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# MANCHESTER INDEPENDENT ECONOMIC REVIEW

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## STOCKPORT BRIEF

MIER Roadshow, 2<sup>nd</sup> February 2009

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## **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.

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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.*
- *Stockport has a productive and skilled workforce and well placed to meet these challenges. The district is a key driver of economic growth in the conurbation, with 12% of sub-regional GVA output growth between 1998 and 2008 coming from Stockport alone.*

## **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. Outlined below are the key findings from the 'Business Baseline' study.*
- *Stockport is an enterprising area, highlighted by its high stock of registered businesses, its highly skilled resident workforce and diverse business community.*

### **Business base**

- Stockport has a higher stock of registered businesses than any other GM district apart from Manchester, highlighting the strength of its economy.
- Although the vast majority of these businesses are small (1-10 employees) to medium sized (11-49 employees) businesses, Stockport has a proportionately larger presence of small business than GM, NW or national averages.

### **Business density rates**

- Business density rates (businesses per 10,000 of working age population) are higher in Stockport than any other GM district except Trafford, and are significantly above GM, MCR, NW and GB rates, reflecting its strong business base and attractiveness of Stockport as a location for companies.
- 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.

### **Knowledge Intensive Businesses**

- There is a high proportion of employment in Knowledge Intensive sectors in MCR when compared to other GM districts and areas of the Northwest - with the knowledge-based economy accounting for nearly a quarter of all employment in 2005.

### **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**

- Stockport has a diverse, strong economy that has strength in a variety of sectors and niches. Location Quotients illustrate the important role of ICT/Digital Communications, Creative/Digital/New Media, Financial and Professional Services and Construction in the borough.
- The sectors that have grown most over the last decade are ICT/Digital Communications, Financial and Professional Services and Life Sciences, reflecting the strength of Stockport's skills base and the important role Stockport 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 Stockport economy, in the medium to long-term, and will play a crucial part in driving the recovery.

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## 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.*
- *Stockport has a well-skilled and economically active population from which to drive innovation and entrepreneurialism, 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%).
- Stockport is one of the most populous GM districts, and has a population of over 280,000 people.
- Stockport has a proportionately older population than the GM and national average currently, with a higher proportion of residents over 45 years old and over 65 years olds. However, strong growth in 20 to 35 year olds is forecast over the next decade.
- As with the rest of the conurbation, Stockport 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

- Stockport's employment rate (77.5%) is significantly above that of the GM (71.0%), NW (72.1%) and the UK (74.4%). It is the second highest employment rate across the sub-region (second only to Trafford – 78.6% employment rate).
- Similarly, Stockport has amongst the lowest unemployment levels in GM - being consistently well below regional and national rates. However, this may mask the problem of youth unemployment in the borough (with relatively high numbers of young people not in education, employment or training), as well as significant pockets of worklessness in deprived neighbourhoods.
- Productivity levels are comparatively high in Stockport (£38,200 per employee), and are close to the UK average (£40,400 per employee) and above the GM (£37,100) and NW (£36,100) averages in 2008. Despite the recession, economic growth in Stockport is forecast to continue to exceed GM and regional averages, both in terms of employment and in GVA.
- Although Stockport is still forecast to be a key driver of the GM economy going forward, 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 across the country.

## Earnings

- Stockport is a broadly prosperous borough, with comparatively high-income levels when compared to GM, regional and national averages.
- However, affluence is not spread entirely through the borough, with significant areas of deprivation also apparent within certain neighbourhoods e.g. Brinnington, Edgely, Reddish.

## Qualifications and skills

- The occupational structure of MCR reflects the changing industrial structure of the City Region, with the movement towards knowledge intensive industries.
- Stockport is at the forefront of this change, with higher levels of Level 4+ skilled residents than GM, NW and UK averages, as well as one of the highest levels of graduates in the region.
- Although a not insignificant proportion of the working age population still lack basic skills, school and college performance is at the national average and is improving.

## 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.*
- *Stockport has a thriving economy and a good lifestyle offer, with low-levels of crime and prosperous neighbourhoods. Despite its strong economy and the fact that it is a well-populated borough, more than 45% of the borough's land area is green belt and there is a rich cultural, spiritual and sporting tradition, making it an attractive place to live and work.*

## Industrial land

- The Manufacturing and Industrial sectors accounted for almost a quarter (24%) of all commercial property take up in 2008 – highlighting the strength of this sector in Stockport.
- However, developers remain cautious about industrial and warehouse property, with sustained price slowdowns predicted in the current economic climate.

## Office 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.
- Stockport is located on the main Manchester to London railway line, and the M60 passes through it. The office accommodation is mainly located to the west of the town centre and includes a number of major occupiers such as the Co-operative Bank and the Inland Revenue.
- The Stockport office market is characterized by a diverse mix of business occupiers, as opposed to other boroughs who may be reliant on one or two business sectors. This wider occupier base might explain why Stockport has a more consistent five years of take-up compared to other GM districts.
- The sectors with the biggest presence in the Stockport office market are Manufacturing, Public Services, Property and Business Services.
- There has been an upward pressure on Grade A units recently, reflecting the lack of Grade A space available on the local market, with Cheadle Business Park being the only development under construction at the present time.

## 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 Stockport remained above GM and regional prices, although below national averages. Property prices in Stockport also saw amongst the greatest absolute increases between 2001 and 2008 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 not all of Stockport neighbourhoods are similarly prosperity or attractive, and significant areas of deprivation exist in the district. Indeed, the disparity between the affluent and most deprived areas in Stockport, with regards to health, crime and quality of life is the highest for any GM authority. *Work form the MIER Project 6: Sustainable Communities seeks to shed further light on these disparities.*
- Stockport is one of the least affordable areas within GM, with one of the highest affordability ratios in the sub-region. In 2007, house prices were just under five-times that of income - although further reductions in house prices will change affordability ratios in particular districts.
- The MIER Project on Sustainable Communities has found numerous "transit" neighbourhoods within Stockport, implying young or newly established households coming from more 'comfortable' backgrounds and starting out on the housing ladder.

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## 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 Stockport's New Local Area Agreement (LAA) 2008, 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:

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