



Coventry & Warwickshire Business Intelligence

October 2023

Contents

1. Executive Summary	2
2. Latest Economic & Labour Market Trends	3
2.1 Labour Market Trends	3
2.2 Economic Trends	5
3. Latest CW Growth Hub Insights	8
3.1 CW Growth Hub – Support & Enquiries	8
3.2 CW Growth Hub – Current Themes	9
4. Spotlight: Party Conference Announcements	11
5. Recommendations	14
a. Short Term	14
b. Medium Term	15
c. Long Term	15

All previous editions of the Coventry & Warwickshire Smart Region report can be accessed from our Publications page: <https://www.cwgrowthhub.co.uk/publications>

1. Executive Summary

Welcome to the October 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

"In recent times, Business Support in the UK has been underpinned by programmes, predominantly funded via the EU, and the transition to a new system to deliver the government's ambitions to support business was never going to be easy. However, in my view the transition has taken too long. Our business community have had to deal with crisis after crisis post-pandemic, and yet it is only now that programmes funded by the UK Shared Prosperity Fund are becoming available, as welcome as that is.

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 system, simplifying it for those we engage, the business community. Taking a longer-term view on support will give businesses the stability they need.

During the political party conferences, there was increased focus on delivering and supporting economic growth, with the result being that its stimulation, acceleration, and maintenance was thrust to the centre of national, regional, and local agendas. The public sector will have to rise to the challenge of seeking to deliver growth in the context of budget constraints, not least because of the direct relationship between growth and the requirement for services: as population grows so does demand for mandatory services, placing ever-increasing pressures on reducing budgets.

The public sector will need to become more creative and develop innovative solutions to long-standing market failures, adapting standard national policies, products and services, so that they are genuinely local solutions. This cannot be achieved in isolation and there is a clear role for both the public and private sector in stimulating growth, one that builds on the distinctive character of place. A key factor in creating a stable platform for growth is a robust, evidence-based understanding of the locality, which is why I am confident that the partnerships between the Growth Hub and public stakeholders will continue to deliver the growth Coventry & Warwickshire requires to bring sustained prosperity."

Craig Humphrey, Chief Executive, CW Growth Hub

2. Latest Economic & Labour Market Trends

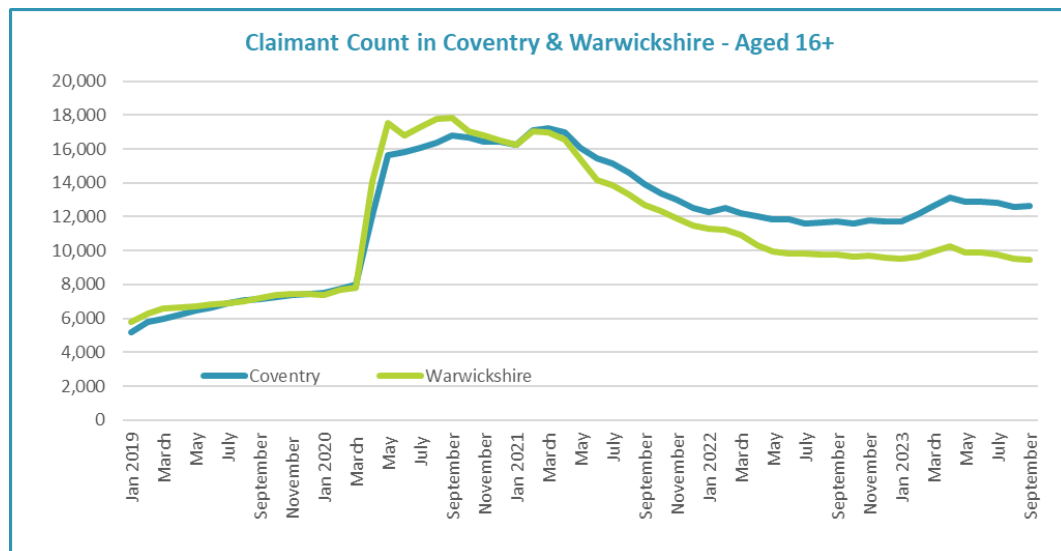
2.1 Labour Market Trends

- In September 2023, the claimant count in Coventry & Warwickshire fell to **22,075 people**. At the start of the pandemic, over three years ago in March 2020, the claimant count stood at 15,830.

Area	March 2020	September 2022	July 2023	August 2023	September 2023
Coventry	8,000	11,690	12,905	12,830	12,630
North Warwickshire	845	1,010	1,005	980	950
Nuneaton & Bedworth	2,830	3,120	3,165	3,235	3,135
Rugby	1,535	1,920	2,065	2,020	1,965
Stratford-on-Avon	1,050	1,645	1,580	1,510	1,490
Warwick	1,570	2,075	2,055	2,020	1,905
Warwickshire	7,830	9,770	9,870	9,765	9,445
CWLEP	15,830	21,460	22,775	22,595	22,075

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 21,460 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 October 2023 that nationally:

- **The estimate of payrolled employees in the UK for September 2023 remained largely unchanged**, down 11,000 on the revised August 2023 figure, to 30.1 million.
- **Experimental estimates for June to August 2023 show a 0.3 percentage point decrease in the UK employment rate to 75.7%** compared with the previous quarter (March to May 2023).
- **Experimental estimates for June to August 2023 show a 0.2 percentage point increase in the UK unemployment rate to 4.2%** compared with the previous quarter (March to May 2023).
- **Experimental estimates for June to August 2023 show a 0.1 percentage point increase in the UK economic inactivity rate to 20.9%** compared with the previous quarter (March to May 2023).
- **In July to September 2023, the estimated number of vacancies in the UK fell by 43,000 on the quarter to 988,000.** Vacancies fell on the quarter for the 15th consecutive period.

Job vacancies

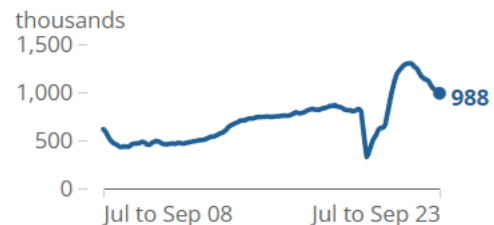
Number of job vacancies

Quarterly change: ▼ -43,000

Since Jan-Mar 2020: ▲ 187,000

Vacancies decreased on the quarter but are above pre-pandemic levels.

Source: Vacancy Survey from ONS



Source: Office for National Statistics

- **Annual growth in regular pay (excluding bonuses) in Great Britain was 7.8% in June to August 2023**, similar to recent periods and one of the highest regular annual growth rates since comparable records began in 2001.
- **Annual growth in employees' average total pay (including bonuses) was 8.1%. This total annual growth rate is affected by the NHS and Civil Service one-off payments made in June, July, and August 2023.** 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 1.3%, and regular pay rose on the year by 1.1%.
- **There were 119,000 working days lost because of labour disputes in the UK in August 2023.** Most of the strikes were in the health and social work sector.

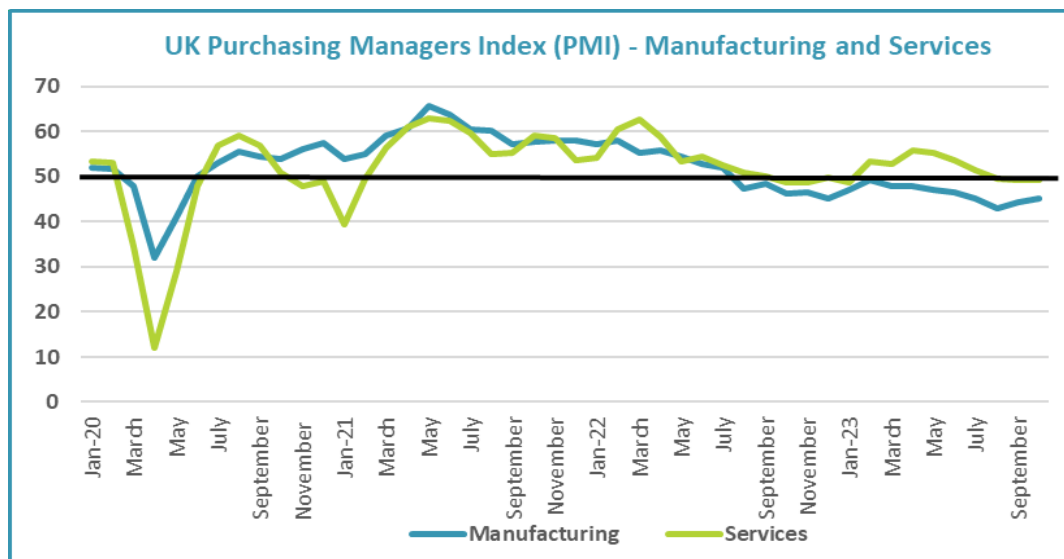
2.2 Economic Trends

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

Economic Growth

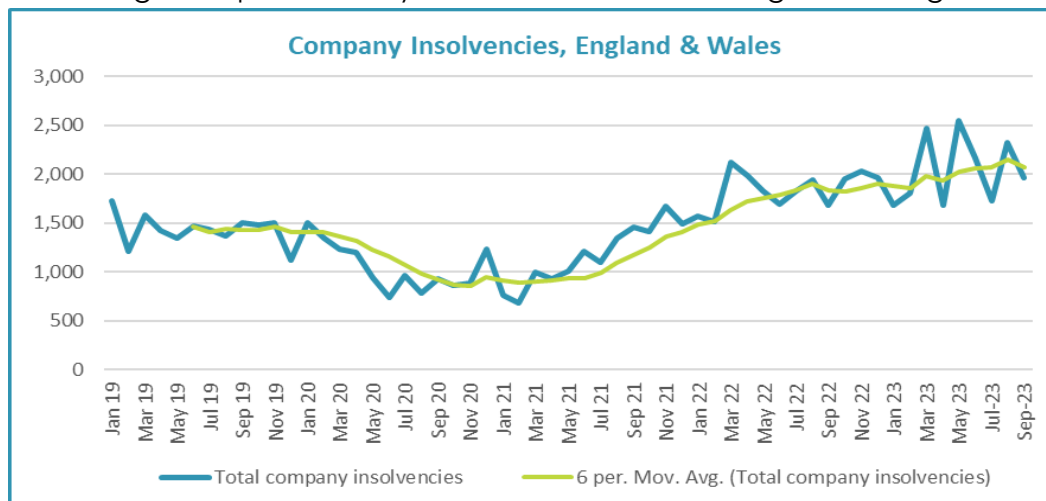
- UK GDP grew by 0.2% in August following a 0.6% contraction in July. Services grew 0.4%, offsetting falls in both Production and Construction.** Growth this month was limited by industrial action affecting several sectors including health and transport, as well as the negative impact of the US film and TV writers strike, which has impacted on large parts of the UK film industry.
- UK inflation remained at 6.7% in September, despite forecasters predicting a modest 0.1 percentage point fall.** The parity was partly a result of rising oil prices, a result of concerns over renewed conflict in the Middle East. Despite the UK now having the highest inflation in the G7, Government is keeping its position that the UK will meet the target of halving inflation to below 5.1% by December.
- The British Chambers of Commerce highlight that prices in the Production sector continue to fall, but the challenges of both high inflation and high interest rates are still posing challenges for businesses.** They have called for Government to give greater clarity on interest rates, as well as a longer-term plan for growth in the economy, focusing on skills, infrastructure, and alleviating trade barriers.
- The latest IMF World Economic Outlook has upgraded its forecast for the UK economy, but still expects the UK to see the lowest growth of any G7 country in 2024.** After predicting in January that the UK economy will shrink by 0.3% this year, the **IMF is now forecasting growth of 0.5% in 2023 and 0.6% in 2024.**

Business Confidence



Source: Trading Economics

- **The UK Purchasing Managers Index (PMI) for manufacturing increased slightly in October from a revised 44.3 in September to 45.2** (a figure above 50 represents growth, and contraction below 50). The manufacturing PMI has not been above 50 since July 2022. Although showing signs of an uptick, reduced consumer demand, the delayed delivery of inputs, energy costs, labour shortages, and high labour costs are contributing to overall subdued confidence.
- **However, the services PMI fell in October to 49.2 from a revised 49.3 in September.** 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 negative territory for the first time this year, [according to the latest NatWest PMI report](#).** The Business Activity Index fell from 50.0 in August to 49.3 in September, a fall largely put down to a reduction in consumer orders. **However, the results show that the WM performance is better than many other regions.**
- **Conversely, and more locally, the economic and business outlook in Coventry & Warwickshire is improving, according to the CW Chamber Q3 2023 Economic Survey.** The overall outlook has risen from 50.6 to 62.3, with manufacturing seeing a rise from 52.7 to 71.5, with local manufacturers benefitting from a significant boost in both domestic and overseas sales.
- **Despite the improvements in local business confidence, CW Chamber remains concerned about sluggish economic growth and the ongoing recruitment difficulties and skills and labour shortages.** Greater Birmingham Chamber has [launched the 'Business Commission West Midlands'](#) in partnership with the Black Country and CW Chambers. The Commission is comprised of leaders in enterprise, supported by an expert advisory panel, reporting in March 2024.
- **There were 1,967 company insolvencies in September 2023 in England & Wales,** a 17% increase on the September 2022. The trend in company insolvencies remains high, despite volatility in the month-to-month figures throughout 2023.



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 from 17.4% last month to 18.3% in October. Inflation and energy prices also remain concerns.
- **One in five West Midlands businesses reported a decrease in performance compared with this month last year. Just 28.7% said that their performance had increased.** In a similar vein, 12.7% of businesses are planning decreases in capital expenditure over the next three months, with only 13.3% expecting it to increase it. These point to an economy remaining relatively stagnant.
- **Recruitment difficulties continue to trouble WM firms, with 26.4% experiencing challenges staff hiring in September.** These were felt across all occupations, but most notably for skilled, unskilled, clerical, and managerial workers.

International Trade

- **There was a downturn in UK export activity in August, following gains in the previous month.** Export volumes to the EU fell 1.8% and to rest of the world 7.2% month-on-month (after removing the effects of inflation).
- **The ONS Business Insights and Conditions survey shows that 33% of West Midlands businesses have exported in the past 12 months (above the UK average of 27%), with a further 7.5% having products or services that with the potential to be exported with further development.** Just 12.8% of West Midlands internationally trading firms were exporting more than 12 months ago, lower than the UK average of 16.5%, with 23.2% exporting less.
- **There is clearly a need for further interventions to reduce barriers to international trade. These could include provision of resource for more intensive international trade and financial support on market awareness, routes to market, and administration requirements.** Expanding the scale of specialist support for international trade should be a priority for regional business support funding, including possible use of unallocated WM UKSPF.

Automotive & Future Mobility Sector News

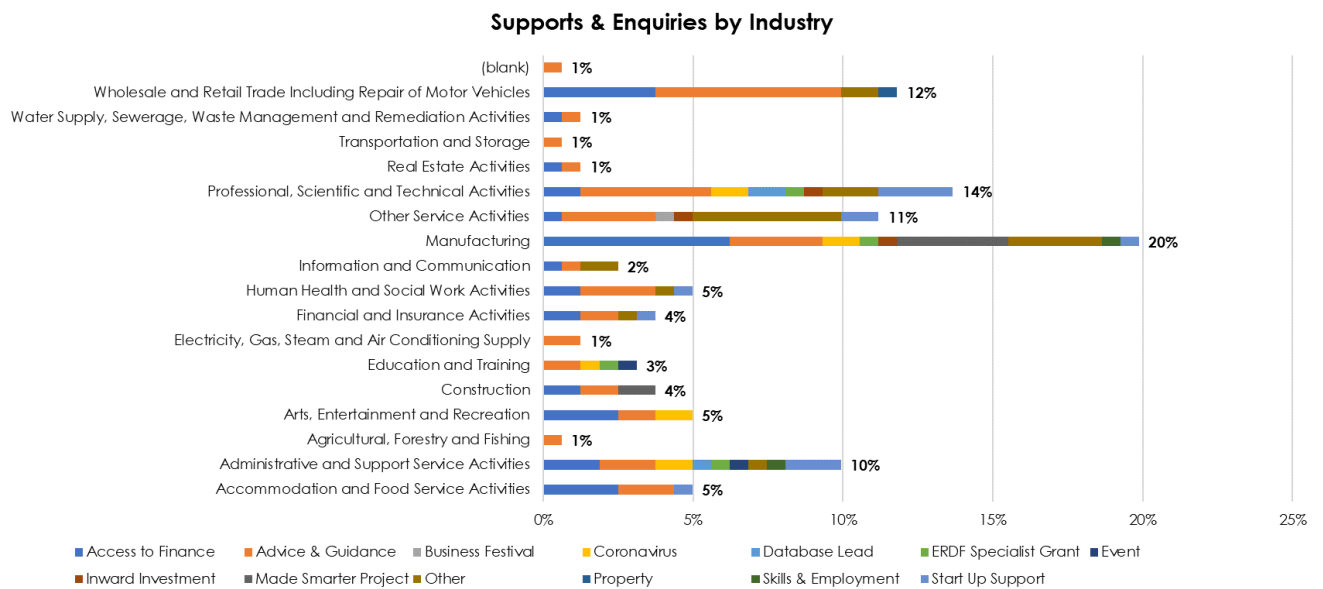
- **A new [£89m national fund has been created](#) to launch 20 projects to put the UK at the forefront of zero emission vehicle technology.** The fund will be administered by the Advanced Propulsion Centre (APC), based at WMG, University of Warwick. The projects will look at a range of emerging technologies, from net zero tractors to cutting-edge battery projects. One of the projects (c£9m) is Aston Martin's plan to develop a luxury battery Electric Vehicle platform, supporting [2,500](#) local jobs.
- **Separately, [JLR](#) has also unveiled its new £250m test facility at Whitley, Coventry, for purely electric models, which plans to create 350 jobs.**

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 5,877 engagements with local businesses, including substantive discussions covering a wide range of issues impacting on potential future growth.

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



Advice and Guidance was the most popular reason for support/enquiries over the past month, although there was also a spread across other enquiry types. In addition, businesses highlighted **Access to Finance** as a key requirement for support. There was also guidance around the **Made Smarter programme, Start-Up Support, and Other Support**.

The main sectors supported by CW Growth Hub were Manufacturing (20%), followed by Professional, Scientific & Technical Activities (14%) and Wholesale & Retail Trade Including Repair of Motor Vehicles (12%).

The size profile of businesses supported over the past month consisted of **30% Sole Traders, 36% Micro businesses (2-9 employees), 27% Small businesses (10-49 employees), 4% Medium businesses (50-249 employees), and 3% Large businesses (250+ employees)** – 140 out of 161 businesses stated their size of profile.

There was an **increase in Sole Traders** and a **decrease in Micro, Small, Medium and Large Enterprises** approaching CW Growth Hub compared to the previous month. Around 32% of respondents came from businesses that have started trading since 2020 – 140 out of 161 businesses stated their incorporation date.

3.2 CW Growth Hub – Current Themes

CW Growth Hub Account Managers reported this month:

Local Business Intelligence

- **Materials & Components** – Prices of materials and components are continuing to fluctuate, due to continued high demand, leading to preferences for local sourcing. Some businesses are using alternative suppliers, but reporting varying quality, particularly with steel and aluminium.

Component supply shortages have eased, however forecasting supplies for order books is requiring more careful planning to ensure uninterrupted business continuity.

- **Interest Rates** – Base rates have risen over the past 18 months, slowing the property market, and reducing private work for construction workers and householder traders. Housebuilders also highlighting growing difficulties in selling new-build properties.
- **International Trade Frictions/Customs Delays** – Mishandled paperwork is continuing to cause delays in releasing container imports, adding three to four weeks to delivery lead times.

Concerns about HMRC audits leading to worsening delays, leading some businesses to consider moving their operations abroad.

- **Net Zero** – There is strong appetite from businesses to become more energy efficient, driven by pre-existing carbon reduction goals and the impact of rising energy costs. Successful carbon saving projects have led to substantial bill reductions, with one business saving over £20,000 per year through measures such as solar installations and other machine efficiencies.

Business Needs and Concerns

- **Wide Ranging Support (Non-Financial)** - Some businesses seeking tailored investment and growth support. Topics discussed with CW Growth Hub Account Managers included production line planning and lean methodologies, lead generation, sales & marketing, exit strategies, tender applications, business plan writing, and general business mentoring. Social media marketing was also a requested topic for support.
- **Flexible Working Environments** – Businesses looking to attract apprentices are reporting how they are modernising their facilities, and taking a more flexible approach to work environments, to appeal to potential new apprentices and the next generation workforce.

- **Property** – Commercial properties appear to be in short supply, hindering expansion for manufacturing and commercial businesses looking to grow.

Economic Shocks or Opportunities

- **Future Business Strategy and Diversification** – Account Managers often hear from businesses planning their future strategic direction. An example last months included a local fibre communications business looking to diversify once mainstream fibre coverage targets are achieved. They are exploring options around diversifying into delivering EV charging infrastructure and low carbon energy solutions.
- **Ceased Funding** – A construction training academy is looking for new students after losing funding that provided a steady stream of income for the business. They aim to become an accredited training provider with other government funded organisations particularly supporting NEETs. They are also seeking investment to improve facilities and to purchase new equipment.
- **Recruitment** – Recruitment trends continue to vary by sector:
 - Positive growth in mid-range salary roles (c£20-30k) in the IT and digital sector.
 - A 22% increase in roles in the finance sector, although there are challenges finding suitable candidates for audit roles.
 - Businesses continue to struggle finding talent, impacting ability to meet demand, notably for skilled construction engineers, HGV drivers, care workers, technical services staff, service engineers, and CNC machinists.

Coventry & Warwickshire has been selected to receive up to £7.5m of new investment to drive local innovation and business growth.

Under the [Immersive and Creative Technologies Launchpad](#) programme, businesses and researchers working to grow their impact in the region can apply for competitive grants. Support is also available for innovation projects that focus on developing and adapting new technologies across industries including healthcare, education, future mobility, manufacturing, retail, and tourism.

Grant funding available starts from £25,000, with up to £1m for projects that provide exceptional impact to the cluster of SMEs.

The Launchpad programme is funded by Innovate UK, part of [UK Research and Innovation](#). It is designed to build on innovation clusters around the UK that have significant growth potential and to deliver jobs, growth, and higher productivity, supporting the Government's levelling-up agenda.

The Immersive & Creative Industries Launchpad in Coventry & Warwickshire has been developed jointly by Warwickshire County Council, Coventry City Council, and Innovate UK, and tailored specifically to local needs and circumstances.

4. Spotlight: Party Conference Announcements

HS2 Phase 2

In his keynote speech at the Conservative Party conference last month, the Prime Minister announced that the northern leg of HS2, connecting Birmingham and Manchester, [is to be scrapped](#). Funding saved from HS2 will be funnelled into a new transport initiative entitled 'Network North' comprising a series of infrastructure projects focussed on the North and Midlands.

We continue to liaise with local businesses to understand impacts locally, such as loss of potential supply opportunities or contracts being scaled back. CW Growth Hub has invited feedback from account managed local SMEs on their views of the decision to scrap HS2 Phase 2. Here is just a selection of the initial sentiments:

"Phase 2 should have taken precedence over Phase 1 as the north has the least effective rail system. Investment further south should have gone on improving the existing rail network, which is very poorly managed, and bring Euston up to the standard of the other major terminals in the capital."

"HS2 was our alternative to reach out to the North, which would have helped our growth plans."

"I don't think this will have any impact on our business to be honest. We rarely travel to London since Covid as it's all Zoom calls rather than face to face now."

"The whole thing won't affect us as we wouldn't be travelling to Birmingham to get a train to London. It's only an hour from Rugby. It all seems like a massive waste of money to be honest."

"As a business we do not do any direct work regarding HS2, so I am not expecting this decision to impact our workload at this time. I disagree with the decision to abandon the Manchester link on the grounds that linking the south to the Northern Powerhouse would have long term benefits for both the North, the South, and the Midlands."

"HS2 reduces the economic benefit from the stretch to Birmingham. Again sends the wrong message internationally about our commitment to economic growth."

"No, the cancelling of HS2 has no impact to our business that I can foresee, just as much as it would not have created any opportunities & or reduced costs if it went ahead."

“As for HS2 I find the London-centric focus extremely frustrating. Yes, my Midlands-based company will benefit from the improved connectivity to London, which is still going ahead. But we were looking forward to connecting with our customer base, in the arguably more important industrial heartlands of the North of England. We don't all look south for business only! I was disappointed when the Northeastern line was axed, now this final decision is particularly frustrating.”

“The other area of frustration is Heathrow. As the director of an international business, I travel regularly to Heathrow for international travel. This is not an easy journey by train from our region. A high-speed connection between Heathrow to Birmingham and BHX would truly be beneficial.”

“HS2 was supposed to open the North up for more businesses and investment – if this now doesn't happen, I can see less opportunities in these areas for me. I currently resist travelling too far north because of the amount of time it takes me to get there so sadly this will continue.”

Net Zero Announcements

The scrapping of HS2 Phase 2 followed September's announcement from the Prime Minister that [UK was going to delay its Net Zero ambitions](#), which was confirmed at the Party Conference. Whilst the Prime Minister pledged to maintain the overall goal of reaching Net Zero before 2050, the measures announced included a delay in the ban of petrol and diesel cars from 2030 to 2035, a delay in the planned transition to domestic heat pumps, and a relaxation of the rules around energy performance for landlords. The reaction from the business community has been one of largely condemnation with the [British Chambers of Commerce saying](#) that such flip-flopping of policy risks disincentivising investment in low carbon technologies, especially as other governments are investing heavily in net zero technologies.

CW Growth Hub Account Managers have also been collating feedback from local SMEs on the Net Zero announcements, which to date has included:

“I believe it was the correct decision to be honest with the public about the delivery. The previous plan was bold and ambitious which was correct in my opinion to create investment and momentum. Time has provided the data to show the delivery by 2030 was not achievable and would lead to failure.”

“The Net Zero agenda is creating rapid growth, as more and more prototypes for automotive are required with all the EV changes.”

“Net Zero Policy: very disappointing for the message it sends people, businesses, and other nations. Aside from incurring costs earlier than needed in the shape of an EV car and working on reducing our own carbon footprint.”

“On a personal level it concerns me that the environment plays second fiddle to power-politics. The industry can be ready for the change, the technology exists, and the investment has already been made in a lot of cases, but it needs the government to be the catalyst for this change.”

“As a company that provides electric powertrain design solutions, we may see a downturn if the government continues to promote a “business as usual” approach to environmental and transport issues. However, I am still optimistic for our companywe do [a] considerable amount export work, the British public themselves are motivated for clean and efficient solutions to transport. So I believe progress will still be there, but we had a chance to be world leaders in this area.”

“The pushing back of achieving the net zero target has caused some confusion for businesses with large fleets who have been investing in electric vehicles and the infrastructure. This now may take a little pressure of budgets which they might re-invest or mean the budgets are removed completely for a few years because of the cost-of-living crisis – which could indirectly affect who buys my services & when.”

5. Recommendations

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

October's Golden Recommendation:

The long-term uncertainty facing business support funding needs addressing. As [CW Growth Hub](#) has highlighted, 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.

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 Autumn Statement needs to make significant and impactful announcements related to:

- Kick-starting growth in a currently stagnating economy
- Tax incentives to stimulate the green economy
- Provide a strong commitment to investment in battery technologies, electric vehicles (EVs), and EV infrastructure
- Deliver more intensive support for exporters via additional Department for Business & Trade capacity and interventions.

5.1.b – Clarity is needed on new Rules of Origin arrangements due to come into effect from January 1st, 2024. SMMT are calling for a 3–5-year delay to implementation to ensure that infrastructure is properly in place, and to safeguard EV consumers so that they don't have to pay additional tariffs, which would not be payable on new petrol and diesel vehicles. This would also benefit the local Automotive & Future Mobility sector in Coventry & Warwickshire for the longer term.

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 approved and agreed by Government so that the work can continue to build on the momentum generated through the work to date, and to enable a more joined-up approach with other local and regional business support activities related to skills improvement.

5.2.b – Local partners should continue to build on the engagement and collaborations with our local colleges and universities. This will ensure that we maximise the benefits to Coventry & Warwickshire's economy of current and future talent, skills, future workforce, R&D facilities, and innovation assets.

5.2.c - In light of the scrapping of HS2 Phase 2, it is vital that Government invests 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 - 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.b - We need to build on announcements in the WMCA Trailblazer Deeper Devolution Deal, and to work with local and regional partners to lobby Innovate UK to devolve more funds to the region to deliver programmes that will support more small firms to innovate and invest, and be targeted at growing priority sectors and clusters, including Advanced Manufacturing, Electrification, Future Mobility, and Creative Sectors. This should help attract further long-term inward investment into our area for these sectors.

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:

- Local supply chains
- New Zero
- Internationalisation and intensive support for exporters.