The UK Competitiveness Index 2008: How competitive is the South East and its sub-regions?

Policy & Economics Brief
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Key messages:

- The South East is the most competitive UK region outside London.
- The top 20 most competitive areas in the country are in London and the South East.
- The South East has 3 areas in the top 10 and 10 areas in the top 20 nationally.
- Guildford is the most competitive town in the country (outside London which is classified as a region).
- The Isle of Wight, Gosport and Thanet are the least competitive areas in the South East, with the Isle of Wight (ranked 371 out of 407 areas) being the least competitive place in the South East and London combined.
- Dartford is the 5th most improved area in the country.
- Out of 10 most improved areas in the South East, 7 areas are in the Coastal South East and 3 in the Rural South East.
- Some of the most deprived areas in the region have seen the greatest improvement in the rankings: Thanet (+28), Medway (+22), Gosport (+20), Brighton & Hove (+10).
- Some of the largest urban areas in the South East have also moved up in the rankings: Brighton & Hove, Medway, Portsmouth, Southampton, Milton Keynes.
- If we look at the change in 'score', 6 out of the top 10 areas are in the Inner South East, indicating that those areas have moved further away from the national average.
- When analysing the impact on several areas within the Inner South East we have to take into account the business cycle.

Executive Summary

In its latest UK Competitiveness Index (UKCI 2008), the Centre for International Competitiveness argues that:

- *There have been* **significant improvements in the competitiveness of many of the UK's city and urban areas especially those located in the northern part** *of the UK.*
- *The* **growing competitiveness of coastal locations** *such as Bournemouth, Poole and Torbay suggests that regeneration effort of these seaside towns are stimulating an improvement in economic fortunes.*
- *It is* **the rural economies that have generally seen the biggest fall in competitiveness** *in recent years …*

Our analysis based on the UKCI 2008 data sets shows that:[1]

- The South East is the most competitive UK region outside London.
- **Some of the most deprived areas in the region have seen the greatest increase in the rankings within the South East**.
- It is **the coastal areas that have seen the greatest increase in the rankings**, with **several rural areas also seeing a significant improvement** in the rankings.
- The **efforts to revive these areas have produced some considerably positive results**. Perhaps the change in the South East is even more significant given a much lower level of public sector investment than elsewhere in the country.
- The **largest towns in the South East have moved up** the rankings.
- **Several areas in the Inner South East may appear less competitive**; however in this case we **have to take into account the impact of the business cycle,** which was less favourable to the Inner South East than elsewhere**.**

[1] Our focus is on the South East. To find out more about the methodology and the national report see Box 1 on page 6.

The UK Regional Competitiveness

The latest report shows that the South East is the most competitive UK region after London. In the latest report the overall score for the South East is some 9.7 points above the national average, a decline of 1.4 points since the 2006 Index (Table 1).

When assessing the competitiveness of the UK's regions/countries it is necessary to take into account several factors:

- A number of data sets refer to 2004 or 2005 - a period which was characterised by a business cycle less favourable to the Greater South East. This is reflected in a declining score for London (the greatest decline) followed by the South East and East of England.

- When looking at any improvement in competitiveness it is necessary to take into account any cyclical element and those more advanced sub-regional economies are usually more exposed than the areas elsewhere in the country. More advanced sub-regional economies in the South of the UK were affected to a greater extent by the slowdown in 2004 and 2005 than less advanced parts of the country. Thus, the change in the index in several areas in the Inner South East can be largely attributed to this factor.

Table 1: UK Competitiveness Index 2008 – regional results, index and rank

Region	UK Competitiveness Index 2008		UK Competitiveness Index 2006		Change in Score	Change in Rank
	Index	Rank	Index	Rank		
London	112.5	1	113.9	1	-1.4	0
South East	**109.7**	**2**	**110.5**	**2**	**-0.9**	**0**
Eastern	105.6	3	106.0	3	-0.3	0
East Midlands	97.7	4	96.1	4	1.6	0
South West	95.0	5	94.9	5	0.1	0
North West	94.5	6	92.3	8	2.2	2
West Midlands	94.4	7	92.7	7	1.7	0
Scotland	94.3	8	94.2	6	0.1	-2
Yorkshire and The Humber	89.6	9	90.5	9	-0.9	0
Northern Ireland	88.8	10	88.0	10	0.8	0
Wales	86.8	11	86.7	11	0.0	0
North East	83.1	12	84.2	12	-1.2	0
United Kingdom	100.0		100.0			

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- *There have been significant improvements in the competitiveness of many of the UK's city and urban areas especially those located in the northern part of the UK.*

- *The growing competitiveness of coastal locations such as Bournemouth, Poole and Torbay suggests that regeneration effort of these seaside towns are stimulating an improvement in economic fortunes.*

- *It is the rural economies that have generally seen the biggest fall in competitiveness in recent years …*

Our analysis based on the UKCI 2008 data sets shows that alongside London the South East has the largest concentration of competitive areas in the country. Furthermore, a number of the most deprived and largest urban areas in the South East have moved up significantly within the UK rankings.

The blue areas (Figure 1) indicate the localities that achieved an overall competitiveness index higher than the UK average, while grey areas indicate a level of competitiveness below the national average. The green areas (Figure 2) show those localities that rank in the top fifty amongst all UK localities. Not surprisingly the most competitive areas in the UK are located in the southern part of the country, proximate to London.[2]

Figure 1: UK Competitiveness Index 2008, relative to UK

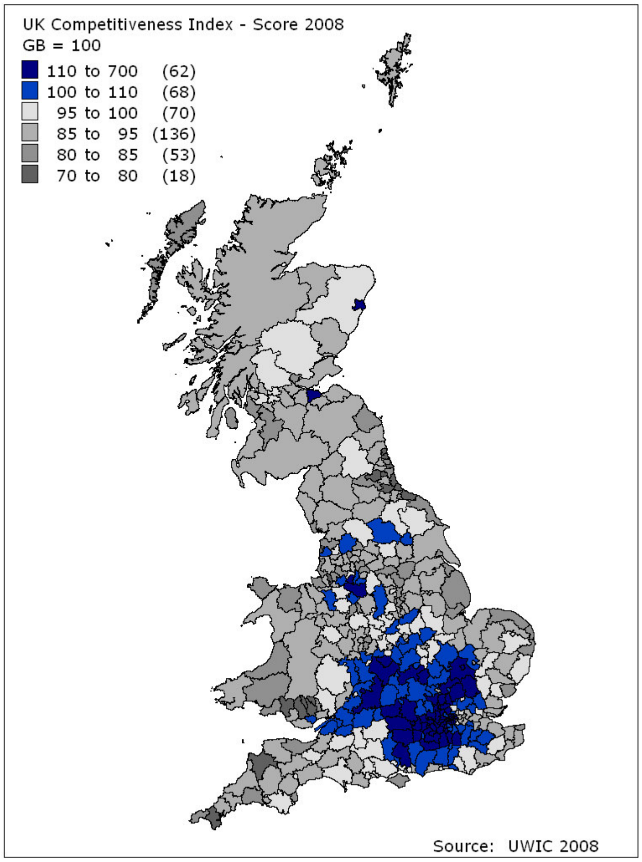
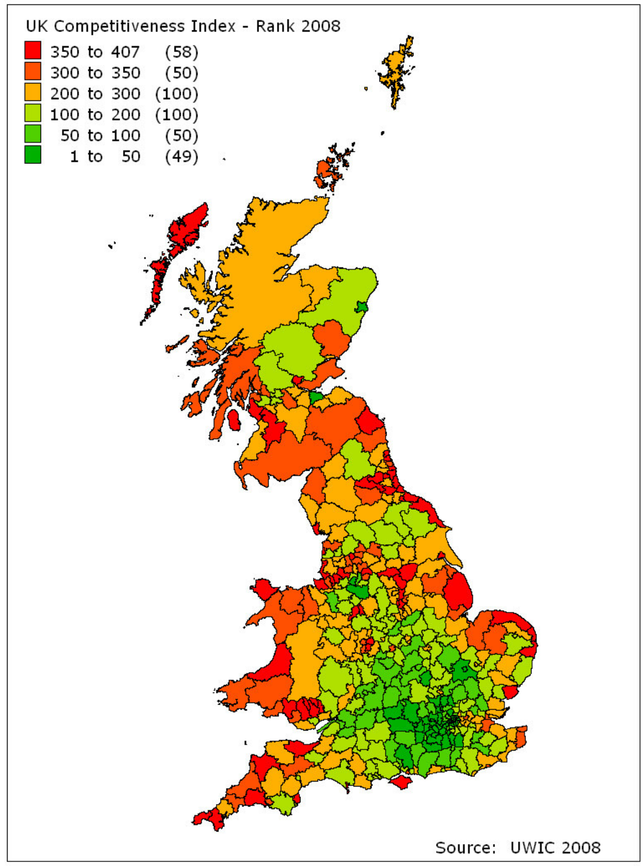


Figure 2: UK Competitiveness Index, rank 2008



The top 20 most competitive areas in the country are all in London and the South East. Within the top 10 are Windsor and Maidenhead, Mole Valley and Surrey Heath. Out of the top 20 most competitive areas in the country 10 areas are in the South East.

The most competitive city in the UK (excluding London here considered as a region) is Guildford in the South East. Oxford and Brighton & Hove are within the top 10 most competitive cities in the country. Several other cities such as Portsmouth, Southampton, Reading and Milton Keynes are not within the top 10. However this is most probably due to the impact of a number of supply side factors on their overall index. Skills profile, economic activity etc. are low in Portsmouth and Milton Keynes, however they have a large concentration of businesses and can draw on labour supply from neighbouring areas.

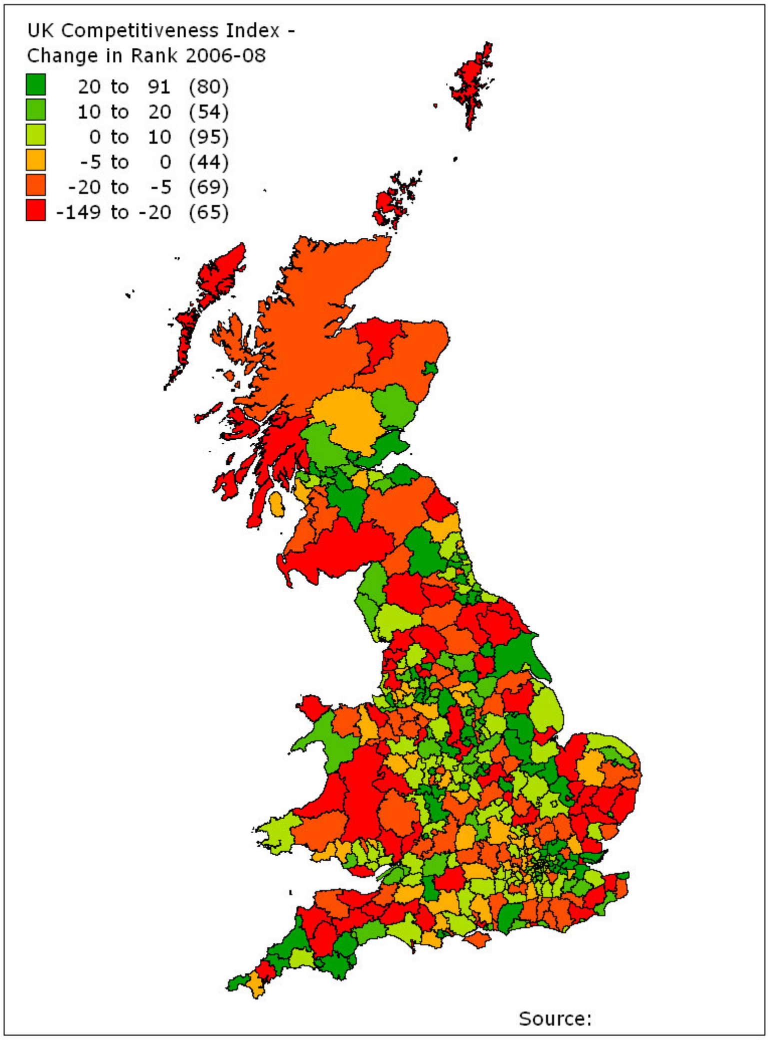
In terms of changes in ranks at local level between 2006 and 2008, the national pattern shows a considerable improvement across a number of areas, especially large towns and areas in close proximity to large urban areas. If we look at the top 25 most competitive localities then Bracknell Forest has recorded the biggest increase from 20th to 14th place. Guildford has recorded the biggest 'decline', moving

[2] We have developed a series of databases that allow you to examine the competitiveness of any area within the South East and see which areas across the country are 'similar' to areas in the South East. We have also created separate sheets for the Inner, Rural and Coastal South East. In addition to the overall competitiveness, you can look at the change in rank, the input, output and outcome scores and ranks and obtain the data sets for a large number of indicators that underpin the index and do a comparison for any region/area.

The first database (dB), UKCI2008-Region.xls contains the regional results and the second database, UKCI2008-District.xls contains a District level database. The sheets are linked by macros and to navigate between the sheets you'll need macros **Enabled** on your machine. To access the databases save this brief anywhere on your machine and double click on the dB name (above), when prompted click on **Enable** and follow the instructions.

form 13th to 21st. However, it is highly unlikely that Guildford is less competitive today than in the past. A decline in the rank is most likely due to cyclical factors or it could be explained by improvements in other areas (other areas catching up).

Figure 3: UK Competitiveness Index 2008: change in rank 2006-2008



How competitive are areas within the South East?

As already indicated the South East has a high concentration of the most competitive areas in the country. The majority of South East local authority districts report a competitiveness index score higher than the UK average (those areas highlighted in blue in Figure 4). In particular, in several areas in the Inner South East the competitiveness score is between 20 and 30 percent higher than the UK average. By contrast, in many coastal localities particularly in Kent and East Sussex the score is considerably lower than the UK average – between 10 and 20 percent below the UK average.

When compared to all the other UK localities, the difference between the Inner and Rural and Coastal South East becomes even more evident. A large number of localities in the inner South East rank in the first 50 positions amongst the 407 localities in the UK, whereas the majority of the coastal localities rank between the 200th and 371st position (Figure 5). The Isle of Wight, Gosport and Thanet are the least competitive areas in the South East, with the Isle of Wight (ranked 371 out of 407 areas) being the least competitive place in the South East and London combined.

Figure 4: The South East Competitiveness, relative to UK

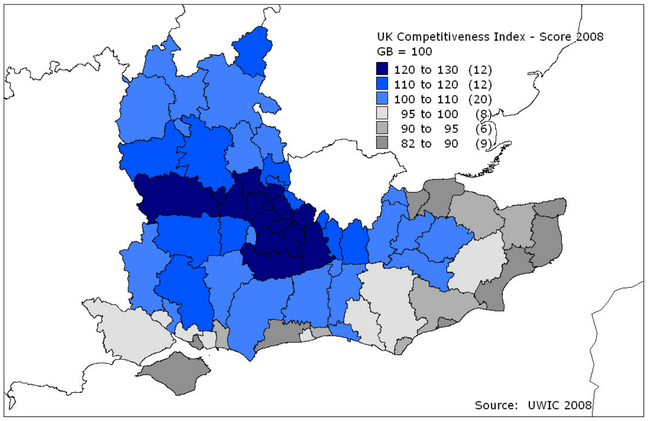
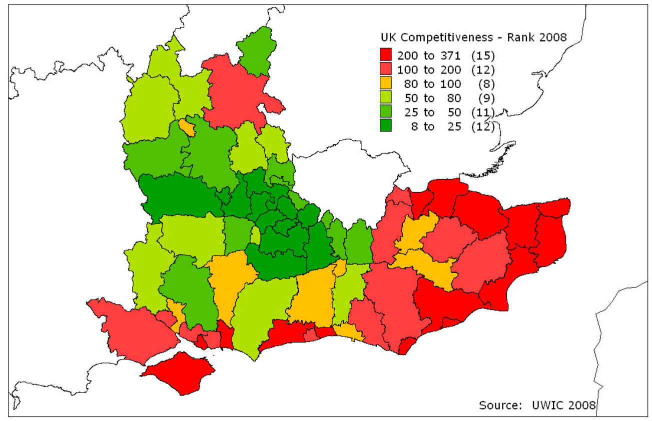


Figure 5: The South East Competitiveness, national rank



If we look at the change in ranks, Dartford is the 5th most improved area in the country (change in rank). Furthermore, of the 10 most improved areas (change in the rank) in the South East, 7 areas are in the Coastal South East and 3 in the Rural South East.

Those areas that have been the focus of public sector intervention through regeneration and policies to reverse a decline in competitiveness have seen the greatest improvement in the rankings.

- Some of the most deprived areas in the region, particularly along the coast have seen the greatest improvement in their rankings: Thanet (+28 places), Medway (+22), Gosport (+20), Brighton & Hove (+10).

In line with what has been happening in the north of the country, the regeneration efforts made in some of the coastal areas have produced some considerably positive results. Perhaps the change in the South East is even more significant given that the region receives much lower levels of public sector investment than elsewhere in the country.

Some of the largest urban areas in the South East have also moved up in the rankings: Brighton & Hove, Medway, Portsmouth, Southampton, and Milton Keynes.

If we look at the change in 'score', 6 out of the top 10 areas are in the Inner South East, indicating that those areas have moved further away from the national average.

- In the Inner South East, the highest increase in overall score took place in Bracknell Forest (+ 4.0) and the largest decrease in Mid Sussex (-2.8). In terms of ranks, Epson and Ewell have experienced the highest increase (+11 positions) and Oxford the largest decrease (-14 positions).

- In the Rural South East, the highest increase in the overall score took place in Chichester (+ 3.8) and the largest decrease in Horsham (-3.2). In terms of ranks, it is again Chichester which has experienced the highest increase (+32 positions) and Rother the largest decrease (-27 positions).

- Finally, in the Coastal South East the highest increase both in terms of overall score and rank took place in Dartford (+ 5.5 in score and +57 in rank) and the largest decrease in both measures in Fareham (-3.7 in score and -40 in rank).

Box 1: The UK Competitiveness Index 2008

- The latest UK Competitiveness Index 2008 is published by the Centre for International Competitiveness based at the Cardiff Business School (Dr. Robert Huggins and Hiro Izushi). This report has been produced every two years since 2000 to provide a benchmarking of the competitiveness of UK regions and localities.

- The index is produced considering a number of variables that provide a measure of input, output and outcome factors for competitiveness:

Input factors: R&D expenditure; Economic Activity Rates; Business Start-up rates per 1,000 inhabitants; GCSE Results – 5 or more grades A* to C; Proportion of Working Age Population with NVQ Level 4 or Higher; Proportion of Knowledge-Based Businesses.

Output factors: GVA per head at current basic prices; Exports per head of population; Imports per head of population; Proportion of exporting companies; Productivity – Output per hour worked; Employment rates.

Outcome factors: Gross weekly pay; Unemployment rates.

The index is based on: Huggins R. (2003), 'Creating *a UK Competitiveness Index: Regional and Local Benchmarking'*, Regional Studies, Vol. 37.1, pp. 89-896.

- Each of the three measures (input, output and outcome) are given an equal weighting as it is assumed that each will be interrelated and economically bound to the other. For each measure an index has been calculated with a UK average base of 100. The data for single localities are then presented in two forms – in terms of score achieved in each of the different factors and in terms of how each locality ranks compared to the other 407 UK localities.

Access the UK Competitiveness Index 2008 paper.

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