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North-South divide narrows over the past five years

New research by Halifax shows that there has been a narrowing of the North*-South** divide on a number of key economic indicators over the past five years. Average earnings, employment and house prices have all increased more rapidly in the north:

- **Average annual full-time earnings** in the North have risen by 22% over the past five years, outpacing the 18% rise in the south.
- **Employment** in the north increased by 5.0%, almost double the 2.7% increase in the south and above the UK average of 4.0%.
- **Unemployment** – measured by the claimant count - in the north fell by 59,364 (-0.4%) over the past five years compared with a 28,510 (-0.2%) decline in the south over the period.
- The average **house price** in the north has risen by 97% over the past five years, almost double the 53% rise in the average house price in the south.

It has, however, not been all good news for the north with the south delivering faster GDP per head and productivity growth over this period:

- **GDP per head** in the south has risen by 29% since 2000, slightly higher than the 27% rise in the north.
- **Productivity growth***** averaged 1.6%pa in the north over the past five years compared with 2.4%pa in the south over the period.

Whilst the gap has narrowed on some measures in the last few years, the North-South divide remains significant across nearly all the key economic indicators:

*weighted average of North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland and Wales

**weighted average of Greater London, South East, South West and East of England

***as measured by the real change in GDP per worker in the UK

- **Earnings in the south are 21% higher.** Average annual full-time earnings in the south, at £31,020, in 2006 were 21% higher than in the north (£25,642).
- **Unemployment is higher in the north.** The claimant count unemployment rate remains higher in the north (2.6%) than in the south (1.9%).
- **House prices remain significantly higher in the south.** The average house price in the south in Q3 2007 was £265,921, 68% higher than the average house price in the north of £158,636.
- **GDP per head is 31% higher in the South.** GDP per head of £20,592 in the south in 2005 compared with £15,692 in the North – a difference of £4,900.

Tim Crawford, Group Economist at Halifax, said

"There have been encouraging signs that the North-South divide is closing with larger rises in earnings, employment and house prices in the north over the last five years.

The North-South divide, however, remains substantial on most key measures of economic activity with average earnings more than 20% higher in the south and house prices 68% higher."

KEY FINDINGS

Average Earnings (Table 1)

- Average annual full-time earnings rose by 22% over the five years to April 2006 in the north compared with an 18% increase in earnings growth in the south.
- The gap between earnings in the north and the south has narrowed over the past five years from 24% in 2001 to 21% in 2006. Average annual full-time earnings in the north in 2006 were £25,642 against £31,020 in the south. In 2001, average annual full-time earnings in the south were £26,197 against £21,102 in the north.

Employment (Tables 2 & 3)

- Employment grew by 5.0% (664,287) in the north over the five years to March 2007, outpacing the 2.7% increase (318,960) seen in the south.
- Full-time employment grew by 4.3% (387,718) in the north against an increase of 1.2% (100,148) in the south over the five years to March 2007. Part-time employment rose by 6.0% (218,812) in the south over the past five years, slightly below the 6.4% (276,569) increase in the north.
- Employment in predominantly public sector industries - public administration, education and health - accounted for 55% of total employment growth in the north over the past five years. In the south, employment in these sectors accounted for 33% of total employment growth.
- 26% of employees work in business and financial services in the south against 17% in the north. 13% of employees work in manufacturing in the north compared with 9% in the south.

Claimant Count Unemployment (Table 4)

- The claimant count in the north fell by 59,364 (-0.4%) over the past five years, while it fell by just 28,510 (-0.2%) in the south.
- The claimant count unemployment rate remains higher in the north (2.6%) than in the south (1.9%) in July 2007.
- Five years ago, the claimant count unemployment rate in the north was 2.9% against a 2.1% claimant count unemployment rate in the south.

House Prices (Table 5)

- The average house price in the south in Q3 2007 was £265,921, 68% higher than the average house price in the north of £158,636.
- The Q3 2007 differential of 68% represents a substantial narrowing over the past five years from peak of 115% (£92,688) in Q3 2002.
- The average house price in the north has risen by 97% over the five years to Q3 2007, nearly double the 53% rise in the average house price in the south.
- In 2006, the south had average private housing assets of £183,628 per household, 54% higher than in the north, £118,990. In 2001, average housing assets in the south were 91% higher than in the north, highlighting how the gap has narrowed more recently.

GDP and Productivity (Tables 6 & 7)

- GDP per head in the north increased by 27% over the five years to 2005 compared with a 29% rise in the south.
- In 2005, the south had an average GDP of £20,592 per head. This was 31% higher than the average GDP per head in the north of £15,692. This gap is equal to £4,900, compared to £3,641 five years earlier. In 2000, GDP per head in the south (£16,002) was 29% higher than in the north (£12,361).
- Productivity growth averaged 2.4%pa in the south over the five years to 2005, compared with 1.6%pa in the north over the period, according to the latest figures.

Table 1 – Average Earnings in the North and the South

	Average Annual Full-Time Earnings	
	2001	2006
North	21,102	25,642
South	26,197	31,020
South/North	1.24	1.21
North East	19,968	24,014
North West	21,544	25,901
Yorkshire & the Humber	20,618	25,340
East Midlands	20,706	26,281
West Midlands	22,048	25,761
Wales	20,062	24,757
Scotland	21,377	26,130
East	21,497	29,562
London	23,093	35,168
South East	31,543	31,122
South West	24,814	26,260
UK	23,384	27,940

Source: ONS

Table 2 – Employment Growth - North/South Comparisons

	Total Employment (Mar 2007)	5 yr actual change	5 yr % change
North	14,036,129	664,287	5.0%
South	12,299,177	318,960	2.7%
UK	27,047,524	1,034,428	4.0%
	Full-Time Employment (Mar 2007)	5 yr actual change	5 yr % change
North	9,457,575	387,718	4.3%
South	8,462,129	100,148	1.2%
UK	18,388,649	518,376	2.9%
	Part-Time Employment (Mar 2007)	5 yr actual change	5 yr % change
North	4,578,554	276,569	6.4%
South	3,837,048	218,812	6.0%
UK	8,658,875	516,052	6.3%

Source: ONS

Table 3- Percentage Employed by Industry

As at Mar 07	North	South	UK
Agriculture and Fishing	0.9%	0.8%	0.9%
Utilities	0.7%	0.4%	0.6%
Manufacturing	13.1%	8.5%	10.9%
Construction	5.2%	4.0%	4.7%
Retailing, hotels and restaurants	23.5%	24.0%	23.7%
Transport and Communications	5.4%	6.5%	5.9%
Business and Financial services	17.2%	25.5%	20.8%
Public admin, health and education	28.9%	24.8%	27.2%
Other services	5.1%	5.5%	5.3%

Source: ONS

Table 4 – Claimant Count - North/South Comparisons

	Claimant Count Unemployment Rate		Total claimant count	Actual change in claimant count	Percentage Point change in claimant count unemployment rate
	Jul-02	Jul-07	Jul-07	5 yrs	5 yrs
North	2.9%	2.6%	514,070	-59,364	-0.4%
South	2.1%	1.9%	315,830	-28,510	-0.2%
UK	2.6%	2.3%	854,149	-102,228	-0.3%

Source: ONS

Table 5 – House Price performance in the North and the South

	Average House Price South	Average House Price North	Average House price South/ Average House Price North	Average House price South less Average House Price North
02 Q3	173,323	80,635	2.15	92,688
03 Q3	193,739	101,032	1.92	92,707
04 Q3	215,188	128,009	1.68	87,179
05 Q3	214,849	135,681	1.58	79,168
06 Q3	232,646	146,700	1.59	85,946
07 Q3	265,921	158,636	1.68	107,285
5 yr % change	53%	97%	-	-

Source: Halifax

Table 6 – GDP Per head North/ South Comparisons

	GDP Per Head		5 Yr % change
	2000	2005	
South	16,002	20,592	29%
North	12,361	15,692	27%
South/ North	1.29	1.31	
North East	11,007	14,048	28%
North West	12,353	15,504	26%
Yorkshire & the Humber	12,229	15,419	26%
East Midlands	12,734	16,451	29%
West Midlands	12,791	15,812	24%
East of England	15,150	18,933	25%
London	18,394	24,075	31%
South East	16,279	20,375	25%
South West	12,962	16,685	29%
Wales	10,920	13,813	26%
Scotland	13,256	16,944	28%
UK	14,281	18,051	26%

Source: ONS

Table 7 – Productivity growth North/ South Comparisons

	Productivity growth 5 yr %pa	Productivity growth 10 yr %pa
North	1.6%	1.2%
South	2.4%	2.2%
East	2.0%	1.8%
West	1.6%	1.3%
North East	1.6%	1.0%
North West	1.4%	1.1%
Yorkshire & the Humber	1.7%	1.5%
East Midlands	2.3%	1.7%
West Midlands	1.3%	1.4%
East	2.0%	1.8%
London	2.8%	2.3%
South East	2.2%	2.3%
South West	2.4%	1.9%
Wales	1.2%	0.8%
Scotland	1.6%	1.1%
UK	2.0%	1.7%

Source: ONS

*as measured by the real change in GDP per worker in the UK

Editors' Notes

The regions analysed in this research are the nine English Government Office Regions, together with Wales & Scotland. Northern Ireland was not included due to a lack of data.

Economic performance is measured using regional GDP per head. GDP per head is sourced from Regional Accounts, Office for National Statistics (ONS).

Earnings data is sourced from the Annual Survey of Hours & Earnings for 1997 – 2006.

Private housing wealth per household is calculated using the Halifax house price estimates, government tenure data and government Housing Condition Surveys.

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