

Executive summary

# Our Economy 2018

With insights into global connections



THE FULL OUR ECONOMY REPORT IS AVAILABLE AT [NELEP.CO.UK/OUR ECONOMY](http://NELEP.CO.UK/OUR ECONOMY)

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**Our Economy will provide the focus for ongoing debate and discussion to help us address the economic challenges and opportunities the North East faces.**  
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**The evidence in this report will influence our programme of work to deliver the SEP and we encourage our partners to also make use of this resource.**  
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## Welcome from **Andrew Hodgson,** Chair, North East LEP

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In March 2017, we published our refreshed North East Strategic Economic Plan (SEP), following a process of analysis and engagement with businesses, education and other economic partners. The SEP sets out how we, as a region, will create 100,000 more and better jobs by 2024.

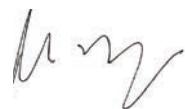
At this time, we committed to further developing our economic evidence base to support regional economic policy making and to continue to refine the focus of the SEP as the economy changes. I am therefore delighted to welcome the publication of 'Our Economy'. This is the first annual update on our region's economic performance and also provides an overview detailed version of Our Economy that you can find at [nelep.co.uk/oureconomy](http://nelep.co.uk/oureconomy)

Every time we publish this report, we will also take a deep dive into a key theme that is particularly relevant to our economy. This report focuses on the North East's role in the global economy, an important topic as we prepare for the UK's exit from the European Union and where trade and export are a strong focus in the Government's Industrial Strategy.

We recently set up the North East Economic Evidence Forum, which will provide a platform for new and collaborative research about the North East economy in its national and international context. The forum is made up of representatives from the CBI, North East England Chamber of Commerce, IPPR North, regional universities, representatives from the seven local authorities, Bank of England and Analyst Network North East.

I am also excited to be able to launch the North East Data Hub in partnership with the North East Combined Authority (NECA). The Data Hub is a digital platform that gathers data from across the region on the economy and transport and allows users to access it in a simple, user friendly way.

I hope that you enjoy this report, find it a useful resource and have an opportunity to learn from or contribute to the debates and discussions which flow from it. I would like to thank the many organisations and individuals who have contributed to its content and the members of the North East LEP team who have co-ordinated the process and drawn it together.



**Andrew Hodgson**  
Chair, North East LEP

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## An overview from **Victoria Sutherland,** Senior Economist, North East LEP

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The first 'Our Economy' report sets out how the North East economy is performing against a wide range of indicators. The indicators have been chosen to reflect the international evidence on what drives regional economic growth and the issues and priorities identified in the SEP. Key messages from the evidence include:

- Since the SEP was first published in 2014, the North East economy has grown, with increases in productivity and employment
- Good progress has been made against four of the six SEP targets, with employment increasing, especially in more highly skilled occupations. The gap with England excluding London on the employment rate and economic activity rate has reduced
- There have also been improvements across a wide range of indicators such as business births, unemployment rate and the qualifications' profile of residents
- The areas that require action to improve performance of the North East economy include increasing the number of jobs, increasing the skills and employability of residents, helping businesses to grow and encouraging innovation and investment – reinforcing the priorities identified in the SEP.

'Our Economy' has also explored the role of the North East in the global economy. This has highlighted how interconnected the North East is to the rest of the world. It is important that partners across the North East work to strengthen international relationships and support businesses to maximise the opportunity that international markets bring to our region.

The evidence in this report will influence our programme of work to deliver the SEP and we encourage our partners to also make use of this resource.

We are aware that there are some data gaps within our region and we will work with partners over the next twelve months to address these.



**Victoria Sutherland**  
Senior Economist, North East LEP

## Introduction

### The North East LEP area

#### The North East LEP area covers seven local authority areas:

County Durham

Gateshead

Newcastle

North Tyneside

Northumberland

South Tyneside

Sunderland

Traditionally, the North East economy was dominated by mining and manufacturing. Whilst manufacturing remains an important part of the regional economy. It is growing with clusters in automotive and medicines, and is increasingly advanced in profile. The wider regional economy has grown, developed and diversified over the last 40 years.

In addition to the manufacturing base, the North East has:

- Key assets in the energy sector, in particular in offshore energy and in other energy technologies and utilities
- A strong life sciences sector including medicines' manufacturing, science and research and a strong and innovation-focused health service

- A rapidly growing digital and creative sector with a number of specialisms
- Strengths in a number of services sectors including financial professional and business services, education and transport and logistics
- A higher proportion of employment in the public sector than other areas. Over and above the services of our local authorities, we have strong education and health services, and a concentration of shared service and back office functions for government and other agencies
- The North East also has a strong tourism and cultural sector and food and rural sectors reflecting the extensive rural area.

### The Our Economy report

#### The report:

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

Provides a resource for partners to inform decision making

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

As well as providing an overview of the North East economy, the report provides insights into the region's connections to the global economy.

Trade in goods and services, international investment, business and academic networks and other international connections are critically important to the prosperity of region.

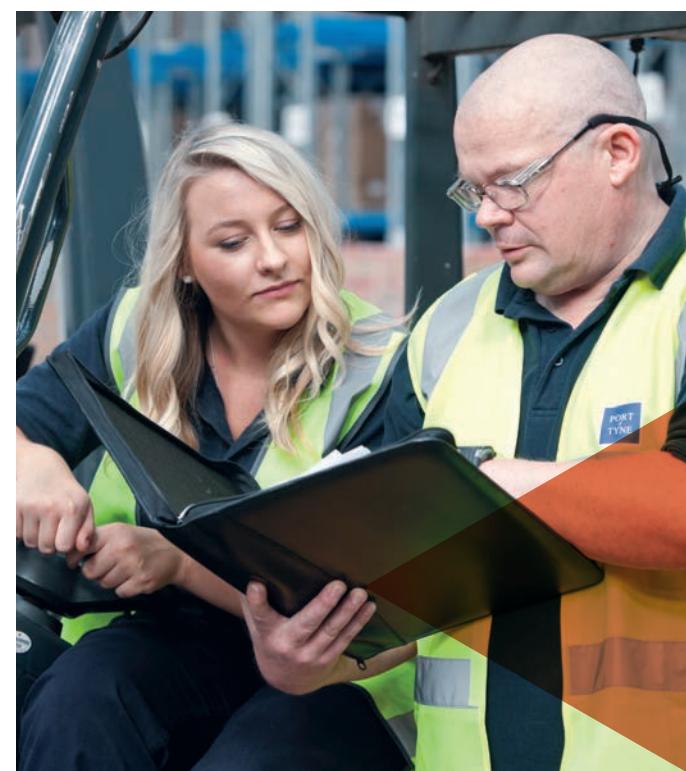
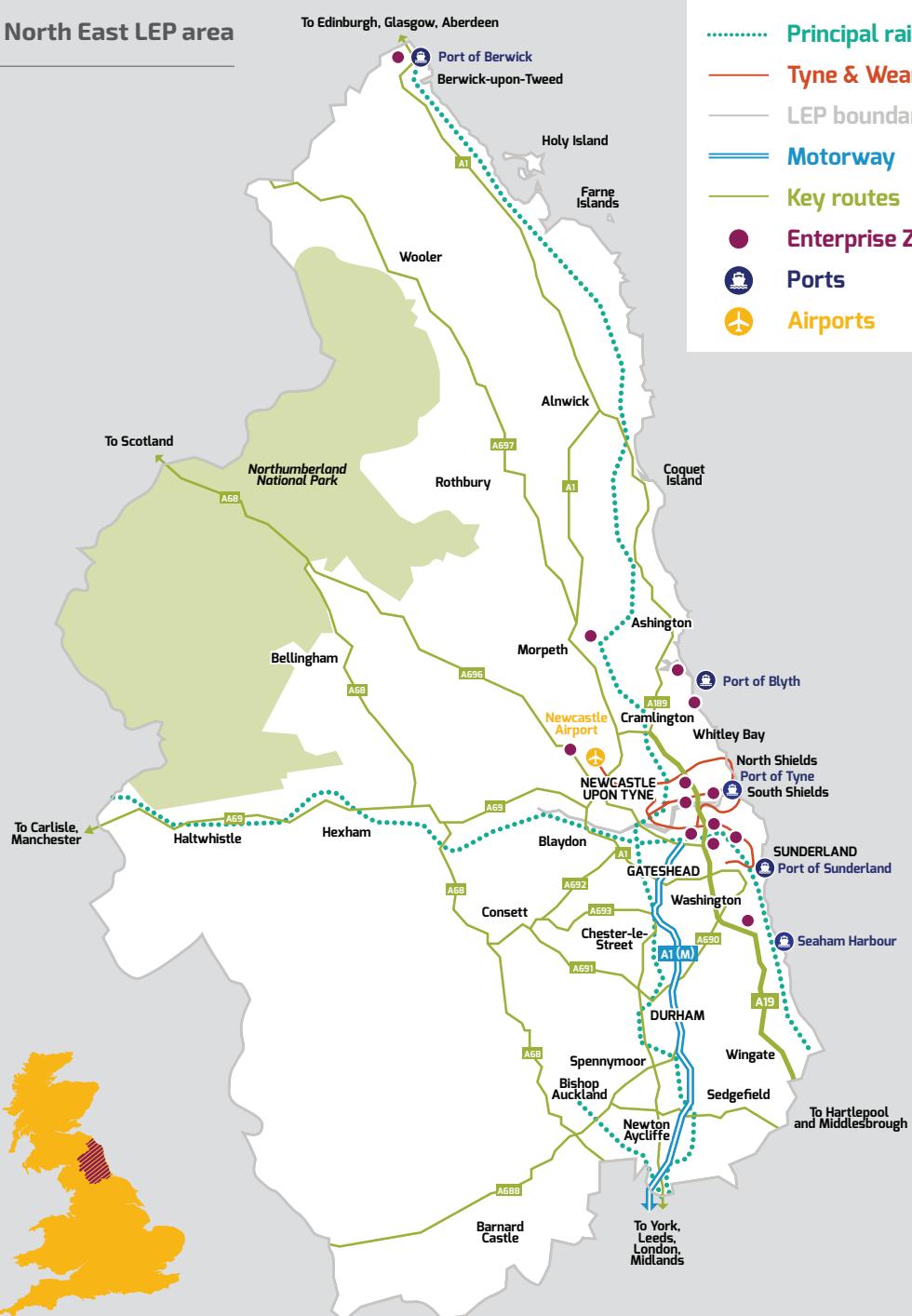
International links are particularly important in light of the UK's decision to leave the European Union.

Data on the North East's international connections will support partners in the region to plan for the post-Brexit period.

Throughout this report, it should be noted that:

- The most recent available data has been used. This is generally for 2016 or 2016/17
- Change over time has been measured since 2014, to reflect the publication date of our SEP
- The North East LEP area has been benchmarked against England excluding London in line with our SEP targets. Where possible and it adds value, comparative data have also been provided for the other core city LEP areas. In a small number of cases, where data was not available for England excluding London, England or the UK have been used as an alternative benchmark
- Not all datasets are available at a LEP level. Where LEP level data is not available, data for the North East region as a whole, which includes the Tees Valley LEP area, has been used. To differentiate, where these are used, we refer to the North East region. A clear priority going forward is to work with data providers to encourage them to publish more data at a LEP level
- Where data has a monetary value such as GVA and value of loans, nominal values have been given, which means that data has not been adjusted to account for inflation
- From time to time data sources available to the North East LEP will change as a result in change in the ways in which data is collected or reported by ONS or other data providers. We will keep the data sources under review and where necessary will change the indicators we use or report in consultation with the North East Economic Evidence Forum.

Map of the North East LEP area



# Section 1

## Update on SEP targets

The SEP sets out six targets for the region to achieve between 2014 and 2024. Here is an update on how we are doing.

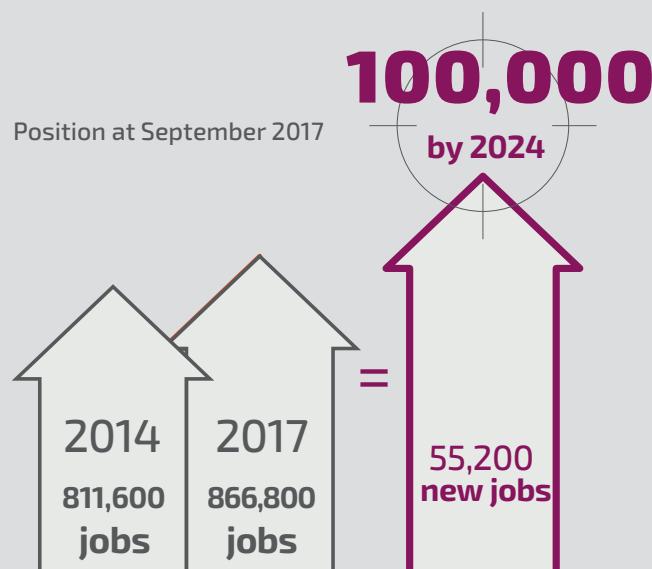
**The SEP highlights two targets that are focused on creating more and better jobs for the North East LEP area.**

### More jobs

In 2014, there were 811,600 jobs in the North East LEP area. The aim is to increase this by 100,000 to 911,600 by 2024.



**Progress:** By September 2017, the total number of jobs in the North East LEP area had increased by 55,200.



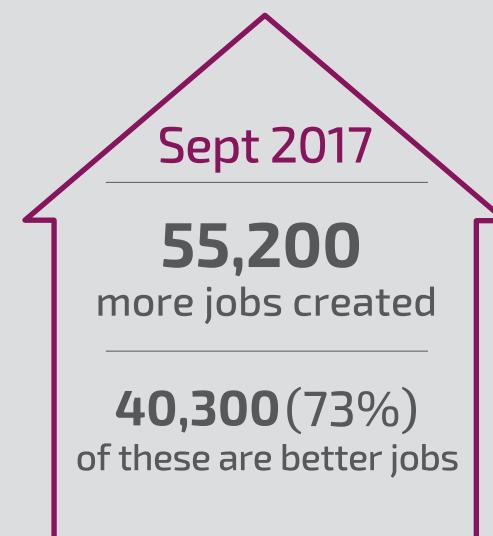
Source: Annual Population Survey - Workplace Analysis (Nomis)

### Better jobs

We want 70% of the additional 100,000 jobs to be 'better jobs'. Better jobs are defined as managers, directors and senior officials; professional occupations (such as civil engineers and doctors); and associate professional and technical occupations (such as laboratory technicians and graphic designers).



**Progress:** Of the 55,200 additional jobs since 2014, 73% – 40,300 – are 'better jobs'



Source: Annual Population Survey - Workplace Analysis (Nomis)

**We also report on four targets that compare the North East LEP area performance with English averages, excluding London.**

### Private sector employment

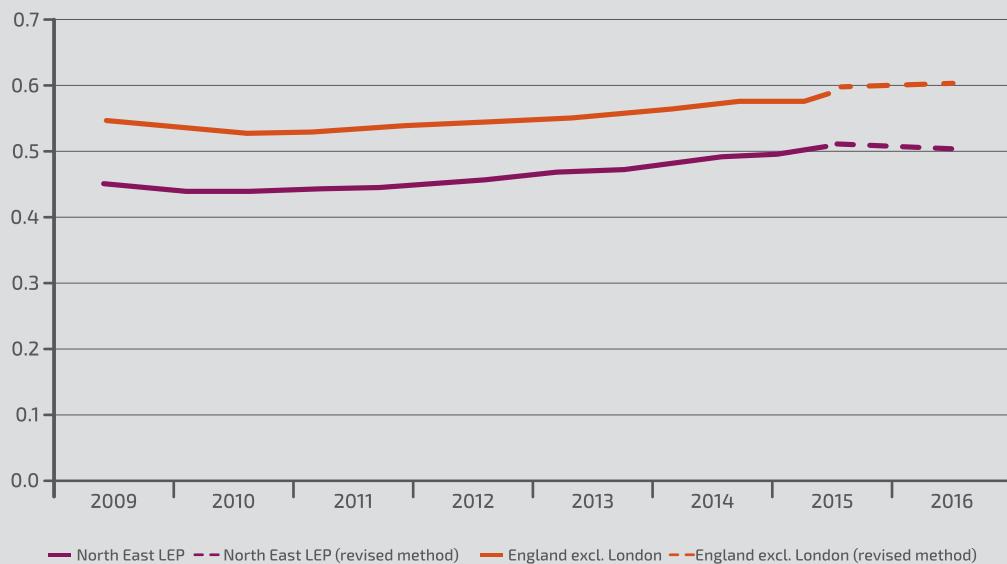
We want the number of private sector jobs per head in the region to increase and close the gap with England excluding London by 50% by 2024.

This target is based on data from the Business Register and Employment Survey (BRES). Between 2014 and 2015, the gap between the North East LEP area and England excluding London had reduced by 16%.

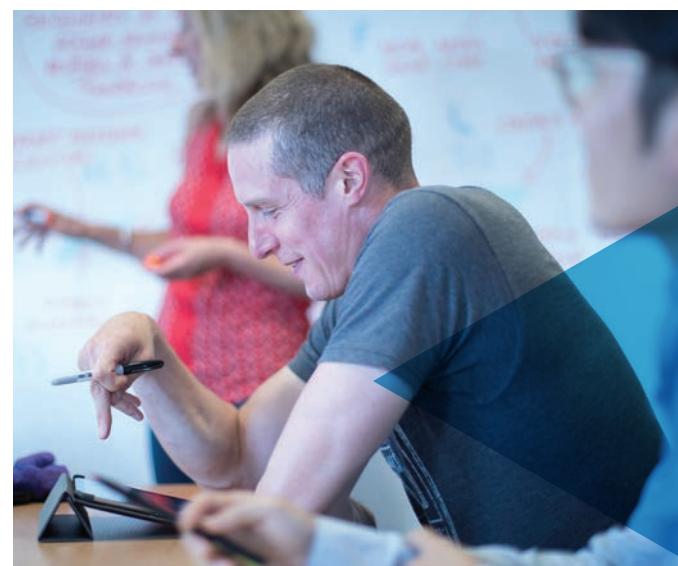
In 2016, the businesses counted within BRES was broadened to include businesses with employment counts of less than 20 that paid PAYE but not VAT. Data was published for both 2015 and 2016 using the new coverage. Unfortunately, this means there has been a discontinuity in the availability of data to measure against this SEP target indicator. We propose to continue to measure against this target using the revised dataset, with 2015 as a revised baseline year.



**Progress:** Between 2015 and 2016, the gap had widened on this measure. This reflects a small increase in private sector employment per head across England excluding London, whilst the rate remained stable in the North East LEP area.



Source: Business Register and Employment Survey - (Nomis)



### Employment rate

It is important that residents in the North East LEP area are benefiting from the additional jobs created. To measure this, we set a target to close the gap between the North East's employment rate for 16-64 year olds with England excluding London by 100% by 2024.



**Progress:** By September 2017, the gap between the North East LEP area and England excluding London had reduced by 28%.



Source: Annual Population Survey (Nomis)

### Economic activity rate

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



**Progress:** By September 2017, the gap between the North East LEP area and England excluding London had reduced by 35%.



Source: Annual Population Survey (Nomis)

### Gross Value Added per full-time equivalent (FTE) job

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or region in the United Kingdom. GVA per full-time equivalent (FTE) job is a way of measuring productivity. The SEP aims to reduce the gap between the North East and England excluding London on GVA per FTE by 50% by 2024. Between 2014 and 2015, the gap between the North East LEP area and England excluding London had increased by 9%. However, there has been a discontinuity in the data that underpins this measure. Changes have also been made to regional GVA data (with a new balanced GVA figure published for the first time in December 2017). Whilst it would be possible to use 2015 as a revised baseline, the North East LEP is taking this change as an opportunity to review the target with its partners and will report on next steps in due course.

## Section 2

SEP programmes of delivery:  
data, indicators and actions

### The six programmes are:

Business growth and access to finance

Supporting innovation

Skills

Employability and inclusion

Economic assets and infrastructure

Transport and digital connectivity

## Business growth and access to finance

Research has shown that high growth businesses are a key source of new jobs in the economy – so supporting business growth is critical to achieving 'more and better jobs' for the North East. Reflecting this, the SEP sets out a programme of support to help businesses to grow and scale.

There were just over 52,000 private sector enterprises in the North East LEP area in 2017 – equivalent to 319 private sector enterprises for every 10,000 adults in the North East.

There were 7,355 business births in the North East LEP area in 2016 – equivalent to 45 business births per 10,000 adult population, compared to 72 business births per 10,000 adult population across England excluding London.

There were 37 business deaths per 10,000 adult population in the North East LEP area in 2016, compared to 55 in England excluding London.

Whilst the North East underperforms on these measures, it has made progress against each of them since 2014 – suggesting the business base is growing and becoming more dynamic.



### North East LEP



### England excluding London



### Business growth can be measured in a number of different ways:



#### The growth of start-ups

**1.6% of North East LEP area 2013 start-ups that survived to 2016 generated more than £1 million in revenues in 2016. This is slightly below the English rate (2.0%).**



#### The growth of existing businesses

**6.4% of North East LEP area businesses with a turnover of £1 million to £2 million in 2013 had increased turnover to £3 million or more by 2016. Again, this is slightly below the English rate (6.8%).**

Whilst business growth is slightly below the English rate, the gap is relatively small and the North East outperforms a number of other core city LEAs.

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

### The evidence in relation to access to finance is mixed:



**North East region businesses are more likely to have had a loan facility approved in 2016/17 (year to September) than businesses from across England excluding London.**

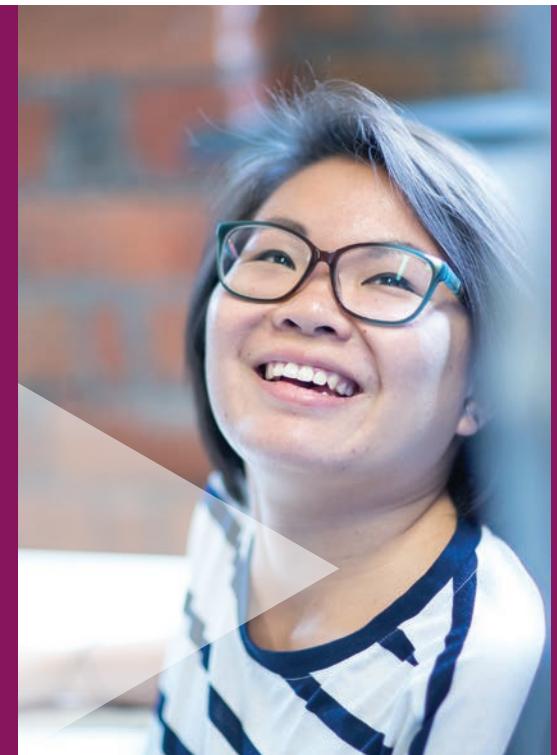
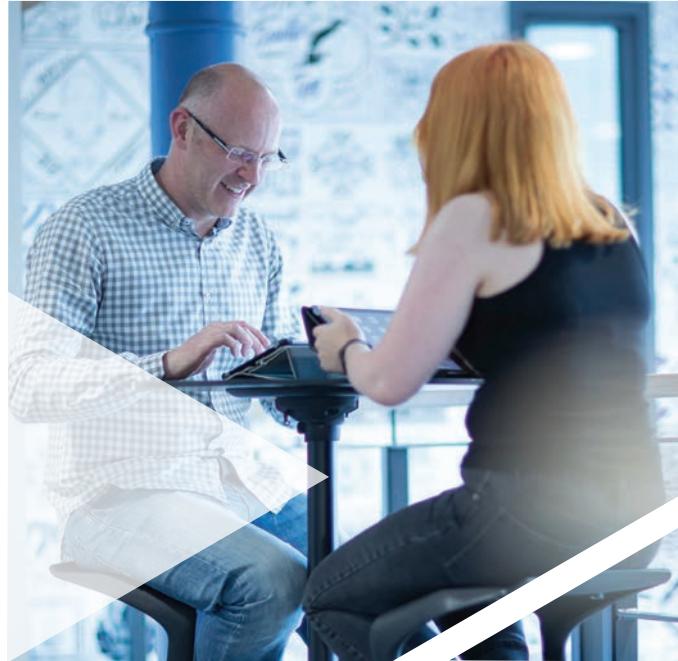
**However, the average value of loans is lower in the North East than nationally.**



**In 2016, the North East region accounted for**

**1% of UK equity investment by value and 3% of UK equity deals.**

**Some 69% of equity deals in the North East region in 2016 involved Government funds.**



### Foreign Direct Investment (FDI)



In 2016/17, North East LEP area:

**Secured 56 FDI projects**

**3,934 new jobs**

**2,750 existing jobs safeguarded**

The number of jobs created and safeguarded through FDI in the North East LEP area has increased each year between 2013/14 and 2016/17

The North East LEP area significantly outperforms the national average on securing FDI – with 41 jobs created or safeguarded per 10,000 adult population through FDI in 2016/17, compared to 14 across England excluding London

### Trade



In 2016/17 (year to September)

The value of exports in goods from the North East region was

**£12.7 billion**

The value of imports in goods into the North East region was

**£13.2 billion**

59% of North East region's goods exports were to EU – grown by 7% between 2014/15 and 2016/17. Exports to non-EU countries declined over same period. In 2016/17, North East accounted for: 5.3% of English exports in goods and 6.3% of English exports in goods to EU

### What next?

The North East is performing well on a number of indicators, including exports and inward investment. It is making progress on the size and dynamism of the business base. Further work is needed to build on this progress and close gaps with England excluding London. Priorities include:

- Supporting businesses to start-up, scale up and grow. The North East LEP is helping to contribute to this through the delivery of the North East Growth Hub and the launch of Scaleup North East in January 2017
- Improving access to finance. The North East Fund will provide £120 million of debt, equity loans and mezzanine funds to over 600 North East SMEs
- Encouraging inward investment into the region and ensuring the benefits of inward investments are maximised. The North East LEP is working with Invest North East England, DIT and others to promote the region and build links between inward investors and the wider North East economy
- Supporting businesses in the North East to internationalise, building on our already strong trading record. Again, the North East LEP is working with DIT and other partners to support businesses to develop their international links.

## Supporting innovation

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

### Innovation active businesses

53% of North East businesses report they were innovative active between 2012 and 2014 – the same proportion as across the UK as a whole.

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



Export



Employ science and engineering graduates



Employ graduates in other subjects

North East region innovative businesses are more likely than UK innovators to employ individuals with following skills:



Multimedia / web design



Engineering / applied sciences



Mathematics / statistics

### Employment

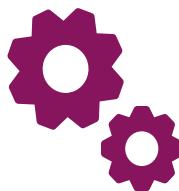
**4.5% of employment in the North East LEP area is in science, research, engineering and technology professional roles**



Science



Research



Engineering



Technology

Whilst this is below the rate in England excluding London, the proportion of employment in this category has increased from 3.9% in 2014.

### Research funding

The North East has been successful in securing funding for research in a number of subject areas including energy, information and communications technologies, astronomy observation, civil engineering and built environment and materials science. Combined, the region has secured £165.2 million in funding for these five topics from the UK Research Councils over the last 10 years.

#### Top 10 research subjects by funding awarded, North East region, 2007 to 2017

|   | Funding (£ millions) | % of UK funding |
|---|----------------------|-----------------|
| Energy                                      | 46.2                 | 7.5             |
| Information and communications technologies | 40.5                 | 3.1             |
| Astronomy – observation                     | 29.9                 | 9.0             |
| Civil engineering and built environment     | 28.7                 | 10.5            |
| Materials sciences                          | 19.9                 | 3.7             |
| Geosciences                                 | 18.0                 | 7.0             |
| Particle physics – experiment               | 15.6                 | 3.8             |
| Chemical synthesis                          | 11.5                 | 4.6             |
| Atomic and molecular physics                | 11.0                 | 4.1             |
| Medical and health interface                | 10.0                 | 3.0             |

Source: Analysis by Technopolis based on RCUK Gateway to Research

## The North East tends to underperform on traditional 'hard' measures of innovation

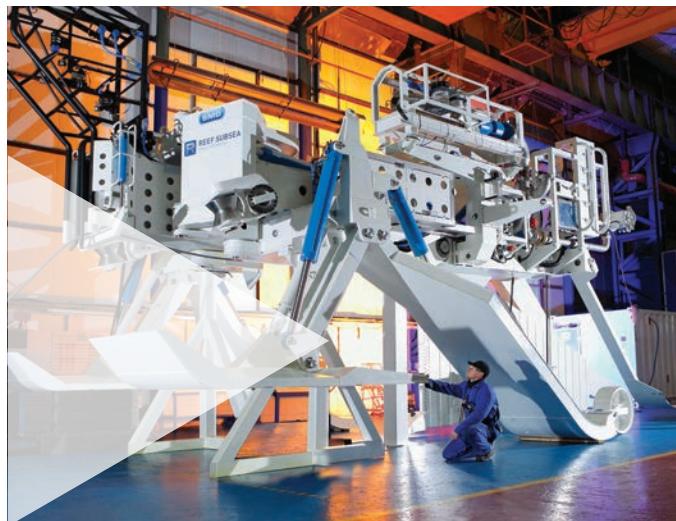
**Business expenditure on R&D** –North East businesses spent £1.4 million on R&D per 10,000 adult population in 2016, compared to £4.8 million across England excluding London

There were 23.1 **patents** granted to North East-based individuals and organisations per million adult population, compared to 55.7 across England excluding London.

### Business expenditure (£ million) on R&D per 10,000 adult population by region, 2016

|                                 |            |
|---------------------------------|------------|
| <b>East</b>                     | <b>8.9</b> |
| <b>South East</b>               | <b>6.4</b> |
| <b>West Midlands</b>            | <b>4.9</b> |
| <b>England excluding London</b> | <b>4.8</b> |
| <b>England</b>                  | <b>4.5</b> |
| <b>East Midlands</b>            | <b>4.3</b> |
| <b>North West</b>               | <b>4.0</b> |
| <b>South West</b>               | <b>3.3</b> |
| <b>London</b>                   | <b>3.3</b> |
| <b>Northern Ireland</b>         | <b>3.3</b> |
| <b>Scotland</b>                 | <b>2.4</b> |
| <b>Yorkshire and the Humber</b> | <b>1.7</b> |
| <b>North East</b>               | <b>1.4</b> |

Source: Business Expenditure on R&D (ONS)



## What next?

Over half of businesses in the North East are innovation active and the proportion employed in science, research, engineering and technology professions is growing. In addition, the region has a number of research specialisms where it has been successful in securing funding. However, the North East continues to lag behind England excluding London on a wide range of more traditional 'hard' innovation indicators. Going forward, it will be important to:

- Grow investment from the public and private sectors in R&D and innovation in the North East. The North East LEP has participated in a number of Science and Innovation Audits to help build the case for investment in the North East's key specialisms and works with the Innovation SuperNetwork to deliver Finance Camp for business
- Ensure appropriate infrastructure and ecosystems are in place to support innovative ideas to be developed and exploited. The North East LEP is supporting this through the development of sites, incubators and business support services such as the Innovation SuperNetwork and by attracting global R&D investment in 5G to develop new service models across a range of sectors
- Support the SEP areas of opportunity (Tech North East; Making the North East's future; Health Quest North East; and Energy North East) to develop and grow. These have been selected because they offer distinctive growth opportunities, often based on the innovative ideas being developed and implemented within the specialism. The North East LEP is working with industry partners in each area of opportunity to develop a strategy for growth.

# Skills

Investment in skills is a key driver of productivity and regional growth. The skills programme within the SEP is focused on improving the skills levels in the North East and improving the matching between labour demand and supply.

## Labour demand

The North East has fewer employment opportunities than England excluding London – with 644 jobs per 1,000 working age population, compared to 735 nationally.

If the North East LEP area had the same employment density as England excluding London there would be an additional 114,000 jobs. Reflecting this, the SEP has set a target to increase the number of jobs in the North East by 100,000 between 2014 and 2024.

**Employment per 1,000 working age (16-64) population, North East LEP, England excluding London and England, 2016**



■ North East LEP ■ England excl. London ■ England

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

## Employment by sector

| Employment by sector                               | % of total employment |
|--|-----------------------|
| Agriculture, forestry and fishing                  | 0.2                   |
| Mining, quarrying and utilities                    | 1.0                   |
| Manufacturing                                      | 11.0                  |
| Construction                                       | 4.1                   |
| Motor trades                                       | 2.0                   |
| Wholesale  | 2.6                   |
| Retail   | 10.0                  |
| Transport and storage (including postal)           | 4.1                   |
| Accommodation and food services                    | 8.2                   |
| Information and communication                      | 2.7                   |
| Financial and insurance                            | 2.0                   |
| Property   | 1.7                   |
| Professional, scientific and technical             | 5.6                   |
| Business administration and support services       | 8.0                   |
| Public administration and defence                  | 6.6                   |
| Education  | 9.4                   |
| Health   | 15.7                  |
| Arts, entertainment, recreation and other services | 4.9                   |
| <b>Total</b>                                       | <b>100.0</b>          |

Source: Analysis by Technopolis based on RCUK Gateway to Research

Looking forward, demand for labour in service sectors is projected to grow. Strong growth in demand is also forecast for highly skilled occupations including managers directors and senior officials; professionals; and associate professional and technical occupations.

## Labour supply

**Compared to England excluding London, a smaller proportion of working age people in the North East LEP area are:**



**In employment**  
71.2% compared to 75.0%



**Active in the labour market**  
76.1% compared to 78.4%

Including both those that are in employment and those that are unemployed but actively seeking work

Since 2014, both the employment rate and economic activity rates have improved, with the gap in performance with England excluding London narrowing over this period.

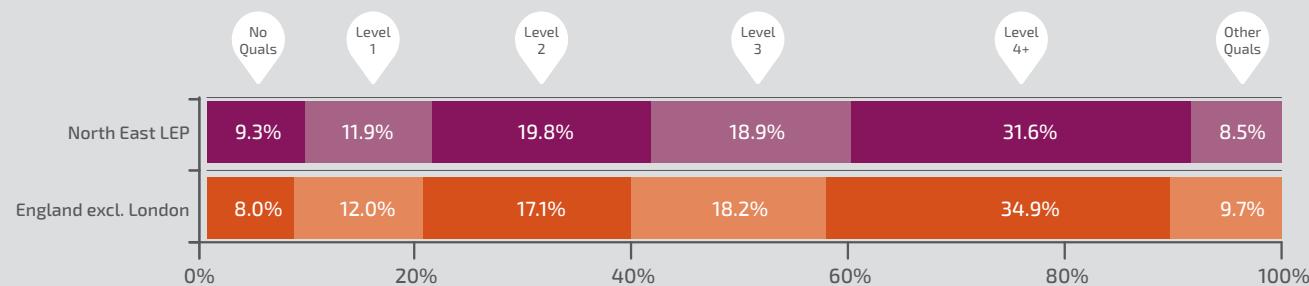


## The North East LEP area has a lower qualifications profile than England excluding London with

- More individuals with no or low (Levels 1 and 2) qualifications
- Fewer individuals with high (Level 4+) qualifications

However, the qualifications profile of the North East is beginning to change. Since 2014, only two core city LEPs have experienced a larger increase in the proportion of their population that are qualified to Level 4 or above.

### Highest qualification (% of 16-64 population), North East LEP and England excluding London, 2016



Source: Annual Population Survey (Nomis)

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

Compared to England excluding London, fewer employers in the North East LEP area reported skills shortage vacancies – with just 27% of employers with vacancies in 2015 having a skills shortage vacancy, compared to 29% nationally.

This had increased since 2013, most probably reflecting the tightening of the labour market over this period.

The proportion of employers in the North East LEP area reporting skills gap amongst their current workforce was the same as for England excluding London in 2015 (14%) – with this having declined from 18% in 2013.



## What next?

Employment is growing, with many of the additional jobs in highly-skilled occupations. In addition, employment rates and economic activity rates are improving and qualification levels are increasing. Building on this success, the priorities for the North East are:

- Increasing the number of jobs in the North East. All strands of the North East SEP help contribute towards this goal, with business growth and access to finance playing the key role in jobs growth.
- Ensuring individuals develop the skills required by North East employers. This requires an improved understanding of employer skills needs, ensuring education and training opportunities reflect these needs and ensuring that individuals are aware of the good quality opportunities in the region. The North East LEP is working with partners to tackle these issues including:
  - Improving careers guidance in schools and colleges through North East Ambition
  - Preparing the region for technical skills reforms (T-levels) and championing a regional Institute of Technology that focuses on the key areas of opportunity in the North East
  - Encouraging more graduates of North East universities to stay in the region post-graduation through the Live Work and Stay campaign
  - Supporting employers to retrain, regain and retain the 50+ workforce.

## Employability and inclusion

Increasing the proportion of residents in employment is a key objective of the North East SEP, to both enhance opportunities for individuals and help underpin economic growth of the region. It is important to minimise economic inactivity and unemployment and to tackle exclusion.

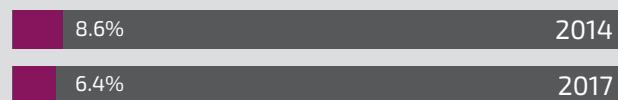
**In the North East LEP area, 6.4% of those who are economically active are unemployed and 23.9% of the working age population are economically inactive.**

- Both rates have declined since 2014 – from 25.5% to 23.9% for economic activity and from 8.6% to 6.4% for unemployment.
- Despite these improvements, the North East remains above the England excluding London rates (21.6% and 4.4%) – although the gap with England excluding London on economic activity has narrowed since 2014.

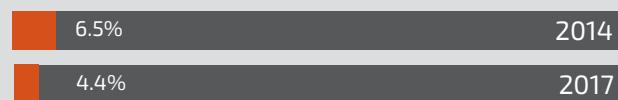
Decline in unemployment rates



### North East LEP



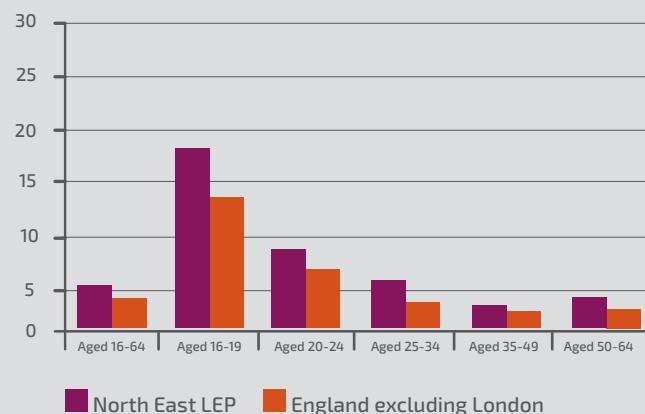
### England excluding London



### Looking at unemployment in more depth:

- In line with the national picture, the age group with the highest unemployment rate is young people aged 16-24 – at 15.6%. Whilst this is above the rate for this age band across England excluding London (12.0%), there has been a large decline since 2014 when the rate was 20.7%.
- The unemployment rate for the 50-64 population in the North East LEP area is 4.7%, above the England excluding rate of 2.9%. Again, this has declined since 2014 (6.1%). It is particularly important for the North East to tackle unemployment within this group as we have an older age profile than England excluding London.

Unemployment rate (%) by age band, North East LEP and England excluding London, October 2016 to September 2017



Source: Annual Population Survey (Nomis)

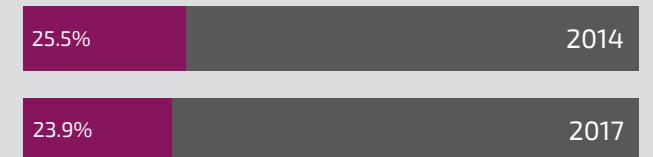
### Looking at economic inactivity in more depth:

- Some groups are more likely to be economically inactive than others – 49.4% of 16-64 year olds with a core or work-limiting disability are inactive, compared to 16.6% of those without a disability.
- The largest group within the inactive are those with a long-term sickness (28.0%), followed by students (25.0%) and those looking after family or home (22.0%). The proportion of the economically inactive that are long-term sick is much higher in the North East LEP area than across England excluding London (28.0% compared to 22.0%).

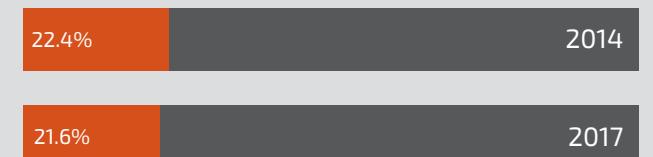
Economic inactivity

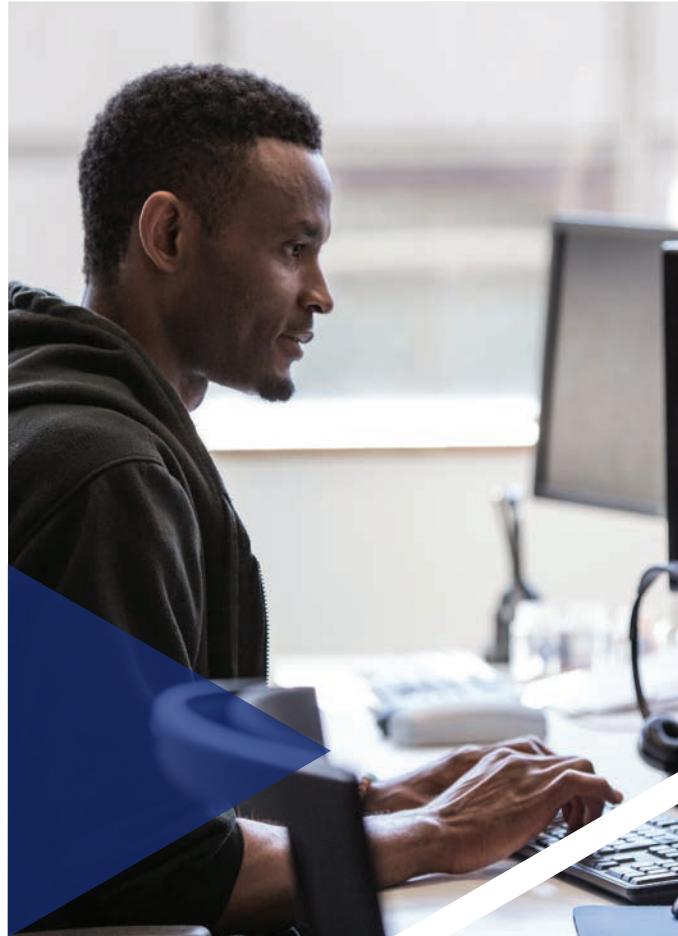
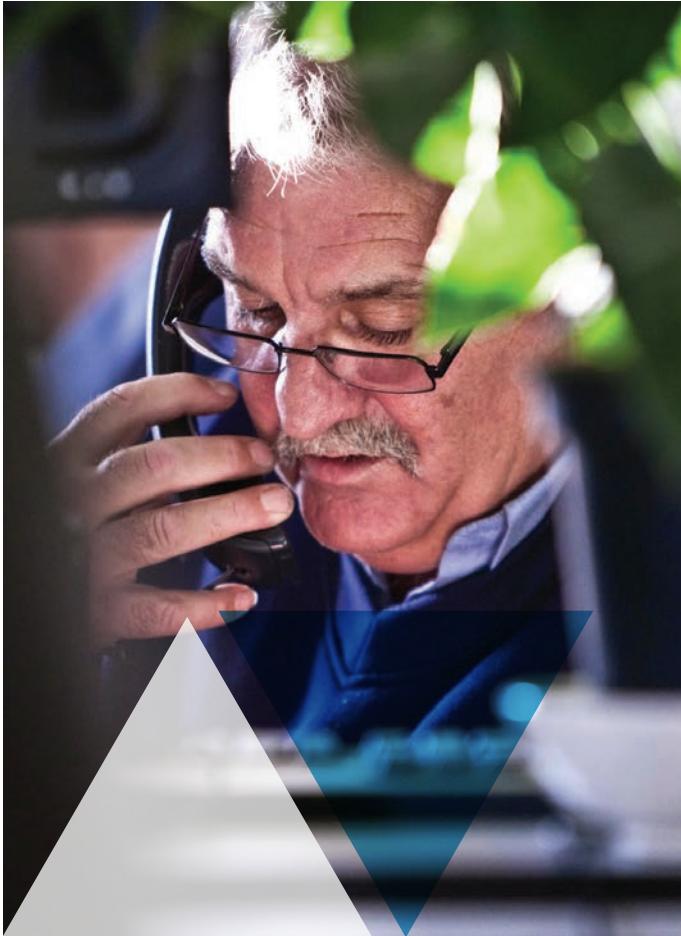


### North East LEP



### England excluding London





Average (median) wages for a full-time worker employed in the North East LEP area are lower than for workers across England excluding London - £506.20 compared to £555.80. However, living costs are also lower within the North East. Some 18% of households in the North East region were living in poverty (below 60% median household income before housing costs), compared to 16% across England as a whole.

**Median gross weekly wages of full-time workers (£), North East LEP, core city LEPs and England, 2014 and 2017**

|   | 2014  | 2017  | % Change 2014 to 2017 |
|---|-------|-------|-----------------------|
| Greater Birmingham and Solihull                   | 494.2 | 536.6 | 8.6                   |
| Greater Manchester                                | 481.6 | 515.4 | 7.0                   |
| England   | 523.5 | 555.8 | 6.2                   |
| Leeds City Region                                 | 479.5 | 508.3 | 6.0                   |
| North East  | 478.7 | 506.2 | 5.7                   |
| Sheffield City Region                             | 474.2 | 499.8 | 5.3                   |
| West of England                                   | 522.6 | 550.0 | 5.2                   |
| Derby, Derbyshire, Nottingham and Nottinghamshire | 488.3 | 510.3 | 4.5                   |
| Liverpool City Region                             | 492.6 | 513.8 | 4.3                   |

Source: Annual Survey of Hours and Earnings (Nomis) Notes: 1. Earnings in workplaces in the selected geographies 2. Data is not available for England excluding London.

**What next?**

Both the economic inactivity and unemployment rates have declined in North East LEP area over the last three years. However, they remain higher than across England excluding London. Priorities for the North East are to:

- Continue to reduce unemployment and economic inactivity. As there are particular issues in relation to the 16-24 and 50-64 populations, the North East LEP has focused its work with partners on supporting these two groups. Approaches include:
  - Generation NE, a region-wide project to get young people into sustained employment. A digital service has been launched to complement the support available through Generation NE on a face-to-face basis. This service is testing innovative approaches to engaging and supporting young people
  - Working with partners to pilot approaches to 'retrain, regain and retain' workers aged 50 and over in the labour market.
- Improve links between health and employability provision. A key project is the Mental Health Trailblazer, which provides integrated employment support and psychological therapy.

## Economic assets and infrastructure

Economic assets and infrastructure help enable economic growth by providing premises for growing businesses and homes for workers.

In 2016/17, the rate of net additional dwellings in the North East LEP area was just above the rate in England excluding London (9.0 per 1,000 dwellings compared to 8.8).

Whilst the rates had improved in both the North East and England excluding London since 2014/15, the increase was much larger in the North East (from 5.7 to 9.0, compared to 7.2 to 8.8), meaning the gap with England excluding London has closed on this measure.



Net additional dwellings for each year between 2014/15 and 2016/17

### 2014/15

5,074

### 2015/16

5,825

### 2016/17

8,136

In 2015/16, the North East LEP area had 20.4 million square metres of business floorspace. This is equivalent to 10.4 square metres per head – comparable to England excluding London (10.3).

The volume of business floorspace only increased marginally on 2014/15 (by 47,000 metres squared) so the per capita figure has not changed. At the England excluding London level, the business floorspace per head declined between 2014/15 and 2015/16.



Rateable values

**£54 per sq.m**

North East LEP

**£65 per sq.m**

England excl London

The rateable value of the available floorspace is £58 per metre squared compared to £65 across England excluding London.

There was no change in rateable value for either North East LEP or England excluding London between 2014/15 and 2015/16.

### North East Enterprise Zones



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

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



21 sites



296 hectares of land



Will deliver over 75,000 metres squared of new workspace



3 local authorities have adopted Local Plans

Newcastle

Gateshead

North Tyneside



The National Infrastructure and Construction Pipeline estimates that between 2017/18 and 2020/21, there will be £3,194 of investment per head in the North East region. This is below the England average (£3,393) and is the third lowest rate per capita of the English regions.

**National Infrastructure and Construction Pipeline estimates that between 2017/18 and 2020/21**



**Per capita investment, North East region**

**£3,194**

**Per capita investment, England**

**£3,393**

**North East is third lowest rate of English regions**

**Reflects lower central and local government investment**

**North East region £1,347**

**42% of investment into the North East**

**Only London is projected to have higher level of private investment per capita (North East £1,847; London £2,274)**



### What next?

Following the agreement of three Local Plans, increases in housing stock and the launch of 21 Enterprise Zone sites, the next steps for the North East in building its economic assets and infrastructure are to:

- The local authorities that do not currently have a Local Plan in place are working to develop these and a North East Planning Development Framework will be developed through the duty to co-operate to ensure that the links between key developments across the region are understood and maximised. The North East LEP will work with partners across the region, including planning authorities, to ensure these plans are aligned with the ambitions of the SEP
- We will continue to work to secure investment for our region by working closely with the regions combined and local authorities to deliver the housing growth local development highlighted in the SEP and Local Plans
- Develop key business sites. The North East LEP will support this through the development of Enterprise Zone sites.

## Transport and digital connectivity

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

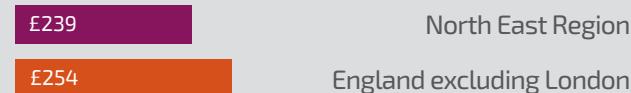
In 2015/16, public expenditure on transport was £303 per head in the North East region, compared to £349 across England excluding London.

Whilst public expenditure per head increased between 2014/15 and 2015/16 in the North East region (from £239 to £303 per head), the rate of increase was faster across England excluding London (from £254 to £349), meaning the gap between the North East and England excluding London has widened over this period.

### Public expenditure on transport



#### 2014/15



#### 2015/16



Usage of public transport is high in the North East, with 37.7 million passenger journeys by Metro and 144.9 million passenger journeys by bus in 2016/17.

In both cases, the number of passenger journeys per head was higher than across England excluding London. Bus passenger journeys have decreased since 2014/15, whilst Metro patronage has increased.

### Usage of public transport



**Metro** 37.7 million passenger journeys; 204.9 million passenger miles (2016/17)

**Bus** 144.9 million passenger journeys; 68.3 million passenger miles (2016/17)

**Rail** 204 rail services arriving at Newcastle Central station, with 56,984 seats available and carrying 23,654 passengers (2016)

In 2016, 76 million tonnes of freight were lifted by GB-registered heavy goods vehicles from the North East. The destination for the majority (78%) of this freight was also the North East region.

The volume of freight lifted in the North East has increased by 21% since 2014 – slightly below the England excluding London increase of 24%. Despite this, the North East continues to have a higher volume of freight lifted per head than England excluding London (39 tonnes compared to 32).

### Road freight



**76 million tonnes**



## Digital connectivity

The majority of premises in the North East LEP area have access to superfast broadband (30Mbit/s+), with all the local authority areas within our area except Northumberland having the same or a higher proportion of premises with access as England as a whole (92% or above). Access to superfast broadband has improved since 2014.

The evidence is more mixed in relation to 4G coverage, with the proportion of premises that are able to receive a data signal from all four operators ranging from 76% in Northumberland, to 98% in Newcastle. Five of the seven local authorities are performing better than England as a whole. Those with underprovision – County Durham and Northumberland – are the two more rural authorities in our area. This reflects a wider national trend of rural areas having lower rates of coverage than urban areas, although County Durham and Northumberland both perform much better than rural areas as a whole.

### 4G mobile coverage (% of indoor premises receiving coverage from all operators), 2017

|                       |           |
|-----------------------|-----------|
| <b>Newcastle</b>      | <b>87</b> |
| <b>Sunderland</b>     | <b>79</b> |
| <b>Gateshead</b>      | <b>72</b> |
| <b>North Tyneside</b> | <b>72</b> |
| <b>South Tyneside</b> | <b>66</b> |
| <b>Urban England</b>  | <b>66</b> |
| <b>England</b>        | <b>60</b> |
| <b>County Durham</b>  | <b>50</b> |
| <b>Northumberland</b> | <b>40</b> |
| <b>Rural England</b>  | <b>19</b> |

Source: Connected nations (Ofcom)



### What next?

The North East has high usage of public transport and good broadband coverage. Whilst public expenditure on transport has increased since 2014, this still lags behind the national position. Priorities for North East are:

- To continue to secure investment for its transport and digital infrastructure. The announcement by Government of funding to upgrade the Metro fleet is highly welcomed but it will also be important to secure investment for other key projects. The North East LEP will continue to work with partners to secure public and private investment into the region and to improve connectivity between our region and elsewhere
- To encourage innovation in transport and digital service provision. A key example of how the North East LEP is supporting this is the Go Ultra Low Cities programme to develop rapid charging stations for electric vehicles in Newcastle and Sunderland.

## Section 3

### The North East in the global economy

#### Trade

The North East region is highly integrated into global markets. In 2016/17 (year to September), the North East:

- Exported £12.7 billion of goods
- Imported £13.2 billion of goods.

The EU is the North East's main international trading partner, accounting for 59% of all exports and 60% of all imports of goods.

- The proportion of the North East's exports in goods going to the EU is higher than for England excluding London – 59% compared to 50%.
- In contrast, the proportion of imports in goods coming from the EU is similar to England excluding London – 60% compared to 59%.

After the EU, the most important markets for the North East's exports in goods are Asia and Oceania (accounting for 13% of exports in goods) and North America (10%). This is a similar pattern to England excluding London but the proportion of the North East's exports in goods going to these markets is lower than for England excluding London

#### Main export markets for North East goods



|   |     |
|---|-----|
| EU                                      | 59% |
| Asia and Oceania                        | 13% |
| North America                           | 10% |
| Western Europe (excl. EU)               | 6%  |
| Middle East and North Africa (excl. EU) | 5%  |
| Eastern Europe (excl. EU)               | 4%  |
| Sub-Saharan Africa                      | 2%  |
| Latin America and Caribbean             | 2%  |



#### In terms of the type of goods being exported:

- Machinery and transport accounted for 57% of exports in goods from the North East region – by far the largest commodity. Goods valued at £7.2 billion were exported in this category
- The next largest categories were chemicals including pharmaceuticals, with exports of £2.8 billion (22% of the total) and manufactured goods, with exports of £1.3 billion (10%). However, it is worth noting that the majority of chemical exports are likely to come from the Tees Valley (outside the North East LEP area)
- Combined, these three categories accounted for almost 90% of the North East's exports in goods – suggesting the region is heavily dependent on a small number of commodities for its exports
- All other categories of goods were underrepresented compared to England excluding London.

#### Main goods exported from North East



**Machinery and transport 57%**



**Chemicals (including pharmaceuticals) 22%**



**Manufactured goods 10%**

HMRC calculates the number of VAT-registered businesses that are exporting. Using the whole number method, a count of businesses in any region that are exporting:

- There were 4,189 active exporters in the North East region in 2016
- 3,295 businesses exported goods to the EU in 2016 and 2,624 exported to non-EU countries

### Looking at imports in goods:

- After the EU, the largest shares of the North East's imports in goods come from Asia and Oceania, accounting for 24% of imports in goods, and North America (8%).
- This is a similar pattern to England excluding London.

### In terms of the type of goods being imported:

- Machinery and transport accounted for 41% of imports in goods into the North East. This is a similar proportion to England excluding London
- The next largest categories were chemicals (including pharmaceuticals) (17%), manufactured goods (15%) and miscellaneous manufactures (15%)
- The main categories of imports into the North East are similar to the main categories of exports – highlighting the integrated nature of supply chains.

### The North East exported £3.5 billion of services in 2015.

- In contrast to goods exports, which were heavily concentrated in three commodities, service exports are relatively diversified
- The financial sector accounts for the largest proportion of service exports from the North East (24%, valued at £0.85 billion), followed by manufacturing-related services (22%, valued at £0.76 billion)
- Both financial services and manufacturing account for a larger proportion of the North East's service exports than England excluding London (24% compared to 19%; and 22% compared to 13%)
- Other sectors with substantial service exports are transport (£0.52 billion), real estate, professional, scientific and technical (£0.39 billion), insurance and pension services (£0.3 billion) and travel (£0.37 billion)

### Manufacturing businesses account for over 20% of the North East's service exports



### Foreign-owned businesses

3,680 businesses in the North East region are foreign-owned – equivalent to 5.1% of all businesses. This is a higher proportion than England excluding London (3.8%) or any other region.

Foreign-owned businesses in the North East account for:

- 34% of North East turnover.
- 29% of North East GVA.

Foreign-owned businesses in the North East account for a slightly higher proportion of turnover and GVA than England excluding London.



### Only three English regions (London, South East and West Midlands) have a larger proportion of turnover and GVA coming from foreign-owned businesses than North East

43% of the North East's foreign-owned businesses have an EU-based owner. This is similar to England excluding London (42.4%).

7% of North East foreign-owned businesses are Asian-owned, the third highest proportion in England (after London and South East). However, these companies make a disproportionate contribution to turnover, accounting for 29% of turnover and 18% of GVA by foreign-owned businesses in the North East.

Asian-owned firms account for a larger proportion of turnover from foreign-owned businesses in North East than any other English region and the second highest proportion of GVA.





The 2011 Census provides insights into those that moved into the North East LEP area between 2010 and 2011. Whilst the Census is now relatively dated, it provides more detail than is available in other datasets.

- 18% of those who moved into the North East LEP area in the 12 months prior to the Census moved from outside the UK, i.e. the majority of migrants into the North East LEP area came from elsewhere in the UK.
- 45% of those who moved from outside the UK into the North East LEP area in the 12 months prior to the Census were economically active whilst 55% were economically inactive
- A lower proportion were economically active than across England excluding London (57%). Whilst this appears to be a negative finding, it reflects the much higher proportion of migrants that were students (43% compared to 26%)
- The most common location that individuals lived 12 months prior to the Census was China accounting for 13% of those who moved from outside the UK into the North East LEP area. This is likely to reflect the large student population outlined above. The next most common locations were Middle East (excluding Iran), India, USA, Spain, Germany and Australia. Migration from the EU A8 countries was less common than across England as a whole
- The most common location that residents lived in 12 months earlier varied by age. In particular, the majority of in-migrants aged 65-74 and 75+ came from countries in the EU15, USA, Canada, Australia and South Africa. These are likely to predominately be UK citizens returning to the North East LEP area after a period of living abroad.

**Students in-migrants in 2011**



**2011**



**International migration**

Individuals who were born outside of the UK account for a smaller proportion of the North East LEP's population than nationally.

- The non-UK born population of the North East LEP area was 109,000 in 2016 - equivalent to 5.6% of population
- This compares to 11.4% across England excluding London
- The non-UK born population in the North East LEP area has increased by 25% over the last five years and 70% over the last 10 years. The rate of increase over the last five years has been similar to England excluding London, whilst the rate of increase over the last 10 years has been higher than England excluding London.

Over the last 10 years, net international migration into the North East LEP has been positive in each year (i.e. the number of international in-migrants has been higher than the number of out-migrants).

**Migration in the North East over the last 10 years**



Whilst these figures may seem large, net migration into the North East LEP area has been equivalent to between 0.2% and 0.4% of the population in each year.

Whilst the scale of migration has been small in the North East LEP area, it has played a critical role. Over the last 10 years, net migration has generally accounted for the majority of population change in the North East LEP. On two occasions (2008/09 and 2014/15), net migration was higher than population change, meaning the North East LEP population would have decreased had it not been for migration.

## Universities and colleges

The North East LEP's four universities operate in both national and international markets – with universities competing for students, staff and research income on an international stage. 17,275 international students were studying at the North East LEP area's four universities in 2016/17.

- 14% of undergraduate students were international
- 40% of postgraduate students were international

The proportion of students in the North East that were international is similar to England excluding London, with the main difference being that the North East has a slightly higher proportion of non-EU students.



**17,275 international students at the North East's universities.**

15,845 students were studying for awards or courses of North East universities overseas without coming to the UK in 2016/17.

- The majority of these were undertaking first degrees (12,915) or postgraduate taught degrees (2,465)
- Within the North East's universities, the University of Sunderland has the largest number of students studying for awards or courses overseas without coming to the UK (8,120) followed by the University of Northumbria at Newcastle (6,000)

### International campuses of North East universities

#### Newcastle University



Malaysia



Singapore

#### University of Sunderland



Hong Kong

Between 2008 and 2012, North East region universities secured £111 million of international research income – 14% of their total research income.

Within this, the subject areas that secured the most income were clinical medicine (which secured £20 million) and aeronautical, mechanical, chemical and manufacturing engineering (£14 million).

### Horizon 2020 funding

Horizon 2020 is an EU research and innovation programme with €80 million available between 2014 and 2020. Whilst Horizon 2020 funding is not restricted to universities, they are major recipients. By September 2017:

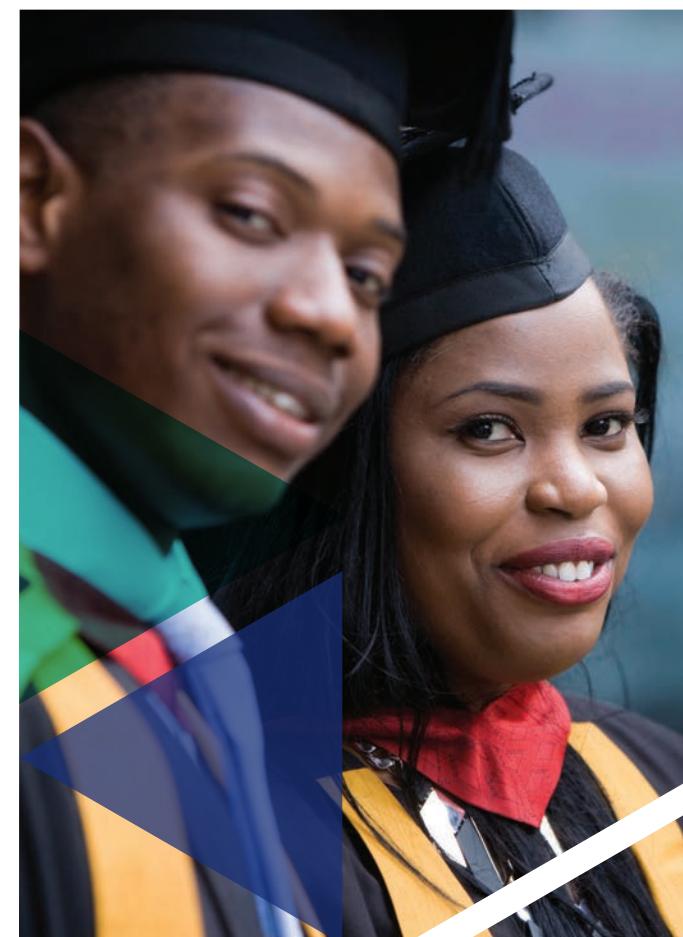
**247 participations in the North East region, with €109 million in funding committed**

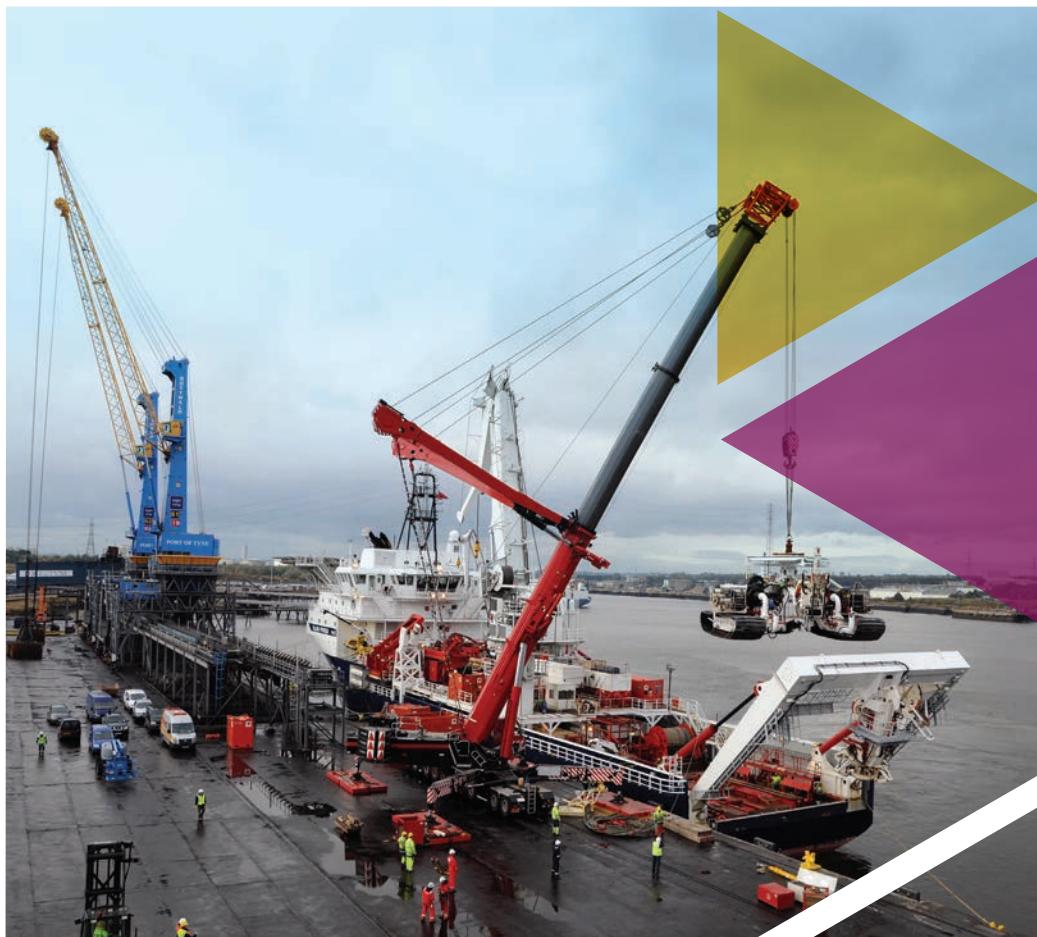
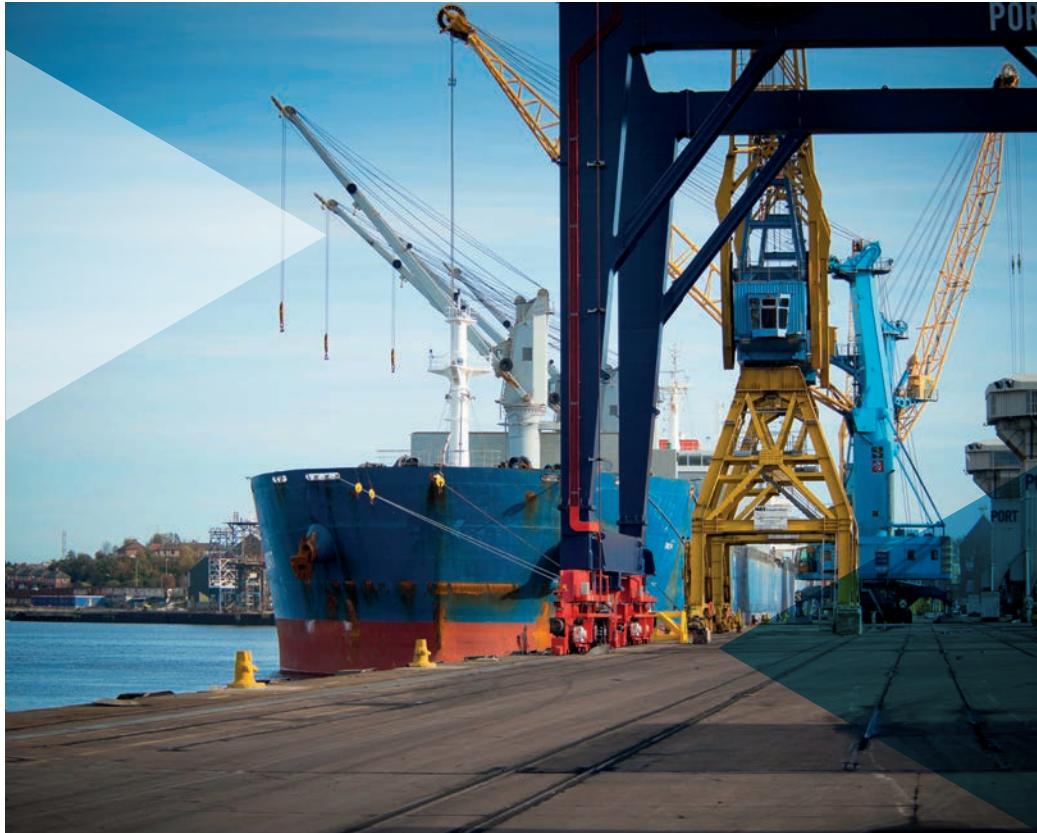
**Newcastle University has been involved in 101 participations, totaling €46 million**

**Durham University has been involved in 51 participations, totaling €22 million**

Both Newcastle University and Durham University are in top 30 higher education institutions in UK in terms of securing Horizon 2020 funding.

No data is available on the number of international students undertaking courses at the North East's nine further education colleges or the number of home students at these colleges taking part in international learning visits or placements. However, from our work with colleges, we know these are an important part of their offer. Just under 2% of North East college's income comes from international sources, with the majority of this coming from tuition fees and educational contracts for non UK/EU students.





## EU funding

The European Union has been a major source of funding into the North East over the last 40 years. Key funds include:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF).
- European Agricultural Fund for Rural Development (EAFRD).

These are intended to help deliver the EU's regional policy goals of job creation, business competitiveness, economic growth, sustainable development, and improving quality of life.

### ESF 2014 to 2020 allocations

National allocations that have been made to the North East LEP area for 2014 to 2020 are:

**ERDF**  
**£225.8 million**

**ESF**  
**£200.3 million**

**EAFRD**  
**£10.5 million**

Within these, some key priorities include:

- £94.6 million for inclusive labour markets to improve access to employment for those that are unemployed and inactive and to help integrate young people into the labour market
- £103.9 million for skills for growth to improve access to education and training and to ensure the provision on offer is relevant to employer needs
- £106.8 million to support SME competitiveness through business supports, improving access to finance and the development of strategic sites
- £45.4 million to encourage innovation in the region.

Commitments' are the total amount legally committed and contracted from the ERDF, ESF and EAFRD programmes to projects (including those at the pre-contracting stage).

By early 2018:

- £150.6 million of ERDF funds had been committed (66.7% of allocation).
- £77.3 million of ESF funds had been committed (36.6% of allocation).
- £5.8 million of EAFRD funds have been committed (55.0% of allocation).



### What next?

Maintaining and strengthening the international connections set out in this section is of critical importance to the North East. In particular, there is a need to:

- Ensure support is in place for North East businesses to internationalise. This should include supporting those that are already exporting to move into new markets, encouraging businesses that are not currently exporting to do so and to support North East businesses to develop their supply chains internationally
- Work to embed inward investors into the North East economy to maximise the benefits from their presence in the North East for both the company and the region
- Promote the North East as an attractive location to study, work and live. This is important in helping maintain, and potentially grow, the working age population of the North East
- Strengthen the North East's global links through the region's ports and airports.
- The North East LEP will work with its partners to deliver these objectives. However, the success of these measures will also rely on the UK having strong relationships and appropriate treaties in place with other nations. As the UK government goes through the process of leaving the EU, it is critically important for the North East's businesses and residents that they negotiate the best possible terms of access to other markets for the UK.

### International connectivity

The North East LEP area is home to five ports:

Port of Berwick

Port of Blyth

Port of Sunderland

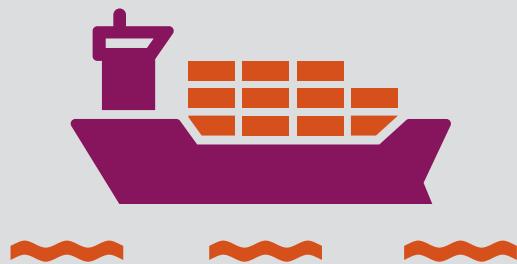
Port of Tyne

Seaham Harbour.

In 2016, the North East's ports handled 5.73 million tonnes of freight – 1.2% of all freight handled in the UK.

- 1.83 million tonnes was outwards
- 3.89 million tonnes was inwards
- The largest ports by tonnage handled were Port of Tyne (3.65 million tonnes), Port of Blyth (0.74) and Port of Sunderland (0.72)
- Outwards freight has increased since 2014, whilst inwards freight has decreased.

584,000 passengers travelled through Port of Tyne in 2016. This is equivalent to 2.7% of all international sea passengers boarding at UK ports.



**In 2016, the North East's ports handled 5.73 million tonnes of freight – 1.2% of all freight handled in the UK**



Newcastle Airport accounted for 1.8% of all passengers travelling through UK airports in 2016. Of the 4.8 million passengers travelling through Newcastle Airport in 2016:

- 3.1 million (66%) were travelling between Newcastle and EU destinations
- A further 501,000 (10%) were travelling to other international destinations

In 2016, Newcastle Airport had 95 international routes across scheduled and charter flights.

- The most popular routes were Amsterdam, with over 360,000 passengers and Alicante, with over 340,000. 10 routes had over 100,000 passengers each, including Dubai which had over 230,000

Newcastle Airport handled 4,574 tonnes of freight in 2016. The vast majority of freight handled by Newcastle is international – with 574 tonnes (12.5%) travelling between Newcastle and the EU and 3,743 tonnes (81.8%) travelling between Newcastle and other international destinations.

### Air transport through Newcastle Airport



**Handled 4,574 tonnes of freight**



North East  
**Data Hub**



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