

THE KERRIER ECONOMY 2007:

Maintaining steady growth

PART I

Highlights

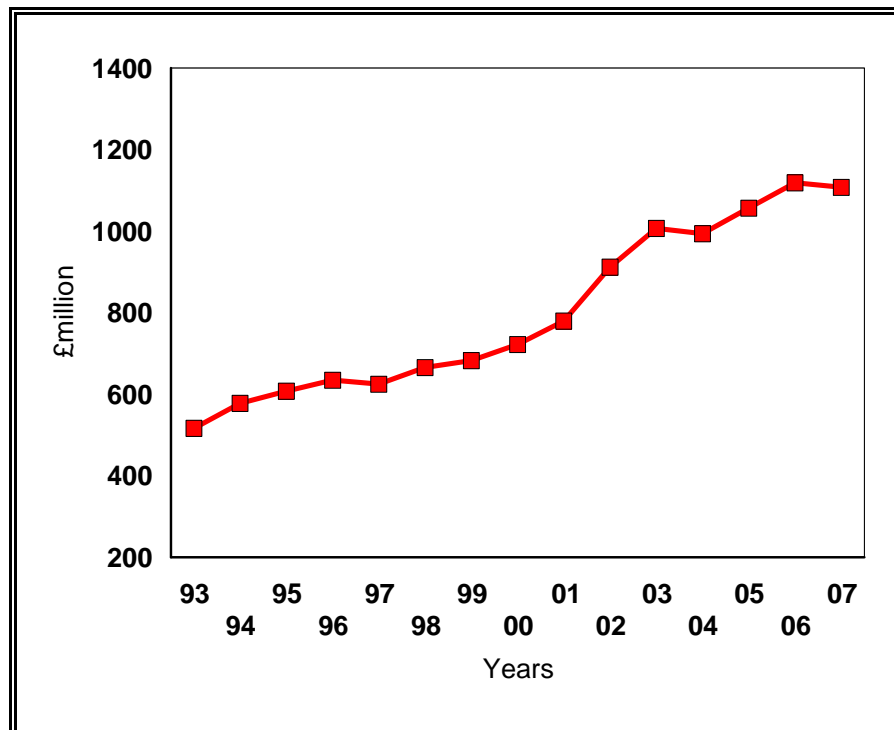
- the Kerrier economy grew 5.9 per cent per annum over the whole period between 1997 and 2007 (see Chart 1 and Table 1).
- with an annual rate of growth at 5.9 per cent per annum, marginally faster than the national growth rate of 5.6 per cent per annum the ratio of Kerrier's income per head to the national average has remained virtually steady over the decade, 56.1 per cent in 1997 and 54.8 per cent in 2007 (see Tables 3 and 4).
- growth in the public sector, particularly in health and education, has been the main driver over the decade (see Table 1) although agricultural growth showed a welcome recovery thanks to an increase in farm incomes in 2007.
- the increase in the education sector was in higher education. The growth in the health and social services sector was primarily in hospitals and other medical care.
- the manufacturing sector continued to perform moderately well compared with the experience in other county districts. Its average rate of growth between 1997 and 2007 was 3.6 per cent per annum although the rate was slightly less between 2002 and 2007 at 3.1 per cent per annum.
- the increase in the output of the hotels and catering sector has been close to the average for the economy as a whole. There was an deceleration in the latter half of the decade. Growth over the decade has been supported by a strong growth in eating out (see Table 10 and Chart 6)).
- the business services sector continued to grow strongly by 6.9 per cent per annum between 1997 and 2007. Professional activities were particularly buoyant (see Table 13).
- total employment increased between 1997 and 2007 by 3.3 per cent per annum over the whole decade but the increase was mainly in the first half of the period. Growth between 1997 and 2002 was 4.6 per cent per annum followed by an increase of 2.0 per cent per annum between 2002 and 2007.

PART II

1. The rest of this report examines in greater detail the movements in the Kerrier economy over the period from 1997 to 2007.
2. The Kerrier economy grew by 5.9 per cent per annum between 1997 and 2007; just above the national rate over the past decade of 5.6 per cent per annum (see Table 2). However, whilst Kerrier's rate of growth was 7.8 per cent per annum between 1997 and 2002 it fell back to 4.0 per cent per annum between 2002 and 2007. After a fall between 1997 and 2002 the share of total output taken by manufacturing has stabilised. For the decade 1997 to 2007 manufacturing output has grown at a rate of 3.6 per cent compared with a growth rate for the Kerrier economy as a whole of 5.9 per cent per annum. However, the performance has been much better than for manufacturing nationally which grew by only 0.5 per cent per annum over the same period.

CHART 1

KERRIER Gross Value Added



3. Within the total growth in output (gross value added) between 2002 and 2007 there was a recovery in agriculture and also above average increases in the business services and public sectors.
4. A feature of the growth in output over the past decade has been the strong growth in the education sector.
5. With a growth in output close to the national rate, Kerrier's gross value added per head relative to the national value has fallen marginally from 56.1 per cent in 1997 to 54.8 per cent in 2007. Thus Kerrier's level remains still significantly below national levels - over 45 per cent less.
6. The measure of gross value added per head is used by central government as its main basis of comparison of regional and county variations and Kerrier, for the reason given in paragraph 15, fares unfavourably compared with other areas in Cornwall.

7. The indicator measures how much output is produced in the area divided by the number of people resident in the area. It is, therefore, very sensitive to a number of factors such as the ratio of retired to working members of the population, the composition of the working population itself (numbers of female or part time workers etc.) and also by the numbers of workers who move either in or out of the area to their place of work.
8. Another very significant factor to bear in mind is that income from employment, self employment or profits (the elements in the calculation of gross value added) are not the only sources of income enjoyed by residents. Residents receive pension income, social security benefits to supplement income although there are also payments to be made such as taxes and social security contributions.
9. Areas such as Cornwall and in particular Kerrier with lower than average incomes and a larger than average proportion of the elderly are net beneficiaries if these extra transactions are taken into account. There are no official figures for Kerrier but they have been published up to 1999 for Cornwall as a whole and they show that the gap with national in the gross value added per head comparison of 35 per cent (65.5 per cent) is reduced to 11 per cent (89.0 per cent) when comparing total household income per head.
10. The following table (Table 1) summarizes the movements over the decade of the principal industrial sectors. The moderate growth in manufacturing overall between 1997 and 2007 has been accompanied by strong growth in hotels and catering, transport and communication, business services and the education and health sectors.

TABLE 1

KERRIER
Growth in Gross Value Added at Basic Prices

	1997 £m	2002 £m	2007 £m	1997/2002 % pa	2002/2007 % pa	1997/2007 % pa
Agriculture/Forestry	18.7	23.8	37.3	4.9	9.4	7.1
Fishing	3.0	4.7	6.0	9.1	5.3	7.2
Mining and Quarrying	15.9	2.3	0.9	-32.0	-18.0	-25.3
Manufacturing	96.6	118.0	137.8	4.1	3.1	3.6
Electricity/Gas/Water	8.4	11.1	11.9	5.7	1.4	3.5
Construction	59.4	94.9	103.3	9.8	1.7	5.7
Wholesale/Retail/Repair	97.6	144.3	167.1	8.1	3.0	5.5
Hotels and Catering	44.9	68.1	80.1	8.7	3.3	6.0
Transport & Communication	23.2	31.9	43.3	6.5	6.3	6.4
Financial Services	10.9	14.8	21.3	6.3	7.6	7.0
Real Estate/Business Activities	124.5	197.0	241.7	9.6	4.2	6.9
Public Admin/Defence/Soc Sec	21.5	37.9	32.1	12.0	-3.3	4.1
Education	30.6	60.7	74.0	14.7	4.0	9.2
Health & Social Work	40.5	55.0	93.9	6.3	11.3	8.8
Other Community Services	29.3	47.4	57.0	10.1	3.8	6.9
Gross Added Value	625.1	911.8	1,107.5	7.8	4.0	5.9

11. The following table (Table 2) compares the Kerrier performance with the national average. Overall Kerrier's growth was slightly faster than nationally between 1997 and 2007. The table also shows that the proportion taken by manufacturing (12.4 per cent) is now approximately the same as the national average (12.6 per cent). Hotels and catering and distribution were significantly higher than the national average.

TABLE 2

**KERRIER AND NATIONAL
Composition of Output 2007 and Rates of Growth 1997-2007
(per cent and per cent per annum)**

	Kerrier % Share of Output 2007	Kerrier Rate of Growth of Output 1997/2007	National¹¹ % Share of Output 2007	National¹ Rate of Growth of Output 1997/2007
Agriculture and Forestry	3.4	7.1	0.7	-1.6
Fishing	0.5	7.2	0.0	1.9
Mining and Quarrying	0.1	-25.3	2.6	6.0
Manufacturing	12.4	3.6	12.6	0.4
Electricity/Gas/Water	1.1	3.5	1.5	1.6
Construction	9.3	5.7	6.4	7.7
Distribution	15.1	5.5	11.4	5.1
Hotels and Catering	7.2	6.0	2.9	6.1
Transport and Communication	3.9	6.4	6.8	4.1
Financial Services	1.9	7.0	7.6	15.5
Real Estate/Business Activities	21.8	6.9	24.3	7.6
Public Administration	2.9	4.1	5.1	4.8
Education	6.7	9.2	5.9	6.4
Health and Social Work	8.4	8.8	6.9	6.5
Other Community Services	5.2	6.9	5.1	6.7
Gross Value Added at Basic Prices	100.0	5.9	100.0	5.6

¹¹ National data incorporated in the local GVA model is reproduced courtesy of the Office of National Statistics (© ONS)

12. The following table (Table 3) illustrates how the share of output has varied over time. Manufacturing as a share of total output has fallen below the levels of the early 1990s. Hotels and catering has remained steady in terms of share, whilst business services have increased.

TABLE 3

KERRIER
Change in the Composition of Output 1997-2007 (%)

Measured by Output	1997	2002	2007
Agriculture/Forestry	3.0	2.6	3.4
Fishing	0.5	0.5	0.5
Mining and Quarrying	2.5	0.3	0.1
Manufacturing	15.5	12.9	12.4
Electricity/Gas/Water	1.3	1.2	1.1
Construction	9.5	10.4	9.3
Distribution	15.6	15.8	15.1
Hotels and Catering	7.2	7.5	7.2
Transport and Communication	3.7	3.5	3.9
Financial Services	1.7	1.6	1.9
Real Estate/Business Activities	19.9	21.6	21.8
Public Admin/Defence/Soc Security	3.4	4.2	2.9
Education	4.9	6.7	6.7
Health	3.5	3.2	5.2
Social Services	3.0	2.8	3.2
Sanitary Services	0.4	0.2	0.4
Other Services	4.3	5.0	4.8
Gross Added Value at Basic Prices	100.0	100.0	100.0

13. The following table (Table 4) compares Kerrier's gross value added per head with the national levels. It contains estimates derived from dividing total gross added value by total population. It shows that the share remained steady at 56.1 in 1997 and 54.8 in 2007.

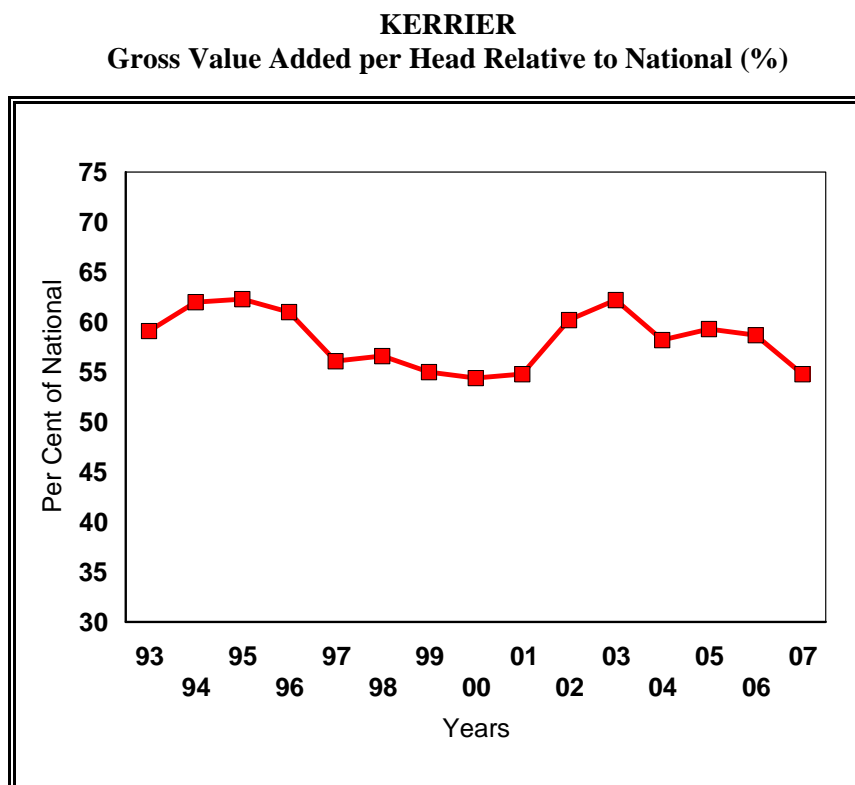
TABLE 4

KERRIER AND NATIONAL
Comparison of Per Capita Income

Gross Value Added per Head (£)	1997	2002	2007
Kerrier	6,937	9,711	11,209
National	12,358	16,134	20,463
Kerrier as a % of National	56.1	60.2	54.8

14. The following chart (Chart 2) illustrates the year on year movement of gross value added per head relative to the national average. Although somewhat erratic the movement in the ratio has been steady throughout the whole decade.

CHART 2



15. The following table (Table 5) is a useful guide to explaining the differences in the per capita income between Kerrier and the national average. It shows that Kerrier has a significantly higher proportion of women employees, part-time employees and self-employed.

Each of these is likely to hold down income levels. Women employees still do not earn the same as men, part-time employees clearly do not earn as much as full-time employees and the self-employed as a whole (where construction workers and small businesses predominate) do not earn as much as, say, full-time male workers in manufacturing.

TABLE 5

KERRIER
Key Employment Comparisons

	Kerrier 2007	National 2007
Per capita income (£)	11,209	20,463
% Gap with National	54.8	0.0
Women as % of total employees	50.9	48.7
Part-time as % of total employees	38.5	25.3
Services as % of total employees	78.9	89.4
Self-employees as % of total labour force	21.2	13.9
Labour force as % of total population	40.5	47.8
Labour force per capita income (£)	27,690	42,799
% Gap with National	64.7	0.0

16. The following table (Table 6) gives the figures for the gross added value as measured by incomes. Earnings per head for full time employees fell on average by 0.4 per cent per annum between 2002 and 2007. The comparable figure for part time employees was 5.1 per cent per annum.

TABLE 6

KERRIER
Gross Added Value at Basic Prices Measured by Income

	1997 £m	2002 £m	2007 £m	1997/ 2002 % pa	2002/ 2007 % pa	1997/ 2007 % pa
Compensation of Employees	317.5	492.0	582.0	9.2	3.4	6.2
Mixed Incomes	142.5	195.7	262.5	6.6	6.0	6.3
Taxes less Subsidies	13.3	17.8	19.4	6.1	1.8	3.9
Operating Surplus and Rents	151.8	206.3	243.5	6.3	3.4	4.8
Gross Value Added at Basic Prices	625.1	911.8	1,107.5	7.8	4.0	5.9

17. The following table (Table 7) gives details of output as measured by expenditure. The strongest growing element is public expenditure.

TABLE 7

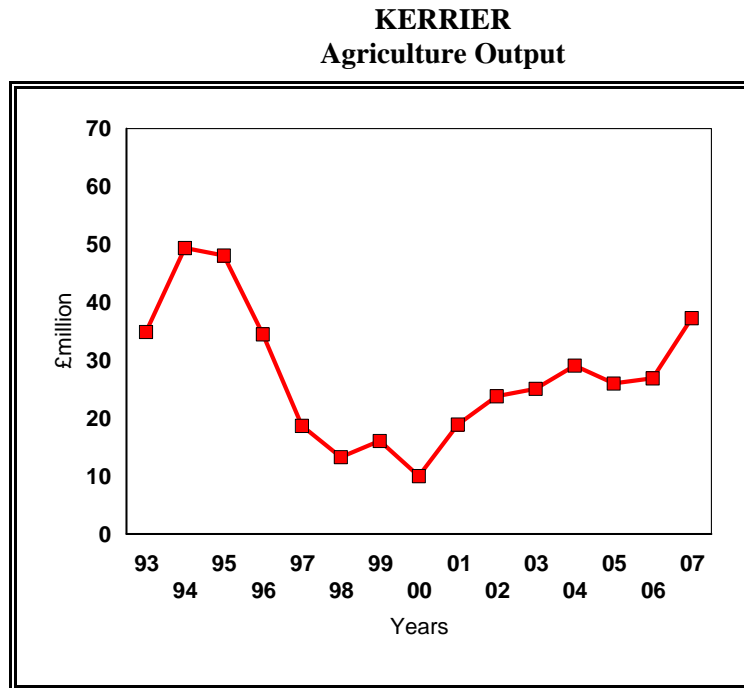
KERRIER
Gross Added Value at Basic Prices Measured by Expenditure

	1997 £m	2002 £m	2007 £m	1997/ 2002 % pa	2002/ 2007 % pa	1997/ 2007 % pa
Consumers' Expenditure	611.7	903.7	1,053.3	8.1	3.1	5.6
Public Expenditure	159.2	271.0	362.8	11.2	6.0	8.6
Investment	104.6	185.7	217.9	12.2	3.3	7.6
Exports of Goods/Services	613.0	879.3	1,017.7	7.5	3.0	5.2
Total Final Expenditure	1,488.4	2,239.6	2,651.7	8.5	3.4	5.9
Less Imports Goods/Services	811.7	1,219.3	1,431.4	8.5	3.3	5.8
GDP (market prices)	676.8	1,020.3	1,220.3	8.6	3.6	6.1
Factor Cost Adjustment	105.8	160.0	186.9	8.6	3.2	5.9
GDP (factor cost)	571.0	860.3	1,033.4	8.5	3.7	6.1

Agriculture

18. The year by year movements in the agriculture sector are illustrated in the chart (Chart 3) below. It shows that the sector was hit particularly hard between 1995 and 2000. A recovery appears to have begun in 2001 reinforced by a recovery in farm incomes in 2007.

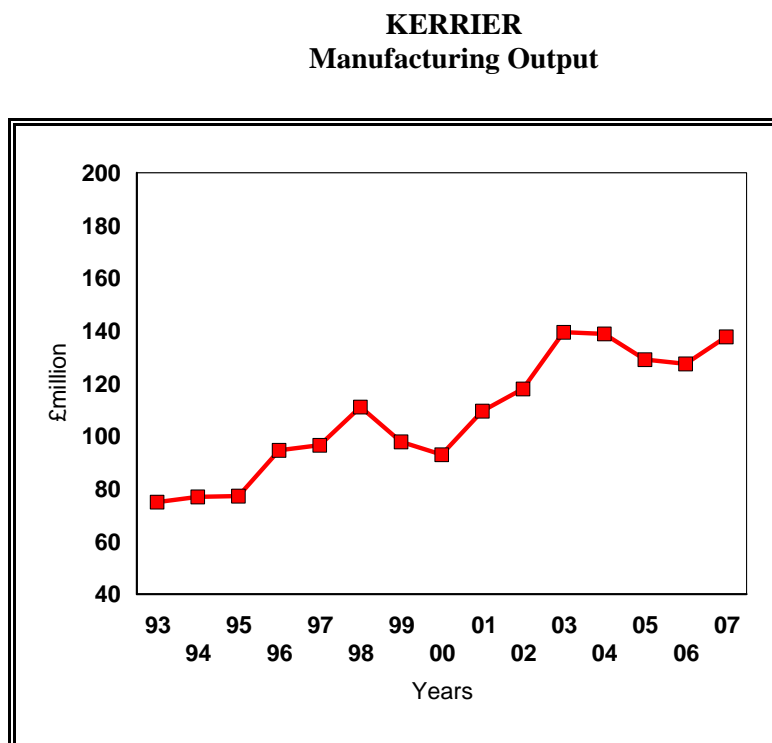
CHART 3



Manufacturing

19. The movement in output in the manufacturing sector overall is illustrated in the chart (Chart 4) below. It shows that after falling back from a peak in 1997 output has grown steadily since 2000.

Chart 4



20. The following table (Table 8) gives more detail of the manufacturing sector. It shows that dominant roles of food and drink manufacturing, timber and furniture paper and publishing, and mechanical engineering accounting for just under 60 per cent of the total.

TABLE 8

KERRIER
Net Output of the Manufacturing Sector (%)

	1997	2002	2007	1997/2007 % pa
Food, Drink & Tobacco	17.4	21.7	22.2	6.2
Clothing	8.8	5.7	2.6	-8.1
Leather & Footwear	0.2	0.3	0.4	12.9
Timber & Furniture	5.0	4.2	10.5	11.6
Paper & Publishing	9.9	12.9	12.0	5.7
Chemicals	0.8	0.6	4.0	22.0
Rubber & Plastic	8.6	9.2	7.9	2.8
Non-metal Manufacturing	7.4	5.3	4.8	-0.9
Metal Manufacture	0.2	0.4	0.3	8.0
Other Metal Manufacturing	11.8	3.4	4.9	-5.1
Mechanical Engineering	21.3	22.3	15.1	0.1
Electrical Engineering	1.4	2.4	5.5	18.9
Instrument Engineering	3.6	2.1	5.2	7.5
Transport Manufacturing	2.2	6.9	1.8	1.5
Other Manufacturing	1.4	2.7	2.6	10.1
Total Manufacturing	100.0	100.0	100.0	3.6

Food and drink manufacturing

21. The following table (Table 9) gives more detail for the food and drink manufacturing sector. The sector grew overall by 6.2 per cent per annum between 1997 and 2007 and is dominated by the meat and meat products and bread and biscuits sectors.

TABLE 9

KERRIER
Output of the Food and Drink Manufacturing Sector (%)

	1997	2002	2007	1997/2007 % pa
Meat and Meat Products	56.8	61.0	64.5	7.5
Fish	0.0	0.0	0.3	0.0
Fruit and Vegetables	0.5	1.2	0.1	8.5
Oils and Fats	0.0	0.0	0.0	0.0
Dairy Products	8.9	5.6	8.2	5.3
Ice Cream	0.1	4.2	2.1	44.9
Grains and Starches	0.0	0.0	0.0	0.0
Animal Foods	1.6	0.9	0.0	0.0

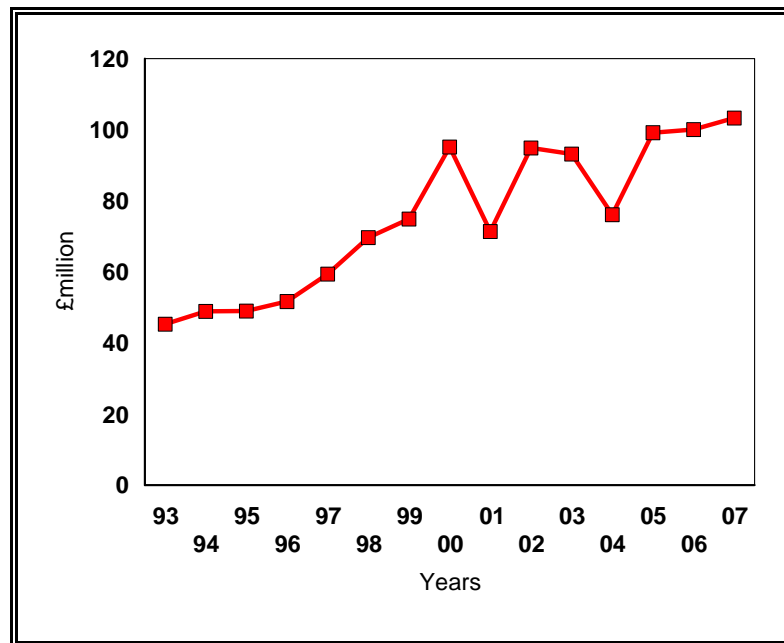
Bread and Biscuits	19.7	24.1	22.8	7.8
Sugar and Cocoa	0.0	0.0	1.2	0.0
Other Foods	0.2	0.2	0.1	1.8
Alcohol	12.6	2.8	0.5	-23.6
Soft Drinks	0.0	0.0	0.2	0.0
Tobacco	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	6.2

Construction

22. As the following chart (Chart 5) shows, the increase in the output of the construction sector was largely between 1993 and 2000. Since then movements have been erratic.

CHART 5

KERRIER Construction Output

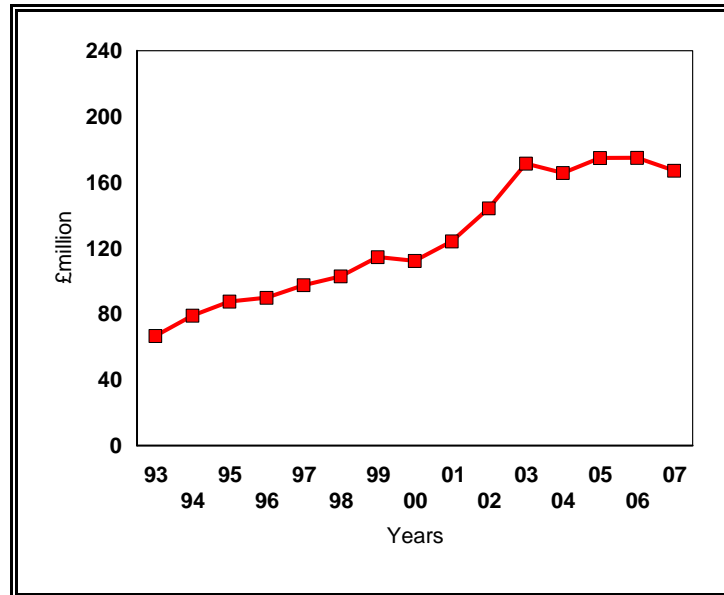


Distribution

23. The following chart (Chart 6) indicates a steady growth in the distribution (wholesale and retailing) sector up to 2003 although flattening out since then.

CHART 6

**KERRIER
Distribution Output**



Hotels and Catering

24. The following table (Table 10) gives more detail of the hotels and catering sector. It shows a steady decline in the contribution of hotels compensated by a growth in various eating outlets.

TABLE 10

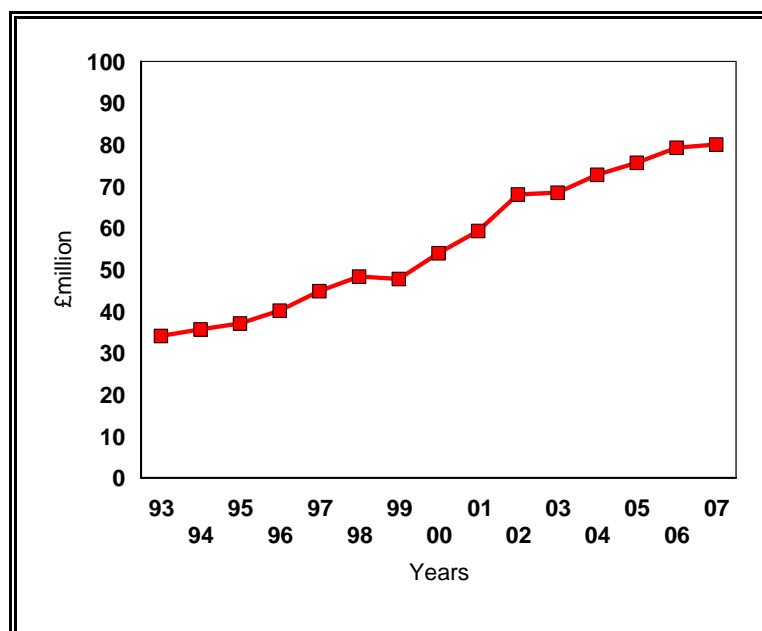
**KERRIER
Net Output of the Hotels and Catering Sector (%)**

	1997	2002	2007	1997/2007 % pa
Hotels with Restaurants	23.0	24.3		
Hotels without Restaurants	20.8	18.8		
All Hotels	43.8	43.0	42.5	5.7
Camping Sites	2.0	2.0	2.2	7.0
Other Lodgings	17.9	15.1	16.4	5.1
Restaurants, Cafés, etc	14.6	15.8	18.5	8.5
Bars	16.6	18.0	17.1	6.3
Catering Contractors	5.2	6.0	3.2	1.1
Total	100.0	100.0	100.0	6.0

25. The hotels and catering sector does not capture the whole of tourist activity. There is a variety of other activities, leisure, sporting etc, which also contributes. It is estimated that the total gross income received from tourism was approximately £210 million in 2007.
26. The year on year movements in the output of the hotels and catering sector are shown in the chart (Chart 7) below. It suggests a slightly accelerated rate of growth since 1998.

CHART 7

**KERRIER
Hotels and Catering Output**



The financial and business services sector

27. The following table (Table 11) gives more detail for the finance and business services sector. It shows the dominant role of real estate activities and other business services. Banking services declined slightly as a share between 1997 and 2007, reflecting the increased computerisation of services. Over the whole decade the main drivers were professional services and other business services. Computer services continue to grow strongly although the growth is from a very small base.

TABLE 11

**KERRIER
Net Output of the Business Services Sector (%)**

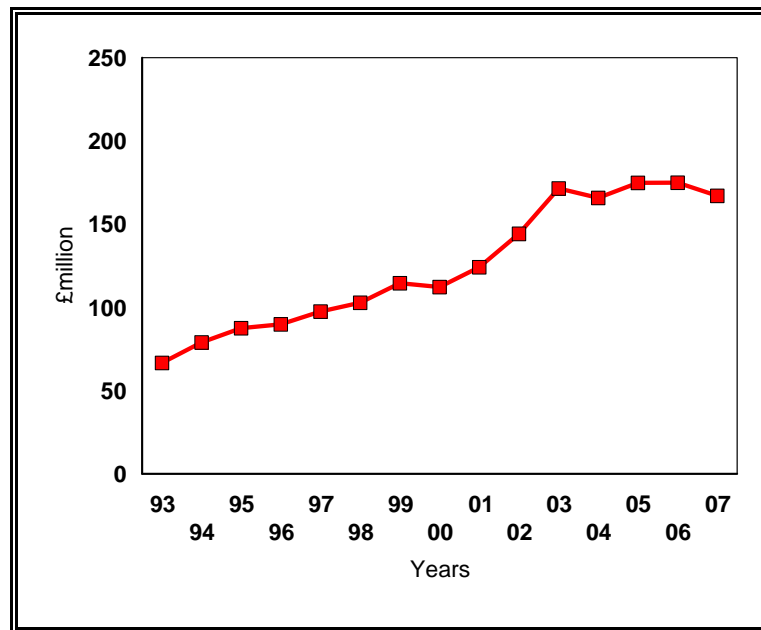
	1997	2002	2007	1997/2007 % pa
Banking/Finance	4.8	4.4	4.4	5.8
Insurance	1.8	0.7	0.7	-2.2
Insurance Brokers	1.4	1.9	3.0	15.2
Real Estate Activities	60.9	63.8	64.7	7.5
Rent Moveables	5.0	1.6	1.8	-3.5
Computer Services	2.8	5.1	3.3	8.6

Research & Development	0.9	0.2	0.0	-20.5
Legal Services	3.8	3.3	3.2	5.0
Accountants	4.7	4.4	4.0	5.0
Market Research	0.1	0.1	0.1	7.3
Management Consultants	1.0	1.9	2.0	13.9
Architects	6.8	4.4	5.4	4.5
Advertising	0.3	0.6	0.6	14.5
Other Business Services	5.6	7.7	6.8	8.9
Total	100.0	100.0	100.0	6.9

28. The following chart (Chart 8) shows the growth in the output of the business services sector through 1992 to 2006. The average growth over the decade ending in 2007 was 6.9 per cent per annum. Output has flattened out from 2003 onwards.

CHART 8

KERRIER
Output of Business Services

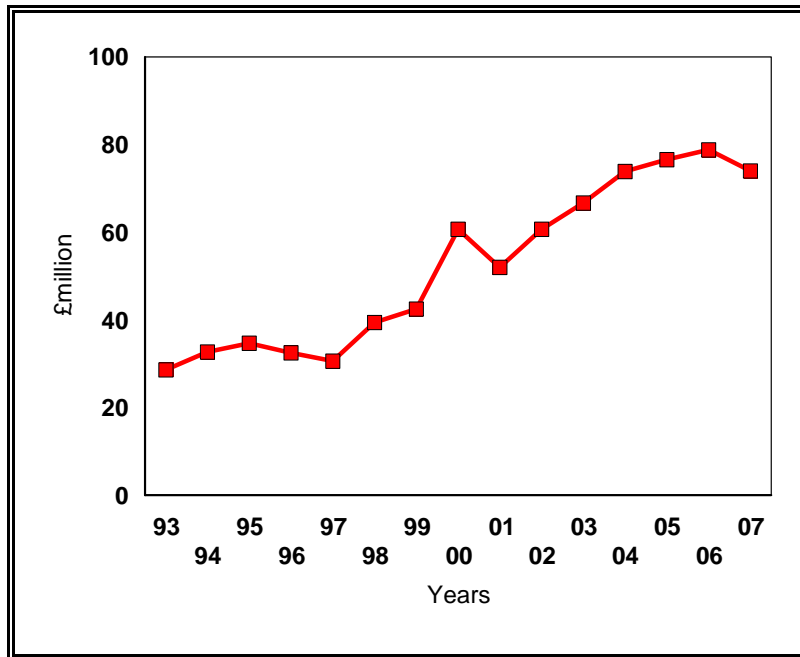


The public sector

29. The year on year movements in the output of the **education sector** are shown in the chart (Chart 9) overleaf. The sector grew strongly at a rate of 9.2 per cent per annum between 1997 and 2007. In terms of employment there was an increase of 619 between 2002 and 2007 made up of an increase in higher education of 1303 offset to some extent by a fall of 718 in numbers employed in schools.

CHART 9

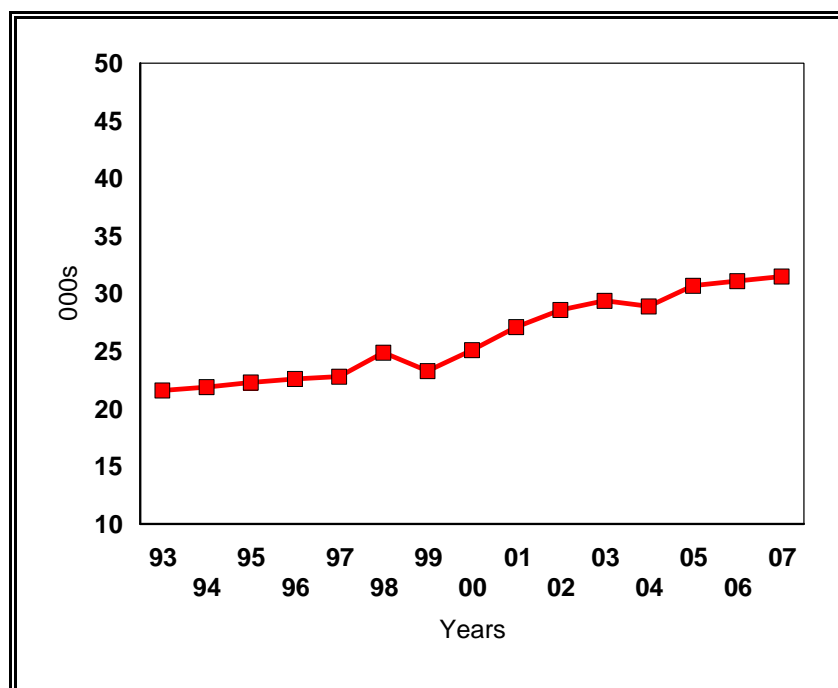
KERRIER
Education Output



30. The year on year movements in the output of the **health and social work** sectors is shown in the chart (Chart 10) below. The sector showed a strong growth over the decade 1997 to 2007 of 8.8 per cent per annum and especially in the latter half of the decade where the annual rate was 11.3 per cent per annum. In terms of numbers employed there was an increase between 2002 and 2007 of 1705 made up of an increase in employees of 1178 in hospitals, 78 in GP's practices and other medical services of 277. There was an increase in social services employees of 171.

CHART 10

KERRIER
Health and Social Work Output

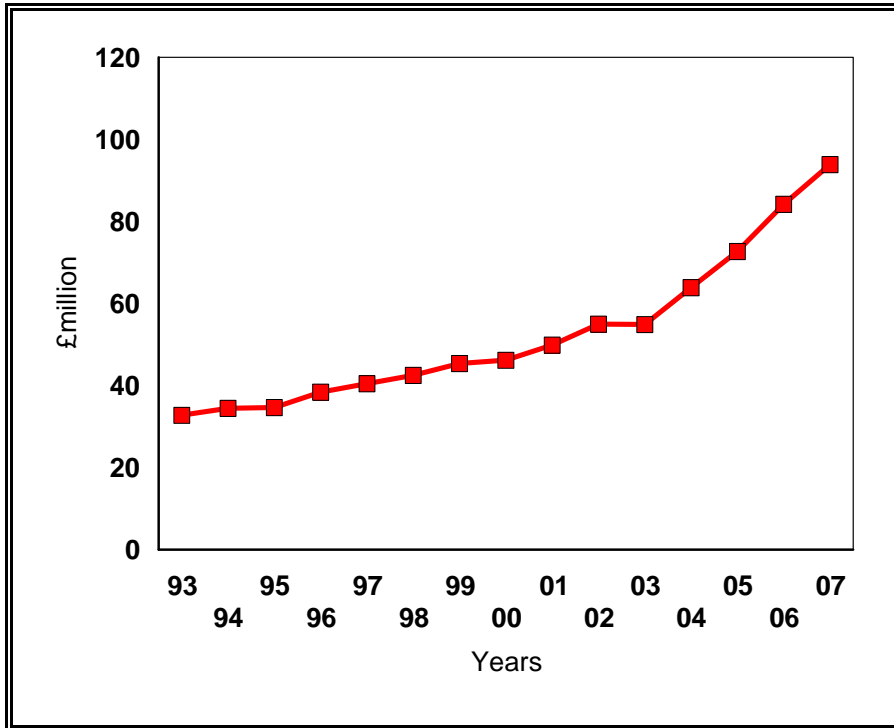


31. The decade from 1997 to 2007 has been one of healthy

expansion in the Caradon economy with an average rate of increase of 5.9 per cent per annum. The result has been an increase in the numbers employed, as the chart (Chart 11) below illustrates. Overall growth in employment between 1997 and 2007 was 3.3 per cent per annum. The rate in the period 1997 to 2002 was 4.6 per cent per annum, followed by a slower rate of 2.0 per cent per annum between 2002 and 2007.

CHART 11

**KERRIER
Growth in Employment**



32. Numbers in employment increased by 2,960 between 2002 and 2007. The increase was largely accounted for by the rise in service sector employment, with an increase of 2,721, 1,559 of which were full time and 1,560 male. Of the total increase of 2,960 between 2002 and 2007, 2,040 were full time jobs of which 1,753 were male and 287 female. Of the increase in part time jobs of 920, 12 were male with female 908.