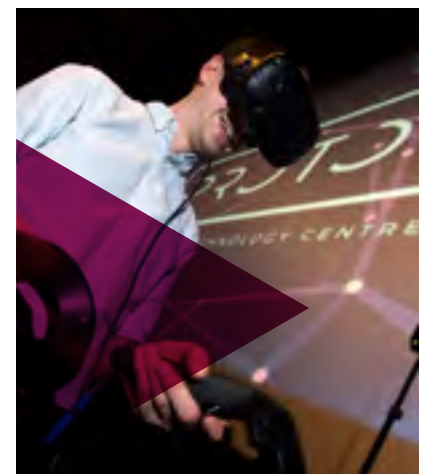


Our Economy 2020

With insights into how our economy varies across geographies



Our Economy 2020

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Welcome from Andrew Hodgson, Chair, North East Local Enterprise Partnership

I am proud that the North East LEP has a sustained record of using economic evidence to inform its decision making. This is a commitment shared by the Board, our Executive Team and our partners across the regional economy.

The Strategic Economic Plan, our roadmap for bringing more and better jobs to the region, is built on a comprehensive understanding of the challenges and opportunities that the North East economy faces.

The natural first step in the work we did last year with regional partners and government to build the proposals in our Local Industrial Strategy was a review the evidence about our region's productivity performance. Indeed, one of my highlights of the year was the Local Industrial Strategy Summit held in July, where we tested the emerging findings from this review and explored international evidence about what works in improving productivity. These evidence-led discussions contributed significantly to our approach.

Our Economy is an underpinning tool in this work. It tracks the performance of the North East economy highlighting changes over time, and its publication has become an established event in our calendar. Its comprehensive review of key data enables us to understand how the region is performing, enabling us to focus on the key issues impacting on our economy, and to position the North East for future growth and opportunities.

It also provides an opportunity to explore important themes in detail through our annual deep dive. Two years ago, we focused on our international links as we considered the implications of the EU Exit referendum, and last year explored regional competitiveness as we framed our approach to the Local Industrial Strategy. This year, at a time

when there is significant debate about levelling up the economy, devolution and the importance of infrastructure, we have taken the opportunity to present evidence about the diversity and interconnectedness of our regional economy.

As we look forward, a strong evidence base will be a crucial part of our response to dealing with the economic impact of COVID-19. The pandemic is having a significant impact on the regional, national and international economy and understanding the nature and extent of these changes will be critical for the regional response.

COVID-19 will impact on every indicator we analyse. At the time of publication (June 2020), none of the datasets we draw on in this report had published any post-COVID-19 data. As such, this report is best seen as a baseline of how the North East economy was performing prior to COVID-19. We will work with our partners to return the North East to a positive trajectory as soon as possible. Having this baseline available is a crucial contribution to the future and I am pleased to welcome its publication.

This is our third Our Economy report. As with the previous two, it has been compiled by our Senior Economist, Victoria Sutherland, who will leave us this month to take on an exciting new role with the What Works Centre for Local Economic Growth. Whilst I would like to thank everyone in the North East LEP team that has contributed to Our Economy, I would like to put on record my particular thanks and best wishes for the future to Victoria for the work she has done to develop Our Economy and on the North East LEP's wider research and analysis work during her time with us.

Andrew Hodgson,
Chair, North East Local Enterprise Partnership

“
I am proud that the North East LEP has a sustained record of using economic evidence to inform its decision making.
”



An overview from Victoria Sutherland, Senior Economist, North East Local Enterprise Partnership

I am pleased to be able to share the third annual Our Economy report. As Andrew has highlighted, this year's report is being published at a time of immense change in the economy. It is important that we have a benchmark against which we can assess the impact of COVID-19 on the North East economy and this year's report will provide this.

Each year, Our Economy reviews the North East's performance across a range of indicators. These were selected to reflect the international evidence on what drives regional economic growth and the issues and priorities identified in the North East Strategic Economic Plan.

The value of the goods and services produced by the North East and the two key factors that underpin this – the proportion of our residents that are in employment and the productivity of our workforce – have all increased since 2014. However, the proportion of residents in employment has declined slightly since last year's report and productivity has remained the same as last year before inflation is considered (meaning it has declined in real terms). In addition, as the performance of England excluding London has continued to improve on all three of these measures, the gap between the North East's performance and England excluding London has widened. These are disappointing findings and suggest that, even before COVID-19 began to impact on the North East, there was a need to do more to grow and develop our economy.

Despite this, the region has seen good progress across a wide range of indicators. The North East has improved its performance compared to 2014 on around 60% of indicators we have examined and closed the gap with England excluding London on around 40%. Key areas of progress since 2014 include increased expenditure on R&D by businesses, increased proportion of our working age population qualified to degree-level and above, increased employment in science, research, engineering and technology roles, improved access to superfast broadband and 4G and increased public expenditure on transport. It will be important that the region works together to build on these improvements, especially at this time of economic crisis.

In this year's Our Economy report, we have examined the economic geography of the North East in more depth. This has demonstrated both the diversity of our places and how interconnected they are. Going forward, the focus of our efforts must be to ensure that every part of our region is able to contribute to, and benefit from, efforts to improve the performance of our economy.

Victoria Sutherland,
Senior Economist, North East Local Enterprise Partnership

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In this year's Our Economy report, we have examined the economic geography of the North East in more depth. This has demonstrated both the diversity of our places and how interconnected they are.
”

Section 1

Introduction and overall performance of the North East economy



Section 1

Introduction

The North East Local Enterprise Partnership area

The North East LEP area covers seven local authority areas:

County Durham

Gateshead

Newcastle upon Tyne

North Tyneside

Northumberland

South Tyneside

Sunderland

The North East economy was traditionally dominated by mining and manufacturing.

Whilst manufacturing remains an important part of the regional economy, it has diversified over recent decades and also has:

- Key assets in the energy sector, including offshore energy and subsea technologies, regional energy, and demonstration and innovation
- World leading clinical research that supports a growing health and life sciences sector
- A vibrant digital community with a combination of start-up, high growth and established businesses across a wide range of specialisms
- Capabilities across a range of enabling services including education, financial, professional and business services, transport and logistics, and construction
- Significant employment in the public sector across both local services and central government back office and shared services

- A strong cultural, heritage and sports offer that supports the tourism sector.

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

Provides a comprehensive pre-COVID-19 baseline against which future trends can be compared

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

As well as providing an overview of the North East economy, this year's report examines the economic geography of the North East in more depth. The North East LEP area has a unique combination of major conurbations, large and small towns and sparsely populated rural areas, a geography that provides opportunities and challenges for the development of the economy. Using local and small area statistics allows us to see a more nuanced picture of the North East which challenges established narratives that have often arisen when the North East is summed up by one number or rate.

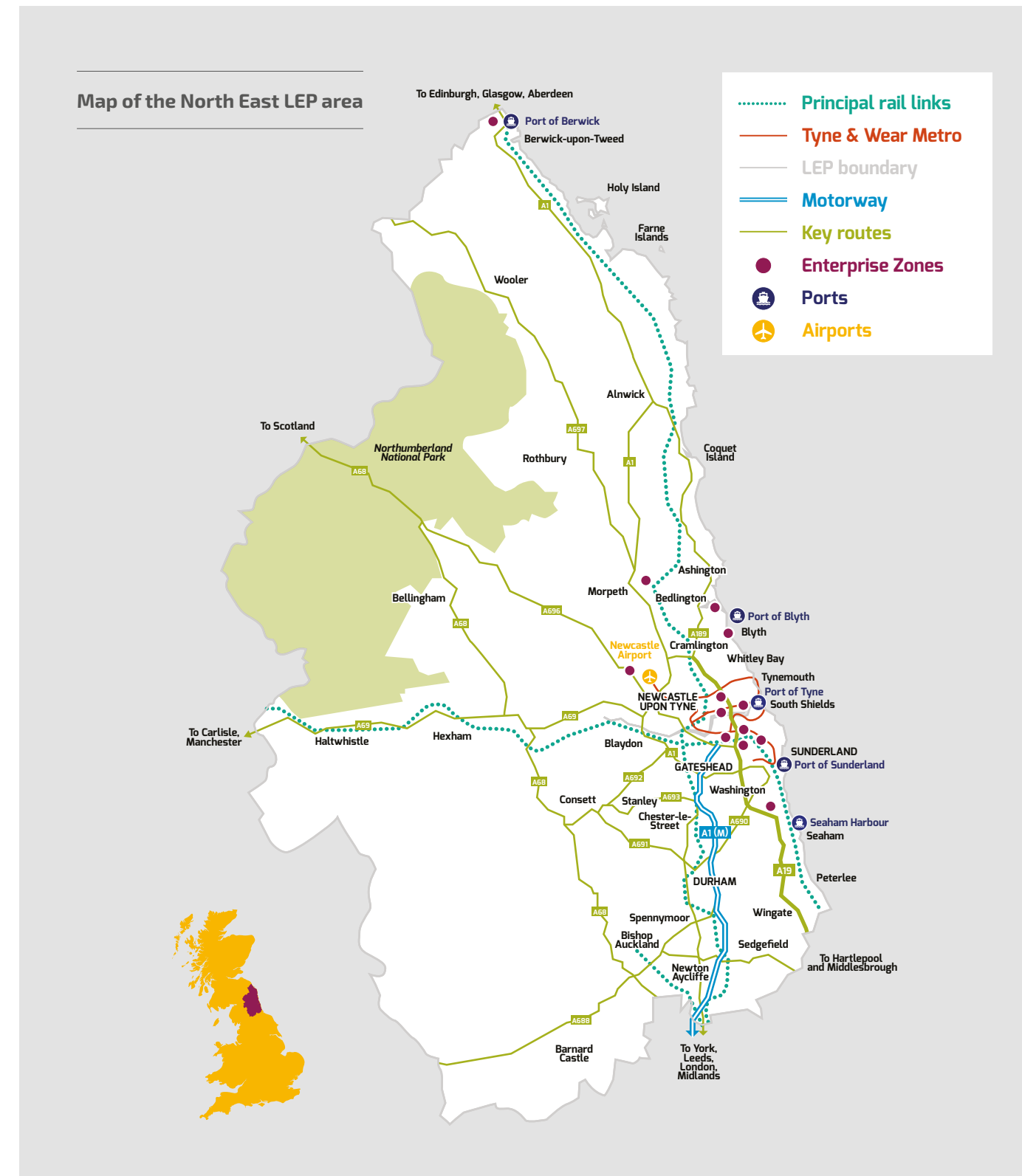
The diversity of places, together with their interconnectedness, are important considerations as we map out how to develop the North East economy after COVID-19.

Throughout this report:

- The most recent available data has been

used. This is generally for 2018, 2019 or 2018/19

- Change over time has been measured from 2014, to reflect the publication date of our Strategic Economic Plan
- The North East LEP area has been benchmarked against England excluding London in line with our Strategic Economic Plan targets. Where possible and where 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 has 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 have been 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, 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 because of 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, change the indicators we use or report in consultation with the North East Economic Evidence Forum
- Section 4 provides data for a range of geography types within the North East, all of which are described in the text.



Overall performance of the North East economy

This report will explore a wide range of different elements of the North East's economy. To put this in context, we will start by examining our overall economic performance and what underpins this.

Size of the North East economy

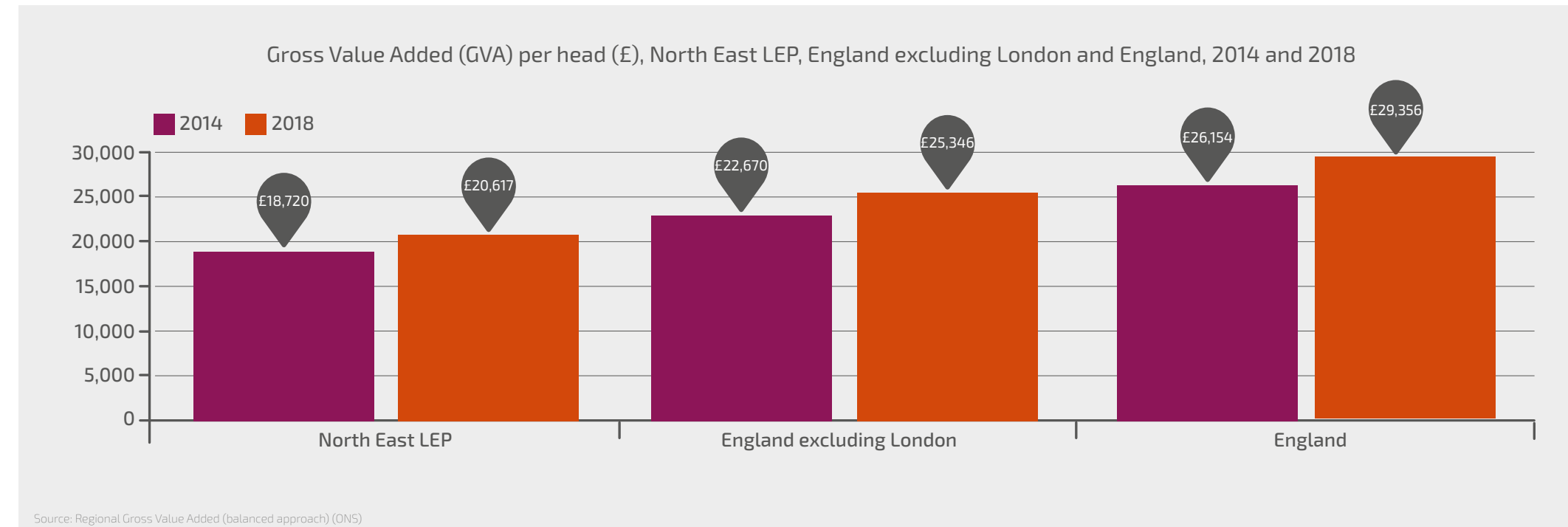
Gross Value Added (GVA) measures the value of the goods and services produced in an area, industry or sector and is used to estimate the size of their economies. In 2018, the GVA of the North East LEP area was £40.9 billion, which is 2.5% of English GVA and 3.4% of the GVA of England excluding London.

As different areas vary in size, it can be difficult to compare regional economies using GVA. To overcome this, GVA is divided by the number of people living in the area to allow comparisons to be made across geographies of different sizes.

In 2018, the GVA per head of the North East LEP area was £20,617. This is below the GVA per head of England excluding London (£25,346) and England as a whole (£29,356).

GVA per head increased by 10.1% between 2014 and 2018 in the North East LEP area, a smaller rate of increase than for England excluding London (11.8%).

Care must be taken in interpreting this increase, as inflation will mean the rate of growth is much lower in real terms.



 **GVA of £40.9bn** In 2018, the GVA of the North East LEP area was £40.9 billion, which is 2.5% of English GVA

Understanding the North East's performance

In How Regions Grow (2009), the Organisation for Economic Co-operation and Development (OECD), outlined the key factors that underpin the size of a region's economy. These are:

- The size and structure of the region's population
- The proportion of the region's population that are in employment
- The productivity of those in employment.

In relation to the North East, the key issues that underpin our lower level of GVA per head compared to England excluding London are:

- A lower proportion of the population that are in employment
- A lower level of productivity.

Whilst, both have increased since 2014, the gap between the North East LEP area and England excluding London has widened on both measures. This is because England excluding London has increased its employment rate and productivity rate by more than the North East over this period.

Components of GVA

$$GVA = Population \times \frac{Working\ age\ population}{Population} \times \frac{Economically\ active}{Working\ age\ population} \times \frac{Employment}{Economically\ active} \times Productivity\ per\ worker$$

Overall performance of North East LEP area economy

Indicator	Most recent data	Change since 2014	North East as % of England excl. London	Performance improved compared with England excl. London
GVA per head	£20,617 (2018)	Increased by 10.1%	81	No - gap widening
Population	1.98 million (2018)	Increased by 1.6%	-	-
Working age population as % of total population	62.8% (2018)	Decreased by 1.0 percentage point	102	No change
Economically active as % of working age population	75.5% (Jan 2019 to Dec 2019)	Increased by 0.4 percentage points	95	No - gap widening
Employment as % of working age population	71.1% (Jan 2019 to Dec 2019)	Increased by 2.3 percentage points	93	No - gap widening
Productivity (GVA per hour worked)	£29.94 (2018)	Increased by 8.4%	91	No - gap widening

Sources: Regional Gross Value Added (balanced approach) (ONS), Population estimates (Nomis), Annual Population Survey (Nomis); and Subregional productivity (ONS)
 Notes: 1. 'Employment as % of working age (16 to 64) population' used instead of the OECD measure of 'employment rate as % of economically active population' as this is the more commonly used (and understood) measure in UK and is used in the SEP targets.
 2. To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Annual Population Survey data is for the period Jan 2019 to Dec 2019 - so Jan 2014 to Dec 2014 is used as the comparator.
 3. Productivity (GVA per hour worked) is nominal unsmoothed.
 4. 'No change' is an increase or decrease of less than 0.5 percentage points

Section 2

Update on the Strategic
Economic Plan targets



Section 2

Update on Strategic Economic Plan targets

The Strategic Economic Plan sets out six targets for the region to achieve between 2014 and 2024.

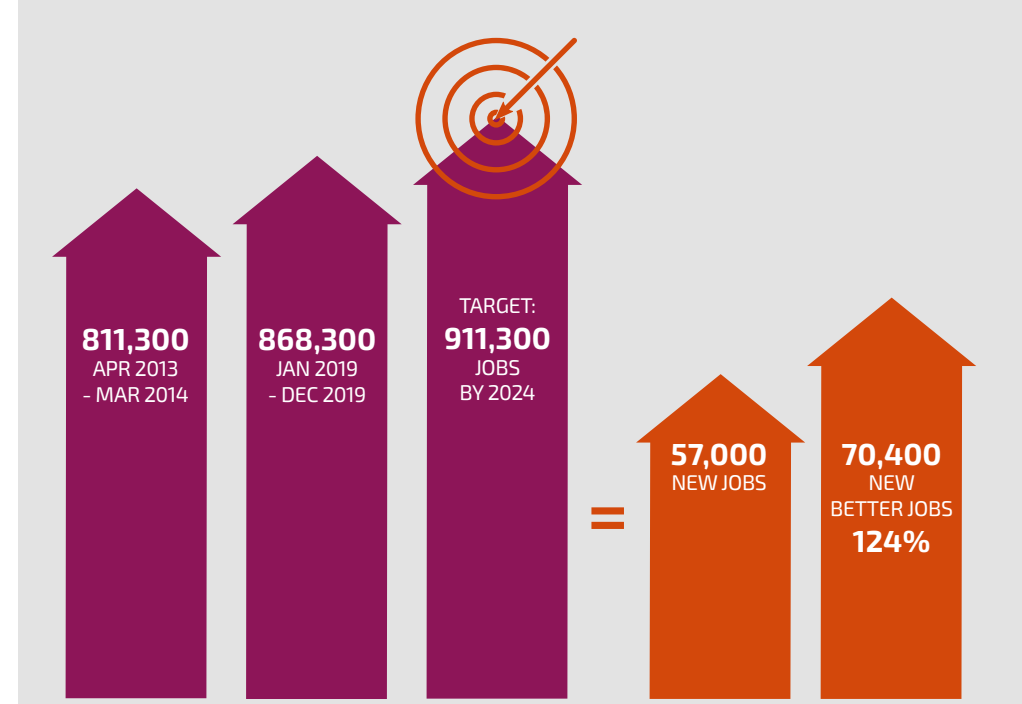
Our headline targets are to create more and better jobs in the North East LEP area.

More and better jobs

In 2014, there were 811,300 jobs in the North East LEP area. We have set a target to increase this by 100,000 to 911,300 by 2024.

In addition, we have set a target that 70% of the additional 100,000 jobs are '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: By December 2019, the number of jobs had increased by 57,000. This had been driven by an additional 70,400 better jobs (equivalent to 124% of the total net change)



Source: Annual Population Survey Workplace Analysis (Nomis)

We also have four targets that compare the North East LEP area's performance with England excluding London.

Employment rate

It is important that residents in the North East LEP area are benefiting from the additional jobs created. One way of measuring this is the employment rate. In 2014, the North East LEP area had a lower employment rate than England excluding London. We have set a target to close the gap between the North East's employment rate for 16 to 64 year olds with England excluding London by 100% by 2024.

Economic activity rate

The economic activity rate measures the proportion of people aged 16 to 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.

Private sector employment

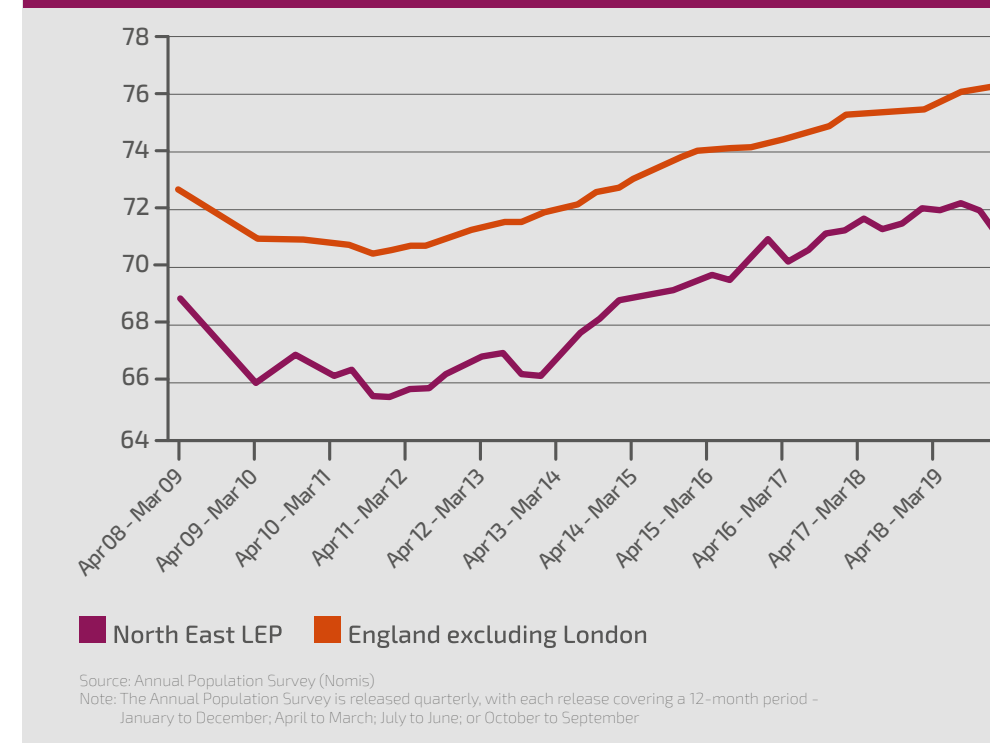
There are fewer private sector jobs per head (16 to 64 population) in the North East than in England excluding London and the target is to reduce this gap by 50% by 2024. Continuous data is only available from 2015 so we are using this as a baseline year rather than 2014.

Gross Value Added per hour worked

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or UK region. GVA per hour worked is a way of measuring productivity. We previously defined productivity as GVA per full time equivalent job, but due to changes in the underlying datasets, we are now using GVA per hour worked. This brings us in line with the Industrial Strategy. We aim to reduce the gap between the North East and England excluding London on GVA per hour worked by 50% by 2024.

Employment rate

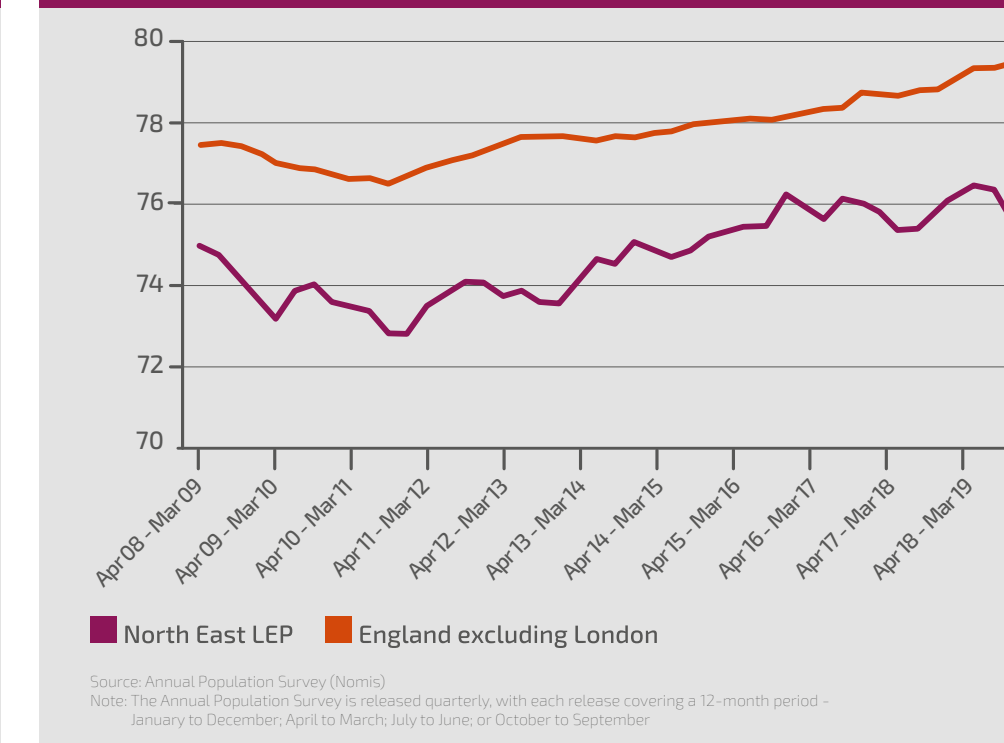
Progress: By December 2019, the gap between the North East LEP area and England excluding London had reduced by 3%. The North East employment rate has declined during 2019. This is likely to reflect the small decline in employment over this period and changes in the types of jobs available leading to some mismatch between labour demand and supply.



Source: Annual Population Survey (Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period - January to December; April to March; July to June; or October to September

Economic activity rate

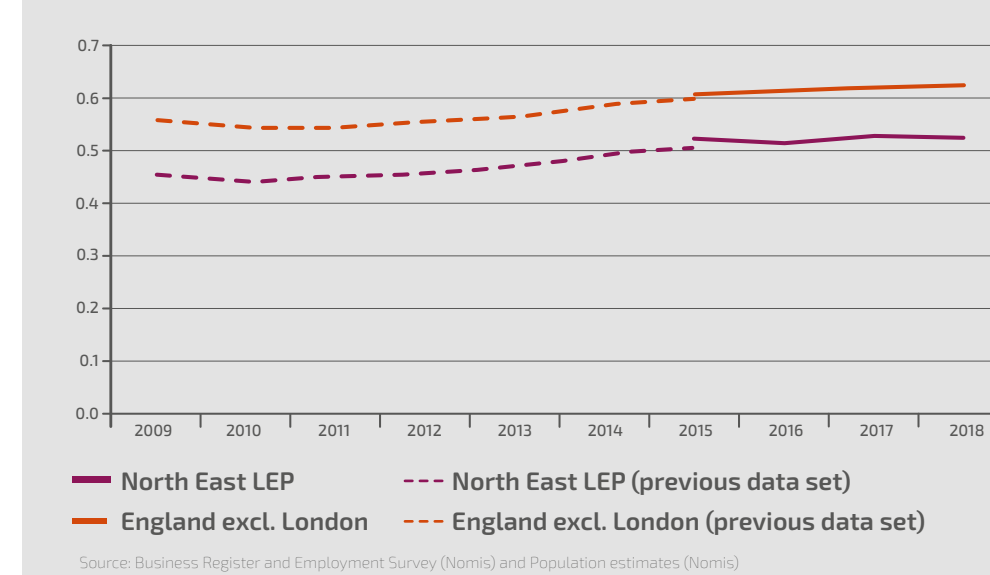
Progress: By December 2019, the gap between the North East LEP area and England excluding London had increased by 11%, with an earlier reducing of the gap being reversed by a decrease in the North East economic activity rate during 2019. Again, this is likely to reflect the small decline in employment over this period and changes in the types of jobs available leading to some mismatch between labour demand and supply.



Source: Annual Population Survey (Nomis)
Note: The Annual Population Survey is released quarterly, with each release covering a 12-month period - January to December; April to March; July to June; or October to September

Private sector employment per working age person

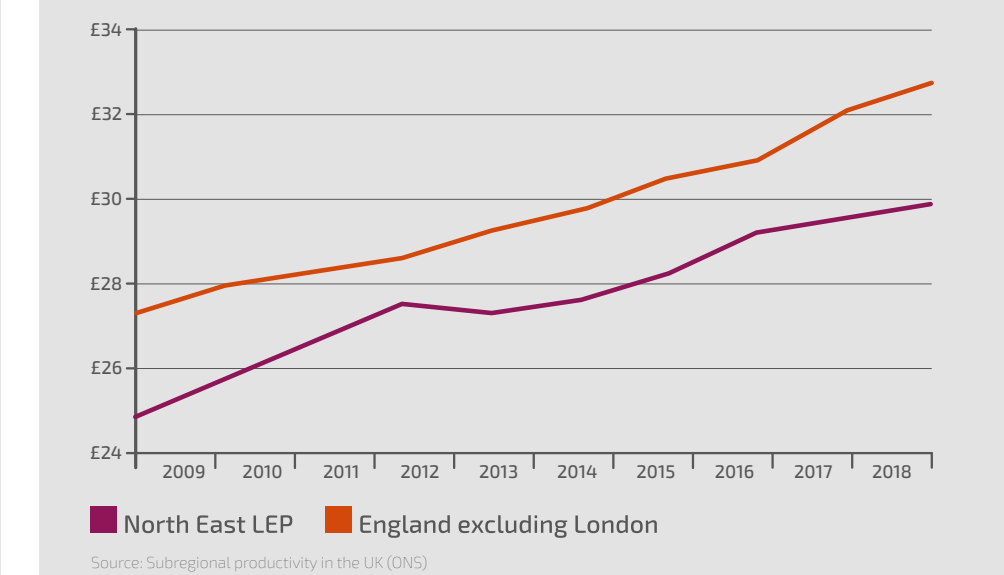
Progress: Between 2015 and 2018, the gap widened by 17% on this measure. This reflects a 3.9% increase in private sector employment across England excluding London, compared to a 0.3% increase in the North East LEP area.



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

Gross Value Added per hour worked (£)

Progress: Between 2014 and 2018, the gap between the North East LEP area and England excluding London widened by 19%. This was because the 8.4% increase in North East productivity was smaller than the 10.1% rise across England excluding London.



Source: Subregional productivity in the UK (ONS)

Section 3

Strategic Economic Plan
programmes of delivery:
data and next steps

The North East Strategic Economic Plan sets out five programmes of delivery. These are:

Business growth

Innovation

Skills, employment, inclusion and progression

Transport connectivity

Infrastructure and investment



Section 3

Business growth

Why is this important?

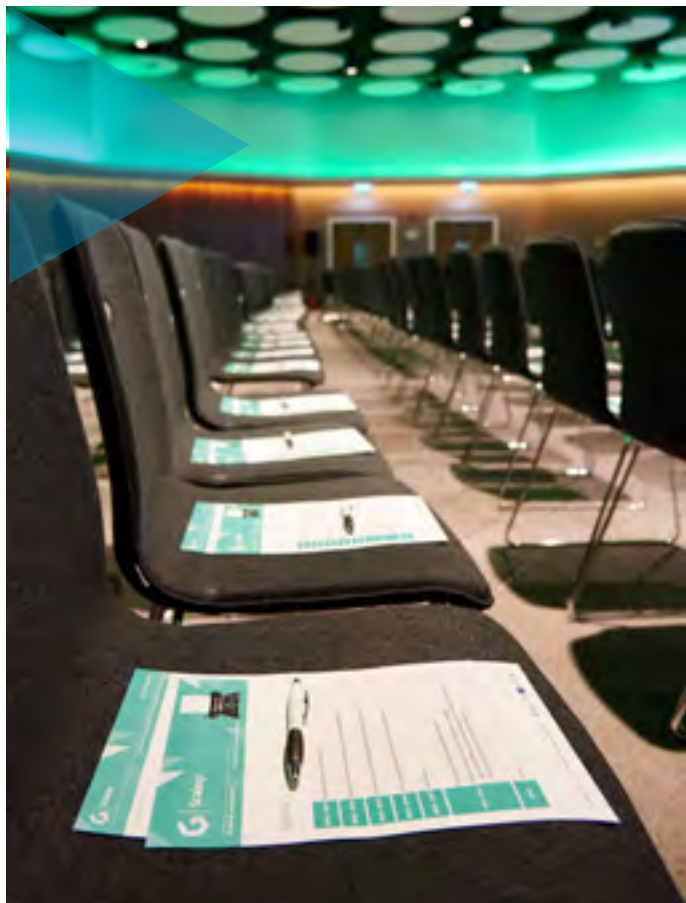
Research from the Enterprise Research Centre estimates that growth businesses account for about three fifths of job creation and, in particular, that 'high growth' businesses are responsible for almost a quarter of job creation despite being just 1% of job creating firms.

Business growth is aligned with the Strategic Economic Plan targets to increase the number of jobs in the North East by 100,000 and to reduce the gap in private sector job density with England excluding London by 50% by 2024. It also contributes to increasing productivity.

What does the data tell us?

- The North East LEP area has fewer businesses per head than England excluding London and fewer business births and deaths. The North East underperforms England excluding London on these measures. The North East business base has grown since 2014
- Whilst the proportion of businesses that are growing (both start-ups and existing businesses with a turnover of £1-£2 million) is slightly below the English rate, the gap is relatively small. This suggests that the smaller business base is not adversely affecting the North East's ability to generate growth businesses. However, it does impact on the total number of growth businesses

- The value of goods exports per adult in the North East region is higher than across England excluding London. The value of goods exports has increased since 2014. Whilst the value of service exports per adult is lower in the North East region than across England excluding London, it has increased by more than 60% between 2014 and 2017
- In 2018/19, the North East region had more than one and a half times more new jobs created per person due to foreign direct investment (FDI) projects than England excluding London.



Business growth in the North East LEP area economy

Indicator	Most recent data	Change since 2014 (except where stated)	North East as % of England excl. London	Performance improved compared with England excl. London
Private sector enterprises per 10,000 adult population	319 (2019)	Increased by 44 enterprises per 10,000 adults	67	No change
Business births per 10,000 adult population	41 (2018)	Decreased by 2 births per 10,000 adults (since 2015)	65	No - gap widened
Business deaths per 10,000 adult population	37 (2018)	Increased by 2 deaths per 10,000 adults (since 2015)	64	No - gap widened
% of start-ups scaling turnover from less than £500,000 to £1 million in three years	1.8% (2015-18)	Unchanged (since 2012-15)	90 (England)	No - gap widened (England)
% of scaling survivors increasing turnover from £1-2 million to £3 million in three years	7.0% (2015-18)	Increased by 1.6 percentage points (since 2012-15)	92 (England)	Yes - gap narrowed (England)
Value of exports in goods per adult (North East region)	£6,072 (Jan-Dec 2019)	Increased by £271 per adult	110	No - gap narrowed
Value of export in services per adult (North East region)	£2,542 (2017)	Increased by £973 per adult	75	Yes - gap narrowed
Jobs created through Foreign Direct Investment projects per 100,000 working age population (North East region)	132 (2018/19)	Decreased by 48 jobs per 100,000 working age people (since 2015/16)	164	Yes - gap widened (compared with 2015/16)

Sources: UK Business Counts (Nomis), Business demography (ONS), UK Local Growth Dashboard (Enterprise Research Centre), HMRC Regional Trade Statistics, International exports of services from subnational areas of the UK (ONS) and Department for International Trade.

Notes:

- To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent HMRC Regional Trade Statistics data is for the period Jan-Dec 2019 – so Jan-Dec 2014 is used as the comparator.
- Changes in methodology mean that some datasets do not have comparable statistics back to 2014:
 - For business births and deaths, 2015 is the earliest comparable data.
 - There is no published estimate of jobs created for England excluding London before 2015/16
- In relation to Foreign Direct Investment, safeguarded jobs numbers excluded due to non-availability and to be consistent with DIT Inward Investment Results summary. 100,000 working age people used as a denominator to be consistent with Invest North East England statements.
- UK Business Counts and Business Demography are separate datasets that cover different periods of time.
 - The former is a detailed snapshot of the number of enterprises at a point in time, most recently the end of March 2019
 - The latter covers all births and deaths of enterprises over the course of a calendar year, most recently 2018.

Wider commentary

Business base

In 2019, there were 52,375 private sector enterprises in the North East LEP area.

- This is equivalent to 319 private sector enterprises for every 10,000 adults in the North East
- If the North East LEP area had the same rate of private sector enterprises per head as England excluding London, there would be an additional 26,200 enterprises.

Looking at the private sector enterprises in the North East LEP area in more detail:

- In common with the national picture, the majority were micro-enterprises (employing between 0 and 9). There were 45,810 enterprises in this category, accounting for 87.5% of all private sector enterprises
- 5,460 enterprises were small (employing 10 to 49), 895 were medium (employing 50 to 249) and 210 were large (employing 250 or over). A slightly higher proportion of enterprises in the North East LEP area were medium or large than in England excluding London (2.1% compared to 1.8%).

Business births and deaths

In 2018, there were 6,750 business births in the North East LEP area. This is equivalent to 41 births for every 10,000 adults.

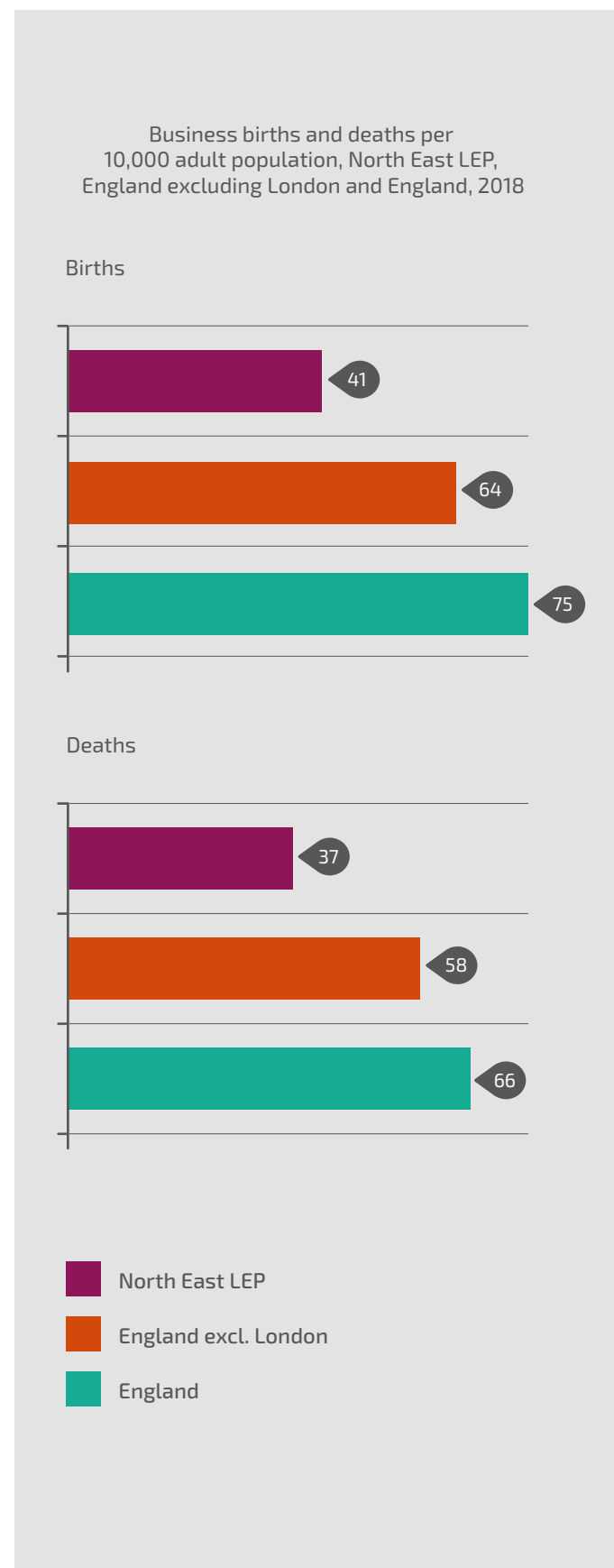
If the North East had the same business birth rate as England excluding London, there would have been approximately 10,400 business births in 2018 - almost 3,700 more.

6,020 businesses closed in the North East LEP area during 2018. This is equivalent to 37 closures for every 10,000 adults. Again, this is below the England excluding London equivalent (58 per 10,000 adults).

Whilst this would initially appear to be a positive finding, research has shown that the most dynamic and successful regions have both high birth and death rates.

There is a strong connection between high birth rates and high death rates for two reasons:

- Approximately one quarter of start-ups close in the first two years
- Some start-ups displace existing companies, for example, by introducing better products or processes.



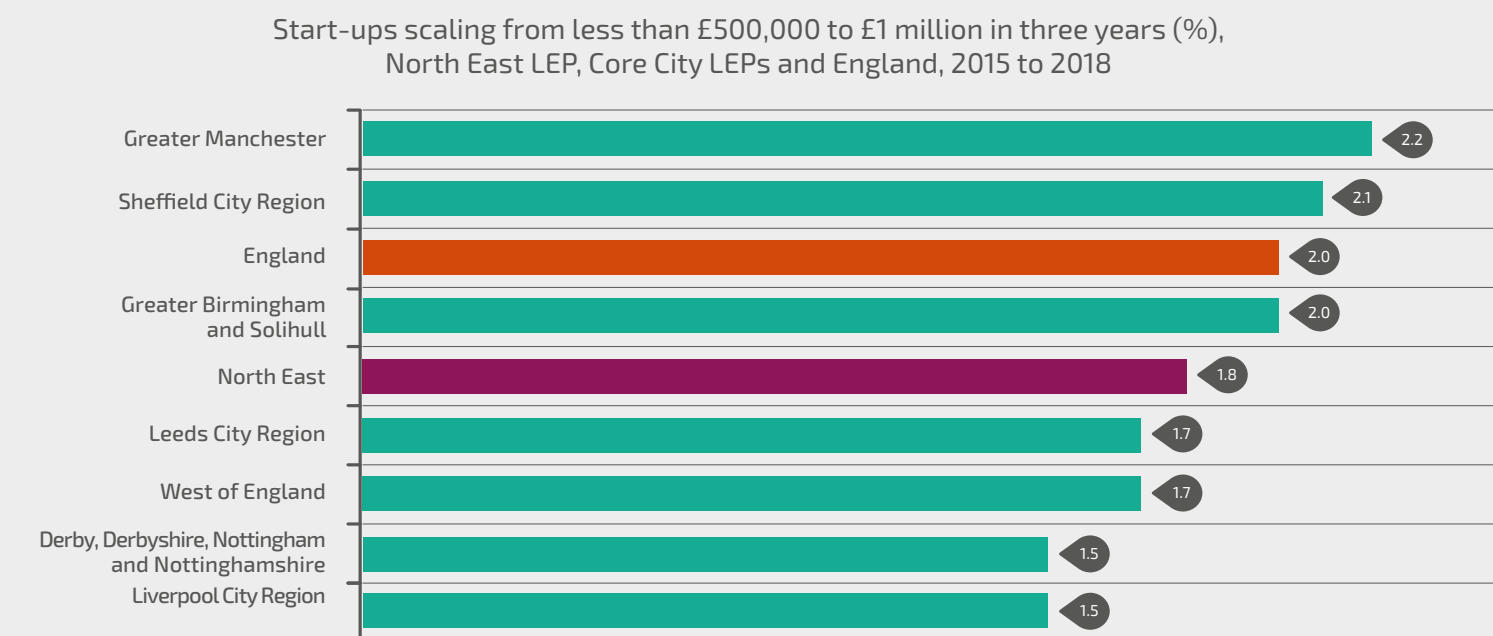
Number of private sector enterprises in the North East LEP area in 2019

52,375

Business growth

The proportion of 2015 start-ups in the North East LEP area that survived to 2018 and were generating more than £1 million in revenues in 2018 was 1.8%, slightly below the English average (2.0%).

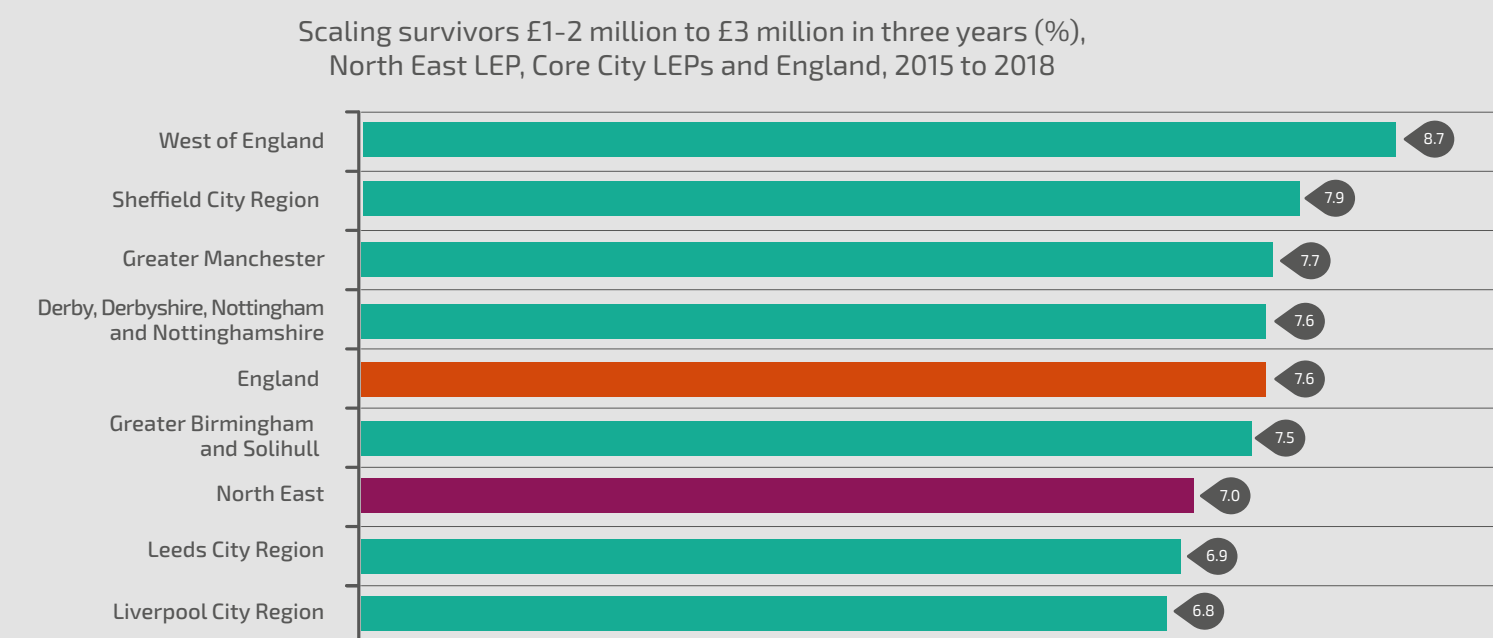
The North East is ranked fourth out of the eight core city LEPs.



Note: England excluding London data not available

The proportion of businesses within the North East LEP area with a turnover of £1 million to £2 million in 2015 that increased turnover to £3 million or more by 2018 was below the English average (7.0% compared to 7.6%).

The North East LEP was ranked sixth out of the eight core city LEPs on this measure.



Note: England excluding London data not available

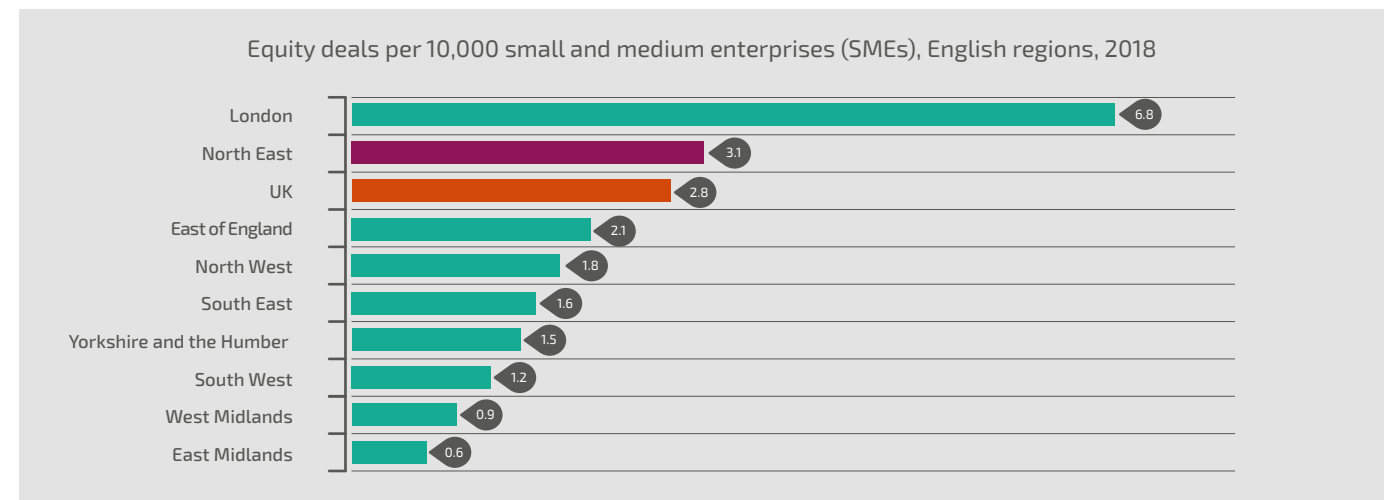
Access to finance

Equity finance

In 2018, the North East region accounted for 4% of UK equity investment by value and 3% of UK equity deals.

- The North East region accounted for 11% of investment value and 8% of deals in England excluding London
- The North East had the highest number of deals per 10,000 SMEs among the eight English regions outside of London.

However, there were just ten venture capital (VC) investors based in the North East in 2018.



Number of unique equity investors by region, 2018

	Venture capital listed as one investment strategy	Venture capital listed as primary investment strategy
London	735	374
South East	44	23
East of England	42	27
North West	39	21
West Midlands	19	9
South West	14	9
Yorkshire and the Humber	13	6
East Midlands	12	9
North East	10	6

Source: Small Business Finance Markets (British Business Bank)



International trade



Exports in goods

- In 2019, 59% of the North East region's exports in goods (by value) were to the EU and 41% were to non-EU countries
- The trends across these two markets since 2014 have varied with:
 - North East exports in goods to the EU having increased in value by 10% between 2014 and 2019, from £7.1 billion to £7.9 billion
 - North East exports in goods to non-EU countries having remained unchanged in value between 2014 and 2019, at £5.4 billion
- The North East accounted for 6.3% of the value of exports in goods from England excluding London in 2019. Within this, the North East accounted for a larger proportion of exports to the EU (7.6%) than to non-EU countries (5.0%) from England excluding London.

Almost 90% of the value of goods exported from the North East region came from three commodities:



By value, the North East region was responsible for:



A number of studies looking at specific industries have suggested that HMRC data may underestimate the scale of exports from the North East region. Goods exports are allocated on the proportion of the exporting business' employees in the region. Where this is not an accurate proxy for the proportion of exports from the region, the North East will be underrepresented.

Exporters of goods

In 2019, there were 4,286 exporters of goods in the North East region. This was 3.2% of the total in England (some were based in more than one region). It was equivalent to 20 exporters per 10,000 adults, the lowest figure among the nine English regions and well below the figure for England (29 per 10,000 adults). The number of exporters in the region increased by 6.7% between 2014 and 2019, although this was a smaller percentage increase than in England as a whole (12.5%).

Exports in services

In 2017 the value of service exports from the North East region was £5.5 billion.

This is an increase of £2.1 billion or 63% compared to 2014

The North East accounted for 4.3% of the value of service exports from England excluding London in 2017. This is a smaller proportion than for trade in goods (6.3%).

Inward investment

In 2018/19, the North East region secured 59 foreign direct investment (FDI) projects. These investments created almost 2,200 new jobs.

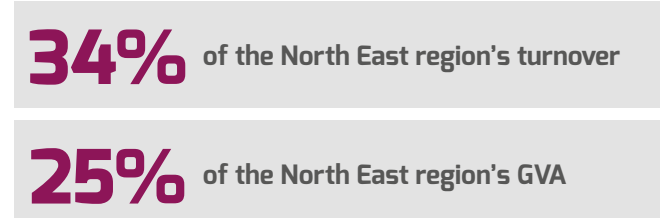
The number of jobs created through FDI in the North East region in 2018/19 was 27% lower than in 2015/16 (the earliest date of comparison). However, this decrease was smaller than for England excluding London (down 41%) and the third smallest of the nine English regions.

The North East region significantly outperforms the national average on securing FDI – with more than one and a half times more jobs per person created due to FDI projects than across England excluding London in 2018/19.

Foreign-owned businesses

In 2017, almost 3,700 businesses in the North East region were foreign-owned, equivalent to 4.7% of all businesses, a higher proportion than England excluding London (3.5%) and the highest percentage of any English region.

Foreign-owned businesses accounted for:



These are similar to or slightly higher than for England excluding London (32% and 25%, respectively). About 42% of the North East region's foreign-owned businesses had an EU-based owner, 34% had an owner from the Americas, 19% from Europe outside of the EU and 4% from Asia. All of these percentages are similar to England as a whole.



What next?

Since 2014, the North East has made progress across a range of indicators, with increases in the number of businesses, the proportion of start-ups that are growing and in the value of goods and services being exported. However, gaps remain with England excluding London on most indicators and progress has stalled on many measures since last year's report, with uncertainty around the UK's exit from the EU likely to have played a part in this.

Looking forward, the key evidence priorities include developing our understanding of:

- The factors that underpin the North East's low levels of business start-up and lower growth ambitions and the interventions that can help address these
- The reasons North East businesses are less likely to export than those in other regions and how they can be encouraged to build international links
- The challenges and opportunities that the UK's exit from the EU and from COVID-19 are creating for North East businesses and what support they need to be able to respond effectively.

Priorities for the business growth programme of delivery include:

- Continuing to support businesses to grow and scale-up through the Scaleup North East programme
- Encouraging a more entrepreneurial society, with more people aspiring to start a business and more people acting on this ambition. This is critical in creating the future pipeline of scale-up businesses
- Encouraging businesses to adopt digital technologies and enhance the leadership, with these identified as key drivers of productivity growth
- Supporting North East businesses to respond to the challenges and opportunities created by the UK's exit from the EU and COVID-19. The focus will be on building resilience and on helping businesses think bigger and enhance their global position
- Continuing to support the region to develop its international linkages, with these critical not only to trade but also to investment, research, education and tourism.



Innovation

Why is this important?

By bringing forward new products and processes, innovation plays a key role in improving the North East's productivity and competitiveness.

Sources of data available on innovation are limited and focus on those aspects of innovation that are measurable, such as business expenditure on research and development (R&D) and patents approved.

There are limited data that capture the importance of networks, relationships and the diffusion of innovation. Most data on innovation are only available for the North East region.

What are the key findings from the data?

- 36% of businesses in the North East region report they are innovation active, compared to 39% across England
- Business expenditure on R&D and patents granted per head are low compared with England excluding London but both have increased and closed the gap since 2014
- The North East region has a slightly lower per capita spend on R&D undertaken by higher education institutions than England excluding London but, with the North West, a much lower per head spend on R&D undertaken by government bodies

- Science, research, engineering and technology professionals accounted for 5.7% of the North East LEP area's employment in 2019, with a further 2.2% employed in science, engineering and technology associate professional roles
- These proportions were higher than those of England excluding London (5.6% and 1.9%). The number of people employed in science, research, engineering and technology professional roles in the North East LEP area increased by 15,400 between 2014 and 2019 and the proportion grew by 1.7 percentage points, closing the gap and overtaking the proportion in England excluding London.



Innovation in the North East LEP economy

Indicator	Most recent data	Change since 2014	North East as % of England excl. London	Performance improved compared with England excl. London
% of businesses that are innovation active	36% (2016-18)	Decreased by 6 percentage points (Compared to 2014-16)	92 (England)	Yes - gap closing
Business expenditure on R&D per 10,000 adult population	£2.0m (2018)	Increased by £0.7 million per 10,000 adult population	39	Yes - gap closing
Business employment in R&D per 10,000 adult population	27 (2018)	Increased by 8 jobs per 10,000 adult population	54	Yes - gap closing
Higher education expenditure on R&D per 10,000 adult population	£1.1m (2017)	No change	90	No - gap widened
Government expenditure on R&D per 10,000 adult population	£0.3m (2018) North East & North West regions combined	Increased by £0.2 million per 10,000 adult population	59	Yes - gap closing
Patents granted per million adult population	27.9 (2018)	Increased by 7.5 patents per million adult population	51	Yes - gap closing
% employed in science, research, engineering and technology professional roles	5.7% (Jan 2019 to Dec 2019)	Increased by 1.7 percentage points	102	Yes - overtaken
% of employment as science, engineering and technology associate professionals	2.2% (Jan 2019 to Dec 2019)	Increased by 0.2 percentage points	113	Yes - gap widened

Sources: UK Innovation Survey (BEIS), Annual Population Survey Workplace Analysis (Nomis), Business Expenditure on R&D (ONS), Country and regional breakdown of expenditure on R&D in the UK (ONS) and Patents (Intellectual Property Office)

Wider commentary

Innovation activity in businesses

36% of the North East region's businesses reported they were innovation active between 2016 and 2018 – a slightly lower proportion than for England as a whole (39%).

Only headline regional data is currently available for 2016-18 but, in 2014-16, North East region businesses defined as 'broad innovators' were more likely than non-innovators in the region to:

- Export
- Employ science and engineering graduates
- Employ other graduates.

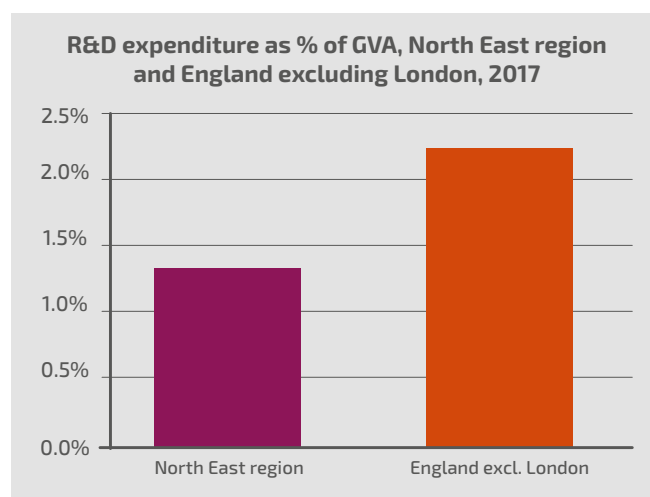
The North East region lagged the UK on all three measures. North East region innovative businesses were five times more likely than non-innovators in the region to employ individuals with the following skills:

- Engineering / applied sciences
- Graphic arts / layout / advertising
- Design of objects or services.

Total expenditure on R&D

In 2017, expenditure on research and development (R&D) within the North East region was £711 million, equivalent to 1.3% of GVA. This is a lower proportion than across England excluding London.

The government has set a national target that R&D expenditure will be 2.4% of GVA by 2027.

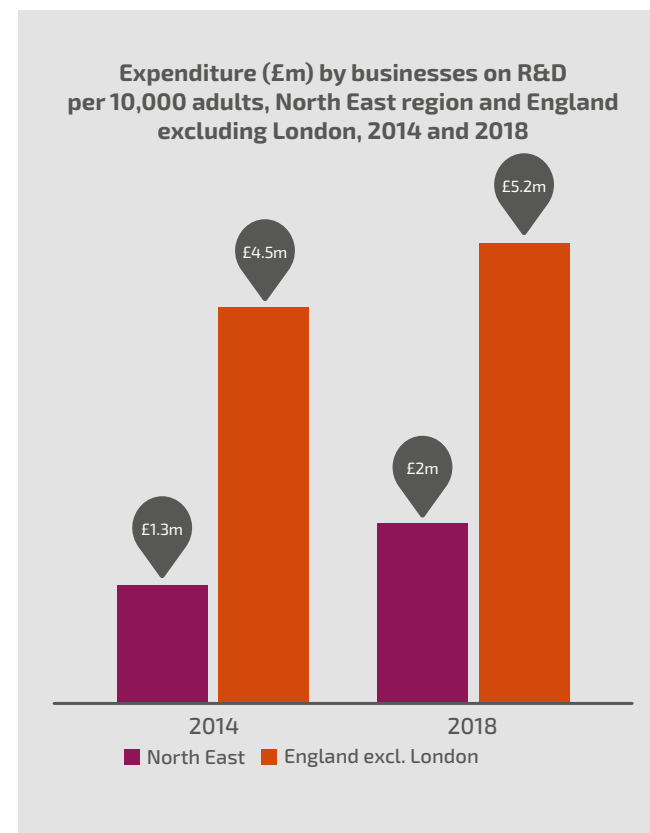


Business expenditure and employment on research and development

Whilst the most recent data available on total R&D expenditure is for 2017, more recent data – for 2018 – is available for business expenditure on R&D. Expenditure on R&D by North East region businesses was £443 million in 2018.

- This is 2.2% of total expenditure on R&D by businesses in England excluding London
- £2.0 million was spent on R&D by North East region businesses for every 10,000 adults. This compares to £5.2 million across England excluding London and is less than a fifth of the rate of expenditure in the best performing region (East).

No total regional 2018 R&D spend data is available, but, in 2017, over a half (54%) of North East expenditure was by businesses, compared with 74% in England excluding London.



6,000 full-time equivalents were employed in R&D in businesses in the North East region in 2018.

- This is 3.1% of total employment in R&D in England excluding London
- There were 27 individuals employed in undertaking R&D within businesses in the North East region for every 10,000 adults. This is the lowest rate of any English region and only 54% of the English excluding London rate (51), although this is up from 44% in 2014.

Employment in science, research, engineering and technology

5.7% of employment in the North East LEP area in 2019 was in science, research, engineering and technology professional roles.



Science



Research



Engineering



Technology

This was above the rate of England excluding London (5.6%), with the North East's 1.7 percentage point increase since 2014 closing the previous gap completely.

The number employed in these roles in the North East LEP area increased by 15,400 in this period to 49,200. In addition, there were 18,700 people employed as associate professionals in these areas, up by 2,600 since 2014.



Patents, trademarks and designs

The North East region has amongst the lowest rates in England per adult of:

- Patents granted (lowest)
- Trademarks registered (lowest)
- Designs registered (second lowest)

The North East region had the highest rate of approval for designs in 2018, when expressed as a percentage of applications filed. The equivalent rate for trademarks was the fourth lowest among the nine English regions. For designs and trademarks respectively, 100% and 80% of the differences in registration rates between the North East and England excluding London were due to lower levels of applications.

Research specialisms

Since 2010, the UK Research Councils have funded more than 2,300 research projects in the four universities in the North East LEP area, about 4% of all UK projects. Funding for these projects has totalled more than £800 million, about 3.5% of the national total.

About 44% of this funding (£356 million) has come from the Engineering and Physical Sciences Research Council, with a further 14% (£112 million) from the Medical Research Council. The councils for Biotechnology and Biological Sciences Research, Economic and Social Research, Natural Environment Research and Science and Technology Facilities have each funded projects worth between £71 million and £81 million with the remainder (£35 million) from the Arts and Humanities Research Council.

The twenty subjects that have received the most funding for North East projects in this period cover many different science, technology, engineering and mathematics specialisms. The seven most highly funded each had more than 10% of total UK project funding for that subject.

These seven subjects each have location quotients above three, meaning that North East universities have more than three times as much funding in these areas than would have been expected if funding was evenly distributed throughout the UK.



Patents granted by region, 2018

	Patents granted	Patents granted per million adults
East of England	466	93.2
West Midlands	371	78.3
London	477	67.4
South East	452	61.3
England	2,574	56.9
England excluding London	2,097	55.0
South West	232	50.3
North West	242	41.0
East Midlands	133	34.0
Yorkshire and the Humber	140	31.6
North East	61	27.9

Sources: Patent data, trademark data, design data (Intellectual Property Office), Gateway to Research (UKRI): North East LEP analysis

Top 20 research subjects in North East LEP area universities by project funding awarded by research councils, 2010 to 2020

	No. of projects	Funding (£ millions)	% of UK funding	Location quotient
Metabolic and endocrine	10	25.0	21.1	6.0
Astronomy and space science	17	23.5	19.4	5.5
Information and knowledge management	6	17.3	22.4	6.3
Extra-galactic astronomy and cosmology	23	15.6	11.9	3.4
Complexity science	5	14.9	17.8	5.0
Computational methods and tools	18	14.7	15.7	4.4
Cold atomic species	14	14.4	26.7	7.6
Materials characterisation	22	11.1	3.9	1.1
Neurological	16	10.6	2.5	0.7
Climate and climate change	41	10.0	2.8	0.8
Artificial intelligence	9	9.6	2.2	0.6
Inflammatory and immune system	12	9.4	5.1	1.4
Ground engineering	4	8.5	24.9	7.0
Analytical science	24	8.3	2.6	0.7
Biochemistry and physiology	22	8.1	5.6	1.6
Cancer	10	7.8	2.3	0.6
Phenomenology	6	7.5	54.9	15.5
Energy efficiency	8	7.3	6.0	1.7
Bioenergy	7	7.2	10.2	2.9
Condensed matter physics	8	7.1	5.5	1.6

Source: Gateway to Research (UKRI): North East LEP analysis

What next?

The North East has continued to see improvement in business expenditure on R&D and employment in science and research-related occupations. More disappointingly, the proportion of businesses that report that they are innovation active has fallen – but this has been the case in all regions, with the uncertainty as a result of the UK leaving the EU likely to have played a part in this trend.

In relation to building the evidence base, the priorities are:

- Understanding the opportunities that are being created by the UK leaving the EU and COVID-19, focusing on anticipating the markets where innovative businesses in our region can increase their market share. This intelligence will help inform the work of our pilot Innovation Delivery Partnerships

- Developing new sources of intelligence on innovation activities in the North East to plug gaps in the current evidence base.

The priorities for the innovation programme of delivery are:

- Launching the North East Innovation Delivery Framework
- Establishing pilot Innovation Delivery Partnerships, focused partnerships between researchers and businesses to grow their market share in emerging and high growth sectors where we have a competitive advantage
- Encouraging innovation challenge activities that bring external expertise into organisations to help them identify innovative solutions to the challenges they face. COVID-19 has created a wide range of new challenges where this approach can help generate innovative solutions
- Ensuring innovation plays a key part in rebalancing the economy.

Skills, employment, inclusion and progression

Why is this important?

Enhancing our region's skills base will be essential to improving our economic performance. Investment in skills helps individuals access available employment opportunities, establish businesses and build careers. At an economy-wide level, it helps drive productivity growth and social mobility.

This investment will be most effective if it reflects the skills needed by employers, ensuring alignment between labour demand and supply. This is particularly important at the current time as the region's economy and labour market are going through a period of transition.

However, skills are only part of what is needed to help individuals access these opportunities with wider measures required to ensure inclusion and progression.

What are the key findings from the data?

- The key challenge that the North East LEP area faces is that there are fewer employment opportunities per head than England excluding

London. The Strategic Economic Plan has prioritised this by setting a target to increase the number of jobs by 100,000 by 2024

- The proportion of the North East LEP area population that is working age (that is defined as 16 to 64) is slightly above that of England excluding London
- Whilst the North East LEP area has lower rates of economic activity and employment than England excluding London, these rates have increased since 2014
- The working age population of the North East has a lower qualifications profile than England as a whole, a higher proportion of those aged 16 to 64 having no qualifications and fewer qualified to degree-level or above (NVQ Level 4 or above). However, the North East LEP area has made progress on this since 2014, with the percentage with higher level qualifications increasing and the percentage with none decreasing
- Fewer employers in the North East LEP than across England excluding London reported that they had experienced skills shortage vacancies

- Both the economic inactivity rate and the unemployment rate have fallen over the past five years. The unemployment rates for young people (aged 16 to 24) and older workers (aged 50 to 64) have also decreased over this period
- Despite these improvements, the working age economic activity rate and unemployment rates for all age groups remain above the England excluding London rates
- As the North East unemployment rates for 35 to 49 year-olds and 50 to 64 year-olds have declined faster than elsewhere, the gap with England excluding London has narrowed. For younger age groups, however, the gap has increased
- Average (median) weekly pay in the North East is only 90% of the England average. This is partly offset by lower living costs
- Average weekly pay increased by 11.2% between 2014 and 2019, the second lowest rate of growth of the eight core city LEPs. However, between 2018 and 2019, the North East had the largest percentage increase of 4.8%.



Skills, employment, inclusion and progression in the North East LEP economy

Indicator	Most recent data	Change since 2014	North East as % of England excl. London	Performance improved compared with England excl. London
Employment density per 1,000 working age population	658 (2018)	No change (2015)	89	No - gap widened
Working age population as % of total population	62.8% (2018)	Decreased by 1.0 percentage points	102	No change
Economically active as % of working age population	75.5% (Jan 2019 to Dec 2019)	Increased by 0.5 percentage points	95	No - gap widened
Employment as % of working age population	71.1% (Jan 2019 to Dec 2019)	Increased by 2.2 percentage points	93	No - gap widened
% of working age population with NVQ Level 4+ qualifications	32.7% (2019)	Increased by 4.2 percentage points	88	Yes - gap narrowed
% of working age population with no qualifications	8.8% (2019)	Decreased by 1.0 percentage point	116	No - gap widened
% of employers with a vacancy who report skills shortages as a reason	29% (2017)	Increased by 5 percentage points (2013)	91	No - gap narrowed
% of employers reporting skills gaps	13% (2017)	Decreased by 5 percentage points (2013)	99	Yes - North East percentage was previously higher than England exc. London
% of 16 to 64 population that are economically inactive	24.5% (Jan 2019 to Dec 2019)	Decreased by 0.5 percentage points	119	No - gap widened
% of 16 to 64 economically active population that are unemployed	5.7% (Jan 2019 to Dec 2019)	Decreased by 2.5 percentage points	146	No - gap widened
% of 16 to 24 economically active population that are unemployed	18.2% (Jan 2019 to Dec 2019)	Decreased by 1.7 percentage points	163	No - gap widened
% of 50 to 64 economically active population that are unemployed	3.7% (Jan 2019 to Dec 2019)	Decreased by 2.0 percentage points	137	Yes - gap narrowed
Median gross weekly wages of full-time workers (£)	£532.50 (2019)	Increased by £53.80 (11.2%)	90 (England)	No - gap widened (England)

Sources: Business Register and Employment Survey (Nomis), Population estimates (Nomis), Annual Population Survey (Nomis), Employer Skills Survey (DfE), and Annual Survey of Hours and Earnings workplace analysis (Nomis)
 Notes: 1. To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Annual Population Survey data is for the period January 2019 to December 2019 - so January 2014 to December 2014 is used as the comparator.
 2. Skills shortage vacancies are vacancies that are hard to fill because there is a lack of skilled or qualified people to take the job.
 3. Skills gaps are where existing staff are not fully proficient in their job role.

Wider commentary

Skills

Demographics

In 2018, the proportion of the population that are of working age (aged 16 to 64) in the North East LEP area (62.8%) was similar to that of England (62.6%) and slightly higher than that of England excluding London (61.7%). However, the North East LEP area had an older age structure than the comparators with:

- A larger proportion of its population in the 50 to 64 and 65+ age bands.
- A smaller proportion of its population in the 0 to 15 and 25 to 49 age bands

Looking forward, based on 2018 trends, the North East LEP area population is projected to grow by 2.7% from 2018 to 2028.

- This is below the rate of growth projected for England excluding London (5.0%) and the lowest of the core city LEPs
- The 65+ and 16 to 24 age bands are the only ones with substantial projected population growth in the North East over this ten-year period, by 19.3% and 6.2% respectively

- Between 2018 and 2028, the population is projected to decline among the 0 to 15 and 50 to 64 age groups in the North East, by 3.4% and 6.3% respectively. The population aged 25 to 49 is projected to remain virtually unchanged (up by 0.1%)

- Combined, these trends mean that there will be 10,300 fewer individuals of working age (16 to 64) in the North East LEP area in 2028 than in 2018. This will mean just 60.6% of the North East population will be of working age, the lowest percentage of any core city LEP and down from the fourth highest in 2018.

Qualifications

Working age people in the North East have a lower qualifications profile than England excluding London with:

- A higher proportion with no or low (NVQ Level 1 and 2) qualifications
- A lower proportion with high (NVQ Level 4+) qualifications - equivalent to degree-level and above.

Among the eight core city LEPs, the North East has the lowest percentage of 16 to 64 year olds qualified to Level 4 and above and the highest

percentage with no or low level qualifications. The qualifications profile of the North East is beginning to change.

Since 2014, the proportion of 16 to 64 year olds qualified to level 4 and above has increased by 4.2 percentage points, the same increase as for England excluding London.

Young people have a higher qualifications profile than older age groups with, for example, 43.7% of 25 to 29 year-olds and 41.1% of 30 to 39 year olds in the North East LEP area having Level 4+ qualifications in 2019, compared to 29.6% of 50 to 64 year olds.

Between 2014 and 2019, the North East had a higher percentage point increase than England excluding London in the proportions of those aged 20 to 24, 25 to 29 and 30 to 39 qualified to this level but a lower rate of growth among other age groups.

Digital skills

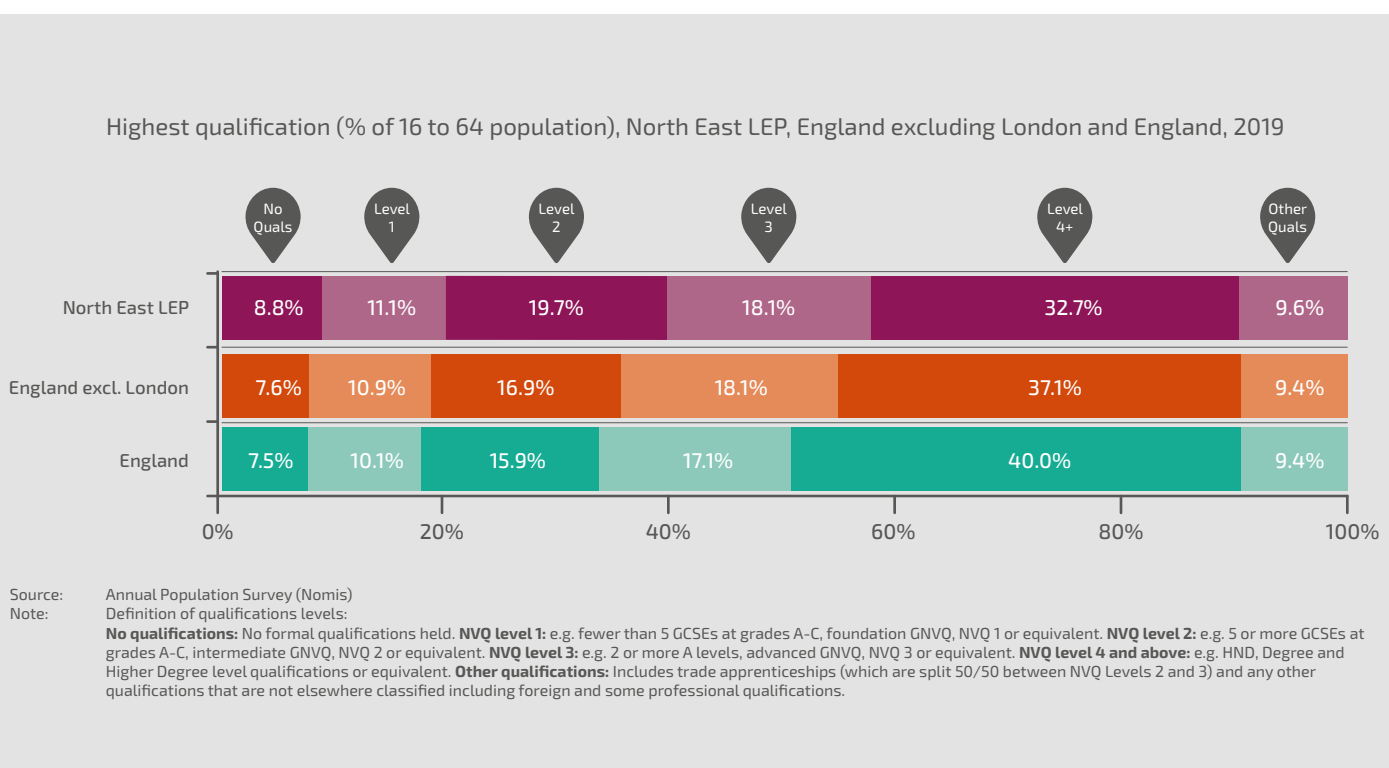
According to the 2019 Lloyds Bank UK Consumer Digital Index, in the North East region:

- 79% of adults have full essential digital skills for life
- 35% of working people have essential digital skills for work
- 10% are offline.

The North East region has a similar proportion of adults that have full essential digital skills for life as the UK (78%) but a much lower percentage of workers with essential digital skills for work than the UK (47%). The North East region has a higher percentage of adults that are offline than UK (8%).

The survey also highlights that, in the North East region:

- 64% of respondents felt that their digital skills had improved in the previous year (UK 65%)
- 26% feel that their digital skills aren't good enough (UK 27%)
- Only 5% have zero digital skills (UK 8%)
- 81% of those in the North East who are offline have no interest in being online (UK 75%). Only 10% mention poor broadband connectivity as a reason for being offline (UK 20%).



Skills provision

Further education

The North East LEP area has nine colleges:

- Bishop Auckland College
- Derwentside College
- East Durham College
- Gateshead College
- Newcastle College
- New College Durham
- Northumberland College
- Sunderland College
- Tyne Coast College.

There were 97,840 adult learners (aged 19+) participating in government-funded further education (including apprenticeships) in the North East LEP area in 2018/19. This is a decline of 24% compared to 2014/15, a slightly larger decrease than the 21% fall across England as a whole over the same period. Of North East adult learners:

- 21% were on English and maths courses
- 43% were on Level 2 courses
- 10% were on full Level 2 courses
- 18% were on Level 3 courses
- 15% were on full Level 3 courses
- 6% were on Level 4 and above courses.

Learners may be on courses at two or more levels.

The total number of adult learners in the North East LEP area achieving a government-funded further education qualification in 2018/19 was 73,080. The number achieving a qualification has fallen by 27% since 2014/15, compared to a fall of 26% in England as a whole.

Apprenticeships

Apprenticeships are a key element of skills provision, helping individuals to develop job-related skills while in employment. Apprenticeship training is delivered by colleges and training providers. In 2018/19, there were 16,990 apprenticeship starts in the North East LEP area. 38% of apprenticeship starts were at intermediate level, 44% at advanced and 18% at higher. Over 80% of North East apprenticeship starts were in one of four subject areas:

- Business, administration and law (32%)
- Health, public services and care (22%)

- Engineering and manufacturing technologies (16%)
- Retail and commercial enterprise (11%).

Although the North East LEP area is home to just 3.6% of England's working age population the proportions of apprenticeship starts in 2018/19 were higher:

- 4.3% of all apprenticeships in England
- 4.5% of intermediate apprenticeships
- 4.3% of advanced apprenticeships
- 4.1% of higher apprenticeships

In particular, the North East had:

- 6.3% of all apprenticeship starts in construction, planning and the built environment
- 5.8% of higher apprenticeship starts in engineering and manufacturing technologies
- 4.5% of higher apprenticeship starts in information and communication technology

Universities

The North East LEP area is home to four universities:

- Durham University
- Newcastle University
- University of Northumbria at Newcastle
- University of Sunderland.

In 2018/19, the North East universities had:

- 67,790 undergraduate students (4.6% of all undergraduates at English HE providers)
- 19,605 postgraduate students (4.1%).

The six most common subject areas of study at undergraduate level are business and administrative studies; social studies; subjects allied to medicine; biological sciences; languages; and engineering and technology.

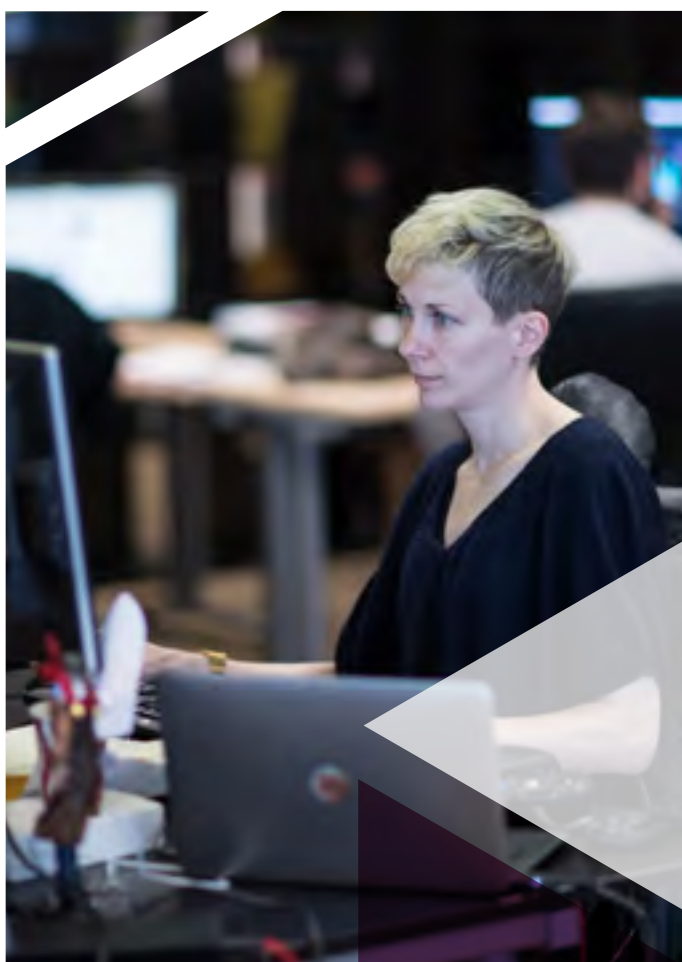
In terms of percentage of undergraduates in England, the North East is particularly overrepresented in architecture, building and planning (7.0%); languages (6.8%); physical sciences (6.6%); and medicine and dentistry (5.5%).

The four most common subjects being studied at postgraduate level are business and administrative studies; education; subjects allied to medicine; and engineering and technology.

In terms of percentage of postgraduates in England, the North East is particularly overrepresented in languages (6.7%); computer science (6.3%); architecture, building and planning (6.3%) and law (5.4%).

Student enrolments at North East LEP area universities, 2018/19

	Undergraduate	Postgraduate	Total
Business and administrative studies	11,405	4,695	16,100
Social studies	7,840	1,245	9,085
Subjects allied to medicine	7,320	1,650	8,970
Biological sciences	7,045	1,210	8,255
Engineering and technology	4,390	1,440	5,830
Languages	4,425	890	5,315
Physical sciences	3,820	665	4,485
Law	3,255	880	4,135
Computer science	2,880	1,095	3,975
Creative arts and design	3,295	630	3,925
Education	1,260	2,130	3,390
Historical and philosophical studies	2,730	635	3,365
Architecture, building and planning	2,150	900	3,050
Medicine and dentistry	2,100	810	2,910
Mathematical sciences	1,760	160	1,920
Mass communications and documentation	1,155	485	1,640
Combined	650	0	650
Agriculture and related subjects	315	90	405
Total	67,790	19,605	87,395



Job-related training

Employers also make a significant investment in developing the skills of their workforce.

- When surveyed in 2017, 45% of North East LEP area businesses had a training plan in place and 35% had a budget for training. Both are similar to England excluding London (46% and 35%)
- 63% had funded or arranged training for their employees in the last 12 months (a slightly smaller proportion than England excluding London, 66%)
- The most common types of training funded or arranged by North East employers were job specific training (provided by 87% of employers who funded or arranged training), health and safety and/or first aid training (75%) and basic induction training (67%). In addition, almost half (48%) provided training in new technologies.

About one eighth (12.4%) of North East residents in employment aged 16 to 64 had received job-related training in the previous four weeks in 2019 and just under a quarter (23.9%) had received job-related training in the previous 13 weeks.

These proportions were lower than in England excluding London (13.6% and 25.1%) and the third lowest among the eight core city LEPs. They were both lower than in 2014.



In 2019



12.4% of North East LEP working age people in employment had received job-related training in the previous four weeks



23.9% had received job-related training in the previous 13 weeks

These proportions were lower than in England excluding London (13.6% and 25.1%)

Employment

VAT/PAYE registered organisations employed 820,000 in the North East LEP area in 2018.

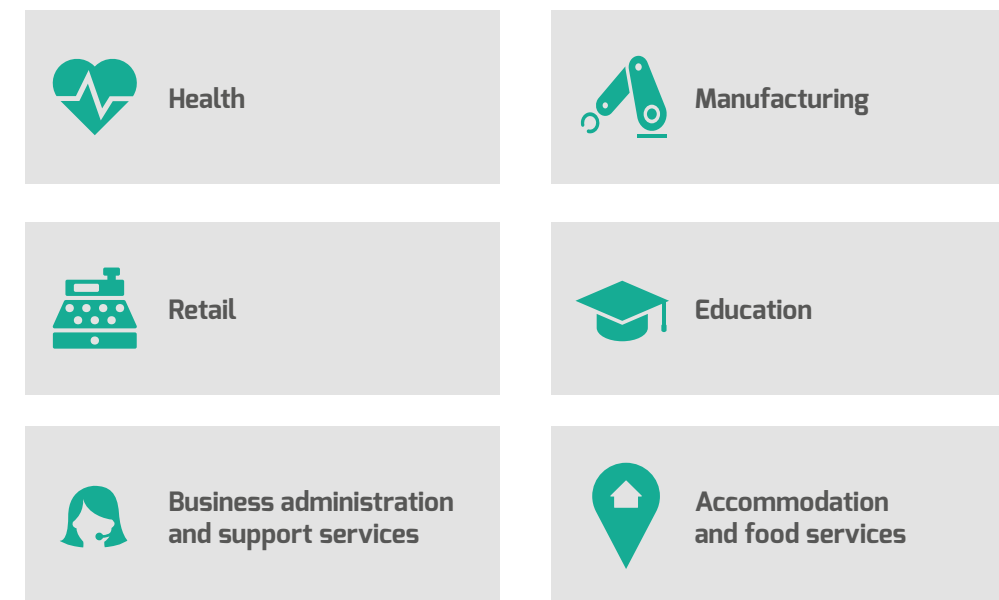
This is equivalent to 658 jobs per 1,000 working age population - a measure known as employment density.

If we had the same employment density as England excluding London, there would be 925,000 jobs in the North East, an additional 105,000 jobs.

Employment per 1,000 working age (16 to 64) population, North East LEP, England excluding London and England, 2018



The largest employing sectors in the North East LEP area are:



Employment by sector, North East LEP area, 2017

	% of total employment
Health	15.5
Manufacturing	11.0
Retail	9.8
Education	9.1
Business administration and support services	8.3
Accommodation and food services	7.6
Public administration and defence	6.3
Construction	5.0
Arts, entertainment, recreation and other services	4.4
Professional, scientific and technical	4.4
Transport and storage (including postal)	4.4
Information and communication	3.2
Wholesale	2.6
Financial and insurance	2.3
Property	1.8
Motor trades	1.7
Mining, quarrying and utilities	1.5
Agriculture, forestry and fishing	1.2
Total	100.0

Note: Percentages may not sum to 100 due to rounding.

Alignment between labour demand and supply

To have a well-functioning labour market, there must be a strong alignment between labour supply and demand - people need to have the skills employers need.

One way to measure this is to establish if any employers have hard-to-fill and skills shortage vacancies. When surveyed in 2017, 16% of North East LEP area employers had at least one vacancy in the last 12 months (compared to 19% across England excluding London).

Of these:

- 37% had a hard-to-fill vacancy (compared to 43% across England excluding London)
- 29% had a skills shortage vacancy (compared to 32% across England excluding London).

Among the eight core city LEPs, the North East has the highest percentage of skills shortage vacancies in high-skill occupations (52%). This highlights that more needs to be done to help ensure individuals are developing the skills required by employers and to encourage skilled workers to remain in or to relocate to the region.

Looking at the existing workforce, 13% of employers in the North East LEP area reported having skills gaps - i.e. that not all of their staff are fully proficient in their jobs. Whilst this is the same percentage as England excluding London, a smaller proportion of staff in the North East LEP area than nationally are considered 'not fully proficient' by their employers (4.1% compared to 4.6% across England excluding London).



Inclusion

Economic inactivity

Economic inactivity measures those that are not in work or actively seeking employment.

Individuals can be economically inactive for a wide range of reasons including that they are in education, have health issues or disabilities that prevent them from work, have caring responsibilities or have retired.

Between January 2019 and December 2019, 24.5% of the North East LEP's working age population was economically inactive.

- This is above the England excluding London rate (20.6%) and the highest rate among the eight core city LEPs

- The North East's economic inactivity rate has decreased from 25.0% in 2014. This is a smaller percentage point decrease than England excluding London (-1.8) and is the smallest amongst the core city LEPs.

Looking at economic inactivity in the North East LEP area in more detail:

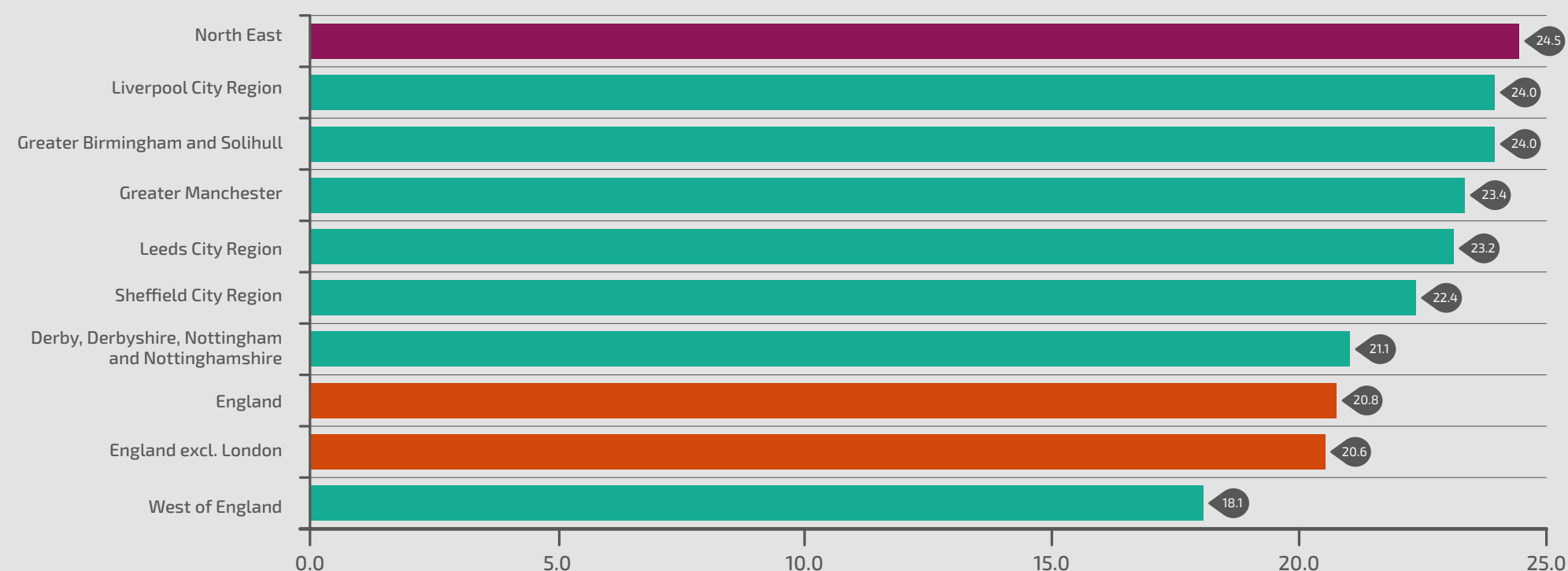
- Some groups are much more likely to be economically inactive than others. 47.6% of 16 to 64 year olds with a core or work-limiting disability in the North East were economically inactive in 2019, compared to 16.3% of those without a disability
- Similarly, 53.2% of North East adults with a health condition or illness lasting 12 months or more were economically inactive, with this being true of over three quarters (77.3%)

of North East adults with difficulty in seeing or hearing.

Almost a third (31.1%) of the working age economically inactive in the North East had long-term or temporary sickness in 2019. A further 24.1% were students, with 22.2% looking after family or home and 13.2% retired people. The proportion of the economically inactive with sickness in the North East was much higher than across England excluding London (25.6%).

In 2019, 23.8% of the working age economically inactive population in the North East LEP area wanted a job. This was a higher proportion than England excluding London (21.3%).

Economic inactivity rate (% of 16 to 64 population), North East LEP, Core City LEPs, England excluding London and England, January 2019 to December 2019



Source: Annual Population Survey (Nomis)

Unemployment

The International Labour Organisation (ILO) unemployment rate measures the proportion of the working age population that are out of work and actively seeking work.

The ILO unemployment rate for 16 to 64 year olds in the North East between January 2019 and December 2019 was 5.7%.

- The North East's unemployment rate had decreased from 8.2% in 2014
- The 2.5 percentage point decrease was the third smallest among the core city LEPs but was larger than the decrease in England excluding London (2.3 percentage points).

The North East Strategic Economic Plan highlights the need to tackle youth unemployment and unemployment amongst the 50+ population.

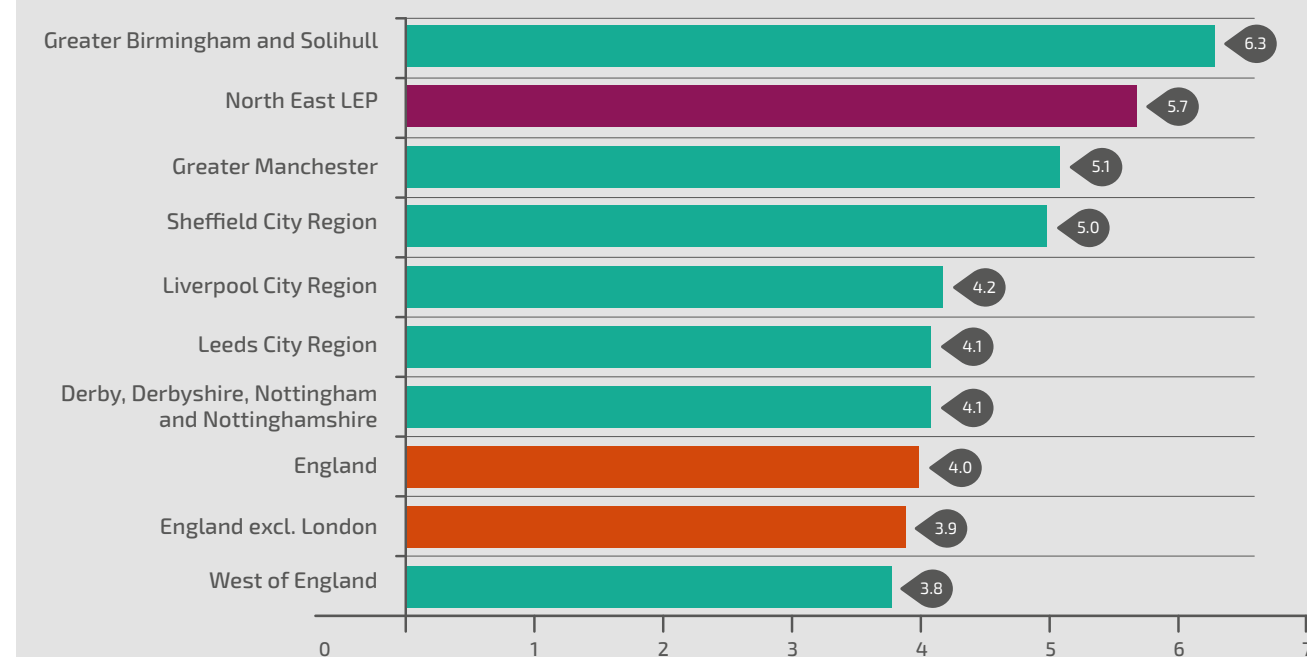
Two broad trends can be observed:

- Unemployment rates are highest for young people and decline with age. The exception to this is the 50 to 64 age band which has a higher unemployment rate than the 35 to 49 age band
- For each age band, the unemployment rate in 2019 was higher in the North East LEP area than in England excluding London, with the gap largest in the youngest age bands.

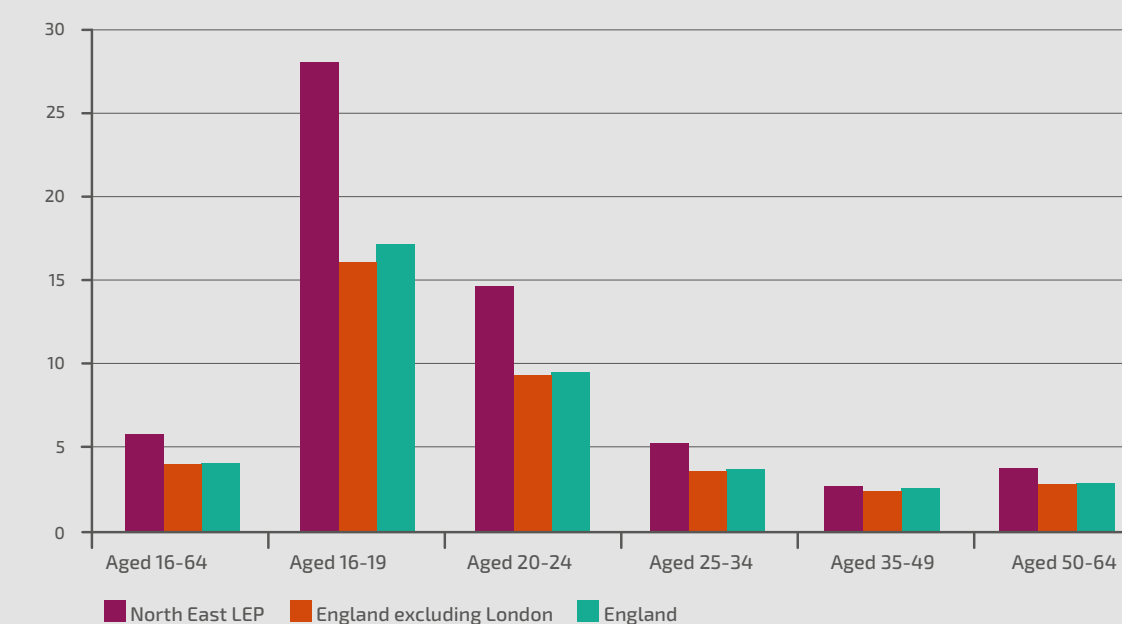
Since 2014, unemployment rates among the youngest and oldest working-age people in the North East LEP area have decreased:

- Among the broader age group for young people (16 to 24) the North East unemployment rate decreased from 19.9% in 2014 to 18.2% in 2019. However, this decrease is much smaller than that for England excluding London (down 5.4 percentage points) meaning that the gap has widened
- The unemployment rate for the 50 to 64 population in the North East LEP area decreased from 5.7% in 2014 to 3.7% in 2019. This was double the percentage decrease of England excluding London meaning that the gap has narrowed but not completely closed.

Unemployment rate (% of 16 to 64 economically active population), North East LEP, Core City LEPs, England excluding London and England, January 2019 to December 2019



Unemployment rate by age band (%), North East LEP, England excluding London and England, January 2019 to December 2019



Household poverty

Looking at relative household poverty in the three year period 2016/17 to 2018/19:

- 19% of people in the North East region were living in households with below 60% of median household income before housing costs. This compares to 17% across England as a whole and means that about 500,000 individuals in the North East are living in households in poverty
- 24% of people in the North East region were living in households with below 60% median household income after housing costs. This compares to 22% for England as a whole and is equivalent to about 600,000 individuals in the region living in households in poverty
- Using the before housing costs measure for the North East region, 26% of children, 18% of working-age adults and 16% of pensioners were living in households in poverty. This compares to, respectively, 21%, 15% and 18% for England as a whole
- If housing costs are included, in the North East region 35% of children, 24% of working age people and 14% of pensioners lived in households in poverty, compared to, respectively, 31%, 21% and 16% for England as whole.

Whilst the reasons for poverty are complex, a number of sources including from the Annual Survey of Hours and Earnings and the Family Resources Survey provide insights into potential reasons for higher rates of household poverty in the North East. These include:

- In 2019, average (median) weekly pay for a full-time worker in the North East LEP area was below the English level (£532.50, compared to £591.40) and was the second lowest of the eight core city LEPs. Whilst wages increased by 11.2% from 2014 to 2019, this is below the national rate of growth (13.0%) and the second lowest among the core city LEPs. In addition, inflation has been relatively high over this period meaning that much of the increase in wages will have been offset by increases in the costs of goods and services

- Wages and salaries (62%) and income from self-employment (5%) accounted for a smaller percentage of total household income in the North East region in 2018/19 than across England as a whole (63% and 10%, respectively). In contrast pension income and benefits account for a larger proportion of household income than across England
- The incidence of disability is higher in the North East region than England, with 28% of the North East population having a disability in 2018/19, compared to just 21% across England. A person is considered to have a disability if they have a long-standing illness, disability or impairment which causes substantial difficulty with day-to-day activities.

Quality of employment opportunities

A final topic worth considering in this section is the quality of employment opportunities in the North East.

- Between January 2019 and December 2019, 5.3% of those living in the North East LEP area and in employment were in a temporary job. This was above the England excluding London rate (4.3%) and was the second highest among the eight core city LEPs
- Over the same time period, 25.2% of working age people in employment in the North East LEP area were working part-time. This was similar to the England excluding London rate (25.3%) and the fourth highest percentage of the core city LEPs
- In the last quarter of 2019, 47,000 individuals in the North East region were employed on a zero-hours contract. This is equivalent to 3.9% of those in employment – the second highest rate amongst English regions
- The Low Pay Commission estimates that, in 2019, about 74,500 employees in the North East LEP area were paid at or below the National Living Wage (NLW) or equivalent for their age group. This is 9.6% of all employees, a higher percentage than England (6.9%) and England excluding London (7.5%)
- An estimated 20,000 jobs in the North East region were paid below the National Minimum Wage (NMW) or equivalent in 2019, about 1.9% of the total. This is the highest percentage of any English region.



Median gross weekly pay of full-time workers (£), North East LEP, Core City LEPs and England, 2014 and 2019

	2014	2019	% change 2014 to 2019
Greater Birmingham and Solihull	494.20	569.30	15.2%
Leeds City Region	479.50	547.20	14.1%
Greater Manchester	481.60	546.20	13.4%
England	523.50	591.40	13.0%
West of England	522.60	590.00	12.9%
Liverpool City Region	492.60	555.70	12.8%
Derby, Derbyshire, Nottingham and Nottinghamshire	488.30	544.20	11.4%
North East	478.70	532.50	11.2%
Sheffield City Region	474.20	520.60	9.8%

Notes: 1. Earnings in workplaces in the selected geographies
2. Data is not available for England excluding London.

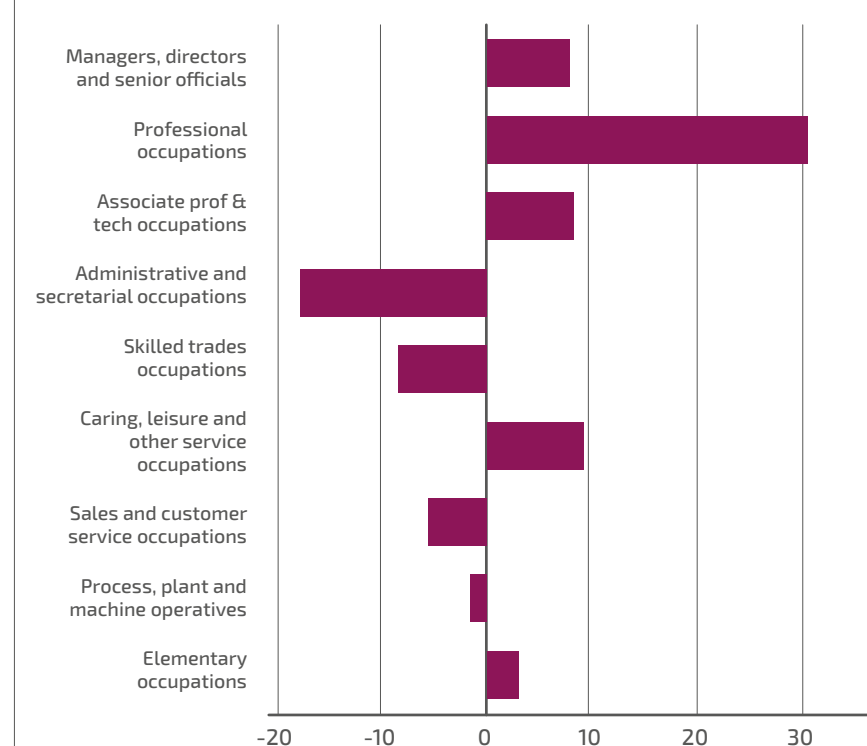
Progression

Between 2014 and 2019, employment in professional occupations in the North East LEP area increased by 30,300. This was a 21% increase compared to 15% across England excluding London.

The next highest net increase in employment in this period was among caring, leisure and other service occupations (up by 9,100) followed by two other occupation groups classified, alongside professionals as higher level: associate profession and technical occupations (up by 8,400) and managers, directors and senior officials (up by 7,800).

The growth in higher level occupations has provided opportunities for individuals to progress in work.

Net change in employment (000s) by occupation, North East LEP area, 2014 to 2019



Sources: Annual Survey of Hours and Earnings Workplace Analysis (Nomis) and Annual Population Survey (Nomis)

What next?

Since 2014, the North East has made progress across a wide range of skills and employment indicators, but we have seen progress slow or reverse on a number of these since last year's Our Economy report. Key positive trends since last year include an increase in the proportion of working age people qualified to degree-level or above and a decline in unemployment amongst older workers (aged 50 to 64).

Looking forward, key priorities in relation to developing the evidence base include:

- Identifying and utilising new sources of data, with a focus on those that can help us understand more quickly than official statistics how the labour market is changing in response to COVID-19
- Ensuring greater use of evidence in decision-making, with the North East Skills Advisory Panel playing a key role in driving this shift
- Developing our understanding of fusion skills and good work.

Priorities for the skills, employment, inclusion and progression programme of delivery include:

- Continuing to pilot innovative solutions to address regional skills challenges, including building a regional approach to developing fusion skills
- Making the case for greater flexibilities within the apprenticeship system to increase take-up
- Supporting the development of digital skills across all age groups, sectors and occupations
- Ensuring individuals, especially those within our priority groups of young people, older workers and individuals with health issues or disabilities, can access the support they need to move into and progress within employment.

Combined, these will help increase skills, support progression and improve productivity. COVID-19 is having, and will continue to have, significant impacts on the North East labour market. The current crisis reinforces the need to prioritise the issues and groups outlined above but also creates additional challenges. In particular, the skills, employment, inclusion and progression programme will ensure that approaches are developed that can address the varied impacts COVID-19 is having on different occupations and sectors.

Transport connectivity

Why is this important?

Links within and between regions are fundamental for facilitating economic growth. For example, transport connectivity allows businesses to move their goods to markets and allows individuals to access employment opportunities.

What are the key findings from the data?

- Public expenditure on transport per head in the North East region was above the England excluding London equivalent in 2018/19. This reverses the positions in each of the previous four years. Outside of London, transport expenditure per head for each region varies a lot from year to year but London's rate has been well over twice that of the rest of England in each year since 2014/15
- Usage of public transport is high in the North East, with 36.4 million passenger journeys by Metro, 142.7 million passenger journeys by bus and 15.6 million entries and exits at North East railway stations in 2018/19. The rates of Metro journeys and bus passenger mileage per head are higher than in England excluding London. Both have decreased since 2014/15
- The volume (tonnage) of freight being transported by road from the North East region per head was lower than the national average in 2018 and has decreased since 2014.

Transport connectivity in the North East LEP economy

Indicator	Most recent data	Change since 2014	North East as % of England excl. London	Performance improved compared with England excl. London
Public expenditure on transport per head	£486 (North East region) (2018/19)	Increase of £252 per head (2014/15)	124	Yes - overtaken
Metro (light rail and tram) passenger journeys per head	32.2 (Tyne and Wear) (2018/19)	Decreased by 2.1 journeys per head (2014/15)	231 (Areas with light rail or tram systems)	No - gap narrowed
Metro (light rail and tram) passenger mileage per head	175 (Tyne and Wear) (2018/19)	Decreased by 6.5 miles per head (2014/15)	228 (Areas with light rail or tram systems)	No - gap narrowed
Bus passenger journeys per head	71.9 (2018/19)	Decreased by 6.2 journeys per head (2014/15)	160	Yes - gap widened
Bus mileage per head	32.2 (2018/19)	Decreased by 4.0 miles per head (2014/15)	171	No change
Goods lifted (tonnes) by GB-registered heavy goods vehicles per adult	25 (2018)	Decreased by 2 tonnes per head	83	No - gap widened

Sources: Country and regional analysis (HM Treasury); Light rail and tram statistics (DfT); Bus statistics (DfT); Road freight statistics (DfT)
 Notes: 1. Data for public expenditure and freight lifted are for North East region.
 2. 2014/15 is the earliest data available in relation to public expenditure on transport and Metro usage. We have used 2014/15 as the baseline for bus usage so that it is comparable with Metro usage.

Wider commentary

Public expenditure on transport

In 2018/19, public expenditure on transport in the North East region was £486 per head. This compared to £393 across England excluding London.

- Public expenditure on transport in the North East in 2018/19 was comprised of £254 per head on national roads, £91 on local roads, £16 on local public transport, £114 on rail and £10 on other transport
- The variation between the North East and England excluding London in 2018/19 is due to much higher expenditure per head on national roads
- Public expenditure on transport per head was much higher in London (£903) than in the rest of England
- Excluding London, the North East had the second highest regional public expenditure on transport per head in 2018/19
- Regional expenditure on transport per head varies greatly from year to year. In 2017/18, the North East had the second lowest (£270).

Metro

There were 36.4 million passenger journeys on the Metro during 2018/19, with a total distance covered of 198.0 million passenger miles. Both figures were about 30% of the respective totals for the six English light rail and tram systems outside of London. The Manchester Metrolink was busier in absolute terms but not on a per head basis.

Between 2014/15 and 2018/19, total passenger journeys and passenger miles on the Metro decreased by 4% and 2%, respectively. This contrasted with large percentage increases across England outside of London (25% and 29%, respectively).

In terms of reliability, 79.6% of trains on the Metro arrived on time (within three minutes later than scheduled or within 29 seconds earlier than scheduled) in 2018/19. This is slightly lower than in 2014/15 (80.5%).

Bus

In 2018/19, there were 142.7 million passenger journeys on local bus services in the North East LEP area, almost ten million lower than in 2014/15 but over three million higher than in 2017/18. The region's local bus services operated 63.9 million vehicle miles in 2018/19, down from 70.8 million in 2014/15. About 12% of this mileage was local authority supported, a lower percentage than across England outside of London (15%).

The 2018/19 totals were equivalent to 71.9 passenger journeys and 32.2 vehicle miles per head in the North East LEP area and both rates were much higher than those for England excluding London (45.1 and 18.8, respectively). The number of North East passenger journeys per head decreased by 8% between 2014/15 and 2018/19, while the number of vehicle miles per head decreased by 11%. These were similar to the changes in England excluding London (-9% and -11%).

In terms of punctuality and reliability, in 2018/19 91% of non-frequent bus services in Tyne and Wear, 88% in Durham and 86% in Northumberland ran on time. This compared to 84% in England outside of London. In 2018/19, the average excess waiting time for frequent bus services in Tyne and Wear was 0.95 minutes, a shorter time than in Merseyside (1.86 minutes) and the West Midlands (1.23 minutes). This data is not available for Durham, Northumberland or England as a whole.



Rail

In 2018/19:

- There were 15.6 million entries and exits in stations in the North East LEP area, three quarters of which were in Newcastle (8.9 million) and Durham (2.7 million)
- A further 11 North East stations had more than 100,000 entries and exits each, headed by Berwick-upon-Tweed (570,000), Morpeth (470,000) and Sunderland (440,000). The total for the latter underestimates station usage as passengers using the Metro are excluded, despite using the same platforms and facilities as other users
- The total of 15.6 million was 1.3 million or 9% higher than in 2014/15. There were 11% and 12% increases in Newcastle and Durham respectively. Among the other main 11 stations there was growth of more than 40% in both Morpeth and Bishop Auckland and of more than 20% in Cramlington.

Detailed annual passenger statistics for stations are for a 'typical autumn weekday' and only available for Newcastle in the North East. The 2018 statistics showed a more even spread of passengers across the day than in similar stations:

- Peak arrivals (between 7am to 9.59am) and peak departures (4pm to 6.59pm) made up, respectively, 19% and 26% of all arrivals and departures
- These were the smallest percentages among stations in the eight English core cities and well below the overall core city proportions (33% and 35%).



Sources: Estimates of station usage (ORR), Rail statistics (DfT), Road freight statistics (DfT), UK Airport Data (CAA)

Road freight

In 2018, 54 million tonnes of freight were lifted by Great Britain (GB) registered heavy goods vehicles in the North East region.

- This was 4.7% of all freight (by tonnage) lifted in England excluding London
- 37% of freight lifted was transported out of the region, with the rest moved within the region
- The North East total was 5% lower than in 2014, in contrast to a 7% increase in England excluding London.

Taking account of distance travelled, the North East region was the origin of 6.2 billion tonne km of freight moved by GB-registered heavy goods vehicles in 2018, 4.9% of the total for England excluding London.



Air transport

In 2019:

- 5.2 million passengers travelled through Newcastle International Airport. This was 6.6% of all passengers in English airports outside of the five in the London area. The total is 15% higher than in 2014 but 2.4% lower than in 2018
- Most passengers (66%) were en route to and from non-UK airports within the EU and just over a fifth (22%) were on UK domestic flights. 1.7 million passengers were travelling to and from Spain, but, outside of Europe, almost 230,000 people travelled on the Newcastle to Dubai service
- Newcastle International Airport handled 4,745 tonnes of freight. This was just 1% of freight handled by English airports outside of the five London airports but was 7% higher than in 2014. It was the fifth highest figure among non-London airports, with East Midlands and Manchester being the largest non-London airports, with 67% and 22% of freight, respectively.



Ports

In 2018, the North East's ports handled 6.4 million tonnes of freight, 2.5% of all freight handled in England excluding Thames and Kent. Within this, 4.8 million tonnes was inwards and 1.6 million tonnes outwards.

Between 2014 and 2018 the North East LEP area tonnage decreased by 25%, with the inwards and outwards totals falling by 30% and 6% respectively. In England excluding Thames and Kent, the equivalent totals decreased by 8%, 7% and 8%. North East data for 2019 is only available for the Port of Tyne and Sunderland and shows a combined 4% increase in tonnage compared to 2018.

In addition, just over 600,000 ferry passengers traveled through the Port of Tyne in 2019, about 12% of passengers to English ports outside of the Thames and Kent region. This was a 6% increase since 2014, in contrast to a 5% decrease in the comparator area.



Source: Maritime and Shipping Statistics (DfT)



What next?

The North East continues to have high usage of public transport and this year's data has shown a significant increase in public expenditure on transport, addressing the gap that there traditionally has been with other non-London regions.

In terms of developing the evidence base in relation to transport connectivity, our key priorities are:

- Strengthening and expanding the regional evidence base to allow progress to be monitored against the Regional Transport Plan. The current evidence base has a range of limitations that must be overcome if we are to effectively deliver the Regional Transport Plan's ambitions of a greener, more equal, healthier, sustainable, and safe North East
- Developing a better understanding of active travel, such as the types of journeys that involve walking and cycling. This will help us to develop interventions that support more active travel, leading to a healthier population
- Understanding the average value of each bus journey to the economy.

Priorities for the transport connectivity programme of delivery are:

- Publication of the Regional Transport Plan, with a programme of schemes that will make a substantial difference to the North East
- Delivery of current projects, including the beginning of the delivery of the new Metro fleet and infrastructure projects funded through Transforming Cities Fund to increase the capacity and frequency of services
- Continue to make the case for long-term investments including the upgrading of the East Coast Main Line, Northern Powerhouse Rail and to deliver the Newcastle International Airport 2030 Masterplan
- Identify how the region's transport system will need to adapt in response to COVID-19. The schemes that will help deliver these adjustments will be included in the Regional Transport Plan.

Investment and infrastructure

Why is this important?

Infrastructure helps enable economic growth by providing premises for growing businesses and homes for workers. Investment is required to help deliver this infrastructure and other regional priorities.

What are the key findings from the data?

- There were 7.9 net additional dwellings per 1,000 dwellings in the North East LEP area in 2018/19. This was an increase of 2.2 net additional dwellings per 1,000 dwellings compared to 2014/15 but was only 80% of the England excluding London rate, the same as in 2014/15
- The North East had a volume of business floor space per adult only slightly lower than that of England excluding London in 2018/19. However, its rateable value per sq.m was 13% lower. There had been a small decrease in the former and no change in the latter since 2014/15
- There are fewer major development planning applications approved per adult in the North East than across England excluding London. The North East rate has decreased since 2014 and the gap has widened
- There have been improvements in access to superfast broadband, with five of the seven local authorities in the North East LEP area, now above the English average in terms of the proportion of premises with access. Access to 4G varies across the North East

Investment and infrastructure in the North East LEP economy

Indicator	Most recent data	Change since 2014	North East as % of England excl. London	Performance improved compared with England excl. London
Net additional dwellings per 1,000 dwellings	7.9 (2018/19)	Increased by 2.2 (2014/15)	80	No change
Business floorspace sq.m per adult	12.5 (2018/19)	Decreased by 0.2 (2014/15)	98	No - gap widening
Rateable value of business floorspace per sq.m	£58 (2018/19)	No change (2014/15)	87	No - gap widening
Major development planning applications approved per 10,000 adults	2.1 (Jan-Dec 2019)	Decreased by 0.5	73	No - gap widening
Proportion of premises with superfast broadband (30Mbit/s+) services available	94.9% (Sep 2019)	Median increase (seven local authorities) 2.5 percentage points (2016)	100	Not available
Proportion of indoor premises receiving 4G mobile coverage from all operators	North East LEP local authorities range from 76% to 94% (Sep 2019)	Median increase (seven local authorities) 20 percentage points (2015)	Not available	Not available

Sources: Housebuilding; new build dwellings (MHCLG), Business floorspace and rateable value (VOA), Planning decisions (MHCLG) and Connected Nations (Ofcom)
 Notes: 1. To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Planning decisions data is for the period July 2017 to June 2018 – so July 2013 to June 2014 is used as the comparator.
 2. Data on mobile connectivity are not available for LEPs, so range for the seven local authorities within North East LEP area is provided. Consistent time series data is not available for the whole period back to 2014.

Wider commentary

Housing

The rates of housing starts and completions in the North East LEP area in 2018/19 were higher than in 2014/15. There were 6.7 North East starts per 1,000 dwellings. Although this was below the rate of England excluding London (7.3), the gap has closed slightly since 2014/15 (when the respective rates were 5.3 and 6.0).

There were 7.0 housing completions per 1,000 dwellings in the North East LEP area in 2018/19. This was also below the England excluding London rate (7.3) and, in this case, the gap has widened since 2014/15 as the North East had a higher rate than England excluding London (5.4% compared to 5.3%).

In 2018/19, there were 7,286 net additional dwellings in the North East LEP area, a combination of the effects of new build, conversions, change of use and demolition. As a rate per 1,000 dwellings this is only about four-fifths of the England excluding London equivalent (7.9, compared to 10.0). Rates improved for both areas by just under 40% between 2014/15 and 2018/19, meaning that the gap between them was unchanged.



Future investment in economic assets and infrastructure

The National Infrastructure and Construction Pipeline sets out details of planned public and private investment in infrastructure. However it has not been updated since 2018/19. At that time, it stated that:

- There would be an annual per capita investment in infrastructure in the North East region of £1,013 between 2018/19 and 2020/21
- This is the second highest figure among the nine English regions, behind the South West (£1,105)
- However, only 26% of this planned North East investment was from central and local government, an annual per capita value of £262. This is the lowest proportion and value of any English region
- More positively, the North East had a projected annual per capita investment from private sources of £751 during this period, second only to the South West (£784).



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 750,000 sq.m of new workspace



Sources: Housebuilding statistics (MHCLG), Net additional dwellings (MHCLG), Analysis of National Infrastructure and Construction Pipeline (IPA)

Fixed broadband coverage, local authority areas within North East LEP area, North East LEP and England excluding London, Sep 2019

	% of premises with superfast broadband (30Mbit/s+) services available	% of premises with full fibre broadband services available	% of premises unable to receive download speed of 10Mbit/s+
North Tyneside	98.2	0.8	0.6
South Tyneside	97.5	0.5	0.6
Sunderland	96.5	4.8	1.0
Gateshead	95.6	3.4	1.3
Newcastle Upon Tyne	95.2	4.9	0.3
North East LEP	94.9	3.6	1.3
England excluding London	94.7	9.3	1.5
County Durham	93.0	4.4	1.6
Northumberland	92.3	3.3	2.9

Proportion (%) receiving mobile indoor coverage from all operators, North East LEP local authority areas and England (total, rural and urban), Sep 2019

	Voice	Data	4G
Newcastle upon Tyne	99.6	100.0	94.2
North Tyneside	99.0	100.0	94.2
Gateshead	98.7	99.9	89.9
England, urban	97.0	99.7	86.5
Sunderland	96.8	100.0	90.4
South Tyneside	96.4	99.4	78.5
England	93.4	98.4	80.9
County Durham	90.7	97.5	76.2
Northumberland	89.1	96.0	76.8
England, rural	68.1	89.3	42.0

Note: There are four UK operators: Telefónica UK (O2), EE (formerly T-Mobile and Orange), Vodafone and 3 (Hutchison 3G UK Limited)

Source: Connected nations (Ofcom)

Digital connectivity

Individuals and businesses increasingly rely on access to high quality fixed-line and mobile communications. Ofcom publish data on access to communications services. Although fixed broadband data at a LEP level can be calculated from the Ofcom release, mobile data cannot. In addition, sub-regional variations make it important to present data for the seven North East local authority areas.

In relation to fixed broadband coverage:

- In September 2019, the vast majority of premises had access to superfast broadband, 94.9% in the LEP area as a whole. This was slightly higher than for England excluding London (94.7%) and ranged from 92.3% in Northumberland to 98.2% in North Tyneside
- Only 3.6% of premises in the area had access to full fibre broadband, compared to 9.3% in England excluding London, with the percentages within the North East ranging from 0.5% in South Tyneside to 4.9% in Newcastle
- Only a few premises within the North East (1.3%) were not able to receive a download speed of 10 Mbit per second with only Northumberland (2.9%) performing noticeably worse than England excluding London (1.5%) on this measure.



Source: Connected nations (Ofcom)

Looking at mobile coverage:

- In September 2019, indoor coverage for voice signals from all four operators ranged from 89.1% in Northumberland to 99.6% in Newcastle
- Indoor coverage for data signals from all four operators ranged from 96.0% in Northumberland to 100.0% in Newcastle, North Tyneside and Sunderland
- 4G is particularly important for businesses due to the increase of usage of cloud-based software and teleconferencing. Indoor 4G coverage from all four operators had a much wider range than the other mobile indicators in September 2019 - from 76.2% in County Durham to 94.2% in Newcastle and North Tyneside.

Across all of the mobile coverage, a clear pattern is that five of the seven North East local authorities performed better than England excluding London on most measures. These are the five with little or no rural populations and the North East data reflects a wider national trend of rural areas having lower rates of coverage. In the North East the two local authorities with less provision - County Durham and Northumberland - are the areas with a larger proportion of people living in rural areas.



What next?

Since 2014, the North East has secured significant investment that has supported progress against the Strategic Economic Plan priorities, and it will be important that regional partners continue to work together to secure future funding. In relation to infrastructure, the data shows progress in relation to the housing offer and in relation to digital connectivity.

In relation to the developing the evidence base, the key priority for this programme is developing a better understanding of the outputs generated by different investments, especially infrastructure investments. Comparing realised outputs to those projected at the time of funding and reviewing the international evidence on the impacts of different types of investments will help us in allocating future investment programmes effectively.

Looking forward, the priorities for the investment and infrastructure programme of delivery are to:

- Continue to invest in the priorities set out in the North East Strategic Economic Plan, including in innovation, business growth, skills, transport and infrastructure
- Successfully complete delivery of the Local Growth Fund programme, with this investment programme now in its last financial year
- Secure as much investment as possible for the North East from the successor to current UK and European funds and any specific funds that are established to stimulate the economy following the COVID-19 pandemic
- Continue to develop the North East's property offer through investment in the region's Employment Zone sites and the development of a North East Commercial Property Fund.



Section 4

How our economy varies
across geographies



Section 4

How our economy varies across geographies

Introduction

The earlier sections of Our Economy compare the North East to a range of benchmark areas including England excluding London, England and other core city LEP areas. In this section, we will examine how the economy varies across the North East.

Understanding the variations across and connectivities within the North East helps ensure that policies and interventions reflect the needs and opportunities of our different places.

Statistical geographies

This section contains analysis of the North East LEP area broken down into geographies of different sizes and types. In each case, the choice of geography reflects the availability of data and our assessment of which geography provides the most useful insights. Information about each geography is shown when it is first used within the section.

The North East LEP area includes

2 combined authority areas

4 NUTS3 areas

7 local authority areas

22 parliamentary constituencies

156 built-up areas

251 middle layer super output areas (MSOAs)

1,240 lower layer super output areas (LSOAs)

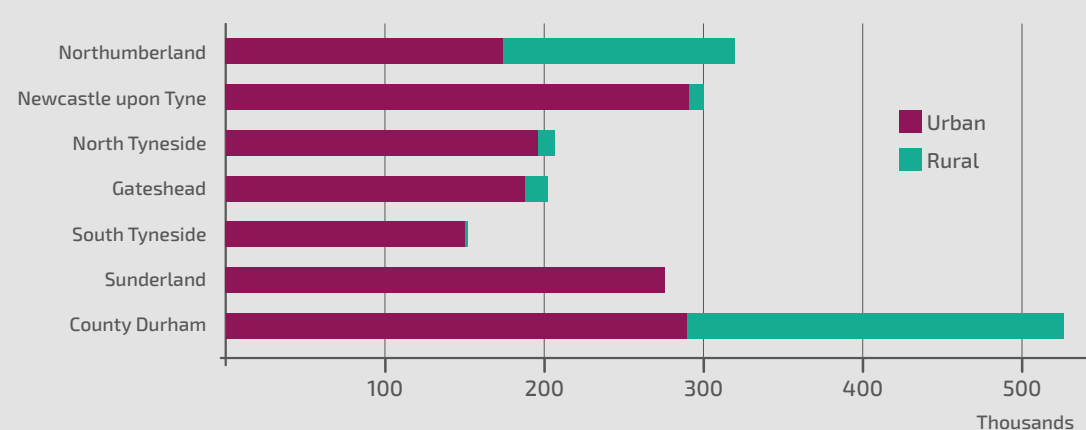
Where do people in the North East live?

North East local authorities

The North East LEP area has a population of just under two million.

- Just over a quarter of the North East population lived in County Durham in 2018
- Northumberland, Newcastle upon Tyne and Sunderland each contained between 14% and 16% of the population
- North Tyneside, Gateshead and South Tyneside each had 8% to 10% of the population
- All seven authorities had more than half of their population living in urban areas - with the proportion living in urban areas highest in Sunderland and lowest in Northumberland.

Resident population by urban/rural classification, North East local authorities, 2018



Despite its name, County Durham is a unitary authority, along with the other six North East LEP authorities (see box below). In 2018, it had the seventh highest population of the 125 English unitary authority areas. Northumberland, Newcastle upon Tyne and Sunderland all also had populations above the median for this type of area (258,000). At the other extreme, South Tyneside's population was the 16th lowest of the 125.

About the geography: Local authority areas

The most commonly used geography for statistics below LEP and regional level. Relatively static boundaries allow for consistent time series. As service providers, they are also an easily understood geography.

All seven North East local authorities are unitary, providing the full range of services for local people. Nearby Cumbria and North Yorkshire county councils, on the other hand, include districts undertaking some local services.

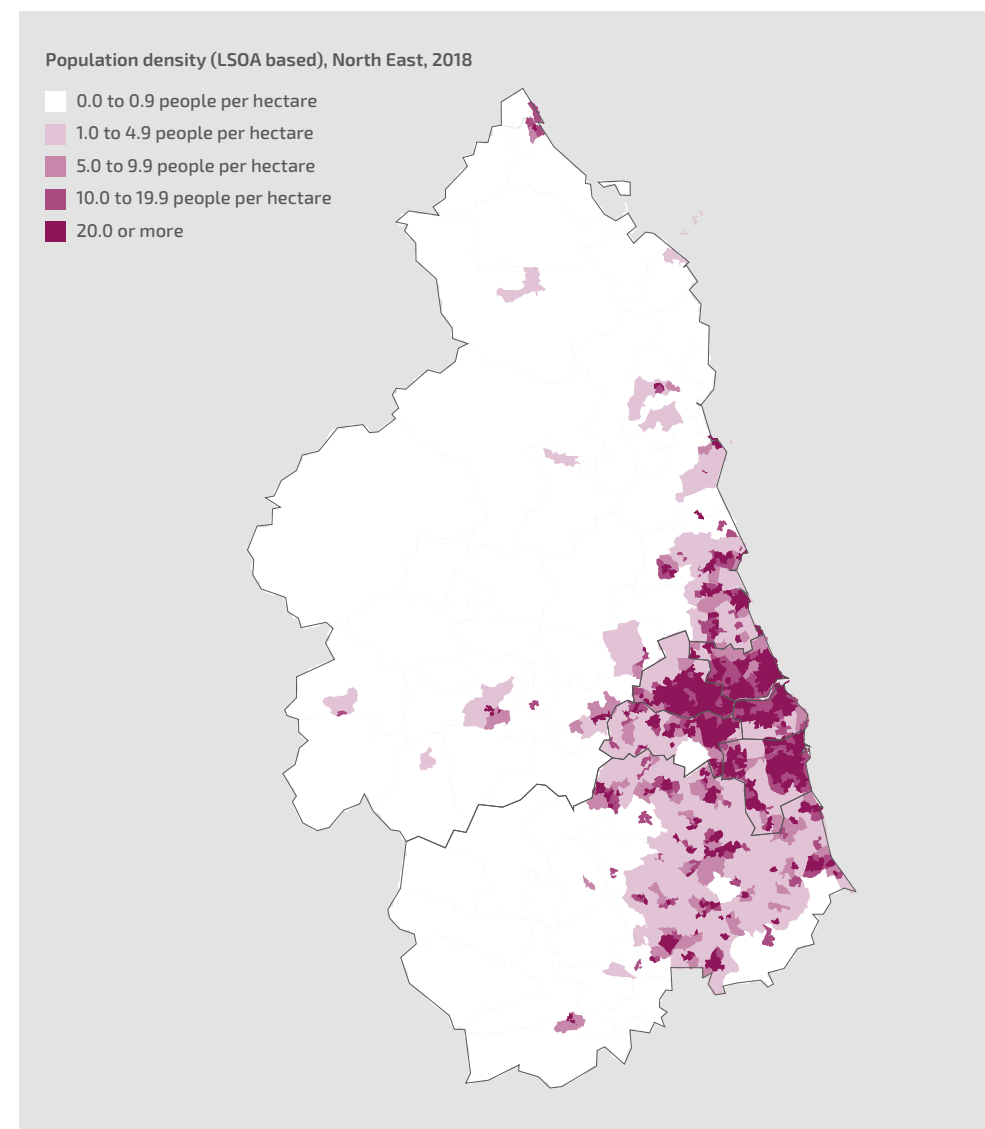
About the geography: Urban / rural classification

A classification of small areas based on 2011 Census data. Urban areas were part of a built-up area with a population of 10,000 plus, everywhere else was classified as rural.

Urban and rural areas were further classified depending on whether they were in a large conurbation, part of a smaller urban town or city, within a rural town of less than 10,000 people, part of a village or in area containing mainly hamlets and isolated buildings.

Densely and sparsely populated areas

The map below shows the population density of LSOAs. Most of the densely populated areas are in the south east of the LEP area. The map in the next section uses data for built up areas to show the towns and cities of 5,000 plus people in 2018 that align with these high population density areas.



About the geography: Lower layer super output areas (LSOAs)

LSOAs provide a stable geography of similar sized areas and have replaced electoral wards as the most used small area geography for statistics.

Most current LSOAs had a population of 1,000 to 3,000 in 400 to 1,200 households. They were defined using the 2011 Census data. A drawback of LSOAs is that their names do not relate to their locality in any meaningful way.

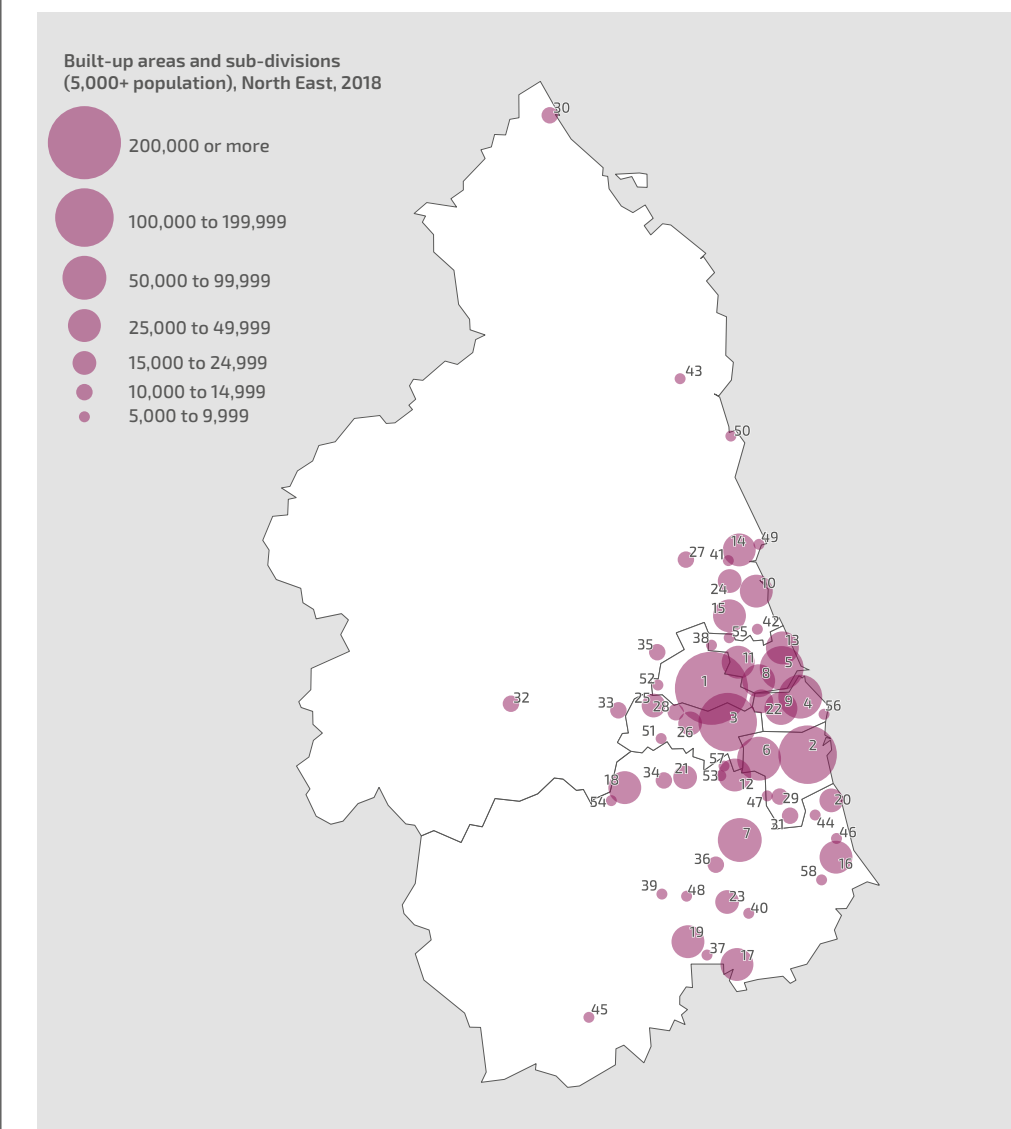
About the geography: Built-up areas (BUAs) and sub-divisions

This geography was established in response to demand for statistics about towns and cities. Settlements within 200m of each other are linked within a single BUA, with distinct sub-divisions defined.

These areas cross administrative boundaries, sometimes differing greatly from similarly named local authorities.

Towns and cities

The Tyneside and Sunderland built-up areas were respectively, the 7th and 17th largest by population in England with 801,000 and 338,000 residents. This map shows their main sub-divisions as well as other North East built-up areas.



Key in descending order of population size (* part of Tyneside BUA, ** part of Sunderland BUA)

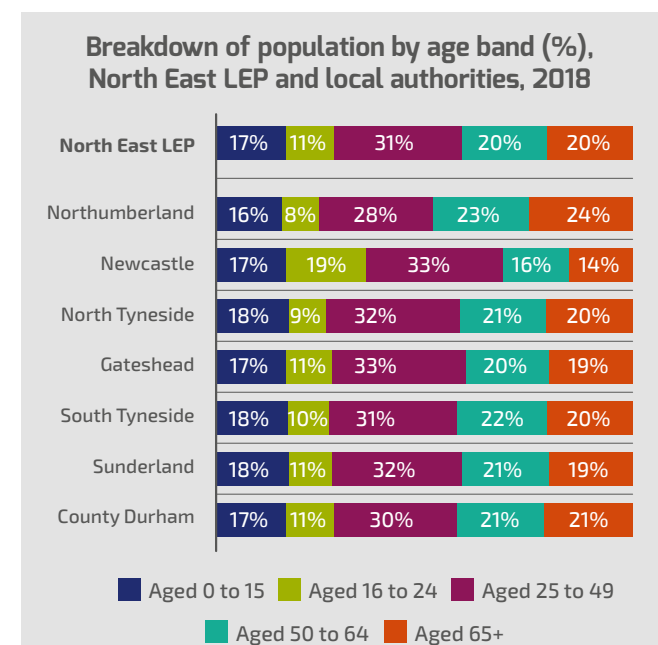
- | | | |
|--------------------------|---------------------------|--------------------------|
| 1. Newcastle upon Tyne * | 21. Stanley | 41. Stakeford |
| 2. Sunderland ** | 22. Hebburn * | 42. Seaton Delaval |
| 3. Gateshead * | 23. Spennymoor | 43. Alnwick |
| 4. South Shields * | 24. Bedlington | 44. Murton |
| 5. Tynemouth * | 25. Ryton * | 45. Barnard Castle |
| 6. Washington ** | 26. Whickham * | 46. Easington |
| 7. Durham | 27. Morpeth | 47. Fence Houses ** |
| 8. Wallsend * | 28. Blaydon * | 48. Willington |
| 9. Jarrow * | 29. Houghton-le-Spring ** | 49. Newbiggin-by-the-Sea |
| 10. Blyth | 30. Berwick-upon-Tweed | 50. Amble |
| 11. Longbenton * | 31. Hetton-le-Hole ** | 51. Rowlands Gill |
| 12. Chester-le-Street ** | 32. Hexham | 52. Throckley * |
| 13. Whitley Bay * | 33. Prudhoe | 53. Pelton ** |
| 14. Ashington | 34. Annfield Plain | 54. Castleside |
| 15. Cramlington | 35. Ponteland | 55. Dudley |
| 16. Peterlee | 36. Brandon | 56. Whitburn ** |
| 17. Newton Aycliffe | 37. Shildon | 57. Ouston ** |
| 18. Consett | 38. Wideopen | 58. Wingate |
| 19. Bishop Auckland | 39. Crook | |
| 20. Seaham | 40. Ferryhill | |

Population structure within the North East

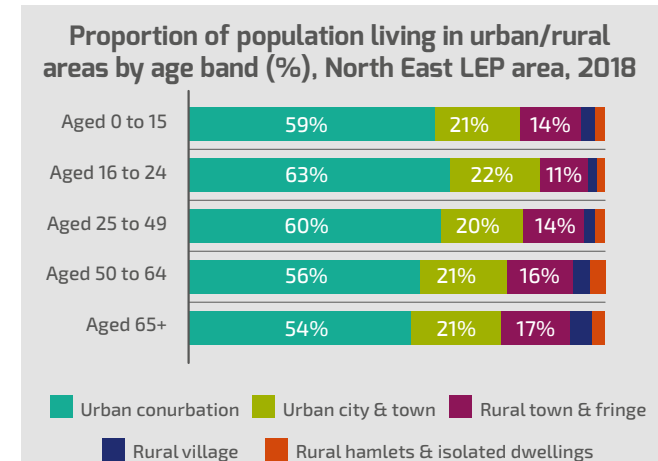
Population change across local authorities

Within the North East LEP area, the breakdown of the population by age in 2018 was similar in five of the seven local authority areas.

The exceptions were Northumberland and Newcastle upon Tyne. Northumberland had a higher proportion of its population in the oldest two age bands (aged 50 to 64 and aged 65 or more). Newcastle had a much higher proportion of its population in the 16 to 24 age band than the other local authority areas reflecting, in part, its large student population.



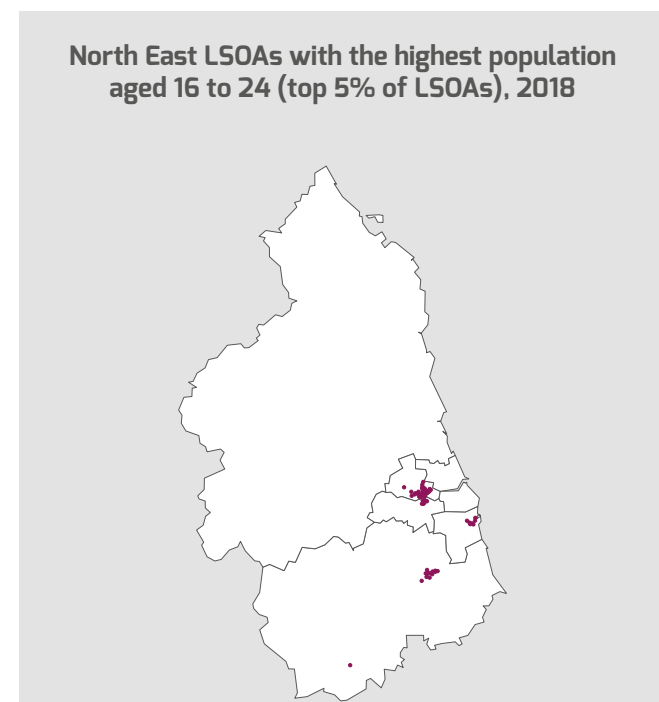
In 2018, the percentage of North East residents living in urban areas varied by age, with 85% of 16 to 24 year olds living in urban areas, compared to 75% of those aged 65 plus. The variations were much more pronounced in urban conurbations than in other types of urban areas.



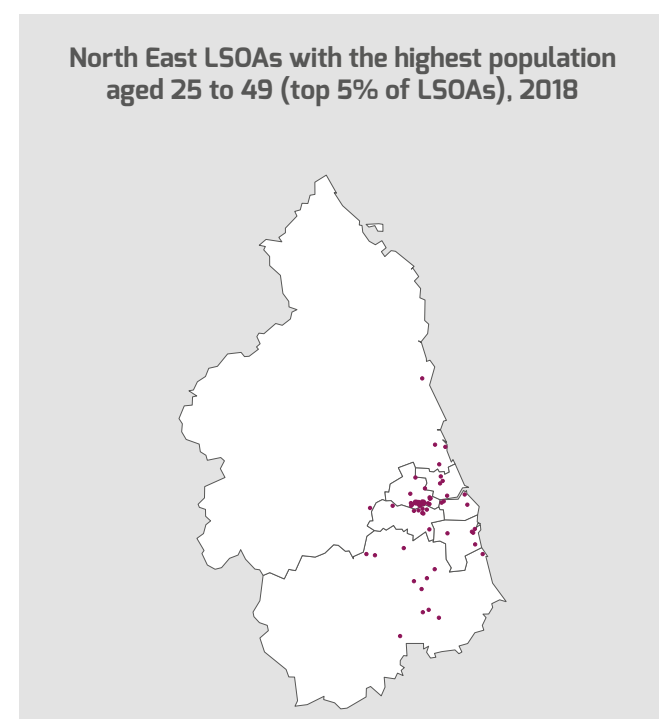
Sources: Population estimates (Nomis), ONS rural and urban output area classification, Small area population estimates (Nomis)

Concentrations of the adult population by age

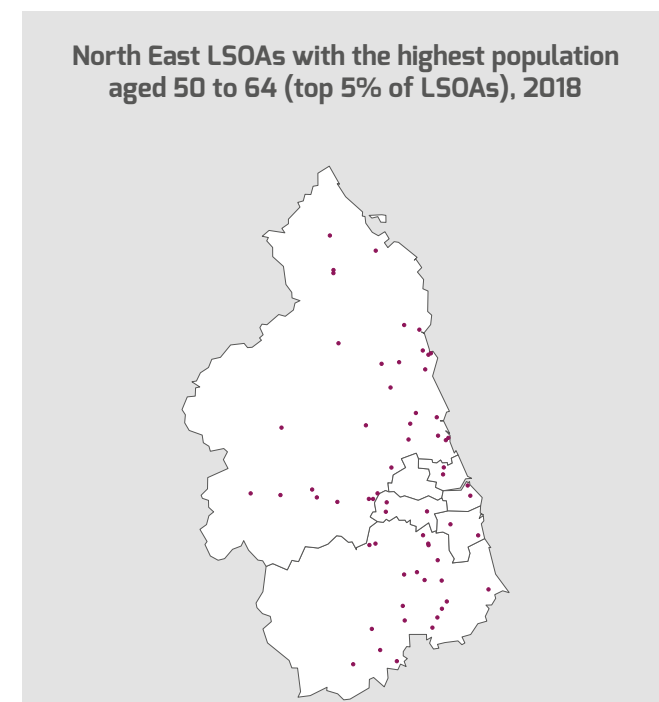
The following four maps show the five per cent of LSOAs with the most residents in specific age bands. Among 16 to 24-year olds, these hotspots are mostly concentrated around the region's universities.



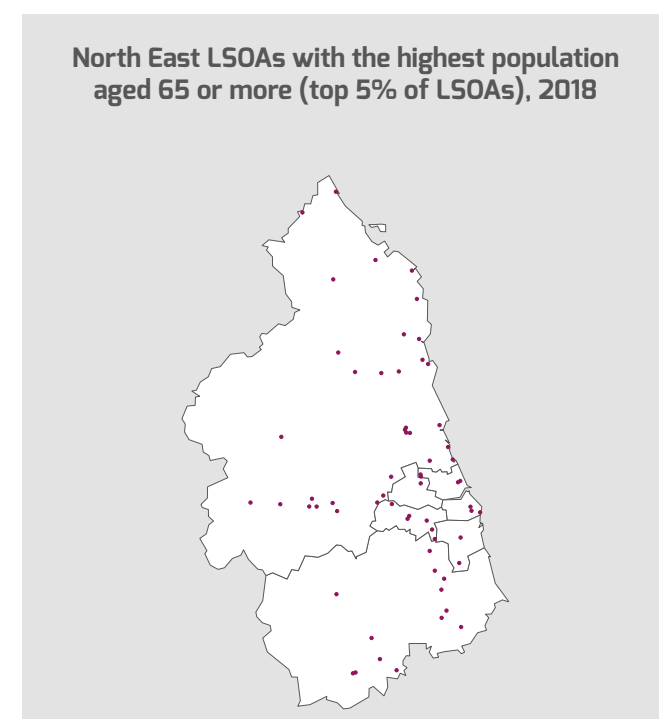
Areas with the largest numbers of 25 to 49-year olds tend to be in conurbations and other larger urban areas.



Among the older working age group (50 to 64), the hotspots are mainly outside of Tyne and Wear, with many in Northumberland and County Durham.



The pattern for those aged 65 or more is similar to that of 50 to 64-year olds but with some additional urban hotspots.

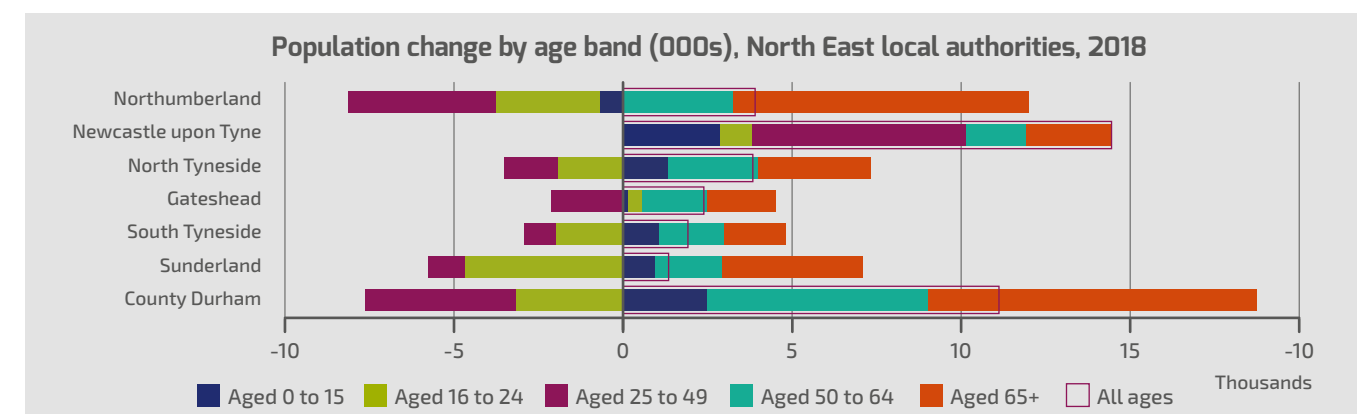


Population change across local authorities

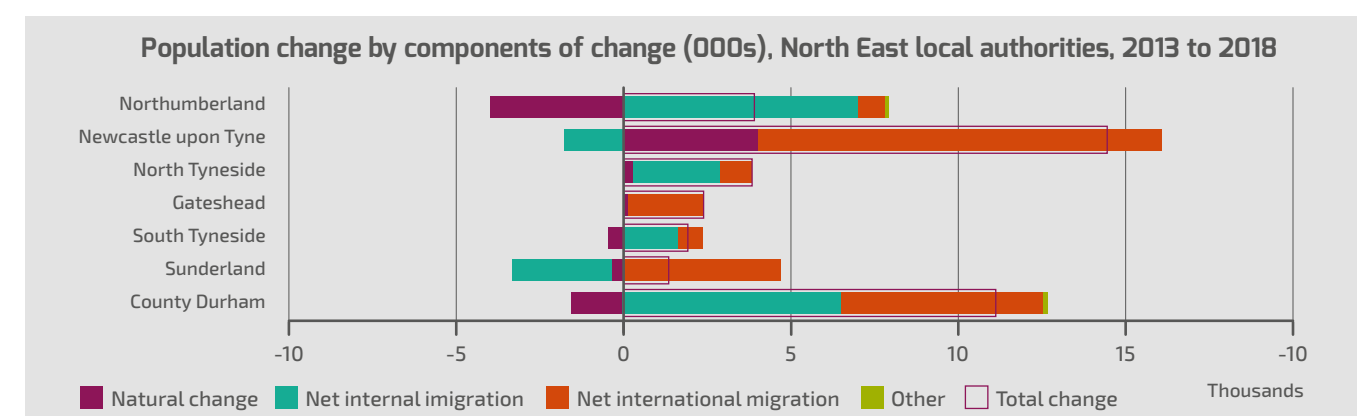
The North East LEP area population increased by 38,750 between 2013 and 2018. This was mainly driven by net increases in the populations of Newcastle upon Tyne and County Durham.



In this five-year period, the population of Newcastle upon Tyne increased for all five broad age bands. However, in the other six North East local authorities, the population aged 25 to 49 decreased and the same was true for those aged 16 to 24 in five of the six (with a small increase in Gateshead). In every local authority except Newcastle upon Tyne, recent population growth was driven by increases in the number of people aged 50 or over.



International migration drove population growth in Newcastle upon Tyne, Gateshead and Sunderland between 2013 and 2018. Internal (i.e. within UK) migration had the largest impact in Northumberland, North Tyneside and South Tyneside while both contributed equally in County Durham. Only Newcastle upon Tyne has seen significant natural population growth (more births than deaths).

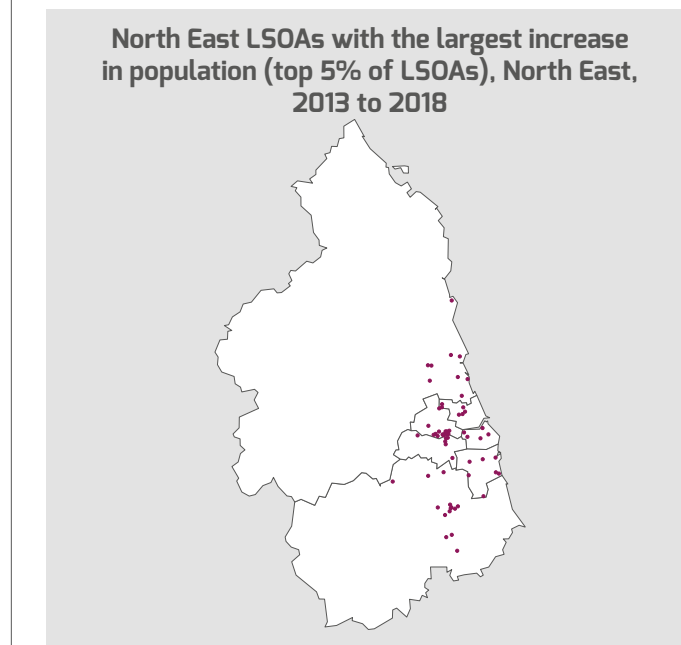


Sources: Population estimates (Nomis), Small area population estimates (Nomis), Population projections (Nomis)

Small areas with large population increases

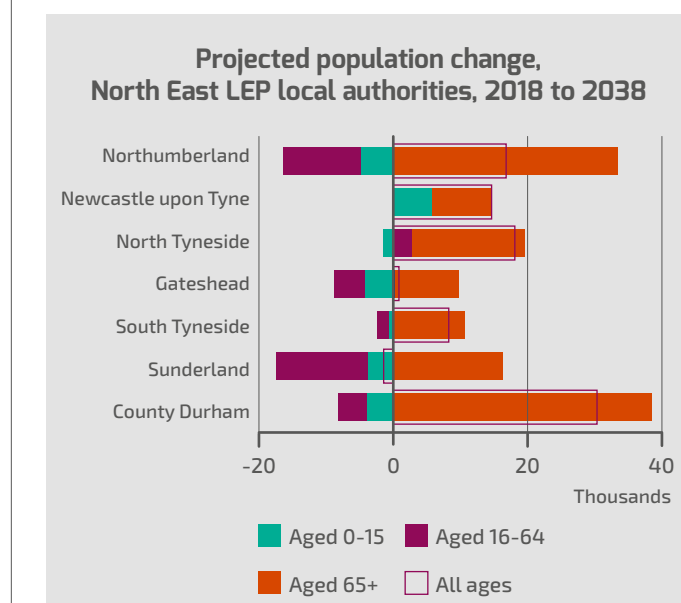
The map below shows the five per cent of LSOAs with the largest increases in population between 2013 and 2018.

There are hot spots in the centres of Newcastle upon Tyne, Gateshead and Durham as well as in other urban areas.



Population projections

Population growth is projected to be highest in County Durham in the 20 years from 2018. Across all North East local authority areas, population growth is projected to be driven by increases in the numbers of older people.

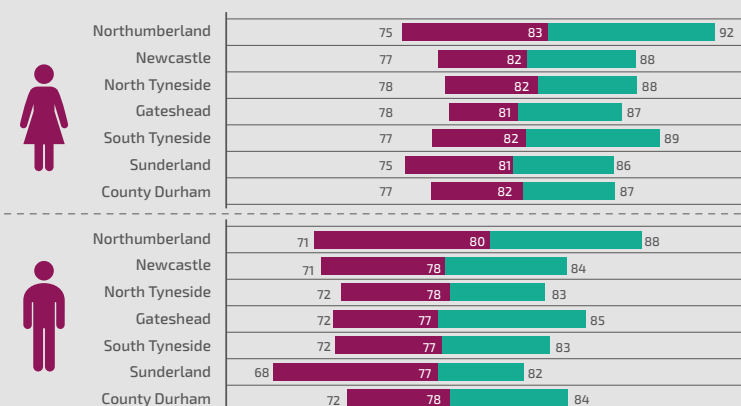


Characteristics of the North East population

Life expectancy

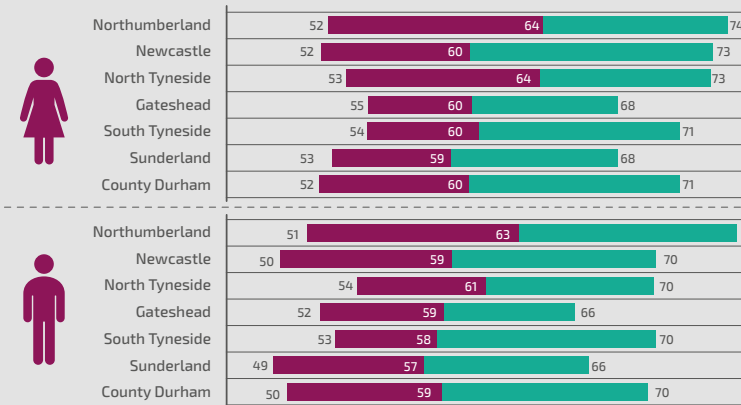
Estimates of life expectancy at a local authority level are similar across the North East LEP area. However, this masks differences within each local authority which can be seen using small area (MSOA) data. There are gaps of nine years or more between highest and lowest life expectancy for both males and females in all seven North East local authorities. The largest range is in Northumberland in both cases.

Life expectancy at birth, median, minimum and maximum MSAO values within North East local authority areas, 2013-2017



Healthy life expectancy (HLE) is the average number of years a person might expect to live in 'good' health in their lifetime. The gaps between the highest and lowest healthy life expectancy estimates within North East local authorities are all 13 years and above.

Healthy life expectancy at birth, median, minimum and maximum MSAO values within North East local authority areas, 2009-2013



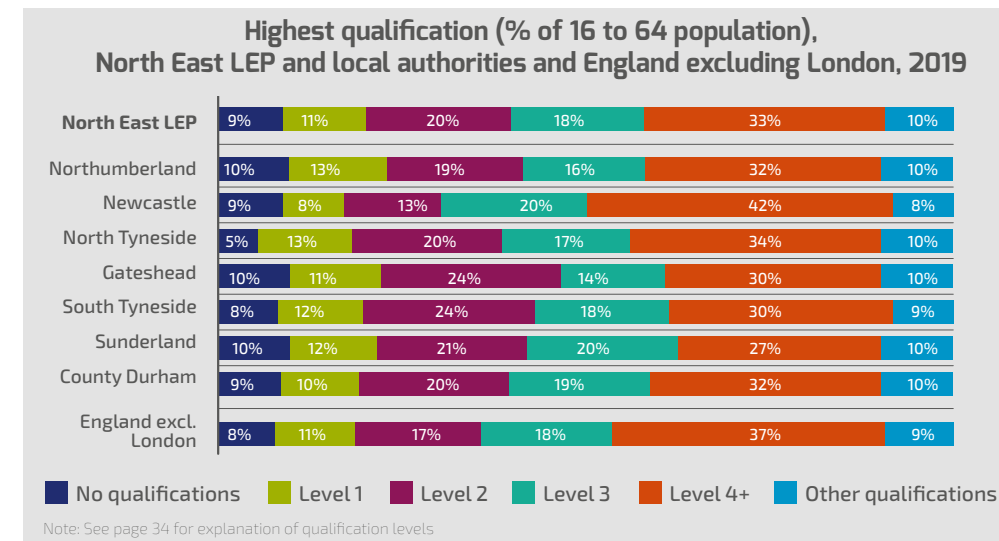
About the geography: Middle layer super output areas (MSOAs)

MSOAs provide a stable geography of similar sized areas for statistics where the smaller, more regularly used LSOAs are not appropriate. Most current MSOAs had a population of between 5,000 and 15,000 within 2,000 to 6,000 households when defined after the 2011 Census. Although ONS has not provided official names for MSOAs, the House of Commons Library has done so informally.

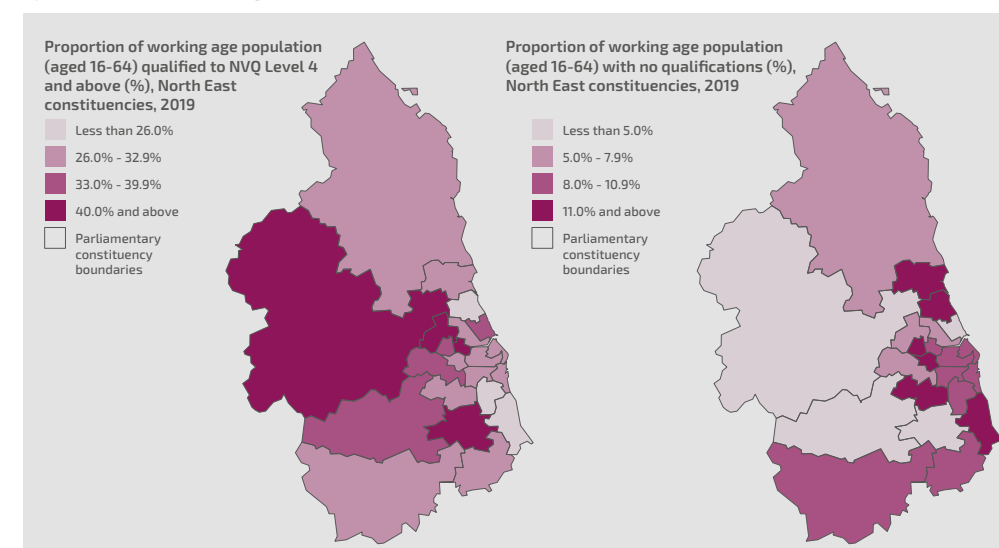
Sources: Local Health website (Public Health England), Annual Population Survey (Nomis)

Highest level of qualification

In 2019, a third of working age people (aged 16 to 64) resident in the North East were educated to degree-level (NVQ Level 4) and above. Among North East local authorities there was a 15 percentage-point difference between the area with the highest proportion qualified to degree-level or above (Newcastle upon Tyne) and the area with the lowest (Sunderland).



Constituency level data shows larger gaps at a smaller geographical level. The proportion of working age people qualified to degree-level or above ranged from 19% in Easington to 51% in Hexham. The proportion with no qualifications ranged from 4% in Tynemouth to 13% in Wansbeck.



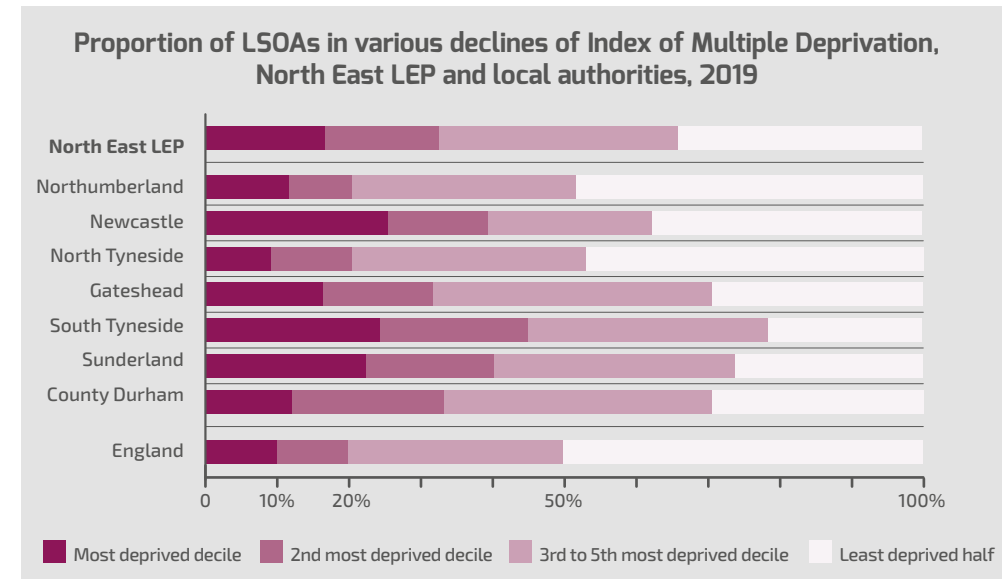
About the geography: Parliamentary constituencies

Statistics for constituencies are regularly published. They provide data for smaller areas than local authorities but frequent boundary changes in the past made time series data impractical. However, the last such changes were prior to the 2010 election so they currently provide consistent information for more than a decade.

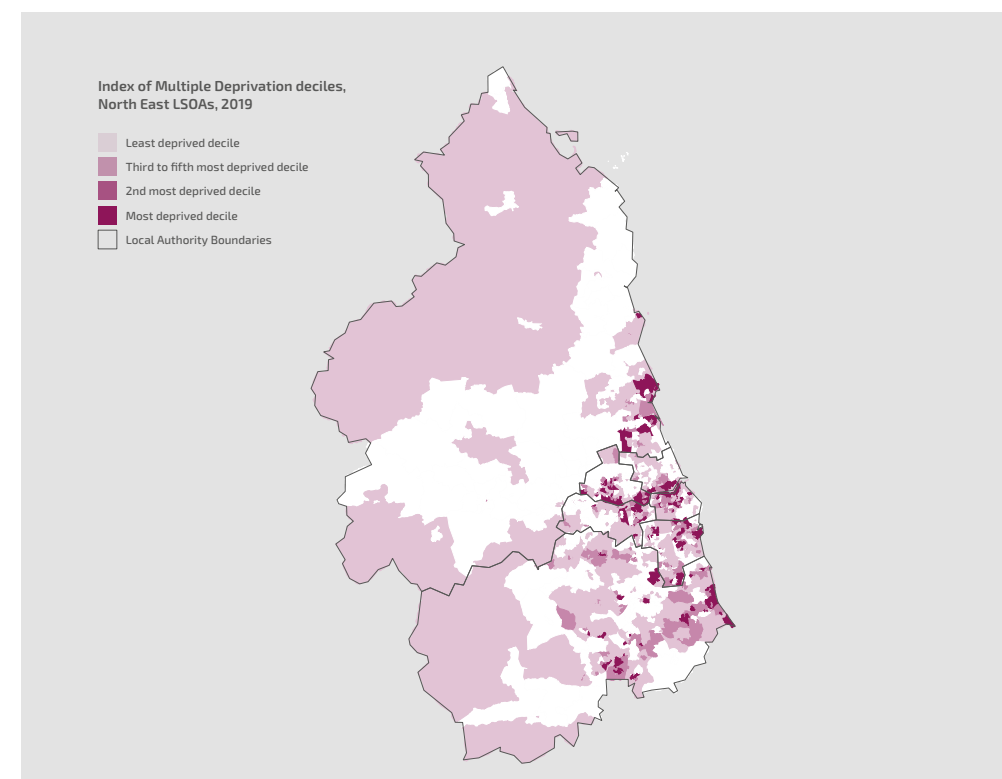
The 22 constituencies in the North East LEP area do not sit neatly within local authority boundaries and one, Sedgefield, is partly in the Tees Valley LEP area.

Deprivation

The Index of Multiple Deprivation (IMD) ranks every LSOA using a combination of measures relating to employment, income, health, crime, the living environment and access to services. As in every other part of England, the North East contains LSOAs at every level of deprivation. In the latest index, Newcastle upon Tyne, South Tyneside and Sunderland all had more than a fifth of their LSOAs within the most deprived 10% in England. However, between them they also had 136 LSOAs in the least deprived 50%.



In the map below, the darkest shaded LSOAs are within the most deprived 10% in England, with the next darkest within the 2nd most deprived 10%. The lightest shading shows LSOAs among the least deprived 50%. Some of the most deprived areas in the North East border some of the least deprived areas. The North East has five of the LSOAs within England's most deprived 150. These are in Walker, Byker and Benwell (all Newcastle upon Tyne), Blyth (Northumberland) and Bishop Auckland (County Durham).



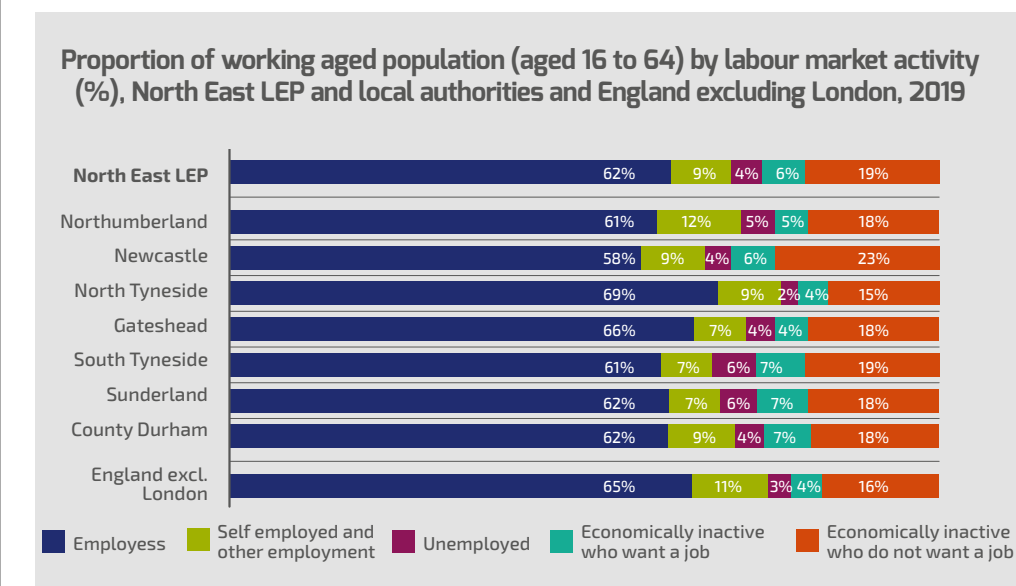
Sources: English indices of deprivation 2019 (MHCLG), Annual Population Survey (Nomis)

Participation in the labour market within the North East

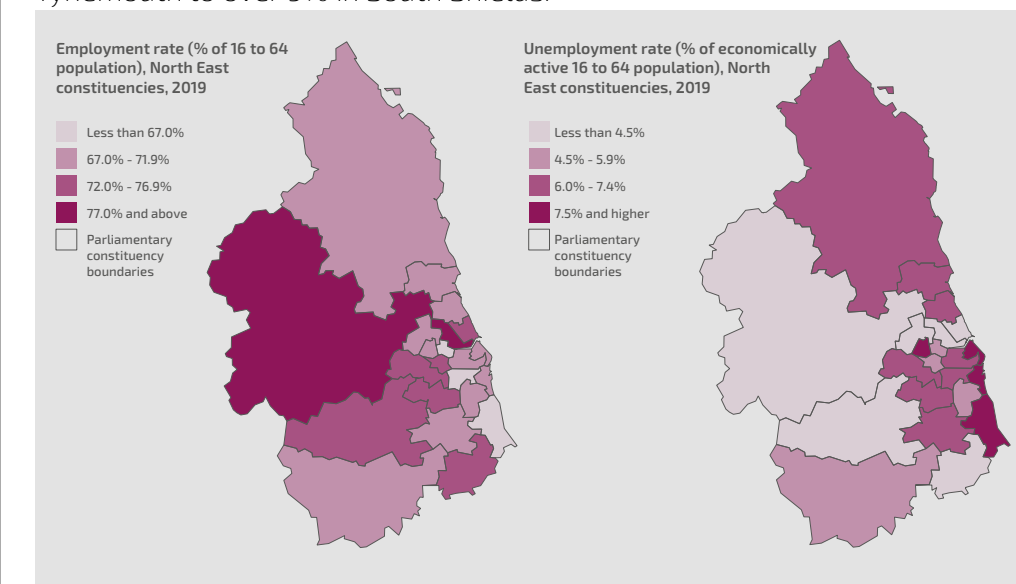
Labour market activity

Data from ONS labour market surveys defines adults as employed, unemployed or economically inactive. The former includes employees, self-employed people and a small number on government-supported programmes or doing unpaid family work. Unemployed and inactive people are those without a job, with the former available to start work and looking for work while the latter is not.

In the North East, the employment rate for 16 to 64 year olds in 2019 was highest in North Tyneside (78%) and lowest in Newcastle upon Tyne (67%). Across the North East, people were less likely to be self-employed than nationally, except in Northumberland. In four North East local authority areas, a quarter or more of working age people were inactive, with the exceptions being North Tyneside, Gateshead and Northumberland.



At constituency level the 16 to 64 employment rate ranged from 62% in Newcastle upon Tyne East to 82% in Hexham. The 16 to 64 unemployment rate (as a percentage of the economically active) ranged from 2% in Tynemouth to over 9% in South Shields.

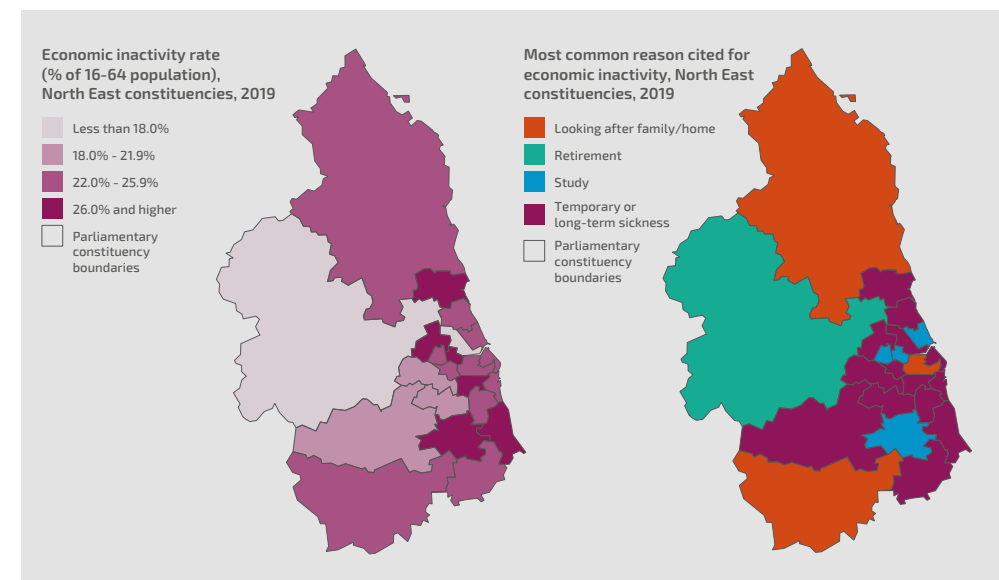


Sources: Local Health website (Public Health England), Annual Population Survey (Nomis)

Economic inactivity

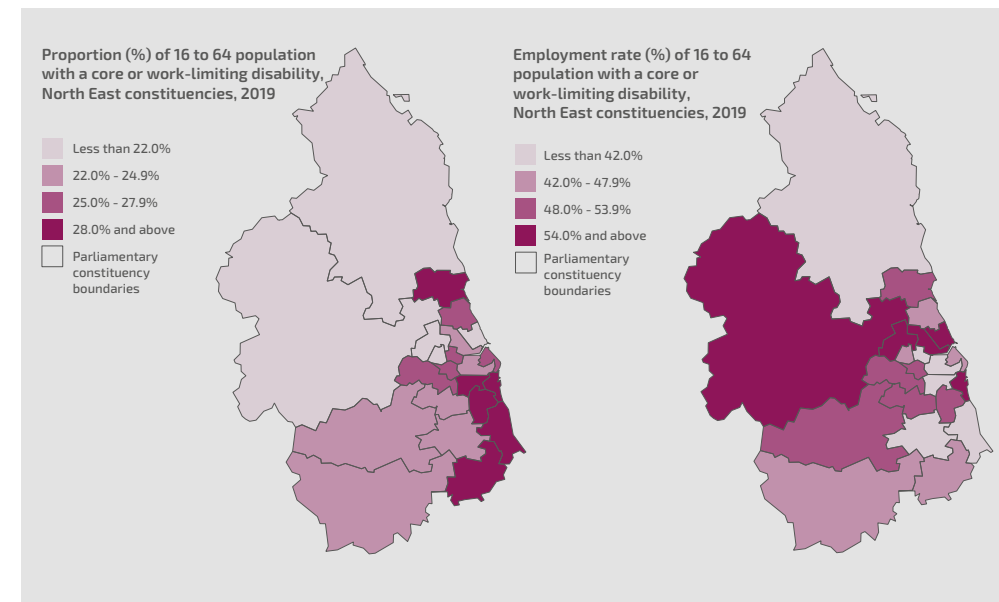
In 2019, the economic inactivity rate of the 16 to 64 population ranged from 15% in Hexham to over 34% in Newcastle upon Tyne East. However, the breakdown of inactivity by reason was even more varied. In 14 of the 22 constituencies the most common reason was temporary or long-term sickness, in four it was study, in three it was looking after family and/or home and in one, Hexham, it was early retirement.

The percentage of inactivity due to sickness was highest in Washington and Sunderland West and in Easington (both 47%). The proportion due to study was highest in Newcastle upon Tyne East (62%) and City of Durham (52%). The percentage due to looking after family and/or home was highest in Bishop Auckland (43%).



Disability in the workforce

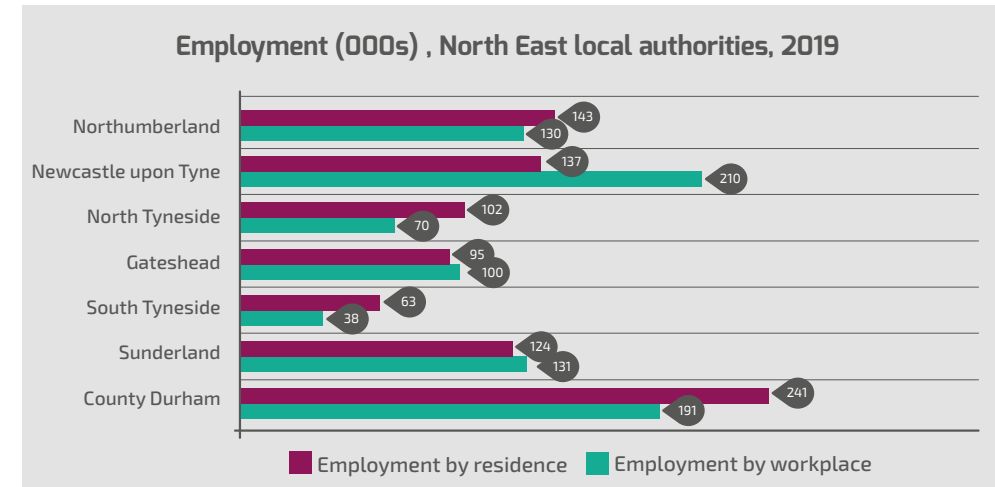
In 2019, the percentage of working age population (aged 16 to 64) who had a disability as defined by the Equality Act ranged from 15% in Hexham to 35% in Easington. The employment rate for those in this category had an even wider range, from just 37% in Washington and Sunderland West to 71% in Hexham.



Sources: Annual Population Survey (Nomis), Annual Population Survey Workplace Analysis (Nomis)

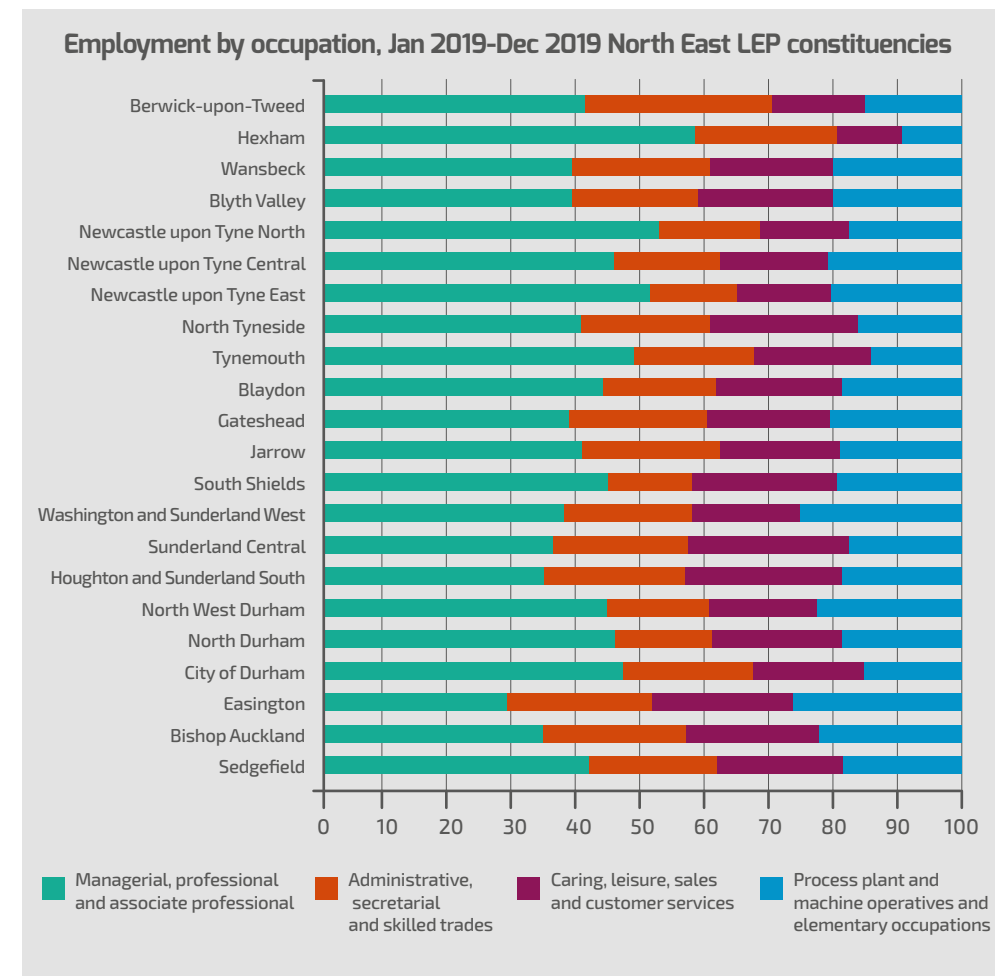
Employment within the North East

The previous section mapped labour market data based on people's residence. Information about employment is also available based on people's workplace. At a local level, the differences between workplace and residence-based employment totals reflect commuting patterns, with areas where the former is larger than the latter having a net in-commute. In the North East, Newcastle upon Tyne had the highest net in-commute in 2019 and Durham had the largest net out-commute.



Employment by occupation

In 2019, the proportion of resident workers in managerial, professional or associate professions was highest in Hexham (58%) and Newcastle upon Tyne North (53%) constituencies and lowest in Easington (29%) and Bishop Auckland (34%).



Source: Annual Population Survey (Nomis)

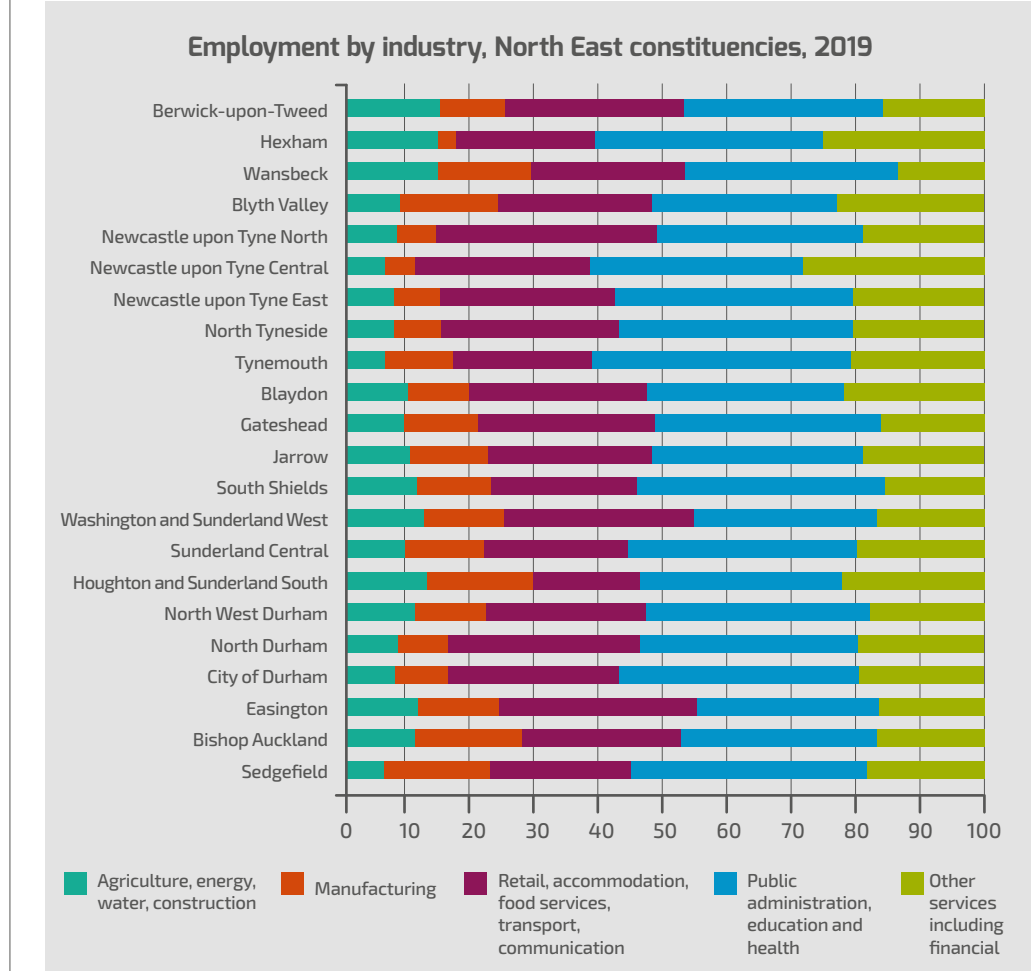


Source: Annual Population Survey (Nomis)

Employment by industry

Residence-based local employment statistics broken down by industry of employment are only available for broad groupings due to small sample sizes. However, they highlight differences at a constituency level in the North East.

In 2019, the percentage of people employed in manufacturing industries ranged from less than 3% in Hexham to more than 21% in Easington. Public administration, education and health had the largest proportion of employment in all but two North East constituencies, with the percentages ranging from 28% in Easington to 43% in Tynemouth



The Business Register and Employment Survey (BRES) of PAYE and VAT registered enterprises provides much more detailed information about employment by industry. It gives data for very specific industries and allows for bespoke sectors to be defined and measured by combining these. It also gives data for geographies below local authority level.

In the following pages it is used to map hotspots of employment for the industries that make up the four areas of strategic importance and the four service sectors that are identified in the North East Strategic Economic Plan, as well as for tourism. As the size of the sectors and their distribution varies, the range of employment values shown differs across the maps.

The geography used for these maps is middle layer super output areas (MSOAs) which have resident populations of 5,000 to 15,000. Each point on the map represents the population-based centre of the MSOA rather than a business or employment site.

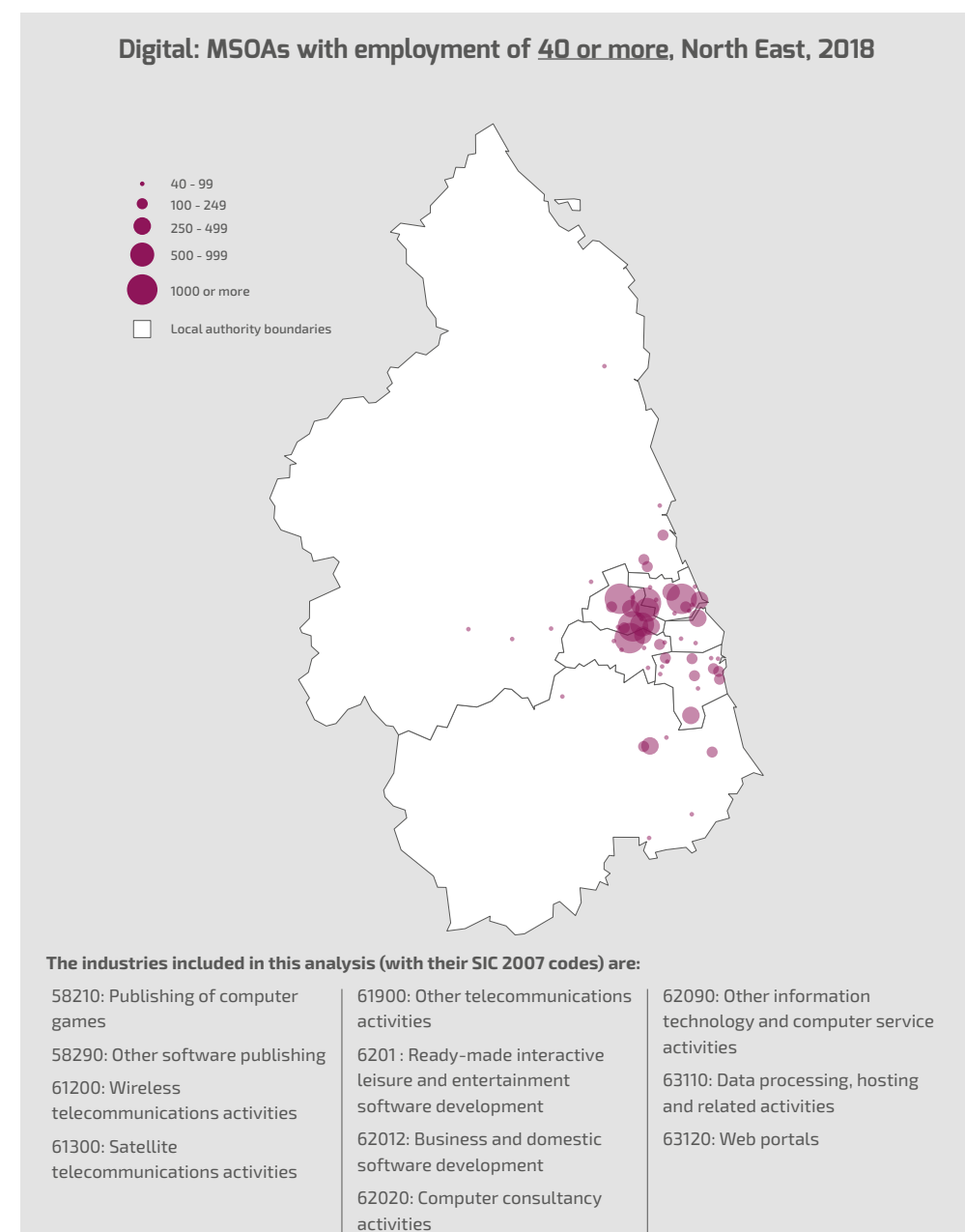
North East Strategic Economic Plan areas of strategic importance

Employment in digital

The North East Strategic Economic Plan identifies four areas of strategic importance, areas where the North East has a distinct opportunity to improve its economic competitiveness - digital, advanced manufacturing, health and life sciences and energy.

In 2018, there were 15 MSOAs within which more than 250 people were employed in digital-related industries. Six of these were in Newcastle upon Tyne, four in North Tyneside, two in Gateshead and one each in County Durham, South Tyneside and Sunderland.

Employment was 1,500 or more in the MSOAs of (in descending order of employment size) New York (North Tyneside), City Centre and Arthur's Hill (Newcastle upon Tyne), Dunston and Teams (Gateshead), Kingston Park and Dinnington (Newcastle upon Tyne) and Longbenton (North Tyneside). The map below uses a lower bound of 40 to show employment hotspots.



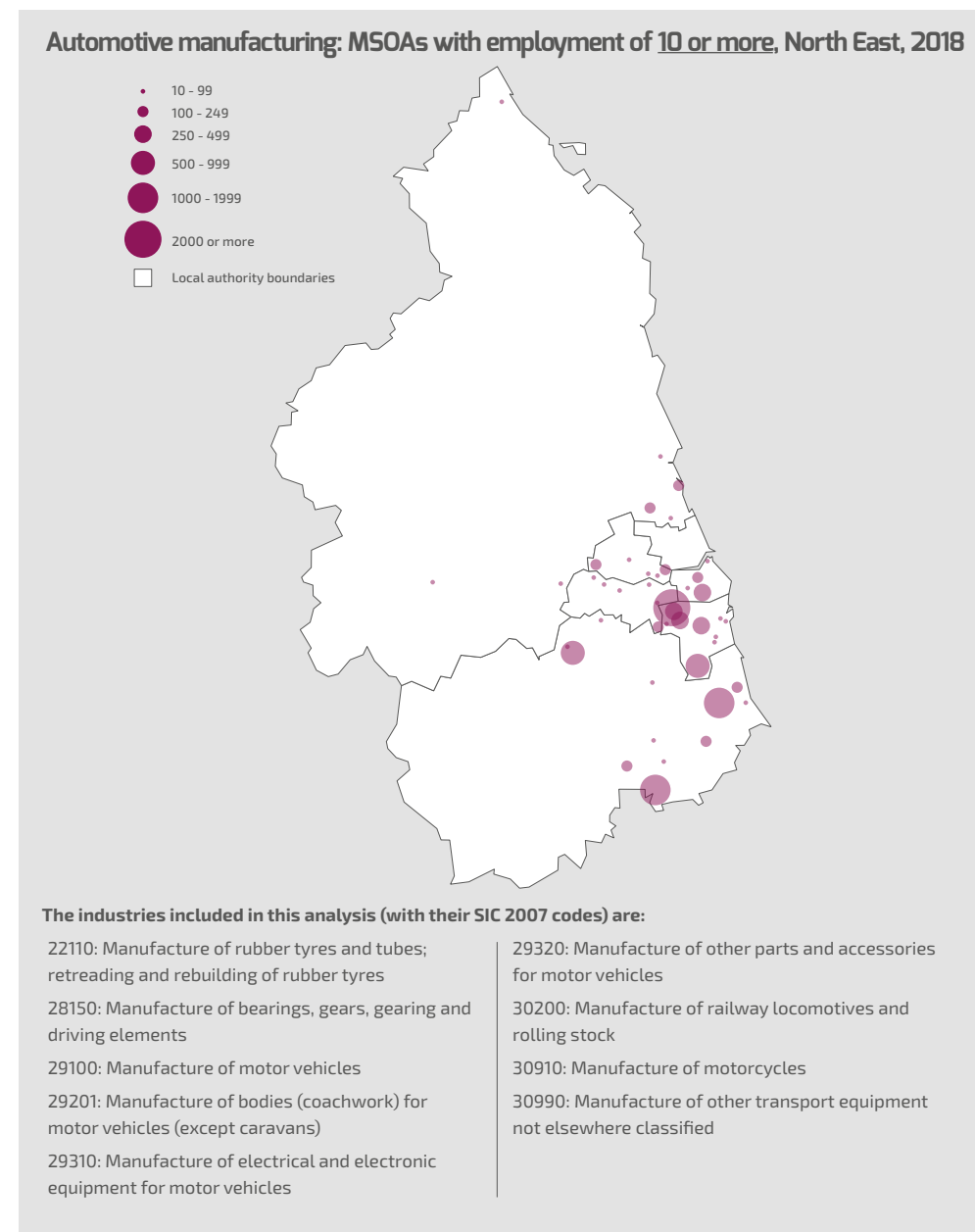
Source: Business Register and Employment Survey (Nomis)

Employment in advanced manufacturing

The two key advanced manufacturing industries highlighted in the Strategic Economic Plan are automotive manufacturing and pharmaceutical manufacturing. As pharmaceutical manufacturing is also considered part of the health and life sciences area of strategic importance, we have focused on automotive manufacturing here. This sector includes manufacture of a range of vehicles, including motor vehicles and railway locomotives, and of related parts and accessories. The list of industries is at the foot of this page.

In 2018, there were 18 MSOAs within which 100 or more people were employed in automotive manufacturing-related industries. Six of these were in County Durham, five in Sunderland, two each in Newcastle upon Tyne, Northumberland and South Tyneside and one in Gateshead.

Employment was 500 or more in the MSOAs of (in descending order of employment size) Springwell and Usworth (Sunderland), Shotton and Haswell (County Durham), Newton Aycliffe South (County Durham), Hetton-le-Hole North (Sunderland) and Delves Lane and Leadgate (County Durham). The first of these had by far the highest level of employment (around 10,000).



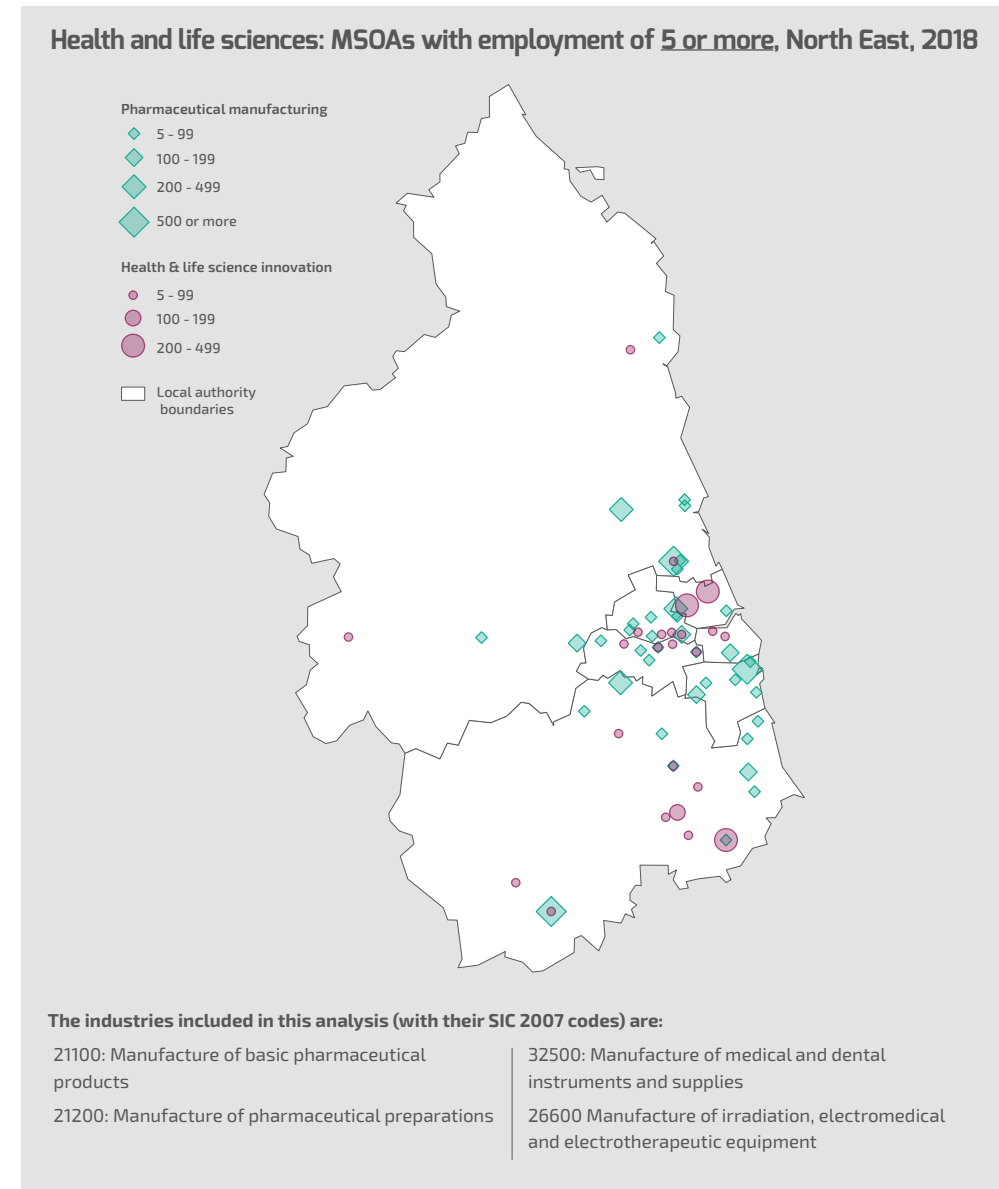
Source: Business Register and Employment Survey (Nomis)

Employment in health and life sciences

There are two distinct groups of health and life sciences industries – pharmaceutical manufacturing and health and life science innovation – and they are displayed separately in the map below. This sector does not include employment in the broad human health sector. Due to the nature of how this employment data is collated and analysed, it is not possible to include health and life science-related research employment within the NHS or universities on the map.

In 2018, there were 11 MSOAs within which 100 or more people were employed in pharmaceutical manufacturing-related industries. County Durham and Northumberland each included three of these, two were in Sunderland and there was one in each of Newcastle upon Tyne, North Tyneside and South Tyneside. In addition, four MSOAs had 100 or more people employed in health and life science innovation, two each in North Tyneside and County Durham.

In descending order of size, employment in pharmaceutical manufacturing was 500 or more in the MSOAs in Barnard Castle (County Durham), Cramlington Town and Beaconhill (Northumberland) and Southwick (Sunderland). About 400 people were employed in health and life science innovation industries in Shiremoor North and South Wellfield (North Tyneside).

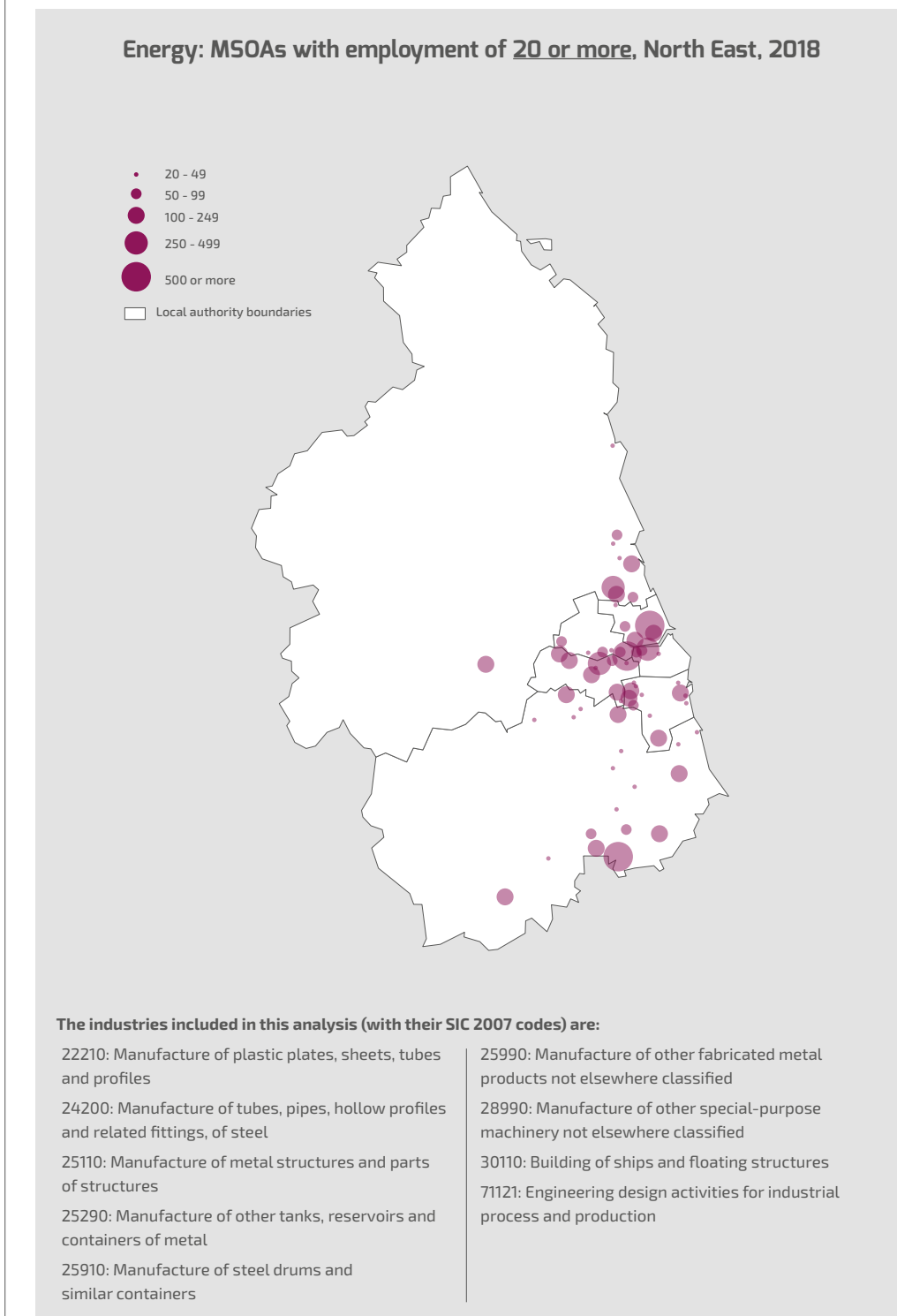


Source: Business Register and Employment Survey (Nomis)

Employment in energy

In 2018, there were 25 MSOAs within which 100 or more people were employed in energy-related industries highlighted in the North East Strategic Economic Plan. Seven of these were in County Durham, five in Gateshead, four each in Northumberland and Sunderland, three in North Tyneside and one each in Newcastle upon Tyne and South Tyneside.

Employment was 250 or more in the MSOAs of (in descending order) Newton Aycliffe South (County Durham), Walker South (Newcastle upon Tyne), New York (North Tyneside), Cramlington Town and Beaconhill (Northumberland), Dunston and Teams (Gateshead) and Jarrow Town (South Tyneside). The lower bound of 20 is chosen to highlight employment hotspots.



Source: Business Register and Employment Survey (Nomis)

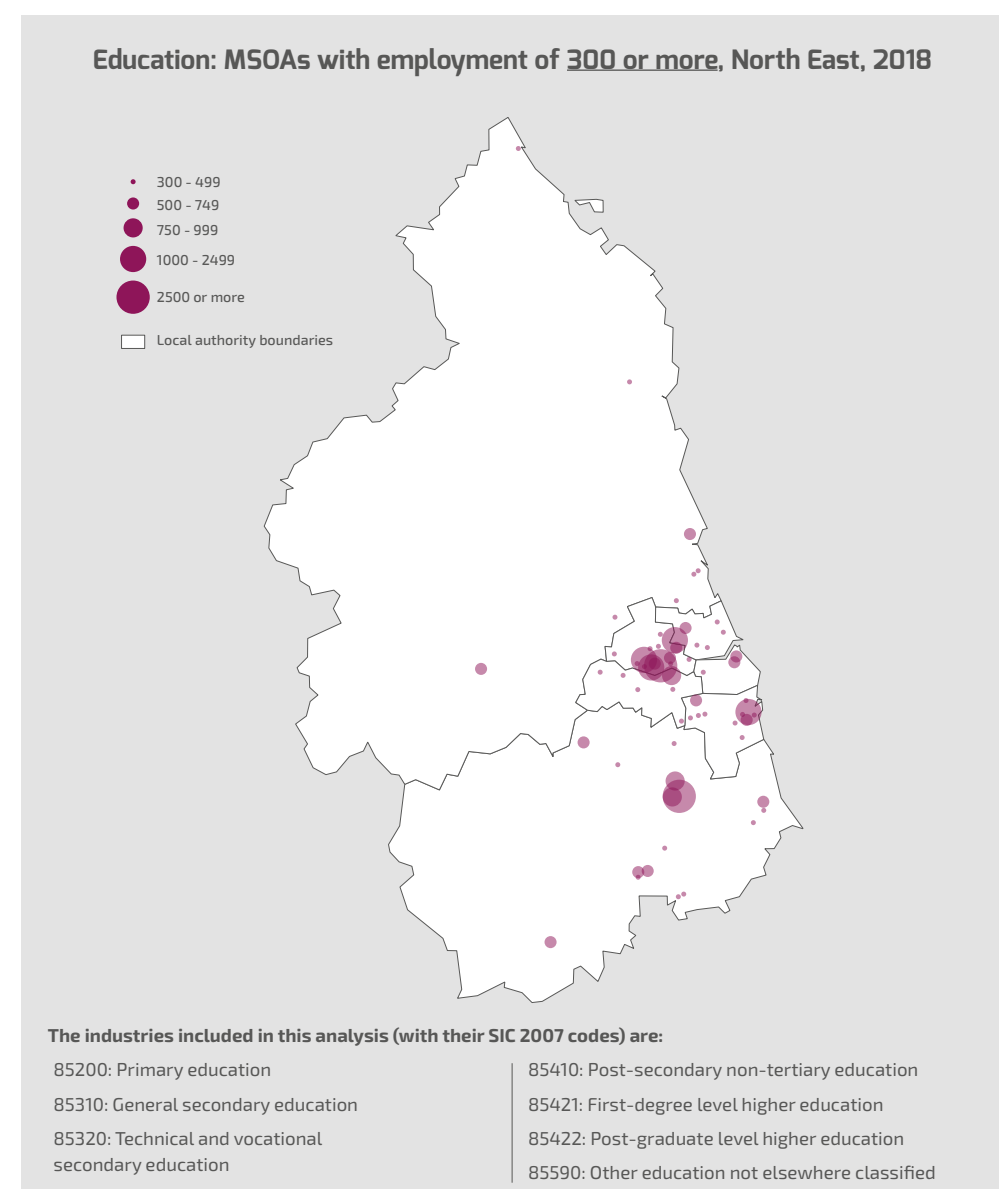
North East Strategic Economic Plan service sectors

Employment in education

The North East Strategic Economic Plan identifies four service sectors essential to support the ambition of creating more and better jobs in the region. Employment in each of these is more widespread across the North East than employment in areas of strategic importance. The maps below, therefore, highlight MSOAs with particularly large employment in each sector.

In 2018, there were 24 MSOAs within which 500 or more people were employed in education. Eight of these were in County Durham, six in Newcastle upon Tyne, three in Sunderland, two each in North Tyneside, Northumberland and South Tyneside and one in Gateshead.

In descending order of size, employment was 1,000 or more in the MSOAs in City Centre and Arthur's Hill (Newcastle upon Tyne), Durham City (County Durham), Sunderland Central and Deptford (Sunderland), Elswick, Fenham (both Newcastle upon Tyne) and Longbenton (North Tyneside). Many of these reflect the location of universities and/or colleges. The map uses a lower threshold of 300 to highlight hotspots.

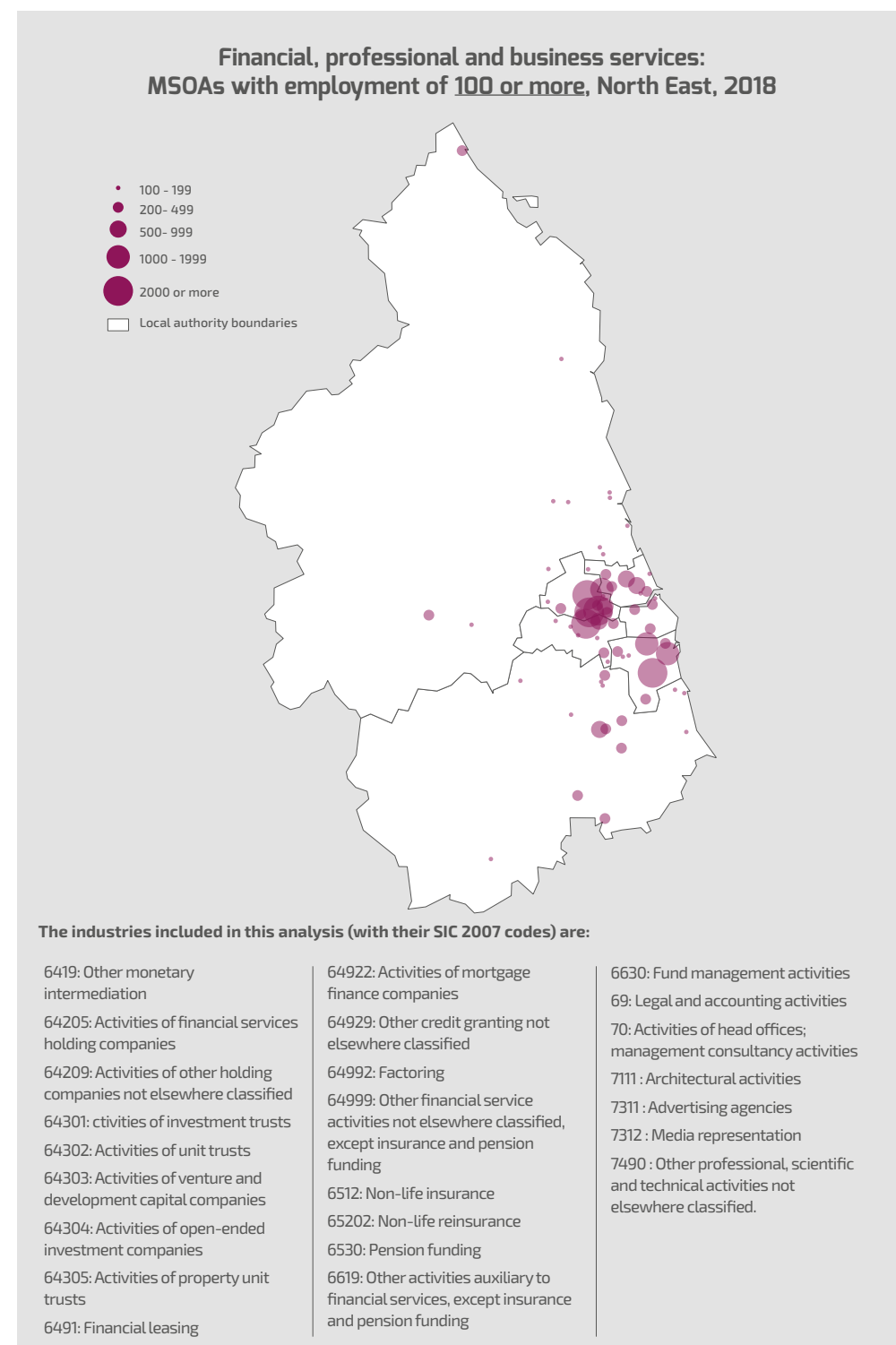


Source: Business Register and Employment Survey (Nomis)

Employment in financial, professional and business services

In 2018, there were 13 MSOAs within which 500 or more people were employed in these service industries. Four of these were in Newcastle upon Tyne, three each in North Tyneside and Sunderland, two in Gateshead and one in County Durham.

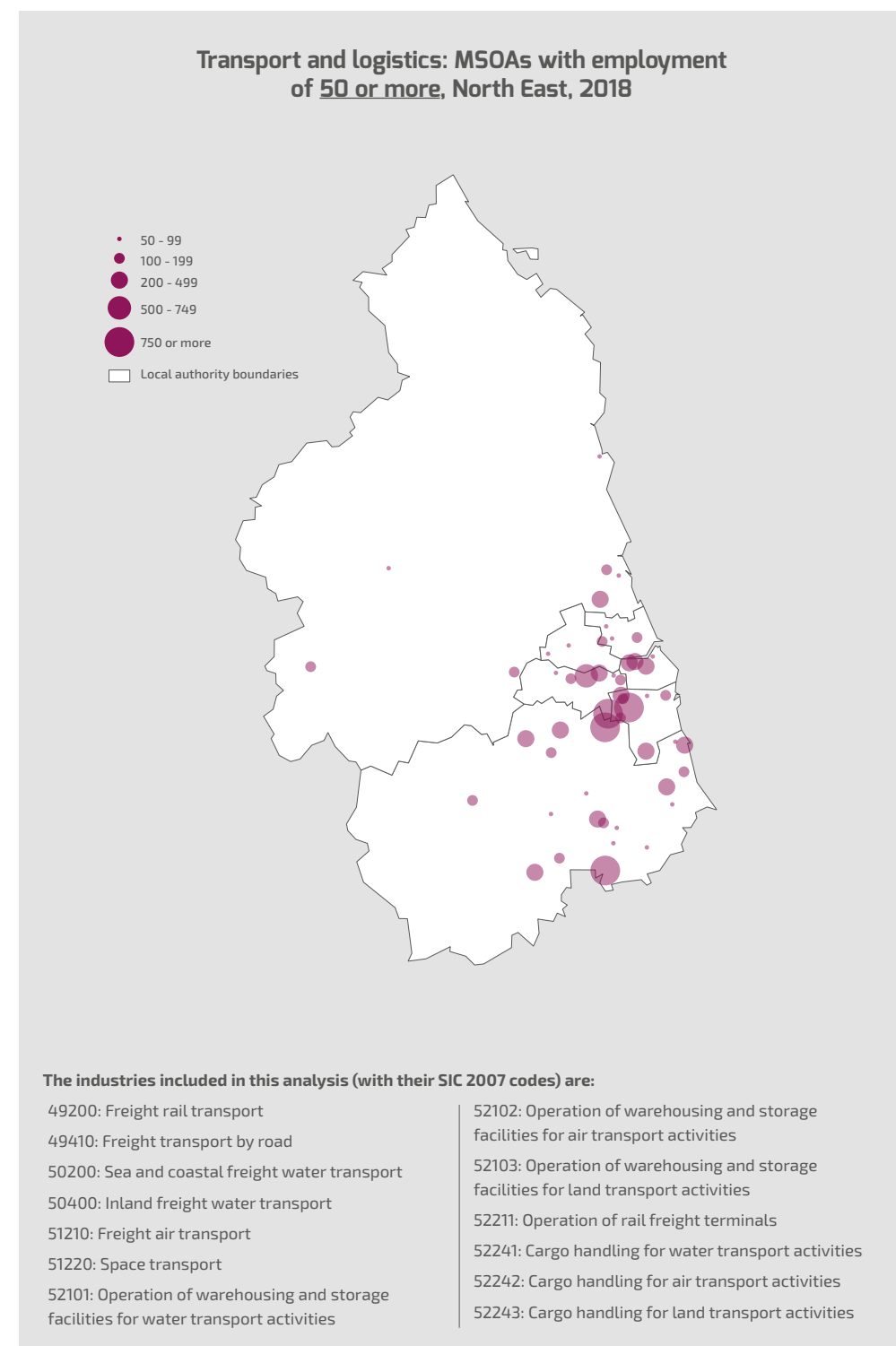
In descending order of size, employment was 2,500 or more in the MSOAs in City Centre and Arthur's Hill, Shieldfield and Heaton Park, Coxlodge and West Gosforth (all in Newcastle upon Tyne) and Herrington and Doxford (Sunderland). The map has a lower bound of 100 to highlight employment hotspots.



Employment in transport and logistics

In 2018, there were 18 MSOAs within which 200 or more people were employed in transport and logistics industries. Eight of these were in County Durham, three each in Gateshead, South Tyneside and Sunderland and one in Northumberland.

In descending order of size, employment was 750 or more in the MSOAs in Birtley South (Gateshead), Columbia, Barmston and Teal Farm (Sunderland), Newton Aycliffe South and Chester-le-Street North (both County Durham). A lower bound of 50 has been used on the map to highlight employment hotspots.

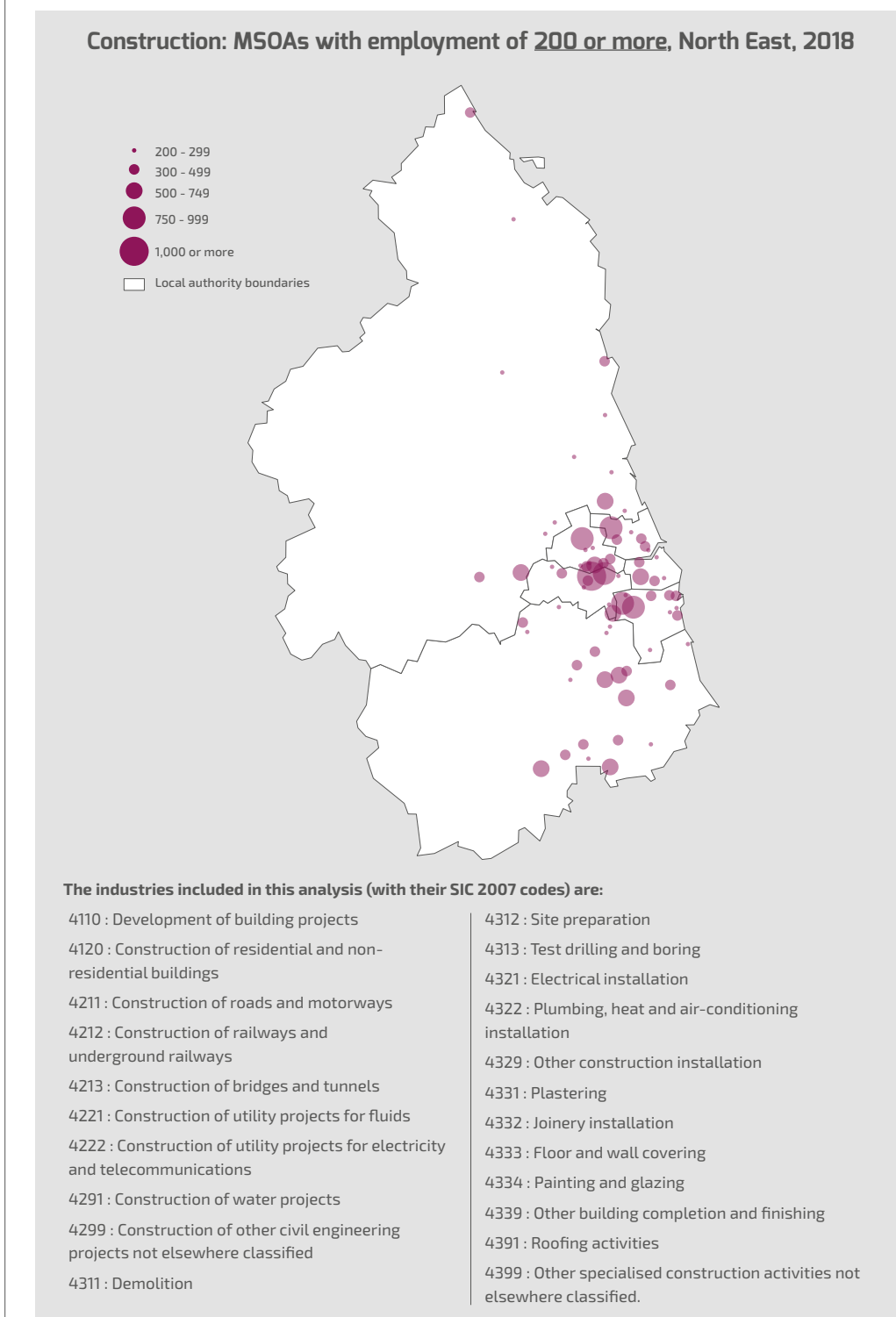


Source: Business Register and Employment Survey (Nomis)

Employment in construction

In 2018, there were 16 MSOAs within which 500 or more people were employed in construction industries. Five of these were in County Durham, three in Gateshead, two each in Newcastle upon Tyne, Northumberland and Sunderland and one each in North Tyneside and South Tyneside.

In descending order of size, employment was 750 or more in the MSOAs in Dunston and Teams, Gateshead Town (both Gateshead), Albany and Blackfell, Columbia, Barmston and Teal Farm (both Sunderland), Killingworth West and Camperdown (North Tyneside) and Kingston Park and Dinnington (Newcastle upon Tyne). The lower bound of 200 on the map is used to highlight employment hotspots.



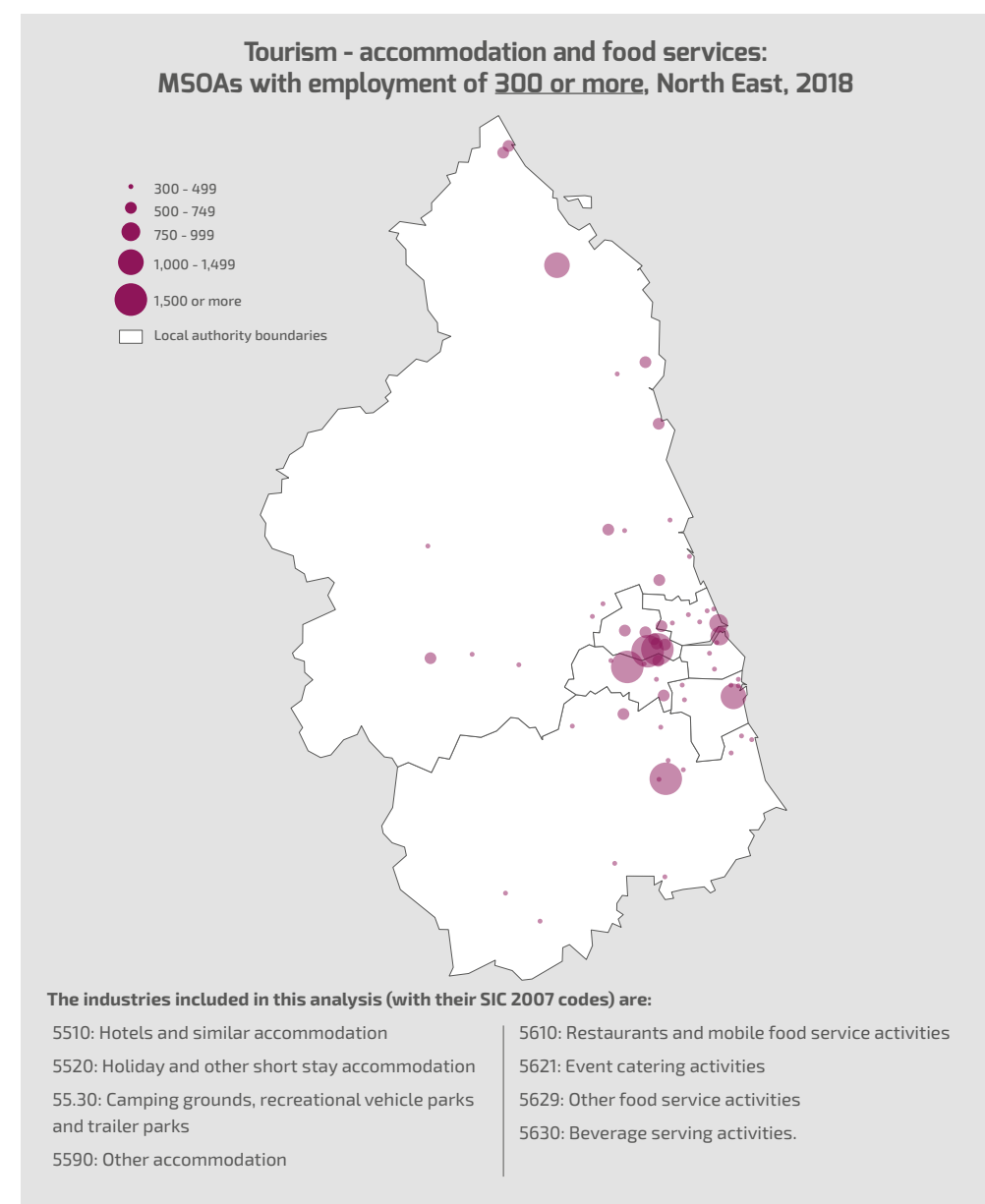
Other sectors

Employment in tourism characteristic activities

ONS has defined an industry as a tourism characteristic activity if it provides goods and services for visitors. Some of these industries also serve local people (e.g. restaurants). The following two maps provide information about tourism characteristic activities in three category groups.

In 2018, all North East MSOAs include employment in accommodation and food services with 24 having employment of 500 or more. Eight of these were in Northumberland, seven in Newcastle upon Tyne, three in Gateshead, two each in County Durham and North Tyneside and one each in South Tyneside and Sunderland.

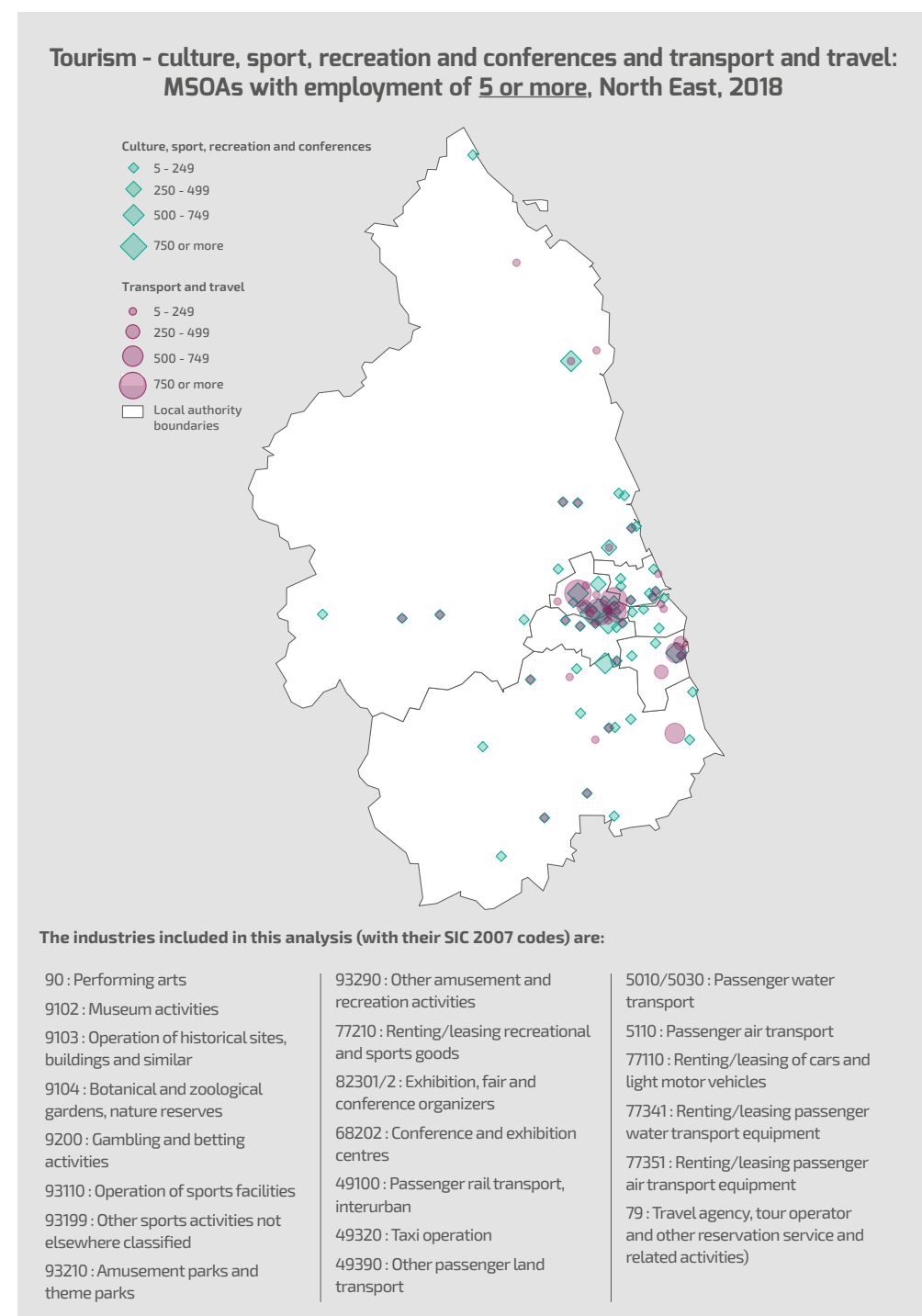
In descending order of size, employment was 1,000 or more in the MSOAs in City Centre and Arthur's Hill, Shieldfield and Heaton Park (both Newcastle upon Tyne), Swalwell (Gateshead, with this MSOA being the location of the Metro Centre), Durham City (County Durham), Seahouses, Belford and Wooler (Northumberland) and Sunderland Central and Deptford. A lower bound of 300 shows employment hotspots.



Source: Business Register and Employment Survey (Nomis)

In 2018, 18 MSOAs had employment of 150 or more in culture, sport, recreation and conference activities. Five were in Newcastle upon Tyne, four in both County Durham and Northumberland, two in South Tyneside and one each in Gateshead, North Tyneside and Sunderland. 14 MSOAs had employment of 150 or more in transport and travel service industries – five in Newcastle upon Tyne, four in Sunderland, two in County Durham and one each in Gateshead, Northumberland and South Tyneside.

In descending order of size, employment was more than 500 in both sectors in the MSOAs of City Centre and Arthur's Hill (Newcastle upon Tyne) and Sunderland Central and Deptford. It was over 500 in Gateshead Town and Alnwick (Northumberland) in the first of these sectors and in Woolsington and Airport, North Heaton (both Newcastle upon Tyne) and Shotton and Haswell (County Durham) in the second.

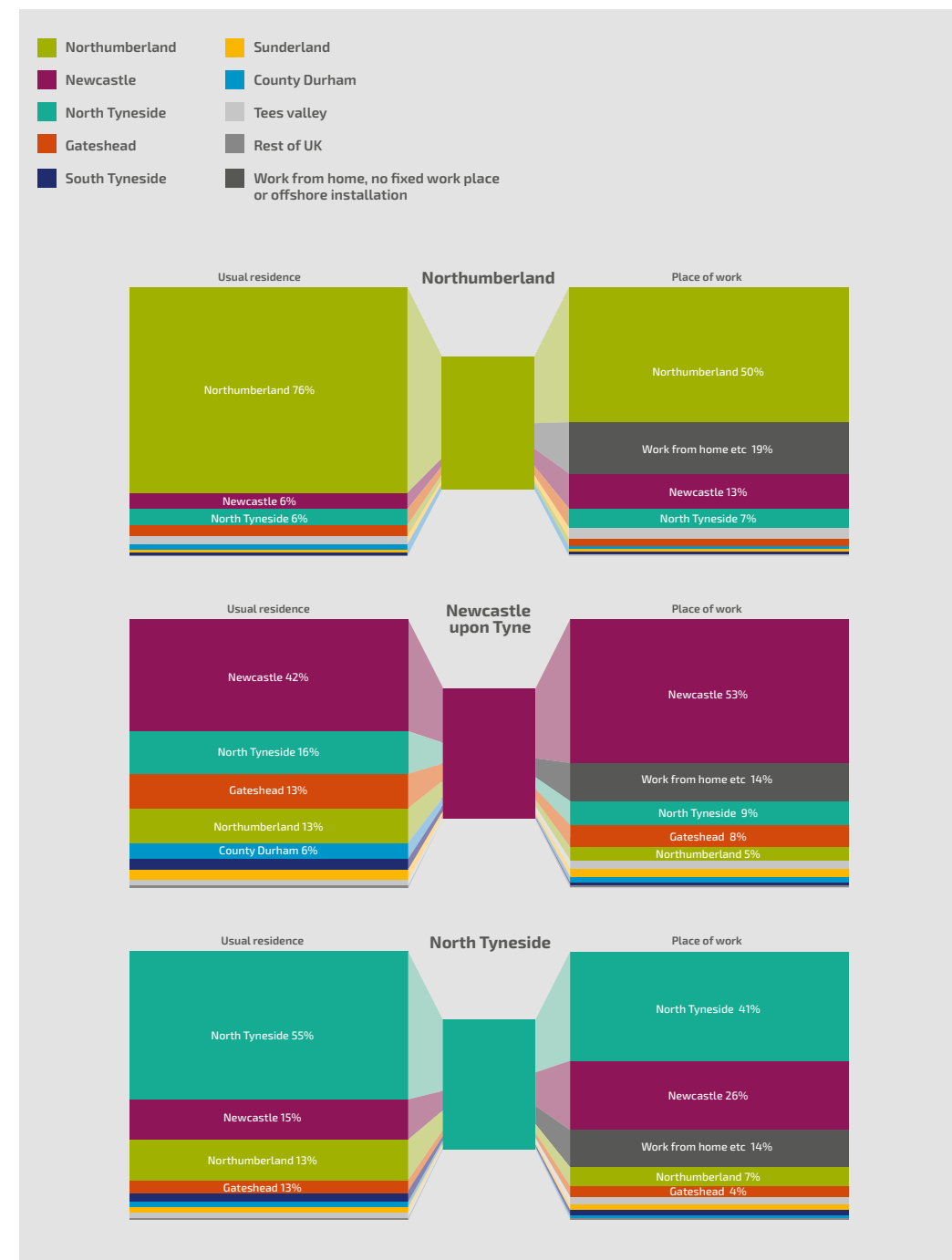


Source: Business Register and Employment Survey (Nomis)

Travel to work patterns within the North East

The latest available data on travel to work are from the 2011 Census. For each local authority the charts on this page show (in percentage terms):

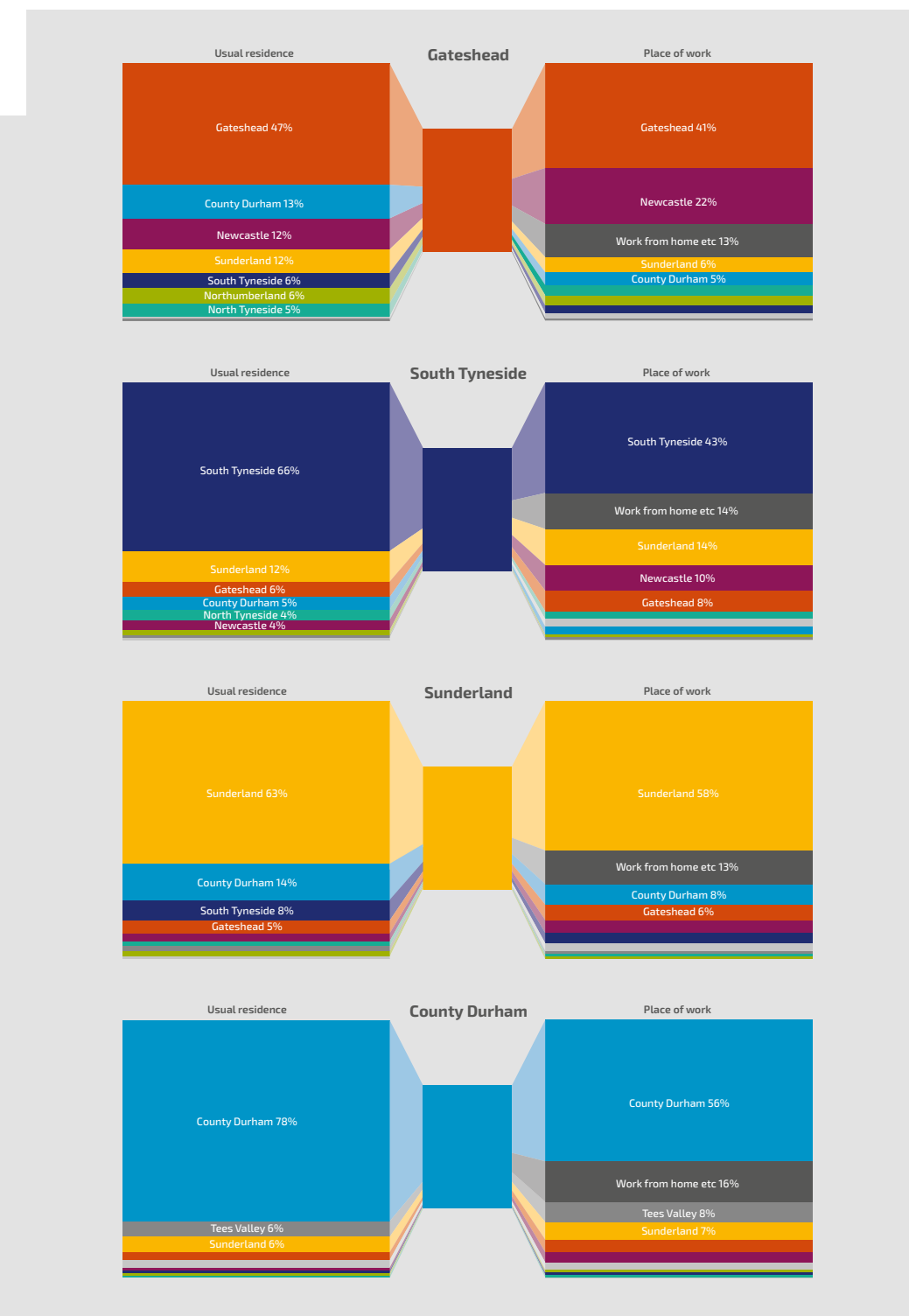
- In the left-hand column: the usual residence of people working in that local authority area. Using Northumberland as an example, 76% of those working in Northumberland also live in Northumberland, with 6% of the workforce coming from each Newcastle upon Tyne and North Tyneside
- In the right-hand column: the usual workplace of people residing in that authority. Again, using Northumberland as an example, 50% of those living in Northumberland also work in Northumberland, whilst 19% work from home, no fixed work place or offshore installation, 13% work in Newcastle upon Tyne and 7% work in North Tyneside.



Source: 2011 Census origin destination statistics (Nomis)

The largest cross-boundary flows in 2011 were from North Tyneside, Gateshead and Northumberland to Newcastle upon Tyne; from County Durham to Sunderland and Gateshead; from Northumberland to North Tyneside and from Newcastle upon Tyne to North Tyneside and Gateshead.

Generally, the proportion of residents travelling to another local authority increases over time and we would expect this to be true in the North East in the period since 2011 given that there have been a number of improvements to the region's transport system including improvements to the A1 at the Metro Centre and A19 junction improvements.



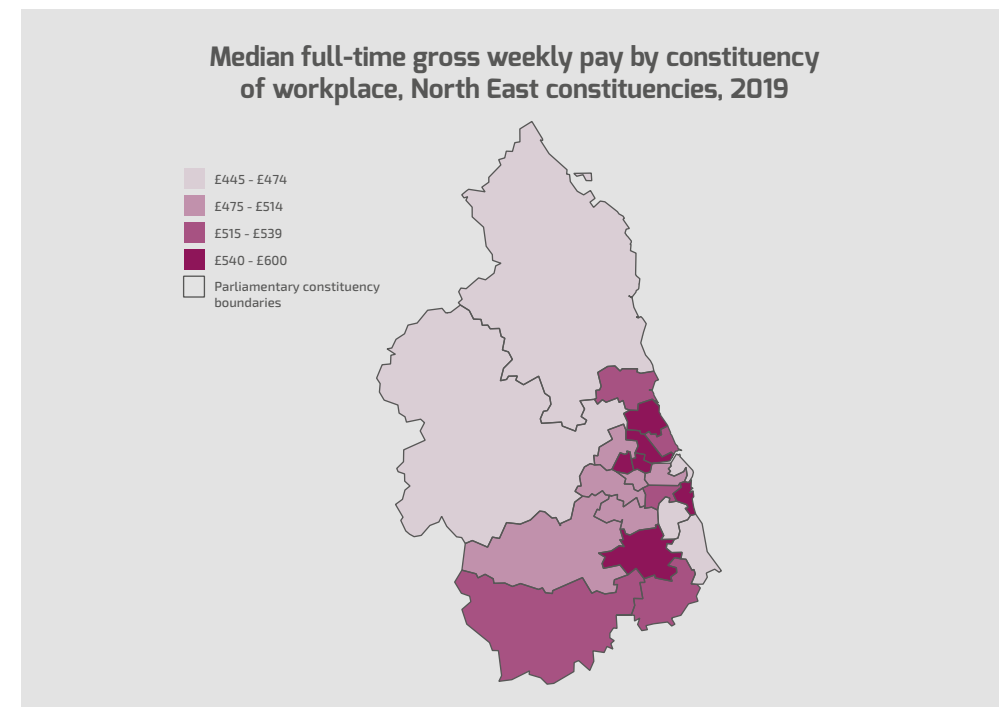
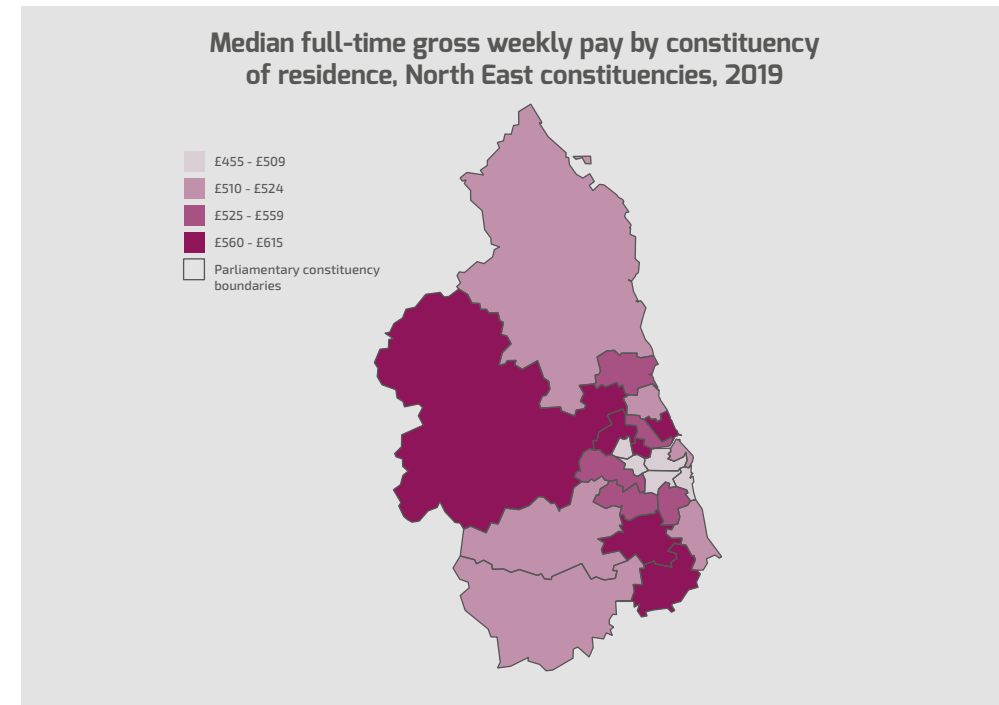
Source: 2011 Census origin destination statistics (Nomis)

Income within the North East

One of the effects of travel to work movement within the North East is that the patterns of residence-based and workplace-based pay are very different. The maps below focus on median weekly pay for full-time employees in North East constituencies.

In 2019, on a residence basis, it was highest in City of Durham, Tynemouth, Sedgefield, Newcastle upon Tyne North, Hexham and Newcastle upon Tyne East.

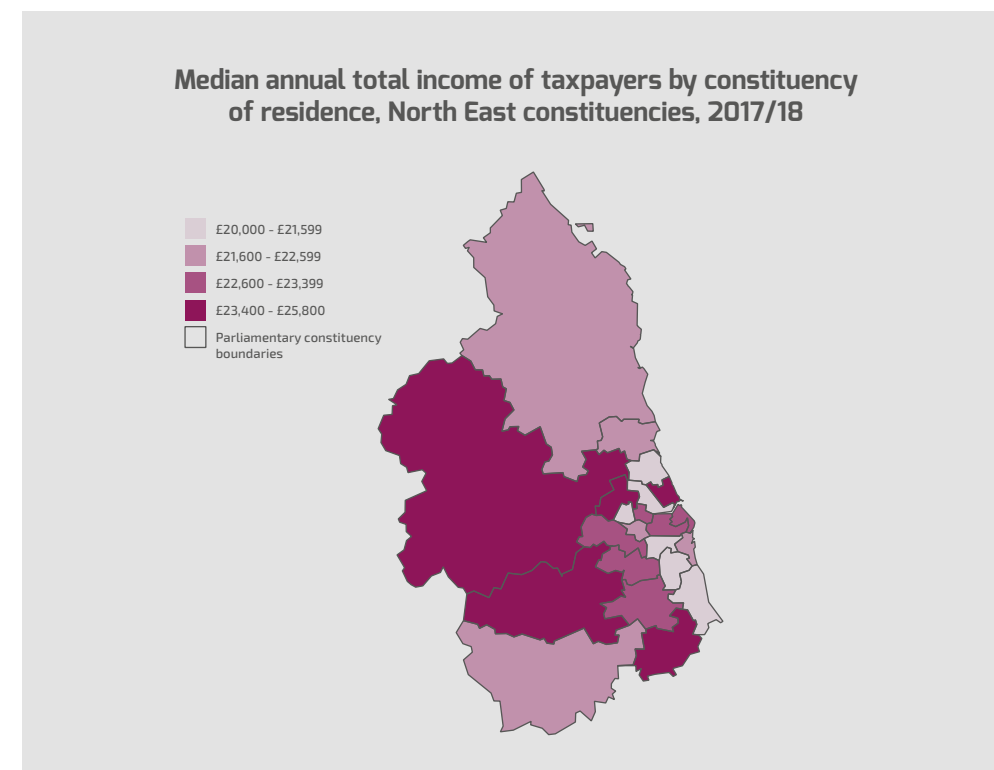
On a workplace basis, it was highest in North Tyneside, City of Durham, Newcastle upon Tyne Central, Blyth Valley, Newcastle upon Tyne East and Sunderland Central.



The previous maps show employee pay. HMRC median income data for self-employed taxpayers by constituency of residence shows that, in 2017/18, it was highest in the City of Durham, Bishop Auckland, Newcastle upon Tyne East, Houghton and Sunderland South, Washington and Sunderland West and Berwick-upon-Tweed constituencies.



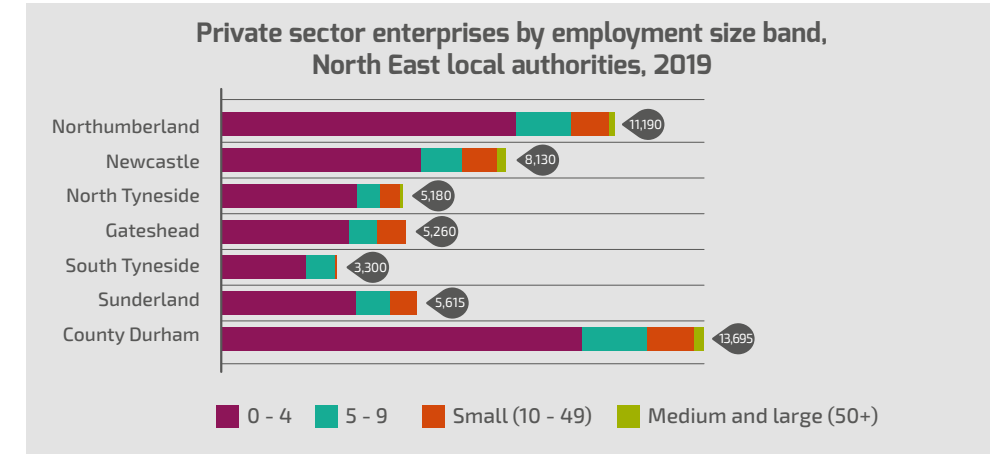
The same source gives median total incomes for taxpayers (including from pensions). In 2017/18, this was highest, on a residence basis, in Hexham, Tynemouth, North West Durham, Newcastle upon Tyne North and Sedgefield.



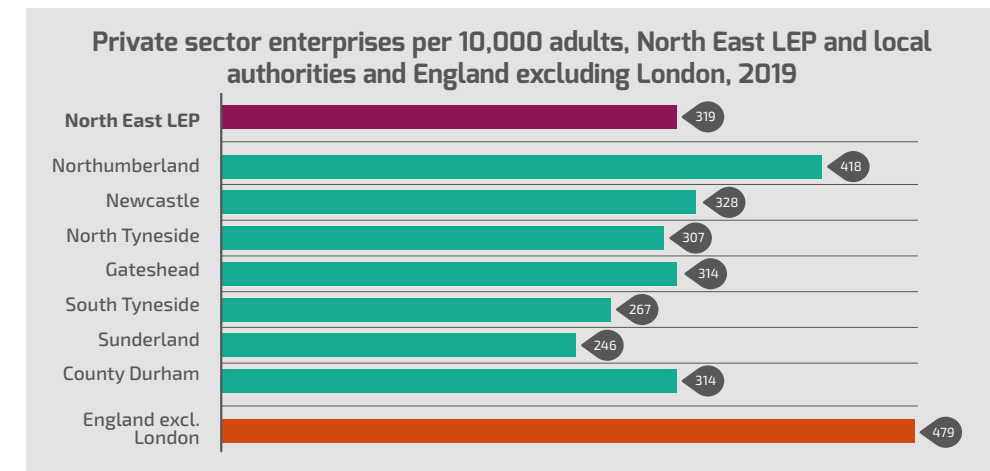
Sources: Annual Survey of Hours and Earnings (ASHE) workplace and residence-based analyses (Nomis), Income and tax by Parliamentary constituency (HMRC)

Businesses within the North East

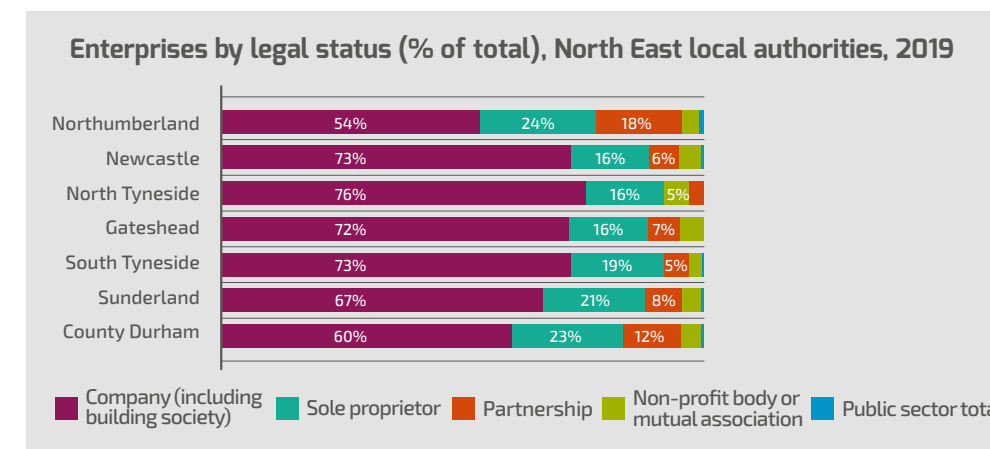
Just under half (48%) of North East private sector enterprises were in County Durham or Northumberland in 2019. North Tyneside and South Tyneside had the highest proportions of enterprises with employment of 0 to 4 (both 76%), while Newcastle upon Tyne and Gateshead had the largest proportions with employment of 10 or more (both 15%).



Looking at the number of private sector enterprise per adult, Northumberland has the highest number of businesses per capita, with Sunderland and South Tyneside having the lowest.

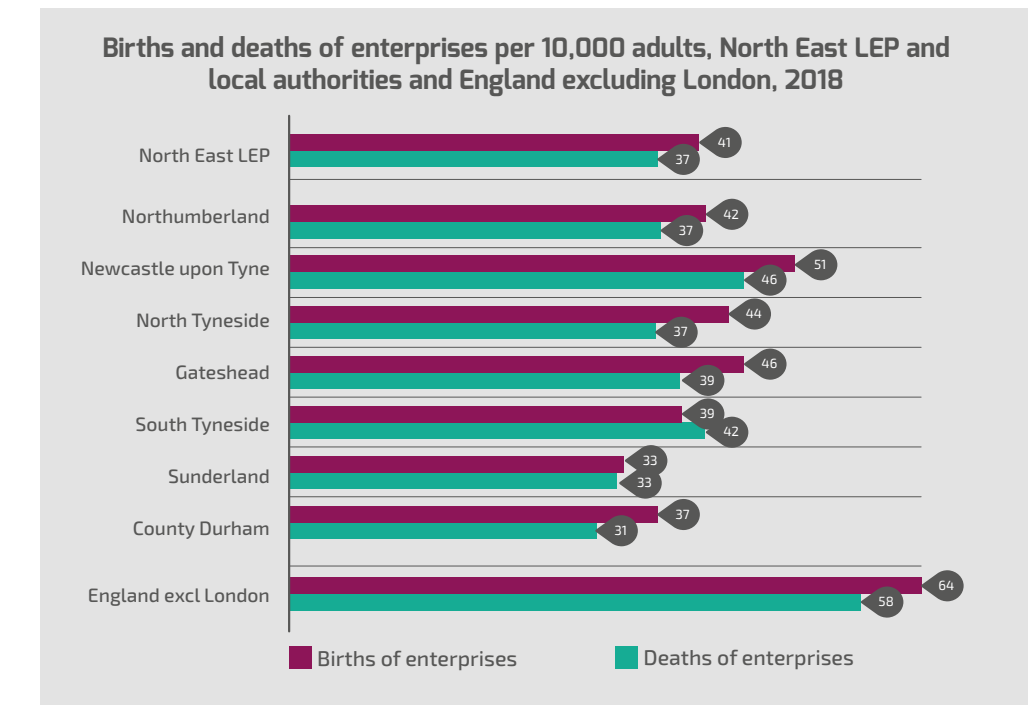


The proportion of enterprises that were limited companies in 2019 varied considerably across the North East, from just over half (54%) in Northumberland to over three-quarters (76%) in North Tyneside.

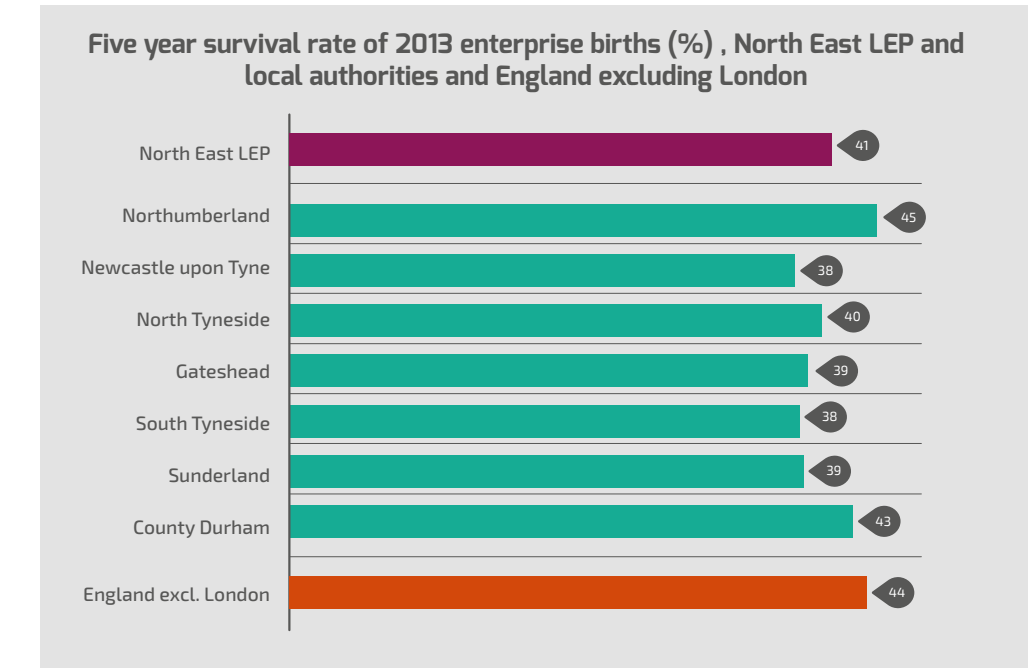


Sources: UK Business Count (Nomis), Population estimates (Nomis), Business demography (ONS)

The business birth rate in 2018 was highest within the North East in Newcastle upon Tyne and lowest in Sunderland. Newcastle upon Tyne also had the highest death rate, with County Durham the lowest. However, all rates within the North East were below the national equivalents. As mentioned elsewhere in this report, low business death rates are not necessarily a positive indicator as research suggests dynamic and successful regions tend to have both business birth and death rates that are high.



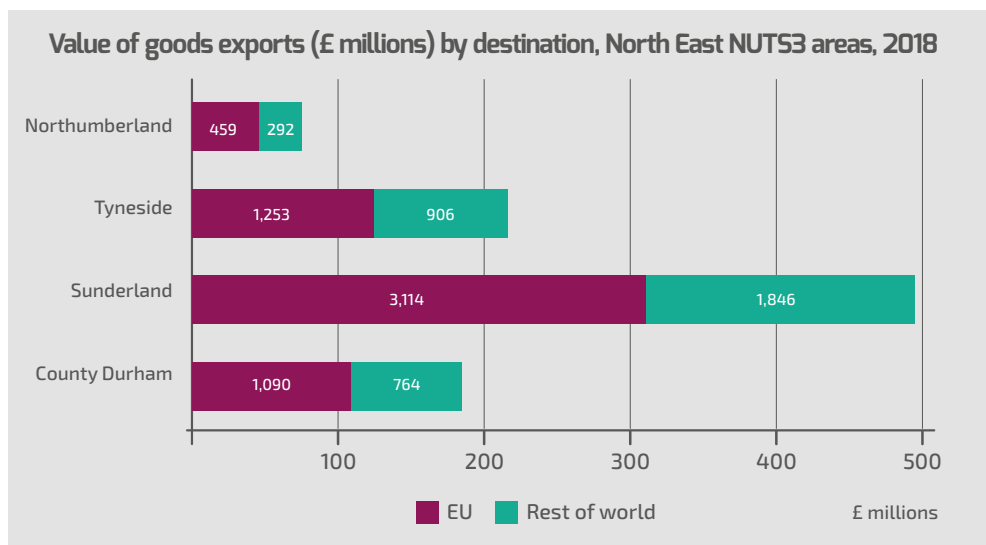
The most recent five year survival rates of businesses in the North East were lower than in England excluding London in all local authority areas except for Northumberland. The rates for the five areas within Tyne and Wear were fairly similar but lowest in Newcastle upon Tyne and South Tyneside.



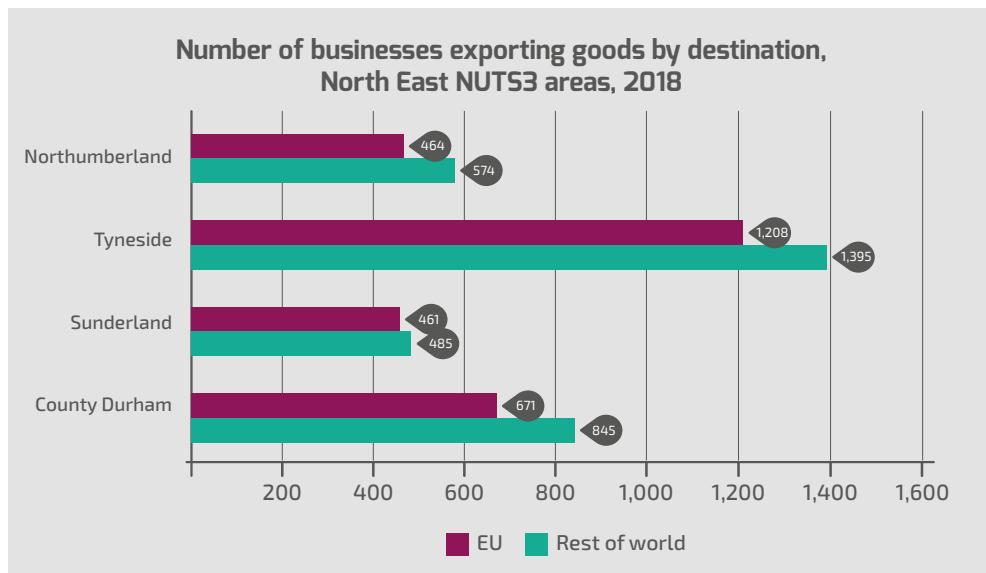
International trade by North East-based businesses

Trade in goods

In 2018, over half (51%) of the value of good exports from the North East were from Sunderland. The proportion of the total value with an EU destination was similar across the North East from 58% in Tyneside to 63% in Sunderland.



Whilst Sunderland accounts for the largest proportion of the value of exported goods, Tyneside accounts for the largest proportion of exporting businesses.

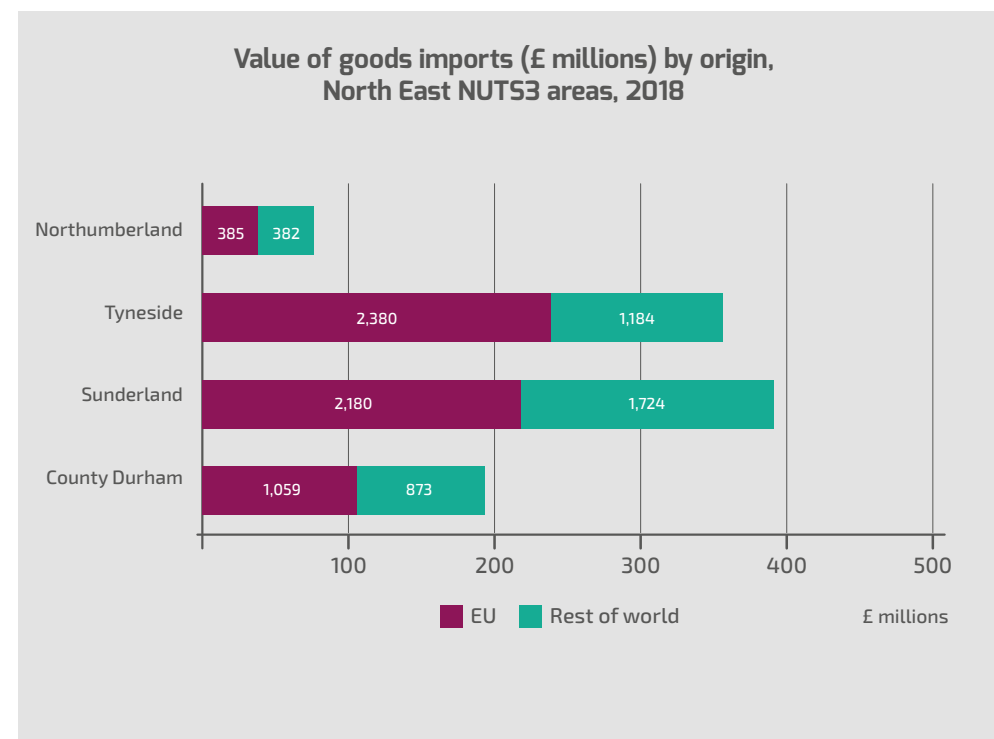


About the geography: NUTS3 areas

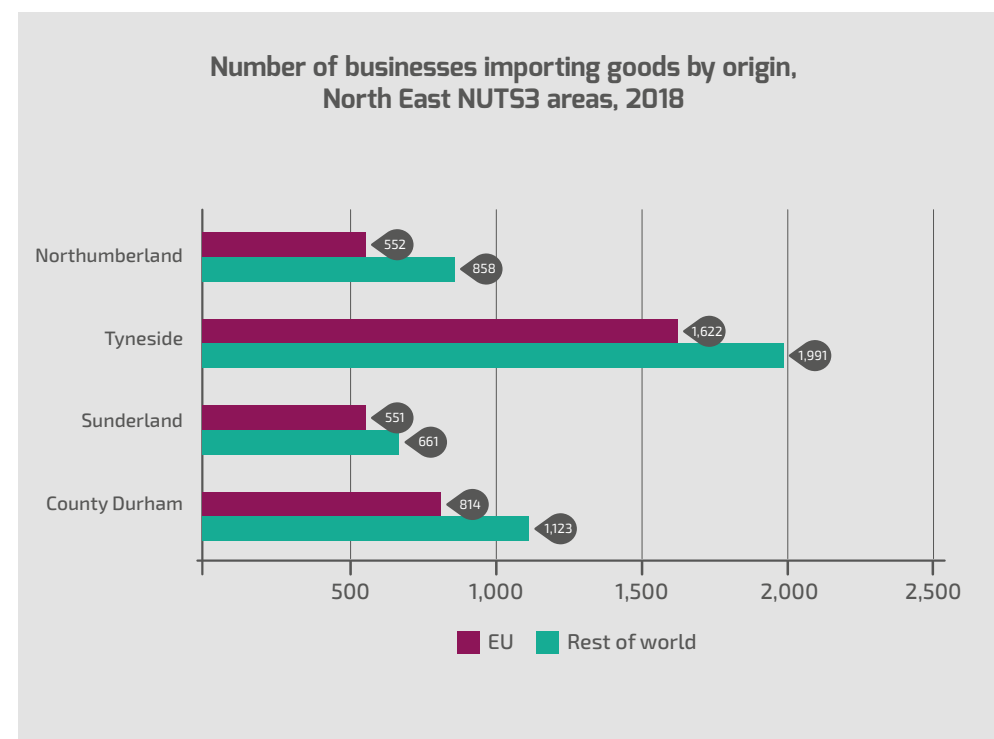
The nomenclature of territorial units for statistics, abbreviated as NUTS is a geographical hierarchy subdividing the economic territory of the European Union into comparable regions at three different levels (NUTS 1, 2 and 3).

In the UK, NUTS3 areas are individual or combined local authority areas. In the North East LEP area, County Durham, Northumberland and Sunderland are each an individual NUTS3 area with the fourth, Tyneside, being a combination of Gateshead, Newcastle upon Tyne, North Tyneside and South Tyneside local authority areas.

In 2018, almost three quarters (73%) of the North East value of imported goods were destined for Sunderland or Tyneside. The proportions of the total value of imports that came from the EU varied more within the North East than the equivalent figures for exports. Only half of the value of Northumberland's imports were from the EU compared to two thirds of Tyneside's.

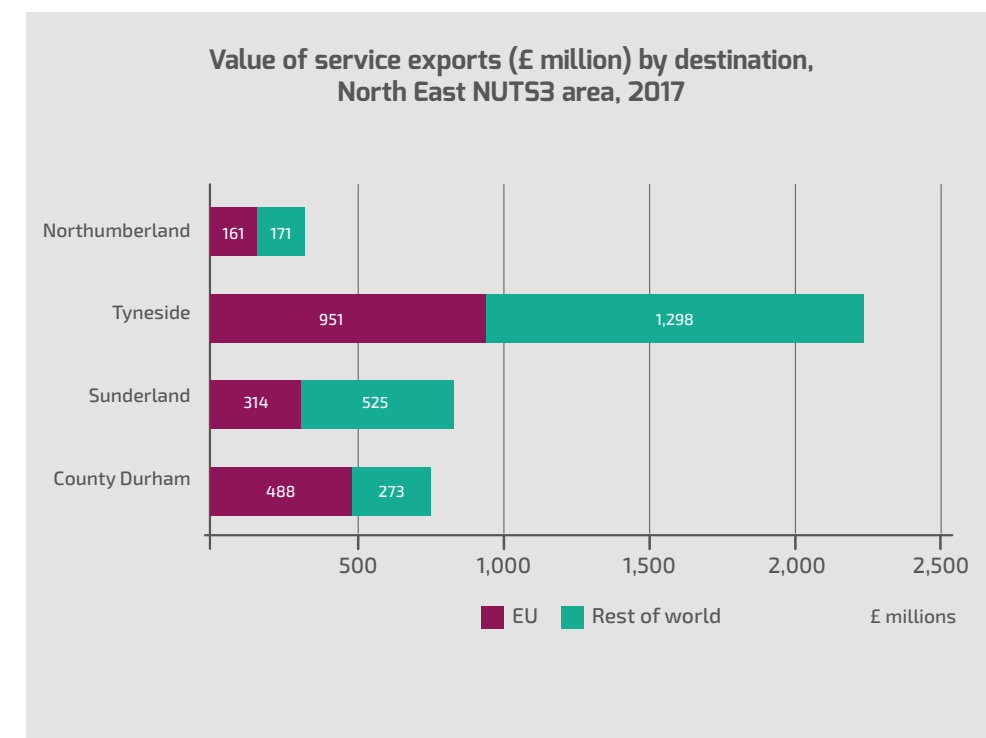


The location of goods importers within the North East in 2018 had a similar pattern to the equivalent for exporters, with Tyneside having, by far, the most and Sunderland the least, despite high values of goods imports.

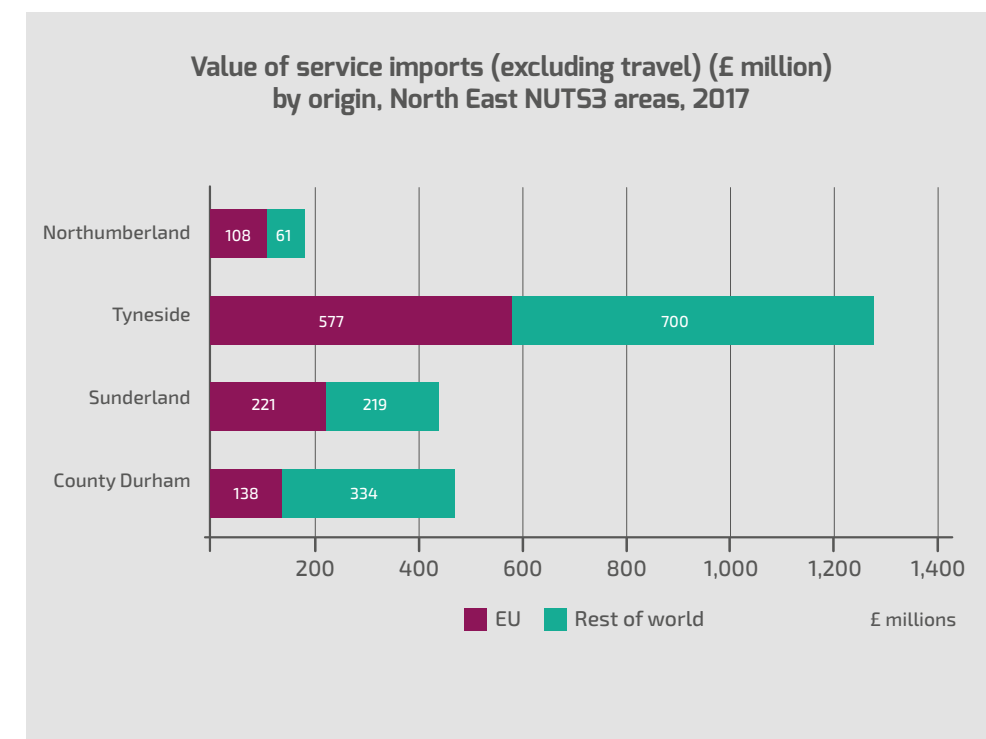


Trade in services

The latest available information about the value of service exports and imports at a local level is for 2017. It shows that, in that year, well over half (54%) of the value of North East service exports came from Tyneside. The percentage of the value of service exports where the EU was the destination ranged from 37% in Sunderland to 64% in County Durham.

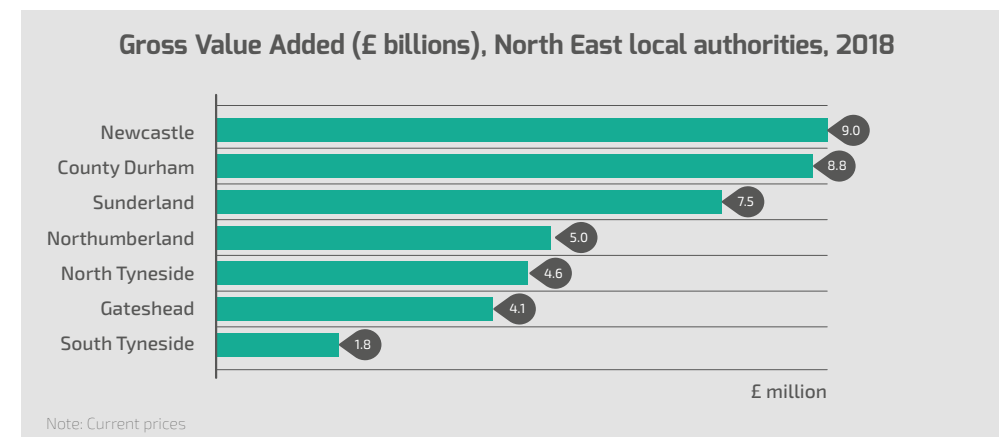


The pattern of the value of service imports matched that of exports in 2017, with 54% destined for Tyneside. The percentage of the value of service imports where the EU was the source ranged from 29% in County Durham to 64% in Northumberland.

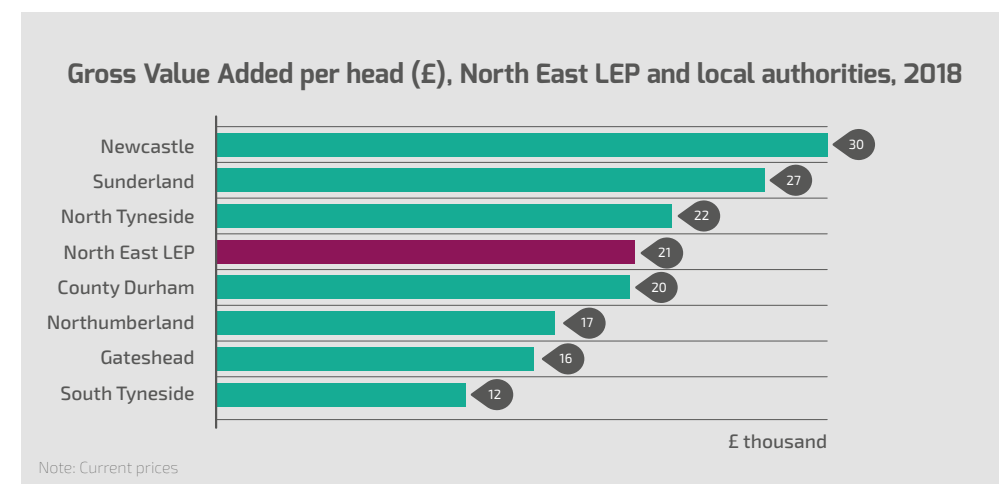


Economic output within the North East

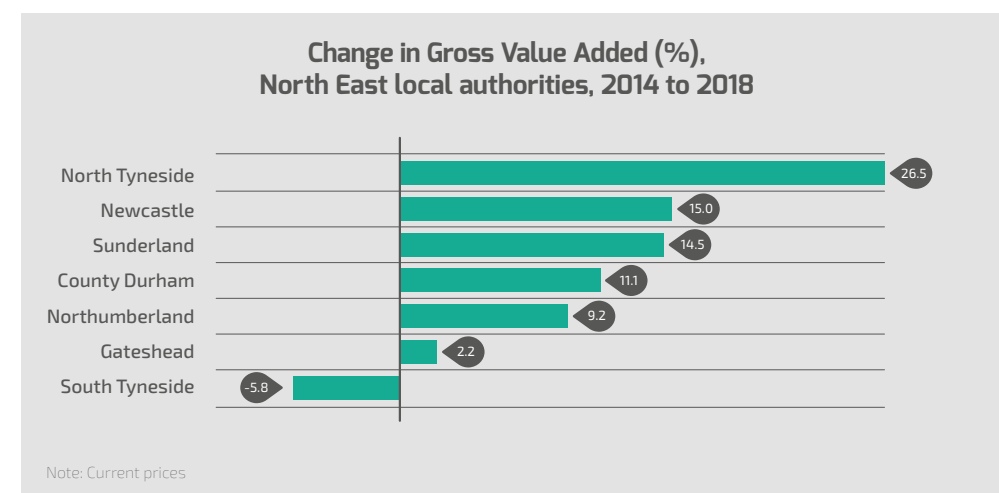
As outlined earlier in the report, Gross Value Added (GVA) measures the value of the goods and services produced within an economy. Newcastle upon Tyne and County Durham had the largest GVA in the LEP area, accounting for 22% of GVA each in 2018, with Sunderland accounting for a further 18%.



Taking account of the relative population sizes, GVA per head within the North East was highest in Newcastle upon Tyne and Sunderland and lowest in South Tyneside. Newcastle upon Tyne's GVA per head is almost 2.5 times the GVA per head of South Tyneside.

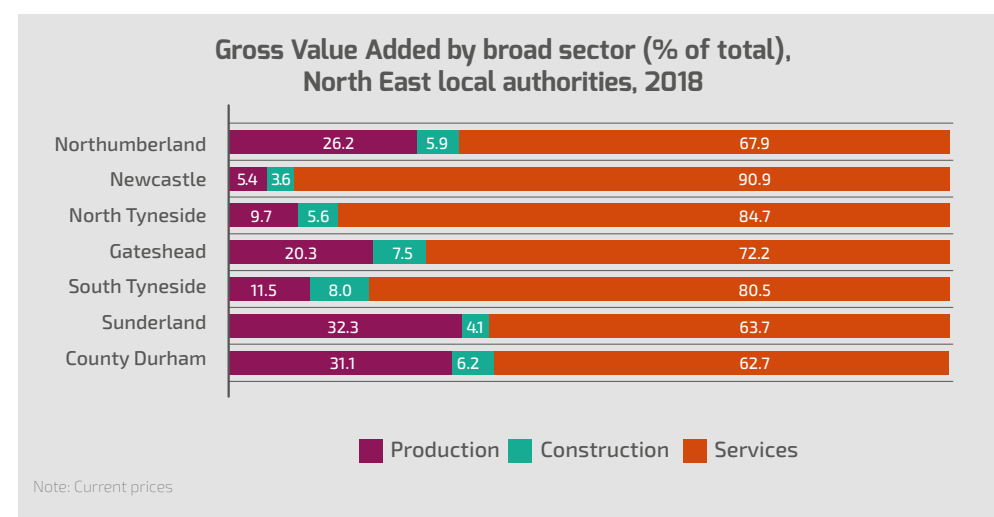


Recent trends have highlighted particularly strong growth in the economic output of North Tyneside, Newcastle upon Tyne and Sunderland.



Source: Regional gross value added (balanced) by industry; local authorities by NUTS1 region (ONS), Population estimates (Nomis)

There are considerable differences in the sources of economic output across the North East. In particular, well over 80% of the Gross Value Added in Newcastle upon Tyne and North Tyneside in 2018 came from services, compared to less than 65% in Sunderland and County Durham, where production (which includes agriculture, energy production and manufacturing) accounts for more than 30% of GVA.



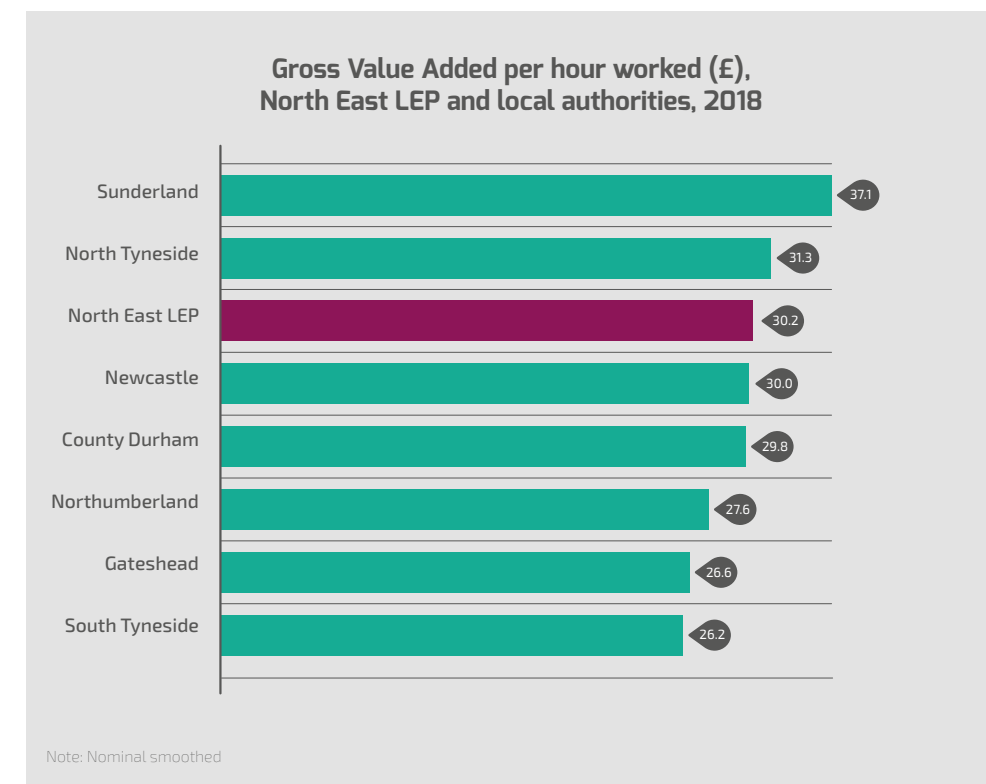
Breaking down data into more detailed sectors shows that, in 2018, the largest contributor to Gross Value Added varied across the North East:

Largest contributor to GVA in each local authority area

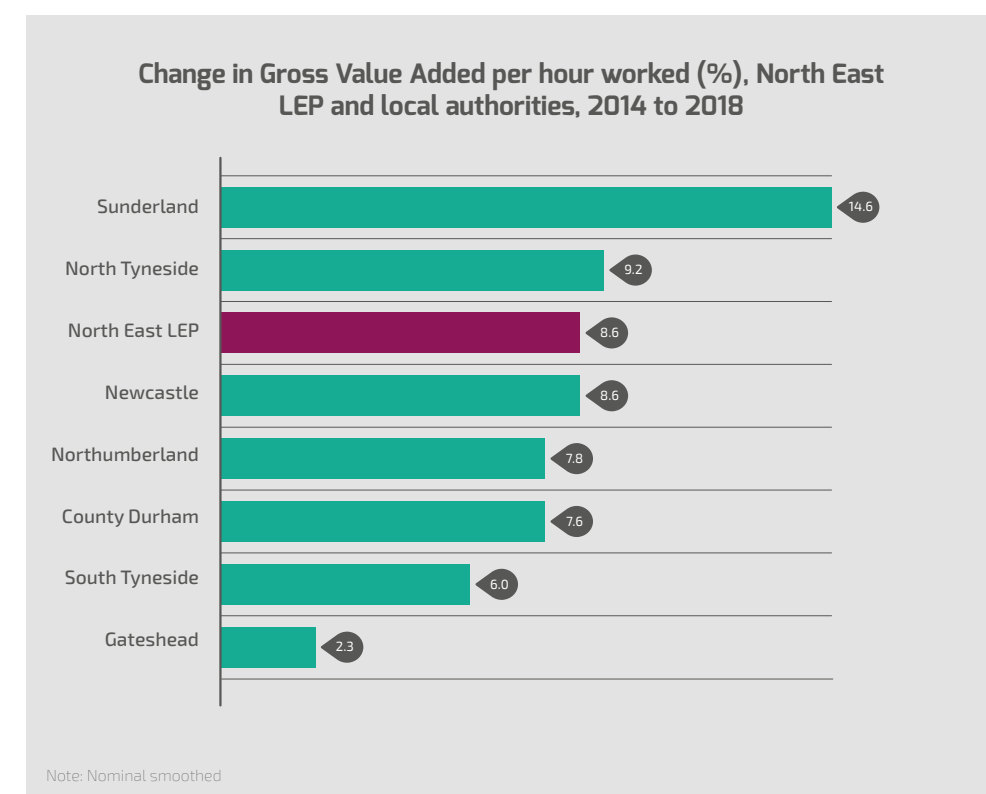
- Manufacturing**
 - Northumberland (£1 bn; 20% of Northumberland GVA)
 - Gateshead (£0.8 bn; 19% of Gateshead GVA)
 - Sunderland (£1.4 bn; 19% of Sunderland GVA)
 - County Durham (£2.3 bn; 26% of County Durham GVA)
- Human health and social work**
 - Newcastle upon Tyne (£1.1 bn; 12% of Newcastle upon Tyne GVA)
- Information and communication**
 - North Tyneside (£0.7 bn; 16% of North Tyneside GVA)
- Real estate**
 - South Tyneside (£0.3 bn; 16% of South Tyneside GVA)

Productivity within the North East

Productivity, measured as GVA per hour worked, was similar across six of the seven North East local authorities in 2018, ranging from £26.20 to £31.30. Sunderland's productivity was much higher, at £37.10. This reflects the importance of the highly productive automotive manufacturing sector in this local authority area.



Sunderland has also experienced the largest increase in productivity since 2014, followed by North Tyneside.



Sources: Subregional productivity (ONS)

What next?

Understanding how the economy of the North East varies across its different places and communities allows more effective policies and interventions to be developed.

The evidence shows that the North East is a region of great diversity, with the population, business base, employment, GVA, productivity and trade patterns all varying across our region. However, there are also common issues that need to be tackled, such as deprivation and inequality. The North East benefits from strong connections between different places, with many residents travelling to another part of the region for work and supply chain linkages between businesses in different parts of the region. Whilst we have not demonstrated it here, it is also widely acknowledged that our colleges, universities, catapults and national innovation centres support residents and businesses from across the North East.

Looking forward, it will be important that we develop in more depth our understanding of the North East's economic geography. Key priorities include deepening our understanding of the:

- North East's place-based assets and how these can be more effectively utilised to support economic growth and development
- Connections between different places and communities within the North East
- Impact of current and proposed investment in housing, commercial property and transport infrastructure on the roles of different places in the regional economy and on the connections between places
- Impact that COVID-19 has had, and will have going forward, on different places and what they will need to be able to respond effectively.

In last year's Our Economy report, we highlighted that partners across the region often flag that the highly collaborative nature of the North East is a distinctive strength. It will be important that partners in the region utilise this and work together shape investment programmes around the needs of different places. Key priorities include:

- Agreeing our place-based investment priorities and working with government, the private sector and others to secure investment to deliver these priorities
- Identifying opportunities within the region for collaboration between places facing similar opportunities and challenges.
- Engaging with other areas including Borderlands, Northern Powerhouse and other parts of the UK where there are areas of complementary.

By working together in this way, the region should be able to ensure that every part of the North East is able to contribute to, and benefit from, efforts to improve the performance of our economy.

