

A black and white photograph of a city street at night. The scene is filled with light trails from moving vehicles, creating a sense of motion. In the background, a modern building with a grid of windows is visible, with the word 'BULLRING' partially visible at the top left. To the right, a curved building with a textured, scale-like facade is prominent. The overall atmosphere is urban and dynamic.

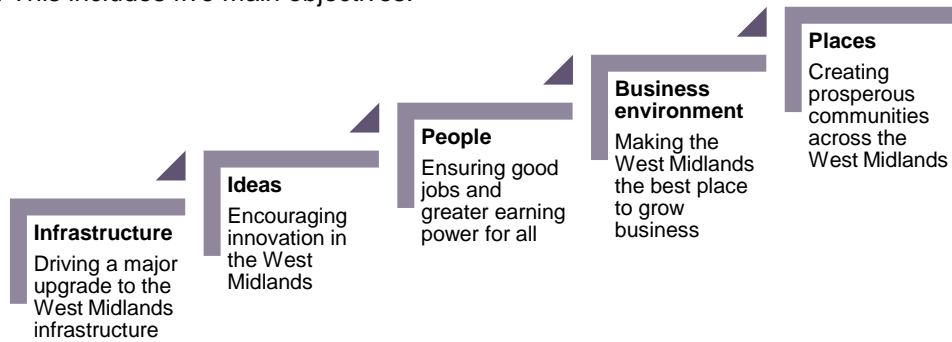
# WEST MIDLANDS ECONOMIC MONITOR

February 2019

CITY  
REDI

# EXECUTIVE SUMMARY

Welcome to the first City REDI West Midlands Economic Monitor. We monitor economic developments in the West Midlands in line with the UK government's Industrial Strategy <sup>(1)</sup>. This includes five main objectives:

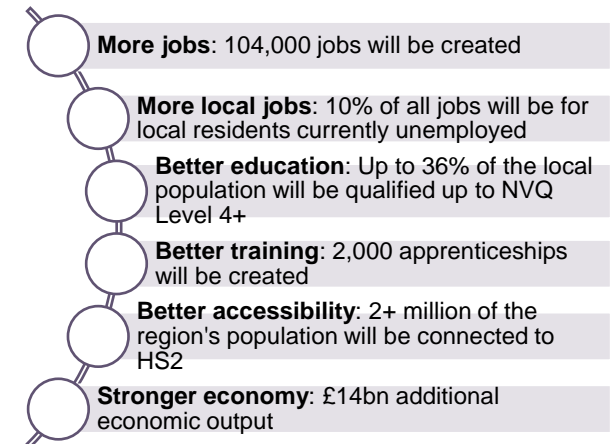


Key insights from this month's MEMO are:

- In October 2018, designs for 2 new HS2 stations were revealed – Curzon Street in Birmingham City Centre and an Interchange near Solihull. WSP UK is working with Grimshaw Architects on former while Arup is leading the latter project. <sup>(2)</sup>
- In November 2018, house prices in the West Midlands declined 0.4%, yet the region experienced the fastest annual growth in property value in England (4.4%). <sup>(3)</sup>
- Property group Bruntwood, the owner of Innovation Birmingham reported record profits of £116m, benefitting greatly from their West Midlands investments, including office spaces such as Innovation Birmingham and Cornerblock. <sup>(4)</sup>
- The city-region has secured a £150 million investment from the government to be the first to trial the new, cutting-edge 5G technology. This will support innovations in healthcare, policing and autonomous vehicles. <sup>(5)</sup>
- Latest labour market statistics from ONS reveal weaker performance of West Midlands in education and employment outcomes as unemployment and inactivity were over 1% higher and employment 2% lower than the national average. <sup>(6)</sup>
- In December 2018, business activity was down 12% since June 2018 peak, however business confidence improved 5% since the record low in October. <sup>(7)</sup> The Business, Professional and Financial Services sector is thriving in West Midlands with major law, real estate and consulting firms expanding their operations in the city region.
- In 2016, approximately 1.3 million of the wider West Midlands population was living in poverty. Disconnected communities with low skills are the most affected. <sup>(8)</sup> Projects such as the £23m Pantheon Park redevelopment in Wolverhampton are helping to revive the areas, create jobs, and bring back industrial prosperity to the region. <sup>(9)</sup>

# INFRASTRUCTURE

High Speed Two (HS2) in its first phase will directly connect London to the West Midlands. West Midlands Combined Authority's (WMCA) HS2 Growth Strategy will deliver <sup>(10)</sup>:



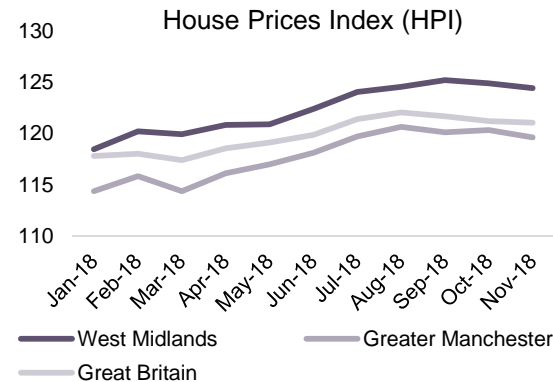
Source: GBSLEP, Midlands HS2 Growth Strategy: 2016

Another indicator of the impact of HS2 is house prices. In June 2018, house prices grew the fastest in West Midlands by 5.8% year on year. Despite the decline of 0.4% in November 2018, the city region saw the highest annual growth in property value

"Improving connectivity across the UK is critical. It underpins the mobility of labour, as well as goods and services, to align the supply and demand for skills and talent between and within regions. HS2 is doubly important because it will also help to rebalance our national economy [...] and creating more dynamic growth in the Midlands region and beyond."

**Simon Collinson**  
City REDI

(4.4%), above the England average (2.6%). <sup>(3)</sup> Increased connectivity will fuel property demand among businesses and the population. This will benefit homeowners but create barriers for new buyers.

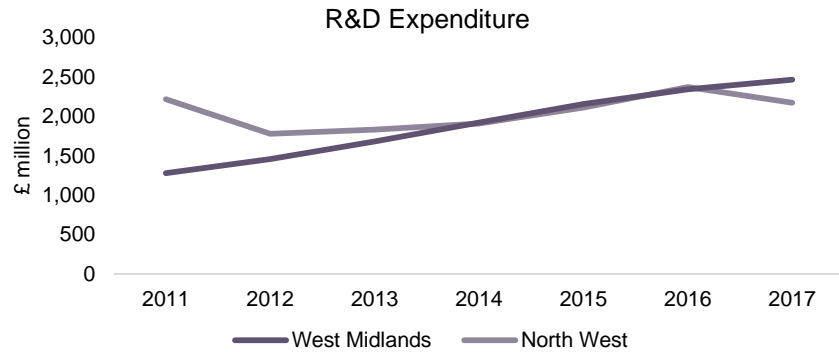


Source: HM Land Registry, UKHPI: November 2018.

Bruntwood, a property group focussing on providing workspaces for technology start-ups in city regions beyond London reported £116.3m in profits in January 2019. Their largest deal was the purchase of the Innovation Birmingham campus, which is home to 170 companies. The firm's profits have grown exponentially from £15m in 2009, owing to the increased demand for office spaces and a fertile business environment in the West Midlands. <sup>(4)</sup>

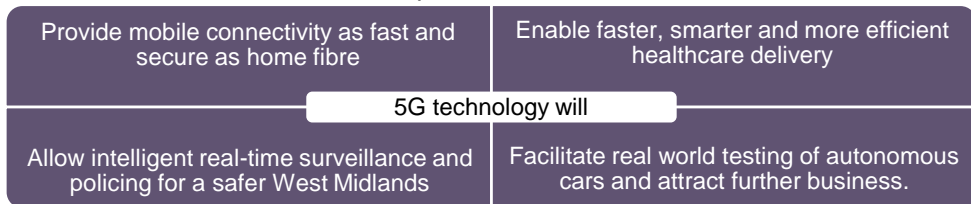


# IDEAS

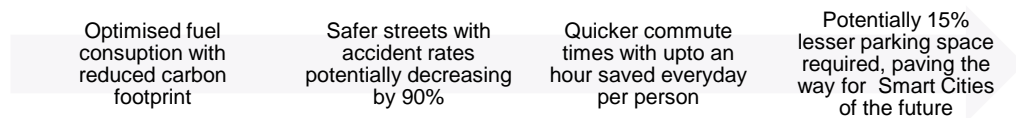


Source: ONS, *Business Enterprise Research and Development: November 2018*  
 In 2011, R&D investment by the businesses in West Midlands was approximately half of that in North West England. This gap has narrowed over the years owing to the growing R&D spend in the West Midlands. In 2017, West Midlands surpassed the R&D expenditure in the North West. R&D spend in the region has also grown as a share of the UK total from 7% in 2011 to 10% in 2017. <sup>(11)</sup>

West Midlands has received a £150 million investment from the government to be the first city-region to trial the new 5G technology. Vodafone, EE, O2 and Three won the bandwidth needed for the future 5G mobile internet services at an auction in April 2018, and the rollout to mobiles is expected in 2020. <sup>(5)</sup>



The West Midlands Combined Authority (WMCA) is working with car manufacturer Jaguar Land Rover to develop driverless cars and autonomous vehicles. The city region also received a grant of £19 million from Innovate UK to further support the development of autonomous vehicles by providing more routes for testing as part of the Meridan 3 project, led by Warwick Manufacturing Group and Highways England. The government is hoping to see driverless cars in regular use in the UK by 2021. <sup>(12)</sup> Some benefits of driverless cars will include:



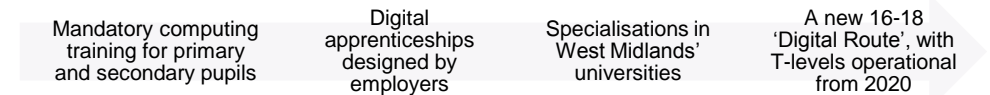
# PEOPLE

Labour Market Statistics (October 2018)

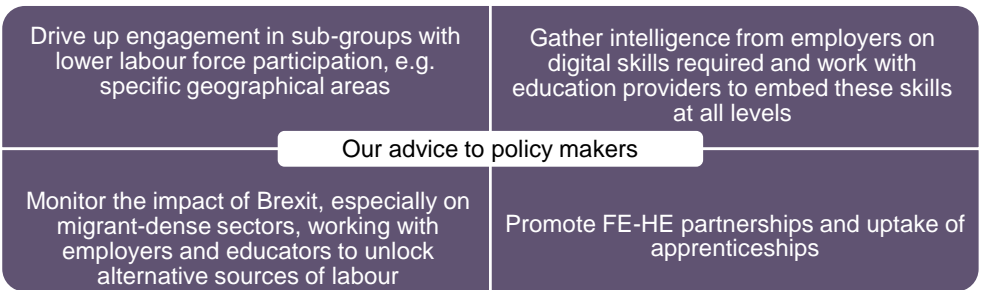


Source: ONS, *Labour Market Economic Commentary: January 2019*

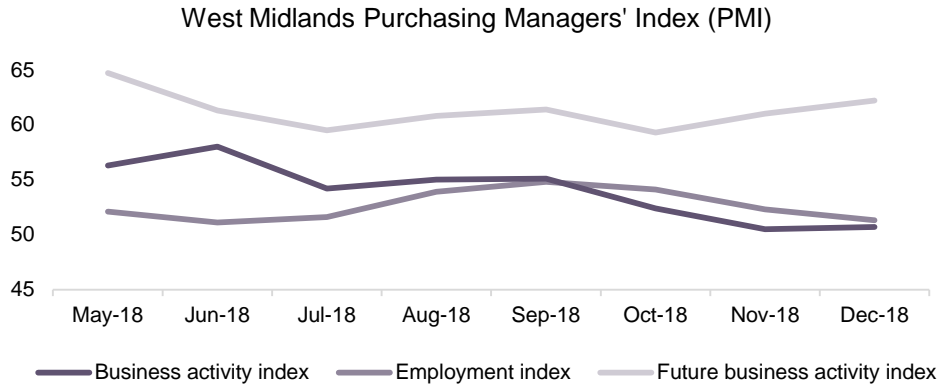
Latest data highlights the relative weakness of West Midlands' labour market performance as unemployment and inactivity were over 1% higher and employment 2% lower than the national average. <sup>(6)</sup> A key underlying theme is the gap between the skills supply and demand. As of 2017, the percentage of people in the region without any formal qualifications (13.1%) was almost double the national average (7.7%). <sup>(13)</sup> Some positive steps that are currently underway include:



City REDI's Professor Anne Green studied the skill deficiencies in the region. <sup>(14)</sup> Reviewing 35 detailed evidentiary responses from a range of stakeholders including businesses, educational institutions, local authorities, LEPs and think tanks, she highlighted the importance of inclusive growth, and the role that education providers, employers and policymakers can play in delivering it.



# BUSINESS ENVIRONMENT



Source: NatWest West Midlands PMI Survey: January 2019

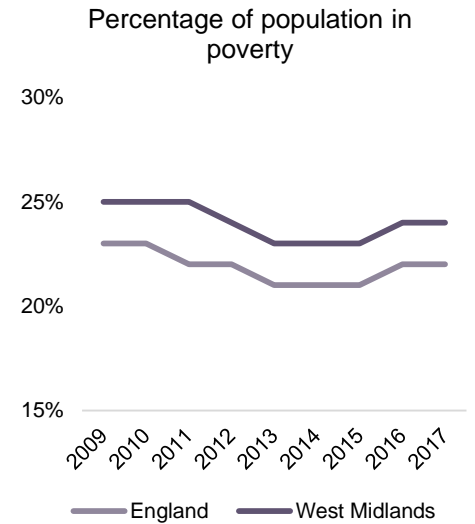
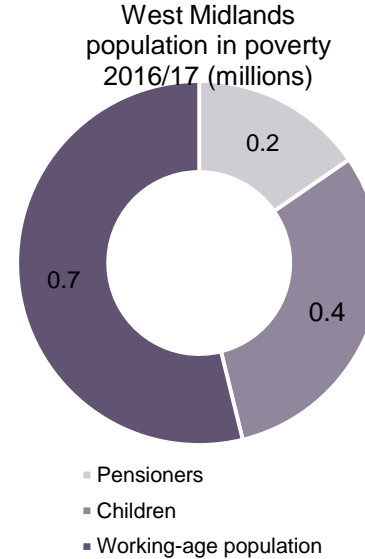
The West Midlands PMI tracks the business environment on a monthly basis. The business activity index measures the combined output of the manufacturing and services sector. In December 2018, output grew marginally (0.4%) from the previous month but remained subdued. Business confidence strengthened (5%) since the record low in October, owing to some firms expecting to increase market share with new product launches. However, confidence is at its lowest levels since 2012 due to uncertainty surrounding the EU Exit deal. The rate of jobs creation slowed by 2%. Service providers increased employment more quickly than manufacturers. <sup>(7)</sup>

The services sector is growing in the West Midlands with more businesses moving to or expanding their operations in the region, such as HSBC and PwC. In January 2019, PwC strengthened its Tax operations in the city region with the appointment of 2 partners and 5 directors. Law firm Emms Gilmore Liberson (EGL), real estate firm Cushman and Wakefield, and management consultancy GVA also expanded senior leadership, making the West Midlands a strategic centre for business growth. <sup>(15)</sup>

City REDI co-produced a report on the growth of the Business, Professional and Financial services sector in West Midlands. <sup>(16)</sup> We consulted with 40 businesses and stakeholders in the sector alongside our quantitative research. The city-region is the only place with a 'full-service offering' outside London. This will only grow as businesses consult on Brexit, artificial intelligence and digitalisation. Therefore, the growth of this sector depends on building the right skills in these areas.

"West-Midlands First" Scheme (Inc. Trainee Professional/Teach First style recruitment model)	Coordinated approach to business school engagement (including Professional Services Week; Aspire; Careers Hubs)
<b>We recommend</b>	
Greater Birmingham Professional Services Academy (Part of BMet)	Commission research into good growth, apprenticeships and/or design of school leaver programmes

# PLACES



Source: DWP, Households Below Average Income: 2017

As of 2016/17, there were a total of 1.3 million people living in poverty in wider West Midlands. Over 50% of these were working-age individuals, and over 30% were children. Moreover, the West Midlands overall poverty rate (24%) is higher than the national (England) average (22%). <sup>(8)</sup>

At City REDI, we believe that a big step towards tackling poverty is to connect residents to urban development opportunities and also evaluate and decrease the skills gap. We are delivering work embedding and pioneering community-based research as part of our USE-IT! (Unlocking Social and Economic Innovation Together) project. <sup>(17)</sup>

Engaging with communities to allow them to work with universities and stakeholders to identify areas for social and economic innovation	Working with high GVA partners whose sectors do not traditionally alleviate poverty, to bring Corporate Social Responsibility
<b>Our work includes</b>	
Creating new employment structures: e.g. a skills matching service and social entrepreneur lab will be used to match opportunities within poor communities	Scaling up our learning by taking our innovation champions, community researchers and social entrepreneurs into a similarly deprived transect of the city-region

Stoford Developments and Bridges Fund Management have announced a £23 million development project of Pantheon Park in Wolverhampton which will lead to job creation and area regeneration. The Black Country LEP is also supporting the project with over £2 million loan. Projects like this and HS2 will enable all communities in the West Midlands to contribute to the region's economy. <sup>(9)</sup>

## MONTHLY DATA BANK

Table 1 <sup>(6)</sup>: Trends in monthly labour market indicators for West Midlands (WM) compared to the North West (NW)

Month	Jan 18	Feb 18	Mar 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18
Unemployment rate (WM)	5.0	4.8	5.1	4.8	4.5	4.6	4.7	4.9	5.2
Unemployment rate (NW)	4.1	4.3	4.1	4.0	4.1	4.5	4.2	4.0	4.1
Employment rate (WM)	73.0	73.7	74.0	74.6	74.9	74.8	74.5	74.4	73.8
Employment rate (NW)	73.6	73.6	73.5	74.4	74.3	74.3	74.7	75.0	75.3
Economic inactivity rate (WM)	23.0	22.5	21.9	21.5	21.4	21.4	21.6	21.7	22.1
Economic inactivity rate (NW)	23.1	23.0	23.3	22.4	22.5	22.0	22.0	21.8	21.4
Benefits claimant rate (WM)	2.9	3.0	3.1	3.2	3.2	3.3	3.3	3.4	3.4
Benefits claimant rate (NW)	3.0	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.5

*Source: ONS, Labour Market Economic Commentary: January 2019*

Table 2 <sup>(7)</sup>: Trends in monthly Purchasing Managers' Index data in West Midlands

Month	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18
Business activity index	56.3	58	54.2	55	55.1	52.4	50.5	50.7
New business index	54.4	58.2	53.7	53.3	52.5	50.5	50.9	50.5
Employment index	52.1	51.1	51.6	53.9	54.8	54.1	52.3	51.3
Input prices index	63.6	67.5	66	64.2	65	63.6	60.8	60.6
Prices charged index	55.6	55.9	56.6	56.1	54.5	53.8	52.9	53.7
Future business activity index	64.7	61.3	59.5	60.8	61.4	59.3	61	62.2
Export climate index	54.5	54.8	54	54	53.5	53	53.1	52.4

*Source: NatWest West Midlands Purchasing Managers' Index: January 2019*

Table 3 <sup>(3)</sup>: Trends in monthly House Prices Index

Month	Jan 18	Feb 18	Mar 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18
West Midlands	118.43	120.2	119.9	120.81	120.88	122.37	124.02	124.52	125.17	124.85
North West	114.36	115.82	114.35	116.11	116.99	118.11	119.69	120.64	120.09	120.32
Great Britain	118.23	117.79	118.01	117.4	118.53	119.11	119.84	121.38	122.04	121.66

*Source: HM Land Registry, UKHPI: November 2018*

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