

Manufacturing Success

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Sustaining Competitiveness: The West
Midlands in a global context

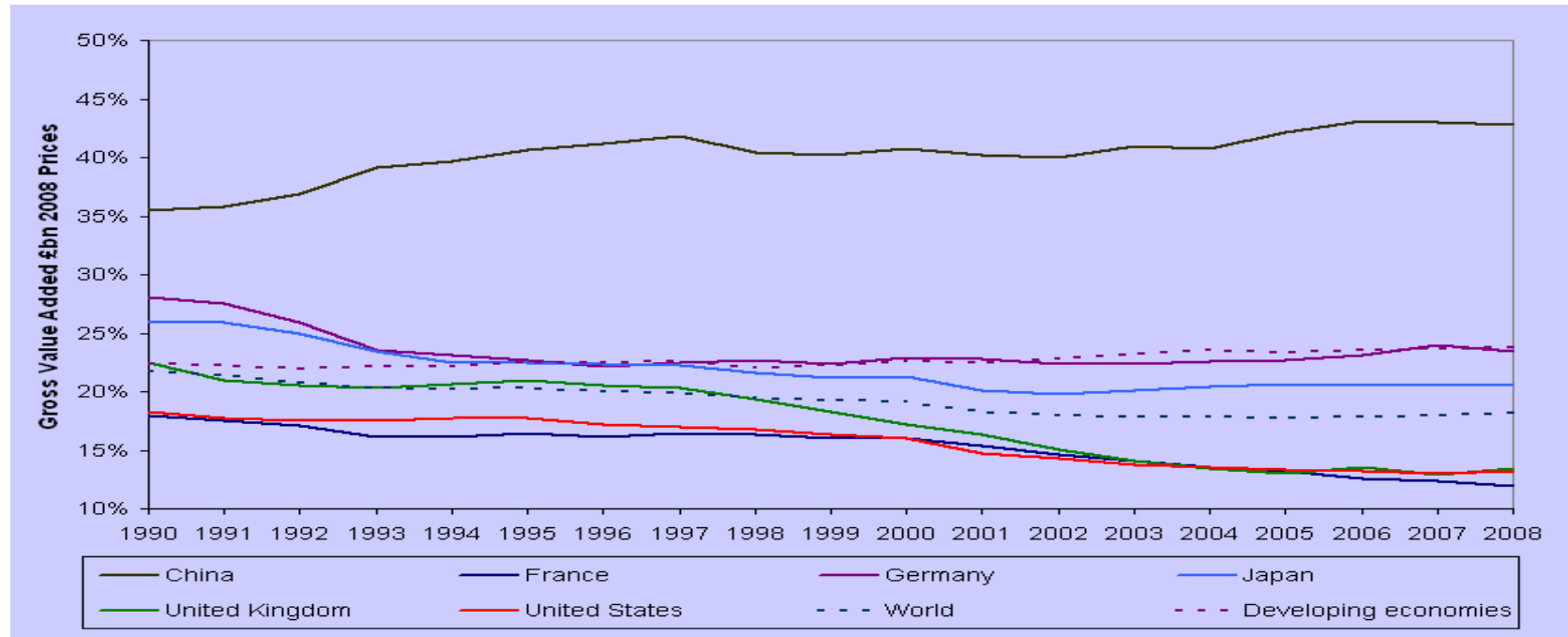
July 6th 2012 – The Belfry

Manufacturing Success?

- Contraction of manufacturing
- The relative success of high technology manufacturing sector
- The distorting ‘London Effect’
- Investment in Research & Development
- Education & Skills Levels
- The Macroeconomic Problem

Manufacturing Contraction

Figure 1: Manufacturing as a percentage of GDP globally and across comparator countries



Source: UNCTAD Handbook of Statistics

Figure 2: Manufacturing employment in selected developed countries, 1990-2009

Source: OECD STAN Database

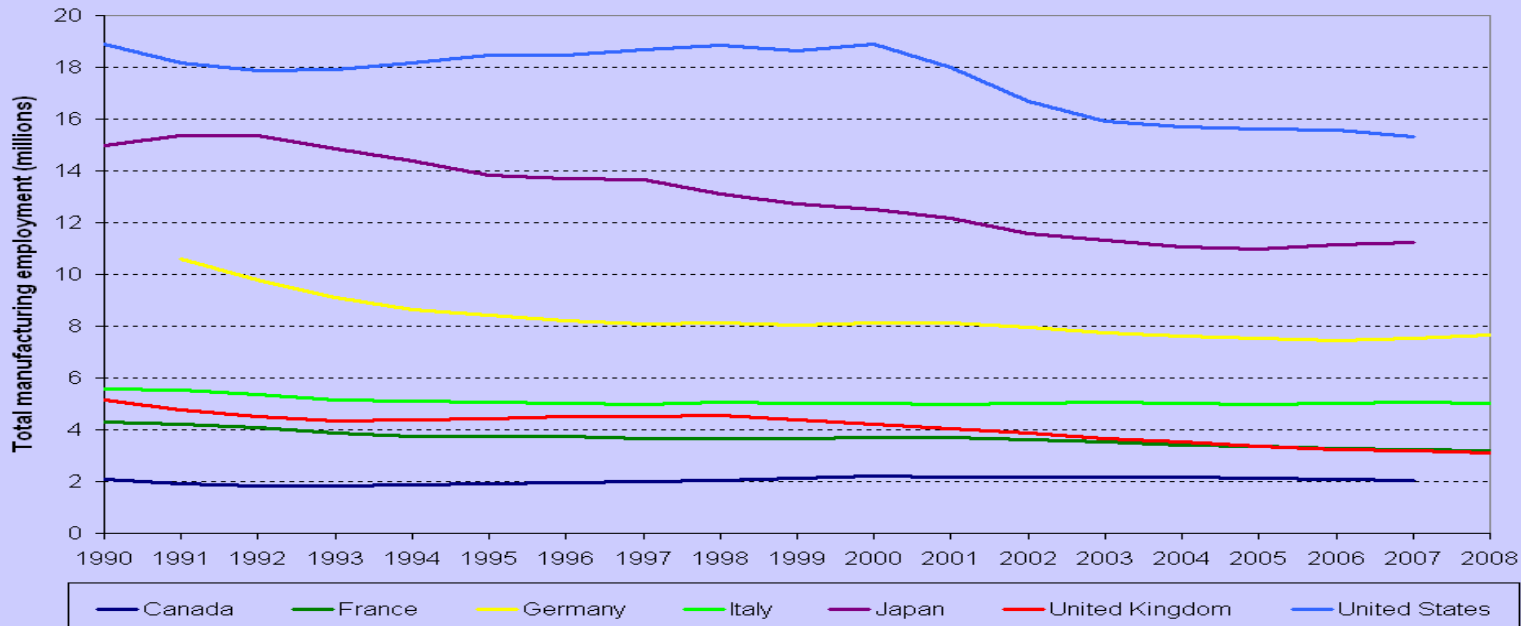
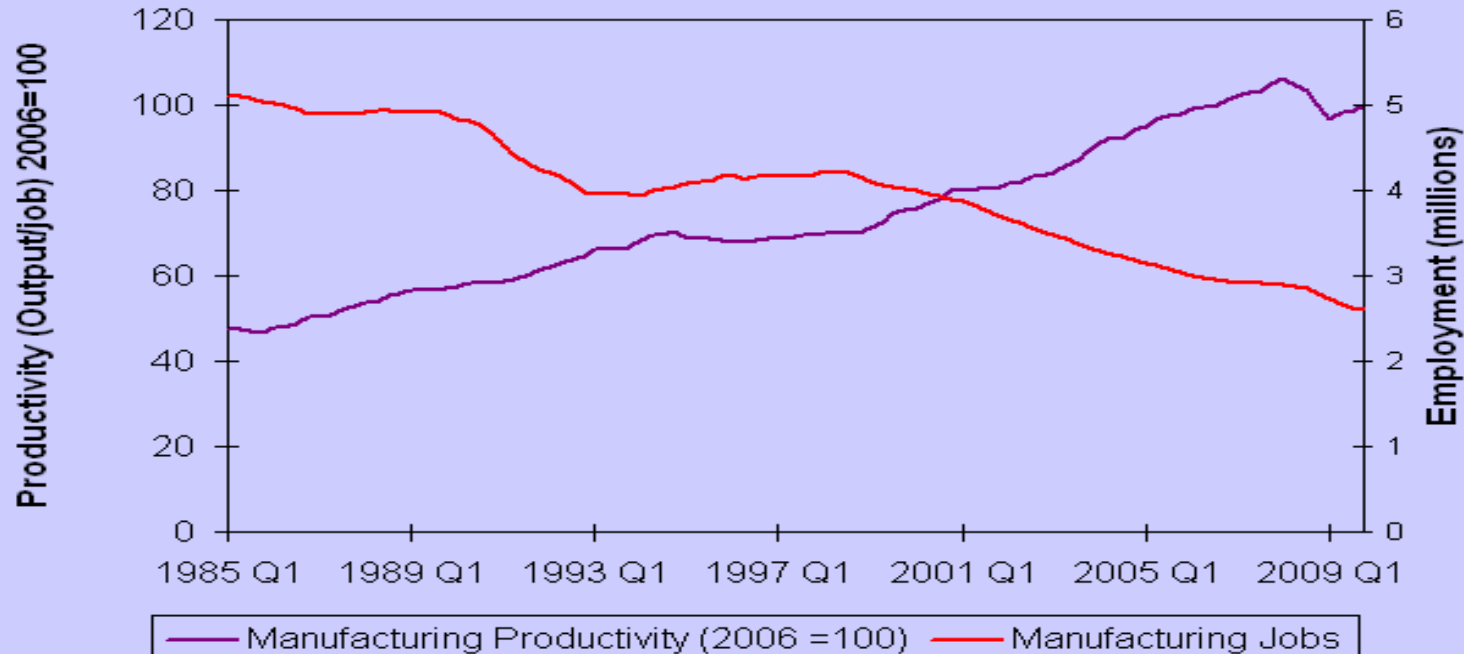


Figure 3: UK manufacturing productivity and employment (quarterly data)

Source: ONS productivity and employment data



Relative success of high technology

Figure 4: Gross Value Added of UK high technology sectors (£bn 2008 constant prices)

Source: ONS National Accounts

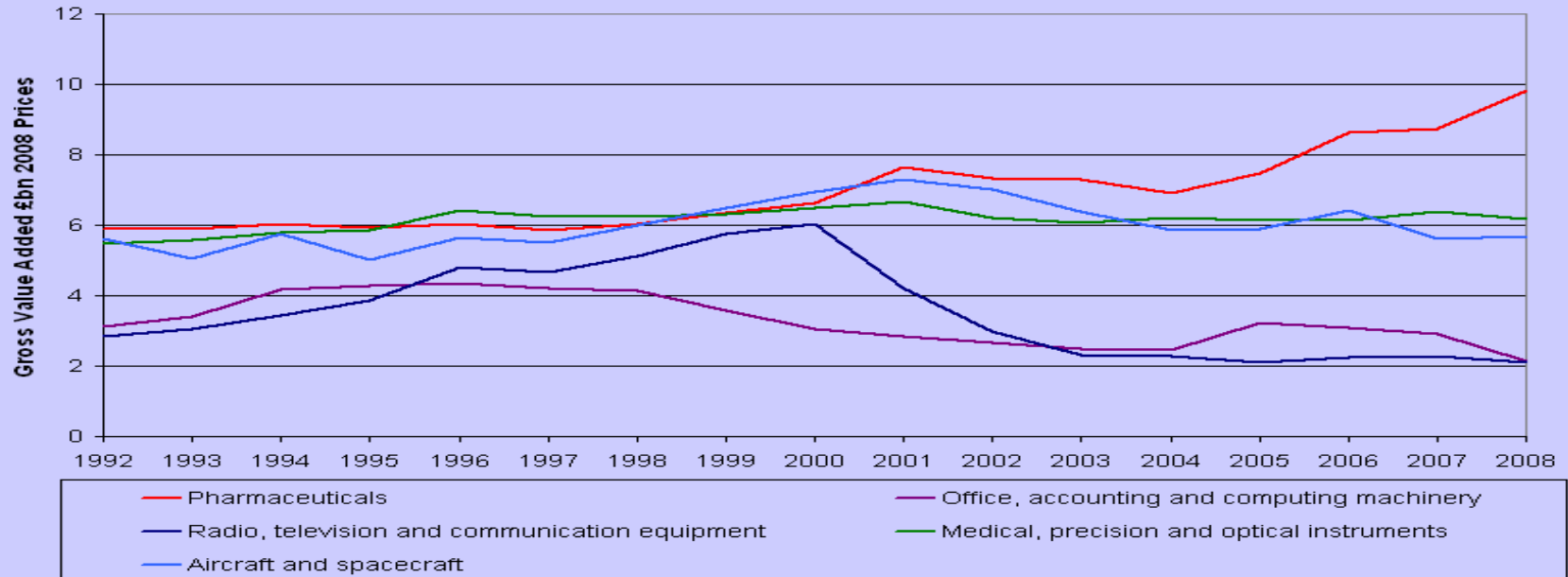


Figure 5: Value added in higher technology⁴ manufacturing as a percentage of total manufacturing value added

Source: OECD STAN database

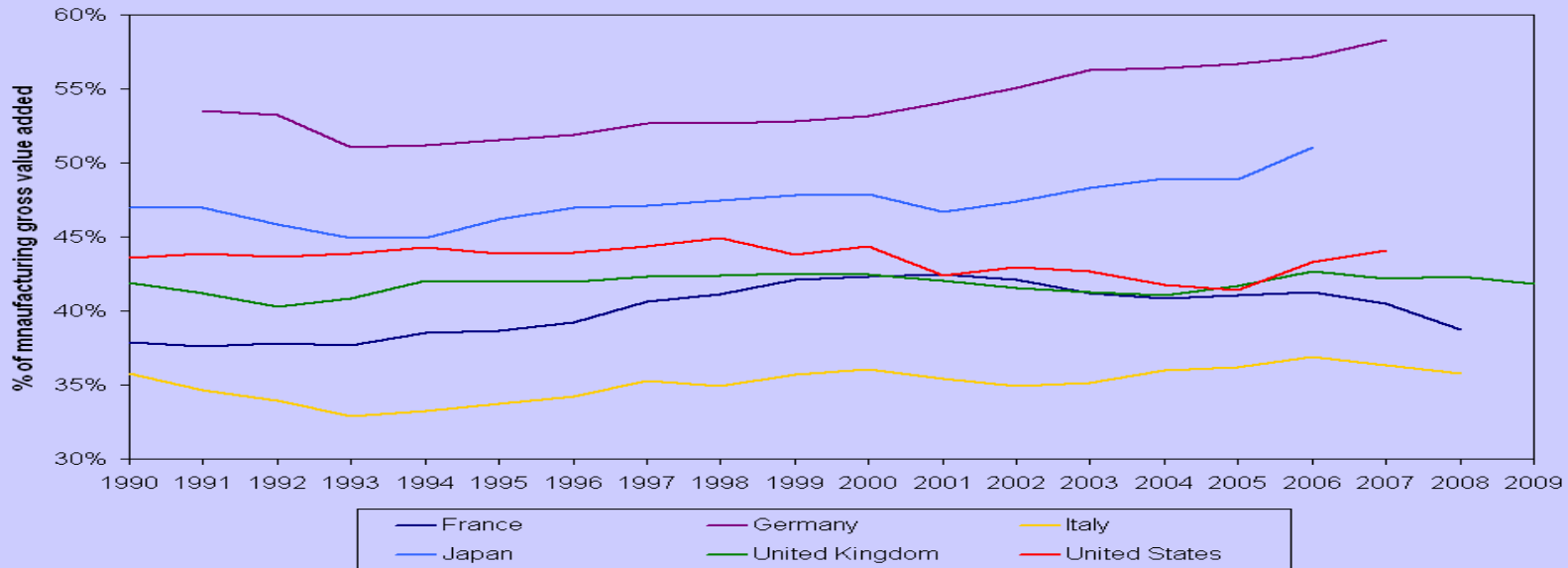


Figure 6: Relative productivity performance of UK manufacturing sector, 1991-2009

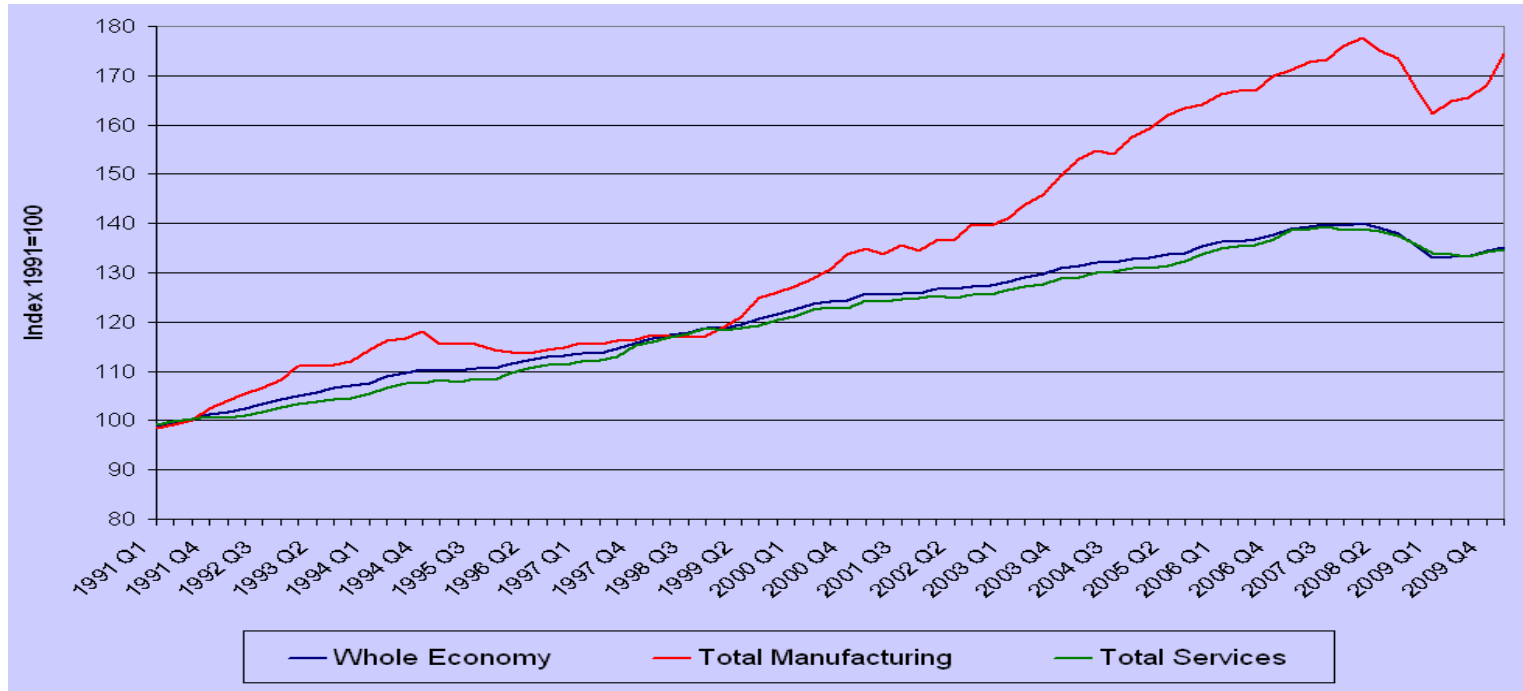
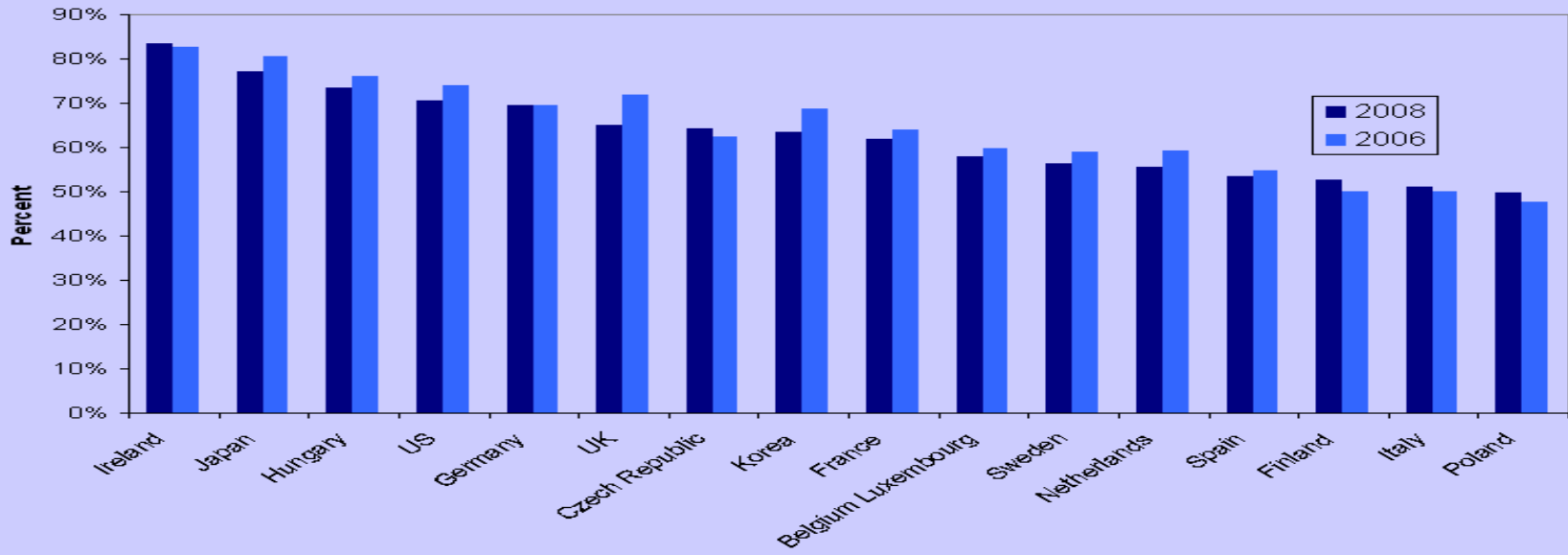


Figure 7: Exports of high and medium-high technology manufacturing goods as a percentage of total manufactured goods exports



Source OECD STAN Bilateral Trade Data

Figure 8: Comparative advantage in high and medium-high technology manufacturing exports broken down by industry for UK and comparator countries

Source: Based on OECD Micro Trade Indicators Data

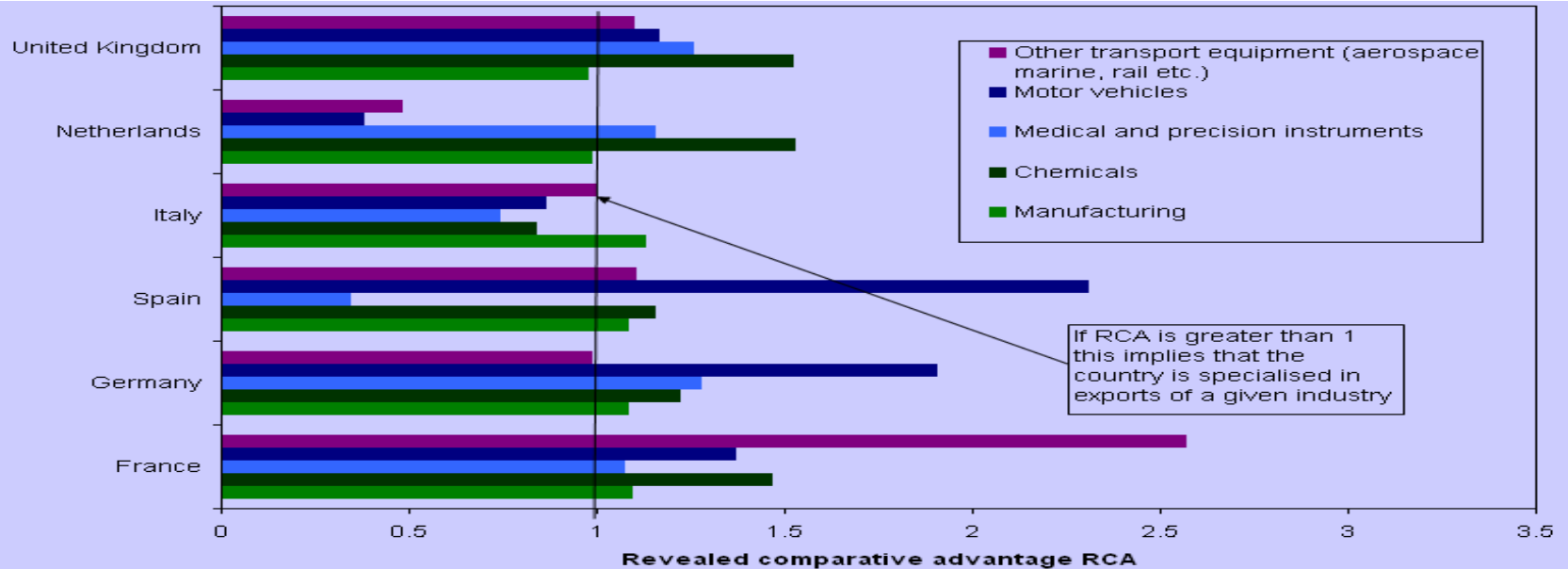
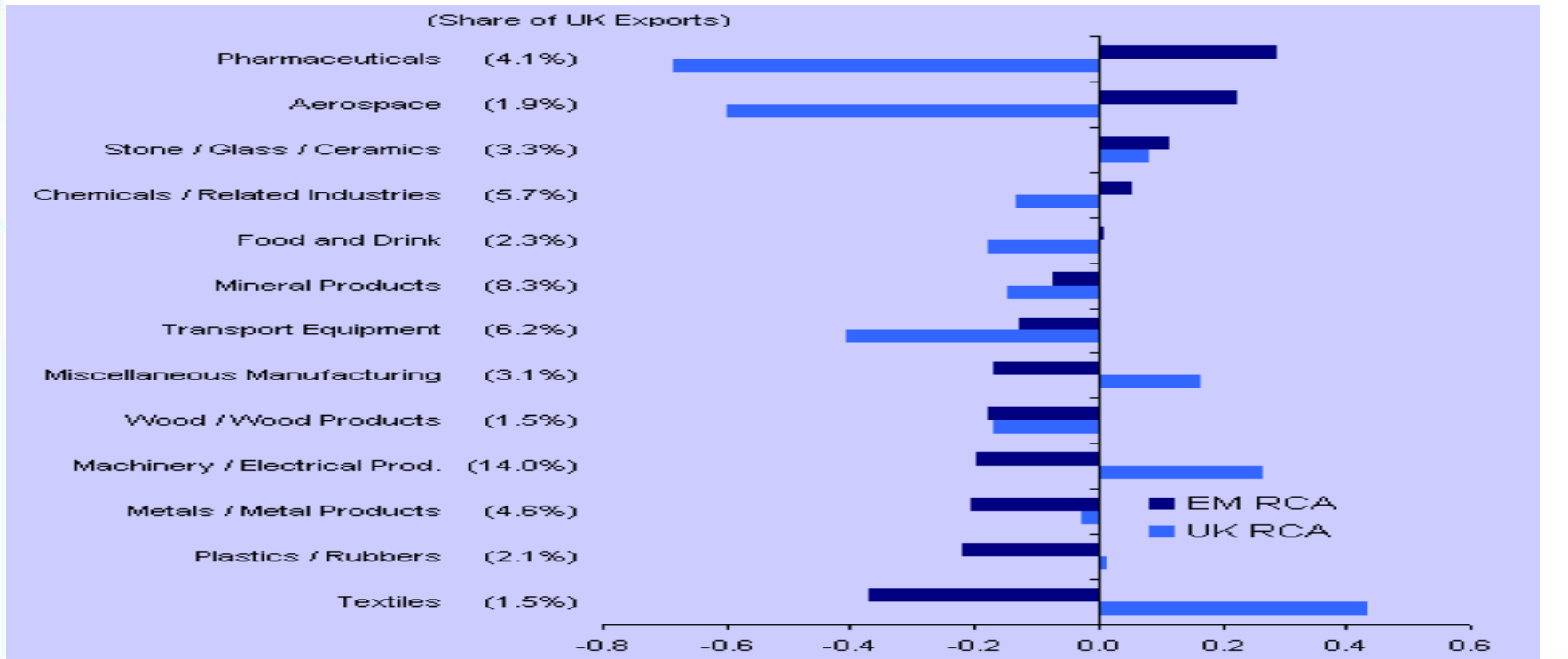


Figure 9: Comparative advantage in high and medium-high technology manufacturing exports broken down by industry for UK and comparator countries



The London Effect

The problem for the UK regions

Output per head

- Only two regions of the UK were above the UK average in output per head in 2009, London and the South East. Scotland was just below 100.
- The West Midlands was 8th with only Yorkshire and the Humber, North East, Wales and Northern Ireland below.

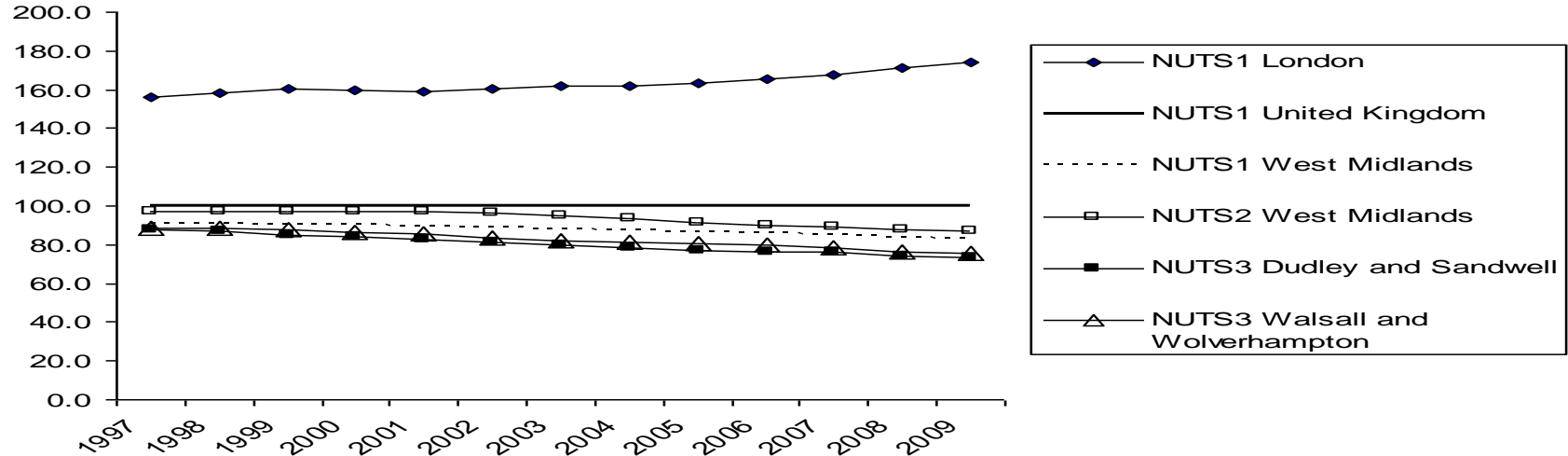
Regional share of GVA 2000 & 2009 (Source: ONS)

	NE	NW	Y&H	EM	WM	EE	Lon	SE	SW	W	S	NI
2000	3.4	10.1	7.3	6.2	8.1	8.6	20.1	14.7	7.6	3.8	8.0	2.3
2009	3.3	9.7	7.1	6.3	7.4	8.6	21.4	14.2	7.7	3.6	8.4	2.3

Only London & Scotland saw any real increase in GVA over the period, although East Midlands and South West saw marginal improvements. London dominates with more than twice the GVA of any other region. 49% of this is earned in finance and business service sectors in 2008 compared to 23-35% in these sectors in other regions. However, only 6% of London's GVA was derived from production sectors whilst in other regions 13-21% was from production sectors.

The problem of the UK regions, the West Midlands and the Black Country

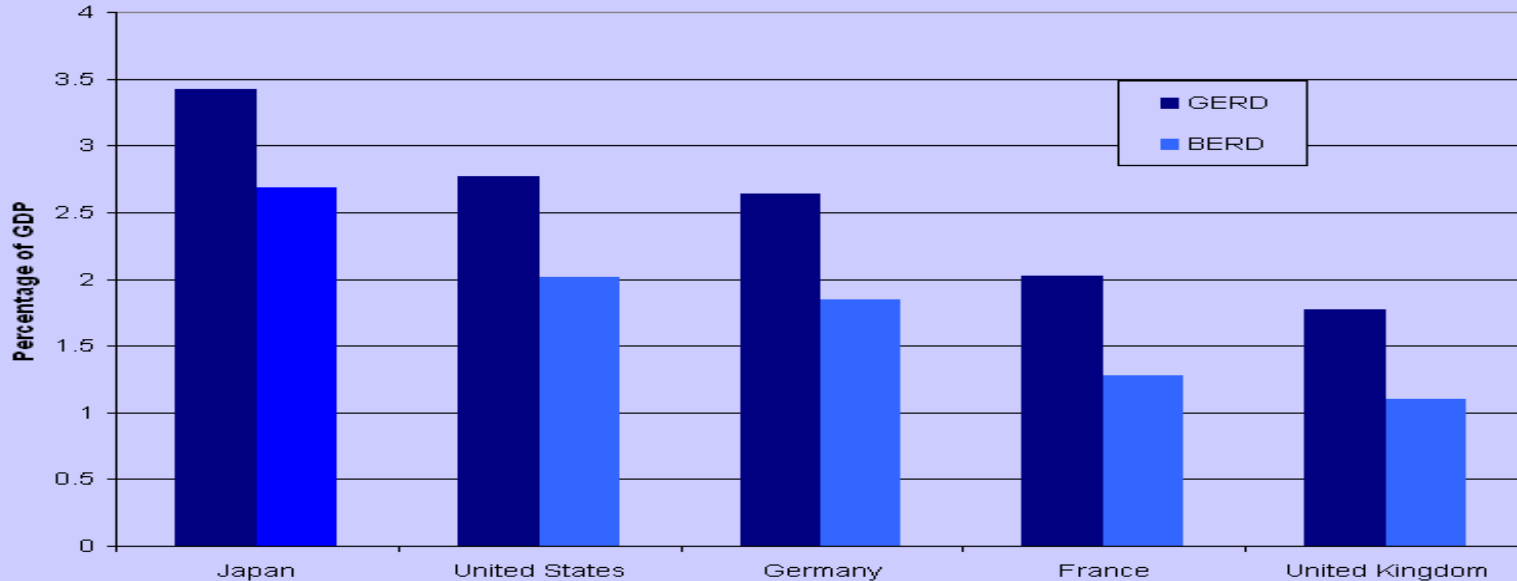
Headline Per Capita GVA as % of UK average 1997-2009



Research & Development

Figure 10: R&D expenditure as a percentage of GDP in 2008

Source: OECD Main Science and Technology Indicators



Education & Skills

- Problem of fewer higher qualified people working in manufacturing in the UK.
- UK graduates and other tertiary qualified professionals are less likely to work in manufacturing compared with the majority of EU countries.
- The question then is how do we promote working in manufacturing to university graduates?

The macroeconomic problem

- The limits to monetary policy – liquidity trap
- Fiscal austerity in time of recession
- The Eurozone crisis

Thank you for listening!
Any Questions?