West Midlands
Economic Impact Monitor

WM REDI CITY REDI

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

While in July 2023 the UK has not seen anything close to the all-time temperature record of 40.3°C set on 19th July 2022, over the last month extreme weather has dominated international news headlines, with record high temperatures in the southern USA and in southern Europe, in particular, and flooding in parts of south-east Asia. The Secretary of the World Meteorological Organization notes that this extreme weather is indicative of the "harsh reality of climate change and a foretaste of the future".

Global outlook

- Scientists expect July 2023 to be the hottest on record globally. The world's hottest day occurred on 6th July and the 23 hottest days ever were recorded during the month. On 6th July the global daily average air temperature reached over 17 degrees for the first time.
- The latest World Economic Outlook update for July 2023 from the International Monetary Fund forecasts shows that global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. While the forecast for 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards.

National outlook

- Latest results from the ONS Business insights and impact on the UK economy suggest that business conditions continue to remain challenging, however, estimates show signs of improvement for some measures; examples include fewer businesses reporting energy prices as their main concern.
- Around two-thirds (67%) of businesses reported some form of concern for their business when looking ahead to August 2023, which, although broadly stable with July 2023, is the lowest percentage reported since late February 2022.
- Fewer than 1 in 10 businesses (9%) reported energy prices as their main concern for August 2023, the lowest proportion since the question was first introduced in February 2022; more commonly reported concerns included falling demand of goods and services (16%) and inflation of goods and services prices (16%), although 24% of businesses reported having no concerns for their business.
- Around 1 in 8 (13%) businesses were experiencing worker shortages in mid-July 2023, with 38% of those businesses reporting that employees were working increased hours as a consequence; these percentages were 29% and 53%, respectively, for businesses with 10 or more employees.

Regional economic outlook

- The West Midlands Business Activity Index decreased from 54.2 in May 2023 to 52.6 in June 2023, although it remained above the 50-growth mark for the fifth month in a row. The rise in business activity was linked to better-than-usual weather, new clients and demand resilience. The slowdown reflected signs of economic deceleration.
- The UK Business Activity Index decreased from 54.0 in May 2023 to 52.8 in June 2023.
- Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in June 2023.
- The West Midlands Future Business Activity Index decreased from 78.5 in May 2023 to 74.4 in June 2023. Despite slipping to a six-month low, firms remained confident that output will increase over the year. Optimism in West Midlands firms was linked to predictions of demand conditions to remain favourable, hopes of geopolitical issues diminishing and the launch of new products and services.
- Out of the 12 UK regions, the West Midlands was the second highest for Future Business Activity in June 2023.

Business births and deaths

- The number of business creations (business births) in the UK in Quarter 2 (Apr to June) 2023 was 77,095. This figure is 14% lower than the number of business creations in Quarter 2 2022. It is the second lowest number of business creations in a second quarter since the start of this series in 2017.
- The number of business creations in the UK decreased in 14 out of 16 industry groups during this quarter, compared with Quarter 2 2022. The most significant decrease came in the transport and storage industry, where business creations were down by 59%. Within transport and storage, the two main industries driving the decrease were freight transport by road (down 53%) and unlicensed carriers (down 83%).
- The number of business creations in the WMCA 7-MET area in Quarter 2 (Apr to June) 2023 was 3,240. This figure is 18%

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West Midlands Combined Authority Research England

lower than the number of business creations in Quarter 2 2022 and is the lowest number of business creations in a second quarter since 2018 (excluding 2020 Q2 as a major Covid-affected quarter). Births have fallen between Q2 2022 and Q2 2023 across all WMCA local authority areas, by the highest proportion in Wolverhampton (-28%) and Walsall (-26%).
- The number of business closures (business deaths) in the WMCA 7-MET area in Quarter 2 (Apr to June) 2023 was 3,500. This figure is 16.5% lower than the number of business deaths in Quarter 2 2022, reflecting a considerable (and positive) fall in business closures in the region, from recent highs. Deaths have fallen between Q2 2022 and Q2 2023 across all 7 of WMCA local authority areas

Logistics and distribution

- ONS statistics indicate that the number of business premises used for transport, logistics and warehousing in the UK has almost doubled in the last decade. The UK's exit from the EU and the Covid-19 pandemic accelerated the sector's growth, with online shopping as a percentage of retail sales, new orders for the building of warehouses and job adverts in transport, logistics and warehousing all increasing substantially.
- In the WMCA area the number of logistics, transport businesses grew by 196% between 2019 and 2022.
- The Golden Logistics Triangle is an area of the Midlands comprising around 289 square miles that is renowned for its high density of distribution facilities. It is within a 4-hour drive of 90% of the UK population. Easy access to the M1, M6 and M42 motorways makes it a prime location for logistics and distribution businesses.
- The WMCA area is located alongside strong road and rail transport links, as well as having one of the largest airports in the UK, Birmingham airport, making it well located for logistics, transport and distribution businesses. The WMCA area can increase market share and productive capacity by providing high quality infrastructure and improving connectivity.
- As consumers become increasingly aware of the environmental impacts of their purchases, UK consumers are increasingly buying locally, so reducing the carbon footprint. This may mean an increase in demand for British produced goods, increasing the need for freight services, which is where the WMCA area has a particular advantage given its central location.

Regional labour market summary

- For the UK, the number of job vacancies in April to June 2023 was 1,034,000; this was a decrease of 7.6% (-85,000) from the previous quarter – the twelfth consecutive quarterly fall. In April to June 2023, total vacancies were down by 265,000 from the level of a year ago, although they remained 232,000 above their pre-coronavirus (January to March 2020) levels.
- The number of unique job postings across the WMCA 7 Met. area increased in June, for the second consecutive month, albeit marginally. Unique job postings increased by 693 or 0.5% from 140,670 in May to 141,363 in June. This is the first time since January 2023 that unique postings have increased month-on-month across the WMCA 7 Met. area.
- For the three months ending May 2023, the employment rate (aged 16–64 years) for the West Midlands region was 75.6%. Since the three months ending February 2023, the employment rate increased by 1.9 percentage points (pp). When compared to the same period in the previous year, the employment rate was 0.5pp higher. The UK employment rate was 76.0%, an increase of 0.2pp when compared to the previous quarter and an increase of 0.1pp when compared to the previous year.
- For the three months ending in May 2023, the West Midlands region unemployment rate (aged 16 years and over) was 5.0%, which has increased by 0.4pp since the previous quarter and an increase of 0.6pp from the previous year. The UK unemployment rate was 4.0%, an increase of 0.2pp from the previous quarter and 0.2pp higher when compared to the previous year.
- For the three months ending May 2023, the West Midlands region economic inactivity rate (aged 16 – 64 years) was 20.3% (a joint record-low rate for the region), a decrease of 2.4pp from previous quarter and a decrease of 1.0pp when compared to the previous year. The UK economic inactivity rate was 20.8%, a decrease of 0.4pp from the previous quarter and a decrease of 0.3pp from the previous year.
- There were 125,600 claimants in the WMCA area in June 2023. Since May 2023, there has been an increase of 1.1% (+1,370) claimants in the WMCA area, while the UK increased by 1.5%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 26.5% (+26,300) in the WMCA area, with the UK increasing by 22.3% over the same period.
- Overall, for the WMCA the number of claimants as a proportion of residents aged 16-64 years old was 6.8% compared to 3.7% for the UK in June 2023.
- Overall, for the WMCA area, the number of youth claimants as a percentage of residents aged 18-24 years old was 8.1% compared to 4.8% for the UK in June 2023.

House prices

- House prices in the West Midlands are bucking a trend across the UK that has seen the sharpest fall for 12 years. Halifax said the annual UK fall in June of 2.6%, equating to around £7,500 being wiped off the average house price in cash terms, was the biggest since 2011. However, the West Midlands' market appears to be relatively buoyant in comparison.
- The West Midlands was one of only two regions to show a rise in house prices in June compared to the same time last year, up 1.5 per cent to an average of £251,139. Only Yorkshire and the Humber also showed a rise, and that was by only 0.2 per cent. This chimes with data released by Government on house prices for May 2023, showing the West Midlands has having the largest monthly change at +0.5%.

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Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

International Monetary fund World Economic Outlook Update

The latest World Economic Outlook update for July 2023 from the International Monetary Fund forecasts shows that global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. While the forecast for 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward.

The recent resolution of the US debt ceiling standoff and, earlier this year, strong action by authorities to contain turbulence in US and Swiss banking, reduced the immediate risks of financial sector turmoil. This moderated adverse risks to the outlook. However, the balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy. Financial sector turbulence could resume as markets adjust to further policy tightening by central banks. China's recovery could slow, in part as a result of unresolved real estate problems, with negative cross-border spillovers. Sovereign debt distress could spread to a wider group of economies. On the upside, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient.

In most economies, the priority remains achieving sustained reductions in inflation while ensuring financial stability. Therefore, central banks should remain focused on restoring price stability and strengthen financial supervision and risk monitoring. Should market strains materialize, countries should provide liquidity promptly while mitigating the possibility of moral hazard. They should also build fiscal buffers, with the composition of fiscal adjustment ensuring targeted support for the most vulnerable. Improvements to the supply side of the economy would facilitate fiscal consolidation and a smoother decline of inflation toward target levels.

For the full update please follow the link here

Extreme Weather

Scientists expect this month to be the hottest on record globally. The world's hottest day occurred on the 6th of July and the 23 hottest days ever were recorded in this month. As seen in the graph below, the 6th of July was the first time on record that the global daily average air temperature had reached over 17 degrees.

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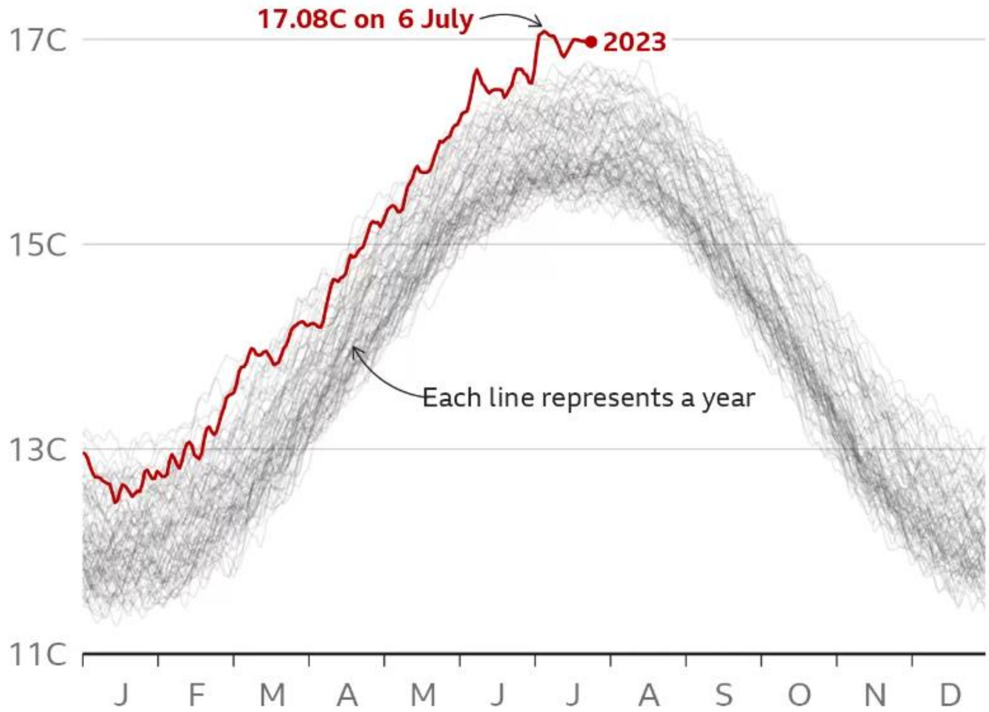
Daily global average air temperature, 1940 to 2023



Source: BBC, 2023

The occurrences of these extreme weather events are being caused by [global warming](), which is changing the climate and leading to extreme events. The last few weeks we have seen these extreme events in action, with southern Europe facing extreme heat and wildfires and parts of northern Europe facing excessive volumes of rain and flooding. Whilst some of the wildfires in Europe may have been started by [arsonists](), the reason they have been so large is because extreme heat is sucking the moisture out of vegetation, leading to fires spreading more rapidly, resulting in greater damage.

With the climate expected to continue to heat, [experts]() are forecasting that records will continue to be broken each year. Global warming in the coming years could create political instability and climate change refugees. Already extreme weather in Asia and Africa is displacing people, which is leading to climate change refugees having to flee their homes. This is likely to lead to greater conflict in an unstable region, further feeding the refugee crises.

Going forward greater efforts will need to be made to reduce the average carbon footprint and battle the growing climate change denial discourse.

National

Economic activity and social change in the UK

On 27th July the ONS released the latest insight on Economic activity and social change in the UK. The key findings were:

- The monthly Direct Debit failure rate for the electricity and gas category was 1.03% in June 2023, up 12% from the June 2022 figure of 0.92%, quadrupling since its lowest point of available data in May 2020, while the monthly average transaction amount for mortgages has steadily risen from £718 in December 2021 to £852 in June 2023, an increase of £134 (Pay.UK and Vocalink).
- Consumer behaviour indicators showed decreased levels in activity in the latest week; compared with the previous week, aggregate levels of debit and credit card purchases decreased by 2 points (Bank of England CHAPS data), Revolut debit card spending fell by 3 percentage points and overall retail footfall levels remained unchanged (Revolut, Springboard).
- The total number of online job adverts on 21 July 2023 was 2% lower than the previous week and 9% below the equivalent period of 2022; 20 categories and 11 regions had lower levels than a year ago (Adzuna).

- For businesses, energy prices continue to be less of a concern, with fewer than 1 in 10 (9%) reporting them as their main concern for August 2023; more commonly reported concerns included falling demand of goods and services (16%) and inflation of goods and services prices (16%), although 24% of businesses reported having no concerns for their business (final results from Wave 87 of the Business Insights and Conditions Survey).
- Energy indicators saw a mixed picture in the week to 23 July 2023, with the System Average Price (SAP) of gas decreasing by 5% and the System Price of electricity increasing by 2%; both prices remained below the equivalent level of 2022, with electricity at 74% and gas at 70% (National Gas Transmission, Elexon).
- The average number of UK flights in the week to 23 July 2023 was 6,162, which was 8% higher than the equivalent period in 2022, however, this remains 8% lower than the equivalent week of 2019 (EUROCONTROL).

Public Opinions and Social Trends

On 28th July the ONS released the latest insight on Public opinions and social trends. The key findings were:

- When asked about the important issues facing the UK today, the most commonly reported issues continue to be the cost of living (92%), the NHS (85%), the economy (78%), climate change and the environment (62%) and housing (55%).
- Among those currently paying rent or a mortgage, over 4 in 10 (45%) reported that their rent or mortgage payments had gone up in the past six months.
- Among those who are currently paying rent or a mortgage, 4 in 10 (40%) reported finding it very or somewhat difficult affording these payments; this has increased from around 3 in 10 (31%) in July 2022.
- Around 6 in 10 (59%) adults reported that their cost of living had increased, compared with a month ago; this proportion appears to have gradually decreased since early April 2023, when it was at 76%.
- When asked about what people are doing because of the increases in the cost of living, around two-thirds (67%) said they were spending less on non-essentials, over half (53%) were shopping around more, and 46% were using less fuel such as gas or electricity in their homes.
- Among adults who tried to contact a GP practice to make an appointment for themselves or someone else in the last month, around 4 in 10 (39%) found it very difficult or difficult, while 44% found it easy or very easy.

Business insights and impact on the UK economy

On 27th July the ONS released the latest insight on Business insights and impact on the UK economy,. The key findings were:

- Latest results suggest business conditions continue to remain challenging, however, estimates show signs of improvement for some measures; examples include fewer businesses reporting energy prices as their main concern.
- Around two-thirds (67%) of businesses reported some form of concern for their business when looking ahead to August 2023, which, although broadly stable with July 2023, is the lowest percentage reported since late February 2022.
- Fewer than 1 in 10 businesses (9%) reported energy prices as their main concern for August 2023, the lowest proportion since the question was first introduced in February 2022; more commonly reported concerns included falling demand of goods and services (16%) and inflation of goods and services prices (16%), although 24% of businesses reported having no concerns for their business.
- Around 1 in 8 (13%) businesses were experiencing worker shortages in mid-July 2023, with 38% of those businesses reporting that employees were working increased hours as a consequence; these percentages were 29% and 53%, respectively, for businesses with 10 or more employees.

Business demography

ON the 27th of July the ONS has released their latest insight on Business demography. The key findings were:

- The number of businesses added to the Inter-Departmental Business Register (IDBR) (business creations) in the UK in Quarter 2 (Apr to June) 2023 was 14% lower than in Quarter 2 2022.
- There was a decrease in creations in 14 out of 16 main industrial groups in Quarter 2 2023 compared with Quarter 2 2022, with the most significant decrease coming from transport and storage.
- The number of businesses removed from the IDBR (business closures) in the UK in Quarter 2 2023 was 15% lower than in Quarter 2 2022.

- There was a decrease in the number of closures in 14 out of 16 main industrial groups in Quarter 2 2023, compared with Quarter 2 2022; the most significant decrease came from professional, scientific and technical activities.
- Q2 2023 is the eighth quarter in a row where there have been more closures than creations.

Housing Purchase Affordability
On 27th the ONS released the latest insight on Housing Purchase Affordability. The key findings were:

- In England the average house price was £275,000 in the financial year ending (FYE) 2022, and the average annual disposable household income was £33,000, equivalent to a ratio of 8.4 years of income.
- This compares with average house price to income ratios of 6.4 in Wales, 5.3 in Scotland and 5.1 in Northern Ireland in the FYE 2022.
- Current trends are mixed; in England, Scotland and Northern Ireland, affordability ratios improved slightly compared with the previous financial year; in Wales, the affordability ratio worsened, from a ratio of 6.1 to 6.4.
- On average, homes in all four countries have sold for more than five years' worth of average household income since 2017..
- Average priced homes in all four countries have been below our affordability threshold throughout the series for low-income households, using a threshold of five years of income.
- In England, only households in the top 10% of income can afford an average home with fewer than five years of income; in comparison with the top 30% in Wales, and the top 40% in Scotland and Northern Ireland.

Rising ill-health and economic inactivity
On 26th July the ONS released the latest insight on Rising ill-health and economic inactivity. The key findings were:

- More working-age people are self-reporting long-term health conditions, with 36% saying that they had at least one long-term health condition in Quarter 1 (Jan to Mar) 2023, up from 31% in the same period in 2019 and 29% in 2016.
- The number of people economically inactive because of long-term sickness has risen to over 2.5 million people, an increase of over 400,000 since the start of the coronavirus (COVID-19) pandemic.
- For those economically inactive because of long-term sickness, nearly two-fifths (38%) reported having five or more health conditions (up from 34% in 2019), suggesting that many have interlinked and complex health issues.
- Over 1.35 million (53%) of those inactive because of long-term sickness reported that they had depression, bad nerves or anxiety in Quarter 1 2023, with the majority (over 1 million) reporting it as a secondary health condition rather than their main one.
- For those inactive because of long-term sickness and who had a main health condition that is musculoskeletal in nature, over 70% reported that they had more than one type of musculoskeletal condition.

Regional

The Greater Birmingham Quarterly Business Report
Key findings from the Greater Birmingham Quarterly Business report for Q2 2023 were as follows (for the full report please follow the link here):

- The balance score for domestic sales has risen 2 points – the second consecutive quarterly increase since a sustained fall throughout 2022, with the overall number of firms reporting an uptick in domestic sales increasing from 46% in Q1 to 50% in Q2.
- The price index balance score saw a welcome 2-point fall to a figure of 72 but is descending from a high point seen consistently throughout 2021/2022.
- The export sales balance score rose by 11 points this quarter to reach 62- the highest figure recorded since Q4 2018.
- The workforce balance score fell by 3 points to 59 – returning to levels seen in mid-2022.
- The balance scores for turnover and profitability have continued their upwards trajectory as business confidence continues to build despite the broader economic uncertainty locally and nationally.

West Midlands FDI

The West Midlands has ranked top for foreign investment, seeing the highest growth in the UK, according to the West Midlands Growth Company (WMGC):

- The West Midlands is the UK's leading regional location for FDI, seeing its highest performance on record and more projects than Scotland and Wales combined.
- The region sees the greatest growth in FDI projects in UK, surpassing London and outstripping the national average by fivefold.
- The region bucks the national trend, with FDI employment rising by 48% vs a UK decline.
- The WMGC records the best-ever FDI results for projects and jobs.

Logistics and Distribution Cluster

Alice Pugh, WMREDI

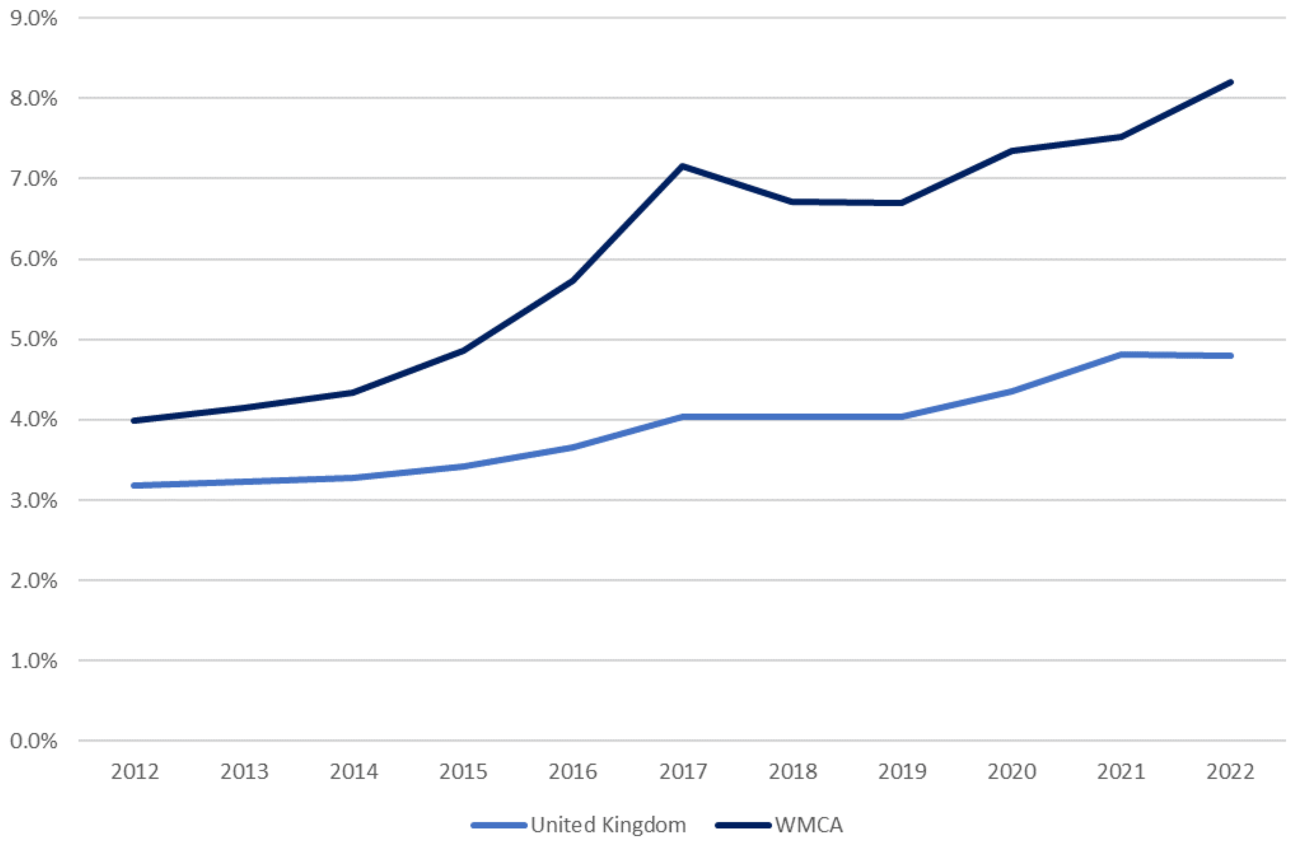
Logistics, transport and distribution background

The number of business premises used for transport, logistics and warehousing in the UK has almost doubled in the last decade, according to the ONS. Over the last few years, the sector's growth has accelerated, notably following the UK's exit from the EU and the Covid-19 pandemic. Online shopping as a percentage of retail sales, new orders for the building of warehouses, and job adverts in transport, logistics and warehousing have all increased substantially compared with before the Covid-19 pandemic. This is likely due to changes in shopping habits following the pandemic, resulting in shoppers being more inclined to shop online, driving up the demand from logistics, transport and distribution companies. Alongside this supply chain adjustments made after the EU exit, have likely led to increases in producers and exporters begin more inclined to use UK businesses for logistics, transport and distribution as it has become more expensive to use European counterparts, given increased red tape and the end of free movement of labour.

WMCA Logistics, transport and distribution sector

Between, 2012 and 2022 the number of logistics, transport and distribution businesses rose 106.1% across the UK and by 24.1% since 2019. In the WMCA area the number of these businesses has also grown: between 2012 and 2022 the count grew by 196% and by 28% between 2019 and 2022. As seen in the figure below, there has been a rapid increase in the proportion of local units which are used by logistics, transport and distribution businesses. In the UK the proportion has increased from 4% of local units in 2012 to 4.8% in 2022. However, the proportion of local units which are used by logistics, transport and distribution in the WMCA area is much higher, having risen from 4% in 2012 to 8.2% in 2022.

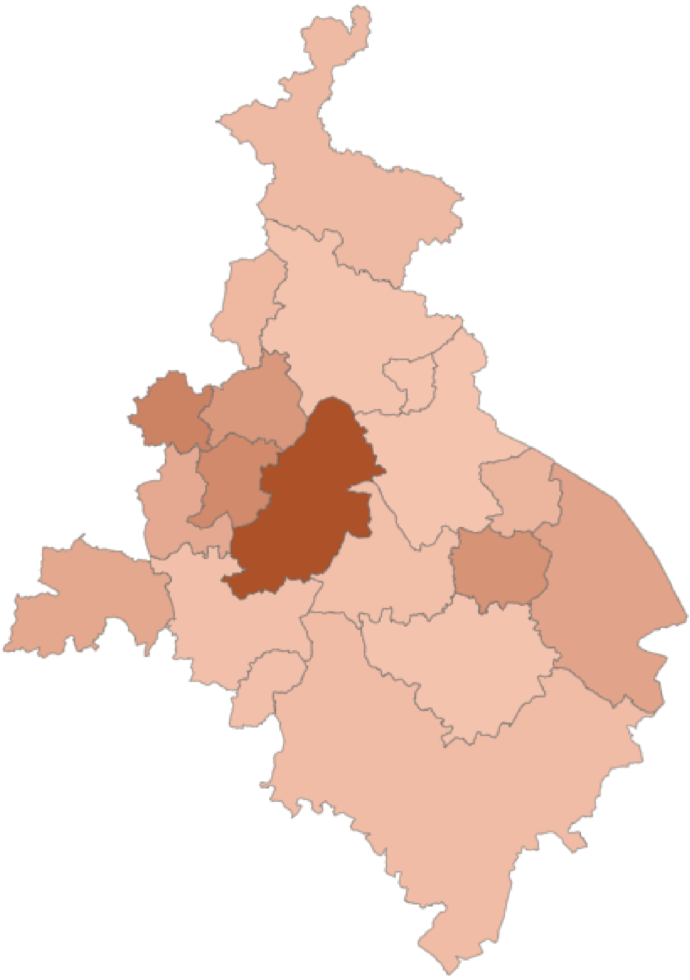
Logistics, transport and distribution units as a proportion of total business units



Source: Nomis: UK Business Counts, 2023

The map below shows the concentration in the WMCA area of logistics, transport and distribution businesses in 2022, with the largest number of businesses being located within Birmingham. As a proportion of logistics, transport and distribution businesses in the WMCA region, 19.1% are located in Birmingham. The second highest concentration of these businesses is in Wolverhampton (11.4%), followed by Sandwell (10.3%) and then Coventry (8.9%).

Concentration of logistics, transport and distribution businesses in the WMCA by local authority 2022



Local Authority	Number of Logistics and Distribution companies
Birmingham	2550
Wolverhampton	1525
Sandwell	1380
Coventry	1190
Walsall	1090
Rugby	850
Wyre Forest	760
Dudley	735
Nuneaton and Bedworth	475
Cannock Chase	420
East Staffordshire	395
Stratford-on-Avon	345
Solihull	290
Redditch	275
Bromsgrove	270
Lichfield	210
Warwick	205
Tamworth	190
North Warwickshire	180

Source: Nomis: UK Business Counts, 2023

Unsurprisingly, these are the local authorities which also have the highest number of local units associated with logistics, transport and distribution businesses. Birmingham has 2755 units, Wolverhampton 1,590, Sandwell 1,475 and Coventry 1,265.

The Golden Logistics Triangle

The Golden Logistics Triangle, as defined by MorganKing, is an area of the Midlands comprising around 289 square miles that is renowned for its high density of distribution facilities. It is within a 4-hour drive of 90% of the UK population. Easy access to the M1, M6 and M42 motorways makes it a prime location. The term originated in the late 1980s, and initially covered an area around Magna Park in Lutterworth. The area has grown significantly to what it is today. A vaguely defined area, people have varied interpretations of the triangle, but it is generally seen to encompass Nottingham, Birmingham, and a large stretch of the M1 down to Northampton. The map below shows the rough location of the Golden Logistics triangle.

The location and infrastructure of the WMCA offers a unique opportunity for logistics, transport and distribution businesses, which enables businesses to reach the majority of the population in the quickest time possible. This is why the location has historically been such as prime location for such businesses and continues to be so. Now with HS2 set to arrive there are even greater opportunities for this unique location. However, a risk with this location in

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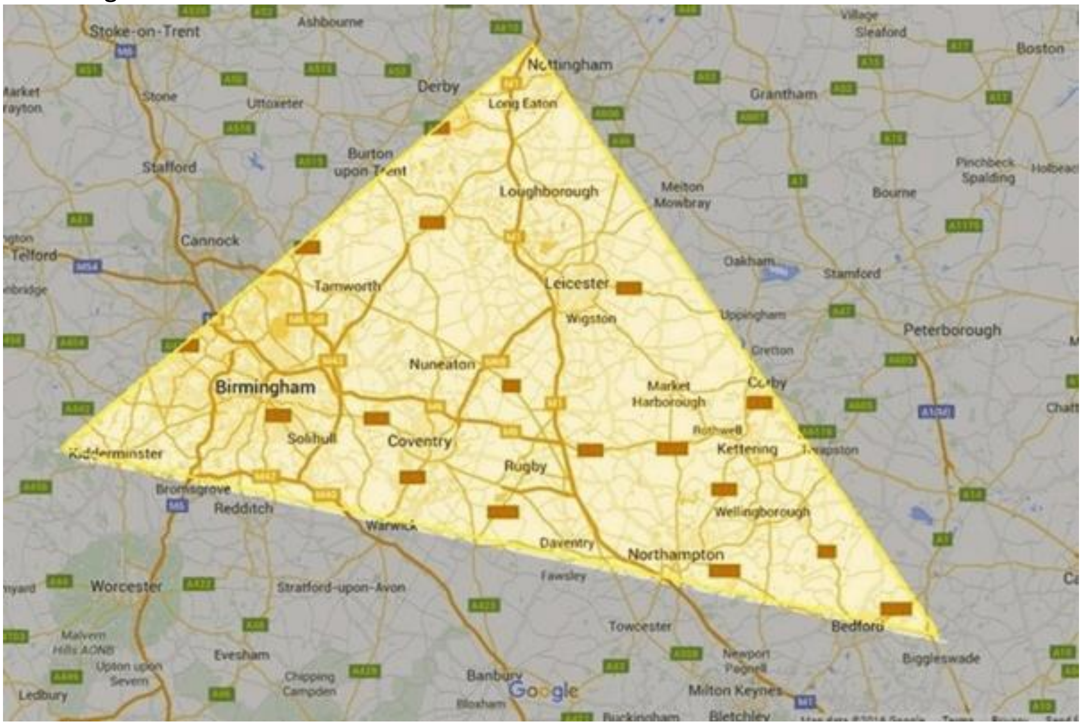
the future is that the area may become overcrowded, driving up property costs and driving businesses out of the market.

Golden Logistics Triangle



Source: MorganKing, 2022

Opportunities for the logistics, transport and distribution cluster:

- **Golden Logistics Triangle**. A large proportion of the WMCA area and wider West Midlands and Midlands as a whole, is in the golden logistics triangle. This means that this area is within a 4-hour drive of 90% of the British population, making this area prime real estate for logistics, transport and distribution companies.
- **Infrastructure**. The WMCA area is located alongside strong road and rail transport links, as well as having one of the largest airports in the UK, Birmingham airport, making it well located for logistics, transport and distribution businesses. The WMCA area can specifically increase market share and productive capacity by providing high quality infrastructure and improving connectivity.
- **Net Zero trends**. As consumers become increasingly aware of the environmental impacts of their purchases, UK consumers are increasingly buying locally, presenting an opportunity for those wishing to buy goods with a smaller carbon footprint. This may mean an increase in demand for British produced goods, increasing the need for road freight services, which is where the WMCA area has a particular advantage, given it is largely within the golden logistics triangle.
- **Spending habits have changed**. Since the pandemic people are much more likely to shop online, so driving up the demand for businesses in this industry, alongside ecommerce. In June 2023 24.9% of all retail purchases were made online. Whilst it is lower than at the hight of the pandemic, at 37.8%, this is an upward change since the pre-Covid period that looks set to remain into the future.
- **Demographics**. Younger age groups are increasingly more likely to make purchases online and as this group grows, they will likely increasingly make purchases online.

The logistics market in the West Midlands
Savills

3PLs have targeted the West Midlands to lead UK expansion.

"Take-up in 2022 has been robust, reaching 7.43m sq ft across 28 transactions. Although a decline on 2021, we have seen demand stem from a range of sectors, which has kept the level of supply low. The vacancy rate stands at 3.06%, which continues to push prime rents higher in the region." -Ranjit Gill, Director, Birmingham

Key statistics

	Stats	Year-on-year change	
Take-up	7.43 million sq ft	22%	↓
Supply	2.87 million sq ft	23%	↑
Development pipeline	2.59 million sq ft	26%	↓
Quoting Grade A rent	£9.75 psf	11%	↑
Vacancy rate	3.06%	44 bps	↑

Source: Savills Research

Supply

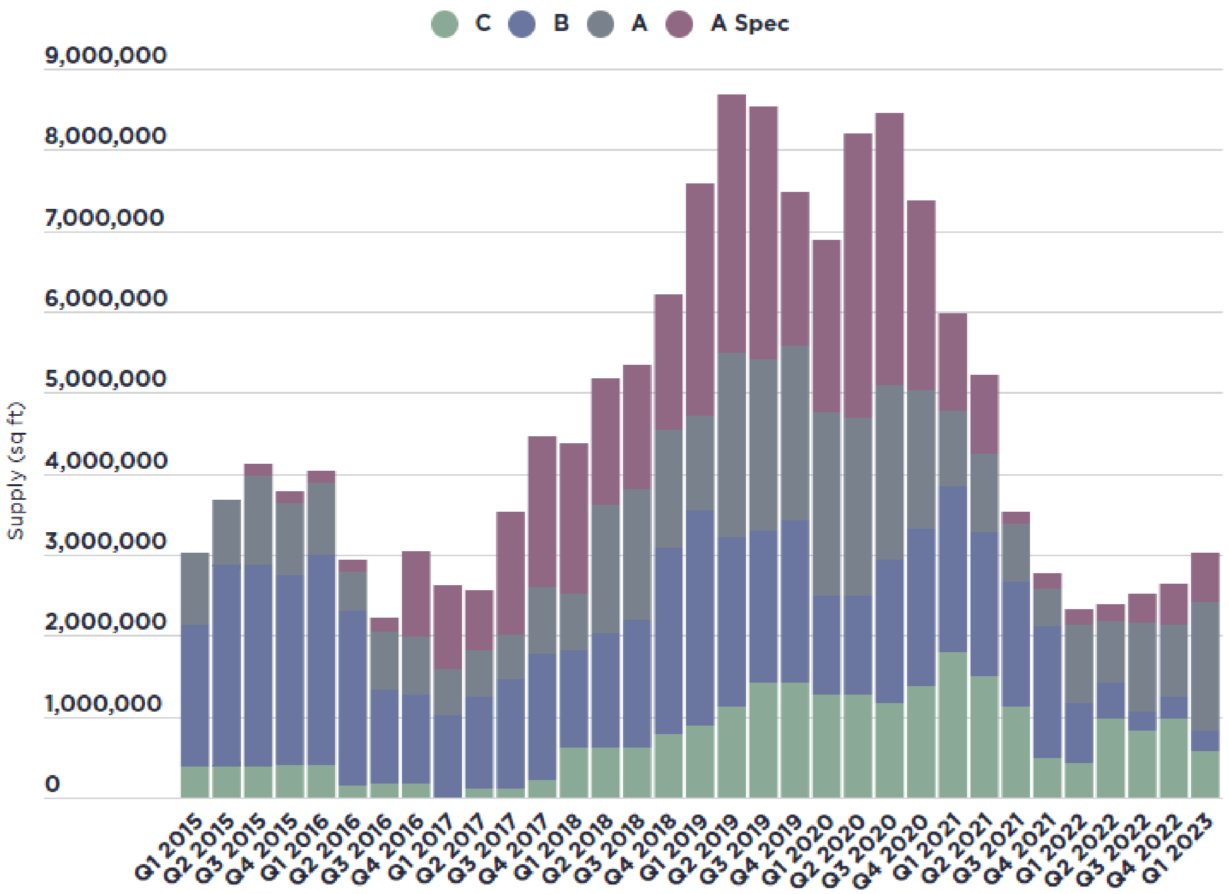
The level of supply within the region currently stands at 2.87m sq ft across 11 units, representing a 23% increase from this time last year. Using the three-year average annual take-up, there is just 0.36 years' worth of supply in the West Midlands.

Of the available stock, 21% is Grade A speculatively developed space, 55% is Grade A second-hand space, 4% is Grade B space, and 20% is Grade C space. It is worth questioning the suitability of the Grade C stock for modern logistics operations, as just 8% of take-up over the last two years has been for Grade C units.

Analysing the vacant stock by size shows there are six units available within the 100,000–200,000 sq ft size band, a single unit within the 200,000–300,000 sq ft size band, two units within the 300,000–400,000 sq ft size band, a single unit within the 400,000–500,000 sq ft size band, and a single unit over 500,000 sq ft.

With the current supply and demand dynamics, we continue to expect that rental growth will exceed the 4% forecasts per annum by RealFor in the next five years.

Supply *69% of units in the 100,000–200,000 sq ft range*



Source: Savills Research

Take-up

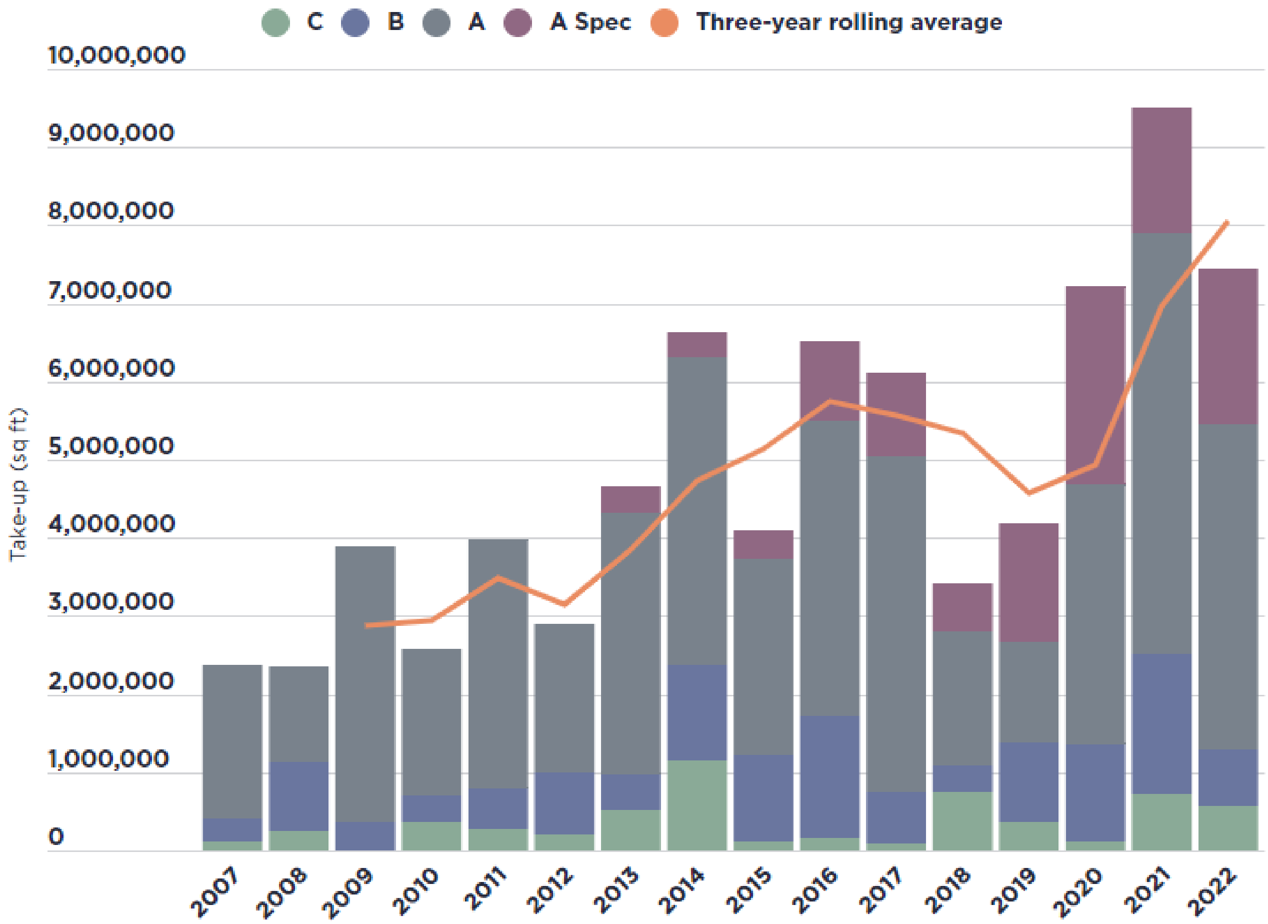
Take-up in 2022 has reached 7.43m sq ft across 28 transactions, a 58% rise above the long-term average. Despite a slight decline in activity in 2022 compared to 2021, the average deal size has remained on an upward trajectory, reaching 265,436 sq ft in 2022.

Occupier demand continues to revolve around better quality space, with 47% being built-to-suit in 2022, 21% speculatively developed space let prior to practical completion, 6% new speculatively developed space, and 26% second-hand. Analysing take-up in terms of grade shows 83% of space transacted was Grade A, 10% was Grade B, and 7% was Grade C.

Deal counts demonstrated the preference towards smaller units, as 57% of deals were recorded within the 100,000–200,000 sq ft size band, 18% within the 200,000–300,000 sq ft size band, 11% within the 300,000–400,000 sq ft size band, 3% the 400,000–500,000 sq ft size band, and 11% over 500,000 sq ft.

Manufacturers and the automotive sector have historically dominated take-up in the West Midlands; however, in recent years, we have seen a sustained shift to a more diverse range of occupiers. In 2022, 3PLs accounted for 56% of the total take-up, the 'other' sector 16%, and manufacturers 11%.

***Take-up** 83% was Grade A quality*



Source: Savills Research

Development pipeline

There are 13 units currently under construction within the West Midlands, totalling 2.59m sq ft. There are eight within the 100,000–200,000 sq ft size band, two within the 200,000–300,000 sq ft size band and three within the 300,000–400,000 sq ft size band. A large proportion of these units have strong interest, but should they add to the vacant stock after PC, the vacancy rate would rise to 5.9%, which is still below the long-term average of 5.98%.

For more intelligence from Savills on the logistics market please follow the link here

The WM Economic Impact Monitor is funded by the WMCA, Research England/UKRI

Business Births and Deaths: July 2023 Release (to Q2 2023)
The Economic Intelligence Unit

ONS released their experimental statistics relating to business births and deaths in July 2023, covering the period up to Quarter 2 2023. The data and publication can be accessed here:

https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemographyquarterlyexperimentalstatisticsuk/apriltojune2023/relateddata

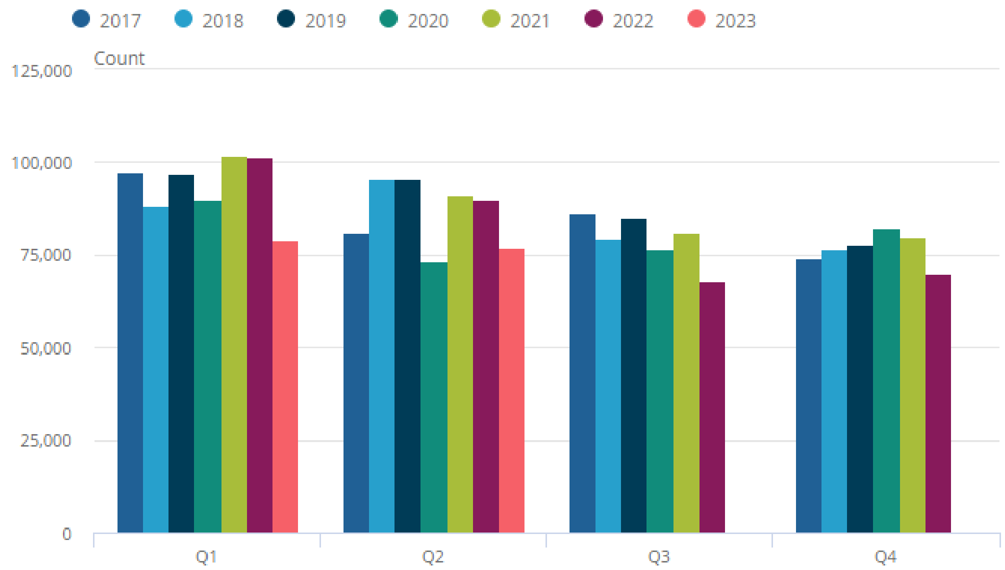
National Analysis

The number of business creations (business births) in the UK in Quarter 2 (Apr to June) 2023 was 77,095. This figure is 14% lower than the number of business creations in Quarter 2 2022. It is the second lowest number of business creations in a second quarter since the start of this series in 2017.

The number of business creations decreased in 14 out of 16 industry groups during this quarter, compared with Quarter 2 2022. The most significant decrease came in the transport and storage industry, where business creations were down by 59%. Within transport and storage, the two main industries driving the decrease were freight transport by road (down 53%) and unlicensed carriers (down 83%).

Figure 1: Business creations in Quarter 2 (Apr to June) 2023 were 14% lower than in Quarter 2 2022

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 2023

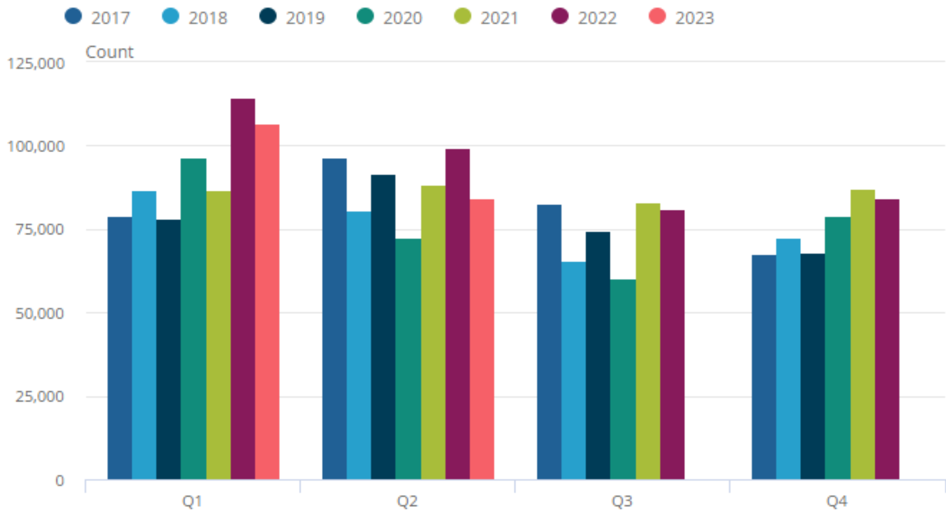


The number of business closures (business deaths) in the UK in Quarter 2 (Apr to June) 2023 was 84,150. This is 15% lower than in Quarter 2 2022, with 14 out of 16 main industrial groups showing a decrease in closures.

The most significant decrease in closures came in the professional, scientific and technical industry (down 25%). This is now the eighth quarter in a row where there have been more closures than creations.

Figure 2: Business closures were lower in Quarter 2 (Apr to June) 2023 than in Quarter 2 2022

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 2023



Quarter on quarter analysis (between Q1 2023 and Q2 2023) shows a -2.5% decrease in business births and a 21% decrease in business deaths across the UK. It is positive that business deaths have reduced across the UK to relatively more "normal" levels. More concerningly is the sustained low level of business births reported in these statistics, suggesting a continually weak environment for startups.

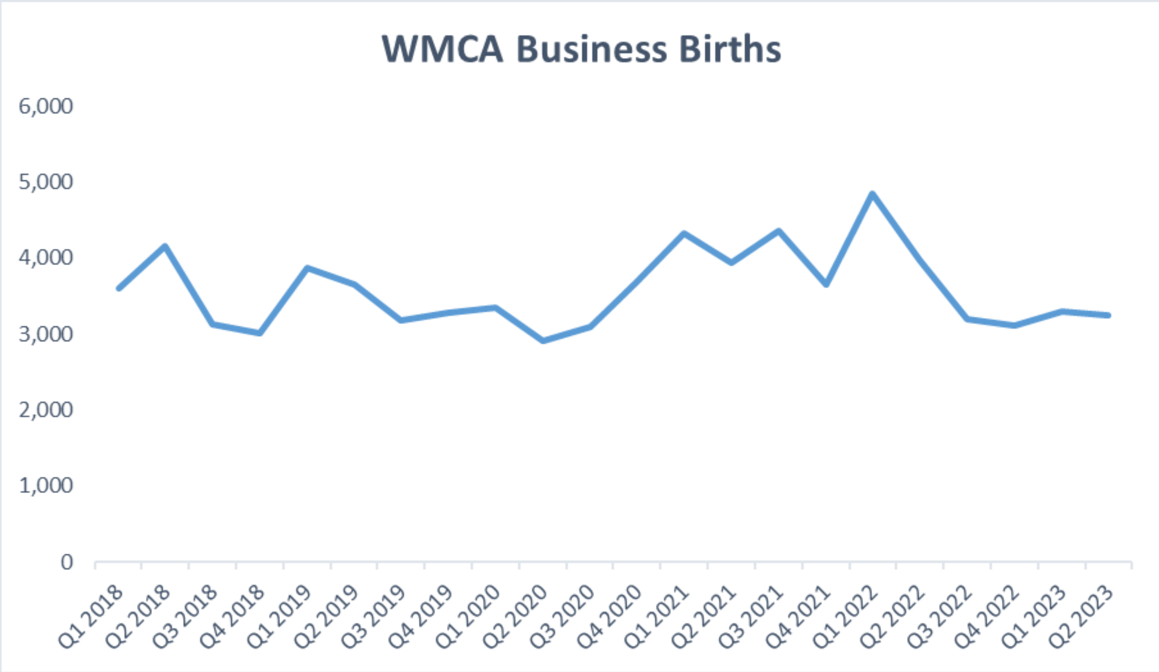
WMCA 7-MET Analysis - *Business Births*

The number of business creations (business births) in the WMCA 7-MET area in Quarter 2 (Apr to June) 2023 was 3,240. This figure is 18% lower than the number of business creations in Quarter 2 2022 and is the lowest number of business creations in a second quarter since 2018 (excluding 2020 Q2 as a majorly Covid-affected quarter). Births have fallen between Q2 2022 and Q2 2023 across all WMCA local authority areas, by the highest proportion in Wolverhampton (-28%) and Walsall (-26%).

Quarter on quarter analysis (between Q1 2023 and Q2 2023) showed a small (-2%) decrease in business births across the WMCA 7-MET area, with local authority level performance varying: Coventry (+11%), Wolverhampton (+7%) and Birmingham (+2%) saw increases, while business births decreased in the other local authority areas – most significantly in Solihull (-32%).

Business Births in WMCA and UK (2022 – 2023)	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q1 23 – Q2 23 Change	Q2 22 – Q2 23 Change
West Midlands (Met County)	**3,970**	**3,190**	**3,115**	**3,305**	**3,240**	**-2.0%**	**-18.4%**
Birmingham	1,735	1,365	1,325	1,405	1,430	1.8%	-17.6%
Coventry	490	405	400	375	415	10.7%	-15.3%
Dudley	355	280	305	285	280	-1.8%	-21.1%
Sandwell	390	365	325	390	360	-7.7%	-7.7%
Solihull	255	230	195	300	205	-31.7%	-19.6%
Walsall	345	260	255	280	255	-8.9%	-26.1%
Wolverhampton	405	285	310	270	290	7.4%	-28.4%
UK	**89,870**	**67,880**	**69,950**	**79,080**	**77,095**	**-2.5%**	**-14.2%**

The WM Economic Impact Monitor is funded by the WMCA, Research England/UKRI

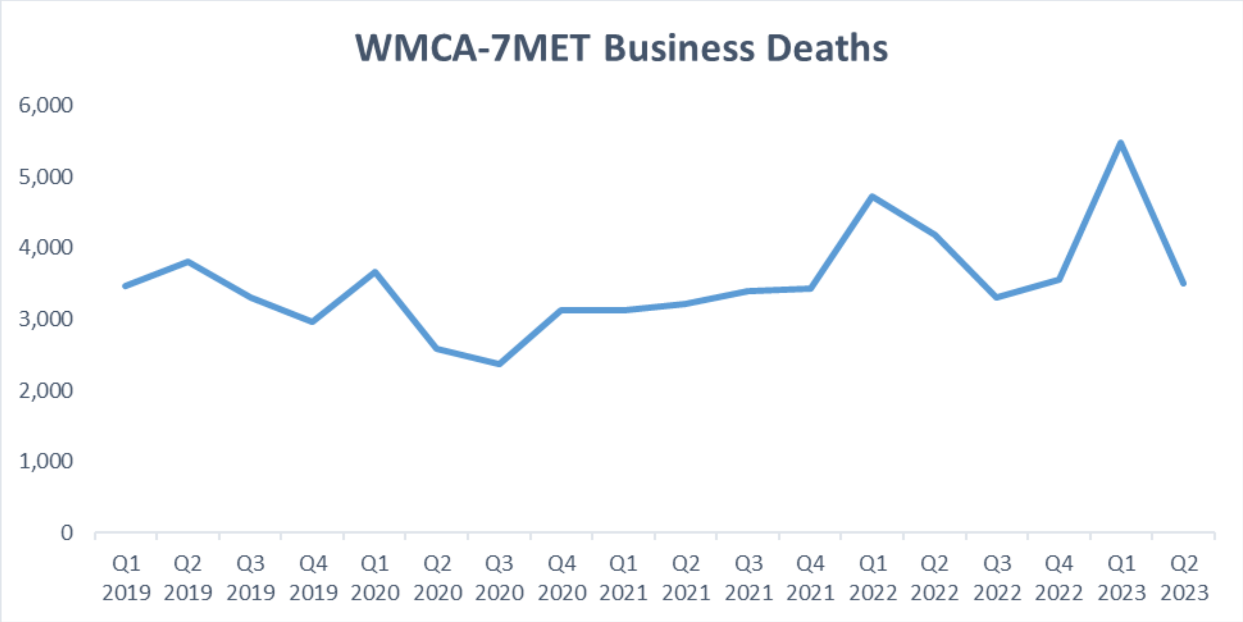


WMCA 7-MET Analysis - ***Business Deaths***

The number of business closures (business deaths) in the WMCA 7-MET area in Quarter 2 (Apr to June) 2023 was 3,500. This figure is 16.5% lower than the number of business deaths in Quarter 2 2022, reflecting a considerable (and positive) fall in business closures in the region, from recent highs. Deaths have fallen between Q2 2022 and Q2 2023 across all 7 of WMCA local authority areas, by the highest proportion in Wolverhampton and Walsall (both reporting -37%), followed by Solihull (-16%) and Birmingham (-12%).

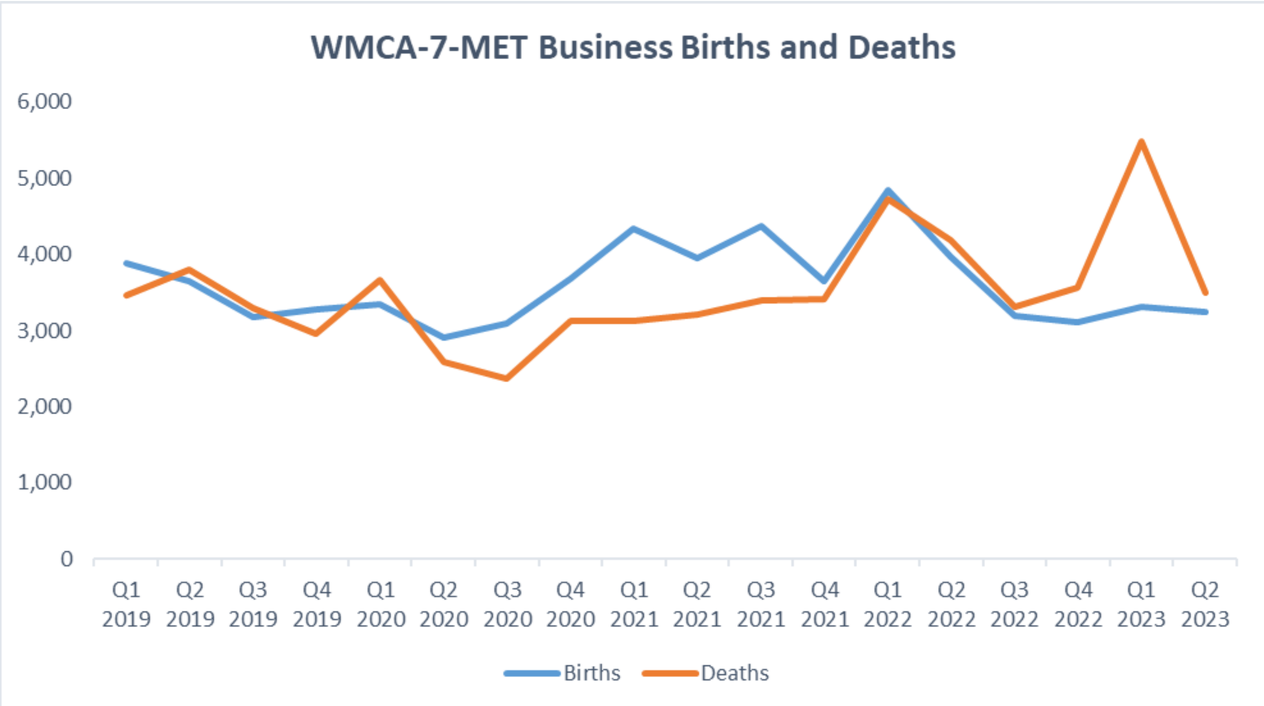
Quarter on quarter analysis (between Q1 2023 and Q2 2023) shows 36% decrease in business deaths across the WMCA 7-MET area, with decreases across all local authority areas: the highest in Wolverhampton (-63%), Walsall (-41%) and Sandwell (-37%).

Business Deaths in WMCA and UK (2022 – 2023)	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q1 23 – Q2 23 Change**	**Q2 22 – Q2 23 Change**
West Midlands (Met County)	**4,190**	**3,310**	**3,560**	**5,485**	**3,500**	**-36.2%**	**-16.5%**
Birmingham	1,690	1,395	1,515	2,145	1,490	-30.5%	-11.8%
Coventry	505	390	430	645	485	-24.8%	-4.0%
Dudley	325	290	320	415	300	-27.7%	-7.7%
Sandwell	395	320	390	570	360	-36.8%	-8.9%
Solihull	290	235	240	310	245	-21.0%	-15.5%
Walsall	435	315	315	465	275	-40.9%	-36.8%
Wolverhampton	550	370	350	940	345	-63.3%	-37.3%
UK	**99,330**	**80,930**	**84,080**	**106,490**	**84,150**	**-21.0%**	**-15.3%**



WMCA 7-MET Analysis – *Conclusion*
Bringing business births and deaths data together suggests a mixed picture regarding the West Midlands business environment and economy: while levels of business births are still struggling to recover from shocks of recent years and no doubt being affected by the cost of doing business crisis, thankfully the level of business deaths has fallen substantially, at least in the latest quarter. Deaths have also fallen at a faster rate than the national average.

It will be important to continue tracking these business births and deaths trends to see how the local business environment performs and see whether the fall in deaths is just a one-off and whether business births can pick up again in the region and across the UK.



Source: ONS Business Demography, Quarterly Experimental Statistics 2023

NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released July 2023[1]

The Economic Intelligence Unit

In Summary:

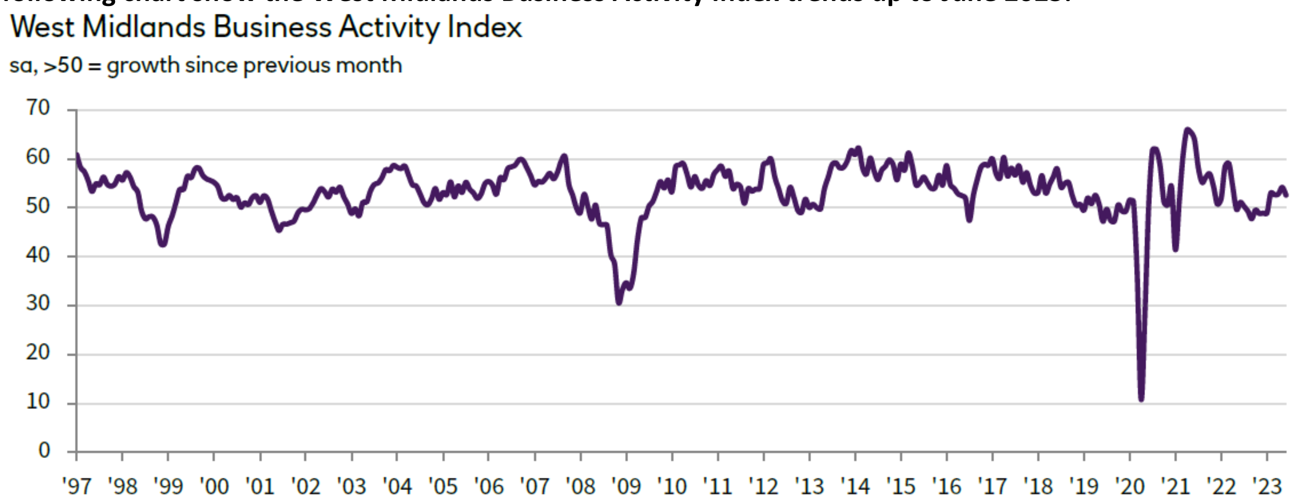
- The West Midlands Business Activity Index decreased from 54.2 in May 2023 to 52.6 in June 2023, although it remained above the 50-growth mark for the fifth month in a row. The rise in business activity was linked to better-than-usual weather, new clients and demand resilience. The slowdown reflected signs of economic deceleration.
- The UK Business Activity Index decreased from 54.0 in May 2023 to 52.8 in June 2023.
- Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in June 2023.
- The West Midlands Future Business Activity Index decreased from 78.5 in May 2023 to 74.4 in June 2023. Despite slipping to a six-month low, firms remained confident that output will increase over the year. Optimism in West Midlands firms was linked to predictions of demand conditions to remain favourable, hopes of geopolitical issues diminishing and the launch of new products and services.
- Out of the 12 UK regions, the West Midlands was the second highest for Future Business Activity in June 2023.

In Detail:

Business Activity Index

The West Midlands Business Activity Index decreased from 54.2 in May 2023 to 52.6 in June 2023, although remained above the 50-growth mark for the fifth month in a row. The rise in business activity was linked to better-than-usual weather, the onboarding of new clients and demand resilience. The slowdown reflected signs of economic deceleration.

The following chart show the West Midlands Business Activity Index trends up to June 2023:



Source: NatWest West Midlands PMI, July 2023

Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in June 2023. London was the highest with 56.0 and Wales was the lowest at 46.7.

The following chart shows the Business Activity Index across all UK regions in June 2023:

[1] Source: NatWest UK regional PMI report for June 2023, released July 2023. The seasonally adjusted indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

Source: NatWest West Midlands PMI, July 2023

Demand
The West Midlands New Business Index decreased from 53.8 in May 2023 to 53.0 in June 2023. Despite the decline this is the fifth consecutive month for rises in new business intakes. The rise in new work was linked to sales from new customers and demand resilience. The ease in growth was due to the de-stocking initiative at some clients.

Exports
The West Midlands Export Climate Index decreased from 52.6 in May 2023 to 51.2 in June 2023. Despite the fall, figures continue to show improvements in the export climate for West Midlands firms.

Business Capacity
The West Midlands Employment Index decreased from 52.1 in May 2023 to 50.2 in June 2023. Despite the fall, employment rose for the twenty-eighth successive month. Some firms linked job creation to expansions in departments (for example marketing) as well as efforts to fulfil greater demand needs. While some firms attributed lower payroll numbers to automation, the non-replacement of voluntary leavers, redundancies and recruitment freezes.

The West Midlands Outstanding Business Index decreased from 46.8 in May 2023 to 45.0 in June 2023, the seventh consecutive month under the 50-mark threshold. West Midlands firms reported the reduction was supported by a slowdown in new order growth, staff working overtime and the easing of supply-chain pressures.

Prices
The West Midlands Input Prices Index decreased from 63.5 in May 2023 to 61.4 in June 2023. However, firms still reported substantial increases in input costs in the latest month due to greater workforce and utility bill outlays. The latest reading is still historically high, although, the rate of inflation is the least pronounced in nearly two-and-a half years mainly due to price negotiations with vendors, fierce competition among suppliers and a general improvement in raw material availability.

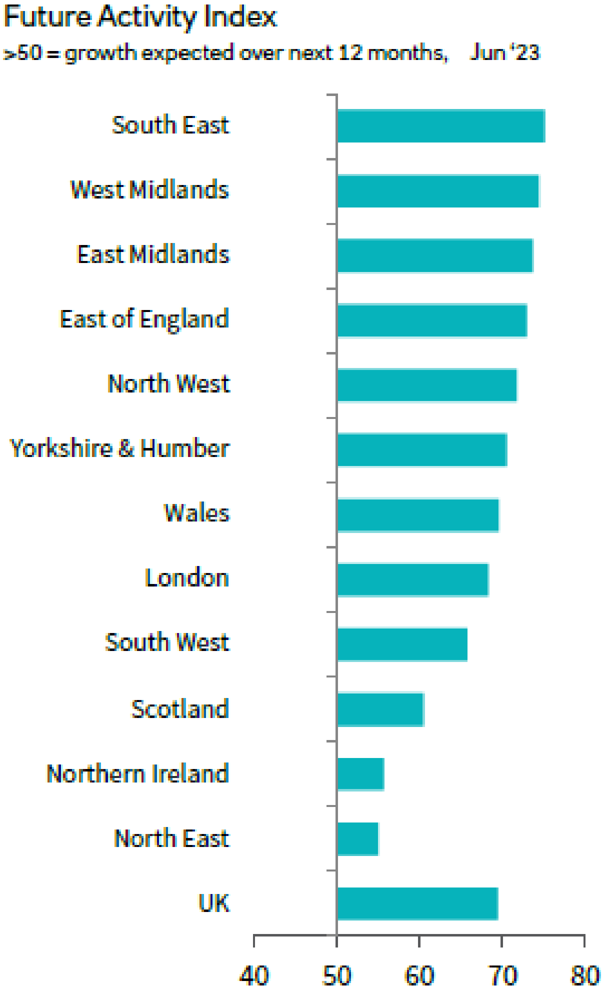
The West Midlands Prices Charged Index decreased from 58.6 in May 2023 to 57.6 in June 2023. The rate of inflation remains historically high but has subsided to a 28-month low. However, some firms reportedly hiked their fees due to greater personnel expenses and previously absorbed cost increases, while others passed on to their clients savings made from lower input prices.

Outlook

The West Midlands Future Business Activity Index decreased from 78.5 in May 2023 to 74.4 in June 2023. Despite slipping to a six-month low, firms remained confident that output will increase over the year. Optimism in West Midlands firms was linked to predictions of demand conditions to remain favourable, hopes of geopolitical issues diminishing and the launch of new products and services.

Out of the 12 UK regions, the West Midlands was the second highest for Future Business Activity in June 2023. South East was the highest with 75.1 and North East was the lowest at 55.0.

The following chart shows the Future Activity Index across all UK regions in June 2023:



Source: NatWest West Midlands PMI, July 2023

The WM Economic Impact Monitor is funded by the WMCA, Research England/UKRI

Labour Market Statistics and Claimant Count: Released July 2023

The Economic Intelligence Unit

UK Summary[2]

- For the UK, early estimates for June 2023 indicate that there were 30.0m payrolled employees, an increase of 1.5% (+439,000 employees) compared with the same period of the previous year. Notably, between June 2022 and June 2023, there was a decrease of 32,000 payrolled employees aged under 25 years; during the same period, payrolled employees aged 35 to 49 years increased by 156,000. The number of payrolled employees was up when compared to February 2020, by 3.5% (+1,027,000). However, the latest monthly change indicates that payrolled employment decreased by 9,000 employees[3].
- In March to May 2023, reports of UK-wide redundancies in the three months prior to interview[4] increased by 0.2 per thousand employees compared with the previous quarter, to 3.3 per thousand employees. Despite the redundancy rate increasing in the latest quarter, it remains below pre-pandemic levels.
- The UK employment rate was estimated at 76.0% in the three months ending May 2023, this was 0.2 percentage points (pp) higher than the three months ending February 2023. The quarterly increase in employment was mainly attributed to part-time employees. However, the UK employment rate is 0.6pp lower than before the pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.0% in the three months ending May 2023, this was 0.2pp higher than the previous three-month period. The increase in unemployment was largely driven by people unemployed for up to 12 months. The UK unemployment rate has risen to pre-pandemic levels.
- The UK economic inactivity rate decreased by 0.4pp on the quarter (to May 2023), to 20.8%. The decrease in economic inactivity during the latest quarter was largely driven by those inactive for other reasons, those looking after family or home, and those who are retired. Economic inactivity is 0.6pp higher than before the coronavirus pandemic period.
- Notably, the increases in the employment and unemployment rates and the decrease in the inactivity rate during the latest quarter were attributed to men.
- Total hours worked increased in the latest quarter and is above pre-coronavirus pandemic levels.
- For the UK, the number of job vacancies in April to June 2023 was 1,034,000; this was a decrease of 7.6% (-85,000) from the previous quarter – the twelfth consecutive quarterly fall. In April to June 2023, total vacancies were down by 265,000 from the level of a year ago, although they remained 232,000 above their pre-coronavirus (January to March 2020) levels.
- For the UK, growth in average total pay (including bonuses) was 6.9% and growth in regular pay (excluding bonuses) was 7.3% in March to May 2023. For regular pay, this equals the highest growth rate, which was also seen last month and during the coronavirus pandemic period for April to June 2021. In real terms (adjusted for inflation), growth in total and regular pay fell on the year in March to May 2023, by 1.2% for total pay and 0.8% for regular pay.
- Early estimates for June 2023 indicate that UK median monthly pay increased by 9.7% compared with June 2022, and increased by 24.1% when compared with February 2020.
- Across the UK, there were 128,000 working days lost because of labour disputes in May 2023, the lowest number of days lost since July 2022.

Regional Labour Market Summary

- For the three months ending May 2023, the West Midlands Region employment rate (aged 16 – 64 years) was 75.6%. Since the three months ending February 2023, the employment rate increased by 1.9 percentage points (pp). When compared to the same period in the previous year, the employment rate was 0.5pp higher. The UK employment rate was 76.0%, an increase of 0.2pp when compared to the previous quarter and an increase of 0.1pp when compared to the previous year.

[2] Source: ONS, Labour Market Overview; UK: June 2023

[3] Figures should be treated as a provisional estimates and are likely to be revised when ONS receive more data next month.

[4] The redundancy estimates measure the number of people who were made redundant or who took voluntary redundancy in the three months before the Labour Force Survey interviews; it does not take into consideration planned redundancies.

- For the three months ending in May 2023, the West Midlands Region unemployment rate (aged 16 years and over) was 5.0%, which has increased by 0.4pp since the previous quarter and an increase of 0.6pp from the previous year. The UK unemployment rate was 4.0%, an increase of 0.2pp from the previous quarter and 0.2pp higher when compared to the previous year.
- For the three months ending May 2023, the West Midlands Region economic inactivity rate (aged 16 – 64 years) was 20.3% (a joint record-low rate for the region), a decrease of 2.4pp from previous quarter and a decrease of 1.0pp when compared to the previous year. The UK economic inactivity rate was 20.8%, a decrease of 0.4pp from the previous quarter and a decrease of 0.3pp from the previous year.

WMCA (7 Met.) Claimant Summary

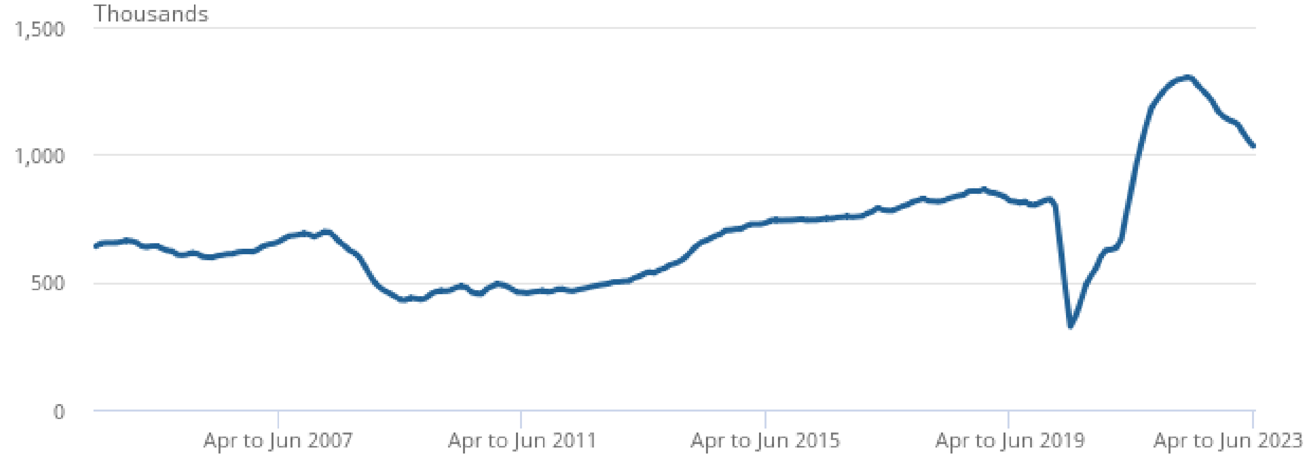
- There were 125,600 claimants in the WMCA area in June 2023. Since May 2023, there has been an increase of 1.1% (+1,370) claimants in the WMCA area, while the UK increased by 1.5%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 26.5% (+26,300) in the WMCA area, with the UK increasing by 22.3% over the same period.
- Overall, for the WMCA the number of claimants as a proportion of residents aged 16-64 years old was 6.8% compared to 3.7% for the UK in June 2023.
- In June 2023, there were 23,010 youth claimants in the WMCA area. Since May 2023, there was an increase of 1.2% (+275) youth claimants in the WMCA area, while the UK increased by 0.5%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 20.1% (+3,855) in the WMCA area, with the UK increasing by 11.0% over the same period.
- Overall, for the WMCA area, the number of youth claimants as a percentage of residents aged 18-24 years old was 8.1% compared to 4.8% for the UK in June 2023.

In Depth:

UK Labour Market Stastics – UK Vacancies[5]

- In April to June 2023, the estimated number of vacancies fell by 85,000 on the quarter to 1,034,000, the 12th consecutive period to see a quarterly fall since May to July 2022. The number of vacancies has now been falling for a full year, with this being the longest sustained fall in vacancies since 2008 to 2009.

The following chart shows the number of vacancies in the UK, seasonally adjusted, April to June 2004 to April to June 2023:



Source: ONS – Vacancy Survey

[5] Source: ONS, Vacancies and Jobs in the UK: July 2023

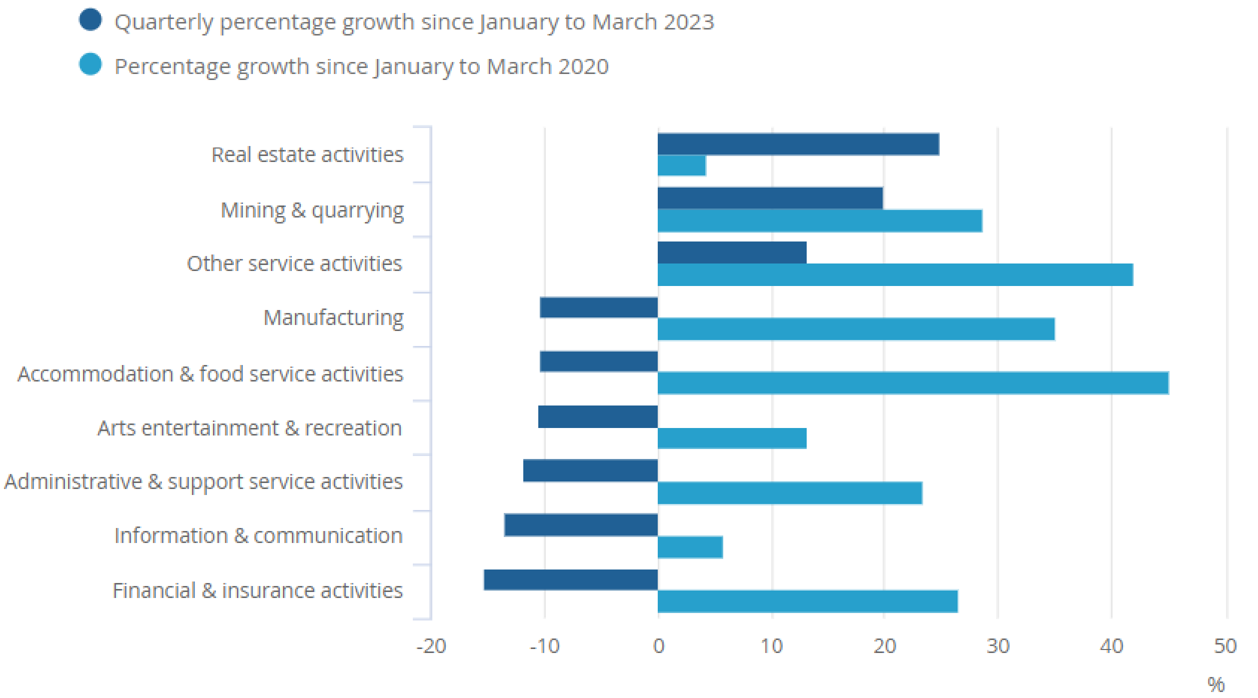
- In April to June 2023, the number of vacancies fell by 7.6% from the previous quarter, with decreases in 13 of the 18 industry sectors. The industries showing the largest falls were financial and insurance activities and information and communication, which fell by 15.3% and 13.4%, respectively. Some sectors also saw relatively strong growth, with real estate activities and mining and quarrying growing by 24.8% and 20.0%, respectively.

- April to June 2023 saw the number of vacancies fall on the quarter for the 12th consecutive period, decreasing by 85,000. The industry sectors displaying the largest falls in vacancy numbers were accommodation and food service activities and human health and social work activities, down on the quarter by 15,000 and 14,000, respectively. The industries which saw the largest growth on the quarter were real estate activities and other service activities, each growing by 3,000.

- When comparing April to June 2023 with the same time last year, total vacancies decreased by 265,000 (20.4%), with the largest falls in accommodation and food service activities and information and communication, which were down by 46,000 and 33,000, respectively. However, despite persistent falls in the number of vacancies over the last year, the total number of vacancies remain 232,000 above January to March 2020 pre-coronavirus pandemic levels, with human health and social work activities showing the largest increase, at 51,000.

- In March to May 2023, the number of unemployed people per vacancy was at 1.3, up from 1.1 in the previous quarter. While this ratio remains low by historical standards, this quarterly increase suggests a slight easing of recent tightness in the labour market, following consecutive falls in vacancy numbers and increases in the number of unemployed people.

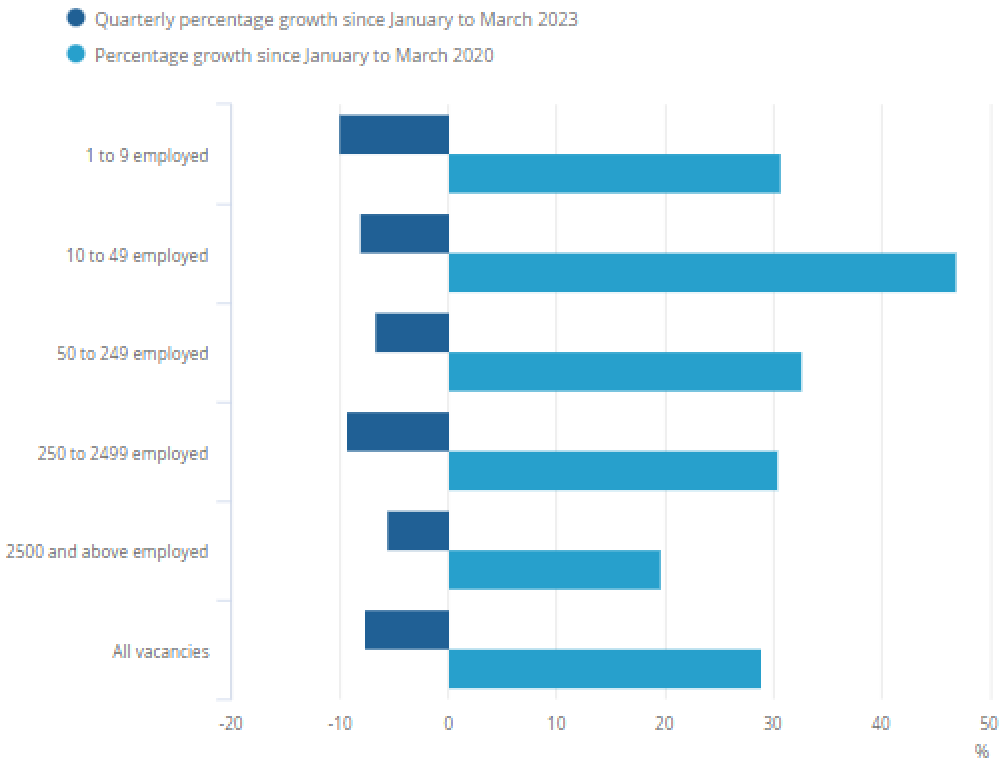
The following chart shows for April to June 2023 three-month average vacancies in the UK, quarterly percentage growth from January to March 2023 and percentage growth from pre-Coronavirus pandemic (January to March 2020):



Source: ONS – Vacancy Survey

- In April to June 2023, every business size band saw a fall in the number of vacancies when compared with the previous quarter.

The following chart shows April to June 2023 three-month average vacancies in the UK, quarterly growth from January to March 2023 and growth from a pre-Coronavirus pandemic January to March 2020:



Source: ONS – Vacancy Survey

Regional Labour Market[6]

- For the three months ending May 2023, the West Midlands Region employment rate (aged 16 – 64 years) was 75.6%. Since the three months ending February 2023, the employment rate increased by 1.9 percentage points (pp). When compared to the same period in the previous year, the employment rate was 0.5pp higher. The UK employment rate was 76.0%, an increase of 0.2pp when compared to the previous quarter and an increase of 0.1pp when compared to the previous year. The highest employment rate within the UK for the three months ending May 2023 were in the South East with 79.5% and the lowest in Wales with 71.9%.

- For the three months ending in May 2023, the West Midlands Region unemployment rate (aged 16 years and over) was 5.0%, which has increased by 0.4pp since the previous quarter and an increase of 0.6pp from the previous year. The UK unemployment rate was 4.0%, an increase of 0.2pp from the previous quarter and 0.2pp higher when compared to the previous year. The highest unemployment rate in the UK for the three months ending May 2023 was in the West Midlands and Wales with the lowest unemployment rate in Northern Ireland at 2.5%.

- For the three months ending May 2023, the West Midlands Region economic inactivity rate (aged 16 – 64 years) was 20.3% (a joint record-low rate for the region), a decrease of 2.4pp from previous quarter and a decrease of 1.0pp when compared to the previous year. The UK economic inactivity rate was 20.8%, a decrease of 0.4pp from the previous quarter and a decrease of 0.3pp from the previous year. The highest economic inactivity rate in the UK for the three months ending May 2023 was in Northern Ireland with 26.1%, with the lowest in the East of England with 17.4%.

The table below provides a summary of the latest headline estimates and quarterly changes for regions of the UK, seasonally adjusted, March to May 2023:

[6] Source: ONS, Labour Market in the Regions of the UK: July 2023

	Employment Rate – Mar to May 23 (aged 16-64 years)	Change on Dec 22 to Feb 23	Unemployment Rate – Mar to May 23 (16 years +)	Change on Dec 22 to Feb 23	Inactivity Rate – Mar to May 23 (aged 16-64 years)	Change on Dec 22 to Feb 23
UK	76.0%	0.2pp	4.0%	0.2pp	20.8%	-0.4pp
Great Britain	76.1%	0.2pp	4.0%	0.2pp	20.6%	-0.4pp
England	76.4%	0.3pp	4.0%	0.1pp	20.3%	-0.4pp
North East	74.5%	1.4pp	3.5%	-0.7pp	22.8%	-0.8pp
North West	75.0%	0.4pp	3.5%	-0.2pp	22.2%	-0.2pp
Yorkshire and The Humber	75.2%	0.5pp	4.1%	0.5pp	21.6%	-1.0pp
East Midlands	76.2%	1.0pp	3.3%	-0.2pp	21.2%	-0.8pp
West Midlands	**75.6%**	**1.9pp**	**5.0%**	**0.4pp**	**20.3%**	**-2.4pp**
East	77.9%	-0.5pp	4.4%	0.4pp	18.4%	0.2pp
London	74.5%	-0.4pp	4.9%	0.2pp	21.4%	0.1pp
South East	79.5%	0.5pp	3.7%	-0.2pp	17.4%	-0.3pp
South West	78.2%	-1.3pp	3.2%	0.9pp	19.1%	0.5pp
Wales	71.9%	-0.5pp	5.0%	1.5pp	24.2%	-0.6pp
Scotland	75.1%	-0.5pp	3.2%	0.2pp	22.3%	0.3pp
Northern Ireland	72.0%	0.0pp	2.5%	0.1pp	26.1%	-0.1pp

Source: ONS – Labour Force Survey

- Comparing June 2023 with the same period last year, changes in payrolled employees ranged from the highest being a 1.7% increase in London to the lowest being a 1.0% increase in Scotland.

Claimant Count

Claimant count for people aged 16 years and over[7]:

- There were 125,600 claimants in the WMCA area in June 2023. Since May 2023, there has been an increase of 1.1% (+1,370) claimants in the WMCA area, while the UK increased by 1.5%. When compared to June 2022, claimants have increased by 2.0% (+2,480) in the WMCA area, with the UK increasing by 0.2% over the same period. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 26.5% (+26,300) in the WMCA area, with the UK increasing by 22.3% over the same period.

- Birmingham had 63,090 claimants aged 16 years and over in June 2023, an increase of 670 (+1.1%) claimants from the previous month. Compared to the same month in 2022, Birmingham claimants increased by 890 (+1.4%). When compared to March 2020, the number of claimants has increased by 13,720 (+27.8%).

- Coventry had 13,030 claimants aged 16 years and over in June 2023, an increase of 135 (+1.0%) claimants from the previous month. Compared to the same month in 2022, Coventry claimants increased by 1,210 (+10.2%). When compared to March 2020, the number of claimants has increased by 5,030 (+62.9%).

- Dudley had 9,105 claimants aged 16 years and over in June 2023, an increase of 30 (+0.3%) claimants from the previous month. Compared to the same month in 2022, Dudley claimants decreased by 395 (-4.2%). When compared to March 2020, the number of claimants has increased by 590 (+6.9%).

- Sandwell had 13,570 claimants aged 16 years and over in June 2023, an increase of 205 (+1.5%) claimants from the previous month. Compared to the same month in 2022, Sandwell claimants increased by 90 (+0.7%). When compared to March 2020, the number of claimants has increased by 2,790 (+25.9%).

- Solihull had 4,145 claimants aged 16 years and over in June 2023, an increase of 15 (+0.4%) claimants from the previous month. Compared to the same month in 2022, Solihull claimants decreased by 235 (-5.4%). When compared to March 2020, the number of claimants has increased by 495 (+13.6%).

[7] ONS/DWP, Claimant count, July 2023. Please note, figures for previous months have been revised.

- Walsall had 9,890 claimants aged 16 years and over in June 2023, an increase of 50 (+0.5%) claimants from the previous month. Compared to the same month in 2022, Walsall claimants increased by 200 (+0.5%). When compared to March 2020, the number of claimants has increased by 1,285 (+14.9%).

- Wolverhampton had 12,765 claimants aged 16 years and over in June 2023, an increase of 255 (+2.0%) claimants from the previous month. Compared to the same month in 2022, Wolverhampton claimants increased by 715 (+5.9%). When compared to March 2020, the number of claimants has increased by 2,385 (+23.0%).

The following table shows a breakdown of number of claimants aged 16+ and change on selected months for WMCA and UK:

	Mar 2020	Jun 2022	May 2023	Jun 2023	Jun 2023 (Claimants as proportion aged 16-64) Rates	% Change Since Mar 20	% Change Since Jun 22	% Change Since May 23
Birmingham	49,370	62,200	62,420	63,090	8.6%	27.8%	1.4%	1.1%
Coventry	8,000	11,820	12,895	13,030	5.8%	62.9%	10.2%	1.0%
Dudley	8,515	9,500	9,075	9,105	4.6%	6.9%	-4.2%	0.3%
Sandwell	10,780	13,480	13,365	13,570	6.3%	25.9%	0.7%	1.5%
Solihull	3,650	4,380	4,130	4,145	3.2%	13.6%	-5.4%	0.4%
Walsall	8,605	9,690	9,840	9,890	5.7%	14.9%	2.1%	0.5%
Wolverhampton	10,380	12,050	12,510	12,765	7.7%	23.0%	5.9%	2.0%
WMCA	**99,300**	**123,120**	**124,230**	**125,600**	**6.8%**	**26.5%**	**2.0%**	**1.1%**
UK	1,268,620	1,548,500	1,529,090	1,551,895	3.7%	22.3%	0.2%	1.5%

- Overall, for the WMCA the number of claimants as a proportion of residents aged 16-64 years old was 6.8% compared to 3.7% for the UK in June 2023.

Youth Claimants (Aged 18-24)

- In June 2023, there were 23,010 youth claimants in the WMCA area. Since May 2023, there was an increase of 1.2% (+275) youth claimants in the WMCA area, while the UK increased by 0.5%. When compared to June 2022, youth claimants have increased by 11.3% (+2,335) in the WMCA area, with the UK increasing by 9.2%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 20.1% (+3,855) in the WMCA area, with the UK increasing by 11.0% over the same period.

- Birmingham had 11,455 youth claimants in June 2023, an increase of 160 (+1.4%) youth claimants from the previous month. Compared to the same month in 2022, Birmingham's youth claimants increased by 1,110 (+10.7%). When compared to March 2020, the number of youth claimants has increased by 2,350 (+25.8%).

- Coventry had 2,210 youth claimants in June 2023, an increase of 20 (+0.9%) youth claimants from the previous month. Compared to the same month in 2022, Coventry's youth claimants increased by 275 (+14.2%). When compared to March 2020, the number of claimants has increased by 675 (+44.0%).

- Dudley had 1,745 youth claimants in June 2023, a decrease of 10 (-0.6%) youth claimants from the previous month. Compared to the same month in 2022, Dudley's youth claimants increased by 115 (+7.1%). When compared to March 2020, the number of youth claimants has decreased by 5 (-0.3%).

- Sandwell had 2,540 youth claimants in June 2023, an increase of 35 (+1.4%) youth claimants from the previous month. Compared to the same month in 2022, Sandwell's youth claimants increased by 245 (+10.7%). When compared to March 2020, the number of youth claimants has increased by 425 (+20.1%).

- Solihull had 755 youth claimants in June 2023, a decrease of 10 (-1.3%) claimants from the previous month. Compared to the same month in 2022, Solihull's youth claimants decreased by 25 (-3.2%). When compared to March 2020, the number of youth claimants has decreased by 70 (-8.5%).

- Walsall had 2,005 youth claimants in June 2023, an increase of 20 (+1.0%) claimants from the previous month. Compared to the same month in 2022, Walsall's youth claimants increased by 230 (+13.0%). When compared to March 2020, the number of youth claimants has increased by 90 (+4.7%).

- Wolverhampton had 2,295 youth claimants in June 2023, an increase of 55 (+2.5%) youth claimants from the previous month. Compared to the same month in 2022, Wolverhampton's youth claimants increased by 375 (+19.5%). When compared to March 2020, the number of youth claimants has increased by 385 (+20.2%).

The following table shows a breakdown of number of claimants aged 18-24 years old and change on selected months for WMCA and UK:

	Mar 2020	Jun 2022	May 2023	Jun 2023	Jun 2023 (Claimants as proportion aged 18-24) Rates	% Change Since Mar 20	% Change Since Jun 22	% Change Since May 23
Birmingham	9,105	10,345	11,295	11,455	8.8%	25.8%	10.7%	1.4%
Coventry	1,535	1,935	2,190	2,210	5.2%	44.0%	14.2%	0.9%
Dudley	1,750	1,630	1,755	1,745	7.4%	-0.3%	7.1%	-0.6%
Sandwell	2,115	2,295	2,505	2,540	8.9%	20.1%	10.7%	1.4%
Solihull	825	780	765	755	5.0%	-8.5%	-3.2%	-1.3%
Walsall	1,915	1,775	1,985	2,005	8.9%	4.7%	13.0%	1.0%
Wolverhampton	1,910	1,920	2,240	2,295	10.7%	20.2%	19.5%	2.5%
WMCA	**19,155**	**20,675**	**22,735**	**23,010**	**8.1%**	**20.1%**	**11.3%**	**1.2%**
UK	238,085	241,910	262,830	264,175	4.8%	11.0%	9.2%	0.5%

- Overall, for the WMCA area, the number of youth claimants as a percentage of residents aged 18-24 years old was 8.1% compared to 4.8% for the UK in June 2023.

Claimant Count by Age and Gender (WMCA 7 Met.)[8]

- For those aged 16-24 in the WMCA (7 Met.) area, when comparing June 2023 to the previous month, there was an overall increase of 275 claimants. This can be split by an increase of 145 males and an increase of 130 females.

- For those aged 25-49 in the WMCA area, when comparing June 2023 to the previous month, there was an overall increase of 920 claimants. This can be split by an increase of 585 males (notably for males there were 555 less when compared with the same month a year before) and an increase of 335 females.

- For those aged 50 years and over in the WMCA area, when comparing June 2023 to the previous month, there was an overall increase of 175 claimants. This can be split by an increase of 130 males and an increase of 40 females. When comparing June 2023 with the same month in 2022, overall claimants were 1,880 lower, split by 1,205 fewer males and 675 fewer females.

The following table shows a breakdown by age brackets and gender for the WMCA area over selected time periods and change since June 2023:

		Mar 2020	Jun 2022	May 2023	Jun 2023	No. Change Since Mar 20	No. Change Since Jun 22	No. Change Since May 23
Total	**Age 16+**	**99,300**	**123,120**	**124,230**	**125,600**	**26,300**	**2,480**	**1,370**
	Aged 16-24	**19,345**	**20,850**	**22,890**	**23,165**	**3,820**	**2,315**	**275**
	Aged 16-17	190	175	155	155	-35	-20	0
	Aged 18-24	19,155	20,675	22,735	23,010	3,855	2,335	275
	Aged 25-49	**56,930**	**73,045**	**74,175**	**75,095**	**18,165**	**2,050**	**920**
	Aged 25-29	13,505	15,810	16,005	16,310	2,805	500	305
	Aged 30-34	13,315	17,150	16,865	17,090	3,775	-60	225
	Aged 35-39	11,650	15,890	16,455	16,590	4,940	700	135
	Aged 40-44	9,535	13,370	14,135	14,270	4,735	900	135
	Aged 45-49	8,925	10,820	10,710	10,835	1,910	15	125
	Aged 50+	**23,020**	**29,220**	**27,165**	**27,340**	**4,320**	**-1,880**	**175**
	Aged 50-54	8,360	10,340	9,890	9,925	1,565	-415	35

[8] Please note, figure may not sum due to rounding.

		Mar 2020	Jun 2022	May 2023	Jun 2023	No. Change Since Mar 20	No. Change Since Jun 22	No. Change Since May 23
	Aged 55-59	7,490	9,155	8,390	8,465	975	-690	75
	Aged 60-64	6,340	7,975	7,145	7,165	825	-810	20
	Aged 65+	830	1,755	1,745	1,785	955	30	40
Male	**Age 16+**	**58,885**	**73,245**	**71,890**	**72,755**	**13,870**	**-490**	**865**
	Aged 16-24	**11,970**	**13,175**	**14,295**	**14,440**	**2,470**	**1,265**	**145**
	Aged 16-17	85	80	75	80	-5	0	5
	Aged 18-24	11,885	13,095	14,220	14,360	2,475	1,265	140
	Aged 25-49	**33,260**	**42,830**	**41,690**	**42,275**	**9,015**	**-555**	**585**
	Aged 25-29	8,180	9,735	9,655	9,810	1,630	75	155
	Aged 30-34	7,825	10,195	9,615	9,790	1,965	-405	175
	Aged 35-39	6,605	9,035	8,930	9,040	2,435	5	110
	Aged 40-44	5,525	7,620	7,560	7,630	2,105	10	70
	Aged 45-49	5,125	6,245	5,930	6,005	880	-240	75
	Aged 50+	**13,655**	**17,240**	**15,905**	**16,035**	**2,380**	**-1,205**	**130**
	Aged 50-54	4,880	6,050	5,610	5,690	810	-360	80
	Aged 55-59	4,420	5,450	4,975	5,015	595	-435	40
	Aged 60-64	3,815	4,655	4,200	4,195	380	-460	-5
	Aged 65+	535	1,085	1,120	1,135	600	50	15
Female	**Age 16+**	**40,415**	**49,875**	**52,345**	**52,850**	**12,435**	**2,975**	**505**
	Aged 16-24	**7,375**	**7,680**	**8,595**	**8,725**	**1,350**	**1,045**	**130**
	Aged 16-17	105	100	80	75	-30	-25	-5
	Aged 18-24	7,270	7,580	8,515	8,650	1,380	1,070	135
	Aged 25-49	**23,670**	**30,215**	**32,485**	**32,820**	**9,150**	**2,605**	**335**
	Aged 25-29	5,325	6,075	6,350	6,500	1,175	425	150
	Aged 30-34	5,490	6,960	7,255	7,305	1,815	345	50
	Aged 35-39	5,045	6,860	7,525	7,545	2,500	685	20
	Aged 40-44	4,010	5,750	6,580	6,645	2,635	895	65
	Aged 45-49	3,800	4,575	4,780	4,830	1,030	255	50
	Aged 50+	**9,365**	**11,980**	**11,265**	**11,305**	**1,940**	**-675**	**40**
	Aged 50-54	3,475	4,285	4,280	4,235	760	-50	-45
	Aged 55-59	3,070	3,705	3,415	3,445	375	-260	30
	Aged 60-64	2,525	3,320	2,945	2,970	445	-350	25
	Aged 65+	295	670	625	650	355	-20	25

Lightcast Job Postings WMCA Geography for June 2023[9]

- ***The number of unique job postings across the WMCA 7 Met. area increased in June, for the second consecutive month, albeit nominally.***

- Unique job postings increased by 693 or 0.5% from 140,670 in May to 141,363 in June. This is the first time since January that unique postings have increased month-on-month across the WMCA 7 Met. area.

- Job posting activity was mixed within each of the seven local authority areas. Sandwell and Dudley logged the largest increase on the previous month, 8% and 4% respectively. Coventry was the only local authority to record a negative change whilst Walsall remained unchanged from the previous month.

- Posting intensity, i.e., the effort towards hiring remained highest in Sandwell and Dudley.

The following table reports the number of unique job postings across the WMCA 7 Met. local authorities in June 2023 and the percentage change from the previous month:

	Jun 2023 Unique Postings	Percentage Change (May 2023 - Jun 2023)
Birmingham	78,730	1%
Coventry	17,003	-3%
Dudley	9,512	4%

[9] Source: Lightcast, accessed July 2023. Please note - the data below reports unique job postings, derived from the Lightcast Analyst Tool, and is not comparable to official vacancy data.

Sandwell	10,073	8%
Solihull	8,657	1%
Walsall	7,159	No change
Wolverhampton	10,229	1%

The UK Regional Economy and the Uneven Impacts of Brexit

Donald Houston, WMREDI and Iain Docherty, University of Stirling

Donald Houston and Iain Docherty highlight that insufficient attention has been paid to the regional implications of economic policy choices such as Brexit, which has hampered efforts to address place-based inequalities.

This blog was originally posted on the UK in a Changing Europe website.

For almost a century, the UK policy system has – with decidedly limited success – grappled with the implications of its highly regionally imbalanced economy. The latest iteration of regional policy aimed at fixing this imbalance is the government's flagship 2019 manifesto pledge of 'levelling up' the regions. But for almost as long as there has been an explicit (narrative about) regional policy, actual policy decisions have worked against reducing the gap between regions.

Decisions

Systemic decisions – including the concentration of public research and development spending in the 'golden triangle' and the failure to decentralise central government jobs meaningfully – that concentrate the political economy of the UK so strongly in and around London fail to recognise that national economic performance relies on each region doing well.

Challenges

Each of these regional economies has its own unique set of challenges and opportunities. As long as national economic policy regards regional policy as a market 'correction', ameliorating the worst excesses of spatial inequality rather than as essential to growing the economy, then genuine levelling up will remain a pipe dream.

That the economic debate so often focuses on abstract metrics and national data, which tell us little about what is happening in any real place, hasn't helped. Much better sub-national economic data are crucial to understanding what is really happening across the UK economy, and making better decisions.

The geographical illiteracy of the national economic debate is especially apparent when it comes to Brexit. Analysis of Brexit has seen precious little discussion of its differential regional impacts, and how they have manifested themselves in the real economy of specific places. And Brexit has been remarkably absent from the levelling up debate, which has emphasised rebuilding 'pride in place'.

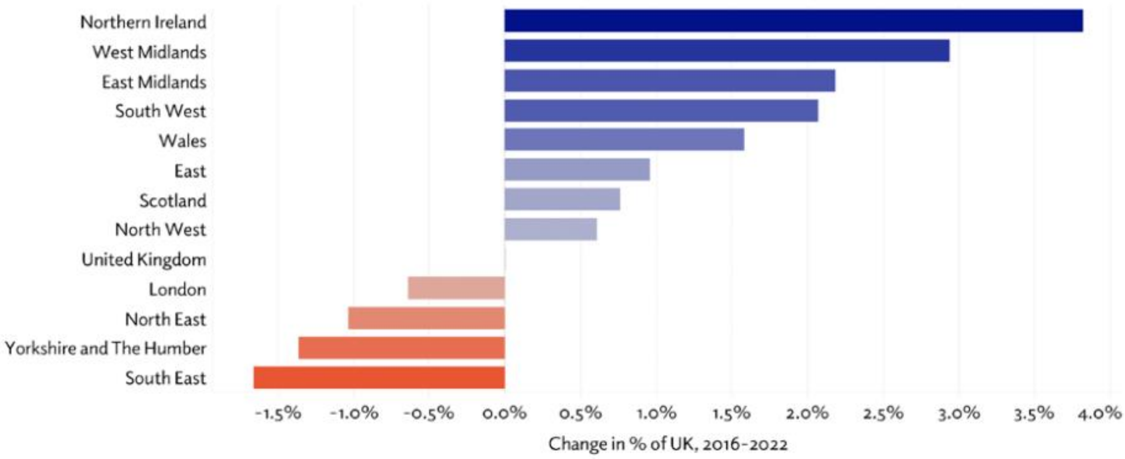
Since the Referendum

Since the Brexit referendum in 2016, there have been surprising shifts in the economic performance of some regions. Over this period, COVID-19 has affected trends and data collection, and differences between regions in the size of the public sector and industrial composition are also important. Nevertheless, shifts at regional level since the Brexit referendum are striking. Northern Ireland, long one of the UK's economically weakest regions, has improved the most relative to the UK on earnings (Figure 1).

The South East, the second strongest region, has fared the worst relatively. London, despite having had substantially higher wages and stronger wage growth than any other region before Brexit, has declined slightly too, along with the North East and Yorkshire & The Humber. As Sadiq Khan has pointed out, perhaps the capital's exposure to Brexit uncertainty over financial services and reliance on EU workers has been at play.

Figure 1: Brexit has led to regions with traditionally high-wages to decline

Regional median gross weekly wages (full- and part-time), change in percentage of UK 2016-2022

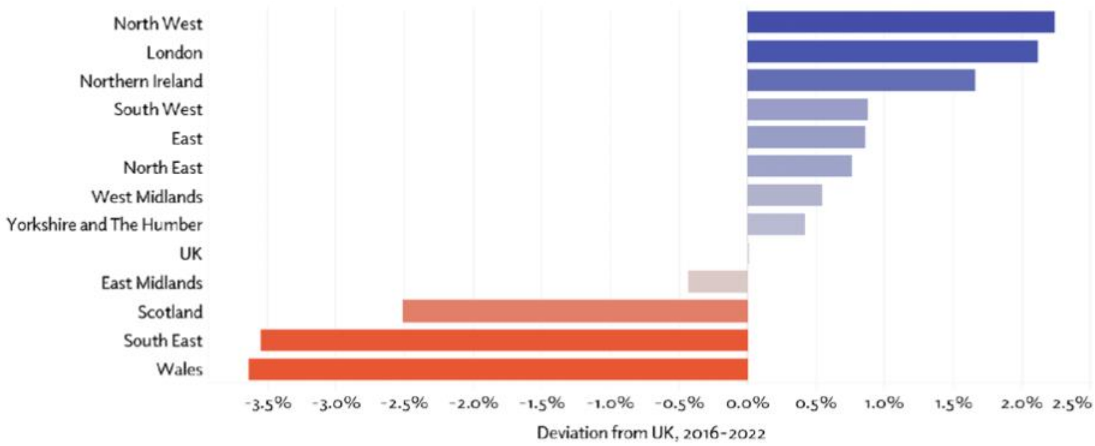


Source: ONS Annual Survey of Hours and Earnings workplace analysis via Nomis, own calculations

Turning to employment growth, the North West comes out on top (Figure 2). In the second place, London has continued to pull away from the rest of the UK, in contrast to its relative decline in earnings. Northern Ireland also does well on employment growth, ranked in third place.

Figure 2: Employment growth over the last six years has been best in the North West and worst in Wales

Deviation of employment change from UK, 2016-2022 in percentage points



Source: Business Register & Employment Survey (GB regions), Northern Ireland Employment Survey, own calculations

The regional rankings in Figures 1 and 2 are important given that 99% of the writing about the economic and (potential) constitutional consequences of Brexit have been in the abstract terms of economic growth, fiscal autonomy, trade, currency, and so on.

Whenever the Brexit debate has moved beyond the abstract, it has tended to focus on symbolic sectors with relatively little economic impact, such as fishing which accounts for only 0.03% of UK economic output (or 0.2% of Scottish economic output for that matter). But voters tend to think about jobs, wages and the cost of living, hence the now infamous heckle that “that’s your bloody GDP, not ours”.

The notion that the UK comprises a number of regional economies, and that they would be differentially impacted by Brexit, failed to gain much traction. The Scottish government put forward a compromise position on Brexit highlighting the importance of single market access, but other than the London Mayor's interventions, that was largely it.

But the differential performances of Northern Ireland and London raise an important question that hasn't had sufficient attention.

What exactly is the wider spatial impact of Brexit?

Northern Ireland's unique status in terms of access to both the UK internal market and the EU single market for goods has been at the heart of UK-EU relations since Brexit. Although the politics of the Protocol have been rather difficult to say the least, it does appear to have precipitated a recovery in earnings and employment growth compared to the UK average.

Brexit gives special poignancy and voice to Northern Ireland, but it is striking that many of the debates around the Protocol and Windsor Framework were, in fact, essentially economic ones.

Despite the obvious distinctiveness of Northern Ireland, it is worth thinking about why other regional economies in the UK aren't stimulating similar debates about what Brexit means for them.

From time to time, there are hints that discussion about the 'economic case for independence' in Scotland might extend beyond fiscal- and currency issues to encompass whether the UK or European markets offer the best prospects for growth, inward investment, wages and therefore the capacity of the Scottish economy to deliver an improved standard of living.

Indeed, with the new First Minister admitting independence isn't coming soon, perhaps the next phase of constitutional politics in Scotland might be about how to engineer a move back towards the single market (and customs union).

What needs to be done?

All across the UK, there needs to be more attention given to regional economic distinctiveness, especially if levelling up is going to be more than a slogan, because the data show that differences remain stark.

But as yet, there are precious few signs of anything comparable in England to debates in Northern Ireland and Scotland (and to a lesser extent in Wales) about how Brexit has affected the capacity for the regions to be anything other than economic bit players compared to London and the wider South East.

Is the UK Ready to Expand Ultra-Low Emission Zones (ULEZ)?

Magda Cepeda Zorrilla, WMREDI

Dr Magda Cepeda Zorrilla looks at Ultra-Low Emission Zones (ULEZ). What are the positives and negatives of ULEZ and what preparations do we need to make before we implement new zones?

To combat air pollution and encourage environmentally friendly travel options, the London Ultra Low Emission Zone (ULEZ) was introduced in April 2019. All roads within (but not including) the North Circular (A406) and South Circular (A205) were included in this initial phase of the ULEZ. The programme was extended on October 25, 2021, to cover all areas bordered by the North and South Circular Roads, but not the North and South Circulars themselves. Beginning on August 29, 2023, the ULEZ programme will now cover all boroughs of London.

The benefits of ULEZ

Installing ULEZ respond to the several benefits associated with these schemes such as:

1. Combating climate change: ULEZ regulations promote the use of electric vehicles and low-emission transportation options, which can help reduce carbon dioxide (CO_2) emissions from road transportation even though it is more difficult to measure greenhouse gas (GHG) reduction through ULEZ. But ULEZ may help persuade more people to utilise bicycles or other environmentally friendly forms of transportation, which can assist individuals reduce their personal emissions of greenhouse gases from commuting.
2. Reducing air pollution: The programme can help in particular with pollutants like nitrogen dioxide (NO_2) and particulate matter (PM) by imposing tight emission regulations for cars entering the ULEZ. Cumulatively since 2019, it is estimated the ULEZ led to nitrogen oxide (NO_x) emissions from road traffic reducing by 13,500 tonnes across London over the four-year period compared with what they would have been without the ULEZ, a reduction of 23 per cent. Regarding fine particulate matter ($PM_{2.5}$), cumulatively, emissions are estimated to have reduced by 180 tonnes across London since 2019, compared to without the ULEZ, a reduction of 7 per cent.
3. Contribution to improved public health: Exposure to air pollution has a number of adverse effects, including harming the health of unborn children, delaying lung development in schoolchildren, and exacerbating asthma symptoms (see Table 1).
4. Potential healthcare cost savings: Improved public health brought on by less air pollution may result in lower medical costs for fewer cases of respiratory and cardiovascular disorders. In the case of the expansion of ULEZ in London, it's expected that it will save the NHS approximately £5 billion by 2050, avoiding 300,000 new cases of air quality-related disease and reducing hospital admissions.

Considerations for the expansion of ULEZ

Three considerations should be made when planning the ULEZ readiness of other areas:

1. The potential financial effects on businesses and people. Low-income people and small businesses are burdened by the costs of upgrading or replacing automobiles for those that comply with the criteria.
2. The potential is that socioeconomic inequality may worsen. Due to their inability to acquire compatible automobiles, some people are unable to enter particular places. However, there is a social justice issue with relation to the poorest Londoners and Londoners from ethnic minority backgrounds because, while having the lowest rates of car ownership, they suffer the most from the city's toxic air. In London, only five per cent of the lowest-income population own a car yet they are around 10 per cent more likely to suffer from toxic air.
3. Displacement of emissions. It may be possible to reduce local air pollution, but if emissions are diverted to locations outside the zone, it's possible that local pollution will worsen in nearby areas.

Table 1. Summary of the health outcomes from air pollution

Life stage	**Heath impact**
Pregnancy and birth outcomes	Foetal development; low birthweight; gestational age and pre-term births; miscarriage, sperm count and mobility.

The developing child: from birth, through adolescence	Lung growth; asthma; blood pressure; cognitive abilities; inattention and hyperactivity and mental health and illness.
Adulthood	Early death; cardiac health; stroke; brain and mental health; respiratory health; cancer and multiple chronic illnesses.

Source: Impacts of air pollution across the life course – evidence highlight note

A ULEZ may not be equally effective in all areas as its impact depends on various factors, such as existing public transport infrastructure; availability and affordability of low-emission vehicles; willingness from individuals to change their behaviour. Also in the case of London, a study in 2021 suggests that a "ULEZ on its own is not an effective strategy to improve air quality – the case of London shows us that it works best when combined with a broader set of policies that reduce emissions across sectors like bus and taxi retrofitting, support for active and public transport, and other policies on polluting vehicles."

ULEZ implementation from the transport perspective

To determine the readiness of other areas (including outer London) for the ULEZ implementation from the transport perspective we must examine three key factors: the existing transport infrastructure, the vehicle fleet composition and the public transport availability.

1. **Transport infrastructure**

This relates to the availability of charging points for electric and alternative fuel vehicles. Diverse reports and studies consistently show that the lack of infrastructure provision is a concern for many consumers and is a main barrier to mass uptake, therefore efficient and sustainable charging infrastructure network is essential to achieve the transition to electric vehicles. To date in the UK there are 31,476 charging connectors at 11,274 locations – the majority (25%) of these are in Greater London.

2. **Vehicle fleet composition**

This plays a significant role in ULEZ readiness. Areas with a large number of older, high-emission vehicles may face challenges to transition to cleaner transportation options. Therefore, assessing the age and emission standards of the existing vehicle fleet is essential to estimate the feasibility of implementing ULEZ. Regarding electric vehicles, data shows that by the third quarter (July to September) of 2022, 14% of new car registrations in the UK were battery electric vehicles (BEV) with a further 5% being plug-in hybrid electric vehicles (PHEV).

3. **Public Transport availability**

Regions with well-developed public transport networks offer viable alternatives to private cars and encourage people to switch to greener modes of travel. Robust public transportation can help to reduce the dependence of high emission vehicles making the region more prepared for ULEZ. In London, the Mayor has announced transport improvements which include: the new Superloop bus network, which will connect outer London; a further 1 million km expansion of bus routes in outer London and plans for a new West London Orbital Overground service, however, this is subject to funding.

Combine ULEZ with a range of transport policies

In conclusion, the implementation of the ULEZ in the UK has shown positive effects on the reduction of air pollutants, and even though it is difficult to calculate the reduction of GHG, the policies encourage the adoption of cleaner transport options.

However, when evaluating the readiness of other regions to adopt ULEZ or extending the scheme in outer London, it is important to consider that the ULEZ is ineffective on its own and that it is most effective when combined with a broader set of policies that reduce emissions across sectors, including support for walking and cycling, improving public transport, and other policies on polluting vehicles. Also, careful planning and coordination are essential to prevent unintended consequences from the ULEZ. And finally, supporting businesses and individuals in their move to cleaner technology is also necessary.

Birmingham in Crisis: Understanding the Challenge of Local Authority Budget Cuts and the Effect on Good Financial Management

Rebecca Riley and Abigail Taylor, WMREDI

Rebecca Riley and Abigail Taylor discusses the recent financial crisis to hit Birmingham City Council, and how the root of the issues facing this council and others around the UK, are a decade in the making.

In July 2023 it was announced that Birmingham City Council faces a spending freeze and greater scrutiny of its budget. An action plan has been announced to investigate the Council over its financial management in what councillors have branded "the biggest challenge the council has ever faced".

Although the press is highlighting failures, it is important to recognise that Birmingham City Council has been battling historical and ongoing equal pay pressures, which needed to be funded from within Council budgets. These pressures are layered on top of the significant budget cuts that local authorities have been confronted with since the early 2010s.

The impact of funding reductions

In 2022 City-REDI produced a report on the income and expenditure of BCC and how this changed over the period from 2010–2020. The report also explored budgetary pressures and their impact on decision-making.

Our analysis principally draws upon data from the 2021 National Audit Office (NAO) Financial Sustainability of Local Authorities Visualisation between 2010-11 and 2019-20 and Birmingham City Council's Budgets for 2010/2011 and 2019/2020. The NAO data is presented in real terms in 2019-20 prices. Using real terms costs enables the effects of inflation to be considered. This is essential to demonstrate changes in the actual funding available to the Council over the decade studied.

Funding reductions have had significant impacts on local authorities in England since 2009/10. Figure 1 below illustrates where cuts to Birmingham City Council's funding have occurred over the 10 years studied. Government funding has seen a significant decrease, due to austerity policies introduced by successive governments, which have slashed local authority budgets. Birmingham City Council alone had to make austerity cuts of £736 million. Overall, between 2010/2011 and 2019/20, the spending power of the Council decreased by 36.3% in real terms in 2019-20 prices.

Figure 1: Main funding and spending flows for Birmingham City Council.

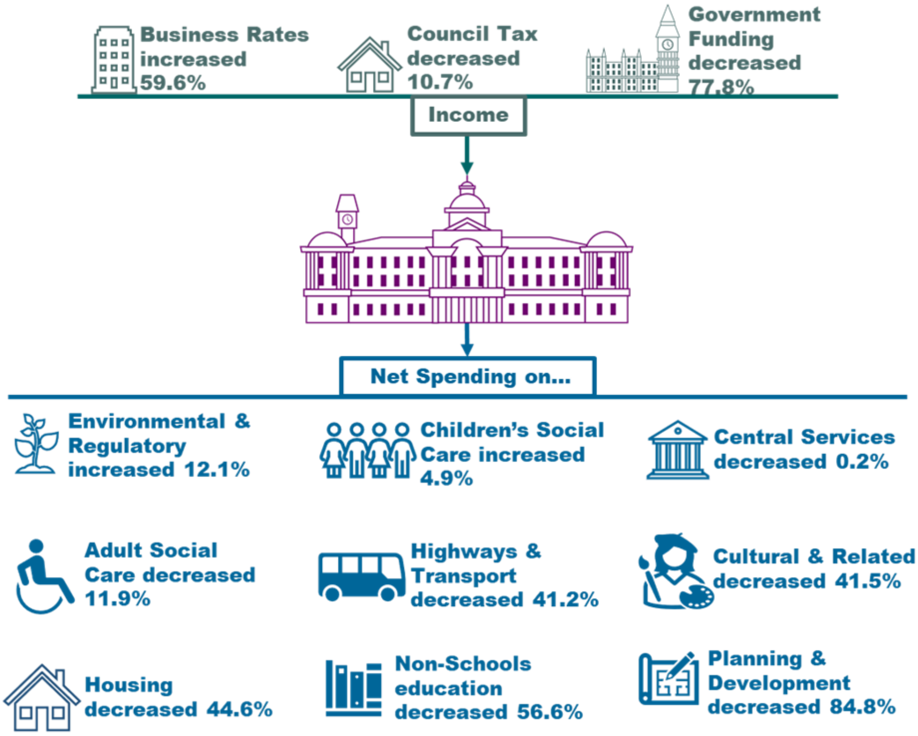
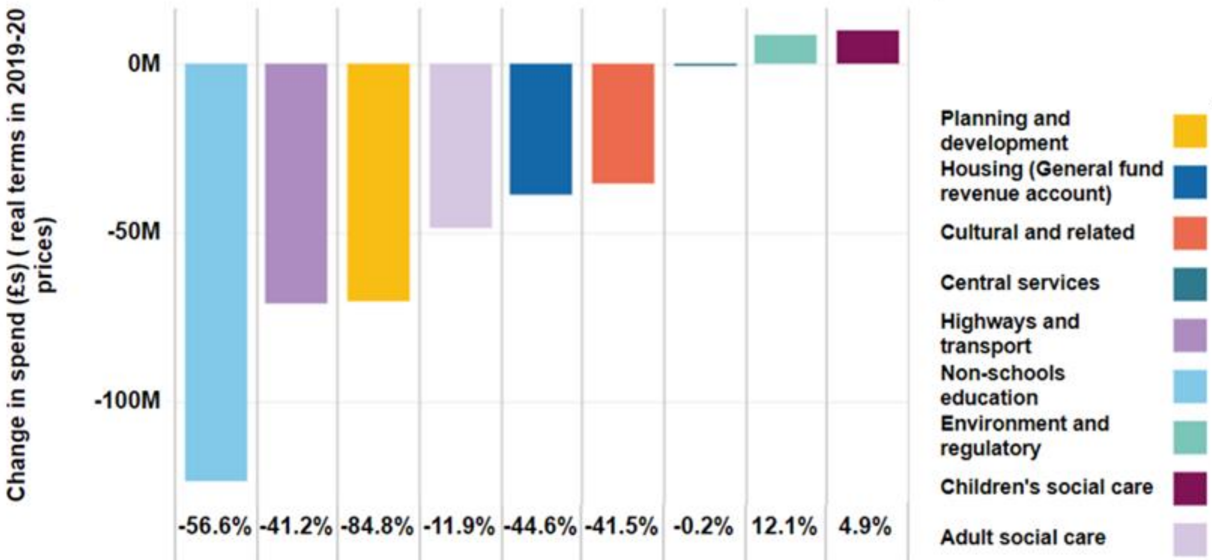


Figure 2 below shows the change in service spend by Birmingham City Council in real terms.



Source: NAO, July 2021

In the longer term these cuts result in:

Service Cutbacks

All local authorities rely on funding to provide essential services such as education, social care, waste management, and transportation. When faced with funding reductions, local authority leaders may be forced to make cutbacks in these areas, resulting in reduced service quality or the cancelling of certain services altogether. As illustrated in Figure 1, non-schools education funding decreased by 56.6%, and Adult Social Care spending decreased by 11.9% over the 10-year period studied. Figure 2 shows how, in real terms, these cuts mean spending on non-schools education declined by over £120 million, and spending on Adult Social Care fell by nearly £50 million.

Staff Reductions
Funding reductions often lead to budget constraints, which force local authorities to reduce their workforce. This can result in staff layoffs, early retirements, or a freeze on hiring new employees. Therefore, the remaining staff may be overburdened, leading to increased workloads and potential burnout. Birmingham City Council has reduced their staffing by 48%, or 12,000 staff, in 10 years. This will have constrained the skills and capacity of the Council to innovate and to design and deliver good strategies and services to efficiently manage finances.

Infrastructure and Maintenance
Insufficient funding can limit a local authority's ability to invest in infrastructure development and maintenance. Roads, bridges, public buildings, and other essential facilities may suffer from neglect or deterioration, leading to potential safety hazards and decreased overall quality of public assets. Highways and transport budgets at Birmingham City Council have decreased by 41.2% – a fall of over £70 million over the 10-year period studied.

Increased Fees and Charges
To compensate for reduced funding, local authorities may resort to increasing fees and charges for services they provide. This can affect residents and businesses, potentially making essential services less affordable for citizens, or causing financial strain for those who rely on them. However, workshop sessions and interviews conducted as part of our research raised the issue that other forms of finance can often cost more to collect than the income received and emphasised how a lack of staff to do innovative approaches to alternative income is a constraint. These pots of money are often small relative to the gaps left, and local authorities have varying abilities to generate alternative income from their local resident and business base.

Delays or cancellations of Capital Projects
Local authority funding cuts can result in delays or cancellations of planned capital projects. As we have seen across many cities, these include schools and public transport systems. These delays are also being compounded by the rapid increase in the cost of raw materials for construction, leading to many projects becoming undeliverable or the costs now outweighing the benefits of investments. These delays can impact local economic development, infrastructure improvement, and community well-being. A significant proportion of the cuts in Birmingham City Council's spending have been in these discretionary investment budgets and the planning department that would normally manage them. As illustrated in Figure 1 and Figure 2, the Council's spend on planning and development has been cut by 84.8%, which represents a real terms fall of over £70 million Such a large decrease is particularly challenging given the planning and development budget was small compared to spending on other services, even before the cuts.

Economic Impact
Local authorities play a vital role in supporting local economies through initiatives like business support programmes and tourism promotion. Funding reductions can hamper these efforts, potentially affecting the region's job creation, investment attraction, and overall economic growth. The Commonwealth Games brought a large budget to the West Midlands; however, this is ring-fenced for delivery, and some legacy, meanwhile broader investment in tourism, culture and investment has been lost.

Increased Demand for Social Services
Our report highlights that demographic changes are increasing strain on Birmingham's social services. Despite the considerable decline in Birmingham City Council's funding, since 2010/11 Birmingham's population has increased by 7.5%. The number of people claiming unemployment-related benefits rose from 63,145 in May 2013, to 108,755 in May 2020. Per capita, spending power has fallen by 40.8%, between 2010 and 2020. Funding reductions have coincided with increased demand for services. In particular, with wages remaining relatively stagnant since 2010, due to slow growth over the 2010-19 period, needs have increased. The situation has been compounded by the impact of the pandemic and the cost-of-living crisis as health and wellbeing issues become particularly acute during times of economic hardship or crisis. Consequently, local authorities like Birmingham may struggle to meet the growing needs of vulnerable populations, such as those requiring housing, employment support, or mental health services.

Falling resources and an overly complicated funding system

Overall, funding reductions can have a cascading effect on various aspects of local authorities' operations and Birmingham, one of the largest authorities in Europe, is seeing significant impacts. The Council's budget is being squeezed like never before. The new spending freeze is taking place in the context of already diminished services and constrained resources. Since the start of the 2010s large cities, such as Birmingham, have suffered from substantial falls in resources but also big increases in demand. Over the next few years, meeting the needs of Birmingham's diverse communities is likely to be particularly challenging.

However, it is important to view these challenges through the prism of a constant fall in resources and a move to complicated competitive funding models imposed on the Council for more than a decade by central government. Between 2010 and 2020 core funding from central government to councils in England reduced by £15 billion due to austerity. As discussed in detail in our report, in 2010/11, government funding represented 72.3% of Birmingham City Council's total funding. By 2019/20 this had fallen to 19.5%. Although the proportion of business rates retained by local authorities has increased over the last decade and the importance of council tax as a local authority revenue source has increased, councils cannot increase funding from these revenue streams.

View the report: Insights into Birmingham City Council's Spending Power, Revenue Funding and Spending between 2010-11 and 2019-2020

REDI Updates: What is the Cost-of-living Crisis?

Matt Lyons, WMREDI

The latest edition of REDI-Updates is out now - providing expert data insights and clear policy guidance.

In this edition, the WMREDI team investigates what factors are contributing to the cost-of-living crisis and the impact it is having on households, businesses, public services and the third sector. We also look at how the crisis in the UK compares internationally.

The cost-of-living crisis has become an ever-present feature of news headlines over the past year. But what does it really mean and where are we heading? Matt Lyons investigates.
View REDI-Updates.

Defining the Cost-of-living crisis

The cost-of-living crisis refers to the real-term decrease in disposable income that is being observed by UK households as the cost of essential goods and services has accelerated beyond wage growth. In 2022, annual CPI inflation was 11.1% (ONS, 2022), the drivers of which are covered in detail more detail in later chapters but, in short, there are four main issues:

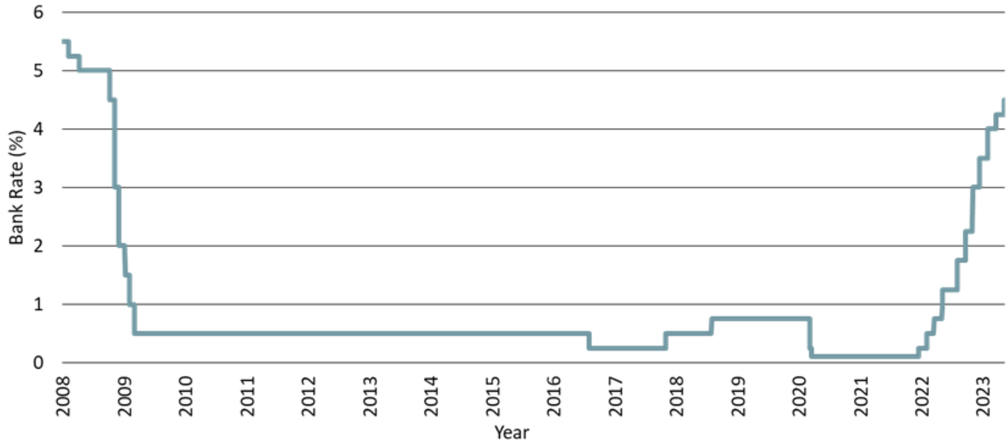
ENERGY	The most important factor driving the cost-of-living crisis has been the rapid increase in the price of fuel for domestic heating and transport, which has significantly increased predominantly due to the war in Ukraine.
HOUSING	Household services (such as gas and electricity) have also increased rapidly. The rise in private rental costs that have been observed has been attributed to demand for rental property being outstripped by supply, in part due to buy-to-let landlords leaving the market.
FOOD & BEVERAGES	Food and non-alcoholic beverages have seen prices rise by 16.4% between October 2021 and October 2022. The combination of increasing energy and transportation costs to food producers and a tight labour market has increased picking and packing costs.
CONSUMER GOODS	Supply-chain blockages due to a snap-back of demand post-COVID hindered by restrictions in China and a booming economy in the USA have coalesced to see too much money chasing too few goods.

The Policy Response

In response to inflation, there have been two major policy interventions: one fiscal, one monetary. On the fiscal side, the Government introduced the Energy Price Guarantee as a substantial intervention, estimated to cost the UK Government up to £140 billion. The guarantee runs through the winter months from October 2022 to June 2023 protecting consumers from the full impact of price rises. The typical household is expected to see annual energy costs of £2,500 instead of £4,000, which would have been the case without intervention (IFG, 2022).

On the monetary side, the Bank of England (BoE) has been increasing interest rates rapidly from 0.25% in February 2022 to 4.5% in May 2023 to stifle demand and thus inflation through increased borrowing costs (Figure 1). The interest rate rises will impact many who are on variable-rate mortgages and those with their fixed rates coming to an end. Analysis by the Joseph Rowntree Foundation (2022) found that by assuming a mortgage interest rate of 5.5% (up from 3%) the average monthly mortgage payment would increase by £250, from £610 a month to £860.

Figure 1: BoE Interest Rates over 10 years



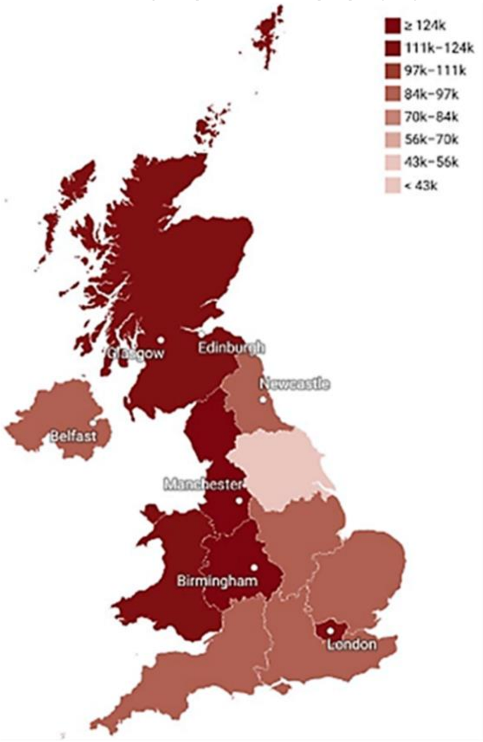
How are different groups impacted?

The impact of the cost-of-living crisis and the policy response to it is affecting some groups in society more acutely than others. Low-income groups are particularly impacted by the cost-of-living crisis because the goods and services that have increased most rapidly, energy and food, are essential goods that make up a larger share of low-income household budgets. Low-income groups have also been more severely impacted by changes to the tax and benefit system with the reversal of the £20 universal credit uplift and the rise in NI contributions disproportionately affecting low-income households. The consequences of this are severe, research by NIESR (2023) suggests that approximately 1 in 4 households are facing food and energy bills that exceed their disposable income.

Housing tenure is another important contributing factor which determines the vulnerability of households to the cost-of-living crisis. Some groups, particularly younger and less wealthy, are more likely to be in the private rented sector which is seeing rapid price rises. Alternatively, they may be first-time buyers holding large mortgages that will be due for renewal in a period of significantly higher borrowing costs.

The impact of the shocks to housing, energy and food prices is spread unevenly across regions. NIESR (2023) found that responses to rising food and energy prices forecasted rates of destitution range from 18.5% in the West Midlands to 32.3% in Northern Ireland. While the West Midlands is performing relatively well by this measure, the region is one of the most exposed to rising mortgage payments wiping out household savings (Figure 2).

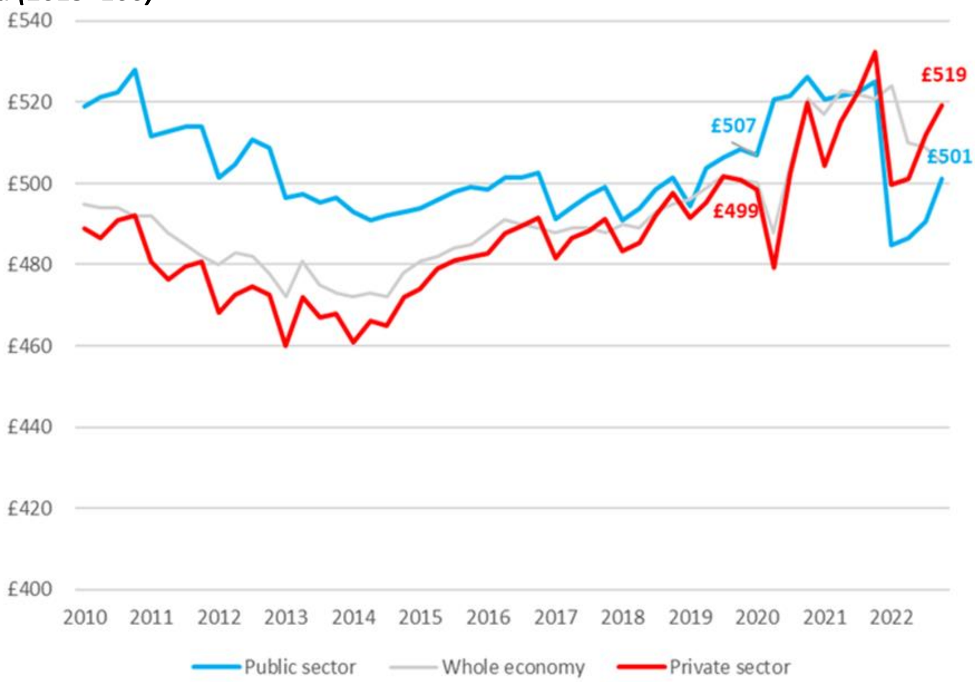
Figure 2: Households with No Savings as a result of higher mortgage payments.



Wages

Inflation and rising interest rates are increasing costs for households, but wages are another side of the picture. Normal wage rises are being observed particularly in the private sector, however, in real terms, wage rises are modest and are falling in the public sector. Figure 3 shows the average weekly earnings adjusted for inflation of the public sector vs private sector from 2010 to 2022. The figure shows that since 2020 there has been a divergence between groups, with private sector workers seeing a 4% rise in weekly earnings (£499 to £519) and public sector workers seeing -a 1.1% fall (£507 to £501), falling behind the private sector for the first time since 2007.

Figure 3: Average weekly earnings: total pay in the public sector, private sector and whole economy from 2010 to 2022 (CPI deflated (2015=100)

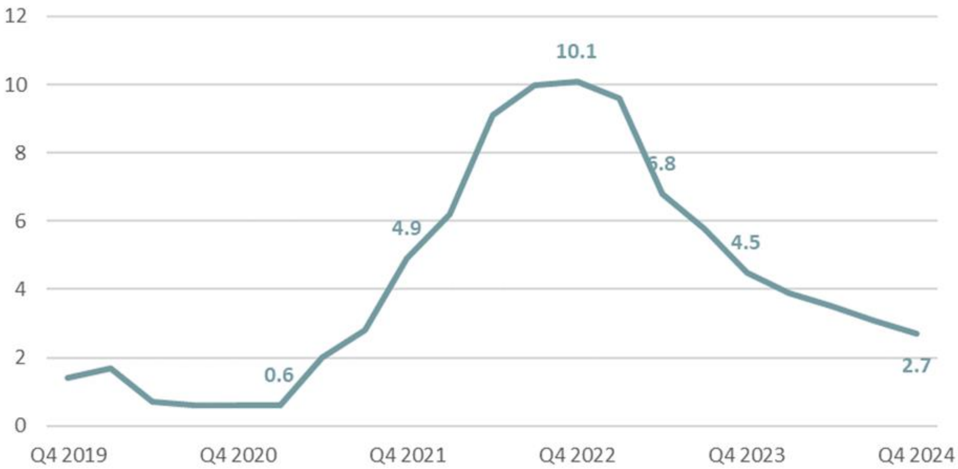


What to Expect in the short-term

The confluence of high inflation, rising interest rates and lagging wage growth means that living standards have fallen across the board with the OBR (2022) forecasting a 7% fall in living standards over the next 2 years. Those with high levels of debt, and those on lowest wages are particularly vulnerable.

Figure 4 shows the UK inflation annual growth from Q4 2019 forecasted to Q4 2024 by the OECD. It shows the rapid rise of inflation from Q1 2021 (0.6%) through 2021 reaching a peak in Q4 2022 (10.1%). From the peak we observe inflation falling rapidly through 2023 before reaching 2.7% in Q4 2024 still over the BoE target rate of 2%.

Figure 4: United Kingdom inflation annual growth rate (%), Q4 2019 – Q4 2024



However, since this forecast, it is apparent that the inflation rate in the UK has remained stubbornly high with RPI at 8.4% in May 2023 (CPI=7.9%). The latest inflation data suggests that interest rates are likely to rise at the time of writing by another 0.25% or possibly even 0.5%. The key takeaway is that rates remain significantly above the pre-mini-budget average in autumn 2022 and this will affect housing affordability and borrowing in the short to medium term.

Inflation growth rates may be falling (albeit more slowly than expected) but prices remain well above pre-2022 levels. Some positive news, in April 2023, the Energy Price Guarantee was extended and while prices remain high forecasts suggest that the price cap will fall significantly by July 2023. In short, despite indicators slowly moving in the right direction, the cost-of-living crisis is expected to get worse before it gets better.

What to expect in the longer term

The consequences of the cost-of-living shock to households are likely to have a scarring effect on the region's most badly affected, further exacerbating regional inequality. Forecasts by NIESR (2023) suggest that by the end of 2024, London is projected to have a regional GVA 9 per cent above its pre-pandemic level. By contrast, the Midlands is expected to be 1 per cent below its pre-pandemic level. The post-pandemic crisis poses a significant challenge for policy with levelling up of regions perhaps even more important.

Furthermore, there are additional risks that face the UK economy. Savings accrued for some households and groups in the pandemic are now being run down due to the weathering effect of the cost-of-living crisis. In the medium-term households will have less savings and be less resilient to future shocks, undermining consumer confidence. Compounding the challenge for regional economies there is a risk that low growth becomes a feature of the economy driven by a long period of falling capital investment. Additionally, there is no shortage of further geopolitical risks, from the possible escalation of conflict between Ukraine and Russia to increasing tensions with China related to an increasingly outspoken approach to Taiwan's independence.

Summary

1. Living standards are dropping for most in response to the rising costs of essential goods.
2. Low-income households and those living in private rented accommodation or with large mortgages are most vulnerable.
3. Wages are falling to keep pace with inflation, particularly in the public sector.

4. There is a strong regional component to the cost-of-living crisis with London and the Southeast pulling even further ahead in terms of productivity.

[View and download the full REDI Updates report](#).

REDI-Updates: Drivers of Inflation

Alice Pugh, WMREDI

The latest edition of REDI-Updates is out now - providing expert data insights and clear policy guidance.

In this edition, the WMREDI team investigates what factors are contributing to the cost-of-living crisis and the impact it is having on households, businesses, public services and the third sector. We also look at how the crisis in the UK compares internationally.

Inflation is rising at its fastest rate in more than 40 years.
Alice Pugh discusses what is driving the rapid increase in rising prices.

View REDI-Updates.

What is inflation?

Consumer Price inflation (CPI) is often the inflation rate which you will see being referred to by economists or journalists. CPI is the speed at which prices of goods and services bought by households rise or fall (ONS, 2017). CPI inflation is estimated by using the consumer price indices. The best way to describe the consumer price indices is by imagining it as a shopping basket containing all the goods and services bought by households. To calculate the inflation rate on these goods and services, each month the prices of these goods and services are compared to the prices from the same time the year before, this allows economists to understand whether prices have risen or fallen.

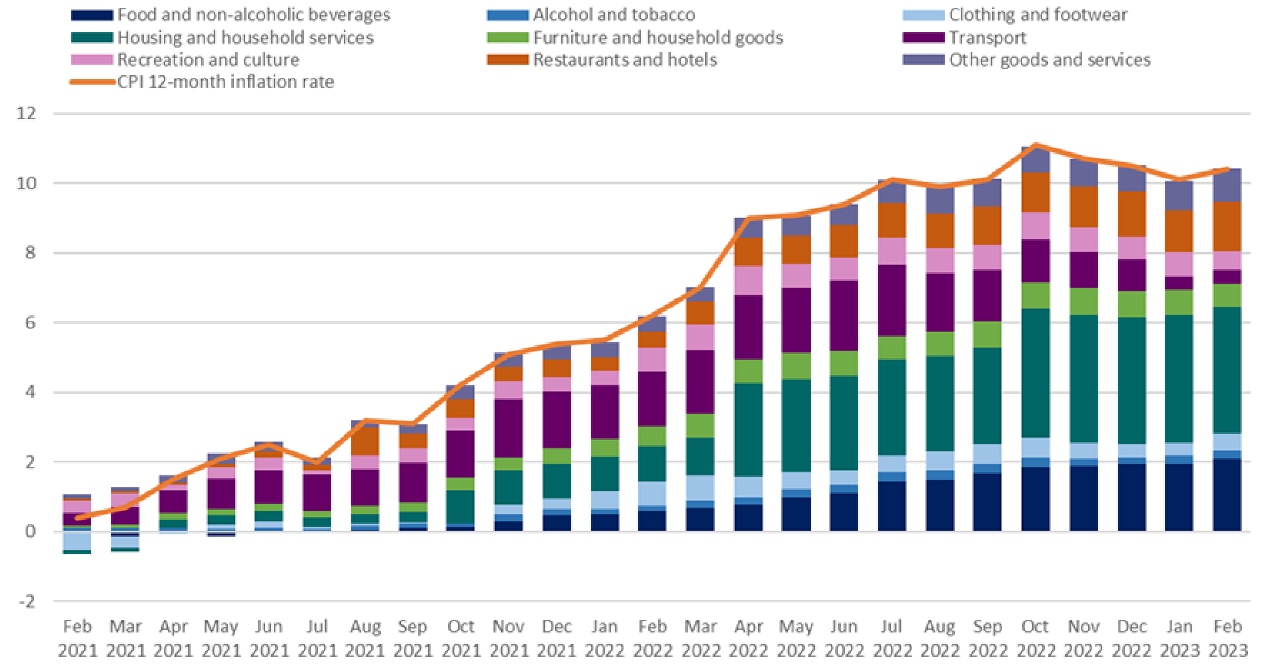
As can be seen in Figure 1 below, before 2021 CPI historically usually bobbed around at 2%, which is the Bank of England (BoE) target rate however, since the summer of 2021 prices of goods and services have been rapidly rising. By the start of 2022, inflation had hit 5.5%, more than double the BoE target rate. Over the year, inflation has continued to shunt upwards reaching its height in October 2022 at 11.1%, more than 5 times the target rate of the BoE. In October therefore, goods and services were on average 11.1% more expensive than they had been the same time the year before.

Figure 1: Consumer Price Inflation

Source: ONS, 2023

Figure 2 shows which groupings of goods and services have been rising the fastest and pushing up inflation over the last two years. The two largest drivers of inflation in this period have been housing and household services and food and non-alcoholic beverages. However, what is clear from the graph is that over this period almost every purchase category has seen rapidly rising prices.

Figure 2: Contributions to the annual CPI inflation rate UK



Source: ONS, 2023

What is Driving rising prices?

Pent up Demand and reduced Output

The first initial driver of inflation was pent-up demand as the world began recovering from the pandemic. From the summer of 2021, as restrictions began to be lowered in many economies, demand for products and services boomed. Consumers wanted to spend money they had saved in the pandemic and go out and enjoy themselves after prolonged periods of isolation. Plus, as lockdowns ended employees returned to work and output again started to rise. However, this brought with it demand-pull inflation (Kekarainen, 2022). This is when an increase in demand causes prices of goods and services to increase, as supply can't keep up with demand, often leading to increased prices. The sudden explosion in demand as people were released from lockdown in numerous economies, led to massive demand-pull inflation. Especially, as output globally had fallen in all sectors in the months previous, due to protective lockdown measures.

Then supply issues were compounded by differing recovery stances. Globally, manufacturing hubs, such as China, were much slower to remove Covid restrictions, this led to bottlenecks of supply and rising costs as producers struggled to find modes of transport for their goods. For instance, there was an under supply of shipping containers, which led to rapidly rising prices of transactional costs, as it become increasingly expensive to transport goods globally. Companies had to incorporate these rising costs into the prices of their products, this is when cost-push inflation began to come into play (Kekarainen, 2022). Cost-push inflation began to push up the cost of products as it became expensive for manufacturers to sell goods globally.

Russia's Invasion of Ukraine

The next unprecedented economic shock was the return of war to Europe. The invasion of Ukraine in February 2022 shocked already brittle and fragile supply chains. Russia and Ukraine are producers of key raw and natural materials, as a result of the invasion, production and output have been severely impacted, reducing supply and increasing the price of these goods. Goods which have been severely impacted by the conflict include:

FOOD & FERTILISER	Combined, Russia and Ukraine produced a third of the world's wheat and a quarter of barley production, plus 75% of sunflower oil (Ramcharan, 2022). These are essential goods which are needed in the majority of food and drink production. The loss of such a large supply of these raw food materials sent shockwaves through the food and drink production industry. As the supply of these raw food and drink goods fell, the market price of these goods began to rise, and companies had to pass these costs on to consumers (Emediegwu, 2022). These shocks became particularly acute in April 2022 as the shortages began to hit the market and producers passed increased costs onto consumers, as seen in Figure 2. Similarly, Russia is one of the world's largest exporters of fertiliser. Following the Russian invasion many countries implemented sanctions, and whilst specific exemptions were put in place for fertilisers to allow for the continued supply of fertilisers, exports of fertilisers have still fallen foul of the measures designed to isolate the region (Broom, 2023). This has resulted in large falls in the supply of fertiliser, which has significantly affected the costs around growing crops, as the cost of fertiliser has dramatically increased due to the fall in supply (Eardley, 2022). Many suppliers are then forced to pass on these costs to consumers.
ENERGY SUPPLY	Following the Russian invasion of Ukraine, energy prices rapidly increased. Russia is the second largest producer of natural gas and oil (Ritchie ***et.al***, 2022), and sanctions were placed on Russian-produced fossil fuels, as a result, energy prices rapidly increased. In the UK energy prices have more than quadrupled since 2021 (Pugh, 2022), and in Europe, energy prices more than doubled between February 2022 and July 2022 (Gazzani and Ferriani, 2022). The rise in energy prices can be seen in figure 2 and has been the largest contributing factor to CPI since April 2022 and has been one of the largest contributing factors in producer price inflation over this period also (ONS, 2023). The rise in energy costs did not only impact households, but it also led to increased production costs for all businesses. Businesses have tried to absorb energy prices however, the rapid increase in costs associated with energy has led to many consumers having to pass these costs onto consumers, driving up cost-push inflation. The UK is a net importer of energy, making it more vulnerable to energy market shocks. Being a net importer of energy leaves the UK with lower energy security and control over prices, when there is disruption to the energy supply therefore, it is far more vulnerable to energy price rises than net exporting countries (ONS, 2023).
FUEL SUPPLY	Oil prices rose rapidly following Russia's invasion of Ukraine (Bolton, 2023), as sanctions were placed on Russian-produced goods including fuel, reducing supply and increasing prices. This increased transport costs, alongside increased input costs in other areas, led to firms having to raise the costs of their goods adding to inflation (British Chambers of Commerce, 2022).

Brexit

Globally all comparable economies to the UK have been impacted by the pandemic and the Russian invasion, however, only the UK still has double-figure inflation. Whilst inflation is coming down across Europe and North America, it is remaining stubbornly high in the UK (Romei and Smith, 2023). Brexit is likely part of the reason that it is remaining stubbornly high in the UK.

Research from the University of Sussex found that businesses had struggled to adapt to the new Trade and Cooperation Agreement (TCA), with the largest impacts being increased costs, increased red tape and bureaucracy and shipping and transport delays (Clarke ***et.al***, 2023). Businesses also stated that they were suffering competitive disadvantages and loss of trade with the EU three times more in 2022 than in 2021. Just over 35% of firms identified that Brexit was to blame for their supply chain issues in 2022, not Covid-19 which 31% of respondents blamed for their supply chain issues (Clarke ***et.al***, 2023). When surveying business on the TCA the British Chambers of Commerce (2022) found:

52% of firms were experiencing shortages of goods and services, rising to 70% for manufacturers

8 in 10 (80%) of firms experience increased costs since the TCA

53% had experienced an overall decrease in their sales margins

Further research from Ivalua found that 80% of UK businesses found Brexit to be the biggest disrupter to supply chains in 2022, followed by the invasion of Ukraine (76%), rising energy costs (71%) and Covid-19 (59%) (Ivalua, 2022). Another survey found Brexit has had a significant increase in costs, with prices of raw materials (43%), imports and exports (42%) and manufacturing and production (42%), for UK businesses (England, 2022). Controlling for the impact of the pandemic, UK in a Changing Europe found that UK EU trade barriers led to a 6% increase in food prices in the UK between the end of 2019 and 2021 (Bakker ***et.al***, 2022).

Essentially, Brexit has compounded the problems generated by the pandemic and the invasion of Ukraine. Europe is the UK's biggest trading partner (Ward, 2022), and the self-imposed increase in trade barriers with the trading block, has increased costs for many firms. As it has led to trading delays and supply shortages, similar to that generated by the pandemic and invasion. So, whilst other economies are starting to recover from the pandemic and the war in Ukraine, or certainly stabilise, the UK is suffering the third shock of leaving the EU.

Tight Labour Market

The UK is currently experiencing a tight labour market, due to rising inactivity, increasing long-term illness, early retirement and reduced skilled immigration. Long-term illness has been driven by the pandemic, its impact both on people's health and its impact on NHS backlogs, preventing people from returning to work. Many older workers have retired following the pandemic. Reducing the availability of labour, and tightening the labour market. This is leading to higher costs for firms, as they are having to increase wages to compete for employees during a labour supply shortage and this is compounded by rising inflation. With private sector wages growing on average by 6.9% last year compared to the year before, public sector wages grew 2.7% over the same period (ONS, 2022). This was the largest growth in private sector pay, excluding during the pandemic, that the UK has ever seen.

Private sector pay rises are more likely to be inflationary than public sector pay rises, as the private sector businesses will raise prices to mitigate the increased wage costs, adding to inflation. Plus, the private sector employs 83% of the active workforce, comparative to 17% employed by the public sector, meaning wages in the private sector are much more likely to lead to an increase in inflation (Whiteley, 2023). However, as the current wage rises are being driven by rises in labour supply shortages the inflationary impact is relatively weak overall (Whiteley, 2023).

Summary

The largest drivers of inflation which are fuelling the cost-of-living crisis have been the reopening of economies when recovering from the pandemic, followed by the Russian invasion of Ukraine. When reopening after the pandemic there was massive demand-pull inflation at a time when there was little output to cope with demand, fuelling inflation. Heightened by economies reopening at differing speeds. The invasion of Ukraine then led to further supply shortages, particularly in basic necessity food goods (e.g. grain and cooking oil) and energy fuels (e.g. oil and natural gas). This loss of these basic food goods has fed through to all corners of the food production market, as Russia and Ukraine are two of the largest producers of these food stuffs, rising inflation across the entire food production market. The loss of energy supplies by the world's second-largest producer also led to rapidly rising energy prices not only for households but for producers, which have then been forced to pass on the rising input costs to consumers. Energy also impacts every UK business, which has seen their energy bills more than quadruple.

However, all economies have been facing these issues and inflation is higher in the UK compared to other comparable economies. This is likely because the UK is a net importer of the majority of goods and energy supplies which have been impacted by these two economic shocks, making the UK more vulnerable to such shocks. Plus, Brexit is also leading to delays and shortages compounding supply issues, and increasing costs for British firms, which are then passing on those cost rises through higher prices.

Rises in private sector pay may be contributing to increased inflation, as there is a skills shortage driving higher wages, which is then being passed on to consumers in the form of higher prices. However, this is a weaker driver of inflation as the majority of these wage rises are to tackle skills shortages, rather than demands for higher wages. Public sector pay rises are very unlikely to be influencing inflation as there has been only a 3% rise in pay over the last year, compared to 7% in the private sector. The private sector employees 83% of the workforce and the public sector only employees 17%.

Read the full REDI-Updates report.

The WM Economic Impact Monitor is funded by the WMCA, Research England/UKRI

What Could the £4 billion Expansion of Childcare Support mean for the West Midlands Economy?

Matt Lyons and Abigail Taylor, WM REDI

In the 2023 Spring Statement the UK Government announced plans to expand free childcare to children between 9 months and 2 years old. Matt Lyons and Abi Taylor investigate what this could mean for the West Midlands.

The UK Government announced a £4bn childcare expansion policy in England.

Key objectives of the policy include removing "barriers to work for nearly half a million parents with a child under 3 in England not working due to caring responsibilities, reducing discrimination against women and benefitting the wider economy in the process" by addressing current labour shortages, and potentially, increasing productivity. Currently, government analysis suggests that nearly half a million parents are not working because of caring responsibilities.

The proposal will provide an extra 30 hours a week during term time to parents of children from the age of nine months to two years, matching the existing offering for three- and four-year-olds.

"I don't want any parents with a child under five to be prevented from working if they want to, because it's damaging to our economy and unfair mainly to women" Jeremy Hunt MP

The childcare reforms will be rolled out in stages. The plan is that:

- From April 2024, all working parents of 2-year-olds will be able to access 15 hours per week of free childcare.
- From September 2024, all working parents of children aged 9 months up to 3 years old will be able to access 15 hours per week of free childcare.
- From September 2025 all working parents of children aged 9 months up to 3 years old can access 30 hours of free childcare per week.

The Office for Budget Responsibility estimated that the extension of free childcare provision of up to 30 hours a week will enable as many as 60,000 mothers to enter the labour force while also improving access to pre-school education. The policy has the potential to have two impacts on the economy:

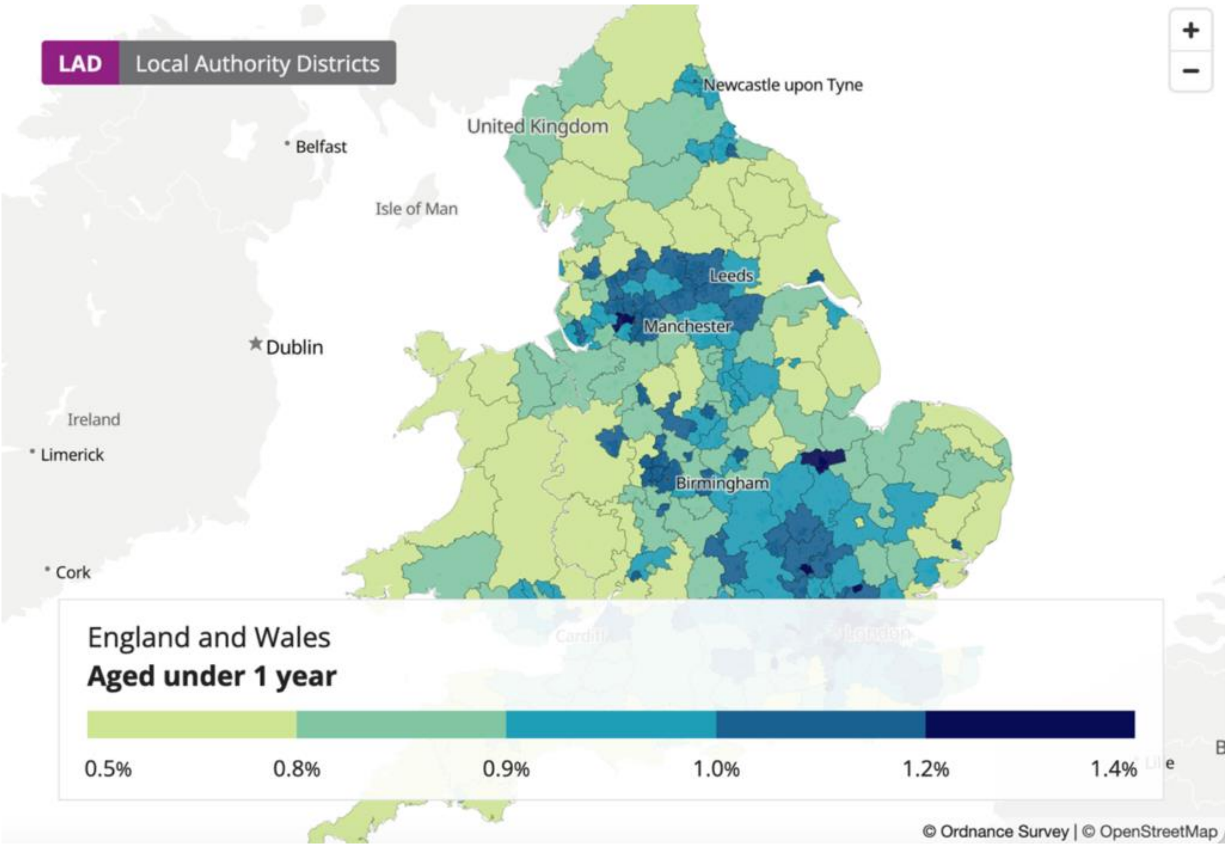
1. The demand shock related to an increase in demand for childcare services from parents
2. The labour supply shock as more parents return to work

To get a sense of the scale of impact this policy could have and the potential limitations, we use the SEIM-UK: a multi-regional input-output model developed by City-REDI to estimate a demand shock for the West Midlands.

Skip to the bottom of the blog for a summary of the method.

What is the impact of the increase in demand for childcare?

To apportion the £4 billion government expenditure in childcare policy we apportion across regions based on 2021 Census of Population data showing where children aged 0 to 1 year old are living. London has the largest proportion of children in this age group with the West Midlands having the second-largest share of all English regions (see Table 1). London clearly stands to gain the most. Whilst the West Midlands appears to be the second most important beneficiary, the difference between the West Midlands and other regions is comparatively small. The higher share of children in London and the West Midlands is likely linked to the higher share of young people in these regions. There is also likely an inter-sectional age and ethnicity dimension here with the map also pointing to huge differentiation between urban and rural areas. For example, the map clearly shows how Birmingham, the Black Country, Telford, and Stoke-on-Trent have large proportions aged under 1 year.



Source: ONS

Table 1. The percentage of the population that is aged 0-1 of English NUTS 1 Regions (mid-2021 data)

Region	Number aged 0-1	% of population aged 0-1
North East	24,	0.94%
North West	76,445	1.03%
Yorkshire and the Humber	55,437	1.01%
East Midlands	46,900	0.96%
West Midlands	62,900	1.06%
East of England	64,759	1.02%
London	104,839	1.19%
South East	92,044	0.99%
South West	51,139	0.90%

The West Midlands apportionment of the £4 billion policy is £434 million. If we treat this as a demand shock to the childcare services sector, we can see the impact that this could have on sectors, occupations and households.

Table 2 shows the ten most impacted sectors in terms of employment (full-time equivalent FTE) based on the £434 million shock in the West Midlands. The shock indicates that the most impacted sector is the sectors containing childcare ***Human health and social work activities.*** However, it is also clear that sectors throughout the supply chain are likely to be impacted indirectly. While the modelling is conducted in FTE, this will likely disguise the large numbers of part-time workers engaged in sectors that contain childcare.

Table 2. Sectoral impact on employment (FTE) in England due to a demand shock in the West Midlands childcare sector

Sector	Employment Change (FTE)
Human health and social work activities	9,575
Professional, scientific and technical activities	800
Wholesale and retail trade; repair of motor vehicles	150
Financial and insurance activities	150
Education	150
Information and communication	100
Construction	100
Other service activities	100
Transportation and storage	75
Accommodation and food service activities	50

Numbers rounded to the nearest 25, Source: SEIM-UK

Table 3 shows the top 10 most impacted occupations in terms of employment change from the demand shock in the West Midlands. The table reveals that there would likely be a 1.81% increase in the demand for ***Caring Personal Service Occupations*** in the region, demanding a further 3,150 FTEs. Other health occupations also see strong increases in demand.

As referenced, in Table 2, the indirect supply-chain relationships also mean that there will be an increase in jobs in other occupations throughout the economy.

Table 3. The impact of a demand shock in the West Midlands childcare sector on occupations in the West Midlands

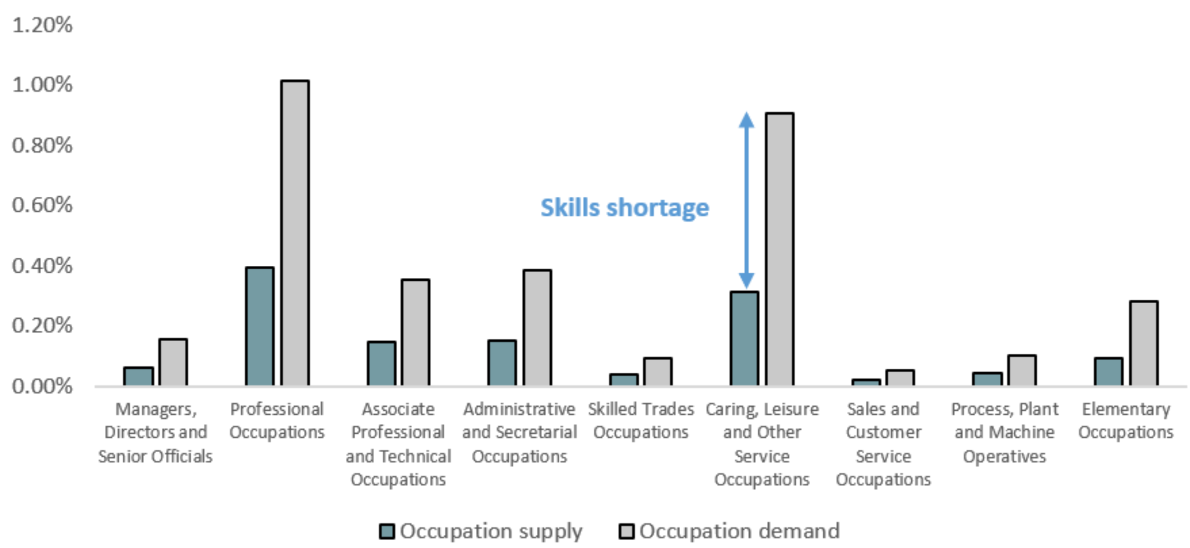
Occupation (two-digit SOC)	Total change in jobs (FTE)	% change in jobs (FTE)
22 Health Professionals	2,650	2.29%
61 Caring Personal Service Occupations	3,150	1.81%
32 Health And Social Care Associate Professionals	600	1.49%
42 Secretarial And Related Occupations	400	0.78%
24 Business, Media And Public Service Professionals	650	0.42%
41 Administrative Occupations	750	0.39%
12 Other Managers And Proprietors	250	0.30%

11 Corporate Managers And Directors	575	0.29%
35 Business, Public Service Associate Prof	525	0.29%
62 Leisure, Travel And Related Personal Service	100	0.26%

Does the West Midlands have enough appropriately skilled workers?

Using an experimental labour market model, we attempt to map whether the increase in demand for occupations can be matched by the current labour pool in the West Midlands. Figure 1 shows the change in demand by 9 aggregated occupation categories versus the available supply*(see limitations at the end of the blog). What can be observed is that despite a relatively large supply in categories such as ***Professional Occupations*** and ***Caring, Leisure and Other Service Occupations,*** the increases in demand will likely overshoot the supply leading to skills shortages.

Figure 1. Labour Supply and demand matching in the West Midlands



Source: Experimental module SEIM-UK

Such shortages likely mean that parents of children aged nine months to two years looking to benefit from the extra 30 hours a week during term time may find that provision is unavailable, at least locally. Shortages in provision could disproportionately impact parents in the most underrepresented areas, where reliance on hyper-local provision is particularly important.

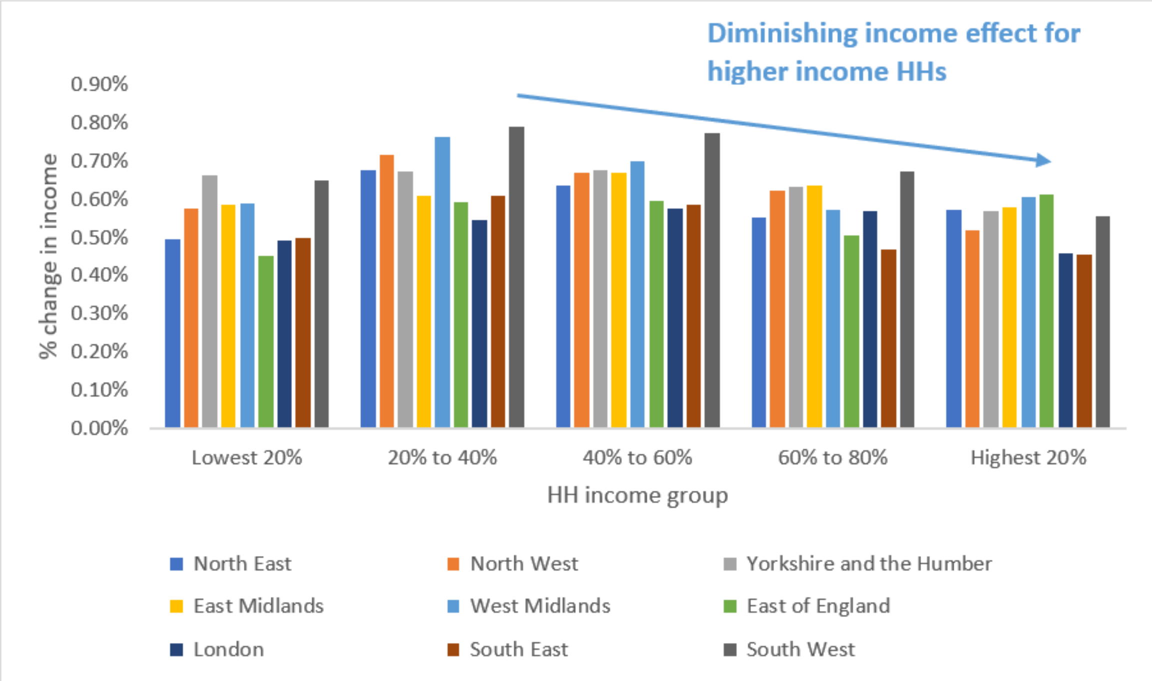
The likelihood of skills shortages raises questions about the extent to which the West Midlands will be able to expand training to support the upskilling of the requisite workforce. Implications exist both in relation to the number of direct childcare staff as well as the number of managers likely to be required if a large number of childcare posts need to be created. Previous research City-REDI researchers for the Industrial Strategy Council emphasised how upskilling managers is essential for managers to fulfil their crucial role in championing and monitoring skills development and utilisation.

Impact on Households

Figure 2 indicates the change in household incomes as a result of the £4 billion shock across all English regions by income quintile. However, there are considerable differences by region. Regions with the greatest number of people aged 0-1 years relative to their population see a larger income impact than other regions, which is unsurprising. More surprising is the trend for lower income households to benefit more than higher ones does not hold for all regions notably, the North East.

Furthermore, it is important to note that a percentage increase in incomes for lowest-income households is likely to have a greater impact than on those in higher quintiles, particularly during a cost-of-living crisis.

Figure 2. Regional % change in Income (Compensation of labour) simulation results household (HH) quintiles



Source: SEIM-UK experimental HH module

Concluding remarks

Overall, our analysis suggests that finding sufficient staff with the relevant skills may be a key challenge for the Government's plan to increase free childcare provision for children aged nine months to two years. It also emphasises that the Government's planned expansion to childcare policy will likely have a significant impact on regional economies but the impact is likely to vary across regions.

The impacts modelled do not consider the additional impacts of an increased workforce size or the implications for prices and productivity. The model also assumes that all parents will want to take up the additional provision provided. Existing research has indicated how formal childcare use is much higher in less deprived areas of England and varies by ethnicity.

Key questions that the simulation cannot answer include:

1. Can the region accommodate an increase in demand for childcare?
2. Are there enough skilled workers to fulfil likely increases in demand?

A short summary of the potential opportunities for, and limitations of, the policy is listed here:

Strengths/Opportunities + Increase tax base + Equality benefits (in work) + Poverty reduction + Early years education improved?	**Weaknesses/Threats** – Likely there is not a sufficient supply of skilled carers to fulfil demand (including wraparound provision in schools) – Are there enough nursery places? – How will the policy be funded? – Will provision be available in the right places for the most disadvantaged parents to take advantage of? – Unclear whether provision will address current childcare challenges for parents working anti-social hours or on zero-hour contracts

Approaches to address some of the challenges suggested could range from bursaries for individuals to undertake qualifications in childcare to increasing the supply of skilled childcare workers, to relaxing child-to-carer ratios depending on safety considerations. It may be the case that local government will need to plan for new demand possibly by building nurseries that are socially funded. To get a scale of some of these issues, further research is required.

Future research

Methodology refinements: This simulation shows a relatively crude estimation of the impact of the policy. Future research will look to improve the precision of the methodology, consider the temporal dimension of the policy implementation and incorporate the labour supply into the model to provide some detail on absorptive capacity.

Interviews for broader understanding: We also plan to undertake qualitative interviews in the West Midlands with childcare providers and parents of young children who could potentially benefit from the policy. The research will aim to better understand how they consider the policy will play out in practice, in particular, key challenges and opportunities that they anticipate

Training implications: What sort of training is likely to be needed to facilitate the expansion of childcare provision? Which organisations are best suited and have sufficient capacity to offer the training (e.g. colleges, hospitals, universities)? Who will fund the training?

Notes on the method

1. UK government announce £4bn childcare expansion policy in England. We treat this as a £4bn shock to the sector in the SEIM UK model that contains childcare (S27: Human health and social work activities)
2. To apportion the shock across regions we divide the £4bn across English regions based on the number of 0–1-year-olds in each region (Figure 1)
3. In Figure 1 – Occupation supply is determined by vacancies and occupation demand is determined by type-I Leontief in our experimental SEIM-UK model
4. The West Midlands refers to the NUTS-1 region definition

Limitations

- The method assumes the shock is in one sector and in one year.
- The approach does not consider the impact of increased labour force participation.
- The employment effect is reported in FTE which is biased by very different hours/employees in the different occupations.
- The SEIM-UK labour market and household modules are experimental and in the early stages of development with results subject to change.
- Local variations are important and are disguised by regional averages.

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

On the 27th July 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 the UK economy and society. These faster indicators are created using rapid response surveys, novel data sources, and experimental methods.

ONS also provides on a fortnightly basis (at the time of writing, last updated on 14th July 2023) the social insights on daily life and events, including impacts on health and well-being and the cost of living from the Opinions and Lifestyle Survey (OPN).

Monthly Direct Debit Failure Rate and Average Transaction Amount

ONS have introduced a new measure to the economic activity and social change indicator suite. This is an anonymised and aggregated dataset made available by Pay.UK and Vocalink, (respectively, these are the operator of and infrastructure provider to the UK's retail interbank payment systems through which over 4bn transactions are processed annually, including over 70% of household bills). The data sources are an average Direct Debit monthly transaction amount, indexed to February 2020 and monthly Direct Debit failure rate due to insufficient funds.

The monthly Direct Debit failure rate for the electricity and gas category was 1.03% in June 2023, up 12% from the June 2022 figure of 0.92%, quadrupling since its lowest point of available data in May 2020, while the monthly average transaction amount for mortgages has steadily risen from £718 in December 2021 to £852 in June 2023, an increase of £134.

Other Consumer Behaviour Indicators

Bank of England CHAPS data reported with credit and debit card purchases decreasing by 2 points from the previous week and is unchanged compared with the same week in 2022.

Springboard data shows footfall levels remained unchanged in the week to 23rd July 2023 from the level of the previous week, but increased year-on-year to 103% of the equivalent week in 2022. Notably, retail footfall levels were 86% of the level seen in the equivalent week of 2019.

In the week to 23rd July 2023, Revolut debit card spending decreased by 3 percentage points compared with the previous week. Of the six sector categories, four experienced a decrease, one ("entertainment") was unchanged, and one increased. "Automotive fuel" spending increased by 13 percentage points, while "retail" fell by 8 percentage points. Total Revolut debit card spending was 21 percentage points above the equivalent period in 2022.

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 for non deduplicated job adverts.

Nationally, between the 14th and 21st July 2023, total online job adverts decreased by 1.9%. On the 21st July 2023, total online job adverts were at 114.4% of their average level in February 2020. Out of the 28 categories (excluding unknown) 17 decreased; the largest weekly decrease was in “education”, which fell by 6.4% (to 163.1% of the average level in February 2020). Of the 11 categories that increased, the highest increase was in “travel/tourism” which rose by 14.3% (to 127.9% of the average level in February 2020). There were 10 categories that were below the February 2020 average level, with the lowest in “sales” at 78.8%.

Excluding London (where there was an increase of 3.0%), online job adverts decreased for all UK regions between the 14th and 21st July 2023. The West Midlands online job postings fell by 1.5% and on the 21st July 2023, it was at 111.1% of the average level in February 2020. On the 21st July 2023, there were 3 regions below their February 2020 levels (East of England 93.8%, South East 94.8% and London 99.4%). In contrast, Northern Ireland was the highest at 149.9% of the average level of 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 16th July 2023, across the UK, there were 51 employers proposing 4,568 potential redundancies. The potential redundancies 4-week rolling average was 5,034 and the employers proposing redundancies 4-week rolling average was 59.

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 102 and the employers proposing redundancies 4-week rolling average was 106.

System Average Price of Gas and System Price of Electricity

In the week to 23rd July 2023, National Gas Transmission, Elexon report that the System Average Price (SAP) of gas decreased by 5%. When compared to the equivalent period in the previous year it was 70% lower and was 86% lower than the peak level seen in late August 2022. However, when compared to the pre-coronavirus baseline, SAP of gas was 173% higher.

The latest weekly data also shows that the System Average Price (SAP) of electricity increased by 2%. Although, when compared to the equivalent period in the previous year it was 74% lower and was 85% below the peak level seen in late August 2022. However, when compared to the pre-coronavirus baseline, SAP of electricity was 110% higher.

Transport

In the week to 23rd July 2023, the average number of UK flights was 6,162, which remained broadly unchanged from the previous week. In addition, the average number of UK flights was 8% higher when compared with the equivalent period last year but remains 8% lower than the equivalent week of 2019.

Business Insights and Conditions Survey

The final results from Wave 87 of the Business Insights and Conditions Survey (BICS) based off the 5,252 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 29.8% (1,566) and 3,243 businesses that are head quartered in the West Midlands, with a response rate of 27.3% (886). Please note, the survey reference period was 1st to 30th June 2023 with a survey live period of 10th to 23rd July 2023. Also, the data used is unweighted for regions and response levels can be low so the following results should be treated with caution when evaluating impacts. Due to weighted data being available for the UK a comparison has not been included.

International Trade

32.5% of responding West Midlands businesses reported to exporting within the last 12 months, 3.9% reported to exporting over 12 months ago. While 47.5% of West Midlands businesses reported to have never exported and do not have the goods or services suitable for export – although, 7.7% reported to never exporting previously but have goods or services that could be developed for exporting.

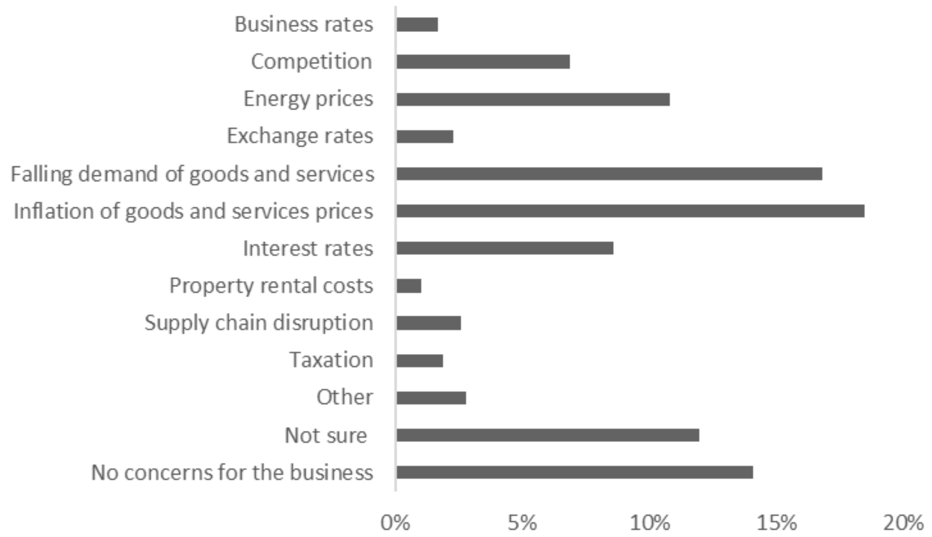
46.9% of West Midlands businesses reported that exporting stayed the same in June 2023 when compared to June 2022. With 21.3% of West Midlands businesses reporting to have exported less and 19.1% reported to exporting more.

51.3% of West Midlands businesses reported that importing stayed the same in June 2023 when compared to same month in the previous year. 15.0% of West Midlands businesses reported to importing less and 18.5% reported to importing more.

Main Concerns for Business

18.5% of responding West Midlands businesses expect the main concern for business in August 2023 will be inflation of goods and services.

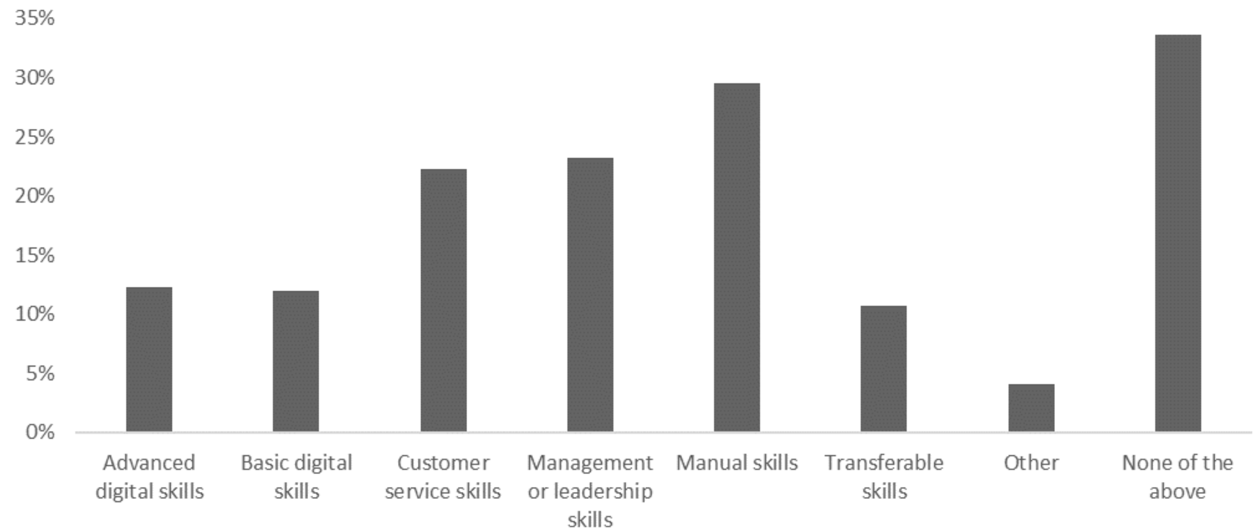
The main concern (if any) raised by businesses in the West Midlands for August 2023:



Skills Demand

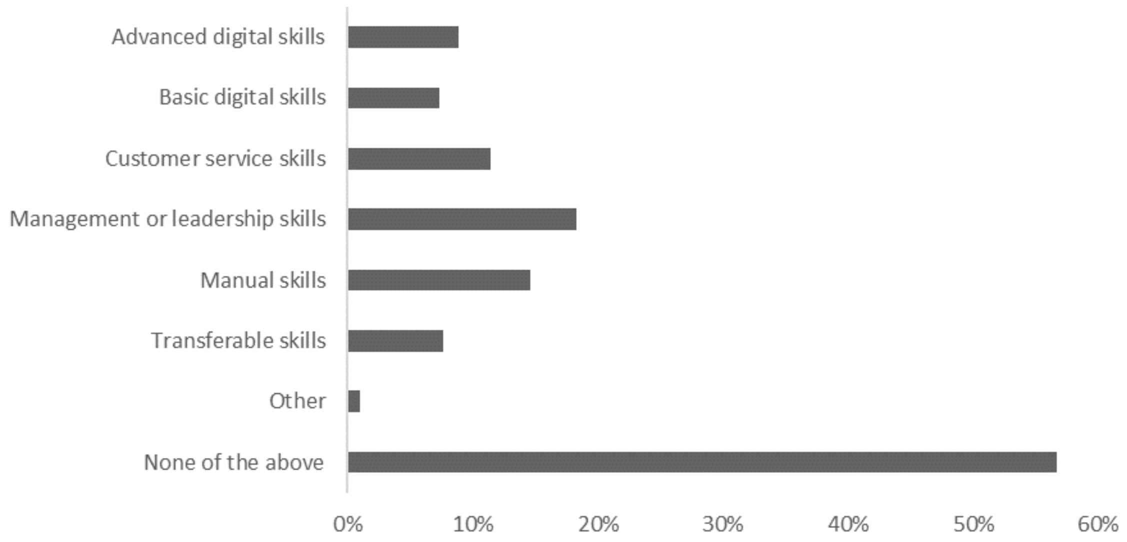
29.5% of responding West Midlands businesses reported a high demand for manual skills in the last 12 months.

Which (if applicable), skills West Midlands businesses have had a high demand for in the last 12 months:



18.3% of West Midlands businesses reported that the workforce required extra support/training in management or leadership skills.

Which (if applicable) skills that West Midlands businesses reported that the workforce required extra support or training in:



Worker Shortages
26.5% of responding West Midlands businesses reported to currently experiencing a shortage of workers. However, 57.9% reported to not experiencing a shortage of workers.

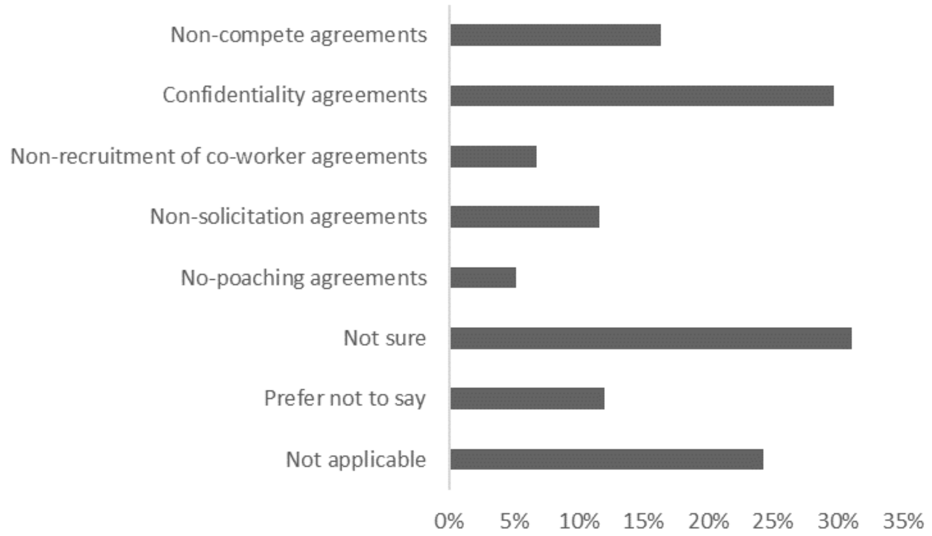
53.9% of West Midlands businesses reported employees were working increased hours due to the shortage of workers.

How the shortage of workers affected West Midlands businesses:

Hourly Wages
77.8% of responding West Midlands businesses reported on average employees' hourly wages in June 2023 when compared to the previous calendar month had stayed the same. While 13.8% reported wages had increased and 1.3% reported a decrease.

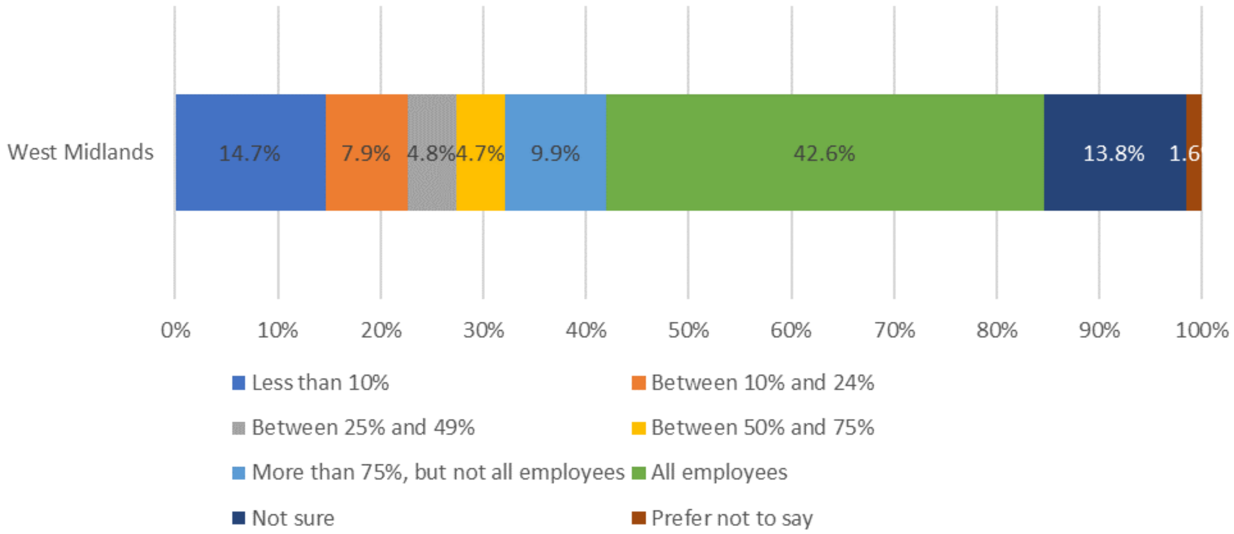
Contract Agreements
29.7% of responding West Midlands businesses reported to using confidentially agreements in contracts for current employees.

Agreements (if any) West Midlands businesses use in contracts of employment for current employees:



42.6% of West Midlands businesses reported all current employees have these agreements in contracts of employment.

Percentage of West Midlands businesses current employees have these agreements in their contracts of employment:



In the last 12 months, 3.3% of West Midlands businesses reported to receiving jobs applicants with one of these agreements in their current or most recent roles and the business hired all the job applicants. 5.9% of West Midlands businesses hired some of the job applicants with these agreements. While 30.9% of West Midlands businesses did not receive any job applicants with one of these agreements in their current or most recent roles.

Public Opinions and Social Trends Headlines

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 (from adults in Great Britain) between 28th June to 9th July 2023.

Important Issues Facing the UK

Respondents felt the four main issues facing the UK were; the cost of living (92%), NHS (88%), economy (79%), climate change & the environment (62%) and housing (62%).

Accessing GP Practices
Of those respondents who tried to contact a GP practice to make an appointment in the last month, 34% found it difficult or very difficult, while 46% found it easy or very easy to contact the GP practice.

Cost of Living
60% of respondents reported that their cost of living had increased, compared with a month ago; notably, this proportion appears to have gradually decreased since early April 2023, when it was at 76%.

Commonly reported reasons why respondents said their cost of living had increased compared with a month ago were an increase in the price of food shopping (96%), an increase in gas or electricity bills (57%), an increase in the price of fuel (37%), or an increase in their rent or mortgage costs (27%).

30% of respondents reported using their savings because of the rise in cost of living; this is an increase from 25% of adults reporting this in late April 2023.

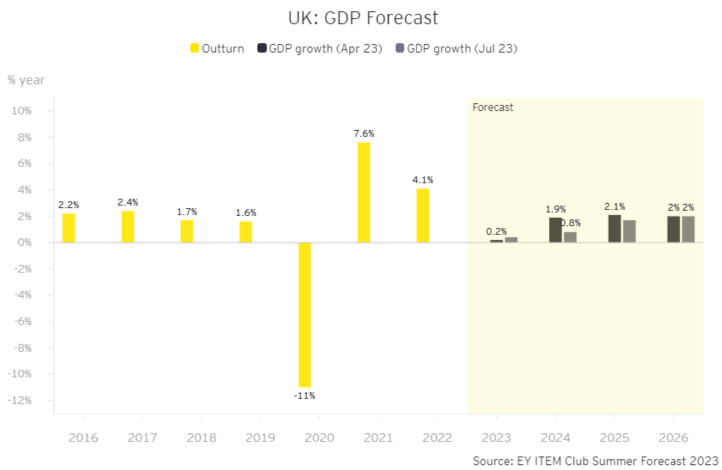
Water Use Restrictions/Reduce Water Consumption
72% of respondents had taken some form of water-saving action in the last month, with the most commonly reported actions being not leaving the tap running (47%) and waiting until the washing machine or dishwasher is full before putting it on (44%).

Headlines

<table>
<tr><th>SECTOR</th><th>KEY INSIGHTS</th></tr>
<tr><td>Cross Sector</td><td>

Outlook

- Rising interest rates have prompted the [EY Item Club]to **downgrade its UK growth forecast for 2024, but it has improved its growth prospects for 2023** given falling inflation and strong business investment in the first part of the year.
  - According to the new EY ITEM Club Summer Forecast, the UK economy is expected to **grow 0.4% in 2023**, up from the 0.2% growth projected in April's Spring Forecast
  - However, the impact of rising interest rates – which have a delayed effect on economic growth – means the **UK economy is only expected to grow 0.8% in 2024, down from April's 1.9% forecast.**
  - A strong start to 2023 for business investment means **1.4% growth is now expected this year** – up from the 0.3% contraction forecast in April. But **higher interest rates will limit businesses' appetite to spend in 2024.**



- **Take-up of industrial and logistics space across the Midlands (units of 100,000 sq ft +) reached 4.12 million sq ft in H1 2023, according to [Savills latest Big Shed Briefing]**. While this is down on recent years, **take-up for the year to date surpasses the first half of 2019**, signifying a return to levels seen prior to the pandemic.
- The **number of profit warnings for listed companies in the West Midlands decreased during the first half of 2023**, according to new research from [EY-Parthenon].
  - EY-Parthenon's Profit Warnings report said that listed companies in the West Midlands issued **four profit warnings in Q2 2023, one more than Q1 2023.**
  - However, **the total for the first half of 2023 is down by three warnings when compared to the same period in 2022.**
  - The region's industrial sectors reported the most warnings this quarter as it continues to be impacted by the uncertain economic environment. The remaining warnings were from the consumer and real estate sectors.
- **House prices in the West Midlands are bucking a trend across the UK that has seen the sharpest fall for 12 years.**
  - [Halifax] said the annual UK fall in June of 2.6 per cent, equating to around £7,500 being wiped off the average house price in cash terms, was the biggest since 2011.
  - But the **West Midlands' market appears to be relatively buoyant in comparison.**
  - It was one of only two regions to show a rise in house prices in June compared to the same time last year, **up 1.5 per cent to an average of £251,139**. Only Yorkshire and the Humber also showed a rise, and that was by only 0.2 per cent.

</td></tr>
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SECTOR	KEY INSIGHTS
	- This chimes with data released by Government on house prices for May 2023, showing the **West Midlands has having the largest monthly change at +0.5%.** • More broadly, the Office for Budget Responsibility has published its second Fiscal Risks and Sustainability Report, examining the aftershocks of three key risks that they identify as crystallising since 2020, all of which have future fiscal implications: the rise in **health-related inactivity, the rise in gas prices on energy demand and supply, and the vulnerability of current government debt levels.** **Trading Environment** • The most recent data demonstrated a **welcome fall in the headline Consumer Price Inflation** (CPI) in the UK. Annual consumer price inflation rose by 7.9 in June, down from 8.7 per cent in May. This fall was largely driven by **price decreases in motor fuels which were partially offset by price increases in food, and restaurants and hotels.** • Business groups have highlighted this as a relief for small firms, for example the FSB focus on the **positive of falling transport costs,** while the British Chambers of Commerce suggest the overall fall to be a "**glimmer of hope" despite costs and prices remaining "stubbornly high."** • It will be important to continue tracking the distributional impact of the high cost of living and changes within this, **especially for different groups of people and across different regions in the UK.** • Furthermore, firms in the Midlands are **still seeing effects from Brexit with exporting and importing costs with some cases of delayed shipping due to customs.** • More positively, **India is a "core focus international growth market" for the West Midlands' mid-market,** according to new research from Grant Thornton UK's Business Outlook Tracker. - The study – which surveyed mid-sized businesses across the region – found that 34 per cent are planning to invest more in growing internationally in the next six months. - Many of these businesses have their sights set on India, with 60 per cent of respondents identifying the country as a focus international growth market. • Finally, a new report from the National Centre for Universities and Businesses looks at the **Foreign Direct Investment into Midlands Universities' R&D**. **Labour Market** • A **fall in permanent job placements in the Midlands has continued for a seventh month in a row.** • The regional survey by KPMG and the Recruitment and Employment Confederation, conducted between June 12 and 26, also found that **temporary work rose for the first time since December.** • Some employers have put **permanent recruitment freezes in place amid economic uncertainty.** • Recruiters reported **clients requiring more flexible staff** and an increasing number of people looking for temporary work. • The supply of both permanent and temporary candidates rose sharply in the region. **Enquiries** • The Business Growth West Midlands website went live in April, initially as a landing page, and the first enquiries from businesses have begun to arrive. This allows WMCA to collate top level information from those enquiries before they are passed to business advisors based in local authorities. • The **general sentiment of the 116 enquiries received over April and May is one of caution –** with by far the most common enquiry is about grants, as opposed to debt or other external finance. Whilst some of those enquiries were regarding new investment,

The WM Economic Impact Monitor is funded by the WMCA, Research England/UKRI

SECTOR	KEY INSIGHTS
	there were **several that were seeking grants to cover core business costs such as stock, rent or salaries and others to cover initial costs involved in setting up new businesses.** 10% of the enquiries were explicitly about growth. • Since mid-May, local media continue to be full of reports of businesses in the West Midlands that are **investing in new premises or equipment or relocating into new premises.** • There were 32 requests for support and further information to the new Business Growth West Midlands website in April, and 84 in May. • Most enquiries had multiple issues they needed support with. These issues are collated below:

Issue	Number	Percentage
Grants	71	45%
General advice & guidance	20	13%
Advice about starting a business	20	13%
Support to grow a business	15	10%
Finance not including grants	0	0
Other (including energy efficiency, recruitment)	31	19%

SECTOR	KEY INSIGHTS
Services	• The flash UK PMI services output index, a measure of activity in the sector, fell to a **six-month low of 51.3**, according to new data released 24th July. • More specifically, **Birmingham's fintech sector faces an uncertain** future, with more of its firms flagging the potential risk of failure by the end of 2023 than in any other region of the UK. • That's according to new research commissioned by specialist business advisory firm FRP, which found that **58% of businesses in the sector weren't confident of their ability to trade through the next six months**, as challenges relating to inflation and interest rates persist. • This was the **highest proportion of the regions and UK nations surveyed**, which also included fintech hubs in the North East (Durham and Newcastle, 56%), in London (46%), the North (Manchester and Leeds, 42%) and Scotland (Edinburgh and Glasgow, 40%). • The fears are likely to be linked to challenging trading conditions, with more than a fifth (22%) seeing the **valuation of their business fall over the past 12 months**, as they continued to contend with rising input costs. Almost two fifths (38%) also expect their valuation to decline over the next year.
Construction and Infrastructure	• The rise in mortgage interest rates and cost of living crisis is **already plunging the UK construction industry into recession, according to building products manufacturers.** • The Construction Products Association (CPA) says that the construction industry will experience an acute recession this year driven **by double-digit falls in private housing new build and private housing repair, maintenance, and improvement (RMI)** – the two largest sectors of the construction industry in the UK. • In stark contrast to what the CPA was predicting this time last year, according to the CPA's Summer Forecasts, UK **construction output is set to fall by 7.0% in 2023 before recovering slowly in 2024 with growth of just 0.7%.** • On wider infrastructure, regional businesses who are trying to secure new premises are still finding it **difficult to find one suitable for the business needs**, even on a pan-regional and national basis. • Perhaps more positively for the ability to fill skills gaps, **bricklayers, plasterers and other construction jobs have been added to the government's "shortage occupation list",** making it easier for foreign builders to come to Britain.

SECTOR	KEY INSIGHTS
Retail, Hospitality and Tourism	• **British retail sales grew faster than expected in June despite continued high inflation**, thanks to unusually hot weather and a rebound in food sales after King Charles' coronation disrupted spending in May, official figures from ONS show. • **Sales volumes in June were 0.7% higher than in May, the ONS** said, a bigger increase than the 0.2% forecast by economists in a Reuters poll. • Compared with a year earlier, sales were 1.0% lower, beating forecasts for a 1.5% decline. **As well as the bounce-back in food sales, department stores and furniture shops also had a strong month.** • National tourism agency **VisitBritain/VisitEngland has selected Birmingham as the location for its new headquarters.** The body – which raises Britain's profile worldwide to develop its visitor economy – said it picked Birmingham "thanks to its strong international and UK transport links and availability of local talent". • The **Midlands Food, Drink and Hospitality Awards 2023** took place on July 10th, with 27 winners from across the region in categories ranging from Chef of the Year and Fine Dining Restaurant of the Year to Food/Drink Festival of the Year. **A full list of winners can be located here.**
Manufacturing and Engineering	• The manufacturing output index in the latest Flash UK PMI hit a **seven-month low of 46.5, indicating that a majority of businesses were reporting a contraction.** • Manufacturers said a **downturn in European markets was hitting demand for new orders** (chiming with research from Make UK / BDO across regions in the UK). They bolstered their output partly by running down backlogs of work as **previous blockages in supply chains eased and it became easier to hire staff** who were previously in short supply. • More positively, Tata Group's investment into a UK Gigafactory in Somerset provides a **confidence boost to the UK automotive sector,** many supply chains and expertise of which are centred around the West Midlands. • Lastly, the Royal Academy Of Engineering has produced a new report and data dashboard related to understanding the **engineering economy in places across the UK,** working with MetroDynamics.
Green Economy	• Several recent reports have been published in the last month relating to the green economy; for example **"The Cluster Effect" from the Green Alliance.** This is focused on the need for a place-based green industrial strategy in the UK. • Furthermore, the Sustainable Food Report 2022 focuses on the **sustainability of agriculture and food**, while the Midlands Engine has published a further set of its **Cluster Snapshots, including related to Net Zero Transport and Offshore Wind**. • Finally, new analysis from the CBI has shown that **making the most of 27 green growth 'prizes' could deliver a £37-57 billion boost to GDP by 2030**, equivalent to between 1.6% and 2.4% of GDP. But, as other countries make serious pitches for green investment, businesses fear that the UK faces a ticking clock and serious competition to realise these opportunities.

New Economic Shocks

COMPANY	LOCATION	SECTOR	DETAIL
Rimstock	West Bromwich	Automotive	A West Bromwich-headquartered manufacturer of alloy wheels which employs 74 staff and supplies major automotive OEMs has been placed into administration. Administrators said they are now assessing whether there is any interest in the business as a going concern. Chris Pole and Ryan Grant from Interpath Advisory were appointed joint administrators of Rimstock Ltd on 5 July 2023.

COMPANY	LOCATION	SECTOR	DETAIL
Carbide Dies	Birmingham	Engineering	A Birmingham-based precision engineering group is facing an uncertain future, TheBusinessDesk.com understands. Carbide Dies (Birmingham), which operates from Port Hope Road in the city, has posted a notice of intention to appoint administrators.

New Investment, Deals and Opportunities

COMPANY	LOCATION	SECTOR	DETAIL
UKSE (Tata Steel Subsidiary)	Region-wide	Access to Finance	Businesses across the West Midlands can apply for investment to grow and prosper as Tata Steel subsidiary UKSE expands its support into the region. Providing strategic loan and equity packages of up to £1m to generate growth, create local job opportunities and bolster the economy, UKSE's new local team are ready to support SMEs across Birmingham, the Black Country, Coventry, Staffordshire and Shropshire.
Jaguar Land Rover	Several sites	Automotive	Jaguar Land Rover improved profitability during its first quarter in what the automotive giant's chief executive described as a "strong start to the financial year".
Joblogic / Protean Software	Birmingham / Coventry	Software	Birmingham-based Joblogic, a private equity-backed field service management software provider, has increased its subscriber base by 50 per cent with the acquisition of a counterpart. Protean Software, which is headquartered in Coventry, is behind an end-to-end office and mobile software application designed to drive operational efficiencies and reduce costs.
Abrdn	Gravelly Industrial Park (Birmingham)	Industrial Development	A facility extending to almost 290,000 sq ft at Birmingham's Gravelly Industrial Park has been brought to market by Abrdn. Gravelly Point comprises 285,158 sq ft of warehouse and office space across three floors.
City of Wolverhampton Council	Wolverhampton	Entertainment	Final design work is being carried out ahead of plans being submitted for a £6m entertainment and events venue in the west of Wolverhampton city centre. The demolition of derelict shops at 1-7a Cleveland Street has now been completed to pave the way for the Box Space venue, which is forecast to bring tens of thousands of visitors to the city centre every year.
The Uniform Room	Dudley	Workwear	A Black Country-based personalised workwear and uniform company is eyeing growth and a six-figure investment programme after signing up for new headquarters. The Uniform Room has agreed a five-year lease for Building 1, Bay 1 at Multipark Pensnett with commercial property and investment company LCP, part of M Core, which owns and manages the estate. The move involves the family-owned and run business increasing its operational and back-office space to 5,300 sq ft – more than doubling its existing space at its current Cradley Heath home.
Bond Wolfe	Birmingham	Development	A strategic development opportunity in Birmingham, close to where the Peaky Blinders movie is to be filmed, has been brought to market. The freehold property at 122 Great Barr Street extends to approximately 8,500 sq ft and is at the heart of the Digbeth 'East Side' area.
Handelsbanken Birmingham	Birmingham	Banking	A prominent relationship bank has agreed a deal to move its Birmingham branch to offices at 103 Colmore Row. Handelsbanken Birmingham is moving into a 4,000 sq ft office on the fourth floor of the 26-storey building, after signing a ten-year lease with Tristan Capital Partners and Sterling Property Ventures, joint developers of 103 Colmore Row
Kite Packaging	Coventry	Packaging	Turnover and pre-tax profits have risen at an employee-owned packaging company during a financial year in which it expanded its operations through the opening of new campus in Coventry. Newly

COMPANY	LOCATION	SECTOR	DETAIL
			filed accounts for Kite Packaging Group Holdings show the company's turnover increased from £142.4m to £162m in the year to 31 December 2022.
Watling Real Estate	Aldridge	Industrial Development	A Black Country industrial site which has lain dormant since the beginning of the year when its occupier ceased trading has been placed on the market by Watling Real Estate. The property at Northgate Way, Aldridge was previously occupied by Imperial Bathrooms, which ceased trading in January.
Birmingham City Council	Jewellery Quarter, Birmingham	Development	Residents and businesses in the Jewellery Quarter have voted in favour of a new Neighbourhood Plan to provide a blueprint for the development of the district over the next decade.
Halesowen College	Halesowen	Education	Halesowen College will take over the east wing of the nearby Trinity Point office building following a deal worth £2.7m.
Birmingham City FC	Birmingham	Sport	The acquisition of Birmingham City by a US investment company has completed. Knighthead Capital Management LLC has confirmed that through its Shelby Companies Limited (SCL), it has completed the transaction with the majority owners of Birmingham City Football Club, including Birmingham Sports Holdings Limited.
Hammond Chemicals	Brierley Hill	Chemicals	A Brierley Hill-based chemicals supplier has been acquired by investment company Euston Ventures in a transaction supported by Shawbrook. Established in 1969, Hammond Chemicals is a blender, packager and distributor of industrial solvents. The acquisition was also supported by Search Fund investor and entrepreneur Jim Ward, who joins as Hammond's chief executive, with the third generation of the Hammond Family continuing in the business as part of the leadership team.
Talking Tortoise	Alcester, Warwickshire	PR / Marketing	An international PR and marketing agency has opened an office at Long Barn Village near Alcester. Talking Tortoise was founded by Jessica Blyth-Sweetingham in 2014, specialising in marketing IT hardware, software and cybersecurity.
Succession Wealth	Birmingham	Wealth Management	A prominent wealth management firm has expanded its presence in Birmingham through new grade A office space at the site of its headquarters. Succession Wealth, which supports more than 20,000 clients throughout the UK, has increased the size of its headquarters at 60 Church Street in the heart of the city centre.
Seven Stars Industrial Estate	Coventry	Industrial Development	A newly refurbished Coventry industrial estate has become fully let following four lettings completed by commercial agents at Harris Lamb. The lettings at Seven Stars Industrial Estate on Wheler Road follow a £1m refurbishment overseen by Harris Lamb's building consultancy team to upgrade units at the business park on behalf of the landlords.
Talbot's Law	Dudley	Legal Services	Talbots Law has strengthened its presence in Dudley with the purchase of a historic firm, representing its second acquisition in three months. The employee-owned law firm, which has a team of more than 400 people, has snapped up Wright Solicitors, which dates back to 1919.
Collins Aerospace	Wolverhampton	Aerospace	A jet engine maker is set to acquire the flight controls business from Collins Aerospace. The $1.8bn deal by Safran is to enable the group to become a global leader in critical flight control and actuation functions and combine its knowledge with Collins to create future sophisticated aircraft programmes.
MIRA Technology Park	Nuneaton	Manufacturing	MIRA Technology Park has revealed plans that could create 2,000 jobs. Plans have been revealed for 2.4m sq ft of manufacturing space.
Agriculture and Horticulture Development Board	Coventry	Agriculture	An organisation supporting the farming industry has moved into new headquarters in Coventry. Bromwich Hardy helped secure the deal, allowing the Agriculture and Horticulture Development Board

COMPANY	LOCATION	SECTOR	DETAIL
			to move into International House on the Middlemarch Business Park, where the commercial property firm is also based.
Birmingham Voluntary Service Council	Birmingham	Voluntary	Latham House on Paradise Street in Birmingham has been sold to one of the UK's largest voluntary sector support organisations. Birmingham Voluntary Service Council (BVSC) will relocate to Latham House from its interim premises in Livery Street, having moved from its long-term base in Digbeth in 2022.
Aston Martin	Warwickshire	Automotive	Aston Martin has revealed it will invest around £2bn over the next five years, as it looks to secure long-term growth and complete its transition to electrification.
Kew Technology	Wednesbury	Energy	Kew Technology has secured more than £4.4m of funding to take its research into waste-to-hydrogen technology solutions into 'real-world' demonstration at its sustainable energy centre facility in Wednesbury.
Building Cost Information Service (BCIS)	Coventry	Construction	The Building Cost Information Service (BCIS), a valuation platform for construction, has launched new premises at FigFlex Coventry.
Giomani Designs / Moda Furnishings	Wednesbury	Furniture	Home furnishings group Giomani Designs has agreed a rescue deal to acquire crisis-hit Moda Furnishings. Manchester-based Moda had filed a notice of intention to appoint administrators in mid-July, to give it protection from creditors while a sale was completed.
Delta g	Birmingham	Technology	A University of Birmingham spin-out which specialises in gravity sensing hardware and technology development has raised £1.5m in a pre-seed funding round. Delta g Ltd recently spun out of the UK Quantum Technology Hub Sensors and Timing at the University of Birmingham.

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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