OXFORD ECONOMICS

Global Cities 2030

Executive summary

DECEMBER 2016

Global cities 2030

The data and forecasts in this report are drawn from Oxford Economics' global cities services. This comprehensive set of forecast databanks covers nearly 3,000 cities and regions, with comprehensive data for Europe, North America, Latin America, China, Asia, and Africa and the Middle East.

This report summarises key findings from our most recent round of forecasts, identifying some of the fastest growing cities in each part of the world, and also which of the largest cities seem set to perform best (and worst).

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The largest 100 cities: a clear shift Eastwards

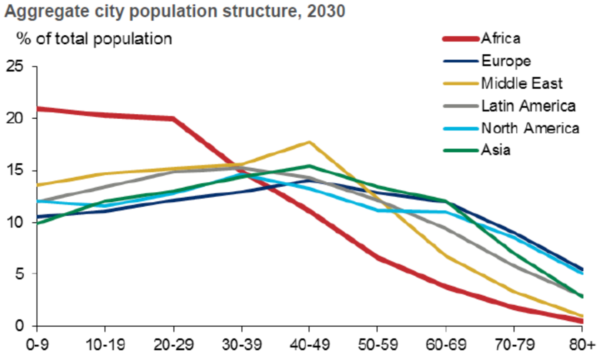
We expect significant changes in the world economic order over the next decade and a half. Not surprisingly, Chinese cities will be at the forefront of these changes. The aggregate GDP of China's 150 largest cities is forecast to double from around US$10 trillion today to US$20 trillion in 2030 (measured in 2012 prices and exchange rates). This means that Chinese cities will account for almost half of the increase in global city GDP and will represent a third of total urban GDP by 2030. By contrast, the combined output of the 58 North American cities covered in our analysis will rise by US$4.0 trillion, followed by non-Chinese Asian cities (US$3.5 trillion) and then European cities (US$3.2 trillion).

AFRICA & THE MIDDLE EAST

The sharp drop in global commodity prices in 2014-15 has caused a shift in the balance of growth in Africa away from commodity-rich countries to those with diversified economies and more stable governance. Cities in East African countries are therefore among the best placed in Africa to experience strong economic and consumer spending growth over the next decade.

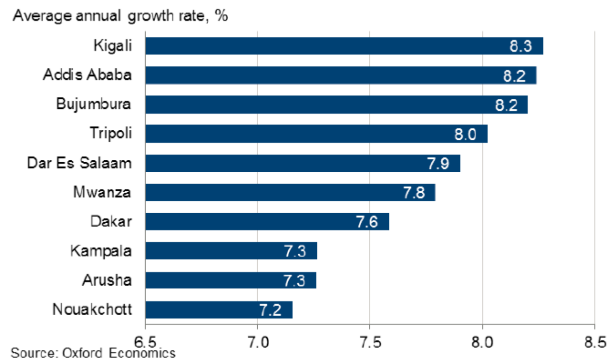
achieve growth of just 1.9% a year, meaning it slips further away from the top 100. Johannesburg's current size puts it in the same company as many of the cities of the Middle East, and these tend to have significantly higher growth rates. The stand-out cities are Doha and Sharjah, on 5.2% and 4.9% respectively. Dubai is a notable exception, with growth projected at just 3.1% per year over the 2016-30 period.

Aggregate city population structure, 2030



Source: Oxford Economics

Fastest growing cities, GDP: Africa & the Middle East, 2016-30



Source: Oxford Economics

More generally, rapid urbanisation means Africa's cities will experience a rapid rise in population, from just under 200million in 2015 to almost 300million in 2030. Not only that, the structure of the population is much younger than other continents. This represents a great demographic opportunity, but also poses a significant risk for the continent, as it seeks to absorb millions of young people into the urban labour force, while managing the political stability risks that could entail if youth unemployment soars.

We forecast Kigali in Rwanda, Addis Ababa in Ethiopia and Bujumbura in Burundi to be amongst the fastest growing cities in African and the Middle East over the period of 2016-30. Tripoli in Libya is also near the top of the ranking, though this reflects the expected recovery from large losses suffered during the civil war and the following period of instability.

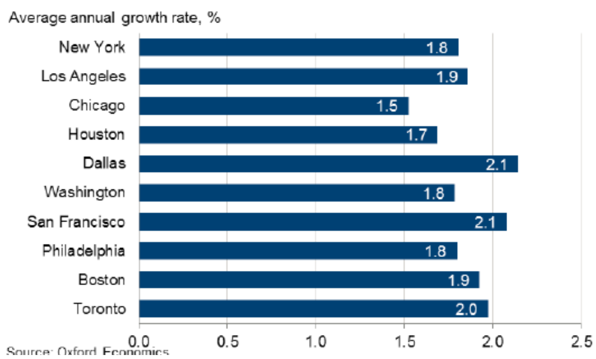
Lagos is set to become Africa's largest city in economic terms by 2030, ranking at 114th. The Nigerian city is forecast to experience average annual growth of 5.1% in the 2016-30 period. This means it will overtake Johannesburg, which is Africa's largest city today, which is projected to

Going forward, growth prospects will heavily depend on the ability of African cities and their broader nations to manage these risks, while also progressing in terms of education, health and infrastructure. Our forecasts assume that this mostly comes together, but the range of uncertainty associated with projections for African cities is clearly significant.

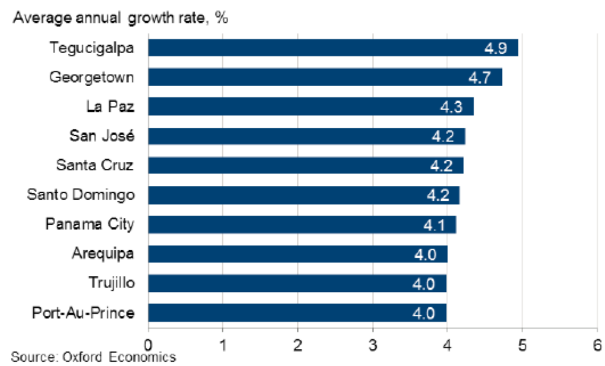
AMERICAS

Over the period to 2030, many smaller US cities are projected to outpace the larger centres. The fastest growing US cities are expected to be San Jose and Portland, with 2.9% a year. The former would be stronger, were it not for the fact that costs and congestion are beginning to act as a constraint on Silicon Valley. In contrast, the largest city in North America, New York, is forecast to achieve growth of just 1.8% per year over this period. Although the city has a strong and fast growing digital sector, and of course it's financial and professional services, parts of the larger metro have legacy industries that hamper overall growth.

Largest cities, GDP: North America, 2016-30



Fastest growing cities, GDP: Latin America, 2016-30



A similar pattern in evident in Canada. Its largest city, Toronto, is expected to lag the growth expected for smaller centres, including Calgary and Edmonton – though growth prospects for these two will depend on developments in oil markets.

Within Mexico, Monterrey is forecast to achieve the fastest pace of growth, at 3.1% per year to 2030. Although it has gained from jobs being outsourced from the United States, it also has a strong indigenous industrial sector of its own and many of Mexico's more successful companies have operations within the city. Of course, any change in terms of trading following the US election would be particularly felt in Monterrey and other exporting city regions across the northern arc of the Mexico.

Political uncertainty is no stranger to Latin American cities and much may change over the coming decade and a half. Nevertheless, we project that Tegucigalpa in Honduras will be the fastest growing city in Latin America in the period to 2030. Again, however, this typifies rapid growth in a small city.

That said, we do expect solid growth in some larger Latin American cities. The two that we project will see the strongest growth are Lima and Bogotá, in Peru and Colombia respectively. Lima, which accounts for half the Peruvian economy and a much larger share of its highest value-added activities, is forecast to achieve 3.8% growth a year over the 2016-30 period, whilst we expect 3.3% per year for Bogotá.

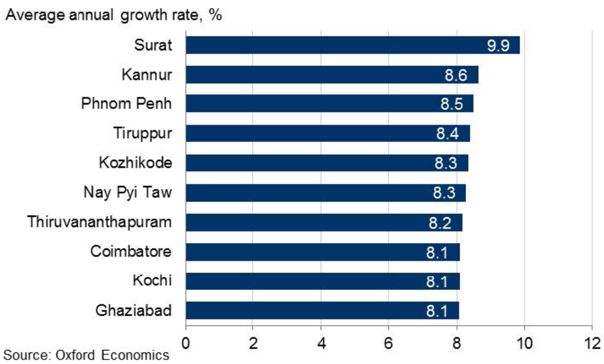
ASIA-PACIFIC

Asian cities dominate the global high-growth table, accounting for seven of the top ten. Five of these are located in India, led by Surat which is forecast to grow by 9.9% a year over the 2016-30 period, making it the strongest growing city in our global database. But it is India's two megacities which are expected to join the top 100 cities by 2030. Delhi is projected to continue to outperform Mumbai in terms of growth, with GDP rising by 7.1% and 5.7% per year respectively. Delhi's favourable performance reflects a range of factors, from agglomeration effects to reforms in company law which should stimulate demand for financial and business services.

Phnom Penh and Nay Pyi Taw are the other standout performers in terms of growth, with growth projected at 8.5% and 8.3% a year respectively over the full 2016-30 period. The capital of Cambodia, Phnom Penh, has seen strong economic growth on the back of industrial exports to China, tourism, and financial and business services. In contrast, growth in the capital of Myanmar, Nay Pyi Taw, which only dates back to the year 2002, is very much a reflection of government activity.

Although Chinese cities move up the global city GDP size league table, the pace of growth is not expected to match that achieved in recent years. Amongst the very large Chinese cities, the two expected to achieve the fastest pace of growth going forward are Tianjin and Chongqing, though the composition of growth will differ. Tianjin is one of China's leading ports, and is important as a manufacturing centre – both have been great strengths in recent years, but less so going forward as the service sector grows in importance across China. In contrast, much of

Chongqing's success has stemmed from serving the Chinese domestic market. However, it is Shanghai and Beijing that break into the top ten global cities in terms of absolute GDP size, ranking 6th and 8th respectively.

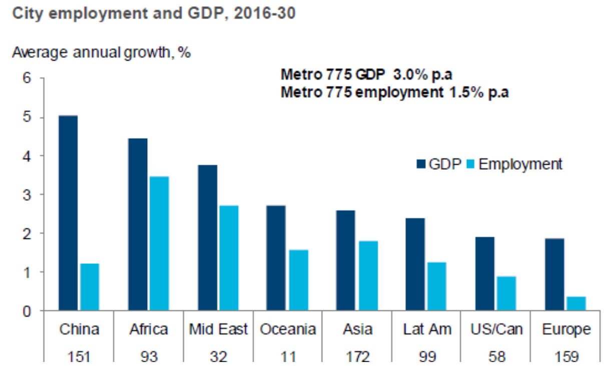


Source: Oxford Economics

Asia is also home to some of the slowest growing cities. Indeed, the economies of cities such as Osaka and Hiroshima in Japan are forecast to be broadly the same size in 2030 as they are today. Japan's best performer is expected to be Tokyo, though this is forecast to register just 0.6% growth per year on average to 2030.

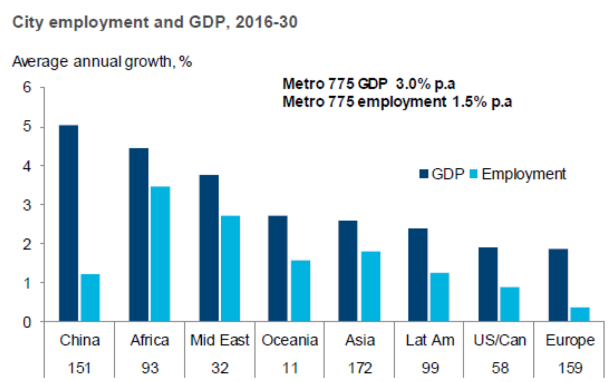
EUROPE

The aggregate GDP of Europe's cities is set to endure the slowest pace of growth over the period to 2030, though growth disparities between cities are stark. The fastest growing European cities in our forecasts are all in the emerging economies in the East, with Tbilisi heading the rankings with growth of 5.2% a year over the 2016-30 period. This is another instance where our forecast is reliant on a degree of social and political stability that might not be achieved – as the capital of Georgia, Tbilisi may yet face some threats, and the same could be true for others. The Baltic cities of Riga and Tallinn lead EU city growth, both averaging 3.5% average annual growth to 2030. In contrast, many European cities are set for a prolonged period of lacklustre growth, in most cases reflecting the constraint of a declining working age population. This is best exemplified by the Italian cities which sit at the foot of the European growth league, held back by a range of factors including an ageing population, unfavourable industrial structure and a lack of reform needed to improve competitiveness.



The outlook for Europe's largest city, London, has been downgraded since the result of the EU referendum. That said, we still expect that London will be one of the fastest growing cities in Western Europe. London's long term potential will of course be shaped by the terms agreed upon the UK's exit from the EU. A diverse group of sectors, including finance, hospitality and information technology will all be affected by the outcome of negotiations. However, despite much uncertainty, we believe the UK capital will continue to benefit from its sectoral and cultural diversity, established institutions and skilled workforce. Over the period to 2030, London GDP is expected to rise by 2.2% per year.

Europe's other truly global city is Paris – it is the fifth largest city, in terms of GDP, covered in this study. Paris underperforms over the forecast in comparison to London, as it has historically, with growth forecast at 1.3% a year over the 2016-30 period. However, Paris could benefit, at the expense of London, from a relocation of activity away from the UK capital following Brexit.



Source: Oxford Economics

The outlook for Western Europe's other large cities is mixed. Madrid continues its strong rebound from recent crises and is forecast to grow at 1.8% a year over the 2016-30 period, with ICT and business services providing the main impetus. The Spanish capital also outpaces its domestic rival, Barcelona, which continues to underperform in a number of sectors, including manufacturing. In contrast, the outlook for large German centres is underwhelming. Despite the recent flows of migrants, Germany has a rapidly ageing population and its working age population is already contracting. Berlin and Munich are expected to lead the German cities, with growth of 1.3% a year forecast for the 2016-30 period, the former helped by its growing reputation as a digital hub and its increasing strength in professional and technical services, while Munich continues to be a leading manufacturer of high-value products.

HEADLINE CITIES

We expect significant changes in the world economic order over the next decade and a half. Not surprisingly, Chinese cities will be at the forefront of these changes. The aggregate GDP of China's 150 largest cities is forecast to double from around US$10 trillion today to US$20 trillion in 2030 (measured in 2012 prices and exchange rates). This means that Chinese cities will account for almost half of the increase in global city GDP and will represent a third of total urban GDP by 2030. By contrast, the combined output of the 58 North American cities covered in our analysis will rise by US$4.0 trillion, followed by non-Chinese Asian cities (US$3.5 trillion) and then European cities (US$3.2 trillion).

As part of this fundamental shift, individual Chinese cities will move rapidly up the global city GDP league table. Today there are 20 Chinese cities in the world's top 100 ranked by absolute size of GDP and by 2030 there will be nine more, including Dongguan, Quanzhou and Jinan. Four non-Chinese Asian centres also enter the top 100: Mumbai, Delhi, Kuala Lumpur and Manila.

These new entrants come at the expense of a number of second tier cities in the West. North American cities in the top 100 will fall by 11 to 23 in 2030, with cities such as Vancouver, St. Louis, Riverside and Pittsburgh dropping out. Significantly, this means that there will be fewer than China's 29. Amsterdam and Birmingham (UK) also drop out of the top 100, leaving just 20 European cities.

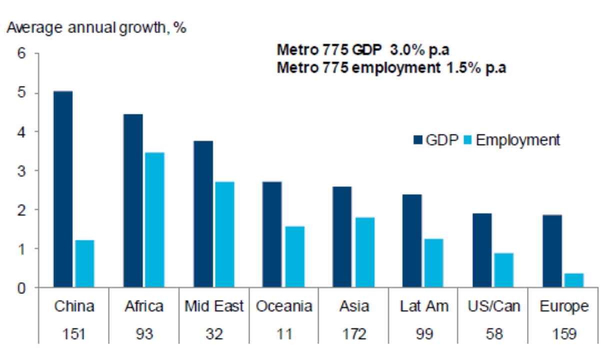
Despite a shakeup further down the rankings, the top five cities in terms of GDP in 2030 are expected to be the familiar, traditional urban superpowers of today: Tokyo, New York, London, Los Angeles and Paris.

Whilst Asian cities see their presence in the top 100 rise, the shift in other developing markets is less significant. Latin America maintains five cities in the top 100, whilst the figure for the Middle East remains at six. However, Africa will still not be represented in the top 100, with Lagos coming closest (114th).

Indeed, African cities fail to make a significant impact in terms of absolute GDP change. This is despite rapid urbanisation in Africa which is transforming cities across the continent. Indeed, GDP growth for African cities ranks second fastest over the forecast period, behind China, albeit from a low base.

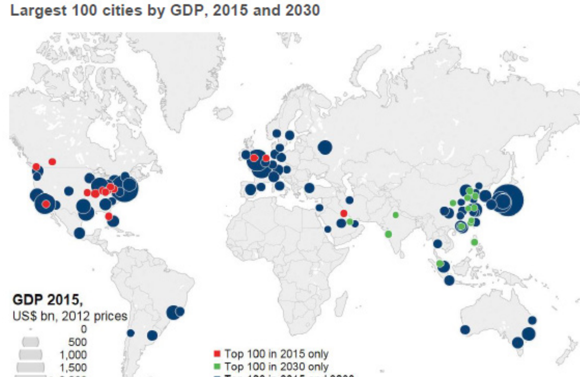
It is also important to also look beyond the largest cities as some of the fastest growing urban economies over the next decade and a half will be mid-sized. The following sections provide an overview of some of the fastest and largest city economics in each broad geographical region.

City employment and GDP, 2016-30



Source: Oxford Economics

Largest 100 cities by GDP, 2015 and 2030



Source: Oxford Economics

Cities and sub-regions

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Regularly updated analysis and forecasts are produced in conjunction with our Global Economic Model. This ensures that developments in the global economy, such as the strength of world trade and investment cycles, and domestic factors such as government policy, have a direct influence on the outlook for city and regional economies.

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Founded in 1981, Oxford Economics employs more than 250 people in 20 offices around the world, including 160 economists, and draws on a network of 500 contributing researchers. The rigour of our analysis, the calibre of our staff, and our links with Oxford University make us a trusted resource for decision makers.

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