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.

This week has seen an escalation of tensions in Ukraine as Russia mobilises reservists. In the UK the domestic economic news has been dominated by the announcement of, and fall out from, a 'mini budget'. The cost-of-living crisis continues to escalate as inflation increases. Businesses are still struggling to deal with the impacts of energy and input costs, availability of materials, wage pressures and skills shortages.

International

- Russia started mobilising over 300,000 reservists ahead of heavily stage-managed votes in four occupied regions of Ukraine to join Russia.
- Following referenda in four regions in eastern Ukraine occupied by Russia in which Russia announced massive majorities in favour of joining Russia, Putin has threatened the use of his nuclear arsenal if Russia's "territorial integrity" was "threatened".
- EU foreign ministers have agreed to prepare a new package of sanctions against Russia. It is likely that other countries such as the US and UK will also increase sanctions.

'Mini Budget' and immediate aftermath

- On 23 September the government released a 'mini budget' with the aim of helping to tackle and provide support for the growing cost of living crisis by offering around £45bn of tax reductions for people and businesses by 2027.
- Key tax announcements included a cut in the basic rate of income tax to 19% from 20% as of April 2023 and the 45% higher rate of income tax abolished for England, Wales and Northern Ireland taxpayers; scrapping of the health and social care levy and cancellation of the expected rise in corporation tax.
- Universal Credit rules are being tightened.
- Stamp duty on property purchases is being cut in England and Northern Ireland.
- Rules which limit bankers' bonuses have been scrapped, with regulatory reforms expected later in the Autumn.
- The government is discussing setting up 38 new investment zones, with measures such as no business rates and stamp duty waived.
- Tax cuts and liberalised planning rules are to be offered to release land for housing and commercial use.
- Expert commentary on the 'mini budget' notes that while the tax reductions are substantial, their impact is forecast to only lower the tax burden to 2021-22 levels. This means the tax burden will still remain at its highest sustained level since the 1950s, according to the IFS.
- Resolution Foundation analysis indicates that the impact of tax cuts is that the richest fifth of households will be on average better-off by £3,090 next year. Whilst the poorest will gain only £230.
- While tax cuts may be intended to stimulate spending and investment there are various countervailing factors that are disincentivising investment, including: lower business confidence, the failure to release an Office for Budget Responsibility (OBR) assessment, rising supply-side costs, falling consumer spending and increased interest rates.
- Since the 'mini budget' there has been a run on the pound. The International Monetary Fund (IMF) has done something rarely seen for a G7 country and has openly criticised the UK government over its plan for tax cuts, warning that the cuts would likely fuel the cost-of-living crisis.
- The Bank of England has had to intervene as market volatility was at-risk of causing material risk to UK financial stability. It announced that it would start buying government bonds at an "urgent pace" to help restore "orderly market conditions".
- With a continuing rise in interest rates expected, there has been a removal of mortgage products.

Energy Price Caps

- To protect households from energy price rises, the government has announced an Energy Price Guarantee (EPG). The EPG will raise household bills to £2,500 a year from 1st October from £1,971 currently; this is based on a household which uses 12,000 kWh of gas a year, and 2,900 kWh of electricity a year.
- In 2020 17.8% of households within the West Midlands were fuel poor.

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

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- In terms of the impact of energy price rises on businesses, data from RedFlag, produced for WMREDI, shows that currently within the WMCA there are round 8,054 businesses with more than 10 employees which are classed as high energy users. Of these RedFlag data shows that 3,369 businesses would be at risk of closure, due to rising energy prices and their financial stability rating.
- To combat the rising energy prices and prevent businesses from going under, the government is capping the price that non-domestic consumers pay for both electricity and gas. The cap will fix wholesale prices for all non-domestic customers at £211 per MWh for electricity and £75 per MWh for gas.

Cost of living and doing business crisis

- Nationally, 82% of all adults reported being very or somewhat worried about rising costs of living in the past two weeks (81% in the previous period).
- 48% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (45% in the previous period).
- 29% of adults reported that they found it very difficult or difficult to pay their usual household bills in the last month compared with a year ago, while 21% stated this was very easy or easy.
- 26% of adults reported being unable to save money as usual, 18% stated that they had to use savings to cover living costs and 17% said they had less money available to spend on food. 35% of adults reported that their household finances had not been affected in the past 7 days.
- Centre for Cities, identified the hardest-hit places by the cost of living crisis are cities and large towns in the North, but Midlands' cities are badly affected too. The WMCA area (Birmingham, Solihull and the Black Country) is predicted to have the largest inflation rate amongst major English city-regions (10.8%); however, this rate is lower than in some northern towns.
- Wage growth has been more subdued in cities in the Midlands compared with Manchester and particularly with London.
- KPMG's Economic Outlook indicates that the West Midlands region is having the slowest recovery in reaching pre-pandemic levels; the East Midlands is experiencing the 4th slowest recovery.
- Low-income households spend a larger proportion than average on energy and food. Hence, they will be affected relatively more by increases in their prices. The Resolution Foundation suggests that low-income households will have to reduce their spending by three times as much as high-income households to afford their energy bills.
- ONS surveys suggest that households in the West Midlands spend more on housing, fuel and power (15% of total expenditure) than all other regions outside London other than the South West
- Business confidence in the West Midlands has dropped back into negative territory as companies grapple with the rising cost of doing business. Sentiment tracked by ICAEW's Business Confidence Monitor (BCM) for the West Midlands for Q3 2022 found confidence at -8.1. Companies in the region face rising costs, supply-side issues and a global surge in energy prices, despite a strong sales performance
- The industrial structure of the Midlands Engine economy means it is more at risk from increased energy costs than any other region. The Midlands Engine has a concentration of GVA in particular sectors with high energy demand, such as manufacturing, transport and storage, and wholesale and retail trade of vehicles. These three sectors alone account for 32% of Midlands Engine GVA.
- Large parts of both the North and the Midlands remain the most vulnerable to the cost-of-living crisis – nearly 9 in 10 (87%) of the places in the top decile of the Centre for Progressive Policy's (CPP's) Cost of Living Vulnerability Index are based there. At the regional level, the four most vulnerable regions are the North East, North West, Yorkshire & the Humber and the West Midlands.
- Middlesbrough remains the most vulnerable local authority according to the index, but three out of the 'top 5' are now areas in the West Midlands: Sandwell (2nd), Walsall (3rd) and Wolverhampton (5th). Sandwell is ranked the most vulnerable in the poverty aspect of the index.
- CPP suggest that the findings underline a strong case for providing vulnerable places with greater financial assistance to deal with the crisis, allied with stable long-term funding to deliver sustainable inclusive growth. Recommendations include: revamp the Household Support Fund; reform the UK Shared Prosperity Fund so that it more than matches previous EU structural funds; a Business Transition Fund to support the transition of energy-intensive sectors to a decarbonised economy; and a Retrofitting Investment Fund to retrofit millions of homes and put the responsibility for delivery in local areas. A further recommendation is to allocate all funding to local areas based on need and not via competitive bidding, while ensuring places can consolidate across funds available where possible.

Business activity

- A snapshot from March 2022 shows that there were 149,565 enterprises in the WMCA (3 LEP) area, an increase of 0.6% (+935 enterprises) compared with the March 2021 snapshot, while the UK increased by 0.1%.
- The WMCA (3 LEP) area has a slightly higher proportion of enterprises with a turnover between £1m-£4.99m than the UK, at 7.0% of enterprises compared with 6.8%. The WMCA (3 LEP) matches the UK average for enterprises with turnovers between £5m - £49.99m at 2.0% of enterprises and £50m+ at 0.3% of total enterprises.
- In the WMCA (3 LEP) area, the highest proportion of enterprises by broad industrial grouping was in professional, scientific & technical, which accounted for 13.4% (20,055) of the business base; the UK proportion was 15.6%.

Labour market constraints in manufacturing

- There are 95,000 current manufacturing vacancies costing the British economy £7.7 billion a year. This represents a £21million daily loss to UK GDP.
- 50% of manufacturers say they cannot source the talent their business needs locally
- 62% reported that they will not find it easy to ensure their businesses have the skills they need to power ahead to 2030.
- Automation, digitalisation and environmental sustainability came out top of companies' priority lists.
- 58% of manufacturers plan to recruit engineering technicians and 61% are prioritising production and process engineers between now and 2030.
- Automation is changing the focus of businesses, with over a quarter (27%) of companies saying that they need data analysts and with 11% planning to recruit data scientists.
- Almost three-quarters (74%) of businesses expect demand for cognitive and metacognitive skills - like critical thinking, creative thinking and learning to learn - to increase with the transition to a green and digital future across manufacturing.

Economic and labour market real-time indicators

- Nationally, between the 9th and 16th September 2022, total online job adverts increased by 1.6%. West Midlands online job adverts increased by 0.9%. Vacancies were at 118.6% of the average level in February 2020.
- The System Average Price (SAP) of gas increased by 13% in the week to 18th September 2022 (from the previous week); it is now 106% higher than the equivalent level seen on 19th September 2021.
- 25.1% of West Midlands businesses reported that turnover in August 2022 had increased when compared with the previous calendar month. 41.3% reported turnover had stayed the same. 26.4% had reported that turnover had decreased.
- 25.1% of West Midlands businesses expect turnover to increase in October 2022. 48.9% reported expectations of turnover to stay the same. 14.5% expect turnover decrease in October 2022.
- 42.1% of West Midlands businesses reported the prices of goods or services brought in August 2022 when compared to the previous month had increased. 41.0% reported that prices had stayed the same and 1.1% of reported that prices of goods or services brought had decreased.
- 21.0% of West Midlands businesses reported in August 2022, when compared to the previous month, that the number of employees increased, 57.4% reported the number of employees had stayed the same and 13.2% reported the number of employees had decreased.
- 4.1% of West Midlands businesses expect to make redundancies over the next three months, 5.6% expect to make redundancies within the next two weeks, 16.7% expect to make redundancies between two weeks and one month ahead and 64.8% between one and three months ahead.
- 39.1% of West Midlands businesses reported experiencing difficulties in recruiting employees in August 2022. A slightly lower proportion (34.9%) of businesses did not experience any difficulties in recruitment.

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Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

Escalation of the Russian Invasion of the Ukraine

Vladimir Putin has ordered the mobilisation of army reservists to support Moscow's failing campaign in Ukraine. This is as a result of Ukraine's success in the last few weeks in taking back massive swathes of its land. Russia has started mobilising over 300,000 reservists ahead of heavily stage-managed votes in four occupied regions of Ukraine to join Russia. To put that figure into perspective, at present Western officials have estimated that there are between 150,000 and 190,000 Russian forces on the ground in Ukraine. An additional 300,000 reservists would equate to between a 158% to 200% rise in the number of Russian forces in the Ukraine. This is the largest mobilisation of an army since the second World War.

However, the announcement of the mobilisation of reservists has led to protests across Russia, with a reported 1,300 arrests. Additionally, it has been reported that those detained for protesting are being handed draft papers whilst in custody at police stations, with Kremlin spokesman Dmitry Peskov saying that it was not illegal to do this. Videos have also been circulating on social media of Russian men fleeing to neighbouring countries, to avoid the call up to war. Whilst some of the reporting of those fleeing may have been over exaggerated, with false videos being shared, Finland and Georgia, two of the bordering counties which still allow Russians to enter, are reporting increases in Russian people entering the countries. Additionally, other destinations reachable by air such as, Istanbul, Belgrade and Dubai, have seen ticket prices skyrocket immediately after the call-up was announced, with some destinations reportedly selling out entirely.

Furthermore, independent newspaper Novaya Gazeta, which has moved operations to Europe amid a post-war crackdown on media, has reported that according to a Russian government source there is a classified paragraph in the reservist's decree, that allows for the call-up of up to a million people. A million more Russian troops in the Ukraine would raise their force presence by between 526,316% to 666,667%.

Another large part of the reason these soldiers are being mobilised is as a result of highly orchestrated referendums which the Russian government is staging. The referendums have been held in the four regions over which Russia still retains control in Ukraine, with residents asked to vote as to whether they would like to become part of Russia. At the end of voting on Tuesday, Russia announced that 98% of people in Donetsk and Luhansk voted in favour of join Russia, 93% voted in favour in the Zaporizhzhia region and 87% voted in favour in Kherson region. This is all being done to give an air of a fair a free democratic vote, to legitimise the annexation of regions. However, images and videos have unsurprisingly surfaced of voter coercion, in an intimidating process which is neither free nor fair. Many world leaders condemned this vote as illegal and illegitimate.

In a further escalation of tension Putin has also threatened the use of his nuclear arsenal if Russia's "territorial integrity" was "threatened", declaring: "This is not a bluff". The UN secretary General issued a strongly worded rebuke to Russia for "totally unacceptable" nuclear threats and denounced its plans to annex parts of the Ukraine as a "violation of the UN charter and International law". The UN secretary general also stated that the impact of the war could cause a food supply-side crisis next year. "Simply put the world will run out of food" he stated. This is largely as a result of falls in exports of fertiliser and ammonia creating shortages globally. The lack of fertiliser and ammonia will likely lead to a food supply-side crisis next year. Russia has stated that sanctions are limiting their exports however, the UN and US were explicit that fertiliser and ammonia exporters from Russia have not been subject to sanctions. It would appear that Russia is deliberately limiting supply to force the West to loosen their sanctions.

As a result of Russian escalation, EU foreign ministers have also agreed to prepare a new package of sanctions against Russia, expected to include broad economic and individual measures. It is likely that other countries such as the US and UK will also increase sanctions to match those applied within Europe.

Russia has also allegedly sabotaged the Nord Stream 1 pipeline as well this week, following the undersea lines sustaining simultaneously "unprecedented" damage in one day. With 3 pipeline rupturing within 18 hours. It has

been estimated that the damage could take between at least 3 to 6 months to fix, however similar damage to a previous pipeline took 9 months to fix. Whilst Russia has shut of the transportation of gas through this pipeline there is still gas within the pipes, and leaks will likely last around a week. An investigation has been launched to understand the cause; however, experts expect it is likely Russian interference.

North and South Korean tensions
This week North Korea has been firing short-range ballistic missiles off its east coast, two a day before U.S Vice President Kamala Harris is set to arrive in Seoul. The launches also came two days after South Korea and U.S military forces conducted military drills in the waters of the South's east coast. World leaders have condemned the tests, rebuking North Korea for rising tensions in the region, including Japan who confirmed the tests were taking place.

Hurricane Ian
Cuba is completely without power after Hurricane Ian pummelled the western end of the island, its government has announced. One of two main power plants could not be brought back online, meaning the electrical system is experiencing total collapse. The hurricane has now been gathering force in the south-eastern Gulf of Mexico after leaving Cuba. The US National Hurricane Center says that Ian could be a category four hurricane by the time it strikes Florida's western coast, with wind speeds topping 130mph. The BBC reported that some 2.5 million people in Florida are under evacuation orders. The hurricane is expected to continue upwards to Georgia once it has left Florida. As a result, both Florida and Georgia have declared a state of emergency, with Florida mobilising 5,000 National Guard troops and Georgia 500.

National

'Mini Budget'
The announcement of the budget sparked a massive run on the pound on Friday as investors dumped the pound. With large spending and massive tax cuts the pound tanked, as investor could not see how the government intended to pay for this budget. The International Monetary Fund (IMF) has done something rarely seen by a G7 country and has openly criticised the UK government over its plan for tax cuts, warning that the cuts would likely fuel the cost-of-living crisis. The IMF works to stabilise the global economy and one of its key roles is to act as an early economic warning system.

The Bank of England (BoE) has also had to intervene as market volatility was at-risk of causing material risk to UK financial stability. It was announced that the BoE will start buying government bonds at an "urgent pace" to help restore "orderly market conditions", as reported by the BBC. The government is planning on borrowing significant amounts of money with this budget whilst reducing income revenues through taxation. When the government borrows money, it does so through selling bonds or gilts, to investors such as pension funds or big banks on international markets. For investing investors then receive a steady stream of future payments or yields, based on the interest rates offered by government. However, investors are uncertain about whether the government's plan will work, resulting in investors demanding much higher interest rates to lend to the government. By buying bonds, the BoE hopes to lower these prices. This action has led to a fall in the government's long-term borrowing costs, however the cost still remains high.

This intervention from the BoE is massive, however it may serve to confuse markets around the clarity of policy making and lines of accountability, between the BoE and government. Especially, given the BoE to counteract policy enacted by the current government. This intervention by the BoE will not solve the issues facing the government, it could though buy them time till the autumn budget which is now expected in November.

For more analysis on the 'mini budget' please see the brief after this section.

Interest Rates
The Bank of England (BoE) has raised interest rates this week to 2.25%. This is the highest level of interest the UK has seen since before the 2008 financial crisis when the banking system faced collapse. Increasing interest rates is to combat 'stagflation' in the economy, which is when economic growth slows but prices continue to rise. Putting up interest rates should cool demand and therefore ease pressure on soaring prices.

However, whilst the BoE is trying to slow the economy the new government wants to boost economic growth to an annual rate of 2.5%. As well as this the government has just committed to substantial borrowing through the energy package, which will see borrowing reach at least £150bn, the higher interest rates will mean that the government will owe even more money. Essentially, the BoE and government has very different aims currently, and it will be a delicate balancing act to get interest rates right whilst the government is borrowing large amounts of money, which will likely also stoke inflation.

If inflation continues to rise as forecasted the BoE could increase interest rates even further. This week the Fed in the US voted to raise interest rates to 3% to 3.25%, a hike of 0.75%. It is predicted that interest rates int eh US could reach 4.25% to 4.5% by the end of 2022. The market is also predicting that the BoE could raise interest rates to above 3.5% by the end of 2022 and as high as 4.75% by July 2023.

Mortgages

There, was a mass removal of mortgage products overnight on Tuesday, as lenders grappled with the prospect of rising interest rates. Financial information service, Moneyfacts, found 935 mortgage products, around a quarter of products, were taken off the shelf. Since the budget announcement on Friday last week, the cost of government borrowing has risen sharply, and the BoE is signalling that it will have to raise interest rates in November to tackle this. A further rise in interest rates will raise the cost of borrowing for banks and building societies offering mortgages, leading many mortgage providers to withdraw or re-price their products.

Additionally, hikes in interest rates will most definitely lead to higher mortgage repayments. For those on a fixed mortgage rate, there is little concern. However, for those that need to re-mortgage or that are on standard variable rates will see massive rises in their mortgage repayments. For instance, for those on a standard variable rate with a mortgage of £250,000, the cost in December was £1,375 a month, now this has risen to £1,521 per month. Leading to a total annual increase in costs of £1,752. This is almost the same as the rise in cost for energy bills over the same period. This will likely cripple finances in many households across the country, given the rising cost-of-living and introduction of the new cap in October. Furthermore, if households being to default and fail to make repayments, due to rising mortgage costs, it could lead to a housing cash. With could fuel the growing recession and spread contagion alone international financial markets.

Brokers have been reassuring customers which already have a mortgage or an agreement for a new mortgage, that they shall be unaffected for the time being. Many experts are now predicting there is likely to be a 10% to 15% fall in house prices across the market.

Rising shopping prices

Trade association for UK retail businesses BRC, has reported further rises in shopping prices. The BRC's main findings were:

- Shop Price annual inflation accelerated to 5.7% in September, up from 5.1% in August. This is above the 3-month average rate of 5.1%. This marks another record for shop price inflation since this index started in 2005.
- Food inflation accelerated strongly to 10.6% in September, up from 9.3%. This is above the 3-month average rate of 9.1%. This is the highest rate of inflation in the food category on record.
- Non-Food inflation accelerated to 3.3% in September, up from 2.9% in August. This is above the 3-month average rate of 3.1%. Inflation remains rose to a fresh series' high in this category.
- Fresh Food inflation strongly accelerated in September to 12.1%, up from 10.5% in August. This is above the 3-month average rate of 10.4%. This is the highest inflation rate in the fresh food category on record.
- Ambient Food inflation accelerated to 8.6% in September, up from 7.8% in August. This is above the 3-month average rate of 7.4%. This is the fastest rate of increase in the ambient food category on record.

This will not be welcome news for households faces rising costs on all sides, mortgages are rising, interest rates are rising, and energy bills will rise in line with the new cap. Additionally, the value of the pound and seen dramatic falls against the dollar and the euro, this means that there will be a rise in the costs of imported goods in the coming months. This will rise costs not just for households as supermarkets are forced to pass on price increases, but also for businesses which will see the cost of imported goods rise, as the value of the pound falls.

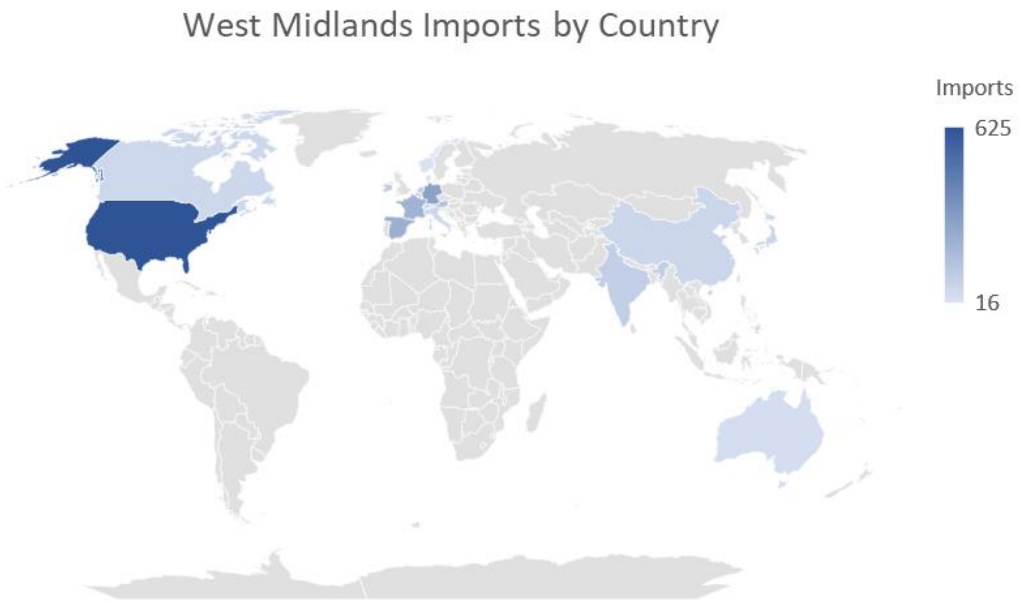
Second Jobs
New research from mutual life, pensions and investment provider, Royal London, reveals that millions of UK workers have had to turn to second or multiple jobs in the face of soaring living costs, while others are working extremely long hours. Royal London's second Cost of Living survey of 4,000 adults, made the following key findings:

- One job is not enough for 5.2 million UK workers as the cost of living crisis continues to bite, with a further 10 million workers considering taking on another job if costs continue to rise
- Working more hours not a realistic option for over a quarter (28%) of full time employees already working over 48 hours a week
- Day to day costs are taking their toll with nearly a third (31%) of people already having to spend money they don't have, borrowing or using their bank overdraft
- Over three fifths (64%) say they're overwhelmed

These findings come at a time when according to the ONS, pay awards have failed to match soaring inflation and have led to the fastest fall in the real value of pay on record. This likely means that people already working full time will be forced to work more, for a pound that is worth even less than it has been historically, due to rising inflation and the devaluation of the pound against other international currencies.

Regional

Trade
The graph below shows the value of imports in goods, in millions by trading partner (countries) for the West Midlands (WM). Currently, the WM's largest trading partner is the US, with the WM importing more than £625m in imports in 2020. Ports across the south-east of the US have been forced to close with all vessel traffic being halted because of Hurricane Ian. The hurricane is also expected to spread further north which will massively dampen output across the regions. This will impact producers importing goods from the region, as well as exporting goods.



Data Source: ONS, 2022

Everstream Analytics which predicts the impact of shocks to supply chains to help firms to monitor and prepare, have warned that the storm could impact up to 2,800 manufacturing firms in aerospace, automotive components, heavy machinery, chemicals and plastics, as well as about 7,000 health care producers in pharmaceuticals, medical devices, diagnostics and other fields. The disruption to these businesses could last for weeks depending on the levels of damage sustained. Businesses in the WM will have to try and sure up supply chains to ensure they can limit disruption as much as possible.

Incomes

4 of the 20 local authorities with the highest levels of income deprivation are within the WM, as seen in the table below. The rising cost of living will likely severely impact low-income households within the region, as households faces squeezes on their incomes from multiple sides. Supporting these households in the coming months will be crucial, otherwise these households could slip into severe poverty in the coming months. As the cost-of-living rises there is an increasing likelihood that an increasing number of households will fall into income deprivation over the next few months. Especially, if the government is reliant on trickle down economic policies, rather targeted support to those hit hardest.

Furthermore, it is likely that a significant number of households in income deprivation are also UC claimants, given people who have low incomes are more likely to be claiming UC. The reforms to UC in the mini budget could see more claimants incentivised to work more hours or face reductions in their UC. However, the reason there is such high vacancies across the UK at the minute is as a result of a lack of skills, and claimants may struggle to find a job for which they have the skills. The result may be many households face a cut to their UC during a cost-of-living crisis.

	Area	**Income deprivation %**
1	Knowsley	25.1
2	Middlesbrough	25.1
3	Blackpool	24.7
4	Liverpool	23.5
5	Hartlepool	22.8
6	Kingston upon Hull, City of	22.7
7	Birmingham	22.2
8	Manchester	21.9
9	Sandwell	21.5
10	Blackburn with Darwen	21.2
11	Wolverhampton	21.1
12	South Tyneside	20.6
13	Burnley	20.3
14	Hastings	20.2
15	Rochdale	20.1
16	Walsall	20
17	Nottingham	19.9
18	Hackney	19.6
19	Leicester	19.6
20	Barking and Dagenham	19.4

Source: ONS, 2022.

'Mini Budget'

Alice Pugh, WMREDI

Ahead of the official Autumn Budget on 23 September the government released a 'mini' budget ahead. The 'mini' budget was released with the aim of helping to tackle and provide support for the growing cost of living crisis. However, this budget was far from a 'mini' one. This budget offers one of the largest tax cutting regimes in UK history. It offers around £45bn of tax reductions for people and businesses by 2027: 50% more than anticipated before the mini-budget announcement.

Key announcements

The following are the key announcements made within the 'mini' budget**:**

Taxes

- **Income Tax**- Cut in the basic rate of income tax to 19% from 20% as of April 2023. 45% higher rate of income tax abolished for England, Wales and Northern Ireland taxpayers.
- **National Insurance**- The health and social care levy has been scrapped; the 1.25% additional tax will be removed from the 6th November.
- **Corporation tax**- The government has cancelled the expected rise in corporation tax rise from 19% to 25%.

Benefits

- **Universal Credit**- Rules are being tightened around Universal Credit, by reducing benefits if people do not fulfil job search commitments.

Work and Investments

- **IR35 rules** - the rules which govern off-payroll working are to be simplified
- **Annual investment allowance** - the amount companies can invest tax free, remains at £1m indefinitely
- **Pension funds** - regulations change so pensions funds can increase UK investments
- **New and start-up companies -** - able to raise up to £250,000 under a scheme giving tax relief to investors
- **Share options for employees** - doubled from £30,000 to £60,000

Stamp Duty

- **Cuts to stamp duty** – Stamp duty on property purchases has been cut in England and Northern Ireland as noted below.
    - 0%: £0 to £250,000
    - 0%: £0 to £425,000 for first time buyers
    - 5%: £250,000 to £925,000
    - 10%: £925,000 to £1,500,000
    - 12%: £1,500,000+

Banker's Bonuses

- Rules which limit bankers' bonuses have been scrapped, with regulatory reforms expected later in the Autumn.

Shopping

- **VAT-free shopping** - for overseas visitors
- **Alcohol** - Planned increases in the duties on beer, for cider, for wine, and for spirits are cancelled

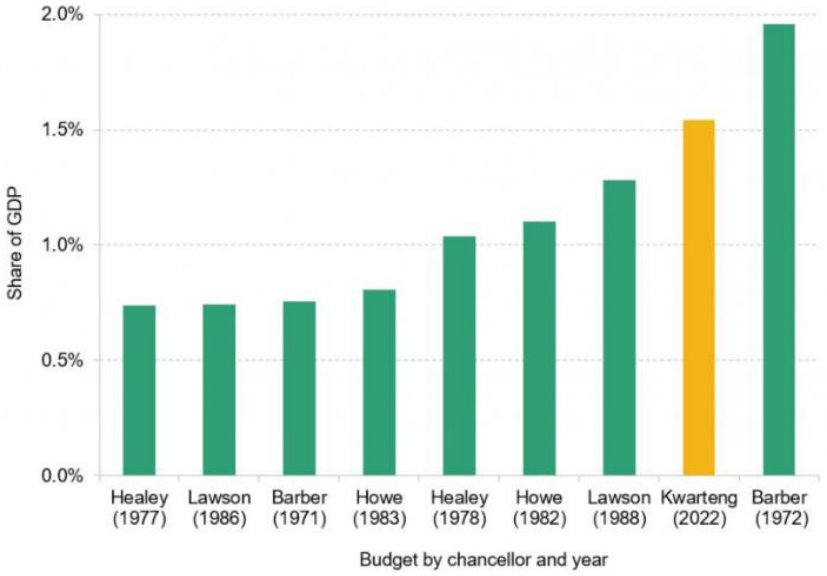
Infrastructure and Investment Zones

- **Investment zones** – The government is discussing setting up 38 new investment zones, with measures such as no business rates and stamp duty waived.
- **Tax cuts and liberalised planning rules-** to be offered to release land for housing and commercial use

Tax

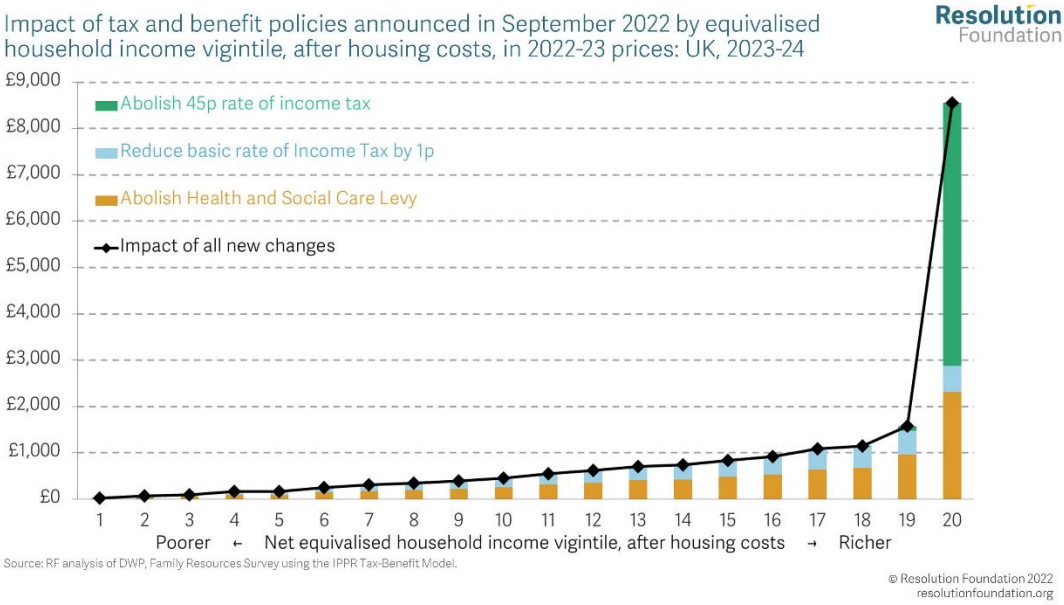
As stated above this budget is anything but 'mini'. In fact, this budget represents the largest tax cut to the planned level of tax of any budget since 1972, as seen in the graph below. Whilst the tax reductions are substantial, their impact is forecast to only lower the tax burden to 2021-22 levels. This means the tax burden will still remain at its highest sustained level since the 1950s, according to the IFS.

Net permanent tax cuts as a percentage of GDP, relative to previous plans



Source: IFS, 2022

The Resolution Foundation has found that the gains from the personal tax cuts announced will go to the richest fifth of households. Almost half (45%) will go to the richest 5% alone, while just 12% of the gains will be felt by the poorest half of households. The graph from the Resolution Foundation below, shows that the richest fifth of households will be on average better-off by £3,090 next year. Whilst the poorest will gain only £230. The government is chasing a 'trickle down' economics in an effort to boost economic growth.



Source: The Resolution Foundation, 2022

Benefits

The Chancellor is also reforming Universal Credit (UC). Currently, UC claimants working up to 12 hours a week at the National Living wage, risk having their benefits reduced if they do not take steps to increase their earnings and regularly met with a work coach. Under the reform, which takes effect in January 2023, this requirement will now be extended to people on UC working up to 15 hours a week at the National Living Wage. This will affect an estimated 120,000 people.

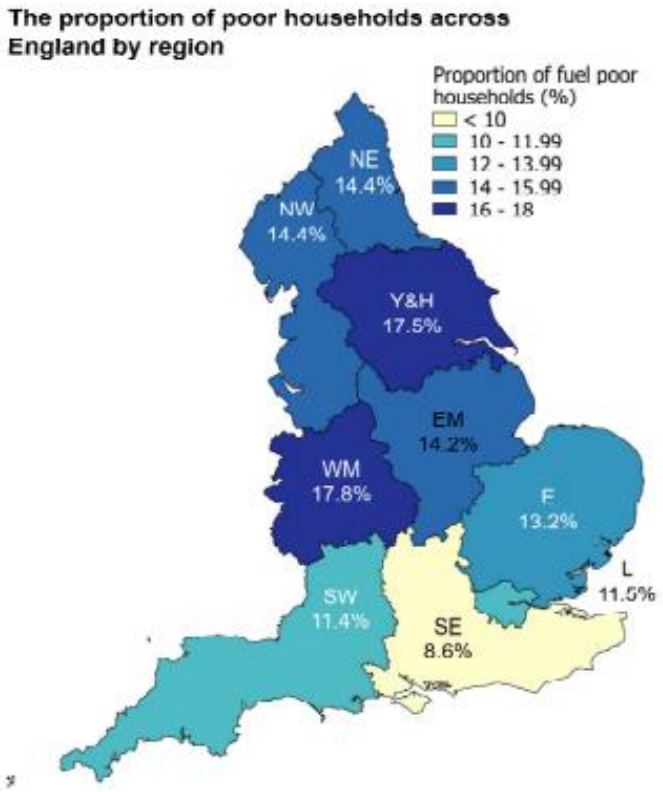
Energy Price Caps

Households

To protect households from energy price rises, the government has announced an 'Energy Price Guarantee' (EPG). The EPG will raise household bills to £2,500 a year from 1st October from £1,971 currently; this is based on a household which uses 12,000 kWh of gas a year, and 2,900 kWh of electricity a year. This is a 26.8% increase in the price cap. However, this is a smaller increase than was expected as OFGEM was setting the price cap rise at £3,549 a year from the 1st October, which would have been an 80.1% rise in the price cap.

Whilst, the new cap will help households, the energy price cap will have still almost doubled since the same time last year. In October 2021 the price cap was £1,277; the new £2,500 price cap is an increase in energy bills of 95.8%, representing almost a doubling household bills within a year. This includes the £400 fuel discount for all households, so reducing the increase to around 64.4%. This will be devastating to most households and will likely plunge many households into fuel poverty. However, if the cap had increased to £3,549 in October, this would have been a 178% rise in the energy price cap compared to October 2021.

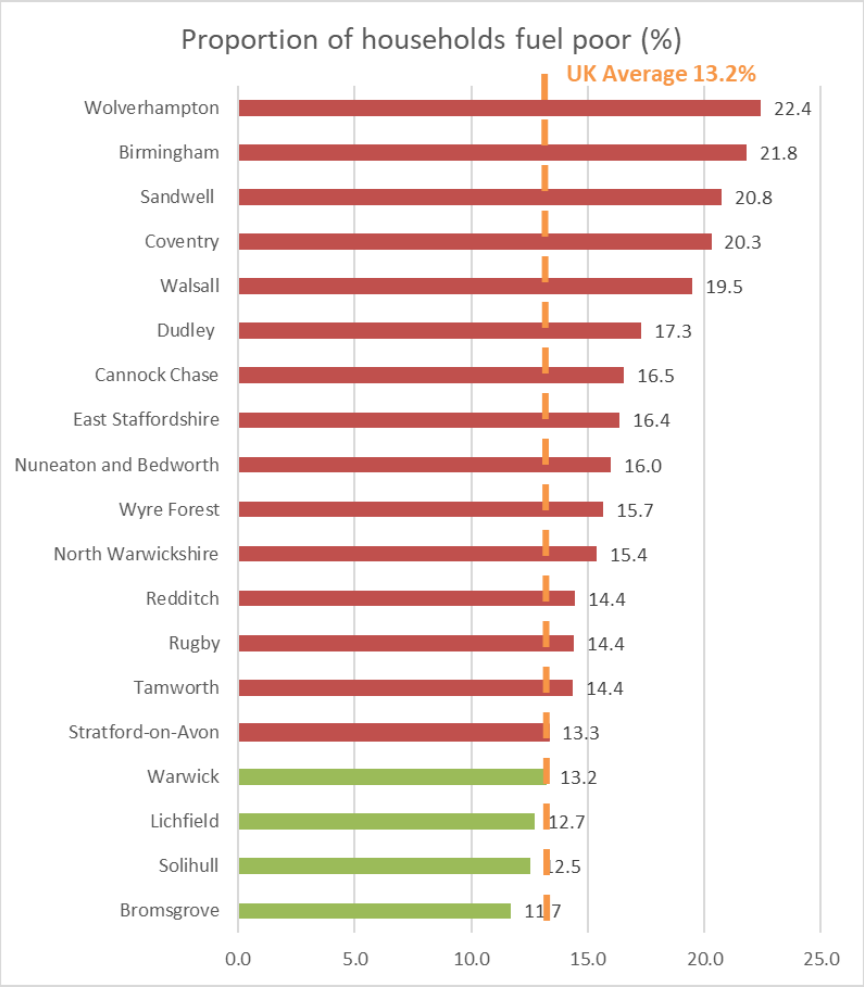
As of 2020 the West Midlands had the highest rate of fuel poverty of any region in England, as demonstrated in the map below. In 2020 17.8% of households within the West Midlands were fuel poor. Even before the energy price rises over the last year almost one fifth of households in the region were fuel poor. Energy bills have almost doubled even with the cap, meaning when data comes out for 2022 this figure will be much higher.



Source: ONS, 2022

The table below shows the percentage of those by local authority within the WMCA area that are considered fuel poor according to ONS calculations. As can be seen in the figure below, 4 of the 19 local authorities within the WMCA have a higher fuel poverty than the UK average of 13.2%. The areas with the highest rates of fuel poverty are Wolverhampton (22.4%), Birmingham (21.8%) and Sandwell (20.8%). 4 local authorities within the WMCA have more than 20% of its households living in fuel poverty. Rising energy bills will likely push a significant proportion of additional households into poverty, as well squeezing those already in it.

Unsurprisingly, more affluent areas of the WMCA, Bromsgrove (11.7%), Solihull (12.5%) and Lichfield (12.7%), have lower fuel poverty rates. This is likely as a result of not only higher incomes, but more efficient housing reducing energy bills.

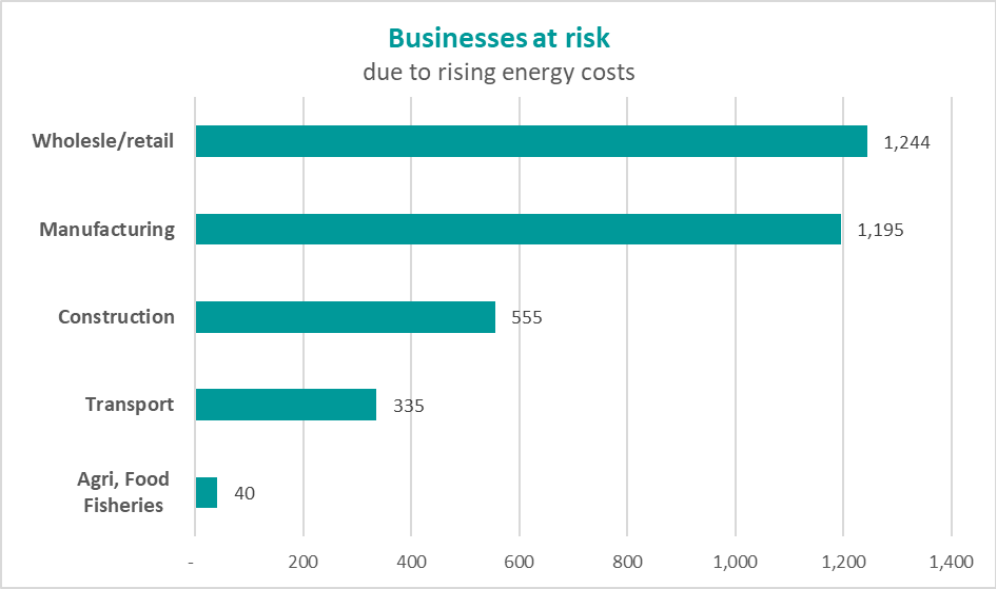


Data Source: ONS, 2022

Business

Earlier in the month, the government announced an energy price cap for businesses, to protect companies against rapidly rising energy prices over the winter. Businesses with high energy use are expected to be the most heavily impacted by rapidly rising energy prices. RedFlag estimates show that nationally there are 75,672 businesses with a turnover of more than a million and classed as high energy users that could be at-risk of closure in the following months as a result of energy price rises. This would place hundreds of thousands of jobs at-risk. Note this figure does not include all the businesses turning over less than a million pounds; therefore, there are likely to be more businesses at risk within the economy.

Data from RedFlag, produced for WMREDI, shows that currently within the WMCA, there are round 8,054 businesses with more than 10 employees which are classed as high energy users. Of these RedFlag found that 3,369 businesses would be at risk of closure, due to rising energy prices and their financial stability rating. The sectoral split of these businesses can be seen in the graph below.



Source: RedFlag, 2022

If these at-risk businesses were to close in the following months as a result of energy price rises, it could mean that employees lose their jobs. Each of the 3,369 businesses has a least 10 employees, if these businesses close it could lead to at least 33,690 people potentially losing their employment. However, some of these businesses will employ more than 10 employees, so this figure is likely much higher. Furthermore, this does not include microbusinesses (businesses employee 0 to 9 people) which may also be at-risk from rising energy prices.

To combat the rising energy prices and prevent businesses from going under, the government is going to cap the price that non-domestic consumers pay for both electricity and gas. The cap will fix wholesale prices for all non-domestic customers at £211 per MWh for electricity and £75 per MWh for gas. To put the size of this cap into perspective, based on the latest update from OFGEM, in July 2022 the expected cost of electricity per MWh was £413.59, a £211 cap would decrease the price by -48.98%. Based on WMREDI analysis of OFGEM figures, in July 2022 the wholesale price for gas was around £144.60 per MWh, a cap of £75 per MWH would reduce the price by -47.77%.

However, even with the cap the prices are far higher than otherwise would have been expected. In September last year, electricity prices were £116.96 per MWh, a cap of £211 is an 80.4% of last year's prices. Gas prices were around £38 per MWh in September last year, according to WMREDI analysis, the £75 cap is a 95.57% increase in prices. Therefore, whilst the cap on energy will prevent prices from rising exponentially, business have still seen their energy bills almost double comparative to the same time last year.

Therefore, whilst the energy cap will undoubtably save many firms from closure over the next 6 months, many may still be forced to close, given energy bills will be almost double the price they were paying last year, even with the cap. Plus, in 6 months many businesses may not be able to survive the removal of the cap. Therefore, over the next few months we will still likely see the insolvency of more businesses, however these insolvencies will be lower than would have been without the price cap.

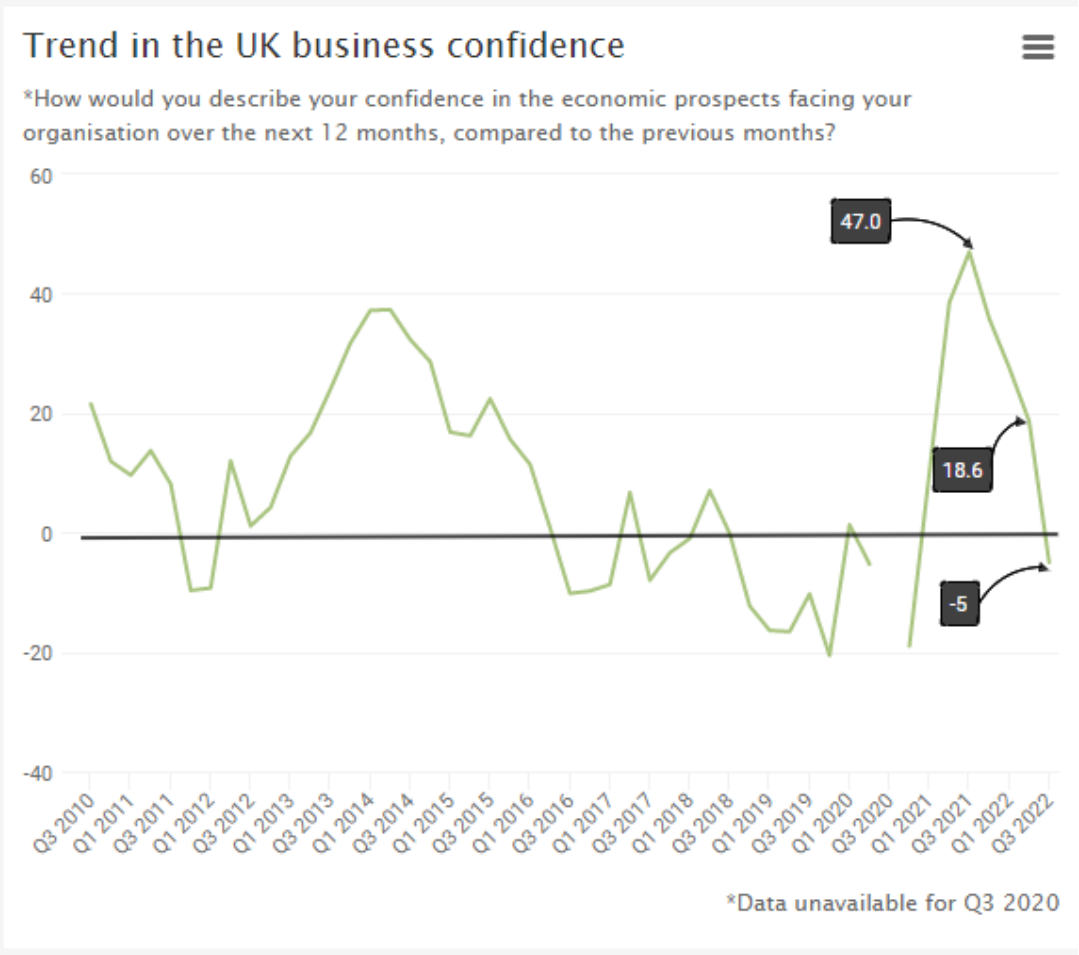
'Animal Spirits'

The government argues that this budget is an 'economic growth' budget, but it can be seen as more of a 'tax cutting' budget. There maybe be massive tax cuts to stimulate growth, but there are no other large scale supply-side investment announcements, such as investment in skills. This budget heavily depends on the response of businesses and investors. If businesses take the opportunity of these tax cuts to invest, then it may increase economic growth. However, if they don't the economy will quickly plummet into a severe economic recession.

The government will be heavily relying on the 'animal spirits' of businesses and investors within the market. Hoping that these tax cuts will increase investor and business confidence and spark economic growth in line with investments made. However, currently the economy is not conducive to businesses investing. The reasons businesses and investors may not be incentivised to invest following this budget are:

1. **Lower Business Confidence**

The graph below shows business confidence levels over the last 12 years. Business confidence was at its highest rate at +47 in the 12-year period following the re-opening of the economy following Covid-19 in Q3 2021. However, a year later business confidence index in Q3 2022 was -5.0. Businesses are not confident in the economy and expect the next 12 months to be harder than the previous 12 months, back into the negative figures seen throughout the pandemic. If businesses and investors have low confidence in the economy to start with, then it is unlikely that they will suddenly start making large investments.



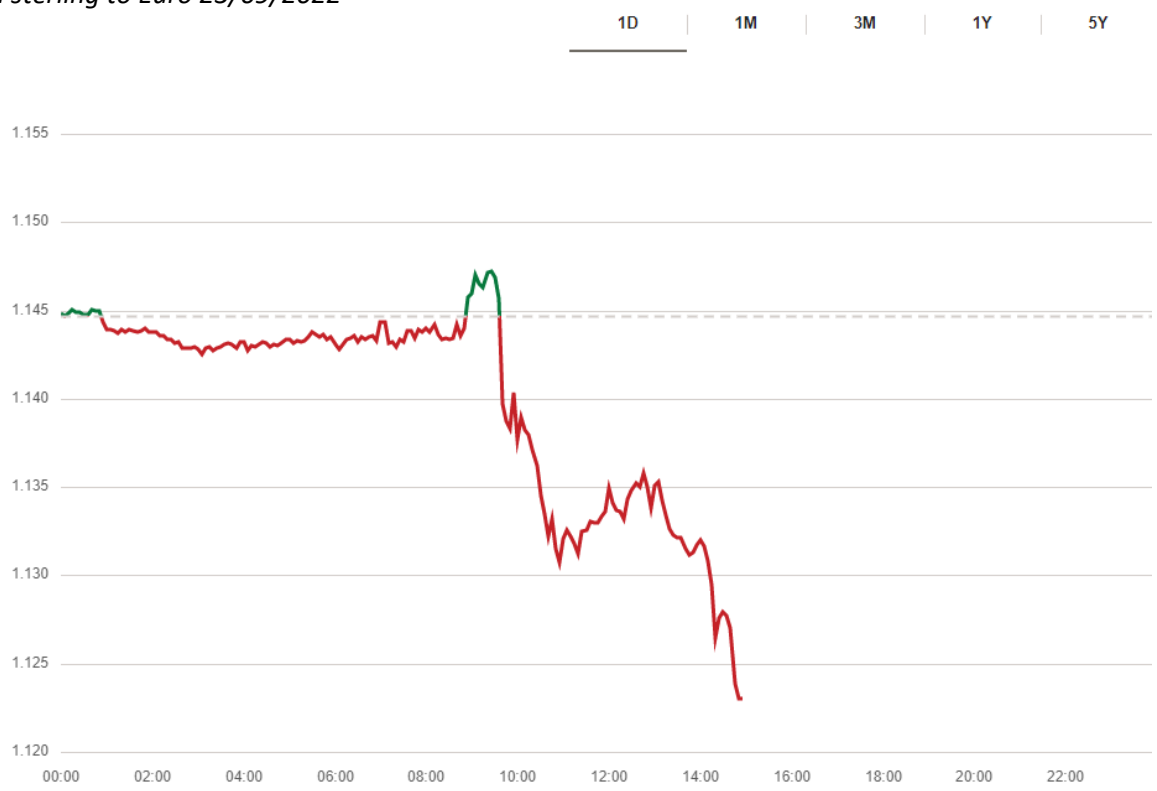
Source: ICAEW, 2022

2. **Failure to release OBR statistics**

The government is about to spend a very large amount of money, maybe even surpassing the amount spent during Covid-19. Alone, both the household and business caps combined could cost the government more than £150bn. Plus the government has dramatically cut taxes in this budget. It has made people question how the government plans to fund such large borrowing, when the government is slashing revenue streams (taxes). However, the OBR was prevented from releasing their forecasts for this budget. The forecaster's publication provides information to the UK government's creditors (i.e. financial markets) on the sustainability of public finances. Preventing the OBR from releasing its forecasts can be interpreted as a clear message to both the public and financial sector that the government is not confident enough in its economic and fiscal policies to subject them to scrutiny.

Following the 'mini' budget announcements the value of the pound promptly plummeted against the Euro, as seen in the figure below. Sterling dropped 2.04% against the Euro and 3.25% against the US dollar. This is a 37 year low for the pound, since 1985. It would suggest that the market is not in fact confident in this new budget and the likelihood is that businesses and investors will not be incentivised to invest.

Pound sterling to Euro 23/09/2022



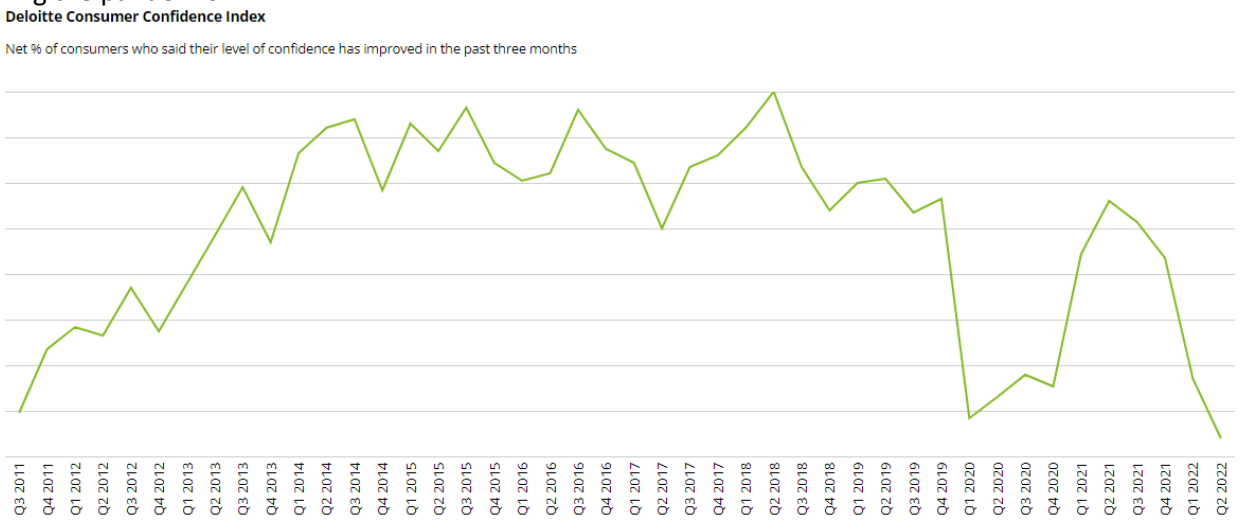
Source: BBC, 2022

3. Rising supply-side costs

- **Raw goods and materials** - The costs of raw goods and materials are still increasing. Escalation of the war in Ukraine, Covid-19 bottlenecks, plus the elevated level of post-pandemic demand, and climate change disasters; have all contributed to the rising costs of raw materials and goods. With the escalating war in Russia, it is likely the costs of many raw goods and materials will continue to increase.
- **Energy Prices** - Whilst energy prices have been capped for businesses, electricity prices will still be 80.4% higher than July 2021 and gas prices 95.6% higher. Plus, this energy relief is only short-term; most businesses are trying to plan 2, 3, 4 years in advance, not 6 months. If businesses are expecting to lose this cap in 6 months, with no end of the Ukraine invasion in sight, they will probably not make any large-scale investments when they are expecting their energy bills to skyrocket 6 months down the line.
- **Rising Interest rates** - Additionally, as the value of sterling falls, it makes imports more expensive than would have been the case previously. This will lead to rising costs for businesses on imports, if costs are rising businesses will be less likely to make larger scale investments.
- **Wages -** Wages are expected to rise. Following, 10 years of austerity depressing wages, many civil servants have had real terms pay cuts of up to 10%, and many unions are now fighting to get their members higher wages. With around 1 in 10 businesses now being impacted by industrial action, this will likely grow in the coming months as nurses and teachers vote to take industrial action. Additionally, there is a labour supply and skills shortage. The jobs market still has over a million vacancies which need filling in the economy, but the majority of employers citing skills shortages as the reason. 37.4% of employers were struggling to recruit in August. This is rising the prices of wages as employers compete for a small pool of labour with the skills they require. In turn, rising wages are pushing up costs for employers, this may dampen incentives to invest if they are expecting rising costs in the future. Especially, when there has been no skills investment from the government in this budget.

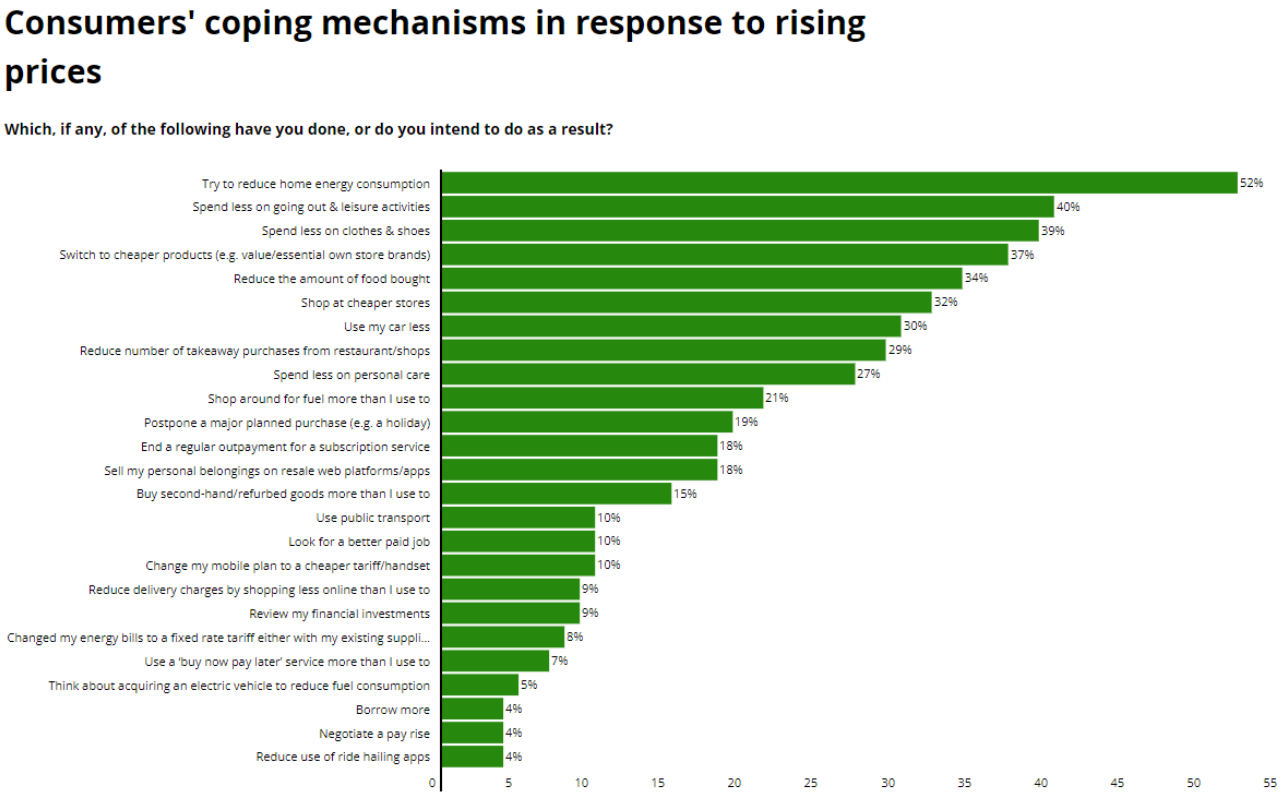
4. Falling consumer spending

Deloitte's consumer confidence in levels of disposable income index has reached its lowest level since 2011, when the tracker began. As seen in the graph below consumer confidence is now even lower than had been during the pandemic.



Source: The Deloitte Consumer Tracker, 2022

With rising inflation consumers are seeing the value of their money fall and as a result their levels of disposable income. So, they are changing their spending habits, by either spending less / being more frugal. The graph below from Deloitte, shows how consumers plan to deal with rising prices – by reducing consumption.



Source: The Deloitte Consumer Tracker, 2022

These reductions in consumer spending are a serious concern given consumer spending accounts for half to two-thirds of all economic activity. Deloitte is forecasting that for Q3 of this year, essential spending will continue to rise with inflationary costs, as a result of consumers will have less to spend discretionally, with discretionary spending expected to fall by 11% in Q3. Additionally, there is likely to be a further fall in disposable incomes in the following months as the Bank of England (BoE) continues to rise interest rates, leading to much higher mortgages for consumers. This may further tighten spending habits going forward. If

consumer spending continues to fall so dramatically over the following months, businesses will be cautious around investing, if they think consumers will be unable to afford their products.

5. **Increased interest rates**

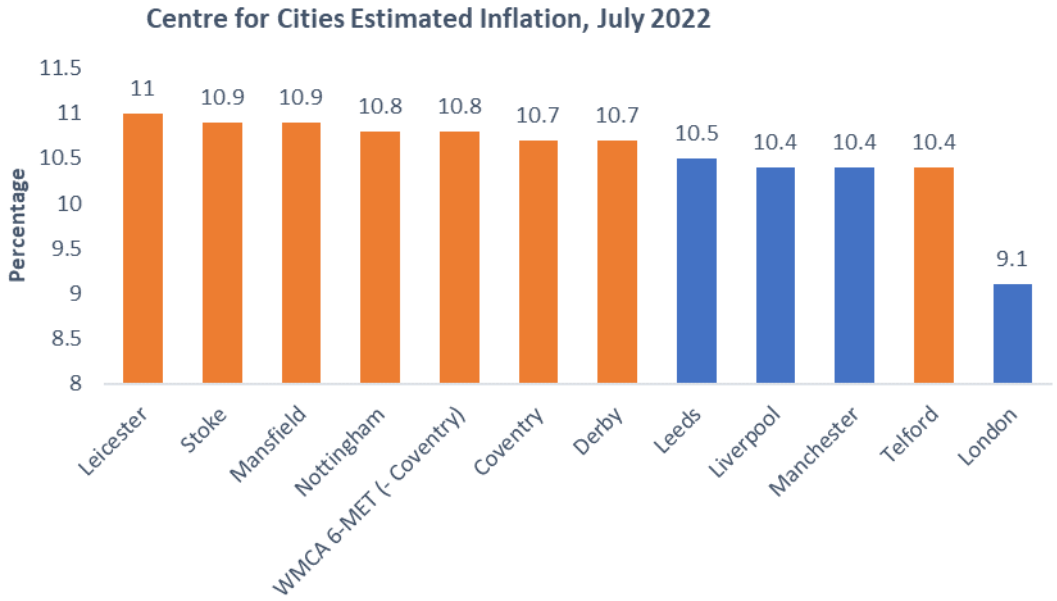
   Interest rates have not only been risen in the UK, but have been risen by many central banks around the world. Higher interest rates set by the BoE to cool inflation, many lead to businesses and investors being more inclined to save than invest, especially as the BoE is predicting that interest rates will be at least 3% by the end of the year. Additionally, higher interest rates means borrowing money or capital becomes more expensive, which may deter businesses and investors from investing.

The Cost of Living and Doing Business Crisis

The Midlands Engine area is currently facing a **cost-of-living and cost of doing business crisis.** This article identifies underlying issues which will **worsen the impact on the region in comparison to other areas** across the country, looking at the acute issues facing the regions people and businesses.

Regional Economy Impacts

- As identified by Centre for Cities, many of the hardest-hit places are cities and large towns in the North, but Midlands cities are badly affected too. In fact, the **WMCA area (Birmingham, Solihull and the Black Country) is predicted to have the largest inflation rate of major English city-regions** (10.8%), despite being lower than some northern towns.
- 10.8% is the predicted inflation rate in Nottingham too, while some Midlands cities and towns are expected to be even more affected: **Leicester (11% inflation), Stoke (10.9% inflation) and Mansfield (10.9% inflation).**
- **Wages growth has also been more subdued in the Midlands cities** compared to Manchester and particularly London.



Source: BCCEIU graph based on Centre for Cities data, 2022

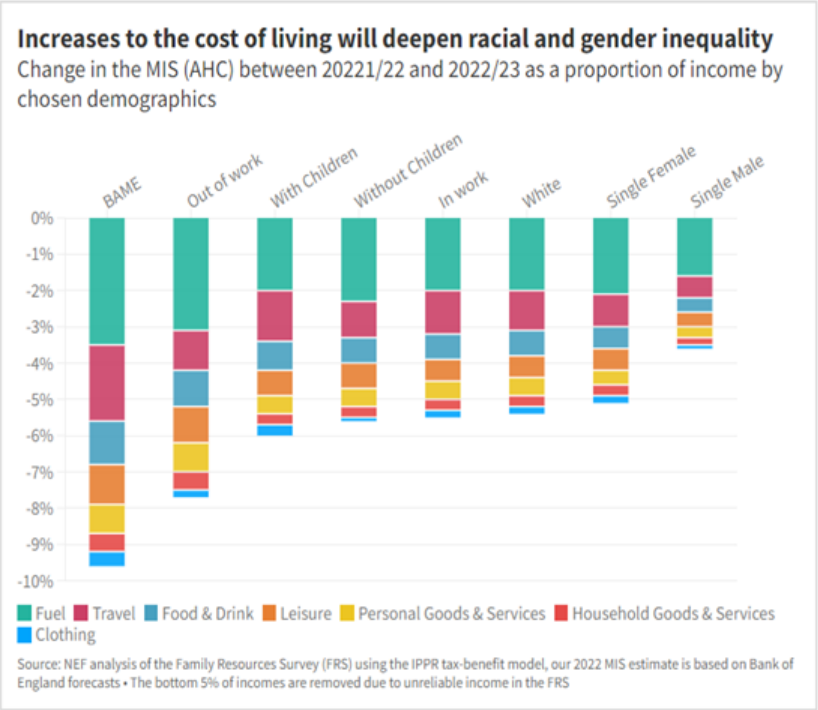
The Midlands is also experiencing a worse economic downturn. KPMG's Economic Outlook based on ONS data suggests from early GDP estimates that the **West Midlands region is having the slowest recovery in reaching pre-pandemic levels, and the East Midlands is experiencing the 4th slowest recovery.**

People & Community Impacts

Some households are clearly affected by the cost of living more than others. **Low-income households** spend a larger proportion than average on energy and food and will therefore be relatively more affected by increases in their prices. The Resolution Foundation suggests that **low-income households will have to reduce their spending by three times as much as high-income households** in order to afford their energy bills.

New Economics Foundation analysis highlights that increases to the cost of living will **deepen other inequalities, including racial, gender and age.**

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



Source: New Economics Foundation, 2022

The Midlands Engine is likely to be hit worse by these effects because of the following characteristics:

- **24.8% (1,500 LSOAs) of the Midlands Engine is classed as deprived** (in the top 20% of the most deprived areas in England).
- Within the Midlands Engine, some areas have a much **higher proportion of its population who describe themselves as BAME** compared to the national average of 14.6%.
- The Midlands Engine has a **higher proportion of its population who are young people.**
- The Midlands Engine has a **higher unemployment rate than the national average (4.6% vs 4.5%).**
- The Midlands Engine has **much higher levels of existing fuel poverty than national averages**
- ONS surveys suggest **West Midlands households spend more on housing, fuel and power** (15% of total expenditure) than all other non-London regions other than the South West; while the **East Midlands reports the highest % of household spending on transport of all UK regions (16%).**

The Cost of Living and Doing Business Crisis

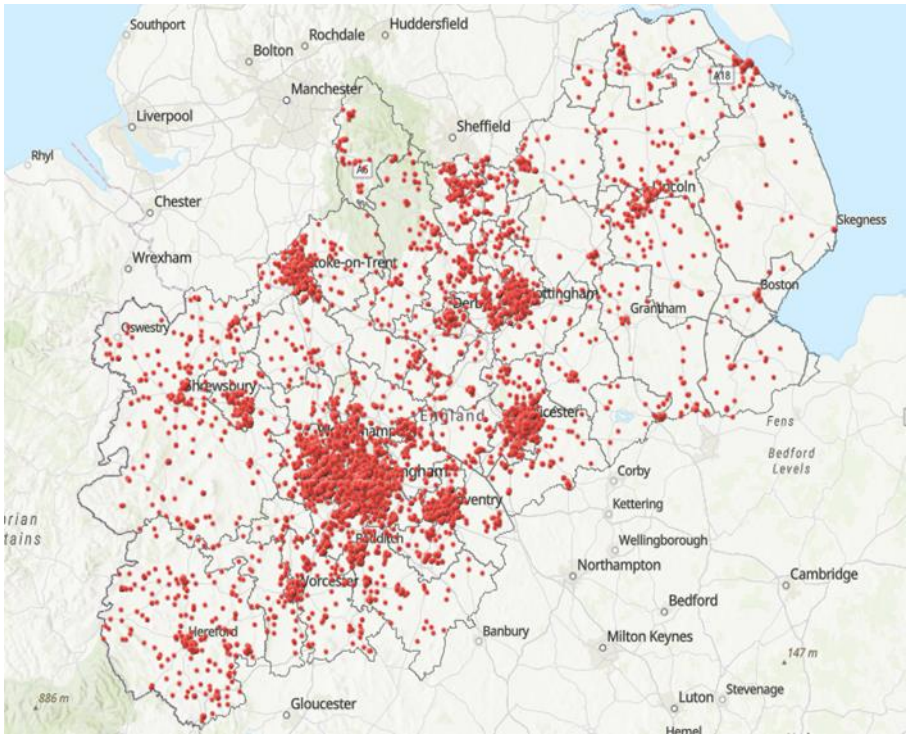
Business Impacts

The impact of inflation on rising costs / prices continues to be a major business issue, particularly for utilities, wages and materials. Business groups have warned that the **inflationary spiral is "unsustainable"** for businesses. The drastically rising cost of key inputs – such as people, materials, energy – is damaging the competitiveness and sometimes feasibility of many Midlands businesses. **Inevitable cashflow pressures are unfortunately leading to firms being in financial stress and some facing closure.** Many businesses are struggling to absorb major increases in the costs of inputs, but against the backdrop of the cost of living crisis, they **feel unable to pass on significant cost increases to customers.**

- **Business confidence in the West Midlands and East Midlands has dropped back into negative territory** as companies grapple with the rising cost of doing business. Sentiment tracked by ICAEW's Business Confidence Monitor (BCM) for the West Midlands for Q3 2022 , found confidence at -8.1, coming in at -5.1 for the East Midlands . Companies in the region face **rising costs, supply-side issues and a global surge in energy prices**, despite a strong sales performance, both domestically and abroad, ICAEW said. Recent FSB and Chamber surveys corroborate these findings.

- One in five small businesses in the UK is at serious risk of closure due to the rising cost of living, with **the greatest areas of concern being the West Midlands** and the North East, according to new data: The data highlighted the West Midlands as the most at-risk area for businesses facing closure.
- According to exploratory ONS Business Demography data, **the number of business deaths in the Midlands Engine area was 56,355 in 2021, a 27.7% increase compared to 2019. This is in line with the national average but certain areas in the Midlands have fared worse.**

The industrial structure of the Midlands Engine economy means it is **more at risk from increased energy costs than any other region.** The Midlands Engine has a concentration of GVA in certain sectors with high energy demand, such as manufacturing, transport and storage, and wholesale and retail trade of vehicles. **These 3 sectors alone account for 32% of the Midlands Engine GVA.** The energy price rises severely damage competitiveness of UK SME manufacturers, disproportionately impacting the wider Midlands given our industry base. The companies most **exposed to increased energy costs are medium and small manufacturing businesses exporting or competing in global markets**. Manufacturing businesses employ more than 530,850 skilled people in the Midlands Engine. We have a greater concentration than any other region.



Time will tell on **the effectiveness of the Government's energy policy announcement in early September**, but the **relief scheme has been broadly welcomed by businesses**.

However, the policy has also been described as a **"sticking plaster on a bleeding wound",** thought to be too **little too late and nor providing long enough certainty for firms – given it lasts initially for only 6 months.**

Likewise, fiscal changes made by the new Chancellor in late September include **major shifts in economic approach, sure to impact the cost of living and doing business crisis; for good or bad for business and communities remains to be seen).**

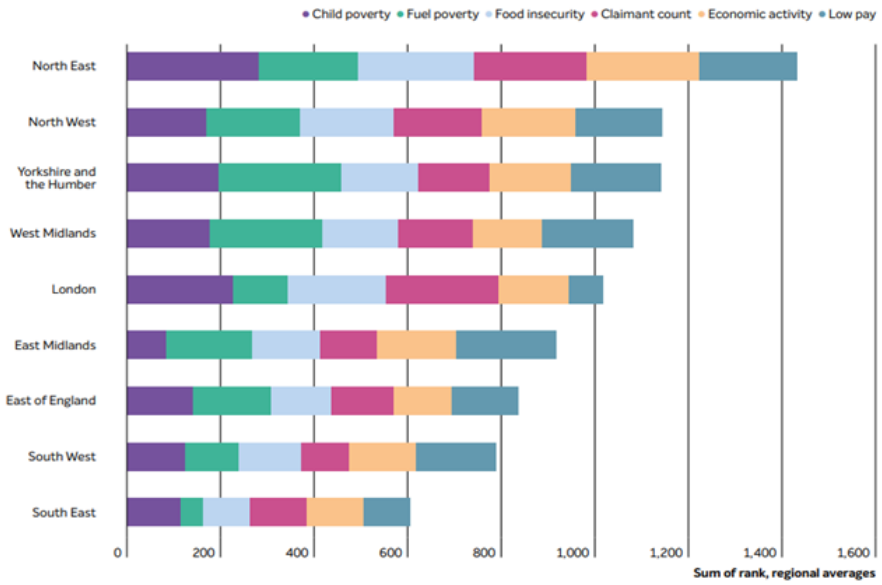
The Cost-of-Living Crisis: Vulnerability Index

A new report by the Centre for Progressive Policy (CPP) explores the spatial impact of the cost-of-living crisis, showing the challenges facing different places. Many of the findings corroborate with analysis in previous pages that suggests **parts of the Midlands Engine are disproportionately impacted by the current economic situation.** The report updates **CPP's Cost of Living Vulnerability Index** to reveal the changing nature of places most susceptible to poverty, labour market inactivity and workplace effects via higher energy emission industries.

Headline Findings

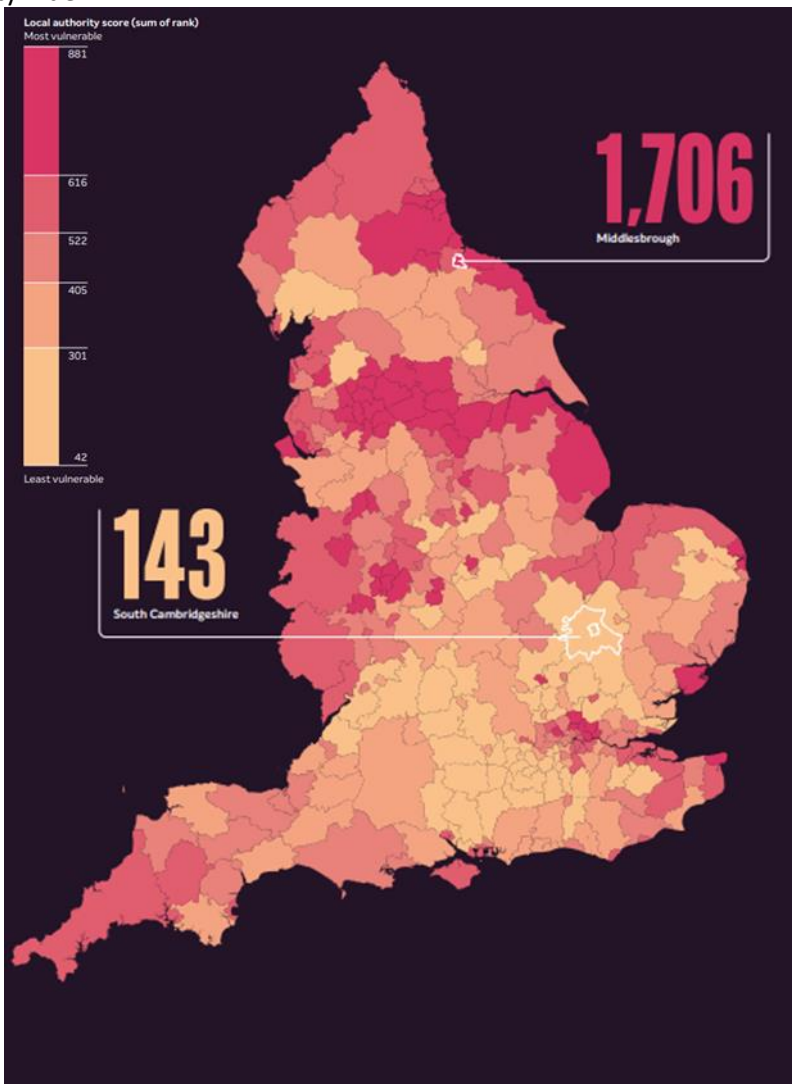
- Large parts of both the North and the Midlands remain the most vulnerable to the cost of living crisis – nearly 9 in 10 (87%) of the places in the top decile of the index are based there. At the broader regional level, **the four most vulnerable regions are the North East, North West, Yorkshire and the Humber, and the West Midlands.**
- **Ex-industrial towns are among areas where residents are most vulnerable to the impact of rising prices**; coastal areas remain at risk, while **some rural areas are increasingly so.**
- Middlesbrough remains the most vulnerable local authority according to the index, **but 3 out of the top 5 are now Midlands Engine areas: Sandwell (2nd), Walsall (3rd) and Wolverhampton (5th),** all in the West Midlands. Nine Midlands Engine LA's in total are in the most vulnerable decile (top 31): including **North East Lincolnshire (11th), Birmingham (17th), Leicester (18th), Nottingham (25th), Coventry (30th) and Wyre Forest (31st).**
- **Sandwell is ranked the most vulnerable in the poverty aspect of the index,** with Stoke-on-Trent, Wolverhampton, Coventry and Walsall also in the top 10 most vulnerable for this metric.
- New analysis finds some vulnerable local authorities – predominantly in the North and Midlands – are also **heavily dependent on energy intensive sectors** for employment. Places such as **Bolsover, East Lindsey, Shropshire, Stoke-on-Trent and Sandwell face a double hit** – the presence of vulnerable households could be compounded by having a **large proportion of employers who are likely to be particularly badly affected by higher energy costs.**
- Midlands regions overall are impacted worse than some regions, and less than others – **but with major pockets on vulnerability focused on fuel poverty and low pay in particular.**

Vulnerability by Region and Indicator



Source: Centre for Progressive Policy (CPP), 2022

Cost of Living Vulnerability Index



Source: [Centre for Progressive Policy (CPP),](#) 2022

Additional Findings

- According to the main Vulnerability Index, the **places in the Midlands Engine least vulnerable to the cost-of-living-crisis are Harborough, Rushcliffe, Blaby, Warwick, South Derbyshire and Rutland.**
- Several places have become **relatively more vulnerable to the cost of living crisis since the last Index in April.** For example, within the top decile of vulnerability, **Wyre Forest has risen from 85th most vulnerable to 31st.**
- Furthermore, several local authorities in the East Midlands have become relatively more vulnerable in the last few months, including **Melton, which has posted the largest relative increase in vulnerability across all local authorities in this time period.**
- **In contrast, Stoke-on-Trent has reported the best score the opposite way – becoming less vulnerable –** alongside several West Midlands local authority areas.
- **Many rural and coastal areas have become more vulnerable to the crisis** and this is not consigned to any particular region but is rather a national trend that is driven by the same two factors: economic inactivity and low pay. These include Midlands Engine locations such as **East Lindsey, Boston, Gedling and Oadby & Wigston.**

Local Insight and Recommendations for Change

The report summarises interviews with over 20 local government officers working on the frontline to explore the key challenges places are facing and found:

- **Local government officers feel limited in how much support they can realistically provide to households** due to years of severe funding cuts and only small pots of funding allocated to this crisis with strict spending criteria.
- **The concern about funding extends beyond support for households, to the business community**. While some officers point to the existence of certain funding pots alongside potential business rates relief, the reality is local government has few financial levers to pull to support business through the crisis.
- Some officers argue that the cost **of living crisis is providing new opportunities for a renewed focus on sustainable inclusive growth** by underlining the importance of expanding retrofitting and the living wage, but for these to be fully realised there **needs to be greater national as well as local impetus.**

CPP suggest that the findings underline a **strong case for providing vulnerable places with greater financial assistance to deal with the crisis,** allied with stable long-term funding to deliver sustainable inclusive growth. To meet these aims, the report makes several recommendations:

- **Revamp the Household Support Fund** – significantly increasing its size and removing strings attached.
- **Reform the UK Shared Prosperity Fund** so that it more than matches previous EU structural funds.
- Create two new funds:
- **Business Transition Fund**, to support the transition of energy-intensive sectors to a decarbonised economy.
- **Retrofitting Investment Fund,** to retrofit millions of homes and put the responsibility for delivery in local areas.
- Allocate all funding to local areas **based on need and not via competitive bidding**, while ensuring places can **consolidate funds with other local government funds where possible.**

UK Business: Activity, Size and Location - September 2022[1]

Black Country Consortium Economic Intelligence Unit

The UK Business: activity, size and location dataset released In September 2022 provides a snapshot of the Business Demography dataset from 11th March 2022 and provides a breakdown by broad sector, turnover and employment size band. The fuller Business Demography is released in November each year which provides the total number of active enterprises in each location.

The following briefing is based on enterprises as opposed to local units[2].

Key points:

- The snapshot from March 2022 shows there were 149,565 enterprises in the WMCA (3 LEP) area, an increase of 0.6% (+935 enterprises) compared to the March 2021 snapshot, while the UK increased by 0.1%.
- The snapshot 2022 data shows that the WMCA (3 LEP) area has a slightly higher proportion of enterprises with a turnover between £1m - £4.99m than the UK, at 7.0% of enterprises compared with 6.8%. The WMCA (3 LEP) matches the UK average for enterprises with turnovers between £5m - £49.99m at 2.0% of enterprises and £50m+ at 0.3% of total enterprises.
- In the WMCA (3 LEP) area, the highest proportion of enterprises by broad industrial grouping was in professional, scientific & technical which accounted for 13.4% (20,055) of the business base; the UK proportion was 15.6%.
- Since the March 2021 snapshot, in real terms for the WMCA (3 LEP) area, out of the seventeen broad industrial groups, only five declined; The largest decline was in business administration & support services by 2,135 and in contrast, construction has increased by 1,390.

In Detail:

- The snapshot from March 2022 shows there were 149,565 enterprises in the WMCA (3 LEP) area, an increase of 0.6% (+935 enterprises) compared to the March 2021 snapshot, while the UK increased by 0.1%.

- In the WM 7 Met. area there were 93,415 enterprises in March 2022. This is an increase of 2.6% (+2,345 enterprises) from the 2021 snapshot.

- Within the WMCA (3 LEP) area, there were 37,580 enterprises in the Black Country LEP in the 2022 snapshot, an increase of 5.2% (+1,860) from the 2021 snapshot. While Coventry and Warwickshire LEP had 37,495 enterprises but decreased by 1.1% (-410) since the previous snapshot. In Birmingham and Solihull LEP, there were 74,490 enterprises in the March 2022, a decrease of 0.7% (-515 enterprises) since the 2021 snapshot.

- At local authority area in the WMCA (3 LEP) area, the largest decrease in the number of enterprises in the latest snapshot showed Bromsgrove decreasing by 2,080 (to 5,170 enterprises) and Warwick decreasing by 475 (to 7,165 enterprises). In contrast, Wolverhampton increased by 1,270 (to 8,995 enterprise) and Cannock Chase increased by 505 (to 3,910 enterprises).

The 2021 and 2022 snapshot for the number of enterprises and also the change by local authority within the WMCA (3 LEP) area and UK-Wide:

	2021 Snapshot	2022 Snapshot	Percentage Change	Number Change
Birmingham	36,925	37,375	1.2%	450

[1] Office for National Statistics (ONS): UK Business; activity, size and location: 2022 - released September 2022.

[2] ONS state that an enterprise can be thought as the overall business, made up of all the individual sites or workplaces. It is defined as the smallest combination of legal units that has a certain degree of autonomy within an enterprise group. A local unit is an individual site (for example a factory or shop) associated with an enterprise. It can also be referred to as *workplace.*

Bromsgrove	7,250	5,170	-28.7%	-2,080
Cannock Chase	3,405	3,910	14.8%	505
Coventry	10,210	10,295	0.8%	85
Dudley	10,220	10,215	0.0%	-5
East Staffordshire	4,855	4,930	1.5%	75
Lichfield	4,780	4,880	2.1%	100
North Warwickshire	2,815	2,785	-1.1%	-30
Nuneaton and Bedworth	3,735	3,685	-1.3%	-50
Redditch	2,995	3,050	1.8%	55
Rugby	5,215	5,025	-3.6%	-190
Sandwell	9,585	9,875	3.0%	290
Solihull	8,215	8,165	-0.6%	-50
Stratford-on-Avon	8,290	8,540	3.0%	250
Tamworth	2,320	2,275	-1.9%	-45
Walsall	8,190	8,495	3.7%	305
Warwick	7,640	7,165	-6.2%	-475
Wolverhampton	7,725	8,995	16.4%	1,270
Wyre Forest	4,260	4,735	11.2%	475
WM 7 Met.	**91,070**	**93,415**	2.6%	2,345
Black Country LEP	35,720	37,580	5.2%	1,860
Coventry and Warwickshire LEP	37,905	37,495	-1.1%	-410
Greater Birmingham and Solihull LEP	75,005	74,490	-0.7%	-515
WMCA (3 LEP)	**148,630**	**149,565**	0.6%	935
West Midlands Region	219,395	221,510	1.0%	2,115
United Kingdom	2,765,150	2,767,700	0.1%	2,550

Employment by Size Band

- In the WMCA (3 LEP) area, 88.9% (132,995) of enterprises employed between 0-9 employees, below the UK average of 89.5%. Compared to the 2021 snapshot, the WMCA (3 LEP area) proportion has decreased by 0.5pp, but the number of enterprises has increased by 130, the UK proportion increased by 0.1pp.

- For the WMCA (3 LEP) area, the percentage of enterprises that employed 10-49 people was above the UK (9.1% vs 8.6%). The WMCA (3 LEP) area has increased by 0.5pp when compared to the March 2021 snapshot and the number of enterprises decreased by 820, the UK increased proportion by 0.1pp.

- For the WMCA (3 LEP) area, 1.6% of enterprises employed 50 to 249 people compared to 1.5% for the UK. This has remained the same proportion for the WMCA (3 LEP) while the UK decreased by 0.1pp since the 2021 snapshot. The number of enterprises that employed 50-249 people has decreased by 5 in the WMCA (3 LEP) area since 2021.

- The proportion that employed over 250 people in the WMCA (3 LEP) area was 0.5% in 2022, above the UK-wide proportion of 0.4%. This has remained the same proportion for the WMCA (3 LEP) while the UK decreased by 0.1pp since the 2021 snapshot. The number of enterprises that employed over 250 people has decreased by 5 in the WMCA (3 LEP) area since 2021.

The March 2022 snapshot of employment by size band for selected geography in the West Midlands and the UK:

	WM 7 Met.	BCLEP	CWLEP	GBSLEP	WMCA (3 LEP)	UK
Total	93,415	37,580	37,495	74,495	149,570	2,767,700
Micro (0 to 9)	82,920	33,035	33,510	66,450	132,995	2,476,210
% Micro	**88.8%**	**87.9%**	**89.4%**	**89.2%**	**88.9%**	**89.5%**
Small (10 to 49)	8,575	3,755	3,270	6,555	13,580	239,100
% Small	**9.2%**	**10.0%**	**8.7%**	**8.8%**	**9.1%**	**8.6%**
Medium-sized (50 to 249)	1,480	630	550	1,140	2,320	41,815
% Medium-sized	**1.6%**	**1.7%**	**1.5%**	**1.5%**	**1.6%**	**1.5%**

Large (250+)	440	160	165	350	675	10,575
% Large	**0.5%**	**0.4%**	**0.4%**	**0.5%**	**0.5%**	**0.4%**

Turnover Band

- The snapshot 2022 data shows that the WMCA (3 LEP) area has a slightly higher proportion of enterprises with a turnover between £1m - £4.99m than the UK, at 7.0% of enterprises compared with 6.8%. The WMCA (3 LEP) matches the UK average for enterprises with turnovers between £5m - £49.99m at 2.0% of enterprises and £50m+ at 0.3% of total enterprises.

- When compared to the 2021 snapshot, for the WMCA (3 LEP) area, the proportion of enterprises with a turnover band of £0-249,000 has increased by 2.7pp, the UK increased by 1.0pp. Those with a turnover of over £50m has remained at the same proportion. However, the proportion of enterprises with a turnover of £250,000 - £999,999 decreased by 2.0pp (UK -0.6pp), £1m - £4.99m decreased by 0.4pp (UK -0.3pp) and £5m - £49.99m decreased by 0.2pp (UK -0.1pp).

The March 2022 snapshot of employment by turnover band for selected geography in the West Midlands and the UK:

	WM 7 Met.	BCLEP	CWLEP	GBSLEP	WMCA (3 LEP)	UK
Total	**93,415**	37,580	37,495	74,490	149,565	**2,767,700**
£0 - £249,000	66,030	26,395	27,125	52,890	106,410	1,975,620
% of £0 - £249,000	**70.7%**	**70.2%**	**72.3%**	**71.0%**	**71.1%**	**71.4%**
£250,000 - £999,999	18,640	7,465	7,000	14,705	29,170	541,530
% of £250,000 - £999,999	**20.0%**	**19.9%**	**18.7%**	**19.7%**	**19.5%**	**19.6%**
£1m - £4.99m	6,555	2,805	2,500	5,165	10,470	187,695
% of £1m - £4.99m	**7.0%**	**7.5%**	**6.7%**	**6.9%**	**7.0%**	**6.8%**
£5m - £49.99m	1,895	810	735	1,485	3,030	54,250
% of £5m - £49.99m	**2.0%**	**2.2%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
£50m+	295	105	135	245	485	8,605
% of £50m+	**0.3%**	**0.3%**	**0.4%**	**0.3%**	**0.3%**	**0.3%**

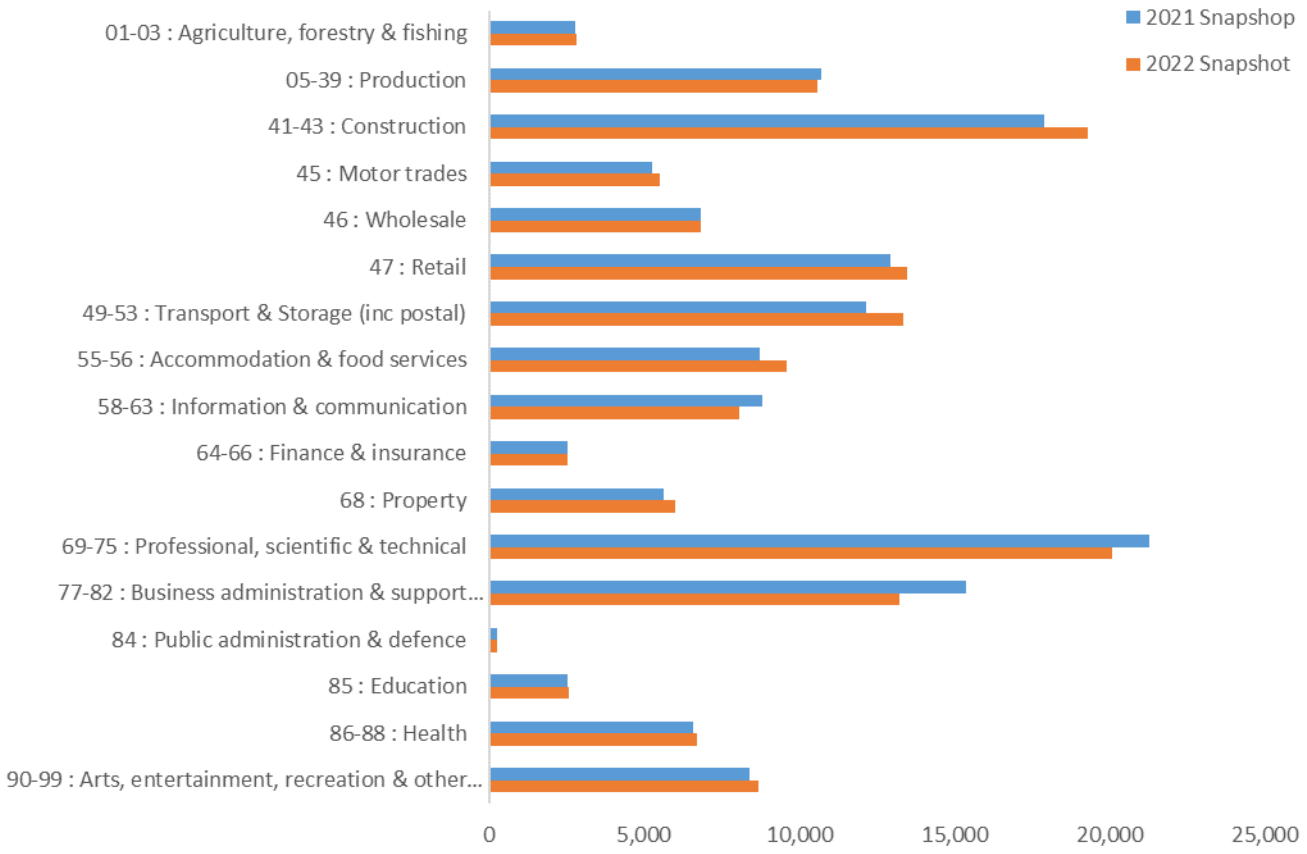
Enterprises by Broad Industrial Group

- In the WMCA (3 LEP) area, the broad sector with the highest proportion of enterprises was professional, scientific & technical which accounted for 13.4% (20,055) of the business base; the UK proportion was 15.6%.

- Construction accounted for 12.9% (19,275) of the WMCA (3 LEP) business base, which was below the UK average of 13.5%. This is followed by retail at 9.0% (13,465), above the UK average of 8.1%.

- Since the March 2021 snapshot, in real terms for the WMCA (3 LEP) area, five broad industrial groups have declined. The largest declines were in business administration & support services (-2,135), professional, scientific & technical (-1,230) and information & communication (-760). In contrast, construction has increased by 1,390, transport & storage (inc. postal) increased by 1,225 and accommodation & food services increased by 885.

WMCA (3 LEP) enterprises by broad industrial group in the 2021 snapshot and 2022 snapshot:


2021 Snapshop
2022 Snapshot
01-03 : Agriculture, forestry & fishing
05-39 : Production
41-43 : Construction
45 : Motor trades
46 : Wholesale
47 : Retail
49-53 : Transport & Storage (inc postal)
55-56 : Accommodation & food services
58-63 : Information & communication
64-66 : Finance & insurance
68 : Property
69-75 : Professional, scientific & technical
77-82 : Business administration & support...
84 : Public administration & defence
85 : Education
86-88 : Health
90-99 : Arts, entertainment, recreation & other...
0
5,000
10,000
15,000
20,000
25,000

Manufacturers competing with top City banks and digital innovators to grab shrinking pool of technically skilled employees

Make UK

Government must create an Employer Training Fund to upskill existing workers and introduce apprentice incentives to train all age groups in the most sought-after skills - Make UK/Sage analysis.

- **95,000 current manufacturing vacancies costing the British economy £7.7 billion a year - a £21million daily loss to UK GDP**
- **50% of manufacturers say they cannot source the talent their business needs locally**
- **And 62% reported the will not find it easy to ensure their businesses have the skills they need to power ahead to 2030**
- **Automation, digitalisation and environmental sustainability came out top of companies' priority lists**
- **58% of manufacturers plan to recruit engineering technicians and 61% are prioritising production and process engineers between now and 2030**
- **Automation is changing business focus – with over a quarter (27%) of companies saying they need data analysts and 11% plan to recruit data scientists**
- **Almost three-quarters (74%) of businesses expect demand for cognitive and metacognitive skills like critical thinking, creative thinking and learning to learn to increase with the transition to a green and digital future across manufacturing gathers pace**

British manufacturing companies are now having to compete with top City banks and leading innovation companies to secure employees with the relevant digital and technical skills needed to drive automation through traditional businesses. The move towards digitalisation of production processes has accelerated in recent months, leaving companies desperate to recruit the very best qualified technical engineers and data experts to ensure new automation is as successful as possible.

New research, *2030 Skills: Closing the Gap*, published by Make UK, the manufacturers' organisation and Sage, leader in SME accounting, financial, HR and payroll technology, reveals that 58% of companies said they have plans to recruit engineering technicians while 61% want to recruit production and process engineers. This is a dramatic shift from previous industry analysis as we see a stronger focus on the essential use of data, which requires input from employees trained in the very latest digital technologies, data investigation and implementation. More than a quarter of companies (27%) now say they need to recruit data analysts and 11% plan to employ data scientists, seen as necessary to make the desired automation changes to drive their businesses forwards.

Crucially, manufacturers already find themselves competing with other sectors for this skilled talent across the board and will continue to do so in the coming years. Many of these roles are in demand across the economy, and the fight for talent is set to intensify in the critical development years leading up to 2030 with sustainability and automation at the heart of most companies' strategic planning.

Half of manufacturers surveyed say they cannot source the talent their business needs locally and some 62% reported the will not find it easy to ensure their businesses have the skills they need to power ahead to 2030.

Stephen Phipson, CEO of Make UK, the manufacturers' organisation said:
"To address the issue of labour shortages which is now at critical point, Government must ensure that the revised Shortage Occupation List is in place as soon as possible to plug the huge skills gap in data and digital technicians which are simply not available to employers from the domestic labour force.

"Government should also look to urgently create an Employer Training Fund, funded by a portion of unspent Apprenticeship Levy funds, to support the upskilling and retraining of existing employees in critical skills as

well as providing support to bring through the next generation of talent through routes such as T Levels for manufacturers to train up straight from school. This would also be the time to introduce apprenticeship incentives for areas of skills shortages, where targeted incentive payments are made available for apprenticeship courses (standards) in those skills areas where supply is most scarce."

Paul Struthers, MD, UKI, Sage said:
"UK manufacturers are going through a period of transformation adapting their traditional operations and adopting new technologies to be more digitally enabled, remain competitive and reduce costs.

"This evolution has created a need for more specialist, digital skills, required to maximise the benefits of technology. With labour shortages on the rise, urgent reform of the Apprenticeship Levy is required so that manufacturers can access and nurture the talent they need to remain successful and continue to grow."

The introduction of a Training Investment Allowance would further boost skills creation with a tax rebate on investment in training for manufacturers upskilling existing employees. This reflects manufacturers' desire to access tax relief on investment in training which in ways which are easy to understand and implement quickly.

Half of manufacturers said offering flexible working helps them to recruit and retain workers and 90% of businesses said they were able to offer flexi arrangements to non-production staff. However, over a quarter said they had to stick to rigid shift patters for their production staff.

Digital skills were paramount in keeping Britain's manufacturers open for business and enabling the switch in production to vital PPE equipment and ventilators for the NHS during the pandemic, this acceleration must be supported to continue at pace to promote continued growth as the sector fights its way through the current global economic challenges.

Read the full report here

ONS economic activity and social change in the UK, real-time indicators

Black Country Consortium Economic Intelligence Unit

On the 22nd September 2022, the Office for National Statistics (ONS) released 'economic activity and social change in the UK, real-time indicators' statistical bulletin. 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.

ONS also provides on a fortnightly basis the social insights on daily life and events, including impacts on health and well-being and the cost of living from the Opinions and Lifestyle Survey (OPN).

Online Job Adverts

Figures are taken from jobs adverts provided by Adzuna. The Adzuna categories do not correspond to SIC categories and therefore are not comparable with the ONS Vacancy Survey. Please note, Index of job adverts on Adzuna by category, 100 = average job adverts in February 2020.

Nationally, between the 9th and 16th September 2022, total online job adverts increased by 1.6%. On the 16th September 2022, total online job adverts were still at 116.6% of their average level in February 2020. Out of the 28 categories (excluding unknown) 15 increased; the largest weekly increase was in "education", which rose by 14.5% (to 108.8% of the average level in February 2020). In contrast, the highest decrease was in "manufacturing", falling by 6.9% (to 167.2% of the average level in February 2020). There were nine categories that were below the February 2020 average level, with the lowest in "legal" at 77.5%.

Excluding Northern Ireland (-5.9%) and the North East (-0.4%), online job adverts across the UK regions increased between the 9th and 16th September 2022. The West Midlands online job adverts increased by 0.9% and on the 16th September 2022, it was at 118.6% of the average level in February 2020. All 12 regions were above their February 2020 levels, varying from; 103.6% in the South East to 157.8% in Northern Ireland.

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 16th September 2022, for the West Midlands region visits to retail and recreation, transit stations and workplaces had not yet returned to pre-coronavirus levels.

Visits to each location type for the West Midlands region in the week to 16th September 2022 compared with the previous week shows that grocery & pharmacy increased by 1.0% (to 107.5%), workplaces increased by 1.8% (to 81.5%), transit stations increased by 2.1% (to 82.3%) and parks increased by 4.4% (to 122.6%). Residential was the only category to decrease; falling by 0.5% (to 102.4%) as retail & recreation stayed at 91.4%.

National Company Incorporations and Voluntary Dissolutions

Companies House data shows for the UK, there were 14,260 company incorporations in the week to the 16th September 2022, down from 14,749 recorded in same week in 2021. This is also down from 17,347 recorded in the same week in 2020 but up in the same week in 2019 (12,302).

Also, for the week to the 16th September 2022, there were 5,522 voluntary dissolution applications, up from 5,218 recorded in the same week in 2020. This is also up from 4,698 recorded in the same week of 2020 and from the same week in 2019 (4,727).

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.

On the 11th September 2022, across the UK there were 49 employers proposing 4,619 potential redundancies. The potential redundancies 4-week rolling average was 3,239 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 66 and the employers proposing redundancies 4-week rolling average was 76.

System Average Price of Gas

The System Average Price (SAP) of gas increased by 13% in the week to 18th September 2022 (from the previous week), it is now 106% higher than the equivalent level seen on 19th September 2021. It was 1211% higher when compared to the pre-Coronavirus baseline.

Business Insights and Conditions Survey

The final results from Wave 65 of the Business Insights and Conditions Survey (BICS) based off the 5,072 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 25.9% (1,313) and 3,059 businesses that are head quartered in the West Midlands, with a response rate of 24.2% (741). Please note, the survey reference period was 1st to 31st August 2022 with a survey live period of 5th to 18th September 2022. Also, the data used is unweighted for regions and response levels can be low so the following results should be treated with caution when evaluating impacts. Due to weighted data being available for the UK a comparison has not been included.

Trading Status

99.1% of responding West Midlands businesses were trading over the survey period, split by 97.0% fully trading and 2.1% partially trading.

Financial Performance

25.1% of West Midlands businesses reported that turnover in August 2022 had increased when compared to the previous calendar month. 41.3% of West Midlands businesses reported turnover had stayed the same. However, 26.4% had reported that turnover had decreased.

25.1% of West Midlands businesses expect turnover to increase in October 2022. While, 48.9% reported expectations of turnover to stay the same. However, 14.5% of West Midlands businesses expect turnover decrease in October 2022.

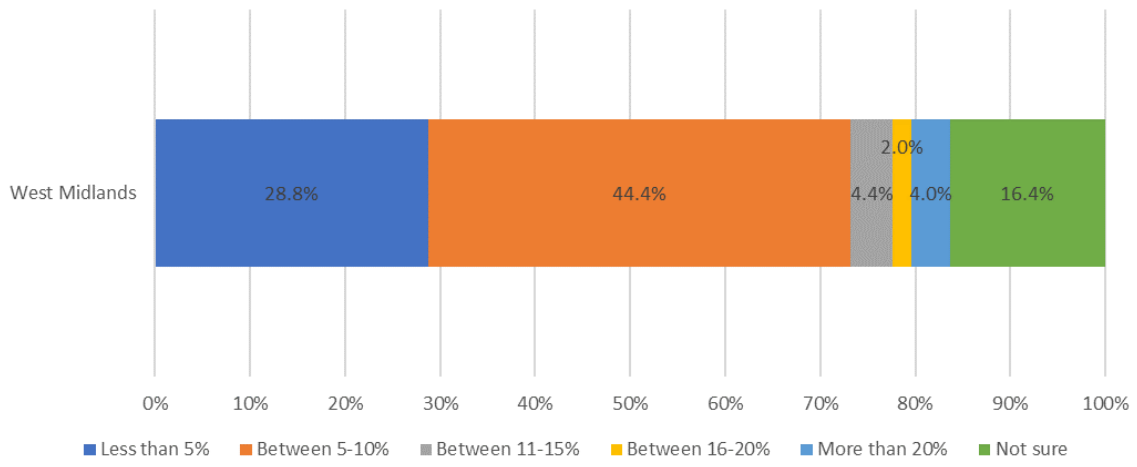
Prices

Where applicable and excluding unsure responses, 42.1% of West Midlands businesses reported the prices of goods or services brought in August 2022 when compared to the previous month had increased. 41.0% reported that prices had stayed the same and 1.1% of West Midlands businesses reported that prices of goods or services brought had decreased.

Where applicable and excluding unsure responses, 19.1% of West Midlands businesses reported the prices of goods or services sold in August 2022 when compared to the previous month had increased. 65.6% reported that prices had stayed the same and 1.5% of West Midlands businesses reported that prices of goods or services sold had decreased.

44.4% of West Midlands businesses, reported on average that the prices of goods or services sold increased between 5-10% in August 2022.

On average, how much prices of goods or services sold by West Midlands businesses increased by in August 2022:



Where applicable and excluding unsure responses, 28.9% of West Midlands businesses expect the prices of goods or services sold in October 2022 to increase. 50.5% expect prices to stay the same and 1.4% expected the prices of goods or services sold to decrease.

Factors that are causing West Midlands businesses to consider raising prices in October 2022 include; energy prices (52.9%), raw material prices (34.8%) and labour costs (32.1%). While, 23.6% of responding West Midlands businesses reported to not be considering raising prices in October 2022.

Energy Prices

4.2% of West Midlands businesses reported production had been affected by recent increases in energy prices, 19.2% of West Midlands businesses reported suppliers had been affected and 24.5% of West Midlands businesses reported that both production and suppliers were affected. 24.8% of West Midlands businesses reported to not being affected by the recent increases in energy prices.

Impacts of Price Rises

59.9% of West Midlands businesses have had to absorb costs due to price rises. 9.4% of West Midlands businesses reported to not being affected by price rises.

Reasons (if any), West Midlands businesses have been affected by price rises:

Demand for Goods and Services

12.1% of West Midlands businesses reported that domestic demand for goods and services in August 2022 when compared to the previous month had increased. 52.8% reported the domestic demand had stayed the same and 16.7% of West Midlands businesses reported the domestic demand for goods and services had decreased.

3.9% of West Midlands businesses reported that international demand for goods and services in August 2022 when compared to the previous month had increased. 26.2% reported the international demand had stayed the same and 6.5% of West Midlands businesses reported the international demand for goods and services had decreased.

Number of Employees

21.0% of West Midlands businesses reported in August 2022 when compared to the previous month, that the number of employees increased, 57.4% reported the number of employees had stayed the same and 13.2% of West Midlands businesses reported the number of employees had decreased.

21.2% of West Midlands businesses expect the number of employees will increase in October 2022, 58.7% expected the number of employees to stay the same and 7.4% of West Midlands businesses expect the number of employees to decrease.

Expected Site Closures

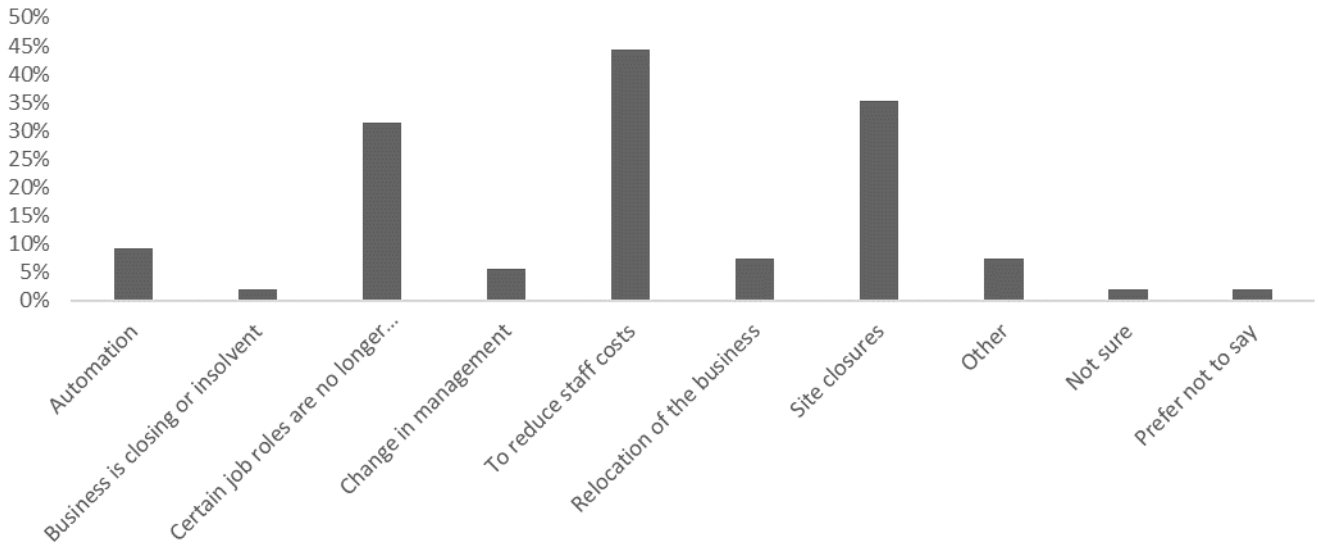
3.5% of West Midlands businesses intend to permanently close business sites in the next three months. However, 87.1% of West Midlands businesses reported to not intending to permanently close business sites in the next three months.

Redundancies

4.1% of West Midlands businesses expect to make redundancies over the next three months. With, 5.6% of West Midlands businesses expect to make redundancies within the next two weeks, 16.7% between two weeks and one month and 64.8% between one and three months.

44.5% of West Midlands businesses reported the reason for the expected redundancies is to reduce staff costs.

Reasons for West Midlands Businesses Making Redundancies:



Recruitment Difficulties

39.1% of West Midlands businesses reported to experiencing difficulties in recruiting employees in August 2022. However, 34.9% of responding West Midlands businesses did not experience any difficulties.

Wages

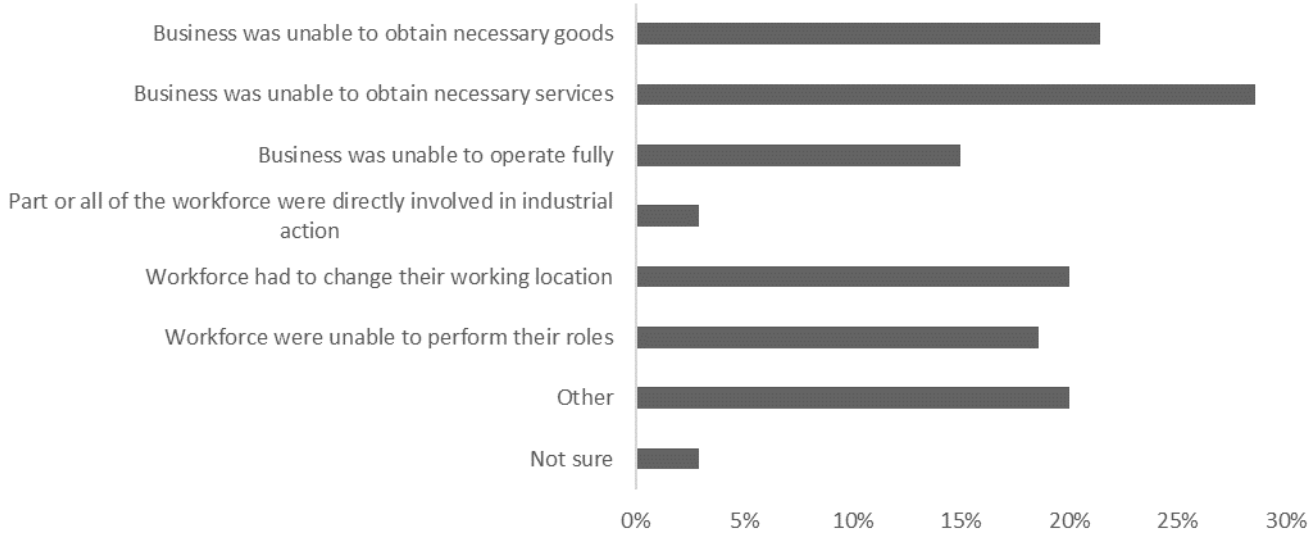
12.9% of West Midlands businesses reported on average employee hourly wages in August 2022 when compared to the previous calendar month had increased, 76.4% reported wages had stayed the same and 1.1% reported wages had decreased.

Industrial Action

10.7% of West Midlands businesses reported to being affected by industrial action in August 2022. Although, 57.4% of West Midlands businesses reported not being affected by industrial action.

28.6% of West Midlands businesses reported that due to industrial action in August 2022, the business was unable to obtain necessary services.

How West Midlands businesses were affected by industrial action in August 2022:



Overall Performance
25.0% of West Midlands businesses reported that overall performance in August 2022 increased when compared to August 2021. 45.2% of West Midlands businesses reported that performance had stayed the same and 20.1% reported that performance had decreased.

For the next 12 months, 30.7% of West Midlands businesses expect that performance will increase, 39.1% expect performance will stay the same and 13.2% expect performance will decrease.

Public Opinions and Social Trends

Please note - a breakdown by region is no longer provided within this dataset due to the smaller responding sample size of the OPN survey. Estimates are based on data collected between 31st August to 11th August 2022, (the "latest period") and 17th to 29th August 2022 (the "previous period").

Cost of Living Crisis
82% of all adults reported being very or somewhat worried about rising costs of living in the past two weeks (81% in the previous period).

Paying Energy Bills
48% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (45% in the previous period).

Household Finances
29% of adults reported that they found it very difficult or difficult to pay their usual household bills in the last month compared with a year ago, while 21% stated this was very easy or easy.

26% of adults reported being unable to save money as usual, 18% stated that they had to use savings to cover living costs and 17% said they had less money available to spend on food. While 35% of adults reported that their household finances had not been affected in the past 7 days.

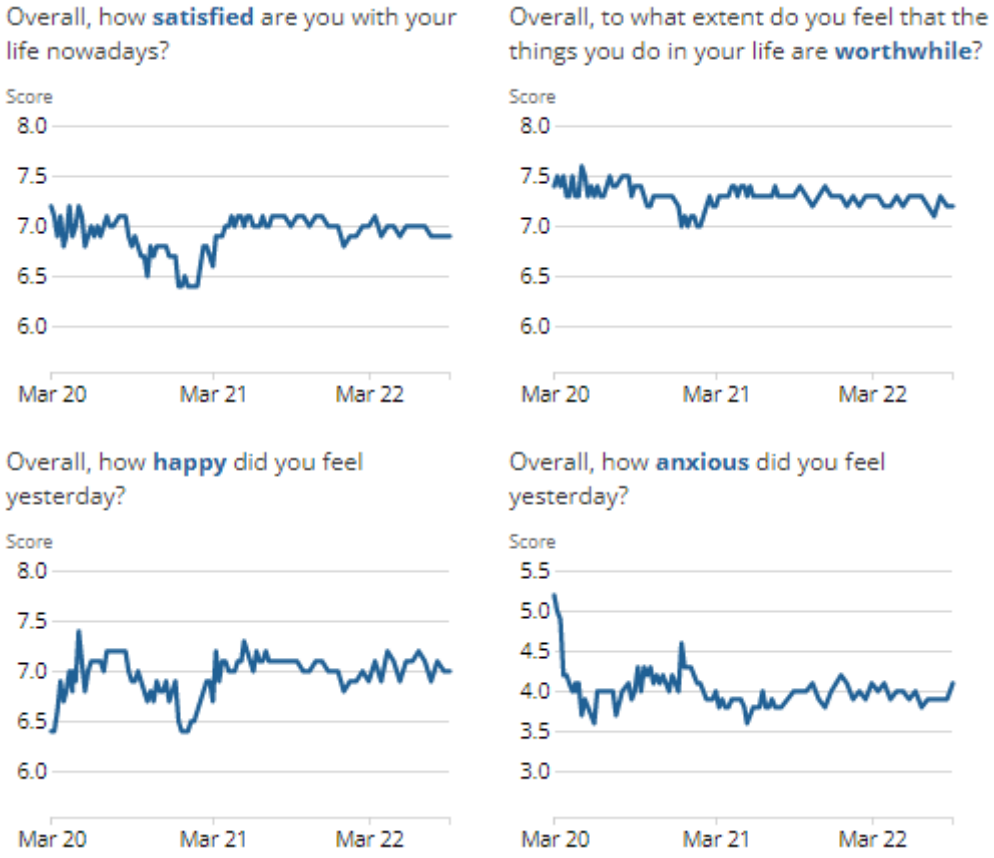
Personal Well-Being
Life satisfaction – remained at 6.9 since the previous period.

Feeling that the things done in life are worthwhile – remained at 7.2 since the previous period.

Happiness – remained at 7.0 since the previous period.

Anxiety – increased to 4.1 in the latest period (from 3.9 in the previous period).

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



Source: Office for National Statistics – Opinions and Lifestyle Survey

26% of adults reported feeling lonely always, often or same of the time in the latest period (the same as in the previous period).

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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