West Midlands: Drivers of Growth and scenario analysis of opportunities by 2035

May 2025

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ABOUT US

Public First is an independent policy, research and strategy consultancy, specialising in public opinion. Our team includes policy and communications experts, as well as economists who have worked in the heart of governments, academia, think tanks, and industry.

Headquartered in London, we work with global companies, governments, institutions and foundations around the world to tackle major public policy and strategic challenges. Most importantly, our work is rooted in an understanding of real people in real communities.

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Our brief was to:

- Explore the growth sectors and clusters and provide a sense check on the potential for the region
- Identify and set out various other analogous city regions around the world which have taken action and improved productivity and employment growth in the same key sectors
- On that basis, make a series of economic forecasts for gains in productivity and employment across the region, based on certain scenarios
- Show the case to made for action a) within the West Midlands region and b) in partnership with central government, to act on delivering against these scenarios

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Our conclusions on a page:

- The sheer scale of West Midlands mean that it could make a more significant overall contribution to UK GVA than many other regions in the UK, even though some areas have faster projected growth. Size matters.
- The region is right to have identified significant potential growth in its clusters - especially the Electric Light Vehicles, Logistics, Manufacturing and Aerospace sectors.
- Although not a new sector, Birmingham also performs extremely well in Professional and Financial and Digital sectors, which represent a significant driver of jobs growth and also GVA growth (and tax revenue)
- Similarly, when running similar agglomeration analysis at 2 digit SIC code in other areas, we identify residual strength in metal manufacturing and manufacturing and trading of vehicles, which should not be ignored.
- There are a number of policy lessons and recommendations to be drawn from how other city regions focussed on their specialisms and drove productivity and job increases. Much of the power to do similar things lies within the Combined Authority's hands and they should be the leading actor in this charge - though there will also be opportunities to work with the Westminster government in some areas
- Under two plausible scenarios - based on achieving improvements in productivity and employment seen in comparable city regions around the world - we forecast gains of £6.5bn to the region's GVA by 2035 against a baseline - making the region grow above the UK national average growth rate.
- We further forecast almost 100,000 additional jobs by 2035 within the identified growth clusters - almost a doubling of job growth against the baseline scenario

Four key proof points for WMCA growth

- The West Midlands is home to industrial clusters of immense productivity. The top three single most productive locations in the country to put a worker in Electric Light Vehicle (ELV) production are all in the West Midlands (Solihull, Coventry and Birmingham), with Sandwell additionally ranking as the 9th best Local Authority in the country.

- The region also has six more instances of Local Authorities in the top ten most productive in the whole of England and Wales for particular sectors - logistics (Birmingham 3rd, Sandwell 4th, Coventry 9th); manufacturing of housing (Birmingham 2nd, Sandwell 3rd); digital economy (Birmingham 8th); aerospace and alternative fuels (Birmingham 4th, Sandwell 5th); and professional and financial services (Birmingham 5th)

- Focussing on the agglomeration benefits from the growth clusters identified in the region by the combined authority leads to a forecast gain of £6.5bn to the region's GVA by 2035 against the current baseline - making the region grow above the UK national average growth rate.

- Such a scenario also leads to an almost 100,000 additional jobs by 2035 within the identified growth clusters - almost a doubling of job growth against the baseline scenario.

A Call to Action - West Midlands and national government hand in hand

- Economic growth is rightly the driving force of this government - to be delivered jointly between actions from Whitehall and Westminster, and empowered and devolved funding to Combined Authorities.

- So far, much of the approach has been sectoral - AI Growth Plan, Industrial Strategy, Mansion House pension reforms, defence and construction announcements in the Spring statement.

- In terms of a spatial approach, the Government's "bets" have been on the City of London, and more recently, the expansion of the Oxford-Cambridge arc.

- But notwithstanding the potential of both of these, it would be a mistake to overlook the sheer size and scale of productivity and employment gains in major established Combined Authorities - including the West Midlands. With a population of almost 3m, a workforce of 1.3m, and previous infrastructure investments to build on (HS2), the economic gains here are significant.

- The advantage of a focus on West Midlands growth is that it a) has significant industrial clusters of productivity to build on, and b) a clear route map to turbocharging them, based on similar examples of other city regions around the world who have done just this.

- The policy agenda should focus on pursuing similar levers to those which have allowed international competitors to thrive: connectivity and infrastructure for connecting West Midlands to other major urban areas; targeted FDI and domestic sectoral investment into areas of high productivity; skills reform through a highly established further and higher education sector; and innovation through the R+D base of major industries and universities - all underpinned by an established MCA with devolved funding and power to make change happen at scale.

The West Midlands economy: The current situation and the opportunities

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Defined as the '7-Met' region, the West Midlands contributes a large amount to the UK economy, but average wage lags behind UK average, and it has above average unemployment

Population (2023): 2.98 Million

Workforce (2023): 1.3 Million

GVA (2025): £79 Billion

Unemployment Rate (2025):
5.54% (UK Av: 3.7%)
Unemployment rate calculated as population weighted average across LADs

Average Salary (2024):
£33,290 (UK Av: £38,224)
Average salary is calculated as the population weighted, mean average annual salary across LADs

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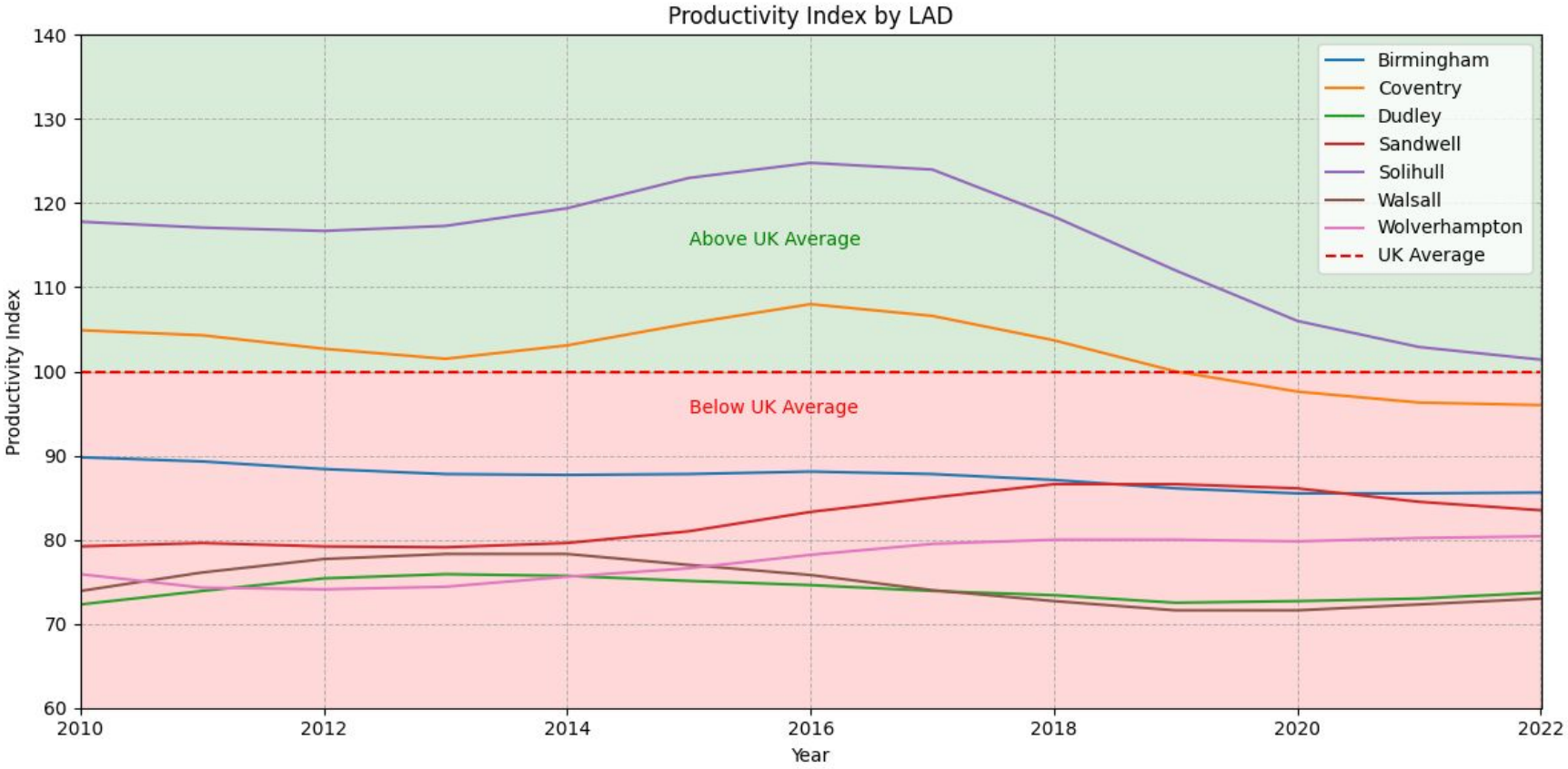
Most of the LADs in the region have productivity below UK Average; higher productive LAs have also declined relatively since 2010. Annually, productivity growth has lagged the UK average by 0.4%



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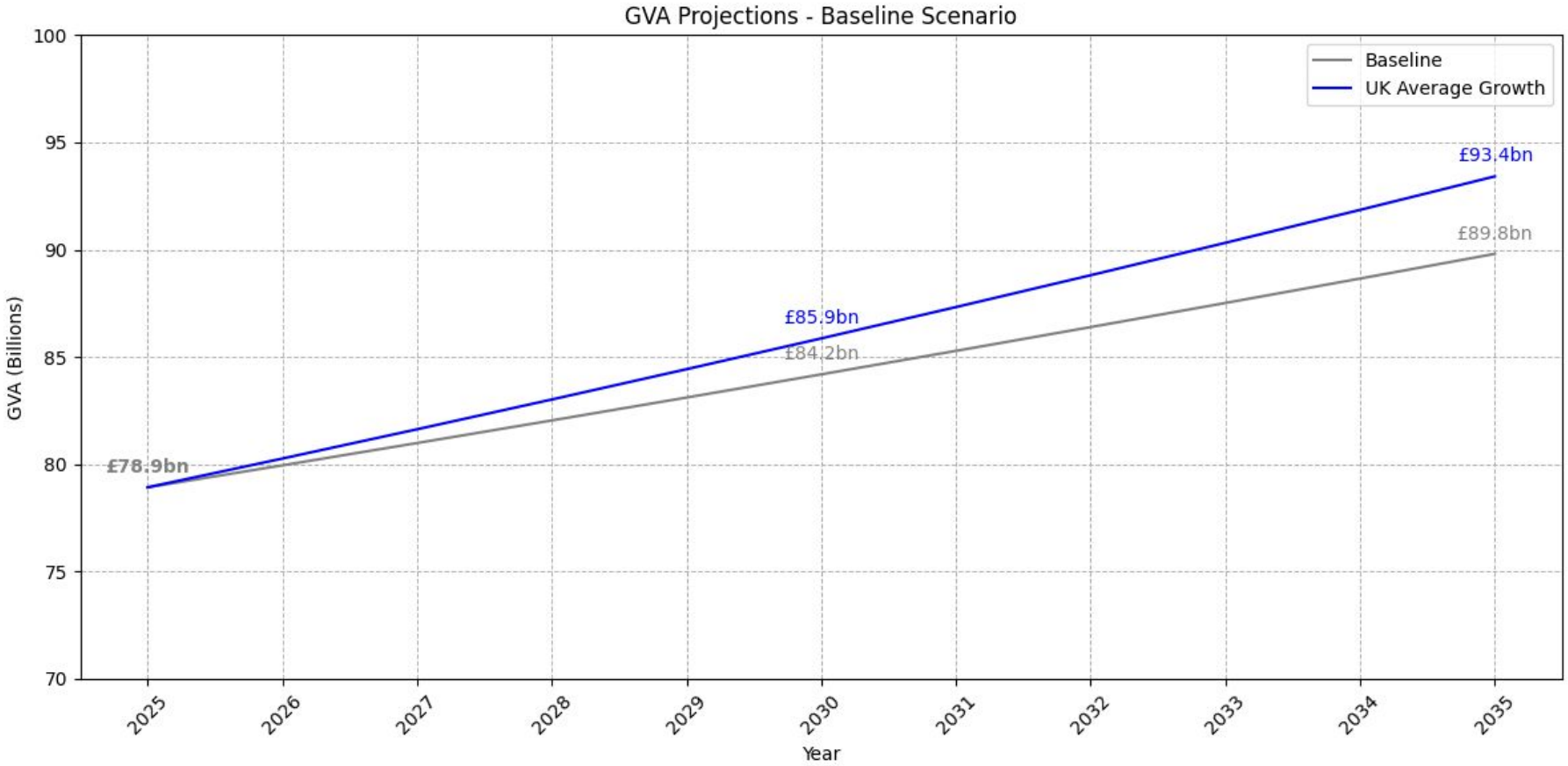
At the moment, regional GVA is forecast to grow at around 1.3% per year, much lower than the UK average. If the West Midlands grew at the average rate of 1.7%, it would add an additional £3.6bn of annual GVA by 2035



A cluster based approach to improving economic performance across the region

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The region has recognised that they have key strengths in the following areas - these are key clusters identified in the WMCA growth plan

- Electric light vehicle and associated battery production
- Health and Medical Technology
- Logistics and distribution
- Manufacturing of future housing
- Creative content production and gaming
- Professional and Financial
- Aerospace including alternative fuel manufacturing
- Digital economies
- Smart energy and low carbon networks

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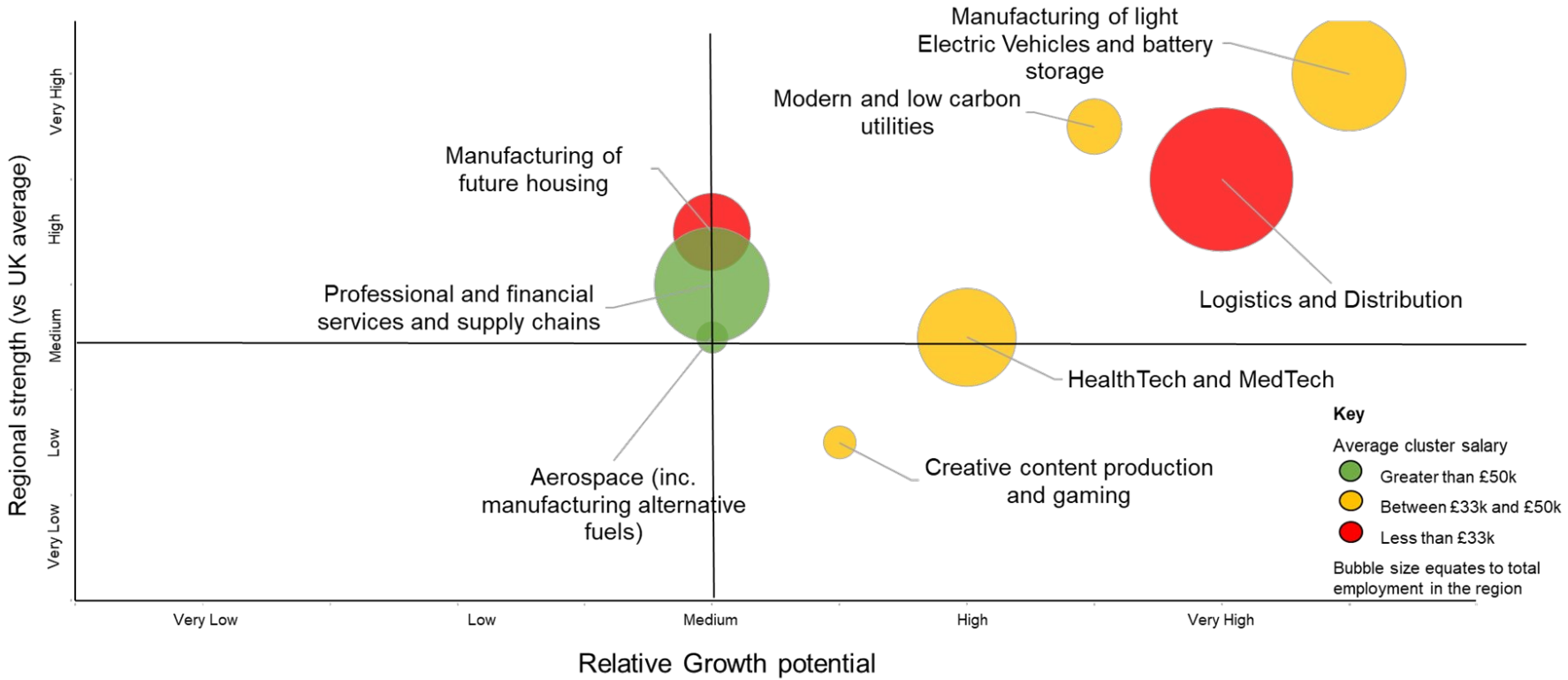
Fig: Most significant growth sectors and clusters, and growth potential in the region



Data and chart provided by the WMCA

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High Level Sector	Proxy for Cluster(s)	Productivity CAGR 2015-2019
Agriculture, mining, electricity, gas, water and waste	Smart Energy	0.06%
Manufacturing	Manufacturing of Housing, ELVs, Aerospace	-2.36%
Transportation and storage	Logistics	0.67%
Financial and insurance activities	Professional and financial (partial)	-0.43%
Professional, scientific and technical activities	Health and Med Tech, Digital Economy, Professional and financial (partial)	1.25%
Arts, entertainment and recreation	Creative	0.04%

Using the most comprehensive data on pre-covid employment and output by industry, we can see a mixed picture in the cluster areas over the last decade or so

On productivity, manufacturing and financial insurance services has lagged, while broader professional services has improved

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Cluster	2023 Employment	Proportion of total employment	Employment CAGR 2016 - 2023
Aerospace	7,194	0.54%	-1.43%
Creative	2,848	0.21%	4.39%
Digital	17,323	1.30%	2.03%
ELVs	23,240	1.74%	-3.0%
Health and Med Tech	4,021	0.30%	-0.32%
Logistics	54,638	4.10%	3.16%
Manufacturing Housing	7,655	0.57%	3.39%
Professional and Financial	126,176	9.46%	2.18%
Smart Energy	16,841	1.26%	-0.84%
All other sectors	1,073,640	80.51%	1.08%
Total	1,333,575	-	1.21%

In terms of employment growth in the key regional clusters employment growth has been mixed, with strong growth in the professional and financial, creative, manufacturing of housing and digital sectors

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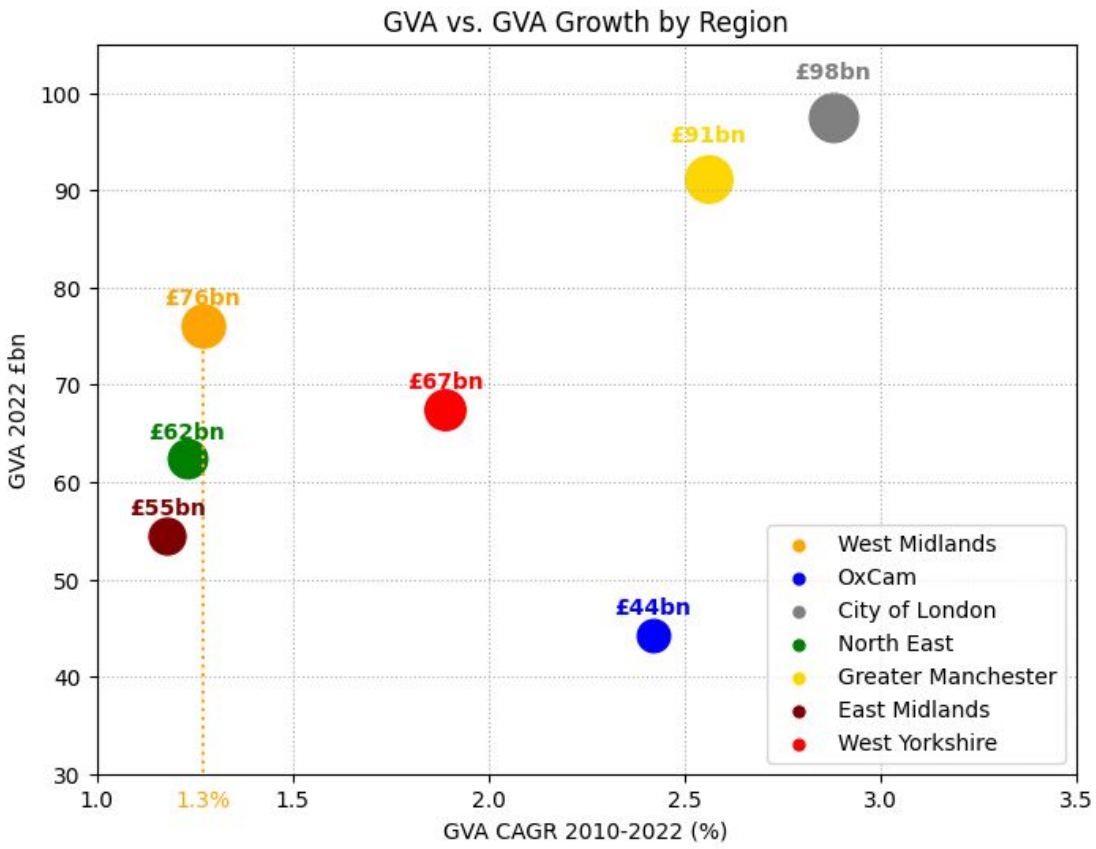

Despite performing below the national average in terms of productivity and GVA growth, the size of the West Midlands means there is a significant opportunity to impact the UK's output

- The most high powered regions in the UK - such as London - have large GVA and high growth rates
- But the sheer size of WMCA means there is space for an argument focussed on the benefit of growth at scale through agglomeration, to drive aggregate bigger job and tax revenue gains - particularly when compared to other regions of the UK.

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Building on the potential of clusters through maximising agglomeration benefits

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What is agglomeration?

Agglomeration - and agglomeration economies - are the economic benefits that arise from workers and firms locating near each other. Put simply, such workers are more productive. That is why so many firms in so many sectors choose to locate near their rivals.

There are three main causes of agglomeration economies; sharing of supply chains, better matching between the skills of workers and the needs of businesses, and the sharing of knowledge between people working in different firms in the same industry.

In this next section, we focus on the economic gains to be made across the West Midlands by focussing on the agglomeration benefits of growth in cluster areas identified by the WMCA

Our analysis uses the DfT methodology for evaluating the agglomeration gains from shortening distance between workers, to instead compare the agglomeration effects of a new worker in different industries, ranked by the local authority. This allows us to comment on the most effective places to spur cluster growth. That is, we map the each Local Authority by the productivity gains of putting a new worker in that location, split by cluster.

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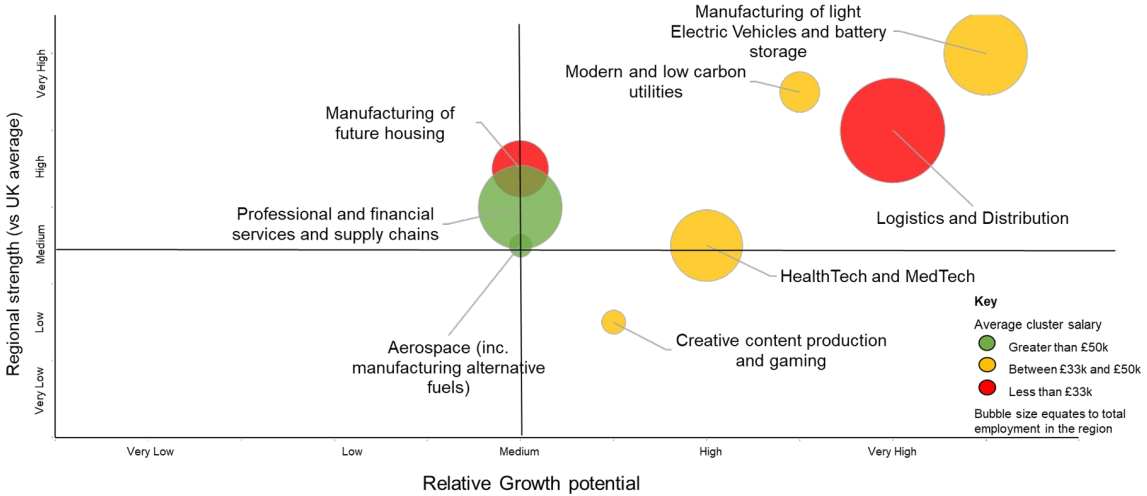

We analyse the relative agglomeration gains in the following key sectors of the region as identified previously by WMCA

- Electric light vehicle and associated battery production
- Health and Medical Technology
- Logistics and distribution
- Manufacturing of future housing
- Creative content production and gaming
- Professional and Financial
- Aerospace including alternative fuel manufacturing
- Digital economies
- Smart energy and low carbon networks

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Our modelling assesses the benefits of agglomeration, ranking Local Authorities by the productivity gains of putting a new worker in that location, for each key cluster

Local Authority impact on effective density of workers

We use data on the location of workers by job code from the NOMIS BRES dataset, and measures of travel times between Local Authorities (LAD), to calculate the impact of a new worker in each cluster on the effective density of workers in that cluster, for every Local Authority. We calculate this for every LAD

Quantifying the effects

We use the Department for Transport's WEB-TAG methodology, linking changes in effective density to productivity gains. We then quantify how much more productive every other LAD will become due to the new workers. We do so from the perspective putting a worker in each Local Authority

Aggregating by location

For each scenario of creating a new job in each local authority, we aggregate the total productivity gains by multiplying the productivity gains for each LAD by the current size of the workforce. That is, we measure the total increase in GVA in England and Wales from a new worker in each LAD

Ranking by percentile of Agglomeration gains for each cluster

We display the results on a map, showing where LADs rank in terms of the percentile of these aggregated gains. We run this analysis for each of the key clusters identified for the West Midlands region

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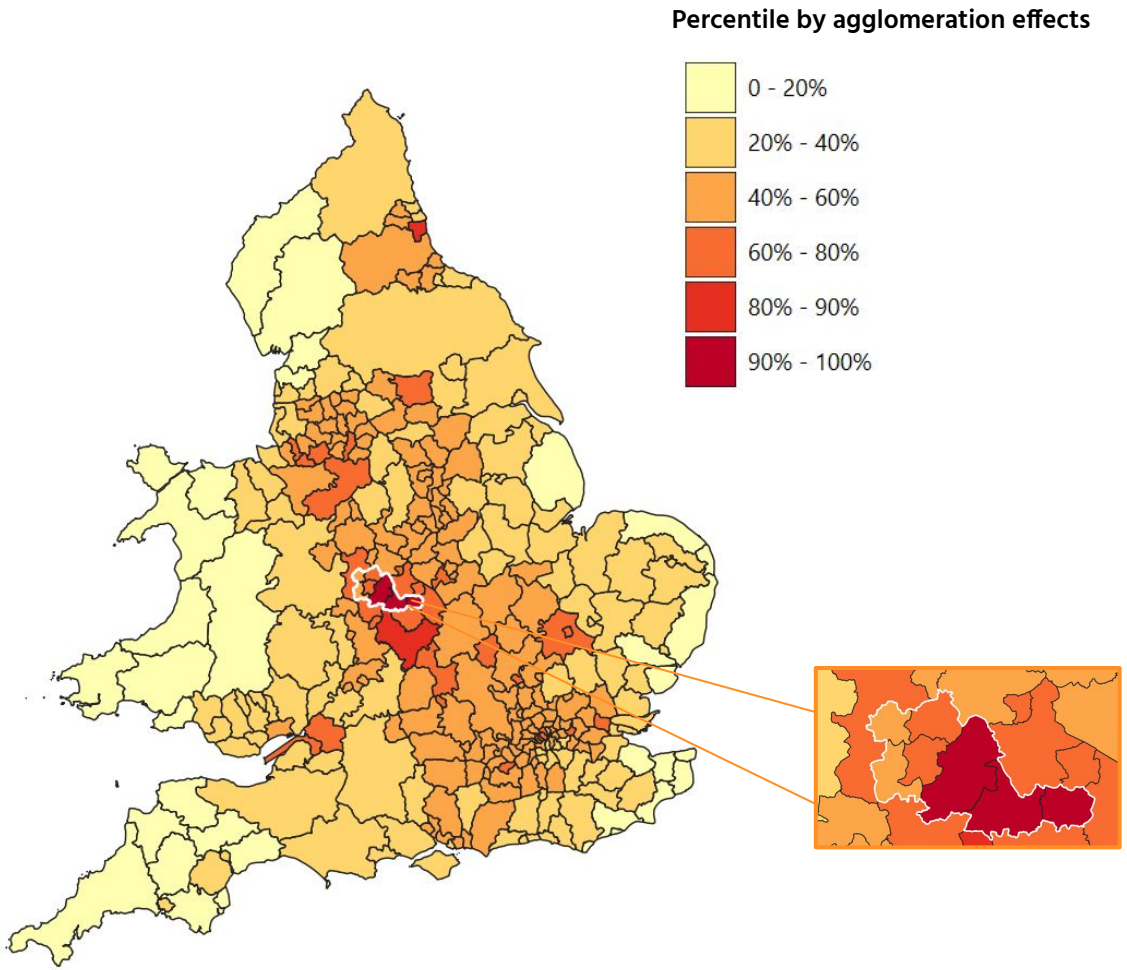
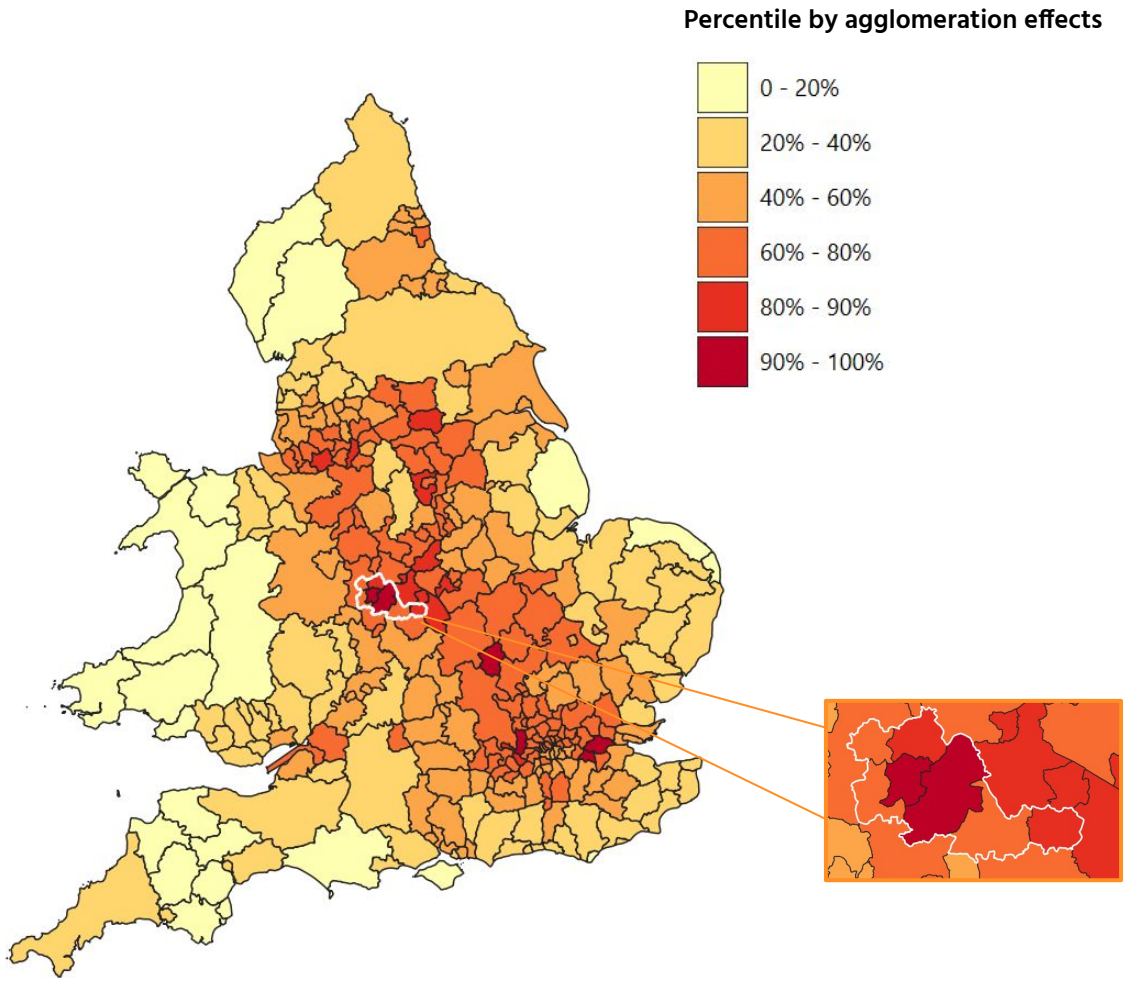


1: Electric Light Vehicle Production

The top three locations in the country to put a worker in the cluster relating to Electric Light Vehicle (ELV) production are all in the West Midlands (Solihull, Coventry and Birmingham), with Sandwell ranking as the 9th best local authority in the country.

This highlights the region's strength in ELV production, in both the final production of vehicles, and the manufacturing of the relevant electrical components.

This highlights the opportunity for the region to capitalise on the increasing importance of ELV production as the UK transitions away from combustion engine vehicles



2: Logistics

Another key strength of the region is in the logistics sector, acting as one of the major hubs for the industry, with 90% of the UK reachable within 4 hours. Both Birmingham and Sandwell rank in the top 5 LAD locations in England and Wales in terms of the size of agglomeration productivity gains from new logistics workers.

Proposed development of the West Midlands Interchange and HS2 are set to further strengthen the region's position as a leading logistics hub for the UK.

1:https://www.wmca.org.uk/what-we-do/economy-and-innovation/plan-for-growth-a-vision-for-growth-in-the-west-midlands/logistics-and-distribution/

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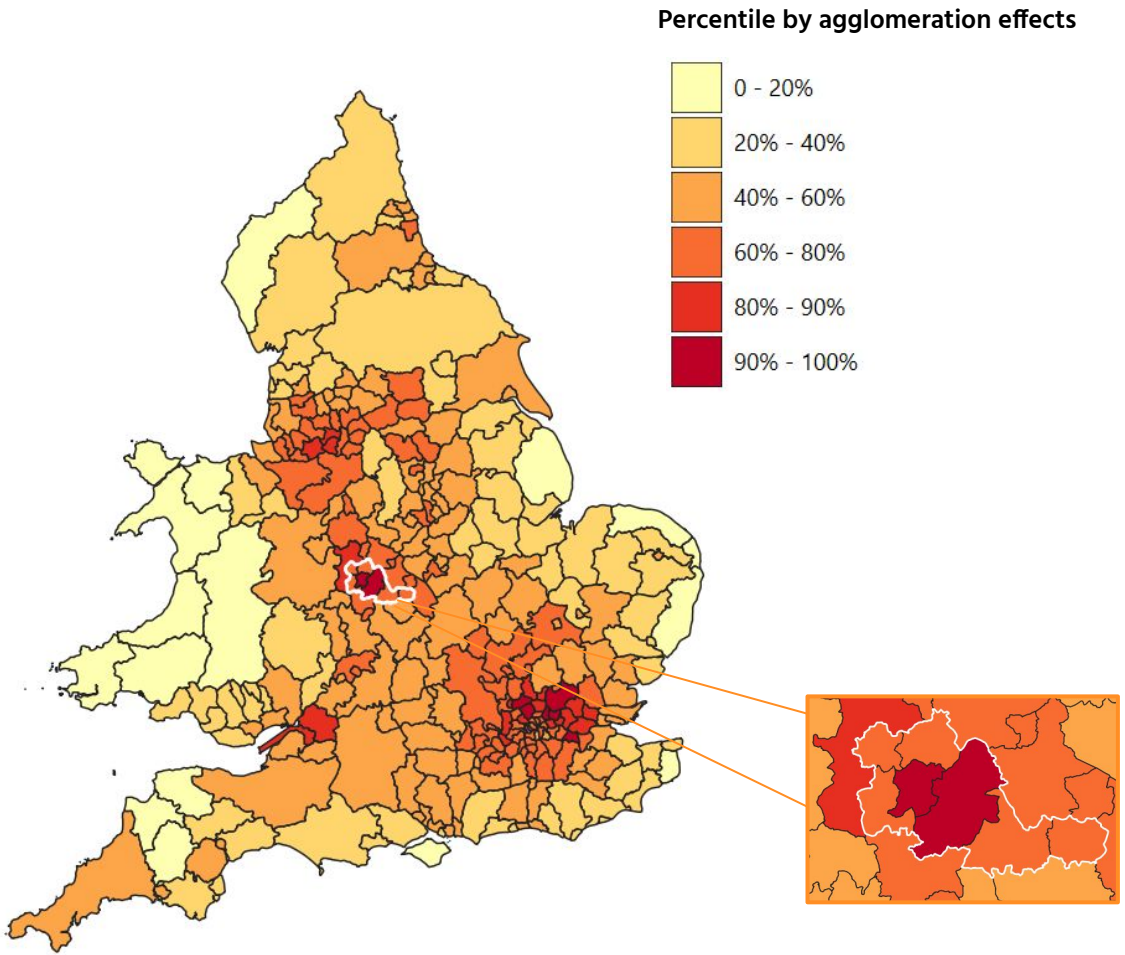

3: Manufacturing of Future Housing

Building on its long standing strengths in manufacturing, the West Midlands is one of the leading regions in England and Wales for activities relating to the provision of future housing

Considering the government's strong focus on homebuilding, the region is ideally placed to drive a national push for increased homebuilding, whilst fueling regional growth within the sector.

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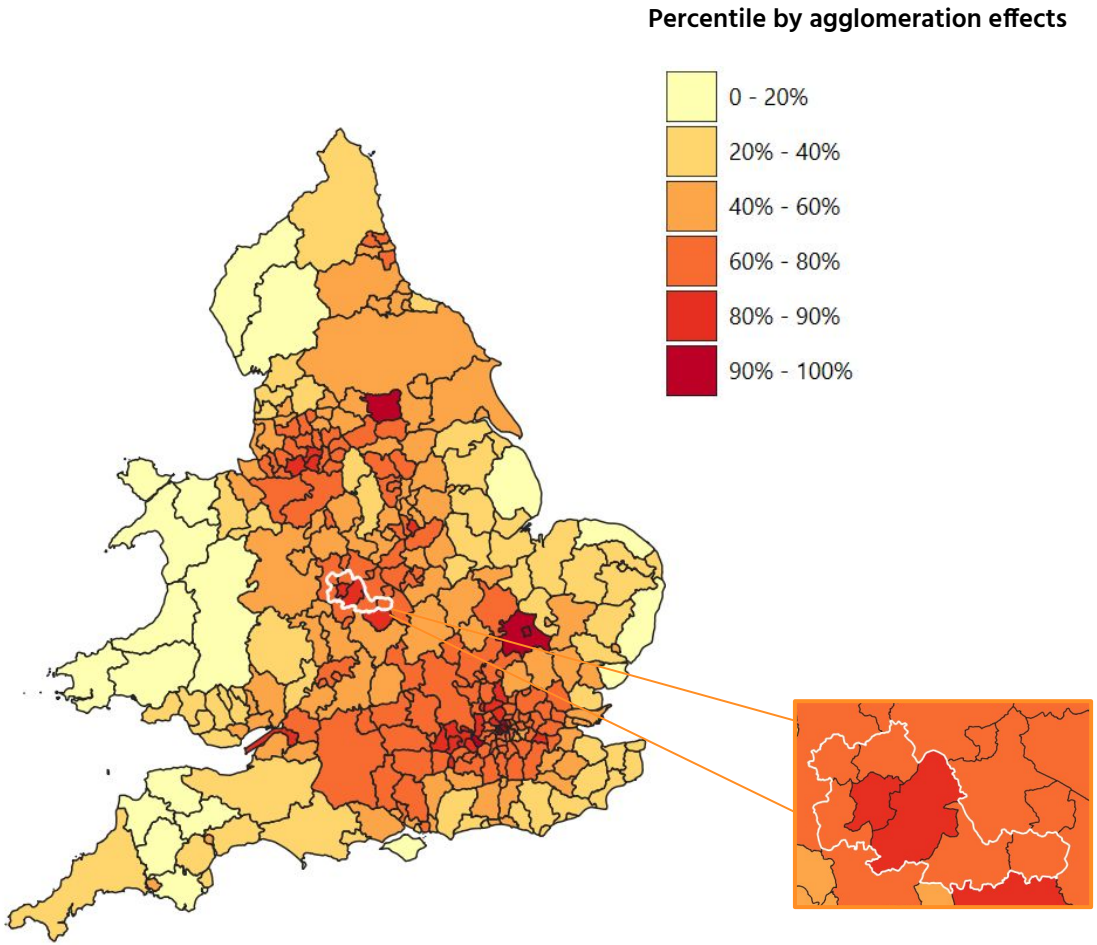
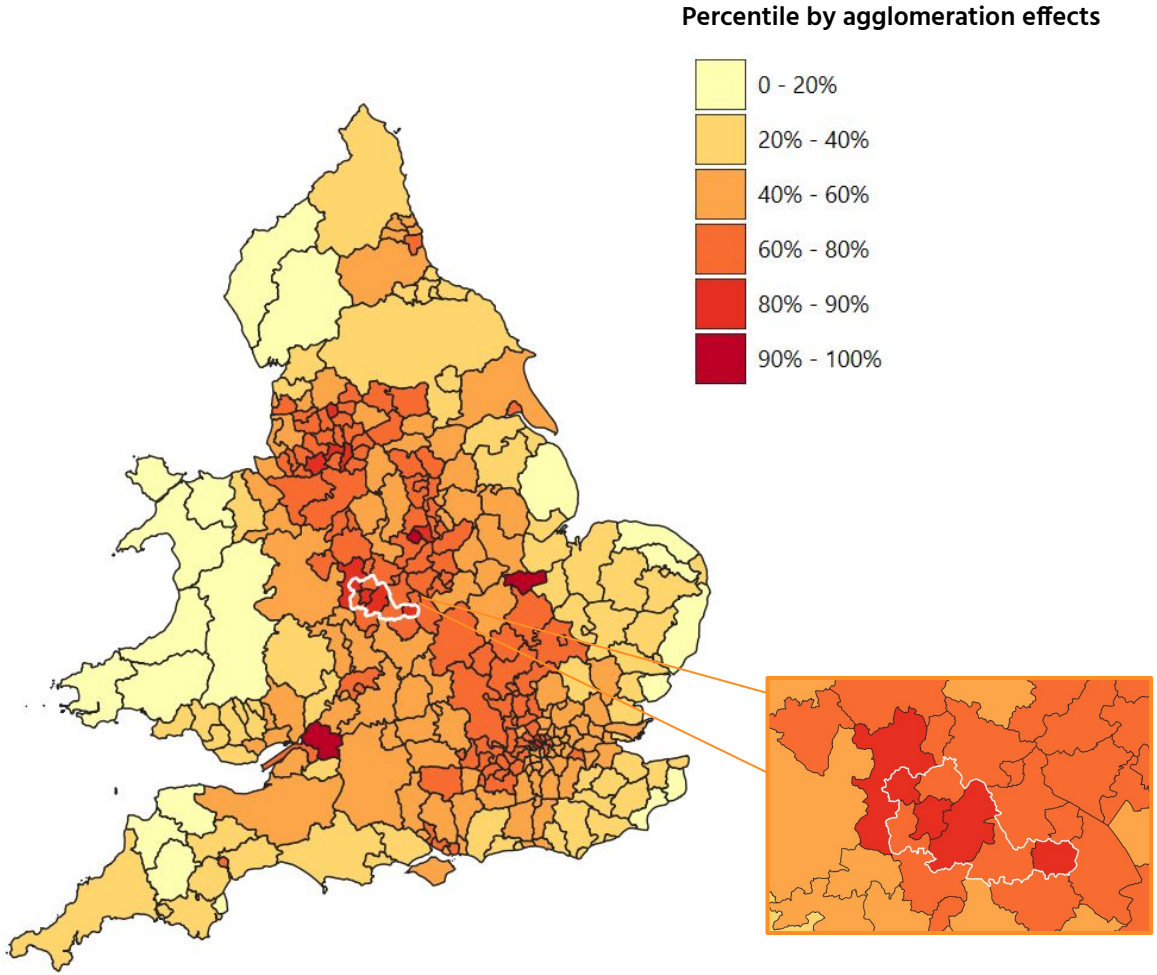


4: Smart Energy Systems

The West Midlands also displays a strong performance in the location for new workers in industries relating to Smart Energy Systems: encompassing technology, data, products, and services designed to enable smarter, more efficient energy use across commercial, industrial, and urban systems.

The West Midlands has a strong foundation in energy-related industries, particularly in energy management, clean-tech, and strategic services, supported by established research assets and policy initiatives.

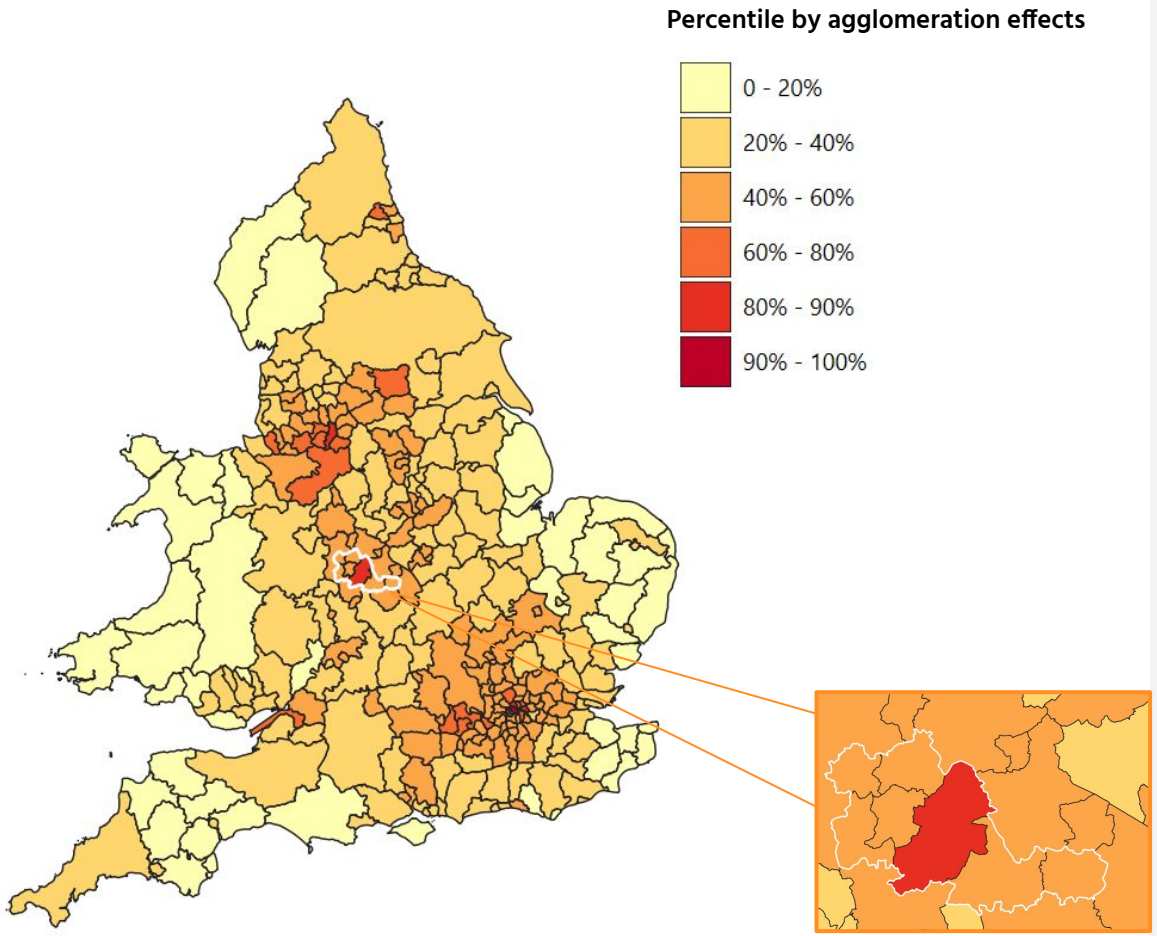
Recognising its limited capacity for large-scale low carbon energy generation, the region is focusing on developing a smart energy systems cluster—led by the Energy Systems Catapult since October 2024—to drive innovation, investment, and economic growth aligned with net zero goals.



5: Aerospace

Building on its strong manufacturing base, the West Midlands is a central part of the wider Midlands aerospace cluster, recognised as one of the most influential in the world.

In terms of agglomeration impacts, the West Midlands is home to some of the most productive places to create jobs in this space, with two Local Authorities in the top 5 nationally (Birmingham and Sandwell) and two more in the top 20 (Wolverhampton and Coventry)



6: Professional and Financial Services

Driven by strong employment in the Professional and Financial cluster in Birmingham, the region ranks well above the England and Wales average in terms of productivity gains from agglomeration. Birmingham ranks as the 2n most beneficial place in the England and Wales to put a new worker outside of London in terms of productivity gains from agglomeration with only Manchester ranks higher

On top of this, there has been strong employment and productivity growth in the Professional and Financial Sector, highlighting the potential to build on a good working model to deliver substantial outcomes for the region.

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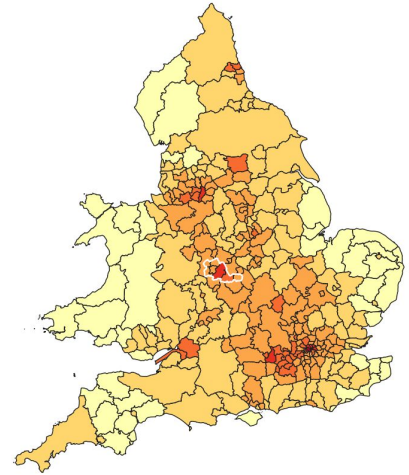
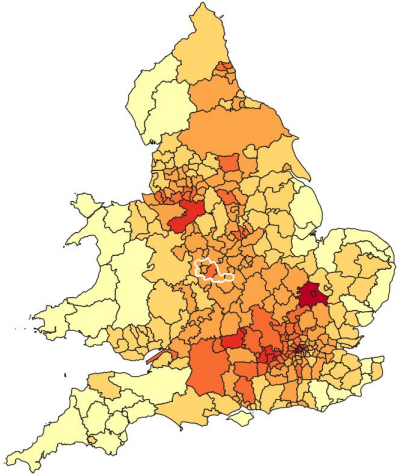
Whilst not the leading location in England and Wales, the West Midlands is also home to Local Authorities ranking above average for the following clusters

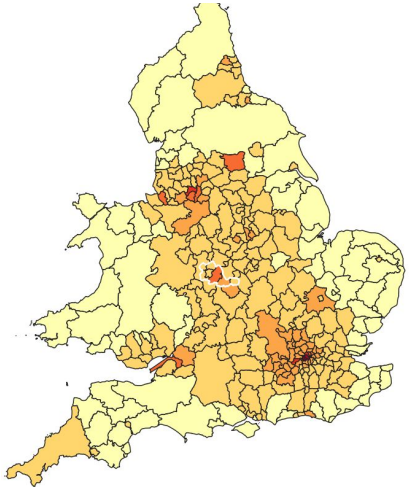
Digital Economy



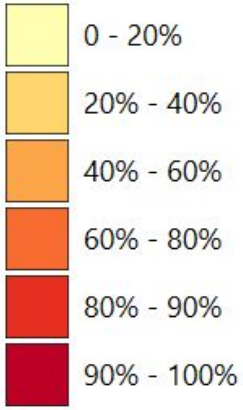
Health and Med Tech

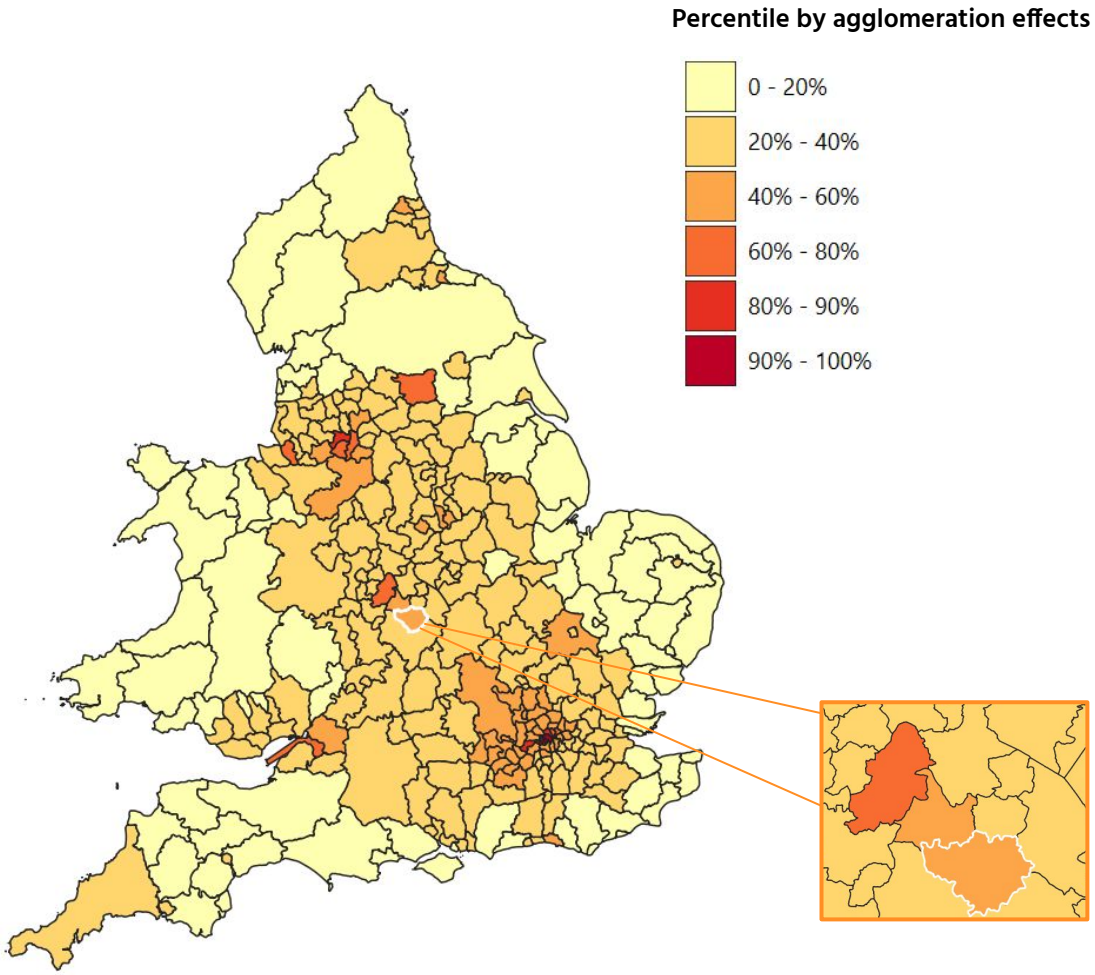


Creative content and gaming



Percentile by agglomeration effects





Warwick: An adjacent Creative Cluster

In addition to the performance of those defined within the WMCA, it is also worth highlighting that there is a creative cluster located in the adjacent local authority of Warwickshire.

Coventry & Warwickshire are home to a strong video gaming development cluster, creating some of the world's most iconic IP in this space. Known locally as "Silicon Spa," the area employs over 3,000 people, centred around Royal Leamington Spa, with more than 50 studios

Warwick gaming developer employees:

3,500+

Source: https://investcw.co.uk/sector/creative-industries/

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In summary, there is clear evidence of a comparative advantage in the ELV, Logistics, Manufacturing and Aerospace sectors. Birmingham also performs well in Professional and Financial and Digital sectors

Absolute ranking of all LADs in West Midlands from all LADs in England and Wales for productivity gain in the industrial cluster (1 = top)

Local Authority	ELVs	Logistics	Manufacturing Housing	Digital	Aerospace	Professional and Financial	Smart Energy	Health and Med Tech	Creative
Birmingham	3	3	2	8	4	5	14	26	11
Sandwell	9	4	3	60	5	32	30	92	71
Wolverhampton	46	62	33	124	11	91	136	132	164
Coventry	2	9	97	65	14	50	34	69	82
Walsall	31	14	30	107	26	80	130	127	125
Solihull	1	22	55	36	40	27	65	87	59
Dudley	68	101	56	131	42	117	120	186	170

To validate this analysis, and WMCA cluster identification, we also run a similar agglomeration analysis at the 2 digit SIC level across the West Midlands, finding that there are strong cases for focus on other specific areas in terms of regional strengths, especially in metal manufacturing and manufacturing and trading of vehicles

Absolute ranking of all LADs in West Midlands from all LADs in England and Wales for productivity gain in 2 digit SIC level industries (1 = top)

Local Authority	10 : Manufacture of food products	15 : Manufacture of leather and related products	16 : Manufacture of wood and of products of wood and cork	24 : Manufacture of basic metals	25 : Manufacture of fabricated metal products, excl. machinery and equipment	29 : Manufacture of motor vehicles, trailers and semi-trailers	38 : Waste collection, treatment and disposal activities; materials recovery	45 : Wholesale and retail trade and repair of motor vehicles and motorcycles	53 : Postal and courier activities
Birmingham	9	14	4	5	2	3	1	1	3
Coventry	45	16	15	40	17	2	53	6	12
Dudley	109	44	26	9	6	41	58	56	78
Sandwell	2	12	1	1	1	8	2	2	1
Solihull	107	25	25	54	35	1	64	26	50
Walsall	50	2	10	2	3	19	9	19	22
Wolverhampton	55	33	31	12	5	27	20	33	44

Case Studies

We identify here city regions that were similar to the West Midlands in 2010 in economic structure, size and so on, but that have seen strong growth in similar industries to those that the West Midlands has a comparative advantage in. We draw policy lessons from those for the West Midlands, and use them as a basis for future economic forecasting growth for the region.

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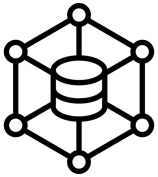
We build on the analysis on International Comparators from the WMCA to develop scenarios for economic growth based on cluster performance

Identify Comparators

Building on the WMCA comparators report, which highlights international regions that were similar in size and sectoral makeup in 2010 but have seen positive growth since.

Quantifying relevant growth rates

We analyse national and international statistics databases to quantify employment and productivity growth rates. We use the most similar industry possible to resemble the key clusters of the West Midlands



Model scenarios

We classify two scenarios with specified rates of growth in key sectors, assuming they are reached from current levels stepwise over 4 years to 2029

Improve:
We assume that some of the difference between current West Midlands and observed comparator performance is reached

Accelerate:
We model the economic opportunity of matching the international comparator growth by 2029

Identify outcomes and key policy lessons

We then map what performance in each scenario implies for GVA and direct job growth

Using policy insights and actions from the comparator regions, we are also able to comment on key policy recommendations to push the region towards these outcomes

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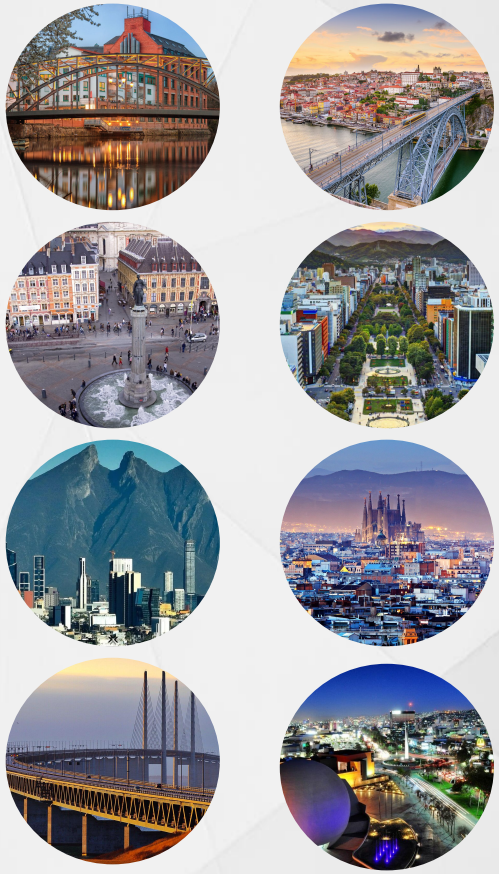
We build on the work by the WMCA identifying appropriate comparator regions internationally

We build on the WMCA comparators report, which highlights international regions that were similar in size and sectoral makeup in 2010 but have seen positive growth since.

The work follows a four stage process; a literature review, quantitative analysis, productivity analysis, and a five-factor qualitative analysis resulting in the identification of a number of city-regions from which the WMCA could make useful comparisons and draw useful lessons. The report then goes on to rank these locations by the level of comparability to the West Midlands

From the list of the most comparable locations, we identify a list of regions that have shown impressive growth in the relevant sectors, identify the policy landscape that has characterised these regions since 2010, and underline the productivity and employment growth that they have seen, using national statistics.

This has led to the following list of comparators: Saxony, Porto, Lille, Sapporo, Guadalajara, Tijuana, Malmo and Barcelona



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Saxony once lagged behind national growth profiles, but has seen impressive growth in the Manufacturing sector. Subsidies to encourage innovation, strong labour market policies and a local digital strategy underpin its' journey to now being termed 'the cradle of German mechanical engineering'

Dresden and Leipzig-Halle, Saxony - Germany

This polycentric region is a similar size to the West Midlands and was similar in terms of its productivity gap to the national average in 2010. It has since seen impressive productivity and employment growth in the manufacturing sectors, with policy lessons relevant to the

Manufacturing of Future Housing and ELVs

- Between 2010-2013, Saxony benefited from the federal "Investitionszulage" (Investment Allowance) for Eastern Germany, providing direct tax credits (12.5% for large firms, 25% for SMEs) on new investments in manufacturing and related services. These significant incentives allowed companies to set the foundations for impressive productivity growth for the rest of the decade
- GRW: Joint Federal - State Subsidies. Since 2010 a 50/50 funded subsidy, covering up to 40% of investment costs, has been available for industrial investments aimed at modernisation and overcoming regional disparities
- The Alliance for Vocational Training programme has also been in place since 2014, provided wage support for apprenticeship schemes and grants for upskilling programmes
- Saxony launched an International Recruitment Action Plan in 2022 aimed at attracting skilled workers from abroad to Saxony's companies by streamlining visa recognition, offering integration support, and marketing Saxony as a career destination.
- Saxony was among the first German states to adopt a comprehensive digitalisation strategy. The "Sachsen Digital" strategy, launched in 2016, laid out a cross-sector plan to boost digital infrastructure, e-government, and digital innovation in the economy, including the provision of grants to reduce the cost of digital adoption for SMEs

Location	Sector	Employment CAGR	Productivity CAGR
Saxony	Manufacturing	1.44%	2.81%

Porto - Portugal's 'second city' has seen impressive growth in key sectors, underpinned by a combination of direct funding, fiscal incentives, infrastructure, startup support, and investment promotion

Location	Sector	Employment CAGR	Productivity CAGR
Porto	Manufacturing	0.24%	2.06%
Porto	Professional Services (Inc, ICT)	2.53%	1.52%

Porto - Portugal

The "Norte 2020" scheme gives lessons for improvement in **manufacturing** and also **professional services.** This allocated about €3.4 billion to Northern Portugal focused on boosting innovation, SME competitiveness, and the production of tradable goods and services, In practice, this meant grants for business expansion, R&D projects, and industrial modernisation in the Porto area, leading to strong productivity growth.

- Indústria 4.0: A pivotal policy for Porto manufacturing was the launch of the Indústria 4.0 national strategy in 2017, comprising of 64 measures (public and private) to digitise industry and promote advanced technologies across the economy. This included, €7,500 grants for SMEs to invest in e-commerce, digital marketing and lowering the cost of digital adoption
- Startup and Innovation Funding: A suite of policies aimed at crowding in startup investment, particularly for ICT firms. One flagship was the "200M Fund", a public co-investment fund that matched venture capital investments in Portuguese startups.
- The Sistema de Incentivos Fiscais à I&D Empresarial (SIFIDE) scheme allows companies to deduct a sizable percentage of their R&D expenditures from corporate taxes. Between 2015 and 2023 R&D incentives have risen by 91%, boosting innovation among existing firms and attracting multinational firms to locate in Porto
- Transport and Logistics Infrastructure: Over the past decade, Porto's infrastructure has seen continuous improvement. Porto Airport and the Port of Leixões expanded and modernized, improving global connectivity. Within the metropolitan area, road and metro expansions have better linked industrial zones and office districts:
- Tech Visa & Startup Visa initiatives to fast track application processes for skilled workers and startup founders. In its first year in 2018 the scheme attracted over 700 founders
- Industrial and Innovation Zones: Targeted development of business parks and incubators in Porto has provided crucial infrastructure for companies. The University of Porto's Science and Technology Park launched with public funds in 2010, offering modern office/lab space and support services, and housing hundreds of startups and R&D outposts, directly anchoring ICT and science-based firms in Porto

Lille - Significant investment in infrastructure to support the region's strong position as a logistics hub has ensured strong and consistent employment and productivity growth in the logistics sector

Lille - France

In 2016 the French government introduced the "France Logistique 2025" plan to strengthen the country's supply chains and **logistics competitiveness**. This directly bolstered regions like Lille by prioritising investments in freight corridors and hubs to ease congestion and accelerate warehouse development.

- E-Valley: An example of accelerated planning, enabling private investment to boost sector performance. The project was launched in 2019 after strong support from Hauts-de-France officials in securing permits and infrastructure connections. It spans 320 hectares and will host 750,000 m^2 of next-generation warehouses plus 85,000 m^2 of shared services
- Connections: Building on the industry benefits from the existing eurostar link between Paris and Lille, France is currently undergoing a revival of the Seine–Nord Europe Canal. Construction started in 2017 on the high-capacity waterway linking the Seine basin to the Scheldt network in northern Europe. The project cost of around €4.5–5 billion is being co-funded by the EU (40%), the French state (22%), regional authorities (22%), and loans.
- Métropole Empowerment: In 2015, Lille was granted increased funding and a higher level of autonomy to make funding decisions at a metropolitan level. This streamlined decision making on localised investments (e.g. business parks, trade promotion) and allowed the metropolitan body to directly use national funding, often co-funding initiatives with industry.
- Rev3 Strategy: In the early 2010's, Hauts-de-France (Lille's region) implemented a holistic regional industry roadmap, including a focus on 'green logistics'. A flagship initiative is a plan to deliver a €40 million private-public co-funded 'Logistics Centre for excellence', an incubator aiming to train 500 professionals per year, incubate 250 businesses, and develop innovative environmental logistics solutions,strengthening the skills and business base for Lille logistics

Location	Sector	Employment CAGR	Productivity CAGR
Lille	Logistics	0.81%	0.80%

Sapporo, supported by national and local Japanese policies, has emerged as a leading professional, financial and ICT services hub

Location	Sector	Employment CAGR	Productivity CAGR
Sapporo	Professional Services	3.1%	-0.7%
Sapporo	Finance & Insurance	-2.5%	4.8%

Sapporo - Hokkaido, Japan

Sapporo has emerged as one of Japan's leading **professional services, financial services and ICT hubs** thanks to supportive policies at both the national and local levels. This includes:

- National Strategic Special Zones, which aim to enhance economic growth by implementing regulatory reforms, established in 2013. Special measures included start-up visas for foreigners looking to found a business and enhanced planning permission for building skyscrapers and large apartments
- In 2024 the government designated Hokkaido (with Sapporo) as one of four "Special Zones for Financial and Asset Management," aiming to cluster foreign and domestic asset management firms in the region. Within these zones, regulations are eased – for example, the Financial Services Agency set up English-language registration services so foreign financial companies can incorporate more easily
- Industrial Promotion Ordinance & Incentives. The Hokkaido Prefectural Government has actively encouraged companies to set up or expand operations in the region through the Hokkaido Industrial Promotion Ordinance. Under this policy, firms making significant investments or creating jobs in Hokkaido can receive subsidies and tax relief.
- Headquarters Relocation Subsidy: To encourage companies to move their head office or major functions to Sapporo, the city provides subsidies for office lease costs
- Further city-level subsidies for specific businesses. In particular IT, Biotechnology and administration/back office functions.

Guadalajara City in Jalisco, Mexico is advancing in digital and EV sectors, supported by strategic policies, infrastructure, talent development, and collaborative innovation

Guadalajara City - Jalisco, Mexico

Over the past 15 years, Guadalajara has established itself as one of Mexico's most important centres for **digital services and high-tech manufacturing**, while also emerging as a potential hub in the country's growing **electric vehicle (EV) industry**. This transformation has been shaped by a combination of federal policies, state-level initiatives, targeted incentives, and public-private collaboration.

- Digital Strategy: Guadalajara's growth was supported by national frameworks like the National Digital Strategy (2013) and PROSOFT, which provided grants and infrastructure support for the software and IT services industry. At the state level, Jalisco launched the Jalisco Tech Hub Act (2022) and programs such as PLAi to fund talent development and digitise small businesses. Infrastructure projects like Ciudad Creativa Digital (CCD) and the Guadalajara Software Center have anchored this growth. Between 2018 and 2022, Jalisco's ICT firms increased by 34% to over 2,385, with 85% located in the Guadalajara metro. The region now contributes over 10% of Mexico's ICT employment.
- Electric Mobility Promotion Plan (2024): The city is among Mexico's leaders in electric bus deployment, through the Mi Transporte Eléctrico program, with over 60 units in operation. Guadalajara is also actively competing to host Proyecto Olinia, Mexico's first domestically designed EV assembly plant, supported by planned infrastructure including a cargo airport in Altos Norte and improved rail connectivity to the U.S. border
- The Tech Hub Act allocates over $60 million in public funding for payroll tax rebates, EV supply chain development, and industrial parks. With over 10,000 tech graduates annually, and institutions like IJALTI and CANIETI Occidente, Guadalajara has become a magnet for firms such as IBM, HP, and Continental. International collaborations with the EU, World Bank, and UITP further reinforce its strategic positioning as a city aligning long-term economic development with digital and sustainable innovation.

Location	Sector	Employment CAGR	Productivity CAGR
Guadalajara	Media and Digital	9.2%	1.2%

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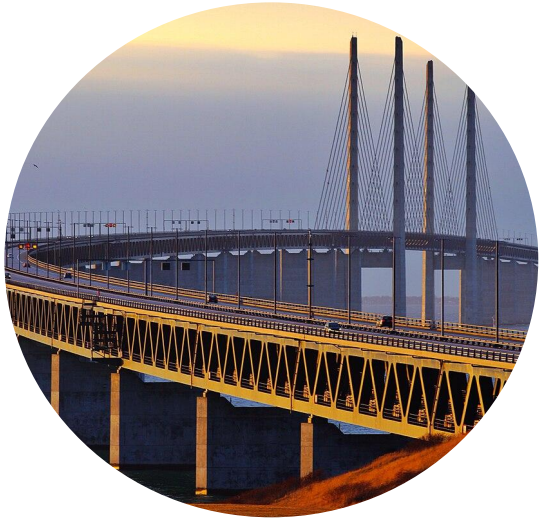
Although not as comparable to the West Midlands in 2010, Barcelona and Malmo-Copenhagen are not dissimilar in terms of the size of their economy, and have shown what is possible in growth in Smart Energy and Creative Sectors



Location	Sector	Employment CAGR	Productivity CAGR
Malmo	Services (including energy distribution)	1.97%	1.53%
Barcelona	Arts, entertainment and recreation;	1.01%	4.32%
Tijuana	Health Services	7.0%	2.3%

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The West Midlands can take valuable insights from the policies that underpinned positive performance in these regions, which once faced similar stagnating growth

Public Investment, crowding in private funding and business development grants

Tax credits for Research and Development with higher incentives for SMEs, part funding investment in private infrastructure and grants aimed at business expansion and digitisation have had positive impacts, especially in sectors related to manufacturing and logistics

Funding directed at specific industry business creation

A key lever in improving both employment and productivity growth is the creation of innovative new businesses. Using public investments to crowd in private startup funding has had an impact on business creation, boosting innovation and productivity, especially in professional service, digital economy and manufacturing sectors

Skills and fostering ideas

Targeted visa initiatives, digital adoption initiatives and infrastructure aimed at boosting key skills for vital sectors and investments in business incubators have had the impact of increasing business creation and filing skills gaps vital for growing, keeping and attracting businesses that boost regional productivity and create new job opportunities

Leadership and a clear strategy

In many cases, the signal of clear regional leadership, a pipeline of proactive policy and strong partnerships between public sector and industry has incentivised investment and drawn businesses to locate in these regions, highlighting the need for a strong voice at the heart of any regional growth strategy

Infrastructure and connectivity

Strong connections to other parts of country (namely Lille's connection to Paris) highlights the benefits of strong transport connections. Alongside this, intracity connections, publicly funded improvements to logistics infrastructure and expedited planning routes for private improvements have paved the road for growth, especially in the logistics sector

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Scenario Analysis

Based on performance in international regions, we model the outputs related with the West Midlands getting closer to the performance of these international regions which used to also lag behind the national average growth profile

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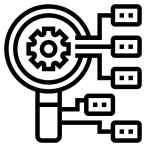
We build on the analysis on International Comparators from the WMCA to develop scenarios for economic growth based on cluster performance



Set Scenario Growth Rates

Using observed growth rates, we define our two scenarios with the annual rate of growth in both employment and productivity. Throughout the analysis we hold all other clusters at their current rate of growth

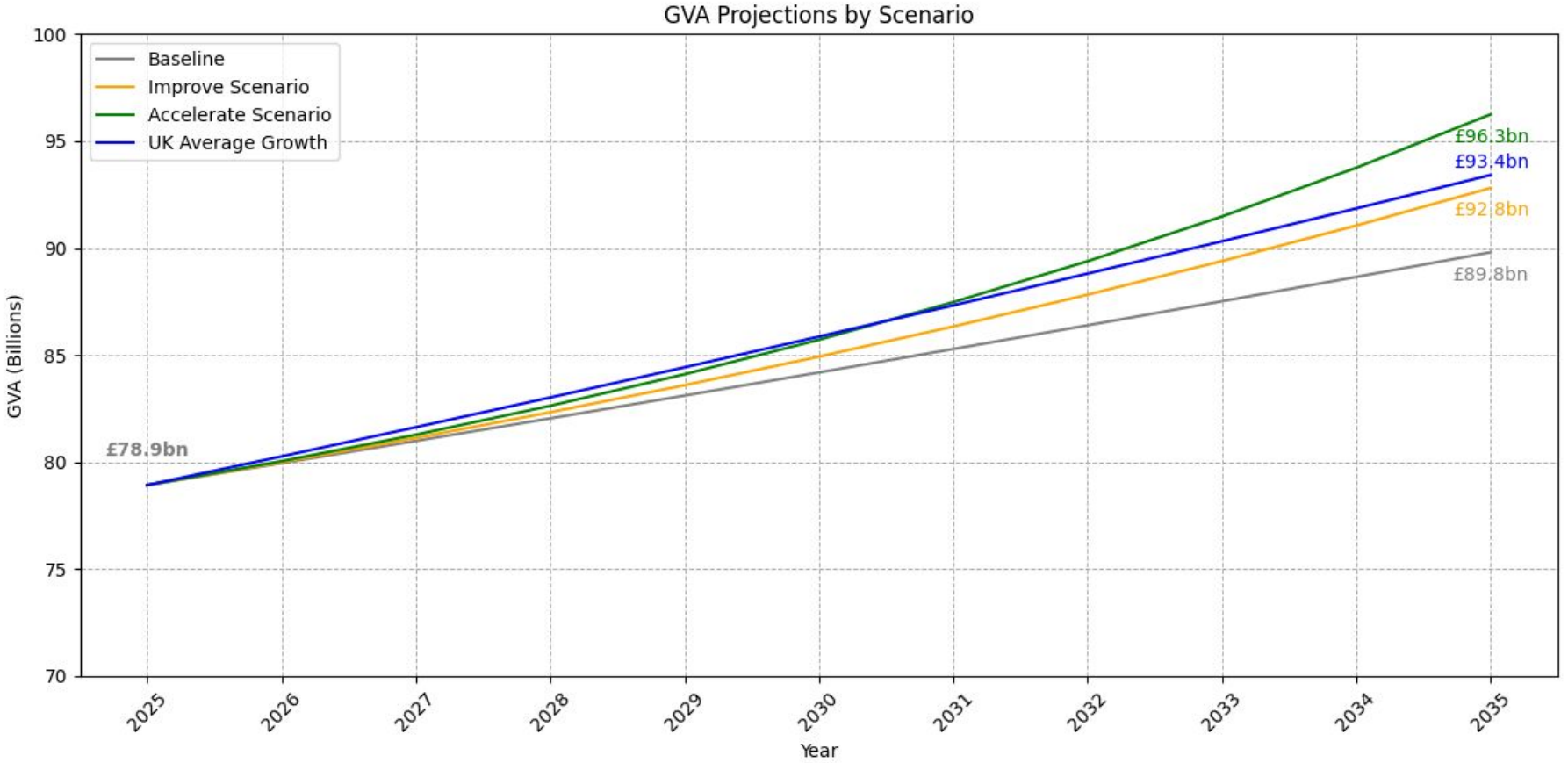
Apply Scenario rates

We assume in each scenario that the growth rate rises iteratively to scenario levels from current levels over a 4 year period. Combining the change in employment with increased productivity to quantify the GVA impacts over time

Quantify impact on Jobs

As we define growth scenarios at the cluster level, we are also able to estimate the impact of each scenario on job creation, split by sector

Key Finding: By pursuing similar policy interventions to international comparators in key sectors, there is significant potential for the region to add an additional £6.5bn in GVA above the baseline by 2035. The accelerate scenario has the potential to deliver more than achieving UK average growth levels



Based on the performance of international comparators, weighted against the region's current performance, we construct two scenarios for improved growth in the key clusters, and model the GVA and employment growth

Cluster	Current Employment Growth	Current Productivity Growth (Proxy)	Improve Scenario: Employment	Improve Scenario: Productivity	Accelerate Scenario: Employment	Accelerate Scenario: Productivity
Aerospace	-1.43%	-2.36%	0.00%	1.00%	1.40%	2.81%
Creative	4.39%	0.04%	4.39%	1.00%	4.39%	4.32%
Digital	2.03%	1.25%	4.20%	1.25%	9.20%	1.25%
ELVs	-3.00%	-2.36%	0.50%	1.00%	2.00%	2.81%
Health and Med Tech	-0.32%	1.25%	1.00%	1.40%	2.00%	1.52%
Logistics	3.16%	0.67%	3.16%	0.60%	3.16%	0.80%
Manufacturing Housing	3.39%	-2.36%	3.39%	1.00%	3.39%	2.81%
Professional and Financial	2.18%	-0.43%	3.00%	0.75%	3.10%	1.52%
Smart Energy	-0.84%	0.06%	0.00%	1.00%	1.97%	1.53%

Fueling growth in these key sectors also has the potential to add over 150,000 jobs to the region in the next ten years - or almost double the projected jobs growth under a baseline scenario

Cluster	Baseline projections of job change from 2025 to 2035	"Improve Scenario": job change from 2025 to 2035	"Accelerate Scenario": job change from 2025 to 2035
Aerospace	-939	0	1,043
Creative	1,667	2,350	2,350
Digital	4,003	9,178	25,446
ELVs	-5,747	1,118	4,788
Health and Med Tech	-124	418	875
Logistics	21,247	13,854	13,854
Manufacturing Housing	3,242	0	418
Professional and Financial	31,754	45,309	47,035
Smart Energy	-1,343	0	3,567
Total	53,760	72,227	99,377