



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

GDP per head in European Regions

This paper gives details of the latest regional per capita GDP data (published on 26 January 2005) for Wales compared with the average for the European Union as a whole.

Per capita GDP as a proportion of the European average is the key indicator used to identify regions eligible for European structural funding support. Current European Commission proposals are that regions with per capita GDP below 75% of the EU25 average will qualify for Objective 1 funding in the next round of EU structural funds programmes, from 2007-2013.

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GDP per head in European Regions

Eurostat released statistics on regional per capita Gross Domestic Product¹ (GDP) on 26 January 2005².

The data show that:

- ◆ per capita GDP in West Wales and the Valleys represented 75.5% of the average for EU25 as a whole in 2002. The equivalent figures for East Wales and Wales as a whole were 115.9% and 90.2% respectively.
- ◆ over the three years 2000-2002, per capita GDP in West Wales and Valleys represented 73.8% of the average for EU 25, suggesting that the region would continue to qualify for Objective 1 support³ post 2006.
- ◆ should agreement on future EU funding slip to 2006, qualification for Objective 1 funding would be on the basis of 2001-2003 data. Per capita GDP in West Wales and the Valleys would have to increase to approximately 76.8% of the EU25 average in 2003 to bring the three-year (2001-03) average to 75%.
- ◆ average per capita GDP across the Union has declined with the accession of new Member States. To avoid regions currently in receipt of Objective 1 funding losing eligibility purely for this reason (termed, 'the statistical effect'), transitional funding for affected regions is proposed. Eligibility for such funding would be calculated on the basis of per capita GDP relative to the average for EU15, rather than EU25.
- ◆ on the basis of 1999-2001 figures, published last year, West Wales and the Valleys would have been classified as a "statistical effect" region and eligible for transitional funding post 2006, as it's average GDP was above 75% of EU25 but below 75% of EU15⁴.
- ◆ per capita GDP in West Wales and the Valleys over the 3 years 2000-2002 represented 67.4% of the average for EU15, well below the threshold for statistical effect funding.

¹ Data on GDP per capita are based on regional population figures which do not yet take into account revisions following the recent round of censuses for the Czech Republic, Ireland, Italy, Slovakia and United Kingdom. Therefore data for these Member States may be subject to revision.

² Eurostat News Release, Regional GDP per capita in the EU25, 25 January 2005:

<http://www.europa.eu.int/rapid/pressReleasesAction.do?reference=STAT/05/13&format=HTML&aged=0&language=EN&guiLanguage=en>

Further data can be found on the Eurostat web-site at:

http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/general/regio/econ-esa95/gdp95&language=en&product=EU_general_statistics&root=EU_general_statistics&scrollto=258

³ 2000-2002 data would be used if agreement were to be reached on the EU's budget post 2006 at the June Council, and Member States were then able to agree the draft regulations for the structural funds programmes before the end of this year. Should agreement slip to 2006, qualification will be on the basis of 2001-2003 data.

⁴ data for 1999 and 2000 have subsequently been revised.



Table 1 shows GDP per capita⁵ as a percentage of the EU25 average, for the UK, NUTS 1 and 2 areas of Wales⁶, and other Objective 1 regions of the UK for the period 1995 to 2002.

Table 1: GDP per head as a percentage of EU25 average
(at purchasing power parity rates of exchange)

Area	% of EU25 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	80.3	81.3	80.3	76.4	74.4	73.1	72.7	75.5
East Wales	110.3	107.9	111.2	110.8	111.3	112.5	116.4	115.9
Wales	91.1	90.9	91.5	89.0	87.9	87.4	88.5	90.2
United Kingdom	110.4	111.6	114.0	113.6	113.1	114.0	115.1	117.8
Merseyside	79.8	78.2	80.1	83.3	80.1	82.3	81.0	87.0
South Yorkshire	81.4	82.3	83.4	86.2	82.5	84.4	86.0	89.8
Cornwall & Isles of Scilly	68.2	70.1	69.0	67.8	67.1	67.5	69.7	72.6

Table 2 shows similar data expressed as a percentage of the EU15 average.

Table 2: GDP per head as a percentage of the EU15 average
(at purchasing power parity rates of exchange)

Area	% of EU15 average							
	1995	1996	1997	1998	1999	2000	2001	2002
West Wales & Valleys	72.5	73.6	72.8	69.4	67.7	66.6	66.4	69.0
East Wales	99.6	97.7	100.9	100.7	101.2	102.4	106.2	106.0
Wales	82.2	82.3	83.0	80.8	79.9	79.5	80.8	82.4
United Kingdom	99.7	101.0	103.5	103.3	102.9	103.8	105.1	107.7
Merseyside	72.0	70.8	72.7	75.6	72.8	74.9	73.9	79.5
South Yorkshire	73.5	74.6	75.7	78.4	75.0	76.8	78.5	82.0
Cornwall & Isles of Scilly	61.6	63.5	62.6	61.6	61.0	61.5	63.6	66.3

⁵ These estimates use the PPS (purchasing power standard) which is an artificial currency that reflects differences in national price levels that are not taken into account by exchange rates. This unit allows meaningful volume comparisons of economic indicators over countries.

⁶ The Nomenclature of Units for Territorial Statistics (NUTS) breakdown provides a single uniform breakdown for the production of regional statistics for the European Union. There are three levels of NUTS in the UK. These are:

- NUTS 1: Government Office Regions and Scotland, Wales and Northern Ireland.
- NUTS 2: 37 areas, often referred to as sub-regions.
- NUTS 3: 133 areas, generally groups of unitary authorities or districts, also known as local areas.

Estimates of Gross Domestic Product

According to Eurostat⁷, real GDP in the EU 25 area grew by 1.2% between Q4 2002 and Q4 2003. This compares to 1.1% for the EU 15 area, and 2.7% in the UK. Hence growth in the UK was 1.5 percentage points higher than in the EU 25 area over this period.

In 2003, growth in Wales exceeded that seen in the UK as a whole - between 2002 and 2003, total Gross Value Added (GVA)⁸ in Wales grew by 6.0%, and by 5.0% in the UK⁹.

Between 2001 and 2002, total GVA grew by 4.6% in West Wales and the Valleys, 5.6% in East Wales and 5.4% in the UK as a whole¹⁰. Estimates are not yet available for 2003 for the NUTS 2 regions.

These estimates suggest that, given higher growth in the UK than in the EU 25 area, there should be further relative improvement among UK regions in 2003. Given that growth in Wales exceeded that of the UK as a whole in 2003, Wales' position should improve relative to that of the UK. However, it is not possible to estimate relative growth within the two NUTS 2 areas of Wales.

GDP in West Wales and the Valleys would have to increase to approximately 76.8% in 2003 to increase the three year (2001-03) average to 75% of EU25 per capita GDP

Although it is not possible to make an accurate estimate of per capita GDP in West Wales and the Valleys relative to the EU 25 in 2003, an estimate can be calculated of what would happen if per capita GDP in the regions of the UK grew at 2.7% compared to 1.2% in the EU 25 area (Eurostat's latest forecasts of growth in 2003).

In this scenario, per capita GDP in West Wales and the Valleys would increase to around 76.6% of the EU 25 average. The three-year average would be some 74.9% of EU 25 per capita GDP.

This estimate suggests that, if per capita growth in West Wales and the Valleys maintains a similar rate to that forecast for the UK in 2003, the region can be expected to be on the borderline of being eligible for continued Objective 1 status post 2006.

⁷ Eurostat news release, *Euro-zone and EU25 GDP up by 0.3%*, 12 January 2005
http://epp.eurostat.cec.eu.int/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2005/PGE_CAT_PREREL_YEAR_2005_MONTH_01/2-12012005-EN-AP.PDF

⁸ GVA is a similar measure to GDP. GVA plus taxes less subsidies on products equals GDP. The GVA growth rates are nominal growth rates which are unadjusted for inflation. Growth rates in real terms are unavailable for regions of the UK. Further information on GDP and GVA measures can be found on the ONS web-site at:
<http://www.statistics.gov.uk/ci/nugget.asp?id=254>

⁹ ONS First Release, Regional gross value added, 22 December 2004:
<http://www.statistics.gov.uk/pdfdir/qvar1204.pdf>

¹⁰ These data are available on the Office for National Statistics web-site at:
<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=7359>