

West Midlands Insights on Society and Economy

A monthly newsletter on the trends that matter to the West Midlands.

Issue 7, April 2024

1.0 Headlines

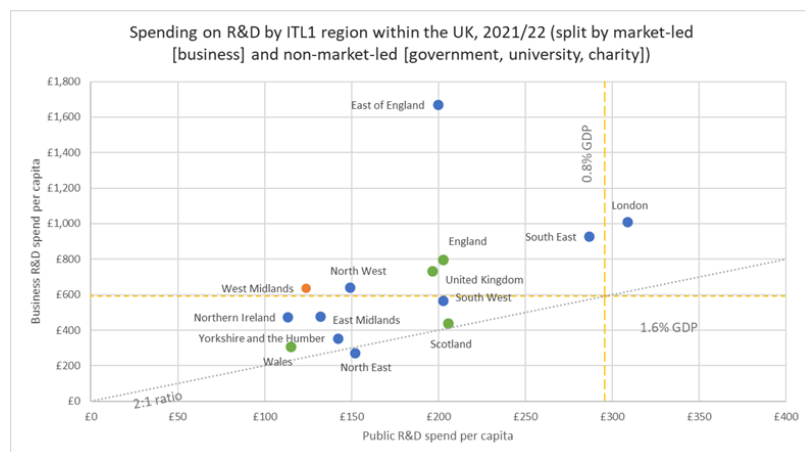
1.1 April Editorial

Last month saw the release by the ONS of latest data on regional research and development (R&D) spending by businesses, with £49.9bn invested across the UK in 2022. This latest data underpins the focus of the West Midlands Innovation Board on two critical innovation areas for the region, our policy work with Government and the broadening of the innovation bandwidth within the region.

Business spend on research and development is a critical driver for the regional innovation ecosystem because it drives higher-value processes and products which contribute to regional economic growth with two associated benefits; first R&D activity within the region significantly improves the chances of 'sticky' growth while second, the critical mass of R&D creates spillover benefits as new technologies are applied to emerging challenges in different sectors.

Businesses in the ITL1 West Midlands region spent an estimated £3.8bn in 2022 on R&D (or £637 per person living in our region). Over a similar timeframe, public spending of £0.7bn in our region means the West Midlands continues to have a high ratio of private to public investment (now 5.1:1). This confirms that the West Midlands remains remarkably efficient at using public investment to lever private activity - an important strategic reference point that myself, University Vice-Chancellors, and the Mayor highlight in the ongoing Strategic Innovation Partnership discussions with the Science Minister, our bilateral "West Midlands Action Plan" work with Innovate UK and we amplify to the world in the 'Tech that Makes Tomorrow' campaign.

The Innovation Board has already identified that the region's business R&D has historically been deep-but-narrow. We will continue to maintain our competitive advantage in automotive and aerospace technologies, but increasingly have championed efforts to stimulate new emerging clusters (Cleantech, Medtech/Health Tech, Creative Industries) by diversifying public and private R&D through activities like the £33m Innovation Accelerator, the new West Midlands Investment Zone, and partnership with Plug and Play UK.



The graph compares R&D spend per capita across regions/countries. The West Midlands region has the second highest private to public R&D spend ratio in the UK (5.1:1).

Mike Wright
Chair, West Midlands Innovation Board

1.2 Coming Up in the Month Ahead

- [Business insights and impact on the UK economy](#) – 4 April
- [Labour market in the regions of the UK](#) – 16 April
- [16 to 18 schools & college performance data in England / A level & other 16-18 results](#) – 18 April
- [Economic activity and social change in the UK, real-time indicators](#) – 25 April

1.3 National Headlines

- Inflation falls to 2.5-year low
- Ernst and Young warns UK regional economic growth gap to widen
- Centre for Cities urges UK Government commitment to fiscal devolution
- UK Government announces budget for 2024/25

[Inflation falls to 2.5-year low](#)

The Consumer Prices Index fell to 3.4% in February [according to the ONS](#). This latest fall has renewed speculation that the Bank of England will start to reduce rates in May this year. Falling rates could provide much-needed stimulus to the economy.

[Ernst and Young warns UK regional economic growth gap to widen](#)

The [EY Regional Economic Forecast](#) predicts a return of economic momentum across the UK from 2024 to 2027, with London and the South East outpacing the national average in GVA growth. Employment is set to rise annually by 1.1% nationally, with London, the South East, and the South West exceeding this rate. Despite efforts to address regional economic disparities, London and the South East are forecasted to account for 40% of the UK's GVA by 2027. The report highlights challenges such as post-pandemic labour market inactivity and regional imbalances in industrial sector composition. Recommendations include tailored growth plans, infrastructure investment, and reskilling initiatives. With reference to the West Midlands, the report notes that the region was the fastest growing in 2023, achieving growth of 0.6%, largely driven by the region's manufacturing sectors. Although the region had the fastest growth last year, it is London (2.1%) and the Southeast (2%) that are forecast to see the fastest GVA growth between 2024-27, compared to 1.7% in the West Midlands.

[Centre for Cities urges UK Government commitment to fiscal devolution](#)

The [Centre for Cities calls for a shift](#) towards a fairer model redistributing local revenues. While complex, fiscal devolution promises economic benefits without straining fiscal capacity. Advocates urge the Chancellor to prioritize this agenda, recognizing its potential to drive growth and alleviate local funding crises. Though not an immediate solution, committing to fiscal devolution sets a crucial foundation for future economic strategies.

[UK Government announces budget for 2024/25](#)

Highlights from this budget included a reduction in the rate of national insurance by 2p, affecting those in work and £1 billion in new tax reliefs for the **UK's creative industries**. This includes a 40% relief from business rates for eligible film studios in England for 10 years and the introduction of [UK Independent Film Tax Credit](#), which comes as the [WMCA seeks to drive forward the region's creative sector](#) and production in Digbeth. For a further readout of announcements see section [2.1](#).

1.4 Regional Headlines

- Local and mayoral elections to take place on 2 May
- Midlands Rail Hub works set to begin
- Business Commission West Midlands publishes final report
- Police and Crime Commissioner powers not to be transferred to WMCA Mayor on 2 May

[Local and mayoral elections to take place on 2 May](#)

People will go to the polls on Thursday, 2 May, to elect the mayor for the region alongside councillors to local authorities in Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

[Midlands Rail Hub works set to begin](#)

A new £123m Midlands Rail Hub will [kickstart a transformative upgrade](#) project to enhance rail services across the Midlands. This funding, reallocated from HS2, will facilitate infrastructure improvements and increased train frequency, benefiting over 50 stations and 7 million people. The project, part of the government's broader Network North plan, aims to boost connectivity and capacity, with plans for additional services and station upgrades. The investment underscores the government's commitment to regional transport development, aligning with other initiatives like the Midlands Engine Investment Fund II and increased funding for local transport connections.

[Business Commission West Midlands publishes final report](#)

The Business Commission West Midlands' final [report](#) outlines strategies for regional business growth amid geopolitical tensions, post-Covid challenges, and energy crises. It advocates for streamlined public funding structures, urgency in addressing growth impediments, and support for businesses at all stages. The report, comprising over 90 recommendations, emphasizes collaboration among local, regional, and national authorities. It aims to attract new businesses while nurturing existing ones through enhanced infrastructure and support systems. Acknowledging the importance of time in implementing changes, it pledges continued engagement with stakeholders to drive economic growth and prosperity in the region.

[Police and Crime Commissioner powers not to be transferred to WMCA Mayor on 2 May](#)

On 18 March, the High Court ruled that the Home Office did not provide sufficient information when consulting on the transfer. [This ruling was upheld on appeal](#). This means that on May 2nd, residents of the West Midlands will vote for a Mayor and a Police and Crime Commissioner separately, rather than the combined role as proposed by the Home Office.

The West Midlands Insights on Society and Economy (WISE) newsletter is a monthly publication by the West Midlands Combined Authority that sets out the social and economic trends that matter to the West Midlands. The newsletter contributes to our understanding of the economic conditions of the West Midlands, as part of the wider regional research and intelligence ecosystem. Further information is available on the West Midlands research and insights website at wmca.org.uk/research and previous issues are available at wmca.org.uk/wise.

This edition was prepared by Phillip Nelson, Victoria Tidy, and Tawfieq Zakria, and incorporates commissioned content from the Economic Intelligence Unit (EIU) and evidence from the City-Region Economic Development Institute (City-REDI) at the University of Birmingham and other regional partners.