
Report to: Business, Innovation and Growth Panel

Date: 24 November 2020

Subject: **Trade and Investment**

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Purpose of this report

1.1 To provide an update on Trade and Inward Investment activity since the last Panel meeting.

2. Information

2.1 At September's panel the Trade and Investment team shared the pivot strategy to reflect current economic uncertainty and changing nature of investment. The strategy focuses on five core workstreams:

- Communicating trade deals and strategic export opportunities
- Capitalising on sector specific opportunities for inward investment
- Capitalising on north shoring and reshoring trends
- Maintaining close and sustained relationships with the region's key businesses and large employers
- Shaping and influencing Department for International Trade (DIT) and Northern Power House (NPH) strategies and activity

2.2 COVID-19 and the economic repercussions have enabled a review of the team's sector priorities to focus on potential growth and resilient sub-sectors. The following initiatives are now underway with the aim to increase the profile of Leeds City Region and attract new investment:

- Attraction of back and middle office e-commerce operations. E-Commerce companies have seen an exponential rise in orders. The team is actively targeting organisations that are making structural changes to their back and middle office operations and developing new digital technology platforms.
- Food & Drink Supply Chain resilience programme. In a partnership with MIDAS and three major food retailers the team is embarking upon an initiative

to identify weaknesses in the food retailers supply chain where potential inward investors can be pro-actively approached with a value proposition to establish manufacturing in the North of England.

- An initiative is underway to position the region as a viable alternative to the 'Golden Triangle' to Israeli med-tech companies and VC funds. The team has begun work with the British Embassy in Israel to facilitate a competition where med-tech firms explore the region as an alternative to London and the South-East. It also offers the opportunity for UK MedTech companies to export to Israel.

2.3 As part of the Pivot Strategy the team has developed a new suite of messages that play into the economic trends being experienced following the COVID-19 crisis. These predominantly relate to the trend whereby major organisations are reconsidering their real-estate footprints to balance out the shift between remote working and the need to maintain a requirement for employee interactions.

2.4 Marketing content has been developed and this will now be shared with key intermediaries and stakeholders.

2.5 The team executed a three-month campaign highlighting the #Welcome initiative alongside the London Tech Week. This attracted interest from creative, digital and tech related businesses and culminated in several new enquiries from businesses looking to relocate to the City Region.

Inward Investment Activities and Performance

2.6 Since July there have been five new project successes. These include the expansion of a regional engineering business, the attraction of three small medical companies operating in the fields of therapeutics, optical-tech and nutraceuticals and a life sciences manufacturer expanding in Dewsbury. Altogether these have created c.20 new jobs and safeguarded 46 roles.

2.7 During July to end of September the team received 45 new enquiries and generated 10 new enquiries through engagement with existing investors.

2.8 Trends that have been identified in the enquiries the team is receiving and the activities that are underway:

- A larger proportion of the project enquiries being received are relevant for non-core city regions (see next point)
- A significant increase in industrial, manufacturing, and warehousing enquiries
- A significant decrease in large scale office-based enquiries from business, professional and financial services sector

- As company revenues decrease labour costs are becoming relatively more expensive. This is starting to make automation more appealing for businesses leading to more widespread labour substitution
- A small number of companies are noticing delays at the borders are becoming more frequent
- Off market real estate opportunities exist as companies are starting to mothball floors and execute lease breaks
- The COVID-19 crisis has instigated major disruption to Developers and Property Agents and deep-rooted changes to the personnel operating in the regions real estate sector. This could have a negative impact on the regions ability to secure, relocate and attract businesses

2.9 Despite the current economic uncertainty, the enquiry pipeline is strong with several large-scale inward investment enquiries being handled across the team.

2.10 The team is extremely busy working on these enquiries actively participating in several bid processes and the enquiries represent a significant opportunity to offset some of the recent negativity caused by the COVID-19 pandemic.

2.11 The enquiries straddle the following sectors and collectively represent over 2,400 jobs and the attraction of high-value economic activity in highly sustainable and resilient sectors:

- Manufacturing facilities for businesses operating in the tele-health, electric-vehicle manufacture, quantum technologies, artificial intelligence sensors, chemicals and food and drink sector.

Investor Development

2.12 DIT (the funder) undertook a mid-year review of the Investor Development teams activity and concluded that they are satisfied with how the team is performing. The team have successfully engaged with over 100 businesses, understood future plans and shared critical business insight to help shape local and national policy. A strong pipeline of potential expansions in the city region remains.

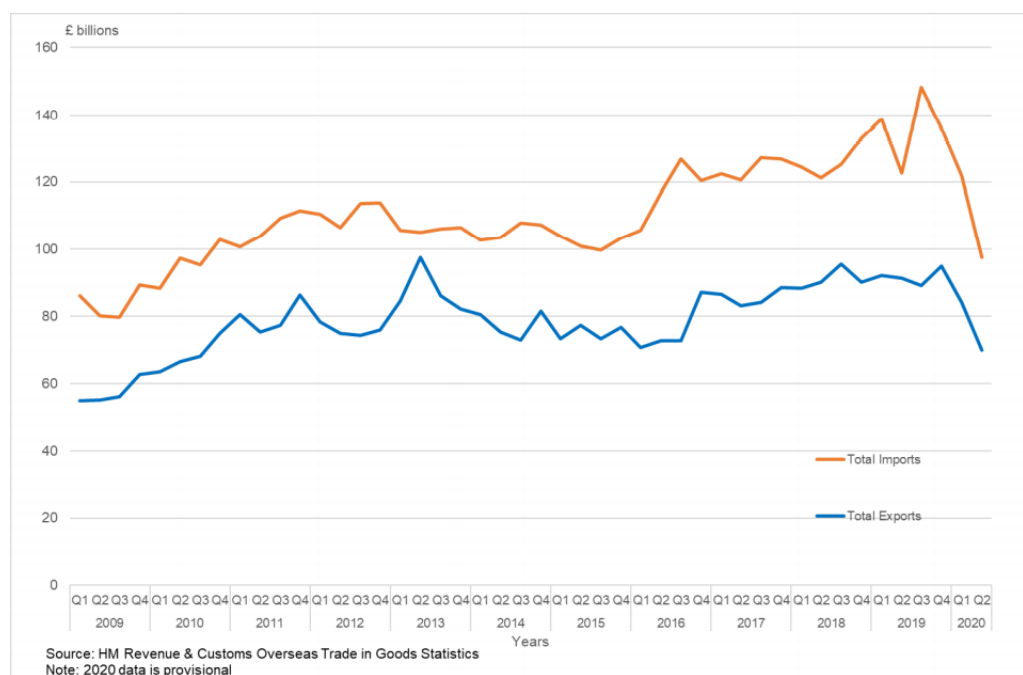
2.13 As a result of COVID-19 the team quickly mobilised to engage with some of the region's largest employers. The team is now continuing this work on an on-going basis to help protect their operations and navigate through the COVID-19 crisis.

2.14 Following an evaluation of which large employers could be most at risk the team has written out too many businesses requesting closer strategic dialogue. Obviously, the newly announced national lockdown and the extension of the furlough scheme are new, critical factors that will alter the dynamics of their situation.

International Trade and EU exit transition period

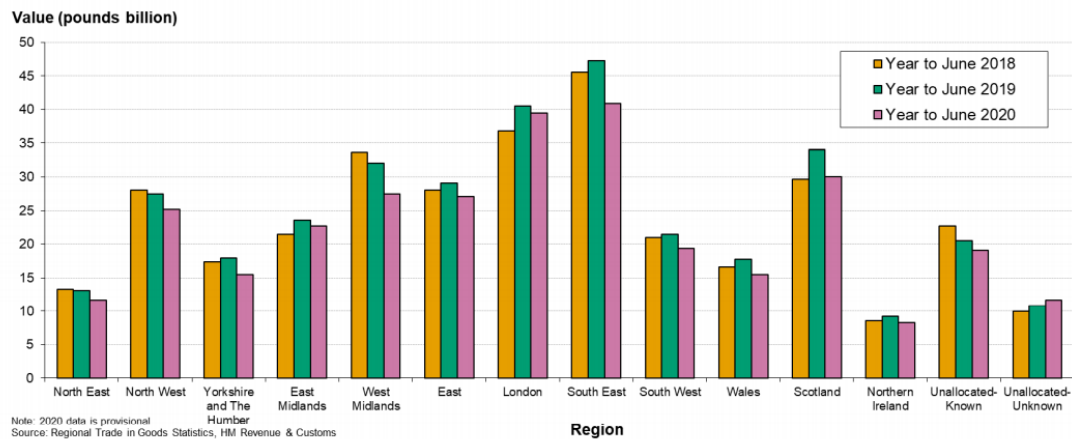
- 2.15 More work is still required to assess the policy implications of the end of the EU transition period, and further reports will be brought to BIG Panel in the New Year on these. However, a substantial amount of work is underway to tailor existing LEP products and services to become even more effective at addressing some of the challenge's it is known that businesses will face following the end of the transition period.
- 2.16 A verbal update will be provided explaining what activities the LEP has taken to alleviate the impacts of BREXIT and discuss some additional measures the LEP is now taking and considering.
- 2.17 Global trade recorded a 5% drop in the third quarter of 2020 compared to the same period the previous year, according UNCTAD's new Global Trade Update published on 20 October. Depending on how the COVID-19 pandemic evolves in the winter months, UNCTAD expects the value of global trade to finish the year 7% to 9% below the level of 2019.
- 2.18 The latest UK monthly figures from Her Majesty's Revenue and Customs (HMRC) for trade August 2020 show total exports of goods for August 2020 were £23.1billion. This was a decrease of £2.2 billion (8.6%) compared with July 2020, and a decrease of £4.8 billion (17%) compared with August 2019. Exports to both EU and Non-EU markets have fallen.

2.19 **Quarterly UK Trade in Goods, 2009 – 2020**



2.20 From a regional perspective, when comparing the annual period ending June 2020 with the annual period ending June 2019, all English regions experienced decreases in the value of exports.

2.21 **UK Exports by Region, 2017 Q3 to 2020 Q2**



2.22 The team re-convened a regular forum with the region's main trade delivery partners to share intelligence and insights on how export activity can be better supported in the current climate.

2.23 This is proving an extremely worthwhile exercise as all partners pivot, to tackle COVID-19 challenges and prepare to handle the likely fallout of the UK's departure from the EU.

2.24 DIT have formally launched the new internationalisation fund. Established to support SME's between now and 2023, it will provide companies with financial support to explore new markets. It will be managed by Capita and more details have been requested by us on exactly how much funding will be made available to West Yorkshire businesses.

2.25 DIT also launched its new export growth plan. This includes the introduction of 64 new International Trade Advisors and an Export Academy in the Northern Powerhouse, Midlands Engine and the South West region. The aim is to support businesses to grow their overseas trade to help them recover from the economic impact of COVID-19.

2.26 As part of the pivot plan the team will assess what further initiatives and profile raising may be required to support trade and investment in Europe once a new relationship with the EU is formed.

2.27 To date initiatives as detailed under 2.2 and the development of supporting marketing will enable targeting of potential inward investors in Europe. In addition, the team in partnership with DIT are carrying out a targeted lead generation campaign in Europe with the aim to attract investors to the city region in the healthcare and life sciences sector.

2.28 The team is planning and executing a series of export initiatives to inspire businesses to resume or start exporting. These will focus on the following:

- Advanced Textiles: The aim is to introduce the high-quality products and services created by West Yorkshire businesses to a wider international audience. This will involve having a substantial presence at the WTiN Innovate Textile and Apparel Virtual Trade Show
- China e-commerce: Following the successful Future of Tech event as part of Leeds Digital Festival, a focussed trade initiative with one of the world's largest e-commerce companies is being developed
- Work is firmly underway to develop a system that will allow the LEP reinforce key messages to Leeds City region businesses on emerging trade deals.

Emerging markets

2.26 Following the successful launch of the Northern Asian Powerlist, the Consul General of India's office has been in touch to advise that he will visit Leeds in early November. The team is putting together a virtual visit programme.

2.27 Close attention continues to be given to the strategic relationship between the UK and China now. It is important to note that China has recently become the UK's third largest trading partner with over £100bn of bilateral trade and investment taking place in 2019.

International Profile-Raising Activity

2.28 Strong support was received from Leeds City Region delegates following the decision not to undertake a LCR delegation to MIPIM Cannes in March 2021.

2.29 Some progress has been made in terms of recovering costs from MIPIM 2020 and a process is underway to identify if it is possible to offer partial refunds to sponsors.

2.30 SMART Cities Expo event in November has been rescheduled as a digital event. Following discussions with the organisers a decision was taken not to participate in the virtual event that is planned for later this year. SMART City Expo delegates from previous years have been made aware and are broadly supportive.

NP11 Trade & Investment Forum

2.31 DIT is soon to unveil its new Investment Strategy which we are told is 90% complete. There is still a chance to provide more input and it was presented to us in an NPH T&I leaders forum last week.

- 2.32 Cath Richardson (Head of NPH, DIT) is now in situ following her recent maternity and David Phillips is now staying on three days per week to ensure a smooth handover.

Financial Implications

- 3.1 There are no financial implications directly arising from this report

4. Legal Implications

- 4.1 There are no legal implications directly arising from this report

5 Staffing Implications

- 5.1 There are no staffing implications directly arising from this report

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the BIG Panel notes and comments on the progress made to date on the delivery of Trade and Investment activity.

8. Background Documents

- 8.1 None

9. Appendices

- 9.1 None