.5%), information and communication (11.4%) and business support services (10.7%). Some industries decreased from 2013, including education (-1.9%) and finance (-3.1%), and the distribution and transport industries struggled in real terms, with only 0.6% and 1.1% annual growth respectively (below the 1.7% inflation rate).

Over the five years from 2009 to 2014 Greater Manchester's economy grew by 15.2%, with the most significant growth seen in professional services (52.8%) and real estate (38.0%), and with strong growth in the smaller industries electricity and gas (54.0%) and entertainment and recreation (38.6%). Over the five year period the only industry to show a fall was finance (-4.7%), but in real terms information and communication (5.9%), public administration (4.6%) and education (3.2%) all failed to keep up with the 9.1% inflation rate.

**Figure 1: Shares of total GVA in industries, London and Greater Manchester, 2014**



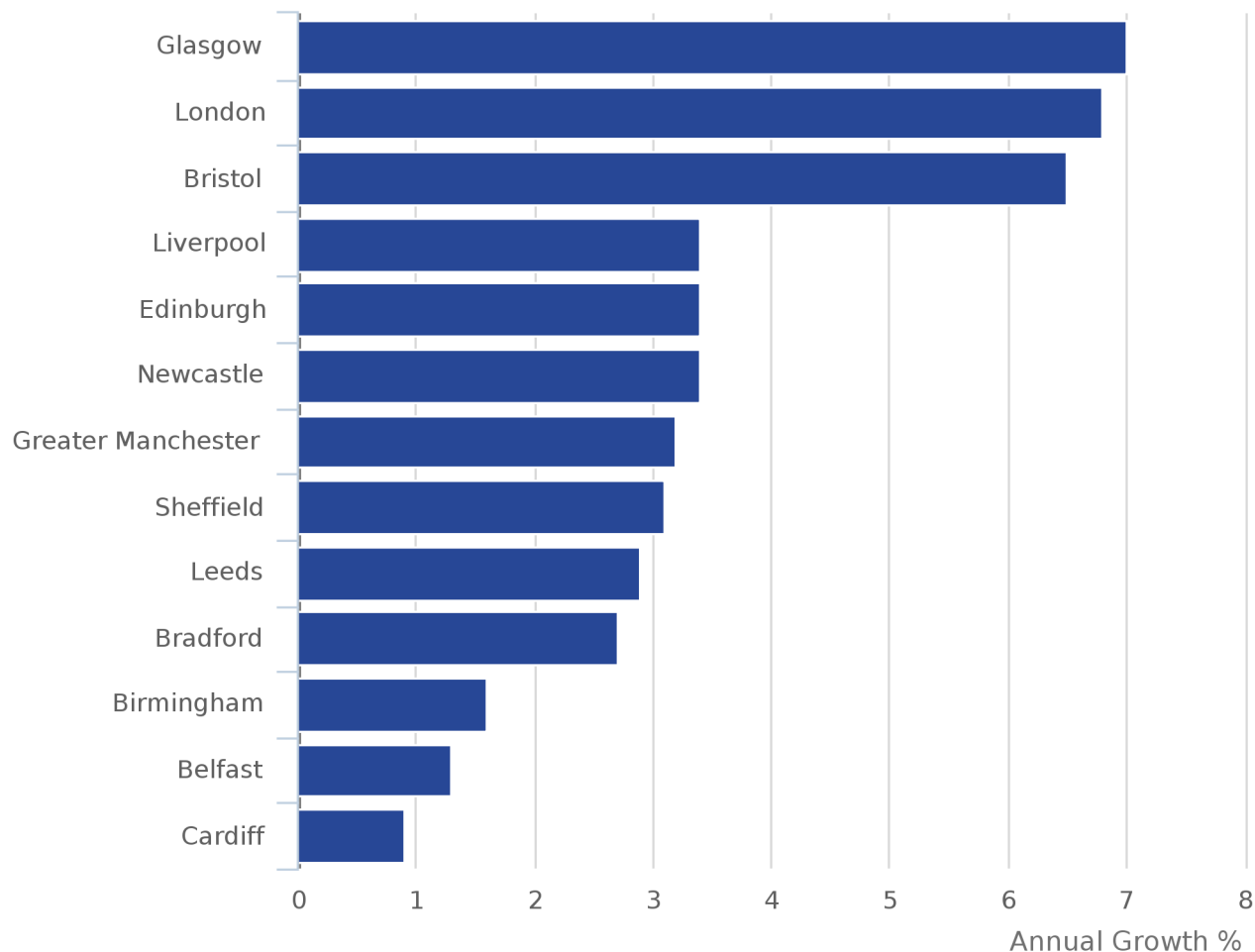
Source: Office for National Statistics

Figure 1 shows a comparison of the industrial make-up of London and Greater Manchester in 2014. The most obvious differences are that London has a much larger financial sector (18.9% compared with Manchester's 7.0%) and Manchester has a much larger manufacturing industry (10.4% compared with London's 2.6%). Other notable differences are that the information and communication industry is rather larger in London (10.3% compared with 5.1%), and the public services are correspondingly larger in Manchester (19.4% compared with 12.7%). There is also a fairly large difference in distribution, transport, accommodation and food (15.1% in London, 20.8% in Manchester), which is due to the retail and wholesale trades being rather more significant in Manchester than they are in London.

### 3. Other major UK cities

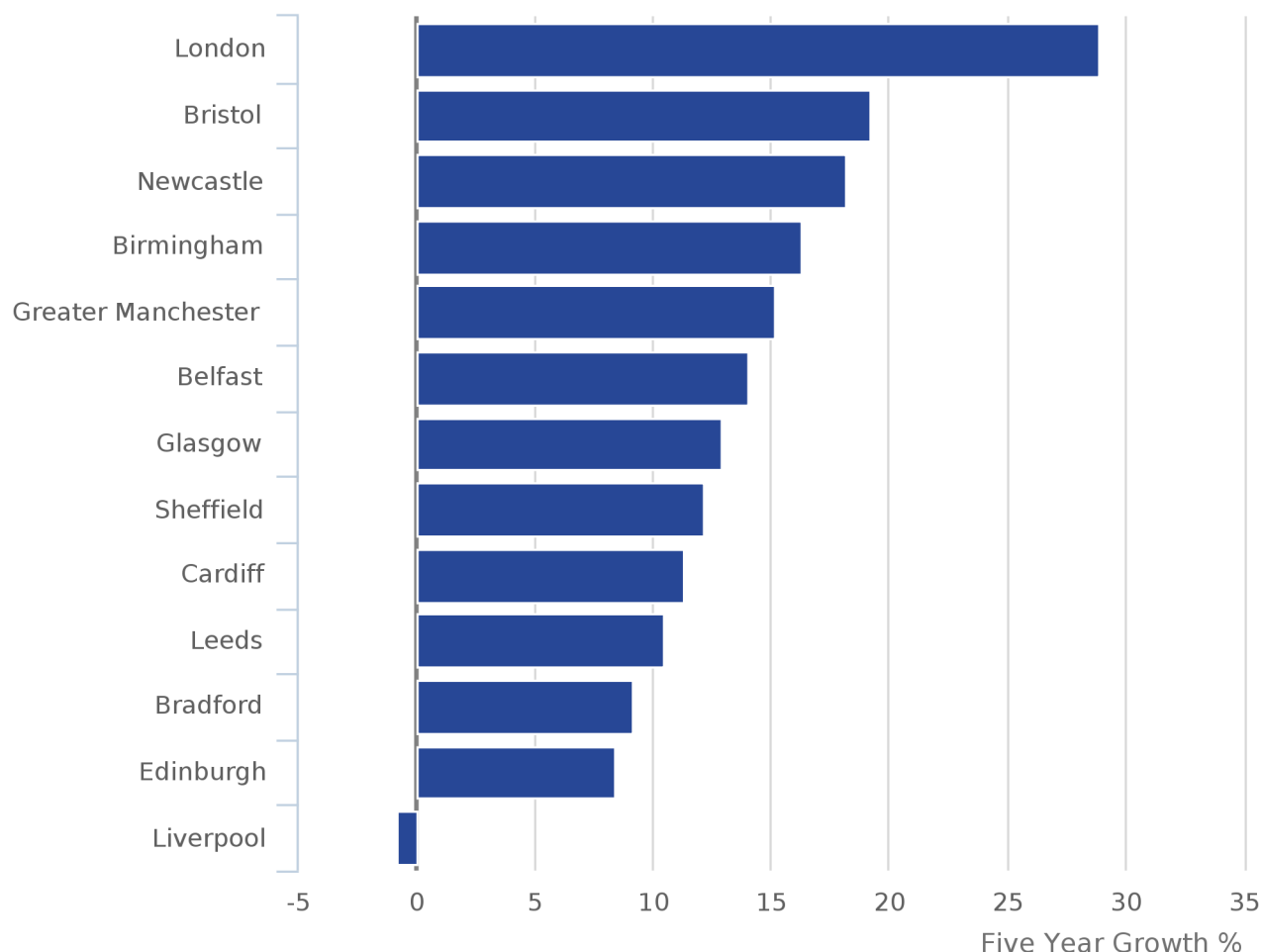
In this section we will take a look at the economic performance of some of the other largest cities in the UK, again looking at the latest annual growth in GVA and their longer term performance since the 2009 economic downturn. While it is not our intent to offend anyone by excluding their city we have to be selective, so we have chosen the ten largest cities by population (Census 2011) and have also included Belfast in order to include the capitals of all four countries of the UK.

**Figure 2: Annual GVA growth, 2013 to 2014**



Source: Office for National Statistics

**Figure 3: Five year GVA growth, 2009 to 2014**



Source: Office for National Statistics

## Birmingham

Birmingham's economy grew by only 1.6% between 2013 and 2014, just failing to keep pace with inflation at 1.7%. There was strong growth in construction (15.3%), recreation and other services (9.2%), professional and business support services (9.1%) and information and communication (9.0%), offset by falls in finance (-16.5%), mining and utilities (-11.0%) and public services (-0.2%).

Between 2009 and 2014 the economy of Birmingham grew by 16.3%. The strongest growth was in recreation and other services (75.7%), with real estate (40.4%), professional and business support services (27.9%), construction (27.6%) and manufacturing (24.3%) also doing well. Over the same period the finance industry decreased considerably (-19.9%) and mining and utilities also fell (-8.0%).

## Newcastle-upon-Tyne

The economy of Newcastle-upon-Tyne, here represented by the Tyneside NUTS3 area, grew by 3.4% between 2013 and 2014. Newcastle saw strong growth across a number of major industries, led by construction (11.9%), finance (11.3%), distribution, transport, accommodation and food (8.7%) and professional and business support services (8.5%). By contrast, there were decreases in mining and utilities (-3.4%) and public services (-3.1%).

Between 2009 and 2014 Newcastle's economy grew by 18.2%, behind only London and Bristol of the cities covered here. The strongest growth was in real estate (40.5%), followed by distribution, transport, accommodation and food (34.8%) and manufacturing (31.5%). The only industry to show a fall over this period was mining and utilities (-54.2%), although the finance industry grew little (2.0%), failing to keep pace with inflation at 9.1%.

## **Leeds**

Leeds' economy grew by 2.9% between 2013 and 2014. The strongest growth was in finance (20.6%), with good performances from construction (11.8%) and information and communication (11.7%). There were decreases in mining and utilities (-14.6%), the public services (-1.6%) and real estate (-0.2%).

Between 2009 and 2014 the economy of Leeds grew by 10.5%, with the most significant contributions coming from real estate (35.7%), professional and business support services (26.3%) and manufacturing (22.6%). Over the same period there were decreases in mining and utilities (-17.8%) and finance (-8.4%).

## **Glasgow**

Glasgow's economy grew by 7.0% between 2013 and 2014, the highest annual growth seen in any of the cities covered by this article. The strongest growth came from the finance industry (21.4%), with good support from construction (10.0%) and professional and business support services (8.5%). There were falls too, in agriculture (-20.0%), mining and utilities (-2.9%) and recreation and other services (-1.9%), but the impact of these industries on Glasgow's economy is much smaller.

Between 2009 and 2014 the economy of Glasgow grew by 12.9%, with the most significant contributions coming from real estate (38.8%), finance (26.7%) and distribution, transport, accommodation and food (18.6%), and the highest growth in the relatively small agriculture industry (128.6%). The only industry to show a fall over this period was professional and business support services (-1.6%).

## **Sheffield**

Sheffield's economy grew by 3.1% between 2013 and 2014. The strongest growth was seen in recreation and other services (10.4%) and distribution, transport, accommodation and food (8.2%), but there were decreases in finance (-5.8%), information and communication (-2.5%), real estate (-1.3%) and mining and utilities (-0.5%).

Between 2009 and 2014 the economy of Sheffield grew by 12.2%, with the strongest growth in information and communication (55.2%), distribution, transport, accommodation and food (29.3%) and construction (25.5%). The only industry to show a fall over this period was finance (-31.0%), although the public services (0.5%) and recreation and other services (2.5%) grew by less than inflation at 9.1%.

## **Bradford**

Bradford's economy grew by 2.7% between 2013 and 2014. There was strong growth in construction (19.1%), recreation and other services (10.9%) and finance (6.1%), offset by a fall in professional and business support services (-2.8%).

Between 2009 and 2014 the economy of Bradford grew by 9.2%, just keeping ahead of inflation at 9.1%. The best performances were seen in construction (35.3%), mining and utilities (25.3%) and real estate (22.1%), but there were falls in finance (-18.5%) and distribution, transport, accommodation and food (-4.4%).

## Edinburgh

Edinburgh's economy grew by 3.4% between 2013 and 2014, with the strongest growth seen in finance (8.5%), recreation and other services (4.6%) and distribution, transport, accommodation and food (3.7%). There were falls in agriculture (-12.9%), information and communication (-1.6%) and professional and business support services (-0.3%).

Between 2009 and 2014 the economy of Edinburgh grew by only 8.4%, failing to keep pace with inflation at 9.1% and making it the second lowest five-year growth of the cities covered by this article. The strongest performances were seen in recreation and other services (45.6%), real estate (36.8%) and professional and business support services (24.2%), but these were offset by decreases in finance (-12.5%) and mining and utilities (-0.5%), and low growth in manufacturing (1.9%).

## Cardiff

The economy of Cardiff and the Vale of Glamorgan grew by only 0.9% between 2013 and 2014, failing to keep pace with inflation at 1.7% and making it the lowest growth of the cities covered by this article over the latest year. The strongest growth was seen in finance (19.7%), agriculture (7.7%) and professional and business support services (6.6%), but these were offset by falls in public services (-6.9%), mining and utilities (-2.9%) and distribution, transport, accommodation and food (-2.4%).

Between 2009 and 2014 Cardiff's economy grew by 11.3%, with the most significant contributions coming from real estate (48.1%) and recreation and other services (46.7%), and the highest growth in the relatively small agriculture industry (75.0%). The only industries to show a fall over this period were information and communication (-7.2%) and manufacturing (-4.3%), although there was also little growth in public services (2.4%), putting it some way short of the 9.1% inflation rate.

## Liverpool

Liverpool's economy grew by 3.4% between 2013 and 2014. The strongest growth was seen in recreation and other services (12.4%), construction (11.1%), information and communication (7.9%) and finance (7.7%). The only fall was seen in mining and utilities (-3.5%).

Between 2009 and 2014 the economy of Liverpool fell by -0.8%, making it the only city of those covered by this article to show an overall decrease in GVA since the economic downturn. When the 9.1% inflation rate is taken into account, this translates to a real terms decrease of nearly ten per cent. There were some increases, with the strongest growth coming from real estate (41.7%) and information and communication (39.5%). But there were some big decreases too, in manufacturing (-52.2%), finance (-30.2%) and public services (-8.4%). Manufacturing in Liverpool actually peaked in 2009 and has fallen in each subsequent year until 2013, showing a very different pattern to the UK as a whole.

## Bristol

Bristol's economy grew by 6.5% between 2013 and 2014, the third highest annual growth seen in any of the cities covered by this article behind Glasgow and London. The strongest growth was seen in finance (11.0%), public services (8.9%) and real estate (8.5%). No industry showed a fall in GVA in the latest year, although recreation and other services (0.5%), construction (0.8%) and mining and utilities (1.2%) all failed to keep up with inflation at 1.7%.

Between 2009 and 2014 the economy of Bristol grew by 19.2%, second only to London of the cities covered by this article. Strong growth was seen across a broad range of industries, with the best performances coming from manufacturing (81.0%), real estate (62.2%), agriculture (37.5%) and construction (33.4%). The only industry showing a fall over this period was finance (-13.1%).

## Belfast

Belfast's economy grew by only 1.3% between 2013 and 2014, failing to keep pace with inflation at 1.7%. The strongest growth was seen in recreation and other services (9.9%), real estate (5.8%) and construction (4.5%), but this was offset by falls in mining and utilities (-3.6%), public services (-2.4%) and information and communication (-0.4%).

Between 2009 and 2014 the economy of Belfast grew by 14.1%, with the strongest growth coming from mining and utilities (82.8%), recreation and other services (38.9%), distribution, transport, accommodation and food (35.5%) and construction (22.4%). There were no industries showing a decrease over this period, although growth was limited in public services (2.0%), manufacturing (2.8%) and finance (2.8%), all of which failed to keep pace with inflation at 9.1%.

## 4. Background notes

1. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.

## 5. Annex A: Local Authorities covered by the city areas used in this article

### London

City of London Camden Westminster Hammersmith and Fulham Kensington and Chelsea Wandsworth Hackney Newham Tower Hamlets Haringey Islington Lewisham Southwark Lambeth Bexley Greenwich Barking and Dagenham Havering Redbridge Waltham Forest Enfield Bromley Croydon Kingston upon Thames Merton Sutton Barnet Brent Ealing Harrow Hillingdon Hounslow Richmond upon Thames

### Greater Manchester

Manchester Salford Trafford Stockport Tameside Bolton Wigan Bury Oldham Rochdale

### Birmingham

Birmingham

### Newcastle (Tyneside)

Gateshead Newcastle upon Tyne North Tyneside South Tyneside

### Leeds

Leeds

### Glasgow

Glasgow City

### Sheffield

Sheffield



## **Bradford**

Bradford

## **Edinburgh**

City of Edinburgh

## **Cardiff and Vale of Glamorgan**

Vale of Glamorgan Cardiff

## **Liverpool**

Liverpool

## **Bristol**

City of Bristol

## **Belfast**

Belfast