

POWERING THE UK'S FUTURE ECONOMY: THE WEST LONDON ADVANTAGE

West London Alliance

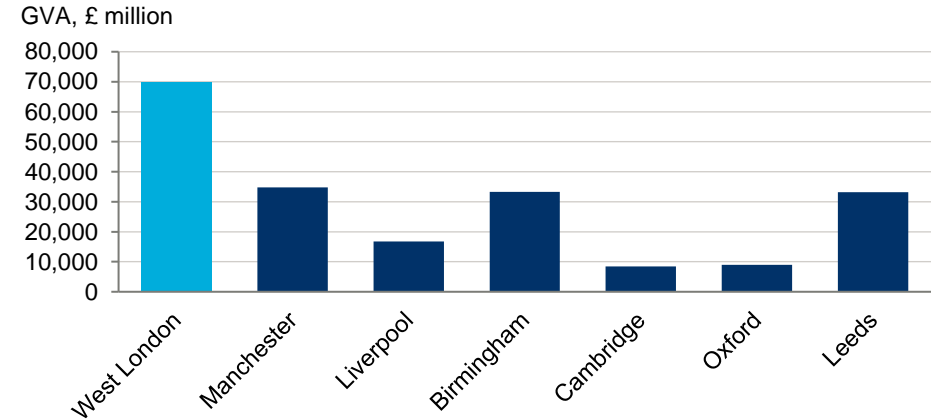
February 2025



The West London economy has strong economic fundamentals

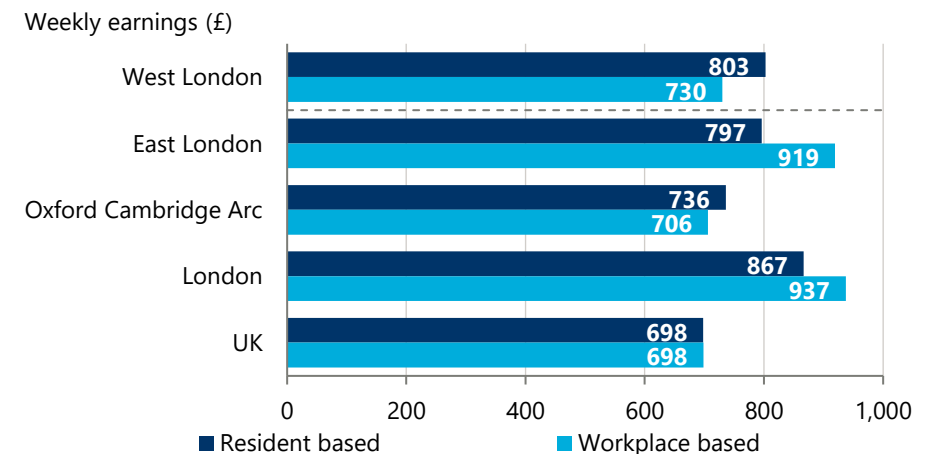
- West London is a large and strong economy:
 - Its **population** is similar in size to Birmingham, Manchester and Liverpool combined (2.2 m)
 - Its **economy** is larger than Manchester and Birmingham combined (£70 billion)
 - An integral **part of London**—the powerhouse of the UK—while also linking to fast growth economies along the M4 Corridor
 - **Earnings** are higher than the UK average
 - Residents are **highly qualified** (57% have degree-level education)
 - It has **strong specialisation** in strategic sectors: life sciences, logistics and aviation, creative industries, digital activities.

GVA, West London and comparator cities, 2024



Source: Oxford Economics

Resident and workplace based weekly earnings, 2024

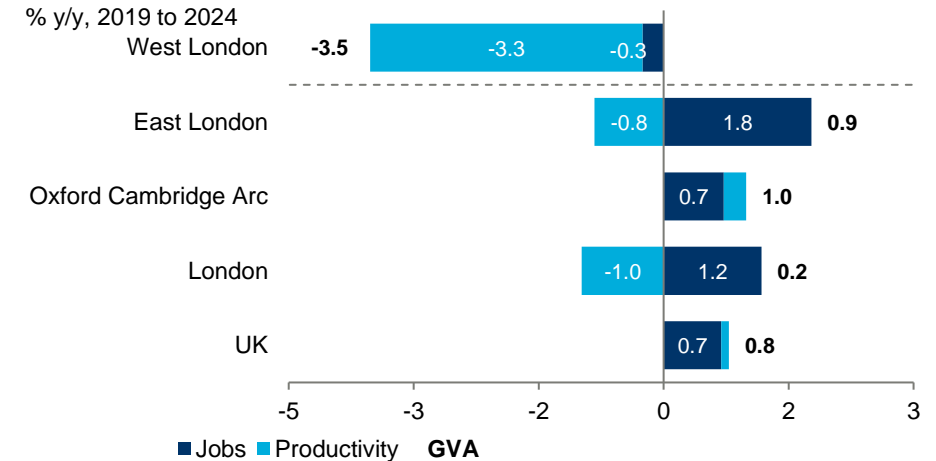


Source: Oxford Economics

Despite this, West London has been lagging behind

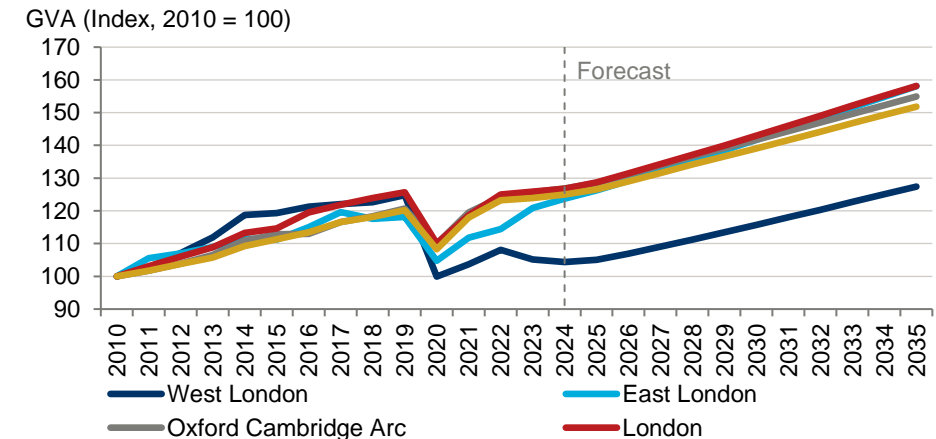
- West London still recovering from the pandemic:
 - In 2024, **GVA was 16.4% lower than in 2019**, whereas the UK economy was 4.0% larger, and London 0.9% larger.
- A **productivity fall** mainly explains this decline:
 - Some sectors have been highly affected and taken longer to bounce back (e.g. aviation)
 - West London has a lower share of highly productive sectors (particularly professional services), which were more resilient during and after the pandemic
 - Individual sectors tend to be less productive than the London average
- As a result, our **baseline forecast** for West London is relatively modest compared to London overall and the rest of the UK

Components of GVA change, 2019-2024



Source: ONS, Oxford Economics. Note: may not sum due to rounding.

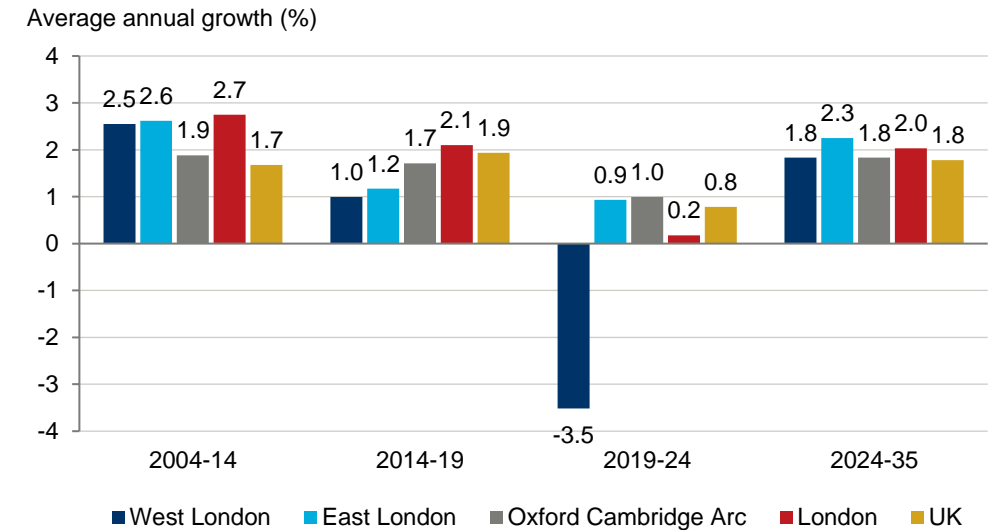
Historical and forecast GVA growth index, 2010 base



Source: ONS, Oxford Economics

Large gains to be made from boosting West London's economy

- There are large gains to be made:
 - if each sector was as productive as the London sector average, **West London would contribute an additional £7.3 billion per year in GVA.**
- **The London economy**, while still leading the UK economy, **has been slowing** and the gap with regions is narrowing.
 - Sustained growth in the capital is needed to support the broader national economy
 - West London's position within London makes it easier to attract skilled workers, draw in businesses, and deliver quicker returns from infrastructure investment.
- **How should West London economy be boosted?**



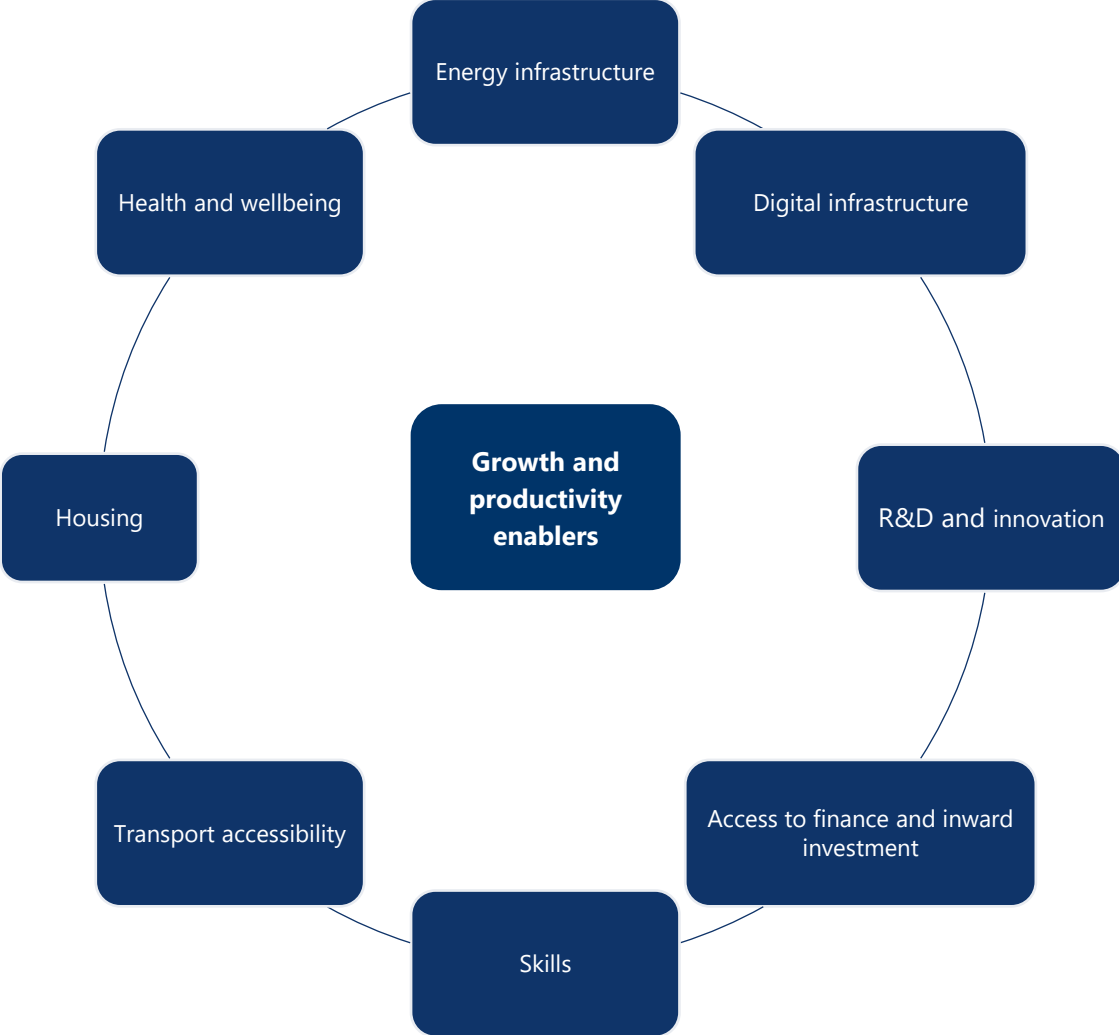
Source: Oxford Economics

Key sectors identified, despite challenges

- We have identified 5 key sectors to focus on for development:
 - **Life sciences:** well-established (Imperial College, Brunel University, various pharmaceutical groups), with significant growth opportunities, and supportive Government policies.
 - **Advanced manufacturing:** West London is the manufacturing hub of London, and activity focuses mainly on food, drink and basic pharmaceuticals. Opportunities for linkages with other sectors (e.g. life sciences) exist, however limited land availability and high costs are important barriers.
 - **Logistics and aviation:** Key sector due to presence of Heathrow airport, and various logistics centres (incl. Park Royal). Clear opportunities as exports and aviation passengers are expected to continue to grow, but sustainability issues, congestion, and larger global instabilities could disrupt the sector.
 - **Creative, digital and tech:** West London historically has a strong specialisation in screen production. It also has a growing digital and tech sector. Those sectors are fast growing and are export-driven, but there are challenges around new technologies (AI), skills shortages, and global competition.
 - **Clean energy:** A rapidly growing sector in the UK and globally, with implications for West London relating to the aviation sector. More generally, constrained electricity transmission and distribution in West London suggest opportunities to develop clean energy solutions for the sub-region.

Growth enablers

- While barriers limit the full potential of West London’s strategic sectors, targeted intervention could help transform these obstacles into enablers for expansion
- We identified the following eight growth enablers



Energy infrastructure

- **Energy demand is likely to rise** in West London as the economy and population grows.
- However, there are **already constraints across the network**:
 - GLA reported they were most acute in Hillingdon, Hounslow and Ealing and were “causing delays to the delivery of developments, into the next decade”.
- **Positive progress on short-term solutions** has unblocked 7,800 homes (2,900 affordable) however more work is required to ensure planned home developments without a connection are able to progress.
- As West London progresses towards net zero, whilst also catering for future growth, there is an **obvious need for pro-active investment in its grid capacity**.
- If current and future energy constraints are not effectively addressed, then West London will not realise its future growth potential.
- Indeed, energy challenges will constrain growth in terms of employment, output, investment and population growth and make it difficult to make progress on the other enabling factors.

Digital Infrastructure

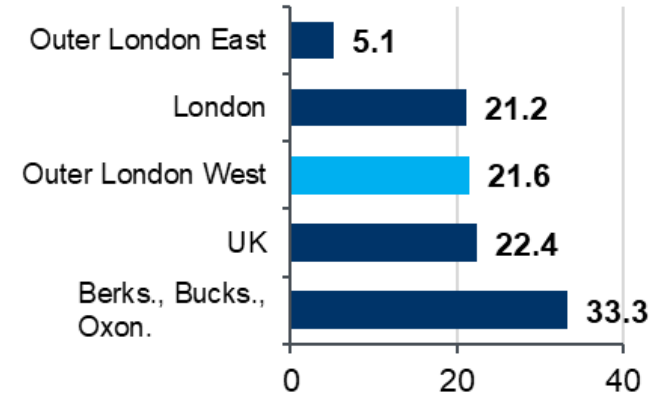
- One of the WLA's growth priorities is to enhance West London as a global innovation gateway.
- West London boasts strong 5G coverage and gigabit-capable broadband also exceeds the UK average
- Nevertheless, there is room for improvement, and improved digital infrastructure could release additional economic gains for West London:
 - **Investment opportunities:** leverage the 5G network to create investment opportunities for tech, digital and manufacturing businesses - to improve their competitiveness and gain productivity
 - **New industries:** data centres support the increase in data traffic that comes with new technologies and are a competitive advantage for data-heavy businesses
 - **New uses:** further gains from Internet-of-Things, particularly around smart cities and smart infrastructure (monitor traffic in real-time, or the capacity of the electricity grid, applications with direct impact on residents)
 - **Inclusive growth:** Digital West London already investing actively in digital connectivity, and working on digital infrastructure improvement projects, supporting boroughs recruit and train digital champions within the community

R&D and innovation

- West London scores relatively well when it comes to innovation.
- Benefits from Imperial College and Brunel University, supporting a growing innovation ecosystem and better cooperation between businesses.
- Continuing to build its innovation ecosystem, with the development of the WestTech Corridor.
- Fostering innovation could support additional economic growth:
 - **Direct increase in productivity:** existing evidence shows the link between innovation and economic growth.
 - **Knowledge spillovers:** evidence shows that the benefits of R&D are often felt across the economy.
 - **Talent attraction:** Innovation ecosystems are better able to attract and retain talent.

Business Enterprise R&D

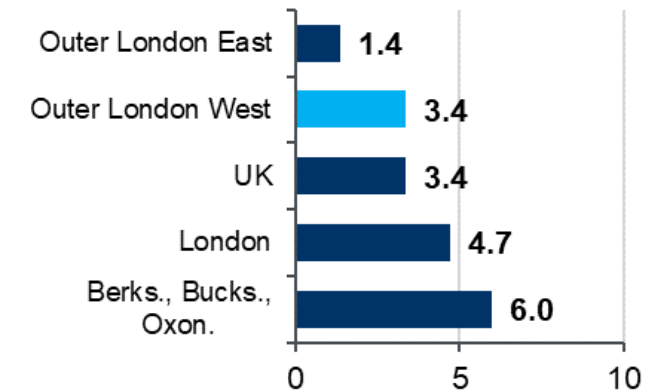
£ per '000s GVA, 2023



Source: ONS

R&D tax credits received

£ per '000s GVA, 2021-22

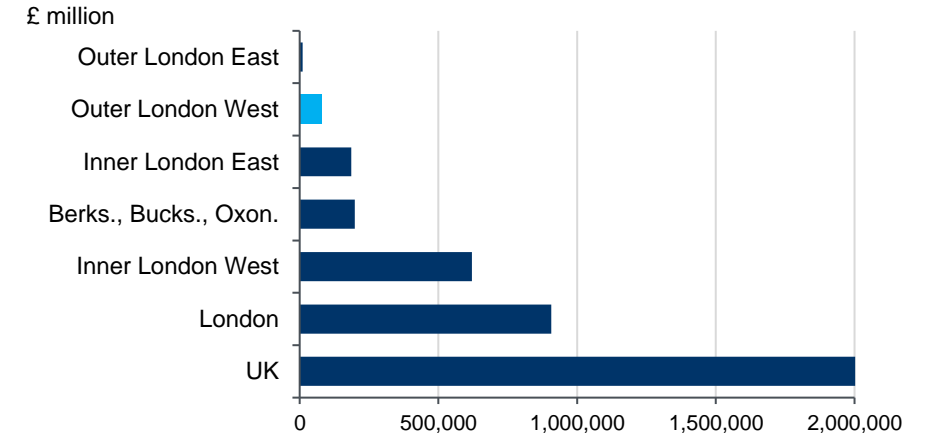


Source: HMRC, ONS

Access to finance and inward investment

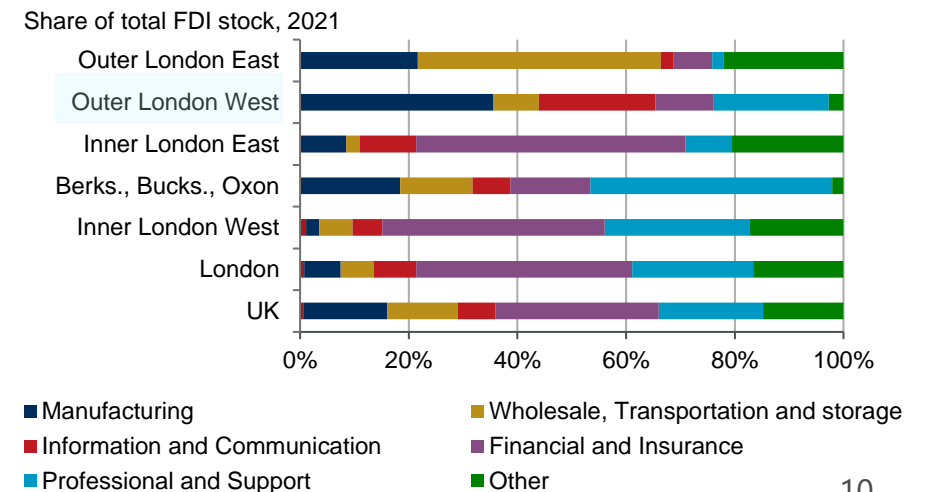
- Inward investment - known to boost local economies by injecting money into the supply chain, as well as raising productivity
- West London is doing relatively well when it comes to FDI:
 - Outer London West is among the five largest recipient of FDI in the UK
 - The share of FDI in manufacturing and in information & communication is higher than across London
- There is scope for increasing FDI, especially considering growth in life sciences and manufacturing:
 - Research shows the positive impact of FDI on employment and wages, productivity, export and knowledge diffusion

Total FDI stock by ITL3, 2021



Source: ONS

FDI stock by industry and ITL3, 2021



Source: ONS

Skills

- A large pool of skilled residents, however, a large share commute elsewhere for better paid employment.
- Key challenge is to create higher value-added jobs that retain skilled residents.
- And there is a significant cohort of residents with fewer qualifications, and residents in lower-paid jobs.
- A greater focus on upskilling would support economic growth and help to raise productivity:
 - **Boosting wages, productivity and growth:** Apprenticeship completers increase business productivity and profits, lower prices, lead to better products and higher wages. Every pound invested in apprenticeships result in a net gain of £21 for the UK economy.
 - **Enabling growth in the digital and green sectors:** Digital skills (including AI) will become increasingly important across the economy, and the green workforce will be key to delivering net zero.
 - **Upskilling the energy, manufacturing and construction sectors:** Delivering greater infrastructure investment in sectors such as water and energy will require an expansion of the UK's construction workforce, which simultaneously needs to upskill to improve competence, safety and productivity.

Transport accessibility

- West London is very well connected (globally with Heathrow Airport, nationally with the future HS2, and locally with Underground and Overground lines)
- Yet it suffers from growing traffic congestion, a lack of North South links, and various connectivity gaps
- WLA has been advocating for the creation of the West London Orbital. Other projects also in the pipeline.
- Various research shows the benefits of improved transport accessibility:
 - Increased productivity: better matching of workers and employers, time saving in traffic, etc.
 - Social inclusion: unlocking areas that are income deprived
 - Reduced congestion and pollution: the total cost of vehicle delay in London is estimated at £5.5 billion.
 - Housing development: through unlocking underutilised land
- For instance, an economic impact assessment of the Jubilee Line Extension found that employment along the line increased by 15% between 1998 and 2000, compared to just 8% in Greater London as a whole.

Housing

- Housing affordability in London has deteriorated substantially over the past 20 years - house price to earnings ratio in West London amongst the highest.
- Improving housing affordability could help unlock currently productivity growth, for the entire London economy, and with spillover effects on the rest of the UK:
 - Unlocking economic growth
 - Allowing for a better match of workers to jobs
 - Supporting inclusive growth through social housing development
- Competition for land is a major issue for West London. The effort to increase housing while also providing business space and securing land for industrial and logistics uses inevitably creates tensions.
- Land scarcity obviously increases land value. High prices tend to channel investment towards housebuilding, a low-productivity asset with high yield for investors.
- But if West London wants to develop its strategic sectors, it will also need to supply suitable space for non-residential activity.

Health and wellbeing

- While West London has a relatively healthy population, challenges exist:
 - nearly 57,000 inactive working age residents long-term sick or disabled;
 - pockets of health deprivation, with 14 LSOAs in the top 20% most deprived;
 - life expectancy 7.2 years lower for men and 5.5 years lower for women in the most deprived areas of Hillingdon than in the least;
 - 4 times as many children live in poverty in Hammersmith & Fulham's poorest ward than in its richest;
 - A third of Brent residents live in poverty compared to the London average of 28%; and
 - 17.1% of people in Hillingdon smoke, compared to 9.2% of people in Ealing.
- And health related issues likely to rise as those aged 65+ are expected to grow relatively fast.
- Implications for the health care system and paid and unpaid carers.
- Reducing inequalities in health and access to healthcare, will support economic growth and quality of life.
- However, a range of factors can affect health including housing, poverty, social cohesion, safety, employment and skills, and the environment.

Conclusion

- West London has the assets, industries, and strategic position to contribute even more to the UK's economic output
- **There are clear opportunities...:** the sub-region is home to fast-growing sectors such as life sciences, creative industries, tech and advanced manufacturing
- **... And the gains could be important,** supporting the growth potential of London and the national economy.
- **But persistent barriers are holding its growth potential:** targeted action on identified key enablers could boost West London's productivity and economic potential
- **West London's role within the broader economy means that its success will not only benefit the local economy, but also make a significant contribution to national economic growth.**

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