

# EUROPEAN METROPOLISES

THE BALTIC SEA CITIES IN THE EUROPEAN CONTEXT

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# Preface

The present study provides a comparative overview of the economy of European metropolises. The emphasis is on the comparison of Helsinki with other European metropolises with respect to size, economic structure and economic performance. Of particular interest are the roles of all the metropolises in this study, including Helsinki, in generating economic growth in their respective home countries, and their impact on Europe as a whole.

The study covers an area larger than in earlier studies. There are altogether a set of 54 metropolises from 29 countries in western, central and Eastern Europe, including the city regions of the new EU member states, and the Russian cities of Moscow and St. Petersburg. One interesting group of metropolises to compare comprises those of the Baltic Sea area: Stockholm, Oslo, Copenhagen, St. Petersburg, Tallinn, Riga, Vilnius, Warsaw, Berlin, Hamburg and Helsinki.

It should be noted that the analysis and forecast for the economic developments of the European metropolises were carried out during spring 2008, before the full impact of the worldwide financial crisis was felt.

Investments in infrastructure, housing and commercial property are an important part of the economic activity in most European metropolises. Major investment projects underpin the future competitiveness of cities and the means of responding to challenges such as those of congestion and climate change. Moreover, part of the role of innovative investments in city centres, in culture and in new transport systems is to create images for cities and thereby the means to market them as attractive urban places.

The study is based on empirical research carried out and published by Cambridge Econometrics Ltd in collaboration with a wide network of European research institutes. The Finnish partner in the network is Kaupunkitutkimus TA Oy (Urban Research TA Ltd). The study has been compiled by researchers Seppo Laakso and Eeva Kostianen from Kaupunkitutkimus TA Oy.

We gratefully acknowledge the valuable support of the project group and City of Helsinki Economic and Planning Centre, Office of Economic Development.

Helsinki, November 2008

Asta Manninen  
Director  
City of Helsinki Urban Facts

# 1. INTRODUCTION

The western and central regions of Europe are among the most urbanised areas in the world. Approximately 80 % of the population of these regions live in urban areas. However, the cities and towns differ considerably with respect to size, urban structure and economic base, ranging from small agricultural towns to huge mega-metropolises. This wide distribution of size of urban areas is an essential feature of the urban network in Europe.

The largest urban areas are generally called metropolises – even though there is no universally accepted definition of a metropolis. In this study, any large and economically significant urban area is viewed as a metropolis. In most cases, the geographic area of a metropolis does not coincide with that of an administrative municipality, but rather consists typically of a central city – usually one, but in some metropolises two or more - and a variable number of suburban municipalities around it. In other words, by a metropolis we mean a functional urban area.

European metropolises, as well as being large centres of population, are also major centres of economic activity. Indeed, they are the motors of Europe's economic growth, providing benefits of agglomeration for businesses, and attracting the most dynamic companies and fastest growing industries. Hence, the higher productivity and greater degree of innovation within them compared with other areas.

The Helsinki Region (hereinafter Helsinki) is the only urban area in Finland where the population is more than one million. Moreover, because of its size and economic significance, it is also the only area in the country that can be termed a metropolis. Its population exceeds that of the six next biggest Finnish urban areas put together. On a European scale, by contrast, it is only a medium-sized or even small metropolis.

This study provides a comparative overview of the economy of European metropolises. The emphasis is on the comparison of Helsinki with other European metropolises with respect to size, economic structure and economic performance. One interesting group of metropolises to compare comprises those of the Baltic Sea area: Stockholm, Oslo, Copenhagen, St. Petersburg, Tallinn, Riga, Vilnius, Warsaw, Berlin, Hamburg and Helsinki.

Of particular interest are the roles of all the metropolises in this study, including Helsinki, in generating economic growth in their respective home countries, and their impact on Europe as a whole.

It should be noted that the analysis and forecast for the economic developments of the European metropolises were carried out during spring 2008, before the full impact of the worldwide financial crisis was felt.

## 2. METROPOLISES IN EUROPE

This study is based on empirical research carried out and published by Cambridge Econometrics Ltd in collaboration with a wide network of European research institutes. The Finnish partner in the network is Kaupunkitutkimus TA Oy (Urban Research TA Ltd).

The extent of the study area is larger than in earlier studies and now covers 29 countries in western, central and eastern Europe, including the city regions of the new EU member states. In addition to the 27 EU countries, Norway and Switzerland are included. Similarly, the Russian cities of Moscow and St. Petersburg. As a result, the set of metropolises now comprises 54 urban areas. Another new feature of this study is the emphasis on the metropolises of the Baltic Sea region. In most countries embraced by this study, the capital is included, except in the case of Switzerland, where Zurich and Geneva have been selected. However, in each of the Nordic countries, the capital is the only metropolis in the study: Helsinki (Finland), Stockholm (Sweden), Copenhagen (Denmark) and Oslo (Norway). This is also the case in most other small countries of the EU, whereas in the big EU countries the study takes in several major metropolises along with the capitals. Also different from previous studies is the inclusion of Tallinn (Estonia), Vilnius (Lithuania), Riga (Latvia), Sofia (Bulgaria), Ljubljana (Slovenia), Bratislava (Slovakia), Bucharest (Romania), and Moscow and St. Petersburg. However, cities of the smallest EU countries, namely Cyprus, Luxembourg and Malta, are not included. The map below shows the locations of the cities in this study.

Most of the metropolises have more than one million inhabitants. In addition, there are some smaller urban areas which are included because of their major economic or administra-

tive significance. On the other hand, some urban areas with more than one million inhabitants are excluded.

The area of each metropolis is defined using the statistical regional divisions (NUTS) of the EU or the equivalent division in the case of non-EU countries. Thus, depending on the country and urban area, a metropolis is defined at one of the following levels: NUTS 1, NUTS 2, NUTS 3 or NUTS 4. Most of the metropolises in the study fall into the NUTS 3 category. Helsinki is the only region defined at NUTS 4 level (Helsinki Sub-Region, Helsingin seutukunta).

One consequence of the above is that the borders of the metropolises are not defined by homogeneous criteria. In some cases the area of the metropolis is significantly larger than the functional urban area whereas in others the area is clearly smaller. This affects the findings of this study in some cases, especially when considering the size of the area. That said, as far as Helsinki is concerned, the NUTS 4 area corresponds reasonably well to the actual functional urban region, in spite of the fact that it is not exactly the same as the standard definition of the Helsinki Region.

The data that underlie the economic, labour and population statistics in this study are in general derived from the official statistics of each country. Nevertheless, there are problems in some cases with the comparability of data. Consequently, some of the comparisons in this study are based on a smaller group of cities than all the 54 due to data not being available or not comparable. However, the study gives a reasonably reliable picture of the inter-metropolis variation and the differences between Helsinki and other metropolises.

The forecasts for economic developments in this study are based first of all on the European-wide macroeconomic and industrial analysis and assessments of Cambridge Econometrics. In addition, the national experts of each country have contributed to the analysis and forecasts. The differing emphases and views of national experts may lead to some additional variation in the results.

**Table 2.1:**  
**Key indicators of the Helsinki Region in 2007**

	Population	Employed population	Jobs
City of Helsinki	568 500	297 800	403 600
Helsinki Region (14 municipalities)	1 303 600	696 000	734 000

**Map 2.1: Metropolises in the study**



# 3. SIZE OF THE METROPOLISES

Various criteria are used to measure the size of a metropolis, and the ranking and relative differences in size give an interesting picture of the network of the European metropolises. The size of an urban area is critical not only for its own sake but also because it is bound up with the economic structure and economic growth potential, as will be shown in the following sections.

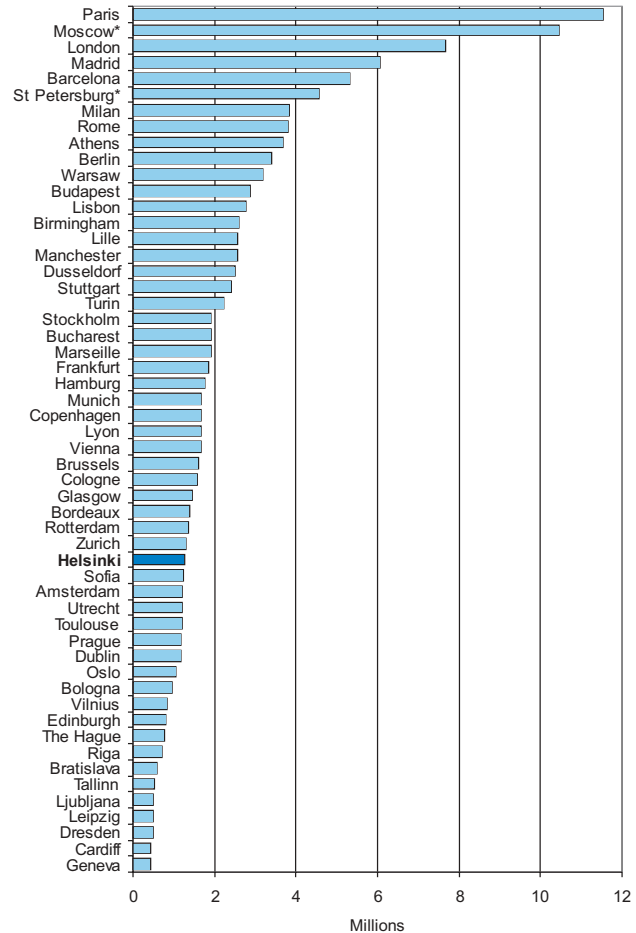
The size of a metropolis depends crucially on how its area is defined. As mentioned in the previous section, the metropolises in this study are not defined by homogeneous criteria. Rather it is a combination of the particular local definition used and the NUTS level that dictates the statistics of each metropolis.

## Population

Population is the most common measure of the size of urban areas. Rank order by population of European metropolises is presented in Figure 3.1. Based on the definition of area in this study, Paris, with 11.5 million inhabitants, is the biggest metropolis in Europe, and Moscow, with a population of 10.4 million, is second. London, with 7.7 million inhabitants, comes third. It should be noted that in this study London covers only the areas of Inner London and Outer London, whereas in some other statistical sources the functional urban area of London is significantly larger. The next six metropolises in rank order are Madrid (6 million) and Barcelona (5.3 million), followed, in descending order, by St. Petersburg (4.6 million), through Milan and Rome, down to Athens (3.7 million).

Helsinki, with 1.3 million inhabitants, ranks 35th among the metropolises of this study. Its population is approximately one ninth that of Paris. Stockholm's and Copenhagen's populations of 1.9 million and 1.7 million respectively put them at 20th and 26th position, while Oslo stands at number 42 (1.0 million).

**Figure 3.1: The population of the metropolises (2007)**



\*The population of Moscow and St. Petersburg in 2006

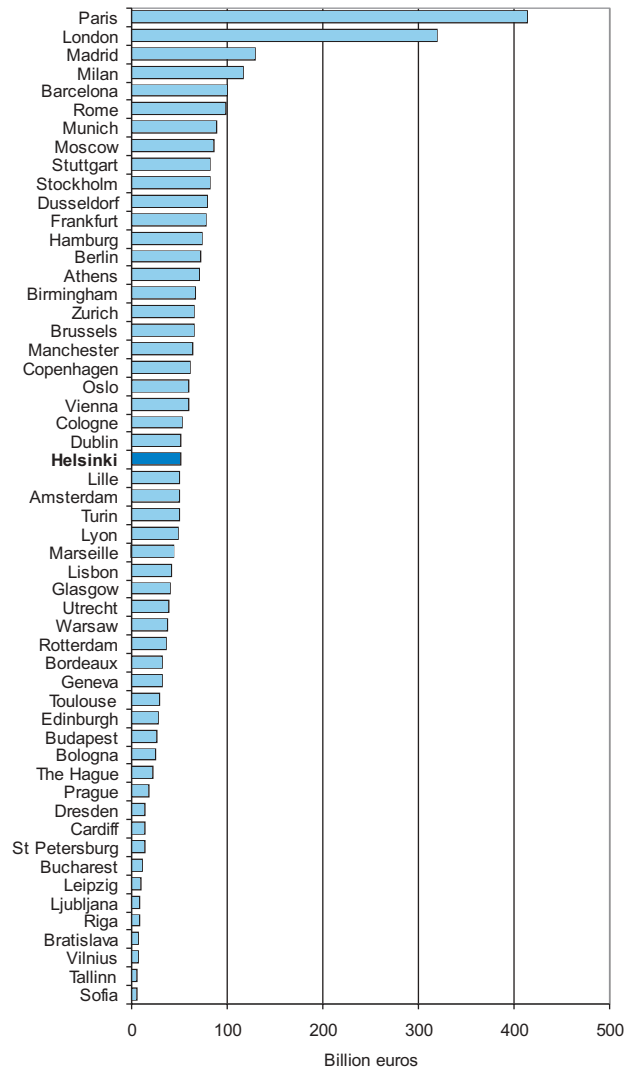
From the point of view of the European urban network, the size distribution of the major cities is interesting. There are the three mega-metropolises (Paris, Moscow and London), but below them, we have to go several steps down until reaching the next levels, with numerous cities being of very similar size at each of those levels. This indicates that Europe still consists of either several national or sub-national urban networks.

## Value of production

Another criterion by which to compare the size of urban areas is the volume of production. The size ranking of the European metropolises as measured by total gross value added (GVA) is presented in Figure 3.2, and it reveals a different picture from that measured by population.

Paris is overwhelmingly the leading metropolis in terms of production, and the size difference between Paris and most other metropolises is even greater in this respect than when comparing population size. Thus, in addition to being number one in terms of population, Paris is also the most productive city in Europe. London follows it, in second place, and Moscow stands in eighth position. Helsinki stands at 25 on the GVA scale, whereas it is 35th in terms of population. The volume of production in Helsinki is approximately one eighth that of Paris and about the same as that of Amsterdam, Lille, Dublin and Cologne. The rankings of all the eastern European metropolises are significantly lower when measured by production rather than by population.

**Figure 3.2: The Gross Value Added of the metropolises (2007)**



# 4. ECONOMIC STRUCTURE

## Importance of the service sector

Common to almost all the big cities is the great importance of the service sector. In the metropolises of this study, the service sector's share of total employment is 79 % on average, whereas in the 27 EU countries taken as a whole, the service sector employs on average 70 % of the workforce.

However, if we look at the share of employment in the service sector in each of the cities, we see significant variations. The predominance of the service sector is greatest in The Hague, Amsterdam, London, Brussels, Cardiff, Rome, Glasgow, Copenhagen and Utrecht. In all of these, the service sector share of employment is 86–91 %. Helsinki is a service sector oriented metropolis, too, in spite of the fact that the percentage is slightly lower than in the other Nordic capitals: the service sector in Helsinki employs 82 % of the workforce.

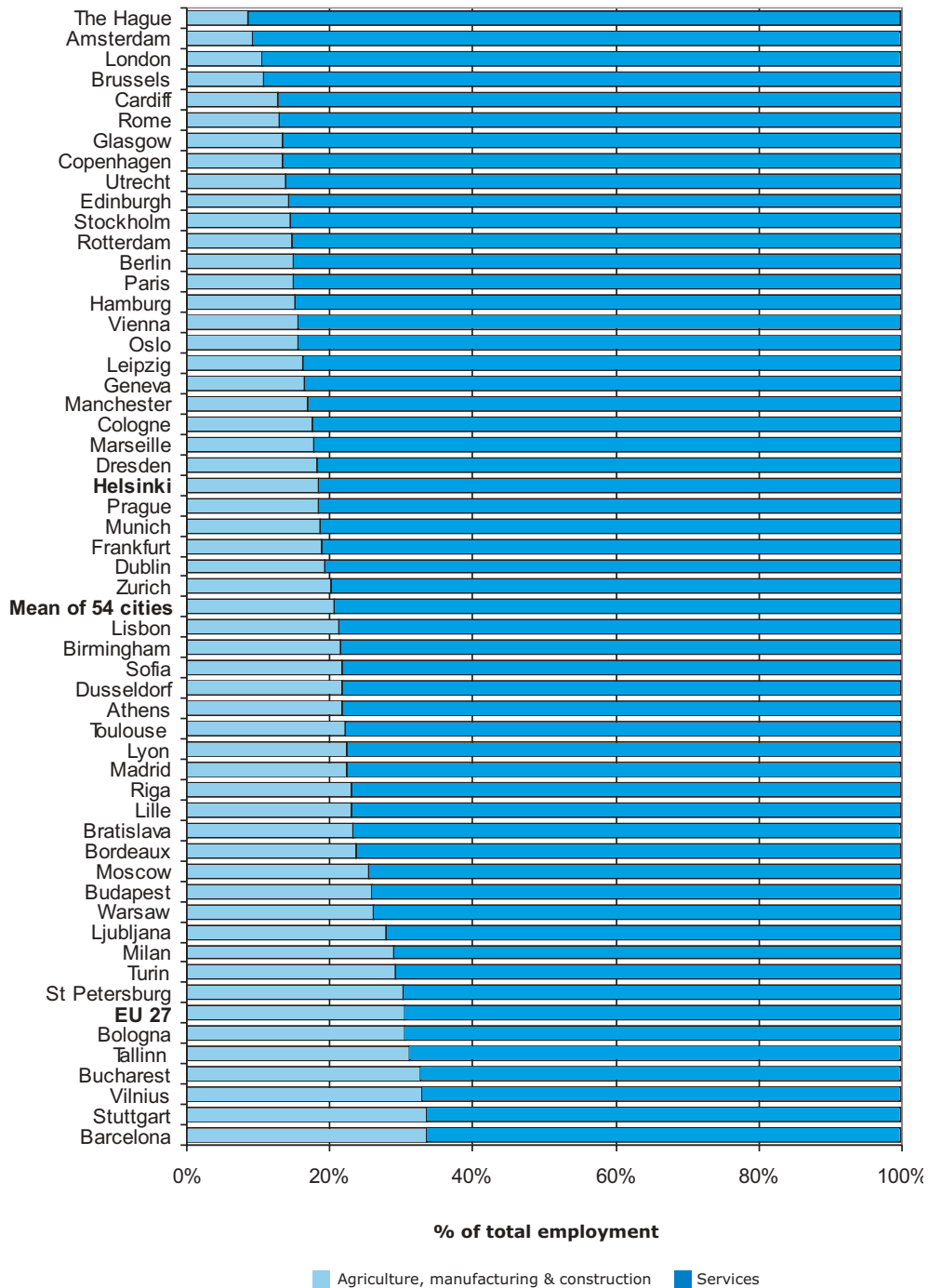
A large private service sector is a common feature of all metropolises. In addition, there is the non-market sector, which is dominated by public administration and public services. As might be expected, capital cities of big countries have more people employed in the public sector because of the concentration of central government functions and associated activities. This clearly affects the economic structure of cities such as Rome and Berlin. By contrast, the municipalities in the Helsinki Region and in the other Nordic capitals play a much greater role in providing education, social and health-care services than do their respective national governments. Thus, the municipalities have sizeable concentrations of public sector employees -- when compared to their national public administrations.

## The role of manufacturing and construction

Nineteenth and twentieth century industrialisation generated massive economic development in almost all of the cities which today are the metropolises of Europe. More recently, the service sector has grown and expanded at the expense of manufacturing industries in nearly all large European cities. In most metropolises, manufacturing employs a smaller percentage of the workforce and its share of value-added production is clearly below that of the average of the 27 EU countries in this study. The manufacturing and construction sectors together with agriculture employ a total of 21 % of the workforce in the metropolises on average, while the equivalent figure for the European Union as a whole is 30 %. In Helsinki, the figure of 18 % is slightly lower than the average of all the metropolises.

That said, the manufacturing industry still plays a substantial role in the economy of many European metropolitan areas. It employs over 30 % of the workforce in Barcelona, Stuttgart, Vilnius, Bucharest, Tallinn, Bologna and St. Petersburg. One or several clusters of predominating industries are to be found in each of the following: Milan and Barcelona have textiles and machinery industries, and in Stuttgart there is a cluster of automotive manufacturing and associated industries. In fast-growing metropolises in southern Europe, for instance Barcelona, and in eastern European states, the construction industry forms a strong cluster. It is worth noting that most of the industrialised metropolises in Europe are hardly cities in decline. On the contrary, some of the manufacturing oriented cities are among the most dynamic and economically robust metropolises to be found anywhere in Europe.

**Figure 4.1: The share of employment in the service sector (market services and non-market services), and in energy, manufacturing and construction in the metropolises (2007)**



# 5. PRODUCTION AND PRODUCTIVITY

The Gross Value Added (GVA) per capita is a rough indicator both of the productivity and the income level of an area. In this study, the GVA figures are based on regional national accounting in each country.

It should be noted that to obtain the GVA figures for non-euro countries exchange rates are applied rather than purchasing power parity (PPP) equivalents. For this reason, the results may differ from those in other studies which use PPP figures. In addition, how a region is defined will affect its GVA values.

Figure 5.1 shows that the average GVA per capita of the metropolises is 34 % higher than that of the 27 EU countries, indicating that metropolises are more productive and richer areas than the 27 countries as a whole.

There are many explanations for the high productivity of the metropolises. For a start, the capital intensive enterprises of manufacturing and knowledge intensive services typically concentrate in large city regions because of the optimal operating conditions. The opportunities for harnessing economies of scale coupled with the competition and the availability of skilled labour, all enhanced by efficient transport and communication networks are the strengths of metropolises. Another factor accounting for high productivity is that primary production – essentially a sector of low productivity – is typically absent from the metropolises.

Approximately one third of the total GVA of the 27 EU countries is generated in the metropolitan regions, even though their share of the EU population barely exceeds one fifth. The two economically most significant metropolises, namely Paris and London, produce together approximately 8 % of the total combined GVA of the EU.

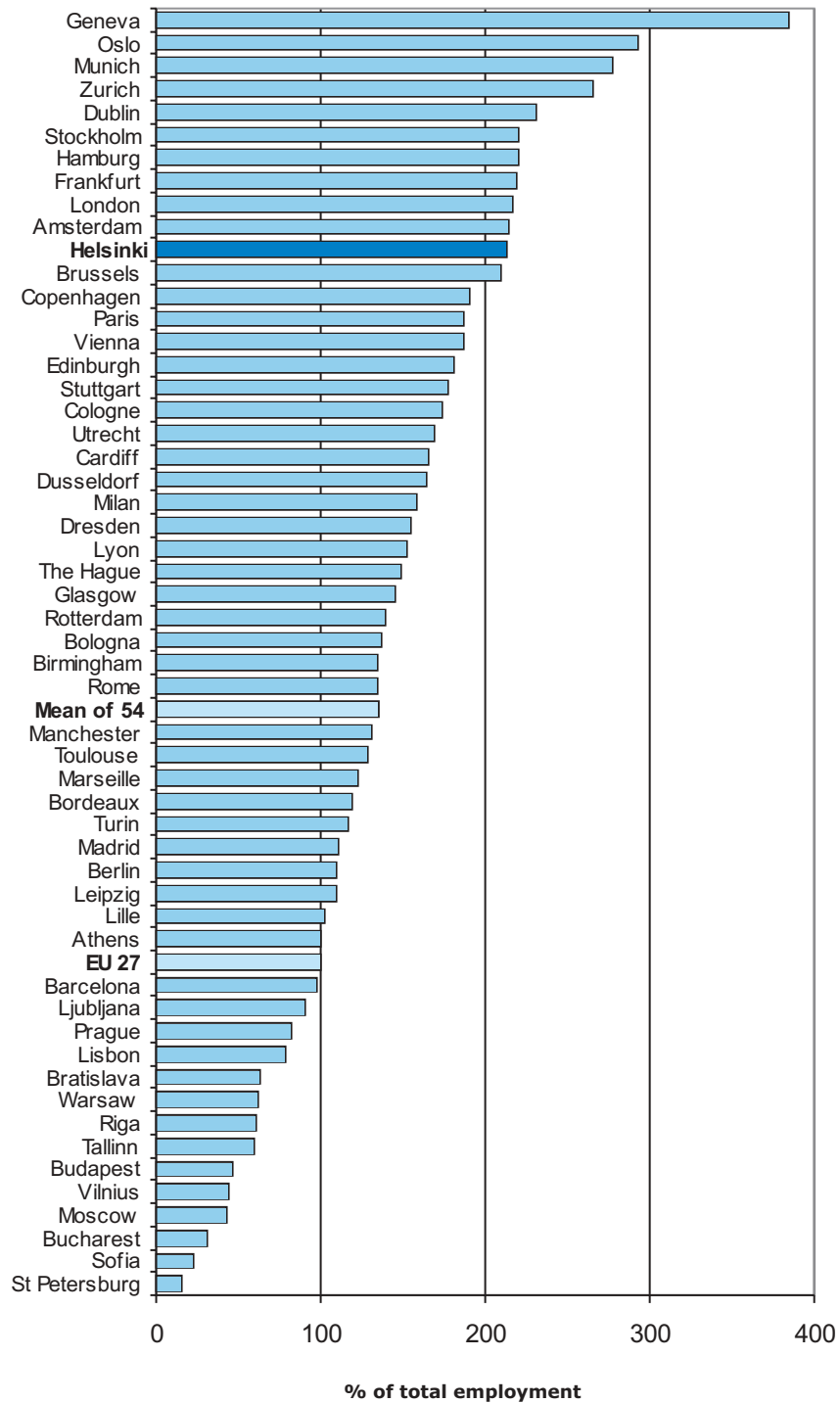
The highest GVA per capita in western and central Europe in 2007 is found in Geneva, where it is almost four times as high as that of the 27 EU countries, if we apply exchange rates. The next metropolises in the ranking are Oslo, Munich, Zurich and Dublin, followed by Stockholm, Hamburg, Frankfurt, London, Amsterdam, Helsinki and Brussels. In Helsinki, the GVA per capita ratio is slightly over twice that of the mean for the 27 EU countries.

The lowest GVA per capita values, i.e. below 50 % of the EU average, are in eastern European cities: St. Petersburg, Sofia, Bucharest, Moscow, Vilnius and Budapest. However, it must be noted that PPP figures would give higher relative values for most eastern European metropolises.

One of the main factors explaining the GVA per capita differences between metropolises is the national GVA per capita. In general, a strong correlation exists between city GVA and national GVA per capita. This is natural because usually the economic structure and the performance of a country closely interweave with those of its major metropolises. In most European countries, typically 30–40 % of the national GVA is produced in the capital region and other major metropolises.

At the same time, almost all of the metropolitan regions are considerably more productive than their respective countries. In other words, the per capita value-added goods and services produced in those regions are higher than the respective figure for the country overall. Only in the metropolises located in eastern Germany, and in a few manufacturing cities in Italy, Germany, the UK and France is GVA per capita lower than in the country as a whole.

**Figure 5.1: The GVA (euros) per capita of the metropolises (2007)  
(Index, EU27 = 100)**



# 6. ECONOMIC DEVELOPMENT OF THE METROPOLISES 2002–2006

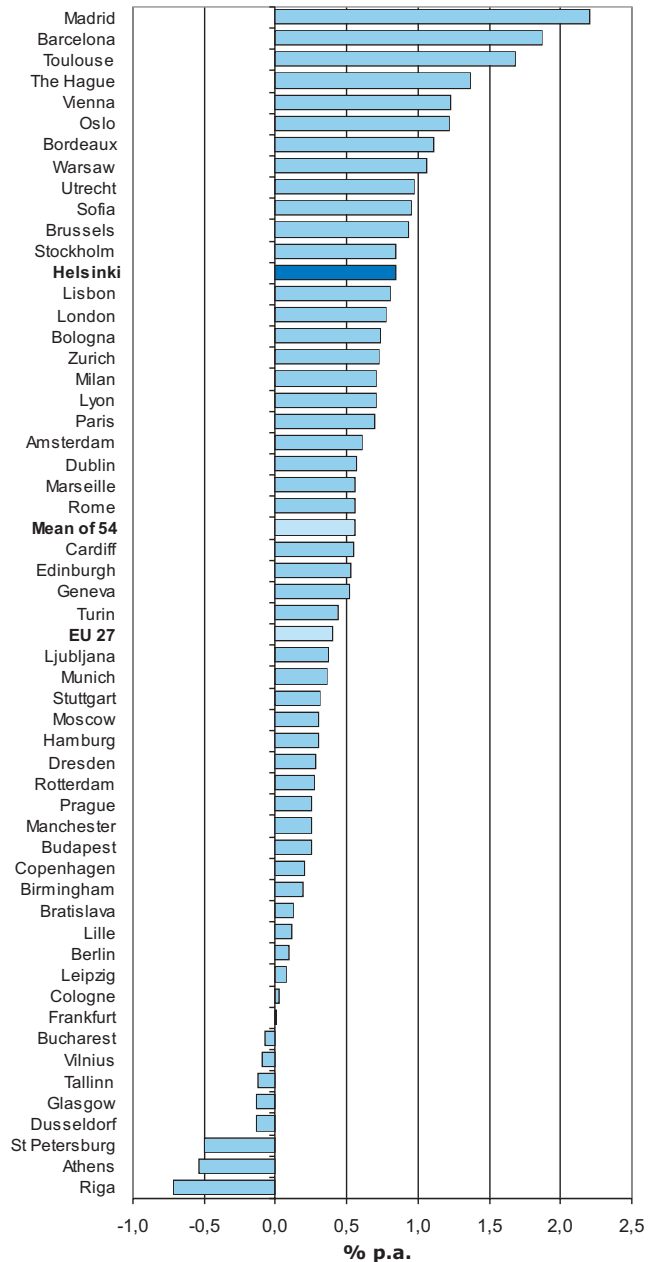
This study examines the economic growth of the metropolises in the period 2002 to 2006 by applying three variables: population, employment and production (GVA).

## Population growth

Population change in a given area over a given period of time is based on a combination of net migration and natural population change, i.e. the net difference between births and deaths. Research shows that net migration is dependent upon local supply of labour coupled with demand for labour, which co-operate with many other regional factors and also people's individual choices (see Laakso and Loikkanen 2004). Natural population changes are caused by shifts in the age structure of the population together with age- and sex-dependent mortality rates and age-dependent fertility rates.

Figure 6.1 shows that the population grew slightly faster in metropolises (approximately 0.6 % annually) than did the average of the 27 EU countries (0.4 % p.a.) during the period 2002–2006. Population growth was fastest in Madrid (2.2 % p.a.) and Barcelona (1.9 % p.a.), followed by Toulouse, The Hague and Vienna (ranging from 1.7 to 1.2 % p.a.). Helsinki's population growth of 0.8 % p.a. exceeded the average of the metropolises and that of the 27 EU countries. Of the other Nordic capitals, Oslo's population grew faster than that of Helsinki and Stockholm's slightly faster; meanwhile in Copenhagen the growth rate was below the average level of the 54 cities. Population declined considerably in Riga, Athens and St. Petersburg but only slightly in Düsseldorf, Glasgow, Tallinn, Vilnius and Bucharest.

**Figure 6.1: Population growth (% p.a.) of the metropolises (2002–2006)**



## Employment growth

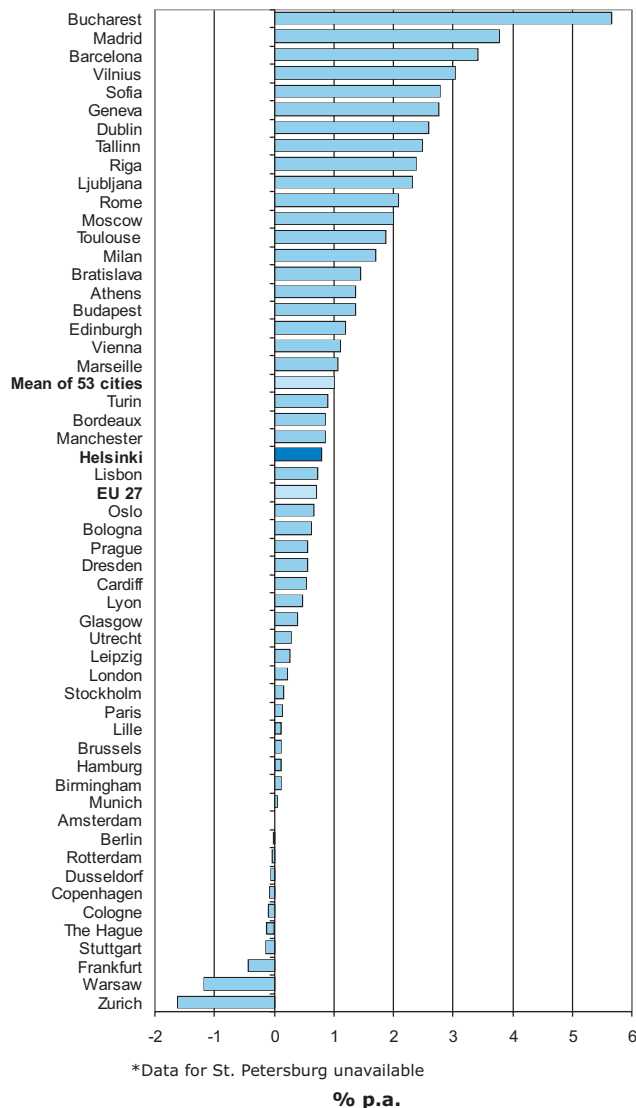
Along with the rising metropolitan populations, employment rates also grew faster in metropolises compared with national averages. The average rate of employment growth in the metropolises was 1.0 % p.a., while the average growth in the 27 EU countries was 0.7 % p.a.

Employment growth was particularly rapid in Bucharest, 5.7 % p.a., Madrid, 3.8 % p.a., Barcelona, 3.4 % p.a., and Vilnius, 3.0 % p.a. from 2002 to 2006. Employment exceeded the average of the 53 metropolises in most of the cities of the new EU member states. In Helsinki, the employment growth rate was 0.8 % annually, slightly above the average growth in the EU countries but below the average of the metropolises. In the other Nordic capitals employment growth was lower than in the 27 EU countries, and in Copenhagen, it was even negative. Employment declined also in Zurich, Warsaw, Frankfurt, Stuttgart, The Hague, Cologne, Düsseldorf, Rotterdam and Berlin.

Broadly speaking, between 2002 and 2006 employment growth in Helsinki slowed compared with the second half of 1990s – when employment increased by 4 % annually, putting Helsinki at that time among the three fastest growing metropolises in Europe. However, from 2004, employment growth in Helsinki recovered.

There is a clear correlation between employment and population growth, especially in western European cities. However, in many eastern European cities employment grew fast at the same time as population growth was modest or even negative, for example in Bucharest and the Baltic capitals, where strong economic growth was combined with significant out-migration. This indicates that in many metropolises there is considerable flexibility in the local labour markets and consequently employment growth does not automatically lead to substantial inward migration. On the other hand, significant migration into metropolises is not always directly linked to local labour markets, as in the case of the arrival of refugees. In addition, natural population growth significantly affects the overall population growth, whereas it is only loosely related to labour markets, at least in the short run.

**Figure 6.2: Employment growth (% p.a.) of the metropolises\* (2002–2006)**



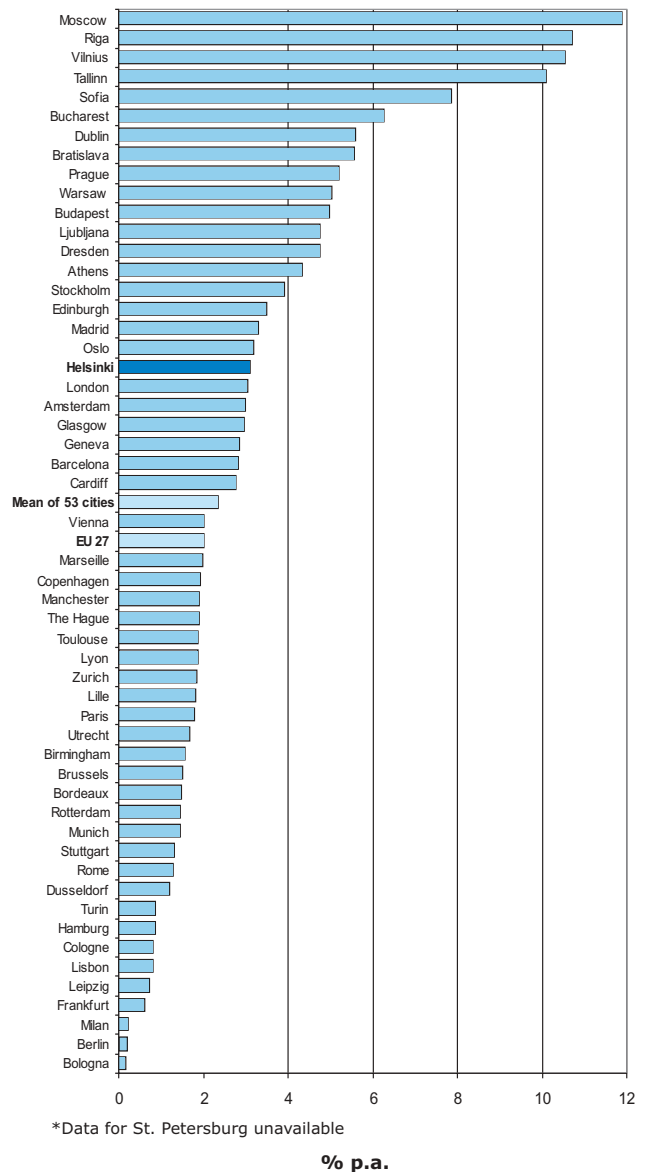
## Production growth

Production growth was on average slightly faster in the metropolises, 2.3 % p.a., than in the 27 EU countries as a whole, 2.0 % p.a., during the period 2002-2006. The GVA growth rate was fastest in the eastern metropolises of the study, namely in Moscow, 11.9 % p.a., Riga, 10.7 % p.a., Vilnius, 10.5 % p.a., and Tallinn, 10 % p.a. Next in order were Sofia, Bucharest, Dublin, Bratislava, Prague, Warsaw and Budapest with growth rates ranging from 7.8 to 5 % p.a. In Helsinki GVA grew at 3.1 % p.a. In Stockholm, the figure was 3.9 % p.a. and in Oslo 3.2 % p.a., whereas in Copenhagen the growth rate was below the mean of the metropolises and also that of the 27 EU countries.

Like employment and population, GVA growth was rather modest in Helsinki from 2002 to 2006 compared with the period from 1995 to 2000, when the growth rate was about 8 % annually.

Production growth was slowest those Italian and German cities which suffered national economic slow-downs during the period. In Bologna, Berlin and Milan the growth rate was below 0.5 % p.a.

**Figure 6.3: GVA growth (% p.a.) of metropolises\* (2002–2006)**



# 7. FUTURE ECONOMIC GROWTH IN METROPOLISES 2007–2012

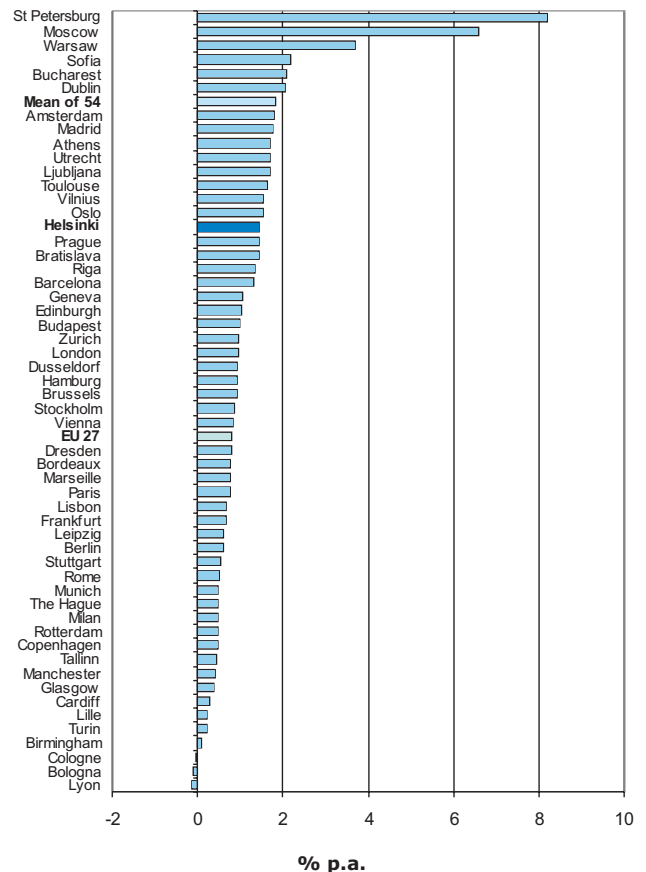
An essential part of the research carried out by the research network led by Cambridge Econometrics is medium-term forecasting of metropolitan economic growth. Predictions for the period 2007-2012 are made for production (GVA), employment and a few other economic variables, using an econometric model developed and applied by Cambridge Econometrics. The forecasts are based on detailed analyses, made by Cambridge Econometrics in close co-operation with experienced researchers in each country, of the development of economic sectors at European, national and regional level.

## Employment forecasts

Rates of employment growth of big cities are expected to accelerate compared with those of the period 2002-2006. Thus, mean employment growth of the cities is forecast to be 1.8 % p.a. in the period 2007-2012, as against 1 % p.a. in 2002-2006. The average employment growth rate of the 27 EU countries is predicted to be 0.8 % p.a. (0.7 % in 2002-2006), widening the gap between the EU average and the metropolises. It must be noted that the anticipated rapid growth of many eastern European metropolises contributes significantly to the average figures of all metropolises. Consequently, the mean of the cities (1.8 %) is twice as high as the median (0.9 %).

According to the forecasts, employment growth will be fastest in St. Petersburg, 8.2 % p.a., and Moscow, 6.6 % p.a., followed by Warsaw, Sofia, Bucharest and Dublin. In Helsinki and Oslo, employment growth is predicted to be 1.5 % p.a., which is below the mean of the 54 cities; in Stockholm, it is forecast to be significantly lower than that mean, but a fraction higher than the average of the 27 EU countries. Employment growth in Copenhagen is expected to be lower than the average of the EU, while employment is predicted to decline in Cologne, Bologna and Lyon.

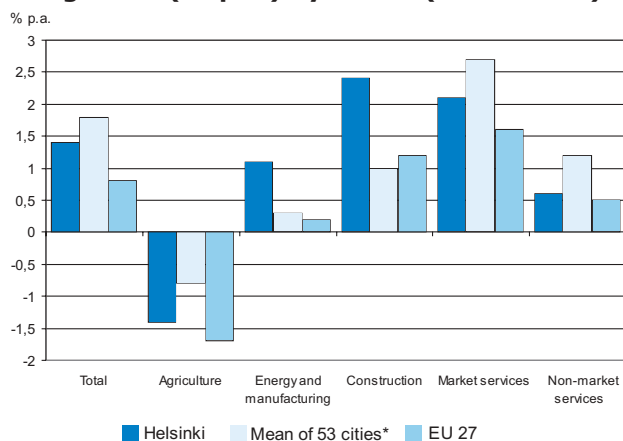
**Figure 7.1: The forecast for employment growth (% p.a.) in the metropolises (2007–2012)**



In addition to national macro-economic developments in the economic structure of cities in this study, the general prospects for the different sectors and various city-specific factors, for instance competitiveness, explain the differences between the employment forecasts for each of the 54 metropolises. Figure 7.2 shows that market services and construction are very likely to be the main sectors to experience growth in employment in Helsinki; the same is predicted for

the EU area as a whole, while for the 53 metropolises, the non-market services are forecast to grow faster than construction. Manufacturing and non-market services are predicted to experience slower growth; agricultural employment, however, is expected to decline further. Consequently, in those metropolises which specialise in market services, employment is expected to increase relatively fast. In eastern European metropolises market services remain under-developed and thus have huge potential for growth compared with those in western Europe. That said, national and regional differences occur. In Helsinki, employment in manufacturing and construction is expected to outpace that which is forecast for either the 53 cities or the EU area overall.

**Figure 7.2: The forecast for employment growth (% p.a.) by sector (2007–2012)**



\* Data for Ljubljana unavailable

## Production forecasts

Growth of GVA in metropolises is also expected to speed up in the period 2007-2012 compared with the preceding five years. Thus, an average of 2.6 % p.a. GVA growth rate is predicted for the cities, which is marginally higher than in the period 2002-2006 (2.3 % p.a.). The forecast for the 27 EU countries is 2.1 % p.a. (2 % in 2002-2006). This means that the average gap in the growth rate between the cities and the

EU area as a whole is expected to widen slightly but still remain rather small compared with what occurred in the 1990s.

According to the forecast, Moscow's growth rate of 10.6 % p.a. will lead the GVA growth of metropolises, followed by St. Petersburg, Riga and Vilnius. The next cities in order are Bratislava, Warsaw and Bucharest. The GVA growth rate in Helsinki is predicted to be 3.4 % p.a., a little higher than in the previous period. Of the Nordic capitals, only Copenhagen is predicted to fall behind the 27 EU countries.

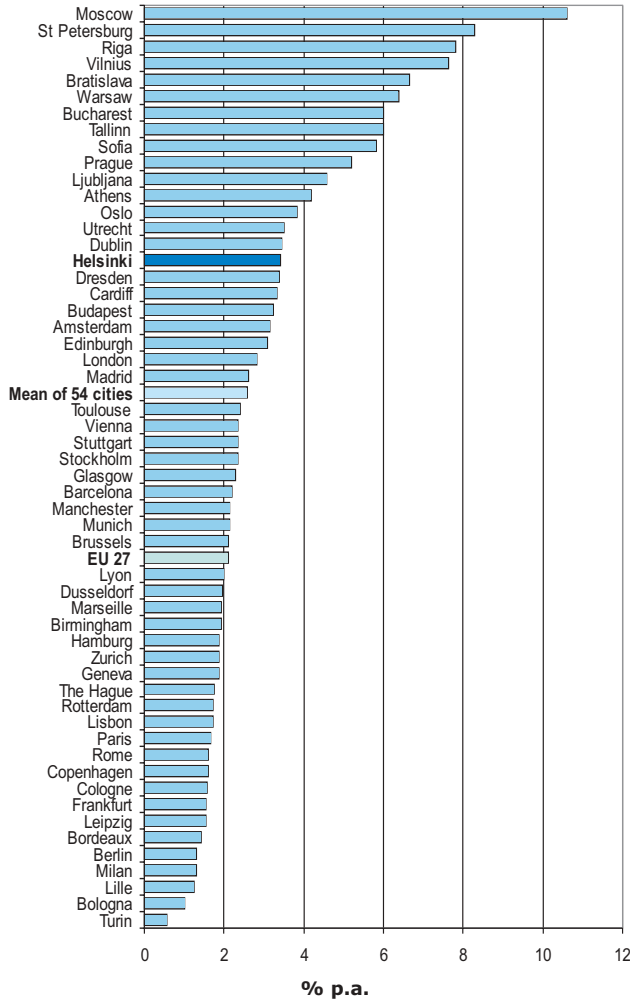
In general, those cities that grew fast in the previous period are similarly expected to grow fast in the coming period. Likewise, those that grew slowly will continue to do so. The economies of the new EU member countries are expected to grow fairly rapidly, reflecting the prospects of their metropolises. The positive impact of growing market areas such as Russia and China are expected to maintain economic expansion in such cities as Stockholm and Helsinki. However, major risks and uncertainties in the global macro-economy, caused by the crisis in the international financial markets, may affect any of the cities of Europe in manners that are unpredictable.

According to the forecasts, the fastest growing metropolises will be those in the eastern parts of Europe (Moscow, St. Petersburg, Riga, Vilnius, Bratislava, Warsaw, Bucharest). The slowest growing group will consist of the manufacturing cities of Italy (Turin, Bologna and Milan), the regional centres of France (Lille and Bordeaux), and the capital city of Germany (Berlin).

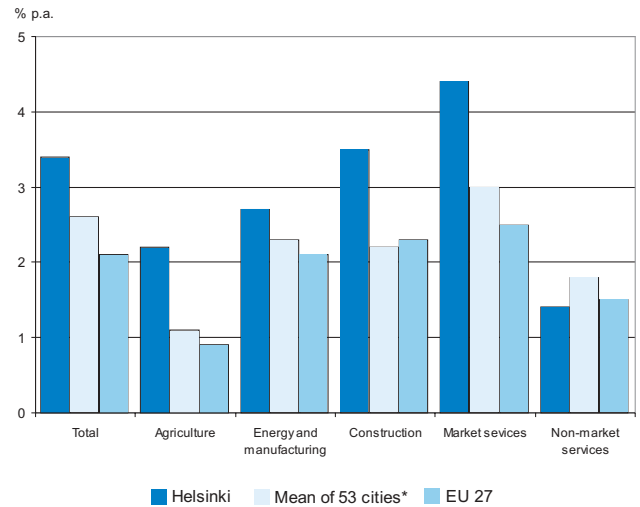
The above notwithstanding, with a widening gap between the cities and the rest of the Europe, the metropolises are expected to remain the motors of the European economy during the next few years.

Sector-specific differences in predicted GVA growth are presented in Figure 7.4. As in the case of employment, the fastest growing sector in the whole EU area is market services, and in Helsinki that growth rate is expected to be even faster. Also, construction and manufacturing are predicted to grow

**Figure 7.3: The forecast for GVA growth (% p.a.) in the metropolises (2007–2012)**



**Figure 7.4: The forecast for GVA growth (% p.a.) by sector (2007–2012)**



\* Data for Ljubljana unavailable

A large gap exists between the growth rates of GVA and of employment in the sectors of manufacturing and agriculture, in contrast to the smaller gap in other sectors. This indicates growth of productivity in the economy in all regions. Productivity is forecast to increase rapidly in manufacturing and agriculture, while in construction, market services and non-market services the increase will be slower.

in Helsinki at a relatively fast pace compared to EU countries and the other metropolises. Similar rates of growth are predicted for the GVA of manufacturing and of construction (2.1–2.3 % p.a.) both in the 53 cities and in the EU area as a whole. Agriculture and non-market services are expected to grow more slowly than other sectors in all regions of the study.

# 8. REGIONAL AND URBAN DEVELOPMENTS IN EUROPE

The recent and future trends in the economic developments of the metropolises of Europe can be summarized as follows. As a group, they grew faster than the EU countries during the period 2002-2006 with respect to production, employment and population. Consequently, the concentration of the economic activity and population in metropolises continued and the role of cities as the driving force of economic growth strengthened. However, major differences exist between the cities with respect to growth rates: these range from negative to over 10 per cent annual growth in production and employment.

Compared with the period 1996-2001, the growth rate of metropolises and that of the whole EU area were significantly slower in 2002-2006 due to the economic stagnation in the first few years of the 2000s. Also, the gap in growth rates between the metropolises and other areas narrowed.

According to the forecast for the period 2007-2012, the growth rates of population, employment and production are expected to accelerate overall. At the same time, the gap in growth rates between metropolises and other areas will widen again, although not as much as during the second half of 1990s. That said, major risks and uncertainties in the global macro-economy caused by the crisis in the international financial markets, may lead to sorts of unpredictable effects on any of the cities of Europe.

## Why do metropolises grow fast?

Collectively, the metropolises of Europe are the engine of economic growth in the EU. Cities provide benefits of agglomeration for businesses, and attract the most dynamic companies and fastest growing industries. They are concentrations of research, development and other innovation capacity necessary for high-tech manufacturing and specialist business services. Moreover, it is evident that the prominent role of the Europe metropolises in driving economic growth across the continent will continue into the future. However, metropolises do not form a homogeneous group. They per-

form differently, and it is the most diverse and dynamic centres of this group that have grown the fastest. This trend is expected to continue, as well.

Economies of scale and the benefits of agglomeration are important factors explaining the faster growth rates of big cities. Within the group of metropolises, however, the size of the population alone does not provide a clear explanation for short or middle-term differences in growth.

Unlike size of the metropolis, the structure of the economy has a crucial influence on the economic performance of a city. A rough separation can be made between the metropolises in terms of economic diversity. One group consists of economically very diverse metropolises, for instance London, Paris and Amsterdam, which have several strong globally significant clusters. These are most likely to experience stable economic growth in the long run because any economic fluctuations in the performances of individual clusters or industries normally balance each other out.

There are also cities which are dominated by their high levels of public sector administration. In most European countries, public sector activities have typically experienced slowing growth rates because of restrictions placed on public finances. Some capital cities have been hit particularly hard: Rome and Berlin for example.

At one extreme are cities highly dependent on one single cluster, very often a branch of manufacturing. In this case, the economic fortunes of such cities are strongly determined by fluctuations in that key cluster. When the key cluster grows rapidly, this city grows fast, too, but if the cluster suffers long-term structural problems, it will limit the growth opportunities of the entire metropolis for a considerable time. For example, the development of Stuttgart and of Turin are closely tied to the success of the European car industry.

Meanwhile, the rapid growth of Moscow and St. Petersburg is to a large extent fuelled by Russia's rising oil income, which is channelled into the major cities in the form of investments and increased consumption. Elsewhere, in many east-

ern European cities the low starting level of GVA per capita and the opening up of their economies explain the high growth rates.

Understandably, the economies of metropolises are closely tied into their national economies. Accordingly, national macro-economic development is a significant factor explaining differences in growth between the metropolises. Thus, a sluggish national economy is likely to lead to a slower growing metropolis. Despite that, in most cases the growth rate of a metropolis remains higher than that of its respective country. In most of the new EU countries of eastern Europe, the capital cities play a dominant role in the broader national economy. For example, Tallinn's contribution to the total GVA of Estonia is 62 % (2007), while its population share is 39 %. This indicates strongly that the economy of Tallinn and that of Estonia operate hand in hand.

## The economic map of urban Europe

The broad economic map of Europe describes a contrast between a core of rich (high GVA per capita) regions and metropolises, which are typically located in central and western areas, and the poorer regions and cities, which tend to be found on the peripheries of the continent. That separation is not totally clear cut, however, because a number of wealthy areas lie outside this core, in the northern and western fringes.

As well as being prosperous, this rich core is also the most urbanised area of Europe, with several metropolises being close to one another. Roughly speaking, the rich (GVA per capita more than 15 % above the EU average) core extends from south-east England via the central parts of The Netherlands and Belgium, western parts of Germany and Austria to Switzerland, and down to northern Italy. In addition, there is a rich belt running from The Netherlands north-eastwards to northern Germany, taking in Hamburg, and on to Denmark, Norway, and south-western Sweden. Beyond that, it reaches out to the Stockholm Region, and, finally, to south-western Finland and the Helsinki Region. Separate rich areas are Paris and the other metropolises of France, Madrid and Barcelona in Spain, Berlin in eastern Germany, Vienna in eastern Austria, parts of northern England and eastern Scotland, and Dublin together with south-east Ireland.

By contrast, the relatively poor (GVA per capita less than 75 % of the EU average) areas of Europe consist of most of the eastern European transition countries, except the regions of Prague, Bratislava and Ljubljana. In addition, large areas in eastern Germany, Greece, southern Italy, Spain and Portugal and a few regions in France and Great Britain are also poor zones in Europe.

Another striking feature of the economic map of Europe is the big gap between metropolises and the other areas with respect to income level. As noted in section 5, the average GVA per capita is 32 % higher in metropolises than overall in the EU area. However, the difference is much higher in eastern Europe and in the fringe countries of northern and western Europe than in central Europe. For example, GVA per capita in Helsinki is about 50 % higher than the Finnish national average, and that of Tallinn is 60 % higher than the Estonian average.

The economic map looks rather different when we look at the regional variations in economic growth. In the period 2002-2006 most of the regions and metropolises of eastern Europe, despite being in the poorer zones of Europe, grew significantly faster than the average of the EU area, with Moscow and St. Petersburg leading the list. In addition, many areas and most of the metropolises in the fringe countries - the Nordic countries, Ireland, Portugal, Spain and Greece - exceeded the average EU growth rate. However, the majority of regions in France, Italy and Germany grew slower than the EU average.

In the case of the capitals of eastern and central European countries, it is their pre-eminent economic position, coupled with a low starting level of GVA that largely explains the speed of their growth. Recently opened up and liberalised, these eastern European states have undergone considerable restructuring of their economies -- developments in business and trade coupled with changes to property legislation have attracted foreign investments. Moreover, in most eastern countries, domestic as well as foreign investments, including EU structural funding, have concentrated in the capital regions. This is the case also in Spain (Barcelona and Madrid), Portugal (Lisbon) and Greece (Athens), all of which have benefited greatly from EU regional funds. At the same time, in northern Europe, the Nordic capitals, notably Helsinki, Stockholm and Oslo, have expanded rapidly, not only helped

by their growth clusters, but also unhindered by major structural problems.

According to the forecasts for the years 2007-2012, this geographical pattern is expected to be similar to that of the preceding five year period (2002-2006): Moscow, St. Petersburg and eastern Europe - especially the capital regions – are expected to grow fastest and gradually shrink the income level gap between eastern and western Europe. In addition, the capital regions of the western fringe countries -- Oslo, Helsinki, Dublin, Athens and Madrid etc -- and also the diversified global service centres, for instance London and Amsterdam, are expected to be successful as well.

## The network of Baltic Sea metropolises

The eleven Baltic Sea metropolises – Helsinki, Stockholm, Copenhagen, Oslo, St. Petersburg, Tallinn, Riga, Vilnius, Warsaw, Berlin and Hamburg – are naturally linked by geographical proximity. Most of them have a strong international and national role as logistic centres. In addition, all are either national or at least regional (e.g. Hamburg and St. Petersburg) administrative centres. Beyond that, they have common interests in dealing with the environmental challenges facing the Baltic Sea. All these Baltic Sea cities interact cooperatively with at least some of the other cities in this group in respect of trade, transport, investments, migration, labour markets, and social and cultural networks. For example, Helsinki intensively networks with Stockholm, Tallinn and St. Petersburg. By the same token, however, the Baltic Sea metropolises also compete with each other: for foreign investments, for example, and in exploiting the logistic routes between Western Europe and Russia and Far East.

In spite of several similarities and a common geographical frame, the Baltic Sea cities do not form a homogeneous group within the greater network of European metropolises. In respect of economic performance, they exhibit major differences. The average income level in the Baltic capitals, St. Petersburg and Warsaw falls far behind the EU average, whereas Hamburg and the Nordic capitals are among the most prosperous cities in Europe; Berlin is also above the EU mean. Nevertheless, the Baltic capitals together with St. Petersburg and Warsaw fall into the group of fastest growing capitals with respect to GVA. Oslo, Stockholm and Helsinki

prospered, too, but Berlin, Hamburg and Copenhagen were below the EU average between 2002 and 2006. Then again, St. Petersburg and the Baltic cities lost population, while Oslo, Warsaw, Stockholm and Helsinki were among the cities experiencing most population growth from 2002 to 2006. These differences are predicted to continue during the years up to 2012.

Despite the several differences in their present economic state and future developments, the common interests of the Baltic Sea metropolises should encourage to deepening co-operation and interaction. In addition to shared environmental developments concerning the Baltic Sea, there are plans for major logistics projects, such as the Fehmarn Belt Bridge to link Copenhagen to Germany, and the proposed Helsinki-Tallinn railway tunnel, which if realised would form part of the fast-train route from central Europe to St. Petersburg. These new connections would further integrate the Baltic Sea metropolises and increase the influence of the northern Europe metropolises in Europe.

## Investments in infrastructure in European metropolises

Investments in infrastructure, housing and commercial property are an important part of the economic activity in most European metropolises. In the metropolises of this study the construction industry's share of GVA is approximately 5 %, likewise that of employment, both being similar to those in EU countries as a whole. However, in many metropolises, the broader impacts of investments in shaping the future of the cities are more significant than the size of the direct monetary contribution to economic activity. Major investment projects underpin the future competitiveness of cities and the means of responding to the challenges of congestion and climate change. Moreover, part of the role of innovative investments in city centres, in culture and in new transport systems is to create images for cities and thereby the means to market them as attractive urban places.

Many of the current infrastructure projects in European cities are concerned with improving local transport systems or regenerating urban areas. In some cases, infrastructure projects are a response to economic success and are intended to pre-

**Map 8.1: Growth forecasts for GVA of metropolises in this study (2007–2012)**



serve and enhance the city's economic advantages; in others they are part of an attempt to tackle serious economic problems. Urban regeneration programmes aim to reverse some of the consequences of the de-industrialisation that started in many cities in the 1970s, by facilitating the growth of new industries and encouraging people to live in or near city centres. Many infrastructure projects are adopted to cope with the effects of the drift away from city centres and they have several features in common. Thus, property developments concentrate on mixed-use: housing, offices, retail centres, sites for small businesses, services for residential areas. Many focus also on new facilities for education and research and on the commercial applications of research. These projects reclaim derelict industrial sites or run-down residential areas, both within the city boundaries and in the outer districts. In recent years there has been a particular focus on raising the quality of life through providing open green spaces and a range of cultural and recreational facilities.

These property developments are normally accompanied by extensions to the transport system and new roads. Independently of such new developments, many of the cities are building extensions to their metro or light rail systems, extending or re-introducing tram services and completing ring-roads. Several have recently enlarged their airports and others are planning to do so. Cities in mainland Europe are also expressing keen interest in the Europe-wide high-speed rail network; and one policy that has won favour in a number of cities is the reintegration of the river or seafront into urban life. Inner city waterfront areas have often fallen derelict as port activities have relocated to larger and deeper harbours, or conversely, have shrunk. Some infrastructure projects in European cities form part of prestige international events, such as the Olympics, or major cultural events.

The Baltic Sea metropolises present a good selection of the range of investment activity: major transport infrastructure projects are one example. In Stockholm and Copenhagen, there are several road improvement projects, viz. the construction of new motorways and upgrading and widening of existing ones. Also, an outer bypass has been planned for Stockholm. Road and rail links between Copenhagen, northern Germany and southern Sweden are set to be improved

substantially by the agreement to build a bridge over the Fehmarn straits by 2018. Riga now has a new bridge across the River Neris and a second has been proposed; and a new bridge is being built in Vilnius. The major road projects currently in progress in Vilnius are the southern and western bypasses; in Riga the construction of the Northern Transport Corridor will start within a few years. Meanwhile, in Tallinn the construction of new east-west road corridors situated to the north and south of the centre, plus several other, smaller scale improvements, are projected. In St. Petersburg, the Western Rapid Radial Road, a toll road for high-speed traffic designed to make the city port more accessible, and the Orlov Tunnel, a new traffic conduit running under the River Neva, are being built. In Helsinki, the new Vuosaari port was completed in autumn 2008 and improvements to Ring Road III, part of the E18 route to St. Petersburg, are getting underway.

Rail infrastructure projects are being planned in most of the Baltic Sea metropolises as well. In Copenhagen, the third phase of the metro system joining the city to the international airport at Kastrup was completed in 2007, and an additional metro line, Cityringen, around the city, is due to start service in 2018. Beyond that, the bridge over the Fehmarn straits will cut the train journey between Copenhagen and Hamburg from 4¼ hours to 3½ hours. In Stockholm, the construction of the new metro line, Citybanan, will start in the beginning of 2009; also, two extensions to the existing metro line are underway. In Oslo, there are plans to upgrade the metro line to Holmenkollen to cope with the visitors to the Nordic World Ski Championships in 2011. A new central rail station was opened in Warsaw in 2007, and in addition to recent extensions to the existing metro, a new line is planned. In St. Petersburg a new light-rail to the south of the city and a passenger shipping terminal on Vasilievsky Island are under construction. In Berlin, Alexanderplatz, the most important rail and metro interchange, is currently being rebuilt. Berlin and Brandenburg are to share a new international airport by 2011, whereas the historic Tempelhof Airport was closed in October 2008. To service the new airport, an express link is scheduled to start operating in 2011. In Hamburg, a new metro line, U4, is being constructed to run from the city centre to HafenCity. In Helsinki, the project to build

the western metro line to the city of Espoo has started and an eastwards extension is planned, too. Furthermore, plans for the new railway line from Helsinki to St. Petersburg are being considered; likewise, the railway tunnel to Tallinn.

In northern Germany, HafenCity is the centrepiece of plans to regenerate the inner city port area of Hamburg. This development will be a mix of residential and office space, tourism infrastructure and public space. In the former docklands, the Überseequartier, a new urban district will offer an aquarium, a terminal for marine cruises, waterfront offices, stores and apartments. In Berlin, the Leipziger Platz is being restored to the octagonal form it had in the early 18th century; apartments and office buildings are being built on the site. Other substantial residential areas in the Baltic Sea metropolises are being built in Stockholm, where most of the new housing will be located in nine designated development areas. Four of these areas are Karolinska–Norra stationsområdet, Hjorthagen/Norra Djurgården, Liljeholmen/Årstadal, and Nordvästra Kungsholmen. Apart from dwellings, the Karolinska–Norra stationsområdet development area is also to have a new centre for life sciences. The other five designated areas, in which the focus will be on developing offices as well as housing, are Kista Science City, Globen, Västra city, Älvsjö, and Hammarby sjöstad. In Vilnius, new multi-storey residential neighbourhoods of various sizes along with new infill developments are springing up everywhere inside the city and in the outer districts. In St. Petersburg, two major urban redevelopment projects are in progress. One is on the island of New Holland, where a new cultural, commercial and residential area is rising from what used to be a Soviet military base. The other is on the shores of the Gulf of Finland. Here, Chinese investment is creating a complex of commercial and residential buildings called the Baltic Pearl. In Warsaw, the Złote Tarasy project, on the site of the central rail station, has opened office and retail space, a hotel, and a parking facility; additionally, the Prosta Office Centre, near the central business district, was completed in 2007.

In Vilnius, the centrepiece of the city strategic plan is the development of a modern urban centre on the right bank of the River Neris, leaving tourist, leisure and cultural activities to the old historical town, on the left bank. The plan provides

for administrative and office buildings in the new part, along with major retail centres. In Tallinn, an important new site, Tehnopol, for high-technology companies is now functioning, and expanding, too. As well as this technology park, there is Ülemiste City, for innovative and high-tech companies and those in the creative industries. Another site oriented to high-technology is the industrial park in Lasnamägi. Elsewhere, major commercial projects have been completed or are being planned also in Berlin, Hamburg, Warsaw, Vilnius, Tallinn and St. Petersburg. In Helsinki, the old inner city port areas close to the city centre will be converted into a mix of residential, office and commercial districts.

Most of the Baltic Sea metropolises have completed or are planning a number of projects for cultural or sports activities. Thus, new stadiums are being planned for Warsaw and St. Petersburg. In Oslo, the modernisation of the historic Holmenkollen ski-jumping site is underway. Also, the new opera house was opened in spring 2008 as part of the redevelopment of the former port area. A centrepiece of the regeneration and development of the waterfront in Copenhagen was completed 2008, when the new Royal Danish Playhouse opened its doors. In HafenCity, Hamburg, a former warehouse district is being redeveloped: Kaispeicher B, the oldest warehouse (built in 1878), is being converted into a maritime museum, while Kaispeicher A will become a significant residential and cultural complex, namely the Hamburg Philharmonic Hall. This impressive edifice, with its spectacular glass construction on top, will be home to the Elbphilharmonie, and also provide a four-star hotel, conference facilities and residential apartments. In Berlin the entire museum quarter (the Museumsinsel) is being renovated, which will include linking the museums together. In Riga, three important cultural buildings are either underway or in the planning stage: the National Library, the Concert Hall and the Contemporary Art Museum. In Vilnius, the removal of offices to the right bank of the R. Neris is allowing the restoration of historic buildings in the Old Town, a UNESCO World Heritage Site, to go ahead. In the centre of Helsinki, the new Music Centre is being constructed opposite the Parliament. Moreover, a new Central Library is being planned for a site close by.

# 9. HELSINKI IN THE EUROPEAN URBAN NETWORK - A SYNTHESIS

## Helsinki – a metropolitan hub

Helsinki is the only metropolis in Finland. The population of the Helsinki Region (the functional region of 14 municipalities in 2007) is 1 303 600. There are about 734 000 jobs in the region and the value of the gross value added (GVA) is approximately 50 billion euros. Put another way, Helsinki's share of the national population is 24 %, and it has 29 % of the jobs and 36 % of GVA of Finland as a whole. Compared with the rest of the country, the economy of Helsinki is heavily based on business and financial services, trade and logistics, culture and leisure services, research and development (R&D), manufacturing of high-technology products, higher education and national level administration.

Viewed from the extensive markets of western and central Europe, Helsinki's location may look remote. This constraint, however, has effectively been eliminated by sophisticated communications technology and a modern transport infrastructure. Helsinki has become a major air traffic bridge between Europe and the Far East. In addition, a well trained labour force coupled with systematic investments in R&D and in other human capital, too, has enabled considerable specialisation in high technology export products in which the transport costs to the main market areas are not a crucial factor.

At the same time, Helsinki is optimally located both from the point of view of Finnish national markets and the markets of north-west Russia, Poland and the Baltic states. The city is also an international network node for the rest of Finland. Moreover, Helsinki-based companies have succeeded in extending their market bases beyond Finland and out to the Baltic States and St. Petersburg. Simultaneously, as the role of the information technology sector as the growth engine has diminished in Helsinki, other sectors, such as construction, logistics, trade and business services, have grown to meet expanding domestic demand.

## Helsinki's specialisations

Among the metropolises of Europe, Helsinki stands out as a modern and dynamic city. However, its economy shares many of the features found in other cities in the study. Thus, the service sector predominates, as is the case in most other metropolises. Also, the share of the economy occupied by the public sector is close to the average of all the metropolises together. The same applies to the economies of the other Nordic capitals. However, in the market services sector, Helsinki specialises predominantly in transport and communications.

The share occupied by manufacturing is slightly lower than the average of the 54 metropolises, and clearly lower than the national figure, and that of the European countries as a whole. Helsinki specialises particularly in the manufacturing of electronics and of machinery; and printing is a major industry, too. With the exception of food processing, the percentage taken up by traditional heavy manufacturing is marginal. Helsinki is a productive and prosperous city. GVA per capita in Helsinki is approximately 50 % higher than the national average; it is the 11th wealthiest metropolis in Europe, too, according to this study.

## Future prospects for Helsinki

Helsinki grew rapidly between 1995 and 2000, indeed Helsinki was among the fastest growing cities in Europe in terms of population, employment and GVA growth. After the boom in the 1990s, growth slowed markedly during the years 2001 to 2003. Consequently, Helsinki's rank in economic growth dropped in the period 2002-2006 - though it did remain in the upper half of the 54 metropolises in all respects. From 2004 onwards, GVA in Helsinki has grown reasonably fast again. Moreover, employment and population trends have followed that growth in production, albeit with a lag.

Looking forward to 2012, the growth rates of GVA, employment and population are expected to remain fairly high: GVA is expected to grow 3.5 % p.a. and employment 1.4 % p.a., according to the forecasts in this study. In spite of the fact that this growth rate is much lower than in the second half of the 1990s, Helsinki will remain among the fastest growing cities with respect to all key variables. Still, it must be noted that the figures for growth of GVA and employment for even the fastest growing northern and western European cities are forecast to remain far behind those of St. Petersburg, Moscow and the capitals of the new EU countries of eastern Europe.

The relatively optimistic economic prospects for Helsinki stem from several factors. For a start, despite several risks and uncertainties, Helsinki's information and communication technology (ICT) sector is expected to remain competitive and well-placed in the global markets and will thus be able to take its share of the worldwide growth in demand. Second, the expansion of the private service sector is predicted to continue, maintained by steady domestic consumption. Infrastructure investments, such as the new transport projects – the western metro line, the Ring Rail Line to the airport, and the improvement of Ring Road III – will impact favourably on the economy, too. Additionally, in spite of many uncertainties, economic growth in Russia is expected to expand, in turn generating demand in manufacturing, trade, transport and business services in Helsinki, which will continue to act as a logistic hub between western Europe and Russia. Farther afield, demand from China and other Far East countries will further advance the ICT and machinery sectors. On the other hand, the expected slowdown of the economy in the USA and large EU countries will probably increase uncertainty in Helsinki, too.

## Helsinki's challenges and solutions

While the mid-term prospects for Helsinki are reasonably optimistic, the city faces several challenges if it wants to remain a competitive location for firms and, at the same time, provide adequate welfare for its citizens in the longer term.

Helsinki needs to diversify its economic base by developing new, robust industrial clusters to complement its modern ICT cluster, and its more traditional industries. Such a broadening

of scope would greatly diminish the risks associated with the considerable volatility of the global ICT business. Beyond that, Helsinki should become more innovative in order to attract not only new industries but also more domestic and foreign investments. The Helsinki business environment strategy recognises this, and is working to support the pre-conditions required to promote particularly knowledge-intensive business services (KIBS), the creative industries – architecture, design, art, publishing etc. – and tourism.

The ageing of the population presents a challenge to welfare service provision in Helsinki. An example of a new approach to ageing is “The Healthy Neighbourhood” project, led by the City of Helsinki Health Centre and Forum Virium Helsinki. As the website states: it is a “wide-reaching Living Lab project exploring comprehensive solutions for health care challenges.” In practice, the project uses technological solutions to encourage individuals to take greater responsibility for their own health, which is particularly important for older citizens.

It has long been accepted that the ageing population will soon start impacting on labour supply, too. Without an inward migration surplus the number of people of working age will start to decline within a few years. To counter this, a permanent inflow of working age immigrants is required to keep the labour markets of Helsinki functioning. It is evident that an increasing proportion of the migrants will come from abroad in the future, with the result that the share of population of foreign origin will gradually approach that of other European metropolises. With this in mind, obstacles hindering the integration of immigrants into society must be removed, for example by easing the entry of foreign graduates into Helsinki's labour markets. In Helsinki – as in all metropolises – migrants make an essential contribution to the urban patchwork and innovative potential, and the Helsinki Region should take full advantage of this to make it a successful multi-cultural metropolis.

Additional to inward migration, other means exist to raise the supply of labour. This is being realised by slowing down the rate of early retirement, and simultaneously encouraging people over 55 years to stay on in their jobs. In fact, the rising demand for labour together with a new, flexible and individual pension system has already encouraged workers to continue working. As a result, the number of people at the upper end of the working age has been rising significantly

since 2005. This, together with the increased foreign migration and improved job opportunities for citizens of foreign origin, has kept the labour markets functioning in recent years, and significantly better than expected.

A well-educated population and the considerable investments in R&D both by the private and the public sector are among the evident strengths of Helsinki. They form the basis for knowledge economics, which is one key to the city's dynamism. However, this innovativeness should be further fostered by more life-long learning programmes and by supporting people at all educational levels to develop their skills.

To attract new migrants to the region, Helsinki needs to offer more choice in its regional housing markets. As a result of the rather standardised industrial concrete construction of 1960s, 1970s and 1980s, Helsinki's housing stock remains dominated by blocks of flats. Moreover, the majority of individual dwellings is rather small, which results in households having less floor space per capita in Helsinki than in most other European metropolises. However, house-building has been active and supply has increased rapidly during the last five decades, which should go some way to attracting talented people to the broad range of employment opportunities in Helsinki. But a greater variety of housing is needed, too. This has been recognised by the municipalities of the region and in 2007 a new housing and land-use programme covering the entire Helsinki Region was accepted by the 14 municipalities. This was also agreed and supported by the Finnish government.

Looking ahead to the end of the first decade of this millennium, Helsinki has an exceptional opportunity to use its city planning instruments to boost its dynamism and innovation. The new Vuosaari port will release the large, old, inner city port areas for redevelopment as a mix of residential and business land use. The new port will also free up extensive tracts of land in Pasila, in the northern inner city, which are currently used for transporting goods to and from the existing inner city harbours. This development offers an opportunity to plan and develop new, modern and attractive residential and business areas close to the heart of the city. At the same

time, other cities of the metropolitan area are planning new residential areas in the vicinities of Ring Road II, the western metro line in the city of Espoo, and those of the planned Ring Rail Line to Helsinki-Vantaa Airport, in the city of Vantaa.

It is generally accepted that metropolitan-scale urban planning is the way forward for the Helsinki Region. This is highlighted by the example of the open competition for the future spatial vision of Greater Helsinki. The competition, open to architects and planners worldwide, was organized and financed by the municipalities of the Helsinki Region in conjunction with the State of Finland (Ministry of Environment). The purpose of the competition was to find innovative ideas for future land-use planning and to develop sustainable strategies and practicable solutions for strengthening the status and competitiveness of Greater Helsinki as an attractive region in which to live and conduct business. The winner of the competition – announced in December 2007 – is an entry entitled Emerald.

Emerald proposes a range of innovative and environmentally sensitive solutions to achieve the goals described in the competition. Broadly speaking, it envisages development by way of targeting two areas for urban construction: supplementing existing community structures, and establishing a number of completely new areas, both in the urban core of the metropolitan area and in the satellite municipalities that border it. By applying this two-pronged approach a balance is created across the entire region between the existing fabric and new developments. The network of rail connections determines the choice of focal points for growth, with the densest population clusters forming around railway stations. Emerald takes into account the quality of life and environment from the perspectives of all residents. Moreover, the structure of the urban services is considered from new, innovative, and ecological bases. At the same time, residents are encouraged to choose more ecologically viable lifestyles through a variety of inducements. Thus, the underlying principles of Emerald, if they are realised, will guide the development and growth of the Helsinki Region into the future on a sustainable basis.

## SOURCES

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The western and central parts of Europe are among the most urbanized zones in the world, and the big cities – i.e. the metropolises – are powerful driving forces behind Europe's economic growth. Large cities offer benefits of agglomeration to business and commerce, attracting the most dynamic companies and fastest growing industries to gather within their domains.

Compared with other European metropolises the Helsinki Region is not among the biggest, but it is a modern and dynamic city, with extensive networks at home and abroad. The Helsinki Region has the largest population concentration in Finland and it is the primary economic centre. It grew rapidly during the second half of the 1990s, but this expansion slowed in the first three years of this millennium. During the last few years, however, growth has picked up again, and it is predicted that Helsinki will remain among the group of steadily growing cities in Europe during the coming years.

This publication presents a comparative overview of the economies of 54 European metropolises, and, particularly, how Helsinki and the other Baltic Sea cities compare with other European metropolises with respect to size, economic structure and economic performance.

# EUROPEAN METROPOLISES

THE BALTIC SEA CITIES IN THE EUROPEAN CONTEXT



City of Helsinki  
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