Megatrends and the West Midlands 2021

West Midlands Regional Economic Development Institute

FOR THE WEST MIDLANDS COMBINED AUTHORITY

UNIVERSITY OF BIRMINGHAM | BIRMINGHAM BUSINESS SCHOOL
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West Midlands Combined Authority

City Centres and Megatrends

1. Introduction

As the recovery from the COVID-19 pandemic takes hold, the interaction of the economic reopening with long-term 'megatrends' in technology and demography makes for defining questions about how city centres will function in the future. Different possible scenarios for work and leisure uses in the city have implications for everything from jobs and consumer spending, to house prices and the operation of the transport system.

Recent interviews and workshop discussions with key stakeholders in the region raise the following challenges:

- Negative implications of working from home, including impaired learning and development.
- Need for frequent and reliable trains, spreading peak public transport demand across the day.
- The need for a compelling city centre offer including both employment and leisure, given the reduction in the number of commuters. This will likely also mean greater residential development near the city centre.
- Rapid utilisation of new technologies threatens to leave some behind.
- Challenges of Net Zero in developing new office and residential space.
- Providing skills and employment support to the increased number of unemployed young people, and those leaving the furlough scheme.
- Rising inequality may be exacerbated in some scenarios of strong economic recovery, particularly due to upward pressure on rents.

As well as opportunities, including:

- More flexible working, making it possible to re-imagine office space around collaboration.
- Pent up demand from a high savings rate during COVID.
- Re-imagining health services via social prescribing and an emphasis on prevention in the face of rising chronic disease.
- Greater localisation and the development of cycle lanes and the Clean Air Zone are opening up possibilities for greater environmental stewardship and the path towards Net Zero.
- Ramping up provision of digital skills via bootcamps, and improving digital services as skills and infrastructure improve.

The data analysis set out below explores how existing trends in demographics, crime, footfall, transport, and housing interact with four different possible scenarios for economic recovery. These scenarios are based on differing levels of recovery in **1.** Manufacturing and **2.** Entertainment, Recreation, and Leisure:

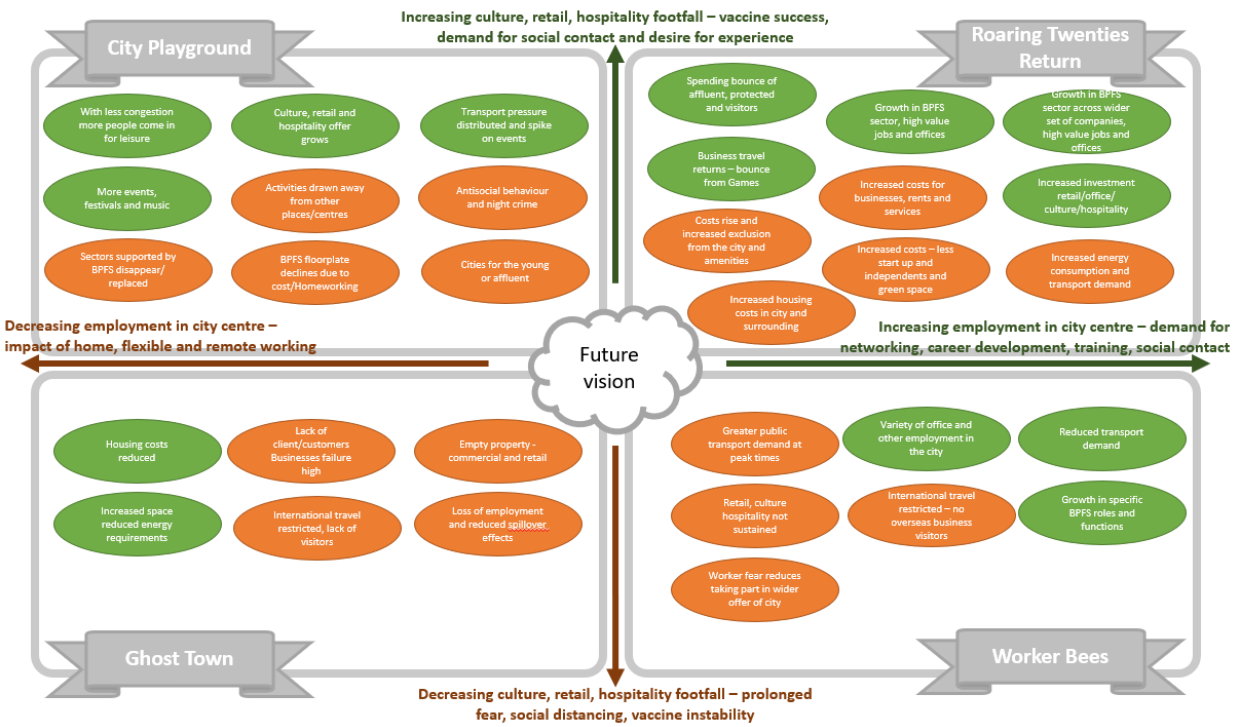

***Figure 1**: The two dimensions of our scenario: city centre employment and retail and hospitality footfall, define four distinct scenarios with their own unique characteristics.*

2. Methodology

2.1 Urban Centre

The focus of our analysis is on the West Midlands region and its urban conurbations. Its boundaries are delineated in the map below (**Figure 2**). These boundaries have been drawn with reference to the outer ring road, and encompass the city centre's core entertainment and services functions:

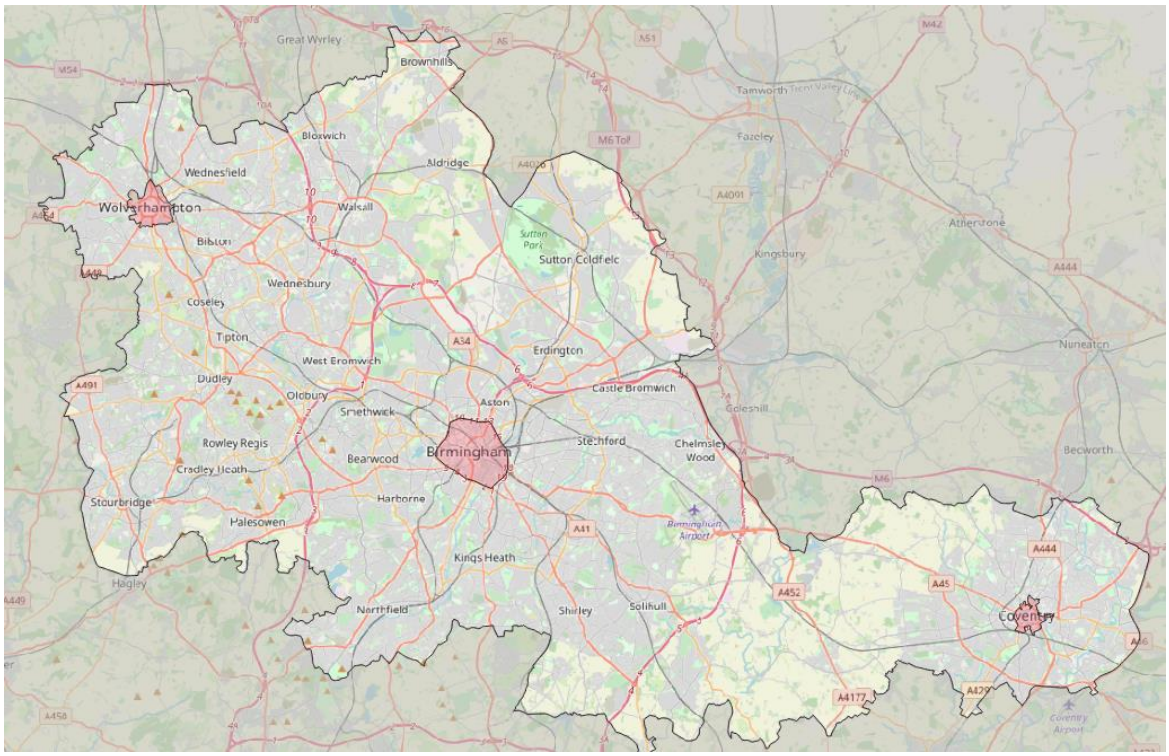

***Figure 2**: Map of the West Midlands metropolitan area, with city centres highlighted.*

2.2 Data Sources and Approach

A wide range of data sources on individual and business demographics, consumer spend, transport, and crime are needed to understand long-term trends in our main urban centre. This includes the following sources:

- Footfall data obtained from the Centre for Cities
- House sale price data from the Land Registry and analysis from Savills
- Internal Migration matrices from the ONS, based on GP registrations
- Travel flow data from TfWM, collected from surveys and transport operators
- Police reports from https://data.police.uk/
- Companies House records of registered business by sectors and postcodes
- Red Flag Alert company-level business insight
- Economic scenario analysis via the SEIM input-output economic model

3. Economic Trends and Scenarios

3.1 Transport Patronage

The two charts below (**Figure 3, Figure 4**) show the daily as well as weekly profiles for vehicles entering a cordoned area corresponding to Birmingham City Centre in 2019:

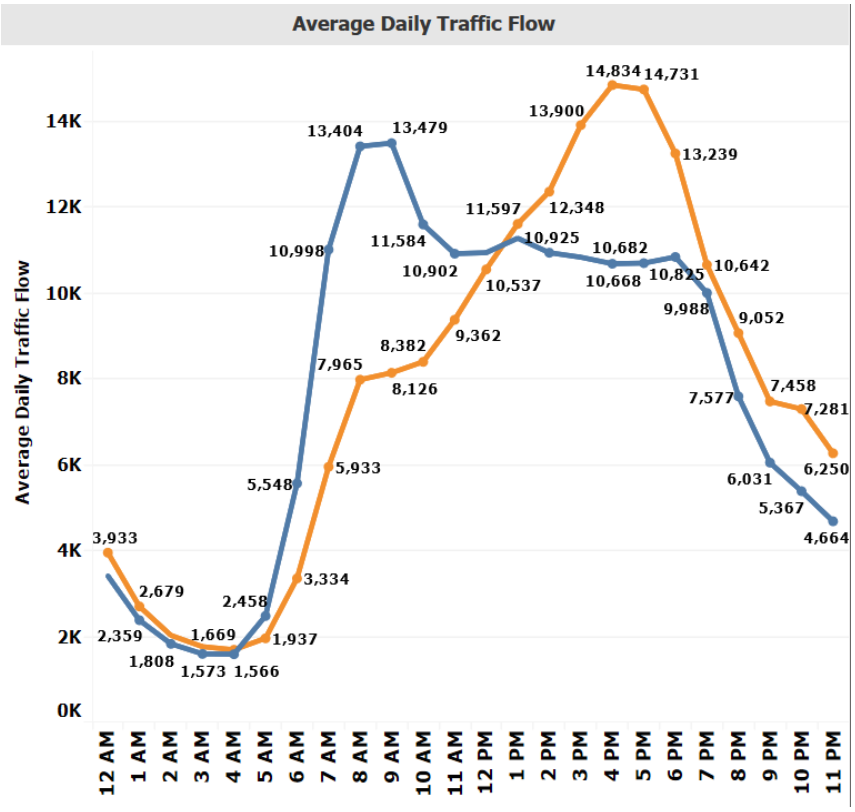

***Figure 3**: Count of total vehicles, including cars and heavy and light goods vehicles, recorded entering Birmingham City Centre by the hour, TfWM data. Data collected over a week-long period and averaged to create flows. **Blue:** journeys into the city centre, **Orange:** journeys out of the city centre.*

Similar profiles have been observed for Coventry and Wolverhampton city centres in older surveys. More flexible working arrangements might lead to a smoother morning peak, helping with capacity utilisation and resulting in better journey time reliability. Also notable is the significantly higher demand on the network on Fridays versus Mondays; an opportunity for smoothing demand:

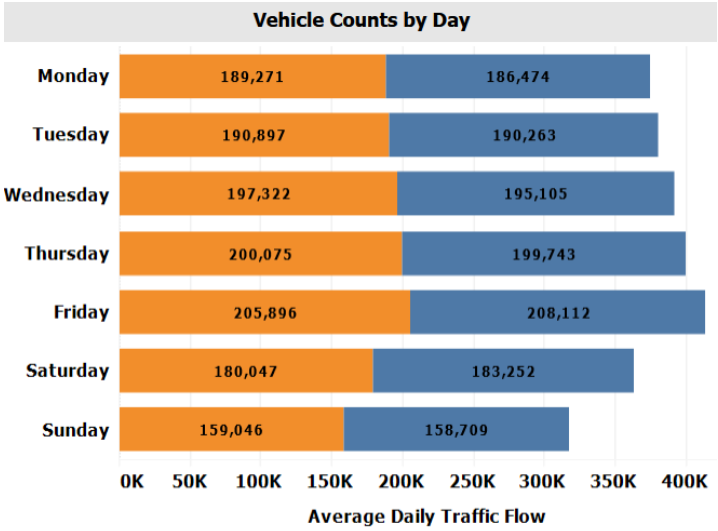

Figure 4: *Count of total vehicles recorded entering Birmingham City Centre by the day, TfWM data, based on automatic traffic counts data and averaged over a*

Patronage Trends

Rail patronage, which has growth steadily over recent years, was hit very hard by the first lockdown but has since recovered. **Figure 5** shows patronage by major railway station before and after the pandemic, as well as comparing **July 2021** against the July 2020:

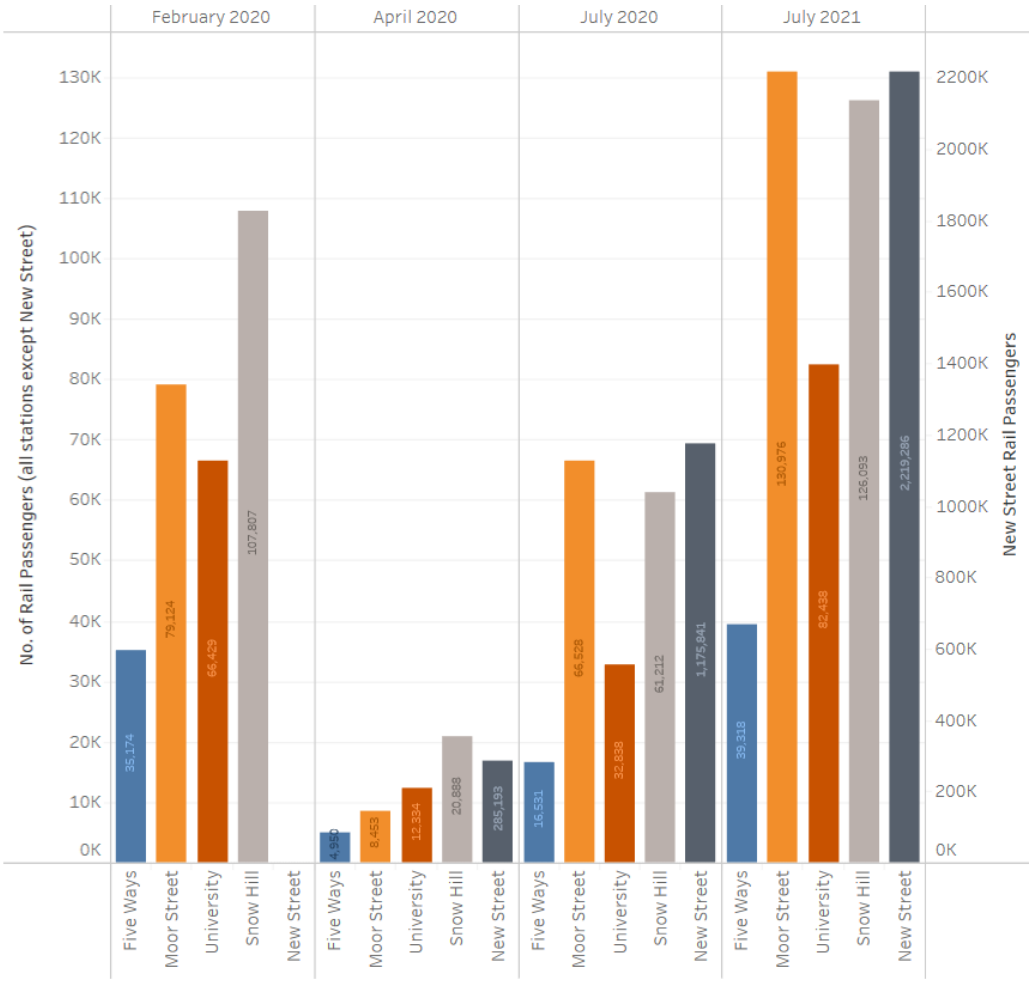

Figure 5*: Total railway station usage for several key stations in Birmingham. February 2020 data was sourced for manual counts, whereas subsequent months' data were sourced from 'taps' at the ticket barriers. Note the strength of the recovery in summer 2021 versus summer 2020. Note that Birmingham New Street is on the right hand axis.*

Counts at railway stations are sufficient to show how strong the recovery has been since restrictions were lifted. However, it will be important as the recovery takes hold to understand whether there has been any shift in the types of journeys people take, and emerging changes in commuting patterns.

Bus patronage (**Figure 6**), already in decline for years, was badly hit by the initial lockdown and even by June 2021 reached barely half its previous heights in Spring 2020. The long-term decline prior to the pandemic makes a full recovery seem more doubtful. This has consequences for the viability of rural bus services connecting to the city centre as well as general service frequency.

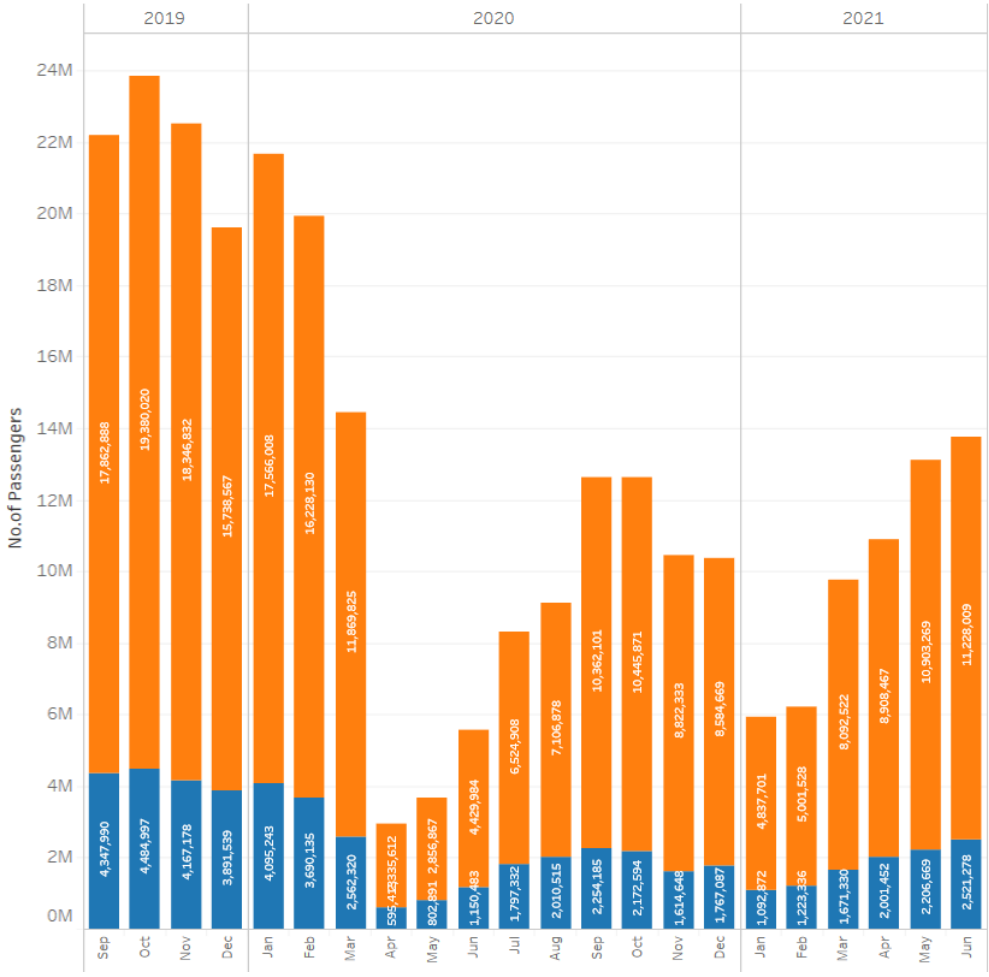

***Figure 6**: Decline in bus patronage in the West Midlands during the pandemic, TfWM data. **Orange:** full price tickets, **Blue**: free or concessionary tickets.*

3.2 Business Demography

Companies House records make it possible to obtain the postcode locations of all registered firms by Standard Industrial Classification, more clearly showing the footprint that different sectors of the economy have in the urban core.

Building on this foundation, business intelligence company Red Flag Alerts rank all registered firms in the region by their level of risk and likelihood of going under. This rating is based on factors such as the firm's length of operation, payment history, legal notices, revenue, and liquidity. Firms denoted 'amber' or 'one red flag' are considered as having a possible but not inevitable prospect for going

under, which makes data on these firms important for understanding possible interventions to improve outcomes as well as near-term employment risks.

Shown below (**Figures 7, 8, 9**) are three maps of the West Midlands metropolitan area, each of which shows at-risk firms of a different industry. The depth of shading on the map indicates how many jobs may be at risk, giving a sense of how employment risk in different industries is distributed across the region and in particular the concentration in and Birmingham city centre:

***Figure 7**: Arts, Entertainment, and Recreation firms rated 'amber' or 'one red flag.' **Darker shading:** more employment in these firms.*

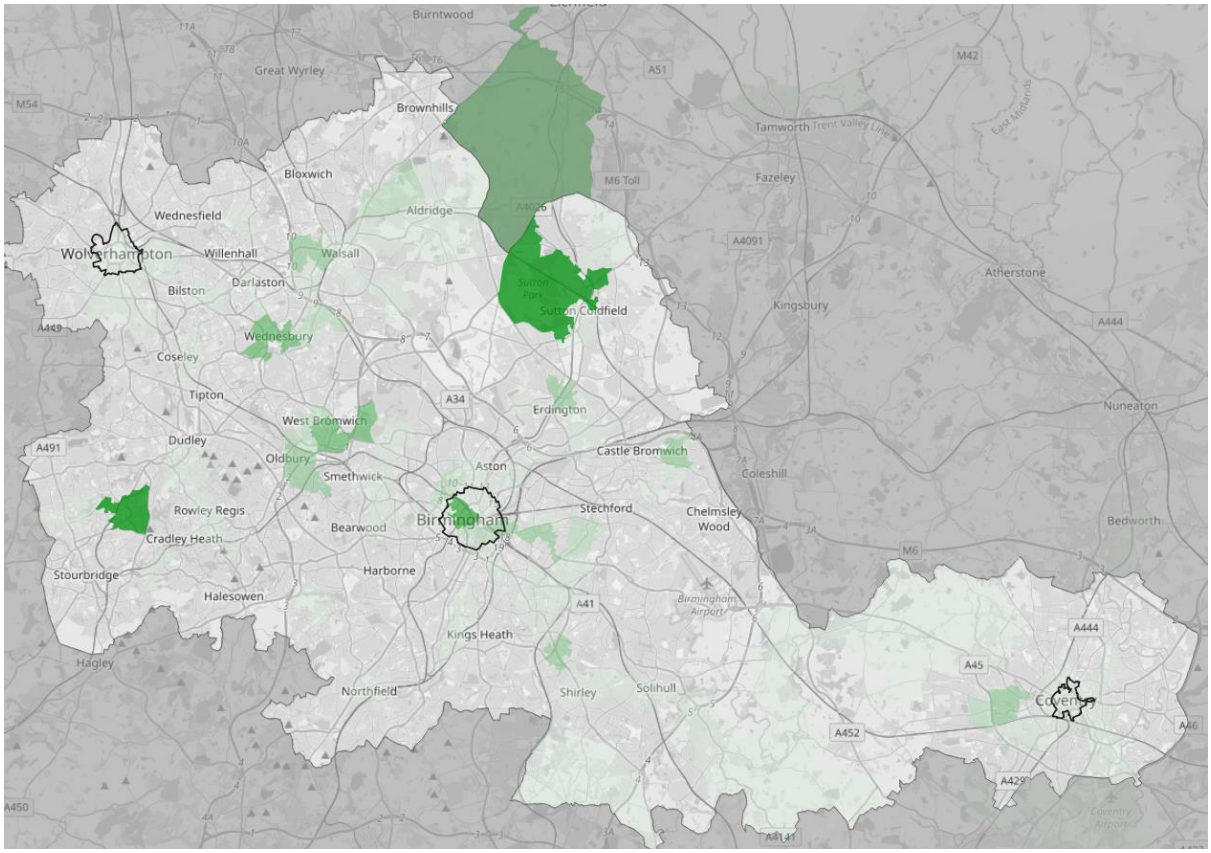

***Figure 8**: Manufacturing firms rated 'amber' or 'one red flag.' **Darker shading:** more employment in these firms.*

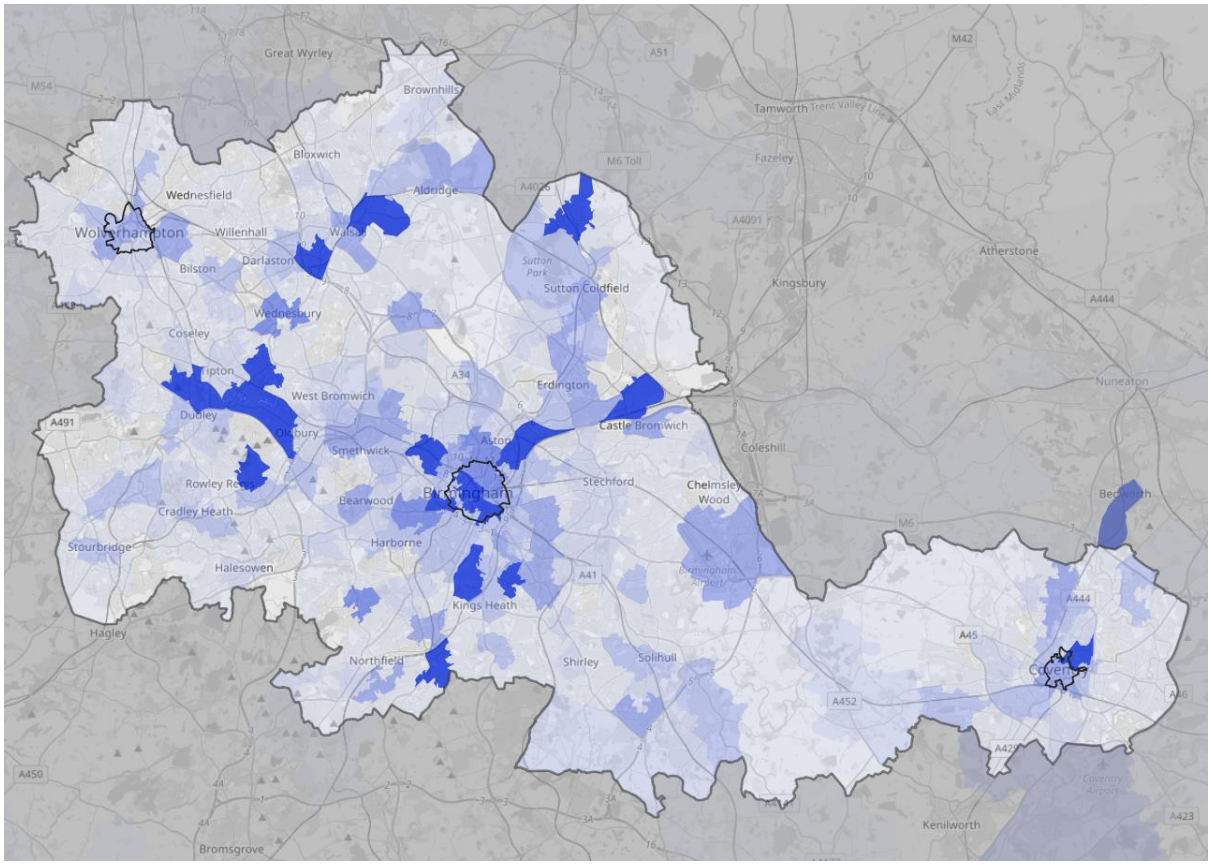

***Figure 9**: Food and Accommodation firms rated 'amber' or 'one red flag.' **Darker shading:** more employment in these firms.*

Sectoral Risk by Local Authority

For Birmingham as well as the two other main urban centres, firms at the 'amber' or 'one red flag' risk level comprise tens of thousands of jobs, and give a sense of the medium-term employment risk. It is important to note that only a fraction of firms with this risk rating are likely to go out of business within any given time period, meaning that true job losses are likely to be a fraction of the figures presented.

***Table 1**: Summary of 'amber' or 'one red flag' rated firms, by Local Authority and industry. Data for August 17th 2021.*

** Food and accommodation figures for Birmingham are dominated by a small number of very large firms of international standing, which may mean that the true number of jobs at risk in Birmingham is lower than the figure implies.*

	Food Accommodation	Manufacturing	Wholesale and Retail
BIRMINGHAM	71,557*	28,912	47,268
COVENTRY	1,951	36,215	42,536
WOLVERHAMPTON	937	2,846	5,886

Consumer Spending

Monthly UK consumer spending figures show the depth of decline and rapid recovery in hospitality and leisure, and a similar trajectory in clothing sales. This 'double dip' pattern has applied to consumer spending in general, with expenditure on household items having bucked this trend and been significantly higher than the 2019 average for the last year. Having been down on 2019 levels throughout 2020, by June 2021 it had exceeded this previous peak.

Source: Savills Research, GfK, Barclaycard.

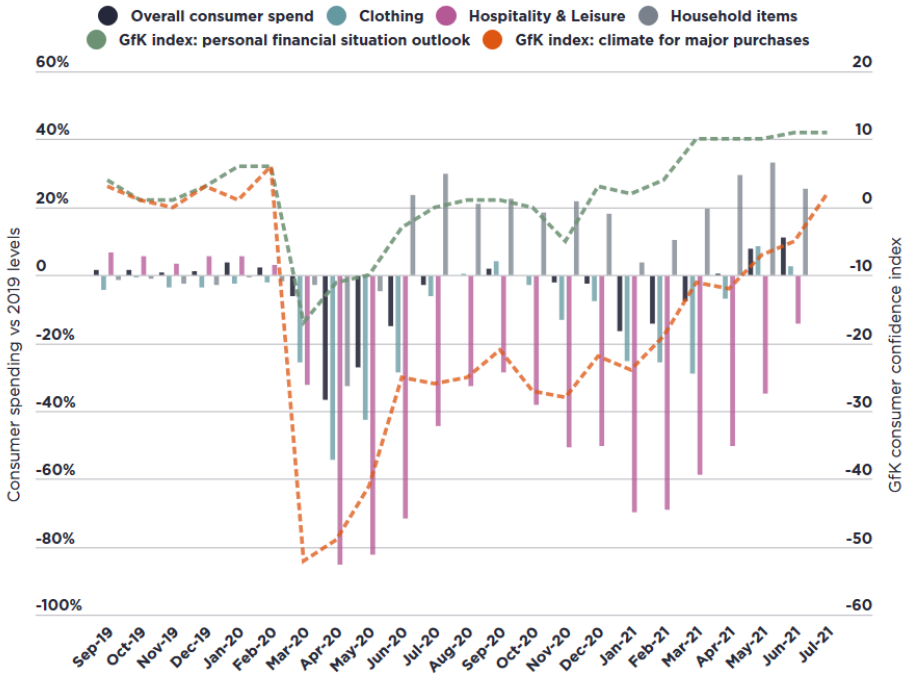

***Figure 10**: UK-wide percentage change in consumer spending by category, along with GfK's metrics for personal financial outlook and climate for major purchases.*

4. City Centre Challenges

4.1 Crime

Through the pandemic, the trend in total crimes reported to police in the region has become notably more localised. In the charts below (**Figure 6**), we can see how the overall crime rate has increased throughout, while crime in city centres still down on the winter of 2019/2020:

***Figure 11**: Total reported crimes by month. **Blue:** prior to the pandemic, **Red:** during the pandemic. City Centre crimes are calculated based on coordinates, and figures may exclude some crimes reported without a precise location.*

This pattern might persist if the recovery from the pandemic is protracted, and economic activity and associated crime remain more localised.

4.2 Locations of Employment and Development

As the scenarios we are considering focus on **1.** General city centre employment and **2.** Employment in accommodation, recreation, and entertainment, it is important to understand how employment in these sectors is distributed through Birmingham and the surrounding region, and in which areas residents stand to lose or gain. Below (**Figure 7**) data from the Business Register and Employment

Survey shows where employment in these respective areas are located, by Census Lower Super Output Area:

Figure 7 shows how overwhelmingly leisure and recreation employment is concentrated in the three main city centres, but also makes clear its concentration both around the NEC and Birmingham Airport and throughout Solihull.

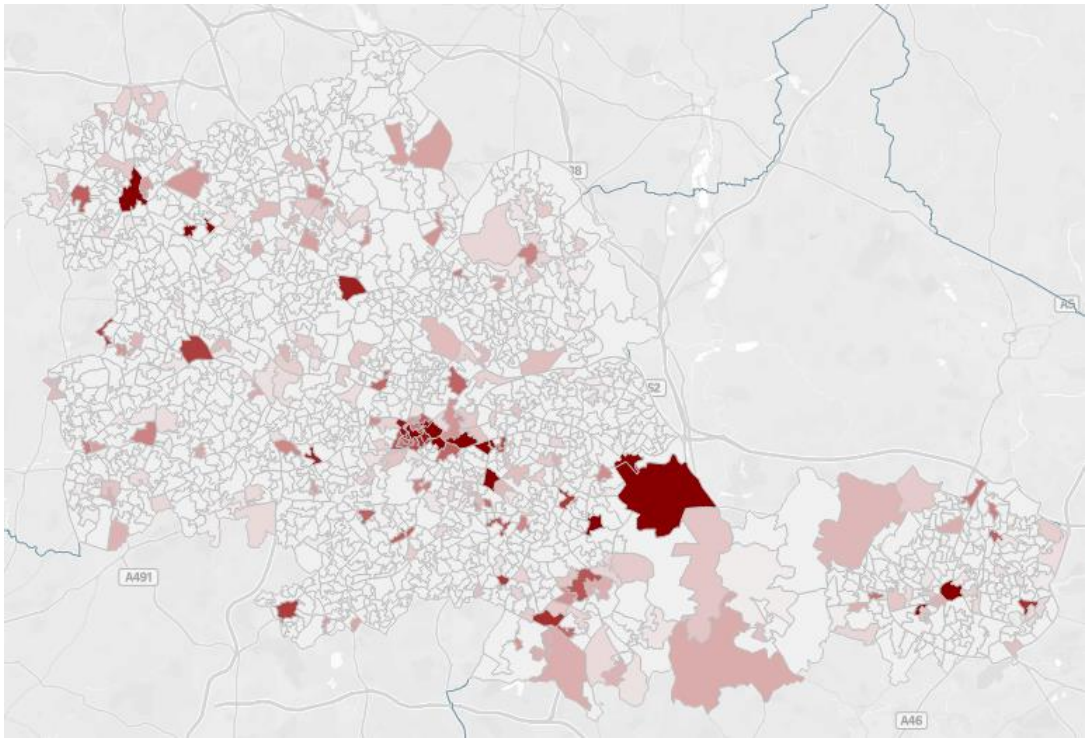

Figure 13**: Leisure and retail employment, by LSOA employment location, from the Business Register and Employment Survey.* ***Darker: greater concentration.

General employment uses in manufacturing and services (**Figure 14**) are much more dispersed, indicating that few areas would be spared a general downturn in these sectors.

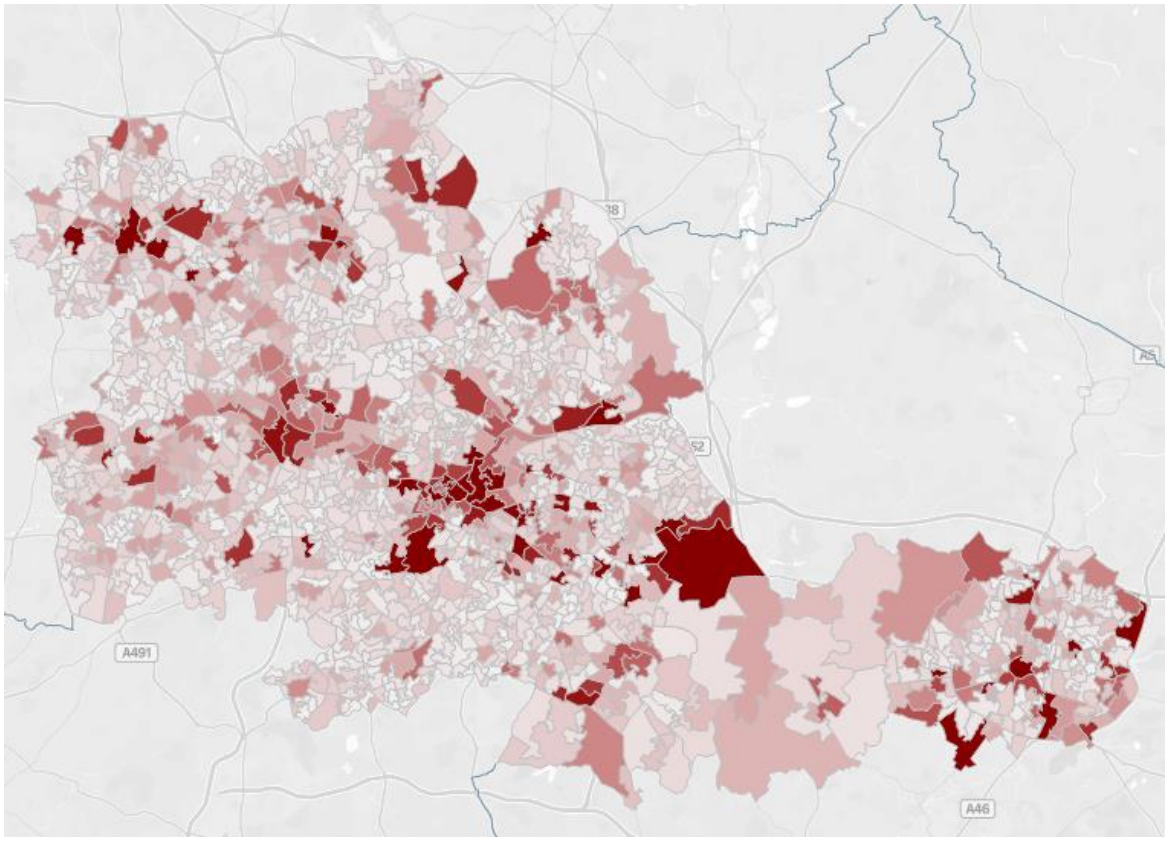

Figure 14**: Services and Manufacturing employment, by LSOA employment location, from the Business Register and Employment Survey. **Darker: greater concentration.

4.3 Footfall

In the immediate aftermath of the first lockdown, city centre patronage fell everywhere, but the distribution was extremely uneven. The fall between February 2020 and April 2020 was precipitous in Coventry (**80%**), and Birmingham (**79%**), but more muted in Smethwick (**41%**) and especially Willenhall (**21%**). This demonstrates the greater resilience of more local centres where a greater proportion of trips are likely to be necessary.

Since April 2021, the recovery has unsurprisingly been stronger in those centres which suffered most initially (Birmingham, Coventry, Wolverhampton.) It will take a few more months to determine whether any long-term shift in footfall patterns at the expense of the urban centre has truly taken place, but in the short term the association is clear. The cumulative changes are summarised below:

***Table 2**: Percentage footfall change by city centre area **versus 2019 average**, data from Centre for Cities*

Location	Feb 2020	April 2021	Change (%)
Coventry City Centre	75.0	35.7	-52%
Birmingham City Centre	151.7	82.5	-46%
Smethwick City Centre	40.5	26.9	-34%
Wolverhampton City Centre	54.4	36.6	-33%
Walsall City Centre	43.3	29.4	-32%
Dudley City Centre	38.1	26.3	-31%
Brierley Hill City Centre	66.8	47.1	-29%
West Bromwich City Centre	41.3	29.3	-29%
Willenhall City Centre	34.6	28.3	-18%

4.4 Broadband Availability

Broadband download speeds by LSOA (**Figure 16**) vary considerably across the region, from 194 MB/s in parts of south Birmingham to only 42 MB/s in parts of South Coventry. In general, Sandwell, Solihull, Walsall, and South Coventry are poorly served, and Birmingham, Dudley, and Wolverhampton comparatively well-served. Within Birmingham, connectivity is generally good, and predictably good in the city centre, but could be better in the north and west.

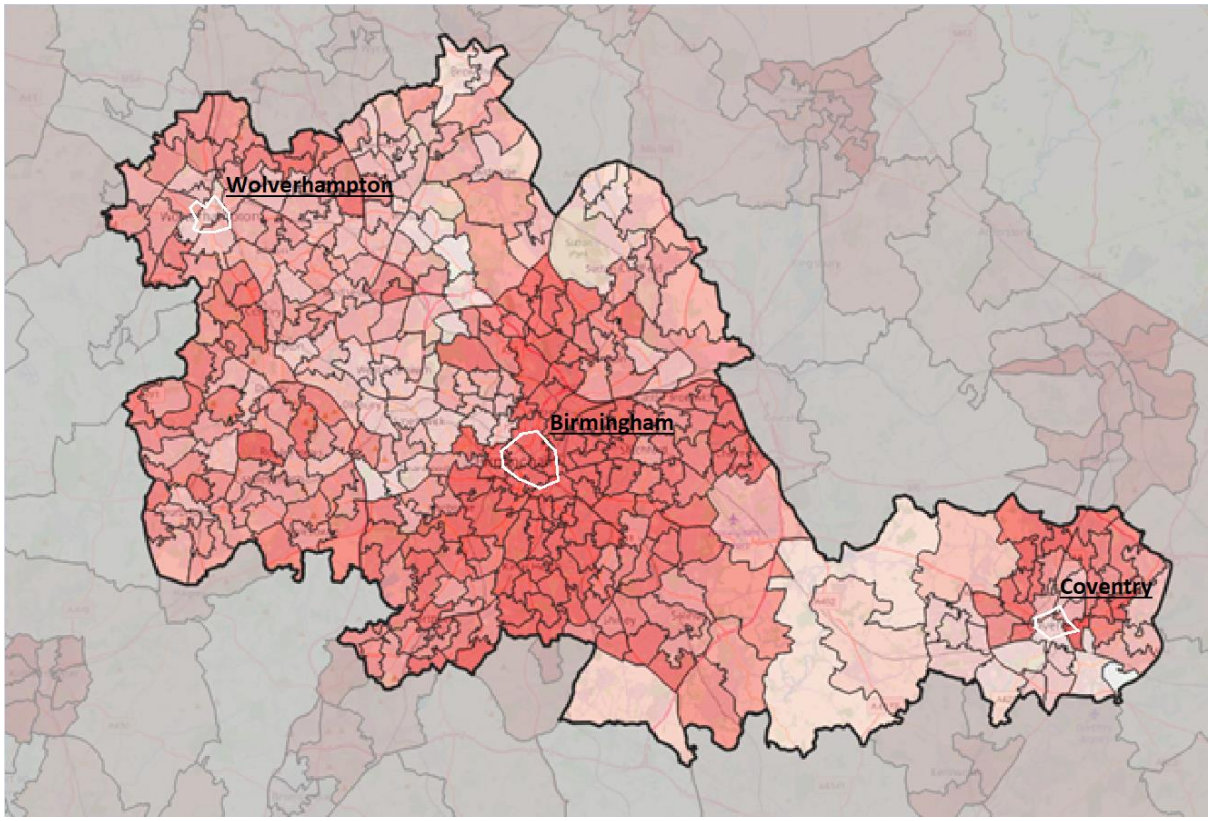

Figure 15**: Average broadband speeds by Census Lower Super Output Area.* ***Darker: faster broadband.

5. Broader Demographic Trends

5.1 Internal Migration Flows

Detailed migration flows by age and sex, available from the ONS, allows us to understand how certain key age groups move around to pursue their life goals, and hint at how this might change under different scenarios. Four age groups are depicted in the maps below, in which areas in the UK which make a net contribution to the WMCA metropolitan area are shown in **green**, and those that draw from it in **red**:

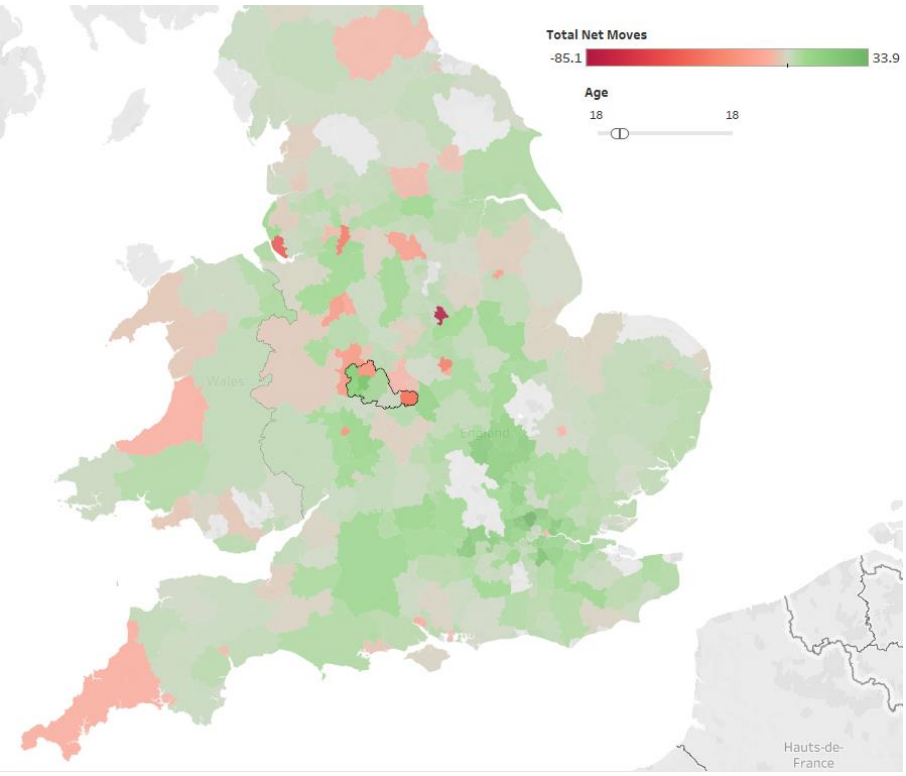

Figure 16 - 18-year-olds. A useful proxy for graduate retention, this map indicates the gain of young people to the region from surrounding local authorities, as well as London and the South East, and losses to Wales and the north.

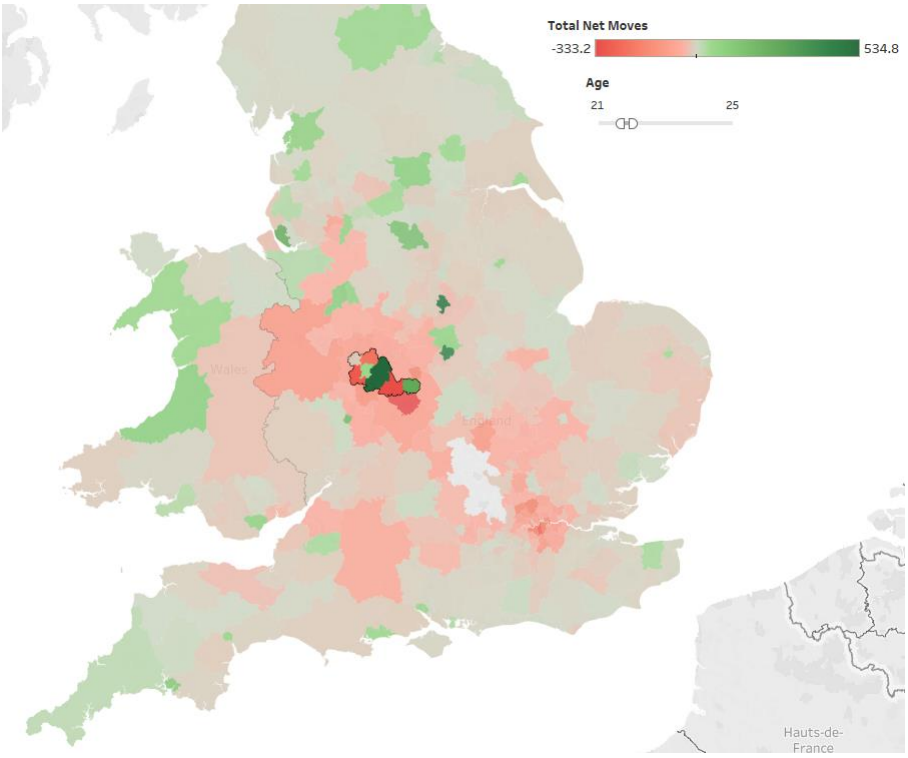

Figure 17- 21-25: Young professionals and graduates: you can see here a flow in the opposite direction, with young people gained from Wales and the north and lost to surrounding areas as well as the South East.

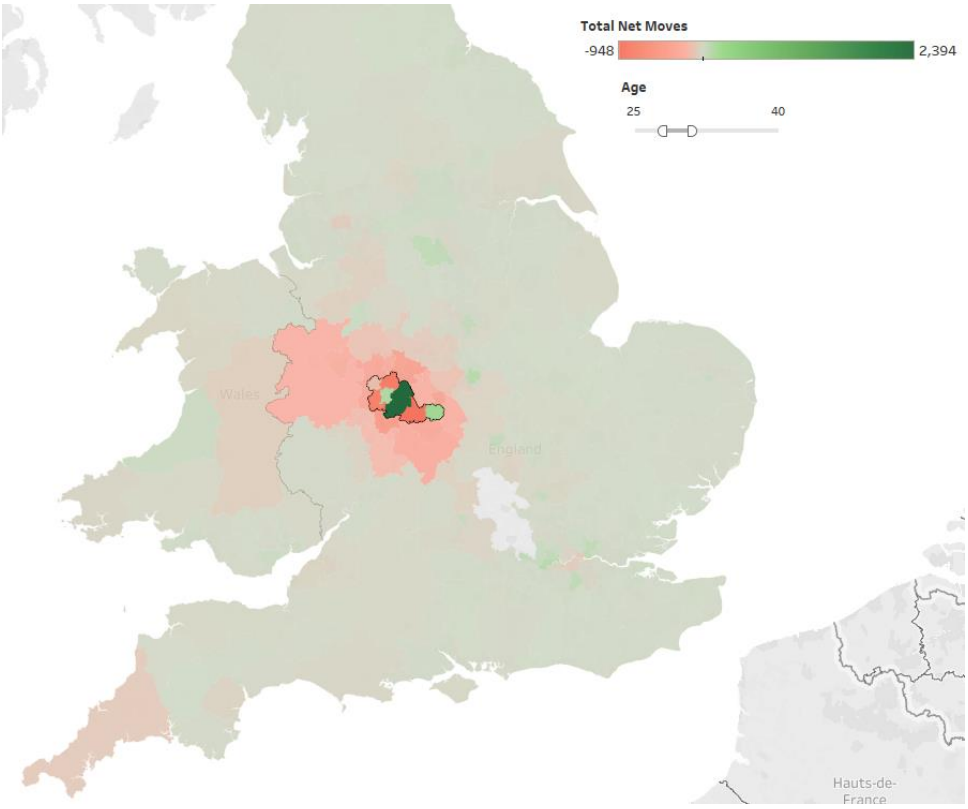

Figure 18 - 25-40: An age bracket including more young couples and families, we can see in this map how geographical movements are over shorter distances, and mostly consist of net losses to surrounding areas around the urban core, a direction people are more likely to move to raise a family.

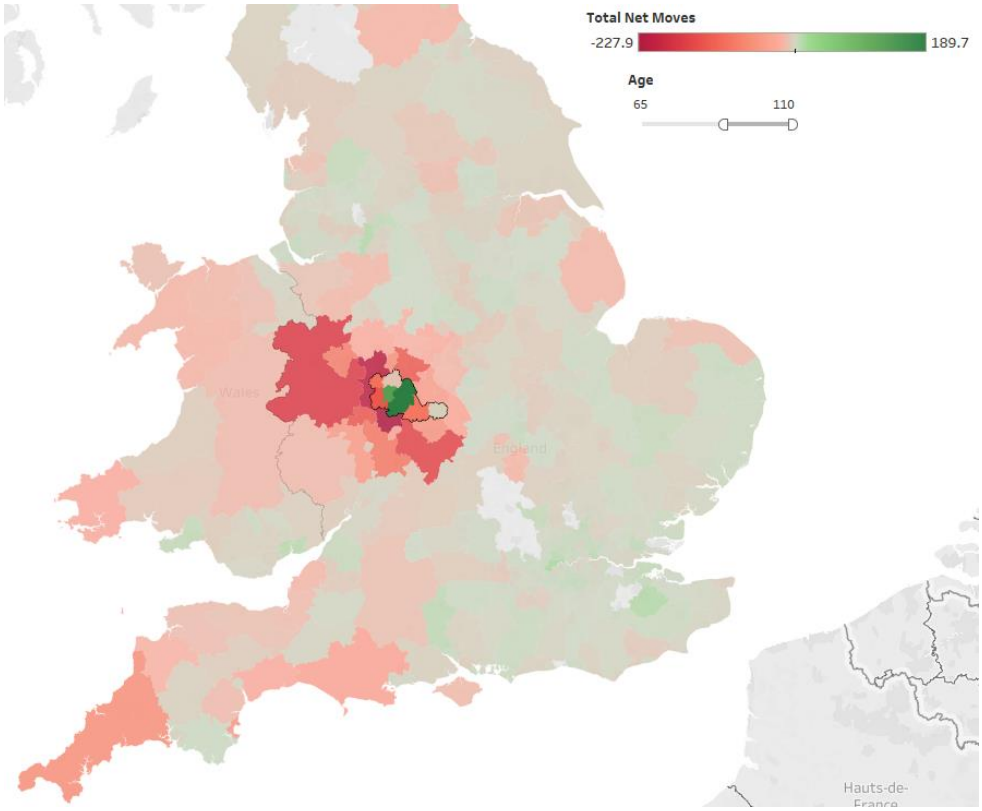

Figure 19 - 65+: We again see more geographical mobility in this age group, with large net movements to surrounding local authorities for retirement, as well as other rural parts of the UK.

5.2 Housing Affordability

Data from HM Land Registry on price paid for individual house sales makes it possible to analyse house prices in small geographical areas. The map below (**Figures 20)** displays median house prices by postcode for Birmingham. These figures are based on a three-year average up to July 2021.

As we will observe in the scenario analyses, economic growth will have consequences including upward pressure on house prices, which will have different effects on different generations and social classes.

Housing and Employment Developments, and Rent

ONS data on historical rents show that since 2015, we have seen a **3.2%** drop in the weekly rent on social housing in the West Midlands, compared to a **0.5%** decline in England as a whole. This likely reflected UK Government policy to converge the social rents in local authority and housing association properties, and the later commitment in the 2015 budget which implemented 1% annual rent reductions in subsequent years.

This indicates that lack of social housing supply is a more significant constraint than its fixed low price. Indeed, ONS waiting list figures indicate a parabolic trend, with the total size of the waiting list peaking around the time of the financial crisis before declining in recent years to levels last seen in the 1990s. In other words, while the waiting lists for access to social housing are significant, the problem has not worsened in recent years.

We also note the following about the private housing market*:

- Investment activity during the first lockdown was at approximately **50%** of the 5 year average but returned to c.**80%** in September and October.
- Contrary to expectations house prices have increased. Whilst more data is required, emerging evidence suggests this is driven by sales in affluent areas, which are substantially above the 5-year average and mask substantial declines for the less well off.
- Online retail shifting demand from retail to distribution space
- Prime office spaces are potentially more resilient in the months and years ahead. Note that retail rents in prime locations outside London have never fully recovered from the 2008 financial crisis.

Though giving us a general indication of housing trends in the region, this doesn't tell us about the distribution of house prices within the region, if the same trend of greater increases in cheaper areas we observe nationwide also obtains within the region, we could similarly expect the areas shown (**Figure 20**) to see greater proportional increases:

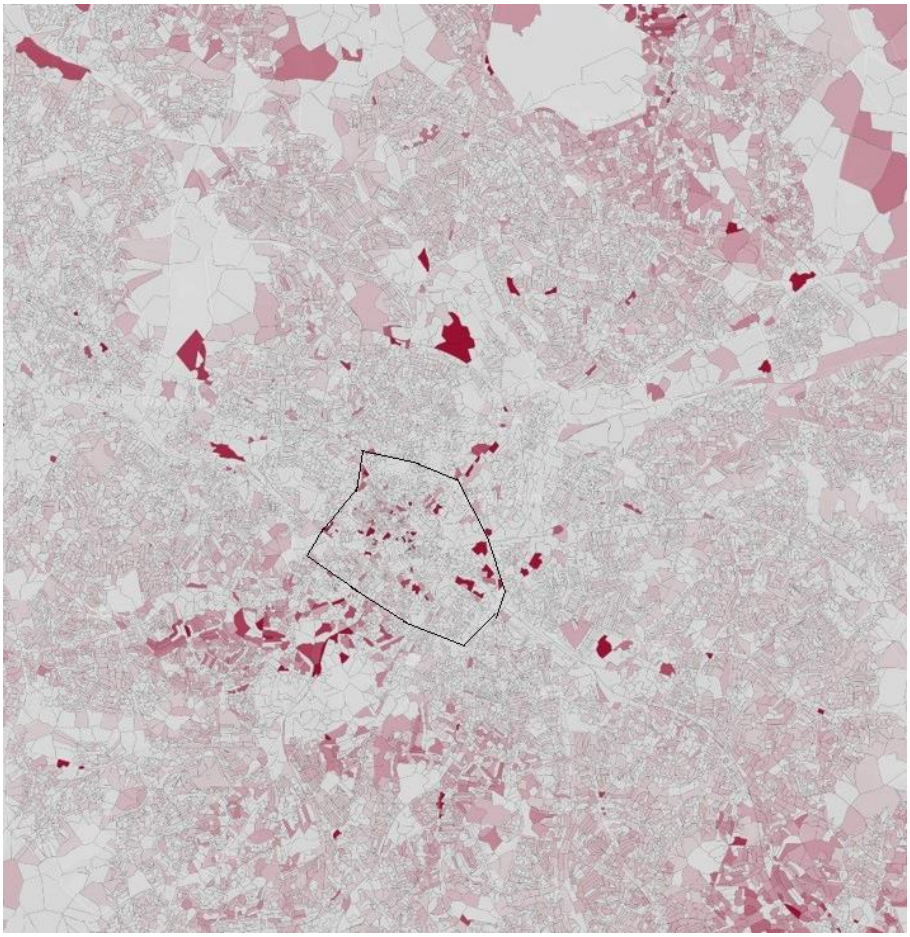

Figure 20**: Birmingham City Centre house prices by postcode, Land Registry price paid data.* ***Darker shading: higher median house prices, Lighter shading: lower median house prices.

*Comments sourced from a WMCA 'Property Market and Covid' investment report compiled by the WMCA Investment and Commercial Activities Director on 4th December 2020, with additional new data from Zoopla and Savills reflecting the updated situation.

Figure 21*: Coventry City Centre house prices by postcode, , Land Registry price paid data.* ***Darker shading: higher median house prices, Lighter shading: lower median house prices.***

Figure 22*: Wolverhampton City Centre house prices by postcode, , Land Registry price paid data.* ***Darker shading: higher median house prices, Lighter shading: lower median house prices.***

Future house price and rent projections:

Housing prices: Mainstream residential capital value forecasts (2021-2025) by Savills indicate faster price rises on residential property in the West Midlands than the UK average, but with forecast values still lower than that average. This likely reflects the outsized role of London, which has higher prices but slower increases, on the national average. The shift in demand throughout the UK is made clear by the higher price rises in regions with lower prices.

***Table 3**: Savills' projection of changes in capital value (house prices) of mainstream (i.e. non-prime) properties over the next five years. Note the robust rise in the West Midlands, and general tendency for areas with lower prices have higher price rises.*

	2021	2022	2025	5-year growth	Av value* Dec 2020	Forecast value end 2025
UK average	4.0%	5.0%	3.0%	**21.1%**	**£230,920**	**£279,644**
North West	4.5%	6.0%	4.5%	**28.8%**	£176,925	£227,879
Yorkshire and The Humber	4.5%	6.0%	4.5%	**28.2%**	£172,326	£220,921
East Midlands	4.5%	5.5%	3.0%	**24.0%**	£200,951	£249,180
West Midlands	4.5%	5.5%	3.0%	**24.0%**	£207,603	£257,428
Scotland	3.0%	5.0%	4.0%	**22.8%**	£156,768	£192,512
Wales	3.5%	5.5%	3.0%	**22.8%**	£169,846	£208,571
North East	3.5%	4.5%	3.5%	**20.5%**	£137,531	£165,725
South West	5.0%	4.0%	2.0%	**18.7%**	£264,512	£313,975
South East	5.0%	4.5%	1.5%	**17.0%**	£336,984	£394,271
East of England	5.0%	4.5%	1.5%	**17.0%**	£310,240	£362,981
London	2.5%	4.5%	1.0%	**12.6%**	**£486,562**	**£547,868**

Rents: Zoopla data indicate a somewhat more muted rental growth in the West Midlands which is currently well below previous peaks in the last ten years:

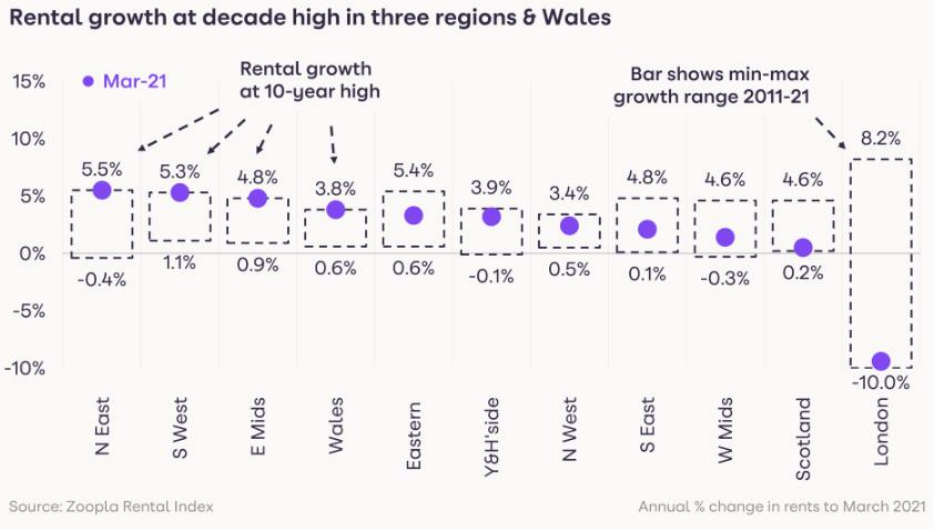

***Figure 23**: Annual percentage change in rents by UK region. These figures (dots) are shown in the context of the range of annual percentage changes seen over the last decade (boxes.)*

5.3 Location of Developments

Below (**Figures 24-26)** we can see the distribution of housing and employment sites in the planning system through the region's urban centres.

Key:

- **Dark Grey:** Employment sites of over 0.4 hectares, size corresponding to developed floorspace.
- **Red:** Housing developments completed this year, size corresponding to number of dwellings.
- **Orange:** Housing developments under construction, size corresponding to number of dwellings.
- **Yellow:** Housing developments with Full Planning Permission, size corresponding to number of dwellings.

Particularly notable for Birmingham are the great concentration of housing developments in the west of the city (particularly around the Jewellery Quarter), and large number of new small and medium-sized employment developments in areas immediately outside the city centre. Note that as the data includes only developments of over 0.4 hectares it greatly understates the total number and extent of developments.

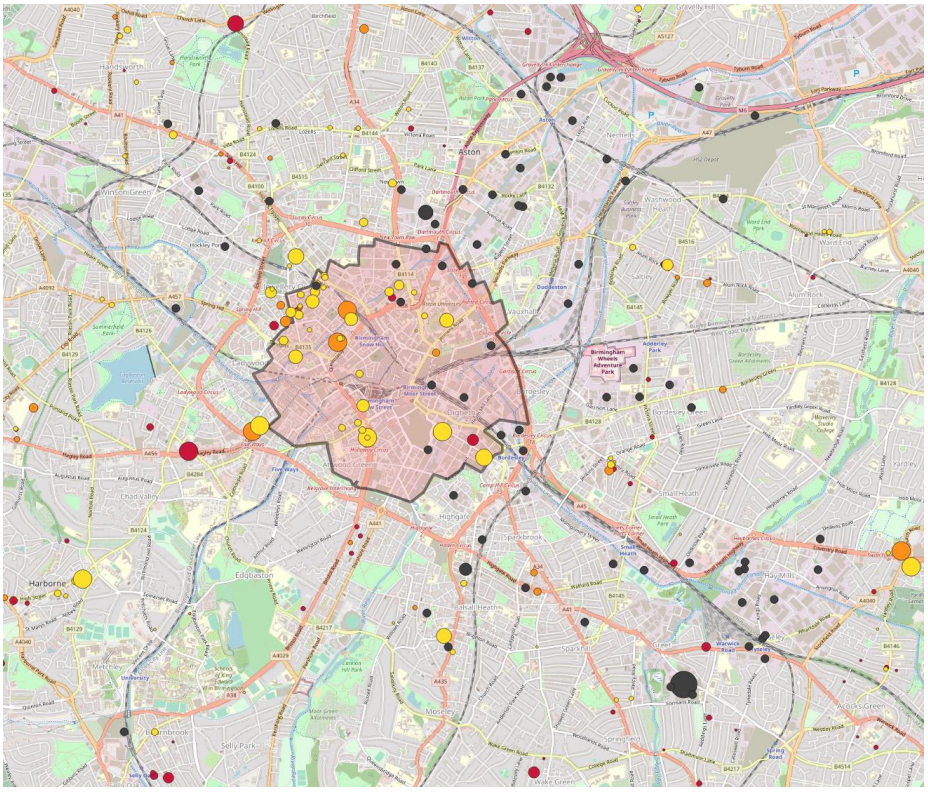

***Figure 24**: Birmingham Housing and Employment sites. See Key for details.*

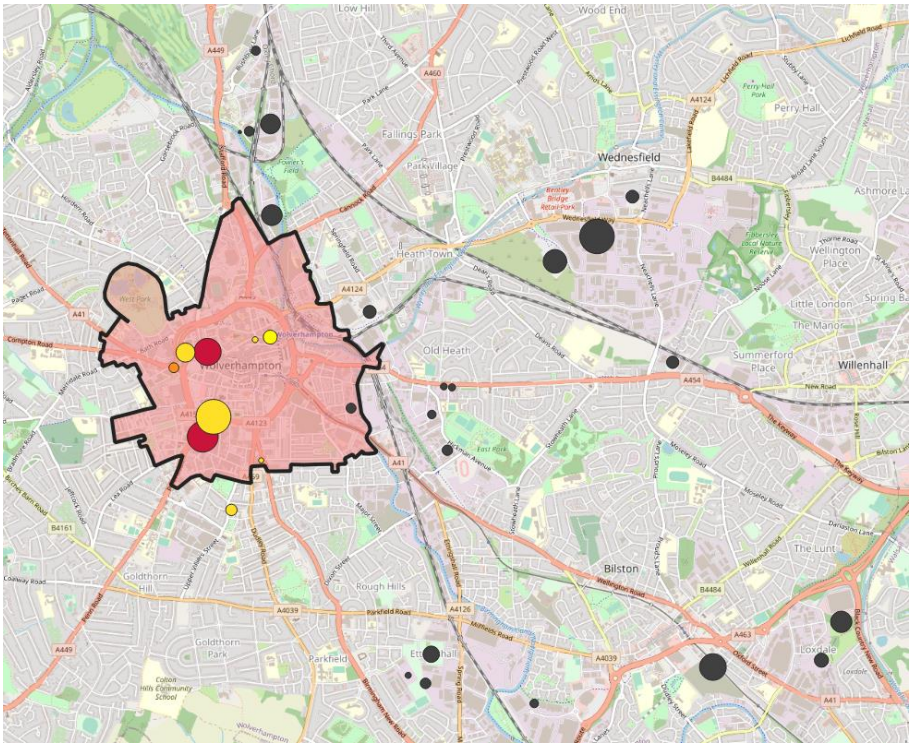

***Figure 25**: Wolverhampton Housing and Employment sites. See Key for details.*

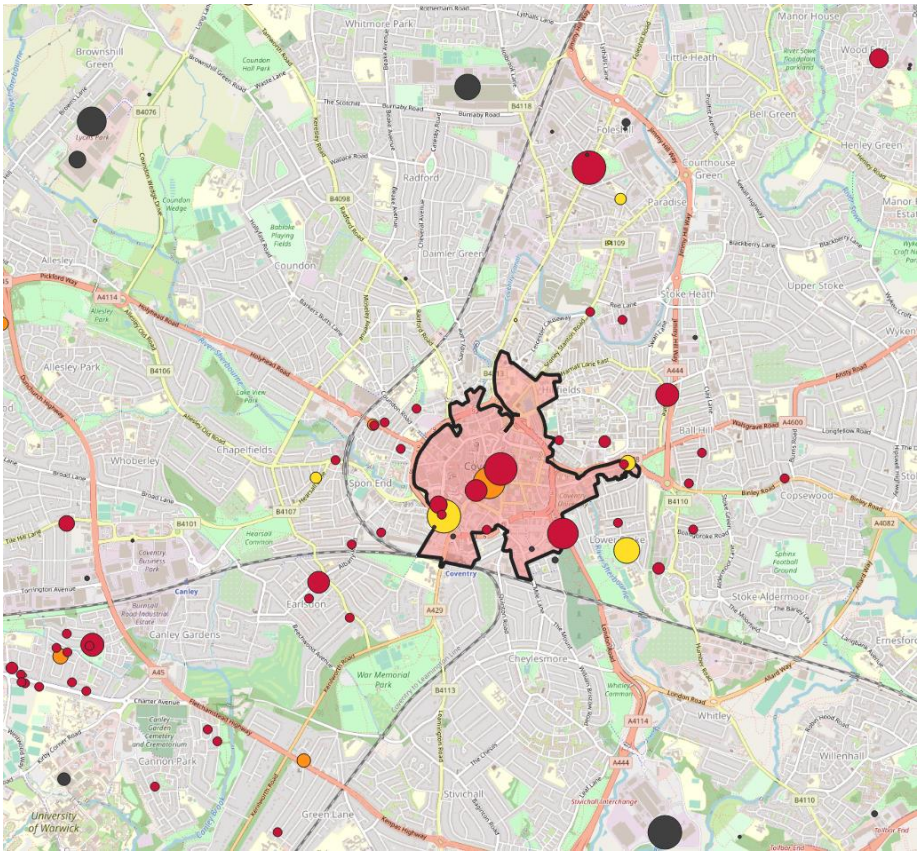

***Figure 26**: Coventry Housing and Employment sites. See Key for details.*

6. Scenario Analysis

6.1 Economic Modelling

Using WMREDI's in-house input-output model, it is possible to gauge the impact of different economic scenarios, by accounting for the interdependencies between different sectors of the regional economy. By grouping sectors together in such a way, we are able to view our possible scenarios across the two axes of **1.** Economic output in services and industry and **2.** Output in accommodation, trade, food services, arts, entertainment, and recreation.

The four scenarios discussed here were based on the following economic changes:

- **'Ghost Town'**: assumes a **20%** reduction in output (Gross Value Added) for manufacturing, construction, transport, and professional services, and a **50%** drop in wholesale and retail trade, accommodation, food services, arts, and entertainment.
- **'Roaring Twenties'**: assumes the reverse of 'Ghost Town': increasing by **20%** in the former sectors and **doubling** in the latter.
- **'City Playground'**: assumes the **20%** drop in manufacturing, construction, transport, and professional services, but a contrasting **doubled** output in wholesale and retail trade, accommodation, food services, arts, and entertainment.
- **'Worker Bees'**: the reverse of 'City Playground', this scenario envisages a **50%** drop in trade, accommodation, food services, arts, and entertainment. However manufacturing and professional services output grows by **20%**.

MOSAIC Demographic Profiles: Once the overall effects of each scenario were derived from the modelling work, it was important to understand how the consequences of the scenarios are geographically distributed. Experian uses customer-level intelligence to classify different types of consumers. The result is unique profiles which can be spatially mapped, with information on age, household income, family structure, property tenure, and consumer spending patterns. The following groups were of interest in this analysis:

- **Vintage Value:** retired singles, often living in council and housing association flats on a limited pension income.
- **Transient Renters:** young singles and home-sharers, renting low-cost homes for the short term.
- **Aspiring Homemakers:** younger households settling down in affordable semi-detached homes with young children.
- **City Prosperity:** young city dwellers earning high incomes and living in high value rented accommodation in central locations.

As they are represented across large swathes of the region, and are affected very differently by the various economic scenarios we explore.

6.2 'Ghost Town'

Description

The bleakest scenario we envisage is one of steep decline in city centres of entertainment, food services and trade on the one hand, and wider employment including services and manufacturing on the other. The result is a city that has lost its core purpose and vitality, with negative spillovers between sectors leading to a domino effect of decline.

Economic Profile of Scenario

Will growth in economic activity in the suburbs protect jobs and services for low-income people as the city centre declines?

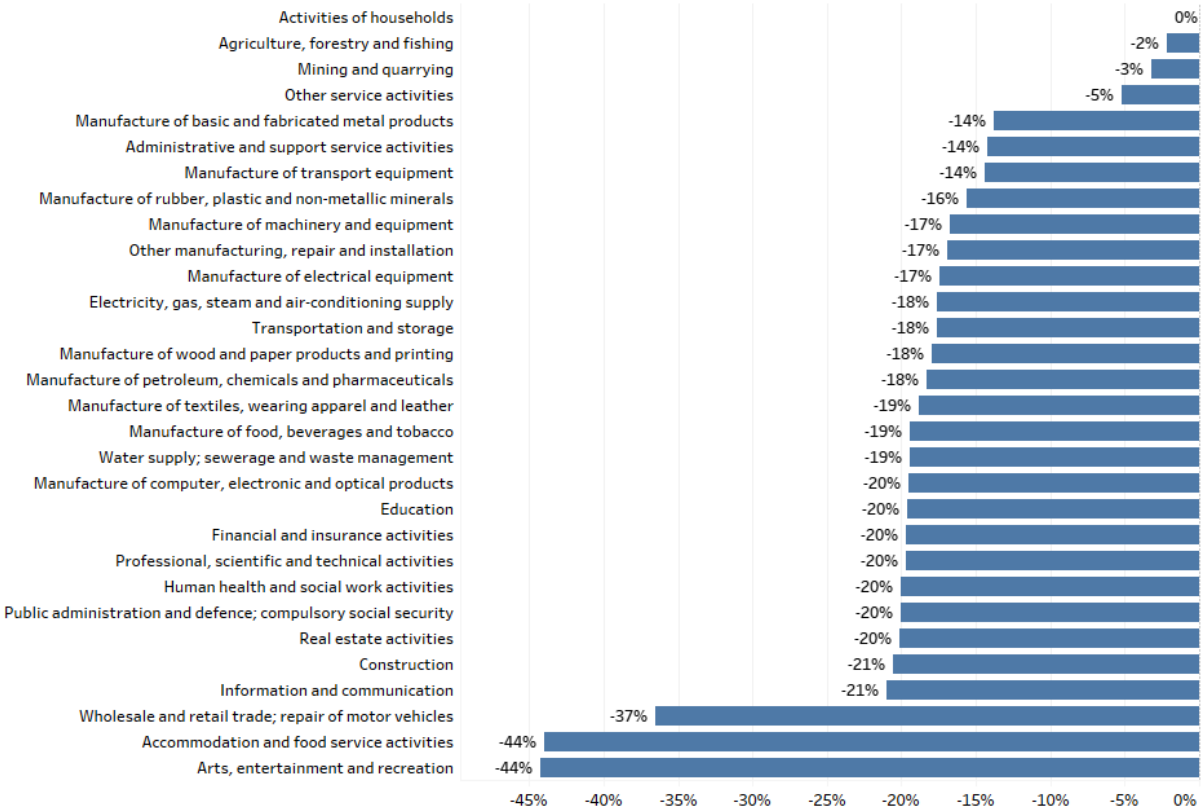

***Figure 27**: Bar chart presenting projected changes to GVA by sector in the 'Ghost Town' scenario.*

Scenario Impact and Employment

<u>Summary:</u>

This general outlook for this scenario is bleak, with slight overall population growth accompanied by a significant decline in the working-age population, and high levels of net out-migration resulting in the region forgoing the in-built advantages of its youthful population. Loss of high-productivity employment results in GVA per worker decreasing despite much higher unemployment, which approaches 14%.

<u>Key trends:</u>

- A population increase of **2.9%** (and of **-4.1%** aged 16-64) between 2021 and 2040, compared to a baseline growth of **5.3%** and **-1.1%** respectively.
- GVA per worker would increase by **22.8%**, compared to a baseline scenario of **25.6%**.
- Total GVA would grow by **8.1%** compared to the baseline of **34.1%**.

- The change in economic output would be accompanied by an increase in net migration of **-77,700**.

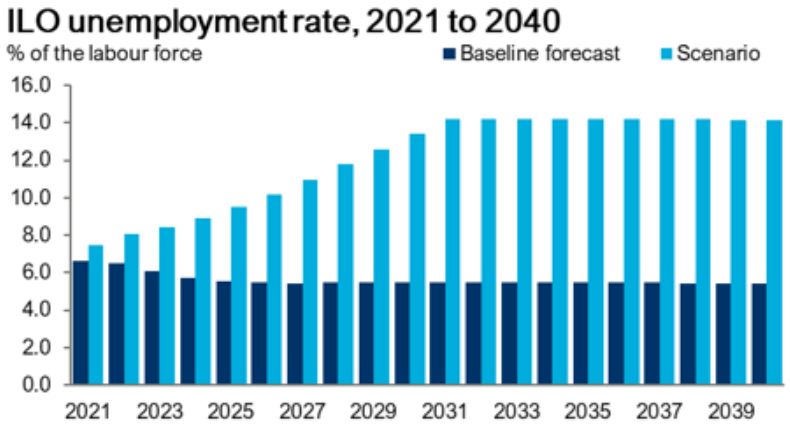

***Figure 28**: Forecast unemployment trends for the Ghost Town economic scenario, compared against Oxford Economics' baseline forecast.*

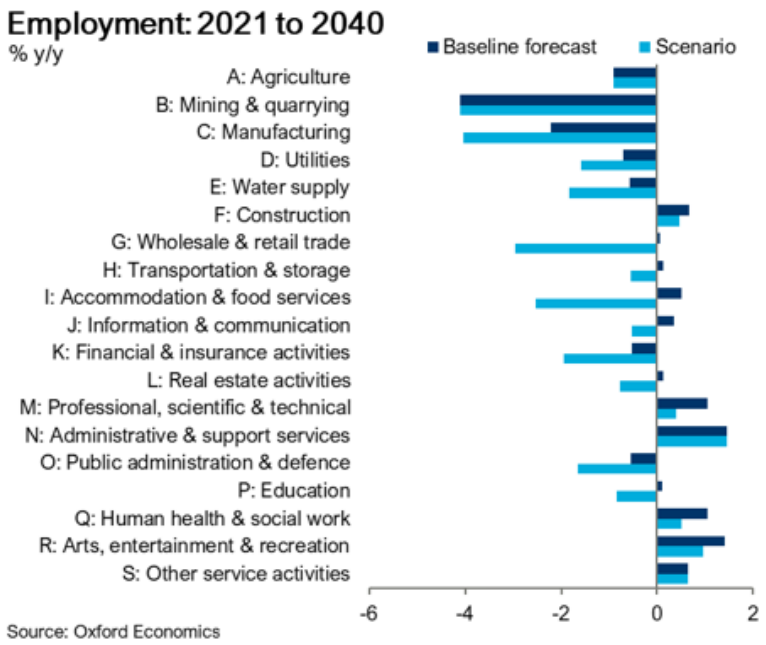

***Figure 29**: Projected changes in sectoral employment under the Ghost Town scenario.*

Experian MOSAIC Demographic Profiles

- **Renters on a low fixed incom**e ('Transient Renters', shown in **purple** and 'Vintage Value' shown in **blue**) may be to some extent shielded from the adverse impacts of economic decline, as less attractive city centres lead to relatively lower house prices and lower pressures on rent.
- **High-income renters** ('City Prosperity', shown in **red**) concentrated in southern Birmingham, stand to lose out on opportunities as the centre declines, putting the city at a weaker competitive position relative to other cities and regions.
- **Well-off suburbanites** may weather the decline well, particularly if they are able to take advantage in the growth of remote working as city centre opportunities fall away.

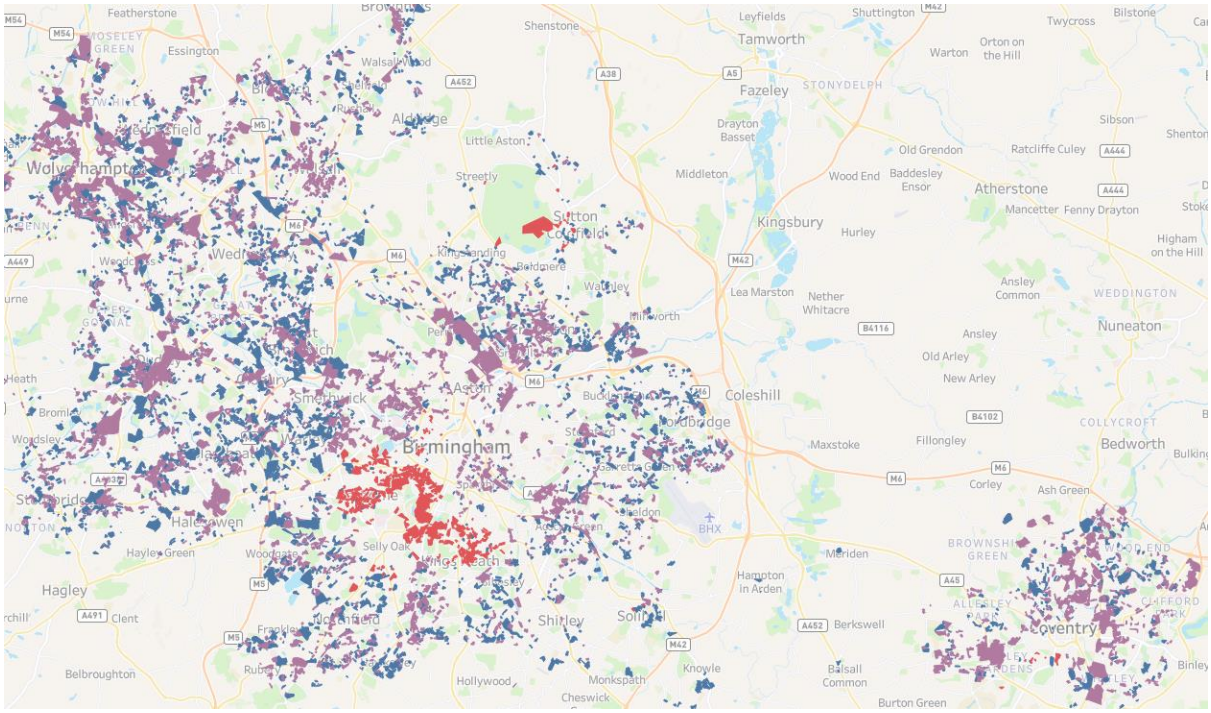

Figure 30:

• Renters on a low fixed income ('Transient Renters', shown in purple and 'Vintage Value' shown in blue) may be to some extent shielded from the adverse impacts of economic decline, as less attractive city centres lead to relatively lower house prices and lower pressures on rent.

• High-income renters ('City Prosperity', shown in red) concentrated in southern Birmingham, stand to lose out on opportunities as the centre declines, putting the city at a weaker competitive position relative to other cities and regions.

• Well-off suburbanites may weather the decline well, particularly if they are able to take advantage in the growth of remote working as city centre opportunities fall away.

Housing: A less attractive urban core would take some heat out of the housing market, which as noted above may relieve pressure on those low-income renters who still have steady employment, as well as new families looking to buy, though reducing the gains accrued by existing homeowners.

Crime: A hit to economic prosperity and financial security is likely to worsen crime, with the region's relative youth making it particularly vulnerable. If these shifts are accompanied by a more localised economy, we might expect a similar shift in where crime takes place.

Transport: We would expect footfall, having declined by **18-52%** in urban centres across the region, to remain depressed and recover only partially. Reduced intra-regional travel could further damage its cohesion. Lower demand on public transport could threaten viability of many rural bus services and lead to a general decline in service frequency. Rail and metro have historically been more resilient and are more likely to recover. Lower demand on the road network would improve journey time reliability for both bus and car.

Businesses: This scenario of protracted decline across most sectors of the economy is likely to push many businesses to the precipice. There are different characteristics this decline might take on; either the more difficult trading environment leads to large chain businesses dominating what demand is

left, or a decentralization of economic activity could lead to smaller firms holding up better. Which outcome we would see depends on interactions with other policies, particularly in housing and development.

Migration: As the city centre becomes less attractive, there may be knock-on effects for graduate retention, weakening the university system and sapping further life from the economy. If this scenario were to coincide with a growth in remote working, we might also observe increased movement out to the hinterlands as longer but less-frequent commutes become viable.

Public Services: Health service infrastructure will become more pivotal than ever, both as a source of employment and to mitigate the rise in chronic ill health likely to be exacerbated by a loss of high quality jobs and social activities. Skills provision will be less differentiated, as a vastly increased demand for services diverts attention from the hard-to-reach.

6.3 'Roaring Twenties'

Description

The most optimistic scenario for the region, the 'Roaring Twenties' scenario includes robust growth in entertainment and leisure activities in the urban centre, alongside growth in the wider economy led by professional services, construction, and advanced manufacturing.

Economic Profile of Scenario

Will low-income people see enough of a slice of the new prosperity to offset rising rents?

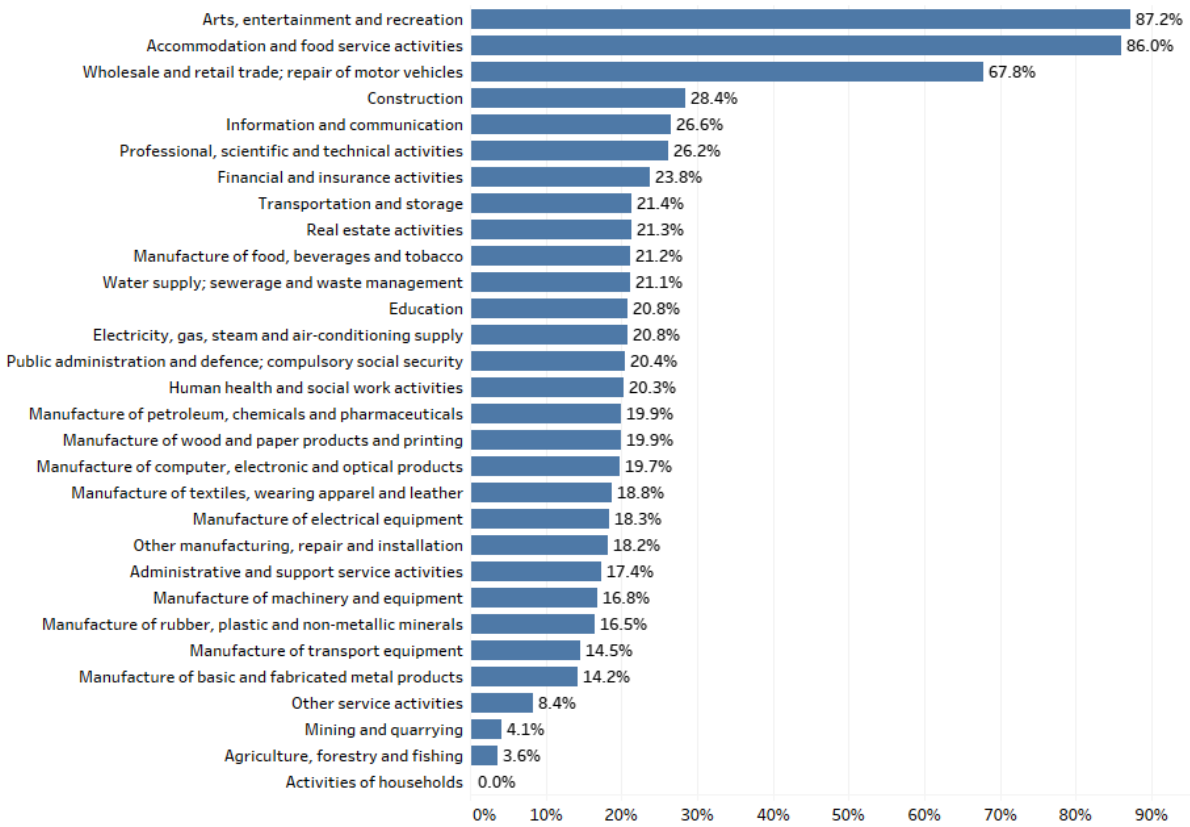

***Figure 31**: Bar chart showing projected GVA changes under a 'Roaring Twenties' scenario.*

Scenario Impact and Employment

Summary:

This scenario sees burgeoning population growth and net migration into the region, owing to its optimistic projection of strong growth across both leisure and recreation and traditional sectors of employment across manufacturing and services. It is noteworthy that even strong near-term growth in manufacturing does not prevent an eventual decline from automation. Actual productivity per worker would be slightly lower than the baseline scenario, due to the higher employment including low-productivity occupations and sectors.

Key trends:

- A population increase of **18.3%** (and of **15.3%** aged 16-64) between 2021 and 2040, compared to a baseline growth of **5.3%** and **-1.1%** respectively.
- GVA per worker would increase by **22.9%**, compared to a baseline scenario of **25.6%**.
- Total GVA would grow by **84.8%** compared to the baseline of **34.1%**.
- The change in economic output would be accompanied by an increase in net migration into the region of **405,300**.

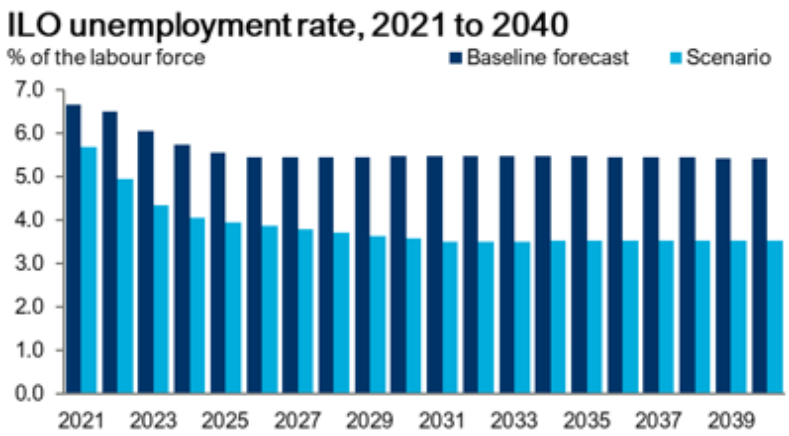

***Figure 32**: Forecast unemployment trends for the Roaring Twenties economic scenario, compared against Oxford Economics' baseline forecast.*

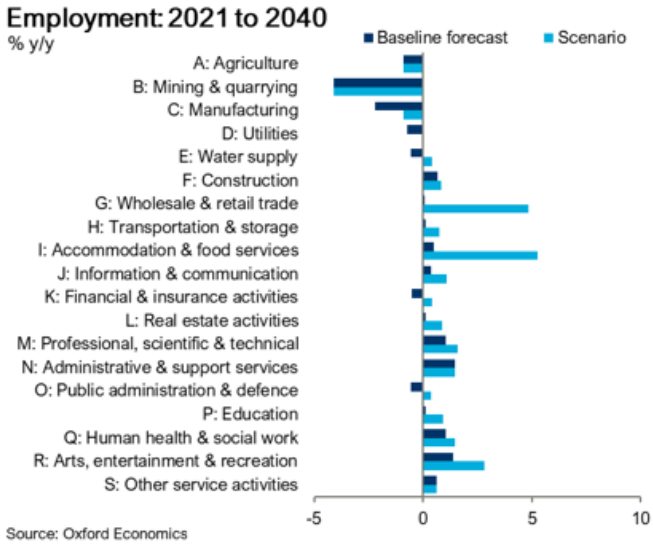

***Figure 33**: Projected changes in sectoral employment under the Roaring Twenties scenario.*

Experian MOSAIC Demographic Profiles

'Transient Renters', mapped below in **red**, face strong upward pressures on rent in this scenario of economic growth and rising house prices. However, they also have more opportunities in more industries than ever before, making the question of wages and working conditions most salient for this group.

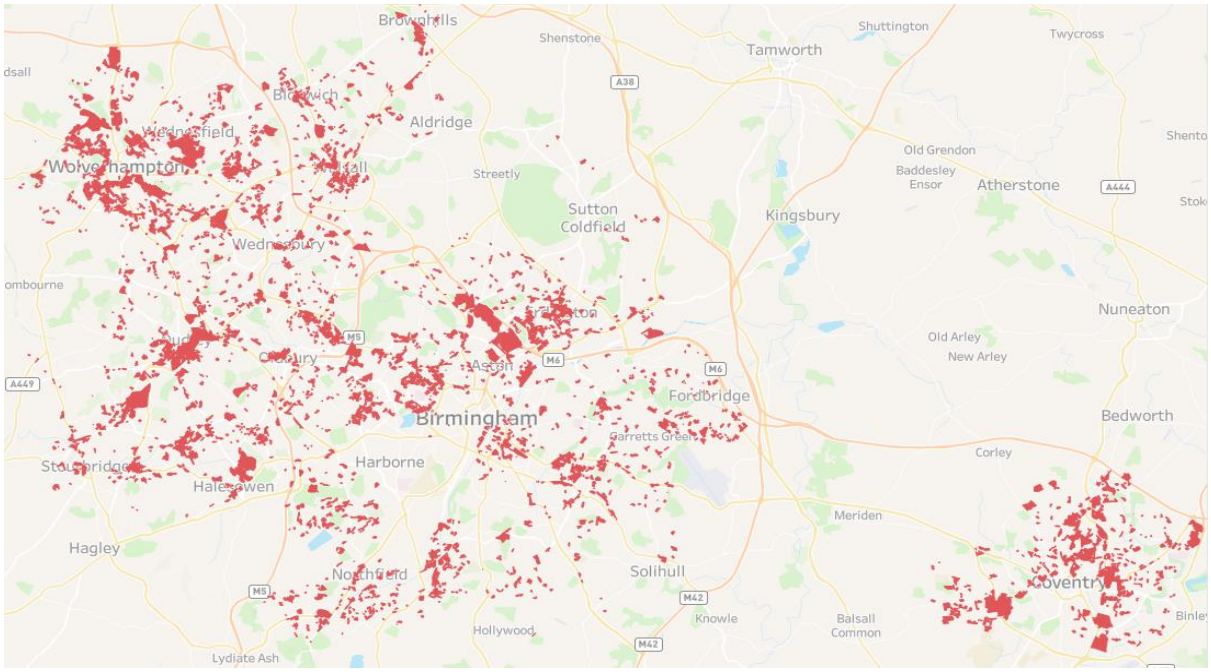

***Figure 34**: While most demographics benefit under the 'Roaring Twenties' scenario, 'Transient Renters' may not. Mapped above in red, they face strong upward pressures on rent in this scenario of economic growth and rising house prices. However, they also have more opportunities than ever before, making the question working conditions most salient for this group.*

Housing: Referring back to the mapping of house prices, transient renters largely live in areas currently with more affordable housing, though in some areas such as south west Wolverhampton they may already be affected. Rising house prices will also affect young couples moving out of the urban core to start families, and may exacerbate the net loss of this demographic to surrounding Local Authorities.

Crime: More activity will likely lead to more crime, particularly a recovery of crime rates in city centres. The one mitigating factor here is that with both employment and leisure uses strong in this scenario, there are likely to be more 'eyes on the street' throughout the day and night, which may make the main urban thoroughfares safer.

Transport: With the economic recovery strong and broad-based, the night economy will take up capacity on the network in the evening, spreading demand and improving overall capacity utilisation. This will make future network expansion, particularly rail and metro, more financially viable, and help bus patronage recover sufficiently to protect the viability of routes.

Businesses: While burgeoning economic activity would be a major challenge to other areas of policy, it is clearly an excellent environment for both the growth of existing firms and for new entrants. How evenly distributed the benefits of growth are will depend on which sectors thrive, particularly as remote working complicates the relationship between the creation of jobs and the generation of prosperity.
Eventually, the externalities we have discussed in housing, transport, and crime may become a serious enough bottleneck to growth to prevent this scenario from continuing indefinitely.

Migration: A lively and varied city centre offering may draw a larger number of students and retain more after graduation, helping to supply a more skilled workforce to the growing economy. A stronger and more prosperous urban core may encourage young families to settle closer to the city than they otherwise would.

6.4'City Playground'

Description

In the 'City Playground', urban centres develop around experiences and leisure, but continuing decline in manufacturing and anaemic service sector performance hit some areas hard. The greatest beneficiaries in this scenario are young and low-skilled renters. The customer service and leisure sectors they are more likely to work in prosper, but sluggish overall economic growth depresses house prices and allows them to live affordably. However, aspiring homemakers and prosperous young professionals will find good jobs lacking, and may be tempted to move elsewhere.

Economic Profile of Scenario

How can retraining be targeted to areas in which employment in traditional industries declines?

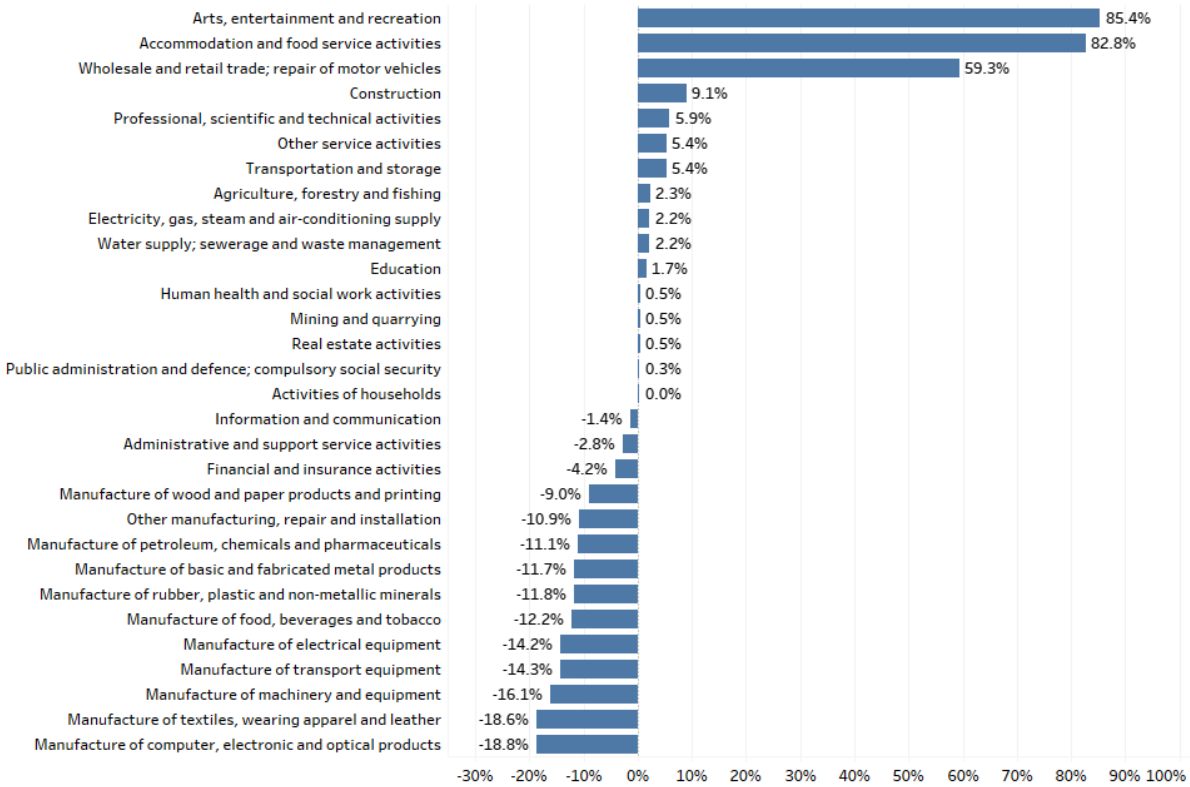

***Figure 35**: Bar chart showing projected GVA changes under a 'City Playground' scenario.*

<u>Summary:</u>

This scenario also sees a high level of population growth and migration into the region, as strong growth in leisure and recreation offsets the steep decline in manufacturing employment. As these sectors employ a large number of workers, the projected unemployment in this scenario is as optimistic as in Roaring Twenties. However, note that there is an eventual fall in arts and entertainment employment even in this scenario, as the impact of automation in services and growth in online sales makes itself felt. Actual productivity per worker would be significantly lower than the baseline scenario, due to the employment growth being dominated by low-productivity occupations and sectors.

Key trends:

- A population increase of **15%** (and of **11.1%** aged 16-64) between 2021 and 2040, compared to a baseline growth of **5.3%** and **-1.1%** respectively.
- GVA per worker would increase by **17.3%**, compared to a baseline scenario of **25.6%**.
- Total GVA would grow by **61.0%** compared to the baseline of **34.1%**.
- The change in economic output would be accompanied by an increase in net migration of **297,700**.

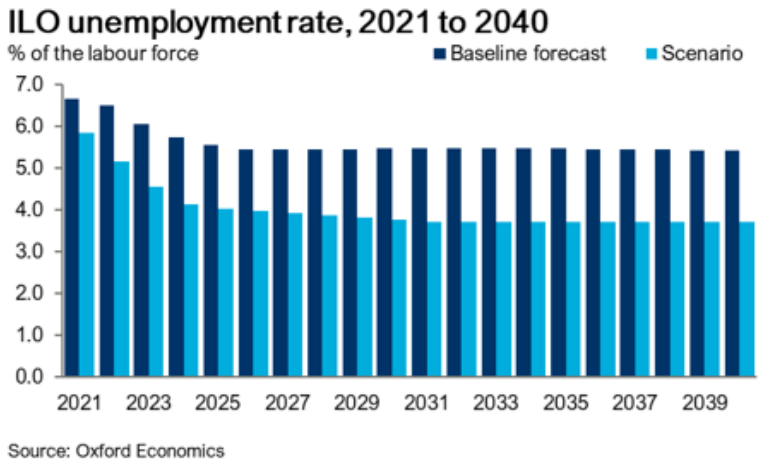

***Figure 36**: Forecast unemployment trends for the City Playground economic scenario, compared against Oxford Economics' baseline forecast.*

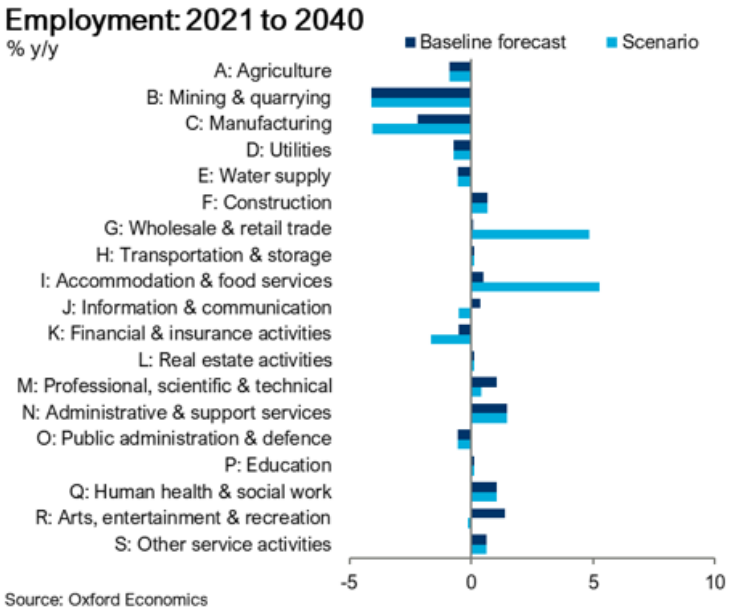

***Figure 37:** Projected changes in sectoral employment under the City Playground scenario.*

Experian MOSAIC Demographic Profiles

Transient renters, shown below in **blue**, stand to benefit most of all in this scenario. Aspiring homemakers, **red**, are harder hit:

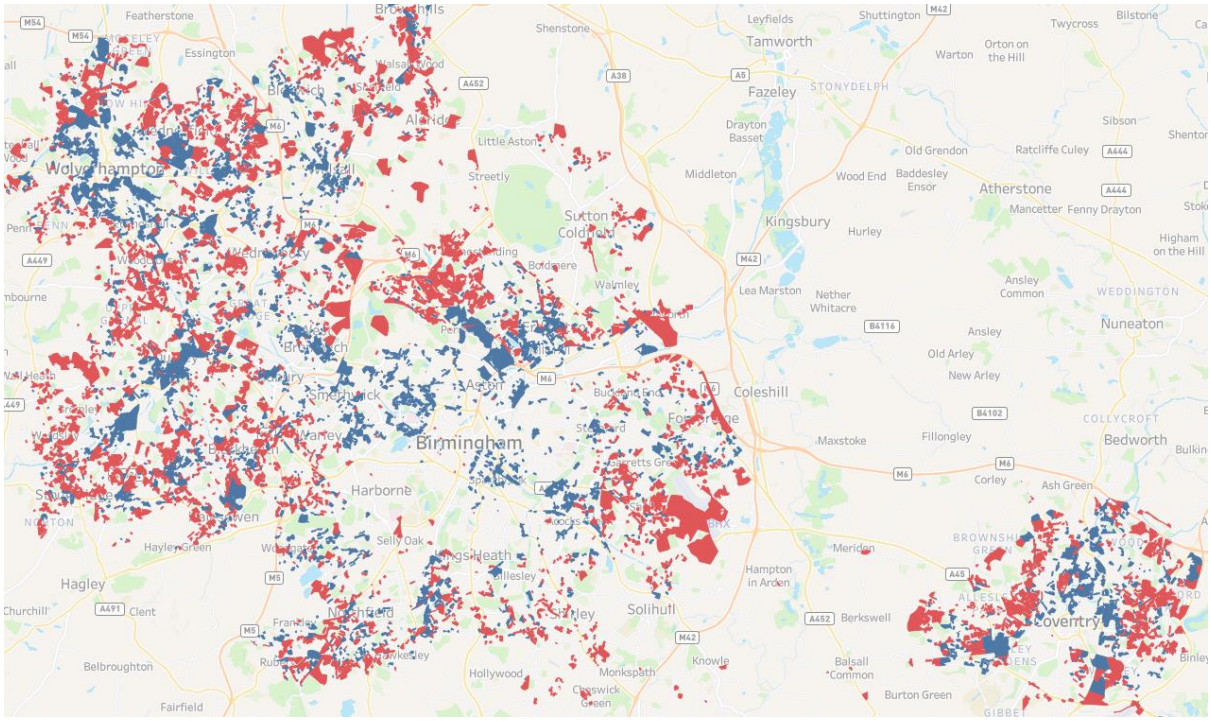

***Figure 38**: Transient renters, shown below in blue, stand to benefit most of all in this scenario. Aspiring homemakers, red, are harder hit.*

Housing: The times of economic activity likely to flourish in this scenario are more likely to support renters and young people than aspiring families. This may mean a greater turnover and potentially a loss of identity and character in some areas. For those who are still able to find good employment, modest house prices will increase options for getting on the housing ladder.

Crime: There is a risk of greater crime, particularly assault and antisocial behaviour, as there are more people out late at night and less activity in the early evenings marking the transition to the evening and night time economy.

Transport: Significant pressure would be taken off the transport network in this scenario, with capacity weaker during the day but stronger in the evening, flattening the usual curve of demand. Combined with remote working, we might see a network which is much better able to meet demand and less congested roads.

Businesses: As this scenario envisages a continuing rapid decline in manufacturing, both in output and employment, we may expect the network of manufacturing suppliers to be pruned and simplified, many skilled trades dependent on these firms weakened, and a more limited manufacturing offer making it more difficult to attract new major firms to the region.

On the other hand, the very strong and enticing city centre offer created by the thriving arts and entertainment sectors mean we can expect some modest growth in professional services and scientific and technical work, as these sectors ride on the coattails of city centre growth.

Migration: The vibrant urban core may attract university students, but without a strong employment offer we will lose more graduates to the South East. Remote work may soften the impact of weak employment growth in services, but weaken ties to the city.

6.5'Worker Bees'

Description

The possibility explored here is one of robust employment growth in services and manufacturing, but a decline in retail and hospitality, resulting in a city centre that is lively during the day and dead at night, with most social activity taking place closer to home.

Economic Profile of Scenario

What pathways can be forged for young people into employment, when the customer services jobs they are often dependent on are unavailable?

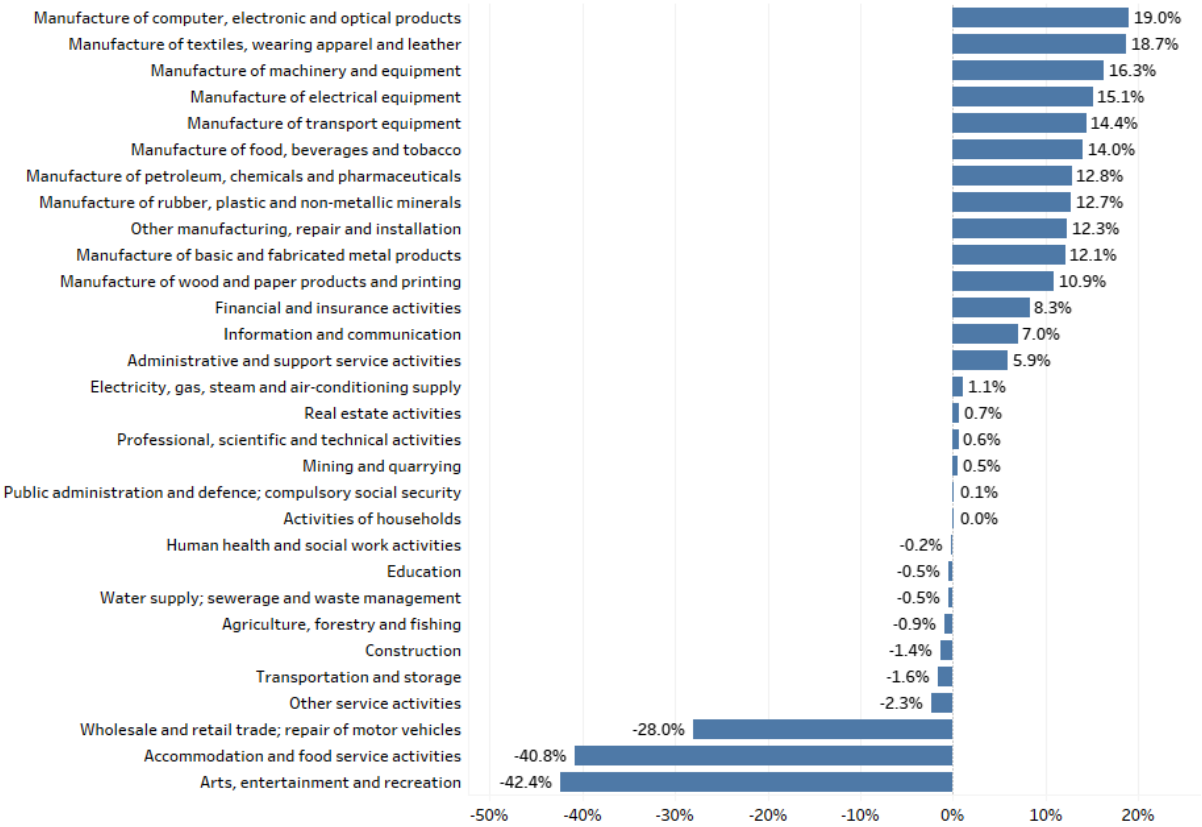

***Figure 39**: Bar chart for the 'Worker Bees' scenario, showing projected GVA changes by sector.*

Scenario Impact and Employment

Worker Bees

<u>Summary:</u>

This scenario sees more muted population growth, and some loss of residents to negative net migration, owing to its projection of weak growth in both leisure and recreation which strong growth in manufacturing and services, while more productive, are not able to offset. In addition to this forgone growth, unemployment increases steeply, approaching 10% and remaining high. Actual productivity per worker would increase markedly, due to loss of employment in less productive sectors.

<u>Key trends:</u>

- A population increase of **4.3%** (and of **-2.4%** aged 16-64) between 2021 and 2040, compared to a baseline growth of **5.3%** and **-1.1%** respectively.
- GVA per worker would increase by **29.0%**, compared to a baseline scenario of **25.6%**.
- Total GVA would grow by **26.6%** compared to the baseline of **34.1%**.
- The change in economic output would be accompanied by an increase in net migration of **-32,800**.

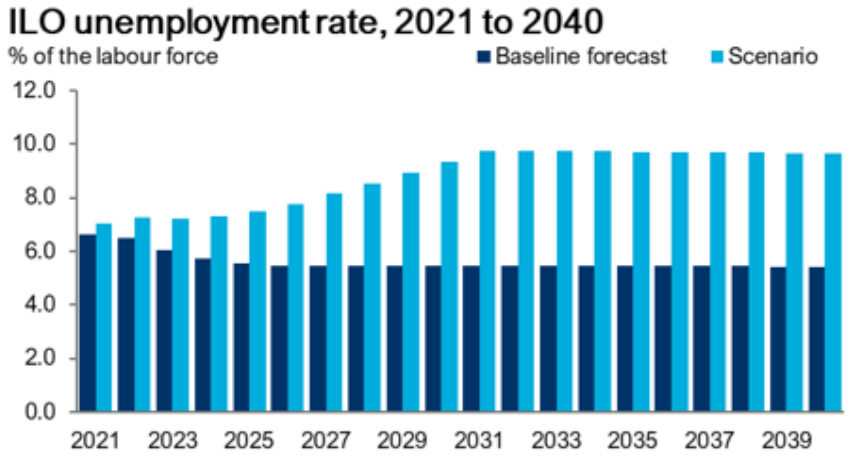

***Figure 40**: Forecast unemployment trends for the Worker Bees economic scenario, compared against Oxford Economics' baseline forecast.*

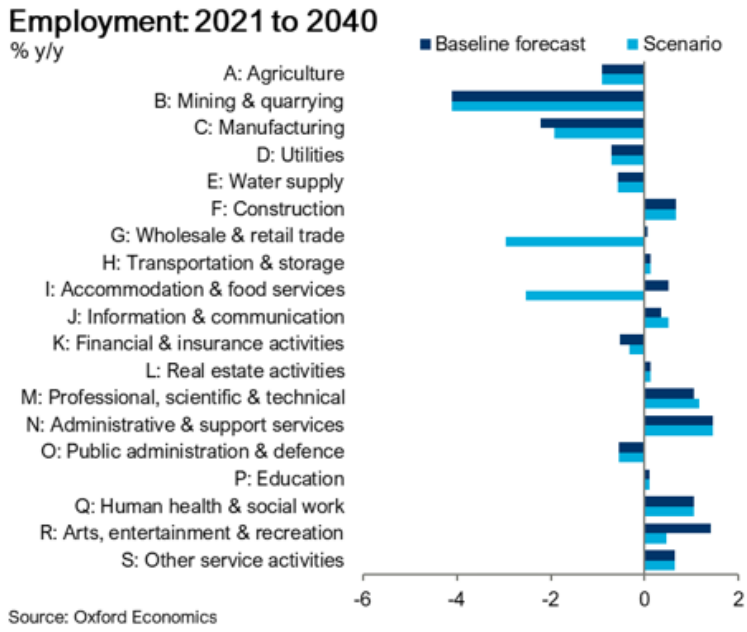

***Figure 41**: Projected changes in sectoral employment under the Worker Bees scenario.*

Experian MOSAIC Demographic Profiles

This scenario is one of great opportunity for those who have already embarked on their careers, but the drawbridge pulled up for younger people, with a shortage of entry-level positions and a less attractive city centre meaning less recreation and social life. Transient renters (**red**) therefore stand to lose in this situation, and aspiring homemakers (**blue**) to gain.

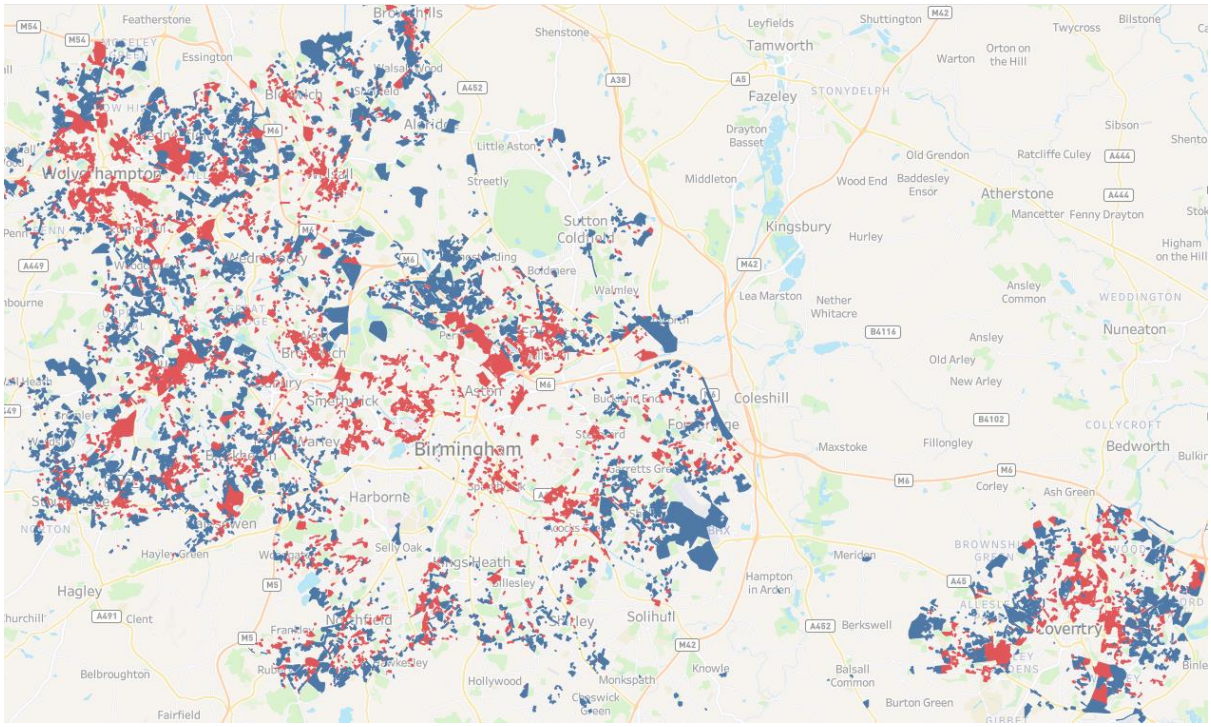

***Figure 42**:*

This scenario is one of great opportunity for those who have already embarked on their careers, but the drawbridge pulled up for younger people, with a shortage of entry-level positions and a less attractive city centre meaning less recreation and social life. Transient renters (red) therefore stand to lose in this situation, and aspiring homemakers (blue) to gain.

Housing: As was shown in the analysis of employment locations, jobs created by strong economic growth in services and manufacturing are more diffuse throughout the population than are jobs in leisure and hospitality. We might still expect pressure on the housing supply in more prosperous areas, particularly if growth in remote working makes it possible to live further away from the office.

Crime: There are problems for crime in this scenario, as the sharp drop off in footfall in the evenings means less 'eyes on the street' and greater vulnerability for those who are out late at night, such as shift workers.

Transport: This scenario is problematic for the transport system, as the existing AM/PM peaks would be amplified, particularly in the early evening when there is little reason to stick around after work. This would result in an inefficient allocation of capacity on the network, and difficultly accommodating demand at peak times.

Businesses: Robust manufacturing output in this scenario will safeguard areas dependent on manufacturing for employment, and make for an excellent diversified supply chain supporting existing firms as well as emerging sectors such as low carbon. The service sector as a whole will stagnate and be less able to compete with the offer in other regions. Services relating to scientific and technical work may prosper in areas with close ties to universities and manufacturing, but suffer in areas more dependent on the declining city centre offer.

Migration: Outcomes for demographics and mobility will be heavily dependent on expansion of remote working. But we would expect lower graduate retention, unless other cities meet a comparable fate. This will be a constraint on skills supply.

7. Conclusion

In this evidence document we have surveyed many facets of the region's economy and society, before and during the pandemic, including transport, housing, crime, migration, and business activity. Particularly notable were the displacement of both footfall and consequently crime out of the urban centre, the shock to patronage and partial recovery experienced by the public transport system, and the continued rise in house prices despite the lower level of economic activity. Though we can expect house price rises to persist at least through 2025, the extent to which the distribution of economic activity and demand for services shifts away from the urban centres and becomes more decentralized remains an open question.

The data presented here outline the many factors that will bear on city centre recovery, vitality, and identity, in the years ahead. The four scenarios presented here explore two of the most salient factors: the vitality of the city centre, and the growth prospects of key employment uses and particularly manufacturing.

Any realistic future for the city centre, and by extension the region, is likely to comprise a mixture of the extreme scenarios presented here. By considering these different extremes, we can keep an open mind to how the flavour and quality of future development may turn out, and adapt in an incremental manner to take advantage of change.

Prior to the pandemic, city centres were performing well and had seen strong growth, but the double impact of lockdowns has been to drain both leisure and employment uses in the city centre, resembling our 'Ghost Town' scenario. Unless there is a complete restoration of in-person work five days per week, we are likely to see less business and professional services activity drop in the city centre as firms and staff adapt to new ways of working. To preserve and grow city centre activity will therefore mean drawing people working in professional services into the city centre for reasons other than work, attracting them back with the wider social benefits of city life.

Consequently, the scenario we consider most desirable would be a hybrid between Roaring Twenties and City Playground, in which core strengths in services and manufacturing hold up, but with activity somewhat less centralized, while city centre arts and leisure thrive. Quality, affordable living spaces near to the city centres will be imperative for ensuring that growing sectors have access to staff with the right skills.

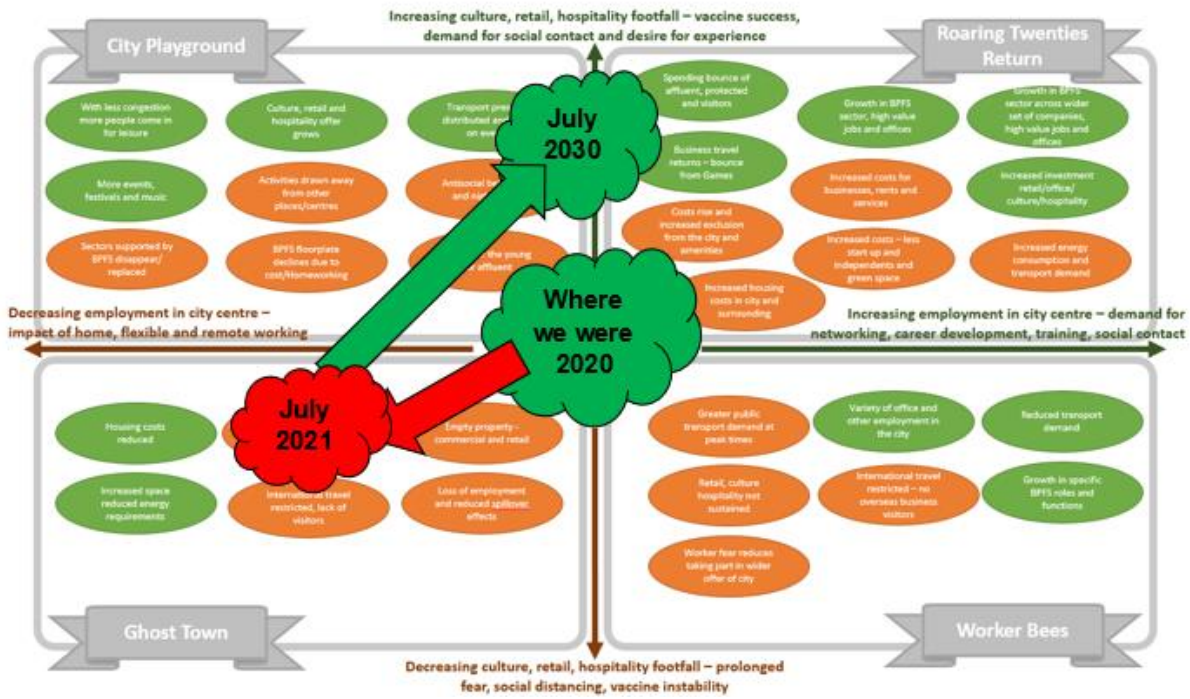

Figure 31 *Using our four scenarios as extreme points, this diagram indicates the preferred hybrid outcome, in which culture, retail, and hospitality footfall grow rapidly, while city centre and traditional employment uses grow steadily.*

One commonality between the different economic scenarios presented here is that all of them will have a heterogenous impact across the region, with different demographic groups standing to gain or lose in each eventuality. Considered together, they point to the need to re-imagine the city centre around strong collaboration in the service sector in shared office space and preserving and building on the city's diverse leisure and entertainment offer. All this, while ensuring the pathologies of growth, such as rising house prices, crime, and environmental impact, are imaginatively managed.