

# West Midlands Growth Company – Benchmarking Report

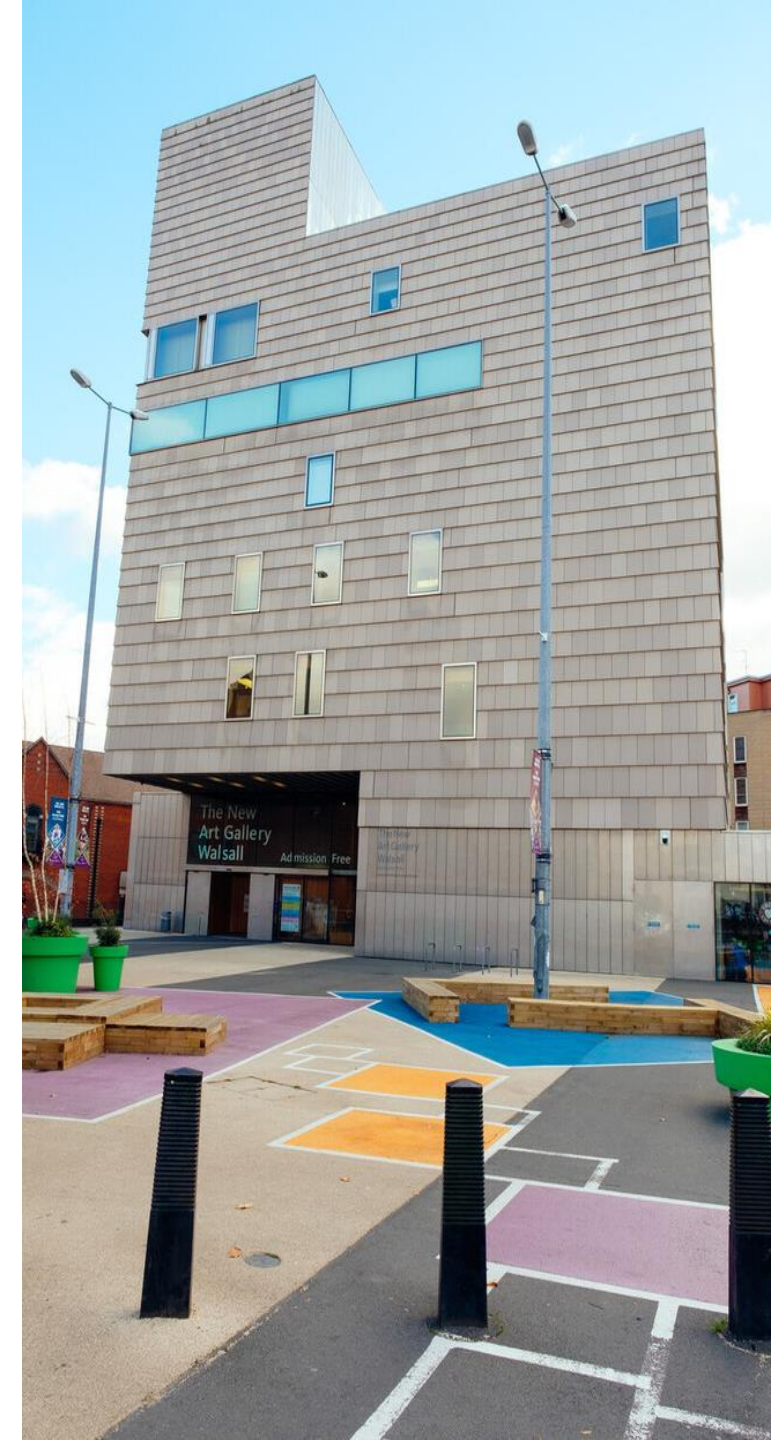
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July 2023



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# 1. Executive Summary



# Executive Summary

## Overview & Approach

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- The West Midlands Growth Company commissioned OCO Global to develop an International Plan for the West Midlands region.
- The first stage of that work is a benchmarking study to identify strengths and weaknesses against competitor locations and to identify areas of best practice that can be incorporated into the plan.
- Benchmark locations were selected from an original list of 40 locations. A final 12 locations were chosen based on quantitative and qualitative analysis that identified areas with similar socio-economic profiles and a strategic focus on sectors similar to West Midlands. Alongside this, three aspirational locations were chosen (Chicago Metropolitan Area, Detroit Metropolitan Area, and Melbourne Metropolitan Area) to act as guides to best practice.
- The second stage of this benchmarking analysis looked at the selected locations in more detail. It focused on economic competitiveness factors such as business environment, talent, and investment, along with sector-specific analysis. For each priority sector in the West Midlands, locations were assessed in terms of employment, cluster size, and investment performance.
- The benchmarking also considered the place appeal in each location. This involved looking at a diverse set of indicators that affect how an area is perceived and how it promotes itself.

## Key Results

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### Economic Competitiveness

- Of the regions benchmarked, the West Midlands was generally smaller, both geographically and by population with an about-average GDP, making its average to slightly above average performance mean that the region is punching above its weight in some respects.
- The region had a middling performance for R&D and venture capital levels, also for inward FDI and export volumes. Its business environment ranked slightly below average.
- The West Midlands outperformed most of the competition on university talent, a real strength for the region.

### Place Appeal

- The West Midlands scores strongly across most of the place appeal indicators in the benchmarking model, placing 4<sup>th</sup> overall out of the 13 comparator regions measured.
- Sustainability and connectivity were the region's two highest-scoring indicators, but the West Midlands struggles when it comes to quality of life, especially around affordability, health, and safety.

### Sectors

- As potentially expected, the West Midlands performed well in Automotive and Industrial in terms of inward investment. The next best sector was Business and Financial Services, which is one of the region's highest employing sectors.
- The West Midlands performed less well in Life Sciences and Technology where inward investment was lower than competitors.



## 2. Defining Scope



# Context & Objectives

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## Origin & Background

- WMGC, in collaboration with the Department for Business & Trade (DBT) and VisitBritain, is currently delivering the Business & Tourism Programme. The programme's main objective is to leverage the Birmingham 2022 Commonwealth Games to establish positive perceptions of the West Midlands on an international level, generating long-term economic benefits throughout the region. The ultimate goal is to attract over £650 million in new foreign investments into the UK and facilitate additional export deals worth £7 million by the year 2027.
- As the BATH is concluding in September 2023, WMGC has been developing proposals for "Global West Midlands" which includes the development of a regional West Midlands International Strategy (WMIS). It will internationalise the WMCA's 2030 Plan for Growth and will be aligned with and support the delivery of other regional and local strategies and plans. The strategy will ultimately present a series of clear ambitions for the West Midlands across the themes of investment, trade, tourism, R&D, and education, along with the policies and actions planned to achieve each one.
- In this regard, WMGC has engaged OCO Global and Metro Dynamics as consultants to conduct a benchmarking exercise to understand West Midlands' performance relative to comparator locations and find best practice examples, where these insights will feed into the regional International Strategy.

## Objectives

- 1) **To help define the baseline** of West Midlands' current economic capabilities, visitor & talent attractiveness, and main sector performances.
- 2) **To identify strengths and weaknesses** or gaps against similar comparator locations across a number of overall pillars and key themes.
- 3) **To identify areas of best practice** as exemplified by other benchmarked locations that can be incorporated into the plan.

# Defining Scope & Benchmarking Longlist

- Initial longlist of 40 city region locations, including the West Midlands, was undertaken by looking at macroeconomic factors for each city region, e.g., population and workforce size, geographic size & makeup, GDP, GDP per capita, and FDI numbers. We also searched for locations by looking at economic makeup\*, focusing especially on sector make up as well as economic priorities in order to find locations that best fit with West Midlands' existing economy and its aspirations.
- Once the longlist data was finalised, we calculated the data by finding the absolute difference from the West Midlands' baseline for each data point, ranking them and weighting them according to relevance, which provided a raw and comparable score. These calculations gave us a final and ranked list of locations from which to develop a shortlist based on discussions with West Midlands.

Europe			North America	Asia & Africa	
• North Rhine Westphalia	• Manchester Metropolitan Area	• Piedmont	• Chicago Metropolitan Area	• Chengdu	• Ankara
• Lombardy	• West Midlands	• Glasgow Metropolitan Area	• Detroit Metropolitan Area	• Melbourne Metropolitan Area	• Auckland
• Paris Metropolitan Area	• Budapest Metropolitan Area	• Lisbon Metropolitan Area	• Pittsburgh Metropolitan Area	• Kuala Lumpur Metropolitan Area	• Ulsan
• Catalonia	• Leeds Metropolitan Area	• Stuttgart Metropolitan Area	• Cleveland, OH	• Hyderabad	• Amritsar
• Berlin Metropolitan Area	• Greater Copenhagen Area	• Basel	• Greater Ottawa	• Nagoya	• Cape Town
• Hesse	• Dublin Metropolitan Area	• Silesia		• ChongQing	• Suzhou
• Lyon Metropolitan Area	• Skane (Malmo)	• Saxony		• Osaka, Greater	• Singapore

\* Based on fDi Markets data and general heuristic searches.

# Benchmarking Shortlist

- The shortlist is based on both quantitative comparability ranking and qualitative factors as agreed with working groups as part of this exercise.
- The focus has been split between three areas:
  - **Comparable:** Locations that are similar to the West Midlands in terms of size, performance, or post-industrial heritage
  - **Aspirational:** Locations that perform well globally and can be viewed as best practice for many international behaviours
  - **Emerging:** Locations that are becoming increasingly competitive on the international scene Specific, qualitative focus put on the following factors to determine the shortlist:



	Comparable
	Aspirational
	Emerging



# Defining the benchmarking factors and sources

## Benchmarking Model Approach

We developed a data analysis benchmarking model that collated data on three key pillars with 15 themes overall for international markets and US states. These pillars were also given a scale factor, either 0.5, 1.0 or 1.5, to reflect relative importance.

The first pillar, Economic Competitiveness, aimed to capture how well the locations are performing across a range of economic factors and how attractive they are for businesses. Place Appeal aimed to capture how attractive the locations are for talent and visitors, and finally, the Sector pillar aimed to understand how well the locations perform for four main sectors.

Data was gathered for almost 100 indicators under each pillar for each of the 13 benchmarked locations on the shortlist. For each indicator, all locations were ranked and then scored on a scale out of 100 with that score then weighted to reflect its relative importance. For the full list of indicators, weightings, and sources, please see the Annex.

## Analytical Framework

### Pillars

#### Economic Competitiveness

- Macroeconomics
- Innovation
- Investment
- Trade
- Business Environment
- Talent

#### Place Appeal

- Perceptions
- Visitor Economy
- Quality of Life
- Connectivity
- Sustainability

#### Sectors

- Automotive & Industrial
- Technology
- Life Sciences
- Business & Professional Services

# Defining the sectors

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## Sectors

Given the large volume of data collection and analysis already covered in the economic competitiveness and place appeal pillars, we elected to cover four overall sectors. These sectors are based on WMGC's target sectors as laid out in the Business & Tourism Program and the broad alignment with key sectors from the comparator regions. We wanted to include sector definitions that were broad enough to ensure reliable comparison data.

To more easily align with the data sources across locations, we have simplified some of the terminology, opting for:

- Automotive & industrial to cover advanced manufacturing, future mobility, and low carbon.
- Technology to cover digital & creative.
- Life Sciences has remained the same.
- Financial & professional services to cover business, professional & financial services.

Sector	Subsectors
<b>Automotive &amp; Industrial</b>	<ul style="list-style-type: none"> <li>• Transportation Equipment</li> <li>• Energy</li> <li>• Environmental Technology</li> <li>• Chemicals</li> <li>• Industrial Machinery</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Information Technology</li> <li>• Electronics</li> <li>• Telecommunications</li> </ul>
<b>Life Sciences</b>	<ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Pharmaceuticals</li> <li>• Medical Devices</li> </ul>
<b>Financial &amp; Professional Services</b>	<ul style="list-style-type: none"> <li>• Financial Services</li> <li>• Business &amp; Professional Services</li> </ul>

# 3. Benchmarking Results

Economic Competitiveness  
Assessment





# Economic Competitiveness

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- The first part of this comparison looks across the broad spectrum of economic competitiveness. This covers more general indicators such as macroeconomic factors and business environment, before starting to look at some of the focus pillars for this study; Inward Investment, Trade, and Innovation.
- It is no surprise that aspirational locations such as Chicago and Melbourne perform well in the majority of areas with high levels of inward investment and international talent as well as strong business environments.
- What's perhaps more surprising is the performance of some emerging markets. In particular, Hyderabad has outperformed competitors across investment and innovation. This can be explained by understanding the work that local governments in Hyderabad have put into building relationships with their major investors and strong account management.
- The West Midlands performs fairly consistently and should take advance of the above-average proportion of international students to drive both the visitor economy as well as create links that remain beyond those students' study in the region.

<b>Macroeconomics</b>	Geographic size, population and GDP statistics
<b>Innovation</b>	R&D inward investment projects and venture capital
<b>Investment</b>	Inward direct investment and outward direct investment
<b>Trade</b>	Overall value of exports
<b>Business Environment</b>	A number of indicators such as corporate tax rates, business investment, and average salaries
<b>Talent</b>	Number of students and international students

# Economic Competitiveness – Macroeconomics

## Macroeconomics

## Innovation

## Investment

## Trade

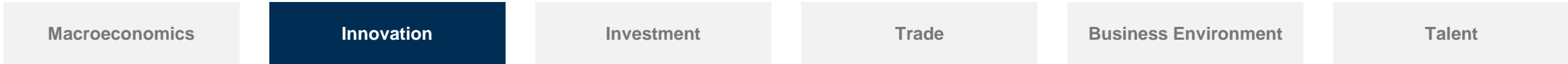
## Business Environment

## Talent

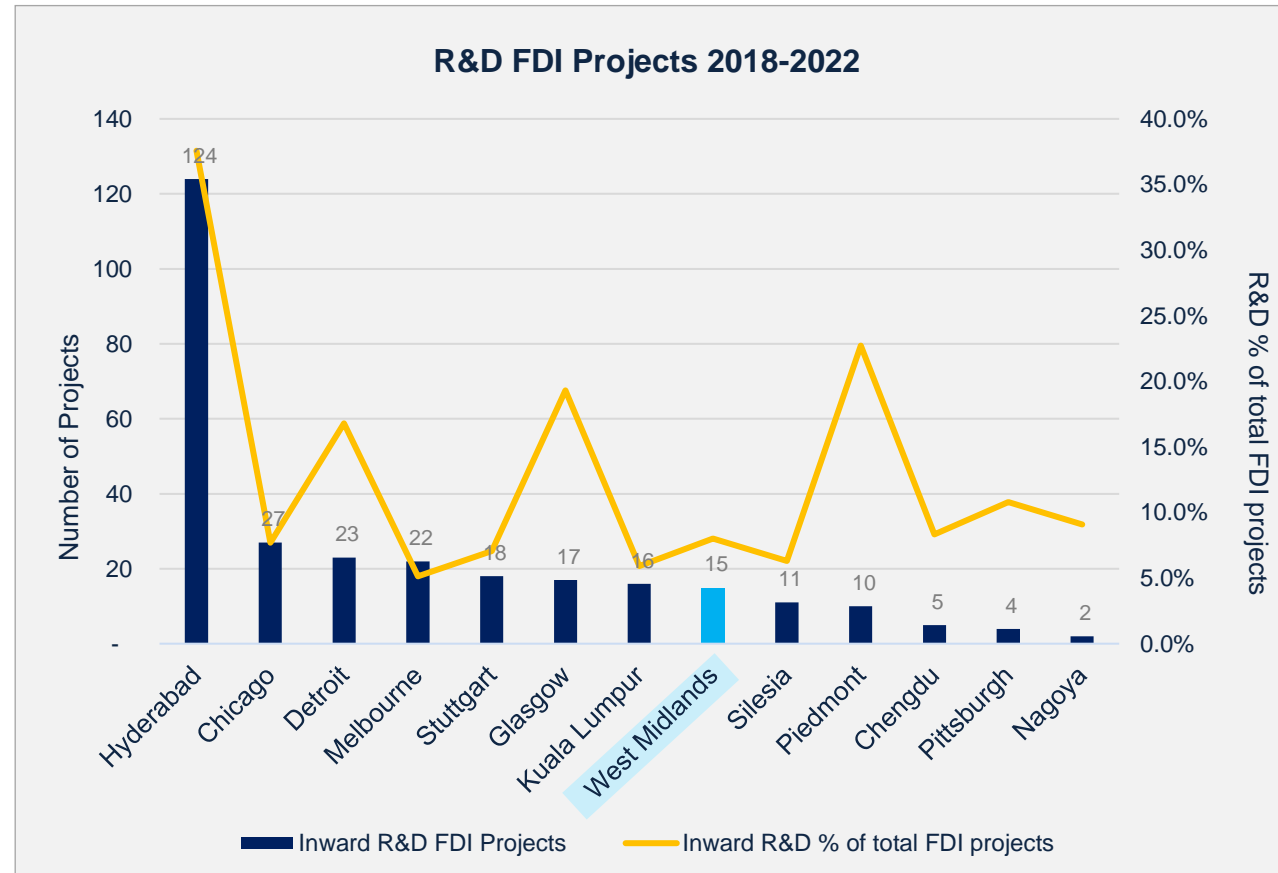
- Here we include some of the results and analysis of the general indicators used in the longlisting, as **context to the following thematic analysis**.
- One aspirational location – Chicago – stands out** across the metrics. As one of the largest cities and economic and transport hubs in the United States, Chicago has a considerably higher population and a GDP of over \$600 billion with many significant sporting, education and cultural institutions, as well as large domestic US corporations headquartered in the city including the Walgreen's Boots Alliance, Abbott Laboratories, CME Group, and United Airlines.
- The **highest growth in GDP come from emerging market countries**. This line with global growth trends particularly in Asian locations such as Chengdu (3.92%), Kuala Lumpur (4.22%), and Hyderabad (6.12%) leading the way. (GDP growth forecasts are national.)
- GDP per capita, however, is higher in developed economies** with the US locations leading along with European locations such as Stuttgart. West Midlands' GDP per capita is similar to that of the other European regions, barring Stuttgart.

Region	Geographic Size (km sq.)	Population	GDP (USD Billions)	Real GDP Forecast, avg. growth 2024-28	GDP per Capita (USD)
West Midlands	5,200	2,919,600	149.4	1.70	33,514
Chicago	26,579	9,618,502	592.0	1.84	66,397
Kuala Lumpur	2,794	7,500,000	378.2	4.22	29,312
Stuttgart	15,400	5,465,093	284.3	1.44	54,853
Chengdu	14,335	20,937,757	213.0	3.92	21,000
Nagoya	7,072	10,110,000	363.0	0.58	35,900
Detroit	10,130	3,521,000	222.0	1.84	43,392
Pittsburgh	7,042	2,524,863	138.9	1.84	51,200
Melbourne	-	5,926,624	107.7	2.12	46,720
Hyderabad	7,257	10,700,000	110.2	6.12	7,213
Silesia	12,333	4,524,091	127.6	3.14	28,233
Piedmont	25,387	4,356,000	137.8	1.00	34,560
Glasgow	3,338	1,845,020	53.4	1.70	28,890

# Economic Competitiveness – Innovation



- Over the past 5 years, **Hyderabad has attracted the most R&D-related FDI**. With over 120 projects, Hyderabad attracted over 90 projects more than the next highest location.
- Hyderabad is a particularly attractive location for technology and pharmaceutical investors, sectors that are more research and development focused. Hyderabad and the wider Telangana State is noted for strong domestic business clusters, positive governance, pro-business regulation, and a large and diverse talent pool.
- Most locations have had at least 5% of their FDI projects contain some element of R&D; however, locations such as **Hyderabad, Piedmont, and Glasgow** have attracted a higher proportion of R&D-focused FDI – from 20% up to 37%.
- The West Midlands has attracted R&D FDI projects in line with the average across the benchmarked locations with 15 projects accounting for 6% of overall inward FDI projects.





# Innovation – Hyderabad in Focus

Macroeconomics

Innovation

Investment

Trade

Business Environment

Talent

- In recent years, Hyderabad has attracted several high-profile R&D investments from large multinationals, particularly from the US and UK. India as a whole attracted as many R&D projects in 2022 as China, the US, and the UK combined showing an impressive increase in innovation driven FDI.
- Companies have listed several key motivations for investing in the region:



**A large and skilled workforce** – there is a large pool of engineers and scientists in Hyderabad. These workers are more cost-effective than other locations and have high English-language proficiency.



**Lucrative incentives** – the Telangana R&D Policy provides a number of incentives for companies looking to undertake R&D in Hyderabad including tax breaks, grants and subsidised land.



**Industry clusters** – the Hyderabad Innovation Corridor and Life Sciences Park are examples of R&D focused clusters in the region. There are a number of incentives offered by the local government for setting up in these clusters.



**Skill development** – the Hyderabad local government provides funding for skill development programmes and works with investors to understand the skills needed. They also offer a stipend to PhD students who are conducting R&D in the region as a way to attract and retain talent.



MICROCHIP

US based semiconductor company, Microchip, announced in July 2023 that it was to invest \$300m to open an R&D centre in Hyderabad. The company named the burgeoning talent pool in the city as a key motive for investing and the project will employ 1,000 new staff.

LLOYDS  
BANKING  
GROUP

Lloyds Banking Group will employ 600 technical staff in Hyderabad as part of a new technology centre. Highly technical engineers and impressive technology ecosystem were listed as two of the drivers for this investment.



aws

AWS announced in January 2023 that it was to grow its data centre investments in the Hyderabad region to \$2 billion in total.



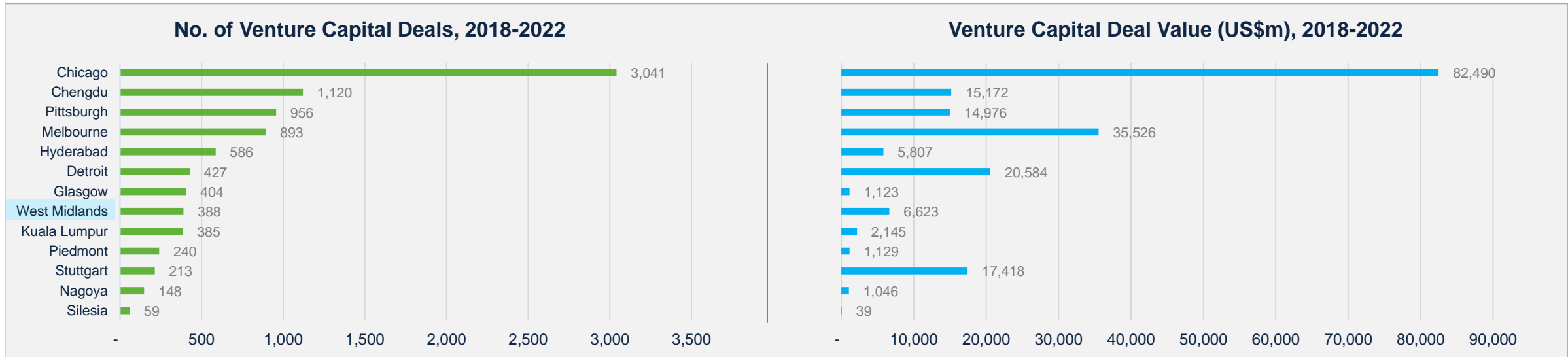
Microsoft

Microsoft has named Hyderabad as one of the company's most important markets. Not only will they be doubling the number of data centres in the city to six, but also engaging with the local government to explore further investment opportunities.

# Economic Competitiveness – Innovation



- In our locations Chicago leads the way in terms of venture capital deals and deal value.** The VC environment in Chicago has been defined in recent years by a move to more purpose-driven investing in businesses with female or minority owners (40% of investments reflected this in 2022).
- Pittsburgh, 3rd in terms of venture capital deals (956); saw traditional heavy industry decline in the 1970s, and 1980s. Pittsburgh has successfully built an innovative economy by leveraging its educational assets such as the University of Pittsburgh, and Carnegie Mellon.
- Pittsburgh has encouraged various local VC investors funding companies such as the BlueTree Venture Fund. Firms like PNC, UPMC, Google, Uber, Alcoa, Bayer, Allegheny Technologies, Duolingo, have grown in Pittsburgh's innovation system.
- Aligning with a **global trend towards US and Chinese investment markets**, the West Midlands was outstripped by these competitors (and Melbourne). However, compared to our European markets, the WM performed well for the number of deals, though Stuttgart's smaller number of deals was valued considerably higher.

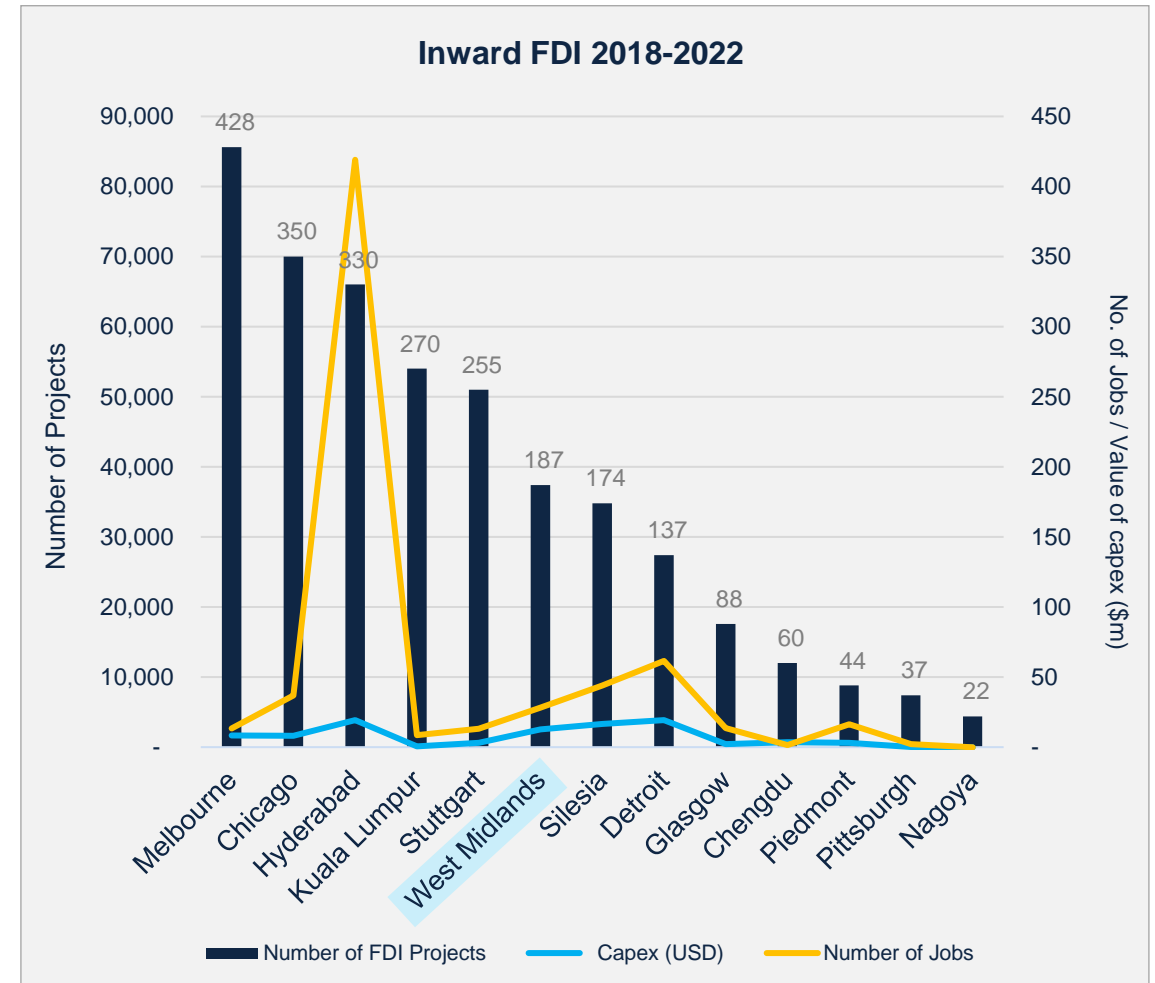


Source: Pitchbook, EY VC Trends Report 2022.; Technical.ly - Pittsburgh's tech strengths, July 2023; Capturing the next economy: Pittsburgh's rise as a global innovation city, 2017

# Economic Competitiveness – Investment



- **Melbourne** has captured the greatest number of FDI projects over the past 5 years, followed by **Chicago** and **Hyderabad**. However, Hyderabad has received by far the highest number of jobs through FDI, this could be attributed to the aforementioned large number of major tech and software investments made in the city in recent years.
- Whilst the West Midlands has not attracted similar levels of projects, the region **outperforms competitors in terms of the number of jobs and capex during** the period. FDI created over 5,600 jobs in the West Midlands, more than all European competitors other than Silesia.
- Only three locations attracted higher capex through FDI than the West Midlands – Detroit (\$3.9bn), Hyderabad (\$3.8bn), and Silesia (\$3.3bn).
- The performance of locations such as Hyderabad and Silesia is indicative of a trend that has been occurring over the past 5 years. This is a move to **greater FDI going into emerging economies**, particularly in higher employing business activities such as manufacturing and distribution.
- *Please note that all FDI data is sourced from fDi Markets which estimates project numbers based on publicly available information. As a result, capex and jobs numbers are also only included when reported publicly.*

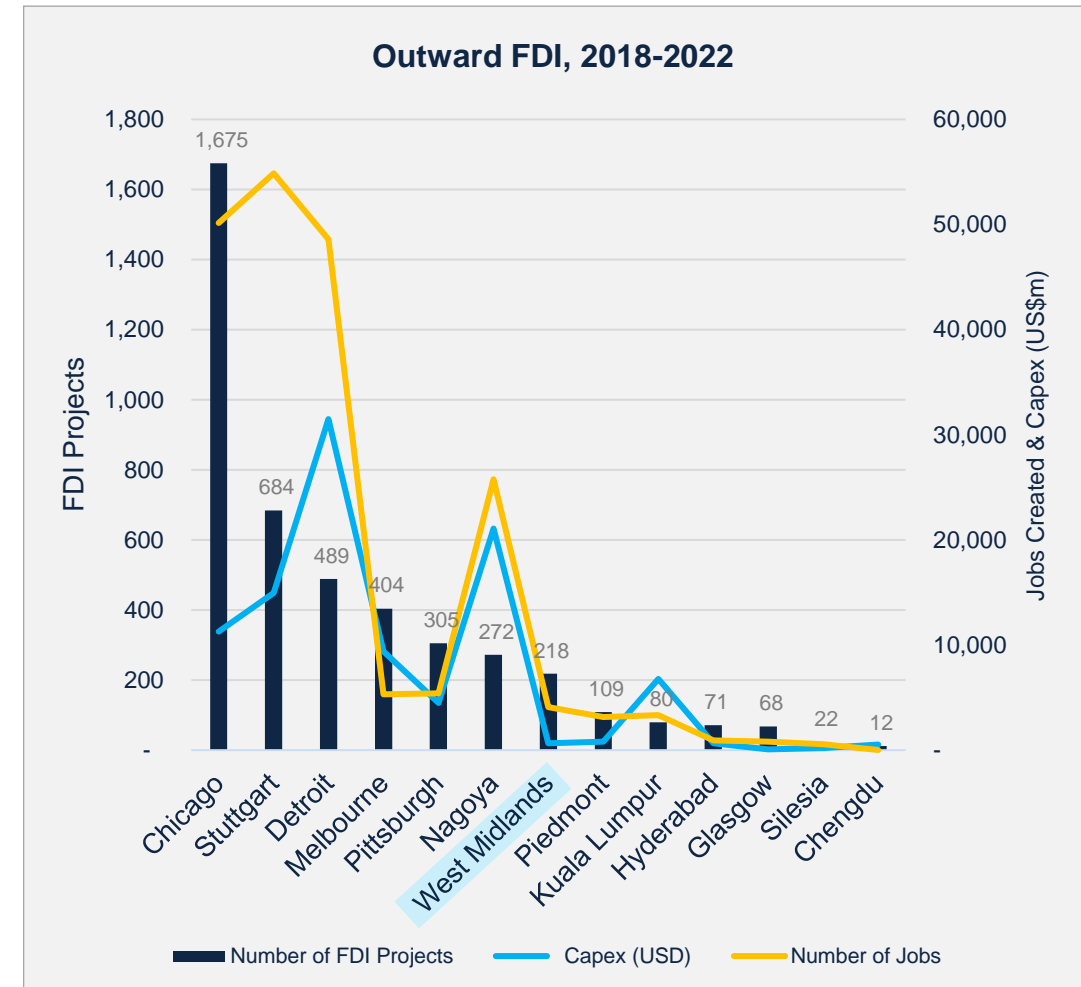




# Economic Competitiveness – Investment



- These locations were the **source markets** for 4,409 projects over the past five years, generating over two thousand more projects than they attracted (2,382 in total). This could indicate that these locations contain a business population who are keen to invest overseas but less keen to reinvest in the locations themselves. This trend is prevalent with the US, UK, Japan and China all having higher outward direct investment than inward direct investment.
- **Chicago and Stuttgart** were the biggest source markets in terms of projects. Both locations, but particularly Chicago houses a large number of domestic corporations headquartered in the city, across a wide industrial base that are willing and able to invest internationally.
- The data also shows that outward investment from **Chicago** and **Stuttgart** generated significant numbers of jobs, albeit with lower capex. The outward flowing capex and jobs for most of the other regions did not have the same discrepancy as these two locations.
- Only **Melbourne** and **Glasgow** of the developed economies attracted more inward investment than they provided in outward investment.
- **The West Midlands was a relatively small contributor of outward FDI**, with less of a discrepancy between inward and outward FDI.
- A common trend across emerging economies is that they attract more inward FDI than they provide in outward FDI.



Source: fDi Markets

# Economic Competitiveness – Trade

## Macroeconomics

## Innovation

## Investment

## Trade

## Business Environment

## Talent

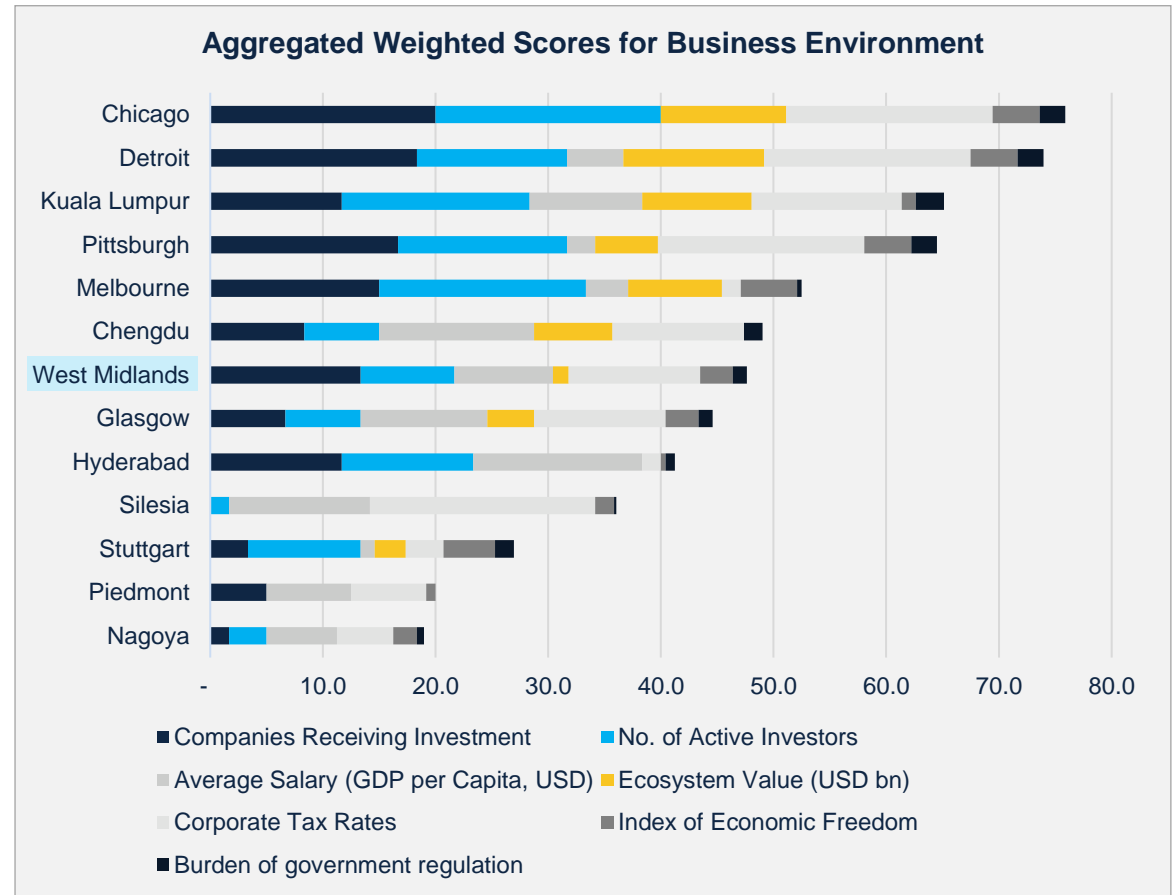
- First among the chosen locations is Stuttgart as represented by its German state Baden-Wurttemberg. Exports from Baden-Wurttemberg reached US \$248.57 billion in 2021. Major exporting companies based in the State include the Mercedes-Benz Group, Porsche (Volkswagen), and SAP.
- The West Midlands (WMCA), as represented by the West Midlands region exported US\$52.97 billion in 2021. Narrowing to the West Midlands Combined Authority area itself, the conurbation exported US\$26.53 billion. The automotive sector is the major exporting industry.
- Of the chosen locations over a 5-year CAGR Glasgow has seen the fastest growth in exports of 11.99% as the Scottish Government has focused on developing the country's export economy. Launched in 2019 its strategy - Scotland: A Trading Nation has seen the nation's focus on its Top 500 exporting companies (responsible for 80%) of exports. Interventions have included amongst others raising awareness about exporting, building company trading skills capacity, leveraging Scotland's international network and developing a strong brand Scotland.
- Contrastingly, the West Midlands under the same trading conditions has seen exports fall (-3.86) between 2017 and 2021, Detroit (-4.9%) and Nagoya (-0.41%) also saw a declines in exports. Hyderabad saw a large growth in exports (12.12%) with data only available between 2020-2021 and 2021-2022, likely affected by economic rebounds post pandemic period.



# Economic Competitiveness – Business Environment



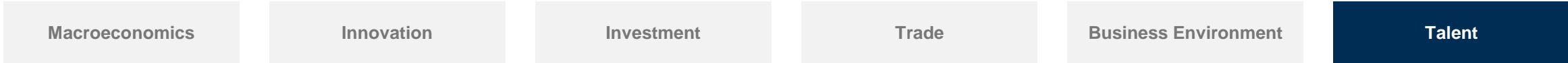
- We have gathered **multiple different indicators** in order to analyse the competitiveness of each city region’s business environment. Whilst the majority are taken at a sub-national level, a number of the indicators are taken at a national level given the importance of national policy in determining a location’s business environment.
- **Chicago and Detroit** lead the way for business environment, driven by the availability of investment and the USA’s relatively lower burden of government regulation and low corporate tax rate – a tax rate that is only getting lower for businesses in certain sectors.
- **The West Midlands outperforms other European locations**, primarily thanks to the greater availability of investment for businesses in the region, somewhat lower corporate tax rates, and – at least compared to Stuttgart and Piedmont – the more competitive cost of talent.
- That being said, the **West Midlands falls behind emerging market competitors such as Chengdu and Kuala Lumpur**, particularly in the number of active investors and the size of the ecosystem value, according to GSER Genome.



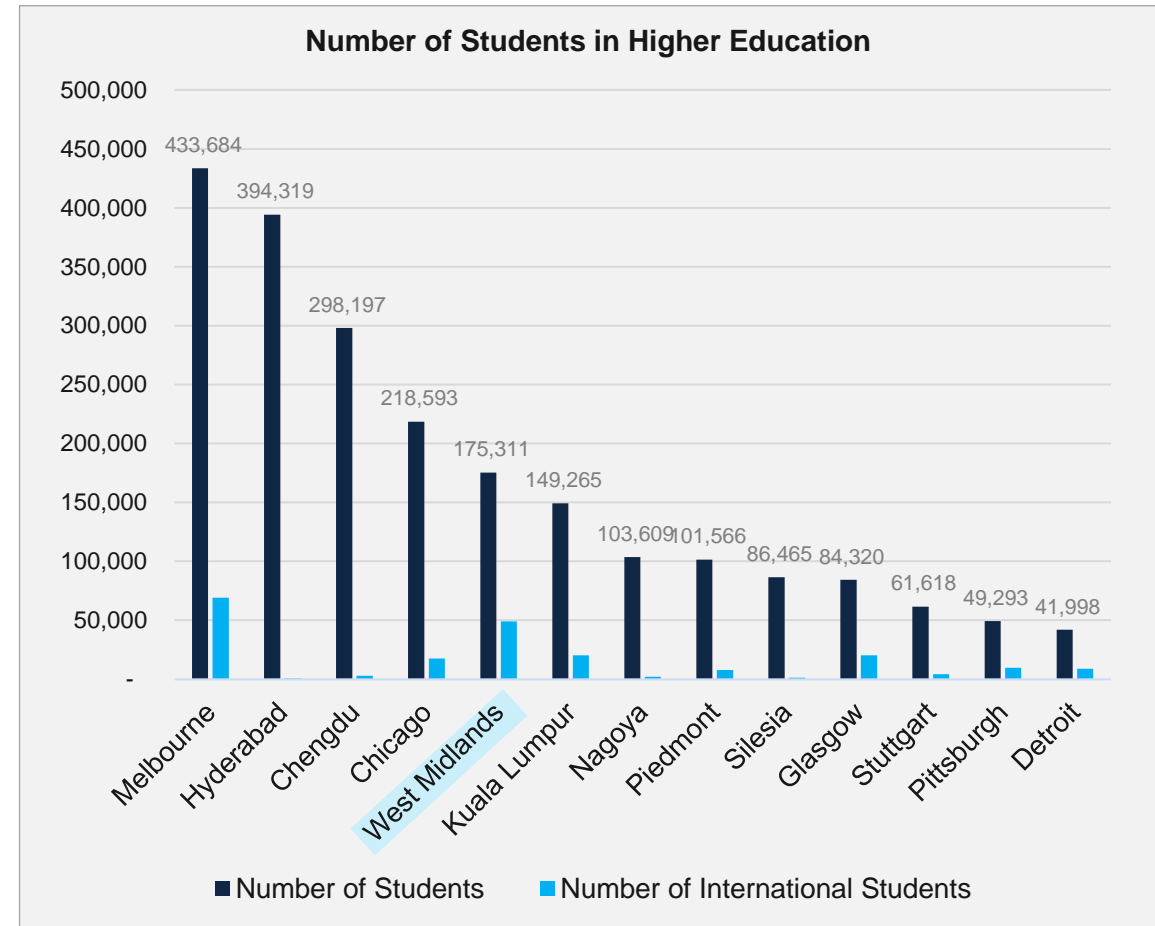
Source: Tax Foundation; GSER Genome; Pitchbook; Heritage Foundation; fDi Benchmark.  
 \* Data for Silesia on fDi Benchmark was unavailable.



# Economic Competitiveness – Talent



- We used a **variety of indicators** to assess the size and quality of a location’s talent, namely the total number of students within a region, number of international students, national assessments for the ease of finding skilled employees, global talent competitiveness indices, and the number of globally ranked universities.
- **The West Midlands is one of the strongest performers** with six globally ranked universities, a higher proportion of international students, and a strong position in QS’s Best Student Cities rankings, which looks at desirability, affordability, quality of education, and employment prospects.
- Melbourne is home to five globally ranked universities with a very large number of students in higher education (433,684) with over **40% of these being international students**. Study Melbourne is the State of Victoria's government initiative for attracting international students. Its website aggregates relevant course, visa, and living in Victoria information. Further it hosts several international hubs, physical spaces in key target countries raising awareness of Melbourne as a study location.
- Whilst emerging market locations such as Kuala Lumpur, Chengdu, and Hyderabad have large student populations, they are yet to attract the kind of international students that other locations have.

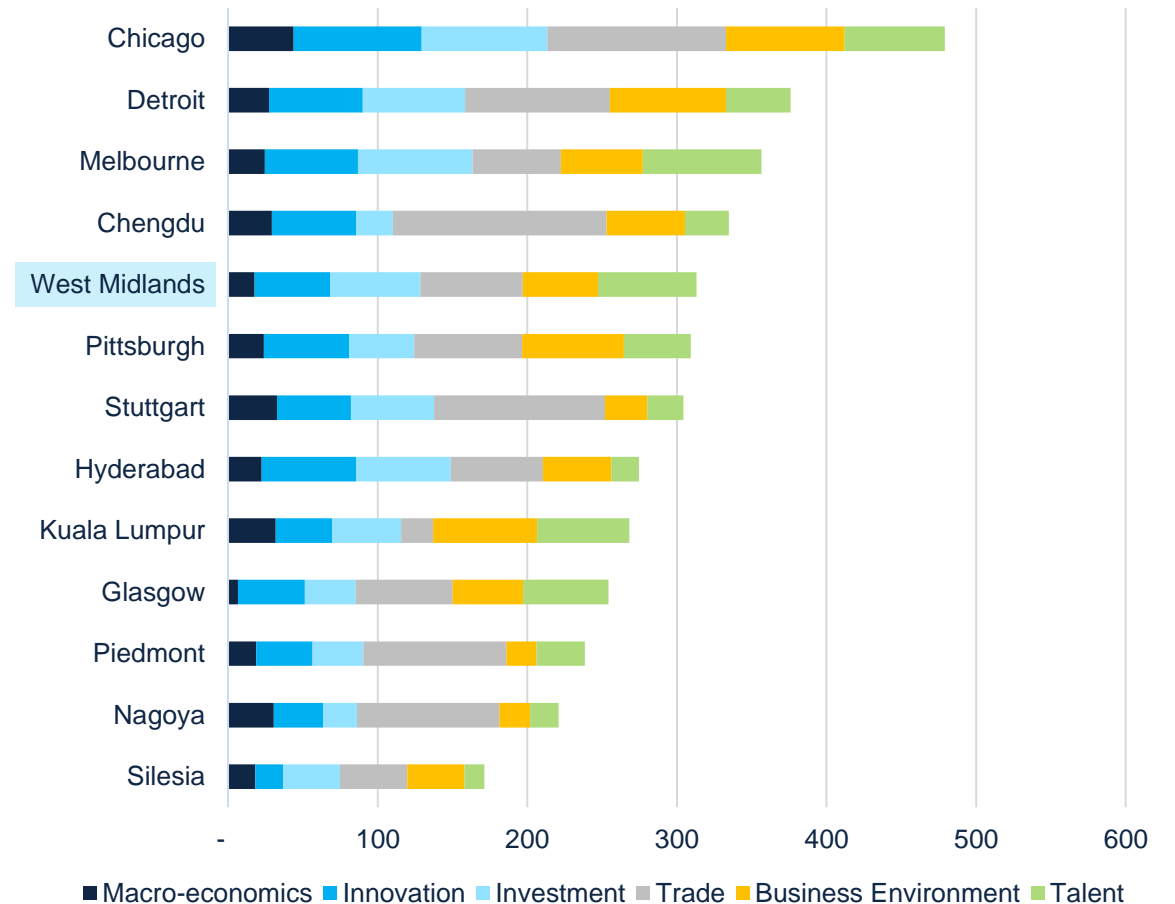


Source: Top Universities, Best Student Cities 2023 Ranking; Times Higher Education; INSEAD; fDi Benchmark.

# Economic Competitiveness – Analysis Summary

- Overall, the West Midlands performs well across the economic competitiveness themes, especially given its somewhat lower macroeconomic score looking at each location's general size.
- For R&D and innovation, the West Midlands is about average. It has attracted R&D FDI projects in line with the average for the benchmarked locations, and for venture capital deals, it performs above European markets though behind the US, China, and Australia.
- The West Midlands' inward FDI is again about average for the group, ahead of almost all the European regions and behind some of the globally leading city regions and emerging market regions. It is not the source of many outward FDI projects.
- While trade figures can be difficult to compare given varying government methodologies, the West Midlands again had middling export volumes, comparing favourably with large exporters like Chicago and Piedmont.
- Regarding the business environment, the West Midlands again outperforms other European locations, mostly due to the greater volume of business investment in the region.
- The West Midlands has one of the strongest talent pools of the benchmarked regions, with six globally ranked universities, a large pool of students, and a high proportion of international students.

## Economic Competitiveness by Data Analysis Score



# Economic Competitiveness – Key Takeaways

## Innovation

Locations with strong innovation indicators such as Chicago, or Pittsburgh have strong innovation systems supporting strong innovation data. The Benchmarking exercise highlights that in comparison to competitors, the West Midlands has a weaker track record in Venture Capital deals, local Venture Capital Companies, and R&D-led inward investment.

The strategy will explore how the ways in which West Midlands could bolster its R&D ecosystem and create meaningful international connections to drive further innovation in the region.

## Trade

This benchmarking exercise has revealed that while the West Midlands has a moderate level of domestic exports, overall export performance is shown to be relatively weaker than comparators, with exports shrinking over the past five years. The region has been uniquely exposed to supply chain disruptions. However, UK competitors such as Glasgow have seen exports grow.

This strategy will be based on national and international best practice on export promotion. It will explore how the region could encourage domestic businesses to export further through identifying export needs and addressing them with capacity building or other facilitation activities.

## Investment

Notably the West Midlands is comparatively attractive to foreign direct investment with a strong track record in attracting substantial jobs and Capex. The strategy will explore the ways in which investment attraction is changing. The world of FDI in particular is moving away from a project-numbers based model towards a model driven by creating the most value by attracting high-value investment. That could be through the businesses activities a location wants to attract (manufacturing, R&D etc.) or through targeting of niche sectors and sub-sectors to address an economic priority.

## Talent

The West Midlands performs well in indicators such as the Number of Globally Ranked Universities and number of international students as a proportion of the overall student population.

One thing that needs to be further explored is how the well the region performs at retaining this international talent in the West Midlands. Many locations are keen to sell themselves as not only great places to study, but great places to live and work as well. However, recent government legislation to reduce the number of student visas may have an impact on this activity.



# 4. Benchmarking Results

Understanding Place Appeal



# Place Appeal

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- The second part of this benchmarking study looks at place appeal. This covers not only the visitor economy but starts to explore how locations are viewed in terms of places to live and work. Perceptions can also have an impact on a location's soft power influence around the world.
- One thing to note is that some of the data relating to this section of the study is taken at a national level, and we have therefore focused on those areas where there is a genuine sub-national metric.
- In the wake of the pandemic and the move to more remote working, locations are trying harder than ever to present themselves as great places to live and work. This extends beyond employment opportunities and to positioning around the less tangible quality of life factors.
- As a result, new areas such as sustainability are becoming increasingly important to individuals, businesses, and governments.

## Perceptions

Cities in Motion Index and National Brands Index

## Visitor Economy

Number of 4- & 5-star hotels, Tourism FDI projects and international in-bound visitors

## Quality of Life

Rule of Law Index, Property Price Index, Safe Index

## Connectivity

International Flight Connectivity, Hours Lost in Congestion

## Sustainability

Sustainable Cities Index, Pollution Index

# Place Appeal – Perceptions

## Perceptions

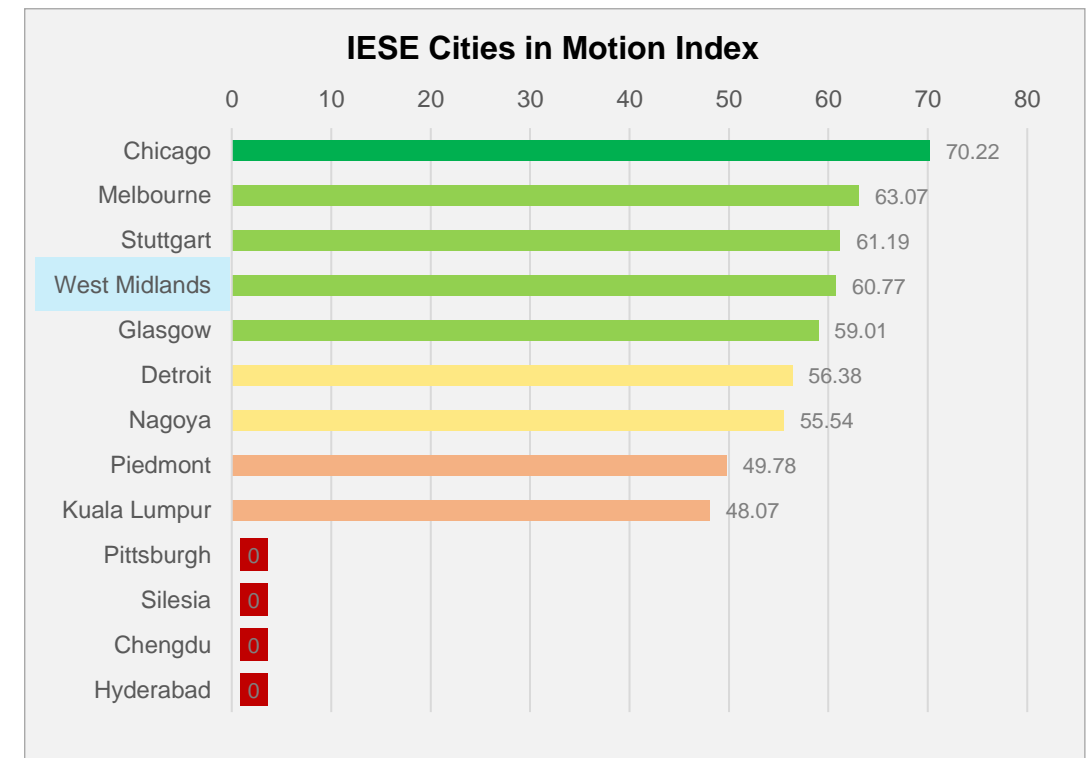
## Visitor Economy

## Quality of Life

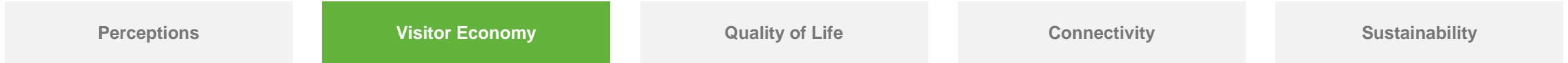
## Connectivity

## Sustainability

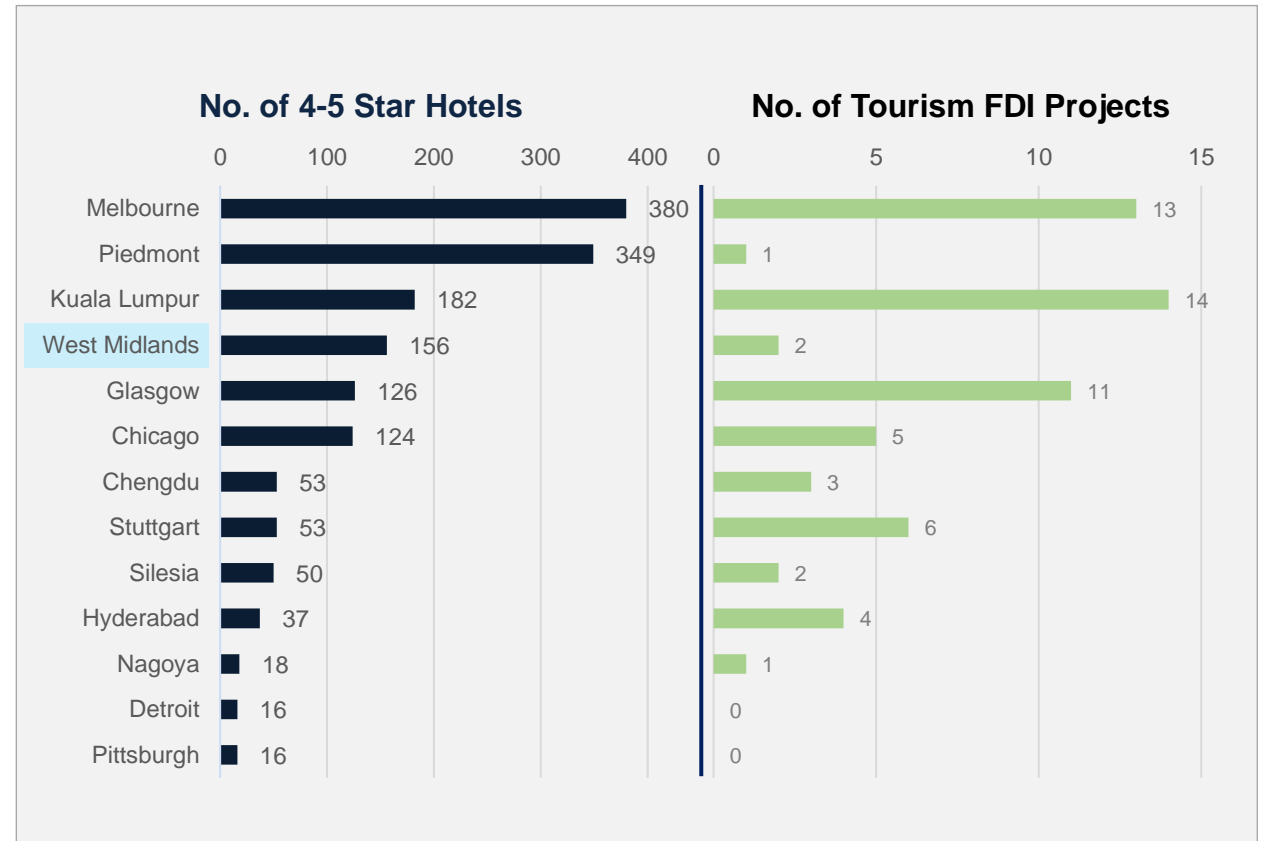
- Although cost, quality, business environment, and talent all matter to potential investors, how a location is perceived and the strength of its brand – both locally and nationally – also affect how decision-makers choose investment destinations.
- Chicago is the leading performer, ranking 13<sup>th</sup> overall** on the IESE Cities in Motion Ranking 2022. The closest competitors among benchmarked cities include Melbourne in 38<sup>th</sup> and Stuttgart in 48<sup>th</sup>, while the West Midlands (Birmingham) ranks just outside the top 50 (51<sup>st</sup>) with lower scores on technology, urban planning, and mobility.
- Pittsburgh, Silesia, Chengdu, and Hyderabad fail to make the IESE Cities in Motion Index, highlighting their comparative lack of status as world-leading cities, at least based on the IESE report.
- Looking at national branding and perceptions, **the US ranks first overall in Kearney's FDI Confidence Ranking**, ahead of Japan (3<sup>rd</sup>), Germany (4<sup>th</sup>), and the UK (5<sup>th</sup>).
- The Anholt-Ipsos Nation Brands Index (NDI) places **Germany in first position for the 6<sup>th</sup> year in a row**. Japan placed in 2<sup>nd</sup> place, with Italy in 4<sup>th</sup>.
- The UK fell out of the NBI top 5 for the first time in the index's history**, the USA remained in 8<sup>th</sup> compared to the previous year, and the likes of Poland (26<sup>th</sup>), China (33<sup>rd</sup>) and India (39<sup>th</sup>) place well below comparator locations.



# Place Appeal – Visitor Economy



- Tourism attraction is a critical piece in the analysis of a location’s place appeal and its ability to attract foreign investors.** Not only does international tourism contribute significantly to the visitor economy, but it can also help brand development and increase investor awareness and their likelihood of investing
- In terms of 4\*/5\* hotels, Melbourne is in the #1 spot,** with 380, closely followed by Piedmont with 349. The West Midlands places in 4<sup>th</sup> overall among benchmarked locations.
- Piedmont also leads in terms of Tourism FDI Projects, with 14 projects between 2018 and 2022, closely followed by Melbourne. Glasgow has attracted 11 FDI projects, mostly new hotels but also a leisure park and a golf venue, potentially supporting increased interest in the run-up to COP26 in 2021 – not mirrored in the West Midlands in the run-up to the Commonwealth games, just 2 projects.
- In terms of broader airport arrivals, however, the West Midlands’ 2019 numbers were notably lower (12.6m) than Chicago (84.6m), Kuala Lumpur (62.8m), and Chengdu (55.8m). It much more closely aligns with Stuttgart (12.7m), Nagoya (12.6m), Pittsburgh (9.7m), and Glasgow (8.8m) – industrial cities that are less known as tourist hotspots.





# Visitor Economy – Commonwealth Games in Focus

Perceptions

Visitor Economy

Quality of Life

Connectivity

Sustainability

- There is a relatively limited evidence base on the effect of hosting a major multi sports event on international reputation, although in the past decade this has been changing. There is an increasing emphasis on legacies of major sporting events such as the Olympic Games, and Commonwealth Games.
- The Olympic Games has seen host cities' perceptions bolstered, with locations such as Barcelona transforming in a major tourist destination, or Vancouver seeing major hotel and waterfront developments. However, hosting has also seen reputations tarnished such as Athens 2004 contributing to a major national economic crisis.
- 2012 Olympic host London was one of the first major global sporting cities to place such a heavy emphasis on legacy and long-term planning. The success of this program has been adopted by other sporting events such as the Football World Cup and the Commonwealth Games.
- Of the locations chosen three have previously hosted the Commonwealth Games. Kuala Lumpur 1998, Melbourne 2006, and Glasgow 2014.
- Kuala Lumpur 1998 was held before systematic legacy measurements, but the event is noted to have happened during the start of a boom in tourism in Kuala Lumpur. Melbourne 2006, and Glasgow 2014 saw more systematic measurement of legacy across economic, social, and environmental impacts.



- The Malaysian government spent a significant amount on the 1998 Games, 50% more than Thailand spent on hosting the larger Asian games.
- However, since 1998 the number of tourists to Kuala Lumpur has increased significantly, from 4.8 million in 1998 and peaking at 29 million in 2019.
- As the first Games hosted in Asia, a large proportion of resources were spent on marketing to create a legacy after the event.



- The XVIII Commonwealth Games hosted in Victoria in March 2006 were the biggest sporting and cultural event ever held in Victoria, with 5,700 athletes and officials taking part, 1.5 million tickets being sold, and 2 million spectators attending.
- An independent study in October 2006 showed that direct Games expenditure, tourism, construction, and other commercial activity generated by the Games positively impacted on Gross State Product by \$1.6 billion.
- The higher-than-expected economic return was largely due to the higher number of international tourists.



- Civic Pride in the local area increased from 60% to 74% between 2012 and 2016, and pride in the city of Glasgow increased from 87% in 2012 to 91% in 2016 as measured by the GoWell East survey.
- Building on the legacy of the XX Commonwealth Games, Glasgow has attracted 31 conferences in the sports and sports science sectors from the summer of 2014 through 2021.

# Place Appeal – Quality of Life

Perceptions

Visitor Economy

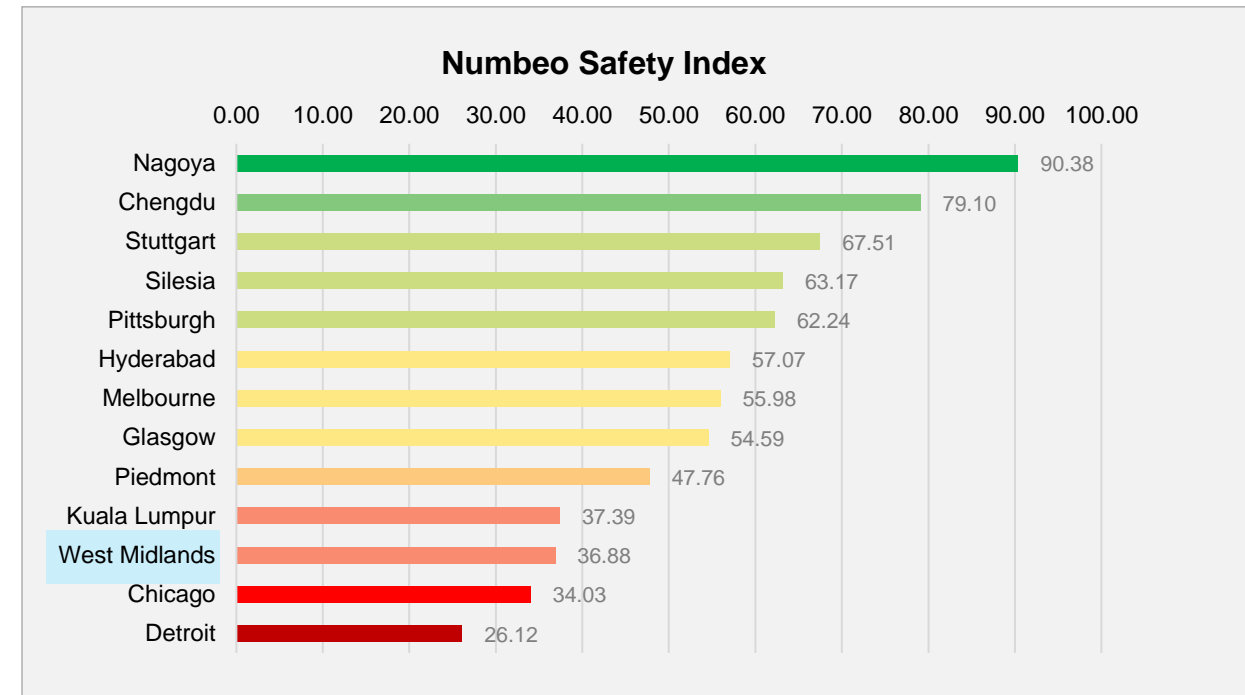
Quality of Life

Connectivity

Sustainability

- **Quality of life can be measured by a range of different indicators.** For this exercise, we have considered factors such as health, inclusiveness, the rule of law, security, and property affordability, among other indicators relevant to quality of life
- On a national level, **Germany is the leader in terms of the World Justice Project's Rule of Law Index**, with a score of 83.4. **The UK (3<sup>rd</sup>) ranks just behind Australia**, and the worst countries among benchmarked locations are India (49.7) and China (47.2). This indicator examines elements such as corruption, openness of governments, order & security and civil justice.
- **On a local level**, Numbeo's Property Price Index outlines the most affordable cities for housing, according to the index's price to income ratio. **Detroit and Chicago are comfortably the regions with the lowest ratio**, with house prices averaging around 1.28 and 2.7 times incomes respectively for these region. For the West Midlands, this ratio is 7.19.
- Relative to health, **Japan is 2<sup>nd</sup> only to Singapore internationally and leads among benchmarked countries**, with a score of 86.5 according to the Legatum Institute Foundation's 2023 rankings. The likes of Germany and China also rank highly, with the UK scoring around average among benchmarked countries.

- In terms of safety, the West Midlands does not perform well at all compared to the benchmarked countries. **Only Detroit (26.4) and Chicago (34.03) score worse than the West Midlands (36.88) in Numbeo's Safety Index**, a significant hinderance in the location's place appeal.



# Quality of Life – Stuttgart in Focus

Perceptions

Visitor Economy

Quality of Life

Connectivity

Sustainability

- **Stuttgart ranked in 25<sup>th</sup> place** on The Economist's Business Intelligence Unit ranking of the world's most livable cities in 2023. This was the 9<sup>th</sup> biggest rise made by a city in the index in the last 12 months, largely due to improvements in healthcare after Covid-19 restrictions were lifted.
- These improvements in livability and quality of life are no surprise. **Stuttgart's local government worked with various partners to follow the Sustainable Development Goals of the United Nations (UN) Agenda 2030**, and implement a number of social, economic and ecological development measures at a local level.
- **Stuttgart** was one of the first municipalities in Germany to take part in a pilot project and test these SDG indicators, and as a result **was awarded the German Sustainability Award in 2022 for being Germany's most sustainable city.**
- Additionally, in April 2023, Stuttgart's local government decided to create three **Superblocks**, modelled after Barcelona, whose aim is to **reorganise traffic in certain areas of the city to create more public space with quiet and safe streets for cafes and greenery.**
- Other initiatives include **creating 20 bike lanes by 2025**, increasing **bike budget to 40 euros per citizen**, expansion and improvements to local public transport, and **reducing traffic, noise and pollution.**



# Place Appeal – Connectivity

Perceptions

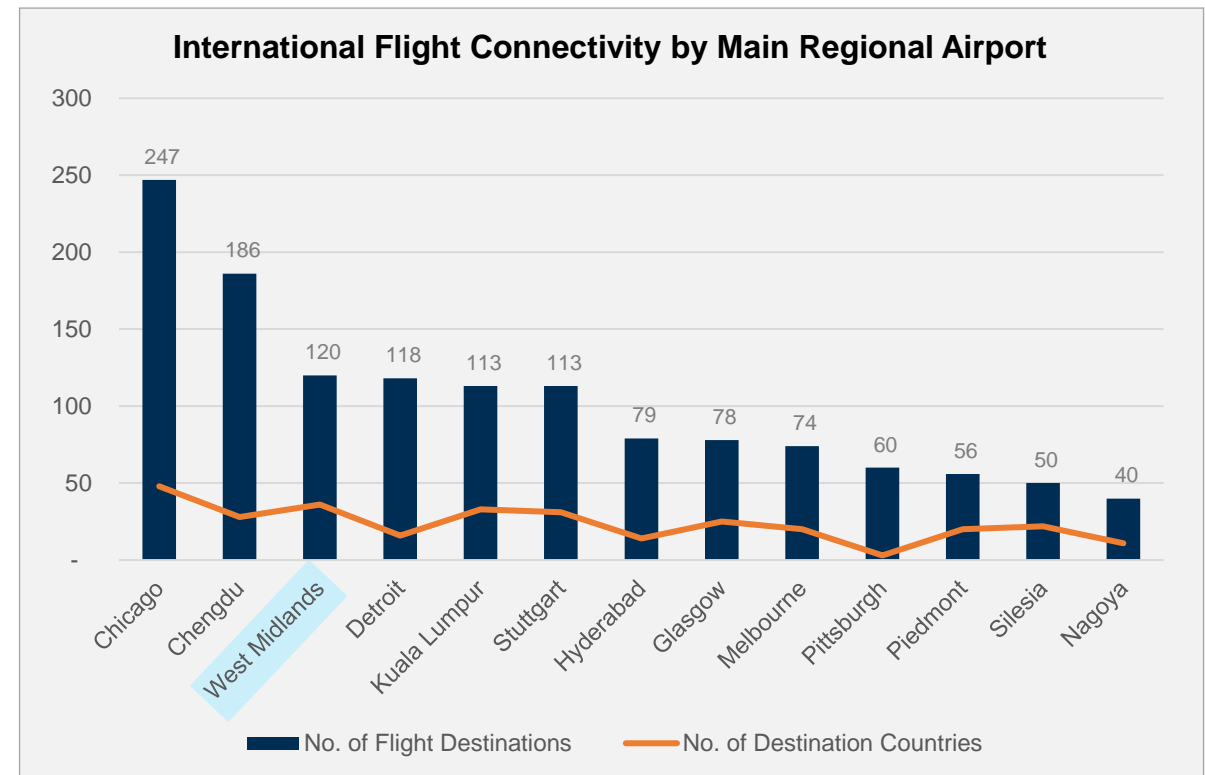
Visitor Economy

Quality of Life

Connectivity

Sustainability

- **Chicago**, home to Chicago O'Hare International Airport, leads this group in terms of number of flight destinations with 267. It is also the location with the most destination countries, reaching 48.
- Chengdu comes in 2<sup>nd</sup> with 186 flight destinations, and **the West Midlands leads the likes of Detroit, Kuala Lumpur and Stuttgart** to come in in 3<sup>rd</sup> place among benchmarked countries (120 destinations).
- The **average number of flight destinations** is 103, and the **average number of country destinations** is 24.
- The West Midlands, however, is among the most accessible regions regarding proximity to the national capital city, with **only Piedmont (147km) closer to its capital than Birmingham (190km)**.
- Research has shown that **traffic can have significant negative impacts on mental and physical health**. Chicago is the most congested among the regions benchmarked\*, with 155 hours lost a year to congestion.
- **The West Midlands averaged 57 hours lost due to congestion** per year, which was also the average among all regions with available data.





# Place Appeal – Sustainability

Perceptions

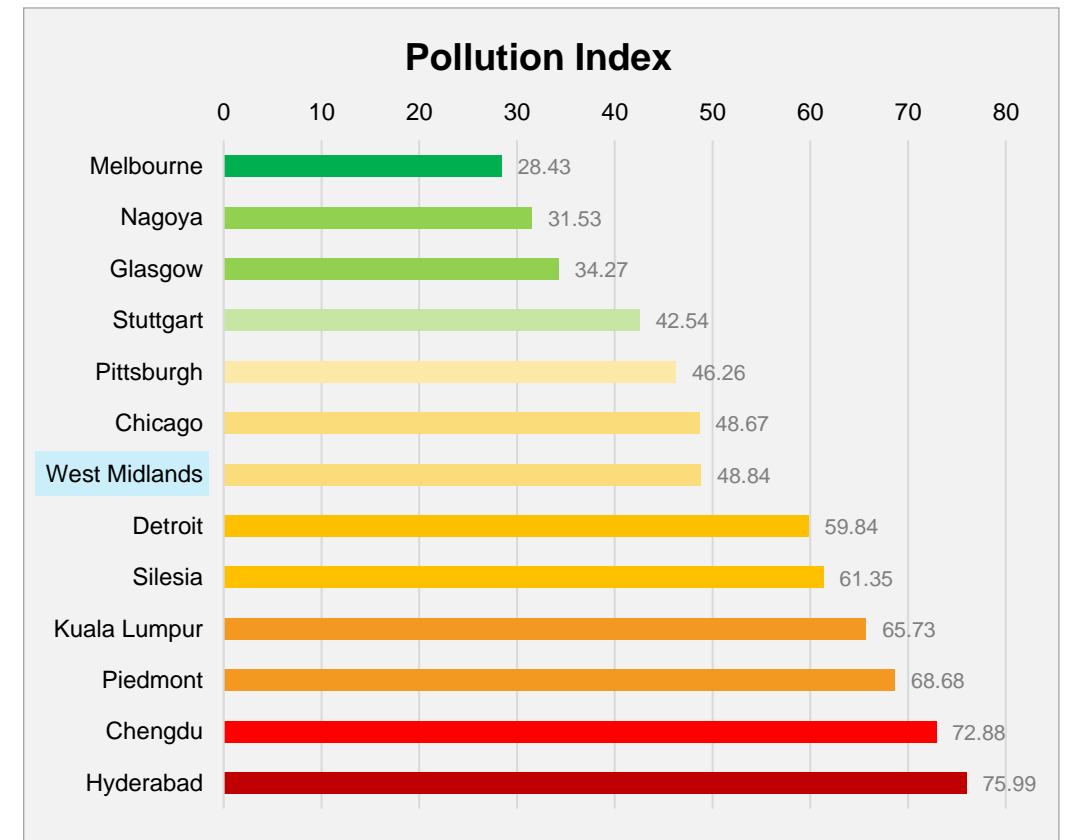
Visitor Economy

Quality of Life

Connectivity

Sustainability

- Finally, **sustainability and a location's environmental performance are increasingly important** for investors, governments, and individuals. To measure this, we looked at pollution indices, the Sustainable Cities Index\*, and air quality indexes.
- Nationally, the UK ranks fairly well across climate policy and share of renewable energy use, with the UK's fourth among benchmarked locations for climate policy and 2<sup>nd</sup> for share of renewable energy use.
- Locally, the **West Midlands is also a decent performer across measured sustainability categories**. According to Arcadis' Sustainable Cities Index, the region ranks 3<sup>rd</sup> across benchmarked locations, behind only Glasgow and Stuttgart.
- Additionally, **the West Midlands ranked 2<sup>nd</sup> against benchmarked countries and 25<sup>th</sup> internationally for the index's most important 'Planet' pillar**, which measures indicators including emissions, sustainable transport, air pollution, green spaces and waste management.
- The West Midlands performs well for air quality, ranking 5<sup>th</sup> among benchmarked locations**, whereas the likes of Chengdu and Hyderabad count on some of the world's most toxic air quality. However, in terms of pollution, the likes of Nagoya and Melbourne counted on much less than the West Midlands, and the likes of Pittsburgh and Glasgow had a significantly higher quality of green and parks.

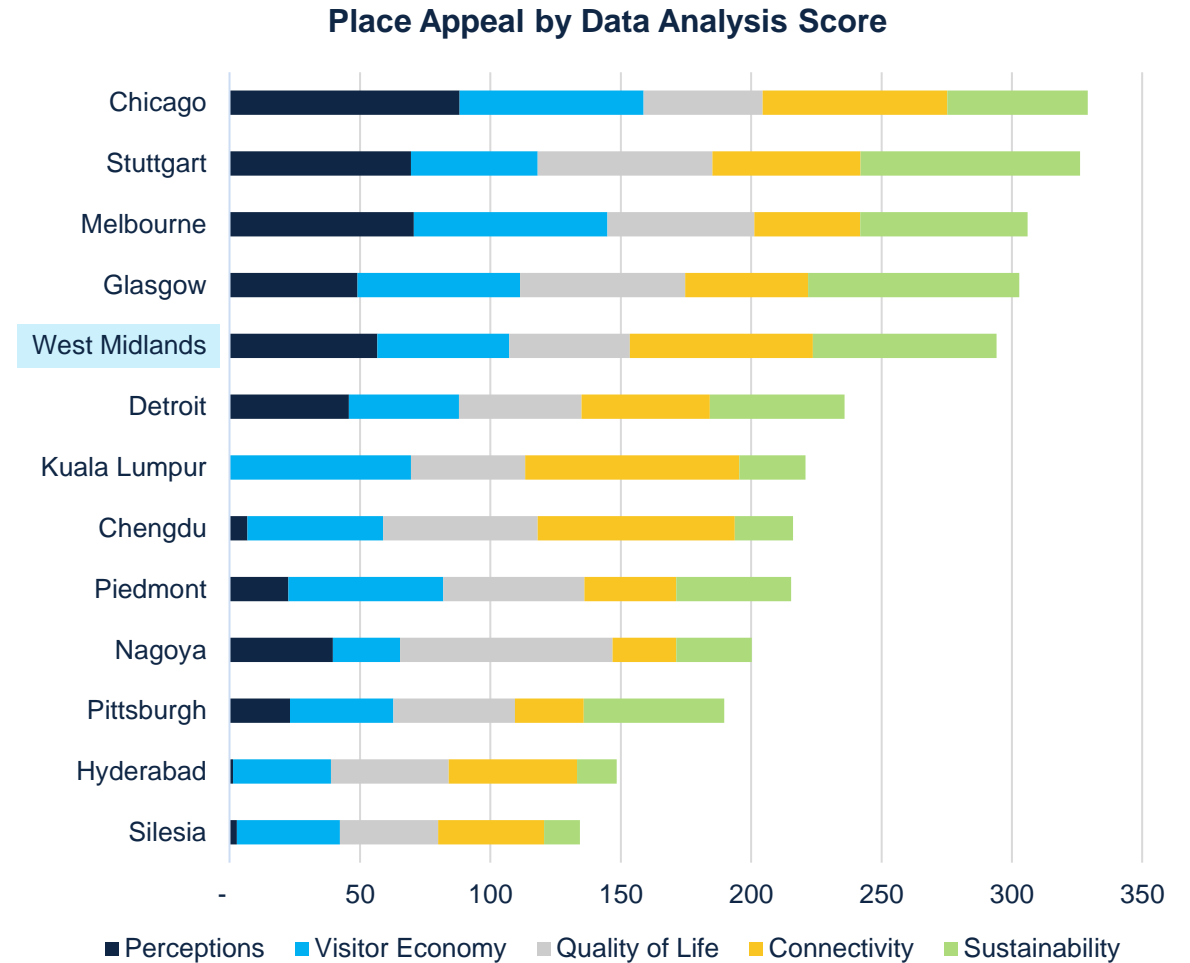


Source: Numbeo, Pollution Index; Arcadis, Sustainable Cities Index; CCPI; Our World in Data.

\*The Sustainable Cities Index's Planet sub-index measures the sustainable attributes of a city such as green space and pollution in addition to leading indicators of environmental mitigation such as support for low carbon transport.

# Place Appeal – Data Analysis Summary

- **The West Midlands scores strongly across most of the Place Appeal indicators** in the benchmarking model, placing 4<sup>th</sup> overall out of the 13 comparator regions measured.
- **Sustainability and connectivity were the region's two highest scoring indicators**, where it placed 3<sup>rd</sup> and 4<sup>th</sup> respectively against the benchmarked locations. The region also scored higher than Glasgow overall for place appeal, largely due to better scores with respect to perceptions and connectivity.
- **The West Midlands struggles when it comes to quality of life**, with only Chicago, Hyderabad, Kuala Lumpur, and Silesia ranking below it for this particular indicator. It was the worst performer for the quality of green and parks, and only Chicago and Detroit were worse for the sense of safety.
- When it comes to connectivity, West Midlands is among the highest scoring locations, with a well-connected airport, solid infrastructure, and proximity to the capital city.
- The perception of the West Midlands, and Birmingham in particular, is fairly high, with the region scoring highly in international, city-focused power rankings. The UK overall also remains an attractive FDI location with a strong brand.
- Overall, the West Midlands performs very well for place appeal, with areas for improvement in quality of life and the visitor economy.



# Place Appeal – Key Takeaways

## Overall

All people want to live in (and visit) locations that offer them a high quality of life at affordable prices and the opportunity for growth and career development. In order to become a highly attractive location for people to live and work, the West Midlands has some work to do.

Many of the themes in this section are interconnected where improvements in one area would positively influence another.

**The key gaps to focus on** include livability, mobility, public green spaces & parks (at least in Birmingham), perceptions of crime and safety, pollution (esp. air pollution) and the local health system.

## Perceptions & Quality of Life

The West Midlands has some international profile and benefits from a strong national brand (though it has fallen in recent years). Birmingham ranks well enough on the IESE index but could particularly improve in technology to increase its score.

Developing out the tech environment, improving the region's mobility and livability, working on the low safety perceptions, relative lack of green public spaces, and improving the quality of the health system could help with international perceptions.

## Visitor Economy

The West Midlands is similar to other industrial cities that don't see as much tourism activity or tourism investment projects. The region should work to address these gaps, including through greater social media engagement where the region is one of the lowest performers, particularly on Instagram.

## Sustainability

Sustainability is quickly becoming a key criterion for investors considering where to locate and do business, and trends indicate that it will likewise become a rising factor in the visitor economy. Being able to offer clean electricity, a clean, low-pollution environment, and zero-emission transport options will be critical for investment, talent, and visitor attraction.

Whilst cities in the West Midlands have ambitious plans, the region as a whole could emulate best practice by, for example, introducing (and then continuously promoting) bold, attention-grabbing plans such as Barcelona's superblocks and Paris' goal to become Europe's greenest city by 2030 despite now being one of the continent's cities with the lowest levels of green space.



# 5. Benchmarking Results

## Sector Analysis

*Exploring four key sectors and their economic performance across the comparator locations*





# Quantitative Theme Results – Sectors

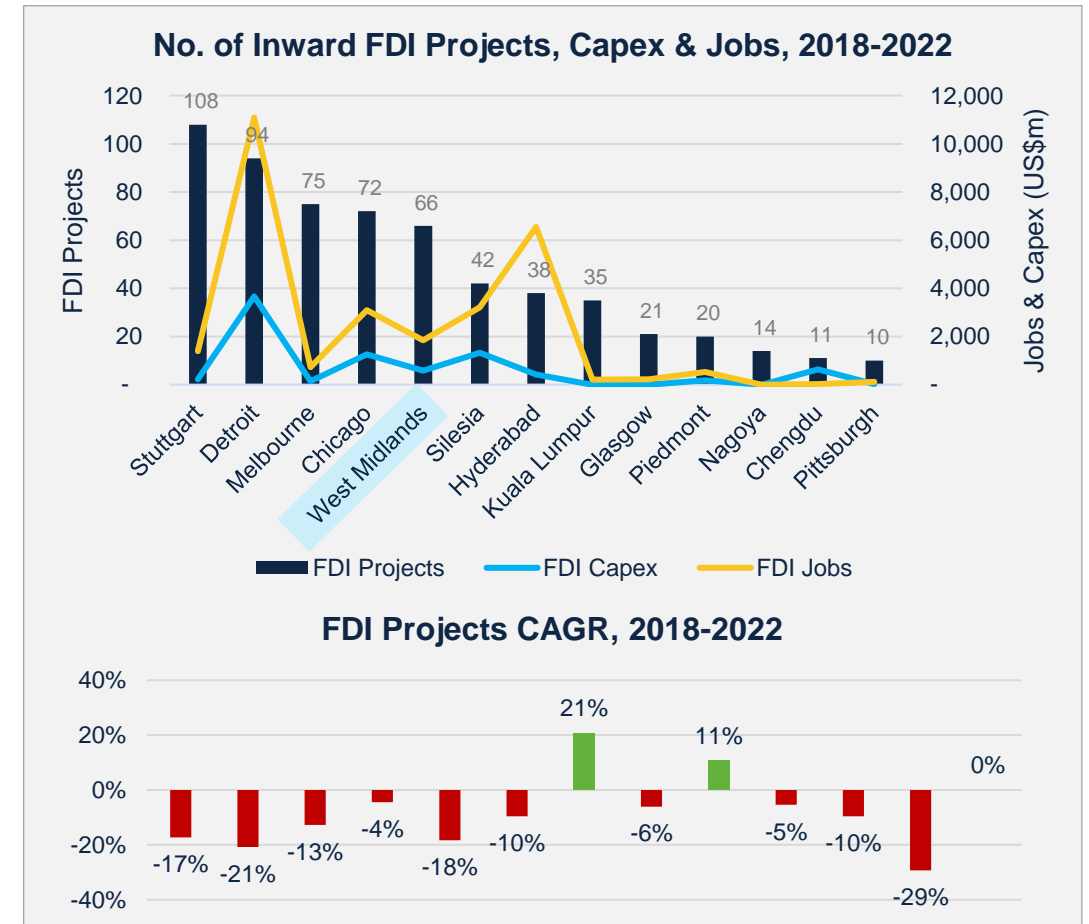
## Automotive & Industrial

## Technology

## Life Sciences

## Business & Financial Services

- In the past five years, **the West Midlands has attracted 66 projects in the Automotive & Industrial sector**, one of the highest totals among the benchmarked regions.
- The volume of capital expenditure and number of jobs created were below average, however, and the negative growth rate of -18%, while not an outlier, is one of the lowest rates.
- Stuttgart saw the highest number of inward FDI projects** at 108 between 2018 and 2022, but recorded levels of capex and new jobs created were lower than the average.
- Detroit had the most jobs created** through FDI in this sector with over 11,000 jobs created from 94 projects. The city and surrounding region have benefited from several large, multi-billion-dollar investments in electric vehicles and batteries in recent years.
- Of the 13 locations, only two had positive growth rates** – Hyderabad and Glasgow – indicating a tough global investment landscape for the automotive & industrial sector. Hyderabad saw a spike in transport and industrial investments in 2022 in comparison to previous years. And Glasgow’s growth is coming from the environmental technology sector.



# Quantitative Theme Results – Sectors

## Automotive & Industrial

- The **West Midlands** has one of the largest clusters of automotive & industrial companies focused on manufacturing, according to our data, with 455 companies.
- **The region also has a large number of employees** in the sector – almost 360,000 – though it is a more average level in comparison to the benchmarked group.

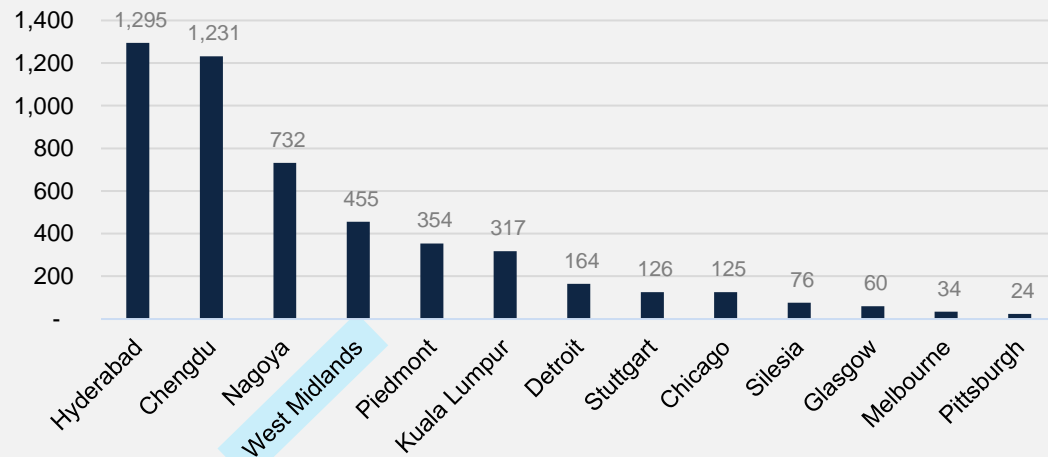
## Technology

## Life Sciences

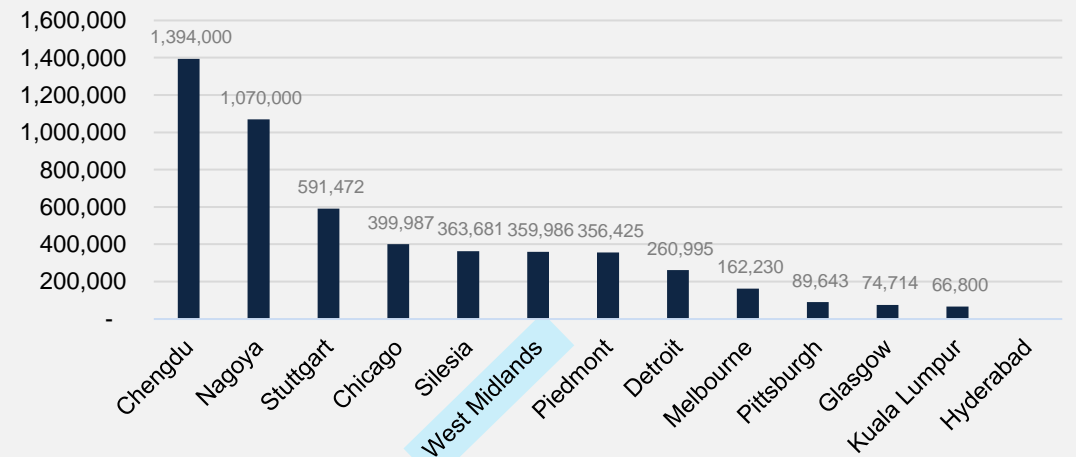
## Business & Financial Services

- **Hyderabad had the highest number of manufacturing companies**, followed closely by Chengdu in China; both regions have over 1,200 companies in the sector.
- **Chengdu, Nagoya, and Stuttgart had the highest levels of employment.** Hyderabad, for which there was no corresponding data, would likely also feature near or at the top for the number of employees.

Companies in Sector



Employment in Sector



# Automotive & Industrial – Detroit in Focus

## Automotive & Industrial

## Technology

## Life Sciences

## Business & Financial Services

- **Detroit is home to the densest automotive and mobility supply chain in the world**, with a highly-skilled workforce and cutting-edge research and development facilities.
- **Michigan also markets itself as the auto capital of the world**, with 6 OEMs with headquarters or technology centers in the state. Indeed, 20% of Michigan's workforce is in automotive and the state is the #1 exporter of transportation equipment in the US.
- Among benchmarked locations, only Stuttgart had more FDI projects than Detroit in the last 5 years, according to FDI Markets, but **Detroit saw almost 20x more capital expenditure than Stuttgart from FDI**.
- A large part of this is due to the federal government's **Inflation Reduction Act**, which is seeing huge waves of activity across the US within electromobility.
- Michigan and Detroit will also benefit from this – for example, **a \$52 million American Rescue Plan grant is set to be used to train workers and upgrade factories for the shift to electric vehicles**, through a partnership between the United Autoworkers and the Big Three automotive companies — Ford Motor Company, General Motors, and Stellantis.



Detroit is once again betting on the car industry to rescue it

# Quantitative Theme Results – Sectors

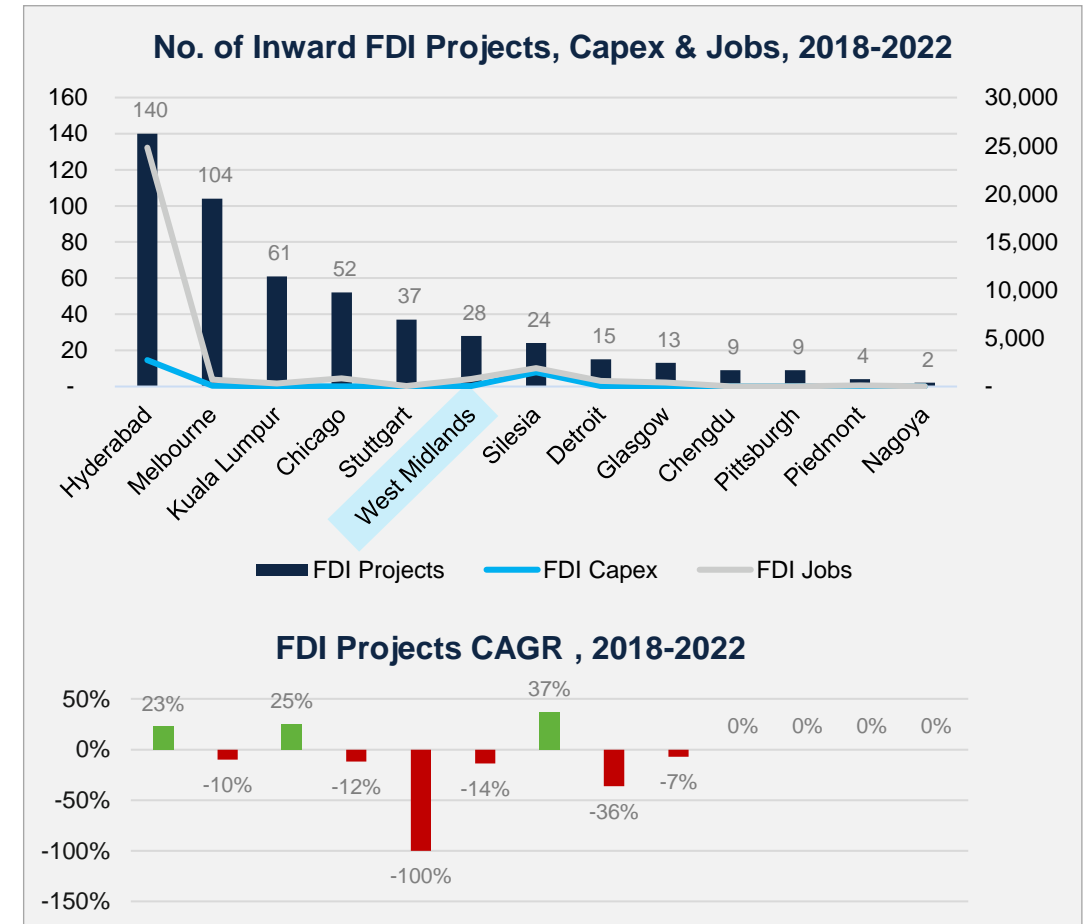
Automotive & Industrial

Technology

Life Sciences

Business & Financial Services

- **The West Midlands has attracted 28 projects in the Technology sector,** an average amount against the benchmarked regions.
- The region also scored below the average for both the volume of capital expenditure and number of jobs created, however, without the outlier of Hyderabad jobs created, the West Midlands was strongly above average for jobs created.
- The region had a negative growth rate of -13% in terms of projects, below the average.
- **Hyderabad saw the highest number of inward FDI projects** at 140 between 2018 and 2022, also recording the highest level of jobs and capex but recorded levels of capex and new jobs created were lower than the average.
- It is perhaps no surprise that the markets that saw consistent growth in tech investments were three of the emerging economies in Hyderabad, Kuala Lumpur and Sillesia as these locations look to integrate more technology and innovation into new and existing industries.
- **Other strong locations that saw positive results in Tech include Sillesia,** which sees the highest growth rate in projects (36.8%) and created nearly 2,000 jobs from just 24 projects, and Melbourne, which attracted the second highest number of projects and 4<sup>th</sup> highest jobs created.





# Quantitative Theme Results – Sectors

Automotive & Industrial

Technology

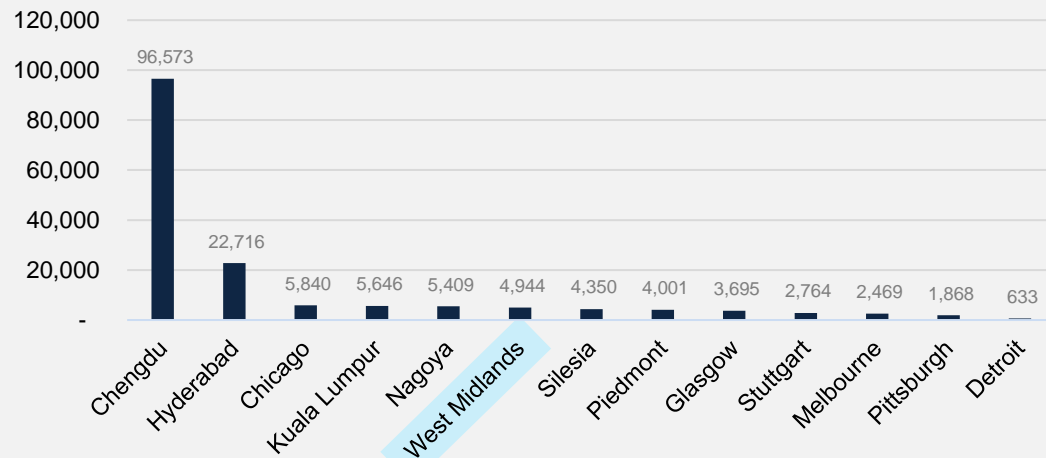
Life Sciences

Business & Financial Services

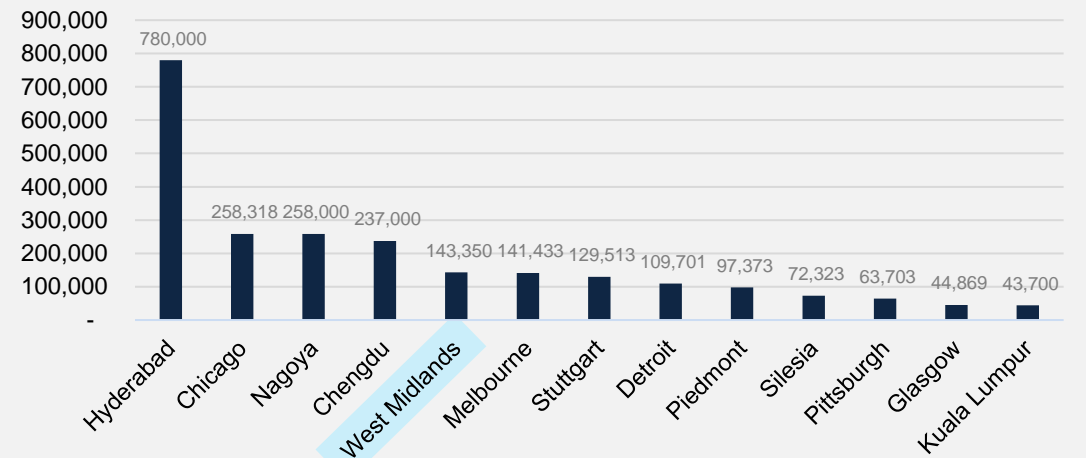
- In terms of the cluster of companies within the Technology sector, **Chengdu is unsurprisingly the clear leader in terms of its tech cluster**. Nearly 100,000 companies are in the region, far ahead of another significant player in Hyderabad.
- Not including the above two locations, the cluster sizes and number of companies are fairly similar, with the West Midlands counting on almost 5,000 companies, the 4<sup>th</sup> highest among regions with less than 6,000 companies.

- **Hyderabad, however, is by far and away the biggest employer in Tech**, which is famously a significant sector for India in general, with **nearly 800,000 people employed**.
- **The West Midlands is the 5<sup>th</sup> highest employer for tech with 143,350** employed, higher than the benchmarked average, however it still employs around 100,000 people less than the likes of Chicago, Nagoya and Chengdu.

Companies in Sector



Employment in Sector



# Technology – Silesia in Focus

Automotive &amp; Industrial

Technology

Life Sciences

Business &amp; Financial Services

- In 2018, Silesia was earmarked by the CBRE as an **EMEA Tech City**, exhibiting double digit growth in high-tech-employment since 2010 and forecast to grow in the five following year.
- Since then, **Silesia has indeed shown strong growth, leading all other benchmarked locations for FDI project growth (+36.8%)**, and is Poland's second research and development centre, after the Warszawski Stoleczny region.
- Part of this growth can be attributed to efforts made locally to transition away from its declining mining industry, with the region the most coal-dependent in Poland, with **'The Technology Development Program of Silesia for 2019-2030'** aiming to identify the potential for technological development in the region across areas such as medicine, energy, transport (automotive and aerospace) and materials (including nanomaterials).
- Other initiatives include the establishment of the **Silesian Space Valley**, a space technology cluster aimed to support companies in the industry to develop, and the **Katowice Special Economic Zone**, which was recognized as the **best free zone in Europe in 2015, 2016, 2017 and 2019**.
- More broadly, **Poland has a thriving IT and technology industry**, home to 60,000 tech companies, 10 unicorns, and has the **3<sup>rd</sup> best developers globally**, (as well as being 20-25% cheaper than Western Europe) according to HackerRank.

Source: European Commission, Silesia Regional Profile; Space 24, 'Inauguration of the Space Valley',

Analysis April 26, 2022

## Polish tech is on track for a record 2022

The infographic includes the following elements:

- Title:** Polish tech is on track for a record 2022
- Logos:** SAULE TECHNOLOGIES, SATREV, TUATARA, and others.
- Text:** SILESIAN SPACE VALLEY
- Text:** Technology Development Program of the Silesian Voivodeship for 2019-2030
- Photo:** Inauguration of the Space Valley, Katowice, 12.2018
- Logos at the bottom:** Fundusze Europejskie Program Regionalny, Śląskie, RIS, Unia Europejska Europejski Fundusz Regionalny

# Quantitative Theme Results – Sectors

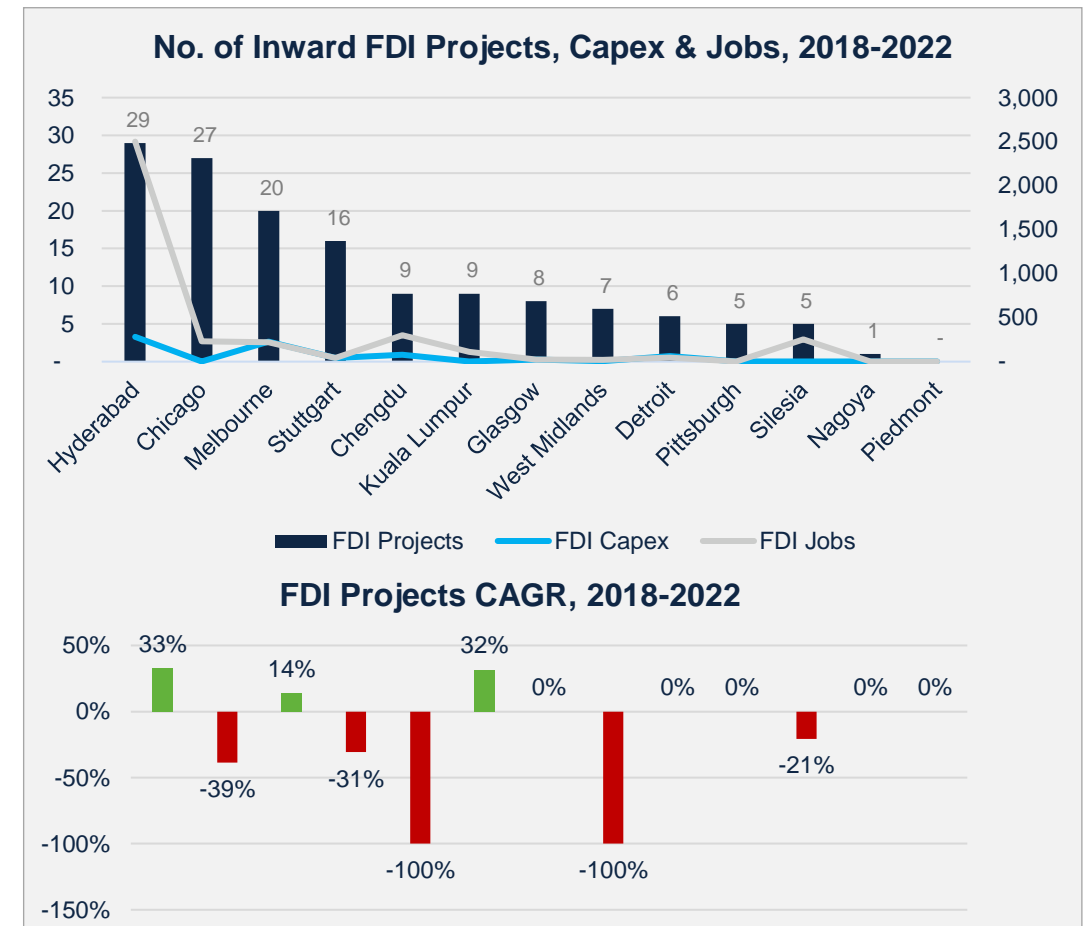
Automotive & Industrial

Technology

Life Sciences

Business & Financial Services

- **In terms of Life Sciences Projects, the West Midlands performs below average** across the measured FDI indicators.
- For projects, the West Midlands attracted just 7 projects between 2018 and 2022 and attracted the lowest levels of capex and jobs among the benchmarked locations with data recorded.
- **Hyderabad and Chicago were the clear leaders for attracting Life Sciences projects**, landing 29 and 27 projects respectively between 2018 and 2022, but Hyderabad again was significantly in the lead in terms of jobs created.
- The region created 2,500 jobs in the last five years in the sector, almost 10 times more than the closest jobs created Chengdu with 300.
- **Only three of the benchmarked locations exhibited positive growth** in terms of number of Life Sciences projects - Hyderabad, Melbourne and Kuala Lumpur.



# Quantitative Theme Results – Sectors

Automotive & Industrial

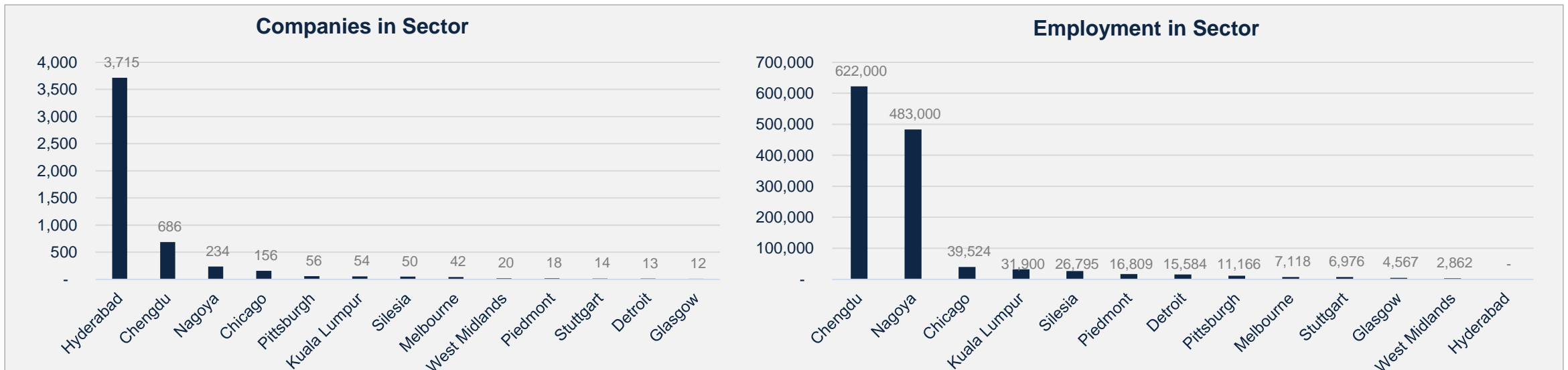
Technology

Life Sciences

Business & Financial Services

- In terms of Life Sciences clusters, **Hyderabad is the clear leader** when it comes to companies present in the sector. The region has 3,715 companies locally, **more than all other benchmarked locations combined**.
- Chengdu (656), Nagoya (234) and Chicago (156) are the only other locations with more than 100 Life Sciences companies in their patch. **The West Midlands has among the lowest numbers for Life Sciences companies** among benchmarked companies, counting on only 20.

- In terms of employment, there is a lack of data for cluster leader Hyderabad. However, unsurprisingly, **Chengdu, Nagoya and Chicago** have over a million employees in the sector combined (622,000, 483,000 & 39,524 respectively).
- Although the **West Midlands** is not last for number of companies in the region, it does however count on the lowest employment numbers in the sector, with **only 2,862 people working in Life Sciences**. This is almost 2,000 less than the 2<sup>nd</sup> lowest Life Sciences employer, Glasgow.





# Life Sciences – Chicago in Focus

## Automotive & Industrial

## Technology

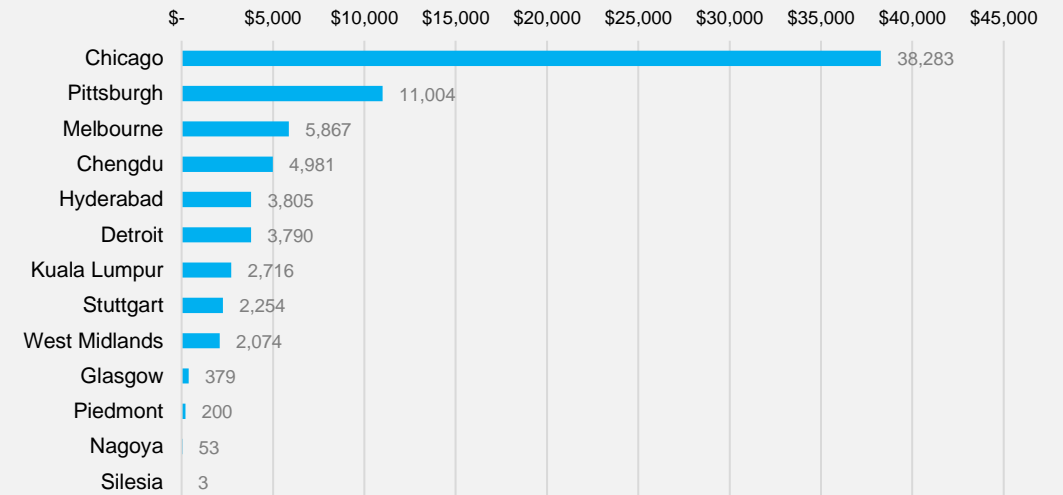
## Life Sciences

## Business & Financial Services

- Chicago is among the strongest performers among benchmarked locations for life sciences, ranking 2<sup>nd</sup> for number of FDI projects with 27 between 2018 and 2022.
- More significantly, however, it is by far the most well-funded location, receiving 1,232 deals over the last 5 years amounting to nearly \$40bn in life sciences funding.
- Illinois is home to over 817 life sciences establishments, and the Chicago area counts on established players such as Abbott Laboratories, AbbVie and Baxter Healthcare.
- A big part of the growth of Chicago's life sciences sector is **the focus on real estate and dedicated life science developments**. According to Jonathan Metzl, VP of commercial real estate firm Cushman & Wakefield, *“developers are playing the life sciences game, so obviously they believe it's crucial to Chicago's continued growth.”* Indeed, 'some builders pivoted from office development to the life sciences sector,' as 'Covid... led to explosive nationwide demand for research into new therapies for disease.'
- Additionally, in 2021, **Gov. JB Pritzker announced a \$15.4 million investment** in a capital program that **supported the development of eight new spaces and wet lab expansions across Illinois**, including in Chicago for the likes of the Rosalind Franklin University and the Illinois Institute of Technology.

Source: PitchBook; Chicago Tribune, 'Life sciences developments are booming in Chicago, bringing jobs and helping fight 'brain drain';

## Capital Investment Value (US\$m)



**Life sciences developments are booming in Chicago, bringing jobs and helping fight 'brain drain'**

June 14, 2022

# Quantitative Theme Results – Sectors

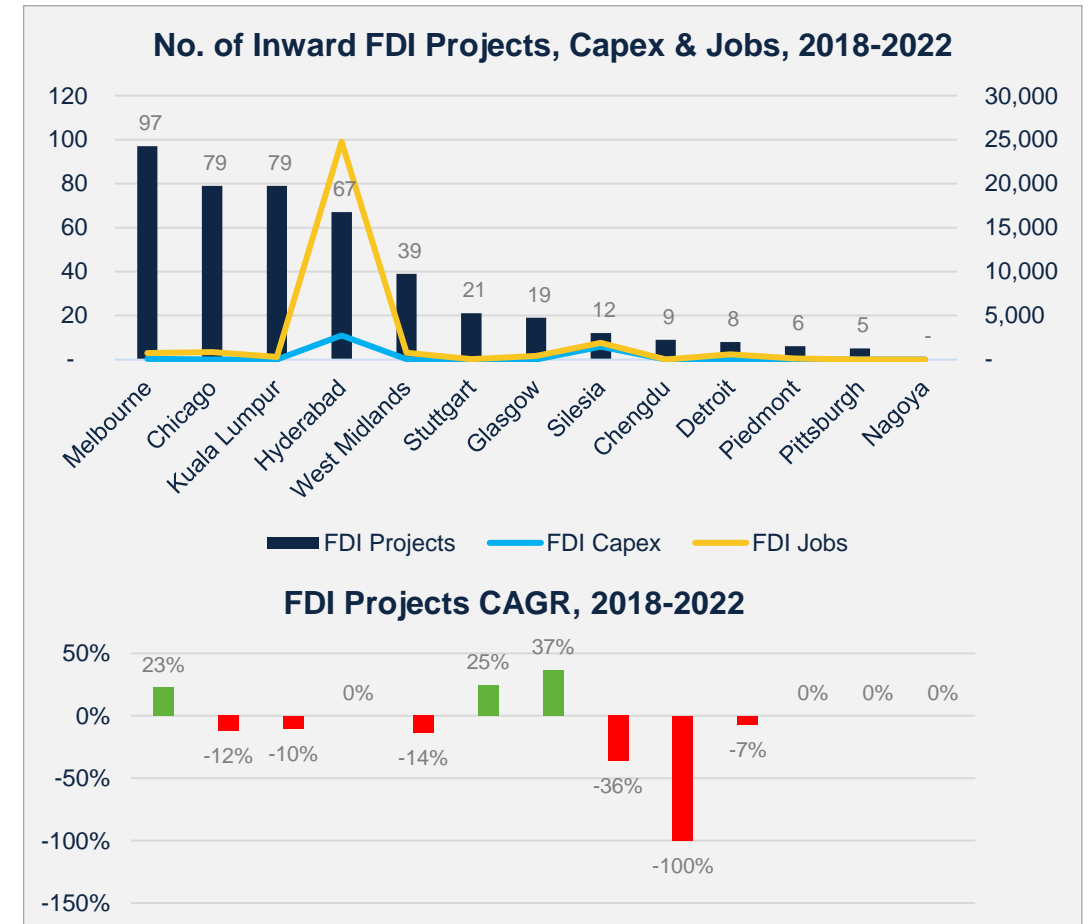
Automotive & Industrial

Technology

Life Sciences

**Business & Financial Services**

- In the past five years, the **West Midlands has attracted 39 projects in the Business & Financial Services sector**, ranking 5<sup>th</sup> among the benchmarked regions.
- The volume of capital expenditure was below average, only ranking above Chicago from the benchmarked regions. The number of jobs created was the lowest among the benchmarked regions.
- **Melbourne saw the highest number of inward FDI projects** at 97 between 2018 and 2022, but recorded levels of capex and new jobs created were lower than the average.
- **Hyderabad** had the most jobs created through FDI in this sector with 2,500 from 29 projects.
- In this sector, it is often back office or support functions that contribute to significant job numbers. Hyderabad and Silesia have both attracted significant BPO and SSC investments in recent years from multinationals such as VXI.
- Of all the benchmarked regions, only three had positive growth rates – Hyderabad, Melbourne and Kuala Lumpur.



# Quantitative Theme Results – Sectors

Automotive & Industrial

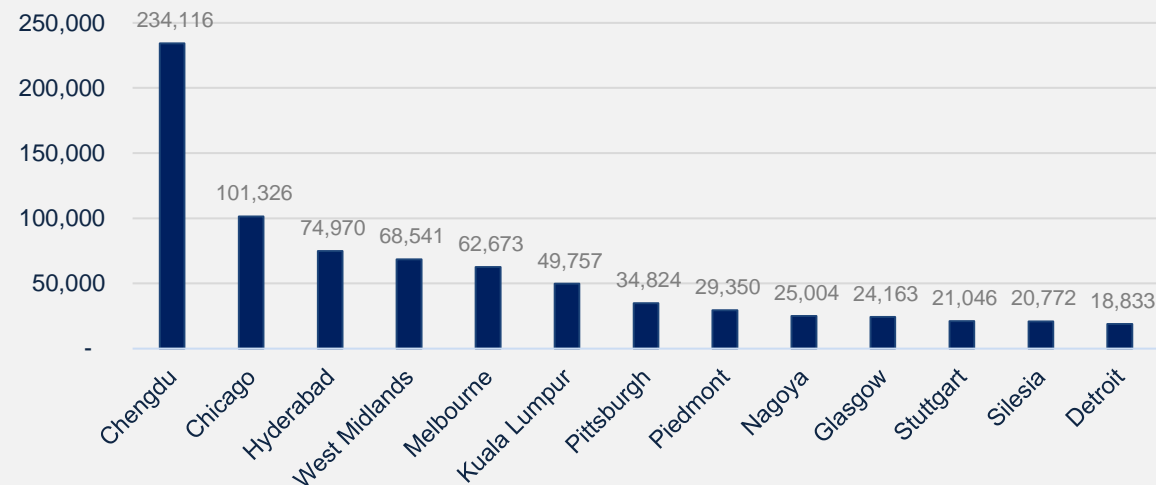
Technology

Life Sciences

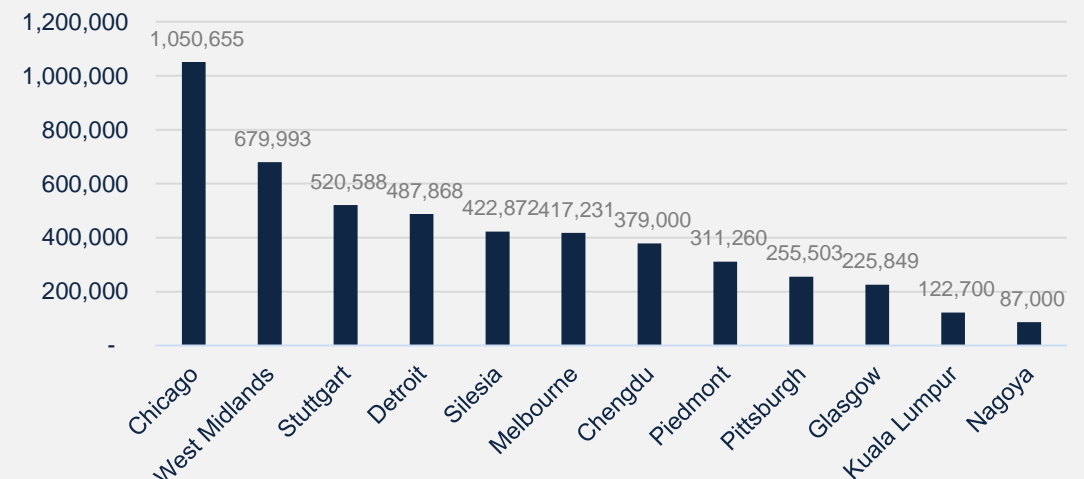
Business & Financial Services

- In terms of Business & Financial Services clusters, all benchmarked locations count on thousands of companies in the sector. However, **Chengdu is the clear leader with 234,116 companies**, over 100,000 more than its closest comparator location, Chicago.
- The West Midlands is well represented in the sector**, with 68,541 companies, the **4<sup>th</sup> strongest cluster** volume among benchmarked locations, behind only Chengdu, Chicago and Hyderabad.
- The West Midlands also has a significant employee base** within the Business & Financial Services sector, and places 2<sup>nd</sup> overall among benchmarked companies, with 679,993 employees locally.
- Chengdu is the only location with more employees**, understandably given China’s population, with over a million employees. Other notable locations for the talent pool include **Stuttgart** (520,588), **Detroit** (487,868) and **Silesia** (422,872).

Companies in Sector



Employment in Sector



# Business & Financial Services – Melbourne in Focus

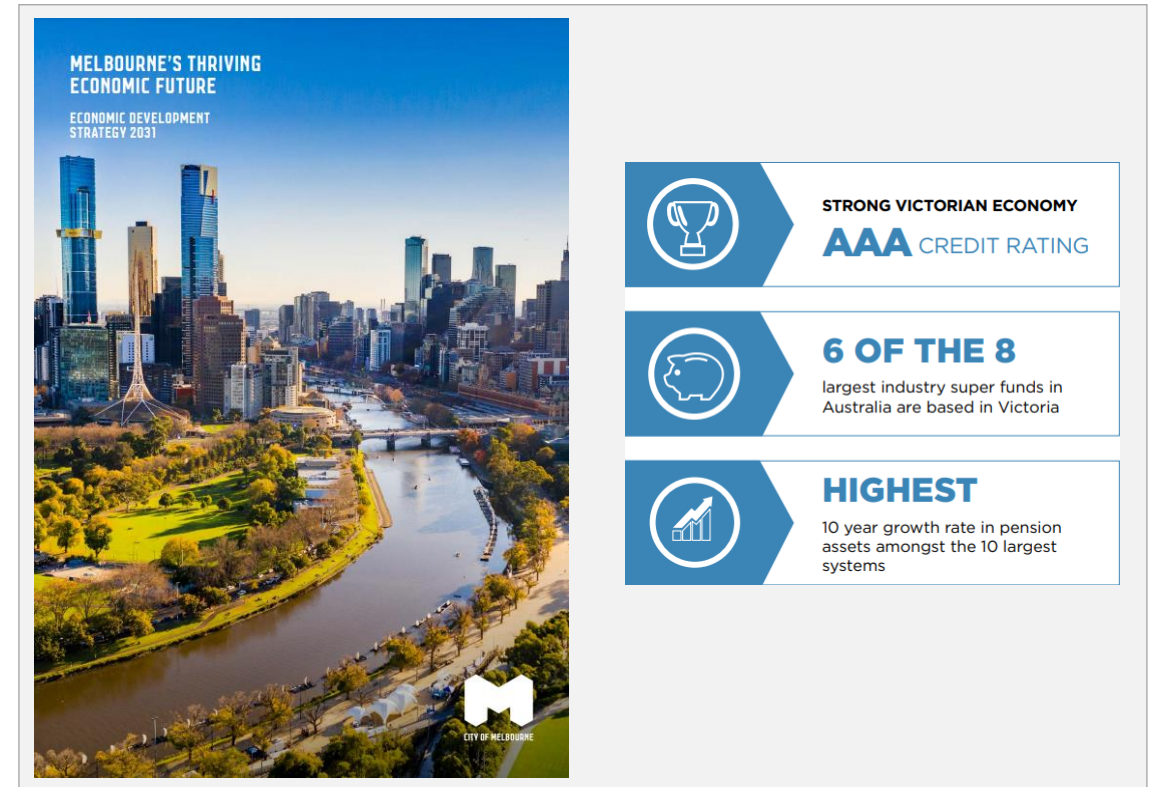
## Automotive & Industrial

## Technology

## Life Sciences

## Business & Financial Services

- Despite significant disparities in time difference between Australia and the rest of the world somewhat limiting it's ceiling as a world-leading economy, **Melbourne still counts on a strong professional and finance services sector – Victoria's largest industry sector.**
- According to Melbourne Convention Bureau, the sector 'has **invested over \$1.6 billion in research and development activities**' ... 'supported through **key agencies LaunchVic, Business Victoria, Global Victoria, Invest Victoria**, Melbourne Entrepreneurial Centre and Monash University's central startup hub, The Generator.'
- Melbourne has also positioned some key subsectors in focus**, where the region has a significant advantage compared to other Australian and international locations:
  - Fintech:** a critical part of the Victorian Government's plan to develop the financial services sector, and it does so through funding programs, assistance packages to help start-ups grow, and sponsoring national FinTech awards (The Finnies) and annual conference (Intersekt).
  - Funds Management:** Australia has the world's fourth largest pension market in the world. 6 of the largest 9 industry super funds in Australia are based in Victoria, and Melbourne is at the forefront of its superannuation and asset management industry.



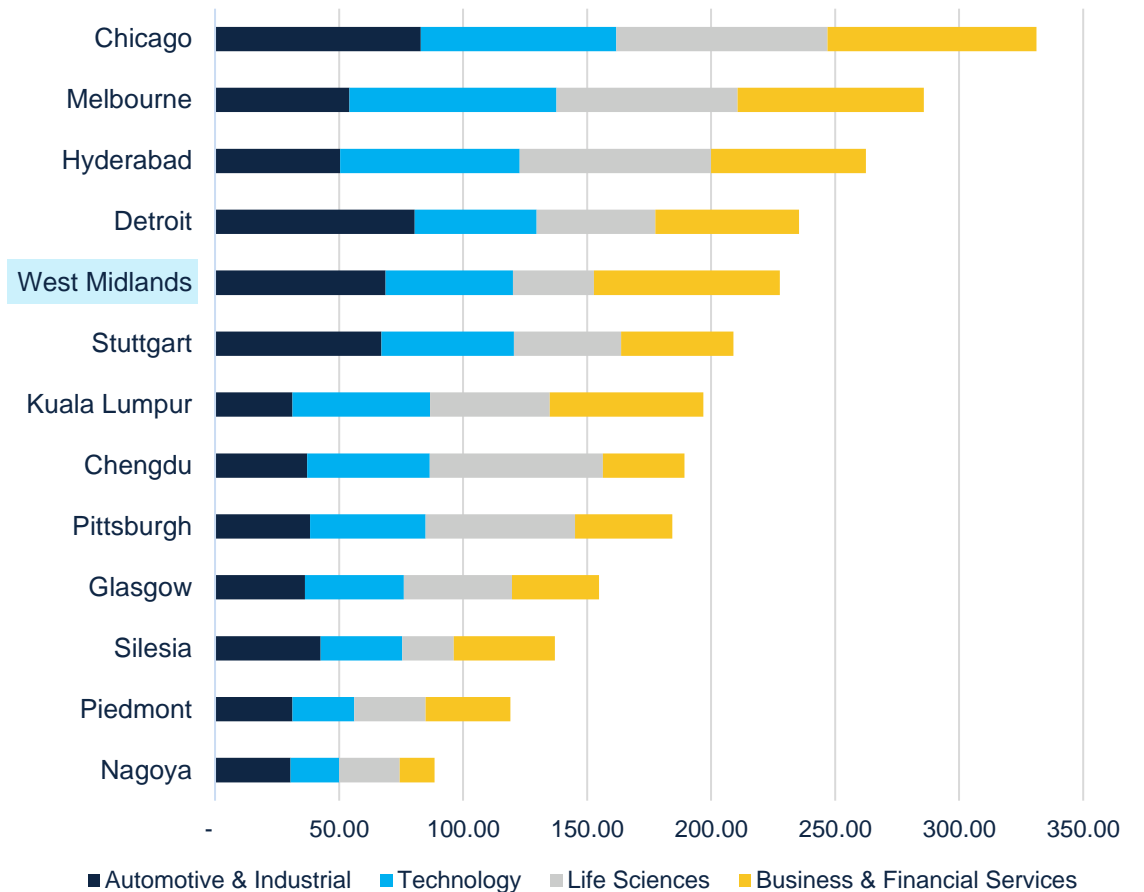
Source: Victoria Government, Melbourne Economic Development Strategy 2031; Melbourne Convention Bureau, Melbourne Sector FactSheet



# Sectors – Data Analysis Summary

- **The West Midlands again performs fairly well** compared with the other benchmarked locations, and across sectors, with **strengths particularly in Automotive** (ranking 3<sup>rd</sup> overall) and **Business & Financial Services** (again, ranking 3<sup>rd</sup> among benchmarked locations).
- **Chicago is the leader among the benchmarked locations** and ranked **top for three out of the four focus sectors** of this study (automotive, life sciences, business and financial services). This is as expected, given its position as the 3<sup>rd</sup> largest city in the US by population and GDP as big as Switzerland's.
- **Melbourne** also benefits from its significant population and balanced economy, **ranking top among benchmarked countries for technology**, 2<sup>nd</sup> for business and financial services and 3<sup>rd</sup> for life sciences.
- **Hyderabad ranks 3<sup>rd</sup> overall** in our benchmarking, ranking in 3<sup>rd</sup> for automotive, 3<sup>rd</sup> for technology, 2<sup>nd</sup> for life sciences and 4<sup>th</sup> for business services.
- Other notable locations in specific sectors include **Detroit for automotive (2<sup>nd</sup>)**, **Stuttgart for automotive (4<sup>th</sup>)** and **Kuala Lumpur for technology (4<sup>th</sup>)**.

## Sectors by Data Analysis Score



# Sectors – Key Takeaways



## Priority sectors need to be identified but also checked for future proof potential

- An obvious trend over recent years has been a move to a more technology-enabled and digitised world. This has influenced not only advancements in the tech sector itself but also profound changes in traditional sectors such as manufacturing.
- The work done to identify key sectors as part of this strategy needs to bear in mind how to account for these developments. It will not just be a case of looking at past and present performance of these sectors but also how they will grow and adapt in the future.
- The number of tech companies in a given region can be seen as an enabler for further growth in not only the technology sector but all industries needing to grow. The West Midlands is at the forefront of these statistics and should find a way to promote cross-sector collaboration.
- Beyond tech and digital, other trends need to be considered such as the move to more sustainable practices. This, again, cuts across all sectors and does not solely impact companies working directly in the sector.



## International partnerships can align over sector strengths and similarities

- Creating international connections is not simply about enabling bilateral trade or investment but developing links that stimulate genuine value-added activity in both locations.
- This could take the form of innovation partnerships, higher education exchange, or simply greater awareness of a location's overall offer.
- Detroit and the West Midlands are very similar in terms of being the home of a national automotive industry that has somewhat declined. However, both are successfully reinventing themselves as the home of future mobility in their respective countries. Using existing strengths, skills, and perceptions to enable future-proofed growth.
- Creating connections with similar regions can facilitate knowledge sharing, R&D links, and other important enablers for any location's growth.



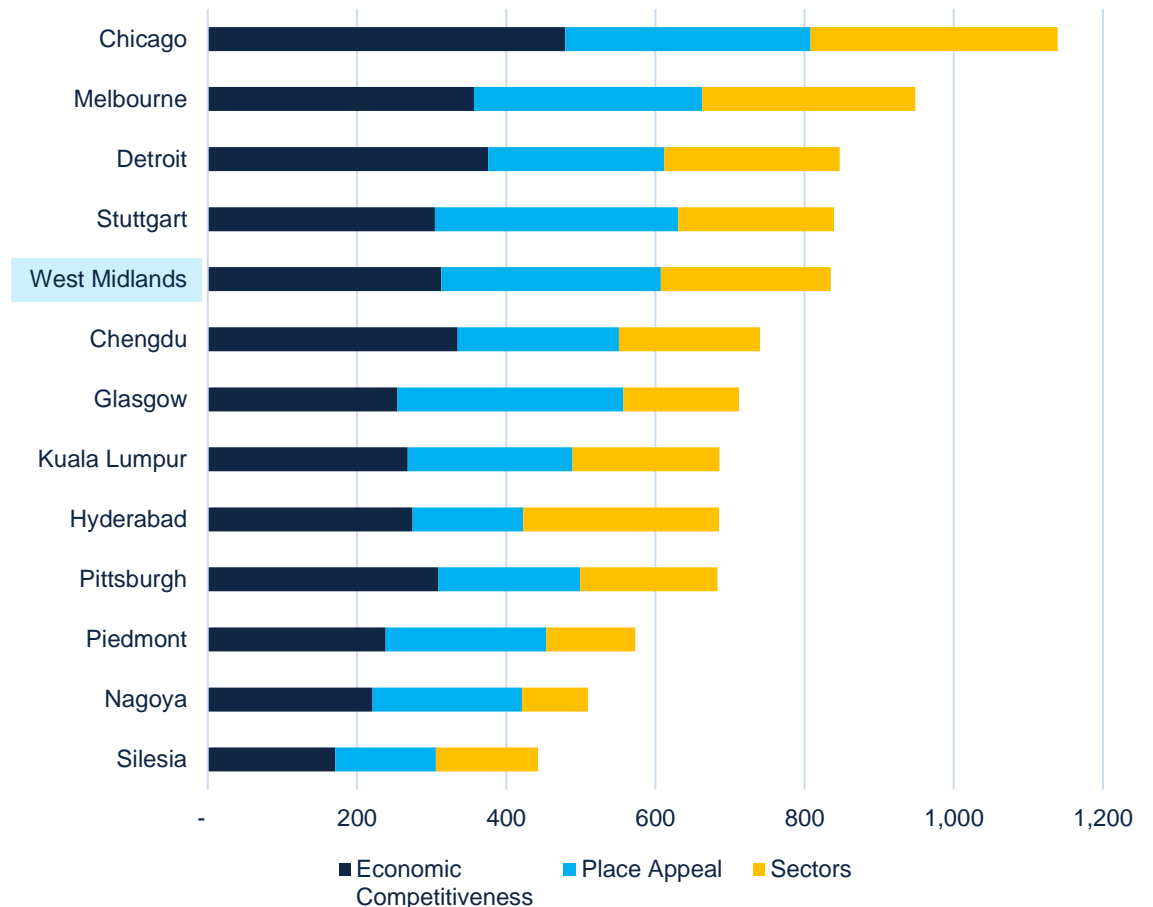
# 6. Summary & Conclusion



# Summary & Conclusions

- In aggregate looking at All Pillars **the West Midlands performs fairly well** ranked 5th against the locations chosen for their similar economic profiles.
- The West Midlands performs well with notable strengths in Talent and Investment Track Record (Economic Competitiveness). In Place Appeal the West Midlands Scores well with strengths in Connectivity and sustainability. In the Sectors analysis, the West Midlands again performs fairly well compared with the other benchmarked locations, with noted strengths in Automotive and Financial and Business Services.
- **Chicago** is the leader in All Pillars with sustained leads across all three of Economic Competitiveness, Place Appeal, and the Sectors analysis. Chicago has strengths in Innovation, Investment Track Record, positive place Perceptions, and ranked top for three out of the four focus sectors.
- In this study **Melbourne** was ranked 2nd, with a view as an aspirational location. Melbourne has strengths in Investment as well as Talent (Economic Competitiveness), Perceptions and Visitor Economy (Place Appeal), and is particularly strong in the Technology Sector (Sectors).
- **Detroit** is notably 3rd in this analysis with strengths in Business Environment and Investment (Economic Competitiveness) but a broad weakness in Place Appeal.

## All Pillars by Data Analysis Scores





# The International Strategy will build on the findings from this benchmarking study

## Economic Competitiveness

- Strong innovation systems are essential for developing new productive companies. The strategy will factor in R&D led FDI, as well as developing the local innovation system and creating international connections.
- Inbound FDI strategies will focus on value added sectors and higher value business activities that the West Midlands has specialisation potential in.
- The West Midlands has seen export growth stall. The West Midlands will need to understand regional blocks to exporting and leverage assets to facilitate further trade.
- International Student strategies will need to focus on not only attracting students but retaining them beyond the end of their study.

## Place Appeal

- Talent attraction, international perceptions, and the visitor economy are interconnected so developing and implementing a bold vision that addresses the concerns and perceptions of both groups will be critical to improving metrics across these three groups.
- These concerns are mostly around how safe the region is, the quality of its healthcare system, the relative lack of public green spaces, air pollution, and mobility.
- As work to address these concerns accelerates, continuous promotion of the region will be critical to spread the message of improving place appeal in the West Midlands.

## Sectors

- Understanding the future of certain sectors is key. It will not just be a case of looking at past and present performance of these sectors but also how they will grow and adapt in the future.
- Tech, digital, and sustainability all need to be factored into any sector analysis done as part of this strategy.
- Creating sector-driven international connections is not simply about enabling bilateral trade or investment but developing links that stimulate genuine value-added activity in both locations.

# Annex



Metro—Dynamics OCO GLOBAL



# Some points to note about the data

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As with all benchmarking studies, it is difficult to find consistent metrics to compare locations. This could be due to the availability of data, the geographic scope of locations compared, and the reliability of data points. We have noted a few caveats and points to note about the data below:

- For some metrics that exclusively look at the city level, we have had to use Birmingham as the geographic scope as the sources either don't look at regions or don't cover the other cities in the West Midlands. This is particularly the case for any public indices used across the themes studied.
- Available export data is provided at the regional level where available to provide differentiation between locations. However, we cannot vouch for the full comparability of the data given the varying methodologies adopted by each local government in measuring their exports.
- As a result, trade and export data at both the sub-national and sector level was unreliable and therefore has not been included. Sector definitions across the benchmarked regions differ too widely to be usefully compared.
- For some indicators, some locations did not have data available at all, but we have included the metrics we view as important regardless, and lack of data can also sometimes be indicative, especially for which locations are included in international perceptions indices.
- When inward investment is discussed, we mean this to be both FDI as well as venture capital and other forms of capital investment.
- Data around jobs created and capex value from FDI specifically should be taken with a grain of salt. Our source, fDi Markets, gathers information publicly available on investment projects, and when either capex or job numbers are not announced, they are taken as zero. We opt not to use estimates as they can be equally misleading. As a result, we do not weigh the capex and jobs data heavily in the model.
- Capital investment data records the value of deals completed by companies based on where their headquarters are located, not any of their alternative offices.
- The tourism data is also not heavily weighted. Visitor data, particularly for international visitors, is difficult to capture at the sub-regional level. Tourism agencies have varying methodologies, if they report these numbers at all, that make comparability highly problematic. We have therefore opted to weigh other indicators more heavily that also indicate the success of the visitor economy.
- Finally, while we have included some national data points, we have weighted them as little as possible and included them only as we deemed necessary.

# Analysis Framework – All Indicators & Weightings

	Pillar	Theme	Indicator	Year(s)	Source	Scale	Scale Factor	Final Weighting
1	Economic Competitiveness	Macroeconomics	Geographic Size (km sq.)	2022 (Latest available)	Location Dependent	City / Region	0.50	2.5%
2			Population	2022 (Latest available)	Location Dependent	City / Region	0.50	12.5%
3			GDP (USD Billions)	2022 (Latest available)	Location Dependent	City / Region	0.50	12.5%
4			Real GDP Forecast, Average growth in 2024 to 2028	2022 (Latest available)	IMF	Country	0.50	7.5%
5			GDP per Capita (USD)	2022 (Latest available)	Location Dependent	City / Region	0.50	15.0%
6		Innovation	Venture Capital Companies	2018-2022	Pitchbook	City / Region	1.00	15.0%
7			Venture Capital Deals	2018-2022	Pitchbook	City / Region	1.00	10.0%
8			Venture Capital Deal Value (USDm)	2018-2022	Pitchbook	City / Region	1.00	15.0%
9			VC deals as share of total CI deals	2018-2022	Pitchbook	City / Region	1.00	5.0%
10			Innovation Cities Index Score	2022 (Latest available)	Innovation Cities Index	City / Region	1.00	5.0%
11			Innovation Cities Rank Increase	2022 (Latest available)	Innovation Cities Index	City / Region	1.00	2.5%
12			Inward R&D FDI Projects	2018-2022	fDi Markets	City / Region	1.00	15.0%
13			Inward R&D % of total FDI projects	2018-2022	fDi Markets	City / Region	1.00	7.5%
14			R&D Expenditure as % of GDP	2022 (Latest available)	fDi Benchmark	City / Region	1.00	5.0%
15			No. of Globally Ranked Universities	2022 (Latest available)	Times Higher Education	City / Region	1.00	5.0%
16			Total No. of Patents	2022 (Latest available)	fDi Benchmark	City / Region	1.00	10.0%
17			Companies in R&D	2022 (Latest available)	fDi Benchmark	City / Region	1.00	5.0%



# Analysis Framework – All Indicators & Weightings

	Pillar	Theme	Indicator	Year(s)	Source	Scale	Scale Factor	Final Weighting	
18		Investment	Inward FDI Projects	2018-2022	fDi Markets	City / Region	1.00	22.5%	
19			Inward FDI Capex (USD)	2018-2022	fDi Markets	City / Region	1.00	7.5%	
20			Inward FDI Jobs	2018-2022	fDi Markets	City / Region	1.00	7.5%	
21			Inward FDI CAGR	2018-2022	fDi Markets	City / Region	1.00	7.5%	
22			Outward FDI Projects	2018-2022	fDi Markets	City / Region	1.00	15.0%	
23			Outward FDI Capex (USD)	2018-2022	fDi Markets	City / Region	1.00	5.0%	
24			Outward FDI Jobs	2018-2022	fDi Markets	City / Region	1.00	5.0%	
25			Outward FDI CAGR	2018-2022	fDi Markets	City / Region	1.00	5.0%	
26			Deal Count	2018-2022	Pitchbook	City / Region	1.00	10.0%	
27			Capital Invested (USD)	2018-2022	Pitchbook	City / Region	1.00	12.5%	
28			Deal Count CAGR	2018-2022	Pitchbook	City / Region	1.00	2.5%	
29			Trade	Value of National Exports (USD)	2022 (Latest available)	COMTRADE	Country	1.00	15.0%
30				Growth in National Exports - CAGR	2018-2022	COMTRADE	Country	1.00	5.0%
31		Value of Exports (USD)		2022 (Latest available)	<i>Location Dependent</i>	City / Region	1.00	60.0%	
32		Growth in Exports - CAGR		2018-2022	<i>Location Dependent</i>	City / Region	1.00	20.0%	

# Analysis Framework – All Indicators & Weightings

	Pillar	Theme	Indicator	Year(s)	Source	Scale	Scale Factor	Final Weighting
33		<b>Business Environment</b>	Average Salary (GDP per Capita, USD)	2022 (Latest available)	Longlist	City / Region	1.00	15.0%
34			Corporate Tax Rates	2022 (Latest available)	Tax Foundation	Country	1.00	20.0%
35			Companies Receiving Investment	2018-2022	Pitchbook	City / Region	1.00	20.0%
36			No. of Active Investors	2018-2022	Pitchbook	City / Region	1.00	20.0%
37			Ecosystem Value (USD bn)	2022 (Latest available)	GSER Genome	City / Region	1.00	12.5%
38			Index of Economic Freedom	2022 (Latest available)	Heritage Foundation	Country	1.00	5.0%
39			Burden of government regulation	2022 (Latest available)	fDi Benchmark	Country	1.00	2.5%
40			Employment Growth Rate	2022 (Latest available)	fDi Benchmark	City / Region	1.00	2.5%
41			GDP per Capita Growth Rate	2022 (Latest available)	fDi Benchmark	City / Region	1.00	2.5%
42			<b>Talent</b>	No. of Students	2022 (Latest available)	fDi Benchmark	City / Region	1.00
43		Ease of Finding Skilled Employees		2022 (Latest available)	fDi Benchmark	Country	1.00	12.5%
44		Global Talent Competitiveness Index - Country		2022 (Latest available)	INSEAD	Country	1.00	10.0%
45		Best Student Cities 2023 Ranking		2022 (Latest available)	Top Universities	City / Region	1.00	15.0%
46		No. of Globally Ranked Universities		2022 (Latest available)	Times Higher Education	City / Region	1.00	15.0%
47		No. of Students in Ranked Unis		2022 (Latest available)	Times Higher Education	City / Region	1.00	15.0%
48		No. of International Students in Ranked Unis		2022 (Latest available)	Times Higher Education	City / Region	1.00	20.0%

# Analysis Framework – All Indicators & Weightings

	Pillar	Theme	Indicator	Year(s)	Source	Scale	Scale Factor	Final Weighting
49	Place Appeal	Perceptions	Kearney FDI Confidence Ranking	2022 (Latest available)	Kearney FDI Confidence Index	Country	1.00	15.0%
50			IESE Cities in Motion Ranking	2022 (Latest available)	IESE Cities in Motion Index	City / Region	1.00	60.0%
51			Global Power Cities Ranking	2022 (Latest available)	Institute for Urban Strategies	City / Region	1.00	10.0%
52			Anholt-Ipsos Nation Brands Ranking	2022 (Latest available)	Anholt-Ipsos Nation Brands Index	Country	1.00	15.0%
53		Connectivity	No. of Flight Destinations	2022 (Latest available)	Flight Connections	City / Region	1.00	32.5%
54			No. of Destination Countries	2022 (Latest available)	Flight Connections	City / Region	1.00	32.5%
55			Travel time to capital city	2022 (Latest available)	Google Maps	City / Region	1.00	10.0%
56			Infrastructure Score	2022 (Latest available)	fDi Benchmark	City / Region	1.00	10.0%
57			Hours lost in Congestion	2022 (Latest available)	Inrix	City / Region	1.00	15.0%
58		Visitor Economy	No. of Tourism FDI Projects	2018-2022	fDi Markets	City / Region	1.00	15.0%
59			No. of International Tourists Nationally	2022	Location Dependent	Country	1.00	5.0%
60			No. of All Tourists	2022	Location Dependent	City / Region	1.00	2.5%
61			No. of International Tourists	2022	Location Dependent	City / Region	1.00	2.5%
62			No. of Main Airport Arrivals (m)	2019	Location Dependent	City / Region	1.00	12.5%
63			No. of Meetings	2022	ICCA	City / Region	1.00	12.5%
64			No. 4-5 Star Hotels in region	2023	Hotels.com	City / Region	1.00	7.5%
65			No. of 4* or 5* rated visitor attractions	2023	Tripadvisor	City / Region	1.00	7.5%
66			No. of UNESCO sites (incl. delisted)	2023	WHC Unesco	City / Region	1.00	2.5%
67			Capacity of largest MICE venue in region m2	2022	Location Dependent	City / Region	1.00	7.5%
68			Tourism Agency - Instagram	2023	Instagram	City / Region	1.00	10.0%
69	Tourism Agency - Twitter		2023	Twitter	City / Region	1.00	7.5%	
70	Tourism Agency - Facebook		2023	Facebook	City / Region	1.00	7.5%	

# Analysis Framework – All Indicators & Weightings

	Pillar	Theme	Indicator	Year(s)	Source	Scale	Scale Factor	Final Weighting	
71		Quality of Life	Rule of Law Index	2022 (Latest available)	World Justice Project	Country	1.00	5.0%	
72			Inclusiveness Index	2022 (Latest available)	Berkeley University	Country	1.00	5.0%	
73			Property Prices Index	2023	Numbeo	City / Region	1.00	17.5%	
74			Annual Average Temperature	2023	World Meteorological Organization	City / Region	1.00	10.0%	
75			Digital Nomad Family Score	2023	Nomad List	City / Region	1.00	5.0%	
76			Digital Nomad Fun Score	2023	Nomad List	City / Region	1.00	5.0%	
77			Global Foodie Index Score	2023	Asher & Lyric	City / Region	1.00	7.5%	
78			Quality of Green and Parks	2022	Numbeo	City / Region	1.00	10.0%	
79			Health System Quality	2023	Legatum Institute	Country	1.00	17.5%	
80			Safety Index (rounded)	2023	Numbeo	City / Region	1.00	17.5%	
81		Sustainability	CCPI Climate Policy Score	2023	CCPI	Country	1.00	12.5%	
82			Share of Renewable Energy Use (%)	2021	Our World in Data	Country	1.00	12.5%	
83			Sustainable Cities Index, Overall	2022	Arcadis	City / Region	1.00	15.0%	
84			Sustainable Cities Index, Planet Sub-index	2022	Arcadis	City / Region	1.00	20.0%	
85			Pollution Index	2022	Numbeo	City / Region	1.00	20.0%	
86			Air Quality (Annual)	2022	Nomad List	City / Region	1.00	20.0%	
87			Sectors	Sectors:	FDI Projects	2018-2022	fDi Markets	City / Region	1.00
88		Automotive & Industrial		FDI Capex	2018-2022	fDi Markets	City / Region	1.00	5.0%
89	Technology	FDI Jobs		2018-2022	fDi Markets	City / Region	1.00	5.0%	
90	Life Sciences	FDI Projects CAGR		2018-2022	fDi Markets	City / Region	1.00	5.0%	
91	Business & Financial Services	Capital Investment Deals		2018-2022	Pitchbook	City / Region	1.00	15.0%	
92		Capital Investment Value		2018-2022	Pitchbook	City / Region	1.00	20.0%	
93		Capital Investment CAGR		2018-2022	Pitchbook	City / Region	1.00	10.0%	
94		Companies in Sector		2022 (Latest available)	fDi Benchmark	City / Region	1.00	5.0%	
95		Employment in Sector		2022 (Latest available)	fDi Benchmark	City / Region	1.00	5.0%	

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