

Our Economy 2020

With insights into how our economy varies across geographies



Welcome from Andrew Hodgson, Chair, North East Local Enterprise Partnership

I am proud that the North East LEP has a sustained record of using economic evidence to inform its decision making. This is a commitment shared by the Board, our Executive Team and our partners across the regional economy.

The Strategic Economic Plan, our roadmap for bringing more and better jobs to the region, is built on a comprehensive understanding of the challenges and opportunities that the North East economy faces.

The natural first step in the work we did last year with regional partners and government to build the proposals in our Local Industrial Strategy was a review the evidence about our region's productivity performance. Indeed, one of my highlights of the year was the Local Industrial Strategy Summit held in July, where we tested the emerging findings from this review and explored international evidence about what works in improving productivity. These evidence-led discussions contributed significantly to our approach.

Our Economy is an underpinning tool in this work. It tracks the performance of the North East economy highlighting changes over time, and its publication has become an established event in our calendar. Its comprehensive review of key data enables us to understand how the region is performing, enabling us to focus on the key issues impacting on our economy, and to position the North East for future growth and opportunities.

It also provides an opportunity to explore important themes in detail through our annual deep dive. Two years ago, we focused on our international links as we considered the implications of the EU Exit referendum, and last year explored regional competitiveness as we framed our approach to the Local Industrial Strategy. This year, at a time

when there is significant debate about levelling up the economy, devolution and the importance of infrastructure, we have taken the opportunity to present evidence about the diversity and interconnectedness of our regional economy.

As we look forward, a strong evidence base will be a crucial part of our response to dealing with the economic impact of COVID-19. The pandemic is having a significant impact on the regional, national and international economy and understanding the nature and extent of these changes will be critical for the regional response.

COVID-19 will impact on every indicator we analyse. At the time of publication (June 2020), none of the datasets we draw on in this report had published any post-COVID-19 data. As such, this report is best seen as a baseline of how the North East economy was performing prior to COVID-19. We will work with our partners to return the North East to a positive trajectory as soon as possible. Having this baseline available is a crucial contribution to the future and I am pleased to welcome its publication.

This is our third Our Economy report. As with the previous two, it has been compiled by our Senior Economist, Victoria Sutherland, who will leave us this month to take on an exciting new role with the What Works Centre for Local Economic Growth. Whilst I would like to thank everyone in the North East LEP team that has contributed to Our Economy, I would like to put on record my particular thanks and best wishes for the future to Victoria for the work she has done to develop Our Economy and on the North East LEP's wider research and analysis work during her time with us.

Andrew Hodgson,
Chair, North East Local Enterprise Partnership



“

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An overview from Victoria Sutherland, Senior Economist, North East Local Enterprise Partnership

I am pleased to be able to share the third annual Our Economy report. As Andrew has highlighted, this year's report is being published at a time of immense change in the economy. It is important that we have a benchmark against which we can assess the impact of COVID-19 on the North East economy and this year's report will provide this.

Each year, Our Economy reviews the North East's performance across a range of indicators. These were selected to reflect the international evidence on what drives regional economic growth and the issues and priorities identified in the North East Strategic Economic Plan.

The value of the goods and services produced by the North East and the two key factors that underpin this – the proportion of our residents that are in employment and the productivity of our workforce – have all increased since 2014. However, the proportion of residents in employment has declined slightly since last year's report and productivity has remained the same as last year before inflation is considered (meaning it has declined in real terms). In addition, as the performance of England excluding London has continued to improve on all three of these measures, the gap between the North East's performance and England excluding London has widened. These are disappointing findings and suggest that, even before COVID-19 began to impact on the North East, there was a need to do more to grow and develop our economy.

Despite this, the region has seen good progress across a wide range of indicators. The North East has improved its performance compared to 2014 on around 60% of indicators we have examined and closed the gap with England excluding London on around 40%. Key areas of progress since 2014 include increased expenditure on R&D by businesses, increased proportion of our working age population qualified to degree-level and above, increased employment in science, research, engineering and technology roles, improved access to superfast broadband and 4G and increased public expenditure on transport. It will be important that the region works together to build on these improvements, especially at this time of economic crisis.

In this year's Our Economy report, we have examined the economic geography of the North East in more depth. This has demonstrated both the diversity of our places and how interconnected they are. Going forward, the focus of our efforts must be to ensure that every part of our region is able to contribute to, and benefit from, efforts to improve the performance of our economy.

Victoria Sutherland,
Senior Economist, North East Local Enterprise Partnership



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Introduction

The North East Local Enterprise Partnership area

The North East LEP area covers seven local authority areas:

County Durham

Gateshead

Newcastle upon Tyne

North Tyneside

Northumberland

South Tyneside

Sunderland

The North East economy was traditionally dominated by mining and manufacturing.

Whilst manufacturing remains an important part of the regional economy, it has diversified over recent decades and also has:

- Key assets in the energy sector, including offshore energy and subsea technologies, regional energy, and demonstration and innovation
- World leading clinical research that supports a growing health and life sciences sector
- A vibrant digital community with a combination of start-up, high growth and established businesses across a wide range of specialisms
- Capabilities across a range of enabling services including education, financial, professional and business services, transport and logistics, and construction
- Significant employment in the public sector across both local services and central government back office and shared services

- A strong cultural, heritage and sports offer that supports the tourism sector.

Our Economy report

The report:

Provides an annual overview of the North East LEP area economy and how it is changing over time

Provides a resource for partners to inform decision making

Provides a comprehensive pre-COVID-19 baseline against which future trends can be compared

Positions the North East for future opportunities, including those arising from the Industrial Strategy.

As well as providing an overview of the North East economy, this year's report examines the economic geography of the North East in more depth. The North East LEP area has a unique combination of major conurbations, large and small towns and sparsely populated rural areas, a geography that provides opportunities and challenges for the development of the economy. Using local and small area statistics allows us to see a more nuanced picture of the North East which challenges established narratives that have often arisen when the North East is summed up by one number or rate.

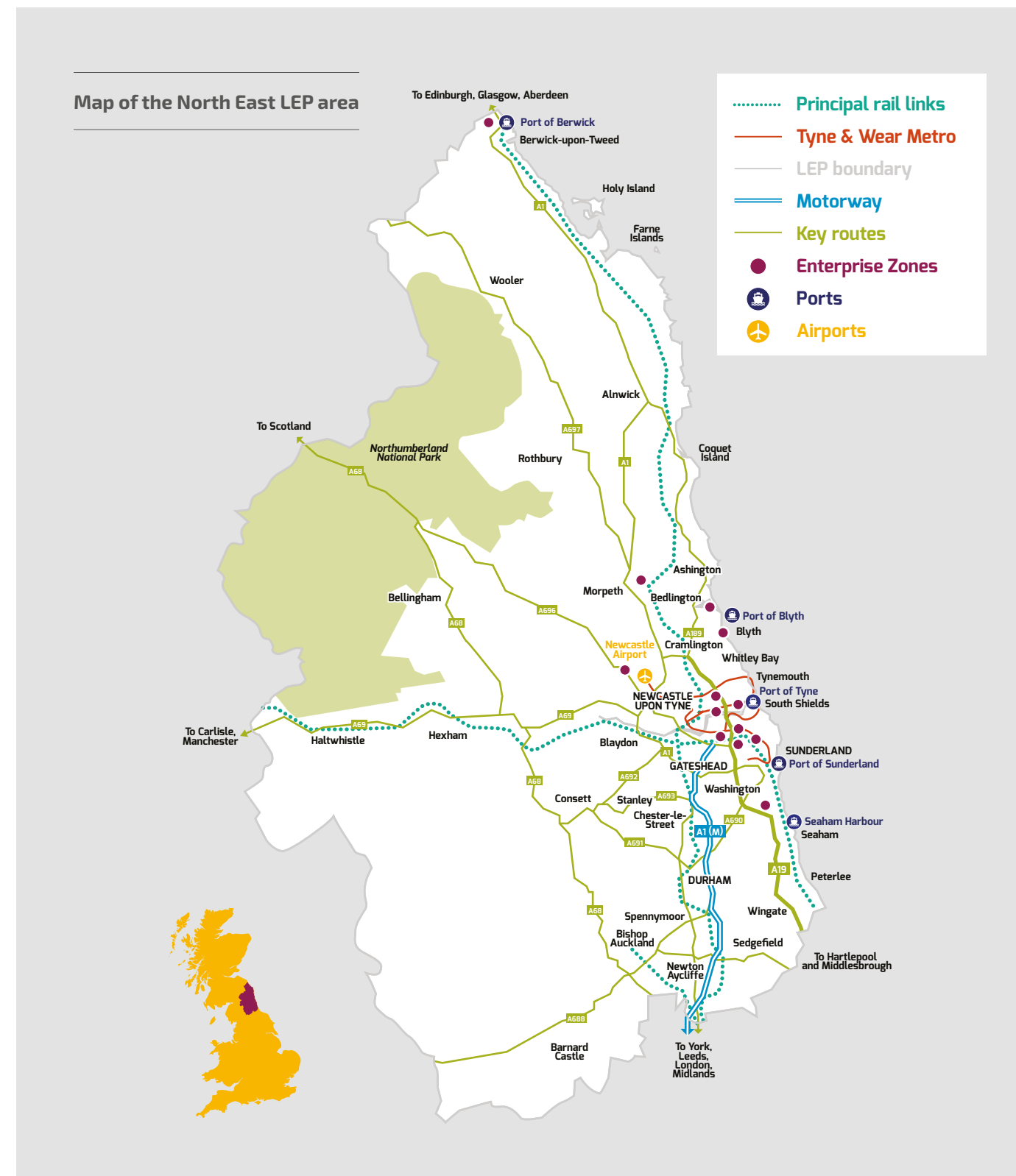
The diversity of places, together with their interconnectedness, are important considerations as we map out how to develop the North East economy after COVID-19.

Throughout this report:

- The most recent available data has been

used. This is generally for 2018, 2019 or 2018/19

- Change over time has been measured from 2014, to reflect the publication date of our Strategic Economic Plan
- The North East LEP area has been benchmarked against England excluding London in line with our Strategic Economic Plan targets. Where possible and where it adds value, comparative data has also been provided for the other core city LEP areas. In a small number of cases, where data was not available for England excluding London, England or the UK has been used as an alternative benchmark
- Not all datasets are available at a LEP level. Where LEP level data is not available, data for the North East region as a whole, which includes the Tees Valley LEP area, has been used. To differentiate where these have been used, we refer to the North East region. A clear priority going forward is to work with data providers to encourage them to publish more data at a LEP level
- Where data has a monetary value such as GVA, nominal values have been given, which means that data has not been adjusted to account for inflation
- From time to time data sources available to the North East LEP will change because of the ways in which data is collected or reported by ONS or other data providers. We will keep the data sources under review and where necessary, change the indicators we use or report in consultation with the North East Economic Evidence Forum
- Section 4 provides data for a range of geography types within the North East, all of which are described in the text.



Section 1

Update on the Strategic Economic Plan targets



Section 1

Update on Strategic Economic Plan targets

The Strategic Economic Plan sets out six targets for the region to achieve between 2014 and 2024.

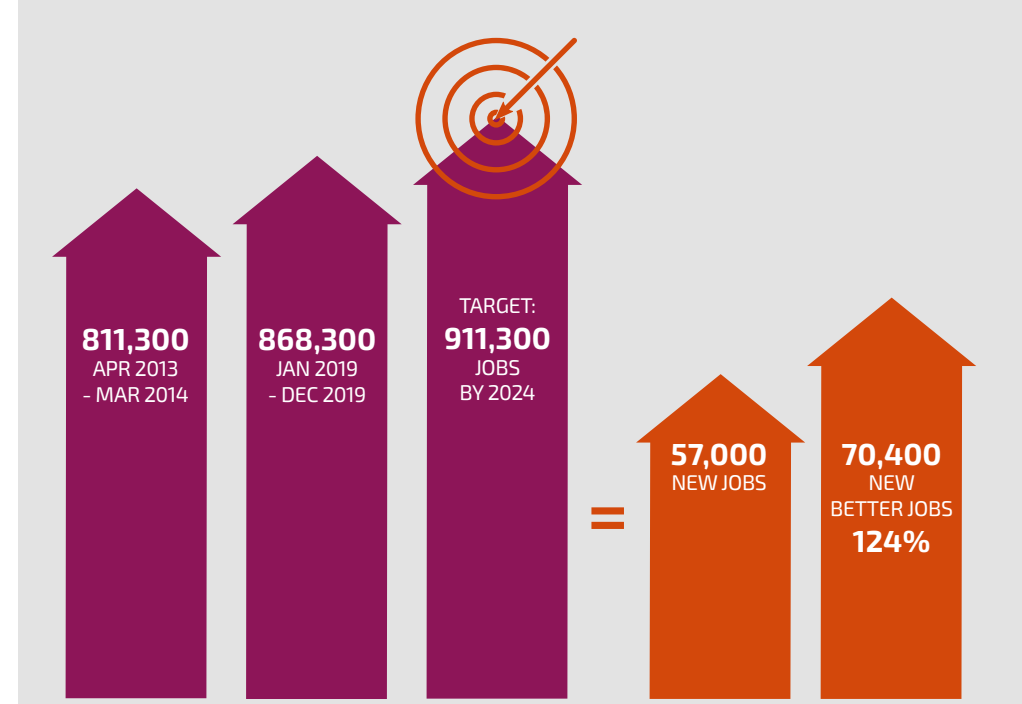
Our headline targets are to create more and better jobs in the North East LEP area.

More and better jobs

In 2014, there were 811,300 jobs in the North East LEP area. We have set a target to increase this by 100,000 to 911,300 by 2024.

In addition, we have set a target that 70% of the additional 100,000 jobs are 'better jobs'. Better jobs are defined as managers, directors and senior officials; professional occupations (such as civil engineers and doctors); and associate professional and technical occupations (such as laboratory technicians and graphic designers).

Progress: By December 2019, the number of jobs had increased by 57,000. This had been driven by an additional 70,400 better jobs (equivalent to 124% of the total net change)



Source: Annual Population Survey Workplace Analysis (Nomis)

We also have four targets that compare the North East LEP area's performance with England excluding London.

Employment rate

It is important that residents in the North East LEP area are benefiting from the additional jobs created. One way of measuring this is the employment rate. In 2014, the North East LEP area had a lower employment rate than England excluding London. We have set a target to close the gap between the North East's employment rate for 16 to 64 year olds with England excluding London by 100% by 2024.

Economic activity rate

The economic activity rate measures the proportion of people aged 16 to 64 who are participating in the labour market, including those employed and those out-of-work but actively seeking a job. We want to reduce the gap between the North East's economic activity rate and England excluding London by 50% by 2024.

Private sector employment

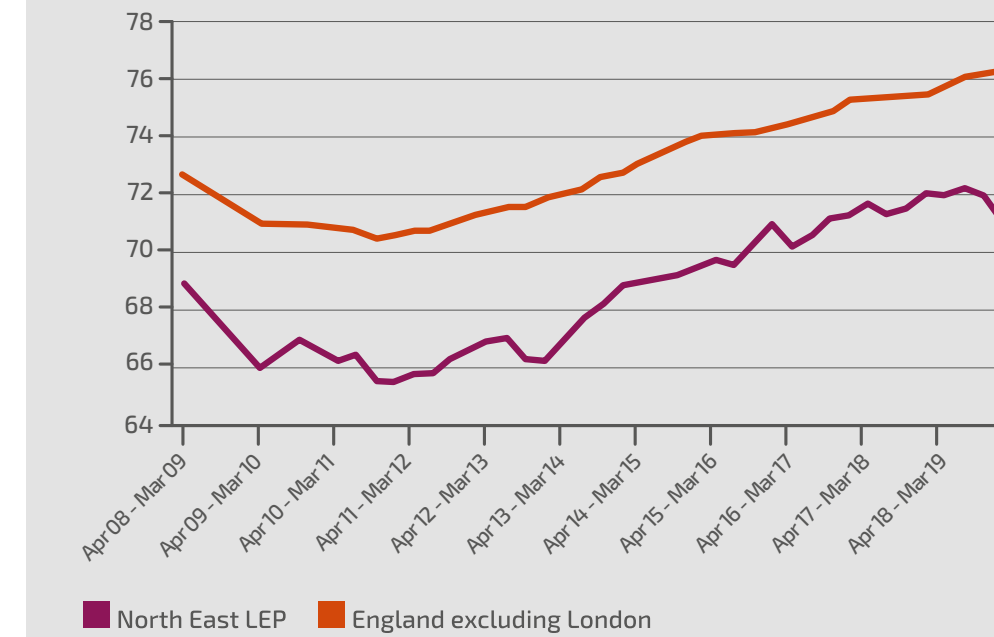
There are fewer private sector jobs per head (16 to 64 population) in the North East than in England excluding London and the target is to reduce this gap by 50% by 2024. Continuous data is only available from 2015 so we are using this as a baseline year rather than 2014.

Gross Value Added per hour worked

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or UK region. GVA per hour worked is a way of measuring productivity. We previously defined productivity as GVA per full time equivalent job, but due to changes in the underlying datasets, we are now using GVA per hour worked. This brings us in line with the Industrial Strategy. We aim to reduce the gap between the North East and England excluding London on GVA per hour worked by 50% by 2024.

Employment rate

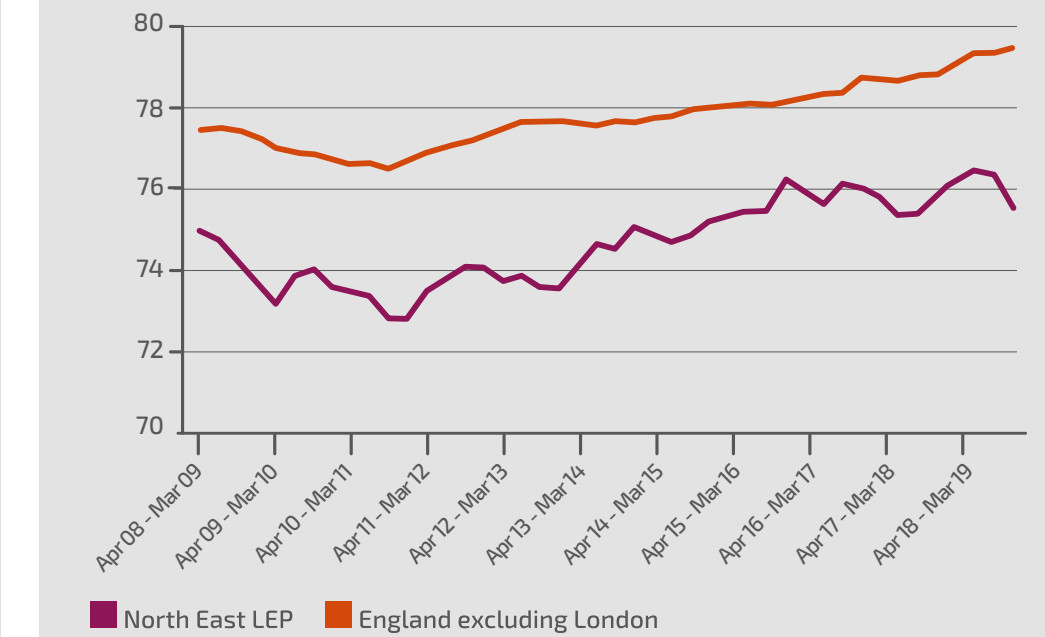
Progress: By December 2019, the gap between the North East LEP area and England excluding London had reduced by 3%. The North East employment rate has declined during 2019. This is likely to reflect the small decline in employment over this period and changes in the types of jobs available leading to some mismatch between labour demand and supply.



Source: Annual Population Survey (Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period - January to December; April to March; July to June; or October to September

Economic activity rate

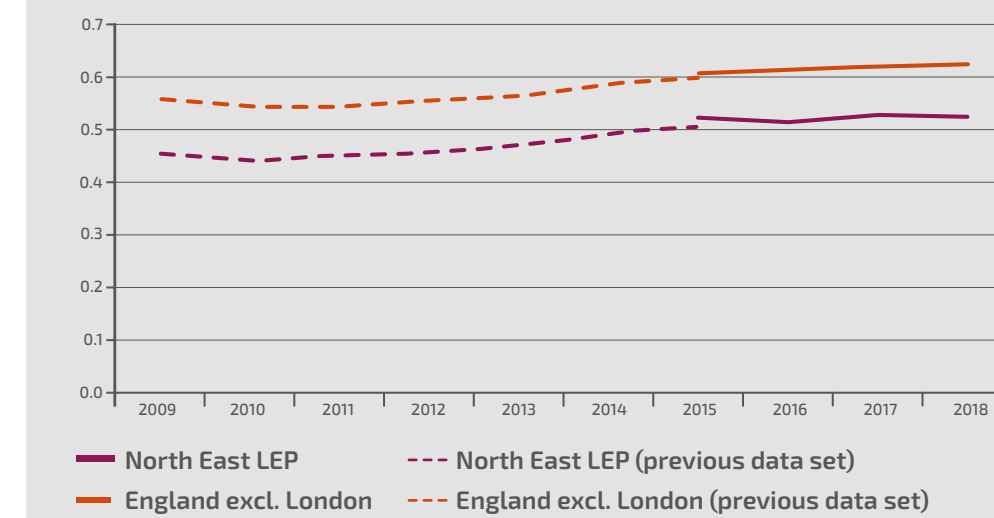
Progress: By December 2019, the gap between the North East LEP area and England excluding London had increased by 11%, with an earlier reducing of the gap being reversed by a decrease in the North East economic activity rate during 2019. Again, this is likely to reflect the small decline in employment over this period and changes in the types of jobs available leading to some mismatch between labour demand and supply.



Source: Annual Population Survey (Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period - January to December; April to March; July to June; or October to September

Private sector employment per working age person

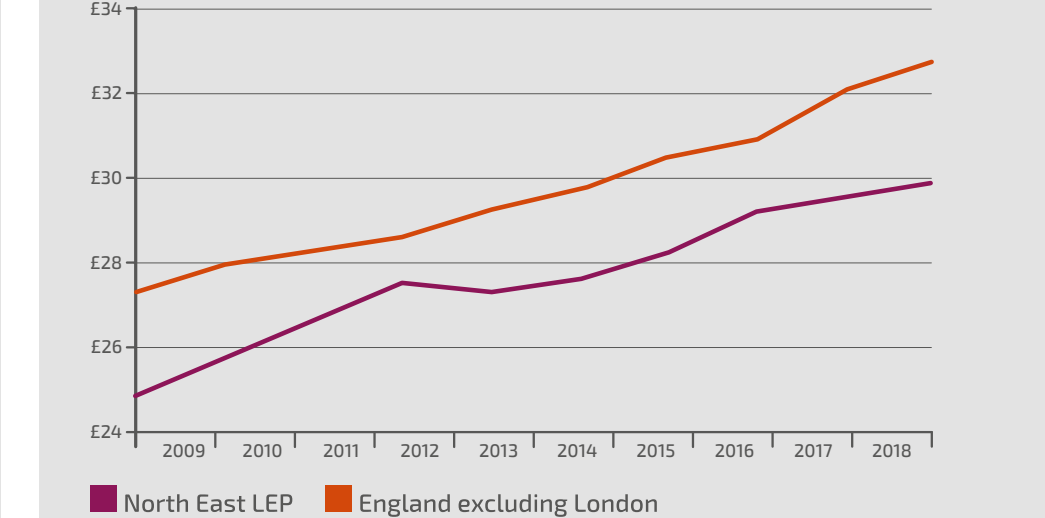
Progress: Between 2015 and 2018, the gap widened by 17% on this measure. This reflects a 3.9% increase in private sector employment across England excluding London, compared to a 0.3% increase in the North East LEP area.



Source: Business Register and Employment Survey (Nomis) and Population estimates (Nomis)

Gross Value Added per hour worked (£)

Progress: Between 2014 and 2018, the gap between the North East LEP area and England excluding London widened by 19%. This was because the 8.4% increase in North East productivity was smaller than the 10.1% rise across England excluding London.



Source: Subregional productivity in the UK (ONS)

Section 2

Strategic Economic Plan
programmes of delivery:
data and next steps

The North East Strategic Economic Plan sets out five programmes of delivery. These are:

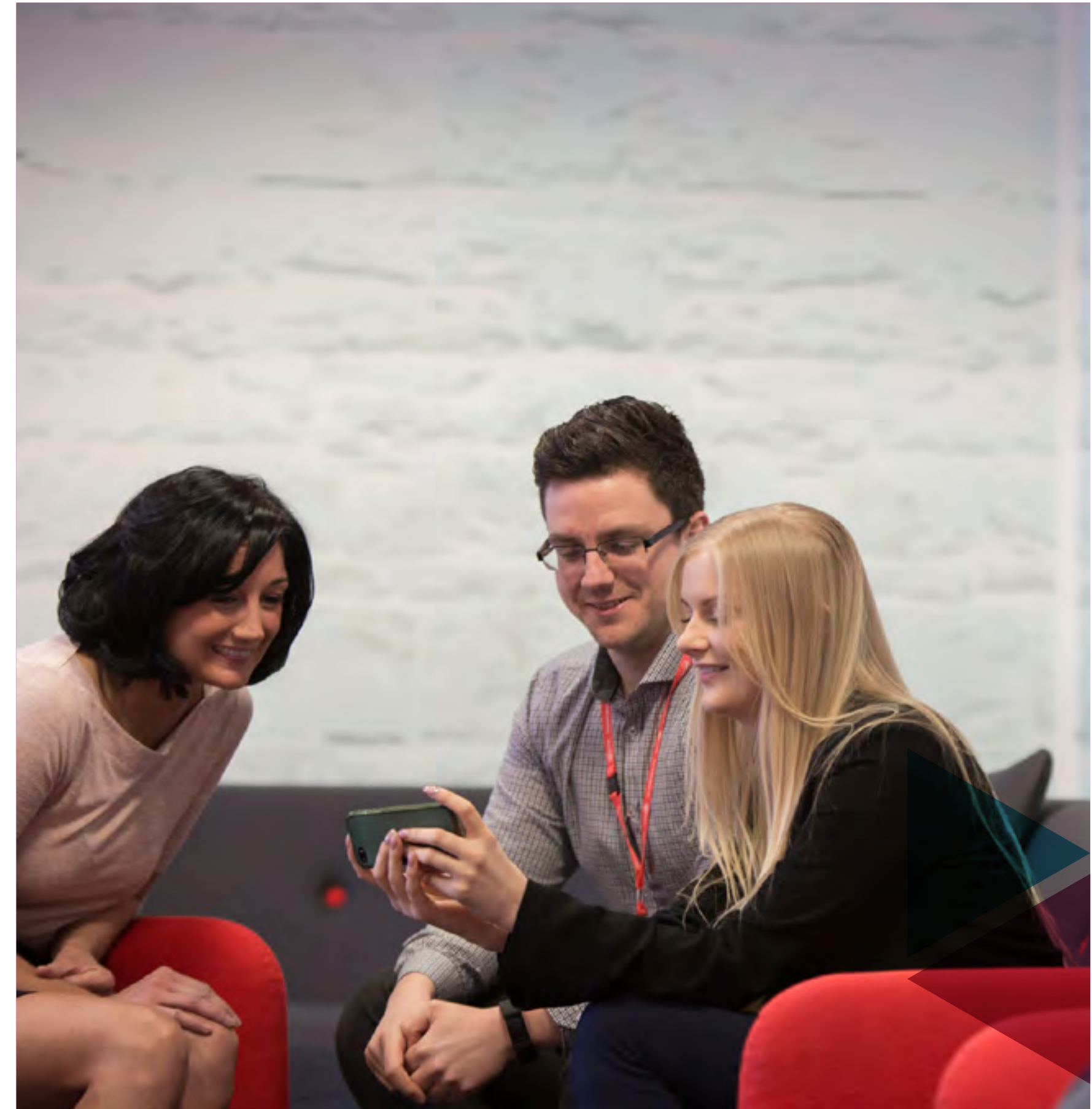
Business growth

Innovation

Skills, employment, inclusion and progression

Transport connectivity

Infrastructure and investment



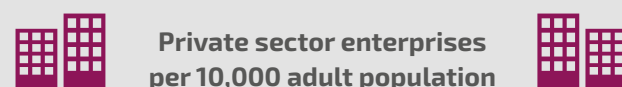
Section 2

Business growth

Research has shown that growth businesses are a key source of new jobs in the economy – so supporting business growth is critical to achieving 'more and better jobs' for the North East.

Business base

There were 52,375 private sector enterprises in the North East LEP area in 2019 – equivalent to 319 private sector enterprises for every 10,000 adults.



North East LEP

2014 275

2019 319

England excluding London

2014 414

2019 479



If North East performance matched England excluding London we would have **26,200 additional businesses**

Sources: UK Business Counts (Nomis)

Business births and deaths

There were 6,750 business births in the North East LEP area in 2018 – equivalent to 41 business births per 10,000 adult population, compared to 64 across England excluding London.

There were 37 business deaths per 10,000 adult population in the North East LEP area in 2018, compared to 58 in England excluding London.

Access to finance



In 2018, the North East region accounted for

4% of UK equity investment by value

3% of UK equity deals

In 2018 the North East had the highest number of deals per 10,000 SMEs in England outside of London.

Sources: British Business Bank, Business Demography (ONS)

Business growth



Growth of start-ups

1.8% of 2015 start-ups that survived to 2018 generated more than £1 million in revenues in 2018

This is slightly below the English rate (2.0%)



Growth of existing businesses

7.0% of businesses with a turnover of £1 million to £2 million in 2015 had increased turnover to £3 million or more by 2018

Again, this is slightly below the English rate (7.6%)

Whilst business growth is slightly below the English rate, the gap is relatively small and the North East outperforms a number of other core city LEPs, particularly in growth of start-ups.

This suggests that the smaller business base is not adversely affecting the North East's ability to generate growth businesses.

Source: UK local growth dashboard (ERC)

Foreign Direct Investment (FDI)



In 2018/19, North East region:

Secured 59 FDI projects

Secured almost 2,200 new jobs

The North East region significantly outperforms the national average on securing FDI – with more than one and a half times more jobs per person created due to FDI projects than across England excluding London in 2018/19.

Source: DIT



Exports



From the North East region

In 2019, the value of exports in goods was

£13.3 billion

In 2017, the value of exports of services was

£5.5 billion

In 2019 the North East region accounted for 6.3% of the value of goods exports from England excluding London and 7.6% of those specifically to the European Union. For service exports, the North East accounted for 4.3% of the total for England excluding London.

From 2014 to 2019 the value of North East region goods exports to the European Union increased by 10% but for those exported to other countries the total was unchanged.

Sources: Regional Trade Statistics (HMRC), International Trade in Services (ONS)

What next?

Since 2014, the North East has made progress across a range of indicators, with increases in the number of businesses, the proportion of start-ups that are growing and in the value of goods and services being exported. However, gaps remain with England excluding London on most indicators and progress has stalled on many measures since last year's report, with uncertainty around the UK's exit from the EU likely to have played a part in this.

Looking forward, the key evidence priorities include developing our understanding of:

- The factors that underpin the North East's low levels of business start-up and lower growth ambitions and the interventions that can help address these
- The reasons North East businesses are less likely to export than those in other regions and how they can be encouraged to build international links
- The challenges and opportunities that the UK's exit from the EU and from COVID-19 are creating for North East businesses and what support they need to be able to respond effectively.

Priorities for the business growth programme of delivery include:

- Continuing to support businesses to grow and scale-up through the Scaleup North East programme
- Encouraging a more entrepreneurial society, with more people aspiring to start a business and more people acting on this ambition. This is critical in creating the future pipeline of scale-up businesses
- Encouraging businesses to adopt digital technologies and enhance the leadership, with these identified as key drivers of productivity growth
- Supporting North East businesses to respond to the challenges and opportunities created by the UK's exit from the EU and COVID-19. The focus will be on building resilience and on helping businesses think bigger and enhance their global position
- Continuing to support the region to develop its international linkages, with these critical not only to trade but also to investment, research, education and tourism.



Innovation

By bringing forward new products and processes, innovation plays a key role in improving the North East's productivity and competitiveness. The vast majority of data available on innovation is for the North East region.

Innovation active businesses

36% of North East region businesses reported they were innovation active between 2016 and 2018 – compared to 39% in England as a whole.

North East businesses defined as 'broad innovators' are more likely than non-innovators in the region to:

- Export
- Employ science and engineering graduates
- Employ graduates in other subjects

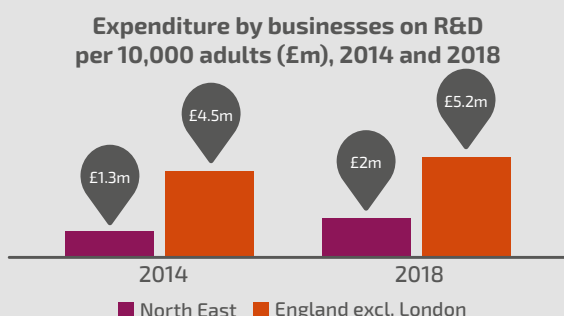
North East innovative businesses are five times or more likely than non-innovators in the region to employ individuals with the following skills:

- Engineering / applied sciences
- Graphic arts / layout / advertising
- Design of objects or services

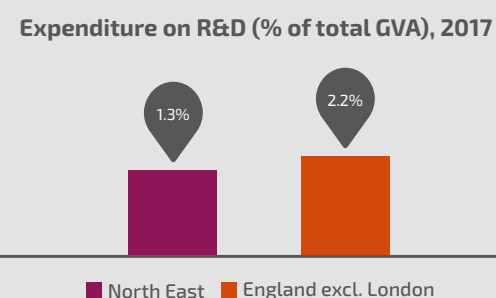
Source: UK Innovation Survey (BEIS)

Expenditure on R&D

In 2018, business expenditure on research and development (R&D) within the North East region was £443 million. It had increased by 57% since 2014, up from £282 million. When measured on a per adult basis, North East business expenditure on R&D was only 39% of the national comparator in 2018, but the gap has closed since 2014, when it was 29%.



Total R&D expenditure for regions is only available up to 2017. In that year, total expenditure for the North East region was £711 million. Just over a half (54%) of North East expenditure in 2017 was by businesses, compared with almost three quarters (74%) in England excluding London. The North East region's total R&D expenditure was equivalent to 1.3% of GVA, a lower proportion than across England excluding London.



Sources: UK Expenditure on R&D, Business Enterprise R&D

Employment

5.7% of employment in the North East LEP area is in science, research, engineering and technology, professional roles



This is above the rate of England excluding London (5.6%), with the gap in 2014 now closed completely.

The number employed in these roles in the North East increased by 15,400 between 2014 and 2019.

Source: Annual Population Survey Workplace Analysis (Nomis)

Research funding

Since 2010, the UK Research Councils have provided over £800 million to fund more than 2,300 research projects in the four North East universities. This is about 3.5% of all UK funding and includes many different science, technology, engineering and mathematics specialisms. Each of the seven with most funding in the North East has received more than 10% of the all UK funding for that subject.

Top 10 research subjects by funding awarded, North East universities, 2010-2020

Subject	Funding (£ millions)	% of UK funding
Metabolic and endocrine	25.0	21.1
Astronomy and space science	23.5	19.4
Information and knowledge management	17.3	22.4
Extra-galactic astronomy and cosmology	15.6	11.9
Complexity science	14.9	17.8
Computational methods and tools	14.7	15.7
Cold atomic species	14.4	26.7
Materials characterisation	11.1	3.9
Neurological	10.6	2.5
Climate and climate change	10.0	2.8

Source: RCUK Gateway to Research - North East LEP analysis



What next?

The North East has continued to see improvement in business expenditure on R&D and employment in science and research-related occupations. More disappointingly, the proportion of businesses that report that they are innovation active has fallen – but this has been the case in all regions, with the uncertainty as a result of the UK leaving the EU likely to have played a part in this trend.

In relation to building the evidence base, the priorities are:

- Understanding the opportunities that are being created by the UK leaving the EU and COVID-19, focusing on anticipating the markets where innovative businesses in our region can increase their market share. This intelligence will help inform the work of our pilot Innovation Delivery Partnerships
- Developing new sources of intelligence on innovation activities in the North East to plug gaps in the current evidence base.

The priorities for the innovation programme of delivery are:

- Launching the North East Innovation Delivery Framework
- Establishing pilot Innovation Delivery Partnerships, focused partnerships between researchers and businesses to grow their market share in emerging and high growth sectors where we have a competitive advantage
- Encouraging innovation challenge activities that bring external expertise into organisations to help them identify innovative solutions to the challenges they face. COVID-19 has created a wide range of new challenges where this approach can help generate innovative solutions
- Ensuring innovation plays a key part in rebalancing the economy.

Skills, employment, inclusion and progression

Investment in skills helps individuals access available employment opportunities and helps drive productivity growth and social mobility. However, skills are only part of what is needed to help individuals access these opportunities, with wider measures required to ensure inclusion and progression.

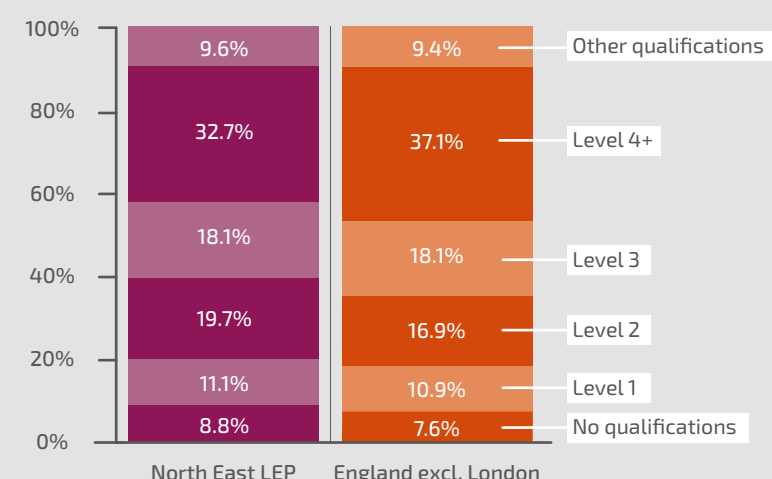
Skills

The North East LEP area has a lower qualifications profile than England excluding London with:

- A higher proportion with no or low (Level 1 and 2) qualifications
- A lower proportion with high (Level 4+) qualifications.

However, this qualifications profile is beginning to change. Since 2014, the proportion of 16 to 64 year olds qualified to Level 4 and above has increased by 4.2 percentage points.

Highest qualification (% of 16 to 64 population), North East LEP and England excluding London, 2019



Notes: Definition of qualification levels: No qualifications: No formal qualifications held. **NVQ level 1** e.g. fewer than 5 GCSEs at grades A-C, foundation GNVQ, NVQ 1 or equivalent. **NVQ level 2** e.g. 5 or more GCSEs at grades A-C, intermediate GNVQ, NVQ 2 or equivalent. **NVQ level 3** e.g. 2 or more A levels, advanced GNVQ, NVQ 3 or equivalent. **NVQ level 4 and above** e.g. HND, Degree and Higher Degree level qualifications or equivalent. **Other qualifications** includes trade apprenticeships (which are split 50/50 between NVQ Levels 2 and 3) and any other qualifications that are not elsewhere classified including foreign and some professional qualifications.

Source: Annual Population Survey (Nomis)

Employment

In 2018, employment was 820,000 in VAT/PAYE registered organisations in the North East LEP area.

This is equivalent to 658 jobs per 1,000 working age population – a measure known as employment density. This compares to 743 across England excluding London and 766 across England as a whole.

If North East performance matched England excluding London we would have 105,000 additional jobs

The largest employing sectors in the North East LEP area are:

Health (15.5%)

Manufacturing (11.0%)

Retail (9.8%)

Education (9.1%)

Skills shortages and gaps

Compared to England excluding London, fewer employers in the North East LEP area reported skills shortage vacancies – with just 29% of employers with vacancies in 2017 having a skills shortage vacancy, compared to 32% nationally. This had increased since 2013, most probably reflecting the tightening of the labour market over this period.

The proportion of employers in the North East LEP area reporting skills gap amongst their current workforce was the same as for England excluding London in 2017 (13%) – with this having declined from 18% in 2013.

Sources: Business Register and Employment Survey (Nomis), Employer Skills Survey (DFE)

Inclusion

Employment rate 71.1%

Economic activity rate 75.5%

Unemployment rate 5.7%

Since 2014, both the employment rate and economic activity rate have increased, but they were still below the rates for England excluding London in 2019 and the gaps in performance had widened.

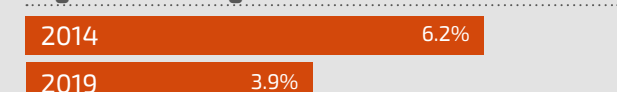
The unemployment rate (16 to 64) has declined from 8.2% in 2014 but has remained above the England excluding London rate with, proportionally, a widening of the gap during this time.

Decline in unemployment rates

North East LEP



England excluding London



Looking at unemployment in more depth:

• In 2019, the North East unemployment rate was highest among the youngest age group, with 18.2% of people aged 16 to 24 being unemployed. This was down from 19.9% in 2014 but the decrease was much higher for England excluding London (5.4 percentage points)

• The unemployment rate for the 50 to 64 population in the North East LEP area was 3.7% in 2019, which was 2.0 percentage points lower than in 2014. The percentage point decrease in the North East rate was twice that for the rate of England excluding London although the latter was still lower in 2019 (2.7%).

Source: Annual Population Survey (Nomis)

Progression

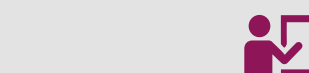
Between 2014 and 2019, employment in professional occupations in the North East LEP area increased by 30,300. This was a 21% increase compared to 15% across England excluding London. There was also growth in employment in the other two occupation groups classified as higher level: associate profession and technical occupations (up by 8,400) and managers, directors and senior officials (up by 7,800). Employment growth in these occupations has provided opportunities for individuals to progress in work.

Net change in employment (000s) by occupation, North East LEP area, 2014 to 2019



In 2019

12.4% of North East LEP working age people in employment had received job-related training in the previous four weeks



23.9% had received job-related training in the previous 13 weeks

These proportions were lower than in England excluding London (13.6% and 25.1%)

Sources: Annual Population Survey – Workplace Analysis (Nomis) Annual Population Survey (Nomis)

What next?

Since 2014, the North East has made progress across a wide range of skills and employment indicators, but we have seen progress slow or reverse on a number of these since last year's Our Economy report. Key positive trends since last year include an increase in the proportion of working age people qualified to degree-level or above and a decline in unemployment amongst older workers (aged 50 to 64).

Looking forward, key priorities in relation to developing the evidence base include:

- Identifying and utilising new sources of data, with a focus on those that can help us understand more quickly than official statistics how the labour market is changing in response to COVID-19
- Ensuring greater use of evidence in decision-making, with the North East Skills Advisory Panel playing a key role in driving this shift

- Developing our understanding of fusion skills and good work.

Priorities for the skills, employment, inclusion and progression programme of delivery include:

- Continuing to pilot innovative solutions to address regional skills challenges, including building a regional approach to developing fusion skills
- Making the case for greater flexibilities within the apprenticeship system to increase take-up
- Supporting the development of digital skills across all age groups, sectors and occupations


- Ensuring individuals, especially those within our priority groups of young people, older workers and individuals with health issues or disabilities, can access the support they need to move into and progress within employment.

Combined, these will help increase skills, support progression and improve productivity. COVID-19 is having, and will continue to have, significant impacts on the North East labour market. The current crisis reinforces the need to prioritise the issues and groups outlined above but also creates additional challenges. In particular, the skills, employment, inclusion and progression programme will ensure that approaches are developed that can address the varied impacts COVID-19 is having on different occupations and sectors.

Transport connectivity

Links within and between regions are fundamental for facilitating economic growth, allowing businesses to move their goods to market and allowing individuals to access employment opportunities.

Public expenditure on transport



In 2018/19, public expenditure on transport in the North East region was £486 per head. This compared to £393 across England excluding London.

The North East region's figure had more than doubled compared to 2014/15 and had overtaken the England excluding London equivalent, despite the latter also increasing (by 57%).

Year	North East Region	England excluding London
2014/15	£234	£251
2018/19	£486	£393

Source: Country and regional analysis (HM Treasury)

Usage of public transport

Usage of public transport is high in the North East, with 36.4 million passenger journeys by Metro, 142.7 million passenger journeys by bus and 15.6 million entries and exits at North East railway stations in 2018/19. Bus passenger journeys and Metro patronage have both decreased since 2014/15, whilst entries and exits to North East rail stations have increased.



Metro 36.4 million passenger journeys; 198.0 million passenger miles (2018/19)

Bus 142.7 million passenger journeys; 63.9 million vehicle miles (2018/19)

Rail 15.6 million station entries and exits; including 8.9 million in Newcastle and 2.7 million in Durham (2018/19)

Sources: Bus statistics, Light rail and tram statistics (both DfT), Estimations of station usage (ORR)

Road freight

In 2018, 54 million tonnes of freight were lifted by GB registered heavy goods vehicles in the North East region.

This was 4.7% of all freight (by tonnage) lifted in England excluding London

The destination for the majority (63%) of this freight was within the North East region

The North East total was 5% lower than in 2014, compared to a 7% increase in England excluding London.



54 million tonnes

Source: Road freight statistics (DfT)

Air transport



In 2019, 5.2 million passengers travelled through Newcastle International Airport.

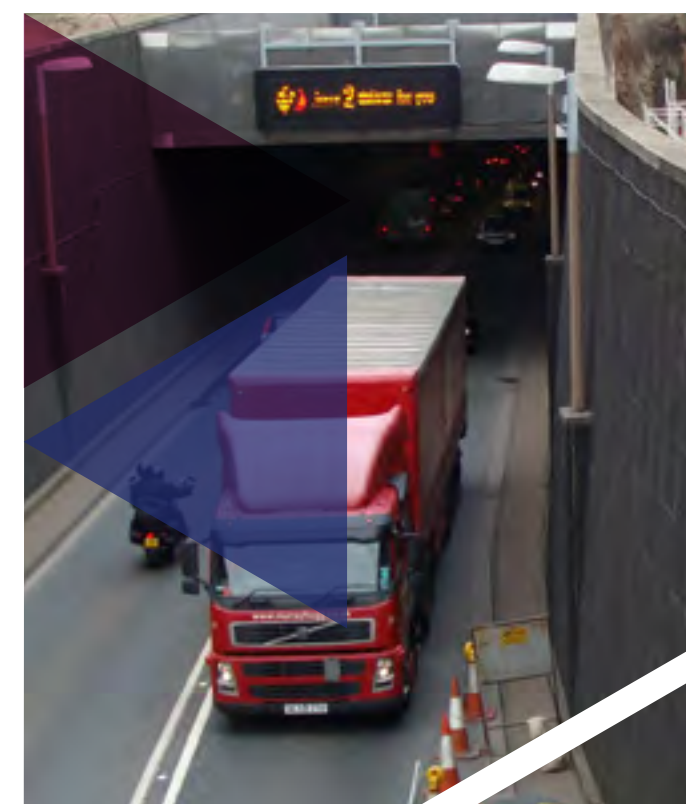
This was 6.6% of all passengers in English airports outside of the five in the London area and was 15% higher than in 2014

Most passengers (66%) were en route to and from non-UK airports within the EU and about a fifth (22%) were on UK domestic flights



Newcastle International Airport also handled 4,745 tonnes of freight

Sources: Terminal passenger time series; air passenger route analysis; air freight statistics (all CAA)



What next?

The North East continues to have high usage of public transport and this year's data has shown a significant increase in public expenditure on transport, addressing the gap that there traditionally has been with other non-London regions.

In terms of developing the evidence base in relation to transport connectivity, our key priorities are:

- Strengthening and expanding the regional evidence base to allow progress to be monitored against the Regional Transport Plan. The current evidence base has a range of limitations that must be overcome if we are to effectively deliver the Regional Transport Plan's ambitions of a greener, more equal, healthier, sustainable, and safe North East
- Developing a better understanding of active travel, such as the types of journeys that involve walking and cycling. This will help us to develop interventions that support more active travel, leading to a healthier population
- Understanding the average value of each bus journey to the economy.

Priorities for the transport connectivity programme of delivery are:

- Publication of the Regional Transport Plan, with a programme of schemes that will make a substantial difference to the North East
- Delivery of current projects, including the beginning of the delivery of the new Metro fleet and infrastructure projects funded through Transforming Cities Fund to increase the capacity and frequency of services
- Continue to make the case for long-term investments including the upgrading of the East Coast Main Line, Northern Powerhouse Rail and to deliver the Newcastle International Airport 2030 Masterplan
- Identify how the region's transport system will need to adapt in response to COVID-19. The schemes that will help deliver these adjustments will be included in the Regional Transport Plan.

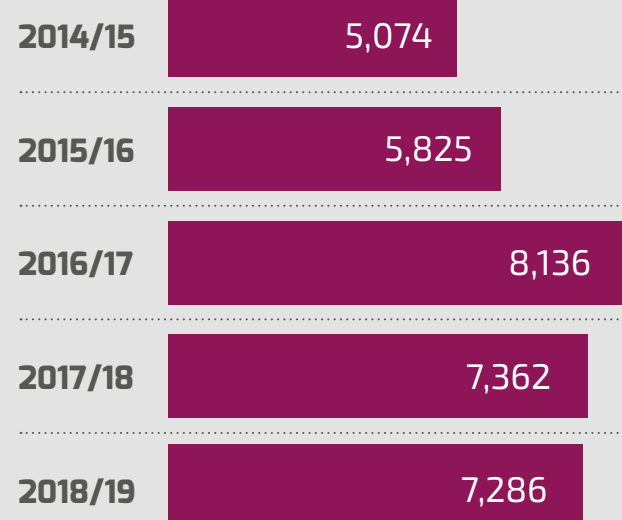
Infrastructure and investment

Infrastructure helps enable economic growth by providing premises for growing businesses and homes for workers. Investment is required to help deliver this infrastructure and other regional priorities.

Housing



Net additional dwellings, North East LEP area, 2014/15 to 2018/19



In 2018/19, the rate of net additional dwellings in the North East LEP area was below the rate in England excluding London (7.9 per 1,000 dwellings compared to 10.0). Rates improved for both areas by just under 40% between 2014/15 and 2018/19, meaning that the gap between them was unchanged for this measure.

Source: Net additional dwellings (MHCLG)

Business premises

In 2018/19, the North East LEP area had 20.4 million square metres of business floorspace.

This is equivalent to 12.5 square metres per adult – comparable to England excluding London (12.7).

The volume of business floorspace was slightly lower than in 2014/15 (by 65,000 square metres).



Rateable values



The rateable value of the available floorspace is £58 per metre squared compared to £67 across England excluding London. The total rateable value of all business premises in the North East LEP area was £1.6 billion in 2018/19.

The rateable value per sq.m in the North East was the same in 2018/19 as in 2014/15 but had increased slightly in England, excluding London.

Source: Business floorspace statistics (VOA)

North East Enterprise Zones



North East Enterprise Zones were created to support economic growth by developing sites with key attributes to help businesses start-up, grow and expand.

Since their initial launch in 2012, the sites have attracted businesses and investors keen to take advantage of the generous financial incentives on offer, as well as the strategic locations available for development.



National Infrastructure and Construction Pipeline

The National Infrastructure and Construction Pipeline has not been updated 2018/19. At that time, it estimated that between 2018/19 and 2020/21, there would be an annual per capita investment of £1,013 in the North East region.

This is the second highest figure among the nine English regions, behind the South West (£1,105).



Annual per capita investment, North East region

£1,013



The North East region had the lowest value and proportion of investment coming from government. In contrast, it has the second highest value of private investment in England (after South West).

Source: Analysis of National Infrastructure and Construction Pipeline 2018/19 (HM Treasury)



Source: Connected nations (Ofcom)

Digital connectivity

94.9% of premises in the North East LEP area have access to superfast broadband (30Mbit/s+). This is a slightly higher percentage than for England excluding London (94.7%).

The percentage of indoor premises that receive 4G mobile coverage from all operators ranges from 76.2% in County Durham to 94.2% in Newcastle and North Tyneside.

4G mobile coverage (indoor)
% with signal from all operators, Sep 2019

Newcastle upon Tyne	94.2
North Tyneside	94.2
Sunderland	90.4
Gateshead	89.9
England, urban	86.5
England	80.9
South Tyneside	78.5
Northumberland	76.8
County Durham	76.2
England, rural	42.0

Source: Connected nations (Ofcom)



What next?

Since 2014, the North East has secured significant investment that has supported progress against the Strategic Economic Plan priorities, and it will be important that regional partners continue to work together to secure future funding. In relation to infrastructure, the data shows progress in relation to the housing offer and in relation to digital connectivity.

In relation to the developing the evidence base, the key priority for this programme is developing a better understanding of the outputs generated by different investments, especially infrastructure investments. Comparing realised outputs to those projected at the time of funding and reviewing the international evidence on the impacts of different types of investments will help us in allocating future investment programmes effectively.

Looking forward, the priorities for the investment and infrastructure programme of delivery are to:

- Continue to invest in the priorities set out in the North East Strategic Economic Plan, including in innovation, business growth, skills, transport and infrastructure
- Successfully complete delivery of the Local Growth Fund programme, with this investment programme now in its last financial year
- Secure as much investment as possible for the North East from the successor to current UK and European funds and any specific funds that are established to stimulate the economy following the COVID-19 pandemic
- Continue to develop the North East's property offer through investment in the region's Employment Zone sites and the development of a North East Commercial Property Fund.

Section 3

How our economy varies
across geographies



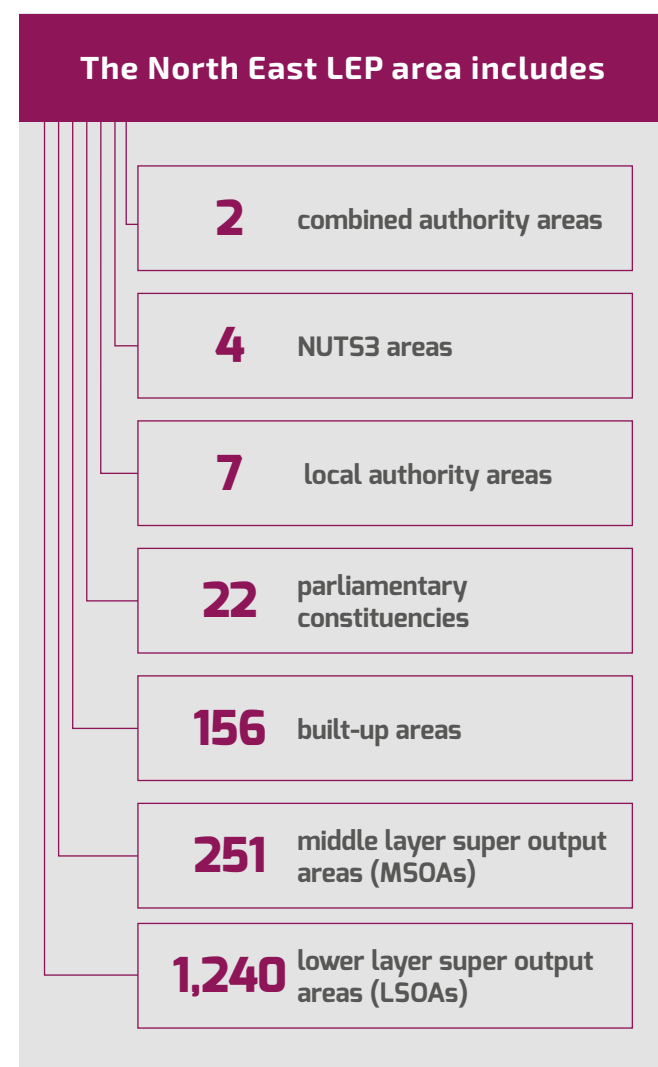
Section 3

How our economy varies across geographies

The earlier sections of Our Economy compare the North East to a range of benchmark areas including England excluding London, England and other core city LEP areas. In this section, how the economy varies across the North East is examined. Understanding the variations across and connectivities within the North East helps ensure that policies and interventions reflect the needs and opportunities of our different places.

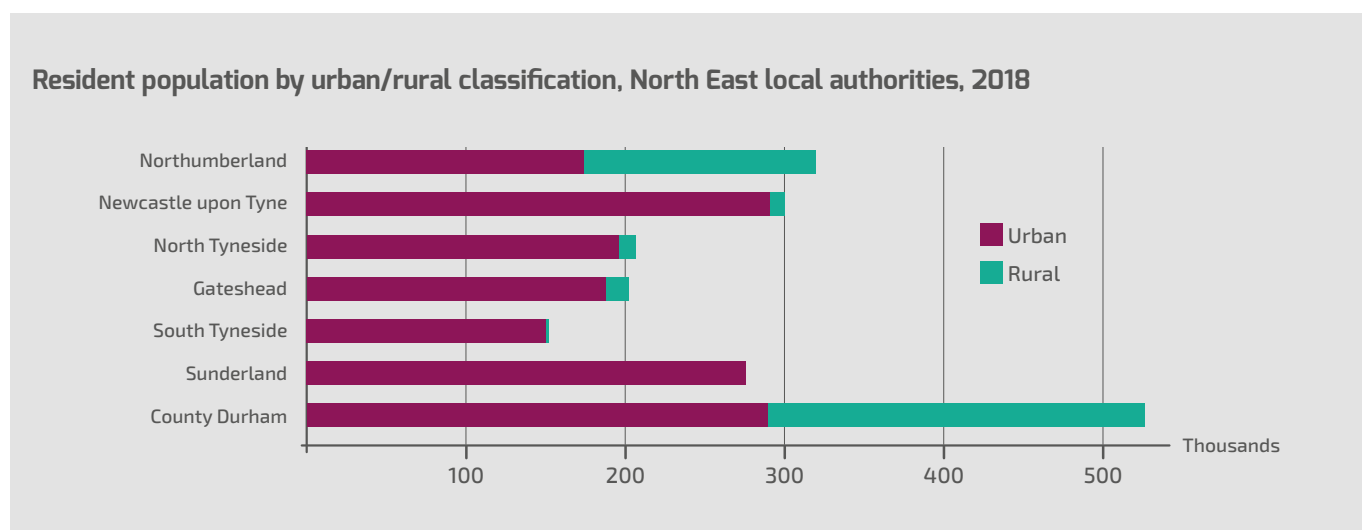
Statistical geographies

This section contains analysis of the North East LEP area broken down into geographies of different sizes and types. In each case, the choice of geography reflects the availability of data and our assessment of which geography provides the most useful insights. Information about each geography is shown when it is first used within the section.



Where do people in the North East live?

- The North East LEP area has a population of just under two million.
- Just over a quarter of the North East population lived in County Durham in 2018
 - Northumberland, Newcastle upon Tyne and Sunderland each contained between 14% and 16% of the population
 - North Tyneside, Gateshead and South Tyneside each had 8% to 10% of the population
 - All seven authorities had more than half of their population living in urban areas - with the proportion living in urban areas highest in Sunderland and lowest in Northumberland.



About the geography: Local authority areas

The most commonly used geography for statistics below LEP and regional level. Relatively static boundaries allow for consistent time series. As service providers, they are also an easily understood geography.

All seven North East local authorities are unitary, providing the full range of services for local people. Nearby Cumbria and North Yorkshire county councils, on the other hand, include districts undertaking some local services.

About the geography: Urban / rural classification

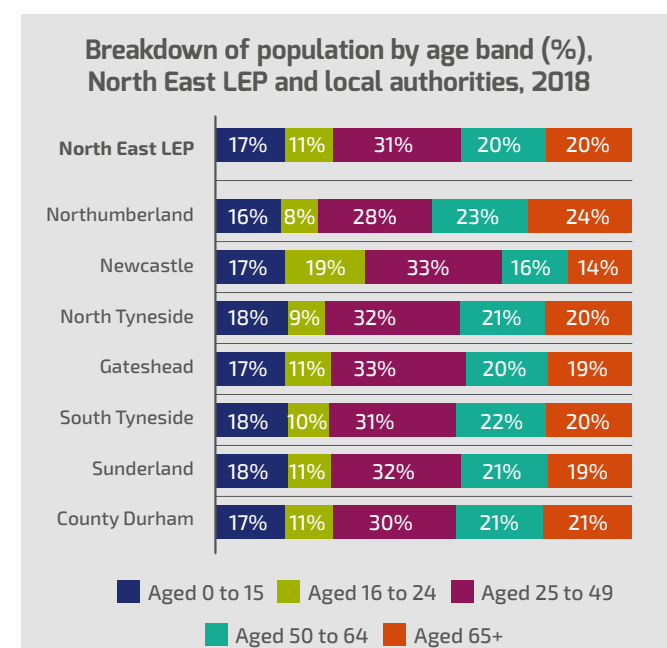
A classification of small areas based on 2011 Census data. Urban areas were part of a built-up area with a population of 10,000 plus, everywhere else was classified as rural.

Urban and rural areas were further classified depending on whether they were in a large conurbation, part of a smaller urban town or city, within a rural town of less than 10,000 people, part of a village or in area containing mainly hamlets and isolated buildings.

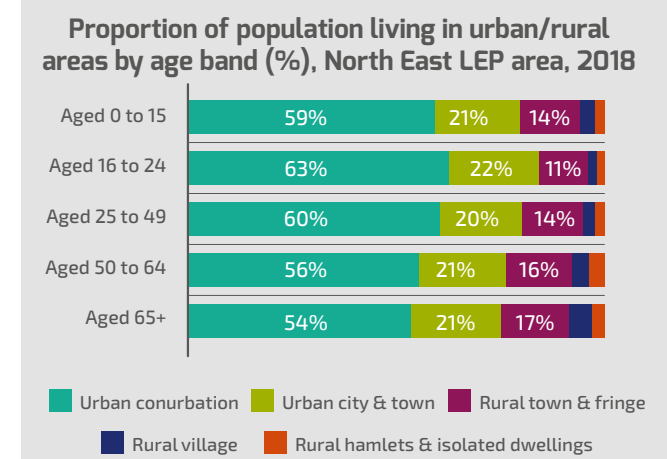
Population structure within the North East

Within the North East LEP area, the breakdown of the population by age in 2018 was similar in five of the seven local authority areas.

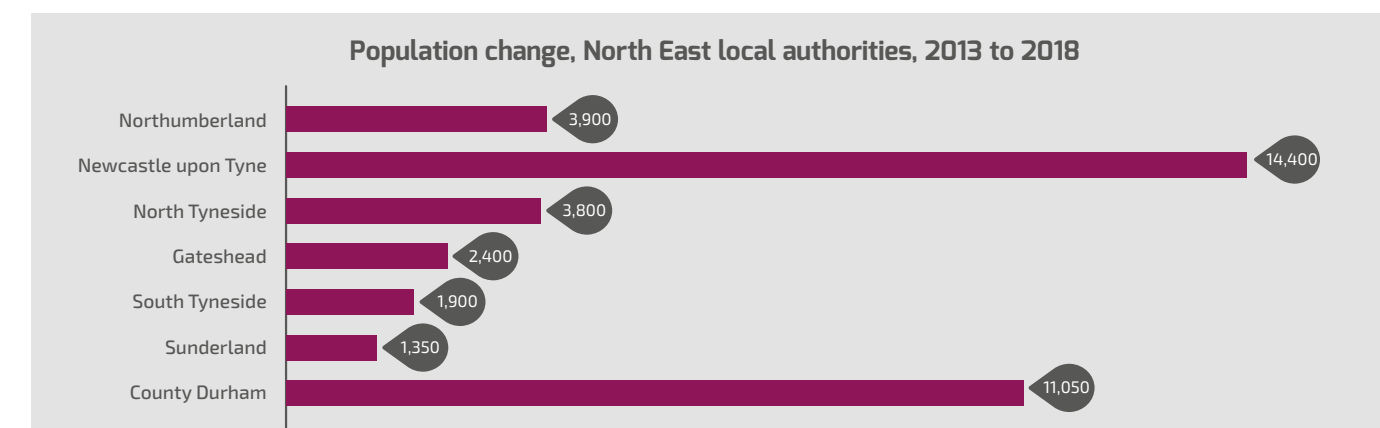
The exceptions were Northumberland and Newcastle upon Tyne. Northumberland had a higher proportion of its population in the oldest two age bands (aged 50 to 64 and aged 65 or more). Newcastle had a much higher proportion of its population in the 16 to 24 age band than the other local authority areas reflecting, in part, its large student population.



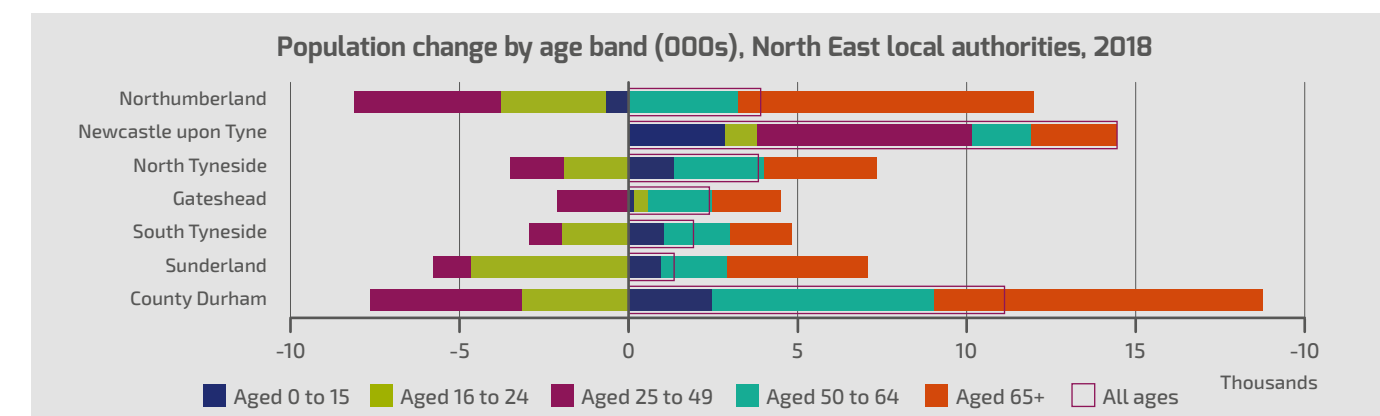
In 2018, the percentage of North East residents living in urban areas varied by age, with 85% of 16 to 24 year olds living in urban areas, compared to 75% of those aged 65 plus. The variations were much more pronounced in urban conurbations than in other types of urban areas.



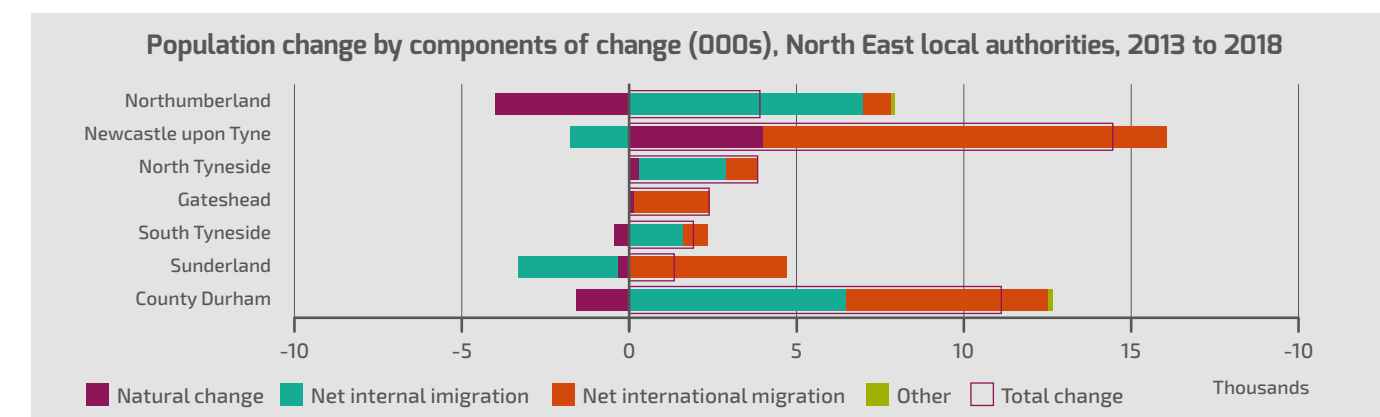
The North East LEP area population increased by 38,750 between 2013 and 2018. This was mainly driven by net increases in the populations of Newcastle upon Tyne and County Durham.



In this five-year period, the population of Newcastle upon Tyne increased for all five broad age bands. However, in the other six North East local authorities, the population aged 25 to 49 decreased and the same was true for those aged 16 to 24 in five of the six (with a small increase in Gateshead). In every local authority except Newcastle upon Tyne, recent population growth was driven by increases in the number of people aged 50 or over.



International migration drove population growth in Newcastle upon Tyne, Gateshead and Sunderland between 2013 and 2018. Internal (i.e. within UK) migration had the largest impact in Northumberland, North Tyneside and South Tyneside while both contributed equally in County Durham. Only Newcastle upon Tyne has seen significant natural population growth (more births than deaths).

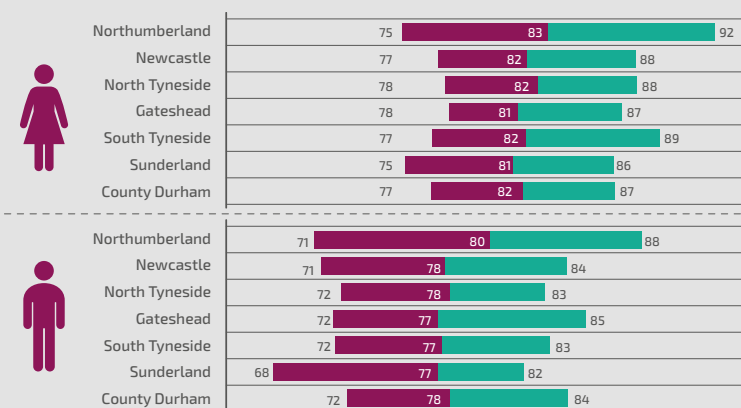


Characteristics of the North East population

Life expectancy

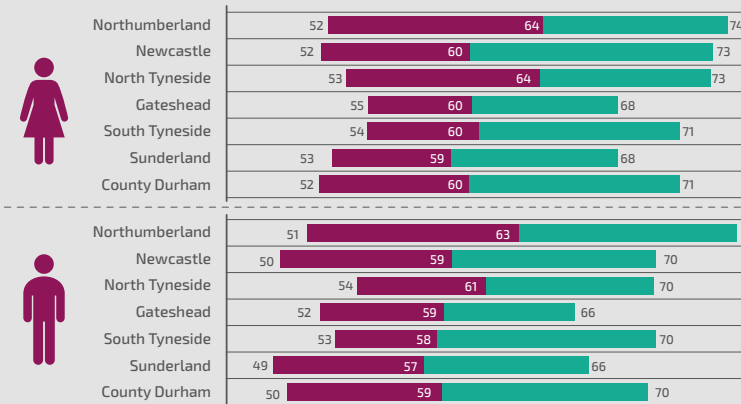
Estimates of life expectancy at a local authority level are similar across the North East LEP area. However, this masks differences within each local authority which can be seen using small area (MSOA) data. There are gaps of nine years or more between highest and lowest life expectancy for both males and females in all seven North East local authorities. The largest range is in Northumberland in both cases.

Life expectancy at birth, median, minimum and maximum MSAO values within North East local authority areas, 2013-2017



Healthy life expectancy (HLE) is the average number of years a person might expect to live in 'good' health in their lifetime. The gaps between the highest and lowest healthy life expectancy estimates within North East local authorities are all 13 years and above.

Healthy life expectancy at birth, median, minimum and maximum MSAO values within North East local authority areas, 2009-2013



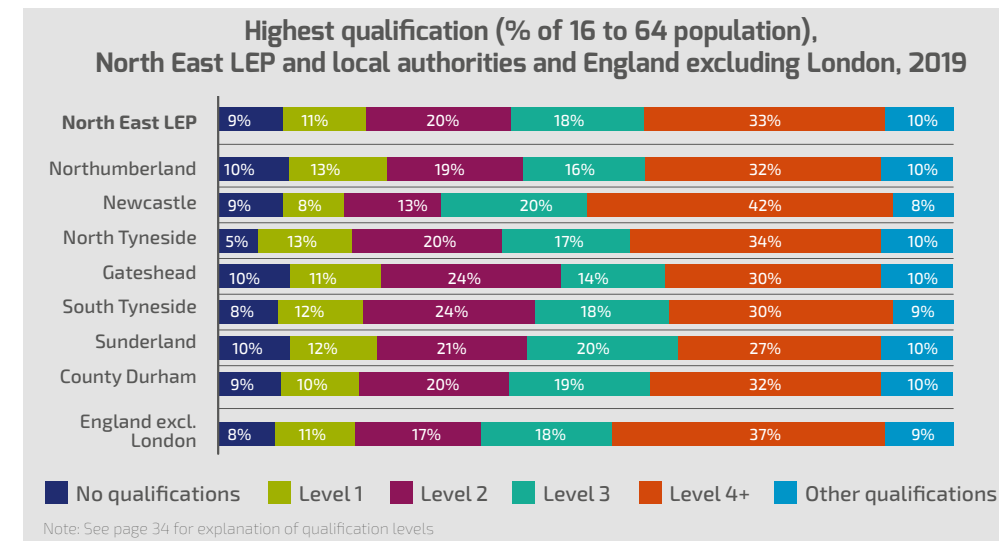
About the geography: Middle layer super output areas (MSOAs)

MSOAs provide a stable geography of similar sized areas for statistics where the smaller, more regularly used LSOAs are not appropriate. Most current MSOAs had a population of between 5,000 and 15,000 within 2,000 to 6,000 households when defined after the 2011 Census. Although ONS has not provided official names for MSOAs, the House of Commons Library has done so informally.

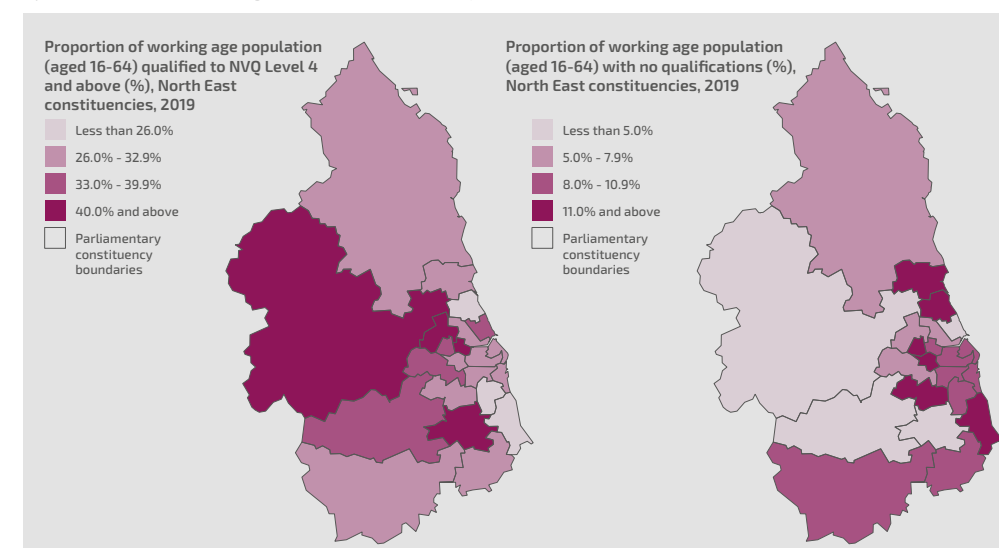
Sources: Local Health website (Public Health England), Annual Population Survey (Nomis)

Highest level of qualification

In 2019, a third of working age people (aged 16 to 64) resident in the North East were educated to degree-level (NVQ Level 4) and above. Among North East local authorities there was a 15 percentage-point difference between the area with the highest proportion qualified to degree-level or above (Newcastle upon Tyne) and the area with the lowest (Sunderland).



Constituency level data shows larger gaps at a smaller geographical level. The proportion of working age people qualified to degree-level or above ranged from 19% in Easington to 51% in Hexham. The proportion with no qualifications ranged from 4% in Tynemouth to 13% in Wansbeck.



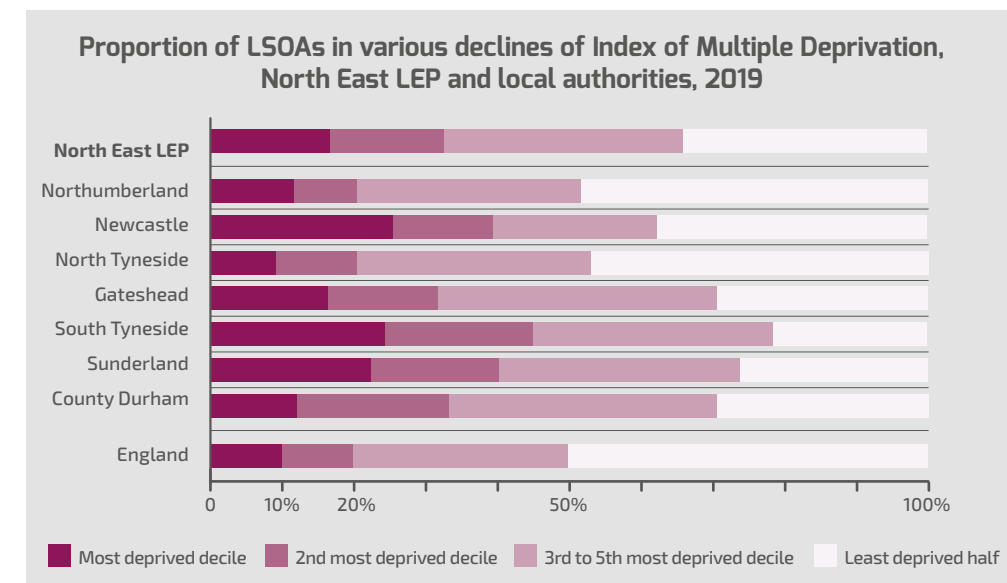
About the geography: Parliamentary constituencies

Statistics for constituencies are regularly published. They provide data for smaller areas than local authorities but frequent boundary changes in the past made time series data impractical. However, the last such changes were prior to the 2010 election so they currently provide consistent information for more than a decade.

The 22 constituencies in the North East LEP area do not sit neatly within local authority boundaries and one, Sedgefield, is partly in the Tees Valley LEP area.

Deprivation

The Index of Multiple Deprivation (IMD) ranks every LSOA using a combination of measures relating to employment, income, health, crime, the living environment and access to services. As in every other part of England, the North East contains LSOAs at every level of deprivation. In the latest index, Newcastle upon Tyne, South Tyneside and Sunderland all had more than a fifth of their LSOAs within the most deprived 10% in England. However, between them they also had 136 LSOAs in the least deprived 50%.

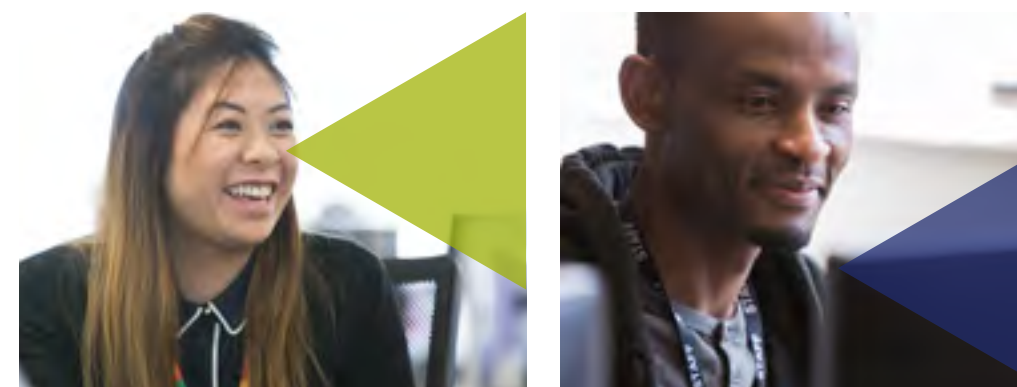


The North East has five of the LSOAs within England's most deprived 150. These are in Walker, Byker and Benwell (all Newcastle upon Tyne), Blyth (Northumberland) and Bishop Auckland (County Durham).

About the geography: Lower layer super output areas (LSOAs)

LSOAs provide a stable geography of similar sized areas and have replaced electoral wards as the most used small area geography for statistics.

Most current LSOAs had a population of 1,000 to 3,000 in 400 to 1,200 households. They were defined using the 2011 Census data. A drawback of LSOAs is that their names do not relate to their locality in any meaningful way.



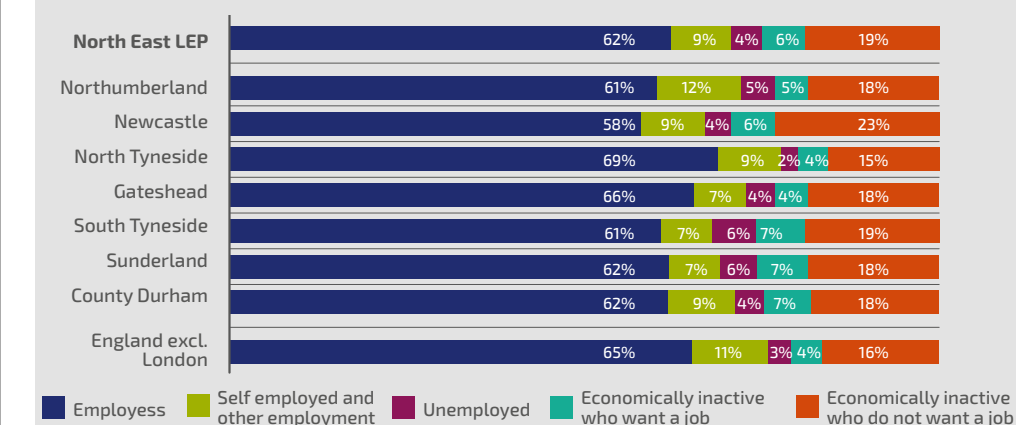
Sources: English indices of deprivation 2019 (MHCLG), Annual Population Survey (Nomis)

Participation in the labour market within the North East

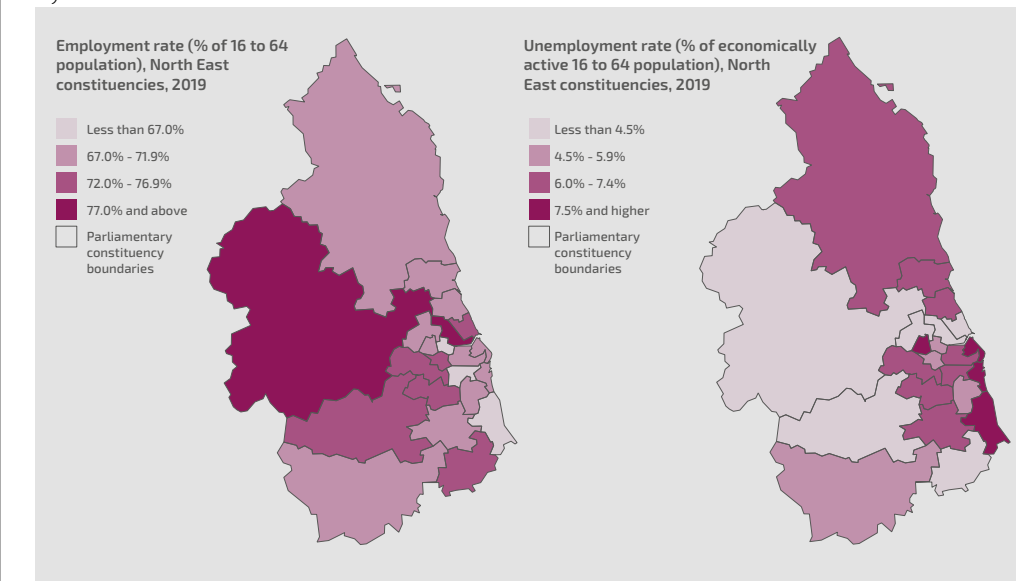
Data from ONS labour market surveys defines adults as employed, unemployed or economically inactive. The former includes employees, self-employed people and a small number on government-supported programmes or doing unpaid family work. Unemployed and inactive people are those without a job, with the former available to start work and looking for work while the latter is not.

In the North East, the employment rate for 16 to 64 year olds in 2019 was highest in North Tyneside (78%) and lowest in Newcastle upon Tyne (67%). Across the North East, people were less likely to be self-employed than nationally, except in Northumberland. In four North East local authority areas, a quarter or more of working age people were inactive, with the exceptions being North Tyneside, Gateshead and Northumberland.

Proportion of working aged population (aged 16 to 64) by labour market activity (%), North East LEP and local authorities and England excluding London, 2019



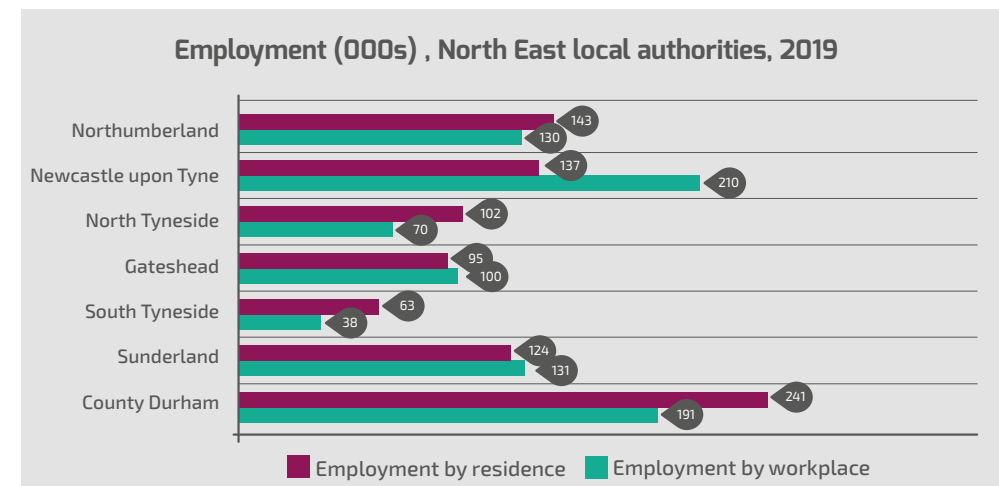
At constituency level the 16 to 64 employment rate ranged from 62% in Newcastle upon Tyne East to 82% in Hexham. The 16 to 64 unemployment rate (as a percentage of the economically active) ranged from 2% in Tynemouth to over 9% in South Shields.



Sources: English indices of deprivation 2019 (MHCLG), Annual Population Survey (Nomis)

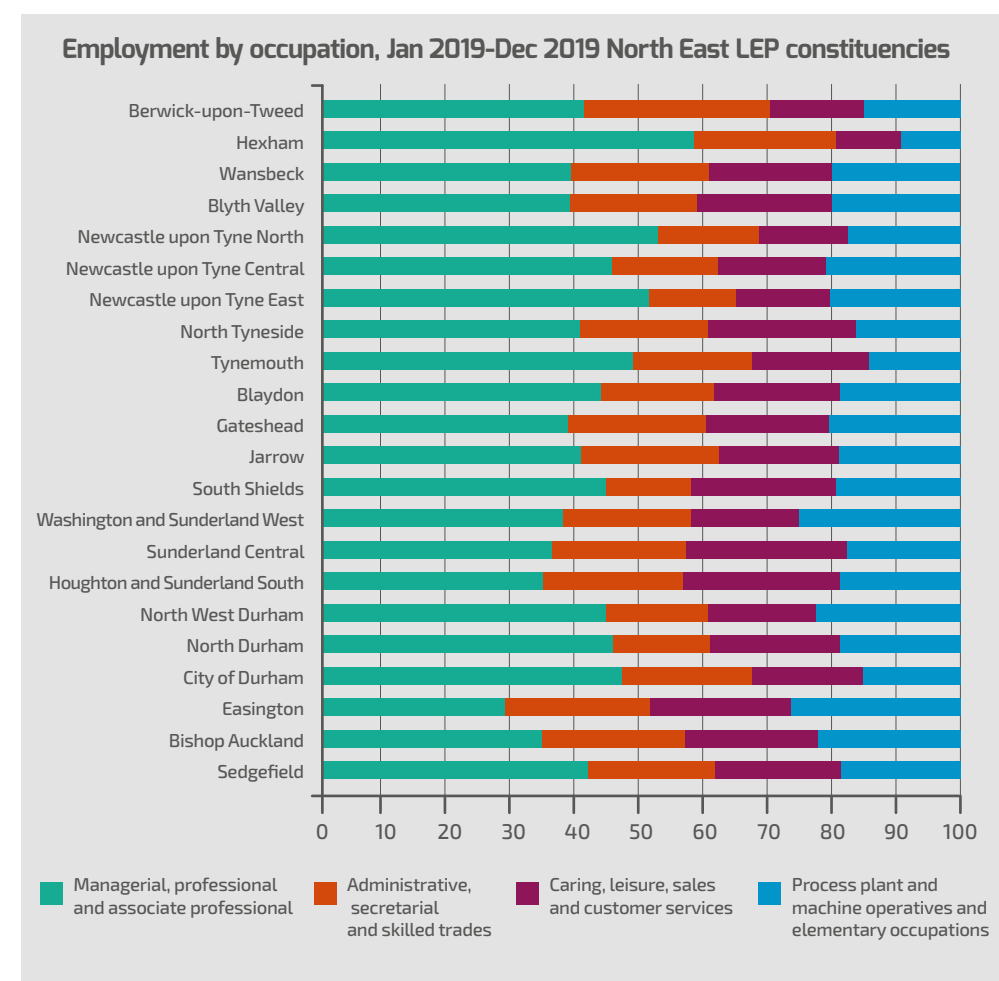
Employment within the North East

Information about employment is available based on people's residence but also on their workplace. At a local level, the differences between workplace and residence-based employment totals reflect commuting patterns, with areas where the former is larger than the latter having a net in-commute. In the North East, Newcastle upon Tyne had the highest net in-commute in 2019 and Durham had the largest net out-commute.



Employment by occupation

In 2019, the proportion of resident workers in managerial, professional or associate professions was highest in Hexham (58%) and Newcastle upon Tyne North (53%) constituencies and lowest in Easington (29%) and Bishop Auckland (34%).

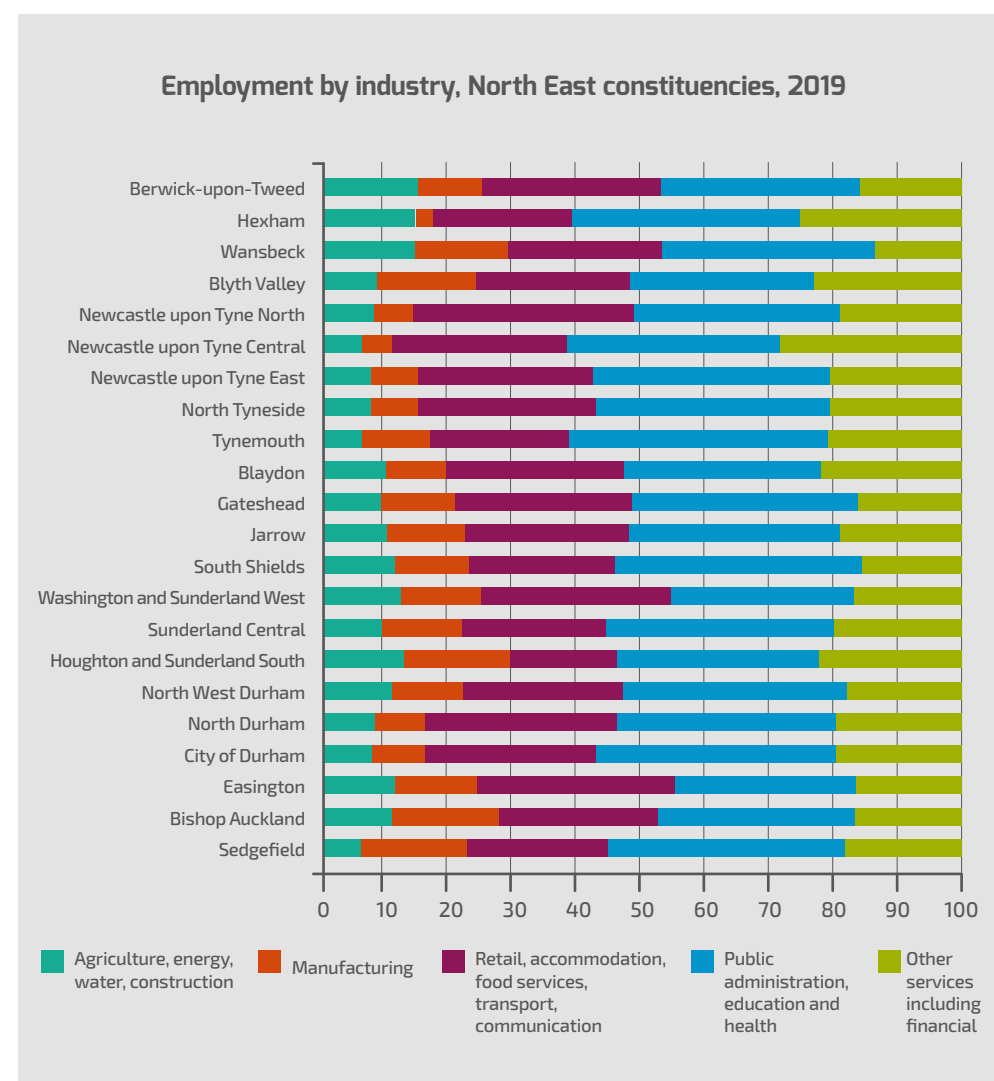


Sources: Annual Population Survey (Nomis), Annual Population Survey Workplace Analysis (Nomis)

Employment by industry

Residence-based local employment statistics broken down by industry of employment are only available for broad groupings due to small sample sizes. However, they highlight differences at a constituency level in the North East.

In 2019, the percentage of people employed in manufacturing industries ranged from less than 3% in Hexham to more than 21% in Easington. Public administration, education and health had the largest proportion of employment in all but two North East constituencies, with the percentages ranging from 28% in Easington to 43% in Tynemouth



The Business Register and Employment Survey (BRES) of PAYE and VAT registered enterprises provides much more detailed information about employment by industry. It gives data for very specific industries and allows for bespoke sectors to be defined and measured by combining these. It also gives data for geographies below local authority level.

The main report provides a series of maps that highlight the hotspots of employment for the industries that make up the four areas of strategic importance and the four service sectors that are identified in the North East Strategic Economic Plan, as well as for tourism.

Travel to work patterns within the North East

The latest available data on travel to work are from the 2011 Census. For each local authority the charts on this page show (in percentage terms):

- In the left-hand column: the usual residence of people working in that local authority area. Using Northumberland as an example, 76% of those working in Northumberland also live in Northumberland, with 6% of the workforce coming from each Newcastle upon Tyne and North Tyneside
- In the right-hand column: the usual workplace of people residing in that authority. Again, using Northumberland as an example, 50% of those living in Northumberland also work in Northumberland, whilst 19% work from home, no fixed work place or offshore installation, 13% work in Newcastle upon Tyne and 7% work in North Tyneside.



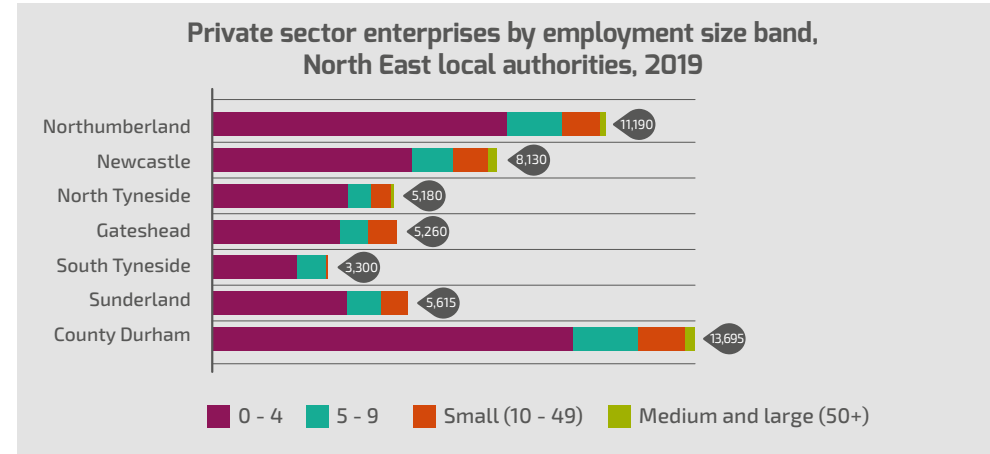
Source: 2011 Census origin destination statistics (Nomis)

The largest cross-boundary flows in 2011 were from North Tyneside, Gateshead and Northumberland to Newcastle upon Tyne; from County Durham to Sunderland and Gateshead; from Northumberland to North Tyneside and from Newcastle upon Tyne to North Tyneside and Gateshead.

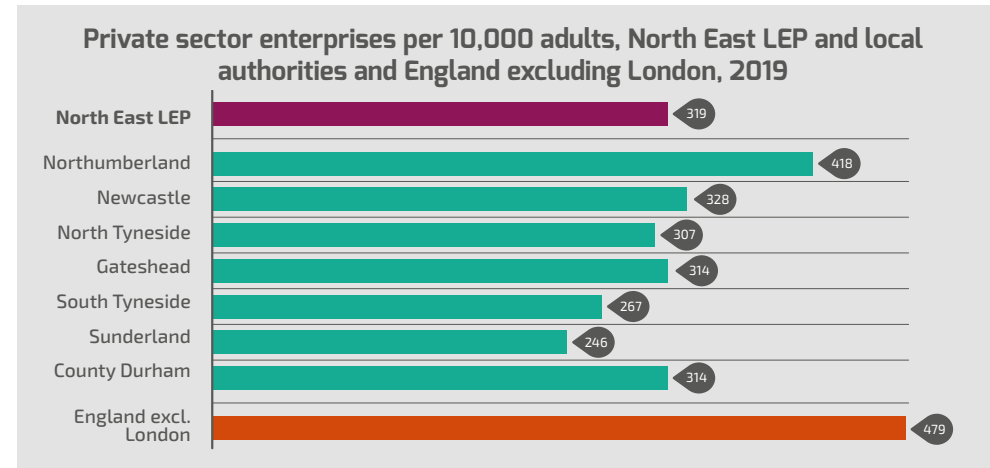
Generally, the proportion of residents travelling to another local authority increases over time and we would expect this to be true in the North East in the period since 2011 given that there have been a number of improvements to the region's transport system including improvements to the A1 at the Metro Centre and A19 junction improvements.

Businesses within the North East

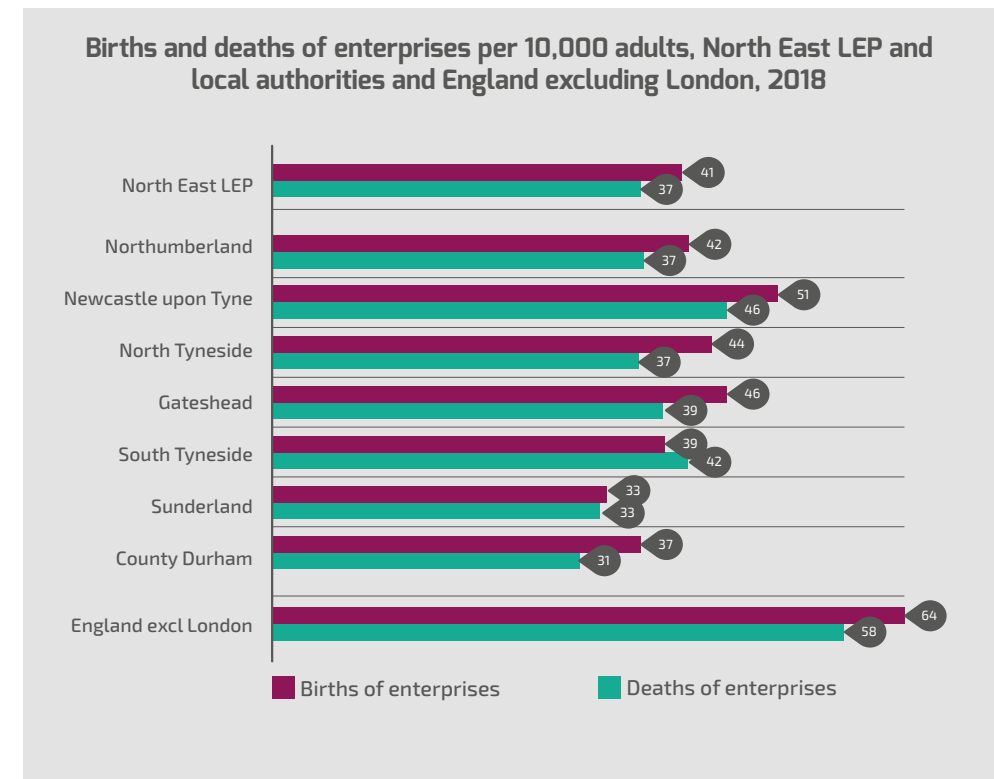
Just under half (48%) of North East private sector enterprises were in County Durham or Northumberland in 2019. North Tyneside and South Tyneside had the highest proportions of enterprises with employment of 0 to 4 (both 76%), while Newcastle upon Tyne and Gateshead had the largest proportions with employment of 10 or more (both 15%).



Looking at the number of private sector enterprise per adult, Northumberland has the highest number of businesses per capita, with Sunderland and South Tyneside having the lowest.



The business birth rate in 2018 was highest within the North East in Newcastle upon Tyne and lowest in Sunderland. Newcastle upon Tyne also had the highest death rate, with County Durham the lowest. However, all rates within the North East were below the national equivalents. As mentioned elsewhere in this report, low business death rates are not necessarily a positive indicator as research suggests dynamic and successful regions tend to have both business birth and death rates that are high.

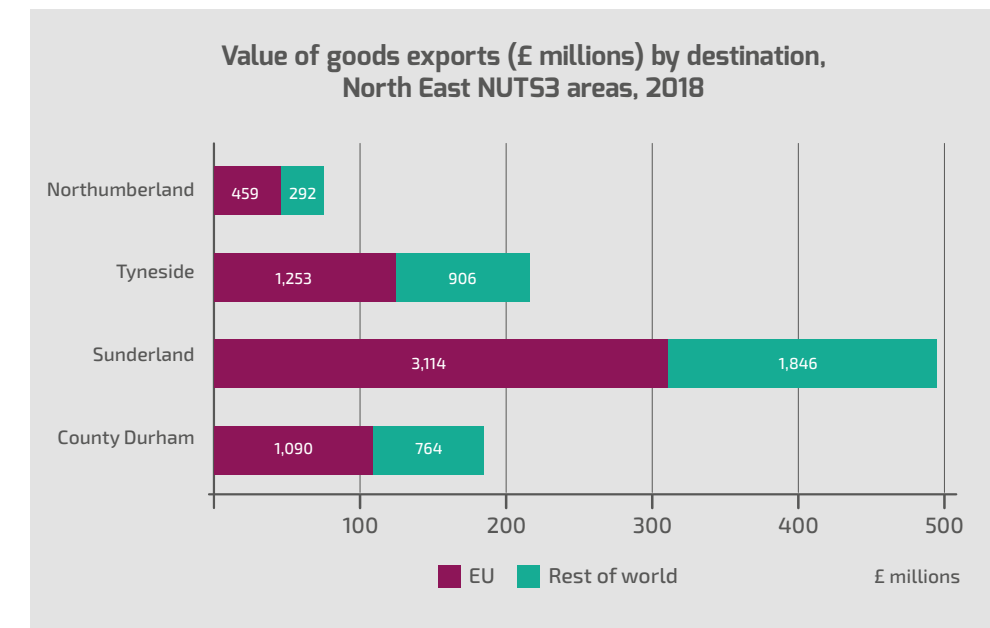


The most recent five year survival rates of businesses - the proportion of businesses that were started in 2013 that were still operating in 2018 - ranged from 38% in Newcastle and South Tyneside to 45% in Northumberland. Each local authority area in the North East except Northumberland had a lower five year survival rate than England excluding London (44%).

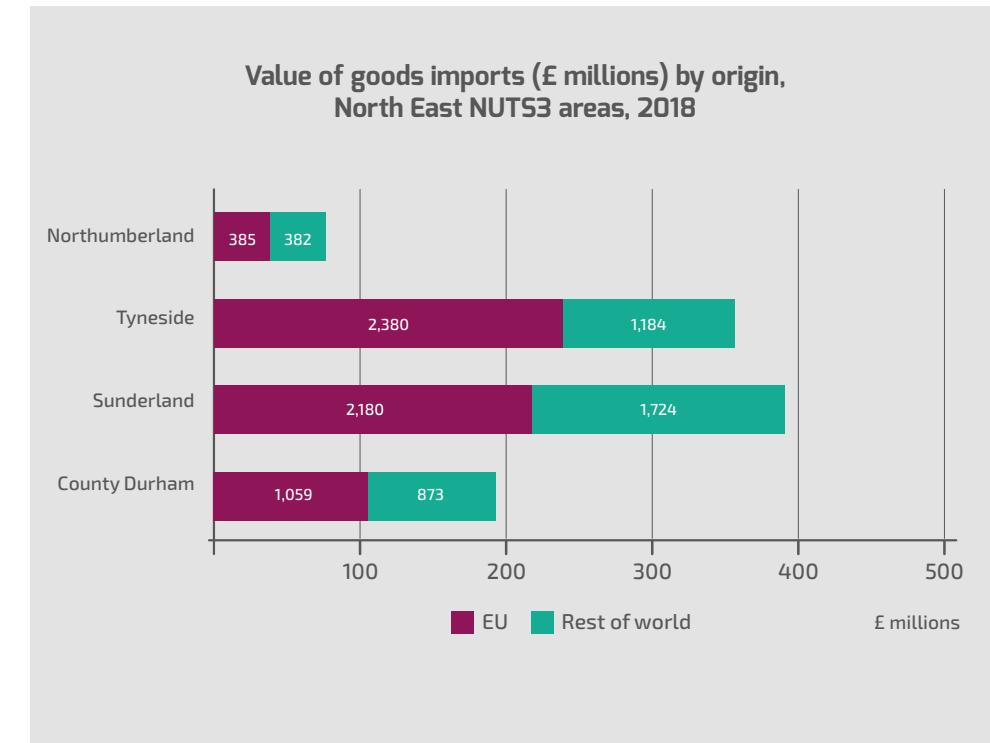
International trade by North East-based businesses

Trade in goods

In 2018, over half (51%) of the value of good exports from the North East were from Sunderland. The proportion of the total value with an EU destination was similar across the North East from 58% in Tyneside to 63% in Sunderland.

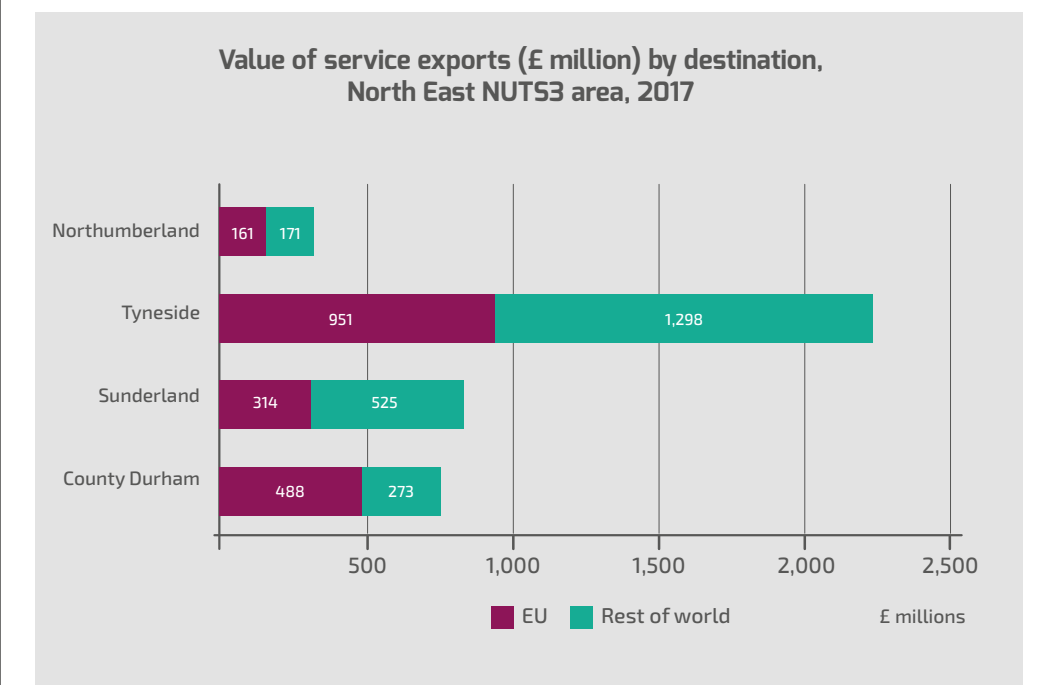


In 2018, almost three quarters (73%) of the North East value of imported goods were destined for Sunderland or Tyneside. The proportions of the total value of imports that came from the EU varied more within the North East than the equivalent figures for exports. Only half of the value of Northumberland's imports were from the EU compared to two thirds of Tyneside's.

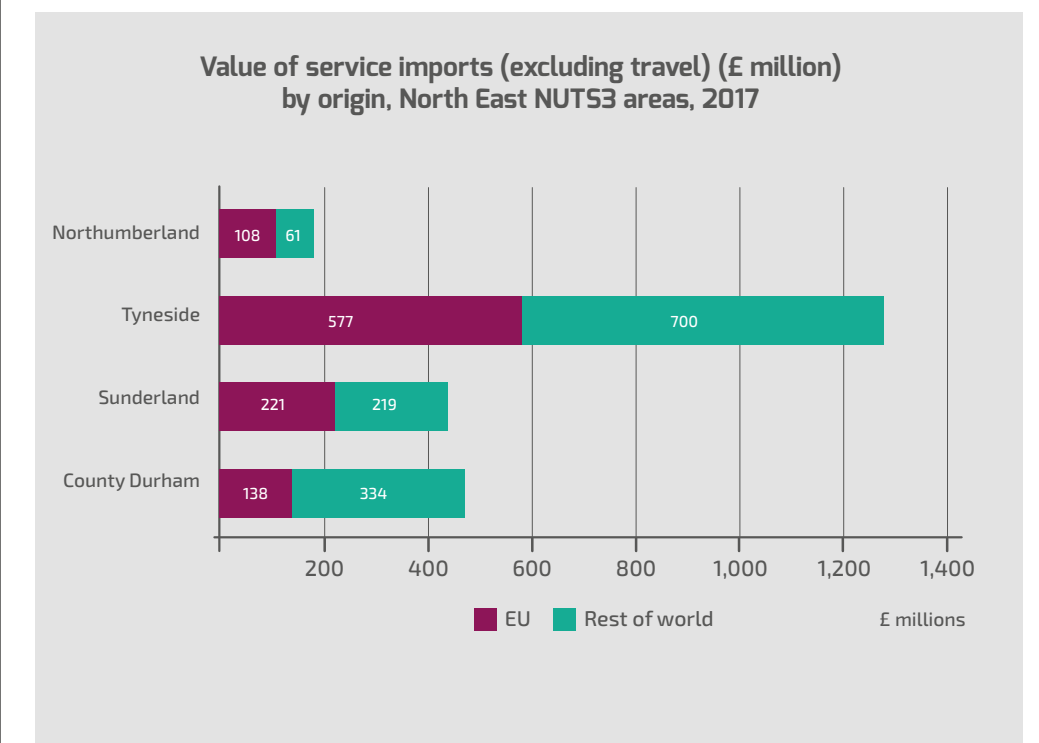


Trade in services

The latest available information about the value of service exports and imports at a local level is for 2017. It shows that, in that year, well over half (54%) of the value of North East service exports came from Tyneside. The percentage of the value of service exports where the EU was the destination ranged from 37% in Sunderland to 64% in County Durham.



The pattern of the value of service imports matched that of exports in 2017, with 54% destined for Tyneside. The percentage of the value of service imports where the EU was the source ranged from 29% in County Durham to 64% in Northumberland.



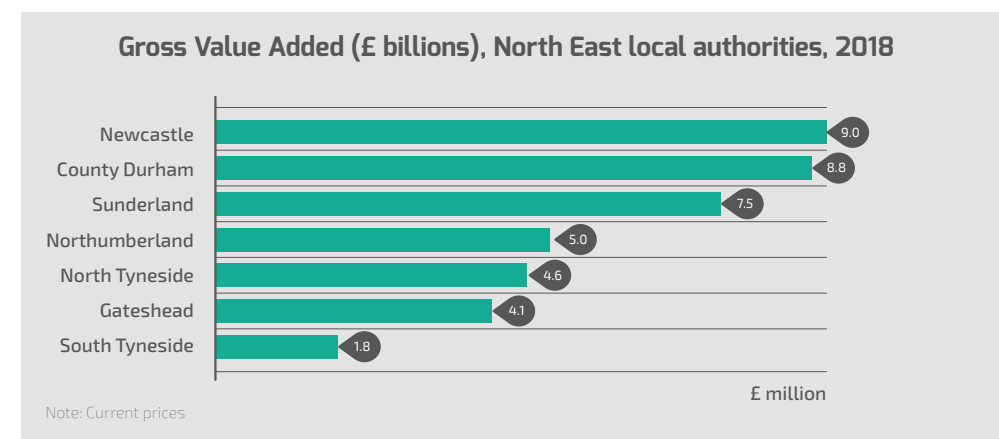
About the geography: NUTS3 areas

The nomenclature of territorial units for statistics, abbreviated as NUTS is a geographical hierarchy subdividing the economic territory of the European Union into comparable regions at three different levels (NUTS 1, 2 and 3).

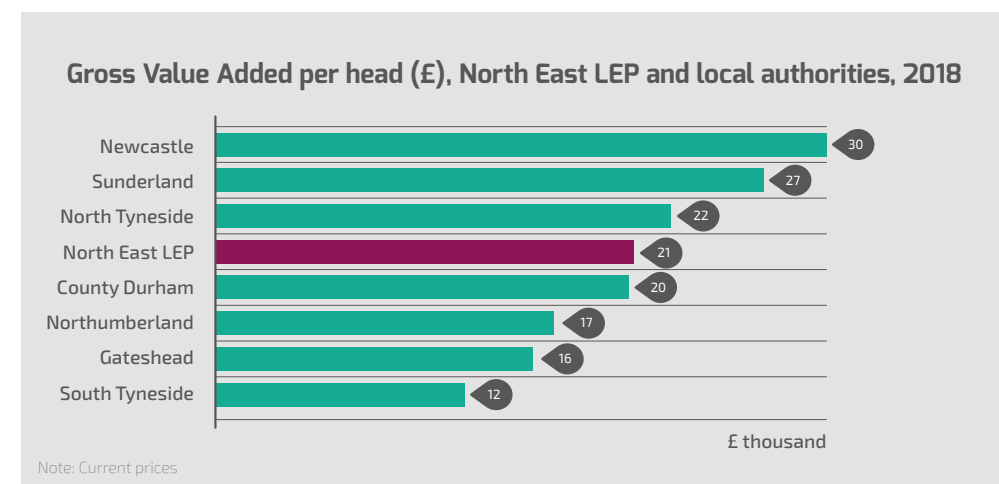
In the UK, NUTS3 areas are individual or combined local authority areas. In the North East LEP area, County Durham, Northumberland and Sunderland are each an individual NUTS3 area with the fourth, Tyneside, being a combination of Gateshead, Newcastle upon Tyne, North Tyneside and South Tyneside local authority areas.

Economic output within the North East

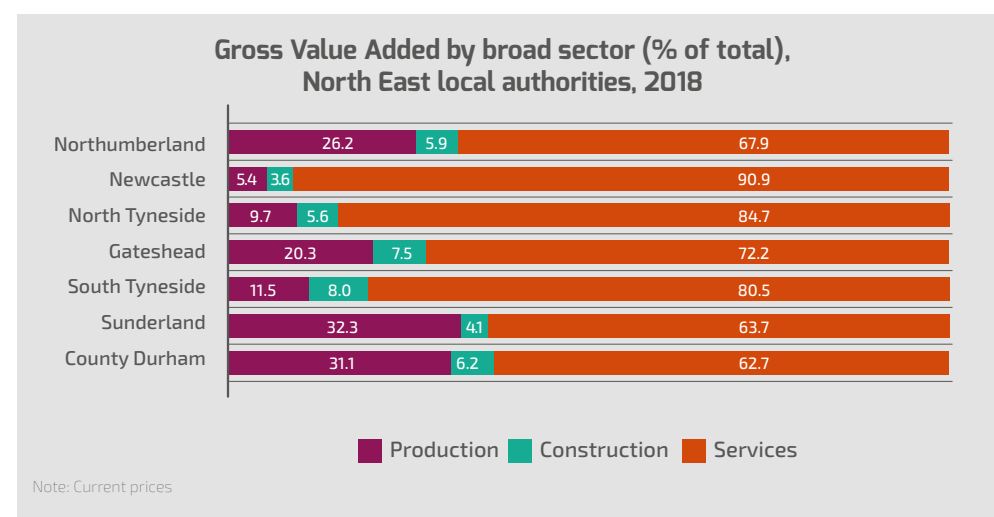
Gross Value Added (GVA) measures the value of the goods and services produced within an economy. Newcastle upon Tyne and County Durham had the largest GVA in the LEP area, accounting for 22% of GVA each in 2018, with Sunderland accounting for a further 18%.



Taking account of the relative population sizes, GVA per head within the North East was highest in Newcastle upon Tyne and Sunderland and lowest in South Tyneside. Newcastle upon Tyne's GVA per head is almost 2.5 times the GVA per head of South Tyneside.



There are considerable differences in the sources of economic output across the North East. In particular, well over 80% of the Gross Value Added in Newcastle upon Tyne and North Tyneside in 2018 came from services, compared to less than 65% in Sunderland and County Durham, where production (which includes agriculture, energy production and manufacturing) accounts for more than 30% of GVA.



Breaking down data into more detailed sectors shows that, in 2018, the largest contributor to Gross Value Added varied across the North East:

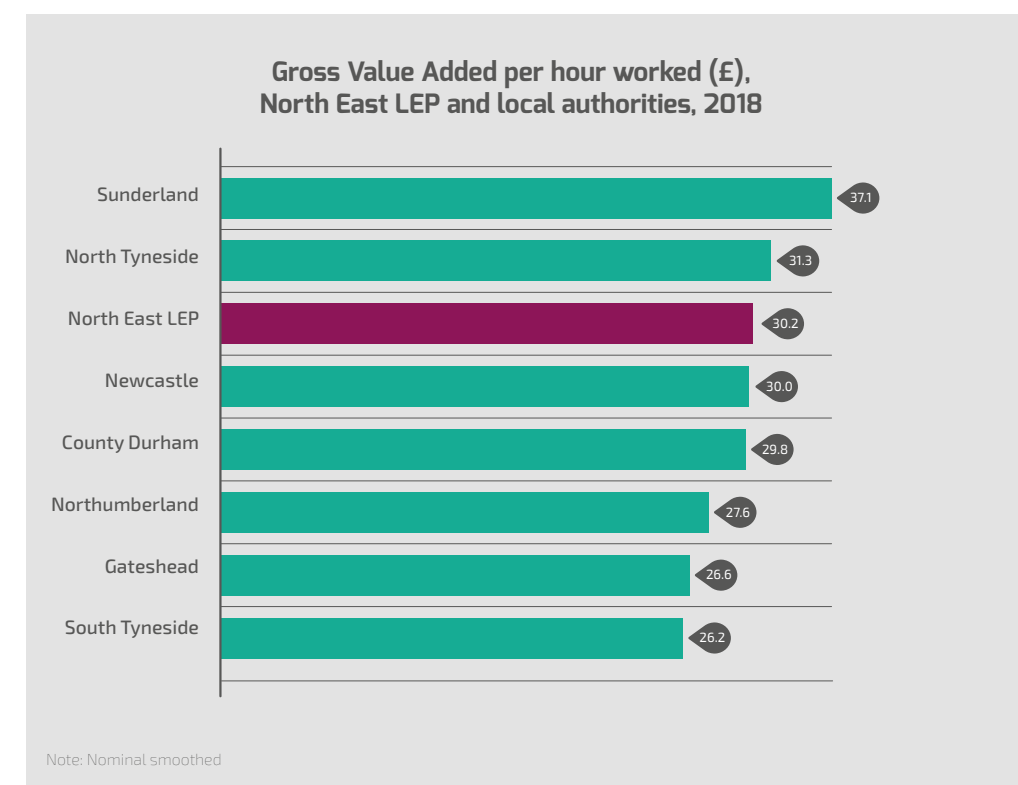
Largest contributor to GVA in each local authority area

 Manufacturing	Northumberland (£1 bn; 20% of Northumberland GVA) Gateshead (£0.8 bn; 19% of Gateshead GVA) Sunderland (£1.4 bn; 19% of Sunderland GVA) County Durham (£2.3 bn; 26% of County Durham GVA)
 Human health and social work	Newcastle upon Tyne (£1.1 bn; 12% of Newcastle upon Tyne GVA)
 Information and communication	North Tyneside (£0.7 bn; 16% of North Tyneside GVA)
 Real estate	South Tyneside (£0.3 bn; 16% of South Tyneside GVA)

Productivity within the North East

Productivity, measured as GVA per hour worked, was similar across six of the seven North East local authorities in 2018, ranging from £26.20 to £31.30. Sunderland's productivity was much higher, at £37.10. This reflects the importance of the highly productive automotive manufacturing sector in this local authority area.

Sunderland has also experienced the largest increase in productivity since 2014, followed by North Tyneside.



What next?

Understanding how the economy of the North East varies across its different places and communities allows more effective policies and interventions to be developed.

The evidence shows that the North East is a region of great diversity, with the population, business base, employment, GVA, productivity and trade patterns all varying across our region. However, there are also common issues that need to be tackled, such as deprivation and inequality. The North East benefits from strong connections between different places, with many residents travelling to another part of the region for work and supply chain linkages between businesses in different parts of the region. Whilst we have not demonstrated it here, it is also widely acknowledged that our colleges, universities, catapults and national innovation centres support residents and businesses from across the North East.

Looking forward, it will be important that we develop in more depth our understanding of the North East's economic geography. Key priorities include deepening our understanding of the:

- North East's place-based assets and how these can be more effectively utilised to support economic growth and development
- Connections between different places and communities within the North East
- Impact of current and proposed investment in housing, commercial property and transport infrastructure on the roles of different places in the regional economy and on the connections between places
- Impact that COVID-19 has had, and will have going forward, on different places and what they will need to be able to respond effectively.

In last year's Our Economy report, we highlighted that partners across the region often flag that the highly collaborative nature of the North East is a distinctive strength. It will be important that partners in the region utilise this and work together shape investment programmes around the needs of different places. Key priorities include:

- Agreeing our place-based investment priorities and working with government, the private sector and others to secure investment to deliver these priorities
- Identifying opportunities within the region for collaboration between places facing similar opportunities and challenges.
- Engaging with other areas including Borderlands, Northern Powerhouse and other parts of the UK where there are areas of complementary.

By working together in this way, the region should be able to ensure that every part of the North East is able to contribute to, and benefit from, efforts to improve the performance of our economy.

