

## GVA/GDP/GDHI

### Introduction

Gross Value Added (GVA), Gross Domestic Product (GDP) and Gross Disposable Household Income (GDHI) are indicators of economic prosperity that allow comparisons of regional and national performance to be made and to examine progress over time. All these measures have been used to monitor the progress of the Welsh economy against other UK regions and other parts of the EU.

**GVA** is the difference between output and *intermediate consumption* for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA therefore measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom and is used in the estimation of GDP

**GDP** is defined as the total value of all goods and services produced within a country or region. It is a key indicator of the state of the whole economy. In the UK, three theoretical approaches are used to estimate GDP: 'production', 'income' and 'expenditure'. Under the European System of Accounts 1995 (ESA95), the term GVA is used to denote estimates that were previously known as GDP at basic prices. Under ESA95 the term GDP denotes GVA plus taxes (less subsidies) on products, i.e. at market prices. Regional accounts are currently only published at basic prices, so the figures are now referred to as GVA rather than GDP as in previous publications.

**GDHI** is the amount of money that households have available for spending or savings, hence disposable income. This is money left after expenditure associated with income, for example, taxes and social contributions, property ownership and provision for future pension income. The household sector covers people living in traditional households as well as those living in institutions.

### Headline Statistics

#### GVA

- ◆ GVA per head<sup>i</sup> in Wales in 2005<sup>ii</sup> was £13,813 or 78.1 per cent of the UK average. GVA per head in Wales relative to the UK fell between 1995 and 1999 but has remained fairly stable since then.
- ◆ GVA per head in Wales in 2005 was the lowest of all the devolved countries and English regions and has been the lowest since 2002 when it fell below the North East.

#### GDP

- ◆ Per capita GDP as a proportion of the European average is the key indicator used to identify regions eligible for European structural funding support.
- ◆ GDP per head in Wales in 2004 was €22,567 or 95.8 per cent of the average for the 27 countries of the EU<sup>iii</sup> as a whole, when expressed using the purchasing power standard (PPS)<sup>iv</sup>. The equivalent figures for East Wales and West Wales and the Valleys were 122.9% and 80.3% respectively.
- ◆ GDP per head in Wales in 2004 was the lowest amongst the devolved countries and English regions and has been the lowest since 1998 when it fell below the North East.

#### GDHI

- ◆ GDHI per head in Wales in 2005 was £11,851 or 89.2 per cent of the UK average, its highest relative level since 1995. Having declined between 1995 and 1999, this proportion has increased in each of the last 5 years.
- ◆ GDHI per head in Wales in 2005 was the 3rd lowest amongst the devolved countries and English regions, after the North East and Northern Ireland. This ranking for Wales has not changed across the period 1995 to 2005.

## Key Assembly Government strategy documents and action plans from the Second Assembly:

*Wales: A Vibrant Economy*<sup>v</sup> is the Welsh Assembly Government's strategic framework for economic development. The Assembly Government's approach to assessing the effectiveness of W:AVE is based around tracking progress in a range of economic indicators, including GVA per capita and GDHI per capita.

## Legacy issues from the Second Assembly

The Enterprise, Innovation and Networks Committee's legacy paper highlighted a number of issues for the attention of the Third Assembly including the continued scrutiny and monitoring of *Wales: A Vibrant Economy*.

## Useful links

The latest regional GVA figures, produced by the Office for National Statistics, are available at: <http://www.statistics.gov.uk/pdfdir/gva1206.pdf>

The latest European regional GDP statistics, produced by Eurostat, can be found at: [http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP\\_PRD\\_CAT\\_PREREL/PGE\\_CAT\\_PREREL\\_YEAR\\_AR\\_2007/PGE\\_CAT\\_PREREL\\_YEAR\\_2007\\_MONTH\\_02/1-19022007-EN-AP.PDF](http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_AR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_02/1-19022007-EN-AP.PDF)

The latest GDHI figures, produced by the Office for National Statistics, are available at: <http://www.statistics.gov.uk/pdfdir/gdhi0307.pdf>

The web pages of the National Assembly for Wales' Statistical Directorate are at: <http://new.wales.gov.uk/topics/statistics/?lang=en>

StatsWales is a free-to-use service that allows visitors to view, manipulate, create and download tables from detailed official data on Wales. <http://www.statswales.wales.gov.uk/index.htm>

## Further information

Research papers are available on economic indicators, regional Gross Value Added and Gross Domestic Product per head in European regions at <http://assembly/presidingoffic/mrs/briefings/index.htm>

For further information on any of the statistics covered in this brief, please contact:

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<sup>i</sup> The wide variation in the size of the regions of the UK makes it difficult to compare the regions' economic performance using cash totals; comparisons are therefore usually expressed in terms of amounts per head of the population. However, it is important to note that the growth in totals may be quite different to the growth per head in regions where the population has increased or decreased.

<sup>ii</sup> 2005 figures are provisional

<sup>iii</sup> Bulgaria and Romania joined the EU on 1 January 2007, raising the number of member states to 27.

<sup>iv</sup> The purchasing power standard 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.

<sup>v</sup> Welsh Assembly Government, November 2005, [Wales: A Vibrant Economy – The Welsh Assembly Government's Strategic Framework for Economic Development](#)