# West Midlands
# Weekly Economic Impact Monitor

WM REDI | CITY REDI

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**This monitor aims to pull together information across regional partners to understand the impacts of Covid-19 on the economy. Where possible it will utilise all forms of quantitative and qualitative intelligence. However, we urge caution in the use of the contents as this is an emerging situation.**

High inflation rates are combining with slower economic growth. The rising cost of living remains a key concern. These trends are partly fuelled by war in Ukraine, with geopolitical tensions heightening as Sweden and Finland sign new security deals with European allies. Regionally, the West Midlands Business Activity Index has decreased. But the picture is mixed. The cost of doing business crisis is causing continued concern for business and is leading to severe financial impacts for some. Yet there are other reports of relatively high confidence within the region's business base and investment markets, particularly buoyed by the lack of Covid-19 restrictions and future growth prospects.

**Global and national issues**

- High inflation rates in the US, EU and UK have largely been as a result of soaring energy and fuel prices, alongside the war in Ukraine, supply chain bottlenecks and surges in demand.
- Intelligence suggests that Putin plans to continue war in Ukraine for the foreseeable future and tensions have been heightening as Sweden and Finland sign new security deals with European allies.
- The war in Ukraine is now leading to food shortages in other world regions. As Ukraine is the sixth-largest exporter of wheat, the inability to securely get wheat out the country has sent prices skyrocketing, leading to sharp rises in the price of basic food goods and drinks.
- Central banks are now attempting to walk a fine line between controlling inflation and slowing economic growth. Many forecasters are predicting that we may enter a global recession this year.
- The National Institute of Economic and Social Research (NIESR) forecasts that GDP will increase by 3.5% in 2022 – declining in the third and fourth quarters – then by 0.8% in 2023 and 0.9% in 2024. The medium-term outlook for GDP growth is slow even by the standards of recent history, returning to 1.5% only in 2026. The combination of shocks – Brexit, Covid-19 and the recent shocks to energy prices – is set to leave the incomes of people in the UK permanently lower.
- Rising prices and higher taxes are squeezing household budgets. For 2022-23 NIESR estimates that 1.5 million households across the UK face food and energy bills greater than their disposable income.
- Tensions between the Northern Ireland, UK and EU are rising around the Northern Ireland protocol. In March the UK government unilaterally extended the "grace period" for Northern Ireland border checks, while in Northern elections last week Sinn Fein emerged as the party with most seats.

**Queen's Speech**

- The Queen's Speech delivered to Parliament on 19th May reiterated the commitment to level up opportunity in all parts of the country and support more people into work; support the police to make streets safer and fund the NHS to reduce Covid-19 backlogs. The speech also highlighted continued support for democracy and Ukraine. These commitments were within a responsible approach to public finances, reducing debt will reforming and cutting taxes, leaving very little room for investment in places.
- Amongst the measures announced, the government intends to introduce the Levelling Up and Regeneration Bill which will drive local growth, empower leaders and reform planning systems. Councils will get new planning powers including dealing with empty shops.

**Business activity**

- The West Midlands Business Activity Index decreased from 59.1 in March 2022 to 54.5 in April 2022. Where output rose, firms reported new contract wins, expanded capacities and the catching up of projects that had been delayed due to Covid-19. The upturn was restricted by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.
- Out of the 12 UK regions and nations, the West Midlands was the second lowest for Business Activity in April 2022.
- The UK Business Activity Index decreased from 60.9 in March 2022 to 58.2 in April 2022.
- The West Midlands Future Business Activity Index decreased from 75.2 in March 2022 to 71.8 in April 2022. Despite the overall level of positive sentiment falling to a 17- month low, some firms remained upbeat due to new product launches, marketing efforts and expansion plans to support output over the course of the coming year. Optimism was restricted due to concerns over inflationary pressures and energy price volatility that would curb demand and business activity.

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

- Out of the 12 UK regions, the West Midlands was joint third highest (with Wales) for Future Business Activity in April 2022.

**Middle Market Business Index**

- The Middle Market Business Index (MMBI) registered its first fall – from 139.6 in the last quarter of 2021, to 134.9 in the first quarter of 2022.
- However, the MMBI still suggests that middle market businesses are optimistic, and the forward-looking aspects of the survey show that firms had been expecting labour shortages and supply chain pressures to start easing in the first half of 2022.
- Middle market businesses have clearly become much more concerned about the general economic outlook. Just 43% of firms said the economy improved in Q1, and expectations for the economy's trajectory over the next six months have fallen by nine points, from 72% in Q4 to 63% in Q1.
- Over the past year, middle market firms have ramped up investment in productivity-enhancing equipment, software and intellectual property, which should help them to be more competitive and productive as the pandemic becomes endemic. In the current quarter, 51% of respondents noted an increase in outlays on capital expenditures and 63% indicated that they expect to increase theirs over the next six months. This is one of the more constructive elements of the first quarter survey results.

**Economic trends and West Midlands economic snapshot**

- West Midlands Quarterly Economic Snapshot for Q1 2022 shows that 66% faced recruitment difficulties in Q1 – a decrease of 6% compared to Q4 2022.
- The West Midlands Regional trade in goods exports was worth £6.8bn in Q4 2021; a decrease of 6.7% compared with the same time period last year, while the UK levels increased by 4.6% to £130bn.
- Business investment grew by 0.9% in Q4 if 2021, which is 0.8% lower than Q4 of the previous year. The level of investment is now 10.4% below where it was pre-pandemic (Q4 2019).
- Gross domestic product (GDP) is estimated to have grown by 0.8% in January 2022 and is now 0.8% above its pre-coronavirus level. Services, particularly human health and social work activities, were the main contributor to this increase.
- The West Midlands online job adverts on the 29th April 2022 were at 141.3% of their average level in February 2020.
- Google Mobility data provide an indicator of changes in the volume of visits to different location types compared with a pre-coronavirus baseline. As of the 29th April 2022, visits to retail and recreation, transit stations and workplaces had not yet returned to pre-coronavirus levels.
- Companies House data shows for the UK, there were 16,125 company incorporations in the week to 29th April 2022. This is up from 15,476 recorded in the same week in 2021 and also higher when compared to the same weeks in 2020 (11,306) and 2019 (14,097).
- Between February and March 2022, there was a rise in the percentage of businesses who reported that the prices of materials, goods or services bought had increased, from 39% to 50%. 31% of businesses expected to increase the prices of the goods or services they sold in April 2022. 41% of businesses reported energy prices was the main factor for rising prices for goods or services sold.

**Regional and local business intelligence**

- There is a continuing mixed picture across the West Midlands' business environment. On the one hand, the cost of living and cost of doing business crisis is causing continued concern for business and is leading to severe financial impacts for some. However, there are other reports of relatively high confidence within the region's business base and investment markets, particularly buoyed by months of no Covid-19 restrictions and future growth prospects.
- This confidence is reflected in the latest Business Barometer report from Lloyds Bank Commercial Banking; business confidence in the West Midlands rose 10 points in April to 42 per cent, the highest of any region or nation in the UK.
- West Midlands businesses flagged a range of growth opportunities for the next six months, including investing in and expanding their teams (47 per cent), evolving their offering to include a new product or service (37 per cent), and entering new markets (35 per cent). Separate reports suggest strong 2022 performance in office markets and within business investment opportunities.
- The drastically rising cost of key inputs – such as people, materials, energy – is damaging the competitiveness and sometimes feasibility of many West Midlands businesses. Inevitable cashflow pressures are unfortunately leading to firms being in financial stress and some facing closure. Data suggests that more than 13,200 businesses across the West Midlands found themselves in 'significant' financial distress during Q1 2022.
- There have been further examples recently of regional businesses looking to re-shore their supply chain. This is partly linked with a focus on net zero strategies and reviews of supply chain management.
- In the labour market candidate availability has fallen, with recruitment agencies stating that this has been due to a generally low unemployment rate and the added uncertainties related to the pandemic and situation in the Ukraine, with fewer EU workers and high demand for those that are available to work.
- There are reports of companies are often unable to access much business support locally of present due to a lack of funded provision across the region, with many ERDF funded projects coming to an end and new projects not running yet.

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**UK Shared Prosperity Fund**

- The UK Shared Prosperity Fund (UKSPF) is a Government-allocated fund which is intended to reduce inequalities between communities, as part of the Government's wider Levelling Up agenda. This Fund was first announced in 2017 and finally launched with the publication of its full prospectus on 13 April 2022.
- In theory, the launch of the UK Shared Prosperity Fund (UKSPF) in April 2022 was a welcome boost to local economies. It will provide over £350m worth of funding over 3 years to 2023/25 across the Midlands Engine, supporting key local priorities and delivering activity for levelling up.
- Analysis at the Midlands Engine geography scale suggests an estimated loss of £237.4m in funding over three years compared to pre-Brexit – a 40% cut. The West Midlands 3-LEP area as a whole is set to miss out on £94.3m worth of funding (a 39% cut). The Black Country is losing around £33.7m over the three years of funding, Greater Birmingham and Solihull £31.5m, Coventry & Warwickshire £29.1m, Greater Lincolnshire £19.0m, Derby, Derbyshire, Nottingham and Nottinghamshire £30.1m, Stoke and Staffordshire £28.1m, The Marches £16.2m and Worcestershire £7.9m.
- So, the replacement for EU funding through UKSPF will be worth less, with more strings attached and less time to spend it.

**Universities and levelling up**

- City-REDI has established a new Universities and Levelling Up Policy Forum from across central government, universities and higher education policy makers/funders, to look at the role universities can play in levelling up and look at the purpose, role and funding of universities post the White paper.
- Following the Civic University Commission report in 2019, universities have demonstrated a growing commitment to civic engagement: over 100 universities have now joined the Civic University Network. Many of them are giving civic engagement and social mission greater prominence in their strategic plans. Even though universities do not feature extensively in the White Paper, levelling up poses new challenges, especially for those institutions located in or near 'left behind places' or in regions where the government wants to see purposeful collaboration between government, business and other partners to address the White Paper's spatial rebalancing objectives and the 12 missions it identifies.
- Despite the level of detail in the White Paper, what is meant by levelling up remains imprecise. Much more clarity is needed on the scope and expected outcomes at both national and local levels in order to facilitate measurement and evaluation and to inform understanding of the mechanisms involved in the delivery and of the roles of partners, including universities.
- Effective performance and accountability frameworks for understanding what works, what doesn't, and why different arrangements are needed, alongside processes that facilitate shared learning. Universities can play a key role here, by sharing their research and expertise, supporting knowledge mobilisation (amongst local partners and between localities) and by working together to design new tools and approaches.
- Although there is much focus on R&D in the white paper, the impact of universities spans the whole agenda of the white paper this forum will continue to explore these issues

**Creative industries**

- The creative industries have been a fast-growing part of the national economy, with strong export potential. In 2016, the creative industries were estimated to add almost £92bn in national GVA and grew by almost double the UK average in the period 2010-2016. The two most significant sectors (in financial terms) are IT, Games and Software (£34.7bn) followed by Film and Television (£15.3bn).
- Birmingham has been identified by NESTA as a 'Creative Challenger': noted for specialization in creative industries' sub-sectors, and characterised by high growth firms. Birmingham is known for Peaky Blinders, also housing BBC offices with plans for expansion. It hosts a burgeoning creative & digital sector. There is an internationally important video game cluster around Leamington Spa.
- The creative industries in the UK are currently facing a triple challenge, recovering from the COVID-19 pandemic, adjusting to the UK's exit from the EU, as well as feeling the effects of a decade of austerity, with sustained funding cuts across the sector.
- TV and Film, Video Games and IT are high-growth sectors with huge potential but are suffering from serious skill shortages and gaps in experienced positions.

**Energy**

- Global final energy consumption grew by 6.6% between 2015 to 2019, and total GHG emissions from energy systems rose by 2.7% during the same period. On the other hand, energy generated by global solar PV grew by 170% ( to 680TWh), and wind power increased by 70% (to 1420TWh) from 2015 to 2019.
- The West Midlands has set targets and to reach them, more than £15bn is being invested in local energy projects, £74bn on products and services to improve the quality of local energy systems, and £80bn is being spent on fuel and power that drives industry and homes in the West Midlands by 2030.
- The low carbon energy and environment sector in the West Midlands contributed £26.6bn to the region's economy in 2019/20 through 10,500 businesses which employed over 195,000 people.

**Air transport**

- Over the last 20 years, Manchester, Edinburgh, and Birmingham were seen as the key airports to be served by foreign carriers. The pecking order for UK aviation has always been Heathrow first, then Gatwick, Manchester, Birmingham and, or Edinburgh. For the Midlands, at peak air passenger throughput, the local airport generated a regional economic impact in 2017/18 (as reported by the consultants, York Aviation) was some £1.7bn GVA and 33,000 jobs.
- Airlines and airports want business class passengers, they make airlines more money notwithstanding the volumes of economy passengers who would flood the duty-free/retail stores
- Should aviation recover from the pandemic, the spectre of controlled travel may still be on the horizon because of the dystopian possibilities of carbon emissions and climate change. The climate conference, COP 26, at Glasgow might just set a new direction of travel for the industry but unless a new way is found to capture the prize of global interaction, aviation wealth creation may stay tantalisingly out of reach.

**Covid-19 infections**

- Covid-19 case numbers across Europe have continued to fall in all countries, except Portugal which has seen a rise.
- In England, it is estimated that 1,586,900 people had COVID-19 (95% credible interval: 1,516,200 to 1,659,000) in the week ending 30 April 2022, equating to 2.91% of the population or around 1 in 35 people.

# Global, National and Regional Outlook

**Alice Pugh, WMREDI**

## Global

US inflation has continued to remain at a four-decade high in April, despite a drop from the previous month. The CPI rose at an annual pace of 8.3% last month, a step down from 8.5% recorded in the previous month, above economists' expectations of 8.1%. Prices in the US have also climbed 0.3% from the previous month, slower than the 1.2% rise recorded in March. Alongside this, the EU still has a high inflation rate at 7.5%.

These increases have largely been as a result of soaring energy and fuel prices, alongside the war in Ukraine, supply chain bottlenecks and surges in demand. However, economists do expect that prices will fall as the Ukraine war abates.

However, intelligence has suggested that Putin plans to continue his war for the foreseeable future and tensions have been heightening as Sweden and Finland sign new security deals with European allies. These tensions are set to further escalate again when both countries vote over the summer whether to join NATO, with expectations that they will vote to join. This will essentially expand NATO to the Russian border.

Additionally, the war in Ukraine is now leading to food shortages in other regions. As Ukraine is the sixth-largest exporter of wheat, the inability to securely get this wheat out the region has sent prices skyrocketing, leading to sharp rises in the price of basic food goods and drinks. The UN is warning that price hikes sparked by Russia's invasion of Ukraine will worsen a food crisis in Africa, where tens of millions of people have already been plunged into extreme poverty by the COVID-19 pandemic, armed conflicts, climate shocks and economic turmoil. The ongoing conflict may continue to lead to rises in the costs of living and in some countries that are highly dependent on cheap or subsidised food supplies, this could lead to conflict.

Currently, whilst recent monthly data suggests, that global economic fundamental and output is strong, it is limited by shortages in labour and supplies. Central banks are now attempting to walk a fine line between controlling inflation and slowing economic growth. Yet interest rate rises cannot be expected to reduce inflation decisively, since it is largely driven by high energy prices. A McKinsey survey of economic conditions also found that respondents identified geopolitical conflict in Ukraine as a top risk to global growth.

Now many forecasters are predicting that we may enter a global recession this year, this is especially worrying given many countries are only just starting to recover from the pandemic.

## National

New research from the National Institute of Economic and Social Research (NIESR), in their quarterly UK update, forecasts that:

- GDP will increase by 3.5% in 2022 – declining in the third and fourth quarters – then by 0.8% in 2023 and 0.9% in 2024. The medium-term outlook for GDP growth is slow even by the standards of recent history, returning to 1.5% only in 2026. The combination of shocks – Brexit, Covid-19 and the recent shocks to energy prices – is set to leave the incomes of people in the UK permanently lower.
- CPI inflation will average 7.8% in 2022 and peak at 8.3% in the fourth quarter, remaining above the 3% rate, at which the Governor of the Bank of England and Chancellor of the Exchequer are required to exchange letters until the fourth quarter of 2023, at least. RPI inflation is expected to reach 14.4% in the same quarter; its highest level since 1980.
- Given the extent of trade shock, real incomes to decline. The NIESR forecast suggests a decline of 2.4% in 2022, accompanied by a small rise in unemployment in 2023 to 5.1%. However, there is expected private consumption growth of 4.7% this year, with the household sector assumed to use some of the estimated £200 billion of savings accumulated under Covid-19 to smooth spending patterns and ensure that consumption falls by less than income.

- Rising prices and higher taxes are squeezing household budgets. For 2022-23 NIESR estimates that 1.5 million households across the UK face food and energy bills greater than their disposable income, with the highest incidence in London and Scotland.
- NIESR recommends that the Chancellor should provide emergency support to cushion this income shock. NIESR calculates that a Universal Credit uplift of £25 per week between May and October 2022 would cost around £1.35bn; an additional £2.85bn should be given to the 11.3m lower-income households, amounting to a one-off cash payment worth £250 per household for 2022-23.

Additionally, NIESR also found that the post-Brexit protocol is leading to different growth expectations across the UK, with Northern Ireland (NI) having better growth than the rest of the UK as a result of its advantageous access to EU markets under post-Brexit agreements. Crucially, the protocol also leaves manufacturers in NI, unlike the rest of the UK, able to export barrier-free to the entire 27-nation EU. However, tensions between the NI, UK and EU are rising around this. In March the UK government unilaterally extended the "grace period" for NI border checks. Meaning that the UK government, without agreement from the EU, extended the period of time for which it will be delaying full checks. The EU has said this breaks the rules of the post-Brexit agreement, as the UK continues to allow unchanged goods to pass from the rest of the UK to NI. Dispute over the protocol is part of the reason why NI has not had a fully functioning government. The EU has warned the UK that the unilateral extension of the 'grace period' is also breaching international law.

## Regional

The main findings from the West Midlands Quarterly Economic Snapshot – Q1 2022 by the Greater Birmingham Chambers of Commerce has found:

- 66% of businesses still face recruitment difficulties. However, these difficulties are easing, if at a slow rate. The employment rate, however, did rise by 0.9% in the West Midlands, whilst it rose by 0.1% across the UK.
- The West Midlands Regional trade in goods exports was worth £6.8bn in Q4 2021; a decrease of 6.7% compared with the same time period last year, while the UK levels increased by 4.6% to £130bn.
- 68% for businesses in both sectors combined was recorded for profitability projections (a two- point decrease compared to Q4 2021).
- Regionally, the largest proportion of manufacturers recording a drop in capex investment levels were based in Coventry and Warwickshire (27%), compared to 13% in Greater Birmingham and 8% in the Black Country.

Included within the Queen's speech this week, was the Levelling Up & Regeneration Bill, this was welcomed as it should act as a lever in driving further devolution in the region. The commitment to further devolution and reform of the procurement system should drive greater value for money and maximise opportunities for businesses. However, crucial to this will be delivery as legislation takes times and businesses need short term action to head off the looming cost of operating business crisis.

Additionally, the latest NatWest PMI report has shown that activity fell from 59.1 in March to 54.5 in April, indicating the slowest rate of growth in three months. Business activity among West Midlands firms slowed in April as rising costs hampered demand. Where output did rise, businesses highlighted new contract wins, expanded capacities and the reduction of backlogged projects that had been delayed due to covid-19. However, the upturn was reportedly curbed by subdued demand conditions amid acute inflationary pressures and concerns around the cost of living.

Private sector firms operating in the region also registered slower increases in sales last month, with subdued demand conditions and acute price pressures being blamed. With the West Midlands recording the slowest upturn in sales out of the 11 UK regions.

Furthermore, as costs continue to rise for businesses across the UK, businesses in the West Midlands have seen the rate of input inflation quicken. The latest upturn was the second highest since the series started in January 1997. Businesses indicated that price pressures stemmed from rising energy, food, fuel and staff costs. Increases were partly attributed to global shortages of materials and the invasion of Ukraine. In line with ongoing increases in input costs, private sector firms in the West Midlands lifted their selling prices further at the start of the quarter.

For greater detail on the NatWest PMI report please see the brief below.

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

## Queen's Speech
**Rebecca Riley, WMREDI**

On May 19th The government intends to introduce the Levelling Up and Regeneration Bill which will drive local growth, empower leaders and reform planning systems. Councils will get new planning powers including dealing with empty shops. Prince Charles delivered the Queen's Speech to Parliament, which reiterated the commitment to level up opportunity in all parts of the country and support more people into work; support the police to make streets safer and fund the NHS to reduce Covid-19 backlogs. The speech also highlighted continued support for democracy and Ukraine. These commitments were within a responsible approach to public finances, reducing debt will reforming and cutting taxes, these leaves very little room for investment in places.

Although the Speech sets out government priorities it also highlights the tensions between the 'Blue Wall' and 'Red Wall' voters and what will appeal to them. As a result this speech focussed on core party issues of post Brexit deregulation and cracking down on protests and migrant crossing. The content of the speech is however often the domain of the policy wonks not the average voter and much of the coverage of the speech was aimed at the health of the Queen and the traditions which have changed as a result rather than the content.

The speech contains a mixed bag of announcements covering transport - Great British Railways simplifying the network through a state run agency (places will be bidding to be the home of this organisation); changes post P&O to employment rights for seafarers; and Northern Ireland where post Brexit issues still remain as this week's election results highlight. Many of the announcements are reactionary, adapting legislation to external conditions the government faces, such as ongoing impacts of Brexit or security, others are ongoing issues such modern slavery, online content or lobbying which have been issues for many years and been on the list of priorities for many years.

Highlights include:

Levelling up - The government intends to introduce the Levelling Up and Regeneration Bill which will drive local growth, empower leaders and reform planning systems. Councils will get new planning powers including dealing with empty shops.

Brexit planning – 6 Bills to make the UK more competitive, with the flagship being the Freedoms Bill which allows EU rules to be easily removed, it will allow ministers to overhaul EU laws which they originally just copied over during transition. The scale of change still needed to resolve regulations is huge and we should expect further instability and changes to deal with these issues.

Culture – Another 7 Bills aimed at cultural change, including public order, Channel 4 and a replacement of the Human Rights Act with a UK Bill of Rights The levelling up bill promises local people more of a say (although yet to be seen what they have a say on). Arguably these are aimed at responding to voters.

Cost of living – Two main things here are the energy security policy and again the levelling up bill. However, many commentators have highlighted there is a lack of concrete action on cost of living.

Environment – another area that is of public concern but lacking in the speech, the main announcement being creating a UK Infrastructure Bank to support regional and local economic growth and net zero. There is very little on climate emergency, retro fit or insulation and no help with energy bills, but there will be an energy security bill which will contain new powers to boost renewable energy and promote a better market in electric heat pumps.

Education and skills – a higher education bill will set out the post-18 loans and funding settlement for English schools. Both these issues are contentious and could be problematic in the future. There are new powers to crack down on unregulated schools and introduce attendance registers.

Housing and planning - there are two planned bills to create a regulator of social housing and a renter's reform bill (ending no fault evictions). And as mentioned earlier more powers for people to influence planning. At the moment,

there is very little about how to build more affordable homes, as the prices continue to escalate, and wages still aren't keeping up. The cost of living crisis however may impact this.
Crime – the announcements focus on tightening information legislation, either in terms of espionage or economic crime. The public order bill is seeking to further restrict protest, and was blocked earlier in this year by the House of Lords. The online security bill is a huge piece of regulation looking at the content on the internet.

However, many bills have been dropped most significantly was the employment bill (announced in 2019) protecting worker rights, especially for pregnant women and new mothers (made worse under Covid-19).

Generally the speech was warning about tough times to come; commentators have suggested that there was little in the speech to ease this, especially addressing cost of living, which is biting many. The opposition used the opportunity to raise the issue of Stagflation, the combination of inflation and recession. The Prime Minister hinted help was on the way and we may see an early election.

So, what does this mean for the West Midlands?

- There is an opportunity to secure the Great British Railways Regulator
- The government reiterated that Phase "2a", from Birmingham to Crewe, was provided for by the High Speed Rail (West Midlands–Crewe) Act 2021. The Government expects both of these lines to be finished "by around 2035".
- Changes to Channel 4 could have knock on effects to the region as production value and volume may fall or shift to cheaper content. The region currently has a healthy supply chain in the commissioning programme of the channel and privatisation could risk this.
- The main Bill to watch out for is levelling up (now merged with planning) the content of this will shape further powers and devolution to the area.

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# NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released May 2022[1]

## Black Country Consortium Economic Intelligence Unit

**In Summary:**

- The West Midlands Business Activity Index decreased from 59.1 in March 2022 to 54.5 in April 2022. Where output rose, firms reported new contract wins, expanded capacities and the catching up of projects that had been delayed due to Covid-19. The upturn was restricted by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.
- Out of the 12 UK regions, the West Midlands was the second lowest for Business Activity in April 2022.
- The UK Business Activity Index decreased from 60.9 in March 2022 to 58.2 in April 2022.
- The West Midlands Future Business Activity Index decreased from 75.2 in March 2022 to 71.8 in April 2022. Despite the overall level of positive sentiment falling to a 17- month low, some firms remained upbeat due to new product launches, marketing efforts and expansion plans to support output over the course of the coming year. Optimism was restricted due to concerns over inflationary pressures and energy price volatility that would curb demand and business activity.
- Out of the 12 UK regions, the West Midlands was joint third highest (with Wales) for Future Business Activity in April 2022.

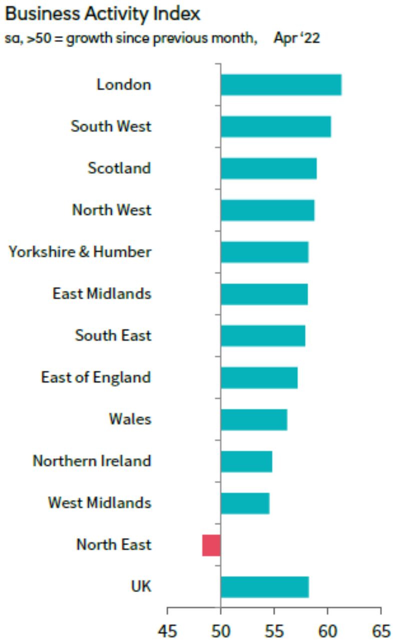
**In Detail:**

**Business Activity Index**

The West Midlands Business Activity Index decreased from 59.1 in March 2022 to 54.5 in April 2022, this was the slowest rate of growth in three months. Where output rose, firms reported new contract wins, expanded capacities and the catching up of projects that had been delayed due to Covid-19. The upturn was restricted by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.

Out of the 12 UK regions, the West Midlands was the second lowest for Business Activity in April 2022. London was the highest with 61.3 and the North East was the lowest at 48.3.

**The following chart shows the Business Activity Index across all UK regions in April 2022:**




Source: NatWest, May 2022

[1] Source: NatWest West Midlands PMI, May 2022. The seasonally adjusted indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

**Demand**

The West Midlands New Business Index decreased from 55.4 in March 2022 to 50.2 in April 2022. The latest reading signals stagnant levels of new work intakes for the West Midlands.

**Business Capacity**

The West Midlands Employment Index increased from 53.9 in March 2022 to 55.1 in April 2022. Following a substantial slowdown in growth during March 2022, April 2022 shows a marked and accelerated rate of expansion in jobs. Those companies that took on additional workers indicated that retirees and voluntary leavers had been replaced.

The West Midlands Outstanding Business Index decreased 50.8 in March 2022 to 50.2 in April 2022. Capacity pressures for West Midlands firms eased further in April 2022, with the overall rate of accumulation in backlogs fractional and the weakest in the current 14-month sequence of expansion. Where growth was reported, firms mentioned input delivery delays, staff absence and difficulties sourcing some materials. Equally, firms that noted a reduction cited subdued demand conditions and job creation.

**Prices**

The West Midlands Input Prices Index increased from 83.8 in March 2022 to 85.0 in April 2022. The rate of input cost inflation across the West Midlands increased for the fourth successive month. The latest rate of inflation accelerated to the second highest since data collection started in January 1997.Firms indicated that price pressures stemmed from rising energy, food, fuel and staff costs. Increases were partly attributed to global shortages of materials and the invasion of Ukraine.

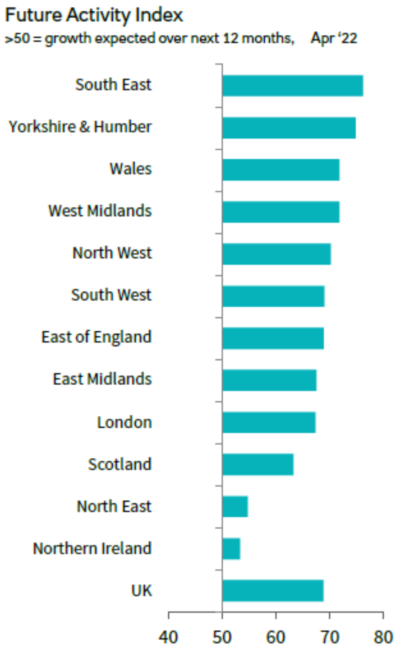
The West Midlands Prices Charged Index increased from 70.7 in March 2022 to 71.2 in April 2022. The overall rate of charge inflation was sharp and the highest since the series started in November 1999. Nearly 47% of firms reported a rise, with the remaining firms signalling no change since March 2022.

**Outlook**

The West Midlands Future Business Activity Index decreased from 75.2 in March 2022 to 71.8 in April 2022. Despite the overall level of positive sentiment falling to a 17- month low, some firms remained upbeat due to new product launches, marketing efforts and expansion plans to support output over the course of the coming year. Optimism was restricted due to concerns over inflationary pressures and energy price volatility that would curb demand and business activity.

Out of the 12 UK regions, the West Midlands was joint third highest (with Wales) for Future Business Activity in April 2022. South East was the highest with 76.2 and the Northern Ireland was the lowest at 53.3.

**The following chart shows the Future Activity Index across all UK regions in April 2022:**




Source: NatWest, May 2022

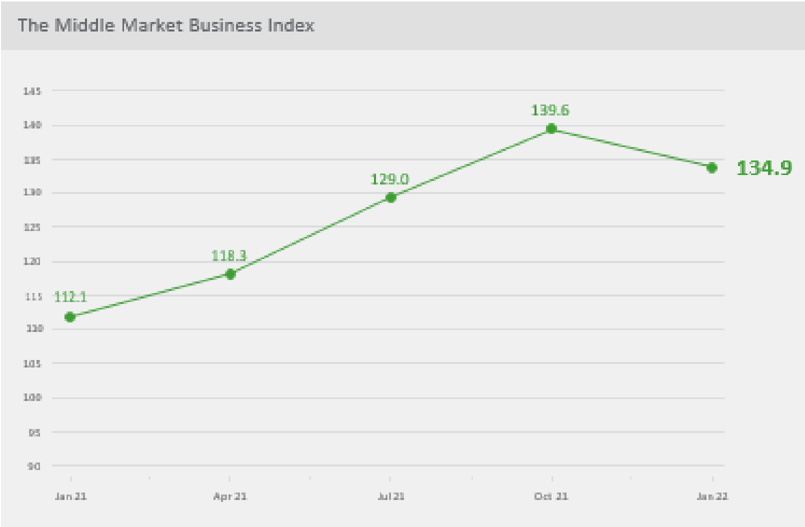
*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

# Middle Market Business Index
## RSM UK

### A muted outlook for Q2
Omicron took some of the wind out of the middle market's sails in the first three months of the year. The Middle Market Business Index (MMBI) registered its first fall – from 139.6 in the last quarter of 2021, to 134.9 in the first quarter of 2022.

However, the MMBI still suggests that middle market businesses are optimistic, and the forward-looking aspects of the survey show that firms had been expecting labour shortages and supply chain pressures to start easing in the first half of 2022.

Russia's invasion of Ukraine, which occurred following the conclusion of the MMBI's sampling period for the first quarter of the year, will likely impact global supply chains and cause the price of energy to further rise in the near term. Therefore, it is probable that this development and all that follows may dampen middle market business sentiment during the second quarter of the year.




### Omicron dampens business spirits, but signs of supply pressures easing
The MMBI is made up of five questions about the current quarter and five questions about the outlook over the next six months, so the headline index is inherently influenced by expectations about the future. But some of the most useful information we can glean from the MMBI comes from analysing the specific answers middle market businesses gave to each question about the current quarter and the future outlook.

Middle market businesses have clearly become much more concerned about the general economic outlook. Just 43% of firms said the economy improved in Q1, and expectations for the economy's trajectory over the next six months have fallen by nine points, from 72% in Q4 to 63% in Q1 – the largest decline of the index components.

This almost certainly reflects the surge in omicron cases and the restrictions imposed on parts of the economy in January.

As we would expect, these weaker economic conditions were reflected by fewer firms reporting increases in revenue (from 56% in Q4 to 50% in Q1) and profit growth (57% to 52%).

The proportion of firms expecting revenues and profits to increase over the next six months also fell, but both remain very optimistic at 68%.

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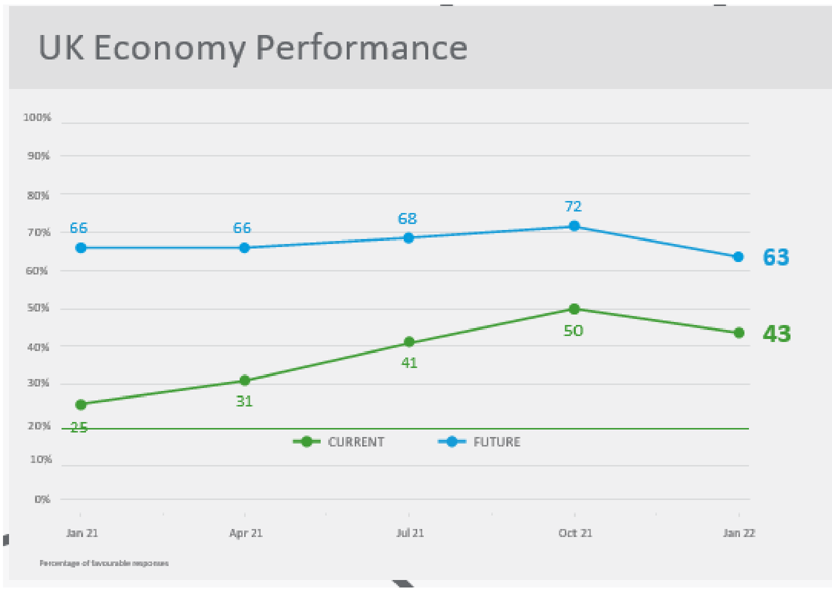


### Supply chains recovering from omicron

The incoming 54% increase in the energy price cap from April pretty much ensures that CPI inflation will continue to rise. Combined with the surge in oil prices and the jump in the cost of many agricultural products and base metals, inflation is likely to peak above 8% in April and remain high for the rest of the year.

The MMBI survey found evidence that the shortages of materials and associated price rises that affected firms over the past year were easing. The number of firms expecting input prices to rise over the next six months dropped from 69% in Q4 to 64% in Q1.

What's more, the number of firms planning to raise their own prices over the next six months fell from 72% to 63%, suggesting that if price pressures further down the production chain start to relax, middle market firms will try to avoid uncompetitive price increases. However Russian sanctions and further covid-related port closures in China mean that these improvements will likely reverse later in the year.

### Signs of labour shortages easing

Just over half of firms (52%) said they had increased recruitment in the first quarter of the year, yet the proportion of firms intending to increase recruitment over the next six months dropped from 68% to 63%. This suggests that middle market firms are expanding their payrolls, but they are doing it at a slower, more cautious, rate.

The story is similar when we examine wage growth. The proportion of firms saying they had increased remuneration in Q1 dropped three points to 48%, but there was a large six-point fall in the proportion of firms saying they were planning to increase pay in the next two quarters. Admittedly, this still left 61% of firms planning to raise pay, but competition for labour seems to be waning.

All this is good news for middle market businesses for two reasons. First, an inability to find enough staff has prevented firms from raising output to take advantage of the strong rebound in consumer spending.

Second, wages play an outsized role in business costs for the labour-intensive service industries that comprise the bulk of the real economy. While that may help households to deal with the looming cost-of-living crisis in the near term, the acceleration in pay could cause an increase in operating costs, thinner margins, and result in an acceleration in inflation if it continues unabated.

That said, it is clearly too early to suggest that either supply chain issues or labour shortages are behind us. The labour market will remain tight for at least the rest of 2022, and the growth rate of the UK workforce is probably permanently lower than it was before the pandemic and Brexit. This will keep wage growth elevated compared to what it was before the pandemic. In fact, the Bank of England's Monetary Policy Committee has singled out higher wage growth as a key variable that it fears could drive inflation over the next two years.

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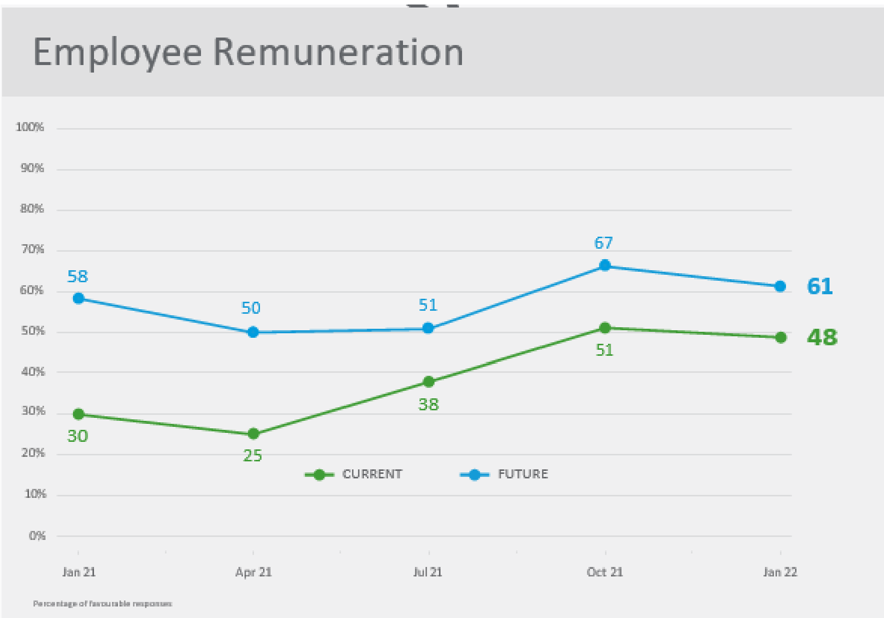



## Productivity is the name of the game

During times of rising prices, productivity can be the difference between stable and thinning margins. Over the past year, middle market firms have ramped up investment in productivity-enhancing equipment, software and intellectual property, which should help them to be more competitive and productive as the pandemic becomes endemic. In the current quarter, 51% of respondents noted an increase in outlays on capital expenditures and 63% indicated that they expect to increase theirs over the next six months.

From our vantage point, given the longer-term challenges around UK productivity, this is one of the more constructive elements of the first quarter survey results.

Lastly, one of the tailwinds to overall economic activity and growth this year should be the restocking of the domestic economy as the UK reopens for business.

This is why the proportion of firms saying they are increasing stocks has risen over the last year to reach 46% in Q1, and 61% of firms say they will boost stocks over the next six months.

We think that there is plenty of room to the upside on inventory rebuilding as firms seek to insulate themselves from further supply chain issues and we expect that this will be part of the middle market growth story in the near term.

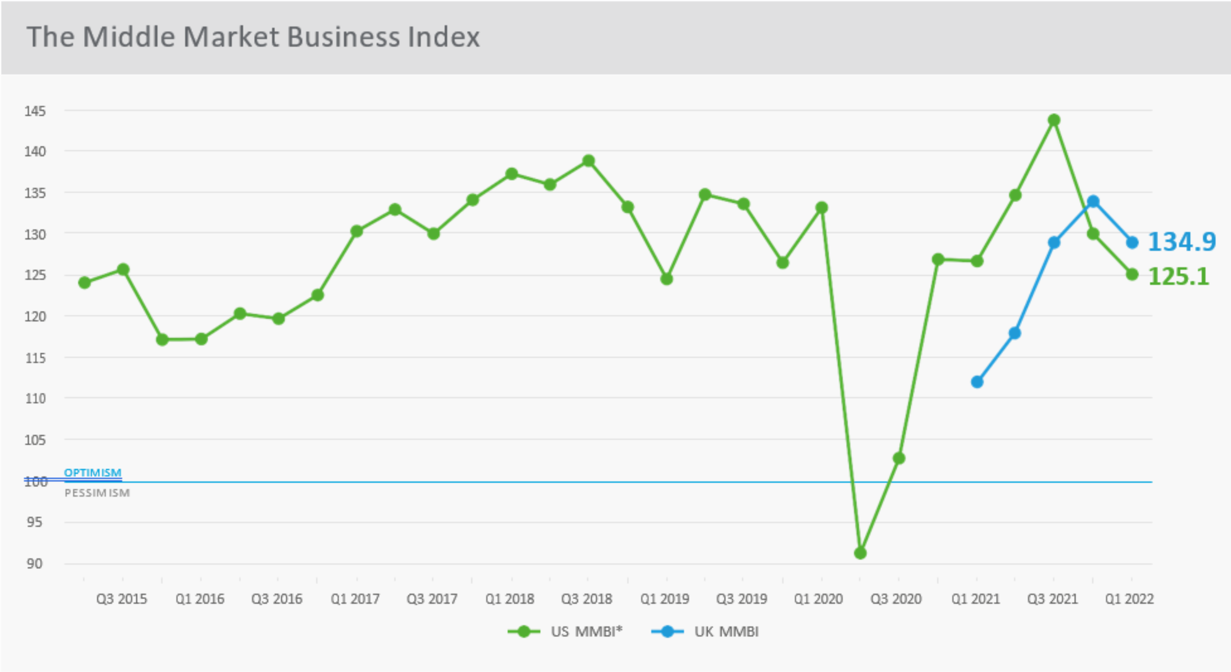
Of course, much depends on the future that emerges from this volatile geopolitical landscape. Factors such as rising energy prices and, potentially, fractured supply chains lend significant uncertainty to the near-term economic outlook.

## Any alignment between the UK and US Real Economies?

The US MMBI has been running since 2015, so it's useful to compare the two series. As we would expect, given the similarities between the UK and US economies, the two indexes trend in the same direction.

The US middle market has had a more positive outlook over the last year than the UK's, which probably reflects the more robust recovery in the US economy. But the much sharper fall in the US middle market over the last two quarters compared to the UK is likely due to the UK experiencing a relatively lower economic impact from the omicron wave of coronavirus.

Given many UK middle market businesses have significant activities in and with the US Real Economy, this RSM comparison chart is another useful early indicator of wider middle market views.




Sources: RSM US LLP, RSM UK

*seasonally adjusted

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# West Midlands Quarterly Economic Snapshot – Q1 2022

## Greater Birmingham Chambers of Commerce

### Key Statistics Recruitment Difficulties (QES Data)

**Of all firms surveyed:**

- 66% faced recruitment difficulties in Q1 – a decrease of 6% compared to Q4 2022. Businesses in Greater Birmingham (66%) and Coventry and Warwickshire (68%) were hit worse by this compared to the Black Country (59%).
- 68% of manufacturers in the region faced recruitment difficulties – a decrease of 9% compared to Q4 2021.
- 66% of service firms in the region faced recruitment difficulties – a 4% decrease compared to Q4 2021.

**Official Statistics for Employment Trends (West Midlands/UK)**

- For the period November 2021-January 2022, the employment rate in the West Midlands was 75.7%, an increase of 0.9% compared to the previous quarter.
- Across the UK, the employment rate rose by 0.1% to 75.6%, unemployment decreased by 0.2% to 3.9% and the inactivity rate was 20.3%.

### Export Trends (QES Data)

**A Balance Score of:**

- 52% for businesses in both sectors combined recorded for Export Sales, which is consistent with Q4 2022.
- 33% of manufacturers across the West Midlands reported an increase in their overseas sales compared to 20% of service firms.
- 25% of all companies across the region expected their international output to go up over the next 3 months. 53% of firms expected their overseas orders to stay the same for Q2 2022 whereas 22% of all businesses expected them to fall in the upcoming months.

**Official Trade Statistics (West Midlands/UK)**

- The West Midlands Regional trade in goods exports was worth £6.8bn in Q4 2021; a decrease of 6.7% compared with the same time period last year, while the UK levels increased by 4.6% to £130bn.
- West Midlands imports increased by 1.1% compared to the same time period in 2020, totalling £9.0bn.

### Business Resilience (QES Data)

**A Balance Score of:**

- 79 for businesses in both sectors combined recorded for price pressures (a one-point increase on Q4 2021 and the highest on record).
- 56% of service firms expect the prices of their goods and services to increase over the next three months, compared to 73% of manufacturers.
- 3% of businesses in Greater Birmingham expected to reduce their prices over the next 3 months, compared to 2% in Coventry and Warwickshire and 1% in the Black Country.
- The overall balance score for cash flow projections was 52. A decrease of three points compared to Q4. This was based on:
    - 30% expecting their cash flow projections to improve 44% expect cash flow levels to stay the same
    - 44% expect cash flow levels to stay the same
    - 26% expect cash flow to worsen
- 23% of manufacturers and 31% services firms across the region expect their cash flow levels to fall

### Business Investment (QES Data)

**Across the region as a whole**

- 25% of businesses reported that investment plans for capital expenditure had been revised upwards, 58% responded that investment in capex had remained the same and 17% had lowered their plans for investing in equipment for a balance score of 54 (the same as Q4 2021).
- 23% of service companies across the region increased their capex spend, 59% maintained consistency in their spend and 18% reduced it.

Regionally, the largest proportion of manufacturers recording a drop in capex investment levels were based in Coventry and Warwickshire (27%), compared to 13% in Greater Birmingham and 8% in the Black Country.

### Price Pressures and Investment Levels (UK Trends)

- The Consumer Prices Index including owner occupiers' housing costs (CIPH) rose by 4.9% in the 12 months to January 2022, up from 4.8% in the 12 months to December 2021. The largest upward contributions to the change in the CPIH 12-month inflation rate to December 2021 came from housing and household services (1.4%) and transport (1.2% principally from motor fuels and second-hand cars).
- Business investment grew by 0.9% in Q4 if 2021, which is 0.8% lower than Q4 of the previous year. The level of investment is now 10.4% below where it was pre-pandemic (Q4 2019).

### Business Confidence (QES Data)

**Balance Score of:**

- 68% for businesses in both sectors combined was recorded for profitability projections (a two- point decrease compared to Q4 2021).

The overall balance score for turnover projections was three points lower this quarter compared to the previous. A score of 76 was based on 64% of the total number of companies surveyed expecting their turnover to go up (a 2% decrease on Q4 2021) whilst 12% predicted a decrease in turnover levels.

### Business Confidence (UK Trends)

- Gross domestic product (GDP) is estimated to have grown by 0.8% in January 2022 and is now 0.8% above its pre-coronavirus level. Services, particularly human health and social work activities, were the main contributor to this increase.
- Sentiment tracked by ICAEW's National Business Confidence Monitor (BCM) found that business confidence is getting closer towards the pre-pandemic 'normal'. Its West Midlands monitor found that business confidence in the region has improved to make it the most confident region in the UK, alongside London.

For the full update please visit The Greater Birmingham Quarterly Business Report page, on the Greater Birmingham Chambers of Commerce website.

# UK Shared Prosperity Fund: Perspectives on Allocations in the Midlands
## Black Country Consortium Economic Intelligence Unit

### *Executive Summary*
In theory, the launch of the UK Shared Prosperity Fund (UKSPF) in April 2022 was a welcome boost to local economies. It will provide over £350m worth of funding over 3 years across the Midlands Engine, supporting key local priorities and delivering activity for levelling up.

Government claims that each area in England will, by 2024-25, receive the same real-terms level of funding through UKSPF as it received under EU Structural Funds (EUSIF). This may be true, but as highlighted by analysis from the Financial Times, Northern Powerhouse Partnership, Lord Kerslake and now the Midlands Engine Observatory, the overall picture looks like a real terms cut:

**Our analysis of the Midlands Engine geography suggests an estimated loss of £237.4m in funding over three years compared to pre-Brexit – a 40% cut.** The West Midlands 3-LEP area as a whole is set to miss out on **£94.3m worth of funding (a 39% cut).** These figures will be even higher taking into account theoretical future EU funding and real 2024-25 prices.

This stresses that it is not just the North that is missing out on vital regional development funding, while further comment criticises the short-term, restrictive design of UKSPF that may hold local places back. Adjustments to the scale, certainty and duration of the funding are required to make it a real success in contributing to levelling up; but the government can start by evidencing their claim that UKSPF provides a real terms match of EUSIF funding in the regions.

### *Background*
The UK Shared Prosperity Fund (UKSPF) is a Government-allocated fund which is intended to reduce inequalities between communities, as part of the Government's wider Levelling Up agenda. This Fund was first announced in 2017 and finally launched with the publication of its full prospectus on 13 April 2022.

In total, the Fund will provide £1.5 billion per year by 2024/25. Funding will be allocated to local areas across the UK using formulas rather than by inviting competitive bids. The formulas aim to largely replicate the amounts that areas received from the EU structural funds, with some needs-based adjustments within areas.

UKSPF is being allocated nationally as follows: 22/23 - £400m; 23/24 - £700m; 24/25 - £1.5bn; amounting to £2.6bn overall by 2024-25 across the UK as a whole. Allocations include core UKSPF funding and the £560m Multiply programme. England's allocation, including of the total equals £1.56bn: £239m in first year, £409m in second, and £918m in third.

**Figure 1: UKSPF (Including Multiply) Allocations**

| Nation | 2022/23 | 2023/24 | 2024/25 | SR |
|---|---|---|---|---|
| Scotland | 32 | 55 | 124 | 212 |
| Wales | 89 | 153 | 343 | 585 |
| Northern Ireland | 19 | 33 | 74 | 127 |
| England | 239 | 409 | 918 | 1566 |
| Total UK | 380 | 650 | 1,460 | 2,490 |

### *Regional Allocations*

The government has confirmed that each Local Enterprise Partnership (LEP) area in England will, by 2024-25, receive the same real-terms level of funding through UKSPF as it received under the EU funding regime.

In theory, this is a welcome boost to local economies, supporting with levelling up at a time of dwindling European Structural Funds (EUSIF) and an accelerated need for initiatives across the country.

And there will no doubt be successful programmes within UKSPF in the coming years. Over £210m worth of funding will be pumped into the West Midlands and over £140m in the East Midlands in the given three-year period; the £350m+ total for the Midlands Engine geography is not a small amount of money and provides considerable opportunity for positive change in the region.

All regional allocations of UKSPF can be found here: UKSPF allocations - GOV.UK (www.gov.uk).

### *Funding Gap with EUSIF*

There has already been multiple challenges to the government's claim of meeting the real terms EU Structural Funds allocations:

- The Financial Times highlight that, to match what the UK would have received from the EU by 2024-25, England would need to receive £23bn in 2024-25 prices from UK government. Instead, it will receive only £1.56bn over the three years of the current spending review — almost 50 per cent less than pledged.
- Northern Powerhouse Partnership report that, as per UKSPF allocations, the north of England alone is losing £331m compared to before Brexit – a 34% cut. Their analysis suggests major cuts in regional development funding across the North, particularly in the North East, Lancashire and Cumbria.
- Furthermore, writing in the MJ, Lord Kerslake points out that only in the last year does UKSPF match in real terms the EU structural funds. The Government has said that the slow "ramping-up" of funding is intended to mirror the tailing-off of EU funding as the existing EU funding programmes come to an end, so that the overall amount of funding going to recipients from both sources combined remains at the same level. However, no evidence has been provided to support this claim, with Kerslake suggesting that it's a "pretty obvious sleight of hand."

**Our analysis of the Midlands Engine geography suggests an estimated loss of £237.4m in funding compared to pre-Brexit – a 40% cut.** This is demonstrated in Figure 2.[2]

**The Black Country is losing around £33.7m over the three years of funding, Greater Birmingham and Solihull £31.5m, Coventry & Warwickshire £29.1m, Greater Lincolnshire £19.0m, Derby, Derbyshire, Nottingham and Nottinghamshire £30.1m, Stoke and Staffordshire £28.1m, The Marches £16.2m and Worcestershire £7.9m.**

**Figure 2: Midlands Engine LEPs / Regions UKSPF and EUSIF Allocations**

| Area | Previous 3-Year EU Funding Average (£m) | Announced UKSPF 3-Year funding (£m)[3] | Change (£m) | Change % |
|---|---|---|---|---|
| **Black Country** | £75.9 | £42.1 | -£33.7 | -44% |
| **Coventry & Warwickshire** | £61.3 | £32.1 | -£29.1 | -48% |
| **Greater Birmingham and Solihull** | £102.0 | £70.5 | -£31.5 | -31% |
| **Greater Lincolnshire** | £58.7 | £39.7 | -£19.0 | -32% |
| **D2N2** | £96.9 | £66.8 | -£30.1 | -31% |
| **Leicester and Leicestershire** | £51.0 | £30.1 | -£20.9 | -41% |

[2] Methodology: Total EUSIF allocations per LEP for 2014-2020 x 3/7 to determine 3-year funding average. This has been compared with UKSPF allocations for 2022-2025 as per https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/ukspf-allocations
Assumes 3 way split of £16m Multiply funding across WM 7 MET areas in line with UKSPF core allocation proportions.

[3] Some small double counting may be present in the UKSPF data given that some local authorities have been located in multiple LEPs previously.

| | | | | |
|---|---|---|---|---|
| **Stoke and Staffordshire** | £72.4 | £44.3 | -£28.1 | -39% |
| **The Marches** | £42.9 | £26.7 | -£16.2 | -38% |
| **Worcestershire** | £29.6 | £21.7 | -£7.9 | -27% |
| **West Midlands (3-LEP)** | £279.0 | £144.8 | -£94.3 | -39% |
| **West Midlands (Region)** | £384.0 | £216.6 | -£167.4 | -44% |
| **East Midlands (3-LEP)**[4] | £136.6 | £206.6 | -£70.0 | -34% |
| **Midlands Engine** | **£689.0** | **£353.2** | -£237.4 | -40% |

Therefore, Midlands Engine places will suffer similarly to the Northern Powerhouse from reduced development funding, and **at an even greater rate (a 40% cut compared to 34%).** Specific concerns are therefore mirrored in the Midlands Engine, stressing that it's not just the North that is losing out:

- The replacement for EU funding through UKSPF will be worth less, with more strings attached and less time to spend it.
- The Government is now spending less on regional economic development than under the Cameron and May governments.
- As one of the most regionally imbalanced countries in Europe, parts of the UK – including the Midlands – were big winners of EU structural funding, aimed at raising productivity and addressing entrenched inequalities. The lack of sufficient replacement funding threatens economic recovery and true levelling up.
- It should also be noted that this analysis has not adjusted for real prices, so the gap in funding is likely to be even larger in real terms.
- Also, analysis[5] suggests that had the UK stayed in the UK, its EUSIF allocation for 2021-2027 would be 22% higher than 2014-20, suggesting an even larger gap with UKSPF.
- While some LEPs are set to lose out more than others: Coventry & Warwickshire (-44%), the Black Country (-44%) and Leicester and Leicestershire (-41%) are experiencing the biggest estimated cut.

Due to insufficient data, overlap EUSIF funding between 2022 and 2025 is not included in the analysis. And although this is likely to reduce the real terms cut in funding between EUSIF and UKSPF, it is unlikely to be substantial enough to provide local areas with the funding and tools required to recover, grow and level up, or to be level with previous and theoretical EUSIF funding (had the UK remained in the EU).

Overall, due to data gaps it's difficult confirm whether the levels of funding that local areas receive will remain in line with previous EUSIF totals during 2022/23 and 2023/24, but the likelihood seems low particularly when taking into account real prices and what the UK would had received if it remained in the EU.

The House of Commons Library[6] highlights specific funding gap possibilities as EUSIF ends and UKSPF ramps up:

*"Some EU structural funding will continue until the end of 2023, but the UKSPF is not planned to reach its full level of funding until 2024/25. This means that during the first quarter of 2024 the UKSPF will still be providing the lower level of funding provided in 2023/24, with no EU funding topping it up. It is not clear whether the level of the 2023/24 allocation has been designed to account for this."*

### *Other Considerations*

Concerns about UKSPF aren't limited to the lack of funding. Another gripe surrounds the three-year cycle outlined for UKSPF, seen inferior by many to the 7-year cycles of European funding. The risk, according to Lord Kerslake and the Northern Powerhouse Partnership, is that shorter funding terms will lead to superficial short-termism rather than long-term strategic thinking.

[4] Including D2N2 LEP, Greater Lincolnshire LEP & Leicester / Leicestershire LEP. Excludes Northamptonshire

[5] Centre of Peripheral Maritime Regions (CPMR): https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmdl=20524&ind=1550570009760

[6] CBP-8527.pdf (parliament.uk)

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More broadly, the Institute for Fiscal Studies (IFS) has bluntly described the UKSPF launch and prospectus as “bad policy”. The IFS describes the decision to keep funding allocations in LEPs across England the same as they had been under the EU structural funds as “a real missed opportunity”.

### *Concluding Thoughts*

Despite the criticism, the long-awaited launch of UKSPF is welcome to local economies – their public sector organisations, businesses and communities. The swiftly tapering off EUSIF projects and lack of replacement funding has created uncertainty and a gap in provision across key areas: from skills, business support and innovation to employment support and environmental initiatives. There is still time to reap the perceived benefits of Brexit in this regard, by implementing a more flexible, responsive and demand driven funding system for local economies. But, as highlighted by local areas, fiscal experts and our Midlands-level analysis, adjustments to the scale, certainty and duration of the funding are required to make it a real success in contributing to levelling up.

As highlighted by Sir Geoffrey Houghton, Government could start by evidencing their claim that UKSPF provides a real terms match of EUSIF funding in the regions. If they cannot do this, then more funding should flow to the regions to make this manifesto pledge a reality.

# Universities and Levelling Up Policy Forum – Setting the Scene

**Des McNulty (Glasgow University), Mike Boxall (PA Consulting), Chris Millward (University of Birmingham) and John Goddard (WMREDI)**

***This blog, by Des McNulty, Mike Boxall, Chris Millward and John Goddard, is the first outcome of a dialogue involving senior participants from universities, government and a variety of civic organisations to (i) discuss the role Universities might play in the implementation of the levelling up agenda and (ii) scope out the White Paper's implications for the purpose, role and funding of higher education, including patterns of place focused collaboration between universities and their civic partners. A second blog, summarising some of the key points raised at the initial event will be published shortly. The intention is to hold a series of forum events on specific topics, aimed at informing deliberations within different tiers of government and within the university sector and its partners about the role of universities in supporting the place revitalisation objectives set out in the levelling up White Pape. These will be informed by a series of policy papers, fleshing out themes and making recommendations as appropriate.***

Following the Civic University Commission report in 2019, universities have demonstrated a growing commitment to civic engagement. Over 100 universities have now joined the Civic University Network. Many of them are giving civic engagement and social mission greater prominence in their strategic plans. Even though universities do not feature extensively in the White Paper, we argue that levelling up poses new challenges, especially for those institutions located in or near 'left behind places' or in regions where the government wants to see purposeful collaboration between government, business and other partners to address the White Paper's spatial rebalancing objectives and the 12 missions it identifies.

Although there has been much academic research on the multi-faceted nature of uneven development and the role that universities can play in generating growth, thus far the role of universities as local 'anchor' institutions to actively contribute to place focused economic development and other objectives at the city and regional level has not featured strongly in the public policy debate. Reasons for this might include the short-term and cyclical nature of UK regional policy over the last 30 years and the limited concern with place within and between those government departments focusing on higher education, research and innovation, skills, health and culture.

The cross-government ambition of the White Paper, with responsibility for implementation and coordination to lie with a place-focused government department, has significant potential to change the parameters of higher education policy, linking it more directly to other policy frameworks and objectives. If the promised 'rewiring of Whitehall' was to be implemented, departments would be held to account both for the geographical redistribution of their expenditure away from the south-east of England and their performance against the mission objectives set out in the White Paper, with quantitative targets, annual reports and running scores year by year to measure progress.

While the monitoring of funding allocations through a place lens is not the same as a direct intervention requiring changes in funding mechanisms, the creation of statutorily backed performance management and a mission-oriented approach to public funding will generate and shape tensions between government departments for as long as 'levelling up' remains high among government priorities.

Within the tertiary sector, attention so far has been on the implications of the government's commitment to a greater share of R & D funding going to places other than Oxford, Cambridge and London. But levelling up is a 'whole of government commitment' and the £12 Billion of direct higher education funding, let alone the additional funding universities receive from various departments of state, can be expected to come under the place-impact microscope. Two questions that might quickly arise for government and for universities are:

- how might Levelling Up goals impact total higher education funding? Will English universities currently receiving money from different departments of state be affected by a need to evidence both geographical spread and contribution to levelling up objectives?
- how could these resources be better deployed in future to enhance the role of universities in place making and place-focused levelling up?

More specifically, within the funding envelope, how might universities be incentivised to contribute to the six interconnected, mutually reinforcing capitals highlighted in the white paper as being key to driving levelling up in the places left behind – physical, human, intangible, financial, social, and institutional?

## The balance of incentives within our education system

If one accepts the levelling up White Paper as a defining statement of the current government's mission, with the goal being to reduce geographical inequalities while crafting a more unified, equal and prosperous nation from the decision to leave the European Union, how the development of human capital through education can be aligned with this is not yet clear. Those places across England with the lowest levels of educational progression are nearly all in parts of cities and post-industrial towns in the north and midlands, and coastal towns, which are, of course, the priority for levelling up. They lose out not only on educational opportunities for local people but also because graduates tend not to move there to work.

Most of the differences in wages across the country are due to the uneven distribution of knowledge and skills, driven not just by differences in educational qualifications, but also by where highly skilled jobs are located. To address this, local strategies are needed that join up the education of young people with the supply of higher levels of education and training and demand from employers and employees. Ensuring that local people are equipped to benefit from new jobs arising from R & D investment requires a joined-up approach to the R & D, education and skills roles of universities and the College sector at the regional level.

The White Paper sets out how the government will provide the evidence needed to understand this through a Future Skills Unit and Ministers have highlighted the importance of regional skills cooperation, citing the West Midlands skills strategy as an exemplar. But there are no proposals so far that would change the incentives across the education system. This is characterised by partial academisation rather than a coherent pattern of schooling in local areas, competition between FE colleges and universities, rather than pathways between them. Higher Education course provision is driven by student choice, rather than the needs of employers and incentives for university education and research missions are disconnected.

These policies reward strong and competitive learners and institutions, but they contribute to the inequalities and inefficiencies diagnosed within the White Paper itself. To deliver what the White Paper suggests is needed, change is needed in the balance of incentives within our education system in favour of increased coherence and collaboration in local areas. The key dilemma for the government and for the HE sector is whether it can rely on individual institutions or regional partners to address these deficiencies themselves or whether regulatory and funding changes are needed to drive it.

## How should Universities contribute to missions set for *functional economic areas*?

The £2.6 billion UK Shared Prosperity Fund (UKSPF), which succeeds the old EU structural funds will be going directly to places across England, Scotland, Wales and Northern Ireland to invest in three local priorities: communities and place; support for local businesses; and people and skills.

Big cities with regional governance infrastructure, city deals and strong universities serving what the White Paper call ***functional economic areas***, like West Midlands, Greater Manchester and the Glasgow city region, are well-positioned to secure additional R & D resources and infrastructure investment, as can be seen from the selection of these places to host the innovation accelerators announced in the White Paper.

Ministers have said however that every area of the country can engage with the levelling up agenda, provided they can put forward viable projects and demonstrate effective partnership and accountability arrangements. Those localities that are best prepared and most agile will gain the most. Key ingredients everywhere are leadership and transparency, together with the involvement of business in the delivery of planned investment and consultation with the wider public.

The preference of the lead author of the White Paper, Andy Haldane, for longer-term, need-based formula funding for levelling up is not supported by Ministers who regard competition as a mechanism for generating better quality bids, with the additional benefit of allowing them to pick and choose where major investment should go. Within this competitive framework, Universities, spread out widely but not evenly across the UK, will be exhorted to work collaboratively with civic leaders and with each other to develop initiatives and to evidence what is being achieved. It remains to be seen whether, in the short or medium term, university funding arrangements are amended to incentivise this collaborative behaviour. But in the meantime, we argue that universities will have increased opportunities, through engaging with the levelling up agenda, to influence local and regional investment and innovation strategies, to help partners access additional resources and to demonstrate the contribution they make to the local and regional level.

## The complexities of measuring performance

Despite the level of detail in the White Paper, what is meant by levelling up remains imprecise. Much more clarity is needed on the scope and expected outcomes at both national and local levels in order to facilitate measurement and evaluation and to inform understanding of the mechanisms involved in the delivery and of the roles of partners, including universities. Effective performance and accountability frameworks for understanding what works, what doesn't, and why different arrangements are needed, alongside processes that facilitate shared learning. Universities can play a key role here, by sharing their research and expertise, supporting knowledge mobilisation (amongst local partners and between localities) and by working together to design new tools and approaches.

The challenges of levelling up arise on many different dimensions, recognised in the 12 'missions' and six 'capitals' identified in the recent White Paper, each involving very different local contexts, causal factors, and measurement challenges. The relevant performance criteria for planning and evaluating solutions are likely to be different for each dimension. Data alone cannot explain the underlying relationships that levelling up seeks to improve. It is difficult to specify what measures should be used for outcomes that arise from complex interactions between multiple agencies and stakeholders operating in their unique local context.

Looking just at economic indicators tells us little about differences in the workings of these delivery networks. Conversely, looking at 'upstream' activities (such as, say, educational outreach programmes) tells us little about ***how*** they impact 'downstream' outcomes. We need therefore to think differently about the practicalities of levelling up, based on understanding the internal dynamics of the systems that determine social outcomes at local levels. Alongside data-based observations, this analysis must explore the 'soft' factors – such as the quality of local stakeholder relationships – which often underly differences in performance between ostensibly similar delivery systems.

# Comparing Creative Clusters in the West Midlands and South Wales

## James Davies and Matt Lyons, WMREDI

***James Davies and Matt Lyons report on the importance of higher education institutions in the development of regional creative clusters and the questions that remain unanswered.***

This project, in collaboration with the Creative Industries Policy & Evidence Centre, compares two UK regions with growing creative sectors and asks how can regions optimise their creative clusters.

### The creative industries are an important part of the national economy

The creative industries have been a fast-growing part of the national economy, with strong export potential. In 2016, the creative industries were estimated to add almost £92bn in national GVA and grew by almost **double** the UK average in the period 2010-2016. The two most significant sectors (in financial terms) are IT, Games and Software (£34.7bn) followed by Film and Television (£15.3bn).

### Birmingham and Cardiff's creative clusters share characteristics

Birmingham and Cardiff were identified by NESTA as 'Creative Challengers'; regions noted for specialization in creative industries' sub-sectors, and characterised by high growth firms. Both cities are housed in regions that are targets for the 'Levelling up' agenda, which seeks to improve the economic performance of lagging regions.

The creative clusters in the two regions have similarities. Cardiff has a history of film & TV, home to BBC Wales and high-profile successes including Doctor Who, Torchwood and His Dark Materials – all produced in South-East Wales. Birmingham, of course, is known for Peaky Blinders, also housing BBC offices with plans for expansion after the breakout show. The two regions also host burgeoning creative & digital sectors. The West Midlands Combined Authority (WMCA) is home to an internationally important video game cluster around Leamington Spa, and Cardiff Capital Region (CCR) hosts 38 video game companies mostly clustered in Cardiff.

In 2022, there is an opportunity for both regions to progress beyond their industrial roots, and embrace the growing demand for 'CreaTech' skills across the economy. Additionally, the promise of cross-sectoral collaboration and the application of digital and creative skillsets to other local industries (aerospace, VR interventions in medical science, automotive innovation and autonomous vehicles) prompts a need to look at regional policy priorities.

### Challenges for creative industries

Exploring the similarities and differences between the two regions, and how they both may provide better support for their creative clusters is a timely consideration. The creative industries in the UK are currently facing a triple challenge, recovering from the COVID-19 pandemic, adjusting to the UK's exit from the EU, as well as feeling the effects of a decade of austerity, with sustained funding cuts across the sector. In 2022, the Levelling Up White Paper has placed a focus on regional policymaking, to ensure the UK is able to recover from the economic impact of COVID-19. Universities' contribution to increased R&D is considered, but the wider civic mission of universities within their regions was largely omitted.

TV and Film, Video Games and IT are high-growth sectors with huge potential but are suffering from serious skill shortages and gaps in experienced positions. Universities can help address these skills gaps, but face internal and external pressures that can act as a barrier to universities contributing fully to their regions. Creative industries' relationship with Higher Education and training is also historically uneasy. Universities are expected to play so many roles within their regions, attractors of skilled people, hubs of innovation and R&D, anchor institutions to their regions and globally competitive centres of educational excellence, it is worth considering if they are being pulled in too many directions. Further Education and vocational training colleges are also able to contribute to the provision of training and may be better placed to do so. Further research is needed to explore the skills gaps threatening the creative clusters in both regions.

### Creative policy for regional creative clusters is uncertain
The levelling up agenda is big on ideas but short on funding. Concerns continue surrounding the sustainability of the level of funding for regions across the UK. There is also the question of how devolution affects the competition for funding? Devolution is offered to a variety of regions in England as part of the levelling up agenda, West Midlands included, but the CCR's experience as part of a partially devolved nation can be of value in understanding the process of devolution to regions across the UK. More clarity on the future of UK creative policy is expected in the Creative Sector Vision due for publication in the summer of 2022.

Creative employment is often freelance, short-term and frequently in small or micro-businesses, or even as supplementary work alongside a main income, making it extremely difficult to gain an accurate picture of the state of play. Can these skills gaps be mapped? More information is needed on what can be achieved through a collaboration of HE/FE and colleges and industry, to help close these gaps and ensure both the WMCA and CCR and their creative industries are adequately supported. More qualitative work is needed to better understand the drivers of talent attraction and retention, and it is vital to gain the perspectives from stakeholders across government, industry and education in both regions.

### How to optimise the growth of creative clusters?
Creative sectors in the UK's regions are embedded in an ecosystem of governance, education and industry. In order for the WMCA and CCR to offer the best possible support for their fast-growing creative industries, we need to better understand the relationships between creative workers, industry and education. Specifically:

- The skills gaps present in each region and the extent to which HEIs can help fill them
- The impact of funding (COVID relief, Brexit & SPF shortfalls or Levelling-up. discretionary funding decisions) on HEIs.
- The role HEIs can play in supporting their local creative cluster.

The next phase of our research will set about answering these questions. The University of Birmingham's collaboration with the Creative PEC will continue with the publication of a full comparative report, coming soon.

Maybe not 'offer guidance' about how devolution 'should be' because we don't know if the CCR is a successful example? There is a big literature on the city deals we don't want to stray into. I think the interesting thing about the CCR in terms of creativity is the university/education stuff you mention and the devolved bodies of the arts council for wales and Creative Wales.

**Find out more about the Optimising Regional Creative Clusters project.**

# Energy – A summary

## Annum Rafique, WMREDI

Annum Rafique summarises the global energy sector and provides a snapshot of the sector in the West Midlands. This is a continuation of the IPCC series where Annum Rafique summarises different sectors described in the IPCC Report.

### Global Energy

Global final energy consumption grew by 6.6% between 2015 to 2019, and total GHG emissions from energy systems rose by 2.7% during the same period. On the other hand, energy generated by global solar PV grew by 170% (to 680TWh), and wind power increased by 70% (to 1420TWh) from 2015 to 2019. The IPCC's sixth assessment report stated that currently, there are various cost-effective methods to reduce emissions, especially those from electricity generation; however, these reductions in emissions would not be sufficient to limit warming to 2°C.

Substantial changes to energy systems are required to limit the warming to 2°C over the next 30 years. Changes to energy systems would include a reduction in consumption of fossil fuels, an increase in energy production from low and zero-carbon sources and an increase in electricity use. All countries would need to change their energy systems to transform them into net-zero systems; however, these changes would depend on national circumstances. Net-zero energy systems across different nations would have some similar characteristics, such as:

- Energy systems that either produce no $CO_2$ or remove it from the atmosphere
- Electrification of end-users such as heavy-duty vehicles and space and water heating for the residential sector
- Lower consumption of fossil fuels
- Use of alternatives such as hydrogen, bioenergy, and ammonia where electrification may be difficult
- Having greater integration across the regions and different stakeholders
- Use of carbon dioxide removals such as Bioenergy with Carbon Capture and Storage (BECCS) and Direct Air Carbon Capture and Storage (DACCS)

The transformation of energy systems to net-zero or low carbon systems would require a shift in investment patterns and create new economic opportunities. Already, there has been a shift in investments away from fossil fuel-based systems towards renewables such as carbon capture storage, electricity network and storage, and end-use energy efficiency. However, it would be challenging to fulfil energy demand predominantly from renewables in the coming years. On a large scale, solar PV and wind power can be incorporated into the electric grid through batteries, and other forms of storage can help alleviate this problem.

Electrification is expected to be the dominant strategy in buildings as electricity is required for space and water heating. Electrification would help to incorporate renewable energy into the buildings. Other technologies, such as district heating and heat pumps, would also offer the potential for energy demand flexibility. Over the past years, the unit cost of several mitigation options such as solar PV, wind power and batteries has dropped rapidly. The cost-reduction in key technologies has increased their economic attractiveness.

### Energy in West Midlands

The UK has committed to clean growth, where the economy continues to grow while reducing GHG emissions. The UK has cut down its carbon emissions by 42% between 1990 and 2015 while seeing a GDP growth of 67% in the same period. Reduction in emissions has been achieved through various measures, including improvement in energy efficiency, increase in waste recycling and decarbonisation of power.

The UK aims to become a net-zero carbon economy by 2050. To achieve these aims, different regions in the UK have created their targets and strategies to combat climate change. In June 2019, West Midlands Combined Authority (WMCA) declared a climate emergency and set net-zero carbon targets for the region by 2041.

In March 2021, a Five-year plan was set out to prioritise decarbonisation in the region which included signing up business for the Net-Zero Business Pledge, changes in energy provisions through energy capital and substantial afforestation

The West Midlands Energy Strategy aims to:

- Reduce energy costs for strategic industries to enhance competitiveness and productivity.

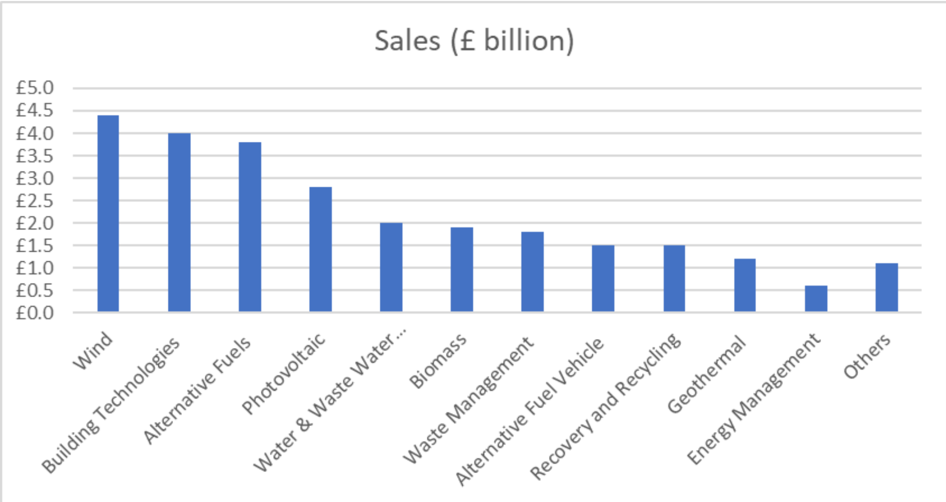
- Reduce the incidence of fuel poverty among households, particularly in Birmingham, Coventry and the Black Country
- Deliver the region's share of national and global carbon budgets
- Create a regional energy infrastructure that puts the West Midlands at the leading edge of the global energy and transport systems transition, making this region the most attractive market to commercialise new UK energy and transport system technologies.

For each of these proposed aims, the following targets were set:

- A 20-25% reduction in energy costs for strategic industries so that the energy costs are equivalent to better than German competitors by 2023
- To beat government targets of fuel poverty by at least five years
- To have as many fuel poor households in EPC Band C by 2025
- To have as many fuel poor households in EPC Band D by 2020
- Improving energy efficiency and average energy performance so that there is a reduced likelihood of falling in to fuel poverty
- Reduce regional carbon emissions by 2% between 2016 and 2030
- GVA improvement of £1bn by 2025 through Energy Innovation Zones and associated clusters to boost energy infrastructure in the region

To reach these targets, more than £15bn is being invested in local energy projects, £74bn on products and services to improve the quality of local energy systems, and £80bn is being spent on fuel and power that drives industry and homes in the West Midlands by 2030.

The low carbon energy and environment sector in the West Midlands contributed £26.6bn to the region's economy in 2019/20 through 10,500 businesses which employed over 195,000 people. Figure 1 presents the sales figures of the sub-sectors in the low carbon energy and environment sector in the West Midlands.




Source: Midland Energy Hub Regional Report (2021)

The vision of energy for the region is being delivered by developing four Energy Innovation Zones (EIZ) in the West Midlands, located in Black Country, Coventry and Warwickshire, Tyseley in Birmingham and UK Central, which includes Birmingham Airport, National Exhibition Centre, Jaguar Land Rover, Birmingham International Station and Birmingham Business Park.

**Black Country**

- Comprise of sites in Dudley, Wolverhampton and Darlaston
- Major manufacturing companies are already located there, including JLR, Moog, Eurofins and ISP. This zone is known as one of the most successful in the UK, and a total investment of more than £1.5 billion is expected across the Black Country over the next 15 years.
- The main aim is to promote and attract advanced manufacturing in the Black Country by offering a competitive advantage to manufacturers who locate there
- Challenges: the main issue is the energy costs, particularly for metal processing which leads to a competitive disadvantage against similar industries in different countries. It is a problem in other industries, which is why

energy-intensive manufacturers in the region are looking for reliable and high-quality energy suppliers with competitive prices.

**Coventry and Warwickshire**

- Have a relatively small number of key stakeholders.
- The EIZ has a tightly defined agenda: to satisfy strong electricity demand growth and develop infrastructure to support connected autonomous vehicles (CAVs).
- Challenges in the region: There is little spare capacity in the local electricity network; however, demand is predicted to rise. Some local authorities require major reinforcement works to raise capacity, involving significant capital expenditure. Grid constraints have limited and restricted the growth of many companies in the area.
- EIZ would aim to facilitate the constrain on the grid by developing timely and cost-effective clean energy solutions.

**Tyseley in Birmingham**

- Tyseley is located 5km east of the city centre,
- Tyseley is already the site of the city's energy-from-waste plant, which burns 350,000 tonnes of waste per year to generate 25MWe.
- Challenges: It is difficult to integrate energy and transport infrastructure developments simultaneously, especially when there is a rapid change in both sectors.
- A 16-acre industrial site next door is being developed as Tyseley Energy Park by its owners, Webster and Horsfall, and partners including the University of Birmingham, the City Council and the Greater Birmingham and Solihull Local Enterprise Partnership.
- The EIZ will produce clean energy for local communities and power a new clean transport refuelling infrastructure
- The EIZ would help in making use of the latest clean technologies being developed and deployed by the Universities of Birmingham and Aston at Tyseley and elsewhere
- Work already completed or ongoing includes:
    - Birmingham District Energy Scheme (owned by ENGIE)
    - Clean Air Zone/vehicle refuelling recharging studies
    - masterplans for the Tyseley site by owners Webster and Horsfall/Energy Capital
    - heat network project at feasibility Part 1 stage
    - city solar feasibility study completed

**UK Central**

- It has four development zones:
    - The hub is an economic area which includes the significant infrastructure of Birmingham Airport, National Exhibition Centre, Jaguar Land Rover, Birmingham International Station and Birmingham Business Park
    - North Solihull (Zone 2, a £1.8 billion regeneration programme)
    - Solihull Town Centre (Zone 3, a major retail, office and leisure destination)
    - Blythe Valley Park (Zone 4, a business park).
- All these zones have different challenges, including old inefficient housing stock, high levels of fuel poverty and high heating and cooling load
- Local institutional structures to support major investment and regeneration projects already exist in the area
- Significant work has already been undertaken to define future energy
- A feasibility study has been conducted which identified the economic viability of a low carbon heat network in the area

These EIZs will potentially receive investment in energy between £270m and £490m over the next 15 years, through which they would provide a unique opportunity for innovation in energy systems. These EIZs reflect local needs, their perception of energy systems and the opportunities they present. Thus, the EIZs are driven not only by climate actions and technological advances but also by local markets and consumer needs. It is expected that the development of the four zones would help in creating a generic template for the development of EIZs across the nation.

# Air Transport and Connectivity – Covid Permitting

## Paul Kehoe, Birmingham Airport

***Paul Kehoe looks at the aviation industry in the UK and how the pandemic impacted the market.***

***This blog post was produced for inclusion in the Birmingham Economic Review for 2021.***

***The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.***

***This post is featured in Chapter 4 of the Birmingham Economic Review for 2021, Connected Places: Foundations for Growth***

***Click here to read the Review.***

In the time just before Covid-19, the United Kingdom was the 3rd largest air market in the world – 300m passenger air trips. That year, India overtook the UK to claim the third spot just as China had done a few years earlier. It's not difficult to understand why the UK was originally in the second spot after the USA – the UK's Island status and excellent ground infrastructure meaning the bulk of the passengers were making international trips. However, the growth of air transport in both China and India, driven by their economies and populations would knock the UK off the second spot.

Britain has been in the vanguard of aviation development since WW2, remained second for most of the latter half of the 20th Century and into the 21st Century. Air services were vital to make economic, trade and cultural connections with our closest neighbours and distant trading partners. The rise of new cheaper means of air travel, whether by more economical jets or the new low-cost carriers (LCCs) kept the UK air market buoyant and allowed greater connectivity; first from the regions to the capital and on to the world but latterly by direct flights from the UK regions to distant destinations.

Notwithstanding the connectivity afforded by LCCs into Europe, it was the rise of the Middle Eastern Carriers that brought long haul direct access and a true one-stop strategy for local passengers to many parts of the world. Similarly, those airlines also opened opportunities for inbound travel to the UK regions.

### Airports and Airlines

Over the last 20 years, Manchester, Edinburgh, and Birmingham were seen as the key airports to be served by foreign carriers. The pecking order for UK aviation has always been Heathrow first, then Gatwick, Manchester, Birmingham and, or Edinburgh. For the Midlands, at peak air passenger throughput, the local airport generated a regional economic impact in 2017/18 (as reported by the consultants, York Aviation) was some £1.7bn GVA and 33,000 jobs.

The Midlands' problem perennially has been its proximity to London and the excellent infrastructure in place to ensure that passengers wanting to travel, say, to New York could whisk down the M40 to Heathrow to catch any of the 30 flights a day between the two cities. Enticing airlines to serve direct flights between the Midlands and the world was always difficult given Heathrow's proximity. However, some airlines saw the value of direct services. Two of the pioneers were Continental from the USA and Emirates from the UAE who were both able to stimulate and match market movements with direct flights.

The key for both was of course the lucrative business air passenger market. Business-class fares could often be sold at three, four or even five times the price of the economy seat. It's no surprise therefore to see why the UK air market attracted so many passengers – with potentially a fifth of all trips being business passengers or wealthy tourists flying in business class, it is an attractive proposition all round.

It is fair to say, that airlines and airports want business class passengers, they make airlines more money notwithstanding the volumes of economy passengers who would flood the duty-free/retail stores.

Typically, airport managers want three things – revenue, low costs and stable but growing markets. They tout their wares to the airlines by selling the proposition that their airport catchment is unique, wealthy or has some important characteristic such as ethnic links to a particular destination.

The challenge has been convincing an airline to take the plunge into a particular market and airports became very inventive at selling and packaging their markets with route development funds and regional support to attract new airlines. Management recognised that the important thing was not just volume but ensuring that they attracted business passengers vital for the regional economy.

That was the case until Covid arrived. The airport business model is very simple; they are capital intensive businesses that when they operate at capacity can make significant sums of cash but when they lose their revenue, they are encumbered by their cost base.

## Aviation Industry

Over the last 30 or 40 years, the aviation industry has managed to weather several events – the fuel crisis, Gulf War 1, 9-11, the 2008-9 financial crisis and, even, Eyjaffjalljoekull, the Icelandic volcano but they were mere blips compared with the tragic impact of Covid 19. In 2020, UK airports lost some 90% of their passenger numbers – the principal driver of profitability whether through landing and passenger fees but also retail and car parking. It is a shock that has lasted some 18 months and impacted two summer travel periods. Airports with cash will survive but most likely some form of Government intervention may be required to help these key economic airbridges to reconnect a post covid impact Global Britain.

Unless a long-term cure for Covid can be found, continuing medical interventions will be needed to allow continued travel. It is not certain whether the herd immunity approach or the zero covid approaches will be the best way forward. Until that day, it is likely that a stop-start approach to travel patterns will continue. The consensus in the aviation industry is that "normal" travel patterns may resume sometime in 2024.

Should there be no cure, we may have to find a new way to travel safely; although much business can be done remotely, business has been built on social interaction and the world is interconnected with some families living on the opposite sides of the planet.

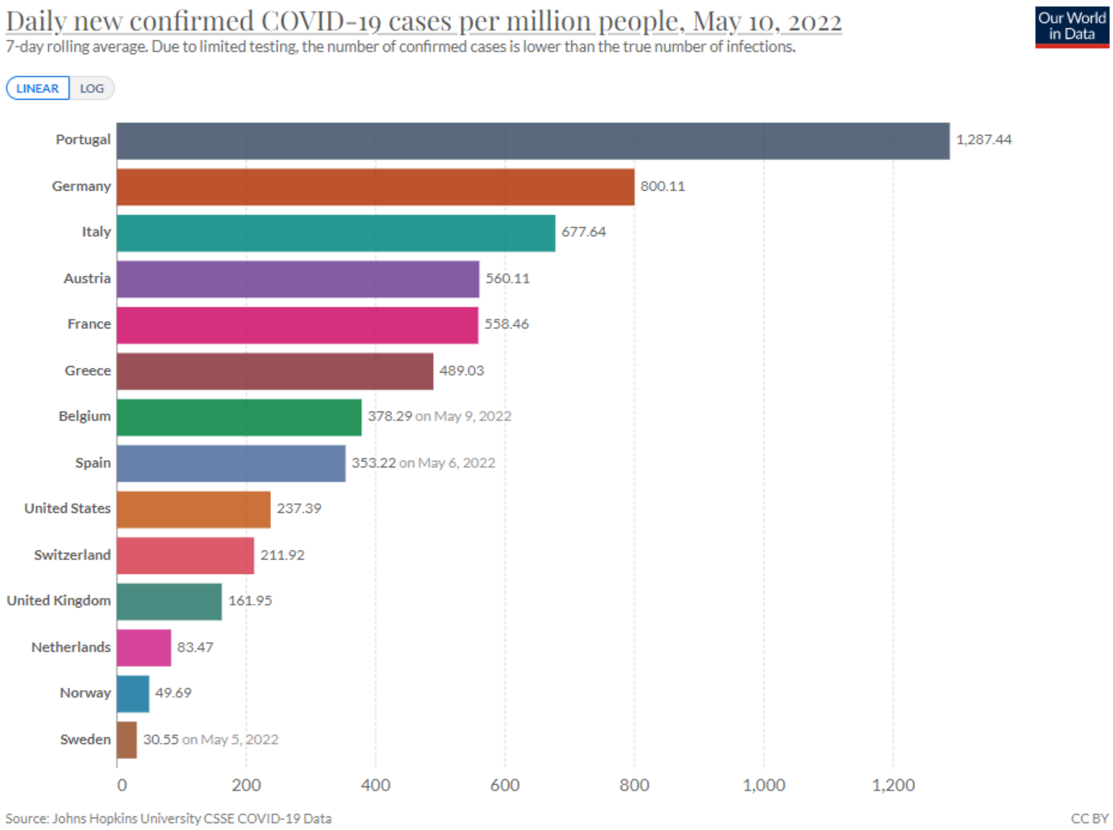
And should aviation begin to recover from the pandemic, the spectre of controlled travel may still be on the horizon because of the dystopian possibilities of carbon emissions and climate change. The climate conference, COP 26, at Glasgow might just set a new direction of travel for the industry but unless a new way is found to capture the prize of global interaction, aviation wealth creation may stay tantalisingly out of reach.

## Infection Rates and Vaccine Update

**Alice Pugh, WMREDI**

Case numbers across Europe have continued to fall since the previous monitor in all countries, except Portugal which has seen a rise. This is likely because of the changing weather and increased vaccination rates as borders open back up and people are starting to go on holiday abroad.

Since 31 December 2019 and as of week 2022-17, **512 690 034 cases** of COVID-19 (in accordance with the applied case definitions and testing strategies in the affected countries) have been reported, including **6 252 316 deaths**.

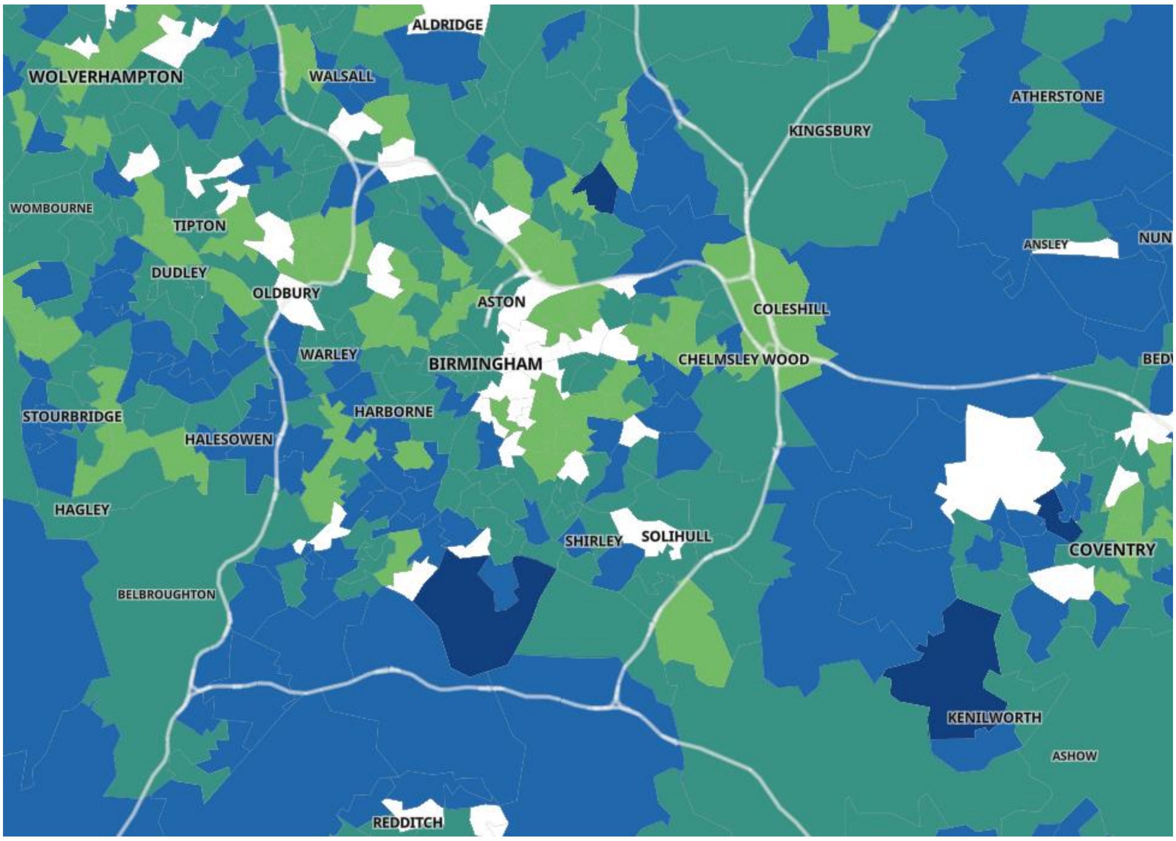



Latest ONS infection survey data (6th May 2022 next release to be 13th May 2022) states:

- The percentage of people testing positive for coronavirus (COVID-19) continued to decrease in England, Wales and Scotland, and decreased in Northern Ireland, in the latest week.
- In England, we estimate that 1,586,900 people had COVID-19 (95% credible interval: 1,516,200 to 1,659,000) in the week ending 30 April 2022, equating to 2.91% of the population or around 1 in 35 people.
- In Wales, we estimate that 131,600 people had COVID-19 (95% credible interval: 112,200 to 152,800) in the week ending 30 April 2022, equating to 4.33% of the population or around 1 in 25 people.
- In Northern Ireland, we estimate that 44,900 people had COVID-19 (95% credible interval: 34,800 to 56,300) in the week ending 30 April 2022, equating to 2.45% of the population or around 1 in 40 people.
- In Scotland, we estimate that 186,700 people had COVID-19 (95% credible interval: 161,800 to 214,300) in the week ending 1 May 2022, equating to 3.55% of the population or around 1 in 30 people.

The map below displays weekly data, which are updated every day here. Seven–day rolling rate of new cases by specimen date ending on 24th March 2022.

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*




**Covid 19 Hospital Activity**

A number of data collections have been implemented to support incident management. The collections were activated at short notice and the content of the collections has evolved as the incident has developed. The data collected is classified as management information. It has been collected on a daily basis with a tight turn round time. No revisions have been made to the dataset. Any analysis of the data should be undertaken with this in mind.

**Total reported admissions to hospital and diagnoses in hospital**

The table below shows the latest daily rates

| Name | 23-Apr-22 | 24-Apr-22 | 25-Apr-22 | 26-Apr-22 | 27-Apr-22 | 28-Apr-22 | 29-Apr-22 | 30-Apr-22 | 01-May-22 | 02-May-22 | 03-May-22 | 04-May-22 | 05-May-22 | 06-May-22 | 07-May-22 | 08-May-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ENGLAND** | **1,087** | **1,077** | **1,138** | **1,100** | **1,082** | **936** | **872** | **718** | **807** | **828** | **893** | **873** | **777** | **721** | **607** | **669** |
| East of England | 131 | 144 | 123 | 103 | 117 | 130 | 96 | 86 | 82 | 96 | 118 | 101 | 88 | 75 | 104 | 73 |
| London | 105 | 136 | 137 | 119 | 116 | 111 | 99 | 77 | 92 | 95 | 92 | 93 | 85 | 92 | 65 | 69 |
| Midlands | 233 | 210 | 203 | 220 | 219 | 188 | 170 | 150 | 177 | 152 | 160 | 158 | 161 | 138 | 110 | 102 |
| North East and Yorkshire | 202 | 175 | 212 | 186 | 196 | 157 | 170 | 118 | 125 | 135 | 149 | 160 | 148 | 143 | 93 | 142 |
| North West | 158 | 147 | 191 | 192 | 159 | 125 | 130 | 110 | 106 | 116 | 130 | 143 | 97 | 91 | 108 | 126 |
| South East | 128 | 148 | 154 | 167 | 148 | 123 | 122 | 99 | 145 | 148 | 126 | 116 | 121 | 107 | 79 | 97 |
| South West | 130 | 117 | 118 | 113 | 127 | 102 | 85 | 78 | 80 | 86 | 118 | 102 | 77 | 75 | 48 | 60 |

**Mechanical Ventilation beds - occupied by confirmed COVID-19 patients**

| Name | 25-Apr-22 | 26-Apr-22 | 27-Apr-22 | 28-Apr-22 | 29-Apr-22 | 30-Apr-22 | 01-May-22 | 02-May-22 | 03-May-22 | 04-May-22 | 05-May-22 | 06-May-22 | 07-May-22 | 08-May-22 | 09-May-22 | 10-May-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ENGLAND** | **276** | **276** | **260** | **252** | **259** | **265** | **256** | **248** | **237** | **241** | **224** | **211** | **199** | **199** | **187** | **175** |
| East of England | 29 | 32 | 31 | 25 | 27 | 28 | 25 | 26 | 33 | 34 | 29 | 26 | 25 | 27 | 22 | 23 |
| London | 99 | 94 | 92 | 90 | 92 | 94 | 95 | 89 | 82 | 86 | 79 | 86 | 86 | 83 | 76 | 72 |
| Midlands | 37 | 36 | 34 | 37 | 39 | 40 | 36 | 38 | 37 | 32 | 27 | 25 | 22 | 23 | 20 | 19 |
| North East and Yorkshire | 38 | 42 | 36 | 29 | 29 | 34 | 34 | 32 | 27 | 31 | 35 | 28 | 21 | 24 | 25 | 24 |
| North West | 29 | 28 | 29 | 29 | 29 | 26 | 28 | 27 | 24 | 22 | 16 | 15 | 17 | 16 | 18 | 13 |
| South East | 29 | 25 | 24 | 24 | 25 | 26 | 24 | 24 | 22 | 23 | 26 | 20 | 20 | 18 | 21 | 20 |
| South West | 15 | 19 | 14 | 18 | 18 | 17 | 14 | 12 | 12 | 13 | 12 | 11 | 8 | 8 | 5 | 4 |

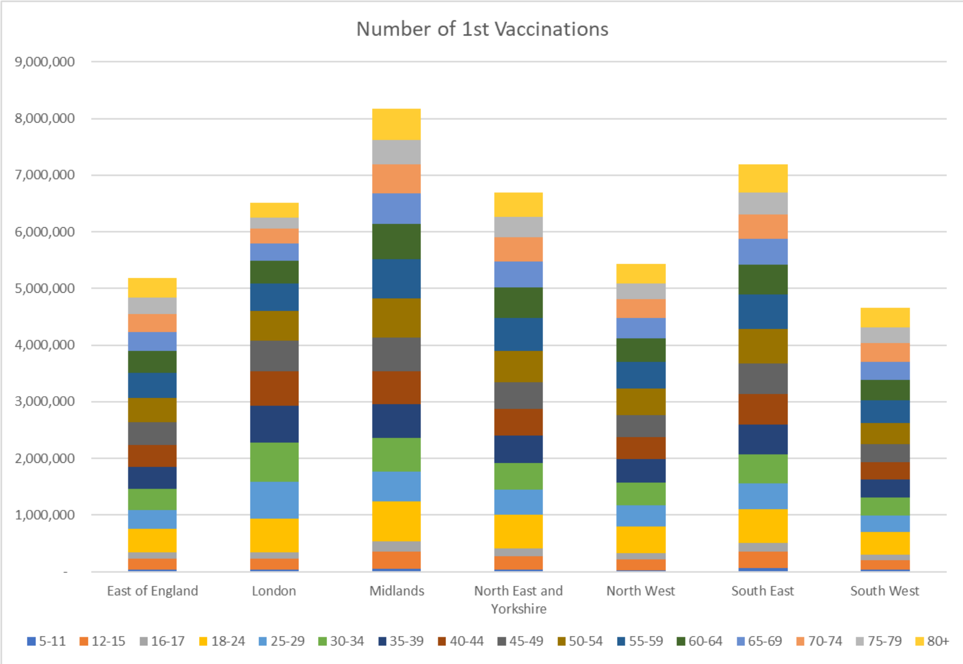
**Total beds - occupied by confirmed COVID-19 patients (as at 08:00)**

| Name | 25-Apr-22 | 26-Apr-22 | 27-Apr-22 | 28-Apr-22 | 29-Apr-22 | 30-Apr-22 | 01-May-22 | 02-May-22 | 03-May-22 | 04-May-22 | 05-May-22 | 06-May-22 | 07-May-22 | 08-May-22 | 09-May-22 | 10-May-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ENGLAND** | **11,992** | **11,320** | **10,965** | **10,432** | **9,938** | **9,499** | **9,355** | **9,326** | **9,243** | **8,950** | **8,596** | **8,170** | **7,768** | **7,715** | **7,647** | **7,363** |
| East of England | 1,269 | 1,216 | 1,143 | 1,103 | 1,072 | 1,041 | 1,028 | 1,019 | 998 | 1,003 | 984 | 921 | 895 | 881 | 850 | 821 |
| London | 1,979 | 1,900 | 1,870 | 1,779 | 1,709 | 1,629 | 1,614 | 1,609 | 1,630 | 1,584 | 1,518 | 1,467 | 1,406 | 1,418 | 1,416 | 1,400 |
| Midlands | 2,530 | 2,404 | 2,305 | 2,225 | 2,100 | 1,990 | 1,972 | 1,933 | 1,911 | 1,846 | 1,712 | 1,640 | 1,558 | 1,535 | 1,505 | 1,410 |
| North East and Yorkshire | 2,067 | 1,950 | 1,880 | 1,767 | 1,680 | 1,619 | 1,581 | 1,586 | 1,543 | 1,486 | 1,468 | 1,376 | 1,315 | 1,309 | 1,303 | 1,261 |
| North West | 1,712 | 1,650 | 1,562 | 1,524 | 1,460 | 1,388 | 1,365 | 1,375 | 1,357 | 1,330 | 1,282 | 1,216 | 1,119 | 1,105 | 1,149 | 1,128 |
| South East | 1,425 | 1,290 | 1,337 | 1,206 | 1,147 | 1,095 | 1,098 | 1,110 | 1,104 | 1,042 | 1,001 | 966 | 920 | 921 | 901 | 873 |
| South West | 1,010 | 910 | 868 | 828 | 770 | 737 | 697 | 694 | 700 | 659 | 631 | 584 | 555 | 546 | 523 | 470 |

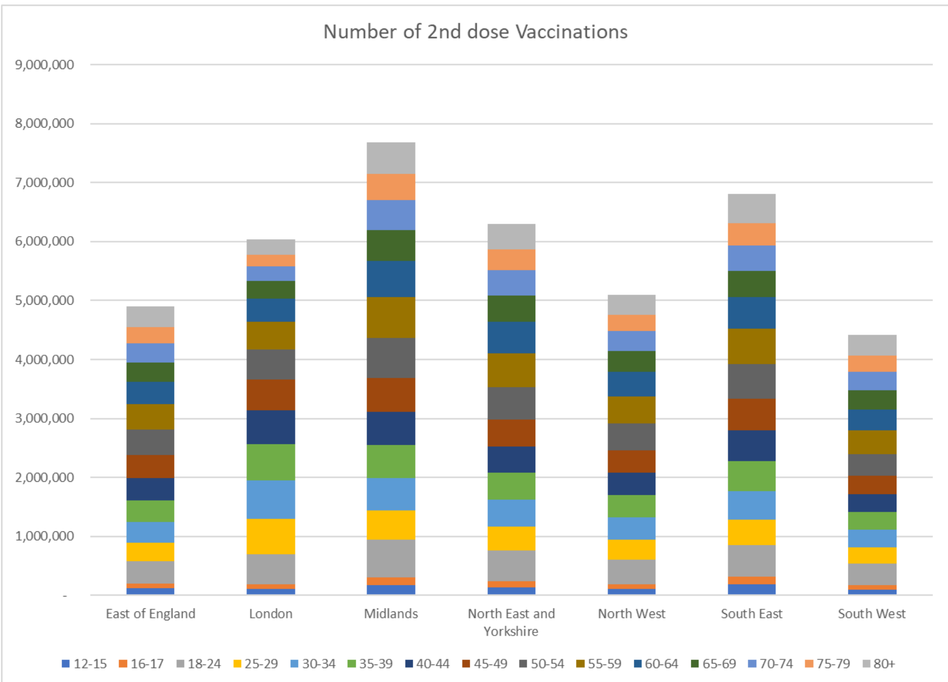
*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

## Vaccine Update

Between the 8th December 2020 and the 14th April 2022 the Midlands has successfully vaccinated **8,167,660** people with the first dose and **7,682,687** of these individuals have received the second dose as well. A further **6,007,042** have received their booster. Meaning the Midlands has successfully provided the most jabs out of any region including London.

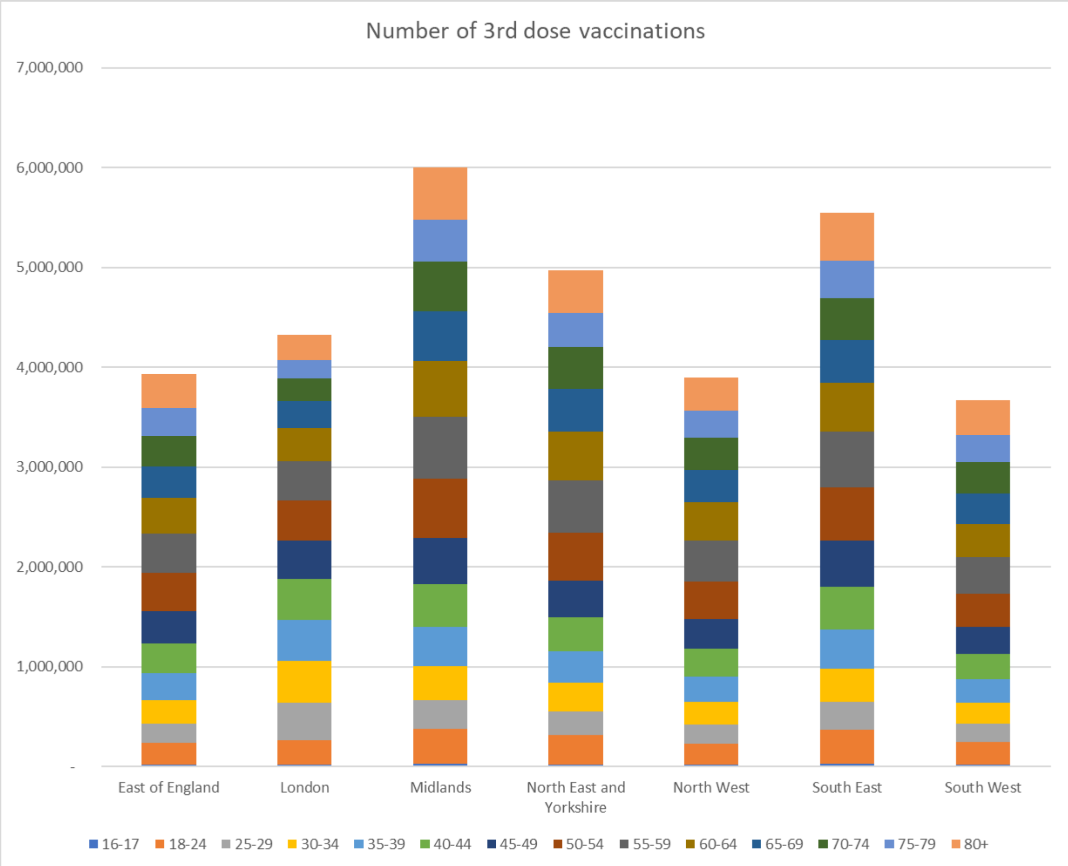



| NHS Region of residence name | % of people who have had at least 1 dose (using ONS denominators) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5-11 | 12-15 | 16-17 | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65-69 | 70-74 | 75-79 | 80+ |
| **Total** | 6.1% | 59.0% | 73.3% | 81.6% | 82.5% | 89.1% | 90.7% | 96.1% | 89.4% | 95.0% | 98.7% | 100%* | 98.8% | 93.4% | 100%* | 98.0% |
| East of England | 6.7% | 62.2% | 77.5% | 85.4% | 85.9% | 89.6% | 90.3% | 95.9% | 90.2% | 95.0% | 99.1% | 100%* | 98.2% | 92.1% | 100%* | 98.1% |
| London | 4.5% | 46.2% | 59.2% | 80.3% | 86.3% | 84.1% | 82.5% | 89.2% | 90.8% | 92.4% | 96.1% | 98.3% | 95.6% | 90.7% | 100%* | 88.6% |
| Midlands | 6.2% | 58.7% | 72.8% | 75.7% | 73.9% | 85.1% | 89.7% | 95.5% | 87.3% | 95.1% | 98.1% | 100%* | 98.0% | 94.3% | 100%* | 99.7% |
| North East and Yorkshire | 5.3% | 58.7% | 72.6% | 77.2% | 76.6% | 86.8% | 90.9% | 96.5% | 86.5% | 94.5% | 97.6% | 100%* | 99.5% | 94.4% | 100%* | 98.0% |
| North West | 4.9% | 55.4% | 71.3% | 77.5% | 76.3% | 85.4% | 90.6% | 97.0% | 87.6% | 94.6% | 98.0% | 100%* | 99.5% | 93.7% | 100%* | 98.5% |
| South East | 7.6% | 67.1% | 80.7% | 83.7% | 85.9% | 95.6% | 94.6% | 97.4% | 90.4% | 94.9% | 99.1% | 100%* | 99.4% | 92.0% | 100%* | 98.4% |
| South West | 7.8% | 66.2% | 80.8% | 86.8% | 87.8% | 94.7% | 95.4% | 99.2% | 89.1% | 94.6% | 99.5% | 100%* | 97.9% | 93.2% | 100%* | 100%* |




*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

| NHS Region of residence name | % of people who have had at least 2 doses (using ONS denominators) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12-15 | 16-17 | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65-69 | 70-74 | 75-79 | 80+ |
| **Total** | 35.6% | 54.1% | 72.9% | 76.2% | 83.5% | 86.3% | 92.5% | 86.9% | 93.0% | 97.0% | 100%* | 97.7% | 92.6% | 100%* | 97.4% |
| East of England | 38.7% | 58.6% | 78.0% | 80.2% | 84.8% | 86.5% | 93.0% | 88.2% | 93.4% | 97.8% | 100%* | 97.4% | 91.5% | 100%* | 97.6% |
| London | 26.8% | 41.4% | 68.9% | 79.4% | 78.7% | 78.0% | 85.2% | 87.4% | 89.3% | 93.2% | 95.6% | 93.1% | 88.8% | 99.7% | 87.2% |
| Midlands | 35.3% | 52.9% | 68.0% | 68.1% | 79.6% | 85.3% | 92.0% | 84.9% | 93.3% | 96.6% | 100%* | 97.0% | 93.6% | 100%* | 99.1% |
| North East and Yorkshire | 34.6% | 52.3% | 69.1% | 70.4% | 81.0% | 86.3% | 92.8% | 84.2% | 92.8% | 96.4% | 100%* | 98.8% | 93.9% | 100%* | 97.6% |
| North West | 32.6% | 51.0% | 68.7% | 69.8% | 79.2% | 85.5% | 92.7% | 84.7% | 92.3% | 96.2% | 100%* | 98.5% | 93.0% | 100%* | 97.9% |
| South East | 43.3% | 63.1% | 76.5% | 80.4% | 90.7% | 90.9% | 94.7% | 88.5% | 93.5% | 97.9% | 100%* | 98.4% | 91.3% | 100%* | 97.9% |
| South West | 39.0% | 61.5% | 79.7% | 82.5% | 90.0% | 91.8% | 96.4% | 87.3% | 93.2% | 98.3% | 100%* | 97.1% | 92.7% | 100%* | 100%* |




| NHS Region of residence name | % of people (not just those eligible) who have had at least 3 doses (using ONS denominators) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 16-17 | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65-69 | 70-74 | 75-79 | 80+ |
| **Total** | 13.0% | 40.7% | 46.4% | 54.6% | 60.8% | 70.6% | 70.7% | 80.4% | 86.8% | 92.7% | 92.5% | 89.4% | 100%* | 94.4% |
| East of England | 14.2% | 45.6% | 50.4% | 56.8% | 62.8% | 73.1% | 73.8% | 82.7% | 89.2% | 94.3% | 93.2% | 89.0% | 100%* | 95.3% |
| London | 8.7% | 34.1% | 48.8% | 51.3% | 52.4% | 60.5% | 65.0% | 70.6% | 76.9% | 82.3% | 83.8% | 82.5% | 94.1% | 81.6% |
| Midlands | 12.3% | 37.4% | 39.6% | 50.3% | 59.0% | 69.4% | 68.9% | 80.7% | 86.5% | 93.4% | 92.1% | 90.5% | 100%* | 96.1% |
| North East and Yorkshire | 11.8% | 38.4% | 41.2% | 51.3% | 60.1% | 70.5% | 68.6% | 80.7% | 87.1% | 93.0% | 94.1% | 91.0% | 100%* | 94.9% |
| North West | 11.9% | 35.2% | 38.9% | 47.6% | 56.6% | 67.5% | 66.7% | 78.2% | 85.0% | 92.5% | 92.8% | 89.5% | 100%* | 94.5% |
| South East | 16.9% | 47.0% | 53.0% | 63.8% | 69.0% | 77.4% | 76.5% | 84.4% | 90.4% | 95.4% | 94.6% | 88.9% | 100%* | 95.6% |
| South West | 16.1% | 49.8% | 54.8% | 64.0% | 70.6% | 79.4% | 75.8% | 84.5% | 90.8% | 95.4% | 93.5% | 90.5% | 100%* | 98.2% |

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

# Weekly Deaths Registered: 29th April 2022

## Black Country Consortium Economic Intelligence Unit

**The following analysis compares the latest available time period (the week of the 29th April 2022) to the previous week period (the week of the 22nd April 2022) for the number of deaths registered and the number of deaths registered related to the Coronavirus[7].**

Across England and Wales, the overall registered death figures increased from 10,680 in the week of the 22nd April 2022 to 12,441 in the week of 29th April 2022. The number of deaths registered that state Coronavirus on the death certificate increased from 1,042 to 1,125 people over the same period.

Regional level analysis shows that the West Midlands' overall registered death figures increased from 1,070 people in the week of 22nd April 2022 to 1,259 in the week of 29th April 2022. The number of registered deaths related to Coronavirus remained at 112 over this period.

There was a total of 803 deaths registered across the WMCA (3 LEP) area in the week of the 29th April 2022. There were 65 deaths registered that were related to Coronavirus over the same period. In comparison to the week of the 22nd April 2022, the overall registered death figures in the WMCA (3 LEP) area increased by 89, with the number of registered deaths related to Coronavirus increasing by 6 people.

At local authority level in the week of the 29th April 2022, all local authorities the WMCA (3 LEP) area registered deaths related to the Coronavirus. Of the 65 registered Coronavirus related deaths; Birmingham accounted for 9 deaths, Wolverhampton accounted for 6 deaths and Stratford-on-Avon, Dudley and Sandwell each accounted for 5 deaths. Of the 65 registered Coronavirus deaths in the WMCA (3 LEP) involving Coronavirus in the week of the 29th April 2022, 33 were registered in a 'other communal establishment', 16 deaths were registered at a 'hospital', 13 deaths were registered at a 'care home' and 3 deaths were registered at home.

**Place and number of deaths registered that are related to Coronavirus in the week of 29th April 2022:**

| Area name | Care home | Elsewhere | Home | Hospice | Hospital | Other communal establishment[8] | Total |
|---|---|---|---|---|---|---|---|
| Cannock Chase | 0 | 0 | 0 | 0 | 1 | 2 | 3 |
| East Staffordshire | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| Lichfield | 2 | 0 | 0 | 0 | 1 | 0 | 3 |
| Tamworth | 1 | 0 | 0 | 0 | 1 | 0 | 2 |
| North Warwickshire | 1 | 0 | 0 | 0 | 0 | 3 | 4 |
| Nuneaton and Bedworth | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Rugby | 1 | 0 | 0 | 0 | 0 | 1 | 2 |
| Stratford-on-Avon | 2 | 0 | 0 | 0 | 0 | 3 | 5 |
| Warwick | 0 | 0 | 2 | 0 | 0 | 1 | 3 |
| Bromsgrove | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Redditch | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Wyre Forest | 2 | 0 | 0 | 0 | 0 | 1 | 3 |
| Birmingham | 1 | 0 | 1 | 0 | 1 | 6 | 9 |
| Coventry | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| Dudley | 1 | 0 | 0 | 0 | 0 | 4 | 5 |
| Sandwell | 0 | 0 | 0 | 0 | 5 | 0 | 5 |
| Solihull | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Walsall | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Wolverhampton | 1 | 0 | 0 | 0 | 4 | 1 | 6 |
| **WM 7 Met.** | **3** | **0** | **1** | **0** | **11** | **17** | **32** |
| Black Country LEP | 2 | 0 | 0 | 0 | 10 | 5 | 17 |
| Coventry & Warwickshire LEP | 4 | 0 | 2 | 0 | 0 | 14 | 20 |
| Greater Birmingham & Solihull LEP | 7 | 0 | 1 | 0 | 6 | 14 | 28 |
| **WMCA (3 LEP)** | **13** | **0** | **3** | **0** | **16** | **33** | **65** |

[7] Please note that up-to-date counts of the total numbers of deaths involving COVID-19 are published by Public Health England (PHE) -ONS figures differ from the PHE counts as the latter include deaths which have not yet been registered. Source: ONS, Death registrations and occurrences by local authority and health board, 10th May 2022.

[8] This week the numbers for communal establishments are high whilst the Hospital numbers are low, this may be an error, however these are the numbers that were reported by ONS in their update.

# ONS Weekly Release Indicators

## Black Country Consortium Economic Intelligence Unit

On the 5th May 2022, the Office for National Statistics (ONS) released 'economic activity and social change in the UK, real-time indicators'. These statistics are early experimental data and analysis on economic activity and social change in the UK. These faster indicators are created using rapid response surveys, novel data sources, and experimental methods.

### Online Job Adverts

Figures are taken from jobs adverts provided by Adzuna. The Adzuna categories do not correspond to SIC categories and therefore not comparable with the ONS Vacancy Survey. Please note, Index of job adverts on Adzuna by category, 100 = average job adverts in February 2020. On this occasion there is more of time-lag in data than normal for this section.

Nationally, between the 22nd April 2022 and 29th April 2022, total online job adverts increased by 1.6%. On the 29th April 2022, total online job adverts were at 135.8% of their average level in February 2020. Out of the 28 categories (excluding unknown) 20 increased from the previous week. The largest weekly increase was in "HR & recruitment", which rose by 14.1% and was then at 222.1% of the February 2020 level. Categories below the February 2020 average level were "energy/oil & gas" (89%), "legal" (90%) and "healthcare and social care" (97.4%). The largest week-on-week decrease was in "travel/tourism" decreasing by 3.8% to 133% of the average level in February 2020.

Excluding Scotland, online job adverts for all UK regions increased between the 22nd April 2022 and 29th April 2022. Regional increases varied from 0.6% in the West Midlands to a 25.1% increase in Northern Ireland. The West Midlands online job adverts on the 29th April 2022 were at 141.3% of their average level in February 2020. On the 29th April 2022, all 12 UK regions were above their February 2020 levels, varying from; 116.2% in Wales to 178.8% in Northern Ireland.

### Sales and Jobs in Small Businesses

Figures are taken from Xero Small Business Insights and is UK-wide.

Jobs in small businesses decreased by 2.6pp since February 2022 and in March 2022 they were at 93% of the equivalent month in 2019.

Sales increased by 4.6pp since February 2022 and in March 2022 they were at 130.4% of the equivalent month in 2019. Sales increased or remained stable in all industries except "accommodation and food services", which fell by 11pp to 109% of the equivalent month of 2019.

### Google Mobility

Google Mobility data provide an indicator of changes in the volume of visits to different location types compared with a pre-coronavirus baseline. ONS have transformed the publicly available anonymised data into an indexed seven-day moving average to smooth the weekday and weekend.

As of the 29th April 2022, visits to retail and recreation, transit stations and workplaces had not yet returned to pre-coronavirus levels.

Visits to each location type across the UK in the week to 29th April 2022 compared with the previous week shows that parks decreased by 19.4% (to 133.1%) and residential deceased by 1.9% (to 103.6%). Retail and recreation increased by 3.9% (to 88.3%), transit stations increased by 7.3% (to 76%), grocery and pharmacy increased by 8.2% (to 105.4%) and workplaces increased by 22.4% (to 81.9%).

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

## National Company Incorporations and Voluntary Dissolutions

Companies House data shows for the UK, there were 16,125 company incorporations in the week to 29th April 2022. This is up from 15,476 recorded in the same week in 2021 and also higher when compared to the same weeks in 2020 (11,306) and 2019 (14,097).

Also, for the week to 29th April 2022, there were 6,511 voluntary dissolution applications, a decrease from 6,976 recorded in the same week in 2021. The number of voluntary dissolution applications was higher than levels seen in the same weeks of 2020 (4,836) and 2019 (5,343).

## Potential Redundancies

HR1 forms are used by employers to notify the Insolvency Service's Redundancy Payments Service of potential redundancies. They are only required when firms wish to make 20 or more redundancies. The data is presented in a week-ending Sunday format. The data does not record the total number of redundancies; they record the number of potential redundancies filed on HR1 forms.

Potential redundancies and the number of employers proposing redundancies fell by 3 and 2 percentage points, respectively, in the week to 17th April 2022.

On the 17th April 2022, across the UK there were 35 employers proposing 4,017 potential redundancies. The potential redundancies 4-week rolling average was 4,185 and the employers proposing redundancies 4-week rolling average was 42. When indexed (100 = weekly average from week ending 21st April 2019 to week ending 23rd February 2020), the potential redundancies 4-week rolling average was 85 and the employers proposing redundancies 4-week rolling average was 76.

## System Average Price of Gas

The System Average Price (SAP) of gas decreased by 7% in the week to 1st May 2022, with the level now 30% of that on 10th March 2022, when prices peaked in the rolling seven-day series; the SAP of gap was 125% higher compared with the same period last year and 453% higher compared with pre-Covid-19 baseline.

## Business Insights and Conditions Survey (BICS)

The final results from Wave 55 (live period 19th April to 1st May 2022) are weighted, meaning on this occasion there is no regional breakdown.

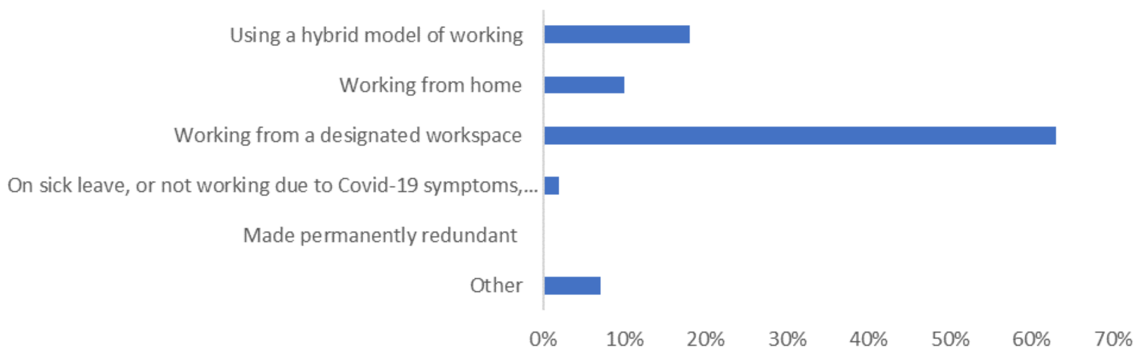
### Trading Status

In late April 2022, across the UK, 94% of businesses reported they were trading, with 85% fully trading and 9% partially trading. Meanwhile, 4% of businesses were temporarily paused trading and 2% were permanently ceased trading.

### Workforce Status

63% of the workforce were working from a designated workspace.

**Workforce Status, UK, March 2022:**

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**Prices Brought and Sold**
Between February and March 2022, there was a rise in the percentage of businesses who reported that the prices of materials, goods or services bought had increased, from 39% to 50%. Over the same period, the percentage of businesses that reported the prices of materials, goods or services sold had increased rose from 17% to 24%.

**Price Expectations**
31% of businesses expected to increase the prices of the goods or services they sold in April 2022, with 1% expecting prices to decrease.

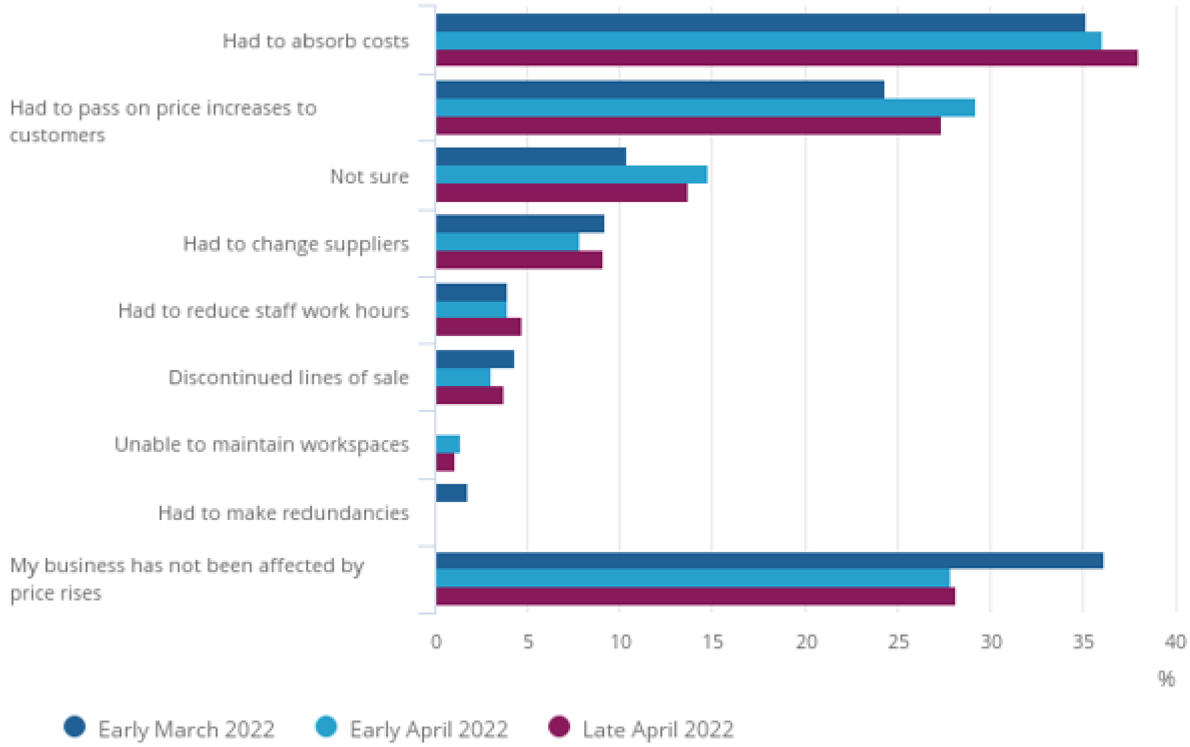
41% of businesses reported energy prices was the main factor for rising prices for goods or services sold. The accommodation and food service activities industry reported the highest proportion of businesses selecting energy prices as a factor, at 78%. Other factors include; 33% of all businesses reporting raw material prices (manufacturing 58%) and 26% of all businesses citing labour costs (accommodation and food service activities industry 53%).

**Energy Prices**
31% of businesses reported that their production and/or suppliers were affected by recent increases in energy prices in late April 2022 (up from 29% in early April 2022).

24% of businesses reported that their production and/or suppliers had not been affected by recent increases in energy prices in late April 2022 (down from 26% in early April 2022).

**Impact of Price Rises**
38% of businesses reported they had to absorb costs because of the effect of price rises on their business, compared with 35% in early March 2022.

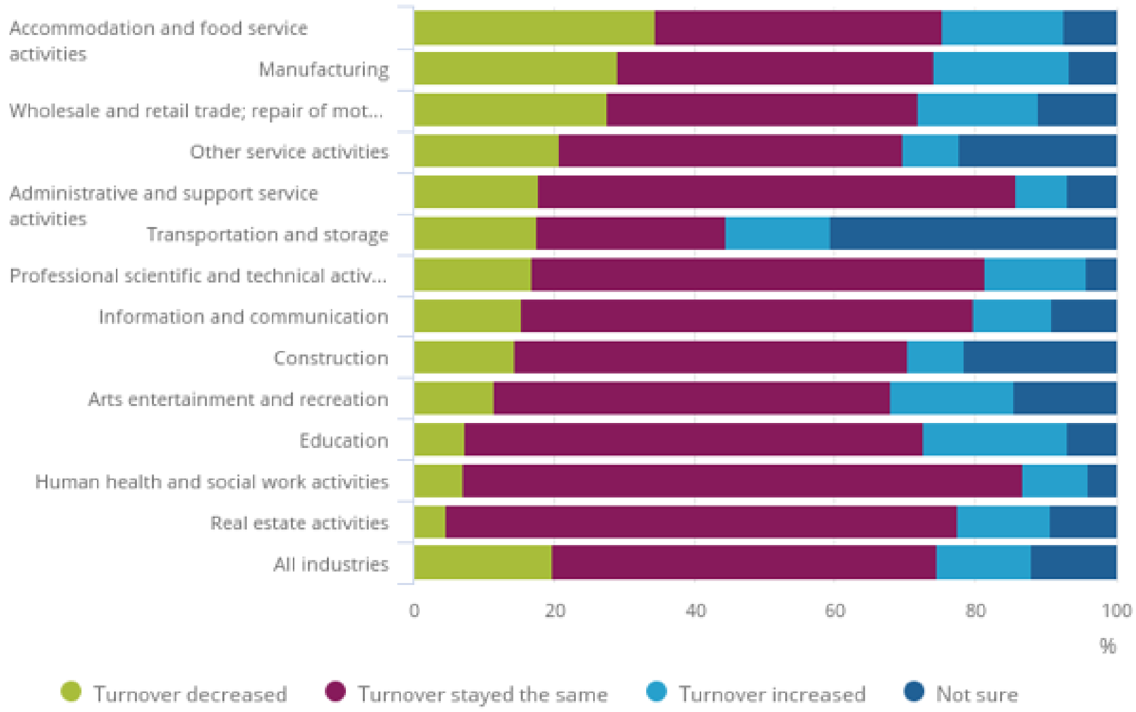
**Impact of price rises on businesses, weighted by count, UK, 7th March to 1st May 2022:**




Source: Office for National Statistics – Business Insights and Conditions Survey

**Financial Performance**
A net 6% of trading businesses across the UK reported a decrease in turnover in March 2022. Although, notably the accommodation and food service activities industry reported the highest proportion of businesses experiencing a decrease in turnover (34%).

**Impact on turnover broken down by industry, weighted by count, UK, 1st to 31st March 2022:**




Source: Office for National Statistics – Business Insights and Conditions Survey

30% of UK-wide businesses reported that the cost of material was having the biggest impact on turnover in the last month. With other challenges including; economic uncertainty (25%), cost of labour (15%) and competition (13%). Meanwhile, 33% of businesses reported to no experiencing any challenges.

Businesses were asked how staffing costs had changed over the past three months; 33% reported staffing costs had increased. In the next three months, 29% of businesses expect staffing costs to increase.

### Public opinions and social trends

Breakdowns by region are no longer provided within this dataset because of the smaller responding sample size of the OPN survey. Estimates are based on data collected between 13th and 24th April 2022, (the “latest period") and 30 March and 10 April 2022 (the “previous period").

**Financial Situation**

Since November 2021, the proportion of adults who think they would not be able to save any money in the next 12 months has gradually increased; 42% in the latest period compared with 34% in November 2021. The percentage who reported their household could not afford to pay an unexpected, but necessary, expense of £850 has been more stable; 26% in the latest period, compared with 27% in November 2021.

**Paying Energy Bills**

Among those who pay energy bills, 40% said they found it very or somewhat difficult to afford them (37% in the previous period). Meanwhile, 51% reported it was very or somewhat easy to afford their energy bills (52% in the previous period).

Among those who said they have gas or electricity supplied to their home, 3% reported they were behind on these bills (4% in the previous period).

**Well-Being**

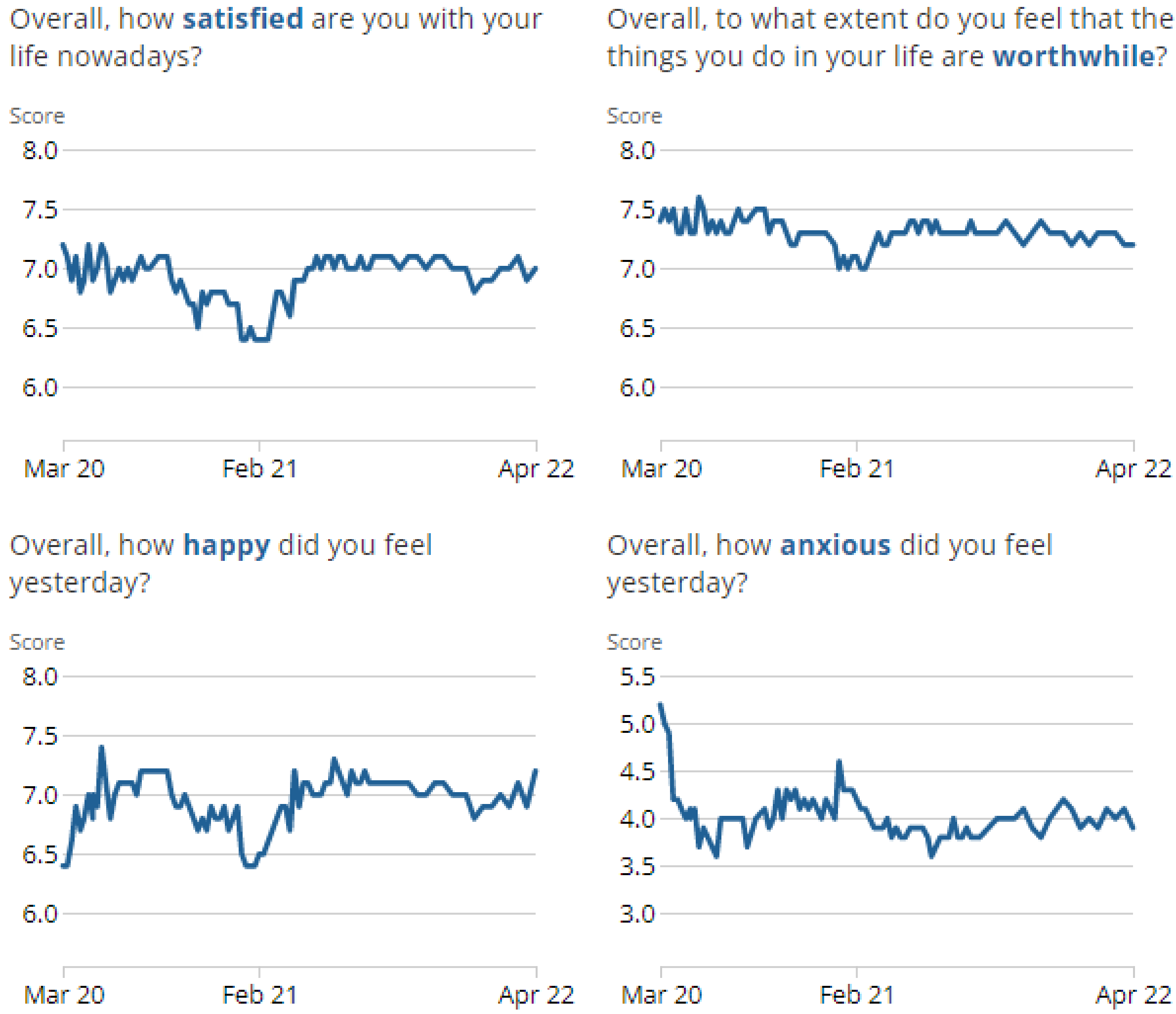
Life satisfaction increased by 0.1 since the previous period to 7.0.

Feeling that the things done in life are worthwhile remained at 7.2.

Happiness increased by 0.2 since the previous period to 7.2.

Anxiety decreased by 0.2 since the previous period to 3.9.

**Levels of personal well-being, Adults in Great Britain, March 2020 to April 2022:**




Source: Office for National Statistics – Opinions and Lifestyle Survey

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

# WMCA Growth Hub Intel 11th May 2022

## Black Country Consortium Economic Intelligence Unit

### Headlines

<table>
<tr><th>SECTOR</th><th>KEY INSIGHTS</th></tr>
<tr><td>Cross Sector</td><td>
Overview<br>
There is a continually mixed picture across the West Midlands' business environment. On the one hand, the cost of living and cost of doing business crisis is causing continued concern for business and is leading to severe financial impacts for some. However, there are other reports of relatively high confidence within the region's business base and investment markets, particularly buoyed by months of no Covid restrictions and future growth prospects.<br><br>
This confidence is reflected in the latest Business Barometer report from Lloyds Bank Commercial Banking; business confidence in the West Midlands rose 10 points in April to 42 per cent, the highest of any region or nation in the UK.
<ul>
<li>The report found that companies in the region reported higher confidence in their own business prospects month-on-month, up 23 points at 40 per cent. Despite a small dip in their optimism in the economy, down three points to 44 per cent, this gives a headline confidence reading of 42 per cent.</li>
<li>West Midlands businesses flagged a range of growth opportunities for the next six months, including investing in and expanding their teams (47 per cent), evolving their offering to include a new product or service (37 per cent), and entering new markets (35 per cent).</li>
</ul>
Furthermore, separate reports suggest strong 2022 performance in office markets and within business investment opportunities.<br><br>
However, the drastically rising cost of key inputs – such as people, materials, energy – is damaging the competitiveness and sometimes feasibility of many West Midlands businesses. Inevitable cashflow pressures are unfortunately leading to firms being in financial stress and some facing closure. Nationally, this is now beginning to show in the company closure and financial distress data:
<ul>
<li>The Insolvency Service recently reported that there were 4,896 registered company insolvencies in Q1 in the UK, more than double the number registered in the same quarter in 2021.</li>
<li>According to Begbies Traynor, the number of UK companies in critical financial distress increased to 1,891 in the first quarter of 2022, almost a fifth (19%) higher than the same period last year; while the number in significant distress reached 581,596 – similar to the previous quarter.</li>
</ul>
The data suggests that more than 13,200 businesses across the West Midlands found themselves in 'significant' financial distress during Q1 2022. While this reflects a one percent decrease compared to the same period in 2021, it's important to recognise that:
<ul>
<li>There are differences within the region; for example, Wolverhampton reported a two per cent increase in significantly distressed companies, to 1,657; compared to quarterly falls in Birmingham, Dudley and Walsall.</li>
<li>There are sectoral differences, with construction, professional services and manufacturing suffering from financial distress the most.</li>
<li>According to Begbies Traynor, the 'critical' distress and County Court Judgement data are likely predictors of a wave of insolvencies coming. These are both increasing nationally and stress a potentially alarming situation for business closures in the West Midlands and across the country.</li>
</ul>
This reflects that, with companies struggling with rising inflation, coupled with the demands of repaying Government Covid support loans, there is now a growing risk of a wave of
</td></tr>
</table>

| SECTOR | KEY INSIGHTS |
|---|---|
| | **insolvencies affecting vulnerable West Midlands businesses**. This is particularly exacerbated by:<br>• **Ongoing Covid impacts** – A number of businesses are highlighting the continued impact of the Covid pandemic with business owners and staff continuing to contract the virus. Reduced staff numbers significantly reducing capacity means that they haven't moved forward with introductions to support programmes and partners or been able to complete required applications for much needed grant funding as instead they have had to ensure business continuity. Others have not been so fortunate and have had to impose temporary closures, putting their futures at risk.<br>• **The continuing conflict in Ukraine** and rippling affects within businesses across the UK, especially in sectors such as manufacturing and hospitality is still a major concern in the region. As an example, reports say that almost 100,000 fewer cars were built in the first three months of 2022 compared to last year.<br><br>**Trading Environment**<br>Businesses in the West Midlands are **repeatedly raising the issue of rising energy prices**, with all seeing significant increases in their energy bill. They continue to seek ways to reduce outgoings in order to aid their survival during such challenging times. The main route continues to be reducing energy costs, however with **very little support offers for small to medium SMEs looking to undertake standard adjustments such as solar panels**, LED lighting and general energy loss reductions these companies do not have the cash flow to fund this type of development.<br><br>Overall **consumer spending is down understandably** due to rising costs and increased taxation, and this is **affecting companies who are still struggling to return to pre-Covid levels of trading.**<br><br>More positively, there have been further examples recently of **regional businesses looking to re-shore their supply chain.** This is partly linked with a focus on net zero strategies and reviews of supply chain management. One company revealed that **90 of their required components came from different global suppliers,** which is not operationally ideal.<br><br>**Labour Market**<br>Labour market findings from the last month include:<br>• **Recruitment – t**here has been a reported growth of both permanent placements and temporary billings, with demand for staff increasing at an increasingly fast rate. In particular, there has been an increase in the number of hospitality and IT roles being advertised.<br>• **Staff Shortages** – permanent candidate availability has fallen, with recruitment agencies stating that this has been due to a generally low unemployment rate and the added uncertainties related to the pandemic and situation in the Ukraine, with fewer EU workers and high demand for those that are available to work.<br>• **Permanent Vacancies** – the permanent vacancy growth continues to outpace that seen for short-term roles, as has been the case throughout the past year. This has resulted in real financial challenges for local business, with one business saying they have seen starting salaries increase between 10-20% in order to attract staff, which is putting pressure on their finances.<br>• **Staff Shortages** - Continued struggle for staff within the care sector, with these businesses saying it is now damaging their operations due to lack of staff. A general lack of skilled workers in less desirable roles continues to be a problem with employers needing to inflate salaries to both attract and retain staff.<br><br>**Anecdotally, it seems that that many employers not recruiting apprentices for several primary reasons:** |

<table>
<tr><th>SECTOR</th><th>KEY INSIGHTS</th></tr>
<tr><td></td><td>
<ol>
<li>They are still reluctant to recruit apprentices due to financial considerations and budgetary constraints in regard of the salary element of employing apprentices, coupled with the ending of the £3000 eligibility grant in Jan 2022.</li>
<li>They are still confused on how the reformed funding and processes work with regard to apprentice recruitment, new standards and the funding mechanisms and therefore do not commit, even though they are a levy payer.</li>
<li>When committed and understanding the above, they are still unable to attract good quality and appropriate candidates. Due to the mass recruitment drive around key projects like HS2, some firms have real concerns that there will be a significant drain from within SMEs in both the talent pool related to the construction industry but also general business support roles i.e. digital, planning, purchasing, distribution and office functions.</li>
</ol>
<h3>Enquiries</h3>
Engaged companies are often unable to access much business support locally of present due to a lack of funded provision across the region, with many ERDF funded projects coming to an end and new projects not running yet. However, common Growth Hub enquiries in recent weeks have included:
<ul>
<li>Exit Strategy Planning – Mentoring and guidance being offered to multiple clients of to successfully conclude exit strategies. In the main, the sale of established and profitable businesses feature most with advisors assisting with the mapping and navigation of the process.</li>
<li>Access to Grants & Investment – Planned capital investments, expansions and refurbishments requiring financial support.</li>
<li>Digital Marketing Support – Further, continued, high demand from businesses across all sectors keen to develop their digital marketing skills capability.</li>
<li>Other General Support – A wide range of support in other areas includes:
<ul>
<li>Mentoring – particularly around strategy, succession/legacy planning, planning for growth and scaling up for high growth businesses</li>
<li>Planning Disputes</li>
<li>Innovation and proving of concepts</li>
<li>Research and Development</li>
<li>Skills Support – broad range and ongoing support being provided across all sectors</li>
<li>Inward Investment and Property/Land Searches</li>
<li>B2B Referrals</li>
<li>International Trade</li>
<li>5G Support</li>
<li>Networking</li>
<li>Legal & HR Support – referral to membership organisations</li>
</ul></li>
</ul>
</td></tr>
<tr><td>Construction</td><td>
<ul>
<li>Rising costs are a key concern for construction companies, with some absorbing them and others passing them onto the customer. However, order books are looking healthy for the next 6 to 12 months with some smaller employers saying they are now having to decline work as they just physically can't do it.</li>
<li>Ultimately, the costs may start to show an impact as the year progresses however for the immediate future, businesses are going well.</li>
</ul>
</td></tr>
<tr><td>Life Sciences</td><td>
<ul>
<li>Energy prices are a concern for life sciences companies as lab space generally incur higher energy costs than just office space. Birmingham Research Park and Bruntwood Sci Tech have not so far increased utility costs for tenants.</li>
<li>Concerns remain about new med tech regulations as we continue to see the effects of Brexit. Medical device consultants continue to remain in-demand, without enough professionals to meet demand. Investment from local authorities and/or government would be welcome in this issue.</li>
</ul>
</td></tr>
</table>

*The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI*

| SECTOR | KEY INSIGHTS |
|---|---|
| | • **Recruitment of technical staff also continues to be challenging.** A national skills shortage in this sector continues to slow growth. Companies report that difficulties with the **"work visa" process are off putting and confusing.** |
| **Low Carbon** | • The permanence of high energy prices is causing some businesses consulted into **strategically rethinking their business models**. Manufacturers are one of the industry groups that have the highest potential for disruption, typically running on tight profit margins and being heavy users of energy for operations. In some instances, **businesses are having to delay the manufacturing of sustainable products as they have a higher energy cost to produce, which the manufacturer cannot currently absorb.**<br>• Increasing numbers of business owners are exploring how they can not only reduce their energy use, but also **generate their own energy.** Solar panel installation is (anecdotally) the most popular solution in this area, amongst West Midlands businesses consulted. However, **high capital costs are preventing businesses from installing solar arrays.** Government grant assistance would be welcome in this regard.<br>• **GBSLEP has recently launched the Energy Saving and Business Efficiency Grant**, with the aim of providing businesses with grant funding to access expert consultancy around sustainability for their business. |

## New Economic Shocks

| COMPANY | LOCATION | SECTOR | DETAIL |
|---|---|---|---|
| Sainsburys | Warwickshire | Retail | Supermarket giant Sainsbury's is to axe 300 jobs across its store support centres as part of plans to outsource the roles. Workers at its central offices in Manchester, Holborn in London and Ansty in Warwickshire are set to be affected. |
| McColl's | Region-wide | Retail | Convenience chain McColl's has confirmed it will collapse into administration, putting 1,100 shop and 16,000 workers at risk. |
| Britannia Hotels | Region-wide | Hospitality | The chain that owns Britannia Hotels made a loss of £9.5 million in its latest annual accounts. It reduced numbers employed from 2,740 to 1,765 in the year to March 31. |

## New Investment, Deals, and Opportunities

| COMPANY | LOCATION | SECTOR | DETAIL |
|---|---|---|---|
| Wintech Façade Engineering | Wolverhampton | Professional Services | Wintech Facade Engineering has obtained additional office space at its Wolverhampton headquarters and is taking on 70 more staff. |
| Tim Horton's | Dudley | Hospitality | Tim Horton's is due to open another Black Country based drive thru restaurant in Dudley, creating 75 new jobs. |
| Clowes Developments / Benniman | Warwick | Industrial Development | Work has begun on the construction of a 30,000 sq ft industrial unit at a Warwickshire business park. Clowes Developments has appointed Benniman to start work on Plot 1003 at Tournament Fields in Warwick. |
| Grant Thornton | Birmingham | Professional Services | Grant Thornton has moved into its new flagship office at 103 Colmore Row. Signing a 10-year lease for just over 12,000 sq ft, its 400 staff will be based on the 17th floor of the 26-storey building. |
| Sertec | Birmingham | Automotive | Sertec has started its production of the new Range Rover and Range Rover Sport with a £5.9m investment into its production capabilities. The global automotive components |

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|---|---|---|---|
| | | | manufacturer has used the investment to enhance its use of robotic and automated cells as well as increasing its MIG, TIG and SPOT automated welding capabilities. |
| Winvic | Staffordshire | Development | West Midlands Interchange, the 734-acre Strategic Rail Freight Interchange, has chosen Northampton-based Winvic Construction as its design stage delivery partner. The giant project will deliver more than eight million sq ft of commercial space, with units ranging from 200,000 to 1.2m sq ft, all supported by its own dedicated rail hub enabling multi-modal movement of goods around the UK. |
| Channel 4 | Region-wide | Television / Broadcasting | Channel 4 and Create Central have teamed up on a £30,000 More4 linear content development fund and a £20,000 digital development fund.<br>A Channel 4 West Midlands open day event is also to take place on May 16. |
| Urban-Air Port | Coventry | Technology / Mobility | The world's first hub for flying taxis and autonomous cargo drones has opened in Coventry. Air-One® developed by Urban-Air Port® and supported by Supernal will be a fully-operational hub for electric vertical take-off and landing (eVTOL) vehicles. |
| Merlin Attractions | Warwick | Hospitality | An application proposing the construction of a new hotel near the site of Warwick Castle – which is expected to create a number of jobs – has been green lit. Merlin Attractions Operations Ltd sought the go-ahead to build a 60-bed venue. |
| Enablelink | Tipton | Waste Management | Proposals to transform a vacant foundry site in Tipton to provide a major waste management facility could soon be approved. Enablelink Ltd has lodged plans to convert a former foundry which extends to approximately 364,000 sq ft, located on the eastern side of George Henry Road. |
| Jaguar Land Rover | Region-wide | Automotive | Jaguar Land Rover has revealed plans to open a UK innovation hub as part of its new Open Innovation strategy. Open Innovation will aim to drive collaborations with start-ups, scale-ups and external organisations on electrification, connectivity, digital services, metaverse, intelligent enterprise, manufacturing, and supply chain. |
| Trailer Freight International | Walsall | Logistics | A logistics firm is setting its sights on further growth as it plans to move to a new 35,000 sq ft premises just a year after putting down roots in its current home. |
| Unnamed | Wolverhampton | Development | An unnamed firm has submitted a scheme to take over a site the size of six football pitches to the i54 Western Extension on the Wolverhampton-South Staffordshire border, the development will bring in 290 jobs – including 100 relocating from the local area – and safeguard another 100 jobs. |
| Cadent | Coventry | Utility Services | More than 1,000 staff who work for utility company Cadent are set to relocate to a new regional headquarters on the edge of Coventry. |
| Technical Support | Warwick | Manufacturing | A Warwick-based electronics manufacturing business has installed a new machine, the first of the model to be installed in the UK, after receiving grant funding. |
| Talbots Law | Region-Wide | Legal | Talbot's, one of the West Midlands fastest growing law firms, has announced the next stage of a recruitment push that is creating more than 100 new jobs across its offices in Birmingham, the Black Country and Worcestershire. |

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|---|---|---|---|
| Big Cat | Birmingham | Marketing | A marketing agency based Birmingham has become the first creative agency in the Midlands to achieve B Corporation certification. Big Cat was awarded the certification after passing a rigorous assessment of its business practices, demonstrating how it has a positive impact on its employees, suppliers, local community and the environment. |

Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application
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