

UK regional urbanization patterns and their economic consequences

Topic: Socio-economic impact modelling in the UK: Building a new model in uncertain times

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UK is a country where more than 60% of the population live in regions with a density of 350 inhabitants per square kilometre or over. In the last 15 years (from 2001 to 2017) this urbanization process has continued, showing higher population growth rates for larger and denser agglomerations. Furthermore, in the last 5 years the speed of this process has increased considerably. In the period 2002-2012 the UK's urban population grew at an annual pace 1.32 times higher than the rural one, accelerating to a pace 2.20 times faster from 2012 through 2017.

There is a set of advantages for why people choose to move to larger cities already studied in the related literature such as higher expected wages, better searching and matching processes linked to a larger labour market, further access to amenities, among others. However, instead of evaluating the causes of urbanization, this paper assesses the main economic consequences of this demographic trend. In particular, we focus on the fact that urban and rural populations clearly differ in their lifestyles and, consequently, in their consumption patterns. According to the Living Costs and Food Survey data of 2017, while urban populations spend significantly more on Housing, Fuel and Power as well as in Clothing and Footwear; rural households spend more on Transport. At the same time, urban regions depend on the primary products and energy produced in rural areas, while cities are mainly specialized in the provision of services. We can further control for differences in levels and sources of income, given divergences in rural and urban regions in terms of wage/salary, and asset-based income flows.

As a first approximation to this issue, we extend the SEIM-UK multiregional model, including different types of households and workers in a Miyazawa fashion, to account for the main employment, output, and value-added effects that urbanization process has on the different 37 UK regional economies.