

# UK Cities DNA



## *The Role of UK Regional Cities in the National Economy*

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The third of twelve insight papers in our UK Cities DNA initiative – putting real estate supply and demand in the context of the economic direction of travel.

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# The Role of Regional UK Cities in the National Economy

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- The largest UK cities are major direct and indirect contributors to the national economy, accounting for 61% of GDP.
- The industrial heritage, innovation hubs, and educational institutions of the regional cities, support technological advancement, national industry and green initiatives.
- The house building programmes of the regional UK cities are increasingly important in facilitating an evenly distributed economy.
- The inherent connectivity of the regional UK cities is vital for supporting domestic and international trade.

## ECONOMIC CONTRIBUTION

The major UK cities are the engines of the economy, collectively contributing 61% of the national Gross Domestic Product (GDP). Greater Manchester alone has a Gross Value Added (GVA) of approximately £90 billion, making it the largest economy outside London. Birmingham contributes circa £85 billion annually to the UK's GVA, reflecting its importance as a major economic hub.

The unique strengths of each city help diversify the national economy by supporting a wide array of industries. For example, Manchester is a leading centre for media, technology, and financial services, with the city's tech sector tripling in size over the past three years. Birmingham remains a powerhouse in automotive manufacturing, with the West Midlands region producing 1 in 3 British-made cars. The regeneration of Digbeth has also now positioned Birmingham as an emerging creative hub, attracting major organisations such as the BBC. Leeds is established as England's second-largest financial centre, contributing £24.5 billion to the UK economy annually. Meanwhile, Glasgow's economy, valued at £48 billion, is rooted in sectors including shipbuilding, engineering, and renewable energy.

Each city is an employment hub, providing jobs to millions of people. Manchester's workforce exceeds 1.3 million people, while Birmingham's

stands at nearly 1 million. This distribution of employment supports balanced national economic growth.

## INNOVATION AND TECHNOLOGY

The regional UK cities are at the forefront of innovation and technology. Cambridge, known as "Silicon Fen," is a global leader in technology and biosciences. The city's tech cluster has produced over 5,500 knowledge-intensive firms, contributing significantly to the UK's innovation landscape and generating more than £20 billion in revenues annually.

Similarly, Oxford is a key centre in research and development, particularly within the field of life sciences. The Oxford-Cambridge Arc is a region of innovation excellence, contributing over £111 billion to the UK economy. Further north, Manchester has become a hub for the digital and creative industries, with MediaCityUK being home to the BBC, ITV, and a increasing number of tech startups and spin-off companies. The city's digital sector was valued at over £5 billion in 2021.

# 1.3m

people employed in Manchester

# £111bn

contributed annually to the economy of the UK by the Oxford-Cambridge Arc

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**“As we move to a more knowledge-based economy, harnessing the strengths of the UK’s universities and research institutions will drive innovation and growth. Cities including Birmingham, Leeds, and Manchester are home to some of the largest universities in the UK.”**

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In Scotland, Dundee’s gaming cluster is the birthplace of the Grand Theft Auto franchise, with the gaming sector accounting for 11 times the national average of private sector jobs related to the sector.

#### **EDUCATION AND SKILLS**

Collaboration between education providers and businesses is fundamental to the success of the UK economy, with regional cities playing a central role in this. As we move to a more knowledge-based economy, harnessing the strengths of the UK’s universities and research institutions will drive innovation and growth. Birmingham, Leeds, and Manchester, for example, are home to some of the largest universities in the UK. The University of Manchester has over 46,000 students and contributes approximately £1.7 billion annually to the economy through research, education, and innovation.

These institutions are crucial in supplying a highly skilled workforce to support the UK’s diverse industries. For instance, the University of Birmingham’s focus on engineering and the University of Leeds’ strengths in financial services and healthcare play an essential role in servicing the national labour markets. In addition to traditional academic paths, cities such as Sheffield have become centres for vocational training and apprenticeships, particularly in advanced manufacturing. The Advanced Manufacturing Research Centre in Sheffield is a good example, contributing to developing skills and

technologies that support the UK’s industrial base.

Across the UK, universities are aligning the skills taught with the demands of the modern workforce, particularly in high-growth sectors such as technology, healthcare, and engineering. Consequently, cities with strong educational institutions are growing as hubs for innovation and the next wave of new industries. The “Golden Triangle” of Cambridge, Oxford, and London is a good example, where the concentration of world-class universities and research centres has created an environment to support the growth of R&D intensive industries.

#### **ECONOMIC CONTRIBUTION, BALANCE AND RESILIENCE**

The regional UK cities help balance economic activity across the UK, distributing wealth and opportunities. This decentralisation is crucial for addressing regional inequalities. For example, while London’s GVA per capita is approximately £57,000, cities such as Sheffield have a GVA closer to £28,000, highlighting the disparity. However, these cities are critical in ensuring economic resilience by diversifying the UK centres of growth. During economic shocks, such as the COVID-19 pandemic, strong regional economies helped cushion the overall impact on the UK.

The employment landscape in the UK is evolving. While London remains the principal centre for professional services and financial companies, for example, there has been a notable rise in firms establishing a presence outside the capital.

The resilience of regional cities is also demonstrated in recovery efforts. For example, Leeds’ economy dipped by 5.2% in 2020 and rebounded in 2021 with significant growth in digital services and financial sectors.

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**+10.1%**

growth in Bristol’s economy in 2022

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Similarly, Bristol has shown strong resilience, with its economy growing by 10.1% in 2022, driven by its thriving aerospace and creative sectors.

#### **TRANSPORT AND CONNECTIVITY**

Connectivity is an important component in supporting domestic and international trade. For instance, Manchester Airport is the third busiest in the UK, handling over 27 million passengers annually and contributing £5.7 billion to the regional economy. Similarly, Birmingham Airport serves around 11.5 million passengers annually as a crucial gateway for the Midlands.

Infrastructure development is targeting greater regional interaction. Projects such as HS2, connecting London to Birmingham, are projected to boost the economy by £10 billion over the next ten years and create thousands of jobs, although plans beyond Birmingham have been scaled back. Several new links to enhance connectivity between major northern cities are under consideration, potentially adding £22 billion to the UK economy by 2060.

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**£5.7bn**

contributed by Manchester Airport to the regional economy

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#### **CULTURE AND TOURISM**

The regional UK cities serve as cultural centres and major tourism destinations. Edinburgh, for instance, hosts the world-renowned Edinburgh Festival Fringe, attracting over three million visitors annually and generating approximately £620 million for the Scottish economy. With its rich musical heritage, particularly associated with The Beatles, Liverpool draws millions of tourists annually, contributing over £5 billion to the local economy.

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Principality Stadium, contributes around £1.3 billion annually through cultural tourism. Glasgow’s music scene, recognised as a UNESCO City of Music, generates significant revenue and supports thousands of jobs in the creative industries.

#### **HOUSING AND DEVELOPMENT**

The housing programmes of the regional cities are increasingly important in facilitating a more evenly distributed economy. Manchester has seen significant residential development, committing to build 36,000 new homes by 2032. This expansion helps accommodate a growing population and supports local economies through construction jobs and increased consumer spending.

The release of green belt land to achieve ambitious housebuilding targets will be a controversial but potentially transformative policy. By expanding cities and providing housing for a growing population, this policy could help to alleviate some of the pressures on the housing market.

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# 5bn

Liverpool Waters development is set to regenerate the city’s northern docks, providing homes, offices, and cultural venues

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Urban regeneration has been a key focus in cities including Newcastle and Liverpool, where extensive redevelopments have revitalised local economies. The £330 million Gateshead Quays project in Newcastle is set to transform the city’s waterfront into a mixed-use development. It is expected to create thousands of jobs and attract millions of visitors annually. Similarly, Liverpool’s £5 billion Liverpool Waters development is set to regenerate the city’s northern docks, providing homes, offices, and cultural venues.

#### **SUSTAINABILITY GOALS**

The regional UK cities are central to the UK’s environmental goals. Nottingham, for instance, has implemented a citywide energy efficiency program, aiming to be the first city in the UK to become carbon neutral by 2028. Bristol, recognised as the UK’s first European Green Capital in 2015, continues to lead in sustainable urban development, with plans to achieve carbon neutrality by 2030.

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Glasgow is another key player in the UK’s renewable energy sector, particularly wind energy. The city is central to Scotland’s goal of generating 50% of its energy needs from renewable sources by 2030. Hull, home to the UK’s largest offshore wind farm, is also critical to the nation’s transition to a zero-carbon economy, generating 4.9 gigawatts of renewable energy.

The creation of publicly-owned Great British Energy exemplifies how the UK government plans to capitalise on regional strengths to drive economic growth. This initiative,

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# £7.4bn

value of Birmingham’s export market in 2021

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which focuses on providing clean energy and creating jobs, is expected to have a significant impact on the UK’s energy landscape. Headquartered in Scotland, Great British Energy will leverage the expertise in energy and utilities of the country, contributing to the broader goals of energy security and job creation.

The success of any new initiatives will depend on the ability of policymakers to balance the need for economic growth with the imperative to address environmental and social challenges. Additional infrastructure will be needed to facilitate and won’t be without local objections. Sustainable growth and collaboration between government, businesses, and communities will be required across the board.

#### **INTERNATIONAL TRADE**

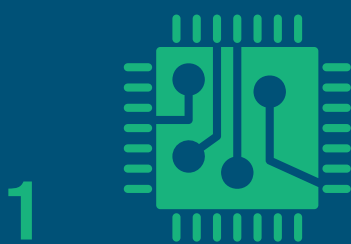
Regional UK cities, including Birmingham and Manchester, are significant export hubs, with Birmingham’s export market valued at £7.4 billion in 2021, driven by sectors such as automotive manufacturing and machinery. With its strong global connections, particularly in digital services and advanced manufacturing, Manchester exported goods worth £6.3 billion in the same year.

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## EIGHT KEY AREAS OF REGIONAL CONTRIBUTION



1

Innovation and Technology



2

Education and Skills



3

Economic Contribution,  
Balance and Resilience



4

Transport and Connectivity



5

Culture and Tourism



6

Housing and Development



7

Sustainability Goals



8

International Trade

“The UK’s regional cities are pivotal in defining the national economic landscape and essential in fostering an equitable and sustainable economic future.”

These cities are becoming increasingly connected globally, with international airports like Manchester and Birmingham serving as gateways for trade and tourism.

### CONCLUSION

The regional UK cities are pivotal in defining the national economic landscape and essential in fostering an equitable and sustainable economic future. With unique industrial strengths, innovation hubs, and educational institutions, regional cities contribute substantially to the national GDP and support technological advancement, national industry and green initiatives. The ongoing infrastructure, housing, and international trade development further underscore the role as critical economic engines. As the UK continues to adapt to global changes and domestic challenges, the role of its regional cities will be crucial in shaping a balanced, dynamic, and sustainable economic trajectory.

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We like questions, if you've got one about our research, or would like some property advice,  
we would love to hear from you.



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