

West Midlands Insights on Society and Economy

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

Issue 4, January 2024

1.0 Headlines

1.1 January Editorial

Welcome to the fourth edition of the WISE Newsletter. Following the publication of the latest Ofcom Connected Nations report, and launch of the refreshed WM Digital Roadmap (details in section 2.2), our editorial this month focuses on the opportunities for digital technologies to transform our region.

Universal access to fast and reliable mobile and broadband connectivity is the foundation of our digital economy. The latest independent Umlaut data confirms that the West Midlands has extended its leadership as the best connected region for 5G (outside of London) – with over 65% 5G geographic coverage – and the December Ofcom Connected Nations report shows our relative advantage in gigabit broadband – with 94% of premises having access versus 79% in the UK overall. This reflects the unique partnership between operators, Local Authorities and Government led by WM5G.

But we have to do more. There remain significant parts of our region that don't have access to fast and reliable mobile and broadband connectivity. For example, there are over 100,000 premises that don't have and are unlikely to get access to gigabit broadband in the next three years. The Government has cancelled the Birmingham and Black Country Project Gigabit Lot to accelerate gigabit broadband rollout in these locations and the latest Ofcom data shows over a third of households are struggling to afford connectivity during the cost-of-living crisis.

We must also accelerate ICT adoption. Despite the West Midlands' digital strengths, our region ranks as 6th out of 12 UK regions for business ICT adoption overall. Hence, we're delighted to have won £3.8m of Government investment to accelerate the adoption of 5G, data & AI in the advanced manufacturing, social care & housing sectors – working closely with our partners JLR and the WMCA constituent Local Authorities. In addition, as part of the Deeper Devolution Deal, we're leading a pioneering programme called Smart City Region to scale the adoption of key technologies to accelerate hospital discharges, speed-up cancer diagnosis and boost wellness & prevention.

By accelerating the adoption of new technologies, we'll not only transform the demand-side sectors that we're strong in – creating skilled jobs and attracting inward investment – but we'll also accelerate the growth of the West Midlands £15 Billion tech sector – creating more successful scale-up businesses, following in the footsteps of SCC, Gymshark, and others. The potential of the latter is evidenced by recent analysis showing that there are already 300 AI businesses in the Midlands (11% of the national total) – a growth of 122% in the last decade.

Robert Franks, Managing Director, WM5G Limited

1.2 Coming Up in the Month Ahead

- [Launch Event for the Create Growth Programme](#) 10 January
- [Centre for Cities: Cities Outlook](#) 22 January
- [Create Central Skills Accelerator Market Place Event](#) 24 January

1.3 National Headlines

- Both good and bad news for UK economy released in December
- Resolution Foundation releases final report of Economy 2030 Inquiry
- UK Government announces provisional local government finance settlement 2024–25

[Both good and bad news for UK economy released in December](#)

The [ONS announced](#) UK economy shrank by 0.3% in October 2023. This followed 0.2% growth in September, and in line with a Bank of England prediction of a flat growth rate for the end of 2023 and into 2024. In more welcome news, [inflation fell](#) to 3.9% in November, lower than many anticipated, primarily driven by falling petrol prices. As inflation appears to come down sooner than anticipated by the Bank, pressure will rise to reduce the base rate, ease pressure on mortgaged households and get the economy moving again. As a strong goods exporting region, falling interest rates should also put downward pressure on the pound, making West Midlands business's prices more internationally competitive.

[Resolution Foundation releases final report of Economy 2030 Inquiry](#)

The third and final [report](#) of the 2030 Inquiry attracted significant national media interest, primarily due to the two keynote speeches delivered by the Leader of the Opposition and the Chancellor of the Exchequer respectively, but also due to its findings. The report proffers a stark analysis of the shortfalls in the UK economy and proposes a new economic strategy to tackle persistent stagnation, which has been caused by low wage growth, high income inequality, and decreased uptake in education.

The Resolution Foundation suggests a package of measures that it says will boost growth by 7% over 15 years and reduce inequality, contending that the UK should build on its strengths as the second biggest services exporter in the world, ensure there is good-work available across the country, and prioritise growth in the West Midlands and Manchester.

To do this, the Resolution Foundation proposes a scale of investment previously unheard of in the UK, increasing the capital stock in the West Midlands and Manchester by 15–20%. It also proposes giving local leaders more tools to deliver economic growth, including allowing the retention of income tax for Mayoral Combined Authorities, and a radical reform of council tax.

[UK Government announces provisional local government finance settlement 2024–25](#)

The UK government has unveiled a £64 billion funding package for English councils in 2024–25, marking a 6.5% rise from the previous year. This includes an additional £1bn for social care. Councils can increase council tax by up to 3%, with an extra 2% for adult social care. But there will be an extension to the Funding Guarantee to ensure every council sees at least a 3% increase in Core Spending Power before any council tax decisions locally.

The Local Government Association said that the settlement “does not provide enough funding to meet the severe cost and demand pressures facing councils”.

A [consultation](#) on the proposed settlement is open and will run until 15 January 2024.

1.4 Regional Headlines

- Continued growth in regional manufacturing exports
- West Midlands universities amongst the country's best for promoting economic growth
- Mayor requests police and crime commissioner powers

Continued growth in regional manufacturing exports

In the year ending September 2023, the West Midlands region exported £34.1bn worth of goods and imported £42.7bn. This represents a trade in goods deficit of £8.5bn, a decrease from the trade deficit in the previous year of £13.0bn. Since September 2022, the West Midlands region goods exports increased by 22.0%, while the UK as a whole increased by just 2.7%. Notably, the West Midlands region had the highest annual percentage increase of all regions in the UK. Longer-term trends show the West Midlands exports are now at their highest since records were made publicly available in 2014. The region accounted for 9.2% of UK exports – fourth highest after the South East, London and Scotland. The largest sector for goods exports in the region was machinery and transport at £24.0bn (70.4% of total). Since the year ending Q3 2022, this sector increased its exports by 31.0%, reflecting a recovery in the automotive sector and wider manufacturing industry.

West Midlands universities amongst the country's best for promoting economic growth

The third national [Knowledge Exchange Framework](#) (KEF) highlights West Midlands universities, including Aston, Birmingham, and Warwick, as top performers in business collaboration and research commercialization. These universities excel in fostering 'spin-out' businesses and driving economic growth. Initiatives like the [Universities as Drivers of Trade and Investment](#) aim to boost overseas investment in regional research & development (R&D). Midlands Mindforge Ltd., a capital investment firm, amplifies commercialization of innovative university technologies. The KEF once again spotlights the attractiveness of the West Midlands as a place in which to invest in R&D.

Mayor requests police and crime commissioner powers

Provisions afforded by the [Levelling-Up and Regeneration Act](#) to facilitate the conferral of Police and Crime Commissioner (PCC) functions to the Mayor have been exercised, with the Mayor of the West Midlands having requested that the Home Secretary begin the process. Should the transfer go ahead, the West Midlands will elect a Mayor with PCC functions in the May 2024 election. The Mayor with the PCC functions will then be responsible for ensuring an efficient and effective police force, holding the Chief Constable to account, setting the West Midlands Police budget and issuing policing plans. The government has now approved the start of a six-week long [consultation](#), which is due to end on 31 January.

The West Midlands Insights on Society and Economy (WISE) Newsletter is part of a series of Summer Lane Insights produced by the West Midlands Combined Authority with content commissioned from the Economic Intelligence Unit (EIU); the City-Region Economic Development Institute (City-REDI) at the University of Birmingham; and other partners in the regional research ecosystem. Find out more at wmca.org.uk/research