



LIVERPOOL ECONOMIC BRIEFING

A monitor of employment
and wealth generation
(1995-2005/6)

MARCH 2008



The City of Liverpool



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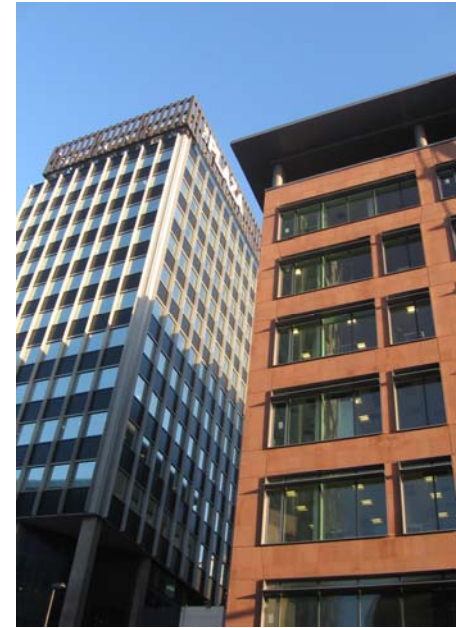
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LIVERPOOL: AN ECONOMIC ENGINE FOR THE NORTH WEST

Main Headlines

- Liverpool is the most important economic centre within Merseyside and the wider Liverpool City Region. With a total Gross Value Added (GVA)¹ of £7.1bn and annual average growth of 5.1% between 1995 and 2005, it is both the largest and the most rapidly expanding economy in the City Region. GVA per head in Liverpool has gone from being 6% below the North West in 1995 to 5% above it in 2005, further emphasizing the city's competitive ability for wealth generation.
- GVA per head in Liverpool stood at £16,321 in 2005, an increase of 3.3% on the previous year. Whilst this represents a slowing of growth, it mirrors a slowdown in the wider regional and national economies. GVA per head in the city continued to grow at a faster rate than the North West (3.1%) and was only slightly lower than the UK rate (3.6%).
- More rapid growth in GVA per head will depend to a great extent upon Liverpool's ability to attract a greater volume of higher value added economic activity and employment, driving up productivity across the economy, accelerating the transition to a higher value added employment and business base and ensuring that more and more residents take an active and increasingly higher value role in the economy.
- The extent to which Liverpool can close the gap in GVA per head with other members of the Core Cities group is to a high degree dependent on an accelerated growth of higher value employment. The creation of lower value-added employment, whilst vital to increasing total GVA and to combating Worklessness, will not drive convergence with GVA per head in other cities.
- Ongoing efforts to create the business environments (both in terms of physical environment and the skills available in the labour market) to attract and retain higher value activity are therefore key.
- Liverpool's employment has grown by 12% over the period 1998 and 2006, outperforming Great Britain (8.4%) and the North West (8.2%). Liverpool now has 7,300 more jobs than if employment had grown at the national rate.



At the end of 2007, the first phase English Cities Fund's St Paul's Square development was completed, adding 130,000 square feet of new grade A floor space to the Central Business District. With all the space let before completion, the future bodes well for Phase 2 which is due to deliver a further 109,000 square feet.

¹ Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector. It is an overall measure of economic activity and a key indicator in the state of an economy.



Venture Point was one of the new business parks to arrive in the Speke area in 2006, contributing to the 3,800 new jobs created in the Speke Halewood Strategic Investment Area that year. In 2007 it was joined by similar new office/industrial business parks including Business Homes Estate, Hurricane Court, Estuary Point and Dakota Business Park which – between them – represented £35million of private sector investment.

- Employment in Liverpool between 2005 and 2006 was stable after several year of strong growth. While employment only grew by 0.2%, this comes at a time when employment in Great Britain actually fell by 0.7%, indicating that Liverpool is successfully holding on to the gains made in the past ten years despite more difficult economic conditions.
- Liverpool has enjoyed strong growth in the knowledge industries between 1998 and 2006, albeit from a relatively low base. Employment in these sectors has grown by 7,300, or 14.3%, which is faster than overall employment growth in the city during that period (12.0%), indicating that they are becoming an increasingly important part of the city economy. Employment in these sectors has also grown at a faster rate in Liverpool than in Great Britain (14.7 %), although it lags slightly behind the North West (19.6%). Economic development policy must continue to focus on a range of initiatives (from education and skills interventions to bringing forward new high quality sites and premises and ensuring that Liverpool has and is seen to have a good quality of life offer).
- Liverpool continues to have a relatively small business base, when measured as the number of VAT registered firms per 10,000 residents aged 16+ (business density). Business density stands at just 61% of the GB average. Liverpool has increased VAT Business Stock by 1.9%, in line with the National increase of 2.0%. This relative shortfall in the size of the business base is an important constraint on rates of long-term economic growth in Liverpool.
- The expansion of Liverpool's business base - particularly growth in the number of firms operating in higher value-added and more knowledge-intensive sectors - must remain a key priority for Liverpool. The development of a larger and more dynamic business base will help to deliver many important economic and social benefits, including an increased number and range of employee opportunities, higher levels of local competition and competitiveness and more rapid innovation (both in terms of the development and the uptake of new ideas, products, services and technologies).
- The City has recorded a 17% increase in stock over the past decade, attributing to 12% of the overall increase in business stock in the Core Cities group & over 30% of the Merseyside increase.
- Over the longer term (1998-2006) business density in Liverpool has grown by 15.7% - marginally above the regional (15.2%) but below the national (17.1%) rates of increase.
- Liverpool has seen a 4.2% decrease in the VAT Registration Rate over the period 1998-2006, although the rate has declined from a peak in 2004. Most Local Authorities in Merseyside & the Core Cities group have also experienced lower business start ups numbers than those registered in 1998.

Table 1: Key Statistics – (Liverpool versus Regional & National Changes)

Indicator	Liverpool	North West	UK
GVA Total (£million)	7.1	106,501	1,096,629
GVA Average Annual Growth (1995 – 2005)	+5.1%	+4.7%	+5.5%
GVA per Head Total	£16,321	£15,571	£18,205
GVA per Head Average Annual Growth (1995 – 2005)	+5.8%	+4.6%	+5.1%
Indicator	Liverpool	North West	GB
Jobs - 2006	226,400	2,999,900	26,160,400
Jobs – Average Annual Growth (1998-2006)	+1.4%	+1.0%	+1.0%
Knowledge Economy Employment 2006	58,300	776,600	7,340,300
Knowledge Economy Employment – Average Annual Growth (1998-2006)*	+2.1%	+2.6%	+1.9%
Businesses 2006	13,520	247,020	2,348,429
Businesses – Average Annual Growth (1998-2006)	+1.1%	+1.6%	+1.6%
VAT Registrations per 10,000 16+ residents 2006	25.3	32.4	37.3
VAT Registrations per 10,000 residents aged 16+ (Change 1998 – 2006)	-4.2%	+2.2%	-0.3%
VAT De-Registrations per 10,000 16+ residents 2006	745	13,670	139,205
VAT De-Registrations per 10,000 residents aged 16+ (Change 1998 – 2006)	-9.7%	-11.5%	-1.1%
VAT Business Stock 2007	8,665	186,045	1,892,385
Business Density (VAT registered firms per 10,000 residents aged 16+)- Growth 1998 - 2007	+15.7%	+15.2%	+17.1%

This section provides an assessment of the size and rate of growth of Liverpool's economy. It focuses on Gross Value Added (GVA), the most widely used measure of local and regional economic growth. GVA provides a measurement of the amount of wealth being generated in any given location. The GVA data used here is workplace-based. In other words, it provides a measure of the value of wealth generated by people who work in Liverpool.

The following analyses are included in this section, with Liverpool's performance benchmarked against other parts of Merseyside, the North West, other members of the Core Cities group and the UK:

- **Sub-regional estimates of GVA, 1995-2005:** This shows the value of GVA in each year and the rate at which GVA has been growing.
- **Sub-regional GVA per head of population, 1995-2005:** This shows the amount of wealth generated per head of population, and the rate at which this has been increasing in recent years.
- **Indexed Sub-regional GVA per head of population, 1995-2005.** This analysis is similar to that above but here values are indexed against the UK average in order to allow more ready comparison.

A brief summary of the key messages is provided below.

Summary

- Liverpool is the most important economic centre within Merseyside and the wider Liverpool City Region. With a total GVA of £7.1bn and annual average growth of 5.1% between 1995 and 2005 it is both the largest and the most rapidly expanding economy in the City Region.
- GVA per head in Liverpool stood at £16,321 in 2005, an increase of 3.3% on the previous year. Whilst this represents a slowing of growth, it mirrors a slowdown in the wider regional and national economies. GVA per head in the city continued to grow at a faster rate than the North West (3.1%) and was only slightly lower than the UK rate (3.6%).
- GVA per head in Liverpool has gone from being 6% below the North West in 1995 to 5% above it in 2005, further emphasizing the city's competitive ability for wealth generation.
- Over the period 1995-2005 Liverpool has the third highest rate of growth in GVA per head amongst members of the Core Cities Group, with an increase of 75.3%. Average growth per annum is at 5.8%, marginally higher than the Core Cities average (5.3%) and all other Core City areas other than Greater Manchester South & Tyneside.
- More rapid growth in GVA per head will depend to a great extent upon Liverpool's ability to attract a greater volume of higher value added economic activity and employment.

Liverpool's Economy – Total GVA 1995-2005

- Total GVA in Liverpool grew by £223m to £7.1bn in the year 2004-2005, as shown in Table 2 below. This represents an increase of 3.2%, which, whilst slower than previous years, still exceeds the growth rate of neighbouring districts in Merseyside, and is roughly in line with the North West average (3.4%). This indicates that the city's capacity for wealth generation is still keeping pace with the wider region after a period of rapid growth.
- Liverpool's strong long term performance is indicated by a GVA average annual growth rate of 5.1% over the period 1995-2005. This is greater than the regional average of (4.7%) but still slightly below the national average of (5.5%). Over this longer term period, total GVA in Liverpool has grown by 64.9%, which, whilst less than the national rate of growth, is significantly greater than the regional rate of 57.7%. As a result, Merseyside's contribution to total GVA generated in the North West has remained relatively stable at 16.3%.

Table 2: Gross Value Added (GVA) 1995-2005 by NUTS 3 Area²

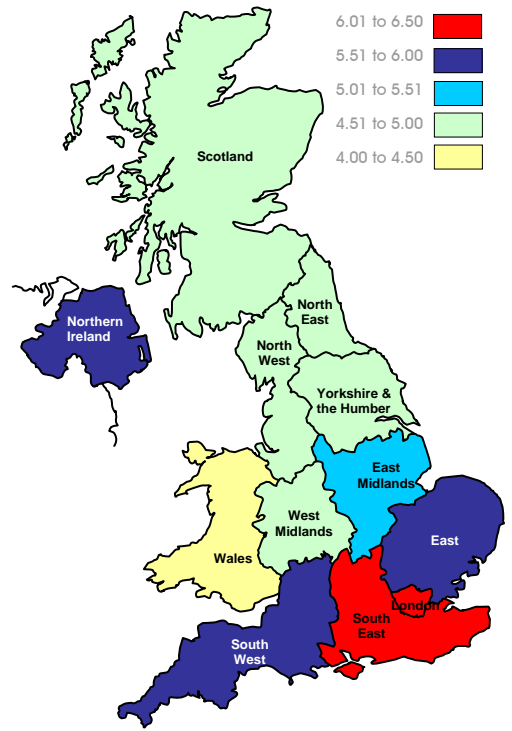
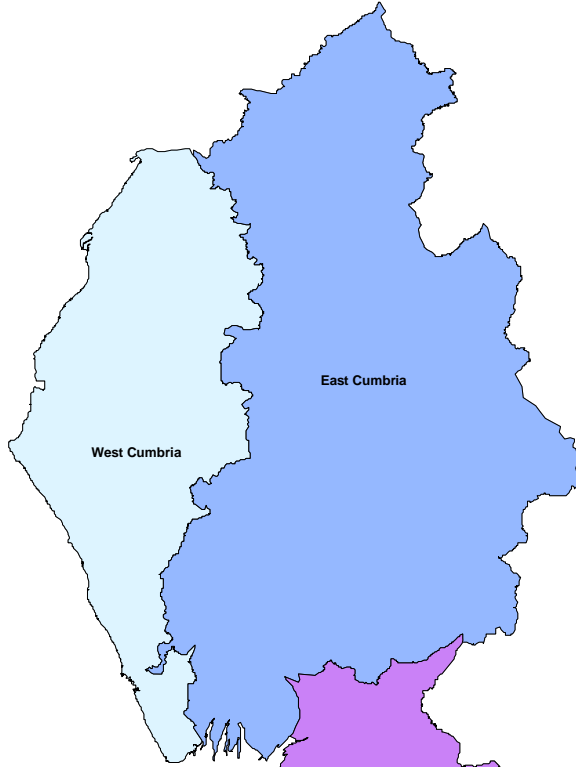
£ million	1995	1998	2000	2002	2004	2005	% Change 1995-2005	% Change 2004-2005	Growth % p.a. 1995-2005
Liverpool	4,326	5,228	5,585	6 146	6,910	7,133	+64.9%	+3.2%	+5.1%
East Merseyside	2,352	2,673	2,994	3 461	3,803	3,906	+66.1%	+2.7%	+5.2%
Sefton	2,105	2,352	2,546	2 860	3,098	3,154	+49.8%	+1.8%	+4.1%
Wirral	2,103	2,503	2,656	2 871	3,091	3,159	+50.2%	+2.2%	+4.2%
Merseyside	10,885	12,756	13,781	15 338	16,902	17,352	+59.4%	+2.7%	+4.8%
North West	67,536	78 226	84,308	92 639	103,035	106,501	+57.7%	+3.4%	+4.7%
UK	643,749	768,594	846,683	937 323	1,051,934	1,096,629	+70.4%	+4.2%	+5.5%

Source: ONS December 2007

- While all parts of Merseyside have enjoyed increases in GVA, Liverpool continues to grow at a faster rate, both in the previous year and in the longer term period of 1995-2005. A total of £17.4bn of GVA was generated on Merseyside in 2005, with Liverpool accounting for 41% of the total, marking it out as the key economic driver in the sub-region.
- Liverpool's longer term (1995-2005) growth in GVA – an average of 5.1% per annum represents a higher growth rate than Birmingham and Nottingham, but still lags behind the Core Cities average (5.5%). In order to close the gap with these cities, Liverpool will need to consolidate on and accelerate recent gains by raising productivity and targeting growth in the higher value added sectors.

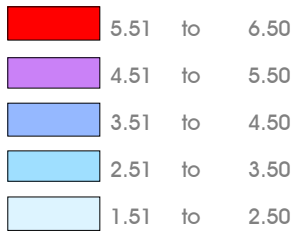
² All GVA at current basic prices

Figure 3: GVA Average Annual Growth Rate 1995-2005 – North West NUTS3 Areas

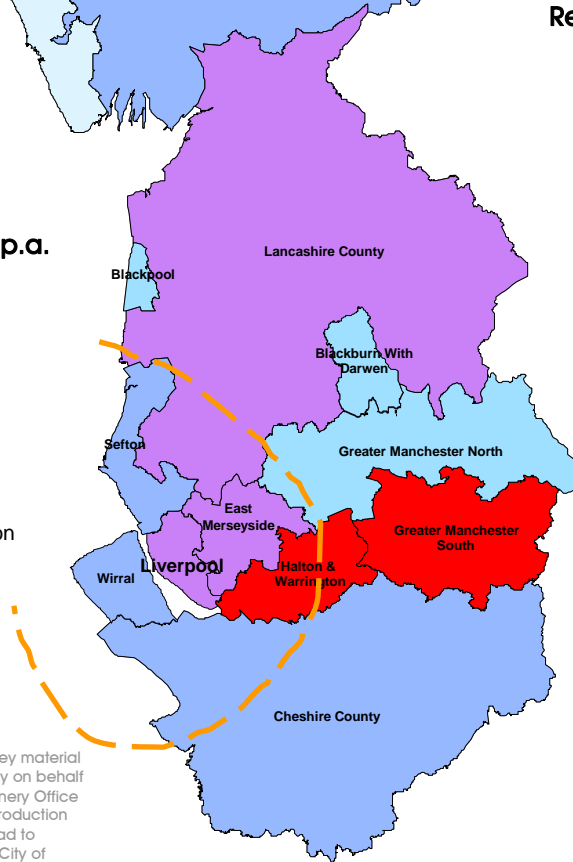


Regional GVA Average % Growth Rate 1995-2005

Average % Growth GVA p.a.



--- Liverpool City Region



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Figure 3 shows average annual rates of growth in GVA in each of the regions across the UK and highlights average annual rates of growth in each of the NUTS³ 3 areas of the North West. This shows that, in exceeding the North West average, Liverpool is helping to drive regional economic growth. It also shows that two other locations, Greater Manchester South and Halton & Warrington, are currently setting the pace. As discussed in this section and elsewhere, the strong economic growth of these areas owes much to the type of economic activity and employment they contain, as well as the volume.

- In the year 2004-2005, Liverpool's GVA growth of £223 million or 3.2% this lags behind the core cities average of 3.8% but still represents a solid growth rate (Table 4), coming after a period in which GVA growth in Liverpool accelerated more rapidly than most other cities. The percentage change is still broadly in line with those in Birmingham, Bristol and Gtr Manchester South, but behind Tyneside and Nottingham, which recorded very high levels of growth in 2004-2005.
- Over the longer period 1995-2004, GVA has grown by 64.9% or an average of 5.1% per annum. This represents a higher growth rate than Birmingham and Nottingham, but still lags behind the Core Cities average (71.1%). In order to close the gap with these cities, Liverpool will need to consolidate the gains made so far by raising productivity and targeting growth in the higher value added sectors.

Table 4: Gross Value Added (GVA) by Core Cities / NUTS 3 Areas 1995-2005

£ million	1995	1998	2000	2002	2004	2005	% Change 1995-2005	% Change 2004-2005	Growth % p.a. 1995-2005
Liverpool	4,326	5,228	5,585	6,146	6,910	7,133	+64.9%	+3.2%	+5.1%
Birmingham	11,138	13,470	14,745	16,202	17,463	18,038	+62.0%	+3.3%	+4.9%
Bristol	5,447	7,066	7,603	8,418	9,214	9,506	+74.5%	+3.2%	+5.7%
Gtr Manchester Sth	15,501	19,254	21,551	24,027	27,011	27,925	+80.1%	+3.4%	+6.1%
Leeds	8,807	10,696	11,753	13,130	14,671	15,268	+73.4%	+4.1%	+5.7%
Nottingham	4,332	4,759	5,019	5,694	6,622	6,957	+60.6%	+5.1%	+4.9%
Sheffield	4,932	5,930	6,354	7,091	7,979	8,265	+67.6%	+3.6%	+5.3%
Tyneside	7,879	9,281	10,124	11,388	12,948	13,603	+72.6%	+5.1%	+5.6%
Core Cities Average	7,795	9,461	10,342	11,512	12,852	13,337	+71.1%	+3.8%	+5.5%
Merseyside	10,885	12,756	13,781	15,338	16,902	17,352	+59.4%	+2.7%	+4.8%
North West	67,536	78,226	84,308	92,639	103,035	106,501	+57.7%	+3.4%	+4.7%
UK	643,749	768,594	846,683	937,323	1,051,934	1,096,629	+70.4%	+4.2%	+5.5%

Source: ONS December 2007 *The figures for Manchester and Newcastle city areas are contained within the wider NUTS 3 conurbations of Greater Manchester (South) and Tyneside respectively which masks direct comparability with the other core cities.

³ The Nomenclature of Territorial Units for Statistics (NUTS) is a system developed in order to enable comparison of local and regional statistics across Europe. Three types of NUTS areas (1-3) are in use, with NUTS 3 used for areas with a population of between 150,000 and 800,000. In the UK, NUTS 3 areas are either single or groups of local authority districts. The City of Liverpool is a NUTS 3 area, whilst elsewhere in Merseyside, Knowsley and St Helens are combined to form East Merseyside.

GVA per head 1995-2005

- Table 5 below shows that GVA per head in Liverpool stood at £16,321 in 2005. This represents an increase of 3.3% on the previous year. Once again, while this marks a lower growth rate than previous years, it mirrors a slowdown in the wider regional and national economies. GVA per head in the city continued to grow at a faster rate than the North West (3.1%) and was only slightly lower than the UK rate (3.6%). GVA per head in Liverpool has gone from being 6% below the North West in 1995 to 5% above it in 2005, further emphasizing the city's competitive ability for wealth generation.
- Over the longer period of 1995-2005, Liverpool's GVA per head has outperformed growth in all Merseyside districts, the North West and the United Kingdom. In total, GVA per head has increased by £7,012 or 75.3%, compared to £57.4% in the North West and 64.1% in the UK.
- Liverpool's population has fallen over the period 1995-2005, but there is evidence that this population decline has now bottomed out, indicating that the recent increase in GVA per head has been driven by uplift in value added activity rather than population change.
- At £16,321, GVA per head in Liverpool is almost 28% higher than that in Merseyside as a whole, and is increasing at a faster rate, highlighting the role that the city plays as the primary driver of wealth creation in the sub-region. Liverpool's GVA per head is higher than all the Merseyside districts and North West but falls behind UK by 10.3%, although the gap has closed from 16% in 1995.

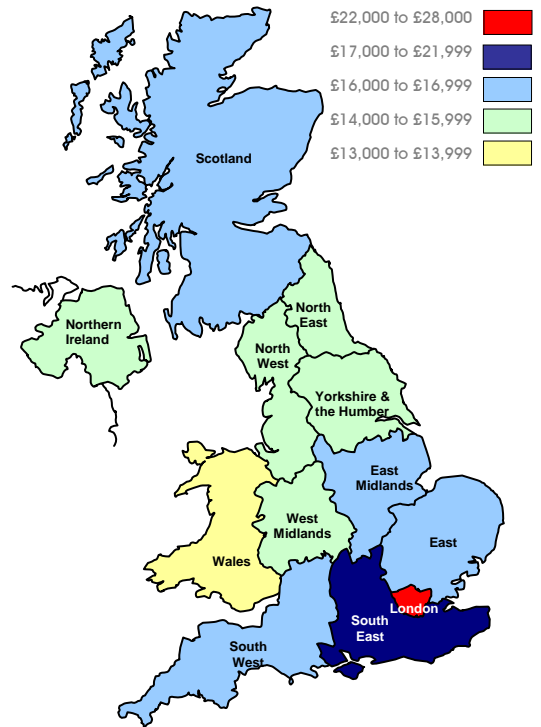
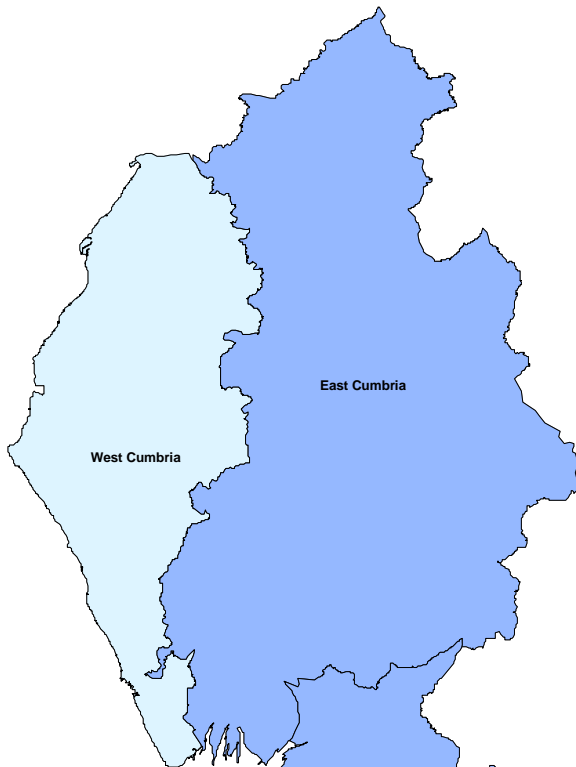
Table 5: Gross Value Added (GVA) per head by NUTS 3 Areas 1995-2005

	1995	1998	2000	2002	2004	2005	% Change 1995-2005	% Change 2004-2005	Growth % p.a. 1995-2005
Liverpool	9,309	11,535	12,522	13,949	15,807	16,321	+75.3%	+3.3%	+5.8%
East Merseyside	7,109	8,113	9,122	10,562	11,596	11,878	+67.1%	+2.4%	+5.3%
Sefton	7,283	8,248	8,985	10,158	11,041	11,299	+55.1%	+2.3%	+4.5%
Wirral	6,446	7,855	8,391	9,127	9,861	10,115	+56.9%	+2.6%	+4.6%
Merseyside	7,716	9,200	10,029	11,242	12,436	12,784	+65.7%	+2.8%	+5.2%
North West	9,891	11,517	12,445	13,667	15,109	15,571	+57.4%	+3.1%	+4.6%
UK	11,094	13,144	14,78	15,800	17,577	18,205	+64.1%	+3.6%	+5.1%

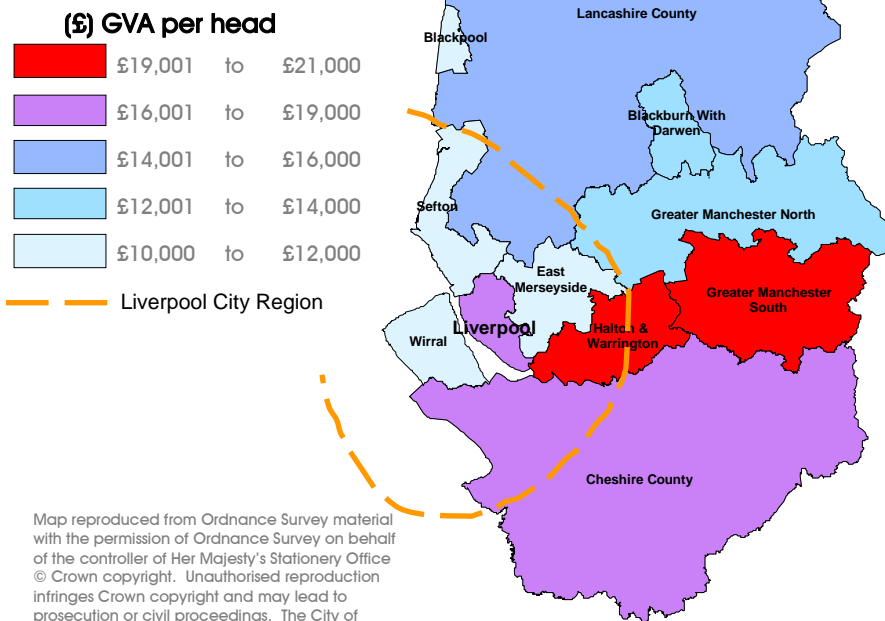
Source: ONS December 2007

- The measurement of GVA per head is a useful indicator of levels of wealth being generated in one area relative to others, and how this is changing over time. However, GVA per head provides an imperfect measure of productivity, particularly at the lower NUTS 3 scale. Comparisons between local areas can be distorted by demographic differences and by the nature of patterns of commuting across administrative boundaries. This is because, whilst GVA is calculated on a workplace basis (by estimating the value of economic activity in an area), population is estimated on a residence basis. The impact of this is particularly significant where cities, such as Nottingham, are relatively

Figure 6: GVA (£) per head 2005 by North West NUTS3 Areas



Regional GVA per Head 2005



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highly under-bounded (i.e. the administrative area covers a relatively low proportion of the conurbation), which tends to inflate GVA per head.

- To improve the measurement of local productivity the Office for National Statistics plans to begin the release of data on GVA per worker at NUTS 3 level and GVA per hour worked at NUTS 2. This will enable a more accurate assessment, since both the numerator and denominator in the calculation will both be workplace based values. The first round of data is expected in early 2008.
- Figure 6 shows GVA per head in each of the UK regions and for each of the NUTS 3 areas of the North West in 2005. This shows that Liverpool is currently in a second tier of NUTS 3 areas of the North West in terms of GVA per head, behind Greater Manchester South and Halton & Warrington.
- Table 7 and Figure 8 present similar data to that in Figure 3, but presents it as an index where UK GVA per head equals 100, and excludes UK income which is earned extra regio (outside of the UK). This allows us to make a better assessment of how Liverpool's and other areas' GVA per head has performed over time, relative to a benchmark. In this case, it illustrates how Liverpool's GVA per head is converging with the national index, while pulling away from the North West and other districts of Merseyside. In 1995, Liverpool's GVA per head was 86% of that in the United Kingdom, and has grown steadily to 92% where it has remained since 2004.

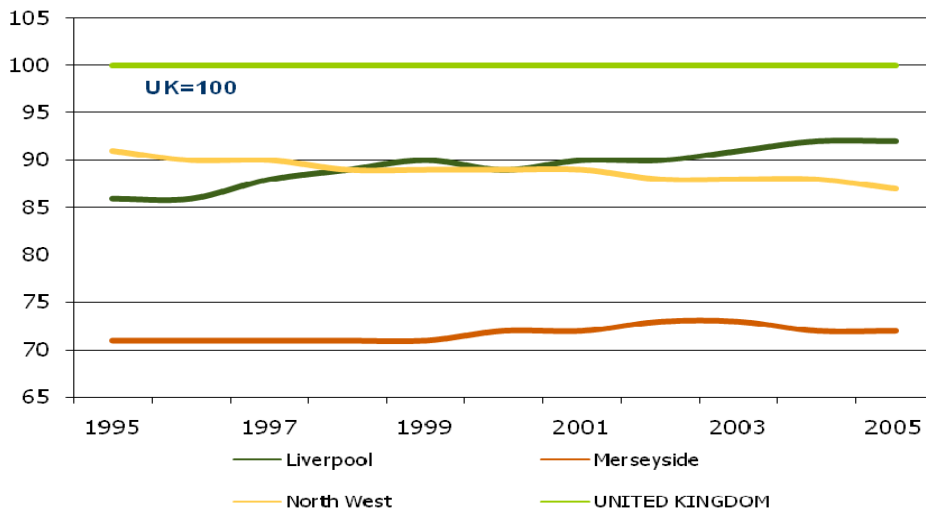
Table 7: Gross Value Added (GVA) per head Indices by NUTS 3 Areas 1995-2005
UK less Extra Regio = 100

	1995	1998	2000	2001	2002	2003	2004	2005
Liverpool	86	89	89	90	90	91	92	92
East Merseyside	65	63	65	67	68	68	67	67
Sefton	67	64	64	65	66	65	64	63
Wirral	59	61	60	60	59	58	57	57
Merseyside	71	71	72	72	73	73	72	72
North West	91	89	89	89	88	88	88	87
UK	100	100	100	100	100	100	100	100

Source: ONS December 2007 ** Extra Regio = UK embassies abroad and overseas forces; continental shelf activities

- This long term growth is particularly impressive when compared to trends in the North West. Figure 6 demonstrates how Liverpool's GVA per head overtook the North West in 2001, and has since increased the gap between the two, demonstrating Liverpool's continued strength relative to the wider region.
- If these long term trends continue, Liverpool may expect to slowly converge with the UK level of GVA per head and overtake it between 2018 and 2019. However, this will be highly dependent on the city building upon its recent strong performance by continuing job growth, improving productivity and securing accelerated sectoral change with a focus on higher value activities.

Figure 8: GVA per head – Indices by NUTS 3 Area 1995-2005

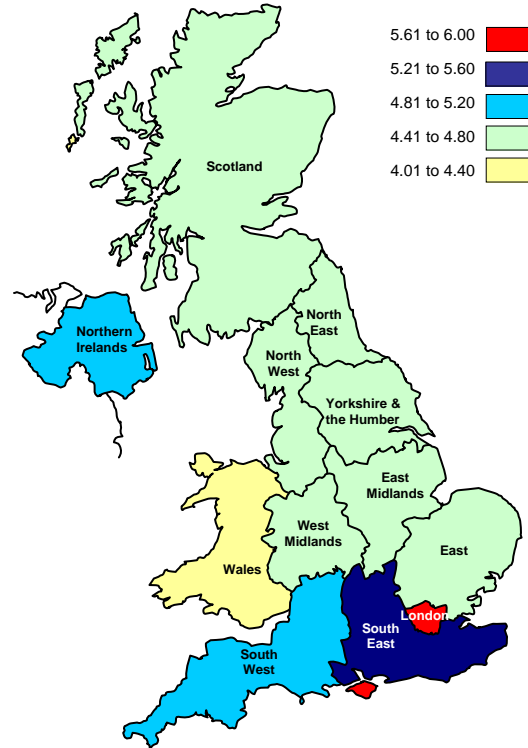
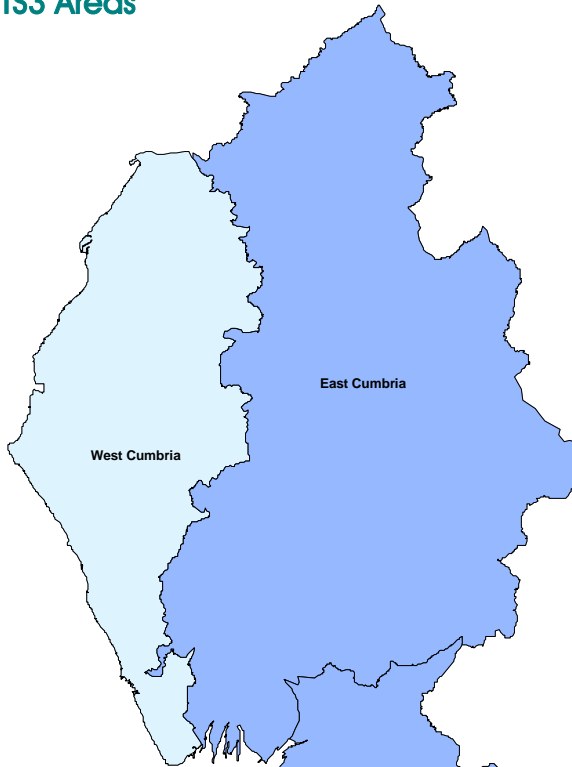


- Figure 9 shows the rate of growth (1995-2005) in GVA per head in each of the regions of the UK and the NUTS 3 areas of the North West. This shows that Liverpool, together with Greater Manchester South, has achieved the most rapid growth in GVA per head over this period. These two areas, which include Liverpool and Manchester city centres, are at the forefront of growth in GVA per head in the North West.
- If Liverpool is to achieve continued growth and an acceleration in levels of GVA per head (converging with and then overtaking the UK average as many other Core Cities have done) it will need to continue to make progress on two distinct fronts:
 - ⇒ **Improved productivity** - see below (ONS are to publish sub-regional estimates of productivity in early 2008)
 - ⇒ **Improved participation rates** (ensuring that more people within Liverpool and neighbouring areas move from Worklessness into employment).
- Improving the rate at which productivity gains are achieved will require:
 - ⇒ **Getting more value out of each business and employee:** Individual businesses, irrespective of which sector they operate in, must become more productive. This will require a range of actions to improve business management (e.g. business support), employee training (e.g. through increased engagement and uptake of services such as train2gain), better use and uptake of ICT and improved educational and skills attainment.
 - ⇒ **Changes to sectoral composition:** Ensuring that the region's economy is increasingly built upon higher value added activity, including higher value added manufacturing and higher value added service sector activity.



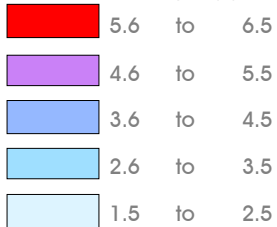
Medimmune, Speke – manufacturer of innovative biotechnology products including flu vaccines.

Figure 9: GVA per Head Average Growth Rate per Annum (1995-2004) – North West NUTS3 Areas

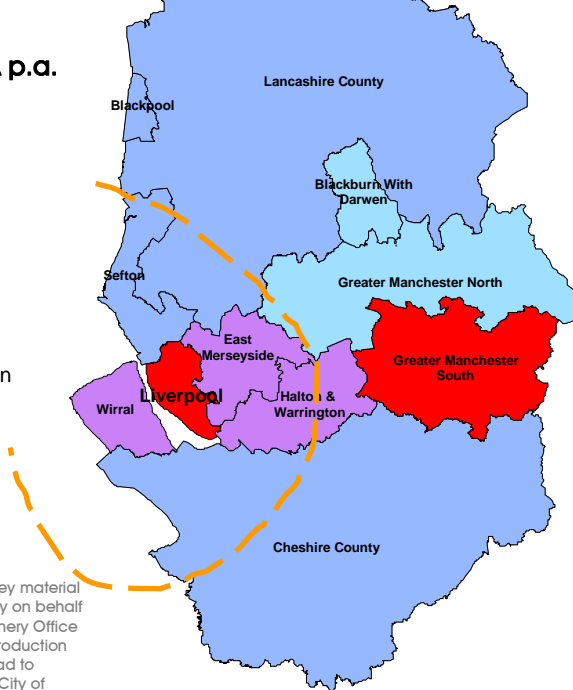


Regional GVA per Capita Average Growth Rate per Annum 1995-2004

Average % Growth GVA p.a. 1995-2004



— Liverpool City Region



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A key objective of local economic development policy must be therefore to grow, attract and retain a range of key value added activities (including so-called knowledge economy activity), particularly in the services sector. The business, financial and professional services sectors are particularly important in this, and efforts to bring forward new city centre commercial property schemes (such as the planned expansion of the Central Business District into Pall Mall) and to create the wider quality of place to attract new investment are vital. Increasing Liverpool's share of this higher value added activity will also help to ensure that the city's economy is better geared to take advantage of national and global economic growth.

- Liverpool displayed one of the strongest increases in GVA per head of all the Core Cities in 2004-2005, as shown in Table 10 below. The increase of 3.3% was higher than the Core Cities average (2.7%) and all individual cities except Tyneside (4.6%), which was the only Core City to increase GVA per head by more than the UK as a whole (3.6%).

Table 10: Gross Value Added (GVA) per head by Core Cities / NUTS 3 Areas 1995-2005

<i>£ per head</i>	1995	1998	2000	2002	2004	2005	% Change 1995-2005	% Change 2004-2005	Growth % p.a. 1995-2005
Liverpool	9,309	11,535	12,522	13,949	15,807	16,321	+75.3%	+3.3%	+5.8%
Birmingham	11,148	13,587	14,968	16,385	17,542	17,984	+61.3%	+2.5%	+4.9%
Bristol	13,919	18,145	19,472	21,527	23,182	23,434	+68.4%	+1.1%	+5.3%
Gtr Manchester Sth	11,303	14,204	15,974	17,821	19,871	20,422	+80.7%	+2.8%	+6.1%
Leeds	12,340	14,940	16,475	18,236	20,122	20,613	+67.0%	+2.4%	+5.3%
Nottingham	15,604	17,159	18,538	20,962	23,774	24,563	+57.4%	+3.3%	+4.6%
Sheffield	9,545	11,457	12,349	13,804	15,436	15,823	+65.8%	+2.5%	+5.2%
Tyneside	9,524	11,399	12,602	14,175	16,153	16,898	+77.4%	+4.6%	+5.9%
Core Cities Average	11,587	14,053	15,363	17,107	18,986	19,507	+68.4	+2.7%	+5.3%
Merseyside	7,716	9,200	10,029	11,242	12,436	12,784	+65.7%	+2.8%	+5.2%
North West	9,891	11,517	12,445	13,667	15,109	15,571	+57.4%	+3.1%	+4.6%
UK	11,094	13,144	14,378	15,800	17,577	18,205	+64.1%	+3.6%	+5.1%

Source: ONS December 2007

- Over the period 1995-2005 Liverpool has the third highest rate of growth in GVA per head, with an increase of 75.3%. Average growth per annum is at 5.8%, marginally higher than the Core Cities average (5.3%) and all other Core City areas other than Greater Manchester South & Tyneside
- Levels of GVA per head vary significantly between Core Cities and Liverpool's GVA per head (£16,321) remains some way below that of, for example, Nottingham (£24,563), Bristol (£23,434) & Leeds (20,613). These cities have enjoyed success because they are home to high concentrations of high value added industries such as financial services. Liverpool will only start to converge with these cities if it can accelerate sectoral change by developing these key industries.

- The wide range in GVA per head amongst Core Cities is better illustrated when values are indexed to the UK. Whilst GVA per head in Liverpool (92) is heading towards the National level, other Core Cities have a GVA per head far greater than the UK = 100 index. Bristol, Nottingham, Leeds, Greater Manchester South & Birmingham all have a GVA per head well above national levels and most have witnessed their GVA index forge further forward since 1995 (see Table 11). As previously noted, it is these cities which have successfully developed environments best geared for growth in high value added sectors.
- Liverpool is closing the competitiveness gap with the United Kingdom and the best performing Core Cities, but it is important that Liverpool continues to raise overall levels of employment and economic activity, helping to achieve greater productivity across the economy and to see further expansion amongst higher value added sectors.

Table 11: Gross Value Added (GVA) per head Indices by Core Cities* / NUTS 3 Areas 1995-2005, UK = 100

	1995	1998	2000	2002	2004	2005
Liverpool	86	89	89	90	92	92
Birmingham	103	105	107	106	102	101
Bristol	128	140	139	139	135	131
Greater Manchester South	104	110	114	115	115	115
Leeds	114	116	118	118	117	116
Nottingham	144	133	132	136	138	138
Sheffield	88	89	88	89	90	89
Tyneside	88	88	90	92	94	95
Core Cities Average	107	109	110	111	110	110
Merseyside	71	71	72	73	72	72

Source: ONS December 2007



Grosvenor's Liverpool One scheme – due for phased completion from May 2008 onwards, will eventually bring 5000 new jobs to the city centre.

LOOKING FORWARDS – FORECASTS FOR GVA GROWTH

- Partners in the Liverpool City Region⁴ recently commissioned an economic forecasting study in order to consider future economic performance. The future prospects for Liverpool, Merseyside and the Liverpool City Region are unlikely to follow a ‘business as usual’ path as a result of recent and ongoing improvements in the physical environment of the economy (sites and premises etc.).
- As part of the development of a number of Scenarios, Cambridge Econometrics have identified the gross impact of all strategic regeneration projects currently in or soon to enter the delivery phase (Scenario 2), where these schemes are thought to be above trend (i.e. over and above what might be expected to happen under the trends-based Baseline scenario, Scenario 1) and based on the assumption that each project reaches its full potential impact. A majority of these schemes are private and institutional investments which are increasingly less reliant on public subsidy. Within Liverpool, key projects include the Liverpool One development (projected to generate approximately 4,200 gross jobs in Liverpool and Liverpool Commercial District Development (almost 7,000 gross jobs in Liverpool).
- Adjusting for displacement, Scenario 3 shows that:
 - ⇒ by 2010, Liverpool can expect an additional 17,100 jobs over and above the reference case, of which 8,200 will be in the City Centre;
 - ⇒ further growth will increase the stock of net new jobs by 23,400 by 2015;
 - ⇒ the increase in GVA will be considerable, generating additional growth of 5.6%, over and above the reference case forecast by 2008, 6.4% by 2010, 7.9% by 2015 and 7.5% by 2020. By 2020, the combined impact of these projects will add an additional £780m (at 2003 prices) to Liverpool’s total GVA:
 - ⇒ above-trend projects will have a major impact on GVA per capita, taking Liverpool to 106% of the UK value by 2010 and 108% between 2015 and 2020. Average annual GVA per capita growth between 2007 and 2020 is estimated at 2.48%, outpacing the North West 1.99% and the UK (2.03%).
- The estimated net impact between 2000 and 2020 upon GVA per head associated with these projects is summarised in Table 12. It shows that GVA per head in Liverpool is projected to increase by 84.1% (to £25,400 at 2003 prices), compared to growth of 52.9% in the UK, overtaking the UK average in the years 2010-2015.

⁴ The Liverpool City Region area covers Greater Merseyside, Warrington, West Lancashire, Chester, Ellesmere Port & Neston, Vale Royal and Flintshire. The Liverpool City Region Development Plan is Liverpool’s and its city region partners’ commitment to work with the NWDA, the Northern Way Steering Group and Government, to forge new economic, social and environmental alliances and work across traditional and administrative boundaries to help reduce the economic gap between the North of England and the rest of the UK.

Table 12: Forecast GVA per head 2000 - 2020 (£2003): Scenario 3 (net change)

	2000	2005	2010	2015	2020	% Growth 2000-20	Average Annual % Change 2000 -20
Liverpool	13,800	16,300	20,000	22,800	25,400	+84.1%	+3.1%
Liverpool City Region	13,100	14,700	17,200	19,400	22,000	+67.9%	+2.6%
North West	13,600	14,900	16,600	18,400	20,500	+50.7%	+2.1%
United Kingdom	15,300	17,000	18,900	21,000	23,400	+52.9%	+2.1%

Source: Liverpool City Region Economic Prospects and Projections, Cambridge Econometrics, October 2007.

- Under this net impacts scenario, Liverpool will maintain and indeed enhance its role as the primary economic driver for the Liverpool sub-region, contributing 40% of net new jobs and 30% of GVA growth in the Liverpool City Region by 2015.
- This projected growth will be driven to a large extent by an expansion in the **volume** of economic activity and employment. Cambridge Econometrics found that the level of GVA per worker in this net impacts scenario is similar to that under their baseline (trend-based) scenario. This reflects an assumption about labour productivity (with no major increases in the productivity achieved within individual sectors) and the sectoral composition of the above trend activity (with 40-45% of jobs directly linked to the strategic projects falling within relatively low value-added/ low productivity sectors such as retailing, distribution, hotels & catering and other leisure/ tourism related services). The scenario analysis also clearly demonstrates the importance of not only securing an expansion of output but of **securing major improvements in productivity through sectoral change**.
- Whilst vital, the delivery of a higher quality physical commercial environment will not alone meet partner's aspirations for economic growth. In order for these aspirations to be met, the new sites and premises delivered must be filled with nationally and internationally competitive firms that are able to create and sustain significant numbers of higher value-added, higher paid jobs. Moreover, local partners must ensure that the workers in these jobs choose to live as well as work within the Liverpool City Region rather than commute in from outside. Creating the residential and quality of life offer to attract and retain these more highly skilled residents is vital to capturing the full economic impact of these new developments (e.g. harnessing the multiplier effects associated with increased disposable incomes).
- The net impacts scenario above excludes a number of key projects which are to be taken forwards over the long-term and have not yet entered the pipeline stage (i.e. they are still at an early stage in the planning process). In Liverpool, these pipeline projects include the Liverpool Waters proposals for large scale commercial, residential and leisure development. If successful, these proposals, which are intended to create a high profile world class business environment in order to attract occupiers in higher value added sectors, will have a significant impact on both output and productivity.

3

LIVERPOOL'S JOBS

This section provides an analysis of the number and composition of employee jobs in Liverpool. Using data drawn from the most recently available Annual Business Inquiry (released December 2007), it sets out an analysis of Liverpool's employment base, the rate at which this has been growing in recent years and the ways in which the sectoral profile of employment is changing.

Creating the residential and quality of life offer to attract and retain highly skilled workers to live and work in the City is an important goal of economic development and regeneration policy. Achieving convergence with levels of GVA generated in the other Core Cities will depend on both an increase in total employment but also, fundamentally, a faster shift towards knowledge based employment and employment in other higher-value added employment.

The following analyses are included in this section:

- **Employment trends 1998-2006:** The level and rate of growth in the employment base.
- **Knowledge-based employment:** The level of employment in knowledge-based industries⁵ and the rate of growth in Liverpool compared to other parts of Merseyside, the North West and Great Britain.



One of the many knowledge based companies working in Liverpool - Brainboxes, who design and make a range of Bluetooth products as part of a wider range of computer interface cards for test measurement, communication and process control.

Summary

- Liverpool's employment has grown by 12% over the period 1998 and 2006, outperforming Great Britain (8.4%) and the North West (8.2%). Liverpool now has 7,300 more jobs than if employment had grown at the national rate.
- Employment in Liverpool between 2005 and 2006 was stable after several year of strong growth. While employment only grew by 0.2%, this comes at a time when employment in Great Britain actually fell by 0.7%, indicating that Liverpool is successfully holding on to the gains made in the past ten years despite more difficult economic conditions (although ABI employment data for 2006 is thought to understate employment across Great Britain as a whole). Changes in the way in which employment estimates are compiled between 2005 and 2006 are thought to result in modest downward changes in total employment across Great Britain and these figures should be viewed in light of this.
- Over the longer time period (1998-2006), Liverpool has increased employment by 12%. This compares well to the Core Cities average of 9.5% and exceeds the growth rate of Birmingham, Bristol, Sheffield and Nottingham.
- Liverpool has enjoyed strong growth in the knowledge industries between 1998 and 2006. Employment in these sectors has grown by 7,300, or 14.3%, which is faster than overall employment growth in the city during that period (12.0%), indicating that they are becoming an increasingly important part of the city economy. Employment in these sectors have grown at a similar rate in Liverpool as in Great Britain (14.7%), although it lags behind the North West (19.6%).

- **Liverpool's changing employment base:** The changing composition of employment in Liverpool, looking at seven broad sectors
- **Comparative breakdown of employment:** Comparing Liverpool's employment structure in 2006 with those in other parts of Merseyside, the North West and Great Britain

The Annual Business Inquiry does not capture levels of self-employment, being a survey only of employee jobs.

EMPLOYMENT TRENDS (1998-2006)

- Data on employment levels is drawn from the Annual Business Inquiry (ABI), a survey which draws on a sample of business taken from Inter-Departmental Business Register. The way in which ABI data is compiled is subject to periodic change as improvements are made in order to improve its accuracy. One result of a number of important changes made in 2006 is a reduction in total employment estimates.
- It is not possible to measure the impact of the changes made precisely, although ONS estimate that the overall discontinuity between the 2005 and 2006 ABI is in the range of 150,000 to 350,000 (0.6 to 1.3 per cent of the total number of employees) in a downward direction for Great Britain as a whole.
- Liverpool's employment has grown by 12% over the period 1998 and 2006, outperforming Great Britain (8.4%) and the North West (8.2%), as shown in Table 13. This superior employment growth rate has seen the local economy benefit from 7,300 more jobs than if employment had grown at the national rate.

Table 13: Change in Volume of Employment – Merseyside, North West and GB (1998-2006)

	1998	2002	2004	2005	2006	% Change 1998-2006	% Change 2005-2006	% Growth per annum 1998-2006
Liverpool	202,100	220,000	221,800	226,000	226,400	+12.0%	+0.2%	+1.4%
Knowsley	41,500	56,200	54,800	54,400	55,400	+33.6%	+1.8%	+3.7%
Sefton	93,600	104,700	102,200	101,600	97,300	+4.0%	-4.2%	+0.5%
St Helens	54,600	67,100	59,100	59,300	60,300	+10.6%	+1.7%	+1.3%
Wirral	103,800	101,600	100,900	98,000	96,300	-7.3%	-1.8%	-0.9%
Merseyside	495,600	549,600	538,800	539,500	535,700	+8.1%	-0.7%	+1.0%
North West	2,772,400	2,956,600	3,024,500	2,976,600	2,999,900	+8.2%	+0.8%	+1.0%
GB	24,144,300	25,426,000	25,901,600	26,331,600	26,160,400	+8.4%	-0.7%	+1.0%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

Figures have been rounded to nearest 100

- While employment in Merseyside has grown roughly in line with the national and regional rate, certain districts have performed particularly well. Knowsley has achieved a 33.6% increase in employment between 1998 and 2006, albeit from a smaller base.

Only Wirral has suffered a fall in employment (7.3%). Liverpool continues to be the sub-region's primary economic driver, contributing to 42% of total employment in Merseyside.

- Employment in Liverpool between 2005 and 2006 was stable after several year of strong growth. While employment only grew by 0.2%, this comes at a time when employment in Great Britain actually fell by 0.7%, indicating that Liverpool is successfully holding on to the gains made in the past ten years despite more difficult economic conditions.
- Of all the Merseyside districts, only Liverpool has enjoyed employment growth between 2002 and 2006. Sefton and the Wirral suffered further declining employment between 2005 and 2006 (-4.2% and -1.8% respectively), while Knowsley and St Helens have started to recover the losses made between 2002 and 2004, recording growth of 1.8% and 1.7% respectively.

Table 14: Change in volume of Employment – Core Cities (1998-2006)

	1998	2002	2004	2005	2006	% Change 1998 - 2006	% Change 2005 -2006	% Growth per annum 1998- 2006
Liverpool	202,100	220,000	221,780	226,000	226,400	+12.0%	+0.2%	+1.4%
Birmingham	469,200	483,800	492,100	496,200	491,800	+4.8%	-0.9%	+0.6%
Bristol	220,500	247,300	228,400	229,900	229,500	+4.1%	-0.1%	+0.5%
Leeds	365,200	399,900	419,000	412,100	416,800	+14.1%	+1.1%	+1.7%
Manchester	267,800	302,900	311,500	303,700	306,000	+14.3%	+0.8%	+1.7%
Newcastle-upon-Tyne	149,000	171,900	167,600	187,600	180,500	+21.1%	-3.8%	+2.4%
Nottingham	185,500	179,800	182,100	184,900	182,400	-1.7%	-1.4%	-0.2%
Sheffield	223,800	233,700	246,700	252,000	248,400	+11.0%	-1.4%	+1.3%
Core Cities Average	260,400	279,900	283,600	286,500	285,200	+9.5%	-0.4%	+1.1%
Merseyside	495,600	549,600	538,800	539,100	539,700	+8.1%	-0.7%	+1.0%
North West	2,772,400	2,956,600	3,024,500	2,976,600	2,976,600	+8.2%	+0.8%	+1.0%
Great Britain	24,144,300	25,426,000	25,901,600	26,331,600	26,160,400	+8.4%	-0.7%	+1.0%

Source: Annual Business Inquiry, ONS (Nomis) D

- As shown in Table 14, Liverpool's employment growth of 0.2% between 2005 and 2006 compares well to the Core City average of -0.4%. The only cities to perform better than Liverpool were Leeds, which increased employment by 1.1%, and Manchester by 0.8%.
- Over the longer time period, 1998-2006, Liverpool has increased employment by 12%. This compares well to the Core Cities average of 9.5% and exceeds the growth rate of Birmingham, Bristol, Sheffield and Nottingham. Only Leeds, Manchester and Newcastle recorded higher levels of employment growth during the period, with Newcastle's employment increasing by 21.1%.

KNOWLEDGE ECONOMY EMPLOYMENT

- The knowledge economy refers here to predominantly private sector employment sectors where nationally more than 25% of the workforce is of graduate level (NVQ level 4 or equivalent or higher as of 2001). These are sectors where we would typically expect to see higher value added activity, and are thought to be the sectors on which Liverpool's economy will increasingly depend if it is to achieve convergence with the best performing parts of the UK. The definition used here has been extracted from work undertaken by the Local Futures group. A full list of 2 digit SIC sectors are available in the glossary.
- Data on knowledge economy employment are subject to a number of inconsistencies, which should be noted when interpreting time series estimates. These are A) the inconsistency between 2005 and 2006 introduced as a result of changes in ABI methodology (see above) and B) the revision of the SIC classification system in 2003.
- As shown in Table 15 below, Liverpool has enjoyed strong growth in the knowledge industries between 1998 and 2006. Employment in these sectors has grown by 7,300, or 14.3%, which is faster than overall employment growth in the city during that period (12.0%), indicating that they are becoming an increasingly important part of the city economy. Employment in these sectors has grown at a similar rate in Liverpool as in Great Britain (14.7%), although it lags behind the North West (19.6%).

Table 15: Change in Volume of Employment in Knowledge Economy Sectors – Merseyside, North West and GB (1998-2006)

	1998	2003	2004	2005	2006	% Change 1998-2006	Average annual Change 1998-2006	% Change 2005-2006
Liverpool	51,000	53,900	56,600	60,200	58,300	+14.3%	+1.7%	-3.1%
Knowsley	6,500	10,900	11,000	11,200	11,900	+83.9%	+7.9%	+5.7%
Sefton	15,300	16,000	17,100	18,200	18,900	+23.8%	+2.7%	+4.2%
St Helens	7,400	8,400	7,700	8,400	9,700	+30.9%	+3.4%	+14.8%
Wirral	23,000	22,400	21,800	20,800	20,900	-9.4%	-1.2%	+0.5%
Merseyside	103,200	111,700	114,200	118,800	119,600	+15.9%	+1.9%	+0.7%
North West	649,000	721,900	736,200	734,700	776,600	+19.6%	+2.3%	+5.7%
GB	6,401,700	6,872,400	6,993,400	7,241,000	7,340,300	+14.7%	+1.7%	+1.4%

Source: Annual Business Inquiry, ONS (NOMIS), January, 2008

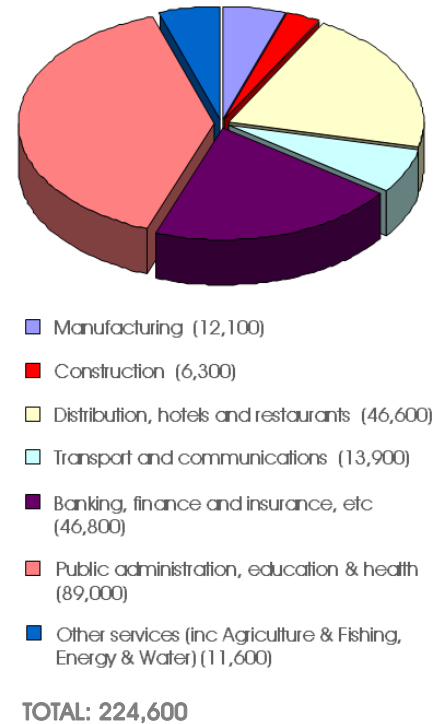
Figures have been rounded to nearest 100

- Although there has been a slight dip in employment in these sectors between 2005 and 2006 (which may in part be attributable to changes in the way the ABI is compiled), Liverpool still accounts for just under 49% of all employment in knowledge industries in Merseyside, marking it out as the primary economic driver in the sub-region in the knowledge economy. The share of jobs in these sectors as a percentage of total employment stood at 25.8% in 2006, which is in line with the North West (26.1%) and only slightly behind GB (28.1%), indicating that, overall, Liverpool has kept pace with the development of knowledge industries elsewhere.

EMPLOYMENT BREAKDOWN BY INDUSTRY

- Total employment remained relatively stable in Liverpool between 2005 and 2006, which is reflected when we look at employment change in broad sectors (You can see the changes since 1998 in Appendix 1). None of the major broad sectors witnessed significant changes in absolute employment. The largest fall in absolute terms was in 'Manufacturing' which lost 1,300 jobs or 9.7% of employment. However, this continues a long term downward trend in a sector which now accounts for only 5.4% of total employment in Liverpool. The largest increase was in 'Public administration, education and health' where employment rose by 1,300 or 1.5%, this sector is the largest of all industries in Liverpool (see Figure 16).
- Over the longer period, 1998-2006, there has been strong growth in a number of sectors, particularly in key service industry sectors. These include 'Banking, finance and insurance' (a broad category which includes the important business services sector) which has seen the most significant growth at 40.0% or 13,400 jobs, and 'Public administration, education and health' in which employment has grown by 26.4% or 18,600 jobs.
- As mentioned above, the Manufacturing sector has witnessed the most significant employment losses in the long term, losing 7,600 jobs or 38.5% of employment between 1998 and 2006. This closely reflects a national trend of falling employment levels in the sector, particularly in major cities. A more finely-grained analysis would reveal a more detailed picture of change in Liverpool, with some higher value, more advanced sectors experiencing growth in employment.
- Table 17 below compares the composition of employment in Liverpool with that of the rest of Merseyside, the North West and Great Britain. At this broad level of analysis, the sectoral distribution of jobs in Liverpool is largely similar to that found at a national level. Location quotient analysis of employment in Liverpool highlights the similarity of the jobs profile in Liverpool and Great Britain as a whole at this broad level. Most sectors have a location quotient close to or at 1.0 (indicating that they account for approximately the same share of jobs in Liverpool as they do nationally).
- The major differences are in the 'Construction' and 'Manufacturing' sectors, where the share of employment when taken together is 8.2% in Liverpool, compared to 15.7% at national level. On the other hand, the 'Public administration, education and health' sector accounts for 39.3% of employment in Liverpool but only 27.1% in Great Britain. While this reflects Liverpool's success in attracting public sector investment (which often provides graduate jobs), the city should be aiming to reduce this sector's share of employment relative to other high value added private sector activities.

Figure 16: Liverpool – Employment breakdown by Industry 2006



Source: Annual Business Inquiry, ONS (Nomis) December 2007

* Agriculture & Fishing, Energy & Water – figures too small to publish so have been amalgamated into Other Services

All figures have been rounded for confidentiality purposes – so totals shown here may not necessarily add up

While manufacturing is under-represented in Liverpool, surrounding areas in Merseyside still have a large share of employment in the sector relative to Great Britain. This indicates that there is some degree of sectoral specialization in the Merseyside sub-region, with the major urban centre of Liverpool enjoying success in service sectors while traditional manufacturing sectors are more prominent in the surrounding districts.

Table 17: Comparative Employment breakdown by Industry (2006)

	Liverpool	Knowsley	Sefton	St Helens	Wirral	Merseyside	North West	Great Britain
Agriculture & Fishing	*	*	*	*	*	*	0.1%	0.3%
Energy & Water	*	*	*	*	*	*	0.3%	0.6%
Manufacturing	5.4%	22.2%	6.3%	12.7%	11.4%	9.2%	12.6%	10.9%
Construction	2.8%	4.2%	4.6%	8.6%	4.3%	4.2%	5.0%	4.8%
Distribution, hotels and restaurants	20.6%	17.6%	24.9%	25.4%	23.9%	22.2%	24.0%	23.7%
Transport and communications	6.1%	4.2%	3.9%	9.8%	3.4%	5.4%	6.0%	5.9%
Banking, finance and insurance, etc	20.7%	15.2%	15.2%	12.7%	15.7%	17.3%	19.3%	21.4%
Public administration, education & health	39.3%	32.9%	39.2%	26.0%	36.2%	36.6%	27.9%	27.1%
Other services	5.0%	3.5%	5.7%	4.7%	4.6%	4.9%	4.7%	5.3%
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Annual Business Inquiry, ONS, December 2007.

*Agriculture/Fishing, Energy and Water, data too small to publish

This section provides an analysis of data relating to levels of enterprise in Liverpool and key comparators. Understanding the scale, rate of growth and composition of the business base is vital and is a key indicator of both current performance and future prospects of any economy. The development of a stronger and more dynamic business base can help to deliver many important benefits, including an increased number and range of employee opportunities, higher levels of local competition and competitiveness, greater innovation (including both the development and the uptake of new ideas, products, services, and technology) and higher local average incomes.

Data are drawn from two sources⁵ in order to provide a rounded assessment of levels of enterprise and entrepreneurship in Liverpool:

- **Annual Business Inquiry (ABI):** This measures all 'business units' or workplaces in a geographical area. This gives a good indication of the level of all activity, but also includes government agencies which would normally be excluded from any analysis of enterprise levels, branch operations and retail chains.
- **VAT Registrations:** VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning. The Department for Business Enterprise and Regulatory Reform has recently published their latest estimates of Business registrations and deregistration for 2006 and levels of VAT stock as at 2007. It should be noted that VAT registrations are not the total count of all businesses in Liverpool but count rather those businesses registering for VAT. As such small businesses with a turnover below £64,000 are not counted in these figures.

The following analyses are included in this section, with Liverpool's performance benchmarked against other parts of Merseyside, the North West and Great Britain/ United Kingdom:

- **ABI Business Units/Workplaces:** The total number of business units/ workplaces estimated by the Annual Business Inquiry and the rate of growth between 1998 – 2006
- **ABI Knowledge Economy Business Units/Workplaces:** The total number and rate of growth of business units/ workplaces active within *knowledge economy* sectors.



The £7million Connect Business Park, off Atlantic Avenue, North Liverpool, is one of many new office developments outside the City Centre nearing completion that will provide high quality space required for new and expanding SMEs

⁵ Both Annual Business Inquiry and VAT Registration statistics on businesses and enterprise units are sometimes revised retrospectively. When establishing a time series it is important to always source data from the latest annual release.

- **ABI Business Units/ Workplaces by Industry:** The changing composition of business units/ workplaces in Liverpool.
- **ABI Business Units/ Workplaces – Core Cities comparison:** Comparing growth in the number of business units/ workplaces in Liverpool and other Core Cities.
- **Business Start-up Rate:** New VAT Registrations per 10,000 residents aged 16+
- **Business Closures:** VAT De-Registrations per 10,000 residents aged 16+
- **Business Stock:** Total number of VAT registered businesses
- **Business Density:** VAT Registered Businesses per 10,000 residents aged 16+

A summary of key messages from this section is provided below.

Summary

- The total number of business units grew by 382 or 2.9% between 2005 and 2006. This represents a higher rate of growth than both Great Britain (1.5%) and the North West (2.0%).
- Liverpool has seen an 4.2% decrease in the VAT Registration Rate over the period 1998-2006 (although it has declined from a peak in 2004 in more recent years). Most Local Authorities in Merseyside & the Core Cities have also experienced lower business start ups numbers than those registered in 1998.
- Liverpool showed an increase in VAT De-registrations, rising by 0.7%, only Nottingham within the Core Cities recorded less De-registrations from the previous year. National reduction was -0.3%.
- Liverpool has increased VAT Business Stock by 1.9%, in line with the National increase of 2.0%. The City has recorded a 17% increase in stock over the past decade, attributing to 12% of the overall increase in business stock in the core cities & over 30% of the Merseyside increase.
- Over the longer term (1998-2006) business density in Liverpool has grown by 15.7% - marginally above the regional (15.2%) but below the national (17.1%) rates of increase.

LIVERPOOL'S BUSINESS BASE

- Table 18 shows the growth in the number of business units in Liverpool. The total number of business units grew by 382 or 2.9% between 2005 and 2006. This represents a higher rate of growth than both Great Britain (1.5%) and the North West (2.0%).
- Between 1998 and 2006, business unit growth in Liverpool has been relatively modest, growing by an annual average of 1.1%, compared to 1.6% in both Great Britain and the North West.
- The total number of business units in Merseyside has increased by 6.6% between 1998 and 2006. All Merseyside districts have contributed to this growth, with the exception of Sefton which experienced a 4.2% fall in the number of business units. Growth was also steady in the period 2005-2006 with only Wirral experiencing a fall in the number of business units (-0.7%)

Table 18: Change in Number of Business Units – Merseyside, North West and GB (1998-2006)

	1998	2002	2004	2005	2006	% Change 1998-2006	% Change 2005-2006	% Growth per annum 1998-2006
Liverpool	12,379	12,247	12,850	13,138	13,520	+9.2%	+2.9%	+1.1%
Knowsley	2,658	2,848	2,917	2,914	2,998	+12.8%	+2.9%	+1.5%
Sefton	8,877	11,063	8,155	8,436	8,500	-4.2%	+0.8%	-0.5%
St Helens	4,156	4,283	4,362	4,580	4,657	+12.1%	+1.7%	+1.4%
Wirral	7,736	7,783	8,209	8,537	8,479	+9.6%	-0.7%	+1.2%
Merseyside	35,806	38,224	36,493	37,605	38,154	+6.6%	+1.5%	+0.8%
North West	218,128	225,596	232,802	242,116	247,020	+13.2%	+2.0%	+1.6%
GB	2,061,767	2,180,480	2,235,527	2,312,811	2,348,429	+13.9%	+1.5%	+1.6%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

LIVERPOOL'S KNOWLEDGE ECONOMY BUSINESS BASE

- Table 19 below shows the number of business units within *knowledge economy* sectors in Liverpool, the rest of Merseyside, the North West and the UK. Over the longer time period, 2003-2006, business units in knowledge industries increased by 14.1%, outstripping growth in Great Britain as a whole (11.9%) but growing more slowly than those in the North West (15.5%).
- Liverpool accounted for 39% of Merseyside's knowledge industry business units in 2006. This has increased from 38% in 2003. Other districts in Merseyside have enjoyed strong growth rates in knowledge industries since 2003.

Table 19: Change in Number of Business Units in Knowledge Economy Sectors – Merseyside, North West and GB (1998-2006)

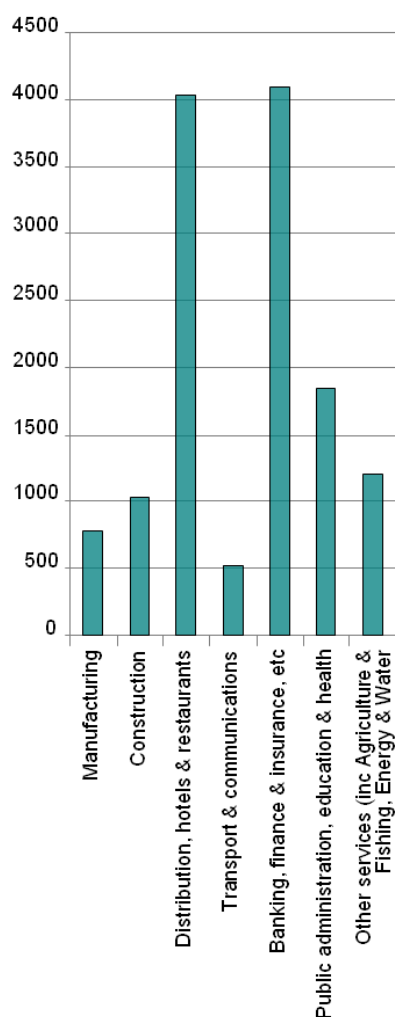
	2003	2004	2005	2006	% Change 2003-2006	% Change 2005-2006	% Growth per annum 2003-2006
Liverpool	4,200	4,400	4,600	4,800	+14.1%	+3.6%	+4.5%
Knowsley	700	800	700	800	+12.3%	+7.8%	+3.9%
Sefton	2,400	2,400	2,600	2,600	+8.2%	+2.1%	+2.7%
St Helens	1,100	1,100	1,200	1,200	+13.1%	+2.6%	+4.2%
Wirral	2,600	2,700	2,900	2,800	+6.9%	-3.7%	+2.3%
Merseyside	11,000	11,400	12,000	12,000	+10.9%	+1.7%	+3.5%
North West	73,600	76,800	81,600	84,900	+15.5%	+4.1%	+4.9%
GB	792,900	817,400	861,000	881,400	+11.9%	+2.4%	+3.6%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

- Knowledge industries accounted for 36% of all workplaces in 2006, up from 31% in 1998, indicating that Liverpool is starting to transform its sectoral composition, moving increasingly toward knowledge based sectors (although it is necessary to exercise caution when comparing data over this longer period due to inconsistencies introduced as a result of the revision of SIC classifications in 2003)

LIVERPOOL BUSINESS BASE - BY INDUSTRY

Figure 20: Liverpool Business Units by Industry, 2006



TOTAL: 13,520

Source: Annual Business Inquiry, ONS (Nomis) December 2007

NOTE: Agriculture & Fishing, Energy & Water – figures too small to publish so have been amalgamated into Other Services

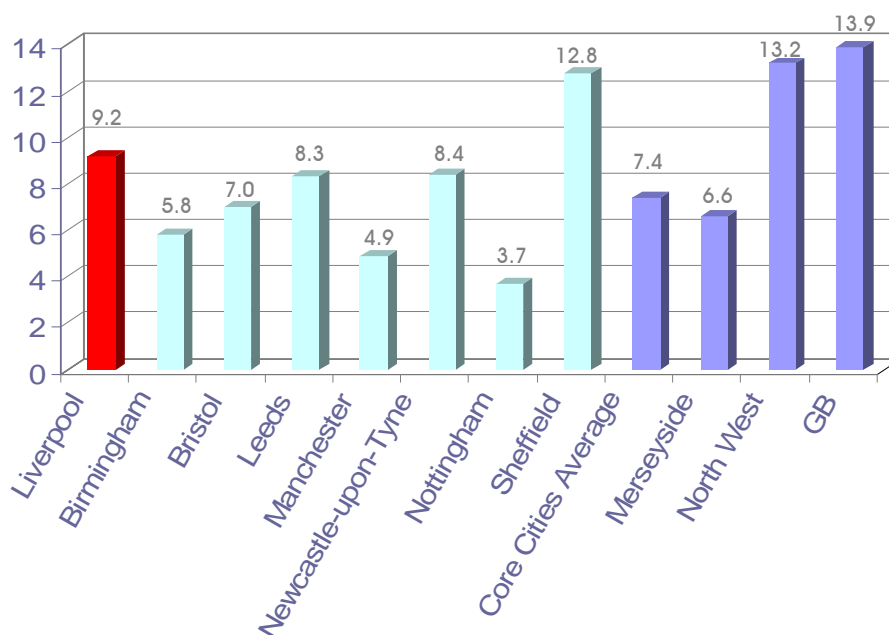
- Figure 20 shows a breakdown of Liverpool's business units by broad industrial sectors. 'Banking, finance and insurance' sector saw the largest absolute rise in the number of business units in 2005-2006, increasing by 189 units, or 4.8%. This sector has also seen by far the largest rise in business units in the longer time period, increasing by 44.3% between 1998 and 2006 (See Appendix 2). For the first time, it is now the largest sector in terms of business units (30.2%), having overtaken 'Distribution, hotels and restaurants' (29.9%) in 2005-2006. This is an encouraging sign that the sectoral composition of Liverpool is starting to lean towards higher value added activities, in line with other UK cities.
- There was another strong rise of 116 units (6.7%) in the 'Public Administration, Education and Health' sector, meaning that the sector now accounts for 13.7% of all workplaces in the city. The sector accounts for a massive 39.3% of jobs – demonstrating the significance of a few large employers (City Council, universities, health agencies etc.)
- Liverpool witnessed a decline in the number of workplaces in 'Manufacturing' (-1.85%), 'Distribution, hotels and restaurants' (-0.8%) and 'Transport and communications' (-0.6%) during 2005-2006. All three sectors have also experienced significant declines over the longer time period, 1998-2006. However, the 'Distribution, hotels and restaurants' sector still accounts for a larger share of workplaces in Liverpool (29.9%) than in Great Britain (28.2%). This broad industrial group only accounts for 20.6% of employment, highlighting the small firm structure within the sector.
- Tables 21 and 22 provide a comparison of business unit composition and change between Liverpool and other members of the Core Cities group. Liverpool witnessed the largest percentage increase in the number of business units of any of the Core Cities in the period 2005-2006. The 2.9% increase was only equalled by Newcastle, while Nottingham and Sheffield experienced negative or no change in the number of business units.
- This strong recent growth in business units continues an upward trend which has seen the percentage increase grow in each of the last three years. Over the longer time period, 1998-2006, Liverpool's business units have increased by 9.2%, which is second only to Sheffield (12.8%). This long term growth rate remains below that of the UK as a whole, indicating that Liverpool needs to build upon recent gains to close the gap with its competitors. As of 2006, Liverpool needs to increase the number of business units by 4,589 to meet the Core Cities average.

Table 21: Change in Volume of Business Units – Core Cities (1998-2006)

	1998	2002	2004	2005	2006	% Change 1998 - 2006	% Change 2005 - 2006	% Growth per annum 1998-2006
Liverpool	12,379	12,247	12,850	13,138	13,520	+9.2%	+2.9%	+1.1%
Birmingham	31,726	31,825	32,100	33,103	33,570	+5.8%	+1.4%	+0.7%
Bristol	16,210	16,822	16,776	16,949	17,347	+7.0%	+2.3%	+0.9%
Leeds	24,939	25,145	25,297	26,605	27,004	+8.3%	+1.5%	+1.0%
Manchester	16,439	16,646	16,869	17,060	17,251	+4.9%	+1.1%	+0.6%
Newcastle-upon-Tyne	8,374	8,528	8,589	8,823	9,079	+8.4%	+2.9%	+1.0%
Nottingham	9,760	9,815	9,883	10,112	10,117	+3.7%	0%	+0.5%
Sheffield	15,051	15,634	16,272	17,055	16,983	+12.8%	-0.4%	+1.5%
Core Cities Average	16,860	17,083	17,330	17,856	18,109	+7.4%	+1.4%	+0.9%
Merseyside	35,806	38,224	36,493	37,605	38,154	+6.6%	+1.5%	+0.8%
North West	218,128	225,596	232,802	242,116	247,020	+13.2%	+2.0%	+1.6%
GB	2,061,767	2,180,480	2,235,527	2,312,811	2,348,429	+13.9%	+1.5%	+1.6%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

Figure 22: % Change in Number of Business Units by Core Cities 1998-2006



VAT REGISTRATIONS & DE-REGISTRATIONS

- Table 23 and Figure 24 show the number of enterprises registering for VAT per 10,000 residents aged 16+ in Liverpool and in benchmark areas in selected years between 1998 and 2006.
- In 2006, Liverpool saw an 8.6% decrease in the VAT registration rate. However, this decline was not exclusive to Liverpool, as the North West, and most Local Authorities in Merseyside also experienced a loss. GB saw a small increase of 0.3%.

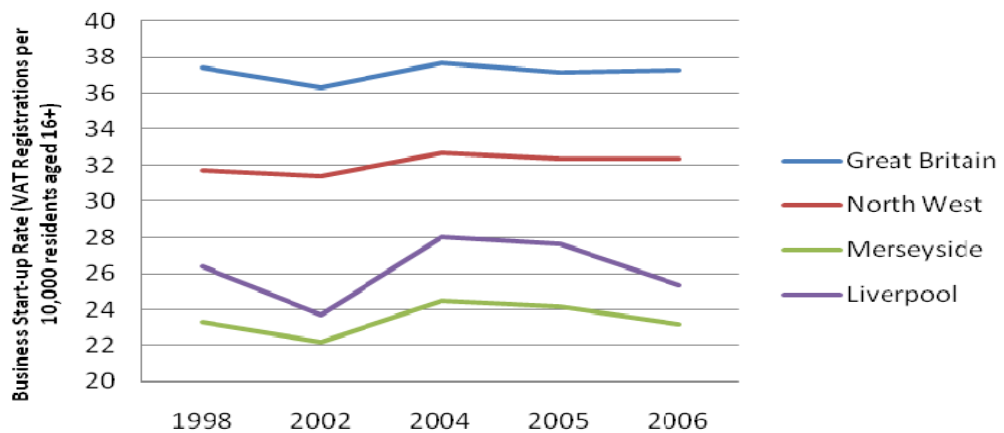
- Merseyside saw a decline of 4.0%, with St Helens being the only authority to show improvement on the previous year, increasing by 30.2%, adding an additional 5.6 new businesses per 10,000 residents aged 16+.
- Over the longer time period, St Helens is again the only district to have witnessed a significant increase in the VAT registration rate. Liverpool is still some way behind the national average, and would need to increase the number of new VAT registered businesses per annum by 432 to draw level.

Table 23: Business Start-up Rate (VAT Registrations per 10,000 residents aged 16+)

	1998	2002	2004	2005	2006	% Change 1998-2006	% Change 2005-2006
Great Britain	37.4	36.3	37.7	37.2	37.3	-0.4%	+0.3%
North West	31.7	31.4	32.7	32.4	32.4	+2.1%	-0.1%
Merseyside	23.3	22.2	24.5	24.2	23.2	-0.2%	-4.0%
Liverpool	26.4	23.7	28.0	27.6	25.3	-4.2%	-8.6%
Knowsley	16.7	16.7	17.9	18.8	17.1	+2.5%	-8.9%
St Helens	17.8	18.9	22.3	18.5	24.1	+35.3%	+30.2%
Sefton	25.7	25.0	23.7	26.1	23.2	-9.5%	-11.0%
Wirral	23.1	21.9	24.7	23.3	22.7	-1.7%	-2.6%

Source: VAT Registrations and De-Registrations, ONS, 2007

Figure 24: Business Start-up Rate 1998-2006



- Of all the Core Cities only Leeds and Newcastle have seen an increase in their VAT Registration Rate over the period 1998-2006.
- In 2006, Liverpool had the third lowest VAT registration rate amongst members of the Core Cities group, with only Sheffield & Newcastle having a lower rate of new registrations. (Shown in Table 25). Most Core Cities have experienced a reduction in the number of new VAT registrations per annum over the period 1998-2006, with Liverpool closely mirroring the Core Cities average, a 4.1% decline.

Manchester and Birmingham experienced significant falls, albeit from a considerably higher base (See Figure 26).

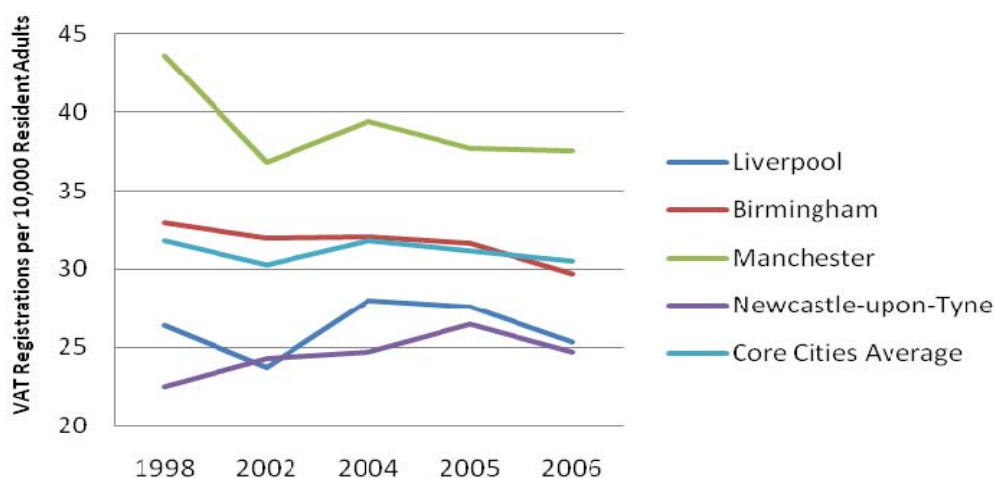
- In the most recent year (2005-2006) Liverpool experienced a significant fall in its VAT registration rate (from 27.6 new registrations per 10,000 residents aged 16+ to 25.3, a fall of 8.6%).

Table 25: VAT registration Rate (VAT Registrations per 10,000 residents aged 16+) in the Core Cities

	1998	2002	2004	2005	2006	% Change 1998 - 2006	% Change 2005 - 2006
Liverpool	26.4	23.7	28.0	27.6	25.3	-4.2%	-8.6%
Birmingham	32.9	31.9	32.0	31.6	29.7	-9.7%	-5.9%
Bristol	41.1	35.9	35.8	37.7	39.3	-4.4%	+4.3%
Leeds	31.2	31.7	32.9	31.9	32.9	+5.4%	+3.3%
Manchester	43.6	36.8	39.4	37.7	37.5	-14.0%	-0.4%
Newcastle-upon-Tyne	22.5	24.3	24.7	26.5	24.7	+9.8%	-6.7%
Nottingham	28.0	26.1	27.2	24.4	26.1	-6.8%	+6.9%
Sheffield	25.1	26.2	29.1	28.0	25.1	+0.0%	-10.3%
Core Cities Average	31.8	30.3	31.8	31.2	30.5	-4.1%	-2.2%

Source: VAT Registrations and De-Registrations, ONS, 2007

Figure 26: VAT Registration Rate 1998-2006



- Table 27 shows the number of businesses de-registered for VAT in 2005 and 2006. De-registration is a useful measure of local business failures, with businesses de-registering as they cease trading or (less probably) otherwise fall below the VAT registration threshold. Here we treat VAT de-registration as a proxy for business closure.
- During 2006 Liverpool showed an increase in VAT De-registrations, rising by 0.7% & an additional 5 business De-registrations from the previous year.
- The Merseyside sub region experienced a reduction in VAT De-registration of -2.2% compared to 2005, with St. Helens having the biggest decrease of -11.1% followed by Wirral with -9.6%.

- National levels of VAT De-registrations only decreased slightly by -0.7% & Regional figures saw no change.

Table 27: VAT Business De-Registrations

	2005	2006	Change 2005-2006	% Change 2005-2006
GB	140,175	139,205	-970	-0.7%
North West	13,670	13,670	0	0.0%
Merseyside	2,035	1,990	-45	-2.2%
Liverpool	740	745	+5	+0.7%
Knowsley	155	165	+10	+6.5%
St. Helens	225	200	-25	-11.1%
Sefton	445	450	+5	+1.1%
Wirral	470	425	-45	-9.6%

Source: VAT Registrations and De-Registrations, ONS, 2007

- Of the eight core cities, only Nottingham has seen a reduction in levels of VAT De-registrations, falling strongly by -9.1% over the last year, a much higher performance rate than National & Regional averages (see Table 28).
- Leeds had the largest percentage increase in VAT De-Registration, rising by 5.4% & an additional 85 business De-registrations from the previous year.

Table 28: VAT Business De-registrations in the Core Cities

	2005	2006	Change 2005-2006	% Change 2005-2006
Liverpool	740	745	+5	+0.7%
Newcastle upon Tyne	435	440	+5	+1.1%
Manchester	1,235	1,240	+5	+0.4%
Leeds	1,560	1,645	+85	+5.4%
Sheffield	1,000	1,025	+25	+2.5%
Birmingham	2,110	2,155	+45	+2.1%
Nottingham	550	500	-50	-9.1%
Bristol	915	940	+25	+2.7%

Source: VAT Registrations and De-Registrations, ONS, 2007

VAT REGISTERED BUSINESSES

- Table 29 shows the change in the number of VAT registered businesses in Liverpool and benchmark areas between 2006 and 2007. It shows that Liverpool, like all other benchmark areas has experienced growth in the total size of its VAT registered business base.
- Liverpool has experienced a 1.9% increase in VAT Business Stock (equivalent to 160 additional VAT registered businesses), a higher rate than Knowsley & Sefton and in line with the National increase of 2.1%.
- Merseyside increased its VAT Stock levels by 2.3%, of which Liverpool contributed to over a quarter.
- Only St Helens & Wirral performed better than the National & Regional rates, increasing by 4.6% & 2.5% respectively.

Table 29: Business Stock Levels

	2006	2007	Change 2006-2007	% Change 2006-2007
GB	1,853,825	1,892,385	+38,560	+2.1%
North West	181,795	186,045	+4,250	+2.3%
Merseyside	24,985	25,550	+565	+2.3%
Liverpool	8,505	8,665	+160	+1.9%
Knowsley	1,925	1,960	+35	+1.8%
St. Helens	3,175	3,320	+145	+4.6%
Sefton	5,690	5,765	+75	+1.3%
Wirral	5,690	5,835	+145	+2.5%

Source: VAT Registrations and De-Registrations, ONS, 2007

- All core cities have seen a growth in VAT business stock over the last year (see Table 30); Bristol had the highest percentage increase at 3.3% & 400 businesses & the only core city with a higher percentage growth than National & Regional rates.
- Sheffield had the smallest increase at 0.5% followed by Birmingham at 0.8%.
- Although Liverpool did not have the highest growth in stock, it has still outperformed other core cities such as Birmingham, Sheffield & Manchester.
- Over the past ten years core cities have increased their business stock by almost 11,000, 12% of this increase can be attributed to new business creation in Liverpool.
- Liverpool has seen one of the highest percentage changes of all the core cities for business stock, increasing more than 17% over the past decade. Only Bristol had a higher percentage growth over this period.

Table 30: Business Stock Levels in the Core Cities

	2006	2007	Change 2006-2007	% Change 2006-2007
Liverpool	8,505	8,665	+160	+1.9%
Birmingham	23,315	23,490	+175	+0.8%
Bristol	11,985	12,385	+400	+3.3%
Leeds	19,180	19,565	+385	+2.0%
Manchester	11,720	11,865	+145	+1.2%
Newcastle upon Tyne	5,535	5,650	+115	+2.1%
Nottingham	6,300	6,420	+120	+1.9%
Sheffield	11,960	12,015	+55	+0.5%

Source: VAT Registrations and De-Registrations, ONS, 2007

- Business density – the number of VAT registered businesses per 10,000 residents aged 16+ is a commonly used measure of the relative size of the business base in local and regional economies. A high business density is characteristic of strongly performing local economies.
- All areas have shown a growth in Business density levels in the most recent year (2006-2007 (see Table 31)). Compared to national averages, and many other members of the Core Cities group, Liverpool has a relatively low business density, standing at 61% of the national average.

Table 31: Business Density 1998-2007

Business Density	1998	2002	2004	2005	2006	2007	% Change 1998-2006	% Change 2005-2006
Great Britain	338.8	362.4	374.4	381.0	388.7	396.8	+17.1%	+2.1%
North West	292.0	304.5	314.9	321.0	328.7	336.4	+15.2%	+2.3%
Merseyside	198.1	209.7	216.6	221.9	227.5	232.7	+17.5%	+2.3%
Liverpool	209.0	217.4	223.9	230.3	237.3	241.8	+15.7%	+1.9%
Knowsley	124.3	141.4	148.0	155.1	160.6	163.5	+31.5%	+1.8%
St Helens	191.7	198.0	211.6	218.9	221.7	231.8	+20.9%	+4.6%
Sefton	223.5	240.5	243.6	245.1	251.8	255.1	+14.1%	+1.3%
Wirral	198.7	211.8	217.4	222.2	226.8	232.6	+17.1%	+2.6%

Source: VAT Registrations and De-Registrations, ONS, 2007

- Liverpool saw growth of 1.9% over this period, lower than both the regional average (2.3%) and the national average (2.1%).
- St Helens had the largest growth in business density, adding an additional 10 businesses per 10,000 residents aged 16+ in the past year. Sefton has the highest business density rate of all the Merseyside districts at 255.1 per 10,000 residents aged 16+.
- Over the longer time period, Liverpool has seen business density rise consistently. Compared to 1998, there were an additional 32.8 VAT

registered firms per 10,000 residents (or an extra 1,175 firms). Whilst percentage growth has been (marginally) faster than that in the North West, Liverpool's business density is still significantly lower than that of Great Britain as a whole.

- Most other parts of Merseyside have increased their business density at a higher rate than the regional and national averages over the longer term, indicating that progress is being made towards convergence on business density (particularly with the North West).
- As shown in Table 32, Liverpool's business density rose by 1.9% between 2006 and 2007, marginally greater than the rise seen across the Core Cities group as a whole (1.6%).

Table 32: Business Density in the Core Cities 1998-2007

	1998	2002	2004	2005	2006	2007	% Change 1998 - 2007	% Change 2006 - 2007
Liverpool	209.0	217.4	223.9	230.3	237.3	241.8	+15.7%	+1.9%
Birmingham	275.9	287.9	290.3	292.8	297.5	299.7	+8.6%	+0.8%
Bristol	310.8	326.6	333.5	340.7	351.6	363.3	+16.9%	+3.3%
Leeds	285.5	293.2	300.4	304.8	311.3	317.5	+11.2%	+2.0%
Manchester	316.6	312.7	308.0	313.3	317.5	321.5	+1.5%	+1.2%
Newcastle-upon-Tyne	228.8	228.6	234.6	239.5	246.7	251.8	+10.0%	+2.1%
Nottingham	246.6	255.5	259.3	264.1	254.4	270.4	+9.6%	+6.3%
Sheffield	250.6	259.6	267.0	271.9	276.9	278.2	+11.0%	+0.5%
Core Cities Average	270.1	278.1	282.5	287.2	293.0	297.6	+10.2%	+1.6%

Source: VAT Registrations and De-Registrations, ONS, 2007

- Liverpool currently has the lowest business density rate amongst members of the Core Cities Group, at 241.8 businesses per 10,000 residents aged 16+ – 55.8 below the Core Cities average. In order to reach the Core Cities average, the city would need to increase the number of VAT registered businesses by 2,000 (and substantially more to match the best performing cities). Clearly, this need to expand the business base is an important challenge and which will need to be addressed over the longer term.
- Liverpool has achieved some convergence with the Core Cities Average since 1998, with business density growing by 15.7% compared to 10.2% across the Core Cities group. This is the second largest increase in the group, bettered only by Bristol (which has the highest business density). Liverpool's business density also shows stronger rates of growth than any of the Core Cities over the longer time period, 1998-2006, as illustrated in Table 32.

APPENDICES

Appendix 1: Liverpool – Employment breakdown by Industry 1998-2006

	1998	2002	2004	2005	2006	Change 1998-2006	% Change 1998-2006	Change 2005- 2006	% Change 2005- 2006
Manufacturing	19,700	18,200	15,200	13,400	12,100	-7,600	-38.5%	-1,300	-9.7%
Construction	5,600	5,700	5,200	5,700	6,300	+700	+12.9%	+600	+10.5%
Distribution, hotels and restaurants	46,000	49,200	49,300	45,800	46,600	+600	+1.3%	+800	-1.7%
Transport and communications	12,000	14,700	12,700	13,000	13,900	+1,800	+15.2%	+900	+6.9%
Banking, finance and insurance, etc	33,500	41,200	42,700	47,600	46,800	+13,300	+40.0%	-800	-1.7%
Public administration, education & health	70,400	78,500	83,800	87,800	89,000	+18,600	+26.4%	+1,300	+1.5%
Other services (including Agriculture & Fishing, Energy & Water)	14,900	12,500	13,000	12,700	11,600	-3,300	-21.3%	-1,100	-8.7%
Total	202,100	220,000	221,800	226,100	226,400	+24,200	+12.0%	+400	+0.2%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

* Agriculture & Fishing, Energy & Water – figures too small to publish so have been amalgamated into Other Services
All figures have been rounded for confidentiality purposes – so totals shown here may not necessarily add up

Appendix 2: Liverpool Business Units by Industry 1998 - 2006

	1998	2002	2004	2005	2006	Change 1998- 2006	% Change 1998-2006	Change 2005-2006	% Change 2005-2006
Manufacturing	894	779	803	795	781	-113	-12.6%	-14	-1.8%
Construction	788	793	870	903	1,035	+247	+31.3%	+132	+14.6%
Distribution, hotels and restaurants	4,450	4,162	4,073	4,069	4,038	-412	+ -9.3%	-31	-0.8%
Transport and communications	598	554	540	524	521	-77	-12.9%	-3	-0.6%
Banking, finance and insurance, etc	2,832	3,196	3,665	3,897	4,086	+1,254	+44.3%	+189	+4.8%
Public administration, education & health	1,546	1,584	1,668	1,735	1,851	+305	+19.7%	+116	+6.7%
Other services	1,271	1,179	1,231	1,215	1,206	-63	-5.2%	-6	-0.5%
Total	12,379	12,247	12,850	13,138	13,520	+1,141	+9.2%	+382	+2.9%

Source: Annual Business Inquiry, ONS (Nomis) December 2007

Agriculture & Fishing, Energy & Water (data units below 50 are confidential) and have been amalgamated into Other Services

GLOSSARY

ABI – Annual Business Inquiry:

The ABI is a business survey which collects both employment and financial information in businesses across the UK.

GVA – Gross Value Added:

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector. It is an overall measure of economic activity and a key indicator in the state of an economy. Specifically, it is the value of an economic activity at basic prices (i.e. which include taxes (less subsidies) on production but excludes taxes (less subsidies) on products).

All sub-national GVA data is allocated on a workplace basis i.e. to the location of the job or business rather than the place where the person performing that job or benefiting from business profits lives. This can give rise to difficulties in using GVA per head to compare local area productivity e.g. where commuting patterns result in large numbers of people travelling over administrative boundaries for work or enterprise. The release, in early 2008 of data for GVA per hour worked (NUTS 2) and GVA per worker (NUTS 3, providing allowances are made for part-time working), should counter this.

All sub-regional GVA data (i.e. NUTS 2 and NUTS 3 areas) is calculated on an *income basis* – i.e. it measures the sum of incomes earned by individuals (e.g. as wages) and businesses (e.g. as profits) in the production of their outputs (goods or services). Regional and sub-regional GVA is subject to control by values on the National Accounts (the *Blue Book*) and is calculated using a top-down approach in which estimates are constrained to the national data.

Regional (NUTS 1) shares of GVA are apportioned to the National total, using a range of data sources (such as ABI parts 1 and 2, IDBR, the Annual Survey of Hours and Earnings). Sub-regional (NUTS 2 and NUTS3) shares of the estimated regional GVA are then apportioned (e.g. Merseyside and Liverpool are apportioned shares of the estimated GVA of the North West). This process of apportioning shares of estimated regional GVA to local areas is, of course, imperfect and values are occasionally recalculated and reissued by ONS as new evidence is released.

Gross Value Added in non-marketed services (such as public sector services) is measured in a number of different ways but is typically calculated by attaching estimated market values to public sector outputs.

Knowledge Based Industries SIC 2003

Drawing on work by *Local Futures*, this group has been defined as predominantly private sector employment sectors where nationally more than 25% of the workforce is of graduate level (NVQ level 4 or equivalent or higher as of 2001). All public sector employment in education, health and social services and public admin has been excluded from the definition. The Knowledge Based employment group includes the following SIC based sectors: Oil & gas extraction (SIC 11), Publishing, printing, reproduction of recorded media (22), Manufacture of petroleum/nuclear fuel (23), Manufacture of chemicals and chemical products (24), Manufacture of office machinery and computers (30), Radio, TV & equipment manufacture (32), Manufacture of medical, optical and precision instruments (33), Manufacture of other transport equipment (35), Supply of electricity & gas (40), Water supply (41), Air transport (62), Financial intermediation (65), Insurance services (66), Other financial services (67), Real estate activities (70), Computer and related activities (72), Research and development (73), Other business activities (74), Activities of membership organisations (90) and Recreational, cultural and sporting activities (92).

NUTS – Nomenclature of Units for Territorial Statistics:

NUTS was created by the European Office for Statistics (Eurostat) as a single hierarchical classification of spatial units used for statistical production across the European Union. At the top of the hierarchy come the 15 member states of the EU; below that are NUTS levels 1 to 5, which progress down the scale of administrative units.

Relationship of NUTS hierarchy to UK administrative areas

Within the UK, NUTS areas are determined as shown in the Table below. They are adjusted annually to correspond to changes in the base units.

NUTS level	England	Scotland	Wales	Northern Ireland	Total in UK
1	Government Office Regions (GORs)	Scotland	Wales	Northern Ireland	12
2	Counties/groups of counties	Combinations of council areas, LECs and parts thereof	Groups of unitary authorities	Northern Ireland	37
3	Counties / groups of unitary authorities	Combinations of council areas, LECs and parts thereof	Groups of unitary authorities	Groups of district council areas	133
4	Districts/unitary authorities	Combinations of council areas, LECs and parts thereof	Unitary authorities	District council areas	443
5	Electoral wards/divisions	Electoral wards or, rarely, parts thereof	Electoral divisions	Electoral wards	c.11,000

Omitted years:

Note that certain years are omitted from Figures. This is to allow for consistent bulletin formatting in terms of design & space.

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