Coventry & Warwickshire Business Intelligence

November 2023

Contents

All previous editions of the Coventry & Warwickshire Smart Region report can be accessed from our Publications page:

https://www.cwgrowthhub.co.uk/publications

For more details about CW Growth Hub, see our latest YouTube update:

https://youtu.be/bNAxSQlhpDE

1. Executive Summary

Welcome to the November 2023 edition of the Coventry & Warwickshire Smart Region report. Analysis in this month's report is based on intelligence from CW Growth Hub's contacts with local businesses, alongside survey data, information, and other intelligence provided by Coventry City Council and Warwickshire County Council.

Other sources include the Official National Statistics (ONS), Department for Education, CW Chamber of Commerce, FSB, Gov.uk, WM-REDI, and other specialist labour market research and analysis bodies.

CW Growth Hub Update

"The business community will have taken a keen interest in the Autumn Statement that was proclaimed would turbo-charge growth with a raft of measures aimed at encouraging investment. At the same time, the Office for Budget Responsibility downgraded the UKs growth forecast, and therefore any pro-growth measures aimed at stimulating a flat economy, should be welcomed. In recent newsletters I have suggested that rowing back on strategic commitments such as HS2 and Net Zero creates uncertainty and does little for business confidence.

The Autumn Statement outlined a package of 110 "pro-growth" measures, many of them aimed at taxation, with business groups welcoming the full expensing allowing companies to claim back 100% of investment in plant, machinery, and IT equipment against corporation tax, thus allowing them to plan for the medium and longer-term.

Approval for the Chancellor's measures is not universal however, with business rates that have been frozen or reduced since the pandemic beginning to unwind, putting increased pressure on our fragile retail sector. This has led to calls from the British Retail Consortium for a long overdue reform of the rates system to begin.

The absence of an industrial strategy in the UK leads to uncertainty and inconsistency, persuading investors to look elsewhere around the world. Therefore, the production of an "Advanced Manufacturing Plan" and a "UK Battery Strategy" is welcome news for Coventry & Warwickshire and goes a long way in securing the ambition for an Investment Zone to boost our expertise in these strategically important areas. The 'Made Smarter' programme, delivered by my team across the West Midlands, has highlighted the impact of digital technology in manufacturing and we are delighted that this is now being rolled out across the country and extended until 2030.

The only way to reduce the burden of debt and borrowing within our economy is to accelerate growth and productivity. It will take time to see whether the measures announced achieve their purpose."

Craig Humphrey, Chief Executive, CW Growth Hub

2. Latest Economic & Labour Market Trends

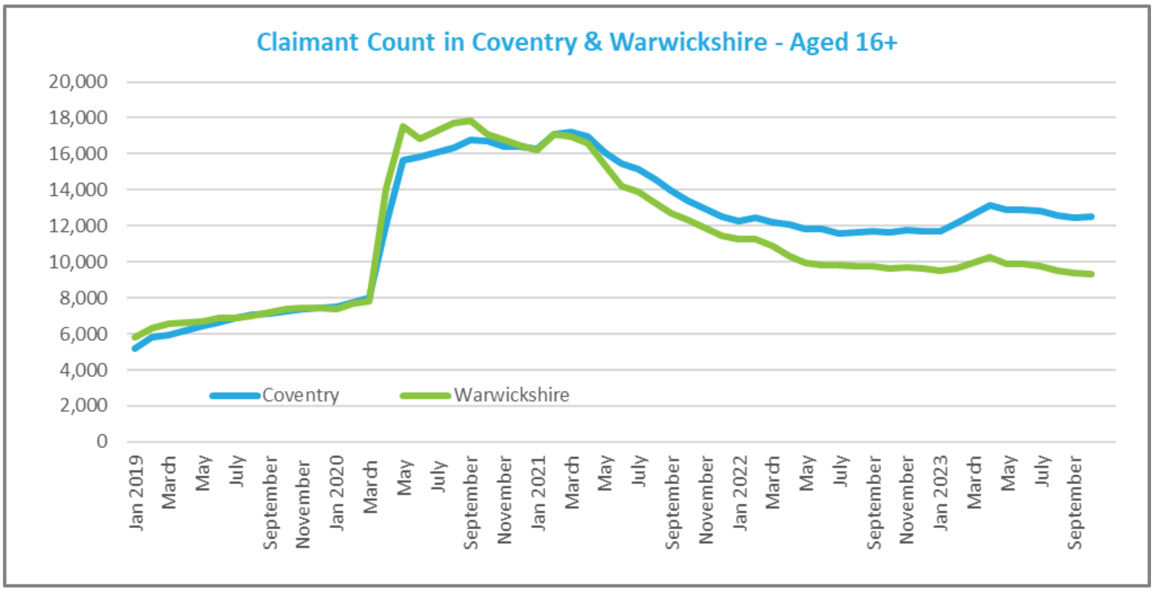
2.1 Labour Market Trends

- **In October 2023, the claimant count in Coventry & Warwickshire fell to 21,805 people.** At the start of the pandemic, over three years ago in March 2020, the claimant count stood at 15,830.

Area	March 2020	October 2022	August 2023	September 2023	October 2023
Coventry	8,000	11,615	12,605	12,455	12,505
North Warwickshire	845	985	985	955	930
Nuneaton & Bedworth	2,830	3,055	3,130	3,075	3,100
Rugby	1,535	1,910	1,970	1,945	1,925
Stratford-on-Avon	1,050	1,630	1,510	1,495	1,450
Warwick	1,570	2,070	1,935	1,925	1,895
Warwickshire	7,830	9,650	9,530	9,395	9,300
Coventry & Warwickshire	**15,830**	**21,265**	**22,135**	**21,850**	**21,805**

Source*: Office for National Statistics*

- **Over the past twelve months there has been an increase in the claimant count across Coventry & Warwickshire**, rising from a total of 21,265 this time last year, although the past couple of months have seen some falls in the total, with a larger fall between August and September.



Source*: Office for National Statistics*

- **There continues to be a slowly widening gap between the claimant counts in Coventry and in Warwickshire**.
- The falls in both counts slowed in early 2022, and have been relatively flat since then, except for the uptick in Coventry's count that occurred at the start of 2023.

The Office for National Statistics (ONS) also reported in November 2023 that nationally:

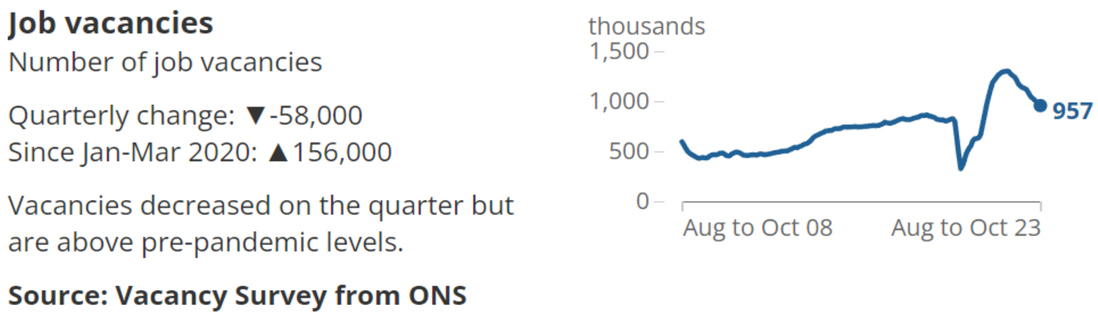
- **The estimate of payrolled employees in the UK for October 2023 has increased by 33,000,** on the revised September 2023 figure, to 30.2 million.

- **Experimental estimates of the UK employment rate for July to September 2023 show a 0.1 percentage point decrease on the quarter, to 75.7%.**

- **Similar estimates of the UK unemployment rate for July to September 2023 was unchanged on the quarter, at 4.2%.**

- **Economic Inactivity of working-age people during July to September 2023 was unchanged compared with the previous quarter, at 20.9%**.

- **In August to October 2023, the estimated number of vacancies in the UK fell by 58,000 on the quarter to 957,000.** Vacancies fell on the quarter for the 16th consecutive period. The fall occurred in 16 of the 18 main industry sectors.



***Source**: Office for National Statistics*

- **Annual growth in regular pay (excluding bonuses) in Great Britain was 7.7% in July to September 2023**, slightly down on previous periods but still among the highest regular annual growth rates since comparable records began in 2001.

- **Annual growth in employees' average total pay (including bonuses) was 7.9%.** In real terms (adjusted for inflation using Consumer Prices Index including owner occupier's housing costs (CPIH)), annual growth for total pay rose on the year by 1.4%, and regular pay rose on the year by 1.3%.

- **There were 229,000 working days lost due to labour disputes in the UK in September 2023**. Most of these strikes were in the education and the health & social work sectors.

2.2 Economic Trends

The Economic Development Service at Coventry City Council have compiled 'Business and Economy Briefing' highlights this month:

Economic Growth

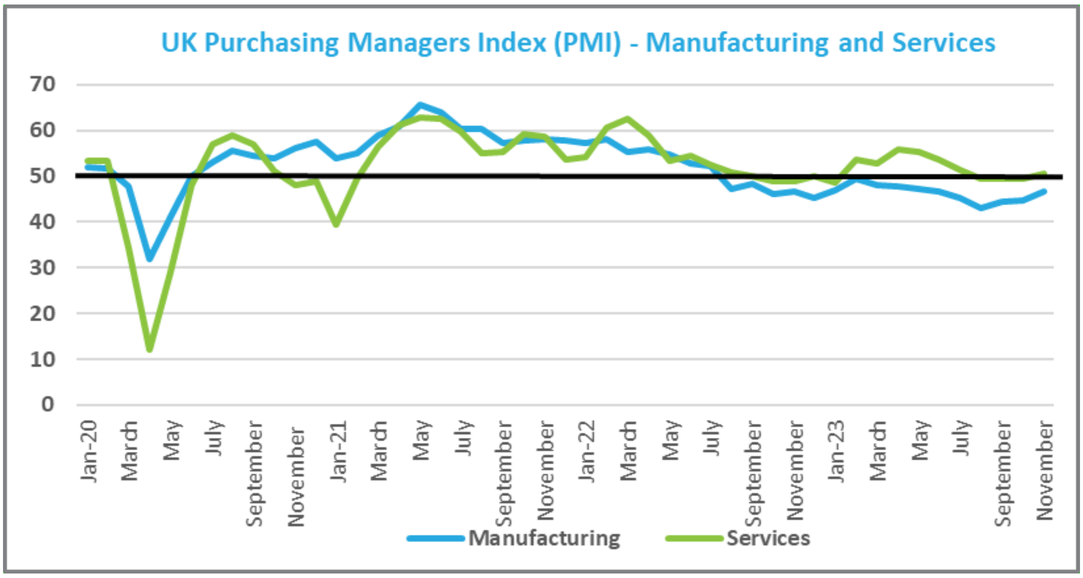
- **UK GDP grew by 0.2% in September following growth of 0.1% in August. The economy is now 1.8% above pre-Covid pandemic levels.** The highest growth was seen in the arts, entertainment, and recreation sector, which grew by 2.3%.

- **UK headline inflation fell to 4.6% in October from 6.7% in September and is now at the lowest level in two years.** The main reason for the fall was lower energy prices. In the year to October 2023, the cost of gas fell by 31%, whilst electricity costs fell by 15.6%.

- **The Bank of England voted to hold base interest rates at 5.25%.** However rates are likely to remain high for longer than anticipated. The British Chambers of Commerce highlighted that high rates will be a major barrier to growth, especially in smaller firms, by raising borrowing costs and slowing consumer demand.

- **Prior to the Autumn Statement, the King's Speech outlined a Bill to support the safe commercial development of emerging industries, such as autonomous vehicles.** This is particularly relevant to Coventry & Warwickshire's economy, and Aurrigo International's CEO indicated that the Bill would **provide an additional investment boost to the sector.**

Business Confidence



***Source**: Trading Economics*

- **The UK Purchasing Managers Index (PMI) for manufacturing increased slightly in November from a revised 44.8 in October to 46.7** (a figure above 50 represents growth, and contraction below 50). The manufacturing PMI has not been above 50 since July 2022. The emerging uptick in the PMI is very welcome although reduced consumer demand, the delayed delivery of inputs, energy costs, labour shortages, and high labour costs are contributing to overall subdued confidence.

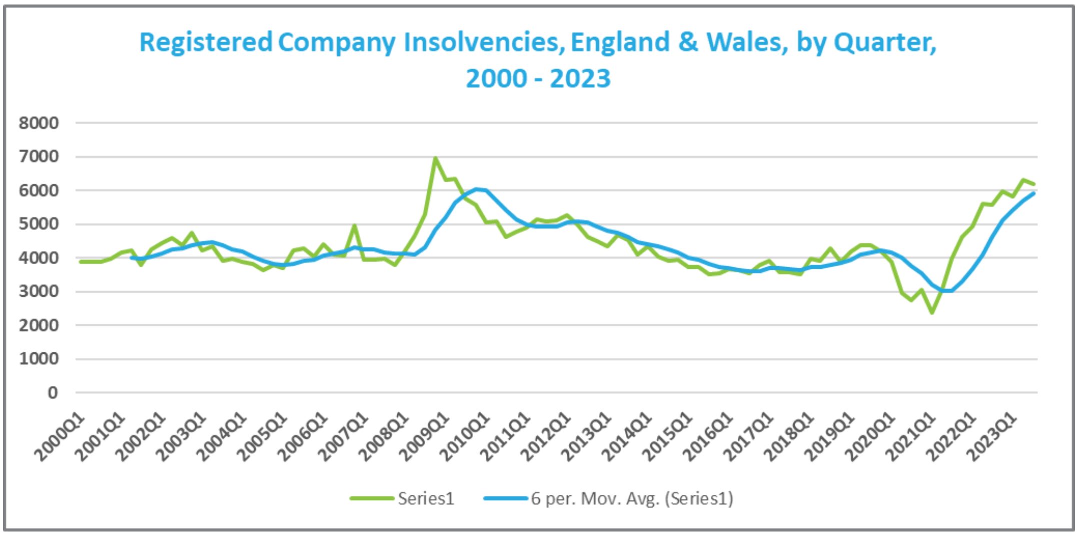
- **Meanwhile, the services PMI jumped to a 4-month high in November to 50.5 from a revised 49.5 in October.** The services PMI had been above 50 since the beginning of the year but has been pointing downwards over the Spring and Summer months.

- **Business activity in the West Midlands moved into positive territory with a score of 50.7 in October, according to the latest NatWest PMI report**. The West Midlands was one of only three areas with a positive score, alongside London (53.8) and the South-West (50.1). The West Midlands was boosted by new business growth in October with London being the only other region to record a positive score among a general picture of weaker demand for goods and services.

- **The positive pattern for regional business confidence were also reflected in the latest ONS Business Insights Survey.** This showed 25.1% of West Midlands businesses reported an increase in turnover over the previous month, whilst 22.1% reported a decrease, and 44% reported turnover remaining the same.

- **However, there was less optimistic news from the latest FSB West Midlands Quarterly Small Business Index. The Q3 survey found confidence levels amongst small business owners declining further**, following a sharp decline in Q2, and currently places the West Midlands below the UK average. Revenues were down overall, with 10% more respondents reporting a decline rather than an increase.

- **There were 6,208 company insolvencies between August and October 2023 in England & Wales,** a 10.2% increase on the August to October 2022 return. The trend in company insolvencies remains high, approaching the levels following the financial crash in 2008.



***Source**: Insolvency Service*

Business Challenges

- **The latest ONS Business Insights Survey (BIS) finds that falling demand for goods and services is the most common concern for WM businesses currently.** Businesses identifying this as a concern increased to 21.9% in November and is 3.6% percentage points higher than in October and 4.5% points higher than in September.

- **Concerns remain around impediments to international trade, with 21.7%** of West Midlands businesses reporting they were exporting less than they were this time last year. However, this figure was lower than the national figure of 23.1%.

- **Additional red tape was cited as one of the primary impediments to exporting, with 43.2% of firms in the West Midlands reporting that Rules of Origin were placing an extra administrative burden.** Some 6.4% of the region's businesses indicated they have goods or services that could be developed for export.

- The picture around imports was more balanced, with 14.4% of West Midlands firms importing more than 12 months ago and 14.4% importing less.

- **Some 22.5% of West Midlands reported labour shortages** and businesses are reporting demand across a wide range of occupations and skills.

Jobs News

- **JLR have opened a new £130m Bodyshop** at their Solihull plant to cope with increased demand.

- **50 new jobs in Coventry have been announced at a new state-of-the-art production facility led by Hyperbat**, a manufacturer of electric vehicle battery packs.

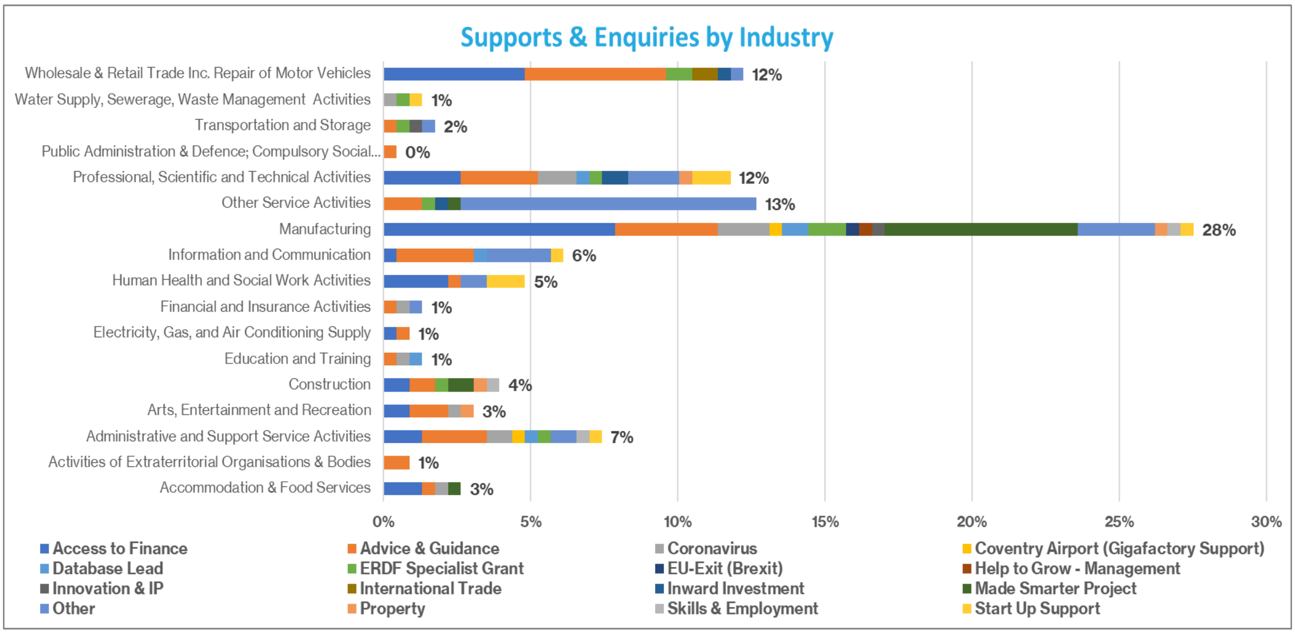
- **Dozens of new jobs to be created as Corona Energy** move into refurbished office buildings.

- **Octopus Energy have announced a relocation of their head office** operation to Coventry from Leamington Spa, to safeguard jobs and allow for future growth.

3. Latest CW Growth Hub Insights

3.1 CW Growth Hub – Support & Enquiries

Since the start of the Covid-19 pandemic in March 2020, CW Growth Hub has held 6,107 engagements with local businesses, including substantive discussions covering a wide range of issues impacting on potential current and future growth.



NB: Figures have been rounded.

This month's business insights are taken from intelligence gathered in **October 2023.** The chart shows the supports and enquiries made by sector.

Advice & Guidance and Access to Finance were the most popular reasons for support/enquiries over the past month, although there was also a spread across other enquiry types. These include guidance provided around the **Made Smarter programme, ERDF Specialist Grants, and Other Support.**

The main sectors supported by CW Growth Hub were Manufacturing (28%), followed by **Other Service Activities (13%), Professional, Scientific & Technical Activities (12%),** and **Wholesale & Retail Trade Including Repair of Motor Vehicles (12%).**

The size profile of businesses supported over the past month consisted of **35.5% Micro businesses (2-9 employees), 28% Small businesses (10-49 employees), 26% Sole Traders, 10% Medium sized businesses (50-249 employees), and 0.5% Large businesses (250+ employees)** – 200 out of 230 businesses stated their size.

There was an **increase in Small and Medium sized businesses** and a **decrease in Sole Traders, Micro and Large Enterprises** approaching CW Growth Hub compared to the previous month. Around 27% of respondents came from businesses that have started trading since 2020 – 195 out of 230 businesses stated their incorporation date.

3.2 CW Growth Hub – Current Themes

CW Growth Hub Account Managers reported this month:

Local Business Intelligence

- **Energy Costs** – Continuing impact on businesses, including those on fixed-term deals which are coming to an end switching to new standard tariffs. Three to fourfold price increase in gas and electricity prices appears to be common.

- **Investment** – Enquiries from local Electric Vehicle Manufacturers, looking to secure higher value investment to support future product development and innovation. Private sector accelerator schemes and investment readiness support programmes are proving vital.

- **Supply Chains –** There is a trend to localise materials and service supply chains not just within UK borders but regionally in the West Midlands. This has helped businesses to build resilience, reduce risks, and bring down costs.

- **Conflicts in Ukraine, Israel, and Gaza** – Concerns are being raised about the political impact of the wars in Ukraine and now in Israel and Gaza. Following recent local protests, businesses involved in the production of military defence products are reporting concerns.

Business Needs and Concerns

- **Staff Shortages and Lack of Skills** – Lack of Teaching Assistants and Supply Teachers made a 12% increase in costs in the education sector. Shortage of CAD Designers and Welders posing a risk for the delivery of contracts in the manufacturing sector. Similarly, a shortage of care workers being reported, impacting on care homes seeking to adequately meet the needs of residents.

- **Wage Inflation** – Although vacancies are increasing, businesses are continuing to struggle to meet wage demands. The lack of temporary staff, especially in the construction sector, is driving up the hourly rate for staff.

- **Apprentices** – Although some businesses are struggling to match a course to the job, many businesses are seeing the benefit of recruiting and training apprentices to develop the future workforce.

Economic Shocks or Opportunities

- **Recruitment –** Over the last month, there have been notable increases in roles in both the logistics and digital & creative sectors, especially for roles in the £23,000 to £35,000 pay bracket.

4. Spotlight: Autumn Statement 2023

This month's spotlight focuses on the recent Autumn Statement. The key objectives the Chancellor set out were to reduce debt, cut taxes, and reward work, whilst also backing businesses and sustainable energy measures.

In this section we focus on the key impacts of the Autumn Statement for business, and some of the reaction from business representatives and trade bodies.

Economy and Public Finances

The Chancellor's fiscal package includes **110 measures aimed at boosting economic growth**:

- The independent Office for Budget Responsibility (OBR) expects the **economy to grow by 0.6% this year and 0.7% next year**, rising to 1.4%in 2025; 1.9% in 2026; 2% in 2027, and 1.7% in 2028.
- The OBR forecasts that **inflation will fall to 2.8% by the end of 2024 and** is expected to fall further to the **2% target in 2025.**
- **Living standards are forecast to be 3.5% lower in 2024-25** than their pre-pandemic level. This is measured by the Real Household disposable Income (RHDI) per person.
- The OBR estimates that the **reduction in the rate of National Insurance contribution (NICs)** will **boost real household incomes by 0.5%** by the end of 2028.
- The OBR forecasts the underlying **public sector debt to be 91.6% of GDP next year**; 92.7% in 2024-25; 93.2% in 2026-27; before falling to 92.8% in 2028-29.
- **Borrowing is forecast to fall from 4.5% of GDP in 2023-24**; to 3% in 2024-25; 2.7% in 2025-26; 2.3% in 2026-27; 1.6% in 2027-28, and 1.1% in 2028-29.

Taxation and Wages

The Government is cutting National Insurance contributions for an estimated 29 million employees, from January 2024 onwards. There is also an increase in the National Living Wage. The new rate applies to 21 and 22-year-old workers for the first time rather than just those aged 23 and over.

- **Class 1 employee National Insurance Contributions will be cut from 12% to 10% from 6th January 2024**.
- **Class 2 National Insurance Contributions** paid by self-employed people earning more than £12,570, **will be abolished from April 2024.**

- **Class 4 National Insurance Contributions** for self-employed (paid on profits between £12,570 and £50,270) **will be cut from 9% to 8% from April 2024.**
- From **1st April 2024, the National Living Wage (NLW) will increase** by 10pc **from £10.42 to £11.44 an hour**. Young people and apprentices on the National Minimum Wage (NMW) will also see a boost to their wages.
- **Vehicle Excise Duty (VED)** and the **Heavy Goods Vehicle (HGV) taxes** will **remain frozen** during the year from April 1, 2024.

Business and Infrastructure measures

- **To attract investment into strategic manufacturing** sectors, funding of **£4.5bn** has been announced via the new Advanced Manufacturing Plan. This fund covers:
    - **£960m for green industries**
    - **Over £2bn for the Automotive sector**
    - **£975m for the Aerospace sector**
    - **£520m for Life Sciences**
    - **Made Smarter adoption programme** will be expanded to help more manufacturing SMEs use advanced digital technologies (currently being delivered in the West Midlands via CW Growth Hub leading). The scheme will be rolled out across **all English regions in 2025-26,** before working with the Devolved Administrations to make the programme UK-wide from 2026-27.
- **New Investment Zones** were announced for the West Midlands, East Midlands, Greater Manchester, as well as Wrexham and Flintshire.
- **Financial incentives for Investment Zones and tax relief for Freeports** have been extended from five years to ten years.
- **Full expensing, allowing businesses to claim 100% of capital allowances** on qualifying plan and machinery investments, to be made permanent.
- **New R&D tax relief will be created,** merging the existing R&D expenditure credits and SME schemes. This will **reduce the rate of tax** for loss-making companies from **25% to 19%.** The intensity threshold in the R&D intensives schemes will be reduced from **40% to 30%** allowing around **5,000 extra SMEs** to qualify for an enhanced rate of relief.
- The 75% **business rates** discount for retail, hospitality, and leisure firms in England has been **extended for another year**.
- Over the next two years Government will fund **£500m** for the **Artificial Intelligence (AI)** innovation centres.

- The Government announced **premium Planning services** allowing councils to **receive free of charge application processing** along with a **refund of the fees** from major business and infrastructure projects in return for meeting shorter deadlines and timescales.
- **Households living near infrastructure projects** such as new pylons and transmission infrastructure will **receive up to £1,000** a year energy bill rebate for **10 years**.

Skills

- **£50m funding** over the next two years to pilot **new ways to increase apprentices in Engineering and other key growth sectors** where there are current shortages.

Benefits and Pensions

- In line with September's inflation rate, **from April 2024, the Universal credit and other working-age benefits will increase by 6.7%** in England and Wales.
- **Work Capability Assessment will be reformed** to reflect availability of home working after the Covid-19 pandemic.
- **Funding of £1.3bn over the next five years to help people with health conditions to find jobs, with a further £1.3bn to help people who have been unemployed for over a year.**

Industry Responses to the Autumn Statement

Rain Newton-Smith, CBI Chief Executive, said:

"With tough decisions to be made, the Chancellor was right to prioritise 'game-changing' interventions that will fire the economy.

Helping firms to unleash pent-up investment is critical to getting momentum into the economy. Making full expensing permanent will give firms the stability they need to press on with decisions on investment whilst keeping the UK at the top table internationally for investment incentives.

Moves to speed up planning and grid connectivity should also bolster business confidence to invest in high growth areas like green technologies, renewable energy, and advanced manufacturing."

Louise Hellem, CBI Chief Economist, said:

"With many firms bracing for a significant hike in business rates next year, the Chancellor's focus on smoothing the edges for SMEs and targeted support for key sectors is understandable, but ultimately leaves a number of firms facing rising costs at a difficult moment in the economic cycle."

Tina McKenzie, Policy Chair at the Federation of Small Businesses (FSB), said:

"Jeremy Hunt has ... taken very welcome action on late payments, small businesses' rates, and self-employed taxation. Small businesses – and the 16 million people who work for them – are the route to future growth that will raise living standards across the whole country.

The Chancellor and his Treasury team deserve credit for driving pro-small business change and for listening to and working closely with FSB and its small business members to address the real concerns of businesses and acting to help build future prosperity."

British Chambers of Commerce Director General, Shevaun Haviland, said:

"The Chancellor has stayed true to his word in focusing on financial stability and targeting support for the most vulnerable in society. But in the teeth of a recession, this statement will not increase business confidence.

"Businesses will look at today's announcements and welcome support with business rates, and retention of the employment allowance, though the reduction in the dividend allowance will impact many smaller firms.

"The Government must do more to improve conditions for businesses to invest and grow, otherwise we will be starting from a weak base to power our recovery once global economic conditions stabilise."

Corin Crane, Chief Executive at the Coventry & Warwickshire Chamber of Commerce, said:

"The budget hasn't really helped to address the long-term issue that businesses are having with filling skilled vacancies, and further clarity is needed from the Government on how this generational problem is going to be addressed.

"That said, I am glad the commitment to Investment Zones still stands at a time when our need for a UK Gigafactory based in Coventry & Warwickshire is critical, and we hope progress here is now quick and commercially focused."

Logistics UK praised the full expensing reform but pointed out it is unclear whether installing the infrastructure required to help industry decarbonise – a key factor in the journey to Net Zero – would be eligible for the scheme.

The SMMT welcomed the announcement of £2bn for zero emission advanced automotive manufacturing. The body also called on the roll out of the Harrington Review to speed up Foreign Direct Investment processes, and for Government to do more to support consumers to make the switch to zero emission vehicles.

5. Recommendations

This month's recommendations are made with a focus on the Chancellor's Autumn Statement on November 22nd, 2023.

November's Golden Recommendation:

Following the announcement of £4.5bn funding for manufacturing, including £2bn for the automotive sector and for strategic capital investments, R&D, and supply chain development programmes especially for Low Emission Vehicles and their batteries, it is important that Coventry & Warwickshire partners continue to work closely together to successfully secure funding for projects that will accelerate the growth of local sustainable Future Mobility supply chains.

The following recommendations have been derived from analysis of macro-economic and business-level data and intelligence collated from Coventry & Warwickshire stakeholders. We begin with short-term recommendations:

a. Short Term

5.1.a – The announcements in the Autumn Statement need to rapidly deliver significant and impactful outcomes related to:

- Kick-starting growth in the currently stagnating economy
- The tax incentives announced helping to stimulate the Green Economy
- The announcements on investment in battery technologies, electric vehicles (EVs), and EV infrastructure need to start being delivered against
- Delivery of more intensive support for exporters via additional Department for Business & Trade capacity and interventions needs to happen.

5.1.b - With the West Midlands Gigapark now formally named as a site for Tax Incentives and Business Rate Growth Retention, it is crucial that local partners continue to work effectively with WMCA to ensure that the Investment Zone "flexible funding" package contains suitable provisions for supply chain, innovation, and R&D. This should have the focus to address barriers to growth in Future Mobility sectors, especially where the region has potentially strong competitive advantage.

b. Medium Term

Further initiatives that would help the local economy and the labour market in the medium term include the following recommendations:

5.2.a – Funding for the next round of Local Skills Improvement Plans is used effectively so that it can continue to build on the momentum generated through the work to date and enable a more joined-up approach with other local and regional business support activities related to skills improvement.

5.2.b - It will be critical that the Government provides the necessary investment in the skills required to provide the workforce needed to support the West Midlands Gigapark and local supply chains. There needs to be a coordinated approach between Government, local authorities, schools, universities, and Further Education colleges, to ensure the appropriate skills gaps are identified and adequately planned for.

5.2.c - Following the scrapping of HS2 Phase 2, it is vital that Government continues to invest in transport infrastructure in our region. This includes prioritising Very Light Rail (VLR), to see it through from concept to full roll out of the early routes, as well as strengthening transport connections between Coventry & Warwickshire and the East Midlands, particularly Leicester and Nottingham.

c. Long Term

Businesses and the economy would benefit if both central government and local stakeholders support these long-term recommendations:

5.3.a – The long-term uncertainty facing business support funding needs addressing. UKSPF is due to end in March 2025, and plans for the successor fund need to start swiftly. Moreover, these need to include clarity on future funding for Growth Hubs.

Successor funding needs to improve on the experience of UKSPF, and have flexibility to cover wider geographical areas, such as being Coventry & Warwickshire-wide. The funds need to better finance both account management type business support, as well as a sufficient range of targeted support programmes that will enable business growth, innovation, and deliver the sustainable growth of priority economic sectors/clusters in our local economy

5.3.b - Providing high quality support to businesses should be seen as a strategic intervention in both short and long-term economic recovery and success. It is essential we keep pace with our competitors but in a landscape that is crowded, confusing, and often supplier led, we need to reduce the fragmentation in the business support system, simplifying it for those we engage, the business community. **Taking a longer-term view on support will give businesses the stability they need.**

5.3.c – More sub-national investment is needed to build long-term sustainable growth opportunities for Coventry & Warwickshire. This needs to include resource and capacity linked to:

- Building sustainable local supply chains
- Developing the Green Economy
- Internationalisation and intensive support for exporters.