West Midlands
Weekly Economic Impact Monitor

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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 fortnight the second round of the Levelling Up Fund has been announced causing significant reaction. We have yet to see the full results of the inquiry into the Levelling Up policy implementation and what it may say on the process. The IMF is still not positive about the UK economy; the forecast has been downgraded.

Economy

- Global growth for 2023 has been revised upwards by 0.2% since October's forecast. With global growth is now set to fall from 3.4% in 2022 to 2.9% in 2023, rising to 3.1% in 2024. However, the 2.9% growth this year will be lower than the historical average (2000-19) of 3.8%.
- Central banks are raising interest rates to combat inflation. Russia's invasion of the Ukraine will continue to weigh on economic activity. The surge in Covid-19 in China was a dampener on growth in 2022 but the re-opening of the economy is expected to lead to a faster recovery.
- Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. This is still above pre-pandemic (2017-19) levels of around 3.5%.
- The IMF forecast was not positive about its UK forecast compared to its global forecast for this year. The IMF revised down its growth forecast for the UK by 0.9 percentage points from its October forecast to a growth of -0.6% in 2023. IMF stated that this reflects the tighter fiscal and monetary policies, financial conditions and still-high energy retail prices weighing on household budgets. A likely factor in the downgrading of the UK growth forecast was the 'mini budget' in September 2022.
- Wednesday 1st February saw the most disruptive strike action yet, nicknamed 'Walkout Wednesday'. It came as multiple unions choose to co-ordinate their strike action on the same day. 500,000 train drivers, civil servants, university staff and teachers have been striking.

Levelling Up Fund

- The West Midlands had 8 successful projects winning £156m worth of funding, or 7.5% of the total funding pot. This is a significant fall from the first round of funding, when the West Midlands had 11 successful projects, winning 10.5% of the total funding available.
- In Round 1, the North West, the Midlands and Yorkshire & the Humber had received most of the funding. The West Midlands received £33 per capita spend. The split between Labour and Conservative constituencies was 41.8% and 40.8% respectively. 56.2% were in priority 1 areas (of highest need according to the LU evidence base) only 8.6% were in the least priority area.
- In Round 2, the North West received a higher proportion of funding than other regions. The areas which saw the largest decrease in funding allocation were Yorkshire & the Humber (-5.3%), the West Midlands (-4.1%) and the East Midlands (-3.5%). Most projects in this round (52.3%) were in Conservative areas, compared to 26.1% in Labour areas. 24 of the 58 successful projects in Conservative constituencies were in the top 100 most deprived local authorities in the UK. 55.9% (62) had a priority rating of 1.
- In the 2nd round the second most deprived group (51 to 100) won most of the funding at 31%, with a per capita spend of £101.67. This differs from the first round when the most deprived LAs won most funding, in this round they won 24.6% with an average spend per capita of £94.21.
- The Levelling Up round 2 guidance states that 'any successful bids a place has had in the first round will be subtracted from their bid allowance in the second round'.
- Across both rounds the North West (15.5%), East Midlands (10.1%) and the South East (9.6%) received the most. Regions which have won the least funding so far were Northern Ireland (3.2%), London (5.7%) and the North East (5.5%).
- Across both rounds 216 projects that have been awarded, 98 have been in Conservative constituencies, winning £1.8bn or 49.8% of total funding. 70 projects received funding which were in Labour constituencies, winning £1.2bn or 33% of total funding. The rest of funding was won by other parties. 13 projects were multi-locational and spanned several LAs/party affiliations.
- The most deprived group received the most funding in England, 32.6%. However, they saw the lowest spend per capita at £57.75. Whilst LAs in the least deprived group received the least funding at 0.8%, they had the highest spend per head of £554.62.

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

Manufacturing and competitiveness – MakeUK

- The impact of high energy prices shows no signs of abating on manufacturers as they enter 2023. Rising energy costs are anticipated to be biggest cost facing manufacturers in 2023. An overwhelming 70% of manufacturing leaders said that energy costs are expected to increase significantly in 2023.
- The biggest risk to manufacturers' competitiveness in 2023 is the increasing cost of producing goods and services. Manufacturers still face significant upward pressure on input costs, as lingering shortages of raw materials across the world remain, with demand vastly outstripping supply. 58% of manufacturers identified this as the biggest risk they face to being competitive in 2023.
- Reducing costs, increasing competitiveness and rebooting confidence is critical if we are to kickstart economic growth. This beings with a long-term economic vision. A lack of, and need for, a coordinated, regional approach to long-standing challenges is still missing from the Government.

The over 50s and implications for the workforce

- When we see headlines about the number of the over-50s leaving the labour market, it should be recognised that this is a large cohort. ONS numbers show that of those leaving the workforce 1/3 are aged 55 to 59 years, and 1 in 10 are aged 50 to 54. The issue large size of this cohort relative to previous cohorts means it has a bigger impact. More women have worked in this cohort than in previous cohorts. Outflows from work have been compounded by post-pandemic illness and job fatigue in this cohort who were more likely to suffer from long covid and other delayed health issues.
- ONS has stated that of the people surveyed in August 2022, those in the 50-54 cohort are more likely than other cohorts to leave due to stress and not feeling supported in their job, and more likely to have lost their job. Of all people leaving the labour market, 3 in 10 have left to retire and 50% are aged between 60 and 65.
- Also highlighted the majority (66%) owned their homes outright and have not returned to the labour market. Leavers were more likely to be debt free (61%) compared with those who left their job and returned to work (42% debt free).
- This younger cohort, in their late 50s and early 60s, is also less reliant on state pensions and have healthier personal pensions. This means the ability to retire early has become more accessible.
- Since the 1960s boom, birth rates have dropped dramatically. Greater industrialisation, urbanisation, and rising affluence are drivers. This is a spillover effect of more women working, being educated, and earning. It has been seen globally that investing in women leads to smaller, healthier families and general economic growth. This means that successive low birth cohorts have led to reduced numbers entering the workforce, this has been compounded recently by the raising of the school leaving age to 18 (since 2015). As the boomer generation exits employment this leaves a larger relative hole in the workforce that needs to be filled through other means.
- In terms of immigration the UK has broadly in line with other high-income countries. There have been increases in temporary workers and students recently, but these are usually short-term moves and migrants often leave after a couple of years. Up to 2016 the largest component in immigration was EU citizens; by June 2022 they did not contribute to net migration at all.
- Reduced in-migration has a double hit, not only in terms of immediate workers but longer term in relation to fertility rates; in 2014 non-UK mothers accounted for 27%, rising from 19.5% in 2004, of all births in England and Wales, so longer term the births will reduce if immigration reduces.
- The labour pool will continue to reduce significantly as the next birth peak after 1960 was not until 1990; this means there are 30 years of reduced population. This peak was also half the previous peaks, and the next peak was in 2010, so it will be another 10 years until those young people enter the labour market. Businesses will continue to find it difficult to fill posts. As the 1970s trough (people in late 40s early 50s) is now moving into senior and middle management this also reduces the pool of experienced people who will lead responses to this labour constraint.
- Labour constraints are likely to continue for many decades. Opportunities and responses to labour market issues may need to focus on the UK birth rate in the long run; in the short-term migrant labour or technology solutions may become more acute.
- Globally population growth is uneven, and although western countries are seeing population decline other countries are still in transition as health, economic and education opportunities are improved. The challenge for international policy is how much the growth constraints in some countries are tackled through the redistribution of the working-age population.

Productivity in the West Midlands

- At the national level, capital shallowing (workers having less capital per hour worked) and slower growth in multi-factor productivity (which can be driven by technological progress, economies of scale, improved management or business processes or efficient use of inputs) has been a drag on labour productivity growth (output per hour worked) since the 2008 economic downturn.
- The former, accounting for around a third of the productivity gap, is likely the result of business uncertainty driving a reluctance to invest in capital, which is often the less flexible input to production (compared to labour). In contrast, labour composition (or the quality of labour) has maintained its pre-downturn trend and helped to mitigate the extent of the productivity gap with the pre-downturn trend.
- In the West Midlands region, labour productivity was 11% below the UK in 2019, and 33% lower than the most productive region (London).

- If the West Midlands had the same industrial structure as GB (but retained its average productivity for each industry) it would have an 11-percentage point gap in productivity with the GB average (firm productivity index). In contrast, if it retained its industrial structure but each industry had the same productivity as GB the productivity gap would only be 1 percentage point – pointing to inform productivity issues but a strong industrial structure.
- In the West Midlands the industry mix effect is positive (+3-percentage points) but not large enough to offset the firm productivity effect (-11-percentage points).
- Given the size of the Less Knowledge Intensive Sector (LKIS) (making up over half of the local plants in the West Midlands and accounting for nearly 60% of employment) it is key to explaining the aggregate productivity gap.
- Local plant productivity in the West Midlands Less Knowledge Intensive Services is the most widely spread; those in the top 75% are 3.2 times more productive than those in the bottom 25%. Meanwhile, the spread of plant productivity in Knowledge Intensive Services and Manufacturing sectors is very low.
- The high median productivity of micro firms can be partly explained by their higher share in the more productive KIS industries. In the West Midlands, whilst 76% of all local plants were micro firms this proportion rises to 89% and 87% within KIS and 'Other' sectors respectively.
- The West Midlands has a high share of plants in the LKIS within the top 20% of the productivity distribution. With nearly one in every 2 plants in the top 20% (48%) the share is over 4 times larger than in London (11%) and 9 percentage points above the second highest region (North East).
- London and the South East, which have productivity above the UK average, have the top 20% of the productivity distribution dominated by plants in the KIS.
- In the non-financial business economy, differences *within* industries explain more of the UK regional productivity gaps. Some of this may be due to regional price differentials that are not picked up in the data, particularly in the non-tradeable goods/services. Some may also be the result of the data not being quality adjusted (so not accounting for occupational/skill composition) within the same industry across regions or due to other differences hidden in the sector classifications. For example, a multinational law firm in London may have a different specialisation (hence different labour productivity levels) to a small local law firm elsewhere, but both will have the same two-digit industry grouping.
- Firm productivity differences can also be driven by a myriad of internal (age, size, management, foreign investment) and external (infrastructure, agglomeration, market size etc) factors. Further research may be needed to see how these affect the firm-productivity within the WM specifically.

Real Time indicators

- Nationally, between the 13th and 20th January 2023, total online job adverts increased by 3.4%.
- WM online job postings rose by 2.1% and on the Jan/23, it was at 105.6% of the average level in Feb/20.
- 21.5% of WM businesses reported that turnover in Dec 2022 had increased when compared to the previous calendar month. 33.5% of WM businesses reported turnover had stayed the same. However, 37.8% had reported that turnover had decreased.
- 34.6% of WM businesses reported economic uncertainty was impacting turnover.
- 25.2% of WM businesses expect turnover to increase in Feb 2023. 45.8% reported expectations of turnover to stay the same. However, 17.0% of WM businesses expect turnover decrease in Feb 2023.
- 57.9% of WM businesses have had to absorb costs due to price rises.
- 18.2% of WM businesses reported in Dec 2022 when compared to the previous month, that the number of employees increased, 62.1% reported the number of employees had stayed the same and 13.2% of WM businesses reported the number of employees had decreased.
- 21.4% of WM businesses expect the number of employees will increase in Feb 2023, 57.9% expected them to stay the same and 9.0% of WM businesses expect the number to decrease.
- 35.0% of WM businesses reported to experiencing difficulties in recruiting employees in Dec 2022. However, 38.7% of responding WM businesses did not experience any difficulties
- 60.0% of WM businesses reported that the difficulties in recruiting employees was due to low number of applications for the roles on offer.
- 2.3% of WM businesses reported that debt repayments were between 50% and 100% of turnover in December 2022. 3.0% reported that repayments were between 20% and 50% of turnover. 25.6% reported that repayments were up to 20% of turnover.
- 30.7% of WM businesses reported that overall performance in Dec/22 increased when compared to Dec/21. 38.3% performance had stayed the same and 22.5% reported that performance had decreased.
- In the latest period, respondents felt the four main issues facing the UK were; the cost of living (93%), NHS (89%), economy (76%) and climate change & the environment (59%).
- 16% of adults reported to having no savings in the latest period (remained the same as the previous period). 7% of adults reported to having a direct debit, a standing order, or a bill that they were unable to pay in the past month (down from 8% in the previous period).
- 46% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (remaining the same as the previous period).

Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

IMF Forecast

The IMF has revised its economic forecast for 2023 and 2024, in its World Economic Outlook Update. The key findings are:

- Global growth for 2023 has been revised upwards by 0.2%, since their forecast in October. With global growth now fall from 3.4% in 2022 to 2.9% in 2023, rising to 3.1% in 2024. However, the 2.9% growth this year will be lower than the historical average (2000-19) of 3.8%.
- Central banks rising interest rates to combat inflation and Russia's invasion of the Ukraine will continue to weigh on economic activity.
- The surge in Covid-19 in China was a dampener on growth in 2022, but the re-opening of the economy is expected to lead to a faster recovery.
- Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017-19) levels of around 3.5%.

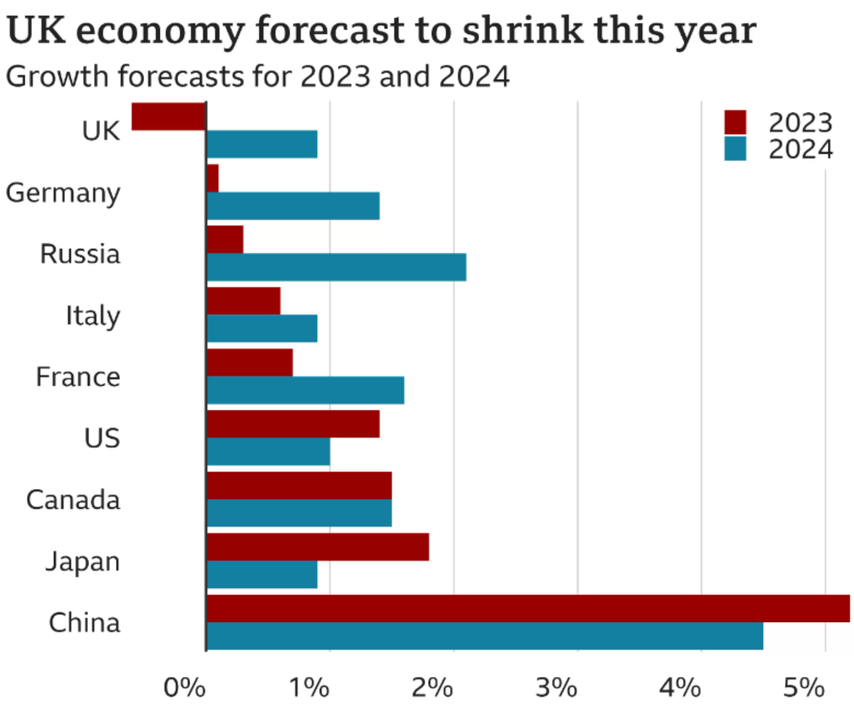
Tech Redundancies

Following announcements in recent months from Meta, Amazon, Microsoft and Google, PayPal will also now be making large scale redundancies. PayPal will be reducing its workforce by 7% or 2,000 jobs. The loss of jobs in the tech sector is largely because of growth in the sector slowing, due to economies re-opening and people using online retailers less than when under the pandemic. Additionally, as consumer spending contracts in numerous countries, businesses like PayPal are starting to struggle, especially as people are no longer in lockdown. In the coming months it is expected that other technology and software businesses will reduce their workforce, likely back down to similar size workforces they had before the pandemic.

National

IMF Forecast

The IMF forecast was not positive about its UK forecasts compared to its global forecast for this year. The IMF revised down its growth forecast for the UK by 0.9 percentage points from its October forecast to a growth of -0.6% in 2023. IMF stated that this reflects the tighter fiscal and monetary policies, financial conditions and still-high energy retail prices weighing on household budgets.



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Source: BBC and IMF, 2023

It is likely that a factor in the downgrading of the UK growth forecast was the 'mini budget' in September 2022. The last IMF growth forecast was released on the 11th October 2022 and the 'mini budget' had taken place on the 23rd September. The likelihood is, therefore, that it was the Autumn forecast which was incorrect not this one, because it is likely that the IMF likely did not have the chance to revise its October forecast to account for the impact of the 'mini budget' before the release of the report. The UK government raise taxes after the 'mini budget'. This, combined with still high energy retail prices, is weighing on UK household's budgets. Interest rates have also been raised by the Bank of England to combat inflation and cool the economy, so reducing the flow of capital in the economy as it becomes more expensive to borrow capital and more attract to save.

Walkout Wednesday

Wednesday 1st February saw the most disruptive strike action yet, nicknamed 'Walkout Wednesday'. It came as multiple unions choose to co-ordinate their strike action on the same day. Train drivers, civil servants, teachers and university staff were all striking on the same day. Most of the impact of the strike comes from teachers striking. The teachers strike will mean many schools will have had to close, leaving parents having to find childcare, take leave or work from home if possible. In total it is expected that 500,000 people were on strike on Wednesday, making this the largest industrial action in over a decade.

Source: BBC, 2023

The reason for the strikes for most public sector workers, such as teachers, is prolonged freezes on pay for almost the last 13 years and lack of investment in school budgets to increase or replace staffing. In real terms those in the public sector have been getting poorer year on year since their wages have not risen in line with inflation. Many of those striking also highlight how the years of austerity has crippled their sectors, with strikers citing public safety, working conditions and labour shortages as other key issues around their strike action.

Most are hoping that the strikes will end soon. However, the government may stand firm and refuse to negotiate on pay given that the rate of inflation is starting to fall. If the government can hold its nerve for long enough, inflation will reduce to 5.5%. This will give less room for unions to negotiate for higher pay.

With the new 'anti-strike' Bill going to the House of Lords, having successfully passed through the Commons, unions will see their position weaken even further. The likelihood is this will continue for months, until inflation has lowered - at which point the government might agree to a small pay increase for some public sector workers, however this rise will likely still be below inflation, likely around 2%. This will still mean those in the public sector will still see their real terms wages decrease and so too will their living standards.

Business insights and impact on the UK economy

The ONS Survey on business insights and impact assesses issues affecting UK businesses and economy. Key findings in the latest release (26th January) were:

- In December 2022 almost a third (30%) of trading businesses reported turnover was lower compared with November 2022, while 13% reported their turnover was higher; the wholesale and retail trade industry reported the largest percentage of businesses whose turnover was lower, at 46%.
- Around one in six (17%) trading businesses reported that they expect their turnover to decrease in February 2023, while 14% expect their turnover to increase.
- Of trading businesses, 41% reported an increase in the prices of goods or services bought in December 2022 compared with November 2022, down from 42% reported between October and November 2022.
- Energy prices remain the top reason businesses are considering raising their prices in February 2023 with 35% of trading businesses reporting this; the accommodation and food service activities industry reported the largest proportion, at 78%.
- Almost a quarter (23%) of businesses reported their overall performance such as pricing, trading and workforce had decreased in December 2022 compared with December 2021.
- In mid-January 2023 a quarter (25%) of businesses reported an increase in their staffing costs over the last three months, with the accommodation and food service activities industry reporting the largest proportion of businesses whose staffing costs had increased, at 44%.

The impact of winter pressures on different population groups in Great Britain

The ONS provides in-depth analysis on how increases in the cost of living and difficulty accessing NHS services are impacting people's lives during the autumn and winter months. The key findings in the latest release (30th January) were:

- Almost a quarter of adults (24%) reported they were occasionally, hardly ever, or never, able to keep comfortably warm in the past two weeks; respondents experiencing moderate-to-severe depressive symptoms (44%) and people using prepayment, or "top-up", meters for energy bills (41%) were more likely to report this.
- Around 1 in 7 (15%) adults were somewhat, or very, worried their food would run out before they had money to buy more in the past two weeks; Asian (26%) and "Other ethnic group" (46%) adults, and people with one or more dependent children (25%), were among those more likely to report this.
- Around 1 in 5 adults reported eating smaller portions (18%) and food past its use by date (18%); those experiencing moderate-to-severe depressive symptoms (35% and 33%, respectively), adults with diabetes (26% and 24%, respectively), and those with one or more dependent children (20% and 22%, respectively) were more likely to report both.
- Over two thirds (70%) of those who ran out food in the past two weeks, and couldn't afford to buy more, also reported being occasionally, hardly ever, or never, able to keep comfortably warm.
- Around 1 in 5 (21%) adults reported they were waiting for a hospital appointment, test, or to start receiving medical treatment through the NHS; adults experiencing moderate-to-severe depressive symptoms (48%), and those with a disability (37%) were more likely to report the wait had a strong negative impact on their lives.
- Around 4 in 10 (39%) employed or self-employed adults who were waiting for NHS treatment reported that the wait had affected their work, including 26% saying they reduced their working hours and 7% went on long-term sick leave.
- Almost a quarter (23%) of adults who needed to see a GP in the past month reported not being able to get an appointment; adults who experienced moderate-to-severe depressive symptoms (30%) were more likely to report this.

Public opinions and social trends

The ONS currently runs a survey to generate social insights on daily life and events and how they are impacting households and individuals. In the latest release (27th January) the key findings were:

- When asked about the important issues facing the UK today, the most commonly reported issues continue to be the cost of living (93%), the NHS (89%), the economy (76%), and climate change and the environment (59%).
- Around 9 in 10 (92%) adults reported their cost of living had increased compared with a year ago, while a lower percentage (67%) reported an increase in their cost of living compared with one month ago.
- Around half (51%) of adults reported that they were worried (very or somewhat) about keeping warm in their home this winter (53% in the previous period from 21 December 2022 to 8 January 2023).
- Just over three in five (62%) adults reported turning down their thermostat temperature at home, 48% turned radiators off in unused rooms, while 45% turned down radiators to reduce energy use in the last month.
- The most common actions reported by adults because of the rising cost of living were spending less on non-essentials (66%), and using less fuel, such as gas or electricity, in their homes (59%), similar to the previous period.
- Around one in five (19%) adults reported their travel plans had been disrupted by rail strikes in the past two weeks.
- Between 7 to 18 December 2022 working adults, with children in school, were asked how their work would be affected by school closures caused by industrial action; around 3 in 10 (31%) reported they would have to work fewer hours, 28% reported that they would not be able to work, and the remaining 41% said their work would not be affected.

Regional

Levelling Up

Earlier this month the Levelling Up round 2 successful bids were released. The list of winning bids can be seen below.

Local Authority Name / Area	**Bid Name**	**Bid Value**
Staffordshire Moorlands	Regeneration of Leek Town Centre	£17,110,892
Herefordshire, County of	Hereford City Transport Package	£19,990,449
Shropshire	Smithfield Riverside Redevelopment Programme and Transforming Movement and Public Spaces in Shrewsbury	£18,701,269
Malvern Hills	Malvern Theatres	£19,941,040
Telford and Wrekin	Broadening Aspirations through Education and Culture	£20,000,000
Sandwell	Haden Hill Leisure Centre	£20,000,000
Walsall	Willenhall Garden City	£20,000,000
Staffordshire	Investing in Mid-Staffordshire's Major Road Network	£19,836,184
	Total allocation of funds for the West Midlands=	**£155,579,834**

Source: Department for Levelling Up, Housing and Communities, 2023

The West Midlands had 8 successful projects winning £156m worth of funding, or 7.5% of the total funding pot. This is a significant fall from the first round of funding, when the West Midlands had 11 successful projects, winning 10.5% of the total funding available. The spend per capita reduced from £33 in round 1 to £26 in round 2. Additionally, the funding in this round was not necessarily won by the areas most in need within the region. Whilst Sandwell one of the most deprived areas in the UK won their bid successfully, Birmingham with the highest levels of unemployment in the UK, won no funding. However, it should be noted that Birmingham did win funding in the first round, so reducing the funding they could receive in this round. In fact, only two LAs in Northern Ireland won funding in both rounds.

Levelling Up Round 1

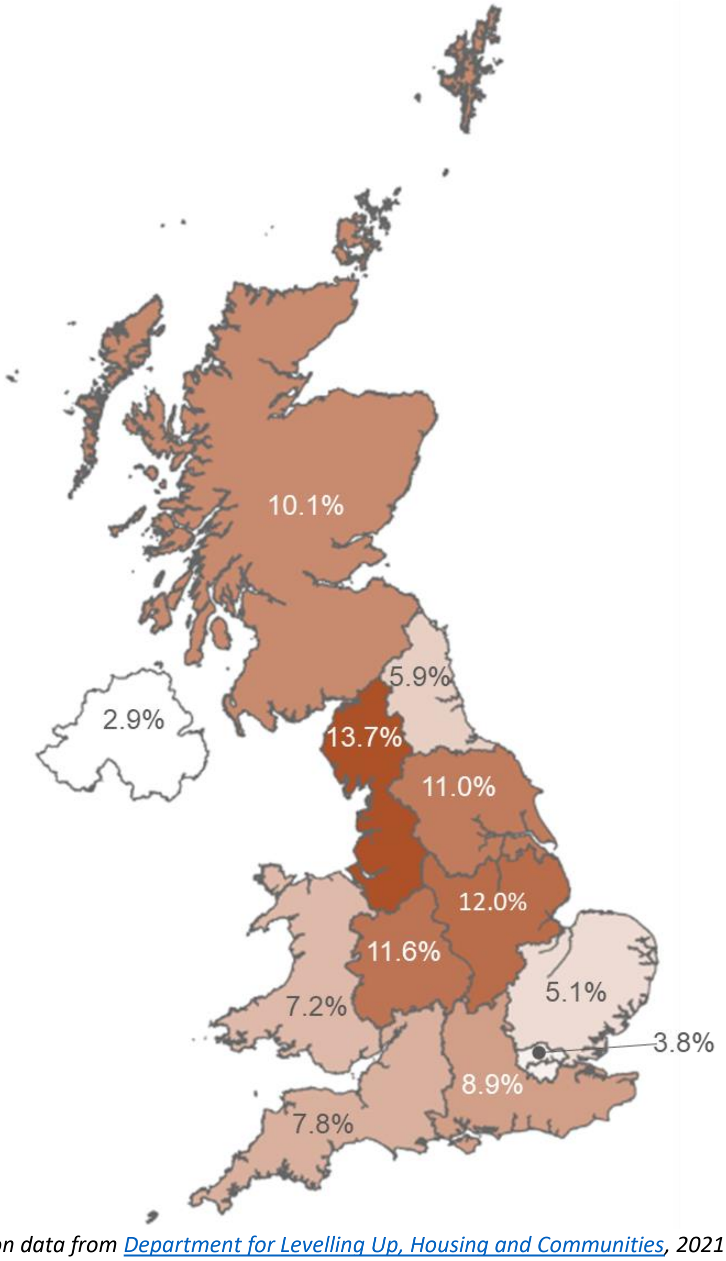
Alice Pugh, WM REDI

In Levelling Up (LUP) round 1,105 projects were funded, at a total value of £1.7bn. The purpose of this funding is to help areas which are seen as being 'left behind', places which have poorer performance on key economic and social indicators. This blog analysis where the funding from the first round of this funding pot has gone and whether the areas that need it most are the recipients of the funding.

Regional analysis

The region which received the majority of funding from the LUP pot was the North West, which received 13.7% of the total funding available. Northern Ireland received the least funding, winning only 2.9% of the total funding available, as seen in Figure 1. Overall, the North West, the Midlands and Yorkshire and the Humber had received the majority of funding within this round.

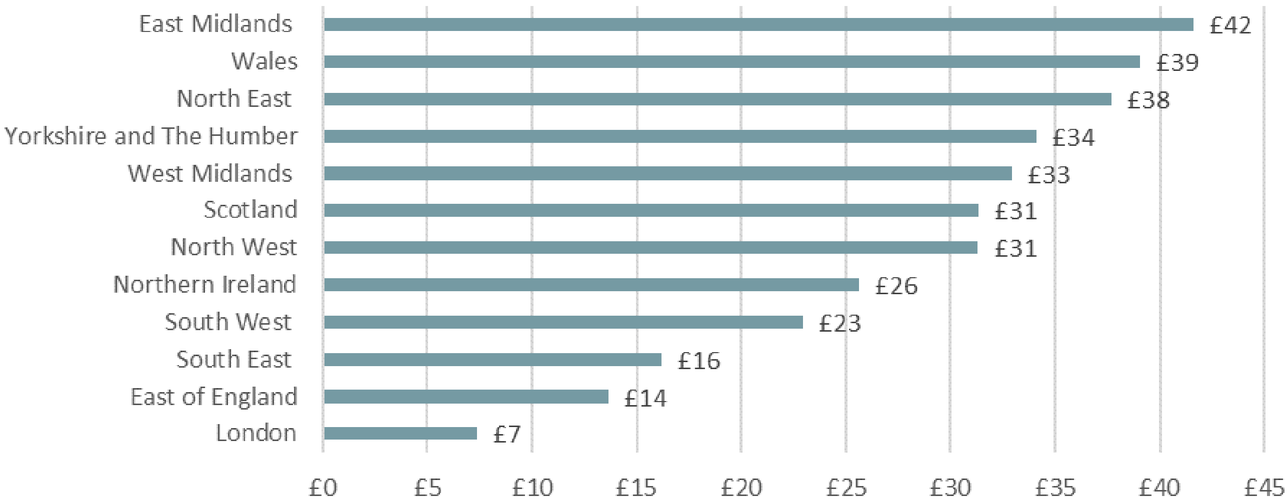
Figure 1: Allocation of Levelling Up funding by region and devolved nation, round 1



Source: WM REDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2021
Note: Northern Ireland has access to other funding and so there is less incentive to bid for these funds than in Great Britain.

Spend per Capita
In terms of spend per person (capita) the East Midlands saw the highest spend at £42 per capita, followed by Wales (£39) and the North East (£38). The region with the lowest spend per capita was London (£7), followed by the East of England (£14) and the South East (£16). This would suggest that per head, regions generally seen as left behind did see more funding than other regions.

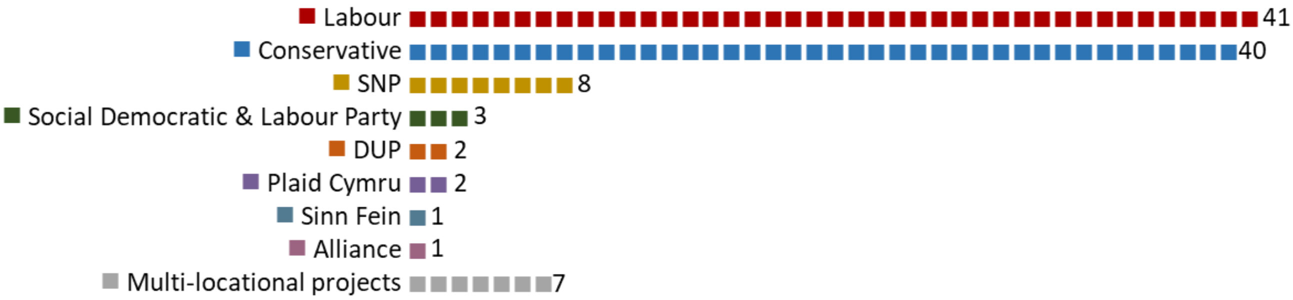
Figure 2: Levelling Up Spend per Capita by Region, round 1



Source: WM REDI analysis based on data from Department for Levelling Up, Housing and Communities, 2021

Party Political Divide
The largest number of successful projects were based within Labour constituencies: 41 (41.8%). Areas with Conservative MPs won a similar number of bids (40.8%)

Figure 3: Number of projects awarded by Political Party based on location of awarded projects, round 1

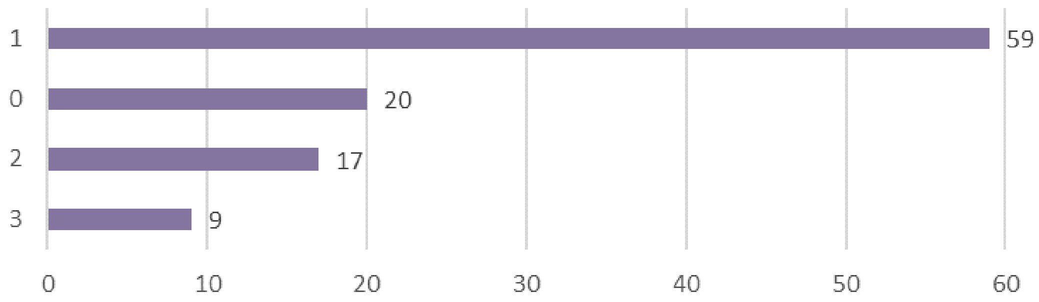


Source: WM REDI analysis based on data from Department for Levelling Up, Housing and Communities, 2021

Almost 25% of projects were projects in constituencies not associated with either of these parties (e.g. in Scotland and Northern Ireland). 7 of the projects were multi-locational projects; these were mostly large-scale transportation projects, which span and impact multiple constituencies with different political party affiliations.

Priority Areas
The government provided ratings by local authority based on their levelling up needs: areas with a rating of one were considered in most need, down to priority rating 3 areas which were deemed as areas in the least need of levelling up. However, not all local authorities within the UK were given a priority rating; many geographies in Scotland, Wales and Northern Ireland were omitted. In total 20 local authorities which had not been given a priority rating won a project; this is denoted by the 0 category in Figure 4.

Figure 4: Number of projects by priority rating, 0 to 3



Source: WM REDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2021

Of the LAs that did receive a priority rating, 56.2% (59) had a priority rating of 1. 17 (16.2%) had a priority area rating of 2, meaning they needed levelling up, however not to the extent as those with a priority score of one. Only 9 (8.6%) of successful projects were given a rating of 3, meaning they were the least priority, but were still in need of regeneration.

The Centre for Levelling Up found that even though some areas were listed as a priority one, with high levels of deprivation, they missed out on the first round of funding. For instance, Blackpool and Knowsley are the 1st and 3rd most deprived areas based on their Index of multiple deprivation rating, but both missed out in the first round of funding.

Figure 5: 10 most deprived local authority districts that did not receive LUF

Local authority district	Region	2019 IMD ranking	Gov Prioritisation
Blackpool	North West	1	1
Knowsley	North West	3	1
Barking & Dagenham	London	6	1
Hackney	London	7	2
Sandwell	West Midlands	8	1
Hastings	South East	13	1
Blackburn with Darwen	North West	14	1
Middlesbrough	North East	16	1
Rochdale	North West	17	1
Hyndburn	North West	18	1

Source: [The Centre for Levelling Up](), 2021

Indices of Multiple Deprivation

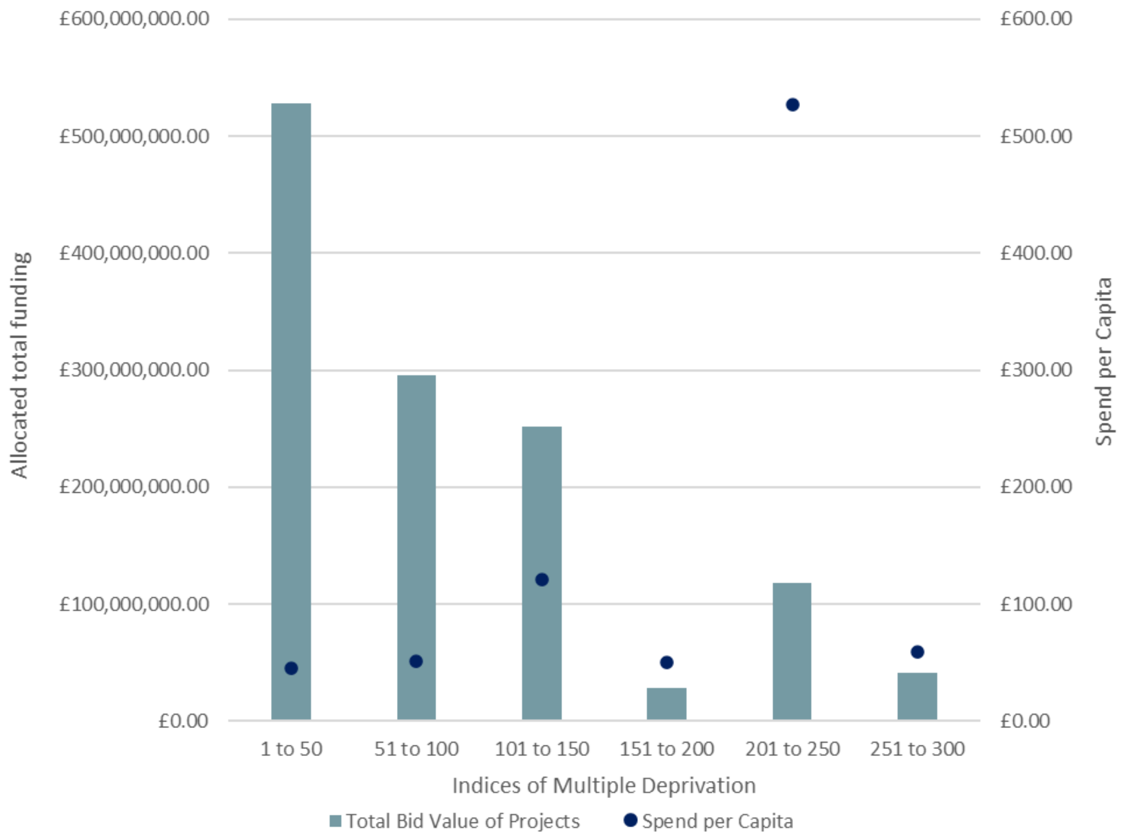
At a more spatially-disaggregated level, the graph below shows the distribution of funding by Indices of Multiple Deprivation rank grouping. The data used in this graph do not include funding awarded to Scotland, Wales or Northern Ireland.

LAs in the most deprived group (1 to 50) received the majority of funding, receiving 41.8% of total funding awarded to LA's in England. However, LAs ranked in the most deprived grouping also had the lowest spend per capita at £45.79. Therefore, even though this group was allocated the most funding in total, per person these LAs have received the least funding.

The second most deprived group (51 to 100) received the second largest allocation of funding at 23.4%, with a per capita spend of £51.76. The third most deprived group (101 to 150) received 19.9% of funding, with a spend per capita of £120.84. The 4th group (151 to 200) won 2.2% of funding, at a spend per capita of £50.31. In the 2nd least deprived group (251 to 300) LAs won 3.3% of funding, with a spend per capita of £59.66. LA's which had the lowest levels of deprivation (ranked 300+) did not receive any money in this round.

The real outlier in is the 3rd least deprived group (201 to 250) which received 9.3% of total funding awarded in England, with a spend per capita of £526.54. There were actually only 3 projects won by LA's in this group, both South Derbyshire and Isles of Scilly won almost £50m each, the largest two winning bids of all local authorities in round 1. The Isle of Scilly is particularly an outlier amongst the other LAs as it won a £48.4m bid, however its total population is 2,271, meaning the spend per capita was £21,331.

Figure 6: Allocation of funding and Spend per Capita by LA Indices of Multiple deprivation ranking, round 1



Source: WM REDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2021

Did 'left behind' areas receive the most levelling up funding?

Whilst regions which are generally considered the most left behind did win the most funding, such as the North West, it was not necessarily the most deprived areas intra-regionally which received the funding. Drilling down into spend at a more granular geographical level, spend per head was much higher in less deprived areas than in the most deprived areas.

Levelling Up Round 2

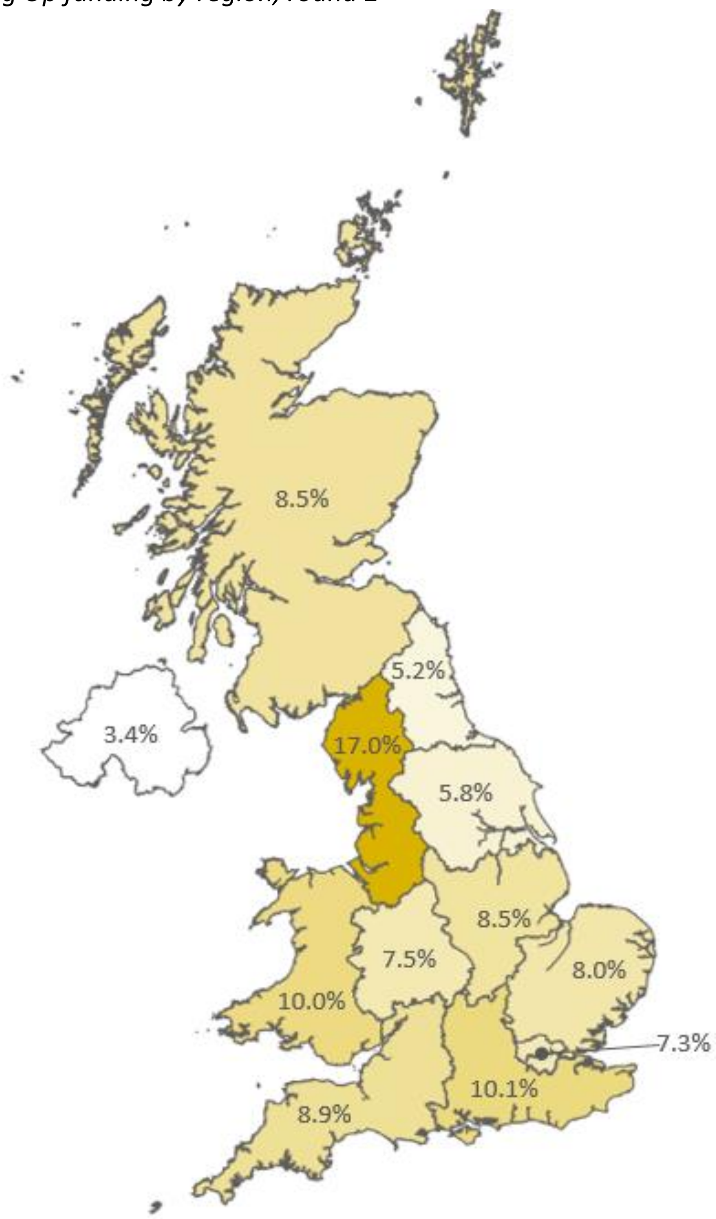
Alice Pugh, WMREDI

In the second round of levelling up funding, 111 projects were awarded funding, with a total value of £2.1bn. The purpose of this funding is to help areas which are seen as being 'left behind'; places which have poorer performance on key economic and social indicators. This blog investigates where the funding went and whether it went to 'left behind' areas most in need. It compares how the funding distribution has changed between round 1 and 2.

Regional Analysis

In the second round of levelling up funding the North West again saw the largest allocation of funds out of the UK regions, winning 17% of total funding. The North West received a much higher proportion of funding than other regions, with the region receiving 5.9% more than the region with the second largest allocation - the South East at 10.1%. Northern Ireland was allocated the least funding at 3.4% of total funding in round 2, having also received the least amount funding in round 1.

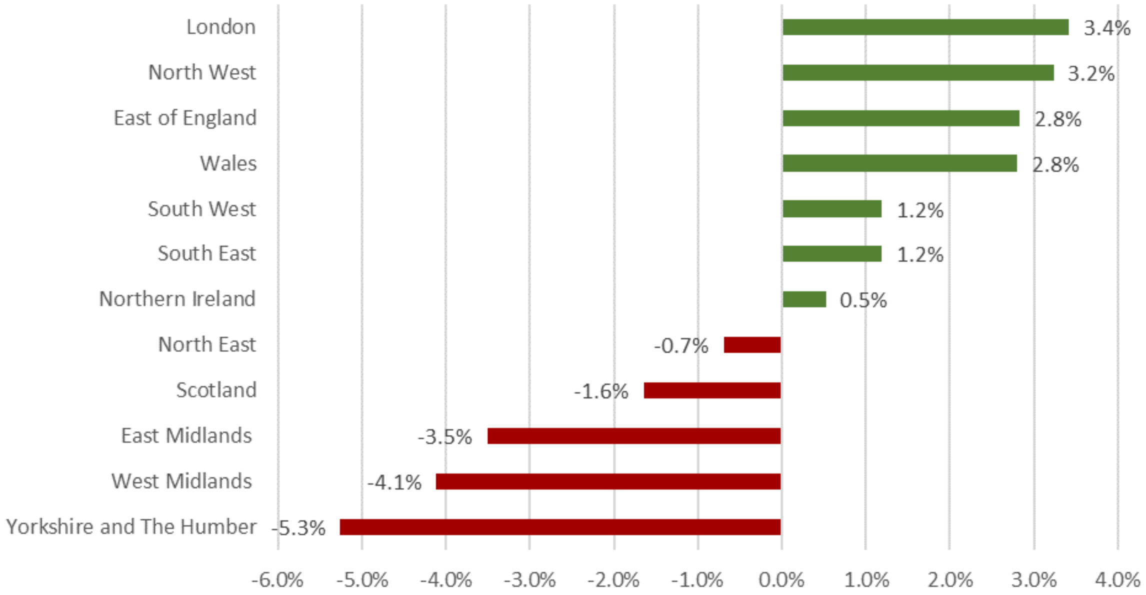
Figure 1: Allocation of Levelling Up funding by region, round 2



Source: WMREDI analysis based on data from Department for Levelling Up, Housing and Communities, 2023

The graph below shows the proportion of funding allocated by region. The areas which saw the largest decrease in funding allocation were Yorkshire and the Humber (-5.3%), the West Midlands (-4.1%) and the East Midlands (-3.5%). However, these regions received the most funding after the North West in round 1. However, there was a shift in funding in this round, with more funding to the southern parts of the UK compared to the first round of funding. Although, in the first round London and the East of England did receive lower levels of funding.

Figure 2: Change in share of the allocation of funding between Levelling Up round 1 and 2

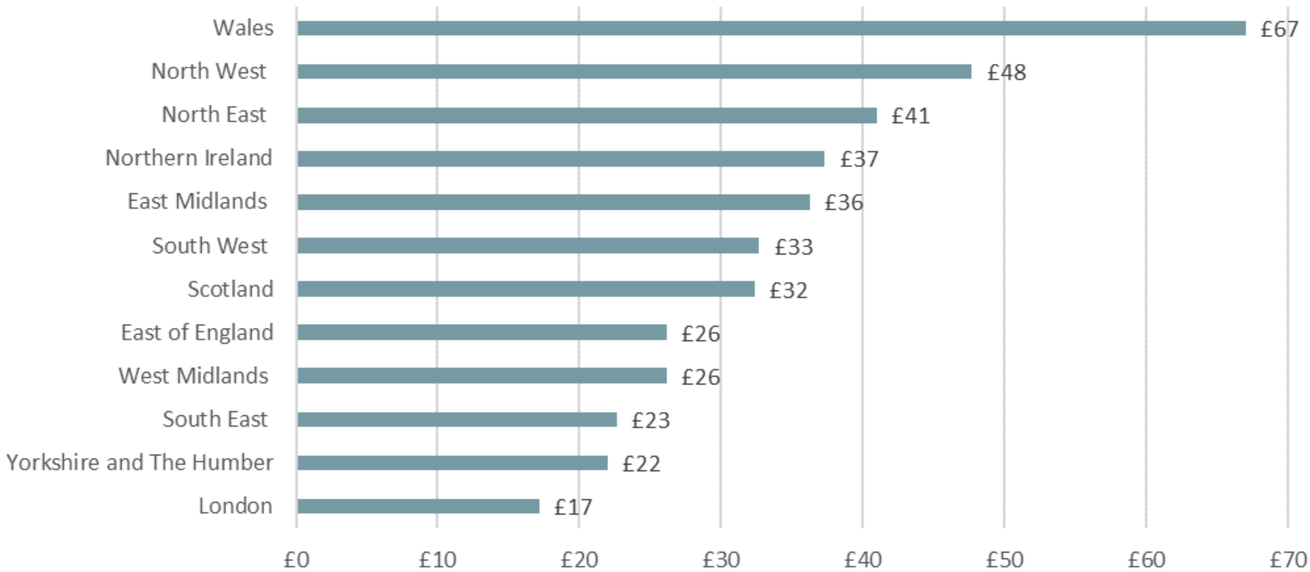


Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Spend Per Capita

The Prime Minister claimed last week that levelling up spending per capita was higher in the North than in the South. In terms of spend per capita spending, Wales received the most funding at £67 per capita, the North West had the second largest per capita spend at £48, followed by the North East at £41 per capita. London again received the smallest spend per capita at £17 and the South East had the third smallest spend per capita at £23. The outlier in the North-South divide was Yorkshire and the Humber which had the second lowest spend per capita at £22.

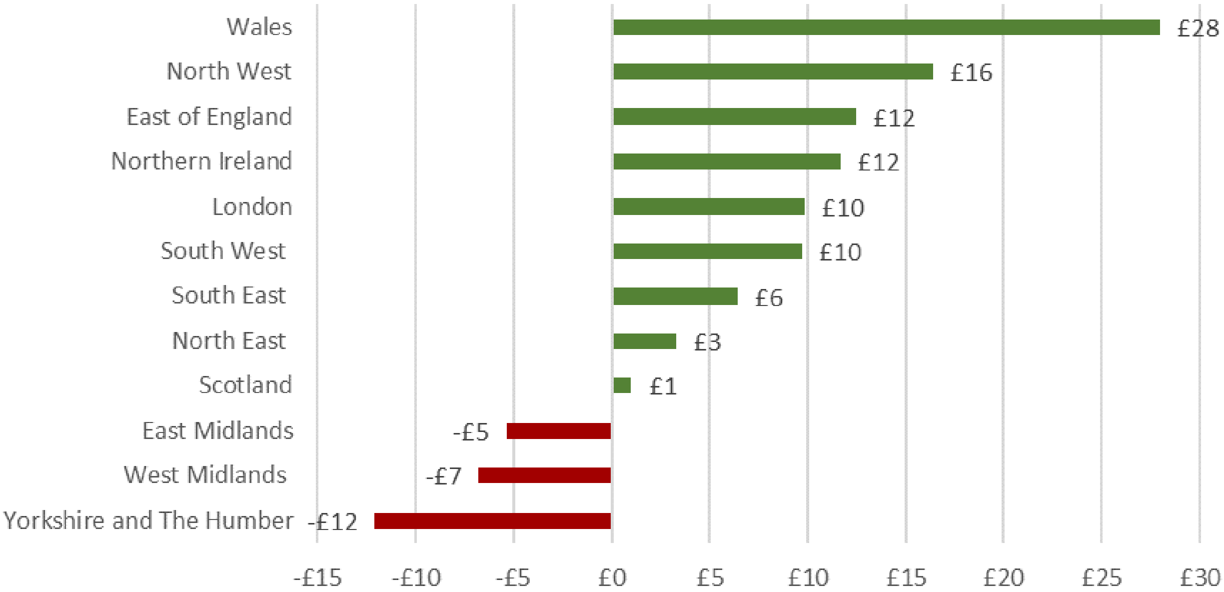
Figure 3: Levelling Up Spend per Capita by Region, round 2



Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Wales saw the largest uplift in per capita spending, seeing a significant £28 increase per head. The North West also saw a significant increase of £16 from £31 per capita in round 1 to £48 per capita in round 2. Out of the total 12 regions 9 saw an increase in per capita spend, the 3 regions which saw a decrease were Yorkshire and the Humber (-£12), the West Midlands (-£7) and the East Midlands (-£5). However, the East Midlands did receive the highest spend per capita in round 1.

Figure 4: Change in per Capita Spend from round 1 to round 2, by region

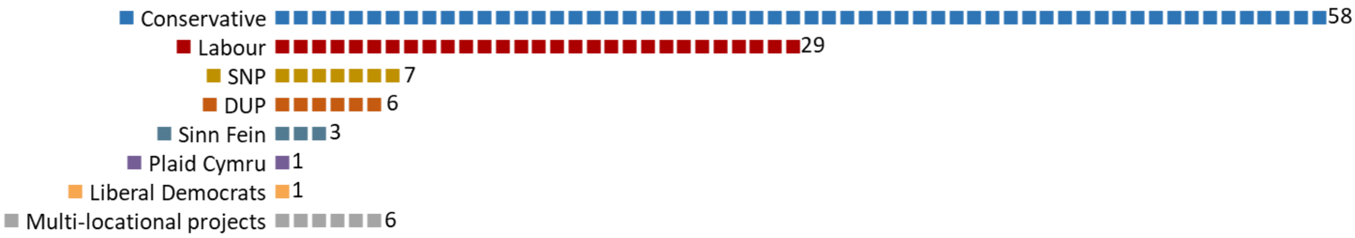


Source: WM REDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Party Political Divide

Based on the location of successful projects in this round, most projects were based within Conservative constituencies, 58 (52.3%) of successful projects, whereas the number of successful projects in Labour constituencies was 29 (26.1%). In round 1 41.8% of successful projects were based in Labour constituencies and 40.8% in Conservative constituencies. Hence in round 2 there was a shift towards Conservative constituency-based projects.

Figure 5: Number of projects awarded by Political Party based on location of awarded projects, round 2



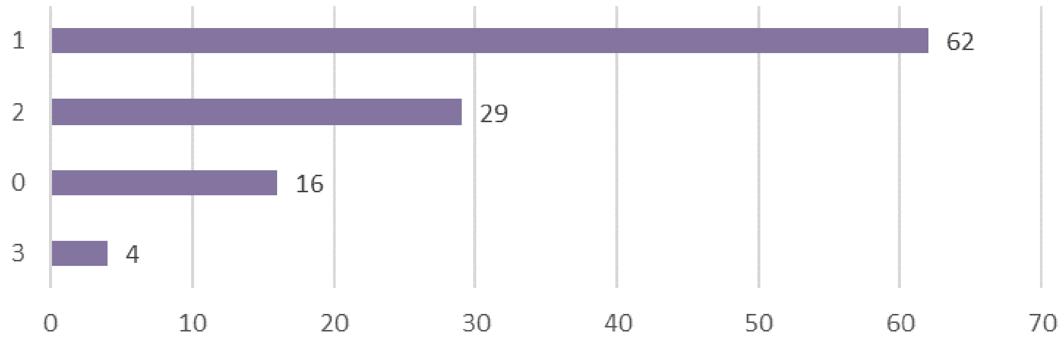
Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

One of these projects was awarded to Blackpool which is the most deprived area of the UK based on its average rank on the Indices Multiple of Deprivation (IMD). Only one other Conservative constituency which won a project was in the top 10 most poorly ranked on IMD. 24 of the 58 (41.4%) successful projects in Conservative constituencies were in the top 100 most deprived local authorities in the UK.

Priority Areas

The government provided a rating by local authority based on their levelling up needs: areas with a rating of one were considered in most need, down to priority rating 3 areas which were deemed as areas in the least need of levelling up. However, not all local authorities within the UK were given a priority rating; many geographies in Scotland, Wales and Northern Ireland were omitted. In total 16 local authorities which had not been given a priority rating, but won a project. This is denoted by the 0 category in Figure 6.

Figure 6: Number of projects by priority rating, 0 to 3



Source: WM REDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Of the LAs that did receive a priority area rating, 55.9% (62) had a priority rating of 1, the highest of the 3 priority areas. 29 (26.1%) had a priority area rating of 2, meaning they were in need of levelling up, however not to the extent as those with a priority score of one. Only 4 (3.6%) of successful projects were given a rating of 3, meaning they were the least priority, but were still in need of regeneration.

Indices of Multiple Deprivation

At a more spatially disaggregated level, the graph below shows the distribution of funding by Indices of Multiple Deprivation rank grouping. The data used in this graph does not include funding awarded to Scotland, Wales, or Northern Ireland, as the Indices of Multiple Deprivation does not include data for these areas.

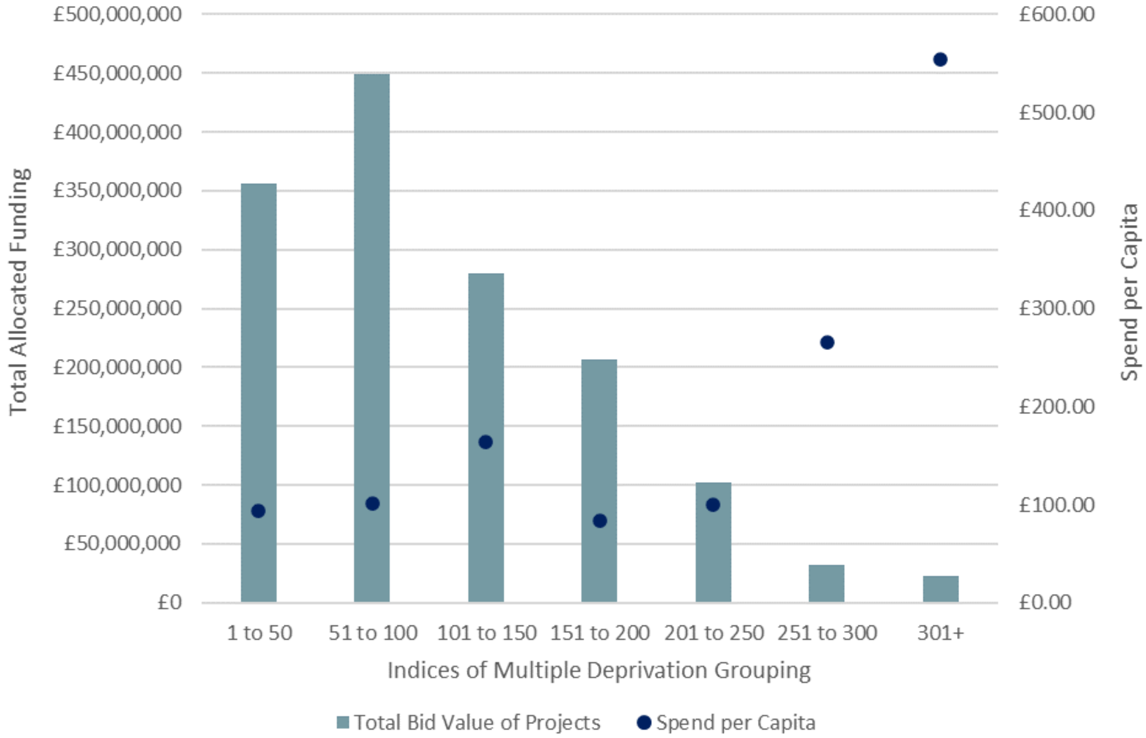
In the second round of funding the second most deprived group (51 to 100) won the most of the funding at 31%, with a per capita spend of £101.67. This differs from the first round when the most deprived LAs won the majority of funding, in this round they won 24.6% with an average spend per capita of £94.21. However, round 2 funding rules show that funding awarded in round 1 impacted the second round of funding. The levelling up round 2 guidance states that 'any successful bids a place has had in the first round will be subtracted from their bid allowance in the second round'. Only 2 LAs in Northern Ireland won a bid in each round; no LAs in England, Scotland or Wales, won a bid in both rounds.

The third most deprived group of LAs received 19.3% of total funding, at a spend per head of £164.18. LA's in England which ranked between 151 to 200 on IMD, received 14.3% of total funding allocated however, it had the smallest spend per capita at £83.33. Then those in the third least deprived group (201 to 250), received only 7% of total funding, with a spend per capita of £99.66.

The least two deprived LA groups (251 to 300 and 301+) won the least funding at 2.2% for the second least deprived group and 1.6% for the least deprived group. However, in term of spend per capita both these groups had the highest spend. For the 251 to 300 least deprived LAs the spend per capita was £265.34 and for the least deprived group (301+) the spend per capita was £554.62.

The regions considered as more 'left behind,' such as the North West, had the highest spend per capita. However, at the intra-regional the picture is a bit more blurred, since the spend per capita at a local authority level is generally much higher in less deprived LAs.

Figure 7: Allocation of funding and Spend per Capita by LA Indices of Multiple deprivation ranking, round 2



Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Did 'left behind' areas receive the most funding?

As in round one, most of the funding generally went to 'left behind' regions. However, again looking at a more granular geographical level there was a lower spend per capita in more deprived local authorities than in less deprived local authorities. For example, Middlesborough is ranked 13th on the IMD and received no funding in either round, while Richmondshire is ranked 251 on the IMD and received £19m in levelling up funding.

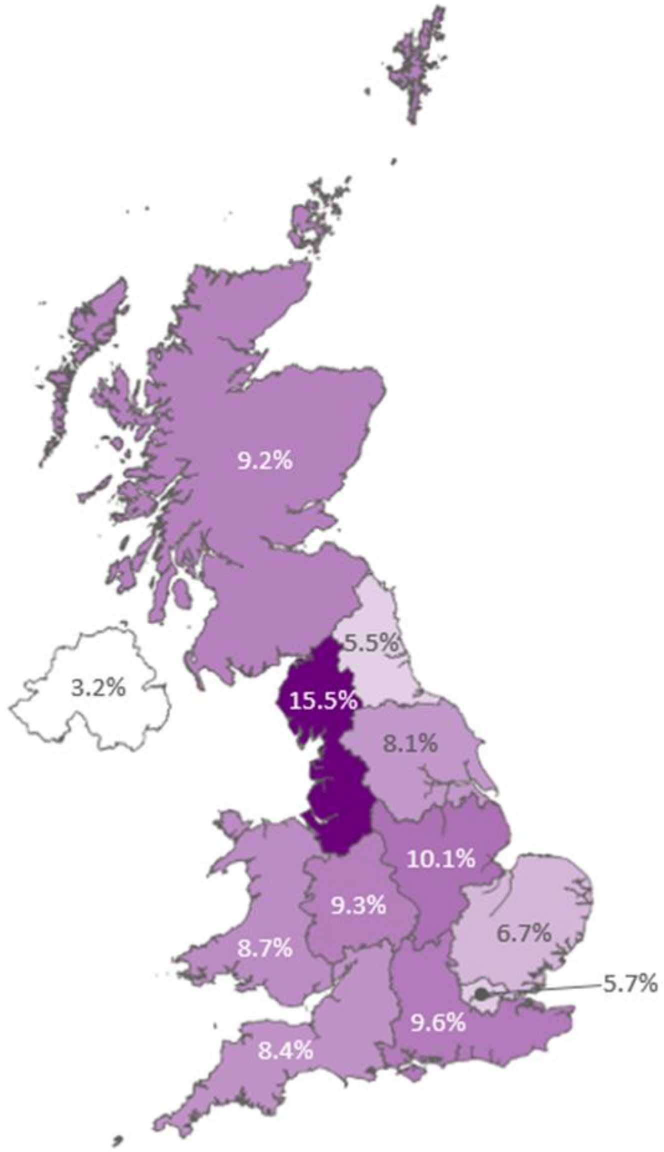
Levelling Up so far
Alice Pugh, WMREDI

In total across both rounds of the Levelling Up fund, £3.9bn has funded 216 projects. This blog summarises where levelling up funding has been spent so far, across both rounds of funding. The aim is to understand whether funding was spent in the areas most in need of levelling up.

Regional Analysis

Across both funding rounds the regions which received the most funding were the North West (15.5%), East Midlands (10.1%) and the South East (9.6%). Regions which have won the least funding so far were Northern Ireland (3.2%), London (5.7%) and the North East (5.5%).

Figure 1: Allocation of Levelling Up funding by region, round 1 and 2



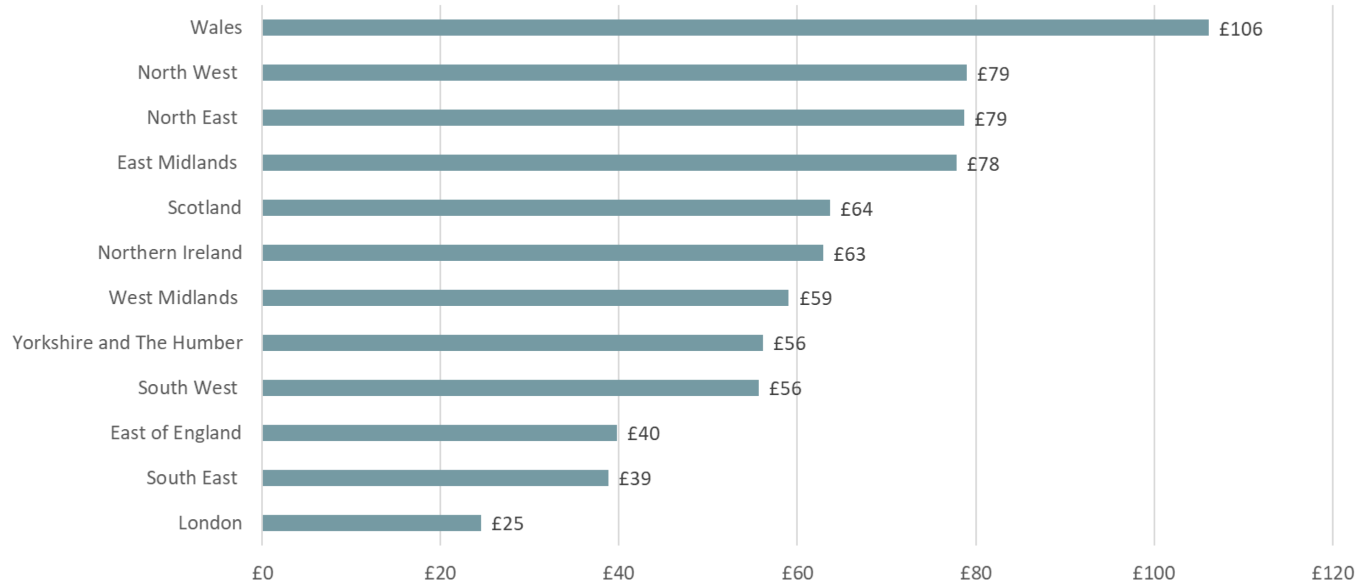
Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Spend per Capita

Overall, across both rounds, Wales had the highest spend per capita at £106. The North West and North East both had the second largest levelling up spend per capita at £79. They were closely followed by the East Midlands at £78.

Whilst the South East, generally considered to be more 'levelled up' region, was allocated more funding than the North East, per capita it received less funding.

Figure 2: Levelling Up Spend per Capita by Region, round 1 and 2

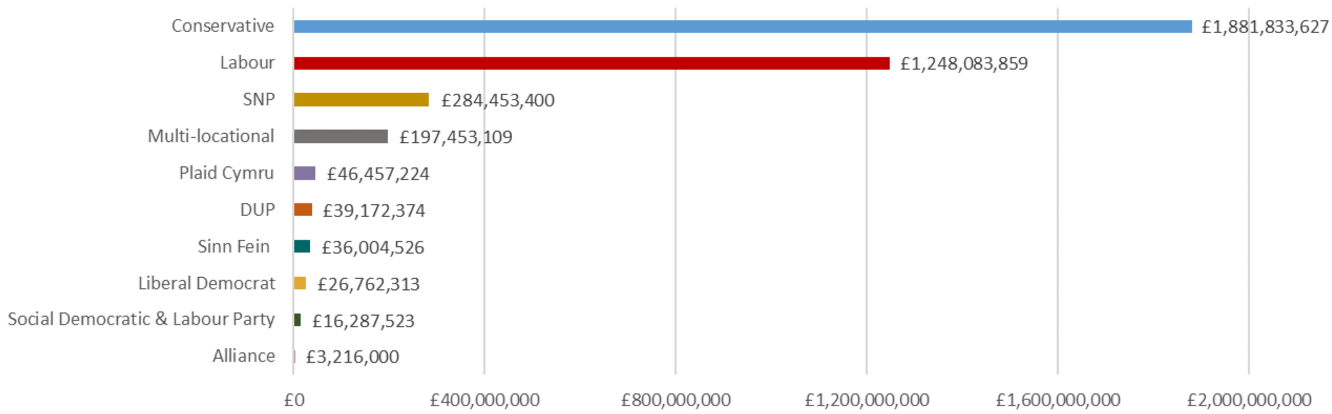


Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

Political Party Divide

Overall, across both rounds the of the 216 projects that have been awarded, 98 have been in Conservative constituencies, winning £1.8bn or 49.8% of total funding. In comparison, 70 projects received funding which were in Labour constituencies, winning £1.2bn or 33% of total funding. The rest of funding was largely won by other parties (including in Scotland and Northern Ireland). 13 projects were multi-locational and spanned a number LAs with different party-political affiliations.

Figure 3: Funding allocated by political party based on the location of the winning project, round 1 and 2



Source: WMREDI analysis based on data from [Department for Levelling Up, Housing and Communities](), 2023

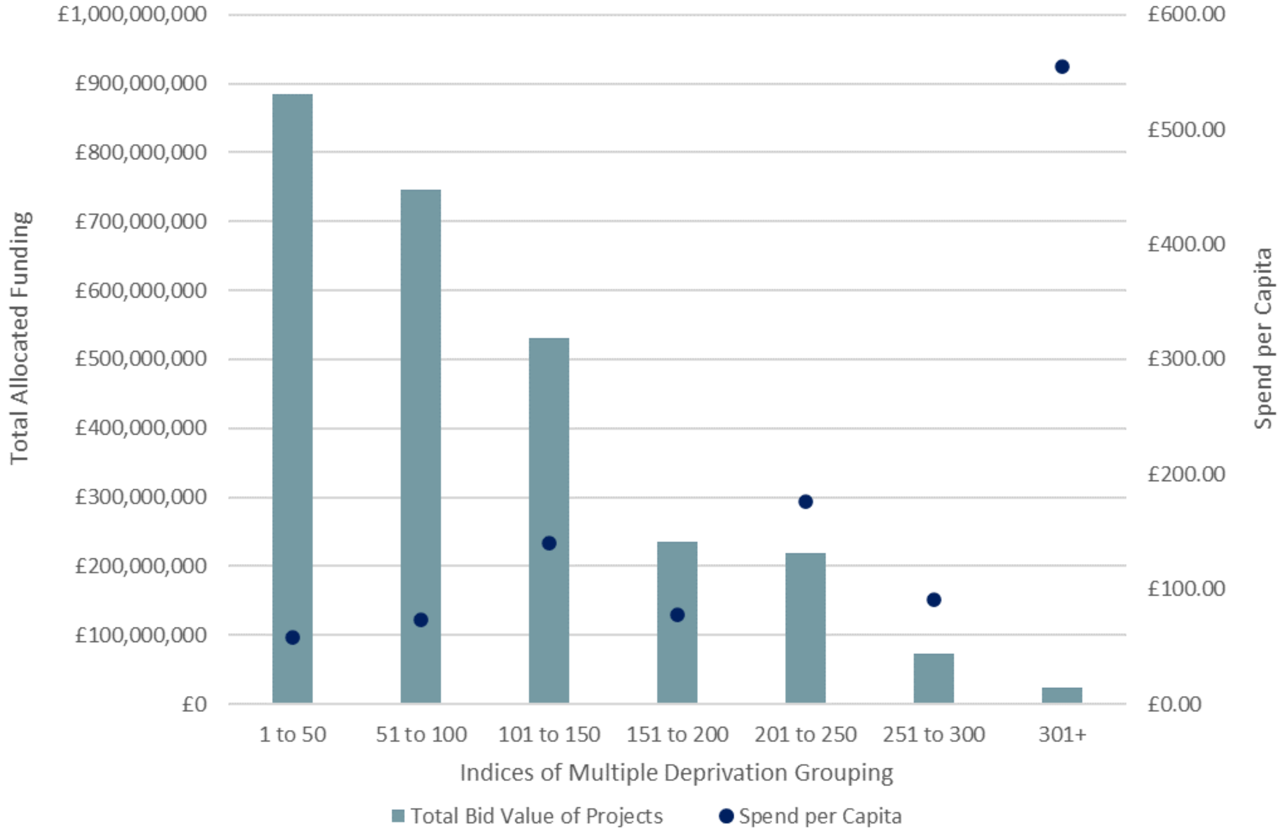
In round 1 the funding was relatively evenly distributed by political party affiliation; in round 2 there was a shift towards funding being awarded to projects based in Conservative constituencies. This is being reviewed by the inquiry into Levelling Up.

Indices of Multiple Deprivation

At a more spatially-disaggregated level, the graph below shows the distribution of funding by Indices of Multiple Deprivation rank grouping. The data used in this graph does not include funding awarded to Scotland, Wales or Northern Ireland.

The graph below looks at funding by Indices of Multiple Deprivation grouping across both rounds of levelling up funding. The most deprived group (1 to 50) did receive the most funding in England at 32.6% of funding awarded to LAs in England. However, the 50 most deprived LAs saw the lowest spend per capita at £57.75. Whilst LAs in the least deprived group (301+) received the least funding at 0.8%, they had the highest spend per head of £554.62. The overall trend is that whilst more deprived areas won most of the funding, per capita they received less funding.

Figure 4: Allocation of funding and Spend per Capita by LA Indices of Multiple deprivation ranking, round 1 and 2



Source: WMREDI analysis based on data from Department for Levelling Up, Housing and Communities, 2023

Has funding been spent in areas most in need of levelling up?

Overall, across both rounds, whilst most of the funding did go to 'left behind' regions, it did not necessarily go to the most 'left-behind' areas within them. For instance, those in the least deprived LA grouping (Figure 4), 300+ had a per capita spend of £544.62, whilst LAs in the most deprived grouping (1 to 50) had the lowest spend per capita of £57.75.

Executive Survey 2023 Cost, Competitiveness and Confidence
Make UK

The report focuses on manufacturers expectations for the year, and despite some opportunities, it demonstrates that manufacturers are expecting a tough year. Key takeaways as followed:

- **The impact of the seismic increase in energy prices shows no signs of abating on manufacturers as they enter 2023.** Rising energy costs anticipated to be biggest cost facing manufacturers in 2023. An overwhelming 70% of manufacturing leaders said that energy costs are expected to increase significantly in 2023.
  - **This is followed by 37% of manufacturing leaders who expect employment costs to increase significantly next year.** A large proportion of the employment costs relate to increased pay offers, in both attracting and retaining employees.
  - **But despite the expected increased costs, manufacturers are continuing to increase investment in the next 12 months.** More than half of manufacturers (52%) said they plan to increase investment in people and training within the next 12 months, and a further 57% planning to increase investment in new product development.

- **The biggest risk to manufacturers' competitiveness in 2023 is the increasing cost of producing goods and services.** Manufacturers still face significant upward pressure on input costs, as lingering shortages of raw materials across the world remain, with demand vastly outstripping supply. In fact, 58% of manufacturers identified this as the biggest risk they face to being competitive in 2023.
  - **This is likely to be made more challenging with the ongoing supply-chain disruptions.** Despite some easing, supply chains have not returned to pre-pandemic levels, with an overwhelming 87% of manufacturers expecting logistics or transportation costs to increase either significantly or moderately next year.
  - **And for the first time in recent years, our evidence shows that manufacturing leaders are growing increasingly concerned about domestic and international political instability.** More than half of manufacturers (55%) say this is the biggest risk to business confidence next year. It is evident that the uncertainty and instability – political, geopolitical and economic – are making businesses already based in the UK more cautious, and potentially adding a premium for non-UK businesses to doing business here in the UK.

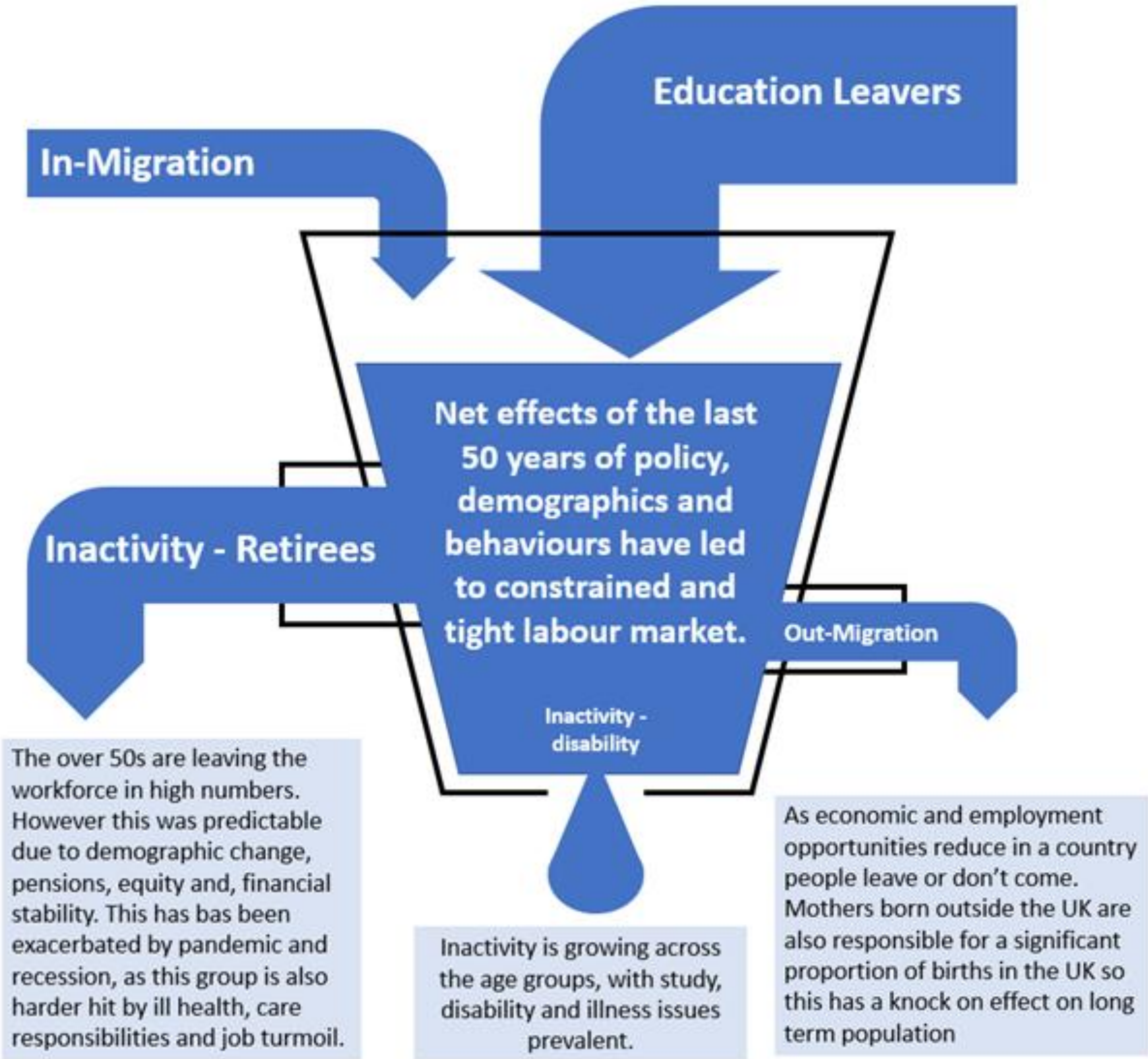
- **Reducing costs, increasing competitiveness and rebooting confidence is critical if we are to kickstart economic growth.** This beings with a long-term economic vision - 42% of manufacturing leaders expressed a lack of long-term economic plan as one of two primary risks to business confidence in 2023. A lack of, and need for, a coordinated, regional approach to long-standing challenges is still missing from the Government's agenda.
  - **But the single biggest policy intervention that could reboot business confidence would be for the Government to extend the Energy Bill Relief Scheme for firms beyond March.** In fact, almost half of manufacturers want to see this from the Government. A less generous relief package may not shield companies from the worst of these increases, with two thirds saying they still expect to take actions such as reducing production or cutting jobs despite the Government energy support package.

Why are the Over-50s Leaving the Workforce? – Labour Market Flows and Future Participation Flows

Rebecca Riley, WMREDI

Rebecca Riley looks at some of the factors behind the over-50s leaving work and what this means for the UK labour market. See also our recent blog - [What are the Current Challenges in the UK Labour Market and how can They be Addressed?]

I was asked recently if I knew why people over-50s seem to be leaving the labour market in their droves. I gave a summary of the complex issues creating the current labour market issues:



The UK Labour Market – A Leaky Bucket
The image above illustrates the complex impacts of policy, demographics, and behaviours on the labour market. It shows the pool of people we have available for work: the 'bucket'. The population of working age conventionally includes people aged 16-64 – now extended to 65 with the rise in the state pension age. This pool is made up of complex flows in and out which vary in size over time.

Inflows, outflows, and the impact of place
The largest inflow is (normally) young people coming out of school, college, and university. The largest outflow is retirees. These in and out-flows change the overall volume or depth of the labour market. Fewer young people coming in leads to fewer people filling less experienced roles; more older people going out leads to a deficit in

experienced, productive workers, managers, and leaders. As the image above suggests, there are several broad issues impacting the pool of labour. These can be grouped into inflow and outflow issues and vary by place. These will be explored in-depth in future blogs:

Inflows

1. Issue – Fertility rates and childcare policies
2. Issue – International migration (and emigration)
3. Issue – Student behaviour and trends in employment

Outflows

4. Issue – Disability and illness, workforce implications
5. Issue – Over the 50s and labour market participation
6. Issue – Legislation and policy impacts

Place impacts

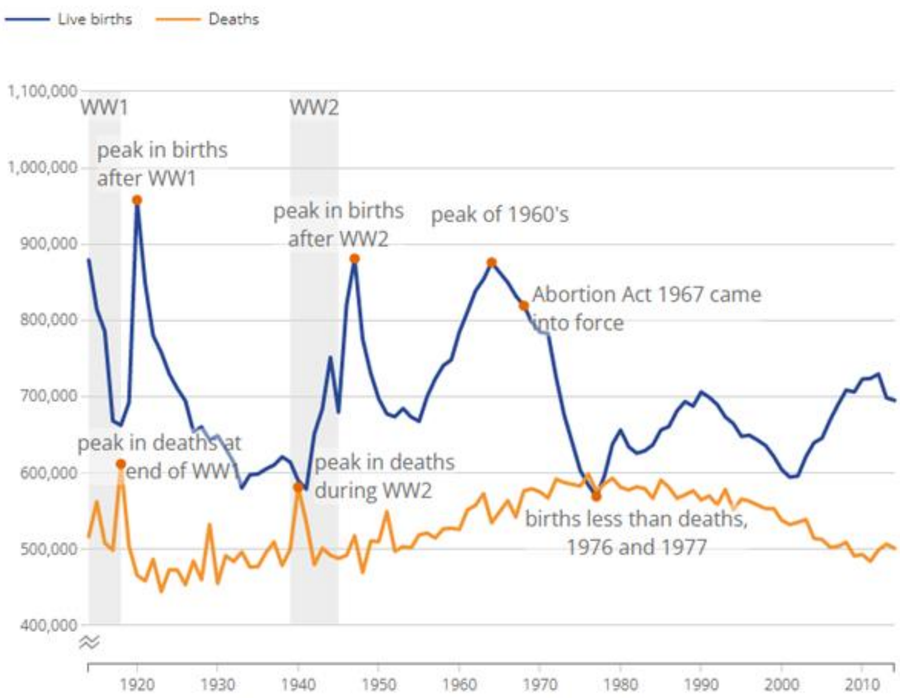
7. Issue – Global Workforce
8. Issue – Localised effects in the UK
9. Issue – Sustainability and resource constraints

All these issues however are interconnected and do not operate in a vacuum. This makes understanding the actual direct impacts difficult – it is necessary to take each one in turn and review the overall basket and links between the issues.

Births and death – the impact on the labour market

A key part of labour market supply trends are, overall, set decades earlier. As the chart below shows:

Annual number of births and deaths, England and Wales, 1915 to 2014



Source: Birth Summary tables and Death Registration Summary tables, 2014, Office for National Statistics

We are all aware of the [boomer generation](#) in popular culture. This generation was born between 1946 to 1964; it is bookmarked by two huge birth spikes, 20 years apart, as can be seen above. These generation spikes have moved through the labour market as bulges in available labour. The first of those peaks are now approaching their 80s and left the workplace in the early 2000s.

According to ONS, in 2000 the average age of exit for men was 63.3 years old, increasing to 65.2 years old in 2020, an increase of 1.9 years. Over the same time, in 2000 the average age of exit for women was 61.2 years old, increasing to 64.3 years old in 2020, an increase of 3.1 years. In fact, 50+ employment rates have increased over time; however, they remain at low percentages for 65 and over.

For the working age population aged 50 to 64, the employment rate increased from 55.8% in 1984 to 72% in 2020. For those aged 65 and over, the employment rate increased from 4.9% in 1984 to 10.4% in 2020. A feature of this group was fewer women working than today, so the employment effect of the group ageing was dampened. The older spike age group is now contributing to the health and social care sector demand issues we are seeing. They are the first generation to have been recipients of National Health Service care throughout their lives. This creates a cohort effect of the need for skilled carers to look after this generation and the following spike. The second spike is now in their late 50s and early 60s. This makes them disproportionately large in the labour market, and they are naturally hitting retirement.

The over-50s leaving the workforce

When we see headlines about the number of the over-50s leaving the labour market, it should be recognised that this was always going to happen as it is a normal part of life. Importantly, ONS numbers show that of those leaving the workforce one-third are aged 55 to 59 years, and only 1 in 10 are aged 50 to 54 years. The issue with this cohort is its high volume in the labour market relative to previous cohorts means it has a bigger impact. Also, more women have worked than in previous cohorts, so the overall outflow is also higher. This has been compounded by post-pandemic illness and job fatigue in this cohort who were more likely to suffer from long covid and other delayed health issues.

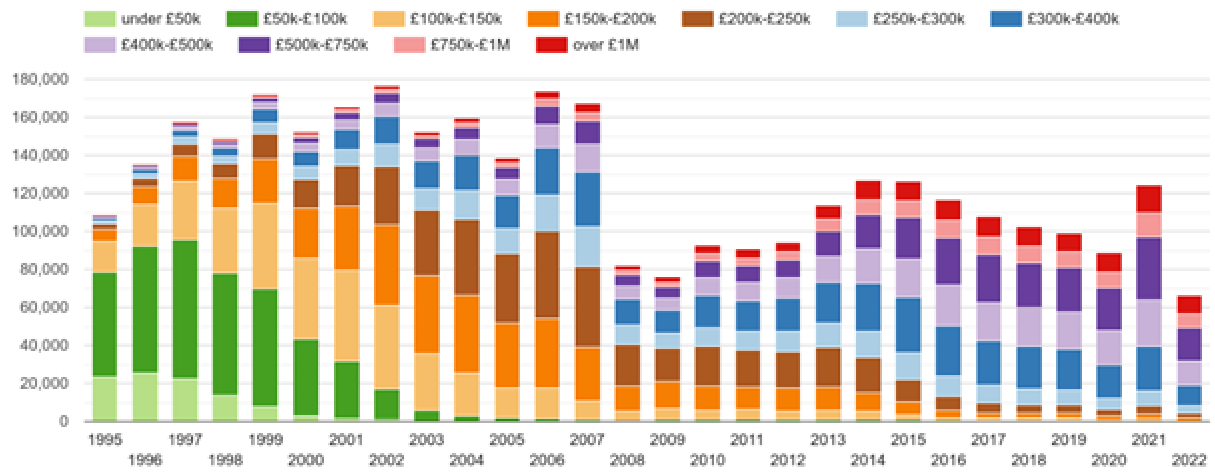
ONS has stated that of the people surveyed in August 2022, in the 50-54 cohort are more likely than other cohorts to leave due to stress and not feeling supported in their job, they are also more likely to have lost their job. Of all people leaving the labour market 3 in 10 are left to retire and half of this group is in aged between 60 and 65.

The impact of house prices

ONS work on why people are leaving the workforce (Aug 2022) has highlighted the majority (66%) owned their homes outright and have not returned to the labour market.

Leavers were more likely to be debt free (61%) compared with those who left their job and returned to work (42% debt free). The second cohort of baby boomers would have been buying their first houses just as the market started growing in, where the average price was £35k, by 2000 prices had doubled to £100k. Since then, they have had 37 years to pay off mortgages, move and re-mortgage. People in the next cohort born in the 1970s would be looking to buy first houses at nearly double the cost of those 10 years older. The average house price is now £265k. Housing equity is also a considerable source of financial resilience and we have seen a shift – for example in the London housing market seen below – of house price boom as the number of sales has increased at the higher price brackets, which is also contributing to the over 50s ability to retire early.

London Property sales volumes – yearly sales volumes by nominal price ranges



Housing costs significantly affect financial resilience, which ONS highlights (Aug 2022) vary by age: those aged 50 to 54 years were significantly less likely to be debt free, excluding a mortgage (49%), compared with those aged 60 to 65 years (62%), and more likely to have credit card debt (39%, compared with 24%). More than half (55%) of those aged 60 to 65 years were confident or very confident that their retirement provisions would meet their needs, compared with just over one-third (38%) of those aged 50 to 54 years. This suggests that the slightly younger group are more likely to return to work. However, adults aged 50 to 59 years were more likely to report mental health reasons (8%) and disability (8%) as a reason for not returning to work.

The impact of pensions

This younger cohort, in their late 50s and early 60s, is also less reliant on state pensions. This means the ability to retire early has become more accessible.

The pensions timeline shows the State Pension was introduced in 1946, the Social Security Pensions Act in 1978 and ran until 2022, this State Earnings Related Pension Scheme (SERPs) scheme enabled employers and employees to pay into a pension, this means the 1946 population bulge have paid into State Pensions all their life, and SERPs from 32 years old. The second population bulge has had SERPs all their working life. Stakeholder Pensions were introduced when this group was in their late 30s, so this still gives them 20-30 years of additional pension growth. This means that the second cohort has seen the best pension terms so far of any generation and is less likely to be impacted by the closure of defined-benefit pensions. Restrictions brought in from 2006 have restricted pensions for future generations, including the amount that can be put into pension pots, changes to inheritance tax, and state pension ages. However, in 2012 auto-enrolment was introduced, in the future, the generation born after 1992 and retiring beyond 2042 could have favourable pension conditions.

A dramatic drop in birth rates

Since the 1960s boom birth rates have dropped dramatically as can be seen in the chart below. Greater industrialisation, urbanisation, and rising affluence drive this. This is a spillover effect of more women working, being educated, and earning. It has been seen globally that investing in women leads to smaller, healthier families and general economic growth. This means that successive cohorts have led to reduced numbers entering the workforce, this has been compounded recently by the raising of the school leaving age to 18 (since 2015). As the boomer generation exits employment this leaves a hole in the workforce that needs to be filled through other means.

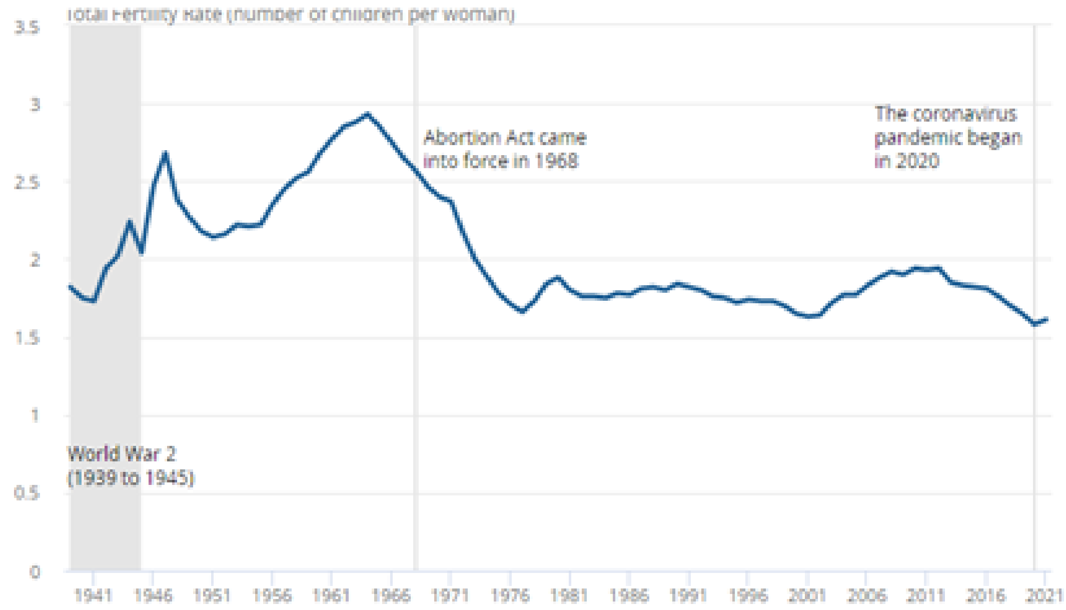
Latest data shows birth rates have decreased even further, according to ONS the number of births decreased in 2020, to 683,191, which was a fall of 29,489 from 2019; this means that natural change in the UK in 2020 was negative 6,438: the first time deaths have exceeded births in 44 years (in part also due to increased covid related deaths). This means both ends of the labour pool are continuing to be squeezed. The introduction of the Abortion Act in 1968 impacted directly on the birth rates (see diagram above).

The impact of migration

As the opening diagram shows, the other direct source of inflow into the labour market is international migration. Current government policy has attempted to restrict this, with an expectation since EU Exit that migration flows would reduce.

However, the UK has stayed broadly in line with other high-income countries. There have been increases in temporary workers and students recently, but these are usually short-term and leave after a couple of years. Up to 2016 the largest component in immigration was EU citizens; by June 2022 they did not contribute to net migration at all.

Total Fertility Rate, England and Wales, 1939 to 2021



Source: Office for National Statistics - Births in England and Wales

Population projections going forward are increasingly difficult to make, because patterns rely on so many different factors, in both government policy and beyond. For example, the net migration in 2022 was significantly impacted by the Ukrainian war and Hong Kong British National Overseas status holders.

Net migration population projections over the last 20 years have generally undershot the reality, and although they fluctuate, they generally remain relatively stable despite warnings of reduction. These numbers however do not replace the numbers leaving the workforce. Reduced in-migration has a double hit, not only in terms of immediate workers but longer term in relation to fertility rates; in 2014 non-UK mothers accounted for 27%, rising from 19.5% in 2004, of all births in England and Wales, so longer term the births will reduce if immigration reduces.

What does this all mean for the current labour market?

The labour pool will continue to reduce significantly as the next birth peak after 1960 was not until 1990; this means there are 30 years of reduced population. This peak was also half the previous peaks, and the next peak was in 2010, so it will be another 10 years until those young people enter the labour market and improvement of participation rates, businesses will continue to find it difficult to fill posts. As the 1970s trough is now moving into senior and middle management this also reduces the pool of experienced people who will lead responses to this labour constraint.

All these impacts would suggest that it is likely to be very difficult to get the retiree cohort back into the labour market; they are unlikely to need to return and they have worked and saved into pensions to enable this. The UK government is reportedly looking at tax incentives to get people to return to work, by making the first year back tax free, and also a shake-up of disability benefits. However, the greatest incentive could be the cost-of-living crisis which could outstrip their pension provision, but the time this really takes hold it.

For the next 10 years, it is likely that we will see a natural decline in the labour pool as the reduced birth rate cohorts move into the workforce. However, this will probably lead to an overall stabilisation in the labour pool but at a much lower level than seen in previous years.

This points to challenges for the policy as the labour constraints continue for many decades. Opportunities and responses to labour market issues may need to focus on the UK birth rate in the long run, in the short-term migrant labour or technology solutions may become more acute.

In terms of the economy, population growth, particularly of the working-age population, is essential to economic growth, unless the jobs can be replaced by technology. Many countries are seeing similar issues, with China, and a record 98 countries (most of Europe, Japan and Canada) below the replacement rate. Globally population growth is uneven, and although western countries are seeing population decline other countries are still in transition as health, economic and education opportunities are improved. The challenge for international policy is how much the growth constraints in some countries are tackled through the redistribution of the working-age population moving from other countries. How much will countries having a skilled, growing, working-age population become a national asset leading to a competitive edge?

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

Shedding Light on Productivity in the West Midlands
Rebecca Riley, WMREDI

Rebecca Riley discusses a new report examining productivity in the West Midlands.

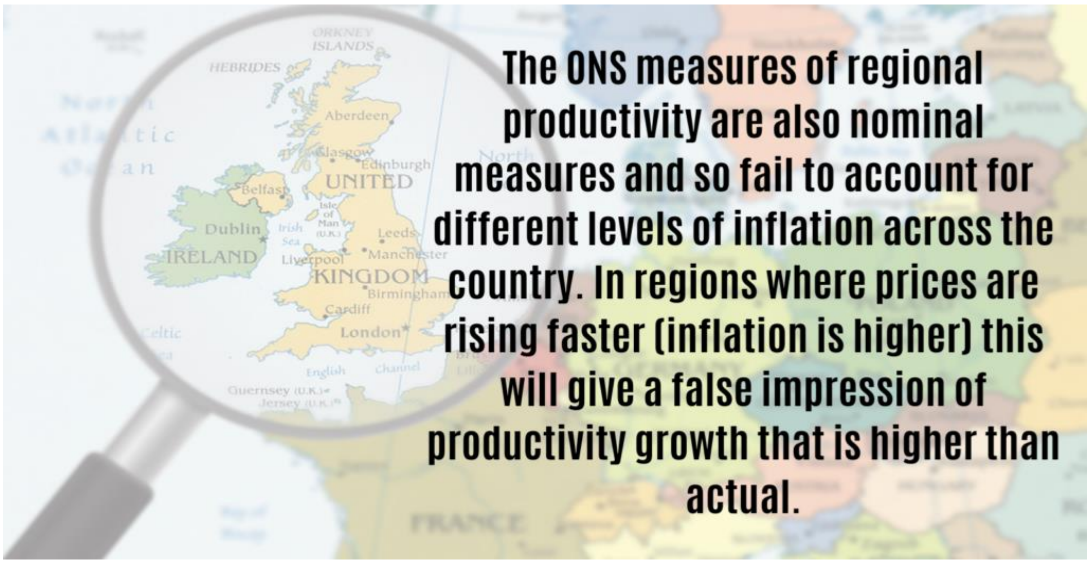
The report is written by Melisa Wickham and is in collaboration with the West Midlands Combined Authority.

This report focuses on **labour productivity** – which measures how much output is produced per unit of labour input. There are varying measures of labour input, determined by data availability.

Measuring Output

Ideally, the measure should reflect what goes into the production process – it should be based on actual hours worked and quality-adjusted (for skills, education, experience levels etc.). Readily available estimates are often not produced to this ideal. The labour productivity data used are not quality adjusted and use a mix of hours and more simple measures of per worker or per filled job. Using hours or workers as the productivity denominator often makes little difference to the growth in productivity observed or the relative productivity picture across the UK.

Measures of regional output, which form regional productivity estimates, include an element of modelling (to apportion firm-wide output to local plants and proxy missing data) and this can underestimate the true output generated in regions outside of London whilst overestimating the value of output in the Capital, due to issues such as where headquarters are registered.



More broadly, and an issue that applies to all output estimates (including at national level), there is a question as to how well national accounts incorporate intangible capital (data, branding and so on). This can lead to underestimates of the true value of output and is likely to be more important for certain sectors (as they are often knowledge-based assets, they are likely to be more important in knowledge-based sectors).

What is meant by Growth?

Growth in productivity means an economy can produce more without needing to use more inputs. As such, it is one of the most fundamental drivers of improvements in living standards, allowing people to enjoy more, or better quality, goods, and services.

At the national level, capital shallowing (workers having less capital per hour worked) and slower growth in multi-factor productivity (which can be driven by technological progress, economies of scale, improved management or business processes or efficient use of inputs) has been a drag on labour productivity growth (output per hour worked) since the 2008 economic downturn.

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

The former, accounting for around a third of the productivity gap, is likely the result of business uncertainty driving a reluctance to invest in capital, which is often the less flexible input to production (compared to labour). In contrast, labour composition (or the quality of labour) has maintained its pre-downturn trend and helped to mitigate the extent of the productivity gap with the pre-downturn trend.

Data

The output data used in the ONS regional firm-level productivity analysis is derived from the Annual Business Survey (ABS). This includes all local units (for example each office, factory, warehouse etc) of a firm registered on the Inter-Departmental Business Register (IDBR). Local units of a firm/enterprise may be engaged in different parts of the business such as production, accounting or head office. Therefore, each local unit is assigned its own Standard Industrial Classification 2007 (SIC 2007) code, which corresponds to the local unit's principal activity. However, the allocation of business activities in firms with multiple local units is likely to underestimate the value that is attributable to some areas and the data is not adjusted for price variations across regions.

The ABS excludes the agricultural and financial sectors as well as some small firms, the self-employed and the public sector. As such, the analysis covers approximately two-thirds of the UK economy in terms of gross value added.

In most cases, local plants, reporting units and enterprises are one and the same. On average, around one-quarter of the local plants across regions belonged to a multi-plant enterprise in 2015, with the North East having the highest (31%) and London having the lowest (21%) proportions. The larger the enterprise, the more likely they are to have more than one plant. In the dataset, over 95% of the enterprises with 250 or more employees were multi-plant enterprises and over 90% of the micro-plants were single establishments across the regions and countries in Great Britain.

As discussed, productivity data has limitations and is far from perfect, but this report looks to unpick the productivity issues in the region using the information we have available to date. This should be treated with caution but still enables us to shed light on the issues. The West Midlands has one of the largest inter-regional gaps in productivity, and any growth has been unevenly spread. The areas with the highest productivity in 2004 had the greatest growth, which suggests long term path-dependency.

Key findings of the report:

- The ONS estimates the average market sector **wage in the UK would be just over £5,000 higher in 2018 for the average worker if productivity growth had continued**.
- Productivity gaps across countries and within regions are not uncommon, but the variation within the UK is high compared to international standards. In the **West Midlands GOR, labour productivity was 11% below the UK in 2019, and 33% lower than the most productive region (London).**
- If the West Midlands had the same industrial structure as Great Britain (but retained its average productivity for each industry) it would have an **11-percentage point gap in productivity** with the GB average (firm productivity index). In contrast, if it retained its industrial structure but each industry had the **same productivity as GB the productivity gap would only be 1 percentage point.**
- In West Midlands the **industry mix effect is positive** (+3-percentage points) but not large enough to offset the firm productivity effect (-11-percentage points).
- **Only 3 subregions in the wider West Midlands had labour productivity levels above the UK** average in 2019 (even when London is excluded from the average); Solihull was the highest (£45.20 per hour), followed by Warwickshire (£37.40 per hour) and Coventry (£36.20 per hour).

- Herefordshire, Worcestershire & Warwickshire are some of a handful of places where the industry structure has a more significant effect on aggregate productivity than firm-level productivity. And both the industry structure and plant productivity have a positive effect on relative productivity.
- Local plant productivity in the West Midlands’ Less Knowledge Intensive Services (LKIS) is the most widely spread. And median productivity in these sectors (£25,110 per worker) is more than half that in the Knowledge Intensive Services (KIS, £55,430) and Medium/High Tech Manufacturing (MHTM, £57,190).
- Given the size of **the Less Knowledge Intensive Sector (making up over half of the local plants in the West Midlands and accounting for nearly 60% of employment) it is important in explaining the aggregate productivity gap**.
- Local plant productivity in the West Midlands’ Less Knowledge Intensive Services is the most widely spread; those in the **top 75% are 3.2 times more productive than those in the bottom 25%**. Meanwhile, the spread of plant productivity in Knowledge Intensive and Manufacturing sectors is very low.
- The **high median productivity of micro firms can be partly explained by their higher share in the more productive KIS industries**. In the West Midlands, whilst 76% of all local plants were micro firms this proportion rises to 89% and 87% within KIS and ‘Other’ sectors respectively.
- The West Midlands has a high share of plants in the LKIS within the top 20% of the productivity distribution. With nearly **one in every 2 plants in the top 20% (48%) the share is over 4 times larger than in London (11%)** and 9 percentage points above the second highest region (North East).
- London and the South East, which have productivity above the UK average, have the top 20% of the productivity distribution dominated by plants in the KIS.

- For the **West Midlands, the gap is high – it is the 4th highest region in absolute difference and 2nd in percentage difference.**
- There is a **narrow spread of plant productivity within both the medium-high and low-medium manufacturing sectors** in the West Midlands which may reflect a narrow range of activity within these broad sector classifications.
- **Plants in the 'other' sector (composed of primary and utilities, real estate and construction) play a significant role in the upper quintile** of the productivity distribution in the West Midlands (40%), despite making up only one in six (16%) of all plants in the region.
- The impact of age and size may simply be attributable to their dominance in certain industries – **plants of larger and older firms may be more prevalent in naturally more productive sectors**.
- **Micro firms (with 1-9 employment) have the highest *median* productivity** and are most concentrated in the more productive KIS and 'other' sectors. Consequently, they have a higher representation in the upper quintile of the productivity distribution. However, plants of larger firms have higher ***average*** productivity driven by a long top tail.

The Differences

In the non-financial business economy, differences ***within*** industries explain more of the UK regional productivity gaps. Some of this may be due to regional price differentials that are not picked up in the data, particularly in the non-tradeable goods/services.

Some may also be the result of the data not being quality adjusted (so not accounting for occupational/skill composition) within the same industry across regions or due to other differences hidden in the sector classifications. For example, a multinational law firm in London may have a different specialisation (hence different labour productivity levels) to a small local law firm elsewhere, but both will have the same two-digit industry grouping.

Firm productivity differences can also be driven by a myriad of internal (age, size, management, foreign investment) and external (infrastructure, agglomeration, market size etc) factors. Further research may be needed to hone in on how these affect the firm-productivity within the West Midlands specifically.

Analysis

The analysis shows that in general there are little variations in productivity by age and size and the underlying issue is the distribution of companies in knowledge-intensive industries.

Older firms also have a higher representation of plants in the bottom 20% of the productivity distribution, meaning some of the least productive plants tended to be part of older firms. On the other hand, there is a higher representation of young firms (<6 years) in the top 20% of the productivity distribution.

However, whilst productivity growth drives growth in incomes it does not necessarily drive wellbeing. London, for example, has the highest productivity in the UK but scores lowest on life satisfaction and worthwhileness measures[1]. This is important to bear in mind – improving productivity may mean households are financially better off but it doesn't automatically follow that their wellbeing is higher.

This blog is also part of the Productivity in the West Midlands project by WMREDI. You can find out more here.

Social Impacts and Legacies of Major Sporting Events

Shushu Chen, University of Birmingham

Dr Shushu Chen discusses whether major sporting events can bring lasting social impacts and legacies to regions that host them. This blog post was produced for inclusion in the Birmingham Economic Review for 2022.

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

This post is featured in Chapter 5 of the Birmingham Economic Review for 2022, on opportunities and building on the strengths of the region. Click here to read the Review. Click here to access an interactive dashboard featuring key data from the report.

Introduction

The argument that major sporting events create legacies such as city regeneration and economic growth has repeatedly been used politically to justify event bids, and these types of legacies have been researched extensively. By contrast, social legacies and impacts remain relatively understudied.

Social Legacies

However, this does not mean that social legacies are unimportant.

Let's first look at what social legacies entail. According to the systematic review of Mair et al. (2021), event legacy research has included social elements specifically concerning ***'inclusion and diversity, 'volunteering', 'social cohesion, civic pride, and social capital', 'business and government partnership', 'disaster preparedness', 'sport participation, infrastructure, and health', 'destination branding', and 'accessibility'***.

Unlike economic and environmental legacies, which some might argue benefit only certain business sectors (e.g., tourism and trade) or certain locations within a host city (areas close to stadiums where major infrastructure tends to be focused), social legacies can, in theory, benefit all individuals and communities in a host region.

Social legacies are transboundary (in terms of ethnicity, gender, and other socio-demographic categories) and perhaps more important than ever in the aftermath of the COVID outbreak when people are actively seeking reasons and opportunities to celebrate and to socialise with family and friends.

The Birmingham Commonwealth Games

So, what kinds of social legacies have the Birmingham 2022 Commonwealth Games offered to Birmingham citizens and communities?

The Birmingham 2022 Commonwealth Games had five legacy missions: (1) bring people together, (2) improve health and well-being, (3) help the region to grow and succeed, (4) be a catalyst for change, and (5) put us on the global stage.

Translating those legacy missions into actual legacy programmes and activities, the pre-games legacy evaluation report produced by the Department for Digital, Culture, Media & Sport outlined that two out of the five legacy missions (1 & 2) appear to have been strongly focused on social legacies anticipating outcomes for '***physical activity and wellbeing'***, '***community cohesion, inclusion, and pride***', '***youth and learning'***, and '***creative and cultural participation'***. And another three legacy missions (3, 4 & 5) encompassed social legacies (specifically '***accessibility and equality'***, '***social value'***, '***skills'***, '***volunteering'***, and '***creative and cultural participation'***), in addition to other different types of legacies (e.g., economic and environment legacies) that were targeted.

While the abovementioned various social-legacy-anticipations appear to be consistent with the promises of previous major sporting events and are evidence-based (to various degrees), one type in particular – sport participation legacies – deserves discussion here. This is because, although research has suggested time and time again that the hosting of major sporting events does not create sustainable positive sport and physical activity legacies, the expectation persists that the Games will generate a legacy for physical activity and wellbeing to '***inspire and offer targeted opportunities for the people of the West Midlands to improve and sustain levels of physical activity***' (p. 26).

Watching the Games and the performance of elite athletes might inspire individuals and change their attitudes towards sport and physical activity, but it does not necessarily change behaviours – as established in our study of long-term sport participation legacies from the Beijing 2008 and London 2012 Olympics Games. When we examined the effects of other intrinsic and extrinsic factors (e.g., time, money, and sport confidence) on participation behaviour, we found the 'Olympic impact' to be one of the least influential factors affecting sports participation.

Our findings

Our findings offer two key messages concerning policy learning: First, the results serve as a warning that the legacy promises for major sporting events such as the Commonwealth Games must be realistic. Second, there is a need for proactive planning and concrete, sustainable mechanisms – beyond hosting events and building stadiums – that support sports and physical activity participation.

Birmingham's Green Economy and the Response to Climate Change

Kuran Singh, Greater Birmingham Chambers of Commerce

Kuran Singh discusses Birmingham's Green Economy and how the low-carbon sector is continuing to grow to make positive change. This blog post was produced for inclusion in the Birmingham Economic Review for 2022.

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

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What is a Green Economy?
A Green Economy is a low-carbon, resource-efficient economy that drives growth in employment through investment into infrastructure and assets that enable reduced carbon emissions and pollution. A Green Economy is an economy that encompasses the principles of sustainability.

Analysis from Deloitte shows a shift towards a Green Economy in the UK will create a significant number of new jobs highlighting the potential of the Hydrogen sector in creating 8-10,000 new jobs by 2030 and potentially 100,000 jobs by 2050. The future of the economy lies in green jobs, something Deloitte recognise highlighting the fact that green jobs increased by 8% from 2021-2022 compared to total UK employment which only increased by 0.5%. This is significant as not only does it show a shift towards a Green Economy, but it also shows how the Green Economy has fuelled the post-pandemic recovery.

Birmingham's Green Economy
Birmingham is a region committed to being at the forefront of the Green Economy. The low-carbon sector is continuing to grow within the region. Indeed, Greater Birmingham and Solihull LEP's (GBSLEP) Low Carbon and Environmental Goods and Services (LCEGS) sector was worth £6.3bn to the GBSLEP's economy in 2019/20, indicated by the value of sales in the sector. These sales were generated by over 2,800 businesses that employed 48,000 people in the sector in 2019/20 as highlighted by Sustainability West Midlands. Furthermore, employment across GBSLEP's Low Carbon and Environmental Goods and Services sector in 2019/20 was 48,322, which increased from 41,408 in 2017/18. It's clear that the Green Economy has significant value to Birmingham, with increasing levels of jobs, businesses and investment being seen across the region.

There are numerous practical examples of Birmingham and its commitment to the Green Economy. For example, Tyseley Energy Park (TEP) is at the centre of energy innovation in Birmingham and the West Midlands, stimulating and demonstrating new technologies and looking to turn them into viable energy systems that will contribute to Birmingham's commitments to reduce CO2 emissions by 2030.

Birmingham and its commitment to climate change
Birmingham's commitment to climate change has been consistent in its actions. In June 2019 the council declared a climate emergency and committed to reducing the city's emissions, limiting the impact of the crisis. Birmingham aims to become net zero carbon by 2030. This is the city's 'route to zero' (R20). Not only is a strong and promising Green Economy emerging, but the Commonwealth Games are also expected to have been the most sustainable games yet with organisers anticipating that the games were carbon neutral. Furthermore, Birmingham introduced the Clean Air Zone which is in operation all year round- the clean air zone targets an area where action was needed to improve air quality by penalising the use high polluting vehicles.

Not only is the city looking to become more carbon neutral, but it’s also important to note the efforts being made to make the region a greener place to live.

Smithfield – Birmingham

The Smithfield redevelopment is planning to ensure a greener site with over 500 trees and a range of vegetation suited to the Birmingham climate. Ambitions for a greener city were also seen in the redevelopment of Perry Barr with plans to improve access to the natural environment and support engagement with nature, on top of the zero carbon and energy efficiency measures that were adopted in infrastructure development.

Climate change is a hugely important matter that cities across the world have to deal with. Birmingham is a city at the forefront of sustainability efforts with plans being built around sustainability initiatives, and action being taken. Combined with a thriving green economy, it’s clear that the future of the city is green.

Large-Scale Sustainable Development in the Birmingham City-Region

Kelvin Humphreys, WMREDI

Kelvin Humphreys looks at green growth in the city-region exemplified through major investment in clean energy, vehicle electrification, mixed-use development and sustainable transport infrastructure. This blog post was produced for inclusion in the Birmingham Economic Review for 2022. The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.
This post is featured in Chapter 5 of the Birmingham Economic Review for 2022, on opportunities and building on the strengths of the region. Click here to read the Review. Click here to access an interactive dashboard featuring key data from the report.

The latter half of the past decade has certainly thrown up some challenges which, although not unique to Birmingham, acutely affected the region more so than others.

Challenges

Despite these challenges, the United Kingdom's 'second city' holds great promise. At the heart of UK manufacturing, with a large business and professional services sector, and growing tech, health and digital sectors, all supported by leading higher education institutions, the region is well positioned for future growth.

Not least in industries that have the potential to create highly skilled, well paid and good-quality jobs, but also that hold the potential to tackle climate change and other pressing societal issues. All of this is underpinned by large-scale investment into sustainable housing, transport and commercial development. Evidence of this can be seen across the city on a massive scale, from the Peddimore employment park in the northeast to the regeneration of Longbridge in the southwest, but also in the surrounding towns and cities.

East of the Birmingham City-Region

Perhaps nowhere exemplifies the scale of potential better than the east of the city region which stands at the nexus of green growth through major investments into clean energy, vehicle electrification, mixed-use development at Arden Cross and sustainable transport infrastructure, including HS2.

The east of the city region, comprising East Birmingham and North Solihull, has been long been home to Jaguar Land Rover, Birmingham Airport and the NEC. Over the past decade, it has seen the emergence and growth of Tyseley Energy Park (TEP), located within the Tyseley Environmental Enterprise District (TEED), which is at the forefront of efforts to decarbonise the city and drive green growth. TEP is home to a cluster of waste, green energy, and low carbon vehicle systems innovation activity centred on the Birmingham Energy Innovation Centre (BEIC) led by the Birmingham Energy Institute. It is also the site of the UK's first multi-fuel, open access, low and zero-carbon fuel refuelling station including hydrogen used to fuel buses in the West Midlands.

Although the area is already well served by road and rail, huge investment into transport infrastructure, including High Speed 2 rail, Sprint bus routes and future extension of the Metro network through East Birmingham to Solihull, will make it one of the best connected in the country. The HS2 Interchange Station, the first railway station in the world to achieve a BREEAM 'Outstanding' certification for sustainability, will open up high-speed rail connectivity with London, Manchester and the north of the country bringing communities and opportunities closer together.

The massive scale of investment has opened up the possibility of developing a 140-hectare mixed-use innovation and enterprise-focused development, to be served by the future Interchange Station, at Arden Cross. The vision for the master-planned site aims to create a highly sustainable and innovative, advanced economic hub for the Midlands, creating jobs, opportunities, technologies and skills needed for the future. The internationally significant development has the potential to attract substantial inward investment and talent to the region.

By leveraging infrastructure, location and existing assets whilst maximising on opportunities for growth the east of Birmingham is setting the stage for future sustainable growth for the benefit of the city and beyond.

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

Black Country Consortium Economic Intelligence Unit

On the 26th January 2023, 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 crisis 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 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 13th and 20th January 2023, total online job adverts increased by 3.4%. On the 20th January 2023, total online job adverts were at 108.4% of their average level in February 2020. Out of the 28 categories (excluding unknown) 19 increased; the largest weekly increase was in "transport/logistics/warehouse" which rose by 46.9% (to 209.1% of the average level in February 2020). "Healthcare & social care" over this period remained at 77.9% of the average level in February 2020. Of the eight categories that decreased, the highest decrease was in "travel/tourism" which fell by 7.7% (to 105.0% of the average level in February 2020). There were 7 categories that were below the February 2020 average level, with the lowest in "sales" at 77.9%. "IT/computing/software" was at 100.0% of the average level in February 2020.

Excluding Northern Ireland, online job adverts increased for all other UK regions between the 13th and 20th January 2023. The West Midlands online job postings rose by 2.1% and on the 20th January 2023, it was at 105.6% of the average level in February 2020. There were four regions that were below the February 2020 levels; East of England (90.0%), London (92.7%), East Midlands (94.2%) and the South East (94.5%). In contrast, despite the fall, Northern Ireland had the highest levels on the 20th January 2023 at 146.8% of the average level in February 2020.

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 8th January 2023, across the UK there were 44 employers proposing 2,725 potential redundancies. The potential redundancies 4-week rolling average was 2,786 and the employers proposing redundancies 4-week rolling average was 37. 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 57 and the employers proposing redundancies 4-week rolling average was 67.

System Average Price of Gas and System Price of Electricity

The System Average Price (SAP) of gas decreased by 4% in the week to 22nd January 2023 (from the previous week), it was 17% lower than the equivalent level in 2022. However, when compared to the pre-Covid-19 baseline, SAP of gas was 556% higher. The System Price of electricity fell by 17% in the week to 22nd January 2023, was 22% lower than the equivalent level in 2022, but 370% higher than the pre-Covid-19 baseline.

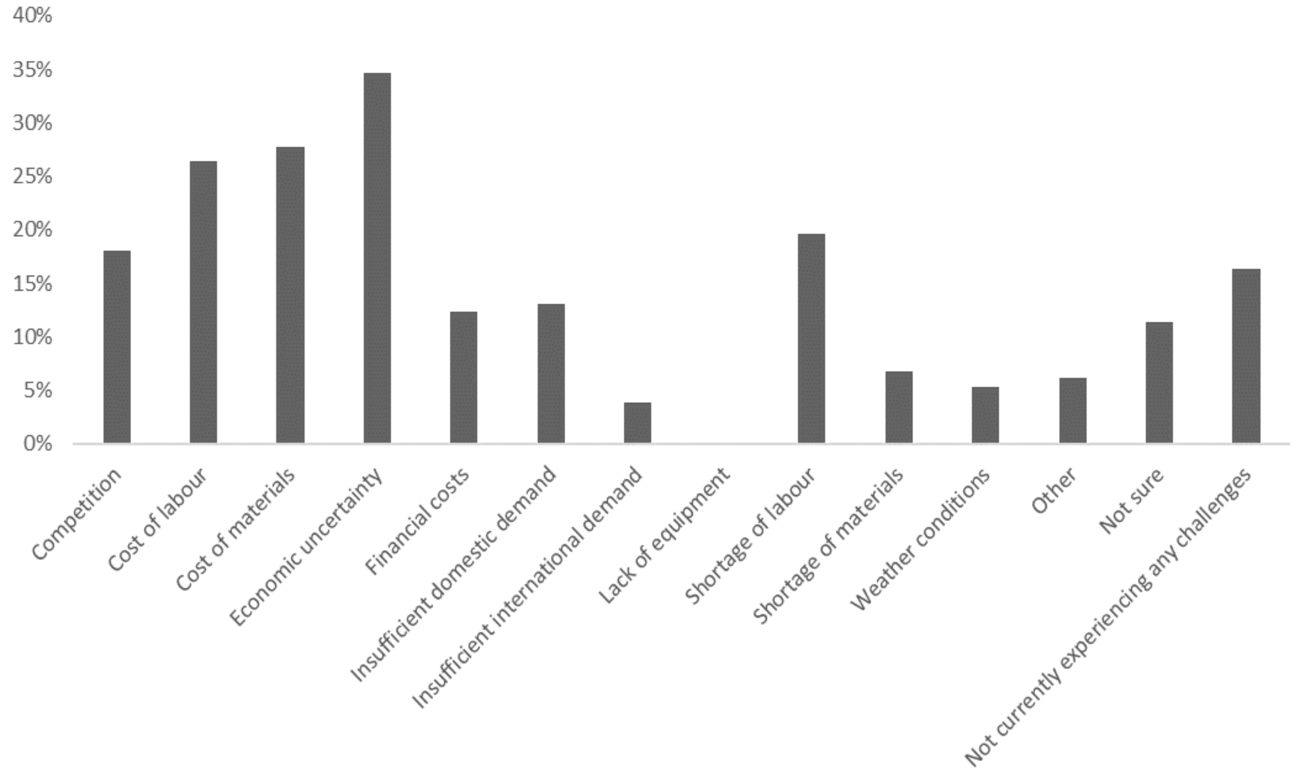
Business Insights and Conditions Survey

The final results from Wave 74 of the Business Insights and Conditions Survey (BICS) based off the 5,297 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 27.6% (1,461) and 3,263 businesses that are head quartered in the West Midlands, with a response rate of 25.7% (839). Please note, the survey reference period was 1st to 31st December 2022 with a survey live period of 9th to 22nd January 2023. 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.

Financial Performance

21.5% of West Midlands businesses reported that turnover in December 2022 had increased when compared to the previous calendar month. 33.5% of West Midlands businesses reported turnover had stayed the same. However, 37.8% had reported that turnover had decreased. 34.6% of West Midlands businesses reported economic uncertainty was impacting turnover.

Challenges (if any) impacting West Midlands businesses turnover:



25.2% of West Midlands businesses expect turnover to increase in February 2023. While, 45.8% reported expectations of turnover to stay the same. However, 17.0% of West Midlands businesses expect turnover decrease in February 2023.

Prices

35.4% of West Midlands businesses reported the prices of goods or services brought in December 2022 when compared to the previous month had increased. 47.7% reported that prices had stayed the same and 1.6% of West Midlands businesses reported that prices of goods or services brought had decreased.

17.0% of West Midlands businesses reported the prices of goods or services sold in December 2022 when compared to the previous month had increased. 67.8% reported that prices had stayed the same and 1.7% of West Midlands businesses reported that prices of goods or services sold had decreased.

28.0% of West Midlands businesses expect the prices of goods or services sold in February 2023 to increase. 52.5% expect prices to stay the same and 1.4% expected the prices of goods or services sold to decrease.

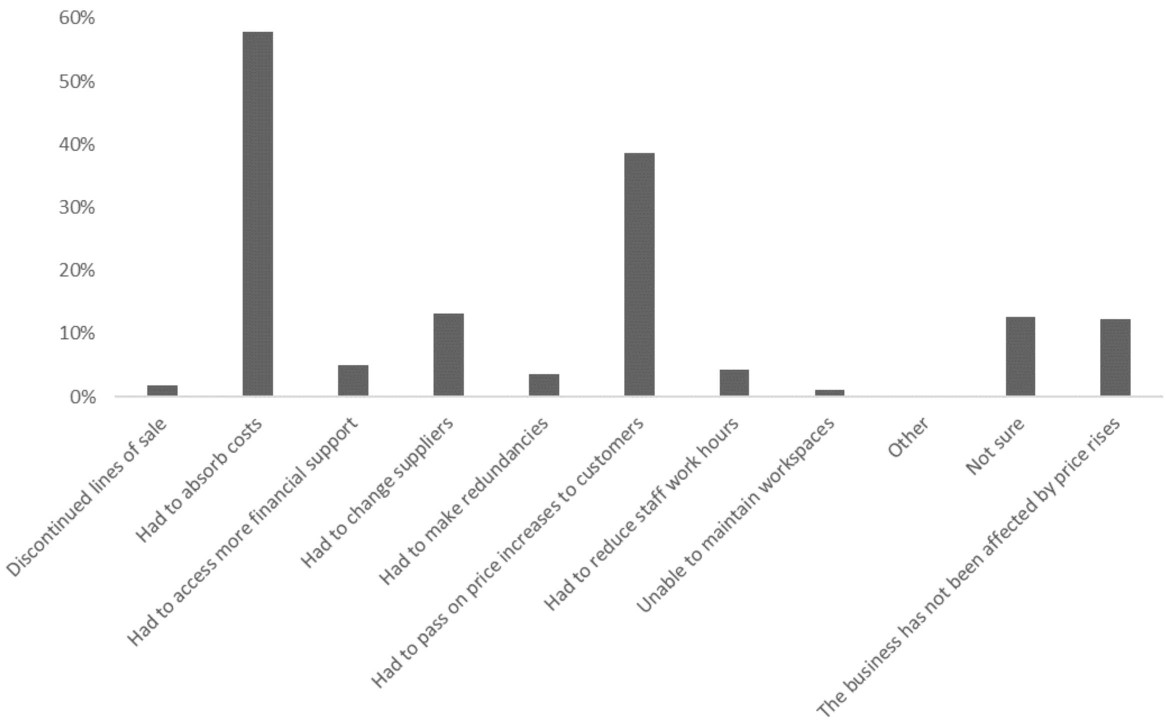
42.5% of West Midlands businesses reported that energy prices were a factor for the business to consider rising prices in February 2023. While, 25.6% of responding West Midlands businesses reported to not be considering raising prices in February 2023.

Factors (if any), are causing West Midlands businesses to consider raising prices in February 2023:

Energy Prices
4.7% of West Midlands businesses reported production had been affected by recent increases in energy prices, 17.8% of West Midlands businesses reported suppliers had been affected and 25.1% of West Midlands businesses reported that both production and suppliers were affected. 24.2% of West Midlands businesses reported to not being affected by the recent increases in energy prices.

Impacts of Price Rises
57.9% of West Midlands businesses have had to absorb costs due to price rises.

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



Demand for Goods and Services
13.5% of West Midlands businesses reported that domestic demand for goods and services in December 2022 when compared to the previous month had increased. 45.9% reported the domestic demand had stayed the same and 23.4% of West Midlands businesses reported the domestic demand for goods and services had decreased.

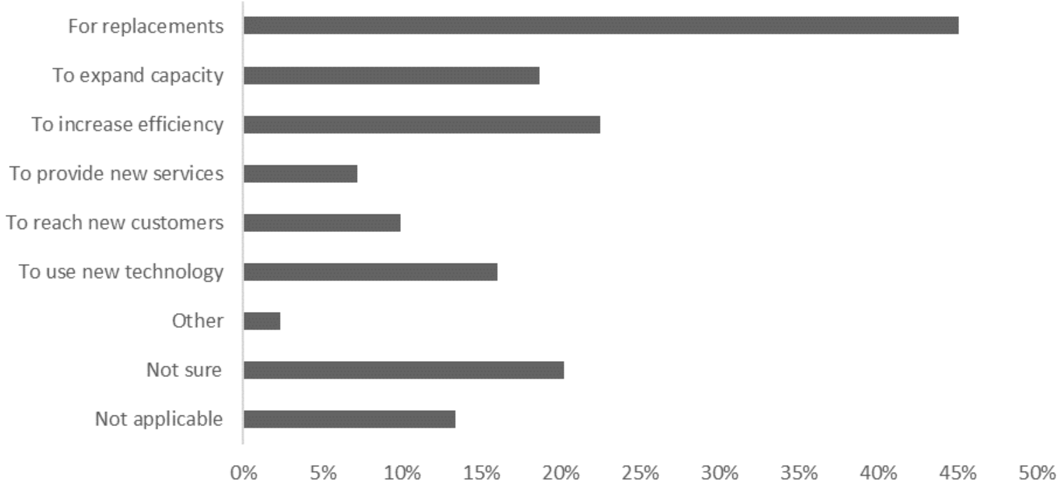
3.2% of West Midlands businesses reported that international demand for goods and services in December 2022 when compared to the previous month had increased. 22.5% reported the international demand had stayed the same and 8.4% of West Midlands businesses reported the international demand for goods and services had decreased.

Capital Expenditure

In the next three months, 18.5% of West Midlands businesses expect capital expenditure to increase. While 41.1% expect capital expenditure to stay the same and 11.4% expect capital expenditure to decrease.

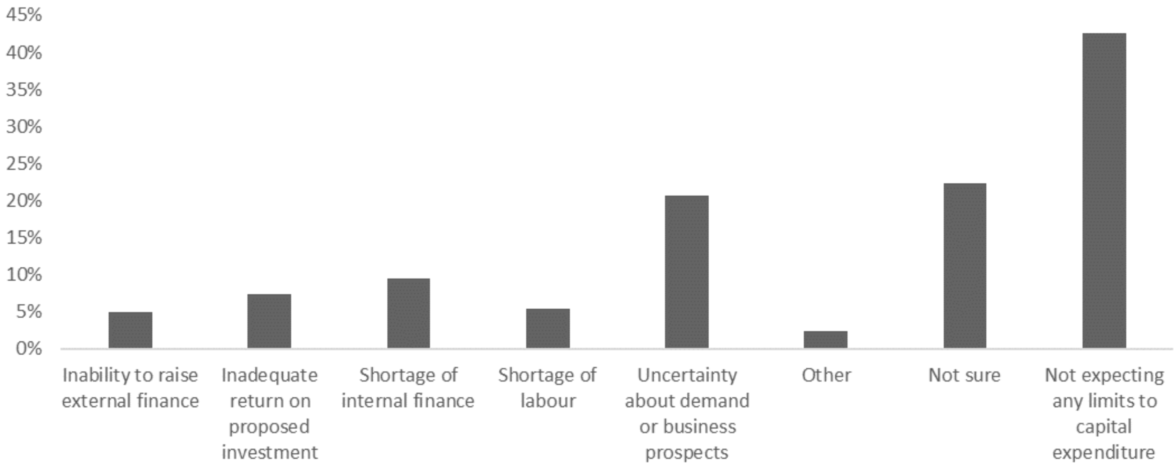
45.1% of West Midlands businesses are expecting to authorise capital expenditure for replacements in February 2023.

Reasons (if any) West Midlands businesses are expecting to authorise capital expenditure in February 2023:



20.7% of West Midlands businesses expect uncertainty about demand on business prospects to limit capital expenditure in February 2023. 42.6% of responding West Midlands businesses are not expecting to limit capital expenditure in February 2023.

Reasons (if any) West Midlands businesses expect to limit capital expenditure in February 2023:



1.2% of West Midlands businesses scaped capital assets earlier then intended in December 2022.

Number of Employees

18.2% of West Midlands businesses reported in December 2022 when compared to the previous month, that the number of employees increased, 62.1% reported the number of employees had stayed the same and 13.2% of West Midlands businesses reported the number of employees had decreased.

21.4% of West Midlands businesses expect the number of employees will increase in February 2023, 57.9% expected the number of employees to stay the same and 9.0% of West Midlands businesses expect the number of employees to decrease.

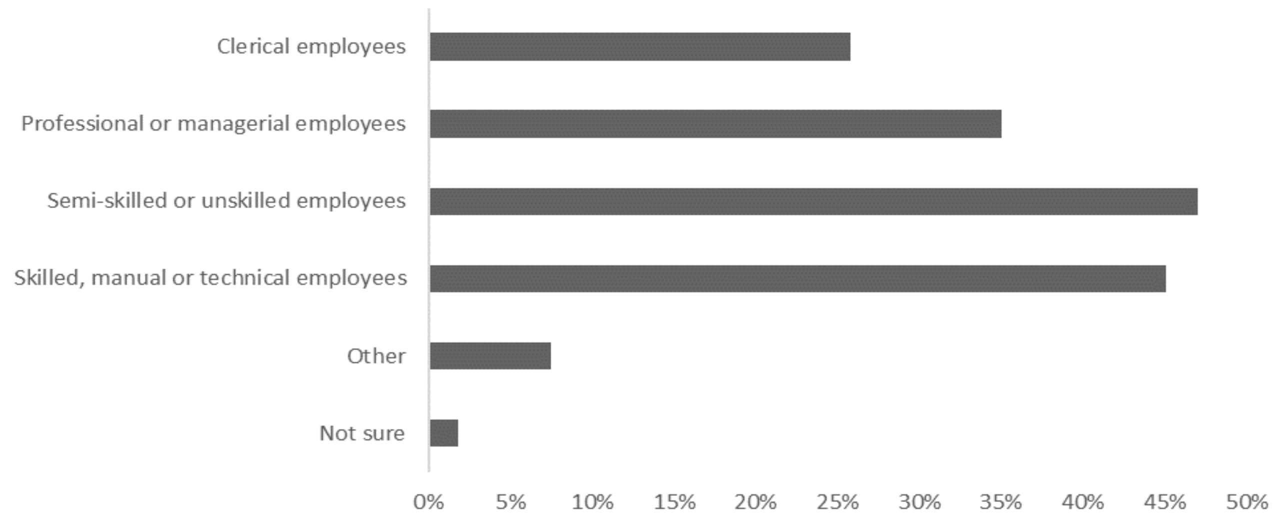
Staffing Costs
Over the last three months, 45.7% of West Midlands businesses reported staffing costs had increased, 39.5% reported to have stayed the same and 3.5% reported staffing costs had decreased.

In the next three months, 50.5% of West Midlands businesses expect staffing costs to increase, 33.0% expect staffing costs to stay the same and 3.0% expect a decrease.

Recruitment Difficulties
35.0% of West Midlands businesses reported to experiencing difficulties in recruiting employees in December 2022. However, 38.7% of responding West Midlands businesses did not experience any difficulties.

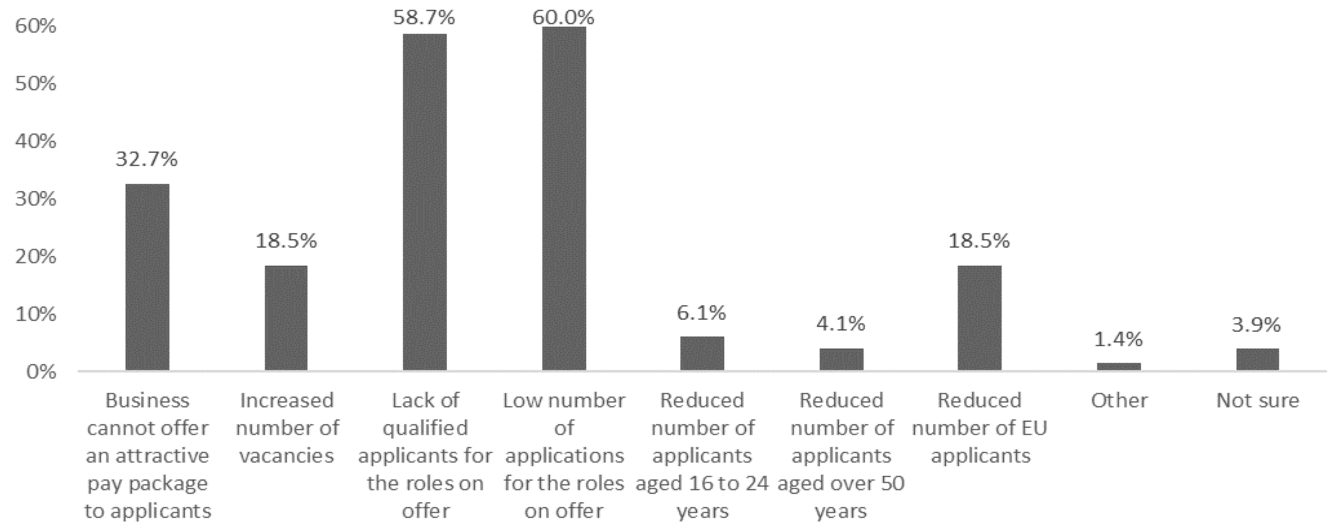
47.0% of West Midlands businesses reported difficulties in recruiting semi-skilled or unskilled employees.

Employees West Midlands businesses reported difficulties in recruiting:



60.0% of West Midlands businesses reported that the difficulties in recruiting employees was due to low number of applications for the roles on offer.

Reasons West Midlands Businesses experienced difficulties in recruiting employees:



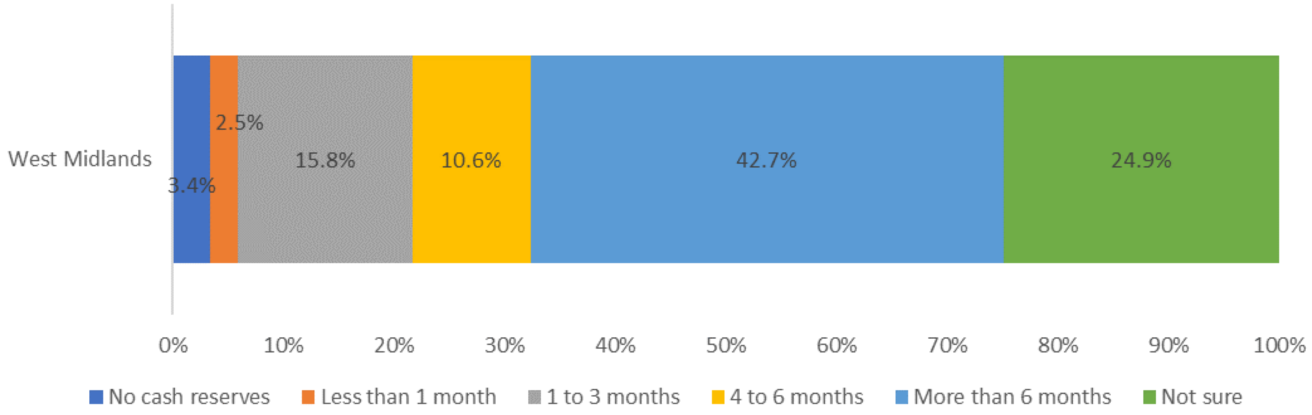
Debts and Insolvency
2.3% of West Midlands businesses reported that debt repayments were between 50% and 100% of turnover in December 2022. 3.0% of West Midlands businesses reported that repayments were between 20% and 50% of turnover. 25.6% of West Midlands businesses reported that repayments were up to 20% of turnover.

47.5% of West Midlands businesses reported high confidence to meet the current debt obligations, 13.1% had moderate confidence and 1.7% had low confidence.

5.4% of West Midlands businesses reported to be at moderate risk of insolvency, 45.5% reported low risk and 40.3% reported no risk.

Cash Reserves
3.4% of West Midlands businesses reported no cash reserves.

How long West Midlands businesses expect cash reserves to last:



Overall Performance
30.7% of West Midlands businesses reported that overall performance in December 2022 increased when compared to December 2021. 38.3% of West Midlands businesses reported that performance had stayed the same and 22.5% reported that performance had decreased.

For the next 12 months, 39.6% of West Midlands businesses expect that performance will increase, 35.5% expect performance will stay the same and 11.0% 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 Opinions and Lifestyle Survey (OPN). Estimates are based on data collected between 11th to 22nd January 2023 (the "latest period") and the 21st December 2022 to 8th January 2023 (the "previous period").

Important Issues Facing the UK
In the latest period, respondents felt the four main issues facing the UK were; the cost of living (93%), NHS (89%), economy (76%) and climate change & the environment (59%).

Cost of Living Crisis
73% of all adults reported being very or somewhat worried about rising costs of living in the past two weeks (down from 74% reported in the previous period).

Keeping Warm this Winter
51% of adults reported being very or somewhat worried about keeping warm in their home this winter (down from 53% in the previous week).

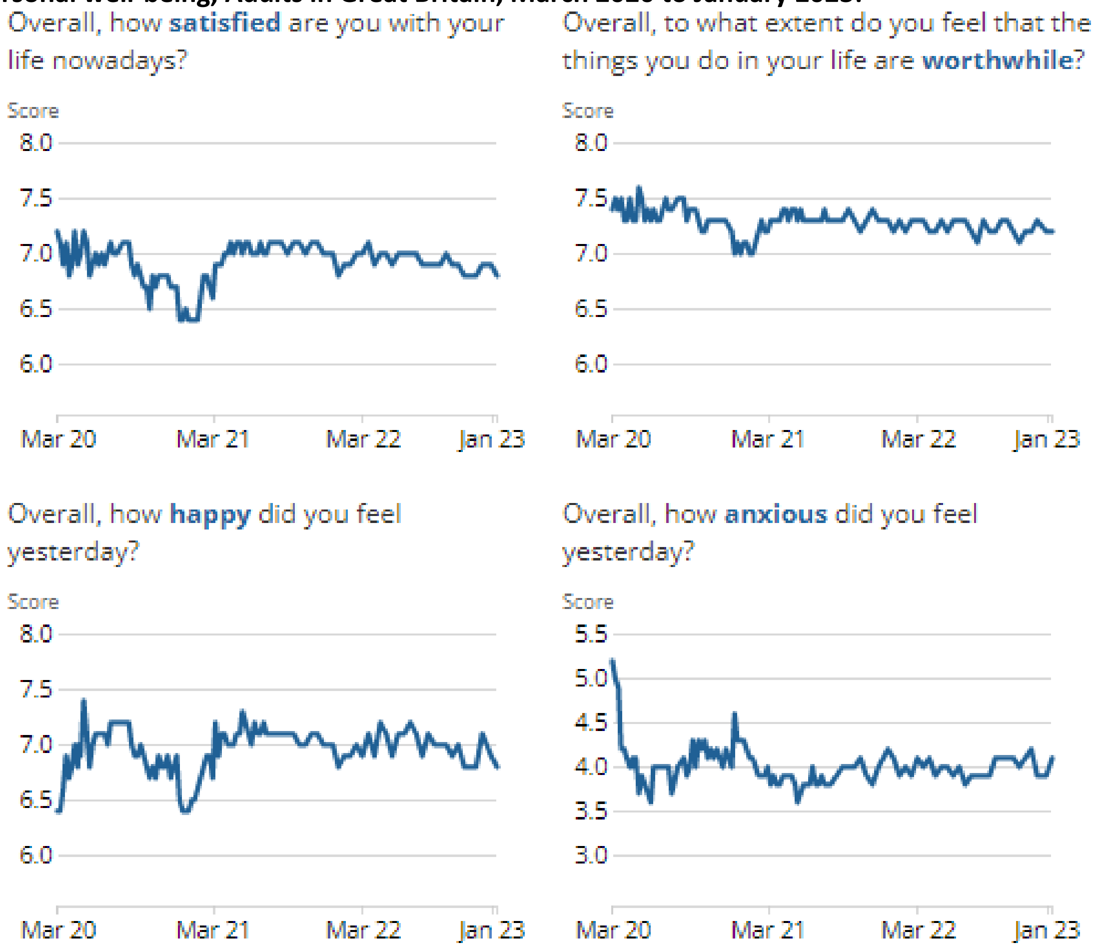
Household Finances
16% of adults reported to having no savings in the latest period (remained the same as the previous period).
7% of adults reported to having a direct debit, a standing order, or a bill that they were unable to pay in the past month (down from 8% in the previous period).

Paying Energy Bills
46% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (remaining the same as the previous period).

Rent or Mortgage Payments
31% of those who are currently paying rent or mortgage payments reported that these payments have gone up in the last six months (up from 29% in the previous period).
30% of those who are currently paying rent or mortgage payments reported that they are finding it very or somewhat difficult to make these payments (up from 28% in the previous period).

Personal Well-Being and Loneliness
Life satisfaction – decreased to 6.8 in the latest period (from 6.9 in the previous period).
Feeling that the things done in life are worthwhile – remained at 7.2 from the previous period.
Happiness – decreased to 6.8 in the latest period (from 6.9 in 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 January 2023:



Source: Office for National Statistics – Opinions and Lifestyle Survey

25% of adults reported feeling lonely always, often or same of the time in the latest period (down from 27% reported in the previous period).

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

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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