

Our Economy 2018

With insights into global connections



Our Economy 2018

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Welcome from Andrew Hodgson, Chair, North East LEP

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 provides a summary of progress to date against the targets set out in the SEP. There is an executive summary of this report available on our website.

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 given that 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

“
Our Economy will provide
the focus for ongoing debate
and discussion to help
us address the economic
challenges and opportunities
the North East faces.
”



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

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, the 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

“
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Introduction

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. 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

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.

A deep dive into the North East in the global economy

As well as providing an overview of the North East economy. Each year, Our Economy will review a topic in more depth. This year's report has examined 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.

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

Notes on the use of data

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 has 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

