
MANCHESTER INDEPENDENT ECONOMIC REVIEW

SALFORD BRIEF

MIER Roadshow, 2nd April 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.*

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.*
- *Salford's economy has a reasonably diverse business base with public sector employment the most prominent. Work needs to be done to address structural challenges in a changing economy, and to exploit existing high-end niches.*

Business base

- Salford has the fifth highest stock of registered businesses in GM.
- The vast majority of these businesses are medium-sized (200+ employees) businesses. In fact, Salford has amongst the highest proportion of large-sized businesses in GM.

Business density rates

- Business density rates (businesses per 10,000 of working age population) are lower in Salford compared to some other GM districts, and although are also below the GM, MCR, NW and GB rates, the growth in business activity has been outstripping the national average since 1997.

Knowledge Intensive Businesses

- There is a high proportion of employment in Knowledge Intensive sectors in Salford when compared to other GM districts and areas of the Northwest.

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

- Salford has a relatively strong and diverse economy. However, Location Quotients illustrate the continued importance of Financial and Professional Services, Construction and Public Sector in the borough – with levels of employment in these sectors above national averages.
- Financial and Professional Services is the sector that has seen by far the greatest growth over the last decade - illustrating the increased importance that the 'knowledge based-economy' has begun to play in Salford's economy.
- Despite the recent economic downturn, which has particularly affected certain financial and business services, forecasts show that Financial and Professional Services will be key to the GM, and the Salford 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 Salford 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.*
- *Despite a large and growing population, Salford still has a legacy of low skill levels and worklessness in many communities across the city.*

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 220,000 people live in Salford.
- Salford 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.
- However, as with the rest of the conurbation (and indeed the country as a whole), Salford is expected to witness a proportional rise in its elderly population between now and 2017.

Economic activity and employment

- Salford's employment rate (73.6%) is higher than the GM average (71.0%), NW (72.1%), but lower than the UK average (74.4%). It is the fourth highest employment rate across the sub-region.
- Similarly, unemployment rates in Salford are consistently higher than regional and national rates. This may be due to 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 low in Salford (£35,500 per employee), and are below the UK (£40,400 per employee), GM (£37,100) and NW (£36,100) averages in 2008.
- It remains to be seen how the recession will affect economic growth in Salford, in terms of employment and in GVA. However, 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.

Qualifications and skills

- The occupational structure of MCR reflects the changing industrial structure of the City Region, with the movement towards knowledge intensive industries.
- However, despite Salford's very strong business base and large university graduate output, the resident population has a lower overall skills profile than the GM average. Just under one fifth of the working age population in Salford holds a NVQ level 4 qualification or above compared to approximately one fourth in both the Northwest and Greater Manchester.
- The proportion of residents whose highest qualification is a level 3 qualification is 2.5% higher in Salford than in the region or sub-region whilst the proportion with a level 1 or 2 qualification is close to the NW and Greater Manchester averages. Also, 19.7% of people in Salford have no qualifications, 3.9% above the Northwest and 2.7% higher than Greater Manchester rates.

Place

- *MCR 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 city region's appeal for investors, visitors and workers alike.*
- *Salford is located by a meander of the River Irwell which forms its boundary with the city of Manchester to the east. Together with neighbouring towns to the west, Salford forms the local government district of the City of Salford, which is administered from neighbouring Swinton – and is well situated to offer a good urban and rural lifestyle offer.*

Industrial land

- Strategically, Salford is located close to the heart of a large and successful economic geography. As an employment centre, Salford attracts the majority of its workforce from the contiguous districts of Manchester, Trafford, Wigan, Stockport, Bury and Bolton for workers in both elementary and managerial occupations.
- Industrial and warehouse land values have risen steadily in Salford over the last decade or so and are amongst the highest values in the district.
- 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.
- Research suggests that Salford has seen a significant increase in demand in recent years. This increase has largely been driven by the deal at Media City to the BBC, which will create around 15,00 jobs, with over 1,000 creative and related businesses. Although at present the tenant demand is strong, the market is currently over-supplied and with over 700,000 sq ft of space likely to come onto the market between 2008 and 2012, there is a danger that the completion of the new schemes are likely to have a detrimental effect on rents.
- The sectors with the biggest presence in the Salford office market are Insurance, Financial and Professional Services, Public Services, with dominance now in the creative Industries.
- In the long-term, alongside the importance of the Media City development, one priority that highlights Salford's special relationship with the Manchester City Centre is the regeneration of Chapel Street and Greengate Embankment. This is biggest regeneration challenge since the redevelopment of Salford Quays. Greengate is a key strategic site, which has secured the planning consent for 450,000 sq ft of offices and is expected to attract over £580 million of private sector investment.

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 in the City Region 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 Salford (£112,870) remained below GM (£130,201) and regional prices (£133,614), and below national averages (£179,418). Property prices in Salford remained relatively low compared to most GM districts, particularly in relation to the levels in the more prosperous boroughs in GM, such as Stockport or Trafford. 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.
- Housing in Salford is more affordable than in GM as a whole, with house prices in 2007 being just under four-times that of income (3.59, GM: 3.96). This also reflects issues around housing stock in the borough however, due to the presence of a relatively large amount of smaller terraced and public sector housing in the district (hence Manchester and Salford City Council's partnership of a Housing Market Renewal Initiative).
- It must be noted that average prices mask significant areas of deprivation within the district. *Work from the MIER Project 6: Sustainable Communities seeks to shed further light on these disparities.*
- The MIER Project on Sustainable Communities has found a mix of "isolate", "transit" and "escalator" neighbourhoods within Salford. 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. Isolates also have a disproportionate percentage of neighbourhoods with high social tenure.

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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 NWDA Regional Intelligence Unit: History and Legacy of Salford 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 **Adil Ahmed**:

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