

Introduction

The Birmingham Economic Review 2017 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.

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www.greaterbirminghamchambers.com or via the contact details at the end of this document.

Conclusion

Our analysis of the economy of Birmingham makes clear the city is home to many strengths and opportunities, but also faces clear weaknesses and threats:

Strengths:

- High GVA Growth Rate
- Strategically located at the heart of major transport networks
- Above average employment shares of the following sectors: Finance and Insurance, Education, Public Administration & Defense
- Strong track record on Inward Investment & Foreign Direct Investment
- Vibrant and growing visitor economy
- Strong innovation ecosystem
- High number of start-up businesses

Weaknesses:

- GVA per head, per hour and job filled underperforms the national average
- Weekly pay for full-time workers is below the national average
- A lower than average proportion of the population aged 30-44
- 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 levels

Opportunities:

- Major investment in infrastructure including HS2, Midlands Metro & the West Midlands Rail franchise catalysing further investment and growth
- Harnessing the potential arising from the high proportion of the population being under 25
- Increasing retention of students studying in Birmingham
- Increasing the economic participation and self-employment rates for women in the city
- Harnessing the ethnic diversity of the population to grow international trading links
- Improving the survival rate of new businesses through targeted support

Threats:

- Impact of Brexit on the economy (Foreign Direct Investment, international trade links and access to talent) and the internationally diverse population
- National concerns about the impact of rising inflation and low wage growth on consumer demand
- Lack of investment from domestic firms in improving productivity
- Potential negative impact of the construction of major infrastructure projects and rising congestion on the ease of moving goods and people in, around and out of the city and the consequences on businesses' appetite for investing there during development

Birmingham is clearly an attractive place to live, work and invest. However, this analysis clearly highlights some areas which will require continued attention from stakeholders.

The city's GVA, while seeing significant growth rates in recent years, remains stubbornly below the national average. The causes of low productivity are complex but could in part be improved by providing businesses with the support and confidence they need to invest in their people, processes and physical equipment.

Skills gaps and high unemployment have long been recognised as major challenges for the city. Progress has been made on both but further concerted action from public, private and third sector organisations will be needed to ensure Birmingham's citizens are skilled and able to benefit from the jobs being created by growing investment in the city.

The entrepreneurial characteristics of Birmingham's population, particularly among ethnic minorities, represent a significant opportunity for the city; if stakeholders can ensure that there is an appropriate business support structure around them to enable them to grow and succeed.

The comparatively low economic participation and self-employment rates of women in the city suggest that there is as yet untapped potential to grow their formal contribution to the city's economy, with the right targeted support and engagement.

While the major influx of investment in transport infrastructure coming to the region over the next few years will bring vast long term benefits, in the short to mid-term it will be disruptive to local businesses and employees. It will be essential that the relevant transport stakeholders work closely with the business community to communicate what works will be happening when and where and what impact it will have on transport networks so that they can prepare for any potential issues.

Of all the potential challenges facing the city, Brexit is the most complex and also the greatest unknown given the slow progress of the negotiations between the EU and UK government at the time of publication. Post EU referendum, already challenging macroeconomic conditions have become more unpredictable.

The main areas of concern and potential opportunity are:

- Trade: The EU is the largest trading partner for the UK and region, and with demand from emerging markets and China slowing the outcome of tariff and non-tariff barriers, the trade in services and renegotiation of trade deals outside the EU will all lead to uncertainty in export markets.
- Foreign Direct Investment: Birmingham continues to attract significant volumes of FDI from EU nations. Membership of the EU is one of many factors affecting investment, outside the EU the UK could create a system of regulation more attractive to foreign investment and more beneficial to UK, the parallel fall in sterling could also help create favorable conditions.

- Migration: Birmingham is home to a significant population of EU nationals. Skilled migrants have a significant impact on business and growth, currently and future changes to immigration policy could restrict that movement, at all levels of skills. This could lead to labour shortages in an already tight market. The sectors most affected are likely to be hotel and food, manufacturing and admin and support.
- Business: the EU legislates in a number of areas and we have yet to understand how these areas will be affected, these include; product specification; competition; employment terms; health and safety; and consumer protection. If the UK leaves the EU it will be free to regulate businesses as it seems fit, however businesses that export to the EU will still have to adhere to EU laws.
- Rising Inflation: The UK economy is highly reliant on consumer spending. The future impact of rising inflation accentuated by the falling value of the pound and low wage growth on consumer demand remains to be seen.

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