Greater Birmingham
Chambers
of Commerce

Birmingham Economic Review 2021
Summary

UKRI Research England

UNIVERSITY OF BIRMINGHAM | WM REDI | CITY REDI
Supporting inclusive economic growth in the West Midlands and across the UK

Connect. Support. Grow.

Foreword

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce. 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 2021. 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 2021.

Henrietta Brealey

CEO, Greater Birmingham Chambers of Commerce

"The data contained in this year's Birmingham Economic Review – the fifth annual review of its kind - is perhaps the most important to date. Following the once in a lifetime social and economic shock precipitated by the coronavirus and subsequent restrictive measures, we are beginning to see positive signs of recovery at both local and national levels.

While the impacts of COVID-19 and Brexit remain in play, the city stands on the precipice of exciting opportunities for economic growth. At the time of writing, it is now less than a year to go before the Birmingham 2022 Commonwealth Games, and the city has a unique opportunity to leverage the array of benefits that the once in a generation investment in HS2 and associated local developments will bring.

... Birmingham was on an upward trajectory prior to the pandemic and a lot of the good work done by businesses and stakeholders alike has set us up to come out of this crisis on a relatively surer footing. As a Chamber, we are more committed than ever to rebuilding Birmingham and making it the best place to start, grow, move or invest in a business."

"The pandemic has hit the UK economy harder than most other OECD countries and the West Midlands harder than most other UK regions. This economic shock, coupled with Brexit, led to significant falls in output, productivity and employment as well as new levels of inequality. Uncertainty remains, but the signs are remarkably promising. The range of indicators we track, presented in this report, show growth and optimism as part of a tentative bounce-back. As with any post-shock recovery, separating temporary responses in consumer spending, hybrid working, employment and wages, or firms' investment decisions from longer-term behaviour changes, in market demand, the shape of our city-centres, work-place wages, automation and regional growth, is challenging. But it is key to a better understanding of the future growth prospects of the region.

... As we look ahead to regain our growth momentum we need to retain and attract the best talent and investment as a leading global city-region. But this new growth pathway will also need to be more sustainable and more inclusive than our trajectory in the pre-pandemic era."

Professor Simon Collinson

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

2021: A Year of Recovery

2020 – 2021: COVID-19: A Global Health and Economic Crisis, Felt Locally

- High case rate: almost 158,000 COVID-19 infections and 2,898 deaths in Birmingham by 27th September 2021
- Wider impacts on mental health: the most recent data (April 2021) shows that the number of people contacting the NHS seeking help for mental health problems is at a record high
- Economic disruption: regional GVA dropped 13% in 2020 and is not expected to recover until 2022 at the earliest
- Job losses: 45,896 redundancies made during September and November 2020 in the West Midlands region
- City centre economy: footfall in Birmingham city centre dropped by 46% in the 12 months to June 2021

2021: Signs of Economic Recovery

- Lockdown restrictions lifted: on 19th July 2021, almost all social restrictions were removed
- Tentative recovery: regional PMI in Q2 showed a historically strong economic expansion underway however a series of falls in the reading since May indicate slowing growth, mirroring national trends
- Risks to recovery include: the evolution of the pandemic, weaker than expected consumer spending, inflationary pressures, supply chain disruption, labour market distortions and the reinstatement of national restrictions

Population: A Young and Diverse City

- A young and diverse population: 46% of residents aged between 0-29 years and 1 in 4 born outside the UK
- Young impacted by COVID-19: youth unemployment rose in Birmingham to 13.8% in 2020 and young people had a higher instance of furlough
- Significant labour market recovery: regional unemployment stood at 5.3% for the three months to July 2021 and UK job vacancies exceeded 1 million for the first time in August 2021
- Skills gaps restricting business growth: 57% of Greater Birmingham firms attempted to recruit in Q3 2021, of which, 62% experienced difficulties doing so
- Low productivity: at £33.08 per hour worked, Greater Birmingham was less productive than the UK average (£35.78 per hour)

Industry and Innovation: Pathways to Prosperity

- Knowledge transfer and networks: Birmingham is home to five universities offering a mix of comprehensive research and industry specialisms
- Home of 5G: the UK's first 5G testbed established in the West Midlands and the region ranks first for 5G coverage
- Significant business investment in R&D: West Midlands spend reached £2.36bn in 2019
- Low government and charitable investment in R&D: second lowest region at only £94 per capita in 2019

Sustainability: A Green, Clean and Just Transition

- Working from home: over 43% of workers were working from home nationally in April 2020
- Modal shift: public transport usage remains 20% to 60% below pre-pandemic levels (as of early September 2021) whilst car usage has normalised
- Low carbon opportunities: decarbonising the UK domestic economy by 80% from 1990 levels could add 299,000 jobs and £27bn of GVA by 2050 plus £26bn of export opportunities

Once in a Generation Opportunities:

- 28th July - 8th August 2022: the Birmingham 2022 Commonwealth Games
- 2029-2033: completion of HS2 Phase 1

Birmingham Pre-Pandemic

Prior to the start of the COVID-19 pandemic, Birmingham was a city experiencing significant growth while facing longstanding challenges with weaker than average productivity, higher than average youth unemployment and improving but still lagging skill levels.

Between 2016-2019 the Greater Birmingham city-region (defined as the Greater Birmingham and Solihull Local Enterprise Partnership, or GBSLEP, area) experienced growth of 3.3% per annum with the economy reaching £54.7bn in 2019 as measured using gross value added (GVA).

With economic output of £33.08 per labour hour worked in 2019, the pre-pandemic Greater Birmingham economy was less productive than the national average (£35.78 per hour) and far less productive than the top-ranking enterprise regions that are predominantly located in the greater South East.

Birmingham demonstrates even lower productivity at £31.08 per hour worked in 2019. This puts the city fifth out of the eight core cities in England. However, Birmingham has been on an upward trajectory and has gained ground on other core cities since 2015.

As a core city, Birmingham hosts several nationally and internationally significant companies (a number of whom are featured in this document), 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 based in its financial districts in Colmore Row and Brindley Place.

The West Midlands has also been the top recipient of foreign direct investment (FDI) outside of London and the South East every year for the past five years as shown by Department for International Trade (DIT) statistics.

While the Coronavirus crisis created a challenging climate for businesses in the city, Birmingham remains home to a number of core strengths:

- Innovation and support networks: 5 universities, 6 business parks and related initiatives, a city centre Enterprise Zone comprised of 39 sites across the city, a number of Business Improvement Districts and support organisations such as the GBS LEP Growth Hub and Greater Birmingham Chambers of Commerce.
- Location and connections: 90% of UK businesses and consumers are located within 4 hours travel time of Birmingham which is exceptionally well served by rail (direct services to London and the South West, the West Midlands, Scotland, the North West and Yorkshire), road (M6, M5, M42 and M40, which provide access to the North West, South West, East Midlands and South East) and air (Birmingham International Airport).
- Young and diverse population: In mid-2020, 46% of Birmingham's residents were aged between 0-29 years (UK average 36.2%). The share of residents who are classed as ethnic minority (48.5%) is much higher than for the nation as a whole (14.3%) and almost one in four people are non-UK born (UK average 14.3%).

The city is also already benefiting from a number of major investments, including HS2 and the Birmingham 2022 Commonwealth Games, which are discussed later in this document.

Raj Kandola

Head of Policy, Greater Birmingham Chambers of Commerce

"There's no denying the detrimental impact that pandemic has had on the city economy and the manner in which it has exacerbated a number of existing issues which pre-dated the crisis. ... Nevertheless, there seems to be an intangible air of optimism slowly but surely building as we take tentative steps on the long road to economic recovery.

... Perhaps the surge of optimism has been bolstered by the news that prominent organisations such as Goldman Sachs have relocated to the city and anchor institutions such as the BBC, BT Group and the Department for Transport are expanding their presence here. Or perhaps we are forgetting about the building blocks that were in place prior to the onset of Covid-19 which played such an important role in facilitating the city's economic renaissance over the last ten years."

Dr Charlotte Hoole

Research Fellow,
City-REDI,
University of Birmingham

"Since their election in 2019, the promise to 'level up' the country has been at the centre of the current UK government's political agenda.

... Given its leading role in the English devolution journey so far and as the region emerges from the pandemic a stronger and more united force, the West Midlands is uniquely positioned to present a powerful voice to government for facilitating a discussion on the structural changes needed. There has also never been a better time for the region to lobby government for more regional powers, having demonstrated its competency to work together to deliver effective regional interventions quickly in response to the pandemic."

COVID-19: Impact on Health and Wellbeing

The coronavirus pandemic has had a catastrophic effect on the health and wellbeing of populations across the globe, including the resident population of Birmingham.

National government and local authorities have implemented various measures to limit the spread of the pandemic and support the NHS in minimising loss of life as a result of this crisis. This included three national lockdowns, the final of which began on 6th January 2021. Following a peak in COVID-19 cases in January 2021, case rates dropped through Spring before peaking again in July 2021. Trends in Birmingham followed those nationally, albeit at higher rates of infection. On 19th July 2021, almost all remaining social restrictions were removed and society has returned to something resembling normal. Since then national case rates have dropped back to around half of the January 2021 peak and are fluctuating, whereas case rates in Birmingham have continued to fall. Despite the case rate remaining relatively high, there has not been a corresponding rise in the death rate, thanks to the highly successful vaccine rollout.

Across Birmingham the impact on health and well-being has been multifaceted:

- Direct impact: As of 27th September 2021, there had been 7.7 million recorded cases of coronavirus infection in the UK and over 136,000 deaths within 28 days of a positive test. Birmingham has been one of the worst affected areas with almost 158,000 cases of infection and 2,898 deaths.
- Wider impact: There are concerns that individuals are not seeking or able to access treatment for non-COVID-19 symptoms and conditions, risking an increase in ill-health or possible death from other causes. Cancer Research UK report 40,000 fewer people starting cancer treatment across the UK in 2020, due to the pandemic, creating additional pressure on NHS services in 2021.
- Mental health and wellbeing: According to Office for National Statistics (ONS) research, between 7th January and 28th March 2021, 42% of Birmingham residents were uncomfortable or very uncomfortable leaving home and 31% experienced loneliness often, always or some of the time. As of April 2021, NHS data shows that the number of people contacting the NHS seeking help for mental health problems was at a record high, and the Parliamentary Office of Science and Technology describes the impacts of the pandemic on mental health and wellbeing as "a significant public health concern".

At the time of writing, there had been positive progress in managing the outbreak with case rates relatively low and death rates lower still. However, the threat of further outbreaks and new variants is always a possibility. It is also possible, or even likely, that we will have to live with the virus in the long-term. It is therefore concerning that vaccination uptake in Birmingham has significantly lagged the UK average. As of 26th September, 65.9% of Birmingham adults (aged 16+) had received a first dose and 58.3% a second. Uptake in the UK is 89.7% and 82.4% respectively. Low vaccination rates pose a risk to health should infections rise and the economy should restrictions come back into force.

"Responding to the pandemic has been a city-wide partnership...coming into 2020 it was predicted that the city would lose over 9,000 lives through the year, and although the burden has been high with over 3,000 deaths it is down to the strength of the engagement and partnership that this number was not higher.

... The pandemic has shone a cruel and harsh light on the many inequalities across the city, from poverty to obesity, and exacerbating many of them. ... we cannot close the gap without communities and citizens working in partnership with the public and private sector to co-create solutions and break the cycles that have undermined lives for far too long."

Dr Justin Varney

Director of Public Health,
Birmingham City Council

COVID-19: Economic Disruption and Signs of Recovery

The pandemic has had a dramatic impact on the regional, national and global economy. Some sectors have fared better than others, underlining the importance of a well-diversified economy for ensuring resilience in times of crisis.

The impact of the pandemic on the economy of Birmingham has been, and may continue to be, substantial. While many official data sources are yet to show the full impact of the pandemic, the ONS has estimated that economic output (measured in GVA) of the West Midlands region fell by 13% over 2020, a greater drop that any other region in England, which averaged 9.1%.

Despite the historic hit to the regional and national economies, both have shown remarkable resilience over the last 18 months. Inward investment in the West Midlands held up relatively well in 2020 as the number of projects declined by only 8% compared to a 17% drop for the UK. It is worth noting that much of this investment was likely lined up prior to the onset of the pandemic, however, the United Nations has reported a 35% fall in global FDI flows.

The worst projections of high unemployment and insolvency have not materialised, and the economy has bounced back more quickly than expected:

- Growth forecasts raised: The Bank of England raised the UK growth forecast for 2021 from 5.0% to 7.25% in May's Monetary Policy Report and it remained at this level in the August report.
- Increased GDP: The UK experienced a larger increase in real GDP during Q2 2021 than France, Germany, Spain, Italy, Canada and the United States on the back of a successful vaccine rollout, easing of social restrictions and stronger than anticipated global demand. The latest ONS statistics indicate that GDP was 2.1% below its February 2020 pre-coronavirus level as of July 2021. The Bank of England expects GDP to reach its pre-coronavirus levels by the end of the year.
- Increased domestic and international demand: The GBCC Quarterly Business Report (QBR) for Q3 2021 found that 52% of Greater Birmingham firms reported an increase in UK sales and just 13% recorded a fall in domestic activity. Similarly, 50% reported an increase in advanced UK orders (in comparison to 13% who recorded a fall in the same category). 35% reported an increase in international sales and the percentage of firms that saw a drop in overseas sales went down by 6% to 17%.

However, the pace of growth has slowed more recently. The IHS Markit / CIPS Flash UK Composite Purchasing Manager Index (PMI) has reported six consecutive months of PMI readings above 50 indicating expansionary growth but this fell to a six-month low of 55.3 in August 2021. The UK Services Business Activity Index (55.5) and UK Manufacturing Output Index (54.1) also hit six-month lows in August.

The NatWest Regional PMI shows a similar trend for the West Midlands. As of April, the Business Activity Index was showing a historically strong expansion with a reading of 65.9. There has since been a drop in the reading to 55.2 placing the West Midlands 4th out of the nine English regions.

Although economic recovery is underway there are several key risks to be noted:

- The evolution of the pandemic: Infection rates are still high and there is the ongoing threat of new viral strains and concerns regarding NHS capacity over the winter flu season. Major disruption is possible even without lockdowns as demonstrated in the so called 'pingdemic'. More than a million people may have been told to self-isolate by the NHS Covid-19 app in the week up to 21st July 2021, leading to staff shortages and business closures.
- Persistent societal changes: Transport, work and social patterns have been severely altered over the past 18 months. If new patterns persist into the long-term then there could be major consequences for jobs, investments and the spatial distribution of activity.
- Consumer spending: A swift recovery depends on consumers spending any additional accumulated savings from the past 18 months. From 6th April 2022 to 5th April 2023 National Insurance contributions will increase by 1.25%, with proceeds to be spent on the NHS and social care in the UK. It is anticipated that this may negatively affect consumer spending power, particularly if high inflation also leads to businesses passing on costs to consumers.
- The long-term consequences of Brexit: Surveying by the British Chambers of Commerce between 18th January and 1st February 2021 found that following Brexit, 49% of exporters had faced difficulties in adapting to the changes regarding trade in goods, and 14% of firms had experienced difficulties in adapting to changes around trade in services. Despite the Trade and Cooperation Agreement (TCA) there are new barriers to international trade.
- Inflation: A strong uptick in demand combined with global supply chain disruption and local labour market distortion is creating an inflationary environment. Consumer prices rose 3.2% in the 12 months to August, above the Bank of England's target of 2%. The Bank expects inflation to peak at 4% in Q4 2021 and Q1 2022 before falling back to around 2% by 2023. However, with the UK facing an energy crisis, cost pressures may be sustained, incentivising the need to move to domestic and more renewable energy sources. Of the 41% of Greater Birmingham businesses surveyed by the Greater Birmingham Chambers of Commerce expecting prices to increase over Q4 2021, 22% cited inflation as an increasing concern.
- Supply chain disruption: Supply side constraints on output due to logistical difficulties is already holding back recovery as seen with the current shortage of truck drivers. The Bank of England has revised its growth expectations for UK GDP in Q3 2021 downwards by 1% since its August report.

Dr Tasos Kitsos

Research Fellow,
City-REDI,
University of Birmingham

Professor Raquel Ortega-Argilés

Professor of Regional Economic Development,
City-REDI,
University of Birmingham

"The economic crisis of the pandemic is very different but similar (if possible) to the 2008 crisis. The nature of the crisis is different, as is (to date) the government response to it. The similarities are in the opportunities that both shocks generated to reshape the way we do things, the realisation that the action we take shapes local resilience , and the need to respond to the bigger challenges (Brexit and the Climate Emergency) up ahead. It is vital in our rush to go back to business as usual to remember that business as usual is not sustainable anymore."

Rebecca Riley

Business Development Director,
City-REDI,
University of Birmingham

"There is considerable pent up demand and spend capacity in the economy. Barclays are predicting the economy will grow at its fastest since 1948 and they estimate an extra £200bn sitting in customer and company bank accounts, and although there is a considerable risk in debt for those who have lost income, Barclays have not raised their predictions for debt default. This consumer spend could drive a boom in retail, culture and hospitality pvroviding it meets the growing trend for increased experiential offers."

The business, finance and professional services sector is the largest contributor to the Greater Birmingham economy with GVA of £17.2bn (31% of the total) and 206,200 jobs (21% of the total). The sector held up strongly during the worst of the crisis as output fell by a relatively shallow 10% between Q1 and Q2 2020 and there were less employments on furlough than in the general economy (28% vs 32% as of June 2020). Although workers adapted well to home working, the lack of footfall in the city centre had a large negative impact on other sectors. Research by City REDI indicates that remote working is likely to remain a long-term feature in some form (such as hybrid working). The decline in business travel and the increased digitalisation of work also poses a threat to business tourism. Not only would this impact on sectors that rely on this trade, but it also poses a risk to inward investment as conferences and events often inform initial impressions of a place's investment potential.

Advanced manufacturing and engineering is the second largest sector with a GVA of £6.9bn (13% of the total) and 86,310 jobs (9% of the total). Manufacturing activity is 30% more concentrated within the city-region than nationally, supporting the region's strong goods export base but also exposing it more to the dual shocks of Brexit and Covid-19. The sector was one of the most badly affected in the first national lockdown and national manufacturing activity declined to 69% of 2019 levels in April 2020. As of June 2020, 42% of employments in the sector were on furlough. There has been a strong but incomplete rebound with activity levels reaching 96.8% of the 2019 baseline as of July 2021.

Retail is the third largest sector in terms of GVA contribution (£6.5bn or 12% of the total) but second largest in its share of enterprises (16%) and jobs (15%). More than two in five employments were on furlough as of June 2020 and activity dropped to 65% of pre-pandemic (Q4 2019) levels during the first national lockdown. As of July 2021, activity was 4.5% above pre-pandemic levels, demonstrating resilience within the sector. There has been an acceleration of the trend towards online shopping with more than a third of all purchases being made online in Q1 2021. The past year has seen big and small retailers close stores at The Bullring and Grand Central although some local high streets and shopping districts have seen growth.

The culture and sport sector constitutes a relatively small share of the city-regional economy at £2.7bn (5%) but a disproportionately large share of employment (9%). Furlough take up rates for the culture and sport sector were the highest of any sector as of June 2020 (76% of jobs on furlough) and remained so at the end of July 2021 (15%). Lockdowns, strict social distancing requirements, and a requirement for some businesses to remain closed for extended periods of time (such as nightclubs and football grounds) severely disrupted operations. Many businesses further suffered from low levels of footfall due to a lack of commuting and tourism, and the live events sector struggled due to lack of an appropriate insurance scheme over the first 12 months of the pandemic. The accommodation and food services sub-sector was operating under 10% of pre-pandemic levels in April 2020 but has bounced back strongly. The arts, entertainment and recreation sub-sector had fallen to 50% but only partially recovered to 81.4% as of July 2021. Weakening in this sector could affect the city's appeal and result in reduced investment, tourism, in-migration and graduate retention.

Birmingham hosts the largest higher education cluster outside of London. Although relatively unaffected by furlough the sector was disrupted by the move to online teaching which reduced footfall on campuses and in surrounding areas. One in five students is from overseas and consultancy London Economics have estimated a net beneficial impact worth £400 for every West Midlands resident. If global mobility patterns do not return, or there is a significant increase in distance learning, then there could be negative local economic consequences. The government's updated International Education Strategy seeks to boost the numbers of overseas students to above pre-pandemic levels.

Prior to the pandemic, the West Midlands was exporting a higher value of goods than any other English region outside London and the South East. Statistics from HMRC show that there was a steeper fall in goods exports from the West Midlands (-23%) than the UK generally (-15%) in 2020. Trade has recovered along similar lines to the national trend, but was still 18% below its pre-pandemic (Q4 2019) level as of Q1 2021.

The manufacturing sector is the most exposed to Brexit related risk, particularly automotive, aerospace, pharmaceuticals and chemicals, as these sub-sectors are dependent on complex pan-EU value chains. Despite the signing of the TCA in December 2020 there has been increased friction in trade. Whilst it is difficult to disentangle the effects of Brexit and Covid-19 disruption on trade flows, data shows that exports and imports of goods with EU countries were more adversely affected in Q1 2021 than those with non-EU countries. Disruption can also be seen in the current shortage of truck drivers which has been exacerbated by European drivers returning home or moving elsewhere on account of Brexit.

Brexit has raised non-tariff barriers to trade with the EU due to structural changes and new requirements which will affect competitiveness. The Office for Budget Responsibility has estimated a 4% hit to UK GDP over the next 15 years.

Services make up 34% of regional exports. The TCA was less comprehensive for services than trade in goods and significant uncertainty remains about long-term arrangements for the sector, especially financial services. Financial and insurance services exports to EU destinations accounted for 10.7% of regional service exports in 2018.

Dr Wanrong Zhang

Research Fellow,
WMG, University of Warwick

Professor Jan Godsell

Professor of Opperations and Supply Chain Strategy,
WMG, University of Warwick

"Global disruptions such as COVID-19 and Brexit brought unprecedented challenges to the regional [supply chains (SCs)], which in turn become critical inhibitors to the productivity goal. Resolving this requires a high level of resilience

… At the firm level, six SC resilience practices – planning, visibility, collaboration, buffer management, supply flexibility and adaptability, can be adopted to create a high degree of SC flexibility in terms of SC network configuration and SCM. The key to this is to build SC integration within and across SC entities, so that business activities can be managed by taking a coordinative approach. "

Mandy Haque

International Director,
Greater Birmingham Chambers of Commerce

"Although the Greater Birmingham Chambers of Commerce International Documentation team have continued to process documents to facilitate many shipments of goods to a variety of overseas markets, exports have not yet returned to pre-pandemic, pre-Brexit times. The Office of National Statistics latest reports state that exports are down by 7.4% in June 2021 compared to June 2018 and imports are down by 2%.

…With borders starting to open and the pandemic restrictions lifting, the last few months have started to see an increase in the temporary movement of goods for trade fairs and exhibitions, professional equipment and commercial samples."

Industry and Innovation: Pathways to Prosperity

Business and job support measures softened some of the economic impacts of the pandemic, but nonetheless, the economic disruption of COVID-19 and subsequent restrictive measures had significant consequences for many Birmingham firms.

Maintaining a healthy and dynamic business base for Greater Birmingham is essential to generating wealth, investment and jobs. A massive amount of central government funding was made available to support businesses through the pandemic. As a consequence, national debt jumped to 99.7% of GDP (£2.22 trillion), the highest debt-to-GDP ratio since 1961.

Research from the Bank of England reveals that SME indebtedness has increased by approximately 25% since the end of 2019 as firms used government emergency loans, which could lead to a rise in company administrations once the various support schemes end. In July, the government published statistics that showed firms across the UK have benefitted from 1,670,939 government-guaranteed loans worth £79.3bn.

Figures from the British Business Bank indicate that 44,722 Bounce Back Loans totalling £1.4bn and 2,884 Coronavirus Business Interruption Loans totalling £730m were offered to businesses in the Greater Birmingham area by their closure on 31st March 2021. The number of loan offers in the West Midlands was in line with the region's share of the national business population (8%). A survey published by the British Business Bank also noted that demand from businesses in the West Midlands would likely be highest for additional debt finance (92%) over the next 12-18 months.

George Bramley

Senior Analyst,
City-REDI,
University of Birmingham

"Demand for business support has increased since the start of the pandemic. Across the GBSLEP area there has been a 322% increase in the number of businesses supported by the Growth Hub.

... The success of the furlough scheme which was a novel intervention to the United Kingdom but has been piloted in continental Europe needs to be measured in terms of how it has allowed businesses to retain skilled staff and redeploy them once restrictions lifted and business conditions improved and not just prevented unemployment."

Ed Watson

Interim Chief Executive,
Greater Birmingham and Solihull
Local Enterprise Partnership

"when Covid hit last year... we quickly swung into action, repurposing £3 million of our revenue funding to create our Step Forward programme. We devised and delivered a range of packages to help reduce business failure through digital training, and crucially, we assisted businesses to pivot activity to protect jobs and access new market opportunities.

Our match-funding Pivot and Prosper Grant enabled 108 new jobs to be created and hundreds more to be safeguarded which in turn resulted in a projected GVA uplift of over £24 million.

... as we collectively recover, we must continue to work in partnership to drive forwards inclusive and sustainable economic growth in our region."

Anjum Khan

Director,
Asian Business Chamber of Commerce

"In mid-2020 … the Asian Business Chamber of Commerce launched a campaign to ensure Asian businesses have the information they need to survive and thrive through this challenging period.

… [our multilingual] helpline received over 100 calls, with over 80 businesses receiving triaging and introductory advice and around half of these going on to receive further support from either the GBS LEP Growth Hub or 30 minutes of pro bono advice and guidance from our fantastic volunteer expert advisors, in a variety of languages. Over £27,500 of local authority Coronavirus Discretionary Grants alone were secured by businesses as a result of this support (that we know of – we suspect that figure is in fact significantly higher)."

CJ Webley

CEO,
The Black Pounds Project

"In 2018 5.4% of UK small and medium enterprises (SME) employers were led by a majority of people from an ethnic minority background. As black and minority ethnic business owners are an important asset to the prosperity and resilience of the UK economic structure, contributing £25 billion to the UK's gross value every year, it is disappointing that a disproportionate percentage of black owned businesses have been severely affected as a result of COVID-19.

…The Black Pounds Project provides business information, support, mentoring coaching and signposting assistance for black-owned businesses in the West Midlands."

Insolvencies in England and Wales have generally declined through the pandemic. The three-month average number of insolvencies in March 2021 was 61% of that in February 2020, although there was a temporary but relatively high spike in December. It is expected that insolvencies could rise as government support winds down and debt repayments become due. An uptick can already be seen starting in April although the figure remains 17% below February 2020 as of July 2021. Heavily impacted industries such as aviation, hospitality, the arts and entertainment are at higher risk of financial distress.

The number of private businesses in Greater Birmingham increased by 7.9% during 2020 to 78,645, driven by micro-businesses (9 employees or less) and those in the business, professional and financial services sector. Whilst not confirmed, it may be largely due to single-person businesses being set up during the pandemic (despite the issues that many self-employed workers faced in accessing financial support from the government). There was also an increase in the logistics and transport sector (+20.5%) but small declines in retail (-1.9%) and advanced manufacturing and engineering (-0.4%).

The city continued to be a draw for high profile business moves and expansions, particularly given major investment in infrastructure and regeneration projects in the city centre. Goldman Sachs announced it will be opening its largest office outside of London at 55 Colmore Row and Arup confirmed a move of 1,000 employees from its Blythe Valley Park office to the under construction One Centenary Way in Birmingham city centre. This comes as BT Group move to Three Snow Hill and several government departments gear up to move into 3 Arena Central.

Professor Simon Collinson

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

"The UK government has dedicated a significant amount of public funding to support businesses through Covid lockdowns. Less funding will be available in the future, which means that national and local agencies need to make more selective interventions to have a positive impact on growth. Targeting the right kinds of firms with business support packages, investment incentives, relocation subsidies, skills programmes or R&D incentives can help improve the effectiveness of policies that are designed to boost regional growth, improve sustainability and/or reduce inequalities."

Helen Brocklebank

Mergers and Acquisitions Partner,
RSM Corporate Finance

"... Despite the increased level of CBILs fuelled company borrowing we have witnessed over the last 12 months, lenders are still expecting high demand for their business. Only 6 per cent of respondents [to RSM surveying] expected less demand for their facilities. The current suppressed demand for asset based lending is expected to reverse as businesses look to recover and grow their ABL facilities along with their turnover.

... Without a doubt, the ability of businesses and lenders to manage withdrawal of government support will be critical in ensuring continued access to crucial funding for ambitious businesses across the region."

Innovation has a key role to play in increasing wealth and prosperity as there is a demonstrable link between higher spend on innovation activities and increased productivity within a local geography. It can also provide solutions to societal challenges such as climate change.

The UK Innovation Strategy (launched in July 2021) seeks to raise innovation intensity - the percentage of UK GDP spent on R&D activities - to 2.4% by 2027 putting the UK roughly in line with the OECD average. Current R&D spending from public and private sources is only about 1.76% of GDP which lags many other industrialised nations. This would be an estimated £14bn a year increase in spending, including roughly £4bn from the public sector.

There are a number of significant factors at play in the regional innovation ecosystem:

- Science and technology clusters: There are growing life sciences clusters around the University of Birmingham and zero and low carbon energy technology clusters at Tyseley Energy Park in East Birmingham. This is in addition to strong clusters of manufacturing and automotive innovation activity at the Manufacturing Technology Centre (MTC), Warwick Manufacturing Group (WMG) and the new UK Battery Industrialisation Centre (UKBIC) in the wider West Midlands region.
- Significant business investment in R&D: Business-led R&D is the key driver of innovation in the West Midlands with spend reaching £2.36bn in 2019. 79% was in manufacturing related activities, higher than the UK average (64%), and the majority (£1.4bn) was in transport. However, R&D activity is too narrowly focused in only a few areas.
- Low government and third sector R&D investment: At only £94 per capita, R&D spending by government and charitable sources is the lowest of any region aside from the East Midlands (£92 per capita). By comparison the combined London, South East and East regions received £282 per capita in 2019.

Birmingham's five universities, the University of Birmingham, Aston University, Birmingham City University, University College Birmingham and Newman University play a crucial role in the innovation ecosystem. Not only are they an attractor of major public R&D funding from UKRI and Research England, they also support pathways to commercialisation of new technologies and ideas through collaboration, knowledge exchange and skills development.

The University of Birmingham's West Midlands Regional Economic Development Institute (WM REDI) supports inclusive economic growth in the city-region (and regions across the UK), including through a research agenda into regional innoation ecosystems.

Professor Simon Collinson

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

"[the West Midlands is] an engine of private sector R&D, but we receive considerably less per head in public R&D spending... This is despite having 12 universities, some top-class nationally and internationally in terms of the quality of their pure and applied research. We also host three major 'Catapult Centres' funded by Innovate UK, two focused on High Value Manufacturing (MTC, the Manufacturing Technology Centre and WMG, the Warwick Manufacturing Group) and the Energy Systems Catapult, 11 science parks, 14 incubators, and 10 accelerators...

... Our STEM assets, alongside other components of the regional innovation ecosystem, are one of the keys to transforming nascent clusters, from life sciences to cyber-security in modern services, online gaming, or future energy storage technologies, into regional growth champions."

Dr Chloe Billing

Research Fellow,
City-REDI,
University of Birmingham

Professor Raquel Ortega-Argilés

Professor of Regional Economic Development,
City-REDI,
University of Birmingham

"The West Midlands region should pursue diversified specialisation processes ...

One potential new regional specialisation pathway could be the development of a West Midlands Space Cluster. ... the UK space industry, which has grown ten-fold since 2010, is worth £15 billion and employs 42,000 people.

... A unique strength of the West-Midlands is our manufacturing sector (aerospace, automotive, and rail). We found that the skills, technologies, components, and local institutions built around these existing firms in the region are in an exceptional position to secure future regional diversification pathways into the space sector."

Malcolm Harbour CBE

Associate,
Connected Places Catapult

"The public sector, as lead customer, can be a powerful booster for innovation. It can use public procurement in an innovative way, and work with innovative suppliers to develop solutions to the many challenging problems it is now facing. Tackling climate change and making the transition to a zero-carbon economy is just one example. Innovative ideas will be needed to meet public expectations in all areas of public service delivery.

... In England, the government will shortly be introducing new rules on public procurement which will actively encourage the adoption of more innovative processes and solutions. ... The new procurement rules offer Birmingham and the West Midlands a great opportunity to enhance its strong portfolio of regeneration plans."

Labour Market: Current and Future Challenges

Greater Birmingham has a large and diverse economy supporting over 960,000 jobs across a broad range of sectors. Demographically, the population is young and diverse, and the working age population is expected to grow at almost twice the national rate over the next twenty years.

Unemployment did not rise as much as feared during the pandemic. The Office for Budget Responsibility had produced a forward-looking scenario projecting 10% UK unemployment in Q2 2020 but actual unemployment only rose to 4.2%. Following a high of 5.3% in Q4 it has declined again reaching 4.7% for the three months to July 2021. Unemployment in the West Midlands region rose to 6.6% in Q4 2020 before falling back to 5.3% in the three months to July.

High youth unemployment was already a feature of the Birmingham economy but has been worsened by the pandemic. The percentage of 18 to 24 year olds unemployed in the city rose from 12.3% in 2019 to 13.8% in 2020, significantly above the English average (8.6%).

The West Midlands redundancy rate rose from 0.3% (three redundancies per thousand) in Q1 2020 to a high of 1.9% (19 per thousand) between September and November. The level of redundancies has since returned to normal indicating a short-term hit rather than a cascading impact through the economy.

The Coronavirus Job Support Scheme deserves a majority of the credit for softening the impact of the pandemic on unemployment and job losses. The scheme, which paid furloughed individuals up to 80% of wages between March 2020 and September 2021 (with employers increasingly contributing to that 80% from June 2021), has supported more than 11.6m jobs in the UK since its commencement in March 2020. In the GBSLEP area it has supported 357,500 jobs up to 16th August 2021. Just over half of these claims have been made in Birmingham (182,900).

Available data shows that there were still 53,980 jobs on furlough across the city-region as of 31st July 2021, representing around 7% of eligible employments, slightly higher than for England as a whole (6%). Most jobs still on furlough were in the manufacturing sector (17.9% of the total), accommodation and food services (14.5%), retail (14.2%) and administrative and support services (10.8%).

The equivalent Self-Employment Income Support Scheme supported 74,800 self-employed people across Greater Birmingham by 15th August 2021 with the value of claims totalling £663m. However, the scheme struggled to reach all self-employed people due to administrative limitations causing financial distress for some in this group.

A higher than average claimant count is another long-standing issue for Birmingham. As of December 2019, 8.9% of economically active residents were claiming benefits in the city, a much higher figure than for England (3.5%). As of March 2021, the proportion of claimants had increased to 15.3%. By August the figure had declined to 13.9% against 6.5% for England.

Hiring activity has recovered strongly with online job postings exceeding pre-lockdown levels since March 2021. As of 3rd September, online postings in the West Midlands were 44% higher than February 2020. However, the GBCC's Q3 QBR found that 57% of firms have attempted to recruit in the quarter, of which 62% faced recruitment difficulties. Issues finding suitable candidates have affected multiple sectors and are being caused by skills gaps, job security concerns, the continuation of the furlough scheme and a departure of overseas workers. Changes in immigration policy due to Brexit and the end of freedom of movement with EU countries may have exacerbated the situation.

The competitive labour market is putting upward pressure on wages. Latest figures from ONS show UK average weekly earnings increased by 8.3% for the three months to July 2021 compared to a year ago, although other ONS data suggests that wage inflation in the West Midlands is less aggressive than nationally. It should be noted that year-over-year earnings comparisons are affected by labour market disruption and compositional effects.

The gender pay gap increased to almost 20% within the Greater Birmingham area in 2020, contrary to England where the gap narrowed to around 16%. Male full-time earnings (excluding bonuses) increased 4.8% to £723.10 per week whereas female earnings declined 0.3% to £580.00 per week. It is possible that there are some compositional effects distorting wage figures. The employment rate for females rose from 64.9% to 68.8%.

Dr Christoph Görtz

Associate Professor,
University of Birmingham

Professor Danny McGowan

Professor of Finance,
University of Birmingham

"Key government schemes to shield households from the negative economic effects the [coronavirus] crisis are the Mortgage Holiday Scheme and the Coronavirus Job Retention Scheme (Furlough).

... In the West Midlands, 14% of households participate in the Mortgage Holiday Scheme, versus 11% for the rest of the UK.

... Covering any shortfall in income is a substantial problem for many households as 37% of Mortgage Holiday Scheme participants did not make any savings during 2019.

... The probability of taking a mortgage holiday increases in the West Midlands from 11% for those who have never been furloughed, to 23% for furloughed individuals."

Shani Dhanda

Disability Specialist,
Broadcaster and Entrepreneur

"The disability employment gap has been stuck at over 30% for more than a decade. And yet even a 10-percentage point rise in disabled people's employment rate would contribute an additional £12 billion to the Treasury by 2030.

...The value of disabled people in the workplace is far more than ticking a box. Every decision we make can raise or lower barriers to participation in society. It's our collective responsibility to remove these barriers, so those furthest from the jobs market are being provided with the necessary opportunities to get in and stay in work."

Skills attainment continued to improve in 2020 but still lags behind national averages. Figures from the ONS (using new data collection methods) show that the share of the Greater Birmingham working age population (aged 16-64) with no qualifications fell from 10% to 7.8%, continuing a five-year trend. Birmingham has the highest share of adults with no qualifications (9.2%) in the GBSLEP area, although the figure fell from the prior year (12.9%). The share of people with NVQ Level 2 (18.2%) and NVQ Level 3 (18.8%) in Greater Birmingham increased between 2019 and 2020. NVQ Level 1 attainment was largely unchanged (9.9%).

An increase in NVQ4+ attainment from 31.8% in 2017 to 38.1% in 2020 is very encouraging, although there is still a significant gap with the English average (42.8%).

Outside of London, the West Midlands is home to the largest higher education cluster and has the highest rates of university attendance. As of 2020, 46.9% of young people (aged 18-24) in Birmingham and 35.6% in the GBSLEP area were in full-time education. This compares to just 32.7% across England.

Gemma Hulbert

Chief Data Officer,
Gymshark

"To achieve our goals, we must maintain sustainable, rapid growth ... Therefore, recruiting and retaining world-class talent is crucial.

We face a range of barriers in acquiring the skills and talent we need. ...With the COVID-19 pandemic causing considerable shifts in digital transformation and speeding the adoption of digital by many years, we expect to face evolving talent challenges in the years ahead. I believe that the demand for digital skills has never been higher, meaning even more focus is required to develop this talent in the Midlands region and globally, not just to stay ahead but to keep up altogether."

"... To us, no one is a number, first and foremost they are people and this respect we give our staff is returned in ten-fold because everyone is happy to come to work and perform at their best when they are here. Our staff, who are treated with respect, supported, and valued, give our customers the same respect and level of understanding so they can offer the best support they can. Because at the heart of any good business, is a group of good people and with this at the heart of our culture, we know that we can propel the business forward and reach any goal we set our minds to, together."

Jason Wouhra OBE

Chief Executive,
Lioncroft Wholesale

Economic inactivity is a measure of all those 16-64 either not in employment, not on furlough and not actively seeking or immediately available for work. The rate of economic inactivity (not including those on furlough) of working age residents in Greater Birmingham has fallen continuously over the past five years reaching 23.1% in 2020. However, data for 2019 shows us that economic inactivity within ethnic minority groups (35.5%) is almost double that of white individuals (18.8%) and there is a much bigger gap between males and females. The picture differs amongst ethnic groups with Pakistani and Bangladeshi individuals having the highest rate of inactivity at 43.4%, particularly for females (62.9%). Research by the Institute for Fiscal Studies has revealed an increase in the number of workless Pakistani and Bangladeshi households during the pandemic.

Dr Abigail Taylor

Research Fellow,
City-REDI,
University of Birmingham

Professor Anne Green

Professor of Regional Economic Engagement,
City-REDI,
University of Birmingham

"As a city with a large ethnic minority ... and comparatively young population, addressing racial and gender inequalities is especially important for Birmingham.

Diversity benefits teams and promotes innovation. Cross-comparative international research has shown how companies that are more diverse, perform better financially.

... the government-backed McGregor Smith Review of Race in the Workplace estimated that if BAME individuals are fully utilised across the labour market as a result of improved participation and progression, the economy could benefit from a £24 billion boost. "

"At HSBC UK, we are deeply committed to creating a more diverse and inclusive organisation that represents the communities we serve. We know that the best way to do that is by bringing together diverse people, ideas and perspectives. As such, HSBC UK support 17 Employee Resource Groups covering a wide range of religious and special interest groups. The purpose of ERGs is to connect people, across the Globe, providing them with a platform to have a voice about their shared, or unique, interests, passions and ambitions with a focus on diversity and inclusion"

Suzy Verma

Head of Business Development,
Corporate Banking, Midlands Region,
HSBC

Naheem Ahmed

Inclusion and Diversity Manager, Wesleyan

"Our business has always been underpinned by a culture of care as a mutual. Since its launch in 2017, we have contributed over £3 million through the Wesleyan Foundation to a wide range of good causes and community groups looking to create a more equitable society.

... Our ability to continue being agile, listening to the employee voice and taking positive action has allowed Wesleyan to create tangible actions that are measurable. We have increased our diversity representation for BAME and Gender at the most senior levels of our organisation by setting targets that we want to exceed, and increased diversity across the organisation as a whole"

Although the direct health impacts of Covid-19 on younger people may have been less than for older age groups, their economic prospects have been disproportionately and negatively impacted by the pandemic:

- Child poverty: In Birmingham, almost two in five (37%, or 95,598) children lived in relative low-income households in 2020 and are more likely to be from black or ethnic minority families. Ethnic minority parents are more likely to have suffered job losses during the crisis.
- Disruption to learning: Disruption to teaching and exams has affected educational outcomes with the Institute for Fiscal Studies reporting that those living in poverty and from poorer backgrounds have suffered more due to reduced access to learning resources and support during lockdowns. Research by the British Science Association revealed almost three quarters of children aged 14 – 18 said they were concerned about impacts to their future careers.
- Disruption to apprenticeships: Nationally, around a third (35%) of apprenticeship participants were aged 19-24 in 2019/20. The number of apprenticeship starts declined by almost a quarter in Birmingham in 2019/20. Research from Sutton Trust shows that 61% of apprenticeships were disrupted, furloughed, or made redundant.
- High rates of furlough: Young people were far more likely to be employed in sectors with a high incidence of furlough. Employees aged under 24 had the highest rates of furlough for most of the past 18 months.
- Significant youth unemployment: The percentage of 18 to 24-year olds unemployed in 2020 was 11.2% in GBSLEP and 13.8% in Birmingham. This was up from 10.6% and 12.3% respectively in 2019, and significantly above England in 2020 (8.6%).

Between March and May 2021, the GBCC undertook a business engagement exercise as part of a wider research project being carried out by Birmingham City Council, in order to understand the impact of Covid-19 on young people and how to prevent a 'crisis cohort' with diminished employment prospects and earning potential. This research has been used to convene and lobby stakeholders, to effectively support businesses to employ more young people locally.

Professor Anne Green

Professor of Regional Economic Development,
City-REDI,
University of Birmingham

"Just as they have been impacted most in employment terms, young people have experienced the greatest deterioration in mental health during the pandemic of any age group. Worsening mental health amongst young people was a concern before the pandemic. There is a positive association between young people in insecure work and reporting of mental health problems. Survey evidence suggests that anxiety is higher amongst the unemployed than those in work, and that the longer young people are jobless the more negative they feel about themselves. While mental health issues are a matter of concern currently, evidence from previous crises suggests that mental health issues risk harming future job prospects and so have longer-term impacts."

Connected Places: Foundations for Growth

A broad class of infrastructure, connecting communities to jobs, services and opportunities and businesses to customers, suppliers and employees, has helped the region remain resilient and adaptable over the past 18 months.

The pandemic has highlighted the importance of blue and green infrastructure for health and wellbeing. Natural and semi-natural places such as parks, rivers, canals, and green urban spaces have provided a place for exercise, meditation and recreation during the worst of the pandemic. They also provide environmental benefits by helping to cut air pollution, reduce flood risk and support biodiversity. They are being increasingly recognised as necessary infrastructure for urban resilience to climate change and future crises. Enhancing the accessibility, amenity and environmental value of these assets is important to raise the attractiveness of the city-region.

Digital infrastructure has also been a key enabler of economic and social resilience during the pandemic. There has been increasing reliance on digital connectivity in recent years and fixed and mobile communication networks were able to cope with increased demand since March 2020. Fixed broadband access has been particularly important as many users switched data consumption from mobile to home Wi-Fi connections.

Greater Birmingham has strong digital infrastructure, and has seen considerable increases in digital engagement:

- Superfast broadband: Ofcom data shows that residential access to superfast broadband (speeds of at least 30mbps) is generally high with all areas between 95% to 99% coverage. Commercial access in Birmingham lags the national average (76%, as opposed to 86%) whereas other GBSLEP areas have better coverage.
- Home of 5G: The West Midlands hosts the UK's first 5G test bed, providing businesses with access to experiment with the new technology. The region is ranked first for 5G coverage by Umlaut and agreements have been signed by Birmingham City Council to further its rollout.
- Accelerated digital engagement: A Lloyds Bank survey found that digital engagement in the West Midlands has shot up with 97% of citizens reporting internet use within the past three months, up from 89% in 2020. Yet, only 85% of people are confident in using the internet which is one of the lowest regional rates, and digital engagement is uneven; benefits claimants have been found to have lower rates of engagement.

There has been a fundamental change in mobility patterns over the past 18 months affecting transport infrastructure utilisation. As well as a drop in general mobility, there has been a significant shift away from public transport usage towards car usage.

Transport for West Midlands statistics show that rail and bus travel declined to very low levels in the early pandemic and were still approximately 60% and 30% below normal levels as of early September 2021. Metro ridership was still down by around 20%. On the other hand, car usage returned to near-normal levels during summer 2020 and is now around its pre-pandemic level. Although public transport ridership continues to increase, it is too early to know if it will return to pre-pandemic levels or when that may occur. If the relative shift towards car use persists into the long-term it could pose challenges for achieving sustainable development, air quality and net zero aims.

Air quality worsened in 2020 across the West Midlands as there were four more days than the previous year with an air pollution index of moderate or above (31 days compared to 27 in 2019), including one day rated as very high. It is thought that the shift towards online shopping may have increased light goods vehicle traffic which tends to be worse for air quality.

Birmingham City Council introduced a Clean Air Zone to the city centre in June. Whilst it is too early to assess the impact on air quality, traffic and business activity, early data suggests it is causing a reduction in the number of non-compliant vehicles entering the city centre.

Statistics from Zap-Map show that the West Midlands lags on public electric vehicle charging points, with just 6.6% of the UK share and yet 8.9% of the population. However, as part of its commitment to cut carbon emissions, Birmingham City Council has committed to roll-out 100% renewable energy electric vehicle charge points across the city from Autumn 2020. Over the next two years, the Council plans for an initial network of 394 'fast and rapid' charge points to be installed, focusing on the city centre to support the electrification of Birmingham's taxi fleet – but also accessible to the general public and local businesses. This plan also includes upgrading many of the existing electric vehicle charging points across Birmingham.

There was a large increase in cycling activity at the start of the pandemic (+287%) although this has since returned to normal levels. Research shows latent demand for cycling with 50% of people saying they would like to cycle more. Businesses can aid this by providing access to charging points as well as offering information and support for cycle schemes, parking and shower facilities.

Dr Magda Cepeda Zorrilla

Research Fellow,
City-REDI,
University of Bimringham

"...Taking action to improve air quality at the city level would require strong leadership and build strong collaboration between local government, academia, industries, firms and organizations representing interests of businesses to catalyse the opportunities that arise from the [Birmingham Clean Air Zone] and to reduce the potential negative impact to business and individuals in Birmingham. ... However, firms and businesses can also play an important role in improving air quality as well, by influencing more sustainable behaviours from their employees. For example, adopting corporate responsibility and adopting schemes such as "cycle to work", "car-sharing", "car club" and "carpooling" as well as promoting flexible working."

Daljit Kalirai

Sales Director,
National Express Bus

"On 19 July 2021, National Express made our biggest ever cuts to bus fares. The new ticket prices are the cheapest in England ... As well as wanting best value travel, we also know our customers are travelling in different ways, so National Express has changed our tickets to be more flexible.

... National Express West Midlands has been working closely with the Clean Air Zone team at Birmingham City Council to promote modal shift as the quickest, easiest and cheapest way to avoid being charged for driving within the zone. And even if people don't transition to buses, the fewer people who are driving in the city centre, the faster our buses can do their journeys. And we know that for every 1% you speed up a bus journey, you get 1% more passengers - taking even more cars off the roads and further speeding up buses. Win win!"

Accelerated digitalisation combined with changes in working patterns and mobility preferences have raised questions about the future of offices, business districts and city centres. There has only been a slow return to office working and it is believed that hybrid working will remain in some form for suitable roles. Such changes could have major economic consequences as footfall drops and there is a weakening of the positive effects of agglomeration on productivity, innovation and creativity. A long-term drop in city centre footfall could negatively impact on hospitality and retail businesses, also harming the vitality and vibrancy of the city centre and reducing its attractiveness as a place to live, visit, work and invest.

Major regeneration activity at Paradise and Centenary Square is delivering such places alongside large amounts of sustainability focused Grade A office space onto the market. Pre-pandemic, major firms and organisations were already moving to the new developments (as discussed earlier in this report). This provides confidence in the future of the city centre as a thriving commercial hub and its ability to attract major employers.

"… the types of activities taking precedence in the office will change, with greater emphasis on connecting, collaborating, brainstorming and socialising with colleagues and customers. This means high quality office space is at a premium. Internal office design is changing to accommodate the new balance of functions. … In the wake of the pandemic the urban built form is likely to evolve towards a greater emphasis on external meeting places and other aspects of urban design, taking heed of environmental, health and well-being considerations. Greater emphasis on connecting and collaborating is likely to mean greater demand per business district worker for associated local services."

Professor Anne Green

Professor of Regional Economic Development,
City-REDI,
University of Birmingham

"The office was already becoming a destination in its own right, with that trend set to grow.

It's the space between that makes the Colmore Business District and wider city centre that makes it attractive to businesses and professionals. Curating this space between - balancing business, culture and open places alongside a transformation of retail, residential and transport use - will play a big part in its post COVID-19 success."

Kevin Johnson

Managing Director,
Urban Communications

Birmingham International Airport is an international gateway for Birmingham and the wider region ordinarily offering direct flights to over 140 destinations and supporting tourism and business travel. The impact of the pandemic has been severe, with monthly passenger numbers falling from an average of 1.05 million per month in 2019 to just 4,768 in April 2020. Passenger numbers climbed to 205,113 in July 2021 but are still significantly down on pre-pandemic levels. The lack of international tourist and business travellers over the past 18 months has contributed to the major negative impact on the city-region's hospitality, leisure and entertainment industries.

Industry figures do not expect passenger numbers to fully recover for several years and suggest that eventual recovery will be fuelled by leisure and social travel. Based on previous crises (such as 9/11) McKinsey & Company estimate that UK business travel will only be around 80% of pre-pandemic levels by 2024.

"Over the last 30 or 40 years, the aviation industry has managed to weather several events – the fuel crisis, Gulf War 1, 9-11, the 2008-9 financial crisis and, even, Eyjaffjalljoekull, the Icelandic volcano but they were mere blips compared with tragic impact of Covid 19. During 2020, UK airports lost some 90% of their passenger numbers
…should aviation begin to recover from the pandemic… The climate conference, COP 26, at Glasgow might just set a new direction of travel for the industry …"

Paul Kehoe CBE

Andy Phillips

Head of Research,
West Midlands Growth Company

Becky Frall

Head of Visitor Attraction,
West Midlands Growth Company

"From 2022 onwards we expect visitor numbers and spend to start to rise year-on-year, returning to pre-covid levels by 2024.

...[However,] There is a danger that some of our visitor services may not re-open. Research indicates that some 6,000 hospitality businesses across the UK closed in 2020, with Birmingham one of the hardest hit cities in the country, losing 8.5% of its bars, pubs and licensed restaurants or hotels

... The government has launched a review of the Destination Management Organisation landscape across England. Meanwhile, the West Midlands Growth Company will continue to deliver a hub and spoke tourism provision for the region, with collaborative activity to boost the volume and value of tourism"

There are many rail improvement and expansion projects taking place to improve connectivity for the city and wider region, including:

- High Speed 2: Phase 1, from London to Birmingham is expected to open between 2029 and 2033 and will improve connectivity between the city and the capital, release rail capacity to ease congestion and contribute to net zero aims by taking cars and trucks off the roads. Phase 2A to Crewe was given Royal Assent in February. Construction activity has picked up pace in the past year and there are already 448 West Midlands businesses involved in the supply chain with over half of these being small to medium sized enterprises. The West Midlands Combined Authority report that HS2 is expected to create over 160,000 jobs in the region over the lifetime of the project. The recently approved Interchange Station was the first in the world to be given a BREEAM 'outstanding' certification, placing it in the top 1% of UK buildings for environmental performance. Curzon Street Station is also expected to have exemplary green credentials. Both stations will be key hubs for major commercial and residential development.
- Midlands Engine Rail: HS2 infrastructure will be integrated into regional rail under the £3.5bn Midlands Engine Rail programme that is expected to increase passenger services by 736 per day, offer faster and more frequent services and allow for 72 extra freight trains per day. It will strengthen inter-regional links and bring 1.6 million more people within an hour of the city-region by public transport.
- West Midlands Metro: The Westside extension of the West Midlands Metro is now operational up to the Town Hall and Centenary Square. Completion of the extension up to Edgbaston Village is expected by the end of 2021. The city centre extension from Bull Street to Digbeth High Street has been approved and enabling works have begun. It will support ongoing regeneration of the Digbeth area and connect to the future HS2 Curzon Street station.

Mark Thurston

Chief Executive,
HS2

"In the heart of Birmingham, the work on our Curzon Street station is now happening at pace... This year also saw us achieve significant progress on a second new station for the West Midlands; Interchange.

However, the benefits of HS2 go much further than the opportunities that the new stations will bring to local communities. ... HS2 is much more than just a railway. It is a vital catalyst for growth and will help to level-up the country, boosting growth in the Midlands and North, and bringing new employment and leisure opportunities to millions of people."

Peter Cushing

Director,
Midland Metro Alliance

"In spite of Covid-19 ... 2021 saw considerable activity on all four of our projects across Birmingham and the Black Country and I am proud that passenger services are set to launch on two of the new routes before the end of the year. This will mean that passengers will be able to travel from Wolverhampton - including from a second terminus at the city's new railway station - to Edgbaston Village, providing new links to some of the region's popular tourist attractions whilst also helping to connect people to jobs across the West Midlands."

New housing is required to cope with expected population growth of 83,000 in Greater Birmingham by 2030, but also to provide more affordable and better-quality homes. Affordability is an issue in the city-region as it is in much of the UK. The house price to (residence-based) earnings ratio (affordability ratio) is 7.35 for the GBSLEP area, having risen from 5.9 in 2013. Birmingham is one of the more relatively affordable areas of the city-region with a ratio of 6.37, although this single statistic hides variation within the local authority area. UK house prices are estimated to have risen by a further 8% in the past year to July 2021 and faster than wages within the region.

There was a net addition of 7,919 dwellings in 2019/20 in Greater Birmingham, representing 0.9% growth in the housing stock. Of these, 17% (1,368 dwellings) were classed as affordable according to planning policy. In Birmingham, there was a net addition of 3,740 dwellings but only 12% (457) were classed as affordable. This appears much lower than the City Council's target for 35% on residential developments of 15 or more homes.

There are several key areas of major housing development in and around Birmingham, including:

- Smithfield Markets: £1.9bn redevelopment in the city centre to provide 3,000 new homes plus commercial, cultural and public space.
- Langley Sustainable Urban Extension: Will deliver up to 6,000 new homes in the Royal Town of Sutton Coldfield.
- Longbridge: Ongoing regeneration of a former car plant will deliver 4,000 new homes, a new town centre, commercial space and 9,000 new jobs.
- Curzon Street Masterplan: Includes a 141-hectare regeneration plan for a large part of the city around the future HS2 station. The plan would bring £742m of investment and create 4,000 new homes, 36,000 new jobs and 600,000sqm of commercial space over a 30-year period.
- Arden Cross: An opportunity to create a 140-hectare world-class destination at the heart of the UK strategic transport network and served by HS2 Interchange. The £3bn development would support 3,000 new homes as well as 27,000 new jobs and 6 million sqft of employment space.

Hosting the Commonwealth Games in 2022 will provide an opportunity to improve and promote existing sports infrastructure across the city-region. Venues across the West Midlands will be used to host events for the Games, including in Birmingham, Solihull, Cannock Chase and Sutton Coldfield.

Birmingham 2022 aims to be the first carbon-neutral Commonwealth Games, the largest Business and Tourism programme of any Games, the first comprehensive and most ambitious community engagement programme of any Games and the first Games to fully integrate volunteers from all delivery partners into a united volunteering programme. It is anticipated to create around 35,000 new jobs and skills opportunities, including volunteering roles and training opportunities.

The event offers a chance to showcase the city's resilience and attractiveness to the world and provide a boost to inward tourism, trade and investment to the benefit of many sectors. Local businesses can engage with the preparation and hosting of the Games across a wide range of areas including cultural, tourism and employment initiatives.

In Q1 of 2021, GBCC surveying found that 93% of Greater Birmingham businesses feel the Games will positively impact the city. 45% were interested in bidding directly for contracts and 56% were interested in being part of the wider supply chain.

Improvement of local sporting infrastructure may also encourage healthier active lives for residents. Birmingham is one of the unhealthiest areas of the country with a percentage of adults who are physically active (58.7%) much lower than for England as a whole (66.4%) and in the bottom decile.

Dr Shushu Chen

Lecturer in Sport Policy and Management,
University of Birmingham

"Supported by £778 million of public investment, the Birmingham 2022 Commonwealth Games (CWG) will host over 5,000 athletes from 71 countries, welcome between 500,000 and 1 million visitors, create 35,000 Games-related jobs and opportunities, and award more than £350 million in contracts for the delivery of the Games.

The point to make is that the Birmingham 2022 CWG is not an end in itself. Instead, it marks Birmingham's transition to hosting larger scale, higher profile events. As indicated clearly in the Birmingham 2022 Legacy Plan and the official Games website (2021), the intention is to 'win future event bids' and to 'use the Games to send a clear message that Birmingham...is open for businesses'."

David Grady

Chief Financial Officer,
Birmingham 2022 Commonwealth Games Organising Committee

"With an event of this scale comes an enormous opportunity, especially as contracts worth more than £300 million will be awarded over the life cycle of the Games.

... As well as Birmingham 2022 encouraging local business to get involved in the Games, other suppliers and partners have been encouraged to involve them too. This is thanks in no small part to the introduction of the first ever Social Values Charter for the Commonwealth Games, which has led to suppliers making commitments that support local businesses and local people, something which we hope has set the bar for future organisers of the event."

Nic Young

Marketing Director,
NEC Group

"90-95% of NEC Group's arena customers have held onto their tickets for rescheduled event dates, which is great news considering peoples' anxiety over transmission rates. This correlates with positive findings from the live music industry, venues and entertainment body LIVE: over 75% of fans are ready to go and see live music now and 73% of fans have already bought new tickets.

... There is a huge appetite in the marketplace for entertainment and business events and we couldn't be happier to invite more of our customers, visitors, suppliers and partners back through the doors of our world class venues."

Sustainability: A Green, Clean and Just Transition

The pandemic has led to increased calls for a more sustainable form of development to combat climate change, environmental degradation and social inequalities.

Climate change is the biggest issue of our time and is already having large scale negative impacts on the natural environment, agriculture, major infrastructure and human health. According to a report by the United Nations Intergovernmental Panel on Climate Change, temperatures are now more than 1°C higher than 1850-1900 and sea levels are rising by 3.7mm per year. Greenhouse gas emissions continue to rise.

Data from the Department for Business, Energy and Industrial Strategy (BEIS) reveals that within Greater Birmingham, 40% of carbon dioxide emissions come from transport, 32% from domestic sources and 14% from industry. Almost all transport emissions (95%) are from road transport and a small amount (2%) from diesel rail. Gas accounts for nearly three quarters (73%) of domestic emissions, followed up electricity (23%) and other fuels (4%).

The UK government legislated in 2019 for the UK to be net zero on greenhouse gas emissions by 2050 and reduce carbon emissions by 78% by 2035 compared to 1990. The government's Ten Point Plan for a Green Industrial Revolution includes actions to accelerate the path to net zero through development of the green economy, such as supporting the growth of low carbon hydrogen, accelerating the shift to zero emission vehicles, achieving greener buildings (particularly heating), investing in carbon capture usage and storage and promoting green finance and innovation.

Regionally, the WMCA has set a net zero target of 2041 whilst Birmingham City Council has set an ambition for 2030, or as soon as a socially 'just transition' allows.

Business and industry will have to reduce their carbon emissions in line with these targets. How businesses respond to this and the associated opportunities and risks will influence their future survival and profitability. Together, the Greater Birmingham and Coventry and Warwickshire Chambers of Commerce have launched the Sustainable Business Series: Net Zero Campaign, taking place between 30th September and 3rd November 2021. This events-led campaign will feature expert advice and guidance to encourage uptake of best practice approaches to sustainability by local businesses.

The UK low carbon and renewable energy economy (LCREE) supplies goods and services totalling £42.6bn and exports of over £7bn according to statistics from ONS. There are an estimated 66,500 UK businesses involved, supporting an estimated 412,000 jobs directly and indirectly through their supply chains. The LCREE involves many sectors with the largest being manufacturing (£15.5bn), energy related activities (£11bn) and construction (£8.4bn).

A report commissioned by BEIS states that decarbonising the UK domestic economy by 80% from 1990 levels could add a further 299,000 jobs and £27bn of GVA by 2050. Exports could add a further £26bn and 208,000 jobs across the country. There is a big opportunity for firms in Greater Birmingham to get involved in the low carbon supply chain through a suite of low and zero carbon activities taking place across the wider region.

Key opportunities for the region include:

- The shift towards electric vehicles: The government announced the scale of new petrol and diesel cars will end in 2030. The Green Jobs Task Force has estimated that 1.6m electric vehicles could be produced in the UK by 2040, supported by seven battery producing gigafactories, each supporting over 10,000 workers across the supply chain. This is a major opportunity for the West Midlands which is home to several major automotive manufacturers. A planning application for the redevelopment of Coventry Airport into a 5.7m sqft gigafactory was submitted in the middle of this year and is pending a decision. The plant would sit alongside the new £130m UK Battery Industrialisation Centre.
- Clean energy: This is a locally growing sector and a cluster of business and innovation activity exists around Tyseley Energy Park (TEP) Energy Innovation Zone in East Birmingham. TEP is a collaborative venture that brings together innovators, academics, scientists, developers and public sector bodies to find low carbon solutions, technologies and business models. The site houses a 10MW waste wood biomass power plant and the UK's first low carbon refuelling station for electric and hydrogen powered commercial vehicles as well as the Birmingham Energy Innovation Centre (BEIC).
- Decarbonisation of domestic heating: According to BEIS, buildings are responsible for around 19% of greenhouse gas emissions, with residential buildings contributing about three-quarters mainly due to natural gas heating. Alternative heat sources could include retrofitting homes with heat pumps. The government has ambitions to install 600,000 heat pumps per year by 2028 which would require 60,000 workers to be trained, according to the Construction Industry Training Board. Retrofitting

also offers an opportunity to tackle fuel poverty. The West Midlands has the highest incidence of fuel poverty of all English regions with 17.5% of households classed as fuel poor in 2019 with an average fuel poverty gap of £250.

Professor Martin Freer

Director,
Birmingham Energy Institute,
University of Birmingham

"Research performed by the West Midlands Growth Company has shown that despite the impact of Covid, low-carbon manufacturing is now the West Midlands' fastest growing sector; the sector grew by more than 7% in 2020 despite a 9% decline in the wider West Midlands economy as a result of the Covid pandemic.

... The stakes are high and there is a need for urgent and strong regional leadership to ensure that the fledgling signs of economic growth are not extinguished by failure to grasp the opportunity."

Professor Mark Hart

Deputy Director, Enterprise
Research Centre,
Aston Business School

"The Enterprise Research Centre's (ERC) Business Futures Survey undertaken in Q4 in 2020 with 1,000 SMEs provided insights into the way small business leaders were responding to COVID-19 pandemic.

... The survey data ... shows a growing awareness of sustainability among firms, with 72% saying they had taken steps to minimise the environmental impact of their business over the past year, in spite of COVID-19. Large numbers reported taking actions within the business to move towards 'net zero' targets. Around a third of firms (34%) said greater digital adoption had resulted in more sales, while nearly one in four (38%) said it had boosted their innovation activity. And while some saw investment in technology as a necessary step to cope with lockdown restrictions, for nearly one in five it had prompted a 'pivot' to completely different business models to respond to rapidly changing client and customer needs."

Greg Lowson

Partner, Head of Office, Birmingham,
Pinsent Masons

"In September 2020 Pinsent Masons created the Climate Change Mitigation and Sustainability Platform to embed a firmwide approach to the climate crisis. The Platform exists to coordinate internal and market-facing climate change initiatives with the goals of not only reducing the firm's own environmental impacts but also supporting clients in their bids to address and deal with the effects of climate change and working with third parties to influence positive change.

... In June this year Pinsent Masons unveiled targets to cut absolute carbon emissions by a minimum of 50% by 2030, as it continues to reduce its environmental impact and support clients in tackling the climate crisis."

Barny Evans

Strategic Advisory Net Zero,
WSP

"The fundamental step in climate change mitigation will be electrification. The electrification of transport and heat is going to bring huge improvements in terms of air quality, noise and reduced green house gas emissions. That is fantastic news for Birmingham. More challenging is what it means for business in the city and surrounding areas that are linked to the internal combustion engine. Birmingham and the wider West Midlands is a global centre of excellence in the automotive sector and the internal combustion engine (ICE). ... the education sector will need to respond to train and re-train tens of thousands of people. It will require huge investment in new manufacturing lines, R&D and a different perspective on "vehicles"."

The transition to net zero will have big implications for employment and skills. It is estimated by the Grantham Institute at London School of Economics that approximately one in five jobs could be affected, with half of those seeing an increase in demand for their skills and the other half a decrease. Construction, transport and manufacturing could see the biggest need for reskilling which will require collaborative planning across the spectrum to open up green career pathways. STEM skills will be undoubtedly important but so will digital, design, data analytics, project management, change management and leadership.

The impact on gender and racial inequality must be considered to ensure inclusivity. Evidence suggests that many green employment opportunities will be in industries and sectors that typically employ a disproportionately lower number of female and ethnic minority workers. Encouragingly, surveys show that green jobs are particularly attractive to the younger demographic, half of whom (aged 18-34) aspire to work in careers that help protect the environment. However, skills redundancy may affect older workers who will require retraining.

Business opportunities also lie outside of the drive to reduce emissions and achieve net zero. Adaptation to climate change that is already happening is a necessity. This can help mitigate and reduce the risk of damaging effects to infrastructure, business and the environment also improving regional economic resilience. However, the Climate Change Committee has argued the UK has fallen behind in adapting to climate change that has already occurred. There are opportunities for the city-region's substantial BPFS, construction and engineering sectors in this field.

Baljinder Kang

Executive Director of Corporate Resources,
Midland Heart

*"We recognise, that our sector, like so many others will be presented with significant challenges as we start our work to become a carbon neutral landlord by 2050 ...
We will need specialist skills to address the demands of responding effectively and efficiently to central government policy as outlined in the Social Housing White Paper, the Planning Bill and Building Safety Bill. We look forward to embracing the challenges ahead and ensuring our talent play a key role in our future delivery."*

Greater Birmingham Chambers of Commerce

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