Greater Birmingham Chambers of Commerce

Birmingham Economic Review 2019

Chapter 5: Changing Perceptions of Birmingham

University of Birmingham | Birmingham Business School

City REDI

West Midlands Growth Company

Connect. Support. Grow.

Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England'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 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

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All Chapters of the *Birmingham Economic Review 2019* can be found online on the Greater Birmingham Chambers of Commerce website or via the contact details at the end of this document.

Changing Perceptions of Birmingham

Birmingham is an exciting place to be. The city is benefitting from strong levels of FDI and inward investment, while perceptions are slowly changing, with its visitor economy growing each year.

However, Birmingham does still struggle with perceptions of it being an industrial city, or rather a post-industrial one, made up of ring roads and brutalist architecture. In thinking about perceptions, it is worth considering how the image of Birmingham in national media, political debate and culture could be updated to more fully capture the dynamism of the city, one of the youngest and most ethnically diverse in Europe.

Commonwealth Games

The Commonwealth Games is one of the world's largest sporting events and is an opportunity for Birmingham to present itself to a global audience. The organising body for the 2022 Birmingham Commonwealth Games say they intend to 'deliver an unforgettable, global Games' while showcasing the region[1]. The construction of an athlete's village in Perry Barr will see large-scale regeneration of this part of North Birmingham that will be converted into 1,400 new homes after the event. The event will be a tourism opportunity for the city itself as well as a chance to broadcast a more contemporary image to an international audience. 70 nations with a combined population of 1.5 billion will be taking part.

Coventry Capital of Culture

The UK City of Culture scheme was launched to build on the success of Liverpool's experience as European Capital of Culture in 2008. After Derry in 2013 and Hull in 2017 Coventry will be the third holder of the title. Research from the University of Hull has shown the positive impact on Hull; more than 5 million people visited an event, 800 new jobs were created in the visitor economy sector and £220 million of investment attracted to the city. The games will not only give Coventry the chance to access this funding and job opportunities but also increase civic pride and sense of identity. With the spotlight on Coventry, the wider West Midlands area will also have the chance to promote itself to tourists and work on changing perceptions of the region as nothing more than an industrial place of ring roads and brutalist architecture.

FDI Trends

Foreign Direct Investment (FDI) enables urban development and growth. Foreign capital and knowledge build productive capacity, and can bring jobs and skills, while contributing to infrastructure improvements and export capacity. FDI can increase a region's competitiveness.

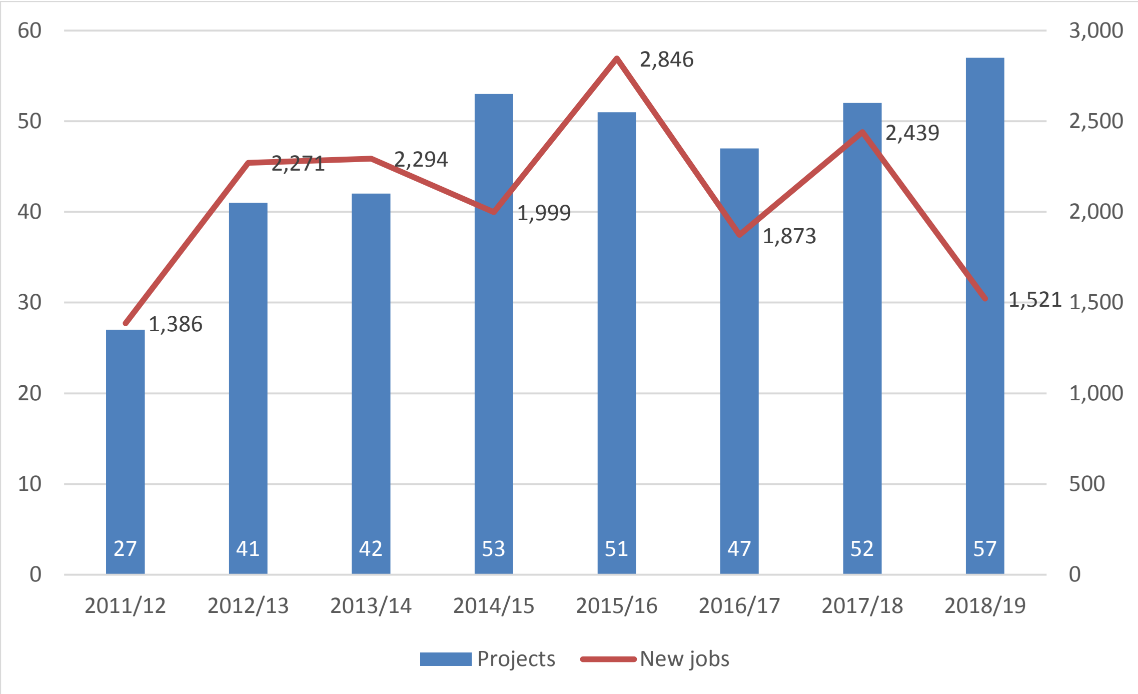
The West Midlands is the UK's leading region outside of London and the South East in terms of attracting FDI, according to figures from the Department for International Trade. In the 2018/19 financial year there were 171 new FDI projects in

[1] https://www.birmingham2022.com/about-us/our-purpose/

the West Midlands, creating 9,424 new jobs and safeguarding 315[2]. 57 of those investments were into Birmingham, creating 1,521 jobs last year in the city alone.

Over the five year period from 2013 to 2018, FDI from the European Union created 14,151 jobs and safeguarded 4,331 in 303 investments, demonstrating the importance of European capital to the West Midlands economy and jobs market.

Figure 1 FDI Projects and New Jobs in Birmingham, 2011/12 - 2017/18



Source: West Midlands Growth Company

While the number of FDI projects has remained resilient, the number of new jobs created by these investments has decreased; performance on this measure in the 2018/19 financial year was lower than in any year since 2011/12.

FDI Project Successes

Some major investments into the city in 2018/19 include:

Genesee & Wyoming

US transportation services company Genesee & Wyoming, owner of rail/ road/ terminal operators Greightliner and Pentalver, has opened a new office in Birmingham housing its finance and procurement teams.

[2] https://www.gov.uk/government/statistics/department-for-international-trade-inward-investment-results-2017-to-2018

Jacobs Engineering Group
The US-based technical professional services firm has expanded its presence in Birmingham, from 150 employees three years ago to more than 500 at the end of 2018 in its offices as Colmore Square.

Ramboll Group
The Danish engineering consultancy has moved into a new office in central Birmingham to allow it to expand to 100 consultants and support staff, which will support its expansion into US and German markets.

Script&Go
The French tech start-up that is geared towards site management in the construction industry has opened offices in both Birmingham and London in order to support its work in software development.

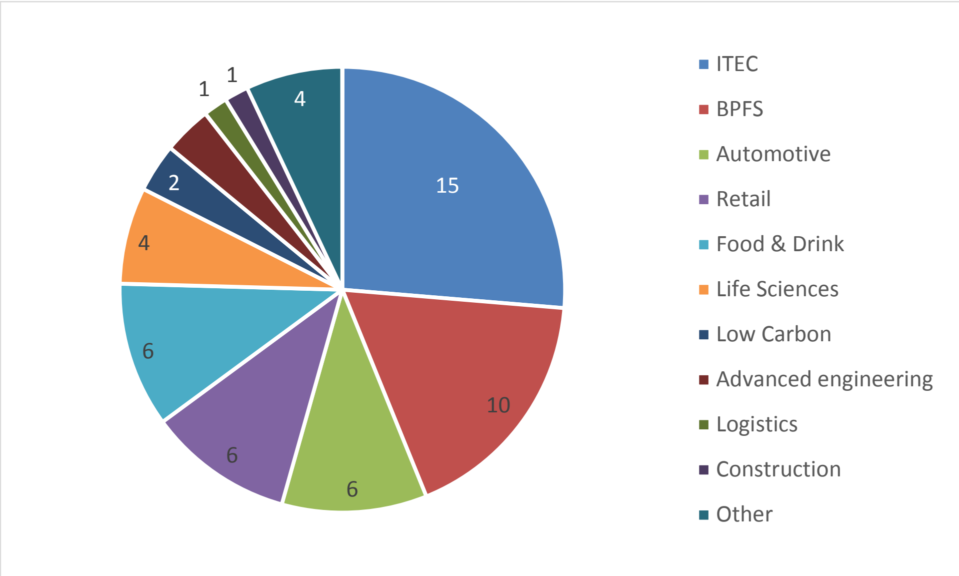
Meinhardt Group
The engineering consultancy firm has expanded into Birmingham to capitalise on growing opportunities in the Midlands region, occupying a new office in the Two Snowhill development.

Alvarez & Marshal
The New York-based global professional and financial services firm has moved into the Lewis Building on Bull Street, which is its second UK office after London. It worked on the collapse of Lehman Brothers and in a statement said "The vast majority of Midlands businesses are built on solid foundations. But, after a decade of cheap credit, many are faced with the challenge of managing over-leveraged financial structures at a time when margins are coming under pressure. These companies should take early action to best protect value for all stakeholders. We are here to help them and believe a local presence is important for our clients who want advice from people who know the local market but have access to global capabilities."

FDI Projects by Sector

The Foreign Direct Investment that Birmingham receives covers a diverse array of industries. In 2018/19 57 investments were made in a variety of sectors, as shown below.

Figure 2 FDI Projects by Sector, Birmingham, 2017/18

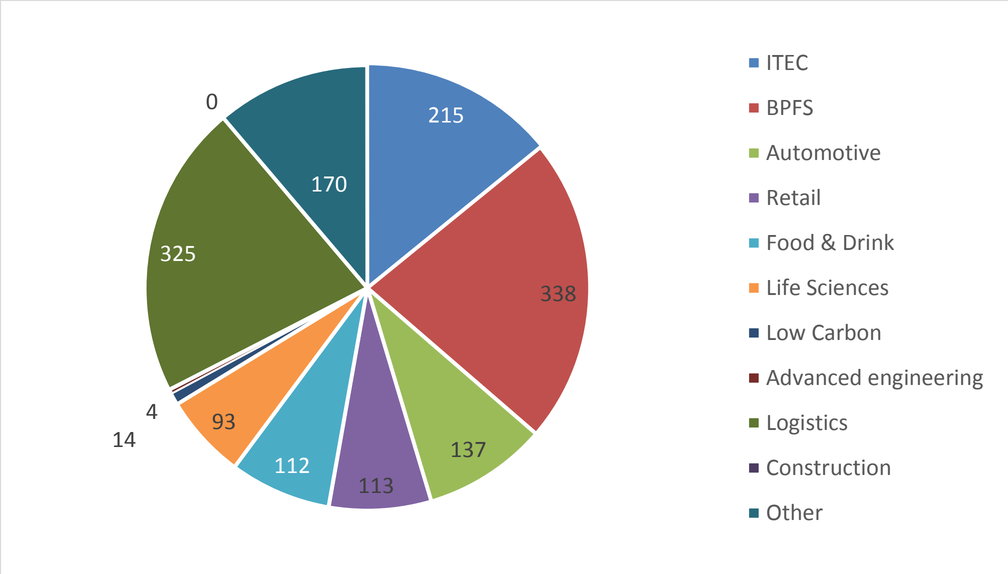


Source: West Midlands Growth Company

As can be seen above, the majority of investments were in ITEC (Information Technology Engineering Corporation) and BPFS (Business, Professional and Financial Services).

However, when we look at jobs created from FDI we see that one investment in logistics created more than any other sector than BPFS, and even there it very nearly reaches all the jobs created from 10 separate FDI investments in that sector. No new jobs were created by FDI into Birmingham's construction sector in the previous financial year.

Figure 3 FDI New Jobs by Sector, Birmingham, 2017/18

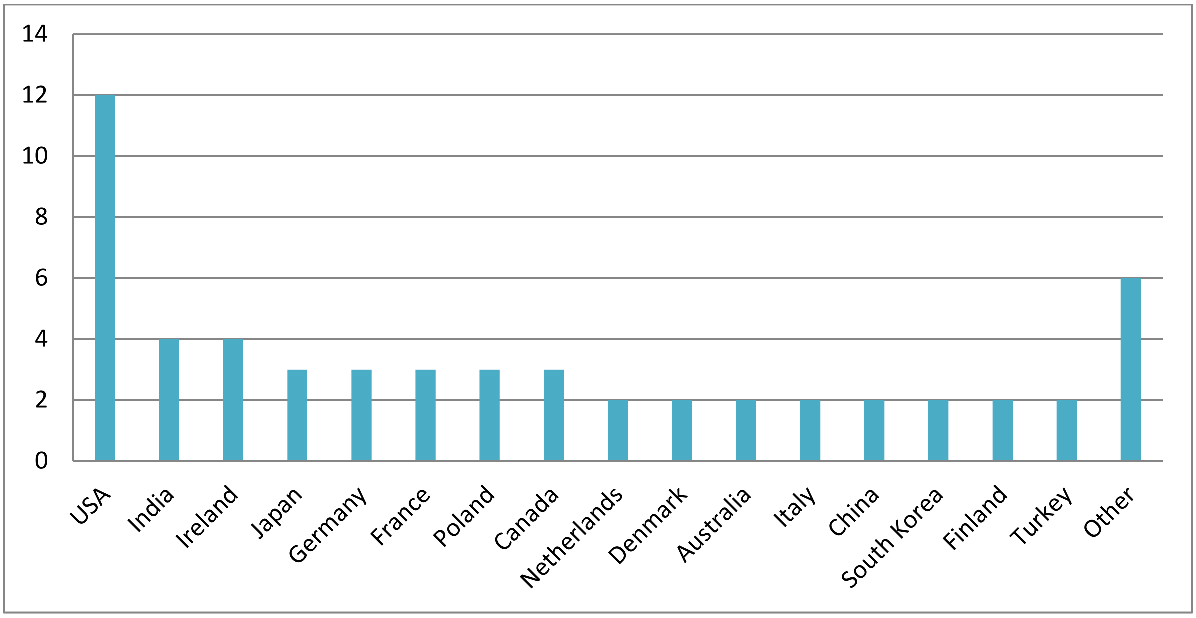


Source: West Midlands Growth Company

FDI Projects by Nation of Origin of Investor

Continuing the established trend in foreign investment, the USA was the largest source of FDI into Birmingham. German investment has traditionally been the second largest source of FDI, but the number of investments has sharply decreased perhaps owing to Brexit-related uncertainty, with Germany in 5th place in the 2018/19 financial year for FDI into the city.

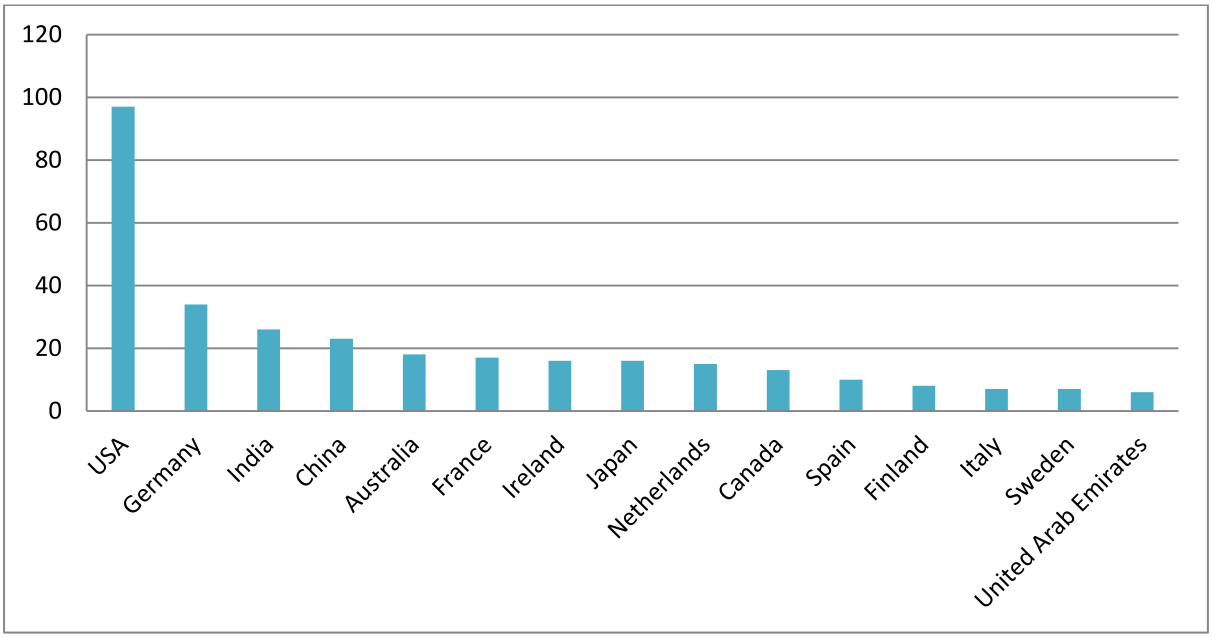
Figure 4 Source country and number of FDI projects in Birmingham, 2018/19



Source: West Midlands Growth Company

As Figure 4 demonstrates, investment from the USA and Germany has been more significant in terms of number of FDI projects in the period 2011-2019 than that from rising powers such as India and China.

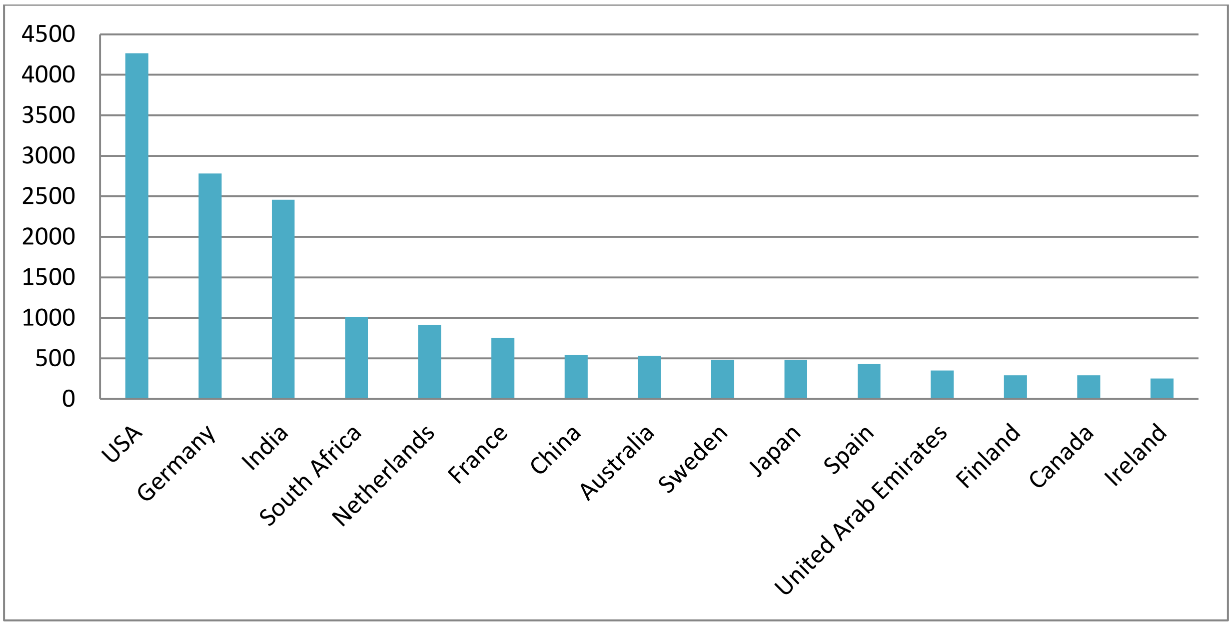
Figure 5 Top 15 Investing Countries by Projects, 2011-2019



Source: West Midlands Growth Company

This pattern also holds in terms of number of jobs created by FDI into Birmingham over the same period.

Figure 6 Top 15 Investing Countries by New Job Creation, 2011-2019



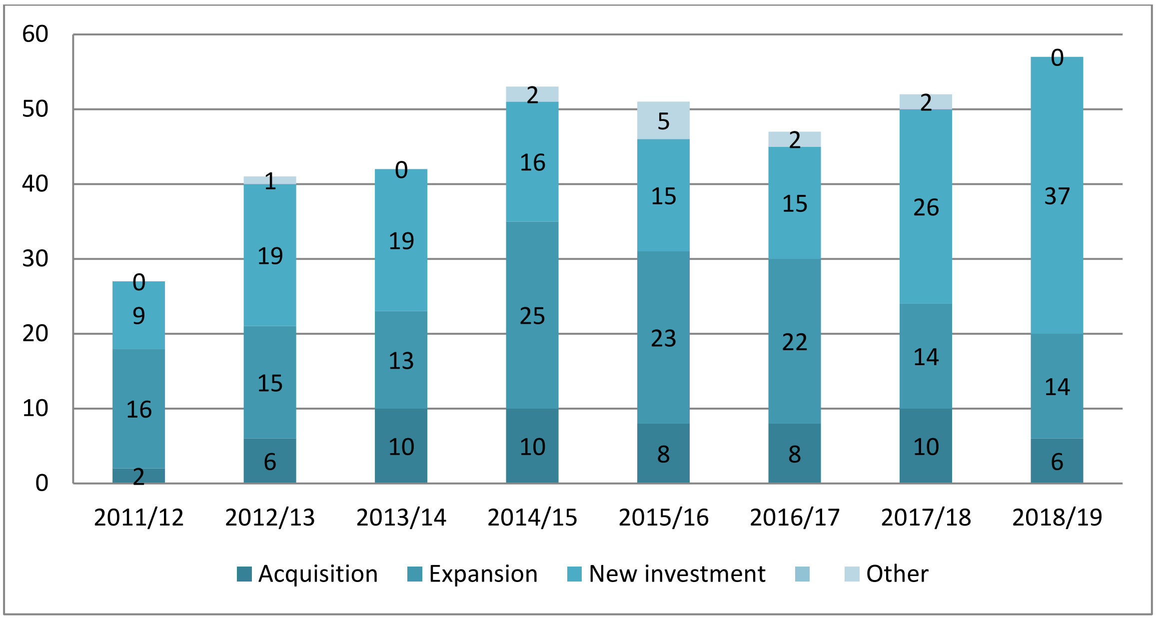
Source: West Midlands Growth Company

FDI by Type of Investment

Up until last year, expansion of existing investors was responsible for the most FDI projects from 2011-2019. But after 37 new investments in 2018/19 versus 14 expansions, it is now new investments that account for the most, at 156, whereas expansions account for 142 FDI projects. 2018/19 was an excellent year for investment into Birmingham, with the highest number of new investments and thus overall investments recorded in the data.

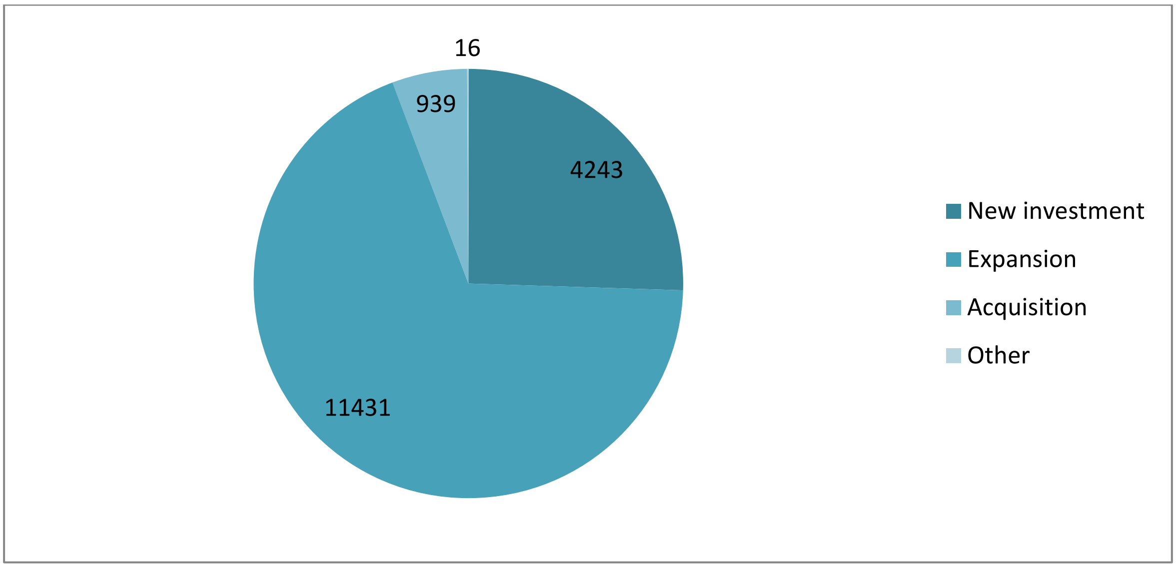
However, as Figure 7 shows, expansion of existing FDI-funded projects in the city remains far and away the largest contributor to the generation of new jobs in Birmingham.

Figure 7 FDI into Birmingham by Type of Investment, 2011/12 – 2017/18



Source: West Midlands Growth Company

Figure 8 New Jobs by Type of Investment, Birmingham, 2011/12 – 2018/19



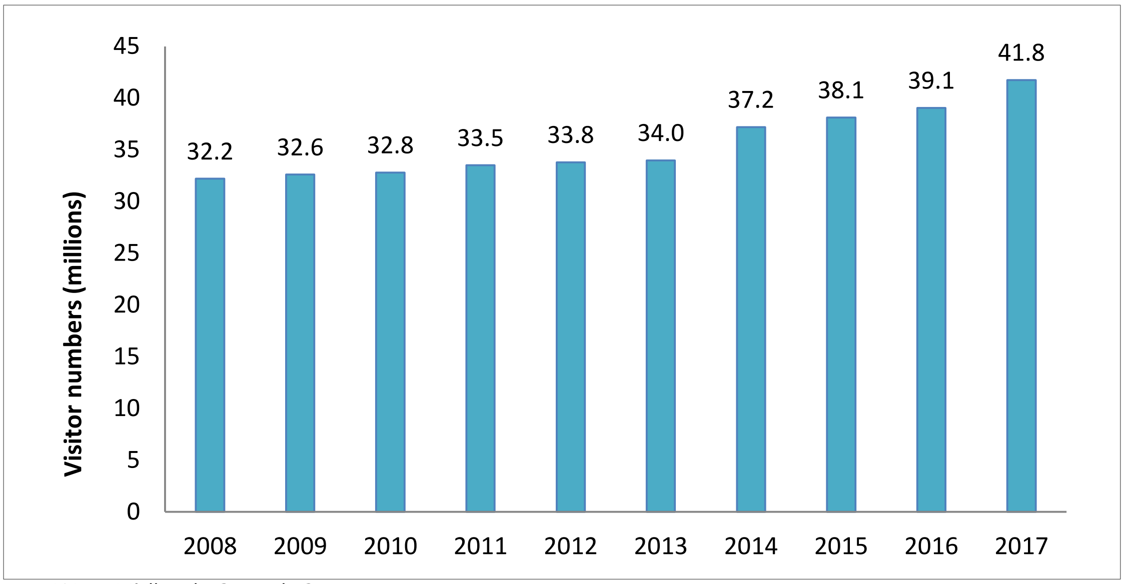
Source: West Midlands Growth Company

Visitor Economy

Birmingham's visitor economy attracted a record 41.8 million visitors in 2017 - an increase of 2.7 million visitors to the city in 2016. This represents a 6.9% increase since 2016 and a 29.7% increase over the last 10 years. Figures for 2018 are not yet available to see whether this trend has continued.

The West Midlands Combined Authority area currently has over 103 hotel developments (over 8,000 rooms) in the pipeline, 19 of which are currently under construction. 13 of these are in the Greater Birmingham and Solihull LEP geography; 6 are in the Coventry and Warwickshire LEP area. None are in the Black Country LEP area.

Figure 9 Visitor Numbers to Birmingham over 2008-2017



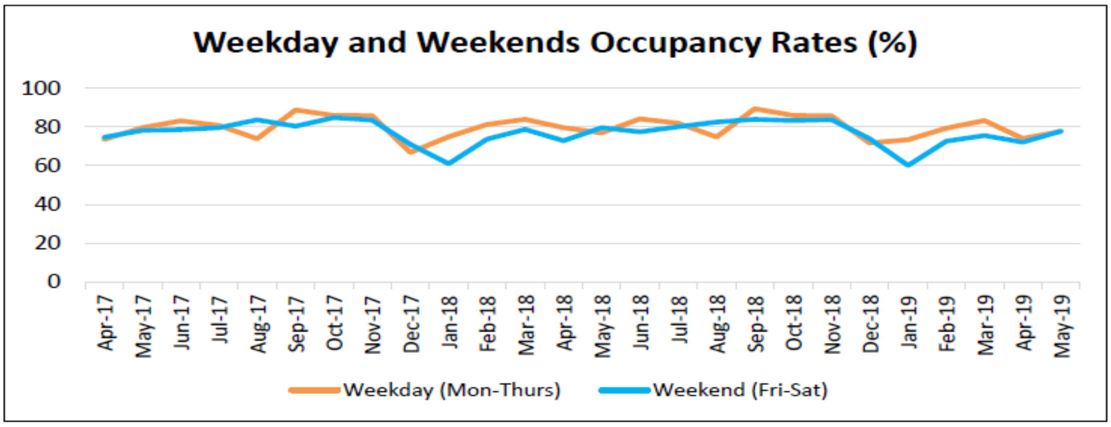
Source: West Midlands Growth Company

Strong growth in the number of overnight visitors to Birmingham

Over the last 10 years, Birmingham has attracted growing numbers of overnight visitors. The total number of overnight visitors has increased by a third (1.2 million) from 2008 to 2017. The additional overnight stays have helped to boost occupancy and increase total revenue for local businesses. This growth demonstrates that Birmingham is enhancing its tourism offerings and strengthening its role as a leisure and business tourism destination.

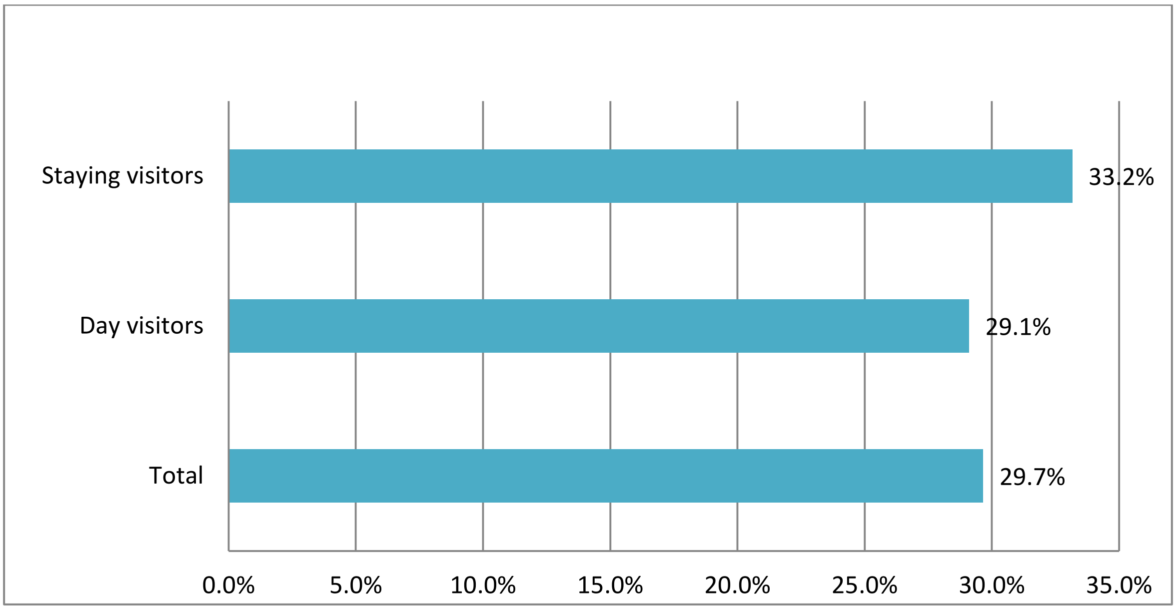
For the first time in 2019, average weekend rate (largely driven by leisure visitors) matched the level of weekday rate (largely driven by business visitors) thanks to events such as Coventry Food and Drink Festival, Leamington Music Festival Weekend, the Black Country Business Festival and Vélo Birmingham & Midlands.

Figure 10 Weekday and weekend hotel room occupancy rates in the WMCA area



Source: West Midlands Growth Company

Figure 11 Percentage Growth in the Types of Visitors to Birmingham over 2008-2017



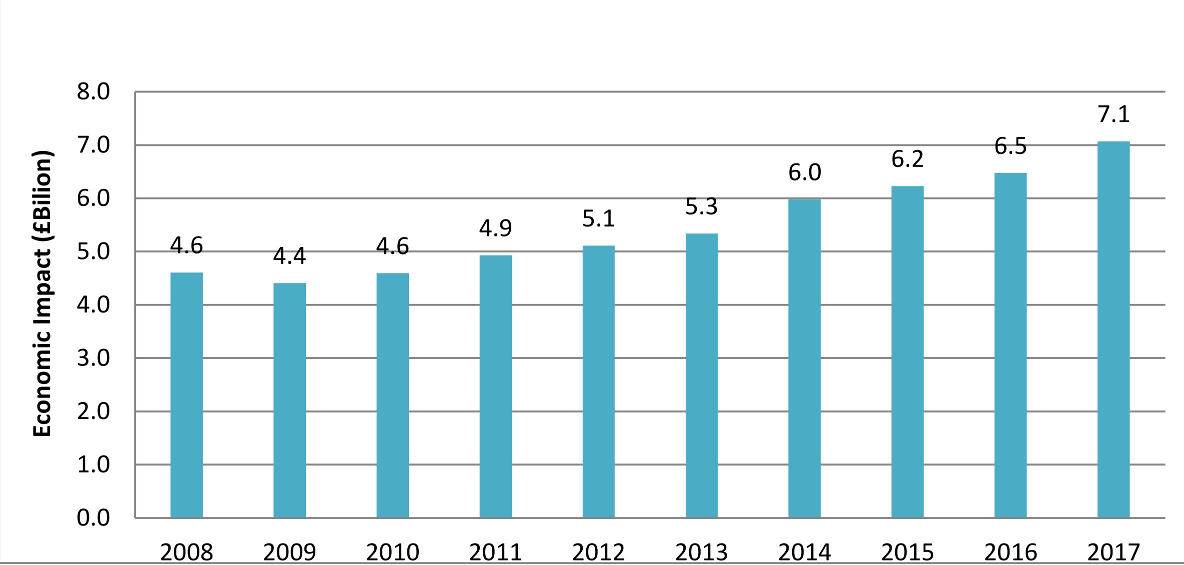
Source: West Midlands Growth Company

Birmingham's visitor economy generates record high economic impact

Birmingham's visitor economy was worth a record £7.1 billion in 2017, up 9.2% on the previous record set in 2016.

The sector has benefitted greatly from increasing numbers of visitors to the city, resulting in significant year-on-year growth. Over the past 10 years, economic impact has increased by 53.4% - an increase of £2.5 billion.

Figure 12 Economic Impact of Birmingham's Visitor Economy over 2008-2017

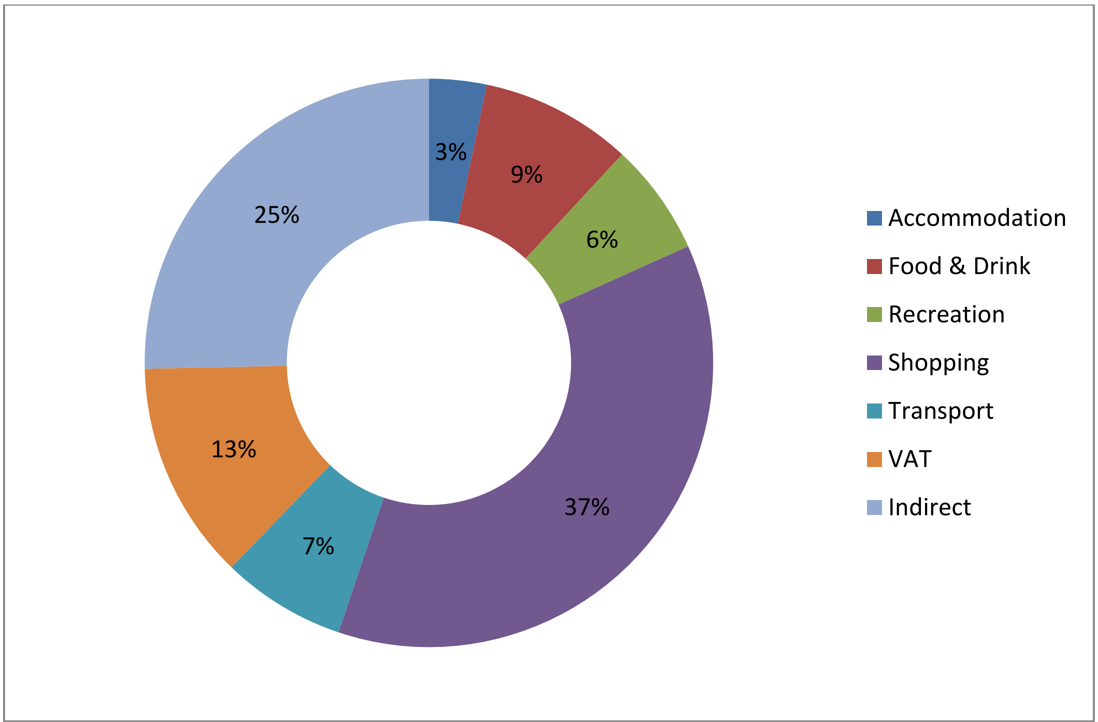


Source: West Midlands Growth Company

Visitors spend more on shopping than other activities

The breakdown by category of expenditure highlights the wider impact of the visitor economy on the city's economy. Using 2017 figures, over a third (37%) of spending was on shopping, 9% on food and drink, 7% on transport, 6% on recreation activities, 3% on accommodation, 13% on other activities and a further 25% was attributable to indirect expenditure on bought-in goods and services.

Figure 13 Breakdown of Economic Impact by Category of Expenditure, 2017

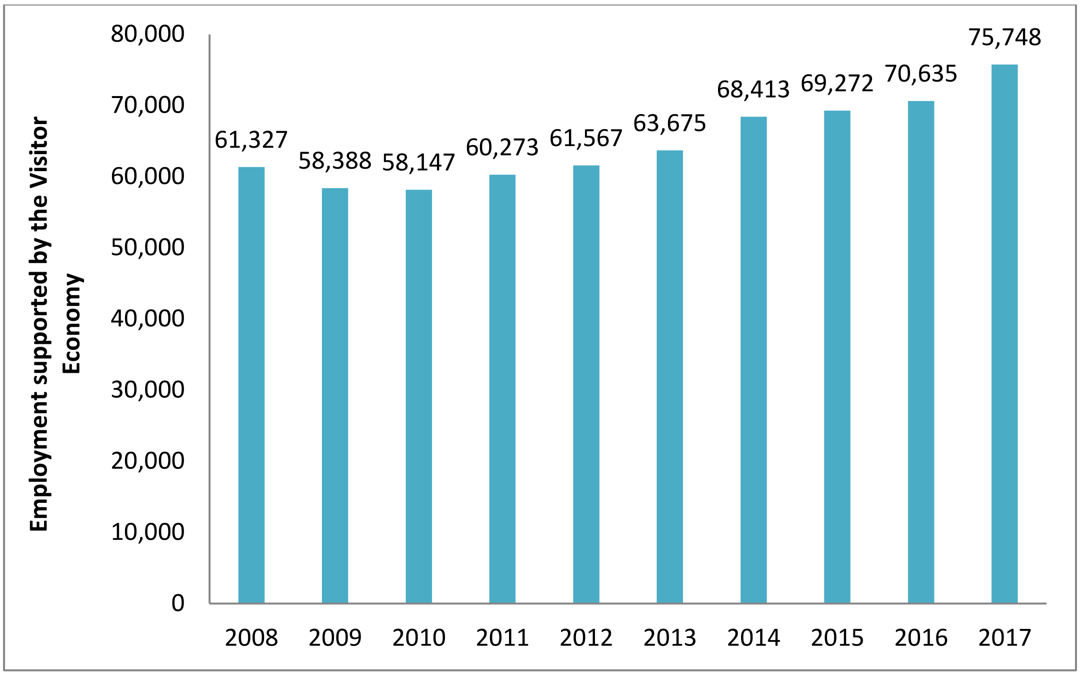


Source: West Midlands Growth Company

Growing number of jobs supported by the city's visitor economy

The number of full-time equivalent jobs supported by tourist activities rose by 7.2% between 2016 and 2017, from 70,635 to 75,748. Trend analysis shows that the number of full-time equivalent jobs supported by the city's visitor economy has increased by 23.5% over the past 10 years – an increase of over 14,421 jobs.

Figure 14 Number of Full-time Employees Supported by the Visitor Economy over 2008-2017



Source: West Midlands Growth Company

Birmingham Hotel Market Data

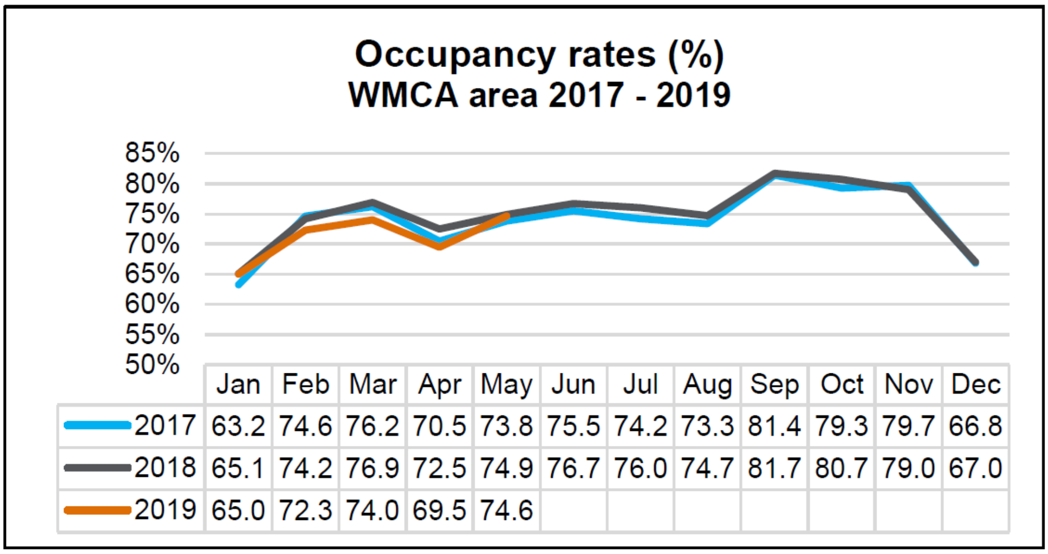
- Average occupancy in May 2019 was 75%, keeping up with last year's performance despite a slower start to the year
- The average room rate was £71.60 in May 2019, £1.2 (or 1.7%) higher than the year before
- Despite a slight drop in occupancy rate, a rise in average room rate was enough to push up revenue per available room, which has reached £53.4 in May 2019

Table 1 Hotel Market Data

Average	May 2017	May 2018	May 2019
Occupancy rate (%)	**73.8**	**74.9**	**74.6**
Average room rate (£)	**68.9**	**70.4**	**71.6**
Revenue per available room (£)	**50.9**	**52.8**	**53.4**

Source: West Midlands Growth Company

Figure 15 Birmingham Hotel Occupancy Rates



Source: West Midlands Growth Company

Attracting in-bound tourists, who tend to stay longer and spend more, is a key priority for Birmingham. The city has maintained its position as 4th most visited UK destination behind London, Edinburgh and Manchester.

Table 2 Overseas visits – top 10 UK destinations, 2016-2018

	2018		2017		2016	
	City	Visits (000s)	City	Visits (000s)	City	Visits (000s)
1	London	19,090	London	19,828	London	19,060
2	Edinburgh	2,362	Edinburgh	2,015	Edinburgh	1,689
3	Manchester	1,408	Manchester	1,319	Manchester	1,191
4	Birmingham	1,100	Birmingham	1,117	Birmingham	1,115
5	Glasgow	837	Liverpool	839	Liverpool	671
6	Liverpool	803	Glasgow	787	Glasgow	659
7	Bristol	598	Bristol	602	Oxford	586
8	Cambridge	547	Oxford	536	Bristol	570
9	Oxford	526	Cambridge	519	Cambridge	498
10	Brighton	459	Brighton	491	Brighton	465

Source: VisitBritain

Expert Comment

Rebecca Riley, Business Development Director, City-REDI, University of Birmingham

The city has continued to grow, even within difficult times. The opportunities created from an expanding professional and businesses services sector now with 1 in 5 jobs and 1 in 4 businesses, and an expanding and strengthening higher education base, with 80,000 students and growing. These opportunities can be seen in the redesign, growth and change in the city centre. Productivity levels are outperforming other places with overall productivity indicators performing well and improving consistently in recent years. Investment is fuelling a changing skyline and city infrastructure development with the construction sector leading the economic growth. These opportunities are being realised through a strong mix of developments such as high quality business accommodation, major transport infrastructure and housing expansion, driven by high levels of public and private sector investment and preparation for HS2 and Commonwealth Games. The perceptions of the city are changing, and it's important to maintain this momentum to ensure the vibrancy and opportunity continues. The continued restructuring of the business base to sectors of the future and a growing number of higher skilled jobs, creates the foundations for a resilient economy, continuing to attract and retain skilled, adaptable people. The city region is second only to London for its diversity with a growing young population with more under sixteens than any other city region and the biggest population group being the 25 to 30 year olds. Birmingham is a city with a young, and growing labour force, not facing the same levels of aging population issues as other places in the UK. This is driving a growing entertainment and social infrastructure in the city, providing for a young vibrant population.

However, there are significant inclusive growth issues and ensuring people can access the growing opportunities is vital. The city region has high levels of people with no qualifications and, although improving, we still have lower levels of those with high level qualifications, and apprenticeships and in work training are competing with other priorities and demands on businesses. Yet investing in our skills infrastructure is key to ensuring the opportunities are open to all.

We need to tackle our high unemployment rates by developing better pathways into the growing numbers of good jobs in the city. Nearly 1 in 5 households in the city region have no one working in them and this needs to be tackled especially given that the number of jobs available continues to grow. Unlike other cities, with our young population, it is more important we focus on ensuring they can access the jobs of the future or risk facing long term exclusion issues in the city.

We have developed a good understanding of the assets of the city region, in terms of its business base, employment growth, and research and development, with a strong, collaborative evidence base and universities in the region fully engaged in the civic university agenda and helping shape the knowledge and understanding of the city. Partners are now driving how we maximise these assets for the future, through the Local Industrial Strategy, and the opportunities presented from the future of mobility, data driven health and life sciences, creative content, techniques and technologies and modern services. We can start to look at how we lock in our population to these opportunities for the long term. The city has the opportunity to be well placed to be resilient in challenging times ahead and partners need to collaborate, and continue the momentum to protect that opportunity.

Expert Comment

Dr Massimiliano Nuccio, Research Fellow, City-REDI, University of Birmingham

Coventry City of Culture 2021 and the Commonwealth Games 2022 in Birmingham are the next two mega-events of respectively national and international significance organised in the West Midlands. Although mega-events are considered an effective policy strategy to boost the local economy, their economic impact depends on the ability of city-regions to draw and retain substantial resources from the outside and to attract tourists. In recent years, several empirical studies have shown that the overall balance of some events is not always positive, since extra costs and well-known negative externalities like congestion and inflation can outweigh the benefits. Impact evaluation of events – be they cultural, sport or trade – is a complex exercise in relation both to the multi-dimensional nature of the monitored activities and to the objectives of such measurement. A robust methodological approach should be able to isolate the effects on the local economy, controlling for other possible causes and interferences. Furthermore, the effectiveness of the investment compared to possible alternative use of resources is hardly tested.

Liverpool European Capital of Culture 2008 can be considered a best practice in the field, and the remarkable study 'Liverpool 2018 – 10 Years On' has recently provided evidence of the long-term legacy of the event. The lessons learned are threefold. First, there are many relevant dimensions to include in the impact evaluation beyond the strictly economic effects. Second, impacts should be measured in the long-term, after the halo effect generated by the event has vanished. Third, one-size-fits-all formulas fail; the regeneration process should be place-based. In this case, the city has largely benefited from a combination of strong cultural leadership, explicit political and institutional support and, above all, multi-year investments of billions of pounds from various partners, not least the European Structural Funds.

If we look at the physical capital, Birmingham has been undertaking a major plan of infrastructural investments in built environment and transport that has been dramatically improving the quality of public space in the city centre and overall mobility. Nevertheless, to maximise the effect of the forthcoming events, local authorities and their partners should not overlook the importance of different forms of intangible capital investment, including human, social and environmental. In other words, the more we develop local capabilities for planning, marketing and delivery of the required activities, the stronger the impacts of these events will be. Educational institutions and universities play a pivotal role on providing skills and capacity that could generate innovative solutions to community outreach, digital broadcasting, or environmentally sustainable consumption, just to mention a few examples. Social capital should be assessed in terms of level of participation and engagement, particularly of minority groups and disadvantaged people. If we really want to reduce the inequality gap and include marginal places, substantial investments must target urban peripheries as well.

I believe that Coventry Capital of Culture and the Commonwealth Games are not only about increasing tourism. Their major contribution will be putting the two cities back on the UK mental map in terms of image and reputation. Some may call it “city-branding”, but there is far more than city marketing: the challenge is to rebuild local people’s confidence about their areas, their pride and sense of belonging, and as well to take make the space of the city authentically “public”. Therefore, actual measures of success will be the willingness to come to and study in Birmingham or Coventry, the pleasure of attending their cultural and sports events in renovated facilities, and the wish to stroll around canals and spend a day or more in the surrounding countryside.

From this perspective, the commercial success, the physical transformation of places, the attraction of public and private capitals and even the event experience itself are instrumental to achieving a long-term policy aimed at radically changing the city’s symbolic capital.

For queries related to the Birmingham Economic Review 2019 please contact:

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