Birmingham Economic Review 2023

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Greater Birmingham Chambers of Commerce

BIRMINGHAM ECONOMIC REVIEW 2023

SUMMARY

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Supporting inclusive economic growth in the West Midlands and across the UK

FOREWORD

The annual Birmingham Economic Review is produced by the City Region Economic and Development Institute (City-REDI) at the University of Birmingham and the Greater Birmingham Chambers of Commerce. It is an in-depth exploration of the economy of the United Kingdom's second city and a high-quality resource for informing research, policy and investment decisions. What follows is a summary version of the full Birmingham Economic Review 2023. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website. Data and commentary were correct at the time of publishing (October 2023).

HENRIETTA BREALEY

Chief Executive,
Greater Birmingham
Chambers of Commerce

"First the positives. Our report shows Birmingham and the West Midlands attracting record levels of foreign direct investment and visitor numbers, with a transformed city centre and extensive regeneration under way. It is both home to longstanding anchor institutions and attracting new investment from leading businesses, including the BBC, Arup and Goldman Sachs. It boasts a young and diverse population and a world-class Higher Education sector, and is one of the best-connected places in the country in terms of transport links.

Businesses remain optimistic... A deeper devolution deal for the West Midlands Combined Authority has provided more regional leadership and control in key areas, enabling interventions tailored to the needs of the region.

This is all against a backdrop of significant economic uncertainty as rising inflation, interest rates, labour costs and more squeeze businesses. ...Add to these pressures an increasingly inconsistent policy environment in the UK, global risks, rapidly emerging advances in technology and looming elections in 2024 and we have a very challenging environment for businesses to be able to plan for, and invest in, growth.

...Despite all this, the fundamentals that make Birmingham a great place to invest and do business remain compelling. At the Chambers, we remain committed to connecting, supporting and growing businesses across the region, helping them to grasp the opportunities on the horizon, navigate the challenges and make the city-region the best possible place to start, grow, move and invest in a business."

REBECCA RILEY

Associate Professor,
City-REDI,
University of Birmingham

"The UK economy continues to experience a series of economic shocks. This year the Ukraine situation has continued sending shocks through supply chains, adding to the worsening cost of living crisis, and ongoing uncertainties around interest rates, debt, and the strength of our currency. The West Midlands region has been hit harder than most by the effects of these shocks, due to the sectoral mix and exposure to the cost impacts and the underlying health of the population.

GBSLEP GVA declined by 11.8% in 2020 and recovery has been slower in the wider West Midlands than in other UK regions, as the region has struggled to recover. However, the Business, Professional and Financial Services Sector the City's largest sector and responsible for growth before the pandemic, adapted well and is rebounding, only shrinking by 1.1% between 2019 and 2021. Construction, the second sector that drove growth in the run up to the pandemic, has also rebounded well growing by 4.8% (2019-2021), in part due to pent up demand in the housing market. In terms of future opportunities, the low carbon sector has seen the largest economic growth, growing by 19.9%. The digital and creative innovation forced through the pandemic also meant the sector grew by 10.3% in the region.

... In this report we look in depth at the continuing economic and social impacts of these shocks and present data on the recovery of businesses and households. We also highlight that there are significant growth opportunities in the region, many of which would also improve inclusivity. Future growth, which is sustainable and inclusive, depends on our ability to seize opportunities, through innovation, collaboration and investment in the assets and skills base of the region."

2023: A YEAR OF RESILIENCE

ECONOMIC TURBULENCE CONTINUES TO CHALLENGE INDIVIDUALS AND BUSINESSES:

- Pressure to raise prices: in Q2 2023 45% of Greater Birmingham businesses expected their prices to rise over the next 3 months, however 53% expected prices to stabilise – marking the first time since Q3 2021 that more firms expected prices to remain the same than to increase.
- The cost of living crisis continues: the Organisation for Economic Co-operation and Development expects UK inflation to average 7.2% in 2023, driven largely by increases in the costs of energy and food. This is the highest rate in the G7 and third highest in the G20.
- The Bank of England raised interest rates 14 consecutive times between December 2021 and August 2023 in efforts to curb spending and bring inflation down to its 2% target, severely impacting mortgages and rental prices. At the time of writing interest rates have now stabilised at 5.25%. The Bank warns that rates will remain high for at least 2 years.
- Businesses remain confident: in Q2 2023, 65% of Greater Birmingham firms anticipated an increase in their turnover in the following 12 months and 58% expected an increase in profitability over the next year.

POPULATION: A YOUNG AND DIVERSE CITY

- Young and Diverse: More than 1 in 5 Birmingham residents are aged 0-15, and almost 1 in 3 are members of an ethic minority.
- Skill attainment remains below average: 10.9% of economically active people aged 16 and over in Greater Birmingham have no qualifications, compared to 8.9% across England. The city-region also has a shortfall in residents with NVQ Level 4+ qualifications - 38.7%, compared to 42.0% nationally. However, compared to pre-pandemic qualification rates from NVQ Level 1 to 4+ have improved in the city-region.
- A rise in economic inactivity contributes to tight labour markets: Economic inactivity in the city-region rose from 2020 to a peak of 29.2% in 2022. Looking after a family/home accounted for 0.9% more cases in Greater Birmingham in 2022 compared to 2021, likely due to an estimated 16% increase in childcare costs nationally.
- High levels of deprivation: Birmingham is ranked as the 7th most deprived local authority in England and this remains unchanged since 2015.

CONNECTING THE CITY WITH NEW OPPORTUNITIES

- High Speed 2: Construction of Europe's largest infrastructure project is well underway, with £23bn already contracted into the supply chain and c.350 active sites between the West Midlands and London, supporting almost 30,000 jobs.

- Investment in sustainable transport: the West Midlands Combined Authority (WMCA) and Transport for West Midlands (TFWM) have won £1.05bn from the City Region Sustainable Transport Settlement and are in the process of making improvements to active and sustainable transport infrastructure across the region.

- Deeper Devolution: The WMCA has negotiated a Deeper Devolution deal which will offer wide ranging new powers and an expected budget windfall of in excess of £1.5bn to level-up the region.

- Innovation in the business support landscape: 'Business Growth West Midlands' and a new, West Midlands Innovation Accelerator programme have been launched to support business scale up and growth in the region.

- Largest share of FDI of all UK regions outside London: the West Midlands recorded 181 FDI projects in 2022/23, an increase of 171% since 2021/22, with overseas investors creating 8,252 jobs - a 48% increase compared to 2021/22. The Birmingham 2022 Commonwealth Games Business and Tourism Programme played a key role in this.

- Record visitor numbers: in the year of the Games, 141.2m visitors came to the West Midlands - a 38% increase since 2021, and a 5% increase compared to 2019. Spending by visitors rose to £14.1bn, a 39% increase since 2021 and a 7% increase compared to 2019.

ECONOMY: CRISES AND RESILIENCE

The city region has been heavily impacted by the economic shocks of Brexit, the Covid-19 pandemic and inflationary pressures driven in large part by the ongoing war in Ukraine. The wider West Midlands has been more exposed to some of these shocks than other regions. The large export and import dependency of its large manufacturing base has suffered increased barriers to trade and, consequently, higher input costs, while already-high levels of inequality have been widened by global and national factors and subsequent policy decisions.

Whilst there is currently still a great deal of economic risk at the global, national and regional level, building resilience in the region will remain a key goal for the success of the region and its capabilities to maximise opportunities on the horizon.

MACROECONOMIC CONTEXT

- During the pandemic, in 2020, UK Gross Domestic Product (GDP) shrank by 11%, comparative to the previous year. The economy then did bounce back, growing year on year by 8.5% in 2021 and 4.1% in 2022. UK GDP Growth slowed in 2022 largely due to inflationary pressures and worsening national and global outlooks, which have dampened growth internationally.
- The International Monetary Fund (IMF) is forecasting that the UK economy will shrink by 0.3%This is down on October 2022 projections by the IMF, which forecast the economy would grow by 0.3% this year.
- Comparable countries have seen their economies return much quicker to their 2019 pre-pandemic levels than the UK, and the UK will see the largest contraction of any G7 economy in 2023. On average across the advanced economies GDP is expected to grow 1.3%, with the US seeing the largest growth at 1.6%, closely followed by Canada at 1.5%.
- In 2024, the UK economy is expected to grow by 1.0%, though this is down on last year's forecast by the IMF which was 1.5%. The forecast is much closer to the average expected growth for advanced economies comparative to 2023, with advanced economies expected to grow 1.4%. These forecasts should be taken with caution, due to ongoing uncertainty.

THE REGIONAL ECONOMY

The latest available figures from the ONS show that Greater Birmingham has contributed an estimated £51.7bn in gross value added (GVA) to the national economy in 2021, accounting for 3.1% of England's total GVA.

The city-region's economy was hit hard in 2020, suffering an 11.8% decline from the previous year, as challenges and restrictions brought by the pandemic significantly impacted economic activity. This was a greater contraction than the total contraction seen by England (10.6%).

Greater Birmingham was the third most impacted economy in 2020 compared to the 8 core city regions, shrinking by 11.8%, and had the lowest growth between 2020-21, struggling to recover as economies began to reopen.

SECTOR PERFORMANCE

The composition of the Greater Birmingham economy dramatically changed in 2020, as economic shocks led to substantial reductions in economic output. Figures are based on the most recent available regional data from ONS.

- Business, Professional and Financial Services remained the city-region's largest sector by some margin as measured by GVA. Between 2019 and 2020 this sector shrank by 2.2%. Overall, however, it only reduced by 1.1% between 2019 and 2021. That said, it should be noted that between 2019 and 2021 the sector did grow across the UK, by 0.2%.
- Advanced Manufacturing remained the second largest sector in Greater Birmingham. Whilst it shrank by a far greater 11.2% between 2019 and 2020, it recovered strongly between 2020 and 2021, growing by 13.6%. Consequently, the sector grew by a net 0.9% between 2019 and 2021. That said, the sector across the UK grew by 9.99% over the same period, recovering significantly faster from the pandemic.
- The Public Sector, the third largest sector in the city-region in 2021, saw a 11.7% drop in GVA between 2019 and 2020. It then grew by just 6.6% between 2020 and 2021. Overall, the sector declined by 5.8% between 2019 and 2021, resulting in it being a total £373m smaller by GVA by 2021.
- Retail was, unsurprisingly, significantly impacted by pandemic restrictions, shrinking by 20.3% between 2019 and 2020. As economies began to reopen, between 2020 and 2021 the sector grew by 3.3%, thus the retail sector in Greater Brimingham shrank 17.6% between 2019 and 2021 - the third largest shrinkage seen by any sector.
- Construction is one of just 4 sectors which have grown rather than contracted between 2019 and 2021, by a net 4.8%; after initially contracting between 2019 and 2020 by 6.3%, the sector then grew 11.9% between 2020 and 2021. The strong recovery of the sector is believed to be largely due to pent up demand, the end of the first phase of help to buy, and the government's stamp duty holiday. Private housing has largely driven recovery in this sector with commercial and public construction being much slower to recover, due to changes in working and shopping habits following the pandemic.
- Life Sciences and Healthcare was the second most severely impacted sector in Greater Birmingham as a result of the pandemic, shrinking 27.3% between 2019 and 2020. Within this sector the University of Warwick found that care homes saw a 50% reduction in the number of care staff, reducing capacity and hindering recovery. Labour shortages and retention issues have also posed significant challenges across other segments of the sector, including childcare, dentistry, and at-home carers. The sector did recover somewhat between 2020 and 2021, with a growth of 18.7%, however, overall, life sciences and healthcare saw a 13.7% reduction in GVA between 2019 and 2021.
- The Digital and Creative sector in the city-region was the only sector to grow both between both 2019 and 2020 and 2020 and 2021. In 2020, the sector grew 5.5% from the year before, and in 2021 it grew again by 4.6%, resulting in an overall growth of 10.3% between 2019 and 2021. This is largely due to pandemic restrictions causing a surge in demand for productivity-enhancing technologies to enable employees to work from home, including cloud, data analytics and cyber security technologies, boosting the digital sector.

- The Cultural Economy in Greater Birmingham was by far the sector most impacted by the pandemic, shrinking 46.3% between 2019 and 2020. This is unsurprising as restrictions on gatherings and social distancing measures very much restricted the capacity and therefore, output of the sector. The sector did make significant recovery between 2020 and 2021, growing 37.9%, however in 2021 it remained 25.9% smaller than before the pandemic. The sector has struggled to recover as attendance has not returned to pre-pandemic levels, partly due to changing preferences and partly as the cost of living crisis is dampening discretionary consumer spending.

- Transport and Logistics was the third hardest hit sector during the pandemic, shrinking by 25.6% between 2019 and 2020, and growing by just 6.0% between 2020 and 2021. Thus, between 2019 and 2021 the sector shrank by 21.2%. The Charted Institute of Logistics and Transport attributed this to the wider economic downturn and a fall in exports to Europe (in part a result of Brexit).

- The Low Carbon and Environmental sector was the smallest sector in Greater Birmingham in 2021 and the sector which saw the largest growth from 2019-2021, at 19.9%. After a 7.0% decline between 2019 and 2020, it grew by 28.9% between 2020 and 2021. This matches UK trends, with the sector one of the fastest growing across the country in 2021. ONS data demonstrates that the largest growth seen in this sector (across the UK) in 2021 was in energy efficient products.

DR JOSH AHMED

Managing Director and
Engineering Consultant,
Eccleston & Hart Ltd

"Alongside other industries, the UK Expanded Polystyrene (EPS) market has been one of the hardest hit by COVID-19 and subdued by the effects of the UK leaving the European Union. This was followed by a period of volatility in raw material (styrene) prices. However... Increased demand from the packaging, construction and insulation sector is expected to drive market growth in the medium term.

"... On the back of this recovery and a better outlook in the EPS domestic market, Eccleston and Hart Ltd, a manufacturer and converter of expanded polystyrene blocks, based in Birmingham, is enjoying buoyant trading conditions in 2023. This is set to continue in the last quarter of 2023 and 2024. The company is also driving innovation in the area of the EPS Circular Economy, by engineering EPS blocks with 30% recycled and 70% virgin material."

NAHEEM ARIF

Director,
United Carpets

"Despite the ongoing crisis, businesses on the High Street remain the heart and soul of many communities and they play a key role in the community morale. Seeing the Christmas lights up contribute to the celebration of the holiday season and leads to money being spent locally. When you spend locally, the money stays in the local economy, instead of going out of the city.

In the bigger cities, town centre shops need to be more accessible for the public, some suffering from roadworks, complicated 1-way systems and reduced parking. ... Whilst the challenges of climate change are a real concern, if our city centres continue to be difficult to access, shoppers will continue to be drawn to out of town locations, where there is free and easy parking to reduce the friction of the shopping experience."

ANDREW GOODACRE

CEO of British
Independent Retailers
Association

"As consumer spending dwindles and confidence plummets to record lows, independent retailers find themselves navigating a tumultuous economic landscape.

... Amidst the turbulence, independent retailers who stand out in terms of value and quality remain sought-after by consumers. The middle ground is proving to be a challenging territory, prompting businesses to focus on creating unique propositions that resonate with customers."

RAJ KANDOLA

Director of
External Affairs,
Greater Birmingham
Chambers of Commerce

"It's interesting to see that the Low Carbon and Environmental Sector grew by 28.9% between 2020 to 2021 making it the one sector that saw the most growth pre and post pandemic.

It's also a sector that figures heavily in the West Midlands Combined Authority Plan for Growth which outlines a strategy to accelerate growth to become the fastest growing region outside of London by the end of the decade which will require an additional £3.9bn of output above baseline forecasts in that same period.

Ultimately, if we are to raise GVA levels then we need to maximise every lever available to make the WMCA's vision a reality. Clearly we need to capitalize on the opportunities that the Birmingham Commonwealth Games brought to the region by driving further Foreign Direct Investment into the city but also supporting those businesses that are keen to expand their overseas reach. According to the ONS, UK businesses which declare international trade in goods are around 70% more productive on average than those firms that focus purely on domestic markets."

PRODUCTIVITY

The value of tracking GVA in its current guise as a measure of productivity has been debated over the last few years, given that it doesn't recognise factors such as skills, environmental impact or personal well-being. However, it offers a base to track the performance of the West Midlands and compare it to our regional counterparts.

The latest available data from ONS indicates that in 2021, workers across the Greater Birmingham area produced on average £33.98 of GVA per hour worked. Comparatively, across the UK GVA per hour worked averaged £38.33 and in London GVA per hour worked was £51.08 per hour. The disparity in the gap between the GVA worked per hour in London and the rest of the UK, including the Greater Birmingham region, highlights the need for levelling up and closing the productivity gap.

Prior to the pandemic, Greater Birmingham had the second highest GVA per hour worked of any core city region (after Bristol), however in 2020 Greater Manchester outperformed Greater Birmingham for second place and 2021 figures place the city-region fourth after Bristol (£36.40), Greater Manchester (£34.25) and Nottingham (£34.04). This suggests that not only was Greater Birmingham more heavily impacted by the pandemic but it has also struggled to recover comparative to other core city regions.

BUSINESS ACTIVITY

Total business activity in the West Midlands region recovered throughout 2021 and 2022, following the dramatic decline during the pandemic. In July the NatWest business activity index for the region fell from 52.6 to 51.3. Whilst the UK saw similar growth overall, the West Midlands was one of only six regions which saw growth in output, even if it was at a declining rate. This latest reading signalled a sixth consecutive rise in output for the region, but this is also its weakest growth in the index over the 6 months. NatWest largely attributed growth in this month to the launch of new products and services, in partnership with demand resilience. Though the expansion was dampened by signs of economic slowdown, client destocking and unfavourable weather. Positively, West Midlands businesses were the most optimistic on the future business index of any region.

CONSUMER SPENDING

The ONS report that consumer spending in Q1 of 2023 is 2.3% below pre-pandemic levels (Q1 2019), following adjustments for inflation. Consumers are spending less than they had before the pandemic, though the reduction in spending has been decreasing in recent quarters.

By sector the greatest fall in consumer spending between Q1 2019 and Q1 2023 has been in transport (17.5%), followed by health (14.0%) and net tourism (11.1%). Whilst spending in most areas has decreased, some areas have seen an increase compared to pre-pandemic levels. The industries which have seen the largest increase in consumer spending include communication (13.4%), education (10.5%) and restaurants and hotels (5.8%).

Deloitte's consumer confidence tracker has found that consumer confidence remains poor comparative to pre-pandemic levels, though confidence has increased in the last three quarters to Q2 2023, largely increasing due to the rate of inflation coming down. Additionally, consumers feel more confident about their levels of disposable income following wage increases since April. However, many consumers are still reducing spending on clothing (35%), going out and leisure activities (34%) and the amount of food they purchase (29%).

INTERNATIONAL TRADE

Following falls in regional trade in the second quarter of 2020, goods exports have recovered. Goods exports for the West Midlands region are now above pre-pandemic levels, having reached £8.6bn in Q1 2023 comparative to £7.4bn in Q1 2020, a 15.7% increase. Excluding London and the South East, the West Midlands exports the largest value of goods of any region in England, accounting for 13% of total England exports.

Imports recovered quicker, increasing by 34.7% over the same period, from £8.1bn to £10.9bn. This has worsened the balance of trade for the region, with the negative balance of trade increasing by 237% since Q1 2020.

Exports in goods to Latin America and the Caribbean have seen the largest increase between Q1 2020 and Q1 2023 (58.5%), closely followed by Asia and Oceania (57.6%), then the Middle East and North Africa (54.1%). Exports to Eastern Europe decreased over this period by 37.4%, which could be anticipated given the invasion of the Ukraine and subsequent embargos on trade with Russia. The only other region where exports in goods has not recovered to pre-pandemic levels is North America, reducing 10% between Q1 2020 and Q1 2023.

Exports to the European Union increased over this period by 17%. It is difficult to decipher the impact of Brexit, due to the external shocks of the pandemic and invasion of the Ukraine. In 2022 the Greater Birmingham, Coventry and Warwickshire and Black Country Chambers of Commerce surveyed businesses in the West Midlands Combined Authority area about the ongoing impact of Brexit. Just over 30% of businesses said they found it more difficult to export goods to the EU as a result of Brexit. The most common issue encountered by businesses was increased costs, followed by supply chain issues and border delays. Micro, small and medium businesses were more acutely impacted by such issues than larger businesses.

MANDY HAQUE

International Director,
Greater Birmingham
Chambers of Commerce

"The global supply chain is still in a vulnerable position; the soaring costs of shipping and demand on transportation is causing businesses to review their processes as well as making changes due to the continuing cost of living increases. We still feel the impact of the geo-political issues as well as the various natural disasters across the globe that inevitably affect the ability to trade. International trade certainly has it challenges, but also its opportunities. ... The year has been a reflective, challenging but exciting year in many respects for international trade and overseas engagement and whatever the situation, know that the Chamber can support your business to navigate the trade challenges and opportunities ahead."

FOREIGN DIRECT INVESTMENT

The Department for Business and Trade has reported that the West Midlands was the UK's top regional location for attracting Foreign Direct Investment (FDI) outside London and recorded the highest annual growth rate of all UK regions in 2022/23. 181 FDI projects landed in the region during the financial year – more projects than Scotland and Wales combined and overtaking the South East for the first time. This represents over 10% of the UK's total FDI wins (1,654) – the largest share of all UK regions outside of the capital. With 8,252 jobs created by overseas investors during the same period – a 48% increase compared to 2021/22 – the West Midlands also bucked the national trend of a decline in FDI-related jobs. Much of this success will be as a result of the Birmingham 2022 Commonwealth Games and the associated Business and Tourism Programme delivered by the West Midlands Growth Company.

ECONOMIC RISKS

There are several global, national and regional economic risks, shocks and uncertainties that the city region continues to face.

- Natural disasters and extreme weather: continued and increasing extreme weather events and natural disasters could significantly disrupt global economies and supply chains. Over the last year millions of acres of agricultural land has been lost to weather related disasters. This will significantly disrupt the food and drink production industry, as it reduces the supply of raw food goods available on the market. The damage of infrastructure could also lead to significant disruption as it restricts the movement of goods, increasing input costs and driving food insecurity. Continued extreme weather events could also lead to increased displacement as people try to escape high risk weather or climate disaster zones, increasing tensions between countries. As such events become more frequent, businesses will need to diversify their supply chains to ensure that they are resilient against disruption associated with climate change. National and local governments will need to prepare and mitigate against the worst impacts of such disasters.

- Geopolitical tensions and confrontations: economic warfare and state interventions in markets continue to grow between global powers. For instance, the US and China have increasingly been using economic powers in trade wars over the last few years, with tariffs regularly used either as a defence or in retaliation. Escalating intensive geoeconomic weaponization will begin to demonstrate security vulnerabilities posed by trade, financial and technological interdependence between globally integrated economies, risking rising distrust and decoupling.

- Cost of living crisis: crises in the cost of living are currently cited by the World Economic Forum as the largest risk to global economies. In the UK, the rate of inflation has remained much higher than in comparable economies, due in part to a reliance on natural gas, the price of which rose 14-fold between 2021 and 2022. 85% of UK households have gas boilers, compared to less than half of EU households, and gas accounts for 40% of UK electricity, compared to 20% of EU electricity. A second contributing factor is supply shortages in the UK labour market, which has led to a loss of output. Additionally, the UK is particularly vulnerable to external shocks in the food and drink supply chains and subsequent inflation in the cost of food as it is one of the largest (3rd largest) net importers of food in the world. Shocks such as Brexit, the invasion of the Ukraine, extreme weather events limiting crops, and labour supply shortages in the agricultural industry have contributed to record levels of food inflation. It is anticipated that the cost of living crisis will further embed growing inequalities and erode living standards, leaving consumers poorer and reducing their purchasing power, risking reduction in both growth and productivity.

- Interest rates: the Bank of England has increased interest rates 14 times since December 2021 in an effort to bring soaring inflation down to its 2% target, by increasing the cost of borrowing and the opportunity cost of spending rather than saving, reducing demand and as a result, reducing prices. In September 2023, the Bank's Monetary Policy Committee made the decision to stabilise rates for the first time in almost 2 years at 5.25%, with a majority vote of five to four. Interest rates are currently at levels last seen before the 2008 financial crisis. With an undersupply of housing, this has led to some monthly mortgage payments more than doubling over the last year, with many unable to afford the increase, particularly given rising costs in other areas. Many landlords have also subsequently increased rental costs. There is a risk that if interest rates increase again and large numbers of homeowners begin to default on mortgages, this could lead to a housing market crash like that seen during the financial crisis, from which the UK has still not recovered. However, this is unlikely as current employment levels are considerably higher than those in 2008-2009.

- Growing inequality: The Covid-19 pandemic and cost of living crisis have quickly worsened growing inequality in the UK. Those on lower incomes were more likely to see falls in income during the pandemic, as their occupations were less likely to be transferable to home working and therefore many saw reductions in shift hours. Additionally, inflation is highly regressive, particularly impacting poorer households which spend much larger proportions of their incomes to start with. When prices increase, even greater proportions of their incomes are eaten up, increasing income gaps between both the richest and poorest households. As income inequality grows, risks around decreasing productivity, growing financial instability, debt and low economic growth also increase.

- Reductions in real wages: The National Institute of Economic and Social Research (NIESR), has found that the pandemic and cost of living crisis will lead to greater erosions in real wages in West Midlands than any other region. The NIESR found that real wages in the region will fall by 5% between Q4 2019 and Q4 2024, with real wages expected to be 15.3% lower than the national average. GVA is also expected to remain below the Q4 2019 rate by Q4 2024 This will greatly impact consumer purchasing power, likely reducing growth in the region.

- Brexit: Brexit is set to impact the Midlands on a greater level than any other UK region, due to its dependency on the advanced manufacturing sector. Brexit has resulted in a loss of comparative advantage for Midlands firms, reducing exports and growth for SMEs. Recovery from the pandemic and geopolitical tensions have prompted restructuring of some supply chains which might be delaying the impact of Brexit, however, should EU businesses find suitable alternatives to UK suppliers there could be an increasing decline in the advanced manufacturing sector. Countries like the US are introducing attractive policies such as the Inflation Reduction Act, which includes incentives to advanced manufacturing sub-sectors to open in the US. Support is needed for Midlands SMEs in these supply chains to mitigate a risk of 'hollowing out' if tier-1 firms move production to the EU or further afield. In particular, supporting SMEs to boost productivity through adoption of advanced technologies and digitisation will become increasingly important to reduce costs and remain competitive.

MIKE OWENS

Managing Director,
Schumacher Packaging

"Poor political decisions and opportunism, fuelled by world health issues, a departure from the EU and localised wars have led to inflation levels alien to vast swathes of the UK population, which can neither accept nor adapt in the short term. Huge gaps in specific skills and experience leave businesses paying inflated wages to attract talent. Energy prices became a lottery, with many businesses having been caught slap bang in the middle of "take it or leave it" period before prices began to ease. … One thing is for certain. Economies are cyclical and will stabilise, but at a higher level of cost than before in the "false" world of low-cost borrowing and unlimited choice. Once we learn to live with this augmented level of "normality", the well-run businesses, which survived the economic maelstrom, will thrive."

“WM International operates as freight forwarding and Customs clearance agents. The prices of our services are heavily impacted by the operating costs that road hauliers, shipping lines or airlines have to face. … Our main observation in 2023 is that the level of orders from suppliers and customers is decreasing. The hauliers now have spare vehicles and spare drivers available. …At WM International, we suspect that the possibility of economic slowdown is significant, and we are focusing on automation of our process and diversifying our portfolio of hauliers and shipping companies to optimize costs.”

MICHAL GIERAT

Managing Director,
WM International

BUSINESS: DISRUPTED MARKETS

Economic prosperity is intrinsically linked to the performance of the many small, medium and large businesses across the region. Businesses are critical drivers of the economy, as wealth generators, employers, innovators, place makers and community anchors, and a strong and dynamic business base provides tax revenues which contribute to the delivery and improvement of public services, infrastructure and sustainability initiatives.

BUSINESS DEMOGRAPHY

As of 2022 there are 74,495 enterprises registered within the Greater Birmingham region. More than a third (31.5%) were in the Business, Professional and Financial Services sector (BPFS), with a further 17.6% in Retail and 14.5% in Construction. The count fell by 0.7% from 2021, when there were 75,005 enterprises in the city-region.

When comparing enterprise numbers in 2022 to pre-pandemic levels, the picture is mixed. Some sectors have seen a growth in the number of enterprises, including the cultural economy (19.4%), logistics and transport (19.3%), construction (13.3%), public sector (10.2%), life sciences and healthcare (6.6%) and retail (4.6%). However, other sectors have seen reductions in the number of enterprises, including advanced manufacturing (which saw a reduction of 3.4%), low carbon (4.4%), BPFS (7.6%) and digital and creative (11.9%). Though some of these sectors have had a reduction in the number of enterprises, it doesn’t necessarily mean that the size of the sector has reduced.

Nine in ten (89.4%) private businesses in the city region are micro businesses (0-9 employees). Only 290 businesses (0.4% of the total) are large in size (250+ employees). The number of large businesses has grown by 7.4% between 2019 and 2022.

JOHN WEBBER

Head of Business Rates at Colliers

"There is wide agreement that the current business rates system needs urgent reform. Yet successive governments have totally failed to grab the nettle and just tinkered around the system or put it in the "too difficult box".

... it seems that the Government is now forecasting that income from business rates is only going one way- upwards. Forecasts predict the income will rise to nearly £36 billion by 2027/28! If this leads to more reliefs, the result will be an even greater burden on a smaller number of businesses able to pay their rates bills. This is unsustainable.

At Colliers we have drawn up a manifesto for reform... what we need is a well-managed and transparent business rates system, and we need it now."

SURVIVAL RATES

94% of Greater Birmingham firms survived their first year after being born in 2020, compared to only 92.9% across England. After the first year however, survival rates quickly drop comparative to England. The two year survival rate for Greater Birmingham businesses born in 2019 (64.1%) was 10% lower than the England rate (74.5%). Similarly, the three-year survival rate for businesses is also much lower, with the last rate for the Greater Birmingham area (41.0%) being 16.5% lower than the UK rate (57.5%). Likewise, the latest four and five-year survival rates for Greater Birmingham businesses (31.7% and 27.2% respectively) are also well below the England averages (45.7% and 38.0%). Businesses in Greater Birmingham are much more likely than average to fail from their second year onwards, indicating a need for greater support at this stage.

PROFESSOR SIMON COLLINSON

Director of City-REDI and WMREDI,
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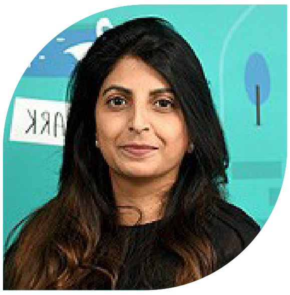
City-REDI,
University of Birmingham

"In the Greater Birmingham city-region, the number of insolvent firms in 2022 reached 1,077, accounting for 4.69% of total firms that failed in the UK. This is disproportionate to the 2.69% of UK firms located in this region, showing that it was affected more than many other regions.

...The knock-on effects of firm-level insolvencies, simulated using the extended SEIM-UK model [developed at City-REDI], showed decreased output across almost all industries and significant impact on household incomes and consumption. However, it is clear that lower-income households in the GBSLEP region suffer the most in terms of percentage loss of income and consumption. In simple terms, this kind shock, as with so many others, makes poor communities poorer."



"When a company becomes insolvent and is unable to continue its operations, it often leads to job losses. ... It's important to note that employment law and the impact of company insolvencies on employment law will depend on the specific legal framework in place. Employees and employers affected by insolvency should seek legal advice to understand their rights and obligations in their particular circumstances. Additionally, governments often have mechanisms in place, such as Human Resources or insolvency funds, to provide support to employees affected by company insolvencies."

NEELAM AFZAL

Partner,
Wildings Solicitors LLP

BUSINESS LENDING

During early 2020 there was rapid growth in business lending for both large and small to medium businesses (SMEs). Whilst annual growth in lending for large firms declined from mid-2020 and entered negative territory between March-September 2021, it re-entered positive territory from October 2021. On the other hand, from late 2021 the annual growth in lending for SMEs remained negative. Year-on-year growth in lending likely turned negative in 2021, as compared to 2020 businesses were not taking on same level of debt as they had in the pandemic. This negative growth in lending has continued through 2022 and into 2023 for SMEs, likely a result of high interest rates making it too costly for business to borrow money, and as many will still be paying down debts taken on during the pandemic.

The latest Financial Stability report from the Bank of England sets out expectations that the percentage of businesses spending a high proportion of their income on servicing debt will increase throughout 2023 as debts are refinanced at higher rates. UK businesses are expected to remain broadly resilient as the impact of higher interest rates filter through, as corporative debt relative to corporate earnings has continued to fall since the pandemic. At the end of the first quarter of 2023 the net debt to earnings ratio stood at around 120%, its lowest point in 20 years. Nevertheless, there will be an increase in financial pressure on small firms and those highly indebted, particularly if subdued economic conditions worsen.

ALICE PUGH

Policy and Data Analyst

DR CHLOE BILLING

Research Fellow,
City-REDI,
University of Birmingham

"An additional cost that is not factored into producer price inflation is the cost of borrowing, which in 2022 saw the second highest rate of lending to small businesses (SMEs) since 2012 at £65.1bn, second only to 2020 when SME lending hit £105bn. ... SMEs are now having to pay back loans that they took out during large economic shocks, at a time when consumers are decreasing their discretionary spending.

"Higher operating costs and the reduction in consumer spending power are having a series of knock-on-effects on local businesses including a fall in business confidence (as shown by the latest Business Confidence Monitor), firm insolvencies, redundancies, reduction in business hours and a decrease in private spending on R&D. ... as the economy slows and given the scale of debt small businesses are currently holding, this could be a ticking time bomb for the economy."

TRACEY STEPHENSON

Managing Director,
Staying Cool

"The UK's hospitality industry suffered disproportionately during the COVID-19 pandemic. ... To survive, many businesses like ours turned to CBILS loans, incurring substantial debt. Now with higher interest rates ... our cost base has sky-rocketed while leisure bookings have weakened as consumers spend less on non-essential items, such as a city break, in the current cost of living crisis. The impact of Birmingham City Council's section 114 notice (notifying the government that it will not be able to balance the books) is yet to be determined but it is unlikely to be a boon for the city's tourism sector."

ANNE-MARIE SIMPSON

Owner,
Simpsons Gin Bar

"The position for the hospitality sector in 2023, is, without exaggeration, desperate ... one in 18 licenced premises have been lost between June 2022 and June 2023.

... In our own business we have had to make some tough choices – we now open less hours than pre-pandemic, every staff wage has to generate income, and weekday footfall has fallen to a level not seen previously and has meant that it can't cover costs, so we focus driving income on weekend trade. We have taken a deliberate decision to de-register for VAT and limit business turnover... These ultimately are negatives for our whole economy."

ANN TONKS

Director, Chapter Restaurant

"Hospitality is facing an existential crisis. The impact of soaring cost increases, recruitment difficulties and the challenging trading environment make survival for most of us questionable. … Without significant support for our sector the impact of eye watering costs and a lacklustre trading environment will lead to further mass closures.

… At Chapter, over the past 17 months energy costs have increased by + 68%; food prices increased over + 22% and are still rising. Our costs increased by over £120,000 in twelve months just to buy the same goods and utilities. This puts extreme pressure on cash flow. Unable to obtain any commercial loan or re-financing, we have raised capital by issuing more shares in our company and have extended a number of personal interest -free loans."

JAMES RUSSELL

Head of Marketing and Impact, BCRS Business Loans

"We lend to viable businesses that use that money to prosper, create jobs and strengthen the economies of the communities we operate in. In FY2022/2023 we estimate that we helped safeguard 999 jobs and create 473 more. … However, we must also balance this against doing what is right for the customer. At a time of high interest rates, expensive borrowing, and tough economic conditions we must be sure that a loan is suitable for a customer before we write it. Many businesses took on debt during the Covid period to support themselves when they were unable to operate at full capacity (or at all). This makes affordability of additional debt a challenge…"

BUSINESS CONFIDENCE

In the Q2 2023 monitor from the Institute of Chartered Accountants in England and Wales, the business confidence index In the West Midlands had risen to +9.4, sitting above the UK at +6.1 and above the historic norm for the region of +4.6. Business sentiment is likely to remain fragile though, given the current economic challenges facing the UK.

The NatWest PMI monitor for July 2023 found that West Midlands firms anticipate output levels to be higher in one year's time, with the overall degree of optimism strengthening from June's six-month low. Upbeat forecasts stemmed from planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat. The West Midlands recorded the highest level of positive sentiment out of the 12 monitored UK regions and nations.

BUSINESS INVESTMENT

UK business investment suffered considerably since the onset of the pandemic, with activity falling to levels last seen in 2011. However, data from ONS finds that recovery has been strong over the last year with business investment returning to its pre-pandemic level. In Q1 2023 it was 2% higher than prior to the pandemic (Q4 2019) and in Q2 of this year it rose to 8% higher.

However, the Bank of England notes that business investment in the UK has not recovered as strongly as that in other G7 countries. Whilst the pandemic had an instant impact on the economy, the impact of Brexit is expected to be more prolonged. The Office for Budget Responsibility (OBR) forecast that in the long run business investment will remain 4% lower than if the UK had remained in the EU.

GROSS EXPENDITURE ON R&D

The Midlands and South West Region's gross expenditure on Research and Development (R&D) was £12.8bn in 2021 - 4.2% higher than in 2020. The largest expenditure on R&D in 2021 was in the Business sector (75.1% of the total regional expenditure, the highest of any English region). The second highest area of expenditure, as a proportion of total regional expenditure, was in the Higher Education sector, though comparative to other regions, the Midlands and South West had the lowest expenditure in this sector.

BUSINESS EXPENDITURE ON R&D

During the pandemic, business expenditure in R&D decreased slightly in the Midlands and South West region. However, by 2021 it was higher than pre-pandemic levels, at £9.6bn (compared to £9.48bn in 2019). Despite this, investment in the region as a proportion of the UK total has fallen, from 22.5% in 2019 to 20.5% in 2021.

GEMMA DILKES

Policy and Projects Officer, Greater Birmingham Chambers of Commerce

"With the remaining uncertainty surrounding borrowing costs, investment in the form of capital expenditure has suffered substantially... notably, in Q4 2022, less than one in five reported increasing their capex, which is the lowest figure recorded since Q1 2021. Whilst results from subsequent quarters show that the number of businesses making greater commitment to capex has risen, it continues to fluctuate overall. ... In terms of investment in training, ... in 2023, over 30% of firms are reporting increasing investment in training, which has recovered well from the fall down to 23% seen in mid-2022. Overall, it is understandable that businesses across Greater Birmingham have been cautious with their investment activity during the current extended period of high inflation and volatile interest rates, however, we can conclude that they remain committed to future growth and are poised to seize the opportunity of investment when more certain conditions return."

PEOPLE: CHALLENGING TIMES

Greater Birmingham has a young and diverse population. However, the city-region has a below average healthy life expectancy, high levels of deprivation and above average rates of unemployment. Hiring activity in the West Midlands remains slightly elevated above pre-pandemic levels, with many businesses struggling to fill vacancies. While skills attainment remains a challenge, the WMCA's recent devolution deal and the West Midlands and Warwickshire Local Skills Improvement Plan present key opportunities to support the up-skilling of local talent.

DEMOGRAPHICS

Population estimates for 2021 indicate that more than two million people, representing 3.6% of England's population live within Greater Birmingham. More than half (56%) of the Greater Birmingham population lives in Birmingham, and Solihull has the second largest population in the region, accounting for 10.5% of the total. The area with the smallest population is Tamworth, accounting for around 3.8% of the Greater Birmingham population.

The city-region is relatively young and diverse, with 20.5% of the population being aged 0 to 15 years, comparative to 18.5% for England. The youngest population is in Birmingham where 22.3% of individuals are aged 0-15. Around one in three (32.8%) residents in the region are a member of an ethnic minority group, compared to almost one in five (19.3%) in the UK.

KARL GEORGE

Partner,
RSM

"Unless we tackle diversity in leadership roles [Birmingham's] potential cannot be fully realised. Taking advantage of developing infrastructure, creating inclusive and sustainable growth, and enhancing the region's offering to tourists are all indisputably areas where diverse leadership will lead to greater innovation.

... Yet, as I reflect on the topic of diversity in leadership, it is a somewhat sobering experience. Report after report from different sectors, from financial services to the NHS, acknowledge that the lack of diversity needs to be addressed but the dial continues to move slowly, if at all.

... The time for lip-service and just report writing is over; it is time for collaboration and collective co-ordinated action."

OMAR RASHID

Owner,
The HR Dept Birmingham Central & Wolverhampton

"Building a diverse workforce requires a well-thought-out strategy. Begin by assessing your current workforce and identifying areas where you lack representation. Gain a grasp of your current customer base and realise the potential of further growth. Set clear diversity goals and integrate them into your overall business objectives. Engage your leadership team to ensure commitment from the top down. ... Expand your recruiting sources to reach a wider talent pool. Implement blind recruitment practices or use of external interview panel support to reduce unconscious biases. Craft job descriptions that emphasise skills and potential over specific backgrounds.

Diversity thrives in an inclusive environment. Foster a workplace culture that values and celebrates differences."

LIFE EXPECTANCY

Healthy life expectancy across the West Midlands metropolitan area is 60.8 years for males and 61.3 years for females, shorter than the national average by 2.3 years and 2.6 years respectively. Life expectancy varies across the region, with males in Birmingham living 8.2 fewer years and females 5.5 fewer years in good health than those in Solihull. The Levelling Up White Paper seeks to shrink the gap between places with the highest and lowest health life expectancy by 2030.

FUEL POVERTY

The latest data (2021) indicates that the West Midlands region has the highest incidence of fuel poverty of all English regions at 18.5% comparative to 13.1% of all England households. Fuel poverty in the Greater Birmingham area is even higher, with 19% of all households being in fuel poverty. Within Greater Birmingham the highest concentration of fuel poverty is in Birmingham, with 1 in 5 households (23.2%) affected.

Fuel poverty in Greater Birmingham has been increasing since 2019, and many have concerns about the impact of the invasion of Ukraine on current fuel poverty levels. The government has made significant investments in the protection of households against extreme rises in fuel prices. Energy prices were initially capped at £2,500 in 2022, and this cap has decreased incrementally since, to £1,923 for October-December 2023, reflecting recent falls in wholesale energy prices. This will greatly ease pressures on households in the city-region, however they will continue to be at a greater risk of fuel poverty and energy price fluctuations as long as the energy efficiency of housing stock remains low. The most cost-effective way of reducing energy bills in the long term would be to help households retrofit their homes, improving energy efficiency and therefore, reducing energy usage.

DR MAGDA CEPEDA ZORRILLA

Research Fellow,
City-REDI,
University of Birmingham

"Birmingham suffers from high levels of deprivation; it is ranked as the 7th most deprived local authority in England and this has not changed since 2015.

"...The impact of inflation and the general cost of living rise will be more keenly felt in the deprived segments of society. There are several reasons for this. For example, we might expect the people in this segment to be more likely to live in poorly insulated housing, thus requiring higher use of gas/electricity to heat up their houses. ... Rising prices for food, housing, utilities, and transportation disproportionately affect their ability to afford basic necessities.

"...These individuals and families are already buying less food, but when wintertime comes they will face stark choices regarding whether to pay for gas and electricity or buying first necessity products."

SIMONE CONNOLLY

CEO,
FareShare Midlands

"As the region's largest food redistribution charity, FareShare Midlands takes good quality surplus food from the food industry and redistributes it to more than 550 Charity Members across the region - local charitable and community organisations who are tackling hunger, poverty and the devastating effects of the cost of living crisis.

Since the start of 2023, 69% of Members have seen increases in the number of people turning to them for help. At the same time, they themselves are struggling with the rise in energy bills and everyday costs, as donations and volunteer numbers are falling.

Simultaneously... Ongoing supply chain issues due to the war in Ukraine, high energy costs, poor weather reducing harvests in Europe and North Africa, reduced output from British farmers and the impact of Brexit are all putting additional pressure on the food industry."

EMPLOYMENT

Following a 2.1% decline between 2020 and 2021, Annual Population Survey data indicates that the employment rate in Greater Birmingham has recovered, rising by 2.5% between 2021 and 2022, to 71.8%. The employment rate across England saw a shallower 0.5% dip between 2020 and 2021, followed by a 0.7% increase between 2021 and 2022. It remains significantly higher than the regional rate, at 75.8%.

DARJA REUSCHKE

Associate Professor
of Regional Economic
Development, City-REDI,
University of Birmingham

"Before the pandemic outbreak, between April 2019 and March 2020, Birmingham's self-employment rate was at 15.4% which was marginally above the average self-employment rate of major conurbations in England of 15.2%. Across major conurbations in England, the self-employment rate fell on average to 12.9% between April 2021 to March 2022 as a direct consequence of the COVID-19 pandemic. However, in Birmingham, the self-employment rate dropped to 8.5%...

It is important to understand whether the significant reduction in self-employment may mean a loss in entrepreneurial capacity in the city and a lower economic growth and innovation potential in the future."

UNEMPLOYMENT

Unemployment in Greater Birmingham fell sharply between 2021 and 2022. Nevertheless, unemployment in the city-region remains relatively high, at 5.2% of the active workforce in 2022, compared to 3.7% nationally. The count of claimants receiving state benefits for reasons of unemployment in Greater Birmingham is higher still, at 7.9% in 2022.

PROFESSOR DONALD HOUSTON

City-REDI,
University of Birmingham

"Trends until the middle of 2022 are indicative of a tightening labour market (less labour supply relative to demand) in Greater Birmingham. However, there is still considerable slack in the Greater Birmingham labour market for employers to draw on, at least in terms of the numbers out of work. Worryingly, the post-Covid fall in very high claimant unemployment has stalled since the middle of 2022 and remains above its pre-pandemic level – both in Greater Birmingham and the UK.

...High unemployment in Greater Birmingham is not just a function of being a big city. All other English metropolitan areas have unemployment rates below that in Greater Birmingham. The city and its partners therefore need to keep a focus on bringing unemployment down, while also addressing sector and business specific recruitment problems."

ECONOMIC INACTIVITY

Economic inactivity had been decreasing in the build-up to the pandemic in the city region. However, the percentage of those economically inactive increased from 23.2% in 2020 to 25.3% in 2021 – a rise of 2.1% compared to an average 0.6% increase across England. In 2022, this decreased by 1.1% to 24.2% in the city region. This was faster than the England decline of 0.1%, though the England rate remained lower at 21.3%.

Economic inactivity in the city region has historically been highest amongst the 16-24 age group. In 2021, this age group saw a jump in economic inactivity to 47.9% (coinciding with a significant 5.9% increase in the number of inactive persons who were students from the previous year). The percentage of people aged 50 to 64 who are economically inactive began to increase from 2020, hitting 29.2% in 2022. This was driven by an increase in the number of people who are sick or disabled, alongside an increase in retirement starting during the pandemic.

Economic inactivity increased amongst ethnic minority individuals last year after a recent downwards trajectory. This has coincided with high levels of immigration for humanitarian purposes, including from Ukraine and Hong Kong. After rising in 2021, economic inactivity for both men and women decreased in 2022, to 19.0% and 29.3% retrospectively. However, around 1 in 3 women of working age are still economically inactive, compared with 1 in 5 men.

The primary reason for economic inactivity is students, accounting for 33.6% of economic inactivity in 2022, this is lower than the 2021 rate, but higher the pre-pandemic 2019 rate. This rate is high due to record numbers of students getting their place at university in 2022.

The second most frequent reason for economic inactivity is looking after a family/home, accounting for 23.6% of cases. This has increased by 0.9% since 2021, likely due to childcare costs, which increased by an estimated 16% last year. As parents struggle to cover the costs of childcare, often one parent might choose to either reduce their hours or leave the workforce, driving up economic inactivity. The government's recent childcare expansion policy seeks to address this.

The third reason largest reason for economic inactivity is long-term sickness. In the Greater Birmingham region this is 1.9% higher than it had been before the pandemic, driven largely by an aging population and the long-term health impacts that Covid has had on individuals.

PROFESSOR ANNE GREEN

Professor of Regional Economic Development, City-REDI, University of Birmingham

"Rising economic inactivity during the Covid-19 pandemic was an international phenomenon, but a subsequent reduction in inactivity is less apparent in the UK than in some other countries.

...Research shows that there are significantly more negative attitudes to work in the UK than in Germany and the USA. Moreover, the pandemic appears to have had a greater impact on attitudes to work amongst those aged over 50 years in the UK. It appears that improving job quality can play an important role in stemming voluntary flows of older workers into economic inactivity, with flexible working hours and good pay the most important factors in choosing a job. This underscores the importance of labour demand factors in encouraging people aged 50 years out of economic inactivity and into employment."

DR JUSTIN VARNEY

Director of Public Health,
Birmingham City Council

"Whilst analysis of the health conditions linked to economic inactivity is still emerging, there remain two consistent headline causes: Musculoskeletal health and Mental health issues. Musculoskeletal health remains the most common health condition reported by those no longer working, in over 70% of cases it is listed as a cause ... yet small changes can have a big impact on keeping people in work.

...As employers we have a duty of care to our staff but in the reality of today's market this needs to go further. We should actively support employees to remain healthy, both at work and at home, and give them the best chance to remain effective and productive as they age. It is better for employers, better for employees and better for Birmingham."

DR MATT LYONS

Research Fellow,
City-REDI, University of Birmingham

DR ABIGAIL TAYLOR

Research Fellow,
City-REDI, University of Birmingham

"The UK Government recently announced a £4bn childcare expansion policy in England.

This is designed to remove "barriers to work for nearly half a million parents with a child under 3 in England not working due to caring responsibilities, reducing discrimination against women and benefitting the wider economy in the process" ...The West Midlands apportionment of the £4bn policy is £434 million. ... [However] likely skills shortages raise questions about the extent to which Greater Birmingham will be able to expand training to support the upskilling of the requisite workforce. ... Approaches to address these challenges could range from bursaries for individuals to undertake qualifications in childcare to increasing the supply of skilled childcare workers, to relaxing child-to-carer ratios depending on safety considerations. Local government may need to plan for new demand by building socially funded nurseries."

HIRING ACTIVITY

Whilst hiring activity across England has returned back to the levels seen pre-pandemic, hiring activity in the West Midlands remains slightly elevated above the February 2020 levels. Adzuna data shows that the number of online jobs adverts in the West Midlands peaked in November 2021 at 53% above February 2020 levels. However, for this year so far, the number of job adverts in the region have been only 9.2% (median) above the February 2020 levels.

As of the first week of July 2023, the area with the highest vacancies in the UK is part-time and weekend work, which is 133.1% above the February 2020 index baseline. This might be expected, as in a time of high prices many in the labour force will be looking for full-time work in preference to part-time. Wholesale and retail trade is the sector with the highest rate of vacancies comparative to February 2020, followed by education and catering and hospitality.

JACK STOCKPORT

Business Technology Manager, SF Recruitment

"Whilst 2022 was all about wage inflation with candidate demand for large pay rises at an all-time high, 2023 is all about the 'need for speed' to secure top talent. Successful recruitment campaigns are being completed within three weeks with a two stage video/on-site interview process producing the best results. As wage inflation stabilises it's the ability of businesses to recruit thoroughly yet at speed which is key to sustainable growth.

In summary Birmingham is hugely fortunate to be filled with great people and businesses that have been instrumental in placing the city on the global map for innovation. It is this mindset that is laying the foundations for a hugely exciting couple of years ahead!"

EARNINGS

In total, figures from ONS show that median gross weekly earnings (excluding overtime) for Greater Birmingham increased by 5.0% between 2021 and 2022, to £502.90. Comparatively, across England median gross weekly earnings (excluding overtime) increased by 5.2% over the same period, to £522.70.

Full-time workers in Greater Birmingham saw a 6% increase in earnings over the year, whereas part-time workers in the city region saw a significantly lower 4.3% increase. The opposite is true nationally, as in England full-time workers saw a lower year on year increase in earnings, comparative to part-time workers.

The gender pay gap for full-time earnings in Greater Birmingham increased again in 2022. In 2021, median full-time weekly pay for men, excluding overtime, was £94.00 higher than for women, and in 2022 it was £107.60 higher than for women, indicating a 14.5% increase in the gender pay gap. This is higher than the national (England) increase in the gender pay gap of 7.6%, with the gap increasing from £82.90 to £89.20 between 2021 and 2022.

SKILL ATTAINMENT

2021 census data, published by the ONS, found that 10.9% of economically active people aged 16 and over in Greater Birmingham have no formal qualifications – considerably above the average (8.9%) across England. While Greater Birmingham has a greater proportion of residents with NVQ Level 1 (9.8%), NVQ Level 2 (14.1%) and NVQ Level 3 (20.2%) qualifications than the country as a whole (9.1%, 13.6% and 19.7% respectively), the city-region has a notably lower proportion of residents with NVQ Level 4+ qualifications than the wider country. 38.7% of individuals in Greater Birmingham have an NVQ Level 4+ qualification, compared to an England rate of 42.0%. Additionally, 4.2% in Greater Birmingham have an apprenticeship, just below the England rate of 4.7%.

To improve attainment in the region, focus needs to be placed on upskilling those with no formal qualifications, and those with NVQ Level 1 and 2 qualifications. Due to their current skill levels these individuals will often face limited employment opportunities, earning potential and employment mobility.

With the deeper devolution deal providing the WMCA greater powers over post-16 education and skills and a new partnership with the DWP to co-design contracted employment support schemes, there is greater opportunity for the Combined Authority to concentrate its efforts on those with only a high school education (NVQ Level 2) or lower.

Partnership working between stakeholders, educators and businesses is key to ensuring that labour is being upskilled to meet employer demand. In August, Secretary of State for Education The Rt Hon Gillian Keegan MP approved the publication of the West Midlands and Warwickshire Local Skills Improvement Plan, funded by the Department for Education and produced by Coventry and Warwickshire Chamber of Commerce, in collaboration with Greater Birmingham Chambers of Commerce and Black Country Chamber of Commerce. The plan, a statutory document which sets out three key priorities, was devised after around six months of research and consultation engaging with more than 1,000 regional employers, stakeholders, Further and Higher Education institutions and other private education providers. It identifies where there are shortfalls in provision and, also, a lack of knowledge of what is available both by individuals and employers. The Plan makes recommendations as to how these can be addressed. £10.4 million has been made available through a Local Skills Improvement Fund (LSIF) to enable a consortium of Further Education providers to respond to the proposals. Further research, implementation and evaluation of the impact of the Plan will continue to mid-2025.

EMILY STUBBS

Senior Policy and Projects Manager, Greater Birmingham Chambers of Commerce

"The West Midlands and Warwickshire Local Skills Improvement Plan sets out opportunities to upskill more local talent and address these acute shortages. It also comes at a critical juncture for the region, as organisations look to overcome challenges and grasp opportunities associated with digitisation, the advancement of new technologies, and the transition to net zero. The Plan sets out three key priorities for the region:

Firstly, to target key sectors crucial to the growth of the region ... and to promote training and education provision already available but also to invest in new facilities and courses where appropriate. ... The second priority set out in the LSIP seeks to support the provision of excellent, flexible leadership and management training in both specific and general topics to help facilitate business growth. And thirdly, the plan responds to employer requests for greater levels of essential skills for work and workplace digital skills."

REBECCA WATERFIELD

Director of Business Development, South and City College Birmingham

"The Local Skills Improvement Plan shows that over 75% of employers in the West Midlands have not engaged with Further Education colleges and many are uncertain of both how to do this and the benefits of doing so. ... Colleges support local communities with accessing education and many have strong community outreach provision to be able to access some groups who are further away from education. By working with colleges, employers can access a more diverse workforce which supports any business to be more successful.

... Collaboration is the key. By combining the strength of our employers within Birmingham with the further education community, a recruitment and skills alliance can be formed to ensure we have access to the best talent with the best progression opportunities, and therefore support our region to be the most economically successful."

PLACE: SUSTAINABLE COMMUNITIES AND PRIDE IN PLACE

Greater Birmingham is one of the most well-connected areas of the country, both geographically and digitally. Continued investment in digital, transport and sustainable infrastructure has been taking place for a number of years, improving geographical and digital mobility and opening up opportunities in local communities, however changes in working patterns post-pandemic may affect the impact of some of these developments.

Critically, the West Midlands Combined Authority's Deeper Devolution Deal, negotiated this year, offers an expected budget windfall of in excess of £1.5bn to level-up the region. The deal includes greater retention of business rates, greater flexibility on brownfield regeneration, funding to deliver affordable housing at pace, devolution of the Bus Service Operators Grant and greater funding to retrofit housing, alongside other measures. This will provide greater capacity, flexibility and capital for local leaders to respond to local challenges and needs.

MOBILITY

Following significant disruption during the height of the Covid-19 pandemic, transport patterns in the West Midlands region have largely returned to their previous status. 2023 data from the Department for Transport finds that cars and vans continue to be the main mode of transport, accounting for 69.9% of trips per person per year. This is above the England (excluding London) average of 63.1%. In the West Midlands and across the UK, car usage continues to grow, indicating that the transition towards low emission cars is crucial to ensuring environmental sustainability objectives are met.

Walking remains the second most common mode of transport at 22.7% of trips per person per year being this mode. Latest data shows that in 2021 walking was down by almost 3% from 2019. It is far behind the current England (excluding London) 2021 rate of 29.7%. Active travel has been declining over time, and even after briefly increasing during the pandemic, patterns have returned to their pre-pandemic decline. However, the WMCA and Transport for West Midlands (TFWM) are in the process of making improvements to active and sustainable transport infrastructure, having won £1.05bn funding from the City Region Sustainable Transport Settlement. In addition to this, since 2020 the WMCA has secured grants totalling £34m to implement a wide range of safe cycle and walking schemes including bike parking, safe cycle lanes and cycle training for communities.

In regard to public transport, bus use has been declining for more than a decade. In 2021 2.7% of trips per person per year were using this mode in the region, the same as the England (excluding London) rate. Rail travel in the region has fallen comparative to pre-pandemic levels, by around 0.5% between 2018/19 and 2021, just under the fall in the England level. Although, this trend might change in years to come as development of HS2 continues.

HS2 is expected to cut travel times between wider regions and potentially lead to an uptick in passenger numbers as public infrastructure improves making it more efficient to travel by rail between major cities. Construction is already well underway in the region and it is anticipated that the first HS2 services will run between Birmingham Curzon Street and Old Oak Common in London between 2029 and 2033, expanding as new sections of the network are built. This new route will not only improve geographical mobility for those in the region but improve the wider economic outlook. The WMCA report that HS2 has created over 12,000 jobs in the West Midlands to date. A revised HS2 Growth Strategy, published by the WMCA towards the end of the pandemic, found that up to 175,000 new or safeguarded jobs would be secured within the region as a result of HS2. Alongside this, the West Midlands Connectivity Package of transport improvements has the potential to double economic benefits of HS2 for the region, generating 51,000 jobs in the West Midlands and increasing economic output by £4.1bn per year.

ADAM HARRISON

Principal Policy and Transport Strategy Officer, Transport for West Midlands

"Working with partners in councils, universities and the private sector, Transport for West Midlands Fhas made solid progress to strengthen our transport system – which has been boosted by two devolution deals with national government. The devolution process has helped TfWM secure the City Region Sustainable Transport Settlement £1bn capital investment programme up to 2027.

… These long-term commitments are helping the West Midlands create an integrated transport system based on the principles of London's provision for the high-density capital, as well as investing in high quality cycle infrastructure and improved conditions for walking and wheeling. Since becoming the UK's first Future Transport Zone four years ago, the West Midlands has rightly earned a reputation for creative thinking around the future of transport. TfWM is working with SME's and businesses to develop and provide real world testing of pioneering technology and exciting new ideas around the way we move."

DR MAGDA CEPEDA ZORRILLA

Research Fellow,

DR SARA HASSAN

Research Fellow,
City-REDI, University of Birmingham.

"…by 2035, the population of the West Midlands is set to increase by up to 444,000 - that's 100 people per day - and 215,000 new homes are set to be built by 2030 … it is paramount to provide reliable and accessible public transport options for people.

To date, there are several options for public transport in Birmingham such as bus, train and tram. But also, there has been the introduction of a Bus Rapid Transit (BRT) system which promise to reduce the travel time for passengers.

A BRT is a high-capacity bus-based transit system that provides dedicated lanes, with busways and shelter stations normally aligned to the centre of the road and off-board fare collection. … phase one of the Sprint BRT network in the West Midlands consists of a 20km link (20 stops) connecting Walsall with Birmingham city centre and Birmingham Airport. And will connect the A34 and the A45 to create one continuous route. As well as to provide link to the two HS2 stations."

DALJIT KALIRAI

Director of Partnerships, National Express

"… Innovation, partnership and creativity are a core part of growing patronage on vital bus services and achieving modal shift. …focusing on reducing congestion, transitioning away from single-occupancy cars, and aligning with the net-zero agenda is not just an environmental necessity but a strategic move to reinvigorate the local economy in the West Midlands. It creates a win-win situation where the region benefits from reduced congestion, improved air quality, enhanced sustainability, and economic growth, all while contributing to the global effort to combat climate change. Embracing these changes positions the West Midlands as a leader in sustainable urban development and sets a positive example for other regions facing similar challenges."

RUTH TODD

Chief Commercial Officer, HS2 Ltd

"We have gathered huge momentum across the Phase 1 construction programme from Birmingham to London, and our work in the West Midlands is now visible across the region, with the new railway starting to come out of the ground. While we have deferred some work, the effect of this means we will be in the Midlands for longer providing opportunity for Birmingham businesses.

"…HS2 is bigger than a railway. It will help address the economic imbalances in our towns and cities, opening new opportunities for businesses to grow and communities to connect. The project will leave a legacy of an upskilled, diverse workforce and a new standard in innovation and sustainability. We are grateful for the support of the West Midlands business community and wider stakeholders we look forward to playing our part in the future growth of the region."

SHILPI AKBAR

Head of Stakeholder and Communities at Balfour Beatty VINCI

"HS2 is a real game changer for the Midlands, providing a once-a-lifetime opportunity for businesses and communities right across the region. As HS2's construction partner … we're uniquely placed to leave a lasting legacy, by helping the wider region become a more equal place to live and work, whilst closing the skills gap which the sector so desperately needs.

The West Midlands is a vibrant and diverse regional capital… in partnership with our supply chain, our Skills, Employment and Education programme is seeking to reach underrepresented groups, helping to expand the construction talent pool and invest in careers to boost the sector's future workforce.

During our peak years of construction, we're forecast to create more than 7,000 jobs, becoming one of the largest recruiters in the region. We've also committed to deliver 7,000 pre-employment training days, as well as creating and maintaining a five per cent apprenticeship employment rate across our total workforce."

AIR TRAVEL

Air travel was very heavily impacted by the pandemic, with passenger numbers through Birmingham airport dropping to virtually zero in the second quarter of 2020. Whilst there was some recovery in 2021, passenger numbers were still below half those seen in 2019. 2022 saw much greater recovery and whilst figures were still 24.1% below the 2019 baseline over the year, people are clearly returning to going abroad. 2023 has seen even greater recovery to date, though passenger figures are expected to be around 15% lower than the 2019 baseline. It could be that the cost of living crisis is dampening the ability to afford holidays abroad, particularly as UK consumer champion Which? estimates the cost of foreign holidays has increased by 70% between 2022 and 2023.

OFFICE SPACE

Post-pandemic changes in working practices have had major implications for the office market. ONS surveying in January 2023 found that 44% of adults across Great Britain were home or hybrid working, with 16% reporting working from home only and 28% reporting hybrid working. This trend is expected to remain, as 47% of workers report preferring a hybrid approach to home working. The government is also in the final stages of enacting new legislation through a Flexible Working Bill, which will bolster employees' rights to request flexible working. Whilst there have recently been many headlines about employers wanting employees to return to the office, when surveyed, 78% of employers offer hybrid working. It looks like hybrid working is set to remain going forward, particularly as it has been found to improve both productivity and work-life balance.

This will impact city centres and their usage. It is likely that hot desking and collaborative, mixed-use workspaces will become more common, as employers will no longer need the same volume of space. Office space take-up in Greater Birmingham has reduced from 0.78m sqft in 2019 (pre-pandemic) to 0.69m sqft in 2022. This represents an 11.2% reduction in office space take-up in the city region.

Research by Deloitte has found that office space construction is ticking back up, with a 40% increase in Birmingham in 2022, comparative to 2021, but this has not yet returned to the heights seen before the pandemic. Positively however, potentially owing to the profile of the city during the Commonwealth Games, the research also noted an increase in new organisations taking up space within Birmingham. Deloitte report that Birmingham, like most cities, has an increased demand for Grade A, flexible floorspace which satisfies emerging demands for workspaces. These include 'sustainability,' wanting 'greater collaboration space,' and 'healthy offices' that are 'future pandemic proof'. However, Deloitte warn that with flexibility comes inevitable competition for space, which will push rental rates up.

DOMINIC SAVOLAINEN

Senior Economic Consultant, ARUP

"Birmingham's unique built environment recognises the need to preserve our cultural heritage in key development areas, while investing in transformational projects to curate and deliver long-term benefits. We at Arup have designed and delivered key projects across Birmingham's city centre region balancing economic, social, environmental, and historical considerations to create legacy and induce transformational growth.

"The new Paradise development, a key project of ours and our new home, has already attracted market leaders into the city centre. Our choice to occupy One Centenary Way was influenced by convincing MEPC to make it the first in the development to have a large space Arup could use to engage charities, third sector organisations, and local communities. This sits alongside our collaborative work and event spaces for our partners and clients to use alongside our members. Our new office underpins our commitment to social usefulness as well as our dedication to interesting and rewarding work as we collaborate with our clients and partners on complex local and global projects."

CHARLES TOOGOOD

Principal and Managing Director, National Offices and Lease Advisory Team, Avison Young

"In the drive to encourage staff back to office for corporate culture, staff engagement, serendipity and productivity, occupier demand continues to focus on best in class accommodation, well served by on-site amenities including health and well-being facilities, coffee shops and concierge services more akin to the hotel market. Well-connected buildings close to transport modes demonstrate the highest demand, through the continuation of urbanisation and centralisation away from suburban office centres.

... In the property investment market, given the persistent inflationary indicators and interest rate rises over recent months, with higher borrowing costs and debt maturity on the horizon, capital values are continuing to fall with prime yields in Birmingham having moved out from 5% to 6% over the last 12 months. ... Softening yields and higher borrowing costs is also impacting on the scheme viability, with many development projects whether new or refurbishments being shelved until such time as the metrics including the flattening of build cost inflation start to improve. However, the current paralysis in activity will likely see an improvement in Q2 2024."

HOUSING AFFORDABILITY

For the first time since 2012 there was a drop in the house price ratio in the Greater Birmingham area. In 2022 the house price ratio in the region was 7.06 - this means that house prices are just over seven times the median annual residential earnings. However, there is significant variance in house price ratios by local authority within the Greater Birmingham area. Bromsgrove, Redditch and Solihull all have a house price ratio above 8. On the other hand, East Staffordshire, Tamworth and Birmingham have a ratio below 7. For perspective, in 1997, 89% of local authorities had an affordability ratio of less than 5 times workers' earnings, whereas only 7% have this level of affordability in 2022.

The drop in the house price ratio is mostly due to an increase in median earnings between 2021 and 2022, with median earnings rising from £28,884 to £31,721, a 9.8% increase (a result of wage rises in the cost of living crisis and current labour supply shortage). There was also a small drop in average house prices from £225,000 to £224,000, the first drop in house prices since 2012. This fall was due to the impact of the October 2022 'mini-budget,' and the significant rise in interest rates which followed.

Part of the reason that house prices have risen so high over the last decade, regionally and nationally, is an undersupply in housing, particularly affordable housing. Whilst there has been a 127.4% increase in the number of new homes built between 2010/11 and 2021/22 in the region, it is still not enough to meet current demand.

Whilst net housing has been increasing since 2010, the proportion of affordable houses has decreased. In 2010/11, 3,086 net additional houses were completed in the region, with 39.6% being affordable housing. By 2021/22 only 5.4% of the net additional homes were affordable housing. With less affordable housing being built, housing has become more expensive, as there is less diversification of house prices within the market. Moving forward, there will need to be a greater number of houses built, with a larger proportion of these being affordable.

BROADBAND

Ofcom's Connected Nations data shows that broadband performance and coverage vary across Greater Birmingham. Tamworth has the best superfast broadband coverage with this being available to 99.2% of all premises, with East Staffordshire having the lowest coverage at 95.4%. Coverage differs significantly between the local authority areas in regard to ultra-fast broadband (from 90.7% in Solihull to 42.4% in East Staffordshire), full-fibre coverage (60.7% in Cannock Chase, 6.3% in Tamworth) and gigabit availability (90.1% in Solihull, 40.0% in East Staffordshire). In terms of performance Birmingham has the best downloads speeds at 100 Mbit/s, whilst East Staffordshire has the worst at 55 Mbit/s. The importance of digital connectivity was highlighted during pandemic, with many individuals suddenly transitioning to working and learning remotely. Improving connectivity and performance across the city region remains imperative to unlocking the potential of the digital economy, improving reachability and boosting productivity.

KASAM HUSSAIN

Regional Director
Midlands, Openreach

"Our Full Fibre network offers lightning-fast speeds, improved reliability, and gets homes and businesses ready for wherever the digital world goes next. Think download speeds 10 times faster than the average current home broadband connection ... This new fibre network will help Openreach and its customers to dramatically cut emissions, with research suggesting nationwide Full Fibre broadband could save 300 million commuter trips every year.

There's little doubt, better connectivity can be a key to unlocking Greater Birmingham's economic growth.

As our new network fast approaches one million premises across the West Midlands, we know there's much more to do. And a relentless focus on achieving the right outcomes, with regulations and processes designed to do that, has never been more important."

SUSTAINABILITY

Connectivity and place are hugely important in the effort to decarbonise the UK. The total estimated greenhouse gases emitted in the city region in 2021 was 9,454.2 KtCO_2e. The largest share of emissions in the city region derives from the transport sector, which accounts for 32.1% of emissions. The domestic sector (emissions largely generated by households), accounted for 29.4%. Industrial emissions then accounted for 18.6% of total emissions. All other sectors accounted for less than 6% of total emissions.

Greater Birmingham has seen significant progress in the effort to reduce emissions. Between 2005 and 2021, there was a 34.3% reduction in total emissions, though this is below the average England reduction of 39.2%. By sector between 2005 and 2021, the largest reduction in emissions has been in commercial emissions (75.7%). The second largest reduction has been domestic emissions (38.8%), closely followed by public sector emissions, (37.8%).

Per capita greenhouse gas emissions in Greater Birmingham in 2021 were 4.6 tCO_2e. Population adjusted greenhouse gas emissions have been falling since at least 2005 across the city-region however, there was an increase between 2020 and 2021 in per capita emissions from 4.3 to 4.6 tCO_2e. This is unsurprising given reduced transport and industry emissions during 2020 lockdowns, which will have risen as the economy began to re-open. Between 2005 and 2021, per capita emissions have fallen 40.7%, though this is below the England fall of 45.6% over the same period.

In the long run emissions are expected to continue to fall. In the medium-term it is currently unclear what impact the Government's recent announcements, delaying the bans on new gas boilers and the sale of new fossil fuel-based cars to 2035 and further reducing tax on energy efficiency installation, will have. When these bans do take effect the rate at which emissions fall should increase, dependent on how fast the population increases over this period.

DR ANNUM RAFIQUE

Research Fellow,
City-REDI,
University of Birmingham.

"The Energy Performance Certificate (EPC) provides median energy efficiency scores, which evaluate the energy efficiency of buildings based on various factors such as building materials, heating systems, and insulation. The energy efficiency scores range from 21 to 100, with 100 being the most energy-efficient building. These scores are also associated with specific energy efficiency rating bands: a score greater than 91 corresponds to Band A, 81 to 91 to Band B, 69 to 80 to Band C, 55 to 68 to Band D, 39 to 54 to Band E, and 21 to 38 refers to Band F.

"Energy efficiency scores in Birmingham are below 69 in all parliamentary constituencies, suggesting that most households in the city fall within the efficiency rating of Band D. However, there is potential for improvement as all constituencies have the opportunity to move towards Band B. Efforts must be undertaken to improve energy efficiency and boost the overall rating of Birmingham's buildings."

AIR POLLUTION

Data from the Department for Environment, Food and Rural Affairs' Daily Air Quality Index shows that in the West Midlands as of mid-August 2023, 86.3% of days had been scored as having low-level pollution and 13.3% had a moderate level, with one day or 0.4% having a high level. This compares unfavourably with the pre-pandemic levels. By the same point in 2019 only 11.9% of days had had moderate levels of air pollution in the region, though there had been a greater proportion of high pollution days in 2019 at 1.3%.

The number of days with high levels of air pollution appears to have fallen since the introduction of the Clean Air Zone (CAZ) in Birmingham city centre, suggesting that the zone may be having a positive impact on pollution levels within the West Midlands region. It is important to note that the drop in pollution could also be attributable to changes in working patterns and deciphering the difference in impact would be challenging. However, early interim reports do suggest that the CAZ area has had a positive impact on levels of pollutants such as Nitrogen Dioxide.

ELECTRIC VEHICLES AND CHARGING INFRASTRUCTURE

Whilst transport may be one of the highest polluting industries, there has been rapid growth in the private ownership of ultra-low emission vehicles (ULEVs) in Greater Birmingham. At the end of 2019, pre-pandemic, there were 2,876 privately owned ULEVs in the city-region, which rose by 281% to 10,971 at the end of 2022. Whilst uptake of ULEVs is increasing in the city region, they only account for around 1.1% of private owned vehicles, slightly lower than the England average (1.5%). Nevertheless, the region is headed in the right direction, and it is anticipated that ULEV ownership will continue to increase as the infrastructure builds and policies such as the banned sale of new combustion engine vehicles (now expected in 2035) come into effect.

OFGEM reported in 2021 that a lack of charging infrastructure was one of the main reasons slowing the uptake of ULEVs by private owners. In total, as of July 2023, there are currently 870 charging points in Greater Birmingham, a 32.2% increase since July 2022. 34.8% (303) of these publicly available chargers are rapid chargers, much higher than the England average (18.5%).

The number of publicly available chargers greatly differs by local authority, with Birmingham having the highest number, accounting for 54.3% of electric vehicle (EV) chargers within the region. This means per EV charger in Birmingham there are around 8.8 EV cars (registered in the area - this does not those who might be travelling in for work). Coverage is not this good in every area however. Whilst 9.8% of total EV cars are registered in Lichfield, there are only 23 EV chargers, amounting to 46.6 cars registered in the local authority per publicly available EV charging point. Across the region in total per EV charging point there are around 12.6 cars, compared to an average of 11.2 across England.

DR MAGDA CEPEDA ZORRILLA

Research Fellow,
City-REDI,
University of Birmingham.

"Data shows that by the third quarter (July to September) of 2022, 14% of new car registrations in the UK were battery electric vehicles (BEV) with a further 5% being plug-in hybrid electric vehicles (PHEV). And the average CO2 emissions for vehicles registered for the first time in the UK decreased by 1% in 2022 third quarter compared to 2021 third quarter.

"... Although EVs can help to achieve net zero by 2030, to achieve the targets for 2050, researchers have stated that this requires more than only electric vehicles, by reducing distance travelled and by consistent investment in active travel"

CHALLENGES AND OPPORTUNITIES

In the midst of an ongoing cost of living crisis, record inflation, unprecedented interest rates and increased barriers to international trade, the region faces significant challenges. At a local level, these also include the status of Birmingham City Council's finances, and recent speculation about the future of the HS2 line to Manchester and the North.

However, rapid growth in new and emerging sectors such as Logistics, Transport and Distribution, Creative Content Production and Gaming and Healthtech and Medtech, the transition towards net zero, adoption of new technologies, significant devolution of power and funding from national government to the WMCA and strong local collaboration present clear opportunities for Greater Birmingham and the wider West Midlands.

BIRMINGHAM CITY COUNCIL

On 5th September 2023 Birmingham City Council announced that it had issued a report under section 114 of the 1988 Local Government Finance Act. In June the Council had announced that it had a potential liability relating to equal pay claims in the region of £650m to £760m, some of which date back to 2012, with an ongoing liability accruing at a rate of £5m to £14m per month. At the time of issuing this section 114 report, the Council remained in a position where it needed to fund the equal pay liability that had accrued, but it did not have the resources to do so, with an in-year financial gap within its budget in the region of £87m. Further to these equal pay liabilities, this has partly been attributed to cuts to Council budgets over the recent years. The Institute for Government estimates local authorities saw their spending power fall by 31% between 2009/10 and 2021/22 following austerity measures and cuts. At the same time, demand for services has only increased. Commentators have also criticised the Council for major issues implementing a new Oracle IT and Finance system.

Levelling Up Secretary Michael Gove has appointed commissioners to provide directions to the Local Authority for the next five years. On 21st September Birmingham City Council's Finance Director issued a second section 114 report, as the Council had failed to secure a decision regarding the implementation of a new job evaluation programme intended to prevent further equal pay liabilities. This decision was reportedly delayed to allow for input from Government-appointed commissioners.

On 25th September Councillors voted in favour of a recovery plan to tackle the Council's financial problems, which included accepting the section 114 report, agreeing spending control measures until a new budget has been passed, endorsing activity to address its financial pressures and to receive a further report and emergency budget in October.

THE FUTURE OF HS2 NORTH OF BIRMINGHAM

At the time of writing, there is speculation that the northern leg of HS2 - set to run between Birmingham and Manchester - may be delayed or cancelled, with reports the Prime Minister and Chancellor are due to hold discussions on its future due to cost pressures. Prime Minister Rishi Sunak has declined to reaffirm the Government's commitment to building HS2 to the North. The potential cancellation of the route to the North of Birmingham has been criticised by many, including the Greater Birmingham Chambers of Commerce and business leaders across the region, who in late September co-signed a letter to the Prime Minister urging that that cancelling or curtailing HS2 Phase 2b would be short term thinking holding back the economic growth of the Midlands and the North and fail to fix the long-term capacity or levelling up challenges that the project is designed to solve.

The letter argued that a rapid service between Birmingham and the edge of London does nothing to bring the country closer together and does everything to promote a London centric economy. Removing Phase 2b would not only damage long term growth prospects but have immediate impacts on jobs and regeneration projects in the Midlands and Northwest. In addition, HS2 to Manchester doubles the capacity between London and Manchester in terms of seats, more than trebles capacity between Birmingham and Manchester (from 450 to 1,500 seats per hour) and cuts the journey time between Manchester and London by almost an hour compared to the current fastest service. The full HS2 network is expected to create space on the current rail network for up to 144 extra freight trains per day. Each freight train can take up to 76 HGVs off the road. All of which is critical for achieving the government's target of achieving net zero by 2050.

LEGACY OF THE BIRMINGHAM 2022 COMMONWEALTH GAMES

The Birmingham 2022 Commonwealth Games has widely been considered a success for the region. The West Midlands welcomed a record 141.2m visitors in 2022 with the Commonwealth Games a key driver and the official interim evaluation report on the Games indicated at over £870m GVA contributed to the UK economy up to January 2023, with over half of that coming into the West Midlands. Over a year on from the Games, Birmingham 2022 continues to provide opportunities for the local economy.

Over a three-year period, spanning the run up to Birmingham 2022 and the aftermath of the event, the Greater Birmingham Chambers of Commerce have surveyed and interviewed businesses on the (anticipated) impact of the Games. Post-Games, in May-June 2023, surveying found that 66% of local businesses expect the Games to have a positive impact on the city-region in the next 2 years, and 44% of businesses are interested in activity related to the social legacy of the Games. In interviews and and a focus group conducted after the Games, businesses reported involvement in the Games generating significant workforce engagement and civic pride, changing perceptions and boosting the city and region's international reputation.

While there was, and still is, a great deal of optimism in the aftermath of the Games, during the Chamber's research, some businesses raised that they would be keen to see a commitment to ongoing partnership working across the public and private sectors to ensure that the region maximises the ongoing opportunities established by the Games. Some interview participants and comments provided by businesses also suggested a lack of awareness of Games-related strategy, opportunities and impact post-games, leading the Chambers to recommend stakeholders build on partnership working shown during the events to collaboratively and consistently communicate the impact of the Games legacy and how local businesses can engage with it. The Chambers also recommended that stakeholders maintain the momentum of the Games by building on the initial success of the Business and Tourism Programme, Birmingham 2022 legacy programmes and lessons learned from major programmes on transport and skills to embed and align them with regional strategies and demonstrate their role in the Levelling Up agenda.

CAMERON UPPAL

Policy and Public Affairs Adviser, Greater Birmingham Chambers of Commerce

"The summer of 2022 was a spectacle to behold. Never before have the eyes of the World been so intensely focused on Birmingham and needless to say we didn't disappoint. The Commonwealth Games was a once in a lifetime experience for the people of this great city. The thrill and excitement was palpable across the city.

... One of the biggest accomplishments of the Games was the way that it changed the perception of Birmingham. The Games propelled the city onto the international stage with more than 5 million people coming to Birmingham city centre during the two-week period of the Games and achieved an estimated total global TV viewership of 834.9 million; over 215 million digital views and 141 million interactions on social media. This has already translated into tangible benefits for the region, particularly in terms of GVA and FDI."

NEW AND EMERGING SECTORS

In 2022 the West Midlands Combined Authority developed the Plan for Growth, which identified eight priority growth clusters in which the region has comparative advantage, business confidence and further market opportunity. The Plan identifies a set of six cross-cutting interventions that it estimates could deliver combined differential growth of between £2.9 billion to £3.2 billion in GVA and between 40,300 and 44,800 jobs. Achieving this would bring growth in the West Midlands to just ahead of the UK average by 2030. Growing opportunities for cluster development and specialisation in the WMCA area include:

- Logistics, Transport and Distribution: the number of logistics, transport and distribution businesses rose by 24.1% across the UK between 2019 and 2022. In the WMCA area the number of these businesses grew by 28% in the same period. As a proportion of logistics, transport and distribution businesses in the WMCA region, 19.1% are located in Birmingham. The second highest concentration of these businesses is in Wolverhampton (11.4%), followed by Sandwell (10.3%). Key opportunities for these firms in the region include the Golden Logistics Triangle, an area within a 4-hour drive of 90% of the British population, strong road and transport links, one of the largest airports in the UK, and trends towards buying online. Now with HS2 set to arrive there are even greater opportunities for this unique location. However, there is a risk that in the future the area may become overcrowded, driving up property costs and pushing these businesses out of the market.

- Creative Content Production and Gaming: The West Midlands video game cluster, known as Silicon Spa, comprises as many as 50 game development studios, based in and around the towns of Leamington Spa, Southam and Warwick. This cluster includes 'Triple AAA' PC and console developers alongside mobile game development arms of large organisations. These larger companies are then surrounded by a slew of smaller 'indie developers'. Leamington was identified by UKIE10 in 2020 as one of the eight UK games hubs contributing more than £60m in GVA to their local economies, ranking 3rd in travel-to-work-area, the highest contributor outside London and the South-East. It has been estimated that the creative sector in the Greater Birmingham and Solihull region employs nearly 50,000 people, generating around £4.1 billion in GVA per annum, almost 9% of the total GVA generated for the geography. The West Midlands industry strategy also highlights that the majority, nearly 60%, of creative and design jobs are outside of the core creative industries with creative skills driving innovation in a wide number of industries.

For example, design led thinking originating in the gaming industry has been combined with virtual reality (VR) and augmented reality (AR) to develop, prototype and test new vehicles across the automotive, aerospace, rail and logistics industries across the West Midlands. Key opportunities for this cluster in the region include the presence of some of the largest gaming content producers in the UK and Europe, strong creative skills and innovative supply chains, and the concentration of historical sectors such as automotive and rail, which are adopting creative technologies to support innovation.

- Healthtech and Medtech: The WMCA report that this cluster employs over 17,000 people in the West Midlands, which is expected to increase by 10,000 by 2030. The large concentration of National Health Service infrastructure in the West Midlands (8 hospitals and 35 regional centres of clinical research excellence) makes it an attractive location for healthtech and medtech firms. The region also has one of the world's largest concentrations of clinical trials for activities in both drugs and medical devices - with one in five of all UK trials carried out in the West Midlands. Strong research assets developed by the NHS and local universities, including the Birmingham Health innovation Campus, the Precision Health Technologies Accelerator, the Rosalind Franklin Lab and the Institute for Translational Medicine also support the development of this cluster. Additionally, the region has just been awarded an innovation accelerator largely focussing on healthtech and medtech research and innovation, run in partnership between the University of Birmingham, Aston University and the West Midlands Combined Authority. Opportunities for this cluster in the West Midlands also include the diversity of the population, which offers an attractive proposition to researchers testing new and innovative technologies to detect and combat illness.

PROFESSOR MARTIN LEVERMORE MBE DL

CEO, Medical Devices Technology International

"Trading conditions in the Life Science sector will remain challenging for some time due to volatile markets and the general loss of access by UK companies to some markets. However, the sector has promising long-run growth trends; with increasing customer purchasing powers in developing economies, increased interest in health in developed ones, and ageing populations with western economies demand is expected to be strong. Within the UK, consumer spending on medical products, appliances, and equipment between 2022 and 2032 is forecast to grow by 34% in real terms, more than double the growth in consumer spending on all goods and services.

… The UK government has identified life sciences as a key industry for driving growth and innovation for the country [and] has recently announced a £650 million investment package to support the growth of the life sciences sector. … The West Midlands Life Sciences sector contributes £6.49bn to the UK GDP. This represents 49.9% of the entire UK Life Science sector contribution of £13 billion to GDP. Post Brexit the West Midlands must keep a firm optics on its innovation ability, collaboration, and forward-thinking approach to solving not only regional healthcare challenges but global ones."

THE TRANSITION TOWARDS NET ZERO

The Prime Minister recently announced a range of changes to the UK's Net Zero policies, including pushing back the ban on the sale of new petrol and diesel cars in the UK from 2030 to 2035, however the UK's target to hit net zero by 2050 remains unchanged. At the time of writing it has yet to be confirmed what impact this will have on the West Midlands and the automotive industry in the region.

Locally, it is also currently unclear what Birmingham City Council's financial situation means for the local authority's transition to net zero. However, while more is yet to be done, businesses have made good progress to decarbonise their operations and remain engaged in net zero initiatives across Greater Birmingham. Between 2005 and 2021, Greater Birmingham's industrial emissions have reduced by almost a quarter (24.4%) and transport emissions by over a fifth (23.6%). Surveying by the Greater Birmingham Chambers of Commerce indicates that in 2022, 65% of businesses implemented measures specifically aimed at reducing their environmental impact, compared to 59% in 2021. The Chamber's annual Sustainable Business Series aims to support businesses on their journey to net zero, sharing best practice advice and guidance from experts across the region.

The transition to net zero represents a major opportunity for growth in Greater Birmingham, given the city's industrial legacy, world class automotive cluster, leading business services and emerging strengths in clean tech and green energy.

The ONS estimates that the low carbon and renewable energy economy in the UK accounted for £54.4bn of revenue in 2021, an 18.8% increase since 2019. Though the low carbon and environmental sector was the smallest sector in Greater Birmingham in 2021 in terms of GVA, it saw the largest growth of any sector in the region between from 2019-2021, at 19.9%. Collaborative initiatives to further the development of low carbon technologies in the region include work being undertaken at Tyseley Energy Park to stimulate innovation, demonstrate new technologies and create commercially viable energy system solutions. Located at Tyseley Energy Park, the University of Birmingham's £8.5m Birmingham Energy Innovation Centre has been designed to promote innovation in waste, energy, and low carbon vehicle systems. Additionally, the University of Birmingham's Climate Innovation Platform, supported by HSBC UK and part-funded by the European Regional Development Fund, delivers a series of business development opportunities to support firms committed to driving innovation in energy technologies.

HARSHA ANANDA

Chief Evangelist

PHIL PARRISH

Head of Marketing and Communications, Enzen

"...the need for greater granularity in energy data across the sector is an absolute necessity as we seek to build a more flexible, resilient, and low-carbon grid.

This represents huge opportunities for enterprising players in the UK energy industry willing to invest in R&D and innovation. One area where this will be crucial is Ofgem's decision to expand the Market-wide Half-Hourly Settlement (MHHS) to domestic consumers, expected to be completed by October 2025.

When finished, it will be one of the most significant regulatory changes to have affected the retail electricity market in the UK in the past thirty years. ... The outcome means enormous quantities of data being shared across the grid, giving utility networks the intelligence needed to manage demand more effectively, increase network resilience and reduce capital expenditure on major infrastructure works.

... It's a critical time for such utilities. ... The transformation of the sector is accelerating at a formidable pace, but one that can yield massive opportunities for forward-thinking participants."

KURAN SINGH

Policy Adviser, Greater Birmingham Chambers of Commerce

"In recent years, businesses across the region have shown a greater commitment to environmentally friendly initiatives. Our Net Zero and Sustainability: Business Insights report shows how in 2022, 65% of businesses implemented measures specifically aimed at reducing their environmental impact. This was an increase of 6% compared to 2021. ... The opportunities emerging as a result of the transition to Net Zero are significant. In the Skidmore Review, it is estimated that the global market opportunity for UK businesses from Net Zero could be worth more than £1 trillion in the period 2021 to 2030. ... The Birmingham region is uniquely positioned to take advantage of these opportunities. ... Birmingham is at the forefront of sustainability efforts, with businesses showcasing a commitment to implementing the measures required to create a greener city. This combined with a thriving green economy, and it's clear that the future of the city is green."

ADOPTION OF NEW TECHNOLOGIES

The adoption of new technologies presents critical opportunities to both technology-focussed firms in the city region and the digital functions of businesses across the broader economy. A number of initiatives across the city seek to support local businesses to adopt and exploit emerging and disruptive technologies such as artificial intelligence, quantum computing and augmented reality, including the AI and Future Tech Forum, launched by the West Midlands Innovation Programme in July, in partnership with TechWM and in association with the WMCA and the Innovation Alliance.

The West Midlands lags significantly behind the rest of the UK in basic digital skills, and vacancy data suggests the region also faces shortages of individuals with advanced digital skills. To ensure that talented individuals have access to local opportunities and businesses access to the skills needed to make the most of new technologies, a series of new, innovative programmes, in addition to ongoing collaborations, present opportunities to address digital skills gaps in the region.

One recent initiative is the Birmingham Digital Futures Innovation District, established in September by the University of Birmingham in collaboration with PwC and Tech She Can, through support from Ahead Partnership and Digital Innovators. This Innovation District will offer skills development programs for learners at every stage of life from primary and secondary education to further and higher education, NEET individuals, and those in work. The partnership, with educators and the private sector, will foster the growth of the regional digital skills eco-system, ensuring an integrated offer and seamless transition between each stage of learning.

Birmingham Metropolitan College (BMet) have also recently launched what is believed to be the first FE-led short course in FinTech in the country. The West Midlands Fintech Skills Framework, produced by Whitecap Consulting for SuperTech West Midlands, in partnership with BMet College, highlights the opportunity to provide targeted skills provision to support the future growth and competitiveness of the region's FinTech sector. Birmingham is recognised as one of three FinTech hubs in the UK and SuperTech West Midlands estimates that the FinTech sector in the region was responsible for £474m in GVA in 2022 (representing a 15% increase since 2020) and over 11,000 workers (up by 51% in 2 years).

The WMCA has also conducted extensive research into digital skills demand, utilising this to inform education and training provision. The Combined Authority has invested heavily in training to support individuals into careers in digital aligned with business need. A key element of this is Digital Bootcamp training, part of a £7m investment which has trained more than 1,900 residents to date.

CHRISTINA PENDLETON

Chief People Officer,
Intercity Technology Ltd

"In the current recruitment market, it is incredibly competitive to attract people with digital skills, so we have been focussing on growing our employer brand. We've made some brilliant achievements over the past few years and obtained accreditations to give credibility to the Intercity story when we attract people to work at Intercity ... We have also been widening our networks and doing more work with schools, colleges, universities, Ahead Partnership and The Birmingham Chambers of Commerce to ensure people think of Intercity as a future employer.

... One of our strategic objectives is to nurture our people's brilliance, with colleagues encouraged to focus on their personal development. ... We grow our own talent and have apprentices and graduates integrated into all aspects of our business, making up 6% of our overall workforce. Our programmes have a multifaceted approach to skills development and upon completion our apprentices and graduates are highly skilled, productive, and committed to Intercity and ready for promotion."

DEEPER DEVOLUTION

The West Midlands Combined Authority's Deeper Devolution Deal, announced by the Government in the 2023 Spring Budget, secures wide-ranging new powers and a budget windfall in excess of £1.5 billion to level up the region. New and significant longer-term funding agreements include 100% business rates retention for 10 years, worth £450 million. The WMCA will also be home to one of the eight investment zones in England, and up to six levelling up zones which will be backed by 25-year business rate retention, with an expected total value to the region of at least £500 million, to target investment and encourage jobs and regeneration in areas agreed between the WMCA and Government. It has also been confirmed the West Midlands will, from the next spending review, have a departmental-style arrangement with a single pot of funding negotiated with Government. This will give local leaders unparalleled control over spending on devolved areas, marking a seismic shift in power and influence from Whitehall to the West Midlands. As discussed throughout this report, the deal also features new powers over skills provision, transport operation and the development of infrastructure in the region. A further, enhanced devolution deal is set to come into force in Autumn 2023.

ALICE PUGH

Data and Policy Analyst,
City-REDI

"The greater capacity and responsibility enabled by [the Deeper Devolution] deal will give the WMCA greater legitimacy as a subnational institution with the capabilities to effectively tackle challenges facing the region. Alongside bringing together a fragmented group of local authorities which have long been competing against each other for patchy often small funding pots.

"Regions and places have differing needs in terms of housing requirements, skills and transport infrastructure. The decentralisation and devolution of some of the powers in these areas will enable the WMCA to develop long term plans relevant to the WMCA to more effectively tackle challenges and opportunities, which the WMCA has a better comprehension of than the national government."

BUSINESS SUPPORT

Following the closure of the Black Country Local Enterprise Partnership (LEP) and Coventry and Warwickshire LEP, the West Midlands Combined Authority will now oversee all work previously done by these LEPs, including determining local economic priorities, undertaking activities to drive economic growth and job creation, improving infrastructure, and raising workforce skills within the local area. Business advice, support and funding will be delivered through the new 'Business Growth West Midlands,' co-ordinated by the WMCA and funded by a £42 million investment from the UK Shared Prosperity Fund. SMEs will also be able to get further help to decarbonise, reduce energy costs and become more sustainable. As it stands, Birmingham and Solihull LEP will continue to operate until the end of the year meaning business support will remain available from their Growth Hub up to this point.

Further, the West Midlands Innovation Accelerator, launched in July, comes through a share of a £100m fund set up by the Department for Science, Innovation and Technology and delivered by Innovate UK in partnership with the WMCA. The funding will enable businesses to develop new products, processes and services that can spark commercial growth and investment. The scheme will have a particular focus on health and medical technology, clean technology and a range of other sector specialisms. Announced in the Government's 2022 Levelling up White Paper, the West Midlands Innovation Accelerator serves the purpose of forging a new relationship between the region and Government, ensuring the region benefits from the commitment to increase in overall UK public R&D funding to £20bn by 2024/25.

DR JULIANE SCHWARZ

Research Fellow

PROFESSOR FUMI KITAGAWA

Chair in Regional Economic Development, City-REDI, University of Birmingham

"The business support landscape in the West Midlands, as within England, has been changing and in a state of flux during a turbulent and highly disruptive time for businesses...

"New opportunities are ... emerging as exemplified by the West Midlands Innovation Accelerator programme with growing collaborative mechanisms across public and private sectors. ... There seems to be a momentum for universities in the region to work collaboratively drawing on complementary capabilities and strengths. However... to realise sustainable regional advantages in the long term, strategic alignment between various actors is required. For instance, universities need to be part of industrial policy – by combining sector specific expertise with place-based approaches and coordination."

BUSINESS COMMISSION WEST MIDLANDS

The West Midlands is in a period of great change as the region's business community navigate the aftermath of the Covid-19 pandemic and Brexit against a backdrop of global economic uncertainty. Nationally and regionally our public sector institutions and leaders are also evolving as local elections, a WMCA Mayoral Election and General Election are all expected in 2024.

In this context, the local business community has an opportunity to present a clear voice to local, regional and national government, to drive action and meaningfully shift the dial on the region's business survival and growth outcomes, and with it, economic growth potential. The Business Commission West Midlands, delivered by the Greater Birmingham Chambers of Commerce in partnership with the Black Country and Coventry and Warwickshire Chambers of Commerce, will provide a roadmap for unlocking business growth across the region. An apolitical body, the Commission is led by an independent Chair and a panel of leaders in enterprise from a range of industries, supported by an expert advisory panel. It will forensically examine the opportunities on the horizon for the region's businesses and the change or action needed to fully seize them. The findings from the Commission will become a bedrock for championing positive change to drive commercial opportunities for local businesses.