



## WM INVESTMENT ZONE PRIMARY SECTOR – EMERGING ECONOMIC RATIONALE

### Introduction

This paper examines and analyses evidence on the profile and make-up of the West Midlands regional economy. The purpose being to help identify key economic sector(s) and clusters to inform the ongoing co-development of a regional Investment Zone proposal to Government following the March 2023 Investment Zone Guidance.

This assessment builds on existing publications such as the Plan for Growth, Deeper Devolution Deal and Regional Investment Prospectus alongside engagement with regional partners, including local authorities and universities, the West Midlands Innovation Board and officials in the Department for Levelling Up, Housing and Communities (DLUHC). Underpinning those discussions, and the findings of this assessment, is the fundamental and acknowledged principle that regional economies are multi-sectoral – they thrive on the intersection of complementary and supporting sectors and clusters.

This assessment and its conclusions are based on existing regional policy, including 'Plan for Growth', the Local Industrial Strategy, the WM Inclusive Growth Framework and WM2041 Net Zero Strategy.

### Emerging Primary Sector

The emerging view of partners, Central Government officials and the WMCA is that the West Midlands Investment Zone should have a priority sector focus on **advanced manufacturing**.

Advanced manufacturing involves the use of innovative technologies, processes, and systems to improve the production and delivery of goods. It includes the integration of cutting-edge technologies, such as automation, robotics, additive manufacturing (3D printing), artificial intelligence (AI), internet of things (IoT), big data analytics, and advanced materials. It naturally includes parts of the green industries (such as the manufacture of electric light vehicles & battery storage and construction of future housing), med-tech, digital and tech, and other related sectors or clusters.

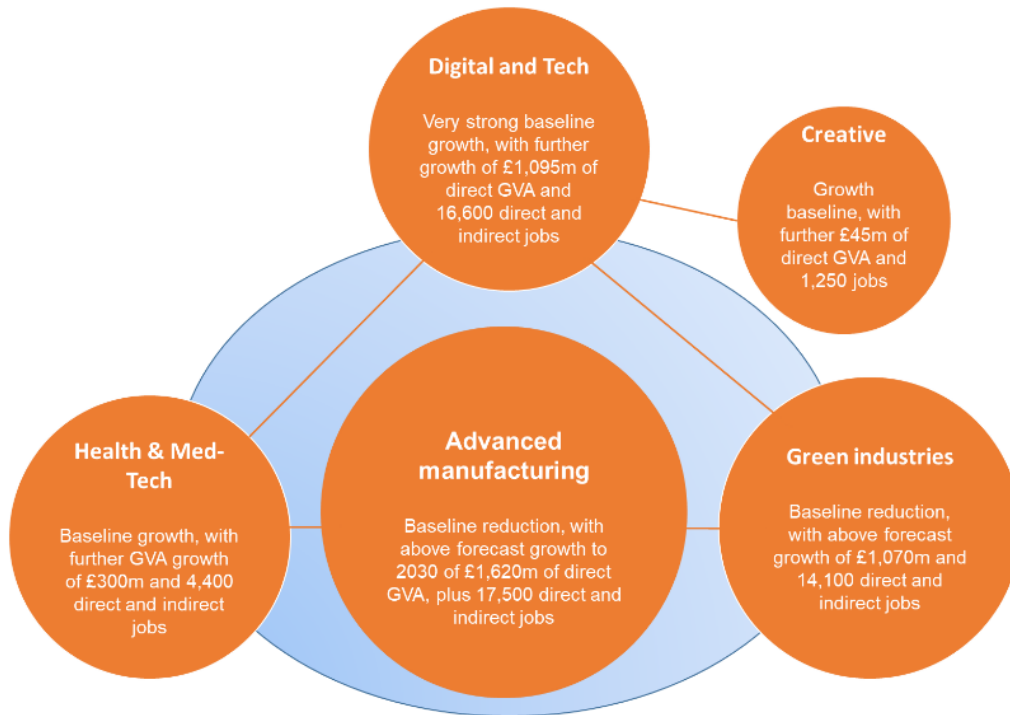


Figure 1: Primary Sector and WM Cluster Intersectionality

The above diagram is based on the economic rationale of the West Midlands ‘Plan for Growth’, which identifies eight primary economic clusters with credible potential for above forecast growth to 2030.

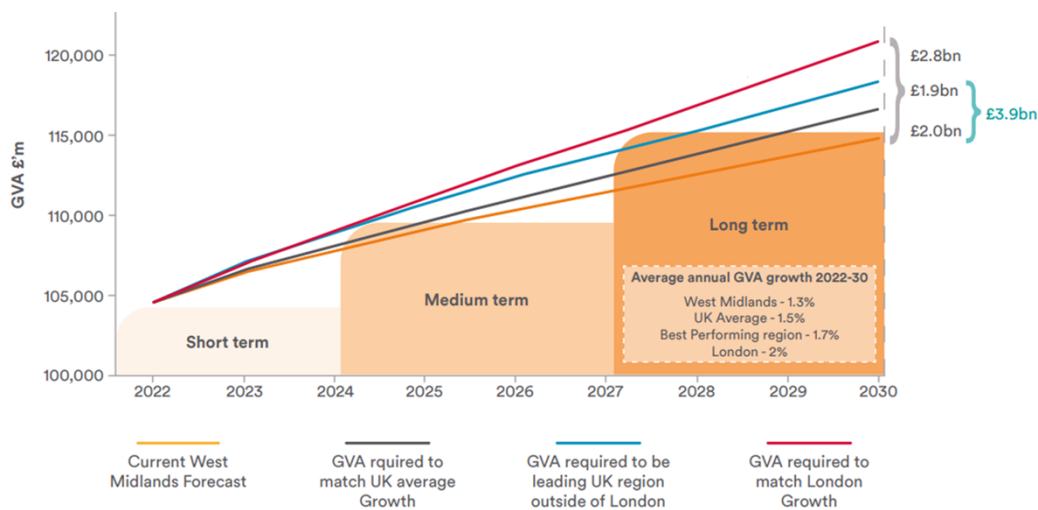


Figure 2: Economic Growth Trajectory Projections (Plan for Growth)

The eight priority clusters/sectors have a strong correlation with DLUHC’s priority sectors. Broadly, the West Midlands Plan for Growth priorities are more precise about the exact technologies and products based on the region’s comparative advantages:

Government Priority Sectors	Relevant West Midlands Plan for Growth Primary Clusters
<b>Advanced Manufacturing</b>	<ul style="list-style-type: none"> <li>• Manufacture of electric light vehicles &amp; battery storage</li> <li>• Aerospace &amp; alternative fuel manufacture</li> <li>• Low carbon utilities</li> <li>• Manufacture of future homes</li> <li>• Health-tech and Med-tech</li> </ul>
<b>Green Industries</b>	<ul style="list-style-type: none"> <li>• Low carbon utilities</li> <li>• Manufacture of electric light vehicles &amp; battery storage</li> <li>• Alternative fuels</li> </ul>
<b>Life Sciences</b>	<ul style="list-style-type: none"> <li>• Health-tech &amp; Med-tech</li> </ul>
<b>Creative Industries</b>	<ul style="list-style-type: none"> <li>• Creative content production &amp; gaming</li> </ul>
<b>Digital &amp; Tech</b>	<ul style="list-style-type: none"> <li>• Professional &amp; financial services (incl Fin-Tech)</li> <li>• Creative content &amp; gaming</li> <li>• Health-tech / Med-tech</li> <li>• Low carbon utilities</li> </ul>
<i>Limited connection</i>	<ul style="list-style-type: none"> <li>• Logistics and distribution</li> </ul>

Figure 3: Government Priority Sector – WM Cluster Strengths

The region has a strong innovation base; home to six universities and three Catapult Centres along with ten science parks devoted to low carbon, tech and life sciences.

### Primary Sector – Broad Geography

The proposed sector focus (advanced manufacturing, incorporating green industries and advanced digital and medical technologies) will facilitate innovation-driven growth across five of the eight Plan for Growth clusters. Each of these has concentrations of activity across the region (see Figure 5):

LEP / Cluster	Manufacturing of Electric Light Vehicles and Associated Battery Storage Devices	Evolution of Logistics and Distribution	Modern and low carbon utilities	Health Tech and Med Tech	Professional and Financial Services and Supply Chain	Manufacture of future housing	Aerospace (Inc. Manufacturing Alternative Fuel)	Creative content production and gaming	Total employment across primary clusters
Black Country	Medium intensity, concentrations in Sandwell and Walsall	High intensity, concentration in Walsall	Medium intensity, concentration in Sandwell	Low intensity	Low intensity, concentration in Wolverhampton	High intensity, concentrations in Dudley and Wolverhampton	Medium intensity, concentrations in Wolverhampton and Dudley	Low intensity	10.0%
Greater Birmingham and Solihull	High intensity, concentrations in Solihull and Birmingham	Medium intensity, concentrations in Cannock Chase, Tamworth and Solihull	Low intensity, concentration in Solihull	Medium intensity, concentrations in Birmingham and East Staffs	High intensity, concentration in Birmingham	Medium intensity, concentrations in Cannock Chase and Wyre Forest	Low intensity, concentration in Birmingham	Medium intensity, concentration in Birmingham	12.5%
Coventry and Warwickshire	High intensity, concentrations in Stratford and Coventry	Medium intensity, concentrations in North Warks and Rugby	High intensity, concentration in Warwick and Coventry	Medium intensity, concentrations in Rugby	Low intensity, concentration in Coventry	Low intensity, concentration in Coventry	Medium intensity, concentrations in Nuneaton, Bedworth and Coventry	Medium intensity, concentration in Warwick	15.5%

Figure 5: Cluster Strength Geographic Spread, Plan for Growth

Specifically on advanced manufacturing across the WMCA area and its connected hinterlands, a 211,000-strong workforce accounts for 11.3% of all local employment and up to £10.4bn of output – well above the national average of 7.9%. Specialising in machinery, electronics, and transport, the region’s extensive and multi-layered supply chain reflects its deep-rooted expertise. Manufacturers at all stages of the growth cycle – from homegrown startups to historic SMEs – support a network of global heavyweights with Jaguar Land Rover (JLR), Aston Martin, Rolls-Royce Control Systems and Collins Aerospace among the leading local players. Access to talent is evergreen with the established local employment base fuelled by over 32,500 STEM students following engineering and technology subjects at the region’s universities each year, as well as a vast network of vocational training facilities teaching the latest emerging technologies.

**Barriers to Growth**

A key requirement of the Government’s Investment Zone programme is that propositions should seek to tackle barriers to growth within the chosen ‘primary sector’.

The West Midlands Plan for Growth sets out the constraining factors for growth of the region’s clusters. It highlights six common ‘cross cutting interventions’:

- Direct competitive funding as part of a business support system with stronger strategic relationship management with firms
- Develop future skills pathway
- Business location coordination and foreign direct investment
- Early growth fund
- Land assembly and infrastructure fund
- Transport and infrastructure fund

A summary of the constraints for each cluster is shown below related to the constraints outlined by Government in its Investment Zone guidance (Figure 6).

Plan for Growth Cluster	Human capital (skills and labour market)	Physical capital	Intangible capital	Financial capital
Light electric vehicles and battery production	X		X	X
Manufacture of future housing	X		X	
Aerospace (including manufacture of alternative fuels)	X		X	
Low carbon utilities	X		X	
Med-tech and Health-tech	X	X	X	

Figure 6: Cluster Barriers – Aligned to Investment Zone Guidance

## **Private Sector Investment**

In line with the March 2023 IZ Guidance, it is clear that the 'primary sector' for the Investment Zone programme needs to demonstrate a strong potential to leverage in, and maximise, private sector investment opportunities. As such, the following section indicates some of the investment attraction activity already underway in the region, and the new approaches being explored as a result of the recent Deeper Devolution Deal.

- A developing approach to Strategic Relationship Management with key companies embedded in the West Midlands. Coordinated by the West Midlands Growth Company and using capacity and links in local authorities, DBAT and the WMCA, this will give a deeper sense of firm-level investment priorities, opportunities and threats.
- WMCA leading an ambitious Investment Prospectus with £20bn of opportunities comprising 12 current investible propositions, 11 opportunities coming soon and 6 ones to watch.
- WMCA supporting cluster leadership groups for the eight Plan for Growth clusters. Predominantly private sector-led, these provide important insights about the overall appetite/conditions for private sector investment in the West Midlands, relative to other UK and global regions.
- Partners in the West Midlands investing £21.8m in the Global West Midlands programme for 2023 - 2025 to secure international investment.
- Through the Deeper Devolution Deal, the region is also co-developing an international strategy with DBAT and has secured commitment that the Office for Investment the Deal also makes provision for agreeing future High Potential Opportunity areas.

## **Conclusion**

Adopting 'Advanced Manufacturing' as its primary sector for the Investment Zone will enable the region to maximise its economic cluster strengths through the Investment Zone programme. The regional distinctiveness is evident within that breadth of cluster representation – from the automotive sector, to green industries, digital and med-tech – leading economic growth through innovation and advancement of technology.

Given the university and research institute strengths in these areas, and their engagement with local communities, this sector and cluster focus, and their intersectionality, will also provide the greatest opportunities for levelling up within the region by creating new jobs and skills opportunities.