



Date	Wednesday 15 th February 2023
Report Title	West Midlands Plan for Growth - economic conditions and interventions to maximise growth and increase resilience
Portfolio lead	Councillor Ian Brookfield, Leader of City of Wolverhampton Council WMCA portfolio lead for Economy and Innovation
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Report has been considered by	Directors of Economic Development

Recommendations

Economic Growth Board is recommended to:

- note the latest update on economic conditions in the West Midlands and that the most recent regional GDP figures are due to be published on Thursday 9 February 2023 with an update to follow
- note and agree the wider mobilisation of Plan for Growth to support the medium-term growth strategy of the region
- note the most recent position on industrial energy and proposed interventions to support our most energy intensive businesses
- receive an update from the Hospitality and Tourism Advisory Board on the current state of the sector and planned activities to support the resilience of that sector

1 Purpose of Report

- 1.1 The purpose of this report is to provide an update to Economic Growth Board on the most recent economic conditions and interventions that WMCA and partners are making to address those conditions to increase business resilience and growth across the region.
- 1.2 Given the immediacy of challenges posed by energy costs, particularly on energy intensive businesses, and a number of challenges facing the hospitality and tourism sector, there is a particular focus on these parts of the economy through this report.

2. Economic Conditions

- 2.1 This element of the Plan for Growth report provides a snapshot of the West Midlands economic conditions. The latest ONS regional economic data will be published on 9 February 2023, therefore the West Midlands Economic Dashboard will be published

after the publication of this report but before the Economic Growth Board meeting on 15 February 2023. A summary addendum will follow this report.

WM Redi Monitor

- 2.2 The West Midlands Regional Economic Development Institute (WM REDI) produces a bi-weekly monitor which pulls together information across regional partners and beyond. Some key highlights from the latest monitor¹ include:

Productivity in the West Midlands: In the West Midlands region, labour productivity was 11% below the UK in 2019, and 33% lower than the most productive region (London). If the West Midlands had the same industrial structure as GB (but retained its average productivity for each industry) it would have an 11-percentage point gap in productivity with the GB average (firm productivity index). In contrast, if it retained its industrial structure but each industry had the same productivity as GB the productivity gap would only be 1 percentage point – pointing to productivity issues but a strong industrial structure. In the West Midlands the industry mix effect is positive (+3-percentage points) but not large enough to offset the firm productivity effect (-11-percentage points).

Economic Impact Group

- 2.3 Economic Impact Group meets every two weeks to address issues of concern to the economy of the region. In recent weeks, it has collated feedback and information on several issues, which are having a direct impact on the West Midlands economy:

West Midlands Industrial Energy Taskforce: Members have received several updates from the West Midlands Industrial Energy Taskforce (WM IETF). The first update surrounded the work of the taskforce in terms of gathering evidence, an overview of immediate support available, lobbying activity and emerging recommendations of the taskforce. More recently, the WM IETF attended EIG to provide an overview of the industrial energy market in the UK, what the new Energy Bill Discount Scheme meant for businesses in the West Midlands and how it compared internationally.

HM Government Business Priorities for 2023: Members welcomed David Bickerton, Director General for Business Sectors at the Department for Business, Energy and Industrial Strategy to EIG to hear about the Government's business priorities for 2023. David referred to the various sub-sectors of advanced manufacturing such as automotive and aerospace, as well as full utilisation of the Made Smarter programme, which delivers to great effect in the West Midlands, to support energy intensive industries.

West Midlands Regional Business Council

- 2.4 The West Midlands Regional Business Council (WM RBC) met on the 19 January 2023 to discuss a number of key topics for businesses in the West Midlands. Members received an item on the energy market. The first element provided an explanation for the spikes in energy costs in December 2022 and the second element provided a

¹ Latest edition found here: <https://blog.bham.ac.uk/cityredi/category/west-midlands-weekly-economic-impact-monitor/>



forecast for energy costs in January 2023. The item concluded on how the newly announced Energy Bill Discount Scheme would work, compared to current energy support schemes.

- 2.5 RBC was provided with an in-depth summary of industrial action by sector and some of the subsequent impact on regional businesses. This was followed by a discussion on mitigations that had taken place across RBC members. The concluding item of the meeting covered the impact inflation was having on businesses, along with forecasts for the coming year. The update covered the key drivers for inflation, recent trends and outlook for inflation and implications for businesses in the region.

Energy costs

- 2.6 Wholesale industrial and commercial energy prices have eased at the start of 2023 from the peaks of last autumn, although they remain two to four times higher than 2020-21. Price volatility is the most damaging aspect for many West Midlands businesses.

West Midlands
Industrial Energy Taskforce

Industrial energy price pressures have eased but remain very volatile and at levels 2-4 x higher than pre-crisis.



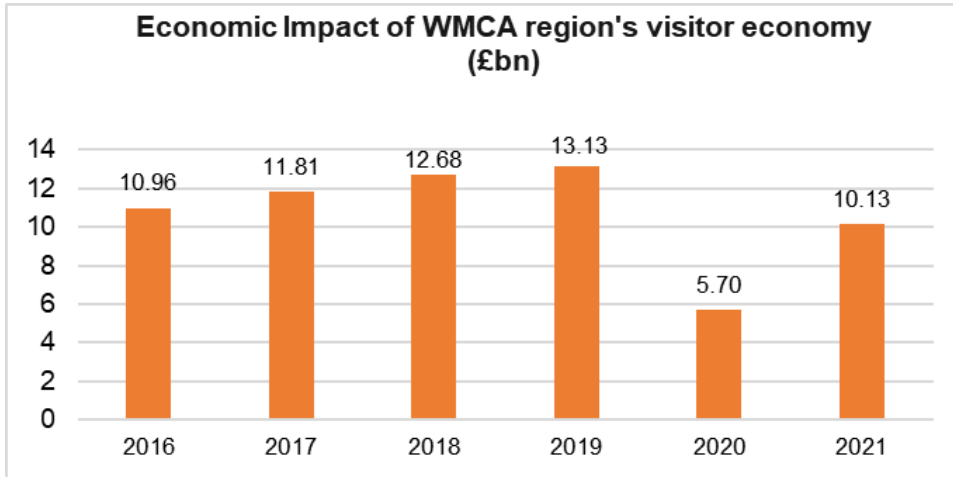
- 2.7 The new Energy Bill Discount Scheme (EBDS) announced in January reduces support for most businesses from 34.5p per kWh to 1.9p per kWh for electricity (and similar cuts to support for gas) from the end of March. This means that many companies that locked into fixed tariffs at the wrong time last year will face continued stress throughout 2023. There is already some evidence of increased insolvencies in the West Midlands as a result.

Hospitality and Visitor Economy

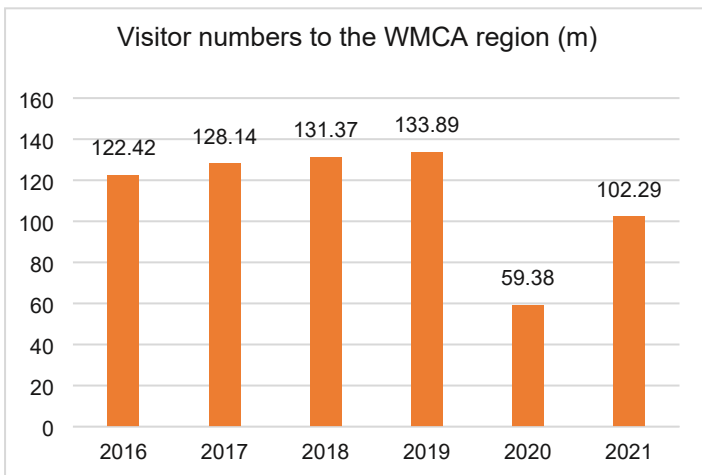
- 2.8 Due to the coronavirus pandemic, the West Midlands saw a 56% drop in visitor numbers to 59.4 million in 2020, with spend falling from £13.1bn to £5.7bn. The first half of 2021 saw a resurgence in leisure visitor activity, predominantly domestic, and with corporate, conferencing and events slower to return, the first business back was rescheduled events, with much shorter lead times becoming the norm. As hybrid



events were required, initial strong upturn was seen in venues which provided high quality AV and live streaming.



2.9 The Combined Authority (WMCA) region’s visitor economy was worth £10.13 billion in 2021, up 78% on 2020, despite visitor numbers influenced by social contact restrictions at the start of the year. The region attracted more than 102 million visitors in 2021 which represents a 72.3% increase over the previous 12 months.



Coventry performed exceptionally well owing to their focus on UK City of Culture delivery.

% Change Comparison 2020-2021	Coventry	WMCA region
Visitor Numbers	103%	72%
Economic Impact	115%	78%
Total Employment	95%	66%



2.10 Further analysis shows that the accommodation sector (including serviced and non-serviced accommodation) has experienced the highest growth – up by 95% across the region compared with 2020.

3. Mobilisation of Plan for Growth

3.1 The West Midlands Plan for Growth takes a twin-track approach to securing new economic growth in the West Midlands economy by:

- Capitalising on **existing clusters of scale and strength** where the West Midlands has UK and global competitive advantage, clear market confidence, and credible opportunity for additional growth in high-value employment over the next 2-5 years. This is forecast to generate approximately £2.9 - £3.2bn additional output by 2030 and up to 44,800 additional jobs.
- **Supporting nascent clusters and emerging technologies** that might spur additional growth of around £900m over the next 5-10 years and up to 15,000 additional jobs.

3.2 As EGB members are aware, the Plan will be used to:

- Inform and challenge where we prioritise resources already devolved to the region and, when necessary, seek further resources. This does not just relate to WMCA programmes, but those in local authorities, the West Midlands Growth Company (WMGC), and universities.
- Inform the region's economic narrative about the next decade focused on a proactive medium-term plan to support market-led growth.

3.3 An example of this is in the potential use of the Commonwealth Games Legacy Fund, in which the Plan for Growth can be used as a touchstone for potential funding to accelerate growth through a regional High Growth Accelerator Programme and Advanced Manufacturing Supply Chain Programme (with a focus on relevant clusters). Both are important to the medium-term growth of the region, as part of a wider suite of interventions, but are, currently, unfunded.

3.4 To demonstrate commitment to mobilisation of Plan for Growth, WMCA has committed additional staff resource of c. £250,000 per annum to design, unlock and deliver interventions that drive the high growth potential of the region. This resource will form part of a Plan for Growth Delivery Unit within the WMCA, which will flex additional staff resource in the short-term to focus on cross-cutting activity (for example, in employment land, skills or location identification) to focus on future high growth opportunities.

3.5 This Unit will work closely with partners across the region including cluster bodies, universities, local authorities and the private sector to focus clearly on growth with the vast majority of delivery activity sitting with local partners.

4. Industrial Energy



- 4.1 The West Midlands Industrial Energy Taskforce, established by the Mayor and Energy Minister last autumn, continues to meet bi-monthly and is aiming to produce a final report and recommendations by June.
- 4.2 1.4% of West Midlands businesses account for over 50% of non-domestic energy use and are particularly exposed to the current crisis. These companies also account for over 60% of manufacturing jobs and support critical national supply chains.
- 4.3 Ahead of its main report, the Taskforce is publishing monthly surveys of energy tariffs paid by West Midlands businesses (in partnership with the Chambers for Q1 2023); and is lobbying BEIS for immediate support in energy efficiency investments, particularly for the energy-intensive manufacturing firms.
- 4.4 The lobbying has so far been successful in securing enhanced EBDS support for energy- and trade-intensive firms (8.9p/kWh rather than 1.9p/kWh). However, there is some way to go. The Taskforce is working closely with WMCA officers to ensure industrial decarbonisation elements of the proposed devolution deal support industrial energy efficiency, and an immediate £15M package of measures is under active discussion with BEIS.
- 4.5 The recommendations of the Taskforce will come to a future Economic Growth Board with its Chair, Matthew Rhodes, providing a verbal update on emerging recommendations in this meeting.

5. Hospitality and Tourism

- 5.1 Plan for Growth focuses on the high value parts of the economy that will drive future productivity and growth for the benefit of residents of the West Midlands. However, that does not mean that more “foundational” parts of our economy should be neglected.
- 5.2 As highlighted above, the global pandemic had a huge impact on the region’s tourism and hospitality sector. Visitor numbers dropped 56% from 2019 to 2020 to just 59.4m. Spend fell in the same period from £13.1bn to £5.7bn. As the economy opened up, the visitor economy started to rebound to a £10.3bn value in 2021. Pre-pandemic, the sector employed over 137,000 full time equivalent roles.
- 5.3 Post pandemic, challenges for the sector remain. The cost of energy, staffing costs, recruitment and retention are key challenges. Additionally, the domestic cost of living crisis will impact on the spend in the sector. Despite these challenges, there are opportunities, which include a favourable exchange rate for international inbound visitors and the on-going halo effect of the region’s large high-profile events (City of Culture and the Commonwealth Games).
- 5.4 The Hospitality and Tourism Advisory Board has been established to represent and speak on behalf of the tourism and hospitality sector in the West Midlands to begin to address some of these challenges. It will be chaired by Andrew Lovett of the Black Country Living Museum and will meet for the first time in early March 2023. The Advisory Board’s membership along with further detail on the challenges and opportunities for the sector is contained within Appendix 1.



- 5.5 Andrew will attend this meeting of the Economic Growth Board and provide a verbal update on the proposed work of the Advisory Board.

6 Financial Implications

- 6.1 Whilst the Plan for Growth has the potential to deliver interventions that may require financial commitments in the future, there are no direct financial implications, beyond those already made by the WMCA as highlighted in paragraph 3.4, as a result of the recommendations within this report.

7 Legal Implications

- 7.1 Although there are no immediate legal implications arising from this report, it is acknowledged in the report that the mobilisation of the Plan for Growth may mean securing new powers and investments for the interventions specified. Legal advice will, therefore, be sought at the appropriate stages in the development and implementation of the Plan for Growth

8 Equalities Implications

- 8.1 There are no direct equalities implications.

9 Inclusive Growth Implications

- 9.1 There are no immediate inclusive growth implications arising from this report but individual strategies and delivery schemes are expected to respond to local area, and local stakeholder, needs to ensure that projects arising benefit local residents, including harder to reach groups

10 Geographical Area of Report's Implications

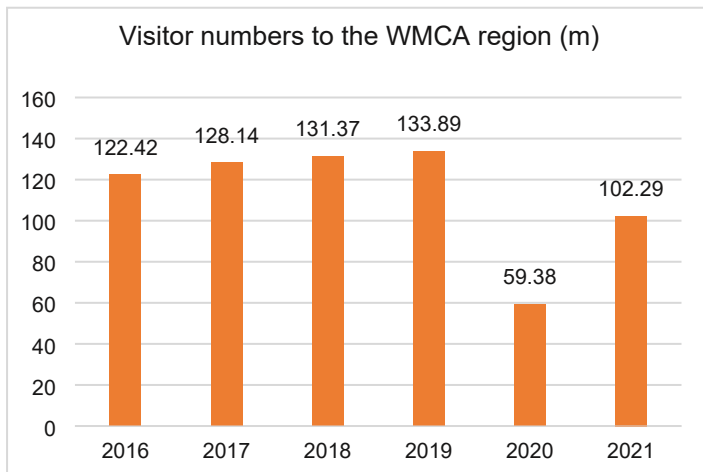
- 10.1 The report relates to the WMCA seven Met area.

Appendix 1

State of the visitor economy sector

Due to the coronavirus pandemic, the West Midlands saw a 56% drop in visitor numbers to 59.4 million in 2020, with spend falling from £13.1bn to £5.7bn. The first half of 2021 saw a resurgence in leisure visitor activity, predominantly domestic, and with corporate, conferencing and events slower to return, the first business back was rescheduled events, with much shorter lead times becoming the norm. As hybrid events were required, initial strong upturn was seen in venues which provided high quality AV and live streaming.

The Combined Authority (WMCA) region's visitor economy was worth £10.13 billion in 2021, up 78% on 2020, despite visitor numbers influenced by social contact restrictions at the start of the year. The region attracted more than 102 million visitors in 2021 which represents a 72.3% increase over the previous 12 months.



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The number of full-time equivalent jobs supported by direct and indirect tourism activities rose by 10% between 2016 and 2019, from 124,712 to 137,458. Year-on-year comparison shows that the number of full-time equivalent jobs was up by 66% in 2021 compared with the previous year.

The 2022 focus on the region's offer was underpinned by the transition from Coventry UK City of Culture to Birmingham 2022 Commonwealth Games. Full year 2022 economic volume and value data for the region's destinations will be available in April 2023.

Taking a forward look, we can see that accommodation bookings for February 2023 are 145% up compared to 2022, as Birmingham city centre reaps the halo effect of the Games, and the intensive campaign focus that raised awareness and improved sentiment towards the West Midlands' destinations.

The changes to the structure of delivery across the English visitor economy landscape resulting from the de Bois review are currently under discussion. WMGC aims to maintain its current relationships with the 7 met authorities through a best fit alignment with the proposed new structure, to bring Local Visitor Economy Partnerships and a pilot Destination Development Partnership to the region.

Challenges

The cost of energy and staffing costs are of paramount concern for many tourism and hospitality businesses, although a softening of the labour market may ease the latter in due course.

Some businesses already report that recruitment issues have eased – others are still struggling to get suitably qualified staff, particularly in skilled roles such as chefs.

Those which are trading successfully report good forward bookings but express concerns over the impact of the cost-of-living post-Spring, on income and the impact on discretionary spend.

Opportunities

The favourable exchange rate for international visitors to the UK is heralding positive signals from inbound markets including USA, Canada, India and Germany. International travel is set to increase in 2022, with more travellers taking long-haul flights. Travellers from the USA are a key visitor market for the West Midlands, and demand from this market is set to grow in 2023.

The halo effect of the region's major events in 2021 and 2022, brings a heightened awareness of the region's destinations. In both business and sporting events, there will be a focus on landing the pipeline opportunities. The proposed major events fund will support this in bringing our region to international competitiveness through opportunities for subvention. The travel trade focus will be on contracting more product from the region, and for leisure visitors, building on the sporting and cultural hero offer showcased by the major events of 2021/22.

For industry partners, business support to reap the benefits of improved digital presence, shared event listings across the region and better data analysis will continue, alongside development of bookable product and opening new distribution channels, to access new markets.

Sustainability concerns underpin the region's economic and well-being strategies and the compelling need to reach net zero targets both supports these strategic aims, and our businesses, to change ways of working, harness savings, and create an offer of choice for visitors. A series of workshops and audits will highlight our regional opportunities for improvement.



Tourism and Hospitality Advisory Board

The first meeting is 3rd March 2023 and the initial focus for the board will be confirmed through the work at, and subsequent to this meeting, aligning with the Regional Tourism Strategy and recovery plan.

The vision of the board is to align the activity of industry partners in tourism and hospitality, contributing to a strong West Midlands profile and reputation. Board members are passionate and knowledgeable advisors who will influence policy, grow sector value sustainably, ensure jobs and well-being for residents, and memorable experiences for customers and visitors.

The West Midlands Tourism & Hospitality Advisory Board will represent, and speak on behalf of, the tourism and hospitality sector in the West Midlands, and in doing so, advise regional and national stakeholders to support the achievement of the vision.

Members of the board are as follows:

Andrew Lovett	Black Country Living Museum
Wendy Parry	Herbert Museum & Art Gallery, previously ACE
Al Titterton	Birmingham Airport
Kelly Haslehurst	The NEC Group
Nicola Underhill	Birmingham Hilton Metropole
Sarah Rennie	Transport consultant
Sara Blair-Manning	Birmingham Botanical Gardens
To be appointed	WMCA Night-time Economy Advisor
To be co-opted	WMCA Hospitality Skills Taskforce chair / industry member
Kate Nicholls	UK Hospitality
Ninder Johal	CEO Nachural Group
Becky Frall	WMGC