



MIDLANDS ENGINE

STATE OF THE REGION EXECUTIVE SUMMARY

DECEMBER 2022



FOREWORD

Welcome to State of the Region 2022 - the third annual review of economic performance across the Midlands Engine.

Our State of the Region report has been produced for the Midlands Engine partnership by our Observatory. It is an evidence-based reflection of how the Midlands has performed during another turbulent year, characterised by continued recovery from the pandemic, the global impact of the Russia and Ukraine war, a cost-of-living and cost-of-doing-business crisis, plus considerable interest rate and inflationary pressures.

Alongside shorter-term economic shocks, there are also long-term structural challenges and a history of underinvestment in the Midlands which are preventing us from achieving our true potential for economic growth - and which would see every part of our region prosper and our communities strengthened.

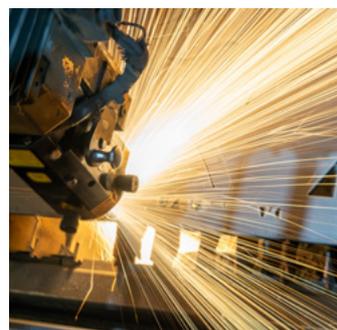
The Midlands Engine is an influential pan-regional partnership - a focal point for driving economic growth across the Midlands to achieve our shared goal of greater prosperity. Together, we work at scale across the public and private sectors, and hand-in-hand with government - unlocking the opportunities for investment that will bring benefits to every part of our region, and tackling challenges that are too big for any single body to address alone.

Midlands Engine partners are calling now, for concerted public and private sector investment in areas including skills for the future, digital and physical infrastructure, green innovation and advanced technologies, and greater access to finance for businesses to expand and export. This is how we will secure sustainable, long-term economic growth, social mobility and opportunities - for today's and tomorrow generations.

Sir John Peace,
Chairman, Midlands Engine

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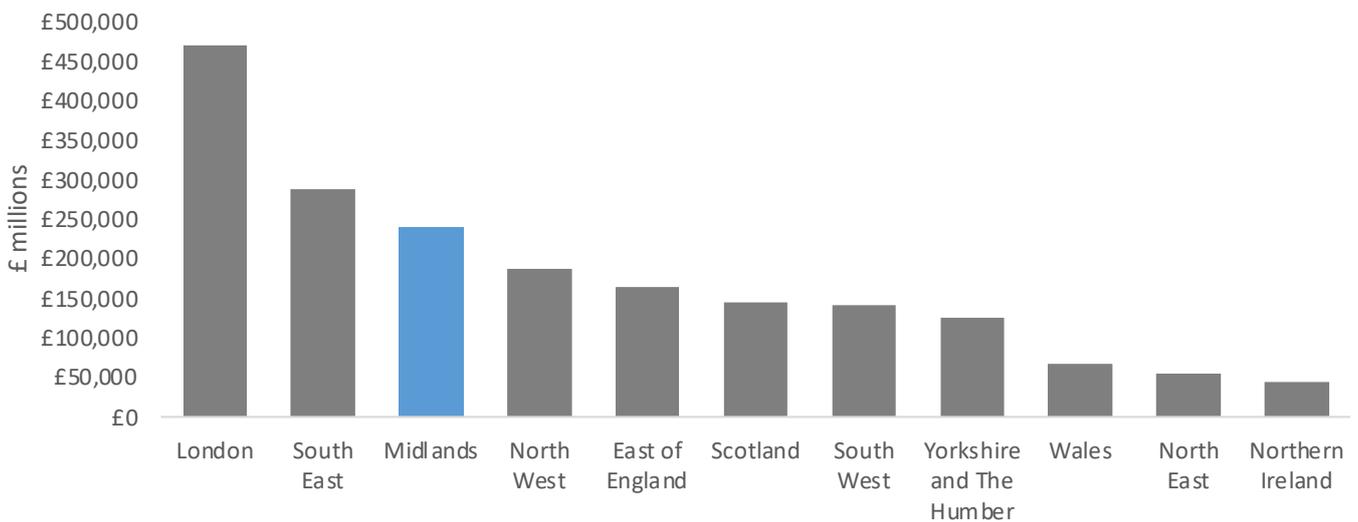


1. MIDLANDS ENGINE ECONOMY

1.1. MACROECONOMIC TRENDS

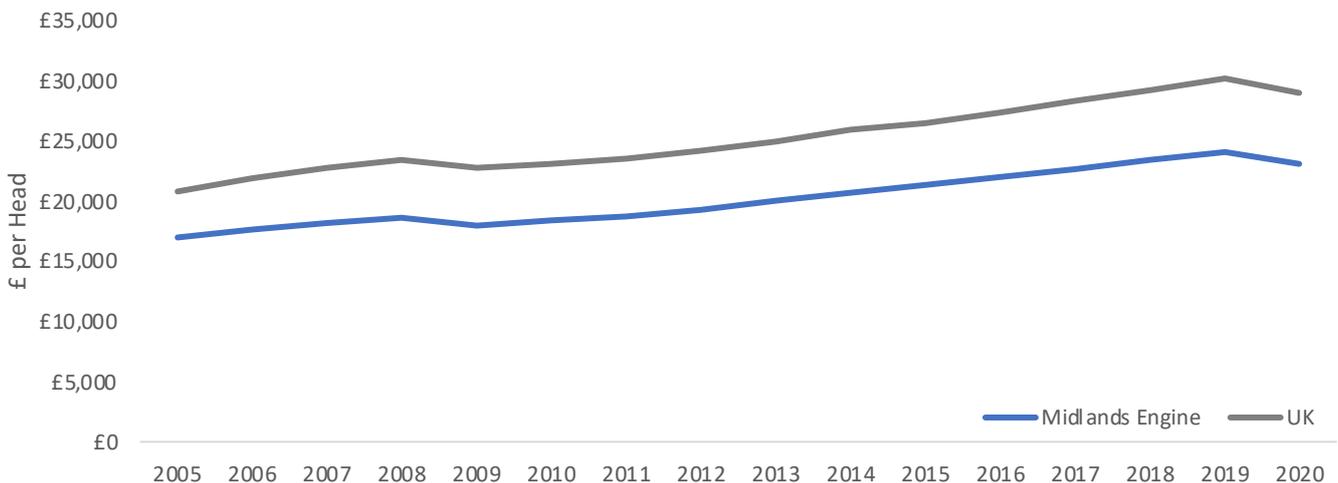
- Before the impact of the Covid-19 pandemic, Russia/ Ukraine war and the cost of living crisis, **the Midlands were among one of the leading areas for a revival in Gross Domestic Product (GDP)**, with an increase of 46.3% between 2009 and 2019 (above the UK-wide increase and the highest outside of London). However, between 2019 and 2020, GDP in the UK decreased across all regions.
- In 2020, the Gross Value Added (GVA) produced by the Midlands Engine area was higher than any other UK region outside of London and the South East and accounted for 14.3% of the England total. The latest figures show that in 2020, the Midlands Engine **total GVA was £240.3bn**. This is a decrease of 3.6% (-£8.9bn) compared to a decrease of 3.4% UK-wide since 2019¹.

GROSS VALUE ADDED BY MIDLANDS ENGINE AREA AND REGIONS (2020):



- Following national trends, the Midlands Engine **GVA per head decreased between 2019 and 2020 to £23,100**. Since 2019, this has decreased by 4.1% with the UK decreasing by 3.8%; meaning a gap persists with a **shortfall of £5,963** to the UK figure (£29,063)².

GVA PER HEAD:



¹ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, May 2022)

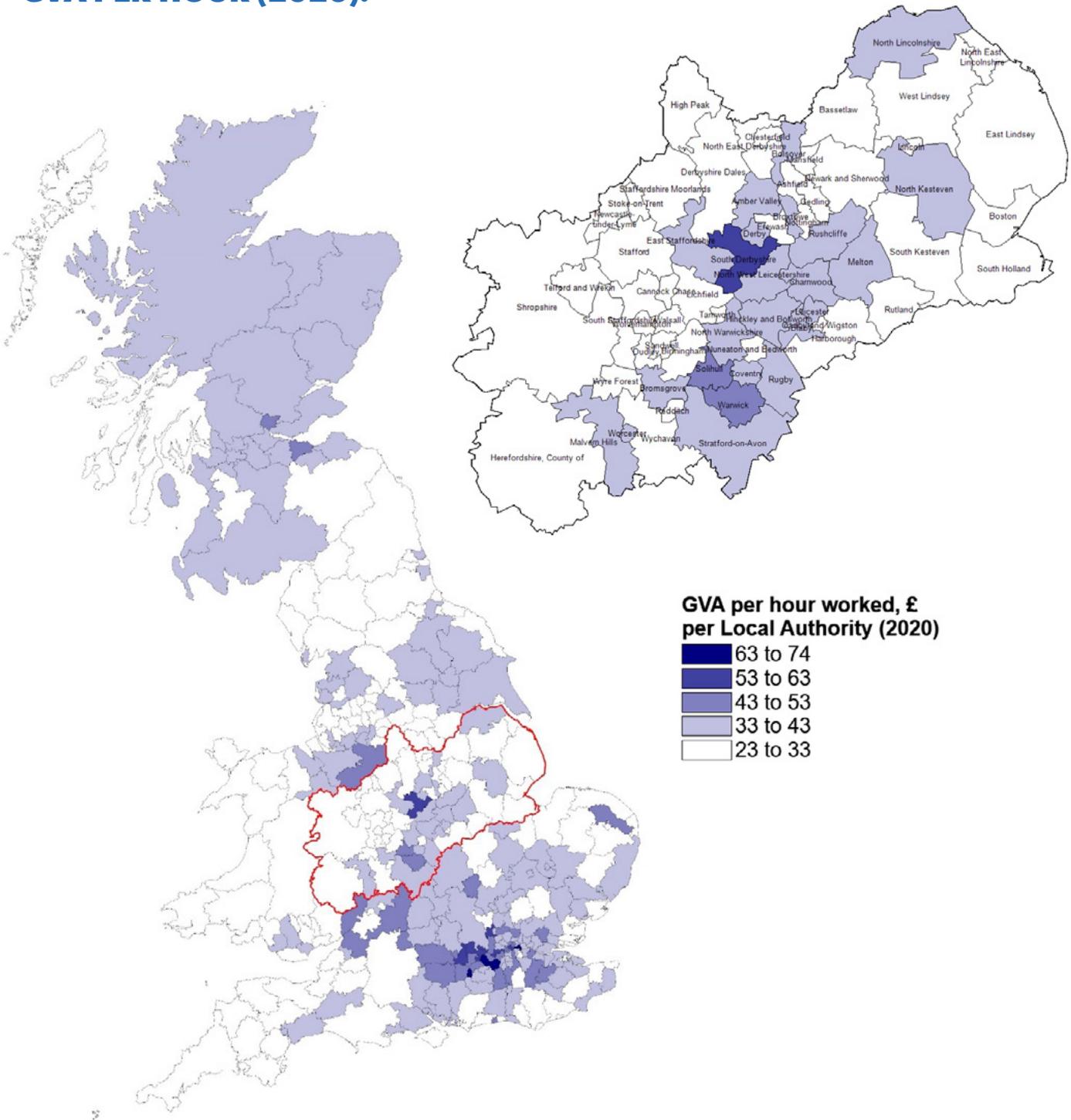
²ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, May 2022 and ONS, Population Estimates, June 2021)

• The Midlands Engine had a productivity **gap of £84.9bn** in 2020. The productivity gap to the national average has positively decreased over the year by nearly £839m (-1.0%) which reflects worsening national conditions. However, looking at the longer-term trend, the productivity gap has increased by over £13.5bn (+19.0%) since 2015.

• The Midlands Engine unsmoothed **GVA per hour increased from £32.05 in 2019 to £34.71 in 2020** (+8.3%, +£2.66). The UK GVA per hour increased from £36.95 in 2019 to £37.73 in 2020 (+2.1%, +£0.78)³. Despite the strong increase over the year, there was still a shortfall of £5.23 to the UK figure.

• South Derbyshire was the 9th highest local authority across the UK for GVA per hour at £58.74 in 2020, and also had the 7th largest increase in real terms at £2.45.

GVA PER HOUR (2020):



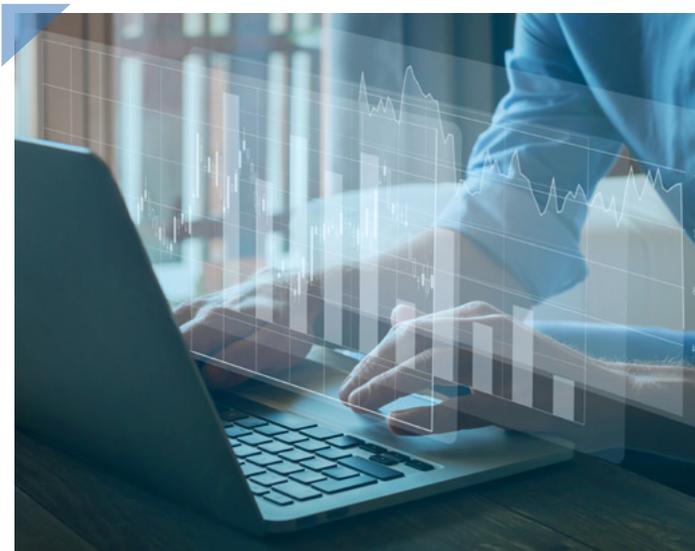
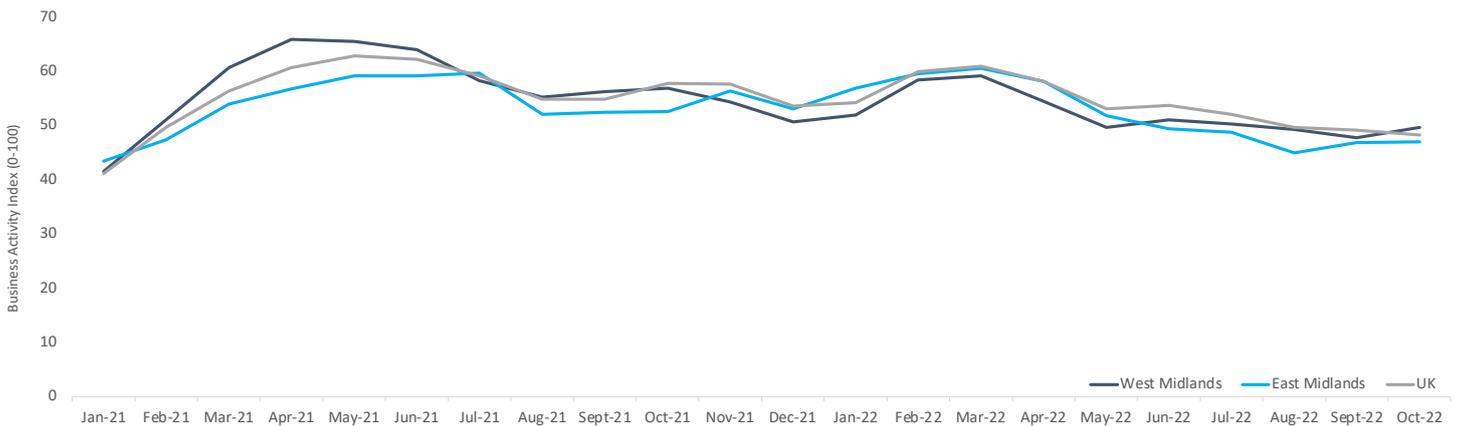
GVA per hour worked, £ per Local Authority (2020)
 ■ 63 to 74
 ■ 53 to 63
 ■ 43 to 53
 ■ 33 to 43
 ■ 23 to 33

³ONS, Subregional productivity in the UK, 2022

- Average **full-time annual earnings for Midlands Engine residents were £29,754** in April 2021. This is a decrease of 0.9% (-£256) compared to the UK decrease of 0.6% since April 2020. In 2021, residents in the Midlands Engine earned £1,531 less than the UK-wide figure (£31,285); meaning resident earnings stood at 95% of the UK average⁴.
- In 2021, there were **407,825 enterprises** in the Midlands Engine area. This was an increase of 2.2% (+8,885) compared to an increase of 1.5% UK-wide since 2020.

- There were **50,330 enterprise births** in the Midlands Engine area in 2020. This was a decrease of 9.5% (-5,255) compared to a decrease of 8.3% UK-wide since 2019. Despite the decline over a sustained period of time, there was still a greater number of enterprise births than deaths in the Midlands Engine. However new quarterly experimental estimates⁶ show there were 15,785 enterprise deaths for Q2 2022 - above the number of enterprise births at 12,690.
- It is no surprise that **business activity for all regions and UK-wide has remained turbulent over the year**. As of October 2022, **business activity UK-wide and for both Midlands regions was below the 50-growth mark**; the UK was at 48.2, East Midlands dipped to 47.0 and West Midlands had dropped to 49.6. Firms indicated that business activity has currently contracted due to reduced client purchasing, consumers reducing expenditure, weak client demand, economic uncertainty and product availability issues⁷.

BUSINESS ACTIVITY INDEX:



⁴ONS, Annual Survey of Hours and Earnings, 2021
⁵ONS, Business Demography, 2021
⁶ONS, Business Demography, quarterly experimental statistics, UK: April to June 2022, released 2022
⁷NatWest, UK regional PMI report, 2022

1.2. IMPACTS AND IMPLICATION FROM MAJOR ECONOMIC SHOCKS

- A period of continued turbulence, uncertainty and overall challenge is currently impacting the UK's economy and society. Driven by **inflation not seen in the UK in 40 years and rising interest rates**, the economic outlook has deteriorated materially. In analysis that was published on the day of the Autumn Statement, the Office for Budget Responsibility (OBR)⁸ **predicts a recession lasting just over a year from Q3 2022, with a peak-to-trough fall in GDP of 2%, with growth returning in 2024**. While government intervention and expected market conditions are likely to reduce inflation in the next year, **overall living standards are forecast to reduce by 7% over the next two financial years**. This will be a painful period for many communities and businesses.
- Due to its existing vulnerabilities and industrial structure, **the Midlands Engine is likely to continue to be** disproportionately affected.
 - The Midlands has experienced a worse economic downturn from the shocks of recent years so far. KPMG's Economic Outlook⁹ based on ONS data suggests from early GDP estimates that **the West Midlands region is having the slowest recovery in reaching pre-pandemic levels, and the East Midlands is experiencing the 4th slowest recovery**.
 - While the Midlands is predicted to grow at a slower rate than the national average in the near future, **some forecasts suggest there remains resilience and opportunities in the Midlands that can help drive stabilisation and comparatively high growth**. In its 'Mild Winter' scenario, PWC¹⁰ predict 3.4% GVA year-on-year growth for 2022 in the East Midlands (4th highest region) and 3.3% in the West Midlands (joint 5th highest region).

PWC REGIONAL GVA PROJECTIONS, 2022



- But most short-term predictions and economic sentiment are bleak. This is also reflected in subdued longer-term predictions - including regionally through the **Midlands Engine Oxford Economic Model** which forecasts modest and below UK-average growth for the region on indicators such as GVA and employment up to 2040, and a fall in the overall population over the same period.

⁸OBR Economic and Fiscal Outlook, November 2022

⁹KPMG, UK Economic Outlook, 2022

¹⁰PWC, UK Economic Outlook, 2022



"Another year of economic shocks has left the Midlands and its businesses facing an uphill struggle to recover and grow. And the short-term outlook based GDP estimates suggests getting back to pre-pandemic levels is taking longer here than much of the rest of the UK. Although further analysis also shows significant growth opportunities in the region, it is investment and innovation that will be key to making the most of these silver linings in the longer term."

Liz Martins,
UK Economist, HSBC

1.3. COST OF LIVING / COST OF DOING BUSINESS

- A cost of living and cost of doing business crisis has been the predominant issue for Midlands' businesses and communities in 2022. Many **businesses are struggling to absorb major increases in the costs of electricity, gas, food and materials**, but feel unable to pass on significant cost increases to customers against the backdrop of the cost of living crisis. The drastically rising cost of key inputs is damaging the competitiveness and sometimes feasibility of many Midlands businesses, leading to business groups describing the situation as 'unsustainable'.
 - Companies grapple with the rising cost of doing business. Sentiment tracked by the Institute of Chartered Accountants in England and Wales's (ICAEW's) Business Confidence Monitor (BCM) for the West Midlands for Q4 2022¹¹, found confidence at -19.9, and -20.1 for the East Midlands¹².
- The energy crisis has had a particularly devastating impact on households and businesses including larger organisations and small and medium-sized enterprises (SMEs). The Midlands Engine is likely to be hit worse by these effects:
 - The region has a higher proportion of people and households that are disproportionately impacted by the cost of living crisis: **low-income households, fuel-poor households, people from a BAME background, young people and unemployed people in particular.**
 - There is a higher concentration of activity in **sectors with high energy demand** in the Midlands, such as manufacturing, transport and storage and retail trade of vehicles.
 - Centre for Cities¹³ estimates suggest **Midlands towns and cities have higher than average inflation**, while wage growth has been more subdued than in other places in the UK.



¹¹ICAEW Business Confidence Monitor (BCM): West Midlands, released 2022

¹²ICAEW Business Confidence Monitor (BCM): East Midlands, released 2022

¹³Centre for Cities, Cost of living tracker, 2022

- The current economic predicament follows the problems brought on by the Covid-19 pandemic and initial shocks of the UK's departure from the EU. While the impacts of **Covid-19 and Brexit** may have been overshadowed recently, their more damaging legacies remain.

- **Trading with the EU has proved to be more difficult post-Brexit**, with the Midlands's businesses reporting various challenges related to exporting to, and importing from, the EU - including VAT requirements, additional customs procedures and new rules of origin requirements. This is reflected in the fact that the Midlands had the lowest EU export growth between 2020 and 2021 (+2.2%) of all English regions outside of London.

- Due in part to a combination of Covid-19 and Brexit, **labour shortages are prevalent across swathes of sectors** and locations in the UK. The Midlands's businesses have described a 'Brexit exodus' in key occupations such as HGV drivers, healthcare workers, seasonal pickers and hospitality roles. These shortages have been further hindered by people leaving the labour market entirely during the pandemic.

Many businesses and households were already stretched financially following the worst of Covid-19 only now to be hit further with **high inflation**. Inevitable cashflow pressures are unfortunately leading to financial stress for firms with some facing closure. According to exploratory ONS business demography data¹⁴, the number of **business deaths in the Midlands Engine area was 56,355 in 2021, a 27.7% increase compared to 2019**. This is in line with the national average but certain areas in the Midlands have fared worse.

- Despite the challenging environment, there remains reason to be **optimistic about the Midlands' future** - particularly **given its resilient and dynamic business base and economy** highlighted in the Midlands towns and cities factsheet. Despite price hikes, order books and overall activity are still high in many sectors, while some surveys, (including Lloyds Bank¹⁵), suggest **business confidence in some parts of the Midlands is holding comparatively stable**.

- Also, generally businesses have welcomed the new **Government's commitment and approach so far, to stabilising the economy** and focusing on economic growth. There is greater confidence in the latest government administration and fiscal approach, despite some continued policy reservations and acknowledgment of the poor current economic situation.



"Viewed against the national and global context, it's no surprise that the figures point to businesses in the Midlands displaying decreased confidence alongside increased financial stress and higher rates of business closures. Now, the resilience and adaptability that businesses of all sizes have had to develop over the past few years is going to be their main strength. Greater political and market stability, and access to focused support too - in skills, exports, new technologies - will be vital for businesses' resilience."

Charlotte Horobin
Region Director - Midlands & East of England, Make UK

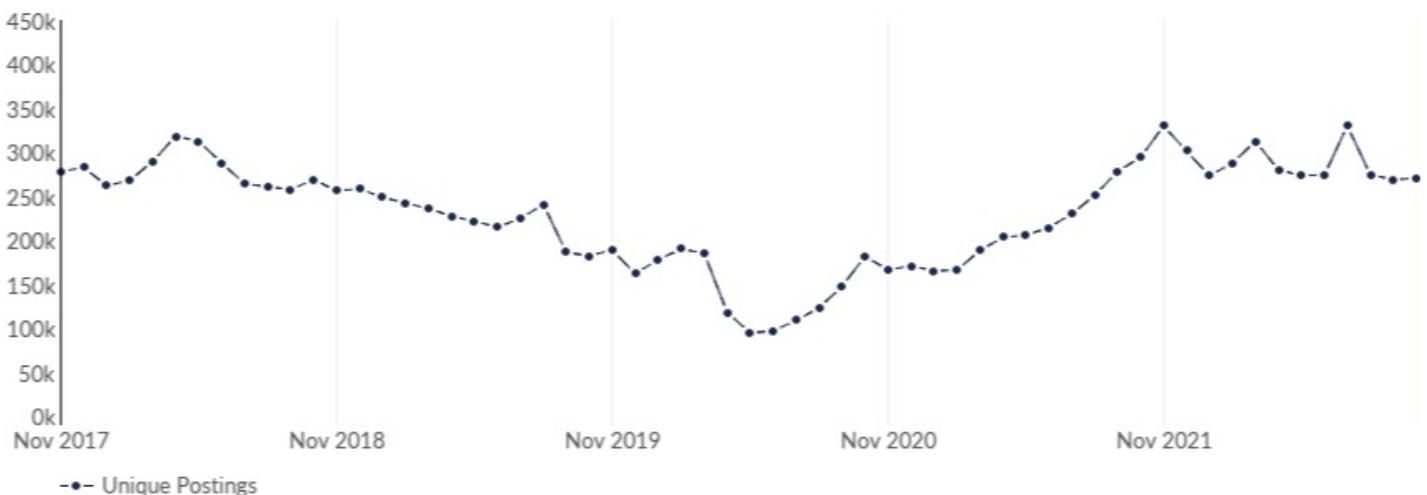
¹⁴ONS, Business Demography, quarterly experimental statistics, UK: April to June 2022, released 2022

¹⁵Lloyds Bank Business Barometer, 2022

1.3. LABOUR MARKET, YOUNG PEOPLE AND SKILLS

- In the year ending March 2022, the **employment rate in the Midlands Engine area was 74.0%**, compared to 75.1% for the UK overall. When compared to the year ending March 2021, the Midlands Engine area has **increased by 0.2 percentage points (pp)**, while the UK rate increased by 0.4pp.
- However, the overall Midlands Engine economic inactivity rate increased from 21.7% in the year ending March 2021 to 22.6% in the year ending March 2022. This equated to an increase of 0.9pp while UK-wide there was an increase of 0.1pp to 21.6%.
 - Looking at inactivity from an age and gender perspective, there is an **increase in economic inactivity amongst the older-age cohort (50+), particularly males; an additional 46,900 for the Midlands Engine area.**
- The latest revised total claimant figures show in September 2022 that there were **263,045 claimants** in the Midlands Engine area. Total claimant figures have **not yet returned to pre-pandemic levels** (March 2020) and in September 2022 were 18.7% (+41,505) higher, below the UK-wide increase of 19.0%.
- In September 2022, there were **46,970 youth claimants** in the Midlands Engine area, 2,775 more youth claimants than March 2020. This is an increase of 6.3% for the Midlands Engine area, above the UK-wide increase of 5.0%.
- Between October 2021 and October 2022, there have been a total of **4.10m job postings** logged across the Midlands Engine area, of which **1.57m were unique job postings**, a Posting Intensity of 3 to 1.
- **Unique postings have decreased by 8.1% since October 2021**, equating in real terms to 23,902 fewer job postings (to a total of 270,491 in October 2022)¹⁶.

MIDLANDS ENGINE JOB POSTINGS:



- Unsurprisingly, given their size and strategic importance, the top five most prevalent locations for job postings across the Midlands Engine were: Birmingham (333,441), Nottingham (182,250), Leicester (89,665), Coventry (65,354) and Derby (65,062). These five areas accounted for 47% of all unique job postings in the last year.
- The **most sought-after specialised skills** across the Midlands Engine are primarily found in three sectors: business and professional services, health and social care sector and transport and logistics. Reflecting this demand, the **biggest skills gaps** are around warehousing, nursing and mental health and digital programming skills.

¹⁶ Lightcast, Labour Market Analytics & Economic Data, November 2022 (covering job postings, locations, occupations and hard skills).

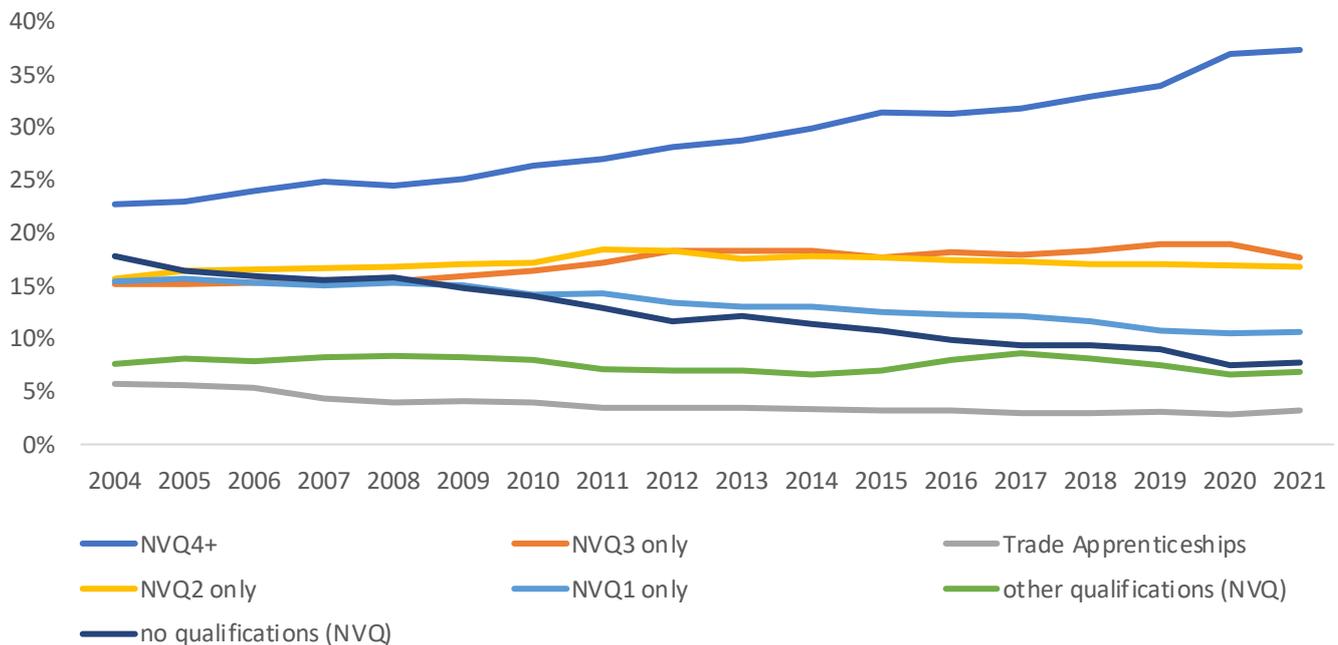
TOP TEN SPECIALISED SKILLS FOR THE MIDLANDS ENGINE (OCTOBER 2022):



- In 2021, the number of people with **NVQ 4+ qualifications** increased by 1.4% over the year to approximately **£2.36m** (from £2.33m in 2020) compared to a UK increase of 0.9%. **That means 37.6% of the working age population were educated to NVQ 4+ qualifications in the Midlands Engine area against the UK average of 43.5% in 2021.** Despite this improvement, a further **367,390** of working age Midlands Engine residents need to obtain an NVQ 4+ qualifications to equal the UK average.

- The number of people in the Midlands Engine area with **no qualifications** increased from approximately **473,800 in 2020 to 489,900 in 2021. This equates to 16,100 more people without any qualifications or an increase of 3.4%** compared to an increase of 1.8% across the UK. That means **7.8% of the working age population in the Midlands Engine area had no qualifications** against the UK average of 6.7% in 2021. To eradicate the gap with the UK average, **69,696 of working age Midlands Engine residents** would need to obtain at least one qualification¹⁷.

MIDLANDS ENGINE QUALIFICATION LEVELS:



- There were **61,790 apprenticeship starts in the Midlands Engine** in the academic year of 2020/21, a decrease of 1.8% (-1,150) since 2019/20. Similar patterns were seen nationally where there was a drop of 0.3%. Early indications show there were 55,580 (89.9% of 2020/21 total) apprenticeship starts in the Midlands Engine in Q3 2021/22 (August 21 - April 22)¹⁸.



“Lower income communities are feeling the impact of the economic downturn of the past few years the most. And we are seeing a growing polarisation between deprived communities and those with the capital assets, skills and income to ride through the challenges. Future sustainable and inclusive growth, will depend on improvements in our regional innovation infrastructure, which in turn depends on improvements in our skills and qualifications base.”

Professor Simon Collison
Deputy Pro-Vice-Chancellor for Regional Engagement,
University of Birmingham

To access the full State of the Region Report 2022 and much more please visit the Midlands Engine Intelligence Hub - <https://www.midlandsengineintelligencehub.org/>

¹⁸Department for Education, 2022

2. THEMATIC DEEP DIVES

2.1. GREEN GROWTH

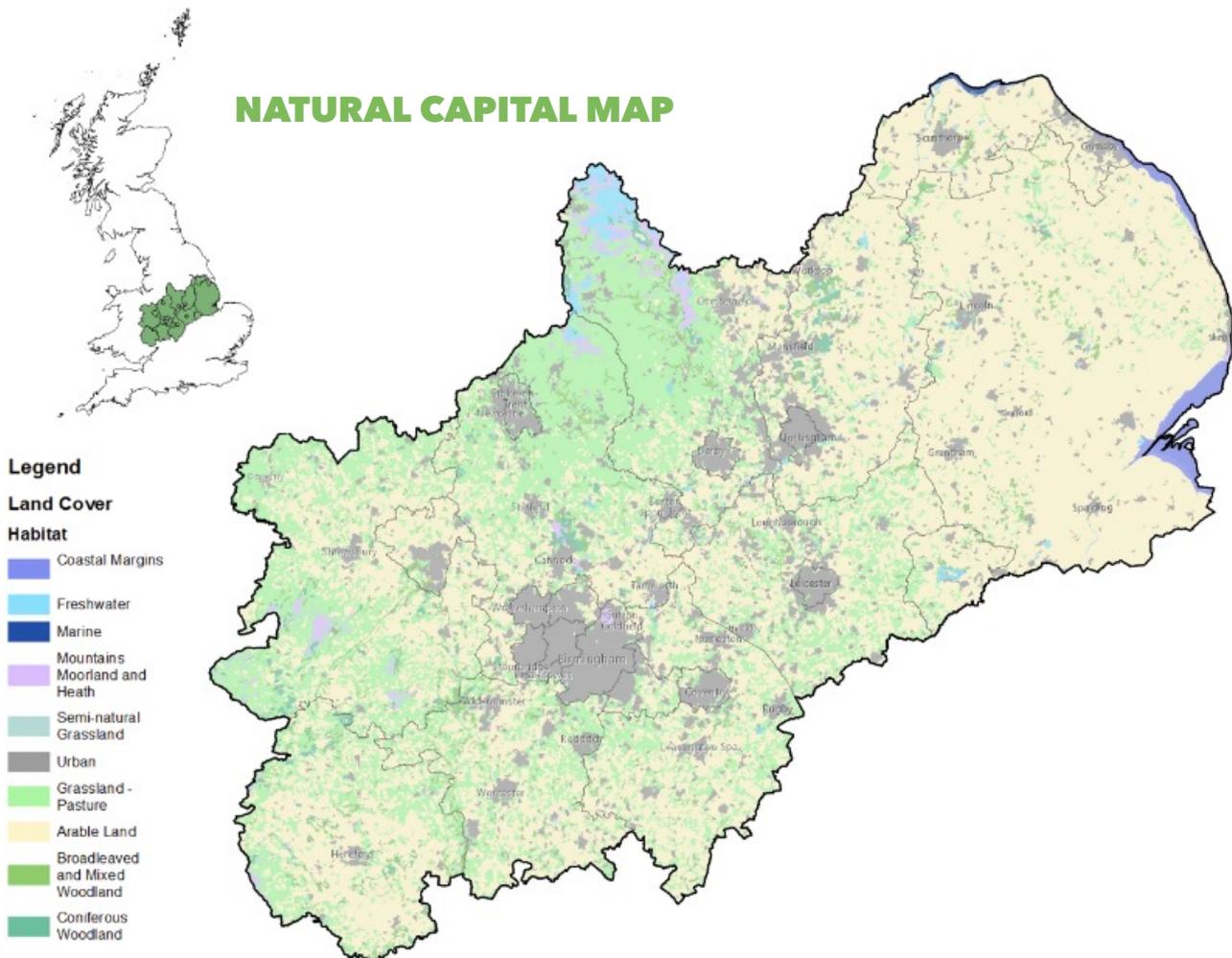
- In 2020, the Midlands Engine area produced a total of 56,009 kt of carbon dioxide emissions, a decrease of 9.9% (-6,133 kt CO₂e) compared to a decrease of 10.5% nationally since 2019.
- In 2020, industry accounted for the highest proportion of carbon dioxide emissions at 32.4% (18,153 kt CO₂e) of total emissions in the Midlands Engine area, which was above the England-wide proportion of 19.7%¹⁹.
- The Midlands Engine generated a total of **8.67m MWh** of renewable electricity in 2020, which is 6.4% of the UK total. Most renewable electricity is produced from offshore wind (30.9% of Midlands Engine total), followed by photovoltaics (24.7% of the total)²⁰.

The Midlands is **leading the way in renewable energy production and is home to the world's biggest offshore windfarm** in Lincolnshire, providing 18% of England's renewables capacity.

- Working with the Environment Agency, we have produced a Natural Capital Scorecard which summarises the Natural Capital Register and Account for the Midlands Engine:

- **80.4% of the Midlands area is enclosed farmland**, the largest natural asset type.
- **£11.1bn worth of ecosystem services** are provided from the Midlands' natural capital.
- **£330bn is the total asset value** of Midlands' natural capital over the next 100 years.

NATURAL CAPITAL MAP



¹⁹Department for Business, Energy & Industrial Strategy, UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2020, released 2022

²⁰Department for Business, Energy & Industrial Strategy, Renewable electricity by local authority, 2021



"At the heart of the UK, our location represents such a huge opportunity to the Midlands. Powering on with the strategies in place to improve our transport - alongside building on strengths in renewable energy, visitor economy and digital infrastructure - has the potential to supercharge that advantage."

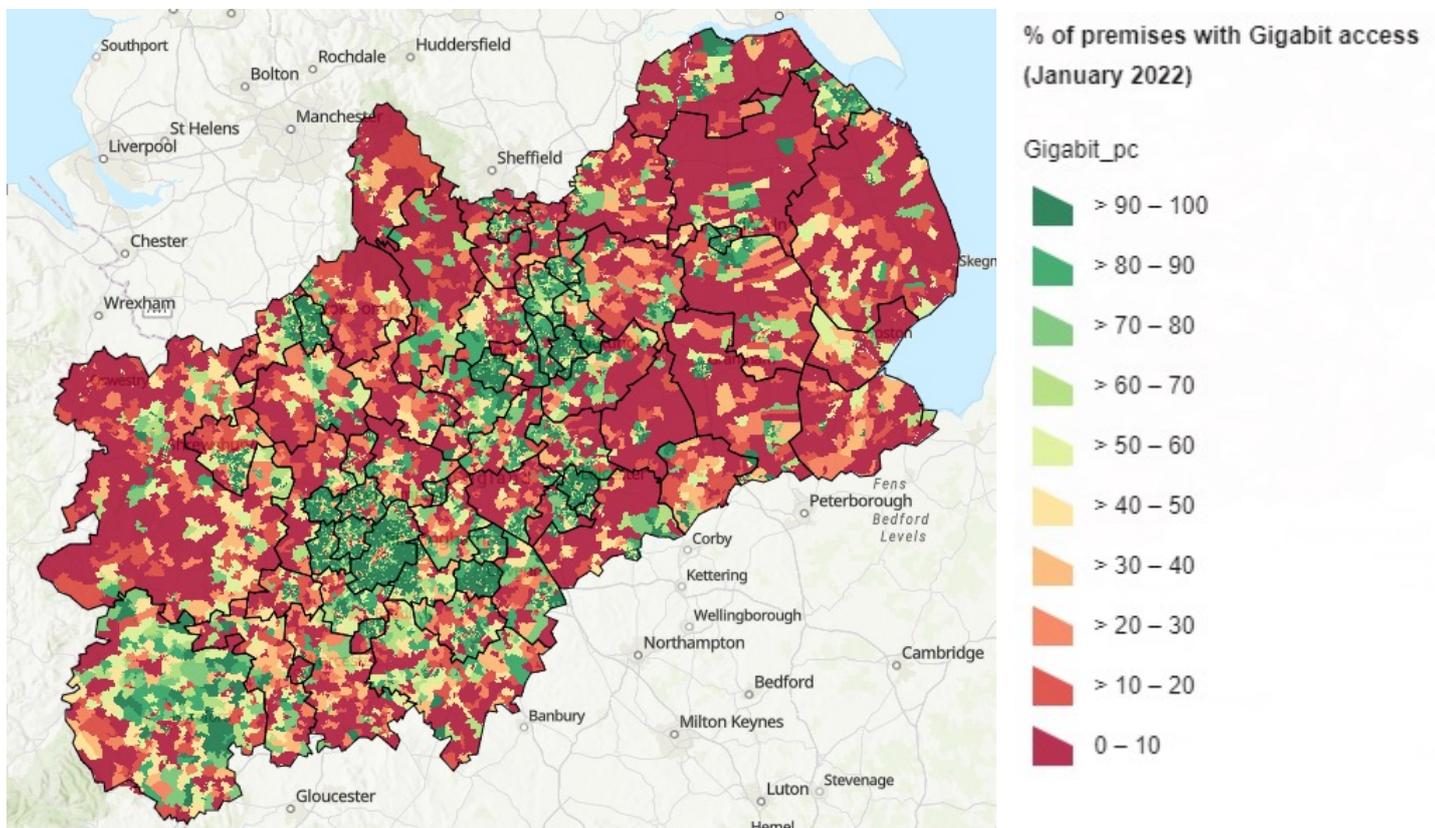
Jackie Wild
Founder & CEO of Smartparc



2.2. DIGITAL

- The digital sector comprises of over **20,000 businesses, 128,700 jobs and 450 high-growth digital businesses**²¹.
- The Midlands is a centre of excellence in digital innovation - home to the UK's first multi-city 5G testbed and 5G factory trials and the world's first 5G connected forest in Nottinghamshire's Sherwood Forest area. **Enabling regional 5G connectivity alone is worth £5bn to the Midlands economy over the next five years and a further £15.9bn over the subsequent five years.**
- **Demand from employers for digital skills continues to be high.** Job postings for digital roles have increased by 49% in the last year, up from 88,730 to 131,402 and remain notably above the long-run average. Reflecting this heightened demand, **median salaries for digital roles are £19,600 higher at £48,200 than the median salary for all other roles**²².
- Overall, **96.2% (4.57m) of premises in the Midlands Engine area had superfast broadband (SFBB) availability**, above the UK proportion of 95.6% as of January 2022. Overall, **65.5% (3.1m) of premises in the Midlands Engine area had gigabit availability**, above the UK proportion of 64.0% as of January 2022. There are areas at the lower-level geography where availability is extremely low as seen in the following map. Only **26.7% (1.23m) of premises in the Midlands Engine area overall had full fibre availability**, below the UK proportion of 31.9%²³.
- Approximately **630,000 residents have never used the internet**, this equates to 7.2% of the Midlands population²⁴.
- The **'digital divide'** would appear to be acting as an anchor on productivity growth in some areas of the Midlands Engine and without intervention, it is likely to inhibit the region's long-term competitiveness.

GIGABIT AVAILABILITY ACROSS THE MIDLANDS (JANUARY 2022):



²¹ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, 2022, Business Register and Employment Survey, 2021 and UK Business Counts, 2021)

²²Lightcast, Labour Market Analytics & Economic Data, September 2022

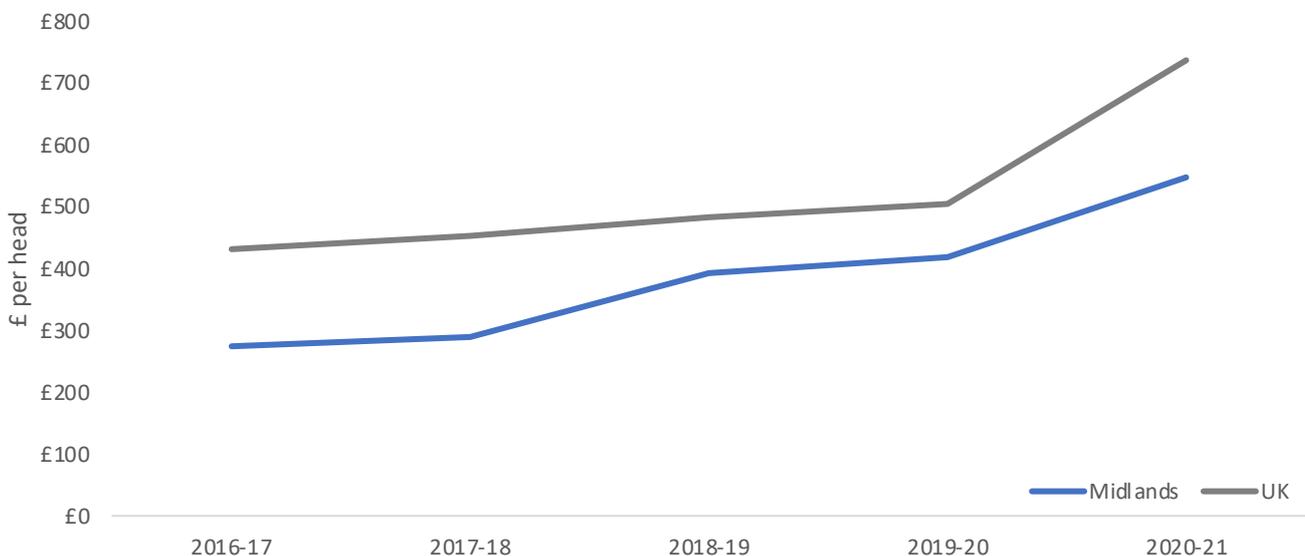
²³Ofcom Connected Nations, 2022

²⁴ONS, Internet users, 2021

2.3. TRANSPORT

- Approximately **261,000 people** are employed in the transport sector in nearly **26,000 enterprises** generating just **over £10.2bn in GVA**. This means that the transport sector accounts for **4.3% of total GVA** - above the UK proportion of 3.6%. It also accounts for **5.9% of total jobs** (England 5.2%) and **6.8% of total enterprises** (UK 5.0%)²⁵.
- The University of Birmingham has developed the **UK's first hydrogen-powered train** in collaboration with Porterbrook. **Coventry is on track to becoming the UK's first all-electric bus city** by 2025 with up to 300 zero-emission buses.
- **Connected to 400 global destinations by air**, Birmingham Airport is the UK's third largest airport outside of London, and is forecast to handle approximately **18 million passengers** per year by 2033. East Midlands Airport is home to the **UK's largest dedicated air cargo operation** - driving the Midlands as a centre for international trade and logistics.
- Rail passenger numbers are slowly increasing since the Covid-19 pandemic. For the **East Midlands Railway, the number of rail journeys increased from 5.1m in the financial year of 2020/21 to 18.0m** in the financial year 2021/22. This equates to an increase of 255.2% (or 70.9% of journeys from the financial year of 2019/20). For the **West Midlands Trains, the number of rail journeys increased from 13.6m in the financial year of 2020/21 to 42.4m** in the financial year 2021/22. This equates to an increase of 211.2% (or only 53.3% of journeys from the financial year of 2019/20)²⁶.
- The **A46 corridor** which stretches over 155 miles is home to 5.5m people and 2.9m jobs with an **economic output that accounts for nearly 10% of the English economy**. The **56-mile A50/500 corridor from Stoke-on-Trent to Derby, is home to around a million people and half a million jobs**. Many of those jobs are in globally significant firms such as Toyota, JCB and Rolls-Royce.
- The Midlands' **transport expenditure per capita at £547 is significantly behind the UK as a whole at £737** and many of the other UK regions with London at £1,476. The East Midlands was one of the lowest regions at £477.
- There have been **years of underinvestment** in Midlands's transport infrastructure. This amounts to more than **£7.3bn** in the last five years alone²⁷.

MIDLANDS AND UK-WIDE TRANSPORT EXPENDITURE PER HEAD:



²⁵ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, 2022, Business Register and Employment Survey, 2021 and UK Business Counts, 2021)

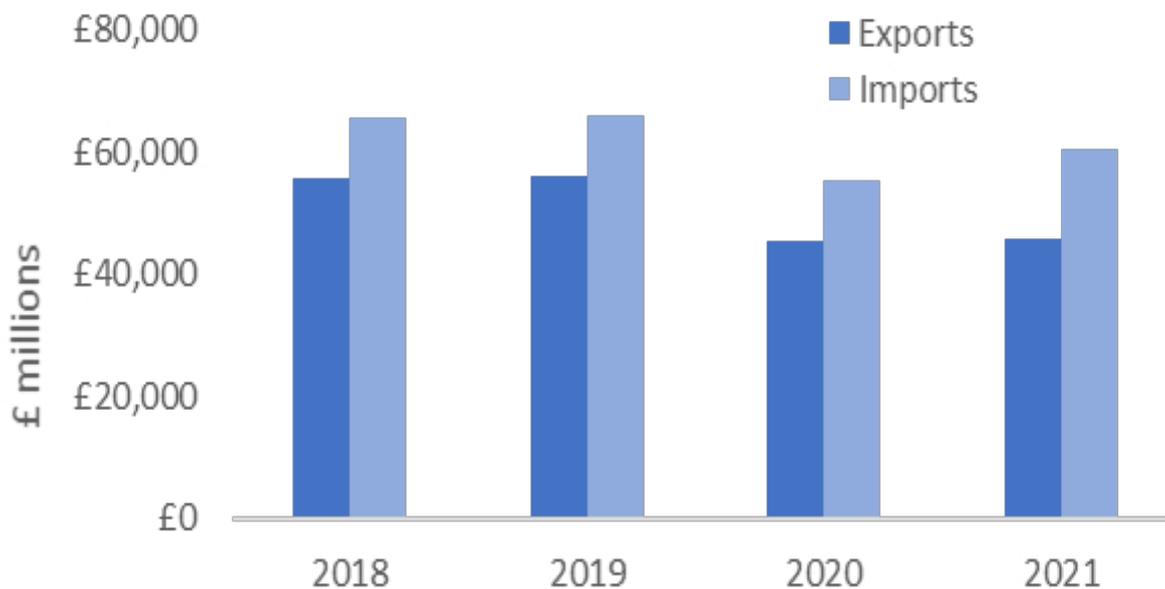
²⁶Office of Rail and Road, 2022

²⁷HM Treasury: Public Expenditure Statistical Analyses (PESA), 2022

2.4. GLOBAL AND INVESTMENT

- In May 2022, the [Midlands Investment Portfolio](#) was launched which provides a 'digital front-door', to more than **80 regional investment opportunities** - with the potential to generate over **£33bn in Gross Development Value and create 220,000 jobs**.
- In the year ending Q1 2022, the **Midlands area exported £46.8bn** worth of goods and imported £65.2bn. This represents a widening trade in goods deficit of £18.4bn, an increase from the trade deficit in year ending Q1 2021 which was £11.7bn.
- The **Midlands area accounted for 20.1% of England's goods exports**, above London (16.2%) and the South East (17.4%).
- By country group, the highest value of goods exports from the Midlands area was to the EU at £23.0bn, which accounted for 49.1% of the total. **The value of exports to the EU has increased by £2.4bn (+11.8%) from the year ending Q1 2021, more than that of non-EU exports (+5.2%).**
- The latest annual data reflects a **sustained fall in Midlands exports since the shocks of Covid-19 and Brexit**: the region exported £45.3bn and £45.6bn each respectively in 2020 and 2021, more than **£10bn lower each year compared to the pre-pandemic period**. The reason for modest growth or decline in Midlands exports - worse than that of other regions - appears to be tied to its **reliance on trade of machinery and transport related equipment**²⁸.

THE MIDLANDS TOTAL VALUE OF GOODS EXPORTED AND IMPORTED:



- There were **242 Foreign Direct Investment (FDI) projects creating 12,459 new jobs** in the Midlands Engine in 2021/22. Compared to 2020/21, there was an increase of 11.5% (+25) in projects and 89.0%(+5,867) in new jobs, while the UK increased by 3.3% and 53.2% respectively²⁹. The Midlands accounted for nearly **15% of England's new jobs from FDI projects in 2021/22.0**

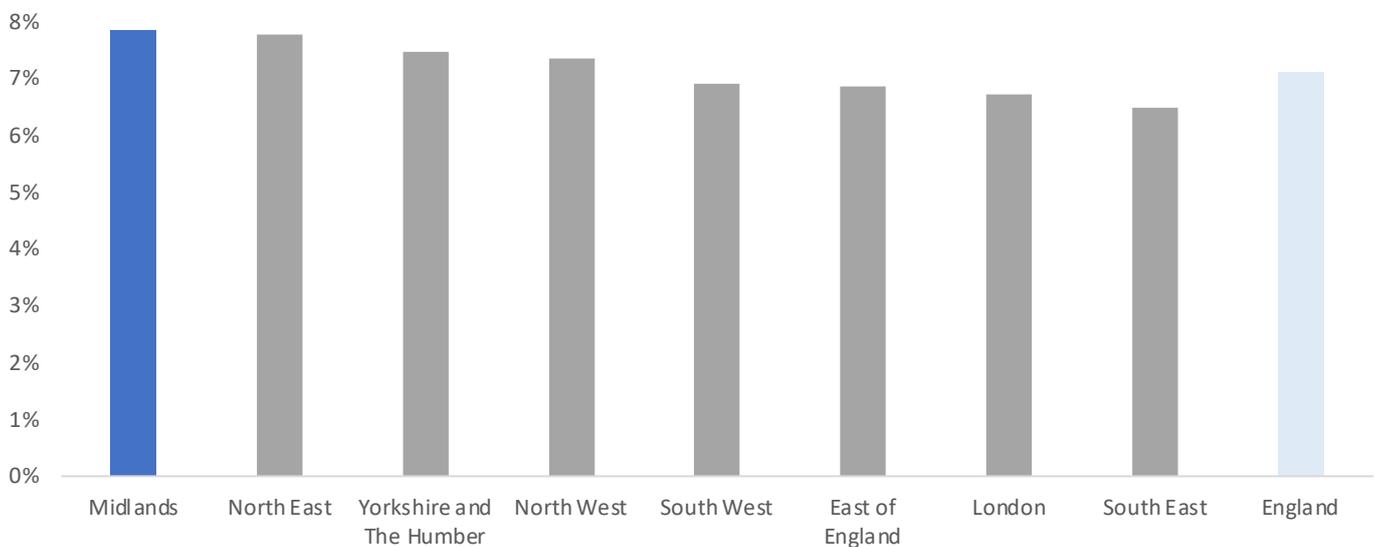
²⁸HM Revenue & Customs, UK Regional Trade in Goods Statistics, July 2022

²⁹Department for International Trade, Inward Investment Results 2021-22, June 2022

2.5. HEALTH

- The average female life expectancy for the Midlands for 2018-20 was **82.5 years**, below the England-wide figure of 83.1 years. The average male life expectancy for the Midlands for 2018-20 was **78.6 years**, below the England-wide figure of 79.4 years.
- The average female healthy life expectancy for the Midlands for 2018-20 was **61.4 years**, below the England-wide figure of 63.9 years. This means that 74.5% of life is spent in 'good' health in the Midlands compared to 76.8% England-wide³⁰. The average male healthy life expectancy for the Midlands for 2018-20 was **61.5 years**, below the England-wide figure of 63.1 years. This means that 78.1% of life is spent in 'good' health in the Midlands compared to 79.5% England-wide.
- The World Health Organisation (WHO) Global Burden of Disease (GBD) project reports the top risk associated with the **great burden of disability in the Midlands is tobacco use** (~4,200 Disability Adjusted Life Years (DALYs) per 100,000 and 19,788 deaths).
- Across the English regions, the **Midlands remains the highest for the prevalence of diabetes** (aged 17 years and over) at 7.8% (671,131 residents); with England-wide at 7.1% in 2020/21. Individually, the West Midlands region had the highest levels recorded at 8.0% with the East Midlands the 3rd highest at 7.6%³¹.

THE PREVALENCE OF DIABETES ACROSS REGIONS (2020/21):



- The Midlands has many strengths and opportunities in the health and care sector. The Midlands has the **highest number of MedTech companies** than any other region in the UK, these companies generate £1.6bn.
- The Midlands is home to **two leading medical schools** which produce **over 20% of the UK's medical students** as well as having **two of the three largest UK NHS trusts**.
- The **Mental Health and Productivity Pilot (MHPP)** is a three-year programme to support employers across the Midlands to help improve workplace mental health and wellbeing. 44% of firms provide support for mental health and **36,500 people are trained in Mental Health First Aid in the Midlands**.
- The health and care sector accounts for **£26bn of GVA, 634,000 jobs and over 16,500 enterprises** in the Midlands Engine³².

³⁰ONS: Health state life expectancies, UK: 2018 to 2020, released 2022

³¹Public Health England, 2022

³²ONS, Regional Gross Value Added (balanced by industry: local authorities by ITL1 region, 2022, Business Register and Employment Survey, 2021 and UK Business Counts, 2021)

3. OPPORTUNITIES FOR GROWTH

- In addition to real-time understanding of sector impacts and monitoring of macroeconomic indicators, the Midlands Engine Observatory partnership undertakes 'deeper dives' into industries of the economy in collaboration with industry and business representative organisations. This helps identify opportunities for growth.
- For example, published in September 2022, the [food and drink supply chain report](#) uses a broad definition of the food chain, reflecting the breadth and diversity of businesses, organisations and sub-sectors that contribute to food production and consumption in the Midlands. It includes not only direct producers but enabling services too such as professional, freight, utilities and engineering).
 - In total there are an estimated **857,000 jobs and £32bn GVA** linked directly to the food chain in the Midlands Engine region, equal to 18% of all employment. The Midlands Engine accounts for 17.3% of food and drink jobs in Great Britain.
 - **The region is the 2nd highest exporting region for food in 2021 with £1.8bn food goods exports.**
 - **Key drivers of growth include; clean growth, diet and health, trade, import substitution and inward investment, supply chain reconfiguration and automation and digitisation to drive productivity.**
- Published in June 2022, the [health and life sciences](#) factsheet confirms the importance of the health and life sciences sector across the Midlands Engine, while also highlighting challenges related to population health in the region.
 - The sector is worth **£26bn per annum, with over 16,500 companies delivering 634,000 jobs.**
 - The Midlands has **world-leading infrastructure**, including the UK's largest clinical trials unit, three biomedical research centres, and two leading medical schools.
- A focus on the [visitor economy](#) demonstrates the attractiveness of town and city centres as well as other conurbations.
- The [Midlands Engine Manufacturing Opportunities: What Could be Made in the Midlands in Future](#) report highlighted five opportunity areas worth an estimated 165,000 jobs and £13.7bn in GVA to the Midlands by 2030 including:
 - **Future food and drink opportunities** such as automated production, sensors and satellites, and new products from waste such as textiles and biomass.
 - **Next generation transport opportunities** such as electric battery manufacturing and associated supply chains, sustainable aviation fuels, light and very light rail, and cross-sector applications of new propulsion systems, such as hydrogen.
 - **Medical and pharmaceuticals opportunities** such as digital health, wearable devices, defence and trauma medicine and an improvement in drug pathway development.
 - **Low carbon goods opportunities** such as the production of control systems for deployment across wind, solar and smart grids, and wider production and roll-out of these renewable energy sources.
 - **Advanced metals and materials opportunities** such as circular economy approaches like metal reprocessing and industrial symbiosis, advanced ceramics and composites and polymers for cross-sector application.
- The Midlands is already one of the **most important locations for green growth** in this country. **The Ten Point Plan for Green Growth** in the Midlands Engine has potential to create **196,000 new green jobs; boost the economy by £24.2bn; reduce CO₂ emissions by 36%** by 2041.
- **Midlands Engine Hydrogen Technologies Strategy**, centred around plans for a Midlands Hydrogen Technologies Valley, has potential to **create or safeguard 167,000 jobs; boost to the populations health economy by £10bn; reduce CO₂ emissions by 29%** by 2041.

4. PARTNERSHIP SOLUTIONS TO DRIVING ECONOMIC GROWTH IN THE MIDLANDS

Following on from the Independent Economic Review (IER) published in 2020, the Midlands still has barriers to growth:

BARRIER	INTERVENTION RATIONALE	WHAT IS NEEDED	OUR IMPACT
GVA Gap	Closing the GVA gap is worth £84.9bn per annum to the UK economy	Levelling Up to create conditions for growth and enhanced productivity	Increased GVA 
Low Skills Levels	Businesses need a skilled workforce to drive the growth and productivity	Targeted investment to deliver skills Midlands businesses need	A growing skilled workforce 
Lack of Infrastructure Investment	Decades of under-investment in transport, low levels of digital connectivity, fragile energy infrastructure	Rapid investment in transport, digital and energy/green growth infrastructure	Connectivity driving growth 
Poor Access to Finance	Poor access to growth and innovation finance, business loans and high value capital investment difficult	Expanded, tailored financial tools for Midland businesses	Businesses and jobs growth 
Low Public Sector R&D Investment	Under performance in R&D intensity - lowest UK public sector investment in R&D per head	Increased and targeted R&D spend linked to Midlands sector and academic opportunities	Innovation-led growth 
Impact of Brexit	Midlands hardest hit by Brexit out of all English regions as an exporting powerhouse with strong EU trade	Resources and support to grow number of firms trading internationally	International trade growth 
Impact of Covid-19	Midlands most affected by Covid-19 as advanced manufacturing, tourism and retail sectors hardest hit	Targeted support for most impacted sectors, skills transition, resources for business growth	Vibrant sectors, high-value jobs 

- **A long-term commitment** to levelling up the Midlands Engine is now needed to overcome stubborn, structural barriers within our economy. Driving economic growth requires support from government for every part of the Midlands - a commitment for the long term to power recovery, address barriers to growth and enable the best environment for attracting private sector investment.

- ✓ The Midlands is a **national hub for manufacturing**. Regional partners stand ready to work with government to **increase domestic production capacity and supply security, grow supply chain resilience through onshoring and build UK manufacturing capability**.

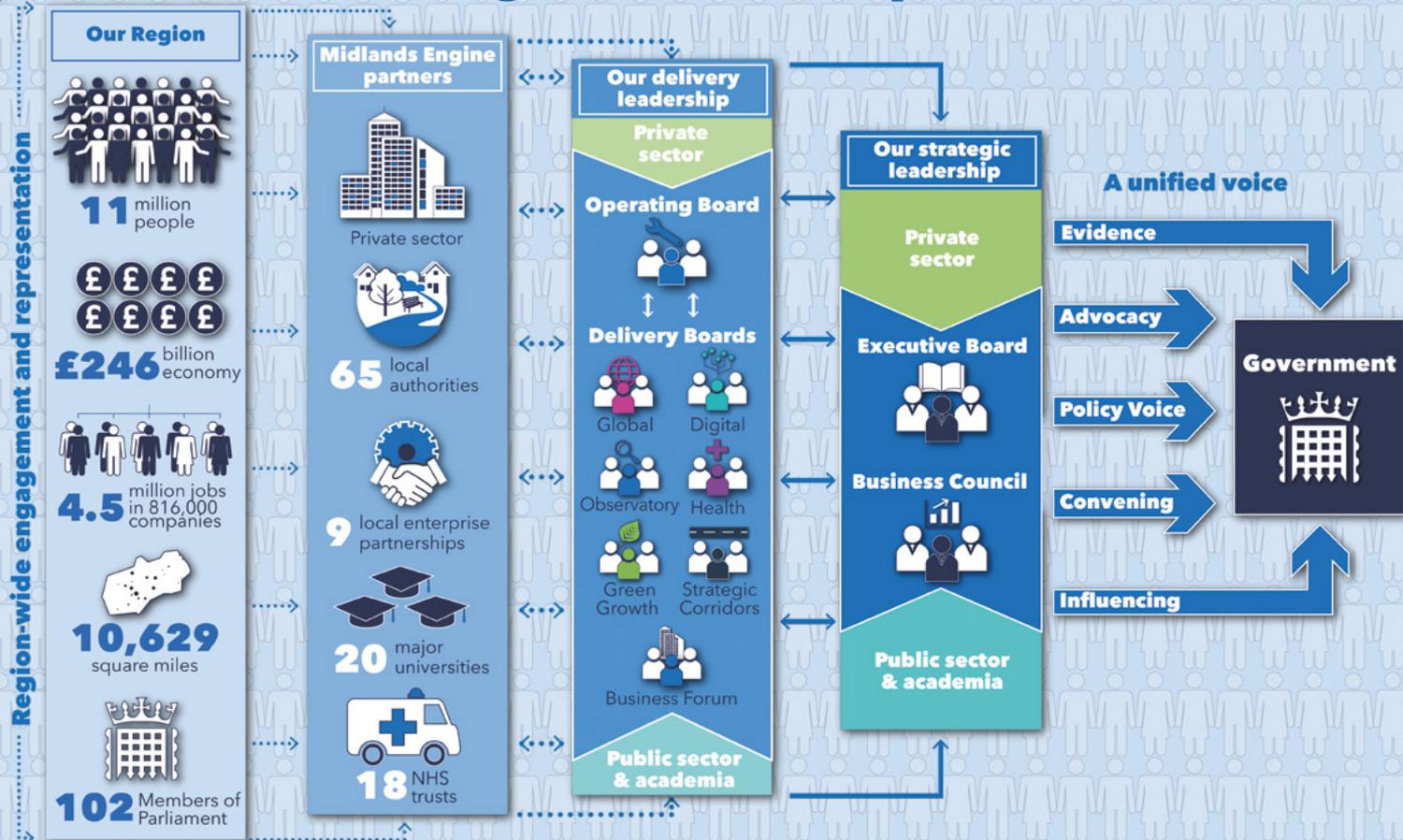
- ✓ The ongoing shortages of essential goods, highlighted at the start of the pandemic, means there is an urgent need to **bolster the security of national supply chains**. Addressing these gaps presents opportunities to drive recovery and deliver on the levelling up agenda in the Midlands. **Manufacturing growth will bring more high-quality jobs to our region**, powering levelling up through sustainable economic growth.

- ✓ The Midlands is ideally placed to become a national, and indeed **global, centre for net zero and green innovation**. With **innovation strengths including advanced materials and manufacturing, electronics, photonics and energy and environment technologies (including hydrogen)**, our region is central to the success of government ambitions to drive technological innovation.

- ✓ Levelling up also means **tackling health inequalities** in every part of our region. Regional health and wellbeing underpins our inclusive growth agenda and is linked to community prosperity and health and economic opportunities for everyone which are not undermined by poor health outcomes.

- ✓ The **'digital divide'** would appear to be acting as an anchor on productivity growth in some areas of the Midlands. With urgent intervention and investment, we can prevent this from inhibiting our region's long-term competitiveness.

Our Midlands Engine Partnership



Our Partnership - The Midlands Engine is the largest regional economy in the UK outside London and the place that 11 million people call home. Our Midlands Engine partnership spans the heart of the UK. Working at scale, we focus on adding value - tackling the things that really matter in our region to drive prosperity for our communities and businesses.

Our Impact - Together, we make sure the Midlands voice is heard and act as a positive agent for economic, social and environmental change, to benefit every single part of our region. We do this through shared intent, collaborative investment and a unified voice, direct to government.

MIDLANDS ENGINE

MIDLANDS ENGINE OBSERVATORY

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The Midlands Engine is a coalition of local authorities, local enterprise partnerships, universities and businesses across the region, actively working with government to build a collective identity, to enable us to present the Midlands as a competitive and compelling offer that is attractive at home and overseas. Copyright © 2022 The Midlands Engine, All rights reserved.

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