

## Understanding Annual Estimates of the Value of the Economy<sup>1</sup> and Subregional Productivity<sup>2</sup>: Midlands Engine Deep Dive

### Introduction

There are various ways to calculate the value of the economy, this briefing will explain the Office for National Statistics (ONS) approach and how this impacts the Midlands Engine area figures. Gross Value Added (GVA) is the favoured approach due to the sectoral breakdown availability, however Gross Domestic Product (GDP) should be taken in consideration:

1. GVA/GDP in current prices - includes the effects of inflation.
2. GVA/GDP in Chain Volume Measures (CVM, 2019 value) - the effects of inflation removed by considering changes in quantity between consecutive periods, holding prices from previous periods constant.

The ONS headline measure of labour productivity is GVA per hour worked. Please note, an overall Midlands Engine figure has been calculated and is only available on an unsmoothed basis. All other analysis is based on smoothed data (using a weighted 5-year moving average). All data is based on current prices.

### In summary:

- In current prices, total GVA in the Midlands Engine area was £277.2bn in 2022. An annual increase of 8.3% with the UK increasing by 9.7%. While in CVM (2019 value) terms, total GVA in the Midlands Engine area was £250.0bn in 2022. An annual increase of 2.5% compared to a 4.1% increase nationally.
- In current prices, Midlands Engine GVA per head was £26,421 in 2022. An annual increase of 7.1%, the UK increased by 8.8%. In 2022, there was a GVA per head shortfall of £6,805 to the UK figure (£33,227). While in CVM (2019 value) terms, Midlands Engine GVA per head was £23,829 in 2022. An annual increase of 1.4%, the UK increased by 3.2%. In 2022, there was a GVA per head shortfall of £6,165 to the UK figure (£29,993).
- In current prices, the Midlands Engine productivity gap was £97.1bn in 2022, which is an annual increase of 15.7% (or +£13.2bn). While in CVM (2019 value) terms, the Midlands Engine productivity gap was £88.8bn in 2022, an annual increase of 11.3% (or +£9.0bn).
- In 2022, unsmoothed GVA per hour for the overall Midlands Engine area was £35.45. Since 2021, the Midlands Engine area increased by 3.3% (+£1.14), the UK increased by 5.7% (+£2.20). When compared to 2019, GVA per hour in the Midlands Engine area increased by 12.3% (+£3.89) while the UK increased by 13.6% (+£4.90).
- In 2022, UK unsmoothed GVA per hour was £41.00 meaning the Midlands Engine area had a shortfall of £5.55.

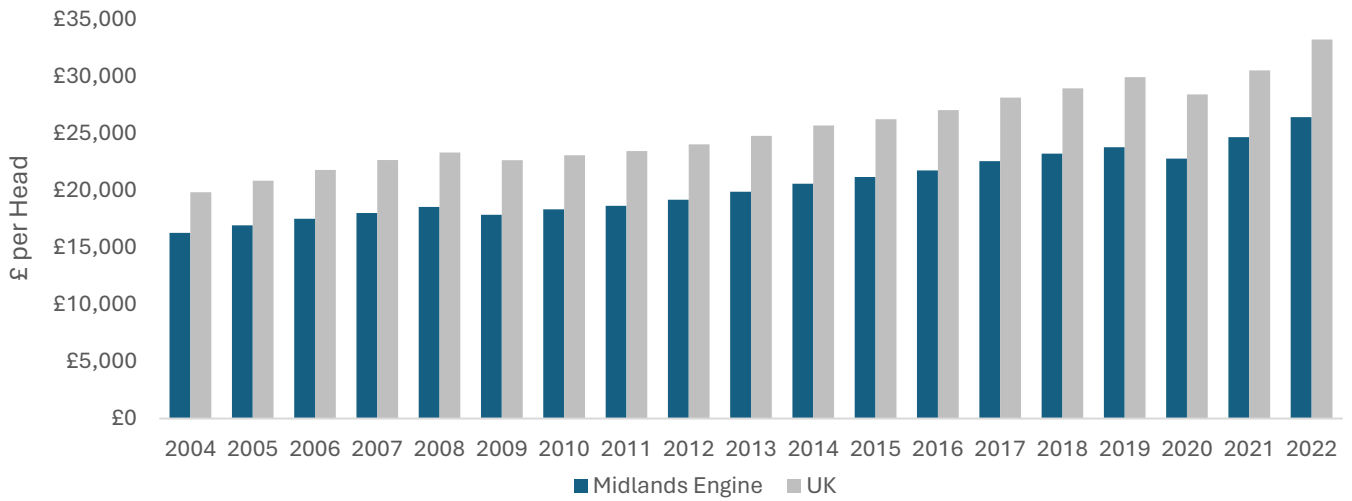
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<sup>1</sup> Source: Office for National Statistics (ONS): Regional economic activity by gross domestic product, UK: 1998 to 2022, released April 2024.

<sup>2</sup> Source: Office for National Statistics (ONS), Regional and subregional labour productivity, UK: 2022, released June 2024.



**Trends in GVA per head in current prices for Midlands Engine area and UK-wide:**



**GVA per Defined Sector: Current Prices**

- All sectors increased over the year, the highest value increase in the Midlands Engine area was in the business, professional & financial services by £6.9bn (+9.7%). The fastest growing sector in percentage terms, in the Midlands Engine area over the year was the visitor economy where total GVA increased by 25.1% (£2.2bn).
- Of the Midlands Engine ten sectors, business, professional & financial services remains the largest in terms of GVA at £77.9bn (28.1% of the total, UK 35.9%), followed by advanced manufacturing at £42.8bn (15.4% of total GVA, UK 9.4%).
- The Midlands Engine area has a higher proportion when compared to the UK in seven sectors, these are highlighted in green in the table below.

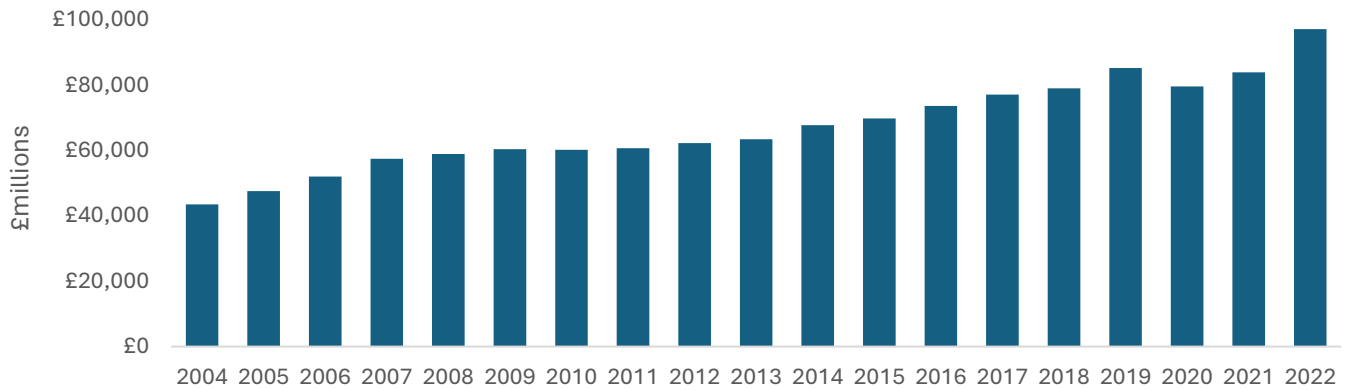
**GVA (current prices) by Sector for the Midlands Engine overall and UK-wide:**

	Midlands Engine					UK			
	2021	2022	% Change	Num Change	% of 2022 total	2021	2022	% Change	% of 2022 total
	£ Millions			£ Millions		£ Millions			
Advanced Manufacturing	£41,331	£42,760	3.5%	£1,429	15.4%	£197,646	£210,382	6.4%	9.4%
Business, Professional & Financial Services	£70,985	£77,850	9.7%	£6,865	28.1%	£739,229	£805,772	9.0%	35.9%
Construction	£17,515	£20,255	15.6%	£2,740	7.3%	£132,995	£154,615	16.3%	6.9%
Creative, Design & Digital	£10,171	£10,915	7.3%	£744	3.9%	£131,244	£146,581	11.7%	6.5%
Energy & Low Carbon Activities	£10,501	£11,550	10.0%	£1,049	4.2%	£78,082	£87,767	12.4%	3.9%
Healthcare & Life Sciences	£24,366	£24,366	0.0%	£0	8.8%	£175,665	£175,682	0.0%	7.8%
Public Sector inc. Education	£30,115	£32,809	8.9%	£2,694	11.8%	£229,790	£250,398	9.0%	11.1%
Retail	£31,764	£33,719	6.2%	£1,955	12.2%	£217,689	£234,263	7.6%	10.4%
Transport Technologies & Logistics	£10,711	£12,189	13.8%	£1,478	4.4%	£66,471	£78,940	18.8%	3.5%
Visitor Economy	£8,638	£10,808	25.1%	£2,170	3.9%	£77,825	£101,647	30.6%	4.5%
<b>Total</b>	<b>£256,072</b>	<b>£277,215</b>	<b>8.3%</b>	<b>£21,143</b>	<b>100.0%</b>	<b>£2,046,636</b>	<b>£2,246,047</b>	<b>9.7%</b>	<b>100.0%</b>

**Productivity Gap: GVA Current Prices**

- The Midlands Engine productivity gap increased from £83.9bn in 2021 to £97.1bn in 2022 (+15.7% or +£13.2bn). The steep rise is primarily due to the increase in population over the period (+114,190 residents between 2021/22 whereas the previous year there was only an increase of 42,033 residents).

**Trends in Midlands Engine productivity gap (using current prices approach):**



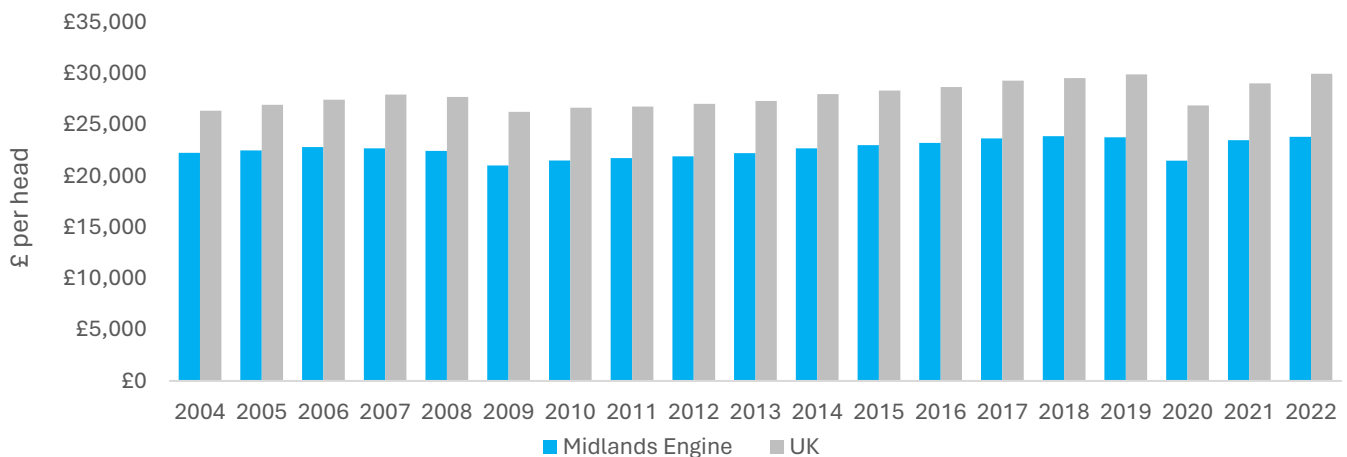
**Total GVA: CVM (2019 money value)**

- Using this approach, the latest figures and growth rate are smaller as total GVA in the Midlands Engine area increased from £244.0bn in 2021 to £250.0bn in 2022. This equated to a 2.5% increase in total GVA, the total GVA growth across the UK increased by 4.1%.
- When the 2022 figures are indexed to 2019 (=100), the Midlands Engine area stands at 101.9 and the UK at 101.6. The Midlands Engine area is above the UK figure due to increasing at a faster rate over this time period (+1.9% and +1.6% respectively).

**GVA per Head: CVM (2019 money value)**

- Using this approach, figures and growth rate are smaller as the Midlands Engine GVA per head increased from £23,509 in 2021 to £23,829 in 2022. This equated to a 1.4% (+£319) increase, the UK increased by 3.2%. In 2022, there was a GVA per head shortfall of £6,165 to the UK figure (£29,993), this gap is slightly smaller than the current price version.

**Trends in GVA per head in CVM for Midlands Engine area and UK-wide:**



**GVA per Defined Sector: CVM (2019 money value)**

- This approach shows that there were decreases in three sectors (advanced manufacturing, energy & low carbon activities and retail).
- Of the sectors that increased, the highest value increase in the Midlands Engine area was in the business, professional & financial services by £2.1bn (+3.1%). The fastest growing sector in percentage terms, in the Midlands Engine area over the year was the visitor economy where total GVA increased by 16.3% (+£1.3bn).
- Of the Midlands Engine ten sectors, business, professional & financial services still remains the largest in terms of GVA but at £70.4bn (28.2% of the total, UK 35.8%), followed by advanced manufacturing at £39.8bn (15.9% of total GVA, UK 9.7%).
- The Midlands Engine area has a higher proportion when compared to the UK in seven sectors, these are highlighted in green in the following table.

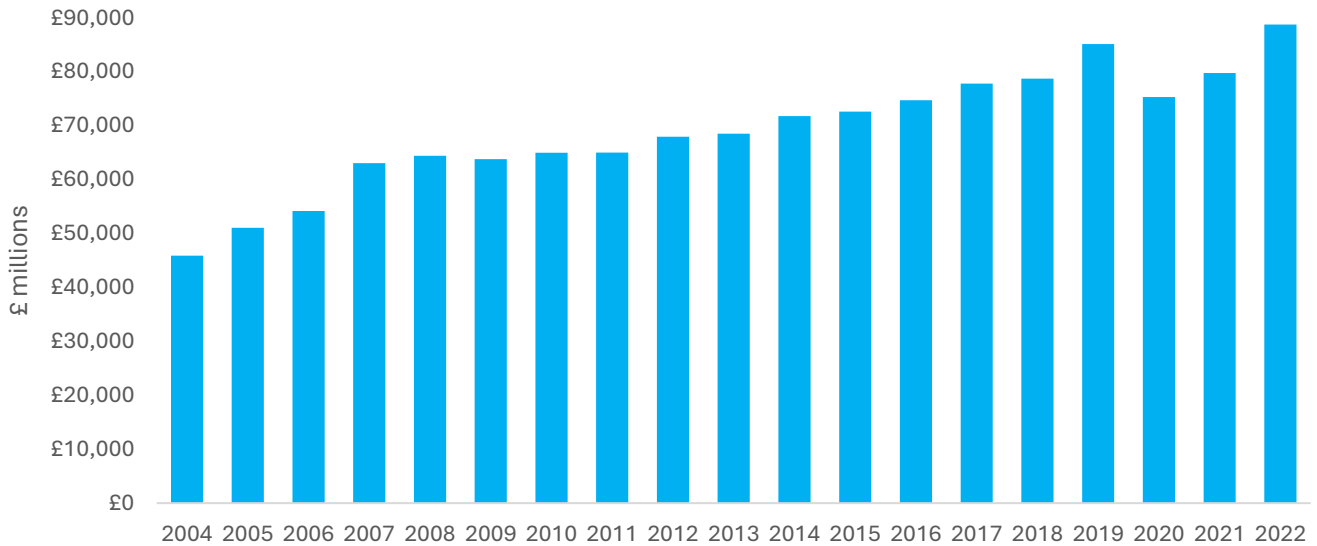
**GVA (CVM, 2019) by Sector for the Midlands Engine overall and UK-wide:**

	Midlands Engine					UK			
	2021	2022	% Change	Num Change £ Millions	% of 2022 total	2021	2022	% Change	% of 2022 total
	£ Millions					£ Millions			
Advanced Manufacturing	£43,119	£39,844	-7.6%	-£3,275	15.9%	£204,066	£196,607	-3.7%	9.7%
Business, Professional & Financial Services	£68,273	£70,402	3.1%	£2,129	28.2%	£708,966	£725,992	2.4%	35.8%
Construction	£17,409	£18,439	5.9%	£1,030	7.4%	£132,642	£141,227	6.5%	7.0%
Creative, Design & Digital	£11,320	£11,684	3.2%	£364	4.7%	£143,394	£152,438	6.3%	7.5%
Energy & Low Carbon Activities	£9,524	£9,312	-2.2%	-£212	3.7%	£75,148	£72,468	-3.6%	3.6%
Healthcare & Life Sciences	£20,165	£22,263	10.4%	£2,098	8.9%	£145,096	£160,551	10.7%	7.9%
Public Sector inc. Education	£26,052	£28,048	7.7%	£1,996	11.2%	£199,596	£214,156	7.3%	10.6%
Retail	£29,916	£29,652	-0.9%	-£264	11.9%	£205,188	£205,653	0.2%	10.1%
Transport Technologies & Logistics	£10,037	£10,881	8.4%	£844	4.4%	£60,504	£68,761	13.6%	3.4%
Visitor Economy	£8,161	£9,493	16.3%	£1,332	3.8%	£73,721	£89,567	21.5%	4.4%
<b>Total</b>	<b>£243,975</b>	<b>£250,008</b>	<b>2.5%</b>	<b>£6,033</b>	<b>100.0%</b>	<b>£1,948,322</b>	<b>£2,027,420</b>	<b>4.1%</b>	<b>100.0%</b>

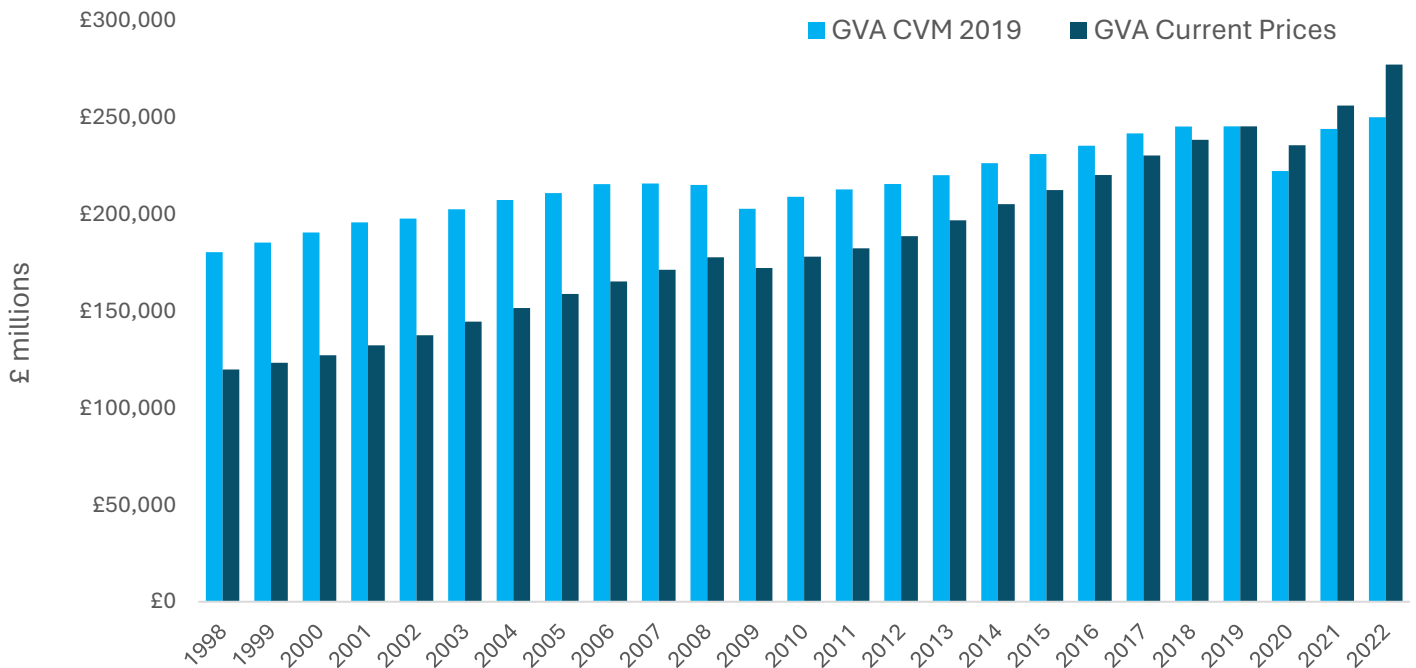
**Productivity Gap: CVM (2019 money value)**

- The Midlands Engine productivity gap increased from £79.8bn in 2021 to £88.8bn in 2022 (+11.3% or +£9.0bn).

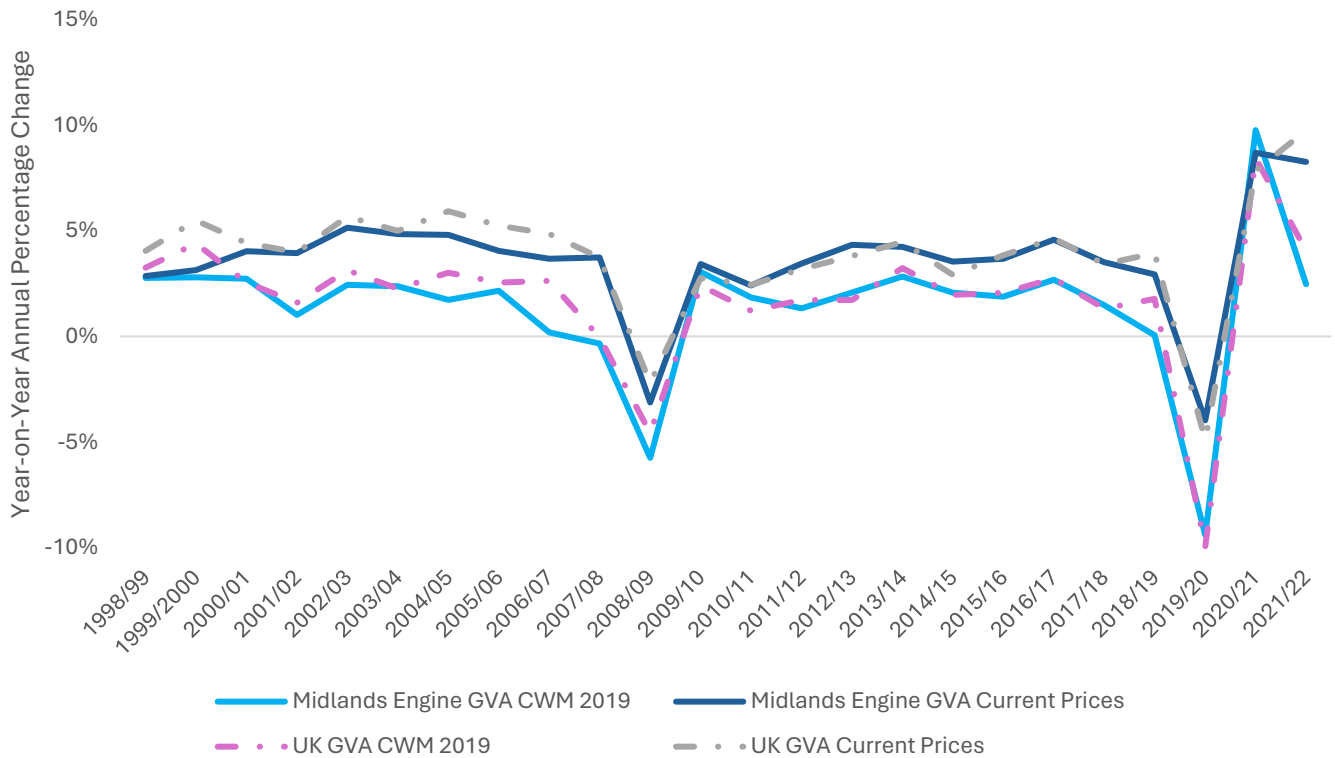
**Trends in Midlands Engine productivity gap (using CVM approach):**



**Trends for the Midlands Engine area in total GVA current prices compared to GVA CVM 2019:**



**Trends in the annual percentage change for total GVA in current prices and in GVA CVM 2019 money value for the Midlands Engine area and UK-wide:**



**Gross Domestic Product (GDP)**

**Total GDP: Current Prices**

- Total GDP in the Midlands Engine area increased from £290.4bn in 2021 to £314.3bn in 2022. This equated to an 8.2% increase in total GDP, the total GDP growth across the UK increased by 9.7%.

**GDP per Head: Current Prices**

- The Midlands Engine GDP per head increased from £27,982 in 2021 to £29,954 in 2022. This equated to a 7.0% (+£1,973) increase, the UK increased by 8.8%. In 2022, there was a GDP per head shortfall of £7,122 to the UK figure (£37,076), increasing from the shortfall seen in 2021.

**Productivity Gap: GDP Current Prices**

- The Midlands Engine productivity gap increased from £87.1bn in 2021 to £101.5bn in 2022 (+16.6% or +£14.4bn).



### **Total GDP: CVM (2019 money)**

- Total GDP in the Midlands Engine area increased from £276.7bn in 2021 to £283.4bn in 2022. This equated to an 2.4% increase in total GDP, the total GDP growth across the UK increased by 4.3%.
- When the 2022 figures are indexed to 2019 (=100), the Midlands Engine area stands at 101.6 and the UK at 101.7. The UK figure is above the Midlands Engine area figure due to increasing at a slightly faster rate over this time period (+4.3% and +2.4% respectively).

### **GDP per Head: CVM (2019 money)**

- The Midlands Engine GDP per head increased from £26,662 in 2021 to £27,014 in 2022. This equated to a 1.3% (+£353) increase, the UK increased by 3.5%. In 2022, there was a GDP per head shortfall of £6,579 to the UK figure (£33,593), increasing from the shortfall seen in 2021.

### **Productivity Gap: CVM (2019 money)**

- The Midlands Engine productivity gap increased from £82.8bn in 2021 to £92.9bn in 2022 (+12.2% or +£10.1bn).

### **Subregional Productivity**

- In 2022, unsmoothed GVA per hour for the overall Midlands Engine area was £35.45. Since 2021, the Midlands Engine area increased by 3.3% (+£1.14), the UK increased by 5.7% (+£2.20). When compared to 2019, GVA per hour in the Midlands Engine area increased by 12.3% (+£3.89) while the UK increased by 13.6% (+£4.90). In 2022, UK unsmoothed GVA per hour was £41.00 meaning the Midlands Engine area had a shortfall of £5.55.
- Across all local authorities (361), GVA per hour is only available on a smoothed basis. The UK smoothed GVA per hour was £39.70 in 2022. Within the Midlands Engine area, 8 local authorities were above and a further two the same as the UK figure with South Derbyshire the highest at £54.50.
- Since 2021, UK smoothed GVA per hour increased by 1.5%. Within the Midlands Engine area, 52 local authorities increased with the highest being North Lincolnshire (+5.9% or +£2.50 to £44.60). Melton remained at £35.00 and 12 local authorities decreased with the largest fall in South Derbyshire (-4.0% or £2.30).
- When compared to 2019, UK smoothed GVA per hour increased by 8.5%. Within the Midlands Engine area, 58 local authorities increased with the highest value increased was North Lincolnshire (+£8.70, second highest percentage increase +24.2%) and highest percentage increase in Tamworth (+24.5%, second highest value increase +£7.90). Two local authorities were at the same level (Melton and Malvern Hills with the latter at £33.40).
- In 2022, smoothed GVA per hour for the West Midlands region was £34.60. Since 2021, the West Midlands region increased by 1.5% (+£0.50) and when compared to 2019, GVA per hour increased by 7.8% (+£2.50). In 2022, smoothed GVA per hour for the East Midlands region was £34.30. Since 2021, the East Midlands region increased by 1.2% (+£0.40) and when compared to 2019, GVA per hour increased by 8.2% (+£2.60).



Smoothed GVA per Hour by Local Authority within the Midlands Engine 2022:

