West Midlands
Economic Impact Monitor

Issue 100 Publication Date 07/04/23

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 is the 100th edition of the Monitor. The first one was published in late March 2020. At that time, PMI had dropped to 37.1, 1 in 3 businesses had closed due to regulation, JLR had shut its production plants, and the numbers of calls for business support were increasing rapidly. The forecasts highlighted in that first report, did not predict the length and severity of the impacts. That first monitor made several recommendations for policy, many of which have been implemented since. Just over three years on:

Cost of living increases and impacts

- Strikes are set to continue for teachers, passport workers, junior doctors, airport workers, tube drivers, university staff and civil servants.
- In the latest period, just over one in three (36%) adults reported that industrial action was an important issue, while one in four (25%) adults had been affected by industrial action in the last month.
- When asked about the important issues facing the UK today, the most reported issues continue to be the cost of living (91%), the NHS (84%), the economy (71%), and climate change and the environment (57%).

Energy

- Oil prices are on the rise again after the OPEC oil producing countries announced they would be making cuts to output.
- 17% of businesses expect energy prices will be their main concern for April 2023; slightly lower than the 19% of businesses in March 2023.
- The System Average Price of gas is 55% lower than the equivalent period of 2022 and 79% below the peak level observed on 28 August 2022; this is the tenth consecutive week-on-week decrease in price.
- Under the current cap, the average household from every local authority within the West Midlands Combined Authority (WMCA) would be considered as being within fuel poverty as they spend more than 10% of their income on their energy bills.

Economy

- UK gross domestic product (GDP) is estimated to have increased by 0.1% in Quarter 4 (Oct to Dec) 2022, revised from a first estimate of no growth.
- In output terms, the services sector grew by 0.1% and the construction sector grew by 1.3%, while the production sector growth was flat in Quarter 4 2022.
- The level of real GDP in Quarter 4 2022 is now estimated to be 0.6% below where it was pre-COVID-19 at Quarter 4 2019, revised upwards from the previous estimate of 0.8% below.
- Since 2021, the West Midlands region's total value in goods exports increased by nearly £4.4bn (+17.1%) to £29.9bn in 2022. The overall value of UK trade in goods exports increased at a greater rate, by 19.2% (to £371.5bn in 2022).
- Since 2021, the value of West Midlands region' imports increased by nearly £8.7bn (+25.5%) to £42.6bn in 2022. The UK-wide total imports increased by 37.1% to £632.3bn.
- The West Midlands had a trade in goods deficit of £12.7bn in 2022.
- Business investment fell by 0.2% in Quarter 4 (Oct to Dec) 2022, revised down from the provisional estimate of 4.8% growth. The level of business investment in Quarter 4 2022 was 2.2% below where it was in Quarter 4 2019, the quarter before the COVID-19 pandemic.
- 93% of companies say supply chain pressures are set to continue in the year ahead; building resilience is highly important to business success.
- 80% of manufacturers say that supply chain vulnerabilities are a significant strategic risk for both 2023 and 2024. Digital technologies can provide solutions for companies to become more responsive when faced with supply chain disruptions.
- The biggest drivers of supply chain disruption are all related to increased costs with almost three quarters of companies saying higher raw material prices were the biggest challenge (71%), followed by higher transportation and energy costs (69% and 68% respectively).

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- Re-shoring of suppliers continues apace as supply chain volatility becomes permanent 40% of manufacturers have re-shored suppliers in the last year
- Make UK latest **-** Output and orders indicate rebounding activity; UK orders leads growth with both domestic and export orders improved; Price growth accelerates but margins remain in contraction; Demand for employees remains strong and investment intentions pick up even before Budget measures; Business confidence improves but caution remains that worst may not be over; Industry forecast to contract by -3.3% in 2023, 0.8% growth in 2024
- The UK government's net expenditure on research and development (R&D) (excluding EU R&D budget contributions) remained at £14.0 billion in 2021.
- Total net expenditure on R&D (including EU R&D budget contributions) decreased by £803 million (5.3%), from £15.3 billion in 2020 to £14.5 billion in 2021.
- As of the 31st of March, both Coventry and Warwickshire and Black Country LEPs have shut down, Greater Birmingham and Solihull LEP will continue to remain open till the end of the financial year. The services provided by the LEPs will now be provided by Business Growth West Midlands, launched on the 1st of April.
- Data released by the Insolvency Service at the end of January shows that firm insolvencies, or bankruptcies, in England and Wales reached the highest level since 2009.
- Lower-skilled, lower-income households in more deprived communities are less resilient than wealthier households and tend to experience higher unemployment in times of recession. There are fewer opportunities for re-employment in new firms or growth industries, less disposable income for re-location and a lower level of assets and savings to draw on to carry them over into the next upturn. High insolvency rates correlate with increased social welfare benefits costs for governments.
- the West Midlands is most strongly affected by insolvency, with low-income and medium-income groups experiencing income loss of more than 1.5%.
- Total Innovate UK funding for each region, the most goes to London and the South East, followed by the West Midlands receiving the dominant shares, with Manufacturing receiving the dominant share (almost three times the investment in Health).
- The West Midlands has the most concentrated portfolio of all the regions. 81% of West Midlands funding is in the Manufacturing theme and less than 5% in two of the remaining three areas.

Labour Market and Employment

- The Resolution Foundation found that the group most likely to benefit from the new free 30 hours of childcare announced in the Budget are middle-income groups, partly because UC claimants already get high levels of support with regard to childcare fees. The Office for Budget Responsibility believe this will bring greater flexibility for working parents, however much of this will still rest on the government's ability to improve childcare supply, otherwise, prices will remain high and unaffordable for many parents.
- While over a quarter of full-time higher education students were estimated to be working during term-time in the early 1990s, evidence from the National Union of Students (NUS) and the Trades Union Congress suggests that the number of full-time students in employment increased significantly (by approximately 55%) between 1996 and 2006.
- The Student Income and Expenditure Survey (SIES) revealed that 52% of full-time students engaged in some form of paid work during term-time in the academic year 2014/15. On average, these students earned approximately £3,300 from paid employment.
- Graduates, on average, accumulate around £45,000 in debt, but most are unlikely to repay their loans in full, with the total amount of unpaid debt predicted to reach around £560 billion by 2050.

Business cases

- City-REDI carried out a review of business cases. Of 805 projects reviewed that were funded only 11.7% had publicly available business cases. Of those, 44.7% did not mention additionality: a core part of the Green Book guidance on assessing bids. Of all the 94 bids only four had covered all additionality factors.
- There is a lack of skills and expertise in developing business cases both in central government and local and regional government.
- In a competitive environment, there is a lack of learning from best practices and good examples or transparency in approach. This is further impacted by the lack of evaluation and reflective learning in the system.

Regional productivity levers

- City-REDI research shows that the UK's regional institutions are currently lacking the decision-making powers, budgetary capacity and institutional capabilities to make transformative policy interventions in the drivers of productivity. Of course, outcomes also depend on the interaction of contextual factors, including past economic performance, economic geography and local political economy.

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Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

NATO expansion

Finland has become the 31st member of the NATO security alliance, doubling the length of member states' borders with Russia. Russia regards NATO as an enemy force and has since stated there will be a retaliation to the expansion of NATO. The Russian invasion of Ukraine prompted a surge in Finnish support to join NATO to 80% in favour. Finland has a very strong army given its population size, with 30,000 armed forces and 250,000 reserves. Though Finland's assession into NATO may anger Russia, Russia has few quarrels with Finland compared to with Ukraine, as Russia views the Ukraine as anti-Russian, whereas it does not associate these views with Finland. Whether and what action Russia might take is uncertain.

OPEC

Oil prices are on the rise again after the OPEC oil producing countries announced they would be making cuts to output. As a result, the price of Brent crude oil is trading close to $85 a barrel after jumping by almost 6%. This has worried economists; the cut in output, and rising prices as a result, will likely push inflation higher as drivers and businesses see costs rise higher. The OPEC countries produce 40% of the world's oil any reduction in output can have a huge impact on the wholesale market and prices. Many industry experts have stated that the reason the group has cut oil production is to maintain barrel prices at above $80 per barrel.

Virgin Orbit

Virgin Orbit has filed for bankruptcy in the US after failing to secure new investment. The satellite launch company had halted operations a few weeks ago, in the hopes of finding a buyer for the business. The company, based in California, announced that it would now be cutting its staff by 85%. In order to help find a new buyer, Virgin Investments (the parent group) has provided the company with additional funding to hold it over through this process. Bankruptcy has been a common thread amongst many space-based companies, with many often running out of capital and struggling to find funding, given the expense of businesses in such sectors.

National

Dover Delays

Over the last week since the beginning of the Easter holidays there have been very large queues at the Dover port. Queues always worsen around the holidays because the number of people trying to reach the continent increases. However, queues are now longer than ever before, at least in part as a result of Brexit. As the UK has officially left the EU, French border staff must spend time checking and scanning every passport and checking all goods - resulting in longer waiting times. It gets particularly busy around the end of term, as this is when many school trips take place, and every person on every coach must undergo checks every time they travel through. This is causing large delays at Dover. The government voted against increased passport booths in 2020, believing they would not be necessary.

Strikes

Strikes are set to continue throughout this month following the rejection by unions of various government pay deals offered. There are set to be strikes by teachers, passport workers, junior doctors, airport workers, tube drivers, university staff and civil servants. The government has been relatively hostile towards the unions, with unions accusing ministers of refusing to negotiate. Some unions, however, have accepted the pay deals in the last month including the NHS and the RMT, indicating that some progress is being made on negotiations with some unions.

GDP

ONS has released its quarterly estimates of GDP for the UK for October to December 2022. The key findings were:

- UK gross domestic product (GDP) is estimated to have increased by 0.1% in Quarter 4 (Oct to Dec) 2022, revised from a first estimate of no growth.
- In output terms, the services sector grew by 0.1% and the construction sector grew by 1.3%, while the production sector growth was flat in Quarter 4 2022.
- The level of real GDP in Quarter 4 2022 is now estimated to be 0.6% below where it was pre-coronavirus (COVID-19) at Quarter 4 2019, revised upwards from the previous estimate of 0.8% below.
- The GDP implied deflator rose by an upwardly revised 7.3% in the year to Quarter 4 2022, primarily reflecting higher cost pressures faced by households.
- The household savings ratio increased to 9.3% in Quarter 4 2022, from 8.9% in the previous quarter.
- Real household disposable income (RHDI) increased by 1.3% this quarter after four consecutive quarters of negative growth.

Economic Activity and Social Change

ONS has released data on economic activity and social change in the UK. These real-time indicators are created using rapid response surveys, novel data sources and experimental methods. The key findings in this release were:

- In the latest week, consumer behaviour indicators have shown a mixed picture, with overall retail footfall down on last week, Revolut debit card spending broadly unchanged, and automotive fuel demand per transaction increasing by 5 percentage points on the week (Springboard, Revolut, Visa).
- 17% of businesses expect energy prices will be their main concern for April 2023, which was slightly lower than the 19% of businesses in March 2023 (initial results from Wave 79 of the Business Insights and Conditions Survey).
- The total number of online job adverts on 24 March 2023 fell by 1% compared with the previous week and was 14% lower than the equivalent period of 2022; adverts in 23 of the 28 job categories and 10 of the 12 UK countries and regions were below the level seen in the equivalent period of 2022 (Adzuna).
- The System Average Price of gas is 55% lower than the equivalent period of 2022 and 79% below the peak level observed on 28 August 2022; this is the tenth consecutive week-on-week decrease in price (National Gas Transmission).
- The average number of daily ship visits increased by 4% in the week to 26 March 2023 but was 5% below the level in the same period last year, while the average number of cargo and tanker ship visits was unchanged in the latest week and was 13% lower than the level in the same period last year (exactEarth).

Public Opinions and Social trends

ONS has released data on Social Insights on daily life and events, including the cost of living, well-being and shortages of goods from the Opinions and Lifestyle Survey. The key findings in this release were:

- When asked about the important issues facing the UK today, the most commonly reported issues continue to be the cost of living (91%), the NHS (84%), the economy (71%), and climate change and the environment (57%).
- Around a third (36%) of adults who are currently making rent or mortgage payments reported that these payments have gone up in the last six months; this is an increase of 7 percentage points (29%) from when we first asked this question during the period 3 to 14 November 2021.
- In the latest period, just over one in three (36%) adults reported that industrial action was an important issue, while one in four (25%) adults had been affected by industrial action in the last month.
- Among those affected by industrial action, impacts included spending more money on travel (20%), not being able to travel for holiday or leisure as planned (16%), and being unable to take part in leisure activities (15%).
- Over half (55%) of adults reported less variety than normal when food shopping, compared with 51% in the previous period and 35% in a similar period a year ago (3 to 13 March 2022); this is the highest percentage since data were first collected in October 2021.

Business Investment

ONS has released data on short-term indicators of investment in non-financial assets, business investment and asset and sector breakdowns of total gross fixed capital formation, from October to December 2022. The key findings were:

- Business investment fell by 0.2% in Quarter 4 (Oct to Dec) 2022, revised down from the provisional estimate of 4.8% growth.
- The level of business investment in Quarter 4 2022 was 2.2% below where it was in Quarter 4 2019, the quarter before the coronavirus (COVID-19) pandemic; business investment was 10.8% above where it was in the same quarter a year ago.
- Whole economy investment (technically known as gross fixed capital formation (GFCF)), which includes business and public sector investment, increased by 0.3% in Quarter 4 2022, revised down from the provisional estimate of 1.5%.
- GFCF in Quarter 4 2022 was 3.4% above where it was in Quarter 4 2019, the pre-coronavirus quarter; GFCF was 7.6% above where it was in Quarter 4 2021.
- GFCF and business investment levels in Quarter 4 2022, as a percentage of gross domestic product (GDP), were 18.7% and 10.0% respectively; this is largely consistent with their proportions over recent periods.

No Weak Links: Building Supply Chain Resilience

A recent Make UK survey on supply chain resilience Make UK found:

- 93% of companies say supply chain pressures are set to continue in the year ahead, building resilience is highly important to business success
- 80% of manufacturers say that supply chain vulnerabilities are a significant strategic risk for both 2023 and 2024. Digital technologies can provide solutions for companies to become more responsive when faced with supply chain disruptions.
- While dashboard and analytics dominate the most popular digital tool for almost half of the companies (46%) there is minimal take up of technologies such as AI and machine learning (8%), robotics and automation (7%) and augmented and virtual reality (4%). Furthermore, two in five companies don't use technology to monitor their supply chains, while around a quarter of companies do not monitor either up or down their supply chains.
- The biggest drivers of supply chain disruption are all related to increased costs with almost three quarters of companies saying higher raw material prices were the biggest challenge (71%), followed by higher transportation and energy costs (69% and 68% respectively).
- Four fifths of manufacturers say supply chain monitoring is vital for their business
- Almost half of the companies have increased investment in supply chain resilience, but a quarter of companies monitoring supply chains and digital adoption remain low
- Four fifths of companies diversify their supply chains by increasing or reducing suppliers
- Re-shoring of suppliers continues apace as supply chain volatility becomes permanent 40% of manufacturers have re-shored suppliers in the last year

Research and Development

ONS has released an update of the UK governments expenditure on Research and Development in 2021. The key findings were:

- The UK government's net expenditure on research and development (R&D) (excluding EU R&D budget contributions) remained at £14.0 billion in 2021.
- Total net expenditure on R&D (including EU R&D budget contributions) decreased by £803 million (5.3%), from £15.3 billion in 2020 to £14.5 billion in 2021.
- Total net expenditure on R&D (including EU R&D budget contributions) plus knowledge transfer activities was £14.7 billion in 2021, and represented a decrease of 5.1% from the 2020 estimate of £15.5 billion.
- UK Research and Innovation (UKRI), which includes the UK's seven research councils, contributed the most to net expenditure on R&D (including EU R&D budget contributions) plus knowledge transfer activities in 2021, at £5.7 billion, 39% of the total.
- Defence R&D expenditure was £1.8 billion in 2021, an increase of £768 million (72%) since the 2020 value of £1.1 billion; total civil R&D expenditure decreased by £748 million (5.8%) in 2021, offsetting most of the defence increase.
- In constant prices (adjusted for inflation), total civil net expenditure on R&D and knowledge transfer activities increased by 26.7% over the long term, from £9.8 billion in 2010 to £12.5 billion in 2021.

TikTok
Following the ban of TikTok on all UK government devices, the social media company has now been handed a fine of £12.7m. It is estimated that TikTok allowed up to 1.4m UK children under the age of 13 to join the site in 2020. The Information Commissioner's Office (ICO) found that TikTok had been using the data of children this age without parental consent. Finding children's data may then have been used to track and profile them, potentially then pushing harmful or inappropriate content towards them. Whilst TikTok does argue that it goes to great lengths to protect or prevent children or young people using its site, the ICO found that it had not done enough since the ICO had issued a 'notice of intent' to the company, when they first started investigating them.

Regional

LEPs
As of the 31st March 2023, both Coventry and Warwickshire and Black Country LEPs have shut down; Greater Birmingham and Solihull LEP will continue to remain open till the end of the financial year. The services provided by the LEPs will now be provided by Business Growth West Midlands, launched on the 1st April 2023. The new unit will be co-ordinated by the WMCA and funded by a £42 million investment from the UK Shared Prosperity Fund. Business Growth West Midlands will essentially do the same jobs that the LEPs did, but co-ordinated by the combined authority and delivered by local authorities in the WMCA. The closures of the LEPs come following the announcement of their closure in the Government's Levelling Up White Paper last year.

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The Spring Budget 2023: What Does it Mean for the West Midlands?

Alice Pugh and Maryna Ramcharan, WMREDI

On 15th March, the government released its Spring Budget. Alice Pugh and Maryna Ramcharan examine the budget's impact on the West Midlands.

The key announcements from the budget and initial analysis can be seen here.

This budget is the first budget since the turmoil of the autumn 'mini budget' 2022 and the second autumn budget 2022 from Jeremy Hunt.

The main issues which this budget is hoping to tackle that relate closely to the West Midlands' economy are:

1. The Cost-of-Living Crisis- the Energy Price Guarantee (EPG) has been extended to help households with the cost-of-living crisis. The extension will see the EPG continue at its current cap rate of £2,500 for the average UK household till July 2023. Originally the plan would have been to raise the cap value to £3,000 from April.
2. Economic Inactivity and high job vacancies, with low unemployment- There has been rising economic activity since the pandemic. Economic inactivity is largely rising as a result of people retiring earlier than anticipated, plus increases in ill health leading to people leaving the workforce. Additionally, childcare duties have restricted people's economic activity levels for decades. However, in recent years childcare costs have increased exponentially, which means for some it is costing them more in childcare than going to work. This leads to economically active parents reducing their activity to be able to meet childcare responsibilities.

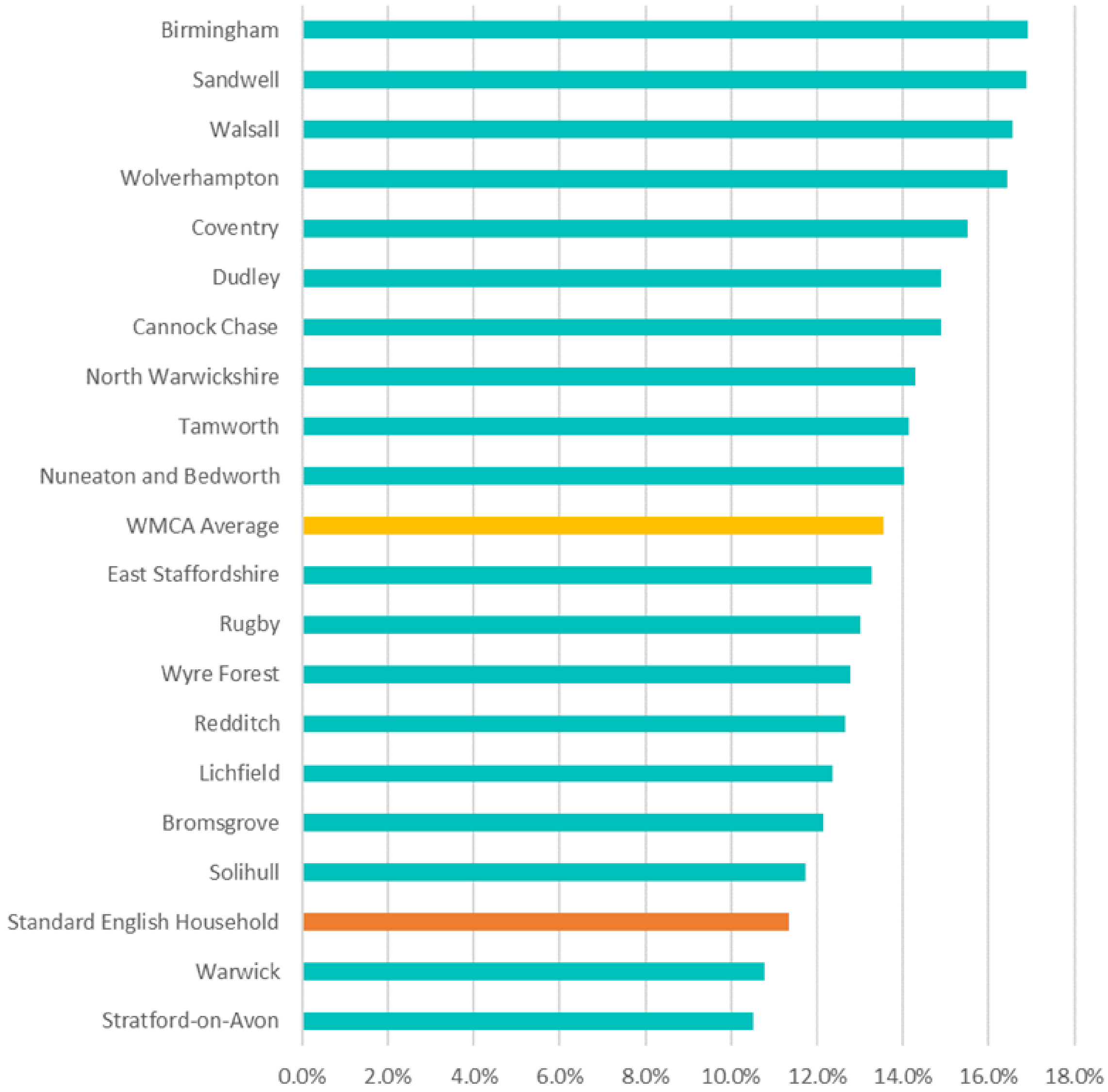
Energy Price Guarantee

The Energy Price Guarantee (EPG) has been the mechanism through which the government has been supporting households through the energy price crisis. It has essentially placed a cap on the retail price of both gas and electricity, with the government paying the difference between the actual and capped price. This has been an expensive policy costing the government around £24bn so far. However, without the support, household energy bills could have increased to in excess of £7,000 for the average UK household annually.

Last autumn, the cap for the average household energy bill was set at £2,500. The cap was expected to have risen to £3,000 under this budget but the government has instead decided to maintain the £2,500 cap till the end of June. This is forecast to add a further £2.9bn to the cost of this policy, meaning the total cost will come to around £27bn.

Even with the cap in place, households have seen their energy bills almost double since 2021. Under the current cap, the average household from every local authority within the West Midlands Combined Authority (WMCA) would be considered as being within fuel poverty as they spend more than 10% of their income on their energy bills, as seen in the graph below. Even the average English household will be spending more than 10% of their wages on energy bills. However, without the EPG household energy prices would have increased exponentially and many households may have plummeted into extreme fuel poverty.

Figure 1: Current Annual energy bill under the £2,500 cap as a proportion of Gross Disposable Household Income



Data Source: Regional gross disposable household income: local authorities by ITL1 region, ONS, 2022

From July, energy bills are forecast to fall below the EPG cap and as a result the cap will likely fall back down to levels seen before the invasion of Ukraine. Overall, whilst the support offered in the new financial year (2023-24) will be lower than this financial year (2022-23), the new energy policy will be more progressive than the 2022-23 policies. The Resolution Foundation has estimated 70% of the EPG in the 2023-24 financial year will support the poorest half of the income distribution, compared to the policies enacted in 2022-23 which saw the only 54% go to this income group. This is largely due to the majority of support in the new policy being provided through direct payments to those on benefits, in a much more targeted model.

Households will be relieved that their energy bills will not be rising again in April. Although many will be anxious about what comes in June, will the government remove the cap on energy altogether, or will they reduce it back down to similar cap levels seen in 2021-2020 at around £1,138 for the average household. The likelihood is that dependent on wholesale energy prices, the government will slowly reduce the cap on energy prices on a quarterly basis. However, if energy prices do not continue to fall then the cap could increase to £3,000 in July. The reality is this is a fast-paced changing market over which the government has very little control, with prices beholden to the global wholesale energy market.

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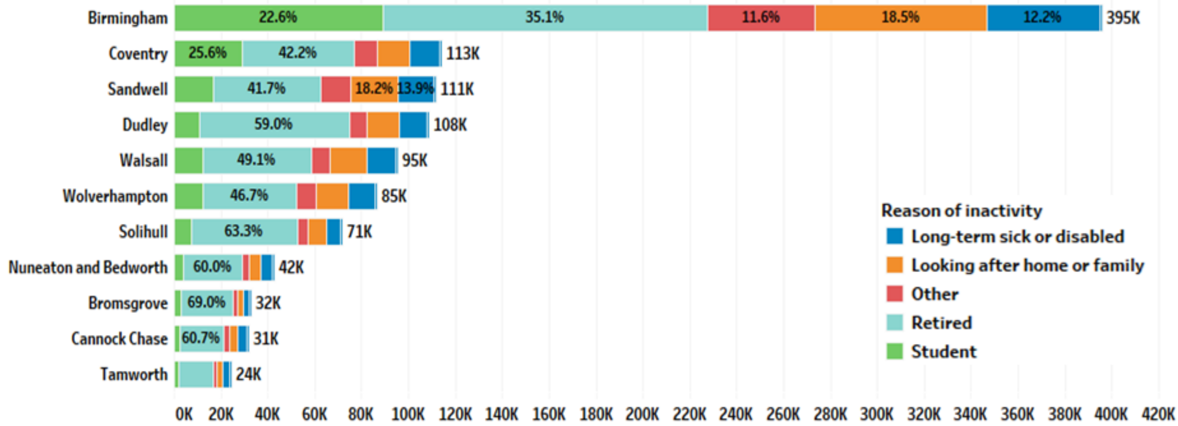
Early retirement

Retired people comprise a major share of those who are economically inactive in all Local Authorities. The percentage of retired people among those who are economically inactive ranges from 69% in Bromsgrove to 35.1% in Birmingham. Although 35.1% of retirees in Birmingham appears less significant being a relative metric, it translates into an absolute value of 138,500 retired people due to the highest total population of economically inactive residents – 395,000 persons – being in Birmingham.

Figure 2: Economically inactive people aged 16 and over, by Local Authority



Data source: Census 2021, Economic activity status dataset

There were 395,000 economically inactive people in Birmingham alone at the time of Census 2021. A significant part of them were retired people – 35.1% (or 139,000 persons) followed by students (22.6%; 89,000 persons) and those looking after home and family (18.5%; 73,000 persons). 113,000 economically inactive people were recorded in Coventry with 48,000 (42.2%) retirees and 29,000 (25.6%) students.

As can be seen from the time series in Figure 3, Tamworth, Nuneaton and Bedworth and Coventry saw the biggest after-pandemic move to economic inactivity among people aged 50-64s. Birmingham didn't see a spike increase in early retirees after the pandemic. However, given the high total number of people in Birmingham, even a small increase to 27.2% of early retirees amounts to 39,000 people of that age out of the workforce.

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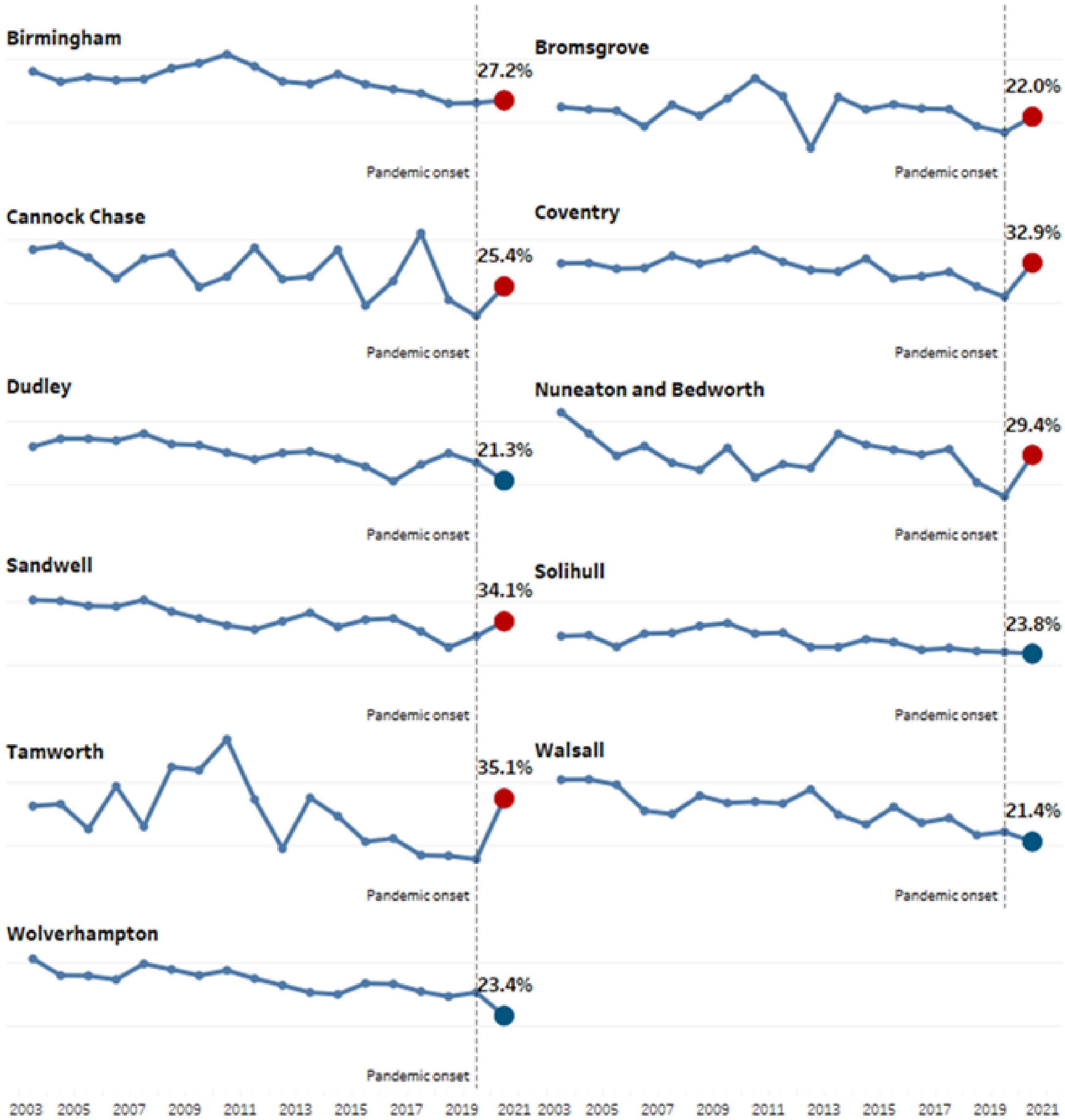
Figure 3: Economically inactive people aged 50-64, %



To tackle this group of early retirees the government will introduce skills-boot camps or 'returnerships' or 'mid-life MOTs'. Whilst this might work on those claiming universal credit or job seekers allowance, a large proportion of the workforce have left because they can afford not to work anymore. Generous pension schemes and financial stability have offered them more flexibility around when they can leave the workforce. In addition, the pandemic sped up the rate at which experienced staff have left the workforce, largely as people have become disillusioned by their jobs, the UK jobs market has dramatically changed since the financial crash. It is unstable with high workload expectations and for many, the pitfalls of their jobs were brought to the forefront by the pandemic. This group was also most likely to have suffered job loss during the pandemic, for many, this has put them off from returning to work.

Skills boot camps may encourage a proportion of those aged 50 to 65 back into the workforce, possibly those in their early 50s. But those in their late 50s or 60, they have little to gain from returning to the workplace.

Childcare and economic inactivity

One of the main reasons that parents have reduced economic activity is childcare responsibilities. The UK has one of the highest childcare costs in the Organisation for Economic Co-operation and Development (OECD); this restricts parents from being able to afford private childcare, especially when for some low-earning parents, it costs them

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more to pay for 8 hours of childcare than they would earn working. This leads to many parents being forced to reduce their working hours and potentially claim Universal Credit (UC) to make up for the difference in lost wages. According to Department of Work and Pension (DWP) data – specifically, we use the 'Children in Universal Credit households' table – there are 234800 children aged between 1 and 4 who live in Universal Credit households in November 2022 (Figure 4) with 58,600 children residing in Birmingham alone.

Figure 4: Children aged 1 to 4 in Universal Credit households.

Data source: Stat-Xplore, DWP. November 2022

Under the new free childcare policy these families will find it easier to find free childcare for 30 hours a week for children aged one to four from April 2024. The government is also increasing funding for wraparound childcare support. This should enable parents to ensure that their children are cared for during the day from 8am to 6pm. In theory, this should then enable parents to work longer hours, which will likely be the case for thousands of parents.

However, there are some questions about this support. Firstly, does the market have enough capacity to cope with the additional volume? Childcare prices have increased in recent years due to a fall in supply from childcare providers. Secondly, many people on Universal Credit are in low-paid and flexible work, where the hours they are scheduled to work do not fit in the parameters of the historic 9am to 5pm working days.

Also, it has been found by the Resolution Foundation that the group most likely to benefit from the new free 30 hours are middle-income groups, partly because UC claimants already get high levels of support with regard to childcare fees. The Office for Budget Responsibility believe this will bring greater flexibility for working parents, however much of this will still rest on the government's ability to improve childcare supply, otherwise, prices will remain high and unaffordable for many parents.

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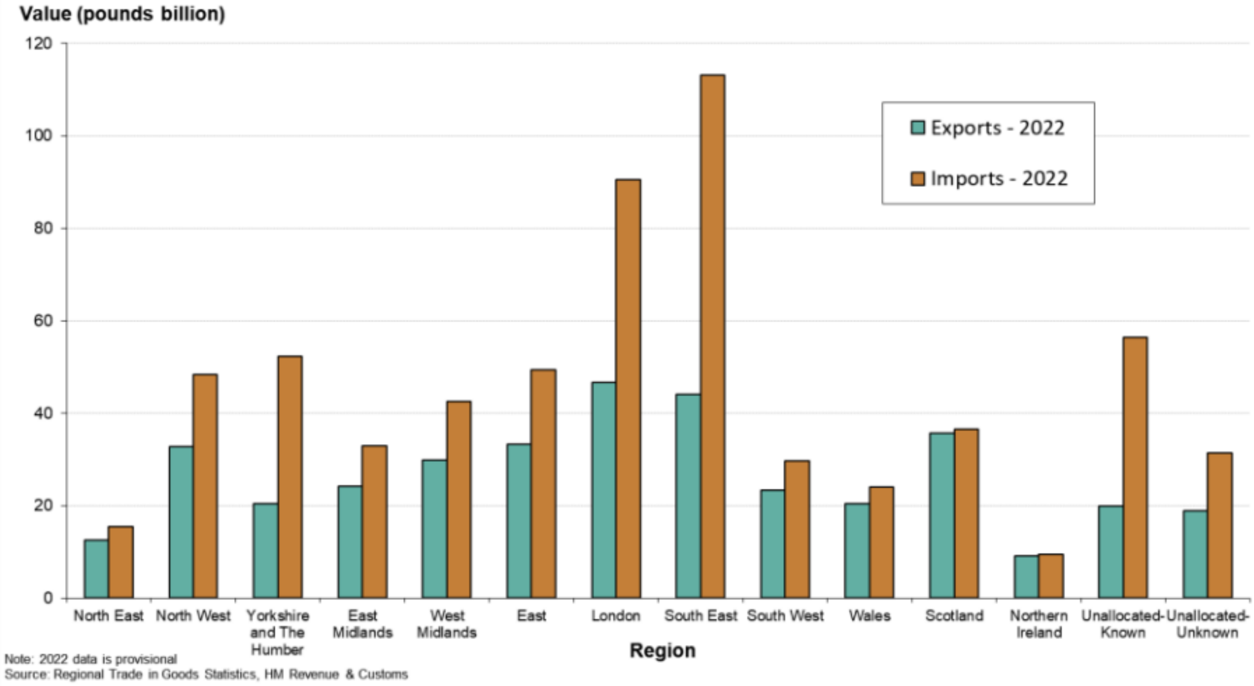
UK Regional Trade in Goods Statistics[1]: West Midlands, Year to Q4 2022
Black Country Consortium Economic Intelligence Unit

Key Points:
- Since 2021, the West Midlands region's total value in goods exports increased by nearly £4.4bn (+17.1%) to £29.9bn in 2022. The overall value of UK trade in goods exports increased at a greater rate, by 19.2% (to £371.5bn in 2022).
- Since 2021, the value of West Midlands region's imports increased by nearly £8.7bn (+25.5%) to £42.6bn in 2022. The UK-wide total imports increased by 37.1% to £632.3bn.
- The West Midlands had a trade in goods deficit of £12.7bn in 2022.
- In 2022, the largest value goods exported for a SITC section in the West Midlands was machinery & transport at nearly £20.1bn. This SITC section accounted for 67.1% of the total exports value; of which 60.9% (£12.2bn) were non-EU exports. Compared to 2021, the total value of these exports has increased by over £3.0bn (+17.9%); the value has increased quarter-on-quarter (+22.6% from £5.0bn in Q3 2022 to £6.1bn in Q4 2022) and has risen when compared to Q4 2021 (£4.4bn).
- At a Country Group level, the highest value of West Midlands goods exports was to the EU at nearly £13.6bn, accounting for 45.4% of the total in 2022. Exports to the EU from the West Midlands increased by over £1.8bn (+15.5%) since 2021 – below the UK wide growth rate (+25.6%).

In Detail:
- In 2022, the West Midlands region exported nearly £29.9bn and imported £42.6bn worth of goods, leading to a trade in goods deficit of £12.7bn. This reflects a much larger deficit when compared 2021 when the trade deficit was £8.4bn.

The following chart shows the value of goods exported and imported by region for 2022:



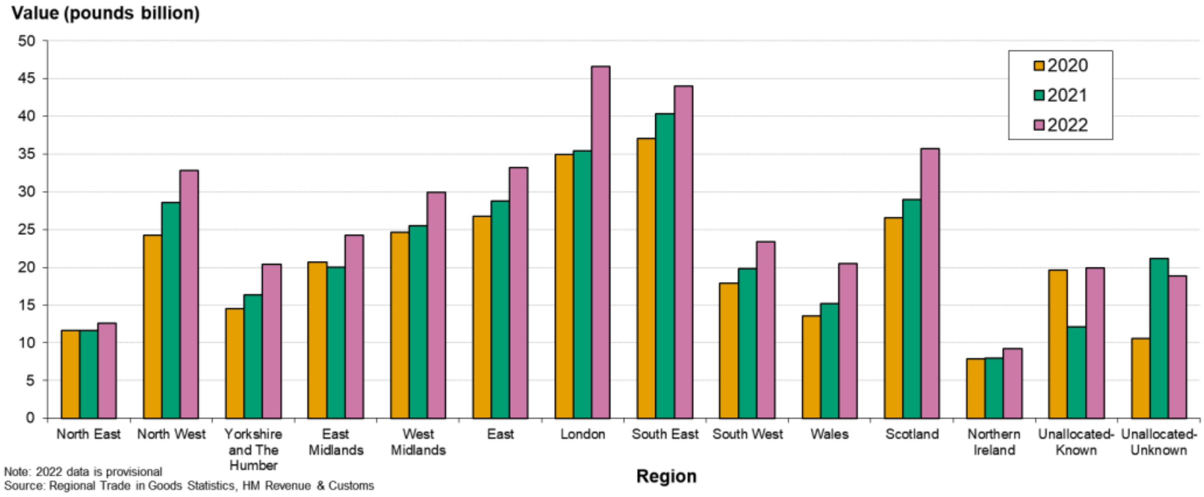
Goods Exported
- Since 2021, the overall value of UK trade in goods exports increased by 19.2% (to £371.5bn in 2022). All regions saw an increase in the annual export value.

[1] Source: HM Revenue & Customs, UK Regional Trade in Goods Statistics Quarter 4 2022 – Released March 2023.

- Since 2021, the West Midlands total value in goods exports increased by nearly £4.4bn (+17.1%) to nearly £29.9bn in 2022. Within this, the value of exports from the West Midlands to the EU increased by over £1.8bn (+15.5%, UK +25.6%) to nearly £13.6bn and the value of exports to Non-EU locations increased by over £2.5bn (+18.4%, UK +12.9%) to £16.3bn.

- The West Midlands region accounted for 8.0% of UK total exports in 2022. The West Midlands region accounted for 7.0% of UK exports to the EU and 9.2% for Non-EU locations.

The following chart shows UK exports by region, for 2020, 2021 and 2022:



- Quarterly exports analysis shows that when comparing Q4 2022 to Q3 2022, total goods exports from the West Midlands increased by nearly £1.2bn (+£15.9%, UK +1.0%) to nearly £8.6bn; this was the highest increase across all UK regions and also counteracted the £1bn decline experienced in London. The rise in goods exports was due to Non-EU exports, increasing by £1bn (+24.8%, UK +4.2%) to over £5.1bn, meaning EU exports from the West Midlands increased by £156m (+4.7%, UK -1.9%) to nearly £3.5bn.

- When comparing Q4 2022 to Q4 2021, total exports from the West Midlands increased by £1.9bn (+28.6%, UK +13.5%). Non-EU exports from the West Midlands increased by over £1.5bn (+42.9%, UK +12.3%) and EU exports from the West Midlands increased by nearly £366m (+11.8%, UK +14.6%).

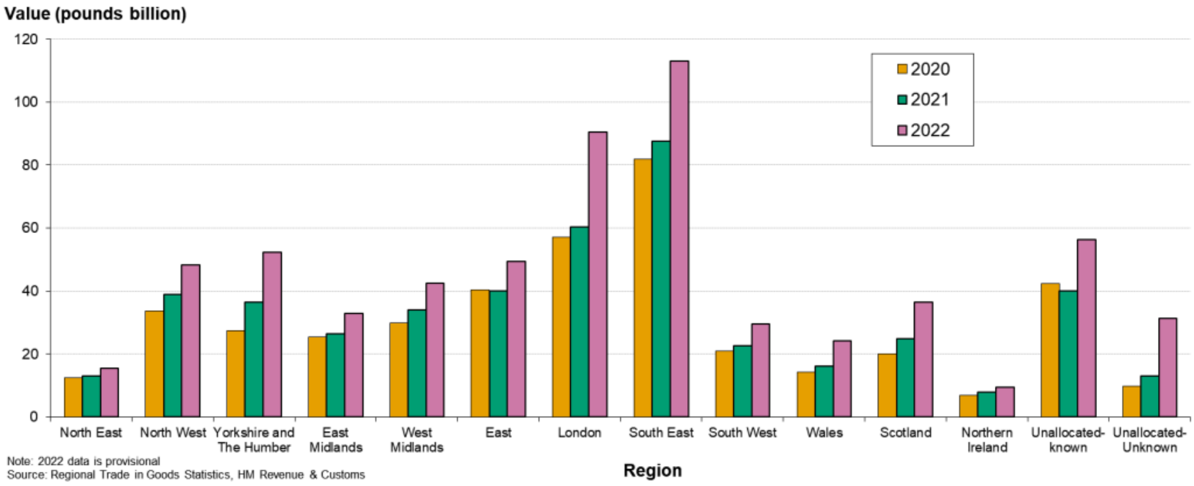
Goods Imported

- Since 2021, the value of West Midlands region goods imports increased by nearly £8.7bn (+25.5%) to £42.6bn in 2022. All UK regions increased over this period and the UK-wide total imports increased by 37.1% to £632.3bn over the same period.

- Since 2021, the value of imports to the West Midlands from the EU increased by nearly £6.3bn (+34.6%, UK +42.9%) to nearly £24.4bn in 2022. Over the same period, the value of imports to the West Midlands from Non-EU locations increased by nearly £2.4bn (+15.1%, UK +32.0%) to just over £18.2bn in 2022.

- The West Midlands region accounted for 6.7% of UK total imports in 2022. The West Midlands region accounted for 7.9% of UK imports to the EU and 5.6% for Non-EU locations.

The following chart shows UK imports by region, for 2020, 2021 and 2022:



- When comparing Q4 2022 to Q3 2022, total imports to the West Midlands increased by £838m (+8.5%, UK +5.8%) to over £10.7bn. EU imports to the West Midlands increased by £642m (+11.7%, UK +8.0%) to over £6.1bn and Non-EU imports to the West Midlands increased by £197m (+4.5%, UK +3.8%) to £4.6bn.

- Quarterly imports analysis shows that when comparing Q4 2022 to Q4 2021, total imports to the West Midlands increased by nearly £1.7bn (+18.5%, UK +25.4%). EU imports to the West Midlands increased by nearly £1.5bn (+31.7%, UK +39.6%) and Non-EU imports to the West Midlands increased by £203m (+4.6%, UK +14.4%).

Standard International Trade Classification (SITC)

- The total value of goods exported increased in eight of the ten SITC sections in the West Midlands when compared to 2021. There were only minor decreases in 'animal and vegetable oils and 'other commodities nes'.

- In 2022, the largest value goods exported for a SITC section in the West Midlands was machinery & transport at nearly £20.1bn. This SITC section accounted for 67.1% of the total exports value; of which 60.9% (£12.2bn) were non-EU exports. Compared to 2021, the total value of these exports has increased by over £3.0bn (+17.9%); the value has increased quarter-on-quarter (+22.6% from £5.0bn in Q3 2022 to £6.1bn in Q4 2022) and has risen when compared to Q4 2021 (£4.4bn).

- West Midlands imports from nine of the ten SITC sections increased from 2021; the only decrease was in 'other commodities nes'.

- The SITC section with the largest total value of imports in 2022 was machinery & transport at £19.4bn, reflecting 45.6% of total imports; of which 62.5% (£12.1bn) came from the EU. Imports of this SITC section overall have increased since 2021 by nearly £4.7bn (+31.6%); the value has increased quarter-on-quarter (+14.6% or +£637m to £5.0bn) and when compared to Q4 2021, imports have increased by 30.1% (+£1.2bn).

The following table shows a breakdown of total goods exported and imported by SITC section and the percentage change between 2021 and 2022:

Figures in £m	West Midlands Region			UK		
	2021	2022	% Change	2021	2022	% Change
Total Exports by SITC Section						
0 Food and Live Animals	£736	£776	5.4%	£13,270	£15,546	17.2%
1 Beverages and Tobacco	£66	£73	10.6%	£7,041	£9,222	31.0%
2 Crude Materials	£1,041	£1,210	16.2%	£9,563	£10,258	7.3%
3 Mineral Fuels	£146	£206	41.1%	£27,441	£49,477	80.3%
4 Animal and Vegetable Oils	£42	£41	-2.4%	£607	£777	28.0%
5 Chemicals	£1,391	£1,493	7.3%	£52,220	£61,402	17.6%
6 Manufactured Goods	£2,979	£3,529	18.5%	£35,272	£41,716	18.3%
7 Machinery and Transport	£17,015	£20,058	17.9%	£110,947	£129,321	16.6%
8 Miscellaneous Manufactures	£2,105	£2,501	18.8%	£37,684	£41,538	10.2%
9 Other commodities nes	£11	£8	-27.3%	£17,669	£12,216	-30.9%
Total Exports	**£25,533**	**£29,894**	**17.1%**	**£311,714**	**£371,473**	**19.2%**
Total Imports by SITC Section						
0 Food and Live Animals	£2,486	£2,637	6.1%	£37,641	£47,617	26.5%
1 Beverages and Tobacco	£265	£334	26.0%	£6,396	£7,912	23.7%
2 Crude Materials	£747	£850	13.8%	£14,726	£15,352	4.3%
3 Mineral Fuels	£796	£1,798	125.9%	£51,352	£111,384	116.9%
4 Animal and Vegetable Oils	£120	£176	46.7%	£1,625	£2,520	55.1%
5 Chemicals	£2,156	£2,739	27.0%	£59,655	£76,085	27.5%
6 Manufactured Goods	£7,707	£8,820	14.4%	£60,903	£67,029	10.1%
7 Machinery and Transport	£14,759	£19,430	31.6%	£153,900	£201,533	31.0%
8 Miscellaneous Manufactures	£4,904	£5,824	18.8%	£68,987	£83,929	21.7%
9 Other commodities nes	£14	£3	-78.6%	£6,018	£18,905	214.1%
Total Imports	**£33,953**	**£42,610**	**25.5%**	**£461,202**	**£632,267**	**37.1%**

Country Group

- There was only one Country Group where goods exports from the West Midlands declined from 2021. The Country Group that declined was Eastern Europe (excl. EU) by £317m (-42.2%) to £435m.

- The highest value of West Midlands goods exports was to the EU at nearly £13.6bn, accounting for 45.4% of the total in 2022. Exports to the EU from the West Midlands increased by over £1.8bn (+15.5%) since 2021 – below the UK wide growth rate (+25.6%).

- There was one Country Group where goods imports to the West Midlands declined from 2021. The Country Group that declined was; Eastern Europe (excl. EU) by £30m (-7.1%) to £393m.

- The highest value of goods imports was from the EU at £24.4bn, accounting for 57.2% of total West Midlands imports. This was a £6.3bn (+34.6%) increase in value from 2021 - below the UK overall rate of change (+42.9%).

- The second highest value of imports was from Asia & Oceania at nearly £11.3bn, accounting for 26.5% of total imports (compared to 17.1% of exports) in 2022. Imports from Asia & Oceania to the West Midlands increased by £970m (+9.4%) since 2021, in comparison exports increased by £423m (+9.0%).

The following table shows a breakdown of goods exported and imported by country group and the percentage change between 2021 and 2022:

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

Figures in £m	West Midlands Region			UK		
	2021	2022	% Change	2021	2022	% Change
Exports by Country Group						
Asia & Oceania	£4,690	£5,113	9.0%	£52,476	£59,159	12.7%
Eastern Europe (excl EU)	£752	£435	-42.2%	£5,957	£4,342	-27.1%
European Union	£11,750	£13,574	15.5%	£154,267	£193,700	25.6%
Latin America and Caribbean	£344	£502	45.9%	£4,362	£6,250	43.3%
Middle East and North Africa (excl EU)	£1,106	£1,776	60.6%	£14,534	£20,012	37.7%
North America	£5,581	£7,034	26.0%	£49,642	£59,535	19.9%
Sub-Saharan Africa	£334	£356	6.6%	£5,151	£6,067	17.8%
Western Europe (excl. EU)	£973	£1,100	13.1%	£13,542	£15,934	17.7%
Undefined Country Group	£3	£4	33.3%	£11,783	£6,474	-45.1%
Total Exports	**£25,533**	**£29,894**	**17.1%**	**£311,714**	**£371,473**	**19.2%**
Imports by Country Group						
Asia & Oceania	£10,308	£11,278	9.4%	£114,614	£129,828	13.3%
Eastern Europe (excl EU)	£423	£393	-7.1%	£9,474	£5,173	-45.4%
European Union	£18,113	£24,382	34.6%	£216,289	£309,058	42.9%
Latin America and Caribbean	£593	£635	7.1%	£5,616	£10,420	85.5%
Middle East and North Africa (excl EU)	£712	£895	25.7%	£12,792	£26,778	109.3%
North America	£1,839	£2,647	43.9%	£41,461	£65,708	58.5%
Sub-Saharan Africa	£269	£359	33.5%	£8,503	£11,006	29.4%
Western Europe (excl. EU)	£1,696	£2,020	19.1%	£47,496	£67,325	41.7%
Undefined Country Group	-	-		£4,959	£6,970	40.6%
Total Imports	**£33,953**	**£42,610**	**25.5%**	**£461,202**	**£632,267**	**37.1%**

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

Manufacturing bounces back as clouds lighten: Quarter 1 Manufacturing Outlook

Make UK

Recession fears ease slightly though significant growth remains elusive

Key findings:

- **Output and orders indicate rebounding activity**
- **UK orders leads growth with both domestic and export orders improved**
- **Price growth accelerates but margins remain in contraction**
- **Demand for employees remains strong and investment intentions pick up even before Budget measures**
- **Business confidence improves but caution remains that worst may not be over**
- **Industry forecast to contract by -3.3% in 2023, 0.8% growth in 2024**

Britain's manufacturers are seeing a rebound in activity in the first quarter of the year as the domestic and global markets have improved, easing fears of a significant recession for industry this year according to a survey published today by Make UK and accountancy and business advisory firm BDO.

The findings in the Make UK/BDO Q1 Manufacturing Outlook survey show a marked pick up on the picture in the final quarter of 2022. The figures echo the gradual improvements in other data such as the UK and European PMIs which are now only just in negative territory, as well as a strong pick-up in demand from China.

Most notably, the improvement is being largely driven by strong demand in the electronics and mechanical equipment sectors, with the balance of orders in the electronics sector in particular (+64%) extremely strong.

According to Make UK and BDO this could be due to several factors, including companies investing in digitalisation and extra capacity to counter labour shortages or, to take advantage of the final period of the super deduction scheme which ends this month. Demand for electronics goods is especially strong from overseas (+67%), in particular the EU.

However, despite the improvement this quarter, Make UK and BDO caution against the worst of conditions being over and are forecasting a contraction for manufacturing in 2023 as the substantial challenges the sector is facing show few signs of abating.

Fhaheen Khan, Senior Economist at Make UK, said:

"Manufacturers have seen a rebound at the start of the year as conditions have improved in their major markets and, business confidence has improved. However, one swallow doesn't make a summer and it is far too early to say the worst has passed given the significant challenges the economy faces. However, the Budget should help boost investment in the short to medium term although ideally, full expensing should be made permanent to better reflect the investment cycle for manufacturers."

Richard Austin, BDO's National Head of Manufacturing, added:

"Recent government announcements do very little to address the immediate threats to UK manufacturers resulting from the heavy burden of energy costs. UK manufacturers need ongoing certainty on a range of fronts, including long-term energy costs, commitments and investment to develop UK gigafactories and support to attract a sustainable workforce. Manufacturers and investors need consistency and long-term support to build and shape their future plans around.

"The results of our research with Make UK illuminates that, despite glimmers of good news such as strong demand for electronics and mechanical equipment, inflationary pressures are still very evident for UK manufacturers with increased costs still being passed on. The data shows conflicting upward and downward indicators – potentially an industry at a crossroads. It will be fascinating to see which path will be followed over the coming months."

According to the survey, the balance on output improved to +21% from +5% and is expected to gather strength in the second quarter to +32%, a significant improvement. Total orders also rose substantially from +6% to +28%, although the next quarter is slightly less positive at +23%.

In line with this improved picture, UK orders increased to +20% from +2%, while export orders also saw a rise from -6% to +12%, reflecting better conditions in overseas markets.
The scramble to attract and retain talent also shows no signs of abating, with recruitment intentions increasing from +3% to +19%, improving substantially to +31% in the next quarter. Investment intentions also rose substantially from -5% to +14% potentially reflecting manufacturers' intention to take advantage of the final quarter of the super-deduction scheme before it ends this month.

The Make UK/BDO survey showed that inflationary pressures are still very evident for manufacturers with increased costs still being passed on. UK and export prices were both at balances of +52% picking up slightly from last quarter.

In terms of overall output this year Make UK and BDO are forecasting a contraction of -3.3% (a slight improvement from -4.4% forecast at the end of last year) and growth of just 0.8% in 2024.

The full release can be found here

"I Blame the Green Book"- Why has Guidance Become the Scape Goat of Public Funding Decisions like Levelling Up?

Rebecca Riley, WMREDI

Rebecca Riley outlines some of the misconceptions around the use of the Green Book.

As part of the Y-PERN conference held recently, I had a slot on a session about the Green Book, partly because I chair the Green Book User Network Steering Group, but also because City-REDI does a lot of work helping partners develop business cases on amounts over £150m in the last few years. The conference was also held as the furore, especially in the West Midlands, of the Levelling Up round 2 allocations were announced.

In the session at the conference, we listened to excellent insight from West Yorkshire and South Yorkshire Combined Authorities and this blog summarises some of the thoughts, comments and questions raised.

Many people do not know what the Green Book is or see it as a mythical set of difficult checklists, processes, and hoops to jump through to get a project/programme/policy funded. There is a perception that this work can only be done by economists or consultants. When funding isn't approved it's often the Green Book that is blamed, but as the IMF's Public Financial Management blog says "don't blame the tools".

As the book says it is "***not a mechanical or deterministic decision-making device***". It provides a framework on how to spend public money, and how to provide the best advice to funding decision-makers, clarifying the public benefit, alternative options, and delivery of policy objectives.

Business case (or bid) writers need to see themselves as offering advice to decision-makers on which solution, solves a problem, in the most efficient and effective way.

If you come to use the Green Book with a ready-made idea, the guidance will not work as intended. The guidance is fundamentally about producing multiple solutions and ideas to solve a problem and working out which idea is the best, based on the objectives you have set. If you complain about the Green Book blocking or slowing thoughts, then you aren't using it for the purpose it was set up to do. If you have one good idea, a solution looking for a problem, and you are using the Green Book as a tick box, you will hate it. If you have a problem, don't know the solution, and want to try out multiple ideas and solutions you will love it.

What are the risks and criticisms?

One of the criticisms of the guide is its focus on the economic impact, which technically, has never been the case. It was conceived as guidance to balance economic, social, and environmental goals. But over time as government funding has focussed more on costs and economic returns, projects and programmes have in turn had strategic cases that look at this as the core objective. The guidance, however, has never mandated this. Economic and monetizable benefits are easy to monitor and therefore better to measure as outputs and outcomes that demonstrate the success of a programme.

The main finding from the Green Book review was the poor quality of the strategic case. This has been echoed by the National Audit Office (NAO), who highlights the need for the strategic case to be easily understandable so that effective trade-offs can be made; help prioritise cross-government objectives; and be measurable (where possible). Echoing that the function of the business case is to help decision-makers make good decisions. The NAO stated at the time ***"Government plans to invest heavily in programmes, with £100 billion expected investment in 2021-22 alone. For the government to secure best value from this it must set out clearly and logically what it wants, how to best deliver this and how it will show what has been achieved for the investment".***

We have recently seen issues with a lack of transparency of funding criteria or changes to funding whilst ideas are being formulated. This has led to a lot of bids not being successful based on the changed or unknown criteria. Large amounts of public money (£27m) have been spent on unsuccessful bids, our own estimates for the Community

Renewal Fund echo these amounts with £3.3m just in the West Midlands on 110 bids. As NAO points out, the government needs to clearly set out what it wants, and what it wants to achieve, this will reduce waste in the system.

One of the biggest risks to developing good business cases is the time to develop your evidence base, identify challenges and properly assess the options. A key issue facing delivery organisations, Local Authorities, and the consultants who support them, is the simultaneous launch of multiple competitive funding programmes and the process implemented often requires full business cases. This puts a lot of strain on scarce resources to develop good quality business cases, anecdotally several consultancies were turning away work as they didn't have the capacity, this includes City-REDI.

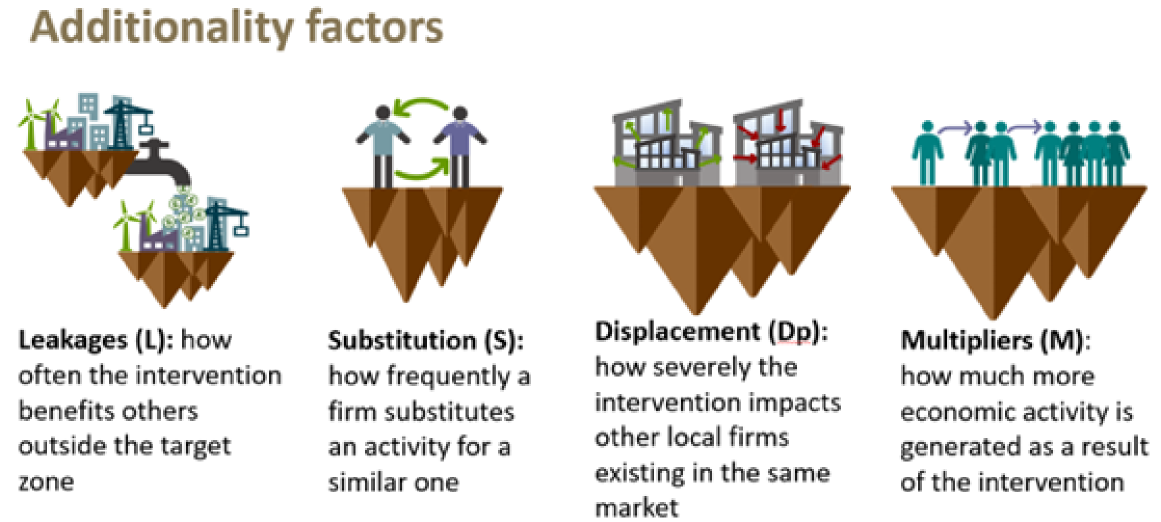
This leads to weaker business cases across the board, as places lack the skills, knowledge, and access to expertise to drive innovation in business cases to improve public policy, programmes, and projects. This is compounded by the lack of recent evaluations and competitive process that reduces the ability to collaborate across boundaries, learn from others and share good practice or bids that have failed to get funding.

Why is it hard to learn from others?

Last summer City-REDI did a review of successful business cases, the purpose of which was to gather case studies on how people have approached additionality in a business case to be able to share with partners. Additionality determines how innovative or exceptional an intervention is by assessing the achievement of desired outputs and outcomes over and above what would have occurred anyway under Business As Usual (BAU) conditions (known as the 'deadweight'). It also considers factors that lessen the local impact of an intervention due to:

1. leakage – how often the intervention benefits others outside the target zone
2. substitution – how frequently a firm substitutes an activity for a similar one
3. displacement -how severely the intervention impacts other local organisations existing in the same market

It may include multiplier effects (how much more economic activity is generated as a result of the intervention) that increase the impact on the local economy through rounds of supplier spending and consumption:



We utilised the Green Book and supplementary guidance as base sources and then looked for business cases for successful bids for Levelling Up round 1, Towns Fund, Future High Streets, and Transforming Cities Fund.

Based on the review, we identified 805 projects that were funded but only 11.7% had publicly available business cases. Of those, on average 44.7% didn't mention additionality, a core part of the Green Book guidance on assessing bids. Of all the 94 bids we found only four had covered all additionality factors. Where they were mentioned, none used recent previous evaluations and most were the straight applications of the Green Book Guidance, which is outdated, although Treasury is working through updating all guidance following the new Green Book revisions.

What are the implications?

We have reflected on this as a team and without a more detailed analysis it is difficult to assess why this is the case. However, this would suggest it isn't the guidance that is the problem, but the scoping, specifying and assessment of funds and the ability of applicants to utilise the guidance.

However, we don't have an accurate picture of quality and therefore it is difficult to draw conclusions, as we don't have access to all business cases, their evidence base or the assessment. These general findings do reinforce the findings of other research City-REDI has conducted. Potential reasons for the lack of application of the Green Book guidance would need further investigation but could be:

- There is a lack of skills and expertise in developing business cases both in central government and local and regional government (a topic discussed in Mariana Mazzucato and Rosie Collington's latest book – The Big Con)
- There is a lack of capacity and will (due to bid fatigue) to deliver good quality bids in an environment where there are constant new programmes and competition
- As people don't share their bids (as competitive) there is a lack of learning from best practices and good examples or transparency in approach
- This is further impacted by the lack of evaluation and reflective learning in the system
- In defence of the Green Book, the guidance isn't being applied as extensively as it should be

In essence, our review shows that the Green Book guidance cannot be responsible for Levelling Up funding decisions.

Lessons for the future

The use of competitive processes should be used wisely to achieve specific outcomes. The challenge is to design and construct a process that optimises the social efficiency of the final allocation at a strategic level. The guidance in fact covers competitive funds (section 5.13) and states "***To achieve such an efficient use of public resources the allocating authority should define, in consultation with potential bidders, the overarching objectives that the bidding process is designed to support".*** Bids should initially be completed to the outline business case (OBC) focusing on the agreed objectives, taking account of costs, benefits, unquantifiable features, risks and uncertainty. Allocations are then made provisional, until the completion of a full business case (FBC). This reduces wasted effort. The guidance also goes on to say in developing competitive processes, organisations should ***"weigh the benefit of competitive process against the administrative costs and potential impacts on the ability of bidding organisations to plan strategically".*** It would therefore seem that the best course of action would be for funders to follow this guidance.

There does however need to be a mindset change for those bidding for funding, this isn't about winning funding, it's about explaining the problem you are trying to solve and giving decision-makers the right information to choose the best solution. We are setting out on a journey together to agree on a problem we must tackle, and how we can solve it, the business case is ultimately a record of that journey and those discussions.

Understanding Student Behaviour: Trends in Working While Studying, The Impact of Student Loans and Implications for Young People's Economic Activity

Kostas Kollydas, WMREDI

Dr Kostas Kollydas discusses changes over time in student employment, student loan developments, and the likely effects of these changes on the educational and economic outcomes of young individuals.

This blog is part of a series looking at the UK Labour Market. See also:

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

- **What Are the Current Challenges in the UK Labour Market and How Can They Be Addressed?**

- **How do Fertility Rates and Childcare Costs Play out in the UK Labour Market?**

- **International Migration and the UK Labour Market: Changes and Challenges**

Temporal trends in working while studying

Over the past thirty years, the number of students who work while studying in the UK has risen. According to an OECD report, almost half of young people aged 16-29 in England and Northern Ireland combined work and study in 2012, a higher proportion than the average of 39% across 23 countries that participated in the Survey of Adult Skills. The above-mentioned report suggests that working while studying is more common in Anglo-Saxon countries and those with an established apprenticeship tradition, but less so in countries/regions like Italy, Czech Republic, Flanders (Belgium), Slovakia, and France.

While over a quarter of full-time higher education students were estimated to be working during term-time in the early 1990s, evidence from the National Union of Students (NUS) and the Trades Union Congress suggests that the number of full-time students in employment increased significantly (by approximately 55%) between 1996 and 2006. The Student Income and Expenditure Survey (SIES) revealed that 52% of full-time students engaged in some form of paid work during term-time in the academic year 2014/15. On average, these students earned approximately £3,300 from paid employment. Relatedly, a survey conducted by the NUS and Endsleigh Insurance in 2015 found that 77% of university students worked to support their studies, while a non-negligible percentage (13%) were estimated to work full-time in 2014.

The growing prevalence of higher education students in employment can be attributed to a number of factors. First, the expansion of the higher education sector has led to a larger and more diverse student population, including those from disadvantaged backgrounds, such as lower socio-economic or ethnic minority groups, who may need to work to partly fund their studies. Second, the reforms to tuition fee policies have transferred the burden of costs from the state to students, as part of an effort to ensure the long-term sustainability of funding for higher education. Tuition fees were introduced in 1998 (£1,000), with subsequent increases in 2006 (a fee cap of £3,000 for UK and EU students), 2012 (£9,000), and 2017 (£9,250), with students being able to obtain loans to pay for their tuition fees and living expenses. In addition, the cost of living has recently risen significantly, resulting in financial difficulties for 50% of students. This has negatively impacted students' academic performance and plans to continue their studies after completing their course. Due to the rising cost of living, 27% of university students have sought employment or increased their working hours during the current academic year (2022/23), as shown by a recent survey conducted by the Sutton Trust.

Motives for working while studying and variations in students' engagement in paid work

Students have various reasons for working while studying, including a desire to pay for leisure activities and meet financial needs, reduce debt, and acquire general or career-related experience. These reasons may differ depending on their socio-economic background and area of study. For example, those who work to fund their studies often come from lower social classes and receive limited financial support from their families. Additionally, science students, such as those studying medicine or biosciences, typically spend more time in labs, which can make it harder for them to work during the academic term.

In the 2014/15 academic year, paid work accounted for 73% of the total income of part-time students and 10% of the total income of full-time students. This made it the third largest source of income for full-time students, after tuition fees/maintenance loans and other forms of student support provided by universities, the NHS or employers. According to the Student Income and Expenditure Survey (SIES), students from higher socio-economic groups (i.e. managerial or professional work backgrounds) tended to rely less on paid work for their income than those from intermediate and routine/manual work backgrounds. In addition, women, independent students, those pursuing education-pertinent degrees, and students residing with their parents were more likely to work during their studies.

Impact of working while studying on academic and labour market outcomes

According to the human capital theory, work experience is associated with the development of various skills, which may include both technical and transversal skills (such as social, communication and management skills). Therefore, working while studying (particularly if work relates to the field of study) can provide students with valuable work experience and help them to acquire skills that will be useful in their future careers. This can also lead to positive behavioural attitudes, higher self-efficacy, an increase in the perception that they can control their life events (a concept known as "internal locus of control") and, in some cases, higher salaries and employability after graduation.

On the other hand, term-time employment can negatively impact students' academic achievement and increase the likelihood of dropping out, which are both strong correlates of labour market outcomes. Similarly, working students may miss more lectures, have fewer opportunities to attend social or club activities, which are important for their personal and social development, and could experience higher stress levels.

Working students frequently have limited control over the type and amount of paid work they engage in. Therefore, it is crucial that higher education institutions provide students with additional support (especially those from financially constrained backgrounds) and employment opportunities that balance their academic and work commitments effectively (through targeted placement programmes or flexible working arrangements, for example) and do not hamper their academic performance and their overall benefits and experiences from studying at university.

Impact of student loans on educational choices and economic activity

Some students exhibit a greater reluctance to incur debt ("debt aversion") when they perceive the financial and psychological costs of receiving a loan as outweighing the potential benefits of investing in higher education (e.g., improved employment and earnings prospects later in life). This behaviour is likely influenced by sociological and cultural determinants, beliefs, or previous negative experiences with loans by their families. It appears that the educational choices of women, ethnic minorities, older students, those from lower socio-economic backgrounds, and those with health issues or disabilities are more likely to be adversely affected by the cost of higher education. Nonetheless, surveys indicate that student attitudes toward loans have improved over time, with an increasing proportion of students viewing borrowing as a wise investment. In particular, 74% of prospective undergraduates in 2015 agreed with the statement that "***borrowing money to pay for a university education is a good investment***", up from 52% in 2002, with women accounting for a significant proportion of the increase.

The impact of student loans on young people's economic activity is complex. While loans provide financial support for students to pursue their studies and invest in their future, the burden of loan debt might have long-term implications for their financial stability and their capacity to participate in the broader economy, including the housing market. For instance, there is evidence that homeownership is more common among graduates who did not borrow for higher education, with more graduate non-borrowers owning their home than graduate borrowers (a difference of 13.1 percentage points), even when demographic and socioeconomic characteristics, as well as differences in local housing markets, are taken into account. Moreover, the psychological impact of debt may dissuade some students from obtaining further loans.

Graduates, on average, accumulate around £45,000 in debt, but most are unlikely to repay their loans in full, with the total amount of unpaid debt predicted to reach around £560 billion by 2050. Recent reforms to the student loan system, including changes to repayment thresholds and interest rates, are anticipated to have a negative impact on graduates with lower-middling earnings, although they will likely deliver savings to taxpayers.

Finally, approximately 1.1 million undergraduates from England were given a maintenance loan for living expenses in the academic year 2021/22. However, the proposed 2.8% increase in the student support package for living costs in 2023/24 is insufficient to keep up with the rising inflation and cost of living. Consequently, this will likely have a negative impact on students' spending power, particularly those from lower socio-economic backgrounds.

Changing Labour Market Participation of People Aged 50 Years and Over

Anne Green, WMREDI

Anne Green looks at the changing economic activity of the over-50s in the UK labour market and what policy implications this creates.

This blog is part of a series looking at the UK Labour Market.
See also:
- **Why are the Over-50s Leaving the Workforce?- Labour Market Flows and Future Participation Flows**
- **What Are the Current Challenges in the UK Labour Market and How Can They Be Addressed?**
- **Over 50s in the labour market**
- **International Migration and the UK Labour Market: Changes and Challenges**
- **How do Fertility Rates and Childcare Costs Play out in the UK Labour Market?**

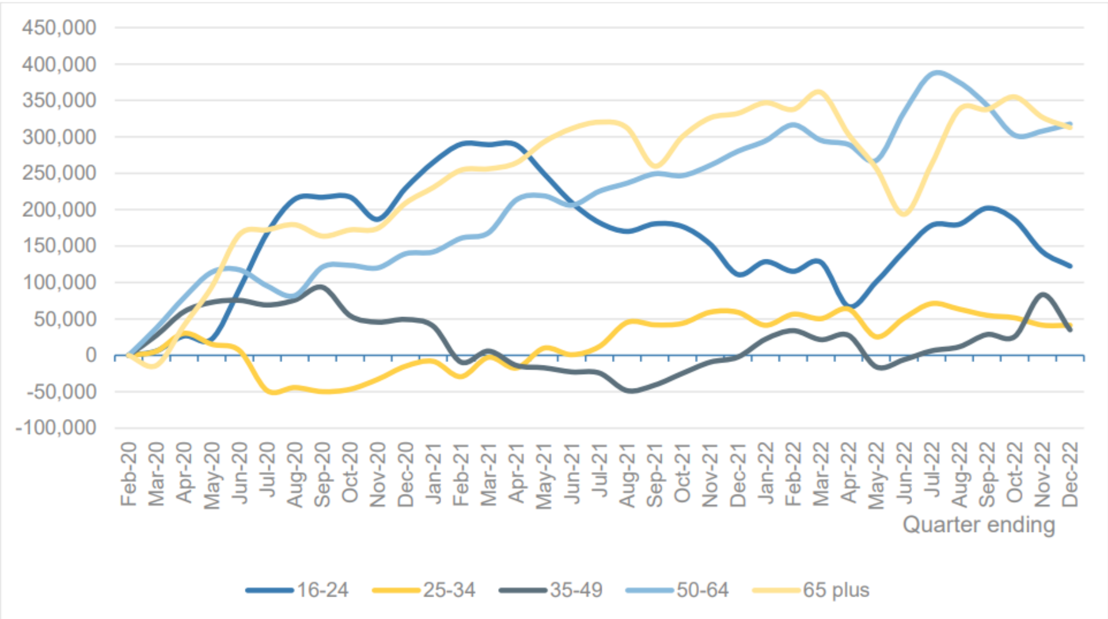
Introduction

There has been considerable debate in recent weeks and months about levels of economic inactivity in the UK. Much of this debate has focused on economic inactivity amongst those aged 50 years over and the relative contributions of early retirement and of ill-health, alongside other factors. In late December 2022 the House of Lords Economic Affairs Committee in their report 'Where have all the workers gone?' concluded that early retirement was the largest contributor to rising inactivity. Coupled with an ageing population, this is leading to labour supply shortages.

Prior to the Covid-19 pandemic labour market participation amongst older workers was increasing, particularly amongst older women, while labour market participation rates amongst younger people decreased. Since the Covid-19 pandemic the increase in economic inactivity amongst older people has reinforced the ageing effect. The UK stands out internationally in terms of the size of the increase in inactivity.

Hence, the rationale for the focus on people aged 50 and over becoming economically inactive is clear. The figure below shows that those aged 50 and over dominate the increase in economic inactivity between the start of the Covid-19 pandemic and the end of 2022.

Change in level of economic inactivity by age since the start of the Covid-19 pandemic (Source: Labour Force Survey, Figure 4 in IES Briefing: Labour Market Statistics, February 2023)



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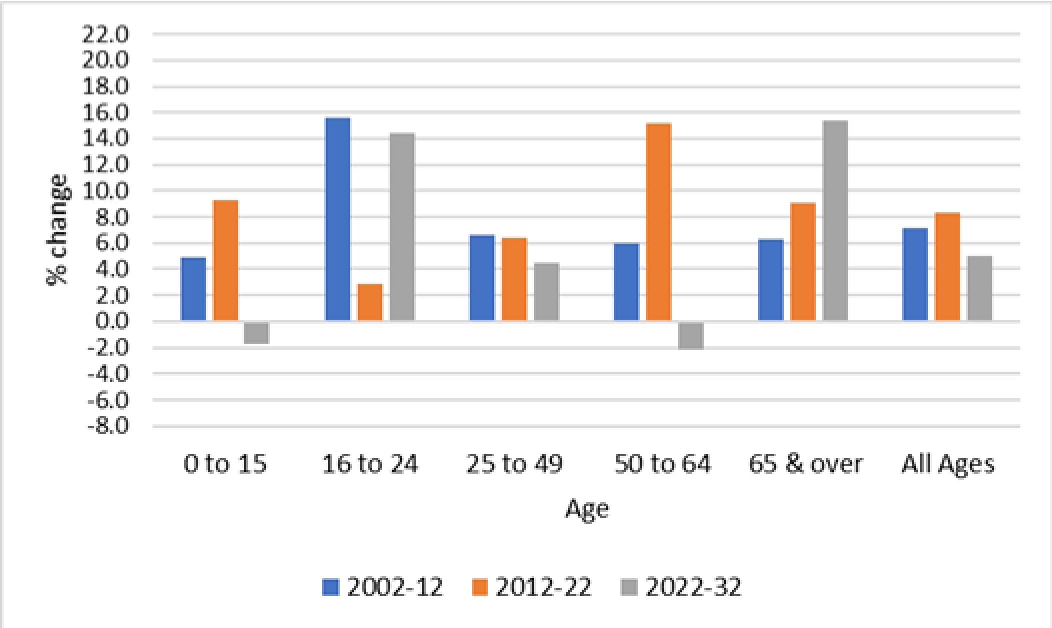
Demographic factors

The Covid-19 pandemic coincided with a larger-than-average cohort of people aged 50-64. In the UK births peaked immediately after World War II and then again in 1964. So, in 2020 many people in this cohort would have been in their mid-50s. Hence, the reversal of the previous trend of an increase in participation rates occurred at a time when the cohort aged 50-64 was particularly large. This is evident in the figure below which shows changes in the relative size of different age cohorts in the West Midlands Combined Authority (WMCA) area and England in three ten-year periods: 2002-12, 2012-22 and 2022-32. The general patterns of change are similar across the two areas, although the increase in the population over 65 years is more marked in England than in the WMCA area. However, it is the change in the population aged 50-64 that is most marked in 2012-22. By 2032 it would be expected that nearly everyone in this large birth cohort would be retired – even accounting for the rise in the State Pension Age – and there will be a larger elderly population to support.

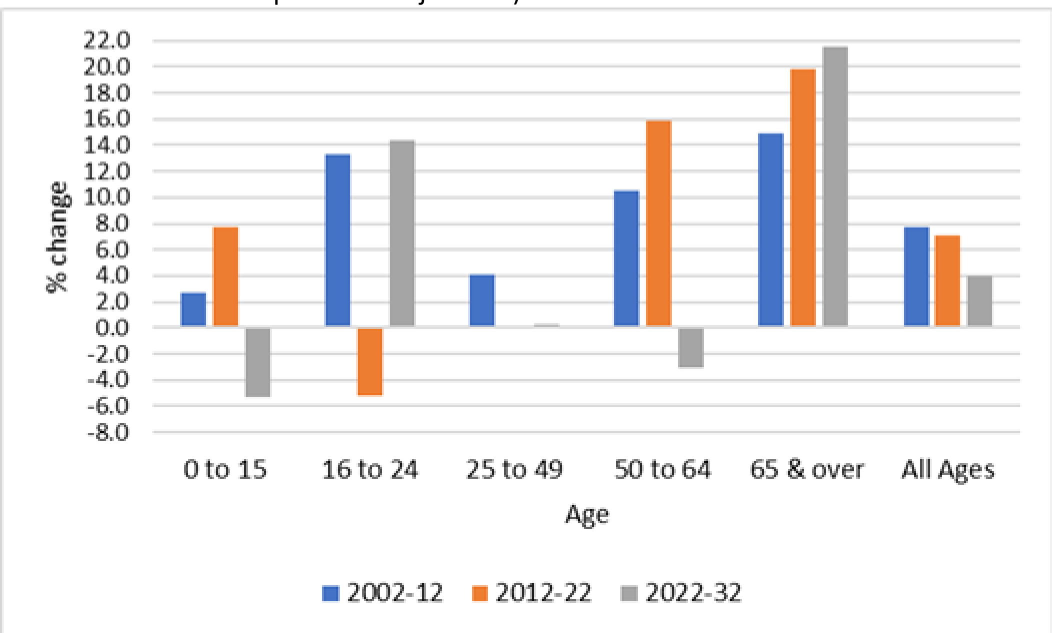
Percentage change in population by age group, 2002-12, 2012-22, 2022-32, West Midlands Combined Authority Area

(source: Population Estimates and Population Projections)



Percentage change in population by age group, 2002-12, 2012-22, 2022-32, England

(source: Population Estimates and Population Projections)



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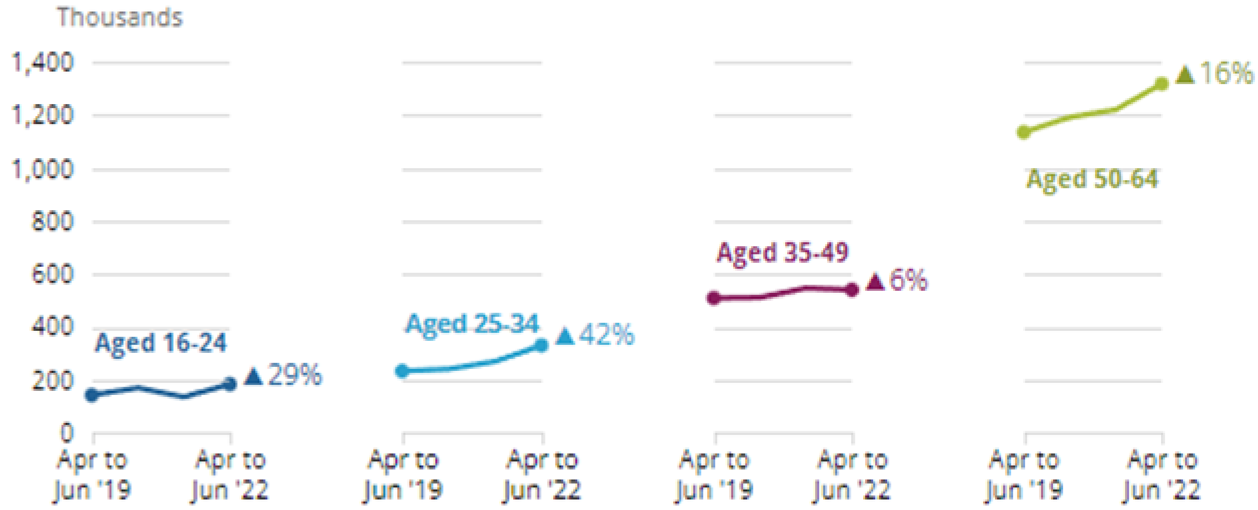
Understanding changes in labour market participation: early retirement, sickness, and other factors
In a study on the rise in economic inactivity in people in their 50s and 60s published in summer 2022, the IFS concluded that a lifestyle choice to retire as a result of changes in preferences and priorities, possibly in combination with changes in the nature of work that make it less attractive following the Covid-19 pandemic, is the major factor explaining the increase in economic inactivity amongst people aged 50-69 years. Of course, there were other factors too. Involuntary exit played a role: IFS analysis indicates that 37% of the increase in 50-69 year olds leaving the labour force between 2017-19 and 2020 was driven by redundancies or dismissals. However, redundancies and dismissals only made up 11% of the growth in higher inactivity rates as the economy recovered. Health-related reasons for leaving the labour force accounted for 5% of the increase in economic inactivity among 50-69 year olds according to the IFS.

There has been a rise in long-term sickness in the UK since the start of the Covid-19 pandemic albeit long-term sickness was on an upward trend before the Covid-19 pandemic hit. Analysis by the ONS shows that in the period from the quarter ending June 2019 to the quarter ending June 2022 the number of people aged 50-64 who were economically inactive due to long-term sickness rose by 16%, from nearly 1.137 million to 1.320 million. In relative terms, however, the relative increase in long-term sickness was higher amongst the 25-34 years and 16-24 years age groups at 42% and 29%, respectively (as shown in the Figure below). In recent research on The Great Retirement or the Great Sickness, LCP point to a marked growth in people self-identifying as long-term sick and a growth in the numbers of people previously categorised as short-term sick becoming long-term sick. However, analysis by ONS reveals that most people who became long-term sick in 2021 and 2022 were already out of the workforce.

Change in economic inactivity owing to long-term sickness by age group, UK, 2019-2022
(source: Labour Force Survey, ONS 2022, **Half a million more people are out of the labour force because of long-term sickness**)



While there is some dispute amongst commentators regarding the extent to which long-term sickness, as opposed to early retirement, contributed to rising economic inactivity amongst people aged over 50 years during, and in the aftermath of, the Covid-19 pandemic there is consensus on the fact that pressure on the NHS is likely to be a factor contributing to the increase in long-term sickness. An ageing population puts pressure on the NHS in any case while the Covid-19 pandemic has led to disruptions in the management of chronic diseases, waiting times for routine treatment have been extended and longer waiting times to initial diagnosis mean that individuals will likely be sicker before any treatment starts. Moreover, research from Phoenix Insights suggests that the UK has experienced relatively poor access to health care since the Covid-19 pandemic in comparison with other countries.

The ONS has conducted an Over 50s Lifestyle Study to gather more information from adults aged 50 and over in Great Britain to better understand their motivations for leaving work and whether they intend to return. Analysis conducted in August 2022 on adults aged 50 to 65 years who left or lost their job since the start of the Covid-19 pandemic (in March 2020) and had not returned to work showed that only a small minority were looking for work at

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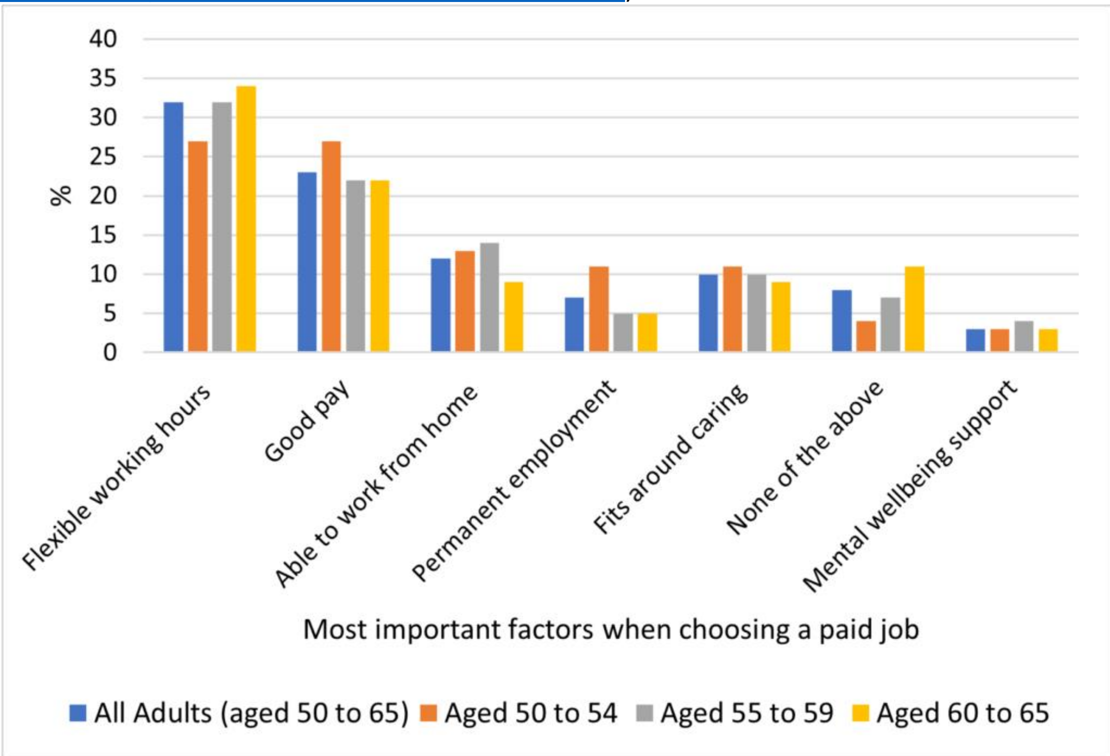
the time of the survey – 14% of those aged 50-59 years and 6% of those aged 60-65 years. A key reason for not returning to work was retirement, cited by 37% of 50-59 year olds and 60% of 60-65 year olds. However, the number of respondents who indicated that they would consider returning to work was higher than the number of those who were actually searching, with marked variations by sub-group apparent: 86% for 50-54 year olds, 65% for 55-59 year olds and 44% for 60-65 year olds. However, over half of these respondents had not looked for a job since leaving the labour market.

The figure below shows the most important factors cited by people aged 50-65 years who had left their job since the start of the Covid-19 pandemic and had not returned; (respondents could select more than one option and only the most popular options are shown). The importance placed on flexible working hours is apparent, particularly for those in the oldest age groups. Good pay and permanent employment are also among the most commonly cited factors, especially at the younger end of the 50-65 years age range. This highlights the importance of labour demand factors in encouraging economically inactive people aged 50 years and over back into employment.

Most important factors in choosing a paid job by age group, Great Britain, 2022
(source: Over 50s Lifestyle Survey, ONS 2022, [Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic – Office for National Statistics]())



The UK experience in an international context

Rising economic inactivity during the Covid-19 pandemic was a common experience internationally. However, in several countries inactivity rates have fallen since a reduction is less apparent in the UK. Research by Phoenix Insights on [What is driving the Great Retirement?](), based on polling of residents aged over 50 years in the UK, Germany and the USA, with a booster sample of 50-64 year olds who are not in the workforce, showed that:

- There are significantly more negative attitudes to work in the UK than in Germany and the USA and views towards work have been changed more profoundly by the Covid-19 pandemic. 58% of workers in the UK said they liked their job, compared to 74% in the USA and 73% in Germany. 42% of UK respondents who left the workforce after the onset of the Covid-19 pandemic said that they retired simply because they did not want to continue working compared with 33% who retired before the Covid-19 pandemic. In the UK older workers' views seem to have been changed more by the Covid-19 pandemic than was the case for their

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counterparts in the USA and Germany: 40% of workers in the UK said that the coronavirus pandemic made them rethink how they view working, compared to 28% in the USA and 30% in Germany.
- Reasons for leaving the workforce also differ. Looking at the most common answers for leaving the workforce, 25% of UK respondents said they chose to leave the workforce because they did not want to continue working. In the USA the most common responses amongst workforce leavers were they had reached retirement age (26%) or were unable to work due to health reasons (26%). Amongst German respondents, the most common response was being unable to work due to health reasons (37%). In the UK respondents were more likely to cite multiple factors for leaving than in the USA or Germany.
- Relatively higher levels of financial comfort are evident amongst 50-64 year olds in the UK than in the comparator countries. 18% of economically inactive respondents in the 50-64 years age group in the UK reported being a lot or somewhat better off as a result of the Covid-19 pandemic compared with 8% of respondents in the USA and 4% in Germany. The polling also suggests that home ownership plays a role in decision-making about when to retire and/or reduce their hours of work, so emphasising underlying socio-economic inequalities in decisions about retirement. The influence of (non-) home ownership is greater in the UK than in the USA and Germany.

Overview and policy implications

The Covid-19 pandemic impacted everyone – whether in employment or not. For those in employment, the pandemic provided an opportunity to reassess their job in the light of changed circumstances. For some workers, whatever their age, this reassessment led to a re-evaluation of what they wanted from work in terms of pay, flexibility, sociability, etc. Subsequently, this could lead to an appraisal of whether their job role aligned (especially if the nature of work and the workplace changed following the pandemic) with what they wanted from work, alongside a recalibration of work-life balance. Some older workers in more favourable economic circumstances, and especially those with occupational pensions and/or who owned their homes outright, were able to, and decided to, retire early.

Of course, not all older workers were able to make such a decision. Some workers faced redundancy or had the opportunity to take voluntary redundancy and withdrew from the labour market. Older workers were more likely to be made redundant than their younger counterparts and once out of the labour market, they take longer on average to return. Some suffered ill health – whether or not related to Covid-19 – and withdrew from the labour market. Interacting with all of the factors outlined above are household and family circumstances, including whether a partner (if there is one) is in work, caring responsibilities for, and health of, family and friends, and financial incomings and outgoings, all influence decisions on how and when to exit the labour market. Individuals' context matters.

This suggests that policy needs to recognise the diversity of older people who are economically inactive, the reasons for their inactivity and their desire (or otherwise) to return to the workforce. There is a clear distinction between those who have withdrawn from the workforce voluntarily before State Pension Age and have the financial capability to sustain their desired lifestyle and those who have left low-paid work because of ill health and who are not financially comfortable. The Learning and Work Institute suggests that this latter group needs individually tailored support via trusted institutions. There is a role for place-based policy here through shaping the local employment support offer and aligning it with other local provisions, including integration with health services and tailoring the skills offer to the needs of local employers, to help people back into work. The Resolution Foundation points to the role of access to tax-relieved financial pension wealth from the age of 55 years as helping to support early retirement of the former group and suggests that reforms to private pensions and the capping of tax-free lump sums may be pressing policy priorities here.

On the demand side of the labour market improving job quality has a role to play in stemming out-flows of older workers from employment and also encouraging people to return to the workforce. 'Good work' is important for all age groups but arguably it is particularly so for older workers who are more likely than younger workers to have health issues and/or caring responsibilities.

How to Improve Regional Productivity Levers in England and Wales

Charlotte Hoole, WMREDI

Helen Tilley, Jack Newman and Charlotte Hoole discuss their recent paper on whether UK regions have the policy levers they need to improve productivity, exploring the link between devolution and productivity.

This blog was first published on the Wales Centre for Public Policy blogsite.

Much has been written about the UK's productivity puzzle. If the UK is to achieve the twin aims of increasing productivity and decreasing inequality, it must address two central problems of place: first, how to tackle inequality ***between*** regions, especially in terms of the stark regional disparities in productivity; second, how to ensure that devolved institutions have the capacity to improve productivity and inclusivity ***within*** regions. The government has sought to unite these two issues in the 'levelling up' agenda, but to tackle place-based inequalities, it must look to the current levers and drivers of productivity and inclusivity. These are particularly important at the scale of the city region, a newly emerging tier of governance in the UK.

In our paper, we contribute to the discussion by considering whether UK regions have the policy levers they need to drive productivity and inclusivity. We compare three UK regions with different governance structures: Enterprise M3 LEP in South East England; the Cardiff Capital Region City Deal; and the North East Combined Authority. We analyse policy levers across the three case studies in terms of their impact on four economic drivers of productivity: 1) investment and innovation; 2) transport infrastructure; 3) entrepreneurship and employment; and 4) skills. By taking this approach, we contribute to the ongoing discussion on the interrelationship between policy levers, regional governance and productivity outcomes.

Investment and innovation

Innovation is crucial to productivity, but it is currently marked by major regional disparities. Some EU and national investments have attempted to counter this imbalance, but regional levers are very limited. While the devolved institutions are well placed to work closely with businesses to attract major investments, this is currently undermined by a lack of effective local–centre communication, and limitations in local institutional capabilities. Creating the 'Cities and Local Growth Unit' – a joint team between BEIS and DLUHC – and the new 'regional levelling up directors' if their recruitment goes ahead represents a positive move towards improving communication, but they step into a context of mistrustful central–local relations. We, therefore, propose that these should be complemented by new fora through which communication can help leverage inward investment. One option would be to provide a more formal role and increased funding to 'interface institutions' such as local government associations. Another would be to establish well-funded place-based evaluation units, which would conduct economic research and policy evaluation within an area, comprising both local and national representatives as well as a core research team.

Transport infrastructure

Transport infrastructure is currently the most important sector for place-based policy interventions, and this is reflected in the devolution of transport powers to regions and to devolved nations. Devolving more transport budgets is crucial so that places can use transport investment as a productivity lever. However, our research finds that there is also a need for more cross-regional and inter-government work, which in turn depends on a move away from complex and competitive governance structures. The key to both is reforming the funding system. The obvious option is wholesale reform to create a stable and transparent funding formula based on local needs.

However, immediate changes to the existing system are also important, notably allowing local institutions more freedom to move funds from one project or sector to another and to combine budgets. With budgetary flexibility, the transport sector has major potential to impact productivity, as well as inclusivity and sustainability; to encourage active travel when supported by health budgets; with environmental budgets, tackle air pollution; and with business development budgets, encourage clustering.

Entrepreneurship and employment
In relation to entrepreneurship, we found a focus on larger firms at the expense of SMEs, and especially of start-ups, which are often absent from regional economic policy. Job creation, rather than business creation, is the priority for all three regional institutions and a focus on the quantity rather than the quality of jobs contributes to an emphasis on productivity over inclusivity. The existing balance between high- and low-productivity sectors means that there is considerable variability in the challenges faced, but there is also variability in the powers of regional institutions to intervene. Rebalancing these capabilities through adjusting communication channels, funding streams, devolved policy remits, and the institutional capacity to utilize them would provide the potential to achieve improved outcomes.

Skills
The ability to meet regional skills challenges is undermined by a lack of decision-making powers over education and training at the regional level, and by the difficulties of planning and predicting future skills demand. Devolving education and skills decisions to the regions and coordination amongst stakeholders would enable them to better respond to their local contexts. Because some of these powers have been devolved directly to schools and academy chains, it is also necessary to draw powers up so that they are able to strategically influence the local skills base. More generally, the powers of local governance institutions should not just come from existing processes that can be devolved, but also from local policy innovations where institutions are enabled to draw up or establish new powers to deliver productivity improvements.

Overall, we show that the UK's regional institutions are currently lacking the decision-making powers, budgetary capacity and institutional capabilities to make transformative policy interventions in the drivers of productivity. Of course, outcomes also depend on the interaction of contextual factors, including past economic performance, economic geography and local political economy. And there is also the importance of agency, creativity and the strategy of individual leaders, though this is itself embedded in and influenced by the local governance structure. However, it is the structure of subnational governance that should be the key tool for intervening in regional productivity. Yet, in the UK, it is a major barrier to solving the productivity puzzle.

The full paper is published in *Regional Studies:* A place-based system? Regional policy levers and the UK's productivity challenge.

The work was carried out as part of the LIPSIT project that aimed to identify institutional and organisational arrangements at the regional level that tend to lead to the 'good' management of policy trade-offs associated with increasing productivity.

The Poorest UK Households are Hit Hardest by the Highest Rate of Firm Failure

Simon Collinson, Matt Lyons, Huanjia Ma, WMREDI

With bankruptcies on the rise in the UK, Simon Collinson, Matt Lyons and Huanjia Ma look at the impact of firm failure on the economy, employment and households.

Data released by the [Insolvency Service]() at the end of January shows that firm insolvencies, or bankruptcies, in England and Wales reached the highest level since 2009.

Lower-skilled, lower-income households in more deprived communities are less resilient than wealthier households and tend to experience higher unemployment in times of recession. There are fewer opportunities for re-employment in new firms or growth industries, less disposable income for re-location and a lower level of assets and savings to draw on to carry them over into the next upturn. High insolvency rates correlate with increased social welfare benefits costs for governments.

In 2022, 22,109 firms in England and Wales and an additional 1,062 firms in Scotland became insolvent. Firms in manufacturing sectors were affected the most. As shown in Figure 1, the five industries (SEIM-UK industry classification based on SIC 2007) that experienced the highest percentage of insolvencies in 2022 were Manufacture of wood and paper products (0.85%), Manufacture of basic and fabricated metal products (0.82%), Accommodation and food service activities (0.81%), Manufacture of food beverages and tobacco (0.81%) and Manufacture of textiles, wearing apparel and leather (0.8%). The top 5 in terms of the total number of firms were: Construction, Wholesale and retail trade, Accommodation and food service activities, Administrative and support service activities and Professional, and scientific and technical activities. Apart from the last on this list, these sectors (listed by percentage or numbers of firms) tend to employ lower-skilled and lower-income employees.

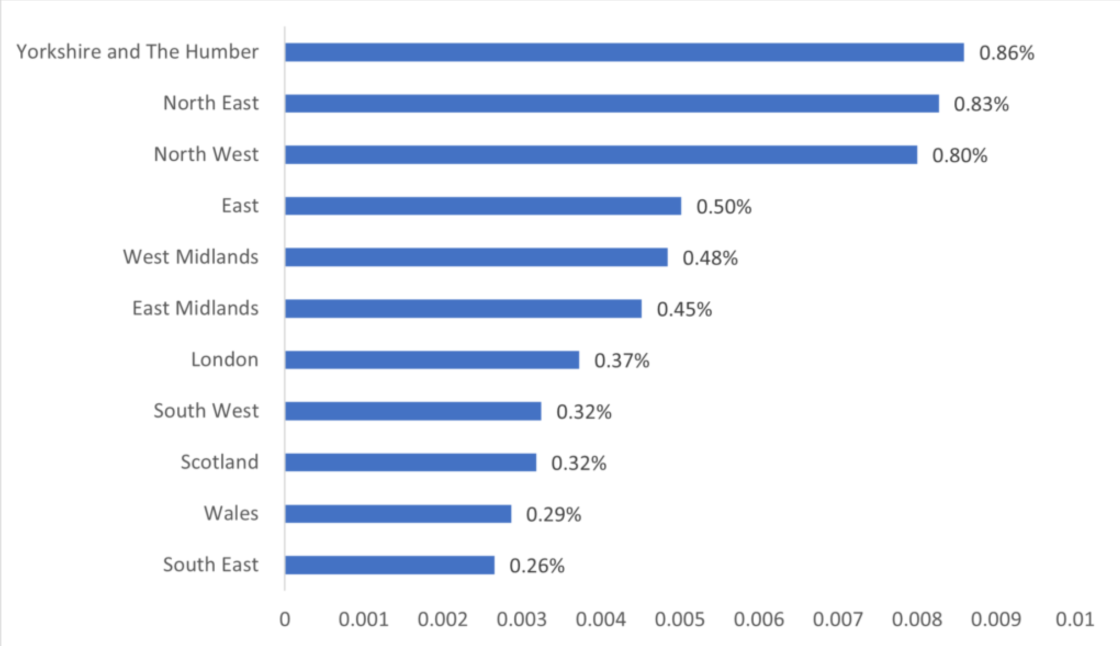
Figure 1: Firm insolvencies by industry (% of the total in each sector)

Source: The Insolvency Service

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

If we examine data at the NUTS 1 region level, in terms of the number of employees per firm that went insolvent (Figure 2), the three worst-affected regions are Yorkshire and the Humber (0.85% of all firms), North East (0.83%), and North West (0.8%).

Figure 2: Firm insolvencies by NUTS 1 region



The impact on productivity (GVA)

An external shock to one region or sector can have substantial effects across regions and industries given their close interconnectedness. We examine these knock-on effects using the extended SEIM-UK model, developed at City-REDI. By internalising (endogenizing) household consumption and income within the model, we are able to simulate the potential effects of firm insolvencies on households and the wider economy.

We consider shocks from firm insolvencies as the percentage changes in final demand, which is approximated by the ratio between the number of employees of insolvent firms and the total number of jobs of each region-industry cell.

The heatmap shown in figure 3 presents the simulated knock-on effects of insolvencies (resulting from changes in final demand) on Gross value added (GVA, as percentages) across regions and sectors with darker colours indicating greater shocks.

Regional Impact

The modelled rise in insolvencies has the greatest gross impact in London. The second tier of impacted regions includes West Midlands, North West, Yorkshire and The Humber and West Midlands and the third tier of all remaining regions. The heatmap shows the gross impact and therefore it is unsurprising that London and regions with more enterprises have experienced a greater overall impact on GVA.

Sectoral Impact

Our analysis of the impact of insolvencies on industry sectors also provides some interesting insights. Despite manufacturing sectors seeing the highest rise in insolvencies, we find that in the West Midlands, which is known as a strong manufacturing region, the most affected sector is ***administrative and support service activities*** with a 10.9% decrease in GVA.

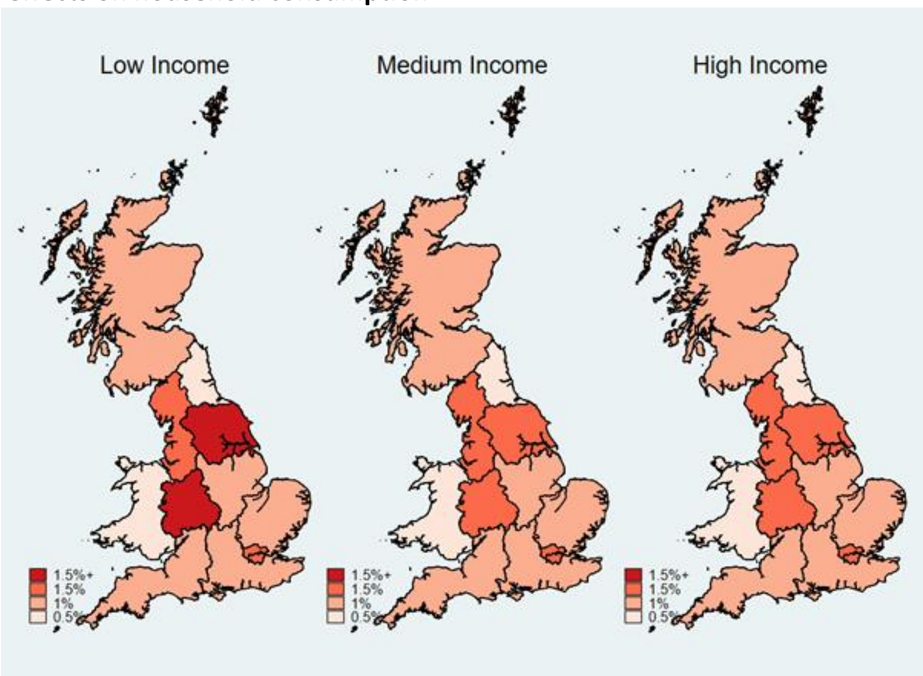
Figure 3: GVA impact heatmap

Knock-on effects on households

The extended SEIM-UK model also provides an important overview of how current economic shocks could affect future household income and consumption for three distinct income groups.

The maps in Figure 4 show the simulated impact on household consumption and we can see that the effect on regions differs significantly by income group. The low-income group in the West Midlands and Yorkshire and Humber are most affected, with an average reduction in consumption of over 1.5%. Contrasting this, the simulated impacts on other income groups are similar across regions and lower.

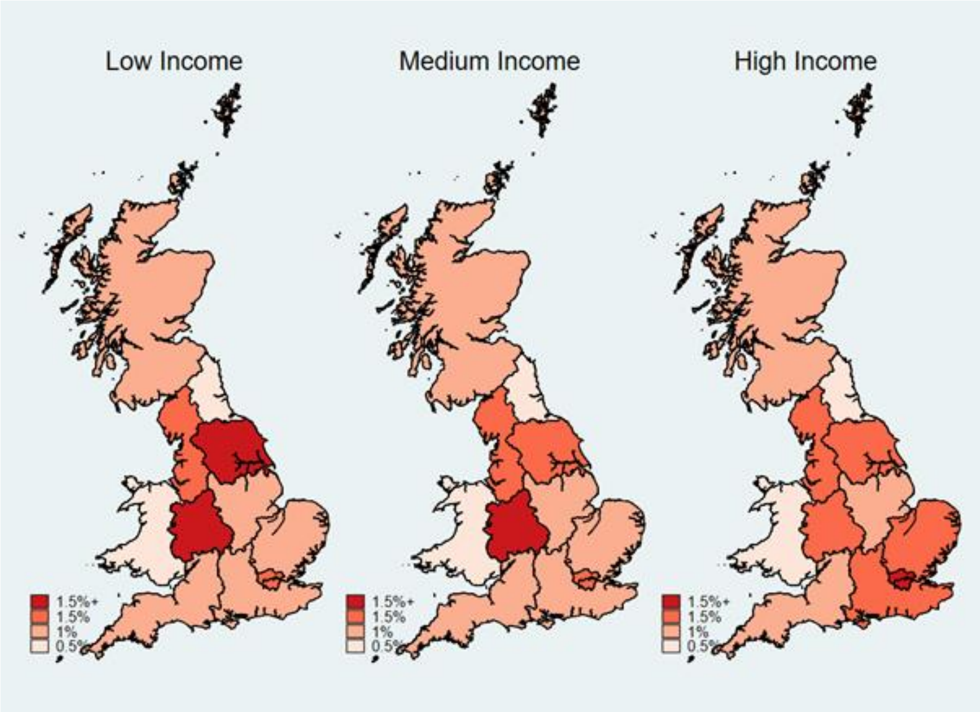
Figure 4: Simulated effects on household consumption



Low-income refers to households with income less than £25,000 per annum (2016 real term adjusted for household composition), medium income group refers to households with £25,000 to £50,000, and high-income group refers to households with income more than £50,000.

Figure 5 shows the simulated impact of insolvencies on household incomes. Again, the West Midlands is most strongly affected, with low-income and medium-income groups experiencing income loss of more than 1.5%. The low-income group in Yorkshire and Humber is also significantly impacted. Contrasting this, those with high incomes in London and the South are more impacted, compared to other income groups in these regions. This reflects both the higher average income in London and differences in the sectors affected.

Figure 5: Simulated effects on household Income



In summary, a forward-looking simulation of the impacts of firm insolvencies in 2022 indicates a strong economy-wide knock-on effect on GVA, household income and consumption from these insolvencies. In particular, low and medium-income groups are most affected in regions outside London and South. The effect is expected to be strongest in the West Midlands and North West.

Conclusions and Recommendations

Our analysis, based on the logic chain that links firm failure to unemployment and household deprivation, estimates the knock-on effects of the current record levels of firm insolvencies across UK regions. We find a clear transmission effect between company bankruptcies and household incomes and consumption levels, with significant variations by sector, region and income group. Although the SEIM UK model does not provide insights into the time lag between cause and effect, it does provide insights into the places and people that are most likely to be negatively affected.

This presents an opportunity for policy to be more precise in its interventions to support households, using insolvencies as an early indicator. Specific regions and communities, notably lower-income earners in the West Midlands and the North West, should be the target of stronger support measures. Potentially such policy interventions should target firms, following the example of furlough schemes and other mechanisms employed during the Covid pandemic, but taking on board the lessons learnt during this period.

We know from prior research that unemployment, lower household income levels and increased deprivation also create knock-on effects in the form of higher benefits costs, increased homelessness and worsening health outcomes.

Next Steps

The next steps in this programme of research seek to better understand the relationship between economic shocks, firm failure and the full, system-wide costs transmitted via households and onto poorer communities. This is critical as current economic pressures increase the polarisation between wealthier, more resilient regions and communities, and those less well-off, making any attempts at 'levelling up' more difficult.

The Nexus of Innovation

Simon Collinson, Fengjie Pan and Pei-Yu Yuan, WMREDI

Simon Collinson, Fengjie Pan and Pei-Yu Yuan examine Research and Development (R&D) funding in the UK. Does it create equal regional growth across the country?

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 2 of the Birmingham Economic Review for 2022, on business and disrupted markets.

Read the Birmingham Economic Review.

Visit the WMREDI Data Lab to find out more about Birmingham.

The UK government has expressed a strong commitment to 'levelling up', including a focus on place-based policy interventions and investments to drive more equal regional growth across the country. UKRI is the main funding agency responsible for promoting R&D and innovation, with an annual budget of £8 billion. This involves a balancing act to keep the UK at the forefront of key areas of R&D, science and technology while improving our capacity to leverage University-based R&D for economic growth and social change. We have historically been better at the former than the latter, and the 'valley of death' between invention and innovation is still a feature of the UK economy.

Funding

The UK Research and Innovation (UKRI) 2022-2027 delivery strategy features a central focus on the place-agenda, with an aim to "…support thriving research and innovation clusters across the UK, creating diverse high-value jobs and local economic growth." A key objective is also to "…support the development of evidence to inform local, regional and national policies and interventions to address regional disparities and enhance place-based livelihoods and economies.", which is where City-REDI plays a leading role.

Much of UKRI funding is channelled through Innovate UK. It has a specific remit 'to support business-led innovation in all sectors, technologies and UK regions, helping businesses grow through the development and commercialisation of new products, processes, and services.' Increased funding for public-private / university-business collaborations, knowledge transfer partnerships, local innovation accelerators and other schemes to improve regional innovation ecosystems are planned. It is also committed to investing £100 million into 'Innovation Accelerators' as pilot projects in Birmingham, Glasgow and Manchester.

Analysis of past UKRI investments into R&D collaborations involving universities and businesses shows significant variation in local sector 'specialisation' and interregional collaboration. The distribution and impact of past funding need to be understood to guide the current government agenda, and to catalyse better economic growth.

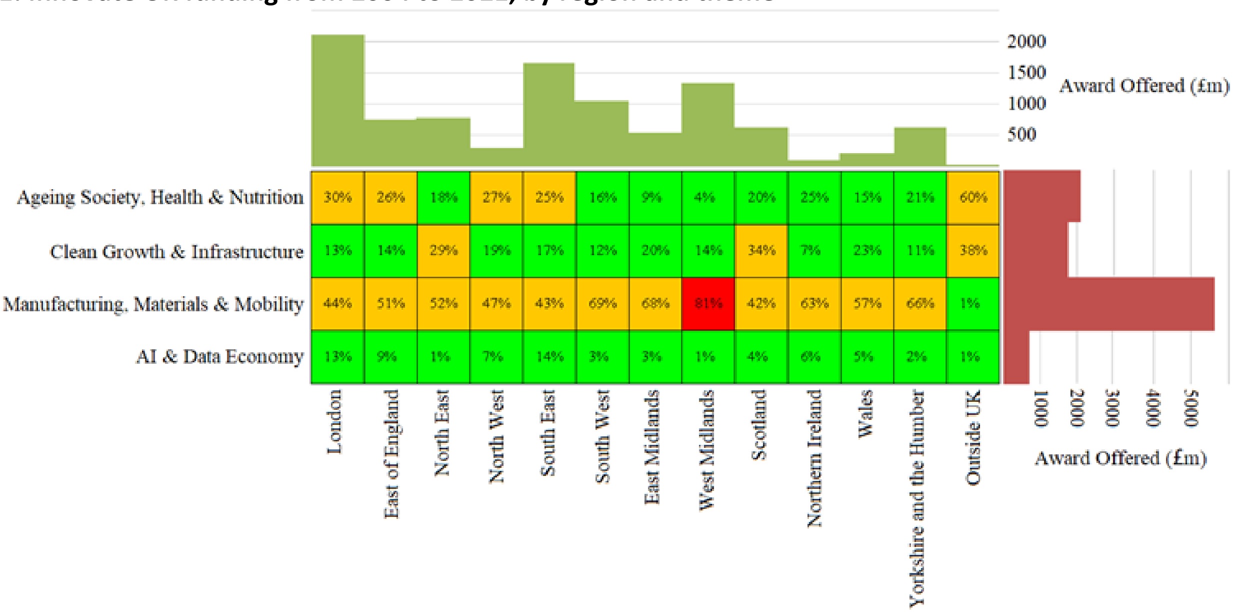
The Distribution of Innovate UK Funding

Figure 1 shows a breakdown of Innovate UK funding from 2004 to 2021, including the percentage of awards received by each of the 12 regions across its four main thematic areas: Ageing Society, Health & Nutrition (Health); Clean Growth & Infrastructure (Clean Growth); Manufacturing, Materials & Mobility (Manufacturing); AI & Data Economy

(Data). Total funding for each region is denoted by the green columns at the top, with London and the South East, followed by the West Midlands receiving the dominant shares. The percentages relate to this overall figure, per region. The red bars along the rows show the total amount of funding dedicated to each key theme, with Manufacturing receiving the dominant share (almost three times the investment in Health).

This provides a portfolio view of each theme and each region, and it shows that the West Midlands has the most concentrated portfolio of all the regions. 81% of West Midlands funding is in the Manufacturing theme and less than 5% in two of the remaining three areas.

Figure 1: Innovate UK funding from 2004 to 2021, by region and theme



Like Scotland, the North West region, centred on Manchester, has a more evenly distributed funding portfolio, although the top category is Manufacturing with 47% followed by Health (27%) and Clean Growth (17%). Clearly, there are trade-offs between a more specialised and focused portfolio, like the West Midlands, following its automotive manufacturing legacy, and a broader range of capabilities across thematic areas, like the North West.

Collaborations

What kinds of collaborations between universities and businesses underlie these regional and thematic patterns of funding?

Analysis of overall UKRI funding, including but beyond Innovate UK investments, reveals which regions work with each other and shows how specialist networks have evolved to connect local clusters of activity. The data shows that almost all collaborations involve firms, and 34% involve only firms and no other partners. More than half (59%) involve firms and universities working directly with each other and less than 7% of all collaborations funded by UKRI involve intermediaries such as research and technology organisations (RTOs) or catapults.

Focusing again on the West Midlands, data on public-private collaborations in 2019 (Figure 2) show that London is the main location of partners on UKRI funded projects with West Midlands-based participants. This pattern dominates over intra-regional collaborations in the West Midlands, and relatively little collaboration takes place with other UK regions.

Figure 2: Collaboration between West Midlands-based partners and those based in other UK regions via public-private projects funded by UKRI.

These patterns of publicly funded R&D collaborations raise several questions in light of the government's future agenda and UKRI's delivery strategy. These investments appear to be reinforcing long-term patterns of growth, focusing on past strengths, like automotive manufacturing in the West Midlands. They also seem to be maintaining the dominance of London.

Should these market interventions be more 'mission-led' and target new areas of growth, focusing on the future potential of regions? Should they also be stimulating collaborative networks across regions outside of London, leveraging university-based R&D to strengthen regional innovation ecosystems and enabling more balanced economic growth across the UK?

Supporting Digitalisation in Birmingham's Business Professional Financial Services Sector

George Bramley, WMREDI

A new report, in collaboration with The Greater Birmingham and Solihull Local Enterprise Partnership, evaluates a pilot programme utilizing the 'No Code' approach to developing apps for businesses in the West Midlands as well as teaching young people digital skills.

The Business Professional Financial Services (BPFS) sector is the largest sector by turnover, employment, and number of businesses in the West Midlands, as well as the fastest growing. The BPFS cluster in Birmingham is the first outside London to have reached critical mass in terms of offering a full range of services, but it has been slower to provide digitalised services.

Digitisation and BPFS sector

The Kalifa Review of UK FinTech identified digitalisation as both a risk and an opportunity for the sector. Much of which is steeped in traditional ways of doing business and potentially at risk from new business models being developed in the ProfTech subsectors including FinTech, PropTech, LawTech and InsurTech. The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) in response to these challenges and opportunities, created SuperTech as a sector body within the region that represents new FinTech entrants and supports existing firms to develop new business models based around digital technologies.

Existing firms who wish to digitalise and new entrants face two specific barriers. The first is the need for skilled individuals who can develop applications and the second is the cost and time required to develop applications to support the introduction of new digital service offerings. The West Midlands was well placed to draw on Community Renewal Fund (CRF) funding to pilot the use of the NoCode approach to developing apps to address these barriers through a successful bid led by GBSLEP.

SuperTech and Millions Lab

The creation of SuperTech and the presence and interest of Millions Lab based in the region provided the basis of a strong collaboration to both support (a) young people develop skills in No_Code approach to developing apps and (b) entrepreneurs and existing businesses in developing and launching new digital services. Other collaboration members included three further education colleges, Birmingham Metropolitan College, Walsall College, and Dudley College, as well as Million Labs, the West Midlands Growth Company, and City-REDI as the independent evaluation partner. Members of SuperTech supported the delivery of the pilot with in-kind support such as the use of facilities, access to experts and advice on value proposition, financing the development and launch of applications, business planning and finance.

The No_Code Approach to developing digital applications

No_Code is a potentially transformative approach to developing digital applications to support new business models by existing businesses and the establishment of new innovative business ventures. It achieves this using programming tools that do not require the user to be an expert in coding to develop software applications. The potential economic benefits to the West Midlands economy are derived from the way No_Code development can transform the way technology-based enterprises and services are started. Its power lies in the ability to build fully functioning apps cheaper, faster and without coding skills, reducing costs and time taken. Using a conventional coding approach to app development can take up to 18 months for a fully functional application and cost upwards of £55,000. Whereas the No-Code approach developed by Million Labs, using the Bubble platform, can reduce the potential development time to weeks and cost as little as £5,000 – thereby, removing significant barriers to start-up creation, business growth and business growth and innovation.

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

Evaluation of the pilot programme

It would be fair to say the pilot programme was truly ambitious and comprehensively delivered over six months. This did create some challenges for City-REDI as the evaluation team and required the adoption of a Real-World Evaluation approach developed by Michael Bamberger and colleagues. Real World Evaluation, initially called Shoestring evaluation until it was realised the name might lack credibility, sets out a series of steps that might be taken to increase the robustness of an evaluation study where the evaluators are working under one or more of the following constraints: limited budget (capped as a small percentage of CRF grant), time (we only had 6 months), data (were not able to measure all intended outcomes) and political constraints (reorganisation of business support in the region). Fortunately, since the pilot was created within WMREDI collaboration agreement it was possible to match funding made available from CRF grant.

Our evaluation was effectively a meta-evaluation that synthesised evaluations of the three strands of the pilot namely:

- No_Code Bootcamps aimed at young people aged 16 to 19 years attending the three partner colleges to develop their digital skills and open new opportunities by learning how to develop an app using No_Code development platforms. Intended outcomes included young people feeling empowered to consider opportunities for self-employment and entrepreneurial pathways, as well as considering working in BPFS and tech sectors. Another important outcome is the development and piloting of a curriculum for teaching app development skills that can be more widely adopted.
- Hackathons are for existing BPFS businesses based in the region who could benefit from identifying opportunities to introduce new innovative products and services, and potential partnerships.
- Ideas2App could be described as an accelerator for potential business founders with viable business ideas/value propositions for a rapid-build app with support from the SuperTech network.

The evaluation report provides useful lessons with regard to:

- Delivering classroom-based training remotely in app development and how to make that training appropriate and relevant to young people leaving a curriculum that can be adopted and adapted by Further Education Colleges as a legacy of the project.
- Creating an effective regional partnership that pulls together different sectors with a common goal; including private sector providers specialising in supporting non-technical founders that are at the idea stage to launch their start-up with a minimum viable product using No_Code approach.
- Providing accelerator-type support for founders with viable business propositions for digital services and products.
- Demonstrating the potential of digital apps to existing businesses so they can develop and introduce new innovative business models, products, and services.

The report made several recommendations at the pilot level:

- The collaboration created to deliver the pilot should continue to receive support given its success in delivering the intended pilot outcomes.
- Colleges (and potentially other training providers) in partnership with local partners should explore how they can fund, continue, and expand the provision of training to young people and digital skills to less advantaged adults who wish to consider career progression and entry into potentially more productive and remunerated roles within the BPFS sector in the region. Colleges use learning from the pilot to adapt and scale provision.
- Continued support for founders to develop their businesses, young people to deploy the skills they developed and college tutors in the integration of No_Code offer within college curriculum. All three are recommended with the proviso of providing data to assess the longer-term impacts of the No_Code pilot.

The report made two significant recommendations with regard to future place-based funding streams:

- Rather than set arbitrary contractual outcome measures around employment and businesses created, the funder should agree on project success criteria that can be used to monitor progress towards achieving these outcomes. This is particularly important for projects that are funded for less than a year when these outcomes often will only start to materialise in the second or third year after beneficiaries enter the project.

- Consider how the contractual side can be streamlined to reduce both unnecessary burdens, support dialogue between the funder and those delivering projects that support learning and better outcomes and reduces delay. Some aspects of this pilot had time-critical pathways which mean extending the project completion date provided little benefit, i.e. provision of training for young people had to be delivered within their College's academic year.

View the full evaluation report.

Smart Energy – An Energy System for the 21st Century

Annum Rafique, WMREDI

What is smart energy? Annum Rafique discusses what it is, how it works and its potential to help us achieve net-zero.

This blog was first published on the College of Social Science blog.

Smart Energy has been identified as an energy system for the 21st Century which utilises digital technologies to monitor energy needs, make decisions and promotes net zero.

This blog is based on the report commissioned by the Midlands Engine: Smart Energy – An Energy System for the 21st Century and is part of a series.

Introduction

In recent years, a lot of focus has been placed on energy and its transition towards net zero to reduce emissions from energy. High-carbon fuels such as oil and coal are becoming limited in their use. At the same time, energy generation has moved towards more renewable and low-carbon sources such as solar, wind, biomass and nuclear. In parallel to that, there is an ongoing revolution in computing, digitalisation and artificial intelligence (AI), also driving the energy transition. AI and machine learning can process huge amounts of data and provide favourable solutions.

What is a Smart Energy System?

The transition of the energy system in the next two decades provides a valuable opportunity to invest in energy systems fit for the 21st Century. Smart Energy has been identified as an energy system for the 21st Century.

A Smart Energy System is an approach which utilises new and emerging digital technologies, artificial intelligence, and machine learning to actively monitor and balance energy needs across connected energy networks, of all scales, by making real-time autonomous interventions empowering energy users and companies and ensuring costs are reduced, energy networks are resilient, and the energy system transitions to net zero.

Smart Energy Systems provide ways of managing the additional complexity in a multi-grid system at a lower cost than focusing on a particular sector or infrastructure in isolation, e.g. by limiting the costs of building additional network capacity (electricity, hydrogen or heat) to meet peak demand.

A Smart Energy System has the capability to manage greater levels of decentralised low-carbon generation. A Smart Energy System should also have considerations of cost versus benefit at its core, which can include different generations and forms of storage. In addition, it could help to build trust back into the energy system through the public disclosure and sharing of open data where feasible. Understanding such a system ensures that the energy system's design, implementation and operation as a whole are in line with national carbon emission targets.

The potential of Smart Energy System

The energy system needs to become smarter to manage the complexities of transitioning towards net zero. Households are already evolving and becoming smarter. Smart meters are being installed nationwide for real-time monitoring of energy consumption. Homes can generate energy through solar PV and heat pumps and store energy through batteries. Combined with an energy management system, smart meters have the capability to monitor and optimise energy generation, consumption and storage.

Like homes, businesses are also becoming smarter with the ability to store, generate and monitor their energy usage through smart devices.

Whether deployed across individual buildings, campuses, city regions or entire countries, Smart Energy Systems can help users realise their energy ambitions using advanced digital driving processes. They offer the following potential benefits:

- They can enable the transition to low-carbon (and more localised) energy sources by exchanging data on energy production and storage and using data to minimise carbon emissions.
- The data can be used to optimise operational expenditure (OPEX) associated with producing, storing, using and selling energy associated with different assets.
- They can support optimal charging and electrification of vehicle fleets.
- They can encourage greater levels of energy efficiency.
- Increased resilience by integrating multiple sources of energy production can increase the network's overall resilience.
- Increased transparency of network health and performance.
- The deployment of smart grids that can integrate new technologies and solutions such as Vehicle-to Grid (V2G).
- More sustainable living across society through more engagement with our energy use.
- Improving the system's resilience to the impacts of climate change, such as extreme weather, can have a major effect on the functioning of the incumbent energy system.

Beyond this, Smart Energy Systems can integrate with other smart digital ecosystems to provide wider benefits, such as the monitoring of air pollution, more energy-efficient and reliable transportation systems or more efficient and greener supply chains.

This blog is based on the report commissioned by the Midlands Engine: Smart Energy – An Energy System for the 21st Century.

This piece will be followed by a series of other blogs discussing Smart Energy in the Midlands, its challenges and barriers to deployment, and its benefits and costs.

ONS economic activity and social change in the UK, real-time indicators
Black Country Consortium Economic Intelligence Unit

On the 30th March 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 17th and 24th March 2023, total online job adverts decreased by 0.9%. On the 24th March 2023, total online job adverts were at 115.5% of their average level in February 2020. Out of the 28 categories (excluding unknown) 16 increased; the largest weekly increase was in "other/general" which rose by 26.2% (to 166.8% of the average level in February 2020). Of the 12 categories that decreased, the highest increase was in "transport/logistics/warehouse" which fell by 31.4% (to 138.5% of the average level in February 2020). There were 7 categories that were below the February 2020 average level, with the lowest in "creative/design/arts & media" at 76.4%.

Online job adverts increased for 9 of UK regions between the 17th and 24th March 2023. The West Midlands online job postings rose by 0.3% and on the 24th March 2023, it was at 113.9% of the average level in February 2020. There were 2 regions that were below the February 2020 levels; East of England (97.8%) and London (97.5%). In contrast, Northern Ireland had the highest levels on the 24th March 2023 at 155.4% 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 19th March 2023, across the UK there were 58 employers proposing 4,123 potential redundancies. The potential redundancies 4-week rolling average was 5,398 and the employers proposing redundancies 4-week rolling average was 69. 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 110 and the employers proposing redundancies 4-week rolling average was 125.

System Average Price of Gas and System Price of Electricity
The System Average Price (SAP) of gas decreased by 12% in the week to 19th March 2023 (from the previous week) and was the tenth consecutive week with a decline. This was 55% lower than the equivalent level in 2022 and 79% below the peak reading on 28th August 2023. However, when compared to the pre-Covid-19 baseline, SAP of gas was 315% higher.

Consumer Behaviour
Consumer behaviour indicators have shown a mixed picture, with overall retail footfall down on last week (19th to the 26th March 2023), Revolut debit card spending broadly unchanged, and automotive fuel demand per transaction increasing by 5 percentage points on the week (19th March 2023).

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

Business Insights and Conditions Survey

The final results from Wave 78 of the Business Insights and Conditions Survey (BICS) based off the 5,306 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 28.6% (1,518) and 3,277 businesses that are head quartered in the West Midlands, with a response rate of 16.7% (886). Please note, the survey reference period was 1st to 28th February 2023 with a survey live period of 6th to 19th March 2023. Also, the data used is unweighted for regions and response levels can be low meaning 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

28.2% of responding West Midlands businesses reported that turnover in February 2023 had increased when compared to the previous calendar month. 36.6% of West Midlands businesses reported turnover had stayed the same. However, 28.4% had reported that turnover had decreased.

35.3% of West Midlands businesses expect turnover to increase in April 2023. While, 45.8% reported expectations of turnover to stay the same. However, 7.7% of West Midlands businesses expect turnover to decrease in April 2023.

Prices

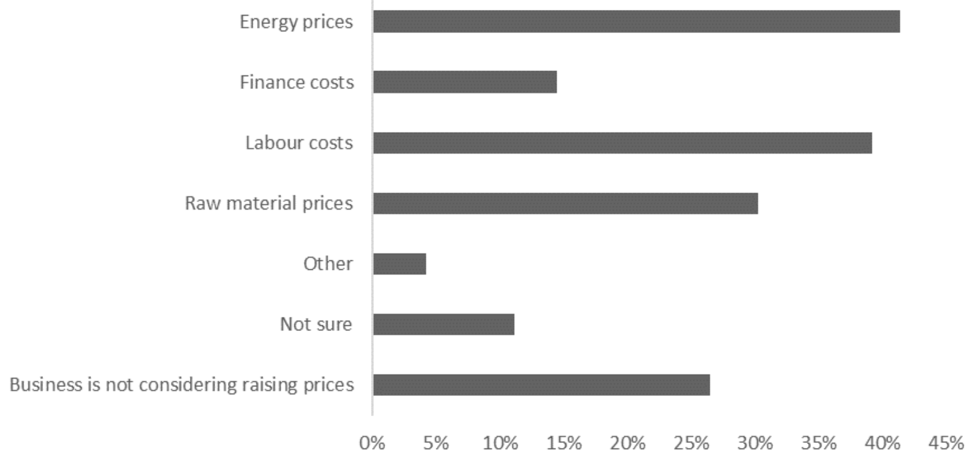
29.5% of responding West Midlands businesses reported the prices of goods or services brought in February 2023 when compared to the previous month had increased. 53.5% reported that prices had stayed the same and 1.0% of West Midlands businesses reported that prices of goods or services brought had decreased.

15.8% of West Midlands businesses reported the prices of goods or services sold in February 2023 when compared to the previous month had increased. 68.8% reported that prices had stayed the same and 1.5% of West Midlands businesses reported that prices of goods or services sold had decreased.

27.0% of West Midlands businesses expect the prices of goods or services sold in April 2023 to increase. 53.5% expect prices to stay the same and 1.3% expect the prices of goods or services sold to decrease.

41.4% of West Midlands businesses reported that energy prices was a factor for the business to consider rising prices in April 2023. While 26.5% of responding West Midlands businesses reported to not be considering raising prices in April 2023.

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



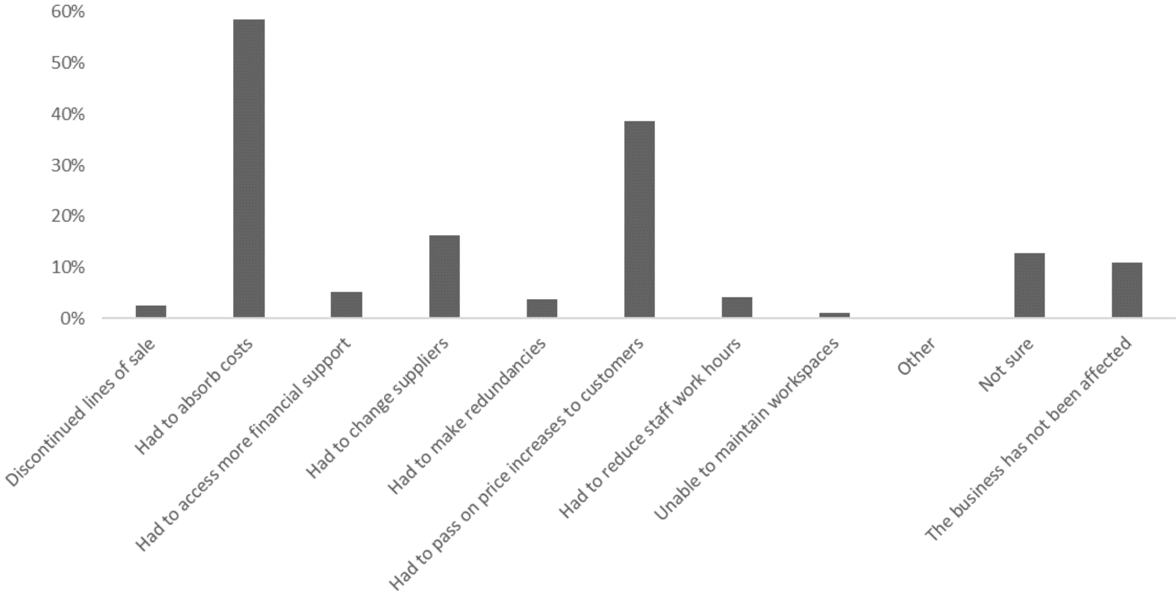
Energy Prices

6.0% of responding West Midlands businesses reported production had been affected by recent increases in energy prices, 18.1% of West Midlands businesses reported suppliers had been affected and 23.8% of West Midlands businesses reported that both production and suppliers were affected. While 22.9% of West Midlands businesses reported to not being affected by the recent increases in energy prices.

Impacts of Price Rises

58.5% 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

16.3% of responding West Midlands businesses reported that domestic demand for goods and services in February 2023 when compared to the previous month had increased. 50.5% reported the domestic demand had stayed the same and 15.0% of West Midlands businesses reported the domestic demand for goods and services had decreased.

5.2% of West Midlands businesses reported that international demand for goods and services in February 2023 when compared to the previous month had increased. 24.1% reported the international demand had stayed the same and 5.7% of West Midlands businesses reported the international demand for goods and services had decreased.

Stock Levels and Stockpiling

9.4% of responding West Midlands businesses reported that stock levels of raw materials in February 2023 when compared to the previous month were higher. 34.9% reported that stock levels stayed the same and 8.7% of West Midlands businesses reported stock was lower.

10.4% of responding West Midlands businesses reported that stock levels of finished materials in February 2023 when compared to the previous month were higher. 32.1% reported that stock levels stayed the same and 8.2% of West Midlands businesses reported stock was lower.

7.1% of responding West Midlands businesses reported to stockpiling goods or materials.

Number of Employees

18.2% of responding West Midlands businesses reported in February 2023 when compared to the previous month, that the number of employees increased, 62.0% reported the number of employees had stayed the same and 12.9% of West Midlands businesses reported the number of employees had decreased.

25.4% of West Midlands businesses expect the number of employees will increase in April 2023, 57.2% expected the number of employees to stay the same and 5.9% of West Midlands businesses expect the number of employees to decrease.

Recruitment Difficulties
31.4% of responding West Midlands businesses reported to experiencing difficulties in recruiting employees in February 2023. However, 40.7% of West Midlands businesses did not experience any difficulties.

Debts and Insolvency
2.7% of responding West Midlands businesses reported that debt repayments were between 50% and 100% of turnover in February 2023. 3.5% of West Midlands businesses reported that repayments were between 20% and 50% of turnover. 26.1% of West Midlands businesses reported that repayments were up to 26.2% of turnover. While 42.7% of responding West Midlands businesses reported that it was not applicable.

46.3% of West Midlands businesses reported high confidence to meet the current debt obligations, 14.8% had moderate confidence and 1.5% had low confidence.

6.1% of West Midlands businesses reported to be at moderate risk of insolvency, 43.7% reported low risk and 40.7% reported no risk.

Overall Performance
31.1% of responding West Midlands businesses reported that overall performance in February 2023 increased when compared to the same period in the previous year. 39.8% of West Midlands businesses reported that performance had stayed the same and 19.3% reported that performance had decreased.

For the next 12 months, 41.4% of West Midlands businesses expect that performance will increase, 34.1% expect performance will stay the same and 9.2% expect performance will decrease.

Public Opinions and Social Trends
Please note, a breakdown by region is no longer provided within this dataset due to the smaller responding sample size of the Opinions and Lifestyle Survey (OPN). Estimates are based on data collected between 8th to 19th March 2023 (the "latest period") and the 22nd February to 5th March 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 (91%), NHS (84%), economy (71%) and climate change & the environment (57%).

Borrowing and Saving
25% of responding adults reported to using savings due to the rising cost of living (slightly down from 26% in the previous period).

24% of adults reported to have borrowed more money or use more credit in the last month when compared to a year ago.

Paying Energy Bills
49% of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period (up from 48% in the previous period).

Rent or Mortgage Payments
36% of those who are currently paying rent or mortgage payments reported that these payments have gone up in the last six months (up from 30% in the previous period).

34% 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 32% in the previous period).

Industrial Action

36% of adults reported industrial action as an important issue in the UK. A higher proportion in the older age groups reported this being an important issue, with 39% of people aged 50 to 69 years and 44% of those age 70 years and over reporting this. This is compared with 29% for those aged 16 to 29 years and 32% for those aged 30 to 49 years.

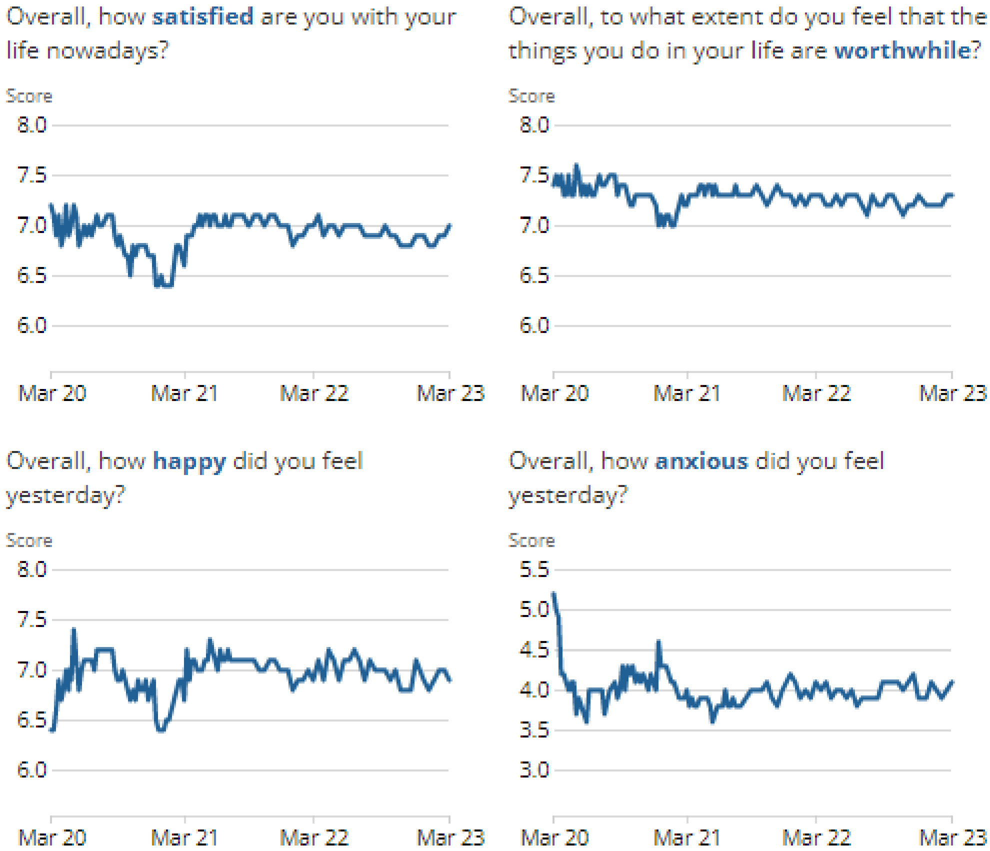
Personal Well-Being
Life satisfaction – increased to 7.0 in the latest period (from 6.9 in the previous period).

Feeling that the things done in life are worthwhile – remained at 7.3 from the previous period.

Happiness – decreased to 6.9 in the latest period (from 7.0 in the previous period).

Anxiety – increased to 4.1 in the latest period (from 4.0 in the previous period).

Levels of personal well-being, Adults in Great Britain, March 2020 to March 2023:



Source: Office for National Statistics – Opinions and Lifestyle Survey

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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