



Birmingham Economic Review 2018 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 is a high-quality resource for organisations seeking to understand the city to inform research, policy or investment decisions. This year's Birmingham Economic Review has been organised according to the five foundations of the UK's Industrial Strategy, which aims to boost productivity and the earning power of the national economy. We hope that this review will help to inform Birmingham's approach to the UK's Industrial Strategy.

What follows is a summary version of the full Birmingham Economic Review 2018. 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 2018.



Paul Faulkner
CEO, Greater Birmingham
Chambers of Commerce

"Birmingham is currently electrified by excitement about HS2, about the 2022 Commonwealth Games, about infrastructure developments such as Paradise Circus... and the 2018 Birmingham Economic Review reflects this more than ever before. Like all great cities, Birmingham has challenges to overcome, but we have a rich history of innovation and an unbridled ambition that will continue to drive the region's upwards trajectory.

Birmingham boasts world class universities and creative industries, we have a growing digital sector and an expertise in business, professional and financial services, and the city has a wealth of opportunities in the pipeline. The Birmingham city-region is currently experiencing the highest inward investment outside of London, and our visitor economy is going from strength to strength. We are turning heads, not just in the UK but around the world.

The challenge now is ensuring that these opportunities are accessible to businesses and people in the region. Maintaining recent momentum in tackling skills gaps, developing inclusive pathways into high-value future jobs and improving productivity will be crucial."

"We have structured our report this year around the 5 pillars of the government's national industrial strategy: ideas, people, infrastructure, business environment and places. In combination, these underpin our ability to innovate and in turn improve our relative competitiveness, adaptability and resilience in the face of changing opportunities and threats in the global economy. There are signs that the Birmingham city-region is becoming more creative, innovative and attractive as a location for R&D investment, leading firms and talented people.

This momentum provides an excellent base for our city-region to weather Brexit uncertainties and benefit from the new opportunities presented by rapid global change. To build on this momentum we need strong partnerships between local organisations and a coherent regional industrial strategy underpinned by intelligent analysis to support informed decision-making. I hope you will agree that this report and the wider collaboration between the University of Birmingham and local partners helps us meet these challenges."



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
- Lower than average employment rate, higher than average unemployment rate
- Lower than average proportion of the population with high qualifications levels, higher than average proportion of the population with low qualifications
- Job polarisation in the local labour market in relation to occupational groups and skills

Opportunities:

- Improving the survival rate of new businesses through targeted support
- Major investment in infrastructure including HS2, Midlands Metro and 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 and re-locations to the city
- 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

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
- 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

"There are incredible infrastructure developments coming into the city and we have yet to see how these projects, especially the arrival of HS2 and the 2022 Commonwealth Games, will impact upon commuter flows in and out of Birmingham, perceptions of the city, and the concentration of different sectors within the region..."

Nevertheless, it would be remiss to forget the issue of Brexit whilst looking ahead... financial services is one of the least vulnerable sectors to Brexit, which is good news for Birmingham as this sector is seen to be fuelling the new revival of the city. The exposure for the sector is 8% of its GDP nationally. This is still significant, but it is low in comparison to many other sectors - largely because the financial services sector is already highly globalised and therefore displays a low dependence on EU markets.

...Brexit, however, is likely to exacerbate underlying challenging conditions, and a key issue is tackling the skills gaps and very high local unemployment. Ensuring we build inclusive pathways into the expected growth in jobs is vital to ensure that the whole community thrives."



Rebecca Riley
City-REDI, University of Birmingham

"This report highlights the region's great strengths and glittering opportunities on the horizon. But it also throws into relief some of the challenges businesses face, namely on skills, productivity, congestion and, of course, navigating Brexit.

As we always have, the Chamber stands ready to help businesses take advantage of the opportunities and manage challenges. We will continue to work closely with HS2 and the Birmingham Commonwealth Games 2022 organising committee to ensure that local organisations are ready and able to access the ample business opportunities arising from these flagship investments.

Our Asian Business Chamber of Commerce Diversity in Leadership campaign aims to positively challenge businesses to embrace the underutilised talent in the city-region's minority groups and we continue to publish new research into businesses' views on skills and skills gaps to inform local and national stakeholders. The Growth Through People campaign helps businesses boost productivity through investing in leadership and management skills and our Invest to Grow campaign focuses on fostering investment in innovation, R&D, technology and machinery.

Our research has shown businesses' views on the impact of traffic congestion on productivity and we continue to work closely with city and regional stakeholders to champion businesses needs on this agenda, including on the proposed Clean Air Zone.

International Trade is another key component of productivity...Our International Hub, British American Business Council and Greater Birmingham Commonwealth Chamber of Commerce services and sections are proactively supporting businesses in growing their international links... and we continue to produce new, easy to use tools for businesses to aid planning and challenge stakeholders to give businesses the clarity they need on the UK's future relationship with the EU."



Henrietta Brealey
Director of Policy and Strategic Relationships,
Greater Birmingham Chambers of Commerce

Ideas

Aim: "To be the world's most innovative economy" UK Industrial Strategy

The Industrial Strategy identifies the UK as a global leader in science and research. To build on this strength and innovation more broadly, it demands better partnerships between universities and industry to enable more translation of research into commercial products. This is something Birmingham's five universities are already focussed on.

Increasing investment in R&D and increasing growth of specialist innovation strengths across the UK, while maintaining our world-leadership in global science and innovation collaboration, are also highlighted as crucial to becoming the world's most innovative economy.

In Birmingham, local networks, universities, business parks and the City Centre Enterprise Zone are supporting businesses in reaching the full potential of their innovations. Particularly innovative local sectors include digital, advanced manufacturing, energy, healthcare, and the creative industries.

Grand Challenge: "putting the UK at the forefront of the artificial intelligence and data revolution" UK Industrial Strategy

In Birmingham, advanced technologies and artificial intelligence are already creating significant employment, growth and investment opportunities. In 2017 the city's digital sector is estimated to have incorporated 36,802 digital jobs, contributing £1.4 billion to GVA.

The city's growing digital ecosystem has been supported by the planned HS2 rail link and the recent arrival of big banks and professional services firms. The availability of flexible funding packages for digital startups from Finance Birmingham and support from local networks, including Innovation Birmingham and Silicon Canal have also been influential in the sector's strength.

The three largest universities in Birmingham – the University of Birmingham, Aston University and Birmingham City University – are critical sites for innovations, educating future workforces and producing technological and scientific results that can be developed into patents and products. All are actively engaged in research and knowledge transfer at a regional, national and international scale, and offer specialised innovation services and collaborations with local industry.

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, and 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 has a number of high tech business parks that provide crucial opportunities for innovative and high-tech businesses and key stakeholders to network, broaden their resource base and maximise their opportunities.

Birmingham's business parks and related initiatives 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**

Birmingham's 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 focussed on business and financial services, ICT, creative industries and digital media.

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

To help businesses boost productivity through investment in innovation, R&D, technology & machinery the Greater Birmingham Chambers of Commerce have recently run a content led campaign aimed at sharing best practice, briefing information and businesses views on investment in innovation, R&D, technology and machinery, named Invest to Grow.



Prof Simon Collinson

City-REDI, University of Birmingham

"Innovation is an essential – perhaps the essential – driver of firm-level competitiveness and regional economic growth. Firms succeed or fail on the basis of their ability to (1) continuously create new products and services that customers are willing to pay for, and (2) develop processes for delivering these products and services more cost-effectively...developing a strong regional system of innovation should be at the heart of any economic growth strategy.

...Innovation is driven by firm-level investment in skills, new equipment and new processes. Current political and economic uncertainties are constraining this investment at a time when business leaders need to aggressively develop new competitive advantages. They need to be agile and adaptable to changes in the cost base and the UK domestic market and to develop export capabilities to reduce dependence on this market.

...we need better mechanisms for translating good ideas in our universities into successful commercial businesses. ...But we also need better connections between our universities and local businesses to bridge the supply-demand skills gap and support the development of new practices, processes and business models."

"Our region has a long history of leading technological change. At the vanguard of the industrial revolution, Midlands manufacturing and natural resources helped shape the world as we know it... That spirit of innovation continues today. Midlands' manufacturers have long adopted technological and robotic advances to improve productivity. Artificial intelligence (AI) is the next step.

...PwC estimates that the share of existing jobs displaced by AI (c. 20%) is likely to be approximately equal to the additional jobs created.

However, it does note potential regional variation, with more jobs likely to be lost rather than created in the Midlands. By PwC's analysis, this is due to the proportion of jobs in sectors more likely to see net job losses: manufacturing (-25%); transportation and storage (-22%); and public administration and defence (-18%) in this region.

...there's no easy solution. But, I believe that by investing and by harnessing the talent, political will and business need for better ways of working, Birmingham and the region has the potential to lead the UK through this 'fourth' industrial revolution."



Andy Dawson

Director and Co-Founder, Curium Solutions

People

Aim: “To generate good jobs and greater earning power for all”
UK Industrial Strategy

The Industrial Strategy emphasises a near historic high national employment rate, and a world-class higher education system in the UK. It references the government’s commitment to three million apprenticeship starts by 2020.

However, Birmingham’s working age population struggles with relatively low rates of economic activity and employment. The city has high levels of unemployment, concentrated in the inner city and some deprived outer city estates. The city has world-class universities and FE colleges but persistent qualifications gaps, from NVQ Levels 1+ to 4+.

Ensuring inclusive access to employment and training, creating a world-class technical education system, increasing STEM skills, and equipping people for high quality jobs in the future are clear priorities set out by the Industrial Strategy and shared by stakeholders across Birmingham.

The latest data available for mid-2017 estimated the total population of Birmingham at 1,137,123. The city is one of the youngest major cities in Europe, with under-25’s accounting for 37.8% of Birmingham’s total population in 2017.

Birmingham’s employment rate is estimated at 63.6% for 2017, well below the national rate of 74.9%. Unemployment remains high at 8.4% of those aged 16-64 in Birmingham compared to 4.5% nationally. Birmingham’s unemployment rate is the highest among all the core cities, however, it has reduced from 9.0% in 2016.

Table 1: Economic Activity (Jan 2017 - Dec 2017), aged 16-64

	Birmingham (numbers)	Birmingham (%)	Great Britain (%)
Economically Active	500,900	69.4	78.4
Employment Rate	458,900	63.6	74.9
Employees	391,500	85.3	85.4
Self-employed	65,900	14.4	14.2
Unemployed	42,100	8.4	4.5
JSA claimants Jan 2018	21,300	2.9	1.1

Source: ONS, Annual Population Survey

At 30.6%, Birmingham had a much higher proportion of economically inactive residents in 2017 compared to the national figure of 21.6%. However, of these over a third (39.6%) 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, 44.8% of those aged 16-64 in Birmingham are non-white, making the city the most diverse of all the English core cities.

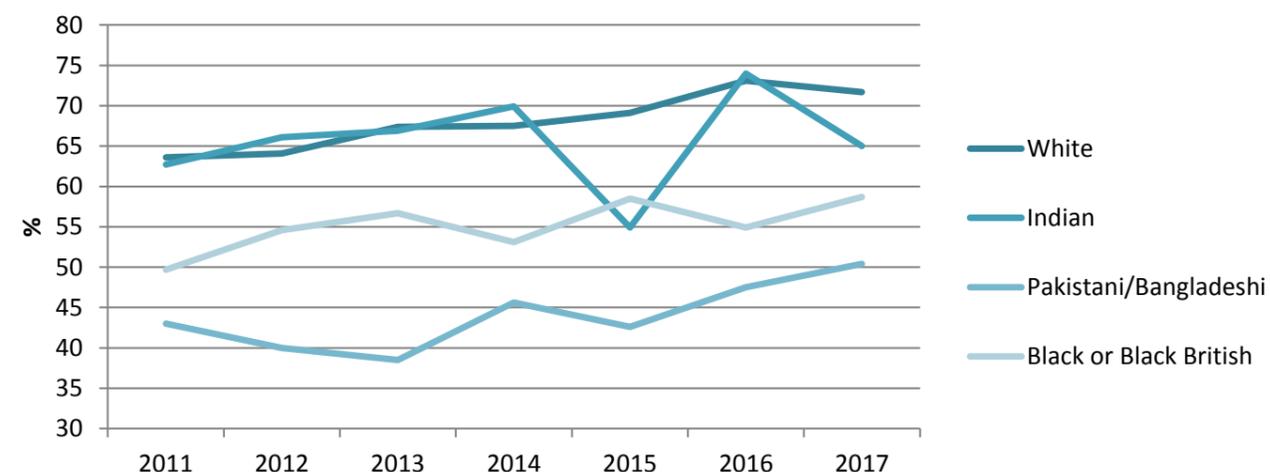
A diverse population in the city offers an array of international connections, a variety of languages and a blend of many different cultures.

However, Figure 1 shows that employment rates vary widely among different groups. The White group has the highest employment rate (71.7%), overtaking the employment rate for the Indian group which decreased significantly between 2016 and 2017 from 74.0% to 65.0%. The Pakistani/Bangladeshi group had the lowest employment level (50.4%) in 2017, 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, remained low at 37.0% in 2017.

Inclusive growth is a priority for local stakeholders and businesses. The West Midlands Combined Authority have 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 an initiative, Diversity in Leadership, which seeks to support companies on improving the ways they attract, retain and develop diverse talent.

Figure 1: Demographics in Employment Rates, Birmingham, 2011 - 2017



Source: ONS, Annual Population Survey

The overall skills profile of Birmingham’s residents has been a cause of concern for some time, with residents of the city 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 qualified to NVQ3 and above (often used as the definition of a ‘world class’ workforce), Birmingham underperforms the national average. Only 50.4% of the workforce is educated to this level, compared to 56.9% 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 (12.6%). This proportion is significantly above the nation as a whole (7.7% for Britain), although this percentage has reduced from 14.2% in 2016. This skills shortage is a contributing factor to Birmingham’s low proportion of employed residents, and associated high claimant unemployment rate.

Birmingham has five universities – the University of Birmingham, Aston University, Birmingham City University, University College Birmingham (UCB) and Newman University. These five institutions vary both in size and in the balance of postgraduates and undergraduates. 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 (BMet), South and City College Birmingham (SCCB) and University College Birmingham (UCB).

The latest data on apprenticeships shows that there were 10,860 apprenticeship starts in Birmingham in 2016/17, an increase from the previous year. During this same period, regional and national apprenticeship starts decreased. Apprenticeships at all levels offer people vocational routes into work which allow businesses to develop the skills needed as workforces develop. Since the government's '3 million starts' target and recent reforms were announced, the GBCC have been calling for a focus on quality over quantity, and a simplification of the apprenticeship system.

In 2016, Birmingham had the second lowest Gross Disposable Household Income (GDHI) per head in comparison to other core cities at £14,093. This, however, is an increase from the previous year when GDHI per head was £14,034. GDHI has been steadily rising since records began in 1997, despite generally stagnant pay growth nationally in recent years.

Median gross weekly pay for full-time workers living in Birmingham in 2017 was £523. This figure is a 5.6% increase on the figure for 2016. Median gross weekly pay for Birmingham's full-time workplace population in 2017 was £549, 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. 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 2015, 56.4% of Birmingham's population live in the most deprived 20% of areas in England.



Prof Anne Green

City-REDI, University of Birmingham

"A central challenge facing the Birmingham labour market is how to contribute to inclusive growth by providing access to 'good jobs' and addressing low-value low-wage low-skill work. This highlights a need for progression pathways in the labour market – from pre-employment interventions for those individuals who need them, through employment entry and sustaining employment to in-work progression.

Skills are one key factor in in-work progression.... Only around two in three of Birmingham's residents have qualifications at Level 2 and above, compared with three in four of residents nationally. This suggests that one in three of Birmingham residents are in so-called 'skills poverty'. One in eight of the city's residents have no formal qualifications, compared with one in twelve nationally.

The insertion of clauses regarding skills development and job quality in procurement can help embed the importance of employment quality in city and business development policies and raise wage floors. But to reap the rewards of such demand-side policies it is necessary to prioritise co-ordination with supply-side policies to better connect and match supply with demand. Sector-focused policies have an important role to play here, as do employability policies that look beyond employment entry to sustaining employment and in-work progression."

"Such a large population of Under 25s in the city is incredibly exciting because these young people will become the workforce of tomorrow and represent a great amount of potential. However... A young population is only an asset if they are equipped with the skills and opportunities they need to succeed as they enter the local workforce.

...With demand for intermediate and higher-level skills rising and there being a skills gap in the city, Birmingham's businesses have increasingly met a large share of their labour needs through immigration. Brexit places this labour source under threat."



Dr Catherine Harris

Coventry University



Suzie Branch-Haddow

Business Development Director, Greater Birmingham Professional Services Academy, BMet

"With high numbers of our residents in low paid jobs, we must ensure that all communities benefit from the region's economic growth. Training, personal development and education need to be available to everyone in our region: young and old. Achieving this requires an agile and responsive skills system comprised of education and business partnerships.

... At the moment, not only does the West Midlands region have an unemployment rate above the national average, it has also got the lowest employment rate of any of the mayoral combined authorities...However, if we look around us, we know that change is happening. Partnerships between business and all areas of education are growing and becoming stronger and stronger. For example, we are still home to the UK's first and only Professional Services Academy run by BMet, which reflects the critical role that Further Education can play in driving up skills and productivity in partnership with business.

The call to action now to us all is clear: we need to magnify our efforts to magnify our skills."

Infrastructure

Aim: "A major upgrade to the UK's infrastructure" **UK Industrial Strategy**

The Industrial Strategy recognises investment in transport, housing and digital infrastructure as one of the most significant opportunities for the government to influence the UK economy in the long-term. It expresses a clear intention to instigate a major upgrade to this infrastructure to boost the earning potential of people, communities, and businesses.

In 2016, the World Economic Forum ranked the quality of the UK's infrastructure as 24th in the world, down from 19th in 2006. This makes Britain mid-ranking among industrialised countries, and towards the lower end of the G7 nations.

This Review focusses on Birmingham itself, yet important linkages between Birmingham and the city's neighbouring areas have implications for the delivery of infrastructure to meet the city's growth aspirations.

Ensuring new home builds meet affordable housing targets and new employment sites meet the high demand for office space in and around Birmingham are fundamentally important. Stakeholders must also ensure that all regional developments are appropriately serviced by digital infrastructure.

Grand Challenge: "being a world leader in shaping the future of mobility" **UK Industrial Strategy**

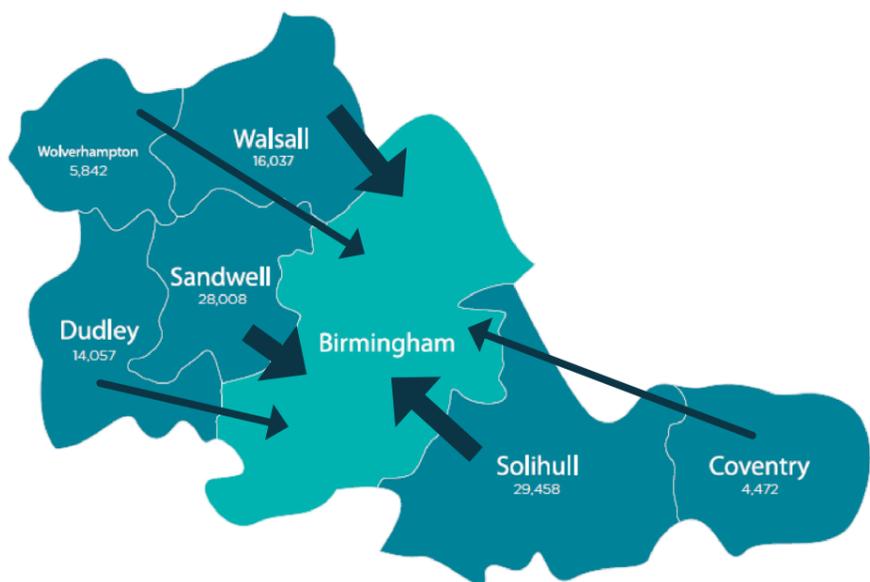
Birmingham is served by a range of key transport infrastructure:

- **Birmingham International Airport provides a gateway to a range of international destinations**
- **West Midlands Rail, 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 in the area that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally, namely:

- **High Speed Rail** - HS2 is a £55.7bn project which, when complete, will comprise 345 miles of new high-speed track across the UK. Construction has started on Phase One which will link London and Birmingham by 2026. Phase Two will run from the West Midlands to Manchester in the west and Leeds in the east by 2033. The government anticipate that HS2 will deliver benefits worth over £103bn to the UK economy.
- **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 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.
- **Metro Park and Ride at Bradley Lane in Walsall** - works commenced in 2017.
- **Sprint Rapid Transit** - an innovative new mode of transport based on a light rail system to improve journey times and reliability and achieve a high-quality, greener public transport system that is easy to access by local communities. Seven routes have been identified as Sprint corridors - 3 are planned to be delivered for the 2022 Commonwealth Games. The others are part of the HS2 connectivity package to be delivered by 2026.
- **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. These include: local cycling and infrastructure plans, cycle parking facilities at rail stations and interchanges and a bike share scheme to be rolled out in 2018-19.
- **Swift & Ticketing** - a new public transport smartcard offering a wide range of multi-operator, multi-modal tickets for bus, rail and tram. The scheme was introduced in 2012 to reduce waiting times and to improve customer experience. More than three million journeys a month are now made across the region using a range of products available on the card and its app.

Chart 1: In - Commuting to Birmingham



Source: ONS Census, 2011

Chart 2: Out - Commuting from Birmingham



Source: ONS Census, 2011

From the West Midlands, 166,272 people commute to Birmingham. To some extent this high level of in-commuting is to be expected; as a core city Birmingham is an employment hub for its surrounding areas. However, the magnitude of the in-commuting levels, coupled with the relatively low levels of employment amongst Birmingham's resident population, indicates a disconnect between local residents and the jobs generated in the city.

At the time of the 2011 Census, there were 410,736 households in Birmingham. Of these, 55.2% were owner-occupied. In comparison to national averages, residents in Birmingham are much less likely to own their property and much more likely to rent their property from the Local Authority.

In the period 2016-17, 1,751 units were added to the dwelling stock in Birmingham. This is down from 2,840 for 2015-16 (Department for Communities and Local Government). New developments in the city are failing to meet Birmingham City Council's aim of 35% of new builds offered as affordable housing. Rather, less than 10% of new builds can be classed as affordable housing. A lack of affordable housing has many negative consequences, 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.

Birmingham's strong economic performance in the last few years, boosted by record levels of inward investment, has 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 now running out. In response, a new tranche of strategic employment sites have been identified across Birmingham and the wider area. Bringing these forward for development is now an urgent priority.

It is crucial that all new homes and business premises are appropriately serviced by digital infrastructure such as high-fibre broadband, new 5G networks and smart technologies. Large investment projects from organisations such as Openreach - installing fibre broadband across the city - and the British Chamber of Commerce's No More Not Spots campaign - aiming to end not spots for voice coverage where UK phone users live and work - will contribute to this.



“The last year has seen a number of positives for transport in and around Birmingham. The Midland Metro City Centre extension to New Street station has been an immediate success... Meanwhile, High Speed 2 continues to progress with the enabling works now underway and the civil infrastructure works now being planned and commencing imminently.

The impact of Brexit, as with so many other sectors, is broad and variable across the transport and infrastructure sector as a whole. ...Overall, there are a number of things to be positive about but the big picture is one of uncertainty and fear over the impact of a potential Brexit on our region’s transport and infrastructure businesses and the many thousands of jobs they support directly and indirectly.”

Alex Burrows

Director, Birmingham Centre for Railway Research and Education

“As the NHS celebrates its first 70 years, it is well recognised that our NHS needs to change from one that just treats illnesses to being one that recognises the value of investment in jobs, housing, social networks and a strong economy to improve people’s overall health and wellbeing. The developing integrated care system in Sandwell and Western Birmingham has done some excellent work looking at the determinants of health outcomes and it is this that we will focus on in the months and years ahead.

Our much needed, and sadly, much delayed Midland Metropolitan Hospital was always intended to deliver more than a state of the art acute health care facility. We now have confirmation that work will restart on the hospital before the end of 2018 and it is that work that has been so vital in attracting regeneration potential to this part of the Birmingham area. New housing developments are emerging in the hospital’s surrounding area ... And, as important as the construction firm’s commitment to local employment and training, is the supply chain of traders and suppliers all delivering services and goods to the development.”



Toby Lewis

Chief Executive, Sandwell & West Birmingham NHS Trust

Business Environment

***Aim: “To be the best place to start and grow a business”
UK Industrial Strategy***

While the Organisation for Economic Co-operation and Development (OECD) already ranks the UK as one of the best places in the world to do business, the Industrial Strategy presents an ambition to reach the top of these rankings. Spreading best practice, improving access to finance, increasing exports and rolling out sector deals to support growth of key sectors are crucial to this end.

In Birmingham, the Greater Birmingham Chambers of Commerce exists to connect, support and grow local businesses. It annually runs campaigns and event series’ to share good practice among local businesses and offers tailored support for start-up businesses. The GBCC also features an International Hub, with international trade advisors, an export documentation team and language and translation services. It additionally operates the GBS LEP Growth Hub, which is on hand to offer advice and signpost businesses to available finance options. Key sectors in the city are varied and include fast-growing business professional and financial services (BPFS), and professional, scientific and technical services.

The GVA of Birmingham’s economy has continued to grow, however GVA per head in Birmingham (£23,300) significantly underperforms the national average (£25,351).

Birmingham’s GVA growth 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 a number of 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 focussed in its financial district in Colmore Row and also in Brindleyplace. Birmingham houses has a significant number of legal services firms.

The city has seen a significant expansion in professional, scientific and technical services since 2010. This sector has experienced the fastest growth in comparison to the other top-10 sectors at 51.6% since 2010.

Examining Location Quotients (LQs)¹ enables us to 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**
- **Human Health and Social Work**
- **Finance and Insurance**

In 2016, StartUp Britain identified that 17,473 new businesses were registered in Birmingham, the largest number of start-ups outside London. The business birth rate for Birmingham has almost doubled since 2014. Birmingham now has 8.16 enterprise births per 1,000 of the population. This is now only second to Manchester (11.91 per 1,000) among the core cities and above the national average (6.31).

39.0% of new businesses started in Birmingham in 2011 were still trading in 2016, compared to 44.1% nationally. The city is mid-ranking amongst the core cities for 5-year business survival rates. Though this is below the national average, Birmingham has a below-average business death rate, meaning that if a business survives beyond its first five years it is less likely to fail beyond this.

To support these businesses and boost jobs and economic growth in the region, the University of Birmingham has been awarded £5 million by Research England to lead a connected system of incubators and accelerators.

The Midlands Innovation Commercialisation of Research Accelerator (MICRA) is the largest formal technology transfer network in the UK. It provides a single platform to the collective intellectual property resources of eight universities based in the Midlands, including Aston, Birmingham and Warwick. The MICRA programme, working across industry from all sectors, will support entrepreneurs and enterprise development and investment in the Midlands region.

According to HMRC data, in 2017 14,863 businesses (including branches of multi-branch businesses) in the West Midlands region were exporters.

In terms of exports of goods, the most popular categories of exports (by SITC section) for businesses in the West Midlands region are Machinery & Transport (worth £23.7bn in 2017 or 71% of all exports) followed by manufactured goods (£3.19bn or 9.6%), miscellaneous manufactures (£2.75bn or 8.3%) and chemicals (£1.67bn or 5%).

The largest destination by value for exports of goods by country group from the West Midlands region is the European Union (worth £14.7bn or 43.9% of all exports in 2017). This is followed by Asian and Oceania (£7.6bn or 22.8%), North America (£6.67bn or 19.9%) and the Middle East and North Africa (excluding EU) (£1.23bn or 3.7%).

Despite the fact that many of the main exporting companies derive a significant proportion of their revenue from services and financial services related-exports are crucial to the national balance of payments, there are currently no reliable data sets on regional services exports.

¹ The share of employment in a specific sector in Birmingham divided by the share of employment of that sector in the national economy.

The business, professional and financial services sector is twice the size of the manufacturing and engineering sector in the West Midlands Combined Authority area and accounts 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.

Birmingham is the only place outside of London where you can access the full range of services within the sector. There is also a skew towards highly professional and technical roles, and where back office exists, it is because the HQ is in the region or it has become a specialised function.

The main challenges for the business, professional and financial services sector are attracting and retaining staff to the region, and to the sector more broadly. The sector still suffers from a lack of understanding of opportunities as well as an outdated perception of Birmingham'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 business, professional and financial 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.



Prof John Bryson

City-REDI, University of Birmingham

"For the West Midlands, for the year ending 2017, the most important export partners by value were, in order of importance, the USA, China, Germany, France and the Irish Republic ... on-going alterations in the American approach to trade are perhaps one of the most important challenges. Exports from the West Midlands mirror the pattern for the UK. There is a deficit in goods and a surplus in services. This surplus in services is interesting as it is important to appreciate that services have never been a central part of international trade agreements and have been excluded from the current (July 2018) UK government approach to Brexit negotiations.

...an annual review of the economic geography of Birmingham does not identify major changes at the firm or regional level. At this scale of analysis, change is gradual or incremental with only occasional major shocks. What is interesting for 2018, is that perhaps one of the greatest shocks that is beginning to be experienced by local firms reflects the outcomes of decisions made in Washington, D.C. rather than in London or Brussels."

"The RSM Brexit Monitor, based on more than 300 interviews with C-suite respondents across the UK, shows that businesses across the East and West Midlands are confident that they will weather the Brexit storm...in June 2018, the region emerged as the most optimistic in England when thinking about how Brexit will impact business prospects over the next five years.

...Yet at the same time, it's important that businesses do not become complacent. To continue their growth trajectory, particularly in a time of uncertainty, businesses must do more to take advantage of other development funding on offer.

Generous tax reliefs are available for companies of all sizes and in all business sectors...Accessing this development funding will be crucial to the continued prosperity of the city, particularly at a time when Brexit negotiations could undermine other EU funding streams.

A long legacy of innovation allowed Birmingham to emerge as the UK's second city. Today, a landscape of strong academic and development support has allowed this entrepreneurial spirit to continue to thrive. But in a time of economic volatility and political uncertainty, businesses will need to be smart if they are to continue their upward trajectory."



Mark Taylor

Central Regional Managing Partner, RSM

Places

Aim: "To have prosperous communities across the UK" UK Industrial Strategy

The Industrial Strategy states that regions across the UK need to realise their full potential and increase productivity by making the most of competitive strengths. This will include improving skills and infrastructure across the country and ensuring land is available for housing growth.

It will also involve strengthening cultural assets, and supporting locally tailored interventions shaped by Local Industrial Strategies.

Local Industrial Strategies set out how areas across the UK are responding to the Industrial Strategy and the direction they believe their local economy should take. The West Midlands Combined Authority is a pilot area for Local Industrial Strategies and will be one of the first areas in the country to deliver one. An outline of a Local Industrial Strategy for the West Midlands, from the University of Birmingham and The What Works Centre, can be found in the full Birmingham Economic Review.

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 also increase a region's competitiveness.

In 2017/18, there were 52 FDI investments into Birmingham creating 2,439 new jobs. This is a rise of 10.6% in projects and 30% in the number of jobs since 2016/17, and a rise of 92% in projects and 76% in jobs since 2011/12.

The 2017/18 results represent the second highest number of projects and the second highest number of jobs since 2011/12. These outputs are particularly impressive against the uncertainty seen in global investment markets, especially after the vote to leave the EU where the pipeline of prospects has fallen dramatically in many sectors.

By sector, Birmingham received most FDI projects in business, professional and financial services (BPFS; 21%) which equalled the total of investments from all secondary sectors. Next was advanced engineering and information technology, electronics and communications (ITEC) with 16% and 15% respectively.

When we look at jobs created from FDI we see the majority being created in BPFS (26%) followed by Automotive (20%), reflecting the strengths of these sectors in the city and the quality of the skills and accommodation on offer to potential investors.

In the last seven years, there have been foreign direct investment projects from 37 different countries into Birmingham, with the United States the number one source providing over a quarter of all projects received (27%). This was followed by Germany with 31 projects and India with 22.

Birmingham received more investments from new investors than any other type (acquisition/expansion/other) in 2017/18, highlighting the excellent offer the city makes to potential investors in terms of location, access to suppliers, access to customers, skills, quality of life and educational attainment.

This attractiveness is very important (in fact Birmingham was ranked first in Europe for the mid-sized cities category by Colliers International in their Cities of Influence rankings Q1/2018), however the quality of the existing investors must also be supported, particularly when the vast majority of new jobs created were from expansions between 2011/12 and 2017/18 (10,739, 71% of the total).



Prof Nigel Driffield
University of Warwick

“The Birmingham City region continues to do the best for inward investment outside London. This offers an interesting commentary on the contribution that inward investment makes to productivity locally. If one takes as a benchmark that foreign firms have on average 15-20% higher productivity than local firms, and that a high proportion of inward investment for the WMCA region is in sectors with above average productivity, then this indicates the importance that attracting and retaining inward investment has for the local economy.

... with only a few exceptions, inward investment contributes to productivity, OR it generates significant employment opportunities...given the nature of the skill distribution across the region ... all investment is good investment. While obviously high skill, high value-added jobs will increase productivity the most, generating employment for less skilled people may well increase aggregate value added by more.”

“BHSF began life as the ‘Birmingham Hospital Saturday Fund’. It was founded by Birmingham surgeon, Joseph Sampson Gamgee...Shaped by the philanthropic Gamgee, and thanks to the not-for-profit model the organisation is based on, BHSF is able to invest in services and innovation, listening to its customers and developing products to meet their needs.

...For the SMEs and micro businesses of Birmingham, BHSF included, there won't be a seat at the top table when it comes to Brexit negotiations. ...Brexit is going to happen much like the weather – like it or not. Businesses across the region will have to deal with what it brings, and focus on ensuring the economic wellbeing of the region.

In my opinion, the West Midlands' productivity is more important than the impending implications of Brexit... The key driver for this is re-skilling our workforce... We need to think about how the young person living in inner-city Birmingham can become part of the powerhouse that is the Snow Hill redevelopment, or the new Curzon Street Station, or Digbeth regeneration. We must empower the people of our region, and ensure their health and wellbeing is a priority...”



Brian Hall
Chief Commercial Officer,
BHSF

In Birmingham, year-on-year increases in foreign direct investment reflect the city's competitive strengths, and a steadily growing visitor economy can be attributed to attractive cultural assets and the ongoing resurgence of the city. With the upcoming Commonwealth Games in 2022, Birmingham is gearing up to cement its place on the world stage as a thriving hub worth visiting.

Birmingham's visitor economy continues to grow, having 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 over the last 12 months and a 29.7% increase over the last 10 years.

The city's visitor economy was worth a record £7.1 billion in 2017, up 9.2% on the previous record set in 2016. In the same period, the number of full-time equivalent jobs supported by tourist activities rose by 7.2%, from 70,635 to 75,748.

A breakdown by category of expenditure highlights the wider impact of the visitor economy on the city's economy. 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:

- Average occupancy is 75%, matching the previous record set in 2016
- The average room rate is £69, up £2 on the previous record
- Revenue per available room is the best ever at £51, £1 up on the previous year

Attracting in-bound tourists, who tend to stay longer and spend more, is a key priority for Birmingham. In 2017, Birmingham was in the 4th most visited UK destination behind London, Edinburgh and Manchester.

“We are not only demographically the youngest city in Europe, but also one of the richest and most diverse. The many new citizens we have welcomed have had much to do with our improving economic fortunes. We have all the ingredients necessary to become the exemplar of the modern global city.

There is a lot to do if we are to reach this aspiration... if we do our job properly, we will have 24 months to secure lasting legacies for the entire Midlands with the City of Culture stewarded from Coventry and then the Commonwealth Games headlined in Birmingham.

... Perhaps we can see the region finally coming together with one single purpose. The challenge is daunting – supporting the neighbourhoods who will bear the brunt of the activities through to mobilising an army of volunteers, securing benefits for our businesses and industry and identifying and securing the necessary vision and leadership now. As my kids would say, “Birmingham 2022, bring it on!”. Of course, we will make the most of these wonderful opportunities.”



John Crabtree OBE
Lord Lieutenant for the County of
the West Midlands and Chair of
the 2022 Commonwealth Games
Organising Committee



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