SUMMARY

INITIAL ANALYSIS

The Impact of Brexit on Birmingham and the West Midlands

Birmingham City Council

The Mutual Understanding

Britain and the EU, on November 14th, published both the Draft Agreement on the withdrawal from the EU and Euratom, termed the Mutual Understanding, as well as secondly the Outline Political Declaration on the Future Relationship.

The Mutual Understanding details the legal and procedural complexities of Britain's withdrawal and is currently expected to be ratified by the European Council of Ministers on Sunday, November 25th, and then subsequently by the British Parliament and the European Parliament. The Mutual Understanding forms the conclusion of the negotiating process, and, following legal verification and ratification, will become the legally enforceable Withdrawal Agreement. Should ratification fail at any stage, then currently Britain would still leave the EU on March 29th, 2019 but without any agreement in place. In summary, the Mutual Understanding encompasses the following aspects of the withdrawal process:

- the objective of the overall process is to secure an orderly withdrawal;
- Britain will cease to be a member of Euratom;
- reciprocal protection of EU citizens and British nationals, who have exercised free movement before a date to be set by the agreement;
- prevent disruption and provide legal certainty;
- determine the parameters and length of a transition or implementation period;
- EU law will be applicable to Britain during the transition, although Britain can prepare for new international arrangements post-transition during the transition phase;
- the EU and Britain agree to honour the mutual financial commitments;
- establish a joint dispute resolution process given Britain's third country status;
- establish separate protocols to address the Republic of Ireland/Northern Ireland, Cyprus Sovereign Base Areas and Gibraltar issues during transition;
- agreement founded on overall balance of benefits, rights and obligations for Britain and EU.

Political Declaration

During the transition period the EU and Britain will commence formal negotiations to conclude the framework for the future relationship outlined in the Political Declaration. These will focus on:

- shared values and approach to rights and data protection;
- a close relationship on services and investment, including on financial services;
- wide-ranging sectoral cooperation, for instance on transport and energy;
- requirements for open and fair competition to underpin the future economic relationship;
- broad and deep partnership on foreign policy, security and defence;
- comprehensive arrangements toward creating a free trade area, combining deep regulatory and customs cooperation, building on the Withdrawal Agreement single customs territory;
- on internal security, the need for comprehensive law enforcement and judicial cooperation in criminal matters, identifying ways of delivering strong and important operational capabilities.
- the process that will follow the conclusion of the Article 50 negotiations.

1. Foreword

Cllr Brigid Jones
Deputy Leader for
Birmingham City Council

The nature of Britain's exit from the European Union, and our nation's future relationship with it, will define our country for decades to come. At the time of writing, four months out from the UK's exit date, the EU and the UK parliament have yet to finalise what this might be, and it remains possible that the UK will leave without a deal. This report aims to identify the potential economic and social impacts of different aspects of Brexit on the West Midlands region, to allow businesses and public sector bodies to plan and shape their responses. It draws on a wealth of academic research and analysis from the Government, Core Cities and Local Government Association to look at potential local impact on trade and business, jobs, funding and infrastructure and public services.

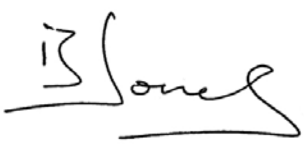
This analysis was commissioned by Birmingham City Council's Brexit Commission, which draws on representation from a cross sectoral group of stakeholders. These include a range of public sector, academic and business stakeholder from across the West Midlands Combined Authority Area.

To bring about continued global investment, inclusive growth and prosperity for the West Midlands, we must address serious challenges to the region, including access to funding, skills and talent, knowledge and innovation, and maintaining competitive business and trading conditions. With the UK government having one of the highest concentrations of centralised revenue streams globally, we must now be handed the reins by government to drive forward the future economy through increased and accelerated devolution. The West Midlands has a bigger population than nine member states including Finland, Slovakia and Ireland. The economic output of West Midlands is bigger than 13 member states including the Czech Republic, Hungary and Romania. The significance of our presence, and the importance of Brexit working for this region is clear.

Local government has been subject to almost a decade of austerity and funding cuts, and is limited in financial resource to mitigate any negative impacts of Brexit. Poverty in this country has reached such levels as to be investigated by the UN. This context must be understood when preparing for Brexit, and any Brexit conditions that might exacerbate this must be met with devolved funding from national government to address this.

Brexit will signal a change in our relationships and interactions at a regional, national and international level, and it is vital that we maintain an outward vision and readiness to co-operate with our neighbours. Birmingham is a city built on migration and immigration. Knowledge exchange and progress go hand in hand. Leaders across the West Midlands are clear that our leaving the EU does not correlate to a withdrawal from open collaboration with cities and regions across Europe or the rest of the world. The West Midlands has been at the forefront of change and innovation throughout successive industrial revolutions. The major cities in this region have been strongholds of technological and manufacturing development for the whole of the UK. The West Midlands is still highly recognised both nationally and globally as a region open to new ideas, new working practices and bringing significant investment into the UK economy. We have a strong track record of bringing in major investment from European and other global partners which has brought prosperity, growth and employment to the region and UK as a whole.

As the future remains uncertain, the breadth of this report should help highlight and plan as we go forward.



2. Contents

3. Overall Context

Notwithstanding the announcement of a Mutual Understanding arrived at between the British government and the EU negotiators, this is only the start of the final process of Britain withdrawing from the European Union. There remain significant hurdles to surmount, including achieving Cabinet unanimity on the understanding; securing House of Commons approval; ratification by the remaining EU 27 members states as well as ratification by the European Parliament. Moreover, the scope and detail of the understanding has yet to be made public. It is not beyond the bounds of possibility that either the Prime Minister may resign or the government fall.

Accordingly, until a final agreement is achieved the range of final outcomes remains as detailed in this report.

People need information not opinion – if the Referendum demonstrated anything it was that the electorate is quite capable of forming their own opinions based on their life experience and their confidence in the analysis publicly available to them. There are many interpretations as to why the 2016 Referendum resulted in a narrow majority vote to leave the EU, there is however an inescapable fact that this essentially political act is having, and will have, economic implications. Britain, already regarded as a semi-detached EU member, will have to become accustomed to becoming a detached third-party economy. The scale of the impact will obviously be determined by the nature and structure of any final agreement reached, or, in the event of a reversal of the decision to leave, the parameters of any re-entry process (via cancellation of Article 50 or a new application via Article 49 of the Treaty of Lisbon).

Although the parameters of the agreement remain subject to further intense negotiating, the options would appear to be narrowing along the following lines:

- a settled agreement, such as temporary reversion to European Economic Area status;
- an as yet undefined transition programme;
- adoption of a WTO-based trading regime;
- without an actual deal, and with no recourse to other trading regimes;
- unanimous agreement to an extension of the Article 50 process, pending a Second Referendum of the decision to leave;
- UK application to re-join EU via Article 49, after March 29th exit.

A settled agreement would obviously be the optimum solution as effectively it would appear to ensure arrangements would continue as present and it could also generate a revival of investment, both domestic and inward. In the time now available before the exit date of March 29th, it would appear difficult to deploy the necessary physical infrastructure as well as agree the required tariff quota regimes to enable WTO status to be immediately achieved. Leaving without an actual deal and being unable to transition to full WTO rules (due to time pressures and the need to resolve current objections from some 20 WTO members over the proposed UK-EU trading schedules) is the worst option, and it is unclear what the impact would actually be, although potentially seriously disruptive.

Additionally, there remains the possibility that the proposed Mutual Understanding between Britain and the EU will fail to progress at any one of the three stages of ratification (EU Council of Ministers, UK Parliament and EU Parliament). Such an impasse in the negotiating process could lead the British Parliament to decide to hold a second referendum. A more long-term option, if Brexit proves to be more economically debilitating than anticipated, could be an application to join the EU via Article 49, after March 29th exit.

Any change to the deep and extensive relationship between Britain and the EU will inevitably provide new opportunities as well as precipitate fresh barriers, some of which can be identified, others unexpected and will only emerge later. The challenge to Birmingham, and the wider region, is to identify these and develop appropriate responses to both capitalise on any advantages and minimise the negative impacts.

Nevertheless, until the final settlement(s) are agreed and ratified, it is difficult to calculate with any confidence the impact of leaving the EU on the local and regional economies. However, considerable research has been undertaken examining the potential range of overall economic impacts, and in terms of sectoral impacts it is possible to identify which sectors are most exposed to more constrained access to the markets of the EU. Furthermore, until the precise nature of any WTO trading arrangements are confirmed, it is similarly problematic to calculate the economic prospects resulting from them.

It is noticeable that the currently available estimates, leaked from HM Treasury, for the worst-case scenario are substantially less than the estimated cumulative impact of the 2007-09 financial crisis, which has been calculated as equivalent to a loss of a fifth of GDP. HM Treasury had forecast that by 2023, UK GDP would be approximately 25% higher than 2008, whereas the economy would only be 17.3% larger by 2023 under a WTO scenario.

Subsequently, BoE governor Mark Carney has warned that the UK crashing out of the EU could lead to house prices falling by 25-35% and net emigration from the UK for the first time since 1994, as well as travel disruptions between the UK and the EU leading to a contraction in supply and increased inflation.

WMEF: West Midlands Estimated Real Impact

	2016	2017e	2018e	2019f	2020f	2021f	2022f	2023f
WM GVA Growth (1)	1.8	1.9	1.9	2.0	1.8	1.5	1.3	1.2
WM GVA Growth (2)	1.8	1.9	1.9	0.7	0.9	1.4	1.5	1.5
WM GVA Growth (3)	1.8	1.9	1.9	0.5	0.7	1.2	1.5	1.8
WM GVA Growth (4)	1.8	1.9	1.9	-0.3	-0.1	0.3	0.7	1.0

Deflated using estimated national deflator

Source: ONS, IMF, OECD & WMEF

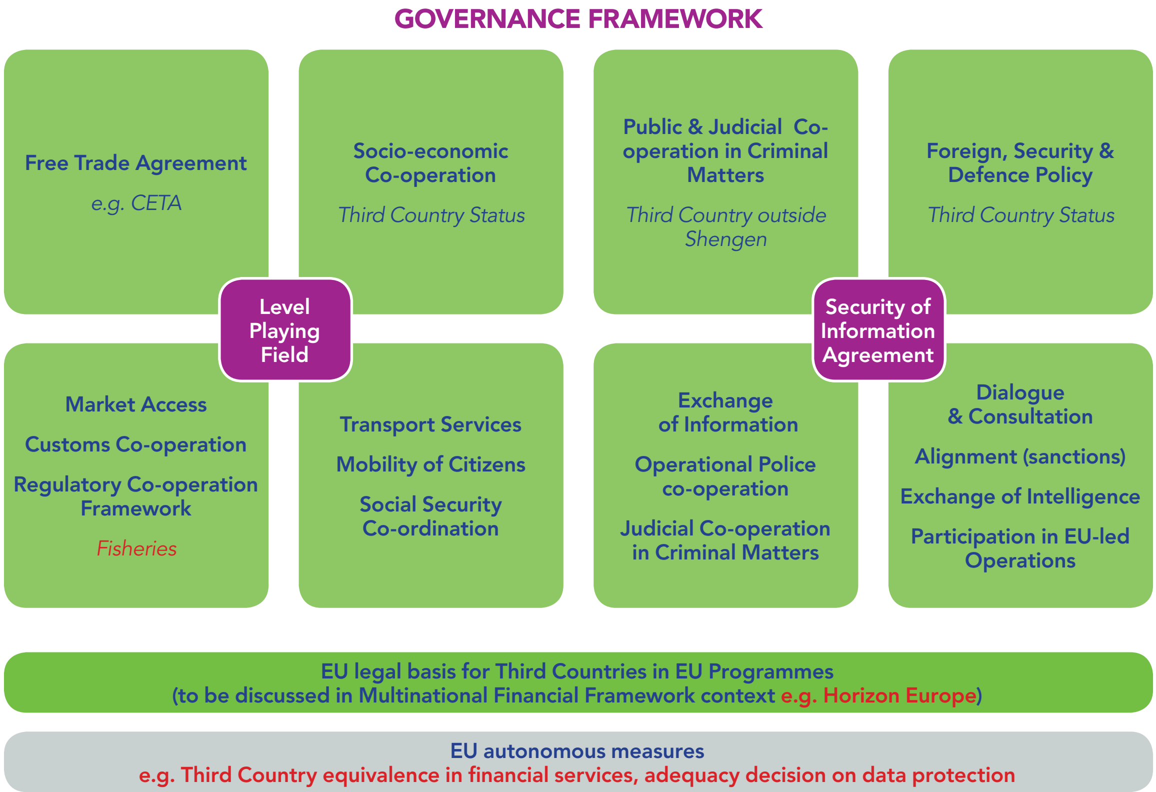
Nevertheless, on the basis of available evidence it has been possible to make some tentative forecasts. It should be noted that the data for the West Midlands are nominal, but the figures above have been deflated using an estimated national deflator. If there is a transitional arrangement (1), then it is anticipated that the current growth trajectory will be preserved until 2020. If, however, the current negotiation path still seems intractable by 2021, it is envisaged some deterioration in medium term performance will take place, and a rise in inflation, most likely due to currency pressures. An Ad Hoc interim outturn (2) where trading terms are forced by physical events, rather than negotiations, could cause serious disruption in the second and third quarters of 2019. This would most likely include substantial inflationary pressures, with some recovery in growth, but below trend, in 2020. Going forward after 2021, after some expected economic and policy adjustment, growth is forecast to be still below previously anticipated growth prospects, with inflation remaining elevated. Reversion to WTO trading status (3), is likely to have a large impact, not only on contemporaneous economic activity, but also future investment flows and levels of job creation, and a consequent sharp uptick in inflation as Moody's warn that a lower pound would lead to higher inflation and a squeeze on real wages. Optimistically, it would take 2-3 years for the economy to adjust to a WTO context, but again with slightly weaker growth than could currently be achieved and inflation remaining above previous trends.

Given the timeframes currently involved in the Brexit process, this could create difficulties in having the infrastructure required for WTO trading regime in place by March 2019. Moreover, some 20 countries, including USA, China, Australia and New Zealand, have rejected the initial schedules proposed by the UK and the EU meaning that the UK's accession to the WTO will likely involve a lengthy negotiation process. In this context, it seems increasingly unlikely that the UK will be able to adopt WTO status in time for March 2019. This could lead to a fourth potential outcome, a unilateral trading position (4) where the UK leaves the EU and has no other trading regime to fall back on. This would obviously be a significant negative shock to the economy, with the possibility of a recession in 2019 as well as high inflation from currency pressures. The economy would take a significant amount of time to recover from this shock, as the UK would need to determine its status in the short term, in order to allow trade to continue, as well as negotiate its membership of the WTO in the longer term.

These forecasts are based with the significant caveat that the British government does not pursue accommodative policies and local government is constrained in its ability to facilitate a positive response.

The parameters of the final trade settlement between the EU and Britain will obviously have an impact on Birmingham and the wider region, both in terms of domestic funding and policies as well as how the region sustains economic ties internationally and with the EU. Furthermore, how Central Government proposes to develop economic and trading ties with Non-EU economies will impact on future growth prospects for the region. Undoubtedly, more constrained access to the region's single largest export market will compress these growth prospects; however, whether this leads to an actual contraction of performance will be heavily dependent on what policy responses can be and are adopted locally. An increase in demand for local authority services, coupled with the loss of a significant source of funding could lead to considerable pressure being placed on local government. Most immediately, these trade negotiations are obviously a discussion within which Birmingham and the region needs to articulate its aspirations.

EU-Britain Possible Framework for Future Partnership Discussions



Source: EU & WMEF

If indeed Withdrawal phase of negotiations do conclude amicably and an orderly Brexit is achieved, the European Commission has already mapped out a proposed framework for Future Partnership Discussions and this effectively provides a roadmap for future local government interventions to influence the expected further negotiations.

4. The Brexit Context

The EU reaction to the June 2016 British Referendum result has remained consistent since the immediate hours after the result was declared through to the content of the November 2018 Mutual Understanding document. This EU negotiating stance had been best summed up by President Macron, quoted in the FT, as "Brexit shows us one thing: it's not easy to leave the EU, it is not without cost, it is not without consequence". Some of the key consequences apparent from the negotiating process is that, for the European Commission at least, that leaving the EU means leaving its constituent institutional frameworks, most notably leaving both the Single Market and the Customs Union. However, such a rupture could be offset by the more qualified membership of the EEA or EFTA. Above all, collectively the EU-27 are concerned that if there are no adverse consequences from leaving the bloc, then its longer-term viability will be seriously jeopardised.

In contrast, the British position would appear to be a member currently enjoying a range of opt-outs, such as from the Euro, Schengen and the Charter of Fundamental Rights, wanting to become a non-member but with a series of significant opt-ins, namely preferential access to the Single Market, the Customs Union and the Erasmus Programme.

Despite the seeming incompatibility of these positions, progress has reportedly been made on a number of issues since Article 50 was triggered with the publication of the draft Withdrawal Agreement, the so-called Mutual Understanding published in November 2018. Although, under the original formal negotiating schedule agreed once Article 50 was triggered, the timeline for concluding the negotiations has expired in October 2018, now the period between November 2018 and March 2019 will be used to secure respective member ratifications, thereby enabling an orderly Brexit. Nevertheless, at this extremely late stage, less than five months before Britain is actually scheduled to leave on March 29th, it still remains unclear what the final form of this exit will take. EU-27 members are continuing to prepare the ground to introduce emergency measures to accommodate the severe disruption anticipated should no final agreement be reached.

At this stage there remain a number of probable outcomes for what form the Future Relationship could take, after the 29th March 2019 exit, based on the parameters established under the Mutual Understanding agreement:

- a settled agreement, such as temporary reversion to European Economic Area status;
- an as yet undefined transition programme;
- adoption of a WTO-based trading regime;
- without an actual deal, and with no recourse to other trading regimes;
- unanimous agreement to an extension of the Article 50 process, pending a Second Referendum of the decision to leave;
- UK application to re-join EU via Article 49, after March 29th exit.

In consideration of the most appropriate of these options, a number of factors have had to be considered, requiring concessions from both sides.

Firstly, membership of the Single Market is based on acceptance of the so-called "Four Freedoms", namely freedom of movement for capital, goods, services and labour. These are defined in the Treaty of Lisbon, which superseded the founding Treaty of Rome, a key difference between them, is that the former details the free movement of labour, whereas the latter talked of the free movement of people. Although various EU members adopt distinctive and more restrictive labour market policies, the EU insistence that Britain, which currently operates one of the most open labour market policies, fully accepts the free movement of labour is critical if it is to have unfettered access to the Single Market. The attitude of the British government seems to suggest that immigration is assumed to have been a key factor precipitating the vote to leave.

A European Parliament study 'Future relations between the UK and the EU: options after Brexit' finds that there are only two possible outcomes for the future trading environment which preserve the integrity of the Single Market. These are continued membership of the Single Market through the EEA or another similar organisation, or a customs union/FTA which abandons the continued integration of the UK and EU markets.

Secondly, a major stumbling block is the status of the United Kingdom-Republic of Ireland border. The 1998 Good Friday Agreement, which brought a seemingly fragile form of resolution to the long-running "Troubles" in Northern Ireland, was achieved in part because of the respective memberships by the Republic of Ireland and the United Kingdom of the Single Market, established in 1993. Although the current border takes a number of forms (legal, economic, veterinary and fiscal), membership of the Single Market ensures that a physical customs border, with all the associated paraphernalia, is not required. Britain and Ireland remain close culturally, with the number of British citizens claiming Irish passports since the Brexit referendum reportedly up 50%, and many Irish citizens and their descendants living in the West Midlands.

It is feared that physical customs checkpoints threaten to unravel the Good Friday Agreement and undermine current social stability. The range of options being considered for the trilateral (the United Kingdom, Republic of Ireland and EU) treatment of the province of Northern Ireland would appear to dilute the principle of territorial inviolability upon which the EU is founded due to the "backstop" idea, where Northern Ireland would effectively remain part of the Customs Union and the Single Market if no alternative solution could be found to avoid a hard border between Northern Ireland and the Republic. This proposal would seem to be difficult for any sovereign state to countenance, let alone the UK given its historic baggage accumulated as a result of its creation.

The exit of the EU would necessarily seem to involve the repatriation of a range of powers and responsibilities that were accumulated by the EU, and its predecessors: the European Economic Community, the European Coal and Steel Community and EURATOM, over the past forty-plus years of Britain's membership. Indeed, membership of the EU was the context within which the devolution settlement was arrived at for Scotland and Wales, brought into the long-standing arrangements for Northern Ireland and, to some extent, shaped the arrangements for the Government of London. As a result, some of the responsibilities being repatriated to the United Kingdom are in part already decentralised to these devolved entities and the process by which Whitehall will undertake full repatriation is already subject to contentious debate.

Similarly, after a decade-long period of fiscal retrenchment, English local government entities have benefited from, and indeed become heavily dependent on, EU-derived fiscal support programmes. These are largely but not exclusively part of the European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes. The devolved governments have also benefitted heavily from these programmes.

As a result, regardless of how Britain finally leaves, the impetus for reform seems to be present and growing. Given the constitutional and fiscal impact of leaving the EU, and how deeply embedded this relationship has become, there it would seem opportunities to forge a new government settlement for the United Kingdom, and the English regions in particular.

Additionally, universities and other academic institutions have had recourse to EU funding programmes, which has provided substantial support to research capacity as part of Europe-wide (including EEA entities) collaborative programmes.

Until Brexit is finally achieved it will not be apparent whether these current levels of funding (estimated to be £4.5bln in 2016) will or can be sustained by the British Treasury, although recent government documents pledge to continue EU funding, at least partially. To some degree, this stems from the fact that calculating the British budget contribution is distorted by the abatement (sometimes referred to as a rebate). The calculated level of GDP also determines Britain's contribution in the EU budget cycles and levels of recipient allocation (losing the GDP link could result in real terms reductions over future programme periods). Furthermore, there has been some concern over the methodology by which HM Treasury administers EU funding which has drawn past criticism from the European Commission.

Attention has also, understandably, focussed on the scale of the potentially detrimental impact of more constrained access to both the EU and the Customs Union, as a result of Brexit, on both exports and imports. Britain's trade profile lags behind almost all other member states in terms of its proportionate integration with other EU members, for instance Britain and Malta are the only EU member states that trade more with Non-EU economies than with fellow EU members. This is obviously partly a reflection of the continental geographic location of many members.

It seems imperative that the expected new trading environment is effectively exploited, firstly, to offset any diminution of trade to Europe, and secondly provide fresh opportunities for British trading. Until these new volumes of trade flows emerge in the post-Brexit environment, it will not be the negotiation of bilateral Free Trade Agreements that stimulate these flows, rather it will be the provision of necessary international and domestic connectivity that will provide the framework to facilitate export growth. This facilitation must necessarily include more assertive trade policy officers coupled with sufficient infrastructure to support their activity alongside that of exporters. Indeed, the British Foreign Policy Group has indicated in their paper 'The Price of Freedom' that the costs of international engagement, in its broadest definition but including trading relations, will have to be substantially increased to meet post-Brexit aspirations. With London, Scotland, Wales and Northern Ireland already articulating assertive international engagement strategies, consideration needs to be given as to how the international aspirations of Birmingham and the wider region are formally accommodated.

It has been argued that Britain's membership of the EU has enabled it to become the largest recipient of FDI within the EU, largely attributed to Britain being able to act as a gateway to the EU. This role has also been aided by some other EU members, notably Germany, adopting more restrictive, less accommodative, policies toward FDI. Whilst future FDI flows will be largely determined by corporate, and essentially transnational institutional sentiment toward investment destinations and hence difficult to forecast, it would seem obvious that the parameters determining these decisions will shift. Furthermore, these anticipated changes will have an impact on the current principal sources of British FDI, such as Japan. There are already indications that, combined with projected developments of the technological basis of the global economy, a major reassessment of the structure of FDI by the originators is already underway. It is not merely the context for FDI that is changing, but the global economic environment.

Trade tensions between the United States and China, the EU and Canada, as well as with a number of Emerging Markets, have been escalating over the course of the year with tariffs and counter-tariffs being respectively proposed and imposed. Of more serious concern for Britain's apparent aspirations has been the erosion of the effectiveness of the WTO by the United States. According to a recent paper by the Peterson Institute for International Economics 'The dispute Settlement Crisis in the WTO: Causes and Cures', this is not simply yet a further novel initiative on the part of President Trump, but more an extension of previous administrations voiced concerns regarding the WTO assumption of legislative functions that the Americans consider beyond its remit. This has led to the United States effectively delaying judicial appointments to the WTO appellate body and as a result it could soon be rendered inquorate and unable to adjudicate on trade disputes. Thus, by the time Britain leaves the EU, the WTO option may prove to be valueless, and with President Trump intensifying his anti-WTO rhetoric, there are considerable doubts that it will be able to survive as an effective trade arbiter. Accordingly, as Britain develops its post-Brexit trading relations, rather than an environment within which multinational trade arrangements are the norm, bilateral ties between nation-states could become much more significant.

It is in this context that the British Government is negotiating the UK's exit from the EU. Previously, in the White Paper 'The Future Relationship Between the United Kingdom and the European Union' (otherwise known as the Chequers Proposal), the Government set out its aims for Brexit, including the formation of a free trade area for goods as well as the UK following a common rulebook. This arrangement would, in theory, continue to enable the free movement of goods across borders with no need for customs checks. However, this would not cover services, an important component of the British economy, and increasingly important in the production sectors that the arrangement seeks to protect. In fact, 15.2% of Great Britain's services exports to the EU came from production industries in 2015 – but this was higher in the West Midlands at 39.9%.

In contrast to the British pre-occupation with Brexit, recent events in the EU and reporting in the media would suggest that Brexit is lower down the list of priorities for the EU than some other issues. The argument, often presented by those from the Brexiteer camp, that the UK will receive a favourable deal as it runs a trade deficit with the EU is at odds with some research in that area. Chen et al find that the UK is 4.6 times more exposed to risks from Brexit than regions in the remainder EU. In the EU, they identify Irish regions as the most exposed, although the levels of this exposure are comparable to the least exposed areas of the UK (London and parts of Scotland), followed by North-West Europe, especially Germany.

Nevertheless, there would appear to be some support from EU countries for the UK: in Aston Centre for Europe's paper 'Brexit, Post-Brexit Europe and the V4', it is argued that the Visegrad Four countries (namely Czechia, Hungary, Poland and Slovakia) have an interest in maintaining security ties with the UK, as well as citizens' rights for the many of their citizens currently resident in the UK. The question of the Irish Border, a contentious issue in the Brexit negotiations, is also of issue to these countries, many of whom have outside borders with Non-EU countries.

In his paper 'The Left and Brexit: facing up to the realities of an interdependent world', Jon Bloomfield argues that there are four possible options after Brexit; the hard right's preferred option of a lightly regulated tax haven with a new subordinate relationship with the USA, redoing the Brexit referendum, the nationalist left's go-it-alone Keynesian socialism or a soft Brexit. He argues, from a left-wing perspective, that the last of these options is the best outcome for the UK, including tariff-free seamless trade and application of the EU rule on migrants being sent home if they are not in work or financially independent after three months. A policy that ironically would seem consistent with the Treaty of Lisbon and the stipulation for the free movement of labour – something that a British government could have possibly implemented years ago.

Moreover, the ratings agency Fitch has recently announced that it is increasing its expectations of a disorderly Brexit. This came as the government releases its 84 papers on the sectoral impacts of a No Deal Brexit.

5. Executive Summary

This study commissioned by Birmingham City Council's Brexit Commission is intended to map the range of the currently available research on the potential impact on the region, rather than initiate new analysis. Moreover, whilst the report is intended to be as comprehensive as practically feasible, it is not intended, even where this is practicable given the current state of negotiations, to provide a definitive assessment of the final overall impact. Rather it is designed to provide an accessible route to understanding the complexities of the Brexit process.

Moreover, the purpose of this report is not to make a judgement on the efficacy of the Referendum result to leave the EU. Rather it is an attempt to provide an informed insight into the likely outcome of the negotiations between the respective EU and British representatives and the conceivable, potential range of impacts on the region. The paper draws on the publicly available information, primarily regionally but also nationally and internationally, on the forecast impacts of Brexit, both positive and negative, and these are included in the bibliography within the report.

The research (which is detailed in an accompanying paper entitled The Research Findings) focussed on five key impact areas; on the basis of this research and findings, the Brexit Commission has identified the likely areas of concern, which are listed below.

Trade	
1. Trade	The impact of the conclusion to the Brexit process, notably customs arrangements, tariffs, regulation, freight and borders, on the regional economy, particularly advanced manufacturing given its high servitisation component.
2. Infrastructure & Investment	The impact of Brexit on continued investment into transport infrastructure, broadband, housing and business investment, given the need to sustain international competitiveness.
3. Just in Time Impacts	Implications may lead to the need to stockpile goods such as food and medicines, and issues of where these will be stored. Further implications for energy. The impact on current supply chains and the impact of longer lead times, for example in the manufacturing sector.
Jobs	
4. Key Employment Sectors	Key sectors which are particularly vulnerable to Brexit, including automotive plus those in the wider supply chain. Health and social care are also sectors of concern, with 1 in 10 social care nurses being EU nationals, as well as the broader impact of a general economic downturn/compression in growth. The ability to identify those sectors which are most at risk.
5. Productivity and Skills	The recruitment and retention of skills, especially maintaining access to technical, proficient labour, such as currently provided by EU nationals and addressing skills shortages
Business	
6. Business Adaptability	The preparedness of business to deal with the Brexit outcome (especially SMEs which make up 99% of enterprises in the WMCA) notably the need to increase awareness of the new conditionalities of trading with Europe, potentially under WTO auspices.

Funding	
7. EU Funding	Birmingham alone has benefitted from over £1billion in EU funding and the loss of this resource will have an impact on key priorities for local government such as jobs and skills and inclusive growth. The New UK Shared Prosperity Fund is critical to filling this funding gap.
Public Sector	
8. Fiscal, Financial & Economic	The potential, up to 13%, compression on the regional economy from Brexit, possibly leading to an increase in pressure on LA services. The impact of volatile interest rates and markets and their impact on servicing debts.
9. Security	Need to increase awareness of adherence to international treaty obligations and trading regime requirements to ensure compliance.
10. Data Sharing	The impact of Brexit on current collaborative arrangements between EU and regional institutions on knowledge transfer and data sharing platforms. This may have implications for issues such as counter-terrorism, but also industries such as medicines and healthcare.
11. Public Services	EU funding, trading standards, environment & health regulations, procurement, workforce issues and resilience.

5.1 Trade

Some 40% of regional merchandise exports are to EU destinations, principally Germany, France, the Netherlands (notwithstanding the Rotterdam effect) and the Republic of Ireland. As these West Midlands exports to the EU are equivalent to over 10% of regional GVA, the terms and structure of the final Brexit agreement will have a significant impact on the region. Moreover, in terms of regional industry specialisation, close to a third of manufacturing output is calculated to be vulnerable to Brexit. The West Midlands flagship sector, the automotive sector, is of particular concern with only an estimated 40% of components sourced locally and therefore would appear particularly exposed to supply interruptions or delays given their reliance on just-in-time delivery systems. Similarly, the aerospace sector and precision components production are heavily integrated into EU rapid delivery value-added supply-chains.

Furthermore, as Manufacturing 4.0 continues to be progressively rolled out across the region, it is increasingly no longer tenable to treat manufacturing and many services sector enterprises as distinct and separate. The increasing symbiosis between these sectors, and the expanding scale of the services inputs into advanced manufacturing products, ensures that any future trade negotiations must recognise this development. West Midlands manufactured exports have amongst the greatest proportion of services sector inputs.

Birmingham Export Position (2016)

	World	UK	West Midlands	Birmingham
Value of EU Exports (£m)	3,414,200	139,975	12,871	1,657
EU Exports % of GVA		8.01	10.17	6.44
% of Total EU Imports	100.00	4.10	0.38	0.05
Value of Non-EU Exports		147,905	16,862	2,489
Non-EU Exports % of GVA		8.46	13.32	9.68

Source: UNCTAD, HMRC, OECD & WMEF

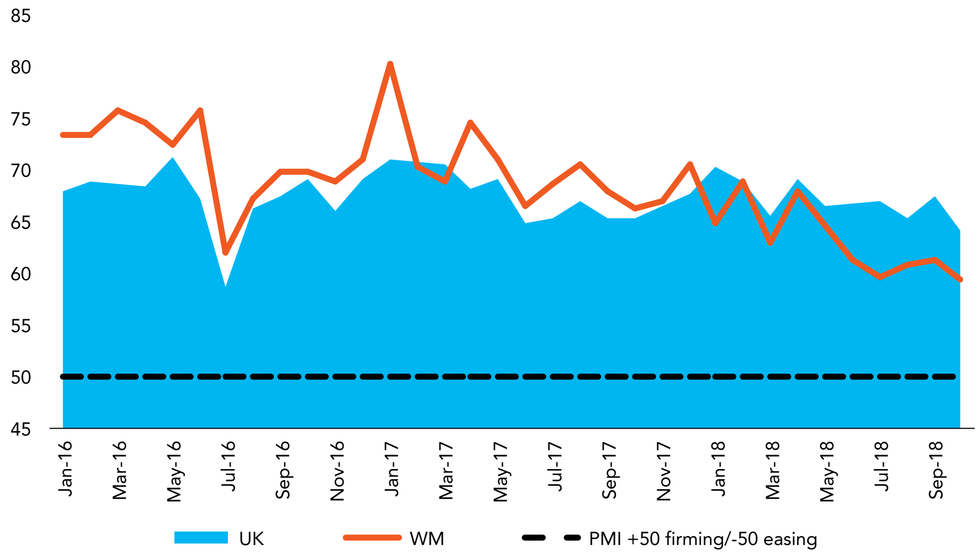
Regardless of the Brexit option pursued, geography will ensure that the EU will remain a key market for Birmingham and the wider region. Enhancing the connectivity to this market, through improvements in regional infrastructure provision should be part of any effort to mitigate the negative impacts of leaving the EU. This could include improving direct access via air, road, rail and sea as well as boosting internet capacity and provision. Indeed, the actual depth of the current relationship is certainly much deeper than the gross trade data indicates, and critical is the exposure of intensely integrated EU-wide supply-chains to Brexit. These EU supply-chains, however, extend beyond the borders of the Single Market and of the Customs Union, encompassing many manufacturers and service providers located in economies without formal trade agreements in place and operating under WTO rules. These supply-chains are not simply the progressive assemblage of products but incorporate associated services sector deliveries, such as design and software provision. Until a trade agreement is in place, the resilience of these supply-chains will be severely tested when, and if, WTO-style tariffs and rules of origin are rapidly and rigorously applied. In the interim it seems more probable that a transition period will be agreed until the end of 2020.

Having a formal input into future trade negotiations will be essential if regional institutions are to provide effective support to the local economy. Furthermore, regional comprehension of the implication of future trade agreements, and the necessary requirements to observe any new arrangements, such as documentation, certification, rules of origin and tax procedures, will be essential to fill current business information gaps. Consideration of free trade zones to support export capacity, whilst dynamic engagement with regional export markets will need to be deepened and expanded, such as the active engagement programme proposed with the Free State of Saxony (see detailed exposition in the Research Findings). With some 60% of regional exports currently to Non-EU destinations, the West Midlands already has a proven track record in succeeding in exporting on WTO and Non-FTA terms.

5.2 Business

Regional business confidence on future prospects has, until recently, held up relatively strongly, despite the continued ambiguity surrounding the final Brexit proposals. However, as the potential for a Brexit without an agreement has increased, this confidence has been eroded. Restoring such confidence will require demonstration by regional institutions that there is a credible strategy to address both the opportunities and risks that arise from any exit from the EU locally. Key to this will be the articulation of a regional focus to the National Industry Strategy. Paradoxically, if Brexit does not include continued membership of the Single Market, this may permit a more activist role to be pursued by public sector institutions and programmes in a less restrictive environment for state aid.

West Midlands Future Business Activity



Source: NatWest Regional PMI & WMEF

In contrast to the small state advocated by many of the leading Brexiteers, with over 98% of the 213,455 businesses regionally employing less than 50 staff, they may not have the capacity to deal effectively with complexities of the post-Brexit environment and require official assistance, putting additional pressure on public services.

Although Brexit may be a significant short-term concern, anecdotal evidence suggests that the longer-term primary constraint on business activity continues to be inadequate connectivity infrastructure, both domestic and international. Developing an internationally competitive infrastructure will not only boost economic potential, over the medium-to-longer-term, but, given the structure of many manufacturing processes spread over a number of units separated geographically, could facilitate productivity gains.

While the sensitivity of the WMCA economy has been calculated to be 12.2% exposed to Brexit in GDP terms (the same level as the UK overall), this most probably understates the overall dependency. The erosion of the relationship is unlikely to be total, although it will be significant and contribute to some compression of output growth. By some of the most pessimistic estimates currently available, from HM Treasury, probably close to 1% per annum over a 15-year period. However, specific businesses are likely to suffer disproportionately and a response mechanism will need to be developed to deal with these, which the region has unfortunately, but nevertheless successful, experience of such interventions. More pessimistically, the prospect of leaving the EU without any agreement in place raises the potential of a sudden and severe shock to growth prospects which is difficult to quantify. Given the past history of EU summits and negotiating processes, it is possible that a last-minute deal will avoid such an outcome, however such brinkmanship will do nothing to assuage business concerns. It also seems likely that the EU will itself resort to emergency action to permit continued economic relations, whilst any impasse is resolved.

The region, and indeed Birmingham, has been very successful in attracting inward foreign direct investment (FDI) over the past decade, and its growth model is based on continuing to attract such flows. Brexit will change the value proposition of the WMCA. However, it is not just Brexit that will influence future FDI inward flows but the future structure of the global economy. With the increasing technological sophistication of the economy likely to alter investment objectives, the region needs to be sufficiently agile to respond to the new requirements. In terms of Greenfield FDI the region has been identified as one of the strongest performers in western Europe over the five-year period ending in 2016.

Location of Greenfield Manufacturing FDI

Top 10 Western Europe States for Manufacturing								January 2012-December 2016
By Job Creation			By Capital Investment			By Project Numbers		
Rank	State	Country	Rank	State	Country	Rank	State	Country
1	West Midlands	UK	1	Catalonia	Spain	1	Vlaams Gewest	Belgium
2	Catalonia	Spain	2	Vlaams Gewest	Belgium	2	Catalonia	Spain
3	Scotland	Scotland	3	West Midlands	UK	3	Scotland	UK
4	Baden-Wurttemburg	Germany	4	Scotland	UK	4=	Baden-Wurttemburg	Germany
5	Vlaams Gewest	Belgium	5	Baden-Wurttemburg	Germany	4=	West Midlands	UK
6	North West	UK	6	Nordrhein-Westfalen	Germany	6	Nordrhein-Westfalen	Germany
7	North East	UK	7	West-Nederland	Netherlands	7	Bassin Parisian	France
8	South East	UK	8	North West	UK	8	Quest	France
9	Sudodterreich	Austria	9	Castilla y Leon	Spain	9	Est	France
10	Est	France	10	Est	France	10=	North East	UK
						10=	Sachsen-Anhalt	Germany

Top 10 Western Europe Cities for Manufacturing								January 2012-December 2016
By Job Creation			By Capital Investment			By Project Numbers		
Rank	State	Country	Rank	State	Country	Rank	State	Country
1	Wolverhampton	UK	1	Martorell	Spain	1	Antwerp	Belgium
2	Graz	Austria	2	Antwerp	Belgium	2	Barcelona	Spain
3	Barcelona	Spain	3	Vigo	Spain	3	Coventry	UK
4	Solihull	UK	4	Rotterdam	Netherlands	4=	Madrid	Spain
5	Vigo	Spain	5	Dublin	Ireland	4=	Rotterdam	Netherlands
6	Coventry	UK	6	Valladolid	Spain	6	Dunkirk	France
7	Birmingham	UK	7	Luterbach	Switzerland	7	Ghent	Belgium
8	Sunderland	UK	8	Madrid	Spain	8	Sunderland	UK
9	Swindon	UK	9	Solihull	UK	9	Berlin	Germany
10	Valladolid	Spain	10	Sunderland	UK	10=	Dublin	Ireland
						10=	Livingston	UK

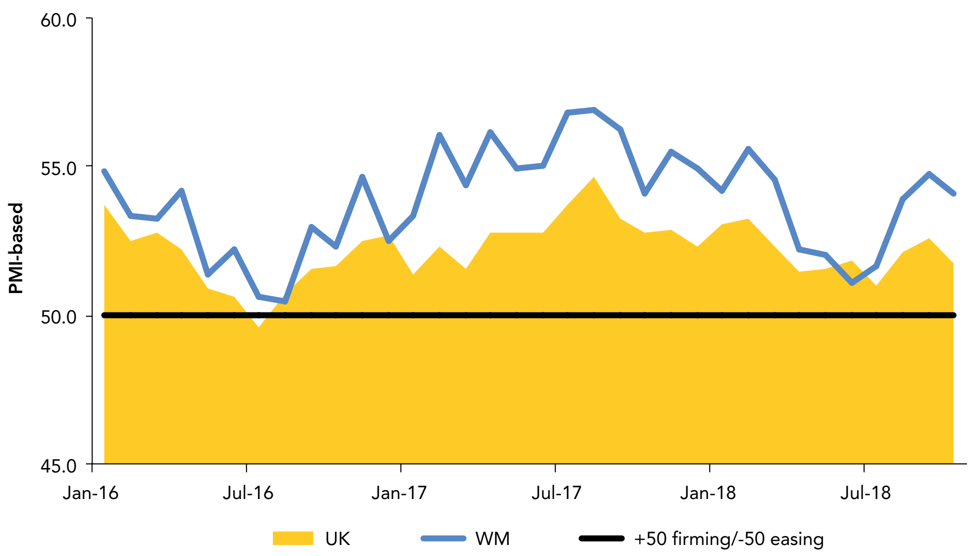
Source: fDi Markets & WMEF

The deepening of the relationship between business and academia has continued apace, with regional institutions particularly successful. EU collaborative funding flows for academic institutions, such as Horizon 2020 which was worth €4.98bln to the UK in 2015, has provided crucial support for the links with businesses. There needs to be an urgent response to secure future equivalent funding after 2019 and facilitate continued participation by City institutions in EU research programmes.

5.3 Jobs

It is not clear what migration policy will be developed post Brexit to deal with potential labour market demand, given the tightness of current conditions. The government appears to have assumed that Brexit was in part a collective response to perceived levels of immigration. Although this is cited as a factor by many commentators, the evidence is not convincing, with other factors, such as cutbacks in local government frontline services and compressed real wages perhaps as significant a factor. The Institute for New Economic Thinking suggests that the areas hardest hit by welfare reforms and austerity were more likely to support UKIP and vote for Brexit than other areas. Moreover, different British regions have different labour demands, and this will also need to be addressed both in terms of domestic policy responses as well as how to meet any supply constraints through migration programmes.

Employment Demand



Source: NatWest Regional PMI & WMEF

The formal regional labour market is close to historic employment highs, with over 60% of the 16-64 age cohort in employment. However there remain pockets of endemic long-term under-employment and unemployment, with registered unemployment at 7.1% in the WMCA – the highest of all the UK combined authorities. Nevertheless, labour market conditions can be expected to remain tight, provided growth momentum is sustained. As a result, there are reported major skills shortages in key high value-added sectors. In part, this can be attributed to the comparatively low skills levels in the WMCA economy compared to the wider region and the UK as a whole. Although it should be noted that the workforce is the most skilled it has ever been, the percentage of 16-64-year-olds with no formal qualifications is 13.1% in the WMCA, compared to 10.4% in the West Midlands and 7.7% in the UK overall. This highlights the need for local skills strategies to tackle structural issues within regional and local economies, especially with regard to the Shared Prosperity Fund.

Much of the workforce is, however, located in low-paid, low-value-creation sectors, increasingly staffed by people on temporary and zero-hour-contracts. A skills strategy needs to be sufficiently adroit to accommodate these aspects, with simple supply-side solutions unlikely to be sufficient.

Given the tightness of the labour market, demand for skilled migrant staff will remain robust for the foreseeable future, indeed, as can be seen from recent PMI data, it has remained robust in the region despite the headwinds from Brexit. The skills strategy adopted by government, and critically devolved to local government and/or the English regions, Brexit also needs to understand the nuances of different types of workers and people coming to the UK. Sectors in the West Midlands where a significant number of EU nationals make up the workforce, such as health and social care where 4.2% workers are from the EU, rising to 10% of registered nurses, will also come under considerable strain. As another example, an EU-based HGV driver may come to the UK for 24-36 hours at a time, bringing in goods and components and taking out exports, but returning as many as twenty or thirty times a year. With 87.4% of powered goods vehicles crossing the UK border being registered in the EU, visa restrictions to these workers after Brexit could pose considerable strain on the region's exporting capacity. Similar problems could apply to seasonal workers, for example those in the agricultural and tourism sectors or other areas such as the annual German Market. These are highlighted in the case studies on Birmingham Wholesale Markets and health & social care in the region.

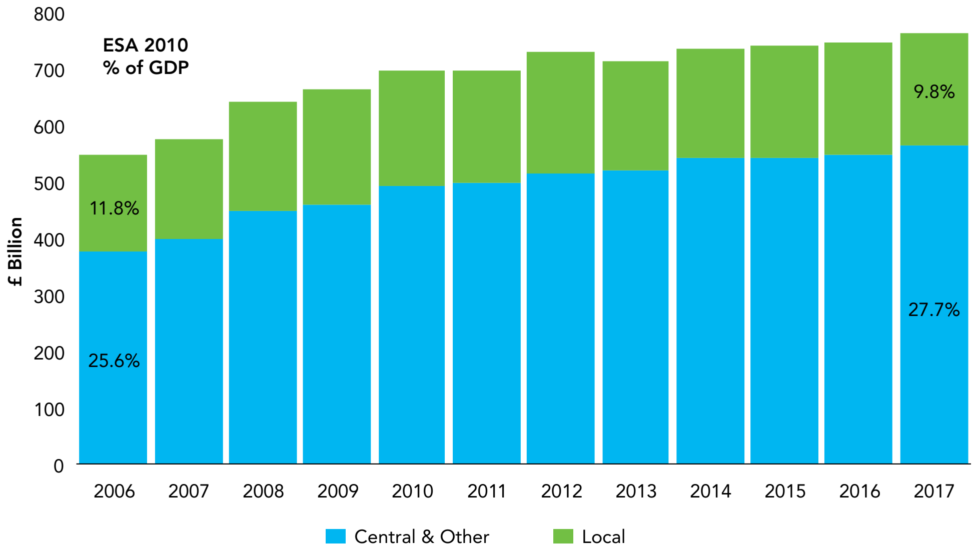
The strategy adopted by government should therefore consider the different needs of industries, sectors and regions within the UK, with a more nuanced, and possibly devolved, visa process introduced.

5.4 Future funding

The loss of access to EU funding flows by 2020 at the latest, is simply yet a further damaging contraction of the local government resource base, particularly in the sectors which rely heavily on this funding, such as employment and skills. It is estimated that Birmingham alone has benefitted from over £1 billion in EU funding. Overall, the LGA has identified a potential €10.5 billion (£8.4 billion) UK-wide funding gap for local government that would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU regional aid was in place.

Notwithstanding the increased moves by central government to decentralise policy and responsibility, with some key success in the devolution agenda, as reflected in the creation of the WMCA, the corresponding provision of funding has been piecemeal. A comprehensive review of the funding for English local government is urgently required, with the excessive concentration of revenue powers at a central level one of the highest globally. The highly centralised nature of the British government could also lead to a diminution of the voice of British regions and cities on a European and global stage. Instead of being able to secure funding and lobbying power on a European stage, these regional bodies will now have to communicate their needs through Whitehall and central government.

Aggregate Government Expenditure



Source: ONS & WMEF

EU funding does not just support local government, revenue streams for universities, chambers of commerce and business support projects could potentially lose funding that is allocated on a medium-term basis, and is not subject to changes with the electoral cycle. As an interim measure to offset the impact of losing EU funding, the Core Cities proposals for the Shared Prosperity Fund will need to be adopted in full to avoid a loss of delivery capacity. These are:

- be a multi-year (minimum 7 years), fully devolved funding programme, aligned to each region's strategic economic framework;
- start by 2020/2021 to ensure continuity in activity;
- be a flexible fund which avoids a restrictive siloed approach, funding activities in the fields of innovation, skills, business support, regeneration, and employment support, to fit the needs of each area;
- support the aim to reduce disparities between and within regions; with a shift towards more broadly defined growth benefits (e.g. 'quality GVA');
- be targeted to reflect economic conditions, recognising the latent potential in many currently underperforming areas, and not allocated on a competitive basis;
- have the flexibility to lever in private funds or other public funds where this is suitable or offer a wholly-financed approach where appropriate;
- have the flexibility to fund both revenue and capital projects, or a combination of these;
- increase the accessibility of funds currently restricted by setting arbitrary minimum levels of match;
- have simple, clear and concise guidance that allows projects to be delivered with maximum benefit and not impacted by unnecessary administration duties.

Local authorities have become highly dependant on EU funding streams, for example in areas of skills development and business support, and any loss of these resources will have a detrimental impact on local government services. In this regard, future funding streams made available by central government will be critical.

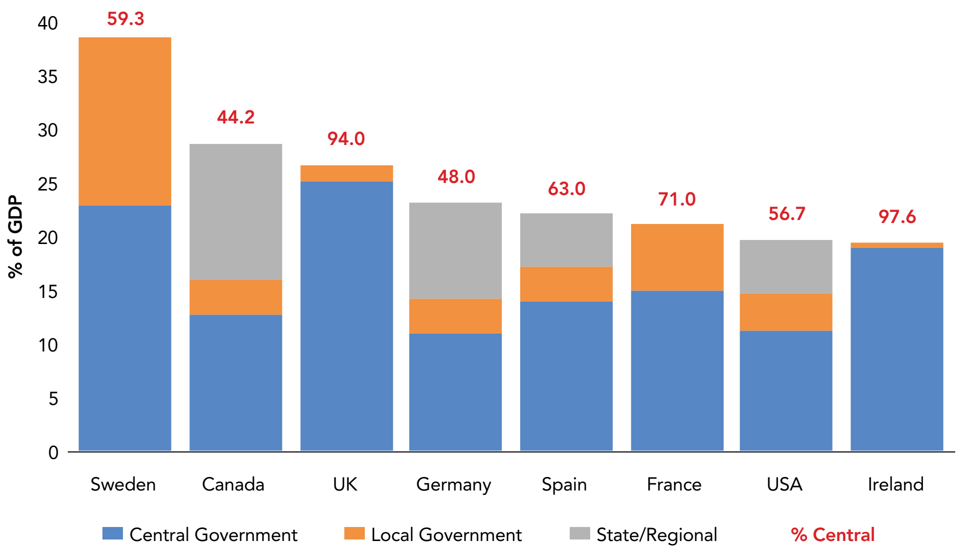
5.5 Public Services

Membership of the EU has had a significant influence on the way public services are delivered. The EU's ambitions for an integrated Europe with a harmonised Single Market have led to a raft of EU legal instruments having relevance on a wide range of areas affecting public service delivery. This comprises trading standards, including health and environmental concerns; regulation and legal issues such as procurement and state aid. A cornerstone of EU citizenship has been the right to freedom of movement across borders within the EU. The workforce has been a net beneficiary of this with many non-UK EU nationals working in critical areas of public service delivery, such as social care and health. Public service delivery also encompasses resilience and security issues, including police and security co-operation, the effect of Brexit upon this is still unclear. In addition, local government has a role in supporting business and responding to economic impacts in our areas, including trade and travel, regulation and potential impacts on infrastructure projects. Furthermore, the EU has developed an extensive regional framework in an attempt to promote growth and expansion across the EU, albeit one that is mediated by differing and distinct approaches adopted by member-states. As a result, EU funding streams, as well as best-practice knowledge diffusion, have been heavily integrated into British local authority strategies. Birmingham alone has been a net benefactor of over £1bn of funding and is currently delivering £103m of EU funded programmes.

Regardless of the final form of disengagement, the net impact on public services, across sectors is expected to be appreciable. Currently many core services such as employment and skills and business support are resourced through EU funding. A withdrawal of this funding would threaten the delivery of such services.

Although not within the purview of this report, perhaps a more fundamental review of both the funding of devolution and of the funding of local government needs to be undertaken, possibly by a Royal Commission. Not only does the current Barnett formula effectively curb English regional capital and current expenditure, but London continues to receive a disproportionate level of public sector provision with some 34% of regional GVA in the capital derived from it. Indeed, the United Kingdom government administration continues to be a grossly over-centralised process, especially when considering revenue harvests compared to comparable economies.

Comparative Government Revenue Structures (2016)



Source: OECD & WMEF

This issue can only really be addressed if there is a real transfer of power and funding resources. Government should use Brexit as an opportunity to shape the future economic and social landscape by accelerating the devolution of powers, funding and responsibilities to the region. By linking devolution to the Industrial Strategy, the region will have an enhanced opportunity to improve skills, boost exports and invest in infrastructure and growth sectors which in turn will provide better jobs, life chances and future prosperity for citizens.

Notwithstanding, the current focus of negotiations on the form of disengagement, access to the Single Market and Customs Union, the overall impact of the public sector, notably in terms of sources for new UK funding streams replacing current EU flows, has yet to be calculated and determined. EU funding does not just support local government; revenue streams for universities, chambers of commerce and business support projects could potentially lose funding that is allocated on a medium-term basis, and is not subject to changes with the electoral cycle.

As an interim measure to offset the impact of losing EU funding, the Core Cities proposals for the Shared Prosperity Fund will need to be adopted in full to avoid a loss of delivery capacity. Thus, both the negative risks and potential opportunities need to be identified. New rules to be introduced regarding the free movement of EU citizens will also have an effect.

In the event that free movement ends, issues to be resolved would include:

- rules around EEA citizens already in the UK;
- the cut-off date(s) which would apply;
- whether there would be a transitional period with more limited immigration: with, therefore, fewer people eligible for housing and related services;
- a plan for the long-term: would the same rules apply to all EU countries or might the future be a number of bespoke agreements?

By 2016 it was estimated that over 200,000 non-British nationals were employed in the health and social care sectors, an increase of almost three-quarters in the period since 2006, according to ONS data. However, both anecdotal evidence from unions, the NHS and social-care provides, as well as data from ONS indicate a significant fall in these numbers, potentially by as much as 40,000, with the bulk of this migrant work force located in London.

In the West Midlands, the most significantly affected part of the social care workforce is registered nurses. Typically, these would be nurses in settings such as older adult nursing homes. The significant figure here is that 10% of the registered nurses in West Midlands care settings are of an EU nationality; far higher than the proportion in any other setting or job role. This could cause great difficulty post-Brexit, particularly against a backdrop of already high vacancy and low staff retention of nursing staff. A further area of concern is that 3.7% of the domiciliary care (home care) workforce is made up of EU nationals, and this accounts for a high number of staff due to the size of the sector. Across the Midlands, there are over 2,000 EU domiciliary care workers providing essential care to people in their own homes.

The impact is indeed, likely to be felt across the public sector. As of June 2018, there were 2,28 million EU nationals employed in Britain, a fall of 86,000 from a year previous and the largest drop since comparable records began in 1997.

The public sector interface with the business community (shared services) is an area of concern, with agreements and operating practices bound up within EU legal frameworks. Until the effective transfer and repatriation of necessary legislative frameworks are undertaken by Britain, shared services are another sector which it still remains problematic to determine. Future taxation variances from EU norms and current British tax concessions continuity could also have a considerable impact. Nevertheless, current business structures, including locations and supply chains, may have to be modified, whilst a combination of uncertainty on future economic trends and access to (migrant) labour could jeopardise business confidence, eroding investment flows. Similarly, a rapid depreciation of Sterling could undermine commercial viability.

A particular area of concern is procurement. Procurement is of critical importance to local authorities as it is one way of building local wealth. The purchasing power in terms of local authorities creating local investment provides additional social value for local citizens, often those who are most vulnerable. The Public Contracts Regulations 2015 governs the way Contracting Authorities procure their services, supplies and works. It is hugely important both for Contracting Authorities and supply markets alike to have clarity regarding what rules will apply, including any transitional arrangements and implications for potential variations in processes. Lack of such clarity could lead to costly delays and challenges that would focus already stretched resources into abortive work.

The continued integrity of environmental directives, largely originated by the EU but administered and implemented by Britain, especially by local governments is essential. It is noteworthy that in internal European Commission discussions, Britain has continually resisted the establishment of binding long-term stringent targets. On recycling, all EU states have a target of recycling 50% of household waste by 2020. The EU is considering imposing recycling targets of 65% by 2030, about which Britain as expressed reservations. In England, recycling has increased from around 10% in 2000 to about 44%. This increase has slowed more recently however, impacted by an unstable waste market. It is anticipated that local authorities will be required to do more, with increased waste separation. The Brexit effect would have little effect in Wales and Scotland as both devolved governments have already set even more challenging targets than the EU ones. In England, however, leaving the EU could mean less stringent targets.

Trading Standards work both as a regulator and as business advisor, and are heavily heavily influenced by harmonised EU wide legislation. There are 250 different pieces of legislation that places a statutory duty on the public services. Trading Standards Officers are authorised to enforce that legislation. However much of the legislation is derived from the EU. The Government has indicated its ambition to maintain 'high regulatory standards'. However, questions remain about how the Government will be able to reciprocate high standards of consumer protection.

In the context of developing local Brexit planning, the lack of clarity and the scale of the task in accommodating necessary changes to local government responsibilities and derogations remain a huge challenge. Notwithstanding this uncertainty, it is vital that local government and its partners do what they can to most effectively prepare for the consequent impacts, whether positive or negative.

Whilst it is appropriate to explore where we can secure benefits and opportunities from Brexit, it is also prudent that we plan for a No-Deal scenario.

6. Basic Data

Economic Output (2016)					
Variable	**Unit**	**Source**	**WMCA**	**West Midlands**	**UK**
GVA	£bln	ONS	61.0	126.6	1,747.6
Annual Growth	%	ONS	3.6	3.9	3.7
GVA per Capita	£	ONS	21,296	21,823	26,621
GVA per Economically Active	£	ONS	48,026	47,108	54,827
Economic Structure:					
Production	%	ONS	24.4	26.1	20.8
Distribution	%	ONS	22.4	24.5	24.5
Services	%	ONS	28.1	26.7	32.8
Societal	%	ONS	25.0	22.7	21.9

Population (2016)					
Variable	**Unit**	**Source**	**WMCA**	**West Midlands**	**UK**
Total Population	No.	ONS	2,897,300	5,860,700	64,169,400
Males	No.	ONS	1,434,500	2,904,300	31,661,600
Females	No.	ONS	1,462,800	2,956,400	32,509,800
Population Aged 16-64	%	ONS	63.1	62.1	62.9
Males	%	ONS	63.7	62.8	63.6
Females	%	ONS	62.5	61.3	62.2

Labour Market (16-64 Population, March 2017)					
Variable	**Unit**	**Source**	**WMCA**	**West Midlands**	**UK**
Economically Active	%	APS	72.3	76.6	78.4
Employees	%	APS	59.2	62.9	64.0
Unemployed	%	APS	7.0	5.0	4.3
Student	%	APS	27.7	23.4	21.6
NVQ4+ (2017)	%	APS	29.6	31.8	38.6
No Qualifications (2017)	%	APS	13.1	10.4	7.7
Jobs Density (2016)	Ratio	ONS	0.76	0.79	0.84

Employment (16+ population, March 2017)					
Variable	**Unit**	**Source**	**WMCA**	**West Midlands**	**UK**
Managers, Directors & Senior	%	APS	9.0	10.4	10.8
Professional	%	APS	17.9	18.1	20.3
Associate Professional & Technical	%	APS	12.6	13.2	14.5
Admin & Secretarial	%	APS	10.4	10.4	10.3
Skilled Trades	%	APS	10.7	11.2	10.2
Caring, Leisure & Other Services	%	APS	9.4	9.3	9.0
Sales & Customer Service	%	APS	7.9	7.1	7.6
Process Plant & Machine Operatives	%	APS	8.8	7.8	6.3
Elementary	%	APS	12.8	12.2	10.5

Businesses (2016)					
Variable	**Unit**	**Source**	**WMCA**	**West Midlands**	**UK**
Enterprises	No.	BASL	88,965	213,455	2,668,805
Micro	%	BASL	88.6	89.1	89.4
Small	%	BASL	9.3	9.0	8.7
Medium	%	BASL	1.7	1.5	1.5
Large	%	BASL	0.4	0.4	0.4

West Midlands Merchandise Trade Performance (2017)

Rank	£m	Exports (£m)	Trade Balance (£m)	% Change 2013-17	% of Total		Trade Penetration
1	USA	5,949.9	4,033	60.9	17.8		0.32
2	China	3,996.3	162	12.5	11.9		0.28
3	***Germany***	3,595.7	-3,290	51.0	10.7		0.39
4	***France***	2,182.1	-106	25.9	6.5		0.45
5	***Ireland***	1,457.6	518	37.6	4.4		2.12
6	***Italy***	1,410.4	-346	72.2	4.2		0.40
7	***Netherlands***	1,317.1	-933	14.6	3.9		0.29
8	***Spain***	956.1	-250	61.1	2.9		0.35
9	***Belgium***	882.6	-881	27.7	2.6		0.28
10	Australia	837.8	702	67.0	2.5	Top 10 = 67.5	0.47
11	Canada	609.7	224	55.5	1.8		0.18
12	South Korea	609.6	325	117.9	1.8		0.16
13	Russia	545.7	265	-35.4	1.6		0.31
14	***Poland***	514.9	-535	87.0	1.5		0.30
15	United Arab Emirates	508.6	371	-6.5	1.5		0.24
16	Japan	483.0	-280	67.9	1.4		0.09
17	***Sweden***	469.1	-353	7.2	1.4		0.39
18	Turkey	446.9	-300	30.6	1.3		0.25
19	India	392.1	-321	20.3	1.2		0.11
20	Switzerland	392.0	53	32.6	1.2	Top 20 = 82.4	0.19
21	***Austria***	355.3	-87	40.6	1.1		0.26
22	Singapore	340.3	196	49.5	1.0		0.14
23	Hong Kong	334.2	-205	34.1	1.0		0.07
24	Saudi Arabia	327.0	280	39.9	1.0		0.35
25	South Africa	281.4	75	-22.6	0.8		0.44
26	***Denmark***	243.4	-84	-2.8	0.7		0.34
27	Norway	220.5	-140	11.5	0.7		0.33
28	***Czechia***	210.8	-502	27.0	0.6		0.17
29	***Hungary***	198.8	-208	109.2	0.6		0.25
30	Brazil	188.4	-3	-44.7	0.6	Top 30 = 90.4	0.16
31	***Finland***	157.8	-85	24.2	0.5		0.29
32	***Romania***	147.5	-288	69.7	0.4		0.22
33	***Portugal***	143.7	-530	31.2	0.4		0.24
34	Kuwait	129.6	95	18.3	0.4		0.50
35	Gibraltar	127.3	127	91.9	0.4		21.85
36	New Zealand	124.4	68	87.2	0.4		0.40
37	Qatar	123.1	101	-8.0	0.4		0.53
38	Mexico	109.5	3	2.3	0.3		0.03
39	***Slovakia***	102.8	-124	82.8	0.3		0.16
40	Israel	96.7	-7	3.5	0.3	Top 40 = 94.2	0.18
41	Taiwan	91.1	-316	76.1	0.3		0.05
42	Thailand	88.0	-232	1.9	0.3		0.05
43	Indonesia	77.3	-4	44.4	0.2		0.06
44	Oman	68.9	61	-2.6	0.2		0.33
45	Malaysia	68.0	-149	-38.5	0.2		0.05
46	Morocco	67.6	-75	17.4	0.2		0.19
47	Chile	66.8	14	9.5	0.2		0.13
48	***Greece***	65.9	26	62.9	0.2		0.15
49	Nigeria	65.5	61	-0.5	0.2		0.19
50	Egypt	63.8	-78	35.2	0.2	Top 50 = 96.4	0.12
51	Ukraine	61.9	48	-38.1	0.2		0.16
52	Iraq	51.2	48	21.2	0.2		0.16
53	***Slovenia***	48.8	12	47.9	0.1		0.17
54	***Bulgaria***	47.2	24	49.9	0.1		0.18
55	Jordan	47.0	43	110.7	0.1		0.30

Rank	£m	Exports (£m)	Trade Balance (£m)	% Change 2013-17	% of Total		Trade Penetration
56	Lebanon	45.7	42	-9.3	0.1		0.31
57	Pakistan	41.2	-40	8.7	0.1		0.09
58	Iceland	40.0	34	253.5	0.1		0.74
59	***Malta***	35.4	26	42.9	0.1		0.79
60	Colombia	35.2	-23	51.6	0.1	Top 60 = 97.7	0.10
61	Ghana	35.0	34	-10.9	0.1		0.36
62	***Cyprus***	34.8	27	-29.6	0.1		0.48
63	Bahrain	33.5	28	1.1	0.1		0.41
64	***Lithuania***	30.9	12	54.3	0.1		0.12
65	Argentina	28.6	-24	19.4	0.1		0.06
66	Vietnam	28.4	-191	123.5	0.1		0.02
67	***Estonia***	28.1	14	-9.4	0.1		0.21
68	Algeria	20.4	10	-74.6	0.1		0.06
69	***Luxembourg***	19.6	-73	-62.7	0.1		0.12
70	Peru	18.9	-7	1.0	0.1	Top 70 = 98.6	0.06
71	Kazakhstan	18.7	15	89.9	0.1		0.08
72	Costa Rica	17.1	-6	23.6	0.1		0.14
73	Georgia	16.6	16	495.8	0.0		0.27
74	Kenya	16.0	-6	-50.2	0.0		0.12
75	***Latvia***	14.0	-15	18.7	0.0		0.11
76	Sri Lanka	12.5	-37	58.9	0.0		0.08
77	Bangladesh	12.1	-200	9.2	0.0		0.03
78	***Croatia***	11.5	-4	61.8	0.0		0.06
79	Ivory Coast	10.1	10	279.5	0.0		0.13
80	Azerbaijan	9.2	9	-64.9	0.0	Top 80 = 99.0	0.13
81	Mauritius	8.8	-4	79.8	0.0		0.22
82	Panama	8.2	6	-39.0	0.0		0.05
83	Guatemala	7.5	1	21.1	0.0		0.05
84	Serbia	7.2	-84	-5.5	0.0		0.04
85	Tanzania	7.0	6	-56.2	0.0		0.09
86	Trinidad and Tobago	6.9	4	-24.8	0.0		0.15
87	Senegal	6.6	1	-49.0	0.0		0.13
88	Ethiopia	6.0	-2	38.6	0.0		0.05
89	Angola	5.0	4	-77.9	0.0		0.03
90	Falkland Islands	4.1	4	-33.0	0.0	Top 90 = 99.2	2.13
91	Ecuador	4.1	-1	-54.3	0.0		0.03
92	Dominican Republic	3.8	-13	-31.6	0.0		0.03
93	Cameroon	3.4	3	-27.4	0.0		0.09
94	Uruguay	3.1	2	-52.5	0.0		0.05
95	Trinidad and Tobago	2.0	2	155.1	0.0		0.15
96	Honduras	1.9	-41	191.1	0.0		0.02
97	Trinidad and Tobago	1.5	-7	-84.3	0.0		0.15
98	Republic of Congo	1.0	1	-26.5	0.0		0.00
99	Venezuela	0.4	-2	-90.6	0.0		0.01
	Total	33,458.3	-3,210.9	31.5	100.0	100.0	0.25

Source: HMRC, UNCTAD, OECD & WMEF

7. Glossary

2011 Census	UK Census undertaken by the ONS in 2011
APPG	All-party parliamentary group
APS	Annual Population Survey
Article 49	Refers to Article 49 of the Treaty of Lisbon which outlines the process by which a nation state can become a member of the EU
Article 50	Refers to Article 50 of the Treaty of Lisbon which outlines the process by which a nation state can leave the EU
Barnett Formula	The mechanism by which funding is allocated to the four constituent nations of the UK
BASL	Business activity size and location
BCU	Birmingham City University
BFPG	British Foreign Policy Group
Brexit	The exit of the UK from the EU
Brexit Referendum	The United Kingdom European Union membership referendum in June 2016
Budget Cycle	The EU multilateral financial framework covering the period 2014-2020 with the new period coming into force in 2021-2027
Business Rates	A tax on non-domestic properties
CBR	Centre for Business Research, Cambridge University
CBS	Centre for Brexit Studies, Birmingham City University
Chequers Agreement	Proposed future relationship between the UK and the EU by the British Government
City REDI	City Region Economic and Development Institute
Core Cities	An advocacy group of 10 key urban areas of the UK excluding London, comprising Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield
Customs Union	The EU Customs Union which means that the 28-member states of the EU, as well as Turkey, Monaco, Guernsey, Isle of Man, Jersey, Akrotiri and Dhekelia, Andorra and San Marino, form a single territory for customs purposes
EC	European Commission
ECJ	Court of Justice of the European Union
Economic Operator	Authorised Economic Operator
EEA	European Economic Area
EFTA	European Free Trade Area
ERDF	European Regional Development Fund
ESF	European Structural Fund
EU	European Union
EUROCITIES	Network of Major European Cities
FDI	Foreign Direct Investment
Fitch	Fitch Ratings
FTA	Free Trade Agreement
FTZ	Free Trade Zone

Future Partnership	The negotiations of the future arrangement between the EU and the UK will begin after the implementations of the Withdrawal Agreement.
GDHI	Gross Domestic Household Income
GDP	Gross Domestic Product
GVA	Gross Value Added
HGV	Heavy Goods Vehicle
HMRC	Her Majesty's Revenue and Customs
Horizon 2020	EU research and innovation funding programme covering 2014-2020
IMF	International Monetary Fund
Intermediate bodies	The Core Cities plus London and Cornwall
Key Cities	A group of mid-sized UK cities, including Coventry and Wolverhampton.
LA	Local Authority
LEP	Local Enterprise Partnership
LGA	Local Government Association
Nomis	ONS Source of Labour Market Statistics
NVQ	National Vocational Qualification
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
ONS	Office for National Statistics
PMI	Purchasing Managers Index, a monthly survey of businesses carried out by IHS Markit, which produces a diffusion index where above 50 signals expansion and below 50 signals contraction.
Single Market	The EU as one territory without any internal borders of obstacles to the free movement of goods, services, capital and labour
The European Council	The European Council of Ministers
Treaty of Lisbon	The Treaty which forms the constitutional basis of the EU, which came into force on 1st December 2009
UNCTAD	United Nations Conference on Trade and Development
US Conference Board	The Conference Board is a global, independent business membership and research association working in the public interest in the USA
West Midlands	West Midlands Region, comprising the WMCA and the counties of Herefordshire, Shropshire, the City of Stoke-on-Trent, the Borough of Telford & Wrekin, Warwickshire, Staffordshire and Worcestershire
WFS	Wirtschaftsförderung Sachsen GmbH, the Saxony Economic Development Corporation
Withdrawal Agreement	The agreement between the EU and the UK on the terms of the UK's exit from the EU, currently encompassed by the Mutual Understanding.
WMCA	West Midlands Combined Authority, Metropolitan Area, full membership of which comprises Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton
WMEF	West Midlands Economic Forum
World Bank	The International Bank for Reconstruction and Development
WTO	World Trade Organisation

8. Full Report Contents

Brexit Commission Membership

1. Birmingham City Council
2. Greater Birmingham Chamber of Commerce
3. West Midlands Combined Authority
4. Aston University
5. Birmingham City University
6. University of Birmingham
7. University of Warwick
8. Black Country Local Enterprise Partnership
9. Coventry and Warwickshire Local Enterprise Partnership
10. Greater Birmingham and Solihull Local Enterprise Partnership
11. Coventry City Council
12. Dudley Metropolitan Borough Council
13. Sandwell Metropolitan Borough Council
14. Solihull Metropolitan Borough Council
15. Walsall Metropolitan Borough Council
16. Wolverhampton Council
17. West Midlands Economic Forum

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Disclaimers

The West Midlands Economic Forum is a neutral, independent forum bringing together representatives of the public, private and voluntary sectors to evaluate real trends in the local economy.

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