



# Coventry & Warwickshire Business Intelligence

April 2022

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# 1. Executive Summary

Welcome to the April 2022 edition of the Coventry & Warwickshire Smart Region report. **This month our spotlight theme is the 'Made Smarter – Adoption Project'**, looking at how Made Smarter Programme has impacted businesses across Coventry & Warwickshire and West Midlands.

**This month we welcome a guest contribution from Paul Sullivan, Account Manager at Coventry & Warwickshire Growth Hub.**

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

Other sources include the Office for National Statistics, Gov.UK, and organisations such as City-REDI, WM-REDI, Bank of England, and other research bodies specialising in labour market analysis.

## Key Headlines

- **There have been continued improvements to the Coventry & Warwickshire economy and labour market, with growing employment, record numbers of vacancies, and falling unemployment and redundancies.**
- **However, business confidence, which had shown some signs of slowing over the past six months amongst manufacturing companies, is now also becoming an issue for service businesses.**
- **Several negative economic impacts, such as rapidly rising costs for both businesses and households, recruitment difficulties, energy costs, delays in raw material supply, and the conflict in Ukraine, are affecting a wide range of sectors and are increasingly being felt by businesses locally. Together these have intensified the 'Perfect Storm' impacting on our local economy.**
- **In terms of households, real household disposable income (RHDI) on a per-person basis is forecast to fall by 2.2 per cent in 2022-23, the biggest fall in living standards in any single financial year since ONS records began in 1956.**
- **Local business support partners will continue to focus on minimising negative economic impacts, be they from the pandemic, EU exit, energy costs, or any other driver, to help continue the reset, reopening, and recovery of our economy, and minimise the growing number of negative impacts of the costs of doing business.**

## 2. Latest Economic & Labour Market Trends

### 2.1 Labour Market Trends

- In March 2022, **the claimant count in Coventry & Warwickshire totalled 23,565 people**. At the start of the pandemic, in March 2020, the claimant count stood at 15,830.
- **Although there was an increase in the claimant count between January and February this was likely to be influenced by seasonal factors**, as the count is seasonally unadjusted and traditionally increases at this time of year. Between February and March, the count fell by 170 across our area.

Area	March 2020	March 2021	January 2022	February 2022	March 2022
Coventry	8,000	17,245	12,285	12,485	12,445
North Warwickshire	845	2,020	1,220	1,230	1,205
Nuneaton & Bedworth	2,830	5,105	3,605	3,600	3,555
Rugby	1,535	3,120	2,110	2,130	2,115
Stratford-on-Avon	1,050	3,050	1,980	1,935	1,905
Warwick	1,570	3,680	2,385	2,355	2,340
Warwickshire	7,830	16,975	11,300	11,250	11,120
<b>CWLEP</b>	<b>15,830</b>	<b>34,220</b>	<b>23,585</b>	<b>23,735</b>	<b>23,565</b>

Source: Office for National Statistics

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

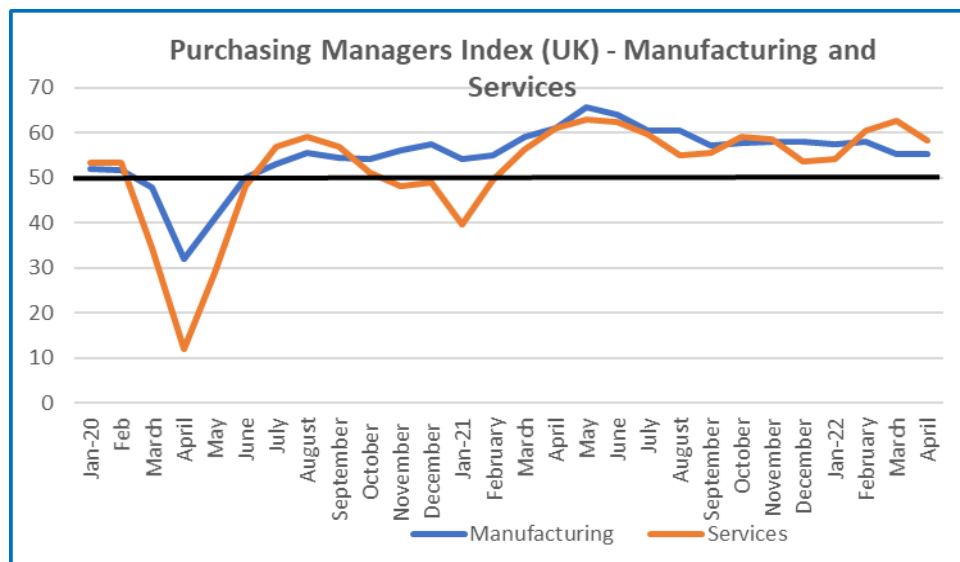
- The UK **employment rate was largely unchanged on the quarter at 75.5%, but still below pre-pandemic levels**. The number of full-time employees increased on the quarter, whilst this was offset by a decrease in part-time employees.
- While **the number of self-employed workers is still well below pre-coronavirus pandemic levels, it has increased slightly** in the recent quarter.
- **The latest estimate of payrolled employees shows another, albeit small, monthly increase, up 35,000 in March 2022 to a record 29.6 million.**
- The **unemployment rate for December 2021 to February 2022 decreased by 0.2 percentage points on the quarter to 3.8%.**
- **The economic inactivity rate increased by 0.2 percentage points to 21.4% in December 2021 to February 2022.** This increase was driven by those who are economically inactive because they are looking after family or home, retired, or long-term sick.
- **The number of job vacancies in January to March 2022 rose to a new record of 1,288,000. However, the rate of growth in vacancies continued to slow.**

## 2.2 Economic Trends

*Analysis from the Economic Development Team, at Coventry City Council highlights:*

### Business Confidence

**Uncertainty continues to be reflected in business confidence. The Purchasing Managers Index (PMI) for manufacturing remained level in April, at 55.3 from 55.2 in March (a figure above 50 represents growth). For services confidence has been hit over the past month, with the cost-of-living crisis likely to be impacting on service businesses. The services PMI fell from 62.6 to 58.3, below the market forecast of 60.**



Source: The Markit/CIPS UK Services PMI (Purchasing Managers' Index)

### Economic Growth

**UK economic output, measured as Gross Domestic Product (GDP) rose by 0.1% in February following a 0.8% rise in January.** This rise was much lower than many experts originally anticipated. This has been attributed to a slump in car manufacturing, which undermined a sharp recovery in holiday bookings after the easing of Covid travel restrictions. In addition, there was a drop in output in the Health sector, reflecting a fall back from previous high levels of activity with the NHS Test & Trace and vaccination programmes. **Overall, the UK economy was 1.5% bigger in February than its pre-pandemic level.**

This year the IMF forecasts the **UK will experience the 2<sup>nd</sup> highest growth in the G7 at 3.7%** (downgraded from 4.7% predicted in January). However, **in 2023 the IMF forecasts that the UK will have the slowest growth in the G7 at just 1.2%**, reduced from 2.3% predicted previously.

Of importance to our local economy, **the automotive sector has continued to face challenges with the availability of critical parts due to the ongoing supply chain issues and longstanding chip shortage.** The conflict in Ukraine is only likely to

exacerbate these issues as it continues, with many manufacturers ceasing sales to Russia, including JLR which sold almost 7,000 vehicles to Russia in 202.

The conflict in Eastern Europe has exacerbated existing challenges in the economy that were brought about by the pandemic. **Supply chain issues, rapidly increasing energy prices, and rising inflation are constraining the world's economic recovery and threatening business and consumer confidence.** The IMF this month downgraded its global forecast by a full percentage point compared with its previous forecast in January, and the global economy is now expected to grow by 3.6% this year.

### International Trade

**The region's businesses continue to face challenging international trade conditions, with the 'WM Export Climate Index' decreasing from 54.6 in February 2022 to 53.9 in March 2022.** Despite the decrease from February, the Index shows an improvement in export conditions and remains above the long-run average of 53.3. The decrease can be linked to China where output was 43.9 and also a slower increase of 55.1 in Germany, although trade with France (56.3), the USA (57.7) and Ireland (61) increased at a quicker rate.

**In 2021, the West Midlands region recorded £25.5bn of exported goods and £34bn of imports, leading to a trade in goods deficit of £8.5bn.** This reflects a much larger deficit when compared to 2020 when the trade deficit was £5.4bn. Quarterly exports analysis shows that when comparing Q4 2021 to Q3 2021, total exports and imports for the West Midlands increased at slower rates than the UK overall, which suggests that **further support still needs to be put in place to enable more firms to increase their volume of international trade activity, particularly exports.**

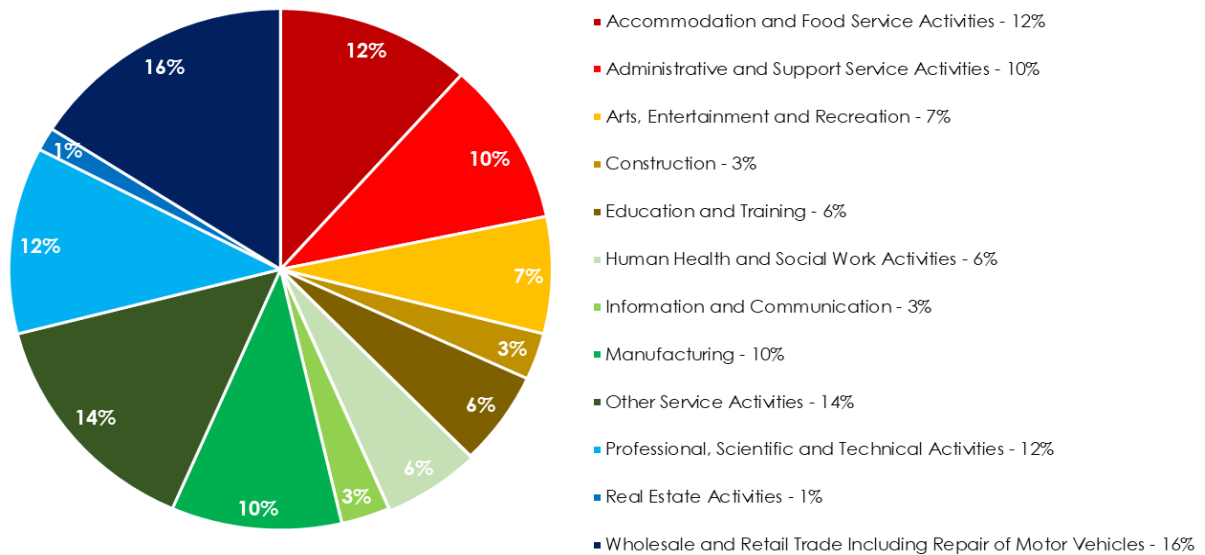
Although a growing percentage of internationally trading businesses seem to be returning to normal levels, 16.8% of internationally trading West Midlands businesses are still "exporting but less than normal" whilst just 3.5% are "exporting more than normal", and 11.6% are "importing but less than normal" with just 5.6% "importing more than normal".

### 3. Latest CWLEP Growth Hub Insights

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

Since the start of the pandemic in March 2020, the **CWLEP Growth Hub has supported 4,832 businesses and had substantive discussions with 1,749 businesses specifically related to Covid-19 impact and EU Exit.**

**Businesses Support by Industry**



This month's business insights are taken from intelligence gathered in **March 2022**. **Access To Finance** was the most popular reason for support/enquiries over the past month. There was a spread across other enquiry types too. Businesses highlighted **Advice & Guidance** and the **Inward Investment** as their main requirement for support, which could also have led to additional help around **Property, Start Up Support, Coronavirus and Coventry Airport (Gigafactory Support)**.

The size profile of businesses supported over the past month consisted of **42% Sole traders; 46% Micro businesses (2-9 employees); 11% Small businesses (10-49 employees); and 2% Medium businesses (50-249 employees)** – 65 out of 69 businesses provided their size profile.

There was an **increase in Micro and Small Enterprises** and a **decrease in Sole Traders and Medium Enterprises** approaching the CWLEP Growth Hub compared to last month. Around 45% of respondents (29 out of 64 respondents provided feedback) of came from businesses that started trading since 2020.

## 4. Spotlight: Made Smarter – Adoption Project

### 4.1 UK Manufacturing Sector – Output & Profile

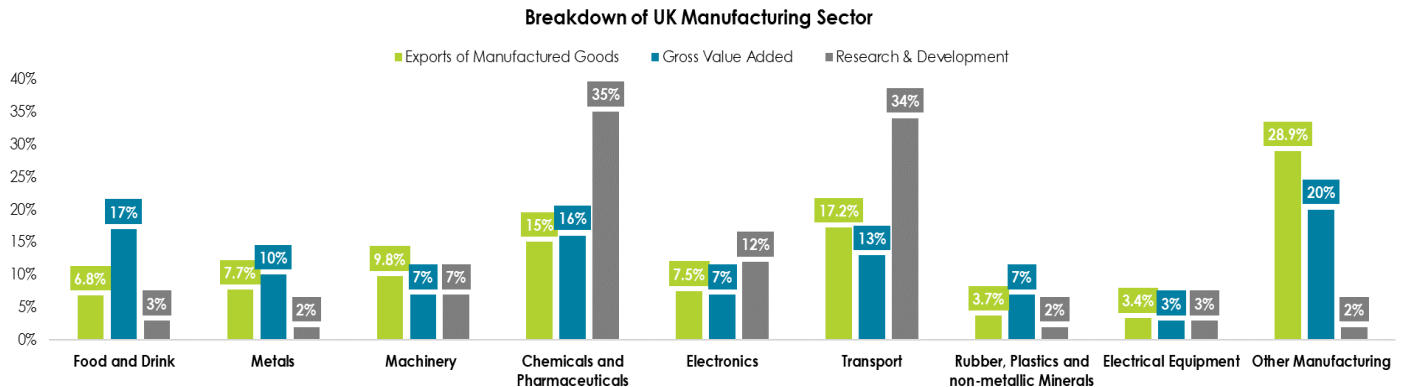
#### UK Manufacturing Output

There was a substantial reduction in the UK's manufacturing sector output in 2020 as an impact of the Covid-19 pandemic. However, recently there has been a more positive outlook as businesses have re-opened, working restrictions have been lifted, and markets have started to return to more normal trading conditions. As a result, manufacturing output and is on track to return to its pre-pandemic level by the end of 2022 according to recent forecasts by Make UK.

Manufacturing output increased by 1.7% between December 2021 and February 2022. Compared to the same period in 2021 for the three months to February, manufacturing output increased by 3.8%.

#### Profile of Manufacturing Sector

The Manufacturing sector accounted for 9.7% of total UK economic output in 2021. The below chart demonstrates the breakdown of UK manufacturing sector based on GVA, research & development and exports of manufacturing goods.



Source: UK Manufacturing the Facts: 2022, Make UK

### 4.2 What is the Made Smarter Programme?

[Made Smarter](#) was launched following an industry-led review of how UK manufacturing can prosper through the better adoption and use of digital tools and innovation. An independent review was commissioned by the UK Government and led by Professor Juergen Maier CBE. The resulting Made Smarter programme has been created to support the transformation of UK manufacturing by pioneering the development and integration of new and existing industrial digital technologies, including virtual reality and artificial intelligence (AI).



The main aim of programme is to deliver resilient, flexible, more productive, and strengthened supply chains and a more sustainable UK manufacturing sector. Additionally, it allows manufacturing businesses to create stronger partnerships when it comes to technology deployment, upskilling, and digitalisation. The programme empowers businesses to collect and analyse data through machines and automation, to streamline their processes, resulting in better quality products, greater productivity and efficiency, and lower costs.

### **Made Smarter Review - four key recommendations**

To equip the UK to fully embrace and deliver the next industrial revolution, the review identified overarching proposals focusing on four priority areas, that are big challenges for businesses:

- **Leadership:** More ambitious, informed, and focused leadership, including the creation of a Made Smarter Commission.
- **Adoption:** More widespread adoption of technology across supply chains, especially amongst SME makers.
- **Innovation:** Faster innovation and creation of new tech, new companies/value-streams, and new capabilities to sustain UK competitive advantage.
- **Skills development:** Upskilling team members to create a workforce that can build a better, stronger, and smarter future.

### **Guiding Principles for Digitalisation**

There are [6 guiding principles](#) that manufacturing enterprises could follow to ensure that digital technology has the biggest positive impacts on workforce and operations, are:

- 1) Partnership at work
- 2) Health, safety, welfare, and environment
- 3) Developing digital skills for the future
- 4) Respect at work
- 5) Job security and enhancement
- 6) Equality, diversity, and inclusion

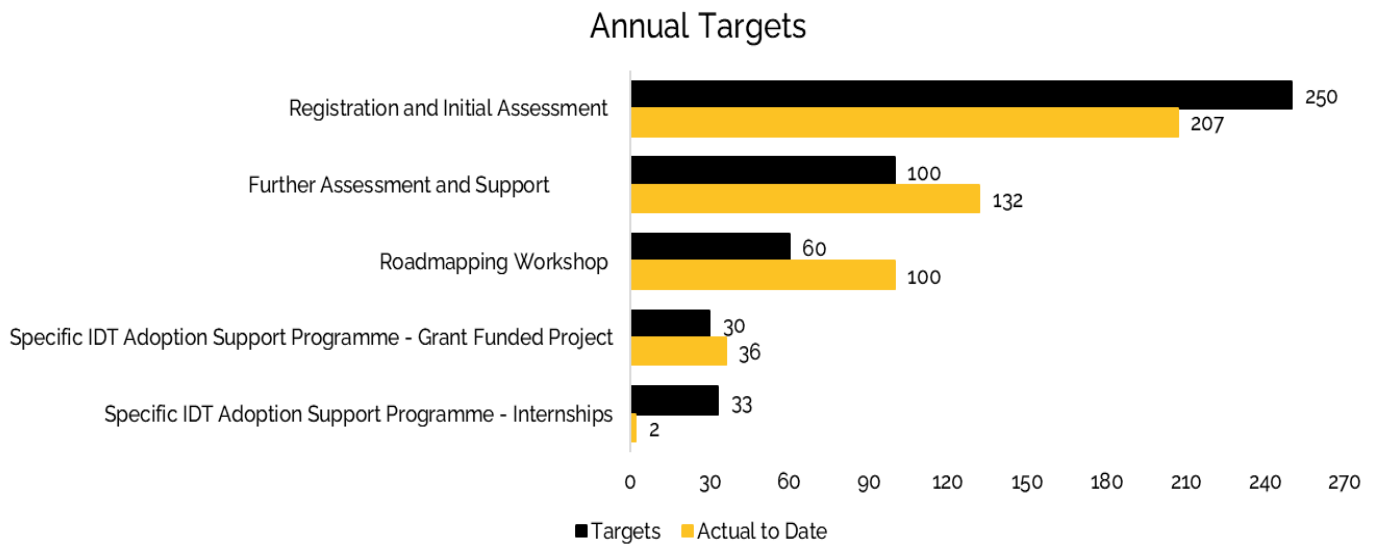
## **4.3 West Midlands Growth Hubs – Performance for the Made Smarter Adoption Project (Phase 1)**

The West Midlands Growth Hubs, in conjunction with WMG and MTC, are leading the way on the Made Smarter Adoption Project. In this section we highlight the performance amongst local and regional businesses taking part in the programme aiming to successfully digitise their company's.

### Annual Targets and Actual Amount of Businesses

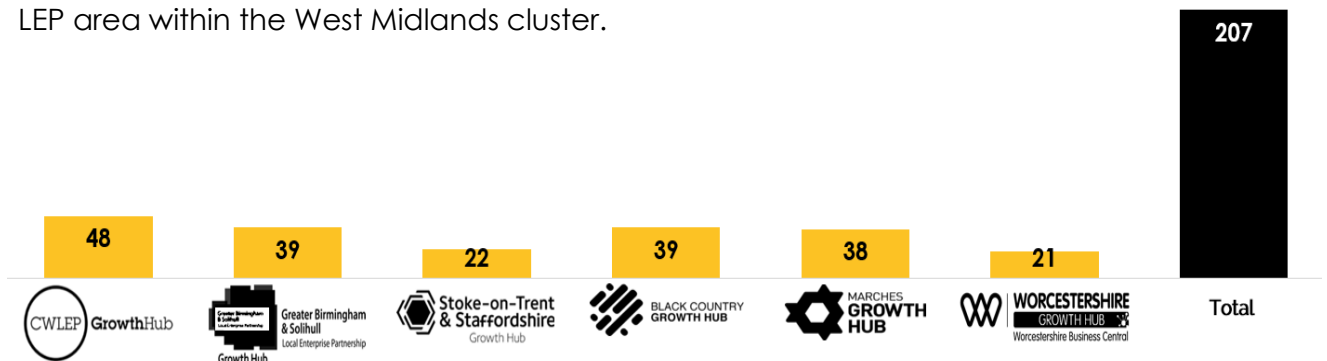
According to Beauhurst data, there are **12,773 active manufacturing SMEs in West Midlands region** and **2,031 active manufacturing SMEs in the Coventry & Warwickshire LEP area**.

Between April 2021 and 31<sup>st</sup> March 2022, 207 businesses registered on the Made Smarter Programme. In terms of marketing and engagements, there have been 477,641 total impressions made and 3,817 actual contacts. The chart below shows the breakdown of annual targets and actual amounts for each stage of programme.



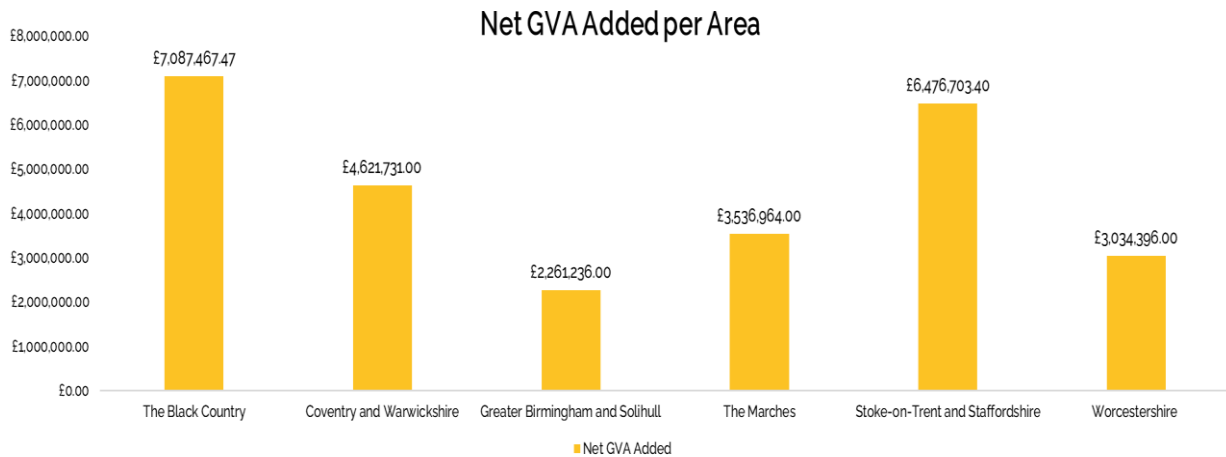
### Number of Registrations Businesses across West Midlands LEP Areas

The number of registrations continue to grow, in the chart below it shows that total amount businesses took part in the programme (for Phase 1) with a breakdown of LEP area within the West Midlands cluster.



### Net GVA by Area

Of 36 grant projects awarded, it is expected that there will be a £27 million net GVA increase over the course of three years. On average this equates to a net GVA increase of £751k per businesses.



For more information, and case studies around the Made Smarter programme, visit the website: <https://www.madesmarter.uk/>

## 4.6 Q&A with Paul Sullivan, Account Manager, CW Growth Hub

### What would you say are the main concerns affecting Coventry & Warwickshire businesses within Advanced Manufacturing and Engineering?

“The main concerns for businesses are the spiralling costs of materials and general running costs. The inability to offer firm quotes is extremely problematic, some companies are only holding quoted prices for seven days, and others are on the proviso that they can review material costs at the point of purchase. Many companies are seeing shortages in materials as the larger OEM's are stockpiling and price forecasting. The lead times being offered are up to three months for regular material and up to six months for irregular used products.

Skill shortages are also a problem, they are looking at upskilling internally as a short-term answer and finding appropriate training providers is an issue. There is also a shortage of apprentice candidates, and again, appropriate courses for them to attend.

The ever-changing business platform is also a problem, Business prefers stability and repeatability for planning long term - this market is very unpredictable.

The pandemic has also affected inhouse planning, whilst the loss of labour due to illness and fear of catching Covid-19 has also played a part.”

### How does Made Smarter help Coventry & Warwickshire's ability to reset and recover from the pandemic, as well as other external factors?

"The region has an ability to adapt to change, and engineering skills are very useful for managing the unexpected. The Made Smarter programme offers alternative options to manage change, it offers solutions to existing issues and challenges by using digital technologies. Engineering companies are generally ahead in looking at alternative ways to improve output and make improvements in quality. We are seeing that whilst there is an uncertainty into what technology is available there is an appetite to look for improvements and new ways of working. Made Smarter allows businesses to make decisions with the support of business support professionals and technology specialists.

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*"...whilst there is an uncertainty into what technology is available there is an appetite to look for improvements and new ways of working"*

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This combination is very important as it can allow the introduction of new technology without huge internal disruption. The programme understands time restraints on business and introduces change in the most appropriate manner to minimise disruption.

The pandemic has forced businesses to look at how to operate and communicate remotely, and the use of digital technology is perfect in allowing this to happen. Companies are using tools that allow them to operate from home, and this can involve machine operatives, designers, planners, and project managers, all of whom have adapted to these significant changes. These new ways of working have proven very successful in many cases and will be carried forward as a natural way of doing business for the future.

The ability to communicate remotely has opened additional markets on an international stage that were not available pre-pandemic. This is the very positive outcomes of adopting new communication technologies."

### What are Coventry & Warwickshire's USP's and how can we utilise these to increase our prosperity?

"Coventry & Warwickshire is renowned for its high technical engineering and its willingness to adapt and reinvent processes to improve profits. It has a very highly skilled workforce with generations of experience and is historically the place to go

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*"Coventry & Warwickshire is renowned for its high technical engineering and its willingness to adapt and reinvent processes to improve profits."*

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for Engineering development. The area is seen as a 'safe place' to go if you want things done to a very high-quality level. The supply chain in the region is probably the best in the world, it has all the supportive engineering skills required to develop any product, its creative

capabilities also make the area as somewhere that takes product to market in very quick times and to the highest quality.

The region also has some of the finest R&D facilities to complement this manufacture expertise. Our universities have a focus on engineering and produce some of the world's greatest engineers, and also the machines that offer the highest technology for maximising productivity and output. Connectivity plays a big role in ensuring the area can operate these latest technologies and machines that require sensors and connective ability that are able to operate efficiently via 5G.

The region offers creative skills that adaptable across sectors, Gaming industry plays a big part in visuality throughout the car industry, this cross functionality is apparent throughout the region."

### **Where do you see Coventry & Warwickshire as a sub-region in the next 5-10 years in relation to the digital readiness of Manufacturing and Engineering businesses?**

"The region will continue to be the world's creative engine; it is important that the latest technologies are developed here to allow manufacturers the edge in manufacturing output. Suppliers are continually looking at how to improve and we see that digital technology adaption will be the primary change over the next five to ten years. The transfer of this knowledge will play a big part in the area's future prosperity.

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*"Suppliers are continually looking at how to improve and we see that digital technology adaption will be the primary change over the next five to ten years."*

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We must accept that there is no point in protecting this technology and its development and understand that the real value is sharing our ability to be market leaders."

### **The CWLEP Strategic Reset Framework recognises the need to fundamentally reset the economy. If you could suggest up to three recommendations to help Coventry & Warwickshire AME businesses, what would they be?**

"Coventry & Warwickshire LEP and Growth Hub are seen as the conduit for companies to access the latest technologies. To assist existing businesses in making improvements to sustainability, quality, and financial gain.

The quality of the support service in Coventry & Warwickshire is recognised as being the best in the country. The support offered is seen as impartial and there for the benefit of business. The collaboration between the support services themselves plays a crucial role ensuring that the focus is on providing business with the best advice, reduces duplication, and allows different programmes to operate simultaneously alongside each other to the benefit of all companies."

## 5. Recommendations

### March's Golden Recommendation:

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**The Made Smarter delivery framework should be looked at as a model for developing future Premium Products within the West Midlands business support landscape. It is essential that we build on, and adequately fund, this model to ensure a cohesive and integrated ecosystem.**  
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The following recommendations have been derived from analysis of macro-economic and business-level data and intelligence collated from Coventry & Warwickshire stakeholders. We begin with three short term recommendations:

#### a. Short Term

##### 5.1.a

Conduct **a review of the debt burden on businesses**, in particular repayment terms of Coronavirus based loan schemes, to enable businesses to focus on investing in growth and getting through the current cost-of-living crisis.

##### 5.1.b

Both in skilled jobs and across the board businesses are finding difficulties in both recruiting and retaining staff. **Policy makers should implement seek and implement practical solutions to help ease supply chain disruption and labour shortages** to help alleviate the cost-of-living crisis.

##### 5.1.c

**Seek to lower or remove measures that increase business costs**, including no new business taxes or added regulatory burdens and increased funding/incentives to schemes that increase economic measures

#### b. Medium Term

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

##### 5.2.a

Policy makers to finalise the next (at least) 3-year settlement for Made Smarter and promote the good work that the initial Pilot Programme has done to aid innovation, productivity, and growth for manufacturers.

### 5.2.b

Ensure that Made Smarter builds on, and adds value to, the local business support ecosystem within the next tranche of funding.

### 5.2.c

Ensure that UK Shared Prosperity Funding is directed in a way that enables the Coventry & Warwickshire business support ecosystem to build on successes of recent years, and address needs, challenges and opportunities faced by local businesses.

## C. Long Term

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

### 5.3.a

A fundamental change at all levels is required to guide businesses toward net zero. This will be challenging but possible with coordinated action and will require both human, financial, and political capital to make this work.

### 5.3.b

**Sustainable technologies to be more fully incorporated as part of strategic planning processes locally, to ensure green technologies are included into future developments for both housing and employment land** – and so that greener and more sustainable ways of powering our future homes and businesses are used fully.

### 5.3.c

**The Internship element of Made Smarter needs to be maintained in order to fulfil key gaps in the marketplace in relation to digital skills required for the longer term.**

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