MIDLANDS ENGINE
Observatory

MIDLANDS ENGINE
REGIONAL ECONOMIC IMPACT MONITOR

EDITION 16: July 2021

Executive Summary

In general, the Midlands **region's economic outlook is on an upward trajectory:** there appears to be many more conversations about growth rather than survival, and outlook and investment are looking positive. This is reflected in the **optimistic economic growth forecasts reported by KPMG** for both the East Midlands and West Midlands, and the more regular Business Activity Index (PMI) – within which the **region continues to post high scores.** Levels of furlough and claimants continue to fall also:

- There were 397,170 claimants aged 16 years and over in the Midlands Engine area in May 2021, **a decrease of 16,485 claimants since April 2021.**
- Between February, March and April 2021 there was a **decline in furloughed workers in the Midlands from 635,000 to 577,600 to 462,600 respectively.**

However, the move to delay lockdown restrictions being lifted has come as a huge setback to many businesses in the region, **including nightclubs, wedding venues and theatres.** Additionally, travel agents have expressed concern of ongoing government travel restriction legislation, stating that they will not survive much longer in the same situation. However, there is also still concern around the **impact of government schemes, for example furlough and support funding, coming to an end,** while issues related to the UK's new relationship with the EU and **material shortages / price rises** continue to blighter the prospects of some companies. These problems are beginning to show a lot clearer in trade data and business surveys that suggest a **decline in UK trade with Europe.**

The widely reported **loss of some 100,000 lorry drivers** as a result of the combination of Brexit and the pandemic is now causing major concerns – particularly in relation to the frequency of collections from farms producing perishable food products and deliveries to supermarkets. The worry is **that food shortages are set to get progressively worse over the summer,** affecting food supply to the public as well as **food & drink, agriculture and logistics supply chains**.

New annual data for Foreign Direct Investment (FDI) reports that there were **217 FDI projects into the Midlands Engine area in 2020-21**, a decrease 10.3% (-25 projects) compared to 2019-20. UK overall decreased at a greater rate, by 17.0%, from 1,852 in 2019-20 to 1,538 in 2020-21. In 2020-21, the **Midlands Engine region accounted for 14.1% of the UK total for FDI projects, the highest of any region outside London and the South East.** 6,592 new jobs were created from FDI projects last year, an increase of 4.5% from the previous year, better than the UK average which declined over the same period. Equity investment data was also released via British Business Bank, showing that the West Midlands secured seven per cent of UK equity investment in 2020 (£382m), and the East Midlands two per cent (£76m). Despite large annual increases across both regions, the Midlands overall remains under-represented in its share of UK equity investment.

A key theme for this month's monitor is green growth and net zero. The Midlands Engine has developed **a Ten Point Plan for Green Growth** and we are now **moving to the mobilisation and delivery phase** - accelerating the change we all want to **see as we forge a new, green, clean and better future for our region**.

This month's monitor explores and reflects on a wide-range of net-zero / low carbon perspectives. This reinforces that our Ten Point Plan **incorporates a varied set of ideas and policies from across the region, nationally and beyond.** Findings include:

- **Understanding the current state of Low Carbon / Green Economy in the Midlands**
  - kMatrix and SustainabilityWM report that the Low Carbon and Environmental Goods and Services sector is worth £26.6bn in sales across the Midlands, generated by over 10,500 businesses and employing over 195,000 people.
  - WMG's study into low carbon supply chains confirmed that there are a plethora of Midlands organisations in the low carbon value chain, but key vulnerabilities exist that have the potential to inhibit growth in the sector.
- **Reporting on the Midlands' carbon emissions:** in 2019, the Midlands Engine area produced a total of 62,849 Kt CO_2 emissions, a decrease of 4.4% (-2,878 Kt CO_2) compared to a decrease of 3.8% nationally since 2018.
- **Understanding the potential of green jobs and skills required for net-zero**
  - Across the Midlands, there could be an estimated 194,000 jobs working in low-carbon sectors in 2050 –which would equate to 16.4% of low-carbon jobs in the UK, above any other area in the UK.
  - Analysis of the EMSI platform shows that demand for green jobs has been rising rapidly, with sustainability the fastest growing green skill, followed by occupational health, environmental health and sustainable development.
- **Reflecting on the role of business in delivering net-zero, particularly the requirements and impact of SMEs.**
- **Aligning with national findings and priorities, including the Ten Point Plan and Assessment of UK Climate Risks.**
- **Learning from expert perspectives, both nationally and globally, focused on harnessing the natural environment and biodiversity to drive a successful economic, social and environmental recovery.**

Emerging Policy Considerations

THEME	KEY FINDINGS
Covid-19 Outlook	Businesses in the Midlands have had a mixture of positive and negative news to report in recent weeks. There is a general theme of businesses looking to get back to **'business as usual',** with many thinking about their growth, strategy and seeking investment/funding. New jobs are being created and we continue to see **significant investments being made in the region.** However, the move to delay lockdown restrictions being lifted has come as a huge setback to many businesses in the region, **including nightclubs, wedding venues and theatres.** Many are stating it will take time to return to pre-Covid level of trading and businesses will **need continued financial support from government to ensure staff are retained.** Additionally, travel agents have expressed concern of on-going government travel restriction legislation, stating that they will not survive much longer in the same situation. In general though, the **region's economic outlook is on an upward trajectory:** there appear to be many more conversations about growth rather than survival. And investors are reportedly more willing to be slightly adventurous in comparison to this time last year. This is reflected in the **positive economic growth forecasts reported by KPMG** for both the East Midlands and West Midlands. However, there is evidence of businesses being concerned by the impact of a third wave. There is also still concern around the **impact of government schemes, for example furlough and support funding, coming to an end.** The concern of the lack of funding going forward is alarming to some businesses and certainly causing panic in some select industries. Growth Hub enquiries from businesses that have not received, or who have not been eligible for, COVID related grants are still trickling through. For example: • Taxi drivers seeking funding support. • Businesses that are **unable to access business restart grant** via local authorities due to renting premises from which they operate. • **Lack of financial support and grants**. • Lack of government bodies in the workplace **slowing down planning permission** committees which is causing delays in the construction industry.
EU Exit	Similar issues related to the UK's trading relationship with the EU continue to be raised. These are now seemingly more like **structural issues rather than "teething" problems**. Businesses have reported: • **Increased cost of materials and shipping** in the construction industry by circa 20% . • **VAT complications** still causing delays in supply chains. • Companies looking to other countries **outside the EU due** to increase in costs. • Support required for **implementation of systems/support** to help accounting within SME's to adhere to the new EU guidelines and rules. • Availability of **grant incentives to cover the cost importing and exporting.** Primarily, there are still many businesses experiencing issues because of EU Transition – owing to **additional paperwork requirements** that it seems many are still struggling with. Manufacturing and construction sector business are reporting continued **shortage of materials and increase in costs**, which is proving a major challenge for them. These "on the ground" business issues, whether they be caused by EU Exit or Covid, are now coming through in trade data releases. For example: • New export data reflects the initial impact of EU Exit on trade in goods. ONS have reported that **total trade in goods with EU countries decreased by 23.1% and with non-EU countries decreased by 0.8% comparing Quarter 1 2021 with Quarter 1 2018.** • Research on the impact of Brexit on service trade has found that following the **UK's departure from the EU more than £100bn in service exports have switch to Ireland.**
Growth Hub's	The region's Growth Hub's continue to report a **shift away from Covid-related enquiries**, with more companies seeking **business as usual and growth support**. In particular, these enquiries are commonly related to: • An increased number of requests for **property searches: expansion to bigger premises, the need for bigger storage spaces and further Inward Investment** opportunities being the main drivers of these. • Businesses looking for **skills development within their existing workforces**. Some looking for training to widen their offer to provide new services. Kickstart and Apprentices continue to be a focus for many regional businesses. • **Digital support** continues to feature as businesses deal with new ways of working, post COVID. **Social Media and Digital Marketing** support among the most frequently sought after. • Businesses who do not meet eligibility criteria of the **peer-to-peer program have requested a similar program to facilitate smaller businesses.**

Global and National Outlook

Global

According to IHS Market, the **global economy has reached an important milestone in the second quarter of this year, surpassing the pre-pandemic real GDP peak attained in the fourth quarter of 2019**. The Asia-Pacific region was the first to complete recovery in late 2020. Estimates from IHS Markit show that US real GDP will reach a new peak in May 2021. Africa and the Middle East are expected to reach this point in quarter 3, whilst Europe and Latin America will complete their recoveries in the final quarter of this year. However Reuters reported that **the Eurozone business growth accelerated at its fastest pace in 15 years** in June, as the easing of lockdown measures has unleashed pent-up demand and has driven a boom in the dominant services sector, but this is leading to increase pressures on prices.

IHS Market **project real GDP to increase by 6.0% in 2021**, the **strongest growth the world has seen since 1973**. According to the World Bank after facing the deepest global recession since World War II, it will see the **fastest post-recession global growth in 80 years at 5.6% in 2021.** IHS predicts that growth is it set to at a robust pace at 4.6% in 2022 before settling to 3.0% between 2023 and 2025. As vaccination rates increase and lockdown-related restrictions are lifted, consumer spending is beginning to surge. This is most prevalent in the US. Western Europe is beginning to see this boom in spending as well as economies gradually reopen, labour market conditions improve and pent-up demand and savings begin to take effect. According to Allianz, residual savings in Europe amounts to €500 billion, whilst in the US they are estimated to be £1 trillion.

Covid-19 resurgences still remain a significant risk factor. Parts of Asia have experienced huge outbreaks of new variants over the spring. There are also reports of new outbreaks across Australia. **Outbreaks like these are increasing pressure on already fragile global supply chains**. These delays will improve but global supply chains will still be in recovery till 2022.

Employment is improving as many industries across the world begin to re-open and operations begin to resume at pace. There has been a gradual recovery in the US labour market where in **May 559,000 non-farm jobs were created and the unemployment rate fell to 5.8%**. Vanguard predicts the **unemployment rate will fall down to 4%** by the end of the year.

In the Eurozone unemployment fell to 8.0% in April, as furlough schemes such as the European Union's SURE programme (support to mitigate employment risks in an emergency) continue to support employment.

National

A survey conducted for the Financial Times by the Institute of Directors found that **almost a third of British companies that trade with the EU have suffered a decline or loss of business since post-Brexit** rules took effect on January 1st. The survey also found **that 17% of UK companies that previously traded with the EU have stopped** — either temporarily or permanently — since the start of the year. Six months after Brexit, companies reported they were continuing to wrestle with new red tape ushered in by the UK-EU trade and co-operation agreement. Although the Brexit deal, agreed on Christmas Eve, confirmed zero tariff, zero quota trading between Britain and the EU, the new arrangements require companies to comply with costly checks, customs controls and bureaucracy which have added friction to commerce. **Relations between the UK and the EU have also been soured over a new trade border** between Great Britain and Northern Ireland which requires checks on many goods crossing the Irish Sea.

The Q1 2021 Food and Drink Trade Snapshot collated by the Food and Drink Federation (FDF), has found that exports to the EU fell by £2bn in the first three months of 2021. Analysing trade data released by HMRC, this was the impact of Covid-19 and the change in trading relationships with the EU. This led to a **total fall in UK food and drink exports to 28.1% in Q1 of 2021** when compared to 2020, and a **fall of 36.5% when compared with pre-Covid Q1 2019** figures. FDF stated that this had been the first ever quarterly report they had written, in which **exports to non-EU countries exceeded those to the EU,** making up 55% of all UK food and drink exports. Another casualty of the new changes in trading relationships has been the sectors traditionally biggest export market - the Republic of Ireland - where trade is down -70.8% since 2020 and by -72.7% since 2019.

According to HMRC, **exports of food and live animals to the EU, have fallen by £0.7 billion** or 63.6% in January 2021.The Scottish Seafood Association has also said that exports to the EU have been hit by 'red tape' delays between Scotland and France. Consignment sign off for exports of fish is taking up to six times longer, and previously overnight transits of goods to France are now taking upwards of three days.

There have been shortfalls in fresh produce labour across the industry, with shortages in HGV drivers, harvesters, manufacturers, and packers, which is causing great pressures on supply chains in the industries. These jobs are on average low paid and highly physically demanding, meaning there are generally shortages in supply of labour.

National Outlook

However, for a number of years the lack of labour supply for this industry has been helped by EU immigrant workers coming to the UK, happy to work on the low industry wages, in the pursuit of a better quality of life. **Brexit stopped freedom of movement for these workers, which led to many returning to their home countries.** This was accelerated by the pandemic which gave many EU immigrants an incentive to return home, especially as borders were being closed. Brexit has also spurred the **fall in HGV drivers as many European drivers left the industry**, with the freedom of moment now gone and the increase in haulage times, as a result of increased border checks and paperwork. Few people want to join the industry and it has caused many to leave.

The worry is that food shortages are set to get progressively worse over the summer. The fresh produce industry usually struggles during summer due to increased demand and shortfalls in labour as staff go on annual leave. However, usually pressure is relieved on the industry as people go abroad on holiday, causing demand to fall. That will not be the case though this summer, as many Brits are set for 'staycations', due to uncertainties surrounding travel abroad. With greater pressure being adding to this as more and more entertainment and hospitality venues open. **Therefore, demand will be higher than is usually expected for this time of year in the UK and without the labour to support it,** large faults many begin to appear in supply chains. Nick Allen, chief executive of the British Meat Processors (BMPA) told the Financial Times that due to **labour shortages processors were "between 10 and 11 per cent" short on full capacity**.

Since Brexit, there has been a 45% fall in jobs searches from EU workers compared with 2016, according to Indeed. Since post-Brexit immigration rules were introduced at the start of the year**,** interest from non-EU workers has returned to pre-pandemic levels whilst **interest from EU workers continues to fall.** Amongst lower paid jobs (as mentioned above), there has been a 41% fall since 2019. As this downturn is likely to continue, the UK will increasingly need to rely on domestic and non-EU labour to fill remaining vacancies.

ONS released quarterly nation accounts which shows that UK GDP is estimated to have **decreased by 1.6% in Quarter 1** 2021, revised from the first estimate of a 1.5% decline. The level **of GDP is now 8.8% below where it was pre-pandemic at Quarter 4** 2019, revised from a first estimate of 8.7% below.

However, Rating Agency Fitch has raised the **UK's outlook to 'stable' from 'negative'** –affirming the Long-Term Foreign Currency (LTFC) Issuer Default Rating (ID) at 'AA-'. This is due to recent macroeconomic, labour market and fiscal outturns since the beginning of 2021. Businesses also adapted better than expected to working within the new economic restrictions, as well as greater resilience of private consumption and investment have led to an **upward revision in their GDP estimate and forecasts for 2020-21 to -9.8% and 6.6%** retrospectively. Fitch forecasts growth moderating to 5% in 2022 and expects the unemployment rate to average just 5.4% in 2021.

KPMG has also released its UK Economic Outlook report for June 2021. The main findings were firstly that the short-term outlook is favourable for the economy, with KPMG forecasting the **economy to grow by 6.6% this year and by 5.4% in 2022.** However, the possibility of the emergence of new variants less responsive to current vaccines are still a downside risk, albeit less severe than previously. Also, there is an expected rise in insolvencies, as government support schemes are withdrawn, which could impact recovery down the line. Unemployment is forecasted by KPMG to peak at 5.7% by the end of the year. KPMG's UK Economic Outlook also shows after the highest contraction seen in the West Midlands region in 2020 the **West Midlands GDP is set to grow by 9.5% in 2021** and 6.4% in 2022. **The East Midlands GDP is set to grow by 6.3% in 2021** and 4.8% in 2022.

Increasing cost pressures and the reversal of temporary tax cuts will cause inflation to rise this year, but spare capacity in the economy should see inflation moderating next year, **without the need for an interest raise from the Bank of England before 2023.** This is good for public sector finances as whilst they are set to improve relatively quickly, they have become more vulnerable to a rise in interest rates. However, whilst the update did consider the impact of Covid-19 in its summary, the summary did not mention what the lasting implications of the UK's exit from the EU could be. It does mention that Brexit will impact different regions such as Scotland and Northern Ireland within the main body of the report.

Jaguar Land Rover (JLR) has unveiled **plans to test a prototype hydrogen fuel cell electric vehicle (FCEV) this year**, as part of its vision to deliver zero tailpipe emissions by 2036. The vehicle will be tested at JLR's UK technology hubs in the latter half of 2021. Tests will be used to inform potential improvements to range and refuelling – some current barriers to FCEV adoption, aside from the upfront cost of vehicles. Off-road ability will also be measured during the test phase.

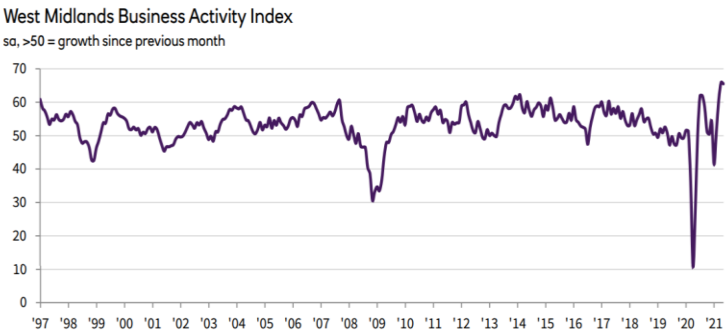
Business Activity

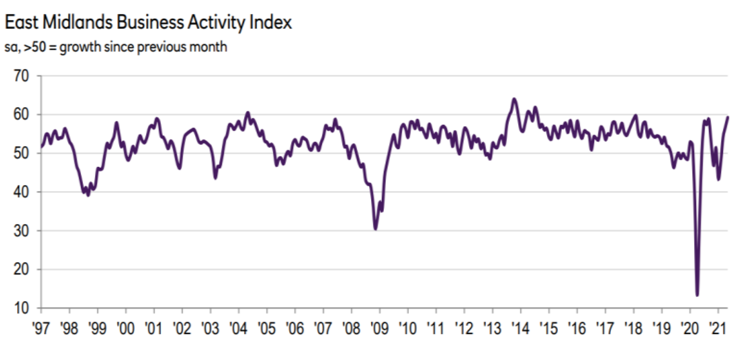
Business Activity Index

The **West Midlands Business Activity Index** slightly decreased from record highs of 65.9 in April 2021 to **65.5 in May 2021**, although this is the still **the second sharpest increase since records began in January 1997.** With the Business Activity Index above the 50 mark which shows positive growth, firms reported expansion due to the further easing of lockdown measures, the reopening of additional businesses and a surge in demand.

The **East Midlands Business Activity Index** increased from 56.7 in April 2021 to **59.2 in May 2021**. **This rate of output growth was the fastest since February 2018,** with the rise linked to greater orders from new and existing customers, following the easing of lockdown measures across the UK.

The following graphs show the West Midlands and East Midlands Business Activity Index trends:





Source: IHS Markit, NatWest PMI, June 2021

Of the twelve UK regions, the West Midlands region was the second highest and the East Midlands was second lowest for the Business Activity Index in May 2021.

Demand

The West Midlands New Business Index increased for the third consecutive month. The latest data shows it increased from 67.2 in April 2021 to 67.8 in May 2021; the pace of expansion was sharp and climbed to a survey peak. **The East Midlands New Business Index increased from 56.2 in April 2021 to 60.1 in May 2021.** The rate of expansion was the strongest since August 2014.

Source: IHS Markit, NatWest PMI, June 2021.

Exports

The West Midlands Export Climate Index increased from 57.3 in April 2021 to 59.9 in May 2021; this shows the most favourable export conditions since mid-2000. **The East Midlands Export Climate Index had its strongest improvement since mid-2006**, increasing from 55.7 in April 2021 to 58.2 in May 2021.

Capacity

The West Midlands Employment Index increased from 55.9 in April 2021 to 58.8 in May 2021. This rate of expansion was the quickest since records began in 1997 and was joint highest with Yorkshire and the Humber for employment growth in May 2021. **The East Midlands Employment Index increased from 52.2 in April 2021 to 58.4 in May 2021,** the quickest rate of expansion since records began in 1997.

The West Midlands Outstanding Business Index slightly decreased from 59.7 in April 2021 to 59.5 in May 2021 - however, a reading above 50 shows growth. **The East Midlands Outstanding Business Index increased from 53.3 April 2021 to 54.7 in May 2021** - the pace of increase was the quickest since November 2000.

Prices

The West Midlands Input Prices Index increased from 72.3 in April 2021 to 74.4 in May 2021 - this rate of inflation quickened to the fastest in nearly 13 years. **The East Midlands Input Prices Index increased from 71.0 in April 2021 to 75.6 in May 2021**– the sharpest rate of inflation since July 2008.

The West Midlands Prices Charged Index increased from 58.1 in April 2021 to 61.1 in May 2021 - the strongest rate of charge inflation in just under 13 years. **The East Midlands Prices Charged Index increased from 58.6 in April 2021 to 61.1 in May 2021** -- the strongest rate of charge inflation since August 2008.

Outlook

The West Midlands Future Activity Index increased from 80.2 in March 2021 **to 80.8 in April 2021 – reaching the highest level since records began in mid-2012.** The **East Midlands Future Activity Index** slightly decreased from 79.7 in April 2021 to **78.4 in May 2021.** The level of positive sentiment was the softest for three months with concerns surrounding the sustainability of current demand conditions.

Out of the twelve UK regions, the West Midlands was the third highest and the East Midlands sixth highest for the Future Business Activity Index in May 2021.

Foreign Direct Investment

Department for International Trade published inward investment results for 2020 to 2021 in June 2021. Foreign Direct Investment (FDI) is considered to deliver economic benefits to the UK by improving economic competitiveness and enabling improvements in productivity for both new and existing firms. FDI can create an important positive contribution to an economy by generating employment, increasing tax revenue, and by providing external resources such as capital, technology and managerial know-how that can substantially aid productivity and economic growth.

FDI Projects

There were **217 FDI projects** into the Midlands Engine area in 2020-21, this is a decrease of 10.3% (-25 projects) compared to 2019-20. The UK overall decreased at a greater rate, by 17.0%, from 1,852 in 2019-20 to 1,538 in 2020-21. In 2020-21, the Midlands Engine region **accounts for 14.1% of the UK total for FDI projects,** the highest of any region outside London and the South East.

New Jobs

In the Midlands Engine region, there **were 6,592 new jobs created from FDI projects** in 2020-21. This is **an increase of 4.5%** (+284 new jobs) from 2019-20. The UK experienced a decrease over the same period, of 1.4% (from 56,117 new jobs to 55,319). In 2020-21, the Midlands Engine region **accounted for 11.9% of new jobs created from FDI projects in the UK.**

Regional Breakdown for all FDI Projects and Jobs 2018-19 to 2020-21:

	FDI Projects			New Jobs			Safe Jobs			Total Jobs		
	2018-19	**2019-20**	**2020-21**	**2018-19**	**2019-20**	**2020-21**	**2018-19**	**2019-20**	**2020-21**	**2018-19**	**2019-20**	**2020-21**
Multiple UK sites	52	58	49	12,288	8,916	14,855	-	-	1,502	-	-	16,357
North East	59	73	51	2,188	2,979	1,373	-	36	359	-	3,015	1,732
North West	142	154	139	4,663	5,013	4,309	521	428	478	5,184	5,441	4,787
Yorkshire and The Humber	98	104	86	2,244	2,264	1,412	351	759	282	2,595	3,023	1,694
East Midlands	69	85	72	1,823	2,425	2,149	51	417	-	1,874	2,842	-
West Midlands	155	157	145	5,044	3,883	4,443	1,005	2,731	1,861	6,049	6,614	6,304
Midlands Engine	**224**	**242**	**217**	**6,867**	**6,308**	**6,592**	**1,056**	**3,148**	**-**	**7,923**	**9,456**	**-**
East of England	87	79	72	1,513	1,709	2,066	1,369	-	1,037	2,882	-	3,103
London	627	638	492	14,875	12,989	13,832	412	88	718	15,287	13,077	14,550
South East	202	211	163	3,905	6,434	2,538	398	76	3,610	4,303	6,510	6,148
South West	79	70	76	1,945	1,472	2,242	266	502	259	2,211	1,974	2,501
Scotland	126	121	92	3,348	2,946	3,245	1,121	401	442	4,469	3,347	3,687
Wales	51	62	72	2,314	2,736	1,529	1,390	-	6,907	3,704	-	8,436
Northern Ireland	35	40	29	1,475	2,351	1,326	-	-	-	-	-	-
Total	1,782	1,852	1,538	57,625	56,117	55,319	6,998	9,021	18,187	64,623	65,138	73,506

Please note, FDI total jobs in the East Midlands for 2020-21 is not available due to data suppression within safeguarded jobs data.

FDI and European Union (EU) Split

43.6% (500 of 1,147 total projects) of Midlands Engine FDI projects between 2016-17 to 2020-21 were from EU countries. This is considerable higher than the UK average of 35.7%.

Between 2016-17 to 2021-21, 40.1% (16,551 of 41,263) of Midlands Engine new FDI jobs were from EU FDI projects.

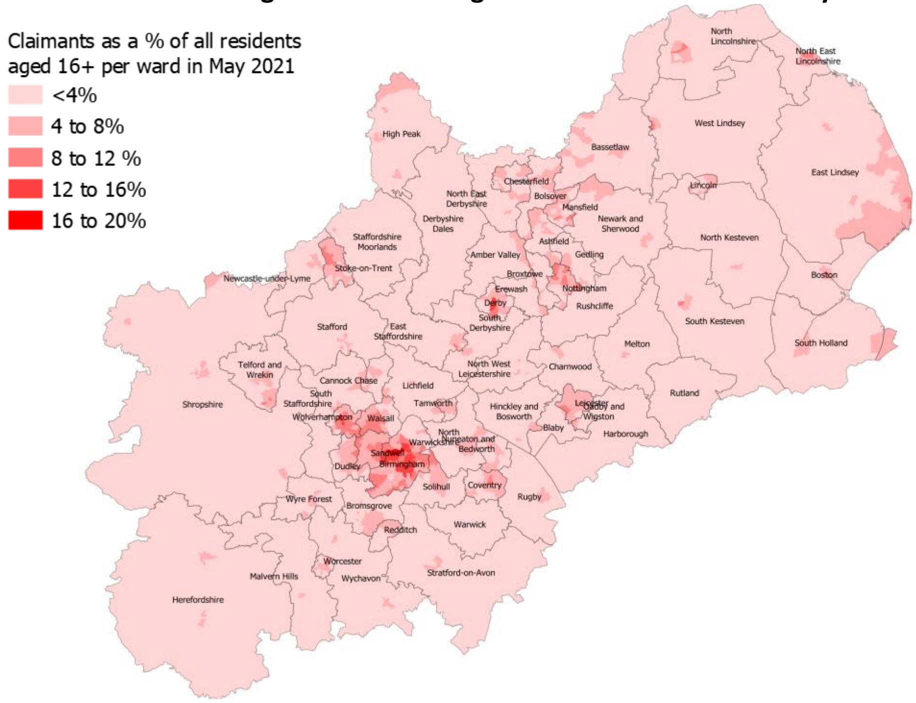
Please note; From a UK perspective, inward FDI is an investment from a foreign investor into a UK enterprise. The UK entity then becomes what is known as an affiliate enterprise, which is either a subsidiary, branch, or an affiliate company of the parent company – the foreign investor. In practical terms, this can either happen where a foreign company sets up a version of itself in the UK, or where it acquires/merges with an existing UK company. The parent company needs to own at least 10% of the shares or voting power in the UK entity for it to classify as FDI.

Claimants

There were **397,170 claimants aged 16 years and over in the Midlands Engine area in May 2021**, a decrease of 16,485 claimants since April 2021. This equates to a decrease of 4.0% for the Midlands Engine area, whilst the UK decreased by 4.8%. **There are 175,630 (+79.3%, UK +97.3%) more claimants when compared to March 2020**.

The number of claimants as a percentage of residents aged 16 years and over was 2.7% (UK 2.4%) in March 2020, this has increased to 4.7% in the Midlands Engine (UK 4.6%) in May 2021.

Claimants as Percentage of Residents Aged 16 Years and Over in May 2021:



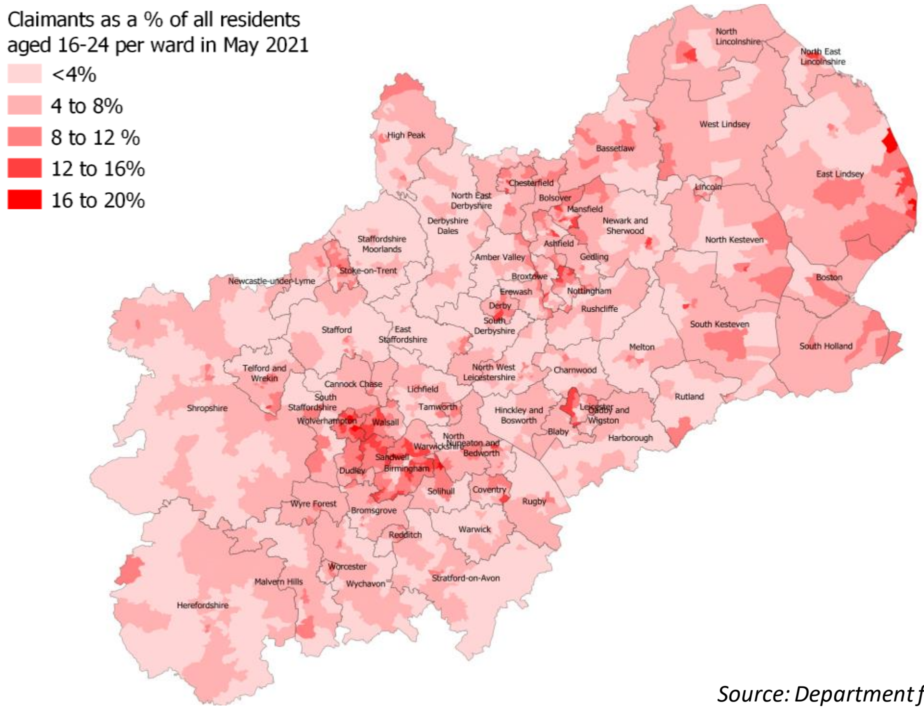
Out of the 1,511 wards within the Midlands Engine, 411 were at or above the UK average of 4.6% for the number of claimants as a percentage of the population aged 16 years and over in May 2021.

The wards with the highest the number of claimants as a percentage of the population were based in Birmingham, with Lozells the highest with 17.9%. This is followed by Handsworth at 17.5% and then Birchfield at 16.8%.

There were 78,285 youth claimants (16-24 years old) in the Midlands Engine area in May 2021 – a decrease of 4,325 claimants since April 2021. This equates to a decrease of 5.2% with the UK decreasing by 6.0%. Since March 2020 (44,195 claimants), **the number of youth claimants has increased by 34,090** (+77.1%, UK +94.4%).

The number of claimants as a percentage of residents aged between 16 and 24 years old was 3.8% (UK 3.4%) in March 2020, this has increased to 6.8% in the Midlands Engine and 6.6% for the UK in May 2021.

Claimants as Percentage of Residents Aged 16 – 24 years old in May 2021:



Out of the 1,511 wards within the Midlands Engine, 604 were at or above the UK average of 6.6% for the number of claimants as a percentage of the population aged between 16-24 years old in May 2021.

The wards with the highest number of claimants as a percentage of the population were; East Park (17.3%), Handsworth (16.6%), Bushbury South and Low Hill, Mablethorpe and Winthorpe (all at 16.3%).

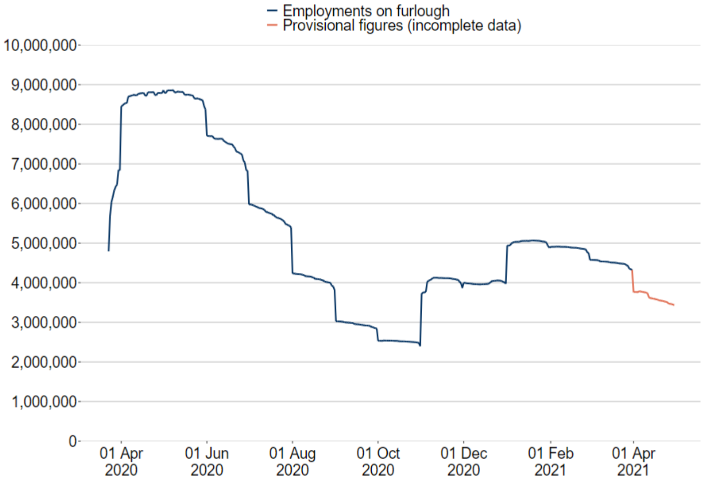
Source: Department for Work and Pensions, June 2021

Furloughed Workers

UK Summary:

Figures released in June 2021 show the level of demand and application of furlough in the last year. Furlough in the UK peaked at 8.9m workers on 8th May 2020, with the number of workers furloughed steadily dropping through June to October 2020. The number of workers furloughed increased throughout November 2020 to January 2021. The latest provisional figures show there has been a decrease in levels of furlough between February and April 2021 – with **3.4m workers furloughed on the 30th April 2021.**

The total number of employments furloughed in the UK between 23rd March 2020 to 30th April 2021:



Source: HMRC CJRS data

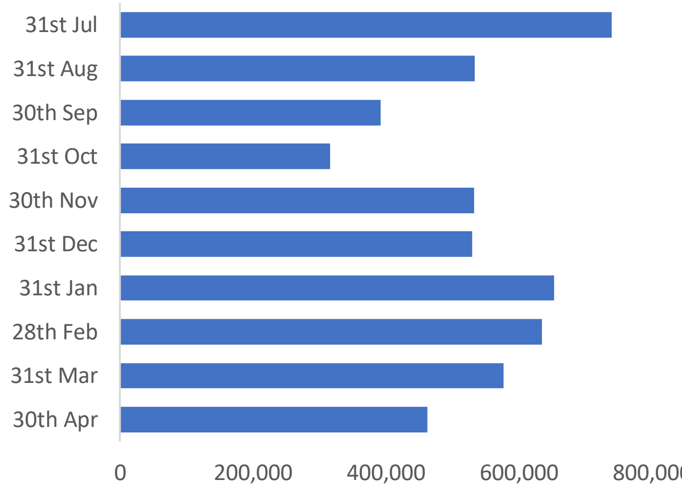
Across all age bands the number of workers on furlough decreased throughout February, March and April 2021. **The largest reductions have been for younger employees in the under 18 and 18 to 24 age bands.**

At 31 March 2021, employers with 20-49 employees were most likely to have claimed under CJRS to support the furlough of staff, with 59% of employers of this size having at least 1 employee on furlough. Provisional estimates show this was still true at 30 April 2021 with 51% of these employers having staff on furlough.

Midlands Engine Summary:

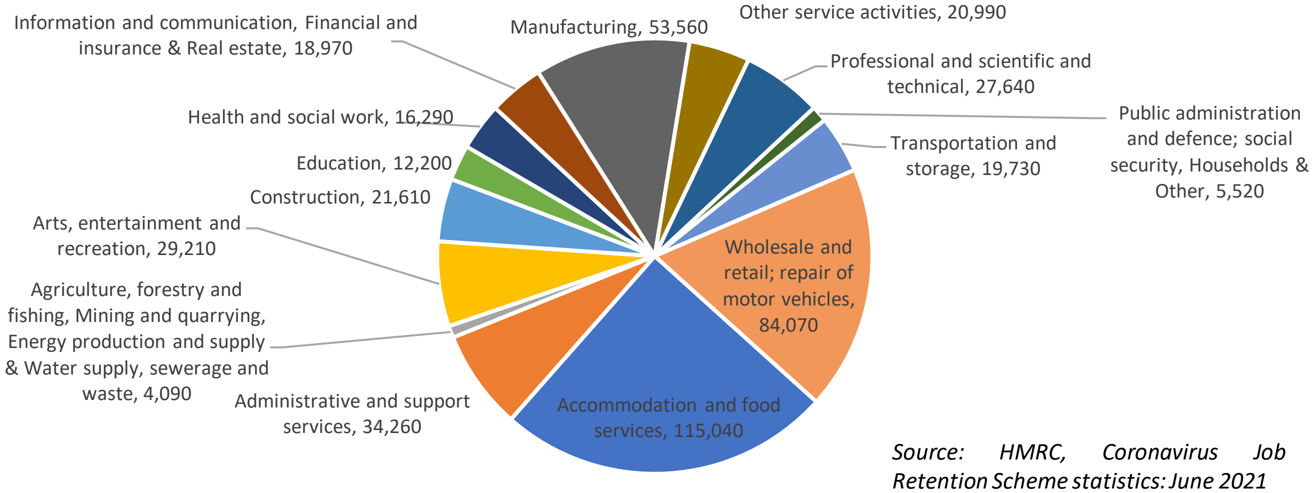
Analysis over time shows that across the Midlands Engine there were 740,000 employments furloughed on the 31st July 2020, with the figure decreasing between August and October 2020. There was an increase in the number of employments furloughed between November 2020 to January 2021 and **the latest provisional data shows that between February, March and April 2021 there was a decline in furloughed workers from 635,000 to 577,600 to 462,600** (respectively). In April 2021, this equated to a **10.6% take-up of eligible employments for the scheme,** compared to UK-wide of 11.7%.

Total number of employments furloughed in the Midlands Engine at the end of each month:



As of 30th April 2021, there was a higher percentage of females furloughed, 10.9% (326,400), compared to males, 10.3% (266,000). This matches the UK trend at 11.4% for females and 11.3% for males.

Across the Midlands Engine area, as of the 30th April 2021, the sector with the highest number of employments furloughed was accommodation and food services at 115,040. **Total number of employments furloughed by broad sector for the Midlands Engine area on the 30th April 2021:**



Source: HMRC, Coronavirus Job Retention Scheme statistics: June 2021

Self-Employment Income Support Scheme

Local Analysis

Across the Midlands Engine area, **446,100 of the population were eligible for the fourth grant** of the Self-Employment Income Support Scheme (SEISS). There were **219,800 claims made at a total value of £588m** to the 9th May 2021. The average value of a claim was approximately £2,700 in the Midlands Engine which was below the UK value of £2,800. **The total take-up rate for the Midlands Engine was 49%, below UK-wide of 50%.**

For the fourth grant of SEISS, across the Midlands Engine area there were 310,000 of the male population eligible. There were 155,500 claims, the total value was just over £452m with an average claim at £2,913. The take-up rate was 50% while the UK average was 52%. For the female population in the Midlands Engine area there were 135,700 eligible population. There were 64,000 claims, the total value was just over £135m with an average claim at £2,116. The take-up rate was 47% with the UK average at 46%.

Regional Analysis

At the East Midlands regional level, there were approximately 217,000 of the population eligible for the fourth grant of the SEISS, which is a take up rate of 48% based on the total number of claims of 105,000. At a West Midlands regional level, there were approximately 259,000 of the population eligible for the fourth grant of the SEISS, which is a take up rate of 50% based on the total number of claims of 130,000.

The male take-up rate was 51% (185,100 eligible, 94,900 claims) in the West Midlands and 49% (146,400 eligible, 71,400 claims) in the East Midlands, the female rate was 47% for both regions (WM 74,200 eligible, 34,600 claims and EM 70,400 eligible, 33,400 claims).

Overall, for the East Midlands region the highest take-up rate was for those aged 25-34 years old (39,500 eligible, 20,900 claims). For the West Midlands region the highest take-up rate was for those aged 35-44 years old (59,400 eligible, 32,600 claims).

Excluding entries categorised as "unknown" or "other", **the industries with the highest take-up rate in both the East Midlands and West Midlands was for other service activities at 71% and 70%.** The lowest take up rates were in agriculture at 14% and 13% respectively.

The following table shows a breakdown by broad industry for the East and West Midlands Region:

	West Midlands			East Midlands		
Sector description	**Total no. of claims made to 09/05/21**	**Total value of claims made to 09/05/21**	**Take-Up Rate**	**Total no. of claims made to 09/05/21**	**Total value of claims made to 09/05/21**	**Take-Up Rate**
Accommodation and food service activities	3,000	£7,800,000	49%	2,600	£6,600,000	47%
Administrative and support service activities	7,500	£15,200,000	40%	6,900	£13,600,000	40%
Agriculture, forestry and fishing	1,300	£3,500,000	15%	1,000	£2,900,000	14%
Arts, entertainment and recreation	2,900	£7,200,000	55%	2,600	£6,300,000	55%
Construction	41,200	£139,200,000	52%	33,500	£116,900,000	50%
Education	5,600	£13,100,000	62%	4,700	£11,400,000	61%
Financial and insurance activities	600	£2,200,000	39%	500	£1,800,000	39%
Human health and social work activities	3,800	£10,300,000	33%	3,600	£9,400,000	36%
Information and communication	900	£2,800,000	41%	700	£2,200,000	38%
Manufacturing	3,300	£9,500,000	49%	2,600	£7,500,000	46%
Other service activities	12,800	£27,800,000	70%	12,500	£27,300,000	71%
Professional, scientific and technical activities	4,600	£14,600,000	39%	3,800	£12,200,000	38%
Public administration and defence; compulsory social security	200	£500,000	45%	100	£300,000	39%
Real estate activities	400	£1,200,000	34%	300	£900,000	31%
Transportation and storage	16,300	£31,000,000	68%	8,600	£17,800,000	61%
Unknown and other	17,600	£41,500,000	47%	14,900	£36,200,000	46%
Wholesale and retail trade; repair of motor vehicles and motorcycles	7,600	£19,200,000	44%	6,000	£15,900,000	43%
All	130,000	£347,000,000	50%	105,000	£289,000,000	48%

The figures are based on claims submitted for the fourth grant by 9th May 2021. Source: HMRC, Self-Employment Income Support Scheme (SEISS) Statistics: June 2021

ONS - Business Insights and Conditions Survey

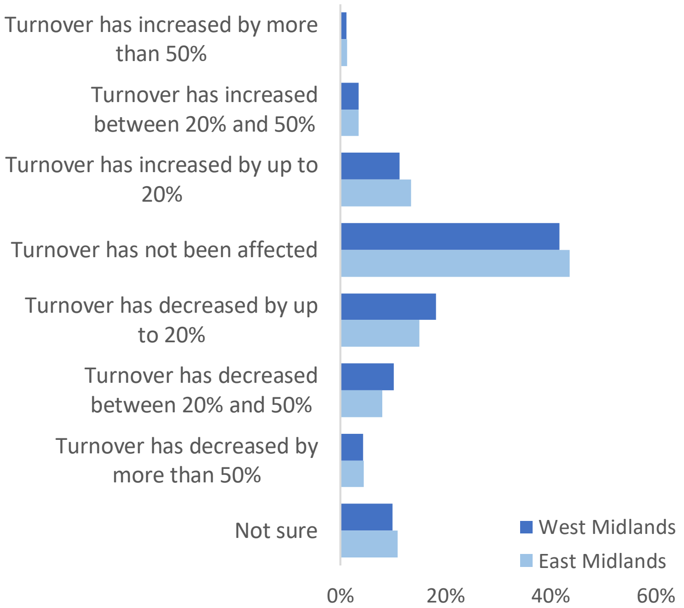
Final results from [Wave 32 of the Business Insights and Conditions Survey (BICS).](#)

Trading and Financial Performance

97.4% of responding West Midlands businesses and 97.5% of East Midlands businesses reported their business trading status as currently trading.

32.6% of trading businesses in the West Midlands and 27.4% of East Midlands businesses reported their turnover had decreased by at least 20%.

The following chart shows how business turnover has been affected in the West Midlands and East Midlands:



Excluding “other” and “not sure” responses, **66.2% of West Midlands businesses and 64.1% of East Midlands businesses reported the main reason for the change in the business turnover in the last two weeks was due to COVID-19.** 1.6% of West Midlands businesses and 1.3% of East Midlands businesses reported the main reason as the end of the EU transition period and 10.1% of West Midlands businesses and 9.1% of East Midlands businesses reported that it was due to COVID-19 and the end of the EU transition period.

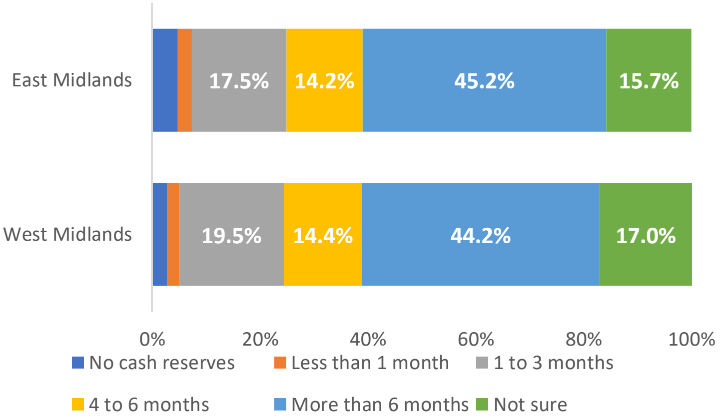
Profits

Businesses were asked in the last two weeks how profits compared with normal expectations for the time of year. **30.3% of businesses in the West Midlands and 27.3% of East Midlands businesses reported profits had decreased by at least 20%.**

Cash Reserves

2.9% of West Midlands businesses and 4.7% of East Midlands businesses have no cash reserves.

The following chart shows for West Midlands and East Midlands businesses how long their cash reserves would last:



International Trading

3.7% of West Midlands and 1.4% of East Midlands businesses within the last two weeks had not been able to export. Meanwhile, 2.0% of business in the West Midlands and 2.6% of East Midlands businesses had not been able to import within the last two weeks.

24.9% of exporting businesses in the West Midlands and 28.7% for the East Midlands reported their businesses were still exporting but less than normal. 18.7% in the West Midlands and 18.9% in the East Midlands were importing less than normal.

56.8% of West Midlands businesses and 56.5% of East Midlands businesses who were exporting reported that they had not been affected and 63.2% of West Midlands importers and 59.6% of East Midlands importers said that importing had not been affected.

1.5% of businesses in the West Midlands and 2.3% of East Midlands businesses were exporting more than normal. The figures for importing more than usual are 4.1% for the West Midlands and 5.6% for the East Midlands.

UKCA Marking

Excluding “not sure” or “no” responses, 4.1% of West Midlands businesses and 4.3% of East Midlands businesses manufacture products that need a CE or UKCA marking. 5.2% of West Midlands businesses and 4.8% of East Midlands businesses import products with a CE or UKCA marking and 4.5% of West Midlands businesses and 4.0% of East midlands businesses distribute products with CE or UKCA markings.

74.8% of West Midlands businesses and 72.2% of East Midlands businesses reported they were aware that most CE marked products need to be UKCA marked from 1st January 2022.

20.7% of West Midlands businesses and 18.6% of East Midlands businesses are already using UKCA marking. 5.4% of West Midlands businesses and 3.1% of East Midlands businesses are not aware of or do not know how to meet the requirements for the UKCA. 43.2% of West Midlands businesses and 41.2% of East Midlands businesses are not using the UKCA marking but plan to by 1st January 2022. 2.7% of West Midlands businesses and 4.1% of East Midlands businesses will not use UKCA marking as it is not relevant to the business.

Supply Chains

7.7% of responding West Midlands businesses and 7.4% of East Midlands businesses reported they had made changes to supply chains due to the end of the EU transition period.

38.7% of responding West Midlands businesses and 40% of East Midlands businesses reported no extra costs due to the end of the EU transition period.

Where applicable, 4.1% of responding West Midlands business and 3.5% of East Midlands businesses reported they had not been able to get the materials, goods or services they needed from the EU in the last two weeks.

Business Confidence and Insolvency

In the West Midlands, **68.4% of responding businesses and 71.3% of East Midlands businesses had high confidence in surviving over the next three months**. 24.0% of West Midlands business and 22.2% of East Midlands businesses had moderate confidence of survival, 2.0% of West Midlands businesses and 1.9% of East Midlands businesses had low confidence.

1.0% of responding West Midlands businesses and less than 1% of East Midlands businesses reported they were at severe risk from insolvency. 9.3% of West Midlands businesses and 9.5% of East Midlands businesses reported they were at moderate risk. 52.4% of West Midlands businesses and 52.3% of East Midlands businesses reported a low risk of insolvency. 28.3% of West Midlands and 30.3% of East Midlands businesses reported no risk.

Expected Site Closures and Redundancies

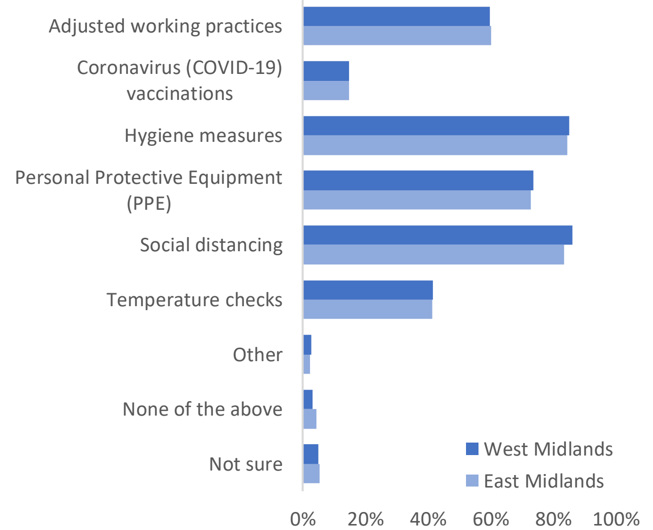
2.1% of West Midlands businesses and 2.0% of East Midlands businesses intend to permanently close business sites in the next three months.

5.8% of West Midlands businesses and 5.0% of East Midlands businesses expect redundancies to happen over the next three months.

Safety Measures and COVID-19 Testing

86.2% of responding West Midlands businesses reported they were using, or intending to use social distancing as a safety measure in the workplace, while 84.5% of East Midlands businesses reported they were using, or intending to use hygiene measures.

The following graph shows for the West Midlands and East Midlands what businesses are using or intending to use for safety measures in the workplace:



60.4% of responding West Midlands businesses and 61.3% of East Midlands businesses reported they were not providing regular COVID-19 testing for the workforce.

Workforce Characteristics

Businesses were asked since the start of the COVID-19 pandemic, how has the number of workers within and outside the European Union (EU) had changed**. 8.7% of West Midlands businesses and 9.2% of East Midlands businesses reported the number of workers within the EU had decreased.** Less than 1% of West Midlands businesses and 1.1% of East Midlands businesses reported that the number had increased.

3.4% of West Midlands businesses and 3.6% of East Midlands businesses reported the number of workers outside the EU had decreased. 1.3% of West Midlands businesses and 1.1% of East Midlands businesses reported that the number had increased.

To note: In the West Midlands there was a response rate of 23.3% and in the East Midlands a response rate of 24.1% where businesses have a presence in the region. There was a response rate of 39.7% (WM) and 40.6% (EM) where businesses are headquartered in. Businesses were asked for their experiences for the reference period 17th to 30th May 2021. However, for questions regarding the last two weeks, businesses may respond from the point of completion of the questionnaire (1st to 13th June 2021). The data used is unweighted and should be treated with caution.

Local Business Intelligence

This section draws on contributions from the East Midlands Chamber, Make UK, the NFU, FSB, Growth Hubs and Universities across the region (sourced from Midlands Innovation and Midlands Enterprise Universities networks).

East Midlands Overview–East Midlands Chamber (EMC)

Emerging data from the Chambers Quarterly Economic Survey points to the **most positive picture of business confidence for some time**:

- **Sales have picked up** – particularly in domestic markets.
- **Manufacturing is reported as being in the strongest position for some time** – with lots of investment primed to come forward and very strong order books.
- After a sharp fall at the start of the pandemic, both manufacturers and service sector businesses are now seeing their **workforces grow**.
- **Prices are an issue,** particularly driven by raw material costs (and particularly in manufacturing) – many expect to start passing these on to customers.
- There is growing **concern about firms' ability to recruit** workers with the skills necessary to support future growth.
- **Recruitment difficulties** are anticipated across all skill levels and broad occupational groups.
- **Cashflow** remains a significant concern to many businesses.
- Investment intentions reported previously remain strong.
- **Cost pressures** relating both to raw materials and overheads are a growing concern.
- **Business confidence in relation to both future turnover and profitability is high** – albeit that these are improvements from a low base.

Building on the recovery seen in Q1 2021, **growth across Derbyshire, Nottinghamshire and Leicestershire – both in terms of activity and sentiment – continued to strengthen** as the Government Roadmap for re-opening continued to progress across Q2.

The State of the Economy Index – a measure of regional economic health – is now at a level not seen since Q3 2018. Domestic markets performed particularly strongly for both sales and orders, while overseas markets were stronger for advanced orders than in quarter sales.

Employment has also increased, with a net +20% seeing their workforces grow over the past 3 months and net **+41% anticipating growth for the coming 3 months**. Growing workforces are seeing **increasing difficulties in recruitment. 60% attempted to recruit in the quarter and, of those, 62% struggle to fill roles.**

These difficulties were particularly acute for skilled/professional jobs, but were also present across less skilled role types.

After a year of cashflow slowing and overall deterioration for respondents, the quarter saw a net **+7% improvement in cashflow**, although 26% of respondents still reported this as worsening.

Pressure on prices is the biggest issue to watch, with net **49% anticipating increases in their prices over the coming quarter**. The biggest pressure is coming from raw material prices (60%), particularly for manufacturers, but pressure is also coming from other overheads (42%), including energy costs, and pay pressures 18%.

Looking ahead to the next quarter, investment intentions continue to grow, for plant/machinery/equipment (net +17%) and training (+23%). Overall sentiment for future improvements in turnover (net +62%) and profitability (net +41%) also trend upwards quarter-on-quarter.

Less positively, Intelligence from insolvency practitioners is suggesting that the requirement to commence repayment of support loans and the planned end of the Furlough is likely to lead to **an increasing volume of business closures in future months.**

Shortages are being reported of a variety of key commodities required particularly in manufacturing and construction. Commodities affected include steel, timber, polypropylene, glass and cardboard (for packaging).

These shortages, coupled with labour supply problems in construction as a result of Brexit, are likely to **delay the progress of development projects**.

Manufacturing - Make UK

Manufacturing in the Midlands (and particularly the East Midlands) is looking more positive than has been the case for some time – this is reflected in order books and planned investment. Most manufacturers in the Midlands now report that they are **operating at or near to pre-pandemic levels.**

Usage of the Furlough Scheme by manufacturers is now reported to be very low.

Midlands manufacturers continue to report disruption to their operations as a result of EU exit. Indeed, **three quarters of manufacturers are reporting that their supply chains are being disrupted** by international trade issues. Evidence is growing that this reflects a structural problem and the nature of trade barriers/regulations now extant as distinct from any kind of 'teething problem'.

Shipping charges have risen markedly in recent months as have costs associated with the administration of border checks/associated paperwork on goods for export. Competitors based in Europe are actively seeking to take market share from UK manufacturers where border friction has resulted in interrupted or delayed supply to European customers.

There is now a growing trend towards UK manufacturers establishing warehousing and distribution facilities within the EU in order to maintain just-in-time supply to European customers. This is requiring investment in inventory and premises. It is likely to result in the **offshoring some employment that would otherwise be in the UK.**

Upward pressure on materials costs are now widespread – particularly for manufacturers reliant on international supply chains for raw materials and/or components. Specific concerns have been raised in relation to supplies of steel, timber, polypropylene and glass. Concerns about supply of raw materials is also notable. **85% of respondents to a recent survey of Midlands MDs reported rising raw materials costs.**

Small Business – FSB

In response to Government's announcement of a four-week delay to the final stage of the unlocking roadmap in England, **FSB called for urgent support for small firms carrying the burden of this latest delay.**

While some sectors have seen a return to near normal trading conditions, others – such as those in hospitality and leisure - have remained closed throughout the entirety of the pandemic. They have gone 15 months without income. These sectors and their supply chains need targeted support.

FSB With the extension of lockdown restrictions, small businesses are continuing to face hardship and uncertainty that undermines their viability in the medium-longer term.

This is particularly true for those in the hospitality and events industry who have seen cancellations including weddings, school events, and village festivals with the loss of tens of thousands of pounds revenue, at a time when staff are returning from furlough because order books were full from 1 June through to the end of September. That is now not the case. This type of working with last minute changes is not sustainable. **Small business owners report that it is mentally exhausting and financially crippling**.

We also have hospitality venue owners who report a **'perfect storm' of business rates bills, CBILS and cash flow collapses as a result of not being able to operate at full capacity** and caterers who also had a full order books for events and parties that have had to be cancelled - at a time when many business are faced with paying back business rates and bounce back loans.

In talks with Government during this crisis, FSB has made it clear that support must be proportionate to prevailing restrictions. Business support measures to date have been critical in saving thousands of businesses and jobs - but now we are pushing for more, at a time when so many small firms need that helping hand to survive. **Specific suggestions made include:**

- the **Business Rates 100 per cent relief for the retail, hospitality and leisure sector,** which is due to end on the 30 June **to be extended** beyond this next set of restrictions;
- **employer contribution changes that are due to take effect on the 1 July should be delayed** until all restrictions have eased, thereby minimising the financial burden faced by small firms; and
- Government should **consider writing off spent Covid-19 loans** for the most restricted firms.

Levels of debt amongst businesses is a growing concern, with three quarters **(77%) of small firms in the sector taking on debt post-COVID**. More support is needed to ensure they are able to manage it, as well as providing greater clarity around the Pay As You Grow scheme, ensuring all options covered by the scheme are available to all businesses with Bounce Back Loan debt. With the moratorium on evictions coming to an end in less than two weeks, Government needs to limit the amount of rent arrears that landlords can claim back, to encourage mediation. The FSB advocate a further extension to the moratorium.

Local Business Intelligence

Farming – NFU

The sector is anticipating **positive impacts associated with the phased re-opening** of hospitality and tourism in line with the Government 'road map'. The former will benefit farmers supplying the hospitality/catering sector; the latter will benefit the many farm businesses that have diversified into tourism – particularly the 'staycation' market.

Prime cattle and milk prices have risen in recent weeks – benefiting some producers of these commodities.

Concerns are being voiced within the sector about the impact that the UK's new immigration system will have on the availability of seasonal labour later in the year. Specific concerns are being raised about **the exclusion of the ornamentals sector from the Seasonal Worker Pilot** – in its current form, the scheme only applies to edibles. Irrespective of this scheme, vegetable and fruit pickers are said to be in short supply.

In addition to impacts on seasonal labour, the widely reported **loss of some 100,000 lorry drivers as a result of the combination of Brexit and the pandemic is now causing concerns** – particularly in relation to the frequency of collections from farms producing perishable food products and deliveries to supermarkets. It has been reported that some fruit and vegetable farmers accustomed to daily farm gate collections of perishables are instead being offered weekly collections – clearly inadequate for products with short shelf-lives of perhaps five days or less.

Concerns are widespread within the sector about the **potential impact of the FTA** with Australia that could disadvantage smaller UK producers relative to the much larger feedlot producers of Australia. Particular concerns are being raised about the precedent that this FTA has set – potentially allowing access to UK markets for overseas producers able to use methods that would not meet UK environmental or animal welfare standards.

A key issue for the future development of rural economies post-Brexit/RDPE will be the **shape of the Shared Prosperity Fund** and the manner in which it addresses the needs of agriculture and the wider rural economy.

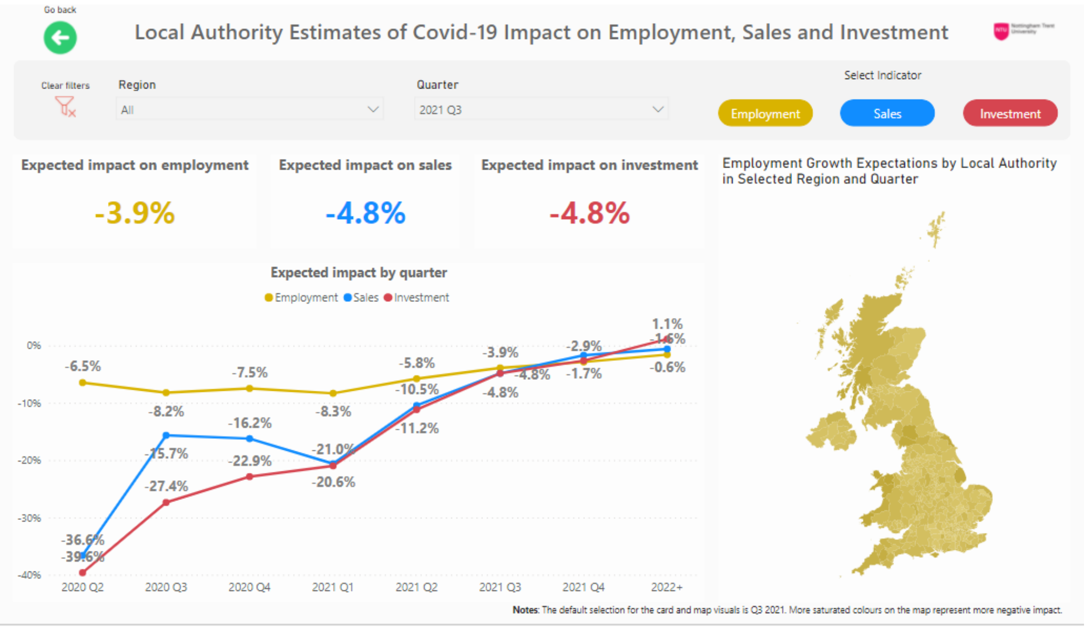
New local authority estimates for impacts on private sector employment, sales and investment

Researchers at NTU and the D2N2 LEP have updated their estimates of the impact of pandemic on local economies.

One product of this work is a simple dashboard that combines monthly Bank of England DMP data with that from the ONS BRES **to estimate historic and expected impacts on private sector employment, sales and investment for every UK local authority** – see [the link](#) - **example of the dashboard can be seen below**

The pattern of spatial variation evident in this visualisation of the data is interesting – a function of differences in the sectoral composition of local economies. From a policy perspective, this analysis **highlights the importance of spatially sensitive targeting of support to local economies**. Also there is a strong likelihood that different areas may experience recovery over differing timescales – again with implications for the duration of support required.

Example of the Economic Impact of Covid-19 on Local Authorities dashboard:



Local Business Intelligence – By Sector

SECTOR	KEY FINDINGS
Advanced Manufacturing & Engineering	Britain's manufacturers are accelerating as growth prospects **become significantly more positive for the rest of the year,** according to **Q2 Manufacturing Outlook**, published on 14th June by Make UK and BDO. The sector's **growth forecast doubles to outpace the economy overall**. Key findings include: • Output volumes reach highest level in the survey history. • UK orders leap while export orders rebound. • Employment intentions surge while investment intentions turn positive for the first time since Q1 2020. • Expectations for next quarter very strong across all indicators. • Both domestic and export prices increase but margins continue to decline. • Manufacturing growth forecast upgraded in 2021 to 7.8% from 3.9%.
Hospitality and Entertainment	• Hospitality / events premises such as **nightclubs, pubs and theatres** have deep concerns over the future of their businesses with delays to the lockdown restrictions easing. Also, the **musicians and suppliers** who rely on these venues will be affected. • There are requests from businesses to **extend the furlough scheme for 6 months** to help businesses through the uncertain current times, as well as the **immediate provision of more financial support.** • Hospitality businesses across the region are also still finding it **difficult to retain experienced staff due lack of job security.** This has resulted in businesses having to spend money on hiring and training unexperienced staff. • This reflects an **"acute" shortage of staff in the industry**, leading some to reduce capacity or close entirely. The industry says a **mixture of Covid restrictions and limitations from Brexit** are continuing to having an impact. • Many events and exhibition businesses have had no **revenue for 18 months and no extra support**.
Construction	• Construction businesses continue to express a critical concern with the **availability and cost for materials such as cement and plaster.** • This has increased enquiries through local construction businesses, as **firms tackle inflated pricing and loss of business.**
Travel	• Business leaders are urging the government to provide more support for the travel industry following the ongoing uncertainty around foreign holidays. They are stressing that UK airports and the aviation industry is critical infrastructure that is fundamental to the ability of business to trade. The industry is **urging government to should consider what additional support will be needed to ensure that this industry is ready and able to support the economic recovery.** • The major concern is the sector is still struggling, and queries raised about level of support received. This focuses on the **amount provided in re-start grants with many feeling this was low compared to what other hairdressers / personal care businesses received**. The travel sector has been faced with challenges around providing **refunds and not been able to furlough all staff due to having administrative work around refunds and cancellations.** Also, firms are now only receiving deposits for holidays in 2022 – so no income until these are fully paid.
Food & Drink	• Although tariffs are no longer a threat, Brexit has meant an end to free movement of labour, leaving food and farming sectors exposed to a **potentially huge shortage of seasonal and casual workers which have traditionally been filled by EU nationals**. Similarly, a **loss of up to 100,000 lorry drivers** as a result of Brexit and the pandemic is threatening summer food shortages in the UK. • Food manufacturers have expressed concerns regarding time taken for goods to be imported from suppliers in the EU. This has, as well as the pandemic, impacted overall UK **food and drink exports to the European Union. These almost halved in the first three months of the year**, compared to the same period in 2020. The Food and Drink Federation (FDF) figures show EU sales dropped by 47%. • However, more positively **food and drink manufacturers in the Midlands are eyeing a return to growth** following the challenges of the Covid-19 pandemic, according to a new report. BDO's Food & Drink Report 2021 shows that **more than three quarters (78 per cent) of businesses are feeling positive about their future prospects**, with 68 per cent expecting profitability to increase in the next 12 months.
Cross-Cutting	• Businesses in the West Midlands secured **seven per cent of UK equity investment in 2020 (£382m)**, according to new data released. Analysis from the British Business Bank found that smaller companies in the West Midlands saw a total of £382m in equity deals last year, up **266 per cent from £104m in 2019**. • Businesses in the East Midlands secured **two per cent of UK equity investment** in 2020 (£76m). This is a **167 per cent increase on the £29m invested in 2019.** • Despite the large annual increase, the **Midlands region remains under-represented in its share of UK equity investment.**

Low Carbon & Environmental Goods and Services Sector Study

The Low Carbon and Environmental Goods and Services sector study was commissioned in November 2020 and awarded to kMatrix Data Services Ltd and Sustainability West Midlands, with **the aim of understanding the current state of the sector, where support is needed to help grow the sector** across the Midlands from a Local Authority level to a regional level, and the role the sector can play to drive a low-carbon recovery from Covid-19.

The UK has a clear commitment to clean growth, so that the economy continues to grow while reducing greenhouse gas emissions. The commitments are set out in the Industrial Strategy and the Clean Growth Strategy. Although the UK is arguably a world leader in clean growth, there is an ongoing need for further development across multiple sectors to deliver on the low carbon economy commitments both local and central government are pursuing. LEPs in the Midlands are fully cognizant of the need to support and further develop the green economy, as set out in their Energy Strategies and Local Industrial Strategies.

Through the full collaboration between partners and the project steering group and stakeholders, the evidence base produced by the project delivers a comprehensive overview of the Low Carbon and Environmental Goods and Services (LCEGS) market, with detailed information at the LEP and Local Authority levels. The wider relevance to the green recovery and national commitment to net zero by 2050 have been considered throughout the work and are integral to the policy recommendations and growth forecasts made during the study.

The image to the right shows key points for the Midlands LCEGS sector. According to the report, LCEGS is worth **£26.6 bn in sales across the Midlands, generated by over 10,500 businesses and employing over 195,000 people**. The study includes different subsectors such as wind, building technologies, alternative fuels, photovoltaics and others, identifying the potential growth and scalability of these activities in the Midlands and specific LEPs. A full list of reports, and access to them, including LEP-level, Midlands-wide, a literature review, a stakeholder report, a Covid Impact report and growth forecasts up to 2030 and 2050 are available here.

Towards Net-Zero: Exploring the Current State of Low Carbon Supply Chains in the Midlands

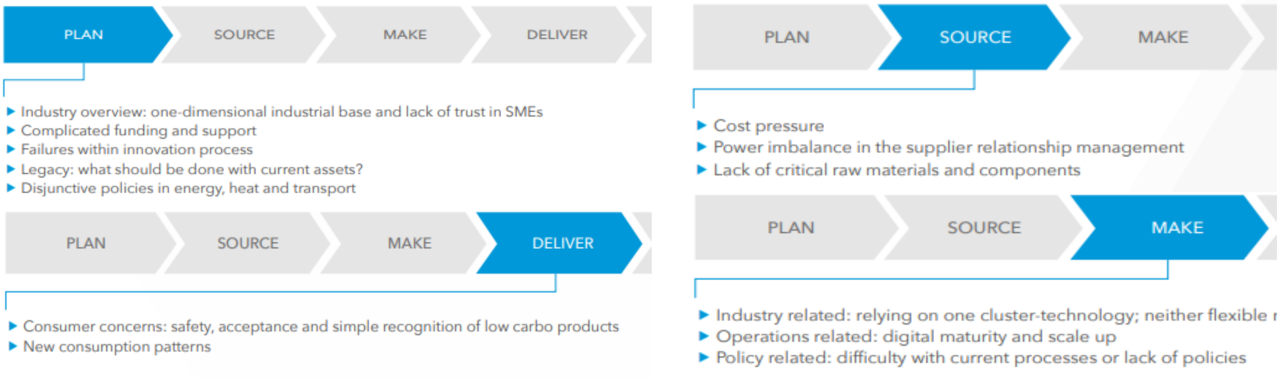
As part of a series of [Midlands Engine commissioned work on supply chains](), Warwick Manufacturing Group recently undertook a study related to **[low carbon supply chains]()** across the region. Using mapping, interviews, focus groups and background research, the study assesses the **current state of low carbon supply chains** in the Midlands while offering a set of recommendations to support further **resilience building.**

The report confirms that the Midlands enjoys a strong R&D and innovation portfolio and a strong reputation for engineering and manufacturing excellence. This has a positive impact on the **research, development and commercialisation of low carbon technologies**, particularly in relation to the automotive industry. As mapped in the study, a **plethora of organisations are identified in the low carbon value chain,** from vehicle manufacturers to energy and technology companies.

Low Carbon Mapping in the Midlands

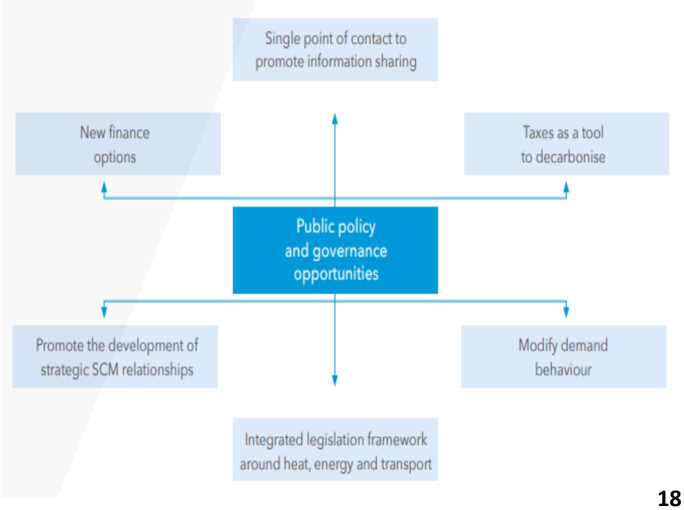
However, **vulnerabilities are identified in all of the main activities of a supply chain**: planning, sourcing, making, delivering and returning. For example, the industrial base appears to be **one-dimensional** while there are challenges around private and public sector funding as well as deficiencies within **innovation processes and digital maturity**. In addition, the **lack of critical raw materials** and components threatens the success of emerging industries like electric vehicles, while focusing on one such sector (automotive) in this way leaves the region in danger of being **over reliant and not diverse enough.** Without intervention, these challenges could inhibit the growth of the low carbon sector.

Low Carbon Supply Chain Vulnerabilities



WMG's study advocates nine interventions to address the issues identified: **prioritisation and focus, customer centricity and public acceptance, infrastructure improvements, converting and fitting existing companies and infrastructure into low carbon supply chains, upgrading skills, collaboration, flexibility, recycling and focusing on circular economy principles, and redefining funding opportunities.** Furthermore, **demand-side policies** aimed at influencing aggregate demand within the economy are proposed, as are public policy **supply-side policies** aimed at increasing the supply of low carbon goods and services, encouraging collaboration among different sectors and stakeholders, and encouraging interoperability between different technologies.

Public Policy Recommendations



Carbon Dioxide Emissions

In 2019, the Midlands Engine area produced a total of **62,849 Kt CO_2 emissions**, a decrease of 4.4% (-2,878 Kt CO_2) compared to a decrease of 3.8% nationally since 2018. Carbon dioxide emissions for the Midlands Engine area equated **to 6.1 tonnes per capita compared the England-wide total of 4.9** in 2019. Emissions were **2.3 kt per km^2 for the Midlands Engine area compared to 2.1 kt per km^2 for England** in 2019.

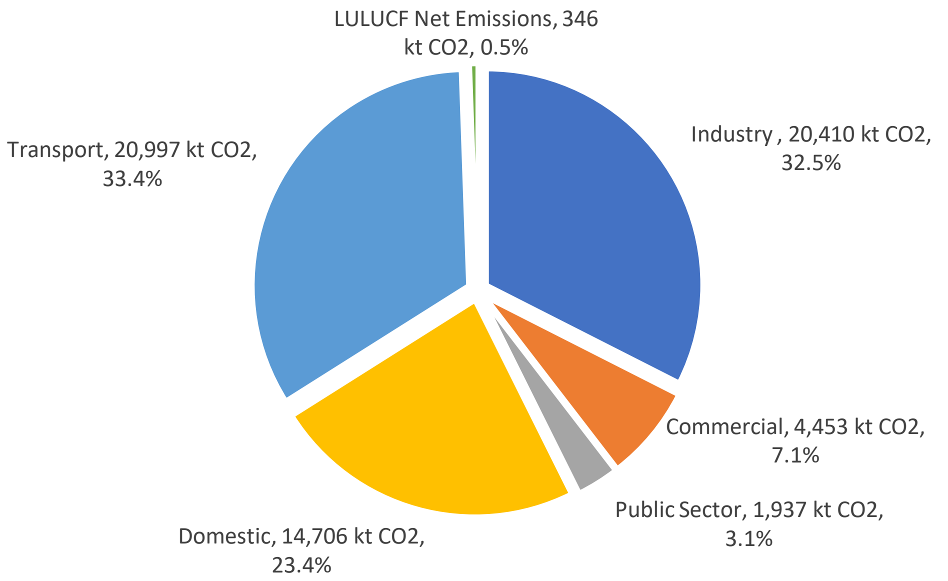
Within the Midlands Engine area, North Lincolnshire had the highest tonnes per capita emissions in 2019 at 40.0, which was followed by High Peak at 31.9. Oadby and Wigston and Lincoln had the lowest tonnes per capita at 3.1 and 3.2 respectively. The highest emissions per km^2 was in Leicester at 16.6, followed by Sandwell at 16.3. While East Lindsey and County of Herefordshire all had the lowest emissions per km^2 at 0.5.

Since 2005, the Midlands Engine has reduced its total carbon emissions by 32.5% (-30,279 kt CO_2) England reduced by 36.5%. The Midlands Engine must reduce their emissions by approximately 36% every year to reach net zero by 2050

In 2019, **transport accounted for the highest proportion of carbon dioxide emissions in the Midlands Engine area at 33.4% (20,997 Kt CO_2) of total emissions** – below the England proportion of 37.7%. This was followed by industry emissions at 32.5% of total emissions which was above the England proportion of 21.1%, down to the Land Use, Land Use Change and Forestry (LULUCF) net emissions at 0.5% (England -0.3% of total).

Within the transport sector in 2019 for the Midlands Engine area, 38.1% (8,007 kt CO_2) of emissions came from road transport A roads, 33.3% (6,994 kt CO_2) came from road transport minor roads, 24.1% (5,053 kt CO_2) from road transport motorways, 2.7% (572 kt CO_2) from transport other and 1.8% (371 kt CO_2) from diesel railways.

Carbon Dioxide Emissions in the Midlands Engine by main sector for 2019:



Excluding large industrial sites, railways, motorways and land-use from carbon dioxide emissions

When excluding large industrial sites, railways, motorways and land-use emissions, then total carbon dioxide emissions for Midlands Engine in 2019 was 45,573 kt CO_2. This equates to 4.4 tonnes per capita compared to the England-wide total of 4.1. Emissions were 1.7 kt per km^2 for the Midlands Engine area – matching the England proportion in 2019.

Based on these exclusions in 2019, emissions by transport accounted for the highest proportion of carbon dioxide emissions in the Midlands Engine area at 34.2% (15,569 Kt CO_2) of total emissions – below the England proportion of 34.0%. This was followed by domestic emissions at 32.3% (England 33.8% of total), industry at 19.5% (England 16.2%), commercial at 9.8% (England 11.5%) and public sector with 4.3% of the total (England 4.5%).

Source: Department for Business, Energy & Industrial Strategy, UK local authority and regional carbon dioxide emissions, June 2021.

Independent Assessment of UK Climate Risks

The Adaptation Committee's Independent Assessment of UK Climate Risk sets out the priority climate change risks and opportunities for the UK. The UK will face significant changes in climate to 2050 and beyond, even if the world is on a Paris-aligned emissions trajectory. Continued change in the UK's climate should be expected, and occurs under all scenarios for global emissions; long-lasting policy and investment decisions being made today need to consider a wide range of changes in climate for the second half of the century.

- Alarmingly, this new evidence shows that the **gap between the level of risk we face and the level of adaptation underway has widened**. Adaptation action has failed to keep pace with the worsening reality of climate risk.
- **The UK has the capacity and the resources to respond effectively to these risks**, but it has not yet done so. Acting now will be cheaper than waiting to deal with the consequences. Government must lead that action.
- The Committee identifies **eight risk areas that require the most urgent attention in the next two years**. They have been selected on the basis of the urgency of additional action, the gap in UK adaptation planning, the opportunity to integrate adaptation into forthcoming policy commitments and the need to avoid locking in poor planning, especially as we recover from the COVID-19 pandemic.
- The Committee also **reports on the full set of 61 risks and opportunities**. These must be considered in the next set of National Adaptation Plans, due from 2023.
- The **Committee recommends ten principles for good adaptation planning that should form the basis for the next round of national adaptation plans**. These are intended to bring adaptation into mainstream consideration by Government and business.

Observed and projected changes in UK hazards due to climate change:

	Observed change	Expected change by mid-century	Global warming of 2°C above preindustrial levels by 2100	Global warming of 4°C above preindustrial levels by 2100
Average annual UK temperatures	0.6°C from 1981 – 2000	~1.3°C from 1981 – 2000	~1.5°C from 1981 – 2000	~3°C from 1981 – 2000
'Hot summer' occurrence	10 – 25% chance of a '2018 summer', up from <10% a few decades ago	~50% chance each year	~50% chance each year	>>50% chance each year
Average summer rainfall	0 no significant long term trend	~10% drier than over 1981 – 2000	~15% drier than over 1981 – 2000	~30% drier than over 1981- 2000
Average winter rainfall	0 no significant long term trend	~5% wetter than over 1981 – 2000	~5% wetter than over 1981 – 2000	~20% wetter than over 1981 – 2000
Heavy rainfall	0 Some increase, but no significant long-term trend	~10% increase	~20% increase	~50% increase
Sea level rise	~6.5cm above 1981-2000	10 – 30cm above 1981-2000	25 – 45cm above 1981-2000	55 – 80 cm above 1981-2000

Average annual UK temperatures · 'Hot summer' occurrence · Average summer rainfall · Average winter rainfall · Heavy rainfall · Sea level rise

Source: Climate Change Committee Independent Assessment of UK Climate Risks

Local green jobs – accelerating a sustainable economic recovery

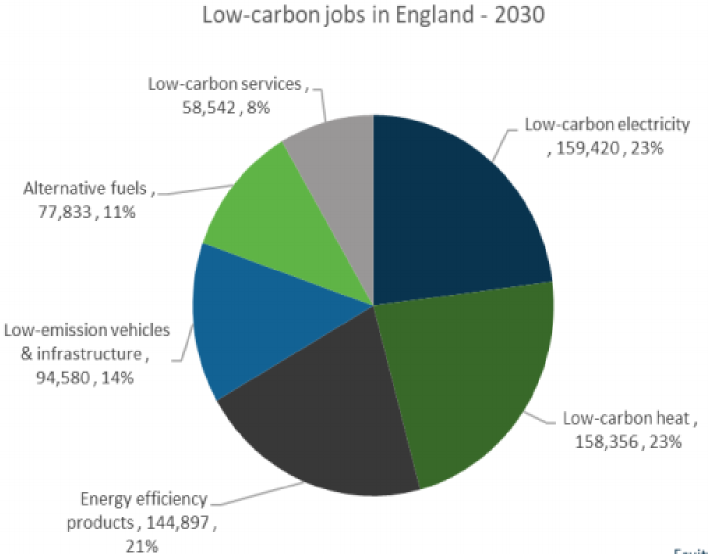
The Ecuity Consulting report for the Local Government Association (LGA) provides analysis of the jobs required for a net zero economy in England, where these will be located in the coming years, and the role that local government could play working with industry to address the sector's skills demands.

In 2018, the UK Government projected that the **low-carbon economy could grow by 11 per cent per year up to 2030**, which is substantially higher than the projected growth rate for the economy as a whole (estimated at 1-2% per year), illustrating the potential for green growth as driven by international, national and local climate change targets. While the current Covid-19 (coronavirus) pandemic will lower UK economic growth, as the economy recovers, this could ignite and give rise to a greener global future, accelerating and prioritising investment in the UK's low-carbon sector.

In 2018, **businesses active in England's low-carbon and renewable energy economy (LCREE) generated close to £37 billion in turnover and employed 185,000 full-time workers**. Around 71% of workers (132,000) are employed in the energy efficiency sector installing insulation materials, lighting and control systems. A further 12% are employed in the low-carbon electricity sector working mostly in the wind, solar and nuclear industries.

Research by Ecuity Consulting found that there **could be as many as 694,000 direct jobs employed in the low-carbon and renewable energy economy by 2030 in England, rising to over 1.18 million by 2050**.

Split of low carbon (direct) jobs in England by 2030 (source: Ecuity estimate)



Source: Local Government Association (LGA), 2020

46% of the total low-carbon jobs by 2030 will be in clean electricity generation and providing low-carbon heat for homes and businesses. These jobs will range from manufacturing wind turbines, deploying solar PV, constructing nuclear reactors, installing heat pumps and maintaining energy-system infrastructure.

21% of jobs by 2030 will be involved in installing energy efficiency products ranging from insulation, lighting and control systems. Around **19% of jobs in 2030 will be involved in providing low-carbon services** (financial, legal and IT) and producing alternative fuels such as bioenergy and hydrogen.

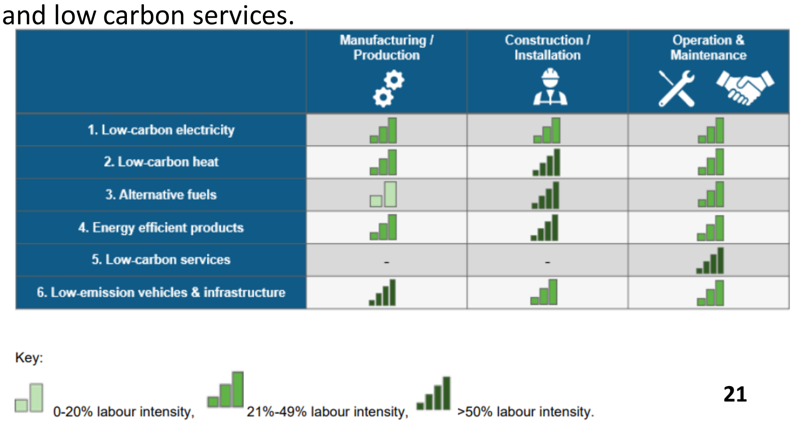
A further **14% of jobs will be directly involved in manufacturing low-emission vehicles and the associated infrastructure.**

These jobs will range from manufacturing electric vehicles (and hydrogen vehicles), manufacturing EV batteries from the proliferation of gigafactories in England and sustaining low-carbon mobility by installing electric vehicle charge-points and hydrogen refuelling stations.

Between 2030 and 2050, the low-carbon workforce in England could increase by a further 488,569 taking the total level of jobs to over 1.18 million by 2050. These jobs will be directly supporting the UK's commitment in achieving net zero. Over this period, employment will be created mainly in low-carbon electricity generation, alternative fuels production, low emission vehicles and infrastructure and low carbon services.

Job breakdown by function (sources: Ecuity research and calculation)

Job breakdown is fairly evenly split, but there can be larger differences at a sub-sector level. For example, solar PV requires considerably more labour than offshore and onshore wind technologies. For the low-carbon heat sector, over 50% of the jobs are estimated to be involved in installing low-carbon heating technologies.



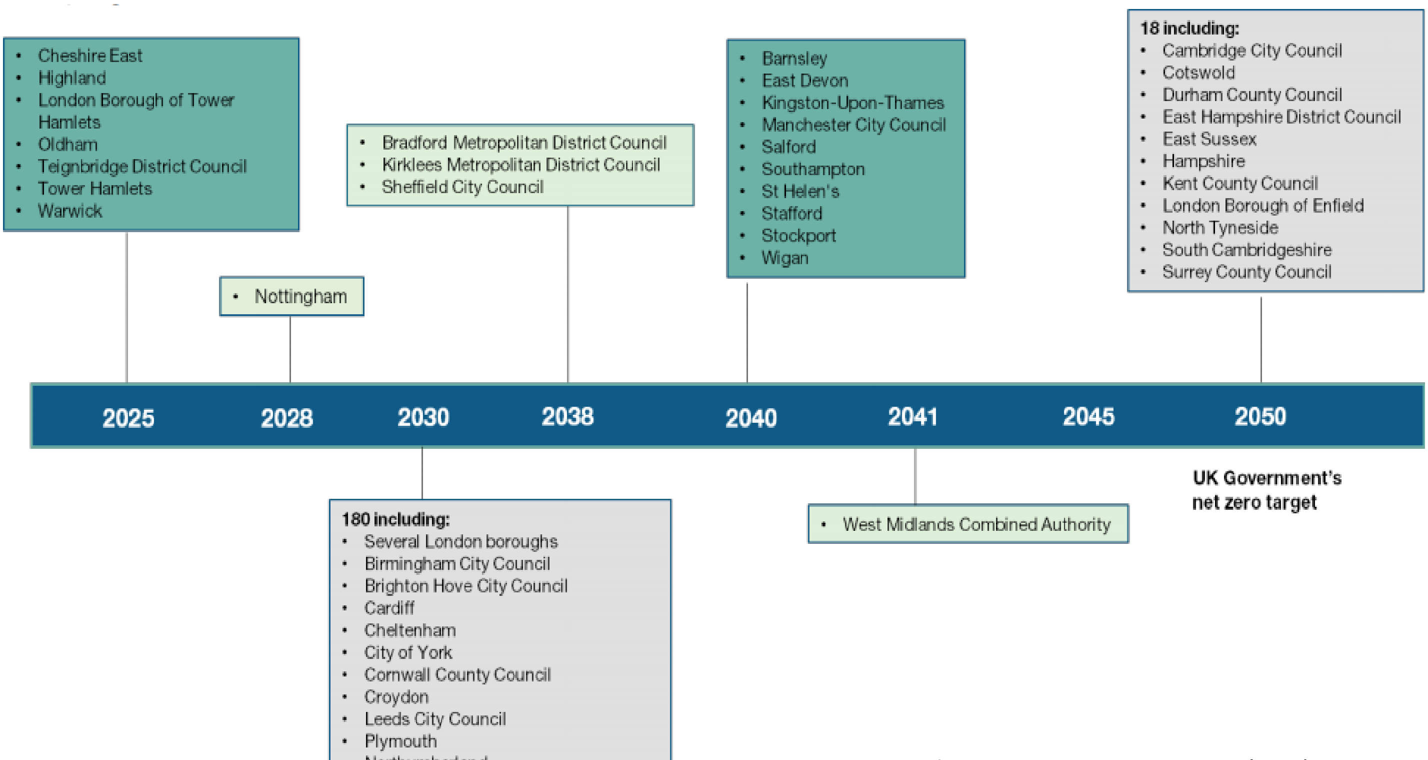
Source: Local Government Association (LGA), 2020

Local green jobs – accelerating a sustainable economic recovery

Local government's political response to the climate crisis

Many local authorities across England have declared a climate emergency. While there is no single definition, many local authorities are committing to becoming carbon-neutral in advance of 2050.

Select English local authorities' carbon neutrality commitments (as at February 2020, source: Climate Emergency)



Source: Local Government Association (LGA), 2020

Regional green economy employment

As England transitions to a net zero economy, demand for green jobs will rapidly increase. These jobs will require a diverse range of skills and expertise to support the production and deployment of clean technologies. Some of these jobs could involve installing heat pumps, manufacturing wind turbines, engineers with renewable energy skills and installers of EV chargepoints.

Across the Midlands, there could be an estimated 194,000 jobs working in low-carbon sectors in 2050 –which would equate to 16.4% of low-carbon jobs in the UK, above any other area in the UK with North West at 14.4% and Yorkshire and the Humber at 14.2%.

There is a strong split between manufacturing and services in the England, with services concentrated in London and the wider South East, and manufacturing in the North of England and the Midlands.

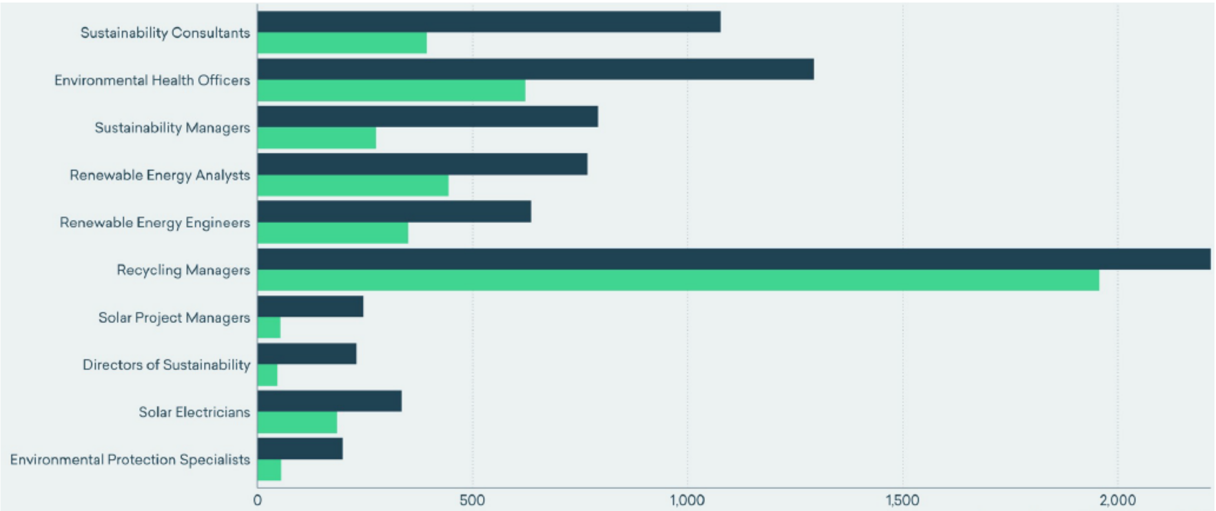
These regional specialisms should align with the split of jobs by region estimated for 2030 and 2050. For example, the north of England has strong expertise around generation, storage and low-carbon technologies and processes, especially in nuclear and (offshore) wind. **The Midlands is well-known for having a dynamic workforce engaged in the manufacturing and production of vehicles.** Around half of automotive companies produce vehicle components in the West Midlands.

Some sectors, however, do not display strong regional traits. For example, energy efficiency products are likely to be installed across all households and this will happen across the whole country. This is the same for the installation of low-carbon heating technologies such as heat pumps that are likely to be deployed in households across England. Some low-carbon heating technologies such as hydrogen boilers could initially see deployment in the north of England initially in proximity to industrial clusters and local hydrogen-hubs. By 2035 South Yorkshire and East/West Midlands, and East London could have hydrogen production and distribution facilities deployed.

EMSI Defining the Green Economy

Analysis of EMSI recruitment demand data shows that, **COVID-19 aside, demand for green jobs has been rising strongly.** As seen in the following chart, sustainability and renewable energy jobs are driving the biggest increases.

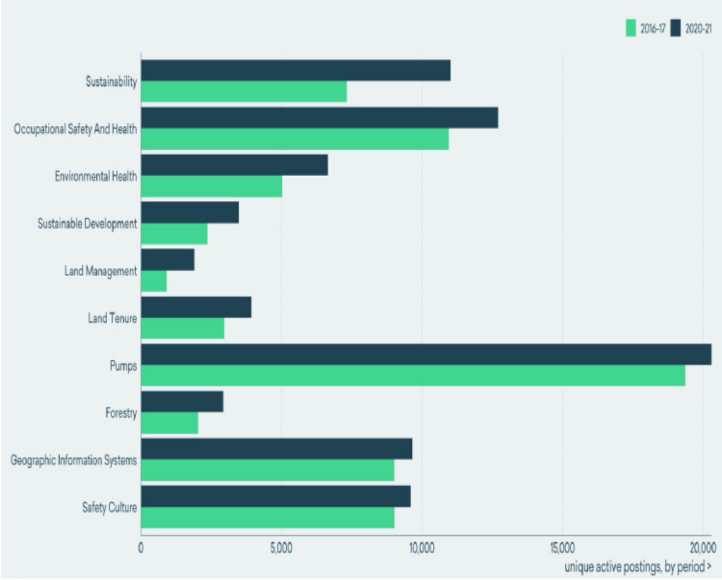
Top 10 fastest increasing (by volume) green job titles, 2016-17 vs 2020-21



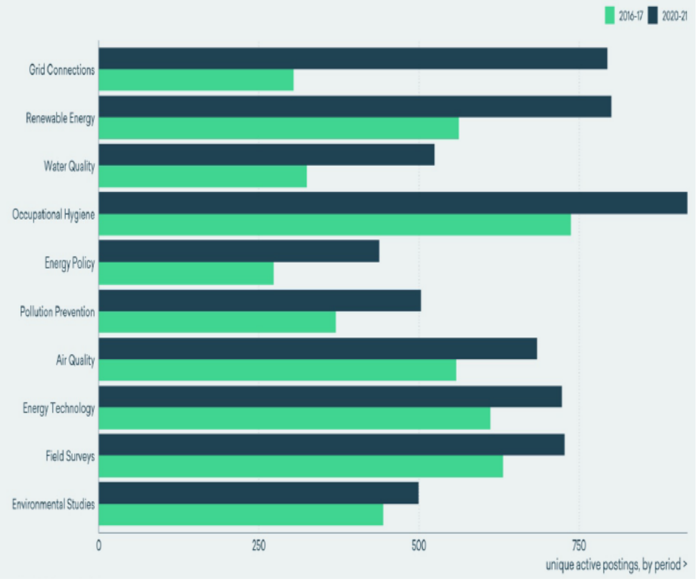
Looking at EMSIs open library of skills, they have identified 112 specific Green Skills including;
Skills for Green Jobs: Environmental H&S, Sustainability, Waste Management, ISO 14000 Series, Recycling Manager, Sustainability Consultants, Renewable Energy Engineers
'Greenifying' traditional jobs: Environmental H&S, Biomass Renewable Energy, Environmental Resource Management, Ready Mix Drivers, Gas Engineers, Health & Safety Manager.

As seen in the following charts, **sustainability is the fastest growing green skill**, followed by occupational health and safety, environmental health and sustainable development. **In terms of other green skills, utilities skills are leading the way,** with grid connections and renewable energy increasing the most in 2020-21.

Top 10 fastest increasing (by volume) green skills, 2016-17 vs 2020-21



Top 10 fastest increasing (by volume) but smaller (n<750) green skills, 2016-17 vs 2020-21



When it comes to defining the green economy, it can be quite complicated. This is due to the fact that, similar to digital, green skills and roles are used in a variety of industries that aren't necessarily 'green'. For example, a manufacturing company might have a sustainability advisor, which is a green role but not in a green industry. **'Greening' isn't just about new businesses: it's about new jobs and new skills demands within jobs**. While the business footprint is stable, job demands and especially skills demands are growing fast. **Using job posting data is the only way to ensure we understand this skill content dimension**.

Source: EMSI Analytics, June 2021

SMEs and the Climate Crisis

Enterprise Research Centre (ERC) published **Drivers and Performance Outcomes of Net Zero Practices: Evidence from UK SMEs** which examines the environmental practices that small and medium enterprises (SMEs) adopt in order to meet the net zero emission targets set by the UK government.

Previously scholars have focused most of their attention on large corporations and new start-ups, meaning that very little was known about the approaches taken by existing SMEs with regards to net zero.

ERC developed a threefold focus;

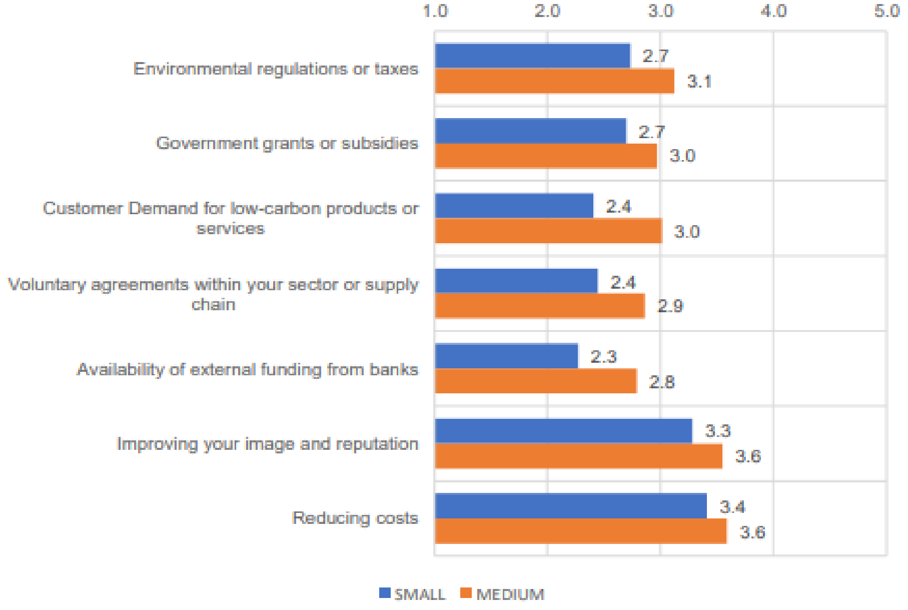
- examine a large range of net zero practices, which span across technological and organisational business domains;
- investigate the external and internal [to the business] drivers of net zero practices;
- analyse the performance outcomes of net zero practices.

ERC employed a novel dataset of 1,019 SMEs, which was collected during the COVID-19 crisis in the UK. The results of the econometric estimations have important policy and managerial implications. In the survey firms who had undertaken any of the steps to minimise their environmental impact were also asked how important each of the seven factors (as seen in the following chart) was in influencing their efforts to reduce carbon emissions on a scale from 1 (not at all important) to 5 (extremely important).

ERC found that **environmental regulations/taxes and customer demand for low-carbon products/services are the key external drivers of inducing SMEs to commit to net zero**.

Furthermore, ERC highlight that **the internal firms' motivation to improve their image and reputation is a significant driver for adopting net zero practices**. ERC also show new insights into the performance outcomes of net zero practices in general, pointing out in particular that, **technological net zero practices improve the environmental performance of SMEs, whilst organisational practices affect environmental performance indirectly** by complementing technological changes the during the production process or the introduction of low carbon products/services.

Drivers of Net Zero practices by size:



In the context of the COVID-19 crisis, firms were committing to reduce their carbon emissions largely due to internal factors. With an average value of 3.4, reducing costs appears as the most important factor.

Source: ERC Business Futures Survey 2020

Across all sectors reducing costs and improving image and reputation have the highest average level of importance. Image and reputation are particularly important in construction (3.7 on as scale from 1 to 5), which is significantly different from other sectors. Voluntary agreements within the sector or supply chain and customer demand also appear as more important in construction than in other sectors. Government grants or subsidies are more important for primary sector and other services.

Even in the context of the COVID-19 pandemic, the results indicate a strong statistically significant relationship between both technological and organisational net zero practices and business performance, proxied by employment growth.

Green Renewal – The Economics of Enhancing the Natural Environment

This [WPI Economics report for Green Alliance] demonstrates the clear role of nature-based solutions in driving economic, social and environmental recovery as we emerge from the Covid-19 pandemic. It shows that these interventions can boost wellbeing and living standards right across the UK, and particularly in some of the areas that need it most. Looking at just three types of enhancement (woodland creation, peatland restoration and urban green infrastructure) we find that an expanded programme **of nature restoration could create at least 16,050 jobs in the 20% of constituencies likely to face the most significant employment challenges**.

The economic benefits of natural environment enhancement

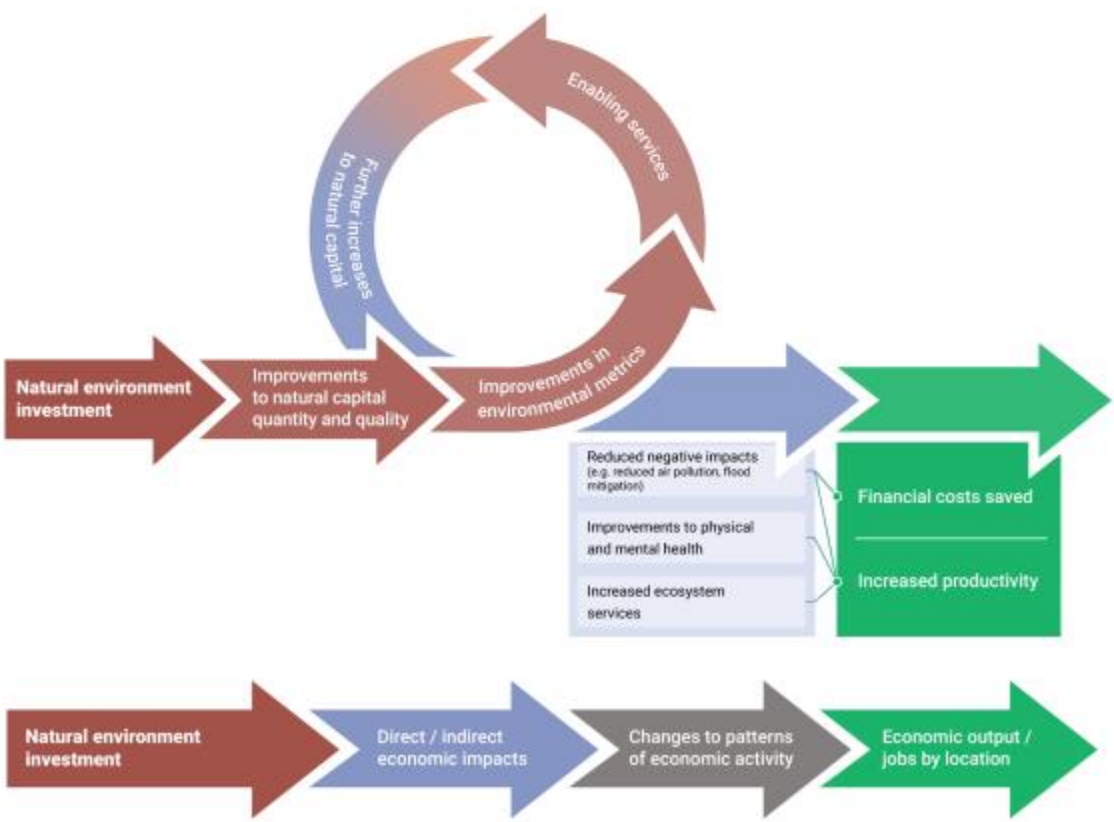
It is well established that well-designed nature-based solutions – including planting woodland, restoring peatland, seagrass restoration and habitat protection – can bring substantial environmental and social benefits. However, they also have significant economic impacts, for example they can:

- **Increase economic productivity**: Direct impacts include supporting economic activity such as tourism or sustainable fishing. Indirect impacts include urban cooling provided by green space and water that increases productivity; improved air quality, reducing sickness absence from work; or increased physical and mental health from green space, reducing staff turnover.

- **Reduce economic and social damage**: Nature-based solutions can reduce the impact of climate change and events such as floods – for example, through forest cover or through 'blue infrastructure' such as reconnecting floodplains to their rivers.

- **Contribute to shaping the future economy**: Natural environment enhancement generates activity both directly in sectors involved in environmental conservation and also boosts economic activity in sectors that benefit from a healthy natural environment. In all of these areas, existing local examples have shown the potentially significant impacts. This report shows how these can be leveraged to play a central role in the recovery from the pandemic.

Potential economic impacts of natural environment enhancement

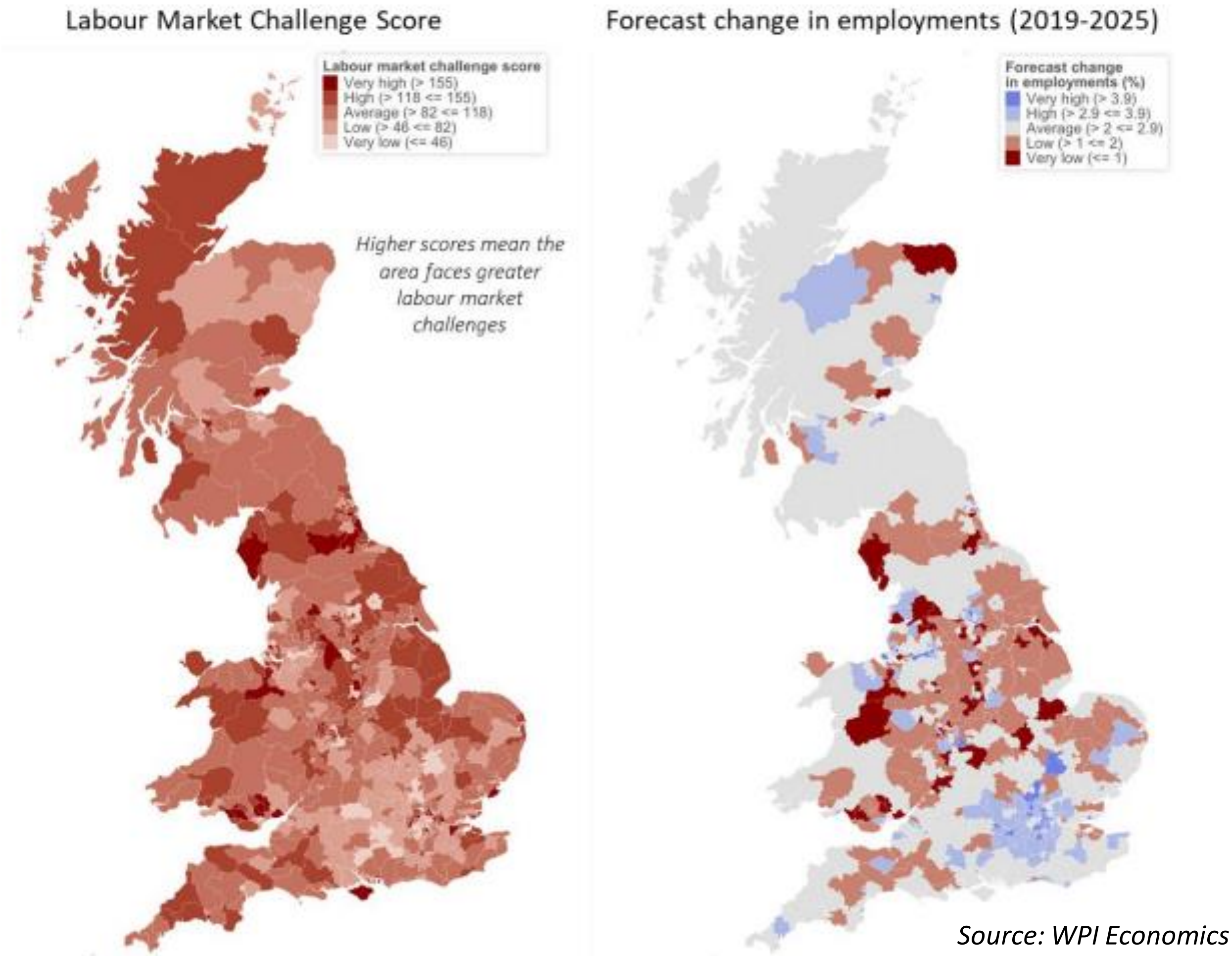


Source: WPI Economics

Green Renewal – The Economics of Enhancing the Natural Environment

Using official labour market statistics, WPI characterise the labour market challenges for each constituency in Great Britain as the economic impacts of Covid emerge. This is based on pre-pandemic underemployment (**resilience**), the change in underemployment since the start of the pandemic (**direction of travel**), the numbers of people on furlough (**at risk**) and a forecast change in employment to 2025 (**future outlook**). Using these four elements WPI construct a labour market challenge score where 100 reflects the average constituency and places that are likely to have greater labour market challenges have higher scores, shown in the following maps.

Labour Market challenge score and forecast change in employments 2019-2025 by constituency – Great Britain



Source: WPI Economics

In **the Midlands Engine the Labour Market challenge score varies from 215 in Derby South, to 33 in Sutton Coldfield** (Birmingham). The forecast **change in employments varies from -0.2% in Derby South to +4.2% in Meiden** (Solihull). Underemployment in 2019 varied from 16.1% in Birmingham, Ladywood to 5.6% in Aldridge-Brownhills. **Underemployment change between 2019-2020 ranged from +110.7% in South Derbyshire to -8.9% in Nottingham South.**

Increased public spending, or fiscal stimulus, can boost economic output and hence employment in situations where the economy is below full employment. The economic success of such stimulus is strongly affected by the speed at which the stimulus delivers real-world impact and the amount that the spending feeds through to the wider economy – the economic multiplier. However, this cannot be a return to an economy based on unsustainable models of growth.

The recent Dasgupta review shows that produced capital (roads, buildings and factories) per person doubled between 1992 and 2014 whilst natural capital declined by nearly 40%. The Government's Ten Point Plan for a Green Industrial Revolution recognises that we must protect future generations from climate change and the remorseless destruction of habitats.

Place matters: the location of nature-based solutions and jobs

New Woodland: Almost two-thirds of the most suitable land for tree planting in Great Britain is in constituencies with greater than average labour market challenges (3,260 hectares on average versus 1,890 hectares elsewhere)
New job potential: Between 22-114 jobs per 100 hectare, with most rigorous / applicable estimates clustering around the lower end of that range. For example, 20,000 new hectares of planting per year (moving from the Government's current ambition to the Committee on Climate Change's high ambition scenario) would generate around 5,000 jobs

Urban green infrastructure: Places in England that have the greatest labour market challenges tend to have poorer access to green space too: The 20% of constituencies with the greatest labour market challenges contain 27% of the population that live in neighbourhoods that have a green deficit.

Coastal habitat restoration: Constituencies with at least one priority opportunity for new coastal habitat face slightly greater than average labour market challenges (score of 103 vs the average of 100). However, what is notable is that these constituencies face greater future risks; 18% of their working age population is on furlough (compared to 16% for other constituencies) and growth in employments is forecast to be 2.1% compared to 2.5% elsewhere.
New job potential: Between 30-56 jobs per 100 hectare of habitat restored. The RSPB have identified priority locations for 13,550 hectare of new coastal habitat – this could create around 400-750 jobs if this was carried out over a 10 year period.

Seagrass restoration: Constituencies known to have, or have had, seagrass have greater labour market challenges than others, with an average labour market challenge score of 107. This is driven by a higher proportion of people on furlough (17% vs 16%) and a lower increase in expected employments (2.2% vs 2.4%).

Peatland restoration: Approximately 76% of the peatland in the country is degraded, but there is no comprehensive publicly available dataset of peatland opportunity. However, as an indication of the types of areas where peatland restoration is likely to be needed, WPI have analysed the 'Great North Bog' proposal, an ambitious peatland restoration initiative to restore nearly 7,000 sqm of upland peat in the Protected Landscapes of northern England over 20 years. WPI find that constituencies close to the Great North Bog initiative are likely to face substantially greater labour market challenges, with an average labour market challenge score of 111. Constituencies close to the Great North Bog initiative have a poorer outlook for forecast increases in employment; a 1.8% growth in employments to 2025, versus 2.5% elsewhere.

New job potential: Between 1-4 jobs per 100 hectares of restoration, with the higher end of the range reflecting indirectly created jobs. For example, the Committee on Climate Change's recommendation to restore 55% of peatland to 'good' status by 2050 implies around 50,000 hectares restored per year. This would imply between 500-2,000 jobs.

Conclusions:

- **Nature-based solutions generate a rich range of jobs in a wide range of sectors:** Nature-based jobs are wide-ranging in the type of work and the skill and/or qualification levels needed. Many jobs are in agriculture, forestry or fishing but beyond that there are a wide range of other sectors involved including education (including academia), tourism and recreation. There is also increasing demand for higher level digital and technology skills as remote sensing, robotics and the use of data analytics becomes more prevalent.
- **Nature-based solutions deliver low-skill entry level to high-skill jobs, with training and progression opportunities**: The skill and qualification levels of jobs in natural environment enhancement vary widely. We have found that nature-based solutions offer both entry level jobs with an opportunity to acquire transferable certifications and jobs which require either high-level academic qualifications or professional accreditation that takes time to build up. However, nature-based jobs are not all about academic qualifications.
- **Nature-based solutions offer an opportunity to focus policy support on specific demographic groups:** Data from HMRC shows that 63% of the fall in payrolled employees over the last year were under 25 years old. Friends of the Earth's recent report found that to deliver afforestation, environmental restoration (e.g. peatlands, seagrass meadows) and decarbonised agriculture an expanded workforce will be needed across jobs such as nursery staff, countryside rangers, farm workers, forestry workers and managers and environmental and conservation professionals. Upskilling will also be needed for many areas. Friends of the Earth identify these as major opportunities for young people to enter green jobs in the coming years.

Source: WPI Jobs for a Green Recovery, 2021

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MIDLANDS ENGINE Observatory

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City REDI

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