HS2 & the economy: new economic analysis

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The exam question

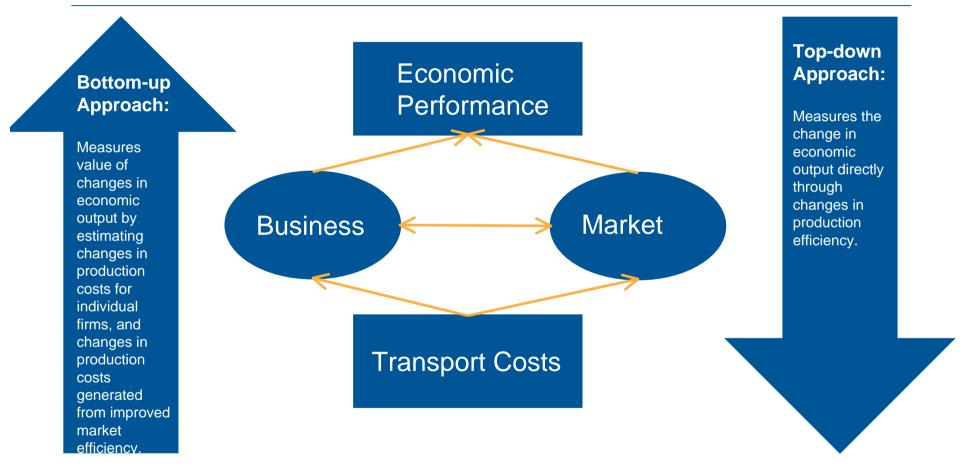


What is the potential delivered by HS2?

...and what does this mean for our economic geography?



KPMG analysis differs from transport appraisal





Our analysis starts with connectivity

Increasing trade and competition

- Opening up local and regional markets
- Reducing barriers to firm entry and exit
- Export opportunities
- Attracting FDI

Business behaviour change

- Increased specialisation
- Potential reorganisation and restructuring
- Changing investment and location decisions

Bringing markets closer together

- Better links between businesses and clients and customers
- Greater sharing and diffusion of knowledge and increased innovation
- Increasing access to labour markets

Greater connectivity + access to markets

Improving employment opportunities

- Better access to potentially more and better - jobs
- Better matching of jobs and skills
- Benefits of higher density employment

PRODUCTIVITY + ECONOMIC GROWTH

INCREASE

IN

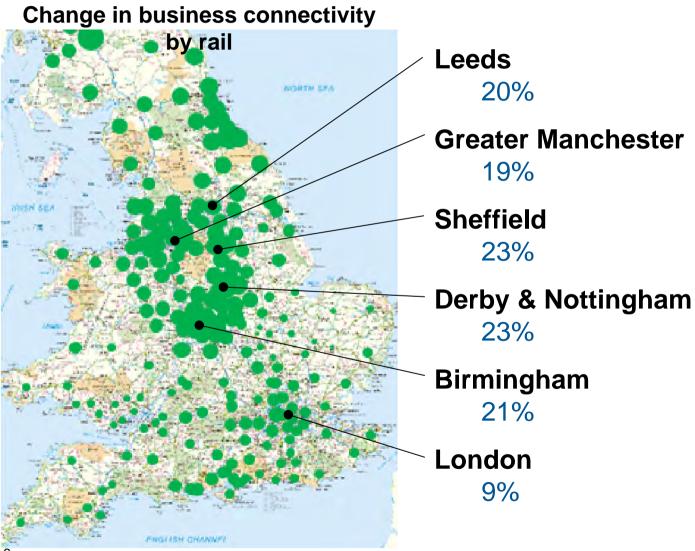


Improving connectivity means increasing market access





HS2 delivers significant and widespread improvements in connectivity



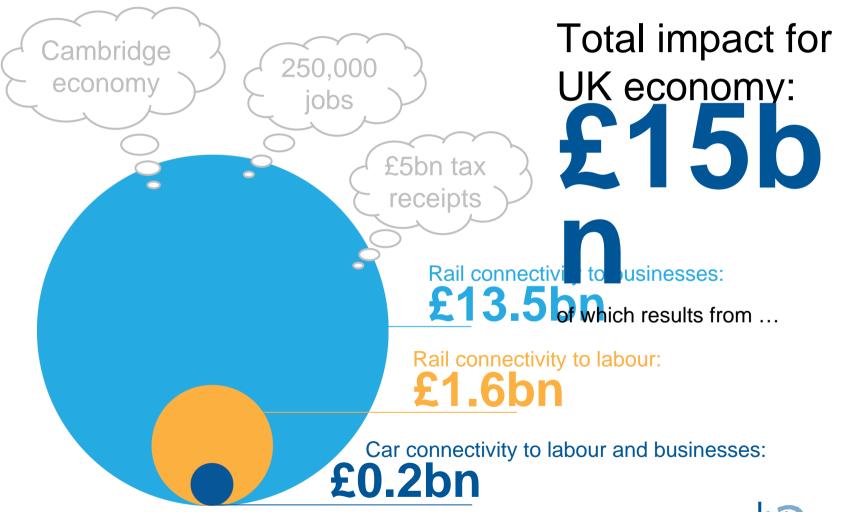


Labour connectivity also improves as a result of HS2 (generally to a lesser extent)

City regions	Change in labour connectivity	Change in business connectivity
Derby-Nottingham	14.7%	23.2%
Greater Manchester	1.4%	18.8%
Greater London	6.9%	8.8%
South Yorkshire	31.8%	22.5%
West Midlands	15.7%	21.1%
West Yorkshire	9.1%	19.7%
Rest of Great Britain	5.3%	11.3%



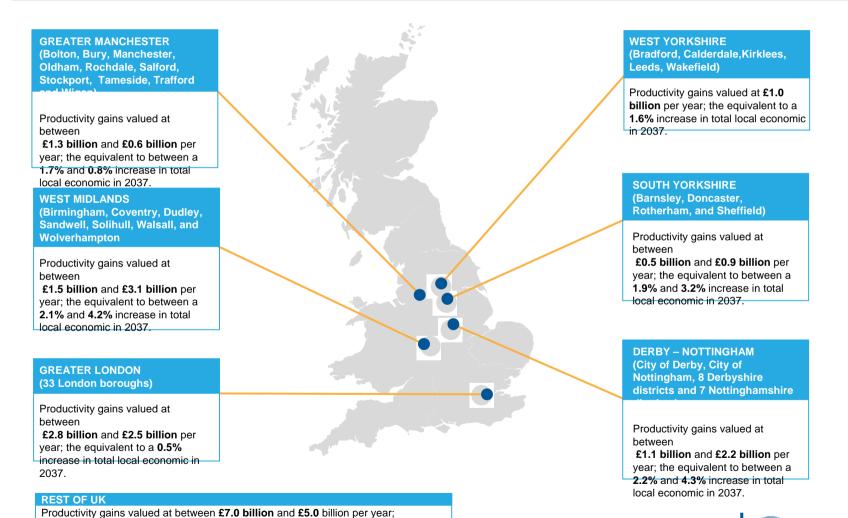
HS2 could boost annual productivity by £15bn



* Note: totals may not sum due to rounding



All regions benefit from HS2, but the Midlands and the North do particularly well





the equivalent to between a 0.6% and 0.4% increase in total local economic in 2037

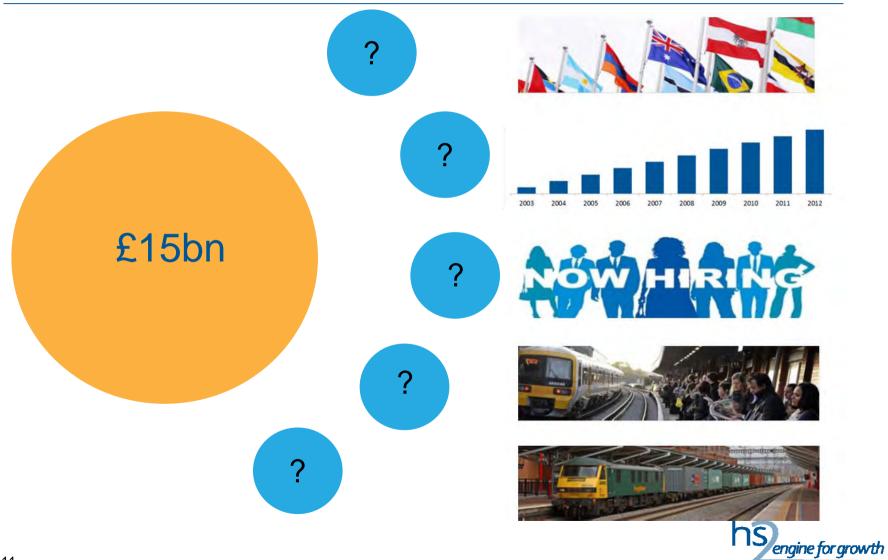
Significant benefits for Greater Manchester

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Improvement in rail		
	business-to-	Change in
	business	economic
'Zone'	connectivity	output
BLACKBURN	21%	£33m-£42m
BOLTON	19%	£34m-£89m
LANCASHIRE		
SIGNOHIES SEE	20%	£57m-£67m
R (including		
Metrolink		
area)	19%	£326m-£834m
OLDHAM	20%	£63m-£64m
ROCHDALE	20%	£54m-£65m
STOCKPORT	15%	£25m-£93m
TAMESIDE	20%	£59m-£67m
WIGAN	18%	£68m-£81m



We still don't capture everything



Conclusions

- New analysis allows us to understand economic impact in terms of the scale of opportunity and location effects – for the first time.
- Initial results show:
 - HS2 will deliver significant and widespread improvements in connectivity
 - These improvements in connectivity are estimated to deliver an annual £15bn boost to the economy.
 - All regions benefit; but the Midlands and the North do particularly well
- We will continue to develop the evidence base



Thanks for listening

