

## Birmingham Economic Review 2017

Riley, Bec

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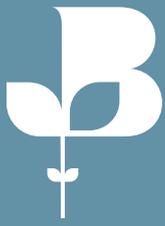
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# Birmingham Economic Review 2017

## Summary

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## Foreword

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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.

What follows is a summary version of the full Birmingham Economic Review 2017. 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 2017.



**Prof Simon Collinson**

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

*"A variety of indicators and measures presented here help stakeholders monitor the economic health of the region over time and identify potential future growth opportunities. This local intelligence provides an input into the strategic economic plans (SEPs) of public sector organisations. It also informs business leaders and decision makers about the competitive strengths offered by our unique regional economic assets to attract further investment to the region.*

*Strong economic growth and a fairer distribution of growth opportunities are central objectives of the University of Birmingham, one of our leading anchor institutions with a long-standing mission to support commerce and industry and citizenship. We hope that this edition of the Birmingham Economic Review contributes in a small way to these worthy goals."*

*"Birmingham has undergone an incredible transformation in recent years. Since I arrived 13 years ago, the investment in infrastructure, booming business community and rise of a rightly proud and confident local identity has been palpable. Birmingham is not on the "cusp" of becoming a great city: it is one.*

*All businesses need high quality intelligence when making decisions about the future of their organisation. This research, powered by the world-class expertise of the University of Birmingham's City-REDI, is an invaluable resource for anyone considering starting, growing or moving a business to Birmingham. It is essential intelligence for all stakeholders making decisions impacting on the city's economy, particularly during this time of substantial change as the impact and trajectory of Brexit and devolution become apparent."*



**Paul Faulkner**

CEO,  
Greater Birmingham Chambers  
of Commerce

## Summary

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Our analysis of the economy of Birmingham makes clear that 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 & Defence
- 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 per 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, Midland Metro and 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 of and enterprise 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

## Economic Climate & Context

Nationally, the UK economy has been characterised by relatively low inflation, moderate GDP growth, and rising employment. It has also seen a widening of the UK's deficit on trade in goods and services and little change in take-home pay.

After being significantly negatively impacted by the 2008-2009 recession, Birmingham's Gross Value Added (GVA) has been on a generally upwards trajectory. However there remains a productivity gap between Birmingham and the rest of the UK: in 2015 GVA per head for Birmingham was £22,307, significantly underperforming the UK average of £25,601.

Median gross weekly pay for full-time workers in Birmingham in 2016 was £497.40. This figure is a 1.9% increase on 2015 but is significantly below the UK average of £539.

Table 1: GVA & Earnings

	Birmingham	WMCA	West Midlands	England
<b>GVA per Hour worked (ONS, 2015)</b>				
GVA per Head (£)	22,307	20,942	20,826	26,159
GVA per Hour (£)	27.2	27.9	27.6	32.4
GVA per Filled Job (£)	45,303	45,295	44,612	51,803
<b>EARNINGS (ONS, 2016)</b>				
Median Gross Weekly Pay, full time workers (£)	497.4	- *	507.8	544.7

\*Figure not available for this geography.

Source: ONS



*“Official figures show Birmingham's economy grew strongly in 2015, with GVA standing at £24.8bn with a growth of 5.2% on the previous year. This gives Birmingham the second strongest growth amongst the 10 core cities.*

*...The latest West Midlands Purchasing Managers Index (PMI) shows that the region had the 5th highest business activity index amongst the region, but is showing signs of slowing. General sentiment in the region is strong, the Chamber's Quarterly Business Report for Quarter 2 continues to emphasise a positive business outlook despite the current world and national climate.”*

**Rebecca Riley, City-REDI, University of Birmingham**

## The Spatial Economy

While this review focuses on Birmingham itself, economic activity does not stop at local authority boundaries. An assessment of the linkages within the city and between neighbouring areas provides useful insight into Birmingham's wider economic role as well as internal economic and labour market dynamics.

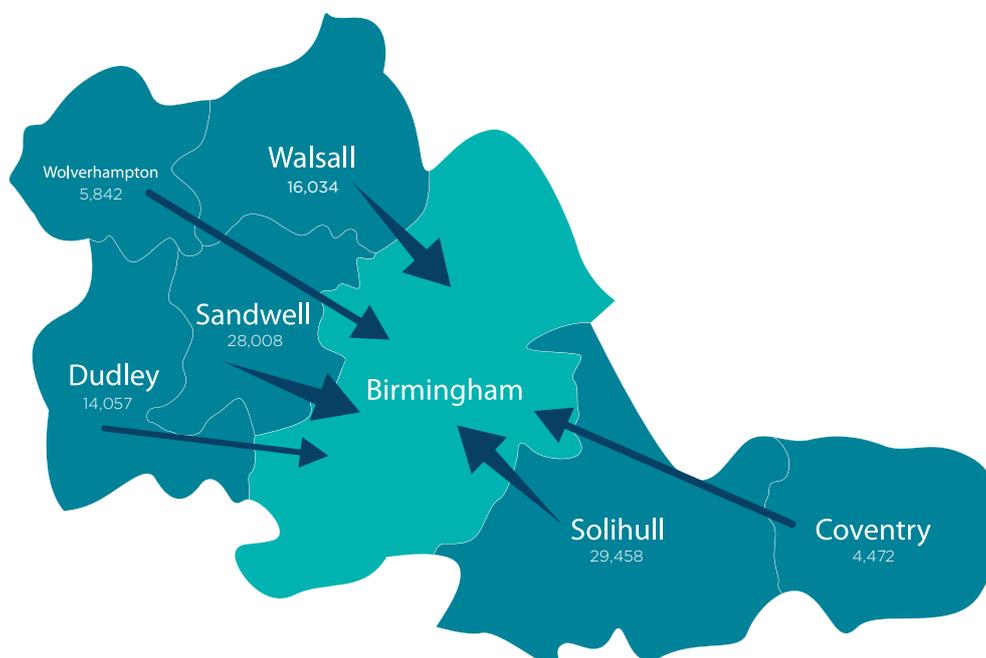
### Birmingham is served by a range of key transport infrastructure:

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

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

- **High Speed 2 (HS2):** The £50bn project will be one of the largest civil engineering projects ever undertaken in the UK. It is estimated that the project could create 104,000 jobs in the West Midlands area and bring £14bn additional economic input.
- **Midland Metro:** Work to extend the Midland Metro into Birmingham city centre has recently been completed and has significantly improved links between the Black Country and Birmingham city centre. It is thought that it will add £50m per year to the region's economy and create around 1,500 jobs. Further extensions to the network are planned within Birmingham, specifically to the West of the city centre.
- **Birmingham Airport:** Over £300 million has been invested in the Airport over the past 10 years, including in an extended and full-length runway for serving global destinations. The runway extension gives the airport the capacity to increase its passenger numbers and as a result the economic impact of Birmingham Airport is eventually expected to rise to 19,000 full time equivalent jobs and £824m of annual economic output by 2030.

Chart 1: In - Commuting to Birmingham



Significant volumes of people commute into and out of Birmingham and the surrounding areas. To some extent this high level of in-commuting is to be expected; as a core city, Birmingham is an employment hub for its surrounding areas. However, the magnitude of the in-commuting levels coupled with the relatively low levels of employment amongst Birmingham's resident population indicates a disconnect between local residents and the jobs generated in the city. The high volume of out-commuting highlights the significant contribution Birmingham's citizens make to the local labour markets of the surrounding authorities.

Chart 2: Out - Commuting from Birmingham

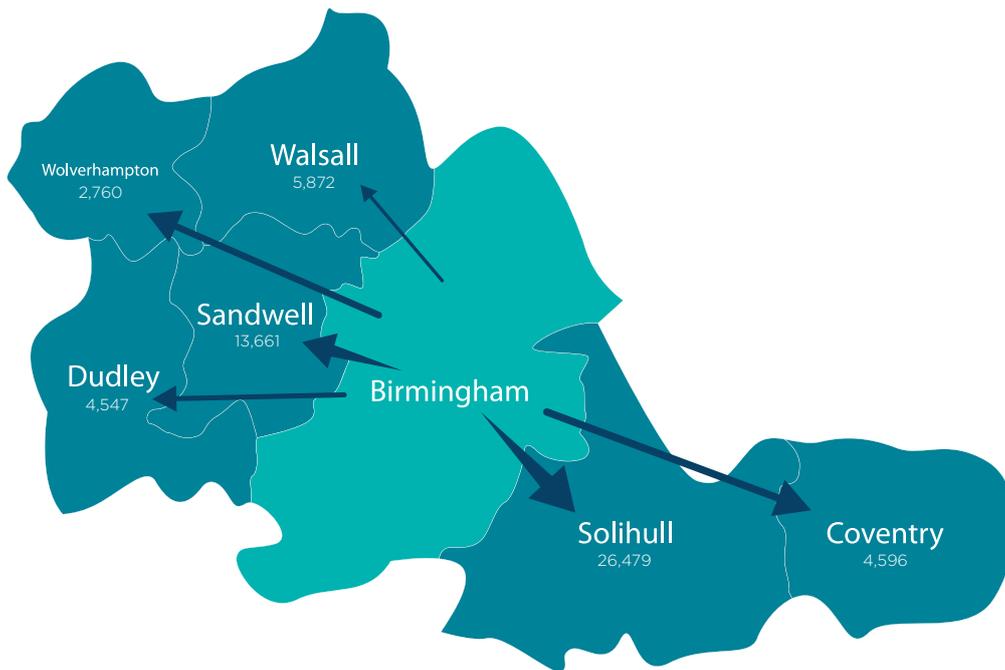


Chart 1 and 2 - Source: ONS Census, 2011



*“Birmingham’s transport network has a critical impact on the economic performance of the city and the wider city region.... Greater capacity and better connectivity both within Birmingham and the wider city region as well as across the West Midlands region is critical.*

*Birmingham has significant potential to become a leading rail city on a global scale. We have significant existing skills capabilities and real potential to rapidly develop further with the opening of the National College for High Speed Rail complementing our Higher and Further Education rail skills offerings at the University of Birmingham, BCU, Aston and Birmingham Metropolitan College. With HS2 Ltd now located in Birmingham along with a large number of rail businesses, transport in general and rail in particular could be a major growth opportunity for our city and the wider region.”*

**Alex Burrows, Marketing and Strategy Director, Alstom Transport UK**

## The Economic Geography

GVA per industry shows that in terms of economic output, 'Public administration; education; health' is the largest sector accounting for 24.7% of total GVA in Birmingham in 2015, up from 23% the previous year. 'Distribution; transport; accommodation and food' is the next largest contributor at 17.39%.

Birmingham has a high public sector presence, comprising a number of very large public sector employers, including universities and hospitals as well as Birmingham City Council. Birmingham has also seen its creative industries sector grow significantly in size and importance in recent years.

After a significant decline in manufacturing in the late 1990s and early 2000s, the manufacturing sector has seen an upturn in fortunes and has undergone something of a resurgence in recent years with major employers like JLR announcing expansion plans and the local supply chain benefitting from the strong upturn in the automotive sector.

The service sector accounts for a large share of economic output with businesses being more confident to take on staff and invest. Although Brexit creates an amount of uncertainty, the pick-up in the service sector along with manufacturing and construction should see employment growth in the city gather pace in the medium term from the relatively muted recovery in employment the city has experienced so far.

As a core city, Birmingham hosts a number of nationally and internationally significant companies, reflecting both its manufacturing heritage and the city centre's function as a professional and business services hub for the wider region.

As has been the case with a number of large regional cities in the UK, Birmingham's strong economic performance in the last few years - boosted by record levels of inward investment - has led to strong demand for both office and industrial property. Office rental values have grown strongly and are higher than in all regional cities except Manchester.

High quality sites and premises are in short supply in the city, with the supply of grade A office space now running out. A new tranche of strategic employment sites has been identified across Birmingham and the wider area. Bringing these forward for development is now an urgent priority.

**Table 2: GVA by Industry, Birmingham 2015**

SIC07 Code	SIC07 Industry	2015	%
A	Agriculture, forestry and fishing	6	0.02
BDE	Production	695	2.80
C	Manufacturing	2510	10.13
F	Construction	1501	6.05
GHI	Distribution; transport; accommodation and food	4310	17.39
J	Information and communication	1027	4.14
K	Financial and insurance activities	2195	8.85
L	Real estate activities	2372	9.57
MN	Business service activities	3127	12.61
OPQ	Public administration; education; health	6130	24.73
RST	Other services and household activities	918	3.70

Source: ONS, GVA



*“The Birmingham economy, like all economies, is in a continual process of becoming or, in other words, dynamic change... Birmingham’s legacy of development in the nineteenth century still influences the on-going shaping of the economic geography of Birmingham, the wider conurbation and also the relationships between Birmingham, the UK and other countries.*

*...there are four important drivers behind a successful, sustainable and resilient local economy: connectivity, skills, a supportive place-based narrative and an integrated approach to policy development. There is a final driver - a city-region must develop a long term approach to its continued and future development.”*

**John Bryson, City-REDI, University of Birmingham**

*“Economic growth in Birmingham is expected to continue at an average rate of 1.8% over the next five years, broadly in line with the national average. A combination of sectors will underpin this growth, with accommodation, food services & recreation, wholesale & retail and construction sectors likely to outperform other sectors.*

*Regional improvements in infrastructure have attracted an increasing number of businesses to set up or relocate to the West Midlands, particularly larger and higher quality employers. Birmingham has been the largest winner with banking giants such as HSBC and Deutsche Bank as well as HS2 relocating offices from London over the last five years. This trend is continuing, the latest example being the prospect of Channel 4’s relocation to the region.”*



**Ian Stringer, Regional Senior Director, GVA**

## Key Sectors

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The GVA of the local economy has continued to grow, mainly influenced by services. The five biggest sectors in terms of GVA are 1) Public administration, education and health, 2) distribution, transport, accommodation and food, 3) business service activities, 4) manufacturing and 5) real estate.

The two largest sectors by employment are wholesale and retail as well as health and social work. These figures may reflect the number of large hospitals in the city as well as the size and location of the city itself.

However, employment in the two biggest sectors has dropped whilst Financial and Insurance activities, Transportation and Storage, and Construction have increased their numbers of employees since 2014.

Examining the Location Quotients (LQs)<sup>(1)</sup> enables us to identify the sectors in which the city has above average employment shares and hence greater degree of specialisation.

The three most concentrated industries in Birmingham are:

- **Finance and Insurance**
- **Education**
- **Public Administration and Defence**

Comparing the city with the rest of the Councils in the West Midlands Combined Authority, Birmingham has the highest concentration of employee shares in Financial and Insurance activities; Professional, Scientific and Technical activities; and Public administration and Defence. This is in keeping with the city’s role as the regional financial and administrative centre, predominantly based around service provision.

<sup>(1)</sup> The share of employment in a specific sector in Birmingham divided by the share of employment of that sector in the national economy.

Table 3: Business Demography & Jobs

	Birmingham	WMCA	West Midlands	England
<b>Business Demography (ONS, 2015)</b>				
Births per 1000 population	6.58	5.46	5.10	6.29
Deaths per 1000 population	3.63	3.24	3.30	4.07
5-year Business Survival Rate (2010 Births)	36.5	39.2	41.3	41.4
<b>JOBS (ONS, 2016)</b>				
Jobs Density	0.79	0.76	0.78	0.84
Managers, Directors & Senior Officials, % (SOC1)	7.3	8.3	9.7	10.9
Professional Occupations, % (SOC2)	20.9	17.8	17.6	20.4
Associate Professional and Technical Occupations, % (SOC3)	14.3	12.6	13.0	14.6
Administrative and Secretarial Occupations, % (SOC4)	10.4	10.9	10.6	10.2
Skilled Trades Occupations, % (SOC5)	7.8	9.9	11.1	10.2
Caring, Leisure and Other Service Occupations, % (SOC6)	8.7	9.4	9.0	9.0
Sales and Customer Service Occupations, % (SOC7)	7.6	8.0	7.5	7.4
Process, Plant and Machine Operatives, % (SOC8)	9.2	9.0	8.1	6.4
Elementary Occupations, % (SOC9)	13.5	13.6	13.1	10.6

Source: ONS



*“Birmingham has one of the largest concentrations of businesses in the UK outside London. The scale and density of the Birmingham economy means that it can generate ‘agglomeration effects’ – those key knowledge interactions between people, firms and organisations – which drive local productivity growth and which allow the city to respond to the challenges arising from global and national changes.*

*Both the city and the wider region are today experiencing unprecedented change brought about partly by global economic changes and partly by reductions in public and national expenditure. However, to effectively respond to these changes, crucial to Birmingham’s future success will be its ability to diversify technologically into areas of higher value added and to develop further niche markets for new lines of global trade.”*

**Professor Raquel Ortega-Argilés, City-REDI, University of Birmingham**

*“Birmingham has a long-standing and proud history as a centre of manufacturing in the UK and the iconic Bournville site has played a significant role in that, as the home of Cadbury’s Chocolate since 1879. We are very proud of this heritage at Mondelez (the UK’s largest branded food manufacturer) and is something we want to build upon it. To this end, we are currently working hard to ensure that Bournville – and importantly Birmingham’s manufacturing base – continues to compete successfully against other manufacturers across the globe.*



*A vital part of securing manufacturing jobs in Birmingham and the UK is the attraction and development of talent. There is no doubt that in food manufacturing we have a significant skills gap across the UK. By 2024 it is estimated the industry will require 130,000 newly skilled recruits. It is of critical importance that we meet the demands of this growing skills challenge.”*

**Glenn Caton, President, Northern Europe, Mondelez International**

## Population & Employment

The latest data available for 2016 showed that the total population for Birmingham was 1,124,569. Birmingham's working age population has relatively low rates of economic activity and employment and high levels of unemployment. Low levels of economic activity and employment and high unemployment tend to be concentrated in the inner city and some deprived outer city estates.

Birmingham's population includes:

- **736,650 residents aged 15-64**
- **256,582 children under 16**
- **145,721 residents aged 65 and over**

Birmingham is the youngest major city in Europe, with under 25s accounting for 40% of its population. However, a gap exists in terms of the proportion of the population aged 30-44 living in the area. Birmingham's employment rate was 63.4% for 2016, well below the national rate at 74.0%. 7.4% of those aged 16-64 are self-employed; this has declined from 7.9% in 2015 and is also below the national rate of 10.6%.

The unemployment data for 2016 shows that the unemployment rate for Birmingham stood at 9.0%, significantly above the national rate at 4.9%. The city has the highest unemployment rate of all the core cities in England. At 30.3%, Birmingham has the highest proportion of economically inactive residents of all the core cities (see Table 4), although this has reduced from 32.3% in 2015. However, of these over a third (34.9%) are students. The proportion of students is higher than the national figure (26.3%) and this should be viewed as a positive contribution to the city.

**Table 4: Population & Employment**

	<b>Birmingham</b>	<b>WMCA</b>	<b>West Midlands</b>	<b>England</b>
<b>POPULATION (ONS, 2016)</b>				
Total, 2016	1,124,569	2,864,925	5,800,734	55,268,067
Aged 0-17 %	25.4	23.8	21.9	21.3
Aged 18-64 %	61.6	60.7	59.8	60.8
Aged 65+ %	13.0	15.5	18.3	17.9
<b>EMPLOYMENT (ONS, 2016)</b>				
Economic Activity Rate, aged 16-64	69.7	70.9	75.4	78.1
Economic Inactivity Rate, aged 16-64	30.3	29.1	24.6	21.9
Employment Rate, aged 16-64	63.4	65.5	71.1	74.2
Unemployment Rate, aged 16-64	9.0	7.5	5.7	5.0

Source: ONS

*"Birmingham is the youngest major city in Europe, with under 25's accounting for nearly 40% of its population. Such a large population of Under 25s in the city is incredibly exciting because these young people will become the workforce of tomorrow and represent a great amount of potential. However, young population is only an asset if they are equipped with the skills and opportunities they need to succeed as they enter the local workforce."*

*Overall, despite the challenges outlined, the city has made good progress in many of these areas, including strong performance on youth unemployment. However, there is more that can be done particularly in terms of graduate retention, encouraging inward migration and equipping the younger population with the skills they need to succeed."*

**Dr Catherine Harris, City-REDI, University of Birmingham**



## Skills & Labour Market

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

Using the proportion qualified to NVQ3 and above (often used as definition of a 'world class' workforce), Birmingham underperforms the UK. Only 48.4% of the workforce are educated to this level compared to 56.9% nationally.

A similar picture also exists at the other end of the skills spectrum. Birmingham has a high proportion of its working age population with no formal qualifications (14.2%). This proportion is significantly above the nation as a whole (8.0%), although this percentage has reduced from 15.6% in 2015. This skills shortage is a contributing factor to Birmingham's low proportion of employed residents, and associated high claimant unemployment rate.

Birmingham has five universities - the University of Birmingham, Aston University, Birmingham City University, University College Birmingham and Newman University. The five institutions vary both in size and in the balance of postgraduates and undergraduates. The University of Birmingham is the largest of the city's universities with approximately 29,000 students - 70% of these are undergraduates and 30% are postgraduates.

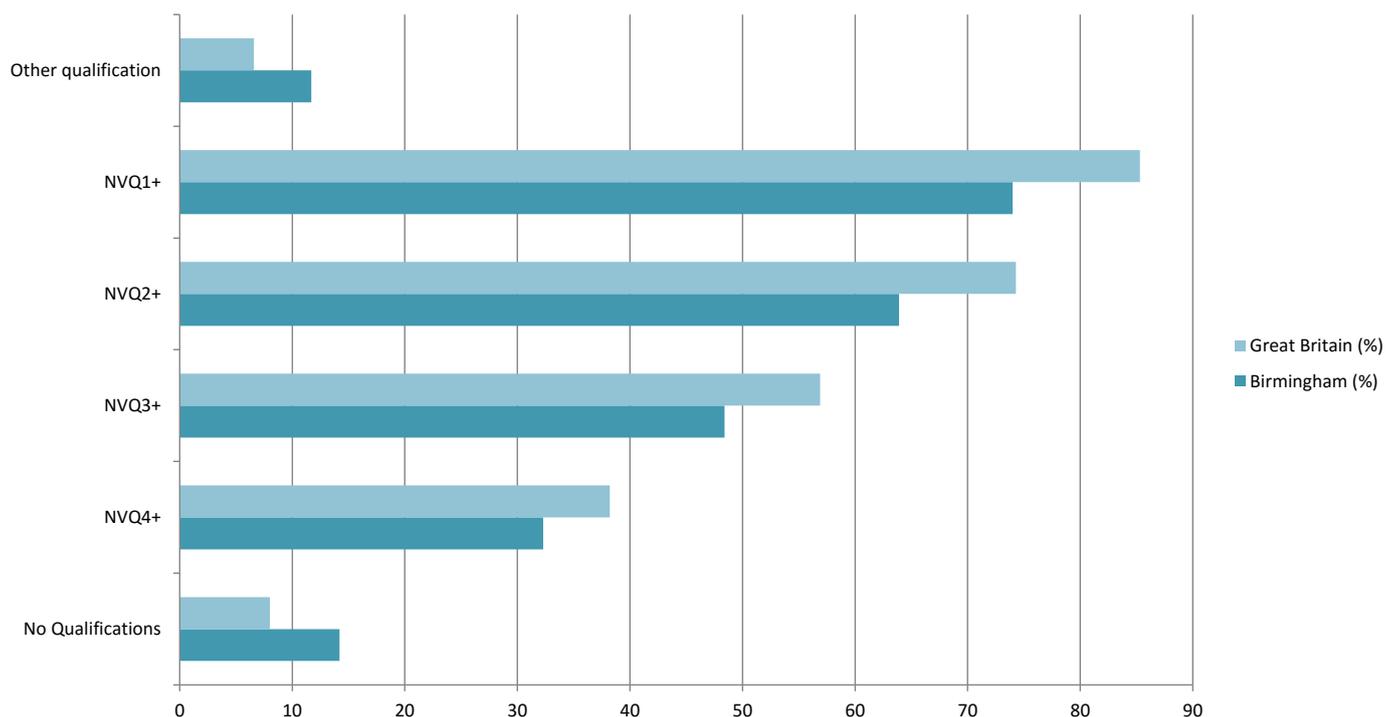
According to the Standard Occupational Classification, 'Professional Occupations' (20.9%) and 'Associate Professional and Technical' (14.3%) are the biggest employing occupational groups in 2016. These are highly skilled professions. However, also highly represented are Elementary Occupations (13.5%) which are low skilled roles, with the proportion of employment in this occupation increasing since 2014.

Birmingham's working age population is significantly more ethnically diverse than the country as a whole, and it is also the most diverse of all the English core cities. In the 2011 census, 238,313 of Birmingham's residents were born outside the UK. Of these, around 45% arrived during the last decade. The largest ethnic group in Birmingham was White British at 570,217 (53.1%). This is down from 2001 (65.6%) and lower than the average for England (79.8%). Other large groups include Pakistani (13.5%) and Indian (6.0%) which have grown since the 2001 census, while people defining themselves as Black Caribbean (4.4%) have declined.

There are wide variations in the qualification levels of different ethnic groups in the city. A significant factor in the low employment rate for the Pakistani/Bangladeshi group is the very low employment rate for women (28.5%). Pakistani and Bangladeshi residents who are employed are also under-represented in higher occupations compared to other groups.

A diverse population in the city also offers an array of international connections, a variety of languages and a blend of many different cultures. This makes Birmingham the culturally diverse city that it is today.

Chart 3: Qualifications, 2016



Source: ONS, Annual Population Survey



*“Historically labour market and skills policy has tended to focus on the quantity of jobs and on supply-side policies to raise qualification levels...Achieving inclusive growth means breaking out of ‘low skills traps’ – and this means addressing labour demand as well as supply.*

*Inward investment and cluster policies both have a role to play. The insertion of clauses regarding skills development and job quality in procurement can help embed the importance of employment quality in city and business development policies and raise wage floors. But to reap the rewards of such demand-side policies it is necessary to prioritise co-ordination with supply-side policies to better connect and match supply with demand.”*

**Professor Anne Green, City-REDI, University of Birmingham**

*“It is essential that Education and Business work together, not just through the Corporate Responsibility Agenda and supporting students develop the essential work ready skills but also to:*

- 1) Shape academic programmes and content to reflect the needs of regional sectors
- 2) Identify the key growth areas across the region to ensure that training and development reflects the local economy
- 3) Horizon scan and knowledge share together to look at job market forecasts to ensure that training and development programmes are developed by education and training specialists that are fit for the needs of business today and tomorrow
- 4) Grow our own regional talent: by working closer together through models like the Greater Birmingham Professional Services Academy and Creative and Digital Academy at BMet”.



**Suzie Branch, Business Development Director, Business Professional Services Sector**

## Enterprise

Birmingham has a lower level of self-employment than nationally. 7.4% of Birmingham's working age population (16-64) are self-employed compared to 10.6% nationally. The city is mid-ranking amongst the English core cities.

Looking at self-employment by gender shows that Birmingham is weaker on female self-employment – only 3.7% of Birmingham's working age female population are self-employed, compared to 7.0% nationally.

The ONS Business Demography dataset for 2015 (latest available) provides data on enterprise births in the UK which allows for comparisons between Birmingham and other areas. Performance has significantly improved and Birmingham is now only second to Manchester among the core cities and has a start-up rate above the national average after a number of years of underperformance. In 2016, StartUp Britain identified that 17,473 new businesses were registered in Birmingham, meaning that the city has the largest number of start-ups outside London. There were 3.63 business deaths per 1,000 population in Birmingham in 2015. This was similar to previous years and lower than the national average.

Despite low labour market participation rates among some ethnic groups, the ethnic make-up of the city does have its advantages and strengths. Birmingham has long been associated with ethnic entrepreneurship amongst groups such as South Asians. Some highly successful business ventures have been born out of migrant businesses. In April 2016, Sparkhill was named the independent shopping capital of Britain, highlighting the entrepreneurial spirit within the community. Birmingham's curry industry can also be attributed to South Asian migrant businesses.

More recently arrived groups in the city have also set up businesses, with a strong Polish business community now developing through Polish delicatessens, construction companies and more professional services such as recruitment agencies. Many of these businesses trade across the EU.

**Table 5: Count of Business Births per 1000 inhabitants**

Area/Year	2011	2012	2013	2014	2015
United Kingdom	4.13	4.23	5.40	5.43	5.88
Manchester	4.75	4.98	6.58	6.78	7.90
Liverpool	3.15	3.23	4.78	4.57	5.09
Newcastle	3.21	3.36	4.17	4.18	4.30
West Midlands	3.49	3.48	4.54	4.51	5.10
WMCA	3.25	3.35	4.42	4.48	5.46
Birmingham	3.42	3.62	4.84	4.81	6.58

Source: ONS, Business Demography Data

*“Enterprise is the key to economic growth: a loud refrain heard from all quarters. A little less loud, but significant nonetheless, is an understanding of the importance of enterprise diversity... if the region is to fully grasp the opportunities for growth and social improvement.*

*The regional economy relies on SME's, if their potential is to be realised we need to advance three key areas;*

- *Leadership and Management - Managerial and leadership competences are still an obstacle to enterprise growth and development*
- *Developing Eco-systems which foster scale up and Enterprise development*
- *Embedding Diversity in Enterprise and Economic Development Strategies”*

**Professor Kiran Trehan, University of Birmingham**



*“As investment continues to transform our region into a world-class place to live and work, we need more people coming up with great ideas to start more companies with global ambitions. Birmingham creates the second largest number of start-ups outside of London but still, only a few people have the tenacity to start their own business.”*

*Cliff Dennett, Head of Business Development, Innovation Birmingham Ltd*



## Innovation

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Innovation involves a ‘renewal process’ or change of a product, service or process through the application of new knowledge.

In order to incentivise innovation in both the public and private sector, it is crucial that Birmingham’s R&D and educational infrastructure creates a supportive environment. This infrastructure includes: (i) universities; (ii) business parks and technology initiatives; and (iii) enterprise zones.

Universities are critical sites for innovations, as they educate prospective workers, as well as produce technological and scientific results that can be turned into patents and products. The city’s three largest universities (University of Birmingham, Aston University and Birmingham City University) have a range of internationally recognised strengths in the fields of:

- **Advanced Material characterisation and use - including nanotechnology and composites**
- **Energy - including Hydrogen and fuel cells, bioenergy**
- **Low Carbon Technologies - including low carbon vehicles**
- **Innovative Healthcare - ranging from medical devices to clinical trials**
- **Digital Technologies - including use of social media and 3-D imaging**

The Universities also offer specialised innovation services and collaborations with industry in the city.

As well as this role of universities, Birmingham has a number of high tech business parks and initiatives that are helping to foster innovative practices and high tech industry:

- **Innovation Birmingham Campus at Birmingham Science Park Aston**
- **Birmingham Research Park**
- **Longbridge Technology Park and Innovation Centre**
- **Birmingham Science City**
- **Institute of Translational Medicine**
- **Birmingham’s Smart City Commission**

There are also future plans to support innovation in Birmingham through an Enterprise Zone.

Birmingham city centre Enterprise Zone comprises 26 sites across the city centre covering 68 hectares. The Enterprise Zone is one of the major projects for the GBSLEP, with the potential to create 40,000 new jobs, add £2 billion a year to the economy and make available 1.3 million square metres of floor space over the lifetime of the project.

Over its 25 year lifetime, the retained uplift in business rates will enable investment in a range of infrastructure, business support, employment and skills and access to finance projects to support its priorities.



*“Innovation is arguably the major driver of economic growth, within firms, across regions and the global economy as a whole. But firms do not innovate in isolation. They rely on regional, national and/or international networks of partner organisations, including suppliers, contractors, universities and consultancies that provide components, technology, skills, knowledge and expertise as an input into the innovation process.*

*Places compete to attract inward investment and skilled people, partly on the basis of the competitive advantages they can offer as distinctive regional innovation systems (RIS). This includes universities as part of the science and technology asset-base. The role of universities is emphasised in the Government’s Industrial Strategy and related reports, including the Science and Innovation Audit’s (SIAs). The regional SIA highlights Warwick University (including Warwick Manufacturing Group), JLR, the University of Birmingham and the Manufacturing Technology Centre (MTC) as ‘nationally and internationally significant science and innovation assets’.*

**Professor Simon Collinson, City-REDI, University of Birmingham**

*“Recent reports indicate that by investing in science, technology, engineering and maths (STEM) we innovate and drive productivity, which in turn increases Birmingham’s economic growth....Birmingham City University and the Regional Observatory published a digital and tech deep dive report in May, which estimated that tech and digital alone will add £2.2 billion to the West Midlands economy by 2025 with an additional 84,000 jobs.*



*A widening skills gap sits between today and Birmingham’s innovative future with a significant proportion of new roles requiring job specific higher-level skills and qualifications. In addition to improvements driven by changes in the curriculum, we must collaborate to bridge this gap by investing in initiatives that raise awareness of STEM and encourage pursuit of it in education. Beyond that, we must ensure that future innovators remain in our city by offering job security and appeal on completion of their education and pride in the city.”*

**Judith Armstrong, CEO, Millennium Point**

## Visitor Economy

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Birmingham’s visitor economy attracted a record 39.1 million visitors in 2016 - an increase of 950,000 visitors to the city on 2015. This represents a 2.4% increase over the last 12 months and a 16.6% increase over the last 5 years.

As a result, the city’s visitor economy was worth a record £6.5 billion in 2016 - up 4% on the previous record set in 2015. The sector has benefitted greatly from increasing numbers of visitors to the city, resulting in significant year-on-year growth. Over the past 5 years (2011-2016), economic impact has increased by 31.5% - an increase of £1.6 billion.

Following significant growth between 2014 and 2015, the city has continued to attract overseas visitors - welcoming 1.12 million international visitors in 2016. This represents an increase of 52% over the last 5 years (382,000 more overseas visitors than in 2011), the highest growth rate of any major city in the UK.

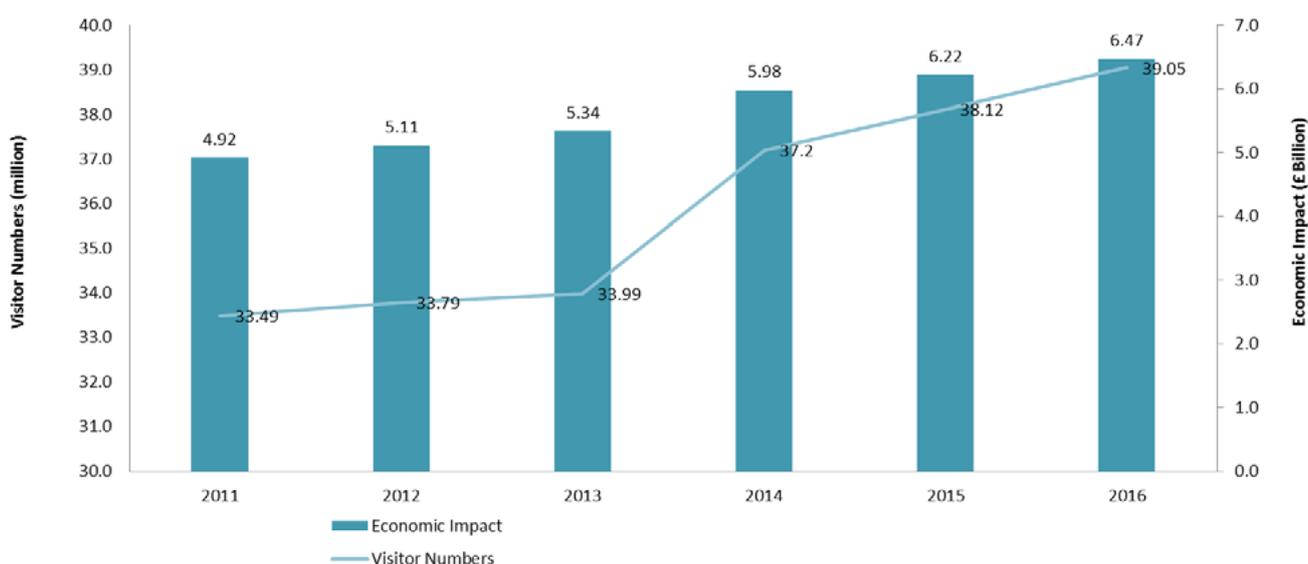
This growth has been underpinned by a range of factors including:

- The £600 million refurbishment of New Street Station
- The opening of Grand Central Shopping Centre
- The runway extension at Birmingham Airport
- The Midland Metro extension

These developments, alongside a host of major events in the city, have provided a significant boost to Birmingham’s hotel market. 2016 saw the city’s hotels achieve the best year on record.

- Average occupancy for 2016 was the highest recorded at 75%, 1% up on the previous record set in 2015 and 3% up on 2014.
- Average room rates in 2016 were above the equivalent figure for 2015 for all 12 months of the year. A record high average of £67 was £5 up on the average room rate in 2015, and £9 up on the average figure for 2014.
- As a result, average revenue per available room (RevPAR) for the year was also boosted and is the best on record at £50, £3 up on the figure for 2015 and £8 up on 2014’s average.

Chart 4: Growth in Birmingham’s Visitor Economy



Source: Regional Observatory/GTS STEAM Model

*“A strong visitor economy is helping to position Birmingham on the world stage. The city continues to attract millions of tourists from across the globe, and this in turn is boosting the regional economy, creating employment opportunities for local people.”*

*It is an exciting time for Birmingham and the West Midlands; the region has never been more attractive for business and leisure visitors. Birmingham is competing at an international level, bidding for global events with confidence and has become one of the UK’s premier cultural hubs.”*



**Emma Gray, Director of Marketing and Communications, the West Midlands Growth Company**

*“You only have to look at what’s been happening in Birmingham over the last few years to feel that buzz of a city continuing its transformation...To many of our customers, the relative attractiveness of what Birmingham and the wider area can offer their audience will be extremely valuable. They understand that the experience they offer isn’t limited to the confines of their event as many visitors tag time onto their trip to explore the city and its surrounding areas.*

*As a Group, we have been heavily involved in the bid for the 2022 Commonwealth Games, which, with Birmingham’s sporting history and existing infrastructure to host competitive events, I believe to be very powerful.”*

**Kathryn James, Managing Director, The NEC Group**



## Inward & Foreign Direct Investment

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Birmingham has received a number of awards and accolades in recent years recognising its position as a globally competitive location for inward and foreign direct investment:

- Site Selection’s World’s Most Competitive Cities Report 2017 ranked Birmingham in the Top 5 for 7 industry sectors (Aerospace, Automotive, Business & Financial Services, Food & Beverage, Machinery & Equipment, Metals & Transportation and Logistics).
- PwC and the Urban Land Institute’s Emerging Trends in Real Estate 2017 selected Birmingham the most investable city in the UK. The city was ranked as having the best investment prospects in the UK, and sixth most investable in Europe, by senior international investors.

In 2016/17 Birmingham secured 47 FDI projects, creating 1,873 new jobs and safeguarding 181. This was slightly lower than the 51 secured in 2015/16, with uncertainty caused by the outcome of the EU Referendum which was cited as a major cause in delaying investment decisions, a trend echoed in other areas of the UK.

By sector, Birmingham received most FDI projects in the Business, Professional and Financial Services sector (9), creating 521 new jobs with 8 received in ICT & Digital (210 jobs) and 6 in Automotive (426 jobs).

By industry, Birmingham received investment in 20 different industries, with a large number of investments seen in Retail (9 projects), Software (7), Automotive (4) and Architectural and Engineering Services (4).

Most jobs were created in Automotive with over 420, and Healthcare with over 400. Just under 400 were created in the Legal Services sector and Tech & Digital saw 205 jobs created. 80 jobs were created in Construction, however, Retail, whilst seeing the highest number of projects, saw just over 100 new jobs created during this period.

The largest source of Foreign Direct Investment into Birmingham in 2016/17 was from the United States, followed by China. Since 2011, 69 projects have been initiated by American investors (26.5% of total), whilst 12.2% of the total projects started by German organisations.

The majority of FDI successes in Birmingham since 2011 have been expansions of existing investors, 114 projects as compared to 93 new investments. Expansions represented 44% of all projects but 78% of all jobs created.

Table 6: FDI 2016/17

Region	Projects	New Jobs
BPFS	9	521
ICT & Digital	8	210
Automotive	6	426
Advanced Engineering	3	65
Construction	3	82
Life Sciences	2	403
Food & Drink	2	9
Other	14	157
<b>Birmingham all</b>	<b>47</b>	<b>1873</b>

Source: West Midlands Growth Company

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

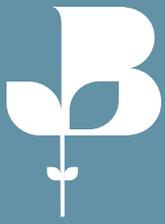
*In general, the region attracts inward investment in sectors of above average productivity, and in sectors where the region compares favourably with others. This emphasises that the region attracts inward investment by “building on strength”, and is emphasises the wisdom of a sector based approach that underpinned the work of Marketing Birmingham (Now the West Midlands Growth Company).”*

**Professor Nigel Driffield, University of Warwick**



*“In this region, our manufacturing expertise is highly attractive. Businesses that are innovative with defined market positions, prove to be highly appealing to debt and equity funders who are hungry to make investment. We also see vast opportunities in aerospace, automotive and other manufacturers of mission critical products for other businesses...There is a huge appetite for services businesses whether they are in FinTech, wider financial services, software, services or other support services.”*

**Andy Parker, Corporate Finance Partner, PKF Cooper Parry**



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