Economic Output in Birmingham

Analysis of 2018 GDP & GVA Data

January 2020

Economic Policy

Inclusive Growth Directorate

Birmingham City Council

1. Introduction

This briefing provides an overview of the 2018 official ONS economic output figures for Birmingham released at the end of 2019. The report analyses the latest Gross Value Added (GVA) data and for the first time Gross Domestic Product (GDP) data at local authority level.

The briefing provides analysis of total economic output and economic growth in the city as well as examining output per head and per worker. The report also includes an analysis of economic output by broad sector. Economic performance in the city is compared with other areas of the region, the 10 UK core cities and the UK as a whole.

2. GDP & GVA Explained

GDP and GVA are both official measure of sub regional economic output; they both provide a value for the amount of goods and services that have been produced in the economy less the cost of all inputs and raw materials that are directly attributable to that production.

The main difference in the two measures is the way that taxes and subsidies are accounted for when calculating economic output. Basically GDP is GVA plus taxes and minus subsidies.

The briefing makes reference to two means of expressing GDP/GVA and their growth .

- **Nominal GDP & GVA**

GDP & GVA reported in current prices which includes the effects of inflation.

- **Real GDP & GVA**

This measure removes the impact of inflation that is present in the nominal output figures and enables the actual economic growth to be identified, removing any change due to price increases. Real GDP and GVA figures are in ***2016*** prices.

In this report we also refer to two other measures of economic output.

- **GDP per Head**

This measure is calculated by dividing the total economic output of an area by the total resident population. GDP per head provides a comparative measure of economic output giving an indication of a given areas economic performance relative to other areas.

- **GDP per Worker**

This is measured by dividing an areas total economic output by total workplace employment in that area. GDP per worker is one measure of productivity although not the preferred official measure of output per hour worked.

Economic Output & Output Growth in Birmingham

£31.9bn GDP

Nominal	Real
+£1.8bn	+£1.2bn
+6.0%	+4.0%

£27,966

GDP per Head

Nominal	Real
+£1,483	+£937
+5.6%	+3.6%

£61,385

GDP per Worker

Nominal	Real
+£4,025	+£2,810
+7.0%	+5.0%

3. Key Findings

The key headline findings from the latest release of economic output figures for the city are summarised below:

- Economic output in Birmingham in 2018 stood at **£31.9bn.**
- This makes Birmingham the largest city economy in the UK outside of London.
- The local economy grew by £1.8bn last year (£1.2bn in real terms).
- Economic growth in Birmingham between 2017 and 2018 was **6.0%** (4.0% in real terms), well above the national average of **3.3%** (1.4%).
- Birmingham was the second fastest growing city amongst the 10 UK core cities in terms of economic output growth behind Leeds.
- GDP per head in Birmingham in 2018 stood at **£27,966.** This is well below the national figure of **£32,216.**
- GDP per head in the city increased by £937 between 2017 and 2018 an increase of 3.6% compared to the 2.5% growth achieved nationally. The output per head gap with the UK has therefore narrowed in 2018.
- Birmingham s one of the poorer performing core cities in terms of GDP per head, having the second lowest level after Sheffield.
- GDP per worker in the city in 2018 was **£61,385**. A little below the national figure of **£67,532.**
- GDP per worker in the city increased by £4,025 in nominal terms, an increase of 7.0% compared to the 2..4% achieved nationally.
- Birmingham had the highest GDP per worker figure of any core city in 2018.
- At a sectoral level the other personal services sector saw the strongest growth with GVA up by £363m (+92.1%) between 2017 and 2018.

Economic Growth in 2018 (Real Terms)

4.0% Birmingham

1.8% Core Cities

1.4% UK

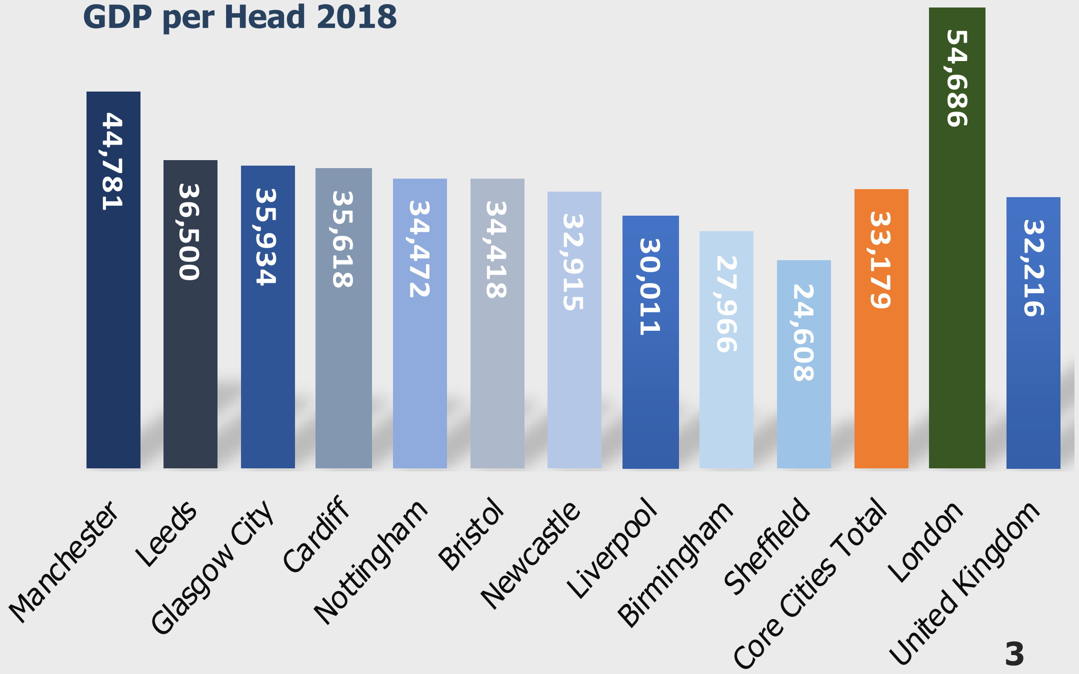
GDP per Head

£27,966 Birmingham

£33,179 Core Cities

£32,216 UK

Chart 1: Core Cities GDP per Head 2018

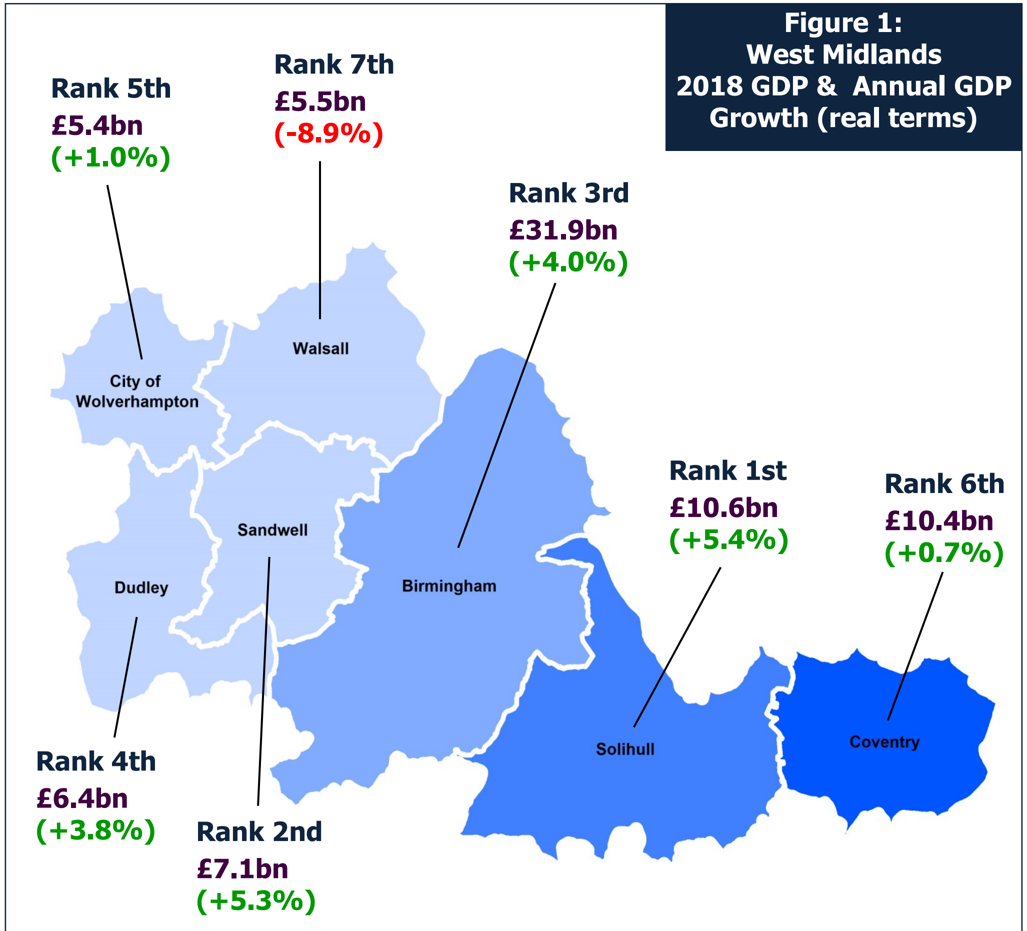


4. Economic Output in the West Midlands

Figure 1 below shows a breakdown of economic output for the Metropolitan areas in the region. Birmingham is by far the largest economy in the area accounting for 20% of the economic output in the region and 41% of the West Midlands Metropolitan area.

Within the area the strongest economic growth in real terms was recorded in Solihull which grew by 5.4%. Birmingham saw the largest absolute increase in GDP in real terms with economic output increasing by £1.2bn between 2017 and 2018.

Figure 1: West Midlands 2018 GDP & Annual GDP Growth (real terms)



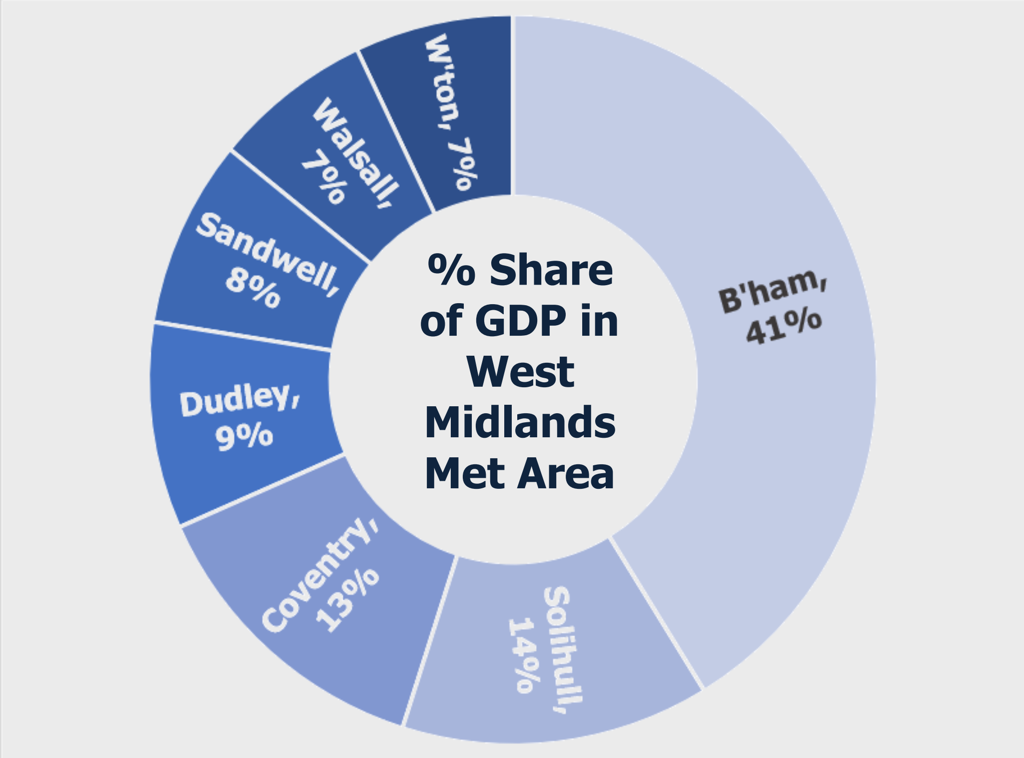


Table 1 - West Midlands Real GDP £m (2016 Prices) Ranked by % Growth

Area	2016	2017	2018	Change 2017-2018 £m	Change 2017-2018 %
Solihull	9,270	9,753	10,284	531	5.4%
Sandwell	6,331	6,434	6,777	343	5.3%
Birmingham	**29,346**	**29,507**	**30,687**	**1,180**	**4.0%**
Dudley	5,749	5,975	6,204	229	3.8%
Wolverhampton	5,067	5,178	5,231	53	1.0%
Coventry	10,487	9,959	10,033	74	0.7%
Walsall	5,461	5,799	5,281	-518	-8.9%
West Midlands Met Area	71,711	72,628	74,498	1,870	2.6%
West Midlands	147,198	150,965	154,030	3,065	2.0%
United Kingdom	1,995,478	2,033,234	2,061,408	28,174	1.4%

5. Economic Output in the Core Cities

Table 2 below provides a breakdown of economic output for the core cities, enabling Birmingham's performance to be benchmarked against its peer cities. Birmingham is the largest city economy outside of London with economic output of £31.9bn in 2018.

Birmingham was the second best performing core city in terms of economic growth in real terms in 2018 (+4.0%), well above the core city average (+1.8%) and the UK (+1.4%).

6. GDP per Head & GDP Per Worker — Core Cities

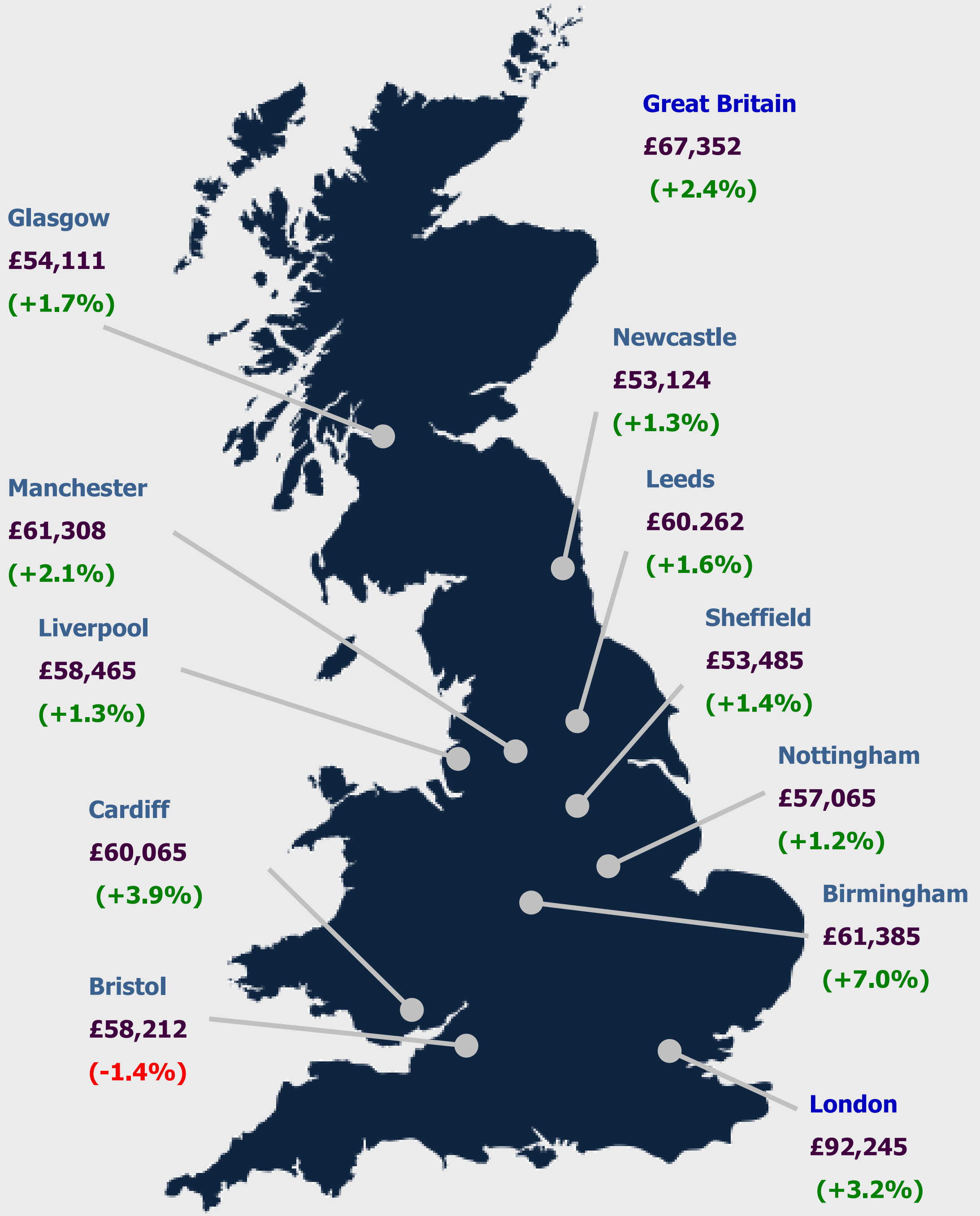
GDP per head in the city (£27,966) is lower than the UK and the core city average (£33,179). Birmingham has the second lowest GDP per head amongst the 10 core cities.

Figure 2 opposite shows GDP per worker for Birmingham and the core cities. Birmingham performs better on this measure with output per worker of £61,385, below the Great Britain figure of £67,352 but the highest figure of the 10 core cities. Birmingham saw output per worker grow strongly between 2017 and 2018 by £4,025 (7.01%) in nominal terms.

Table 2 - Core Cities Real GDP £m (2016 Prices)

Area	2016	2017	2018	Change 2017-2018	
				£m	%
Leeds	26,400	26,530	27,730	1,200	4.5%
Birmingham	29,346	29,507	30,687	1,180	4.0%
Liverpool	13,911	13,921	14,273	352	2.5%
Glasgow	20,941	21,195	21,631	436	2.1%
Manchester	22,095	23,312	23,671	359	1.5%
Cardiff	12,023	12,364	12,491	127	1.0%
Sheffield	13,569	13,756	13,756	0	0.0%
Newcastle upon Tyne	9,451	9,543	9,538	-5	-0.1%
Nottingham	10,715	10,966	10,899	-67	-0.6%
Bristol	15,139	15,838	15,368	-470	-3.0%
Core Cities Total	173,590	176,932	180,044	3,112	1.8%
London	455,592	462,967	472,257	9,290	2.0%
United Kingdom	1,995,478	2,033,234	2,061,408	28,174	1.4%

Figure 2: Core City GDP per Worker 2018



7. Economic Output by Sector

The ONS produce a breakdown of economic output (measured in GVA) in the city by sub sector which is shown in Table 3 on the next page. The infographic opposite shows the major sectors in the local economy, what there economic output measured in 2018, how this has changed since 2017 and what share of total economic output in the local economy that each sector accounts for.

Public services which includes education, health and social care and government services together accounts for nearly one quarter (24%) of economic output in the city.

Financial, business and professional services combined had an economic output of £9.6bn in 2018, accounting for one third (33%) of output in the local economy. There was a marginal fall in output (-0.6%) for the sector between 2017 and 2018 with real estate and financial services within the wider sector seeing output decline slightly in 2018.

The city still retains a significant manufacturing base with the manufacturing sector having £4bn economic output in 2018, making up 14% of total economic output locally.

Retail trade accounted for £3bn in output last year, growing strongly by 7.9% between 2017 and 2018.

Overall the service sector accounts for 79% of economic output in Birmingham with GVA of £22.2bn in 2018, up by nearly £1bn in real terms between 2017 and 2018 a growth rate of 4.7%.

Major Sectors

Manufacturing
£4.0bn GVA
+85m (+2.2%)
14% of city GVA

Construction
£1.6bn GVA
+159m (+11.2%)
6% of city GVA

Retail Trade
£3.0bn GVA
+209m (+7.6%)
11% of city GVA

Financial Services
£2.5bn GVA
-3m (-0.1%)
9% of city GVA

Real Estate
£2.4bn GVA
-42m (-1.7%)
9% of city GVA

Professional & Technical
£2.2bn GVA
+130m (6.1%)
8% of city GVA

ICT
£1.4bn GVA
+117m (+9.2%)
5% of city GVA

Public Services
£6.7bn GVA
+273m (4.2%)
24% of city GVA

8. Economic Output by Sub Sector

Table 3 shows economic output in the city broken down by sub sector (2 Digit SIC). The largest sub sector locally is Education with an economic output of £2.2bn, followed by Human Health (£1.7bn) anti Public Administration (£1.8bn). The largest sub sector in the private sector was Manufacture of Metal Products (£1.5bn) and Financial Services (£1.5bn).

The sector that saw the largest absolute growth in real terms between 2017 and 2018 was in the Other Personal Services sub sector (+£363m) and Civil Engineering (+£186m). The largest decline in output in absolute terms was in the Construction of Buildings sub sector (-£123m) and in Office Administration and Business Support Services (-£102m).

Table 3 - Real GVA by Sector Birmingham £m (2016 prices)

Sector	2017	% Share	Change 2017- 2018 £m	%
Agriculture, forestry and fishing; mining and quarrying	11	17	6	55%
Manufacture of food, beverages and tobacco	188	141	-47	-25%
Manufacture of textiles, wearing apparel and leather	48	41	-7	-15%
Manufacture of wood and paper products and printing	173	191	18	10%
Manufacture of petroleum, chemicals and other minerals	296	315	19	6%
Manufacture of basic and fabricated metal products	1,441	1,506	65	5%
Manufacture of electronic, optical and electrical products	91	99	8	9%
Manufacture of machinery and transport equipment	1,161	1,152	-9	-1%
Other manufacturing, repair and installation	474	512	38	8%
Manufacturing Total	**3,872**	**3,957**	**85**	**2%**
Electricity, gas, water; sewerage and waste management	274	221	-53	-19%
Production Sector Total	**4,157**	**4,195**	**38**	**1%**
Construction of buildings	542	419	-123	-23%
Civil engineering	288	474	186	65%
Specialised construction activities	589	685	96	16%
Construction Total	**1,420**	**1,579**	**159**	**11%**
Motor trades	376	405	29	8%
Wholesale trade	1,000	1,164	164	16%
Retail trade	1,378	1,394	16	1%
Wholesale and Retail Trade Total	**2,754**	**2,963**	**209**	**8%**
Land, water and air transport	496	476	-20	-4%
Warehousing and transport support activities	252	334	82	33%
Postal and courier activities	166	169	3	2%
Transportation and Storage Total	**914**	**978**	**64**	**7%**
Accommodation	113	120	7	6%
Food and beverage service activities	524	520	-4	-1%
Accommodation and Food service Activities Total	**637**	**640**	**3**	**0%**
Publishing; film and TV production and broadcasting	132	145	13	10%
Telecommunications; information technology	1,146	1,249	103	9%
Information and Communication Total	**1,278**	**1,395**	**117**	**9%**
Financial service activities	1,479	1,478	-1	0%
Insurance, pension funding and auxiliary financial activities	1,060	1,058	-2	0%
Financial and Insurance Total	**2,539**	**2,536**	**-3**	**0%**
Real estate activities, excluding imputed rental	884	804	-80	-9%
Owner-occupiers' imputed rental	1,598	1,636	38	2%
Real Estate Total	**2,482**	**2,440**	**-42**	**-2%**

Table 3 Continued - Real GVA by Sector Birmingham £m (2016 prices)				
Sector	2017	% Share	Change 2017- 2018 £m	%
Legal and accounting activities	1,287	1,339	52	4%
Head offices and management consultancy	206	157	-49	-24%
Architectural and engineering activities	367	453	86	23%
Research and development; advertising and market research	156	182	26	17%
Other professional, scientific and technical activities	101	112	11	11%
Veterinary activities	13	16	3	23%
Professional, Scientific and Technical Total	**2,130**	**2,260**	**130**	**6%**
Rental and leasing activities	141	135	-6	-4%
Employment activities; tourism and security services	640	649	9	1%
Services to buildings and landscape activities	117	145	28	24%
Office administration and business support activities	198	96	-102	-52%
Administrative and Support Service Total	**1,097**	**1,025**	**-72**	**-7%**
Public administration and defence	1,700	1,750	50	3%
Education	2,139	2,153	14	1%
Human health activities	1,842	1,914	72	4%
Residential care activities	267	265	-2	-1%
Social work activities	504	643	139	28%
Public Services Total	**6,452**	**6,725**	**273**	**4%**
Creative, arts, entertainment and cultural activities	121	126	5	4%
Gambling and betting; sports and recreation activities	231	218	-13	-6%
Arts, Entertainment and Recreation Total	**351**	**344**	**-7**	**-2%**
Activities of membership organisations	86	93	7	8%
Repair of computers, personal and household goods	61	4	-57	-93%
Other personal service activities	394	757	363	92%
Other Service Activities Total	**541**	**854**	**313**	**58%**
Activities of households	14	21	7	50%
Services Sector Total	**21,187**	**22,183**	**996**	**5%**
All Industries Total	**26,764**	**27,956**	**1,192**	**4%**

Economic Policy
Inclusive Growth Directorate
www.birmingham.gov.uk/birminghameconomy
BirminghamEconomy@birmingham.gov.uk

Birmingham City Council