



South East England Development Agency

Economic and Business Bulletin
Summer 2004

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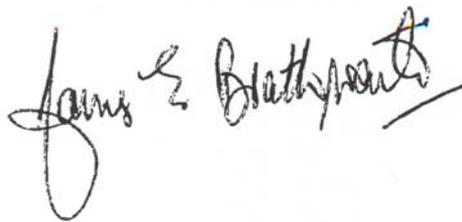
I am pleased to present the summer 2004 issue of SEEDA's six-monthly Economic and Business Bulletin.

This Bulletin aims to contribute to the development of business strategies in the private, public and voluntary sectors. It brings together key economic and business intelligence at regional and sub-regional levels and puts the short-term outlook of the South East economy into a wider national context.

The forthcoming issue of the Economic and Business Bulletin will look more closely at regional economic performance and its likely development in the short, medium and long-term.

If you have any queries regarding this Bulletin or its contents, please contact Ivan Perkovic (01483 470 162), email: ivanperkovic@seeda.co.uk or Rashid Bashir, Head of Policy and Economics (01483 500719), email: rashidbashir@seeda.co.uk.

Yours,

A handwritten signature in black ink, reading "James E. Brathwaite". The signature is written in a cursive style with a large initial 'J' and a prominent flourish at the end.

James E. Brathwaite, CBE
Chairman

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Key Facts

- The South East economy accounts for 15.4% of total UK economy, with real Gross Value Added (GVA) at constant 2000 prices of approximately £135.4 billion.
- The region has the second highest GVA per capita in the UK, around 11% above the UK average (workplace based) or 19% above the average (residence based).
- The South East has the highest economic activity and employment rates in the UK and an unemployment rate of 3.9%, the second lowest in the country.
- Despite the low unemployment rate in the region, around 160,000 people are unemployed in the South East, a higher number than six other English regions.
- Household disposable income in the region is estimated at £108.5 billion (constant 2000 prices), equivalent to 15.2% of the UK total, with household spending estimated at £102.5 billion.
- Household spending in the South East over the past decade has been growing faster than the UK average (3.8% on average per annum in the region as opposed to 3.6% for the UK).
- The total population of the South East is just over eight million equivalent to just under 14% of the UK total. Population growth of 4.95% in the South East has been faster than in the UK as a whole.
- Technological intensity in the South East (as measured by the share of employment in medium and high technology based employment in manufacturing sector) is the highest in the country.
- There are greater variations in sub-regional GVA per head within the South East than between English regions.
- GVA per head in East Sussex and Kent is below the UK average, with GVA per head in the Isle of Wight at less than half compared with Berkshire, and around a third below the UK average.
- New business registration rate in Windsor and Maidenhead in 2002 was 73 businesses per 10,000 adult population compared with 31 businesses per 10,000 adult population in each of Portsmouth, Southampton and the Isle of Wight.
- The proportion of 16 year olds achieving at least five GCSEs at grades A*- C varies from 63.3% in Buckinghamshire to 34.3% in Portsmouth.

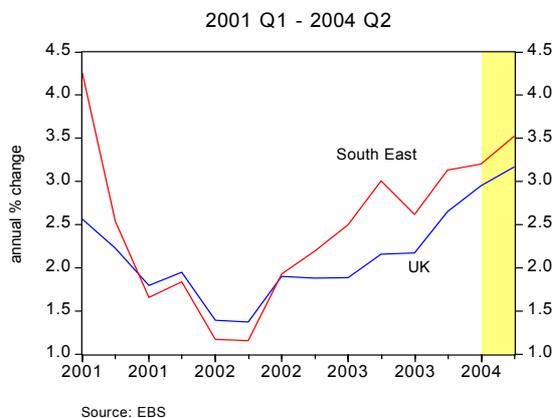
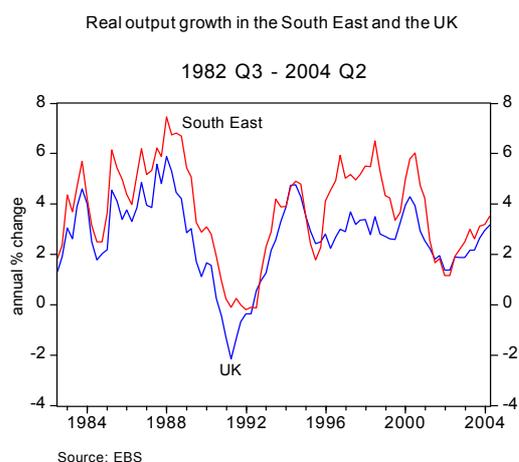
Executive Summary

- The latest estimates show that in 2003 total output in the region expanded faster than the national average.
- Growth was largely driven by the financial and business services sector, construction and distribution, hotels and catering.
- After several years of declining output, the manufacturing sector came out of recession.
- Our latest estimates show total output in the South East is near its long-trend normal intensity level which implies that there is not much spare capacity in the economy.
- The latest estimates show growth in output in every county in the region and in particular in those less developed sub-regional economies outperforms the national average in 2003.
- Over the past decade, average annual growth rates in real Gross Value Added (GVA) per head in the South East and its sub-regional economies higher than the national average.
- The economy of Berkshire has the highest real GVA per head in the South East, while the economy of the Isle of Wight has the lowest (a third below the national average).
- Total number of employees in employment increased on the previous year in line with national trend.
- Unemployment rates in the South East and most of its sub-regional economies remain below the national average. In spite of this, a significant number of people remain unemployed in the region.
- The latest data shows greater disparities within English regions than between English regions.
- Since 1999, the region has experienced mild slowdown in growth in disparities in GVA per head between its sub-regional economies.
- Our latest estimates of cost of living adjusted earnings in the South East show that the region has the lowest real earnings in England.
- Employment structure, productivity, concentration of knowledge based employment, business investment and levels of skills are some of the drivers of economic growth in the region.
- Proximity to London and transport infrastructure also plays a vital role.
- Recently published report “Structure and Dynamics of the South East Economy” argues that a new development model is needed for disadvantaged areas.

The South East and the UK Overview and Outlook

In 2003 the South East economy outperforms the UK economy

Economic activity in the South East rebounded in the second half of 2003 after a relatively mild slowdown in the first half of the year. In the last quarter of the year total output in the region expanded by 1.14% on previous quarter, significantly faster than 0.72% recorded in the third quarter of 2003.



The latest estimates of regional Gross Value Added (GVA) show that in 2003 total output in the region expanded by 2.8% on previous year. Although, growth in real GVA was below its long run trend growth rate of around 3.1%, this was still well ahead of the national average of 1.8% and significantly faster than London's growth rate of 0.55%.¹

¹ In line with European standards (European System of Accounts, ESA95), regional output is expressed as Gross Value Added (GVA) and not Gross Domestic Product (GDP), which is used to record output at national level. GVA is the total net product measured at market prices, less taxes on output (levied at the point of production) plus subsidies (levied at the point of production).

Growth driven by financial and business services sector is supported by growth in a broad mix of industries.

Strong growth in the second half of the year was driven by the financial and business services sector. Total output in this sector expanded by 3.28% in the last quarter of 2003 (on previous quarter). Growth within this sector was driven by banking and insurance and property related activities. Over the year the total output expanded by 4.8% on previous year. Elsewhere, distribution, hotels and catering and construction driven by strong growth in consumer and public spending expanded by 3.5% and 7.5% respectively. After several years of declining output, the manufacturing sector came out of recession. The recovery in this sector was largely driven by strong growth in engineering, which expanded by 4.4% on the previous year. The largest contraction in output was recorded in agriculture and some manufacturing sub-sectors such as metals and paper, printing and publishing.

Total employment increased in the South East by around 0.66%. The total growth in employment in the region led to creation of 27,500 new jobs, which was in line with the national trend. As in recent history, growth in employment was underpinned by growth in employment in services (financial and business services, and public services). In spite of its emergence from recession, employment in manufacturing fell once again.

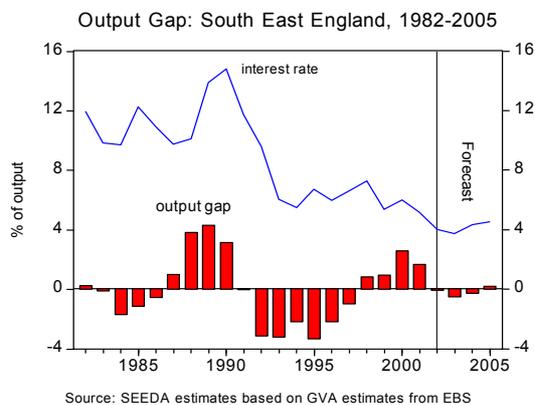
The South East unemployment rates remained broadly stable last year. There were approximately 76,000 people in the region claiming Job-Seekers Allowance (1.8%). On a much broader Labour Force Survey (LFS) measure, there were 163,000 unemployed people in the region or 3.9%, the second lowest in the country after South West and considerably lower than the national average of 5%.

Estimates of regional output and growth rates reported in this document will differ from those reported by the Office for National Statistics (ONS). Estimates of regional output by the ONS are only available in current prices, which implies that changes over time combine the effects of regional economic growth and inflation. Furthermore, regional GVA is based on income data, which is the least reliable method of estimation (the other two being output and expenditure).

Our estimates are based on income approach and are reported in real 2000 prices. ONS has recently switched from fixed base weights (weights that change every five years) in its approach to estimate output to chain linked weights (weights that change every year), which should lead to more reliable estimates of output. The estimates of regional and national output reported in this document are based on the new (chain linked) methodology, which is consistent to the one used by the ONS).

Total output in the region near its long-trend normal intensity level

The potential output of the South East economy refers to a situation where factors of production are employed at their long-trend normal intensity level. While the output gap between actual and potential output is a measure of capacity utilisation for the whole regional economy at given point in time.²



According to the latest estimates total real GVA in the South East in 2003 was £135.4 billion (2000 prices). Our latest estimate shows that total output in the region in 2003 was just 0.5% below its potential output. In 2004 the output gap is forecast to narrow even further to just 0.3% of potential output, which implies that there is not much spare capacity in the economy.

The same is true for the UK economy. Recently the Governor of the Bank of England discreetly pointed out that “as far as we can tell, there does not appear to be much spare capacity in the UK economy”.³

Since the economy appears to be near its full capacity level and the fact that the consumer market seems to be undeterred by the latest increases in interest rates (house price inflation and retail sales continue to show strong signs of growth), we are likely to see further increases in interest rates this year. The recent hike in energy prices driven by strong global demand and potential disruptions in supply led to an increase in inflation, which is yet another factor pointing towards future rises in interest rates.

² The trend gva_t^* is estimated to minimise:

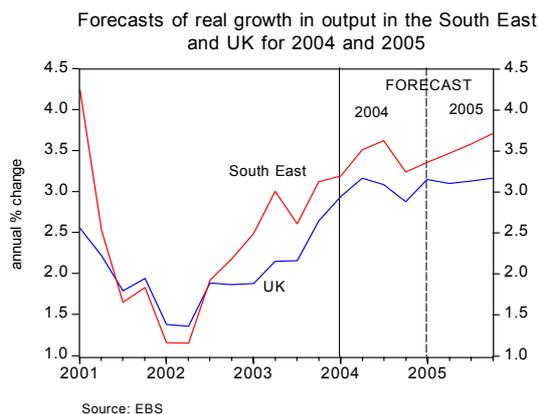
$$\sum_{t=1}^T (gva_t - gva_t^*)^2 + \sum_{t=2}^T \lambda \left[(gva_{t+1} - gva_t^*) - \sum_{t=1}^T (gva_t^* - gva_{t-1}) \right]^2$$

The smoothing parameter λ is set to equal 100, while the output gap is given by $gva_t - gva_t^*$ and is expressed as % of output.

³ Mervyn King (The Governor of the Bank of England) at the Mansion House Dinner speech in mid June 2004.

Strong activity in the region in the first half of the year to continue into the next year.

The latest estimates of economic activity in the South East show signs of strong growth in the first half of the year. Total output in the first two quarters of 2004 expanded by 0.82% and 0.81% respectively. In the second half of the year, total output is forecast to expand by 0.82% in the third quarter and 0.77% in the last quarter. Over the year, total real GVA is forecast to expand by 3.4% on previous year, significantly faster than the growth rate for the UK as a whole.



In 2005, the total GVA is projected to increase by 3.5% on the previous year. The growth is projected to be underpinned by business services and transport and communications sectors. Manufacturing output is also expected to expand in 2005. Growth within the manufacturing sector is expected to be underpinned by increases in output in transport equipment (supported by investment in road and rail) and recovery of chemicals sector. Strong growth in engineering is expected to continue into the next year. Since the latest forecast do not include the latest increases in interest rates, it is possible that the growth rate may be smaller than currently projected. The impact of the latest increases in interest rates on growth rate next year will largely depend on consumer and business response to the latest rise in borrowing costs.

In spite of projected increase in output, manufacturing employment is expected to decline further and its share of both total output and employment continuing to decline. The main factor behind this decline in employment is expected strong productivity growth.

Total employment driven by the increase in service sector employment is expected to expand by 0.5% this year and around 1% in 2005.⁴

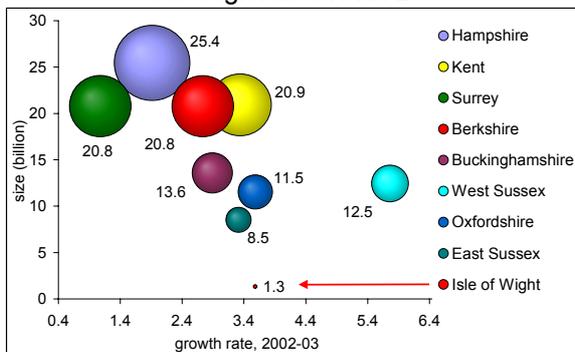
⁴ Detailed regional forecasts will be published in the next issue of Economic and Business Bulletin, winter 2004.

Sub-regional Overview

The latest estimates show strong growth in output in less developed sub-regional economies in 2003.

The latest estimates of sub-regional GVA show strong growth in output in 2003 across those less developed parts of the region. In 2003, real GVA in West Sussex expanded by 5.8% on previous year, while the Isle of Wight and Oxfordshire expanded by 3.6% respectively. Kent and East Sussex economies, which traditionally lagged behind the western parts of the region in terms of growth also expanded by 3.3% respectively, faster than Buckinghamshire, Berkshire and Surrey. Although, the largest sub-regional economy Hampshire expanded by just 1.9% on previous year, this was still faster than the average growth rate for the UK as a whole.⁵

Sub-regional GVA in 2003



Source: EBS

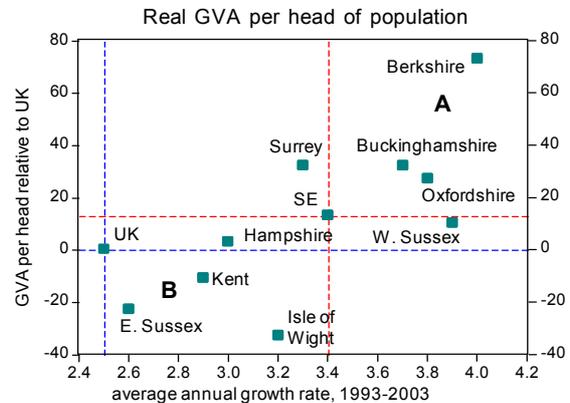
The main factor behind such strong growth in output in West Sussex is strong expansion of business services, property related services and the strong growth in communications sector. Furthermore, the growth in output was strongly supported by the recovery of output in manufacturing sector. The growth in East Sussex, Kent and Isle of Wight was largely driven by strong growth in output in property and business related services, construction and distribution, hotels and catering. Manufacturing sector output contributed to strong growth in total output in Kent, while strong growth in output in East Sussex and the Isle of Wight was supported by the expansion of public sector.

Stronger growth in output in western parts of the region was largely constrained by greater dependence of its service sectors on external demand.

⁵ The UK economy expanded by 1.8% on previous year (based on the output approach, therefore not directly comparable to growth rates based on the expenditure approach).

Strong growth in real GVA per head across the region over the past decade.

Between 1993 and 2003 real GVA per head in the South East on average increased by 3.4% per annum, faster than the national average of 2.5%. In 2003, regional GVA per head was some 13% above the national average.⁶



Source: SEEDA estimates based on GVA and population estimates from EBS

More importantly, real GVA per head across the region has grown faster than the national average. Berkshire has the highest real GVA per head of £25,635 some 73% above the national average of £14,824 and significantly higher than regional average of £16,737. Real GVA per head in Berkshire, Buckinghamshire and Oxfordshire on average increased by 4.0%, 3.7% and 3.8% respectively (area A on the chart). West Sussex was another sub-region, which experienced significant growth in real GVA per head over the past decade (3.9% on average per annum). Real GVA per head in the Isle of Wight was some 33% below the national average, however, over the past decade it has on average increased by 3.2% per annum. The same is true for the economies of East Sussex and Kent whose GVA per head increased by 2.6% and 2.9% per annum (area B on the chart). However, in 2003 real GVA per head in those sub-regions was still 23% and 11% below the national average.

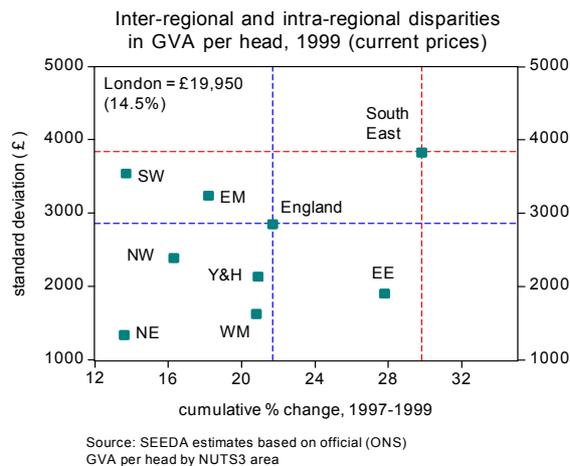
Intra-regional disparities in GVA per head in the South East the second highest in the country, larger than disparities between English regions.

We are all well familiar with large and increasing gap in living standard based on GVA per head of population between English regions.

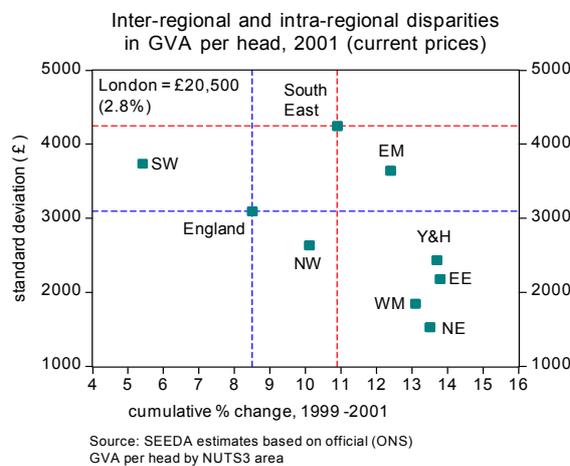
⁶ The estimates of regional and sub-regional GVA are workplace based, residence based GVA in some parts of the region (in particular in western counties) would be higher due to the impact of commuting into London.

According to some estimates, in the 1990s this gap has widened further between the southern and northern regions. The Government's Public Service Agreement (PSA) target relating to regional policy aims to "improve economic performance of all regions and reduce gaps in growth rates between regions". These are measured in terms of output per head of population in the regions. However, very little attention, if any, is paid to intra-regional economic performance.

Between 1997 and 1999 disparities in GVA per head within the South East had increased much faster than within any other English region and between English regions.



Between 1999 and 2001, growth in sub-regional disparities has increased by 10.9% faster than in London, North West and North East and faster than an increase in disparities between English regions of 8.5%. Our latest estimates based on official ONS data show that in 2001, intra-regional disparities in GVA per head in the South East stood at £4,250 the second highest in the country after London. Furthermore, this was much higher than disparities between English regions, which in 2001 stood at £3,100.



Clearly intra-regional disparities in GVA per head of population are as important as the inter-regional

disparities. This point is emphasised further by the fact that strong overall regional economic performance can often say very little about the performance of its sub-regional economies or economic wellbeing of its people.

One of the drawbacks of this approach is that it says very little about wealth of people in the South East or any other English region. One of the reasons behind this is the fact that high levels of GVA per head do not automatically imply high living standards. It is often the case that areas of capital-intensive production may produce large volumes of output per employee, with profits flowing out of local/regional economy. Furthermore it is also possible that retirement areas may have relatively little economic activity but may contain significant proportion of its population living on relatively high income (e.g. high pension).

Cost of living adjusted earnings in the region the lowest amongst English regions.

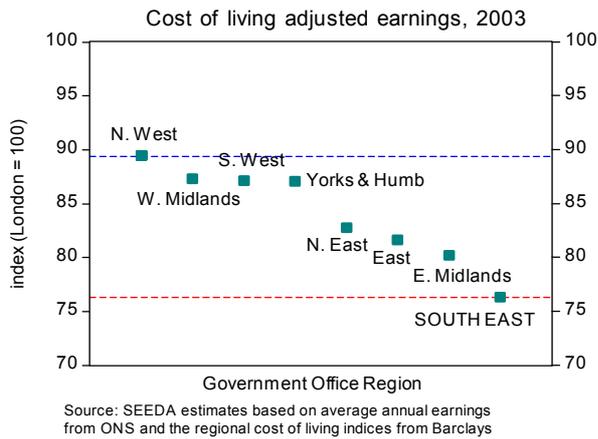
It is often the case that wages say little bit more about the economic wellbeing of people than GVA per head. However, nominal earnings published by the ONS also say very little about the wealth of people since they are not adjusted by the cost of living. The current approach assumes that there are no price differences between English regions. This is clearly not appropriate since there is plenty of evidence that shows significant disparities in prices between regions.

The cost of living adjusted series, which gives a guide to the purchasing power of the actual salaries is a better measure of the wealth of local population.

In 2003 Barclays Private Clients looked at real earnings amongst English regions. Their estimates of real earnings concluded that North West is the 'wealthiest' region in England, while only two of the 50 wealthiest places in the country were in the South East.⁷ We have used regional price deflators estimated by Barclays to deflate average earnings in the South East and other English regions in 2003.⁸ Our analysis shows that earnings adjusted by the cost of living index in the South East in 2003 were the lowest in the country, some 23.7% below those in the base region (London).

⁷ Place being Parliamentary Constituency Area.

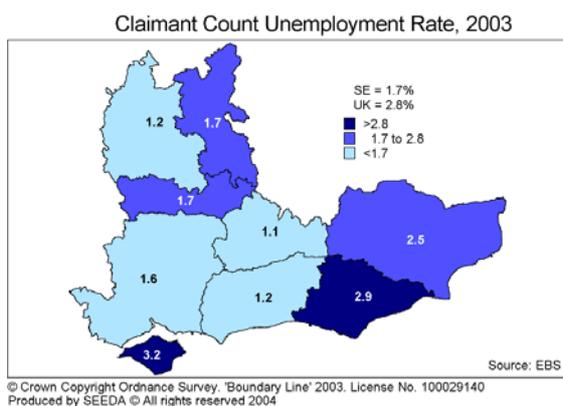
⁸ Regional cost of living index was extrapolated from the 2001/02 expenditure survey by ONS. London is the base figure of 1, the South East = 0.97, North West = 0.706, North East = 0.703 etc.



Labour market remains 'healthy' with unemployment rates in most of sub-regional economies below the national average.

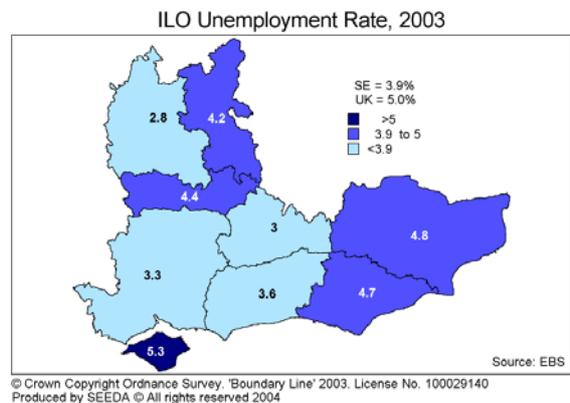
In spite of the global instability and below the trend growth rate in output, the labour market has performed well in 2003. Claimant count unemployment rate in the region was just 1.7% of the workforce, significantly lower than the national average of 2.4% of economically active people.

East Sussex and the Isle of Wight were the only sub-regional economies with unemployment rates above the national average. Surrey had the tightest labour market with unemployment rate of just 1.1%. Buckinghamshire, West Sussex and Hampshire had unemployment rates below the regional average, while Oxfordshire, Berkshire and Kent had rates above the regional average but below the national average.



The major drawback associated with this approach is the fact that it includes only those economically active people in receipt of Job-Seekers Allowance (JSE). This measure while excluding significant number of unemployed people in the region can be also significantly affected by frequent changes in eligibility criteria.

An alternative and generally preferable measure of unemployment is based on Labour Force Survey (LFS), since it includes all economically active unemployed people seeking work.⁹



Based on this measure, in 2003 there were around 160,000 unemployed people in the region, which represents 3.9% of all economically active people of working age. The regional unemployment rate in the South East in 2003 was the second lowest in the country (after South West) and considerably lower than the national average of 5.0%.

The unemployment rate of 5.3% in Isle of Wight was the highest in the region, while Buckinghamshire had the lowest rate of just 2.8%. The Isle of Wight was the only sub-regional economy with unemployment rates above the national average. Surrey, West Sussex and Hampshire had the rates below the regional average, while Berkshire, Oxfordshire, East Sussex and Kent had the rates above the regional average but below the national average.

Last year (and in particular during the first six month of the year) the tight labour market has lead to business increasingly relying on 'labour hoarding', instead of firing and latter on hiring their labour.¹⁰ This is not surprising considering the low rates of unemployment and the implications on productivity of high cost of firing and hiring new labour.

⁹ LFS or International Labour Organisation (ILO) measure of unemployment includes people without paid work who have sought work within the previous four weeks and are able to start work within two weeks.

One of the problems with this approach as well as with Claimant Count unemployment is that it excludes those people who are not economically active regardless of whether they would like to have a job or not.

¹⁰ Labour hoarding – employment practice of retaining workers during cyclical downturn.

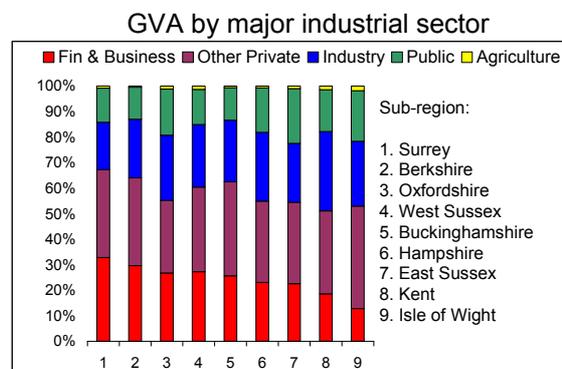
Considering that the regional economy operates near its long-term full capacity level, in 2004 we are likely to see a further increase in employment as firms resume hiring new staff. In line of this working age population is also expected to increase faster than in other parts of the country. The major factor behind the projected increase in population is inter-regional migration and migration from abroad.

Another factor that should contribute to the increase in labour supply is an increase in economic activity due to those people currently not economically active rejoining the labour market.¹¹

Drivers of sub-regional economic growth

Sub-regional disparities in real GVA per head are large within the South East because high productivity is associated with high employment rates in the same sub-regional economies.

There are some marked differences in sub-regional industrial structures within the South East. Those better performing sub-regions tend to have greater share of employment and output coming from the financial and business services sector than those less performing sub-regional economies. Perhaps even more importantly sub-regional productivity differs significantly within sectors, this is especially true for financial and some high tech business sub-sectors.

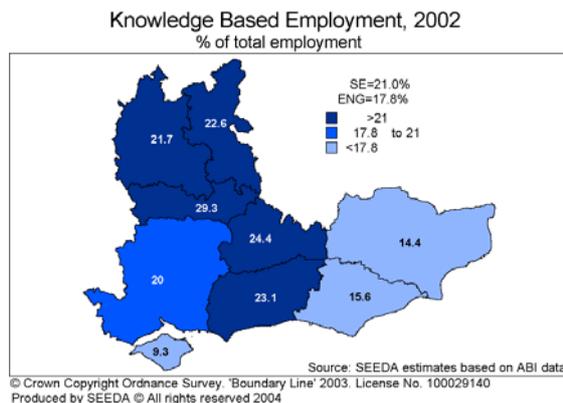


Source: SEEDA estimates based on GVA data from EBS

Structure of employment also tends to differ between the sub-regions. This is especially true for knowledge-based employment as those sub-regions with greater GVA per head tend to have greater share of knowledge based employment. The South East has 21% of all employees working in knowledge-based sectors. This is much greater share than the average for England of 17.8%.

¹¹ The next issue of Economic and Business Bulletin will look at the issue of worklessness in the region and potential benefit/costs to the region in terms of additional output from those people of working age who are not economically active.

Within the South East those sub-regional economies with GVA per head below the national average also tend to have lower share of knowledge-based employment. The Isle of Wight has just 9.3% of all employees working in knowledge-based sectors, while the share in Kent and East Sussex is 14.4% and 15.6% respectively. On the other hand the western parts of the region have the share of knowledge-based employment above the national and regional average. Almost 30% of all employees in Berkshire work in knowledge based sectors, followed by 24.4% in Surrey.¹²



Between 1998 and 2002, knowledge based employment in the region has increased by 12.4%, faster than the average for England of 8.6%.

Another reason why labour productivity differs between sectors and sub-regional economies is due to the amount of capital used in the production. Capital-intensive sectors generate more GVA per each employee than labour-intensive sectors like distribution, hotels and catering.

The South East attracts much of UK's inward investment, much of it to advanced sectors. The latest estimates of gross fixed capital formation, GFCF from ONS by NUTS2 area show that between 1998 and 2000, average annual growth rate in GFCF of 13.1% in the South East was much higher than the UK average of 2.6%.¹³ In 1998 the South East accounted for 13.9% of total UK Gross Fixed Capital Formation.

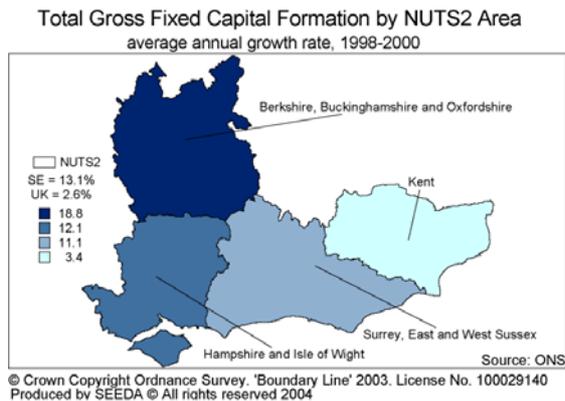
¹² The estimates of knowledge-based employment (based on the official ONS data) are largely based on employment in selected manufacturing and financial and business sub-sectors based on SIC92 classification of industrial activity.

¹³ Nomenclature of territorial units for statistics, NUTS (under European Systems of Accounts 1995).

Investment in assets, which are used repeatedly or continuously over a number of years to produce goods. For example, machinery used to create a product (ONS).

In 2000 this has risen to 16.6% the second highest in the country after London.

Berkshire, Buckinghamshire and Oxfordshire had average annual growth rates of 18.8% per annum, Hampshire and Isle of Wight of 12.1% and Surrey, East and West Sussex of 11.1%. Although, Kent had the smallest average annual growth rate in capital investment of 3.4%, this was still higher than the national average.



One of the drawbacks of data on GFCF by NUTS 3 area is that in some cases the overall picture may be distorted due to aggregating the series for Hampshire and the Isle of Wight or Surrey and Sussex. If it were possible to separate the series for Surrey, West Sussex and East Sussex we would end up with greater growth rates for Surrey and West Sussex than for East Sussex.¹⁴ Regardless of this drawback, the latest data supports our argument that those parts of the region with greater investment in capital also tend to have greater productivity and GVA per head.

The South East also has one of the most highly skilled and well-qualified labour force in the country. Almost 1.2 million of economically active people in the region hold NVQ level 4 or higher.¹⁵ This represents approximately 29.6% of economically active people in the region and is higher than the average for England of 27.1%.

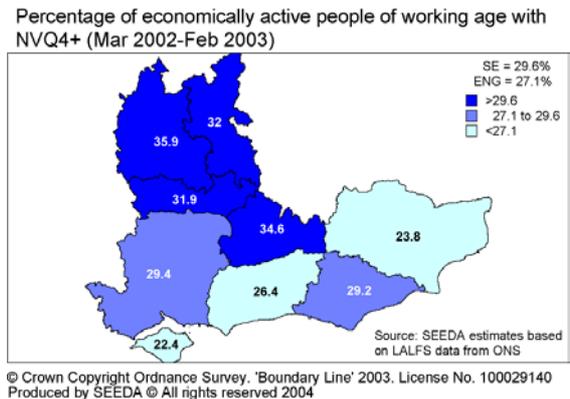
Within the region, high GVA per head also seems to be correlated with high skill level. Buckinghamshire, Surrey, Oxfordshire and Berkshire all have greater than national or regional percentage of economically active people of working age with NVQ4+. The same is true for real GVA per head.

¹⁴ GFCF data is also highly pro-cyclical.

¹⁵ NVQ4 is approximately equal to a degree level qualification or higher.

Hampshire has the average GVA per head higher than the national average but below the regional average. The same is true for its labour force with 29.4% of economically active people holding NVQ4+, higher than national average but below the regional average.

Kent and the Isle of Wight have lower percentages of people with NVQ4+ than the average for England.



West and East Sussex are the only sub-regional economies deviating from this pattern. Commuting patterns and higher cost of living in neighbouring West Sussex and Surrey are perhaps some of the reasons behind this.

Differences in GVA per head within the South East are correlated with proximity to London. The average incomes in Home Counties are also higher due to the impact of commuter employment, which in turn generate greater consumer spending in those sub-regions. Furthermore, with two large airports located in the region or on its fringes, the South East is one of the most important centres of international air based trade in Europe. In addition to this much shipping freight is unloaded in ports in the South East. The consequence of this is greatly over-stretched transport system in the South East.

Failure to make the necessary improvements in transport infrastructure in the region would constrain growth in output in the region and would have significant implications for the UK economy as a whole.

Reducing intra-regional disparities in GVA per head in the South East

According to the recently published report, “Structure and Dynamics of the South East Economy” the region can be divided conceptually into four distinctive areas¹⁶ :

- A “consumption driven core” – an area characterised by the dominance of consumption led growth (largely Home Counties).
- A poorer periphery – an area characterised by the decline of traditional industrial activities (largely coastal districts).
- The “High Technology Fork” – an area characterised by strong concentration of knowledge-based industries such as biotech, electronics, communications, software etc. (largely Thames Valley districts and areas around major motorways).
- Growth Corridors and Areas – areas of recent growth in particular ‘hot spots’ (Oxford, London to Brighton corridor etc).

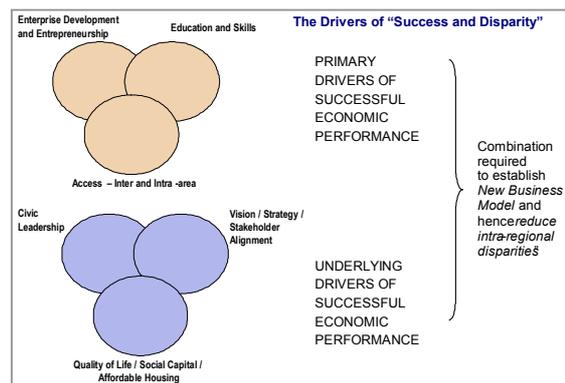
Clearly, geography does matter, however history has also played a significant part in the formation of those areas. In spite of recent growth and industrial restructuring in the poorer periphery, in the past this area has been the site of declining economic activity. Slower economic activity in this part of the region resulted in depleted skill base and generally slower growth in consumer spending.

The report identified three primary drivers of economic growth that can be used to reduce intra-regional disparities:

- Enterprise development and entrepreneurship
- Education and skills
- Accessibility (through transport and communication)

The authors of the report argue that these three factors must lie at the heart of any strategy to

accelerate economic development and reduce disparities in the region.



Source: Arup Ltd, MSC and Robert Huggins Associates

Furthermore, pro-active land use planning and public sector investment are essential for local economic development and underpin a number of these drivers.

The report argues that a new development model or business model is needed for disadvantaged areas which recognises that solutions must be based on:

- Effective civic and political leadership
- An effective and robust vision and strategy
- Social capital

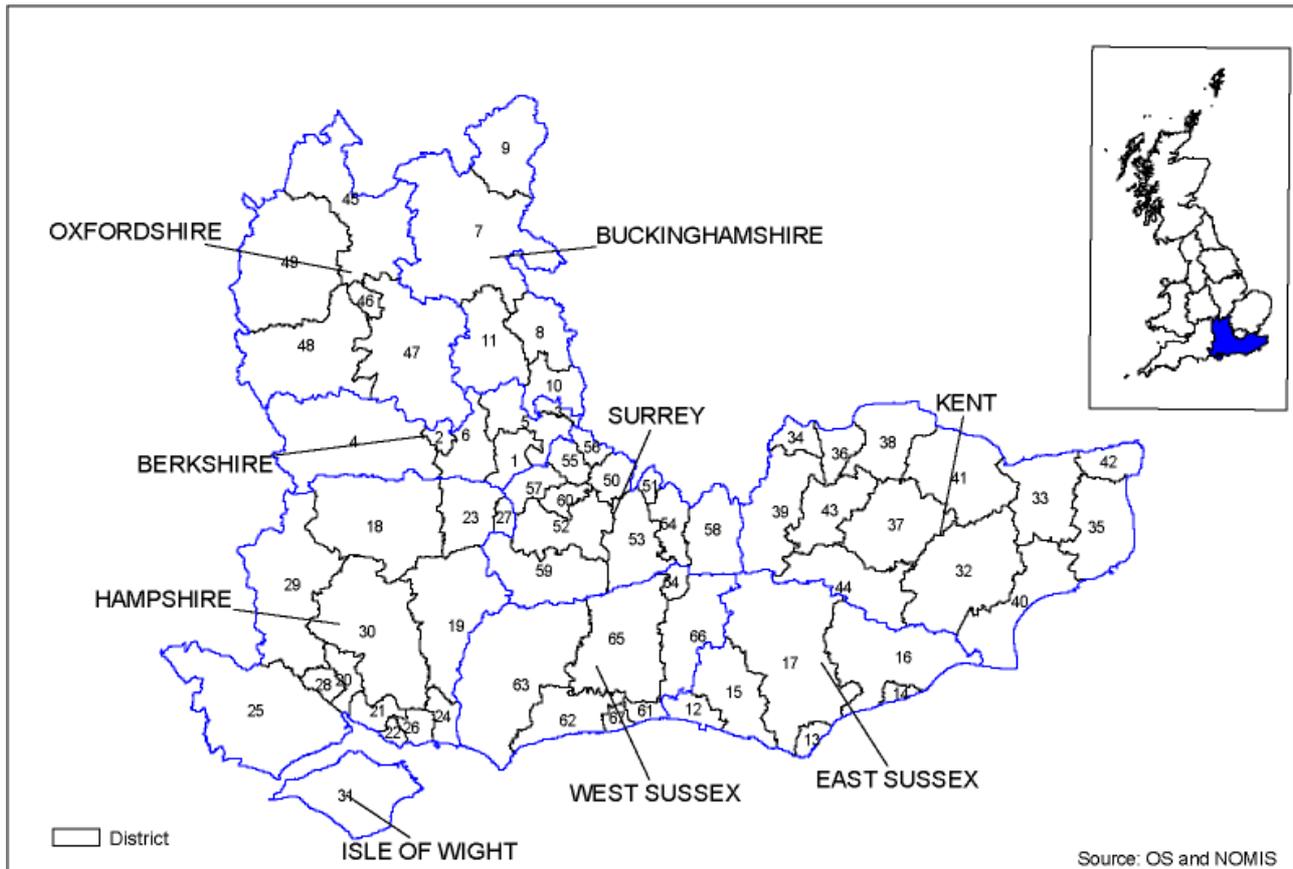
For many such areas it is important to ensure that solutions are firmly grounded in the underlying drivers of successful economic performance.

The key policy areas identified by DTI/HMT/ODPM have largely been validated. The key messages of this study are that culture matters, that the issues and the solutions are multi-dimensional, and most importantly education and skills are vital.¹⁷

¹⁶ *The Structure and Dynamics of the South East Economy* by Arup Ltd in association with Miles Strategic Consulting (MSC) and Robert Huggins Associates (RHA) is available on SEEDA's website under Policy and Economics.

¹⁷ *The Structure and Dynamics of the South East Economy*, page 12.

Appendix A: South East England Government Office Region and its Sub-Regions¹⁸



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Berkshire	Surrey	25	New Forest	42	Thanet
1	50	26	Portsmouth	43	Tonbridge and Malling
2	51	27	Rushmoor	44	Tunbridge Wells
3	52	28	Southampton		
4	53	29	Test Valley	East Sussex	
5	54	30	Winchester	12	Brighton and Hove
6	55			13	Eastbourne
	56			14	Hastings
Buckinghamshire	57	Isle of Wight		15	Lewes
7	58	31	Isle of Wight	16	Rother
8	59			17	Wealden
9	60	Kent			
10		32	Ashford		
11		33	Canterbury	West Sussex	
	Hampshire	34	Dartford	61	Adur
	18	35	Dover	62	Arun
Oxfordshire	19	36	Gravesham	63	Chichester
45	20	37	Maidstone	64	Crawley
46	21	38	Medway Towns	65	Horsham
47	22	39	Sevenoaks	66	Mid Sussex
48	23	40	Shepway	67	Worthing
49	24	41	Swale		

¹⁸ The forecasts reported in this document were largely derived from Experian Business Strategies' (EBS) regional econometric model and do not necessarily represent the view of South East England Development Agency (SEEDA).

South East England Development Agency is not responsible for any loss incurred as a result of views expressed in this document.



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