

Leadership Breakfast Meeting – Thursday 5th May 2016

Guest Speaker – Doug McWilliams

Key themes

London's changing economy – will it be affected by Brexit?

The Flat White Economy

The 'Flat White Economy' is named after the coffee popular with young workers - of media, internet, technology and other creative businesses that have developed into an enterprise culture creating a new wave of opportunities for Britain's economy, with London as its hub. It contributes more to the UK's GDP than the city.

There are 3 ingredients to the Flat White Economy: Technology, demand and skills. Without technology there wouldn't be the business demand that underpins the companies that have started up. The UK has been very quick in taking up new technologies. **Immigration into London has bought some of the best and brightest talent over to the UK in the construction industry.** However it comes at a cost – accommodation in particular in London is very expensive, we are now seeing a shift in living patterns for young professionals. Our current skilled generation tend to house share / room share. Possessions are much less fashionable than they once were, a lot of emphasis is now placed on new technologies and fitting one's belongings into a backpack in order to mitigate the costs of living in London. The influx of young people from all around the world and especially Europe has led to a creative economy. We need input from people in different backgrounds to generate and drive new ideas, whilst this is good for London and provides a very skilled supply of young workers it may be harder in the job market due to competitiveness.

Some may say that the Impact of immigration on the economy is bad as it depresses wages but if we are growing and getting bigger the level of wages will also increase as more people create more jobs. Ultimately boosting profitability that allows the economy to grow.

Brexit

It matters less economically than people would imagine. Forecasts are unreliable and some worse. Doug expressed himself as being neither in favour of nor against leaving the EU and one's decision shouldn't be based on macroeconomics. The decision to leave would have short – medium term impact with uncertainty causing delays or concerns and slowing down investment in this country. In the long term it is thought that the former is likely to smooth out.

- Further 2 years GDP with next year being negative, however 10 years ahead assuming we are still in the single market, we will have to accept EU's rules on immigration
- There are still rules being in a single market, similar to that of the EU so we wouldn't notice that much difference.
- The British pound has already gone down and if we leave will be further de valued with continued uncertainty until a deal is done. This may take more than 2 years.
- Inward investment has already slowed

Construction

The Flat White economy has replaced the city of the main source of London's growth and because the sectors are labour intensive it is driving both labour and residential construction. The latest view is that rents are expensive, the London price bubble has pricked and seen an increase in sales. Whilst the decline at the top end of the market is still apparent, pushing rent up by reducing supply making people and the treasury poorer – everyone affected in a way.

We need to place more emphasis on developing the economy by building roads etc this has been a very popular method in the past but the flat white requires the construction industry to build more with cultural activities in mind such as cool offices/ play areas/ broad band and other modern and high tech elements. The build needs to be both in and outside London.

Discussion that followed:

- > Brexit – Depth of analysis so limited making it impossible to have an informed view. We are just listening to rhetoric when in reality things will probably be much different.
- > Don't use economics to decide your view – we are looking at immigration and the EU market.
- > Is the economy and lack of investment in London leading to a lack of growth? And to what degree is a lack of infrastructure also having on growth?
- > London is overcrowded and with a shortage of housing and transport growth will be slow.
- > HS2/ Crossrail –Will become interesting in next couple of years.
- > Many large contractors do a lot of PFI's, will the UK's economy stand up without the next generation of PFI?
- > If we vote to leave, in foreign opinion we are not part of the deal anymore.
- > If Britain leaves the EU how will it affect our relationship with the rest of the world? For example Obama and other major leaders are urging us to stay, stating Britain would be at the back of the queue. This seems to have angered people more than it has swayed them as a sense of patriotism takes over. Various political leaders have their own interests in mind when it comes to Britain staying in the EU.
- > We are a very open country that focuses on honesty, integrity and freedom. Any defensive move goes against that. This style has a positive impact on Europe
- > A lot of people think if we are not in we won't get as much but there are still other factors to focus on, therefore wouldn't be that different.
- > London has infrastructure which is pretty antiquated and needs investment to get to where it needs to be. We need more investment in infrastructure and on the roads.
- > Spanish – Any concerns on Brexit? Neither for nor against but points were raised on skilled workers from overseas who bring innovation, creativity and difference.
- > We will either do well or go bust! People may stop investing for a while but within 2 years minimum everything will be sorted. We still have many laws and rules to adhere to. We can't change everything, there will still be laws on science, economy, logic, physics etc
- > Where do you see flat white going?
- > We are still in the early stages of digital age and technologies with bio tech yet to come in properly.
- > The rationale behind whether we are going to leave or stay seems to come down to the idea of national identity for some, people are concerned but they don't know why? A lot of people are deciding on a personal level. No indicative trend for positive or negative, the 2/5 year impact seems to be the most important thing, some companies are already working on or have signed deals if things were to change.
- > Immigration and talent – large proportion of the workforce are Europeans, what would their status be in the long term?
- > It was also stated that many companies future recruitment of graduates from outside the UK would be immediately put in doubt should Britain vote to leave the EU.
- > Other points raised focused on the impact Brexit would have on engineering standards and our relationship with world political leaders.
- > Big construction companies around the world want the UK to remain in the EU as construction sectors will be hit with uncertainty.