Oxfordshire Strategic Economic Plan

Economic projections

October 2023

OxLEP
driving economic growth

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Context – OGNA and HENA

A range of econometric forecasts have been recently commissioned in Oxfordshire. For the 2020 Economic Baseline Assessment, Cambridge Econometrics prepared pre- and post-Covid forecasts. This was subsequently updated in April 2021. More recently, two major forecasting exercises have been completed, in 2021 and 2022 respectively:

- For **the Oxfordshire Growth Needs Assessment (OGNA)**, Cambridge Econometrics modelled three alternative economic trajectories to 2050: one based on a calculation of housing need, one based on Oxfordshire's historic trajectory, and one based on a 'transformational' trajectory along the lines of the aspirational scenario set out in the Oxfordshire LIS.

- These forecasts were reviewed by Cambridge Econometrics in **the Housing and Economic Needs Assessment (HENA)** commissioned by Oxford City Council and Cherwell District Council in 2022. The HENA took account of the population results arising from the 2021 census. It also considered the more negative macroeconomic outlook following the Russian invasion of Ukraine, the resultant energy crisis and associated inflation and ongoing post-Covid supply chain disruption.

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Scenarios used

Housing led (housing → employment)	Employment led (employment → housing)

Standard Method – both OGNA and HENA
Based upon the housing numbers produced by the Government's standard method formula for assessing a minimum baseline for housing need (using ONS household projections). This is subsequently adjusted to reflect issues of local affordability. A series of calculations follow to identify what that level of housing provision could look like in terms of labour market effects.

Standard Method (adjusted) – OGNA only
Household projections used in the Standard Method are adjusted using more recent population estimates to account for the uncertainty surrounding the ongoing use of 2014 household projections, and concerns regarding the robustness of the ONS demographic projections. The rest of the calculations follow as above.

2022 Census Adjusted – HENA only
Census based scenario using revised household projections from the 2021 Census. Calculates housing need by taking the revised projection of household growth. The rest of the calculations follow as above.

Business as Usual – in OGNA / 2022 CE Baseline Trend – HENA
Calculates the number of dwellings that would be needed to support a given level of employment growth. The level of employment growth selected is the central assumption that underlies this scenario. It was modelled by Cambridge Econometrics using the baseline growth rate that informed the 2014 Strategic Housing Market Assessment, combined with CE's projection of economic growth for Oxfordshire.

OGNA uses CE's 2008-2018 employment growth trend for Oxfordshire, extrapolated forward to 2050. HENA uses the 2022 update of CE's projection of economic growth for Oxfordshire. The new projection, while accounting for the county's strong past performance, also reflects the negative GDP shock of the Covid-19 pandemic and subsequent recovery, as well as the economic uncertainties surrounding the UK's exit from the EU.
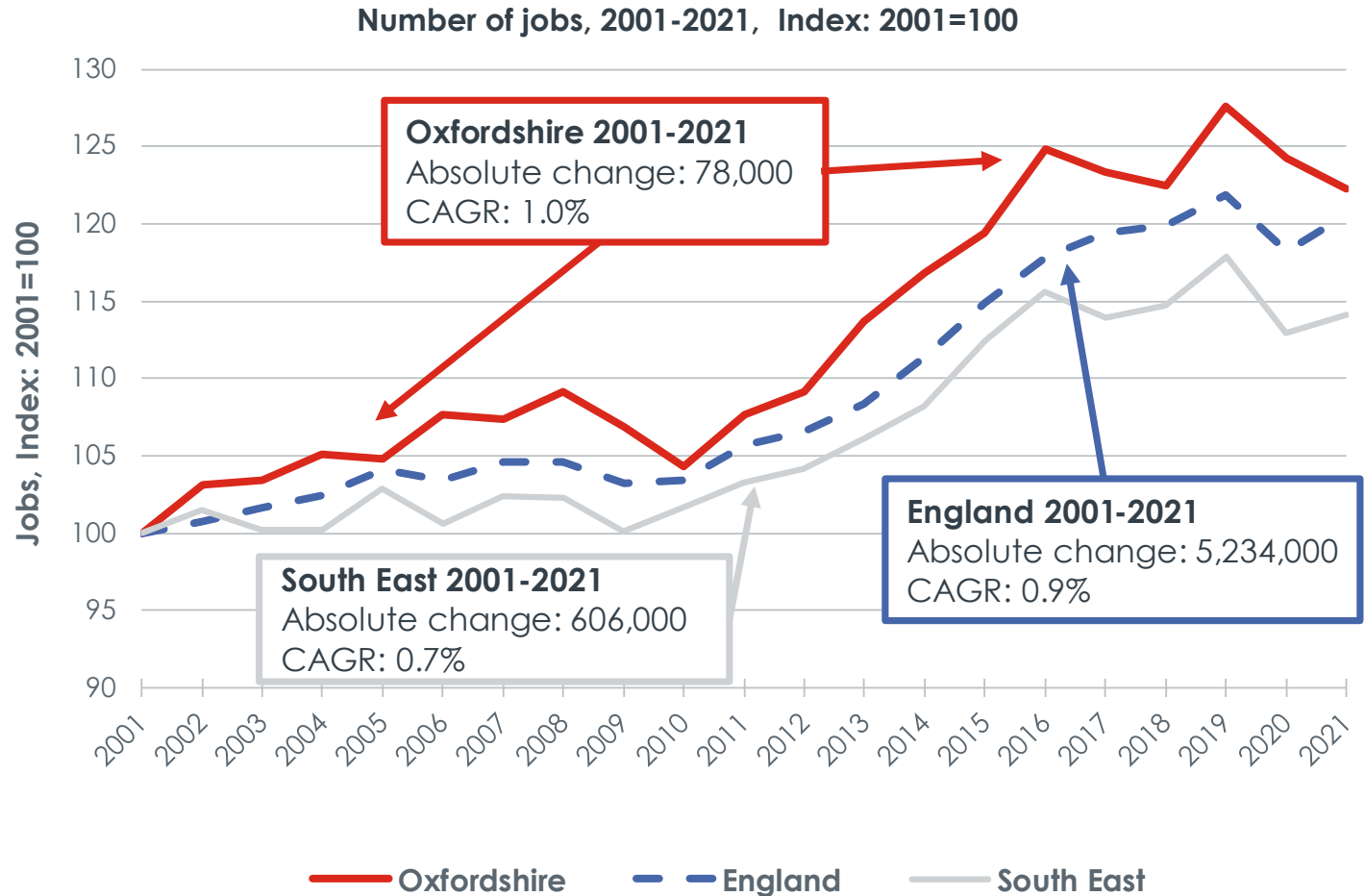
Transformational – in OGNA / Economic Development Led – HENA
Based upon strategy documents produced by OxLEP(using a selected scenario from the strategies and associated targets which are modelled into CE's projections to produce the corresponding growth and employment outputs). This represents the optimistic/high growth scenario whose intention is to show what an aspirational, growth focused strategy might look like in terms of the development needs it would generate.

In OGNA, the scenario's employment estimate was derived from the 'go for growth' scenario in the Local Industrial Strategy that targeted a doubling of the county's GVA, from £23bn to £46bn by 2040. HENA used the more recent Local Investment Plan which cites a more modest goal to add £1.2bn to Oxfordshire's annual GVA by 2030 (GVA increase of around £12bn by 2040). This £1.2bn annual increase is based upon only the more concrete economic development and investment plans that had either already begun or were close to coming forward.

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Historical employment trend

- In the 20-year period between 2001 and 2021, **the number of jobs in Oxfordshire grew by 78,000, giving a compound annual growth rate of 1.0%.** Relatively consistent growth could be observed between 2001 and the financial crisis, and then in the years following the financial crisis (between 2010 and 2016).

- The overall jobs trend in Oxfordshire followed a similar trajectory to the South East and England as a whole. However, **in the last two decades, the number of jobs in Oxfordshire was increasing at an above-average rate, with a CAGR of 1.0% compared to 0.7% in the South East and 0.9% in England.**

Number of jobs, 2001-2021, Index: 2001=100

Jobs, Index: 2001=100

Oxfordshire 2001-2021
Absolute change: 78,000
CAGR: 1.0%

England 2001-2021
Absolute change: 5,234,000
CAGR: 0.9%

South East 2001-2021
Absolute change: 606,000
CAGR: 0.7%

Oxfordshire — England — South East

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Employment projections

- For the latter two scenarios (that is, scenarios based on employment growth), **OGNA projected between 74,590 and 102,835 additional jobs in Oxfordshire between 2020 and 2040, equivalent to a compound annual growth rate (CAGR) of 0.8% and 1.1%, respectively**.

- **Under HENA, employment was projected to increase by between 57,870 and 88,630 over 2021-2040 – giving a CAGR of 0.7% and 1.0%, respectively**. Compared to OGNA, this was a reduction in both the baseline and the more aspirational forecast, likely linked to the more negative macroeconomic outlook and revised economic growth targets, among others.

- Compared to the historic jobs trend in Oxfordshire (CAGR of 1.0% over 2001-2021), **the *business as usual/baseline trend* projections in both OGNA and HENA suggest a slower growth in the next two decades**. Similar growth to the last two decades is projected to be achieved only in the aspirational high-growth scenarios.

OGNA projections

Scenario	Jobs in 2020	Jobs in 2040	Change 2020-2040	CAGR 2020-2040
Standard Method (adjusted)	413,970	464,179	50,209	0.6%
Business as Usual	416,872	491,462	74,590	0.8%
Transformational	419,162	521,997	102,835	1.1%

HENA projections

Scenario	Employment in 2021	Employment in 2040	Change 2021-2040	CAGR 2021-2040
2022 Census Adjusted	*Not reported*	*Not reported*	*Not reported*	-
2022 CE Baseline Trend	424,090	481,960	57,870	0.7%
Economic Development Led	424,090	512,720	88,630	1.0%

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Comparison with earlier studies

- Comparison with earlier studies is difficult due to different approaches, assumptions, measures and time periods used. Any comparisons should therefore be treated with caution.

- The **Oxfordshire Strategic Housing Market Assessment (SHMA)** provides employment projections by district and for the county as a whole. It was developed in 2014 by GL Hearn, Justin Gardner Consulting and SQW to inform the development of planning and housing policies. The SHMA contains Cambridge Econometrics' analysis of projected change in the number of jobs between 2011 and 2031 for scenarios representing baseline growth (*Economic Baseline*) and a more aspirational growth (*Committed Economic Growth*).

SHMA jobs projections for Oxfordshire

Scenario	Total change 2011-2031	Per annum change
Economic Baseline	45,335	2,267
Committed Economic Growth	88,209	4,410

- Under OGNA, the per annum change in the number of jobs (between 2020 and 2040) was projected to be 3,730 in the baseline scenario and 5,142 in the 'aspirational' scenario. Under HENA, the per annum change in employment over 2021-2040 was projected at 3,046 and 4,665 in the baseline and 'aspirational' scenarios, respectively. While the different time periods should be kept in mind, the more recent projections seem to exceed the SHMA planning assumptions.

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