



# Coventry & Warwickshire Business Intelligence

August 2022

## Contents

1. Executive Summary .....	2
2. Latest Economic & Labour Market Trends .....	3
3. Latest CWLEP Growth Hub Insights.....	8
3.1 CWLEP Growth Hub – Support & Enquiries.....	8
4. Spotlight: Building on the Momentum of the 2022 Commonwealth Games .....	9
4.1 Context.....	9
4.2 Impacts of Commonwealth Games on Current and Previous Host Cities .....	9
4.3 Legacy of the Commonwealth Games 2022.....	11
5. Recommendations .....	13
a. Short Term .....	13
b. Medium Term .....	14
c. Long Term.....	14

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

More economic data and indicators about the Coventry & Warwickshire economy can be found on our Smart Region Economic Recovery Dashboard: [CWLEP Economic Recovery Dashboard](#)

# 1. Executive Summary

Welcome to the August 2022 edition of the Coventry & Warwickshire Smart Region report. This month our spotlight theme focusses on '**Building the Momentum of the Commonwealth Games**', highlighting how the recent Games have, and will, impact on the economy of both Birmingham and wider West Midlands region. The report also highlights examples of future projects that the Games will bring to the region to build on their legacy over the coming months and years.

Wider recommendations and findings in this month's report are based on intelligence gathered from CWLEP Growth Hub's contacts with local businesses, alongside survey data and information provided by Coventry City Council, CWLEP, and Warwickshire County Council.

Other sources include the West Midlands Combined Authority (WMCA), WM-Redi, PwC, The Commonwealth Games Federation (CGF), Birmingham 2022 Commonwealth Games, and other research bodies specialising in labour market research and analysis.

## Key Headlines

- **Businesses have become much more pessimistic over recent months, with business confidence falling across both manufacturing and services.**
- **A growing number of negative economic impacts, such as rapidly rising costs for both businesses and households, recruitment difficulties, spiralling energy costs, delays in raw material supply, and the conflict in Ukraine, are affecting many sectors and are increasingly being felt by businesses locally. Together these have intensified the 'Perfect Storm' impacting on our local economy.**
- **The Bank of England reported that the economy contracted in the three months to June and is also forecasting that the UK will enter recession from Q4 2022, and that it could last until the end of 2023.**
- **Positively, there are some further improvements to the Coventry & Warwickshire economy and labour market, with growing (albeit slowing and levelling) employment and vacancies but signs of a slowing of the recent falls in unemployment.**
- **Local business support partners will continue to focus on minimising the negative economic impacts from our 'Perfect Storm', be they from the pandemic, EU exit, spiralling energy costs, or any other driver, to help continue the reset, reopening, and recovery of our economy, and minimise the growing number of negative impacts on the 'costs of doing business'.**

## 2. Latest Economic & Labour Market Trends

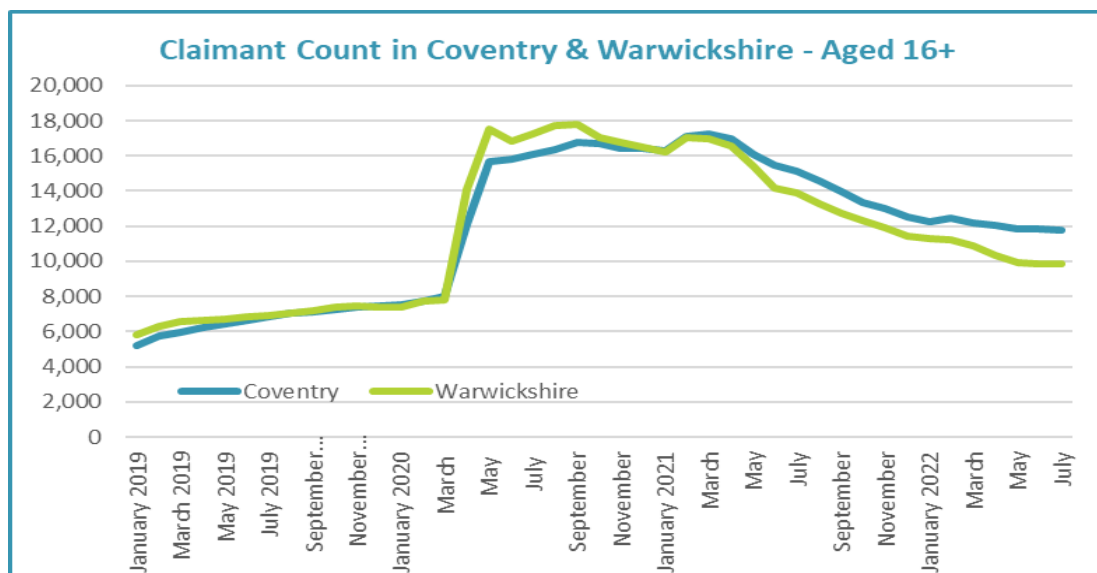
### 2.1 Labour Market Trends

- In July 2022, **the claimant count in Coventry & Warwickshire totalled 21,630 people**. At the start of the pandemic, in March 2020, the claimant count stood at 15,830.

	March 2020	July 2021	May 2022	June 2022	July 2022
Coventry	8,000	15,125	11,830	11,820	11,760
North Warwickshire	845	1,540	1,050	1,030	1,020
Nuneaton & Bedworth	2,830	4,350	3,260	3,180	3,175
Rugby	1,535	2,620	1,870	1,900	1,955
Stratford-on-Avon	1,050	2,405	1,655	1,610	1,625
Warwick	1,570	2,955	2,120	2,135	2,095
Warwickshire	7,830	13,870	9,955	9,855	9,870
<b>CWLEP</b>	<b>15,830</b>	<b>28,995</b>	<b>21,785</b>	<b>21,675</b>	<b>21,630</b>

Source: Office for National Statistics

- Over the past twelve months there has been a fall in the claimant count across Coventry & Warwickshire, falling from a total of 28,995 this time last year.



Source: Office for National Statistics

- However, firstly there is a widening gap emerging between the counts in Coventry and in Warwickshire.
- Secondly, the falls in both Coventry and Warwickshire's claimant counts have slowed considerably and then levelled since the start of 2022. We will continue to monitor this over the coming months.

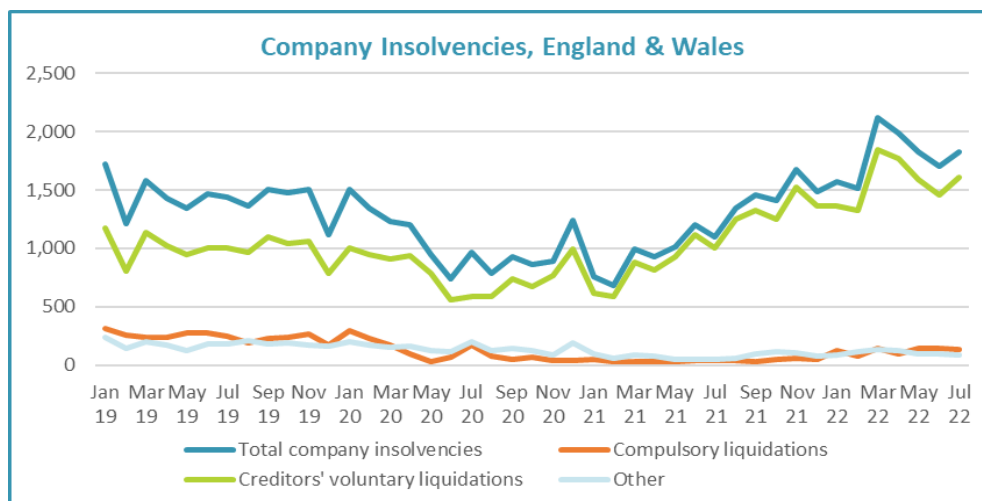
The Office for National Statistics (ONS) also reported for July 2022 that nationally:

- **The UK employment rate for people aged 16-64 decreased by 0.1 percentage points on the quarter to 75.5% and is still below pre-pandemic levels.** However, the number of people in employment aged 16 years and over increased by 160,000. The number of full-time employees increased during the latest three-month period. While part-time employees had been increasing since the start of 2021, showing recovery from the large falls in the early stages of the pandemic, there was a decrease during the latest period.
- **The number of self-employed workers fell in the first year of the pandemic and has remained low, although the number has increased slightly during the latest three-month period.**
- **The estimate of payrolled employees for July 2022 shows a monthly increase, up 73,000** on the revised June 2022 figures, to a record 29.7 million.
- **The unemployment rate for April to June 2022 increased by 0.1 percentage points on the quarter to 3.8%.** The number of people unemployed for up to 12 months increased during the latest three-month period, with those unemployed for between 6 and 12 months increasing for the first time since February to April 2021. This increase was partially offset by a decrease in those unemployed for over 12 months.
- **The economic inactivity rate was unchanged on the quarter at 21.4% in April to June 2022.** The increase in economic inactivity since the start of the pandemic had been largely driven by the over-50's and the long-term sick. In the latest three-month period, there was an increase in the number of people economically inactive owing to long-term sickness, which was offset by a decrease in those economically inactive for "other" reasons.
- **The number of job vacancies in May to July 2022 was 1.274 million; a decrease of 19,800 from the previous quarter and the first quarterly fall we have seen since June to August 2020.** Since vacancies fell to an all-time low in April to June 2020, they have increased by 945,000 in a little over two years.
- **Growth in employees' average total pay, in real terms (adjusted for inflation), over the year fell by 2.5% and regular pay fell by a record 3.0%.** However, it should be noted that this is comparing the latest period with a period where certain sectors (accommodation and food service activities, and wholesale and retail) had employees on furlough as a result of the winter 2020 to 2021 lockdown, which may be having some effects.
- **The Bank of England are forecasting a prevailing tight labour market and ongoing labour supply challenges for some time to come, with UK unemployment starting to rise above its current level from mid-2023, to reach 6.25% in 2025.**

## 2.2 Economic Trends

### Economic Growth

- The UK economy **contracted by 0.1%** in the three months to June 2022 as the effects of rising inflation and the cost-of-living and cost-of-doing-business crises took further hold. GDP fell by 0.6% month-on-month in June, in part because of two Bank Holidays, which restricted output in manufacturing, construction, and business services.
- The Bank of England **raised interest rates this month** by half a percentage point to **1.75%**, the biggest increase in 27 years.
- Looking ahead, the Bank also revised its inflation forecast and expects it to reach **13% before the end of 2022**. This is up from 11% it had previously forecast in May, with inflation rates expected to remain at very elevated levels throughout much of 2023, before falling to the 2% target two years ahead. The Bank cites the doubling of the price of gas since May, due to Russia's invasion of Ukraine, as a key driver for this inflation, as well as higher prices for goods purchased abroad.
- The Bank is also forecasting that the UK will enter recession from Q4 2022, defined as two consecutive quarters of negative growth, and that it will last until the end of 2023. However, other forecasters project a contraction in Q3 2022, which suggests a recession may begin sooner.
- The Insolvency Service is also reporting an upward trend in the number of company insolvencies. Of the 1,827 registered company insolvencies in July 2022 there were 1,609 Creditors' Voluntary Liquidations, which is 60% higher than in July 2021 and 60% higher than in July 2019. Some 132 were Compulsory Liquidations, which is three times higher than in July 2021.

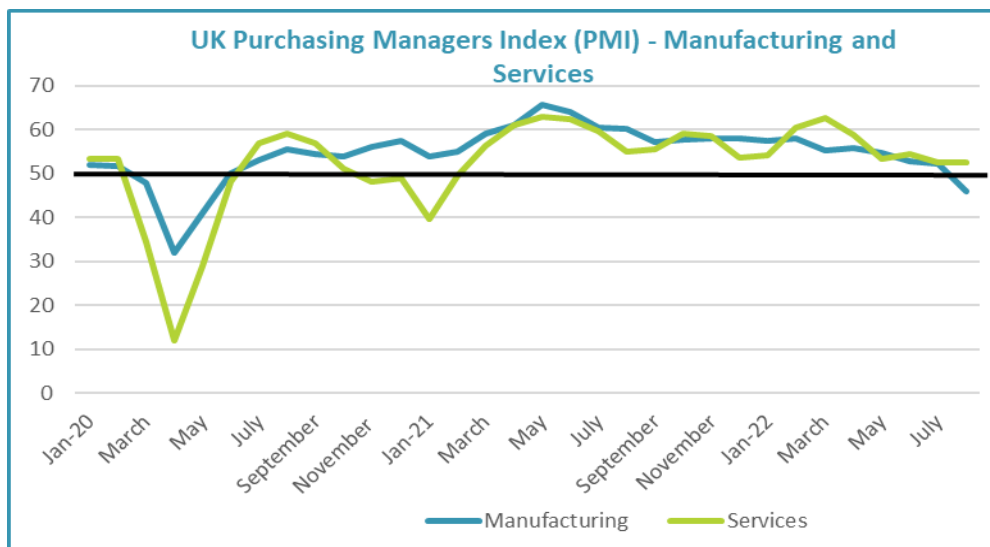


Source: UK Insolvency Service

- The latest [Begbies Traynor's Red Flag Alert report](#), suggests that there were more than 13,000 West Midlands businesses in 'significant' financial distress in Q2 of this year.

### Business Confidence

- The national Purchasing Managers Index (PMI) for manufacturing slumped in August to 46, from 52.1 in July (a figure above 50 represents growth, and contraction below 50), and to its lowest level for over two years. Reduced consumer demand, the delayed delivery of inputs and labour shortages, increasing labour costs, are all now contributing to this slump in confidence.
- For services confidence has also been hit harshly over the past four months, with the cost-of-living crisis likely to be impacting on service businesses. **The services PMI has fallen to 52.5, also now close to the point of contraction.**



Source: Trading Economics

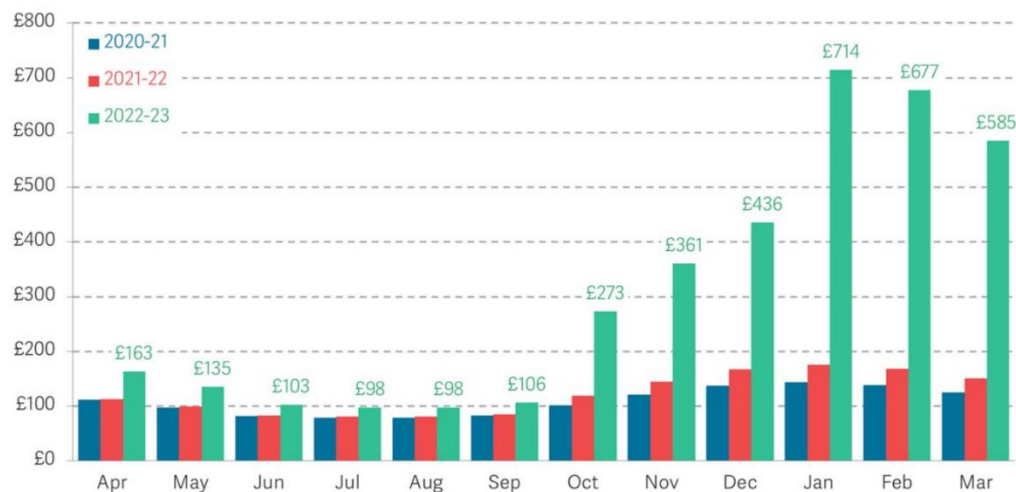
- The latest FSB West Midlands Small Business Index report also shows that confidence amongst firms in the West Midlands has plummeted during the last three months. This is in stark contrast to the first quarter of 2022, when confidence was rising. The report shows that surging operating costs, a high tax burden and struggles to fill vacancies are now threatening the futures of small firms and sole traders across the region. More information [here](#)
- The latest NatWest PMI report shows that [West Midlands business activity](#) remains largely stagnant. The Business Activity Index, which measures the combined output of the region's manufacturing and service sectors, fell from 51.1 to 50.3 (any score below 50 represents contraction). However, firms remain optimistic for the future as the Future Activity score for the West Midlands is up to 68.3.

### 'Cost-of-Living' Crisis

- Ofgem have confirmed **the energy price cap will in future be reviewed every three months** rather than every six months.
- **The price cap was raised by a record 54% in April 2022 to an annual cost of £1,971 for an average household. It has also now been announced that the cap will be raised to £3,549 from October, representing a further 80% increase.**

Monthly energy costs and bills for a typical household: 2020-21 to 2022-23

Resolution Foundation



Notes: Monthly consumption levels determined from Ofgem typical consumption (TDCV) levels of 2,900 kWh of electricity per annum and 12,000 kWh of gas and historical smart meter data, as such they do not account for likely changes in behaviour associated with high prices this winter. Monthly standing charge costs assumed to be unchanged on current levels, and shared equally over months. Direct debit payments assumed to be 1/12 of the annual bill associated with each price cap level, although will differ by supplier depending on when payment levels are updated and by consumer credit or debit balances. Figures do not account for £400 Energy Bill Rebate, or payments through other government support schemes. Source: RF analysis of Ofgem, Cornwall Insight ITC Smart Energy Research Ltd data. © Resolution Foundation 2022 resolutionfoundation.org

Source: The Resolution Foundation, August 2022

- **As the Resolution Foundation illustration shows, soaring energy prices, along with rising consumer prices across the board, will continue to impact on consumer confidence and consequently in consumer spending. This will have a knock-on effect on businesses, many of which are already feeling the effects of a slow-down in activity.** The British Retail Consortium (BRC) has said that this summer has been “an incredibly difficult trading period” and [warned of ongoing weak consumer confidence](#).
- The consultancy Cornwall Insights **predicts the price for an average household will increase to £4,266 if/when the price cap is raised yet again in January, with a further increase expected in April 2023.**
- Looking further ahead, according to the National Institute of Economic and Social Research (NIESR), **UK households' disposable incomes are forecast to fall by 2.6% in 2022, and remain 7% below pre-Covid trends beyond 2026.**
- **Although we are also continuing to monitor the expected scale of increase in business energy bills, anecdotal evidence is already highlighting examples of quadrupling annual electricity bills and five-fold increases in gas bills experienced by businesses across our area.**



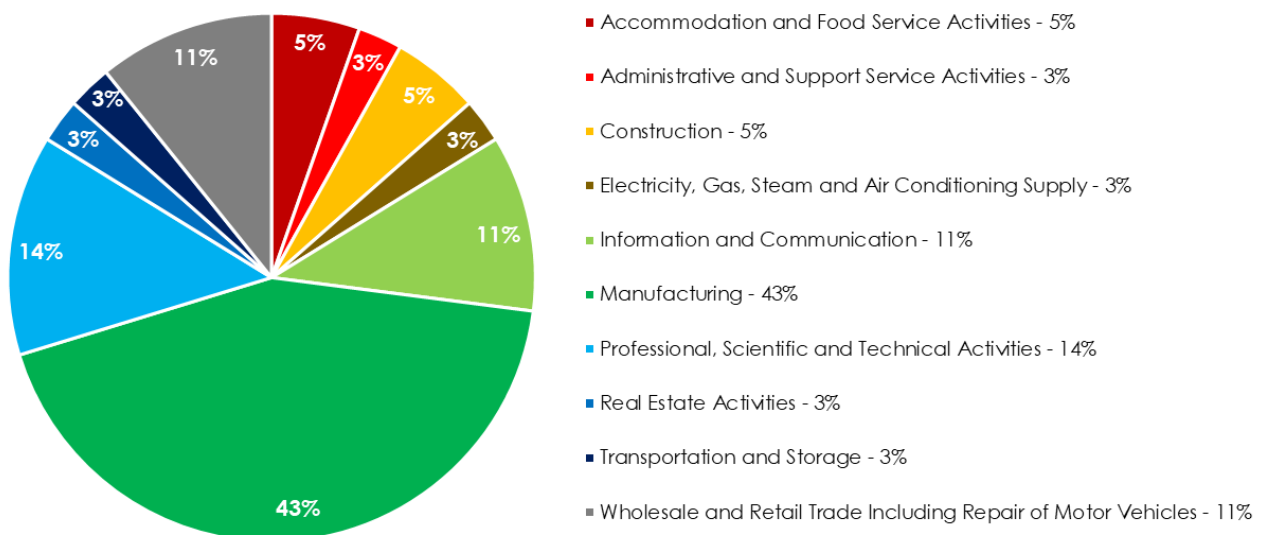
### 3. Latest CWLEP Growth Hub Insights

#### 3.1 CWLEP Growth Hub – Support & Enquiries

Since the start of the Covid-19 pandemic in March 2020, **CWLEP Growth Hub has supported 5,006 businesses** including substantive discussions relating to a wide range of current issues impacting on their future growth.

This month's business insights are taken from intelligence gathered in **July 2022**. **Advice & Guidance** was the most popular reason for support/enquiries over the past month, although there was a spread across other enquiry types too. Businesses highlighted the **Made Smarter Project** as their main requirement for support. There was also additional guidance provided around **Access to Finance, Inward Investment, Covid-19, Property, and Skills & Employment**. The chart shows the profile of businesses by sector.

**Businesses Supports by Industry**



The size profile of businesses supported over the past month consisted of **11% Sole traders; 40% Micro businesses (2-9 employees); 31% Small businesses (10-49 employees); 14% Medium businesses (50-249 employees), and 1% Large businesses (250+ employees)**.

There was an **increase in Micro Enterprise** and a **decrease in Sole Employees, Small, Medium and Large Enterprises** approaching the CWLEP Growth Hub compared to the previous month. Around 31% of respondents came from businesses that have started trading since 2020, so relatively recent start-ups.

## 4. Spotlight: Building on the Momentum of the 2022 Commonwealth Games

### 4.1 Context

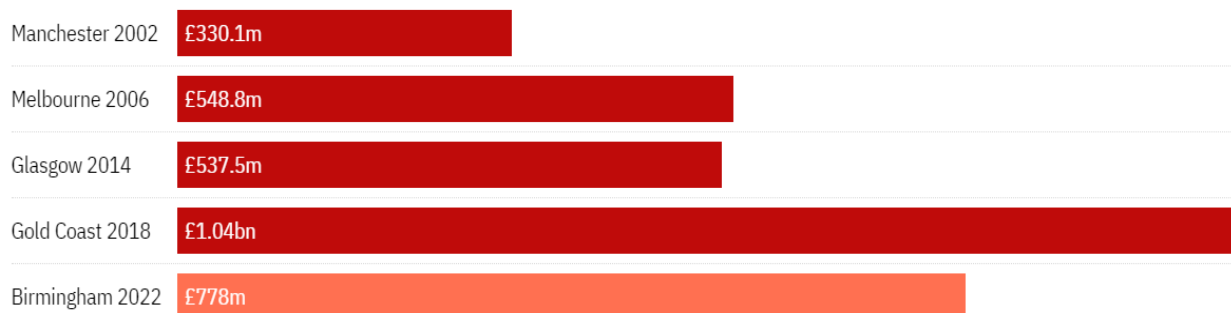
Birmingham and the West Midlands have just completed hosting the hugely successful, inclusive, and diverse, [Birmingham 2022 Commonwealth Games](#). The Games boasted the biggest sporting and para-sport programme seen in the UK for many years, and for the first-time ever at a multi-sport event, more medals were awarded to women than men.

These were the biggest ever Commonwealth Games and hosted 6,500 athletes and officials from 72 Commonwealth nations, competing over 11 days of sport in 286 sporting sessions. The programme sold more than 1.5 million spectator tickets for the Games venues, all of these across the West Midlands except for the Lee Valley Velo Park in Greater London.

Birmingham Commonwealth Games 2022 was the most expensive sporting event hosted in the UK since the London Olympics 2012 (which cost £8.8bn). They were funded by £778m of public money from a mix of central government (£594m) and Birmingham City Council (£184m) funds.

#### Games-related expenditure, converted to £ GBP but not adjusted for inflation

● Games-related expenditure ● Estimated budget



**Source:** Commonwealth Games Value Framework, PwC

*The report assesses available evidence of the costs and benefits of four of the last five editions of the Games from Manchester 2002 to Gold Coast 2018. Delhi 2010 has been excluded from the analysis because the available evidence on costs and benefits is less complete.*

### 4.2 Impacts of Commonwealth Games on Current and Previous Host Cities

#### Impacts of hosting the Commonwealth Games

Hosting major events brings significant direct economic and social benefits to host cities as well as an array of positive indirect impacts. Examples include:

- Hosting events can generate reputational effects that challenge negative and/or long-held perceptions of cities.

- The Commonwealth Games inspires young athletes, through seeing the sporting activities in-person to give positive long-term and life-changing impacts.
- Local communities also benefit as new infrastructure built initially for the events may have positive impacts on them that are used by local people for the long-term beyond the event.
- Finally, events such as the Birmingham Games bring the potential to attract future business investment and increase exports, including increasing future foreign direct investment.

### Previous Host City's Commonwealth Games

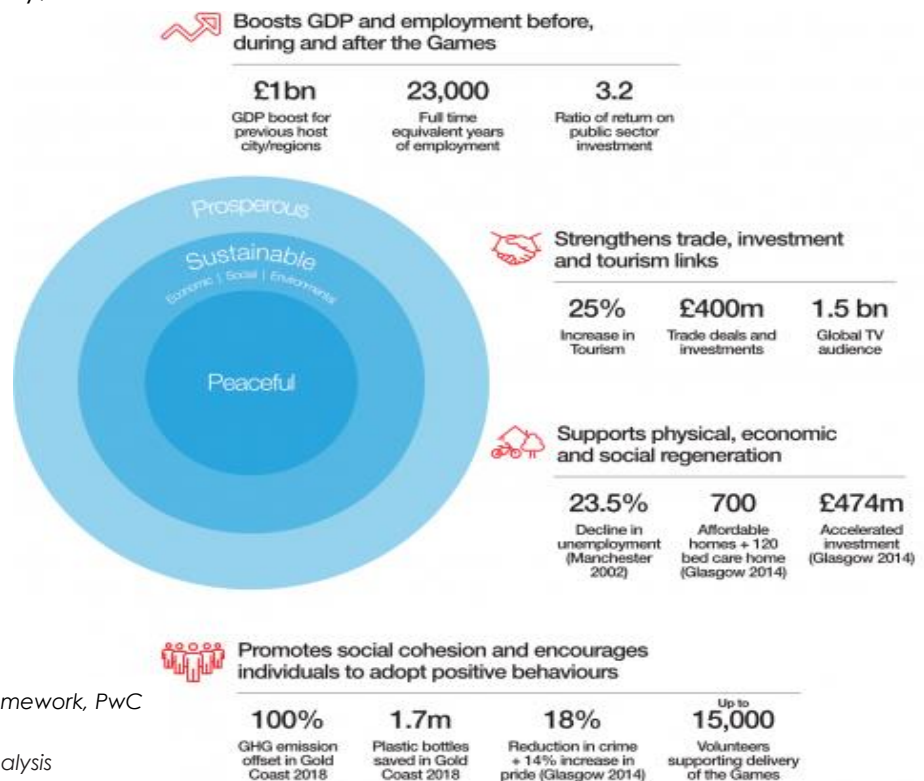
Evidence from the [Commonwealth Games Value Framework report](#), which analysed the direct and indirect economic impacts of previous Games on the host cities between 2002 and 2018, revealed how Games events boosted local, regional, and national GDP. Increases of around £1bn additional direct and indirect economic impact for each previous host city, have been delivered.

1. Gold Coast (2018) - £1.2 bn
2. Manchester (2002) - £1.1 bn
3. Melbourne (2006) - £1 bn
4. Glasgow (2014) - £0.8 bn

It is estimated that after three years of hosting the Commonwealth Games there were increases in tourism of up to 25% and investments of up to £400m. Recent host cities have benefited from short, medium, and long-term economic, social, and environmental impacts.

**Source:** Commonwealth Games Value Framework, PwC

*Delhi 2010 has been excluded from the analysis because the available evidence on costs and benefits is less complete.*



### Birmingham 2022 Commonwealth Games Impact – Statistics

Having survived the Covid-19 pandemic, and currently facing the rapidly accelerating 'cost-of-doing-business' crisis, local businesses in West Midlands are showing signs of faltering confidence. However, it is expected that the Commonwealth Games will have provided a welcome boost to confidence for

businesses across the region, and their customer bases. According to WM-Redi estimates the 2022 Commonwealth Games could lead to a direct increase in GVA of between £167m and £251m, and directly increase output between £346m and £518m, whilst creating between 4,600 to 7,000 jobs (FTE).

Birmingham has also experienced a summer tourism boom resulting from the Commonwealth Games. Hotels in the city centre averaged 95% occupancy rates, around 10% higher than initially expected.

Another impressive figure revealed that during Commonwealth Games there were over five million visitors, with Saturday 6<sup>th</sup> August the busiest day welcoming an estimated 450,000 visitors to the city.

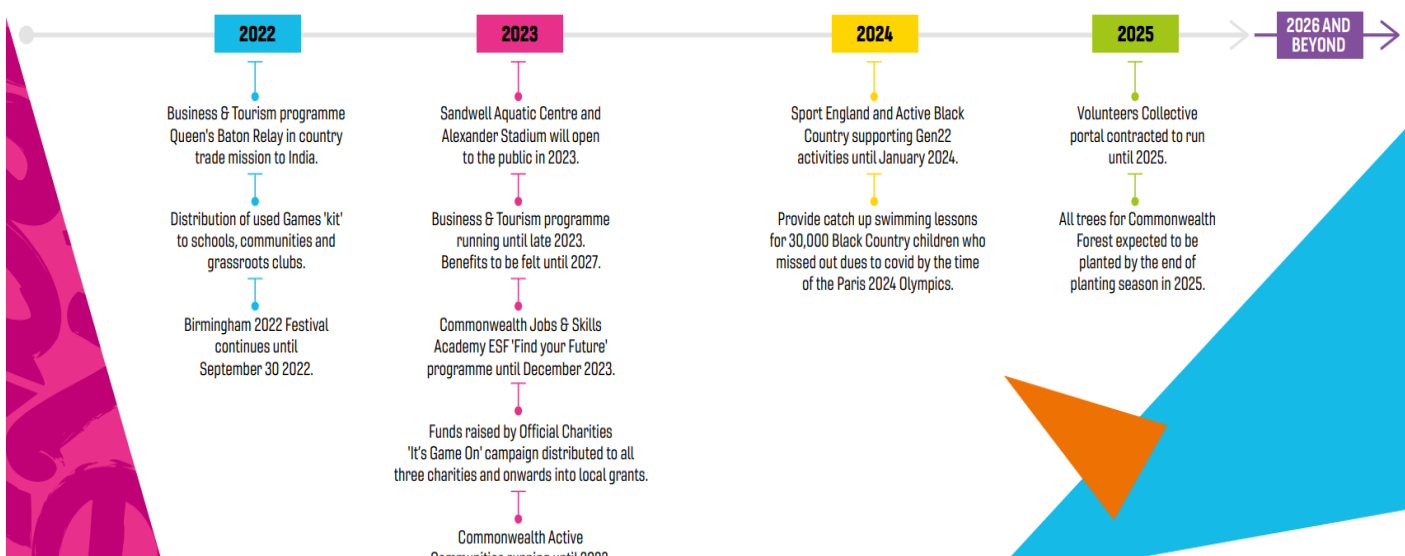
There was also big uplift in public transport usage, where more than 650,000 spectator journeys were via the shuttle buses, 64,910 parking spaces booked through the park-and-ride service that served about 180,000 visitors, and a doubling in the number of bike and e-bike rentals (West Midlands Cycle Hire) with 28,000 hires covering 49,000 miles covered during the Games.

## 4.3 Legacy of the Commonwealth Games 2022

### Legacy Programmes

The Birmingham 2022 Commonwealth Games organisers have established a series of [legacy programmes](#) built around five missions. These are: i) a catalyst for change, ii) bringing people together, iii) improving health and wellbeing, iv) helping the region to grow and succeed, and v) put Birmingham, the West Midlands, and the UK on global stage. The timescale for the legacy programme is set out below:

A HOST OF LEGACY ACTIVITIES ARE ALREADY CONFIRMED TO CONTINUE BEYOND THE GAMES



Source: Birmingham 2022 Commonwealth Games - Our Legacy – Summer 2022, Birmingham 2022 Commonwealth Games

## Legacy Programme Example - Business and Tourism Programme

The Games' [Business and Tourism Programme](#) (BATP) has been developed by a range of regional and national partners including the Department for Digital, Culture, Media & Sport (DCMS), West Midlands Combined Authority (WMCA), West Midlands Growth Company, the Department for International Trade (DIT), VisitBritain, and local authorities. The programme launched in early 2021 and will run until the end of 2023. BATP funding has come from local and central government, with £21.3m from central government (Spring 2020 Budget) and £2.6m from WMCA.

The BATP will boost the long-term positive economic impacts of the Games across the region, by raising the profile of our region and our economic opportunities alongside showcasing our visitor attractions, to bring more visitors, trade, events and investment into Birmingham and the West Midlands, and into the UK. [The expectations of the BATP programme](#) are that by 2027 it will have delivered the:

- creation of £7m of additional exports where out of those, £5m will be in the West Midlands
- generation of £712m of domestic and overseas investment, including £377m in the West Midlands
- regions and the wider UK to benefit from £12m additional spending from visitors based on an additional 39,000 visitors
- creation of 1,000 new jobs, with up to 600 of these based in West Midlands.

A key part of the BATP during the Games period was the [UK House](#) event. The Exchange in Birmingham's Centenary Square became the hub for trade, investment, and tourism opportunities throughout the Commonwealth Games period, and attracted an international audience. The UK House programme delivered high-level sectoral business events, covering future mobility, tourism & hospitality, digital & creative, advanced manufacturing, low carbon, and data driven healthcare. The events showcased the UK's capability, innovation, and opportunities to build greater business connectivity between UK enterprises and international buyers and investors.

## Future Events

Major events such as Coventry City of Culture 2021 and the Birmingham Commonwealth Games 2022 have demonstrated the huge economic benefits that can be delivered for our region and has demonstrably raised the profile of the West Midlands. This will raise the appetite to bid for, secure, and host future major events, such as Eurovision 2023 and the World Athletics Championships.

## 5. Recommendations

### August Golden Recommendation:

---

**Coventry & Warwickshire, and the wider West Midlands, needs to seize the opportunities from both the Coventry City of Culture 2021 and the Birmingham Commonwealth Games 2022 to sustain growth in the creative, tourism, and hospitality sectors, but also more generally across all sectors locally. The challenge is how we can fully capitalise on these now that the region's profile has been increased and improved following our major events, to promote and deliver future long-term and sustainable investment, innovation, and growth.**

---

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 three short term recommendations:

#### a. Short Term

##### 5.1.a

Business confidence is currently at its lowest level since the start of the pandemic, and falling, due to the current costs-of-doing-business and cost-of-living crises, as well as ongoing political uncertainty. **Government is recommended to help boost businesses confidence, through providing greater investment and stability in local business support ecosystems**, so that businesses can get the vital help that they will need to help them through the current increasingly tough times, and to help build confidence to trade more freely longer term.

##### 5.1.b

**Government is recommended to urgently review the position around the lack of an energy price cap, alongside reductions and/or rebates for businesses**, so that they can better plan for their bills, and to mitigate the negative impacts that are currently being experienced around uncapped increases in energy costs.

##### 5.1.c

**Government is recommended to shape greater incentives to help firms invest in workforce development, management and leadership development, training schemes, and apprenticeships.** This will help companies develop improved career progression pathways for employees, and offer greater flexibility, training opportunities, and better working conditions. All of these will contribute to tackling issues around labour and skill shortages felt by businesses across a range of sectors locally.



## b. Medium Term

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

### 5.2.a

**Continue to signpost local business to the extensive range of support programmes that already exist. Examples include the [Coventry & Warwickshire Green Business Programme](#) and the increased take-up of Energy Efficiency Audits, helping businesses adapt their operations to reduce energy usage for the future.**

### 5.2.b

**There is an urgent need to explore how other support activities be flexed to help business get through the current cost-of-doing-business crisis.** The local and regional support ecosystem will need to work closely together, and with funders, to explore how support activities and opportunities are best offered so that they have maximum positive impacts. **This will be critical especially as the West Midlands' economic recovery from the Covid-19 pandemic has been slower than the national average.**

### 5.3.c

**Support for business around innovation and diversification**, which targets both domestic and international markets, will be crucial in ensuring many firms, especially SMEs, increase their resilience and safeguard jobs. **This should be a key consideration for the focus of both the remainder of the ERDF programmes up to June 2023, and first two years of the UK Shared Prosperity Fund.**

## c. Long Term

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

### 5.3.a

**Maximise investment in innovation in key sectors of Coventry & Warwickshire's economy.** Closer working with the sectors that Coventry & Warwickshire leads on, including net zero future mobility and electrification, and with the potential Gigafactory site located in our subregion, there are opportunities to create a national centre of excellence for innovation within CW for these sectors.

### 5.3.b

**There is scope to learn lessons from previous recessions, especially around what worked in terms of supporting businesses.** Whilst many of the current contributing factors are unique to the 'here-and-now', positive actions and support measures from previous downturns could be part of the interventions so that businesses can be helped adapt to new trading conditions for longer term growth.