The Midlands is the place that one sixth of the nation’s population calls home. The Midlands is driving around a quarter of England’s exports, is contributing £233 billion to the UK economy and before the Covid-19 pandemic, our economy was growing faster than the national average.

Our region is proud to host a number of major centres of excellence for world-class innovation and its translation into new processes, products and services that benefit the world. Across the Midlands, small businesses act as creative disruptors and hotbeds of entrepreneurial spirit; global multinationals invest and grow, and new and existing sectors build strength and skills; universities powering societal change through cutting-edge research and civic commitment; and public sector bodies in concert with Government work to drive economic prosperity for the nation and our region’s communities.

The Midlands Engine Partnership brings voice and vision to the Midlands. We act as a focal point and a unifying force to accelerate growth by operating at scale, enabling economic transformation and promoting our region at home and abroad. In partnership, we amplify our capacity, enhance our capabilities and create huge added-value for our region - our businesses and our communities. Together, we are stronger.

Please note, the IER was completed before the COVID-19 pandemic and an addendum is currently being produced.
The Midlands is synonymous with internationally significant firms and industries operating at the leading edge of advanced technology. Globally, the region’s profile is often associated with manufacturing excellence, particularly automotive. We are also home to globally renowned centres of learning, scientific research and innovation, and technology test-beds. Ours is a diverse economy with huge potential, but the region also faces a number of challenges, which the IER highlights.

The IER is a powerful resource for Government, policy-makers, investors and wider stakeholders as we work together to address those challenges and progress the Midlands Engine’s important growth agenda – for the benefit of the people who live, learn, work and invest here – and for the rest of the UK.

By commissioning an Independent Economic Review for our region, the Midlands Engine Partnership sought to:

• Better understand and evidence key factors driving productivity in the Midlands
• Identify opportunities to improve the region’s productivity over the next 10 years
• Consider the potential for a Midlands-wide approach to address challenges and enable growth
• Strengthen the evidence base and powerfully influence policy
• Stimulate debate and discussion.

This document has been produced by the Midlands Engine Partnership to highlight the importance of the IER and share just some of its findings. To read more, please visit www.midlandsengine.org where the full IER report can be downloaded.

Please visit www.midlandsengine.org/observatory to download the full IER along with additional supporting documents.
THE REGIONAL ECONOMY

THE OUTPUT GAP

GVA per capita is a broad measure of economic prosperity. The IER highlights that in 2017, GVA per capita in the Midlands was nearly £22,000, which represents 92% of the England minus London average. If this gap in GVA per capita with the England minus London average was closed, the Midlands economy would generate an extra £20bn each year.

PRODUCTIVITY IN THE MIDLANDS

The IER highlights productivity as being the key factor in explaining the gap in economic output in the Midlands versus the rest of England. Productivity is a measure of economic output per worker. If productivity was higher this could lead to higher wages, higher living standards, more disposable income per household, better quality of life, more opportunities for individuals and greater social mobility.

There are differing levels of productivity across the Midlands geography. Three of the nine Midlands Local Enterprise Partnership areas - economic administrative areas covering our region - have progressively higher productivity than the Midlands average. These are Coventry and Warwickshire, Greater Birmingham and Solihull, and Leicester and Leicestershire.

Source: Cambridge Econometrics calculations, ONS
On average the region has fewer people in sectors with high productivity. However, the IER shows that lower productivity within sectors is more important in explaining the total productivity gap in the Midlands.

The IER shows the automotive industry has clearly been a strong performer in the Midlands with productivity greater than the national average. However, only 10% of jobs in the Midlands are in sectors where productivity in that sector is above the England minus London average. Productivity is relatively low within some of the region’s priority sectors (e.g. manufacturing and energy) as well as many of the region’s business-to-business services (e.g. financial services, architecture and engineering).

In order to fully close the productivity gap (i.e. match the UK productivity level by 2030), Cambridge Econometrics estimated that Midlands’ productivity performance would need to increase at a rate of 2.4% p.a., meaning the region would need to return to (and exceed) productivity growth rates previously seen in the 1980s and 1990s. This is extremely ambitious given how productivity growth has been subdued over the past decade (averaging 0.4% p.a.). Nevertheless, this challenge is one that will provide powerful focus for the Midlands Engine as we seek to establish our key priorities for economic prosperity. It also emphasises how crucial the levelling up agenda is to the Midlands and the UK.
ACCELERATING GROWTH

KEY FACTORS THAT MUST BE ADDRESSED TO IMPROVE BOTH PRODUCTIVITY AND COMMUNITY PROSPERITY

The IER highlights factors that are holding back economic growth in the Midlands and suggests priority policy areas for action including:

- Investment in the Midlands’ strategic transport network in order to strengthen economic relationships. Improvements to the region’s main East - West transport corridors are key to this
- More integration and collaboration between businesses and universities in science and innovation
- Embracing the industrial digitisation agenda and testing new approaches designed to tackle the region’s skills deficit in this area
- Targeted and tailored business support and awareness raising to make the most of international business opportunities in a post Brexit world
- Making the most of the Commonwealth Games, City of Culture and other high profile events to transform perceptions of the Midlands and create a “buzz” about the region
- Efforts to improve within sector/firm productivity levels, business growth and business start-ups across the Midlands.

Further reports underpinning the IER highlights set out here are available at:

www.midlandsengine.org/observatory

These include information on:

- The strengths, opportunities and challenges across each of our nine Local Enterprise Partnership areas
- The potential impact of Brexit on our economy, with our manufacturing strengths disproportionately impacted
- The long established disparity of public sector investment and public sector capacity in the region, compared to other regions of the UK
- The views of businesses on the barriers and opportunities facing the Midlands economy
- An analysis of the appropriate geographic scale of economic development interventions.
A key question posed for the IER was “What functions or activities does it make sense to discharge at the pan-regional level of the Midlands Engine?” Based on academic research, business feedback and the LEP-level profiles, the IER evidence suggests a rationale for effort at the Midlands level in terms of:

- **Advocacy, identity and promotion**, developing and communicating a coherent, compelling and consistent message/voice - both internally and externally
- **Genuinely strategic and evidence-based** decision-making, case-making and evaluation
- **Science and innovation**, including co-ordination between business/research assets, ensuring agendas are joined-up to maximise synergies, prioritisation and making the case for long-term investment
- **Internationalisation**, including inward investment
- **Infrastructure**, including transport, digital, utilities and energy, in terms of planning, coordination and securing the necessary investment
- **Business finance**, including money to “oil the wheels” of growth throughout supply chains
- **Skills** in terms of advocacy (recognising that responsibility for delivery lies elsewhere), for example to help create the conditions to attract/retain young talent and address key shortages/gaps for the Midlands’ priority sectors.

**A MIDLANDS LEVEL APPROACH**

**HOW MIDLANDS ENGINE CAN ACT NOW TO GROW OUR REGION**

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