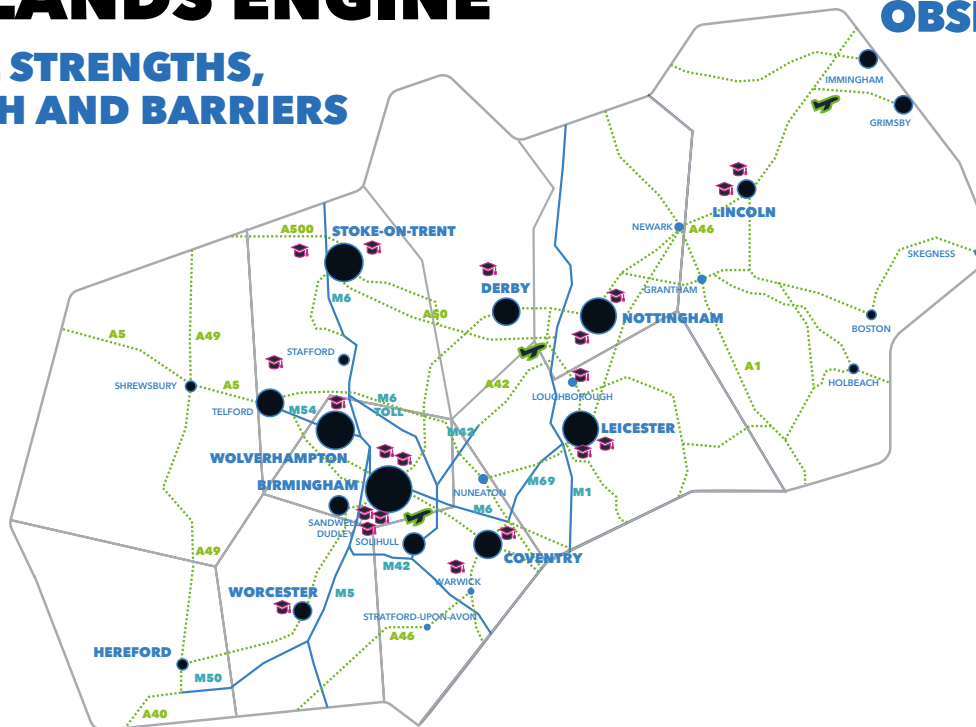


## MIDLANDS ENGINE

DIGITAL STRENGTHS,  
GROWTH AND BARRIERS

## OBSERVATORY

DIGITAL SUCCESS AND  
OPPORTUNITIES

- The Midlands is a **centre of excellence** in digital innovation
- Home to the **UK's first multi-city 5G testbed** and **5G factory trials** and the world's first **5G connected forest** in Nottinghamshire's Sherwood Forest area. Enabling regional 5G **connectivity alone is worth £5bn** to the Midlands economy over the **next 5 years** and a **further £15.9bn** over the **subsequent 5 years**
- Over **20,000 enterprises** employing nearly **129,000** and generating **just over £9.5bn in Gross Value Added (GVA)**
- **Vibrant tech communities** established over the last 10 years
- Clear success in attracting and retaining **large digital economy employers** including **Codemasters** at Leamington Spa, **Fujitsu** (UK headquarters), **BT** (regional HQ), **Capgemini** (UK headquarters), **Ericsson** (5G Centre of Excellence) and **Lombard Risk** (new technology centre)
- **Digital economy is increasingly multi-centred in its distribution.** Strong clusters of digital sector employment in: **gaming** in Leamington Spa and Nuneaton; **health tech** in Nottingham with Imosphere, Pharmaseal, Boditrax; **agri-tech** in Lincolnshire and the Marches; **fintech** in Birmingham; **creative tech** in Leicester with Anicca, Bulb Studios and Herdl; and **cyber** in Herefordshire and Worcestershire.

## R&amp;D, TRADE AND INVESTMENT

- The West Midlands is **2nd for infrastructure** and **3rd for both R&D and trade**, the East Midlands came in **4th for trade** within the 2021 Local Digital Capital Index which measures the strength of local digital ecosystems across the UK's regions.
- The Midlands' **venture capital per capita** into tech companies **increased from £16.43 in 2019 to £40.36 in 2020 - a growth of 145.6%**
- **£8.2m was invested in climate tech** in 2020 in the **West Midlands - a 192% increase** from 2019. **£17.9m was invested into creative tech** in 2020 in the **East Midlands - a 94% increase** from 2019
- **Foreign Direct Investment (FDI)** in the information and communication sector has increased to **£14.8bn**. It accounts for 12.1% of total FDI
- Innovate UK have offered over **£10.4m in grants to 73 projects in Artificial Intelligence (AI) and data economy** since 2017/18 to the Midlands area
- The Midlands' information and communication industry had a **trade in goods services surplus** of just over **£1.3bn** in 2020 - exporting **£2.2bn** and importing **£0.9bn**.

## However...

- There are **barriers to growth** including access to **talent**, **weak levels of digital spinouts** and a **low density of high-tech digital firms**. **Funding availability is constrained, especially** around angel and venture finance which support ventures in starting up and scaling

- The 2021 Local Digital Capital Index **ranked the West Midlands 5th and the East Midlands 10th overall** out of 12 regions. The index also measured the **West Midlands as 10th for adoption and the East Midlands as 12th for finance and investment**
- In 2019, there was a **net disinvestment of FDI inwards flow** into the information and communication sector of **£283m**
- **Venture capital per capita for the Midlands is significantly lower** at £40.36 compared to places such as London at £1,030, the South East at £156 and the East at £135. The **East Midlands was the lowest region** at £20.35
- Data from Innovate UK shows the **number and value for grants in AI and data economy has been steadily decreasing year on year** – falling from 24 projects with grants offered at nearly £7m in 2018/19 to 7 projects totalling £276,380 in 2020/21
- Recent growth in the Midlands' digital economy is largely due to the software and data-intensive computer programming and consultancy and information services segments. These are vital bedrock sectors for the region, but **work is needed to consolidate the progress made and accelerate growth.**

## INFRASTRUCTURE

- **96.2%** (4.57m) of premises in the Midlands Engine region had **superfast broadband availability** as of January 2022. This is above the UK proportion of 95.6%
- **65.5%** (3.1m) of premises in the region had **gigabit availability as of January 2022** – again above the UK proportion of 64%. Compared to January 2021, gigabit availability has increased by 30.4 percentage points for the region which was above the UK-wide increase of 27.5 percentage points
- On average, **4G services for both premises and geographically** from all operators were relatively similar for the region at **97.7% and 93.8%** respectively. These averages were above UK-wide averages in January 2022
- **78% of the West Midlands' small businesses and 85% of the East Midlands' small businesses** reported **high digital capability** in 2021.

### However...

- **Digital connectivity is highly variable in rural areas** such as the Marches and parts of Leicestershire and Staffordshire. This limits **people's ability to work from home and the productivity of home-based businesses.** It also **hinders modern communications with overseas clients and suppliers**
- **Only 26.7%** (1.23m) of premises in the region overall had **full fibre availability** – below the UK proportion of 31.9%
- Both the East and West Midlands have the **3rd highest levels of people with very low digital engagement** at 30% compared to the UK average of 29%
- **630,000 residents have never used the internet** in 2020, equating to approximately **7.2% of the Midlands' population** aged 16 years and over.

## DIGITAL SKILLS DEMAND

- Demand from employers for digital skills continues to be high. **Digital job postings were 35% higher in June 2022** when compared to the same point in 2021
- The average advertised **salary for digital roles was £14k higher than the average salary for all other roles** across the region
- **2,840 apprenticeships were started in information and communication** in the region in 2020/21. This was an **increase of 5.6%** compared to the national increase of 0.9% since 2019/20.

### However...

- The average salary for digital job postings was **7% higher** than in June 2021 - reflecting the **difficulty in employing and recruiting for these positions**
- The biggest **skills gaps** centre around **Microsoft Azure, Amazon Web Services and automation**
- **54% of West Midlands' businesses and 61% of East Midlands businesses** reported having **all 6 Essential Digital Skills in 2021.**

