Greater Manchester Economy

**Economic Context**
Home to an estimated 2.8 million people\(^1\), Greater Manchester is the economic engine of the North West sitting at the heart of the Northern Powerhouse. Generating an estimated £59.6 billion Gross Value Added (GVA), the city-region’s economy is bigger than that of Northern Ireland (£34.4 billion) and Wales (£55.8 billion) accounting for 38% of the North West’s and 19% of the Northern Powerhouse region’s GVA\(^2\). Greater Manchester’s economy has grown in real terms by 33% since the turn of the century, outpacing UK growth of 25% over the same period\(^3\).

However, despite growth in GVA, Greater Manchester’s productivity remains below the level expected for a city of its size. If Greater Manchester’s GVA per capita were the same as the UK average, the city region would generate an additional £10bn per annum: its economy would be 20% larger. Productivity in Greater Manchester is low due to a mix of both “in work” productivity and demographic and labour market participation factors, accounting for 75-80% and 20-25% respectively of the productivity gap between Greater Manchester and the UK\(^4\).
A thriving and productive economy
The birth place of the world’s first modern industrial revolution, from the 1960s Greater Manchester saw a period of mixed fortunes with deindustrialisation in the 1980s but subsequently, since the 1990s, Greater Manchester has reinvented itself through a post industrial revolution which has seen new investment, industries and employment attracted to the city region, alongside the continued development of its industrial base. Greater Manchester’s economic strength is now its diversity. As the most economically diverse conurbation in the UK it can adapt and respond to economic change as well as address potential shocks.

Within this economic diversity, Greater Manchester has concentrations of specialised and distinctive activity which have the potential to further drive growth (in terms of both value and employment) including: Manufacturing; Health Innovation; Digital and Creative Industries; and Business, Finance and Professional Services. The former three align with the prime capabilities identified by the Northern Powerhouse Independent Economic Review whilst Business, Finance and Professional Services is also recognised as a prime capability for Greater Manchester as it is central to both GVA and jobs growth. Greater Manchester benefits from the strong interactions and linkages between these prime capabilities with digital technologies of particular importance underpinning interaction right across the wider economy.

Greater Manchester Economy - Sector Break Down (GVA)
Manufacturing
Generating GVA of £7.4 billion (12.5% of total GVA) and employing 114,900 people, the sector has undergone significant transformation over recent decades. It is a key economic strength for Greater Manchester, home to companies such as Siemens, BASF PLC, Heinz and Kellogg’s and forms a major part of the Northern Powerhouse offer in Manufacturing. The City Region is home to the largest materials science research base in Europe, with a world-class track record in developing applications in major industrial clusters, including aerospace, automotive, technical textiles and the nuclear industries as well as links to Daresbury National Science Campus. Moreover, productivity in the sector stood at £65,100 per person employed, 10% ahead of the national average for manufacturing. Greater Manchester in particular is pioneering in the field of Advanced Manufacturing and Materials (the University of Manchester is the birthplace of graphene having specialisms in 2D materials more generally) and the sector makes up almost half (45%) of manufacturing jobs in Greater Manchester (51,200 jobs), contributes £3.6 billion GVA, and has one of the highest levels of productivity of any sector within Greater Manchester with GVA per person employed of £72,000.

Health Innovation
Greater Manchester is home to world-class health assets such as The Christie – Europe’s largest single-site cancer centre, the UK Biobank, the Manchester Molecular Pathology Innovation Centre, Stoller Biomarker Discovery Centre, and the Centre for Genomics Medicine Research, amongst many others, as well as key companies including Kratos Analytical and Recipharm and has close links with wider assets such as Alderley Park and Daresbury. Its offer is further strengthened by the devolution deal signed in 2014 which gave Greater Manchester control of its £6 billion health and social care budget. The wider Health and Social Care sector generates GVA of £5.1 billion (9% of total GVA), and employs 175,900 people.

Digital and Creative Industries
Across Greater Manchester, and indeed the UK more broadly, the Digital and Creative Industries sector is disrupting traditional business models and providing strong growth in both employment and GVA. The sector generates £4.1 billion in GVA (7% of total GVA) and employs 82,300 people. The city-region benefits from critical sectoral assets including MediaCityUK (home to leading digital and creative companies such as BBC, ITV Granada and Satellite Information Services and The Landing) and across Manchester more widely the Farr Institute, The Sharp Project, large scale demonstrators such as CityVerve and Triangulum and Corridor Manchester’s research expertise (including The School of Computer Science and European Big Data Laboratory), together with Daresbury National Science Campus. These are complimented by areas, such as the Northern Quarter, which host a range of digital and creative companies, including many home-grown, award-winning companies as well as global investors.
Business, Financial, and Professional Services
Greater Manchester has one of the largest regional Business, Financial, and Professional Services sectors outside London, generating GVA of £16.0 billion (27% of Greater Manchester’s total GVA) and employing 229,600 people. The city region’s economy has been driven by significant growth in the sector over the last decade and in addition to large businesses, major banks (such as RBS and Barclays) and the big accountancy firms, Greater Manchester is well represented by a range of small and medium sized firms that are leaders in their field. This is especially the case within insurance, reinsurance, and pension funding, where Greater Manchester has twice the national average number of employees and output within the local economy. The conurbation is also the centre for a number of major regional and national firms’ operations.

Complementing the strength of these prime capabilities, the retail and hospitality and tourism sectors are critical in terms of employment (employing 142,000 and 121,400 respectively) with logistics, construction, education and public administration major strengths and enabling sectors for the conurbation. Supporting the transition to higher productivity in these sectors and ultimately that of Greater Manchester will help to improve growth and the living standards of many of the conurbation’s residents.

Cultivating key assets
Building on its sectoral strengths, Greater Manchester benefits from key assets that contribute to its unique position within both the regional and national economy. The dynamic regional centre, lies at the core of the conurbation and is home to the city region’s largest concentration of economic activity with approximately 10,000 businesses, employing more than 265,000 people, as well as being home to 100,000 residents. It contains the largest office market outside of London and encompasses an internationally significant cluster of digital and creative activities. Stretching outwards from the regional centre, particularly westwards, and benefiting from the agglomeration of activity at the core is a wider economic area including Trafford Park. Alongside this sit the conurbation’s town centres, important locations for shops, services and local employment, and increasingly important as places to live. Greater Manchester has eight principal town centres, 20 smaller towns and over 50 further significant local and suburban centres.

Greater Manchester is the global gateway to the North: Manchester Airport is the UK’s largest regional airport providing connections to over 200 destinations worldwide and handling over 25.6 million passengers. The city region boasts an integrated multi-modal transport system with excellent links to London, sitting on the West Coast mainline for national and international rail freight and passengers. Additionally, the conurbation has a comprehensive motorway network, with the Trans Pennine Express line and Trans Pennine Motorway underpinning the
North European Trade Axis running from the Mersey to Humber ports. Connectivity is being further enhanced with the development of HS2 high speed railway line to London, Northern Powerhouse Rail linking Greater Manchester to Leeds and the wider North and expansion of Port Salford, providing direct shipping connections along the Manchester Ship Canal to the post-panamax facility at the Port of Liverpool (Liverpool 2).

Greater Manchester’s four universities and broader knowledge economy result in a globally significant concentration of science, research and innovation assets, a key factor that differentiates the city region from UK and international competitors. Corridor Manchester is the strongest single location with its concentration of university, NHS and private sectors assets, whilst leading research is also undertaken in the universities of Salford and Bolton and public/private facilities across Greater Manchester. Greater Manchester has particular strengths in Health Innovation - with the largest concentration of health research nationally outside of South East England; Advanced Materials - world leading science around the National Graphene Institute and the Graphene Engineering Innovation Centre as well as the Sir Henry Royce Centre and BP-ICAM; and Innovative Technology - acting as a full-scale test bed and lead market to develop and demonstrate innovative technology. The city-region also has one of the largest student populations in Europe, just over 100,000 people study across its universities.

A vibrant cultural offer is vital for any global city and Greater Manchester boasts an internationally renowned cultural and sporting identity, with national assets such as: theatre at the Lowry and The Royal Exchange; galleries at Manchester Art Gallery and the Whitworth; the conurbation’s world renowned music scene; new, original works at the Manchester International Festival and Factory; the Halle Orchestra; globally leading football and rugby league clubs; and world-class sporting facilities for cycling, cricket, and swimming.
Business Environment
Greater Manchester’s diverse economy and key assets contribute to it being recognised as an outstanding place to do business, with KPMG ranking Manchester as Europe’s top city for business competitiveness\(^1\). There are 91,590 businesses operating within the conurbation\(^2\) and the number of new businesses over the past five years has grown above national averages. Business births per 10,000 working age population climbed from 53 in 2010 – below the UK average of 58 – to 115 in 2016, above the UK average of 100\(^3\). That said, business density remains below the UK average (514 and 616 respectively per 10,000 resident working age population)\(^4\,5\).

Business start-ups per 10,000 working age population

Greater Manchester is an international city region and the value of goods exported by Greater Manchester firms was £5.5 billion in 2015, a healthy increase of 3% from 2014\(^6\) but falling below the level that would be expected given the city-region’s size. Between FY2013/14 and FY2016/17, Greater Manchester attracted inward investment across 327 projects, creating over 16,000 jobs and generating £1.2 billion in GVA\(^7\).
Labour market opportunities and challenges

With a working age population of almost 1.8 million and approximately 1.3 million residents in employment, Greater Manchester has a talented supply of labour. Greater Manchester has seen significant improvements in workforce skills over the last decade with the proportion of residents with no qualifications falling from 17.1% in 2006 to 9.8% in 2016 and the proportion with a Level 4 qualification rising from 25.6% to 34.6%. The employment rate has also recovered from a post-recession low of 66.3% in 2011 to 70.5% in 2016. However, there are some significant disparities between different parts of the conurbation, with some wards as high as 40% for no qualifications and as low as 10% for Level 4 qualification, and with employment rates as low as 39%.

Significant gaps for skills and employment rates also exist between Greater Manchester and the national average and parts of the economy remain entrenched within lower skill, lower productivity and lower wage activity. ‘In-work poverty’ is increasingly prevalent and over a quarter of residents rely on tax credits to support their incomes. The nature of employment is also changing, with an increase in more insecure work: 3% (40,000) of jobs are zero-hour contracts; 5% (66,000) are temporary; and over half of the jobs created in Greater Manchester in the past five years were temporary or self-employed. Wages have fallen by 6.6% in real terms between 2006 and 2016. Although, since 2014, wages have risen, the average worker in Greater Manchester still earns 81p an hour less in real terms than they did in 2006. The gap in wages between Greater Manchester and the national average has widened over the decade: workers in Greater Manchester earn 67p less an hour than their counterparts in the UK as a whole.
Further Growth Potential
The Northern Powerhouse Independent Review indicates that the North has the potential for significant growth; Greater Manchester has a critical contribution in delivering this growth. Indeed, whilst Greater Manchester benefits from a diverse economy and wealth of economic assets, opportunities exist to build on these whilst addressing challenges to further realise the conurbation’s full potential, increasing productivity for the benefit of all.

Economic Growth Forecasts

The Greater Manchester Forecasting Model suggests that the conurbation has the potential to grow at an average of 2.2% per year between 2015 and 2035 based on it playing a leading role in the Northern Powerhouse. This is equivalent to an additional £32.4bn of economic activity and above the baseline forecast of 1.7% per year. Furthermore, this would see Greater Manchester grow faster than the UK (1.8% per annum).
References

1. ONS (2016): Population estimates - local authority based by single year of age
   https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

2. ONS (2015): Regional gross value added (income approach) at current basic prices
   https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach

3. ONS (2014): Regional gross value added (production approach)
   https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedproductionapproachconstraineddatatables

   N/A

5. New Economy (2016): Greater Manchester Forecasting Model

6. New Economy (September 2016): Deep Dive: 02 Manufacturing
   http://www.neweconomymanchester.com/publications/deep-dive-research

7. ONS (2016): UK Business - activity, size and location
   https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation

8. ONS (2016): UK business register and employment survey (BRES)
   www.nomisweb.co.uk

9. Census 2011
   www.nomisweb.co.uk

10. Manchester Airport (January 2017): Destinations and Guides
    http://www.manchesterairport.co.uk/destinations-and-guides/

    http://www.manchesterairport.co.uk/about-us/publications/traffic-statistics/

12. HESA (2015/16): Students, Qualifiers and Staff
    https://www.hesa.ac.uk/data-and-analysis/key-tables

13. KPMG (2016): Competitive Alternatives
    https://www.competitivealternatives.com/

    https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyreferencetable
N/A
16. MIDAS (2017):
N/A
17. ONS (2016): Annual Population Survey
www.nomisweb.co.uk
18. GMCA (2017): Greater Manchester Strategy
https://www.greatermanchester-ca.gov.uk/ourpeopleourplace