Oxford Economic Model - Baseline forecast for the Midlands

INSIGHTS

A period of modest growth is projected for the Midlands Engine between early-2020 and 2040 with growth less than the national average across a range of key indicators including Gross Value Added.

The Oxford Economics Model (OEM) provides access to Oxford Economics' baseline forecasts, which reflect Oxford Economics' views of the economy, including the impact of the cost-of-living crisis, as well as other factors like the UK's exit from the European Union.

Overall, the current UK economic climate and growth are underpinned by factors such as the gradual fading of the inflation shock, peaking interest rates, falling household incomes and tighter fiscal policy. Long-term growth is underpinned by a plethora of factors such as Brexit, economic inactivity, and weaker demographics.

Summary

- **The Midlands Engine population is projected to grow by +3.0% between 2020 and 2040** (from 10.39m people in 2020 to 10.71m people in 2040), as compared to +4.2% nationally.

- **GVA (Gross Value Added) in the Midlands Engine is projected to grow by +27.4% between 2021 and 2040**, or at an annualised growth rate of 1.6% (£239.7bn in 2021 and £305.3bn in 2040), as compared to +33.1%, or at an annualised growth rate of 1.9% nationally.

- **GVA per capita is expected to grow by +£5,420 or +23.5%, between 2021 and 2040** with an annualised growth rate of 1.5% (£23,080 in 2021 and £28,500 in 2040), as compared to +27.7%, or at an annualised growth rate of 1.7% nationally.

- **Between 2021 and 2040, unemployment in the Midlands Engine is expected to rise by 0.2 pp** (4.2% in 2021 and 4.4% in 2040), as compared to nationally where unemployment is expected to decrease by 0.1 pp.

- Between 2022 and 2040, the Midlands Engine is projected to gain the most in employment **human health and social work (+18.8%; +20.6% nationally), arts, entertainment and recreation (+18.6%; +20.0% nationally), and professional, scientific and technical activities (+18.4%; +22.1% nationally)**

- Between 2021 and 2040, Midlands Engine industries which are projected the most GVA growth include **information and communication (+67.4%; +74.9% nationally), arts, entertainment and recreation (+55.4%; +59.5% nationally), and administrative and support services (+48.6%; +52.6% nationally)**

Population

The total population in the Midlands Engine in 2020, as shown in Figure 1, was 10.39 million and is forecast to grow to 10.71 million by 2040. This is a projected increase of 310,000 people, or a growth of +3.0% - 1.2 percentage points (pp) lower than nationally (+4.2%), with an annualised population growth of 0.2% - this is on par with national annualised growth figures.
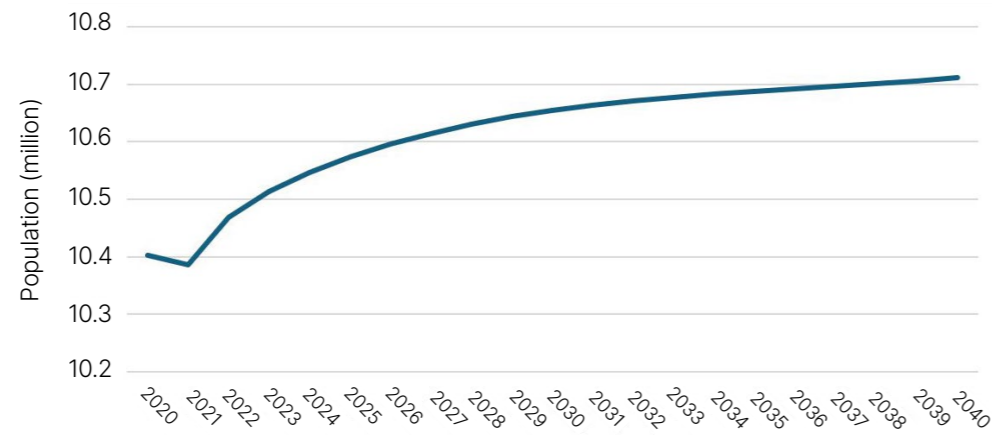

Figure 1. Population forecast in the Midlands Engine, 2020-2040

GVA (Gross Value Added)

As shown in Figure 2 and 3, in 2021, the total GVA in the Midlands Engine was £239.7bn, it is forecast to grow to £305.3bn by 2040. This is an increase of +65.6bn, or +27.4%, with an annualised growth rate of 1.6%.

Compared to national figures, Midlands Engine GVA growth is expected to be more modest. In the same period, national GVA growth is expected to be 33.1%, or £641.0bn, (+5.7 pp higher than the Midlands Engine), with an annualised growth rate of 1.9% (+0.3 pp higher than the Midlands Engine).
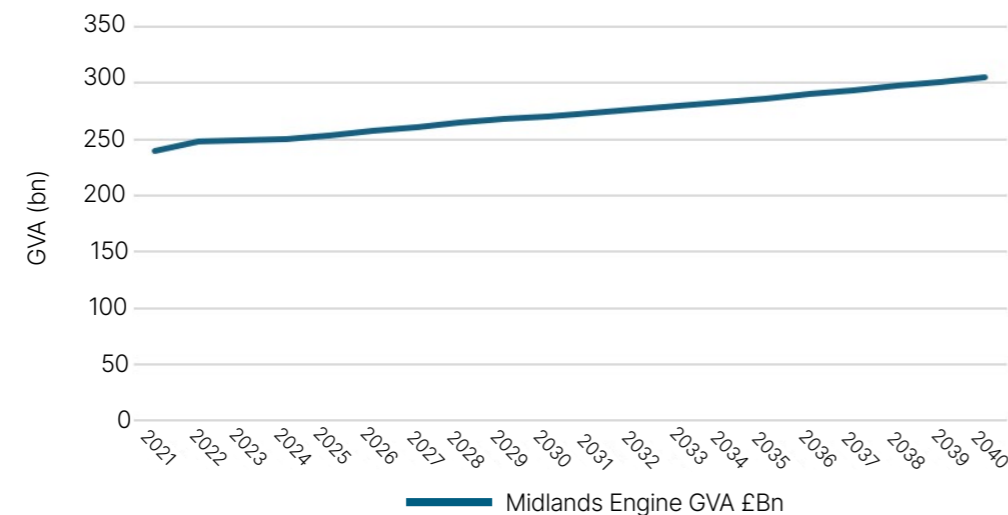

Figure 2. GVA forecast growth for the Midlands Engine, 2021-2040
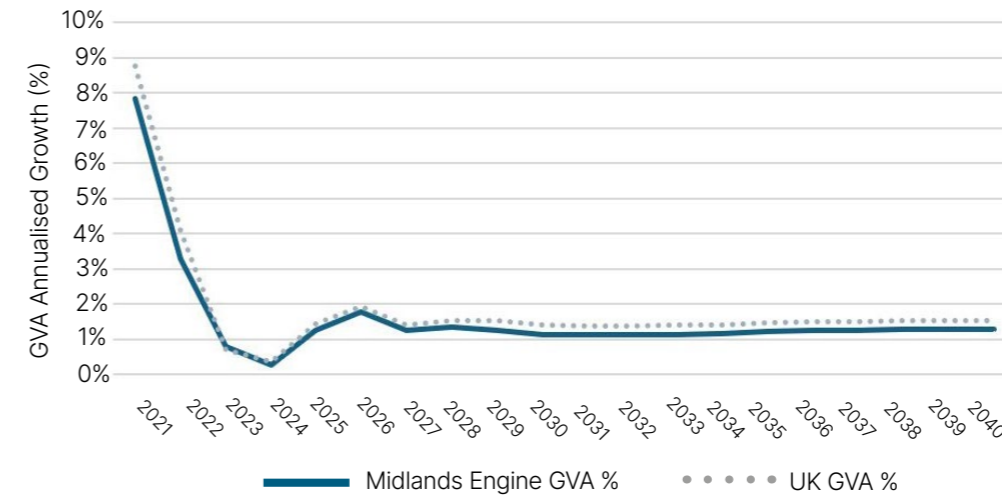

Figure 3. GVA annualised % growth in the Midlands Engine and UK, 2021-2040

GVA per capita

As shown in Figure 4, in 2021, the Midlands Engine had an average GVA per capita of £23,080. It is forecast to grow to £28,500 by 2040 which is an increase of +£5,420, or +23.5%, with an annualised growth rate of 1.5%.

Compared to National figures, Midlands Engine growth is expected to be more modest. In 2021 national GVA per capita was £28,864 which was +£5,784 higher than the Midlands Engine. It is forecast to growth to £36,859 by 2040, or +27.7%, with an annualised growth rate of +1.7%. The annualised growth is expected to be +0.2 pp more.
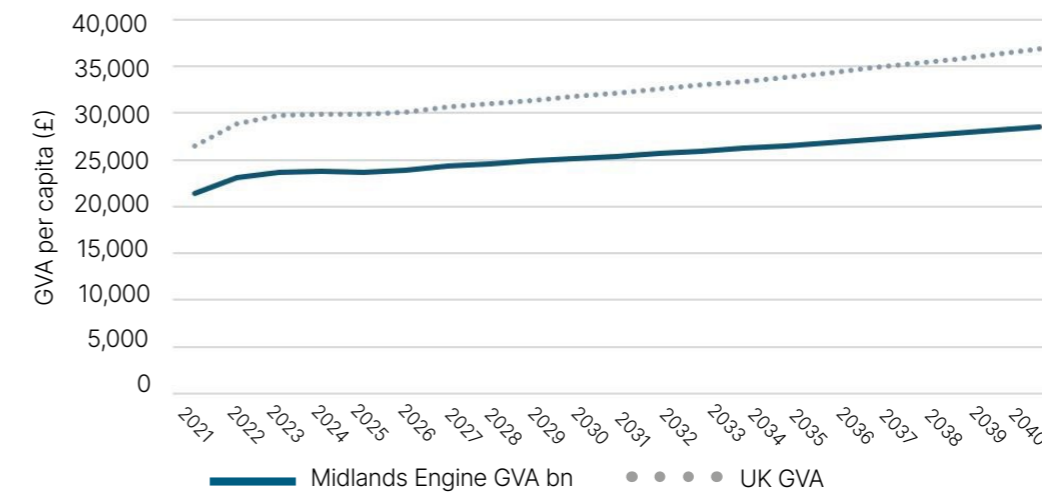

Figure 4. GVA per capita forecast for the Midlands Engine and UK, 2021-2040

Unemployment

As per figure 5, in 2022, the Midlands Engine had an average unemployment rate of 4.2%. It is forecast to increase to 4.4% by 2040; an increase of 0.2 pp. Compared to national figures where in the same period unemployment was 3.7% in 2022, or -0.5 pp lower than the Midlands Engine, national figures are forecast to decrease by 0.1 pp to 3.6% by 2040.
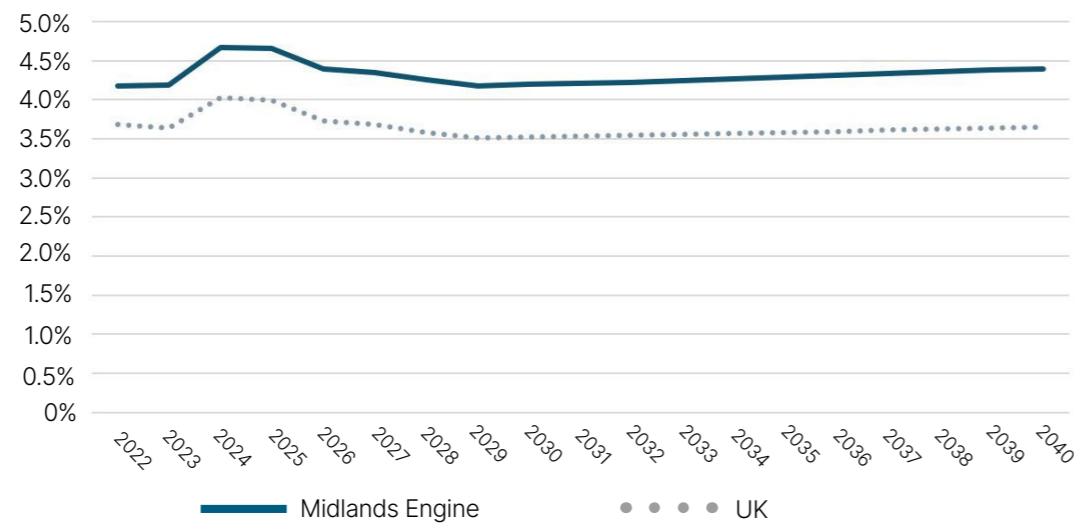
Figure 5. Unemployment forecast in the Midlands Engine and UK, 2022-2040

Sectors

Employment by sector

Examining sectoral forecasts by industry between 2022 to 2040 as shown in Figure 6, the Midlands Engine is projected to gain the most jobs in human health and social work (+18.8%; +20.6% nationally), arts, entertainment and recreation (+18.6%; +20.0% nationally), and professional, scientific and technical activities (+18.4%; +22.1% nationally). On the other hand, the region faces the largest losses in employment within mining and quarrying (-47.1%; -45.0% nationally), manufacturing (-31.9%; -31.2% nationally), and utilities (-12.0%; -13.6% nationally).

The Midlands Engine falls broadly in line with national employment forecasts between 2020 to 2040. The largest differences between the Midlands Engine and national figures include slower growth in construction (-4.1 pp lower in the Midlands Engine), professional, scientific and technical activities (-3.7 pp lower in the Midlands Engine), and administrative and support services (-3.3 pp lower in the Midlands Engine) which are all projected faster employment growth.

As per Table 1, sectors likely to experience the most growth already employ a significant portion of the Midlands workforce. For instance, the human health and social work sector is forecast to grow by 18.8% between 2022 and 2040, increasing its share of employment to 15% (+2 pp) by 2040. Similarly, arts, entertainment and recreation which is forecast to grow by 18.6% is projected to make up 3% (+1 pp) of the economy, whilst professional, scientific and technical activities are expected to increase by 18.4%; accounting for 8% (+1 pp) of employment by 2040.

In contrast, sectors anticipated to experience the largest declines in employment i.e., mining and quarrying, and utilities both currently do and are expected to make less than 1% of all regional employment by 2040. The manufacturing sector, which currently represents 11% of all employment, is forecast to decrease to just 7% by 2040, down by 4 pp, and will represent the largest loss of employment in the region as manufacturing is expected to decline into 2040.
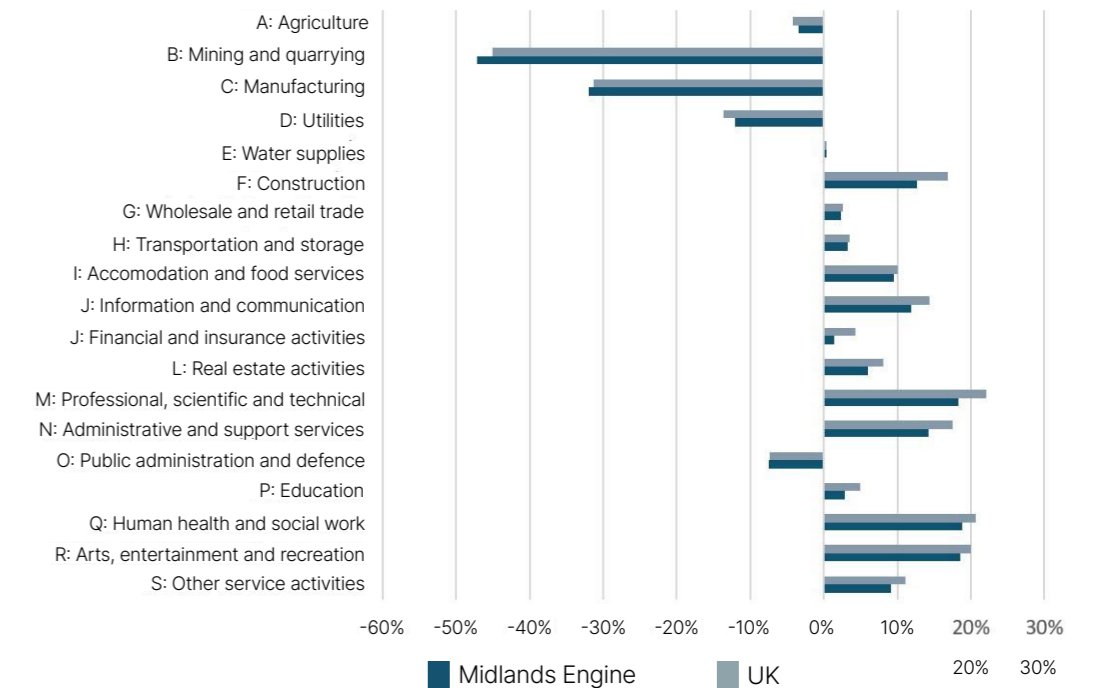
Figure 6. Employment Forecast of Total employment by Industry in the Midlands Engine and UK, 2022 – 2040

Table 1. Midlands Engine and UK forecast employment figures by sector, 2022-2040

Sector	Midlands Engine				UK			
	2022 (000s)	Total %	2040 (000s)	Total %	2022 (000s)	Total %	2040 (000s)	Total %
A: Agriculture	54	1%	52	1%	338	1%	324	1%
B: Mining & quarrying	5	0%	3	0%	50	0%	28	0%
C: Manufacturing	571	11%	388	7%	2,632	7%	1,809	5%
D: Utilities	25	0%	22	0%	137	0%	118	0%
E: Water supply	36	1%	37	1%	236	1%	237	1%
F: Construction	323	6%	364	7%	2,254	6%	2,633	7%
G: Wholesale & retail trade	758	15%	776	14%	4,824	13%	4,948	13%
H: Transportation & storage	331	6%	342	6%	1,890	5%	1,957	5%
I: Accommodation & food services	335	6%	367	7%	2,580	7%	2,840	7%
J: Information & communication	146	3%	163	3%	1,641	5%	1,877	5%
K: Financial & insurance activities	101	2%	102	2%	1,167	3%	1,216	3%
L: Real estate activities	86	2%	91	2%	653	2%	706	2%
M: Professional, scientific & technical	381	7%	451	8%	3,335	9%	4,071	10%
N: Administrative & support services	439	8%	503	9%	3,087	9%	3,629	9%
O: Public administration & defence	201	4%	186	3%	1,630	5%	1,510	4%
P: Education	437	8%	450	8%	3,055	8%	3,206	8%
Q: Human health & social work	695	13%	826	15%	4,642	13%	5,599	14%
R: Arts, entertainment & recreation	122	2%	145	3%	1,006	3%	1,206	3%
S: Other service activities	145	3%	158	3%	980	3%	1,088	3%
Total	5192	100%	5425	100%	36137	100%	39002	100%

GVA by sector

GVA forecasts by industry between 2021 and 2040, as shown in figure 7, suggest that the Midlands Engine is projected to receive the most growth in information and communication (+67.4%; +74.9% nationally), arts, entertainment and recreation (+55.4%; +59.5% nationally), and administrative and support services (+48.6%; +52.6% nationally). On the other hand, the region is expected to face decline in mining and quarrying (-32.6%; -39.2% nationally) activities. However this sector only makes up less than 1% of the Midlands economy.

Following established patterns, the Midlands Engine is once again expected to fall broadly in line with national GVA forecasts, albeit with some discrepancies. For example, the UK is expected to have more growth in accommodation and food services (+8.7 pp more than the Midlands Engine), information and communication (+7.5 pp more than the Midlands Engine), and transportation and storage (+6.1 pp more than the Midlands Engine).

On the other hand, the Midlands Engine is expected to face less loss in its Mining and quarrying sector (-6.7 pp lower than nationally) and is projected to have higher growth in agriculture (+1.6 pp higher than nationally) and utilities (+0.6 pp higher than nationally) industries.
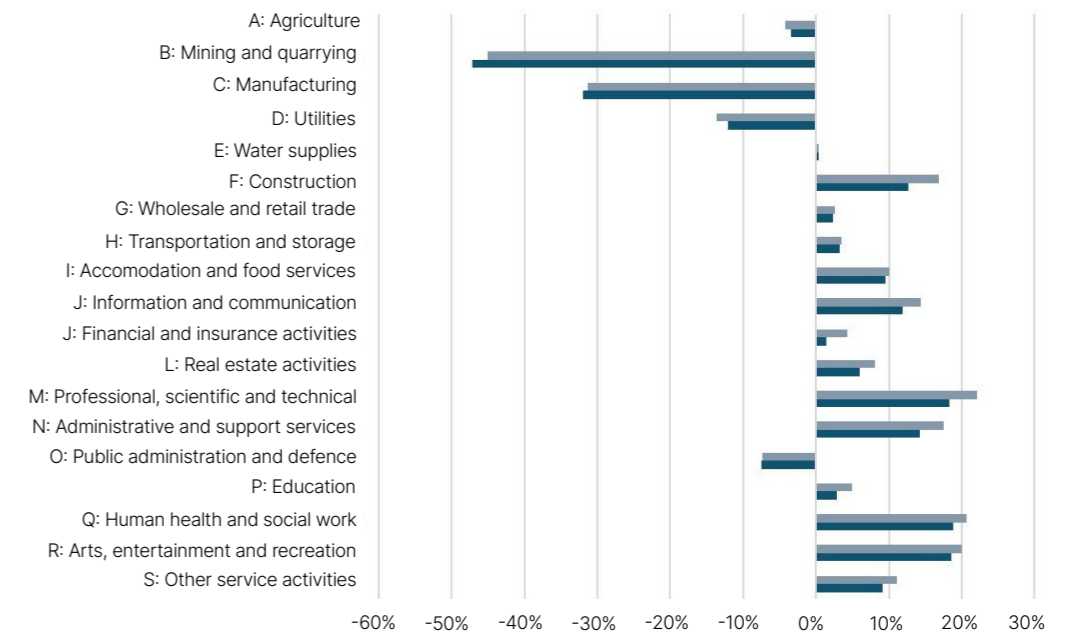

Figure 7. GVA Forecast by Industry in the Midlands Engine and UK, 2021 – 2040

Table 2. Midlands Engine and UK forecast GVA figures by sector, 2021-2040

Sector	Midlands Engine				UK			
	2021 (£bn)	Total %	2040(£bn)	Total %	2021 (£bn)	Total %	2040 (£bn)	Total %
A: Agriculture	2.2	1%	2.7	1%	11.4	1%	13.5	1%
B: Mining & quarrying	0.5	0%	0.3	0%	3.7	0%	2.2	0%
C: Manufacturing	41.3	17%	44.6	15%	203.0	10%	224.2	9%
D: Utilities	4.2	2%	5.6	2%	21.6	1%	28.7	1%
E: Water supply	3.4	1%	3.7	1%	26.1	1%	28.2	1%
F: Construction	15.7	7%	21.1	7%	119.4	6%	165.8	6%
G: Wholesale & retail trade	28.6	12%	34.6	11%	205.3	11%	250.0	10%
H: Transportation & storage	8.9	4%	11.9	4%	60.5	3%	84.6	3%
I: Accommodation & food services	5.8	2%	8.5	3%	49.0	3%	76.1	3%
J: Information & communication	11.5	5%	19.2	6%	143.5	7%	251.0	10%
K: Financial & insurance activities	9.5	4%	11.8	4%	169.8	9%	214.1	8%
L: Real estate activities	30.0	13%	37.3	12%	265.3	14%	337.1	13%
M: Professional, scientific & technical	13.4	6%	17.9	6%	158.5	8%	221.5	9%
N: Administrative & support services	11.0	5%	16.3	5%	94.6	5%	144.2	6%
O: Public administration & defence	10.9	5%	12.7	4%	93.8	5%	109.8	4%
P: Education	15.0	6%	18.6	6%	104.2	5%	133.7	5%
Q: Human health & social work	20.4	9%	28.0	9%	145.2	8%	204.0	8%
R: Arts, entertainment & recreation	2.4	1%	3.8	1%	24.8	1%	39.5	2%
S: Other service activities	4.9	2%	6.6	2%	34.5	2%	47.1	2%
Total	239.7	100%	305.3	100%	1,934.7	100%	2,575.5	100%

MIDLANDS ENGINE

Trent Bridge House
Fox Road
West Bridgford
Nottingham
NG2 6BJ

info@midlandsengine.org

𝕏 **@MidsEngine**

in **midlands-engine**

🌐 **midlandsengine.org**