

Swindon and Wiltshire Local Economic Assessment

March 2022

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Productivity and Output



Productivity and Output Summary



Swindon and Wiltshire generated over £21bn worth of goods and services in 2019, making a substantial economic contribution to the South West region (15%) underscoring the importance of the LEP area as a major economic driver in the region.

Swindon and Wiltshire Growth Zones are the key drivers of economic growth in the LEP area accounting for over four fifths of total output.

Output growth in the Swindon and Wiltshire has been strong, outstripping growth in the South East over the last two decades, though this growth has been predominantly led by growth within Swindon specifically.

Manufacturing, Real Estate and Retail collectively contribute a third of total GVA, a sectorally mixed economy will ensure reasonable degrees of economic resilience to sector specific shocks, though it is necessary to consider the vulnerability of the retail sector in light of shifts to e-commerce.

The most significant losses to the economy due to COVID-19 were experienced in the Accommodation and Food and Administrative Support sector, this is unsurprising given the face-to-face nature of these sectors. Supporting these sectors to build back will be a crucial element of the recovery the economy.

The Swindon and Wiltshire LEP area has a small productivity gap with England, though within the LEP area there is strong productivity, above England levels, in Swindon.

Tackling low productivity in Wiltshire's key settlements would help bolster the gains made in Swindon. Examining specific geographical productivity “cold spots” present an opportunity to level up all areas across Swindon and Wiltshire and provide a source of economic growth that creates high skilled and high paid employment.

Per hour work in Swindon and Wiltshire created on average £37 of output, this is greater than all but two comparator area (Enterprise M3 and Thames Valley Berkshire).

Productivity in financial services is nearly 5 times larger than in accommodation and food services. Some sectors are more productive by their nature, though ensuring cross-sector diffusion of innovation will allow for productivity uplift and create a wide range of skilled jobs across multiple sectors.



Swindon and Wiltshire's Output

Swindon and Wiltshire generated over £21bn worth of goods and services in 2019, making a substantial economic contribution to the South West region...

The LEP area's output contributed 15% to the South West region and 1% to England's total output. The proportion of GVA generated by each local authority in the LEP area is:

- + Swindon : £9,575bn (45% of the total)
- + Wiltshire : £11,571bn (55% of the total)

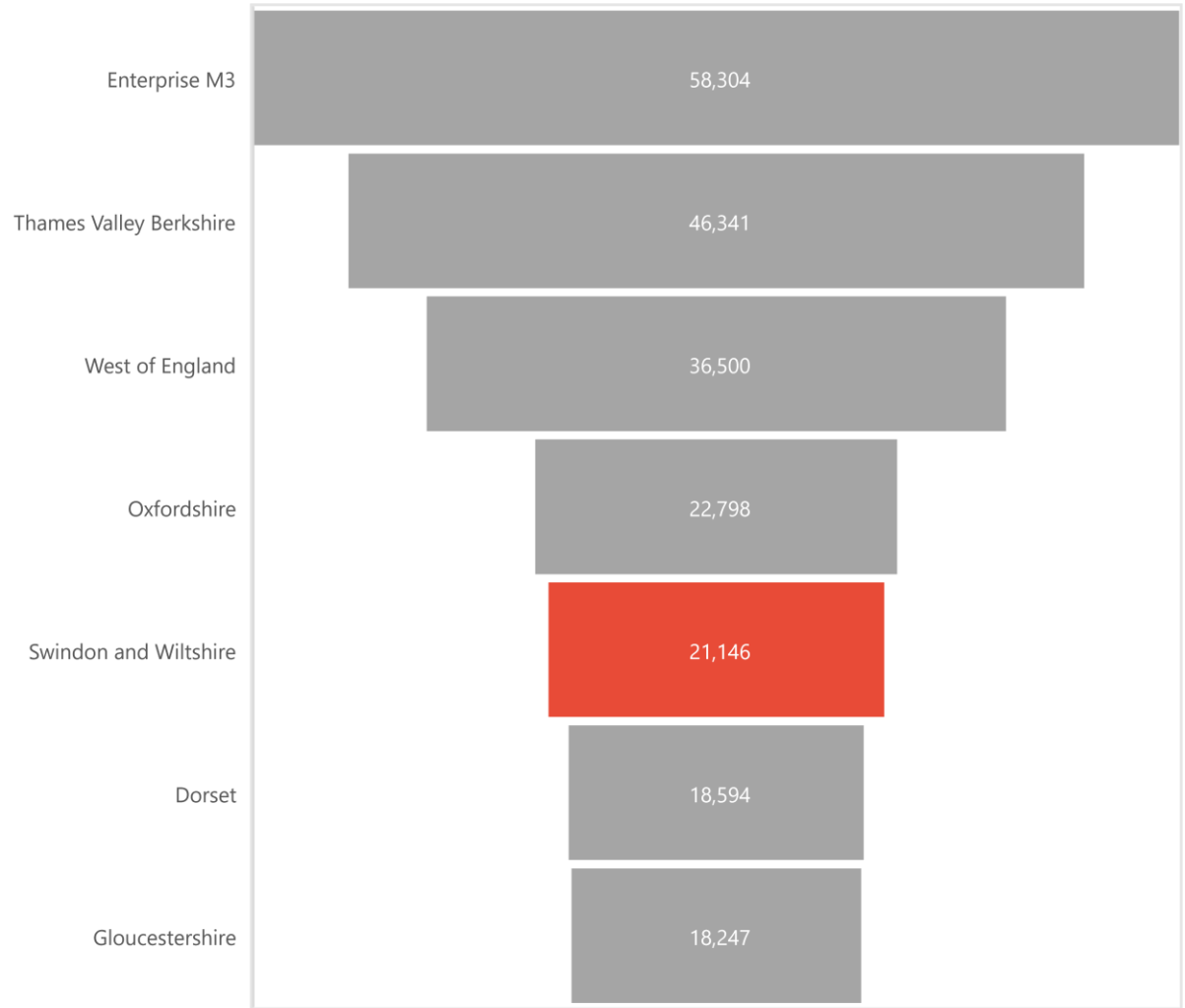
Across comparator LEP areas, Swindon and Wiltshire has the third lowest total GVA output, with the Enterprise M3 and Thames Valley Berkshire LEP areas producing over twice as much in comparison.

The top 3 sectors by GVA output are:

- + Manufacturing (£2.9bn)
- + Real estate (£2.7bn)
- + Retail and wholesale (£2.2bn)

Collectively, these sectors account for a third of total economic output in Swindon and Wiltshire.

Total GVA output, £ millions, 2019



Source: ONS Regional Accounts

Swindon and Wiltshire's Growth Zone Output

Swindon and Wiltshire Growth Zones are the key drivers of economic growth in the LEP area...

Unsurprisingly given their relative sizes, Swindon generates £9.5bn (45% of the LEP area total output) whilst Wiltshire contributes a higher proportion at £11.5bn (55%).

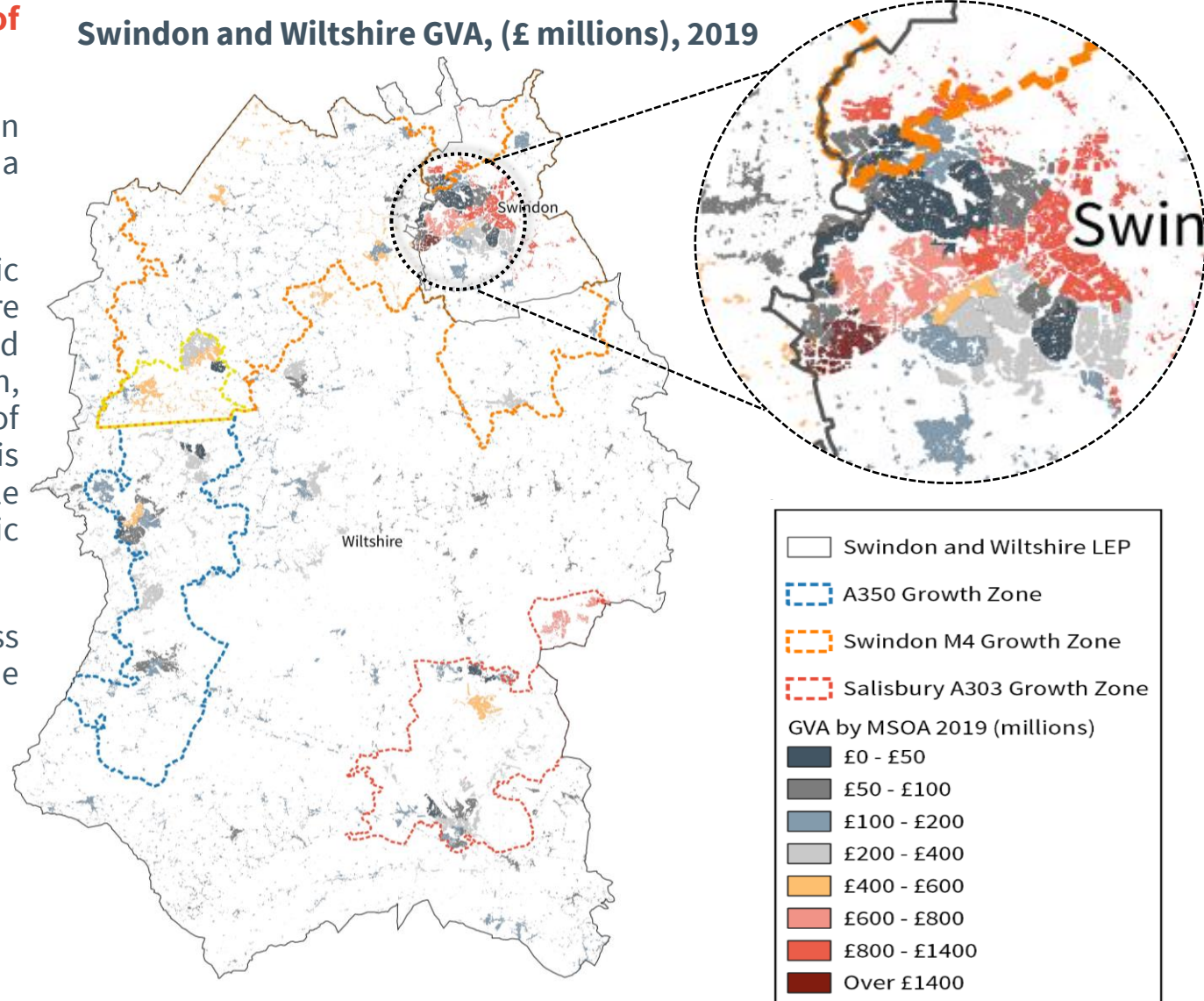
Experimental data by the ONS enables examination of economic output at a lower geographical level. This shows that there are distinct areas of economic activity. These are primarily located within the Swindon and Wiltshire growth zones around Swindon, Amesbury and Trowbridge. By contrast, the remaining rural area of Swindon and Wiltshire contributes the lowest amount in GVA. This reaffirms that whilst the remaining rural area play an important role in the LEP area, the growth zones are the main drivers of economic growth.

But there are differences in the contribution to total output across the growth zones, with the Swindon M4 Growth Zone generating the largest share with £13bn of output (61%).

Growth Zone GVA, 2019

A350	Salisbury A303	Swindon M4	Non-growth Zone
£3.1bn	£2.8bn	£13.0bn	£3.6bn

Swindon and Wiltshire GVA, (£ millions), 2019



Source: ONS Regional Accounts; ONS Small Area GVA Estimates

Note: Due to overlapping growth zone boundaries the data for the growth zones can not be aggregated without double counting.

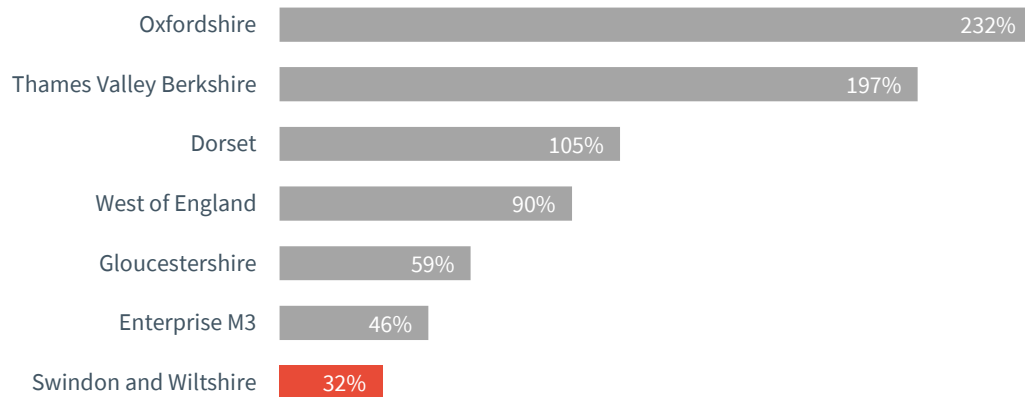
Swindon and Wiltshire's Output

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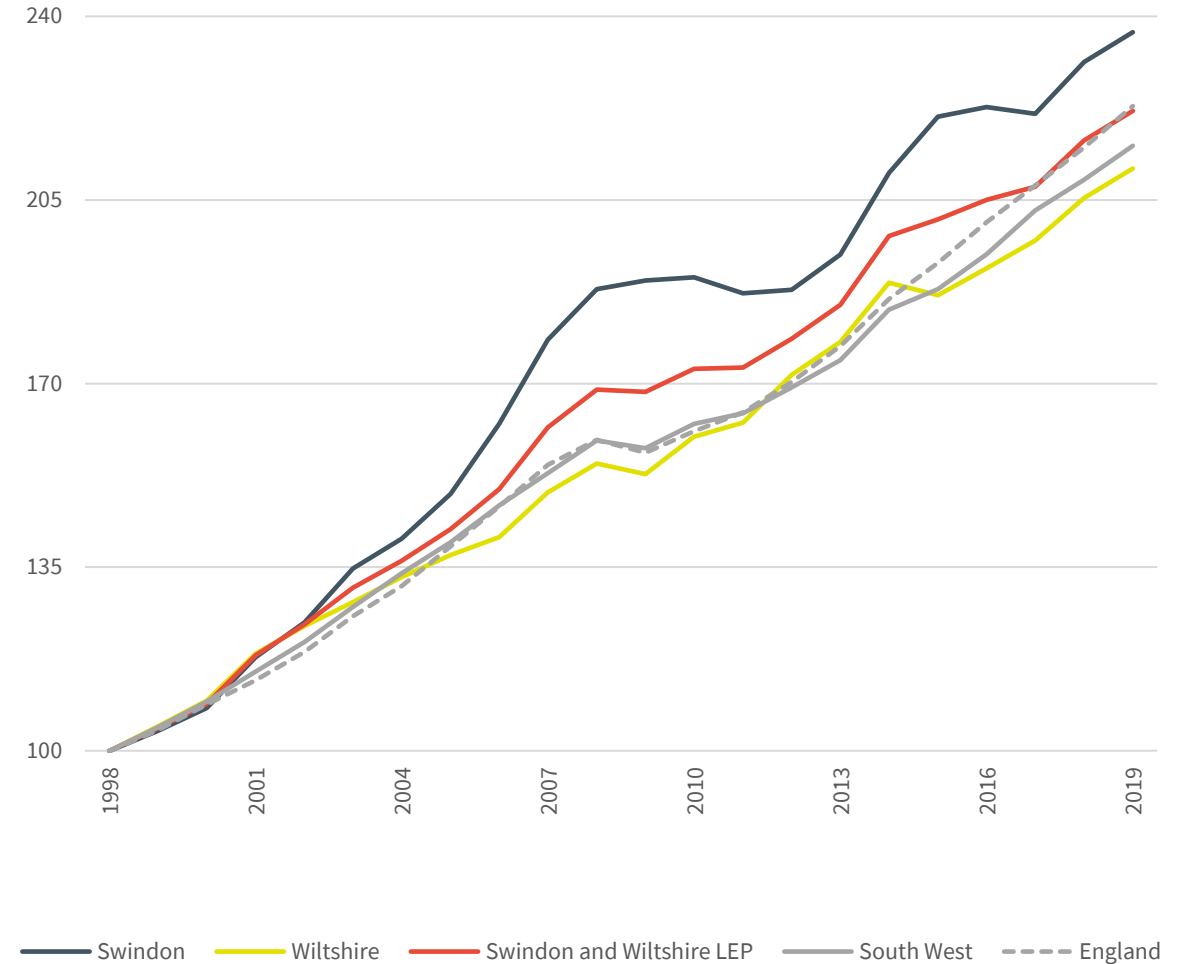
In 2019, total Gross Value Added (GVA) output in Swindon and Wiltshire was £21bn (1% of England's total output). It has grown steadily since 1998, with only a slight drop after the 2008 financial crisis. Up until 2015, Swindon and Wiltshire experienced GVA growth above the regional and national average. However, this growth has slowed slightly since 2015 and is now more aligned to the growth seen at a national level.

Across comparator LEP areas, Swindon and Wiltshire has experienced the lowest overall growth since 1998, increasing by 32% from 1998 levels.

GVA overall annual growth in Swindon and Wiltshire and comparator LEPs, 1998-2019



Indexed GVA growth (1998-2019), 1998=100



Source: ONS Regional Accounts

Swindon and Wiltshire's Output

Manufacturing, Real Estate and Retail collectively contribute a third of total GVA...

Manufacturing (14%), Real Estate (13%) and Retail (10%) contribute a third of total GVA output in Swindon and Wiltshire. Apart from Manufacturing, which only makes up 7% of national GVA, Swindon and Wiltshire's sectoral composition is broadly in-line with England.

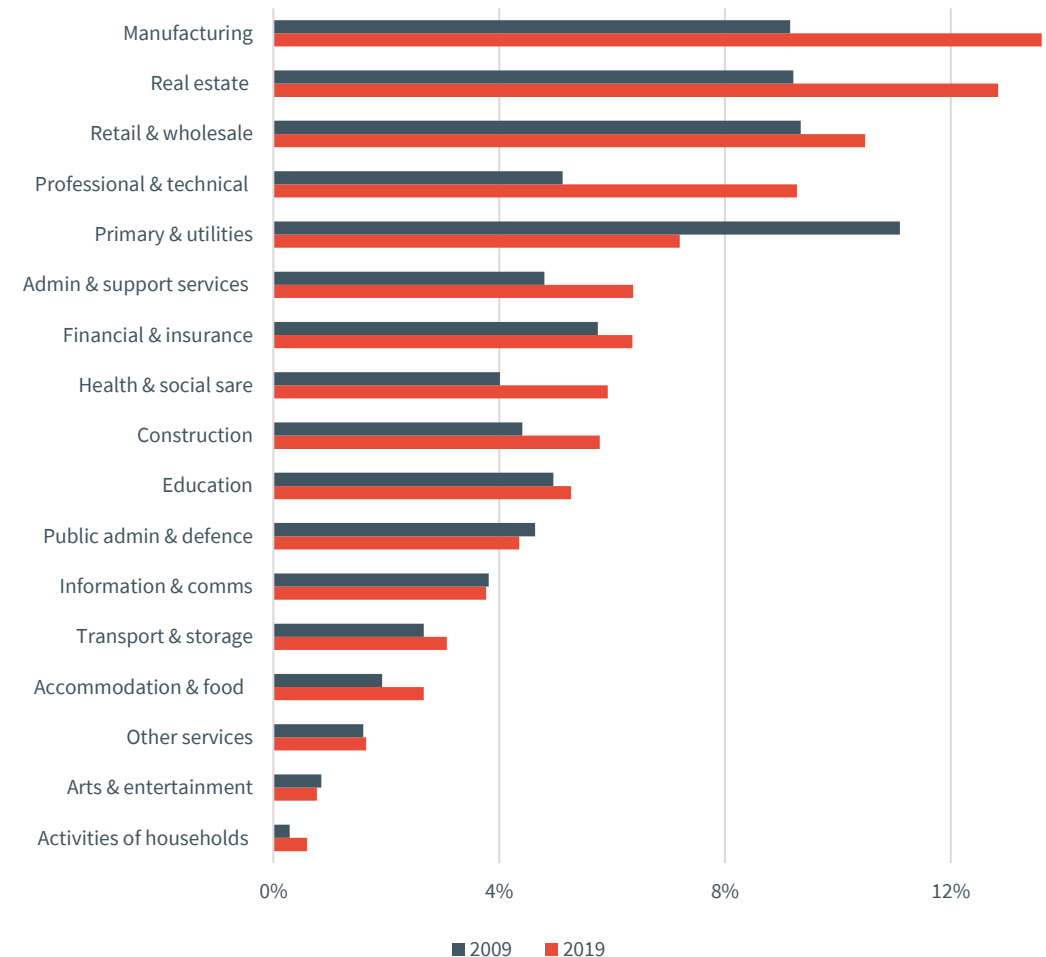
Whilst Primary and Utilities was once the dominant sector in Swindon and Wiltshire's output, this has been superseded by Manufacturing and has fallen to the 5th most contributory sector. The growth in manufacturing contribution, however, does not take into account the closure of Swindon's Honda site in 2021. This may have reduced the output of manufacturing in Swindon and Wiltshire as a result of job losses incurred, but the full impact on the local economy remains uncertain until the site is re-occupied.

High value sectors such as information and communication (4%) and financial and insurance (6%) contribute a smaller proportion of GVA output compared to England (7% respectively). Professional and Technical sectors, however, contribute 9% to the LEP area's GVA compared to England (8%).

Growing the output of high value sectors would support growth in the Swindon and Wiltshire's economy. These sectors have experienced small compound growth over the last decade. Information and Communications has increased by 1% whilst Financial and Insurance sectors has increased by 2% compared to 5% and 1% growth in England. However, the highest compound growth has been seen in the Professional and Technical sectors (7%) which is 2 percentage points above England (5%). Despite this growth, higher-value sectors are still underrepresented in the area's total output compared to England.

Source: ONS Regional Accounts

Swindon and Wiltshire GVA output by sector (%) 2009 and 2019



Swindon and Wiltshire's Output

The most significant losses to the economy due to COVID-19 were experienced in the Accommodation and Food and Administrative Support sectors...

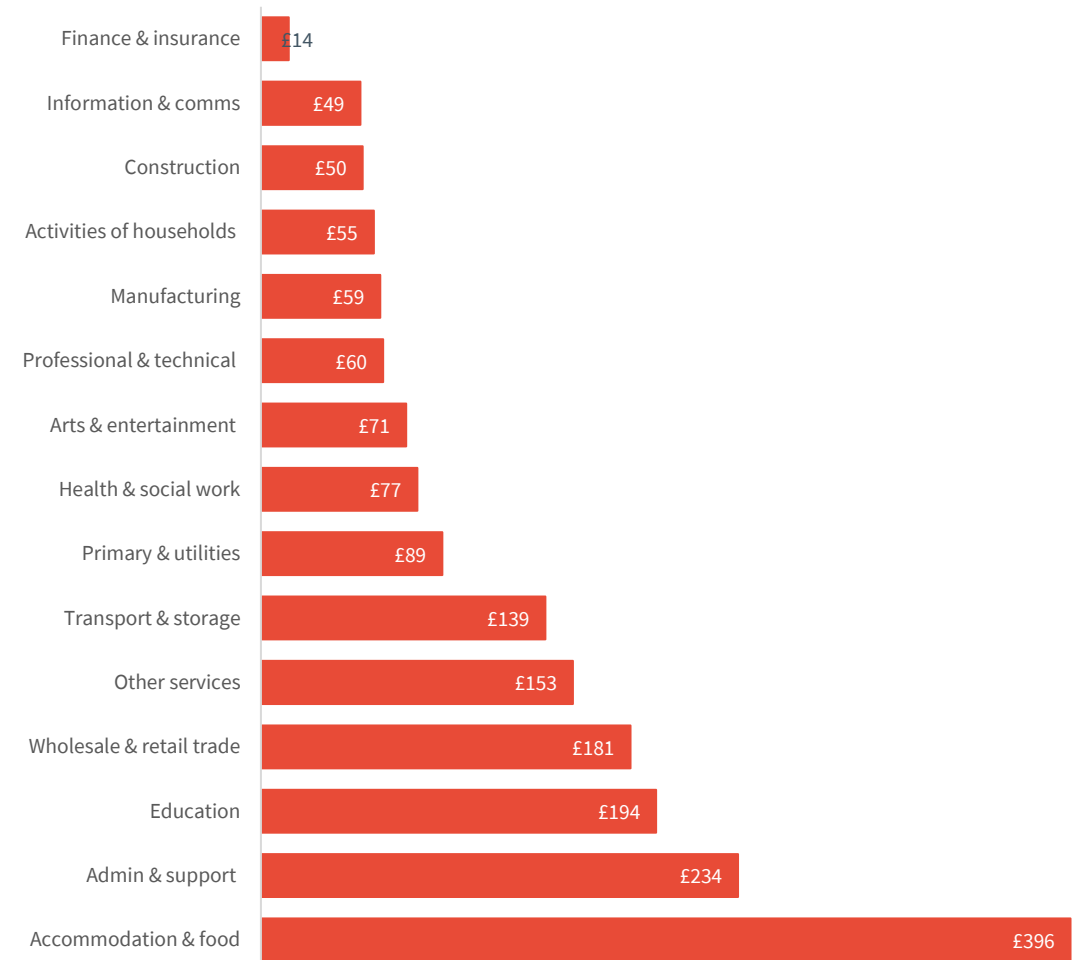
Using national proportional estimates for the sectoral impact of COVID-19 from the OBR, Hatch have developed a model that applies these to estimates to Swindon and Wiltshire's economy. In total, OBR estimates estimate a total loss of £1.7bn to the Swindon and Wiltshire economy in 2020 (-8%).

The sectoral losses reflect a mix of both the magnitude of assumed sectoral impacts at the national level as well as the relative importance of the sector in the local economy.

The model indicates that the distribution of losses varies notably across sectors. The estimated GVA contraction in 2020 was primarily driven by the Accommodation and Food sector, accounting for 22% of total losses, but also Administration and Support Services sector (13% of losses).

Source: Hatch analysis of the OBR October 2021 Projections

Estimated Output loss by Sector in Swindon and Wiltshire, 2020 (£m)



Swindon and Wiltshire's Productivity

The Swindon and Wiltshire LEP area has a small productivity gap with England...

Whilst output is a useful measure of economic activity, productivity is arguably a more critical metric of economic performance. Productivity measures how much is produced per unit of input. Labour productivity (which is the focus here) measures the value of output against a unit of labour input (ideally per hour worked but often, due to data availability, per filled job). Growth in productivity means more, or better quality, goods and services can be produced and so it is critical to improvements in living standards. Higher productivity also drives growth in wages.

Overall, Swindon and Wiltshire has a minor productivity gap (£55,700) below the national average (£57,500). This gap is driven by low productivity in Wiltshire (£45,200) which hides the notably high and above average productivity found in Swindon (£77,400).

It is important to recognize that although productivity growth can drive living standards it doesn't necessarily go hand in hand with improvements in well-being; London, for example, has the highest productivity of all UK regions but scores the lowest on levels of life satisfaction and worthwhileness measures¹.

Output per job filled (£), 2019



Source: ONS Subregional Productivity

¹ See, Annual personal well-being estimates, ONS



Swindon & Wiltshire
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HATCH

Swindon and Wiltshire's Productivity

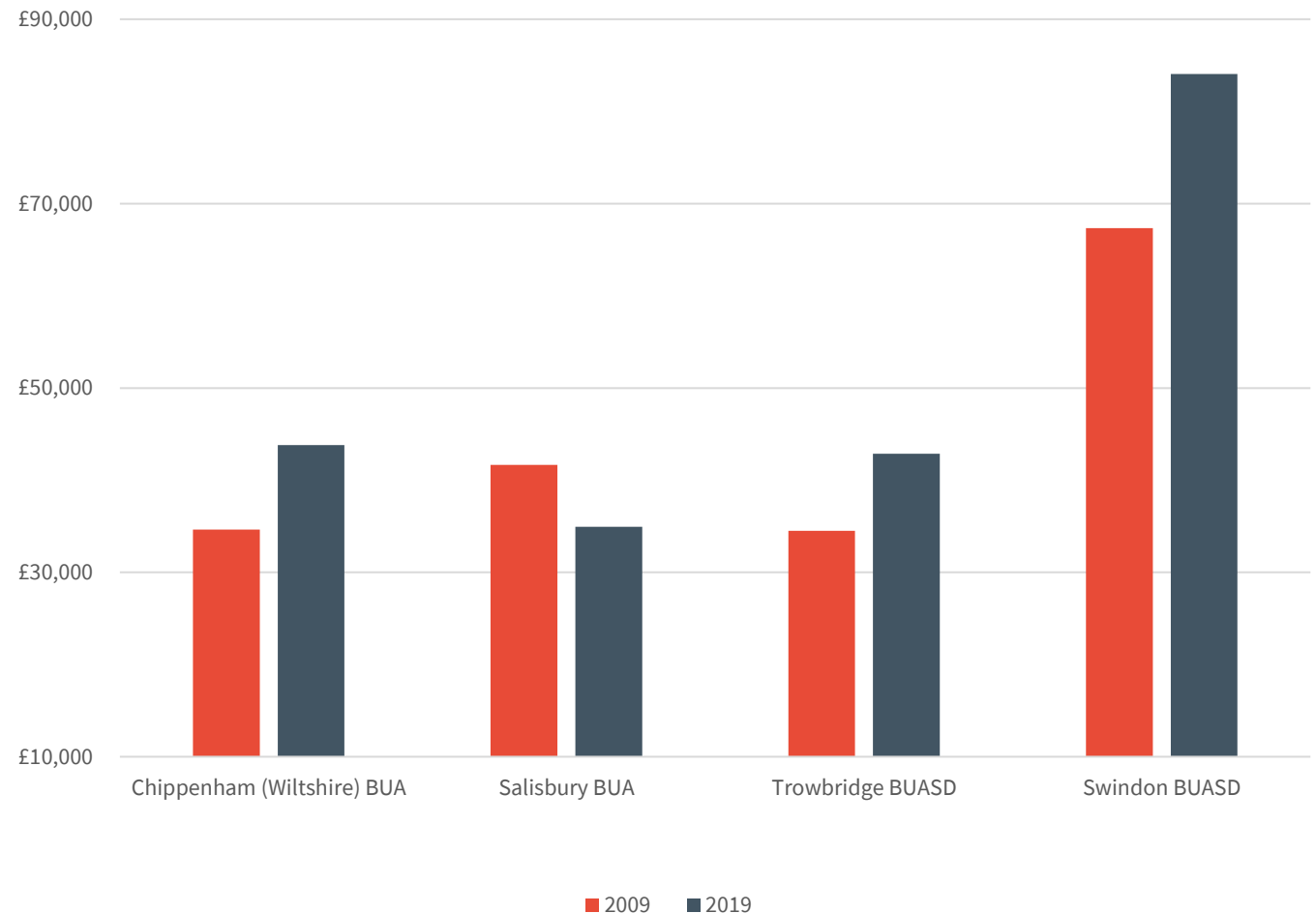
Tackling low productivity in Wiltshire's key settlements would help bolster the gains made in Swindon...

The ONS contains analysis of output and productivity for certain lower geographical areas* (Built Up Area (BAU) and Built Up Sub-Division (BAUSD)). However, this data is not available for all areas.

This reaffirms that Swindon drives the high productivity. With Chippenham, Salisbury and Trowbridge all forming key settlements within the growth zones, focusing attention on raising productivity in these areas will help improve overall productivity in both Wiltshire and the wider LEP area.

Between 2014 and 2019, GVA per job has grown at a slower rate in Swindon and Wiltshire (6%) compared to the South West (10%) and England (10%). This shows that the area is still struggling to make the productivity gains seen elsewhere.

Output per filled job by small area, £s, 2019



Source: ONS GVA and productivity estimates for other geographies

*The ONS only provides GVA data at a lower geographical level for the four aforementioned areas and not every BAU in Swindon and Wiltshire



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Swindon and Wiltshire's Productivity

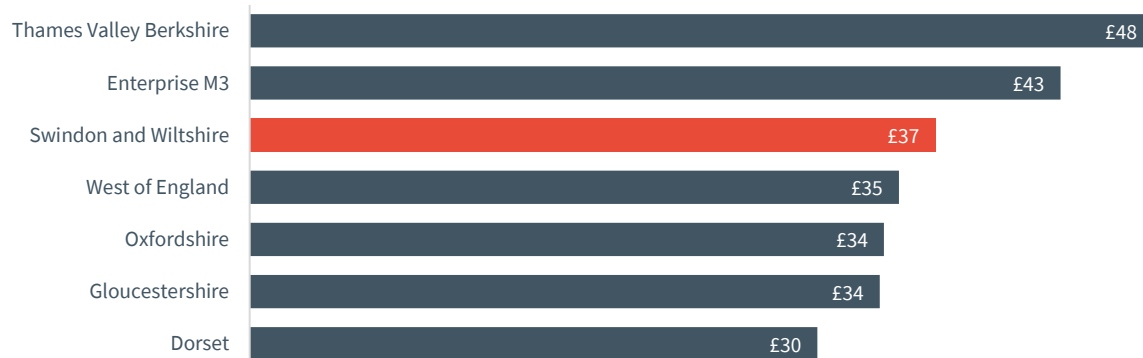
Whilst Swindon and Wiltshire's output is relatively small compared to surrounding LEP areas, its productivity performance is strong;

Swindon and Wiltshire has the third highest output per hour (which is also above the regional (£32) and national average (£36) levels). This is primarily due to a distinctly higher output per hour in Swindon (£48) compared to Wiltshire (£31).

Up until 2014, Swindon and Wiltshire had one of the highest growths in GVA per hour worked. However, this growth has started to plateau since 2014 and is now exceeded by higher growth in West of England and Enterprise M3.

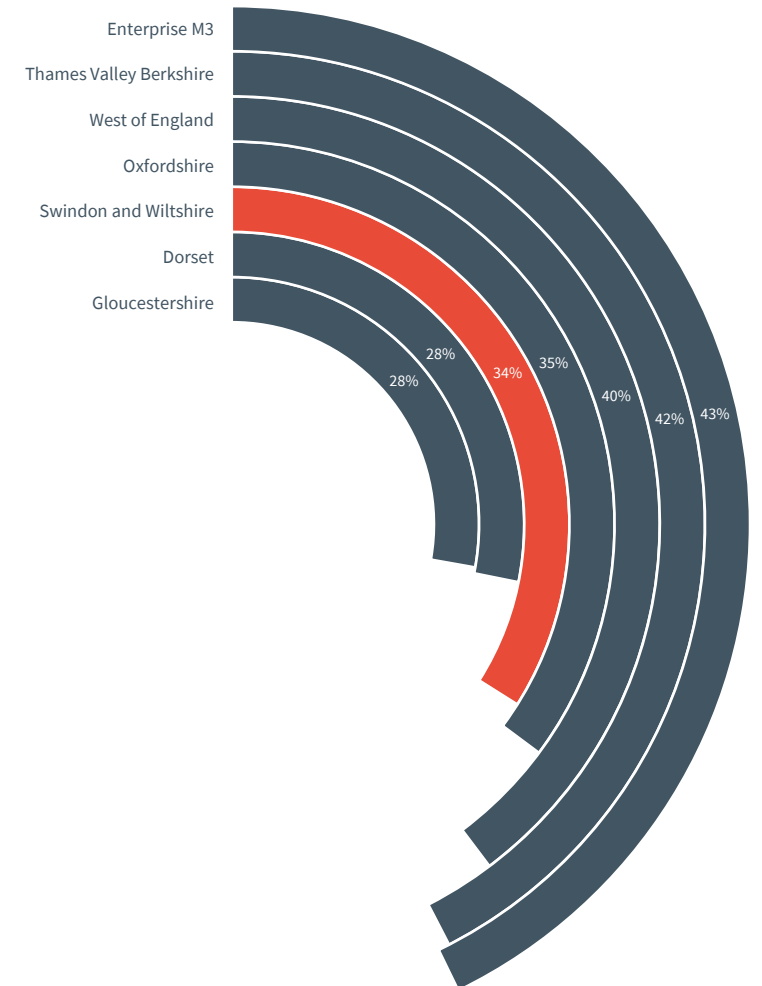
Whilst Swindon and Wiltshire has a relatively high output per hour filled, it has experienced the lowest relative growth since 2014 compared to the other LEP areas. This low growth holds back Swindon and Wiltshire's economy and risks its productivity being overtaken by other LEP areas over time.

GVA per hour worked, £s, 2019



Source: ONS Subregional Productivity

Growth in output per hour worked, 2004-2019



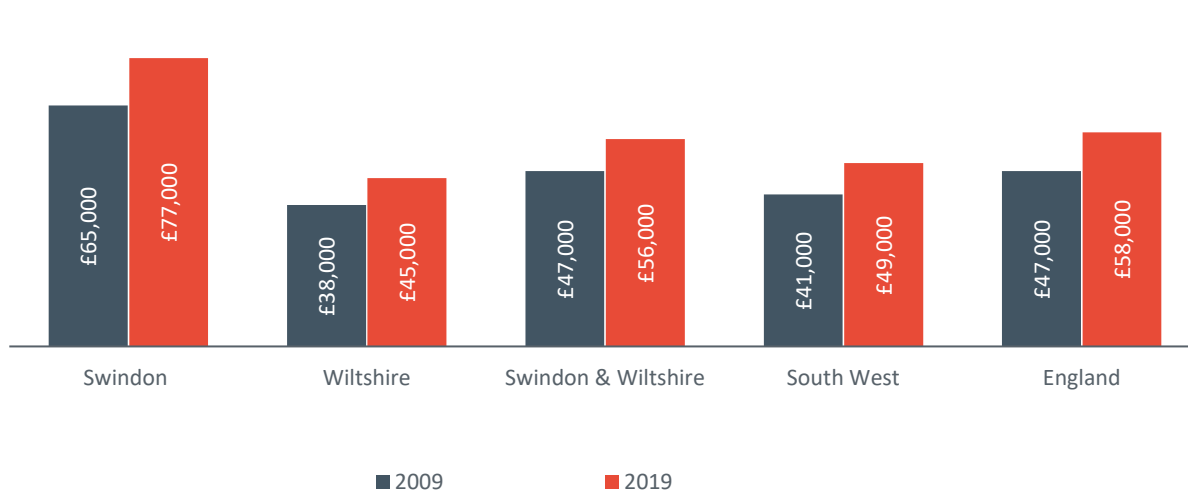
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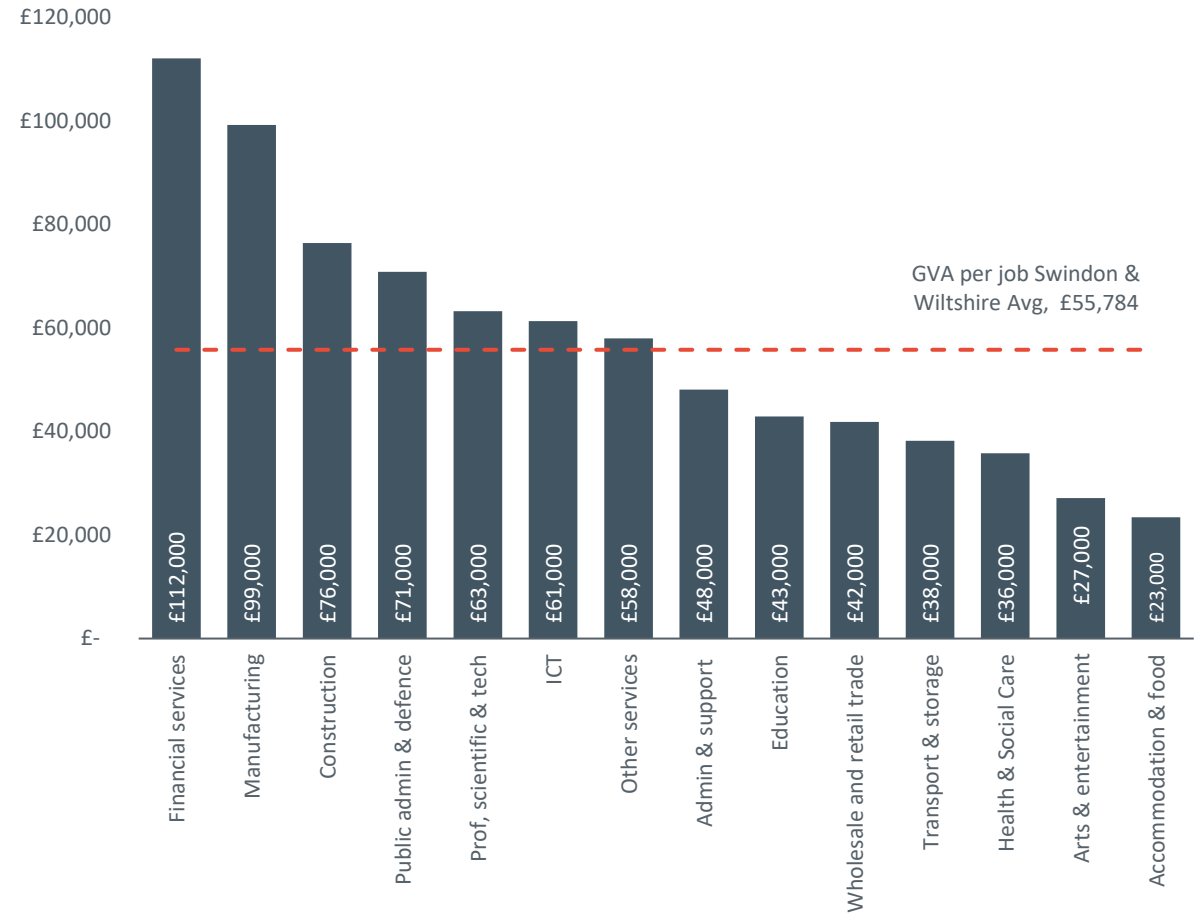
Highly productive sectors in Swindon and Wiltshire include financial services, manufacturing and construction sectors. In contrast, sectors such as accommodation and food and arts and entertainment lag well below the average rate of output per worker for the LEP area.

Over the past decade output per job has increased by 6% in Swindon and Wiltshire, although this is lower than the 10% rise seen nationally and regionally.

Output per Employment 2009-2019



GVA Output (£) per Employment in Swindon and Wiltshire (by sector)



Source: Hatch calculations using GVA regional accounts; BRES, ONS

Productivity and Output **Policy Insights**



Swindon and Wiltshire is a significant contributor to the UK and regional economy of £21bn in total output. Economic growth has been relatively healthy over the past five years with a growth rate of 12%, though this is lower than growth rates seen in comparator LEP areas and therefore may indicate a degree of relative underperformance over the past five years.

Perhaps more important than output growth is productivity growth. Productivity growth allows for improvements in wages and living standards and is one of the central pillars of the Levelling Up White Paper. Analysis suggests that much of the productivity gaps in the country are due to firm productivity difference rather than differing sectoral compositions of areas. This means it will be important for Swindon and Wiltshire to focus particularly on things that drive business productivity, especially within Wiltshire.

Considering recent policy, at the local (Swindon and Wiltshire Local Industrial Strategy), and national level (Build Back Better and the Levelling Up White Paper) it is clear too that productivity growth should be inclusive and sustainable.