

# Recession Proofing

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The UK economy officially entered recession at the end of 2008 following two quarters of negative growth. Although the economic downturn has been global, not all places will experience the same effects. In order to describe the likely impact of the recession on local areas in the UK we have looked at how the recession has hit different industries and how exposed local areas are to these sectors. The logic is that if the local economy is over-exposed to industries that have suffered, then the local economy will suffer more during recession (and vice versa).

This report is split into four sections.

- The first describes National trends by industry. We seek to identify the sectors of the economy that will likely suffer the most and least during recession.
- The second describes how exposed your local economy is (currently) to these sectors.
- The third compares the two preceding analyses to predict how the local economy will fair if the national trends continue. We forecast growth in Manchester based upon it's local exposure to national sector trends.
- The fourth section improves on the above analysis to allow for changes in Manchester's sector structure.

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## 1 National Sector Trends

The global financial crisis of 2008 has gradually lead to recession in the real economy. The affect has varied by sector. The Annual Population Survey shows that total employment has grown over the past five years, peaking in 2007/8 . Growth has continued in Agriculture & fishing , Banking, finance & insurance etc , Other services  and Public admin, education & health . Employment has begun to fall in Construction , Distribution, hotels & restaurants , Energy & water , Manufacturing  and Transport & communication .

## 2 Local Sector Mix

In comparison with the National economy, Manchester has more employment in Construction, Other services, Energy & water and Public admin, education & health and less in Agriculture & fishing, Distribution, hotels & restaurants, Transport & communication, Manufacturing and Banking, finance & insurance etc.



Figure 1: Location Quotients

## 3 Local Exposure to National Trends

Together the two analyses presented above provide an indication as to the likely impact of the recession locally. Manchester has:

- High local exposure to nationally growing sectors: Other services and Public admin, education & health
- Low local exposure to nationally growing sectors: Agriculture & fishing and Banking, finance & insurance etc
- High local exposure to nationally falling sectors: Construction and Energy & water
- Low local exposure to nationally falling sectors: Distribution, hotels & restaurants, Manufacturing and Transport & communication

We can calculate a growth forecast for Manchester by weighting national sector trends according to the local sector mix. On this basis the growth forecast for Manchester is -0.454% (negative growth means that the economy is forecast to shrink) this is a slower rate of decline than exhibited in the National economy (-0.521%).

Of the 379 Local Authority Districts, Manchester ranks 185th. The chart below sets this score in context of similarly ranked districts.

## Recession Proofing Score by Local Autl

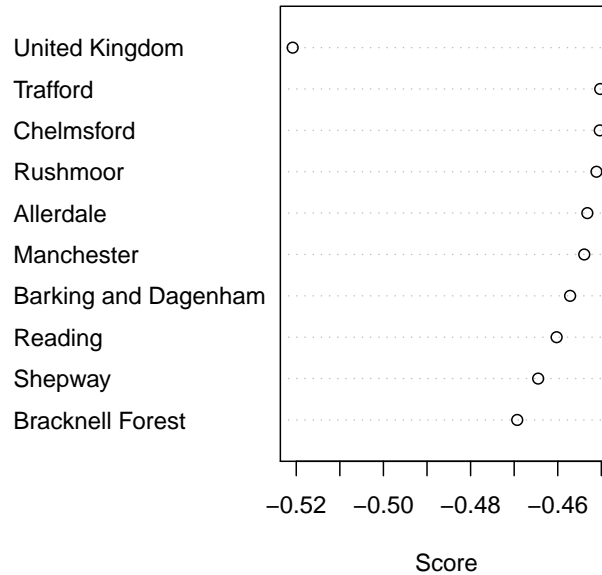


Figure 2: How Recession Proof is Manchester?

## 4 Shift Share

The above assumes that the sector mix remains constant. This analysis - known as shift share - allows for changes in the industrial structure of Manchester. The change in employment can be decomposed into three components:

- Manchester's share of national growth: i.e. the change in employment that can be attributed to national sector trends.
- The change in the mix of activities in Manchester: i.e. the change in employment that can be attributed to a change in the local sector mix.
- The shift of activities towards Manchester: i.e. the change in employment that can be attributed to a shift in sector employment to the local area.

sector	share	mix	shift	change
Agriculture & fishing	-5.19	37.96	267.24	300.00
Banking, finance & insurance etc	-180.62	639.44	1041.18	1500.00
Construction	-62.32	-296.55	458.87	100.00
Distribution, hotels & restaurants	-259.68	-30.43	-1609.90	-1900.00
Energy & water	-13.27	-139.68	-547.05	-700.00
Manufacturing	-122.34	-874.79	-2702.87	-3700.00
Other services	-80.21	575.21	-2495.00	-2000.00
Public admin, education & health	-319.11	503.28	2015.84	2200.00
Transport & communication	-94.06	-358.26	152.32	-300.00

(a) Shift

Table 1: Shift-Share

If we incorporate the changing structure of Manchester's economy, our growth forecast becomes -0.59%.