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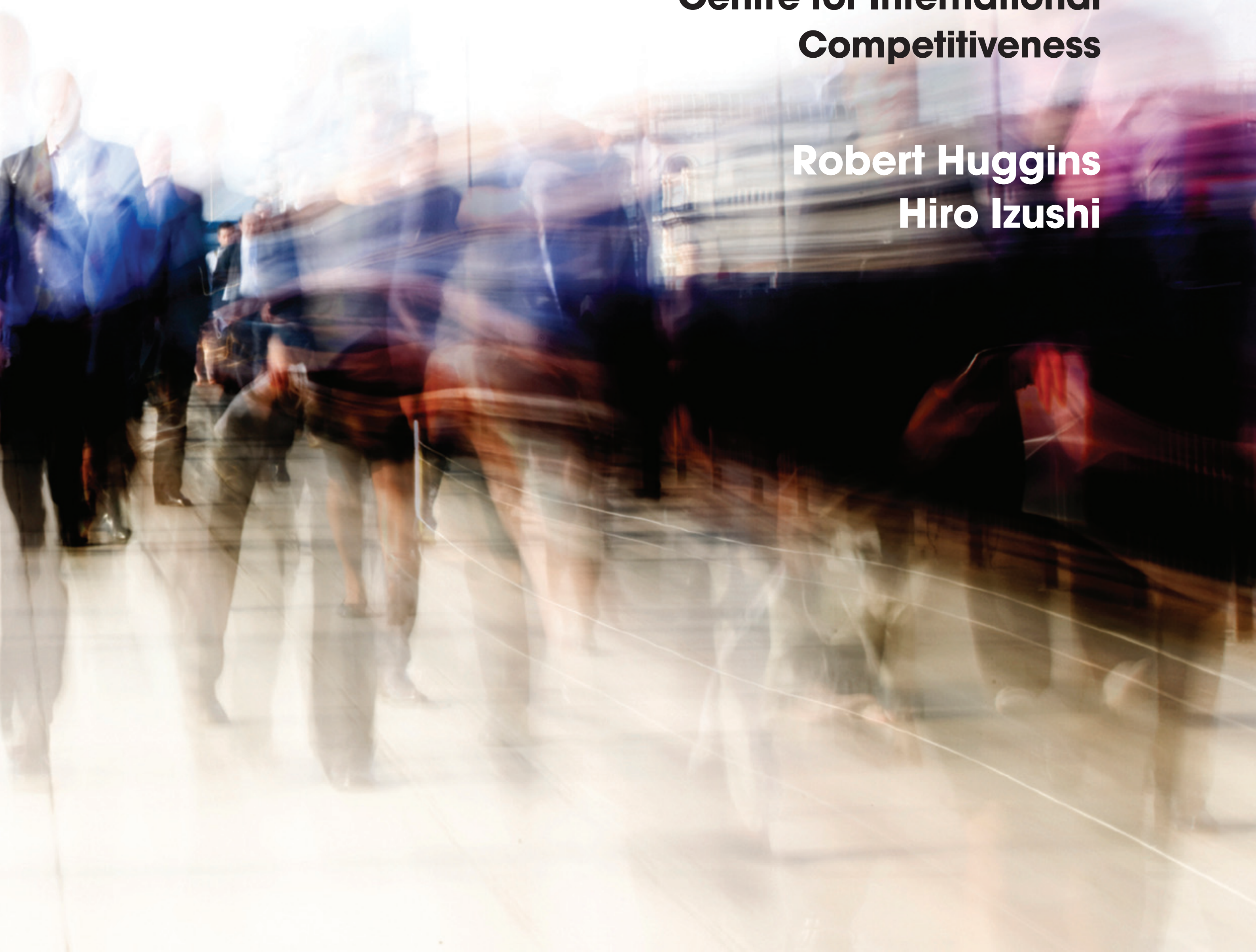
UK Competitiveness Index 2008

Centre for International Competitiveness

Robert Huggins
Hiro Izushi



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Robert Huggins
Centre for International Competitiveness
Cardiff School of Management
University of Wales Institute, Cardiff

Hiro Izushi
Centre for International Competitiveness
Aston Business School
Aston University

Published by: Centre for International Competitiveness
Cardiff School of Management
University of Wales Institute, Cardiff
Colchester Avenue
Cardiff
CF23 9XR
Wales
United Kingdom

Telephone: +44 (0) 29 2041 7075
http://www.cforic.org

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3. The most competitive city in the UK (excluding London, which we designate as a region) is Guildford, followed by St Albans and Cambridge.

4. There have been significant improvements in the competitiveness of many of the UK's city and urban areas, especially those located in the northern part of the UK.

5. Improving competitiveness in Liverpool, Manchester, and Salford are boosting the economic performance of North West England as a whole.

6. Other cities that have seen growing competitiveness include Derby, Leicester, Norwich, Peterborough, and Plymouth.

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8. The growing competitiveness of coastal locations such as Bournemouth, Poole, and Torbay suggests that regeneration efforts in these seaside towns are stimulating an improvement in economic fortunes.

9. The most uncompetitive localities in the UK are Blaenau Gwent (Wales), Easington (North East), and Merthyr Tydfil (Wales).

10. It is the UK's rural economies that have generally seen the biggest fall in competitiveness in recent years.

11. The 'Big Three' regions of London, South East England, and Eastern England continue to head the Regional UK Competitiveness Index.

12. The North West is the most improved regional performer rising two places from 8th to 6th on the Regional UKCI.

13. The UK's most uncompetitive regional economy remains the North East, followed by Wales, Northern Ireland, and Yorkshire and the Humber.

14. In general, the UKCI 2008 results question the validity of stimulating migration from the north to the south of the UK as a realistic mechanism for achieving economic regeneration and development.

15. There is a need to ensure that the system of allocating public finance is revised to reflect future competitiveness needs rather than past spending patterns.

16. Increased efforts should be made at national and regional level to explore how the competitiveness of rural economies can be best promoted in the coming years.

Chapter 1 – Introduction

This report represents the 2008 edition of the UK Competitiveness Index (UKCI), which was first introduced and published in 2000. It represents a benchmarking of the competitiveness of the UK's regions and localities. The UK Competitiveness Index has been designed as an integrated measure of competitiveness focusing on both the development and sustainability of businesses and the economic welfare of individuals. In this respect, we consider competitiveness to consist of the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it.

This makes clear that competitiveness is not a zero-sum game, and does not rely on the shifting of a finite amount of resources from one place to another. Competitiveness involves the upgrading and economic development of all places together, rather than the improvement of one place at the expense of another. However, competitiveness does involve balancing the different types of advantages that one place may hold over another, i.e. the range of differing strengths that the socio-economic environment affords to a particular place compared to elsewhere.

Since the UK Competitiveness Index was first introduced, the number of indicators and variables constituting the Regional and Local UK Competitiveness Indices has expanded. However, the fundamental methodology underlying them has remained the same. In this report, we publish indices for 2008 (incorporating the most up-to-date data available), as well as those presented in the 2006 report as a means of comparison and examining the UK's changing competitiveness landscape.

Due to space constraints it has proved impossible to list in full all the regional and local indicators prepared within the report. Therefore, a spreadsheet of the complete datasets is available in conjunction with this report for those interested in obtaining more detailed benchmarking or carrying out further analysis of their own.

The structure of the report is as follows. Chapter 2 reviews the methodology underlying the UK Competitiveness Index, with Chapter 3 presenting an overview of the main results from the Local and Regional Indices. Chapter 4 overviews the key indicators comprising the Regional Index, with Chapter 5 focusing on those indicators underlying the Local Index. Chapter 6 presents some final concluding remarks on the findings for UKCI 2008.

Chapter 2 - Methodology

Methodological Design of the UK Competitiveness Index

Context

The aim of the UK Competitiveness Index is to assess the relative economic competitiveness of regions and localities in the UK by constructing a single index that reflects, as fully as possible, the measurable criteria constituting place competitiveness. We consider that the competitiveness of localities/regions and the competitiveness of firms are interdependent concepts. Measuring such competitiveness, however, is no easy matter and, as indicators of national competitiveness have shown, cannot be reduced solely to notions of Gross Domestic Product (GDP) and productivity. Similarly, place competitiveness cannot be measured by ranking any one variable in isolation, since it is the result of a complex interaction between input, output, and outcome factors.

Clearly, not all of these factors are readily measurable, given that as well as consisting of economic variables, they also include political, social and cultural parameters. However, since our focus is on relative competitive performance within the UK, the assumption can be made that these factors will have an identifiable effect on key economic measures. For example, the cultural differences between a traditional manufacturing economy and a knowledge-based economy should have an obvious bearing on their relative economic performance. Also, factors such as the impact of the current UK political regime will be common to areas, despite the existence of devolved governance in parts of the UK.

Design

The key concern with the design process of the UK Competitiveness Index is to develop a series of indices incorporating data that are available and comparable at the local and regional level, and that go some way towards reflecting the link between macro-economic performance and innovative business behaviour. Consideration also has to be given to the overall 'value' of indicators, and their relative effectiveness as performance measures. In particular, the interrelationships between the 'measure-chain' of inputs, outputs and outcomes, and the underlying ability of the index to be updated as frequently as possible, are of major significance.

Given the methodological parameters, a number of different modes of creating the index, and the variables to be included, have been considered. After testing, the 3-Factor model for measuring competitiveness as shown in Figures 2.01 (Regional UK Competitiveness Index) and Figure 2.02 (Local UK Competitiveness Index) is adopted. The 3-Factor model consists of a linear framework for analysing competitiveness based on: (1) input; (2) output; and (3) outcome factors.

In order to achieve a valid balance between each of the indicators, in terms of their overall significance to the composite index, each of the three measures - Measure 1: Inputs; Measure 2: Output; and Measure 3: Outcomes - are given an equal weighting, since it is hypothesised that each will be interrelated and economically bound by the other.[1]

For each measure an index was calculated with a UK average base of 100, and the distribution range for each measure calculated (in the case of unemployment rates these values are inverted). As expected, it is found that some of the ranges have both a skewed and a long distribution range, the result being that these variables have an overly strong influence on the composite index. Therefore, each datum is transformed into its logarithmic form to produce distributions that are closer to the 'normal' curve, and that dampen out extreme values so that no single variable distorts the final composite score.

[1] Huggins R. (2003) 'Creating a UK Competitiveness Index: Regional and Local Benchmarking', Regional Studies, Vol. 37.1, pp. 89-96.

Figure 2.01: The 3 Factor Model Underlying the UK Regional Competitiveness Index

Input factors

R&D expenditure
Economic Activity Rates
Business Start-up Rates per 1,000 Inhabitants
Number of Business per 1,000 inhabitants
GCSE Results - 5 or more grades A* to C
Proportion of Working Age Population with NVQ Level 4 or Higher
Proportion of Knowledge-Based Business

Output factors

Gross Value Added per head at current basic prices
Exports per Head of Population
Imports per Head of Population
Proportion of Exporting Companies
Productivity - Output per Hour Worked
Employment Rates

Outcome factors

Gross weekly pay
unemployment rates

It is the case that the untransformed values are no more real or 'natural' than the transformed ones. However, in order to reflect as far as possible the scale of difference in area competitiveness, the composite scores were finally 'anti-logged' through exponential transformation. This is achieved by calculating the exponential difference between the mean logged and un-logged index of the fifty localities nearest the overall UK mean of 100. This resulted in a mean exponential difference slightly less than the cubed-mean of the logged index. For example, a logged index of 104 produced an unlogged index of approximately 112.5 (104^3 divided by 100^3) and a logged index of 90 an unlogged index of approximately 73 (90^3 divided by 100^3).

Therefore, bearing in mind the aim of producing a frequently repeatable index, the exponential cube transformation approach is adopted. Given the above criteria and methodology, a composite Competitiveness Index was calculated for regions and localities of the UK.

Figure 2.02: The 3 Factor Model Underlying the UK Local Competitiveness Index

Input factors

Economic Activity Rates
Business Start-up Rates per 1,000 Inhabitants
Number of Business per 1,000 inhabitants
Proportion of Working Age Population with NVQ Level 4 or
Proportion of Knowledge-Based Business

Output factors

Gross Value Added per head at current basic prices
Productivity - Output per Hour Worked
Employment Rates

Outcome factors

Gross weekly pay
Unemployment rates

Calculating Local Gross Valued Added (GVA) Estimates

Local district and authority area level GVA estimates are produced by assuming that the productivity within the corresponding NUTS 3 areas (within which they are situated and for which there is published GVA data) is the same as that for the smaller local areas. The estimates were calculated by multiplying NUTS 3 productivity (expressed as output per worker) by the number of workers within an area. This produces a total output figure from which output per head is calculated by dividing total output by total population.

Output per head = (NUTS 3 productivity*District Employment) /District Population.

Benchmarked Places

The benchmarking consists of two datasets: UK regions; and UK localities (including cities, boroughs and districts, but excluding localities of Northern Ireland. The 12 UK regions and their populations are shown in Table 2.01.

In total, 408 local areas are benchmarked. The Appendix lists these localities along with their populations and regional designation.

Table 2.01: UK Regions and their Populations

Region	Population 2006
East England	5,606,600
East Midlands	4,364,200
London	7,512,400
North East England	2,555,700
North West England	6,853,200
Northern Ireland	1,741,600
Scotland	5,116,900
South East England	8,237,800
South West England	5,124,100
Wales	2,965,900
West Midlands	5,366,700
Yorkshire and The Humber	5,142,400
UK	60,587,500

Chapter 3 - UK Competitiveness Index 2008 Rankings

Table 3.01 presents the top ranked localities on the UK Competitiveness Index in 2008. The top five positions remain the same as 2006 and are exclusively filled by boroughs of London. At the head of the rankings is the City of London, followed by the City of Westminster, Camden, Islington, and Hammersmith and Fulham. London boroughs are also ranked 6th, with Kensington and Chelsea moving up one place, and 7th, and Tower Hamlets moving up two places from 9th. Windsor and Maidenhead in South Eastern England slips two places to 8th, and Mole Valley (also within the South East) is ranked 9th, down one place since 2006.

The biggest riser within the top twenty-five is Bracknell Forest in the South East, which moves from 20th to 14th. The biggest faller within the top echelon is Guildford, (South East), which drops eight places from 13th to 21st. The top twenty-five localities on the UK Competitiveness Index in 2008 consist of areas from only three regions – London, South East England, and Eastern England. Most these localities have seen a rise in their index score between 2006 and 2008, indicating their continuance as the UK's most competitive places.

Table: 3.01: Top 25 Localities on the UK Competitiveness Index 2008 (UK=100)

Rank	Locality	Region	UK Competitiveness Index 2008	UK Competitiveness Index 2006	Rank 2006 out of 407	Change in Score	Change in Rank (+/-)
1	City of London	London	685.4	670.7	1	14.7	0
2	Westminster, City of	London	212.3	201.3	2	10.9	0
3	Camden	London	161.2	157.7	3	3.5	0
4	Islington	London	142.5	141.0	4	1.6	0
5	Hammersmith and Fulham	London	140.4	136.6	5	3.8	0
6	Kensington and Chelsea	London	132.0	127.9	7	4.0	1
7	Tower Hamlets	London	131.9	125.4	9	6.5	2
8	Windsor and Maidenhead	South East	129.4	131.2	6	-1.8	-2
9	Mole Valley	South East	128.1	127.0	8	1.1	-1
10	Surrey Heath	South East	127.3	124.0	12	3.3	2
11	Richmond-upon-Thames	London	126.8	122.8	14	4.0	3
12	West Berkshire	South East	125.2	125.2	10	0.0	-2
13	Wokingham	South East	124.4	122.5	15	1.9	2
14	Bracknell Forest	South East	124.4	120.4	20	4.0	6
15	Runnymede	South East	124.3	121.3	19	3.0	4
16	Elmbridge	South East	124.1	124.2	11	-0.1	-5
17	Woking	South East	123.5	121.8	17	1.8	0
18	Wandsworth	London	123.4	119.5	22	3.9	4
19	Waverley	South East	122.9	119.4	23	3.5	4
20	Southwark	London	122.8	119.2	24	3.6	4
21	Guildford	South East	121.2	123.2	13	-2.1	-8
22	Reading	South East	120.9	121.8	16	-0.9	-6
23	St Albans	Eastern	120.8	121.6	18	-0.8	-5
24	Watford	Eastern	120.4	120.0	21	0.4	-3
25	Reigate and Banstead	South East	118.6	117.8	26	0.8	1

Table 3.02 ranks those larger localities (more than one hundred thousand population) of the UK designated as cities (excluding London, which is included in the Regional UK Competitiveness Index). Guildford heads the table, with St Albans ranked 2nd and Cambridge 3rd. The three cities are amongst the UK's most important sites for high-technology and knowledge-based economic activity. Whilst Guildford and St Albans have seen a fall in their overall local competitiveness ranking, Cambridge makes further ground rising a further seven places on the Local Index. It is interesting to note the growing competitiveness of cities in many of the more northern parts of the UK. Manchester is now ranked 10th on the City Index, and has risen a significant twenty-four places on the Local Index.

Similarly, York is ranked 11th on the City Index, and records a rise of thirty places on the Local Index. This highlights the strides these cities have made in recent years in improving their business and economic infrastructure. However, even more ground has been made by Liverpool, which moves up forty-four places on the Local Index. Although Liverpool is still ranked relatively lowly (37th on the City Index, and 300th on the Local Index) it rise up the rankings, based on growing economic activity, greater levels of entrepreneurship and workforce skills, is a clear signal of economic revival and growing prosperity. Other cities that have continued to see growing competitiveness since UKCI 2006 include Derby and Leicester in the Midlands, Norwich, Peterborough, and Plymouth.

Hull, Stoke-on-Trent, Sunderland, and Swansea are the UK's least competitive cities. Encouragingly, however, with the exception of Swansea all have moved up the rankings on the Local UK Competitiveness Index.

Table 3.02: City UK Competitiveness Index 2008 (UK=100)

City Index Rank	Locality	UK Competitiveness Index 2008	Local Index Rank (out of 407)	UK Competitiveness Index 2006	Local Index Rank 2006 (out of 407)	Change in Score	Change inRank (+/-)
1	Guildford	121.2	21	123.2	13	-2.1	-8
2	St Albans	120.8	23	121.6	18	-0.8	-5
3	Cambridge	115.3	33	115.0	40	0.3	7
4	Edinburgh, City of	114.2	42	112.9	49	1.2	7
5	Aberdeen City	113.7	47	108.6	68	5.1	21
6	Bristol	109.0	64	107.7	75	1.3	11
7	Chester	106.1	82	108.9	64	-2.8	-18
8	Oxford	104.8	91	107.3	77	-2.5	-14
9	Brighton and Hove	104.7	94	103.3	104	1.5	10
10	Manchester	104.6	96	101.5	120	3.1	24
11	York	101.0	124	98.3	156	2.7	32
12	Cardiff	100.5	126	100.9	128	-0.4	2
13	Gloucester	99.6	132	98.3	158	1.4	26
14	Leeds	99.5	135	99.0	145	0.5	10
15	Norwich	99.4	137	96.4	188	3.1	51
16	Stirling	99.4	139	98.7	149	0.7	10
17	Salisbury	99.2	141	99.9	139	-0.7	-2
18	Derby City	99.1	143	97.7	169	1.4	26
19	Exeter	98.1	153	97.8	165	0.3	12
20	Peterborough	98.1	154	96.0	195	2.0	41
21	Glasgow City	97.3	174	96.5	187	0.8	13
22	Preston	96.9	179	96.8	181	0.2	2
23	Southampton	96.6	182	96.3	190	0.4	8

24	Coventry	96.2	186	95.0	207	1.3	21
25	Portsmouth	95.3	197	94.8	211	0.5	14
26	Salford	95.1	199	92.6	243	2.4	44
27	Leicester City	94.6	207	91.2	261	3.4	54
28	Newcastle-upon-Tyne	94.3	209	93.9	222	0.4	13
29	Nottingham	93.9	213	93.6	229	0.3	16
30	Birmingham	92.2	236	93.0	233	-0.8	-3
31	Newport	91.9	241	92.3	247	-0.4	6
32	Dundee City	89.9	271	88.7	303	1.2	32
33	Sheffield	89.6	273	90.6	271	-1.0	-2
34	Wakefield	89.0	283	88.3	309	0.7	26
35	Carlisle	88.5	287	90.6	273	-2.1	-14
36	Lancaster	87.8	299	90.6	274	-2.8	-25
37	Liverpool	87.8	300	84.8	344	3.0	44
38	Wolverhampton	87.3	305	86.6	330	0.7	25
39	Bradford	86.6	315	87.0	325	-0.5	10
40	Plymouth	85.7	325	83.7	357	2.0	32
41	Swansea	84.8	339	85.7	335	-0.9	-4
42	Sunderland	82.1	369	80.7	387	1.3	18
43	Stoke on Trent	81.4	375	80.4	391	1.0	16
44	Kingston upon Hull	81.1	380	81.3	383	-0.2	3

Table 3.03 lists those localities that have seen the biggest improvement in competitiveness since UKCI 2006. At the head is Newham in London, which has moved up ninety-one places from 308th to 217th, followed by Darlington (moving up seventy-three places from 328th to 255th) and Durham (rising sixty-six places from 310th to 244th) in North East England. The growth in competitiveness of places such as Darlington and Durham suggests the beginnings of the reversal of the North-South Divide we first highlighted in UKCI 2006 is continuing. However, and as might be expected, this reversal is the result of development and improvement within a number of key localities. For instance, in the North West it is clear that regional competitiveness improvements are being driven by urban development in Liverpool, Manchester, and Salford.

The growth of coastal locations such as Bournemouth, Poole, and Torbay further suggests that regeneration efforts in these seaside towns are stimulating an improvement in economic fortunes.

Table 3.03: Top 25 Most Improved Localities on the UK Competitiveness Index 2006-2008

Rank	Locality	Region	UK Competitiveness Index 2008	Rank 2008 out of 407	UK Competitiveness Index 2006	Rank 2006 out of 407	Change in Score	Change in Rank (+/-)
1	Newham	London	93.6	217	88.5	308	5.1	91
2	Darlington	North East	91.0	255	86.8	328	4.2	73
3	Durham	North East	91.7	244	88.3	310	3.4	66
4	Chesterfield	East Midlands	95.0	200	91.1	262	4.0	62
5	Dartford	South East	103.5	104	98.0	161	5.5	57
6	Enfield	London	98.8	146	95.4	201	3.3	55
7	Leicester City	East Midlands	94.6	207	91.2	261	3.4	54
8	Rochford	Eastern	94.1	212	90.8	265	3.3	53
9	Norwich	Eastern	99.4	137	96.4	188	3.1	51
10	Bromsgrove	West Midlands	101.0	123	97.5	173	3.6	50
11	West Dunbartonshire	Scotland	85.2	332	82.3	380	2.9	48
12	Kettering	East Midlands	96.3	185	93.5	231	2.9	46
13	Bournemouth	South West	97.7	166	94.7	212	3.0	46
14	Restormel	South West	85.3	331	82.7	376	2.6	45
15	Liverpool	North West	87.8	300	84.8	344	3.0	44
16	Salford	North West	95.1	199	92.6	243	2.4	44
17	Greenwich	London	94.7	205	92.2	248	2.5	43
18	Peterborough	Eastern	98.1	154	96.0	195	2.0	41
19	Erewash	East Midlands	89.9	266	88.6	306	1.3	40
20	East Dunbartonshire	Scotland	96.2	187	93.7	227	2.5	40
21	Poole	South West	99.3	140	96.9	179	2.4	39
22	Torbay	South West	84.1	350	80.7	388	3.4	38
23	Harlow	Eastern	98.2	151	96.3	189	1.9	38
24	West Wiltshire	South West	99.5	136	97.4	174	2.1	38
25	Thurrock	Eastern	91.4	250	89.5	287	1.9	37

As shown by Table 3.04, the most uncompetitive localities are Blaenau Gwent (Wales), Easington (North East), and Merthyr Tydfil (Wales). In the case of Blaenau Gwent and Merthyr Tydfil, both have seen a fall in their index score since 2006, which indicates further economic detachment from the UK as a whole. Wales has six entries among the UK's least competitive localities, none of which have seen any improvement since UKCI 2006. This is a worrying sign given that the region has now had almost a decade of devolved government (none of Scotland's localities are among the bottom twenty-five). Localities in the North East provide even more entries in the bottom echelon – ten – although six of these have improved their position since 2006.

Table 3.04: Bottom 25 Localities on the UK Competitiveness Index 2008 (UK=100)

Rank out of 407	Locality	Region	UK Competitiveness Index 2008	UK Competitiveness Index 2006	Rank 2006 out of 407	Change in Score	Change inRank (+/-)
407	Blaenau Gwent	Wales	71.3	72.8	406	-1.5	-1
406	Easington	North East	72.3	71.2	407	1.0	1
405	Merthyr Tydfil	Wales	73.7	78.5	396	-4.8	-9
404	Chester-le-Street	North East	76.2	80.5	390	-4.3	-14
403	Caerphilly	Wales	76.2	76.2	404	0.0	1
402	Knowsley	North West	76.5	77.1	400	-0.6	-2
401	South Tyneside	North East	76.6	75.5	405	1.0	4
400	Wansbeck	North East	77.2	77.6	399	-0.4	-1
399	Blyth Valley	North East	77.6	76.5	402	1.1	3
398	Torridge	South West	77.7	85.4	338	-7.8	-60
397	Blackpool	North West	78.3	83.1	369	-4.8	-28
396	Kerrier	South West	78.5	79.8	394	-1.3	-2
395	Rhondda, Cynon, Taff	Wales	78.5	79.5	395	-1.0	0
394	Neath Port Talbot	Wales	78.6	80.2	392	-1.5	-2
393	Sedgefield	North East	78.9	79.8	393	-1.0	0
392	Redcar and Cleveland	North East	79.0	76.9	401	2.1	9
391	Derwentside	North East	79.3	78.5	397	0.8	6
390	Hartlepool	North East	79.3	76.5	403	2.8	13
389	Barnsley	Yorkshire and Humberside	80.3	81.0	384	-0.7	-5
388	Anglesey	Wales	80.5	84.8	343	-4.3	-45
387	Great Yarmouth	Eastern	80.6	82.8	372	-2.2	-15
386	Berwick-upon-Tweed	North East	80.6	88.6	307	-8.0	-79
385	Hyndburn	North West	80.7	84.1	352	-3.4	-33
384	Weymouth and Portland	South West	80.7	83.7	359	-3.0	-25
383	Tendring	Eastern	80.8	82.9	371	-2.1	-12

Those localities that have seen the largest decline in competitiveness since 2006 are the Orkney Islands in Scotland, and Mid Devon and West Somerset in South West England. An analysis of Table 3.05 clearly highlights that the biggest drops in competitiveness are occurring within the UK's rural economies. This is a strong indication that whilst urban development intervention in the UK is achieving a significant degree of success, this may be coming at the expense of many rural areas. Although initiatives such as 'city-regions' are attempting to embrace the hinterlands of cities into economic development efforts, many local economies remain beyond the scope of such initiatives. Rural competitiveness at the local level in the UK remains relatively unexplored from a political economy perspective, with much of the attention focused on urban economies. However, if these rural economies are left to decline further, the impact on UK competitiveness in a global context is likely to be extremely detrimental.

Table 3.05: Biggest Fallers on the UK Competitiveness Index 2006-2008

Rank	Locality	Region	UK Competitiveness Index 2008	Rank out of 407	UK Competitiveness Index 2006	Rank 2006 out of 407	Change in Score	Change inRank (+/-)
407	Orkney Islands	Scotland	86.3	317	97.7	168	-11.4	-149
406	Mid Devon	South West	87.4	303	95.5	200	-8.1	-103
405	West Somerset	South West	82.6	364	90.7	270	-8.0	-94
404	Teesdale	North East	85.1	334	92.6	244	-7.4	-90
403	Eden	North West	92.7	228	99.4	143	-6.7	-85
402	Ceredigion	Wales	81.1	378	89.1	294	-8.0	-84
401	Boston	East Midlands	84.5	344	90.9	263	-6.4	-81
400	Berwick-upon-Tweed	North East	80.6	386	88.6	307	-8.0	-79
399	Shetland Islands	Scotland	88.7	286	94.9	210	-6.3	-76
398	Craven	Yorkshire and Humberside	97.4	173	103.5	100	-6.2	-73
397	Powys	Wales	91.4	251	96.5	185	-5.1	-66
396	Mid Suffolk	Eastern	95.0	201	100.1	138	-5.1	-63
395	Oswestry	West Midlands	89.0	284	93.8	223	-4.8	-61
394	Ryedale	Yorkshire and Humberside	96.5	184	101.2	124	-4.7	-60
393	Torridge	South West	77.7	398	85.4	338	-7.8	-60
392	Argyll & Bute	Scotland	87.0	309	92.0	251	-5.0	-58
391	Hambleton	Yorkshire and Humberside	97.8	164	102.7	108	-4.9	-56
390	St Edmundsbury	Eastern	96.6	183	100.8	130	-4.2	-53
389	West Lancashire	North West	88.7	285	93.0	234	-4.3	-51
388	Maldon	Eastern	94.7	206	98.2	159	-3.4	-47
387	Braintree	Eastern	97.8	163	101.7	117	-3.9	-46
386	Newcastle-under-Lyme	West Midlands	84.1	351	88.7	305	-4.6	-46
385	Anglesey	Wales	80.5	388	84.8	343	-4.3	-45
384	Corby	East Midlands	90.1	265	93.9	221	-3.8	-44
383	Monmouthshire	Wales	98.1	152	102.4	109	-4.2	-43

Table 3.06 presents the results of the Regional UK Competitiveness Index for 2008. The top five positions remain unchanged, with the list headed by the 'Big Three' regions of London, South East England, and Eastern England, which are the only regions performing above the UK average. The East Midlands is ranked 4th and the South West 5th, with the North West rising two places from 8th to 6th. The growing competitiveness of the North West economy is significant, and as we have seen is largely based on an improving economic climate in Liverpool, Manchester, and Salford. Although the West Midlands remains in 7th position it has shown good growth and combined with the rise of the North West has resulted in Scotland dropping down the regional rankings from 6th to 8th. The UK's most uncompetitive regional economy remains the North East, followed by Wales, Northern Ireland, and Yorkshire and the Humber.

Table 3.06: Regional UK Competitiveness Index 2008 (UK=100)

Rank	Region	UK Competitiveness Index 2008	UK Competitiveness Index 2006	Rank	Change in Rank
1	London	112.5	113.9	1	0
2	South East	109.7	110.5	2	0
3	Eastern	105.6	106.0	3	0
4	East Midlands	97.7	96.1	4	0
5	South West	95.0	94.9	5	0
6	North West	94.5	92.3	8	2
7	West Midlands	94.4	92.7	7	0
8	Scotland	94.3	94.2	6	-2
9	Yorkshire and The Humber	89.6	90.5	9	0
10	Northern Ireland	88.8	88.0	10	0
11	Wales	86.8	86.7	11	0
12	North East	83.1	84.2	12	0
	United Kingdom	100.0	100.0		

Table 3.07 present a Growth Competitiveness Index for UK regions based on changes in overall scores between UKCI 2006 and 2008. North West England heads the rankings, followed by the West and East Midlands, illustrating the improving economic environment these regions have established in recent years. Northern Ireland is ranked 4th, with the region showing further signs of the establishment of a more robust and settled economy . At the foot of the rankings is the North East and London, which highlights that changes in economic competitiveness at the regional level are not solely positively or negatively associated with either the north or south of the UK. Indeed, the 'Big Three' regions all saw a fall in their competitiveness score between 2006 and 2008. The fall in the relative competitiveness of London is worrying for the UK as whole, as it confirms other indications (for example, see the World Knowledge Competitiveness Index 2008) that the competitiveness of the capital region has faltered in recent years.

Table 3.07: UK Regional Growth Competitiveness Index 2006-2008

Rank	Region	Growth Competitiveness Index 2006-08
1	North West	2.36
2	West Midlands	1.84
3	East Midlands	1.61
4	Northern Ireland	0.92
5	South West	0.12
6	Scotland	0.06
7	Wales	0.04
8	Eastern	-0.33
9	South East	-0.78
10	Yorkshire and The Humber	-1.02
11	London	-1.26
12	North East	-1.41

Chapter 4 – Regional Indicators

Tables 4.01-4.03 provide sub-composite indices of the overall UK Competitiveness Index based on the appropriate input, output and outcome factors. Table 4.01 is an index of the following input factors: (1) R&D expenditure; (2) Economic Activity Rates; (3) Business Start-Up Rates per 1,000 Inhabitants; (4) Number of Businesses per 1,000 Inhabitants; (5) GCSE Results - 5 or more grades A* to C; (6) Proportion of Working Age Population with NVQ Level 4 or Higher; and (7) Proportion of Knowledge-Based Businesses. These input factors are necessarily extremely important to the competitiveness of regions, and the Index of Inputs can be utilised as an indicator of competitiveness sustainability. South East England heads the table, indicating its strong innovative capacity, with London dropping from 2nd to 3rd place. Impressive gains have been made by the North West and the East and West Midlands, confirming the improvement in the future competitiveness capability of these regions.

Table 4.01: Regional UK Competitiveness Index 2008 - Index of Input Factors

Rank	Region	Index of 2006	Index of Inputs	Rank Index	Change in Score	Change in Rank
1	South East	114.7	116.3	1	-1.6	0
2	Eastern	112.1	111.3	3	0.7	1
3	London	111.8	115.5	2	-3.7	-1
4	South West	102.0	102.3	4	-0.4	0
5	Scotland	95.9	96.8	5	-0.8	0
6	North West	90.7	86.9	7	3.8	1
7	East Midlands	90.6	87.2	6	3.4	-1
8	West Midlands	88.2	84.3	10	3.8	2
9	Northern Ireland	88.0	85.6	8	2.4	-1
10	Yorkshire and The Humber	83.0	84.6	9	-1.6	-1
11	Wales	82.2	82.9	11	-0.7	0
12	North East	66.7	69.0	12	-2.2	0
	United Kingdom	100.0	100.0			

A sub-composite index of the following output factors of the UK Competitiveness Index is shown by Table 4.02: (1) Gross Value Added per head at current basic prices; (2) Exports per Head of Population; (3) Imports per Head of Population; (4) Proportion of Exporting Companies; (5) Productivity- Output per Hour Worked; and (6) Employment Rates. These output factors are an indicator of a region's ability to effectively utilise its competitiveness inputs, and is therefore a measure of its productive capabilities. East Midlands moves from 4th to 3rd, highlighting the growing competitiveness of the region. However, the most impressive gains have been made by North West, which is largely a result of the great strides occurring within the key urban economies of Liverpool and Manchester.

Table 4.02: Regional UK Competitiveness Index 2008 - Index of Output Factors

Rank	Region	Index of Outputs 2008	Index of Outputs 2006	Rank	Change in Index Score	Change in Rank
1	London	113.5	113.6	1	-0.2	0
2	South East	111.5	112.9	2	-1.4	0
3	East Midlands	105.6	104.4	4	1.2	1
4	Eastern	104.9	106.5	3	-1.6	-1
5	West Midlands	98.8	97.5	5	1.3	0
6	North West	95.8	93.2	6	2.6	0
7	North East	90.6	91.1	7	-0.6	0
8	Yorkshire and The Humber	90.2	90.9	8	-0.7	0
9	Scotland	88.7	88.8	9	-0.1	0
10	South West	86.1	85.7	10	0.4	0
11	Wales	83.4	82.7	12	0.7	1
12	Northern Ireland	83.2	83.7	11	-0.5	-1
	United Kingdom	100.0	100.0			

Measures of gross weekly pay and unemployment rates form the sub-composite of outcome factors shown by Table 4.03. This index is a measure of the standard of living aspects of the definition of competitiveness we adopt. The rankings and index scores are relatively comparable with 2006 and indicate that further regional divergence across the UK has continued to be averted in recent years.

Table 4.03: Regional UK Competitiveness Index 2008 - Index of Outcome Factors

Rank	Region	Index of Outputs 2008	Index of Outputs 2006	Rank	Change in Index Score	Change in Rank
1	London	112.1	112.6	1	-0.5	0
2	South East	103.1	102.8	2	0.3	0
3	Eastern	100.1	100.2	3	-0.2	0
4	Scotland	98.4	97.3	5	1.1	1
5	South West	97.5	97.2	6	0.2	1
6	East Midlands	97.2	97.3	4	-0.1	-2
7	North West	97.1	97.1	7	0.0	0
8	West Midlands	96.4	96.5	8	-0.2	0
9	Yorkshire and The Humber	96.0	96.4	9	-0.4	0
10	Northern Ireland	95.5	95.0	10	0.5	0
11	Wales	95.0	95.0	11	0.0	0
12	North East	93.8	94.2	12	-0.5	0
	United Kingdom	100.0	100.0			

Table 4.04 highlights regional GVA (Gross Value Added) per head for 2004 and 2005. There is no change in the rankings across the two years, although the growth rates further suggest an underlying convergence in regional competitiveness. However, it is clear that the 'Big Three Regions' remain the UK's dominant wealth generators.

Table 4.04: Regional Gross Value Added per Head at Current Basic Prices (2004-2005)

Rank	Region	(GVA) per head at current basic prices (2005)	(GVA) per head at current basic prices (2004)	Rank	Change in Rank
1	London	£24,130	£22,204	1	0
2	South East	£20,110	£19,505	2	0
3	Eastern	£18,854	£18,267	3	0
4	Scotland	£16,942	£16,157	4	0
5	South West	£16,765	£15,611	5	0
6	East Midlands	£16,643	£15,368	6	0
7	West Midlands	£15,793	£15,325	7	0
8	North West	£15,545	£14,940	8	0
9	Yorkshire and The Humber	£15,423	£14,928	9	0
10	Northern Ireland	£14,386	£13,482	10	0
11	North East	£14,084	£13,433	11	0
12	Wales	£13,925	£13,292	12	0
	United Kingdom	£18,051	£17,258		

Table 4.05 presents an index of regional productivity, measured by output per hour worked, for the period 2004-2005. This index largely mirrors regional GVA per capita, with the 'Big Three Regions' at the top of the rankings. Contrary to other indicators, this index suggests a degree of divergence, which is most likely due to the further concentration of high value-added business activities in the UK's most competitive regions.

Table 4.05: Regional Productivity - Index of Output per Hour Worked (2004-2005)

Rank	Region	Output per Hour Worked (Index)(2005)	Output per Hour Worked (Index)(2004)	Rank	Change in Rank
1	London	121.4	118.8	1	0
2	South East	103.7	105.5	2	0
3	Eastern	101.0	101.2	3	0
4	Scotland	97.5	98.1	5	1
5	East Midlands	96.8	98.5	4	-1
6	South West	96.6	95.1	6	0
7	North East	94.0	93.6	8	1
8	West Midlands	92.4	94.0	7	-1
9	North West	92.1	92.5	9	0
10	Yorkshire and The Humber	90.6	91.4	10	0
11	Wales	90.1	90.7	11	0
12	Northern Ireland	80.7	81.9	12	0
	United Kingdom	100	100		

As shown by Table 4.06, regional remuneration rates broadly reflect overall economic competitiveness. The differential of more than £170 in average weekly pay rates between London and the North East of England is a stark reminder of the uneven patterns of development that have become embedded in the UK economy.

Table 4.06: Regional Gross Weekly Full Time Pay (2005-2006)

Rank	Region	Gross weekly FT pay (2006)	Gross weekly FT pay (2005)	Rank	Change in Rank
1	London	572.4	555.8	1	0
2	South East	470.1	450.0	2	0
3	Eastern	443.9	428.7	3	0
4	Scotland	432.0	409.6	4	0
5	East Midlands	421.6	406.7	6	1
6	North West	420.8	407.2	5	-1
7	South West	417.0	401.0	8	1
8	West Midlands	415.5	402.5	7	-1
9	Yorkshire and The Humber	412.4	399.3	9	0
10	Northern Ireland	405.2	387.0	11	1
11	Wales	402.5	389.9	10	-1
12	North East	399.0	385.5	12	0
	United Kingdom	447.1	431.2		

As shown by Table 4.07, unemployment rates across the UK have begun to creep upwards in recent years. London remains the region with the highest unemployment rates, highlighting the dual economy features of the capital region.

Table 4.07: Regional Unemployment Rates (2005-2006)

Rank	Region	Unemployment rate working age (2006)	Unemployment rate working age (2005)	Rank	Change in Rank
1	South West	3.8	3.5	1	0
2	South East	4.5	3.8	2	0
3	Eastern	4.7	4.0	3	0
4	Northern Ireland	5.0	4.6	4	0
5	Wales	5.3	5.3	9	4
6	East Midlands	5.3	4.7	5	-1
7	Scotland	5.3	5.4	10	3
8	North West	5.4	5.2	7	-1
9	West Midlands	5.6	5.2	8	-1
10	Yorkshire and The Humber	5.7	4.8	6	-4
11	North East	7.0	5.7	11	0
12	London	7.8	7.2	12	0
	United Kingdom	5.5	5.0		

London is also towards the bottom of the employment rate ranking – situated in 11th position just above Northern Ireland (Table 4.08). As with unemployment rates, most regions appear to declining, if not rapidly at least steadily. This confirms the national competitiveness pressures the UK has endured over the last few years.

Table 4.08: Regional Employment Rates (2005-2006)

Rank	Region	Employment Rate (2006)	Employment Rate (2005)	Rank	Change in Rank
1	South East	78.3	79.0	1	0
2	South West	77.9	77.8	3	1
3	Eastern	76.9	78.0	2	-1
4	East Midlands	76.3	75.8	4	0
5	Scotland	75.7	74.9	5	0
6	Yorkshire and The Humber	73.7	74.1	6	0
7	West Midlands	72.9	73.4	7	0
8	North West	72.5	72.6	8	0
9	Wales	71.1	71.2	9	0
10	North East	70.7	70.9	10	0
11	London	69.0	69.1	11	0
12	Northern Ireland	68.7	68.7	12	0
	United Kingdom	74.1	74.3		

In term of long-term improvements in regional competitiveness, it is positive to note that many of the UK's lagging regions continue to see improvements in economic activity rates (Table 4.09). Surprisingly, perhaps, the North East of England and Wales now have a higher level of economic activity than London.

Table 4.09: Regional Economic Activity Rates (2005-2006)

Rank	Region	Economic Activity Rate Working Age (2006)	Economic Activity Rate Working Age (2005)	Rank	Change in Rank
1	South East	82.1	81.6	3	2
2	South West	81.0	81.7	2	0
3	Eastern	80.7	81.7	1	-2
4	East Midlands	80.5	79.3	5	1
5	Scotland	80.0	79.3	4	-1
6	Yorkshire and The Humber	78.1	77.7	7	1
7	West Midlands	77.3	78.0	6	-1
8	North West	76.7	76.2	8	0
9	North East	76.0	74.5	10	1
10	Wales	75.1	74.2	11	1
11	London	74.8	74.6	9	-2
12	Northern Ireland	72.3	71.4	12	0
	United Kingdom	78.4	78.2		

The Knowledge Economy

The knowledge-base of an economy can be defined as its capacity and capability to create and innovate new ideas, thoughts, processes and products, and to translate these into economic value and wealth. Therefore, within the global knowledge economy, regions compete on value and innovation, rather than costs alone. As the UK's regions make the transition to knowledge economies we would expect to see increases in knowledge creation, absorption and transfer, as measured by indicators such as the density of knowledge-based businesses, investment in R&D, and intellectual property protection. Table 4.10 shows the number of knowledge-based businesses in a region as a proportion of all businesses for 2004 and 2005. The OECD definition of knowledge-based businesses is used, covering the following sectors:

- Pharmaceuticals
- Office machinery and computers
- Aerospace
- Precision instruments
- Electrical/Electronic engineering
- Telecommunications
- Financial intermediation, except insurance and pension funding
- Insurance and pension funding, except compulsory social security
- Activities auxiliary to financial intermediation
- Computer & related activities
- R&D
- Other business activities
- Motion picture and video activities
- Radio & television activities.

Overall, the proportion of knowledge-based businesses has not grown between 2004 and 2005. This indicates a slowdown in the UK's most value-added sectors, i.e. while the economy as a whole maybe growing, the generation of new businesses is often unrelated to these high wealth generating activities. From a regional perspective, however, there are some signs of catch-up within the more peripheral areas.

Table 4.10: Regional Proportion of Knowledge-Based Businesses (2004-2005)

Region	Proportion of Knowledge-Based Businesses (2005)	Proportion of Knowledge-Based Businesses (2004)	Rank	Change in Rank
London	28.4%	28.4%	1	0
South East	24.3%	24.6%	2	0
Eastern	20.8%	21.0%	3	0
North West	18.6%	18.6%	4	0
South West	18.3%	18.5%	5	0
West Midlands	17.7%	17.7%	6	0
Scotland	17.3%	17.0%	7	0
East Midlands	16.7%	16.8%	8	0
North East	16.1%	15.7%	10	1
Yorkshire and The Humber	15.9%	16.0%	9	-1
Northern Ireland	14.9%	14.9%	11	0
Wales	14.2%	14.1%	12	0
United Kingdom	20.5%	20.6%		

Table 4.11 illustrates levels of regional employment within knowledge-based industries as a proportion of total employment. The rankings are very similar to those for knowledge-based businesses (Table 4.11), although in this instance we see a degree of growth. Once again, it is the lower ranked regions that account for the majority of this growth.

Table 4.11: Regional Proportion of Knowledge-Based Employment (2004-2005)

Region	Proportion of Knowledge-Based Employment (2005)	Proportion of Knowledge-Based Employment (2004)	Rank	Change in Rank
London	26.8%	26.4%	1	0
South East	20.3%	20.2%	2	0
Eastern	16.9%	16.5%	3	0
South West	15.7%	15.0%	5	1
Scotland	15.1%	15.3%	4	-1
North West	14.9%	14.6%	6	0
West Midlands	13.8%	14.0%	7	0
East Midlands	13.2%	12.8%	9	1
Yorkshire and The Humber	13.1%	12.9%	8	-1
North East	12.3%	11.4%	11	1
Wales	12.0%	11.8%	10	-1
Northern Ireland	-	-	-	-
GB	17.2%	16.9%		

Table 4.12 shows regional R&D expenditure by businesses as a percentage of total gross domestic product (GDP) for 2003 and 2005. It is extremely discouraging to note the overall fall in R&D investment by business in recent years. Whilst this may be a sign of the pressures on the national economy, it does little in terms of strengthening regional competitiveness. In particular, the fall in R&D investment in North East England is a worrying sign of the economic pressure on businesses in this region.

Table 4.12: Regional R&D Expenditure by Business Enterprise as a % of GDP (2003-2005)

Rank	Region	R&D Expenditure (as % of GDP) Business enterprise sector (2005)	R&D Expenditure (as % of GDP) Business enterprise sector (2003)	Rank	Change in Rank
1	Eastern	2.9	3.6	1	0
2	South East	2.1	2.3	2	0
3	North West	1.6	1.6	4	1
4	South West	1.5	1.8	3	-1
5	East Midlands	1.4	1.5	5	0
6	West Midlands	0.9	0.8	7	1
7	Scotland	0.6	0.7	9	2
7	Wales	0.6	0.7	8	1
9	Northern Ireland	0.5	0.5	11	2
10	London	0.4	0.5	12	2
10	Yorkshire and The Humber	0.4	0.5	10	0
10	North East	0.4	0.9	6	-4
	United Kingdom	1.2	1.4		

Government expenditure on R&D has remained relatively static since 2003, with Eastern England, the South West and South East being the greatest recipients based on the amount received as a percentage of regional GDP (Table 4.13). Government expenditure on R&D in the UK, which is often defence-related, has traditionally been skewed towards the southern regions of England, and this remains largely the case today.

Table 4.13: Regional R&D Expenditure by Government as a % of GDP (2003-2005)

Rank	Region	R&D Expenditure (as % of GDP) Government sector (2005)	R&D Expenditure (as % of GDP) Government sector (2003)	Rank
1	Eastern	0.4	0.4	2
1	South West	0.4	0.3	4
3	South East	0.3	0.4	1
3	Scotland	0.3	0.4	3
5	London	0.1	0.2	6
5	North West	0.1	0.1	9
5	East Midlands	0.1	0.04	11
5	West Midlands	0.1	0.05	10
5	Northern Ireland	0.1	0.08	8
5	Yorkshire and The Humber	0.1	0.2	5
5	Wales	0.1	0.1	7
12	North East	0.0	0.01	12

As shown by Table 4.14, many regions of the UK remain relatively dependent on the higher education sector as an important source of R&D investment, which becomes accentuated with the decline of investment by the private business sector. Since 2003 the most prominent improvement in R&D expenditure by universities has occurred in Eastern England, which can be related to the on-going development of Cambridge University as a global player in the knowledge economy.

Table 4.14: Regional R&D Expenditure by Higher Education as a % of GDP (2003-2005)

Rank	Region	R&D Expenditure (as % of GDP) Higher Education sector (2005)	R&D Expenditure (as % of GDP) Higher Education sector (2003)	Rank
1	Scotland	0.7	0.7	1
2	Eastern	0.5	0.4	7
2	London	0.5	0.7	2
2	Northern Ireland	0.5	0.5	6
2	Yorkshire and The Humber	0.5	0.5	4
2	Wales	0.5	0.5	5
2	North East	0.5	0.5	3
8	South East	0.4	0.4	8
8	North West	0.4	0.4	9
10	East Midlands	0.3	0.4	10
10	West Midlands	0.3	0.3	11
12	South West	0.2	0.3	12
	United Kingdom	0.4	0.5	

The Enterprise Economy

Table 4.15 presents data on regional business start-up rates per 1,000 inhabitants in 2004 and 2005. Rates of new enterprise development remain stagnant across the two years, indicating the continued challenges in converting the UK to an entrepreneurial-based economy. Only Northern Ireland and North East England have improved their rate of new business generation.

Table 4.15: Regional Business Start-up Rates per 1,000 Inhabitants (2004-2005)

Rank	Region	Business Start-Up Rate per 1,000 Inhabitants (2005)	Business Start-Up Rate per 1,000 Inhabitants (2003)	Rank	Change in Rank
1	London	4.5	4.8	1	0
2	South East	3.4	3.5	2	0
3	Eastern	3.2	3.2	3	0
4	South West	2.9	3.0	4	0
5	East Midlands	2.8	2.9	5	0
6	West Midlands	2.7	2.8	6	0
7	North West	2.6	2.6	7	0
8	Northern Ireland	2.5	2.4	9	1
9	Yorkshire and The Humber	2.5	2.5	8	-1
10	Scotland	2.3	2.3	11	1
11	Wales	2.2	2.3	10	-1
12	North East	1.8	1.7	12	0
	United Kingdom	3.0	3.0		

Table 4.16 benchmarks regional self-employment rates (including those for the agricultural sector) across the UK in 2005 and 2006. Northern Ireland surpasses London as the region with the highest proportion of self-employed workers, with gains also made by Eastern England, which rises from 5th to 3rd, at the expense of South West and South Eastern England, both of which have witnessed a slight decline in self-employment rates.

Table 4.16: Regional Self-Employment Rates (2005-2006)

Rank	Region	% in employment who are self employed - 16+ (2006)	% in employment who are self employed - 16+ (2005)	Rank	Change in Rank
1	Northern Ireland	16.3	15.1	2	1
2	London	16.1	16.3	1	-1
3	Eastern	14.6	14.1	5	2
4	South West	14.2	14.6	3	-1
5	South East	13.8	14.1	4	-1
6	Wales	12.7	12.7	6	0
7	East Midlands	12.4	12.4	7	0
8	West Midlands	12.0	11.5	8	0
9	North West	11.6	11.1	9	0
10	Yorkshire and The Humber	11.5	11.0	10	0
11	Scotland	10.5	9.9	11	0
12	North East	9.0	9.2	12	0
	United Kingdom	13.1	12.9		

As well as generating new businesses, it is also important to ensure the survival of those businesses already in operation. Table 4.17 shows regional business survival rates for the years 2003 and 2006. The South West remains in pole position, with Wales moving into 2nd position from 5th, suggesting the establishment of a more robust economy in the devolved region. Yorkshire and the Humber falls two places from 8th to 10th, while the North West drops three places from 4th to 7th.

Table 4.17: Regional Business Survival Rates (% over 12 months) (2003-2006)

Rank	Region	Business Survival Rate (% over 12 months) (2006)	Business Survival Rate (% over 12 months) (2003)	Rank	Change in Rank
1	South West	93.3	93.1	1	0
2	Wales	93.1	92.3	5	3
3	South East	92.8	92.9	2	-1
4	Eastern	92.7	92.5	3	-1
5	East Midlands	92.4	92.2	7	2
6	North East	92.2	92.2	6	0
7	North West	92.1	92.4	4	-3
8	West Midlands	92.1	92.0	9	1
9	Northern Ireland	92.1	91.8	10	1
10	Yorkshire and The Humber	92.0	92.2	8	-2
11	Scotland	91.4	91.1	11	0
12	London	90.7	90.2	12	0
	United Kingdom	92.1	92.0		

Business density is a strong measure of the potential for sustainable competitiveness and economic growth through the generation and development of entrepreneurs and their firms. Table 4.18 shows regional business densities - measured by the number of businesses per 1000 inhabitants - in 2004 and 2005. The rankings have remained fixed across the two years, with the highest ranked regions being London, South East England, and Northern Ireland. Those regions with the lowest business densities are the North East (12th), Scotland (11th), the North West (10th), and Yorkshire and the Humber (9th). The static nature of business densities across regions confirms the entrepreneurial challenge facing the UK economy.

Table 4.18: Regional Business Density - Number of Businesses per 1,000 Inhabitants (2004-2005)

Rank	Region	Business per 1,000 Inhabitants (2005)	Business per 1,000 Inhabitants (2004)	Rank	Change in Rank
1	London	38.7	38.4	1	0
2	South East	35.6	35.4	2	0
3	Northern Ireland	35.5	34.4	3	0
4	South West	34.2	33.9	4	0
5	Eastern	33.7	33.4	5	0
6	East Midlands	29.5	29.2	6	0
7	West Midlands	28.9	28.5	7	0
8	Wales	27.6	27.1	8	0
9	Yorkshire and The Humber	26.1	26.0	9	0
10	North West	25.8	25.3	10	0
11	Scotland	25.4	25.0	11	0
12	North East	18.4	18.0	12	0
	United Kingdom	30.8	30.4		

Trade Competitiveness

The proportion of exporting companies within a region is a measure of its potential tradability. Table 4.19 shows the proportion of exporting companies in the UK's regions in 2005 and 2006/07. Those regions with the highest proportion of exporting companies are the West Midlands, the East Midlands, and South East England. London's falls from 2nd position to 5th mainly due to the strong gains made by those regions now ranked above it. The lowest proportion of exporting companies are found in Wales (12th), Scotland (11th) and Northern Ireland (10th). This indicates that the devolved regions of the UK's tend to be less well connected to global markets.

Table 4.19: Regional Proportion of Exporting Companies (2005-2006/07)

Rank	Region	Proportion of Exporting Companies (2006/07)	Proportion of Exporting Companies (2005)	Rank	Change in Rank
1	West Midlands	4.0%	3.2%	1	0
2	East Midlands	3.9%	3.1%	3	1
3	South East	3.8%	3.1%	4	1
4	Eastern	3.6%	3.0%	5	1
5	London	3.6%	3.2%	2	-3
6	Yorkshire and The Humber	3.5%	2.8%	6	0
7	North West	3.4%	2.7%	7	0
8	North East	3.0%	2.3%	8	0
9	South West	2.6%	2.1%	10	1
10	Northern Ireland	2.6%	2.2%	9	-1
11	Scotland	2.5%	2.0%	11	0
12	Wales	2.1%	1.6%	12	0
	United Kingdom	3.4%	2.8%		

The value of exports is a further measure of tradability, and Table 4.20 shows exports per head of population for 2005 and 2006. In both years, South East England had the highest amount of exports per head of population, followed by the Eastern Midlands and London. Those regions with the lowest amount of exports per head are the South West, Yorkshire and the Humber, and Scotland. The North East and South West are the only regions that did not see an increase in the value of exports per capita between 2005 and 2006.

Table 4.20: Regional Exports per Head of Population (2005-2006)

Rank	Region	£ of Exports per Head of Population (2006)	£ of Exports per Head of Population (2005)	Rank	Change in Rank
1	South East	£4.2	£4.0	1	0
2	East Midlands	£4.1	£3.7	2	0
3	London	£3.9	£3.6	3	0
4	Eastern	£3.6	£3.5	4	0
5	North West	£3.5	£2.8	8	3
6	West Midlands	£3.3	£2.9	7	1
7	North East	£3.3	£3.3	5	-2
8	Wales	£3.2	£2.9	6	-2
9	Northern Ireland	£2.9	£2.7	9	0
10	Scotland	£2.6	£2.5	10	0
11	Yorkshire and The Humber	£2.5	£2.4	11	0
12	South West	£2.1	£2.1	12	0
	United Kingdom	£3.4	£3.1		

Along with exports, imports must also be measured to gain a fuller picture of regional engagement in the international economy and its supply-chains. As shown by Table 4.21, those regions with the highest level of imports per head in both 2005 and 2006 were the South East, Eastern England and London. The lowest ranked regions continue to be Scotland, Wales and the South West. North East England is the only region that has seen a fall in the value of imports per capita between 2005 and 2006.

Table 4.21: Regional Imports per Head of Population (2005-2006)

Rank	Region	£ of Imports per Head of Population (2006)	£ of Imports per Head of Population (2005)	Rank	Change in Rank
1	South East	£8.2	£7.7	1	0
2	Eastern	£6.8	£6.2	2	0
3	London	£6.5	£5.8	3	0
4	West Midlands	£4.1	£3.8	4	0
5	North West	£3.2	£2.9	6	1
6	East Midlands	£3.1	£3.1	5	-1
7	Yorkshire and The Humber	£2.7	£2.5	7	0
8	Northern Ireland	£2.5	£2.4	9	1
9	North East	£2.4	£2.5	8	-1
10	South West	£2.3	£2.3	10	0
11	Wales	£2.3	£2.2	11	0
12	Scotland	£1.8	£1.8	12	0
	United Kingdom	£4.4	£4.1		

Education and the Skills Economy

A continuing challenge of the UK's competitiveness agenda is to develop and maintain a skilled workforce capable of adding value to an ever-changing portfolio of business, work and occupational requirements. In this section we benchmark the current skills base of regions by measuring the proportion of the working age population with an NVQ level 4 qualification or higher, and the potential skills base of the future by measuring compulsory education qualification attainments.

As shown by Table 4.22, with the exception of Eastern England, all regions have continued to improve their proportion of working age population with an NVQ level 4 qualification or higher between 2005 and 2006. London is the highest ranked region, followed by Scotland and the South East. At the bottom of the list are Yorkshire and the Humber, the North East and Northern Ireland. London, Scotland and the North East are the most improved performers.

Table 4.22: Regional Proportion of Working Age Population with NVQ level 4 or Higher (2005-2006)

Rank	Region	% with NVQ4+ working age (2006)	% with NVQ4+ working age (2005)	Rank	Change in Rank
1	London	34.6	32.0	1	0
2	Scotland	32.1	30.4	2	0
3	South East	30.5	29.2	3	0
4	South West	27.3	26.2	4	0
5	Eastern	25.0	25.0	5	0
6	East Midlands	24.8	23.0	8	2
7	North West	24.8	23.7	7	0
8	Wales	24.3	24.0	6	-2
9	West Midlands	23.9	23.0	9	0
10	Northern Ireland	23.1	23.0	10	0
11	North East	22.7	20.6	12	1
12	Yorkshire and The Humber	22.7	21.7	11	-1
	United Kingdom	27.3	26.0		

The future workforces of regions will consist of those emerging from the education system. Table 4.23 benchmarks regional GCSE results (5 or more grades A* to C) for 2003/2004 and 2005/06. Northern Ireland is ranked in 1st position (2nd in 2001/2002), followed in 2nd position by South East England, which moves up from 3rd, with Eastern England in 3rd (rising from 5th). All regions continue to see significant improvements in attainment rates.

Table 4.23: Regional GCSE Results - 5 or more grades A* to C (2003/2004- 2005/2006)

Rank	Region	GCSE Results - 5 or more grades A* to C (2005/06)	GCSE Results - 5 or more grades A* to C (2003/04)	Rank	Change in Rank
1	Northern Ireland	63.0	59.5	1	0
2	South East	59.7	57.7	3	1
3	Eastern	59.3	56.4	5	2
4	Scotland	58.6	58.4	2	-2
5	London	58.3	54.4	6	1
6	South West	58.2	56.6	4	-2
7	North East	57.4	49.7	11	4
8	North West	56.6	52.0	8	0
9	West Midlands	56.4	52.0	9	0
10	East Midlands	55.4	52.4	7	-3
11	Yorkshire and The Humber	54.5	48.3	12	1
12	Wales	53.8	51.4	10	-2
	United Kingdom	59.0	54.2		

Chapter 5 – Local Indicators

In this chapter we highlight some of the underlying indicators comprising the Local UK Competitiveness Index. Table 5.01 illustrates the top ten localities based on our GVA per capita estimates. At the top, the City of London is rather an anomaly due to the lack of individuals residing with the locality. Overall, London accounts for eight of the top 10 localities, and South East England the other two.

Table 5.01: GVA per Capita – Top 10 Localities

Rank	Locality	Region	GVA per capita 2004	GVA per capita 2003	Rank 2003	Change in Rank
1	City of London	London	£2,161,639.00	£1,964,804	1	0
2	Westminster, City of	London	£139,654.23	£126,207	2	0
3	Camden	London	£64,171.34	£59,502	3	0
4	Islington	London	£44,301.94	£40,868	4	0
5	Tower Hamlets	London	£42,751.38	£34,399	5	0
6	Hammersmith and Fulham	London	£36,838.79	£31,217	9	3
7	Kensington and Chelsea	London	£35,881.77	£32,737	6	-1
8	Reading	South East	£35,371.06	£32,184	7	-1
9	Hillingdon	London	£34,221.86	£30,484	10	1
10	Crawley	South East	£31,677.60	£31,569	8	-2

Table 5.02 illustrates those localities with lowest GDP per capita, which highlights the disparity of wealth generation across the UK. The localities with the lowest GDP per capita in 2004 were Chester-le-Street in the North East, Caradon in the South West, and East Renfrewshire in Scotland.

Table 5.02: GVA per Capita – Bottom 10 Localities

Rank	Locality	Region	GVA per capita 2004	GVA per capita 2003	Rank 2003	Change in Rank
408	Chester-le-Street	North East	£6,576	£6,446	408	0
407	Caradon	South West	£8,090	£7,736	406	-1
406	East Renfrewshire	Scotland	£8,095	£7,741	405	-1
405	Castle Point	Eastern	£8,143	£7,616	407	2
404	Caerphilly	Wales	£8,463	£8,167	404	0
403	Wansbeck	North East	£8,656	£8,546	401	-2
402	Blaenau Gwent	Wales	£8,751	£8,778	397	-5
401	Torridge	South West	£8,825	£8,738	399	-2
400	Clackmannanshire	Scotland	£9,018	£8,469	402	2
399	Gosport	South East	£9,026	£9,129	390	-9

As shown by Table 5.03, the City of London and Tower Hamlets (Canary Wharf and the Docklands) record the highest levels of mean average gross weekly pay. New entries to the top ten are Bracknell Forest, Wokingham, Runnymede and Rushmoor, all of which are in the South East England region.

Table 5.03: Mean Average Gross Weekly Pay – Top 10 Localities

Rank	Locality	Region	Gross Weekly Pay 2006	Gross Weekly Pay 2005	Rank 2005	Change in Rank
1	City of London	London	£833	£799	1	0
2	Tower Hamlets	London	£725	£727	2	0
3	Three Rivers	Eastern	£662	£628	4	1
4	Bracknell Forest	South East	£620	£553	11	7
5	Camden	London	£607	£584	7	2
6	Wokingham	South East	£607	£539	15	9
7	Westminster, City of	London	£606	£591	6	-1
8	Southwark	London	£594	£573	9	1
9	Runnymede	South East	£591	£550	12	3
10	Rushmoor	South East	£591	£530	21	11

Torridge (South West), Berwick-upon-Tweed (North East) and Craven (Yorkshire and Humberside) have the lowest levels of pay in the UK (Table 5.04). Merthyr Tydfil in Wales has seen a dramatic slump in pay levels between 2005 and 2006, resulting in the town falling more than one hundred places down the rankings. Similarly, Mid Devon in the South West has seen average pay fall by £50 per worker.

Table 5.04: Mean Average Gross Weekly Pay – Bottom 10 Localities

Rank	Locality	Region	Gross Weekly Pay 2006	Gross Weekly Pay 2005	Rank 2005	Change in Rank
405	Torridge	South West	£306	£298	405	0
404	Berwick-upon-Tweed	North East	£308	£310	403	-1
403	Craven	Yorkshire and Humberside	£326	£355	360	-43
402	Rossendale	North West	£327	£327	395	-7
401	Waveney	Eastern	£327	£344	379	-22
400	Merthyr Tydfil	Wales	£328	£386	271	-129
399	Hyndburn	North West	£330	£363	345	-54
398	Ceredigion	Wales	£331	£340	384	-14
397	Mid Devon	South West	£332	£382	284	-113
396	North Norfolk	Eastern	£333	£343	381	-15

The most vibrant localities for starting a business are predominately in London. Although the Isles of Scilly is ranked 4th, this is partially due to the influence of the low number of inhabitants. Outside of London, South Buckinghamshire in South East England also has a very high business start-up rate (Table 5.05).

Table 5.05: Business Start-Ups per 1,000 Inhabitants – Top 10 Localities

Rank	Locality	Region	Business Start-Ups 2006	Business Start-Ups 2004	Rank 2004	Change in Rank
1	City of London	London	173.7	130.2	1	0
2	Westminster, City of	London	19.2	21.4	2	0
3	Camden	London	8.4	9.2	3	0
4	Isles of Scilly	South West	7.1	4.5	28	24
5	Islington	London	6.7	7.3	4	-1
6	Kensington and Chelsea	London	6.3	6.4	5	-1
7	Hammersmith and Fulham	London	6.0	6.0	6	-1
8	South Buckinghamshire	South East	5.8	5.8	7	-1
9	Tower Hamlets	London	5.6	5.0	13	4
10	Richmond-upon-Thames	London	5.4	5.4	10	0

The North East of England accounts for the two localities with the lowest business start-up rates, in the shape of Wansbeck and South Tyneside. In general, the North East performs poorly with seven of the bottom ten ranked localities situated within the region (Table 5.06). Other localities with the lowest start-up rates are Barrow-in-Furness (North West), West Dunbartonshire (Scotland), and Neath Port Talbot (Wales).

Table 5.06: Business Start-Ups per 1,000 Inhabitants – Bottom 10 Localities

Rank	Locality	Region	Business Start-Ups 2006	Business Start-Ups 2004	Rank 2004	Change in Rank
408	Wansbeck	North East	1.1	1.4	401	-7
407	South Tyneside	North East	1.2	1.3	404	-3
406	Barrow-in-Furness	North West	1.2	1.3	402	-4
405	Easington	North East	1.2	1.1	406	1
404	Redcar and Cleveland	North East	1.3	1.0	408	4
403	Blyth Valley	North East	1.3	1.5	397	-6
402	Middlesbrough	North East	1.3	1.1	407	5
401	West Dunbartonshire	Scotland	1.4	1.3	405	4
400	Neath Port Talbot	Wales	1.4	1.7	389	-11
399	Chester-le-Street	North East	1.4	1.6	394	-5

As might be expected, there is a relatively strong relationship at the local level between business start-up rates and overall business density (measured by the number of businesses per capita). London accounts for the top three localities in terms of business density (Table 5.07). New entries to the top ten are South Shropshire in the West Midlands and Ryedale in Yorkshire and Humberside.

Table 5.07: Business Density – Businesses per 1,000 Inhabitants – Top 10 Localities

Rank	Locality	Region	Business Density 2006	Business Density 2004	Rank 2004
1	City of London	London	1590.4	1387.2	1
2	Westminster, City of	London	165.8	168.7	2
3	Camden	London	84.1	86.7	3
4	Isles of Scilly	South West	83.3	75.0	4
5	Orkney Islands	Scotland	70.5	70.3	5
6	Powys	Wales	62.5	61.8	6
7	Eden	North West	62.3	61.3	7
8	South Buckinghamshire	South East	60.8	59.9	9
9	South Shropshire	West Midlands	59.3	58.2	13
10	Ryedale	Yorkshire and Humberside	58.6	59.1	11

The northern regions of the UK continue to have the most sparse business populations, with Knowsley in the North West and South Tyneside in the North East recording the lowest business densities (Table 5.08). The North East of England has six localities in the bottom ten, outlining the continued need for intervention to help stimulate entrepreneurial activity.

Table 5.08: Business Density – Businesses per 1,000 Inhabitants – Bottom 10 Localities

Rank	Locality	Region	Business Density 2006	Business Density 2004
408	Knowsley	North West	12.4	12.1
407	South Tyneside	North East	12.8	12.6
406	Wansbeck	North East	13.0	12.7
405	Easington	North East	13.1	13.0
404	Middlesbrough	North East	13.2	13.2
403	West Dunbartonshire	Scotland	13.5	13.2
402	Blaenau Gwent	Wales	13.6	13.2
401	Redcar and Cleveland	North East	13.6	13.1
400	Hartlepool	North East	14.1	13.8
399	Inverclyde	Scotland	14.5	13.9

As shown by Table 5.09, London and South East England are the location for those places with the highest proportion of businesses engaged in knowledge-based activities. The City of London, Camden, and Richmond-upon-Thames head the rankings, followed by Wokingham in the South East and St Albans in Eastern England. The rankings further highlight the concentration of wealth generating knowledge in the UK's leading regions.

Table 5.09: Knowledge-Based Businesses as a Percentage of All Businesses – Top 10 Localities

Rank	Locality	Region	Proportion of Knowledge-Based Business 2005	Proportion of Knowledge-Based Business 2004	Rank 2005	Change in Rank
1	City of London	London	63.4%	63.2%	1	0
2	Camden	London	37.6%	36.7%	2	0
3	Richmond-upon-Thames	London	36.2%	36.6%	3	0
4	Wokingham	South East	35.7%	36.5%	4	0
5	St Albans	Eastern	34.4%	34.3%	7	2
6	Elmbridge	South East	34.3%	34.5%	5	-1
7	Hart	South East	33.7%	34.4%	6	-1
8	Westminster, City of	London	32.9%	32.0%	12	4
9	Bracknell Forest	South East	32.8%	33.3%	8	-1
10	Chiltern	South East	32.7%	33.0%	10	0

A number of offshore isles have a paucity of knowledge-based businesses within their stock, with the lowest ranked localities being the Isles of Scilly (South West), followed by Eilean Siar, the Shetland Islands and the Orkney Islands in Scotland (Table 5.10). Wales has two localities within the bottom ten, consisting of the south Wales Valley areas of Blaenau Gwent and Merthyr Tydfil, highlighting the problems these areas are still facing as they seek to regenerate their economic bases.

Table 5.10: Knowledge-Based Businesses as a Percentage of All Businesses – Bottom 10 Localities

Rank	Locality	Region	Proportion of Knowledge-Based Business 2005	Proportion of Knowledge-Based Business 2004	Rank 2005	Change in Rank
408	Isles of Scilly	South West	3.8%	4.0%	408	0
407	Eilean Siar	Scotland	7.5%	7.6%	407	0
406	Shetland Islands	Scotland	7.6%	7.9%	406	0
405	Orkney Islands	Scotland	8.1%	8.3%	405	0
404	Blaenau Gwent	Wales	8.7%	9.4%	401	-3
403	Berwick-upon-Tweed	North East	8.8%	9.0%	403	0
402	Merthyr Tydfil	Wales	9.0%	8.8%	404	2
401	Scarborough	Yorkshire and Humberside	9.7%	9.6%	400	-1
400	Penwith	South West	9.7%	10.3%	392	-8
399	Dumfries & Galloway	Scotland	9.8%	9.8%	397	-2

As shown by Table 5.11, those localities with the lowest unemployment rates (measured by the proportion of claimants) are the Isles of Scilly (South West), followed by the North Western areas of Eden and South Lakeland. The South East has five entries in the top ten localities, highlighting the relative robustness of the regional economy.

Table 5.11: Claimant Rate – Top 10 Localities (Lowest Claimant Rates)

Rank	Locality	Region	Claimant Rate/Working Age Pop Aug 2007 (%)	Claimant Rate/Working Age Pop Av (Feb/May/Aug/Nov) 2005 (%)	Rank 2005	Change in Rank
1	Isles of Scilly	South West	0.2	0.6	3	2
2	Eden	North West	0.6	0.6	4	2
3	South Lakeland	North West	0.6	0.8	19	16
4	Hart	South East	0.6	0.7	9	5
5	Vale of White Horse	South East	0.6	0.7	10	5
6	West Oxfordshire	South East	0.6	0.6	2	-4
7	Elmbridge	South East	0.6	0.8	21	14
8	Mole Valley	South East	0.6	0.7	5	-3
9	East Dorset	South West	0.6	0.7	14	5
10	North Dorset	South West	0.6	0.8	15	5

A number of the localities with highest claimant rates continue to be inner-city areas, which confirms the dual economy nature of many of the UK's cities (Table 5.12). Birmingham has the highest claimant rate in the UK, followed by Tower Hamlets and Hull. The high unemployment in Tower Hamlets is a clear reminder that while the Docklands and Canary Wharf developments have brought huge high value added and knowledge-based employment to the Tower Hamlets locality, much of this employment has not fully alleviated the deprivation endured by many of the locality's residents.

Table 5.12: Claimant Rate – Bottom 10 Localities (Highest Claimant Rates)

Rank	Locality	Region	Claimant Rate/Working Age Pop Aug 2007 (%)	Claimant Rate/Working Age Pop Av (Feb/May/Aug/Nov) 2005 (%)	Rank 2005	Change in Rank
408	Birmingham	West Midlands	5.6	5.4	406	-2
407	Tower Hamlets	London	5.5	5.5	407	0
406	Kingston upon Hull	Yorkshire and Humberside	5.4	5.2	405	-1
405	Hackney	London	5.3	5.7	408	3
404	Liverpool	North West	5.1	5.2	404	0
403	Wolverhampton	West Midlands	5.0	4.6	395	-8
402	Middlesbrough	North East	4.7	4.5	391	-11
401	Haringey	London	4.7	5.2	403	2
400	Sandwell	West Midlands	4.6	4.5	390	-10
399	Blaenau Gwent	Wales	4.6	4.2	385	-14

The locality of the UK with the highest employment rate is South Northamptonshire in the East Midlands, with an employment rate of more than ninety percent (Table 5.13). South Northamptonshire is followed by Bromsgrove in the West Midlands and West Oxfordshire in the South East. New entries to the top ten include Blaby in the East Midlands and South Hams in the South West.

Table 5.13: Employment Rate – Top 10 Localities

Rank	Locality	Region	Employment Rate (%):Working Age People (Jan 2006-Dec 2006)	Employment Rate (%):Working Age People (Oct 2004- Sep 2005)	Rank 2005	Change in Rank
1	South Northamptonshire	East Midlands	90.1	87.8	1	0
2	Bromsgrove	West Midlands	89.9	80.4	86	84
3	West Oxfordshire	South East	89.1	86.3	2	-1
4	Eden	North West	88.6	85.0	6	2
5	Surrey Heath	South East	88.5	84.0	14	9
6	Cotswold	South West	87.6	83.4	21	15
7	Blaby	East Midlands	87.2	81.2	62	55
8	Hart	South East	86.6	81.6	54	46
9	South Hams	South West	86.5	77.4	184	175
10	Melton	East Midlands	86.0	81.3	59	49

The three localities with the lowest employment rates in the UK are all London boroughs – Tower Hamlets, Newham and Hackney – with six of the capital region's boroughs ranked among the worst localities based on employment rates (Table 5.14). Although Liverpool continues to be ranked within the bottom group its employment rate has improved by almost two percentage points between 2004/05 and 2006, a further signal of steady improvement in economic competitiveness.

Table 5.14: Employment Rate – Bottom 10 Localities

Rank	Locality	Region	Employment Rate (%):Working Age People (Jan 2006-Dec 2006)	Employment Rate (%):Working Age People (Oct 2004- Sep 2005)	Rank 2005	Change in Rank
407	Tower Hamlets	London	52.6	55.6	404	-3
406	Newham	London	57.7	56.0	403	-3
405	Hackney	London	58.5	55.5	405	0
404	West Somerset	South West	59.9	69.2	361	-43
403	Westminster, City of	London	61.6	63.5	398	-5
402	Kensington and Chelsea	London	62.3	64.9	391	-11
401	Merthyr Tydfil	Wales	62.4	63.7	397	-4
400	Birmingham	West Midlands	63.0	64.9	390	-10
399	Barking and Dagenham	London	63.2	63.1	399	0
398	Liverpool	North West	63.5	61.6	401	3

The localities with highest economic activity rates are Surrey Heath and West Oxfordshire in the South East (Table 5.15). Bromsgrove improves sixty-eight places from 71st to 3rd, with economic activity rates improving from 88.9% to 92.3% of the working age population. In total, South Eastern England has four representatives in the top ten, and the East Midlands (South Northamptonshire and Blaby) and the North West (Eden and Congleton) two apiece.

Table 5.15: Economic Activity Rate – Top 10 Localities

Rank	Locality	Region	Economic activity rate - working age (Jan 2006-Dec 2006)	Economic activity rate - working age (Oct 2004- Sep 2005)	Rank 2004/05	Change in Rank
1	Surrey Heath	South East	93.6	86.0	18	17
2	West Oxfordshire	South East	92.3	88.9	2	0
3	Bromsgrove	West Midlands	91.7	83.6	71	68
4	South Northamptonshire	East Midlands	91.1	90.5	1	-3
5	Eden	North West	90.8	85.6	21	16
6	Rushmoor	South East	89.8	84.9	36	30
7	Shetland Islands	Scotland	89.3	87.5	5	-2
8	Congleton	North West	89.1	82.9	87	79
9	Blaby	East Midlands	89.0	82.9	88	79
10	Hart	South East	88.5	83.8	66	56

Among the ten localities with lowest economic activity rates, London is represented by six of its boroughs, five of which have the lowest rates across the UK as a whole (Table 5.16). Three of these – Tower Hamlets, Kensington and Chelsea, and Lambeth – have a seen a fall in economic activity rates between 2004/05 and 2006. Outside of London, Ceredigion (Wales), West Somerset (South West), Teesdale (North East), and Hyndburn (North West) are among the bottom ten performers, all recording a fall in economic activity over the same period.

Table 5.16: Economic Activity Rate – Bottom 10 Localities

Rank	Locality	Region	Economic activity rate - working age (Jan 2006-Dec 2006)	Economic activity rate - working age (Oct 2004- Sep 2005)	Rank 2004/05	Change in Rank
407	Tower Hamlets	London	61.4	63.7	405	-2
406	Newham	London	66.3	62.7	407	1
405	Hackney	London	66.8	62.8	406	1
404	Kensington and Chelsea	London	66.9	69.2	397	-7
403	Westminster, City of	London	67.5	68.4	401	-2
402	Ceredigion	Wales	68.4	73.2	371	-31
401	West Somerset	South West	68.5	74.1	355	-46
400	Teesdale	North East	68.5	78.8	247	-153
399	Lambeth	London	69.5	75.2	345	-54
398	Hyndburn	North West	69.6	72.8	377	-21

Converse to economic activity, London has some of the best performing localities based on qualification levels within the working age population (Table 5.17). Richmond-upon-Thames, followed by Wandsworth, Hammersmith and Fulham, and Camden, has the greatest proportion of individuals of working age with an NVQ level 4 or above qualification. The South East has three entries in top ten – Winchester, Waverley, and Elmbridge – all of which have made significant gains in recent years.

Table 5.17: Proportion of Working Age Population with NVQ level 4 or Higher - Top 10 Localities

Rank	Locality	Region	% of working age population with NVQ4+ (Jan 2006-Dec 2006)	% of working age population with NVQ4+ (Jun 2004 - May 2005)	Rank 2004/05	Change in Rank
1	Richmond-upon-Thames	London	52.6	45.3	7	6
2	Wandsworth	London	50.0	44.8	8	6
3	Hammersmith and Fulham	London	49.9	53.9	1	-2
4	Camden	London	48.0	41.6	15	11
5	Winchester	South East	46.5	41.2	16	11
6	East Dunbartonshire	Scotland	46.4	43.1	11	5
7	Westminster, City of	London	46.4	38.1	33	26
8	Waverley	South East	45.6	35.8	46	38
9	Elmbridge	South East	45.1	42.3	13	4
10	Rushcliffe	East Midlands	45.1	47.2	5	-5

Boston in the East Midlands has the lowest proportion of individuals of working age with an NVQ level 4 or above qualification (Table 5.18). Following Boston are Great Yarmouth in Eastern England and West Somerset in the South West. Overall, Eastern England has four entries within the bottom ten localities, with a number of its rural locations possessing relatively low skill levels measured by qualification rates.

Table 5.18: Proportion of Working Age Population with NVQ level 4 or Higher – Bottom 10 Localities

Rank	Locality	Region	% of working age population with NVQ4+ (Jan 2006-Dec 2006)	% of working age population with NVQ4+ (Jun 2004 - May 2005)	Rank 2004/05	Change in Rank
406	Boston	East Midlands	5.8			
405	Great Yarmouth	Eastern	9.8	12.1	392	-13
404	West Somerset	South West	12.4			
403	Maldon	Eastern	12.5	16.0	368	-35
402	Blaenau Gwent	Wales	12.6	14.4	383	-19
401	Castle Point	Eastern	12.7			
400	Ashfield	East Midlands	13.0	15.7	373	-27
399	Fenland	Eastern	13.4	13.8	387	-12
398	Knowsley	North West	13.5	13.7	388	-10
397	Kingston upon Hull	Yorkshire and Humberside	13.8	12.1	391	-6

Chapter 6 – Concluding Remarks

This report presents a barometer of the current and changing fortunes in the competitiveness of the UK's regional and local economies. It highlights a number of important patterns:

- Improvements in competitiveness are occurring within many of the UK's city and urban areas, especially those located in the northern parts of the UK, and more particularly Liverpool, Manchester, and Salford within North West England.

- The growth of urban competitiveness in the North West and the Midlands is driving forward improved competitiveness at the wider regional level.

- Although the development of improved urban competitiveness is continuing to play a role in alleviating the North-South Divide in economic fortunes, many local economies in rural areas are suffering from declining competitiveness.

- In tandem with declining rural competitiveness, the economic competitiveness of London is suffering. Although it remains the UK's central growth engine, it is no longer as dominant as in the past. From a positive perspective, this is partly due to the improving competitiveness of other regions of the UK, but more negatively can be related to London's under-competitiveness in a global dimension.

Our findings seriously question the validity of stimulating migration from the north to the south of the UK as a realistic mechanism for achieving economic regeneration and development[2]. Of far more importance is the role of migration patterns within regions, particularly between urban and rural areas. Our findings also confirm the significant pockets of deprivation that continue to exist in the capital region, and which are likely to become further accentuated by increased migration from elsewhere in the UK.

As regionalism has risen up the political agenda of the UK, with the introduction of devolved administrations in North Ireland, Scotland, and Wales, and regional development agencies throughout England, the means by which regional policy is most equitably financed has inevitably become a hot topic of debate. There is increasing evidence that current models of calculating the amount of public finance regions receive from the national coffers –based on the so-called 'Barnett formula' – are outdated and not working in the interests of improving competitiveness in the UK's most lagging regions[3]. Clearly, it is in the interests of the UK as a whole to ensure that the system is revised to ensure regions receive finance based on the needs required to improve their future competitiveness, rather than past spending patterns and population levels.

Finally, whilst there are numerous current initiatives exploring in-depth, for example, the competitiveness of the London economy, there appears to be far fewer initiatives focusing on rural competitiveness within the UK. Therefore, it is our recommendation that increased efforts are made at national and regional level to explore how the competitiveness of rural economies can be best promoted in the coming years.

[2] Leunig, T. and Swaffield, J. (2008) Cities Unlimited: Making Urban Regeneration Work, London: Policy Exchange.

[3] McLean, I., Lodge, G. and Schmuecker, K. (2008) Fair Shares? Barnett and the Politics of Public Expenditure, London: Institute for Public Policy Research.

Appendix

UK Localities and their Populations

Locality	Population 2006	Region
Amber Valley	120,000	East Midlands
Ashfield	115,700	East Midlands
Bassetlaw	111,400	East Midlands
Blaby	92,500	East Midlands
Bolsover	73,900	East Midlands
Boston	58,300	East Midlands
Broxtowe	110,400	East Midlands
Charnwood	162,400	East Midlands
Chesterfield	100,500	East Midlands
Corby	54,800	East Midlands
Daventry	78,200	East Midlands
Derby City	236,300	East Midlands
Derbyshire Dales	69,800	East Midlands
East Lindsey	138,500	East Midlands
East Northamptonshire	84,000	East Midlands
Erewash	110,400	East Midlands
Gedling	111,700	East Midlands
Harborough	81,300	East Midlands
High Peak	92,000	East Midlands
Hinckley and Bosworth	103,800	East Midlands
Kettering	87,900	East Midlands
Leicester City	289,700	East Midlands
Lincoln	87,600	East Midlands
Mansfield	99,900	East Midlands
Melton	48,900	East Midlands
Newark and Sherwood	111,700	East Midlands
North East Derbyshire	97,700	East Midlands
North Kesteven	103,200	East Midlands
North West Leicestershire	89,600	East Midlands
Northampton	200,100	East Midlands
Nottingham	286,400	East Midlands
Oadby and Wigston	56,500	East Midlands
Rushcliffe	108,200	East Midlands
Rutland	38,300	East Midlands
South Derbyshire	89,800	East Midlands

South Holland	82,100	East Midlands
South Kesteven	130,100	East Midlands
South Northamptonshire	88,800	East Midlands
Wellingborough	75,500	East Midlands
West Lindsey	86,500	East Midlands
Babergh	86,700	Eastern
Basildon	168,600	Eastern
Bedford	154,700	Eastern
Braintree	139,700	Eastern
Breckland	128,300	Eastern
Brentwood	70,900	Eastern
Broadland	122,200	Eastern
Broxbourne	88,900	Eastern
Cambridge	117,900	Eastern
Castle Point	88,600	Eastern
Chelmsford	162,800	Eastern
Colchester	170,800	Eastern
Dacorum	138,400	Eastern
East Cambridgeshire	79,600	Eastern
East Hertfordshire	132,600	Eastern
Epping Forest	122,900	Eastern
Fenland	90,100	Eastern
Forest Heath	62,100	Eastern
Great Yarmouth	93,400	Eastern
Harlow	78,100	Eastern
Hertsmere	96,000	Eastern
Huntingdonshire	166,600	Eastern
Ipswich	120,400	Eastern
King's Lynn and West Norfolk	142,300	Eastern
Luton	186,800	Eastern
Maldon	61,700	Eastern
Mid Bedfordshire	132,200	Eastern
Mid Suffolk	92,000	Eastern
North Hertfordshire	121,500	Eastern
North Norfolk	100,600	Eastern
Norwich	129,500	Eastern
Peterborough	163,300	Eastern
Rochford	81,100	Eastern
South Bedfordshire	117,000	Eastern

South Cambridgeshire	135,400	Eastern
South Norfolk	116,200	Eastern
Southend-on-Sea	159,900	Eastern
St Albans	131,300	Eastern
St Edmundsbury	101,900	Eastern
Stevenage	79,300	Eastern
Suffolk Coastal	122,200	Eastern
Tendring	144,600	Eastern
Three Rivers	85,500	Eastern
Thurrock	148,900	Eastern
Uttlesford	71,400	Eastern
Watford	79,600	Eastern
Waveney	116,800	Eastern
Welwyn Hatfield	105,500	Eastern
Barking and Dagenham	165,700	London
Barnet	328,600	London
Bexley	221,600	London
Brent	271,400	London
Bromley	299,100	London
Camden	227,500	London
City of London	7,800	London
Croydon	337,000	London
Ealing	306,400	London
Enfield	285,300	London
Greenwich	222,600	London
Hackney	208,400	London
Hammersmith and Fulham	171,400	London
Haringey	225,700	London
Harrow	214,600	London
Havering	227,300	London
Hillingdon	250,000	London
Hounslow	218,600	London
Islington	185,500	London
Kensington and Chelsea	178,000	London
Kingston-upon-Thames	155,900	London
Lambeth	272,000	London
Lewisham	255,700	London
Merton	197,700	London
Newham	248,400	London

Redbridge	251,900	London
Richmond-upon-Thames	179,500	London
Southwark	269,200	London
Sutton	184,400	London
Tower Hamlets	212,800	London
Waltham Forest	221,700	London
Wandsworth	279,000	London
Westminster, City of	231,900	London
Alnwick	32,000	North East
Berwick-upon-Tweed	26,000	North East
Blyth Valley	81,200	North East
Castle Morpeth	49,500	North East
Chester-le-Street	53,200	North East
Darlington	99,300	North East
Derwentside	86,500	North East
Durham	92,200	North East
Easington	94,000	North East
Gateshead	190,500	North East
Hartlepool	91,100	North East
Middlesbrough	138,400	North East
Newcastle-upon-Tyne	270,500	North East
North Tyneside	195,000	North East
Redcar and Cleveland	139,500	North East
Sedgefield	87,700	North East
South Tyneside	151,000	North East
Stockton on Tees	189,100	North East
Sunderland	280,600	North East
Teesdale	24,800	North East
Tynedale	59,500	North East
Wansbeck	61,700	North East
Wear Valley	62,300	North East
Allerdale	94,300	North West
Barrow-in-Furness	71,800	North West
Blackburn with Darwen	141,200	North West
Blackpool	142,700	North West
Bolton	262,400	North West
Burnley	88,000	North West
Bury	182,900	North West
Carlisle	103,300	North West

Chester	119,700	North West
Chorley	103,700	North West
Congleton	92,400	North West
Copeland	70,300	North West
Crewe and Nantwich	115,800	North West
Eden	51,700	North West
Ellesmere Port and Neston	81,800	North West
Fylde	75,700	North West
Halton	119,500	North West
Hyndburn	82,200	North West
Knowsley	151,300	North West
Lancaster	143,000	North West
Liverpool	436,100	North West
Macclesfield	150,600	North West
Manchester	452,000	North West
Oldham	219,600	North West
Pendle	90,100	North West
Preston	132,000	North West
Ribble Valley	57,800	North West
Rochdale	206,500	North West
Rossendale	66,700	North West
Salford	218,000	North West
Sefton	277,400	North West
South Lakeland	104,800	North West
South Ribble	106,400	North West
St Helens	177,600	North West
Stockport	280,600	North West
Tameside	214,400	North West
Trafford	211,800	North West
Vale Royal	126,000	North West
Warrington	194,000	North West
West Lancashire	109,800	North West
Wigan	305,500	North West
Wirral	311,200	North West
Wyre	110,400	North West
Aberdeen City	206,900	Scotland
Aberdeenshire	236,300	Scotland
Angus	109,300	Scotland
Argyll & Bute	91,400	Scotland

Clackmannanshire	48,900	Scotland
Dumfries & Galloway	148,000	Scotland
Dundee City	142,200	Scotland
East Ayrshire	119,300	Scotland
East Dunbartonshire	105,500	Scotland
East Lothian	92,800	Scotland
East Renfrewshire	89,300	Scotland
Edinburgh, City of	463,500	Scotland
Eilean Siar	26,400	Scotland
Falkirk	149,700	Scotland
Fife	358,900	Scotland
Glasgow City	580,700	Scotland
Highland	215,300	Scotland
Inverclyde	81,500	Scotland
Midlothian	79,300	Scotland
Moray	86,800	Scotland
North Ayrshire	135,500	Scotland
North Lanarkshire	323,800	Scotland
Orkney Islands	19,800	Scotland
Perthshire & Kinross	140,200	Scotland
Renfrewshire	169,600	Scotland
Scottish Borders	110,200	Scotland
Shetland Islands	21,900	Scotland
South Ayrshire	111,700	Scotland
South Lanarkshire	307,700	Scotland
Stirling	87,800	Scotland
West Dunbartonshire	91,200	Scotland
West Lothian	165,700	Scotland
Adur	60,300	South East
Arun	145,700	South East
Ashford	111,200	South East
Aylesbury Vale	172,000	South East
Basingstoke and Deane	158,700	South East
Bracknell Forest	112,200	South East
Brighton and Hove	251,400	South East
Canterbury	146,200	South East
Cherwell	137,400	South East
Chichester	108,900	South East
Chiltern	90,300	South East

Crawley	99,900	South East
Dartford	89,900	South East
Dover	106,400	South East
East Hampshire	110,100	South East
Eastbourne	94,900	South East
Eastleigh	119,000	South East
Elmbridge	129,500	South East
Epsom and Ewell	69,600	South East
Fareham	108,400	South East
Gosport	78,200	South East
Gravesham	97,400	South East
Guildford	133,100	South East
Hart	88,800	South East
Hastings	86,100	South East
Havant	116,800	South East
Horsham	128,300	South East
Isle of Wight	138,500	South East
Lewes	93,900	South East
Maidstone	142,800	South East
Medway Towns	251,700	South East
Mid Sussex	129,100	South East
Milton Keynes	224,800	South East
Mole Valley	80,500	South East
New Forest	173,700	South East
Oxford	149,100	South East
Portsmouth	196,400	South East
Reading	142,800	South East
Reigate and Banstead	129,800	South East
Rother	87,600	South East
Runnymede	81,200	South East
Rushmoor	88,700	South East
Sevenoaks	113,700	South East
Shepway	99,600	South East
Slough	119,500	South East
South Buckinghamshire	63,700	South East
South Oxfordshire	128,100	South East
Southampton	228,600	South East
Spelthorne	90,500	South East
Surrey Heath	82,400	South East

Swale	128,500	South East
Tandridge	81,300	South East
Test Valley	113,600	South East
Thanet	128,600	South East
Tonbridge and Malling	113,900	South East
Tunbridge Wells	104,600	South East
Vale of White Horse	117,100	South East
Waverley	116,800	South East
Wealden	143,700	South East
West Berkshire	148,800	South East
West Oxfordshire	100,200	South East
Winchester	110,000	South East
Windsor and Maidenhead	138,800	South East
Woking	90,700	South East
Wokingham	153,800	South East
Worthing	98,700	South East
Wycombe	161,300	South East
Bath and North East Somerset	175,600	South West
Bournemouth	161,200	South West
Bristol	410,500	South West
Caradon	83,300	South West
Carrick	91,300	South West
Cheltenham	111,500	South West
Christchurch	45,000	South West
Cotswold	83,200	South West
East Devon	131,100	South West
East Dorset	85,000	South West
Exeter	119,600	South West
Forest of Dean	81,700	South West
Gloucester	113,200	South West
Isles of Scilly	2,100	South West
Kennet	78,200	South West
Kerrier	98,000	South West
Mendip	108,300	South West
Mid Devon	74,500	South West
North Cornwall	85,300	South West
North Devon	91,500	South West
North Dorset	66,700	South West
North Somerset	201,400	South West

North Wiltshire	130,400	South West
Penwith	64,400	South West
Plymouth	248,100	South West
Poole	136,900	South West
Purbeck	45,200	South West
Restormel	101,900	South West
Salisbury	115,300	South West
Sedgemoor	111,000	South West
South Gloucestershire	254,400	South West
South Hams	83,200	South West
South Somerset	156,700	South West
Stroud	110,300	South West
Swindon	186,600	South West
Taunton Deane	107,400	South West
Teignbridge	125,500	South West
Tewkesbury	78,800	South West
Torbay	133,200	South West
Torridge	64,200	South West
West Devon	51,200	South West
West Dorset	96,200	South West
West Somerset	35,300	South West
West Wiltshire	124,800	South West
Weymouth and Portland	64,900	South West
Anglesey	68,900	Wales
Blaenau Gwent	69,300	Wales
Bridgend	132,600	Wales
Caerphilly	171,300	Wales
Cardiff	317,500	Wales
Carmarthenshire	178,000	Wales
Ceredigion	77,200	Wales
Conwy	111,300	Wales
Denbighshire	96,100	Wales
Flintshire	150,100	Wales
Gwynedd	118,300	Wales
Merthyr Tydfil	55,500	Wales
Monmouthshire	87,900	Wales
Neath Port Talbot	137,100	Wales
Newport	140,100	Wales
Pembrokeshire	117,300	Wales

Powys	131,100	Wales
Rhondda, Cynon, Taff	233,900	Wales
Swansea	227,100	Wales
Torfaen	91,000	Wales
Vale of Glamorgan	123,300	Wales
Wrexham	131,000	Wales
Birmingham	1,006,500	West Midlands
Bridgnorth	51,800	West Midlands
Bromsgrove	91,600	West Midlands
Cannock Chase	94,300	West Midlands
Coventry	306,600	West Midlands
Dudley	305,300	West Midlands
East Staffordshire	107,700	West Midlands
Herefordshire, County of	177,800	West Midlands
Lichfield	96,700	West Midlands
Malvern Hills	73,900	West Midlands
Newcastle-under-Lyme	123,800	West Midlands
North Shropshire	59,500	West Midlands
North Warwickshire	62,300	West Midlands
Nuneaton and Bedworth	120,700	West Midlands
Oswestry	39,700	West Midlands
Redditch	79,500	West Midlands
Rugby	90,200	West Midlands
Sandwell	287,600	West Midlands
Shrewsbury and Atcham	95,900	West Midlands
Solihull	203,000	West Midlands
South Shropshire	42,300	West Midlands
South Staffordshire	106,200	West Midlands
Stafford	123,400	West Midlands
Staffordshire Moorlands	95,300	West Midlands
Stoke on Trent	239,700	West Midlands
Stratford-on-Avon	116,100	West Midlands
Tamworth	75,400	West Midlands
Telford and Wrekin	161,900	West Midlands
Walsall	254,500	West Midlands
Warwick	132,900	West Midlands
Wolverhampton	236,600	West Midlands
Worcester	93,400	West Midlands
Wychavon	116,300	West Midlands

Wyre Forest	98,200	West Midlands
Barnsley	223,500	Yorkshire and Humberside
Bradford	493,100	Yorkshire and Humberside
Calderdale	198,500	Yorkshire and Humberside
Craven	55,500	Yorkshire and Humberside
Doncaster	290,300	Yorkshire and Humberside
East Riding of Yorkshire	330,900	Yorkshire and Humberside
Hambleton	86,300	Yorkshire and Humberside
Harrogate	157,800	Yorkshire and Humberside
Kingston upon Hull	256,200	Yorkshire and Humberside
Kirklees	398,200	Yorkshire and Humberside
Leeds	750,200	Yorkshire and Humberside
North East Lincolnshire	158,900	Yorkshire and Humberside
North Lincolnshire	159,000	Yorkshire and Humberside
Richmondshire	51,000	Yorkshire and Humberside
Rotherham	253,300	Yorkshire and Humberside
Ryedale	52,900	Yorkshire and Humberside
Scarborough	108,300	Yorkshire and Humberside
Selby	79,800	Yorkshire and Humberside
Sheffield	525,800	Yorkshire and Humberside
Wakefield	321,200	Yorkshire and Humberside
York	191,800	Yorkshire and Humberside

Note: the Isles of Scilly is included in the majority of the indicator sets but due to a lack of data for some variables no composite competitiveness score is calculated).

Data Sources

The key sources of data used in this report are:

- Annual Business Inquiry
- Annual Employment Survey
- Annual Survey of Hours and Earnings (ASHE)
- DBERR
- DETINI
- Eurostat
- Labour Force Survey
- National Statistics
- New Earnings Survey
- NISRA
- Nomis Claimant Count
- Regional Trends
- Small Business Service
- UKTradeInfo
- VAT Registered Businesses.

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Centre for International Competitiveness
Cardiff School of Management
University of Wales Institute, Cardiff
Colchester Avenue
Cardiff
CF23 9XR
Wales
United Kingdom

Telephone: +44 (0) 29 2041 7075
Fax: +44 (0) 29 2041 7090