Birmingham Economic Review 2016

Part 3: Enterprise and Business Opportunities in Birmingham
We are pleased to be partnering with City-REDI (the City Region Economic Development Institute) and the Marketing Birmingham Regional Observatory on this new report examining the economy of Birmingham.

As we work our way through this period of uncertainty following the EU referendum, it has never been more important for us all, business community, public sector and beyond, to have a clear understanding of our city and how it relates to the regional economy.

This need is accentuated by the emergence of new, regional bodies aiming to tackle challenges and maximise opportunities in an ever more joined up way; such as the West Midlands Combined Authority, Midlands Connect and the Midlands Engine.

City-REDI, and the Birmingham Business School at the University of Birmingham that it is a part of, have been the driving forces behind the analysis in this report. It is primarily thanks to their knowledge and expertise that we have this valuable addition to the evidence base, setting out the strengths and challenges facing our great city.

For our part, the Greater Birmingham Chambers of Commerce, remains as ready now to champion the business community as we did when we were founded in 1813.

Today’s Chamber represents over 2,500 members of all sizes and sectors and exists to help connect, support and grow local enterprises. Our members, some of whom feature in this report, form the bedrock of our communities through jobs creation and civic leadership.

Many of us in the business community feel as though Birmingham’s time has come. National media coverage of Birmingham has begun to reflect the city’s status as a world class place to live and work. Barely a week goes by with a report of a new organisation choosing to move to or increase its investment in Birmingham. With the high profile move of HSBC UK to Arena Central and the opportunities represented by HS2 on the horizon, our city’s renaissance is truly in full swing.

This report highlights that there is much that we can be proud of as a city. But no city is without challenges. We hope to promote a shared understanding of what those challenges are, so that we, alongside many other organisations in the city, can stand ready to help play a part in finding a solution.

Paul Faulkner
Chief Executive of the Greater Birmingham Chambers of Commerce
Welcome

Welcome to the 2016 Economic Review of Birmingham, produced jointly by the Greater Birmingham Chambers of Commerce and City-REDI (the City Region Economic Development Institute), which is part of Birmingham Business School at the University of Birmingham.

Birmingham is our regional capital and the UK’s second largest city. A thriving metropolitan centre with a growing population of over one million and economic output of over £23 billion. This review gives a clear and comprehensive analysis of Birmingham’s economy, labour market and industry structure. It maps a wide range of economic data and key indicators to help us answer some critical questions.

To support firms in the region and maximise economic growth we need to better-understand our unique regional economic assets, the kinds of firms located here and our skills and capabilities. What is distinctive and different, attractive and unattractive about Birmingham relative to other UK (and global) city-regions? How do these differences underpin specific competitive strengths that we can build on and weaknesses that we must overcome?

Answers to these questions will form the basis of a stronger industry strategy, help local managers leverage our regional assets to grow their firms, and help us attract more business to the region. They will also help policymakers provide more precise and effective forms of enterprise support, to improve our growth prospects and turn our latent, potential competitive advantages into real growth, jobs and well-being for the people of Birmingham.

Our review is published in a post-Brexit context of uncertainty which poses a wide range of political, social and economic challenges. The current renaissance of the city-region, under a strong regional coalition of businesses, policymakers and anchor institutions, like the University of Birmingham, provides the foundations for us to succeed in this environment. An aspirational regional growth agenda, based on clear empirical evidence and robust analysis provides a key focus for this coalition and we are pleased to be contributing to this agenda.

I hope you find it informative and useful.

Professor Simon Collinson,
Deputy Pro-Vice-Chancellor for Regional Economic Engagement and Director of the City-Region Economic Development Institute (City-REDI), Birmingham Business School, University of Birmingham
Executive Summary

This report provides an analysis of the current state of Birmingham's economy and labour market and how this may change and develop in the future. This first section forms the executive summary of three reports focusing on:

1) The Structure and Geography of the Economy of Birmingham
2) Workforce and Skills in Birmingham
3) Enterprise and Business Opportunities in Birmingham

Outside of London, Birmingham is the largest city economy in the UK. It is the West Midlands' regional centre of business, retail, leisure and culture. It is also the regional heart of employment with almost half a million people working in the city. Birmingham has a growing reputation as a location of international business. The city economy performs well on a number of measures. Economic output is growing and reached £23.2bn in 2014.

Birmingham has an advantage compared to many other areas of the UK due to its geographical position. The city is within four hours travel time of 90% of the UK's population and business. It is located at the hub of the UK's motorway and rail network, and is home to Birmingham Airport, the third busiest UK airport outside of London and the South East. The city's advantageous geographical connectivity brings significant growth opportunities for the local economy. This is highlighted by and enhanced by recent investment in Birmingham airport, New Street gateway, city centre Metro and Birmingham Airport. This will further increase national and international connectivity.

As an employment centre within the West Midlands and a core city, Birmingham's economy and labour market sits at the heart of a set of complex interlinked relationships with its neighbouring areas that together form the wider functional economic geography of the area.

Its labour market links are particularly strong both in terms of providing employment for residents of neighbouring areas within the city and in terms of Birmingham residents commuting to neighbouring areas for work. When positioned next to the city's fairly low employment rate, the high level of people who commute into the city suggests an imbalance in the local labour market between residents' skill levels and jobs based in Birmingham.

Nevertheless, the city possesses strong innovation resources and networks. It offers five universities with internationally recognised research facilities in areas such as engineering, creative industries, low carbon fuel technology and medical sciences.
Demographic Profile of Birmingham

One of the key drivers of the economy is population growth, especially working-age population. The latest data available, for 2014, showed that the total population Birmingham was 1,101,360 million.

Birmingham's working age population has relatively low rates of economic activity and employment and high levels of unemployment. Low levels of economic activity and employment and high unemployment tend to be concentrated in the inner city and some deprived outer city estates.

- 714,556 aged 15-64
- 235,226 children under 16
- 142,548 65 and over

Chart 1: Population Change over Time

From 2001 the figures in Chart 1 show a continual growth in the population of Birmingham, but more recently this appears to have stabilised with figures indicating slower growth. The population level aged 18-24 increased over the past ten years, partly due to growth of the city's three universities, but there was a significant drop in those aged 25 to 44 years. Nevertheless, the city is the youngest major city in Europe, with under 25's accounting for nearly 40% of its population. There is also a gap that exists in terms of the proportion of 30 to 44-year-olds living in the area. This is especially significant as people in that age group might be expected to play a big part in increasing entrepreneurship. The challenge is to encourage greater retention of university graduates as well as more inward migration.

Source: ONS Crown Copyright, Mid-year Population Estimates
A number of datasets provide information about Birmingham’s economic performance, including levels of employment, self-employment, part time, full time levels and overall economic activity. Much of this data comes from the Annual Population Survey 2015.

The Annual Population Survey (Table 1) estimated that 67.7% of those aged 16-64 in Birmingham were economically active – this is below the UK as a whole and below many comparable areas. Likewise, self-employment is also behind national levels.

Table 1: Employment and Unemployment (Jan 2015- Dec 2015)

<table>
<thead>
<tr>
<th></th>
<th>Birmingham (numbers)</th>
<th>Birmingham (%)</th>
<th>Great Britain (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Active</td>
<td>481,300</td>
<td>67.7</td>
<td>77.8</td>
</tr>
<tr>
<td>Employment Rate</td>
<td>437,600</td>
<td>61.5</td>
<td>73.6</td>
</tr>
<tr>
<td>Employees</td>
<td>376,500</td>
<td>53</td>
<td>63.1</td>
</tr>
<tr>
<td>Self-employed</td>
<td>59,100</td>
<td>7.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>45,300</td>
<td>9.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Claimant count</td>
<td>29,710</td>
<td>4.2</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: ONS, Annual Population Survey

Gross Value Added (GVA) is the most commonly used measure of economic output. Birmingham’s economic output totalled £23.2bn in 2014. In the same year GVA per head in Birmingham was £21,093. In most of the core cities, GVA per head has fallen relative to the national average since 1997. In those cities where there has been a fall, most of the fall has occurred since 2003.

An important aspect of developing the economy, both in terms of higher levels of GVA and higher job numbers, rests in developing the skills of the population. Chart 3 represents how Birmingham is above the national average for no formal qualifications but below average for all qualifications above and including NVQ1. It has a relatively low proportion of highly skilled residents. This suggests a ‘skill gap’ in the city, with the working age resident population of the city not holding the necessary skills to fully meet the skills requirements of employers in the city. This manifests itself in Birmingham being a large importer of workers from outside the city. This should not detract from the significant improvements made within the city over the past five years, dramatically raising the skills of pupils leaving secondary school and significantly reducing the number of 16 -24 year olds claiming unemployment benefits; a Birmingham City Council report released in July 2016 highlighted that the number of young claimants had fallen from 14,450 to 5,965 between 2012 and 2016.
Median gross weekly pay for full-time workers in Birmingham in 2015 was £488.20. This figure is a 1.9% increase on 2014. It is below the UK figure of £527.70 which saw a 1.8% increase from 2014.

Data on business births also give an indication of Birmingham’s economic performance through enterprise and innovation. 2014 saw 5,295 business births in Birmingham. Whilst this figure is constant with 2013 levels, there has been a 43% increase in business births since 2009.

Data highlights that Birmingham has a large number of business start-ups, more than any other city outside of London, however only 36.3% of businesses survive beyond five years. Statistics also highlight that 7.9% of Birmingham’s working age population is self-employed; less than the 10.2% national average.

Looking at the different sectors and industries within the city lets us consider their importance to the local economy. The analysis reveals that Birmingham has a much greater specialisation than national in jewellery manufacture, automotive, activities auxiliary to insurance and pension funding, and legal activities.

Birmingham’s visitor economy has grown in recent years. Visitor numbers increased 2% between 2014 and 2015 to reach 38 million. This was 16% higher than 2010. Data also shows that Birmingham attracted 51 inward investment projects in 2015/16; 74% more than 2011/12.

Source: ONS Crown Copyright, Annual Population Survey
We frequently hear that Birmingham is the youngest city region in Europe; that we’re adding more jobs to our economy than France; even that we have more canals than Venice. However, understanding what these things actually mean for the city is difficult.

This report looks to dig beneath the general understanding of our city's economy to better explain our current position and the challenges we face, what makes our city unique, and the opportunities ahead.

Given the disruption and uncertainty instigated this year by the EU Referendum, the GBCC believes that now is a perfect moment to take stock so that we may look forward with confidence and define our own future. The statistics presented in this executive summary are a useful starting point for this exercise.

Looking at Birmingham's demographics provides us with a perfect example of how the city's challenges and opportunities are often interlinked. Such a large population of Under 25s in the city is incredibly exciting because these young people will become the workforce of tomorrow and represent a great amount of potential. However, we need to understand this aspect of our city with relation to the current issues we have with skills and unemployment.

Our unemployment levels are still unacceptably high compared to national averages and the other core cities. As of August 2016, Birmingham's claimant rate was 6.3%. The next highest rate was in Liverpool at 5.1%. Understanding this in real terms is even more important considering how much larger Birmingham’s population is than other cities. To put this into perspective, Birmingham has around 23,300 people claiming Job Seekers Allowance compared to Manchester’s 6,000.

A young population is only an asset if we are able to equip them with the skills and opportunities they need to thrive as they enter the local workforce. In practice, this means closing the gap between business and education to help develop our skills base, becoming more attractive to graduates so that we retain talent in the city, and working together to address unemployment and skills gaps across Birmingham.

The city has made good progress in many of these areas, including strong performance on youth unemployment; however there is still a great deal of work to be done.

Elliot Mason
Policy & Patron Advisor at the Greater Birmingham Chambers of Commerce
Post EU referendum, already challenging macroeconomic conditions have become more unpredictable. The main areas to watch are:

**Trade:** The EU is the largest trading partner for the UK, and with demand from emerging markets and China slowing the outcome of tariff and non-tariff barriers, the trade in services and renegotiation of trade deals outside the EU will all lead to uncertainty in export markets.

**Foreign Direct Investment:** membership of the EU is one of many factors affecting investment, outside the EU the UK could create a system of regulation more attractive to foreign investment and more beneficial to UK, the parallel fall in sterling could also help create favorable conditions.

**Migration:** skilled migrants have a significant impact on business and growth, currently and future changes to immigration policy could restrict that movement, at all levels of skills. This could lead to labour shortages in an already tight market. The sectors most affected are likely to be hotel and food, manufacturing and admin and support.

**Business:** the EU legislates in a number of areas and we have yet to understand how these areas will be affected, these include; product specification; competition; employment terms; health and safety; and consumer protection. If the UK leaves the EU it will be free to regulate businesses as it seems fit, however businesses that export to the EU will still have to adhere to EU laws.

Overall the economic conditions globally were challenging, and have been shaken by the referendum; however the underlying issues and opportunities within the city region remain the same.
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Introduction

This report provides an analysis of the current state of Birmingham’s economy and labour market and how this may change and develop in the future. This document focuses on ‘Enterprise and Business Opportunities in Birmingham’. It gives an overview of aspects of enterprise such as self-employment, business birth rates and survival rates. It then explores innovation in the city through FDI and high growth firms as well as taking a look at Birmingham’s visitor economy.

From this analysis we can see that Birmingham performs well on:

• Innovation within Universities
• Foreign Direct Investment
• High growth firms
• Low business death rate
• Overseas visits

However, it performs less strongly on:

• Self-employment
• Business Births
• Business Survival

7.9% of the working age population are self-employed

48% business birth rate

36.3% of businesses survive beyond five years

Birmingham companies made the High Growth 10,000 league

140 inward investment projects were attracted to Birmingham in 2015/16

51 international business visits in 2015

619,000
Enterprise in Birmingham

Self - employment

Entrepreneurial activity is often measured using self-employment figures. Birmingham has a lower level of self-employment than nationally. 7.9% of Birmingham’s working age population (16-64) are self-employed compared to 10.2% nationally. The city is mid ranking amongst the English core cities.

Looking at self-employment by gender shows that Birmingham is weaker on female self-employment – only 3.3% of Birmingham’s working age female population are self-employed, compared to 6.6% nationally.

Business Births

Official ONS data is available to look at business start-ups in Birmingham. The ONS Business Demography dataset for 2014 (latest available) provides data on enterprise births in the UK which allows for comparisons between Birmingham and other areas.

Table 1: Business Births per 10,000 of the population

<table>
<thead>
<tr>
<th></th>
<th>Number of business start-ups</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>5,295</td>
<td>48</td>
</tr>
<tr>
<td>Manchester</td>
<td>3,525</td>
<td>68</td>
</tr>
<tr>
<td>Liverpool</td>
<td>2,160</td>
<td>47</td>
</tr>
<tr>
<td>Newcastle</td>
<td>1,210</td>
<td>42</td>
</tr>
<tr>
<td>UK</td>
<td>350,585</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: ONS, Business Demography Data

Table 1 shows the total number of enterprise births and enterprise births per 10,000 of the population (which represents an enterprise birth rate to enable comparison between different areas). We can see from the table that Birmingham is mid ranking in the core cities and has a start-up rate below the national average. Whilst this figure is constant with 2013 levels, there has been a 43% increase in business births since 2009.

In 2015, StartUp Britain identified that 14,152 new businesses were registered in Birmingham meaning that the city has the largest number of start-ups outside London. Manchester had the next highest with 8,712 new companies.
Business Deaths

The ONS Business Demography dataset for 2014 also provides data on enterprise deaths in the UK. Table 2 below shows that there were 3925 business deaths in Birmingham in 2014. This was slightly up on the 2013 figure. When the figure is examined per 10,000 of the population the rate of business deaths is 36%, which is lower than the national average of 38%.

Table 2: Business Deaths

<table>
<thead>
<tr>
<th></th>
<th>Number of business start-ups</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>3,925</td>
<td>36</td>
</tr>
<tr>
<td>Manchester</td>
<td>2,590</td>
<td>50</td>
</tr>
<tr>
<td>Liverpool</td>
<td>1,610</td>
<td>34</td>
</tr>
<tr>
<td>Newcastle</td>
<td>975</td>
<td>34</td>
</tr>
<tr>
<td>UK</td>
<td>245,835</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: ONS, Business Demography Data

Business Deaths

Another indication of the strength of an area’s enterprises are business survival rates. Chart 1 below shows the proportion of businesses started in 2009 that have survived 5 years. 36.3% of new business started in Birmingham in 2009 were still trading in 2012 compared to 41.7% nationally. The city is lower ranking amongst the core cities. Having both a lower than average business death rate and a lower than average business survival rate can be explained by a large number of business deaths occurring in the first 5 years- this provides the low survival rate although would contribute to a high death rate within 5 years. However, the low death rate shows that if a business survives beyond its first 5 years it is far less likely to fail beyond 5 years, thus giving a lower death rate overall.

Chart 1: Business 5 Year Survival Rates

Source: ONS, Business Demography Data
The on-going evolution of Birmingham's economy and labour market continues to be challenging. There are three points to consider. First, there is the question of self-employment. There has been a rapid growth in self-employment across England, but the geography of self-employment is partly related to concentrations of graduates and highly skilled individuals. It is this that partly explains the relatively low levels of self-employment in Birmingham.

Second, the mid-level performance of Birmingham in relation to enterprise birth rates is partly a reflection of the city's travel-to-work area; people establish firms close to where they live and this is also the case for self-employment. This means that many of Birmingham's new firms are located outside the city in the enterprise belt. Third, death rates and survival rates suggest that there is a degree of resilience amongst Birmingham's existing enterprises.

Overall, these figures suggest that Birmingham can and must do better. But there are distortions in this data that reflect the complexity of Birmingham's economy and the relationship between Birmingham and the wider conurbation. There is a message here both for the city and the West Midlands Combined Authority (WMCA) – Birmingham's economy needs to be understood in relation to the complete and complex functioning economic geography of the West Midlands. The key question is: how is this functioning geography defined and identified? The answer is that Birmingham's economy must be considered to be part of the economy of the conurbation, but also part of a much more extensive geographic area.

John Bryson, Professor of Enterprise and Competitiveness, City-Region Economic Development Institute (City-REDI), Birmingham Business School, University of Birmingham
Innovation in Birmingham

Birmingham City Centre Enterprise Zone

Birmingham city centre Enterprise Zone, comprises 26 sites across the city centre covering 68 hectares in seven clusters at Westside, Snow Hill District, Eastside, Southern Gateway, Digbeth Creative Quarter, Birmingham Science Park Aston and the Jewellery Quarter. The Enterprise Zone is one of the major projects for the GBSLEP, with the potential to create 40,000 new jobs, add £2 billion a year to the economy and make available 1.3 million square metres of floor space over the lifetime of the project.

A simplified planning regime has been introduced across the whole of the EZ in addition to Local Development Orders (LDO) being used in Digbeth and Birmingham Science Park Aston, which remove the need to apply for planning permission for a wide range of changes of use, making it easier for growing small businesses to be mobile. The EZ provides superfast broadband focused on the clusters of IT, creative and digital businesses in Digbeth, Eastside, the Jewellery Quarter, Southern Gateway and St George and St Chad Quarter.

Over its 25 year lifetime, the retained uplift in business rates will enable investment in a range of infrastructure, business support, employment and skills and access to finance projects to support its priorities.

Innovation at Universities

The University of Birmingham is part of the Russell Group of leading UK universities and is ranked among the top 100 universities globally. The city’s three major universities (University of Birmingham, Aston University and Birmingham City University) actively engage in research and knowledge transfer at a regional, national and international scale. These three universities have a range of internationally recognised strengths in the fields of:

- Advanced Material characterisation and use - including nanotechnology and composites
- Energy - including Hydrogen and fuel cells, bioenergy
- Low Carbon Technologies - including low carbon vehicles
- Innovative Healthcare - ranging from medical devices to clinical trials
- Digital Technologies - including use of social media and 3-D imaging

The Universities also offer specialised innovation services and collaborations with industry in the city. For instance, the University of Birmingham is home to Alta Innovations. Alta Innovations works with academics and business to bridge the gap between research and commercial application. They work with academics to protect their inventions and make sure that world-class technologies and innovations developed at the University of Birmingham can have the widest possible benefit.

Similarly, Birmingham City University offers Innovate for Advantage. Innovate for Advantage is aimed to support businesses to improve their performance by helping them to develop new products and services and to streamline processes. It taps into a range of expertise such as design, engineering, digital technology, e-business, social enterprise, business process improvement, marketing, web design and green technologies.

University College Birmingham also has excellent links with industry, particularly in the food sector. While Aston University has a number of initiatives in place such as 10,000 small businesses and their Business School’s Business Charter Gold Award and the Aston Centre for Growth.
Innovation Assets and Facilities

As well as the role of universities mentioned above, Birmingham has a number of high tech business parks and initiatives that are helping to foster innovative practices and high tech industry. These include:

• Innovation Birmingham Campus at Birmingham Science Park Aston - which is an increasingly high tech and young entrepreneur focused science park in the centre of Birmingham.

• Birmingham Research Park - at the University of Birmingham. A number of spin-outs from the city’s universities have started on these sites, with many still located there.

• Longbridge Technology Park and Innovation Centre - Situated on the former MG Rover site, this is a key link in the Central Technology Belt (CTB), the high technology corridor running along the A38 from the centre of Birmingham southwest to QinetiQ in Malvern, Worcestershire. Other developments along the CTB include the Queen Elizabeth hospital - a leading centre for healthcare R&D with a key role to play in the development of the city’s life sciences sector.

• Birmingham Science City - Birmingham was awarded Science City status by the Chancellor of the Exchequer in 2005, in recognition of the city’s strong science-based assets. The Birmingham Science City partnership provides a means to collaborate amongst the research community, private and public sectors, leading to the commercialisation of research strengths.

• Institute of Translational Medicine - Birmingham Health Partners led the development of a new Institute of Translational Medicine (ITM), a new world class clinical research facility in Birmingham opened in 2015. The centre will help progress the very latest scientific research findings from the University of Birmingham into enhanced treatments for patients across a range of major health issues including cancer and liver disease. The Institute will build on Birmingham’s excellent track record in clinical trials by increasing capacity and enabling more patients to be co-located alongside clinicians and researchers. It will also make it easier for both SME and large pharma and biotechnology firms to work more closely with clinicians and academics, bringing additional investment into the city.

• Birmingham’s Smart City Commission - The Commission, has representatives from academia, business, health, transport, education, utilities and local government. It was established in 2012 to drive the long-term vision and strategic leadership that will lay the foundations for Birmingham’s future. By shaping the technological solutions and partnerships to deliver a joined up approach to deal with the immediate and future challenges the city faces around:
  o Sustainable economic growth
  o Connectivity and infrastructure
  o Climate change and the green agenda
  o Digital inclusion and skills
It’s useful to remember that innovation comes from people and people need an environment conducive to being innovative. The young entrepreneurs in Birmingham are more and more enjoying the city’s renaissance as an exciting place to be, with ever-increasing numbers of great places to be, eat, drink, meet and create. New mixed-use canalside redevelopments such as Eastside, in close proximity to the universities and innovation centres such as the Innovation Birmingham Campus, are providing exciting, 360-degree environments to allow innovation to flourish.

Technological innovation needs a market, a product/service and an ability to implement. These three facets are constantly moving; pushing and pulling on each other. Navigating this constant flux is a significant challenge for the entrepreneur and being immersed in a flourishing innovation community provides the support needed to help entrepreneurs constantly find their way.

This is as much an urban planning challenge as it is an ecosystem one. Mixed-use flexible offices, parks, walkways, bars, waterways, living accommodation and restaurants all interact with incubators, funding and business support programmes. The push and pull dynamic that happens between markets, products and implementation, also happens between progressive urban environments and innovation ecosystems; the latter needs the former to foster innovation.

Wider than city-level, many of today’s businesses, particularly digital ones, are global by default. It is incumbent upon Birmingham to encourage global collaboration at both macro and micro levels. Trade missions, state visits and city exchanges all help at the macro level. Business support connectivity such as Innovation Birmingham’s interconnected iCentrum building help plug entrepreneurs into a global innovation ecosystem.

Birmingham needs to make sure that city-centre regeneration continues to attract aspiring entrepreneurs out of their homes and coffee shops and into innovation communities. Strong political leadership supporting innovation, areas with strong links into universities, nearby attractive places to hang out and supportive business incubation services and facilitated global connectivity, will inspire more of Birmingham’s young people to innovate.

Cliff Dennett
Head of Business Development at Innovation Birmingham Campus
Birmingham’s visitor economy (Chart 2) has exhibited strong growth in recent years. Between 2014 and 2015 visitor numbers increased by 900,000 (2%) to 38 million and the figure was 16% higher than that in 2010. Economic impact, meanwhile (i.e. direct expenditure on shopping, food and drink, accommodation, visits to attractions and travel along with multiplier effects such as expenditure that was recycled within the city economy on bought-in services and supplies) increased by 3% to £6.2 billion and is now 36% up on the level in 2010.

Chart 2: Growth in Birmingham’s Visitor Economy

Source: Regional Observatory/GTS STEAM Model

Attracting in-bound tourists, who tend to stay longer and spend more, is a key priority for Birmingham. In 2015 Birmingham was in the 4th most visited UK destination (Table 3) behind London, Edinburgh and Manchester - breaking through the 1 million barrier with a record 1.1 million visits.
### Table 3: Overseas Visits

<table>
<thead>
<tr>
<th></th>
<th>Visits Thousands</th>
<th>Nights Thousands</th>
<th>Spend £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>18,581</td>
<td>108,321</td>
<td>11,919</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>1,543</td>
<td>7,014</td>
<td>676</td>
</tr>
<tr>
<td>Manchester</td>
<td>1,152</td>
<td>7,630</td>
<td>458</td>
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<tr>
<td>Birmingham</td>
<td>1,107</td>
<td>6,344</td>
<td>386</td>
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<td>Glasgow</td>
<td>662</td>
<td>3,417</td>
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<td>Oxford</td>
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<td>Bristol</td>
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<td>Brighton / Hove</td>
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</tr>
<tr>
<td>Cambridge</td>
<td>430</td>
<td>3,587</td>
<td>350</td>
</tr>
</tbody>
</table>

Source: Regional Observatory/GTS STEAM Model

Encouragingly there has been an upsurge in numbers of overseas visits in recent years (Chart 3). In 2015 numbers are more than 160,000 (17%) up on 2014 and nearly 400,000 (55%) up on 2012. This was the largest increase of any UK city outside London - higher than the increase in Manchester and eight times that in Newcastle. International visitors to Birmingham in 2015 spent £386 million - also the 4th highest of any UK city (Chart 4). This is £87 million up on 2014 - again the largest increase of any UK city outside London.
Chart 3: International Visits to Core Cities

Source: Regional Observatory/GTS STEAM Model

Chart 4: Increase in Spend in Core Cities

Source: Regional Observatory/GTS STEAM Model
Birmingham has performed particularly strongly in respect of international business visits. There were 619,000 in 2015 – the highest of any city outside London, more than 60% more than Manchester, three times the number in Liverpool, four times the number in Edinburgh, Oxford and Bristol and five times the number in Cambridge, Glasgow and Leeds (Table 4). This is 120,000 (19.4%) up on the figure for 2014 (499,000) – the largest increase of any UK city outside London, more than double the increase in Manchester and nearly four times than in Liverpool, Oxford and Cambridge.

Table 4: Overseas Business Visits

<table>
<thead>
<tr>
<th>Overseas visits – top 10 UK destinations in 2015</th>
<th>Visits Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>3,712</td>
</tr>
<tr>
<td>Birmingham</td>
<td>619</td>
</tr>
<tr>
<td>Manchester</td>
<td>385</td>
</tr>
<tr>
<td>Liverpool</td>
<td>179</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>152</td>
</tr>
<tr>
<td>Oxford</td>
<td>149</td>
</tr>
<tr>
<td>Bristol</td>
<td>140</td>
</tr>
<tr>
<td>Cambridge</td>
<td>126</td>
</tr>
<tr>
<td>Glasgow</td>
<td>120</td>
</tr>
<tr>
<td>Leeds</td>
<td>108</td>
</tr>
</tbody>
</table>

Source: International Passenger Survey

This growth has been underpinned by a range of factors including:

- The billions of pounds worth of infrastructure investment the city has secured in the last few years, including the opening of the new Library of Birmingham, the Grand Central and the New Street Station redevelopment and the extension of the runway at Birmingham Airport to create a world-class global gateway.

- The launch of a number of new services at the Airport during 2014 and 2015 to a range of new destinations in Europe such as Madrid, Barcelona, Malaga, Reykjavik, Warsaw and Budapest and further afield such as Beijing and New York - with an 8% increase in international passenger arrivals in 2014 and a further 7.7% increase in 2015.

- The attraction of a growing number of high profile international business conferences to the city. Twenty of these were attracted in 2014 and Birmingham has improved its ranking as a leading global event destination by 20 places since 2013 and by 30 places since 2010 (source: International Congress and Convention Association).

- The establishment of a vibrant programme of events and festival.

These developments have provided a significant boost to Birmingham’s hotel market. Hotel occupancy (Table 5) in Birmingham averaged 74% in 2015, up from 71% in 2014, peaking at 83% in ‘Super September’ (1% up on 2014 and 8% up on 2013), when the city hosted Rugby World Cup games and the redeveloped New Street Station and Grand Central opened (Chart 5).
Table 5: Hotel Occupancy Rates

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average occupancy rate</td>
<td>71%</td>
<td>74%</td>
</tr>
<tr>
<td>Average room rate (ARR)</td>
<td>£57</td>
<td>£61</td>
</tr>
<tr>
<td>Revenue per available room (RevPAR)</td>
<td>£41</td>
<td>£45</td>
</tr>
</tbody>
</table>

Source: STR Global

Chart 5: Hotel Occupancy Rates

Source: Marketing Birmingham Regional Observatory
Birmingham has become an increasingly desirable destination for tourists, offering cultural gems such as the CBSO and Birmingham Royal Ballet, a thriving culinary scene that includes five Michelin-starred restaurants, and world-class retail and leisure facilities.

More people are discovering Birmingham than ever before. The city attracted a record 38.1 million visitors in 2015 and the largest regional increase in international tourists, thanks to the launches of landmark developments such as Grand Central and Resorts World Birmingham and a number of major events including the Rugby World Cup and Birmingham Weekender arts festival.

As competition to attract business and leisure tourists remains fierce, we have been working closely with partners including VisitBritain and Birmingham Airport, targeting markets with large numbers of potential visitors - including Germany, China and India - to ensure that our global profile continues to rise.

Emma Gray
Director of Marketing and Communications at Visit Birmingham
Inward Investment

Birmingham has become the only city in Europe to be named as a Location of the Future by Site Selection, a global inward investment magazine.

Location consultants and foreign direct investment (FDI) specialists from across the world were surveyed for the rankings. They were asked where companies will be locating 10 years from now. Birmingham was recognised alongside investment hotspots including Ireland and Germany in Western Europe – with the region praised for its high quality infrastructure, affordability, education provision and skilled workforce. No Eastern European cities were listed by the experts surveyed. The respondents also identified the industries expected to attract investment in Western Europe. Several mirrored Birmingham’s priority sectors for FDI – including automotive, tech, manufacturing, financial services and life sciences.

Birmingham also ranks as the highest UK city for investment prospects in the 2016 Emerging Trends in Real Estate® Europe 2016: Beyond the Capital report - a forecast published jointly by the Urban Land Institute (ULI) and PwC.

In 2015-2016 51 inward investment projects were attracted to Birmingham (Chart 6). While this figure is a little lower than the record number in 2014-2015, it is still 74% up on the figure for 2011-2012. At more than 2,800, meanwhile, the figure for new jobs created is nearly 40% up on 2013-2014 and double the figure in 2011-2012.

Chart 6: FDI Trends

Source: Marketing Birmingham Regional Observatory

It is also encouraging to see that investment is being attracted in an increasingly diverse range of sectors (Chart 7). While in 2011-2012 the automotive sector dominated, accounting for nearly 40% of FDI projects attracted, its share was just 17% in 2015-2016. Emerging key sectors for investment, attracting substantial FDI projects and jobs in 2015-2016, include professional and financial services (with Wragge Lawrence Graham merging with Gowlings of Canada, US architects Gensler opening a new office and the expansion of South African owned Sigma Financial Services creating nearly 2,000 new jobs), hospitality (with the opening of a new Australian owned Park Regis hotel and the redevelopment of the Irish owned Jurys Inn 240 new jobs) and ITEC (with investments by Advanced Computer Software and Flomatik Network Services between them creating 600 new jobs).
Similarly while in 2011-2012 77% of projects were from two markets – Europe and North America – this had fallen to 62% in 2015-2016 with markets in Asia Pacific such as China, Japan, Hong Kong and Australia growing in importance (Chart 8).

Source: Marketing Birmingham Regional Observatory
Expert Comment on Inward Investment in Birmingham

Post-Brexit we need to refocus our efforts to ensure we continue to attract investment from foreign markets. The region has firmly established itself as the UK’s driver of growth, fostering centres of excellence in business, professional and financial services, and leading the country’s traditional sectors - such as advanced manufacturing and engineering - to be among the best in Europe. Therefore, the region’s robust industrial strategy, critical mass of talent, and unprecedented investment in physical infrastructure and connectivity makes it better placed than other parts of the UK - and this will put it in good stead to remain an attractive proposition for inward investment.

Nevertheless, we cannot let this momentum slow down. We need to keep attracting further investment and this will only come if we are given more control over our own destiny. Fiscal devolution must continue to be an uppermost priority for the region.

Neil Rami
Chief Executive at Marketing Birmingham

High Growth Firms

In 2013 Birmingham was ranked third in a new city league of the UK companies showing the highest growth. A total of 140 Birmingham companies made the High Growth 10,000 league - between them recording a turnover of £10.4 billion. In total they employ more than 85,000 people. The league was drawn up by business information company Alert Research, which completed in-depth analysis of 3.4 million UK companies and concluded a group of 10,000 high growth companies are the powerhouse of the UK economy. They averaged 48 per cent growth per year, creating 54 per cent of all new jobs and purchasing over half of all new business services sold.

Packaging machine importer and supplier TNA Europe saw growth of more than 155 per cent to reach turnover of £18.1 million, while Temple Finance enjoyed turnover of £26.2 million and growth of more than 142 per cent. Neoproducts Group enjoyed turnover of £13.16 million based on growth of over 121 per cent and International Automotive Components Group’s growth of 82 per cent resulted in turnover of £284.67 million. Fifth on the list was Platnauer Group with growth of almost 80 per cent and turnover of £121.53 million.
Key Challenges and Future Opportunities

This analysis reveals that Birmingham has made good progress across a number of measures in recent years but that there is still a great deal of work to do to strengthen and support the business community. In particular, the city needs to increase the number of start-ups which are able to flourish.

It is positive to see that Birmingham has the most start-ups outside of London and that it has a wide array of areas aimed at supporting innovation, but the city cannot capitalise on these business births if these firms do not survive past their first few years. The Greater Birmingham Chambers of Commerce have recognised this and have released a package of membership aimed at companies who have been trading for less than a year. This package contains all the benefits and access of a standard Chamber membership plus 11 half-day workshops designed for start-ups. Whilst this is a step in the right direction, more needs to be done by stakeholders across Birmingham to ensure that we create an environment which is attractive and beneficial for start-ups.

We can also see that Birmingham’s visitor economy is increasingly strong and is drawing both visitors and investment into the city. This indisputably brings with it an array of opportunities however these do not come without associated challenges. For example, bringing more people into Birmingham is beneficial in terms of visitor spending and increasing the city’s profile as a destination, however the movement of people across the city is already a challenge which Birmingham needs to address. Both visitors and inhabitants face a transport system which is in need of improvement. Whilst the introduction of infrastructure like the Midlands Metro makes getting around the city centre increasingly easy, the same cannot be said for accessing many of the areas on the city’s periphery. Congestion, especially at peak times, around these areas can impede economic activity and have a negative impact upon visitor experience. This will be increasingly important as the construction of the HS2 line and station begins. The city needs to make sure that its transport infrastructure can cope with the disruption that this will bring in the short term.

It is also important to ensure that the benefits of Birmingham being a key economic hub are understood in terms of its place within the wider geography. Government has made it clear that regional areas will be their focus through the devolution process which has seen the formation of the West Midlands Combined Authority. The WMCA will oversee the implementation of an £8bn devolution deal. It is vital that the economic benefits this will bring are felt across the WMCA geography, but equally important that the importance and complexity of Birmingham’s economy is understood. A core theme of this Economic Review has been upon Birmingham’s links with the wider region. It is clear that, given the attraction of Birmingham as a place to visit and invest; encouraging growth and development within the city can drive prosperity across the wider region.
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