



From L-R: Prof. Aleks Subic, Satnam Rana-Grindley and Sir John Peace

Quarterly Economic Briefing: Reflecting on the State of the Region 2023

INSIGHTS

The fourth Quarterly Economic Briefing (QEB) of 2023 was hosted by Midlands Engine at The Exchange, Birmingham, on Wednesday 13th December. The event brought together over 70 representatives from business, government, and academia, as well as political leaders and advisers from across the region to consider the region's economic position and its future outlook, opportunities and challenges. The event launched the fourth annual [State of the Region report](#) produced by the Midlands Engine Observatory – released on the day.

Speakers comprised of **Sir John Peace**, Chairman of Midlands Engine; **Duncan Weldon**, writer for The Economist; **Prof. Aleks Subic**, Vice-Chancellor and Chief Executive of Aston University; **Rebecca Riley**, Associate Professor and Business Development Director for the University of Birmingham / City-REDI; **Sarah Windrum**, Future Mobility Cluster Lead at Horiba Mira, and **Irene Graham OBE**, Chief Executive Officer at Scale Up Institute.

Facilitated in discussion by **Satnam Rana-Grindley**, Director of Marketing, Communications and External Affairs at GBSLEP, panellists and interviewees discussed the importance of collaboration and partnership-working to grow the Midlands economy in a global, national and regional context.

Industry and academic leads discussed the opportunities and challenges currently faced by the Midlands economy. They discussed their ideas and reflected on the need to look forward in 2024 and beyond.

A common view emerged that partners across the Midlands must continue to collaborate and work together, establishing a shared narrative and collective identity, to tell a compelling regional story.

State of the Region

Produced by Midlands Engine Observatory, the annual State of the Region report offers an opportunity to pause and reflect on our challenges and strengths as a region. This year's report details a challenging twelve months across the Midlands and the UK, aligning with the Midlands Engine Business Plan published earlier this year. The report identifies that there is still work to be done to address the long-term challenges holding their region back from its goal of greater prosperity. But, as consistently mentioned on the day, now is the time to look forward and to grasp the opportunities that will allow us to achieve that.

Global and national economic outlook

Setting the scene for the global and national economy was an important context to the QEB event, as highlighted by Duncan Weldon's presentation and the State of the Region 2023 report.

Recent years have been dominated by economic instability due to the pandemic, geopolitical tensions and the impact of changes to international trade and supply chain relationships. The result, as identified and felt by everyone in the Midlands, has been higher prices and interest rates as well as major shifts in the way people work. Other 'megatrends' include the transition to net zero and the rapid evolution of transformative technologies such as artificial intelligence (AI).

These are all critical components for considering the future outlook and opportunities for the Midlands. While some global and national trends appear to be stabilising somewhat (for instance, inflation has been falling and supply chain pressures easing), the structural problems associated with regional disparities in productivity in the UK and the need to "level up" places outside of London and the South East remain integral challenges.

Regional opportunities

Emerging from a period of great uncertainty, the sentiment from the QEB suggests it is time to make the Midlands economy stronger and more attractive to investors. Creating a cohesive regional identity that not only attracts investment, but also taps into existing growth opportunities which exist here, was seen as a key priority.

Furthermore, speakers acknowledged the importance of engaging with universities and higher education, among other partners, in crafting this identity.

This engagement will not only benefit the region by increasing its attractiveness to investors, but will also play a critical role in developing skills and attracting and retaining talent.

Aligned with the priorities set out in the State of the Region report, QEB speakers and panellists focused on how we can make positive progress on four economic drivers:

“One loud voice is worth a thousand whispers - that is the strength of the Engine.”

Sir John Peace
Chairman, Midlands Engine



Sir John Peace



Duncan Weldon

“There’s a strong perception amongst businesses that good times are ahead.”

Rebecca Riley, Associate Professor and Business Development Director for the University of Birmingham / City-REDI

“Birmingham’s innovation quarter is an equaliser that drives socio-economic transformation for some of the city’s most deprived areas.”

Prof. Aleks Subic, Vice-Chancellor and Chief Executive of Aston University

Increasing productivity

There was a consensus amongst panellists that the Midlands has a vibrant and diverse economy and that regional businesses have demonstrated a positive outlook and resilience in the face of adversity. This is despite a significant number operating in sectors of the economy that have been most vulnerable to recent economic shocks.

However, the Midlands faces an increasing productivity gap of £86.3bn. The challenge lies in closing this gap, with the Midlands having the knowledge, expertise and innovation, but currently facing key challenges in its delivery, including access to capital and finance, skills shortages and infrastructure.

A key aspect of improving productivity will be a people-centric approach in the region, prioritising skills and jobs creation, especially by tapping into the potential of the region’s young population. By strengthening strategic relationships with universities and engaging with students and the expertise we do have, the region can grasp the opportunity to match and commercialise skills.

Simultaneously, panellists highlighted the need to continue fostering business resilience and growth through a targeted and segmented approach to support our vibrant and diverse business ecosystem, for example by ensuring access to finance and strengthening supply chain resilience.

However, it was agreed that it is essential to pursue inclusive growth, ensuring that economic expansion benefits all communities.



Innovating across sectors

The strength of the Midlands’ Research and Development assets and opportunities from emerging digital technologies, such as AI, were highlighted as hugely significant for the region’s prospects.

For example, the region is home to highly innovative scaling businesses supported by world-leading hubs and clusters, as highlighted in the Midland Engine Observatory’s **“Exploring the Investment Potential of Midlands Clusters”** report. Speakers noted that there are around 5,800 scaling enterprises in the region, generating over £80bn GVA, of which six in ten are exporting.

The event highlighted unrealised potential for UK plc and the Midlands to benefit from our strong innovation ecosystem – for example, through the use of relationship managers alongside strengthened collaboration between university business schools and businesses. It was noted that the region’s universities already play a crucial role in supporting commercialisation, impact assessments and market identification, but need further support in connecting with businesses.

To further enhance the region’s innovation economy, in both traditional and new sectors, the region must leverage its strengths in specific sectors through zones and hubs, hubs and align talent, growth capital, skills and clusters to address business needs. There was much discussion around the strengths and benefits of “triple-helix” partnerships between academia, public and private sectors to support scaling businesses and facilitate proactive engagement between the private sector and universities. It was noted that this is important to the region’s attractiveness to R&D investors and to the development of the digital skills and infrastructure that are critical to the region’s ability to innovate and take advantage of emerging digital technologies.

Creating a strong regional narrative through the Midlands Engine Partnership was agreed to be crucial. Local knowledge is vital for initiatives like digitalisation and decarbonisation, providing strategic engagement for business, and progressing interactions between business and universities.

“How does the Midlands get the investment it needs? It’s all about narrative, and that’s where organisations like Midlands Engine are so important.”

Sarah Windrum,
Future Mobility
Cluster Lead at Horiba Mira

“One of the biggest challenges is the space to grow.”

**Irene Graham OBE, Chief
Executive Officer at the
Scaleup Institute**

Building infrastructure for growth

The discussion extended to the critical area of infrastructure for business growth, covering the likes of space for business expansion, transport connectivity, digital infrastructure, and retrofit / housing initiatives. Speakers highlighted the importance of physical space for business expansion and effective planning and delivery of physical, digital and energy infrastructure, with a need for targeted policy reforms to streamline processes at a national level.

Green infrastructure and retrofit initiatives, including heat pumps, are essential, but challenges arise in terms of demonstrating return on investment – particularly for technologies which have not been tested.

It was noted that embracing and implementing transformative measures in infrastructure is crucial. Digitalisation plays a major role in improving productivity, but it was highlighted that SMEs don’t always have access to the necessary digital technology, infrastructure and digital skills. As Prof. Aleks Subic pointed out, this is a slow transformation that is critical to our region’s ability to access and participate in global value chains.

Increasing global and investment

Above all, speakers underscored the significant role of investment in the region, establishing it as a key thematic focus throughout. One example which resonated during the initial spotlight session is the Birmingham Innovation Quarter Joint Venture as part of the new UK Investment Zone. Prof. Aleks Subic described the opportunity as a driver of an inclusive model of growth, acting at the interface of an area of opportunity and deprivation to connect young people with Industry 4.0 opportunities.

The Innovation Quarter is expected to draw in over £3.5bn of investment over the next 5-10 years, delivering almost 10,000 high-value jobs and 250 tech innovation start-ups each year. The project was described as a net-zero “city within a city”.

Speakers agreed that the Midlands needs more investment and access to capital, alongside dual support from government and the private sector to grow our economy, including venture capital funds.



Panellists Irene Graham OBE, Sarah Windrum and Rebecca Riley with host Satnam Rana-Grindley