

West Midlands Monthly Monitor

February 2020



Overview

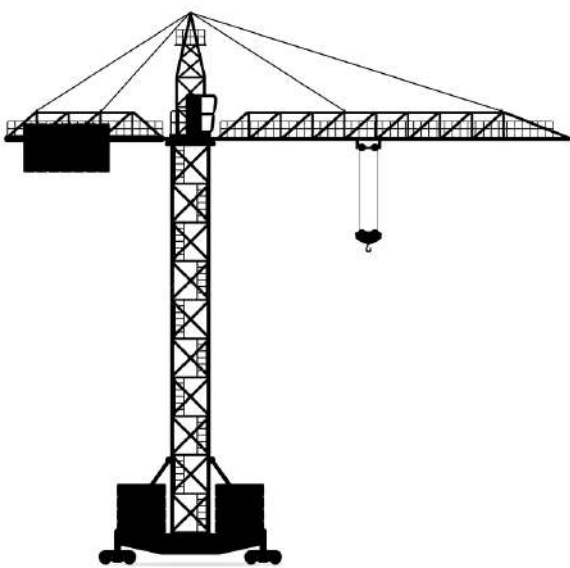
Welcome to the February edition of the West Midlands Economic Monitor. The purpose of this document is to provide an overview of regional data which has been released in the previous month, as well as highlight significant announcements impacting on the West Midlands. Please find below an overview of key developments. Please find below a summary of developments.



The headline West Midlands Business Activity Index – a seasonally adjusted index that measures changes in the combined output of the region’s manufacturing and service sectors – rose to 51.6 in January.



Across the region, housing stats show that for the WMCA area, there were 2,770 dwelling starts in 2019 Q3 – up 5.3% (+140) from 2019 Q2.



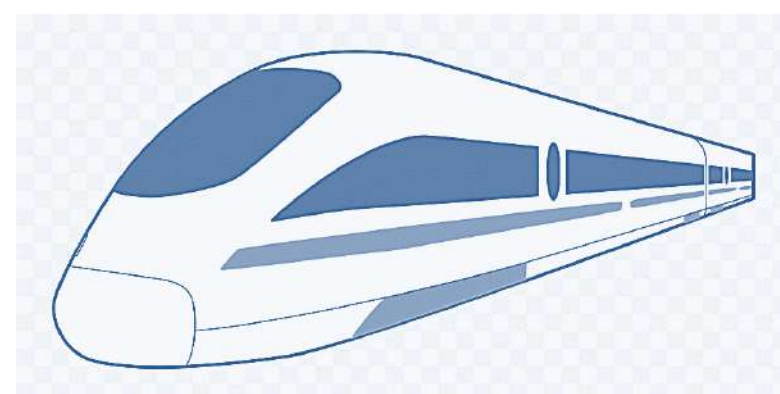
In 2019, 775,000 sq ft of office space was completed in Birmingham, a record year and 250,000 sq ft more than the previous record.



In the year ending September 2019 there was a total number of [262,188 recorded crimes](#) (excluding fraud) in the WM 7 Met. Area.



[The rate of employment](#) for the WMCA area grew by +0.9% October 2018—September 2019.



HS2 Phase 1 (Euston - Curzon) and 2a Curzon - Crewe) has been approved by the government, ending speculation and uncertainty.

Infrastructure and Transport

HS2 has been given the [go-ahead](#) by the Prime Minister, after months of speculation and anti-HS2 briefings that the Government should, or indeed would, scrap the scheme.

The first phase of the project will commence within the next few weeks, with government announcing its ambition to see the phase completed by 2028.

Confirmation will give certainty to investors looking to base operations in the region, attracted by HS2 and greater connectivity .

In addition, the Secretary of State for Transport, Grant Shapps, [has given the green light](#) for Midland Metro Alliance to commence the eastside metro extension.

The £137m Birmingham extension to Digbeth will serve the proposed HS2 Curzon Street Station, running from Bull Street to High Street Deritend, with a total of 4 new stops. The proposed scheme also includes a new bus interchange next to Clayton Hotel, Birmingham.

Work to extend the metro network to Dudley and Brierley Hill has also begun. The new metro line will run from Dudley to Wednesbury in Sandwell, incorporating 17 new stops.

Progress on long-planned metro lines has come at a similar time that Andy Street has proposed a 20 year vision for rail and metro connectivity across the region. Ahead of his re-election campaign, [the Mayor has proposed an integrated transport network](#) that would:

- Cost £15billion and take 20 years to complete.
- 150 miles long
- 380 new stops
- Eight new Metro lines
- 21 new rail stations

Some of the 21 new stations include new or re-opened rail stations in Brownhills, Pelsall, Aldridge, Balsall Heath and Dudley Road.

Within the region [public satisfaction with rail has hit an all-time low](#), following a period of successive failings within West Midland Railway and London Northwestern operations.

Overall satisfaction for London Northwestern passengers was 70per cent, compared to 76per cent for West Midlands Trains.

Only 47 per cent of London Northwestern passengers rated the service 'value for money', compared to 55 per cent for West Midlands Railway. 58 per cent of London Northwestern passengers said the service was punctual or reliable, compared to 63 per cent for West Midlands Railway.

Additional data from a survey conducted by the Mayor's Office has revealed that of 4,100 passengers 65per cent experienced regular disruption between October and December last year. The figure has reduced to 34per cent in January 2019. Similarly, cancellations have reduced from 1,351 in December to 203 in January.

In order to meet the challenge of staff shortages, a cause of delays and cancellations, WMT are planning to recruit more train drivers.

The Sos Grant Shapps, has imposed a fine on West Midlands Train totalling £20million. The money is being reinvested to improve timetables, recruiting new train drivers to tackle staff shortages and compensate passengers.



Skills, employment and people

[The rate of employment](#) for the WMCA area grew by +0.9% October 2018—September 2019.

In the year ending September 2019, the employment rate in the WMCA was 72.3% (1,865,500 people) compared to 75.6% for the UK overall.

This is a net increase of 16,100 people (+0.9%) in employment compared to the previous year, resulting in a 0.4pp increase in the employment rate from 71.9%. The UK increased by 1.0% over the same time period.

The employment rate for the WM 7 Met. area over this period was 69.1% (1,266,100 people), a net increase of employment by 20,300 people (+1.6%).

During the same period, the unemployment rate for the WMCA was 5.2% (103,200 people) in the year ending September 2019, compared to 4.0% for the UK. For the WMCA this represents a net increase of 3,500 people unemployed (+3.5%) from the previous year, resulting in the unemployment rate changing from 5.1% to 5.2%.

Overall, the UK unemployment rate decreased from 4.3% to 4.0% in September 2019.

Within the WMCA area, only the Black Country LEP area experienced a decrease in the unemployment rate with -13.6% (-4,600 people) to 5.4% (29,300 people) in the year ending September 2019.

The economic activity rate for the WMCA was 76.3% (1,968,600 people) in the year ending September 2019, compared to 78.7% for the UK, whilst the economic inactivity rate was 23.7% for the year ending September 2019 (610,700 people), compared to 21.3% in the UK overall.

The inactivity rate grew for sick, student and retired populations.

In the year ending September 2019 there was a total number of [262,188 recorded crimes](#) (excluding fraud) in the WM 7 Met. Area.

This is a rate of 89.9 per 1,000 population, above the England rate of 83.4 per 1,000 population. The total number of recorded crimes can be split into five categories which are grouped as victim-based crime and four categories classed as other crimes against society.

Compared to data from the previous year ending September 2018, the WM 7 Met. area has had a 7% increase in total recorded crime, while nationally there was a 5% increase.

Of note, the WM 7 Met experienced a lower rate per 1,000 population in 4 of the 9 main categories, these include public order offences at 5.5 compared to 6.7 nationally, and drug offences at 1.9 compared to 2.7 per 1,000 nationally.

Violence against the person can be split into 5 sub categories where crimes varies from 0.01 per 1,000 (41) for death or serious injury – unlawful driving, which matches the national average, to 11.3 per 1,000 (33,044) for violence with injury, compared to 8.6 per 1,000 population nationally.

Overall, the WM 7 Met area had a higher rate of violence against the person than the average in England, 28.8 per 1,000 to 27.1 per 1,000 respectively.

In addition to this, the WM 7 Met. area experienced the largest increase in possession of weapons offences, at +33% compared to +11% nationally. In contrast, the WM 7 Met. area decreased in theft offences by 7% compared to nationally where there was no change.

Business Sentiment

The Bank of England has released its [Monetary Policy Report](#), voting 7–2 to maintain the Bank Rate at 0.75% .

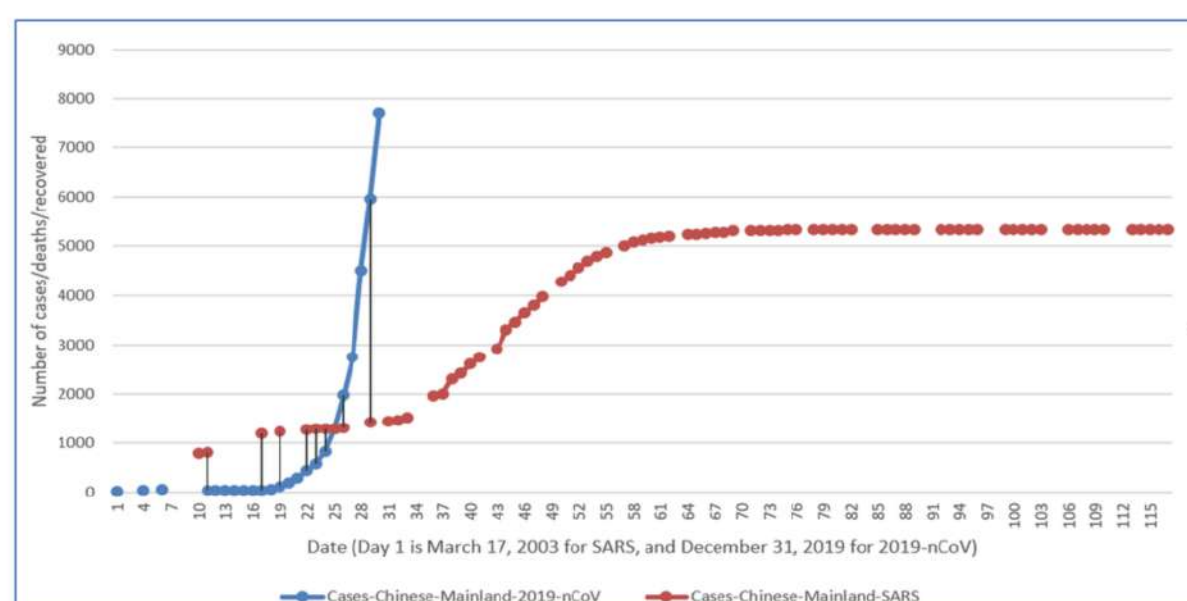
The Bank reports on suggestions that global growth is stabilising. This benign global growth reflects the partial easing of trade tensions between the United States and China, complimented by the significant loosening of monetary policy by many central banks over the past year.

In the UK, the immediate uncertainties facing businesses and households have receded, thanks to certainty around Brexit and the cessation of political uncertainty following the general election.

Surveys of business activity have picked up, some substantially, as reflected January's of regional PMI (detailed further in to this report). In addition to this, investment intentions appear to have recovered. Housing market indicators have strengthened and consumer confidence has increased slightly. The Bank reports that UK GDP growth is projected to pick up a little in early 2020.

However, the impact of coronavirus on the global economic outlook is beginning to weaken confidence and overall growth. Oxford Economics' forecast for Chinese growth dropped from 6.1% to 5.6% which could reduce global growth by 0.2%. Capital Economics have stated that the economic disruption related to the coronavirus will cost the world economy over \$280 billion in the first quarter of 2020.

China is now the world's second biggest economy unlike when SARS hit and is the largest trader in the world and central to many supply chains. Stock markets are struggling amid fears that the coronavirus will knock hundreds of billions of dollars off global growth, ending a 43-quarter expansion streak. With industrial output slowing, current activity could be as low as 50%.



The epidemiological curve above gives an indication of how current growth of Coronavirus compares to historical SARS outbreak in 2008.

The American Chamber of Commerce in Shanghai found that 87 per cent of its members believed that the coronavirus would have a direct negative impact on their revenues.

At risk areas in the West Midlands are the automotive industry. In the WMCA area this amounts to £8.1bn, with manufacture of vehicle parts comprising a further £3.2bn.

Alongside that, travel restrictions on Chinese citizens may cause further regional economic repercussions. In 2018 the tourism sector generated an income of £12.6bn. It accounts for an estimated 135,725 jobs in the WMCA area which represents 5% of the current working population. ‘

According to recent Visit England data some 5.5 million UK tourists spend £860m per year staying in the region, while International Passenger Survey data indicates that a further 1.9m international visitors spend a further £648m.

Business Environment

West Midlands Business Activity Index

sa, >50 = growth since previous month



[Latest PMI data](#) has shown a return to growth after a substantial period of contraction.

Business output was also strengthened by a substantial rise in orders, which has also encouraged business to raise employment for the first time since last July.

Alongside this, business confidence has encouraged a wave of greater optimism, the highest since April 2017, following reduced political uncertainty and expectations for greater investment.

Overall, the headline West Midlands Business Activity Index – a seasonally adjusted index that measures changes in the combined output of the region’s manufacturing and service sectors – rose to 51.6 in January to signal the strongest upturn in business activity since last April.

The rate of growth increased from December 2019 to the quickest since July 2019, with the rate driven predominately by higher business volumes from the service sector.

It is important to note that demand trends were weaker than the national average. Overall, respondents attribute the new increase in activity to an uptake of client requests and purchases for new products following the easing of Brexit-related uncertainty

Whilst most recent survey data indicates a return to business confidence and growth, the previous year of poor PMI contraction, as reported each month here, has translated in to GDP growth data.

Between 2018 Q2 and 2019 Q2 the West Midlands [had negative growth](#) of 0.6, while the UK growth was +1.4%.

In 2019 Q1 the West Midlands growth increased by 0.2% - slightly below the UK average growth of 0.6%.

The UK ended 2019 with flat growth. Q4 2019 GDP growth was 0.0%, with services (+0.1%) and construction (0.5%) but production fell substantially (-0.8%).

The latest GDP figures can be contextualised compared to other G7 (including Eurozone) nations’ growth Q4 2018 and Q4 2019, showing the UK was the third fastest growing economy amongst developed nations:

United States: +2.3%

Canada: +1.7%

Japan +1.7%

UK +1.1%

Eurozone +1%

France +0.8%

Germany +0.5%

Italy 0.0%

Redevelopment and Investment

The Birmingham born producer behind the Peaky Blinders series is reportedly close to clinching a deal for [a new production studios](#) based in Birmingham.

Stephen Knight, boosted hopes earlier in the 2019, for a 40-acre, £500M studio complex with streaming conglomerate Netflix and potential partners at the BBC.

The site would be called Mercian Studios, with half of the site devoted to production, with the other half dedicated to residential, retail and leisure development.

The mixed-use development has been rumoured to be located on a site in Digbeth.

Across Birmingham, development and construction figures posted [an overall positive picture](#) in 2019. In 2019 775 sq ft of office space was completed, a record year and 250,000 sq ft more than the previous record. 1.1m sq ft of office space are under construction.

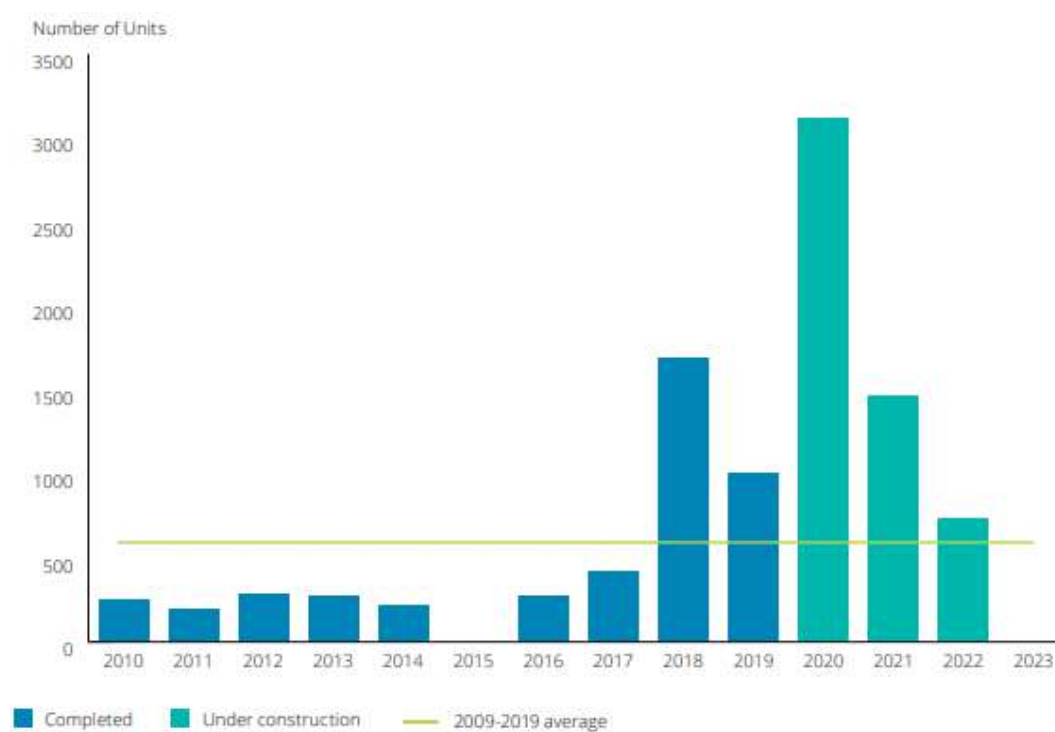
However no major new retail, leisure or hotel schemes were started, despite the upcoming Commonwealth Games. Nevertheless, 443 hotel spaces are already under construction, with 4 schemes set to deliver 375 new rooms in 2020.

5,506 residential units are under construction. In 2019 seven new schemes were recorded and 1,001 new units completed construction phase. This success is above the ten year average of 465 units and is the second highest total in the past decade.

Within the city core seven residential and four new office developments started construction, which are set to deliver 941 residential units and 1.1m sq ft of office space.

Across the region, [housing stats](#) show that for the WMCA area, there were 2,770 dwelling starts in 2019 Q3 – up 5.3% (+140) from 2019 Q2.

Nationally, there was an increase of 6.4%. Compared to 2018 Q3, the WMCA (3 LEP) dwelling starts increased by 6.1% (+160), while nationally there was a decrease of 10.9%.



Source: Deloitte Real Estate

Again within the WMCA area, the Black Country LEP increased by 12.3% (+70) in dwelling starts from Q2 2019 and Q3 2019. While dwelling completions in the Coventry and Warwickshire LEP increased by 70.5% (+740).

Additionally, the Black Country LEP increased by 106.5% (+330) in dwelling starts from Q3 2018 and Q3 2019. While dwellings completions in the Coventry and Warwickshire LEP increased by 96.7% (+880).

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