

**Report to:** Regeneration Panel

**Date:** 21 January 2009

**Subject:** The Prospects for Manchester City Region's Economy

**Report of:** Executive Director of Environmental Services

**Contact officers:** Claire Greenwood / Seán Melling 01942 828958 / 828947

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**Purpose / summary:** To update Members on the forecast for the Manchester city regions economy.

**Alternative options considered and reason for selecting the one recommended:** This report is for information only.

**Recommendation / decision:** That Members note the content of the report.

The decision will be made as a result of this report and will be published within 48 hours.

**Risks / Implications:**

Financial:	N/A
Staffing:	N/A
Policy:	N/A
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	N/A
Wards affected:	All

**Property Implications – Does the proposal involve a reduction, addition or change to the Council's asset base or its occupation?**

No

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

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Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **No**

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council's budget? **No**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

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**For Cabinet reports only :**

Categorisation of the report:	<b>x</b>		<b>x</b>
Discussion leading to a decision		Discussion	
Monitoring		Decision	
Sharing for corporate understanding		Information	

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**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
Regeneration 22/01/09			

List of Background Papers in accordance with Section 100D of the Local Government Act 1972:

Title of document	Which meeting did it go to?	Date of meeting	Copy available from?
The Prospects for the Manchester City Region			Economic Regeneration Office

Proper Officer Martin Kimber

Date 2 January 2009

## **1.0 Background**

- 1.1 In April 2006 AGMA agreed to adopt the Greater Manchester Forecasting Model (GMFM) as a tool in the development of strategies and plans to accelerate the economic performance of the city region. The intelligence also provides a key component in terms of spatial planning, transport infrastructure requirements and housing.
- 1.2 Developed by Oxford economics, the GMFM is a complex statistical tool that forecasts change using analysis of past trends. Primarily the value of a model is in highlighting likely future direction in the economic, demographic and housing environments rather than making detailed predictions about the scale and nature of growth.
- 1.3 Of course there are many unpredictable events such as oil and gas price changes that cannot be foreseen which may have a considerable impact on an economy and forecasting models cannot anticipate these events or the impact of them. These are commonly referred to as 'external shocks'. For these reasons forecasting models should be only one part of a research and intelligence toolkit in developing an understanding of the complex behaviours of local areas.

## **2.0 Macro-Economic Environment**

- 2.1 2009 is set to be particularly difficult for the UK economy with unemployment and financial consolidation for households and businesses set to be a key feature. Between 2008 and 2010 forecasts project that gross value added (GVA) (measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom) will fall (-2.0% contraction in output in 2009) before recovery from 2011 onwards.
- 2.2 Employment losses are expected to be prominent across the UK economy during this slowdown – forecast to be nearly -750,000 across the country. However it is important to see this as a short term issue with the north west is expected to see appreciable job growth in the medium term (2-3 years).
- 2.3 Longer term forecasts up to 2018 highlight robust growth – employment increasing by nearly 1 million between 2008 and 2018 (+0.4% per annum change). Over this same timeframe GVA is projected to increase by over £300 billion (+2.4% p.a.).
- 2.4 The potential for the economic downturn to be more severe remains significant. Crucial to determining the severity of any slowdown will be the extent to which consumers retrench and increase levels of savings. This not only depends upon confidence (and particularly fear of job loss) but also on banks' ability / willingness to lend.
- 2.5 The medium-term outlook depends upon a favourable pick-up in world demand and consequently the UK economy. There is at least a risk that this will not occur as the consumer spending market may not return to the levels of borrowing and spending consistent with this growth. Consumer spending equates to 2/3 of gross domestic product (GDP) (essentially GDP tells us how much money was made in the economy over a certain period of time). Though

this does not constitute the case put forward by GMFM but it is a possibility worth considering and where possible mitigating against.

- 2.6 Though the balance of risk is on the downside it is important to consider that there is a possibility of higher growth particularly as the level of monetary and fiscal stimulus being provided is considerable and the policy response appears to be one of 'spend whatever it takes'. It is too early to judge the success of this course of action but it alongside falling sterling and moderating prices gives cause for a little optimism offsetting the pervading gloom.

### **3.0 Prospects for Manchester City Region**

- 3.1 The city of Manchester accounts for 51% of GVA in the Greater Manchester region (£5.5bn) and makes up 5% of the UK total. In the last decade the region has grown by 139,200 jobs. 1,66 million jobs are located in the city region. (49% of the region and 5% of the UK). The region's economy is largely urban in structure with business services accounting for 19%. There has been a continued shift away from manufacturing which now makes up 11%. It is important to note however that many more manufacturers outsource some of their functions. Outsourcing human resources and temporary staff etc will all fall under business services. Inefficient manufacturing companies likely to fall with those remaining benefitting from sterling levels in the export market.

#### **3.2 Short term prospects**

With UK economy contracting at -0.9% in 2009 and 1% in 2010 the impacts forecasted for the city Region are;

- 45,000 jobs lost;
- GVA falling negative in 2009;
- 3.2 percentage point fall in city region employment rate;
- Unemployment to rise to 82,000 people.

#### **3.3 Long term prospects**

- Continued move to 'office jobs'. The city region's world class financial facilities are set to remain a key driver for the economy;
- GVA growth positive by 2010;
- Migration will no longer drive GM economy, natural increase to be a key Factor;
- Economic growth is forecasted for most of the longer term.

#### 4.0 Exposure to the Slowdown Wigan

- 4.1 Unemployment is set to rise steadily across the region (Wigan is currently experiencing its highest levels of unemployment since March 2000). Wigan is forecasted to lose 3,300 jobs with GM to lose 36,600 by 2010.

	Employment Change (000's)		Population Change (000's)	
	2008-2010	2008-2018	2008-2010	2008-2018
Bolton	-3.6	-0.8	1.0	6.5
Bury	-1.8	-0.4	1.0	7.1
Manchester	-6.7	37.8	10.2	62.7
Oldham	-2.7	-0.7	0.8	5.9
Rochdale	-2.6	0.4	0.8	6.7
Salford	-4.1	6.2	1.9*	14.0
Stockport	-4.8	0.0	0.5	4.7
Tameside	-2.6	-2.8	0.6	4.9
Trafford	-4.4	4.3	2.0	11.0
Wigan	-3.3	0.5	1.5	8.5
Gtr Manchester	-36.6	44.4	20.5	132.1
City Region	-44.9	53.7	26.2	161.9

Source: GMFM

- 4.2 During the recovery phase the manufacturing sector continues to shed jobs and over a decade is projected to lose 3,600 jobs. More than the key growth sector of financial and professional service creates (2,400).

#### 4.3 Wigan: Change in Employment (000's)

	1998-2008	2008-2018
Agriculture	0.0	0.0
Extraction	0.0	0.0
Manufacturing	-6.3	-3.6
Electricity, Gas and Water	0.0	0.0
Construction	0.7	0.4
Distribution and Hotels	1.9	0.2
Transport and Communications	1.5	0.0
Finance and Business Services	7.2	2.4
Public Admin and Defence	-1.0	0.1
Education and Health	4.4	0.7
Other Personal Services	2.7	0.3
Total Employment	11.1	0.5
<b>Selected sub-sectors</b>		
Retailing	1.3	0.1
Hotels and Catering	0.7	0.2
Financial Services	-0.2	-0.2
Professional Business Services	1.2	0.5

Source: GMFM

- 4.4 The resident employment rate is currently under 69% below the 70% level it was above for much of the early part of this decade. It is forecast to fall to just over 66% through the recession before climbing back towards 70% over the recovery phase.
- 4.5 Wigan is currently ranked 158 out of the 408 most vulnerable local authorities in England (top 40%). These figures are measured through local labour market data, the results of which should be tempered by the fact that large companies tend to reside in the cities and this ranking does not factor in those commuting out of the borough.

#### Wigan: Key Indicators

	Wigan		Change	North West
	2008	2018	2008-18	2008-18
Population	306.2	314.8	2.8 (%)	3.6 (%)
Employees total	101.6	102.0	0.4 (%)	1.7 (%)
Employment total	15.6	15.6	0.1 (%)	0.4 (%)
Self employed total	117.2	117.7	0.4 (%)	1.5 (%)
Unemployment level	5.1	5.5	0.3 (000's)	8.7(000's)
Net commuting	-21.5	-23.5	-2 (000's)	-
Households	132.0	142.6	10.6 (000's)	223.7 (000's)

Source: GMFM

- 4.6 Wigan has a substantial net commuting outflow of over 21,000 (down from 30,000 in 2001 as workplace job growth has out-stripped working age population growth and resident employment rates have not recorded an

increase). This is forecast to climb to over 23,000 as Salford, Manchester, Trafford and Lancashire continue to draw in commuters.

4.7 Natural increase is also a net positive over the forecast, though it climbs more modestly than in other areas and as a result population growth at 2.8% over the next decade is below the regional average.

## **5.0 Strategy During the Downturn**

- Important to consider the long term. No knee jerk reactions to the short term but we should look to aid employers where possible;
- Banks, landlords and creditors need to be sympathetic to the financial constraints on businesses;
- Public sector should also become sensitive to costs (eg speed of planning apps, grant release and cost cutting internally);
- Good return on public investment to be had as regeneration, house building etc cheaper;
- Advertising and marketing of products/services has a greater impact during cost sensitive times.
- Recessions focus the mind. Necessity forces brave decisions and culls inefficient firms;
- Where available seek to use up past resources.

## **6.0 Opportunities**

- Financial and professional services still offer long term growth prospects (exporting to growing world China, India – activities squeezed out of London);
- Hard to replace the world class facilities and experience the city region has and we should look to export these wherever possible;
- Find a way of how to harness the spending power of the aging population;
- Still a lot of design, construction, regeneration and delivery to carry out (image matters for location decisions);
- For the UK – ultimately it is the export base that matters – a major conurbation and concentration of skills clearly has a role to play.

Martin Kimber  
Executive Director of Environmental Services  
RP/ER/CG/SM/LC/33.0P  
2 January 2009