MANCHESTER INDEPENDENT ECONOMIC REVIEW

BURY BRIEF

MIER Roadshow, 11th February 2009

Introduction

What is the Manchester Independent Economic Review (MIER)?

The Independent Review consists of a Commission of prominent economists and business leaders, supported by a secretariat, with responsibility for commissioning high quality evidence-based research to inform decision-makers in the City Region, as well as maintaining an up-to-date, detailed, economic baseline study for the MCR.

The Review is a 12 month programme of research, run independently of the Government and its agencies in Greater Manchester and the Northwest. It has commissioned impartial studies which address growth in the City Region and also the questions about how growth in the regional centre relates to the rest of the region, and how to ensure that innovation-based growth will benefit the Regional and UK economy, as well as the City Region.

The MIER consists of six 'Core Projects' (plus a Review of the Daresbury Science Campus and its impact on the UK, NW and MCR economy), looking at a different aspect of the MCRs economy. Each project is designed to draw upon the work of 'Leading Experts' who have designed innovative, intellectually robust, and challenging studies that will extend partners existing economic intelligence base.

Why do we need the MIER?

The Manchester City Region (MCR) has a unique combination of opportunity and need. Its scale and potential make it the natural capital of a rejuvenated North. However the fragility of its economic base remains evident and a further and concerted effort is now required to identify the steps (and potential policy choices) the private and public sectors working together need to take to fulfill the City Region's full potential.

This is an exciting but challenging time for Greater Manchester; it's City Region and the Northwest. We are faced with meeting the challenges of growth in a sustainable way, securing the investment that will make this possible, and implementing a number of infrastructure and other projects that are critical to the future success of our Region; all whilst experiencing a severe slowdown in the national, and indeed global economy. The increasing fragility of the national economy, set against an increasingly competitive globalized economy, means that developing a clear evidence base for effective policy making has become increasingly important.

The strategy and priority actions outlined in existing strategy represent an excellent start to growing the MCR's economy, which is already starting to see positive outcomes in the growth witnessed by its key sectors. Building on this foundation, a vital opportunity has arisen offering the chance to reinforce the message to Government, key agencies and the private sector. It will allow us to show that we have *the* best independent research and intelligence and thus unequivocally prove that only the MCR has the combination of assets outside London to achieve the scale of growth required to meet the goals of the Northern Way.

The Manchester Independent Economic Review is an authoritative and high profile independent review, drawing in researchers of the highest quality and developing the evidence base for the MCR. It will be a clear signal of serious strategic commitment to enhancing the growth momentum in the region as the UK's second 'growth pole'.

The Review will enable GM's political leaders to set long-term economic strategies, understand economic priorities and make key choices. The final output of the Review will be a high profile report setting the strategic vision for the City Region, encompassing key economic narrative and positively affecting expectations.

Preliminary findings of the research highlight the importance of cities to national economic growth and the importance *within* cities of:

Successful governance, leadership and collaboration:

- Viewing Manchester's economy as a cohesive whole which needs policies implemented in close coordination
- Continuing successful collaboration and partnership between government and business community is vital, as is developing the Multi-Area Agreement (MAA), Greater Manchester Strategic Plan (GMSP), and success of the AGMA Commissions

People and places matter:

- Importance of strong and successful communities
- Enhanced importance of the interaction between places and people
- Skills and employment create greater career choices and prosperity
- Shared urban assets and effective public services help to attract people and businesses
- Quality spaces; natural and built environment to support sustainable growth

Scale is important:

- Bigger + effective density = Better (agglomeration economies), but needs investment and careful management
- Job opportunities - better at the margin and feel better to be linked to a growing place.

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Economic Context

> ➢ *After years of strong growth, the world economy has experienced marked deceleration towards the end of 2008. The challenge is to make sure that the City Region's diverse knowledge economy is able meet the demands of this current economic crisis and even become stronger and more dynamic through it. Beyond the short-term, partners must continue to plan strategically for long-term growth.*

UK

- The UK is now in recession, as the credit crunch and a significant slowdown has developed not only in the UK services sector, but also in both consumer spending and UK business investment.
- In 2008, housing market activity fell significantly and house price inflation eased rapidly.
- In the currency markets, sterling has weakened considerably. The pound has now also significantly weakened against the dollar.
- Long-term economic drivers include: demographic and socio-economic change; globalisation; innovation and technological diffusion; increasing pressures on resources and global climate.

Northwest

- Since 2000 the growth gap between GVA in the Northwest and the UK has narrowed - but the GVA per head gap with the UK average has remained stable at around 12 to 13 percentage points.
- Before the current economic slowdown, the region saw significant growth in the number of employees (+221,000 between 1999 and 2004 alone). However a significant number of ancillary jobs and similar have been created, putting downward pressure on productivity levels (in the short term at least).
- Indeed, productivity levels in nearly all service sectors in the Northwest remain below the UK average, and there is considerable potential for the Northwest to grow in the long-term.
- As is the case nationally, current economic conditions are set to put downward pressures on growth in the Northwest, with unemployment rising and business conditions worsening.

Manchester City Region

- The City Region is the main driver of the regional economy and home to a population of over 3 million residents (47% of population in the NW). Almost 90 percent of the net increase in the NW population, and almost half (48%) the net increase in the Northwest's employment, were related to MCR's growth in the last decade.
- The City Region generates 50 percent of the Northwest's total economic output and is continuing to develop as a major centre of knowledge intensive industries.
- Despite significant growth over the last decade, the annual GVA growth rates between 1999 and 2004 in the MCR (2.4%) and GM (2.5%) are both lower than the UK (2.9%), although this masks significant differences in GVA between City Region districts.
- Recent surveys of businesses suggest confidence in the profitability of exporters in the Northwest and GM has decreased markedly in 2008, with local companies signalling low confidence levels, and a decline in investment intentions.
- The service sector witnessed a considerable fall in the number businesses reporting increasing sales and orders in 2008, accompanied by a fall in the proportion reporting growth in export sales.

Business

- *Manchester City Region has a strong business base but there are clear structural changes across key economic sectors, which should be of interest to policy makers. Looking ahead at future competitiveness, the all important knowledge economy looks strong but there are still a number of challenges that need to be met.*

- *Bury is a commuter district with a relatively well skilled resident population. However, It has one of the highest commuting out rates in the country reflecting low wage levels and existence of better opportunities elsewhere in the sub region.*

Business base

- Bury has the second lowest stock of registered businesses in GM, falling below levels in all other GM districts with exception the of Rochdale.
- The vast majority of these businesses are small (1-10 employees) businesses. In fact, Bury has amongst the highest percentage of small businesses in GM. However, Bury also has the lowest proportion of medium sized (11-49 employees) businesses in GM.

Business density rates

- Business density rates (businesses per 10,000 of working age population) in Bury are amongst the highest in GM. The rates are higher than GM and regional averages. However, they are still significantly below national rates.
- The relatively high business density rates reflect the large number of small business in the borough and the relatively small increases in population. This may be a concern as small businesses tend to be hardest hit during an economic down-turn.
- The Askbury development, which is now on site, will free up office space in Bury which could be refurbished or rebuilt to attract medium sized employers.

Innovation

- There are a lack of metrics to inform on innovation at a city region level, let alone district level, however surveys show that Northwest businesses are more likely than the national average to be innovation active and have higher levels of expenditure.

Key Sectors

- Traditionally Bury was a mill town, that diversified into paper production following the decline of the cotton industry. Although Location Quotients suggest that manufacturing is still a significant employer in Bury, the area has continued to diversify and Life Science, ICT digital, Sports, Retail and Education sectors are also significant employers.
- The sectors that have grown most over the last decade are Life Sciences, ICT/Digital Communications and Financial and Professional Service. This illustrates the increased importance that the ‘knowledge based-economy’ will play going forward.
- Life Sciences, in particular employment in the health sector, is forecast to continue increasing in Bury over the next ten years. The Financial and Business Services sectors are also forecast to experience an increase in the medium-term

People

- *People are at the heart of any economy. A growing population with the right skills base should help secure the City Region's future. But Manchester and its surrounding areas are changing. The growth of the knowledge economy has increased the demand for highly skilled workers. The challenge is to see that this demand is met, whilst also tackling problems of inequality and high levels of social exclusion, in order to maximise the area's potential.*

- *Bury has relatively well skilled and diverse resident population, and has one of the best life expectancy statistics amongst local authorities in Greater Manchester. However, pockets of deprivation still exist within the district.*

Population

- The Manchester City Region (MCR) has a population of over 3 million people, with an age profile that is younger than the UK average. Almost a fifth (18.3%) of residents are aged under 15 years old compared to 17.7 percent nationally. In addition, there is a higher proportion of people aged 20 to 29 years old and the growth in this age range, between 2000 and 2006 (+6.6%), has also been greater than the UK average (+4.2%).
- In total, over 180,000 people live in Bury. The borough has a relatively large Jewish community and 3% of the population are of of Pakistani, origin.
- As with the rest of the conurbation (and indeed the country as a whole) Bury is expected to witness a proportional rise in its elderly population between now and 2017.

Economic activity and employment

- Bury 's employment rate (74.8%) is the third highest employment rate in the sub region (with only Stockport and Trafford higher). The rate is also higher than the GM average (71.0%), NW (72.1%) and the UK average (74.4%).
- Similarly, unemployment rates in Bury are consistently lower than GM and regional rates. However, the borough is ranked 88th most deprived nationally (using the local concentration measure). Whilst the area does not have borough-wide deprivation to the same extent as other boroughs in the City Region, Bury has certainly has pockets of deprivation. Indeed 22 Super Output Areas in Bury are in the top 20% most deprived in England (ranked 1 out of 32,482 – Index of Deprivation, 2007).
- Productivity levels are comparatively low in Bury (£33,800 per employee), well below the UK average (£40,400 per employee) and the GM (£37,100) and NW (£36,100) averages in 2008.
- As in other places, it remains to be seen how the recession will affect economic growth in Bury, in terms of employment and in GVA. Unemployment and benefit claimant rates have risen through the latter part of 2008 and indications are that they are likely to continue to do so in the near future across the country.

Earnings

- Residents in Bury have higher weekly earning levels than regional and national averages. However, analysis of earning in the boroughs workplaces illustrates that employees earn less than regional and national averages, which is a contributory factor to Bury being a commuter area.
- Bury are trying to import back into the local economy wealth earned by residents elsewhere by improving retail and leisure facilities in the borough. For example, the Rock Triangle development is going to double the size of Bury town centre and is forecast to create over 1,000 new jobs in retail and leisure.

Qualifications and skills

- The occupational structure of MCR reflects the changing industrial structure of the City Region, with the movement towards knowledge intensive industries.
- Bury has relatively well-skilled resident population and the proportion of working age residents with level 4+ NVQ level qualifications is on a par with sub regional and regional averages.

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Place

> - *Manchester has proven that it is one of Europe's top destinations for business and lifestyle offer. The massive investments in its infrastructure have helped boost the cities appeal for investors, visitors and workers alike.*
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> - *Geographically, Bury is an attractive blend of town and country ranging from Pennine moorland in the north to the suburbs of north Manchester in the south. The area is also home to the best market in Britain as voted by the National Association of British Market Authorities.*

Industrial land

- Bury has excellent transport links with access to the M62 and the M66, meaning that the borough is able to provide easy access to a variety of UK and European markets.
- Bury has seen relatively large increases in its typical industrial land values over the last decade, as with many other places.
- However, developers remain cautious about industrial and warehouse property, with sustained price slowdowns predicted in the current economic climate.

Commercial property

- Greater Manchester has UK's largest office market outside London, and this commercial offer is concentrated in central Manchester, Salford Quays, Trafford and South Manchester.
- Research suggests that the Bury office market consists mainly of demand for small units with freehold tenure. There is also a demand from companies who want to build their own premises. However, this market is restricted by the lack of available sites in the borough. This will impact on the areas ability to attract larger companies.
- The sector with the biggest presence in the Bury office market is Public Services,.
- Going forward the Askbury development is predicted to have a positive impact on office space in Bury. The development will consist of 90,000 sq ft delivering 40,000 sq ft for Bury Council in 2010. Once the Council and PCT move into new accommodation, older property will become available for refurbishment and rebuild.

Retail market

- MCR is a major centre of retailing in the Northwest and is regarded as England's second city from the perspective of regional and national retailers.
- However, following double-digit growth between 1996 and 2001, the retail market is likely to see a very challenging 2009, with limited consumer borrowing and national recession.

Residential offer

- In 2008, overall house prices in Bury remained above GM and regional prices, although below national averages. Property prices in Bury remained relatively high, and are amongst the highest in GM. However, after strong increases over recent years, prices have fallen significantly in the latter part of 2008, and in to 2009, at both a local and national level.
- It must be noted that average prices mask significant areas of deprivation within the district. *Work form the MIER Project 6: Sustainable Communities seeks to shed further light on these disparities.*
- The MIER Project on Sustainable Communities has found the majority of deprived neighborhoods in Bury are "transit" with a minority of "escalator", "gentrifier" and "isolate "neighbourhoods". 'Transit' neighborhoods are usually characterized by young or newly established households moving in from less deprived areas, before they move on to more affluent areas as their careers progress. The presence of 'isolate' areas is of particular concern to policy makers as they are associated with a degree of entrapment of poor households who are unable to break out of living in deprived areas. 'Gentrifiers' are neighbourhoods where there is a degree of social improvement.

Endnote

The majority of data included in this report is collated from the Manchester Independent Economic Review (MIER) Economic Baseline (available to view and download at http://www.manchester-review.org.uk/economicbaseline/) and data from the Greater Manchester Forecasting Model (GMFM). Other sources of data included in Bury's Local Area Agreement (LAA) 2007, some preliminary findings from the MIER projects (to be published in due course), and other publicly available economic development documents. For any questions relating to this document please contact Alex Cole at the MIER Secretariat:

Manchester Independent Economic Review (MIER)
Churchgate House
56 Oxford Street
Manchester
M60 7HJ
t: 0161 237 4409
e: alex.cole@manchester-enterprises.co.uk

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