



Birmingham Economic Review 2019 Summary

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Foreword

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.



Paul Faulkner

CEO, Greater Birmingham
Chambers of Commerce

"There are significant challenges facing Birmingham... Mitigating and managing the impact of Brexit on the local economy, ensuring that economic growth harnesses the potential of communities across the region and adapting the way we live and work to ensure that our legacy is environmentally sustainable are priorities for business leaders and stakeholders across the city.

With that said, there is no doubt that Birmingham is on the precipice of a triumphant return to the world stage. Perceptions of the city are now changing in recognition of its young, diverse population, a strong services sector, and vibrant start-up and digital tech ecosystems. Not only is inward investment the highest outside of London, but Birmingham's visitor economy is breaking records year-on-year.

Birmingham is unlike any other city in the world. Throughout this review, world class academics and business leaders have shared their perspectives on the city, the future they envisage for Birmingham, and how both firm-level action and further collaboration will get us there. The Chambers are proud to be a part of this collaboration, and committed to making Birmingham the best place to start, grow, move or invest in a business."

"This year's review shows that we are a young, diverse and attractive region to invest in (the biggest destination for inward migration outside of London) compared to other UK city-regions. We are also increasingly productive with the highest GVA/hour worked and filled job (again, outside of London). So, the growth momentum continues. However, persistent gaps between the skilled, employed earners and unskilled, unemployed and vulnerable also remain. In some areas, these gaps are worsening. Unemployment amongst the 16-19-year-olds is 9.4 percent, we have a very low (but growing) average level of household income, but over 107,000 households are workless, with dependent children.

This leaves us with a tough challenge in times of uncertainty; to maintain the growth momentum while rebalancing our regional economy, or risk leaving more households behind. For these reasons, we have a specific focus in this year's Birmingham Economic Review on inclusive growth, with data and discussion on skills, employment and communities throughout the report. I hope you find it informative, thought-provoking and perhaps even action-provoking."



Prof Simon Collinson

Deputy Pro-Vice Chancellor for
Regional Economic Engagement and
Director of City-REDI, University of
Birmingham

Summary

This review has provided an in-depth exploration of Birmingham's economy, making clear the city's many strengths and opportunities but also the weaknesses and challenges it faces.

Strengths:

- High GVA growth rate
- Strong track record on foreign direct investment and the highest inward investment outside of London
- Located at the heart of major transport networks
- Increase in jobs in professional and technical occupations
- Vibrant and growing visitor economy
- Strong innovation ecosystem with specialisms in technology and artificial intelligence
- Strong university presence

Weaknesses:

- GVA per head underperforms the national average
- Below-average employment rate, above-average unemployment rate
- Below-average proportion of the population with high qualifications, above-average proportion of the population with low qualifications
- Job polarisation in the local labour market

Opportunities:

- Improving the survival rate of new businesses through targeted support
- Major investment in infrastructure including HS2, Midlands Metro & the West Midlands Rail franchise catalysing further investment and growth
- Reducing car travel by the introduction of new schemes, including smart ticketing on public transport and upgrading and building new cycle lanes
- Harnessing the potential of a young population
- Increasing retention of students studying in Birmingham
- A better understanding of the role of anchor institutions and encouraging local procurement
- Harnessing the ethnic diversity of the population to grow international trading links
- Birmingham City Council's ambition for the city to be carbon neutral by 2030
- Delivering a lasting legacy from the 2022 Commonwealth Games

Challenges:

- Impact of Brexit on the economy (foreign direct investment, international trade links and access to talent) and the cultural diversity of the city
- The prevalence of low-value, low-wage, low-skill work
- Building inclusive pathways into the expected growth in jobs and ensuring economic growth benefits local communities, especially those which are deprived
- Lack of investment from domestic firms for improving productivity
- Rising congestion from the construction of major infrastructure projects, impacting on the ease of moving goods and people in, around and out of the city
- The deceleration of new house builds and the lack of affordable housing
- Helping businesses and citizens adapt to the advent of the Clean Air Zone

Adapting, Innovating and Leading the Future

Birmingham's local networks, universities, business parks and an array of other initiatives are supporting local innovation, which is particularly strong in the digital, advanced manufacturing, energy, healthcare and creative sectors. There is also a drive within the business community to adapt and develop more environmentally sustainable practices. However, there is an opportunity to boost adaptation and innovation in all sectors through better commercialisation, more partnerships between universities and industry, and greater uptake of support such as R&D tax credits.

At the time of publication, the future of the national economy remains mired in Brexit-related uncertainty. Research suggests that Greater Birmingham businesses do not feel well prepared and through supply-chain exposure, the regional economy is disproportionately at risk from negative trade-related consequences. The Greater Birmingham Chambers of Commerce (GBCC) are working with the West Midlands Combined Authority (WMCA) and other local Chambers to encourage businesses to prepare for the country's departure from the European Union, business adaptability and resilience campaign, *Raise the BAR*, aiming to challenge and inform employers about approaches to managing risk and being agile and responsive to change.

Research by Professor Raquel Ortega-Argilés at City-REDI into the exposure of the West Midlands to European supply chains and the potential impact of a no-deal Brexit on the region's economy has found that 12.2% of West Midlands GDP is at risk because of negative trade-related consequences. By contrast, only 2.64% of EU GDP is at risk due to a no-deal Brexit, highlighting that the shock will be far greater on the UK than on other member states of the European Union. 32.3% of the GDP of the manufacturing sector is at risk owing to its dependence on frictionless trade and just-in-time supply chains. 12.2% of GDP in the services sector would also be at risk in the event of the UK leaving without a deal on 31 October 2019.

Planning for no-deal and adapting to changes to the UK's international trading relationships poses a unique challenge to businesses. The WMCA and the region's Chambers of Commerce have developed a free digital tool - the *Business Brexit Health Check* - to help businesses navigate Brexit.

Analysis of 339 Business Brexit Health Check responses (28th May-31st August 2019) indicated that Brexit "preparedness" varies significantly by organisation size: micro businesses are the least likely to have undertaken proactive steps to prepare for Brexit and large organisations the most. All firms were most likely to be impacted through their people (pension arrangements, professional qualifications, business trips and EU nationals in their workforce) and trading relationships (buying from or selling goods to other parts of the EU). On average, manufacturers scored higher on the Brexit Readiness Index, indicating that they believe they have undertaken slightly more in-depth preparations for Brexit than services sector firms. However, manufacturers scored between a 3.3 and 2.3 out of a possible 5 on this same index indicating that, on average, they do not feel "significantly" well prepared for Brexit.

Businesses are concerned about:

- The scale of Brexit - Brexit touches almost every possible aspect of doing business: people, trade, data, IP, tax, regulation & standards
- Understanding the indirect effects of Brexit (e.g. on supply chain and key customers) is difficult with many companies considering such information commercially sensitive (if they have it at all)
- Growing uncertainty on the Brexit timeline leading to uncertainty about when to activate contingency plans
- A lack of specific answers to specific questions

Above all else, businesses need detailed answers on what Brexit will bring in order to plan and prepare accordingly.

For further analysis of Brexit preparedness, and case studies on the impact of Brexit on local businesses the full *Brexit: How Are Businesses Responding?* report is available on the GBCC website.



Prof Raquel Ortega-Argilés

Professor,
City-REDI, University of Birmingham

“The UK is part of deeply-embedded pan-EU value-chains which involve large amounts of re-importing and re-exporting. These complex value-chains mean that simple export-minus-import trade balance figures quoted by politicians are largely meaningless... Brexit is likely to increase (the already high) UK inter-regional inequalities, while at the same time increasing the serious productivity problems faced by the UK as whole.”

Innovation can be defined as the ‘commercialisation of new ideas’. The UK has historically been very good at creating new ideas, but not great at commercialisation. We are still something of a nation of inventors rather than innovators. This is important. Firms that are more innovative are also more competitive and adaptable in the face of external threats and opportunities. They tend to export more (a result of their competitiveness and a factor behind their resilience) and they employ higher-skilled, more productive and higher-paid employees and therefore produce larger positive multiplier effects for their host regions. So, more innovation benefits not just firms but employees and the regions that attract them and support their development.

According to the *UK Innovation Survey (2017)*, innovation in the West Midlands is above the national average, coming fourth out of 9 English regions and ahead of all three of the devolved nations, with over half of our firms seen as ‘innovation active’. A number of outstanding science, technology and engineering clusters are part of the reason for this, including the life sciences cluster in Edgbaston, Birmingham.

The emergence of advanced technologies and artificial intelligence is creating opportunities in the city for employment, growth and investment. In 2017 the city saw a total of 17,581 jobs in digital tech businesses and digital tech firms in the region had a turnover of £2.2 billion. The industry in the city is also notable for its diversity, with 26% of digital tech workers in Birmingham being black, Asian or minority ethnic compared to a 15% UK average.

This growing digital technology ecosystem has been supported by the planned HS2 rail link and the recent arrival of big banks (including HSBC UK) and professional services firms. The availability of flexible funding packages for digital startups from Finance Birmingham and support from local networks and incubators, including Innovation Birmingham and Silicon Canal, are also influential in the sector’s strength.

The West Midlands has also been chosen as the UK’s first multi-city testbed for new 5G technology ahead of a nation-wide rollout. The pilot, in Birmingham, Coventry and Wolverhampton has received £75 million of investment from the Department for Digital, Culture, Media and Sport as well as local authorities. The trials in the region will focus on how 5G can be used in the health, construction and automotive sectors in order to drive economic growth and benefit the population through new digital technologies and public services. One significant application of this seamless connectivity will be in the testing of autonomous, driverless vehicles.

Universities are critical sites for innovations; they educate prospective workers and produce technological and scientific results that can be turned into patents and products. The city’s three largest universities (University of Birmingham, Aston University and Birmingham City University) are actively engaged 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 the use of social media and 3-D imaging**

Birmingham also has several high tech business parks and related initiatives that are helping to foster innovative practices and high tech industry by providing crucial opportunities for businesses and key stakeholders to network, broadening their potential resource base and maximising their opportunities.

These include:

- **Innovation Birmingham Campus**
- **Birmingham Research Park**
- **Longbridge Technology Park and Innovation Centre**
- **Birmingham Science City**
- **Institute of Translational Medicine**
- **Birmingham's Smart City Commission**
- **West Midlands 5G Testbed**

Additionally, Birmingham City Centre Enterprise Zone - one of the major projects for the GBSLEP - is comprised of 39 sites across the city, 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. It is focused on the business and financial services, ICT, creative industries and digital media sectors.

However, West Midlands businesses are not taking full advantage of R&D tax credits - a national scheme designed to support innovative businesses. PwC analysis has found that firms in the West Midlands are potentially missing out on more than £60 million a year in unclaimed tax breaks.



Dr Chloe Billing

Research Fellow,
City-REDI, University of Birmingham

“Research funding awarded to local universities acts as a catalyst for other investments in city-regions and a positive driver for regional economic development... the presence of research-intensive universities in Birmingham is a central factor in the success of the Greater Birmingham and Solihull LEP and its ability to attract funding awards.”

The funding supports research teams and infrastructure to underpin the generation, use, application and exploitation of knowledge. But there is much more to be done. In order to build on the strengths of universities more broadly, there is a demand for better partnerships to be built between our universities and local businesses.”

“Over the last seven years we have invested £200 million in our UK business. This includes £75 million into new machinery at our Bournville factory securing the next generation of manufacturing at this iconic site. We have also grown our Research, Development and Quality (RDQ) facilities during that period and we are now one of the largest food research groups in the UK. ...

Every Cadbury product, no matter where in the world it is sold, starts out life in the Bournville Global Centre of Excellence for Chocolate Research....

Industry leading innovation is impossible without a continual pipeline of talent. At Mondelez International we're ensuring the future of our innovation at Bournville by partnering with key target schools and universities, starting right here at home with the University of Birmingham.”



Ian Noble

Senior Director,
Global Chocolate Production, Platforms
and Global Growth, Mondelez
International



Saira Demmer
CEO,
SF Recruitment

“We believe in the Midlands.

...we made the pledge to ditch all single use plastics, turning instead to a more sustainable material – bamboo... This is an industry first in the recruitment sector and we enjoy talking to our clients and candidates about our efforts. ...

There are growing numbers of organisations in the West Midlands who have recognised the need for sustainability and seen it as a catalyst for innovation and change. The London Taxi Company with their new breed of electric hackney carriages. The University of Birmingham’s pioneering research into plastic pollution...to name but a few.”

Creating a Workforce Fit for Tomorrow

One of the key challenges in maintaining the momentum of economic growth in Birmingham is ensuring that this growth is inclusive, and its benefits accessible to every facet of the population.

Birmingham’s working-age population struggles with relatively low levels of employment, and high levels of unemployment concentrated in the inner city and some deprived outer city estates. The prevalence of low pay is a critical issue and deprivation is linked to serious public health concerns.

However, the city has world-class universities and further education colleges, which are contributing to narrowing qualification gaps, and the diversity of Birmingham’s resident population provides a unique and valuable diversity of perspective and thought which many stakeholders and businesses are actively working to fully harness.

The latest data available for mid-2018 estimated the total population of Birmingham as 1,141,374. The city is one of the youngest major cities in Europe, with under 25’s accounting for 37.6% of Birmingham’s total population in 2018.

Birmingham’s employment rate is estimated at 65.3% for 2018, well below the national rate of 75.0%. Consequently, unemployment also remains high: at 7.8% for those aged 16-64 in Birmingham, this is almost double the national rate of 4.3%.

Table 1: Economic Activity (Jan - Dec 2018), aged 16-64

	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	516,200	70.8	78.5
Employment Rate	475,900	65.3	75.0
Employees	417,500	57.3	64.3
Self-employed	57,800	7.9	10.6
Unemployed	40,400	7.8	4.3
JSA claimants Aug 2019	8,778	1.2	0.5

Source: ONS, Annual Population Survey

At 29.2%, Birmingham had a much higher proportion of economically inactive residents in 2018 than the national average of 21.5%. However, of these over a third (38.9%) are students. The proportion of students is higher than the national figure (27.0%) and should be viewed as a positive contribution to the city.

Birmingham's working age population is significantly more ethnically diverse than the country as a whole. According to the latest data from the Annual Population Survey, 40.2% of Birmingham's population is non-white, making the city the most diverse of all the English core cities. A diverse population in the city offers an array of international connections, a variety of languages, and a vibrant blend of different cultures.

However, employment rates vary widely among different ethnic groups. The white group has the highest employment rate (71.9%), overtaking the employment rate for the Indian group, which decreased significantly from a peak of 73.9% in 2016 to 64.8% in 2017 and 60.6% in 2018. The Pakistani/Bangladeshi group had the lowest employment level (52.0%) in 2018, which despite having increased since 2011 has remained consistently lower than all other ethnic groups over this period.

A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women, which although improving compared to previous years, remained very low at 35.0% in 2018.

Inclusive growth is a priority for local stakeholders and businesses. The WMCA has recently launched an *Inclusive Growth Unit*, and its Leadership Commission has stressed that the leadership of organisations needs to better reflect the diverse nature of the West Midlands. The Asian Business Chamber of Commerce (part of the GBCC) are currently piloting a unique, action-orientated campaign, *Diversity in Leadership*, which is working with some of the regions' biggest employers to address the underrepresentation of women, LGBT, disabled, black, Asian and minority ethnic (BAME) communities on boards of directors and in leadership roles.



Andy Dawson

Director and Co-Founder,
Curium Solutions

"Leadership and unlocking potential are critical to creating a workforce fit for tomorrow..."

There are many ways of being a successful leader. Look at some of our local success stories: Gymshark, Homeserve, HSBC and JLR. Personal styles differ, as do organisations, but these leaders all share the ability to communicate a vision and inspire their teams to make it happen. They demonstrate resilience and adaptability and, importantly, they take people with them."

The skills profile of the city's residents has been a cause of concern for some time, with Birmingham residents less likely to have high-level qualifications and more likely to have low or no qualifications than residents of other major cities and the national average.

Using the proportion of the workforce qualified to NVQ Level 3 and above (often used as the definition of a 'world class' workforce), Birmingham underperforms the national average. Only 52.2% of the workforce is educated to this level, compared to 57.7% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working-age population with no formal qualifications (12.0%). This proportion is significantly above the nation as a whole (7.6%), although this percentage has fallen from 14.2% in 2016 and 12.6% in 2017. This skills shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant and unemployment rates.

Birmingham has five core universities – the University of Birmingham, Aston University, Birmingham City University, University College Birmingham and Newman University. Graduate retention is an important factor in improving the skill base of the resident population, and the high proportion of overseas students in the city may impact on this. In total, 40.4% of graduates from a Birmingham institution were working in the West Midlands six months after graduation.

Birmingham also has a number of further education colleges, including Birmingham Metropolitan College, South and City College Birmingham and University College Birmingham.

Looking at qualifications in Birmingham, analysis by City REDI suggests that the city currently needs 68,331 more residents with NVQ Level 4+ qualifications and 5,988 more residents with NVQ Level 3+ qualifications to fill current skills gaps. In 2016, the NVQ Level 4 skills shortage was 70,938, compared with a shortage of 7,725 residents with NVQ Level 3 qualifications. This decline indicates a relatively positive outlook since the qualifications gap seems to follow a declining sectoral trend.

The city also has a shortage of residents qualified at NVQ Level 2 and NVQ Level 1. Such a deficit in skills, particularly at NVQ Levels 2 and 1 significantly constrains Birmingham’s growth potential. To create a high skills equilibrium and raise productivity levels, a special focus on increasing skills at NVQ Level 2 seems to be crucial.

The latest data on apprenticeships shows that there were 6,800 apprenticeship starts in Birmingham in 2017/18, a decrease of 4,060 (37%) from the previous year. During this same period, regional and national apprenticeship starts also decreased (though by a lower 29% and 23% respectively). Apprenticeships at all levels offer people vocational routes into work which allow businesses to develop the skills needed as workforces develop.



Prof Anne Green

Professor,
City-REDI, University of Birmingham

“... apprenticeship starts have fallen since the introduction of the Apprenticeship Levy.

Looking ahead, some commentators argue that with the shift to higher level programmes and training focusing on established workers the funding system needs to adjust to favour young people and new starters. By contrast, others suggest that the existing levy should be reformed into a broader Training Levy, including other forms of accredited training, aligned to local sector priorities. In both instances employer engagement in the skills system is crucial.”



Dr Abigail Taylor

Policy and Data Analyst,
City-REDI, University of Birmingham

“Over the last twenty years there has been concern about the ‘digital divide’ and associated inequalities in access to opportunities, knowledge, goods and services. People who do not engage effectively with the digital world are at risk of exclusion, both socially and economically.

Recent research shows that overall roles requiring digital skills pay 29 per cent more than roles that do not, with the differential being greatest at higher skill levels. This earnings differential is indicative of digital skills being one of three key skills contributing most to skills gaps in the UK ... at a time when digital skills are increasing only slowly. In the West Midlands, the proportion of the population with the five basic digital skills in 2018 was 76 per cent compared with the UK average of 79 per cent.”



Mike Hopkins

Principal,
South and City College
Birmingham

“Every year, we take thousands of school leavers, many with few or no GCSEs and give them an opportunity to achieve their qualifications and meet the needs of employers ... Colleges also help adult students begin or return to education at any age... At South and City College Birmingham, the largest cohort of adult students is on English for Speakers of Other Languages (ESOL) courses, where we’re one of the biggest providers in the country. ... We also work with young people who are not engaged in education, training or employment to get them back on the right path...”

On the other side of the coin, colleges also work with employers to design training programmes and courses that, on completion, can lead to employment in that sector...

All this good work happens against the background of inadequate funding which has decreased by 30% in real terms, in the last ten years. ... For our city and country to thrive, one thing is clear – the further education sector needs sufficient funding to enable it to make a positive contribution to the economy, our local people and our employers.”

In the UK the prevalence of low pay is a critical issue; the Social Mobility Commission reports that a low pay culture is trapping people in low-paid and often part-time work. Recent research led by Professor Anne Green at City-REDI for the Joseph Rowntree Foundation looks at the role that productivity plays in wage-setting in low-pay sectors in the Greater Birmingham area. Whilst productivity is a major contributor towards economic prosperity and living standards at the national level, a key finding of the study was that productivity growth in isolation does not necessarily address the prevalence of low-paid work at a local/regional level.

In 2017 Birmingham had the second-lowest Gross Disposable Household Income (GDHI) per head at current basic prices of the included comparator core cities at £14,128. This, however, is an increase from the previous year when GDHI per head was £13,984 and has been steadily rising since records began in 1997.

Median gross weekly pay for full-time workers living in Birmingham in 2018 was £523.50, according to provisional ONS figures. Comparatively, median gross weekly pay for Birmingham’s full-time workplace population in 2018 was £584.10, higher than the median gross weekly pay for residents. The difference between resident and workplace earnings reflects Birmingham’s position as the regional capital, and the large numbers of people who commute into the city to work in often highly-skilled, highly-paid jobs (the 2011 census recorded that 166,272 people commuted to Birmingham from the wider West Midlands). This highlights that not all Birmingham residents are able to access the better-paid jobs in the city.

According to the Index of Multiple Deprivation 2019, Birmingham local authority has the worst rank of average score within the WMCA 3 LEP area, being ranked the 7th most deprived within England. Birmingham’s Health Profile Report 2019 further reveals that for the period 2013-15, life expectancy in the most deprived areas in Birmingham was 10 years lower for men and 8 years lower for women than in the least deprived areas.

“Historically the NHS has focused on being the solution to a problem. But the NHS Five Year Forward View stated that ‘the future health of millions and the economic prosperity of Britain depended on a radical upgrade in prevention and public health.’

It is undeniable. The individual, social, and economic impacts of preventable ill health are extensive. This has seen us at Birmingham Women’s and Children’s NHS Foundation Trust adopt a ‘hospital without walls’ approach. One that has created sustainable and self-replicating interventions, by positively enhancing engagement with patients on health promotion issues such as obesity and mental illness.”



David Melbourne

Deputy Chief Executive,
Birmingham Women’s and Children’s NHS
Foundation Trust



Brian Hall

Chief Commercial Officer,
BHSF

“Employees don’t magically become different people when they walk through the office door. Their worries and problems come with them ... sometimes these can turn into shackles, restricting an employee’s ability to perform. ...

We know from our own mental health report that most employees are still reluctant to open up about a mental health issue – just 15% of UK employees would tell their line manager. On top of this, mental health issues are often masked – 42% of employees said they had called in sick citing a physical illness, when in reality their absence was down to poor mental health. With so many employees masking poor mental health, it’s vital they can access confidential support on their own terms.”

Connecting Communities with Opportunities

Birmingham is already served by a range of key transport infrastructure, and several infrastructure schemes are in development which should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally. The most important of all these projects is HS2, currently the largest infrastructure project in Europe.

The skyline of central Birmingham is rapidly changing, however, the availability of affordable housing is a major issue in the city. Office rental values in Birmingham have grown strongly and are higher than in all regional cities except Manchester. Like many other UK cities, high-quality sites and premises are now in short supply in Birmingham, with the supply of grade A office space running out. Strategic employment sites identified across the city and the wider area must be brought forward for development urgently.

Important linkages between Birmingham and the city’s neighbouring areas have implications for the delivery of infrastructure to meet the city’s growth aspirations. The quality and speed of linkages between areas (connectivity) are key factors that drive economic performance. The role that locations play within a given area is influenced by connectivity.

Birmingham and the wider West Midlands region is served by a range of key transport infrastructure:

- **Birmingham International Airport provides a gateway to a range of international destinations**
- **West Midlands Rail, London Midland Trains, Virgin Trains and Cross Country provide direct services to London and the South West, the West Midlands, Scotland, the North West and Yorkshire**
- **The M6, which provides access to the North West**
- **The M5, which provides access to the South West**
- **The M42, which provides access to the East Midlands**
- **The M40, which provides access to the South East**

Looking forward, improving connectivity across the functional economic area whilst satisfying the expected increase in demand on the area’s road and rail network presents a significant challenge. In order to tackle this, there are a number of major infrastructure schemes in development that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally, namely:

- **High-Speed Rail** – High Speed 2 is potentially the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. When complete, HS2 will comprise 345 miles of new high-speed track across the UK. Construction has started on Phase One which will link London and Birmingham. Once completed in full, it is anticipated that HS2 will deliver benefits worth over £103bn to the UK economy, creating 104,000 jobs and bringing £14 billion in additional economic input to the West Midlands area. At the time of writing the spending review into HS2, led by Douglas Oakervee, is underway. The GBCC continues to proactively support the case for HS2 and its potential to help rebalance the UK economy.

- **Birmingham Airport Masterplan** - Birmingham Airport is one of the largest employers in the West Midlands. Over 8,000 people are employed either on-site or within its immediate vicinity and are engaged in activities relating to the operation of the airport and air services. In 2017/18, almost 12.9 million passengers travelled through Birmingham Airport – 8.2% more than the previous financial year. The airport has released a master plan vision for 2033, by which time it expects to be handling around 18 million passengers. To meet this significant growth in its usage the airport will be investing £500 million to expand and improve its facilities. Birmingham Airport will also benefit from being located near to the new Birmingham Interchange station on HS2, and thus be a realistic hub for passengers travelling to and from London as well as to Birmingham itself.
- **Midland Metro Extensions** – led by the Midland Metro Alliance, £1.3 billion is being invested in extending the tram system across the West Midlands over the next 10 years. Currently ongoing are the extensions in: Centenary Square/Edgbaston; Eastside; Wednesbury to Brierley Hill; East Birmingham/Solihull; and Wolverhampton City Centre. Many of these are intended to better connect areas of economic deprivation with opportunities in central Birmingham.
- **Sprint Rapid Transit** – an innovative new mode of transport based on a light rail system to improve journey times and reliability and achieve a higher-quality, greener public transport system that is easy to access by local communities. Seven routes have been identified as Sprint corridors - three are planned to be delivered for the 2022 Commonwealth Games. The others are part of the HS2 connectivity package.
- **Cycle Routes** – Birmingham’s cycling network covers 342 miles of greenways, canal towpath, on-road segregation and National Cycle Routes. The *West Midlands Cycling Charter* is leading on a strategy to increase cycling activity by providing higher-quality and safer cycling provisions. With a planned investment of £283 million over the next 10 years, a number of cycling initiatives are now underway.

The introduction of a Clean Air Zone by Birmingham City Council offers an opportunity to tackle ingrained issues of air pollution which contribute to the early death of almost 900 people per year in Birmingham. However, the manner in which the zone is rolled out is vital if the city is to avoid any unintended consequences and as a by-product, lose any economic advantage to the likes of Manchester and Leeds. The success of the zone also rests upon the level of commercial support which can be offered to affected businesses. Some form of financial assistance will be required to help those companies that will struggle to upgrade their vehicles within the suggested timeframe, particularly if they have only recently upgraded their engines to meet current standards.



Dr Magda Cepeda Zorrilla

Research Fellow,
City-REDI, University of Birmingham

“... a strategic integrated transport plan is essential for mitigating negative effects on traffic and congestion and for capitalizing on major infrastructure projects including HS2. Such an integrated approach to regional connectivity must include a focus on improving public transport but also creating streetscapes that encourage walking and cycling.”

“It feels like Birmingham is going through a modern-day renaissance, where more and more people are relocating here to study, live and work – finding a better and more affordable quality of life for themselves and their families.

There’s an excitement at Birmingham Airport too as we embark on our Master Plan. Published in June, together with our Surface Access Strategy, we set out our vision of how the airport will play its part in the continuing regional success story.”



Nikki Bains

Planning Manager,
Birmingham Airport



James Danby

Head of Commercial Development,
HS2

“Birmingham is the most exciting and dynamic city in Britain right now. We have more new businesses being set up, more jobs being created and more investment coming in than anywhere outside of London. This is a city and a population that is welcoming, ambitious, and is transforming at a rate of great pace. It’s no coincidence that it is also at the very heart of the new high speed rail network.

The City Council envisage HS2 bringing 36,000 new jobs, 4,000 new homes and 600,000 square metres of commercial development to the city. The regional economy will be boosted to the tune of £14 billion when taking into account Interchange station down at Solihull too.

That’s the future, but the benefits are already being felt now. A 150% increase in foreign direct investment. 18,500 new companies registered here last year.”

In the period 2017-18, 3,160 units were added to the dwelling stock in Birmingham. This is an increase from 1,751 in 2016-17 and 2,840 for 2015-16 (Ministry of Housing, Communities and Local Government).

However, there is a major issue regarding affordable housing in Birmingham. New developments in the city are failing to meet Birmingham City Council’s aim of 35% of new builds being offered as affordable housing. Rather, less than 10% of new builds can be classed as affordable housing. A lack of affordable housing has negative consequences across the board, including issues of accessibility for first-time buyers, higher rents in the private sector due to high demand, and longer waiting times for those registering for social housing.

PwC’s July 2019 *UK Economic Outlook* suggests that compared to the late 1990s, 25-34 year-olds are now disproportionately less likely to purchase a property with a mortgage, and more than twice as likely to rent privately. Unable to purchase homes, many young people have turned to renting. The proportion of 16-24 year-olds renting privately has risen from 51% in 1998/99 to 73% in 2017/18 and from 20% to 46% for 25-34 year-olds.

In 2018 the average house price in the West Midlands was £227,463, having increased by 4.7% from £217,174 in 2017. The growth in house prices experienced in the West Midlands was the second largest seen by any region in England and Wales, after the East Midlands with an increase of 4.8%. Comparatively, across England and Wales house prices rose by 1.5% to an average of £297,445 between 2017 and 2018. PwC’s July 2019 *UK Economic Outlook* projects average house price growth in the West Midlands at 3.4% for 2019 and 4.1% in 2020 (second only to Wales).

House prices in Birmingham remain higher than in any of the comparator core cities, although prices increased slightly more significantly in Manchester between 2017 and 2018.

Table 2: Average House Prices in and Around Birmingham (2018)

District	Average Price (£)
Birmingham	210,322
Bromsgrove	325,897
Cannock Chase	184,739
Coventry	199,699
Dudley	182,187
East Staffordshire	214,825
Lichfield	280,912
North Warwickshire	237,608
Nuneaton And Bedworth	198,039
Redditch	224,071
Rugby	271,555
Sandwell	159,311
Solihull	322,522
Stratford-On-Avon	368,522
Tamworth	213,732
Walsall	185,462
Warwick	363,974
Wolverhampton	167,294
Wyre Forest	211,560

Source: HM Land Registry, 2019



Glenn Harris
CEO,
Midland Heart

“As a housing association, we remain committed to our original social aim of providing good quality homes that are affordable to a broad range of people. We’re excited to see inclusive growth back on the agenda as a core objective for our city region and we’re ready to play our part in achieving this.

Providing high quality, affordable homes in the right places enables people to access good education and employment opportunities. When people have leisure activities, shops and other community infrastructure on the doorstep it makes their local area feel more like a community. ...

Working with our partners we will invest in homes that not only meet the needs of families today, but go on supporting sustainable communities for another 100 years.”

As has been the case with a number of large regional cities in the UK, Birmingham’s strong economic performance in the last few years, boosted by record levels of inward investment, has also led to strong demand for both office and industrial property. Office rental values have grown strongly and are higher than in all regional cities except Manchester. Birmingham has also experienced occupier growth in recent years. Like many other UK cities, high-quality sites and premises are now in short supply in the city, with the supply of grade A office space running out. In response, a new tranche of strategic employment sites has been identified across Birmingham and the wider area. Bringing these forward for development is now an urgent priority.

There are several large projects taking place in Birmingham right now that are regularly covered in City-REDI’s West Midlands Economic Monitor series. The skyline of the city centre is being transformed by the construction of new apartment blocks and office buildings.

“The business rates burden on local businesses in Birmingham has been steadily growing over the last 30 years with a detrimental impact across the sectors.... From a rate in the £ in 1990 of £0.34 to above £0.50 today and every chance that by 2021 the multiplier will be closer to £0.55, and subject to inflation approaching £0.60 in the next few years. This is a doubling of the tax burden over the last 30 years....

Business rates... have now therefore become such a burden that they are put into the equation on the decision on whether properties should be occupied, vacated or even constructed. At a 50% plus tax, this is not surprising- but is a ridiculous situation....this is stifling growth.”



John Webber
Head of Business Rates, Colliers
International



Prof John Bryson
Professor,
City-REDI, University of Birmingham

“This is an extremely exciting time in which to live and work in Birmingham. The current national debate is dominated by Brexit, but this distracts attention from what should be the primary challenge facing Birmingham and the UK - climate change. Adopting a net zero carbon emission approach to Birmingham will produce major alterations in the way the city is planned and developed. This will require major alterations in everyday living. What is required is an approach to transforming Birmingham that is both responsible and inclusive. A responsible approach will balance present with future needs and outcomes. An inclusive approach will create a safer and more prosperous city.”

Making Inclusive Economic Growth Happen

GVA in Birmingham continues to grow, strengthened by fast-growing business professional and financial services (BPFs), and professional, scientific and technical services. However, GVA per head remains below the national average and the city's high start-up rate has decreased in the past year.

We must continue the momentum of Birmingham's economic growth. However, we also know that it is not enough to pursue economic growth on its own terms; it is important to make sure that this growth is inclusive, meaning that it benefits everybody in society. The diverging economic fortunes of much of the North and Midlands of the UK compared to London and the wider South East prompted the launch of the UK2070 Commission by Lord Kerslake to understand the causes of economic inequality and make recommendations to addressing it. Looking at homelessness and food bank usage, it is clear that there is more work to be done in ensuring that the economic success of firms in the West Midlands also benefits the communities in which they are based.

Figures from Shelter in 2018 showed that 320,000 people in the UK – or one in every 200 people – have no fixed address or place to sleep, a number that has risen rapidly since 2010. According to the statutory homelessness figures for the WMCA area, in the three-months between October to December 2018, 4,365 households were assessed for being in critical need of somewhere to live. This was a reduction of 7.8% from the previous quarter. The figures estimate 284 rough sleepers across the WMCA in 2018, which is an increase of 33% from the previous year. At the end of 2018, 3,422 households in the WMCA area were living in temporary accommodation. This was an increase of 9.5% from autumn 2018.

Use of food banks operated by the Trussell Trust – a charity accounting for roughly two thirds of all food bank provision – has increased by 73% since 2014.

The GVA of Birmingham's economy has continued to grow, however, GVA per head in Birmingham (£24,761) significantly underperforms the national average (£27,430).

Birmingham's GVA is predominantly influenced by the services sector. The five biggest sectors in terms of GVA are 1) public administration, education and health, 2) distribution, transport, accommodation and food, 3) business service activities 4) real estate and 5) manufacturing.

As a core city, Birmingham hosts various nationally and internationally significant companies, reflecting both its manufacturing heritage and the city centre's function as a professional and business services hub for the wider region. The city has offices for a large number of financial and professional services companies focused in its financial district in Colmore Row and also in Brindleyplace. Birmingham also houses a significant number of legal services firms.

Examining Location Quotients (LQs) enables us to further identify the sectors in the city that have above average employment shares compared to the national average and hence a greater degree of specialisation. The three most concentrated industries in Birmingham are:

- **Education**
- **Public administration and compulsory social security**
- **Health and social work**

The total balance of UK trade stood at -£31 billion in 2018, largely due to trade in goods both within the EU and within non-EU nations. The falling pound has failed to filter through into significantly increased sales of goods abroad. The deficit in goods has continued to increase, further increasing the negative balance of trade.

In 2016, StartUp Britain identified that 17,473 new businesses were registered in Birmingham, the largest number of start-ups outside London. The number of enterprise births per 1,000 of the population in the WMCA area and Birmingham itself has improved since 2012, although there was quite a pronounced drop in business births between 2016 and 2017, from 8.16 to 5.95 in Birmingham. Although this mirrors the national figures (which fell from 6.31 to 5.78 in the same period), it is important to note that in Manchester, Liverpool and to a lesser extent Newcastle the business birth rate continued to increase, to 15.51, 7.6 and 4.33 respectively.

39.7% of new businesses started in Birmingham in 2012 were still trading in 2017, compared to 43.2% nationally. The city is mid-ranking amongst the core cities in this regard.

The Business, Professional and Financial Services sector is twice the size of the Manufacturing and Engineering sector in the West Midlands and in 2017 accounted for 28.2% of GVA and 20.3% of jobs (1 in 5 jobs). Employment in the sector is set to grow by 31%, and the sector's contribution to GVA is set to double by 2030. (WMCA Productivity and Skills Commission June 2018)

The main challenges for the sector are attracting and retaining staff to the region, and the sector more broadly. The sector still suffers from a lack of understanding of opportunities as well as a negative perception of the city's lifestyle offer. Nevertheless, the sector is growing at an accelerated rate, and indications are that this is due to relocation from other UK cities, including London.

In terms of improving the wider economy, the sector may be underperforming. Despite excellent examples, the main challenge for the sector is innovation. Especially where clients are not innovative and constrain change, within a risk-averse economic climate. Businesses want to tap into Birmingham's diverse, young labour market to create diversity in thinking and innovative cultures, but they need help in attracting talent and creating new pathways to ensure local people benefit from growth. The sector is increasingly focused on people and the infrastructure to attract them, and the next generation of professional services staff are demanding different working environments, challenges and work/life opportunities. The sector in Birmingham is already responding to this challenge. However, place attractiveness is becoming increasingly important.

Research carried out in 2017-2018 by the Centre for Local Economic Strategies in collaboration with City-REDI looked at the local wealth building capacity of Birmingham, focusing on how the city's anchor institutions individually and collectively add to the economic and social vibrancy of the city.

Going forward, the report outlines the following three priorities for Birmingham:

- Generating individual anchor strategies which span the breadth of local wealth building activities and working together to mobilise the resources and support to put these into practice
- Advocating for the anchor approach across Birmingham and the wider West Midlands and encouraging a shift in policy and practice on procurement, workforce and management of land, property and assets
- Construction and building: of the four Anchor Institutions who undertook an analysis of their procurement spend as part of this project, all identified that a significant proportion of the money that leaks out of the Birmingham and West Midlands economy relates to construction projects. This presents a key issue for the city and the wider region, with an opportunity to address this collectively in the context of the imminent investment in the facilities for the Commonwealth Games in 2022



Dr Tasos Kitsos

Research Fellow,
City-REDI, University of Birmingham

"Birmingham is booming. It is doing so well that the 2008 crisis is statistical history. However, not everyone benefits from this recent growth and this is to the detriment of individuals, local communities & businesses and the city itself. Now, it is more important than ever for local stakeholders to come together and build resilience and inclusivity into growth initiatives. The incorporation of inclusiveness in the West Midlands Local Industrial Strategy is a great starting point for developing Birmingham's participatory growth paradigm.

... it is within grasp for Birmingham to become a pioneer in inclusive growth."

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.

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 Birmingham 2022 Commonwealth Games intends to 'deliver an unforgettable, global Games' while showcasing the region. 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.

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

Over the five years 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.

While the number of FDI projects in Birmingham 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.

By sector, the majority of FDI projects in Birmingham in 2017/18 were in ITEC (Information Technology Engineering Corporation) and BPFs (Business, Professional and Financial Services). However, in the same period, one investment in logistics created more jobs (325) than total investments in any other individual sector aside from BPFs (338).

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 German 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. India was the second most frequent origin of FDI into Birmingham in this period.

Up until last year, the 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, the expansion of existing FDI-funded projects in the city remains far and away the largest contributor to the generation of new jobs in Birmingham (as opposed to new investments).

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.

The WMCA 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 and 6 are in the Coventry and Warwickshire LEP area.

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.

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 Birmingham St.Patrick's Day Parade, Birmingham Pride, the 2019 Cricket World Cup, Sandwell and Birmingham Mela and the legitimate Peaky Blinders Festival. Occasions such as Eid and Vaisakhi also bring large numbers of visitors to the city.

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

Over the past 10 years, the economic impact of Birmingham's visitor economy has increased by 53.4% - an increase of £2.5 billion. The breakdown by category of expenditure allows further insight into this impact: using 2017 figures, over a third (37%) of spending was on shopping, 9% on food and drink, 7% on transport, 6% on recreation activities, and 3% on accommodation.

In Birmingham's hotel market (as of May 2019):

- The average occupancy is 75%, keeping up with last year's performance despite a slower start to the year
- The average room rate is £71.60, £1.20 (or 1.7%) higher than the year before
- Despite a slow start to the year, the rise in average room rate was enough to push up revenue per available room, which has reached £53.50

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



Rebecca Riley

Business Development Director,
City-REDI, University of Birmingham

"The perceptions of the city are changing, and it's important to maintain this momentum to ensure the vibrancy and opportunity continues. ... 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."

"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 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."



Dr Massimiliano Nuccio

Research Fellow,
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