
MANCHESTER INDEPENDENT ECONOMIC REVIEW

TRAFFORD BRIEF

MIER Roadshow, 20th January 2009

MANCHESTER INDEPENDENT ECONOMIC REVIEW

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 North West. 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 North West. 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

MANCHESTER INDEPENDENT ECONOMIC REVIEW

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.*
- *Trafford has adjusted well in response to economic shifts of the past 10/15 years, due to the strong skills base of its residents, its location, good environment/quality of life offer and its strong communications links.*

UK

- It is likely that the UK is now in recession, as the credit crunch and a significant slowdown is emerging not only in the UK services sector, but also in both consumer spending and UK business investment.
- In 2008, housing market activity has fallen significantly and house price inflation has eased rapidly.
- In the currency markets, sterling has weakened considerably. This has been especially the case during 2008. 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.
- The region has seen 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 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. Outlined below are the key findings from the 'Business Baseline' study.*
- *Trafford is an enterprising area, highlighted by its high and growing stock of registered businesses, it's highly skilled resident workforce and resilient business community.*

Business base

- Trafford had a stock of 8,445 registered businesses at the end of 2007, more than any other GM district apart from Manchester and Stockport. Although the vast majority of these businesses are small (1-10 employees) to medium sized (11-49 employees) businesses, Trafford still has a larger presence of large companies than other GM districts outside Manchester.

Business density rates

- Business density rates (businesses per 10,000 of working age population) are higher in Trafford than national averages, as well as significantly above GM, MCR and NW rates, reflecting its strong business base and attractiveness as a location for companies. Indeed business density rates are above any other district in GM.
- This may also reflect the growth in recent years of sectors structured around smaller businesses, such as ICT Digital / Communications and Creative / Digital / New Media businesses. These sectors have grown particularly in areas such as Trafford, Macclesfield and Congleton.

Knowledge Intensive Businesses

- There is a high proportion of employment in Knowledge Intensive sectors in MCR when compared to the Northwest and other city regions such as Leeds and Birmingham. The proportion of private sector employment is also far higher.

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. Trafford is home to many innovative businesses in high-tech manufacturing, life sciences, digital and creative sectors.

Key Sectors

- Trafford has a diverse, strong economy that has strength in a variety of sectors and niches. Location Quotients illustrate the important role of Retail, Logistics, Construction, Sport, ICT/Digital Communications, Creative/Digital/New Media and Financial and Professional Services in the borough.
- The sectors that have grown most over the last decade are ICT/Digital Communications, Creative/Digital/New Media and Financial and Professional Services, reflecting the strength of Trafford's skills base and the important role Trafford plays in the 'knowledge based-economy'.
- Despite the recent economic downturn, which has particularly affected the certain financial and business services, forecasts show that Financial and Professional Services will be key to the GM, and Trafford economy, in the medium to long-term, and will play a crucial part in driving the recovery.

MANCHESTER INDEPENDENT ECONOMIC REVIEW

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.*
- *Trafford has a well-skilled and economically active population from which to drive innovation, and entrepreneurialism within its economy, and is well placed to compete in an increasingly knowledge-based economy.*

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%).
- Although Trafford has a proportionately older population than the GM average currently, it is expected to see strong growth in the proportion of 20 to 29 year olds between now and 2017.
- As with the rest of the conurbation, Trafford is also expected to witness a proportional rise in its elderly population between now and 2017. Numbers of working age residents are forecast to rise in absolute levels, but at a slower rate than the retirement age population.

Economic activity and employment

- Trafford's employment rate in Trafford (79.9%) is significantly above that of the GM (68.2%), NW (72.0%) and the UK (74.5%) and has remained above GM, NW and UK levels for the last two decades. It is the highest employment rate across the sub-region.
- Productivity levels are also comparatively high in Trafford (£40,000 per employee), and are close to the UK average (£40,200 per employee) and significantly above the GM (£36,700) and NW (£35,800) averages in 2007.
- Across the country unemployment rates 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. However, despite recession, economic growth in Trafford is forecast to continue to exceed the regional and national averages, both in terms of employment and in GVA.

Earnings

- Trafford residents have comparatively high income levels when compared to GM, regional and national averages.
- However, it is again important to note that not all Trafford residents share in this prosperity, and that there are certain neighbourhoods within Trafford that are of particular concern with regards to Income, Health and disability and Employment.

Qualifications and skills

- The occupational structure of MCR reflects the changing industrial structure of the City Region, with the movement towards knowledge intensive industries.
- Trafford is at the forefront of this change, with amongst the highest levels of Level 4+ skilled residents, as well as the highest level of higher qualified people working in 'knowledge intensive' businesses compared to the rest of the region.

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.*
- *Trafford has a thriving economy and a good lifestyle offer. It's low-crime rate, strong educational offer and prosperous neighbourhoods make it one of the most sought after locations to live in the north of England, with businesses attracted to the borough by a strong and varied industrial and commercial base.*

Industrial land

- There is high-quality industrial space situated in Trafford, with major and long-established industrial estates at Trafford Park in the north, Broadheath in the south and Carrington in the west.
- Trafford, along with Salford, have amongst the highest typical industrial land values in MCR with typical values also higher than other cities in the NW such as Liverpool, Sheffield, Leeds and Bradford, although below values in Birmingham and the South East.
- However, developers remain cautious about industrial and warehouse property, with sustained price slowdowns predicted in the current economic climate.

Commercial property

- GM has UK's largest office market outside London, and this commercial offer is concentrated in central Manchester, Salford Quays, Trafford and South Manchester.
- Trafford has large and growing commercial centres at Altrincham and Sale in the south and at Old Trafford/Trafford Bar in the north.
- The Trafford office market is characterised by cheaper and smaller sized space compared to Manchester CBD.
- The professional sectors have been the key driver of demand in Trafford over the last five years; although it must be noted that the Public Services sector also has a strong presence in the market.
- Trafford's higher rental values, compared to most other competing areas outside of the conurbation core, reflects the fact that its supply is dominated by small units, which tend to achieve higher rents per sq ft than larger units.

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.
- Trafford is key to the conurbations retail offer, with the Trafford Centre shopping and leisure / entertainment complex in the north of the Borough also having a sub-regional catchment area extending across the conurbation and beyond.
- In 2008, the Trafford Centre is the highest rented retail centre in the NW, above Manchester as a whole and Liverpool.
- 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. Additionally, the effects of Liverpool One on the Trafford Centre are yet to be fully seen.

Residential offer

- In 2008, overall house prices in Trafford remained above regional and national prices, having also seen the greatest absolute increases between 2001 and 2008. 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 not all of Trafford neighbourhoods are similarly prosperity or attractive. Partington, Sale West and Old Trafford, remain amongst the worst 10% in the country for example.
- Trafford also has the highest affordability ratio in GM, with house prices being over five-times that of income - although further reductions in house prices will change affordability ratios in particular districts.
- Work from the MIER Project 6: Sustainable Communities has highlighted that there are numerous "transit" neighbourhoods within the district of Trafford, implying young or newly-established households coming from more 'comfortable' backgrounds and starting out on the housing ladder.

MANCHESTER INDEPENDENT ECONOMIC REVIEW

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 include the Trafford Local Area Agreement (LAA) 2008-2011, 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-review.org.uk