



THE CITY OF GOTHENBURG  
CHALLENGES & OPPORTUNITIES  
APRIL 2017

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# 1. INTRODUCTION

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Achieving success and competitiveness relies on a large number of factors, which can range from a city's economic growth and employment to the quality of public realm, transport or security and education.

Many organisations and institutions have created indexes that aim to identify the most successful cities and the particular factors that make them successful.

In the "What makes cities competitive?" report, Quality of life, Innovation, Economy & Competitiveness were investigated as important criteria in order to understand the relative success of different cities and the main factors contributing to this success. Other rankings and indexes considered relevant were also included.

This report aims to provide an overview of the economic, demographic and other relevant characteristics of the city of Gothenburg. It also identifies the city's main challenges in trying to secure a more prosperous and competitive future and provides initial recommendations on how the city can improve its performance.

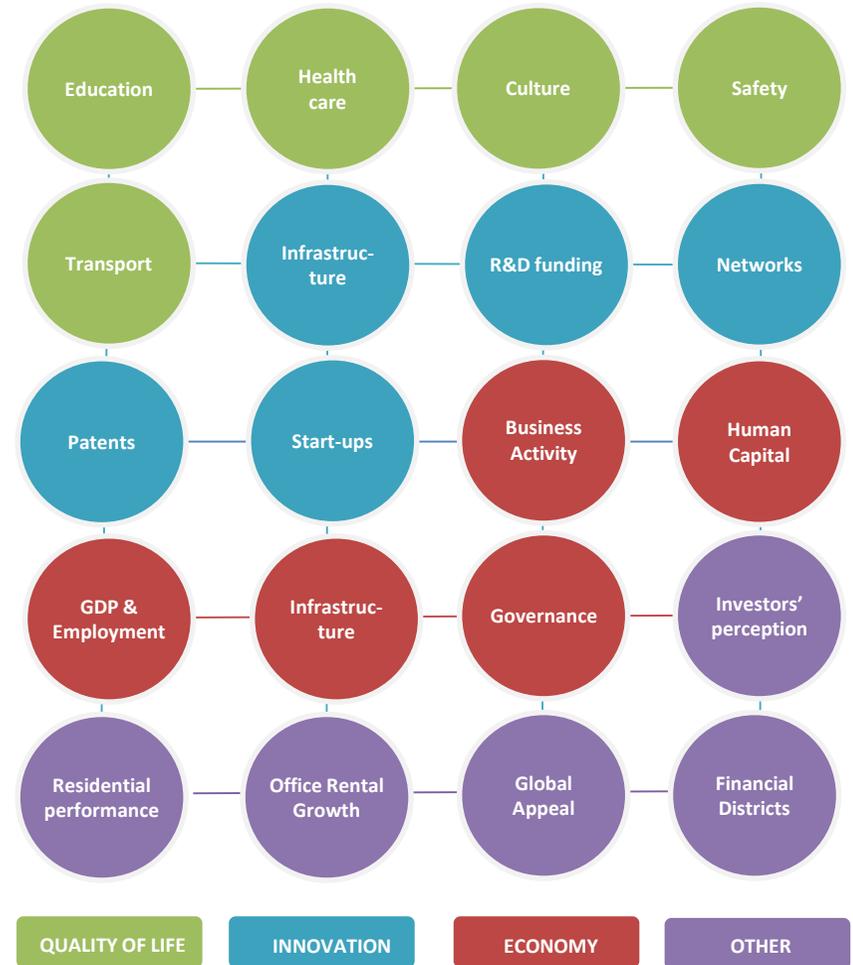


Source: <http://linkedinexpert.se/>

## 2. WHAT MAKES CITIES SUCCESSFUL OVERVIEW

Many organisations and institutions have developed indexes that seek to rank cities based on a number of performance criteria. These indexes include those developed by private entities such as Monocle Magazine or the Economist Intelligence Unit, as well as regional institutions such as the European Commission or the OECD. Over 30 indexes of relevance to city performance can be identified globally and these cover a broad range of indicators and metrics.

In the small circles on the right are the main characteristics associated with the best performing cities across the headline categories of 'Quality of Life', 'Innovation' and 'Economy'. For example, the main characteristics of cities such as Zurich, Vienna and Berlin that rank highly in terms of 'Quality of Life', include safety, education, culture, and healthcare. Research and development funding, the number of start-ups and networked markets seem to be strong drivers for innovation in some cities, where the top performers include Berlin, San Francisco, London, New York and Boston. High levels of GDP growth, good governance and human capital are very important for competitive city economies. Other key indicators include the growth of office space rental levels, the presence of successful financial districts and the quality of 'physical capital'.



### 3. GOTHENBURG'S POPULATION AND DEMOGRAPHICS

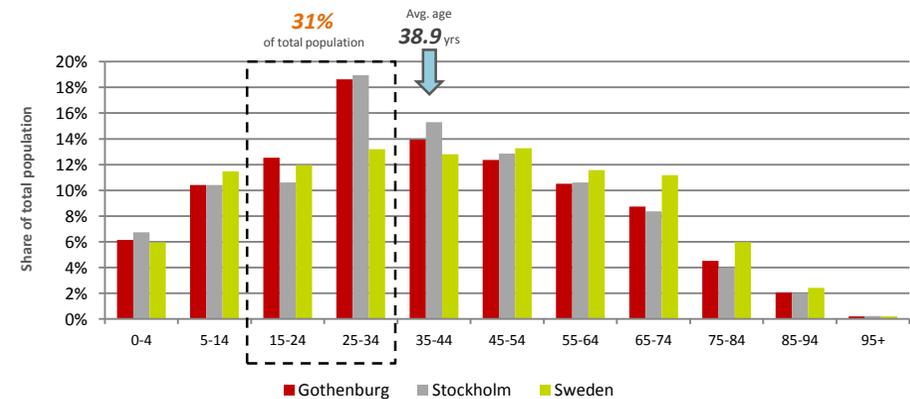
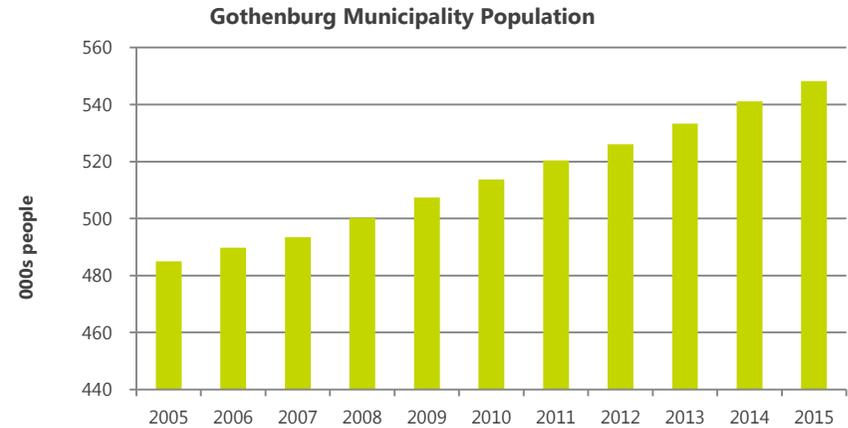
Gothenburg is a growing city and will need to be able to provide appropriate volumes of housing, employment and services for current and future residents.

The county that Gothenburg sits within has 1,650,000 inhabitants, of which 550,000 live in the city itself. The city is the second largest in Sweden and similar to other large cities in the Nordic region is experiencing a relatively high population growth trajectory. Between 2005 and 2015, the Gothenburg population grew by more than 13% (an increase of 65,000 people), resulting in a compound annual growth rate (CAGR) of 1.2%, slightly lower than Stockholm's CAGR of 1.8% but considerably higher than the national CAGR of 0.8% experienced over the same period.

In addition, Gothenburg has a relatively young population. The bottom right chart shows the population by age group in Gothenburg, Stockholm and Sweden as a whole. Almost 31% of the population in Gothenburg is between 15 to 34 years of age, higher than both Stockholm (30%) and Sweden overall (25%). Moreover, the average age in Gothenburg is 39 years, lower than both the national average (41 years) and Stockholm (40 years).

The youthful population of the city is potentially a major advantage.

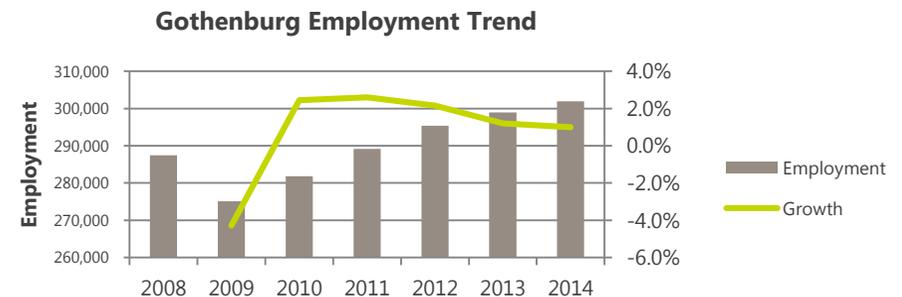
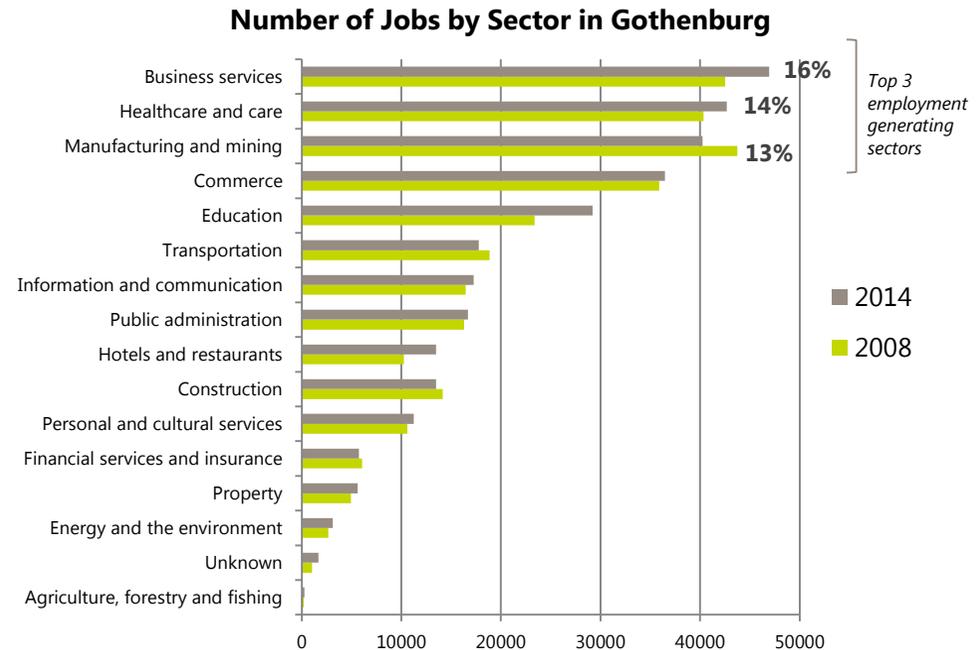
Source: Statistics Sweden - BE0101N1, BE0101A9



# 4 GOTHENBURG'S ECONOMY

Gothenburg has a relatively diverse economy. Following the 2008 European financial crisis, the share of the non-financial business services in the economy has grown in both number and share (almost 16% of employment compared to 14.8% in 2008). There was a slight decline in the city's historically strong manufacturing sector. This is partly due to the emergence of new businesses specialising in outsourcing and IT (e.g. Sykes Business Process outsources, Go Excellent call centre and the SP Technical research institute among others all opening branches in Gothenburg).

Similar to other European cities, the financial crisis negatively affected employment in Gothenburg, causing a decline of 4.3% in total jobs between 2008 and 2009. This was partly due to the decline in manufacturing exports which fell by 10%.<sup>1</sup> This pattern has now reversed, with the region experiencing one of the lowest unemployment rates amongst Sweden's metropolitan areas. Employment has growth by 3% in the last three quarters up to the second quarter of 2016 compared to a 2% growth in Sweden overall. Most of the new jobs were created in corporate services, trade, health and social care and in the automotive industry.<sup>2</sup> The city's economy is therefore both growing and re-balancing toward services. Similar to Gothenburg, Stockholm's economy is also dominated by services, is also growing strongly, but has a lower share of total jobs in both manufacturing and healthcare.



Source: Statistics Sweden - 000000PJ

<sup>1</sup>Business Region Gothenburg (2016), Economic outlook, 1st quarter of 2016

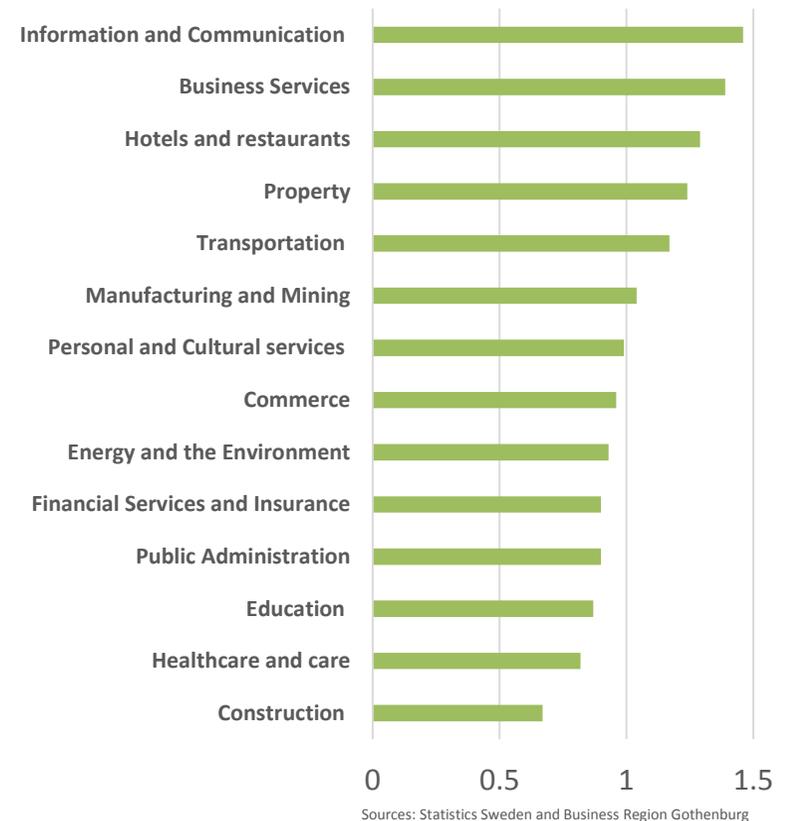
<sup>2</sup>Business Region Gothenburg (2016), Economic outlook, 3<sup>rd</sup> Quarter 2016

## 5. GOTHENBURG'S SECTOR STRENGTHS

The table opposite shows the 'Location Quotient' (LQ) for different sectors in Gothenburg - this indicates the level of economic **specialisation** relating to different industries in the city (i.e. the higher the LQ, the higher the level of specialisation). The following sectors have become increasingly important to the Gothenburg economy:

- Information and communication services (ICT)**- including telematics, microwave technology and digital visualisation - has the highest LQ. This means that Gothenburg has a high degree of specialisation in these sectors and this can potentially generate a very significant level of economic value. There are around 5,300 ICT companies (some of which will be very small enterprises) and more than 26,500 ICT specialists in Gothenburg. Major employers in the sector include Ericsson with its second largest R&D facility, Volvo IT, Telia Seonra and Saab Microwave Systems.
- Business services (non-financial)** has the second highest score, and was mentioned earlier as currently the largest employing sector in Gothenburg. Activities here include legal, consulting and advisory services, other support services to the manufacturing sector as well as emerging sub-sectors such as call centres and business process outsourcing.
- Hotels and restaurants sector** has the third highest score and is therefore increasingly important. Although the total number of employees here is not as great as other sectors, the high LQ can be explained by the international importance of Gothenburg's port, the good connections the city has with neighbouring capitals and its aspiration to become a tourism destination.

Location Quotient (2014)



*Gothenburg is becoming increasingly specialised in ICT and associated business support services. This can potentially create significant economic value.*

## 6. GOTHENBURG'S FUTURE INVESTMENT

Business Region Gothenburg has estimated that the city will see €100 billion worth of investment over the next few years. Residential development will account for the bulk of new investment followed by infrastructure and manufacturing.

One of the most important development projects is of course the River City programme, launched in 2012 by the Gothenburg Municipality after 2 years of extensive consultations with the public and local and international experts through workshops and studies. Plans include building 25,000 new residences and 45,000 new workplaces across city districts, which will see central Gothenburg effectively double in size.

River City is a very ambitious programme of development which aims to completely reposition Gothenburg as an attractive residential and business location of international standing. It will provide not only new housing for a growing population, but also office accommodation and commercial space that will help to position Gothenburg as an internationally attractive destination.

The RegionCity development - a critical component of the overall programme - will effectively 'kick start' the city's regeneration process and make optimal use of one of the most centrally accessible locations within the entire metropolitan region.

RegionCity's success will help to crystalize the wider development process, signaling to the international development and investment community that the city offers a potentially very strong return on investment.

Breakdown of planned investment	€ billion
Residential	41
Infrastructure/logistics	13
Manufacturing	13
Retail	2
businesses	6
Healthcare/academia	4
Other/unspecified projects	2
<b>Total</b>	<b>100</b>

A Selection of Major Projects			
Urban Development		Infrastructure and Logistics	
River City	€30bn	Port of Gothenburg	€7.7bn
BoStad 2021	€2.3bn	Airport City Goteborg	€7.1bn
Forsaker	€2.0bn	West Swedish Package	€4.0bn

Source: Business Region Gothenburg, *Gothenburg, a Centre for Expansion*

# 7. GOTHENBURG IN GLOBAL RANKINGS

A number of European Rankings place Gothenburg highly in terms of indicators related to innovation and economic growth. These include the Europe 2020 index which ranks regions based on their progress in achieving EU goals and the number of patents per 10,000 population.

The city of Gothenburg does not feature, however, across a very large number of global rankings, partly because these often only consider countries' capital cities and also partly because Gothenburg might not be performing well currently on the global competition scale.

The Innovation Cities Program which does have Gothenburg on its list, ranks the city 232<sup>nd</sup> out of 500 cities. The classification used here is based on available data covering Culture (civic, public arts, education and media), Industry (arts, sport business, entertainment), Economics (GDP and employment) Trade (foreign and local trade) and Strategic factors (food & water supply).

The need for Gothenburg to provide platforms and spaces for 'innovation' is therefore critically important. A combination of high quality spaces, leading-edge research, business finance, executive education - all coming together within a vibrant urban setting - will greatly enhance Gothenburg's ability to move up these rankings and clearly demonstrate its potential for success.

**5<sup>th</sup> best performing region in Europe**

*The Europe 2020 index, 2015*

**8<sup>th</sup> best performing Mid-Sized European City**

*European Cities and Regions of the Future 2016/1017 - FdIntelligence*

**12<sup>th</sup> place in terms of patents per 10,000 population**

*Intelligent Community Forum (global)*

**10<sup>th</sup> place in terms of future growth potential for economic growth**

*BAK Basel*

**232<sup>th</sup> place on the Innovation Cities index (global)**

*Innovation Cities Program – 2thinknow*

Source: Business Region Goteborg, Scandinavia's most Expansive Region report and the Innovation Cities index website

## 8. GOTHENBURG'S MAIN CHALLENGES

Gothenburg is currently facing a number of economic, social and environmental challenges which, if unaddressed, might constrain the long-term, sustainable economic growth of the city. Some of the most important challenges include:

- ❑ **Creation of new jobs:** in order to accommodate, support and retain a young and growing population, it will be imperative for Gothenburg to generate new jobs in leading-edge and growing sectors, mainly non-financial business services, technology and healthcare. Moreover, it is important for jobs created to cover the wide range of pay scales, from workers to managers and executives in order to promote social integration. This is particularly important as unemployment amongst foreign-born nationals is over 15%, which is more than 3 times higher than the overall unemployment level which stand at 5.9%. This is even higher amongst 18-24 years olds where unemployment rate goes up to 26.3%.
- ❑ **Shortage of high-quality office space:** The vacancy rate in Gothenburg CBD currently stands at 4.2% and is expected to fall even further to 4% in 2017 – this reflects a very constrained office market currently. It is now very difficult to find modern premises over 1,000 m<sup>2</sup>. The rental level in Gothenburg CBD is continuing to increase, pushed up by limited supply. The market rent currently lies between SEK 2,600 and SEK 2,700 per m<sup>2</sup>.

Among the most important things that companies in Gothenburg region look for are accessibility and access to markets, proximity to skills and clients, being part of a vibrant economic or industry ecosystem and good amenities such as recreation and leisure experiences.

- ❑ **Mobility and Accessibility:** good transport infrastructure is one of the most important factors determining quality of life in cities. Gothenburg was planned and built around the car which currently prevails as the major means of mass mobility in the city. This makes parking an issue and air pollution a challenge. Despite the availability of trams, these are perceived as not providing the fastest means of transport, and some places are still mainly accessible only by car.
- ❑ **Public Realm & Appeal:** compared to other cities in Europe, Gothenburg is short of large, good quality parks and public spaces. This exacerbates the air pollution problem. Furthermore, the city's central location around the main train station is underutilised, lacking in real urban density and missing the 'vibe' that will attract the 'hipster' population commonly found in tech and other innovation clusters in major cities such as Berlin, Amsterdam and Barcelona.

Source: Stakeholder interview,

West Sweden Chamber of Commerce and Jernhusen Report, Västsvensk identitet Så stärker Borås, Skövde, Trollhättan, Uddevalla och Varberg Västsverige  
Business Region Gothenburg, Economic Outlook, 3rd Quarter 2016  
Newsec Propert Outlook, Spring 2017

# 9. MAKING GOTHENBURG BETTER

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Competition for high-value global investment is fierce – not just in Europe, but across many emerging regions of the world. As Gothenburg's population grows and as it becomes younger and more diverse, many elements must come into play to help stimulate economic opportunity, good quality of life and social cohesion:

- ❑ **Innovation:** The car industry is currently pursuing automation and focusing on innovation in service delivery and so are universities in the city (Chalmers University of Technology invested billions of SEK in two incubators). In addition to technology and the car industry, another promising sector is healthcare, as Gothenburg region becomes the a world leader in biomaterial and cell therapy as well dental care, cardiovascular and gastrointestinal research and other medical fields.
- ❑ New businesses specialising in outsourcing and IT are establishing in the city (Sykes for example the Business Process outsourcing company has opened a branch in Gothenburg in 2013, so did the GoExcellent call center and the SP Technical research institute in 2015 amongst many others).
- ❑ These sectors need access to specialised skills, and to continuing, executive-level education as well as excellent facilities that can both attract and retain staff.

❑ **The urban experience:** successful cities in Europe demonstrate clear strengths across many factors. The development of high-quality commercial and business space is not sufficient in itself to generate long-term prosperity. This must be matched by the quality and experience of the urban realm – the extent to which it provides the basis for creative thinking and for the social interaction that leads ultimately to the development of innovative new products and services. For this reason, successful cities display strong cultural, entertainment, arts and leisure experiences intermingled amongst their business spaces. The ability to simultaneously create value and enjoy the vibrant qualities of a city centre are critical.

❑ **Improving the city:** Gothenburg does not yet compare favourably to the most competitive cities in terms of its cultural offer, the quality of the public realm in its most central districts, or the diversity and independence of both its retail and hospitality sectors. This currently suppresses the urban 'vibe' and the extent to which the city can attract the 'hipster' crowd that will spur on tech-driven innovation and digital products. An improved retail and food and drink offer in the centre – especially one that reflects the city's evolving ethnic diversity, alongside improved cultural facilities will help to support Gothenburg's aspirations to join the European top flight.

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